

WESTPAC BANKING CORP
Form 20-F
November 10, 2015

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 20-F

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF
THE SECURITIES EXCHANGE ACT OF 1934**

Or

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2015

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934**

Or

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES
EXCHANGE ACT OF 1934**

Commission File Number: 1-10167

WESTPAC BANKING CORPORATION

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

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

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

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Westpac Banking Corporation, New York branch,

575 Fifth Avenue, 39th Floor, New York, New York 10017-2422,
Attention: Branch Manager, telephone number: (212) 551-1800

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

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

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **3.0% Notes due December 9, 2015, 0.95% Notes due January 12, 2016, 1.050% Notes due November 25, 2016, Floating Rate Notes due November 25, 2016, 1.20% Notes due May 19, 2017, Floating Rate Notes due May 19, 2017, 2.0% Notes due August 14, 2017, 1.50% Notes due December 1, 2017, Floating Rate Notes due December 1, 2017, 1.60% Notes due January 12, 2018, 4.625% Subordinated Notes due 2018, 1.55% Notes due May 25, 2018, Floating Rate Notes due May 25, 2018, 2.25% Notes due July 30, 2018, Floating Rate Notes due July 30, 2018, 2.25% Notes due January 17, 2019, Floating Rate Notes due January 17, 2019, 4.875% Notes due November 19, 2019, 2.30% Notes due May 26, 2020 and notes issued under our Retail Medium-Term Notes program (Registration Statement No. 333-172579)**

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

Ordinary shares	3,183,907,786 fully paid
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

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

Yes No

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

Yes No

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

Yes No (not currently applicable to registrant)

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

Large accelerated filer Accelerated Filer Non-accelerated filer

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

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

Other

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

Yes No

Westpac Group

2015 Annual Report

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US Form 20-F



Table of contents

Annual Report	
Form 20-F cross-reference index	2
Guide 3 cross-reference index	4
Section 1	6
Information on Westpac	7
Business strategy	7
Westpac's approach to sustainability	10
Five year non-financial summary	12
Outlook	14
Significant developments	15
Corporate governance	22
Directors' report	39
Remuneration Report	53
Section 2	81
Five year summary	82
Reading this report	83
Review of Group operations	85
Income statement review	87
Balance sheet review	94
Capital resources	98
Commitments	100
Divisional performance	101
Westpac Retail & Business Banking	103
St. George Banking Group	104
BT Financial Group (Australia)	105
Westpac Institutional Bank	108
Westpac New Zealand	109
Other divisions	110
Risk and risk management	116
Risk factors	116
Risk management	123
Credit risk	123
Liquidity risk	124
Market risk	125
Operational risk and compliance risk	126
Other risks	127
Other Westpac business information	130
Section 3	133
Financial statements	134
Notes to the financial statements	140
Statutory statements	267
Section 4	273
Shareholding information	274
Additional information	287
Information for shareholders	292
Glossary of abbreviations and defined terms	295

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

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

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

2015 Westpac Group Annual Report

1

Form 20-F cross-reference index

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

20-F item number and description	Page
Part I	
Item 1. Identity of directors, senior management and advisers	Not applicable
Item 2. Offer statistics and expected timetable	Not applicable
Item 3. Key information	
Selected financial data	82, 87, 94-96, 290
Capitalisation and indebtedness	Not applicable
Reasons for the offer and use of proceeds	Not applicable
Risk factors	116-122
Item 4. Information on Westpac	
History and development of Westpac	7, 14-21
Business overview	7-10, 14-21
Organisational structure	8-9, 246-248
Property, plants and equipment	130
Item 4A. Unresolved staff comments	Not applicable
Item 5. Operating and financial review and prospects	
Operating results	85-99, 101-115
Liquidity and capital resources	98-100, 124-125, 127-129
Research and development, patents and licences etc.	Not applicable
Trend information	87-98, 101-115
Off-balance sheet arrangements	129
Tabular disclosure of contractual obligations	100
Safe harbor	83
Item 6. Directors, senior management and employees	
Directors and senior management	39-47, 48-50
Compensation	53-78, 259-261
Board practices	24-42
Employees	130
Share ownership	48-50, 259-261, 274
Item 7. Major shareholders and related party transactions	
Major shareholders	274-280
Related party transactions	130-131, 259-261
Interests of experts and counsel	Not applicable
Item 8. Financial information	
Consolidated statements and other financial information	133-271
Significant changes	15-19, 264-265
Item 9. The offer and listing	
Offer and listing details	281
Plan of distribution	Not applicable
Markets	292-293
Selling shareholders	Not applicable
Dilution	Not applicable
Expenses of the issue	Not applicable

Guide 3 cross-reference index

	Page
Part I Distribution of assets, liabilities and stockholders equity; interest rates and interest differential	
Average balance sheets	94, 161-163
Analysis of net interest earnings	88-89, 161-163
Volume and rate movement	88, 161-163
Part II Investment portfolio	
Book value of investments	164-165
Maturity profile	165, 214-216
Book value and market value > 10% of shareholders	164-165
Part III Loan portfolio	
Types of loans	166-167
Maturities and sensitivities of loans to changes in interest rates	168
Risk elements	
Non-accrual, past due and restructured loans	97-98, 206-209
Potential problem loans	97-98
Foreign outstandings	124
Loan concentrations	123
Other interest bearing assets	164-165, 202-204
Part IV Summary of loan loss experience	
Analysis of the allowance for loan losses	169-172
Allocation of the allowance for loan losses	169-172
Part V Deposits	174-175
Part VI Return on equity and assets	82-95
Part VII Short-term borrowings	176-177

Guide 3 cross-reference index

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Information on Westpac

Corporate governance

Directors report

Remuneration Report

Information on Westpac

Westpac is one of the four major banking organisations in Australia and one of the largest banking organisations in New Zealand. We provide a broad range of banking and financial services in these markets, including consumer¹, business and institutional banking and wealth management services.

We have branches, affiliates and controlled entities² throughout Australia, New Zealand, Asia and the Pacific region, and maintain branches and offices in some of the key financial centres around the world³.

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

As at 30 September 2015, our market capitalisation was \$95 billion⁴ and we had total assets of \$812 billion.

Business strategy

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

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

In delivering on our strategy we are focussed on our core markets, including Australia and New Zealand, where we provide a comprehensive range of financial products and services that assist us in meeting the financial services needs of our customers. With our strong position in these markets, and over 13 million customers⁵, our focus is on organic growth, growing customer numbers in our chosen segments and building stronger and deeper customer relationships.

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

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- 1 A consumer is defined as a person that uses our products and services. It does not include business entities.
- 2 Refer to Note 35 to the financial statements for a list of our material controlled entities as at 30 September 2015.
- 3 Contact details for our head office, major businesses and offshore locations can be found on the inside back cover.
- 4 Based on the closing share price of our ordinary shares on the ASX as at 30 September 2015.
- 5 All customers with an active relationship (excludes channel only and potential relationships) as at 30 September 2015.

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

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

While we are currently one of the most efficient banks globally, as measured by a cost to income ratio, we continue to focus on ways to simplify our business to make it easier for customers to do business with us and to make work more enjoyable for our people. We believe that these improvement efforts also contribute to reducing unit costs that create capacity for further investment for growth.

As part of our service-focussed strategy, in 2015 we embarked on a service revolution for our customers. This program is a substantial step-up in our strategy seeking to: provide a truly personal service for customers while better anticipating their needs; put customers in control of their finances; and innovate and simplify to reinvent the customer experience. As part of our multi-year transformation, we implemented a new operating structure to increase clarity of accountability for transformation while simplifying and speeding up decision making.

We also recognise that digitisation is occurring at an accelerated pace and customer behaviours are changing. The service revolution responds to these trends with the support of digital technologies. This includes new services that make banking available 24/7 such as smart ATMs and our new online/mobile platform, Westpac Live. It extends to new banking apps that provide greater flexibility for customers to choose how to manage their finances, and it includes using digitisation to simplify our processes to provide a better customer experience. With market leading front-end systems, we are now focussed on aligning our technology architecture to our service strategy.

Sustainability is part of our strategy where we seek to anticipate and shape the most pressing emerging social issues where we have the skills and experience to make a meaningful difference and drive business value. Our approach seeks to make sustainability part of the way we do business, embedded in our strategy, values, culture and processes.

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

§ delighting customers;

§ one team;

§ integrity;

§ courage; and

§ achievement.

2015 Westpac Group Annual Report

Strategic priorities

To meet the challenges of the current environment and deliver on our strategy, we have established clear strategic priorities:

a) Performance discipline

§ to be the region's best performing bank;

§ manage the business in a balanced way across strength, growth, return and productivity;

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

§ continue to enhance our funding and liquidity position, including ensuring a diversity of funding pools and optimising the composition of customer deposits; and

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

b) Service leadership

§ provide a seamless customer experience across all channels;

§ deepen relationships through context-based customer experiences; and

§ acquire new customers by making it simpler, easier and better for people to bank with us.

c) Digital transformation

§ create a 21st century, digitised bank with multi-brand capabilities;

§ simplify products and processes by digitising end-to-end; and

§ drive efficiency opportunities from digitisation and consolidation of systems.

d) Targeted growth

§ pursue growth opportunities; and

§ focus on stronger growth in small to medium enterprise, wealth and Asia.

e) Workforce revolution

§ focus on a customer service, high performance workforce and culture;

§ strengthen the skills of our people to better serve customers and meet their complete financial needs;

§ empower our people to drive innovation, deliver new and improved ways of working and be responsive to change; and

§ continue to enhance the diversity of our workforce.

Organisational structure

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Our operations comprise five primary customer-facing business divisions operating under multiple brands serving around 13 million customers. Although Westpac announced in June 2015 that it would implement a new organisational structure for its Australian retail and business banking operations, up to 30 September 2015, the accounting and financial performance continued to be reported (both internally and externally) on the basis of the existing structure. That structure is as follows:

Westpac Retail & Business Banking (Westpac RBB) is responsible for sales and service to consumer, small-to-medium enterprise (SME), commercial and agribusiness customers (with turnover of up to \$100 million) in Australia under the Westpac brand. Activities are conducted through Westpac RBB's network of branches, third party distributors, call centres, automatic teller machines (ATMs), EFTPOS terminals, internet and mobile banking services, business banking centres and specialised consumer and business relationship managers. Support is provided by cash flow, trade finance, transactional banking, financial markets, property finance and wealth specialists.

St.George Banking Group (St.George) is responsible for sales and service to consumer, SME and corporate customers (businesses with facilities up to \$150 million) in Australia under the St.George, BankSA, Bank of Melbourne and RAMS brands. RAMS is a financial services group specialising in mortgages and online deposits. Activities are conducted through St.George's network of branches, third-party distributors, call centres, ATMs, EFTPOS terminals, internet and mobile banking services, business banking centres and specialised consumer and business relationship managers. Support is provided by cash flow, trade finance, transactional banking, automotive and equipment finance, financial markets, property finance and wealth specialists.

BT Financial Group (BTFG) is Westpac's Australian wealth division. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation and retirement products, investment platforms including BT Wrap and Asgard, private banking, financial planning as well as equity capability and broking. BTFG's insurance solutions cover the manufacturing and distribution of life, general and lenders mortgage insurance. BTFG's brands include Advance Asset Management, Ascalon, Asgard, BT, BT Select, Licensee Select, Securitor and the Advice, Private Banking and Insurance operations of Bank of Melbourne, BankSA, St.George and Westpac. In June 2015, Westpac announced the partial sale of its interest in BT Investment Management (BTIM). Following completion of the sale, Westpac's holding in BTIM decreased from 59.1% of BTIM's issued capital to 31.0%.

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

Information on Westpac

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Westpac New Zealand is responsible for the sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand:

§ Westpac New Zealand Limited, which is incorporated in New Zealand; and

§ Westpac Banking Corporation (NZ Division), a branch of Westpac, which is incorporated in Australia.

The division operates via an extensive network of branches and ATMs across both the North and South Islands.

Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac and WIB brands while insurance and wealth products are provided under Westpac Life and BT brands respectively.

Other divisions in the Group include:

§ Westpac Pacific, which provides banking services for retail and business customers in three Pacific Island Nations. Branches, ATMs, telephone banking and internet banking channels are used to deliver business activities in Fiji, Papua New Guinea (PNG) and Vanuatu. In July 2015, Westpac announced that it had sold its banking operations in Samoa, Cook Islands and Tonga to the Bank of South Pacific Limited (BSP).

On 30 October 2015, Westpac sold its banking operations in the Solomon Islands to BSP. Westpac Pacific's financial products include personal savings, business transactional accounts, personal and business lending products, business services and a range of international products;

§ Customer & Business Services, which encompasses banking operations, customer contact centres, product, marketing, compliance, legal and property services;

§ Group Technology, which comprises functions responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration;

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

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

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

For a description of the new organisational structure for Australian retail and business banking, see [Significant developments](#) [new organisational structure](#) .

Westpac's approach to sustainability

Across the Westpac Group, we believe in establishing a sustainable future for our operations and our stakeholders. This view is embedded in our strategy, values, culture and processes.

In practice, this means we seek to focus on anticipating and responding to the most pressing emerging issues that we believe will have a material impact on our customers, employees, suppliers, shareholders and the communities in which we operate, where we have the skills and experience to make a meaningful difference.

Guiding our approach

The Board has responsibility for considering the social, ethical and environmental impact of the Westpac Group's activities, setting standards and monitoring compliance with Westpac's sustainability policies and practices.

Our sustainability strategy is based upon the use of the widely accepted global standard for Corporate Responsibility and Sustainable Development, the *AA1000 AccountAbility Principles Standard* (2008).

Our sustainability principles

In line with AA1000, we have adopted the Standard's three key principles:

§ involving all stakeholders in developing our strategy -Inclusivity;

§ evaluating all issues identified to determine the impact they may have on our stakeholders and our operations - Sustainability materiality; and

§ ensuring our decisions, actions and performance, as well as our communication with stakeholders, are responsive to the issues identified Responsiveness.

Inclusivity

Our approach to inclusivity during 2015 has included:

- § continuing work to understand and address customer concerns;
- § collaborating with key external stakeholders to inform our approach;
- § consulting with employees so as to better understand the drivers of strong employee engagement;
- § bringing together our General Managers with internal and external stakeholders to inform sustainability priorities and targets;
- § ongoing monitoring of our reputation across a wide range of mediums; and
- § working closely with numerous community organisations through employee volunteering, workplace giving and community support.

Sustainability materiality

As part of our annual materiality review we identify, prioritise and define issues according to their impact on our stakeholders and our business. These issues are reviewed externally and internally and are assessed by Ernst & Young as part of their assurance. Material issues identified in 2015 include:

- § the need to respond to changing customer expectations;
- § the effect of digitisation on the way customers and businesses interact and do business;
- § new regulatory requirements that are shaping the financial services industry; and
- § the importance of understanding and managing environmental, social and corporate governance risks within our value chain.

Responsiveness

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The issues identified during our materiality review directly inform the development of our responses, objectives and performance measures.

In addition to the sustainable business practices embedded in our day to day activities (such as sustainable lending practices, community investment and evolving the way we interact with and serve our customers), we continue to track our progress against the sustainability strategy, which guides our efforts for 2013-2017.

As part of the strategy, we have set 10 measurable objectives in three priority areas, which are to:

- § help improve the way people work and live, as our society changes;
- § help find solutions to environmental challenges; and
- § help our customers to have a better relationship with money, for a better life.

During 2015 we have updated the targets within our sustainability strategy, reflecting stakeholder feedback, to include:

- § additional metrics to provide a more complete picture of our environmental performance, including a greenhouse gas emissions target for retail and commercial property and water and waste reduction targets;
- § a higher threshold for determining the green buildings included in our target for lending and investment to the CleanTech and environmental services sector, in line with industry trends; and
- § a new target to recruit 500 additional Indigenous Australians by 2017.

Information on Westpac

Performance against sustainability objectives¹

Priority	Objectives	Full year 2015 performance
Help improve the way people work and live as our society changes	Ensure our workforce is representative of the community.	<p>§ Increased women in leadership² to 46%, up from 44% in 2014.</p> <p>§ Recruited an additional 150 Indigenous Australians.</p> <p>§ Participation of mature age workers (50+) is 20.8%, down from 20.9% one year ago.</p>
	Extend length and quality of working lives.	<p>§ Employee mean retirement age has remained steady at 61.6 years. The Group has continued to promote flexible working including training for people leaders and the creation of online training and tools to support a gradual transition to retirement.</p> <p>§ A Wellbeing Policy was developed for the Group.</p>
	Anticipate the future product and service needs of ageing and culturally diverse customers.	<p>§ Launched BTFG's Changing the Face of Advice program in October 2014, incorporating the Adviser View register with planner qualifications and customer ratings. The program also covers higher minimum educational and ethical standards for all BTFG planners and the launch of an Advice Commitment customer charter. The intent of the program is to give Australians access to better information on financial planning and planners.</p>
Help find solutions to environmental challenges	Provide products and services to help customers adapt to environmental challenges.	<p>§ Since 2013 launched five unique product/services, including the issuance of a green bond in September 2015 to directly fund renewable and green building projects in Australia.</p>
	Increase lending and investment in CleanTech and environmental services.	<p>§ Following the introduction of a higher threshold for green buildings in line with industry trends, total TCE for the CleanTech and environmental services sector is \$6.1 billion, still ahead of our \$6 billion target by 2017.</p> <p>§ 60.7% of total energy financing is directed to renewable energy generation (including hydro, wind and solar).</p>
	Reduce our environmental footprint.	<p>§ Maintained carbon neutrality.</p> <p>§ Achieved our power use effectiveness and energy efficiency targets of 1.7PUE and 197kWh/m² respectively.</p>

		<p>§ Recycling rates in Sydney head offices improved to 61%, tracking ahead of target.</p> <p>§ Reached our stretch target of a 15% reduction in office paper two years ahead of schedule.</p>
<p>Help customers to have a better relationship with money, for a better life</p>	<p>Ensure all our customers have access to the right advice to achieve a secure retirement.</p>	<p>§ 1,588 customer facing employees hold an externally recognised wealth accreditation, 90% against target.</p>
	<p>Help our customers meet their financial goals in retirement.</p>	<p>§ The take-up of superannuation and retirement offers has been impacted by regulatory changes affecting the industry, including the Future of Financial Advice reforms. A new customer engagement and retention program commenced during the year.</p>
	<p>Increase access to financial services.</p>	<p>§ Met the Group's 2015 target for Westpac Pacific with over 292,000 net basic banking accounts. In-store transaction volumes were over 391,000 and mobile banking activations over 58,000.</p>
	<p>Help people gain access to social and affordable housing and services.</p>	<p>§ Loaned more than \$1.0 billion to the social and affordable housing sector as at 30 September 2015, up from \$0.82 billion as at 30 September 2014.</p> <p>§ Construction commenced on 275 new affordable homes as part of the Group's largest single community housing finance.</p>

1 All results as at 30 September 2015 except environmental footprint which is as at 30 June 2015.

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

Five year non-financial summary¹

	2015	2014	2013	2012	2011
Customer					
Total customers (millions) ²	13.1	12.8	12.2	11.8	11.5
Digitally active customers (millions) ³	4.9	4.7	4.2	4.0	3.7
Branches	1,429	1,534	1,544	1,538	1,532
Branches with 24/7 capability (%) ⁴	22	15	-	-	-
Number of ATMs	3,850	3,890	3,814	3,639	3,544
Smart ATMs (%) ⁵	31	24	17	-	-
Net Promoter Score (NPS) Australia - consumer ⁶	1.1	0.9	(2.4)	(7.7)	(7.7)
Net Promoter Score (NPS) Australia - business ⁶	(0.7)	1.2	(5.3)	(10.8)	(7.0)
Net Promoter Score (NPS) NZ - consumer ⁶	+5	+2	+8	+9	n/a ³
Change in consumer complaints (%) - Australia	(31)	(27)	(15)	-	-
Change in consumer complaints (%) - NZ	(22)	(19)	(16)	-	-
Products per customer ⁷	2.98	2.96	3.00	2.84	-
Wealth customer penetration (%) ⁸	19.7	20.0	18.7	18.4	17.0
Employees					
Total core (permanent) full time equivalent staff (number at financial year end)	32,620	33,586	33,045	33,418	33,898
Employee Voluntary Attrition (%) ⁹	10.6	9.8	9.8	9.9	11.5
New Starter Retention (%) ¹⁰	85.3	88.0	86.7	84.8	84
High Performer Retention (%) ¹¹	95.0	95.8	95.7	95.9	95.3
Lost Time Injury Frequency Rate (LTIFR) ¹²	0.8	1.1	1.5	1.9	2.5
Women as a percentage of the total workforce (%)	59	59	60	61	61
Women in Leadership (%) ¹³	46	44	42	40	38
Environment					
Total Scope 1 and 2 emissions - Aust and NZ (tonnes CO ₂ -e) ¹⁴	173,437	175,855	180,862	183,937	184,124
Total Scope 3 emissions - Aust and NZ (tonnes CO ₂ -e) ¹⁵	67,959	73,871	85,013	91,855	57,163
Paper Consumption - Aust and NZ (tonnes) ¹⁶	4,857	5,334	5,762	-	-
Responsible lending and investment					
Proportion of electricity generation financing in renewables including hydro - Aust and NZ (%) ¹⁷	61	59	55	52	45
Electricity generation portfolio emissions intensity (tonnes CO ₂ -e/MWh) ¹⁸	0.38	0.41	0.44	-	-
Finance assessed under the Equator Principles - Group (\$m) ¹⁹	1,065	851	268	1,140	383
Responsible Investment Funds Under Management (\$m) ²⁰	15,017	-	-	-	-
Social impact					
Community investment (\$m) ²¹	116	217	131	133	155
Community investment as a percentage of pre-tax profits - Group (%)	1.04	2.02	1.33	1.50	1.82
Community investment as a percentage of pre-tax operating profit (cash earnings basis)	1.02	1.99	1.28	1.41	1.72
Financial education (participants) ²²	60,342	49,812	32,577	36,182	42,109
Supply chain					
Top suppliers self-assessed - Australia (%) ²³	100	100	98	94	92
Spend with Indigenous suppliers - Australia (\$ million) ²⁴	1.2	-	-	-	-

Information on Westpac

1 All data represents Group performance as at 30 September 2015 unless otherwise stated.

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

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

4 Branches with 24/7 capability allowing customers to self-serve (for cash deposits and withdrawals) via a range of devices.

