WESTPAC BANKING CORP
Form 20-F
November 06, 2008

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

FORM 20-F

o	**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
Or	
x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2008	
Or	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Or	
o	**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)

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 five ordinary shares	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: **4.625% Subordinated Notes Due 2018**

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	**1,894,285,984 fully paid**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes o No x

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 o No x

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 x No o

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

Large accelerated filer x Accelerated Filer o Non-accelerated filer o

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

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

Other o

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

Yes o No x

2008 Annual Report

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

Annual Report

In this Annual Report references to Westpac , Group , we , us and our are to Westpac Banking Corporation ABN 33 007 457 141 and its subsidiaries unless they clearly mean just Westpac Banking Corporation.

Form 20-F cross-reference index

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

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Section 1

Information on Westpac

Corporate governance

Directors report

Directors and Group Executives

Disclosure regarding forward-looking statements

This Annual Report contains statements that constitute forward-looking statements within the meaning of section 21E of the US Securities Exchange Act of 1934. The US Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking information to encourage companies to provide prospective information about themselves without fear of litigation so long as the information is identified as forward-looking and is accompanied by meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those projected in the information.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as will , may , expect , intend , seek , would , should , could , continue , plan , estimate , a probability , risk , or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the plans, objectives, expectations, estimates and intentions described in this Annual Report as currently anticipated, believed, estimated, expected or intended.

The factors that may impact on forward-looking statements made by us include but are not limited to:

- adverse conditions in global debt and equity markets;
- the impact of the announced changes to our organisational structure and division of frontline personnel and senior management;
- our ability to successfully integrate St.George Bank Limited (St.George) into Westpac, including our ability to realise anticipated synergies and the costs of achieving those synergies;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- market liquidity and investor confidence;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;

- changes in consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which we conduct our operations;
- the effects of competition in the geographic and business areas in which we conduct operations;
- the ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes;
- macroeconomic conditions in the global debt and equity markets;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which we operate;
- stability of Australian and international financial systems and disruptions to financial markets and any losses we may experience as a result;
- our ability to complete, integrate or process acquisitions and dispositions; and
- various other factors beyond our control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by us, refer to the section on Risk factors in this Annual Report. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and events.

We are under no obligation, and do not intend, to update any forward-looking statements contained in this Annual Report, whether as a result of new information, future events or otherwise, after the date of this Annual Report.

Financial information

The financial statements and other financial information for the years ended 30 September 2008, 2007, 2006 and 2005 included elsewhere in this Annual Report, unless otherwise indicated, have been prepared and presented in accordance with the requirements of the Australian Equivalents to International Financial Reporting Standards (A-IFRS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) for the first time in preparing financial statements for the year ended 30 September 2006. Westpac applied the transition rules upon first time adoption of A-IFRS.

Previously published financial statements for our financial year ended 30 September 2005, as well as all prior financial periods, were prepared in accordance with accounting principles generally accepted in Australia at the time those financial statements were prepared Australian Generally Accepted Accounting Principles (AGAAP). A-IFRS differs in certain material respects from AGAAP and, accordingly, financial statements for our financial years ended 30 September 2008, 2007, 2006 and 2005 prepared in accordance with A-IFRS are not comparable to the financial statements for 2005 and prior years prepared in accordance with AGAAP.

Under applicable United States (US) disclosure requirements, we are required to include in this Annual Report certain financial and operating data covering a period of five years. Due to the transition to A-IFRS, such information prepared in accordance with A-IFRS is only available for the financial years ended 30 September 2008, 2007, 2006 and 2005. Accordingly, we have included in a separate section of this Annual Report under the caption Additional financial information required data as of and for the financial years ended 30 September 2005 and 2004 derived from our previously published financial statements prepared in accordance with AGAAP. For a more complete understanding of the financial and operating data prepared in accordance with AGAAP, see our Annual Report for the financial year ended 30 September 2005, a copy of which is available on our web site at www.westpac.com.au or on the web site maintained by the US Securities and Exchange Commission (SEC) at www.sec.gov .

Our financial statements for the three years ended 30 September 2008 comply with IFRS as issued by the IASB.

Accordingly, we are no longer required to include reconciliations of A-IFRS to US Generally Accepted Accounting Principles (US GAAP) for net profit and equity attributable to equity holders of Westpac, total assets and total liabilities in our filings with the SEC.

Currency of presentation, exchange rates and certain definitions

Financial statements means our audited consolidated balance sheet as at 30 September 2008 and 30 September 2007 and consolidated income statement, cash flows and recognised income and expense for each of the three years ended 30 September 2008, 2007 and 2006 together with accompanying notes which are included in this Annual Report.

We publish our consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to dollar amounts , $, AUD or A$ are to Australian dollars, references to US$, USD or US dollars are to United Sta and references to NZ$, NZD or NZ dollars are to New Zealand dollars. Solely for the convenience of the reader, certain Australian dollar amounts have been translated into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of A$1.00 = US$0.7904 (2007 US$0.8855), the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) as of 30 September 2008. Unless otherwise stated, the translation of Australian dollars into NZ dollars has been made at the rate of A$1.00 = NZ$1.1935 (2007 NZ$1.1672), being the closing spot exchange rate on 30 September 2008 used in the financial statements. Refer to Exchange rates for information regarding the rates of exchange between the Australian dollar and the US dollar for the financial years ended 30 September 2004 to 30 September 2008 and for the period to 21 October 2008.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 2008 is referred to as 2008 and other financial years are referred to in a corresponding manner.

Any discrepancies between totals and sums of components in tables contained in this Annual Report are due to rounding.

Exchange rates

For each of the years indicated, the high, low, average and year end Noon Buying Rates for Australian dollars were:

Year ended 30 September	2009(1)	2008	2007	2006	2005	2004
			(US$ per A$ 1.00)			
High	0.7937	0.9797	0.8855	0.7781	0.7974	0.7979
Low	0.6531	0.7831	0.7434	0.7056	0.7207	0.6395
Average(2)	n/a	0.9065	0.8163	0.7473	0.7685	0.7287
Close (on 28 September)(3)	n/a	0.7904	0.8855	0.7461	0.7643	0.7244

For each of the months indicated, the high and low Noon Buying Rates for Australian dollars were:

Month	October 2008(1)	September 2008	August 2008	July 2008	June 2008
			(US$ per A$ 1.00)		
High	0.7937	0.8441	0.9317	0.9797	0.9610
Low	0.6531	0.7831	0.8553	0.9415	0.9342

(1) Through to 21 October 2008. On 21 October 2008, the Noon Buying Rate was A$1.00 = US$0.6813.
(2) The average is calculated by using the average of the exchange rates on the last day of each month during the period.
(3) The Noon Buying Rate at such date may differ from the rate used in the preparation of our consolidated financial statements at such date. Refer to Note 1(a)(v) to the financial statements.

Information on Westpac

We are one of the four major banking organisations in Australia and, through our New Zealand operations, we are also one of the largest banking organisations in New Zealand. We provide a broad range of banking and financial services in these markets, including retail, business and institutional banking and wealth management services.

We were founded in 1817 and were the first bank to be 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. On 23 August 2002, we were registered as a public company limited by shares under the Australian Corporations Act 2001 (Corporations Act). Our principal office is located at 275 Kent Street, Sydney, New South Wales, 2000, Australia. Our telephone number for calls within Australia is 132 032 and our international telephone number is (+61) 2 9293 9270.

We have branches, affiliates and controlled entities(1) throughout Australia, New Zealand and the Pacific region and maintain offices in some of the key financial centres around the world. As at 30 September 2008, our market capitalisation was $40.7 billion(2) and we had total assets of $439.5 billion.

In July 2008, we reorganised our business into four key customer-facing divisions serving around 6.9 million customers(3). These businesses are:

- Westpac Retail and Business Banking, which we refer to as WRBB: responsible for sales, marketing and customer service for all consumer and small-to-medium enterprise customers within Australia. WRBB offers a broad range of financial products, including savings and check accounts, demand and term deposits, credit cards, personal and housing loans, and business specific working capital, transactional, cash flow and trade finance facilities;

- BT Financial Group Australia, which we refer to as BTFG: Westpac s wealth management business. BTFG manufactures and distributes financial products that are designed to help our customers accumulate, manage and protect their wealth. These products include retail investments, personal and business superannuation (pensions), life and general insurance and client portfolio administration (Wrap and master trust platforms). BTFG also provides financial planning advice and private banking services;

- Westpac Institutional Bank, which we refer to as WIB: provides financial services to the corporate, institutional and government customer base, assisting and advising in the management of cash, funding, capital and market risk for companies and institutions in Australia and New Zealand; and

- New Zealand Banking: provides a full range of retail and commercial services to customers throughout New Zealand.

These customer-facing divisions are supported by a number of corporate level functions and divisions, including:

- Product and Operations, which is responsible for all consumer and business product development, management and operations; and

- Technology, which is responsible for developing and maintaining reliable and flexible technology capabilities and technology strategies.

However, as we adopted this new organisational structure in July 2008, our results for the 12 months ended 30 September 2008 are reported in this Annual Report in accordance with our organisational structure as it existed prior to July 2008 (see the description of this structure under Assets below). We will transition to our new reporting structure before publication of our interim results for the six months ending 31 March 2009.

Business strategy

Our vision is to become the leading integrated financial services company in Australia and New Zealand.

We see our fundamental purpose as helping every customer achieve all their financial goals. Our aspiration is to earn all our customers business by delighting them with the service and support that we provide and by serving them as a single team. We expect that their advocacy will drive our growth in a highly competitive market.

This customer-centric strategy focuses on customers in our core markets of Australia, New Zealand and the near Pacific region and is based on:

- developing a deep understanding of our customers needs;

- providing value-added solutions that seek to meet these needs;

- deepening and building long-term customer relationships; and

- dramatically improving the experience they have with us.

We have strong values which are well embedded into our culture. We believe that the following values will help us deliver our strategy:

- delighting customers;
- working as one team;
- integrity; and
- achievement.

Our strategic priorities are particularly centred on improving our distribution and customer offerings, specifically to:

(i) Put the customer at the centre of everything we do

- drive a strong customer culture;
- develop and implement compelling customer segment strategies, bringing banking and wealth together for the customer; and
- significantly improve our customer experience.

(ii) Further develop our people capabilities

- strengthen skills and depth of talent, particularly in distribution businesses;
- strengthen collaboration and teamwork; and
- encourage boldness and promote achievement.

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(1) Refer to Note 39 to the financial statements for a list of our controlled entities as at 30 September 2008.

(2) Our market capitalisation is based on the closing share price of our Ordinary Shares on the Australian Securities Exchange as at 30 September 2008.

(3) All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships).

(iii) Transform our distribution model

- establish and drive locally empowered businesses, very close to the communities they serve; and
- continue to invest in Business Banking and Wealth.

(iv) Invest in Operations improvements

- focus on being easy to deal with;
- transform service delivery, redesigning processes end-to-end from a customer perspective; strengthen technology capabilities to increase the reliability and consistency of service and develop a long run architecture; and
- focus on driving productivity, eliminating duplication to provide headroom for additional investment.

(v) Lead in sustainability matters

- embed sustainability concepts in all elements of the business; and
- continue to develop risk management as a competitive advantage.

We believe that our track record of executing strategies, our bold approach to addressing challenges, and our pursuit of delighting customers and earning all of their business will create sustainable, long-term value for all our key stakeholders our customers, employees, shareholders, and the community and will realise our vision of becoming the leading integrated financial services company in Australia and New Zealand.

Net profit attributable to our equity holders(1)

The following tables present, for each of the key areas of our business, as it was organised prior to our adoption of our new organisational structure in July 2008, the net profit attributable to equity holders for, and total assets at the end of the financial years ended 30 September 2008, 2007 and 2006. Refer to Significant developments Westpac organises around customers for further discussion of this new organisational structure. Refer to Note 33 to the financial statements for detailed financial disclosure of our geographic and business segments.

Years ended 30 September	**2008 $m**	**2007 $m**	**2006 $m**
Business Financial Services	1,085	979	885
Consumer Financial Services	913	839	689
BT Financial Group Australia	389	442	367
Westpac Institutional Bank	566	588	499
New Zealand Banking	405	403	408
Other(1)	501	200	223
Net profit attributable to equity holders of Westpac Banking Corporation	3,859	3,451	3,071

(1) Other includes the results of Business and Technology Solutions and Services, Group Treasury, Pacific Banking and Head Office functions.

Assets

As at 30 September	**2008 $bn**	**2007 $bn**	**2006 $bn**
Business Financial Services	64	54	47
Consumer Financial Services	158	138	123
BT Financial Group Australia	15	17	14
Westpac Institutional Bank	97	79	56
New Zealand Banking	40	38	34
Other(1)	66	51	28
Total assets	440	377	302

(1) Other includes the results of Business and Technology Solutions and Services, Group Treasury, Pacific Banking and Head Office functions.

Westpac Retail and Business Banking

WRBB is responsible for sales, marketing and customer service for all consumer and small-to-medium enterprise customers within Australia. WRBB offers a broad range of financial products, including savings and cheque accounts, demand and term deposits, credit cards, personal and housing loans, and business specific working capital, transactional, cash flow and trade finance facilities.

WRBB conducts sales and servicing activities through our branch network (839 including in-store branches as at 30 September 2008), RAMS franchise outlets, home finance managers, specialised consumer relationship managers, call centres, automatic teller machines (ATMs) and internet banking services. For business customers, these activities are conducted by specialised relationship managers, with the support of cash flow, financial markets and wealth specialists, via the branch network, business banking centres, internet and telephone channels.

WRBB is also responsible for the management of our third party retail and business distribution relationships.

Prior to our reorganisation in July 2008, these activities were separately managed by Consumer Financial Services (CFS) for consumer customers, and Business Financial Services (BFS) for small-to-medium enterprise and commercial customers.

In the year ended 30 September 2008, total deposits for CFS increased by 22% to $72.7 billion (2007 $59.7 billion).

WRBB is a significant presence in the retail deposits and working capital market in Australia. In the year ended 30 September 2008 total business deposits increased by 5% to $48.8 billion (2007 $46.5 billion) and total consumer deposits increased by 22% to $72.7 billion (2007 $59.7 billion).

WRBB is also a significant lender in the housing finance market in Australia. In the year ended 30 September 2008, our residential mortgage loan portfolio increased 14% to $145.5 billion (2007 $128.0 billion) (inclusive of securitised loans) from 30 September 2007, with variable interest rate loans comprising 79% of the portfolio. A significant portion of our housing finance sales are through independent mortgage brokers. In the year ended 30 September 2008, approximately 38% (2007 38%) of mortgage loan drawdowns were arranged via this channel. In addition, we are a major provider of credit card finance in Australia. Our total credit card outstandings as at 30 September 2008 increased by 3% to $7.5 billion (2007 $7.3 billion).

We are also a major lender in the business finance market in Australia. In the year ended 30 September 2008, our total lending portfolio increased by 17% to $62.3 billion (2007

(1) Internal charges and transfer pricing adjustments have been reflected in the net profit reported for each of our business groups.

$53.1 billion) with term lending increasing 20%, bill acceptances increasing 16%, and equipment finance increasing 12%. The balance of the portfolio comprises revolving cash management facilities and trade finance.

BT Financial Group Australia

BTFG is Westpac s wealth management business. BTFG designs, manufactures and distributes financial products that are designed to help our customers accumulate, manage and protect their wealth. These products include retail investments, personal and business superannuation (pensions), life and general insurance, client portfolio administration (wrap and master trust platforms) and portfolio management. BTFG also provides financial planning advice and private banking services.

BTFG s retail, institutional and wholesale Funds Under Management (FUM) totalled $32.3 billion (2007 $38.7 billion) and Funds Under Administration (FUA) totalled $41.6 billion (2007 $46.2 billion) as at 30 September 2008.

BTFG s Wrap product reached $34.4 billion in FUA as at 30 September 2008 and continues to be one of BTFG s fastest growing products. According to the latest Morningstar data as of 30 June 2008, we were second with a market share of 13% of the platforms market (including wrap) in Australia.

BTFG s Life Insurance business held $312 million of in-force premiums as at 30 September 2008.

In December 2007, we completed a partial sale of BTFG s investment management business, BT Investment Management Limited, which we refer to as BTIM, through an initial public offering (IPO). BTFG retained a 60% shareholding in BTIM, which continues to manage the funds for many of BTFG s investment products in addition to its own and third party, investment products. BTFG continues to distribute its other financial products.

Westpac Institutional Bank

Westpac Institutional Bank (WIB) services the financial needs of corporate, institutional and government customers either based in, or with interests in, Australia and New Zealand. This is achieved through dedicated industry teams supported by specialist knowledge in financial and debt capital markets, transactional banking, specialised capital, margin lending, broking and alternative investment solutions.

The products and services WIB offers include:

Financial Markets

- foreign exchange
- interest rate, currency and equity derivatives
- energy
- commodities
- debt and hybrid securities secondary market
- trade finance

Specialised Capital

- alternative assets
- structured products
- institutional funds management

Debt Markets

- debt securities
- securitisation
- hybrid and structured capital
- project finance
- loans and syndications

- asset finance
- leverage and acquisition finance

Transactional Services

- domestic cash management and transactional services
- working capital solutions
- international cash management
- international payments

Within the institutional banking sector in Australia, WIB is a current market leader in debt capital markets(1), syndications(2) and transactional banking(3). In the global financial markets, WIB primarily focuses on Australian and New Zealand dollar-denominated financial products and risk management.

WIB supports its customers through our branches and subsidiaries located in Australia, New Zealand, New York, London and Asia.

New Zealand Banking

Westpac has a long standing commitment to New Zealand, dating from 1861, when it commenced operating as the Bank of New South Wales.

Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited (WNZL) which is incorporated in New Zealand; and Westpac Banking Corporation (NZ Division), a branch of Westpac Banking Corporation, which is incorporated in Australia.

WNZL provides financial services to consumers and to small, medium and corporate business customers, agricultural businesses, and property investment and development customers, while Westpac s New Zealand branch operates our wholesale banking and financial markets businesses in New Zealand.

WNZL continues to implement its customer growth strategy based on product offerings that earn all its customer s business, more customer-facing staff in consumer and business banking, increasing its branch and ATM footprint in key strategic locations, and the implementation of new technology to assist its front line in providing high quality customer service.

WNZL provides a full range of financial services for its retail and business banking customers, including savings and

(1) No. 1 Public Domestic ABS (excluding self-led deals) (Insto, Bond Markets Digest, Jan-Sep 2008).
(2) No. 1 Australian syndicated loans (Thomson Financial, Jan-Sep 2008).
(3) No. 1 lead domestic transactional bank (Peter Lee Associates Transactional Banking survey, Australia 2004-08).

transaction accounts, demand and term deposits, credit cards and personal and housing loans. It is a leading provider of finance, including term loans, bill acceptances, equipment finance and revolving cash management.

Customers can do business with WNZL nationwide in New Zealand. As at 30 September 2008, WNZL had approximately 5,600 staff, 197 branches (including 45 in New Zealand s largest market of Auckland), 508 Westpac branded ATMs operating throughout the country, 24 hour Phone Banking and Phone Assist call centres, and Online Banking.

WNZL is the third(1) largest lender of housing finance in New Zealand. As at 30 September 2008, WNZL s mortgage loan portfolio was NZ$31.7 billion (A$26.5 billion) (2007 NZ$29.7 billion (A$25.4 billion)) including securitised loans of NZ$0.6 billion (A$0.5 billion) (2007 NZ$0.6 billion (A$0.5 billion)). In addition, WNZL is a major provider of wealth management services, with NZ$2.0 billion (A$1.7 billion) (2007 NZ$1.9 billion (A$1.6 billion)) in FUM as at 30 September 2008.

Other

Technology

Technology is responsible for developing and maintaining reliable and flexible technology capabilities and technology strategies.

Prior to our reorganisation in July 2008, these activities were managed by Business and Technology Solutions and Services (BTSS). Technology provides functional infrastructure support and software systems enhancement services to front line businesses. It comprises the following areas: Chief Technology Office (CTO), Enterprise Channels & Infrastructure (ECI), IT Sourcing, IT Risk and IT Strategy.

- CTO provides enterprise oversight and defines our overall information technology architecture.

- ECI manages enterprise infrastructure applications and owns the major technology outsourcing relationships.

- IT Sourcing manages relationships with third party suppliers for the Bank. In particular, it manages the IT and telecommunications contracts that we have entered into with external providers.

Group Treasury, Pacific Banking and Head Office

In addition to BTSS, our financial business segment results disclosed under Other include Group Treasury, Pacific Banking and Head Office functions. Group Treasury operations are primarily focused on management of our interest rate risk and funding requirements. Pacific Banking comprises our presence in the near Pacific, including Papua New Guinea and Fiji. Head Office includes those functions performed centrally including finance, risk, legal and human resources, with expenses incurred charged back to business units. It also includes the management of the Group s capital.

Property

We occupy premises primarily in Australia, New Zealand and the Pacific Islands including 1,089 branches (2007 1,073) as at 30 September 2008. As at 30 September 2008, we owned approximately 4% of the premises we occupied in Australia and none in New Zealand. The remainder of premises are held under commercial lease with terms generally averaging five years. As at 30 September 2008, the carrying value of our directly owned premises and sites was approximately $89 million.

Westpac Place

We consolidated our ten existing Sydney Central Business District offices into just two primary locations throughout 2006 and 2007, being Westpac Place and our existing office at 60 Martin Place.

Westpac Place consists of two office towers of 21 and 32 levels linked by a common foyer and includes two levels of retail space, a retail branch, childcare facilities, an urban park, and both tenant and public parking. We have signed a 12 year lease on the building with three six year options to extend. The initial 12 year lease commitment commenced in November 2006 and is included in the lease commitment table in Note 35 to the financial statements.

Westpac Place is one of a portfolio of properties owned by the Westpac Office Trust (Trust). The Trust and its securities are listed on the Australian Securities Exchange (ASX).

Westpac Funds Management Limited, a wholly owned subsidiary of Westpac, is the Responsible Entity of the Trust.

Westpac New Zealand Head Office

Construction of WNZL s new Head Office premises is well underway. On 4 October 2006 we executed agreements to build and lease with members of the Britomart Group of companies in respect of approximately 16,000m(2) of office space across two buildings to be developed at the eastern end of Britomart Precinct near Customs Street in Auckland, New Zealand. The project involves the fitout of the building and relocation of approximately 1,200 staff to the new site. The first building, Charter House, is due for completion in November 2008. The second building (East 1) commenced in July 2008 and is scheduled for completion in March 2011. Building fitout works in Charter House have been integrated into the base build as part of Westpac s focus on cost effectiveness and environmental sustainability. Construction is on budget and forecast to meet or exceed timelines at overall completion.

Occupation of Charter House will commence in late 2008 with a progressive migration timetable. The Auckland Call Centre teams will consolidate from a number of distributed sites, and other Auckland and Wellington operational teams will also centralise their current locations into the building. The East 1 building will be occupied by the Corporate and Head Office staff upon completion in 2011. This building will also have integrated fitout as part of the base build works.

When complete, this will be Westpac s flagship New Zealand Head Office, located in the heart of Auckland s CBD, surrounded by shopping centres, restaurants and cafes, the main waterfront and ferries, the Vector Entertainment Arena, and the Viaduct Harbour. It has a central position overlooking Takutai Square and the wider Britomart precinct which is a core focus for Auckland City s regeneration of its Heritage Buildings.

In this project WNZL continues its pro-active focus on environmental sustainability through proscribed construction and fitout methods and operational implementation such as: low VOC materials, energy efficient building systems, water conservation, optimum resource management systems, and integrated waste management. The building s location within Auckland City s main transport hub - the Britomart Transport Centre - promotes

(1) Based on Residential Mortgage holdings information in June 2008 General Disclosure Statements of major New Zealand banks.

the use of public transport by staff, thereby reducing carbon emissions.

Significant developments

Proposed Merger with St.George Bank Limited

On 13 May 2008, Westpac and St.George Bank Limited (St.George) jointly announced the terms of a proposed merger of the two companies (the Transaction). On 8 September 2008, Westpac and St.George entered into an amended and restated merger implementation agreement that reflected the key commercial terms of the merger.

In the Transaction, holders of St.George ordinary shares would be entitled to receive 1.31 Westpac ordinary shares for each St.George ordinary share held on the record date. Based on the closing price of Westpac ordinary shares on the Australian Securities Exchange on 28 October 2008 of $20.50 per ordinary share and adjusted to remove the value of Westpac s final dividend of 72 cents per share, the total value of the Westpac ordinary shares to be issued to St.George ordinary shareholders in the Transaction is approximately $15 billion(1).

The merger implementation agreement specifies the circumstances in which St.George would be required to pay a break fee of $100 million (plus GST, if applicable) to Westpac, including a change in the St.George Board s unanimous recommendation of the merger proposal. The merger implementation agreement also contains Westpac s agreement to the payment by St.George of a special dividend in relation to St.George shares. On 29 October 2008, St.George announced that the special dividend of 31 cents, together with the final dividend of 94 cents would be paid on 18 December 2008 to St.George shareholders as of the record date.

On 29 September 2008, St.George released the Scheme Booklet for the Transaction in which St.George s board of directors unanimously recommended that St.George s shareholders vote in favour of the Transaction in the absence of a superior proposal. St.George s shareholders are scheduled to vote on the Transaction on 13 November 2008. If St.George shareholders approve the Transaction by the requisite majority, St.George is expected to make application to the Federal Court of Australia to approve the Transaction on 17 November 2008. If all relevant conditions to the Transaction are satisfied, Westpac and St.George expect the Transaction to close on 1 December 2008.

As a result of the proposed merger of Westpac and St.George, we expect to increase our sales by offering a broader range of products and services to an expanded customer base through the combined distribution system. The key revenue opportunities of the combined business are expected to be a broader distribution base, the sharing of best practice in products and services and benefits from an expanded capability in wealth, insurance and institutional banking. Westpac s proposed operating model aims to preserve existing customer relationships across both Westpac and St.George in order to minimise customer attrition.

If the proposed merger is completed, it is expected that shareholders and other stakeholders in the combined business will have the opportunity to benefit from the enhanced positioning and scale of the combined business, which will be (based on information available as at 29 September 2008): Australia s largest branch network with almost 1,200 branches; Australia s second largest ATM network with more than 2,700 ATMs; a leading Australian provider of home lending; Australia s largest provider of wealth platforms by funds under administration; Australia s second largest business banking lender; and Australia s second largest bank by assets.

Westpac estimates pre-tax savings as a result of the merger to be approximately 20% to 25% of St.George s total operating expenses (excluding interest expense and loan impairment charges) by the third year after the completion of the merger. We believe that these cost savings will be generated primarily through aligning product processing operations and investment in technology, through synergies generated from combining various support functions, potential savings by merging procurement and service contracts, and by combining the head offices of Westpac and St.George.

In order to achieve these synergies we estimate that we will incur approximately $700 million in one off integration costs before the end of the two year period following completion of the merger. These integration costs include systems integration costs, corporate head office and back office integration costs, and other transaction costs, including stamp duty, communication and documentary costs and advisers fees.

Based on publicly available information, as at 30 September 2008, St.George is Australia s fifth largest bank in terms of lending assets and one of the top 20 publicly listed companies in Australia, with a market capitalisation of approximately $16.2 billion as at 30 September 2008 and over 8,400 employees.

St.George s operations span various aspects of the financial industry including retail banking, institutional and business banking and wealth management. In its profit announcement for the financial year ended 30 September 2008, St.George reported that it had, as of 30 September 2008, total assets of $147.4 billion and total liabilities of $140.4 billion and had a net profit after tax and preference dividends of $1,174 million for the year ended 30 September 2008. St.George has a national presence in Australia with a significant proportion of operations and customers in New South Wales and South Australia. St.George had 404 branches as at 30 September 2008 and also distributes its products through third parties such as mortgage brokers and financial planners.

Based on publicly available information, St.George is structured around four main business divisions:

(i) Retail Banking manages retail branches, call centres, electronic channels and agency networks. The division is responsible for the provision of residential and consumer lending, personal financial services including transaction services, call and term deposits, small business banking and financial planning.

(ii) Institutional and Business Banking services the financial needs of corporations, institutions and government customers including services and advice in the areas of liquidity management, treasury market activities corporate and business relationship banking, international and trade finance facilities, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing.

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(1) Assumes approximately 745 million Westpac ordinary shares are issued in exchange for St.George ordinary shares upon implementation of the merger.

(iii) Wealth Management is responsible for providing superannuation and wealth management administration platforms, investment management and packaging, dealer group services, margin lending, private banking services and general and life insurance. This division includes St.George s funds management subsidiaries, ASGARD Wealth Solutions Limited and Advance Asset Management Limited.

(iv) BankSA provides retail banking, private banking and business banking products including agribusiness through operations based in South Australia and the Northern Territory.

Head Office and support functions are provided by Finance, Risk and Strategy, Group Technology and Operations, Human Resources and Group Legal and Secretariat.

Australian and New Zealand guarantee schemes

The Australian Government announced on 12 October 2008 that it will guarantee the deposits in eligible Australian authorised deposit-taking institutions (ADIs) (including Westpac) for a period of three years from 12 October 2008. The deposit guarantee applies to deposits held in eligible ADIs (including foreign branches of eligible ADIs) by all types of legal entities, regardless of where the depositor resides. It will apply to deposits held in any currency.

