WESTPAC BANKING CORP
Form 20-F
November 13, 2009

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, 2009

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: **4.20% Notes Due February 27, 2015 and 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	**2,940,946,145 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 x No o

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

The Westpac Group Annual Report 2009

Westpac Banking Corporation

ABN 33 007 457 141

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

Table of contents

Annual Report	
Form 20-F cross-reference index	2
Guide 3 cross-reference index	4
Section 1	**5**
Information on Westpac	6
Corporate governance	13
Directors report	29
Section 2	**67**
Five year summary	68
Reading this report	69
Review of Group operations	71
Income statement review	73
Balance sheet review	82
Capital resources	87
Commitments	89
Divisional performance	90
Westpac Retail and Business Banking	91
St.George Bank	92
BT Financial Group (Australia)	93
Westpac Institutional Bank	94
New Zealand Banking	96
Other divisions	97
Risk and risk management	102
Other Westpac business information	116
Additional financial information	118
Section 3	**121**
Financial statements	122
Notes to the financial statements	126
Statutory statements	278
Section 4	**285**
Shareholding information	286
Additional information	295
Information for shareholders	300
Glossary of abbreviations	302

In this Annual Report references to Westpac , Group , The 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.

In this Annual Report references to St.George are to St.George Bank Limited ABN 92 055 513 070 and its subsidiaries unless they clearly mean just St.George Bank Limited.

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

1

Form 20-F cross-reference index

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

20-F item number and description		Page
Part I		
Item 1.	Identity of directors, senior management and advisers	Not applicable
Item 2.	Offer statistics and expected timetable	Not applicable
Item 3.	Key information	
	Selected financial data	68, 73, 82-83, 298
	Capitalisation and indebtedness	Not applicable
	Reasons for the offer and use of proceeds	Not applicable
	Risk factors	102-105
Item 4.	Information on Westpac	
	History and development of Westpac	6-10
	Business overview	6-12
	Organisational structure	6-7, 259-263
	Property, plant and equipment	116-117
Item 4A.	Unresolved staff comments	Not applicable
Item 5.	Operating and financial review and prospects	
	Operating results	71-86, 90-101, 142-144
	Liquidity and capital resources	87-88, 109-110, 113
	Research and development, patents, licences etc.	Not applicable
	Trend information	73-86, 90-101
	Off-balance sheet arrangements	113
	Tabular disclosure of contractual obligations	89
	Safe harbor	69
Item 6.	Directors, senior management and employees	
	Directors and senior management	29-35, 37-38
	Compensation	41-63, 265-273
	Board practices	15-26, 29-32
	Employees	116
	Share ownership	37-38, 265-273
Item 7.	Major equity holders and related party transactions	
	Major equity holders	286-290
	Related party transactions	117, 265
	Interests of experts and counsel	Not applicable
Item 8.	Financial information	
	Consolidated statements and other financial information	121-282
	Significant changes	8-10, 277
Item 9.	The offer and listing	290
Item 10.	Additional information	
	Share capital	Not applicable
	Memorandum and articles of association	295-297
	Material contracts	251-252
	Exchange controls	291-292
	Taxation	292-294
	Dividends and paying agents	Not applicable
	Statements by experts	Not applicable
	Documents on display	297
	Subsidiary information	Not applicable
Item 11.	Quantitative and qualitative disclosures about market risk	106-108, 111-112, 229-232
Item 12.	Description of securities other than equity securities	Not applicable

2

Part II		
Item 13.	Defaults, dividend arrearages and delinquencies	None
Item 14.	Material modifications to the rights of security holders and use of proceeds	None
Item 15.	Controls and procedures	115, 279, 282
Item 16A.	Audit committee financial expert	21-22
Item 16B.	Code of ethics	19-20
Item 16C.	Principal accountant fees and services	22, 250
Item 16D.	Exemptions from the Listing Standards for audit committees	Not applicable
Item 16E.	Purchases of equity securities by the issuer and affiliated purchasers	88, 179-180, 193
Item 16F	Change in Registrant s Certifying Accountant	Not applicable
Item 16G	Corporate Governance	13
Part III		
Item 17 & 18	Financial statements	121-277
Item 19.	Exhibits	
Consolidated income statements for the years ended 30 September 2009, 2008 and 2007		122
Consolidated balance sheets as at 30 September 2009 and 2008		123
Consolidated statements of recognised income and expense for the years ended 30 September 2009, 2008 and 2007		124
Consolidated statements of cash flows for the years ended 30 September 2009, 2008 and 2007		125
Notes to the financial statements		126-277
Management s report on internal control over financial reporting		279
Report of independent registered public accounting firm		280-282

Guide 3 cross-reference index

	Page
Part I Distribution of assets, liabilities and stockholder s equity: interest rates and interest differential	
Average balance sheets	82, 194-197
Analysis of net interest earnings	74-75, 79, 194-197
Volume and rate movement	74, 194-197
Part II Investment portfolio	
Book value of investments	154-155
Maturity profile	156, 226-227
Book value and market value > 10% of shareholders	154
Part III Loan portfolio	
Types of loans	118, 157-158
Maturities and sensitivities of loans to changes in interest rates	159-160
Risk elements	
Non-accrual, past due and restructured loans	85-86, 218-219
Potential problem loans	85-86
Foreign outstandings	108
Loan concentrations	Not applicable
Other interest bearing assets	153-156, 213
Part IV Summary of loan loss experience	
Analysis of the allowance for loan losses	119-120, 161-164
Allocation of the allowance for loan losses	119-120, 161-164
Part V Deposits	171-172
Part VI Return on equity and assets	68, 83
Part VII Short-term borrowings	175-176

Information on Westpac

Westpac is 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 have branches, affiliates and controlled entities(1) throughout Australia, New Zealand and the near Pacific region, and maintain offices in some of the key financial centres around the world.

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

The 2009 financial year marked a strategically important and transformational period for the Group, with the completion of the merger with St.George Bank Limited on 1 December 2008. The merger provides us with an enhanced growth platform, an expanded customer base, greater distribution capability, an enhanced suite of products and an improved efficiency profile. In addition, we believe that by maintaining and indeed investing more in the separate brands, including Westpac, St.George, RAMS, BankSA, BT Financial Group and Asgard, the Group has increased its strategic flexibility to better meet customer needs.

As at 30 September 2009, our market capitalisation was $77.2 billion(2) and we had total assets of $589.6 billion.

Business strategy

Our ***vision*** is to be the leading financial services company in Australia and New Zealand.

We see our fundamental ***purpose*** as helping every customer achieve all their financial goals.

Our ***ambition*** is to earn all of our customers business by delighting them with the service and support that we provide and by serving them as a single team.

Our 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 those 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 in our culture. We believe that the following values will help us deliver our strategy:

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

Strategic priorities

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

a) **drive a strong, active customer-centric culture to delight our customers by**

- putting the customer at the centre of everything we do;
- establishing and driving high performing and locally empowered businesses very close to the communities they serve;
- developing and implementing compelling customer segment strategies, bringing banking and wealth management together for the customer; and
- strengthening the skills and depth of our people;

b) **become easier to do business with**

- by having processes and solutions designed from the customers perspective;
- through a focus on convenience, simplicity and flexibility; and
- by achieving integration across all channels.

c) **realise our multi-brand advantage by**

- having a clear, shared vision of success across the Group;
- offering an even greater choice to customers; and
- continuing to invest in and support the individual brands across The Westpac Group.

d) **invest in operations improvements to**

- transform service delivery, redesigning processes end-to-end from a customer perspective; strengthen technology capabilities to increase the reliability and consistency of service;
- focus on driving productivity, eliminating duplication to provide headroom for additional investment; and
- launch a multi-year technology transformation program to renew our overall technology base.

e) **lead in reputational and sustainability matters**

- by ensuring that each decision we make is consistent with our customer-focused strategy, and by continuing to actively support the communities in which we operate;

- through further embedding sustainability concepts in all elements of our businesses;

---

(1) Refer to Note 39 to the financial statements for a list of our controlled entities as at 30 September 2009.

(2) Based on the closing share price of our ordinary shares on the Australian Securities Exchange as at 30 September 2009.

(2) Based on the closing share price of our ordinary shares on the Australian Securities Exchange as at 30 Sept

- through on-going joint endeavours with our non-profit partners; and

- by continuing to develop strong risk management capabilities as a competitive advantage.

By putting the customer at the centre of everything we do, engaging our customers through brands they know and trust, and focusing on the key elements of customer advocacy, we believe we will realise our vision to be the leading financial services company in Australia and New Zealand.

Organisational structure

Our operations comprise the following five key customer-facing business divisions operating under multiple brands, serving around 10 million customers(1):

- Westpac Retail and Business Banking, which we refer to as WRBB, is responsible for sales, marketing and customer service for all consumer and small-to-medium enterprise customers within Australia under the Westpac and RAMS (2) brands;

- St.George Bank is responsible for sales, marketing and customer service for our consumer, business and corporate customers in Australia under the St.George brand. It also includes the management and operation of BankSA;

- BT Financial Group Australia, which we refer to as BTFG, is Westpac s wealth management business. As a result of the merger with St.George, BTFG now includes operations under the Asgard, Advance, Licensee Select, Magnitude, BankSA, and Securitor brands. BTFG designs, manufactures and distributes financial products that are designed to help our customers achieve their financial goals by administering, managing and protecting their assets;

- Westpac Institutional Bank, which we refer to as WIB, delivers a broad range of financial services to commercial, corporate, institutional and government customers either based in or with interests in Australia and New Zealand. Customers are supported through Westpac branches and subsidiaries located in Australia, New Zealand, New York, London and Asia; and

- New Zealand Banking, which provides a full range of retail and commercial banking and wealth management products and services to consumer and business customers throughout New Zealand. New Zealand Banking operates under the Westpac New Zealand, Westpac Life New Zealand and BT New Zealand brands.

Other business divisions in the Group comprise:

- ***Pacific Banking***, which provides banking services for retail and business customers throughout near South Pacific Island Nations;

- ***Group Treasury***, which is primarily focused on the management of the Group s interest rate risk and funding requirements;

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

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

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

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

Structure chart of our businesses

(1) All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships) as at 30 September 2009.

(2) RAMS Home Loans is a home loan franchise distribution business.

Competition

The Australian financial services market is strongly competitive and is likely to become more so as the economy recovers from the current slowdown.

The competition for deposits, in particular, has intensified and may increase further.

We expect competition within the lending market to further intensify as all competitors respond to the changing conditions.

The New Zealand economy has suffered a more significant slowdown in economic activity than Australia. While a number of smaller non-bank institutions have exited the New Zealand market, competition has remained strong.

Outlook(1)

The 2009 financial year was a period of significant change, starting the year in the midst of the global financial crisis, with the world economy deep in recession and ending the year with some economies beginning to recover, confidence improving in Australia and the most intense impact of the financial crisis waning. Through the 2009 financial year, Australia avoided a technical recession and navigated the global downturn, due in part to a strong financial sector, pro-active monetary and fiscal stimulus and Australia s exposure to the Chinese economy, which rebounded strongly.

The Australian economic outlook for the 2010 financial year is positive overall, and we believe that real GDP growth will be above 2% in the 2010 calendar year. However, we expect conditions to be uneven across the economy, as is typical in the early stages of recovery. A strong upturn in housing construction and a pick-up in Australian Government investment spending are expected to support growth. Current measures of both business and consumer confidence in Australia also point to improved spending. However, ongoing uncertainty about the aftermath of the global financial crisis and the partial reversal of highly stimulatory monetary and fiscal policies are likely to ensure that households and businesses remain cautious.

From a banking sector perspective, Australian credit growth is expected to remain relatively subdued over the coming year from the impacts and lessons from the global financial crisis. We expect housing credit growth to remain at similar levels to the 2009 financial year and business credit growth to continue to experience softness, with the deleveraging process having further to run. Average funding costs are also likely to rise given the intense competition for retail deposits and as wholesale funding continues to be sourced at a cost well above pre-global financial crisis levels.

For The Westpac Group, the 2009 financial year was a transformational year. The Group not only successfully navigated the global financial crisis, but ended the year in strong shape with increased capital ratios, higher provision cover and improved liquidity. The merger with St.George was also a catalyst, increasing the scale and reach of our organisation while our multi-brand strategy created an organisation that can better meet different customer needs. The Group has consistently grown at above financial system growth, with particular strength in key targeted areas of mortgages, deposits and superannuation. In the latter quarter of the 2009 financial year, improving asset markets, particularly equities, has given good momentum to our wealth management business and we are beginning to see new customer flows.

The 2010 financial year will not be without its challenges. In particular, fee income is likely to be lower following changes to fee structures implemented over the year. Treasury and markets income was also very high in the 2009 financial year, and is unlikely to be matched in the year ahead as the significant volatility that contributed to the gains has now abated.

It is important to note that the global financial crisis is likely to have a lasting impact on the operating environment. This is particularly true for the financial system where risk appetites have changed and business models have adjusted.

Changes in the global regulatory environment are also underway, seeking to address some of the systemic issues that emerged in world markets. While some change is inevitable in Australia, we believe the initiatives already undertaken by Westpac to enhance funding, grow liquidity and strengthen our balance sheet puts us in a solid position to respond.

With Australian economic activity improving, The Westpac Group is seeing positive trends in its portfolio, with the growth in stressed assets moderating. The Australian consumer sector has performed very well through this cycle and we expect the sector to continue to perform well in the year ahead.

The merger with St.George is set to continue to deliver benefits in the 2010 financial year, with the full period impact of prior synergies to flow through, and as the Group continues to pursue technology and operations consolidation and to further cross sell, particularly wealth and insurance products. As a result, we believe The Westpac Group is well positioned for the year ahead.

Significant developments

Merger with St.George Bank Limited

On 1 December 2008, Westpac completed its merger with St.George Bank Limited by way of scheme of arrangement. This merger, originally announced on 13 May 2008, was approved by holders of St.George ordinary shares on 13 November 2008 and subsequently approved by the Federal Court of Australia on 17 November 2008. Under the terms of the merger, holders of St.George ordinary shares received 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 17 November 2008 of A$16.32 per ordinary share and the 742,594,256 Westpac ordinary shares issued to holders of St.George ordinary shares as at the record date, the total value of the Westpac ordinary shares issued to St.George ordinary shareholders was A$12.1 billion. St.George currently operates as a wholly owned Westpac subsidiary, however, it is anticipated that Westpac and St.George will become a

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

single Authorised Deposit-taking Institution (ADI) in the first half of the 2010 calendar year. This will involve transferring the assets, liabilities, business and undertaking of St.George to Westpac. St.George Bank Limited will be deregistered as a separate company immediately after the transfer. The move to a single ADI is driven by regulatory requirements and will not affect the continued operation of Westpac and St.George Bank as separate brands.

Global financial crisis, impairments and ongoing regulatory response

In the first half of the 2009 financial year, the severity of the global financial crisis deepened, which created a period of extreme uncertainty that saw the near closure of financial and funding markets followed by the failure of a number of financial institutions globally, and with many of the world s major economies in recession. This environment had many impacts on the banking system, including a reduction in funding availability and dramatically increased wholesale funding costs, increased market volatility, declining values in asset markets, a weakening of operating conditions and an escalation in company stress and associated impairments.

Impairment charges increased significantly during the 2009 financial year driven initially by the immediate impacts of the global financial crisis and increased further with the subsequent economic slowdown. For additional information on impairments refer to Review of Group Operations Impairment Charges 2009 v 2008 in Section 2.

Globally, there has been a rapid and ongoing regulatory response to the global financial crisis.

Government Guarantee Schemes

As an early response to the global financial crisis, with a view to promoting financial system stability in Australia and ensuring the continued flow of credit through the economy, the Australian Government announced that it would guarantee deposits held with eligible Australian ADIs (including Westpac, its foreign branches and St.George Bank) for a three year period from 12 October 2008. The guarantee applies to the first $1 million of protected accounts per customer per ADI without charge. The Australian Government also provided a guarantee facility for deposits of amounts over $1 million and for wholesale funding of an eligible ADI, in return for a fee payable by the ADI, provided an eligibility certificate has been issued in respect of the liability. The fee applicable to Westpac and St.George is currently 70 basis points (or 0.70%) of the amount guaranteed per annum. The New Zealand Government implemented similar schemes within that jurisdiction.

Remuneration

In response to the global financial crisis, the Australian Government and regulators are implementing a number of changes that seek to ensure that companies align their remuneration policies with sustainable company performance.

Legislation proposed by the Australian Government, regulating termination payments to directors and key management, is currently being considered by Parliament. The legislation will significantly lower the threshold for requiring shareholder approval of termination payments, to payments exceeding one year s base salary.

The Australian Productivity Commission has released its draft recommendations for reform of Australia s executive remuneration regulatory framework with the final recommendations and report expected in December 2009.

In addition, the Australian Prudential Regulation Authority (APRA) will amend its Prudential Standards on governance and remuneration, effective from 1 April 2010, to require that remuneration practices of ADIs, life companies and general insurers, align with and support, long-term financial soundness and prudent risk taking.

Liquidity

In addition, APRA is proposing to enhance the prudential standards for liquidity risk management for ADIs. The proposed changes include:

- enhancing qualitative requirements, consistent with the Principles for Sound Liquidity Risk Management and Supervision issued by the Basel Committee on Banking Supervision in September 2008; and

- strengthening quantitative requirements to ensure ADIs meet a minimum acceptable level of resilience under normal and stress conditions.

APRA intends to issue final standards and reporting forms in the first half of 2010, although this timetable may be amended as international initiatives in this area evolve. A consultation process is currently being undertaken and details of the proposed liquidity enhancements may change through that process. Until there is greater clarity regarding the new prudential requirements, any impact on Westpac cannot be determined.

Changes to accounting standards

In further response to the global financial crisis, governments, regulators and accounting standard setters are working to revise accounting standards. The objective is to achieve convergence towards a single set of high-quality, global and independent accounting standards. The specific areas that have been targeted include accounting for financial instruments, loan-loss provisioning, off-balance sheet exposures, and the impairment and valuation of financial assets. We expect that there will be a number of new standards issued in calendar year 2010 that may require changes to our current accounting approaches.

Further regulatory developments

The Australian Federal Government has embarked on a program of regulatory reform, which will affect Westpac. This includes:

- credit law reform;
- the introduction of an unfair contracts regime in relation to contracts with consumers;
- margin lending reform;
- superannuation changes; and
- the introduction of a new regulatory framework for personal property securities.

Westpac continues to review these developments and will be amending its systems, processes and operations to align with regulatory changes as they occur.

Operating model review in New Zealand

Until 1 November 2006, Westpac Banking Corporation conducted its operations within New Zealand in a branch structure. On that date, and after extensive consultation with the Reserve Bank of New Zealand (RBNZ), Westpac adopted a dual registration operating model, including a locally incorporated subsidiary, Westpac New Zealand Limited (WNZL), to conduct its retail and business banking activities in New Zealand, and a branch, Westpac Banking Corporation New Zealand Branch (NZ Branch) to conduct its institutional and financial markets activities. The conditions of registration of each of WNZL and NZ Branch are consistent with these operating model arrangements. In 2008, it became apparent that both WNZL and NZ Branch had been non-compliant with certain of their conditions of registration. Consequently, the RBNZ asked Westpac to review the structure of its operating model in New Zealand to ensure that it is able to sustain durable compliance with the RBNZ s prudential policies. Accordingly, it was agreed that an independent review would take place, with the terms of reference for the review established through consultation between the RBNZ, WNZL and NZ Branch. The review was conducted under the well established processes and framework of section 95 of the Reserve Bank of New Zealand Act 1989. The report from the independent reviewer to the RBNZ was completed on 30 September 2009. The report contained various observations, which are being considered by the Westpac Banking Corporation and WNZL Boards. The independent reviewer made some observations regarding some aspects of WNZL s compliance with the RBNZ s outsourcing policy (BS11) which WNZL is currently addressing. Operating model and governance changes that may result from this process will be the subject of future discussions with the RBNZ and will be appropriately disclosed.

Changes to exception fees

On 3 August 2009, Westpac announced that both Westpac and St.George would reduce exception fees on consumer and business accounts and credit cards to $9.00, effective 1 October 2009 following progressive reductions in exception fees over the preceding 18 months. The relevant fees include account overdrawn fees, outward dishonour fees, periodic payments not made, and credit card missed payment and over the limit fees. The reduction in fees is expected to impact The Westpac Group results for the 2010 financial year by reducing revenue and net profit by approximately $300 million and $210 million, respectively.

Litigation

New Zealand Inland Revenue Department

Tax assessments for nine structured finance transactions undertaken between 1998 and 2002 have been the subject of proceedings between Westpac and the Commissioner of Inland Revenue (CIR) New Zealand. The proceedings challenged amended assessments issued by the CIR in respect of Westpac s tax treatment of these transactions. The High Court in Auckland found in favour of the CIR on four representative transactions. When taking into account all of the nine transactions, the financial cost of the judgment would be NZ$918 million (A$753 million), made up of core tax of NZ$586 million and interest of NZ$332 million. This amount has been fully provided for in our financial statements for the year ended 30 September 2009. Additional information is included in Note 37 to the financial statements.

Capital transactions

As part of implementing the merger with St.George, and in addition to issuing 742,594,256 Westpac ordinary shares to holders of St.George ordinary shares as discussed above under Merger with St.George Bank Limited , Westpac acquired St.George s SAINTS securities on 1 December 2008 for $350 million and St.George redeemed its SPS, CPS and CPS II Tier 1 securities on 31 March 2009 for a combined face value of $875 million.

Westpac also undertook a number of significant initiatives to increase its Tier 1 capital during the year ended 30 September 2009.

On 16 December 2008, Westpac issued 156,250,000 fully paid ordinary shares at an issue price of $16.00 each in an underwritten institutional share placement that raised in the aggregate $2.5 billion in capital. These ordinary shares rank equally with existing ordinary shares in Westpac, other than with respect to Westpac s dividend for the financial year ended 30 September 2008 to which holders of these new ordinary shares were not entitled. In February 2009, Westpac issued $441 million of ordinary shares to shareholders under a share purchase plan.

In administering Westpac s Dividend Reinvestment Plan, 29,622,866 ordinary shares were issued at a price of $16.13 in respect of Westpac s 2008 final dividend and 29,135,654 ordinary shares were issued at a price of $18.46 in relation to the 2009 interim dividend.

In addition, Westpac entered into an agreement with J.P. Morgan Australia Limited to underwrite 100% of Westpac s 2008 final dividend, which resulted in the issue of $887 million of ordinary shares to the underwriter, in addition to the ordinary shares issued to Dividend Reinvestment Plan participants.

Finally, on 31 March 2009, Westpac issued $908 million of new non-innovative residual Tier 1 securities known as Westpac SPS II.

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 banks, credit unions, building societies, life and general insurance companies, friendly societies and most superannuation (pension) funds. APRA s roles include the establishment and enforcement of prudential standards and practices designed to ensure that, under all reasonable circumstances, financial promises made by the institutions it supervises are met.

As an ADI, we report prudential information to APRA including in relation to capital adequacy, large exposures, credit quality and liquidity. Our controlled entities in Australia that are authorised insurers and trustees of superannuation funds are also subject to the 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 and other stakeholders.

Australia s risk-based capital adequacy guidelines are generally consistent with the approach agreed upon by the Basel Committee on Banking Supervision. Refer to Capital Resources Basel Capital Accord in Section 2.

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

ASIC is the national regulator of Australian companies. Its primary responsibility is 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 and financial advice. ASIC will become the principal regulator of consumer credit providers in 2010 following the introduction of new national consumer credit regulation.

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 obligations to comply with the ASX Listing Rules that have statutory backing under the Corporations Act. Oversight of listed companies compliance with the ASX Listing Rules is currently shared between the ASX and ASIC. The Australian Government has recently announced that ASIC will take over the supervision and surveillance of financial markets and broker participants, effective in the third quarter of 2010 calendar year. Currently this function is performed by ASX Markets Supervision. Individual markets will retain supervision of entities listed upon them.

The ACCC is an independent statutory authority responsible for the regulation and prohibition of anti-competitive and unfair market practices and mergers and acquisitions in Australia. Its 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 Australian State and Territory consumer affairs agencies that administer the unfair trading legislation of their jurisdictions.

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

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

As discussed above, in response to the global financial crisis, governments are reviewing the regulation and supervision of, in particular, financial institutions which may result in legislative, regulatory, and prudential changes in various jurisdictions, including Australia and New Zealand.

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 a bank s risk management disciplines.

It is a policy of the RBNZ that all systemically important banks must incorporate as a local entity in New Zealand and comply with New Zealand prudential requirements, 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.

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 New Zealand business was facilitated by legislation, which was the only means by which our New Zealand consumer and business banking operations could be vested in Westpac New Zealand Limited 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.

In light of the global financial crisis, the RBNZ and other regulators are reviewing prudential regulation, particularly for systematically important banks. The dual registration model under which we operate in New Zealand has recently been under review and may be subject to change, as discussed above under Significant developments Operating model review in New Zealand .

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 2009, 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 US 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 US 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 US federal branch must maintain, with a US Federal Reserve member bank, a capital equivalency deposit as prescribed by the US Comptroller of the Currency 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 US federal branch.

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

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.

The Obama Administration has proposed financial regulatory reform legislation that would make significant changes in the existing US regulatory system for banks and other financial institutions. Individual members of the US Congress have also indicated that they intend to propose their own versions of financial regulatory reform legislation in the current session of Congress. It is not possible to predict whether or in what form any such legislation might be enacted. Nor is it possible to predict what effects such legislation, if enacted, would have on a foreign bank such as Westpac that operates a branch in the United States.