5 ATMs with deposit taking functionality. Excludes old style envelope deposit machines.

6 Net Promoter Score (NPS) measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Net Promoter ScoreSM is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. For retail banking, using a scale of 1 to 10 (1 means very unlikely and 10 means very likely), the 1-6 raters (detractors) are deducted from the 9-10 raters (promoters). For business banking, using a scale of 0 to 10 (0 means extremely unlikely and 10 means extremely likely), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters). NPS Consumer: Australia source - Roy Morgan Research, September 2011 - 2015, 6MMA. Westpac Group, Main Financial Institution (as defined by the customer). Consumers aged 14 or over; NZ source - NZ Retail market monitor provided by Camorra Research. NPS Business: Australia source: DBM Consultants Business Financial Services Monitor, September 2011 - 2015, 6MMA. Westpac Group, MFI customers, all businesses.

7 Roy Morgan Research, Respondents aged 18+, 6 month rolling average, September 2015. Products Per Customer (PPC) results are based on the total number of Banking and Finance products from the Institution Group held by a Retail and Business Banking (RBB) customer. The figure is calculated by dividing the total number of Banking and Finance products held by Retail and Business Banking (RBB) customers at the Institution Group by its total Retail and Business Banking (RBB) number of customers.

8 Data based on Roy Morgan Research, Respondents aged 14+. 12 month average to September 2015. Wealth penetration is defined as the proportion of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with a Banking Group and also have Managed Investments, Superannuation or Insurance with the same Banking Group.

9 Employee Voluntary Attrition refers to the total voluntary separation of permanent employees over the 12 month average total permanent headcount for the period (includes full time, part time and maximum term employees). 2015 data includes Westpac Pacific (excluded in prior years).

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10 Voluntary New Starter retention over the 12 month rolling New Starter headcount for the period (includes full time and part time permanent employees). Excludes Westpac Pacific.

11 Voluntary High Performer Retention over the 12 month rolling High Performer headcount for the period (includes full time, part time permanent and maximum term employees). Excludes Westpac Pacific.

12 Lost Time Injury Frequency Rate (LTIFR) measures the number of Lost Time Injuries, defined as injuries or illnesses (based on workers compensation claims accepted) resulting in an employee being unable to work for a full scheduled day (or shift) other than the day (or shift) on which the injury occurred where work was a significant contributing factor, per one million hours worked in the rolling 12 months reported. Excludes Westpac Pacific.

13 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. Includes Executive Team, General Managers, Senior Managers as direct reports to General Managers and the next two levels of management. 2015 data includes Westpac Pacific (not included in prior years).

14 Scope 1 greenhouse emissions are the release of greenhouse gases into the atmosphere as a direct result of Westpac's Australian and New Zealand banking operations. Scope 2 emissions are indirect greenhouse gas emissions from consumption of purchased electricity from Westpac's Australian and New Zealand banking operations. Australian data is prepared in accordance with the *National Greenhouse and Energy Reporting Act 2007*. New Zealand data is prepared in accordance with the Guidance for Voluntary Corporate Greenhouse Gas Reporting published by the New Zealand Ministry for the Environment. These definitions also align with the GHG protocol and ISO 14064-1 standard and are reported for the period 1 July to 30 June.

15 Scope 3 emissions are greenhouse gases emitted as a consequence of Westpac's Australian and New Zealand banking operations but by another facility. Australian data is prepared in accordance with the National Carbon Offset Standard. New Zealand data is prepared in accordance with the New Zealand Ministry for the Environment for GHG reporting. These definitions also align with the GHG protocol and ISO 14064-1 standard and are reported for the period 1 July to 30 June.

16 Total copy paper purchased (in tonnes) by the Westpac Group as reported by its suppliers.

17 Measured as the percentage of indirect and direct financing (TCE) to energy generation assets in the Australian and New Zealand electricity markets.

18 Data is based on the reported exposures to energy generation (AUD lending only). The average financed carbon intensity is calculated by weighting each loan (total committed exposures) by the carbon intensity of each company.

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

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20 BTFG funds applying an environmental, social and governance (ESG integration) approach. Data prior to 2015 not available due to change in reporting methodology.

21 This amount includes monetary contributions, time contributions, management costs and in-kind contributions comprising gifts and foregone fee revenue. The 2014 figure includes Westpac's \$100 million contribution to the Westpac Bicentennial Foundation.

22 Refers to the number of attendees (employees, customers and general public) at financial education courses and who access training courses offered by the Westpac Group. Excludes keynote presentations offered by the Davidson Institute.

23 Refers to suppliers in our top 80 by spend.

24 Annual spend with businesses that are 51% or more owned and operated by an Aboriginal or Torres Strait Islander person and certified with a relevant member organisation.

Competition

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

We serve the banking, wealth and risk management needs of customer segments from consumers to small businesses through to large corporate and institutional clients. The Westpac Group competes with other financial services industry players for customers, covering their transacting, saving, investing, protecting and borrowing needs with a wide set of products and services. Our competitors range from large global organisations with broad offerings to entities more focussed on specific regions or products. Our competitors include financial services and advisory companies such as banks, investment banks, credit unions, building societies, mortgage originators, credit card issuers, brokerage firms, fund and asset management companies, insurance companies and internet-based financial services providers. We operate in an environment where digital innovation is changing the competitive landscape and there are new competitors emerging from other sectors, including retail, technology and telecommunications.

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

- § the type of customer served;
- § customer service quality and convenience;
- § the effectiveness of, and access to, distribution channels;
- § brand reputation and preference;
- § the quality, range, innovation and pricing of products and services offered;
- § digital and technology solutions; and
- § the talent and experience of our employees.

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

Competition for lending is also expected to remain high. At the same time, businesses and consumers are cautious about the global outlook and continue to reduce debt. The residential mortgage market continues to be highly competitive, with market participants seeking to maintain or expand their market share using price. This is expected to continue. Serving business customers' transaction and trade financing needs has been at the centre of competitive activity as customer expectations increase.

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

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

Outlook1

The Australian economy had another year of below trend growth as it continued to be buffeted by a slowdown in mining investment and a sharp fall in its terms of trade. At the same time, a cautious approach from households and businesses combined with governments seeking to reduce debt, has further limited growth.

The international outlook also softened over the year. Growth in China has been slower than most expected at the beginning of the year, and that slowdown has been a key catalyst to the fall in global commodity prices. With excess capacity in many industries, China's growth rate seems set to slow further next year. In contrast, the US economy has lifted somewhat more quickly than anticipated with improved growth prospects expected to carry through to next year. Europe seems to have stabilised with a low, but nevertheless positive, growth outlook.

Within Australia, the 2016 outlook is for a modest lift in the real GDP growth rate back to trend which we now assess at around 2.75%. That compares with growth of around 2.2% over the last year.

The anticipated lift in the GDP growth rate reflects expectations for some improvement in household spending growth, non mining investment and exports. Partially offsetting these factors is expected to be a further contraction in mining investment and a smaller contribution from residential construction as residential investment peaks. These forecasts are predicated upon some further weakness in the Australian dollar; ongoing record low interest rates; and a stable year for Australia's terms of trade.

A bright spot will be the ongoing recovery in Australia's net exports of services which are benefitting from the more competitive Australian dollar. These sectors, along with health and professional services, are boosting jobs growth. Lead indicators point to the unemployment rate initially stabilising before drifting lower as economic growth improves.

Price pressures are expected to remain benign with core CPI inflation remaining well controlled and wages growth subdued. This backdrop is likely to be consistent with interest rates remaining around the current record lows.

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Given this economic backdrop, financial system credit growth is expected to remain around current levels although there will be some modest rebalancing as property related growth slows in favour of other forms of business borrowing.

Growth in funds management is expected to remain solid as population growth and an ageing population continues to direct more savings to superannuation in preparation for retirement.

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

Information on Westpac

For Westpac, our five strategic priorities will continue to be our focus in the period ahead and assist in delivering on our service revolution. These include:

§ maintaining our *performance disciplines* continuing to be prudent in the management of capital, seeking to maintain our ROE above 15%, and strength in our capital, funding and liquidity positions;

§ through *service leadership*, grow customer numbers by 1 million from 2015 to 2017 while also increasing the number (on average) of products each customer holds;

§ *digital transformation* is utilising technology to materially improve efficiency and reduce the Group's cost to income ratio to below 40% over the next 3 years;

§ wealth, small and medium business enterprises and Asia continue to be our areas of *targeted growth*. These include our investment in a new wealth platform, called Panorama, and making business banking specialists more accessible through video conferencing technologies; and

§ through our *workforce revolution* priority, we are seeking to build a stronger and more diverse workforce where the best people want to work.

The financial services industry continues to be under significant regulatory change. Globally this includes the expected release of a revised capital framework by the Basel Committee on Banking Supervision while locally we also continue to expect further regulatory change. Given the strength of our business, and our balance sheet, in both absolute terms and relative to peers, we are well placed to respond to any additional regulatory change.

Looking ahead, with our strong positioning, disciplined growth and solid operating performance across all divisions, combined with good progress on our strategic priorities, Westpac believes it is well positioned to continue delivering sustainable outcomes to shareholders.

Significant developments

Corporate significant developments

Appointment of new Chief Executive Officer

On 13 November 2014, Westpac announced the retirement of Gail Kelly as Chief Executive Officer effective 1 February 2015. The Westpac Board appointed Brian Hartzler as the Group's CEO from 2 February 2015. Mr Hartzler was part of the Group's executive team and was formerly the Chief Executive, Australian Financial Services, responsible for the Westpac Group's retail, business banking and wealth businesses.

Inquiry into Australia's Financial System

On 20 November 2013, the Federal Government formally announced the appointment of Mr David Murray AO to head an inquiry into Australia's financial system (FSI).

The FSI's terms of reference, announced on 20 December 2013, charged the FSI with examining how the financial system could be positioned to best meet Australia's evolving needs and support Australia's economic growth. Recommendations were to be aimed at fostering an efficient, competitive and flexible financial system, consistent with financial stability, prudence, public confidence and capacity to meet the needs of users.

The FSI's Final Report made 44 recommendations relating to a broad number of matters across the financial sector. Westpac supported the majority of the recommendations during the Government's consultation process, which was completed on 31 March 2015.

On 20 October 2015, the Government announced its formal response to the FSI's recommendations. The Government endorsed the overwhelming majority of the recommendations across the five key areas the FSI considered: Resilience; Superannuation; Innovation; Consumer Outcomes; and the Regulatory System.

The Government will establish a number of consultation processes to consider detailed implementation. Westpac will continue to actively contribute to these ongoing consultations, which we expect to continue for a number of years.

FSI's recommendations on bank capital

The Government's response endorsed APRA's actions to date in implementing the FSI's capital-related recommendations, and confirmed APRA's responsibility for the implementation of the remaining capital proposals.

To date, APRA has formally responded to two of the FSI's recommendations. On 13 July 2015 APRA released the results of a study comparing the capital position of the Australian major banks against a group of international banking peers. The study was conducted by APRA in response to Recommendation 1 of the FSI that proposed Australian bank capital ratios should be in the top quartile of global peers to demonstrate the banks are unquestionably strong.

APRA's study confirmed that the Australian major banks are well capitalised. Based on capital adequacy ratios as at 30 June 2014, the study found that the major banks would need to increase their capital adequacy ratios by at least 200 basis points to be comfortably positioned in the top quartile of their international peers over the medium to long term. In response, Westpac is undertaking a fully underwritten, pro rata accelerated renounceable entitlement offer to raise approximately \$3.5 billion of ordinary equity, which will add approximately 100 basis points to Westpac's Common Equity Tier 1 (CET1) capital ratio. Earlier this year, Westpac also completed a partial sale of its shareholding in BTIM, which increased Westpac's CET1 capital ratio by 15 basis points. These developments are discussed in further detail below.

On 20 July 2015, APRA announced an interim change to how risk weighted assets (RWA) will be calculated on Australian residential mortgages for banks that use the Advanced Internal-Ratings Based (IRB) approach to credit risk. This change was in response to Recommendation 2 of the FSI regarding the differential in mortgage capital requirements between Advanced IRB and Standardised banks. The outcome of this change is expected to lead to the ratio of mortgage RWA to mortgage exposures for the Group increasing to approximately 25%, with an effective date of 1

July 2016.

Further changes relevant to regulatory capital requirements for Australian banks were also proposed by the FSI and are likely to result from current international regulatory reviews being undertaken by the Basel Committee on Banking

2015 Westpac Group Annual Report

Supervision (BCBS) and the Financial Stability Board (FSB) considering leverage ratios, risk weight models for Advanced and Standardised banks, and Total Loss Absorbing Capacity (TLAC) for Global Systemically Important Banks (G-SIBs). The final outcomes of these reviews remain uncertain. APRA will be responsible for interpreting these international developments to Australia's circumstances and their final impact will depend on APRA's implementation.

Share entitlement offer

On 14 October 2015, Westpac announced it was undertaking a fully underwritten, pro rata accelerated renounceable entitlement offer to raise approximately \$3.5 billion of ordinary equity. The equity raised will add approximately 100 basis points to Westpac's CET1 capital ratio and will place Westpac's CET1 capital ratio within the top quartile of banks globally, with a CET1 capital ratio of over 14% on an internationally comparable basis. The capital raised responds to changes in mortgage risk weights that will increase the amount of capital required to be held against mortgages by more than 50%, with the increased regulatory requirement to be applied from 1 July 2016. To support the offer, Westpac also announced its unaudited preliminary Full Year 2015 result.

Interim DRP and partial DRP Underwrite

On 4 May 2015, Westpac announced that it would satisfy the dividend reinvestment plan (DRP) for the 2015 interim dividend by issuing Westpac ordinary shares at a 1.5% discount. Westpac also entered into an agreement to have the DRP on the 2015 interim dividend partially underwritten. Approximately \$2 billion worth of Westpac ordinary shares were issued under the DRP and the partial DRP underwrite, which raised our CET1 capital ratio by 57 basis points.

Issue of Westpac Capital Notes 3

On 8 September 2015, Westpac, through its London branch, issued approximately \$1.32 billion of securities known as Westpac Capital Notes 3, which qualify as Additional Tier 1 capital of Westpac under APRA's capital adequacy framework.

Changes to accounting for technology investment spending

At its Strategy Update on 7 September 2015, Westpac announced that, in light of the Group's revised technology and digital strategy, the rapid changes in technology, and evolving regulatory requirements, it was reviewing the accounting approach applied to investment spending. On 6 October 2015, Westpac announced that this review had been completed, resulting in various accounting changes. The balance sheet impact of these changes has seen a reduction in the technology assets balance of \$505 million (pre-tax) reported as an expense in the Full Year 2015 statutory results. This has been excluded from cash earnings.

Sale of Westpac operations in four Pacific Island Nations

On 14 July 2015, Westpac announced the completion of the sale of its banking operations in the Cook Islands, Samoa and Tonga to BSP for \$91 million. On 30 October 2015, Westpac completed the sale of its banking operations in the Solomon Islands for \$23.6 million.

- 1 The basis of the internationally comparable CET1 capital ratio aligns with the APRA study titled International capital comparison study dated 13 July 2015.

The proposed sale of Westpac's Vanuatu operations has not yet proceeded. Given the impact of Cyclone Pam in Vanuatu, the Reserve Bank of Vanuatu decided that now is not the time for a change of ownership in the country's banking sector.

Partial sale of BTIM

On 16 June 2015, Westpac announced its intention to undertake a partial sale of its shareholding in BTIM by way of an Institutional Offer and a Retail Offer. The fully-underwritten Institutional Offer and Retail Offer resulted in the sale of 55 million and 27 million BTIM shares respectively at a price of \$8.20 a share. Following completion of the sale, Westpac's holding in BTIM decreased from 59.1% of BTIM's issued capital to 31.0% and Westpac's CET1 capital ratio increased by 15 basis points.

New organisational structure

On 10 June 2015, Westpac announced a new, simplified organisational structure for its Australian retail and business banking operations designed to accelerate the Group's customer focussed strategy. Under the new structure, two new divisions have been created:

§ Consumer Bank responsible for all consumer banking products and services under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands; and

§ Commercial & Business Bank responsible for serving small and medium enterprises, commercial and agri-business customers, as well as asset and equipment finance. Specialist business bankers will continue to operate under their respective brands.

Each of these new divisions will be responsible for improving the end-to-end service experience of their respective customer segments and will have dedicated product, marketing and digital capabilities.

Litigation

Since 2011, Westpac has been served with three class action proceedings brought on behalf of customers seeking to recover exception fees paid by those customers. Similar class actions have been commenced against several other Australian banks. Westpac has agreed with the plaintiffs to put the proceedings against Westpac on hold, pending further developments in the litigation against one of those other banks. In April 2015, the Full Court of the Federal Court unanimously found all of the exception fees charged by that other bank to be lawful. The plaintiffs are currently appealing certain aspects of that judgment to the High Court of Australia. The appeal is scheduled to be heard in February 2016.

Tax developments

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On 30 March 2015, the Australian Government released a Tax Discussion Paper that considers all aspects of the Australian tax system. It is intended to initiate debate on the future of Australia's tax system. A public consultation process has commenced and is expected to continue over the next 12-18 months. The Discussion Paper does question the ongoing effectiveness of the dividend imputation system but it does not contain any recommendations or details of any proposed reforms. The impact of any changes to Westpac, its shareholders and customers cannot be determined until further details are released and any changes to the law made.

Information on Westpac

Regulatory significant developments

Basel Committee on Banking Supervision

Regulatory reforms and significant developments arising in relation to changes initiated by the BCBS and the FSB include:

Global Systemically Important Financial Institutions (G-SIFIs)

Each year in November the FSB publishes the list of identified G-SIBs and specifies the higher capital requirements proposed for each. These increased capital requirements will be phased in from January 2016. Westpac has not been named as a G-SIB. However the BCBS has issued a framework for extending the SIFIs requirements to domestic systemically important banks (D-SIBs).

Capital

In 2010, the BCBS outlined the Basel III capital framework for banks globally as follows:

- § an increase in the minimum common equity requirement from 2.0% to 4.5%;
- § an increase in the minimum Tier 1 capital requirement from 4.0% to 6.0%;
- § a capital conservation buffer at 2.5%, to be met with common equity; and
- § a countercyclical buffer of between 0% to 2.5% to be met with common equity or other fully loss absorbing capital.

APRA's adoption of the framework has required Australian Authorised Deposit-taking Institutions (ADIs) such as Westpac to meet the above minimum capital requirements from 1 January 2013 and the capital conservation buffer in full from its introduction date of 1 January 2016. In December 2013 APRA released its approach for implementing a D-SIB framework in Australia. Westpac is one of four Australian banks which APRA has identified as a D-SIB. APRA has proposed that each D-SIB, including Westpac, will have to meet a higher loss absorbency requirement of 1% to be met by common equity. The 1% requirement will be added to the capital conservation buffer effectively increasing the buffer from 2.5% to 3.5%. The countercyclical buffer is not currently required.

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Westpac's current capital levels are already above the regulatory requirement that will apply from 1 January 2016 (including the 3.5% capital conservation buffer).

Increased loss absorbency

In November 2014 the FSB issued a consultation paper for enhancing the Total Loss Absorbing Capacity (TLAC) for G-SIBs to operate alongside the Basel III capital requirements. These proposals form part of the G20's initiatives aimed at 'Ending too-big-to-fail' and ensuring that the resolution of a failing G-SIFI can be carried out without causing systemic disruption or resorting to taxpayer support. The FSB has stated that the TLAC requirement would not be introduced before 2019 and it is not known at this stage whether there is any intention to extend the requirement beyond G-SIBs.

The FSI had recommended the implementation in Australia of a framework for minimum loss absorbing and recapitalisation capacity sufficient to facilitate the orderly resolution of ADIs and minimise taxpayer support. In its response to the FSI, the Government endorsed APRA to implement the recommendation in line with emerging international practice.