For deposits of or under $1 million, the deposit guarantee will be free. From 28 November 2008, for deposits over $1 million, the first $1 million would be guaranteed for free and an eligible ADI will be able to obtain coverage under the deposit guarantee for amounts over $1 million, in return for a fee. The $1 million threshold applies to the total amount of funds held by a depositor in (separate) deposit accounts with an eligible ADI.

The Financial System Legislation Amendment (Financial Claims Scheme and other Measures) Act 2008 has been enacted to facilitate the deposit guarantee. The Financial Claims Scheme (ADIs) Levy Act 2008 provides for the imposition of a levy to fund the excess of the Australian Prudential Regulation Authority s (APRA) financial claims scheme costs. The levy is imposed on liabilities of ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities.

The Australian Government has also announced that it will guarantee the wholesale term funding of eligible ADIs. The wholesale funding guarantee facility will be extended, by application, on an issue by issue basis for senior unsecured debt instruments in all major currencies with a term of up to 60 months issued domestically or off-shore. The Australian Government has announced that it will withdraw the facility once market conditions have normalised.

Fees will apply to the wholesale term funding guarantee and the guarantee for deposits above the $1 million threshold. A different fee will apply to eligible ADIs based on their credit rating. The fee which will apply to Westpac, based on its current rating by Standard and Poor s of AA, is 70 basis points (or 0.70%) per annum. The fees will be levied on a monthly or quarterly basis depending on the liability.

The Australian Government has announced that the deposit and wholesale funding guarantee scheme will be reviewed on an ongoing basis and revised if necessary.

The New Zealand Government announced on 12 October 2008 an opt-in deposit guarantee scheme under which it will guarantee deposits with participating New Zealand registered banks and non-bank deposit taking entities, with effect from 12 October 2008. The guarantee will be for a period of two years from the announcement date.

The guarantee extends to all debt securities issued by participating entities in any currency (which includes deposits and other amounts lent to participating entities), other than debt securities issued to related parties of a participating entity or to financial institutions. It also does not extend to subordinated debt obligations. Financial institutions include persons who carry on the business of borrowing and lending money, or providing financial services (and extends to registered banks). There is a limit on the amount of the debt securities covered by the guarantee of NZ$1 million per creditor per participating entity.

In addition, in relation to registered banks incorporated outside New Zealand (as is the case with Westpac) the guarantee extends to debt securities issued by the New Zealand branch of the registered bank only, and there is a separate overall limit on the amount guaranteed for creditors of the branch that are not New Zealand citizens or New Zealand tax residents.

Participating New Zealand registered banks with debt security amounts owing to qualifying creditors exceeding NZ$5 billion as of 12 October 2008 (which would include WNZL if it opts into the scheme) are required to pay a fee of 10 basis points (or 0.1%) on the amounts owing to qualifying creditors to the extent that the amount owing exceeds NZ$5 billion as of that date. A similar additional fee is payable in respect of the position as of 12 October 2009.

For participating New Zealand registered banks with debt security amounts owing to qualifying creditors below NZ$5 billion (which would include Westpac if it opts into the scheme), there is a fee on the growth in the amounts owing to qualifying creditors after 12 October 2008 (with a 10% allowance per year on the amount of that growth). The fee depends on the credit rating of the relevant entity and would be 10 basis points (or 0.1%) for Westpac, based on its current credit rating. The fee is calculated and levied monthly.

The New Zealand Government has also announced that it is considering a guarantee arrangement in respect of the wholesale term funding of registered banks. Details of this are yet to be finalised.

Westpac is currently assessing the implications of both the Australian and New Zealand deposit guarantee schemes, along with the Australian wholesale funding guarantee scheme.

Bell Group of companies

A lengthy judgement was delivered on 28 October 2008 in relation to the proceedings concerning the Bell Group of companies, in which it has been found that each of the liquidators and the banks have been partially successful. The ultimate financial impact for Westpac will depend on further analysis of the judgement and on its implications for a range of creditors, including the banks and the actual Court orders, when they are made. See Legal proceedings-Bell Group of companies .

BT Investment Management Business

On 10 December 2007, Westpac completed a partial sale of its Australian investment management business, BTIM, through an IPO. In the transaction, Westpac retained 60% of the ordinary share capital of BTIM, with the balance held by investment professionals employed by BTIM and other investors. Westpac generated a profit before tax on the partial disposal of $141 million. Westpac retained BTFG s other wealth management businesses, including financial advice, insurance, private banking, customer solutions (which is responsible for wrap platforms) and its suite of retail investment, superannuation and retirement products.

Appointed new CEO

On 1 February 2008, Gail Kelly joined Westpac as Chief Executive Officer and Managing Director, succeeding David Morgan who retired. Details of Mrs Kelly s employment contract are disclosed in the Directors Report.

Acquisition of RAMS franchise distribution business

On 4 January 2008, we acquired the RAMS franchise distribution business for $140 million. The business acquired includes the RAMS brand, franchise network and associated mortgage origination and servicing systems and contracts needed to run the distribution business. The acquisition has added an additional retail channel and extended Westpac s retail footprint by more than 10% via an additional 92 stores operated by 53 franchisees. Westpac did not acquire the ASX listed RAMS Home Loans Group Ltd or its existing mortgage book.

Westpac organises around customers

In July 2008, Westpac announced an organisational restructuring to deliver on its customer service strategy by putting customers at the centre of the Westpac business. The core of this strategy is the enhancement of our customer segmentation capabilities and strengthening our consumer and business banking distribution by building strong, locally empowered businesses. Other key priorities are to redesign our product processes and operations to make it easier for our customers to do business with us, and ensuring robust and sustainable technology infrastructure and capabilities.

These changes relate primarily to the CFS, BFS and BTSS divisions. These divisions have been reorganised into:

- **Westpac Retail and Business Banking** the customer facing activities of CFS and BFS have been brought together into the WRBB division, with responsibility for all consumers, small-to-medium enterprises and commercial customers. It is responsible for the sales and service interactions with these customers via branches, call centres and business banking centres.

- **Product and Operations** all consumer and business product development and management, together with the underlying operational processes, have been brought together into the Product and Operations division. It will focus on streamlining and simplifying the way our customers do business with us.

- **Technology** a dedicated Technology division has been created in recognition of the strategic importance of information technology in delivering on the customer experience.

The remaining key operating divisions of BTFG, WIB and WNZL are unchanged.

Should the proposed merger with St.George proceed, it is our intention to maintain the St.George brand, branches and culture. To achieve this, St.George will become a separate operating division within Westpac, referred to as St.George Retail and Business Banking. We will begin reporting under the new structure effective from 1 October 2008.

Outsourcing contracts

On 1 January 2008 Westpac entered into a three year Enterprise Master Services agreement with HCL Australia Services, for the provision of IT related services.

On 3 November 2006 Westpac entered into a five year Master Relationship agreement with Genpact U.S. LLC for the provision of back office administrative support services.

On 17 September 2006, Westpac renewed its agreement with Cash Services Australia (CSA) for a term of five years nine months. CSA will continue to provide key operational services as well as commercial and operational governance of cash-in-transit providers.

On 3 September 2006, Westpac entered into a three year agreement with Stream Solution (Holdings Pty Ltd) to provide Westpac s end to end print management services.

On 1 December 2005, Westpac renewed its Managed Network Service agreement with Telstra Corporation for a further five year term. Under this agreement Telstra will provide voice, data and video services for corporate and retail banking in Australia and the Pacific Region.

On 4 February 2005, Westpac, in conjunction with the National Australia Bank and the Commonwealth Bank of Australia, entered into a 12 year arrangement with Fiserv Solutions Australia Pty Limited for the provision of voucher (cheque) processing services. As a result of this utility style agreement, Westpac s existing agreement with Unisys Payment Services Limited for cheque processing will be terminated progressively as services are transitioned to the new provider.

On 10 May 2004, Westpac entered into a five year agreement with Keycorp Payment Services (Keycorp) for Electronic Funds Transfer Point of Sale (EFTPoS) terminals in Australia. Keycorp assumed responsibility for fleet services (including the provision of support and maintenance) of the EFTPoS terminals as well as all asset management functions. Keycorp is also responsible for the supply and management of the EFTPoS terminals and the Terminal Operating System and the integration with a new Terminal Application Management system. Westpac retains control over the merchant base (including contractual terms, fees and direct contact by Keycorp) as well as the decision as to what software applications are to be loaded on the EFTPoS fleet.

On 30 September 2002, Westpac entered into a ten year agreement with First Data Resources (FDR) Australia Limited to provide a managed service for our cards processing. This involves managing the application within the Westpac/IBM environment. FDR assumed responsibility for the Group s Australasian cards processing in phases from October 2002. Westpac retains control of its cards sales, credit, collections and customer service functions.

On 1 October 2001, Westpac entered into a ten year agreement with EDS (Business Process Administration) Pty Limited whereby they will provide mortgage and other processing services in connection with the mortgage loan portfolio.

On 3 December 2000, Westpac entered into a ten year contract with IBM Global Services Australia relating to the management of the core banking technology operations in Australia, New Zealand and the Pacific Bank. The exact amount of the contract commitment is unable to be reliably measured as Westpac s obligations are dependent upon business volumes over the period of the contract.

Legal proceedings

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case-by-case basis for the purposes of the financial statements and specific provisions have been made where appropriate, as described in Note 37 to the financial statements.

Our entities are defendants from time-to-time in legal proceedings arising from the conduct of our business.

Bell Group of companies

Westpac is one of 20 defendant banks named in proceedings concerning the Bell Group of companies. The proceedings have been brought by the liquidators of several Bell Group companies and seek to challenge the defendant banks entitlement to receive the proceeds of realisation of Bell Group assets in the early 1990s. A lengthy judgement was delivered on 28 October 2008 in which it has been found that each of the liquidators and the banks have been partially successful. The ultimate financial impact for Westpac will depend on further analysis of the judgement and on its implications for a range of creditors, including the banks and the actual Court orders, when they are made.

New Zealand Commerce Commission

The New Zealand Commerce Commission s (NZCC) proceedings against Westpac New Zealand Limited and The Warehouse Financial Services Limited (members of the Westpac Group) are ongoing. Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards are also defendants. The proceedings allege that the setting of interchange rates and rules (relating to honour all cards, no surcharge, access and no discrimination) amount to price fixing or alternatively have the effect of substantially lessening competition in the New Zealand market in breach of the Commerce Act 1986. The proceedings seek to declare the conduct illegal and impose unspecified monetary penalties.

In addition, similar proceedings issued by a number of New Zealand retailers against the same defendants are also ongoing. These proceedings also seek to declare the conduct illegal and an enquiry into damages. Damages awarded, if any, would be in addition to any penalties imposed under the Commerce Act 1986 in the event the Commerce Commission is successful in the proceedings described above. Westpac is considering its position in relation to both proceedings and at this stage does not consider it necessary to raise a provision in relation to this matter.

New Zealand Inland Revenue Department

The New Zealand Inland Revenue Department (NZIRD) has reviewed a number of structured finance transactions undertaken in New Zealand. Following the review, the NZIRD issued amended assessments for the 1999 to 2005 tax years in relation to nine transactions undertaken between 1999 and 2002. The overall primary tax in dispute is approximately NZ$588 million (A$493 million). With interest (net of tax) this increases to approximately NZ$882 million (A$739 million) (calculated to 30 September 2008).

Proceedings disputing all amended assessments have been commenced. Westpac is confident that the tax treatment applied in all cases is correct. A ruling was sought from the NZIRD on an early transaction in 1999. Following extensive review by the NZIRD, the ruling was issued in 2001. The principles underlying that ruling are applicable to, and have been followed in, all other transactions.

There are no further transactions or tax years subject to the review (other than the transaction in relation to which Westpac received the binding ruling).

Competition

The last 12 months have seen significant changes in the financial services landscape and in the competitive conditions Westpac faces. The crisis that started in the US sub-prime mortgages has extended to a broader financial markets crisis and global economic downturn.

These conditions have competitively favoured institutions with larger balance sheets, more diverse funding sources and conservative and rigorous risk management. Westpac has been at a competitive advantage in these conditions. Westpac has also benefited from some international banks winding back their activities in Australian as they have sought to focus more on their home markets.

In New Zealand, more substantive economic slowdown paired with the impact of the global credit crisis has also affected the financial services landscape. A large number of smaller, non-bank competitors, particularly finance companies, have ceased operating. Strong balance sheets helped some of the larger institutions improve their market positions even though economic conditions have provided a brake on overall financial performance.

Overall, competition within our markets remains strong and that will continue into the coming year, particularly for the collection of retail deposits.

Outlook(1)

The global financial crisis has dominated events over the last financial year, significantly impacting banks globally through asset write downs, tighter funding and increased market volatility. Through the year, the crisis also began to significantly affect the global economy.

We believe that more recently, the actions of governments, central banks and regulators around the world has begun to restore confidence to the financial system and improved access to funding. However, it is likely to be some time before debt markets operate more normally.

While these measures may be potentially effective at restoring financial market stability, these initiatives are unlikely to avert a more severe and prolonged slowdown in global growth. In Australia, growth is also expected to slow although the significant policy flexibility of the Australian authorities is expected to see GDP growth hold up at around 2% in calendar 2009. We believe that the Reserve Bank of Australia (RBA) and the Federal Government have responded in a timely and decisive fashion. A budget package worth 1% of GDP has already been announced for 2008/09, with scope for further stimulus. Also, fundamental to Australia s prospects is the expectation of growth resilience in the emerging economies, particularly China.

Given these conditions, we anticipate lower loan growth in the year ahead as consumers and businesses seek to strengthen their balance sheets in the tougher operating environment. We also expect impairment charges to rise as unemployment moves modestly higher. Market volatility is also likely to remain high as some financial market uncertainty persists.

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

Westpac has responded to the global financial crisis by seeking to proactively manage market conditions, and to ensure both a conservative risk profile and a healthy capital position.

At the same time, Westpac has continued and will continue to implement its new strategy to significantly improve the customer experience and better support customers. This strategy, and the strength of the franchise, has positioned the Group for the more challenging year ahead. The proposed merger with St.George is expected to further strengthen that position.

Employees

The number of employees in each area of business as at 30 September(1):

	2008	2007	2006
Business Financial Services	3,767	3,447	3,119
Consumer Financial Services	9,132	8,870	8,466
BT Financial Group Australia	2,906	3,173	3,093
Westpac Institutional Bank	1,818	1,674	1,558
New Zealand Retail	4,674	4,538	4,952
Other	6,005	6,316	6,036
Total employees	28,302	28,018	27,224

(1) The number of employees includes core and implied full time equivalent (FTE) staff. Core FTE includes overtime and pro-rata part time staff. Implied FTE includes temporary and contract staff.

2008 v 2007

Group FTE increased by 284 compared to 30 September 2007. This was driven by an increase of 353 customer serving employees in the Institutional Bank, CFS and BFS, offset by reductions in BTFG and various support functions across the Group. Specific changes included:

- 262 additional FTE in CFS with increases of 38 across the branch network and 132 from the RAMS franchise distribution business acquisition;

- 320 additional FTE in BFS including 219 customer serving employees, reflecting the increase in specialist relationship bankers;

- 144 additional FTE in WIB, primarily customer serving employees;

- 136 additional FTE in New Zealand, including 57 customer serving employees in the consumer and business banking segments and call centres and non-customer serving employees associated with the increased focus on credit management and the planning and coordination of the new Auckland head office.

Partially offset by:

- a reduction of 267 FTE in BTFG as the business responded to lower revenue growth due to the change in market conditions; and

- a reduction of 351 FTE in support functions, driven by productivity initiatives during the year.

2007 v 2006

Total full time equivalent (FTE) employees increased 794 compared to 2006 to 28,018. This was largely driven by increases in customer serving employees across a number of businesses:

- 194 additional customer serving employees in BFS to drive growth and expand our representation in the business banking segment;

- 325 additional customer serving employees in CFS, including 150 within the Premium Financial Services segment and a 161 increase in branch staff;

- 69 new staff in BT Financial Group to support higher product growth and increased demand following changes to superannuation legislation; and

- 87 additional customer serving employees in Westpac Institutional Bank.

Partially offset by:

- a decline in FTE in New Zealand due to investment in business banking employees which was more than offset by productivity savings elsewhere in the business.

We operate under a number of enterprise agreements which were certified by the Australian Industrial Relations Commission (AIRC) in 2002. These agreements have passed their nominal term however they remain in force until they are replaced or terminated by the AIRC. We continue to improve employees terms and conditions of employment through policy.

In New Zealand, we maintain both Individual Employment Agreements (IEAs) with employees who are not union members and a Collective Employment Agreement (CEA) with the Finance and Information Union (Finsec). The current CEA was ratified with a vote of more than 80% in favour, and came into effect on 1 August 2008; this agreement expires on 31 July 2009. The new CEA includes a competency based pay system that is being rolled out across the business.

There has been no industrial action in Australia and New Zealand in the financial year ended 30 September 2008. We continue to have a business-like and professional relationship with the Finance Sector Union (FSU) in Australia and Finsec in New Zealand.

Remuneration policies

The application of all remuneration practices across the Bank is consistent with the principles underlying our executive remuneration structures (refer to the remuneration report for further information), acknowledging the complexity and diversity of our businesses.

Fixed remuneration is market aligned, and reviewed annually with appropriate reference to our industrial agreements. Our employees have the opportunity to participate in short term incentive schemes, with specific reference to their role and to market competitiveness. A range of short term incentive schemes has been designed in recognition of our business needs - from highly formulated incentive schemes for roles with a strong sales focus, to discretionary arrangements for roles such as corporate support, based on performance against individual and business objectives.

We offer employee share plans for permanent employees in Australia, which are designed to provide tangible recognition for improvements in our performance and gain greater staff commitment. For further details refer to Note 26 to the financial statements.

We also provide superannuation (pension) plans for our employees in Australia, New Zealand and certain other countries in which we operate. Plan members are entitled to benefits on retirement, resignation, permanent disability or death. Refer to Note 36 to the financial statements for further information.

Group Executives and General Managers receive performance securities which vest after a set period of service and subject to performance hurdles being met. Group Executives, General Managers and other select employees are also required to defer a portion of their short term incentive, receiving it as Westpac securities which vest after a service requirement. Other key employees below General Manager level also receive Westpac securities which vest after a service requirement.

The Board Remuneration Committee oversees the remuneration practices across our Group, and approves total expenditure for performance recognition.

Supervision and regulation

Australia

Within Australia we are subject to supervision and regulation by five principal agencies: the Australian Prudential Regulation Authority (APRA); the Reserve Bank of Australia (RBA); the Australian Securities and Investments Commission (ASIC); the Australian Securities Exchange (ASX); and the Australian Competition and Consumer Commission (ACCC).

APRA is responsible for the prudential supervision of ADIs, life and general insurance companies and most superannuation (pension) funds. One of its roles is to protect the interests of depositors, insurance policyholders and superannuation fund members.

As an ADI, we report prudential information to APRA in relation to, but not limited to, capital adequacy, large exposures, credit quality and liquidity. Our controlled entities in Australia which are authorised insurers and trustees of superannuation funds are also subject to the regulatory regime of APRA. 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.

Australia s risk-based capital adequacy guidelines are generally consistent with the approach agreed upon by the Basel Committee on Banking Supervision. Refer to Basel Capital Accord below.

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 sole national regulator of Australian companies. Its primary responsibility is for regulation and enforcement of company, financial markets and financial services laws that protect consumers, investors and creditors. With respect to financial services, it promotes honesty and fairness through the provision of consumer protection, using as necessary its 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.

The ASX operates Australia s primary national market for securities issued by listed companies. Some of our securities (including our ordinary shares) are listed on the ASX and we therefore have a contractual obligation to comply with the ASX Listing Rules that have statutory backing in the Corporations Act. Oversight of listed companies compliance with the ASX Listing Rules is shared between the ASX and ASIC.

The ACCC is an independent statutory authority responsible for the regulation and prohibition of anti-competitive and unfair market practices, and mergers and acquisitions by Australian corporations. Its objectives are to ensure that corporations do not act in a way that may have the effect of eliminating or reducing competition, and to oversee product safety and liability issues, pricing practices and third party access to facilities of national significance. The ACCC s role in consumer protection complements that of 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 pillar 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 the Australian government s Treasurer must approve an entity acquiring a stake in a particular financial sector company of more than 15%.

Proposals for foreign acquisitions of Australian banks are subject to approval by the government under the Australian Foreign Acquisitions and Takeovers Act 1975.

New Zealand

The Reserve Bank of New Zealand (RBNZ) is responsible for the supervision of the New Zealand banking industry. This is primarily achieved through an extensive disclosure regime that requires all banks to publish financial statements on a quarterly basis, which also incorporates director attestation on the Bank s risk management disciplines.

It is a policy of the RBNZ that all systemically important banks must incorporate as a local entity rather than operate through a branch structure. Until 1 November 2006 we conducted our New Zealand business through a branch (NZ Branch), however, the NZ Branch was deemed to be a systemically important bank and therefore required to incorporate locally.

The RBNZ allows an overseas bank to operate in New Zealand as both a branch of its overseas parent and through a subsidiary. We have determined that this type of dual registration is the most effective option for us to comply with RBNZ policy, while minimising disruption to the NZ Branch s investors and customers.

Accordingly, we established Westpac New Zealand Limited to assume and carry on the New Zealand consumer and business banking operations of our NZ Branch. Westpac New Zealand Limited commenced operating as a registered bank under the Reserve Bank of New Zealand Act 1989 on 1 November 2006. The NZ Branch continues to operate in New Zealand, retaining the New Zealand wholesale and financial markets business.

The reorganisation of our business was facilitated by legislation, which was the only means by which our New Zealand consumer and business banking operations could be vested in the Bank efficiently, economically and without affecting the continuity of the provision of those banking services. The Westpac New Zealand Act 2006 provided for the vesting of designated NZ Branch assets and liabilities in Westpac New Zealand Limited on 1 November 2006.

The Banking Act 1959 (Australia) gives priority over our Australian assets to Australian depositors. Accordingly, unsecured creditors and depositors of the remaining NZ Branch will rank after our Australian depositors in relation to claims against Westpac Banking Corporation s Australian assets.

Based on the statement of financial position as at 30 September 2008, the carrying value of the New Zealand assets of the NZ Branch of Westpac Banking Corporation was greater than its New Zealand deposit liabilities.

United States

Our New York branch is a federally licensed branch and, as such, is subject to supervision, examination and extensive 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 International Banking Act of 1978 (IBA), and related regulations. Under the IBA, we may not open any branch, agency or representative office in the US or acquire more than 5% of the voting stock of any US bank without the prior approval of the US Federal Reserve.

A federal branch must maintain, with a US Federal Reserve member bank, a capital equivalency deposit as prescribed by the US Comptroller of the Currency in an amount which is the greater of:

- the amount of capital that would be required of a national bank organised at the same location; or

- 5% of the total liabilities (excluding, among other things, liabilities to affiliates and liabilities of any international banking facilities) of the federal branch.

In addition, a federal branch is examined by the US Comptroller of the Currency at least once each calendar year and periodically by the US Federal Reserve. The examination covers risk management, operations, credit and asset quality and compliance with the record-keeping and reporting requirements that apply to national banks, including the maintenance of its accounts and records separate from those of the foreign bank and any additional requirements prescribed by the US Comptroller of the Currency.

A 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.

At this time we have not elected to become and therefore we are not a financial holding company as defined in the Gramm-Leach-Bliley Act of 1999.

USA PATRIOT Act

The USA PATRIOT Act 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, 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. Many of the new anti-money laundering compliance requirements of the USA PATRIOT Act are consistent with the anti-money laundering compliance obligations previously imposed on US financial institutions, including the US branches of foreign banks, under the Bank Secrecy Act and under regulations of the applicable US bank regulatory agency such as the US Comptroller of the Currency. These 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. The USA PATRIOT Act and other recent events have resulted in heightened scrutiny of Bank Secrecy Act and anti-money laundering compliance programs by federal bank regulatory and law enforcement authorities.

Corporate governance

Introduction

Date of statement

This statement reflects our corporate governance framework, policies and procedures as at 30 October 2008.

Access to information on the website

This statement and, where indicated, the documents referred to in the statement are available for viewing on our website (unless otherwise stated) at www.westpac.com.au/corpgov.

Framework and approach to corporate governance

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

This approach includes a commitment to the highest standards of governance, which our Board sees as fundamental to the sustainability of our business and performance. In pursuing this commitment, the Board monitors local and global developments in corporate governance and their implications for us.

In Australia, we take into account the revised Corporate Governance Principles and Recommendations (ASXCGC s Recommendations) published in August 2007 by the ASX Corporate Governance Council (ASXCGC), and the Corporations Act 2001 (Corporations Act).

In the international arena, we respond to a range of relevant corporate governance principles in developing our corporate governance framework.

Compliance with the ASXCGC s Recommendations

We believe that our governance practices complied with the ASXCGC s Recommendations over the past financial year, as set out in this corporate governance statement. A checklist summarising our compliance is included after this statement and is also available on our website.

Compliance with the New York Stock Exchange listing rules

Westpac has American Depositary Shares quoted on the New York Stock Exchange (NYSE). Under the NYSE listing rules, foreign private issuers are permitted to follow home country practice in lieu of the NYSE listing rules. However, we are still required to comply with certain audit committee and additional notification requirements.

We are in compliance with all NYSE listing rules in all material respects.

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 United States companies. We have compared our corporate governance practices to the corporate governance requirements of the NYSE listing rules and note the following potential significant differences:

(i) Equity compensation plans

The NYSE listing rules require that shareholders be given the opportunity to vote on equity compensation plans and material revisions thereto, with limited exemptions.

We comply with the requirement for shareholder approval in relation to all equity-based incentive plans introduced since 2006, including our:

Westpac Reward Plan (WRP);

Restricted Share Plan (RSP); and

CEO s equity-based remuneration.

However (other than awards to the CEO) individual grants under the plans have not been approved by shareholders. The details of all grants of shares under our equity-based incentive plans have been disclosed in Note 26 to our consolidated financial statements for the year ended 30 September 2008. The employee equity plans introduced in 2002 were not required to be approved by shareholders under Australian law or stock exchange listing requirements. These plans include:

the Westpac Performance Plan (which is currently only used for incentive awards to a small number of employees based outside Australia and the USA);

the Employee Share Plan (ESP); and

the Deferral Share Plan.

These three plans have been disclosed in each Annual Report from 2003, including in the Remuneration Report each year since 2005. Each year since 2005, the Remuneration Report has been subject to a non-binding shareholder vote and has been approved by shareholders for adoption.

(ii) Board candidates for re-election

The NYSE listing rules provide that the Nominations Committee s responsibilities should include selecting, or recommending that the Board select, the Director nominees for the next annual meeting for shareholders.

Our Constitution states that at each Annual General Meeting (AGM) one-third of our Directors (excluding the CEO) and any Director who has held office for three or more years since their last election, must retire. In 2008, none of our Directors met this three-year threshold, so a determination needed to be made regarding which two Directors would retire and seek re-election at the 2008 AGM. Westpac considered that it was appropriate for the full Board, rather than the Nominations Committee, to determine the Board candidates for retirement under the rotation policy, and to review and recommend their re-election by shareholders at the 2008 AGM.

Compliance with the New Zealand Stock Exchange corporate governance rules and principles

Westpac also has ordinary shares quoted on the New Zealand Stock Exchange (NZX). As an overseas listed issuer, we are deemed to satisfy and comply with the NZX listing rules, provided that we remain listed on the ASX. The ASX, through the ASXCGC s Recommendations, and the NZX have adopted a similar comply or explain general Corporate governance Corporate governance approach to corporate governance. However, the ASXCGC s Recommendations may materially differ from the NZX s corporate governance rules and the principles of the NZX Corporate Governance Best Practice Code.

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

This statement addresses each of the eight ASXCGC s Recommendations. Each Recommendation is set out and followed with an explanation of our corporate governance practices, demonstrating our compliance with the requirements of the Recommendations.

Principle 1 Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of Board and management.

1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

1.2 Companies should disclose the process for evaluating the performance of senior executives.

The role and responsibilities of the Board

The Board Charter outlines the roles and responsibilities of the Board and, in conjunction with the Constitution, allows the Board to determine those matters to be delegated to its Committees and management.

The Board is accountable to shareholders for our performance, and its responsibilities include, in summary:

- providing strategic direction;
- evaluating Board performance and determining Board size and composition;
- appointing and determining the duration, remuneration and other terms of appointment of the CEO and approving the appointments of other senior executives;
- evaluating the performance of the CEO and monitoring the performance of other senior executives;
- Board and Executive succession planning;
- annual approval of the budget and monitoring performance against that budget;
- determining the dividend policy;
- making determinations concerning our capital structure;
- appointing our external auditors and maintaining an on-going dialogue with them;
- financial reporting;
- 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;

maintaining a constructive and ongoing relationship with the exchanges and regulators and ensuring that the market and our shareholders are continuously informed of material developments; and

internal governance, including delegated authorities, policies for appointments to our controlled entity Boards and monitoring resources available to senior executives.

The Board has delegated a number of these responsibilities to its Committees, as set out in the Westpac Governance Framework chart in the Principle 2 section of this statement.