Anti-Money Laundering Regulation

Australia

Westpac has a Group-wide program to manage changes required by the Anti-Money Laundering and Counter Terrorism Financing Act 2006, scheduled for introduction in March 2010. We continue to actively consult with the regulator, Australian Transactions Reports and Analysis Centre (AUSTRAC), on those implementation activities. All changes required for identifying new customers have been completed. The remaining work centres on implementing changes to support ongoing monitoring and reporting of suspicious transactions. These changes will be completed in the first half of 2010.

United States

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 US federal bank regulatory and law enforcement authorities.

Outsourcing contracts

Westpac s significant long-term contracts are summarised in Note 35 to the financial statements.

Legal proceedings

Our entities are defendants from time-to-time in legal proceedings arising from the conduct of our business. We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. Material legal proceedings are described in Note 37 to the financial statements. 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.

Principal office

Our principal office is located at 275 Kent Street, Sydney, New South Wales, 2000, Australia. Our telephone number for calls within Australia is 132 032 and our international telephone number is (+61) 2 9293 9270.

Corporate Governance

Introduction

This statement describes our corporate governance framework, policies and practices as at 4 November 2009.

Framework and approach

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

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

Australia

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). As an ADI, we must also comply with good governance requirements prescribed by the Australian Prudential Regulation Authority (APRA) under Prudential Standard APS 510 Governance.

This statement addresses each of the eight ASXCGC s Recommendations with an explanation of our corporate governance practices, demonstrating our compliance with each Recommendation. A checklist summarising our compliance is included at the end of this statement.

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

New Zealand

Westpac also has ordinary shares quoted on the New Zealand Stock Market (NZSX). As an overseas listed issuer in New Zealand, we are deemed to satisfy and comply with the NZSX Listing Rules, provided that we remain listed on the ASX and comply with the ASX Listing Rules.

The ASX, through the ASXCGC s Recommendations, and the New Zealand Exchange (NZX) have adopted a similar comply or explain general approach to corporate governance. However, the ASXCGC s Recommendations may materially differ from the corporate governance rules and the principles of the NZX s Corporate Governance Best Practice Code.

United States

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

We are in compliance with all NYSE listing rules applicable to us 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 significant differences below.

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

In Australia there are no laws or stock exchange listing rules that require shareholder approval of equity-based incentive plans (other than for Directors) or individual grants under the plans (other than awards to Directors, including the CEO). However, for equity-based incentive plans introduced since 2006, shareholder approval has been obtained, including for the Westpac Reward Plan, our Restricted Share Plan, and the Chief Executive Officer s (CEO) equity-based remuneration. Employee equity plans introduced in 2002 that have not been approved by shareholders include the Westpac Performance Plan, the Employee Share Plan, and the Deferral Share Plan.

All of these plans have been disclosed in the Remuneration Report in Section 9 of the Directors Report, which is subject to a non-binding shareholder vote at the Annual General Meeting (AGM). The details of all grants under our equity-based incentive plans have been disclosed in Note 26 of our financial statements for the year ended 30 September 2009.

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 AGM one-third of our Directors (excluding the CEO and any Director appointed during the year to fill a casual vacancy) and any other Director who has held office for three or more years since their last election, must retire. In 2009, only one of our Directors met this three year threshold. A determination needed to be made regarding which additional two Directors would retire and seek re-election at the 2009 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 2009 AGM.

Websites

This statement and a range of documents referred to in it are available on our corporate governance website at www.westpac.com.au/corpgov. This website is regularly updated and contains copies and summaries of our charters, principles and policies. These documents are also available to our shareholders in print from our Investor Relations department.

Focus and events in 2009

- Merger with St.George Bank Limited successfully completed. Governance, risk and reporting structures have allowed integration to proceed smoothly, and deliver on customer-centric multi-brand strategy despite the complexities associated with a merger of this scale and the challenging external environment arising from the global financial crisis.

- Managing through the challenging and volatile economic and financial conditions resulting from the global financial crisis. Strong risk and capital management, and a culture of pro actively identifying and acting on emerging issues, have enabled us to continue to support our customers through this difficult period.

- We have established a Board Technology Committee to have focused, rigorous oversight of information technology within the Group, and approve strategies and their implementation, and related policies. A comprehensive IT strategy for the Group has been developed and approved, and robust governance established to facilitate implementation of the associated program of work.

- With the release of our first Prudential Market Disclosure Report (Pillar 3 Report) in November 2008, and the following quarterly disclosures, we now provide additional information on our regulatory capital, risk exposures and risk management practices. The Pillar 3 Report release marked the completion of Westpac s adoption of all elements of the Basel Capital Accord (Basel II) framework.

- Governance of sustainability performance was enhanced with the formalisation of the Group-wide Sustainability Council. Further, Westpac s Community Consultative Council, which is chaired by our CEO and has senior representation from key external stakeholder groups, convened a special meeting on financial hardship.

- Continued top (10.0) rating by GovernanceMetrics International in our 19th consecutive assessment one of only 43 so rated out of over 4,200 companies assessed.

Governance framework

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

The Executive Team, Disclosure Committee and Executive Risk Committees sit beneath the CEO and the Board C

Board, committees and oversight of management

Board of Directors

Roles and responsibilities

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

- approving the strategic direction of The Westpac Group;
- evaluating Board performance and determining Board size and composition;
- appointing and determining the duration, remuneration and other terms of appointment of the CEO and Chief Financial Officer (CFO), and ratifying the appointments of other senior executives;
- evaluating the performance of the CEO and CFO, and monitoring the performance of other senior executives;
- Board, CEO and CFO succession planning;
- approval of the annual budget and financial statements and monitoring performance against the approved budget;
- determining our dividend policy;
- determining our capital structure;
- approving our risk management strategy and frameworks, and monitoring their effectiveness;
- considering the social, ethical and environmental impact of our activities and monitoring compliance with our sustainability policies and practices;
- maintaining a constructive and ongoing relationship with the exchanges and regulators, and approving policies regarding disclosure and communications with the market and our shareholders; and

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

Delegated authority

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

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

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

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

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

Independence

Together, the Board members have a broad range of relevant financial and other skills and knowledge combined with the extensive experience necessary to guide our business. Details are set out in Section 1 of the 2009 Directors Report.

All of our Non-executive Directors satisfy our criteria for independence, which are consistent with those applied by the NYSE.

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

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

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 Director s independence.

Size and membership of Board Committees as at 30 September 2009

	Status	Board Audit Committee	Board Risk Management Committee	Board Nominations Committee	Board Remuneration Committee	Board Sustainability Committee	Board Technology Committee
Ted Evans	Chairman, Non-executive, Independent	ü	ü	**Chair** ü			ü
John Curtis	Deputy Chairman, Non-executive, Independent	ü	ü		ü		
Gail Kelly	CEO, Executive					ü	ü
Elizabeth Bryan	Non-executive, Independent	ü	ü	ü			**Chair** ü
Gordon Cairns	Non-executive, Independent	ü	ü	ü	**Chair** ü		
Peter Hawkins	Non-executive, Independent	ü	ü				ü
Carolyn Hewson	Non-executive, Independent	ü	**Chair** ü	ü	ü		
Lindsay Maxsted	Non-executive, Independent	**Chair** ü	ü	ü			
Graham Reaney	Non-executive, Independent	ü	ü			ü	
Peter Wilson	Non-executive, Independent	ü	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 Non-executive Directors

Balance of Non-executive and executive Directors

Independence

16

The Chairman

The Board elects one of the independent Non-executive Directors as Chairman. Our Chairman is Ted Evans. 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.

The Deputy Chairman

Our Deputy Chairman is John Curtis. The Deputy Chairman s role includes:

- chairing Board, Board Nominations Committee and shareholder meetings when the Chairman is unable to do so; and

- undertaking additional matters on the Chairman s behalf as requested by the Chairman.

CEO

Our CEO is Gail Kelly. The CEO s role includes:

- effective leadership of the management team;
- the development of strategic objectives for the business; and
- the day-to-day management of the Group s operations.

Board meetings

The Board has 11 scheduled meetings each year, with additional meetings held as required. In July each year the Board discusses our strategic plan and approves our overall strategic direction. The Board also conducts a half year review of our strategy. The Board also conducts workshops on specific subjects throughout the year. Board meetings are characterised by robust exchanges of views, with Directors bringing their experience and independent judgment to bear on the issues and decisions at hand.

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

Meetings attended by Directors for the 2009 financial year are reported in Section 8 of the 2009 Directors report.

Nomination and appointment

The Board Nominations Committee is responsible for:

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

The Board Nominations Committee assesses nominations of new Directors 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 are 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 including expected term of appointment, and remuneration. This letter conforms to the ASXCGC s Recommendations.

Term of office

The Board may appoint a new Director, either to fill a casual vacancy or as an addition to the existing Directors, provided the total number of Directors does not exceed 15 Non-executive Directors and three Executive Directors. Except for the Managing Director, a Director appointed by the Board holds office only until the close of the next AGM but is eligible for election by shareholders at that meeting.

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

The Board makes recommendations concerning the election or re-election of any Director by shareholders. In considering whether to support a candidate, the Board takes into account the results of the Board performance evaluation conducted during the year. In addition to the relevant information on the candidates provided to shareholders in the Notice of Meeting, the candidates are invited to give a short presentation at the AGM.

The Board has a Tenure Policy, which limits the number of terms of office that any Non-executive Director other than the Chairman may serve to the longer of three consecutive terms or nine years. The maximum tenure for the Chairman is 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.

Education

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

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

Access to information and advice

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

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

All Directors have access to advice from the Group Executive, Counsel and Secretariat.

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

Company secretaries

The Board is responsible for the appointment of our two Company Secretaries. The Group Executive, Counsel and Secretariat attends Board and Committee meetings and is responsible for providing Directors with advice on legal and corporate governance issues. The Head of Group Secretariat is responsible for the operation of the secretariat function, including implementing our governance framework and, in conjunction with management, giving practical effect to the Board s decisions.

Profiles of our Company Secretaries are set out in Section 1 of the 2009 Directors report.

Committees

Composition and independence

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. The CEO is also a member of the Board Sustainability and Board Technology Committees.

Operation and reporting

Scheduled meetings of the Board Committees occur quarterly, with the exception of the Board Sustainability and Board Technology Committees which have scheduled meetings three times a year. All Committees are able to meet more frequently 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.

Performance

Board, Committees and Directors

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

The performance review process conducted in 2009 included interviews with Directors and a number of senior executives. The review was wide-ranging, with outputs collected and analysed and presented to the Board. The Chairman also discussed the results with individual Directors and Committee Chairs.

The full Board (excluding the Chairman) reviewed the results of the performance review of the Chairman. These results were then privately discussed between the Chairman and Deputy Chairman.

Management

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

The management performance evaluations for the 2008 financial year were conducted in November 2008. Management performance evaluations for the 2009 financial year will be conducted at the end of the 2009 calendar year.

There is a further discussion on performance in the Remuneration Report in the 2009 Directors report.

All new senior executives are provided with extensive briefing on our strategies and operations, and the respective roles and responsibilities of the Board and senior management.

Ethical and responsible decision-making

Code of Conduct and Principles for Doing Business

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 work as a team;
- we manage conflicts of interest responsibly; and
- we strive to be a good corporate citizen and achieve community respect.

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

- governance and ethical practices;
- employees;
- customers;
- environment;

- community; and
- suppliers.

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

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 Code of Conduct and Principles.

In addition to our Code of Conduct and 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.

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, rules and regulations;
- promptly report violations of the Code; and
- be accountable for adherence to the Code.

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

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, may not be present during boardroom discussions or vote on the relevant matter.

Our employees

Our employees are not permitted to participate in activities that 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 or suppliers to their manager and not be involved with customer relationships where they have such an interest;
- not participate in business activities outside their employment with us (whether as a principal, partner, director, agent, guarantor, investor or employee) without approval or when it could adversely affect their ability to carry out their duties and responsibilities; and
- not solicit, accept or offer money, gifts, favours or entertainment which might influence, or might appear to influence, their business judgment.

Fit and Proper Person Assessments

Our Fit and Proper Policy complies with the related APRA Prudential Standards and ASIC Guidelines. In accordance with that policy, we assess the fitness and propriety of our Directors and also of employees who perform specified roles. The Board Nominations Committee and the Board are responsible for assessing the main Board Directors and Non-executive Directors on subsidiary Boards. The Chairman has delegated authority from the Board to make fit and proper assessments for senior executives. An executive Fit and Proper Committee assesses other 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

Under our Whistleblower Protection Policy, our employees are encouraged to raise any concerns of activities or behaviour that may be unlawful or unethical with either management, the human resources team (People), the compliance team or the Fraud and AML Control business unit. Concerns may include suspected breaches of the Code of Conduct, the Principles and any internal policy or regulatory requirement.

Employees can also raise these concerns on an anonymous basis through either of our internal or external whistleblower reporting mechanisms; logging their report onto an internal reporting system (Concern Online); or by telephone or email to 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.

The concern reporting system meets all relevant Australian and New Zealand legislative requirements, including the Australian Standard AS8004 (Whistleblower Protection Programs for Entities), in addition to our obligations under the United States Sarbanes-Oxley Act of 2002. The system is monitored and reviewed annually and statistics about concerns raised are reported quarterly to both the Board Risk Management Committee and the Westpac Group Operational Risk & Compliance Committee.

Securities trading

Westpac Directors and all Westpac employees are restricted from dealing in our shares and other financial products if they are in possession of inside information. They are also prohibited from passing on inside information to others who may use that information to trade in securities. In addition, Directors and any employees 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 including only trading in permitted windows following annual and half year profit announcements.

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

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

- the new issues provisions of our policy, which places limitations upon Directors and employees participating in a new product issue where their position puts them in a real or perceived position of conflict of interest;

- restrictions limiting the periods in which the Directors and Prescribed Employees can trade in our shares or other company securities (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 securities by Directors and Prescribed Employees;

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

- trades by Directors of Westpac securities are notified to ASX within five business days as required under the ASX Listing Rules; and

- employees are forbidden to enter into hedging arrangements in relation to their unvested employee shares or securities, whether directly or indirectly.

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 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

We report on our social, ethical and environmental performance as a part of the Annual Review with additional detailed information available on our website. Where appropriate, we include what we believe are the most material environmental, social and governance metrics within our financial results announcements.

Our reporting and our management of sustainability aims to address the issues that we believe are the most material for our business and stakeholders. These issues are reflected in our business strategies and specific sustainability priorities.

We follow the widely accepted reporting framework, the Global Reporting Initiative.

The sustainability content of the Annual Review and the additional reporting on our website is also independently assured against the AA1000 Assurance Standard. This goes beyond testing the integrity of the data, to testing 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 us against the highest standards of governance.

Board Sustainability Committee

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

The Board Sustainability Committee:

- reviews the social, environmental and ethical impacts of our policies and practices;
- 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;
- reviews sustainability strategies, objectives and performance;
- monitors and oversees our environmental, social, governance and other material business risks (along with the BRMC) including the strategic and operational response to climate change; and
- reviews and approves the independent assurance of our annual sustainability reporting.

Financial reporting

Approach to financial reporting

Our approach to financial reporting reflects three core principles:

- that our financial reports present a true and fair view;
- that our accounting methods 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.

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

Board Audit Committee

The Board 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 Board Risk Management Committee, this includes an oversight of 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 Board 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;
- 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 Board Audit Committee conducts regular discussions with:

- the Board Risk Management Committee, CFO, Chief Risk Officer (CRO), Group Assurance, 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 year and annual financial statements;

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

- the Group Executive, Counsel and Secretariat 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 Board Audit Committee meets with the external auditor without management being present at each meeting. Periodically the Board Audit Committee meets with the General Manager of Group Assurance (our internal audit function) without management.

Financial knowledge

The Board Audit Committee comprises nine independent, Non-executive Directors.

All of the Board 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 Board Audit Committee, is an audit committee financial expert and independent in accordance with US securities law.

The designation of Mr Maxsted as an audit committee financial expert does not impose duties, obligations or liability on Mr Maxsted that are greater than those imposed on him as a Board Audit Committee member, nor does it affect the duties, obligations or liability of any other Board Audit Committee member or Board member. Audit committee financial experts are not deemed as an expert for any other purpose.

The Board Audit Committee s membership is set out in the table entitled Size and membership of Board Committees as at 30 September 2009 . The full qualifications of the Audit Committee members and their attendance at Board Audit Committee meetings are set out in Sections 1 and 8 of the 2009 Directors 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 Rob Ward. Mr Hammond and Mr Ward assumed responsibility for these roles in 2008 and 2009, respectively.

The external auditor receives all Board Audit Committee papers, attends all Board Audit Committee meetings and is available to Board 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 is required to confirm their independence and compliance with specified independence standards on a quarterly basis.

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

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

Engagement of the external auditor

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

The breakdown of the aggregate fees billed by the external auditor in respect of each of the two most recent financial years for audit, audit-related, tax and other services is provided in Note 34 to our financial statements for the year ended 30 September 2009. A declaration regarding the Board s satisfaction that the provision of non-audit services by PwC is compatible with the general standards of auditor independence is provided in Section 10 of the 2009 Directors report.

Group Assurance (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 Board Audit Committee and the Board Risk Management Committee, and raises any significant issues with the Board Audit Committee. The General Manager Group Assurance has a reporting line to the Chairman of the Board Audit Committee.

Market disclosure

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

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

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

The Group Executive, Counsel and Secretariat is the Disclosure Officer. The Disclosure Officer is ultimately responsible for all communication with relevant stock exchanges and notifying regulators in any jurisdiction as a result of market disclosure.

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

Shareholder communication and participation

We employ a wide range of approaches to communication with our shareholders. These are regularly reviewed to improve our communications, including using new technologies. 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 major 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 interim 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. An information meeting is linked directly to the AGM for shareholders to participate and ask questions when the AGM is held outside Sydney.

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

Risk management

Roles and responsibilities

The Board is responsible for reviewing and approving our overall risk management strategy, including determining our appetite for risk. The Board has delegated to the Board Risk Management Committee responsibility for setting risk appetite, approving frameworks, policies and processes for managing risk, and determining whether to accept risks beyond management s approval discretion.

The Board 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 Board Risk Management 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 Board Risk Management Committee is set out later in this section under Board 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 divisions and reports to the Chief Risk Officer.

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

Our Group Assurance function independently evaluates the adequacy and effectiveness of management 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.

Risk management approach

We regard managing the risks that affect our business as a fundamental activity, as they influence our performance, reputation and future success. Effective risk management involves taking an integrated and balanced approach to risk and reward, and assists us in achieving our objectives of mitigating potential loss or damage and optimising financial growth opportunities. Mitigation and optimisation strategies are of equal importance and need to be effectively aligned and integrated.

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 (IRRBB) the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities;

- liquidity risk the risk that we will be unable to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses; and

- 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.

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 Westpac received advanced accreditation from the APRA and the Reserve Bank of New Zealand under the Basel II capital framework. This allows us to use the most Advanced Internal Ratings Based (AIRB) approach for credit risk and the Advanced Measurement Approach (AMA) for operational risk to determine our regulatory capital position. We received accreditation for interest rate risk in the banking book capital calculation in July 2008, in accordance with APRA s implementation timetable.

Board Risk Management Committee

The Board Risk Management Committee:

- sets risk appetite;
- reviews and approves the frameworks for managing risk, including credit, market & liquidity, and operational risk;
- reviews and approves 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;
- reviews any significant issues that may be raised by internal audit as well as the length of time and action taken to resolve such issues; and
- may approve accepting risks beyond management s approval discretion.

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

- credit risk - approving key policies and limits supporting the credit risk management framework; and monitoring the risk profile, performance and management of our credit portfolio;
- market and liquidity risk approving key policies and limits supporting the market and liquidity risk management framework including the Value at Risk and Net Interest Income at Risk limits, and our funding strategy and liquidity requirements; and monitoring the market and liquidity risk profile; 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; reviewing compliance risk processes and our compliance with applicable laws,

regulations and regulatory requirements; discussing with management and the external auditor any material correspondence with regulators or government agencies and any published reports that raise material issues; and reviewing complaints and whistleblower concerns.

The Board Risk Management Committee also:

- provides relevant periodic assurances to and refers any relevant matters to the Board Audit Committee; and
- refers to the Board Remuneration Committee any matters that come to its attention that are relevant with respect to remuneration policy or practices.

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 encourages 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 maintain 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, 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 provides the following support:

- infrastructure to facilitate compliance planning and reporting;
- specialist advice to divisions 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 by the mechanisms set out in the Operational Risk Management Framework, including audit, file reviews, mystery shopping, customer surveys and operational risk assessments.

Regular reports are provided by our Compliance function to the Board Risk Management Committee on the status of compliance across the company.

CEO and CFO assurance

The Board receives regular reports from management about our financial condition and operational results, as well as that of our controlled entities. The CEO and the CFO annually provide formal statements to the Board, and have done so for the year ended 30 September 2009, that state in all material respects:

- Westpac s financial records 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 and 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.

Remuneration

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

The Board Remuneration Committee:

- reviews and approves executive remuneration policy;
- reviews and makes recommendations to the Board on corporate goals and objectives relevant to the remuneration of the CEO and 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;
- oversees succession planning for senior executives;
- approves all merit recognition expenditure; and
- oversees general remuneration practices across the Group.

The Board 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 Board 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 Board Remuneration Committee to ensure that our reward practices and levels are consistent with market practice.

Further details of our remuneration framework are included in the Remuneration Report in Section 9 of the Directors report.

Risk Management Governance Structure

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

Board

- reviews and approves our overall risk management strategy.

Board Risk Management Committee (BRMC)

- sets risk appetite;
- approves frameworks and key policies for managing risk;
- monitors our risk profile, performance, capital levels, exposures against limits and management and control of our risks;
- monitors changes anticipated in the economic and business environment and other factors relevant to our risk profile;
- oversees the development and ongoing review of appropriate policies that support our frameworks for managing risk;
- reviews any significant issues raised by internal audit, as well as the length of time and action taken to resolve such issues; and
- determines whether to accept risks beyond the approval discretion provided to management.

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.

Board Technology Committee

- oversees information technology strategy and implementation.

Board Remuneration Committee

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

Executive risk committees

Westpac Group Risk-Reward Committee (GRRC)

- leads the risk optimisation agenda for the Group;
- recommends appropriate risk-reward positioning and integrates decisions on overall capital levels and earnings profile;

Westpac Group Market Risk Committee (MARCO)

- leads the optimisation of market and liquidity risk-reward across the Group;
- oversees the market and liquidity risk management framework and key policies;

- initiates and oversees strategies to align our risk profile to Board-determined risk appetite and earnings volatility; and
- approves any changes to Westpac s measures of risk-adjusted performance and monitors their use.

- oversees our market and liquidity risk profile; and
- identifies emerging market and liquidity risks and appropriate actions.

Westpac Group Credit Risk Committee (CREDCO)

- leads the optimisation of credit risk-reward across the Group;
- oversees the credit risk management framework and key policies;
- oversees our credit risk profile; and
- identifies emerging credit risks and appropriate actions.

Westpac Group Operational Risk & Compliance Committee (OPCO)

- leads the optimisation of operational risk-reward across the Group;
- oversees the operational risk management framework and key supporting policies;
- oversees our operational risk profile; and
- identifies emerging operational risks and appropriate actions.

Executive management forum focused on global economic and market-related events

- proactively tracks and responds to emerging trends;
- seeks and harnesses opportunities to re-enter capital markets and proactively addresses issues relating to balance sheet management and funding; and
- maintains intensity of effort on risk management in the current environment.

Divisional risk management

Group risk

- develops the Group-level risk management frameworks for approval by the BRMC;
- directs the review and development of key policies supporting the risk management frameworks;
- establishes risk concentration limits and monitors risk concentrations; and
- monitors compliance, regulatory obligations and emerging risk issues.

Divisional risk management

- develops division-specific policies, controls, procedures, and monitoring and reporting capability that align to the frameworks approved by the BRMC.

Independent internal review

Group Assurance

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

Checklist of Westpac s compliance with ASXCGC s recommendations

	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 15	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	Page 18	Comply
1.3	Provide the information indicated in *Guide to reporting on Principle 1*.	Pages 15, 18	Comply
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	Pages 15, 16	Comply
2.2	The chair should be an independent Director.	Page 17	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 17	Comply
2.4	The Board should establish a nomination committee.	Page 17	Comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 18	Comply
2.6	Provide the information indicated in *Guide to reporting on Principle 2*.	Pages 15-18	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 19	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 20	Comply
3.3	Provide the information indicated in *Guide to reporting on Principle 3*.	Pages 19, 20	Comply
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee.	Page 21	Comply
4.2	Structure the audit committee so that it:	Page 16, 21, 22	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 21	Comply
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	Pages 21, 22	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 22	Comply
5.2	Provide the information indicated in *Guide to reporting on Principle 5*.	Page 22	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 23	Comply
6.2	Provide the information indicated in *Guide to reporting on Principle 6*.	Page 23	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.	Pages 23-26	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.	Pages 23-26	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 25	Comply
7.4	Provide the information indicated in *Guide to reporting on Principle 7*.	Pages 23-26	Comply
Principle 8:	**Remunerate fairly and responsibly**		
8.1	Establish a remuneration Committee	Page 25	Comply
8.2	Clearly distinguish the structure of Non-executive Directors remuneration from that of executive Directors and senior executives.	Page 25	Comply
8.3	Provide the information indicated in *Guide to reporting on Principle 8*.	Page 25	Comply

Directors report

Our Directors present their report together with the financial statements of the Group for the financial year ended 30 September 2009.