Reform of the risk-based capital framework

In December 2014, the BCBS released two consultation papers on proposals for Capital Floors and proposed revisions to the Standardised Approach for Credit Risk, which puts forward possible amendments to the risk weighted asset framework for capital. The measures are in addition to ongoing consultation work of the BCBS on reforms to capital treatment of operational risk and market risk. In combination these reform measures are intended to improve the consistency and comparability of bank capital ratios. However, further clarity from BCBS is not expected before the end of 2015 after which APRA will need to consult on, and then finalise, the Australian standards. Until that time, it is not possible to determine the impact on Westpac.

Leverage ratio

The Basel III capital framework also introduced a leverage ratio requirement. The BCBS proposes that introducing a simple, non-risk based leverage ratio requirement would act as a credible supplementary measure to the risk-based capital requirements. In January 2014, the BCBS published an amended leverage ratio framework. In May 2015, APRA released new disclosure requirements in relation to the leverage ratio which will initially only apply to select ADIs, including Westpac, and from 1 July 2015 required the disclosure of the leverage ratio on a quarterly basis. The proposed timetable for implementation of the leverage ratio provides for testing and recalibration of the framework to occur until 2017 and migration of the final standard to a Pillar 1 requirement from January 2018.

OECD Common Reporting Standard

The Organisation for Economic Cooperation and Development (OECD) has developed Common Reporting Standard (CRS) rules for the automatic exchange of financial account information amongst OECD member states.

CRS will require the Westpac Group to identify the tax residency of all customers and to report the tax residency and account details of non-resident customers to the relevant authorities in jurisdictions in which the CRS rules operate.

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Subject to final legislation, it is currently intended that Australian financial institutions can voluntarily implement the rules from 1 January 2017, but will have to be compliant from 1 January 2018. The rules could impose additional costs and operational burdens on Westpac.

Certain countries (such as the United Kingdom and India) will implement the rules with effect from 1 January 2016. Westpac is implementing changes to its business operations to comply with the CRS requirements in these countries from 1 January 2016.

2015 Westpac Group Annual Report

OTC derivatives reform

The international regulatory reforms relating to over-the-counter (OTC) derivatives continue to be implemented by financial regulators across the globe.

In Australia, Westpac commenced reporting OTC derivatives transactions to a Prescribed Repository in accordance with the Derivative Transaction Rules (Reporting) 2013 on 1 October 2013. Westpac continues to work with ASIC and industry associations in relation to the implementation of these rules and the phase-in of requirements to other industry participants.

On 8 September 2015, the Australian Government enacted regulations imposing a central clearing mandate for prescribed classes of interest rate derivatives denominated in Australian Dollar, US Dollar, Euro, Japanese Yen and British Pounds. This mandate is imposed on major domestic and foreign banks that act as dealers in the Australian OTC derivatives market. ASIC is currently consulting with industry on final clearing rules and the expected compliance date with the regulations is April 2016.

As a provisionally-registered Swap Dealer with the US Commodity Futures Trading Commission (CFTC), Westpac is subject to a range of entity-level and transaction-level requirements pursuant to the Dodd-Frank Act.

Pursuant to the European Market Infrastructure Regulations (EMIR) established by the European Securities and Markets Authority (ESMA), from October 2014, Westpac is subject to certain risk mitigation obligations in relation to OTC Derivatives traded with European counterparties or through its London Branch. Further, Westpac will be subject to a central clearing mandate for certain interest rate derivatives with European counterparties by April 2016.

Westpac is also subject to OTC derivatives trade reporting regulations imposed by the Monetary Authority of Singapore and various provincial financial regulators in Canada.

Westpac continues to monitor developments in response to requirements imposed by international regulators. These include regulations published by the CFTC and the Securities and Exchange Commission under the Dodd-Frank Act; by the ESMA and local European financial regulators under the EMIR and Markets in Financial Instruments Directive (MiFID II); and by various financial regulators in Asia and Canada. Westpac also continues to monitor the international response to the final policy framework for establishing margin requirements for uncleared OTC derivatives as published by the BCBS and the International Organisation of Securities Commission (IOSCO) on 2 September 2013.

United States

Foreign Account Tax Compliance Act (FATCA)

Provisions commonly referred to as FATCA and related US Treasury regulations generally require Foreign Financial Institutions (FFIs), such as Westpac, to enter into an FFI agreement (if they are not subject to the provisions of a Model 1 Intergovernmental Agreement (IGA)) under which they agree to identify and provide the US Internal Revenue Service (IRS) with information on certain US connected accounts, or otherwise face 30% withholding tax on certain payments made to the FFI. In addition, FFIs that have entered into an FFI agreement will be required to withhold on

certain payments

made to FFIs that are neither party to an FFI agreement nor subject to an IGA and certain account holders that fail to provide prescribed information. The Australian Government signed an IGA with the United States on 28 April 2014, which came into force on 30 June 2014. The Australian IGA, and any IGAs that may be concluded between the US and other countries in which Westpac conducts business, will relieve Westpac of the requirement to withhold on payments to, or close, certain accounts, and will provide certain other benefits.

Westpac has implemented changes to its business operations to comply with the requirements of FATCA across all jurisdictions in which it operates. Westpac has entered into an FFI agreement with respect to its branches and affiliated FFIs not located in countries that have entered into an IGA. Compliance with FATCA will continue to give rise to significant ongoing costs and operational burdens for Westpac.

New Zealand

Regulatory reforms and significant developments in New Zealand include:

Financial Markets Conduct Act (FMCA)

The FMCA overhauls New Zealand's securities law regime and impacts various aspects of Westpac New Zealand's business. It has introduced changes to product disclosure and governance together with new licensing and registration requirements as well as new fair dealing provisions. The use of product disclosure statements is being implemented, supported by an online register of other material documentation. The FMCA was enacted in September 2013. Most of its provisions, as well as new regulations setting out the detail of the regime, came into force on 1 December 2014, subject to transitional provisions of up to two years. The majority of the fair dealing requirements in the FMCA came into force in April 2014.

Credit law reform/responsible lending

The *Credit Contracts and Consumer Finance Amendment Act 2014* received Royal Assent in June 2014 and came into full effect in June 2015. The Act reformed the entire suite of legislation that governs consumer credit contracts. It created new responsible lending principles and provided for a regulatory responsible lending code, which was issued in March 2015. Consumer protections were also being strengthened by changes to provisions on disclosure, fees, hardship and oppressive contracts.

Consumer law reform

The Consumer Law Reform Bill was passed in December 2013. The Bill amended six separate Acts, including the *Fair Trading Act*. Among the amendments introduced into the *Fair Trading Act* were prohibitions on unfair contract terms and on making unsubstantiated representations about a product or service and new provisions regulating uninvited direct sales. The unfair contract terms provisions came into force in March 2015. The unsubstantiated representations prohibitions and uninvited direct sales provisions came into effect in June 2014.

Reserve Bank of New Zealand (RBNZ) housing review stage two residential property investors

The RBNZ has concluded stage two of its housing review and is amending its Capital Adequacy Frameworks to

Information on Westpac

provide for a new asset class treatment for property investor residential mortgage loans. The new classification, which applies to all locally incorporated banks, will apply from 1 November 2015 for new lending. Banks will be required to classify their existing residential loans by 31 October 2016. The capital requirements for this lending will increase as a higher risk weighting will apply than for owner occupied residential mortgage lending.

RBNZ New loan to value ratio (LVR) restrictions

Restrictions on high LVR lending are part of the RBNZ's macro-prudential policy framework and have been in place since October 2013. In May 2015 the RBNZ announced that in response to growing market risk from the Auckland housing market it was proposing changes to its LVR policy. From 1 November 2015 there will be a 5 percent limit on property investor residential mortgage lending in the Auckland region where the LVR is above 70 percent. Restrictions on residential mortgage lending to owner occupiers in Auckland will continue to be 10 percent where the LVR exceeds 80 percent. For residential mortgage lending in other parts of New Zealand the limit on lending where the LVR exceeds 80 percent will be increased to 15 percent from 10 percent.

RBNZ Review of outsourcing policy

In August 2015 the RBNZ released a consultation paper proposing revisions to its Outsourcing Policy (BS11). The RBNZ considers that the Outsourcing Policy is closely linked to its Open Bank Resolution (OBR) Policy and the proposed changes reflect this. In summary, the RBNZ is proposing to broaden the functionality that a bank would need to continue delivering in the event of statutory management and is proposing three areas where outsourcing to related parties would be prohibited. In this respect the RBNZ is seeking to ensure that the bank has direct ownership and control over certain data that would be required to enable the bank to calculate its financial positions at the end of each business day. In particular it must have its own SWIFT gateway and licence for the processing of transactions, and it should be able to undertake its regulatory reporting using its own data. The RBNZ is also proposing that banks be required to notify the RBNZ about proposals to outsource prior to an agreement being entered into and that a notice of non-objection be obtained in some or all instances. Submissions close in December 2015.

Supervision and regulation

Australia

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

APRA is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and re-insurance companies, friendly societies and most of the superannuation (pension) industry. APRA's role includes establishing and enforcing prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by the institutions it supervises are met within a stable, efficient and competitive financial system.

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

Australia's risk-based capital adequacy guidelines are based on the approach agreed upon by the BCBS. National discretion is then applied to that approach which results in Australia's capital requirements being more stringent. Refer to Capital resources – Basel Capital Accord in Section 2.

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

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

The ASX operates Australia's primary national market for trading of securities issued by listed companies. Some of our securities (including our ordinary shares) are listed on the ASX and we therefore have obligations to comply with the ASX Listing Rules, which have statutory backing under the *Corporations Act 2001*. The ASX has responsibility for the oversight of listed entities under the ASX Listing Rules and for monitoring and enforcing compliance with the ASX

2015 Westpac Group Annual Report

Operating Rules by its market, clearing and settlement participants.

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

The Australian Government's present policy, known as the 'four pillars policy', is that there should be no fewer than four major banks to maintain appropriate levels of competition in the banking sector. Under the *Financial Sector (Shareholding) Act 1998*, the Australian Government's Treasurer must approve an entity acquiring a stake of more than 15% in a financial sector company.

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

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

- § implementing programs for identifying and monitoring customers, and for managing the risks of money laundering and terrorism financing;
- § reporting suspicious matters, threshold transactions and international funds transfer instructions; and
- § submitting an annual compliance report.

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

New Zealand

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

The FMA is New Zealand's financial conduct regulator. Its main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. Its functions include promoting the confident and informed participation of businesses, investors, and consumers in

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those markets. The Financial Markets Conduct Act, which was passed in 2013, resulted in the FMA having extensive new responsibilities in the licensing and supervision of various market participants as well as new enforcement powers.

United States

Our New York branch is a US federally licensed branch and therefore is subject to supervision, examination and regulation by the US Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System (the US Federal Reserve) under the US *International Banking Act of 1978* (IBA) and related regulations.

A US federal branch must maintain, with a US Federal Reserve member bank, a capital equivalency deposit as prescribed by the US Comptroller of the Currency, which is at least equal to 5% of its total liabilities (including acceptances, but excluding accrued expenses, and amounts due and other liabilities to other branches, agencies, and subsidiaries of the foreign bank).

In addition, a US federal branch is subject to periodic onsite examination by the US Comptroller of the Currency. Such examination may address risk management, operations, asset quality, compliance with the record-keeping and reporting, and any additional requirements prescribed by the US Comptroller of the Currency from time to time.

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

We are not a Financial Holding Company as defined in the *Gramm-Leach-Bliley Act of 1999*.

Westpac and some of its affiliates are engaged in various activities that are subject to regulation by other US federal regulatory agencies including the US Securities & Exchange Commission and the US Commodity Futures Trading Commission.

Anti-money laundering regulation and related requirements

Australia

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

United States

The USA PATRIOT Act of 2001 requires US financial institutions, including the US branches of foreign banks, to take certain steps to prevent, detect and report individuals and entities involved in international money laundering and the financing of terrorism. The required actions include verifying the identity of financial institutions and other customers and counterparties, terminating correspondent accounts for foreign shell banks and obtaining information about the owners of foreign bank clients and the identity of the foreign bank's agent for service of process in the US. The

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anti-money laundering compliance requirements of the USA PATRIOT Act include requirements to adopt and implement an effective anti-money laundering program, report suspicious transactions or activities, and implement due diligence procedures for correspondent and other customer accounts. Westpac's New York branch and its other US operations maintain an anti-money laundering compliance program designed to address US legal requirements.

Information on Westpac

US economic and trade sanctions, as administered by the Office of Foreign Assets Control (OFAC), prohibit or significantly restrict US financial institutions, including the US branches and operations of foreign banks, and other US persons from doing business with certain persons, entities and jurisdictions. Westpac's New York branch and its other US operations maintain compliance programs designed to comply with OFAC sanctions programs, and Westpac has a Group-wide program to ensure adequate compliance.

Legal proceedings

Our entities are defendants from time to time in legal proceedings arising from the conduct of our business and material legal proceedings, if any, are described in Note 31 to the financial statements and under "Significant developments" above. As appropriate, a provision has been raised in respect of these proceedings and disclosed in the financial statements.

Principal office

Our principal office is located at 275 Kent Street, Sydney, New South Wales, 2000, Australia. Our telephone number for calls within Australia is (+61) 2 9374 7113 and our international telephone number is (+61) 2 9293 9270.

2015 Westpac Group Annual Report

Corporate governance

Introduction

This Corporate Governance Statement, which has been approved by the Board, describes our corporate governance framework, policies and practices as at 2 November 2015.

Framework and approach

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

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

We have equity securities listed on securities exchanges in Australia, New Zealand and the United States.

Australia

We comply with the ASX Corporate Governance Principles and Recommendations with 2014 amendments (ASXCGC Recommendations) published by the ASX Limited's Corporate Governance Council (ASXCGC). We must also comply with the Corporations Act and as an ADI must comply with governance requirements prescribed by APRA under Prudential Standard CPS 510 (Governance).

This statement addresses each of the eight ASXCGC Recommendations with an explanation of our corporate governance practices, demonstrating our compliance with each Recommendation.

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

New Zealand

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

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

United States

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

We comply in all material respects with all NYSE Listing Rules applicable to us.

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

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

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

Westpac's employee equity plans have been disclosed in the Remuneration Report in Section 9 of the Directors' report, which is subject to a non-binding shareholder vote at the Annual General Meeting (AGM) and grants to our CEO are approved by shareholders. The details of all grants under our equity-based incentive plans have been disclosed in Note 37 of our financial statements for the year ended 30 September 2015.

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

Corporate governance

Governance framework

The diagram above shows the current Committees of the Board. From time to time the Board may form other Committees or request Directors to undertake specific extra duties.

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

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

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

Board, Committees and oversight of management

Board of Directors

Roles and responsibilities

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

- § approving the strategic direction of Westpac Group;
- § evaluating Board performance and determining Board size and composition;
- § considering and approving the Westpac Board Renewal Policy;
- § appointing and determining the duration, remuneration and other terms of appointment of the CEO, Deputy CEO, Chief Financial Officer (CFO) and other Group Executives;
- § determining the remuneration of persons whose activities in the Board's opinion affects the financial soundness of Westpac, any person specified by APRA, and any other person the Board determines;
- § evaluating the performance of the CEO;
- § succession planning for the Board, CEO and Group Executives;
- § approving the appointment of Group Executives, General Manager Group Audit and Chief Compliance Officer & Group General Counsel and monitoring the performance of senior management;
- § approving the annual targets and financial statements and monitoring performance against forecast and prior periods;

- § determining our dividend policy;
- § determining our capital structure;
- § approving our risk management strategy and frameworks, and monitoring their effectiveness;
- § considering the social, ethical and environmental impact of our activities and monitoring compliance with our sustainability policies and practices;
- § monitoring Workplace Health and Safety (WHS) issues in Westpac Group and considering appropriate WHS reports and information;
- § maintaining an ongoing dialogue with Westpac's auditors and, where appropriate, principal regulators; and
- § internal governance including delegated authorities, policies for appointments to our controlled entity Boards and monitoring resources available to senior executives.

Delegated authority

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

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

- § Audit;
- § Risk & Compliance;
- § Nominations;

§ Remuneration; and

§ Technology.

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

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

Independence

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

All of our Non-executive Directors satisfy our criteria for independence, which align with the guidance provided in the ASXCGC Recommendations and the criteria applied by the NYSE and the US Securities and Exchange Commission (SEC).

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

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

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

Corporate governance

Size and membership of Board Committees as at 30 September 2015

	Status	Board Audit Committee	Board Risk & Compliance Committee	Board Nominations Committee	Board Remuneration Committee	Board Technology Committee
Lindsay Maxsted	Chairman, Non-executive, Independent	ü	ü	Chair ü		
Brian Hartzer	CEO, Executive					ü
Elizabeth Bryan	Non-executive, Independent		Chair ü	ü	ü	
Ewen Crouch	Non-executive, Independent		ü	ü	Chair ü	
Alison Deans	Non-executive, Independent		ü			ü
Craig Dunn	Non-executive, Independent		ü		ü	
Robert Elstone	Non-executive, Independent	ü	ü		ü	
Peter Hawkins	Non-executive, Independent	ü	ü	ü		Chair ü
Peter Marriott	Non-executive, Independent	Chair ü	ü	ü		ü

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

*Length of tenure of Non-executive Directors**Balance of Non-executive and Executive Directors*

2015 Westpac Group Annual Report



Chairman

The Board elects one of the independent Non-executive Directors as Chairman. Our Chairman is Lindsay Maxsted, who became Chairman on 14 December 2011. The Chairman's role includes:

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

§ guiding the agenda and conducting all Board meetings;

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

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

§ overseeing Board succession;

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

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

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

CEO

Our CEO is Brian Hartzler. The CEO's role includes:

§ leadership of the management team;

§ developing strategic objectives for the business; and

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

Board meetings

The Board had eight scheduled meetings for the financial year ended 30 September 2015, with additional meetings held as required. In addition to the Board considering strategic matters at each Board meeting, the Board also discusses our strategic plan and approves our overall strategic direction on an annual basis. The Board also conducts a half year review of our strategy. The Board conducts workshops on specific subjects relevant to our business throughout the year. Board meetings are characterised by robust exchanges of views, with Directors bringing their experience and independent judgement to bear on the issues and decisions at hand.

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

Meetings attended by Directors for the financial year ended 30 September 2015 are reported in Section 8 of the Directors' report.

Nomination and appointment

As set out in its Charter, the Board Nominations Committee is responsible for:

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

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

§ planning succession of the Non-executive Directors;

§ reviewing the process for the orientation and education of new Directors and any continuing education for existing Directors;

§ reviewing eligibility criteria for the appointment of Directors;

§ recommending appointment of Directors to the Board; and

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

Westpac seeks to maintain a Board of Directors with a broad range of financial and other skills, experience and knowledge necessary to guide the business of the Westpac Group. Westpac seeks to maintain a diverse Board which at a minimum collectively has:

§ strategic capabilities and commercial acumen;

§ an understanding of the financial services industry (including wealth management) and global business perspectives;

§ accounting or related financial management qualifications and experience;

§ an understanding of risk management;

§ an understanding of the application of technology in large complex businesses;

§ a background in, or understanding of, customer insights and customer strategy;

§ knowledge of governance and compliance matters in highly regulated listed entities;

§ experience in people matters including workplace cultures, morale, management development, succession and remuneration;

§ experience on the boards of other significant listed companies; and

§ an ability to contribute to gender diversity.

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

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Prior to a Director's appointment or consideration for election or re-election by shareholders, Westpac conducts appropriate due diligence and provides shareholders with all material information relevant to a decision on whether or not to elect or re-elect a Director.

Corporate governance

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

Term of office

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

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

The Board makes recommendations concerning the election or re-election of any Director by shareholders. In considering whether to support a candidate, the Board takes into account the results of the Board performance evaluation conducted during the year.

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

Education

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

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

Access to information and advice

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

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

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

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

Company Secretaries

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

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

Board Committees

Composition and independence

Board Committee members are chosen for the skills and experience they can contribute to the respective Board Committees and their qualifications are set out in Section 1 of the Directors' report. The membership of each Board Committee is set out in the table entitled 'Size and membership of Board Committees as at 30 September 2015' in this Corporate Governance Statement. All of the Board Committees are comprised of independent Non-executive Directors. The CEO is also a member of the Board Technology Committee.

Operation and reporting

Scheduled meetings of the Board Committees occur quarterly, with the exception of the Board Technology Committee which has scheduled meetings three times a year. Each member's attendance at Board Committee meetings held during the financial year ended 30 September 2015 is reported in Section 8 of the Directors' report. All Board Committees are able to meet more frequently as necessary. Each Board Committee is entitled to the resources and information it requires and has direct access to our employees and advisers. The CEO attends all Board Committee meetings, except where he has a material personal interest in a matter being considered. Senior executives and other selected employees are invited to attend Board Committee meetings as required. All Directors can receive all Board Committee papers and can attend any Board Committee meeting, provided there is no conflict of interest.

2015 Westpac Group Annual Report



Performance

Board, Board Committees and Directors

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

The review process conducted in 2015 included an assessment of the performance of the Board, the Board Committees, and each Director with outputs collected, analysed and presented to the Board. The Board discussed the results and agreed follow up action on matters relating to Board composition, process and priorities.