Our Constitution and Board Charter can be found at www.westpac.com.au/corpgov.

Board delegation to management and Committees

The Board has delegated to the CEO, and through the CEO to other senior executives, responsibility for the everyday management of our business. The scope of and limitations to that delegated authority is clearly documented.

The Board has five Committees, namely the:

- Audit Committee;
- Risk Management Committee;
- Nominations Committee;
- Remuneration Committee; and
- Sustainability Committee.

In 2009, it is proposed that an Information Technology Committee also be established.

The responsibility delegated to the Committees is set out in the Westpac Governance Framework chart in the Principle 2 section.

Management performance evaluation

The Board, in conjunction with its 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 them. The management performance evaluations for the 2007 financial year were conducted in November 2007.

Management performance evaluations for the 2008 financial year will be conducted at the end of the 2008 calendar year.

To ensure they are able to meet their performance objectives, all new senior executives are provided with extensive briefing about our strategies and operations and the respective roles and responsibilities of the Board and senior management.

Principle 2 Structure the Board to add value

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

2.1 A majority of the Board should be independent Directors.

2.2 The chair should be an independent Director.

2.3 The roles of chair and chief executive should not be exercised by the same individual.

2.4 The Board should establish a nomination committee.

2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Together, the Board members have a broad range of relevant financial and other skills, extensive experience and knowledge necessary to guide our business. Our Board comprises a majority of Non-executive Directors who satisfy our criteria for independence. The current Board Corporate governance composition and the composition of each of the Board s Committees is set out in the table below. The skills, experience and expertise of each Director, as well as the period of office held by each Director, are set out in the Directors Report in the 2008 Annual Report.

The 2008 Annual Report can be found at www.westpac.com.au/investorcentre .

Director independence

The Board regularly assesses the independence of our Directors.

Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent 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 which he or she has directly or as a partner, shareholder or officer of a company or other entity that has an interest, or a business or other relationship, with Westpac or a related entity.

The Board considers information about any such interests or relationships, including any related financial or other details, when it assesses the Directors independence.

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

The Westpac Definition of Independence can be found at www.westpac.com.au/corpgov.

The Board and Committees size and composition

	Elizabeth Bryan	**Gordon Cairns**	**Ted Evans**	**Carolyn Hewson**	**Gail Kelly**	**Lindsay Maxsted**	**Peter Wilson**
Board membership/ position title	Non-executive, Independent	Non-executive, Independent	Chairman, Non-executive, Independent	Non-executive, Independent	CEO, executive	Non-executive, Independent	Non-executive, Independent
Audit Committee	ü	ü	ü	ü		Chair ü	ü
Risk Management Committee	ü	ü	ü	Chair ü		ü	ü
Nominations Committee		ü	Chair ü	ü		ü	ü
Remuneration Committee		Chair ü	ü	ü			
Sustainability Committee	ü				ü		Chair ü

The charts below demonstrate that our Board comprises a majority of independent Directors, and the tenure of our current Directors.

Length of tenure of Directors

Balance of Non-executive and executive Directors

The selection and role of the Chairman

The Board elects one of the independent Non-executive Directors to be the Chairman. Our current Chairman is Ted Evans. His role is separate to that of our CEO, Gail Kelly. The Chairman s role includes:

- providing effective leadership to the Board in relation to all Board matters;
- representing the views of the Board to the public;
- convening regular Board meetings throughout the year, and ensuring that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings;
- reviewing the performance of Non-executive Directors;
- overseeing Non-executive Director and CEO succession; and
- promoting constructive and respectful relations between the Board and management.

Meetings of the Board

The Board has 11 scheduled meetings each year and meets in the intervening periods when warranted. In July each year the Board discusses our strategic plan and sets our overall strategic direction. The Board also conducts a half year review of our strategy. The Board conducts workshops on specific subjects throughout the year. Directors are always encouraged to participate in meetings, with a robust exchange of views and to bring their experience and independent judgment to bear on the issues and decisions at hand.

Senior executives are invited to attend all Board meetings and are also available to be contacted by Directors between meetings. The Board, however, usually meets without executive management (other than the CEO) at the commencement and conclusion of each meeting. The Board meets without the CEO or any senior executives at least once a year, or as required.

Meetings attended by Directors for the past financial year are reported in the Directors Report in the 2008 Annual Report.

The Nominations Committee

The Nominations Committee is responsible for:

- developing and reviewing policies on Board composition, strategic function and size;
- the performance review process of the Board, its Committees and individual Directors;
- succession planning for the Board;
- developing and implementing induction programs for new Directors and ongoing education for existing Directors;
- developing eligibility criteria for nominating Directors;
- recommending appointment of Directors to the Board;
- considering candidates for appointment to the Boards of relevant subsidiaries; and
- reviewing our corporate governance policies to meet international corporate governance standards.

The composition of the Nominations Committee is set out in the table entitled The Board and Committees size and composition earlier in this section of the statement.

The Nominations Committee Charter can be found at www.westpac.com.au/corpgov .

Nomination and appointment of new Directors

The Nominations Committee makes recommendations for the nomination of new Directors to the Board as a whole.

The Nominations Committee assesses nominations against a range of criteria including the candidate s background, experience, professional skills, personal qualities, whether their skills and experience will complement the existing Board and their availability to commit themselves to the Board s activities. External consultants have been used to access a wide base of potential Directors.

New Directors receive a letter of appointment, which sets out the expectations of the role, conditions of appointment Corporate governance including expected term of appointment, and remuneration. This letter conforms to the ASXCGC s Recommendations.

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

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

The Director appointment policy, Board tenure policy, principles for appointment of Directors to subsidiary companies and the Non-executive standard letter of appointment can be found at www.westpac.com.au/corpgov .

Term in office and retirement and re-election of Directors

Our Constitution states that at each AGM one-third of our Directors (excluding the CEO) and any Director who has held office for three or more years since their last election must retire.

Eligible Directors who retire may offer themselves for re-election by shareholders at the next AGM and are invited to give a short presentation to the AGM in support of re-election.

The Board has a Tenure Policy which limits the number of terms of office that any Non-executive Director may serve to the longer of three consecutive terms or nine years. The maximum tenure of the Chairman is to be no more than the longer of four terms or twelve years (inclusive of any term as a Director prior to being elected as Chairman), from the date of first election by shareholders.

Director education

On appointment, all Directors are offered an induction program appropriate to their experience to familiarise them with matters relating to our business, strategy and any current issues before the Board. The induction program includes meetings with the Chairman, the CEO, the Chairman of each of the Board Committees, each Group Executive, the Group Secretary & General Counsel and the Chief Strategy Officer.

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

Our Group Secretary & General Counsel provides Directors with ongoing guidance on matters such as corporate governance, our Constitution and the law.

Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management. Each Director also enters into an access and indemnity agreement ensuring seven year access to documents after their retirement as a Director.

The Chairman and other Non-executive Directors regularly consult with the CEO, the Chief Financial Officer (CFO), senior executives, the Group Secretary & General Counsel, the General Manager Group Assurance, the Chief Risk Officer (CRO), the Chief Strategy Officer and the General Manager Sustainability, Brand and Communications and may consult with, and request additional information from, any of our employees.

The Board collectively, and each Director individually, has 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 and, in the Chairman s absence, Board approval may be sought.

Company Secretaries

The Board is responsible for the appointment of our Company Secretaries, of which there are two. The Group Secretary & General Counsel, Richard Willcock, attends all Board and Committee meetings and is responsible for providing Directors with ongoing guidance and advice on legal and corporate governance issues. The Head of Group Secretariat, Alex Crompton (formerly Anna O Connell from 1 October 2007 to 4 February 2008) is responsible for the operation of the secretarial function, including providing advice to Directors and officers on corporate governance and regulatory matters, developing and implementing our governance framework and, in conjunction with management, giving practical effect to the Board s decisions.

All Directors have access to advice from the Group Secretary & General Counsel and Head of Group Secretariat.

Profiles of our Company Secretaries are set out in the Directors Report in the 2008 Annual Report.

Review of Board performance

The Board undertakes ongoing self-assessment as well as an annual performance review of its activities, the Committees and individual Directors.

The performance review process conducted in 2008 was facilitated by an external consultant and included written surveys of and interviews with Directors, senior executives and the Group Secretary & General Counsel. The performance reviews were wide-ranging and included, among other considerations, each Director s contributions to Board discussions. The survey results were independently collated and presented to the Board. The Chairman discussed the results with individual Directors and Committee Chairs.

The full Board (excluding the Chairman) reviewed the results of the performance review of the Board Chairman. The results were then privately discussed by the Chairman of the Risk Management Committee with the Board Chairman.

Board Committees and membership

We have five standing Board Committees. The Committee charters describe their roles and powers, as approved by the Board.

The Committees and their membership at 30 October 2008 are set out in the table entitled The Board and Committee size and composition earlier in this section of the statement. The areas of oversight for each Committee are set out in the Westpac Governance Framework chart at the end of this section. Directors attendance at Committee meetings is set out in the Directors Report in the 2008 Annual Report.

The Board establishes other Committees from time to time to consider matters of special importance or to exercise the delegated authority of the Board.

Composition and independence of the Committees

Committee members are chosen for the skills and experience they can contribute to the respective Committees. All of the Committees comprise independent Non-executive Directors, with the exception of the Sustainability Committee, on which the CEO sits.

Operation of the Committees and reporting to the Board

The Board Committees meet quarterly, with the exception of the Sustainability Committee, which meets three times a year, and at other times as necessary. Each Committee is entitled to the resources and information it requires and has direct access to our employees and advisers. The CEO attends all Committee meetings, except where she has a material personal interest in a matter being considered. Senior executives and other selected employees are invited to attend Committee meetings as required. All Directors receive all Committee papers and can attend any Committee meeting, provided there is no conflict of interest.

How Committees performance is evaluated

The performance of each Committee is reviewed as part of the Board s overall performance review.

The Board Committee Membership and all of the Committee Charters can be found at www.westpac.com.au/corpgov .

Milestones in 2008

David Morgan s retirement as CEO and Director;

Gail Kelly s appointment as CEO and to the Board;

Lindsay Maxsted s appointment to the Board;

participated in a detailed Board performance review;

reviewed the skills required on the Board to assist with Board succession planning;

considered various candidates for appointment to the Boards of relevant subsidiaries.

Westpac Governance Framework

The diagram below sets out the Westpac Governance framework and the areas of responsibility for each Committee:

The Executive Office, Disclosure Committee and Executive Risk Committees sit beneath the Board and its Committees to implement Board approved strategies, policies and management of risk across the Group.

Principle 3 Promote ethical and responsible decision-making

Companies should actively promote ethical and responsible decision-making.

3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

the practices necessary to maintain confidence in the company s integrity;

the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders;

the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

3.2 Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.

Principles for Doing Business and Code of Conduct

Our Principles for Doing Business (the Principles) set out how we aim to conduct ourselves across our business in the areas of:

- governance and ethics;
- employee practices;
- customer practices;
- care for the environment;
- community involvement; and
- supply chain management.

The Principles are also aligned with significant global initiatives that promote responsible business practices. Our Principles apply to all Directors and employees and we report our performance against them annually.

Our Code of Conduct sets out seven values that we believe will maintain the trust and confidence placed in us by our customers, shareholders, suppliers and the community at large. We recognise that this trust can only be retained by acting ethically and responsibly in all our dealings and by seeking to continually improve in all that we do. The Code of Conduct applies to all of our employees and contractors and is supported by the Board. The seven values are that:

we act with honesty and integrity;

we respect the law and act accordingly;

we respect confidentiality and do not misuse information;

we value and maintain our professionalism;

we act as a team;

we manage conflicts of interest responsibly; and

we strive to be a good corporate citizen and achieve community respect.

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 our Principles and Code of Conduct.

In addition to our Principles, we have a number of key policies to manage our 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 Electronic Funds Transfer Code of Conduct.

Our Principles for Doing Business and Code of Conduct can be found at www.westpac.com.au/corpgov.

Milestone in 2008

Our Code of Conduct and the broader Principles for Doing Business were reviewed.

Code of ethics for senior finance officers

The Code of Accounting Practice and Financial Reporting (the Code) complements our Code of Conduct. The Code is designed to assist the 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. The Code requires that those officers:

- 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 and rules;
- promptly report violations of the Code; and
- be accountable for their actions.

Our code of Accounting Practice and Financial Reporting is available at www.westpac.com.au/corpgov.

Conflicts of interest

Westpac has a conflicts of interest framework which includes a Group policy supported by more specific policies and guidelines aimed at recognising and managing potential conflicts.

The Board

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to the company and their own interests. All Directors are required to disclose any actual or potential conflict 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, they may not participate in boardroom discussions or vote on matters on which they face a conflict.

Our employees

Our employees are not permitted to participate in activities which involve a conflict with their duties and responsibilities or which are prejudicial to our business. We expect our employees to:

- avoid 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 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, accept or offer money, gifts, favours or entertainment which might influence, or might appear to influence, their business judgment.

Our Conflicts of Interest guidance can be found at www.westpac.com.au/corpgov.

Fit and proper person assessments

We assess the fitness and propriety of our Directors and also of those employees who perform specified roles. The Nominations Committee and the Board are responsible for assessing the main Board Directors, Non-executive Directors on subsidiary Boards and senior executives. An executive Fit and Proper Committee assesses other affected employees. In all cases the individual is asked to provide a detailed declaration and background checks are undertaken. Assessments are performed upon appointment to the relevant position and are re-assessed annually.

Concern reporting and whistleblowing

Our employees are encouraged to raise any concerns, including those arising out of activities or behaviour that may not be in accordance with the Principles and the Code of Conduct, any of our other policies or any other regulatory requirements, with either management, the human resources team (People & Performance), the compliance team or the Financial Crime Control business unit.

Employees can also raise concerns about breaches of our regulatory obligations or internal policies or procedures on an anonymous basis through either of our internal or external whistleblower reporting systems. Our Whistleblower Protection Policy protects employees who raise concerns about suspected breaches of our policies through these channels.

Under the policy we provide mechanisms for employees to either log their report onto an internal reporting system (Concern Online), or telephone or email an external and independent professional services firm, with employees who are trained in confidential reporting and whistleblower protection (Employee Concern Hotline). Employees may also choose to involve the Whistleblower Protection Officer, who is responsible for protecting the employee against disadvantage.

We investigate concerns raised in a manner that is fair, objective and affords natural justice 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 who have behaved incorrectly. Where illegal conduct has occurred, this may involve reporting the matter to relevant authorities and in some cases the police.

The concern reporting system meets all relevant Australian and New Zealand legislative requirements and the Australian Standard AS8004 (Whistleblower Protection Programs for Entities). The system is monitored and reviewed annually and statistics about concerns raised are reported quarterly to both the Risk Management Committee and the Westpac Group Operational Risk & Compliance Committee.

A summary of our Whistleblower Protection Policy is available at www.westpac.com.au/corpgov .

Insider trading policy and trading in Westpac shares

Westpac Directors and all Westpac employees are restricted from dealing in our shares and certain other financial products if they are in possession of inside information, and from passing on that information to others. In addition, Directors and any employees who, because of their seniority or the nature of their position, may have access to material non-public information about Westpac (Prescribed Employees), are subject to further restrictions.

The mechanisms we use to manage and monitor our obligations include:

- our Insider Trading Policy, which prohibits any dealing in any securities where an employee has access to inside information which may affect the price of those securities;
- our New Issues Policy, which places limitations upon employees participating in a new product issue where their position puts them in a real or perceived position of conflict with the interests of customers;
- restrictions limiting the periods in which the Directors and Prescribed Employees can trade in our shares or other company securities (Trading Windows);
- requiring Directors and Prescribed Employees to notify their intention to trade during those Trading Windows and confirm that they have no inside information;
- monitoring the trading of Westpac shares by Directors and Prescribed Employees on a daily basis; and
- maintaining a register of Prescribed Employees which is regularly updated.

General information on our Insider Trading Policy and New Issues Policy can be found at www.westpac.com.au/corpgov .

Corporate responsibility and sustainability

We view sustainable and responsible business practices as important for our business and to add shareholder value. This means conducting our business in a responsible, trustworthy and ethical manner, while accepting our accountability for our impacts on society and the environment.

We are committed to transparency and fair dealing, treating employees and customers responsibly and having solid links with the community.

Reporting on our corporate responsibility and sustainability performance

We report on our social, ethical and environmental performance through our Stakeholder Impact Report and our website. Where appropriate, we include what we believe are the most material environmental, social and governance metrics into our financial results announcements.

Our Stakeholder Impact Report and our management of sustainability aim to address the issues that we believe matter most to our customers, employees, shareholders and the community and follow the widely accepted reporting framework, the Global Reporting Initiative (GRI).

The Stakeholder Impact Report is also independently assured against the AA1000 Assurance Standard. This goes beyond testing the integrity of the data, to the effectiveness of our underlying systems and processes and the extent to which corporate responsibility and sustainability policies and processes are embedded across our organisation.

In addition, we actively participate in various independent external assessments by authoritative sustainability and governance rating organisations benchmarking against the highest standards of governance.

Sustainability Committee

The Sustainability Committee oversees and provides guidance regarding our commitment to operate our business ethically, responsibly and sustainably, consistent with evolving community expectations.

The Sustainability Committee, as delegated by the Board:

reviews our social, environmental and ethical impacts, both direct and indirect;

oversees initiatives to enhance our sustainability;

agrees standards for our corporate responsibility and sustainability policies and practices and monitors compliance with these policies and practices;

monitors and oversees our environmental, social, governance and other material business risks (along with the Risk Management Committee) including our strategic and operational response to climate change; and

reviews and approves the independent assurance of our annual Stakeholder Impact Report.

Our Stakeholder Impact Report and performance in external sustainability assessments are available at www.westpac.com.au/corporateresponsibility .

Milestones in 2008

Our recent external sustainability, governance ratings and key activities include:

- revised sustainability strategy with more ambitious targets and a focus on environmental markets and local social issues;
- formation of Westpac s Sustainability Council comprising officers across the Group with explicit sustainability responsibilities;
- one of the leading performances in the 2008/09 Dow Jones Sustainability Index; and
- continued top-rating (10.0) in the fifteenth consecutive corporate governance assessment by Governance Metrics International.

Principle 4 Safeguard integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

4.1 The Board should establish an audit committee.

4.2 The audit committee should be structured so that it:

consists only of Non-executive Directors;

consists of a majority of independent Directors;

is chaired by an independent chair, who is not chair of the Board; and,

has at least three members.

4.3 The audit committee should have a formal charter.

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 are comprehensive and relevant and comply with applicable accounting rules and policies; and
- that our external auditor is independent and serves security holder interests.

The Board monitors Australian and international developments relevant to these principles and reviews our practices accordingly.

Audit Committee

The Board delegates oversight responsibility for risk management between the Audit Committee and the Risk Management Committee.

The Audit Committee oversees all matters concerning:

the integrity of the financial statements and financial reporting systems;

the external auditor s qualifications, performance, independence and fees;

oversight and performance of the internal audit function;

compliance with financial reporting and related regulatory requirements (in conjunction with the Risk Management Committee, this includes an oversight of the APRA statutory reporting requirements); and

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

The Audit Committee charter is available at www.westpac.com.au/corpgov .

Integrity of the financial statements

The Audit Committee oversees the preparation of our financial statements. The Audit Committee requires management to confirm that the accounting methods applied by management are consistent and comply with applicable accounting standards and concepts.

The Audit Committee reviews and assesses:

any significant estimates and judgments in financial reports and monitors the methods used to account for unusual transactions;

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

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 half year and annual financial statements.

The Audit Committee conducts regular discussions with:

the Risk Management Committee, the CRO, management and the external auditor about our major financial risk exposures and the steps management has taken to monitor and control such exposures;

the external auditor concerning their audit and any significant findings and the adequacy of management s responses;

management and the external auditor concerning the half-yearly and annual financial statements, including disclosures in the operating and financial review and prospects section of the Annual Report;

management and the external auditor regarding any correspondence with regulators or government agencies and reports which raise issues of a material nature; and

the Group Secretary & General Counsel regarding any legal matters that may have a material impact on the financial statements and/or our compliance with financial reporting and related regulatory policies.

The Audit Committee meets with the external auditor without management being present at each meeting. Periodically the Audit Committee meets with the General Manager of Group Assurance (our internal audit function) without management.

Financial knowledge of Audit Committee members

The Audit Committee comprises six independent, Non-executive Director members.

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

The Board has determined that Lindsay Maxsted, Chair of the Audit Committee, is an audit committee financial expert and is independent as defined in the NYSE Listing Standards.

Mr Maxsted is not an auditor or an accountant with respect to Westpac, does not perform field work and is not an employee. Under United States laws, an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose other than as a result of being identified as an audit committee financial expert.

While Mr Maxsted meets the requirements of an audit committee financial expert pursuant to United States securities laws, he does not have any additional responsibilities beyond those of the other Audit Committee members.

The Audit Committee s composition is set out in the table entitled The Board and Committees size and composition in the Principle 2 section of this statement. The full qualifications of the Audit Committee members and their attendance at Audit Committee meetings are set out in the Directors Report in the 2008 Annual Report.

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 Ian Hammond and the review audit partner is David Prothero. Ian and David assumed responsibility for these roles in 2008 and 2005, respectively.

The external auditor receives all Audit Committee papers, attends all meetings and is available to Audit Committee members at any time. The external auditor also attends the AGM to answer questions from shareholders regarding the conduct of PwC s audit, the audit report and financial statements and PwC s independence.

As our external auditor, PwC are quarterly required to confirm their independence and compliance with specified independence standards.

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.

Restrictions on non-audit services by 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, as specified in our Guidelines for Non-Audit Services (the Guidelines).

For permitted non-audit services and all other non-audit services, use of the external audit firm must be assessed and pre-approved by the Audit Committee, in accordance with 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 34 to our consolidated financial statements for the year ended 30 September 2008. 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 the Non-Audit Services and Independence declaration in the Directors Report in the 2008 Annual Report.

The Guidelines for Non-Audit Services can be found at www.westpac.com.au/corpgov .

Internal audit

Group Assurance includes an independent and objective internal audit review function charged with evaluating, testing and reporting on the adequacy and effectiveness of management s control of operational risk. Group Assurance has access to all of our entities and conducts audits and reviews following a risk-based planning approach.

Group Assurance provides regular reports to both the Audit Committee and the Risk Management Committee and raises significant issues with the Audit Committee. The General Manager Group Assurance has a reporting line to the Chairman of the Audit Committee.

Principle 5 Make timely and balanced disclosure

Companies should promote timely and balanced disclosures of all material matters concerning the company.

5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Market disclosure

We are committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information. To achieve these standards we have a Board-approved Market Disclosure Policy, which governs how we communicate with our shareholders and with the investment community.

The Policy reflects the ASX continuous disclosure requirements and the requirements of other exchanges where we have disclosure obligations. Under our Policy, information that a reasonable person would expect to have a material effect on the price of our securities must be immediately disclosed, subject to certain exceptions.

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 chaired by Phil Coffey, our CFO, and involves the CEO, senior executives, the Group Secretary & General Counsel and the General Manager Sustainability, Brand and Communications.

The Group Secretary & General Counsel, as the Disclosure Officer, has responsibility for ensuring compliance with the continuous disclosure requirements of the listing rules of the ASX, NZX, NYSE and other exchanges, relevant securities and corporations legislation, and overseeing and coordinating information disclosure to regulators, analysts, brokers, shareholders, the media and the public.

Westpac s market announcements are released to each stock exchange where the company has securities listed in accordance with the rules of that exchange ASX, NZX, NYSE, and the London, Singapore and Swiss stock exchanges.

To supplement the information already available to investors we publish investor discussion packs, containing presentations on and explanations about our financial results, on our website. We also publish on our website the

Annual Review, Annual Reports, profit announcements, CEO and executive briefings (including webcasts), Stakeholder Impact Reports, economic updates, notices of meetings, media releases and briefing transcripts.

The Market Disclosure policy can be found at www.westpac.com.au/corpgov .

Principle 6 Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Shareholder communications and participation

We are committed to giving all shareholders comprehensive, timely and equal access to balanced information about our activities so that they can make informed investment decisions and be actively involved and interested in our business.

We employ a wide range of communication approaches, which are regularly reviewed to ensure best use is made of new technologies to improve our communications. These approaches include direct communications with shareholders, the publication of all relevant company information in the Investor Centre section of our website, and access to all market briefings and shareholder meetings via webcasting facilities. Shareholders are given the option to receive information in print or electronic format. One of our most important communications is our Shareholder Newsletter, which is sent to all of our shareholders with the half-year and annual dividend notices. The Newsletter provides information on our performance and developments, details on accessing further information and contact numbers for both the Investor Relations Unit and the 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, the proceedings of which are webcast and can also be viewed on demand at a later time from our website.

Shareholders are invited to put forward questions that they would like addressed at the AGM at the time of receipt of the Notice of Meeting.

Investors discussion pack, annual result presentation and other shareholder information can be accessed at www.westpac.com.au/investorcentre .

Milestone in 2008

- expanded the capture of email addresses from shareholders, enabling electronic communication with approximately 25% of our shareholders.

Principle 7 Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

7.2 The Board should require management to design and implement the risk management and internal control system to manage the company s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company s management of its material business risks.

7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is 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 Risk Management Committee the responsibility for setting risk appetite, approving frameworks, policies and processes for managing risk and accepting risks beyond management s approval discretion.

The Risk Management Committee monitors the alignment of our risk profile with our risk appetite, which is defined in the Board Risk Appetite Statement and with our current and future capital requirements. The Committee receives regular reports from management on the effectiveness of our management of Westpac s material business risks. More detail about the role of the Risk Management Committee is set out later in this section under the heading Risk Management Committee .

The CEO and executive management 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.

Our Group Risk function is independent from the business units and reports to the CRO.

Our business model recognises that the responsibility for managing risks in our business lies with the various business units. This responsibility includes developing business unit-specific policies, controls, procedures and monitoring and reporting capability that align to the frameworks approved by the Risk Management Committee.

Our Group Assurance function (internal audit) independently evaluates the adequacy and effectiveness of managements controls for risk.

Our overall risk management governance structure is set out in the table of the same name in this section of the statement.

Approach to risk management

We regard managing the risk that affects our business as a fundamental activity, as it influences our performance, reputation and future success. Effective risk management involves achieving an integrated and balanced approach to risk and reward, and assists us in achieving our objectives of optimising financial growth opportunities and mitigating potential loss or damage. Both optimisation and mitigation strategies are of equal importance.

We distinguish four main types of risk:

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

- market risk the risk to earnings 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;

- operational risk the risk that arises from inadequate or failed internal processes, people and systems or from external events. This includes compliance risk - the risk of legal or regulatory sanction, financial or reputation loss arising from our failure to apply the regulatory standards expected of us as a financial services group; and

- liquidity risk the risk of not meeting our payment obligations, which could arise as a result of mismatched cash flows generated by our business.

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

- equity risk the potential for financial loss arising from movements in the value of our direct and indirect equity investments;

- insurance risk the risk of not being able to meet insurance claims (related to insurance subsidiaries);

- model risk the risk of financial, reputation or operational losses arising because of a model;

- reputation risk the risk to earnings or capital arising from negative public opinion resulting from the loss of reputation or public trust and standing. This risk encompasses social, ethical and environmental risks arising out of areas such as people management, climate change governance and supply chain management;

- business risk the risk associated with the vulnerability of a line of business to changes in the business environment; and

- contagion risk the risk that problems arising in other Westpac Group members compromise the financial and operational position of the authorised deposit-taking institutions in the Westpac Group.

In December 2007 we received advanced accreditation from APRA and the RBNZ under the Basel II capital framework. We were among the first banks in the world to receive advanced accreditation, which allows us to use the most advanced internal-ratings based approach for credit risk and the advanced measurement approach for operational risk to determine our regulatory capital position.

A summary of our risk management framework policies can be found at www.westpac.com.au/corpgov .

Risk Management Committee

The Risk Management Committee:

- reviews and approves the frameworks for managing our credit, market, liquidity and operational risk;

- determines, approves and reviews the limits and conditions that apply to the taking of risk, including the authority delegated by the Board to the CEO, CFO and CRO;

- 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;

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

- reviews significant issues that may be raised by internal audit as well as the length of time and action taken to resolve such issues.

From the perspective of specific types of risk, the Risk Management Committee role includes:

- credit risk monitoring the risk profile, performance and management of our credit portfolio and development and review of credit risk policies;

- market and liquidity risk monitoring the market risk profile, approving the Group Value at Risk and Net Interest Income at Risk limits and reviewing our funding plan and liquidity requirements; and

- 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; overseeing 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 Risk Management Committee provides relevant periodic assurances to and refers any relevant matters to the Audit Committee.

Milestones in 2008

- one of the first banks globally to receive advanced accreditation from APRA and the RBNZ under the Basel II capital framework in December 2007;

- reviewed our risk management frameworks; and

- established an executive management committee focused on market dislocation.

Our risk management governance structure is set out in the table below:

Board

Reviews and approves our overall risk management strategy, including our appetite for risk.

Board Risk Management Committee

The Board has delegated responsibility to the Board Risk Management Committee to set risk appetite, approve frameworks, policies and processes for managing risk and accept risks beyond the approval discretion provided to management.

