WESTPAC BANKING CORP
Form 20-F
November 08, 2007

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, 2007	
Or	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Or	
o	**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: 1-10167

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

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

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

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

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

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **4.625% Subordinated Notes Due 2018**

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

Ordinary shares	**1,865,087,604 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 financial statement item the registrant has elected to follow.

Item 17 o   Item 18 x

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

Yes o No x

Contents

In this Annual Report references to Westpac , we , us and our are to Westpac Banking Corporation ABN 33 007 457 141. References to Westp Group , we , us and our under all sections of this report include Westpac Banking Corporation and its subsidiaries unless they clearly mean just Westpac Banking Corporation.

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

Form 20-F cross-reference index

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

Guide 3 cross-reference index

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Section 1

Information on Westpac

Corporate governance

Directors report

Directors and Group Executives

Disclosure regarding forward-looking statements

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

Forward-looking statements 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 may , expect , intend , plan , estimate , anticipate , believe , probability , risk , or other similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the plans, objectives, expectations, estimates and intentions described in this Annual Report as anticipated, believed, estimated, expected or intended.

The factors that may impact on forward-looking statements made by us include:

- inflation, interest rate, exchange rate, market and monetary fluctuations;
- market liquidity and investor confidence;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which we conduct our operations;
- the effects of competition in the geographic and business areas in which we conduct operations;
- the ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which we operate; and
- various other factors beyond our control.

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

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

Financial information

We adopted the requirements of the Australian Equivalents to International Reporting Standards (A-IFRS) for the first time in preparing financial statements for the year ended 30 September 2006. Westpac applied the transition rules upon first time adoption of A-IFRS. Although the 2005 financial information was restated under A-IFRS, exemptions were available from restating financial instruments and insurance related assets and liabilities. Financial instruments and insurance related assets and liabilities were accounted for under A-IFRS from 2006. The financial statements and other financial information for the years ended 30 September 2007, 2006 and 2005 included elsewhere in this Annual Report, unless otherwise indicated, have been prepared and presented on this basis.

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

Under applicable United States (US) disclosure requirements, we are required to include in this Annual Report certain financial and operating data covering a period of five years. Due to the transition to A-IFRS, such information prepared in accordance with A-IFRS is only available for the financial years ended 30 September 2007, 2006 and 2005. Accordingly, we have included in a separate section of this Annual Report under the caption Additional financial information required data as of and for the financial years ended 30 September 2005, 2004 and 2003 derived from our previously published financial statements prepared in accordance with AGAAP. Because this information was prepared in accordance with AGAAP, it is not comparable to such information derived from our financial statements prepared in accordance with A-IFRS. For a more complete understanding of the financial and operating data prepared in accordance with AGAAP, see our Annual Report for the financial year ended 30 September 2005, a copy of which is available on our web site at www.westpac.com.au or on the web site maintained by the US Securities and Exchange Commission (SEC) at www.sec.gov .

Currency of presentation, exchange rates and certain definitions

Financial statements means our audited consolidated balance sheet as at 30 September 2007 and 30 September 2006 and consolidated income statement, cash flows and recognised income and expense for each of the three years ended 30 September 2007, 2006 and 2005 together with accompanying notes which are included in this Annual Report.

We publish our consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to dollar amounts , $, AUD or A$ are to Australian dollars, references to US$, USD or US dollars are to United Sta and references to NZ$, NZD or NZ dollars are to New Zealand dollars. Solely for the convenience of the reader, certain Australian dollar amounts have been translated into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of A$1.00 = US$0.8855, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) as of 28 September 2007. Unless otherwise stated, the translation of Australian dollars into NZ dollars has been made at the rate of A$1.00 = NZ$1.1672 (2006 NZ$1.1446), being the closing spot exchange rate on 28 September 2007 used in the financial statements. Refer to Exchange rates for information regarding the rates of exchange between the Australian dollar and the US dollar for the financial years ended 30 September 2003 to 30 September 2007 and for the period to 23 October 2007.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 2007 is referred to as 2007 and other financial years are referred to in a corresponding manner.

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

Exchange rates

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

Year ended 30 September	**2008(1)**	**2007**	**2006**	**2005**	**2004**	**2003**
			(US$per A$1.00)			
High	0.9043	0.8855	0.7781	0.7974	0.7979	0.6823
Low	0.8785	0.7434	0.7056	0.7207	0.6395	0.5422
Average(2)	n/a	0.8163	0.7473	0.7685	0.7287	0.6167
Close (on 28 September)(3)	n/a	0.8855	0.7461	0.7643	0.7244	0.6797

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

Month	**October 2007(1)**	**September 2007**	**August 2007**	**July 2007**	**June 2007**	**May 2007**

High	0.9043	0.8855	0.8618	0.8841	0.8491	0.8348
Low	0.8785	0.8157	0.7860	0.8509	0.8313	0.8190

(1) Through to 23 October 2007. On 23 October 2007, the Noon Buying Rate was A$1.00 = US$0.8943.

(2) The average is calculated by using the average of the exchange rates on the last day of each month during the period.

(3) The Noon Buying Rate at such date may differ from the rate used in the preparation of our consolidated financial statements at such date. Refer to Note 1(a)(v) to the financial statements.

Information on Westpac

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

We were founded in 1817 and were the first bank to be established in Australia. In 1850 we were incorporated as the Bank of New South Wales by an Act of the New South Wales Parliament. In 1982 we changed our name to Westpac Banking Corporation. On 23 August 2002, we were registered as a public company limited by shares under the Australian Corporations Act 2001 (Corporations Act). Our principal office is located at 275 Kent Street, Sydney, New South Wales, 2000, Australia. Our telephone number for calls within Australia is 132 032 and our international telephone number is (+61) 2 9293 9270.

We have branches, affiliates and controlled entities(1) throughout Australia, New Zealand and the Pacific region and maintain offices in some of the key financial centres around the world. As at 30 September 2007, our market capitalisation was $53.2 billion(2) and we had total assets of $374.8 billion. Our operations comprise five key areas of business, through which we serve approximately 7.1 million customers(3). These five areas of business are:

Business Financial Services: responsible for sales, service and product development for small and medium sized business customers in Australia. It also has responsibility for group-wide working capital and specialised trade solutions operations and the management of our third party business product relationships;

Consumer Financial Services: responsible for sales, services and product development for our consumer customers across Australia and manages third party consumer product relationships and the retail branch operations in Hong Kong and Singapore;

BT Financial Group Australia: comprises our asset accumulation, investment management and life insurance operations in Australia. Wealth Management designs, manufactures and services financial products to enable customers to build, manage and protect their wealth. These products include managed investments (mutual funds), superannuation (pensions), life insurance, income protection, discount securities broking, margin lending, client portfolio administration (Wrap) platforms and portfolio management and administration of corporate superannuation. We also provide custody and settlement services to institutional customers and fund managers;

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

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

Business strategy

Our ambition is to support our customers in achieving their financial aspirations and see each generation of Australians and New Zealanders live better than the last. Our vision is to be a great Australasian company.

We intend to deliver on our vision by fulfilling our service promise to customers. We are focusing on customers in our core markets of Australia, New Zealand, and the near Pacific region.

Our customer centric strategy is focused on:

- developing a deep understanding of our customers needs;
- providing value-added solutions that meet these needs; and
- building long-term, multi-product relationships with our customers.

Overall, we invest in sectors where:

- there is strong growth;
- we can, or do, hold strongly competitive positions;
- there are good opportunities for differentiation; and
- we have, or can attract, the talent required to succeed.

We believe that superior execution of our strategy at all points in the service-value chain can differentiate us from our competitors. To achieve this we are a company that:

- values teamwork, integrity and achievement;
- prides itself on superior execution of our customers business;
- is committed to its people; and
- is committed to creating a sustainable future.

In realising our strategy, we are therefore seeking to continuously improve or maintain a leading position in:

- employee commitment(4);
- customer satisfaction and advocacy;
- shareholder returns(5); and
- corporate responsibility ratings(6).

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(1) Refer to Note 42 to the financial statements for a list of our controlled entities as at 30 September 2007.
(2) Our market capitalisation is based on the closing share price of our Ordinary Shares on the Australian Securities Exchange as at 30 September 2007.
(3) All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships).
(4) As measured in the Staff Perspectives Survey by International Survey Research.
(5) Total shareholder returns (TSR) measured by Link Market Services Limited.
(6) As measured by the Dow Jones Sustainability Index, Australian Corporate Responsibility Index and Governance Metrics International.

There are four main areas of focus in our overall strategic plan:

(i) Investing in major growth sectors:

Superannuation: where BT Financial Group and the new Westpac Institutional Bank businesses (those focused on investment product opportunities) and the integration of wealth and banking in our branch network and business centres are creating a broadly based capability to capture long run growth in this sector; and

Business Banking: where we believe we have the opportunity to build the Number 2 business bank in Australia, winning back a traditionally strong position for Westpac.

(ii) Progressively crafting a more growth focused portfolio:

over time identifying businesses in our portfolio with strong growth prospects moving them to a higher growth trajectory and translating that into higher earnings.

(iii) Transforming our branch and online network for success in an increasingly crowded market:

building a much stronger customer relationship focus;

properly integrating wealth and business banking;

providing more opportunity for our people;

providing much greater coverage of Australian markets; and

considerably reducing our product manufacturing and servicing costs.

(iv) Backing these strategies with a strong focus on:

culture and leadership, especially front line leadership;

improving our people and performance management process;

building employee commitment; and

improving our process management and execution skills.

We have confidence that our track record of executing strategies, our direct approach to addressing challenges, and our pursuit of significant growth opportunities will allow us to continue to succeed and grow in the dynamic, competitive Australasian financial services industry.

The following tables present, for each of our five key areas of business, the net profit attributable to equity holders for, and total assets at the end of the financial years ended 30 September 2007, 2006 and 2005. Refer to Note 36 to the financial statements for detailed financial disclosure of our geographic and business segments.

Net profit attributable to our equity holders(1)

Years ended 30 September	**2007 $m**	**2006 $m**	**2005 $m**
Business Financial Services	975	880	822
Consumer Financial Services	951	787	615
BT Financial Group Australia	417	339	309
Westpac Institutional Bank	610	525	505
New Zealand Banking	411	417	399
Other(2)	87	123	48
Net profit attributable to equity holders of Westpac Banking Corporation	3,451	3,071	2,698

Assets

As at 30 September	**2007 $bn**	**2006 $bn**	**2005 $bn**
Business Financial Services	55	47	41
Consumer Financial Services	136	121	109
BT Financial Group Australia	22	19	17
Westpac Institutional Bank	76	57	47
New Zealand Banking	38	34	31
Other(2)	49	22	21
Total assets	376	300	266

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

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

Business Financial Services

Business Financial Services (BFS) is responsible for sales, servicing and product development for our Small to Medium Enterprise customers within Australia. Sales and servicing activities are conducted by specialised relationship managers with the support of Cash Flow, Financial Markets and Wealth specialists via the branch network, commercial banking centres, internet and telephone channels. BFS also develops and manages business lending and deposit products and working capital and trade solutions for all Westpac customers.

We are a major lender in the business finance market in Australia. In the year ended 30 September 2007, our total lending portfolio increased by 16% to $53.3 billion (2006 $45.7 billion) with term lending increasing 18%; bill acceptances increasing 18%; and equipment finance increasing 10%. The balance of the portfolio comprises revolving cash management facilities and trade finance.

We have a significant presence in the retail deposits and working capital market in Australia. In the year ended 30 September 2007 our total deposits increased by 15% to $51.5 billion (2006 $44.8 billion). Retail deposit products increased by 15% to $33.2 billion (2006 $28.7 billion) and working capital products increased 14% to $18.3 billion (2006 $16.1 billion).

Consumer Financial Services

Consumer Financial Services (CFS) is responsible for retail bank operations branded Westpac across Australia. CFS is responsible for servicing and product development for our consumer customers within Australia. Activities are conducted via our nationwide network of branches (825 including in-store branches as at 30 September 2007), Home Finance Managers (HFMs), specialised consumer relationship managers, call centres, automatic teller machines (ATMs) and internet banking services. CFS includes the management of our third party consumer product relationships and also includes our retail branch operations in Hong Kong and Singapore. Our front line staff provide sales and service-related functions to customers for a broad range of financial products, including savings and cheque accounts, demand and term deposits, credit cards, and personal and housing loans. A significant portion of our housing finance sales are through independent mortgage brokers. In the year ended 30 September 2007, approximately 38% (2006 38%) of mortgage loan drawdowns were arranged via this channel.

We are a significant lender in the housing finance market in Australia. In the year ended 30 September 2007, our residential mortgage loan portfolio increased 12% to $125.6 billion (2006 $111.9 billion) (inclusive of securitised loans) from 30 September 2006, with variable interest rate loans comprising 80% of the portfolio. In addition, we are a major provider of credit card finance in Australia. Our total credit card outstandings as at 30 September 2007 increased by 9% to $7.3 billion (2006 $6.7 billion).

BT Financial Group Australia

BT Financial Group Australia (BTFG) is Westpac s wealth management business. BTFG designs, manufactures and distributes financial products that enable our customers to achieve their financial goals by accumulating, managing and protecting their wealth. These products include retail investments, personal and business superannuation (pensions), life and general insurance, discount securities broking, margin lending, client portfolio administration (Wrap platforms) and portfolio management. BTFG also provides financial planning advice.

Our retail, institutional and wholesale Funds Under Management (FUM) totalled $41.3 billion (2006 $39.0 billion) and Funds Under Administration (FUA) totalled $46.2 billion (2006 $40.4 billion) as at 30 September 2007.

Our Wrap product reached $38.3 billion in FUA as at 30 September 2007, and with an increase of 44% on 2006, continues to be one of our fastest growing products. According to the latest Morningstar data as of 30 June 2007, we were second in market share with 13% of the platforms (including wrap) market in Australia over the June 2007 quarter.

Corporate Superannuation FUA increased by 17% during the financial year ended 30 September 2007 to $6.1 billion.

Margin Lending loan balances were $5.0 billion (2006 $3.7 billion) as at 30 September 2007, and we were ranked third(1) for Margin Lending in Australia with an estimated market share of 14%(2).

Our Life Insurance business held $288 million of in-force premiums as at 30 September 2007, and, for the year ended June 2007 was ranked seventh for new business in Australia with an estimated market share of 6% according to information published by Plan for Life.

In August 2007, Westpac announced that it intended to transfer its investment management business to a separate legal entity and to sell a portion in an initial public offering (refer to Significant developments - BT Investment Management Business).

Westpac Institutional Bank

Westpac Institutional Bank (WIB) services the financial needs of corporate, institutional and government customers either based in, or with interests in, Australia and New Zealand. This is achieved through dedicated industry teams supported by specialists with expertise in financial, capital and debt markets, transactional banking, specialised capital and alternative investment solutions. The products and services we offer include:

Financial Markets

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

Capital Markets

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

Specialised Capital

- alternative assets
- structured products
- institutional funds management

Transactional Services

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

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(1) Ranking data for margin lending is based on an internally generated estimate.

(2) Excluding protected equity loans. Source Reserve Bank of Australia Market Share Report as at 30 June 2007.

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

Our Institutional Bank supports our customers through branches and subsidiaries located in Australia, New Zealand, New York, London and Asia.

New Zealand Banking

We have a long commitment to New Zealand, dating from 1861 when we commenced operating in New Zealand as the Bank of New South Wales. Since 1 November 2006, our New Zealand banking business is conducted through both a branch and a separate New Zealand banking subsidiary, Westpac New Zealand Limited (WNZL) (4). WNZL was incorporated as a company under the NZ Companies Act 1993. It became a registered bank on 1 November 2006. WNZL provides financial services to consumers and to small, medium and corporate business customers, agricultural businesses, and property investment and development customers and consumer banking, while Westpac s New Zealand branch operates our wholesale banking and financial markets businesses in New Zealand.

We are one of New Zealand s largest banking organisations and provide a full range of retail banking, wealth management and business banking products and services to our 1.4 million New Zealand based customers. As at 30 September 2007, we had approximately: 5000 staff; 197 branches (including agency sites), 45 of the 197 branches are based in Auckland, the largest market in New Zealand; and 476 Westpac branded ATMs operating throughout the country.

We are the third(5) largest lender of housing finance in New Zealand. As at 30 September 2007, our mortgage loan portfolio was NZ$29.7 billion (A$25.4 billion) (2006 NZ$25.1 billion (A$21.9 billion)) including securitised loans of NZ$0.6 billion (A$0.5 billion) (2006 NZ$0.6 billion (A$0.5 billion)). In addition, we are a major provider of wealth management services, with NZ$1.9 billion (A$1.6 billion) (2006 NZ$1.9 billion (A$1.7 billion)) in FUM as at 30 September 2007.

We continue to implement a customer growth strategy based on product offerings that seek to meet our customers needs, more customer-facing staff in consumer and business banking, increasing our branch and ATM footprint in key strategic locations, and the implementation of new technology to assist our front line in providing high quality customer service.

Other

Business and Technology Solutions and Services

Business and Technology Solutions and Services (BTSS) provides functional infrastructure support to front line businesses and comprises the following areas: Operations, Information Technology, Sourcing, Group Property, Product and Channel Transformation (PCT), Risk, and Strategy.

Operations perform back office processing and settlement services for retail, corporate and institutional banking products.

Our technology group defines our overall information technology architecture, supports and enhances software systems, and manages and implements major projects across our organisation.

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

Risk provides infrastructure support for fraud, physical security and records management.

Group Property manages the existing property portfolio.

PCT manages online banking facilities for our business, personal and private label customers.

Group Treasury, Pacific Banking and Head Office

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

Property

We occupy premises primarily in Australia, New Zealand and the Pacific Islands including 1,073 branches (2006 1,063) as at 30 September 2007. As at 30 September 2007, we owned approximately 4% of the premises we occupied in Australia and none in New Zealand. The remainder of premises are held under commercial lease with terms generally averaging five years. As at 30 September 2007, the carrying value of our directly owned premises and sites was approximately $81 million.

Westpac Place

On 7 March 2003, we executed an agreement to lease 74,000 m^2 of office space with Leighton Properties Pty Limited in relation to new premises then being developed at the northern end of Darling Harbour near King Street in Sydney, Australia. Construction of the new premises was completed in 2006. The project resulted in the consolidation of our existing ten Sydney Central Business District offices into just two primary locations, being Westpac Place and our existing office at that time at 60 Martin Place.