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

Management

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

Management performance evaluations for the financial year ended 30 September 2015 were conducted following the end of the financial year.

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

All new senior executives receive a letter of appointment setting out the conditions and expectations of the role, together with an extensive briefing on our strategies and operations and the respective roles and responsibilities of the Board and senior management.

Advisory Boards

Westpac has established Advisory Boards for its operations in Asia and for each of BankSA and Bank of Melbourne, to advise management on the strategies and initiatives of those businesses within the overall Group strategy.

Responsibilities of the Advisory Boards include:

§ providing advice to management on management's strategies and initiatives to continue to strengthen the position and identity of the business;

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

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

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

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

Ethical and responsible decision-making

Code of Conduct and Principles for Doing Business

Our Code of Conduct (Code) describes the standards of conduct expected of our people, both employees and contractors. The seven principles making up the Code are:

§ we act with honesty and integrity;

§ we comply with laws and with our policies;

§ we do the right thing by our customers;

§ we respect confidentiality and do not misuse information;

§ we value and maintain our professionalism;

§ we work as a team; and

§ we manage conflicts of interest responsibly.

The focus of each of the principles is to provide a set of guiding principles to help us make the right decisions ensuring we uphold the reputation of the Group. The Code has the full support of the Board and the Executive Team and we take compliance with the Code very seriously.

Our Principles for Doing Business (Principles) underpin the Group's commitment to sustainable business practice and community involvement. In summary:

§ we believe our success depends on the trust and confidence placed in us by our customers, people, shareholders, suppliers, advisers and the community;

§ we believe in maintaining the highest level of governance and ethical practice while protecting the interests of our stakeholders;

§ we believe in putting our customers at the centre of everything we do;

§ we believe our people are a crucial element of a successful service business;

§ we are committed to managing our direct and indirect impacts on the environment;

§ we believe being actively involved in our community is fundamental to the sustainability of our business; and

§ we believe our suppliers should be viewed as partners in our sustainability journey.

Corporate governance

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The Principles align with key global initiatives that promote responsible business practices. The Principles apply to all Directors, employees and contractors.

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

Key policies

We have a number of key policies to manage our regulatory compliance and human resource requirements. We also voluntarily subscribe to a range of external industry codes, such as the Code of Banking Practice and the ePayments Code.

Code of Ethics for Senior Finance Officers

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

- § act honestly and ethically, particularly with respect to conflicts of interest;
- § provide full, fair, accurate and timely disclosure in reporting and other communications;
- § comply with applicable laws, rules and regulations;
- § promptly report violations of the Code; and
- § be accountable for adherence to the Code.

Conflicts of interest

The Group has a detailed conflicts of interest framework, which includes a Group policy supported by specific divisional policies and guidelines aimed at identifying and managing actual, potential or apparent conflicts of interest.

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The conflicts of interest framework includes a separate Westpac Group Gifts and Hospitality Policy. This Policy provides our employees with guidance to manage their obligations relating to the giving and receiving of gifts or hospitality.

The Board

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

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

Our employees and contractors

We expect our employees and contractors to:

§ have in place adequate arrangements for the management of actual, potential or apparent conflicts of interest;

§ obtain consent from senior management before accepting a directorship on the board of a non-Westpac Group company;

§ disclose any material interests they have with our customers or suppliers to their manager and not be involved with customer relationships where they have such an interest;

§ not participate in business activities outside their employment with us (whether as a principal, partner, director, agent, guarantor, investor or employee) without approval or when it could adversely affect their ability to carry out their duties and responsibilities; and

§ not solicit, provide facilitation payments, accept or offer money, gifts, favours or entertainment that might influence, or might appear to influence, their business judgment.

Fit and Proper Person assessments

We have a Board approved Westpac Group Fit and Proper Policy that meets the requirements of the related APRA Prudential Standards. In accordance with that Policy, we assess the fitness and propriety of our Directors and also of individuals who perform specified statutory roles required by APRA Prudential Standards or ASIC licensing requirements. The Chairman of the Board (and in the case of the Chairman, the Board) is responsible for assessing the Board Directors, Non-executive Directors on subsidiary Boards, Group Executives, external auditors and actuaries. An executive Fit and Proper Committee is responsible under delegated authority of the Westpac Board for undertaking assessments of all other

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employees who hold statutory roles. In all cases the individual is asked to provide a detailed declaration, and background checks are completed.

Concern reporting and whistleblower protection

Under the Westpac Group Whistleblower Protection Policy, our employees and contractors are encouraged to raise any concerns about activities or behaviour that may be unlawful or unethical. The Policy outlines all reporting channels, including our concern reporting system [Concern Online](#) , which enables reporting on an anonymous basis. Concerns may include suspected breaches of our Code, Westpac Policies or regulatory requirements.

Employees who raise concerns may choose to involve the Whistleblower Protection Officer, who is responsible for protecting the employee or contractor against victimisation as a result of making a report.

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

Statistics about concerns raised are reported quarterly to both the Board Risk & Compliance Committee and the Westpac Group Executive Risk Committee.

2015 Westpac Group Annual Report



Securities trading

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

We manage and monitor these obligations through:

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

§ placing limitations upon Directors, employees and contractors participating in a new product issue where their position puts them in an actual, potential or apparent position of conflict of interest;

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

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

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

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

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

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

Diversity

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

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

- § has a workforce profile that delivers competitive advantage through the ability to garner a deep understanding of customer needs;
- § has a truly inclusive workplace where every individual can shine regardless of gender, cultural identity, age, work style or approach;
- § leverages the value of diversity for all our stakeholders to deliver the best customer experience, improved financial performance and a stronger corporate reputation; and
- § continues to take a leadership position on diversity practices and setting the agenda in the external community.

To achieve these objectives the Westpac Group:

- § has set Board determined, measurable objectives for achieving gender diversity. The Board assesses annually both the objectives and progress in achieving them;
- § assesses pay equity on an annual basis;
- § encourages and supports the application of flexibility policies into practice across the business;
- § is committed to proactively assisting Indigenous Australians to access employment across our brands;
- § implements our Accessibility Action Plan for employees and customers with a disability, including ensuring employment opportunities are accessible for people with disabilities; and
- § actively promotes an environment of inclusion for lesbian, gay, bisexual, transgender and intersex (LGBTI) employees.

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

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

We also continue to listen to the needs of our employees through the engagement of our employee action groups, our employee surveys and bi-annual diversity focussed surveys.

In October 2010, the Board set a measurable objective to increase the proportion of women in leadership roles (over 5,000 leaders from our Executive Team through to our bank managers) from 33% to 40% by 2014, which was achieved in September 2012, two years ahead of schedule. Westpac now strives for a market leading target of 50% women in leadership by 30 September 2017.

At 30 September 2015, the proportion of women employed by Westpac Group was as follows:

§ Board of Directors: 22%;

§ leadership1 roles: 46%; and

§ total Westpac workforce: 59%.

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

Corporate governance

Sustainability

We view sustainable and responsible business practices as important for our business and shareholder value. Sustainability is about managing risks and opportunities in a way that best balances the long term needs of all our stakeholders – our customers, employees, suppliers, investors and community partners, as well as the wider community and the environment at large.

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

Reporting

We report on our performance against our sustainability strategy in the Annual Review and Sustainability Report, the Annual Report, the Sustainability Performance Report and the full year and half year ASX results.

This reporting is subject to independent limited assurance, performed in accordance with the *Australian Standard on Assurance Engagements 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ASAE 3000). The *AA1000 Principles Standard* and the Global Reporting Initiative G4 Guidelines are also used by the assurance provider to test the extent to which sustainability policies and processes are embedded across the organisation.

Financial reporting

Approach to financial reporting

Our approach to financial reporting reflects three core principles:

- § that our financial reports present a true and fair view;
- § that our accounting methods comply with applicable accounting standards and policies; and
- § that our external auditor is independent and serves security holders' interests.

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

The Board delegates oversight responsibility for risk management between the Board Audit Committee and the Board Risk & Compliance Committee. Similarly, the Board delegates oversight responsibility for the preparation of remuneration reports and disclosures to the Board Remuneration Committee.

Board Audit Committee

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

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

- § the external audit engagement, including the external auditor's qualifications, performance, independence and fees;

- § performance of the internal audit function;

- § financial reporting and compliance with prudential regulatory reporting. With reference to the Board Risk & Compliance Committee, this includes an oversight of regulatory and statutory reporting requirements; and

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

The Board Audit Committee reviews, discusses with management and the external auditor, and assesses:

- § any significant financial reporting issues and judgments made in connection with the preparation of the financial reports;

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

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§ the major financial risk exposures; and

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

As part of its oversight responsibilities, the Board Audit Committee also conducts discussions with a wide range of internal and external stakeholders including:

§ the Board Risk & Compliance Committee, CFO, Chief Risk Officer (CRO), General Manager Group Audit, management and the external auditor, about our major financial risk exposures and the steps management has taken to monitor and control such exposures;

§ the General Manager Group Audit and external auditor concerning their audits and any significant findings, and the adequacy of management's responses;

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

§ management and the external auditor regarding any correspondence with regulators or government agencies, and reports which raise material issues or could impact on matters regarding the Westpac Group's financial statements or accounting policies; and

§ the Chief Operating Officer and the Chief Compliance Officer & Group General Counsel regarding any legal matters that may have a material impact on, or require disclosure in, the financial statements.

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

2015 Westpac Group Annual Report

Financial knowledge

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

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

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

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

External auditor

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

Our external auditor is PricewaterhouseCoopers (PwC), appointed by shareholders at the 2002 AGM. Our present PwC lead audit partner is Michael Codling and the review audit partner is Wayne Andrews. Mr Codling and Mr Andrews assumed responsibility for these roles in December 2011 and January 2015 respectively.

The external auditor receives all Board Audit Committee and Board Risk & Compliance Committee papers, attends all meetings of both committees and is available to Committee members at any time. The external auditor also attends the Annual General Meeting (AGM) to answer questions from shareholders regarding the conduct of its audit, the audit report and financial statements and its independence.

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

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

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

Engagement of the external auditor

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

The breakdown of the aggregate fees billed by the external auditor in respect of each of the two most recent financial years for audit, audit-related, tax and other services is provided in Note 39 to our financial statements for the year ended 30 September 2015. A declaration regarding the Board's satisfaction that the provision of non-audit services by PwC is compatible with the general standards of auditor independence is provided in Section 10 of the Directors' report.

Group Audit (internal audit)

Group Audit is Westpac's internal audit function and includes the Credit Portfolio Review team both of which provide the Board and Executive Management with an independent and objective evaluation of the adequacy and effectiveness of management's control over risk. Group Audit is governed by a Charter approved by the Board Audit Committee that sets out the purpose, role, scope and high level standards for the function. Group Audit covers the governance, risk management and internal control frameworks of Westpac and our wholly owned subsidiaries. It has access to all of our wholly owned entities and conducts audits and reviews following a risk-based planning approach. The General Manager Group Audit has a direct reporting line to the Chairman of the Board Audit Committee and an administrative line to the Chief Financial Officer. Group Audit also has direct access to the Chief Executive Officer.

Group Audit's responsibilities include providing regular reports to the Board Audit Committee and, as deemed appropriate, the Board Risk & Compliance Committee, and raising any significant issues with those Committees.

Market disclosure

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

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

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

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

Corporate governance

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

Shareholder communication and participation

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

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

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

Shareholders are given the option to receive information in print or electronic format from both Westpac and its share registry.

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

CEO and CFO assurance

The Board receives regular reports from management about our financial condition and operational results, as well as that of our controlled entities. Before the Board approves the financial statements for a financial period, the CEO and the CFO provide formal statements to the Board, and have done so for the financial year ended 30 September 2015, that state that in all material respects:

- § Westpac's financial records have been properly maintained in that they:

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

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

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

§ the financial statements and notes comply with the appropriate accounting standards;

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

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

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

Risk management

Roles and responsibilities

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

The annual review of the Risk Management Strategy was completed by the Board Risk & Compliance Committee and was approved by the Board during the year ended 30 September 2015.

The Board Risk & Compliance Committee monitors the alignment of our risk profile with our risk appetite, which is defined in the Board Statement of Risk Appetite, and with our current and future capital requirements. The Board Risk & Compliance Committee receives regular reports from

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management on the effectiveness of our management of Westpac's material business risks. More detail about the role of the Board Risk & Compliance Committee is set out later in this section under Board Risk & Compliance Committee .

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

We adopt a Three Lines of Defence approach to risk management which reflects our culture of risk is everyone's business and that all employees are responsible for identifying and managing risk and operating within the Group's desired risk profile. Effective risk management enables us to:

§ accurately measure our risk profile and balance risk and reward within our risk appetite, increasing financial growth opportunities and mitigating potential loss or damage;

§ protect Westpac's depositors, policyholders and investors by maintaining a strong balance sheet;

§ embed adequate controls to guard against excessive risk or undue risk concentration; and

§ meet our regulatory and compliance obligations.

2015 Westpac Group Annual Report

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

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

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

Our 2nd Line of Defence is a separate risk and compliance advisory, control and monitoring function which establishes frameworks, policies, limits and processes for the management, monitoring and reporting of risk. The 2nd Line of Defence may approve risks outside the authorities granted to the 1st Line. It also evaluates and opines on the adequacy and effectiveness of 1st Line controls and application of frameworks and policies and, where necessary, requires improvement and monitors the 1st Line's progress toward remediation of identified deficiencies.

The 3rd Line of Defence Independent assurance

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

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

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

We distinguish six main types of risk:

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

§ **liquidity risk** the risk that the Group will be unable to fund assets and meet obligations as they become due;

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

§ **conduct risk** the risk arising from unfair or inappropriate behaviour or practices of the Westpac Group or its staff;

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

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

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

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

§ **sustainability risk** the risk of reputational or financial loss due to failure to recognise or address material existing or emerging sustainability related environmental, social or governance issues;

§ **equity risk** the potential for financial loss arising from movements in equity values. Equity risk may be direct, indirect or contingent;

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

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

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

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

Board Risk & Compliance Committee

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

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

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

§ sets risk appetite;

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

§ reviews and approves the limits and conditions that apply to credit risk approval authority delegated to the CEO, CFO and CRO and any other officers of the Westpac Group to whom the Board has delegated credit approval authority;

Corporate governance

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

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

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

§ may approve accepting risks beyond management's approval discretion.

From the perspective of specific types of risk, the Board Risk & Compliance Committee's role includes:

§ **credit risk** approving key policies and limits supporting the Credit Risk Management Framework, and monitoring the risk profile, performance and management of our credit portfolio;

§ **liquidity risk** approving key policies and limits supporting the Liquidity Risk Management Framework, including our annual funding strategy and liquidity requirements, and recovery and resolutions plans and monitoring the liquidity risk profile;

§ **market risk** approving key policies and limits supporting the Market Risk Management Framework, including, but not limited to, the Value at Risk and Net Interest Income at Risk limits, and monitoring the market risk profile;

§ **operational risk** monitoring the operational risk profile, the performance of operational risk management and controls, and the development and ongoing review of operational risk policies supporting the Operational Risk Management Framework;

§ **reputation risk** reviewing and approving the Reputation Risk Management Framework and reviewing the monitoring of the performance of reputation risk management and controls; and

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

The Board Risk & Compliance Committee also:

§ approves the Internal Capital Adequacy Assessment Process and in doing so reviews the outcomes of enterprise wide stress testing, sets the preferred capital ranges for regulatory capital having regard to Westpac internal economic capital measures, and reviews and monitors capital levels for consistency with the Westpac Group's risk appetite;

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

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

Compliance Management Framework

The Compliance Management Framework (the Framework) sets out our approach to managing compliance obligations and mitigating compliance risk, in order to operate within our compliance appetite and achieve our compliance objectives. To proactively manage our compliance risks, we must:

§ embed the requirements of our regulators into how we do business, how we conduct ourselves and how our systems and processes are designed and operate;

§ comply with our legal obligations, regulatory requirements and voluntary codes of practice to which we subscribe, while being attentive to the needs of our clients; and

§ maintain a compliance culture where everyone in every part of the Westpac Group has responsibility for compliance.

The mechanisms we use to implement our approach include:

§ maintaining a strong governance environment;

§ identifying obligations, developing and maintaining Compliance Plans and implementing change;

§ developing, implementing and testing compliance controls; and

§ monitoring and reporting incidents, issues and risks.

As with other forms of risk, 1st Line management is primarily responsible for managing compliance. This is supported by a dedicated 2nd Line Compliance function covering the Group and each area of the business. The Compliance function reports to the Chief Compliance Officer & Group General Counsel.

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

Remuneration

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

The Board Remuneration Committee has been in place for the whole of the financial year and is comprised of four independent Non-executive Directors and is chaired by Ewen Crouch. All members of the Board Remuneration Committee are also members of the Board Risk & Compliance Committee, which assists in the integration of effective risk management into the remuneration framework.

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

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

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

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

§ reviews and makes recommendations to the Board on corporate goals and objectives relevant to the remuneration of the CEO, and the performance of the CEO in light of these objectives;

§ reviews and makes recommendations to the Board on the short-term and long-term incentive plans for Group Executives;

§ reviews and makes recommendations to the Board in relation to approving equity based remuneration plans; and

§ oversees general remuneration practices across the Group.

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

The Board Remuneration Committee also reviews and makes recommendations to the Board for the reduction or lapsing of incentive based equity grants to employees, where subsequent information or circumstances indicate that the grant was not justified.

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

Further details of our remuneration framework are included in the Remuneration Report in Section 9 of the Directors' report. The Board Remuneration Committee reviews and recommends the report for approval.

Corporate governance

Risk Management Governance Structure

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

Board

§ reviews and approves our overall risk management strategy.

Board Risk & Compliance Committee (BRCC)

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

§ sets risk appetite;

§ reviews and approves frameworks for managing risk;

§ reviews and approves the limits and conditions that apply to credit risk approval authority delegated to the CEO, CFO and CRO and any other officers of the Westpac Group to whom the Board has delegated authority;

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

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

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

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

Other Board Committees with a risk focus**Board Audit Committee**

§ oversees the integrity of financial statements and financial reporting systems, and matters relating to taxation risks.

Board Remuneration Committee

§ reviews any matters raised by the BRCC with respect to risk-adjusted remuneration.

Board Technology Committee

§ oversees the technology strategy, implementation, and risks associated with major technology programs.

Executive Team

- § executes the Board-approved strategy;
- § delivers the Group's various strategic and performance goals within the approved risk appetite; and
- § monitors key risks within each business unit, capital adequacy and the Group's reputation.

Executive risk committees

Westpac Group Executive Risk Committee

- § leads the management and oversight of material risks across the Westpac Group within the context of the risk appetite determined by the BRCC;
- § oversees the embedding of the Risk Management Strategy in the Group's approach to risk governance;
- § oversees risk-related management frameworks and key supporting policies;
- § oversees the Group's credit, operational, compliance, and market risk profiles;
- § oversees Reputation Risk and Sustainability Risk Management Frameworks and key supporting policies; and
- § identifies emerging credit, operational, compliance and market risks and allocates responsibility for assessing impacts and implementing appropriate actions to address these.

Westpac Group Asset & Liability Committee

- § leads the optimisation of funding and liquidity risk-reward across the Group;
- § reviews the level and quality of capital so that it is commensurate with the Group's risk profile, business strategy and risk appetite;
- § oversees the Liquidity Risk Management Framework and key policies;
- § oversees the Funding and Liquidity Risk Profile and Balance Sheet Risk Profile; and
- § identifies emerging funding and liquidity risks and appropriate actions to address these.

Risk Management Governance Structure (continued)

Executive risk committees (continued)

Westpac Group Credit Risk Committee

- § leads the optimisation of credit risk-reward across the Group;
- § reviews and oversees the Credit Risk-related Risk Management Frameworks and key supporting policies;
- § oversees Westpac's credit risk profile;
- § identifies emerging credit risks, allocates responsibility for assessing impacts, and responds as appropriate; and
- § facilitates continuous improvement in credit risk management by providing a forum for testing risk tolerances and debating alternate approaches.

Westpac Group Remuneration Oversight Committee

- § provides assurance that the remuneration arrangements across the Group have been examined from a People, Risk and Finance perspective;
- § responsible for ensuring that risk is embedded in all key steps in our remuneration framework;
- § reviews and makes recommendations to the CEO for recommendation to the Board Remuneration Committee on the Group Remuneration Policy and provides assurance that remuneration arrangements across the Group encourage behaviour that supports Westpac's long-term financial soundness and the Risk Management Framework;
- § reviews and monitors the remuneration arrangements (other than for Group Executives) for Responsible Persons (as defined in the Group's Statutory Officers Fit and Proper Policy), risk and financial control personnel, and all other employees for whom a significant portion of total remuneration is based on performance and whose activities, either individually or collectively, may affect the financial soundness of Westpac; and
- § reviews and recommends to the CEO for recommendation to the Board Remuneration Committee the criteria and rationale for determining the total quantum of the Group variable reward pool.

Risk and compliance functions

Risk Function

- § develops Group-level Risk Management Frameworks for approval by the BRCC;

- § directs the review and development of key policies supporting the Risk Management Frameworks;
- § develops division-specific policies, risk appetite statements, controls, procedures, and monitoring and reporting capability that align to the frameworks approved by the BRCC;
- § establishes risk concentration limits and monitors risk concentrations; and
- § monitors emerging risk issues.