In addition, the Board Risk Management Committee:

- monitors the 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 appropriate policies that support our frameworks for managing risk; and
- reviews significant issues that may be raised by internal audit as well as the length of time and action taken to resolve such issues.

Board committees with a risk focus

Board Audit Committee

- oversees the integrity of financial statements and financial reporting systems.

Board Sustainability Committee

- oversees environmental, social, governance and ethical performance and issues.

Executive risk committees

Executive management committee focused on market dislocation

- proactively tracks and responds to emerging trends; and
- maintains intensity of effort on risk management in the current environment.

Westpac Group Risk-Reward Committee (GRRC)

- sets and leads the risk optimisation agenda for Westpac;
- recommends to the Board Risk Management Committee the appropriate risk-reward positioning and integrates decisions on overall capital levels and earnings profile;
- initiates and oversees strategies to align Westpac s risk-reward profile with boundaries for risk appetite and earnings volatility within parameters set by the Board;
- oversees the risk governance framework, including the performance, role and membership of the executive risk committees; and
- approves any changes to Westpac s measures of risk-adjusted performance and monitors their use.

Westpac Group Credit Risk Committee (CREDCO)

- seeks to optimise credit risk-reward;
- oversees portfolio performance;
- oversees the establishment and review of limits and authority levels within Board-approved parameters; and
- monitors adherence to Board-approved limits.

Westpac Group Market Risk Committee (MARCO)

- seeks to optimise market and liquidity risk-reward;
- oversees portfolio performance;
- determines limits within Board-approved parameters; and
- monitors adherence to Board-approved limits.

Westpac Group Operational Risk & Compliance Committee (OPCO)

- seeks to optimise operational risk-reward;
- oversees the governance of operational risk and compliance, including the framework and policies;
- oversees the operational and reputation risk profile; and
- oversees the operational risk profile.

Group level risk management

Group Risk

- develops the group-level risk management frameworks for approval by the Board Risk Management Committee;
- directs the review and development of key policies related to the risk management frameworks;
- establishes risk concentration limits and monitors risk concentrations; and
- monitors compliance and regulatory obligations and emerging risk issues.

Independent internal review

Group Assurance

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

CEO and CFO assurance

The Board receives regular reports about our financial condition and operational results, as well as that of our controlled entities, from management. The CEO and the CFO annually provide formal statements to the Board, and have done so for the year ended 30 September 2008, that in all material respects:

- the financial records of the company for the financial year and half-year 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 required by the accounting standards for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year 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 regulations as they relate to the financial statements and notes for the financial year 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.

Managing Compliance Risk

Westpac s Operational Risk Management Framework incorporates our Managing Compliance Risk Policy and reflects the following core principles and practices:

- compliance is about our responsibilities as employees, our culture and the systems and processes we use every day;

- complying with both the letter and spirit of regulatory standards is an essential part of our core values and is critical to our success as a leading Australian financial services organisation;

- ensuring that the letter and spirit of regulatory standards are embedded into how we do business, how we conduct ourselves, how our systems and processes are designed and how they operate;

- compliance with regulatory standards is the responsibility of everyone in every part of Westpac. Visibility and accountability of senior management ensures a strong compliance culture;

- the role of the compliance function is to guide the organisation in embedding compliance into how we do business; and

- actively engaging with regulatory bodies and industry forums to ensure the maintenance of high standards across the industry.

Key components of the framework established to support these principles include:

- environment Board and management oversight and accountability, culture and independent review;

- identification identifying obligations, developing and maintaining compliance plans and implementing change;

- controls policies, processes, procedures, communication and training and documentation; and

- monitoring and reporting monitoring, incident and breach escalation, reporting, issue management and managing regulatory relationships.

As with other forms of risk, business line management is primarily responsible for managing compliance risk and within each major business area there is a dedicated operational risk and compliance function.

Our Compliance function, led by the General Manager Group Operational Risk and Compliance, provides the following support:

- infrastructure to facilitate compliance planning and reporting;
- specialist advice to business units in implementing regulatory initiatives and policies and establishing compliance programs;
- analytical tools and advice for independent oversight of areas of strategic compliance risk; and
- reports on potential weaknesses across the enterprise.

We measure the effectiveness of our compliance program via the mechanisms set out in the Operational Risk Management Framework including audit, file reviews, mystery shopping, customer surveys and operational risk assessments.

The General Manager Group Operational Risk and Compliance regularly reports to the Group Operational Risk and Compliance Committee and to the Risk Management Committee on the status of compliance across the company.

Principle 8 Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

8.1 The Board should establish a remuneration committee.

8.2 Companies should clearly distinguish the structure of Non-executive Directors remuneration from that of executive Directors and senior executives.

The Board has a Remuneration Committee. The Committee assists the Board by reviewing and approving our remuneration policies and practices. The Committee s consideration of reward structures is based on fairness, business performance, legal obligations and high standards of corporate governance.

The Remuneration Committee, as delegated by the Board:

- reviews and approves executive remuneration policy;

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

- makes recommendations to the Board on the remuneration of the CEO;

- makes recommendations to the Board on the remuneration of Non-executive Directors (the company and subsidiary Boards), taking into account the shareholder approved fee pool;

- approves contracts and remuneration packages for positions reporting directly to the CEO;
- reviews and makes recommendations to the Board on equity-based plans;
- approves all performance recognition expenditure; and
- oversees general remuneration practices across the Group.

The Remuneration Committee also reviews and makes recommendations to the Board about the recruitment, retention, termination, and succession planning policies and procedures for the CEO and senior positions reporting directly to the CEO. In addition, the Remuneration Committee considers and evaluates the performance of senior executives when making remuneration determinations and otherwise as required. This process was undertaken during the reporting year.

Independent remuneration consultants are engaged by the Remuneration Committee to ensure that our reward practices and levels are consistent with market practice.

Details of our remuneration framework are included in the remuneration report, in the 2008 Annual Report.

The Remuneration Committee Charter and Westpac s Hedging Policy can be found at www.westpac.com.au/corpgov .

The 2008 Annual Report can be found at www.westpac.com.au/investorcentre .

ASX Corporate Governance Council s Principles and Recommendations (ASXCGC s Recommendations)

Westpac s Compliance for 2008

	ASXCGC s Recommendations	Reference	Compliance
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 22	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	Page 22	Comply
1.3	Provide the information indicated in *Guide to reporting on Principle 1*.	Page 22	Comply
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	Page 22-23	Comply
2.2	The chair should be an independent Director.	Page 22-24	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 23	Comply
2.4	The Board should establish a nomination committee.	Page 24	Comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 25	Comply
2.6	Provide the information indicated in *Guide to reporting on Principle 2*.	Pages 22-26	Comply
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Page 26-28	Comply
	3.1.1 the practices necessary to maintain confidence in the company s integrity		
	3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders		
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Page 28	Comply
3.3	Provide the information indicated in *Guide to reporting on Principle 3*.	Pages 26-29	Comply
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	Page 29	Comply
4.2	Structure the audit committee so that it:	Page 29-30	Comply

	• consists only of Non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.		
4.3	The audit committee should have a formal charter.	Page 29	Comply
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	Pages 29-30	Comply
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 30-31	Comply
5.2	Provide the information indicated in *Guide to reporting on Principle 5*.	Page 30-31	Comply

	ASXCGC s Recommendations	Reference	Compliance
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 31	Comply
6.2	Provide the information indicated in *Guide to reporting on Principle 6.*	Page 31	Comply
Principle 7:	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Page 31-32	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company s management of its material business risks.	Page 31-33	Comply
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is 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.	Page 34	Comply
7.4	Provide the information indicated in *Guide to reporting on Principle 7.*	Page 31-34	Comply
Principle 8:	**Remunerate fairly and responsibly**		
8.1	Establish a remuneration Committee	Page 34-35	Comply
8.2	Clearly distinguish the structure of Non-executive Directors remuneration from that of executive Directors and senior executives.	Page 34-35	Comply
8.3	Provide the information indicated in *Guide to reporting on Principle 8.*	Page 34-35	Comply

Directors report

Our Directors present their report together with the financial statements of the Group for the financial year ended 30 September 2008.

1. Directors

The names of the persons who have been Directors during the period since 1 October 2007 and up to the date of this report are: Edward Alfred Evans, David Raymond Morgan (retired as Managing Director and CEO on 31 January 2008), Gail Patricia Kelly (Managing Director and CEO from 1 February 2008), Elizabeth Blomfield Bryan, Gordon McKellar Cairns, David Alexander Crawford (retired as Director on 13 December 2007), Carolyn Judith Hewson, Lindsay Philip Maxsted (Director as of 1 March 2008) and Peter David Wilson.

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 2008 and the period for which each Directorship has been held, are set out below.

Name: Ted Evans, AC, BEcon (Hons.)

Age: 67

Term of office: Director since November 2001. Chairman since 1 April 2007.

Independent: Yes

Current Directorships: Director of Navitas Limited.

Other Westpac related entities Directorships: Nil

Skills, experience and expertise: Ted has extensive experience in the financial sector, having joined the Australian Treasury in 1969. From 1984 to 1989 he held the position of Deputy Secretary and was Secretary to the Treasury from 1993 to 2001. From 1976 to 1979 he was a member of the Australian Permanent Delegation to the OECD in Paris and, from 1989 to 1993, executive director on the Board of the International Monetary Fund, representing Australia and a number of other countries, mainly in the Asia Pacific region. He was a Director of the Reserve Bank of Australia from 1993 to 2001 and the Commonwealth Bank of Australia from 1993 to 1996.

Westpac Board Committee membership: Chairman of the Nominations Committee. Member of each of the Audit, Risk Management and Remuneration Committees.

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

Name: Gail Kelly, Dip. ED, BA, MBA, Doctor of Bus (Charles Sturt University)

Age: 52

Term of office: Appointed Managing Director and Chief Executive Officer on 1 February 2008.

Independent: No

Current Directorships: Director of each of the Melbourne Business School Limited and the Financial Markets Foundation for Children and a member of both the Financial Services Advisory Council and Australian Bankers Association.

Other Westpac related entities Directorships: Director of Westpac New Zealand Limited

Skills, experience and expertise: Immediately prior to her appointment at Westpac, Gail served as Chief Executive Officer and Managing Director of St.George Bank Limited for five and a half years. Between October 1997 and December 2001, Gail was employed at the Commonwealth Bank firstly as General Manager, Strategic Marketing, and later as Head of Customer Service and a member of the bank s Executive Committee. Gail began her career at Nedcor Bank, one of the largest banks in South Africa, where she held various General Manager positions, including HR, cards and personal banking.

Westpac Board Committee membership: Member of the Sustainability Committee.

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited (January 2002 August 2007)

Name: Elizabeth Bryan, BA (Econ.), MA (Econ.)

Age: 62

Term of office: Director since November 2006.

Independent: Yes

Current Directorships: Chairman of each of Caltex Australia Limited and UniSuper Limited and Director of the Australian Institute of Company Directors.

Other Westpac related entities Directorships: Director of Westpac New Zealand Limited.

Skills, experience and expertise: Elizabeth has over 30 years experience in the financial services industry, government policy and administration and on the boards of companies and statutory organisations. Prior to becoming a professional director she served for six years as Managing Director of Deutsche Asset Management and its predecessor organisation, NSW State Superannuation Investment and Management Corporation.

Westpac Board Committee membership: Member of each of the Audit, Risk Management and Sustainability Committees.

Directorships of other listed entities over the past three years and dates of office: Ridley Corporation Limited (September 2001-October 2007)

Name: Gordon Cairns, MA (Hons.)

Age: 58

Term of office: Director since July 2004.

Independent: Yes

Current Directorships: Director of each of Origin Energy Limited, Centre for Independent Studies, Opera Australia and Member of the Asia Pacific Advisory Board of CVC Capital Partners, Advisor to Caliburn Partnership and Senior Advisor, McKinsey & Company.

Other Westpac related entities Directorships: Nil

Skills, experience and expertise: Gordon has extensive Australian and international experience as a senior executive, most recently as CEO of Lion Nathan Limited. Gordon has also held a wide range of senior management positions in marketing and finance with Pepsico, Cadbury Schweppes and Nestlé (Spillers).

Westpac Board Committee membership: Chairman of the Remuneration Committee. Member of each of the Audit, Risk Management and Nominations Committees.

Directorships of other listed entities over the past three years and dates of office: Director of Seven Network Limited (November 2004 February 2007).

Name: Carolyn Hewson, BEc (Hons.), MA (Econ.)

Age: 53

Term of office: Director since February 2003.

Independent: Yes

Current Directorships: Director of AGL Energy Limited. Board and advisory roles with the Royal Humane Society, Nanosonics Limited, the Australian Charities Fund and is patron of The Neurosurgical Research Foundation.

Other Westpac related entities Directorships: Director of BT Investment Management Limited.

Skills, experience and expertise: Carolyn has over 25 years experience in the finance sector and was an Executive Director of Schroders Australia Limited between 1989 and 1995.

Westpac Board Committee membership: Chairman of the Risk Management Committee. Member of each of the Audit, Nominations and Remuneration Committees.

Directorships of other listed entities over the past three years and dates of office: Director of Australian Gas Light Company (October 1996- October 2006)

Name: Lindsay Maxsted, DipBus (Gordon), FCA.

Age: 54

Term of office: Appointed Director on 1 March 2008.

Independent: Yes

Current Directorships: Director of Transurban Group, Chairman of VicRacing Pty Ltd, Managing Director of Align Capital Pty Ltd, Director of Baker IDI Heart & Diabetes Institute.

Other Westpac related entities Directorships: Nil

Skills, experience and expertise: Lindsay was the CEO of KPMG from January 2001 to December 2007 and was a partner of KPMG from July 1984 to February 2008. Lindsay s principal area of practice prior to his becoming CEO was in the Corporate Recovery field managing a number of Australia s largest insolvency/workout/turnaround engagements. At the request of the Victoria State Government, Lindsay was appointed to the Board of the Public Transport Corporation in December 1995 and became its Chairman in January 1997.

Westpac Board Committee membership: Chairman of the Audit Committee. Member of each of the Risk Management and Nominations Committees.

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

Name: Peter Wilson, CA

Age: 67

Term of office: Director since October 2003.

Independent: Yes

Current Directorships: Chairman of Kermadec Property Fund Limited and Director of each of The Colonial Motor Company Limited and Farmlands Trading Society Limited. Member of the New Zealand Exchange Limited Discipline body and Chair of Special Division.

Other Westpac related entities Directorships: Chairman of Westpac New Zealand Limited.

Skills, experience and expertise: Peter is a chartered accountant and formerly a partner with Ernst & Young, with extensive experience in banking, business establishment, problem resolution, asset sale and management of change functions. Peter was a Director and (from 1991) Chairman of Trust Bank New Zealand Limited which Westpac acquired in 1996.

Westpac Board Committee membership: Chairman of the Sustainability Committee. Member of each of the Audit, Risk Management and Nominations Committees.

Directorships of other listed entities over the past three years and dates of office: Chairman of Evergreen Forests Limited (July 1993-July 2006) (previously listed in New Zealand).

Company Secretary

Our Company Secretaries as at 30 September 2008 were Richard Willcock and Alex Crompton.

Richard Willcock joined us in 1997 and was appointed to his present role as General Counsel & Group Secretary in February 2003. Richard s qualifications are LLB, BA (Hons.), MBA and FCIS. In 2007 Richard was recognised as the Governance Professional of the Year in the category of ASX 100 Companies. Prior to Richard s current appointment he was General Manager Risk for BT Financial Group. Richard previously practised law in private practice from 1982 and was a partner at law firm Abbott Tout.

Alex Crompton joined us in 2000 and was appointed to her current role as Head of Group Secretariat on 5 February 2008. Alex s qualifications are LLB (Hons.), BA, LLM, and she is currently undertaking the Graduate Diploma in Applied Corporate Governance. Prior to her current appointment, Alex worked in the Westpac Legal team in various roles and practised law in private practice.

Alex took over the role of Head of Group Secretariat from Anna O Connell, who was appointed to that position in February 2006. Anna joined us in 2001 and her qualifications are B.Ec, Grad.Dip. (AppCorpGov) and FCIS. She has ten years experience as a Company Secretary in various large public companies.

2. Report on the business

a) **Principal activities**

The principal activities of the Group during the financial year ended 30 September 2008 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, insurance services, leasing, general finance, foreign exchange and money market services.

b) **Management discussion and analysis**

Management discussion and analysis of the Group for the financial year ended 30 September 2008 is set out in Section 2 of the 2008 Annual Report under Overview of performance, Income statement review and Balance sheet review.

c) **Review and results of operations**

A review of the operations of the Group for the financial year ended 30 September 2008 is set out in Section 2 of the 2008 Annual Report under Financial Review.

The operating result of the Group attributable to our shareholders for the financial year ended 30 September 2008 was a profit of $3,859 million after tax.

d) **Dividends**

Since 30 September 2008, our Directors have proposed a final dividend of 72 cents per fully paid ordinary share, totalling approximately $1,364 million, for the year ended 30 September 2008 (2007 final dividend of 68 cents per fully paid Westpac share, totalling $1,268 million). The final dividend will be fully franked and will be paid on 17 December 2008.

An interim dividend for the current financial year of 70 cents per fully paid ordinary share, totalling $1,315 million, was paid as a fully franked dividend on 2 July 2008 (2007 interim dividend of 63 cents per fully paid ordinary share, totalling $1,166 million).

e) Significant changes in state of affairs and events during and after the end of financial year

Significant changes in the state of affairs of the Group during the financial year were: our proposed merger with St.George, which was announced in May 2008; the partial sale of the BT Investment Management business in December 2007; the new CEO and Managing Director, Gail Kelly, taking up her appointment in February 2008; the completion of the acquisition of the RAMS franchise distribution business in January 2008; and the Westpac organisation restructuring announced in July 2008. For a discussion of these matters, please refer to Significant Developments in Section 1 under Information on Westpac which forms part of this report.

Since the end of the financial year, matters that have arisen which may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years were the announcements of the guarantee schemes by the Australian and New Zealand governments and the judgement handed down on 28 October 2008 in relation to the proceedings concerning the Bell Group of companies. For a discussion of these matters, please refer to Significant Developments in Section 1 under Information on Westpac which forms part of this report.

The Directors are not aware of any other matter or circumstance that have arisen during the financial year or since 30 September 2008 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

f) Likely developments and expected results

Likely major developments in the operations of the Group in future financial years and the expected results of those operations are discussed in Section 1 under Information on Westpac, including under Significant Developments.

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

3. Directors interests

g) **Directors interests in securities**

The following particulars for each Director are set out in the Remuneration report and Note 42 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;
- any contracts:
- to which the Director is a party or under which they are entitled to a benefit; and
- 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.

Directors interests in Westpac and related bodies corporate as at 30 October 2008

	Number of Ordinary Shares	Number of Share Options	Number of Share Rights
Westpac Banking Corporation			
Ted Evans	15,018		
Gail Kelly	277,639(1)	364,431(2)	82,290(3)
Elizabeth Bryan	13,017		
Gordon Cairns	8,506		
Carolyn Hewson	14,321		
Lindsay Maxsted	3,264		
Peter Wilson	12,003		
BT Investment Management Limited			
Carolyn Hewson	15,385		

(1) Westpac ordinary shares granted under the CEO RSP in relation to the CEO s sign-on arrangements.

(2) Options issued under the Chief Executive Officer Performance Plan.

(3) Share rights issued under the Chief Executive Officer Performance Plan.

h) **Other relevant interests as at 30 October 2008**

Certain subsidiaries of Westpac offer a range of registered schemes and infrastructure notes. The Directors from time to time invest in these schemes and notes and are required to provide a statement to the ASX when any of their interests in these schemes or notes change (except interests in a number of cash management trusts)(1). The level of interest held by Directors is set out below.

The level of interests held directly and indirectly by Directors as at 30 October 2008

	Relevant Interests in Infrastructure Notes	Relevant Interests in Cash Management Trusts (Units)(1)	Other Relevant Interests in Registered Schemes (Units)	Date of Last Notification to the ASX
Elizabeth Bryan	900			9 October 2008
Gordon Cairns			81,967	11 April 2005

(1) ASIC has exempted each Director from time to time 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 Institutional Managed Cash Fund (ARSN 088 832 491) or BT Institutional Enhanced Cash Fund (ARSN 088 863 469).

i) Indemnities and insurance

Under our constitution, we must indemnify, unless the indemnity is forbidden or made void by statute, each of the Directors and Company Secretaries of Westpac and of each of our related bodies corporate (except those listed on a recognised stock exchange), each of our employees and those of our subsidiaries (except those 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, 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.

Following shareholder approval at the 2000 AGM, Westpac has since entered into a Deed of Access and Indemnity with each of the Directors, which includes indemnification in identical terms to that provided in our constitution.

Westpac also executed a deed poll in November 2004 providing indemnification equivalent to that provided under the constitution as described above to:

- those employees of the Group who act from time to time as responsible managers under the Australian Financial Services licences of Westpac or a number of the Group companies; and

- employees from time to time of our related bodies corporate.

The Group Secretary & General Counsel, from time to time, in accordance with his delegated authority approves the provision of an indemnity to certain employees of the Group serving as directors, company secretaries, responsible managers or other approved roles of non-Group companies at Westpac s request. These indemnities are in terms equivalent to that provided under our constitution.

No amount has been paid under any of these indemnities during the financial year ended 30 September 2008 or since that date.

Our constitution permits us to the extent permitted by law to pay or agree to pay premiums in respect of any contract of insurance, which insures any person who is or has been a Director or 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.

We, on behalf of the Group, for the year ended 30 September 2008 have arranged insurance cover in respect of the amounts which we may have to pay under the indemnities set out above. The insurance policy prohibits disclosure of the premium payable and the nature of the liabilities covered.

d) Options and share rights outstanding

Currently, there are 14,553,911 share options outstanding and 4,383,231 share rights outstanding in relation to Westpac ordinary shares. The latest dates for exercise of the share options range between 5 October 2009 and 1 February 2018 and the weighted average exercise price is $21.10. The latest dates for exercise of the share rights range between 20 January 2013 and 1 September 2018.

4. Environmental disclosure

Westpac is required to comply with the NSW *Energy Administration Amendment (Water & Savings) Act 2005*. An Energy Savings Action Plan for Westpac s North Ryde site was approved by the NSW Government on 14 February 2008. Westpac is required to lodge annual progress reports on the Plan commencing March 2009.

The *National Greenhouse and Energy Reporting Act* came into effect in July 2008 and Westpac may be required to register and report on greenhouse gas emissions, energy consumption and production under the Act from July 2009 should the reporting threshold be triggered.

Westpac is currently below the threshold for reporting requirements of the *Energy Efficiency Opportunities Act 2006* (EEO) which commenced on 1 July 2006.

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 in enforcing securities over land for the recovery of loans.

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

5. 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 reports and financial reports, applies. Amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, unless indicated to the contrary.

6. Political donations

In line with Westpac policy, no cash donations were made to political parties during the financial year ended 30 September 2008. Instead, the donations reflected in the table below relate to participation in legitimate political activities where there is direct business benefit to Westpac, such as participation in political party business dialogue forums and business observer programmes attached to annual party conferences, and attendances at private political functions where it is deemed appropriate according to our policies.

Political donations, year ending 30 September 2008

Australia

	Amount $(1)
Australian Labor Party	26,325
Liberal Party of Australia	12,745
National Party of Australia	4,400
Total	43,470

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

New Zealand

The total participation in political activities in New Zealand for the year ended 30 September 2008 did not exceed NZ$11,000. In line with Westpac policy, no cash donations were made to political parties in New Zealand during the year.

7. Directors meetings

Each Director attended the following meetings of the Board and Committees of the Board during the financial year, for the year ended on 30 September 2008:

Number of meetings held during the year		Regular Board Meetings 11		Special Board Meetings 5		Audit Committee 4		Sustainability Committee 3		Nominations Committee 4		Remuneration Committee 5		Risk Management Committee 4	
Director	**Notes**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Ted Evans	1	11	11	5	5	4	4			4	4	3	3	4	4
Gail Kelly	2	8	8	5	5			2	2						
David Morgan	3	3	3					1	1						
Elizabeth Bryan	4	11	11	5	4	4	4	3	3					4	4
Gordon Cairns	5	11	11	5	5	4	4			4	4	5	5	4	4
David Crawford	6	3	3			1	1			1	1	2	2	1	1
Carolyn Hewson	7	11	11	5	5	4	4			4	4	5	5	4	4
Lindsay Maxsted	8	7	7	5	5	2	2			2	2			2	2
Peter Wilson	9	11	11	5	5	4	4	3	3	4	4			4	4

A Meetings eligible to attend as a member B Meetings attended as a member

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 2007.

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(1) Chairman of the Nominations Committee. Member of the Audit Committee, Risk Management Committee, Remuneration Committee from 13 December 2007.

(2) Gail Kelly was appointed CEO and Managing Director on 1 February 2008. Member of the Sustainability Committee from 1 February 2008.

(3) David Morgan retired as CEO and Director of the Board and its Committees with effect 31 January 2008.

(4) Member of the Audit Committee, Risk Management Committee and Sustainability Committee.

(5) Chairman of the Remuneration Committee. Member of the Audit Committee, Risk Management Committee and the Nominations Committee.

(6) David Crawford retired from the Board and its Committees with effect 13 December 2007.

(7) Chairman of the Risk Management Committee. Member of the Audit Committee until 12 December 2007. Interim Chairman of the Audit Committee from 13 December 2007 until 29 February 2008. Member of the Audit Committee from 1 March 2008. Member of the Nominations Committee and the Remuneration Committee.

(8) Lindsay Maxsted was appointed as a Director on 1 March 2008. Chairman of the Audit Committee from 1 March 2008. Member of the Risk Management Committee and the Nominations Committee.

(9) Chairman of the Sustainability Committee. Member of the Audit Committee, Risk Management Committee and the Nominations Committee.

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

8. Remuneration report

The Board, through the Remuneration Committee, maintains a strong governance framework around executive remuneration to ensure executive pay is aligned to performance that supports growth in shareholder wealth over the long term.

1. Summary of remuneration for 2008

a) **The CEO and Senior Executives**

This report sets out our remuneration policy, remuneration framework and 2008 remuneration outcomes for the Chief Executive Officer (CEO) and Senior Executives, in accordance with section 300A of the Corporations Act 2001. The CEO and Senior Executives whose remuneration is detailed in this report are:

Name	Position
Gail Kelly	CEO (from 1 February 2008)
David Morgan	CEO (to 31 January 2008)
Senior Executives	
Ilana Atlas	Group Executive, People & Performance
Andrew Carriline	Acting Chief Risk Officer
Philip Chronican	Group Executive, Westpac Institutional Bank
Peter Clare	Group Executive, Product and Operations (from 27 March 2008)
Philip Coffey	Chief Financial Officer (CFO)
Rob Coombe	CEO, BT Financial Group
Brad Cooper	Group Executive, New Zealand (until 8 June 2008), Group Chief Transformation Officer (from 9 June 2008)
Peter Hanlon	Group Executive, Retail & Business Banking
Bob McKinnon	Group Executive, Technology (from 18 August 2008)
Bruce McLachlan	Acting CEO, New Zealand (from 9 June 2008)
Robert Whitfield	Group Executive
Curt Zuber	Group Treasurer
Former Senior Executives	
Michael Pratt	Group Executive, Consumer Financial Services (until 31 January 2008)
Diane Sias	Group Executive, Business & Technology Solutions & Services (until 30 September 2008)

b) **CEO and Senior Executives 2008 remuneration snapshot**

Item	Summary	Refer to Section
Key changes for 2008	Our remuneration structure for Senior Executives remained unchanged during 2008, following the introduction of a new remuneration structure in 2007. We continue to review our remuneration practices to ensure they reflect best practice, and maintain our high standards of governance and risk management. Gail Kelly commenced with Westpac on 1 February 2008. Her remuneration arrangements were disclosed at the time of her appointment and are also summarised in this report, together with her 2008 remuneration outcomes.	3
Remuneration strategy	Our remuneration strategy is to attract and retain talented employees, and to reward them for achieving high performance and delivering superior long-term results for our business and our shareholders, while adhering to sound risk management principles.	3(a)
Alignment with sound risk management	Our remuneration strategy, framework, policies and practices integrate sound risk management including balanced measurements of performance, proper composition of remuneration including deferred elements and strict governance.	2
Fixed remuneration	We provide fixed remuneration that takes into account role and responsibilities, individual experience and skills, and market competitiveness.	3(d)
Short-term incentive (STI)	The CEO and Senior Executives are eligible to receive an STI payment in December based on individual and Group performance measured against financial and non-financial targets that support the Group s business strategy. STI awards are managed within the overall Westpac reward pool. Senior Executives must defer up to 25% of their STI for 2 years and the CEO must defer up to 40% of her STI, half for 1 year and half for 2 years. Deferred STI is received as restricted Westpac shares and is forfeited if the holder resigns or is dismissed prior to the end of the restriction period.	3(e)
Long-term incentive (LTI)	LTI awards are received in the form of performance options, which may vest(1) over a 5-year period, but only if Westpac s Total Shareholder Return (TSR)(2) exceeds that of a number of its peers.	3(f)
The link to performance	A cornerstone of our remuneration philosophy is that executive rewards are aligned to overall Group performance. This report provides measures of Group financial and non-financial performance for the year ended 30 September 2008 and explains how these have impacted on remuneration outcomes.	3(g)
Employment Agreements	Core remuneration entitlements and terms of employment, including termination arrangements, are set out in each executive s employment agreement and summarised in this report.	3(h)
2008 Remuneration	This report details the remuneration of the CEO and each Senior Executive for the year ended 30 September 2008.	4

b) CEO and Senior Executives 2008 remuneration snapshot *c)* **Non-executive Directors**

This report also details the remuneration structure and 2008 outcomes for our Non-executive Directors. For the year ended 30 September 2008, the Non-executive Directors were:

- Ted Evans (Chairman);
- Elizabeth Bryan;
- Gordon Cairns;
- Carolyn Hewson;
- Lindsay Maxsted (from 1 March 2008);
- Peter Wilson; and
- David Crawford (until 13 December 2007).