1. Directors

The names of the persons who have been Directors, or appointed as Directors, during the period since 1 October 2008 and up to the date of this report are: Edward (Ted) Alfred Evans, Gail Patricia Kelly, John Simon Curtis, Elizabeth Blomfield Bryan, Gordon McKellar Cairns, Peter John Oswin Hawkins, Carolyn Judith Hewson, Lindsay Philip Maxsted, Graham John Reaney 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 2009 and the period for which each Directorship has been held, are set out below.

Name: Ted Evans AC,
BEcon (Hons.)

Age: 68

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

Date of next scheduled re-election: December 2009.

Independent: Yes.

Current directorships of listed entities and dates of office: Navitas Limited (since November 2004).

Other principal directorships: Nil.

Other interests: Member of the Asia Pacific Regional Advisory Group of the International Monetary Fund.

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

Age: 53

Term of office: Managing Director and Chief Executive Officer since February 2008.

Date of next scheduled re-election: Not applicable.

Independent: No.

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

Other principal directorships: The Melbourne Business School Limited and the Financial Markets Foundation for Children.

Other interests: Member of each of the Financial Services Advisory Council and the Australian Bankers Association.

Other Westpac related entities directorships and dates of office: Director of St.George Bank Limited (since December 2008). Director of Westpac New Zealand Limited (since February 2008).

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 each of the Sustainability and Technology Committees.

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited (January 2002 August 2007). Gail was reappointed as Director of St.George Bank Limited effective on and from 1 December 2008 when St.George Bank Limited became a subsidiary of Westpac.

Name: John Curtis,
BA, LLB (Hons.)

Age: 59

Term of office: Director and Deputy Chairman since December 2008.

Date of next scheduled re-election: December 2011.

Independent: Yes.

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

Other principal directorships: Chairman of each of Allianz Australia Limited and the University of Technology Sydney Faculty of Business Executive Council.

Other interests: Nil.

Other Westpac related entities directorships: Chairman of St.George Bank Limited (since December 2008).

Skills, experience and expertise: For the past 22 years John has been a professional company director and has been Chairman and Director of a wide variety of public companies, government entities and foreign corporations. In more recent times he has been largely involved in the financial services sector with his current appointments as set out above and former appointments with Merrill Lynch, Perpetual Limited and First Data Corporation in Australia. Prior to 1987 John was a main Board director of Wormald International Limited and was responsible for its operations in Australia, Europe, Asia and the Americas. During part of that time he was Chairman of the National Building and Construction Council, the peak industry body.

Westpac Board Committee membership: 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: St.George Bank Limited (October 1997 November 2008, Chairman since April 2008). John was reappointed as Chairman of St.George Bank Limited effective on and from 1 December 2008 when St.George Bank Limited became a subsidiary of Westpac.

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

Age: 63

Term of office: Director since November 2006.

Date of next scheduled re-election: December 2011.

Independent: Yes.

Current directorships of listed entities and dates of office: Director of Caltex Australia Limited (since July 2002, Chairman since October 2007).

Other principal directorships: Australian Institute of Company Directors and Chairman of UniSuper Limited.

Other interests: Nil.

Other Westpac related entities directorships and dates of office: Director of Westpac New Zealand Limited (since March 2007).

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: Chairman of the Technology 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: Ridley Corporation Limited (September 2001 October 2007).

Name: Gordon Cairns,

MA (Hons.)

Age: 59

Term of office: Director since July 2004.

Date of next scheduled re-election: December 2009.

Independent: Yes.

Current directorships of listed entities and dates of office: Origin Energy Limited (since June 2007).

Other principal directorships: Centre for Independent Studies and World Education Australia Limited.

Other interests: Member of the Asia Pacific Advisory Board of CVC Capital Partners. Senior Advisor to each of McKinsey & Company and Caliburn Partnership.

Other Westpac related entities directorships and dates of office: 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: Seven Network Limited (November 2004 February 2007).

Name: Peter Hawkins,
BCA (Hons.) SSFin, FAIM ACA (NZ)

Age: 55

Term of office: Director since December 2008.

Date of next scheduled re-election: December 2011.

Independent: Yes.

Current directorships of listed entities and dates of office: Mirvac Limited Group (since January 2006). Visa Inc. (since October 2007, listed in the USA).

Other principal directorships: Liberty Financial Pty Limited, Treasury Corporation of Victoria, Murray Goulburn Co-operative Co. Limited, Clayton Utz and the Camberwell Grammar School.

Other interests: Nil.

Other Westpac related entities directorships and dates of office: Director of St.George Bank Limited (since December 2008).

Skills, experience and expertise: Peter s career in the banking and financial services industry spans over 36 years in Australia and overseas at both the highest levels of management and directorship of major organisations. Peter has held various senior management and directorship positions with Australia and New Zealand Banking Group Limited, from 1971 to 2005, and was also a Director of BHP (NZ) Steel Limited from 1990 to 1991, ING Australia Limited from 2002 to 2005 and Esanda Finance Corporation from 2002 to 2005.

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

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited. (April 2007 November 2008). Peter was reappointed as a director of St.George Bank Limited effective on and from 1 December 2008 when St.George Bank Limited became a subsidiary of Westpac.

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

Age: 54

Term of office: Director since February 2003.

Date of next scheduled re-election: December 2011.

Independent: Yes.

Current directorships of listed entities and dates of office: Stockland Corporation Limited (since March 2009).

Other principal directorships: Nil.

Other interests: Board and advisory roles with Nanosonics Limited and the Australian Charities Fund and The Neurosurgical Research Foundation.

Other Westpac related entities directorships and dates of office: Director of BT Investment Management Limited (since September 2007).

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: Australian Gas Light Company (October 1996 October 2006). AGL Energy Limited (October 2006 March 2009).

Name: Lindsay Maxsted,
DipBus (Gordon), FCA

Age: 55

Term of office: Director since March 2008.

Date of next scheduled re-election: December 2011.

Independent: Yes.

Current directorships of listed entities and dates of office: Transurban Group (since March 2008).

Other principal directorships: Chairman of VicRacing Pty Ltd, Managing Director of Align Capital Pty Ltd and Director of Baker IDI Heart & Diabetes Institute Holdings Limited.

Other interests: Nil.

Other Westpac related entities directorships and period of office: Director of St.George Bank Limited (since December 2008).

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 Victorian State Government, Lindsay was appointed to the Board of the Public Transport Corporation in December 1995 and was Chairman from 1997 to 2001.

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: Graham Reaney,

BComm, CPA

Age: 66

Term of office: Director since December 2008.

Date of next scheduled re-election: December 2011.

Independent: Yes.

Current directorships of listed entities and dates of office: AGL Energy Limited (since July 2006). Chairman of PMP Limited (since September 2002).

Other principal directorships: Holcim (Australia) Pty Limited.

Other interests: Nil.

Other Westpac related entities directorships and dates of office: Member of the BankSA Advisory Board (since December 2008).

Skills, experience and expertise: Graham s business experience spans 30 years, during which time he has held a number of senior corporate appointments, including as Managing Director of National Foods Limited. Other former positions include Managing Director of Industrial Equity Limited. Graham has gained extensive experience both in Australia and overseas in a broad range of industries, including mining and mining services, energy, food, rural, fast moving consumer goods and financial services.

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: St.George Bank Limited (November 1996 November 2008). AGL Energy Limited (July 2006 October 2009).

Name: Peter Wilson, CA

Term of office: Director since October 2003.

Age: 68

Date of next scheduled re-election: December 2009.

Independent: Yes.

Current directorships of listed entities and dates of office: The Colonial Motor Company Limited (since July 1998, listed in NZ). Chairman of Kermadec Property Fund Limited (since October 2006, listed in NZ).

Other principal directorships: P F Olsen Limited and Farmlands Trading Society Limited.

Other interests: Member of the New Zealand Markets Disciplinary Tribunal and Chairman of the Special Division of that Tribunal.

Other Westpac related entities directorships and dates of office: Director of Westpac New Zealand Limited (since September 2006, Chairman since January 2008).

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: Nil.

Company Secretary

Our Company Secretaries as at 30 September 2009 were Anna Sandham and John Arthur.

Anna Sandham (nee O Connell) (BEc, GradDip (AppCorpGov) and FCIS) joined Westpac in 2001. She has 11 years experience as a Company Secretary in various large public companies. Anna resumed the role of Company Secretary on 3 February 2009. Alex Crompton served as Company Secretary from 5 February 2008 until 3 February 2009.

John Arthur (LLB (Hons.)) was appointed to his role of Group Executive, Counsel and Secretariat and a Company Secretary of Westpac on 1 December 2008. Prior to the appointment, John was Managing Director and Chief Executive of Investa Property Group until 2007. Previously, John has been a partner at Freehills and Group General Counsel of Lend Lease Limited. He also served as Chairman of legal firm Gilbert + Tobin and has had a distinguished career as legal partner, corporate executive and non-executive director.

2. Group Executives

As at 30 September 2009 our Group Executives were:

Name of Group Executive	Position	Year Joined Group	Year Appointed to Position
Gail Kelly	Managing Director and Chief Executive Officer	2008	2008
John Arthur	Group Executive, Counsel and Secretariat	2008	2008
Ilana Atlas(1)	Group Executive, People	2000	2003
Greg Bartlett	Chief Executive, St.George Bank	2008	2008
Peter Clare	Group Executive, Product and Operations	2008	2008
Philip Coffey	Chief Financial Officer	1996	2005
Rob Coombe	Chief Executive, BT Financial Group	2002	2005
Brad Cooper	Group Chief Transformation Officer	2007	2008
George Frazis	Chief Executive, Westpac New Zealand Limited	2009	2009
Peter Hanlon	Group Executive, Westpac Retail and Business Banking	1995	2008
Bob McKinnon	Group Executive, Technology	2008	2008
Greg Targett	Chief Risk Officer	2008	2009
Rob Whitfield	Group Executive, Westpac Institutional Bank	1986	2009

(1) On 22 September 2009, Westpac announced that Ilana Atlas had decided to retire from the Group in December 2009.

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 53
Managing Director and Chief Executive Officer

Gail was appointed Managing Director and Chief Executive Officer of Westpac on 1 February 2008.

Immediately prior to this, she served as Chief Executive Officer and Managing Director of St.George Bank Limited for five and a half years. During this period, St.George doubled its assets and net profit after tax. Between October 1997 and December 2001, Gail was employed at the Commonwealth Bank as General Manager, Strategic Marketing, and later became 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.

Gail is currently a Director of Melbourne Business School Limited and member of the Financial Services Advisory Council.

John Arthur LLB(Hons). Age 54.
Group Executive, Counsel and Secretariat

John was appointed Group Executive, Counsel and Secretariat on 1 December 2008. Most recently, prior to the appointment, John was Managing Director and Chief Executive of Investa Property Group until 2007.

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

Ilana Atlas BJur(Hons), LLB(Hons), LLM. Age 55
Group Executive, People

Ilana was appointed Group Executive, People & Performance in 2003. She is responsible for all human resources strategy and management including reward and recognition, learning and development, careers and talent, employee relations and employment policy. She is also responsible for Corporate Affairs and Sustainability including internal and external communications, government relations and Westpac s strategy in relation to corporate affairs and sustainability. Ilana joined Westpac in 2000 as Group Secretary and General Counsel.

Prior to joining Westpac, Ilana was a partner at Mallesons Stephen Jaques. She practised as a corporate lawyer and held a number of managerial roles in the firm including Managing Partner and Executive Partner, People & Information.

Greg Bartlett Advanced Business Management (Princeton University). Age 57
Chief Executive, St.George Bank

Greg was appointed Chief Executive St.George Bank in December 2008 at the time of the merger of St.George with Westpac. He has over 35 years experience in the banking and finance industry. Greg leads a team of over 5,000 people offering comprehensive Retail and Corporate & Business Banking services to over 2.6 million customers nationally under the St.George and BankSA brands. Previously with the Commercial Banking Company of Sydney Ltd, he has been with St.George for more than 25 years and was a member of St.George Executive Management Committee for over 18 years. Most recently he was Group Executive, St.George Institutional and Business Bank for nine years. Greg s previous roles at St.George include Group Treasurer and Chief General Manager, Group Treasury and Capital Markets.

Peter Clare BCom, MBA. Age 46
Group Executive, Product and Operations

Peter was appointed Group Executive, Product and Operations on 17 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 Westpac s consumer customers across Australia. Prior to joining Westpac, Peter was Group Executive, Group Technology and Operations of St.George Bank Limited following 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 accountancy roles.

Philip Coffey BEc(Hons). Age 52.
Chief Financial Officer

Philip was appointed Chief Financial Officer in December 2005, with responsibility for Westpac s finance, tax, treasury and investor relations functions. He joined Westpac in 1996, and was appointed Group Executive, Westpac Institutional Bank in 2002. He has extensive experience in financial markets, funds management and finance, firstly with the Reserve Bank of Australia, then Citicorp and AIDC Ltd. He has held roles in the UK and New Zealand. Philip has an honours degree in Economics and has completed the Executive Program at Stanford University Business School.

Rob Coombe LLB(Hons). Age 46
Chief Executive, BT Financial Group

Rob joined Westpac with the acquisition of the BT Financial Group in 2002 and has over 25 years experience in banking, finance and wealth management. Rob was appointed CEO of BT in January 2005 and leads a team of over 3,000 people across private banking, insurance, advice, funds management and wealth and superannuation solutions. 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 has also led BT in the development, packaging, distribution, administration and service of BT s range of retail products, margin lending, corporate super, discount broking and wrap platform businesses. Rob is actively involved in industry issues and is a Director of Investment and Financial Services Association Limited (IFSA) and The Australian Indigenous Education Foundation.

Brad Cooper DipBM, MBA. Age 47
Group Chief Transformation Officer

Brad was appointed Group Chief Transformation Officer on 9 June 2008, to lead the merger implementation planning and integration. Brad was Chief Executive, Westpac New Zealand Limited 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.

George Frazis B Eng(Hons), MBA(AGSM/Wharton). Age 45
Chief Executive, Westpac New Zealand Limited

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

Peter Hanlon BA(Comms), C Tech (Aero Eng), AMP (Harvard). Age 54
Group Executive, Westpac Retail and Business Banking

Peter was appointed Group Executive, Westpac Retail and Business Banking on 17 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 Westpac s 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 Chief Manager of 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. Age 56
Group Executive, Technology

Bob was appointed Group Executive, Technology on 17 July 2008. Prior to joining Westpac, Bob was Joint Managing Director of Multiplex Limited and Multiplex Funds Management Limited. Bob has over 36 years of extensive financial and senior management experience, having held senior positions with Lend Lease Corporation, MLC Group, State Street Australia and Commonwealth Bank of Australia. He is also currently a non-executive director of Alesco Corporation Limited.

Greg Targett BEc, DipEd, F Fin. Age 52
Chief Risk Officer

Greg Targett was appointed Chief Risk Officer on 2 July 2009. Greg joined Westpac as Deputy Chief Risk Officer on 1 December 2008. Prior to the merger between Westpac and St.George Bank Limited, Greg was Chief Risk Officer of St.George Bank Limited and was a member of the St.George Executive Management Committee from 2006. He joined St.George Bank Limited in May 2003 from National Australia Bank where he held the role of General Manager, Wholesale and Business Banking Credit. During his 22 year career with NAB, Greg had a variety of senior roles in Australia and overseas in Venture Capital, Planning and Strategy, Credit Risk, Corporate Banking and Retail Banking.

Rob Whitfield BCom, GradDipBanking, GradDipFin, AMP (Harvard). Age 45
Group Executive, Westpac Institutional Bank

Rob was appointed Group Executive, Westpac Institutional Bank in July 2009. He has responsibility for Westpac s global relationships with corporate, institutional and government clients, and core product offerings across financial and capital markets, transactional banking, and working capital and payments. In addition, Rob has responsibility for Hastings funds management and Westpac s equities, structured finance, global treasury, Asian and Pacific Island businesses. Rob joined Westpac as a graduate in 1986, where he gained broad experience in the financial markets. He joined Treasury in 1993 and was appointed Group Treasurer in 2000. In 2004 he became Chief Risk Officer and joined the executive team in December 2005. From April 2007, Rob undertook advisory work as a Group Executive for Westpac s Chief Executive with responsibility for the oversight of the merger with St.George Bank Limited. He was appointed Group Executive, Risk Management in November 2008 prior to assuming his role.

3. Report on the business

a) **Principal activities**

The principal activities of the Group during the financial year ended 30 September 2009 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.

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

b) Review of and results of operations

A review of the operations of the Group and its divisions and their results for the financial year ended 30 September 2009 is set out in Section 2 of the Annual Report under the sections Review of Group operations and Divisional performance , which form part of this report.

The net profit attributable to equity holders of Westpac for the financial year ended 30 September 2009 was $3,446 million.

c) Dividends

Since 30 September 2009, Westpac has announced a final dividend of 60 cents per ordinary share, totalling approximately $1,765 million for the year ended 30 September 2009 (2008 final dividend of 72 cents per Westpac ordinary share, totalling $1,364 million). The final dividend will be fully franked and will be paid on 21 December 2009.

An interim dividend for the current financial year of 56 cents per ordinary share, totalling $1,630 million, was paid as a fully franked dividend on 2 July 2009 (2008 interim dividend of 70 cents per ordinary share, totalling $1,315 million).

d) Significant changes in state of affairs and events during and after the end of 2009 financial year

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

- our merger with St.George Bank Limited, which occurred in December 2008;

- the global financial crisis and subsequent economic slowdown which impacted operations and increased impairments;

- ongoing regulatory response to the global financial crisis, which has included the introduction of the government guarantee schemes in Australia and New Zealand and proposed changes to executive remuneration regulation and liquidity requirements;

- capital transactions which included initiatives to increase Westpac s Tier 1 capital, including the $2.5 billion institutional share placement, the share purchase plan, the underwritten issue of shares under the Dividend Reinvestment Plan and the issue of the new Westpac SPS II hybrid securities; and

- the announcement of reduction in exception fees effective 1 October 2009.

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 2009 financial year, a matter that has 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 was the New Zealand High Court delivering judgment in favour of the Commissioner of Inland Revenue (CIR) New Zealand in relation to four representative transactions of nine structured finance transactions undertaken between 1998 and 2002 in respect of which the CIR issued amended tax assessments. When taking into account all of the nine transactions the financial cost of the judgment would be NZ$918 million. This amount has been fully provided for in our financial statements for the 2009 financial year. For a discussion of this matter, 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 2009 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.

e) **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.

4. Directors interests

a) **Directors interests in securities**

The following particulars for each Director are set out in the Remuneration Report and Note 42 of our consolidated financial statements for the year ended 30 September 2009 and in the tables below:

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

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

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

- any contracts:

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

- 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 4 November 2009

	Number of Westpac Ordinary Shares	Number of Westpac Share Options	Number of Westpac Share Rights	Westpac SPS	Westpac SPS II
Westpac Banking Corporation securities					
Ted Evans	19,130				
Gail Kelly	1,544,883(1)	720,556(2)	202,021(3)		
John Curtis	72,787				
Elizabeth Bryan	19,444				
Gordon Cairns	17,038				
Peter Hawkins	15,218				
Carolyn Hewson	16,348				
Lindsay Maxsted	7,404				
Graham Reaney	75,361				
Peter Wilson	13,597				

	Number of BTIM Ordinary Shares
BT Investment Management Limited securities	
Carolyn Hewson	15,385

(1) Westpac ordinary shares granted under the CEO Restricted Share Plan 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.

***b)* Other relevant interests as at 4 November 2009**

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 4 November 2009

	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	1,400			3 July 2009
John Curtis	1,300			22 July 2009

(1) ASIC has exempted each Director from the obligation to notify the ASX of a relevant interest in a security that is an interest in BT Cash Management Trust (ARSN 087 531 539), BT Premium Cash Fund (ARSN 089 299 730), Westpac Cash Management Trust (ARSN 088 187 928), BT Institutional Managed Cash Fund (ARSN 088 832 491) or BT Institutional Enhanced Cash Fund (ARSN 088 863 469).

c) **Indemnities and insurance**

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

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

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

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

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

- directors and other statutory officers of wholly owned subsidiaries of Westpac (including St.George Bank Limited); and

- directors and statutory officers of other nominated companies as approved by Westpac in accordance with the terms of the deed poll and Westpac s contractual indemnity policy.

Some employees of related bodies corporate and responsible managers of Westpac and its related bodies corporate are also currently covered by a deed poll in similar terms that was executed in November 2004.

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

As part of the merger with St.George Bank Limited, Westpac indemnified each member of the St.George Group and certain of their representatives, including their directors and officers, in respect of breaches of certain obligations and warranties provided by Westpac in the Merger Implementation Agreement between Westpac and St.George Bank Limited and also in respect of the inclusion or disclosure of certain types of information in disclosure or regulatory documents prepared by Westpac. Those indemnities continue to apply to those St.George Bank Limited directors, some of whom have subsequently been appointed as directors of Westpac. The indemnity also applies to KPMG, as St.George Bank Limited s auditor at the time of the merger.

St.George Bank Limited agreed with Westpac to provide indemnities in corresponding terms under the Merger Implementation Agreement, which also continue to apply.

No amount has been paid under any of these indemnities during the financial year ended 30 September 2009 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.

For the year ended 30 September 2009 the Group has 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

As at the date of this report there are 15,034,990 share options outstanding and 3,047,094 share rights outstanding in relation to Westpac ordinary shares. The expiry date of the share options range between 29 December 2009 and 1 March 2019 and the weighted average exercise price is $20.83. The latest dates for exercise of the share rights range between 20 January 2013 and 1 June 2019.

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

e) Proceedings on behalf of Westpac

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of Westpac, or to intervene in any proceedings to which Westpac is a party, for the purpose of taking responsibility on behalf of Westpac for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of Westpac with leave of the Court under section 237 of the Corporations Act 2001.

5. Environmental disclosure

The Westpac Group s environmental framework starts with Our Principles for Doing Business , which outline our broad environmental principles. This framework includes:

- our environmental policy statement Westpac and the Environment: Our Environmental Policy , which has been in place since 1992;

- an internally developed Sustainable Supply Chain Management framework; and

- public reporting of our environmental performance. We also participate in a number of voluntary initiatives including the Carbon Disclosure Project, the Equator Principles and the United Nations Global Compact CEO Water Mandate.

More recently, in 2008, we launched a five-year climate change strategy. The strategy outlines specific objectives for our direct environmental impacts, and continued engagement and advocacy along our value chain with customers and suppliers. We expect that the cost of implementing this strategy will not have a material impact on the operating expenses of the Group.

The Group is required to comply with the NSW Energy Administration Amendment (Water & Savings) Act 2005 (EAA). We comply with our obligations pursuant to the EAA as a designated energy user and a designated water user through an:

- Energy Savings Action Plan for Westpac s North Ryde site which was approved by the NSW Government on 14 February 2008. The Annual Progress Report for the North Ryde site was submitted for this year and is due to be submitted by 30 September in each subsequent year. We comply with our obligations under the EAA and the Action Plan; and

- Energy Savings Action Plan and a Water Savings Action Plan for the St.George House Building at Kogarah. Both plans were approved by the NSW Government during 2006 and require Annual Progress Reports (submitted to the NSW Government on 29 December 2008 and 31 October 2008 respectively). The Annual Progress Reports for each Action Plan are due in 2009 and subsequent years by 31 December. We comply with our obligations under the EAA and these Action Plans.

The National Greenhouse and Energy Reporting Act 2007 (Cth) (National Greenhouse Act) came into effect in July 2008. The Group has reported on greenhouse gas emissions, energy consumption and production under the National Greenhouse Act for the period June 2008 through July 2009 and will continue to report annually thereafter. The Group complies with the National Greenhouse Act and submitted its first report to the Commonwealth Government in October 2009.

Following the merger between Westpac and St.George Bank Limited, the Group has exceeded the threshold for reporting requirements of the Energy Efficiency Opportunities Act 2006 (Cth) (EEO), which requires a report to be submitted to the Commonwealth Government identifying, evaluating and publicly reporting on cost effective energy savings opportunities. The report is to be submitted by 31 December 2010. We comply with our obligations under the EEO.

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

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

Further details on our environmental performance, including progress against our climate change strategy and details of our emissions profile are available on our website at www.westpac.com.au/corporateresponsibility.

6. Rounding of amounts

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

7. Political expenditure

In line with Westpac policy, no cash donations were made to political parties during the financial year ended 30 September 2009. The expenditure reflected in the table below relates to payment for participation in legitimate political activities where there was assessed to be direct business benefit to Westpac. Such activities include business observer programmes attached to annual party conferences, policy dialogue forums and other political functions such as speeches and dinners.

Political expenditure, year ended 30 September 2009

Australia

	Amount $(1)
Australian Labor Party	73,734.50
Liberal Party of Australia	50,890.00
National Party of Australia	16,795.00
Total	141,419.50

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

New Zealand

The total expenditure on political activities in New Zealand for the year ended 30 September 2009 was NZ$950.00. In line with Westpac policy, no cash donations were made to political parties in New Zealand during the year.