Compliance Function

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

Independent internal review

Group Audit

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

Divisional business units

Business Units

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

Directors report

Our Directors present their report together with the financial statements of the Group for the financial year ended 30 September 2015.

1. Directors

The names of the persons who have been Directors, or appointed as Directors, during the period since 1 October 2014 and up to the date of this report are: Lindsay Philip Maxsted, Brian Charles Hartzler (Managing Director & Chief Executive Officer from 2 February 2015), Gail Patricia Kelly (retired as Managing Director & Chief Executive Officer on 1 February 2015), Elizabeth Blomfield Bryan, Ewen Graham Wolseley Crouch, Catriona Alison Deans (Alison Deans), Craig William Dunn (Director from 1 June 2015), Robert George Elstone, Peter John Oswin Hawkins, Peter Ralph Marriott, and Ann Darlene Pickard (retired as Director on 12 December 2014).

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report, including all directorships of other listed companies held by a Director at any time in the past three years immediately before 30 September 2015 and the period for which each directorship has been held, are set out below.

	<p>Name: Lindsay Maxsted, DipBus (Gordon), FCA, FAICD</p> <p>Age: 61</p> <p>Term of office: Director since March 2008 and Chairman since December 2011.</p> <p>Date of next scheduled re-election: December 2017.</p> <p>Independent: Yes.</p> <p>Current directorships of listed entities and dates of office: Transurban Group (since March 2008, and Chairman since August 2010), BHP Billiton Limited (since March 2011) and BHP Billiton plc (since March 2011).</p>	<p>Other principal directorships: Managing Director of Align Capital Pty Ltd and Director of Baker IDI Heart and Diabetes Institute Holdings Limited.</p> <p>Other interests: Nil.</p> <p>Other Westpac related entities directorships and dates of office: Nil.</p> <p>Skills, experience and expertise: Lindsay was formerly a partner at KPMG and was the CEO of that firm from January 2001 to December 2007. His principal area of practice prior to his becoming CEO was in the corporate recovery field managing a number of</p>	<p>Australia's largest insolvency/workout/turnaround engagements including Linter Textiles (companies associated with Abraham Goldberg), Bell Publishing Group, Bond Brewing, McEwans Hardware and Brashes. He is also a former Director and Chairman of the Victorian Public Transport Corporation.</p> <p>Westpac Board Committee membership: Chairman of the Board Nominations Committee. Member of each of the Board Audit and Board Risk & Compliance Committees.</p> <p>Directorships of other listed entities over the past three years and dates of office: Nil.</p>
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	<p>Name: Brian Hartzler, BA, CFA</p> <p>Age: 48</p> <p>Term of office: Managing Director & Chief Executive Officer since February 2015.</p>	<p>Other interests: Nil.</p> <p>Other Westpac related entities directorships and dates of office: Nil.</p> <p>Skills, experience and expertise: Brian was appointed Managing Director & Chief Executive Officer in</p>	<p>Prior to that, he spent ten years with Australia and New Zealand Banking Group Limited (ANZ) in Australia in a variety of roles, including his final role as CEO, Australia and Global Segment Lead for Retail and Wealth. Before joining ANZ, Brian spent ten years as a financial services consultant in New York, San Francisco and Melbourne.</p>
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	<p>Date of next scheduled re-election: Not applicable.</p> <p>Independent: No.</p> <p>Current directorships of listed entities and dates of office: Nil.</p> <p>Other principal directorships: The Financial Markets Foundation for Children and Chairman of the Australian Bankers Association Incorporated.</p>	<p>February 2015. Brian joined Westpac as Chief Executive, Australian Financial Services in June 2012 encompassing Westpac Retail & Business Banking, St. George Banking Group and BT Financial Group. Prior to joining Westpac, Brian spent three years in the UK as CEO for Retail, Wealth and Ulster Bank at the Royal Bank of Scotland Group.</p>	<p>Westpac Board Committee membership: Member of the Board Technology Committee.</p> <p>Directorships of other listed entities over the past three years and dates of office: Nil.</p>
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	<p>Name: Elizabeth Bryan AM, BA (Econ.), MA (Econ.)</p> <p>Age: 69</p> <p>Term of office: Director since November 2006.</p> <p>Date of next scheduled re-election: December 2015.</p> <p>Independent: Yes.</p> <p>Current directorships of listed entities and dates of office: Caltex Australia Limited (since July 2002, and Chairman since October 2007), Insurance Australia Group Limited (since December 2014, and Deputy Chairman since June 2015) and Virgin Australia Holdings Limited (Chairman since May 2015).</p>	<p>Other principal directorships: Nil.</p> <p>Other interests: Member of the Takeovers Panel, ASIC Director Advisory Panel and President of YWCA NSW.</p> <p>Other Westpac related entities directorships and dates of office: Nil.</p> <p>Skills, experience and expertise: Elizabeth has wide experience on the boards of companies. Prior to becoming a professional director she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation,</p>	<p>NSW State Superannuation Investment and Management Corporation.</p> <p>Westpac Board Committee membership: Chairman of the Board Risk & Compliance Committee. Member of each of the Board Nominations and Board Remuneration Committees.</p> <p>Directorships of other listed entities over the past three years and dates of office: Nil.</p>
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	<p>Name: Ewen Crouch AM, BEc (Hons.), LLB, FAICD</p> <p>Age: 59</p> <p>Term of office: Director since February 2013.</p> <p>Date of next scheduled re-election: December 2016.</p> <p>Independent: Yes.</p> <p>Current directorships of listed entities and dates of office: BlueScope Steel Limited (since March 2013).</p> <p>Other principal directorships: Chairman of Mission Australia.</p> <p>Other interests: Member of the Commonwealth Remuneration Tribunal, Law Committee of the Australian Institute of Company Directors, Corporations Committee of the Law Council of Australia and Board member of the Sydney Symphony Orchestra and Jawun.</p>	<p>Other Westpac related entities directorships and dates of office: Nil.</p> <p>Skills, experience and expertise: Ewen is one of Australia's most accomplished mergers and acquisitions lawyers, having worked on some of Australia's most significant transactions during his career as a partner at Allens from July 1988 to January 2013. He served as a member of that firm's board for eleven years including four years as Chairman of Partners as well as holding the following roles whilst a partner: Co-Head Mergers & Acquisitions and Equity Capital Markets, Executive Partner, Asian Offices and Deputy Managing Partner. Ewen was a member of the Takeovers Panel between 2010 to 2015.</p>	<p>In 2013, Ewen was awarded an Order of Australia in recognition of his significant service to the law as a contributor to legal professional organisations and to the community.</p> <p>Westpac Board Committee membership: Chairman of the Board Remuneration Committee. Member of each of the Board Nominations and Board Risk & Compliance Committees.</p> <p>Directorships of other listed entities over the past three years and dates of office: Nil.</p>
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Directors report

Name: Alison Deans,
BA, MBA, GAICD

Age: 47

Term of office: Director since
April 2014.

**Date of next scheduled
re-election:** December 2017.

Independent: Yes.

**Current directorships of listed
entities and dates of office:**

Insurance Australia Group Limited
(since February 2013) and Cochlear
Limited (since January 2015).

Other principal directorships:
kikki.K Holdings Pty Ltd.

Other interests: Nil.

Name: Craig Dunn,
BCom, FCA

Age: 52

Term of office: Director since
June 2015.

**Date of next scheduled
re-election:** December 2015.

Independent: Yes.

**Current directorships of listed
entities and dates of office:** Nil.

Other principal directorships:
Financial Literacy Australia Limited,
The Australian Ballet and Chairman
of Stone and Chalk Limited.

Other interests: Member of the
ASIC External Advisory Panel and
Consultant to King & Wood
Mallesons.

**Other Westpac related entities
directorships and dates of
office:** Nil.

Skills, experience and expertise:

Alison has more than 20 years
experience in senior management
and strategy consulting roles
focussed on e-commerce, media
and financial services in Australia.
During this time, Alison held a
number of senior executive roles
including as the CEO of eCorp
Limited, Hoyts Cinemas and eBay,
Australia and New Zealand. Most
recently, she was the CEO of the
technology-based investment
company netus Pty Ltd, which was
acquired by Fairfax Media Limited
in 2012. She was also an

Independent Director of Social
Ventures Australia from
September 2007 to April 2013. Alison
was formerly appointed by the
Australian Government to a Panel of
Experts conducting an independent
cost-benefit analysis and regulatory
review of the National Broadband
Network.

**Westpac Board Committee
membership:** Member of each of the
Board Risk & Compliance and Board
Technology Committees.

**Directorships of other listed entities
over the past three years and dates
of office:** Nil.

**Other Westpac related entities
directorships and dates of
office:** Nil.

Skills, experience and expertise:

Craig has more than 20 years
experience in financial services,
including as CEO of AMP Limited
from January 2008 to
December 2013. Craig was
previously a Board member of the
Australian Japanese Business
Cooperation Committee, and
former Chairman of the Investment
and Financial Services Association
(now the Financial Services
Council). He was also a member of
the Financial Services Advisory
Committee, the Australian
Financial Centre

Forum, the Consumer and Financial
Literacy Taskforce and a Panel
member of the Australian Government's
Financial System Inquiry.

**Westpac Board Committee
membership:** Member of each of the
Board Risk & Compliance and Board
Remuneration Committees.

**Directorships of other listed entities
over the past three years and dates
of office:** AMP Limited (January 2008
to December 2013).

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Name: Robert Elstone,
BA (Hons.), MA (Econ.), MCom

Age: 62

Term of office: Director since February 2012.

Date of next scheduled re-election: December 2017.

Independent: Yes.

Current directorships of listed entities and dates of office: Nil.

Other principal directorships: University of Western Australia Business School.

Other interests: Adjunct Professor at the Business Schools of the Universities of Sydney and Western Australia.

Name: Peter Hawkins,
BCA (Hons.), SF Fin, FAIM,
ACA (NZ), FAICD

Age: 61

Term of office: Director since December 2008.

Date of next scheduled re-election: December 2015.

Independent: Yes.

Current directorships of listed entities and dates of office: Mirvac Group (since January 2006) and MG Responsible Entity Limited (since April 2015, which is the responsible entity for ASX listed MG Unit Trust).

Name: Peter Marriott,
BEc (Hons.), FCA

Age: 58

Term of office: Director since June 2013.

Date of next scheduled re-election: December 2016.

Independent: Yes.

Other Westpac related entities directorships and dates of office: Nil.

Skills, experience and expertise:

Robert has over 30 years experience in senior management roles spanning investment banking, corporate finance, wholesale financial markets and risk management. From July 2006 to October 2011, Robert was Managing Director and CEO of ASX Limited. Previously, he was Managing Director and CEO of the Sydney Futures Exchange from May 2000 to July 2006, and from January 1995 to May 2000, he was Finance Director of Pioneer International.

Other principal directorships: Liberty Financial Pty Ltd, Murray Goulburn Co-operative Co. Limited and Clayton Utz.

Other interests: Nil.

Other Westpac related entities directorships and dates of office: Member of the Bank of Melbourne Advisory Board since November 2010.

Skills, experience and expertise:

Peter's career in the banking and financial services industry spans over 40 years in Australia and overseas at both the highest levels of management and directorship of major organisations. Peter has

Other interests: Member of the Review Panel & Policy Council of the Banking & Finance Oath.

Other Westpac related entities directorships and dates of office: Nil.

Skills, experience and expertise: Peter has over 30 years experience in senior management roles in the finance industry encompassing international banking, finance and

Robert was a Non-executive Director of the National Australia Bank from September 2004 to July 2006, an inaugural member of the Board of Guardians of the Future Fund, and former Chairman of the Financial Sector Advisory Council to the Federal Treasurer.

Westpac Board Committee membership: Member of each of the Board Audit, Board Remuneration and Board Risk & Compliance Committees.

Directorships of other listed entities over the past three years and dates of office: Nil.

held various senior management and directorship positions with Australia and New Zealand Banking Group Limited from 1971 to 2005. He was also previously a Director of BHP (NZ) Steel Limited, ING Australia Limited, Esanda Finance Corporation and Visa Inc.

Westpac Board Committee membership: Chairman of the Board Technology Committee. Member of each of the Board Audit, Board Nominations and Board Risk & Compliance Committees.

Directorships of other listed entities over the past three years and dates of office: Nil.

banking and finance, audit and consulting partner at KPMG Peat Marwick. Peter was formerly a Director of ANZ National Bank Limited in New Zealand and various ANZ subsidiaries.

Westpac Board Committee membership: Chairman of the Board Audit Committee. Member of each of the Board Nominations, Board Risk & Compliance and Board Technology Committees.

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Current directorships of listed entities and dates of office: ASX Limited (since July 2009).

Other principal directorships: ASX Clearing Corporation Limited, ASX Settlement Corporation Limited and Chairman of Austraclear Limited.

auditing. Peter joined Australia and New Zealand Banking Group Limited (ANZ) in 1993 and held the role of Chief Financial Officer from July 1997 to May 2012. Prior to his career at ANZ, Peter was a

Directorships of other listed entities over the past three years and dates of office: Nil.

Directors report

Company Secretary

Our Company Secretaries as at 30 September 2015 are John Arthur and Tim Hartin.

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

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

2. Executive Team

As at 30 September 2015 our Executive Team was:

Name	Position	Year Joined Group	Year Appointed to Position
Brian Hartzler	Managing Director & Chief Executive Officer	2012	2015
Philip Coffey	Deputy Chief Executive Officer	1996	2014
John Arthur	Chief Operating Officer	2008	2011
Lyn Cobley	Chief Executive, Westpac Institutional Bank	2015	2015
Brad Cooper	Chief Executive Officer, BT Financial Group	2007	2010
David Curran	Chief Information Officer	2014	2014
George Frazis	Chief Executive, Consumer Bank	2009	2015
Alexandra Holcomb	Chief Risk Officer	1996	2014
Peter King	Chief Financial Officer	1994	2014
David Lindberg	Chief Executive, Commercial & Business Bank	2012	2015
David McLean	Chief Executive Officer, Westpac New Zealand Limited	1999	2015
Christine Parker	Group Executive, Human Resources, Corporate Affairs & Sustainability	2007	2011
Gary Thursby	Chief Strategy Officer	2008	2015

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

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Brian Hartzler BA, CFA. Age 48

Managing Director & Chief Executive Officer

Brian was appointed Managing Director & Chief Executive Officer in February 2015. Brian joined Westpac as Chief Executive, Australian Financial Services in June 2012 encompassing Westpac Retail & Business Banking, St. George Banking Group and BT Financial Group.

Brian was appointed Chairman of the Australian Bankers Association in February 2015. Prior to joining Westpac, Brian spent three years in the UK as CEO for Retail, Wealth and Ulster Bank at the Royal Bank of Scotland Group. Prior to that, he spent ten years with Australia and New Zealand Banking Group Limited (ANZ) in Australia in a variety of roles, including his final role as CEO, Australia and Global Segment Lead for Retail and Wealth. Before joining ANZ, Brian spent ten years as a financial services consultant in New York, San Francisco and Melbourne.

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

Philip Coffey BEd (Hons.). Age 58

Deputy Chief Executive Officer

Philip was appointed Deputy Chief Executive Officer in April 2014 with responsibility for overseeing Westpac's contribution to the Federal Government's Financial System Inquiry and supporting relationships with key stakeholders including industry groups, regulators, customers and government. He is also responsible for the Group's strategy, mergers and acquisitions function. Prior to this appointment, Philip held the role of Chief Financial Officer from December 2005. Previous to this, he was Group Executive, Westpac Institutional Bank, having been appointed to that position in 2002. Philip first joined Westpac in 1996 as Head of Foreign Exchange.

Philip has extensive experience in financial markets, funds management and finance. He began his career at the Reserve Bank of Australia before moving to Citicorp and AIDC Limited. He has also held roles in the United Kingdom and New Zealand. Philip has an honours degree in Economics from the University of Adelaide and has completed the Executive Programme at Stanford University Business School.

John Arthur LLB (Hons.). Age 60

Chief Operating Officer

John was appointed Chief Operating Officer in November 2011. He has responsibility for enterprise investments, contact centres, procurement, analytics, banking operations, property, compliance, legal and secretariat services. He joined Westpac as Group Executive, Counsel & Secretariat in December 2008. Before that appointment, John was Managing Director & CEO of Investa Property Group.

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

Lyn Cobley BEd, SF FIN, GAICD. Age 52

Chief Executive, Westpac Institutional Bank

Lyn was appointed Chief Executive, Westpac Institutional Bank in September 2015. She has responsibility for Westpac's global relationships with corporate, institutional and government clients as well as all products across financial and capital markets, transactional banking, structured finance and working capital payments. In addition, Lyn oversees Hastings Funds Management, global treasury as well as Westpac's International and Pacific Island businesses.

Lyn has over 20 years' experience in financial services. Prior to joining Westpac, Lyn held a variety of senior positions at the Commonwealth Bank of Australia (CBA) including serving as Group Treasurer from 2007 to 2013 and most recently as Executive General Manager, Retail Products & Third Party Banking. She was also Head of Financial Institutions at Barclays Capital in Australia, held senior roles at Citibank in Australia and Asia Pacific including Head of Securitisation and was CEO of Trading Room (a joint venture between Macquarie Bank and Fairfax).

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Lyn has a Bachelor of Economics from Macquarie University, is a Senior Fellow of the Financial Services Institute of Australia and is a graduate of the Australian Institute of Company Directors.

44

2015 Westpac Group Annual Report

Directors report

Brad Cooper DipBM, MBA. Age 53

Chief Executive Officer, BT Financial Group

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

David Curran BCom. Age 50

Chief Information Officer

David was appointed Chief Information Officer in September 2014. David joined Westpac in February 2014 as a consultant on the Group's banking technology modernisation program. David has almost 30 years of experience with proven expertise in IT and financial services and the implementation of large, complex projects.

Before joining Westpac, David spent ten years in senior roles at the Commonwealth Bank of Australia (CBA). Before joining CBA, he spent sixteen years at Accenture, where he was a partner, primarily consulting on financial services.

George Frazis B Eng (Hons.), MBA (AGSM/Wharton). Age 51

Chief Executive, Consumer Bank

George was appointed Chief Executive, Consumer Bank in June 2015, responsible for managing the end to end relationship with consumer customers. This includes all consumer distribution, digital, marketing, transformation and banking products and services under the Westpac, St. George, BankSA, Bank of Melbourne and RAMS brands.

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

Alexandra Holcomb BA, MBA, MA. Age 54

Chief Risk Officer

Alexandra was appointed Chief Risk Officer in August 2014. As Westpac Group's Chief Risk Officer, Alexandra is responsible for risk management activities across the enterprise across all risk classes and Westpac's strategic risk objectives.

Since joining Westpac in 1996, Alexandra has held a number of senior positions including Group General Manager, Group Strategy, M&A and Major Projects, Group Executive of Group Strategy, Head of Westpac Institutional Bank Strategy, and most recently, Group General Manager of Global Transactional Services.

Prior to joining Westpac, Alexandra was a senior executive from 1992 to 1996 with Booz Allen & Hamilton International where she specialised in international credit, working throughout the Asia Pacific region. Before that, she worked with Chase Manhattan Bank in New York in private and business banking and international credit audit. She also worked in project finance in Paris and New York for Banque Indosuez and Barclays Bank respectively.

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Alexandra is a Fellow of the Australian Institute of Company Directors and a Board member of Asia Society Australia. She has an MBA in Finance and Multinational Management from the Wharton School of Business and a Master of Arts in International Studies and French from the University of Pennsylvania. She also holds a BA in English and Economics from Cornell University.

45

2015 Westpac Group Annual Report

Peter King BEd, FCA. Age 45

Chief Financial Officer

Peter was appointed Chief Financial Officer in April 2014, with responsibility for Westpac's Finance, Group Audit, Tax, Treasury and Investor Relations functions. Prior to this appointment, Peter was the Deputy Chief Financial Officer for three years.

Since joining Westpac in 1994, Peter has held senior finance positions across the Group, including in Group Finance, Business and Consumer Banking, Business and Technology Services, Treasury and Financial Markets.

Peter commenced his career at Deloitte Touché Tohmatsu. He has a Bachelor of Economics from Sydney University and completed the Advanced Management Programme at INSEAD. He is a Fellow of the Institute of Chartered Accountants.

David Lindberg HBA (Hons. Economics). Age 40

Chief Executive, Commercial & Business Bank

David was appointed Chief Executive, Commercial & Business Bank in June 2015, responsible for managing the Group's end to end relationships across small and medium enterprises, commercial and agri-business customers as well as asset and equipment finance.

Prior to this appointment, David was Chief Product Officer, responsible for the Group's retail and business products across all brands, as well as overseeing the Group's digital activities. Before joining Westpac in 2012, David was Executive General Manager, Cards, Payments & Retail Strategy at the Commonwealth Bank of Australia. David was also formerly Managing Director, Strategy, Marketing & Customer Segmentation at Australia and New Zealand Banking Group Limited and Managing Vice President and Head of Australia for First Manhattan.