(1) Under the employee equity plans, shares or securities may vest after a set period, subject to performance hurdles if applicable. After shares or securities vest, the holder can generally then deal with them to realise value, for example through the sale of shares.

(2) TSR measures a company s share price movement and accumulated dividend yields over a specific measurement period (i.e. the change in value of an investment in that company s shares), excluding tax effects.

d) **Non-executive Directors 2008 remuneration snapshot**

Item	Summary	Refer to Section
Remuneration strategy	To remunerate Board members appropriately for their time, expertise and insight into strategic governance issues and to attract and retain experienced and qualified Board members.	5(a)
Key changes for 2008	There have been no changes to the fee structure for Non-executive Directors during 2008. An increase to the Non-executive Director fee pool will be proposed to shareholders for approval at the 2008 Annual General Meeting.	5(b)
Fee Framework	Non-executive Directors receive a base fee, fees for participating in Board Committees either as the chairman or as a member of the Committee, and superannuation.	5(c) 5(d)
Alignment with shareholder interests	Non-executive Directors may elect to receive some of their fees as Westpac ordinary shares. This provides alignment with shareholder s interests. Non-executive Directors have set themselves a target minimum shareholding to support this alignment.	5(e)
Fees received in 2008	This report includes details of each Non-executive Director s remuneration for the year ended 30 September 2008.	6

2. Governance and risk management

a) **The Remuneration Committee**

The Remuneration Committee assists the Board fulfil its responsibility to shareholders by developing and implementing Westpac s remuneration strategy.

The Remuneration Committee achieves this by continuously monitoring the effectiveness of Westpac s remuneration framework in delivering against its objectives. The Remuneration Committee monitors remuneration practices in Australia and internationally to ensure Westpac remains at the forefront of remuneration practice.

The Remuneration Committee reviews and approves total performance-based remuneration. In relation to equity-based remuneration, the Remuneration Committee also monitors performance against set hurdles under the Westpac Reward Plan and Westpac Performance Plan.

The Remuneration Committee s decisions on executive rewards are based on business objectives, legal obligations and high standards of corporate governance. Where appropriate, independent remuneration consultants are engaged to provide specialist advice and to assist the Remuneration Committee.

All members of the Remuneration Committee are independent Non-executive Directors. Members of the Remuneration Committee during 2008 were:

- Gordon Cairns (Chairman);
- Ted Evans (from 13 December 2007);
- Carolyn Hewson; and
- David Crawford (until 13 December 2007).

Details of the Remuneration Committee s purpose and responsibilities are included in the Corporate Governance Statement, in this Annual Report. The Remuneration Committee s charter is available at www.westpac.com.au/corporateresponsibility . The Remuneration Committee charter is reviewed annually, along with other Committee charters, and was last reviewed and updated in February 2008.

b) Approval of individual remuneration decisions

We follow a process of 'two-up' approval for all remuneration decisions:

- performance and remuneration plans and outcomes for the CEO are approved by the Board, on the recommendation of the Remuneration Committee;
- performance and remuneration plans and outcomes for Group Executives are approved by the Remuneration Committee, on the recommendation of the CEO; and
- performance and remuneration plans and outcomes for all General Managers (who report to Group Executives) are approved by the CEO, on the recommendation of the Group Executive to whom they report.

Significant remuneration arrangements outside of general policy guidelines are referred to the Remuneration Committee for review and approval.

c) **Risk management**

Our remuneration strategy, frameworks, policies and practices are consistent with sound risk management. We adhere to the following practices:

- the measurement of performance for calculating short-term incentive outcomes is based on both financial and non-financial measures, including risk management and adherence to our corporate values and behaviours. The key financial measure used is Economic Profit(1);
- our remuneration framework is composed of an appropriate mix of fixed pay and variable reward, a portion of which is deferred;
- senior employees also receive deferred compensation in the form of performance options, which only deliver value if Westpac meets or exceeds set long-term performance hurdles over three to five years. This aligns Senior Executive interests with shareholders over the longer term; and
- we stringently adhere to high standards of corporate governance in relation to remuneration, with the Remuneration Committee overseeing both executive

(1) Economic Profit is defined as cash earnings less a capital charge calculated at 10.5% of average adjusted ordinary equity plus an allowance for franking credits generated.

remuneration and general remuneration practices across the Westpac Group.

- we constantly focus on our culture of doing the right thing, as represented by our corporate values, to ensure the culture is embedded through our organisation.

3. Remuneration for the CEO and Senior Executives

a) **Remuneration policy**

The Board s policy for rewarding the CEO and Senior Executives is designed to drive superior performance which increases shareholder value over the longer term. The policy is based on the following principles:

(i) We pay for performance

Rewards are linked to individual and Group achievement against financial and non-financial targets.

(ii) We align reward to shareholder interests

Increasing shareholder value is a cornerstone of our remuneration policy. We achieve alignment by:

- requiring part of the STI to be received as Westpac ordinary shares, which must be held for a defined period of up to two years;
- selecting performance measures for our LTI plans that drive long-term value for shareholders; and
- encouraging senior employees to hold minimum levels of Westpac ordinary shares.

(iii) We aim to be market competitive

We set target reward levels taking account of competitor practice, and provide reward outcomes which reflect Westpac s relative success against companies we compete with for customers, capital and/or executive talent.

b) **Hedging policy**

Hedging refers to using financial products to protect against or limit the risk associated with equity instruments, such as shares or securities employees may receive as part of their performance-based remuneration. Under our policy, participants are strictly forbidden from entering into hedging arrangements in relation to their unvested employee shares or securities, whether directly or indirectly. If a participant attempts to hedge unvested shares or securities those instruments are liable to forfeiture.

The Board enforces this policy by restricting access to unvested shares and securities on the share register until after they have vested. Shares and securities vest subject to Board approval only after time restrictions have passed and any performance hurdles have been met.

c) Remuneration framework

Remuneration for the CEO and Senior Executives is made up of the following components:

- Fixed remuneration (including superannuation); and
- Performance-based remuneration comprising STI awards and LTI awards.

Target reward mix

A target reward mix is determined for each management level, with performance-based rewards increasing with the level of responsibility and the criticality of the person s role.

The following graph illustrates the proportions for target reward for the CEO and the average for the Senior Executive group.

d) **Fixed remuneration**

Fixed remuneration includes cash salary, superannuation and salary sacrifice(1) components.

- Gail Kelly s fixed remuneration is set at $2.7 million per annum. For the year ended 30 September 2008, Mrs Kelly s fixed remuneration was pro-rated for the portion of the year served from her commencement date of 1 February 2008.

- Senior Executives fixed remuneration is reviewed annually, taking into account the nature of the role and responsibilities, remuneration relative to market remuneration levels, individual experience and skills and business performance.

The CEO and Australian-based Senior Executives are provided with superannuation, at up to 9% of their fixed package, with a minimum of the statutory requirement. Employer superannuation contributions may be received in one of our staff superannuation funds or an eligible superannuation fund of their choice. During the year, three Senior Executives were members of a legacy defined benefit superannuation fund.

In addition, the CEO and Senior Executives have the opportunity to salary sacrifice for additional superannuation contributions, motor vehicles and other employee benefits under Westpac s salary sacrifice policy. The CEO may also salary sacrifice for Westpac ordinary shares under the Deferral Share Plan, consistent with the policy for other Directors.

e) **Short-term incentives (STI)**

(i) Overview

The CEO and Senior Executives are eligible to receive an annual STI award to reward individual and Group financial

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(1) Salary sacrifice means using fixed remuneration on a pre-tax basis to receive certain benefits such as motor vehicles and parking.

and non-financial performance over the financial year to 30 September. STI awards for Senior Executives are managed within the overall Westpac variable reward pool, which is managed within a percentage range of the Group s Economic Profit. The variable reward pool is reviewed and approved by the Remuneration Committee each year.

The STI award is determined through the combination of an assessment of performance against objectives (financial and non-financial) and a pre-determined dollar STI target. Based on the performance assessment, each individual s STI award falls within a range of 0% to 200% of their STI target. The CEO s STI target is set out in her Employment Agreement. STI targets for the Senior Executives are based on the nature of each individual s role and market competitiveness.

At the end of the financial year, the Remuneration Committee reviews all performance outcomes against objectives before approving STI awards to Senior Executives and before recommending the CEO s STI award to the Board for approval. The Board makes the final assessment of the CEO s performance against objectives and also considers other relevant achievements to come to an overall view of the year s performance. Discretionary adjustments may be made to the Senior Executive STI awards to recognise items not explicitly covered in the objectives. These may include contributions to major bank initiatives, changes to an individual s role responsibility, management of business risk and factors arising that are outside of management s control.

(ii) 2008 STI performance objectives

Prior to the commencement of the financial year, the Board selects performance objectives which provide a robust link between the CEO and Senior Executive reward and the key drivers of long term shareholder value creation.

The key measure used to assess achievement against financial objectives is Economic Profit. Senior executives are assessed on Economic Profit, both for the Group and for the Division they manage, where appropriate. The Board believes that Economic Profit best reflects the factors that drive long term shareholder value, and so this measure commands substantial weighting in assessing the overall performance outcome for the CEO and each Senior Executive.

Non-financial objectives that drive future sustainable shareholder value creation are selected and designed to allow performance to be assessed across a range of factors.

In 2008 these included:

- management of the organisation in the current market conditions;
- strategic leadership of the organisation;

- deepening and strengthening our relationships with all our customers and improving customer advocacy;
- the level of commitment employees have to the organisation;
- risk management; and
- sustainability.

(iii) Deferral of short term incentive

The CEO and Senior Executives are required to defer a portion of their annual STI payment. This supports alignment with shareholder interests during the restriction period. It also provides an enhanced retention mechanism because the value held in the form of restricted shares will be greater for higher performers.

- *the CEO is required to defer up to 40% of her annual STI payment*

This portion is received as Westpac ordinary shares under the CEO Restricted Share Plan, half restricted for one year and half restricted for two years from the date they are granted. These shares rank equally with other Westpac ordinary shares for dividends and voting rights from the date of grant. The CEO can deal with the shares only after the restriction period has passed, or she can leave them in the plan for a maximum of 10 years from the date of grant.

- *Senior Executives are required to defer up to 25% of their annual STI payment*

This portion is received as Westpac ordinary shares under Westpac s general Restricted Share Plan for Senior Executives based in Australia, restricted for two years from the date they are granted. These shares rank equally with other Westpac ordinary shares for dividends and voting rights from the date of grant. The Senior Executive can deal with the shares after the restriction period has passed, or they can leave them in the plan for a maximum of 10 years from the date of grant.

For Senior Executives outside Australia, the deferred component of the STI payment is received as share rights under the Westpac Performance Plan (which entitle the holder to Westpac shares upon vesting). The Westpac Performance Plan is described in section 7(b). In 2008, two one-off STI amounts were not subject to deferral due to unique circumstances.

Each individual s STI payment is the result of achieving individual and Group performance targets. Because the performance requirement has already been satisfied, the portion of the STI that is received as Westpac ordinary shares or share rights is not subject to further performance hurdles.

Shares in the CEO Restricted Share Plan and general Restricted Share Plan vest at the end of the restriction period provided the employee remains employed by the Group, or earlier where the employee leaves Westpac due to their death, disability or retrenchment, or in the event of a change in control(1) of Westpac. Unvested shares are generally forfeited if an employee resigns from the Group within the restriction period. Shares (whether vested or unvested) are also forfeited, unless the Board determines otherwise, where an employee acts fraudulently or dishonestly, or where an employee is in material breach of their obligations to Westpac.

(1) In general change of control occurs when a single shareholder controls more than 35% of voting shares.

(iv) 2008 STI Outcomes

Details of the 2008 STI outcomes for the CEO and the Senior Executives are set out in the following table. For those Senior Executives who received STI awards for the 2008 financial year, these awards represented between 80-175% of the on target amounts set at the beginning of the financial year. STI awards for Gail Kelly, Peter Clare and David Morgan were pro-rated for the period of the performance year served.

	Portion paid	Portion forfeited	Portion Deferred(1)	Minimum Total Value(2)	Maximum Total Value(3)
Gail Kelly	60%		40%	$ 2,300,533	$ 3,834,222
Ilana Atlas	75%		25%	$ 900,000	$ 1,200,000
Andrew Carriline	75%		25%	$ 675,000	$ 900,000
Philip Chronican(4)	83%		17%	$ 2,500,000	$ 3,000,000
Peter Clare	75%		25%	$ 525,000	$ 700,000
Philip Coffey	75%		25%	$ 1,875,000	$ 2,500,000
Rob Coombe	75%		25%	$ 975,000	$ 1,300,000
Brad Cooper	75%		25%	$ 1,200,000	$ 1,600,000
Peter Hanlon	75%		25%	$ 975,000	$ 1,300,000
Bob McKinnon(5)					
Bruce McLachlan	75%		25%	$ 450,000	$ 600,000
Robert Whitfield(4)	93%		7%	$ 2,600,000	$ 2,800,000
Curt Zuber(6)	82%		18%	$ 5,520,800	$ 6,700,000
Former CEO and former executives					
David Morgan	100%			$ 793,333	$ 793,333
Michael Pratt(7)		100%			
Diane Sias(8)	100%			$ 1,125,000	$ 1,125,000

(1) The CEO s deferred portion of STI will be received as Westpac ordinary shares in December 2008, half restricted for 1 year, and half restricted for 2 years from the date granted. Bruce McLachlan s deferred portion of STI will be received in December 2008 as share rights, which vest in December 2010. Other Senior Executives deferred portion of STI will be received in December 2008 as Westpac ordinary shares restricted until December 2010. All deferred STI awards are subject to continuous service conditions.

(2) This is the value of that portion of STI to be paid in December 2008, and not required to be deferred.

(3) This is the full value of the 2008 STI, including the Minimum Total Value, and the portion of the STI award that is required to be deferred.

(4) The STI amounts for Philip Chronican and Rob Whitfield include certain one-off awards relating to specific performance requirements during 2008, which are not subject to any deferral requirements.

(5) Bob McKinnon commenced just prior to the end of the 2008 performance year, and did not receive a 2008 STI award.

(6) Curt Zuber is not a member of the executive team, and has a lower deferral percentage.

(7) Michael Pratt left Westpac prior to the end of the 2008 performance year and accordingly forfeited the 2008 STI award.

(8) Diane Sias left Westpac on 30 September 2008 and was not required to defer any portion of her STI payment.

(v) CEO sign-on grant

At the 2007 Annual General Meeting, shareholders approved a sign-on grant to Gail Kelly in recognition of, amongst other things, entitlements foregone upon her appointment as CEO. This sign-on grant was delivered in the form of Westpac shares under the CEO Restricted Share Plan (the terms of which are set out above). The grant, which was made on 7 February 2008 comprises:

- 194,347 ordinary shares (with an approximate value of $4,814,556 based on the Westpac share price on the date of grant) restricted until 7 February 2009; and
- 83,292 ordinary shares (with an approximate value of $2,063,392 based on the Westpac share price on the date of grant) restricted until 1 December 2009.

As these shares were granted as part of the consideration for Mrs Kelly agreeing to hold office as CEO, they are not subject to performance hurdles and will vest subject to continued service conditions.

f) Long-term incentive (LTI)

(i) Overview

LTI is used as a key driver of sustained long term value for shareholders. Westpac provides LTI awards to the CEO, Senior Executives and other key employees who substantially contribute to the future performance of Westpac. This includes employees who are designated high potential to the Group.

- The CEO receives LTI awards of performance options and performance share rights under the CEO Performance Plan.

- Senior Executives and other key employees receive LTI awards of performance options under the Westpac Reward Plan.

2008 LTI awards for Senior Executives were approved by the Board, based on recommendations from the Remuneration Committee.

(ii) Determining the value of awards

Mrs Kelly received an award of performance options and performance share rights to the value of $2,500,000 in February 2008 under her LTI arrangements, which were approved by shareholders at the 2007 Annual General Meeting.

For other Senior Executives, the target LTI award amount is set at the beginning of the financial year, with their actual LTI award amounts remaining subject to Board discretion (based on their performance during the year).

The number of securities to be allocated under an LTI award is determined based on values for the securities determined using a Binomial/Monte Carlo simulation pricing model. This actuarial pricing model is commonly used by major Australian companies to derive values for complex securities.

(iii) Key terms of awards

Performance hurdle

The CEO and Senior Executives only receive value from their LTI awards if Westpac outperforms at least half of a comparator group of companies over a set performance period of between three and five years. Relative TSR is used as the performance measure for both the CEO Performance Plan and the Westpac Reward Plan as it ensures a link to shareholder value creation, and is considered to be an appropriate measure over the long-term. Lists of companies in the most recently determined peer groups for the CEO Performance Plan and Westpac Reward Plan are included in Section 8.

Vesting framework

The vesting framework for the CEO Performance Plan and Westpac Reward Plan focuses on longer-term performance. Initial TSR performance is tested at the third anniversary of the grant date, with subsequent performance testing possible at the fourth and fifth anniversaries of grant. Securities vest only if Westpac s TSR ranking is at or above the median of the peer group at a performance test date. Vesting increases at subsequent test dates only if the TSR ranking has improved. Full vesting occurs if relative TSR is at or exceeds the 75th percentile of the ranking group and scales down on a straight line basis to 50% vesting for median performance.

TSR results for the CEO Performance Plan and the Westpac Reward Plan are calculated by an external consultant. These TSR results are then provided to the Board or its delegate to review, approve and determine vesting outcomes.

A portion of unvested securities may vest prior to reaching a test date where the employee leaves Westpac due to their death, disability, retirement or retrenchment, or in the event of a change in control of Westpac. Any such vesting is subject to performance hurdles being met, except in the case of death and disability.

Any securities that vest must be exercised within 10 years after the grant date, or earlier if the holder leaves Westpac employment.

Lapsing of securities

Securities lapse where the CEO or Senior Executive holding those securities leaves the Westpac Group due to resignation or dismissal before vesting occurs, unless the Board determines otherwise. Unexercised performance options (whether vested or unvested) will lapse, unless the Board determines otherwise, where the holder acts fraudulently or dishonestly or is in material breach of their obligations under the CEO Performance Plan or Westpac Reward Plan (as applicable) or to Westpac. Any securities remaining unvested at the final test date lapse immediately.

(iv) LTI grants made in 2008

The table below provides a summary of the LTI grants made to the CEO and Senior Executives during 2008, at no cost to them. Full details regarding the number and value of equity instruments granted to the CEO and each Senior Executive are set out in section 4(b) of this Report. The LTI grants only vest on satisfaction of performance and/or service conditions tested in future financial years.

Summary of LTI grands made during the year

Equity Instrument	Granted to	Grant Date	First Possible Vesting Date	Exercise Price	Expiry	Fair Value(1) Per Instrument
CEO Performance Plan, performance option	Gail Kelly	1 February 2008	1 February 2011	$ 25.89	1 February 2018	$ 3.82
CEO Performance Plan, performance share right	Gail Kelly	1 February 2008	1 February 2011	Nil	1 February 2018	$ 15.65
Westpac Reward Plan, performance option	All current Senior Executives(2) except Bob McKinnon(3)	17 December 2007	17 December 2010	$ 30.10	17 December 2017	$ 3.61

(1) The fair value of performance options and share rights included in the tables above have been independently calculated at grant date using a Binomial/Monte Carlo simulation pricing model. The assumptions included in the valuation of the 1 February 2008 awards to Gail Kelly include a risk free interest rate of 6.1% (for Options) and 6.48% (for Share Rights), a dividend yield on Westpac ordinary shares of 5.3% and a volatility in the Westpac ordinary share price of 18%. The assumptions included in the valuation of the 17 December 2007 awards under the Westpac Reward Plan include a risk free interest rate of 6.26%, a dividend yield on Westpac ordinary shares of 5.0% and a volatility in the Westpac share price of 18%. Other assumptions include volatilities of, and correlation factors between, share price movements of the ranking group members and Westpac, which are used to assess the impact of performance hurdles. Performance options have been valued assuming an expected life after the vesting date of up to 1 year.

(2) Performance options granted to Michael Pratt on17 December 2007 under the Westpac Reward Plan lapsed in full when he left Westpac on 31 January 2008.

(3) Bob McKinnon did not receive an LTI award due to duration of his contract.

(v) LTI outcomes in 2008

During the year, several LTI awards granted in previous years under the Westpac Performance Plan were tested against the applicable performance hurdles. A summary of the Westpac Performance Plan is set out in section 7(b) below and in Note 26 to the financial statements.

For Westpac Performance Plan performance options and performance share rights granted from December 2005, 50% of each award is assessed against a group of financial sector organisations, and the other 50% against a group of 50 companies from the largest 100 ASX listed companies (excluding Westpac). Examples of the TSR ranking groups are shown in section 8(d).

During 2008, 16 awards of securities reached a performance test date. Performance for 15 of these awards was above the median, with Westpac s relative TSR ranking results ranging from the 50th percentile to the 100th percentile. Where securities reached their first or second test dates and performance was above the median, most employees chose not to extend the performance period.

Vested options and vested share rights can be exercised up to a maximum of 10 years from the date they are granted.

Full details of the number and value of equity instruments that vested and were exercised by Senior Executives during the year are set out in Section 4 below.

g) Linking reward to performance

Our remuneration policy aligns rewards for the CEO, Senior Executives and other key employees to the achievements against of specific financial and non-financial performance measures over both the short-term and the long-term.

The following section demonstrates the link between these reward components and performance.

(i) Company performance and STI

The Board believes that to create long term sustained shareholder value, short-term performance must focus on four key areas; shareholders, customers, employees and sustainability. Our 2008 performance in these key areas, which drove the STI outcomes of the CEO and Senior Executives, is summarised in the following table:

Shareholder	For 2008, the Group achieved Economic Profit of $2,779 million, 3.2% ahead of 2007. This represents a solid performance in light of the difficult operating conditions, with falls in equity markets, credit pressures, and significantly increased cost of funds. The Group achieved solid cash earnings growth and managed risks well.
Customer	In 2008 we achieved good progress on the implementation of our strategic objective to put customers at the centre of our business. Changes were made to the organisational structure designed to enable us to better meet our customers total financial needs. Work commenced on enhancing customer segmentation, strengthening distribution and redesigning product processes and operations to make it easy for customers to do business with us.
	The Group performed well on Customer objectives demonstrating that significant progress has been made towards earning all of our customers business. Target increases in the average number of products per customer were achieved across the Group and the Divisions worked together to achieve above-target increases in superannuation customers.
Employee	We achieved very strong employee commitment results, up 3% on our already strong 2007 outcome, measured through the annual Staff Perspectives Survey. All areas assessed in the survey showed an improvement on 2007 results. The

results demonstrate that our employees are supportive and prepared for the challenges that lie ahead in implementing our strategy.

Sustainability In 2008 Westpac demonstrated its strength in this area through its sustainable lending practices and disciplined approach to risk management. The Westpac Assist initiative, launched in November 2007, has played a critical role in helping customers proactively manage financial difficulties.

Our strong performance in this area is again demonstrated by Westpac s result in the Dow Jones Sustainability Index. In the 2008 assessment we achieved our highest ever score, and our performance has been assessed as one of the leaders on a global basis.

(ii) Company financial performance and LTI

The CEO and Senior Executives only receive value from their LTI awards under the CEO Performance Plan and Westpac Reward Plan if our TSR is equal to or better than the median of our peers. TSR is based upon share price movement and dividends paid, as well as allowing for any cash distribution under a return of capital to shareholders of any entity in each TSR ranking group under the plan, and is measured over three to five year periods from the date of grant (with the base and measurement prices smoothed over three months).

The following table demonstrates our TSR, dividend, share price and cash earnings performance each year from 2004 to 2008.

	2004(1)	2005	2006	2007	2008
3-year TSR to 30 September	40.7%	48.8%	60.6%	85.7%	29.5%
Dividends per Westpac share	86 cents	100 cents	116 cents	131 cents	142 cents
Cash earnings per Westpac share	$ 1.39 (AGAAP)	$ 1.55 (AGAAP) $ 1.52 (A-IFRS)	$ 1.67 (A-IFRS)	$ 1.89	$ 1.98
Share price high	$ 18.28	$ 21.40	$ 25.35	$ 28.69	$ 31.32
Share price low	$ 15.00	$ 17.52	$ 20.14	$ 22.53	$ 18.36
Share price close	$ 17.73	$ 21.10	$ 22.71	$ 28.50	$ 21.48

(1) The closing Westpac share price for the 2003 year (30 September 2003) was $16.20.

Westpac s 5-year TSR to 30 September 2008 is 75%. For example, a $100 investment in Westpac five years ago would have returned $175 to the shareholder.

h) Employment agreements

The remuneration and other terms of employment for the CEO and Senior Executives are formalised in their employment agreements. Each of these employment agreements provide for the payment of fixed and performance-based remuneration, superannuation and other benefits such as death and disablement insurance cover.

The material terms of the employment agreements for the CEO and Senior Executives are summarised below:

Term	Who	Conditions
Duration of Contract	• CEO and Senior Executives	• On-going until notice given by either party
	• Bob McKinnon	• Three year fixed term contract
Notice to be provided by Senior Executive or Westpac to terminate the employment agreement	• CEO (after initial 12 months service), Ilana Atlas, Peter Clare (Westpac notice), Philip Coffey, Rob Coombe, Brad Cooper, Peter Hanlon and Rob Whitfield	• 12 months
	• Andrew Carriline, Bob McKinnon, Curt Zuber and Peter Clare if he provides notice	• Six months
	• Philip Chronican, Bruce McLachlan	• Three months
Termination payments to be made on termination without cause	• Ilana Atlas, Rob Coombe	• In the event of termination of employment without cause up to six months after change of control of Westpac, payment in lieu is based on 1.5 times fixed remuneration package.
	• CEO and all Senior Executives	• Deferred STI and LTI awards vest according to the applicable equity plan rules
Termination for cause	• CEO	• Immediately for misconduct. Three months notice for poor performance
	• Senior Executives	• Immediately for misconduct. Contractual notice period as above for poor performance
Post-employment restraints	• CEO and Senior Executives	• 12 month non-solicitation restraint

Certain individuals have provisions in their contracts for different terms due to grandfathered contractual benefits or individual circumstances. These are set out below:

Executive	Description
Gail Kelly	

	Part year STI is payable, and unvested restricted shares vest on termination in all circumstances except for poor performance or misconduct. Unvested LTI may vest on termination, except for reasons of poor performance or misconduct. The amount to vest is subject to meeting the performance hurdle and Board discretion except in the case of death, sickness, disability or in certain circumstances following a change of control.
Philip Chronican	Salary for defined benefit superannuation purposes includes any annual STI payments he may receive.
Brad Cooper	Provisions relating to relocation from Auckland to Sydney, including accommodation and housing payments, relocation payments, motor vehicle, car parking, additional travel between Australia and New Zealand and taxation services.
Bob McKinnon	Cash settled long term incentive based on role-specific three year objectives.