The building at Westpac Place consists of two office towers of 21 and 32 levels linked by a common foyer and includes two levels of retail space, a retail branch, childcare facilities, an urban park, and both tenant and public parking. We have signed a 12 year lease on the building with three six year options to extend. The initial 12 year lease commitment commenced on completion of the licence period in November 2006 and is included in the lease commitment table in Note 38 to the financial statements.

Westpac Place is one of a portfolio of properties owned by the Westpac Office Trust (Trust). The Trust has assets under management totalling $1.2bn and its securities are listed on the Australian Securities Exchange.

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

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(1) No. 1 All Australian Debt (excl. self-funded transactions) (Thomson Financial, Jan-Sept 2007).

(2) No. 1 Australian syndicated loans (Thomson Financial 2006, Jan-Sept 2007).

(3) No. 1 lead domestic transactional bank (Peter Lee Associates Transactional Banking survey, Australia 2004-07).

(4) Refer to discussion of the reorganisation of New Zealand operations under Supervision and regulation - New Zealand .

(5) Based on Residential Mortgage holdings information in June 2007 General Disclosure Statements of major New Zealand banks.

Britomart

On 4 October 2006, we executed agreements to build and lease with members of the Britomart Group of companies in respect of approximately 16,000 m(2) of office space across two buildings to be developed at the eastern end of Britomart Precinct near Customs Street in Auckland, New Zealand. The project involves the fit out of the building and relocation of approximately 1,200 staff to the new site. This project will result in the consolidation of most of our existing Auckland and Wellington support and operations centres into just one location at Britomart (Charter House) in 2009. In addition, the New Zealand head office functions will move to an adjacent site (East 1Building) in 2011.

The new buildings consist of two retail/office buildings linked by a common foyer and include one level of retail space in each building and some tenant parking in the Charter House. We will sign a 12 year lease on Charter House and a ten year lease on the East 1 Building with two six year options to extend each lease. Options also exist to take additional space in the East 1 Building and in the adjacent East 2 Building. The Charter House is due to be delivered to Westpac in November 2008 and the East Building in October 2010 with Westpac to undertake its fitout. It is anticipated that Westpac will take a lease of the relevant buildings 150 days later.

Significant developments

BT Investment Management Business

Westpac announced to the market on 9 August 2007 that the BT investment management business would be amalgamated into one separate legal entity, BT Investment Management Limited (BTIM), and a portion would be sold off as part of an initial public offering. Westpac will retain 60% of the equity in BTIM, with the balance to be held by investment professionals employed by BTIM and other investors. Westpac is not transferring to BTIM BTFG s other wealth management businesses, including financial advice, insurance, private banking and customer solutions (which is responsible for wrap platforms) and BTFG s suite of retail investment, superannuation and retirement products.

Appointment of new CEO

On 17 August 2007, we announced that Gail Kelly has been appointed to be Westpac s new Chief Executive Officer. Gail Kelly will join Westpac on 1 February 2008, succeeding David Morgan who has been Westpac s CEO since March 1999. David has agreed to remain as CEO until Gail commences.

Proposed acquisition of RAMS franchise distribution business

On 2 October 2007, we announced that we had reached agreement to acquire the RAMS franchise distribution business for $140 million payable in cash. The business to be acquired includes the RAMS brand, franchise network and associated mortgage origination and servicing systems and contracts needed to run the distribution business. Acquiring the RAMS franchise network will provide a new growth option for Westpac. It will add an additional retail channel and extend Westpac s retail footprint by more than 10% via an additional 92 stores operated by 53 franchisees. Westpac is not acquiring the ASX listed RAMS Home Loans Group Ltd or its existing mortgage book. Westpac, if various conditions are met, will fund up to $500 million of mortgages settled from 15 November 2007 until the formal completion of the acquisition. The acquisition requires the approval of RAMS shareholders. Subject to this, the proposed transaction is expected to be completed in early January 2008.

Delisting from Tokyo Stock Exchange

Westpac shares were de-listed from the Tokyo Stock Exchange in July 2007. The decision to de-list was taken due to the decline in shareholder numbers trading on the Tokyo Stock Exchange and the ease with which these shareholders can trade on either the Australian or New Zealand stock exchanges.

Outsourcing contracts

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

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

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

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

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

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

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

Legal proceedings

We have contingent liabilities in respect of actual and potential claims and proceedings that have not been determined. An assessment of likely losses is made on a case-by-case basis for the purposes of the financial statements and specific provisions have been made where appropriate, as described in Note 40 to the financial statements.

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

We are one of 20 defendant banks named in proceedings concerning the Bell Group of companies. The proceedings have been brought by the liquidators of several Bell Group companies and seek to challenge the defendant banks entitlement to receive the proceeds of realisation of Bell Group assets in the early 1990s. The proceedings concluded recently and we are awaiting judgment. It is not possible to estimate the potential impact, however, we believe that we have good prospects of success.

The New Zealand Commerce Commission issued proceedings on 9 November 2006 against Westpac s New Zealand Branch (NZ Branch), Westpac New Zealand Limited and The Warehouse Financial Services Limited (members of the Westpac Group), Visa International, Cards NZ Limited, MasterCard International and all New Zealand issuers of Visa and MasterCard credit cards alleging that the setting of interchange rates and rules (relating to honour all cards, no surcharge, access and no discrimination) amount to price fixing or alternatively have the effect of substantially lessening competition in the New Zealand market in breach of the Commerce Act 1986. The proceedings seek to declare the conduct illegal and impose unspecified monetary penalties.

In addition, on 29 November 2006, a number of New Zealand retailers issued similar proceedings to the Commerce Commission (as described above) against the NZ Branch, Westpac New Zealand Limited, The Warehouse Financial Services Limited, Visa International, Cards NZ Limited, MasterCard International and New Zealand issuers of Visa and MasterCard credit cards. These proceedings also seek to declare the conduct illegal and an enquiry into damages. Any damages awarded, if any, would be in addition to any penalties imposed under the Commerce Act 1986 in the event the Commerce Commission is successful in the proceedings described above. On 16 October 2007, both proceedings (as described above) were discontinued against NZ Branch on the basis that the issues in the proceedings relate to assets and liabilities which vested in Westpac New Zealand Limited (also a defendant) on 1 November 2006. We are considering our position in relation to both proceedings and at this stage do not consider it necessary to raise a provision in relation to this matter.

New Zealand Inland Revenue Department Investigation

The New Zealand Inland Revenue Department (NZIRD) is reviewing a number of structured finance transactions undertaken in New Zealand and has issued amended reassessments in respect of nine transactions, three undertaken in the 1999 tax year, two undertaken in the 2000 tax year, two undertaken in the 2001 tax year and two undertaken in the 2002 tax year. The maximum potential tax liability reassessed for the 1999 year is NZ$18 million (A$15 million) (NZ$25 million (A$21 million) with interest), for the 2000 year is NZ$61 million (A$52 million) (NZ$85 million (A$73 million) with interest), for the 2001 year is NZ$90 million (A$77 million) (NZ$127 million (A$109 million) with interest) and for the 2002 year is NZ$108 million (A$93 million) (NZ$158 million (A$135 million) with interest. Interest for each year has been calculated to 30 September 2007.

The NZIRD is also investigating other transactions undertaken by the NZ Branch, which have materially similar features to those for which reassessments have been received. Should the NZIRD take the same position across all of these transactions, for the periods up to and including 30 September 2007, the overall primary tax in dispute will be approximately NZ$595 million (A$510 million) (this includes the amounts noted above). With interest this increases to approximately NZ$815 million (A$698 million) (calculated to 30 September 2007).

Proceedings disputing the reassessments with respect to the 1999, 2000, 2001 and 2002 tax years have been commenced. We are confident that the tax treatment applied in all cases is correct. A ruling was sought from the NZIRD on an initial transaction in 1999 which, following extensive review by the NZIRD, was confirmed in early 2001. The principles underlying that ruling are applicable to, and have been followed in, all subsequent transactions.

Competition

The Australian financial services market continues to change in response to evolving customer needs and competitive dynamics.

Customers are increasingly knowledgeable and active in managing their own financial affairs and are driving the demand for tailored and innovative solutions, as well as increasing expectations in regards to pricing and service. Specifically:

- superannuation, a government-regulated mandatory retirement savings program for working Australians, with its multiple rule changes, is becoming increasingly important to customers, spurring the demand for quality financial advice and solutions; and
- corporate and institutional customers continue to expand globally and, as a result, are increasing the complexity of their financial needs.

In a broadly supportive economic environment, the Australian financial services market continues to experience competitive pressures across all business segments:

- newer entrants and regional banks are aggressively pursuing growth by initially targeting profitable niche segments and then broadening their offerings and geographic presence;
- competitors are pricing aggressively to achieve growth, making margin decline across the sector likely to continue;
- third party distributors, like mortgage and business lending brokers, have consolidated their position in the market;
- corporate and institutional customers have access to finance from a range of sources, including global investment banks, which places pressure on pricing;
- strong growth of Australia s wealth industry is attracting a large variety of new players; and
- advances in technology are reducing service delivery costs and improving customer convenience, thus reducing the need for ownership and control of all of the activities required to provide a financial service or product.

In New Zealand, we face competition principally from the locally incorporated subsidiaries of the other three major Australian banks. All the majors offer comprehensive financial services products to consumer, business and corporate customers throughout the country. In addition, there is competition from a number of smaller market participants that are focusing on niche opportunities within the retail and business sectors.

Economic outlook(1)

2007 was a strong year for Westpac. The Group has materially lifted revenue growth and all businesses are exhibiting good operational momentum going into 2008.

We have also continued to invest for growth, adding a further 800 employees, principally in the front-line, and boosting platform and product capabilities, including reshaping Australian superannuation through our innovative Super for Life product.

Looking ahead, the economic environment remains broadly supportive. We expect that the Australian economy will remain robust, underpinned by continuing strong demand, both domestically and internationally, and historically low unemployment. As a result, we expect that demand for credit will remain high with solid housing growth and continuing robust business investment. At the same time, legislative changes to retirement savings in Australia have provided a further boost to the wealth industry.

A key variable in the year ahead is the current dislocation of global capital markets. While we anticipate an easing in the tight liquidity conditions through 2008, some changes brought on by the fall-out of the US sub-prime market are structural and we believe that they will become a more permanent feature of financial markets.

In particular, we expect more differentiated pricing for risk. It is also likely that the business models of some market participants will be challenged by the tighter liquidity and the realignment of asset prices.

Our leading position in institutional banking and our balance sheet strength has already created opportunities and we expect this trend to continue in the coming year.

Westpac s franchise health is also strong with record high employee commitment, improving customer satisfaction and our leadership in sustainability and governance.

Employees

The number of employees in each area of business as at 30 September(1):	**2007**	**2006**	**2005**
Business Financial Services	3,448	3,119	2,557
Consumer Financial Services	9,092	8,664	8,948
BT Financial Group Australia	3,005	2,895	2,696
Westpac Institutional Bank	1,683	1,558	1,528
New Zealand Banking	4,538	4,952	4,993
Business and Technology Solutions and Services	4,289	4,127	4,385
Pacific Banking	1,104	1,075	1,076
Head Office functions and other	859	834	955

Total employees	28,018	27,224	27,138

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

2007 v 2006

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

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

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

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

87 additional customer serving employees in Westpac Institutional Bank;

partially offset by:

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

2006 v 2005

FTE increased 86 compared to 2005 to 27,224. We continued to realign our workforce, with additional customer serving employees to strengthen our network across a number of businesses, including:

440 additional customer serving employees in BFS, with a primary focus in business banking as we sought to increase our footprint in the market;

119 new staff in BTFG, primarily in the Advice network. We steadily increased the level of financial planners to take advantage of this growing market segment; and

22 additional business banking employees in our New Zealand operations as we looked to improve customer satisfaction and profitability of our branch network.

Increases in customer serving employees were partially offset by decreases in non-customer serving employees via increased efficiencies in our core and support processes:

efficiency and productivity gains in support areas saw FTE fall by 247 in Australia; and

declines in project resources as key projects such as Reach and Pinnacle neared completion.

FTE was also reduced by 65 due to the sale of our sub-custody business to HSBC with the majority of these employees relocating to HSBC.

We operate under a number of enterprise agreements which were certified by the Australian Industrial Relations Commission (AIRC) in 2002. These agreements have passed their nominal term however they remain in force until they are replaced or terminated by the AIRC. In the past, fixed pay

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

increases were delivered to eligible employees through our enterprise agreements and despite not having a new agreement we paid a 4% increase to all eligible employees in October 2006. In March 2007, we introduced a new performance based approach to fixed pay for employees previously remunerated through our enterprise agreements. The first payment, which will be made in January 2008, will deliver an average performance based increase of 4% to eligible employees.

In New Zealand, we maintain both individual agreements with employees who are not union members and collective agreements with the Finance and Information Union (Finsec). The current collective agreement was ratified with a vote of more than 75% in favour, and came into effect on 1 May 2007; this agreement expires on 31 July 2008. Under the terms of settlement, a working party has been formed to enhance the pay and learning framework to provide more focus on competency in a given role as the means to progress through the pay scales. The new pay framework will be negotiated into the collective agreement during next year s bargaining round.

There has been no industrial action in Australia and New Zealand in the financial year ended 30 September 2007. We continue to have a businesslike and professional relationship with the Finance Sector Union in Australia and Finsec in New Zealand.

Remuneration policies

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

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

We offer employee share plans for permanent employees in Australia, which are designed to provide tangible recognition for improvements in our performance and gain greater staff commitment. For further details refer to Note 27 to the financial statements.

We also provide superannuation (pension) plans for our employees in Australia, New Zealand and certain other countries in which we operate. Plan members are entitled to benefits on retirement, resignation, permanent disability or death. Refer to Note 39 to the financial statements for further information.

During 2007 we introduced performance-based fixed pay increases for employees covered by our enterprise development agreement. Consistent with Westpac s achievement culture, this change aims in particular to reward our high achievers.

We also changed our long term incentive award structure. From 2007 select senior employees below General Manager level receive Westpac securities which vest after a service requirement.

Group Executives and General Managers continue to receive performance securities which vest after a set period of service and subject to performance hurdles being met. However, from 2007 Group Executives, General Managers and other select employees will also be required to defer a portion of their short term incentive, receiving it as Westpac securities which vest after a service requirement.

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

Supervision and regulation

Australia

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

APRA is responsible for the prudential supervision of Authorised Deposit-taking Institutions (ADIs), life and general insurance companies and superannuation (pension) funds. One of its roles is to protect the interests of depositors and insurance policyholders.

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

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

The RBA is responsible for monetary policy, maintaining financial system stability and payments system regulation. 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 Commonwealth Government. On 1 July 2002, the RBA transferred the responsibility for registration and categorisation of financial corporations to APRA.

ASIC is the sole national regulator of Australian companies. Its primary responsibility is for regulation and enforcement of company and financial services laws that protect consumers, investors and creditors. With respect to financial services, it promotes honesty and fairness through the provision of consumer protection, using as necessary its regulatory powers to enforce laws relating to deposit-taking activities, general insurance, life insurance, superannuation, retirement savings accounts, securities (such as shares, debentures and managed investments) and futures contracts.

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

The ACCC is an independent statutory authority responsible for the regulation and prohibition of anti-competitive and unfair market practices and mergers and acquisitions by Australian corporations. Its objectives are to ensure that corporations do not act in a way that may have the effect of eliminating or reducing competition, and to oversee product safety and liability issues, pricing practices and third party access to facilities of national significance. The ACCC s consumer protection work complements that of State and Territory consumer affairs agencies that administer the unfair trading legislation of their jurisdictions.

The Australian government s present policy is that mergers among the four major banks will not be permitted until the government is satisfied that competition from new and established participants in the financial industry, particularly in respect of small business lending, has increased sufficiently. Proposals for foreign acquisitions of Australian banks are subject to approval by the government under the Australian Foreign Acquisitions and Takeovers Act 1975.

New Zealand

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

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

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

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

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

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

Based on the statement of financial position as at 30 September 2007, the carrying value of the New Zealand assets of the NZ Branch of Westpac Banking Corporation was greater than its New Zealand deposit liabilities.

United States

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

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

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

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

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

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

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

USA PATRIOT Act

The USA PATRIOT Act requires US financial institutions, including the US branches of foreign banks, to take certain steps to prevent, detect and report individuals and entities involved in international money laundering and the financing of terrorism. The required actions include verifying the identity of financial institutions, terminating correspondent accounts for foreign shell banks and obtaining information about the owners of foreign bank clients and the identity of the foreign bank s agent for service of process in the US. Many of the new anti-money laundering compliance requirements of the USA PATRIOT Act are consistent with the anti-money laundering compliance obligations previously imposed on US financial institutions, including the US branches of foreign banks, under the Bank Secrecy Act and under regulations of the applicable US bank regulatory agency such as the US Comptroller of the Currency. These include requirements to adopt and implement an effective anti-money laundering program, report suspicious transactions or activities, and implement due diligence procedures for correspondent and other customer accounts. The USA PATRIOT Act and other recent events have resulted in heightened scrutiny of Bank Secrecy Act and anti-money laundering compliance programs by federal bank regulatory and law enforcement authorities.

Corporate governance

1. Introduction

a) Date of statement

This statement reflects our corporate governance framework, policies and procedures as at 1 November 2007.

b) Access to information on the website

This corporate governance statement, and the following documents referred to in the statement, are available for viewing on our website in the corporate governance section (unless otherwise stated) at www.westpac.com.au/corporateresponsibility .(1)

Constitution and the Board

constitution;

Board charter;

Committee charters - Audit, Remuneration, Risk Management, Nominations and Corporate Responsibility and Sustainability Committees;

Board tenure policy;

Non-executive Director s standard letter of appointment;

definition of independence;

current Committee membership;

principles for appointment of Directors to subsidiary companies;

Director appointment policy; and

checklist of compliance with ASX Limited Corporate Governance Council s Principles and Recommendations.

Our principles

- Principles for Doing Business;
- Code of Conduct;
- Conflicts of Interest policy; and
- New Issues policy.

Other core operating principles and policies

- summary of our Risk Management Framework and related policies
- Insider Trading policy
- Whistleblower Protection policy
- Code of Accounting Practice and Financial Reporting
- Market Disclosure policy
- guidelines for appointment of PricewaterhouseCoopers for non audit services

2. Our approach to corporate governance

a) Framework and approach to corporate governance

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

This approach includes a commitment to the highest standards of governance which our Board sees as fundamental to the sustainability of our business and performance.