David McLean LLB (Hons.). Age 57

Chief Executive Officer, Westpac New Zealand Limited

David was appointed Chief Executive Officer, Westpac New Zealand Limited in February 2015. Since joining Westpac in February 1999, David has held a number of senior roles including Head of Debt Capital Markets New Zealand, General Manager, Private, Wealth and Insurance New Zealand and Head of Westpac Institutional Bank New Zealand, and most recently, Managing Director of the Westpac New York branch.

Before joining Westpac, David was Director, Capital Markets at Deutsche Morgan Grenfell since 1994, where he was responsible for starting and developing a new debt capital markets origination business. He also established the New Zealand branch of Deutsche Bank and was New Zealand Resident Branch Manager. In 1988, David joined Southpac/National Bank as a Capital Markets Executive. Prior to this, David worked as a lawyer in private practice and also served as in-house counsel for NatWest NZ from 1985. David is a Barrister & Solicitor of the High Court of New Zealand.

Christine Parker BGDipBus (HRM). Age 55

Group Executive, Human Resources, Corporate Affairs & Sustainability

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

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

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Prior to joining Westpac in 2007, Christine was Group Human Resources Director, Carter Holt Harvey, and from 1999 to 2004, she was Director of Human Resources with Restaurant Brands New Zealand.

46

2015 Westpac Group Annual Report

Directors report

Gary Thursby BEc, DipAcc, FCA. Age 53

Chief Strategy Officer

Gary was appointed Chief Strategy Officer in February 2015. Reporting to the Deputy Chief Executive Officer, Gary is responsible for the development of the Group's strategy, along with business development and mergers and acquisitions. Gary first joined Westpac in 2008 and more recently was Chief Financial Officer, Australian Financial Services, where his responsibilities included Westpac's Australian retail banking and wealth management businesses.

Gary has a wealth of financial services experience, having held a range of senior positions across a number of financial institutions over the last 20 years. Prior to joining Westpac, he served as Chief Financial Officer, Retail Bank at the Commonwealth Bank of Australia. Gary commenced his career at Deloitte Touché Tohmatsu.

Gary has a Bachelor of Economics and a Post Graduate Diploma in Accounting from Flinders University of South Australia and is a Fellow of the Institute of Chartered Accountants.

3. Report on the business

a) *Principal activities*

The principal activities of the Group during the financial year ended 30 September 2015 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, superannuation and funds management, insurance services, leasing finance, general finance and foreign exchange services.

There have been no significant changes in the nature of the principal activities of the Group during 2015.

b) *Operating and financial review*

The net profit attributable to equity holders of Westpac for the financial year ended 30 September 2015 was \$8,012 million, an increase of \$451 million or 6% compared to 2014. Key features of this result were:

§ a 9% increase in net operating income before operating expenses and impairment charges with:

net interest income of \$14,267 million, an increase of \$725 million or 5% compared to 2014, with loan growth of 7%, customer deposit growth of 4% and stable margins; and

non-interest income of \$7,375 million, an increase of \$980 million or 15% compared to 2014, primarily due to the gain on the partial sale of BTIM (\$1,036 million). Excluding this item, non-interest income reduced \$56 million or 1%, from lower trading income and lower insurance income reflecting higher insurance claims;

§ operating expenses were \$9,473 million, an increase of \$926 million or 11% compared to 2014. This included \$505 million related to changes to accounting for technology investment spending. Excluding this item, operating expenses increased \$421 million or 5% primarily due to higher investment related costs, including increased software amortisation and foreign currency translation impacts; and

§ impairment charges were \$753 million, an increase of \$103 million or 16% compared to 2014, mostly due to a reduced benefit from credit quality improvements. Overall asset quality improved during the year with stressed exposures as a percentage of total committed exposures reducing from 1.24% to 0.99%.

A review of the operations of the Group and its divisions and their results for the financial year ended 30 September 2015 is set out in Section 2 of the Annual Report under the sections *Review of Group operations* and *Divisional performance*, which form part of this report.

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

c) Dividends

Since 30 September 2015, Westpac has announced a final ordinary dividend of 94 cents per Westpac ordinary share, totalling approximately \$2,993 million for the year ended 30 September 2015 (2014 final ordinary dividend of 92 cents per Westpac ordinary share, totalling approximately \$2,860 million). The dividend will be fully franked and will be paid on 21 December 2015.

An interim ordinary dividend for the current financial year of 93 cents per Westpac ordinary share for the half year ended 31 March 2015, totalling \$2,902 million, was paid as a fully franked dividend on 2 July 2015 (2014 interim ordinary dividend of 90 cents per Westpac ordinary share, totalling \$2,798 million).

d) Significant changes in state of affairs and events during and since the end of the 2015 financial year

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

- § the appointment of Brian Hartzler as Chief Executive Officer effective 2 February 2015;
- § Westpac's fully underwritten, pro rata accelerated renounceable entitlement offer to raise approximately \$3.5 billion of ordinary equity;
- § the issue of approximately \$2 billion worth of Westpac ordinary shares under the 2015 interim DRP and partial DRP underwrite;
- § the issuance of approximately \$1.32 billion of securities known as Westpac Capital Notes 3;
- § the sale of Westpac's banking operations in the Solomon Islands, Cook Islands, Samoa and Tonga to the Bank of South Pacific Limited for \$114.6 million;
- § the partial sale of Westpac's shareholding in BTIM (down from 59.1% to 31.0%);
- § the announcement of Westpac's new operating structure on 10 June 2015;
- § the impact of various accounting changes, resulting in a reduction in the technology assets balance of \$505 million (pre-tax) reported as an expense in the Full Year 2015 statutory results; and
- § ongoing regulatory changes and developments, which have included changes to liquidity, capital, financial services, taxation and other regulatory requirements.

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

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

e) Business strategies, developments and expected results

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

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

4. Directors' interests

a) Directors' interests in securities

The following particulars for each Director are set out in the Remuneration Report in Section 9 of the Directors' report for the year ended 30 September 2015 and in the tables below:

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

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

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

§ any contracts:

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

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

48

2015 Westpac Group Annual Report

Directors report

Directors' interests in Westpac and related bodies corporate as at 2 November 2015

	Number of Relevant Interests in Westpac Ordinary Shares	Number of Westpac Share Rights	Westpac CPS
Westpac Banking Corporation			
Current Directors			
Lindsay Maxsted	17,799	-	-
Brian Hartzler	49,571 ¹	225,199 ²	-
Elizabeth Bryan	26,801	-	-
Ewen Crouch	34,877 ³	-	-
Alison Deans	9,000	-	-
Craig Dunn	8,500	-	-
Robert Elstone	10,291	-	-
Peter Hawkins	15,218 ⁴	-	1,370
Peter Marriott	20,000	-	-
Former Directors			
Gail Kelly	1,797,295 ⁵	390,534 ⁶	-
Ann Pickard	13,800 ⁷	-	-

- Brian Hartzler's interest in Westpac ordinary shares includes 12,075 restricted shares held under the Restricted Share Plan.
- Share rights issued under the LTI Performance Plan.
- Ewen Crouch and his related bodies corporate also hold relevant interests in 250 Westpac Capital Notes 2.
- Peter Hawkins and his related bodies corporate also hold relevant interests in 1,433 Westpac Subordinated Notes and 850 Westpac Capital Notes 3.
- Gail Kelly's interest in Westpac ordinary shares includes 85,667 restricted shares held under the CEO Restricted Share Plan. Figure displayed is as at Gail Kelly's retirement date of 1 February 2015.
- Share rights issued under the CEO Performance Plan and held as at Gail Kelly's retirement date of 1 February 2015.
- Ann Pickard's relevant interests arise through holding 13,800 Westpac American Depositary Shares (ADS). One ADS represents one Westpac fully paid ordinary share. Figure displayed is as at Ann Pickard's retirement date of 12 December 2014.

Note: Certain subsidiaries of Westpac offer a range of registered schemes. The Directors from time to time invest in these schemes and are required to provide a statement to the ASX when any of their interests in these schemes change. ASIC has exempted each Director from the obligation to notify the ASX of a relevant interest in a security that is an interest in BT Cash Management Trust (ARSN 087 531 539), BT Premium Cash Fund (ARSN 089 299 730), Westpac Cash Management Trust (ARSN 088 187 928), BT Wholesale Managed Cash Fund (ARSN 088 832 491) or BT Wholesale Enhanced Cash Fund (ARSN 088 863 469).

b) Indemnities and insurance

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

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

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

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

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

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

§ directors and statutory officers of other nominated companies as approved by Westpac in accordance with the terms of the deed poll and Westpac's Contractual Indemnity Policy.

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

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

§ we are forbidden by statute to pay or agree to pay the premium; or

§ the contract would, if we paid the premium, be made void by statute.

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

For the year ended 30 September 2015, the Group has insurance cover in respect of the amounts which we may have to pay under the indemnities set out above. That cover is subject to the terms and conditions of the relevant insurance, including but not limited to the limit of indemnity provided by the insurance. The insurance policies prohibit disclosure of the premium payable and the nature of the liabilities covered.

c) Options and share rights outstanding

As at the date of this report there are 747,152 share options outstanding and 4,489,400 share rights outstanding in relation to Westpac ordinary shares. The expiry date of the share options range between 20 December 2015 and 1 October 2018 and the weighted average exercise price is \$26.73. The latest dates for exercise of the share rights range between 20 December 2015 and 1 May 2026.

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

d) Proceedings on behalf of Westpac

No application has been made and no proceedings have been brought or intervened in, on behalf of Westpac under section 237 of the Corporations Act.

Directors report

5. Environmental disclosure

As part of our 2017 Sustainability Strategy we have set targets for our environmental performance. The Westpac Group's environmental framework starts with 'Our Principles for Doing Business', which outline our broad environmental principles. This framework includes:

§ our Westpac Group Environment Policy, which has been in place since 1992;

§ our Sustainable Supply Chain Management Framework;

§ our Sustainability Risk Management Framework; and

§ public reporting of our environmental performance. We also participate in a number of voluntary initiatives including the Dow Jones Sustainability Index, CDP1, the Equator Principles, the Principles for Responsible Investment, the United Nations Global Compact and the Banking Environment Initiative's Soft Commodities Compact.

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

The Group was previously subject to the reporting requirements of the *Energy Efficiency Opportunities Act 2006* (Cth) (EEO Act). The Commonwealth Government repealed the EEO Act, effective from 29 June 2014. Accordingly, all obligations and activities under the EEO Program, including reporting requirements, have ceased.²

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

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

6. Rounding of amounts

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

1 Formerly known as the Carbon Disclosure Project.

2 Westpac implemented energy efficiency opportunities which are expected to result in estimated energy savings of 28,154GJ, carbon savings of 7,112tCO₂e and cost savings of \$977,063 per year. Westpac also participated in the voluntary NSW Energy Saving Scheme and earned over \$195,498 through the sale of 14,816 Energy Savings Certificates.

7. Political expenditure

In line with Westpac policy, no cash donations were made to political parties during the financial year ended 30 September 2015. The expenditure reflected in the table below relates to payment for participation in legitimate political activities where they were assessed to be of direct business relevance to Westpac. Such activities include business observer programs attached to annual party conferences, policy dialogue forums and other political functions such as speeches and events with industry participants.

Political expenditure, year ended 30 September 2015

Australia

	Amount
	\$1
Australian Labor Party	69,550
Liberal Party of Australia	84,895
National Party of Australia	-
Total	154,445

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

New Zealand

There was no expenditure on political activities in New Zealand for the year ended 30 September 2015. In line with Westpac policy, no cash donations were made to political parties in New Zealand during the year.

2015 Westpac Group Annual Report

8. Directors meetings

Each Director attended the following meetings of the Board and Committees of the Board during the financial year ended 30 September 2015:

Number of meetings held during the year															
Director		A	B	C	A	B	A	B	C	A	B	A	B	A	B
Lindsay Maxsted	1	10	10	-	4	4	4	4	-	4	4	-	-	-	-
Brian Hartzler	2	6	6	-	-	-	-	-	-	-	-	-	-	2	2
Gail Kelly	3	4	3	1	-	-	-	-	-	-	-	-	-	1	1
Elizabeth Bryan	4	10	10	-	-	-	4	4	-	4	4	5	5	-	-
Ewen Crouch	5	10	10	-	-	-	4	4	-	4	4	5	5	-	-
Alison Deans	6	10	10	-	-	-	4	3	1	-	-	-	-	3	3
Craig Dunn	7	3	3	-	-	-	1	1	-	-	-	1	1	-	-
Robert Elstone	8	10	9	1	4	4	4	4	-	1	1	5	5	-	-
Peter Hawkins	9	10	10	-	4	4	4	4	-	4	4	-	-	3	3
Peter Marriott	10	10	10	-	4	4	4	4	-	3	3	-	-	3	3
Ann Pickard	11	4	4	-	-	-	1	1	-	-	-	2	2	-	-

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

A - Meetings eligible to attend as a member

B - Meetings attended as a member

C Leave of absence granted

Unless otherwise stated, each Director has been a member, or the Chairman, of the relevant Committee for the whole of the period from 1 October 2014.

1 Chairman of the Board Nominations Committee. Member of the Board Audit Committee and the Board Risk & Compliance Committee.

2 Brian Hartzler was appointed Managing Director & Chief Executive Officer on 2 February 2015. Member of the Board Technology Committee from 13 February 2015.

3 Gail Kelly retired as Managing Director & Chief Executive Officer and member of the Board Technology Committee on 1 February 2015.

4 Chairman of the Board Risk & Compliance Committee. Member of the Board Nominations Committee and the Board Remuneration Committee.

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- 5 Chairman of the Board Remuneration Committee. Member of the Board Nominations Committee and the Board Risk & Compliance Committee.
- 6 Member of the Board Risk & Compliance Committee and the Board Technology Committee.
- 7 Craig Dunn was appointed as a Director on 1 June 2015. Member of the Board Remuneration Committee and Board Risk & Compliance Committee from 5 June 2015.
- 8 Chairman of the Board Audit Committee, and member of the Board Nominations Committee, until 31 December 2014. Member of the Board Remuneration Committee, the Board Risk & Compliance Committee, and from 1 January 2015, a member of the Board Audit Committee.
- 9 Chairman of the Board Technology Committee. Member of the Board Audit Committee, the Board Nominations Committee and the Board Risk & Compliance Committee.
- 10 Chairman of the Board Audit Committee from 1 January 2015. Member of the Board Audit Committee until 31 December 2014. Member of the Board Risk & Compliance Committee, the Board Technology Committee, and from 13 February 2015, a member of the Board Nominations Committee.
- 11 Ann Pickard retired from the Board and its Committees on 12 December 2014.

52

2015 Westpac Group Annual Report

9. Remuneration Report

Introduction from the Chairman of the Board Remuneration Committee

Dear Shareholder,

We are pleased to present Westpac's 2015 Remuneration Report (Report).

2015 Remuneration outcomes

Each year, the Board assesses a number of factors when determining remuneration outcomes. In addition to approved scoreboards including financial performance, the Committee assesses elements such as result quality, performance drivers, the operating environment and accounting changes or adjustments. This year, the outcomes also recognise the smooth transition to the new CEO and management's contribution in the context of significant regulatory change.

It is against this framework that the short and long-term incentive outcomes have been determined.

The 2012 Long-Term Incentive (LTI) grant qualified for 36% vesting this year reflecting our performance against the hurdles established in 2012. In particular:

§ Westpac's LTI plan Total Shareholder Return (TSR) over the last three years was 62.5%. While ranking second amongst the four major Australian banks, this was a 30th percentile outcome against the designated peer group. As this outcome was below the 50th percentile vesting threshold, none of the 2012 TSR hurdled rights vested.

§ Westpac's Cash Earnings per Share (EPS) growth over the last three years totalled 15.56%, which was above the vesting threshold of 12.8% (4.1% compound annual growth), but below the maximum of 19.1% (6% compound annual growth). Accordingly, 72% of the 2012 EPS performance tranche vested.

Executive changes

Brian Hartzler commenced as CEO on 2 February 2015 and there were a number of changes in executive appointments during the year. These included the appointment of Lyn Cobley as Chief Executive, Westpac Institutional Bank and David McLean as CEO of Westpac New Zealand after acting in the role. David Lindberg also joined the Executive Team with his appointment as Chief Executive, Commercial & Business Bank while George Frazis was appointed Chief Executive, Consumer Bank. Consistent with prior commitments by the Board, all of the new Group Executives, including the CEO, had starting remuneration levels below those of the prior incumbents, applying the Group pay mix.

Remuneration frameworks

The revised remuneration framework outlined in last year's Report was implemented in 2015:

§ the deferred component of the Short-Term Incentive (STI) increased from 40% to 50% deferred over two years and as a result the cash component of STI paid to our Group Executives has reduced; and

§ the prospective approach to LTI allocations introduced, with an extended vesting period of four years.

The value of LTI share rights for our executives in Section 6.2 also increased as a consequence of the new 2015 LTI grant, though the values remain at risk and subject to meeting both TSR and EPS based performance hurdles over a four year vesting period.

We are confident that that our remuneration framework is well positioned to attract and retain the highest quality executives and provide remuneration outcomes which reflect our business performance and sustained outcomes in the interests of our shareholders.

Ewen Crouch
Chairman Board Remuneration Committee

1. Governance and risk management

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

1.1. Governance

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

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

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

All Board Committee Charters are reviewed every two years. The Board Remuneration Committee Charter was last reviewed and amended in May 2014.

Members of the Remuneration Committee during 2015

All members of the Remuneration Committee are independent Non-executive Directors. During 2015, the members were:

§ Ewen Crouch (Chairman);

§ Elizabeth Bryan;

§ Craig Dunn (member from 5 June 2015);

§ Robert Elstone; and

§ Ann Pickard (retired 12 December 2014).

Independent remuneration consultant

During 2015, the Board retained Guerdon Associates as its independent consultant to provide specialist information on executive remuneration and other Group remuneration matters. These services are provided directly to the Remuneration Committee which is independent of management. The Chairman of the Remuneration Committee oversees the engagement of, remuneration arrangements for, and payment of, the independent consultant.

Work undertaken by Guerdon Associates during 2015 included the provision of information relating to the benchmarking of Non-executive Director, CEO and Group Executive remuneration and analysis regarding the Group's Earnings per Share (EPS) LTI performance hurdle. No remuneration recommendations, as prescribed under the Corporations Act, were made by Guerdon Associates in 2015.

Internal governance structure

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

1.2. Risk management

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

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

The executive total reward framework specifically includes features to take account of risk.

Each year, the Board determines the size of the variable reward pool which funds variable reward outcomes across the Group. This is based on the Group's performance for the year and an assessment of how profit should be shared among shareholders and employees and retained for growth. The primary financial indicator used is economic profit, which measures cash earnings adjusted for cost of capital used in the business. Cash earnings, return on equity (ROE), Cash EPS and dividends are also taken into account.

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STI outcomes are based on both financial and non-financial measures, with the latter reflecting risk management outcomes and progress on the implementation of the Group's strategy. Group economic profit, Group core earnings growth and Group ROE accounted for 40% of the CEO's scoreboard for 2015. Similarly, Group Executive scoreboards had 45% of their STI allocated based on Group economic profit, divisional economic profit, divisional core earnings growth and divisional expense management (Chief Risk Officer 30%). A performance measure related to the Board's Risk Appetite Statement accounted for a further 10% of the CEO's and Group Executives' scoreboards. In addition, the CEO and each Group Executive are assessed on specific risk measures that may influence any discretionary adjustment to the scoreboard. Ultimately, the Board has 100% discretion over the STI outcome. We believe this discretion is vital to balance a mechanistic approach in determining performance and reward outcomes and to enable previous decisions (either good or bad) to be taken into account. This discretion may be exercised both up and down.

Approval of remuneration decisions

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

§ the CEO and Group Executives; and

§ other executives who report directly to the CEO, other persons whose activities in the Board's opinion affect the financial soundness of the Group and any other person specified by the Australian Prudential Regulation Authority.

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

Shareholding requirements and hedging policy

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

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

2. Key Management Personnel remuneration disclosed in this Report

The remuneration of key management personnel (KMP) for the Group is disclosed in this Report. In 2015, KMP comprised Non-executive Directors, the CEO and Group Executives who reported to the CEO and/or led significant parts of the business.

CEO and Group Executives

Name	Position	Term as KMP
Managing Director & Chief Executive Officer		
Brian Hartzler ¹	Managing Director & Chief Executive Officer	Full Year
Gail Kelly ²	Managing Director & Chief Executive Officer	Part Year
Group Executives		
Philip Coffey	Deputy Chief Executive Officer	Full Year
John Arthur	Chief Operating Officer	Full Year
Lyn Cobley ³	Chief Executive, Westpac Institutional Bank	Part Year
Brad Cooper	Chief Executive Officer, BT Financial Group	Full Year
David Curran	Chief Information Officer	Full Year
George Frazis ⁴	Chief Executive, Consumer Bank	Full Year
Alexandra Holcomb	Chief Risk Officer	Full Year
Peter King	Chief Financial Officer	Full Year
David Lindberg ⁵	Chief Executive, Commercial & Business Bank	Part Year
David McLean ⁶	Chief Executive Officer, Westpac New Zealand Limited	Full Year
Christine Parker	Group Executive, Human Resources & Corporate Affairs	Full Year
Rob Whitfield ⁷	Group Executive, Westpac Institutional Bank	Part Year
Jason Yetton ⁸	Group Executive, Westpac Retail & Business Banking	Part Year

Non-executive Directors

Name	Position	Term as KMP
Lindsay Maxsted	Chairman	Full Year

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Elizabeth Bryan	Director	Full Year
Ewen Crouch	Director	Full Year
Alison Deans	Director	Full Year
Craig Dunn ⁹	Director	Part Year
Robert Elstone	Director	Full Year
Peter Hawkins	Director	Full Year
Peter Marriott	Director	Full Year
Ann Pickard ¹⁰	Director	Part Year

1 Brian Hartzler was Chief Executive, Australian Financial Services (AFS) prior to his appointment as Managing Director & Chief Executive Officer on 2 February 2015.