8. Directors meetings

Each Director attended the following meetings of the Board and Committees of the Board during the financial year ended 30 September 2009:

Number of meetings held during the year		**Board Meetings 15**		**Audit Committee 4**		**Risk Management Committee 5**		**Nominations Committee 4**		**Remuneration Committee 6**		**Sustainability Committee 3**		**Technology Committee 3**	
Director	**Notes**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Ted Evans	1	15	15	3	3	5	5	4	4	2	2			3	3
Gail Kelly	2	15	15									3	3	3	3
John Curtis	3	13	11	3	3	3	3			4	4				
Elizabeth Bryan	4	15	14	4	4	5	5	3	3					3	3
Gordon Cairns	5	15	14	4	4	5	4	4	4	6	6				
Peter Hawkins	6	13	12	3	3	3	3							3	3
Carolyn Hewson	7	15	14	4	4	5	5	4	4	6	6				
Lindsay Maxsted	8	15	13	4	4	5	5	4	4						
Graham Reaney	9	13	13	3	3	3	3					3	3		
Peter Wilson	10	15	15	4	4	5	5	4	4			3	3		

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 2008.

(1) Chairman of the Nominations Committee. He was a member of the Audit Committee until 1 December 2008 and a member of the Audit Committee from 3 March 2009. He is a member of the Risk Management Committee and from 1 December 2008 a member of the Technology Committee. He was a member of the Remuneration Committee until 1 December 2008.

(2) Member of the Sustainability Committee and Technology Committee.

(3) John Curtis was appointed Director and Deputy Chairman on 1 December 2008. Since 1 December 2008 he has been a member of the Audit Committee, Risk Management Committee and Remuneration Committee.

(4) Chairman of the Technology Committee from 1 December 2008. She is a member of the Audit Committee and Risk Management Committee. She was a member of the Sustainability Committee until 1 December 2008. She has been a member of the Nominations Committee from 1 December 2008.

(5) Chairman of the Remuneration Committee. He is a member of the Audit Committee, Risk Management Committee and Nominations Committee.

(6) Peter Hawkins was appointed Director on 1 December 2008. Since 1 December 2008 he has been a member of the Audit Committee, Risk Management Committee and Technology Committee.

(7) Chairman of the Risk Management Committee. She is a member of the Audit Committee, Nominations Committee and Remuneration Committee.

(8) Chairman of the Audit Committee. He is a member of the Risk Management Committee and Nominations Committee.

(9) Graham Reaney was appointed Director on 1 December 2008. Since 1 December 2008 he has been a member of the Audit Committee, Risk Management Committee and Sustainability Committee.

(10) Chairman of the Sustainability Committee. He is a member of the Audit Committee, Risk Management Committee and Nominations Committee.

All Directors receive the papers for all meetings of the Board and all Committee meetings and are invited to attend all Committee meetings (even where they are not members of the relevant Committee). The above table only sets out attendance by members of the relevant Committees. It does not reflect attendance at Committee meetings by other Directors who were not members of the relevant Committee.

9. Remuneration report

Introduction from the Chairman of the Board Remuneration Committee

Dear Shareholder,

The Board thinks it is important to introduce our Remuneration Report with a section explaining the thinking behind our remuneration strategy, and how we design, implement, and validate it. We have tried to explain this in as clear a way as possible.

Our remuneration strategy is designed around six overarching principles, all of which are aimed at getting the best outcome for shareholders:

1. Most talented employees;

2. Pay for performance;

3. Competitive and fair;

4. Aligned with shareholders interests;

5. Risk adjusted remuneration; and

6. Simple, flexible and transparent.

First we aim to attract and retain the most talented employees globally. We believe that these employees will have the highest impact on our organisation, by formulating the most compelling strategic choices, by out-executing our competitors, and by creating an achievement culture where everyone feels empowered to achieve their potential.

Secondly we have designed the structure of remuneration to pay for performance both absolute and relative to our peers over both the short and the longer term.

The third principle is to ensure that this remuneration strategy is both competitive and fair. We do this as a Board, by hiring independent remuneration consultants, reporting directly to us, to give us an informed opinion from the market place. We also benchmark our total incentive pool for the year, as a percentage of earnings, and compare it to previous years, and to the other areas where we allocate the surplus, in dividends and reinvesting back in the company.

The fourth principle is to ensure that the outcomes of our remuneration strategy are aligned to the interests of shareholders. This we seek to achieve by rewarding senior management with equity in their variable reward, and for this equity to vest over a longer time period, during which it cannot be hedged.

Fifthly we want our remuneration strategy to be consistent with sound risk management principles. This we do by measuring our financial performance on the basis of economic profit which takes into account, both at a Group and business unit level, the amount of capital that needs to be charged, consistent with the risk. And as a Board we reserve the right to adjust the outcome of the incentive element of compensation, based on our assessment of risk. We believe this approach best ensures a direct linkage between reward, return and risk.

The sixth and final principle is to attempt to make our remuneration strategy as simple, flexible and transparent as we can. We recognise in the design that one size does not fit all, and are prepared to tailor where external conditions dictate. We acknowledge that remuneration has become a complex subject, with reports best understood by experts. We do not believe that this is in the best interests of good governance, and therefore have sought in this report to try and make the content as straight-forward as possible.

Undoubtedly there will be areas where we can make further improvements, and with your feedback we shall commit to this endeavour.

Gordon Cairns
Chairman
Board Remuneration Committee

1. Remuneration snapshot for 2009

This section provides an overview of remuneration at the Group during 2009.

1.1 Material factors impacting remuneration this year

The external environment has changed significantly during 2009. The global financial crisis escalated early in the year and heralded a period of significant uncertainty in the financial sector. In this context, our major priorities for the year were to successfully navigate our way through the global financial crisis, to continue to implement our customer-focused strategy and to execute the merger with St.George, using the merger to facilitate our overall Transformation.

The Group has made very good progress this year against these objectives. We have successfully completed the merger with St.George, with excellent customer retention, improved business momentum and high staff engagement. We finish the year very well placed, with a set of powerful, iconic brands, a much larger customer base and stronger distribution network, and with the most improved customer advocacy of all our peers.

A fundamental element to enable this success has been the improved quality of our key teams, as well as the high levels of engagement of our people.

The developments in the external environment, the completion of the merger with St.George and the Group s overall performance this year have given rise to a number of important remuneration outcomes which we wish to highlight here.

Remuneration changes

As a result of the merger with St.George, the Group materially increased in size and complexity. In line with this, some executive roles and responsibilities increased similarly from 1 December 2008. These changes resulted in increases to fixed remuneration and/or variable reward target opportunities for some Senior Executives(1).

In response to the global financial crisis, effective May 2009, we stopped any increase in fixed remuneration and variable reward targets for the CEO, Senior Executives and all employees earning more than $100,000 (other than on promotion), until the 2011 financial year.

Variable reward outcomes

Performance during the year, and the remuneration outcomes associated with it, are discussed in more detail in the next section. The remuneration framework includes mechanisms to ensure a fair variable reward outcome for employees compared to the position of shareholders. However, the impact of both the merger and the particularly challenging external environment this year warranted an additional level of review by the Remuneration Committee.

The Remuneration Committee primarily uses Economic Profit(2) to measure financial performance and to consider the overall variable reward pool to allocate to employees. In a merger year, Economic Profit is materially impacted by accounting adjustments and as a sole indicator in these circumstances can have significant limitations. The Remuneration Committee therefore adopted a multi-lens approach to consider the variable reward pool that should be allocated. It looked at a number of additional measures including cash earnings(3), earnings per share, dividends, and total shareholder return (TSR).

It concluded that an appropriate outcome for employees earning variable reward payments would be an aggregate reduction of 15% to the variable reward pool for 2009 compared to the aggregate paid for 2008. The variable reward pool is the pool out of which cash, deferred share bonuses and long term incentive awards are paid for all employees up to and including Senior Executives.

Equity vesting

In light of the global financial crisis and the changing regulatory environment the Remuneration Committee has reviewed and continues to review the Group s approach to remuneration.

Although the regulatory environment is not settled, the initial view of the Remuneration Committee is that the Group s remuneration approach will broadly comply with this evolving environment and is fundamentally sound. However, the Remuneration Committee recognises that change may be required.

One immediate change has been that for all future equity awards, accelerated vesting(4) will cease to be the default position where an executive terminates in cases such as retirement or retrenchment. Instead, the vesting period will continue to the normal vesting date of the equity.

The detailed review and implementation of changes will continue over the course of 2010.

The next part of this section gives an overview of remuneration as it applies to three groups: the CEO and Senior Executives; employees below Senior Executive level and Non-executive Directors.

---

(1) Senior Executives are set out in Section 1.5 in this Remuneration report.

(2) Economic profit represents the excess of adjusted cash earnings over a minimum required rate of return on equity invested. For this purpose, adjusted cash earnings is defined as cash earnings plus the estimated value of franking credits paid to shareholders.

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

(4) Vesting is when the restriction period and any performance hurdles have been satisfied, and the holder can sell the shares, or exercise the options or share rights (as the case may be).

1.2 CEO and Senior Executives

Remuneration principles and strategy

Our remuneration strategy is designed around six overarching principles, all of which are aimed at getting the best result for shareholders:

- most talented employees;
- pay for performance;
- competitive and fair;
- aligned with shareholders interests;
- risk adjusted remuneration; and
- simple, flexible and transparent.

Our strategy, based on these principles, is to attract and retain talented employees, by rewarding them for achieving high performance and delivering superior long term results for our customers and our shareholders, while adhering to sound risk management and governance principles. This strategy informs our executive remuneration framework.

Executive remuneration framework

A summary of the executive remuneration framework, as it applies to the CEO and Senior Executives is set out below.

Fixed remuneration

We provide fixed remuneration that takes into account the size and complexity of the role, individual responsibilities, experience and skills, and is market competitive. Fixed remuneration includes fixed package, comprising cash salary and salary sacrifice(1) items, and superannuation.

Short term incentive (STI)

The CEO and Senior Executives are eligible to receive a STI payment, partly in cash and partly in deferred shares. Outcomes each year are based on individual, divisional, and Group performance measured against risk-adjusted financial and non-financial targets that support the Group s short and long term strategy.

Long term incentive (LTI)

The CEO and Senior Executives are eligible to receive a LTI award. During the year, LTI awards were made in the form of performance share rights and performance options, which vest over a two to five-year period if the required performance is achieved. The level of the award takes into account market benchmarks, individual performance over time, succession potential and key skills.

1.3 Remuneration for employees below Senior Executive level

We adopt a remuneration strategy for employees below the level of Senior Executive which is consistent with the strategy and principles underlying our executive remuneration framework described above. This is summarised as follows:

- fixed remuneration is market aligned, and reviewed annually;
- we provide superannuation 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;
- employees have the opportunity to participate in a STI scheme designed to support the objectives (which include risk management) of their division and the Group, with a portion deferred in some cases; and
- key employees may also receive a LTI award.

Eligible employees may receive an annual award of up to $1,000 of Westpac ordinary shares under the Employee Share Plan (ESP) provided the Group meets set hurdles based on share price increase and customer satisfaction.

1.4 Non-executive Directors

The Board s focus is on strategic direction, long term corporate performance and the creation of shareholder value. Our remuneration strategy for Non-executive Directors is to remunerate Board members appropriately for their time, expertise and insight into strategic and governance issues, and to attract and retain experienced and qualified Board members. 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. Non-executive Directors who serve on subsidiary Boards also receive fees in respect of these additional services, which are paid by the relevant subsidiary company. Following the merger with St.George, the Board established the role of Deputy Chairman and the new Technology Committee, and associated fees were determined. Base fees and fees for Committee membership did not increase during 2009.

Fee pool

At the 2008 Annual General Meeting shareholders approved an increased fee pool of $4.5 million per annum for Non-executive Directors. This increased pool provided for three new Group Non-executive Directors following the merger with St.George. For the 2009 year, $3.4 million (76%) of the fee pool was utilised.

(1) Salary sacrifice means using fixed remuneration on a pre-tax basis to receive certain benefits such as car parking and child care, or to make additional superannuation contributions.

1.5 CEO, Senior Executives and Non-executive Directors disclosed in this report

CEO and Senior Executives

Name	Position
Gail Kelly	CEO and Managing Director
Senior Executives	
John Arthur	Group Executive, Counsel & Secretariat (from 1 December 2008)
Ilana Atlas	Group Executive, People
Greg Bartlett	Chief Executive, St.George Bank (from 1 December 2008)
Peter Clare	Group Executive, Product & Operations
Philip Coffey	Chief Financial Officer
Rob Coombe	Chief Executive Officer, BT Financial Group
Brad Cooper	Group Chief Transformation Officer
George Frazis	Chief Executive, Westpac New Zealand Limited (from 5 March 2009)
Peter Hanlon	Group Executive, Westpac Retail & Business Banking
Bob McKinnon	Group Executive, Technology
Greg Targett	Chief Risk Officer (from 2 July 2009)
Rob Whitfield	Group Executive (from 1 October 2008 to 30 November 2008), Group Executive, Risk Management (from 1 December 2008 to 1 July 2009), Group Executive, Westpac Institutional Bank (from 2 July 2009)
Curt Zuber	Group Treasurer
Former Senior Executives	
Philip Chronican	Group Executive, Westpac Institutional Bank (until 2 July 2009)

Non-executive Directors

Name	
Ted Evans	Chairman
John Curtis	Deputy Chairman (from 1 December 2008)
Elizabeth Bryan	
Gordon Cairns	
Peter Hawkins	(from 1 December 2008)
Carolyn Hewson	
Lindsay Maxsted	
Graham Reaney	(from 1 December 2008)
Peter Wilson	

2. Governance and risk management

This section provides detail of the Group s approach to governance and risk management in relation to remuneration.

2.1 Governance

The Group strives to maintain remuneration policies and practices that fairly and responsibly reward employees for performance, while maintaining high standards of governance.

The Remuneration Committee is responsible for developing the remuneration strategy and framework. It monitors remuneration practices, market expectations and regulatory requirements in Australia and internationally, seeking to ensure the Group remains at the forefront of remuneration practice.

The Remuneration Committee:

- reviews and approves the executive remuneration framework and remuneration packages for each of the Senior Executives included in this report;

- recommends the remuneration of the CEO and Non-executive Directors to the Board;

- recommends to the Board objectives against which the CEO s performance is assessed and which are used as the basis for determining the CEO s STI;

- oversees succession planning for Senior Executives;

- oversees general remuneration practices and reward expenditure across the Group;

- oversees the Group s equity based plans, and makes recommendations to the Board relating to new plans and changes to existing plans;

- reviews and approves the level of performance-based remuneration, and monitors performance against set hurdles under our LTI plans; and

- monitors and assesses the extent to which the executive remuneration framework is delivering outcomes that are consistent with the Group s stated remuneration strategy.

The Remuneration Committee s decisions on executive remuneration are based on business objectives, legal obligations and high standards of corporate governance.

The Remuneration Committee engages remuneration consultants, who are independent of management, to provide specialist advice to assist them in their role. The Board maintains a funding pool, which is overseen by the Chairman, to pay for this advice independent of management.

During 2009 the Remuneration Committee engaged Towers Perrin to provide independent advice in relation to its review of the executive remuneration framework. The Group also obtained external advice from Ernst & Young in relation to the executive remuneration framework and other Group remuneration matters. Hay Group provide external market data to the Group. Any market data requests from the Board or Remuneration Committee are requested and provided directly, independent of management.

Members of the Remuneration Committee during 2009

All members of the Remuneration Committee are independent Non-Executive Directors. During 2009 members included:

- Gordon Cairns (Chairman)
- John Curtis (from 1 December 2008)
- Ted Evans (from 1 October 2008 to 1 December 2008)
- Carolyn Hewson

Board Remuneration Committee Charter

The role and responsibilities of the Remuneration Committee are set out in the Remuneration Committee charter, which is available on the Group s website www.westpac.com.au/corporateresponsibility.

The Remuneration Committee charter is reviewed annually, along with other Committee charters. No material changes were made to the charter following the 2009 review. In the light of recent regulatory developments, the Board expects to review and, if appropriate, amend the Board Remuneration Committee charter to ensure our practices are consistent with evolving best practice in corporate governance. Further information about the Remuneration Committee is provided in the Corporate Governance Statement in this Annual Report.

The Remuneration Committee s role and responsibilities are represented in the diagram below.

2.2 Risk management

The Group s remuneration strategy, executive remuneration framework, policies and practices are established to reflect sound risk management.

Sound risk management is fundamental to the way we operate the Group. The performance of each division within the Group is reviewed and measured on the basis of how risk is managed, and this flows through to remuneration outcomes.

The executive remuneration framework includes features that reflect a balanced risk management approach. The framework is composed of an appropriate mix of fixed pay and variable reward, a portion of which is deferred. During the year, Senior Executives received deferred compensation in two forms: deferred shares as part of the STI awarded, and a LTI award of performance share rights and/or performance options which only deliver value if the Group meets or exceeds set long term performance hurdles of up to five years. Both of these align the interests of the CEO and Senior Executives with those of shareholders over the longer term.

The amount of the variable reward pool is capped. This year the cap was determined by the Remuneration Committee based on a number of financial indicators including Economic Profit, cash earnings, earnings per share, dividends and TSR. The measurement of performance for calculating STI outcomes is based on both financial and non-financial measures, including risk management and adherence to the Group s corporate values and behaviours. The key financial measure used is Economic Profit, which accounted for 50% of the CEO s and Senior Executives scoreboards during the year. In addition the CEO and each Senior Executive is assessed on specific risk measures that are a key factor in the discretionary adjustment to the scoreboard outcome.

To enhance alignment with shareholders, the CEO and Senior Executives (who are Group Executives) are expected to build and maintain a substantial Group shareholding within five years. For the CEO the expected minimum is five times her annual fixed package. For Group Executives the expected minimum is $1.2 million. The Remuneration Committee monitors compliance with these requirements.

Under the Group s hedging policy, participants are strictly forbidden from entering into hedging arrangements in relation to their unvested deferred STI and LTI equity awards, whether directly or indirectly. Hedging refers to using financial products to protect against or limit the risk associated with equity instruments, such as shares or securities employees receive as part of their performance-based remuneration. If a participant attempts to hedge unvested shares or securities those instruments are liable to forfeiture. Access to unvested shares and securities on the share register is restricted until after they have vested.

As set out in Section 2.1 of this Remuneration report, we adhere to high standards of corporate governance in relation to remuneration, with the Remuneration Committee overseeing both executive remuneration and general remuneration practices across the Group. The Chairman of the Board Risk Management Committee is also a member of the Remuneration Committee and the Chief Risk Officer attends all Remuneration Committee meetings. In carrying out its duties, the Remuneration Committee has access to risk and financial control personnel and engages external advisors that are independent of management.

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

- performance and remuneration outcomes for the CEO are approved by the Board, on the recommendation of the Remuneration Committee;

- performance and remuneration outcomes for Group Executives are approved by the Remuneration Committee, on the recommendation of the CEO; and

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

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

We actively focus on our corporate values and seek to ensure a culture of risk management is embedded throughout our organisation. Each year we test this through our Staff Perspective Survey. This year, for the first time, we also asked employees what they value, and what they consider the current values of the organisation to be. Included in the top 10 current values of the Group were: compliance , accountability and doing the right thing . Additionally, our Staff Perspective Survey indicates that 90% of our people fully support the values for which the Group stands.

3. The structure of remuneration and assessment of performance achieved

3.1 Fixed remuneration

Fixed remuneration includes fixed package, comprising cash salary and salary sacrifice items, and superannuation.

The Group provides superannuation contributions for the CEO and Senior Executives of up to 9% of their fixed package, which can be received by one of the Group s staff superannuation funds or an eligible fund of their choice. During the year, three Senior Executives were members of legacy defined benefit superannuation funds (which are closed to new members).

3.2 STI

Performance objectives and performance achieved

The Remuneration Committee strives to set individual performance objectives for the CEO and Senior Executives that provide a robust link between remuneration outcomes and the key drivers of long term shareholder value creation. The STI performance objectives are set out in the form of a scoreboard which includes financial and non-financial objectives in the following categories and weightings:

Category	**Weighting for 2009**
Shareholders	65%
Customers	20%
Employees	10%
Corporate responsibility	5%

A description of the objectives, and the results, are set out in turn below:

Shareholders and Customers

The Shareholder category includes financial measures for the year. The key financial measure used to assess achievement in this category is Economic Profit, which is a risk-adjusted financial measure. Senior Executives are assessed on Economic Profit, both for the Group and, where appropriate, for the part of the Group they manage. 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. An assessment of Economic Profit and other key financial performance indicators, is set out below:

We have achieved a strong financial performance in light of external operating conditions

• Economic profit reduced, but still strong	In the context of volatile external operating conditions as a result of the global financial crisis, the Group delivered Economic Profit that was lower than 2008, and was impacted by three key items. First, lower cash earnings, as impairments charges increased significantly this year. Second, higher levels of capital, as we chose to increase our Tier 1 capital in the face of significant uncertainty early in the year. Finally the impact of merger accounting, which required recognition of goodwill in relation to the St.George merger. This significantly increased the capital charge when compared to 2008. The return on goodwill is expected in future periods as synergies and other benefits driven by the merger increase. For the purposes of assessing performance we have made allowance for this last point, this approach is consistent with the approach we have used in determining our dividend for 2009.
	We continue to maintain a strong capital position, retaining our AA rating, which positions the Group well to keep supporting our customers and take advantage of any improvement to economic conditions and future growth opportunities.

The second objective under the Shareholder category relates to the success of the merger of St.George with Westpac, measured by customer retention and cost synergies. This complements the Customer category which includes measures with a focus on delivering superior customer experience including improvements in transaction processing and service delivery.

We have completed our merger with St.George and made excellent progress on integration

- Post merger implementation well on track
- Cost and revenue synergies exceeded
- Leveraged strengths of St.George and Westpac

Following the execution of the merger with St.George, we continue to make strong progress on integration, exceeding our planned cost and revenue synergies and using the opportunity to leverage on the strengths of Westpac and St.George. We have achieved excellent customer retention and have maintained a strong position for the St.George brand.

We are keeping our existing customers and winning new ones

- Focusing on our customers
- Customer-centric culture
- Excellent customer retention rates
- Customer growth in key segments
- Increased customer advocacy

We have maintained our focus on ensuring the customer is at the centre of everything we do, driving changes to the way we are organised and the way we do business. Our approach has ensured that we achieved excellent customer retention rates following the merger with St.George, achieving customer growth in key segments. Across all the divisions we have performed strongly on key customer metrics, both in absolute terms and relative to the competition, demonstrating improved customer advocacy and deeper relationships with our customers.

Employees

The Employee category focuses on increasing employee engagement and employee advocacy for the Group s products and services.

Our employees are more engaged than ever, and focused on delivering for our customers

• Best ever employee engagement results	In a year of significant change for our people, our annual Staff Perspectives Survey confirmed our best ever, and very high, employee engagement levels consistent with the levels for global high performing companies.

Corporate Responsibility

This category focuses on maintaining a market leading position in both corporate responsibility and sustainability.

We continue to be world-leaders in corporate responsibility and sustainability

- Our highest ever score in the Dow Jones Sustainability Index
- Corporate governance
- Risk and crisis management

Our strong performance in this area is again demonstrated by the Group s result in the Dow Jones Sustainability Index. We achieved our highest ever score, and we were highest-rated in areas including corporate governance and risk and crisis management.

In 2009 we have maintained a proactive, strong risk management approach to conducting business in the current economic environment. We continue to support our customers in times of hardship through Westpac Assist and St.George Assist, and providing proactive assistance to deal with unexpected events such as the Victorian bushfires.

Our sustainable approach to conducting business and our impact on the environment was a strong focus in 2009 with the Group achieving a 5% reduction in our carbon footprint(1).

Application of discretion

The Remuneration Committee recognises that the scoreboard approach, whilst embracing a number of complementary performance objectives, will never entirely reflect performance as a whole. When determining individual STI outcomes for the CEO and Senior Executives, the Board and Remuneration Committee may make discretionary adjustments of ±100% for the CEO, and ±50% for Senior Executives, to take account of:

- individual performance results not explicitly covered in the objectives; and
- negative adjustments considered appropriate to address adverse performance outcomes from previous years.

At the end of the year, the Remuneration Committee reviews all performance outcomes against the objectives set at the beginning of the year and applies any discretionary adjustments it considers are appropriate. Based on the performance outcomes against individual scoreboards, the Remuneration Committee:

- recommends the CEO s STI outcome to the Board for approval; and
- confirms STI outcomes for each Senior Executive.

STI outcomes are determined within a range of 0% to 200% of the STI target amount. Individual STI outcomes are set out in Section 6 of this Remuneration Report.

STI target opportunities

CEO

The CEO s STI target is set out in her employment agreement, and was $3.5 million for 2009. This target has not been increased for 2010.

Senior Executives

Senior Executives STI targets are set by the Remuneration Committee at the beginning of each year, based on market competitiveness and the nature of each individual s role. Consistent with the suspension of fixed pay increases there will be no increases to STI targets for 2010.

STI awards for Senior Executives are managed within a Group-wide variable reward pool set each year by the Remuneration Committee.

(1) This balance is not prepared in accordance with A-IFRS and has not been subject to audit.

STI Structure a mix of cash and deferred shares

For 2009, the CEO is required to defer 40% of her STI, half for one year and half for two years. Senior Executives are generally required to defer 25% of their STI for two years, with the exception of the Chief Risk Officer who is required to defer 40% of his STI, half for two and half for three years, the Group Executive, Westpac Institutional Bank, who is required to defer 40% of his STI, one third for each of one, two and three years, and the Group Treasurer who is required to defer 33% of his 2009 STI for two years.

Deferred STI awards granted to the CEO are made under the CEO Restricted Share Plan. For Senior Executives based in Australia the deferred portion is received as Westpac ordinary shares under the Group s general Restricted Share Plan. Restricted Share Plan shares rank equally with Westpac ordinary shares for dividends and voting rights from the date of grant, and may currently be held in the Restricted Share Plan for a maximum of 10 years from the commencement of the vesting period. For Senior Executives outside Australia, the deferred component of the STI payment may instead be received as share rights under the Westpac Performance Plan (which entitle the holder to Westpac ordinary shares upon vesting). The Remuneration Committee has recently determined that for future awards, shares will be released on the date they vest to align to changes in the proposed taxation of employee share plans.