In pursuing this commitment, the Board monitors local and global developments in corporate governance and their implications for us.

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

In the international arena, we have responded to a range of relevant corporate governance principles.

b) Compliance with the ASXCGC s Principles and Recommendations

The ASX Listing Rules require listed entities such as our company to include a statement in their Annual Report disclosing the extent to which they have followed the 27 ASXCGC Principles and Recommendations (ASXCGC s Recommendations) during the reporting period, identifying any recommendations that have not been followed and providing reasons for that variance.

We believe that our governance practices comply with the ASXCGC s Recommendations. A checklist summarising our compliance is on our website.

The revised ASXCGC s Recommendations no longer require proposed equity-based incentive plans to be submitted to Shareholders, however, our 2002 equity-based reward plans were extensively disclosed to shareholders in the 2002 and subsequent years annual reports and are set out in detail in the Remuneration report and in the Financial statements.

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

3. The Board of Directors

a) Membership and expertise of the Board

Our Board has a broad range of relevant financial and other skills, experience and expertise. The current Board composition, with details of each Director s background, is set out in the Directors report. The Board considers that collectively, Directors have the range of skills, experience and expertise necessary to govern Westpac. All Non-executive Directors have extensive experience of the social and environmental context in which the business operates which complements the extensive business experience of the Managing Director.

The Board s approach to selection, performance evaluation and tenure of Directors is described in this statement.

ASXCGC s Recommendations 2.6

b) Board role and responsibility

The roles and responsibilities of the Board are formalised in the Board Charter. The Charter also defines the matters that are reserved for the Board and its Committees, and those that the Board has delegated to management.

In summary, the Board is accountable to shareholders for our performance, and the Board s responsibilities include:

strategy - providing strategic direction and approving significant corporate strategic initiatives;

board performance and composition - evaluating the performance of Non-executive Directors, and determining the number and composition of our Board as well as making recommendations to shareholders for the appointment and removal of Directors;

leadership selection - selecting and evaluating the performance of the Chief Executive Officer (CEO), approving the appointments of Group Executives, the Chief Financial Officer (CFO), the General Manager Group Assurance and the Group Secretary;

succession planning - planning for Board and Executive succession;

remuneration - setting CEO and CFO remuneration and setting Non-executive Director remuneration within shareholder approved limits;

financial performance - approving our budget, monitoring management and financial performance and approving the dividend policy, amounts and timing of payments;

financial reporting - considering and approving our half-yearly and annual financial statements;

audit - selecting and recommending to shareholders the appointment of the external auditor. Determining the duration, remuneration and terms of appointment of the external auditor and evaluating its performance and ongoing independence. Maintaining a direct and ongoing dialogue with the external auditor;

risk management - approving our risk management strategy and various risk management frameworks and monitoring their effectiveness;

corporate responsibility - considering the social, ethical and environmental impact of our activities, setting standards and monitoring compliance with our responsibility policies and practices;

relationship with the exchanges and regulators, and continuous disclosure - maintaining a direct and ongoing dialogue with relevant regulators in Australia and offshore and ensuring that the market and our shareholders and other investors are continuously informed of material developments; and

internal governance - determining the scope of delegated authorities and approving policies for Non-executive director appointments to our controlled entities.

The Board has delegated a number of these responsibilities to its Committees. The responsibilities of these Committees are detailed in section 4 of this statement.

The Board has delegated to management, responsibility for:

strategy - developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;

senior management selection - making recommendations for the appointment of senior management, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for senior management roles;

financial performance - developing our annual budget and managing day-to-day operations within the budget;

risk management - maintaining effective risk management frameworks;

continuous disclosure - keeping the Board and market fully informed about material developments; and

corporate responsibility - managing day-to-day operations in accordance with standards for social, ethical and environmental practices, which have been set by the Board.

Highlights in 2007

the Board approved a Governance framework for Westpac and its subsidiaries within which Westpac s existing governance policies operate, new policies can be created and implemented. The Governance framework also provides a basis on which subsidiary entities will operate and report to the Board.

ASXCGC s Recommendation 1.1

c) Board size and composition

The Board considers that the optimum number of Directors is between seven and nine, with Non-executive Directors comprising the majority of the Board.

There are currently six independent Non-executive Directors and one Executive Director on our Board. A further independent, Non-executive Director has been appointed and will join the Board in March, 2008. Our constitution sets a maximum of fifteen Non-executive Directors. In addition, up to three members of the Board may be Executive Directors. The Chairman of the Board is non-executive and independent of the role of the CEO.

The Nominations Committee assesses the Board composition and size and recommends to the Board changes to the Board composition and size. The Nominations Committee also assesses the skills required to discharge the Board s duties, having regard to our business mix, financial position and strategic direction, including specific qualities or skills that the Nominations Committee believes are necessary for one or more of the Directors to possess.

ASXCGC s Recommendations 2.1, 2.3 and 2.4

d) The selection and role of the Chairman

The Board elects one of the independent Non-executive Directors to be Chairman. The Chairman s role includes:

- ensuring that Board members undertake appropriate induction covering the terms of their appointment, their duties and responsibilities;
- providing effective leadership to the Board in relation to all Board matters;
- representing the views of the Board to the public;
- ensuring the Board meets at regular intervals throughout the year and 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 Chief Executive Officer succession; and

promoting constructive and respectful relations between Board and management.

The current Chairman, Edward (Ted) Alfred Evans, is an independent Non-executive Director. He has been a Director of the company since 5 November 2001 and Chairman since 1 April 2007. The Chairman is a member of each of the Audit and Risk Management Committees and is Chairman of the Nominations Committee.

ASXCGC s Recommendation 2.2

e) Director independence

The Board assesses each Director against a range of criteria to decide whether they are in a position to exercise independent judgement.

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

In assessing independence, the Board considers whether the Director has a business or other relationship with the company, 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 the company or another Group member.

Information about any such interests or relationships, including any related financial or other details, is assessed by the Board to determine whether the relationship could, or could reasonably be perceived to, materially interfere with the exercise of a director s unfettered and independent judgement.

On appointment, each Director is required to provide information for the Board to assess and confirm their independence as part of their consent to act as a Director. Directors re-affirm their independence annually. All six Non-executive Directors are considered to be independent.

The Nominations Committee charter discloses a process for selection and appointment of new Directors and re-election of incumbent Directors.

ASXCGC s Recommendations 2.1 and 2.6

f) Avoidance of conflicts of interest by a Director

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duties as Directors of Westpac and their other interests and duties.

All Directors are required to disclose any actual or potential conflict of interest on appointment as a Director and are required to keep these disclosures up to date.

Any Director with a material personal interest in a matter being considered by the Board must declare their interest and, unless the Board resolves otherwise, they may not participate in boardroom discussions or vote on matters in respect of which they have a conflict.

There are a range of policies that we maintain relating to the management of conflicts of interest, such as the Conflicts of Interest and the New Issues policies (see section 7e of this statement).

ASXCGC s Recommendation 3.1

g) Meetings of the Board and their conduct

The Board has scheduled meetings each year and meets whenever necessary between scheduled meetings to deal with specific matters needing attention.

The Chairman with input from the CEO and the Group Secretary establish meeting agendas for assessing our coverage of financial, strategic and major risk areas, throughout the year. The Directors have the opportunity to review meeting materials in advance. Directors are always encouraged to participate with a robust exchange of views and to bring their independent judgements to bear on the issues and decisions at hand.

The Board discusses a particular strategy topic at most Board meetings. In July each year, the Board meets to discuss our strategic plan and to set our overall strategic direction. The Board also conducts more formal workshops on specific subjects throughout the year in addition to the regular Board meetings.

Members of the executive management are invited to attend all Board meetings and are also available to be contacted by Directors between meetings. The Board, however, usually meets without executive management (other than the CEO) at the commencement and conclusion of each meeting.

The Board meets without the CEO or any other members of executive management at least once a year or as required and, as with all other Board meetings, this is presided over by the Chairman. The Audit Committee meets with our auditor without executive management being present at each Audit Committee meeting.

Details of meetings attended by Directors during the 2007 year are reported in the Directors report.

Highlights in 2007

the Board has initiated a half year review of Westpac s strategic options; and

recent and current Board papers can be distributed and accessed electronically.

h) *Succession planning*

The Board considers Director succession in conjunction with the Nominations Committee. Together they are responsible for developing and implementing succession planning for Non-executive Directors, taking into account the challenges and opportunities facing us and the skills and expertise which are likely to be needed on the Board today and in the future.

The Board is responsible for CEO and CFO succession planning. The Board is actively involved with management succession.

The Board is responsible for approving the CEO financial and non-financial performance objectives and for evaluating the performance of the CEO against those objectives. The Board also oversees the process of objective setting for senior executives and monitors the performance of senior executives against those objectives.

ASX CGC s Recommendation 1.2

Highlights in 2007

Leon Davis retired as Westpac s Chairman and was succeeded by Ted Evans;

the Board considered CEO succession in detail, which culminated in the appointment of Gail Kelly to replace David Morgan who steps down as CEO in January 2008;

Helen Lynch retired as a Director;

Elizabeth Bryan was appointed as a Director; and

the Nominations Committee revised the principles which apply to the selection and appointment of directors to the boards of our subsidiaries.

i) Review of Board and Committee performance

The Board undertakes ongoing self-assessment and review of its performance and of the performance of the Chairman, individual Directors and Board Committees.

The performance review process conducted in 2007 was facilitated externally and included interviews with Directors and written surveys of Directors, Group Executives and the Group Secretary & General Counsel. These reviews were wide-ranging and included, amongst other things, each Director s contributions to Board discussions. The survey results are independently collated and the Chairman formally discussed the results with individual Directors and Committee chairs.

The Nominations Committee reviewed the results of the annual performance review of the Chairman without the Chairman being present.

ASXCGC s Recommendations 2.5 and 2.6

j) Nomination and appointment of new Directors

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

External consultants may from time to time be used to access a wide base of potential Directors. Those considered are assessed against a range of criteria including background, experience, professional skills and personal qualities. The Nominations Committee and the Board also consider whether a candidate s skills and experience will complement the existing Board and whether the candidate has sufficient time available to commit themselves to their responsibilities as a Westpac Director.

New Directors receive a letter of appointment, which sets out their duties, the terms and conditions of appointment including expected term of appointment, remuneration and the expectations of the role. This letter conforms with ASXCGC s Recommendations.

If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next Annual General Meeting (AGM). Shareholders are provided with relevant background information on the candidates for election. The Nominations Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any Director by shareholders.

The Board s Director Appointment Policy details the policy and procedure for the nomination and appointment of new Directors and the reappointment of incumbent Directors.

ASXCGC s Recommendation 2.4

k) Term in office and retirement and re-election of Directors

At each AGM one-third of our Directors (excluding the CEO) and any Director who has held office for three or more years since their last election must retire. In addition, any Director who has been appointed during the year must stand for election at the next AGM. These are mandatory requirements in our Constitution.

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

The Board has adopted a Tenure Policy which limits the number of terms of office that any Non-executive Director may serve. For Non-executive Directors (other than the Chairman) the maximum tenure is three consecutive terms or nine years from the date of first election by shareholders. For the Chairman the maximum tenure is four terms or twelve years (inclusive of any term as a Director prior to being elected as Chairman).

l) Director education

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

The Board encourages Directors to continue their education by participating in formal workshops which are held regularly throughout the year and attending relevant site visits. Directors are also encouraged to undertake relevant external education where they wish to do so.

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

Highlights in 2007

the Board participated in workshops on our succession planning, organisational strategy, our financial results, Basel II requirements and Anti Money Laundering.

m) Board access to information and advice

All Directors have unrestricted access to company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. Each Director enters into an Access and Indemnity Deed with the company to ensure seven year access to documents after their retirement as a Director.

The Chairman and other Non-executive Directors regularly consult with the CEO, the CFO, Group Executives, the Group Secretary & General Counsel, the General Manager Group Assurance, the Chief Operational Risk and Compliance Officer, the Chief Strategy Officer, and the General Manager Stakeholder Communications. In addition, Directors may consult with, and request additional information from, any of our employees.

The Board collectively, and each Director individually, has the right to seek independent professional advice, at our expense, to help them carry out their responsibilities. While the Chairman s prior approval is needed, it may not be unreasonably withheld and, in the Chairman s absence, Board approval may be sought.

ASXCGC s Recommendation 2.1 and 2.6

n) *Company Secretary*

Our company secretaries are Richard Willcock and Anna O Connell. Richard Willcock is our Group Secretary & General Counsel. Anna O Connell is Head of Group Secretariat.

Richard Willcock joined us in 1997 and was appointed to his present role in February 2003 with responsibility for the management and delivery of company secretarial, legal and governance advice and support to the Board, executive and business. Richard s qualifications are LLB, BA (Hons), MBA and FCIS. In 2007, Richard was recognised by the inaugural Governance Professional with an ASX 100 Company award.

Prior to Richard s current appointment he was General Manager Risk for BT Financial Group. Richard previously practised law in private practice from 1982 and was a partner at law firm Abbott Tout.

Anna O Connell joined us in 2001 and was appointed to her current role in February 2006. Anna s qualifications are B.Ec, Grad.Dip.(AppCorpGov) and FCIS. She has nine years experience as a company secretary in various large public companies.

Responsibilities for the secretariat function include providing advice to Directors and officers on corporate governance and regulatory matters, developing and implementing our governance framework and giving practical effect to the Board s decisions.

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

4. Board Committees

a) Board Committees and membership

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

The five Board Committees and their membership at 1 November 2007 are set out in the table below:

	Elizabeth Bryan	Gordon Cairns	David Crawford	Ted Evans	Carolyn Hewson	David Morgan	Peter Wilson
Audit Committee	ü	ü	Chair ü	ü	ü		ü
Risk Management Committee	ü	ü	ü	ü	Chair ü		ü
Nominations Committee		ü	ü	Chair ü	ü		ü
Remuneration Committee		Chair ü	ü		ü		
Corporate Responsibility and Sustainability Committee	ü					ü	Chair ü

Attendances of Directors at Committee meetings are set out in the Directors report.

Other Committees of the Board are established from time to time to consider matters of special importance or to exercise the delegated authority of the Board.

Highlights in 2007

Committee Membership was reviewed and updated where required to take into account Director and Committee workload.

ASXCGC s Recommendations 2.6 and 4.4

b) Committee Charters

The roles and responsibilities of each Committee are set out in the respective Committee Charters. Each year the Committee Charters are reviewed and where appropriate updated to take account of changes and other developments in the Committee s area of responsibility.

c) *Committee procedures*

Composition and independence of the Committees

Committee members are chosen for the skills, experience and other qualities they bring to the Committees. Four of the five Committees are required to be, and are currently, composed of only independent Non-executive Directors. The CEO is a member of the Corporate Responsibility and Sustainability Committee.

Operation of the Committees and reporting to the Board

During the year the Board Committees met quarterly and at other times as necessary. Each Committee is entitled to the resources and information it requires and has direct access to our employees and advisers. All Directors receive all Committee papers and can attend all Committee meetings, subject to there not being any conflict of interest. The CEO attends all Committee meetings, except where he has a material personal interest in a matter being considered. Senior executives and other selected employees are invited to attend Committee meetings as necessary.

How the Committees report to the Board

At the next Board meeting following each Committee meeting, the Board is given an oral report by the Chair of each Committee. In addition, all Committee minutes are tabled at Board meetings.

How Committees performance is evaluated

The performance of Committees is discussed and reviewed initially within each Committee and then reviewed as part of the Board s performance review. The performance of each Committee member (other than the CEO) is evaluated as part of the annual peer review of each Director.

ASXCGC s Recommendation 2.5

d) *Audit Committee*

Role of the Committee

Our Board shares oversight responsibility for risk management between the Audit Committee and the Risk Management Committee.

The Audit Committee, oversees all matters concerning:

- integrity of the financial statements and financial reporting systems;
- making recommendations to the Board for the appointment of the external auditor;
- external auditor s qualifications, performance, independence and fees;
- oversight and performance of the internal audit function; and
- compliance with financial reporting and related regulatory requirements.

Integrity of the financial statements

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

The Committee reviews and assesses:

- any significant estimates and judgements 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 nonfinancial information; and
- the major financial risk exposures and the process surrounding the disclosures made by the CEO and CFO in connection with their personal certifications of the half-year and annual financial statements.

External audit

The Audit Committee makes recommendations to the Board concerning the appointment of our external auditor and approving the terms of engagement. The Committee reviews the performance and the independence of the external auditor. This evaluation includes an annual review of the external auditor s internal quality control procedures, reviews of non-audit services which have been provided, consideration of any recent inquiry or investigation by governmental or professional authorities and the capabilities of the lead audit staff who work on our audit.

For permitted non-audit services, use of the external audit firm must be assessed in accordance with our pre-approval policy which is set out in section 5e.

The external auditor receives all Audit Committee papers and attends all meetings. The Committee meets with the external auditor without management being present and also meets with management without the external auditor being present. Committee members are able to contact the external auditor directly at any time.

Internal audit

The Audit Committee is responsible for making recommendations to the Board concerning the appointment and replacement of the General Manager Group Assurance (Head of Internal Audit) and reviews the internal audit responsibilities, budget and staffing. Periodically, the Audit Committee meets with the General Manager Group Assurance without management being present. The Audit Committee Chairman also meets separately with the General Manager Group Assurance.

Compliance with financial reporting and related regulatory requirements

The Audit Committee oversees our compliance with applicable financial reporting and related regulatory requirements.

The Audit Committee s role includes regular discussions with:

members of the Risk Management Committee, the Chief Operational Risk and Compliance Officer, management and the external auditor about our major financial risk exposures and the steps management has taken to monitor and control such exposures;

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

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

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

the Group Secretary & General Counsel concerning 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 Committee also monitors our procedures for the receipt, retention and treatment of financial complaints, including accounting, internal accounting controls or auditing matters and the confidential or anonymous reporting by employees of concerns regarding accounting or auditing matters.

Financial knowledge of Committee members

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

The Board has determined that David Crawford, Chair of the Audit Committee, is an audit committee financial expert and is independent as defined in the Listing Standards of the NYSE. David Crawford is not an auditor or an accountant with respect to the company, does not perform field work and is not a full-time employee. Under the United States laws, an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose other than as a result of being identified as an audit committee financial expert . Although the Board has determined that David Crawford has the requisite financial expert attributes defined under the rules of the United

States Securities and Exchange Commission (SEC), his responsibilities as an Audit Committee member are the same as those of other Audit Committee members.