2 Gail Kelly retired as Managing Director & Chief Executive Officer on 1 February 2015.

3 Lyn Cobley was appointed Group Executive, Westpac Institutional Bank with effect from 7 September 2015.

4 George Frazis was Chief Executive Officer, St.George Banking Group prior to his appointment as Chief Executive, Consumer Bank on 10 June 2015.

5 David Lindberg was Chief Product Officer prior to his appointment as Chief Executive, Commercial & Business Bank on 10 June 2015.

6 David McLean was Acting Chief Executive Officer, Westpac New Zealand Limited prior to his appointment as Chief Executive Officer, Westpac New Zealand Limited on 2 February 2015.

7 Rob Whitfield resigned effective 10 July 2015.

8 Jason Yetton ceased as Group Executive, Westpac Retail & Business Banking on 10 June 2015.

9 Craig Dunn was appointed on 1 June 2015.

10 Ann Pickard retired on 12 December 2014.

3. Remuneration snapshot 2015

This section provides an overview of the Group's remuneration arrangements during the 2015 financial year.

3.1. Remuneration strategy, principles and framework

Executive remuneration framework

The CEO and Group Executives are remunerated based on a Total Reward framework:

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The target pay mix was adopted in 2012 and is being progressively implemented for existing Group Executives as their remuneration increases. In 2015, Christine Parker and Jason Yetton received increases as their remuneration was significantly below that of their peers and in competitor organisations. George Frazis also received a market aligned increase during 2015.

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

Fixed remuneration takes into account the size and complexity of the role, individual responsibilities, experience, skills and disclosed market-related pay levels within the financial services industry;

Short-term incentive (STI) is determined based on an STI target set using similar principles to those used for fixed remuneration, and on individual, divisional and Group performance objectives for the year. Performance is measured against risk-adjusted financial targets and non-financial targets that support the Group's strategy; and

Long-term incentive (LTI) is designed to align the total remuneration of executives to the long-term performance of the Group and the interests of shareholders. The amount of the award takes into account market benchmarks, individual performance over time, succession potential and key skills.

4. Executive remuneration

4.1. Remuneration structure and policy

a) Fixed remuneration

Fixed remuneration comprises cash salary, salary sacrificed items and employer superannuation contributions.

The Group provides superannuation contributions in line with statutory obligations. Fixed remuneration is reviewed annually taking into consideration:

§ role and accountabilities;

§ relevant market benchmarks within the financial services industry; and

§ the attraction, motivation and retention of key executives.

2015 Westpac Group Annual Report

b) Short-Term Incentive (STI)

STI provides the opportunity for participants to earn cash and deferred equity incentives where specific outcomes have been achieved in the financial year. The CEO and each Group Executive are assessed using a balanced scoreboard, combining both annual financial and non-financial objectives which support the Group's strategic goals.

STI targets

Brian Hartzler's full year STI target opportunity for 2015 as CEO was set at \$2,686,000. His actual STI target opportunity reflects the part year as CEO and Chief Executive, AFS.

STI targets for Group Executives are set by the Remuneration Committee and approved by the Board at the beginning of each performance year based on a range of factors including market competitiveness and the nature of each role. The STI targets for the 2015 performance year did not increase for those Group Executives whose fixed remuneration was unchanged in 2015. The STI awards for Group Executives are managed within the Group-wide variable reward pool.

STI outcomes are subject to both a quantitative and qualitative assessment, including a risk management overlay, which is embedded in our scoreboard measurement process. The maximum STI opportunity is 150% of target. The Board has the capacity to adjust STI outcomes (and reduce STI outcomes to zero if appropriate) in the assessment process.

STI structure 2015

The table below details how and when STI outcomes are delivered, and for deferred payments, the type of equity and the instrument used:

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

2 Rights to ordinary shares entitle the holder to Westpac ordinary shares at the time of vesting.

58

2015 Westpac Group Annual Report

Directors report

By deferring a portion of the STI in the form of restricted equity, incentive payments are better aligned with the interests of shareholders as the ultimate value of the deferred portion is tied to movements in share price over the restriction period. The deferred STI awards are allocated as restricted shares and, as they recognise past performance and are not subject to further performance conditions, attract dividends over the vesting period.

If an executive resigns or retires, or otherwise leaves the Group before his or her securities vest, the Board has discretion in relation to how those securities are treated. If the executive leaves the Group to join another organisation, or is terminated for cause, their securities are generally forfeited. In other circumstances, the Board may elect to allow the securities to remain on foot for the balance of the relevant restriction period and then vest.

Securities are also subject to forfeiture at the Board's discretion in the event of a material issue or financial mis-statement.

Details of deferred STI allocations granted in prior years, which have been exercised during the year ended 30 September 2015, are included in Section 6.4 of this Report.

c) Long-Term Incentive (LTI)

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

LTI structure 2014

The LTI grants made for the 2014 remuneration period follow the format and performance hurdles detailed in the 2014 Annual Report (page 62), and will vest in 2017.

LTI structure 2015

The following diagram and table set out the key features of the 2015 LTI awards made in December 2014 to Group Executives under the Westpac LTI Plan. No awards were made under the CEO Performance or LTI Plans in December 2014.

LTI award opportunities

Brian Hartzler did not receive any awards under the CEO LTI Plan related to his appointment as CEO. No awards were made in 2015 to Gail Kelly (former CEO) under the CEO Performance Plan.

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

At the beginning of each year, the Board, advised by the Remuneration Committee, sets the dollar value of the LTI award target for each Group Executive.

Westpac LTI Plan Granted after 1 October 2014	
Equity instrument	Share rights – the Board has the discretion to satisfy vested grants and the allocation of subsequent shares to participants by either the issue of new shares or the on-market purchase of shares, or as a cash payment. One share right entitles the holder to one ordinary share at the time of vesting at a nil exercise cost.
Determining the number of securities	<p>The number of share rights each individual receives is determined by dividing the dollar value of the LTI award by the value of the share rights at the beginning of the performance assessment period (performance period).</p> <p>The value of share rights is determined by an independent valuer taking as a starting point the market price of Westpac shares at grant, and utilising a Monte Carlo simulation pricing model, applying assumptions based on expected life, volatility, risk-free interest rate and dividend yield associated with the securities and the risk of forfeiture attributed to each performance hurdle. The value of a share right may be different for TSR hurdled share rights than for EPS hurdled share rights.</p>
Performance hurdles	<p>In December 2014 on the transition from a three to four year performance and vesting cycle, Group Executives were allocated both the 2014 LTI allocation vesting in 2017 and the 2015 LTI allocation vesting in 2018. The LTI grants retain dual TSR and EPS hurdles which are detailed below.</p> <p>The TSR data is averaged over the three months preceding the measurement date.</p> <p>Together, the use of these two hurdles is intended to provide a balanced view of the Group’s overall performance and provide strong alignment with shareholder interests.</p> <p>The two hurdles operate independently.</p>
2014 LTI Award	
TSR (50% of the allocation)	Cash EPS CAGR (50% of the allocation)

<p>Westpac's TSR percentile ranking must equal or exceed the 50th percentile of a defined group of comparator companies (peer group) over the three year performance period. The peer group is comprised of the top 10 selected Australian companies listed on the ASX in the financial services sector.</p>	<p>The Cash EPS CAGR measure focuses on growth in cash earnings over a three year performance period. A description of the process used to determine cash earnings is provided at Note 2 to the financial statements.</p>
<p>The companies in the 2014 peer group for the Westpac Reward Plan are:</p>	<p>Westpac has a policy of not providing guidance to the market. Accordingly, the Board will advise specific Cash EPS targets and the Group's performance against target following the test date.</p>
<p>§ AMP Limited;</p>	<p>The Cash EPS targets were developed with the assistance of an independent external advisor who was provided access to Westpac's long-term business plan and analyst forecasts in regard to the long-term performance of Westpac and its peers.</p>
<p>§ ASX Limited;</p>	<p>The EPS performance will be measured once at the completion of the performance period. Westpac shares will be allocated in satisfaction of vested share rights at no cost to participants.</p>
<p>§ Australia and New Zealand Banking Group Limited;</p>	
<p>§ Bendigo and Adelaide Bank Limited;</p>	
<p>§ Commonwealth Bank of Australia;</p>	
<p>§ Insurance Australia Group Limited;</p>	
<p>§ Lend Lease Group;</p>	
<p>§ Macquarie Group Limited;</p>	
<p>§ National Australia Bank Limited; and</p>	
<p>§ Suncorp Group Limited.</p>	

Westpac LTI Plan Granted after 1 October 2014		
2015 LTI Award		
	TSR (50% of the allocation)	Cash EPS CAGR (50% of the allocation)
	<p>Westpac's TSR must equal the growth in the composite index in order for 50% of the TSR tranche to vest.</p> <p>For 100% to vest, Westpac's TSR must exceed the growth of the composite index by 21.55 (i.e. average 5% compound annual growth over the four year performance period).</p> <p>The companies in the 2015 peer group for the Westpac LTI Plan are:</p> <ul style="list-style-type: none"> § AMP Limited; § Australia and New Zealand Banking Group Limited; § Bendigo and Adelaide Bank Limited; § Bank of Queensland; § Challenger Limited; § Commonwealth Bank of Australia; § Macquarie Group Limited; § National Australia Bank Limited; § Perpetual Limited; and § Suncorp Group Limited. 	<p>The Cash EPS CAGR measure as described for the 2014 grant is unchanged for the 2015 LTI award. EPS rights which satisfy the EPS hurdle and qualify for vesting at the completion of the three year performance period will have a one year holding lock applied and will vest at the completion of the four year term from the commencement date.</p>
Targets are set for stretch performance	<p>The Board considers the vesting profile as being appropriate as 100% vesting will only occur where, in respect of the 2014 LTI award, Westpac is ranked third or better out of the total of 11 companies (including Westpac), and in respect of the 2015 LTI award, Westpac's TSR equals or exceeds the growth of the composite index plus 21.55.</p>	<p>The expensed value of the December 2013, 2014 and 2015 grants in Table 6.2 of this Report have been discounted to 50%, reflecting the Board's current assessment of the probability of the threshold EPS hurdles being met and share rights vesting over time.</p>

	The TSR performance will be measured once at the completion of the performance period. Westpac shares will be allocated in satisfaction of vested share rights at no cost to participants.	
Who measures the performance hurdle outcomes?	To ensure objectivity and external validation, TSR results are calculated by an independent external consultant and are provided to the Board or its delegate to review and determine vesting outcomes. Under the relevant plan rules, the Board may exercise discretion if in all prevailing circumstances Directors think it is appropriate to do so when determining the ultimate vesting outcome.	The Cash EPS CAGR outcome will be determined by the Board based on the Cash EPS disclosed in our results at the completion of the performance period. Under the relevant plan rules, the Board may exercise discretion if in all prevailing circumstances Directors think it is appropriate to do so when determining the ultimate vesting outcome.
Early vesting is possible in limited cases	For awards made since 1 October 2009, unvested securities may vest before a test date if the executive is no longer employed by the Group due to death or disability. In general, any such vesting is not subject to performance hurdles being met.	
No re-testing	There is no re-testing on awards made since 2011. Any securities remaining unvested after the nominated measurement period including any holding lock period lapse immediately.	

	Westpac LTI Plan Granted after 1 October 2014
Treatment of securities	<p>The Board has discretion in relation to performance share rights where the CEO or a senior executive resigns or retires, or otherwise leaves the Group before vesting occurs. This discretion enables the Board to vest the relevant securities or leave them on foot for the remainder of the performance period. In exercising its discretion, the Board will take into account all relevant circumstances including those surrounding the departure in question. The Board may also adjust the number of performance share rights downwards, or to zero (in which case they will lapse) where the circumstances of the departure warrant, or to respond to misconduct resulting in significant financial and/or reputational impact to Westpac.</p> <p>Where a holder acts fraudulently or dishonestly, or is in material breach of his or her obligations under the relevant equity plan, unexercised performance share rights (whether vested or unvested) will lapse unless the Board determines otherwise.</p>

4.2. Linking reward and performance

CEO performance objectives and key highlights

The Remuneration Committee reviews and makes recommendations to the Board on individual performance objectives for the CEO. These objectives are intended to provide a robust link between remuneration outcomes and the key drivers of long-term shareholder value. The STI objectives are set in the form of a scoreboard with targets and measures aligned to our strategic priorities cascaded from the CEO scoreboard to the relevant Group Executive scoreboard. The key financial and non-financial objectives for the CEO in the 2015 financial year, with commentary on key highlights are provided below:

Category	Weighting	Measure	Performance Highlights
Return	30%	Economic Profit	§ The Group delivered EP of \$4.418 million, down 2% from FY14. While cash earnings increased 3%, the EP outcome was impacted by a 6% increase in average ordinary equity.
		Return on Equity	§ Return on Equity was 15.8% exceeding our target of 15%, with all divisions achieving returns above their cost of capital despite difficult operating conditions and increased capital requirements.
Growth	10%	Core Earnings Growth	§ The Group delivered 3% growth in core earnings, with our Australian and New Zealand consumer and business banks performing above target. Core earnings were impacted by severe weather claims in BTFG and the partial sale of BTIM as well as the FVA adjustments and below target margins in WIB.
	20%	Customers	<p>§ We have exceeded our customer growth targets, making solid progress towards our goal of on-boarding a million new customers by 2017, while importantly reducing complaints by 31% year on year and down 80% over the past three years.</p> <p>§ Reached stretch target of 10 million customers across the Group 18 months ahead of target.</p> <p>§ The Westpac Institutional Bank regained its No.1 spot on the Peter Lee relationship strength index, while retaining the No.1 Lead Transaction Bank position for a 12th year in a row.</p> <p>§ Our digital platforms have been key to the engagement of customers with Westpac Live ranked No.2 globally by Forrester Research and Westpac One delivering the Best Online Bank award from Canstar in New Zealand.</p>

		Market Share	<p>§ We continued to grow our market share for business credit, household deposits and credit cards at or above system.</p>
		Wealth	<p>§ Maintained sector leading wealth penetration at around 20%.</p> <p>§ BT Platforms Funds Under Administration ranked No.1 for market share.</p>
		Asia	<p>§ We continued to grow our Corporate and Institutional customer base for a third straight year.</p>
Strength	10%	Adherence to Group Risk Appetite Statement (RAS)	<p>§ The Group has a strong capital position, improved liquidity and funding profiles and impairments at the lowest level among the major Australian banks.</p> <p>§ The Group has delivered its financial performance while operating within our Group RAS.</p>
	10%	Balance Sheet Strength and Sustainable Funding	<p>§ The Group's asset quality remains sector leading with Net Interest Margin performance maintained.</p> <p>§ Our funding position is strong and well diversified, the average duration extended from 2.77 years to 2.82 years.</p>
	10%	Business & Technology Architecture	<p>§ Significant progress has been made towards having a world class online and mobile capability, a more resilient infrastructure and a clear road map for continuing development.</p>

	10%	People and Sustainability	<p>§ We have retained our position as the most sustainable bank globally in the 2015 Dow Jones Sustainability Indices (DJSI) Review.</p> <p>§ The number of women in leadership grew to 46% and is on track to meet our 2017 target of 50%.</p> <p>§ Our continued focus on a culture of workplace safety has delivered a 28% reduction in Long Term Injury Frequency Rate well ahead of targets and our 2014 result.</p>
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1 Individual measures will differ for each Group Executive.

64

2015 Westpac Group Annual Report

Directors report

Our primary financial measure is economic profit which the Board believes, in combination with ROE, is an appropriate measure of returns and of the value created for shareholders complementing the LTI measures. The remaining measures focus on ensuring that we remain strong; deliver targeted growth; and drive simplification, innovation and productivity while helping our customers, communities and people to prosper and grow. The final STI outcome for 2015 reflects the Board’s view of performance across all balanced scoreboard measures relative to planned outcomes, and the value the Group has delivered for our shareholders.

Aligning pay with performance and shareholder return

Graph 1 shows the CEO’s STI payment as a percentage of STI target and its relationship to our primary financial metric, economic profit, while Graph 2 shows the Group’s ROE performance being the other key financial metric. Graphs 3 and 4 show the Group’s TSR and EPS performance respectively, these being the LTI hurdles.

<i>Graph 1: STI Award for CEO vs Economic Profit</i>	<i>Graph 2: Return on Equity (ROE) 2012 to 2015</i>
<i>Graph 3: Total Shareholder Return (TSR) 2011 to 2015</i>	<i>Graph 4: Cash Earnings per Share (EPS) 2012 to 2015</i>

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Application of discretion

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

- § matters not known or not relevant at the beginning of the financial year, which are relevant to the under or over performance of the CEO and Group Executives during the financial year;
 - § the degree of stretch implicit in the scoreboard measures and targets themselves and the context in which the targets were set;
 - § whether the operating environment during the financial year has been materially better or worse than forecast;
 - § comparison with the performance of the Group's principal competitors;
 - § any major positive or negative risk management or reputational issue that impacts the Group;
 - § the quality of the financial result as shown by its composition and consistency;
 - § whether there have been major positive or negative aspects regarding the quality of leadership and/or behaviours consistent with our values;
- and

2015 Westpac Group Annual Report

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

The process ensures that financial measures such as EP are adjusted for non-operating items which impact the current year process such as write-offs, accounting standard changes or one-off transactions (where appropriate) to ensure that employees are neither advantaged nor disadvantaged when determining the incentive outcome. Adjustments are considered on a multi-year basis where appropriate e.g. where a material adjustment has been brought forward into the current year.

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

66

2015 Westpac Group Annual Report

LTI performance outcomes

The following table provides the Group's TSR, dividend, cash earnings per share and share price performance each year from 2011 to 2015:

	Years Ended 30 September				
	2015	2014	2013	2012	2011
TSR three years	62.30%	102.03%	66.09%	25.61%	9.6%
TSR five years	92.78%	103.74%	90.91%	20.03%	18.5%
Dividends per Westpac share (cents) ¹	187	182	174	166	156
Cash earnings per Westpac share ²	\$2.50	\$2.45	\$2.29	\$2.16	\$2.09
Share price high	\$40.07	\$35.99	\$34.79	\$24.99	\$25.60
Share price low	\$29.10	\$30.00	\$24.23	\$19.00	\$17.84
Share price close	\$29.70	\$32.14	\$32.73	\$24.85	\$20.34

1 Does not include 20 cent special dividend determined in 2013.

2 Cash earnings are not prepared in accordance with AAS and have not been subject to audit.

The vesting outcomes for awards made to the CEO and Group Executives under the CEO Performance Plan and Westpac Reward Plan that reached the completion of the performance period during the financial year, are set out below. No changes have been made to the terms and conditions of prior grants.

TSR hurdle vesting outcomes

Equity Instrument	Type of Equity	Commencement Date ¹	Test Date	TSR Percentile in Ranking Group	Remain		
					Vested %	Lapsed %	in Plan %
CEO Performance Plan ²	Performance share rights	December 2009	December 2014	30th percentile	70	30	-
		1 October 2010	1 October 2015	30th percentile	90	10	-
		1 October 2012	1 October 2015	30th percentile	-	100	-
Westpac Reward Plan	Performance share rights	1 October 2010	1 October 2015	30th percentile	90	10	-
		1 October 2012	1 October 2015	30th percentile	-	100	-

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

- 2 CEO Performance Plan refers to awards made to Gail Kelly.

- 3 Third test date. Unvested share rights lapsed. There is no re-testing for awards granted since 2011.

Cash EPS CAGR hurdle vesting outcomes

Equity Instrument	Type of Equity	Commencement Date ¹	Test Date	Cash EPS CAGR Performance	Vested %	Lapsed %
CEO Performance Plan ²	Performance share rights	1 October 2012	1 October 2015	4.94%	72	28
Westpac Reward Plan	Performance share rights	1 October 2012	1 October 2015	4.94%	72	28

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

- 2 CEO Performance Plan refers to awards made to Gail Kelly.

2012 Cash EPS CAGR hurdle

The Cash EPS CAGR hurdle and vesting profile over the three year vesting period for the 2012 LTI grant was:

- § a minimum of 4.1% CAGR for 50% to vest;

- § 6% CAGR for 100% to vest; and

- § straight-line vesting between 4.1% and 6% CAGR.

