



Policy on Independence of Directors

Independence

The Principles of Good Corporate Governance and Best Practice Recommendations ('Principles') developed by the ASX Corporate Governance Council require directors of the Bank to assess and disclose the 'independence' of its Board. The Board appreciates that it is important for the integrity of capital markets that directors are not only independent but can be seen to be independent and so supports this initiative.

No matter what definition of 'independence' is adopted, all directors of the Bank must act independently and bring an independent mind to bear on matters coming before the Board.

Considerations

The Board will not regard a director as being classified as 'independent' under this policy if he or she is a non-executive director and:

- (a) is a substantial shareholder of the Bank or an officer of or otherwise associated directly with a substantial shareholder of the Bank;
- (b) within the last three years has been employed in an executive capacity by the Bank or another group member, or been a director after ceasing to hold any such employment;
- (c) within the last three years has been a principal of a material professional adviser or a material consultant to the Bank or another group member, or an employee materially associated with the service provided.

In determining whether a director may be assessed as 'independent' for the purpose of this policy, the Board will also consider whether the director:

- (d) is a material supplier or customer of the Bank or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has any material contractual relationship with the Bank or another group member other than as a director of the Bank; or
- (f) has any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Bank.

Materiality

A matter will be considered material if it materially interferes, or is likely to materially interfere, with the exercise of the director's unfettered and independent judgment having regard to all the circumstance surrounding that matter.

Dealings with the Bank

A director may, from time to time, have personal dealings with the Bank. A director may be involved with other companies or professional firms which may from time to time have dealings with the Bank. Full details of related party dealings are disclosed in notes to the Bank's accounts as required by law.

Provided that the director conducts himself or herself in accordance with the law and the policies of the Bank and is meticulous in his or her disclosure of any material contract or relationship in accordance with the Corporations Act (including the interests of family companies and spouses), the Bank does not believe that such a dealing alone requires the director to be assessed as not 'independent' for the purposes of this policy.

Directors are required to strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and the Bank's policies.

Length of service

The Bank does not consider that length of service on the Board alone affects a director's ability to act independently and in the best interests of the Bank. Independence is judged against the ability, integrity and willingness of the director to act. However the Bank does give consideration to whether directors have served on the Board for a period of time which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Bank.