Deferred STI is generally forfeited if the holder resigns or is dismissed prior to the end of the restriction period. This supports retention and alignment with shareholder interests during the restriction period. Any changes in the business that are reflected in the share price flow through to the value of the deferred STI. The Board will review the amount of STI deferral in 2010 as part of its ongoing review of the executive remuneration framework.

3.3 Long term incentive (LTI)

Performance objectives and performance achieved

LTI awards made in the year may vest over a three to five-year period, but only if the Group s relative TSR exceeds that of a number of its peers. The Group uses LTI is as a key driver of sustained long term value for shareholders. We provide LTI awards to the CEO and Senior Executives. LTI arrangements for Bob McKinnon are different due to the duration of his contract. His LTI arrangements are described below.

The CEO and Senior Executives only receive value from their LTI awards under the CEO Performance Plan and Westpac Reward Plan if the Group s TSR is equal to or better than the 50th percentile against 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 the TSR ranking group. Under the CEO Performance Plan and Westpac Reward Plan, TSR is measured over three to five year periods from the beginning of the performance period (with the base and measurement prices both assessed over three months to smooth the impact of short term share price fluctuations).

The following table demonstrates the Group s TSR, dividend, share price and cash earnings per share performance each year from 2005 to 2009.

TSR to 30 September		2009		2008		2007		2006		2005(1)
Three year		20.0%		29.5%		85.7%		60.6%		48.8%
Five year		76.7%		75.0%		123.0%		107.0%		102.8%
Dividends per Westpac share		116 cents		142 cents		131 cents		116 cents		100 cents
Cash earnings per Westpac share(2)	$	1.62	$	1.98	$	1.89	$	1.67	$	1.52
Share price - high	$	26.74	$	31.32	$	28.69	$	25.35	$	21.40
Share price - low	$	14.40	$	18.36	$	22.53	$	20.14	$	17.52
Share price - close	$	26.25	$	21.48	$	28.50	$	22.71	$	21.10

(1) The closing Westpac ordinary share price for the 2004 year (30th September 2004) was $17.73.

(2) The cash earnings balances are not prepared in accordance with A-IFRS and have not been subject to audit. 2009 cash earnings per share are on a pro forma basis, that is, prepared as if the merger with St.George was completed on 1 October 2008.

Example

The Group s 5-year TSR to 30 September 2009 was 76.7%. For example, a $100 investment in Westpac shares five years ago would have returned $176.70 to the shareholder.

During the year, several LTI awards granted in previous years under the Westpac Performance Plan were tested against the applicable performance hurdles. Sixteen awards of securities under the Westpac Performance Plan reached a performance test date. Performance for all these awards was above the 50th percentile, with the Group s relative TSR ranking results ranging from the 56th percentile to the 90th percentile. Where securities reached their first or second test dates and performance was above the 50th percentile, most employees chose not to extend the performance period. No awards under the CEO Performance Plan and Westpac Reward Plan reached a scheduled test date during the reporting period.

LTI structure

- The CEO receives an annual LTI award of performance options and performance share rights under the CEO Performance Plan.
- Senior Executives receive annual LTI awards of performance options under the Westpac Reward Plan.
- From time to time Senior Executives may receive one-off LTI awards under the Restricted Share Plan or the Westpac Performance Plan.

The following table sets out the key features of LTI awards to the CEO under the CEO Performance Plan, and to Senior Executives under the Westpac Reward Plan and Westpac Performance Plan.

	CEO Performance Plan	Westpac Reward Plan	Westpac Performance Plan
Instrument	Performance options and performance share rights	Performance options	Performance share rights
Determining the number of securities	The number of performance share rights and/or performance options each individual receives is determined by dividing the dollar value of the LTI award by the value of the performance share rights and performance options as at the beginning of the performance period. The value of performance share rights and performance options is determined using a Binomial/Monte Carlo simulation pricing model. These values are calculated independently of the Group.		
The performance hurdle is Relative TSR	The CEO and Senior Executives only receive value from their LTI awards if the Group s TSR ranks higher than the 50th percentile of a defined group of comparator companies (the ranking group) over a set performance period. Relative TSR is used as the performance measure because it ensures a link to the creation of value for shareholders, and is considered to be an appropriate measure over the long term (consistent with the performance periods of up to five years). Lists of companies in the most recently determined ranking groups for the CEO Performance Plan, the Westpac Reward Plan and the Westpac Performance Plan are provided in Section 6 of this Remuneration report.		
Vesting framework focuses on longer-term performance.	Initial TSR performance is tested at the third anniversary of the start of the performance period, and subsequent performance testing is possible at the fourth and fifth anniversaries. Securities only vest if the Group s TSR ranking is at or above the 50th percentile of the ranking group at a performance test date. Vesting increases at subsequent test dates only if the TSR ranking over the entire performance period is above the 50th percentile and has improved from the previous test date relative to the ranking group. Vesting scales up to full vesting if the TSR ranking is at or above the 75th percentile.		TSR is tested over a period of two to four years. Vesting can only occur if the Group s TSR ranking is at or above the 50th percentile of the ranking group, scaling up to full vesting if the TSR ranking is at or above the 75th percentile. At each performance test date the employee may elect to take the vested component of the award, or resubmit the full award to be retested at a subsequent test date. If an employee elects to vest any of the securities at a test date, any securities that do not vest at that

	time are forgone.
External consultants calculate TSR	TSR results are calculated by an external consultant and provided to the Board or its delegate to review and determine vesting outcomes. No adjustment to the TSR calculations resulted from the merger with St.George.
Early vesting is possible in limited cases	For awards prior to 1 July 2009, a portion of unvested securities may vest prior to reaching a test date where the employee leaves the Group due to their death, disability, retirement or retrenchment or in the event of a change in control of the Group. In general, any such vesting is subject to performance hurdles being met, except in the case of death and disability. The approach to early vesting has been reviewed and changed following changes to the regulatory environment as described in Section 1 of this Remuneration report.
Expiry	Vested options and vested share rights can be exercised up to a maximum of 10 years from the start of their performance period.
Lapsing of securities	Securities lapse where the CEO or Senior Executive leaves the Group due to resignation or dismissal before vesting occurs, unless the Board determines otherwise. Unexercised performance options and performance share rights (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, the Westpac Reward Plan and/or the Westpac Performance Plan (as applicable) or to the Group. In the case of the CEO Performance Plan and the Westpac Reward Plan, any securities remaining unvested at the final test date lapse immediately.

LTI award opportunities

CEO

The CEO received a LTI award of $2,500,000 in December 2008. The award was received in the form of performance options and performance share rights under arrangements approved by shareholders at the 2007 Annual General Meeting.

The CEO will receive an equity-based LTI award in December 2009, subject to shareholder approval at the 2009 Annual General Meeting. There is no increase to the proposed award from the December 2008 level.

Senior Executives excluding Bob McKinnon

Senior Executives receive annual LTI awards of performance options under the Westpac Reward Plan. At the beginning of each year, the Remuneration Committee sets the LTI award target for each Senior Executive based on market competitiveness and the nature of each individual s role.

Bob McKinnon

Due to the duration of his contract, Bob McKinnon received an award of cash-settled performance share rights which vest over the period of his contact provided he meets performance hurdles set by the Board. The performance hurdles are directly related to his individual long-term performance objectives.

As noted in Section 1 of this Remuneration report, there will be no increases to LTI award opportunities for the CEO or Senior Executives for 2010.

The actual LTI award amounts granted for each Senior Executive is determined by the Remuneration Committee at the end of the year and is subject to Board discretion based on their performance during the year. The level of the award takes into account market benchmarks, individual performance over time, succession potential and key skills.

Merger with St.George

Immediately following the merger with St.George, outstanding equity awards held by Senior Executives of St.George were replaced with the Group s equity awards under the Restricted Share Plan. The original vesting dates were maintained, and these awards continue to run their course. Vesting of these awards is subject only to service conditions because the original St.George-related hurdles are no longer relevant. A small number of key St.George executives were also awarded performance share rights under the Westpac Performance Plan.

3.4 Other long term awards

In addition to the vehicle for deferred STI awards described above, the Restricted Share Plan and Westpac Performance Plan are also used from time to time for other types of awards, including one-off joining and retention awards. This would typically be for the purposes of attracting Senior Executives to join the Group or for retention in specific circumstances. In regard to awards made on joining, these are made in situations where an incoming Senior Executive would be forfeiting real value in the organisation the Senior Executive is leaving to join the Group. Such Senior Executives would be unlikely to join the Group if they were required to forfeit value. LTI awards to key employees below senior management level are also made under the Restricted Share Plan and Westpac Performance Plan.

Under these arrangements, employees receive awards of Westpac ordinary shares or share rights, which are restricted for a set period. This restriction period is determined by the Board, and allows flexibility to tailor the restriction period to the circumstances of the award.

3.5 Target remuneration mix of elements

A target remuneration 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 diagram illustrates the proportions for target reward for the CEO and the average for the Senior Executive group.

LTI award of performance options

- 3-5 year performance period
- value only received if Westpac outperforms the median of its peers

Deferred STI of restricted shares

- restricted for up to 3 years subject to service conditions

STI paid as cash in December 2009

Fixed remuneration including cash, salary sacrifice items and employer superannuation

CEO Senior Executives

4. Remuneration outcomes for the CEO and Senior Executives in 2009

The table below provides the value the CEO and Senior Executive received from the various components of their remuneration during 2009. This table has been provided in addition to the statutory accounting remuneration tables which are provided in Section 6 of this Remuneration report, and is provided for the benefit of understanding director and executive remuneration. The valuation for equity based awards that vested during the year is calculated based on the methodology defined below, and is not prepared in accordance with A-IFRS.

The table also provides a comparison of the value the CEO received in 2009 to the value the CEO would have received in 2008 had her employment commenced on 1 October 2007. Gail Kelly did not serve a full year at the Group having commenced on 1 February 2008, therefore the comparison below is prepared on a pro forma basis. It is provided in order that shareholders can make a more informed year on year comparison.

	Period	Fixed remuneration and superannuation $ 000	Short term payments Other payments and benefits $ 000(1)	STI received as cash $ 000(2)	Total short term payments $ 000	Value of equity-based awards that vested during the year $ 000(3)
CEO						
Gail Kelly						
2009 Actual	Full Year	2,700	1	2,625	5,326	3,158
2008 Annualised for comparison purposes only(4)		2,696		3,465	6,161	
Senior Executives	**2009**					
Ilana Atlas	Full Year	757	1	860	1,618	342
Peter Clare	Full Year	950	1	863	1,814	
Philip Coffey	Full Year	1,071	1	1,688	2,760	502
Rob Coombe	Full Year	937	1	975	1,913	454
Brad Cooper	Full Year	972	1,435	1,013	3,420	
Peter Hanlon	Full Year	1,075	1	975	2,051	185
Bob McKinnon	Full Year	800	1	900	1,701	
Rob Whitfield	Full Year	1,635	2,249	732	4,616	415
Curt Zuber	Full Year	577	1	3,395	3,973	216
John Arthur	Part Year	644		555	1,199	
Greg Bartlett	Part Year	715	16	713	1,444	311
George Frazis	Part Year	597	121	630	1,348	
Greg Targett	Part Year	666	1	288	955	116
Former executives						
Philip Chronican	Part Year	1,200	1,395	737	3,332	1,826

(1) Includes annual health checks, relocation at the Group s instigation, living away from home expenses, allowances, one-off awards and termination payments.

(2) The CEO and Senior Executives receive part of their annual STI as cash and part is required to be deferred for up to two years (Rob Whitfield and Greg Targett for up to three years). The figure in this column represents the value of the 2009 STI they actually received as cash.

(3) The value in this column is calculated as the number of securities that vested, multiplied by the Group s share price at the time they vested, less any exercise price payable. For example, the $3,158,000 shown for the CEO reflects the value of the first tranche of 194,347 shares granted under the CEO Restricted Share Plan as part of her sign-on grant of restricted shares that vested on 6th February 2009. This award was approved by shareholders at the 2007 Annual General Meeting. None of the CEO s equity vested in 2008.

(4) The 2008 annualised comparative information is calculated on a pro-forma time basis assuming the CEO commenced employment on 1 October 2007. For example, the $2,696,000 calculated for Fixed Remuneration & Superannuation is derived from the 2008 actual amount paid of $1,789,655 divided by 243 days multiplied by 366 days.

5. Remuneration of Non-executive Directors

Remuneration policy and fee pool

Non-executive Director fees are not directly related to the Group s short term results and Non-executive Directors do not receive performance-based remuneration. However, the Board undertakes ongoing self-assessment and an external review of its performance and of the performance of the Chairman, individual Directors and Board Committees as detailed in the Corporate Governance Statement in this Annual Report.

Fee framework

The Board periodically reviews the Non-executive Director fee framework. At each review the Board considers the performance of the Group and seeks the advice of independent remuneration consultants to ensure market alignment. A full review of the fee framework was completed in 2007 which set the current fee framework. In 2009 the Board determined that base fees and committee fee rates would remain at current levels.

Under the current fee framework all Non-executive Directors 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).

Following the merger with St.George, the Board established the role of Deputy Chairman and the new Technology Committee, and fees were established in relation to each.

The following table details fees payable:

		Annual rate
Base fee		
Chairman	$	700,000
Deputy Chairman	$	250,000
Non-executive Directors	$	200,000
Committee Chairman Fees		
Audit Committee	$	50,000
Risk Management Committee	$	50,000
Remuneration Committee	$	45,000
Sustainability Committee	$	40,000
Technology Committee	$	40,000
Committee Membership Fees		
Audit Committee	$	25,000
Risk Management Committee	$	25,000
Remuneration Committee	$	20,000
Sustainability Committee	$	20,000

Technology Committee	$	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. The retiring allowances are set out in Section 6.7 of this Remuneration report.

Throughout the reporting period, additional fees for seven Non-executive Directors were payable for membership on boards or advisory boards of subsidiaries, which vary according to the position held, the size, level and nature of divisions activity and the time commitment required.

Superannuation

The Group pays superannuation contributions to Non-executive Directors of up to 9% of their 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.

Equity participation

Non-executive Directors have voluntarily resolved to build and maintain their individual holdings of Westpac ordinary shares to demonstrate their alignment with the long term interests of shareholders. Prior to July 2009, Non-executive Directors were able to participate in the Deferral Share Plan and receive a portion of their fees as Westpac ordinary shares. The Deferral Share Plan was suspended following the Federal Government s changes to the taxation treatment of employee equity awards.

This table shows the amount actually received by each Non-Executive Director during the year. The statutory accounting remuneration table is provided in Section 6.7 of this Remuneration report.

Name	Period served	Main Board and committee fees received $ 000	Subsidiary Board fees received $ 000	Superannuation $ 000	Total $ 000
Ted Evans AC (Chairman)	Full year	700		14	714
Elizabeth Bryan	Full year	286	49	14	349
Gordon Cairns	Full year	295		14	309
Carolyn Hewson	Full year	295	110	24	429
Lindsay Maxsted	Full year	275	49	18	342
Peter Wilson	Full year	290	97	14	401
John Curtis (from 1 December 2008)	Part year	262	64	17	343
Graham Reaney (from 1 December 2008)	Part year	221	11	13	245
Peter Hawkins (from 1 December 2008)	Part year	221	49	16	286

6. Remuneration details - Key management personnel and other executives

6.1 STI Outcomes for the CEO and Senior Executives

Details of the 2009 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 2009 financial year, these awards represented between 50-125% of the STI targets set at the beginning of the financial year. STI awards for John Arthur and George Frazis were pro-rated for the period of the performance year served. No pro-rating applied for Greg Bartlett or Greg Targett who were employed by St.George for the portion of the year they were not employees of the Group.

	Portion paid(1)	Portion forfeited	Portion deferred(2)	Portion paid total value(3) $ 000	Total value awarded(4) $ 000
Gail Kelly	60%		40%	2,625	4,375
John Arthur	75%		25%	555	740
Ilana Atlas(5)	100%			860	860
Greg Bartlett	75%		25%	713	950
Peter Clare	75%		25%	863	1,150
Philip Coffey	75%		25%	1,688	2,250
Rob Coombe	75%		25%	975	1,300
Brad Cooper	75%		25%	1,013	1,350
George Frazis	75%		25%	630	840

Peter Hanlon	75%		25%	975	1,300
Bob McKinnon	75%		25%	900	1,200
Greg Targett	60%		40%	288	480
Robert Whitfield	60%		40%	732	1,220
Curt Zuber(6)	67%		33%	3,395	5,069
Former executives					
Philip Chronican(7)	38%	62%		737	737

(1) This is the portion of STI award that will be paid in December 2009 and is not required to be deferred (for Philip Chronican this portion was paid at the time he left the Group).

(2) This is the portion of the STI award that is required to be deferred. STI deferral terms are explained in Section 3.2 of this Remuneration report.

(3) This is the value of the portion of the STI award to be paid in December 2009.

(4) This is the full value of the 2009 STI award, including both the portion of the STI paid, and the portion of the STI deferred. The eventual maximum value of the deferred STI component cannot be reliably estimated, as it is dependant on the share price at the time of vesting.

(5) Ilana Atlas will retire from the Group during the 2010 financial year and is not required to defer a portion of her 2009 STI.

(6) Curt Zuber s STI is determined on performance outcomes directly related to his role as Group Treasurer, and is not set with regard to a target. He is required to defer 33% of his 2009 STI outcome for two years.

(7) Philip Chronican left the Group prior to the end of the 2009 performance year and received a pro-rated portion of his 2009 STI award.

6.2 CEO and Senior Executive remuneration details for the 2009 year

This section sets out details of the CEO and Senior Executives 2009 remuneration, calculated in accordance with statutory accounting requirements.

		Short term benefits				Post employment	Share-based payment			
Name	**Description(1)**	**Fixed remuneration(2) $**	**STI (cash)(3) $**	**Non-monetary benefits(4) $**	**Other short term benefits $**	**Superannuation benefits $**	**Restricted shares(5) $**	**Options(6) $**	**Share Rights(6) $**	**Total(7) $**
Gail Kelly		Gail Kelly s 2008 remuneration relates to the part year. Her Restricted Shares relate in large part to her sign on award.								
2009	Annual	2,686,255	2,625,000	985		14,021	891,678	777,035	783,895	7,778,869
	Other						2,846,043			2,846,043
2008	Annual (part year)	1,780,797	2,300,533			8,858		308,656	285,534	4,684,378
	Other						3,855,215			3,855,215
John Arthur		John Arthur started with the Group on 1 December 2008. His fixed remuneration and STI relate to the part year.								
2009	Annual (part year)	590,840	555,000	275		53,103				1,199,218
Ilana Atlas										
2009	Annual	694,285	860,000	1,012		62,486	309,061	258,834	30,269	2,215,947
2008	Annual	635,179	900,000	985		57,166	129,062	309,270	190,236	2,221,898
Greg Bartlett		Greg Bartlett started with the Group on 1 December 2008 following the merger with St.George. His fixed remuneration reflects the part year.								
2009	Annual (part year)(8)	624,444	712,500	15,843		90,138			67,302	1,510,227
	Other						534,103			534,103
Peter Clare		Peter Clare s 2008 remuneration relates to the part year.								
2009	Annual	901,871	862,500	1,012		48,244	84,871	63,258		1,961,756
2008	Annual (part year)	430,011	525,000	787		32,058				987,856
Philip Coffey										
2009	Annual	998,714	1,687,500	836		72,290	518,336	391,111	45,407	3,714,194
2008	Annual	828,683	1,875,000	787		74,581	169,825	452,133	281,508	3,682,517
Rob Coombe										
2009	Annual	889,332	975,000	1,012		47,440	469,313	373,561	40,444	2,796,102
2008	Annual	749,229	975,000			47,622	245,943	371,155	237,583	2,626,532
Brad Cooper										
2009	Annual	892,070	1,012,500	1,012		80,286	511,948	197,113	173,776	2,868,705
	Other(9)			634,198	800,000					1,434,198
2008	Annual	820,380	1,200,000			74,200		99,814		2,194,394
	Other			299,071	400,000				174,252	873,323
George Frazis		George Frazis started with the Group on 2 March 2009. His fixed remuneration and STI relate to the part year.								
2009	Annual (part year)	588,635	630,000	121,679		8,384				1,348,698
	Other							234,306	1,043,149	1,277,455

Peter Hanlon										
2009	Annual(8)	858,818	975,000	1,012		215,938	282,586	211,905	16,772	2,562,031
2008	Annual(8)	712,292	975,000	836		149,224	98,608	226,576	112,454	2,274,990
Bob McKinnon		Bob McKinnon s 2008 remuneration reflects part year.								
2009	Annual	738,641	900,000	1,012		61,358			388,595	2,089,606
2008	Annual (part year)	89,986				8,099				98,085
Greg Targett		Greg Targett started with the Group on 1 December 2008 following the merger with St.George. His fixed remuneration reflects the part year.								
2009	Annual (part year)	614,474	288,000	1,012		51,703				955,189
	Other						239,581		23,553	263,134
Rob Whitfield										
2009	Annual	1,500,228	732,000	1,012		135,021	260,064	294,649	37,218	2,960,192
	Other(9)			247,772	2,000,000		602,586			2,850,358
2008	Annual	614,781	600,000	787		55,330	128,670	323,574	219,176	1,942,318
	Other		2,000,000							2,000,000
Curt Zuber										
2009	Annual(8)	476,907	3,395,000	1,012		99,919	1,024,751	228,098	19,850	5,245,537
2008	Annual(8)	458,153	5,520,800	1,789		79,573	357,328	214,033	116,891	6,748,567

		Short term benefits				Post employment	Share-based payment			
Name	**Description(1)**	**Fixed remuneration(2) $**	**STI (cash)(3) $**	**Non-monetary benefits(4) $**	**Other short term benefits $**	**Superannuation benefits $**	**Restricted shares(5) $**	**Options(6) $**	**Share Rights(6) $**	**Total(7) $**
Former executives										
Philip Chronican										
2009	Annual (part year)(9)	1,195,085	737,414	836		5,030	912,393	493,028	71,560	3,415,346
	Other				1,394,350					1,394,350
2008	Annual(8)	1,104,215	1,500,000	836		615,240	247,020	760,983	452,189	4,680,483
	Other		1,000,000							1,000,000

(1) Annual refers to fixed remuneration, cash STI and amortised equity in relation to normal remuneration arrangements. Other refers to sign on awards, St.George equity awards converted on the merger, termination payments and other components outside normal remuneration arrangements. Gail Kelly s equity-based sign-on award was approved by shareholders at the 2007 Annual General Meeting and granted in February 2008. This amount shown is the amortisation relating to the 2009 reporting year (and 2008 as comparison). As noted at the time, the sign-on award was part of the consideration for Mrs Kelly agreeing to take up the role of CEO (and in recognition of the entitlements foregone by her as a result). In accordance with the terms of the grant, 194,347 ordinary shares became unrestricted on 7 February 2009 and a further 83,292 ordinary shares will become unrestricted if Mrs Kelly remains employed on 1 December 2009.

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

(3) 2009 STI figures reflect annual cash performance awards accrued but not yet paid in respect of the year ended 30 September 2009.

(4) Non-monetary benefits are determined on the basis of the cost to the Group (including associated fringe benefits tax, where applicable) and include annual health checks, relocation at the Group s instigation, living away from home expenses & allowances. The figure for Greg Bartlett includes a benefit relating to an interest free loan.

(5) The value of restricted shares are amortised over the applicable vesting period, and the amount shown is the amortisation relating to the 2009 reporting year (and 2008 year as comparison).

(6) 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 2009. Assumptions used in valuing those securities that were granted in 2009 are summarised in the notes to the table in Section 6.3 of this Remuneration report. Details of prior years grants have been disclosed in prior years Annual Reports. For Philip Chronican the remaining adjusted unamortised portion is shown. The amount shown for Bob McKinnon s cash-settled performance share rights is based on the amortisation over the vesting period of the fair value at 30 September 2009. Assumptions included in the valuation of cash-settled performance share rights include risk free interest rates of 4.55% - 4.94%, a dividend yield on Westpac ordinary shares of 5% and volatility in the Westpac share price of 30%.

(7) The percentage of the CEO and each Senior Executive s 2009 remuneration delivered in the form of options or share rights was: Current executives: Gail Kelly 15%, John Arthur 0%, Ilana Atlas 13%, Greg Bartlett 3%, Peter Clare 3%, Philip Coffey 12%, Rob Coombe 15%, Brad Cooper 9%, George Frazis 49%, Peter Hanlon 9%, Bob McKinnon 19%, Greg Targett 2%, Rob Whitfield 6%, Curt Zuber 5%, and (former executive) Philip Chronican 12%.

(8) Superannuation benefits have been calculated consistent with AASB 119. Under the terms of Greg Bartlett s defined benefit superannuation arrangements, 17.25% of his Fixed Remuneration is required to be contributed to his Plan account, which includes employer contributions.

(9) The amounts under Other short term benefits for Brad Cooper relates to his sign-on arrangements, for Rob Whitfield relates to the merger with St.George, and for Philip Chronican relates to payments made on termination of employment, including accrued annual leave and long service leave.

(10) Andrew Carriline and Bruce McLachlan were reported as key management personnel in the 2008 reporting year, however they have not been considered key management personnel for the 2009 financial year. Former key management personnel who separated during the 2008 reporting year, including David Morgan, Diane Sias and Michael Pratt, have not been included in this table.