The Cash EPS CAGR range was developed prior to the allocation in December 2012, and reflected stretch targets in the context of both consensus analyst forecasts and the Westpac strategic plan and business forecasting. The performance range also reflected the forecast market and operating conditions in late 2012.

2015 Westpac Group Annual Report

4.3. Remuneration outcomes for the CEO and Group Executives Linking reward and performance

The following table has been prepared to provide shareholders with an outline of the remuneration which has been received for the 2015 performance year either as cash or in the case of prior equity awards, the value which has vested in 2015 (see note 5 below). Details in this table supplement the statutory requirements in Section 6.2 of this report. Unlike the statutory table, which represents remuneration outcomes prepared in accordance with Australian Accounting Standards (AAS), this table shows the actual remuneration value received by executives and is not prepared in accordance with AAS.

	Fixed Remuneration¹	2015 STI Cash Payment²	Other Short-Term Benefits³	2015 Total Cash Payments⁴	Prior Year Equity Awards⁵ Vested during 2015	Prior Year Equity Awards⁵ Forfeited during 2015
	\$	\$	\$	\$	\$	\$
Managing Director & Chief Executive Officer						
Brian Hartzler ⁶	2,442,623	1,245,960	-	3,688,583	436,856	-
Group Executives						
John Arthur	1,150,235	728,000	-	1,878,235	1,856,504	443,315
Lyn Cobley ⁶	77,719	-	1,100,000	1,177,719	-	-
Philip Coffey	1,335,525	734,400	-	2,069,925	2,940,393	746,062
Brad Cooper	1,096,259	816,000	-	1,912,259	3,166,210	816,052
David Curran	984,092	547,400	-	1,531,492	-	-
George Frazis ⁶	1,161,549	928,000	-	2,089,549	2,522,158	621,718
Alexandra Holcomb	981,564	499,800	-	1,481,364	1,028,774	192,259
Peter King	968,511	522,580	-	1,491,091	921,140	165,230
David Lindberg ⁶	272,415	151,725	-	424,140	315,312	-
David McLean ⁶	782,164	430,580	-	1,212,744	450,062	79,436
Christine Parker	853,179	508,500	-	1,361,679	897,932	123,083
Former Managing Director & Chief Executive Officer						
Gail Kelly ⁶	1,048,750	1,200,000	-	2,248,750	9,509,812	4,288,845
Former Group Executives						
Rob Whitfield ⁶	1,413,849	566,667	1,651,376	3,631,892	2,767,061	689,260
Jason Yetton ⁶	690,281	427,084	-	1,117,365	1,111,753	198,003

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

2 With the exception of Gail Kelly, the cash STI payment represents 50% of the 2015 STI outcome and will be paid in December 2015. The remaining 50% is deferred in the form of equity granted in December 2015 which will vest in equal tranches in October 2016 and 2017.

3 Includes payments made on cessation of employment or other contracted amounts. The payment to Lyn Cobley reflects annual incentive foregone from her previous employer. The payment to Rob Whitfield after nearly 30 years service includes a payment in lieu of notice in accordance with his contract provisions.

4 This is the addition of the first, second and third columns.

5 Prior year equity awards include both deferred STI and LTI allocations subject to performance hurdles which have vested in 2015. The equity value has been calculated as the number of securities that vested or were forfeited during the year ended 30 September 2015, multiplied by the five day volume weighted average price of Westpac ordinary shares at the time they vested or were forfeited, less any exercise price payable.

6 Refer Section 2 of this Report for details.

5. Non-executive Director remuneration

5.1. Structure and policy

Remuneration policy

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

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

Non-executive Director remuneration consists of the following components:

Remuneration Component	Paid as	Detail
Base fee	Cash	This fee is for service on the Westpac Banking Corporation Board. The base fee for the Chairman covers all responsibilities, including all Board Committees.

Directors report

Committee fees	Cash	Additional fees are paid to Non-executive Directors for chairing or participating in Board Committees.
Employer superannuation contributions	Superannuation	Reflects statutory superannuation contributions which are capped at the superannuation maximum contributions base as prescribed under the Superannuation Guarantee legislation.
Subsidiary Board and Advisory Board fees	Cash	Fees are for service on Subsidiary Boards and Advisory Boards. These fees are paid by the relevant subsidiary company.

Non-executive Director remuneration in 2015*Non-executive Director fee review effective 1 October 2014*

The Board reviewed the Non-executive Director fee framework in late 2014. On the basis of market data provided by Guerdon Associates, the Board approved a 2.4% increase to the Chairman and Non-executive Director annual base fees effective 1 October 2014. Remuneration Committee fees for both the Chairman and members increased by 7.8%. No other Committee fees were increased. Non-executive Director fees were last increased in 2013.

Changes to Board and Committee composition

The following changes were made to Board and Committee composition:

§ Craig Dunn was appointed as a Non-executive Director to the Westpac Board effective 1 June 2015 and appointed to the Remuneration and Risk & Compliance Committees effective 5 June 2015; and

§ Ann Pickard retired effective 12 December 2014.

Fee pool

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At the 2008 Annual General Meeting, the current fee pool of \$4.5 million per annum was approved by shareholders. For the year ended 30 September 2015, \$2.94 million (65%) of this fee pool was used. The fee pool is inclusive of employer superannuation contributions.

Fee framework

This section details the current Non-executive Director fee framework.

Base and Committee fees

The following table sets out the Board and standing Committee fees:

	Annual Rate
Base Fee	\$
Chairman	795,000
Non-executive Directors	225,000
Committee Chairman Fees	
Audit Committee	60,000
Risk & Compliance Committee	60,000
Remuneration Committee	56,000
Technology Committee	30,000
Committee Membership Fees	
Audit Committee	30,000
Risk & Compliance Committee	30,000
Remuneration Committee	28,000
Technology Committee	15,000

Committee fees are not payable to the Chairman of the Board and members of the Nominations Committee.

Employer superannuation contributions

The Group pays superannuation contributions to Non-executive Directors of up to 9.5% of their fees. The contributions are capped at the maximum compulsory superannuation contributions base prescribed under the Superannuation Guarantee legislation. Employer contributions are paid into an eligible superannuation fund nominated by the Director.

Subsidiary Board and Advisory Board fees

Throughout the reporting period, additional fees of \$35,000 were paid to Peter Hawkins as a member of the Bank of Melbourne Advisory Board.

Equity participation

Non-executive Directors have voluntarily resolved to build and maintain their individual holdings of Westpac ordinary shares to align their interests with the long-term interests of shareholders. Details of Non-executive Directors' Westpac (and related bodies corporate) shareholdings are set out in Section 4(a) of the Directors' report.

6. Required remuneration disclosures**6.1. Details of Non-executive Director remuneration**

Details of Non-executive Director remuneration are set out in the table below:

Name	Short-Term Benefits		Subsidiary and Advisory Board Fees \$	Post-Employment Benefits	Total \$
	Westpac Banking Corporation Board Fees ¹ \$			Superannuation \$	
Current Non-executive Directors					
Lindsay Maxsted, Chairman					
2015	795,000	-	-	18,989	813,989
2014	780,000	-	-	18,107	798,107
Elizabeth Bryan					
2015	313,000	-	-	18,989	331,989
2014	314,677	-	-	18,107	332,784
Ewen Crouch					
2015	311,000	-	-	18,989	329,989
2014	288,361	-	-	18,107	306,468
Alison Deans					
2015	270,000	-	-	18,989	288,989
2014	133,519	-	-	9,297	142,816
Craig Dunn ²					
2015	94,892	-	-	6,569	101,461
Robert Elstone					
2015	320,701	-	-	18,989	339,690
2014	331,792	-	-	18,107	349,899
Peter Hawkins					
2015	315,000	35,000	35,000	18,916	368,916
2014	310,000	35,000	35,000	18,038	363,038
Peter Marriott					

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2015	322,299	-	18,989	341,288
2014	288,635	-	18,107	306,742
Former Non-executive Director				
Ann Pickard ²				
2015	57,688	-	3,860	61,548
2014	276,000	-	18,107	294,107
Total fees				
2015	2,799,580	35,000	143,279	2,977,859
2014	2,987,280	35,000	150,085	3,172,365

- 1 Includes fees paid to the Chairman and members of Board Committees.
- 2 Refer Section 2 of this Report for details.
- 3 The total fees for 2014 reflect the prior year remuneration for the 2014 reported Non-executive Directors.

70

2015 Westpac Group Annual Report

Directors report

6.2. Remuneration details CEO and other Group Executives

This section sets out details of remuneration for the CEO and Group Executives for the 2015 financial year, calculated in accordance with AAS.

Name	Short-Term Benefits			Other Short-Term Benefits4	Post-Employment Benefits		Share-Based Payments			Total8
	Fixed Remuneration1	STI (Cash)2	Non-Monetary Benefits3		Superannuation Benefits5	Long Service Leave	Restricted Shares6	Options7	Share Rights7	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Managing Director & Chief Executive Officer										
Brian Hartzler9,10										
2015	2,413,205	1,245,960	66,063	-	29,418	57,016	782,501	-	1,143,466	5,737,629
2014	2,234,087	1,162,500	3,169	-	24,705	33,487	590,484	-	500,913	4,549,345
<i>Brian Hartzler: Remuneration impact relating to recruitment</i>										
2014	-	-	1,024,117	-	-	-	978,087	-	-	2,002,204
Group Executives										
John Arthur, Chief Operating Officer										
2015	1,126,050	728,000	14,971	-	24,185	18,265	647,634	-	1,153,998	3,713,103
2014	1,204,085	943,800	14,664	-	23,337	18,260	667,095	-	746,669	3,617,910
Lyn Cobley, Chief Executive, Westpac Institutional Bank9										
2015	71,006	-	-	1,100,000	6,713	-	75,256	-	-	1,252,975
Philip Coffey, Deputy Chief Executive Officer										
2015	1,299,272	734,400	3,425	-	36,253	20,628	792,211	-	1,262,936	4,149,125
2014	1,387,582	1,120,080	3,169	-	27,359	21,079	931,706	-	876,119	4,367,094
Brad Cooper, Chief Executive Officer, BT Financial Group										
2015	1,060,577	816,000	3,374	-	35,682	16,679	803,641	-	1,130,678	3,866,631
2014	1,053,638	1,123,200	2,052	-	31,114	24,585	958,854	-	874,737	4,068,180
David Curran, Chief Information Officer										
2015	961,663	547,400	2,359	-	22,429	14,420	-	-	216,485	1,764,756
2014	60,827	-	-	-	5,380	907	-	-	-	67,114
George Frazis, Chief Executive, Consumer Bank9										
2015	1,125,527	928,000	15,266	-	36,022	22,909	797,145	-	770,797	3,695,666
2014	923,004	1,161,600	13,488	-	27,260	15,221	845,403	-	641,432	3,627,408
Alexandra Holcomb, Chief Risk Officer										
2015	946,104	499,800	2,359	-	35,460	(2,240)	525,239	-	496,155	2,502,877
2014	132,303	101,864	214	-	4,876	463	86,361	-	38,656	364,737
Peter King, Chief Financial Officer										
2015	938,722	522,580	2,359	-	29,789	14,960	372,877	-	504,705	2,385,992
2014	418,016	337,212	1,203	-	15,412	56,731	212,434	-	87,707	1,128,715

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David Lindberg, Chief Executive, Commercial & Business Bank9

2015	264,138	151,725	2,610	-	8,277	5,961	129,810	-	83,045	645,566
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David McLean, Chief Executive Officer, Westpac New Zealand Limited9

2015	712,605	430,580	75,392	-	69,559	-	35,687	-	264,417	1,588,240
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Christine Parker, Group Executive, Human Resources & Corporate Affairs

2015	830,035	508,500	2,649	-	23,144	16,025	478,785	-	641,184	2,500,322
2014	758,661	702,000	2,052	-	21,086	12,177	483,827	-	267,532	2,247,335

71

2015 Westpac Group Annual Report

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Name	Short-Term Benefits			Post-Employment Benefits			Share-Based Payments			Total ⁸
	Fixed Remu-neration ¹	STI (Cash) ²	Non-Monetary Benefits ³	Other Short-Term Benefits ⁴	Superann-uation Benefits ⁵	Long Service Leave	Restricted Shares ⁶	Options ⁷	Share Rights ⁷	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Former Managing Director & Chief Executive Officer										
Gail Kelly ⁹										
2015	1,039,892	1,200,000	7,679	-	8,858	-	642,436	-	891,410	3,790,275
2014	3,001,511	2,743,200	9,853	-	26,585	51,170	1,957,830	-	3,192,579	10,982,728
Former Group Executives										
Rob Whitfield, Group Executive, Westpac Institutional Bank ⁹										
2015	1,383,619	566,667	2,650	1,651,376	30,230	-	614,800	-	623,110	4,872,452
2014	1,783,045	1,152,000	95,335	-	28,764	27,398	900,285	-	699,784	4,686,611
Jason Yetton, Group Executive, Westpac Retail & Business Banking ⁹										
2015	675,726	427,084	2,359	933,333	14,555	17,033	327,217	-	693,518	3,090,825
2014	938,553	702,000	3,169	-	21,371	45,038	485,976	-	470,082	2,666,189

- Fixed remuneration is the total cost of salary, salary sacrificed benefits (including motor vehicles, parking, etc., and any associated fringe benefits tax (FBT)) and an accrual for annual leave entitlements.
- 2015 STI figures reflect annual cash performance awards accrued but not yet paid in respect of the year ended 30 September 2015.
- Non-monetary benefits are determined on the basis of the cost to the Group (including associated FBT, where applicable) and include annual health checks, provision of taxation advice, relocation costs, living away from home expenses and allowances.
- Includes payments made on cessation of employment or other contracted amounts. The payment to Lyn Cobley reflects annual incentive foregone from her previous employer. The payment to Rob Whitfield after nearly 30 years service includes a payment in lieu of notice in accordance with his contract provisions. The amount for Jason Yetton after 23 years service will be paid on cessation less any period of notice served.
- The CEO and Group Executives are provided with insurance cover under the Westpac Group Plan at no cost. Superannuation benefits have been calculated consistent with AASB 119 *Employee Benefits*.
- The value of restricted shares is amortised over the applicable vesting period, and the amount shown is the amortisation relating to the 2015 reporting year (and 2014 year as comparison).
- Equity-settled remuneration is based on the amortisation over the vesting period (normally three or four years) of the fair value at grant date of hurdled and unhurdled options and share rights that were granted during the four years ended 30 September 2015. Details of prior years grants have been disclosed in previous Annual Reports. The value of share rights for 2015 includes both the 2014 and 2015 LTI awards on transition to the revised LTI plan. The values for David McLean and Rob Whitfield include 2% and 39% respectively attributed to deferred STI.
- The percentage of the total remuneration which is performance related (i.e. STI cash plus share-based payments) was: Brian Hartzler 55%, John Arthur 68%, Lyn Cobley 6%, Philip Coffey 67%, Brad Cooper 71%, David Curran 43%, George Frazis 68%, Alexandra Holcomb 61%, Peter King 59%, David Lindberg 56%, David McLean 46%, Christine Parker 65%, and for former KMP: Gail Kelly 72%, Rob Whitfield 37% and Jason Yetton 47%. The percentage of total remuneration delivered in the form of options (including share rights) was: Brian Hartzler 20%, John Arthur 31%, Lyn Cobley 0%, Philip Coffey 30%, Brad Cooper 29%, David Curran 12%, George Frazis 21%, Alexandra Holcomb 20%, Peter King 21%, David Lindberg 13%, David McLean 17%, Christine Parker 26%, and for former KMP: Gail Kelly 24%, Rob Whitfield 13% and Jason Yetton 22%.
- Refer Section 2 of this Report for details. Remuneration details for newly appointed KMP are from the date of appointment. The STI cash figure for Brian Hartzler is the outcome pro-rated for the periods as Chief Executive, AFS and CEO. Brian Hartzler also received a pro-rated 2015 LTI award for the period he was Chief Executive, AFS.
- Brian Hartzler's remuneration for 2014 has been separated into two elements. The first line represents his remuneration as the Chief Executive, AFS for 2014 and the second line represents the elements which have been incurred as a result of the buy-out of equity forfeited

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on his resignation from his previous employer including \$542,834 in relocation benefits and \$481,283 FBT expenses on his relocation from London.

72

2015 Westpac Group Annual Report

Directors report

6.3. STI allocations for the CEO and Group Executives

This section sets out details of STI awards for the CEO and Group Executives for the 2015 financial year:

	STI Target \$	Maximum STI1 %		STI Portion Paid in Cash2 \$		STI Portion Deferred3 \$
			%		%	
Managing Director & Chief Executive Officer						
Brian Hartzler4	2,307,334	150	50	1,245,960	50	1,245,960
Group Executives						
John Arthur	1,300,000	150	50	728,000	50	728,000
Lyn Cobley4	-	150	50	-	50	-
Philip Coffey	1,360,000	150	50	734,400	50	734,400
Brad Cooper	1,600,000	150	50	816,000	50	816,000
David Curran	952,000	150	50	547,400	50	547,400
George Frazis4	1,600,000	150	50	928,000	50	928,000
Alexandra Holcomb	952,000	150	50	499,800	50	499,800
Peter King	986,000	150	50	522,580	50	522,580
David Lindberg4	289,000	150	50	151,725	50	151,725
David McLean4	797,371	150	50	430,581	50	430,581
Christine Parker	900,000	150	50	508,500	50	508,500
Former Managing Director & Chief Executive Officer						
Gail Kelly4	1,200,000	150	100	1,200,000	-	-
Former Group Executives						
Rob Whitfield4	1,333,333	150	50	566,667	50	566,667
Jason Yetton4	854,167	150	50	427,084	50	427,084

1 The maximum STI potential is 150% of the individual STI Target.

2 50% of the STI outcome for the year is paid as cash in December 2015. The part year STI outcome for Gail Kelly has been paid 100% cash.

3 50% of the actual STI outcome is deferred in the form of restricted shares or share rights, half vesting on 1 October 2016 and the remainder vesting on 1 October 2017.

4 Refer Section 2 of this Report for details.

6.4. Movement in equity-settled instruments during the year

This table shows the details of movements during 2015 in the number and value of equity instruments for the CEO and Group Executives under the relevant plans:

Name	Type of Equity-Based Instrument	Number Granted ¹	Number Vested ²	Number Exercised ³	Value Granted ⁴ \$	Value Exercised ⁵ \$	Value Forfeited or Lapsed ^{5,6} \$
Managing Director & Chief Executive Officer							
Brian Hartzler ⁷	Performance share rights	129,547	-	-	2,713,522	-	-
	Shares under Restricted Share Plan	24,150	13,676	-	769,547	-	-
Group Executives							
John Arthur	Performance share rights	122,943	29,310	29,310	2,531,083	1,011,994	443,315
	Shares under Restricted Share Plan	19,607	27,954	-	624,783	-	-
Lyn Cobley ⁷	Shares under Restricted Share Plan	54,011	-	-	1,629,579	-	-
Philip Coffey	Performance share rights	160,725	48,362	48,362	3,298,589	1,669,807	746,062
	Shares under Restricted Share Plan	23,269	42,278	-	741,474	-	-
Brad Cooper	Performance options	-	-	196,785	-	1,643,682	-
	Performance share rights	143,434	54,957	54,957	2,952,953	1,897,515	816,052
	Shares under Restricted Share Plan	23,334	42,560	-	743,545	-	-
David Curran	Performance share rights	63,519	-	-	1,264,621	-	-
George Frazis ⁷	Performance share rights	94,372	40,302	40,302	1,926,925	1,391,518	621,718
	Shares under Restricted Share Plan	24,132	37,480	-	768,973	-	-
Alexandra Holcomb	Performance options	-	-	31,697	-	457,835	-
	Performance share rights	87,679	12,456	12,456	1,779,688	430,072	192,259
	Shares under Restricted Share Plan	11,007	19,387	-	350,741	-	-
Peter King	Performance share rights	101,206	10,991	10,991	2,064,879	379,489	165,230
	Shares under Restricted Share Plan	10,947	17,467	-	348,829	-	-
David Lindberg ⁷	Performance share rights	12,476	-	-	248,330	-	-
	Shares under Restricted Share Plan	-	9,679	-	-	-	-
David McLean ⁷	Performance share rights	35,662	6,151	6,151	643,414	203,319	79,436
	Unhurdled share rights	11,569	6,432	32,406	333,017	1,071,170	-
Christine Parker	Performance share rights	95,880	8,646	8,646	1,969,122	298,523	123,083
	Shares under Restricted Share Plan	14,583	19,212	-	464,692	-	-

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Former Managing Director & Chief Executive Officer

Gail Kelly ⁷	CEO Performance share rights	-	197,848	197,848	-	6,741,595	4,288,845
	Shares under the CEO Restricted Share Plan	56,988	83,812	-	1,815,939	-	-

Former Group Executives

Rob Whitfield ⁷	Performance share rights	81,961	43,966	43,966	1,687,370	1,518,026	689,260
	Unhurdled share rights	18,780	-	-	564,953	-	-
	Shares under Restricted Share Plan	23,932	41,376	-	762,600	-	-
Jason Yetton ⁷	Performance share rights	123,202	12,823	12,823	2,531,603	442,743	198,003
	Shares under Restricted Share Plan	14,583	21,607	-	464,692	-	-