The Audit Committee assesses the information provided by management and the external auditor. Management determines that our financial statements and disclosures are complete and accurate. The external auditor has the duty to plan and conduct audits.

Further information on audit governance and independence is included in section 5 of this statement.

ASXCGC s Recommendations 4.1, 4.2, 4.3, and 4.4

Highlight in 2007

evaluation and approval of Ian Hammond who will succeed David Armstrong as the lead audit partner for PwC, Westpac s independent auditor.

e) Risk Management Committee

Role of the Committee

The Risk Management Committee oversees the risk profile and approves our risk management framework within the context of the risk-reward strategy determined by the Board. The determination of this strategy includes recommendations from the Risk Management Committee, CEO and senior management on the parameters of our risk-reward profile and appropriate strategy.

The Risk Management Committee monitors the alignment of our risk profile with our risk appetite as it is defined in the Board Risk Appetite Statement and with current and future capital requirements. The Committee oversees how we manage the risks which are relevant to our operations.

The Risk Management Committee:

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

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

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

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

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

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

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

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

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

for operational risk - monitoring of the operational risk profile, performance of operational risk management and controls and development and ongoing review of operational risk policies; and

for compliance risk - overseeing our compliance with applicable laws, regulations and regulatory requirements, reviewing and discussing with management and the external auditor any correspondence with regulators or government agencies and any published reports that raise material issues for us, and monitoring, where appropriate, complaints and whistleblower concerns.

The Risk Management Committee regularly updates the Board about its activities. It refers to the Audit Committee any matters that have come to its attention that are relevant to the Audit Committee and provides relevant periodic assurances to the Audit Committee.

ASXCGC s Recommendations 7.1 and 7.2

Highlights in 2007

considered the requirements and changes under Basel II, including a review and approval of the Operational Risk Management Framework, and review of the Board Risk Appetite Statement and the Internal Capital Adequacy Assessment Process; and

ongoing consideration of the requirements and changes under the Anti-Money Laundering & Counter-Terrorism Financing legislation.

f) ***Nominations Committee***

Role of the Committee

The Nominations Committee assists the Board in fulfilling its oversight responsibility to shareholders. The Nominations Committee is responsible for:

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

performance review process of the Board, its Committees and individual Directors;

succession planning for the Board including developing eligibility criteria for nominating Directors;

developing and implementing induction programs for new Directors and ongoing education for existing Directors;

recommending appointment of Directors to the Board;

considering candidates for appointment to the boards of relevant subsidiaries; and

reviewing our approach to corporate governance.

ASXCGC s Recommendation 2.4

Highlight in 2007

reviewed the skills and experience required on the Board to assist with Board succession planning.

g) *Remuneration Committee*

Role of the Committee

The Remuneration Committee assists the Board by reviewing and approving our remuneration policies and practices. The Remuneration Committee:

- reviews and approves executive remuneration policy;
- reviews and makes recommendations to the Board on corporate goals and objectives relevant to the CEO and the performance of the CEO in light of these objectives;
- makes recommendations to the Board on the remuneration of the CEO;
- makes recommendations to the Board on the remuneration of Non-executive Directors, taking into account the shareholder approved fee pool;
- approves contracts and remuneration packages for positions reporting directly to the CEO;
- considers and evaluates the performance of senior executives when making remuneration determinations and otherwise as required;
- reviews and makes recommendations to the Board on equity-based plans;
- approves all performance recognition expenditure; and
- oversees general remuneration practices across the Group.

The Remuneration Committee also reviews and makes recommendations to the Board concerning the recruitment, retention, termination, and succession planning policies and procedures for the CEO and for senior positions reporting directly to the CEO. This process was undertaken during the reporting year.

Independent remuneration consultants are engaged by the Remuneration Committee to benchmark our reward practices and levels against market practice.

ASXCGC s Recommendations 1.2, 1.3 and 8.1

Highlights in 2007

reviewed fee arrangements for Non-executive Directors and Chairman; and

adopted a subsidiary remuneration framework which documents the fee arrangements that apply to Non-executive Directors of subsidiary entities.

h) Corporate Responsibility and Sustainability Committee

Role of the Committee

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

The Corporate Responsibility and Sustainability Committee:

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

oversees initiatives to enhance our sustainability;

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

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

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

Highlights in 2007

approved Westpac s framework for managing climate change risks and opportunities; and

considered feedback and recommendations from directors and senior management following visits to the Cape York Partnership.

5. Audit governance and independence

a) Approach to audit governance

The Board is committed to 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 the external auditor is independent and serves security holder interests.

Australian and international developments are monitored and practices reviewed accordingly.

b) Engagement and rotation of the external auditor

Our independent external auditor is PricewaterhouseCoopers (PwC). PwC was appointed by shareholders at the 2002 AGM in accordance with the provisions of the Corporations Act.

The Board has adopted a policy that the responsibilities of the lead audit partner and review audit partner cannot be performed by the same people for longer than five years. The present PwC lead audit partner for our audit is David Armstrong, who assumed this responsibility in 2003. Having served five years, David Armstrong retired as lead audit partner after our 2007 balance date and has been succeeded by Ian Hammond. The present PwC review audit partner is David Prothero, who assumed this responsibility in 2005. Subject to applicable legislative requirements, the Board requires a minimum five-year cooling off period before the lead audit partner or review audit partner are allowed back onto the audit team.

ASXCGC s Recommendation 4.4

c) Certification and discussions with the external auditor on independence

The Audit Committee requires the external auditor to confirm quarterly that they have maintained their independence and have complied with the independence standards as promulgated by Australian and international regulators and professional bodies. The Audit Committee meets separately with the external auditor without executive management being present at each meeting. Certification is provided in the Non-Audit Services and Independence declaration in the Directors report.

d) Relationship with the external auditor

Our current policies on employment and other relationships with our external auditor include the following:

- the audit partners and any employee of the external audit firm on the company s audit are prohibited from being an officer of the company;
- an immediate family member of an audit partner or any employee of the external audit firm on the company s audit is prohibited from being a Director or an officer in a significant position at the company;
- any former external audit partner or external audit firm s former employees who have participated on the company s audits are prohibited from becoming a Director or officer in a significant position at the company for at least five years, and after the five years can have no continuing financial relationship with the audit firm;
- members of the audit team and audit firm are prohibited from having a business relationship with us or any of our officers unless the relationship is clearly insignificant to both parties;
- the external audit firm, its partners and its employees who are members of the audit team on the company s audit and their immediate family members are prohibited from having loans or guarantees with us or from having a direct or material indirect investment in the company;
- our officers are prohibited from receiving any remuneration from the external audit firm;
- the external audit firm is prohibited from having a financial interest in any entity with a controlling interest in the company; and
- the audit team in any given year cannot include a person who had been an officer of the company during that year.

e) Restrictions on non-audit services by the external auditor

To avoid possible independence or conflict issues, the external auditor is not permitted to carry out certain types of non-audit services for the company, including:

- preparation of accounting records and financial statements;
- financial information systems design and implementation;

appraisal or valuation services and other corporate finance activities;

internal audit services;

temporary or permanent staff assignments, or performing any decision-making or ongoing monitoring or management functions;

broker or dealer, investment adviser or investment banking;

legal, litigation or other expert services;

actuarial services;

recruitment services for managerial, executive or Director positions; and

certain taxation services to individual employees involved in a financial reporting oversight role of the preparation of the financial statements.

For all other non-audit services, use of the external audit firm must be assessed in accordance with our pre-approval policy, which requires that all non-audit services be pre-approved by the Audit Committee, or by delegated authority to a sub-committee consisting of one or more members where appropriate.

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 37.

The SEC is conducting an investigation of certain Australian registrants and public accounting firms regarding the SEC s auditor independence requirements. As a part of this investigation, we furnished information to the SEC regarding the services rendered by our external auditor PwC, including information regarding services that the SEC staff may view as the secondment of PwC personnel to entities in our Group. We cannot predict the nature of any action the SEC might take as a result of its investigation. However, we consider it unlikely that the outcome of the investigation will have a material adverse financial effect on our Group.

f) *Attendance at the Annual General Meeting*

Our external auditor attends the AGM and is available to answer questions from shareholders on:

- the conduct of the audit;
- the preparation and content of the audit report;
- the accounting policies adopted by us in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

g) *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 entities in our Group and conducts audits and reviews following a risk-based planning approach.

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

Audit and review reports are discussed widely in the Group and significant issues are reviewed at the Audit Committee and the Risk Management Committee.

6. Controlling and managing risk

a) *Approach to risk management*

We approach risk management by identifying, assessing and managing the risks that affect our business in accordance with a set of core risk management values. This approach enables the risks to be balanced against appropriate rewards and reflects our vision and values, objectives and strategies, and procedures and training. We have established policies for the oversight and management of our material business risks. A summary of these policies is available for viewing on our website.

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;

operational risk - the risk that arises from inadequate or failed internal processes, people and systems or from external events; and

compliance risk - the risk of failing to comply with our obligations under the law, based on the letter and spirit of a range of regulatory standards expected of us, and the risk of failure to meet our ethical standards.

In addition to and linked to these four main types of risk, we allocate resources to manage the following types of 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;

interest rate risk - the risk associated with being forced to liquidate or unwind the balance sheet hedge portfolio;

liquidity risk - the risk of failing to adequately fund cash demand in the short term;

reputation risk - the risk of negative experiences and perceptions impacting our standing with stakeholders; and

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

As these risks are interlinked, we take an integrated approach to managing them.

We are targeting accreditation by APRA to use the advanced internal ratings-based approach for managing credit risk and advanced measurement approach for operational risk under Basel II.

ASXCGC s Recommendation 7.1

b) Risk management roles and responsibilities

The Board is responsible for reviewing and approving our risk management strategy, frameworks and key risk parameters, including determining our appetite for risk. Our risk management governance structure is set out in the table below.

Approval of our risk management frameworks and significant policies resides with the Risk Management Committee under powers delegated by the Board. These frameworks and policies for managing risk are reviewed and discussed by the relevant Executive Risk Committee and submitted for discussion and approval to the Risk Management Committee.

Executive management is responsible for implementing the Board-approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of our activities.

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

Our risk management governance structure:

Board	Considers and approves our risk-reward appetite and strategy				
Board Committees	**Risk Management Committee** risk profile and risk management	**Audit Committee** integrity of financial statements and systems	**Corporate Responsibility and Sustainability Committee** reputational risks arising from Westpac s actions	**Nominations Committee** Board skills, succession and governance	**Remuneration Committee** responsible reward practices in line with performance
Independent Internal Review	**Group Assurance** Adequacy and effectiveness of management controls for risk				
Executive Risk Committees	**Westpac Group Risk-reward Committee** sets and leads our risk optimisation agenda recommends to the Risk Management Committee the appropriate risk-reward positioning and integrates decisions on overall capital levels and earnings profile				

initiates and oversees strategies of the Group s risk-reward profile and boundaries for risk appetite within parameters set by the Board

oversees the risk governance framework, including the performance, role and membership of the executive risk committees

Westpac Group Credit Risk Committee	Group Market Risk Committee	Group Operational Risk and Compliance Committee
optimises credit risk-reward oversees portfolio performance determines limits and authority levels within Board-approved parameters	optimises market risk-reward for traded and non-traded market risk oversees portfolio performance determines limits within Board-approved parameters	optimises operational risk-reward and compliance oversees the governance of operational risk and compliance, including the framework and policies oversees the operational and reputation risk profile

Group Risk

drives enterprise-wide risk management culture, frameworks and decisioning seeking to maximise performance in line with risk appetite

forges a partnership with the business, which shares the vision and the responsibility for superior risk management

Business Units

manage risks inherent in the business including the development of business-specific policies, controls, procedures and reporting in respect of the risk classes *c)* ***CEO and CFO assurance***

The Board receives regular reports 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 that in all material respects:

the financial records of the company for the financial 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 the company s and consolidated entities financial position and of their performance;

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

the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

ASXCGC s Recommendation 7.3

d) ***Compliance Risk Management Framework***

Our Compliance Risk Management Framework 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 the letter and spirit of regulatory standards is an essential part of the Group s 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 are the responsibility of everyone at every level of the Group. Visibility and accountability of senior management ensures a strong compliance culture;

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

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

Primary responsibility for managing compliance risk resides with business line management, who are required to demonstrate that they have effective processes in place consistent with our Compliance Risk Management Framework. Within each major business area there is a dedicated operational risk and compliance function, with specific responsibilities designed to guide compliance within that business as part of the business unit risk management team.

The Compliance Risk Management Framework utilises a range of mechanisms, including audit, file reviews, mystery shopping, customer surveys and operational risk assessments to measure the effectiveness of our compliance program. There is also a Group Compliance function, led by the Chief Operational Risk and Compliance Officer, which supports the Compliance Risk Management Framework. This team provides the infrastructure to facilitate compliance planning and reporting, provides specialist advice to business unit Compliance and Risk in implementing regulatory initiatives and policies and establishing compliance programs. It also provides analytical tools and advice for independent oversight of areas of strategic compliance risk and reports on potential weaknesses across the Group.

The Compliance Risk Management Framework is maintained by the Group Operational Risk and Compliance Committee and overseen by the Risk Management Committee, which receives regular reports from the Chief Operational Risk and Compliance Officer on the status of compliance across the company.

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

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

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

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

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

7. Promoting ethical and responsible behaviour

a) *Our Principles for Doing Business and Code of Conduct*

Our Principles for Doing Business set out the principles that govern our conduct and the behaviours that stakeholders can expect from us. The Principles apply without exception to all Directors, executives, management and employees, and are aligned to our core values of teamwork, integrity and achievement. Our Code of Conduct sets out the seven foundation principles, namely:

- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and do not misuse information;
- value and maintain professionalism;
- act as a team;
- manage conflicts of interest responsibly; and
- strive to be a good corporate citizen and achieve community respect.

ASXCGC s Recommendations 3.1 and 3.3

b) Code of ethics for senior finance officers

Due to the nature of their roles, the CEO and principal financial officers are subject to our Code of Accounting Practice and Financial Reporting. This Code addresses the specific responsibilities that are borne by such officers in addition to their general responsibilities under our Code of Conduct. Our Code of Accounting Practice and Financial Reporting is in accordance with the requirements of SOX.

ASXCGC s Recommendations 3.1 and 3.3

c) Internal policies and procedures

In addition to our Principles for Doing Business, we are bound by a range of external industry codes, such as the Code of Banking Practice and the Electronic Funds Transfer Code of Conduct.

We also have a number of key policies to manage our compliance and human resource requirements. There is a range of guidelines, communications and training processes and tools to support these policies. These tools include an online learning module Doing the Right Thing (revised 2006) which incorporates training for a range of key compliance requirements. Individual business units also have systems and procedures in place to support Group policies.

ASXCGC s Recommendations 3.1 and 3.3

d) Concern reporting and whistleblowing

All employees are encouraged to bring any concerns or problems to the attention of management, the human resources team (People and Performance) or the compliance team. This includes activities or behaviours that may not be in accord with the Principles for Doing Business, the Code of Conduct, Code of Accounting Practice and Financial Reporting, Insider Trading Policy, other policies, or other regulatory requirements or laws.

We provide a range of mechanisms to raise issues, including:

- raising issues concerning fraud directly with our Financial Crime Control team;
- making suggestions for more efficient processes via the on-line Ask Once program; and

raising concerns about people issues such as harassment or discrimination directly with People and Performance through P&P Connect.

Concerns about breaches of our regulatory obligations or internal policies or procedures can be raised anonymously with the Chief Operational Risk and Compliance Officer through our internet-based whistleblowing reporting system, Concern Online, or by telephone or email through the Concern Hotline, which is a service provided by an external service provider. We have a Whistleblower Protection Policy to protect individuals who make reports about suspected breaches of our policies through these channels. The concern reporting system complies with the whistleblower provisions of all relevant legislative requirements and the Australian Standard AS 8004 (Whistleblower Protection Programs for Entities).

ASXCGC s Recommendations 3.1 and 3.3

e) Insider trading policy and trading in Westpac shares

Directors and employees are restricted from dealing in our shares (and certain other financial products) if they are in possession of inside information.

To highlight the importance of compliance with these requirements and to ensure high standards of conduct, we have an Insider Trading Policy which applies to all employees. In addition, for Directors and any employees who, because of their seniority or the nature of their position, come into contact with key financial or strategic information about the company all or most of the time (Prescribed Employees), additional restrictions apply. Those restrictions limit the periods in which the Directors and Prescribed Employees can trade in our shares or other company securities. A register of Prescribed Employees is maintained by the Group Operational Risk and Compliance team and regularly updated and notified to the relevant staff.

The periods in which Directors and Prescribed Employees can trade (Trading Windows) commence two business days after the release of our half - yearly and annual results. The Trading Windows are normally 56 days in length. However, the Chief Operational Risk and Compliance Officer has the discretion to extend each Trading Window by up to seven days if having a 56 day Trading Window would unreasonably restrict the exercise of employee scheme entitlements. Directors and Prescribed Employees must also notify Compliance of their intention to trade during those periods and confirm they do not have any inside information. Any trading remains subject to legal obligations to not trade while in the possession of inside information. Group Operational Risk and Compliance monitors the trading of the company s shares by Directors and Prescribed Employees on a daily basis.

Under the Conflicts of Interest Policy, there are specific rules which apply to employee personal investments that may give rise to a conflict of interest, including personal investments held prior to employment with us.

Our employees (excluding BT Financial Group (BTFG) and Hastings Funds Management Limited (Hastings)) are also subject to the New Issues Policy. Some business units within Westpac are regularly involved in developing, structuring, funding and distributing financial products through a new issue. Employees cannot participate in these new issues where their position puts them in a real or perceived position of conflict with the interests of other customers. Equivalent restrictions exist for BTFG employees and Hastings employees under their own policies.

In addition to the policies which apply across the Group, where appropriate, further policies apply in specific businesses. For example:

relevant employees in Westpac Institutional Bank (WIB) (including WIB New Zealand), and BTFG are subject to comprehensive restrictions and procedures applicable to buying or selling other securities and financial products. These include seeking consent before dealing in Australian or New Zealand securities listed on the ASX and/or the New Zealand Exchange Limited (NZX), and a restriction on dealing in securities in which employees have close working relationships with specific companies. In addition to these employees, the restrictions apply to their immediate family members and entities in which the employees and/or their spouse have a beneficial interest or control or investment influence;

WIB employees are prohibited from personal account trading in securities issued by customers if they advise, originate, structure, trade, distribute, sell or research the securities; and

employees in Hastings are also subject to an Insider Trading Policy. In addition to that policy, Hastings maintains a prescribed financial products list and employee trading is confined to securities that do not appear on the list except during a four week Trading Window following the announcement of half and full year results and the AGM of the named company.