4. Details of CEO and Senior Executive remuneration for 2008

a) Executive remuneration details for the 2008 year

The remuneration we paid to the CEO and Senior Executives for the year ended 30 September 2008 is detailed in the following table:

		Short Term Benefits				Post Employment	Share-based Payment			
	Notes	Fixed Remuneration(1) $	Short Term Incentive (Cash)(2) $	Non-monetary Benefits(3) $	Other Short Term Benefits $	Superannuation Benefits $	Restricted Shares(4) $	Equity-settled Performance Options(5) $	Equity-settled Performance Share Rights(5) $	Total(6) $
Gail Kelly		Gail Kelly s Restricted Shares relate to her sign on arrangements.								
2008		1,780,797	2,300,533			8,858	3,855,215	308,656	285,534	8,539,593
Ilana Atlas										
2008		635,179	900,000	985		57,166	129,062	309,270	190,236	2,221,898
2007		632,755	985,500	985		56,730		311,667	371,823	2,359,460
Andrew Carriline		The full year s 2007 remuneration is shown for Andrew Carriline, including remuneration for the period prior to his appointment as Acting Chief Risk Officer on 26 April 2007.								
2008		664,523	675,000	787		33,102	71,699	107,836	71,724	1,624,671
2007		538,226	547,500	787		48,301		111,054	127,100	1,372,968
Philip Chronican										
2008	7,8	1,104,215	2,500,000	836		615,240	247,020	760,983	452,189	5,680,483
2007	7	744,517	1,886,250	836		472,658		691,285	866,310	4,661,856
Peter Clare		Peter Clare started with Westpac on 27 March 2008. His fixed remuneration and STI relate to the part year.								
2008		430,011	525,000	787		32,058				987,856
Philip Coffey										
2008		828,683	1,875,000	787		74,581	169,825	452,133	281,508	3,682,517
2007		752,226	1,296,750	787		67,431		454,254	537,808	3,109,256
Rob Coombe										
2008		749,229	975,000			47,622	245,943	371,155	237,583	2,626,532
2007		644,725	1,877,000	787		55,508		302,605	394,730	3,275,355
Brad Cooper		Brad Cooper started with Westpac on 2 April 2007. His 2007 fixed remuneration and STI relate to the part year.								
2008		820,380	1,200,000	299,071	400,000	74,200		99,814	174,252	3,067,717
2007		403,670	952,000	652,103	220,000	35,634			72,843	2,336,250
Peter Hanlon		The full year s 2007 remuneration is shown for Peter Hanlon including for the period prior to his appointment to the role of Group Executive, Business Financial Services, on 1 March 2007.								
2008	7	712,292	975,000	836		149,224	98,608	226,576	112,454	2,274,990
2007	7	542,049	753,000	836		92,028		235,864	260,697	1,884,474
Bob McKinnon		Bob McKinnon started with Westpac on 18 August 2008, and did not receive a 2008 STI award.								
2008		89,986				8,099				98,085

Bruce McLachlan	The full year s remuneration is shown for Bruce McLachlan, who held the role of General Manager, Consumer Banking, Westpac New Zealand from 1 October 2007 until his appointment to the role of Acting CEO, New Zealand on 9 June 2008.									
2008		382,875	450,000			64,911		77,515	170,755	1,146,056
Rob Whitfield										
2008	8,9	614,781	2,600,000	787		55,330	128,670	323,574	219,176	3,942,318
2007		561,353	982,500	787		48,530		274,276	355,906	2,223,352
Curt Zuber										
2008	7	458,153	5,520,800	1,789		79,573	357,328	214,033	116,891	6,748,567
2007	7	443,268	2,728,500	1,949		63,142		141,491	211,135	3,589,485
Former CEO and Executives										
David Morgan										
2008	7	632,452	793,333	946				1,955,537	2,901,827	6,284,095
2007	7	1,700,000	3,757,000	836		1,407,077		1,508,853	2,196,676	10,570,442
Michael Pratt										
2008	10	363,161			1,800,000		204,194	557,703	434,693	3,359,751
2007		1,024,363	1,559,250	472,163				694,760	838,324	4,588,860
Diane Sias										
2008	10	644,663	1,125,000	120,173	1,400,000	58,020		89,546		3,437,402
2007		40,138		99,511		3,100				142,749

(1) Fixed remuneration is the total cost of salary and salary sacrificed benefits (including motor vehicles, parking, etc. and any associated fringe benefits tax).

(2) STI figures reflect annual cash performance awards accrued but not yet paid in respect of the year ended 30 September 2008.

(3) Non-monetary benefits are determined on the basis of the cost to Westpac (including associated fringe benefits tax, where applicable) and include annual health checks, relocation at Westpac s instigation, living away from home expenses & allowances.

(4) The value of restricted shares are amortised over the applicable vesting period, and the amount shown is the amortisation relating to the 2008 reporting year. Restricted Shares for Senior Executives represents the deferred component of their 2007 STI received as Westpac ordinary shares under the RSP, restricted for two years. For the CEO Restricted Shares represents ordinary shares received as part of her sign on arrangements.

(5) Equity-settled remuneration is based on the amortisation over the vesting period (normally two or three 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 2008. Details of grants in prior years have been disclosed in previous Annual Reports and the assumptions used in valuing securities granted in 2008 are summarised in the notes to the table in section 3(f)(iv). For David Morgan, whose performance securities continue to be subject to performance hurdles until March 2010, all remaining amounts are shown, as service-based vesting conditions have ceased to apply. Dr Morgan will only receive the full value of these securities if the applicable performance hurdles are met.

(6) The percentage of the CEO s and each Senior Executive s 2008 remuneration delivered in the form of options or share rights was: Current executives: Gail Kelly 7%, Ilana Atlas 22%, Andrew Carriline 11%, Philip Chronican 21%, Peter Clare 0%, Philip Coffey 20%, Rob Coombe 23%, Brad Cooper 9%, Peter Hanlon 15%, Bob McKinnon 0%, Bruce McLachlan 22%, Rob Whitfield 14%, Curt Zuber 5%, and former executives: David Morgan 77% (see note 5), Michael Pratt 30%, Diane Sias 3%.

(7) Superannuation benefits have been calculated consistent with AASB 119 Superannuation Guarantee obligations for 2008 for David Morgan were met prior to the reporting period.

(8) The STI amounts for Philip Chronican and Rob Whitfield include certain one-off awards relating to specific performance requirements during 2008, which are not subject to any deferral requirements.

(9) Rob Whitfield rejoined the executive team on 17 January 2008.

(10) The amounts under Other short-term benefits for Diane Sias and Michael Pratt relate to payments made on termination of employment.

b) Movement in equity-settled instruments during the year (number)

	Type of Equity Instrument	Number Granted(1)	Number Vested(2)	Number Exercised(3)
Current executives				
Gail Kelly	CEO Performance options	364,431		
	CEO Performance share rights	82,290		
	Shares under the CEO Restricted Share Plan (sign-on)	277,639		n/a
Ilana Atlas	Performance options	76,691	225,254	
	Performance share rights		87,240	
	Shares under Restricted Share Plan	11,506		n/a
Andrew Carriline	Performance options	27,568	84,040	
	Performance share rights		29,471	
	Shares under Restricted Share Plan	6,392		n/a
Philip Chronican	Performance options	218,045	436,241	
	Performance share rights		182,195	182,195
	Shares under Restricted Share Plan	22,022		n/a
Philip Coffey	Performance options	114,786	335,651	
	Performance share rights		127,980	
	Shares under Restricted Share Plan	15,140		n/a
Rob Coombe	Performance options	118,796	159,090	
	Performance share rights		68,284	
	Shares under Restricted Share Plan	21,926		n/a
Brad Cooper	Performance options	104,761		
Peter Hanlon	Performance options	68,922	199,752	
	Performance share rights		72,378	72,378
	Shares under Restricted Share Plan	8,791		n/a
Bruce McLachlan	Performance options	18,606	49,580	
	Performance share rights		21,479	
	Unhurdled share rights	3,397		
Rob Whitfield	Performance options	93,984	156,232	
	Performance share rights		66,357	24,658
	Shares under Restricted Share Plan	11,471		n/a
Curt Zuber	Performance options	90,726	52,439	
	Performance share rights		49,479	49,479
	Shares under Restricted Share Plan	31,856		n/a
Former CEO and former executives				
David Morgan	CEO Performance options		613,180	
	CEO Performance share rights		187,480	187,480
Michael Pratt	Performance options	25,062	486,536	486,536
	Performance share rights		190,891	190,891
	Shares under Restricted Share Plan	18,204	18,204	n/a

Diane Sias	Performance options	93,984	24,696

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(1) Performance options, and performance share rights in the case of the CEO, granted during 2008 will be tested against a finance peer group. Peer groups are outlined in section 8.

(2) Performance options and performance share rights granted up to November 2005 that vested during 2008 were tested against a ranking group of the 50 largest companies listed on the ASX by market capitalisation at the commencement of the performance period (excluding Westpac, property and investment trusts and specified resources companies). For performance options and performance share rights granted from December 2005 to December 2006, 50% of the award was assessed against a TSR ranking group of the top 10 of the largest 13 Australian banking and financial sector companies by market capitalisation at the time of grant (excluding Westpac). The other 50% was assessed against a TSR ranking group of the 50 largest companies on the ASX by market capitalisation at the time of grant (excluding Westpac, specified resource companies and the financial sector ranking group).

(3) Vested options and vested share rights can be exercised up to a maximum of 10 years from the date they are granted. For each option or share right exercised during the year, the relevant executive received one fully paid Westpac ordinary share. The exercise price for each share right exercised during the year was $nil. Two tranches of options were exercised during the year with exercise prices of $16.34 and $18.98 respectively.

c) Movement in equity instruments during the year (value)

	Type of Equity Instrument	Value Granted(1)	Value Exercised(2)	Value Forfeited or Lapsed(2)
Current executives				
Gail Kelly	CEO Performance options	1,392,126		
	CEO Performance share rights	1,287,839		
	Shares under the CEO Restricted Share Plan (sign-on)	6,877,948	n/a	
Ilana Atlas	Performance options	276,855		462,803
	Performance share rights			552,112
	Shares under Restricted Share Plan	327,586	n/a	
Andrew Carriline	Performance options	99,520		147,479
	Performance share rights			172,446
	Shares under Restricted Share Plan	181,986	n/a	
Philip Chronican	Performance options	787,142		885,826
	Performance share rights		4,584,026	1,145,632
	Shares under Restricted Share Plan	626,985	n/a	
Philip Coffey	Performance options	414,377		731,101
	Performance share rights			819,630
	Shares under Restricted Share Plan	431,049	n/a	
Rob Coombe	Performance options	428,854		263,205
	Performance share rights			399,654
	Shares under Restricted Share Plan	624,252	n/a	
Brad Cooper	Performance options	378,187		
Peter Hanlon	Performance options	248,808		385,476
	Performance share rights		1,469,975	448,259
	Shares under Restricted Share Plan	250,287	n/a	
Bruce McLachlan	Performance options	67,168		110,958
	Performance share rights			141,436
	Unhurdled share rights	86,963		
Rob Whitfield	Performance options	339,282		344,483
	Performance share rights		654,177	435,482
	Shares under Restricted Share Plan	326,589	n/a	
Curt Zuber	Performance options	327,521		60,776
	Performance share rights		1,263,694	342,561
	Shares under Restricted Share Plan	906,967	n/a	
Former CEO and former executives				
David Morgan	CEO Performance options			442,203
	CEO Performance share rights		4,109,562	720,272
Michael Pratt	Performance options	90,474	3,944,178	3,171,327
	Performance share rights		5,018,918	2,483,058
	Shares under Restricted Share Plan	518,283	n/a	

Diane Sias	Performance options	339,282	

(1) For options and share rights, the Value Granted represents the number of securities granted multiplied by the fair value per instrument set out in the table in section 3(f)(iv) above. For restricted shares, the Value Granted represents the number of ordinary shares granted multiplied by the weighted average price of a Westpac ordinary share on the date the shares were granted. These values, which represent the full value of the equity-based awards made to disclosed executives in 2008, do not reconcile with the amount shown in the other tables in section 4, which show amortised totals of LTI awards over their vesting period.

(2) The value of each option or share right exercised or lapsed is calculated based on the weighted average price of Westpac shares on ASX on the date of exercise, less the relevant exercise price (if any). Where the exercise price is greater than the weighted average price of Westpac shares, the value has been calculated as $nil. The value of each restricted share forfeited is calculated as the number of shares forfeited multiplied by the weighted average price of a Westpac ordinary share on the date the shares were forfeited.

5. Non-executive Director Remuneration

a) Policy

The Board s focus is on strategic direction, long-term corporate performance and the creation of shareholder value. As a consequence, Non-executive Director fees are not directly related to Westpac s short-term results and Non-executive Directors do not receive performance-based remuneration. However, the Board undertakes ongoing self-assessment and review of its performance and of the performance of the Chairman, individual Directors and Board Committees as detailed in the Corporate Governance Statement on page 20.

b) Non-executive Directors fee pool

Non-executive Directors fees are determined within an aggregate Non-executive Directors fee pool limit, which is periodically approved by our shareholders. Shareholders last approved a pool of $3,000,000 at the 2006 Westpac Annual General Meeting. For the 2008 year, $2,146,949 (72%) of the fee pool was utilised. Approval for a revised annual fee pool limit of $4.5 million, conditional on the proposed merger with St.George, will be the subject of a shareholder resolution at the 2008 Westpac Annual General Meeting.

c) Fee framework

The fee framework for Non-executive Directors recognises the remuneration strategy for Non-executive Directors. Equally, the Board maintains that Non-executive Directors fee levels must not place an inappropriate burden on our finances.

In response to these pressures the Board periodically reviews the fee framework. The most recent review was completed in May 2007. At each review the Board considers the performance of Westpac and seeks the advice of independent remuneration consultants to ensure market alignment.

Under the current fee framework Non-executive Directors, including the Chairman, receive a single base fee. Non-executive Directors, other than the Chairman, receive further fees for membership or chairmanship of a Board Committee (except the Nominations Committee).

The following table details fees payable:

		Annual Rate
Base Fees		
Chairman	$	700,000
Non-executive Directors	$	200,000

Committee Chairman Fees		
Audit Committee Chairman	$	50,000
Risk Management Committee Chairman	$	50,000
Remuneration Committee Chairman	$	45,000
Sustainability Committee Chairman	$	40,000
Committee Membership Fees		
Audit Committee member	$	25,000
Risk Management Committee member	$	25,000
Remuneration Committee member	$	20,000
Sustainability Committee member	$	20,000

In addition to their Directors fees, Ted Evans and Carolyn Hewson have frozen retiring allowances that accrued prior to 2005 and are indexed in line with average weekly earnings, with the indexed amount payable on retirement.

Throughout the reporting period, additional fees for three Non-executive Directors were payable for membership on boards of subsidiaries or related entities, which vary according to the position held, the size, level and nature of business activity and the time commitment required. These fees are included in the table in section 6.

d) Superannuation

We pay superannuation contributions to our Non-executive Directors of up to 9% of Non-executive Directors fees. These superannuation contributions are capped at the maximum superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer superannuation contributions may be received in one of our staff superannuation funds or an eligible superannuation fund of their choice.

e) Equity participation

Non-executive Directors do not receive options or share rights, although Australian-based Directors may elect each year to receive a percentage of their fees in Westpac ordinary shares acquired under the Deferral Share Plan. Non-executive Directors have voluntarily agreed to build and maintain their individual holdings of Westpac ordinary shares to a level equal in value to 100% of their annual base fees to demonstrate their alignment with the long-term interests of shareholders.

6. Details of Non-executive Director remuneration for 2008

Details of the nature and amount of each element of the remuneration of our Non-executive Directors for the year ended 30 September 2008 are as follows:

		Short Term Employment Benefits	Post Employment				
The Board the Non-executive Director Served On	Notes	Fees $	Superannuation Guarantee $	Retiring Allowance Accrued During the Year(1) $	Total $	Total Retiring Allowance Accrued $	Retiring Allowance Paid $
2008							
Ted Evans, Chairman							
2008 Westpac Banking Corporation		700,000	13,244	16,259	729,503	420,998	
Elizabeth Bryan							
2008 Westpac Banking Corporation		270,000	13,244		283,244		
2008 Westpac New Zealand Limited		51,066		n/a	51,066		
Total 2008	2,3	321,066	13,244		334,310		
Gordon Cairns							
2008 Westpac Banking Corporation	2,3	295,000	13,244		308,244		
David Crawford							
2008 Westpac Banking Corporation	3	62,404	3,018	4,099	69,521		358,567
Carolyn Hewson							
2008 Westpac Banking Corporation		295,000	13,244	11,268	319,512	291,816	
2008 BT Investment Management		113,807	10,242	n/a	124,049		
Total 2008	3	408,807	23,486	11,268	443,561	291,816	
Lindsay Maxsted							
2008 Westpac Banking Corporation	2,3	157,596	7,711		165,307		
Peter Wilson							
2008 Westpac Banking Corporation		290,000	13,244		303,244		
2008 Westpac New Zealand Limited		88,309		n/a	88,309		
Total 2008	2,3	378,309	13,244		391,553		
Total 2008		2,323,182	87,191	31,626	2,441,999	712,814	358,567
2007							
Ted Evans							
2007 Westpac Banking Corporation		502,254	12,758	16,535	531,547	404,739	
2007 Westpac New Zealand Limited		26,659		n/a	26,659		
Total 2007		528,913	12,758	16,535	558,206	404,739	
Elizabeth Bryan							
2007 Westpac Banking Corporation		203,570	11,543		215,113		
2007 Westpac New Zealand Limited		27,432		n/a	27,432		
Total 2007	2,3	231,002	11,543		242,545		
Gordon Cairns							
Total 2007 Westpac Banking Corporation	2,3	231,845	12,758		244,603		
David Crawford							
Total 2007 Westpac Banking Corporation	3	239,372	12,758	14,482	266,612	354,468	

Carolyn Hewson						
2007 Westpac Banking Corporation		246,562	12,758	11,927	271,247	280,548
2007 BT Investment Management		4,231		n/a	4,231	
Total 2007	3	250,793	12,758	11,927	275,478	280,548
Peter Wilson						
2007 Westpac Banking Corporation		239,537	12,758		252,295	
2007 Westpac New Zealand Limited		55,301		n/a	55,301	
Total 2007	2,3	294,838	12,758		307,596	
Total 2007		1,776,763	75,333	42,944	1,895,040	1,039,755

(1) Retiring allowances are not included in calculations for the Non-executive Director fee pool. Retiring allowances were frozen for individual Non-executive Directors between December 2005 and February 2006. Accruals shown for 2007 and 2008 include indexation in line with average weekly earnings following the freezing of the retiring allowances.

(2) Not entitled to retiring allowance.

(3) Includes fees paid to Chairpersons and members of Board Committees.

7. Summary of Westpac employee equity plans

Westpac employee equity plans, including plans for employees other than the CEO and Senior Executives are summarised in this report. The following table shows the section that describes each employee equity plan in this remuneration report:

Plan	Summarised in Section
CEO Restricted Share Plan	3(e)(iv)
CEO Performance Plan, and Westpac Reward Plan	3(f)(iii)
Restricted Share Plan	7(a)
Westpac Performance Plan	7(b)
Deferral Share Plan	7(c)
Employee Share Plan	7(d)

a) Restricted Share Plan

Key employees below Senior Executive level in Australia and the USA can receive awards each year under the Restricted Share Plan, including as the deferred portion of their STI award where required. (Awards to key employees outside Australia and the USA are made in the form of share rights under the Westpac Performance Plan.)

The awards are targeted at retaining key employees based on their assessed performance and potential, and are not subject to performance hurdles after they are awarded. The awards vest over a vesting period of up to three years provided the employee remains employed by the Group, or earlier where the employee leaves Westpac due to their death, disability or retrenchment, or in the event of a change in control of Westpac.

Unvested awards are generally forfeited if an employee resigns from the Group within the restriction period. Awards (whether vested or unvested) are also forfeited where an employee acts fraudulently or dishonestly or where an employee is in material breach of their obligations to Westpac, unless the Board determines otherwise.

b) Westpac Performance Plan

The Westpac Performance Plan is used for key employees based outside Australia and the USA, who in 2008 received unhurdled share rights restricted for two to three years in relation to long term incentive awards or the mandatory deferral of a portion of their short term incentive. Unhurdled share rights vest after a set period of two to three years service with the Group, after which they can be exercised to receive the underlying fully paid ordinary shares.

Key employees in the USA continue to hold unhurdled options awarded in 2006. These awards are restricted for three years from the date they were granted, and continue to run their course. Since 2007, awards to USA-based employees have been made under the Restricted Share Plan.

Until December 2006 the Westpac Performance Plan was also used to provide awards of performance options and/or performance share rights to key employees. Performance options and performance share rights vest after a period of two to five years, but only if the performance hurdle has been met. The performance hurdle compares our TSR against the TSR of a defined ranking group of other companies. An example of the TSR ranking group is shown in section 8.

Full vesting of performance options and performance share rights occurs at a performance test date when our relative TSR is at (or exceeds) the 75th percentile of the ranking group, scaling down to 50% vesting on a straight-line basis for median performance. Below median performance, no vesting occurs.

Existing performance options and performance share rights under the Westpac Performance Plan continue to run their course.

Vested options and vested share rights can be exercised up to a maximum of 10 years from the date they are granted.

c) Deferral Share Plan

Under the Deferral Share Plan, employees based in Australia (including the CEO) have the opportunity to receive all or part of their available short term incentive (bonus) as Westpac ordinary shares. Participants pay the current market price, including acquisition costs, at the time Westpac shares are purchased on their behalf by an independent plan company.

The shares must generally remain in the Deferral Share Plan for 12 months, but can remain for up to ten years. Participants are entitled to receive any dividend or other distribution attaching to shares held under the Deferral Share Plan. Participants are also entitled to exercise voting rights attaching to the shares.

Australian-based Directors and the CEO may elect each year to receive a percentage of their fees/salary in Westpac ordinary shares under the Deferral Share Plan.

d) Employee Share Plan

The ESP is provided for the general employee population to reward them for increasing shareholder value. Under the Employee Share Plan, up to $1,000 of Westpac ordinary shares are allocated to eligible employees at no cost to them. The number of shares employees receive (if any) depends on our corporate performance over the twelve months to 30 September and is subject to Board discretion. For 2008 the Board exercised its discretion to award $500 of Westpac ordinary shares to eligible employees. The shares are restricted for 3 years, except where the employee leaves Westpac.

Senior Executives are not eligible to participate in the ESP, nor are the CEO and Non-executive Directors.

e) Specialised reward plans

We provide reward plans for small, specialised parts of the business. The payments under these plans are directly linked to profitable growth of the relevant part of the business and are each capped at an appropriate proportion of the value and/or profitability of the relevant part of the business. These plans are designed to provide market-competitive remuneration for the relevant employees. Westpac also has grandfathered plans, under which no further awards are made, and performance or vesting periods have passed. These vested securities continue to run their course.

8. Comparator companies used in our LTI performance hurdles

a) **Chief Executive Officer Performance Plan (Gail Kelly)**

The Chief Executive Officer Performance Plan peer group is comprised of the 13 largest retail banks and other financial services companies listed on the Australian Securities Exchange (ASX) with which Westpac competes for customers. As at 30 September 2008 the most recently determined peer group consisted of: AMP Limited, ASX Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Babcock & Brown Limited, Bendigo Bank Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Lend Lease Corporation Limited, Macquarie Group Limited, National Australia Bank Limited, St George Bank Limited, Suncorp-Metway Limited. The TSR ranking group will be determined at the first performance test date and will consist of the top 10 remaining companies by market capitalisation in the peer group.

b) **Chief Executive Securities Agreement 2003 (David Morgan)**

The Chief Executive Securities Agreement 2003 ranking group comprises the largest 50 Australian listed companies at time of grant, excluding property trusts and specified resources companies. As at 30 September 2008, the most recently determined ranking group consisted of Amcor Limited, AMP Limited, Ansell Limited, APN News & Media Limited, Aristocrat Leisure Limited, Australia and New Zealand Banking Group Limited, ASX Limited, AXA Asia Pacific Holdings Limited, Billabong International, Boral Limited, Coca-Cola Amatil Limited, Cochlear Limited, Commonwealth Bank of Australia, Computershare Limited, CSL Limited, CSR Limited, Fairfax (John) Holdings Limited, Foster s Group Limited, Gunn s Limited, Harvey Norman Holdings Limited, Henderson Group PLC, Insurance Australia Group Limited, James Hardie Industries NV, Lend Lease Corporation Limited, Lion Nathan Limited, Macquarie Airports, Macquarie Communications Infrastructure Group, Macquarie Group Limited, Macquarie Infrastructure Group, National Australia Bank Limited, News Corporation, Orica Limited, Paperlinx Limited, Perpetual Limited, Qantas Airways Limited, QBE Insurance Group Limited, Resmed Inc, Sonic Healthcare Limited, St George Bank Limited, Suncorp-Metway Limited, Symbion Health Limited, Tabcorp Holdings Limited, Telecom Corporation of New Zealand Limited, Telstra Corporation Limited, Ten Network Holdings Limited, Toll Holdings Limited, Transurban Group, Wesfarmers Limited, West Australian Newspapers Holdings Limited, Woolworths Limited.

c) **Westpac Reward Plan**

The Westpac Reward Plan peer group is comprised of 13 selected Australian banking and financial sector companies. As at 30 September 2008 the most recently determined peer group under the Westpac Reward Plan consisted of: AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, ASX Limited, Babcock & Brown Limited, Challenger Financial Services Group Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Lend Lease Corporation Limited, Macquarie Group Limited, National Australia Bank Limited, St.George Bank Limited, Suncorp-Metway Limited. The TSR ranking group will be determined at the first performance test date and will consist of the top 10 remaining companies by market capitalisation in the peer group.

d) **Westpac Performance Plan**

Financial ranking group

The top 10 of 13 selected Australian banking and financial sector companies, by market capitalisation, at the time of grant. As at 30 September 2008, the most recently determined ranking group consisted of AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Bendigo Bank Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Macquarie Group Limited, National Australia Bank Limited, St George Bank Limited, and Suncorp-Metway Limited.

General ranking group

The largest 50 Australian listed companies at time of grant, excluding property trusts, specified resources companies and those in the financial peer group. As at 30 September 2008, the most recently determined ranking group consisted of ABC Learning Centres Limited, AGL Energy Limited, Allco Finance Group Limted, Amcor Limited, Ansell Limited, Aristocrat Leisure Limited, ASX Limited, Babcock & Brown Limited, Babcock & Brown Infrastructure Group, Billabong International, Boral Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, Cochlear Limited, Computershare Limited, CSL Limited, CSR Limited, Connecteast Group, Downer EDI Limited, Fairfax (John) Holdings Limited, Foster s Group Limited, Goodman Fielder Limited, Harvey Norman Holdings Limited, Henderson Group PLC, James Hardie Industries NV, Leighton Holdings Limited, Lend Lease Corporation Limited, Lion Nathan Limited, Macquarie Airports, Macquarie Communications Infrastructure Group, Macquarie Infrastructure Group, Metcash Limited, Orica Limited, Paperlinx Limited, Perpetual Limited, Qantas Airways Limited, QBE Insurance Group Limited, Resmed Inc, Sigma Pharmaceuticals Ltd, Sonic Healthcare Limited, Tatts Group Limited, Tabcorp Holdings Limited, Telecom Corporation of New Zealand Limited, Telstra Corporation Limited, Toll Holdings Limited, Transurban Group, Wesfarmers Limited, West Australian Newspapers Holdings Limited, Woolworths Limited, United Group Limited.

9. Auditor

a) **Auditor s independence declaration**

A copy of the auditor s independence declaration as required under section 307C of the Corporations Act 2001 is below.

Auditor s Independence Declaration

As lead auditor for the audit of Westpac Banking Corporation for the year ended 30 September 2008 I declare that to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Westpac Banking Corporation and the entities it controlled during the year.

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I.L. Hammond
Partner
PricewaterhouseCoopers

Sydney, Australia
30 October 2008

b) **Non-audit services**

We may decide to engage PricewaterhouseCoopers on assignments additional to their statutory audit duties where their expertise or experience with Westpac or a controlled entity is important.

Details of the non-audit service amounts paid or payable to PricewaterhouseCoopers for non-audit services provided during the 2007 and 2008 financial years are set out in the table below.

	2008 $ 000	2007 $ 000
Remuneration for audit related services	1,406	1,885
Remuneration for taxation services	150	167
Remuneration for other services	807	559
Total remuneration for non-audit services (including goods and services tax)	2,363	2,611

Our external auditor, PricewaterhouseCoopers, also provides audit and non-audit services to non-consolidated entities including non-consolidated securitisation vehicles sponsored by the Group, non-consolidated trusts of which a Group entity is trustee, manager or responsible entity and non-consolidated superannuation funds or pension funds. The fees in respect of these services were approximately $5.6 million in total (2007 $4.9 million). PricewaterhouseCoopers may also provide audit and non-audit services to other entities in which we hold a minority interest and which are not consolidated. We are not aware of the amount of any fees paid by those entities.

We have a policy on engaging PricewaterhouseCoopers, details of which are set out in the Corporate governance section, including the subsection headed Principle 4 Safeguard integrity of financial reporting, which forms part of this report.

The Board has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provisions of the non-audit services during 2008 by PricewaterhouseCoopers is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by PricewaterhouseCoopers, as set out above, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accounts.

10. Responsibility Statement

The Directors of Westpac Banking Corporation confirm to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with the accounting policies described in Note 1 to the financial statements, being in accordance with A-IFRS, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and

- the annual report from the section entitled Information on Westpac to and including the section entitled Additional financial information includes a fair review of the information required by the Disclosure and Transparency Rules 4.1.8R to 4.1.11R of the United Kingdom Financial Services Authority.

Signed in accordance with a resolution of the Board.

Ted Evans AC	Gail Kelly
Chairman	Managing Director & Chief Executive Officer
30 October 2008	30 October 2008

Directors and Group Executives

Directors

Our business is managed under the direction of the Board of Directors. Our constitution requires no more than 15 Non-executive Directors. In addition, up to three members of the Board may be Executive Directors. At 30 September 2008, the Directors are:

Name of Director	Year Appointed	Expiry of Current Term in Office
Ted Evans (Chairman)(1),(2),(3),(4),(6)	2001	2010
Gail Kelly (Managing Director and CEO)(5),(7)	2008	2011
Elizabeth Bryan(1),(2),(5)	2006	2009
Gordon Cairns(1),(2),(3),(4)	2004	2010
Carolyn Hewson(1),(2),(3),(4)	2003	2009
Lindsay Maxsted(1),(2),(3)	2008	2011
Peter Wilson(1),(2),(3),(5)	2003	2009

(1) Member of the Audit Committee, which oversees all matters concerning the integrity of the financial statements and financial reporting systems, the external auditor s qualifications, performance and independence, the performance of the internal audit function and compliance with financial reporting and related regulatory requirements.