6.3 Summary of LTI grants made during the year

The table below provides a summary of the LTI awards made to the CEO and Senior Executives during 2009. The LTI grants only vest on satisfaction of performance and/or service conditions tested in future financial years.

Equity instrument	Granted to	Grant Date	Commencement date(1)	First possible vesting date	Exercise price	Expiry	Fair value(2) per instrument
CEO Performance Plan performance option	Gail Kelly	1 December 2008	1 December 2008	1 December 2011	$ 16.80	1 December 2018	$ 3.17
CEO Performance Plan performance share right	Gail Kelly	1 December 2008	1 December 2008	1 December 2011		1 December 2018	$ 10.68
Westpac Reward Plan performance option	All Senior Executives(3) except: - George Frazis; - John Arthur; - Bob McKinnon; - Greg Bartlett; and - Greg Targett.	19 December 2008	1 October 2008	1 October 2011	$ 24.30	1 October 2018	$ 2.32
Westpac Performance Plan performance share right	Greg Bartlett & Greg Targett	6 January 2009	1 December 2008	1 December 2010		1 December 2018	$ 8.21
Westpac Reward Plan performance option	George Frazis	1 April 2009	1 March 2009	1 March 2012	$ 16.49	1 March 2019	$ 4.60
Westpac Performance Plan unhurdled share right	George Frazis	1 April 2009	1 March 2009	1 March 2010		1 March 2019	$ 18.38
Westpac Performance Plan unhurdled share right	George Frazis	1 April 2009	1 March 2009	1 March 2011		1 March 2019	$ 17.31
Performance share right cash settled(4)	Bob McKinnon	18 August 2008	1 October 2008	30 September 2011		30 September 2012	$ 17.94
Performance share right cash settled	Bob McKinnon	11 September 2009	11 September 2009	30 September 2012		30 September 2012	$ 21.05

(1) The Commencement Date is the start of the performance period in the case of performance options and performance share rights, or the start of the restriction period in the case of unhurdled share rights. Awards to the CEO were approved by shareholders at the Annual General Meeting on 13 December 2007.

(2) The fair value of options and share rights included in the tables above have been independently calculated at grant date using Binomial/Monte Carlo simulation pricing models. The assumptions included in the valuation of the 1 December 2008 awards to Gail Kelly

include a risk free interest rate of 3.98% (for Options) and 3.49% (for Share Rights), a dividend yield on Westpac ordinary shares of 6% and a volatility in the Westpac ordinary share price of 30%. The assumptions included in the valuation of awards under the Westpac Reward Plan include risk free interest rates of 4.14%-4.24%, a dividend yield on Westpac ordinary shares of 6% and volatility in the Westpac share price of 30%. The assumptions included in the valuation of awards under the Westpac Performance Plan include risk free interest rates of 2.67%-3.61%, a dividend yield on Westpac ordinary shares of 6% and volatility in the Westpac share price of 30%. The assumptions included in the valuation of cash-settled performance share rights include risk free interest rates of 4.55% -4.94%, a dividend yield on Westpac ordinary shares of 5% and volatility in the Westpac share price of 30%. 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 1.7 years.

(3) Performance options granted to Philip Chronican under the Westpac Reward Plan with a commencement date of 1 October 2008 were tested for performance and pro-rated for the portion of the performance period served.

(4) Due to the duration of his contract, Bob McKinnon received awards of cash-settled (rather than equity-settled) performance share rights. These awards may vest after a performance period of at least three years subject to meeting individual performance hurdles set by the Board.

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

	Type of equity instrument	Number granted	Number vested(1)	Number exercised(2)
Gail Kelly	CEO Performance options	356,125		
	CEO Performance share rights	119,731		
	Shares under the CEO Restricted Share Plan	92,226	194,347	n/a
Ilana Atlas	Performance options	65,184	139,652	
	Performance share rights		20,240	
	Shares under Restricted Share Plan	18,485		n/a
Greg Bartlett(3)	Performance share rights	19,685		
	Shares under Restricted Share Plan	41,700	11,834	n/a
Peter Clare	Performance options	81,799		
	Shares under Restricted Share Plan	10,783		n/a
Philip Coffey	Performance options	104,805	197,535	
	Performance share rights		30,262	158,342
	Shares under Restricted Share Plan	38,510		n/a
Rob Coombe	Performance options	110,224	134,467	
	Performance share rights		27,043	100,339
	Shares under Restricted Share Plan	20,025		n/a
Brad Cooper	Performance options	92,024		
	Shares under Restricted Share Plan	54,971		n/a
George Frazis(3)	Performance options	260,869		
	Unhurdled share rights	140,200		
Peter Hanlon	Performance options	78,220	99,513	
	Performance share rights		11,214	
	Shares under Restricted Share Plan	20,025		n/a
Bob McKinnon	Performance share rights	67,500		
Greg Targett(3)	Performance share rights	6,899		
	Shares under Restricted Share Plan	19,632	4,404	n/a
Rob Whitfield	Performance options	61,349	125,436	
	Performance share rights		24,886	
	Shares under Restricted Share Plan	71,888		n/a
Curt Zuber	Performance options	61,349	66,899	
	Performance share rights		13,273	13,273
	Shares under Restricted Share Plan	72,659		n/a
Former executives				
Philip Chronican	Performance options	123,210	674,573	
	Performance share rights		47,849	47,849
	Shares under Restricted Share Plan	30,808	52,830	n/a

(1) For performance options and performance share rights granted from December 2005 to December 2006 that vested during 2009, 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). Performance options granted after November 2006 that vested during 2009 were 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).

(2) Vested options and vested share rights can be exercised up to a maximum of 10 years from their commencement date. No options were exercised during the year. For each share right exercised during the year, the relevant executive received one fully paid Westpac ordinary share. The exercise price for share rights is nil.

(3) George Frazis received a sign-on award of performance options, where vesting is subject to Westpac s relative TSR performance over a three to five year period, and unhurdled share rights, where 43% of the award vests after one year of service and the remainder 57% vests after two years. Following the merger with St.George, Greg Targett and Greg Bartlett received LTI awards of performance share rights, where vesting is subject to Westpac s relative TSR performance over a two to four year period. Details of the awards are included in Section 6.3, and a summary of each plan is included in Section 3 of this Remuneration report.

6.5 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	1,128,916		
	CEO Performance share rights	1,278,727		
	Shares under the CEO Restricted Share Plan	1,481,057	n/a	
Ilana Atlas	Performance options	151,227		
	Performance share rights			18,579
	Shares under Restricted Share Plan	422,018	n/a	
Greg Bartlett	Performance share rights	161,614		
	Shares under Restricted Share Plan	716,746	n/a	
Peter Clare	Performance options	189,774		
	Shares under Restricted Share Plan	246,179	n/a	
Philip Coffey	Performance options	243,148		
	Performance share rights		2,832,545	27,275
	Shares under Restricted Share Plan	879,195	n/a	
Rob Coombe	Performance options	255,720		
	Performance share rights		2,051,178	24,667
	Shares under Restricted Share Plan	457,177	n/a	
Brad Cooper	Performance options	213,496		
	Shares under Restricted Share Plan	1,064,251	n/a	
George Frazis	Performance options	1,199,997		
	Unhurdled share rights	2,489,111		
Peter Hanlon	Performance options	181,470		
	Performance share rights			10,083
	Shares under Restricted Share Plan	457,177	n/a	
Bob McKinnon	Performance share rights	1,263,699		
Greg Targett	Performance options			
	Performance share rights	56,559		
	Shares under Restricted Share Plan	337,438	n/a	
Rob Whitfield	Performance options	142,330		
	Performance share rights			22,582
	Shares under Restricted Share Plan	1,285,008	n/a	
Curt Zuber	Performance options	142,330		
	Performance share rights		215,662	11,716
	Shares under Restricted Share Plan	1,658,828	n/a	
Former executives				
Philip Chronican	Performance options	285,847		
	Performance share rights		790,854	42,995
	Shares under Restricted Share Plan	703,356	52,830	

(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 6.3 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 2009, do not reconcile with the amount shown in the table in Section 6.2 of this Remuneration report, which shows 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 ordinary 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 ordinary 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.

6.6 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	• 4 year fixed term contract
Notice to be provided by the executive or the Group to terminate the employment agreement	• CEO, Ilana Atlas, Philip Coffey, Rob Coombe, Brad Cooper, George Frazis, Peter Hanlon, Rob Whitfield, John Arthur, and Greg Targett	• 12 months
	• Peter Clare and Greg Bartlett	• 6 months if Senior Executive gives notice, 12 months if the Group gives notice
	• Bob McKinnon and Curt Zuber	• 6 months
Termination payments to be made on termination without cause	• Ilana Atlas and Rob Coombe	• In the event of termination of employment without cause up to 6 months after change of control of the Group, payment in lieu of notice 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, John Arthur, Greg Bartlett, Greg Targett, Rob Whitfield	• Immediately for misconduct • 3 months notice for poor performance
	• All other Senior Executives	• Immediately for misconduct, standard contractual notice period for poor performance
Post-employment restraints	• CEO, John Arthur, Ilana Atlas, Greg Bartlett, Peter Clare, Philip Coffey, Brad Cooper, George Frazis, Peter Hanlon and Greg Targett	• 12 month non-solicitation restraint
	• Rob Coombe, Bob McKinnon and Curt Zuber	• 6 month non-solicitation restraint

Certain individuals have provisions in their contracts for different terms due to grandfathered contractual benefits or individual circumstances:

• Gail Kelly Part year STI is payable on termination except in cases of misconduct. For equity awards prior to 30 September 2009, 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;

- 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;

- George Frazis Provisions relating to relocation from Sydney to Auckland including relocation payments, accommodation payments and travel between Australia and New Zealand;

- Bob McKinnon Cash settled LTI based on role-specific four year objectives; and

- John Arthur and Greg Bartlett part year STI is payable for termination without cause.

6.7 Details of Non-executive Director remuneration for 2009

Details of the nature and amount of each element of the remuneration of Non-executive Directors for the year ended 30 September 2009 are as follows:

			Short term employment benefits	Post employment			
			Fees	Superannuation guarantee	Retiring allowance accrued during the year(2)	Total	Total retiring allowance accrued
Name	**The Board the Non-executive served on(1)**	**Notes**	**$**	**$**	**$**	**$**	**$**
2009							
Ted Evans	*Chairman*						
	Westpac Banking Corporation	3	700,000	13,899	23,878	737,777	444,876
John Curtis	*Deputy Chairman*						
	Westpac Banking Corporation		262,376	11,477		273,853	
	St.George Bank Limited		63,490	5,714		69,204	
	Total	4	325,866	17,191		343,057	
Elizabeth Bryan							
	Westpac Banking Corporation		286,259	13,899		300,158	
	Westpac New Zealand Limited		48,708			48,708	
	Total	4	334,967	13,899		348,866	
Gordon Cairns							
	Westpac Banking Corporation	4	295,000	13,899		308,899	
Peter Hawkins							
	Westpac Banking Corporation		221,111	11,476		232,587	
	St.George Bank Limited		48,744	4,387		53,131	
	Total	4	269,855	15,863		285,718	
Carolyn Hewson							
	Westpac Banking Corporation		295,000	13,899	17,463	326,362	309,279
	BT Investment Management Limited		110,000	9,900		119,900	
	Total	3,4	405,000	23,799	17,463	446,262	309,279
Lindsay Maxsted							
	Westpac Banking Corporation		275,000	13,899		288,899	
	St.George Bank Limited		48,744	4,387		53,131	
	Total	4	323,744	18,286		342,030	
Graham Reaney							
	Westpac Banking Corporation	4	221,111	11,477		232,588	
	St.George Bank Limited	5	11,274	1,015		12,289	
	Total		232,385	12,492		244,877	
Peter Wilson							
	Westpac Banking Corporation		290,000	13,899		303,899	

	Westpac New Zealand Limited		97,415			97,415	
	Total	4	387,415	13,899		401,314	
Total 2009			3,274,232	143,227	41,341	3,458,800	754,155

(1) Fees paid by St.George Bank Limited and BankSA relate only to the period following the merger with Westpac.

(2) 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 2008 and 2009 include indexation in line with average weekly earnings following the freezing of the retiring allowances.

(3) Entitled to retiring allowance.

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

(5) Fees paid for services to the BankSA advisory board.

Name	The Board the Non-executive served on(1)	Notes	Short term employment benefits Fees $	Post employment Superannuation guarantee $	Retiring allowance accrued during the year(2) $	Total $	Total retiring allowance accrued $
2008							
Ted Evans	Chairman						
	Westpac Banking Corporation	3	700,000	13,244	16,259	729,503	420,998
Elizabeth Bryan							
	Westpac Banking Corporation		270,000	13,244		283,244	
	Westpac New Zealand Limited		51,066			51,066	
	Total	4	321,066	13,244		334,310	
Gordon Cairns							
	Westpac Banking Corporation	4	295,000	13,244		308,244	
Carolyn Hewson							
	Westpac Banking Corporation		295,000	13,244	11,268	319,512	291,816
	BT Investment Management		113,807	10,242		124,049	
	Total	3, 4	408,807	23,486	11,268	443,561	291,816
Lindsay Maxsted							
	Westpac Banking Corporation	4	157,596	7,711		165,307	
Peter Wilson							
	Westpac Banking Corporation		290,000	13,244		303,244	
	Westpac New Zealand Limited		88,309			88,309	
	Total	4	378,309	13,244		391,553	
Total 2008			2,260,778	84,173	27,527	2,372,478	712,814

(1) Fees paid by St.George Bank Limited and BankSA relate only to the period following the merger with Westpac.

(2) 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 2008 and 2009 include indexation in line with average weekly earnings following the freezing of the retiring allowances.

(3) Entitled to retiring allowance.

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

6.8 Further information about our equity plans

Our broad-based and specialised employee equity plans

Deferral Share Plan

The Deferral Share Plan was suspended during 2009 following the Federal Government s announcement of changes to the taxation treatment of employee equity awards. No new awards were made after 30 June 2009. Prior to the suspension employees could elect to receive any prospective cash STI as Westpac ordinary shares under the Deferral Share Plan. Australian-based Non-executive Directors could also elect to receive a percentage of their fees in Westpac ordinary shares under the Deferral Share Plan.

Employee Share Plan

Under the Employee Share Plan, employees in Australia can receive up to $1,000 of Westpac ordinary shares at the end of each financial year. This award recognises their contribution to our performance. For 2008, the size of the award was dependent on the performance of our share price over the financial year. For 2009, the size of the award is dependent on both the share price measure and net promoter score which measures customer advocacy.

The CEO, Directors and any employees who received a LTI award during the year are ineligible to receive an Employee Share Plan award that year.

Other plans

We also provide reward plans for small, specialised parts of the business. The payments under these plans are directly linked to 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.

Comparator companies used in our LTI performance hurdles

CEO Performance Plan (Gail Kelly)

The CEO Performance Plan ranking group is comprised of the top 10 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 2009 the most recently determined ranking group consisted of: AMP Limited, ASX 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, and Suncorp-Metway Limited.

Westpac Reward Plan

The Westpac Reward Plan ranking group is comprised of the top 10 of 13 selected Australian banking and financial sector companies. As at 30 September 2009 the most recently determined peer group under the Westpac Reward Plan consisted of: AMP Limited, AXA Asia Pacific Holdings Limited, Australia and New Zealand Banking Group Limited, ASX Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Lend Lease Corporation Limited, Macquarie Group Limited, National Australia Bank Limited, and Suncorp-Metway Limited.

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 2009, the most recently determined ranking group consisted of: AMP Limited, AXA Asia Pacific Holdings Limited, Australia and New Zealand Banking Group Limited, ASX Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Lend Lease Corporation Limited, Macquarie Group Limited, National Australia 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 2009, the most recently determined ranking group consisted of: AGL Energy Limited, Amcor Limited, Ansell Limited, Aristocrat Leisure Limited, APN News & Media Limited, ASX Limited, Babcock & Brown Infrastructure Group, Billabong International, Boral Limited, Brambles Industries Limited, Challenger Financial Services Group Limited, Coca-Cola Amatil Limited, Cochlear Limited, Computershare Limited, Connecteast Group, CSL Limited, CSR Limited, David Jones Limited, Downer EDI Limited, Fairfax (John) Holdings Limited, Foster s Group Limited, Goodman Fielder Limited, Harvey Norman Holdings Limited, Incitec Pivot Limited, James Hardie Industries NV, Leighton Holdings Limited, Lend Lease Corporation Limited, Lion Nathan Limited, Macquarie Airports, 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, SP Ausnet, 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 and United Group Limited.

10. Auditor

a) Auditor s independence declaration

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

Auditor s Independence Declaration

As lead auditor for the audit of Westpac Banking Corporation for the year ended 30 September 2009 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.

PricewaterhouseCoopers

ABN 52 780 433 757

Darling Park Tower 2

201 Sussex Street

GPO BOX 2650

SYDNEY NSW 1171

DX 77 Sydney

Australia

Telephone +61 2 8266 0000

Facsimile +61 2 8266 9999

www.pwc.com/au

Ian Hammond
Partner
PricewaterhouseCoopers

Sydney
4 November 2009

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 2008 and 2009 financial years are set out in Note 34 to our financial statements.

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 $6.3 million in total (2008 $6.6 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 entitled Engagement of the external auditor , 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 provision of the non-audit services during 2009 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.

Signed in accordance with a resolution of the Board.

Ted Evans AC	Gail Kelly
Chairman	Managing Director and Chief Executive Officer
4 November 2009	4 November 2009

This page has been intentionally left blank

Five year summary

Reading this report

Review of Group operations

Divisional performance

Risk and risk management

Other Westpac business information

Additional financial information

FIVE YEAR SUMMARY(1)

(in $millions unless otherwise indicated)	2009	2008	2007	2006	2005
Income statement year ended 30 September(2)					
Net interest income	11,646	7,222	6,313	5,642	5,259
Non-interest income	4,859	4,383	4,006	3,693	3,554
Net operating income before operating expenses and impairment charges	16,505	11,605	10,319	9,335	8,813
Operating expenses	(7,171)	(5,455)	(4,689)	(4,413)	(4,259)
Impairment charges	(3,238)	(931)	(482)	(375)	(382)
Profit from ordinary activities before income tax expense	6,096	5,219	5,148	4,547	4,172
Income tax expense	(2,579)	(1,287)	(1,630)	(1,422)	(1,223)
Net profit attributable to minority interests	(71)	(73)	(67)	(54)	(251)
Net profit attributable to equity holders	3,446	3,859	3,451	3,071	2,698
Balance sheet at 30 September(2)					
Loans	463,459	313,545	275,377	236,380	204,566
Other assets	126,128	126,131	102,243	65,081	63,098
Total assets	589,587	439,676	377,620	301,461	267,664
Deposits	329,456	233,730	202,054	169,637	150,668
Debt issues and acceptances	133,024	100,369	87,126	66,080	48,754
Loan capital	11,138	8,718	7,704	5,957	4,214
Other liabilities	79,398	77,388	62,828	43,661	47,101
Total liabilities	553,016	420,205	359,712	285,335	250,737
Shareholders equity and minority interest	36,571	19,471	17,908	16,126	16,927
Key financial ratios					
Shareholder value					
Dividends per ordinary share (cents)	116	142	131	116	100
Dividend payout ratio (%)	92.6	68.9	70.1	69.4	67.2
Return on average ordinary equity (%)	10.8	23.1	23.5	23.0	21.7
Basic earnings per share (cents)	125.3	206.0	186.9	167.2	148.9
Net tangible assets per ordinary share ($)(3)	7.89	7.71	7.00	6.14	5.71
Share price ($):					
High	26.74	31.32	28.69	25.35	21.40
Low	14.40	18.36	22.53	21.31	17.52
Close	26.25	21.48	28.50	22.71	21.10
Business performance					
Operating expenses to operating income ratio (%)	43.4	47.0	45.4	47.3	48.3
Net interest margin	2.38	2.07	2.19	2.29	2.45
Productivity ratio(4)	4.47	4.16	4.07	4.06	4.05
Capital adequacy					
Total equity to total assets (%)	6.2	4.4	4.7	5.3	6.3
Total equity to total average assets (%)	6.3	4.8	5.4	5.7	6.6
Tier 1 ratio (%)(5)	8.1	7.8	6.5	6.9	7.2
Total capital ratio (%)(5)	10.8	10.8	9.5	9.6	9.7
Credit quality					
Net impaired assets to equity and collectively assessed provisions (%)	5.7	3.0	1.4	1.5	1.9
Total provisions(6) to gross loans and acceptances (basis points)	101.2	69.0	61.6	63.0	84.0
Other information					
Points of bank representation (number at financial year end)	1,491	1,089	1,073	1,068	1,060
Core full time equivalent staff (number at financial year end)(7)	34,188	26,717	25,903	25,363	25,583

(1) This five year summary is prepared in accordance with A-IFRS. Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been restated and may differ from results previously reported.
(2) The above income statement extracts for 2009, 2008 and 2007 and balance sheet extracts for 2009 and 2008 are derived from the consolidated financial statements included in this Annual Report and prior years are derived from financial statements previously published.
(3) Shareholders equity and minority interests, after deducting minority interests, preference equity and goodwill and other intangible assets divided by the number of ordinary shares outstanding, less treasury shares held.
(4) Net operating income before operating expenses and impairment charges/salaries and other staff expenses (net of restructuring expenses).
(5) For details on the calculation of this ratio, please refer to Capital management strategy under Capital resources in this section.
(6) Includes the APRA required capital deduction of nil (pre-tax) above A-IFRS provisioning levels at 30 September 2009 (2008 $14 million, 2007 $128 million), which forms part of the APRA-termed General Reserve for Credit Losses.
(7) Core full-time equivalent staff includes overtime and pro-rata part time staff. It excludes staff on unpaid absences (e.g. unpaid maternity leave), temporary and contract staff.

READING THIS REPORT

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.

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 forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control, and have been made based upon management s expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors, including, but not limited to:

- impacts of the global financial crisis, including adverse conditions in funding, equity and asset markets;
- our ability to successfully complete the integration of St.George into our operations, including our ability to realise anticipated synergies and the costs of achieving those synergies;
- changes to our credit ratings;
- 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, particularly changes to liquidity and capital requirements arising from the global financial crisis;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which Westpac conducts its operations;
- the effects of competition in the geographic and business areas in which Westpac conducts its 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;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which Westpac operates;
- stability of Australian and international financial systems and disruptions to financial markets and any losses Westpac may experience as a result;

- our ability to complete, integrate or process acquisitions and dispositions; and
- various other factors beyond Westpac s control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by us, refer to Risk factors under the section Risk and risk management 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 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).

Significant developments

For a discussion of significant developments impacting the Group, refer to Significant developments under Information on Westpac in Section 1 of this Annual Report.

Currency of presentation, exchange rates and certain definitions

Financial statements means our audited consolidated balance sheet as at 30 September 2009 and 30 September 2008 and consolidated income statement, cash flows and recognised income and expense for each of the years ended 30 September 2009, 2008 and 2007 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$, USD or US dollars are to United St and references to NZ$, 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$0.8824 (2008 US$0.7904), 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 2009. Unless otherwise stated, the translation of Australian dollars into NZ dollars has been made at the rate of A$1.00 = NZ$1.2196 (2008 NZ$1.1935), being the closing spot exchange rate on 30 September 2009 used in the financial statements. Refer to Exchange rates in Section 4 for information regarding the rates of exchange between the Australian dollar and the US dollar for the financial years ended 30 September 2005 to 30 September 2009.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 2009 is referred to as 2009 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.

Additional financial information

In a separate section of this Annual Report under the heading Additional financial information , we have included selected consolidated financial and operating data on loans and provisions for impairment charges by industry classifications for the financial years ended 30 September 2007, 2006 and 2005 on the basis of presentation used in the Annual Report for the year ended 30 September 2007. We have presented this information separately because it is not directly comparable to the presentation of Notes 11 and 12 to the financial statements for the year ended 30 September 2009 included in Section 3 of this Annual Report. With effect from the financial year ended 30 September 2008, we have modified the presentation of loans and provisions for impairment charges 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 years ended 30 September 2006 and 2005.

St.George Bank Limited merger

For accounting purposes the merger with St.George Bank Limited took effect from close of business on 17 November 2008 and our financial results for the 2009 financial year are therefore not directly comparable to our results for the 2008 financial year. For the purpose of analysis throughout this Annual Report we refer to the financial performance of Westpac excluding the impact of St.George , by which we mean the financial performance of the Westpac Group for 2009 less the contribution from St.George Bank Limited and its subsidiaries from 18 November 2008 to 30 September 2009 (including the impact of the acquisition accounting entries related to the merger). References to excludes the impact of St.George have an equivalent meaning.

REVIEW OF GROUP OPERATIONS

Selected consolidated financial and operating data

We have derived the following selected financial information as of, and for the financial years ended, 30 September 2009, 2008, 2007, 2006 and 2005 from our audited consolidated financial statements and related notes.

This information should be read together with our audited consolidated financial statements and the accompanying notes included elsewhere in this Annual Report.

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

For a discussion of recent accounting developments in Australia, refer to Note 1 to the 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 principal 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. The following is a summary of the areas we consider involve our most critical accounting estimates (for more detail refer to Note 1 to the financial statements):

Fair value of financial instruments

Financial instruments classified as held-for-trading, designated at fair value through profit or loss and 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 2009, 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 $51,856 million. The fair value of trading liabilities, financial liabilities designated at fair value through profit and loss, deposits at fair value and debt issues at fair value was $103,747 million. The fair value of outstanding derivatives was $3,291 million net liability (2008 $9,840 million net asset). The fair value of life insurance assets of $12,384 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 $798 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 individually assessed provisions 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 collectively assessed provisions are established on a portfolio basis taking into account the level of arrears, collateral and security, past loss experience and expected 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, unemployment levels, payment behaviour and bankruptcy rates.