ASXCGC s Recommendations 3.2 and 3.3

8. Remuneration framework

Details of our remuneration framework are included in the Remuneration report.

ASXCGC s Recommendations 8.1, 8.2 and 8.3

9. Corporate responsibility and sustainability

a) Approach to corporate responsibility and sustainability

We believe that producing positive outcomes for all stakeholders through the way we conduct our business is an essential part of maximising financial returns for our shareholders over the longer term. For us, the adoption of sustainable and responsible business practices is an important long-term driver of performance and shareholder value.

This means conducting our business in a responsible, ethical and trustworthy manner, while accepting our accountability for our impacts on society and the environment. In doing so, our aim is to reduce our operational and reputation risk, and enhance operational efficiency, while contributing to a more sustainable society.

Our corporate responsibility and sustainability approach goes beyond ASXCGC s Principles 3 and 7.

ASXCGC s Recommendations 3.1 and 3.3

Highlights in 2007

- BTFG became a signatory to the United Nations Principles for Responsible Investment;
- partnered with Landcare Australia to establish the not-for-profit CarbonSMART initiative; and
- renewed Westpac s commitment to the Cape York Partnership for a further three years and implemented new indigenous employment initiatives.

b) Reporting on our corporate responsibility and sustainability performance

Transparent and comprehensive reporting on all dimensions of our ESG performance is a core component of our governance and responsibility management.

Our ESG performance is reported annually through our annual Stakeholder Impact Report. That report is produced in accordance with the widely accepted reporting framework, the Global Reporting Initiative (GRI) and aims to address the issues that matter most to customers, employees, shareholders and the community.

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

The key ESG performance metrics are also built into our half-yearly and annual financial results announcements.

We also actively participate in various independent external assessments by authoritative sustainability and governance rating organisations to ensure independent benchmarking of our performance against the highest global standards.

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

ASXCGC s Recommendations 3.1 and 3.3

Highlights in 2007

AAA,100 point, rating in the 2007 Carbon Disclosure Project Climate Disclosure Leadership Index (CDLI one of only four companies, and the only bank, in the Global FT500 list to achieve this top rating;

the maximum overall corporate governance rating of 10.0 from Governance Metrics International (now maintained in eleven consecutive assessments since February 2004);

equal top rating for banks globally in the Dow Jones Sustainability Index for 2007/8 and global sector leader 2002-2006; and

2007 Gold Banksia Award from the Banksia Environmental Foundation - for sustained and significant efforts to reduce impact on the environment.

10. Market disclosure

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

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

The Disclosure Committee is chaired by the CFO and involves the CEO, senior executives, Group Secretary & General Counsel and General Manager Stakeholder Communications. The Disclosure Committee is responsible for making decisions on what should be disclosed publicly under the market disclosure policy, and for developing and maintaining relevant guidelines, including guidelines on information that may be price sensitive. The Group Secretary & General Counsel has responsibility for ensuring compliance with the continuous disclosure requirements of the listing rules of the ASX, NZX, NYSE and other exchanges, relevant securities and corporations legislation, and overseeing and coordinating information disclosure to regulators, analysts, brokers, shareholders, the media and the public.

All market announcements are released to each stock exchange where the company has ordinary shares or debt securities listed - ASX, NZX, NYSE, and the London, Singapore and Swiss stock exchanges.

ASXCGC s Recommendations 5.1, 5.2 and 6.1

11. Shareholder communications and participation

We are also committed to giving all shareholders comprehensive, timely and equal access to information about our activities so that they can make informed investment decisions.

We employ a wide range of communication approaches including: direct communications with shareholders; publication of all relevant company information in the Investor Centre section of our website; and access to all market briefings and shareholder meetings via webcasting and teleconferencing facilities. Shareholders are also given the option to receive company information in print or electronic format.

A Shareholder Newsletter is also sent to all our shareholders with the half - year and annual dividend notices, which provides information on our performance and developments plus details on where to access further information. In addition, all shareholders are provided with contact numbers for both the Investor Relations Unit and the share registries should they require any further information.

Full participation of shareholders at the AGM is encouraged to ensure a high level of involvement and to deepen understanding of our strategy and goals. Proceedings of the AGM are also webcast live to maximise communication with shareholders. The proceedings can also be viewed on demand at a later time from our website.

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

ASXCGC s Recommendations 6.1 and 6.2

Highlights in 2007

informed all shareholders about recent amendments to the Corporations Act concerning the provision of annual reports to shareholders electronically; and

introduced a succinct short-form Annual Review, which includes a summary of the key information about Westpac s performance and other relevant shareholder information.

12. Comparison of our corporate governance practices with NYSE listing rules

Under the NYSE listing rules, foreign private issuers that have American Depositary Shares (ADS) traded on the NYSE (such as Westpac), are permitted to follow home country practice in lieu of the NYSE listing rules. However, we are still required to comply with certain audit committee and additional notification requirements.

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

Under the NYSE listing rules foreign private issuers are required to disclose any significant ways in which their corporate governance practices differ from those followed by domestic United States companies. We have compared our corporate governance practices to the corporate governance requirements of the NYSE listing rules and note the following potential significant difference:

equity compensation plans

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

We comply with the applicable domestic requirements under which we are not required to provide shareholders with the opportunity to vote on new equity-based compensation plans or material revisions to existing plans such as our 2002 equity-based reward plans. However, these plans have been extensively disclosed to shareholders in corporate governance statements since 2002 and since 2005 have been set out in detail in the Remuneration report.

In addition, we are seeking shareholder approval at the 2007 AGM for the new CEO s Executive Securities Agreement.

13. NZX corporate governance rules and principles

As an overseas listed issuer, we are deemed to satisfy and comply with the NZX listing rules, provided that we remain listed on the ASX. The ASX, through ASXCGC Recommendations, and the NZX have adopted a similar comply or explain general approach to corporate governance. However, the ASX Recommendations may materially differ from the NZX Corporate Governance Best Practice Code.

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

Directors report

Our Directors present their report together with the financial statements of the Group, for the financial year ended 30 September 2007.

1. Directors

The names of the persons who have been Directors during the period since 1 October 2006 and up to the date of this report are: Edward Alfred Evans (Chairman as of 1 April 2007), Leonard Andrew Davis (retired as Chairman and Director on 31 March 2007), David Raymond Morgan (Managing Director and CEO), Elizabeth Blomfield Bryan (Director as of 6 November 2006), Gordon McKellar Cairns, David Alexander Crawford, Carolyn Judith Hewson, Helen Ann Lynch (retired 14 December 2006) 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 2007 and the period for which each Directorship has been held, are set out below.

a) Company Secretary

The details of the Company Secretaries as at 30 September 2007 are set out in the Corporate governance statement included in this report.

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

Age: 66

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

Independent: Yes

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 and Risk Management Committees.

Directorships of other listed entities over the past 3 years:

Current Directorships: Director of IBT Education Limited.

Nil

Other Westpac related entities Directorships: Nil

Name: David Morgan, BEc, MSc, PhD

Age: 60

Term of office: Appointed

Managing Director and CEO in March 1999. Executive Director since November 1997.

Independent: No

Current External Directorships: Nil

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

Skills, experience and expertise: David was appointed Managing Director and CEO in March 1999. He has extensive experience in the financial sector, having worked in the International Monetary Fund in Washington D.C. in the 1970s and the Federal Treasury in the 1980s where he headed all major areas before being appointed Senior Deputy Secretary. Since joining Westpac in 1990, he has had responsibility for all major operating divisions including Westpac Financial Services, Retail Banking, Commercial Banking, Corporate and Institutional Banking and International Banking.

Westpac Board Committee membership: Member of the Corporate Responsibility and Sustainability Committee.

Directorships of other listed entities over the past 3 years: Nil

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

Age: 61

Term of office: Director since November 2006.

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

Skills, experience and expertise: Elizabeth has over 30 years experience in the financial services industry, government policy and

Deutsche Asset Management and its predecessor organization, NSW State Superannuation Investment and Management Corporation.

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

Independent: Yes

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

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

Directorships of other listed entities over the past 3 years: Ridley Corporation Limited (September 2001 October 2007).

Name: Gordon Cairns, MA (Hons.)

Age: 57

Term of office: Director since July 2004.

Independent: Yes

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

Other Westpac related entities Directorships: Nil

Skills, experience and expertise: Gordon has extensive Australian and international experience as a senior executive, most recently as Chief Executive Officer 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 and Member of each of the Audit, Risk Management and Nominations Committees.

Directorships of other listed entities over the past 3 years: Director and Chief Executive Officer of Lion Nathan Limited (October 1997-December 2004). Director of Seven Network Limited (November 2004-February 2007).

Name: David Crawford, BCom, LLB, FCA, FCPA

Age: 63

Term of office: Director since May 2002.

Independent: Yes

Other Westpac related entities Directorships: Nil

Skills, experience and expertise: David was National Chairman of KPMG from 1998 until 2001, a member of KPMG s International Board and, prior to that, Chairman of KPMG s Southern Regional Practice (1996-1998). He was Chief Executive Officer of the Rural Finance Corporation in Victoria managing the

Development Corporation with the Rural Finance Corporation.

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

Directorships of other listed entities over the past 3 years: Director of National Foods

Current Directorships: Chairman of each of Lend Lease Corporation Limited and Foster s Group Limited, Director of BHP Billiton Limited, Chairman of the Australian Ballet and Treasurer of the Melbourne Cricket Club.

integration and merger of the activities of the Victorian Economic

Limited (November 2001-June 2005 and Chairman 2004-2005).

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

Age: 52

Term of office: Director since February 2003.

Independent: Yes

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

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

Skills, experience and expertise: Carolyn has had 18 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 and Member of each of the Audit, Nominations and Remuneration Committees.

Directorships of other listed entities over the past 3 years: Director of each of CSR Limited (March 1995-July 2005) and Australian Gas Light Company (October 1996 - October 2006).

Name: Peter Wilson, CA

Age: 66

Term of office: Director since October 2003.

Independent: Yes

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

Skills, experience and expertise: Peter is a chartered accountant and formerly a partner with Ernst & Young, with extensive experience in banking, business establishment, problem

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

Directorships of other listed entities over the past 3 years: Director of Westpac (NZ)

Current Directorships: Chairman of each of Global Equity Market Securities Limited, Kermadec Property Fund Limited and Director of each of The Colonial Motor Company Limited and Hill Country Corporation Limited. Member of the New Zealand Exchange Limited Discipline body and Chair of NZX Discipline Special Division.

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.

Investments Limited (August 1999-July 2005) and Chairman of Evergreen Forests Limited (July 1993-July 2006) and a Director of Urbus Properties Limited (January 2003-July 2005) (all previously listed in New Zealand).

2. Report on the business

a) Principal activities

The principal activities of the Group during the financial year ended 30 September 2007 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, insurance services, leasing, general finance, foreign exchange and money market services.

b) Management discussion and analysis

Management discussion and analysis of the Group for the financial year ended 30 September 2007 is set out in section 2 of the Annual Report under Overview of performance and Balance sheet review.

c) Review and results of operations

A review of the operations of the Group for the financial year ended 30 September 2007 is set out in section 2 of the Annual Report under Financial Review.

The operating result of the Group attributable to our shareholders for the financial year ended 30 September 2007 was a profit of $3,451 million after tax.

d) Dividends

Since 30 September 2007, our Directors have proposed a final dividend of 68 cents per fully paid ordinary share, totalling approximately $1,268 million, for the year ended 30 September 2007 (2006 final dividend of 60 cents per fully paid Westpac share, totalling $1,104 million). The final dividend will be fully franked and will be paid on 18 December 2007.

An interim dividend for the current financial year of 63 cents per fully paid ordinary share, totalling $1,166 million, was paid as a fully franked dividend on 2 July 2007 (2006 interim dividend of 56 cents per fully paid ordinary share, totalling $1,026 million).

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

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

Westpac shares were de-listed from the Tokyo Stock Exchange in July 2007. The decision to de-list was taken due to the decline in shareholder numbers trading on the Tokyo Stock Exchange and the ease with which these shareholders can trade on either the Australian or New Zealand stock exchanges.

Westpac announced to the market on 9 August 2007 that the BT investment management business would be amalgamated into one separate legal entity, BT Investment Management Limited (BTIM), and a portion would be sold off as a part of an initial public offering. Westpac will retain 60% of the equity in BTIM, with the balance to be held by investment professionals employed by BTIM and other investors. Westpac is not transferring to BTIM BTFG s other wealth management businesses, including financial advice, insurance, private banking and customer solutions (which is responsible for wrap platforms) and BTFG s suite of retail investment, superannuation and retirement products.

On 17 August 2007, we announced that Gail Kelly has been appointed to be Westpac s new Chief Executive Officer. Gail Kelly will join Westpac on 1 February 2008, succeeding David Morgan who has been Westpac s CEO since March 1999. David has agreed to remain as CEO until Gail commences.

On 2 October 2007, we announced that we had reached agreement to acquire the RAMS franchise distribution business for $140 million payable in cash. The business to be acquired includes the RAMS brand, franchise network and associated mortgage origination and servicing systems and contracts needed to run the distribution business. Acquiring the RAMS franchise network will provide a new growth option for Westpac. It will add an additional retail channel and extend Westpac s retail footprint by more than 10% via an additional 92 stores operated by 53 franchisees. Westpac is not acquiring the ASX listed RAMS Home Loans Group Ltd or its existing mortgage book. Westpac, if various conditions are met, will fund up to $500 million of mortgages settled from 15 November 2007 until the formal completion of the acquisition. The acquisition requires the approval of RAMS shareholders. Subject to this, the proposed transaction is expected to be completed in early January 2008.

The Directors are not aware of any other matter or circumstance that have arisen during the financial year or since 30 September 2007 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

f) Likely developments and expected results

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

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

3. Directors interests

a) Directors interests in securities

The following particulars for each Director are set out in the Remuneration report and Note 45:

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

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

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

any contracts:

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

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

Directors holdings of Westpac shares and options as at 1 November 2007

	Number of Westpac Shares	Number of Share Options	Number of Share Rights	Non-beneficial
Ted Evans	10,471			
David Morgan	1,158,186	2,020,167(1)	617,667(2)	
Elizabeth Bryan	3,662			
Gordon Cairns	8,506			
David Crawford	22,875			
Carolyn Hewson	11,416			
Peter Wilson	11,360			

(1) Options issued under the Chief Executive Securities Agreement 2003.

(2) Performance share rights issued under the Chief Executive Securities Agreement 2003.

b) *Other relevant interests as at 1 November 2007*

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 1 November 2007

	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
David Morgan		10,000	12,470,860	6 July 2007
Elizabeth Bryan	900			8 October 2007
Gordon Cairns			81,967	11 April 2005

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

c) *Indemnities and insurance*

Under our constitution, we must indemnify, unless the indemnity is forbidden or made void by statute, each of our Directors and Company Secretaries and of each of our related bodies corporate and each of our employees against:

every liability incurred by each such person in their capacity as Director, secretary or employee, 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 which extends to all Directors, Company Secretaries of Westpac and each of its related bodies corporate and to all Westpac employees.

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

On 24 July 2004, in accordance with the terms of the delegated authority granted to the CEO on 11 December 2002, the CEO approved the provision of an indemnity to:

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

employees from time to time of our subsidiaries.

A deed poll of indemnity, in terms equivalent to that provided under our constitution, has been put in place.

The CEO, from time to time, in accordance with his delegated authority approves the provision of an indemnity to certain employees of the Group serving as directors of non-Group companies at Westpac s request. These indemnities are in terms equivalent to that provided under our constitution.

No amount has been paid under any of these indemnities during the financial year ended 30 September 2007 or since that date.

Our constitution permits us to the extent permitted by applicable laws 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 or any of its related bodies corporate against any liability incurred by that person in that capacity, including a liability for legal costs, unless:

- we are forbidden by statute to pay or agree to pay the premium; or
- the contract would, if we paid the premium, be made void by statute.

We, on behalf of the Group, for the year ended 30 September 2007 have arranged insurance cover in respect of the amounts which we may have to pay under any of 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 issued

Currently, there are 15,817,246 share options outstanding and 9,344,758 share rights outstanding. The latest dates for exercise of share options range between October 2009 and December 2016 and the weighted average exercise prices is $19.07. The latest dates for exercise of share rights range between January 2013 and September 2017.

4. Environmental disclosure

Our operations are not subject to any particular and significant environmental regulation under any law of the Commonwealth of Australia or of any State or Territory of Australia.

We may, however, become subject to environmental regulation in enforcing securities over land for the recovery of loans.

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

5. Rounding of amounts

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

6. Political donations

The donations and other contributions were made to political parties in Australia and New Zealand during the financial year ended 30 September 2007 are set out below.

Political donations, year ending 30 September 2007

Australia

	Amount $(1)
Australian Labor Party	134,930
Liberal Party of Australia	114,820
National Party of Australia	20,330
Total	270,080

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

New Zealand

	Amount NZ$
New Zealand Labour Party	15,000
New Zealand National Party	15,000
New Zealand First	5,000
Green Party of Aotearoa New Zealand	5,000
ACT New Zealand	2,000
United Future New Zealand	2,000
Jim Anderton s Progressive Coalition	2,000
Maori Party	2,000
Total	48,000

7. Directors meetings

Each Director attended the following meetings of the Board and Committees of the Board during the financial year, which ended on 30 September 2007:

Number of meetings held during the year		Regular Board Meetings 10		Special Board Meetings 1		Audit Committee 4		Corporate Responsibility and Sustainability Committee 4		Nominations Committee 4		Remuneration Committee 5		Risk Management Committee 4	
Director	**Notes**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Ted Evans	1	10	10	1	1	4	4			4	4			4	4
Leon Davis	2	5	5			2	2	2	2	2	2	3	3	2	2
David Morgan	3	10	10	1	1			4	4						
Elizabeth Bryan	4	8	8	1	1	1	1	1	1					1	1
Gordon Cairns	5	10	10	1	1	4	4			1	1	5	5	1	1
David Crawford	6	10	10	1	1	4	4			4	4	5	5	4	2
Carolyn Hewson	7	10	10	1	1	4	4			4	4	5	5	4	4
Helen Lynch	8	3	3			1	1	1	1	1	1			1	1
Peter Wilson	9	10	10	1	1	4	4	4	4	3	3			2	2

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 2006.