(2) Member of the Risk Management Committee, which oversees the risk profile of Westpac within the context of the risk-reward strategy determined by the Board, monitors the alignment of risk profile with current and future capital requirements and oversees the management of risks inherent in Westpac s operations. The Committee reviews and approves the framework, policies, limits and conditions for the management of our credit, market, liquidity, operational and compliance risk; monitors changes anticipated for the economic and business environment and other factors considered relevant to Westpac s risk profile. The Committee also reviews significant issues that may be raised by internal audit as well as the length of time and action taken to resolve issues.

(3) Member of the Nominations Committee, which develops and reviews policies on Board composition, strategic function, size, succession planning, Director independence and the performance review process of the Board, its Committees and individual Directors. It also develops and implements induction programs for new Directors and ongoing education for existing Directors. The Committee reviews our corporate governance policies to meet relevant corporate governance standards from legislation and various regulatory bodies in Australia and overseas, where we conduct business.

(4) Member of the Remuneration Committee, which assists the Board by reviewing and approving our remuneration policies and practices. The Remuneration Committee s consideration of reward structure is based on fairness, business performance, legal obligations and high standards of corporate governance. The Committee reviews and makes recommendations to the Board in relation to all equity-based plans and the remuneration of Non-executive Directors and the CEO. It also approves remuneration packages and contracts for positions reporting directly to the CEO and oversees merit recognition, recruiting policies, management development, training policies, personnel matters and succession planning.

(5) Member of the Sustainability Committee, which oversees and drives our commitment to operate our businesses ethically, responsibly and sustainably consistent with the evolving community expectations. The Committee reviews our social, environmental and ethical impacts,

both direct and indirect. It also oversees initiatives to enhance our sustainability, sets standards for sustainability policies and practices and monitors compliance, monitors and oversees our reputational risks and reviews and approves the independent assurance of our systems and non-financial reporting including the annual Stakeholder Impact Report.

(6) Appointed as Chairman on 1 April 2007.

(7) Appointed as Managing Director and CEO on1 February 2008.

Term of Directors

The Directors may appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, provided the total number does not exceed the maximum number of 15 Non-executive Directors and three Executive Directors. A Director appointed by this method holds office only until the close of the next AGM but is eligible for election at that meeting. Westpac s constitution provides that at each AGM one-third of the Non-executive Directors (or the nearest number to one-third) and any other Director who has held office for three years or more, must retire from office and shall be eligible for re-election. The Directors to retire by rotation shall be those who have been the longest in office. In determining the number of Directors to retire, no account is to be taken of a Director who holds office only until the close of the meeting (casual vacancy) or the Managing Director. A retiring Director holds office until the conclusion of the meeting at which the Director retires but is eligible for re-election. Under the ASX Listing Rules no Director (apart from the Managing Director) of a listed entity may continue in office, without offering himself or herself for re-election, past the third AGM following their appointment or previous re-election or three years, whichever is the longer.

Changes in Board of Directors

- David Morgan retired as Managing Director and CEO, effective 31 January 2008.

- Gail Kelly was appointed as Managing Director and CEO, effective 1 February 2008.

- David Crawford retired as a Non-executive Director, effective 13 December 2007.

- Lindsay Maxsted was appointed as a Non-executive Director, effective 1 March 2008.

Group Executives

As at 30 September 2008 our Group Executives were:

Name of Group Executive	Position	Year Joined Group	Year Appointed to Position
Gail Kelly	Managing Director and CEO	2008	2008
Ilana Atlas	Group Executive, People and Performance	2000	2002
Andrew Carriline	Acting Chief Risk Officer	1996	2007
Philip Chronican	Group Executive, Westpac Institutional Bank	1982	2005
Peter Clare	Group Executive, Product and Operations	2008	2008
Philip Coffey	Chief Financial Officer	1996	2005
Rob Coombe	Chief Executive Officer, BT Financial Group	2002	2005
Brad Cooper	Group Chief Transformation Officer	2007	2008
Peter Hanlon	Group Executive, Retail & Business Banking	1995	2008
Bob McKinnon	Group Executive, Technology	2008	2008
Bruce McLachlan	Acting Chief Executive Officer, Westpac New Zealand Limited	2000	2008
Rob Whitfield	Group Executive	1986	2008

There are no family relationships between or among any of our Directors or Group Executives.

Gail Kelly Dip. ED, BA, MBA, Doctor of Bus. Age 51
Managing Director and CEO

Gail commenced as Managing Director and CEO in February 2008. Immediately prior to this she served as Chief Executive Officer and Managing Director of St.George for five and a half years. Between October 1997 and December 2001, Mrs Kelly was employed at the Commonwealth Bank; firstly as General Manager, Strategic Marketing, and later as Head of Customer Service and a member of the bank s Executive Committee. Mrs Kelly began her career at Nedcor Bank, one of the largest banks in South Africa, where she held various General Manager positions, including human resources, cards and personal banking.

Ilana Atlas BJur (Hons.), LLB (Hons.), LLM. Age 54
Group Executive People and Performance

Ilana was appointed Group Executive, People & Performance in 2003. She is responsible for human resources strategy and management including reward and recognition, learning and development, careers and talent, employee relations and employee policy. She is also responsible for corporate affairs and sustainability including internal and external communications and Westpac s strategy in relation to sustainability. Ilana joined Westpac in 2000 as Group Secretary & General Counsel. Prior to joining Westpac she was a partner at Mallesons Stephen Jaques for 15 years. She practised as a corporate lawyer and held a number of managerial roles in the firm including Managing Partner and Executive Partner, People & Information.

Andrew Carriline BCom LLB. Age 48
Acting Chief Risk Officer

Andrew assumed his current responsibilities, which include Group Risk, Group Operational Risk and Compliance, Group Secretariat and General Counsel, in 2007. After joining Westpac in 1996, Andrew played a key role in Westpac s extensive outsourcing and Mergers and Acquisitions agenda, including the sale of AGC and acquisition of BT and Rothschild Australia Asset Management. Since 2002, Andrew has had a number of senior roles in risk and sourcing areas of Westpac. Prior to joining Westpac, Andrew practised law firstly in the public sector at the Commonwealth Attorney-General s Department and then in private practice at Freehills.

Phil Chronican BCom(Hons), MBA, SF Fin. Age 52
Group Executive, Westpac Institutional Bank

Phil was appointed Group Executive, Westpac Institutional Bank in December 2005, responsible for Westpac s relationships with corporate, institutional and government clients in Australia and worldwide, as well as the business areas of financial markets, debt capital markets, specialised capital, equities, structured investments, treasury execution and transactional banking. In addition, Phil has geographic responsibility for Westpac s Asian and Pacific Island businesses. Phil has held a broad variety of positions in both Australia and New Zealand since 1982. His previous roles include business group Chief Financial Officer (CFO) roles in both retail and institutional banking, Deputy CFO and then Group CFO from February 2001.

Peter Clare BCom, MBA. Age 45
Group Executive, Product and Operations

Peter was appointed Group Executive, Product and Operations in July 2008, with responsibility for all consumer and business product development, management and operations. Peter joined Westpac as Group Executive, Consumer Financial Services in March 2008, with responsibility for sales, service, third party consumer product relationships and product development for our consumer customers across Australia. Prior to joining Westpac, Peter was Group Executive, Group Technology and Operations at St.George Bank Limited following over five years as Group Executive, Strategy with St.George Bank Limited. Prior to that Peter worked for the Commonwealth Bank of Australia between 1997 and 2002 in a range of senior roles, covering strategy, merger programs, operations and performance improvement. He has also worked in management consultancy and chartered accountancy roles.

Phil Coffey BEc (Hons.). Age 49
Chief Financial Officer

Phil was appointed Chief Financial Officer of the Westpac Group in December 2005. Phil began his career in the financial markets with the Reserve Bank of Australia before moving to Citibank where he worked in the United Kingdom, New Zealand and Australia. Phil joined Westpac in March 1996 and was appointed Group Executive for the Institutional Bank in 2002. As CFO, Phil has responsibility for finance, tax, group treasury policy and investor relations. Phil has an honours degree in Economics and has completed the Executive Program at Stanford University Business School.

Rob Coombe LLB (Hons.), Age 45
Chief Executive Officer, BT Financial Group

Rob joined Westpac with the acquisition of the BT Financial Group in 2002 and has over 24 years experience in banking, finance and wealth management. Rob was appointed to his current role in January 2005. He started with BT in 1991 and has held a number of positions, including Senior Legal Counsel, Head of BT s International Funds Management and CEO of BT s Funds Management business in Malaysia. Rob is actively involved in industry issues and is a Director of the Investment and Financial Services Association Limited and The Australian Indigenous Education Foundation.

Brad Cooper DipBM, MBA, FAIM. Age 46
Group Chief Transformation Officer

Brad was appointed Group Chief Transformation Officer in June 2008, to lead the merger implementation planning and integration. Brad was Chief Executive and Group Executive, Westpac New Zealand from April 2007 until this appointment. Prior to joining Westpac, Brad was Chairman of GE Capital Bank and Chief Executive Officer 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 Chief Executive Officer of GE Consumer Finance UK in January 2003 and appointed Chairman of GE Capital Bank in April 2004.

Peter Hanlon BA (Comms), CTech (Aero Eng), AMP (Harvard). Age 53
Group Executive, Retail and Business Banking

Peter was appointed Group Executive, Retail and Business Banking in July 2008, with responsibility for the sales and service interactions for all consumers, small-to-medium enterprises and commercial customers in Australia. Prior to this position, he was Group Executive, Business Financial Services, responsible for business banking sales, relationship management, customer service, and product and risk management in Australia. Peter has held several other senior roles in Westpac, including General Manager roles in marketing, branch banking and consumer credit. Peter joined Westpac in 1995 from BankSA where he was the Chief Manager, Branch Sales and Service and Head of Strategic Marketing. Prior to his banking career, Peter served in The Royal Australian Air Force.

Bob McKinnon BCom, ACA, MAICD. Age 55
Group Executive, Technology

Bob joined Westpac as Group Executive, Technology in August 2008. Over a 36 year career, Bob has held a variety of senior executive and board roles in finance, technology and general management across the financial services and property industries. Until March 2008 he was Joint Managing Director and Chief Financial Officer of Brookfield Multiplex Group. Previously he was Group Executive, Technology and Chief Information Officer of Commonwealth Bank of Australia from 2000 to 2006 and prior to that Chief Executive of State Street Australia, Chief Financial Officer and Chief General Manager of MLC Group and Chief Financial Officer of Lend Lease Corporation. He is also currently a non-executive director of Alesco Corporation.

Bruce McLachlan BCA. Age 45
Acting Chief Executive Officer, Westpac New Zealand

Bruce was appointed Acting CEO New Zealand in June 2008. He was formerly General Manager, Consumer Banking New Zealand, from November 2007. Prior to that appointment, he held the role of General Manager, Business Banking for a period of five years. Bruce joined Westpac in 2000 as a project manager, moving into the role of Head of Private and Priority Banking in November 2000. Prior to Westpac, Bruce gained experience with the National Australia Bank in Melbourne, BNZ Finance and the Reserve Bank of New Zealand.

Rob Whitfield BCom, GradDipBanking, GradDipFin, AMP (Harvard). Age 43
Group Executive

Rob joined Westpac as a graduate in 1986, where he gained broad experience across most financial market products. Rob joined Group Treasury in 1993 and was appointed Group Treasurer in 2000. Rob became Chief Risk Officer in 2004 and joined the executive team in December 2005. From April 2007 Rob undertook advisory work for Westpac s Chief Executive in a part time capacity and recommenced a full time Group Executive role in January 2008 with responsibility for the oversight of the proposed merger with St.George Bank Limited.

Section 2

Four year summary

Four year summary(1)

(in $millions unless otherwise indicated)	2008	2007	2006	2005
Income statement year ended 30 September(2)				
Net interest income	7,222	6,313	5,642	5,259
Non-interest income	4,198	3,860	3,575	3,454
Net operating income before operating expenses and impairment charges	11,420	10,173	9,217	8,713
Operating expenses	(5,270)	(4,543)	(4,295)	(4,159)
Impairment charges	(931)	(482)	(375)	(382)
Profit from ordinary activities before income tax expense	5,219	5,148	4,547	4,172
Income tax expense	(1,287)	(1,630)	(1,422)	(1,223)
Net profit attributable to minority interests	(73)	(67)	(54)	(251)
Net profit attributable to equity holders	3,859	3,451	3,071	2,698
Balance sheet at 30 September(2)				
Loans	313,545	275,377	236,380	203,150
Other assets	126,003	102,276	65,094	63,113
Total assets	439,548	377,653	301,474	266,263
Deposits	233,730	202,054	169,637	149,252
Debt issues and acceptances	100,369	87,126	66,080	48,754
Loan capital	8,718	7,704	5,957	4,214
Other liabilities	76,959	62,938	43,702	47,150
Total liabilities	419,776	359,822	285,376	249,370
Shareholders equity and minority interest	19,772	17,831	16,098	16,893
Key Financial Ratios				
Shareholder value				
Dividends per ordinary share (cents)	142	131	116	100
Dividend payout ratio (%)	68.9	70.1	69.4	67.2
Return on average ordinary equity (%)	23.1	23.5	23.0	21.7
Earnings per share (cents)	206.0	186.9	167.2	148.9
Net tangible assets per ordinary share ($)(3)	7.87	6.96	6.12	5.69
Share price ($):				
High	31.32	28.69	25.35	21.40
Low	18.36	22.53	21.31	17.52
Close	21.48	28.50	22.71	21.10
Business Performance				
Operating expenses to operating income ratio (%)	46.1	44.7	46.6	47.7
Net interest margin	2.07	2.19	2.29	2.45
Productivity ratio(4)	4.09	4.01	4.01	4.00
Capital adequacy				
Total equity to total assets (%)	4.5	4.7	5.4	6.3
Total equity to total average assets (%)	4.9	5.4	5.7	6.6
Tier 1 ratio (%)	7.8	6.5	6.9	7.2
Total capital ratio (%)	10.8	9.5	9.6	9.7
Credit Quality				
Net impaired assets to equity and collectively assessed provisions (%)	3.0	1.4	1.5	1.9
Total provisions(5) to gross loans and acceptances (basis points)	69.0	61.6	63.0	84.0
Other information				
Points of bank representation (number at financial year end)	1,089	1,073	1,068	1,060
Core full time equivalent staff (number at financial year end)(6)	26,717	25,903	25,363	25,583

(1) This four year summary is prepared in accordance with A-IFRS. See also Additional Financial Information below.
(2) The above balance sheet and income statement extracts are derived from the consolidated financial statements included in this report.
(3) After deducting preference equity and goodwill and other intangible assets.
(4) Net operating income before operating expenses and impairment charges/salaries and other staff expenses (net of restructuring expenses).
(5) Includes the Australian Prudential Regulation Authority required capital deduction of $128 million (pre-tax) above A-IFRS provisioning levels at 30 September 2007, which forms part of the APRA termed General Reserve for Credit Losses.
(6) Core full-time equivalent staff includes overtime and pro-rata part time staff. It excludes staff on unpaid absences (e.g. maternity leave), temporary and contract staff.

Key information

Selected consolidated financial and operating data

We have derived the following selected financial information as of, and for the financial years ended, 30 September 2008, 2007, 2006 and 2005 from our audited consolidated financial statements and related notes which have been prepared in accordance with A-IFRS and International Financial Reporting Standards (IFRS) as issued by IASB.

This information should be read together with Operating and financial review and prospects , our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report.

We adopted the requirements of A-IFRS for the first time in preparing financial statements for the year ended 30 September 2006. In accordance with A-IFRS, we have restated the financial statements for our financial year ended 30 September 2005. Transitional provisions permitted financial instruments and insurance related assets and liabilities to be accounted for in accordance with AGAAP in 2005 and A-IFRS in 2006. Previously published financial statements for our financial year ended 30 September 2005, as well as all prior financial periods, were prepared in accordance with AGAAP. A-IFRS differs in certain material respects from AGAAP and, accordingly, financial statements for our financial years ended 30 September 2008, 2007, 2006 and 2005 prepared in accordance with A-IFRS are not comparable to the financial statements for 2005 and prior years prepared in accordance with AGAAP.

We have included in a separate section of this Annual Report (under the heading Additional financial information) selected consolidated financial and operating data as of and for the financial years ended 30 September 2005 and 2004 derived from our previously published financial statements prepared in accordance with AGAAP. We have displayed this data separately because this data is not comparable to data derived from financial statements prepared in accordance with A-IFRS.

We have also included in the Additional financial information section loans and provisions for bad and doubtful debts by industry classifications for the financial years ended 30 September 2007 and 2006 on the basis of presentation used in the 30 September 2007 Annual Report. We have displayed this separately because it is not directly comparable to the current year s presentation. In the 2008 financial statements we have modified the presentation of loans and provisions for bad and doubtful debts by industry to align external reporting with the basis of presentation for internal reporting. We restated the presentation for the year ended 30 September 2007, but it was impractical to restate the disclosure for the financial year ended 30 September 2006.

Financial review

Consolidated income statement

(in $millions unless otherwise indicated)	Year Ended 30 September 2008 US$(1)	2008 A$	2007 A$	2006 A$	2005 A$
Amounts in accordance with A-IFRS					
Interest income	22,986	29,081	22,075	18,091	15,544
Interest expense	(17,277)	(21,859)	(15,762)	(12,449)	(10,285)
Net interest income	5,709	7,222	6,313	5,642	5,259
Non-interest income	3,318	4,198	3,860	3,575	3,454
Net operating income before operating expenses and impairment charges	9,027	11,420	10,173	9,217	8,713
Operating expenses	(4,165)	(5,270)	(4,543)	(4,295)	(4,159)
Impairment charges	(736)	(931)	(482)	(375)	(382)
Profit before income tax	4,126	5,219	5,148	4,547	4,172
Income tax expense	(1,017)	(1,287)	(1,630)	(1,422)	(1,223)
Net profit for the year	3,109	3,932	3,518	3,125	2,949
Net profit attributable to minority interests	(58)	(73)	(67)	(54)	(251)
Net profit attributable to equity holders of Westpac Banking Corporation	3,051	3,859	3,451	3,071	2,698
Weighted average number of ordinary shares (millions)(2)	1,871	1,871	1,837	1,842	1,851
Basic earnings per ordinary share (cents)(2)	162.8	206.0	186.9	167.2	148.9
Dividends per ordinary share (cents)	112	142	131	116	100
Dividend payout ratio (%)(3)	68.9	68.9	70.1	69.4	67.2

Refer to page 72 for footnote explanations.

Selected consolidated balance sheet data

	Year Ended 30 September				
	2008 US$m(1)	2008 A$m	2007 A$m	2006 A$m	2005 A$m
Amounts in accordance with A-IFRS Year end balances					
Cash and balances with central banks	3,801	4,809	2,243	3,132	2,853
Due from other financial institutions	16,871	21,345	28,379	12,211	14,355
Trading securities, other financial assets and available-for-sale (2005: Investment securities)	34,536	43,694	24,505	17,811	14,464
Loans	247,826	313,545	275,377	236,380	198,286
Acceptances of customers(4)					4,864
Due to other financial institutions	12,537	15,861	9,133	12,051	10,654
Deposits	184,740	233,730	202,054	169,637	149,252
Trading liabilities and other financial liabilities designated at fair value	13,191	16,689	8,223	2,893	3,154
Total assets	347,419	439,548	377,653	301,474	266,263
Total liabilities excluding loan capital	324,900	411,058	352,118	277,523	245,156
Total loan capital(5)	6,891	8,718	7,704	5,957	4,214
Total liabilities	331,791	419,776	359,822	285,376	249,370
Net assets	15,628	19,772	17,831	16,098	16,893
Total equity attributable to equity holders of Westpac Banking Corporation(6),(7)	14,107	17,848	15,919	14,186	13,561
Minority interests	1,521	1,924	1,912	1,912	3,332
Average balances					
Total assets	317,320	401,468	332,512	283,663	256,690
Loans and other receivables	232,909	294,672	257,896	220,407	193,462
Acceptances of customers(4)					5,235
Shareholders equity(6),(7)	13,199	16,699	14,708	13,369	12,651
Minority interests	1,516	1,918	1,911	1,473	3,507

Refer to page 72 for footnote explanations.

Summary of consolidated ratios

(in $millions unless otherwise indicated)	2008 US$(1)	2008 A$	Year Ended 30 September 2007 A$	2006 A$	2005 A$
Ratios in accordance with A-IFRS					
Profitability ratios (%)					
Net interest margin(8)	2.07	2.07	2.19	2.29	2.45
Return on average assets(9)	0.96	0.96	1.04	1.08	1.05
Return on average ordinary equity(10)	23.1	23.1	23.5	23.0	21.7
Return on average total equity(11)	20.7	20.7	20.8	20.7	16.7
Capital ratio (%)					
Average total equity to average total assets	4.6	4.6	5.0	5.2	6.3
Total capital ratio(13)	10.8	10.8	9.5	9.6	9.7
Earnings ratios					
Basic earnings per ordinary share (cents)(2)	162.8	206.0	186.9	167.2	148.9
Fully diluted earnings per ordinary share (cents)(12)	158.2	200.1	185.3	165.7	147.2
Dividends per ordinary share (cents)	112	142	131	116	100
Dividend payout ratio (%)(3)	68.9	68.9	70.1	69.4	67.2
Credit quality ratios					
Impairment charges written off (net of recoveries)	347	439	349	270	331
Impairment charges written off (net of recoveries) to average loans (%)	0.15	0.15	0.14	0.12	0.16

(1) Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$0.7904, the Noon Buying Rate in New York on 30 September 2008. Amounts or ratios are in accordance with this conversion rate.

(2) Based on the weighted average number of fully paid ordinary shares outstanding, including nil New Zealand Class shares in 2008 (2007 nil, 2006 nil, 2005 41 million).

(3) Calculated by dividing the dividends per ordinary share by the basic earnings per ordinary share.

(4) Acceptances of customers are included in loans in 2008, 2007 and 2006.

(5) This includes Westpac Stapled Preferred Securities (SPS) and 2004 Trust Preferred Securities (2004 TPS) in 2008, 2004 TPS and Fixed Interest Resettable Securities (FIRsTS) in 2007 and 2006. In 2005 the instruments on issue were classified as minority interests.

(6) Includes New Zealand Class shares in 2005. Excludes minority interests.

(7) New Zealand Class shares were on issue until 11 July 2005, when they were fully exchanged for ordinary shares.

(8) Calculated by dividing net interest income (including tax equivalent gross up) by average interest earning assets.

(9) Calculated by dividing net profit attributable to our equity holders by average total assets.

(10) Calculated by dividing net profit attributable to our equity holders adjusted for distributions on New Zealand Class shares by average ordinary equity.

(11) Calculated by dividing net profit attributable to our equity holders by average ordinary equity and minority interests.

(12) Based on basic earnings per share, with the weighted average number of fully paid ordinary shares outstanding adjusted for the conversion of dilutive potential ordinary shares, issued for no consideration, and after adjusting earnings for distributions on dilutive potential ordinary shares.

(13) For details on the calculations of this ratio please refer to Note 31.

(14) The leverage ratio has been calculated in accordance with guidelines promulgated by the US Federal Reserve System. The ratio is calculated by dividing tier 1 capital by total average assets for leverage capital purposes in accordance with US GAAP.

Risk factors

Our business activities are subject to risks that can adversely impact our business, future performance and financial condition. You should carefully consider the risks and the other information in this Annual Report before investing in our securities. The risks and uncertainties described below are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us. If any of the following risks actually occur, our business, results of operations or financial condition could be materially adversely affected, with the result that the trading price of our securities could decline and you could lose all or part of your investment.

Risks relating to our business

Adverse credit and capital market conditions may significantly affect our ability to meet liquidity needs, adversely affect our access to international capital markets and increase our cost of funding

Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity for more than 12 months, reaching unprecedented levels of disruption in September and October 2008. We rely on credit and capital markets for funding our business. As of 30 September 2008, we obtained approximately 48% of our funding from wholesale domestic and international markets. We recently experienced higher funding costs and accessing wholesale markets, particularly in relation to longer-term securities, was more difficult as a result of the current adverse global capital market conditions. Continued instability in these market conditions may limit our ability to replace, in a timely manner, maturing liabilities and access the capital necessary to fund and grow our business.

In the event that our current sources of funding prove to be insufficient, we may be forced to seek alternative financing. The availability of such alternative financing will depend on a variety of factors, including prevailing market conditions, the availability of credit, our credit ratings and credit capacity. The cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect our results of operations, liquidity, capital resources and financial condition.

If Westpac is unable to source appropriate funding, we may be forced to reduce our lending or begin to sell liquid securities. There is no assurance that we can obtain favourable prices on some or all of the securities we offer for sale. The credit and capital market conditions could limit our ability to refinance maturing liabilities. Such actions could adversely impact our business, results of operations, liquidity, capital resources and financial condition.

For a more detailed description of liquidity risk, refer to the section Liquidity and funding .

Declining asset markets could adversely affect our operations or profitability

A continuation of the recent declines in global asset markets, including equity, property and other asset markets could impact our operations and profitability.

Declining asset prices impact our wealth management business and other asset holdings. In relation to our wealth management business, our earnings are in part dependant on asset values, such as the value of securities held, and a decline in asset prices could negatively impact the business viability of the division. Declining asset prices could also impact customers and the security we hold against loans which may impact our returns if customers were to default.

Our business is substantially dependent on the Australian and New Zealand economies and we can give no assurance as to the likely future state of such economies

Our revenues and earnings are dependent on economic activity and the level of financial services our customers require. In particular, lending is dependent on customer and investor confidence, the state of the economy, the home lending market and prevailing market interest rates in the countries in which we operate.

We currently conduct most of our business in Australia and New Zealand. Consequently, our performance is influenced by the level and cyclical nature of business and home lending activity in these countries. These factors are in turn impacted by both domestic and international economic and political events. Recent dislocation in capital markets has impacted global economic activity including the economies of Australia and New Zealand. This disruption has already led to a decrease in credit growth and a reduction in consumer and business confidence. A material downturn in the Australian and New Zealand economies could adversely impact our results of operations, liquidity, capital resources and financial condition. The economic conditions of other regions in which we conduct operations can also affect our future performance and have shown signs of deterioration.

An increase in defaults under our loan portfolio could adversely affect our results of operations, liquidity, capital resources and financial condition

Credit risk is a significant risk and arises primarily from our lending activities. The risk arises from the likelihood that a customer is unable to honour their obligations to us, including the repayment of loans and interest. Credit exposures also include our dealings with, and holdings of, debt securities issued by other banks and financial institutions whose conditions may be impacted to varying degrees by continuing turmoil in the global financial markets.

We hold collective and individually assessed provisions for impairment charges. If the current global financial markets turmoil and the economic downturn severely deteriorate, some customers could experience higher levels of financial stress and we may incur increased defaults and write-offs, and be required to increase our level of provisioning. Such actions could diminish available capital and could aversely affect our results of operations, liquidity, capital resources and financial condition.

For a discussion on our risk management procedures, including the management of credit risk, refer to the section Risk management .

There can be no assurance that actions of the Australian, New Zealand, United States and other foreign governments and other governmental and regulatory bodies to stabilise financial markets will achieve the intended effect

In response to the recent financial crises affecting the banking system and financial markets generally and deteriorating global financial conditions, on 12 October 2008, the Australian government announced that it will guarantee deposits and certain wholesale term funding of eligible Australian financial institutions. Similar stabilising actions have been announced by governments and regulatory bodies in New Zealand, the United States, United Kingdom, Europe and other jurisdictions. Refer to Significant developments Australian and New Zealand Guarantee Schemes .

The proposed Australian government guarantee of deposits and wholesale term funding has yet to be fully implemented and it is not possible to determine the extent to which the guarantee will apply to existing or future wholesale term funding issued by us. Similarly, the stabilisation packages announced by governments and regulators in New Zealand, the United States, United Kingdom, Europe and other jurisdictions are in many cases equally uncertain. There can be no assurance as to what impact such regulatory actions will have on financial markets, consumer and investor confidence, or the extreme levels of volatility currently being experienced. Further declines in consumer and investor confidence and continued uncertainty and volatility could materially adversely affect our business, financial condition and results of operations.

We face intense competition in all aspects of our business

We compete, both domestically and internationally, with asset managers, retail and commercial banks, investment banking firms, brokerage firms, and other investment service firms. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. In recent years, competition has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. We expect these trends to continue. If we are unable to compete effectively in our various businesses and markets, our business, results of operations and financial condition may be adversely affected. For more detail on how we address competitive pressures refer to the section Competition .

We could suffer losses due to market volatility

We are exposed to market risk as a consequence of our trading activities in financial markets and through the asset and liability management of our overall financial position. In our financial markets trading business, we are exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates and commodity and equity prices. The recent levels of market volatility increased our estimated earnings at risk as measured by Value at Risk (VaR). If we were to suffer substantial losses due to any such market volatility, including the volatility brought about by the current global credit crisis, it would adversely affect our results of operations, liquidity, capital resources and financial condition.