As at 30 September 2009, gross loans to customers were $467,843 million and the provision for impairment on loans was $4,384 million.

Goodwill and intangible assets

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.

The increase in the goodwill balance of $6,172 million is primarily attributable to the merger with St.George. Computer software, brand names, core deposit intangibles and other intangible assets increased by $83 million, $636 million, $1,494 million and $280 million respectively as a result of the merger with St.George.

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 2009, the carrying value of goodwill was $8,597 million.

Superannuation obligations

The actuarial valuation of our defined benefit plan 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 defined benefit obligations and the amount recognised directly in retail earnings.

The superannuation deficit across all our plans as at 30 September 2009 was $388 million (2008 deficit of $473 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.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group s understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period where such determination is made.

St.George Bank Limited merger

The merger with St.George Bank Limited has been accounted for using the purchase method of accounting. All the identifiable assets and liabilities of St.George Bank Limited are required to be initially recognised by the Group at their fair value on the date of the merger. This involves additional critical accounting assumptions, judgments and estimates that may have a material impact on the Group s financial statements.

Key areas of judgment include:

- intangible assets

Identifiable intangible assets are required to be identified and measured at their fair value in accounting for a business combination. This involves the use of judgments, estimates and assumptions about how customers will act and products will perform in the future, based largely on past experience and future contractual arrangements.

- financial assets and liabilities

Management judgment is required in determining the fair value of all St.George s financial assets and liabilities at the merger date. Many of these assets and liabilities are not actively traded so fair value is derived from models and assumptions.

- tax consolidation

In order to account for the impact of St.George joining the Westpac tax consolidated group, management is required to make critical assumptions, judgments and estimates to determine the fair value of St.George and its identifiable assets and liabilities as at 31 March 2009.

The assets and liabilities recognised by the Group following the merger with St.George Bank Limited are set out in Note 44 to the financial statements.

Income statement review

Consolidated income statement(1)

(in $millions unless otherwise indicated)	Year Ended 30 September 2009 US$(2)	2009 A$	2008 A$	2007 A$	2006 A$	2005 A$
Amounts in accordance with A-IFRS						
Interest income	26,866	30,446	29,081	22,075	18,091	15,544
Interest expense	(16,589)	(18,800)	(21,859)	(15,762)	(12,449)	(10,285)
Net interest income	10,276	11,646	7,222	6,313	5,642	5,259
Non-interest income	4,288	4,859	4,383	4,006	3,693	3,554
Net operating income before operating expenses and impairment charges	14,564	16,505	11,605	10,319	9,335	8,813
Operating expenses	(6,328)	(7,171)	(5,455)	(4,689)	(4,413)	(4,259)
Impairment charges	(2,857)	(3,238)	(931)	(482)	(375)	(382)
Profit before income tax	5,379	6,096	5,219	5,148	4,547	4,172
Income tax expense	(2,276)	(2,579)	(1,287)	(1,630)	(1,422)	(1,223)
Net profit for the year	3,103	3,517	3,932	3,518	3,125	2,949
Net profit attributable to minority interests	(63)	(71)	(73)	(67)	(54)	(251)
Net profit attributable to equity holders of Westpac	3,041	3,446	3,859	3,451	3,071	2,698
Weighted average number of ordinary shares (millions)	2,747	2,747	1,871	1,846	1,837	1,845
Basic earnings per ordinary share (cents)(3)	110.6	125.3	206.0	186.9	167.2	148.9
Diluted earnings per share (cents)(4)	108.7	123.2	200.1	185.3	165.7	147.2
Dividends per ordinary share (cents)	102	116	142	131	116	100
Dividend payout ratio (%)(5)	92.6	92.6	68.9	70.1	69.4	67.2

(1) Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been restated and may differ from results previously reported.

(2) Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$0.8824, the noon buying rate in New York on 30 September 2009. Amounts or ratios are in accordance with this conversion rate.

(3) Based on the weighted average number of fully paid ordinary shares outstanding, including nil New Zealand Class shares in 2009 (2008 nil, 2007 nil, 2006 nil, 2005 41 million).

(4) 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.

(5) Calculated by dividing the dividends per ordinary share by the basic earnings per ordinary share.

Overview of performance - 2009 v 2008

Our financial performance for the 2009 financial year was significantly impacted by the global financial crisis, and the merger with St.George Bank Limited. The merger with St.George Bank Limited was completed on 1 December 2008, substantially increasing the size of the Group. For accounting purposes, St.George is consolidated in our financial statements from 18 November 2008, which makes it difficult to compare the results for 2009 with our results for prior periods. Accordingly, the following discussion and review of Group operations, and the discussion of business division performance, focuses primarily on the key factors affecting performance in 2009 compared to 2008, excluding the impact of St.George.

Net profit attributable to equity holders of Westpac was $3,446 million in 2009, a decrease of $413 million or 11% compared to 2008. Net profit attributable to equity holders of Westpac excluding the impact of St.George was $2,475 million in 2009, a decrease of $1,384 million or 36% compared to 2008.

The decrease was primarily due to significant increases in impairment charges and income tax expense. Impairment charges excluding the impact of St.George increased by $1,622 million reflecting significant deterioration in asset quality due to the impact of the global financial crisis and subsequent economic slowdown. Income tax expense included an additional $703 million tax charge related to the New Zealand High Court ruling on amended tax assessments issued by the New Zealand Inland Revenue Department (NZIRD), in relation to Structured Finance transactions entered into between 1998 and 2002. Expense growth excluding the impact of St.George was 4%. These factors were partially offset by strong net operating income growth of $1,315 million.

Divisional results excluding the impact of St.George were mixed. WRBB net profit increased by $156 million, while net profit for each of WIB, New Zealand Banking, BTFG and Other divisions decreased $446 million, $201 million, $55 million and $838 million respectively. The additional tax charge referred to above was incurred within Other divisions.

Net interest income was $11,646 million in 2009, an increase of $4,424 million or 61% compared to 2008. Net interest income excluding the impact of St.George was $8,822 million in 2009, an increase of $1,600 million or 22% compared to

2008. The 22% growth reflects volume growth in consumer and business loans and deposits in Australia and New Zealand, with a 7% increase in loans and a 13% increase in deposits, and a 26 basis point expansion in net interest margin.

Non-interest income was $4,859 million in 2009, an increase of $476 million or 11% compared to 2008. Non-interest income excluding the impact of St.George was $4,098 million in 2009, a decrease of $285 million or 7% compared to 2008. The 7% decrease reflected a $600 million decrease in other income, partially offset by increases in trading income, wealth management and insurance income, and fees and commissions of $188 million, $82 million and $45 million respectively. Other income was also lower as 2008 included large one-off items of $436 million in relation to the partial IPO of BT Investment Management Limited (BTIM) and the sale of Visa Inc. shares. 2009 included $155 million in asset write-downs relating to foundation investments in property and other transactions in the Specialised Capital Group (SCG).

Operating expenses were $7,171 million in 2009, an increase of $1,716 million or 31% compared to 2008. Operating expenses excluding the impact of St.George were $5,664 million in 2009, an increase of $209 million or 4% compared to 2008. This was largely driven by a 3% increase in salaries and other staff expenses and increased equipment and occupancy expenses. Expense savings as a result of the merger with St.George totalled $143 million for 2009.

Impairment charges were $3,238 million in 2009, an increase of $2,307 million or 248% compared to 2008. Impairment charges excluding the impact of St.George were $2,553 million in 2009, an increase of $1,622 million or 174% compared to 2008. This increase was primarily due to the impact of the global financial crisis and the associated decline in economic activity in Australia and New Zealand. This particularly impacted the business sectors in Australia and New Zealand. These dynamics increased individually assessed provisions by $1,243 million and collectively assessed provisions by $391 million, partially offset by $12 million in writebacks and recoveries.

St.George and its consolidated subsidiaries (including the impact of the acquisition accounting entries related to the merger) contributed a net profit of $971 million for the period from 18 November 2008 to 30 September 2009. Revenue from increased balance sheet growth was partially offset by the costs associated with reinvestment in the business coupled with impairment charges arising from the deteriorating economic conditions.

Income statement review - 2009 v 2008

Net interest income - 2009 v 2008

	2009 $m	**2008 $m**	**2007 $m**
Interest income	30,446	29,081	22,075
Interest expense	(18,800)	(21,859)	(15,762)
Net interest income	11,646	7,222	6,313
Increase/(decrease) in net interest income			
Due to change in volume	2,621	812	380
Due to change in rate	1,803	97	291
Change in net interest income	4,424	909	671

Net interest income was $11,646 million in 2009, an increase of $4,424 million or 61% compared to 2008. Net interest income excluding the impact of St.George was $8,822 million in 2009, an increase of $1,600 million or 22% compared to 2008. The commentary below relates to this 22% movement, which excludes the impact of St.George.

The key drivers of the 22% growth were an 8% increase in average interest earning assets and a 26 basis point increase in interest margins as compared to the prior year.

Growth in net loans over the year was 7%. In Australia, net loan growth was $22 billion or 8% over the prior year. In New Zealand, net loan growth was flat in NZ$ terms and decreased by 3% in A$ terms.

Loan growth arose due to the following specific components:

- Australian housing lending increased $27.5 billion or 19% as historically low interest rates and the Australian Government s first homebuyer grant provided stimulus to the mortgage market. The increase was also assisted by the inclusion of a full year of operation of the RAMS franchise distribution business which was purchased in January 2008;

- Australian business and corporate lending decreased $5.6 billion or 5%. The decrease was driven by reduced demand from large customers who utilised equity raisings to reduce gearing. Lending to small and medium size business showed only a small decrease in line with the slower economy; and

- New Zealand housing lending increased NZ$1.2 billion or 4%. Weaker demand reflected lower property prices and slower economic activity.

Total deposits including treasury deposits increased $30 billion or 13% since 30 September 2008. Excluding treasury deposits, deposits increased $35.1 billion or 21%. In Australia, strong growth in consumer and business customer deposits of $35.2 billion or 26%, was partially offset by a decline in treasury deposits, mostly certificates of deposit. The key driver of deposit growth was a change in customer preferences. Customers moved investments into bank deposits and out of the other forms of cash investments and asset classes (such as equities and mortgage trusts).

In New Zealand, at call and term deposits increased 2% (NZ$ terms), with growth occurring in term deposits.

Interest spread and margin - 2009 v 2008

	2009 $m	2008 $m	2007 $m
Group			
Net interest income	11,646	7,222	6,313
Tax equivalent gross up(1)	45	72	101
Net interest income (including gross up)	11,691	7,294	6,414
Average interest earning assets	490,669	351,657	292,417
Average interest bearing liabilities	465,842	334,865	274,955
Average net non-interest bearing liabilities and equity	24,827	16,792	17,462
Interest spread(2)	2.18%	1.76%	1.85%
Benefit of net non-interest bearing liabilities and equity(3)	0.20%	0.31%	0.34%
Net interest margin(4)	2.38%	2.07%	2.19%

(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.

Net interest margin including St.George was 2.38% for 2009, an increase of 31 basis points compared to 2008. Net interest margin excluding the impact of St.George was 2.33% for 2009, an increase of 26 basis points compared to the equivalent margin for 2008. Key drivers of the margin increase, excluding the impact of St.George, were:

- an increase of 4 basis points from consumer and business customers in Australia and New Zealand. This represented the repricing of loans for higher risk premiums and higher funding costs. The increase also partially reflects the timing effect of higher funding costs in 2008 being passed through to customers in 2009;

- an increase of 13 basis points reflecting strong Group Treasury revenues; and

- an increase of 9 basis points from Institutional lending, Markets and Other due to:

- improved Institutional spreads as loans were progressively re-priced over the period and changes in Markets income recorded as interest income; and

- returns on capital falling as interest rates reduced, which was more than offset by mix benefits, as relatively higher spread consumer and business assets grew faster than Institutional assets.

Non-interest income - 2009 v 2008

	2009 $m	2008 $m	2007 $m
Total fees and commissions	2,637	2,060	1,931
Trading income	901	732	660
Wealth management and insurance income	1,368	1,042	1,306
Other income	(47)	549	109
Total non-interest income	4,859	4,383	4,006

Non-interest income was $4,859 million in 2009, an increase of $476 million or 11% compared to 2008. Non-interest income excluding the impact of St.George was $4,098 million in 2009, a decrease of $285 million or 7% compared to 2008. The commentary below relates to this 7% movement, which excludes the impact of St.George.

The key driver of the 7% decrease was a $600 million reduction in Other income, partially offset by increases in trading income, wealth management and insurance income and fees and commissions.

Other income decreased as 2008 included $436 million of one-off favourable items that were not repeated in 2009. 2009 included asset write-downs of $155 million in relation to foundation investments in property and other transactions in SCG.

The 2008 result included:

- a net gain of $141 million received from the partial sale of BTIM; and

- a gain of $172 million from the redemption of 56% of Westpac s equity interest in Visa Inc. as part of an Initial Public Offering (IPO) in 2008. In addition, an unrealised gain of $123 million was recognised to reflect Westpac s initial measurement of the residual value of the Visa Inc. holding.

Trading income was $920 million in 2009, an increase of $188 million or 26% compared to 2008. This was primarily driven by increases in foreign exchange income, with the Foreign Exchange (FX) and Debt Markets business taking advantage of increased customer activity and market volatility during the year.

Wealth management and insurance income was $1,124 million in 2009, an increase of $82 million or 8% compared to 2008. This was driven by the gross up of income (and tax expense) on earnings applicable to holders of our life policies (policyholder tax recoveries), partially offset by adverse equity market movements that reduced Funds Under Management (FUM)/Funds Under Administration (FUA), especially in the first six months, which in turn contributed to lower wealth management revenue for 2009.

Fees and commissions were $2,105 million in 2009, an increase of $45 million or 2% compared to 2008, with growth resulting from increased credit line fees on corporate and business facilities and higher arrangement fees within WIB. This was partially offset by lower transaction fees, with foreign automatic teller machine (ATM) fees lower as a result of ATM reforms in Australia this year, combined with lower interchange fees, higher scheme costs and the impact of providing customers fee-free access to both Westpac and St.George Bank ATM networks. Fees were also lower in New Zealand as a result of customers switching to fee-free accounts and reduced merchant activity.

Operating expenses - 2009 v 2008

	2009 $m	**2008 $m**	**2007 $m**
Salaries and other staff expenses	3,806	2,915	2,557
Equipment and occupancy expenses	926	895	628
Other expenses	2,439	1,645	1,504
Total operating expenses	7,171	5,455	4,689
Productivity ratio(1)	4.47	4.16	4.07
Total operating expenses to net operating income ratio	43.4%	47.0%	45.4%

(1) Net operating income before operating expense and impairment charges/salaries and other staff expenses (net of restructuring expenses).

Operating expenses were $7,171 million in 2009, an increase of $1,716 million or 31% compared to 2008. Operating expenses excluding the impact of St.George were $5,664 million in 2009, an increase of $209 million or 4% compared to 2008.

The expense to income ratio decreased 360 basis points to 43.4%. The expense to income ratio excluding the impact of St.George was 43.8%, a decrease of 320 basis points.

The following commentary relates to the 4% increase, excluding the impact of St.George.

Salaries and other staff expenses were $3,004 million in 2009, an increase of $89 million or 3% compared to 2008, due to:

- general fixed salary increases and other market related compensation increases;

- the Group s increased superannuation costs, increased BTIM share based payments and the impact of the reversal of long service leave provisions in 2008, which was not repeated in 2009; and

- additional customer facing employees in WRBB.

The above increases were partially offset by merger synergies, predominantly in support and head office functions and lower employee performance bonus accruals given reductions in year on year profitability.

Equipment and occupancy expenses were $714 million in 2009, a decrease of $181 million or 20% compared to 2008, primarily due to lower software amortisation and write-downs. A $157 million write-down in software assets occurred during 2008 following a comprehensive review across the business, which was not repeated in 2009.

Other expenses were $1,946 million in 2009, an increase of $301 million or 18% compared to 2008, due to:

- a provision raised with respect to long standing legal proceedings where a judgment was received during 2009 ($121 million);

- additional expenditure on technology platforms to improve reliability, capacity and customer service; and

- increased costs associated with a spike in credit card reward redemptions ($25 million).

Impairment charges - 2009 v 2008

	2009 $m	2008 $m	2007 $m
Impairment charges	3,238	931	482
Impairment charges to average gross loans (basis points)	75	32	19

Impairment charges were $3,238 million in 2009, an increase of $2,307 million or 248% compared to 2008. Impairment charges represented 75 basis points of average gross loans in 2009, an increase of 43 basis points compared to 2008. Impairment charges excluding the impact of St.George were $2,553 million in 2009, an increase of $1,622 million or 174% compared to 2008. Impairment charges excluding the impact of St.George represented 78 basis points of average gross loans in 2009, an increase of 46 basis points compared to 2008. The following commentary relates to this 174% movement, excluding the impact of St.George.

Impairment charges increased significantly over the 2009 financial year driven by the impacts of the global financial crisis and the associated decline in economic activity. The most significant effect of the global financial crisis on impairment charges was a small number of large corporate exposures ($408 million) and a small number of concentrated Margin Lending portfolios ($183 million), mainly in the first half of the year.

More generally, the increase in impairment charges was due to the broad slowing in economic activity that has led to increased customer financial stress, and lower security values. Most of this impact has been felt in the commercial business segment (customers with facilities generally in the range of $10 million to $100 million) although later in the year small businesses began to be impacted. The commercial property sector (mostly development properties) has been particularly impacted by these trends with other sectors showing stress including pubs and clubs, manufacturing, wholesale trade and retail. These trends have seen an increase in both individually assessed and collectively assessed provisions.

In New Zealand, the economy has been in a more prolonged recession and this saw the sources of stress more broadly spread across businesses and consumers. In business, commercial property was the sector most impacted, particularly property developments with no established income streams. In the consumer segment, higher delinquencies can be primarily traced back to customers relying on business income or where gearing has been higher. At the same time, the predominance of fixed rate lending has meant that consumers have only gradually benefited from lower interest rates. In addition, given the deteriorating operating environment, the Group felt it prudent to further increase its economic overlay in the first half of the year.

Key movements in impairment charges were:

- new individually assessed provisions increased by $1,243 million, principally due to:

- WIB ($828 million increase) predominantly from three large corporate exposures ($490 million), increases in stress in the Premium Business Group ($186 million) and higher Margin Lending provisions ($115 million);

- New Zealand ($283 million increase) predominantly business related ($258 million) including IAPs for two large exposures ($174 million); and

- WRBB ($127 million increase) as slowing business and retail growth has affected smaller businesses.

- new collectively assessed provisions increased by $391 million, principally due to:

- write-offs increased by $97 million compared to 2008. Most of the write-offs were in the Australian cards and personal loan portfolios. Some of the increase reflected lower prices available for the sale of consumer debt to third parties;

- Australian divisions saw an increase in new collectively assessed provisions of $221 million, as a result of increased stress in the commercial business sector, which was reflected in WIB and the small and medium sized business customers within WRBB. Despite this, Australian consumer losses remained relatively low; and

- New Zealand where collectively assessed provisions increased by $24 million compared to 2008, as the depressed economy impacted both businesses and consumers.

- writebacks and recoveries contributed $12 million (credit) to impairment charges.

St.George Bank Limited and its consolidated subsidiaries (including the impact of the acquisition accounting entries related to the merger) incurred impairment charges of $685 million for the period from 18 November 2008 to 30 September 2009. The majority of the impairment charges were due to the broad slowing in economic activity that led to increased customer financial stress and lower security values. Most of this impact was felt in the commercial business segment although later in 2009 some small businesses were also impacted. The commercial property sector (mostly development properties) was particularly impacted by these trends with other sectors including pubs and accommodation also showing some stress. Australian consumer losses remained relatively low during 2009.

Income tax expense - 2009 v 2008

	2009 $m	2008 $m	2007 $m
Income tax expense	2,579	1,287	1,630
Tax as a percentage of profit from ordinary activities before tax (effective tax rate)	42.3%	24.7%	31.7%

Income tax expense was $2,579 million in 2009, an increase of $1,292 million or 100% compared to 2008. Income tax expense excluding the impact of St.George was $2,157 million in 2009, an increase of $870 million or 68% compared to 2008. The $870 million movement was primarily driven by a $703 million tax charge related to the New Zealand High Court ruling on amended tax assessments issued by the NZIRD, in relation to Structured Finance transactions entered into between 1998 and 2002.

The effective tax rate was 42.3% in 2009, an increase of 17.6% compared to 2008. Excluding the impact of St.George, the effective tax rate was 45.9% in 2009, an increase of 21.2% compared to 2008. Excluding the $703 million one-off tax expenses mentioned above, the effective tax rate excluding the impact of St.George was 30.9% in 2009, an increase of 6.2% compared to 2008. This variance was driven by two primary items that lowered the effective tax rate in 2008. The 2008 tax expense included, firstly, a $198 million recovery for policy holder tax recoveries (due to weaker market performance of investments in Property Trusts, Australian Equities and Overseas Equities), and secondly, a non-taxable net gain of $141 million from the partial sale of BTIM.

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 and impairment charges of 12%. Expense growth was 16%. WRBB contributed $155 million of the increase in net profit and Other business divisions (including Product and Operations, Technology, Group Treasury, Pacific Banking and Core Support functions) contributed $317 million. The favourable results were partially offset by decreased contributions of $13 million by WIB, $8 million by New Zealand Banking and $43 million by BTFG.

Net interest income was $7,222 million in 2008, an increase of $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 was $4,383 million in 2008, an increase of $377 million or 9% compared to 2007 resulting from a 7% 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. as a result of its initial public offering. These increases were partially offset by a $264 million decrease in wealth management and insurance income.

Operating expenses were $5,455 million in 2008, an increase of $766 million or 16% compared to 2007. This was 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 merger with St.George.

Impairment charges were $931 million in 2008, an increase of $449 million or 93% compared to 2007. This was primarily due to the impact of both the larger loan portfolio and deteriorating credit environment which saw higher interest rates and slowing economies in Australia and New Zealand in 2008. Institutional impairment charges increased due to 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 individually assessed provisions $317 million higher and collectively assessed provisions $162 million higher. In addition to this the provisions included a $76 million addition to the Group economic overlay provision in recognition of the deteriorating operating conditions for financial institutions during 2008.

(1) Westpac incurred one-off expenses of $323 million in 2008 in relation to efficiency initiatives and capitalised expense reviews.

Income statement review - 2008 v 2007

Net Interest income - 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.

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 $36.7 billion or 16% over the prior year. In New Zealand, net loans increased by 9% in NZ$ terms and by 7% in A$ terms.

Key drivers of the growth in net loans in 2008 were:

- consumer lending up 13%, or $17.8 billion, predominately in housing;

- business lending up 17%, or $9.3 billion driven by relatively strong growth in the Western Australia, Queensland and Victoria regions;

- corporate lending 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 nominal 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 was driven by growth in term deposits (up $11.9 billion) from both consumer and business customers, and growth in on-line savings balances. In New Zealand, deposits were up 9% (NZ$ 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 2008 was 2.07%, 12 basis points lower than the equivalent margin for 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 increased holdings 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.

This was 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 the Group s Capital generating a positive impact of 1 basis point.

Non-interest income - 2008 v 2007

Non-interest income was $4,383 million in 2008, an increase of $377 million or 9% compared to 2007. The increase was driven by an increase in income from fees and commissions, trading and other income, partially offset by a reduction in wealth management income.

Fees and commissions were $2,060 million in 2008, an increase of $129 million or 7% compared to 2007. This result was led by an increase in origination volume growth in business customers within WRBB and the Institutional Bank and by growth in card fee income driven by increased customer spending, particularly foreign currency spending, and the mix in spending shifting to products with stronger interchange margins. This was offset by the effect of customers continuing to switch to lower fee transactional products which reduced fees across our New Zealand and WRBB businesses.

Wealth management and insurance income was $1,042 million in 2008, a decrease of $264 million or 20% compared to 2007. This result was driven by the adverse investment markets which reduced total Funds under Management (FUM) and Funds under Administration (FUA) by 18% from 30 September 2007. Net flows for FUM were marginally negative compared to 2007. This was due to net outflows in retail products, partially offset by higher institutional inflows. Net inflows for FUA were $3.6 billion representing an 8% increase in FUA predominantly in the Wrap business where margins increased 5 basis points as a result of migration of customers to higher margin products. Insurance net income decreased by $3 million largely due to higher General Insurance claims increasing $16 million, which were partially offset by growth in Life Insurance in-force premiums, which increased by 8%, and General Insurance gross written premiums which increased by 3%.

Trading income was $732 million in 2008, an increase of $72 million or 11% compared to 2007. This result was mainly driven by increases in foreign exchange income as Group Treasury and the Institutional Bank were both well positioned to take advantage of market volatility. Markets income was up $35 million.

Other income was $549 million in 2008, an increase of $440 million or 404% compared to 2007. The increase was primarily driven from:

- a net gain of $141 million received from the partial sale of BTIM; and

- a gain of $172 million on the redemption of 56% of an equity interest in Visa Inc. as part of an IPO during the year. An unrealised gain of $123 million was recognised to reflect Westpac s initial measurement of its residual investment in Visa Inc.