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(1) Ted Evans was appointed Chairman of the Board on 1 April 2007, Member of the Audit Committee, Member of the Nominations Committee until 1 April 2007 and Chairman of the Nominations Committee from 2 April 2007 and Chairman of the Risk Management Committee until 6 May 2007 and Member of the Risk Management Committee from 7 May 2007.

(2) Leon Davis retired as Chairman and Director of the Board and its Committees with effect 31 March 2007.

(3) Member of the Corporate Responsibility and Sustainability Committee.

(4) Elizabeth Bryan was appointed as a Director on 6 November 2006, Member of the Audit Committee, the Corporate Responsibility and Sustainability Committee and the Risk Management Committee from 7 May 2007.

(5) Member of the Audit Committee. Member of the Remuneration Committee until 6 May 2007 and Chairman of the Remuneration Committee from 7 May 2007. Member of the Nominations Committee and the Risk Management Committee from 7 May 2007.

(6) Member of the Audit Committee until 6 May 2007 and Chairman of the Audit Committee from 7 May 2007. Member of the Nominations Committee and the Risk Management Committee. Chairman of the Remuneration Committee until 6 May 2007 and Member of the Remuneration Committee from 7 May 2007.

(7) Chairman of the Audit Committee until 6 May 2007 and Member of the Audit Committee from 7 May 2007. Member of the Nominations Committee and the Remuneration Committee. Member of the Risk Management Committee until 6 May 2007 and Chairman of the Risk Management Committee from 7 May 2007.

(8) Helen Lynch retired from the Board and its Committees with effect 14 December 2006.

(9) Member of the Audit Committee. Member of the Corporate Responsibility and Sustainability Committee until 13 December 2006 and Chairman of the Corporate Responsibility and Sustainability Committee from 14 December 2006. Member of the Nominations Committee from 14 December 2006. Member of the Risk Management Committee until 13 December 2006 and Member of the Risk Management Committee from 7 May 2007.

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

8. Remuneration report

1. Reward objectives

Our reward strategy provides a comprehensive framework aimed at attracting and retaining talented employees and embedding a culture of achievement, through transparent reward policies and practices for all employees. Anchored by a philosophy of paying for performance, enterprise-wide and business-specific programs work together to achieve market competitiveness and a focus on results.

2. Remuneration Committee

The Remuneration Committee assists the Board to fulfil its responsibility to shareholders by ensuring Westpac has remuneration policies that fairly and competitively reward executives and the broader Westpac employee population.

The Remuneration Committee s decisions on reward structures are based on business objectives, legal obligations and high standards of corporate governance. The Remuneration Committee s purpose and responsibilities are documented in the corporate governance section, with the full Remuneration Committee charter available at www.westpac.com.au/corporateresponsibility. The Remuneration Committee charter was last reviewed and updated in May 2007.

All members of the Remuneration Committee are independent Non-executive Directors. Where appropriate, to assist the Remuneration Committee, independent remuneration consultants are engaged to provide specialist advice.

3. Executive remuneration policy

Our executive remuneration policy sets the framework for rewarding Westpac s CEO, Group Executives (direct reports of the CEO), and General Managers (who report to Group Executives, including the Group Secretary and General Counsel). The executive remuneration policy and framework has been approved by the Remuneration Committee.

The principles underlying our executive remuneration policy are:

- paying for performance, with rewards linked to achievements against both financial and non-financial targets;
- selection of performance measures based on drivers of long-term value for our shareholders; and
- remuneration outcomes reflecting Westpac s comparative success against companies with which Westpac competes for customers, capital and/or executive talent.

We follow a process of two-up approval for all remuneration decisions. The CEO approves the performance and remuneration plans and outcomes for all General Managers, on the recommendation of the Group Executives. Plans and outcomes for Group Executives are approved by the Remuneration Committee, on the recommendation of the CEO.

The remuneration for the Head of Group Secretariat, who reports to the Group Secretary and General Counsel and who is a Company Secretary of Westpac, is covered by our general remuneration policy. Under the policy, fixed remuneration is market aligned, with at risk pay determined by performance against objectives.

Significant remuneration arrangements outside of general policy guidelines are referred to the Remuneration Committee.

4. Executive remuneration structure

Our executive remuneration structure offers a mix of short-term employment benefits, post-employment benefits and share-based incentives. The CEO s remuneration arrangements are outlined in Section 6 of this remuneration report.

a) *Short-term employment benefits*

Fixed remuneration

Fixed remuneration (cash salary and salary sacrifice(1) components) is reviewed annually, taking into account the nature of the role, remuneration relative to market remuneration levels, and individual and business performance.

Short-term incentives

Group Executives and General Managers have individual objectives drawn from their business plans, against which their performance is rated. Typically, Group and Division(2) financial objectives are measured by Economic Profit(3). As the Board believes that Economic Profit best reflects the factors that drive shareholder value, this measure commands substantial weighting in assessing the overall performance outcome for each executive.

Other financial and non-financial performance measures are established for each executive, including measures of business efficiency and risk management, customer satisfaction, employee commitment and corporate responsibility. These measures offer insight into current corporate health and are drivers of future sustainable shareholder value.

Short-term incentive (STI) targets are set for all Group Executives and General Managers, and are based on the nature of the role and market competitiveness. An individual s performance against their objectives drives the quantum of any STI payment, which can range from 0% to 200% of their STI target. STI outcomes reflect performance against those objectives and discretionary adjustments recognising performance consistency and an executive s demonstration of our values, through quality of leadership, personal integrity and contribution to the executive team.

STIs for Group Executives and General Managers are managed within the overall Westpac variable reward pool. The variable reward pool is calculated as a percentage of the Group s Economic Profit in accordance with a Remuneration Committee-approved formula.

b) Post-employment benefits (Superannuation)

Executives are generally provided with superannuation, at up to 9% of eligible salary, through one of our staff superannuation funds, or for some executives through an eligible fund of their choice. During the year, four Group Executives were members of a legacy defined benefit superannuation fund.

c) Share-based payments

Share-based reward is a key tool in enabling the achievement of superior and sustainable performance. Westpac currently uses a number of equity plans to align long-term performance with shareholder interests.

Long-term incentives

Westpac Reward Plan (WRP)

The WRP is a performance option plan approved by shareholders at Westpac s 2006 Annual General Meeting. Its purpose is to provide Westpac with an enhanced mechanism for driving superior long-term performance. It is targeted at our most senior management, being the group of executives and selected senior managers in Australia and overseas, as determined by the Board from time to time (Eligible Senior Employees), whose responsibilities provide them with the opportunity to significantly influence long-term shareholder value. A performance option is the right to buy a share in the future, at the exercise price, subject to meeting the agreed performance hurdles. The exercise price of the performance option is the average market price of Westpac shares over the five trading days up to the date the offer is made.

At the end of each financial year, Eligible Senior Employees are considered for an invitation to participate in the WRP. While target grant values are set at the beginning of the financial year, actual invitations are performance dependent and subject to discretion. The first awards under the WRP are scheduled to be made in December 2007.

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(1) Salary sacrifice means using fixed remuneration on a pre-tax basis to receive certain benefits such as superannuation contributions.

(2) Division identifies the business segments within Westpac. Below CEO, Westpac is divided into Business Financial Services, BT Financial Group, Consumer Financial Services, Westpac Institutional Bank and Westpac New Zealand. These Divisions are supported by corporate units including Business and Technology Solutions and Services, People and Performance, Risk, and Strategy & Finance.

(3) For the Group, Economic Profit is defined as cash earnings less a capital charge calculated at 10.5% of average ordinary equity plus 70% of the estimated value of franking credits generated.

Total Shareholder Return (TSR)(1) is the basis for the performance hurdles of the WRP as it ensures a link to shareholder value creation, and is considered to be an appropriate measure over the long-term. Westpac s TSR relative to that of other companies (relative TSR) is used to ensure our executives are rewarded only when Westpac outperforms against the peer group of companies. An external consultant measures Westpac s TSR performance relative to the peer group. These TSR results are then provided to the Board or its delegate to determine vesting outcomes. The TSR ranking group is provided in the Glossary.

The key WRP features are provided in the table below:

Instrument	Performance options, with an exercise price set at the time of invitation based on the prevailing market price of Westpac shares and an expiry date ten years after grant.
Performance testing	The vesting framework has been designed to encourage a focus on longer-term performance. Initial performance testing occurs after three years with retesting at years four and five. Performance options vest only if the TSR ranking is at or above median, scaling up to full vesting if the TSR ranking is at or above the 75th percentile.
Lapse of performance options	Performance options will lapse where an executive leaves the Westpac Group due to resignation or dismissal before vesting occurs unless the Board determines otherwise. Unexercised performance options (whether vested or unvested) will lapse where an executive acts fraudulently or dishonestly or is in material breach of their obligations under the WRP or to Westpac, unless the Board determines otherwise. Any performance options remaining unvested at the final test date lapse immediately.

Hedging policy - It is a condition of participation in the WRP (and all other Westpac share-based remuneration) that executives may not enter into any hedging transaction, whether directly or indirectly, in relation to any unvested securities. Failure to comply will render the securities liable to forfeiture under the plan rules.

Restricted Share Plan (RSP)

The RSP is a share plan focused on attraction and retention of talent. It was approved by shareholders at Westpac s 2006 Annual General Meeting. Under the RSP, restricted Westpac shares (RSP Shares) are granted to employees in various circumstances, including:

annually, for deferral of a percentage of STIs for Australian-based executives, for a two year period;

annually, for retention of Australian-based employees below General Manager level, based on their assessed performance and potential, with RSP Shares being restricted for between two and three years; and

from time to time, where a sign-on award or additional retention incentive is required, with RSP Shares being restricted for at least 12 months.

RSP Shares rank equally with Westpac shares for dividends and voting rights from the date of grant, and may be held in the RSP for a maximum of ten years from the date of grant.

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

Westpac Performance Plan (WPP)

Senior executives received performance options and/or performance share rights (which are options with a nil exercise price) under the WPP until December 2006, after which the WPP was replaced by the WRP. Existing performance options and performance share rights under the WPP continue to run their course. The WPP continues to be used for key employees based outside Australia, who in 2007 received unhurdled options or unhurdled share rights, depending on their location, restricted for two to three years.

Performance options and performance share rights vest after a period of two to five years, but only if relative TSR performance hurdles have been met. Relative TSR is measured by an external consultant. Unhurdled options and unhurdled share rights vest after a set period of service with the Group. Vested options and vested share rights can be exercised up to a maximum of ten years from the date they are granted.

For performance options and performance share rights, relative TSR for the grant is assessed at each performance test date and 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. Where the employee chooses at a test date to vest any of the securities granted, any securities that do not vest at that time are forgone. Performance options and performance share rights vest only if the TSR ranking is at or above the median, scaling up to full vesting if the TSR ranking is at or above the 75th percentile.

For WPP performance options and performance share rights granted from December 2005, 50% of each award is assessed against a group of financial sector organisations, and the other 50% against a group of 50 companies from the largest 100 ASX listed companies (excluding Westpac). Examples of the TSR ranking groups are shown in the Glossary. During 2007, twelve allocations of securities reached their first test dates, with one performance at the 52nd percentile, one at the 54th percentile, and the remaining ten allocations below the median. Nine allocations reached their second test dates during the year, and a further three allocations met their third test date, with the performance for all below the median. In 2007, where performance has been above the median but below the 75th percentile, 100% of employees have chosen to vest their securities and not extend the performance period.

Other employee equity plans

Deferral Share Plan (DSP)

The DSP was introduced in 2002 so that eligible employees would have the opportunity to elect to receive any prospective STI as Westpac shares. The shares are acquired on-market at the current market price with the acquisition costs borne by the individual. Shares must generally remain in the DSP for at least 12 months, and can remain for up to 10 years.

Shares in the DSP do not have any additional performance criteria in order to vest, given that performance conditions for the STI payment are retrospective and met before the granting of shares.

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(1) TSR measures a company s share price movement and accumulated dividend yields over the relevant measurement period (ie the change in value of an investment in that company s shares) and excluding tax effects.

Australian-based Non-executive Directors may opt each year to receive a percentage of their fees in Westpac shares under the DSP. Eligibility for the DSP includes the CEO.

Employee Share Plan (ESP)

The ESP was introduced in 2002. Under the ESP, Westpac shares may be allocated to eligible employees at no cost in recognition of their contribution to our performance over the previous financial year. The ESP operates as a tax-exempt scheme, with a maximum $1,000 value allocation per employee each year. The actual allocation depends on the performance of our share price over the 12 months to 30 September each year. Dealing in the shares in the ESP is restricted for 3 years, except where the employee leaves Westpac.

All Australian-based employees who have six months continuous employment as at 30 September each year are eligible to apply each year to receive Westpac shares under the ESP. Executives who have participated in the WPP, WRP or RSP, and the Directors, are not eligible to participate in the ESP.

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.

d) Remuneration mix

Total reward levels for executives aim to provide market competitive rewards for superior performance against key financial industry peers and, where appropriate, other large organisations.

An appropriate target reward mix is determined for each management level, with at risk rewards increasing with the level of responsibility and the criticality of the person s role. The target ranges applicable to each group are:

	Fixed Remuneration	**STI(1)**	**LTI**
Chief Executive Officer	25%	29%	46%
Group Executives(2)	20 to 40%	45 to 60%	15 to 20%
General Managers(2)	20 to 60%	32 to 64%	8 to 16%

(1) From 2007 Group Executives and General Managers are required to defer 25% of actual STI for two years. Brad Cooper is not required to defer any of his STI relating to his first six months of employment.

(2) For each executive the components of actual remuneration add to 100%.

5. Linking reward with performance

Our remuneration policy links the remuneration of all executives, as well as the broader employee population, with our short-term and long-term performance. The Remuneration Committee approves the overall share of Economic Profit distributed to employees, based on the Group s performance.

Company financial performance and Variable Reward

For 2007, Group Economic Profit target performance levels were exceeded, with cash earnings also ahead of target. Our variable reward expenditure is monitored against Economic Profit with actual expenditure capped as a percentage of Economic Profit.

In 2007, the variable reward pool represented approximately 13.2 % of Economic Profit before variable reward expenditure.

Company financial performance and LTIs

Executives receive LTIs where vesting depends on TSR. TSR is based upon share price movement and dividends paid, as well as allowing for any cash distribution under a return of capital to shareholders of any entity in each TSR ranking group under the plan, and is measured over three to five year periods. Our share price and dividend performance for the past five financial years is shown below.

	2003(1)	2004	2005	2006	2007
Three year TSR to 30 September	49.4%	40.7%	48.8%	60.6%	85.7%
Dividends per Westpac share	78 cents	86 cents	100 cents	116 cents	131 cents
Cash earnings per Westpac share	$ 1.25	$ 1.39	$ 1.55 (AGAAP)		
			$ 1.52 (A-IFRS)	$ 1.67 (A-IFRS)	$ 1.89
Share price high	$ 17.14	$ 18.28	$ 21.40	$ 25.35	$ 28.69
Share price low	$ 12.83	$ 15.00	$ 17.52	$ 20.14	$ 22.53
Share price close	$ 16.20	$ 17.73	$ 21.10	$ 22.71	$ 28.50

(1) The closing Westpac share price for the 2002 year (30 September 2002) was $13.85.

The five year Westpac TSR to 30 September 2007 is 123%. For example, a $100 investment in Westpac five years ago would have returned $223 to the shareholder.

6. Chief Executive Officer s employment arrangements

David Morgan

David Morgan s contract (Chief Executive Employment Agreement) was renewed effective 1 March 2004 and is for a fixed term to 31 December 2007. After 18 years with the Group, David Morgan will step down on 31 January 2008, prior to Gail Kelly taking up the role of CEO and Managing Director of the Westpac Group from 1 February 2008.

A summary of the key terms of David Morgan s contract was lodged with the ASX Limited on 14 August 2003. The performance and remuneration features are as follows:

a) Short-term employment benefits

David Morgan s remuneration consists of fixed and variable components.

Fixed remuneration

Fixed remuneration is set at $1.7 million per annum for the term of the contract. There is the opportunity to salary sacrifice for certain employee benefits consistent with our salary sacrifice policy, as well as Westpac shares under the DSP, consistent with the policy for the other Directors.

Short-term incentives

An annual STI payment may be granted if performance criteria determined by the Board are met. A dollar based payment target is specified in the contract as a percentage of fixed remuneration. The actual STI paid to the CEO for each year is determined by the Board based on performance against financial and non-financial objectives, within a range of 0% to 200% of target. For the 2007 performance year, the CEO s STI target was 130% of his fixed remuneration.

For 2007, the Board established performance targets for the CEO relating to Westpac Group Economic Profit, employee commitment, customer-related measures for both retail and wholesale clients, and corporate responsibility and reputation. In addition, several discretionary measures are provided as a guideline for the Board in determining the CEO s STI payment. In 2007 they included additional financial health measures, occupational health and safety, and risk management and compliance. The indicators chosen are considered to be the best measures of financial and non-financial Group achievement.

Following the financial year end the Board is provided with the financial and non-financial information relating to the CEO s performance. Based on this information the Board determines the level of STI to be made to the CEO.

For the year ended 30 September 2007, the Board determined that the CEO s STI payment would be $3,757,000 which is 170% of the payment target specified in his contract. This payment was calculated based on performance against objectives and the Board s exercise of discretion.

b) Post-employment benefits (Superannuation)

Until 2 August 2007, David Morgan was a member of the defined benefit section of Westpac s main staff superannuation fund. Under the terms of his contract, he was required to make a 5% contribution each year towards his superannuation benefits and Westpac met the remainder of the cost.

The closure of David Morgan s defined benefit membership occurred in accordance with amended superannuation fund rules that apply to all defined benefit members. From 3 August 2007, David Morgan has been entitled to receive superannuation contributions of 9% of his fixed remuneration in accordance with general Westpac policy.

c) Share-based payments (including LTI)

David Morgan currently holds performance options and performance share rights received under the Chief Executive Securities Agreement 2003. This agreement was approved by shareholders at Westpac s Annual General Meeting on 11 December 2003.