For a discussion of our risk management procedures, including the management of market risk, refer to the section Risk management .

We could suffer losses due to operational risks

As a financial services organisation we are exposed to a variety of other risks including those resulting from process error, fraud, system failure, security and physical protection, customer services, staff skills and performance and product development and maintenance. Operational risks can directly impact our reputation and result in financial losses which could adversely affect our financial performance or financial condition.

For a discussion of our risk management procedures, including the management of operational risk, refer to the section Risk management .

Our businesses are highly regulated and we could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to us as an institution. All of our businesses are highly regulated in the jurisdictions in which we do business. We are responsible for ensuring that we comply with all applicable legal and regulatory requirements (including changes to accounting standards refer to sections Accounting standards and Critical accounting estimates) and industry codes of practice, as well as meeting our ethical standards. The nature and impact of future changes in such policies are not predictable and are beyond our control. It is likely that the recent global financial crisis will lead to changes in regulation in most markets in which we operate, particularly for financial companies. Changes in regulations or regulatory policy could adversely affect one or more of our businesses and could require us to incur substantial costs to comply. The failure to comply with applicable regulations could result in fines and penalties or limitations on our ability to do business. These costs, expenses and limitations could have a material adverse affect on our business, financial performance or financial condition.

Reputational damage could harm our business and prospects

Various issues may give rise to reputational risk and cause harm to our business and our prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices and conduct by companies in which we hold strategic investments. Failure to address these issues appropriately could also give rise to additional legal risk, subject us to regulatory enforcement actions, fines and penalties, or harm our reputation among our customers and our investors in the marketplace.

Failure to maintain our credit ratings could adversely affect our cost of funds, liquidity, competitive position and access to capital markets

The credit ratings assigned to us by rating agencies are based on an evaluation of a number of factors, including our financial strength. In light of the difficulties in the banking sector and financial markets, the rating agencies have indicated they are watching global developments closely and if conditions continue to deteriorate, they have indicated that they may adjust the rating outlook of some Australian banks. In addition, a credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events. If we fail to maintain our current corporate credit ratings, this could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets.

We could suffer losses if we fail to syndicate or sell down underwritten equities

As a financial intermediary we underwrite listed and unlisted equities. Equity underwriting activities include developing solutions for corporate and institutional customers who have a demand for equity capital and investor customers who have an appetite for equity-based investment products. We may guarantee the pricing and placement of these facilities. We could suffer losses if we fail to syndicate or sell down our risk to other market participants.

Other risks

Other risks that can impact our performance include insurance risk, model risk, business risk and contagion risk. Refer to the section Corporate governance for more information on these risks.

Risks relating to completion of the proposed merger with St.George

Completion of the proposed merger with St.George is subject to certain conditions. There can be no assurance that these conditions will be satisfied, that the merger will be approved by St.George shareholders or that we will complete the merger

The merger and certain amendments to the constitution of St.George are required to be approved by the requisite majorities of the shareholders of St.George. In addition to the approvals, the conditions to the completion of the merger include: the absence

of specified material adverse changes in respect of the consolidated net assets, cash profits or loan impairments expense of St.George or Westpac; the absence of events that have a material adverse effect on the ability of St.George or Westpac to perform its obligations under the merger implementation agreement between Westpac and St.George (Merger Implementation Agreement); the absence of certain prescribed actions on the part of St.George or Westpac; and the absence of injunctions or other restrictions on the completion of the merger.

There can be no assurance that any or all of these approvals and conditions will be satisfied, and that the merger will be completed. If the merger has not been completed by 31 December 2008, each of Westpac and St.George has a termination right under the Merger Implementation Agreement, and we cannot assure you that such a right will not be exercised.

We may be unable to complete the merger if St.George receives a merger proposal from another party before the merger is completed

St.George may receive a merger proposal from another party before the merger is completed. While the Merger Implementation Agreement contains certain exclusivity provisions, those provisions do not prevent another party from making a competing merger proposal for St.George. If any competing proposal is superior to Westpac s proposal, the board of directors of St.George may choose to recommend the competing proposal, in which case Westpac may terminate the Merger Implementation Agreement and the merger would not proceed. If such circumstance eventuated, Westpac would not realise the anticipated benefits of the merger and would not be able to recover any costs associated with the merger, except that St.George has agreed to reimburse Westpac $100 million for its costs in certain circumstances.

Other risks relating to the proposed merger and integration

We may fail to realise the business growth opportunities, cost savings and other benefits anticipated from, or may incur unanticipated costs associated with, the merger and our results of operations, financial condition and the price of our securities may suffer

As a result of the merger with St.George, we expect to increase our sales and reduce operating expenses of the combined business. In order to achieve these synergies we estimate we will incur approximately $700 million in integration costs. See Significant Developments Proposed merger with St.George Bank Limited .

There is no assurance that we will be able to achieve the business growth opportunities, cost savings and other benefits we anticipate from the merger with St.George. This may be because the assumptions upon which we assessed the merger, including the anticipated benefits and the factors we used to determine the merger consideration, may prove to be incorrect.

Unanticipated delays in the completion of the merger and the integration of our operations may impact our assumptions regarding the benefits we expect to derive from the merger and may delay such benefits. In addition, we may incur greater costs than we have estimated in connection with the integration.

If we fail to achieve the business growth, cost-savings and other benefits we anticipate from the merger, or we incur greater integration costs than we have estimated, our results of operations, financial condition and the price of our securities may be adversely affected.

We may become subject to unknown liabilities of St.George, which may have an adverse effect on our financial condition and results of operations

In determining the terms and conditions of the merger, we used publicly available information relating to St.George. This information has not been subject to verification by us or our directors. In addition, we were able to carry out only a limited due diligence exercise in respect of the business of St.George. As a result, after the completion of the merger, we may be subject to unknown liabilities of St.George, which may have an adverse effect on our financial condition and results of operations.

The integration of our operations and those of St.George following the merger presents significant challenges that could delay or diminish the anticipated benefits of the merger

There are risks associated with the integration of two organisations of the size of Westpac and St.George. Particular areas of risk include: difficulties or unexpected costs relating to the integration of technology platforms, financial and accounting systems, risk management systems and management systems of two organisations; difficulties or unexpected costs in realising synergies from the consolidation of head office and back office functions; higher than expected levels of customer attrition or market share loss arising as a result of the proposed merger; unexpected losses of key personnel during or following the integration of the two businesses; possible conflict in the culture of the two organisations and decrease in employee morale; and potential damage to the reputation of brands due to actions from competitors, media and lobby groups in relation to the proposed merger.

In addition, senior management of Westpac may be required to devote significant time to the process of integrating Westpac and St.George, which may decrease the time they have to manage the combined business. If any of these risks should occur, or if there are unexpected delays in the integration process, the anticipated benefits of the merger may be delayed, achieved only in part, or not at all or at greater cost, which could have an adverse affect on our results of operations or financial condition.

The proposed merger may result in additional concentration risk in the lending books of the combined business

The lending books of each of Westpac and St.George have exposures to a range of clients, assets, industries and geographies which when combined could result in additional concentration risk.

Continued implementation of changes to Westpac s organisational structure may adversely impact the financial performance of the combined business

In July 2008, Westpac announced changes to its organisational structure. These changes align Westpac s structure with the proposed operating model for the combined business and their continued implementation will be appropriately sequenced with the merger as part of an overall transformation plan. These changes are significant, both in scale and investment requirements, and are likely to continue to be implemented at the same time as integrating St.George s business. The continuing implementation of these changes will require the attention of senior management. As a result, there may be some diversion of senior management and this may lead to lower sales productivity and additional customer attrition, potentially impacting the financial performance of the combined business.

Operating and financial review and prospects

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Where forward-looking statements are made, our actual results may differ significantly from the results discussed. For a description of factors that may affect our results, refer to sections Disclosure regarding forward-looking statements , Risk factors and Risk management .

Accounting standards

The financial statements included in this report have been prepared in accordance with the accounting policies described in Note 1 to the financial statements, being in accordance with A-IFRS and they also comply with IFRS as issued by the IASB.

Recent accounting developments Australia

Adoption of A-IFRS

Westpac adopted A-IFRS with effect from 1 October 2005, with certain comparatives being restated with effect from 1 October 2004. Where Westpac has presented comparative information for the financial year ended 30 September 2005, the accounting for financial instruments and certain insurance related assets and liabilities have been accounted for under AGAAP, in accordance with applicable transition rules, while from 2006 and onwards, this was in accordance with A-IFRS.

Adoption of new and revised Accounting Standards

AASB 7 Financial Instruments Disclosures (AASB 7) and an amendment to AASB 101 Presentation of Financial Statements (AASB 101), covering capital disclosures have been adopted in the 2008 financial statements, resulting in new or revised disclosures. The additional disclosures required are principally contained in Note 28 to the financial statements.

Amendments to AASB 124 Related Parties (AASB 124) permits certain Director and Key Management personal compensation disclosures to be included as part of the Remuneration Report and omitted from the financial statements. The amendments are effective in the current year and the information now included in the Remuneration Report is still covered by the audit opinion.

Future accounting developments

Interpretation 13 Customer Loyalty Programmes (Interpretation 13) is effective for the 30 September 2009 financial year end. Interpretation 13 addresses how companies that grant their customers loyalty award credits when buying goods and services should account for their obligation to provide free or discounted goods and services, if and when the customers redeem the points. Interpretation 13 requires the entity to allocate some of the proceeds of the initial sale to award credits and recognise these proceeds as revenue when the provision of free goods or services is fulfilled. The guidance will result in the remeasurement and reclassification of the existing credit card loyalty provision to deferred income. Deferred income will be recognised as revenue when the expense of providing rewards is incurred. It is expected that there will be some further delay in the timing of the recognition of revenue attributed to the credit card loyalty programme going forward. This guidance is not expected to have a material impact to the Group.

A revised AASB 3 Business Combinations (AASB 3) and amended AASB 127 Consolidated and Separate Financial Statements (AASB 127) were issued by the Australian Accounting Standards Board (AASB) in March 2008. The revisions to the standards apply prospectively to business combinations and will be effective for the 30 September 2010 financial year end. The main changes under the standards are that:

- acquisition related costs are recognised as an expense in the income statement in the period they are incurred;

- earn-outs and contingent considerations will be measured at fair value at the acquisition date, however remeasurement in the future will be recognised in the income statement;

- step acquisitions, impacting equity interests held prior to control being obtained, are remeasured to fair value, with gains and losses being recognised in the income statement. Similarly where control is lost, any difference between the fair value of the residual holding and its carrying value is recognised in the income statement; and

- while control is retained, transactions with minority interests would be treated as equity transactions.

AASB 101 is a revised standard applicable to the Group in the 2010 financial year. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

Amendments to AASB 132 Financial Instruments: Presentation (AASB 132) and AASB 101 were issued in February 2008 and will require some puttable financial instruments and some financial instruments, which impose on the entity an obligation to deliver to another party a pro rata share of the net assets on liquidation, to be classified as equity. The amendment is applicable to the Group in the 2010 financial year and is not expected to have a material impact.

AASB 8 Operating Segments (AASB 8) was issued in February 2007. The standard applies to the Group for the 2010 financial year. The standard replaces AASB 114 Segment Reporting (AASB 114) and will further align operating segment reporting with internal reporting to key management personnel.

In response to the credit crisis the IASB and subsequently the AASB, amended to AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) in October 2008. The amendments permit entities to reclassify non-derivative financial assets out of fair value through profit or loss or available for sale in certain rare circumstances, which arise from a single event that is unusual and highly unlikely to reoccur in the near term. Westpac has not made use of this amendment in its 30 September 2008 financial statements and is considering whether to make use of the amendment in its 2009 financial statements.

Critical accounting estimates

Our reported results are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the income statement and the balance sheet. Our principle accounting policies are disclosed in Note 1 to the Financial Statements. Note 1 also includes a description of our critical accounting assumptions and estimates. We have discussed the development and selection of the critical accounting estimates with our Board Audit Committee. We consider that the following areas involve our most critical accounting estimates:

Fair value of financial instruments

Financial instruments classified as held-for-trading, designated at fair value through profit or loss or financial assets classified as available-for-sale are recognised in the financial statements at fair value. All derivatives are measured and recognised at fair value. As far as possible, financial instruments are valued with reference to quoted, observable market prices or by using models which employ observable valuation parameters. Where valuation models rely on parameters for which inputs are not observable, judgments and estimation may be required.

As at 30 September 2008, the fair value of trading securities, financial assets designated at fair value through profit and loss, available-for-sale securities and life insurance assets was $56,241 million. The fair value of trading liabilities, financial liabilities designated at fair value through profit and loss and deposits was $76,700 million. The fair value of outstanding derivatives was $9,840 million net asset (2007 $884 million net liability). The fair value of life insurance assets of $12,547 million was substantially based on quoted market prices. The fair value of financial assets determined by valuation models that did not use observable market prices was $442 million. The fair value of other financial assets and financial liabilities, including derivatives, is largely determined by valuation models using observable market prices and rates. Where observable market inputs are not available, day one profits or losses are not recognised.

We believe that the judgments and estimates used are reasonable in the current market, however, a change in these judgments and estimates would lead to different results as future market conditions can vary from those expected.

Provisions for impairment charges

Provisions for loan impairment charges represent management s best estimate of the losses incurred in the loan portfolios as at the balance date. There are two components of our loan impairment provisions, individually assessed provisions and collectively assessed provisions.

In determining the individual component all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects of the customer, the realisable value of collateral, our position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments and estimates can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are made.

The collective component is established on a portfolio basis taking into account the level of arrears, collateral, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are estimated loss rates and related emergence periods. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

As at 30 September 2008, gross loans to customers were $315,490 million and the provision for impairment on loans was $1,945 million.

Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the identifiable net assets of acquired businesses. The determination of the fair value of the assets and liabilities of acquired businesses requires the exercise of management judgment. Different fair values would result in changes to the goodwill and to the post-acquisition performance of the acquisitions.

Additionally, goodwill is tested for impairment annually by determining if the carrying value of the cash generating unit (CGU) that it has been allocated to is recoverable. The recoverable amount is the higher of the CGU s fair value and its value in use. Determination of appropriate cash flows and discount rates for the calculation of the value in use is subjective. As at 30 September 2008, the carrying value of goodwill was $2,425 million.

Superannuation obligations

The actuarial valuations of our defined benefit plans obligations are dependant upon a series of assumptions, the key ones being price inflation, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations and the superannuation cost charged to the income statement.

The superannuation deficit across all our plans as at 30 September 2008 was $473 million (2007 deficit of $116 million). This comprises net recognised liabilities of $95 million (2007 $274 million) and unrecognised actuarial losses of $378 million (2007 actuarial gains of $158 million).

Provisions (other than loan impairment charges)

Provisions are held in respect of a range of obligations such as employee entitlements, restructuring costs, non-lending losses, impairment charges on credit commitments, and surplus lease space. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. Provisions for taxation held in respect of uncertain tax positions represents the tax benefits at risk associated with specific transactions. The assessment of the amount of tax benefits at risk involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Related party disclosures

Details of our related party disclosures are set out in Note 41 to the financial statements and details of Directors interests in securities are set out in Note 42 to the financial statements. The related party disclosures relate principally to transactions with our Directors and Director-related parties as we do not have individually significant shareholders and our transactions with other related parties are not significant.

Other than as disclosed in Note 42 to the financial statements, if applicable, loans made to parties related to Directors and other key management personnel of Westpac are made in the ordinary course of business on normal terms and conditions (including interest rates and collateral). Loans are made on the same terms and conditions (including interest rates and collateral) as apply to other employees and certain customers in accordance with established policy. These loans do not involve more than the normal risk of collectability or present any other unfavourable features.

Auditors remuneration

Auditors remuneration, including goods and services tax, to the external auditor for the years ended 30 September 2008 and 2007 is summarised from Note 34 to the financial statements as follows:

	2008 $ 000	2007 $ 000
Audit fees	13,486	12,733
Audit-related fees	1,406	1,885
Tax fees	150	167
All other fees	807	559

The external auditor, PricewaterhouseCoopers, also provides audit and non-audit services to non-consolidated entities including trusts of which a Westpac Group entity is trustee, manager or responsible entity and non-consolidated superannuation funds or pension funds. The fees in respect of these services were approximately $3.8 million in total (2007 $4.9 million). PricewaterhouseCoopers may also provide audit and non-audit services to other entities in which Westpac holds a minority interest, and which are not consolidated. Westpac is not aware of the amount of any fees paid by those entities.

Audit related services

None of the fees paid by Westpac to PricewaterhouseCoopers in the year ended 30 September 2008 were approved by the Board Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X of the US securities laws. No other fees paid by Westpac to PricewaterhouseCoopers in that year were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Westpac Group Secretariat continually monitors the application of the pre-approval process in respect of non-audit services provided by PricewaterhouseCoopers and promptly brings to the attention of the Board Audit Committee any exceptions that need to be approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X. Westpac Group Secretariat ensures the pre-approval guidelines are communicated to the Westpac s business units through publication on the Westpac intranet.

Overview of performance

	2008 $m	2007 $m	2006 $m
Net interest income	7,222	6,313	5,642
Non-interest income	4,198	3,860	3,575
Net operating income before operating expenses and impairment charges	11,420	10,173	9,217
Operating expenses	(5,270)	(4,543)	(4,295)
Impairment charges	(931)	(482)	(375)
Profit from ordinary activities before income tax expense	5,219	5,148	4,547
Income tax expense	(1,287)	(1,630)	(1,422)
Net profit attributable to minority interests	(73)	(67)	(54)
Net profit attributable to equity holders	3,859	3,451	3,071
Earnings per share (cents): Basic	206.0	186.9	167.2
Earnings per share (cents): Fully diluted	200.1	185.3	165.7

Overview of performance

2008 v 2007

Net profit attributable to equity holders was $3,859 million in 2008, an increase of $408 million or 12% compared to 2007. The result was driven by growth in net operating income before operating expenses of 12%. Expense growth was 16%. BFS contributed $106 million of the increase in net profit attributable to equity holders, CFS contributed $74 million, New Zealand Banking contributed $2 million and other business units including Group Treasury, Pacific Banking, Business Technology

Solutions and Services and Head Office Functions contributed $301 million. The favourable results were partially offset by decreased contributions of $22 million by WIB and $53 million by BTFG.

Net interest income increased $909 million or 14% compared to 2007 resulting from Consumer and Business volume growth in both Australia and New Zealand, with a 14% increase in loans and a 16% increase in deposits, partly offset by a 12 basis point decline in net interest margin.

Non-interest income growth of $338 million or 9% resulted from a 6% increase in fees and commissions, an 11% increase in trading income and a $440 million increase in other income, including gains from the partial sale of BTIM and gains from the sale of a portion of our interest in Visa Inc. in relation with its initial public offering. These increases were partially offset by a $281 million decrease in wealth management and insurance income.

Expenses increased by $727 million or 16% in 2008 largely driven by a 14% increase in staff expenses, increased property expenses and an increase of $36 million in expenses from the operation of the RAMS franchise distribution business acquired in January 2008. The full year expense position also includes one-off expenses and restructuring costs of $323 million(1), and $13 million of costs relating to the proposed merger with St.George.

Impairment charges increased by $449 million or 93%, primarily due to the impact of both the larger loan portfolio and deteriorating credit environment which has seen higher interest rates and slowing economies in Australia and New Zealand. Institutional impairment charges increased from a small number of single name exposures, and impaired loans increased in the small and medium business sectors in Australia and New Zealand. These dynamics drove new individually assessed provisions $317 million higher and new collectively assessed provision increased by $162 million. Higher provisions included a $76 million additional to the Group economic overlay provision in recognition of the deteriorating operating conditions for financial institutions.

2007 v 2006

Net profit attributable to equity holders was $3,451 million in 2007, an increase of $380 million or 12% compared to 2006. The Group s result was characterised by strong net operating income before operating expenses and impairment charges growth of 10%, with contributions from all our business units. Expense growth was 6%. Both impairment charges and income tax expense increased over 2006. BFS contributed $94 million of the increase in net profit attributable to equity holders, CFS contributed $150 million, Institutional Bank $89 million, BTFG $75 million, and New Zealand Banking s contribution in A$ terms was down by $5 million. The Other segment s contribution decreased by $23 million compared to 2006.

Net interest income increased $671 million or 12% compared to 2006 resulting from strong Consumer and Business volume growth in both Australia and New Zealand, with a 16% increase in loans and 19% increase in deposits, partly offset by a 10 basis point decline in net interest margin.

Non-interest income growth of $285 million or 8% benefited from a 4% increase in fees and commissions, a 16% increase in wealth management and insurance income and a 26% increase in trading income. This was somewhat offset by a reduction in other income, which included the profit from the sale of the sub-custody business in 2006.

Expenses increased by $248 million or 6% in 2007 largely driven by a 10% increase in staff expenses supporting additional customer serving employees, increased customer volumes and performance related incentive payments. Technology and software amortisation increased by $21 million compared to 2006.

Impairment charges increased by $107 million or 29% in line with strong loan growth combined with modest deterioration consistent with the economic environment and tightening of monetary policy.

Income statement review

Net Interest income

	2008 $m	2007 $m	2006 $m
Interest income	29,081	22,075	18,091
Interest expense	(21,859)	(15,762)	(12,449)
Net interest income	7,222	6,313	5,642
Increase/(decrease) in net interest income			
Due to change in volume	812	380	(214)
Due to change in rate	97	291	597
Change in net interest income	909	671	383

2008 v 2007

Net interest income was $7,222 million in 2008, an increase of $909 million or 14% compared to 2007.

The key driver for this growth was the 20% increase in average interest earning assets partially offset by a 12 basis point decrease in interest margins. Of the 20% increase in average interest earning assets, 7% was due to the full period impact of increased liquid asset holdings. Holding additional liquid assets had minimal impact on net interest income.

(1) Westpac incurred one-off expenses of $323 million in the six months ended 30 September 2008 in relation to efficiency initiatives and capitalised expense reviews. This programme of work is being conducted independently of the proposed merger with St.George although the changes are highly complementary.

Growth in net loans over the year was 14% compared to growth of 20% in average interest earning assets. In Australia, net loan growth was $36.7 billion or 16% over the prior year. In New Zealand, net loans increased by 9% (NZ$ terms) and by 7% in A$ terms.

Key drivers of the growth in net loans in 2008 were:

- consumer lending in CFS up 13%, or $17.8 billion, predominately in housing;
- business lending in BFS up 17%, or $9.3 billion driven by relatively strong growth in the Western Australia, Queensland and Victoria regions;
- corporate lending in WIB up 17%, or $7.9 billion, with market developments driving strong demand for bank finance in the first half, whilst lower demand from corporates from May 2008 led to marginal growth in the second half; and
- New Zealand lending up 9% or NZ$3.8 billion, with particularly strong business lending growth.

Total deposits, including treasury deposits, increased 16%, or $31.7 billion, since 30 September 2007. Excluding treasury deposits, deposits increased 14% or $20.1 billion. In Australia, growth in deposits in CFS and BFS of 22% and 5% respectively, was driven by growth in term deposits in CFS (up $11.9 billion) from both consumer and business customers, and growth in on-line savings balances in BFS. WIB deposits increased 33% or $2.8 billion, mainly due to growth in domestic corporate deposits. In New Zealand, deposits were up 9% (NZ$ terms), resulting from growth in term deposits.

Treasury deposits increased $11.6 billion (19%), supporting the strong customer loan growth and increased holdings of liquid assets.

Net interest margin for the year ended 30 September 2008 was 2.07%, 12 basis points lower than the equivalent margin for the year ended 30 September 2007. The major drivers of this decline include the difference between increases in wholesale funding costs net of any re-pricing of lending facilities and the full year impact of the increase in liquid assets.

The components of the margin decline of 12 basis points were:

- a decrease in asset spread/mix of 6 basis points, driven by:

- 4 basis point decrease in asset spreads as a result of higher wholesale funding costs. While loans were re-priced through the period, the magnitude of these increases were insufficient to fully cover the increase in the wholesale funding costs; and

- 2 basis point decrease due to mix impacts from a higher proportion of relatively lower margin fixed rate mortgage loans in Australia and New Zealand and lower growth in the credit card portfolio.

- an increase in liability spread/mix of 2 basis points driven by:

- 4 basis point increase in deposit spreads; and

- 2 basis point decrease due to mix changes driven by the migration to higher interest deposit accounts in Australia and New Zealand.

- reduced margins in Treasury from the full period impact of increases in liquid asset holdings. Holding more liquid assets increases average interest earning assets but has minimal impact on net interest income. These higher balances more than offset the higher interest income from Treasury risk management activities.

Partially offset by:

- a 1 basis point positive impact on margins due to the higher proportion of WIB Markets income being recognised in net interest income; and

- higher earnings on Group s Capital generating a positive impact of 1 basis point.

2007 v 2006

Net interest income was $6,313 million in 2007, an increase of $671 million or 12% compared to 2006.

The key driver for this growth was the 17% increase in average interest earning assets and the 18% increase in average interest bearing liabilities, offset by a 10 basis point decrease in margins.

Growth in net loans over the year was 16% compared to growth of 17% in average interest earning assets. In Australia, net loan growth was $30.8 billion or 16% over the prior year. In New Zealand, net loans increased by 21% (NZ$ terms) and by 18% in A$ terms.

Key drivers of the growth in net loans over 2007 were:

- CFS net loans up 12%, predominantly in housing, which was up 12%;

- BFS lending up 16%, with growth across all segments supported by increases in customer serving employees;

- Institutional Bank up 33% following increased customer demand and limited opportunities for customers to access capital markets in the last quarter;

- lending in BTFG grew 36%, with margin lending up $1.3 billion; and

- New Zealand Banking lending up NZ$6.1 billion (17%) driven by housing and business lending.

Total deposits, including short term wholesale funding, increased 19% or $31.5 billion since 30 September 2006, in line with growth in average interest bearing liabilities. Excluding wholesale funding, deposits increased 13% or $15.9 billion. This increase was largely a result of deposit growth in our Australian and New Zealand operations. In Australia, growth in deposits in BFS and CFS of 15% and 11% respectively was driven by growth in online deposit accounts, with the BFS result also boosted by growth in corporate cash accounts. In New Zealand, deposits were up 15% (NZ$ terms), resulting from growth in consumer online deposit accounts and term deposits.

Group Treasury short term wholesale funding increased $15.6 billion (33%), in part to fund increased holdings of liquid assets.

Net interest margin for the year ended 30 September 2007 was 2.19%, ten basis points lower than the equivalent margin for the year ended 30 September 2006. A positive outcome was the slowdown in combined asset and liability margin decline in our Consumer and Business areas in our Australian and New Zealand core banking businesses. The decline moderated from ten basis points in 2006 to eight basis points in 2007.

The components of the margin decline of ten basis points were:

- a decrease in asset spread/mix of seven basis points, driven by:

- 6 basis point decrease from additional competitive pressure on new business combined with new business being written at lower spreads than spreads on the existing book. Spread compression slowed in the second half; and

- 1 basis point decrease due to mix impacts from a higher proportion of fixed rate loans in Australia and New Zealand and low rate credit cards in Australia.

- a decrease in liability spread/mix of one basis point, driven by:

- 6 basis point increase in liability spreads (five basis points in Australia and one basis point in New Zealand); and

- 7 basis point decrease from product mix changes, primarily the migration to higher interest online deposit accounts in Australia and New Zealand.

- 4 basis point margin mix impact of growing lower margin institutional assets faster than higher margin consumer and business loans.

This was partially offset by:

- Treasury had a one basis point positive impact on margins despite increased funding costs over the latter months of the year; and

- the impact of the credit card over-accrual correction in 2006 had a one basis point positive impact on margins in the current year.

Interest spread and margin

	2008 $m	2007 $m	2006 $m
Group			
Net interest income	7,222	6,313	5,642
Tax equivalent gross up(1)	72	101	111
Net interest income (including gross up)	7,294	6,414	5,753
Average interest earning assets	351,657	292,417	250,703
Average interest bearing liabilities	334,865	274,955	233,016
Average net non-interest bearing liabilities and equity	16,792	17,462	17,687
Interest spread(2)	1.76%	1.85%	1.92%
Benefit of net non-interest bearing liabilities and equity(3)	0.31%	0.34%	0.37%
Net interest margin(4)	2.07%	2.19%	2.29%

(1) We have entered into various tax effective financing transactions that derive income that is subject to a reduced rate of income tax. The impact of this is reflected in lower income tax expense and interest income. In order to provide improved comparability, this income is presented on a tax equivalent basis using the applicable tax rate of the geography in which the transaction is booked.

(2) Interest spread is the difference between the average yield (including tax equivalent gross up) on all interest earning assets and the average rate paid on all interest bearing liabilities.

(3) The benefit of net non-interest bearing liabilities and equity is determined by applying the average rate of interest paid on all interest bearing liabilities to the average level of net non-interest bearing funds as a percentage of average interest earning assets.

(4) Net interest margin is calculated by dividing net interest income (including tax equivalent gross up) by average interest earning assets.

Non-interest income

	2008 $m	2007 $m	2006 $m
Net fees and commissions	1,939	1,832	1,766
Trading income	732	660	525
Wealth management and insurance income	978	1,259	