Operating expenses - 2008 v 2007

Operating expenses were $5,455 million in 2008, an increase of $766 million or 16% compared to 2007. The increase in 2008 was primarily the result of higher personnel costs. The expense to income ratio increased 160 basis points to 47.0%.

Salaries and other staff expenses were $2,915 million in 2008, an increase of $358 million or 14% compared to 2007. This was driven by an increase of 284 FTE across the Group, primarily in higher cost customer serving employees in WRBB and the Institutional Bank, additional $11 million from the acquisition of the RAMS franchise distribution business in January 2008, and fixed salary increases of 4% and other market related increases. Also included was $160 million of non recurring expenses relating to gains associated with the initial public offerings, transaction and integration costs associated with the St.George merger and one-off restructuring expenses.

Equipment and occupancy expenses were $895 million in 2008, an increase of $267 million or 43% compared to 2007. This was driven by an increase in operating lease rentals due to market related rent increases from the renewal of existing leases, as well as rentals on 29 additional retail branches and business banking centres, increases in software write-down of $157 million, and an increase in property fitout charges relating to the refurbishments and relocation of existing retail and business banking sites.

Other expenses were $1,645 million in 2008, an increase of $141 million or 9% compared to 2007. This increase was driven by an increase in outsourcing expenses, higher advertising costs associated with campaigns focused on the promotion of Super for Life and products of the recently acquired RAMS franchise distribution business, higher license and maintenance fees and increased professional services expenses.

Impairment charges - 2008 v 2007

Impairment charges were $931 million in 2008, an increase of $449 million or 93% compared to 2007. Impairment charges in 2008 represented 32 basis points of average gross loans, up 13 basis points compared to 2007.

Impairment charges increased sharply in 2008. The dislocation in capital markets initially impacted corporates and institutions that were highly leveraged, financially complex and had near term financing requirements. The second half reflected the impact of the market dislocation spreading into the broader economy with the growth slowing. Stress levels in WRBB (business customers) and New Zealand portfolios increased throughout the second half as economic conditions deteriorated.

These dynamics drove up individually assessed provisions (IAPs) by $317 million across principally:

- institutional customers ($160 million) from a small number of single name exposures;
- business customers ($92 million) predominantly driven by two large provisions. Impaired assets have generally increased over a wide range of industries; and
- New Zealand customers ($51 million) across both the business and consumer sectors.

Collectively assessed provisions were up $162 million due to:

- write-offs increasing by $76 million predominantly in the cards portfolio;

- an increase of $48 million in the financial institutions portfolio provision. An additional $76 million was added to this provision in the year ended 30 September 2008 compared with $28 million in the prior year. This brings the financial institutions portfolio provision to $104 million; and

- higher provisions of $38 million due to the increase in stressed exposures, predominantly in the Institutional Bank, WRBB and New Zealand.

Stressed exposures as a percentage of total commitments increased by 42 basis points from 30 September 2007 to 130 basis points at 30 September 2008. The increases have been in the Institutional Bank, business customers in both Australia and New Zealand and the New Zealand housing sector. The Margin Lending portfolio experienced one significant impairment during 2008.

Total impaired asset provisions as a percentage of total impaired assets decreased from 49% to 45% from 30 September 2007 to 30 September 2008. In response to the conditions during 2008, Westpac carried out a number of initiatives to further strengthen the portfolio and to ensure a better alignment between risk and reward, including specific and general portfolio reviews and additional stress testing of the consumer and business portfolios.

Income tax expense - 2008 v 2007

Income tax expense was $1,287 million in 2008, a decrease of $343 million or 21% compared to 2007. The effective tax rate decreased by 700 basis points from 31.7% in 2007 to 24.7% in 2008. The key items impacting the movement in the income tax result were:

- a decrease of $290 million in the policyholder tax recoveries from our life insurance business, which generated a $198 million recovery in 2008. The decrease was due to weaker market performance of investments in Property Trusts, Australian Equities and Overseas Equities; and

- a non-taxable net gain of $141 million received from the partial sale of BTIM.

Balance sheet review

Selected consolidated balance sheet data(1)

The detailed components of the balance sheet are set out in the notes to the financial statements.

	Year Ended 30 September					
	2009 US$m(2)	2009 A$m	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	2,887	3,272	4,809	2,243	3,132	2,853
Due from other financial institutions	16,156	18,309	21,345	28,379	12,211	14,355
Derivative financial instruments	29,284	33,187	34,810	24,308	10,311	9,944
Trading securities, other financial assets and available-for-sale (2005: Investment securities)	34,830	39,472	43,694	24,505	17,811	14,464
Loans	408,956	463,459	313,545	275,377	236,380	199,702
Acceptances of customers(3)						4,864
Life insurance assets	10,928	12,384	12,547	15,456	14,281	13,595
All other assets	17,210	19,504	8,926	7,352	7,335	7,887
Total assets	520,252	589,587	439,676	377,620	301,461	267,664
Due to other financial institutions	8,149	9,235	15,861	9,133	12,051	10,654
Deposits	290,712	329,456	233,730	202,054	169,637	150,668
Derivative financial instruments	32,188	36,478	24,970	25,192	9,342	10,514
Trading liabilities and other financial liabilities designated at fair value	9,572	10,848	16,689	8,223	2,893	3,154
Debt issues and acceptances	117,380	133,024	100,369	87,126	66,080	48,754
Life insurance liabilities	10,357	11,737	11,953	14,392	13,476	11,717
All other liabilities	9,795	11,100	7,915	5,888	5,899	11,062
Total liabilities excluding loan capital	478,153	541,878	411,487	352,008	279,378	246,523
Total loan capital(4)	9,828	11,138	8,718	7,704	5,957	4,214
Total liabilities	487,981	553,016	420,205	359,712	285,335	250,737
Net assets	32,270	36,571	19,471	17,908	16,126	16,927
Total equity attributable to equity holders of Westpac(5),(6)	30,564	34,637	17,547	15,996	14,214	13,595
Minority interests	1,707	1,934	1,924	1,912	1,912	3,332
Total shareholders equity and minority interest	32,270	36,571	19,471	17,908	16,126	16,927
Average balances						
Total assets	509,878	577,831	401,468	332,512	283,663	257,999
Loans and other receivables	376,648	426,845	294,672	257,896	220,407	194,771
Acceptances of customers(3)						5,235
Shareholders equity(5),(6)	28,243	32,008	16,699	14,708	13,369	12,651
Minority interests	1,690	1,915	1,918	1,911	1,473	3,507

(1) Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been restated and may differ from results previously reported.

(2) Australian dollar amounts have been translated into US dollars solely for the convenience of the reader at the rate of A$1.00 = US$0.8824, the Noon Buying Rate in New York on 30 September 2009. Amounts or ratios are in accordance with this conversion rate.

(3) Acceptances of customers are included in loans in 2009, 2008, 2007 and 2006.

(4) This includes Westpac Stapled Preferred Securities (SPS), Westpac Stapled Preferred Securities II (SPS II) and 2004 Trust Preferred Securities (2004 TPS) in 2009, Westpac SPS and 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.

(5) Includes New Zealand Class shares in 2005. Excludes minority interests.

(6) New Zealand Class shares were on issue until 11 July 2005, when they were fully exchanged for ordinary shares.

Summary of consolidated ratios

(in $millions unless otherwise indicated)	Year Ended 30 September 2009 US$(1)	2009 A$	2008 A$	2007 A$	2006 A$	2005 A$
Ratios in accordance with A-IFRS						
Profitability ratios (%)						
Net interest margin(2)	2.38	2.38	2.07	2.19	2.29	2.45
Return on average assets(3)	0.60	0.60	0.96	1.04	1.08	1.05
Return on average ordinary equity(4)	10.8	10.8	23.1	23.5	23.0	21.7
Return on average total equity(5)	10.2	10.2	20.7	20.8	20.7	16.7
Capital ratio (%)						
Average total equity to average total assets	5.9	5.9	4.6	5.0	5.2	6.3
Tier 1 ratio (%)(6)	8.1	8.1	7.8	6.5	6.9	7.2
Total capital ratio(6)	10.8	10.8	10.8	9.5	9.6	9.7
Earnings ratios						
Basic earnings per ordinary share (cents) (7)	110.6	125.3	206.0	186.9	167.2	148.9
Diluted earnings per ordinary share (cents) (8)	108.7	123.2	200.1	185.3	165.7	147.2
Dividends per ordinary share (cents)	102	116	142	131	116	100
Dividend payout ratio (%)(9)	92.6	92.6	68.9	70.1	69.4	67.2
Credit quality ratios						
Impairment charges written off (net of recoveries)	1,654	1,874	439	349	270	331
Impairment charges written off (net of recoveries) to average loans (%)	0.43	0.43	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$0.8824, the noon buying rate in New York on 30 September 2009. Amounts or ratios are in accordance with this conversion rate.
(2) Calculated by dividing net interest income (including tax equivalent gross up) by average interest earning assets.
(3) Calculated by dividing net profit attributable to our equity holders by average total assets.
(4) Calculated by dividing net profit attributable to our equity holders adjusted for distributions on New Zealand Class shares by average ordinary equity.
(5) Calculated by dividing net profit attributable to our equity holders by average ordinary equity and minority interests.
(6) For details on the calculations of this ratio please refer to Capital management strategy under the section Capital resources in this Annual Report.
(7) Based on the weighted average number of fully paid ordinary shares outstanding, including nil New Zealand Class shares in 2009 (2008 nil, 2007 nil, 2006 nil, 2005 41 million).
(8) 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.
(9) Calculated by dividing the dividends per ordinary share by the basic earnings per ordinary share.

Balance sheet review

Assets 2009 v 2008

The merger with St.George Bank Limited resulted in the assets and liabilities of St.George being consolidated from 18 November 2008. Excluding the impact of St.George, total assets as at 30 September 2009 were $496.0 billion, which was an increase of $56.3 billion or 13% from $439.7 billion at 30 September 2008.

The key drivers of the 13% growth were:

- loans increasing by $22.0 billion or 7.0%, driven by a $27.6 billion increase in housing loans in Australia partially offset by a reduction of $4.8 billion in non-housing loans, while New Zealand and overseas loans remained relatively flat;

- trading securities, other financial assets and available-for-sale securities decreasing by $5.9 billion as Westpac held lower levels of outright trading securities; and

- derivative financial instruments (assets) decreasing by $3.6 billion or 10.2% in 2009. The decrease in derivative financial instruments was primarily due to changes in exchange rates impacting the value of derivative contracts and reductions in interest rates.

Liabilities and equity 2009 v 2008

Excluding the impact of St.George, total liabilities as at 30 September 2009 were $460.4 billion which was an increase of $40.2 billion or 10% compared to 30 September 2008. The key movements in liabilities are outlined below.

Deposits in 2009 increased by $30.0 billion or 12.8% compared with 2008. The increase was due to growth in customer and business deposits, particularly in term deposits and on line savings accounts.

Derivative financial instruments (liabilities) increased by $8.6 billion or 34.2%. Compared to 2008, the growth in derivative financial instruments reflected the impact of movements in the A$ (primarily against the US$) impacting the value of cross-currency swaps that hedge offshore borrowings. This impact offsets a reduction in gross customer derivatives outstandings.

Other trading liabilities reduced by $5.9 billion as lower levels of repurchase transactions were undertaken.

Debt issues increased by $12.5 billion or 12.4%. This reflected a focus on raising long term wholesale funding to fund asset growth.

Equity was $34.6 billion at 30 September 2009, an increase of $17.1 billion or 97.4% compared to 30 September 2008. The movement in equity was primarily attributable to:

- the issue of Westpac ordinary shares of $12.1 billion to facilitate the merger with St.George;
- an ordinary share placement and share purchase plan of $2.5 billion and $0.4 billion respectively;
- ordinary shares issued under the Dividend Reinvestment Plan (DRP) and underwriting of the DRP in respect of the 2008 full year dividend of $1.9 billion; and
- retained profits (net of dividends), which increased by $0.5 billion.

Assets 2008 v 2007

During the financial year ended 30 September 2008, total assets increased by $62.1 billion or 16.4% from $377.6 billion in 2007. The key drivers of this growth were:

Loans increased by $38.2 billion an increase of 13.9%, from $275.4 billion in 2007. The key factors impacting growth were:

- housing loans in Australia grew by $17.6 billion or 13.4% in 2008;

- non-housing loans in Australia decreased by $12.8 billion or 22.7% in 2008 particularly relating to business and corporate lending.

Trading securities, other financial assets and available-for-sale securities increased by $19.2 billion driven by increases in liquid assets. In addition, due from other financial institutions decreased by $7.0 billion in 2008. The decrease in these balances was primarily due to increased use of repurchase agreements for other bank Certificates of Deposit which resulted in the reclassification of assets from Due from other financial institutions to Trading assets.

Derivative financial instruments (assets) increased by $10.5 billion in 2008. This growth was driven by higher notional volumes from increased customer demand for risk management products and hedging of our foreign currency denominated wholesale funding and interest rate risk in addition, movements in interest and exchange rates increased the fair value of these instruments.

Liabilities and equity 2008 v 2007

Total liabilities as at 30 September 2008 were $420 billion, an increase of $60.5 billion from 2007. The key movements in liabilities are outlined below.

Deposits in 2008 increased by $31.7 billion or 15.7% compared with 2007. The increase was principally due to term deposits in Australia which increased by $13.7 billion from both consumer and business customers as well as growth in on-line savings balances and domestic corporate deposits.

Derivative financial instruments (liabilities) have decreased by $0.2 billion or 0.8%. The marginal decline was driven by the run-off of deals that contributed to the high value of derivative financial instruments in the prior period which resulted from the strength of the Australian dollar during that period.

Debt issues through our debt programmes increased by $13.2 billion or 15.2%. The growth in debt issues reflected our focus to maintain longer-term funding to fund asset growth. A large component of the movement in 2008 driven by the revaluation of foreign denominated debt issues as a result of foreign exchange movements.

Equity increased by $1.6 billion or 8.7% during 2008 to $19.5 billion. Major movements in equity included the following:

- retained profits (net of dividends and other equity distributions) increased by $1.3 billion in 2008; and
- increase of $0.7 billion in shares issued via the DRP

Asset quality

As at 30 September	2009 $m	2008 $m	2007 $m
Impaired assets			
Non-accrual assets(1):			
Gross	3,526	1,059	423
Impairment provisions	(1,308)	(438)	(159)
Net	2,218	621	264
Restructured loans:			
Gross	71	6	4
Impairment provisions	(26)		
Net	45	6	4
Overdrafts and revolving credit greater than 90 days:			
Gross	173	112	113
Impairment provisions	(148)	(97)	(107)
Net	25	15	6
Net impaired assets	2,288	642	274
Provisions for impairment charges			
Individually assessed provisions	1,228	413	148
Collectively assessed provisions	3,506	1,761	1,410
Total provisions for impairment charges	4,734	2,174	1,558
Asset quality			
Total impairment provisions to total impaired assets	39.3%	45.4%	49.2%
Total impaired assets to total loans(2)	0.81%	0.37%	0.20%
Total provisions to gross loans(3)	1.01%	0.69%	0.61%
Total provisions to total impaired assets	125.6%	184.8%	288.5%
Collectively assessed provisions to non-housing performing loans(3)	1.8%	1.1%	1.1%

(1) Loans with individually assessed impairment provisions held against them, excluding restructured loans are classed as non-accrual for US Securities and Exchange Commission Reporting purposes. Under A-IFRS interest income is recognised at the effective interest rate on the net balance.

(2) Loans are stated before related provisions for impairment of loans.

(3) Includes the APRA required capital deduction (above A-IFRS provisioning levels) of $128 million (pre-tax) at 30 September 2007, $14 million (pre-tax) at 30 September 2008 and nil at 30 September 2009, which form part of the APRA termed General Reserve for Credit Losses.

The quality of our loan portfolio as at 30 September 2009 remained relatively stable, with 72% of our exposure to either investment grade or secured consumer mortgages (2008 75%, 2007 73%) and 99% of our exposure was in our core markets of Australia and New Zealand and Pacific Banking (2008 98%, 2007 98%).

Potential problem loans(2) as at 30 September 2009 amounted to $3,130 million. Excluding the impact of St.George, potential problem loans as at 30 September 2009 amounted to $2,083 million, up from $858 million at 30 September 2008. This increase was predominantly driven by downgrades in WIB. Loans are considered to be potentially problematic where facilities are fully current as to interest and principal obligations, however the customer demonstrates significant weakness in debt service or security coverage that jeopardises repayment of the debt within its current contractual terms. In the event these weaknesses are not rectified, possible loss of principal or interest could occur.

At 30 September 2009, total impaired assets as a percentage of total gross loans was 0.81%. Excluding the impact of St.George, total impaired assets as a percentage of total gross loans increased 0.75% as at 30 September 2009, up from 0.37% at 30 September 2008 (2007 0.20%).

At 30 September 2009, we had 14 impaired counterparties with exposure greater than $50 million, collectively accounting for 28% of total impaired assets. This is up from three impaired counterparties with exposure larger than $50 million in 2008 accounting for 28% of total impaired assets. There were a further 56 impaired exposures at 30 September 2009 that were less than $50 million and greater than $10 million (2008 12 impaired exposures). In 2009, the impact was dispersed across sectors, although the commercial property sector was most significantly impacted, accounting for $1,581 million (42%) of impaired loans in 2009.

We believe that Westpac remains appropriately provisioned with total impaired asset provisions to total impaired assets coverage at 39.3%. Excluding the impact of St.George, total provisions represented 132% of impaired assets as at

(1) Potential problem loans: facilities that are performing and no loss is expected, but the customer demonstrates significant weakness in debt servicing or security cover that could jeopardise repayment of debt on current terms if not rectified.

30 September 2009, down from 185% at 30 September 2008 (2007 289%). The decrease was driven by higher impaired assets and partial write-offs. Total provisions to gross loans were 1.01% at 30 September 2009. Excluding the impact of St.George, total provisions to gross loans were 0.99% at 30 September 2009, up from 0.69% at 30 September 2008 (2007 0.61%).

Consumer mortgage loans 90 days past due at 30 September 2009 were 0.37% of outstandings. Excluding the impact of St.George, consumer mortgage loans 90 days past due at 30 September 2009 increased one basis point to 0.40% of outstandings (2008 0.39%, 2007 0.31%) but still remain below external benchmark indices.

Other consumer loan delinquencies (including credit card and personal loan products) were 1.04% of outstandings as at 30 September 2009. Excluding the impact of St.George, other consumer loan delinquencies (including credit card and personal loan products) were 1.04% of outstandings, a increase of four basis points from 1.00% of outstandings as at 30 September 2008 (2007 1.02%).

As at 30 September	2009 $m	2008 $m	2007 $m
Total gross loans(1)	467,843	315,490	276,746
Average loans			
Australia	381,858	243,797	209,671
New Zealand	45,832	44,383	41,178
Other overseas	6,529	5,227	4,010
Total average loans	434,219	293,407	254,859

(1) Gross loans are stated before related provisions for impairment.

Total gross loans represented 79% of the total assets of the Group as at 30 September 2009. Excluding the impact of St.George, total gross loans represented 68% of the total assets of the Group compared to 72% in 2008 and 73% in 2007.

Gross loans were $467.8 billion in 2009. Excluding the impact of St.George, gross loans increased by $22.0 billion or 7% to $337.5 billion in 2009 from $315.5 billion in 2008. This increase was due to strong growth in mortgage, business and corporate lending portfolios. Gross loans were $276.7 billion in 2007.

Approximately 25% of the loans at 30 September 2009 mature within one year and 22% mature between one year and five years. Retail lending comprises the bulk of the loan portfolio maturing after five years.

Our lending is focused on our core geographic markets in Australia and New Zealand. Australia and New Zealand average loans were $427.7 billion in 2009. Excluding the impact of St.George, Australia and New Zealand average loans increased by $30.7 billion or 11% to $318.9 billion in 2009 from $288.2 billion in 2008. This increase was predominantly due to the growth in mortgage lending. Average loans in 2007 were $250.9 billion. Australia and New Zealand average loans accounted for 98% of the total average gross loans in 2009. Excluding the impact of St.George, Australia and New Zealand average loans accounted for 98% of the total average gross loans in 2009, which was a decrease of 0.2% compared to 2008.

Other overseas average loans were $6.5 billion in 2009. Other overseas average loans increased by $1.3 billion or 25% to $6.5 billion in 2009, from $5.2 billion in 2008 and $4.0 billion in 2007.

Capital resources

Capital management strategy

Westpac s approach seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an ADI. Westpac considers the need to balance efficiency, flexibility and adequacy when determining sufficiency of capital and when developing capital management plans.

Westpac details these considerations through an Internal Capital Adequacy Assessment Process (ICAAP), the key features of which include:

- consideration of both economic (calibrated to Westpac s AA debt rating) and regulatory capital driven requirements;

- a process which challenges the capital measures, coverage and requirements which incorporates a comparison of economic and regulatory requirements and the use of the Quantitative Scenario Analysis (stress testing) framework that considers among others, the impact of adverse economic scenarios that threaten the achievement of planned outcomes;

- consideration of the perspectives of external stakeholders such as regulators, rating agencies and equity investors; and

- the development of a capital management strategy including target capital ratios, capital buffers and contingency plans which guide the development of specific capital plans.

Our target ratios are summarised in the table below:

Capital measure	**Target ratio**
Group Tier 1 ratio	6.75 - 7.75%
Group total regulatory capital ratio	9.75 - 10.75%

As at 30 September 2009, the Group Tier 1 ratio was 8.1% and the Group total regulatory capital ratio 10.8%.

The Group s capital ratios are in compliance with APRA minimum capital adequacy requirements.

Current market conditions and the uncertainty around responses to the global financial crisis see us operating above our target range.

Basel capital accord

The regulatory limits applied to our capital ratios are consistent with the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, also known as Basel II, issued by the Bank of International Settlements. This framework reflects the advanced risk management practices that underpin the calculation of regulatory capital through a broad array of risk classes and advanced measurement processes.

In Australia, APRA has completed the release of Australian Prudential Standards based on Basel II. As provided for in the Basel II accord, APRA has exercised a number of discretions to make the framework more relevant in the Australian market, and in particular have required that Australian banks using the most sophisticated models for credit and operational risk will also be required to hold regulatory capital for the interest rate risk taken in the banking book. The models used to quantify this risk are similar to the models used for traded market risk. In addition APRA has applied discretion in the calculation of the components of regulatory capital.

Westpac is accredited by APRA to use the AIRB approach for credit risk, the AMA for operational risk and the internal model approach for Interest Rate Risk in the Banking Book (IRRBB). Accreditation to use AIRB and AMA was effective from 1 January 2008, and IRRBB from 1 July 2008. We believe that using the advanced approaches for risk monitoring and measurement is in the interests of all our stakeholders. Effective risk management is regarded as a key activity performed at all levels of the Group. Achieving advanced accreditation from APRA has resulted in a broad array of changes to risk management practices that have been implemented across all risk classes. We recognise that embedding these principles and practices into day-to-day activities of the divisions to achieve the full benefits of these changes is an ongoing facet of risk management.

St.George has been accredited by APRA to apply the Standardised approach(1) to the measurement of its regulatory capital requirements for credit and operational risk. St.George s market risk and equity risk regulatory capital are measured on the same basis as the rest of the Group and there is no requirement to hold regulatory capital for St.George s Interest Rate Risk in the Banking Book.

APRA have applied transitional floors in the calculation of regulatory capital minimums, limiting initial regulatory capital relief to a maximum of 10% of the capital requirements under the Basel I approach. It is unclear how long these transitional arrangements will be maintained by APRA.

(1) The Standardised approach applies regulator-determined risk-weights to asset classes credit risks (and business income (operational risk).

Purchases of equity securities

	Total Number of Ordinary Shares Purchased	Average Price Paid per Ordinary Share $	Total Number of Ordinary Shares Purchased as Part of a Publicly Announced Program	Maximum Number (or Approximate $ Value) of Ordinary Shares that may yet be Purchased Under the Plans or Programs
Month				
October (2008)	193,053	20.86		n/a
November (2008)	1,018,871	16.51		n/a
December (2008)	1,353,720	16.78		n/a
January (2009)	7,964	16.92		n/a
February (2009)	14,827	16.65		n/a
March (2009)	146,594	15.84		n/a
April (2009)	8,158	19.56		n/a
May (2009)	3,224	18.84		n/a
June (2009)	84,062	20.01		n/a
July (2009)	146,768	18.46		n/a
August (2009)				n/a
September (2009)	8,862	24.42		n/a
Total	2,986,103	17.11		

Purchases of ordinary shares during the year were made on market and relate to the following:

- to deliver to employees upon the exercise of options and performance share rights: 379,224 ordinary shares;

- under our Deferral Share Plan (DSP), which enables employees to elect to receive part of their annual bonus in ordinary shares and Non-executive Directors to elect to receive a percentage of their fees in ordinary shares: 20,266 ordinary shares;

- treasury shares held by statutory life funds and managed investment schemes and ordinary shares held by Westpac in respect of equity derivatives sold to customers: 2,091,544 ordinary shares; and

- to allocate to eligible employees under the Restricted Share Plan: 495,069 ordinary shares.

Refer to the description of the DSP in Note 26 and the discussion regarding share purchases and treasury shares in Note 24 to the financial statements.

Commitments

Contractual obligations and commitments

In connection with our operating activities we enter into certain contractual obligations and commitments. The following table shows our significant contractual cash obligations as at 30 September 2009:

	Less Than 1 Year $m	Between 1 and 3 Years $m	Between 3 and 5 Years $m	Over 5 Years $m	Total $m
On balance sheet long term debt					