The agreement, which only results in rewards if shareholders have benefited from Westpac s performance, provided for:

the grant of performance options in three separate tranches of 713,000 on 1 March 2004, 1 March 2005, and 1 March 2006, and a fourth tranche of 594,167 performance options on 1 December 2006; and

the grant of performance share rights in three separate tranches of 218,000 on 1 March 2004, 1 March 2005, and 1 March 2006, and a fourth tranche of 181,667 performance share rights on 1 December 2006.

Performance is tested once only for each tranche, three years from grant (or in the case of the 1 December 2006 tranche, on 1 March 2010). TSR is the basis for the performance measurement as it ensures a link to the creation of shareholder value, and is considered to be an appropriate measure over the long-term. Relative TSR performance was chosen with the aim of delivering superior TSR compared to Westpac s peers.

Performance options or performance share rights vest only if Westpac s TSR is at or above the median of the ranking group, with full vesting where TSR ranking is at the 75th percentile. Vesting is on a straight line basis between the median and the 75th percentile. An example of the TSR ranking group is provided in the Glossary.

To date, only the 1 March 2004 tranche has reached a performance test date (1 March 2007). At that test date Westpac s TSR was below the median of the ranking group and as a result all of the 1 March 2004 tranche lapsed.

An external consultant measures Westpac s TSR performance relative to the applicable ranking group, and TSR results are provided to the Board or its delegate to determine the proportion of each award that may vest in line with the terms of the Chief Executive Securities Agreement 2003.

Prior to his appointment to the role of CEO, David Morgan was awarded 500,000 stock appreciation rights. These stock appreciation rights were granted on 2 September 1997 at a nominal price of $7.89 per right (issue price) and vested in September 2000 following the achievement of specific performance conditions. The stock appreciation rights allow the holder to receive a cash payment equal to the difference between the issue price and the closing price of Westpac s shares on the ASX on the date the rights are exercised. Half the vested stock appreciation rights were exercised in May 2006, and the remainder were exercised in November 2006.

The award of stock appreciation rights formed part of David Morgan s 1997 remuneration. Where an equity-linked LTI is cash-settled, as the stock appreciation rights are on eventual exercise, we are required to disclose the movement in value each year. For the year ended 30 September 2007 the movement in value of the remaining stock appreciation rights prior to exercise was $372,500 ($1,280,000 in 2006).

d) David Morgan s retirement

David Morgan s contract provides for the payment of statutory entitlements and reimbursement of reasonable business expenses when his employment ceases. The rights accruing for LTI under the Chief Executive Securities Agreement 2003 on termination were disclosed to the market in an ASX announcement in 2003.

In the event of earlier termination, the contract provides for an insured benefit to be paid on death or total and permanent disablement, and the Board has the discretion to pay an additional amount in the event of disablement. If David Morgan were to resign with Board consent or be terminated without cause or for poor performance prior to his retirement date, the contract also provides for payment of up to an additional 12 months fixed remuneration.

e) Appointment of Gail Kelly

On 17 August 2007, we announced the appointment of Gail Kelly as Managing Director and CEO, and disclosed the terms of her remuneration arrangements. Gail Kelly will commence on 1 February 2008, with a continuing contract with no fixed term. Her equity-based remuneration will be put to shareholders for approval at the 2007 Westpac Annual General Meeting.

7. Group Executives and highest paid executives employment arrangements

The remuneration disclosures prescribed by section 300A of the Corporations Act have been provided in respect of all our Group Executives during the 2007 year. Although not a Group Executive, Curt Zuber, Westpac Group Treasurer, has also been included in this remuneration report, as required under section 300A of the Corporations Act.

Remuneration and other employment terms for the Group Executives, such as provision for performance-related incentives, and death and total and permanent disablement cover, are formalised in their employment contracts. Group Executive employment contracts are unlimited in term but capable of termination on up to 12 months notice (this excludes the CEO). Westpac retains the right to terminate the contract immediately by making a payment in lieu of notice.

Certain Group Executives, because of grandfathered contractual benefits or due to individual circumstances, have different provisions in their contracts relating to remuneration and notice periods. These are set out below:

Executive	Description
Ilana Atlas	In the event of termination of employment without cause up to six months after change of control of Westpac, payment in lieu is based on 1.5 times fixed remuneration package.
Andrew Carriline	Six month notice period. Acting in role.

Philip Chronican	Salary for defined benefit superannuation purposes includes annual STI payments (if any).
Rob Coombe	In the event of termination of employment without cause up to six months after change of control of Westpac, payment in lieu is based on 1.5 times fixed remuneration package.
Brad Cooper	Six month notice period. In the event of retrenchment or termination of employment without cause following a change in control or ownership of Westpac New Zealand Limited, payment in lieu is based on 12 months fixed remuneration package. Provisions relating to relocation from London to Auckland, including accommodation and housing payments, relocation payments, car parking, telecommuting assistance, additional travel between Australia and New Zealand and taxation services.
Michael Pratt	In the event of termination other than for cause, entitled to a payment of approximately 1.7 times fixed remuneration. Provisions relating to permanent relocation from Melbourne to Sydney, including housing payments and relocation payments.
Diane Sias	Provisions for relocation costs from USA, transitional accommodation, travel, and taxation services.

Curt Zuber s employment terms and conditions are in line with other Westpac General Managers, including a six month notice period.

8. Executive remuneration details for the 2007 year

The remuneration of Westpac s CEO, Group Executives, and highest paid executives for the year ended 30 September 2007 is detailed in the following table.

		Short Term Benefits				Post Employment	Share-based Payment			
	Notes	Fixed Remuneration(1) $	Short Term Incentive (Cash)(2) $	Non-monetary Benefits(3) $	Other Short Term Benefits $	Superannuation Benefits $	Equity-settled Performance Options(4) $	Equity-settled Performance Share Rights(4) $	Total $	Percentage in Options(5) %
David Morgan, CEO & Managing Director										
2007	6,7	1,700,000	3,757,000	836		1,407,077	1,508,853	2,196,676	10,570,442	35
2006	6,7	1,700,000	2,040,000	836		1,289,139	1,579,166	1,703,131	8,312,272	39
Ilana Atlas, Group Executive, People and Performance										
2007		632,755	985,500	985		56,730	311,667	371,823	2,359,460	29
2006		623,275	510,000	3,353		55,887	316,433	398,123	1,907,071	37
Andrew Carriline, Acting Chief Risk Officer (from 26 April 2007)										
2007	8	538,226	547,500	787		48,301	111,054	127,100	1,372,968	17
Philip Chronican, Group Executive, Westpac Institutional Bank										
2007	6	744,517	1,886,250	836		472,658	691,285	866,310	4,661,856	33
2006	6	663,192	1,300,000	1,870		336,926	667,143	846,833	3,815,964	40
Philip Coffey, Chief Financial Officer										
2007		752,226	1,296,750	787		67,431	454,254	537,808	3,109,256	32
2006		714,561	950,000	2,405		64,063	473,962	577,290	2,782,281	38
Rob Coombe, Chief Executive Officer, BT Financial Group										
2007		644,725	1,877,000	787		55,508	302,605	394,730	3,275,355	21
2006		587,615	1,220,000			52,666	270,864	337,003	2,468,148	25
Michael Coomer, Group Executive, Business and Technology Solutions and Services (retired 3 August 2007)										
2007		605,505	839,000	117,108		55,122	495,353	622,117	2,734,205	41
2006		717,890	950,000	129,348		64,351	462,448	588,106	2,912,143	36
Brad Cooper, Group Executive, New Zealand (commenced 2 April 2007)										
2007	9	403,670	952,000	652,103	220,000	35,634		72,843	2,336,250	3
Peter Hanlon, Group Executive, Business Financial Services (from 1 March 2007)										
2007	6,10,11	542,049	753,000	836		92,028	235,864	260,697	1,884,474	26
Michael Pratt, Group Executive, Consumer Financial Services										
2007	11	1,024,363	1,559,250	472,163			694,760	838,324	4,588,860	33
2006		863,669	975,000	474,081			674,283	876,670	3,863,703	40
Ann Sherry, Group Executive, New Zealand and Pacific Banking (until 15 June 2007)										
2007	6,12	424,875	510,296	351,664	577,705	189,409	419,704	510,021	2,983,674	31
2006	6	562,375	625,000	298,398		221,933	419,883	524,675	2,652,264	36
Diane Sias, Group Executive, Business and Technology Solutions and Services (commenced 10 September 2007)										
2007		40,138		99,511		3,100			142,749	
Rob Whitfield, Group Executive, Risk (until 25 April 2007)										
2007	13	561,353	982,500	787		48,530	274,276	355,906	2,223,352	28
2006	13	602,133	950,000			53,960	241,248	298,500	2,145,841	25

Curt Zuber, Group Treasurer									
2007	6	443,268	2,728,500	1,949	63,142	141,491	211,135	3,589,485	10
2006	6	419,887	2,250,000	1,750	42,443	82,194	242,675	3,038,949	11

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

(2) STI figures reflect annual cash performance awards accrued but not yet paid, with the exceptions of Michael Coomer and Ann Sherry who have left Westpac, in respect of the specified year ended 30 September 2007. For the CEO, 100% of the STI for the year ended 30 September 2007 is payable in December 2007. For Group Executives and General Managers the amount shown represents 75% of the total STI, which is payable in December 2007, with the remaining 25% to be received as Westpac shares under the RSP, restricted for two years, other than for Brad Cooper as noted in section 4.(d).

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

(4) 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 2007. Details of grants in prior years have been disclosed in previous annual reports and the assumptions used in valuing securities granted in 2007 are summarised in the notes to the table in section 8.(a). Fair value , is defined by accounting standards as the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm s-length transaction . Accounting standards set out specific requirements in relation to the calculation of fair value of equity-settled remuneration. Westpac complies with all relevant requirements.

(5) For this purpose, options includes equity-settled performance options, performance share rights and unhurdled share rights.

(6) Superannuation benefits have been calculated consistent with AASB 119. 2006 figures for David Morgan, Philip Chronican and Ann Sherry have been restated following clarification of the application of AASB 119.

(7) Final Average Salary for superannuation purposes has been impacted by the exercise of stock appreciation rights in May and November 2006.

(8) Prior to his appointment on 26 April 2007, Andrew Carriline was General Manager, Enterprise Business Services. Andrew Carriline s remuneration for the full 2007 performance year has been disclosed.

(9) The amount under Other Short Term Benefits for Brad Cooper represents a sign-on payment.

(10) Prior to his appointment as Group Executive Business Financial Services on 1 March 2007, Peter Hanlon was General Manager, Business Financial Services. Peter Hanlon s remuneration for the full 2007 performance year has been disclosed.

(11) Business and Consumer Banking was split on 1 March 2007 into Business Financial Services and Consumer Financial Services.

(12) The amount under Other Short Term Benefits for Ann Sherry relates to her leaving Westpac employment.

(13) Rob Whitfield held the role of Group Executive, Risk from 1 December 2005 to 25 April 2007, at which time he stepped down from the executive team. We have disclosed Rob Whitfield s remuneration for the full 2006 performance year and the full 2007 performance year.

a) Equity-settled remuneration granted during the year

Key features of instruments granted during the year:

	Grant Date	First Possible Vesting Date	Exercise Price $	Expiry	Fair Value Per Instrument $
CEO performance option(1)	1 December 2006	1 March 2010	24.18	30 November 2016	2.41
CEO performance share right(1)	1 December 2006	1 March 2010		30 November 2016	11.41
WPP performance option, general peer group	15 December 2006	15 December 2009	23.98	15 December 2016	2.74
WPP performance option, finance peer group	15 December 2006	15 December 2009	23.98	15 December 2016	2.68
WPP performance share right, general peer group	15 December 2006	15 December 2008		15 December 2016	13.74
WPP performance share right, finance peer group	15 December 2006	15 December 2008		15 December 2016	13.54
WPP share right	1 May 2007	1 May 2010		1 May 2017	23.67

(1) Grants made to David Morgan under the Chief Executive Securities Agreement 2003.

Grants made during the year

	Number Vested During the Year	Instruments Granted During the Year(1)	Number Granted During the Year	Fair Value Granted $	Total Fair Value Granted During the Year $ (2)
David Morgan	Nil	CEO Performance option	594,167	1,431,942	3,504,762
		CEO Performance share right	181,667	2,072,820	
All of the following grants were made under the WPP					
Ilana Atlas	Nil	Performance option, general peer group	50,833	139,282	561,419
		Performance option, finance peer group	48,878	130,993	
		Performance share right, general peer group	11,002	151,167	
		Performance share right, finance peer group	10,338	139,977	
Andrew Carriline	Nil	Performance option, general peer group	20,833	57,082	230,091
		Performance option, finance peer group	20,032	53,686	
		Performance share right, general peer group	4,509	61,954	
		Performance share right, finance peer group	4,237	57,369	
Philip Chronican	Nil	Performance option, general peer group	120,166	329,255	1,327,208
		Performance option, finance peer group	115,544	309,658	
		Performance share right, general peer group	26,010	357,377	
		Performance share right, finance peer group	24,440	330,918	
Philip Coffey	Nil	Performance option, general peer group	76,250	208,925	842,158
		Performance option, finance peer group	73,317	196,490	
		Performance share right, general peer group	16,504	226,765	
		Performance share right, finance peer group	15,508	209,978	
Rob Coombe	Nil	Performance option, general peer group	67,916	186,090	750,111
		Performance option, finance peer group	65,304	175,015	
		Performance share right, general peer group	14,700	201,978	
		Performance share right, finance peer group	13,813	187,028	
Michael Coomer	207,618 Performance options	Performance option, general peer group	95,833	262,582	1,058,453
		Performance option, finance peer group	92,147	246,954	
	46,435 Performance share rights	Performance share right, general peer group	20,743	285,009	
		Performance share right, finance peer group	19,491	263,908	

Brad Cooper	Nil	Unhurdled share rights	22,045	521,805	521,805
Peter Hanlon	Nil	Performance option, general peer group	28,166	77,175	311,073
		Performance option, finance peer group	27,083	72,582	
		Performance share right, general peer group	6,096	83,759	
		Performance share right, finance peer group	5,728	77,557	
Michael Pratt	Nil	Performance option, general peer group	116,666	319,665	1,288,544
		Performance option, finance peer group	112,179	300,640	
		Performance share right, general peer group	25,252	346,962	
		Performance share right, finance peer group	23,728	321,277	
Ann Sherry	23,855 Performance options	Performance option, general peer group	71,666	196,365	791,538
		Performance option, finance peer group	68,910	184,679	
	8,566 Performance share rights	Performance share right, general peer group	15,512	213,135	
		Performance share right, finance peer group	14,576	197,359	
Rob Whitfield	Nil	Performance option, general peer group	62,500	171,250	690,289
		Performance option, finance peer group	60,096	161,057	
		Performance share right, general peer group	13,528	185,875	
		Performance share right, finance peer group	12,711	172,107	
Curt Zuber	Nil	Performance option, general peer group	33,333	91,332	368,151
		Performance option, finance peer group	32,051	85,897	
		Performance share right, general peer group	7,215	99,134	
		Performance share right, finance peer group	6,779	91,788	

(1) Performance options and performance share rights were granted to David Morgan under the Chief Executive Securities Agreement 2003. Performance options, performance share rights and unhurdled share rights were granted to the other disclosed executives under the WPP.

(2) The fair value of performance options and performance share rights included in the tables above have been independently calculated at grant date using a Binomial/Monte Carlo simulation pricing model. The assumptions included in the valuation of the 1 December 2006 awards to the CEO include a risk free interest rate ranging from 5.56% to 5.81% (depending on the expected life of the instrument), a dividend yield on Westpac shares of 4.8% and a volatility in the Westpac share price of 15%. The assumptions included in the valuation of the 15 December 2006 awards under the WPP include a risk free interest rate ranging from 5.76% to 6.02% (depending on the expected life of the instrument), a dividend yield on Westpac shares of 4.8% and a volatility in the Westpac share price of 15%. 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 and performance share rights have been valued assuming an expected life after the vesting date of up to one year. The fair value of unhurdled share rights was calculated as the market price of the underlying shares at grant adjusted for the value of expected dividends forgone at the assumed rate of 4.6% for the period between grant and vesting (three years). The amounts, when aggregated in this table, do not reconcile with the amounts shown in the other tables in section 8 which show amortised totals of LTI awards over their vesting period.

b) Value of equity-settled remuneration exercised and lapsed

The value of equity-settled remuneration exercised and lapsed during 2007 is shown below. Exercise is only possible to the extent that performance hurdles have been met. Lapses occur during the year where some or all of an executive s performance options and performance share rights fail to vest at a test date, or where an executive leaves Westpac. The performance levels achieved during the year where performance was tested and reached the minimum performance hurdle resulted in lapse rates of between 30% and 100%.

The values in excess of exercise price have been calculated by taking the difference between the exercise price of the performance option or performance share right and the five day weighted average Westpac share price on the date the transaction (exercise or lapse) occurred. This methodology differs from the method for calculating the fair value of performance options and performance share rights included in other tables in this report and care should be taken in interpreting the following amounts, especially if seeking to aggregate them with other remuneration amounts disclosed.

Figures in the table may not be able to be fully reconciled due to rounding of reporting values for individual securities.

	Date of Grant	Date of Exercise/Lapse	Number	Exercise Price $	Value (in Excess of Exercise Price) $	Value Exercised During the Year from Previous Grants $	Value Lapsed During the Year from Previous Grants $
David Morgan	1 March 2004	1 March 2007	713,000	16.71	9.16		6,531,080
	1 March 2004	1 March 2007	218,000		25.87		5,639,660
Ilana Atlas	3 April 2000	14 November 2006	94,186	10.75	14.01	1,319,546	
	23 April 2001	14 November 2006	90,910	13.67	11.09	1,008,192	
	9 January 2002	14 November 2006	172,340	14.70	10.06	1,733,740	
	20 January 2003	14 November 2006	72,141	13.59	11.17	805,815	
	20 January 2003	14 November 2006	18,944		24.76	469,053	
Andrew Carriline	29 December 1999	2 July 2007	20,000	9.53	16.08	321,600	
	23 April 2001	2 July 2007	25,000	13.50	12.11	302,750	
	20 January 2003	2 July 2007	18,186	13.59	12.02	218,596	
Philip Chronican	20 January 2003	14 November 2006	163,681	13.59	11.17	1,828,317	
Philip Coffey	9 January 2002	14 November 2006	129,255	14.70	10.06	1,300,305	
	6 August 2002	2 July 2007	46,809	16.03	9.58	448,430	
Rob Coombe	20 January 2003	14 November 2006	95,000	13.59	11.17	1,061,150	
Michael Coomer	21 January 2004	3 August 2007	183,150	16.34	9.49		1,738,094
	20 January 2005	3 August 2007	200,348	18.98	6.85		1,372,384
	20 December 2005	3 August 2007	34,228	20.53	5.30		181,408

	15 December 2006	3 August 2007	32,583	23.98	1.85	60,279
	20 December 2005	3 August 2007	115,646	20.53	5.30	612,924
	15 December 2006	3 August 2007	27,644	23.98	1.85	51,141
	21 January 2004	3 August 2007	50,761		25.83	1,311,157
	20 January 2005	3 August 2007	51,247		25.83	1,323,710
	20 December 2005	3 August 2007	8,186		25.83	211,444
	15 December 2006	3 August 2007	7,053		25.83	182,179
	20 December 2005	3 August 2007	27,243		25.83	703,687
	15 December 2006	3 August 2007	5,847		25.83	151,028
Ann Sherry	21 January 2004	15 June 2007	178,571	16.34	9.14	1,632,139
	20 January 2005	15 June 2007	182,926	18.98	6.50	1,189,019
	20 December 2005	15 June 2007	72,621	20.53	4.95	359,474
.	15 December 2006	15 June 2007	71,666	23.98	1.50	107,499
	20 December 2005	15 June 2007	97,789	20.53	4.95	484,056
	15 December 2006	15 June 2007	68,910	23.98	1.50	103,365
	21 January 2004	15 June 2007	49,492		25.48	1,261,056
	20 January 2005	15 June 2007	46,791		25.48	1,192,235
	20 December 2005	15 June 2007	14,507		25.48	369,638
	15 December 2006	15 June 2007	15,512		25.48	395,246
	20 December 2005	15 June 2007	23,036		25.48	586,957
	15 December 2006	15 June 2007	14,576		25.48	371,396

The information in this paragraph is required to be disclosed under the Corporations Act. However, the Board considers that the aggregated information does not reflect actual remuneration received by the named executives. Notably, this requirement has been removed from the Corporations Act with effect from the next reporting period. The aggregate of value exercised, value lapsed, and value granted during the year for the specified executives is: David Morgan $15,675,502; Ilana Atlas $5,897,766; Andrew Carriline $1,073,037; Philip Chronican $3,155,525; Philip Coffey $2,590,893; Rob Coombe $1,811,261; Michael Coomer $8,957,888; Brad Cooper $521,805; Peter Hanlon $311,073; Michael Pratt $1,288,544; Ann Sherry $8,843,618; Rob Whitfield $690,289; Curt Zuber $368,151.

c) Options & share rights holdings

The following table does not include performance options and performance share rights in respect of the 2007 remuneration review as these had not been issued at 30 September 2007.

	Type of Equity-Based Instrument	Number Held at Start of Year	Number Granted During the Year as Remuneration	Number Exercised During the Year	Number Lapsed During the Year	Number Held at End of Year	Number Vested and Exercisable at End of Year
David Morgan	Performance option	2,139,000	594,167		713,000	2,020,167	
	Performance share right	654,000	181,667		218,000	617,667	
Ilana Atlas	Performance option	851,720	99,711	429,577		521,854	
	Performance share right	127,258	21,340	18,944		129,654	
Andrew Carriline	Performance option	204,025	40,865	63,186		181,704	
	Performance share right	36,107	8,746			44,853	
Philip Chronican	Performance option	1,049,224	235,710	163,681		1,121,253	
	Performance share right	225,898	50,450			276,348	
Philip Coffey	Performance option	922,386	149,567	176,064		895,889	127,308
	Performance share right	159,162	32,012			191,174	
Rob Coombe	Performance option	452,273	133,220	95,000		490,493	26,246
	Performance share right	115,573	28,513			144,086	31,839
Michael Coomer	Performance option	728,420	187,980		593,599	322,801	322,801
	Performance share right	156,538	40,234		150,337	46,435	46,435
Brad Cooper	Share right		22,045			22,045	
Peter Hanlon	Performance option	347,986	55,249			403,235	
	Performance share right	89,487	11,824			101,311	
Michael Pratt	Performance option	924,209	228,845			1,153,054	
	Performance share right	236,811	48,980			285,791	
Ann Sherry	Performance option	555,762	140,576		672,483	23,855	23,855
		142,392	30,088		163,914	8,566	8,566

	Performance share right				
Rob Whitfield	Performance option	323,692	122,596	446,288	
	Performance share right	82,809	26,239	109,048	
Curt Zuber	Performance option	128,545	65,384	193,929	
	Performance share right	62,601	13,994	76,595	

d) *Westpac share holdings*

	Number Held at Start of Year	Number Received on Exercise of Equity Instruments	Other Changes During the Year	Number Held at End of Year	Number Held Non-Beneficially at Start of Year	Number Held Non-Beneficially at End of Year
David Morgan	1,958,186		(800,000)	1,158,186		
Ilana Atlas	13,089	448,521	647	462,257	2,000	2,000
Andrew Carriline	14,855	63,186	(63,186)	14,855		
Philip Chronican	460,000	163,681		623,681		
Philip Coffey	222,285	176,064	(114,727)	283,622		
Rob Coombe	37,493	95,000	25,548	158,041		
Michael Coomer(1)	61,280		(18,065)			
Peter Hanlon	28,758		(1,397)	27,361		
Michael Pratt	9,708		1,821	11,529		
Ann Sherry(1)	286,025					
Rob Whitfield(1)	269,225					
Curt Zuber	20,301			20,301		

(1) Michael Coomer and Ann Sherry left Westpac, and Rob Whitfield stepped down from the executive team, prior to 30 September 2007.

Brad Cooper and Diane Sias held no Westpac shares during the year.

9. Non-executive Director remuneration

a) *Policy*

The Board s focus is on strategic direction, long-term corporate performance and the creation of shareholder value. As a consequence, Non-executive Director fees are not directly related to Westpac s short-term results and Non-executive Directors do not participate in Westpac s incentive schemes.

The structure of fees for Non-executive Directors recognises the competitive pressures of the market place and the need to attract and retain appropriately experienced and qualified Board members. The Board accepts that Non-executive Directors fees must not place an inappropriate burden on our finances. However we operate in a complex market, and the duties and obligations of the Non-executive Directors are increasingly onerous. When fee reviews are undertaken, the Board considers the performance of Westpac and seeks the advice of independent remuneration consultants to ensure market alignment.

The Board believes that a smaller sized Board is more effective for teamwork and decision making. This places high workload on individuals.

b) *Framework*

The fee framework for Non-executive Directors is reviewed periodically by the Board taking into account market rates and director workload, given the small size of the Board. The most recent review was completed in May 2007, with the resulting fee framework set out in the table below.

For the reporting period up until 7 May 2007, Non-executive Directors (excluding the Chairman) received a base fee and additional amounts to recognise Remuneration Committee Chairmanship. Further, Directors appointed on or before 3 July 2003 had their base fee reduced to recognise the individual level of future retiring allowance that was frozen effective December 2005 (February 2006 for Carolyn Hewson). The frozen allowances are indexed in line with average weekly ordinary time earnings, with the indexed amount paid at retirement.

For the reporting period from 7 May 2007, key changes to the Non-executive Director fee framework are as follows:

a single base fee for all Non-executive Directors replaced the previous range of individual fees;

an increased Chairman fee replaced the previous Chairman fee;

committee chair fees were increased in line with current market practice levels; and

a committee membership fee was introduced consistent with the fee structure applying for most major Australian listed companies and to recognise the significant contribution of committee members. The exception to this is the Nominations Committee, for which no additional fee is paid to any member.

The Chairman does not receive any committee fees.

Non-executive Director fees for the reporting period

		Annual rate from 7 May 2007	Annual rate from1 October 2006 to 6 May 2007
Base Fees			
Chairman	$	700,000	$547,888
Non-executive Directors	$	200,000	For Directors appointed after 3 July 2003 $189,063
			For Directors appointed on or before 3 July 2003 $189,063 reduced based on the individual level of the frozen retiring allowance
Committee Chairman Fees			
Audit Committee Chairman	$	50,000	$35,000
Risk Management Committee Chairman	$	50,000	$35,000
Remuneration Committee Chairman	$	45,000	$25,000
Corporate Responsibility & Sustainability Committee Chairman	$	40,000	$25,000
Committee Membership Fees			
Audit Committee member	$	25,000	
Risk Management Committee member	$	25,000	
Remuneration Committee member	$	20,000	
Corporate Responsibility & Sustainability Committee member	$	20,000	

Throughout the reporting period, additional fees for five Non-executive Directors were payable for membership on boards of subsidiaries or related entities, which vary according to the position held, the size, level and nature of business activity and the time commitment required. These fees are included in the table in section 9.(e).

We pay superannuation contributions in accordance with the Superannuation Guarantee legislation for all Non-executive Directors, except those who withdrew from superannuation guarantee coverage prior to 1 July 2007.

c) *Fee pool*

Non-executive Directors fees are determined within an aggregate Non-executive Directors fee pool limit, which is periodically approved by our shareholders. Shareholders last approved a pool of $3,000,000 at the 2006 Westpac Annual General Meeting. For the 2007 year, $2,200,743 (73%) of the fee pool was utilised.

d) *Equity participation*

Non-executive Directors do not receive options or share rights, although Australian-based Directors may elect each year to receive a percentage of their fees in Westpac shares acquired under the DSP. Non-executive Directors have voluntarily agreed to build up their shareholding in Westpac, equal in value to at least 100% of their annual base fees, generally over the course of their tenure, to align their interests with the long-term interests of shareholders.

e) Remuneration details for the 2007 year

Details of the nature and amount of each element of the remuneration of our Non-executive Directors for the year ended 30 September 2007 are as follows:

			Short Term Employment Benefits	Post Employment				
		Notes	Fees $	Superannuation Guarantee $	Retiring Allowance Accrued During the Year(1) $	Total $	Total Retiring Allowance Accrued $	Retiring Allowance Paid $
Ted Evans, Chairman (from 1 April 2007)								
	2007	2,4,7	528,913	12,758	16,535	558,206	404,739	
	2006	2,4,5,7	201,775	12,325	37,780	251,880	388,204	
Leon Davis, Chairman (retired 31 March 2007)								
	2007		273,944		22,500	296,444		1,488,507
	2006		534,619		76,883	611,502	1,466,007	
Elizabeth Bryan (appointed 6 November 2006)								
	2007	2,3,4,7	231,002	11,543		242,545		
Gordon Cairns	2007	2,3,4	231,845	12,758		244,603		
	2006	2,3	189,063	12,247		201,310		
David Crawford	2007	2,4	239,372	12,758	14,482	266,612	354,468	
	2006	2,4,5	202,203	12,325	37,539	252,067	339,986	
Carolyn Hewson	2007	2,4,8	250,793	12,758	11,927	275,478	280,548	
	2006	2,4,5	190,817	12,997	67,242	271,056	268,621	
Helen Lynch (retired 14 December 2006)								
	2007	2,4,6	70,659	4,043	4,095	78,797		634,593
	2006	2,4,5,6	219,399	12,325	35,440	267,164	630,498	
Peter Wilson	2007	2,3,4,7	294,838	12,758		307,596		
	2006	2,3	190,986	12,247		203,233		
Total Non-executive Directors - 2007			2,121,366	79,376	69,539	2,270,281	1,039,755	2,123,100
Total Non-executive Directors - 2006			1,728,862	74,466	254,884	2,058,212	3,093,316	

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

(2) We pay statutory superannuation guarantee contributions for any Non-executive Directors appointed after July 2003, and from 14 December 2005 for any Nonexecutive Directors appointed prior to July 2003.

(3) Not entitled to retiring allowance.

(4) Includes fees paid to Chairpersons and, from 7 May 2007, members of Board Committees.

(5) Westpac paid, to 14 December 2005, the superannuation guarantee charge in relation to its eligible Non-executive Directors appointed prior to July 2003. This amount is not included in calculations for the Non-executive Director fee pool, as it is a government charge.

(6) Includes fees for services provided as Chairperson of Westpac Staff Superannuation Plan.

(7) Includes fees for services provided as Director of Westpac New Zealand Limited.

(8) Includes fees for services provided as Director of BT Investment Management Limited.

Glossary

Employee Equity Plans - Relative TSR Ranking Groups

Chief Executive Securities Agreement 2003 ranking group	The largest 50 Australian listed companies at time of grant, excluding property trusts and specified resources companies. As at 30 September 2007, the most recently determined ranking group consisted of AGL Energy Limited, Allco Finance Group Limited, Amcor Limited, AMP Limited, Aristocrat Leisure Limited, Australia and New Zealand Banking Group Limited, ASX Limited, AXA Asia Pacific Holdings Limited, Babcock & Brown Limited, Babcock & Brown Infrastructure Group, Billabong International, Boral Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, Cochlear Limited, Coles Myer Ltd, Commonwealth Bank of Australia, Computershare Limited, CSL Limited, CSR Limited, Fairfax (John) Holdings Limited, Foster s Group Limited, Harvey Norman Holdings Limited, Insurance Australia Group Limited, James Hardie Industries NV, Leighton Holdings Limited, Lend Lease Corporation Limited, Macquarie Airports, Macquarie Bank Limited, Macquarie Infrastructure Group, Metcash Limited, National Australia Bank Limited, Orica Limited, Perpetual Limited, Publishing & Broadcasting Limited, Qantas Airways Limited, QBE Insurance Group Limited, Resmed Inc, Sonic Healthcare Limited, St George Bank Limited, Suncorp-Metway Limited, Tattersalls 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 and Woolworths Limited.
WRP peer group	The WRP ranking group will be comprised of the top 10 companies by market capitalisation at the time of grant, in the peer group. The peer group will be comprised of 13 selected Australian banking and financial sector companies. As at 30 September 2007 no grants had yet been made under the WRP.
WPP ranking groups	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 2007, the most recently determined ranking group consisted of AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Bendigo Bank Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Macquarie Bank Limited, National Australia Bank Limited, St George Bank Limited and Suncorp-Metway Limited. General ranking group The largest 50 Australian listed companies at time of grant, excluding property trusts, specified resources companies and those in the financial ranking group. As at 30 September 2007, the most recently determined ranking group consisted of ABC Learning Centres Limited, AGL Energy Limited, Allco Finance Group Limited, Amcor Limited, Aristocrat Leisure Limited, ASX Limited, Babcock & Brown Limited, Babcock & Brown Infrastructure Group, Billabong International, Boral Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, Cochlear Limited, Coles Myer Ltd, Computershare Limited, CSL Limited, CSR Limited, Dyno Nobel Limited, Downer EDI Limited, Fairfax (John) Holdings Limited, Foster s Group Limited, Goodman Fielder Limited, Harvey Norman Holdings Limited, James Hardie Industries NV, Leighton Holdings Limited, Lend Lease Corporation Limited, Lion Nathan Limited, Macquarie Airports, Macquarie Communications Infrastructure Group, Macquarie Infrastructure Group, Metcash Limited, Orica Limited, Perpetual Limited, Publishing & Broadcasting Limited, Qantas Airways Limited, QBE Insurance Group Limited, Resmed Inc, Sigma Pharmaceuticals Ltd, Sonic Healthcare Limited, Symbion Health Limited, Tattersalls 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.

9. Auditor

a) Auditor s independence declaration

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

Auditor s Independence Declaration

As lead auditor for the audit of Westpac Banking Corporation for the year ended 30 September 2007,

I declare that to the best of my knowledge and belief, there have been:

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

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

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

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D.H. Armstrong
Partner
PricewaterhouseCoopers

Sydney, Australia
1 November 2007

b) Non-audit services and independence

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 year are set out in the table below.

	2007 $ 000	2006 $ 000
Remuneration for audit related services	1,885	101
Remuneration for taxation services	167	187
Remuneration for other services	559	165
Total remuneration for non-audit services (including goods and services tax)	2,611	453

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 $4.9 million in total (2006 $4.5 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 and Audit governance and independence sections which forms part of this report.

The Board has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provisions of the non-audit services 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
Chairman
1 November 2007

David Morgan
Managing Director & Chief Executive Officer
1 November 2007

Directors and Group Executives

Directors

Our business is managed under the direction of the Board of Directors. Our constitution requires no more than 15 Non-executive Directors. In addition, up to three members of the Board may be Executive Directors. At 30 September 2007, the Directors were:

Name of Director	Year Appointed	Expiry of Current Term in Office
Ted Evans (Chairman)(1),(2),(3),(6)	2001	2007
David Morgan (Managing Director, CEO)(5),(7)	1997	2008(8)
Elizabeth Bryan(1),(2),(5)	2006	2009
Gordon Cairns(1),(2),(3),(4)	2004	2007
David Crawford(1),(2),(3),(4)	2002	2008(9)
Carolyn Hewson(1),(2),(3),(4)	2003	2009
Peter Wilson(1),(2),(3),(5)	2003	2009

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

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

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

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

(5) Member of the Corporate Responsibility and Sustainability Committee, which oversees and drives our commitment to operate our businesses ethically, responsibly and sustainably consistent with the evolving community expectations. The Committee reviews our social, environmental and ethical impacts, both direct and indirect. It also oversees initiatives to enhance our sustainability, sets standards for corporate responsibility and sustainability policies and practices and monitors compliance, monitors and oversees our reputational risks and reviews and approves the independent assurance of our corporate responsibility systems and non-financial reporting including the annual Stakeholder Impact Report.

(6) Appointed as Chairman on 1 April 2007.

(7) Appointed as Managing Director and CEO on 1 March 1999.

(8) As discussed in Section 8.6 of the Directors report, David Morgan will retire from Westpac on 31 January 2008.

(9) David Crawford will retire from the Westpac Board at the conclusion of the 2007 Annual General Meeting.

Term of Directors

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

Under our constitution any Director who attains 70 years of age during the year will be required to retire at the next AGM and is not eligible for appointment, election or re-election as a Director.

Changes in Board of Directors

Leon Davis retired as Chairman and Non-executive Director, effective 31 March 2007.

Elizabeth Bryan was appointed as a Non-executive Director, effective 6 November 2006.

Helen Lynch retired as a Non-executive Director, effective 14 December 2006.

Group Executives

As at 30 September 2007 our Group Executives were:

Name of Group Executive	Position	Year Joined Group	Year Appointed to Position
David Morgan	Managing Director and Chief Executive Officer	1990	1999
Ilana Atlas	Group Executive, People and Performance	2000	2002
Andrew Carriline	Acting Chief Risk Officer	1996	2007
Philip Chronican	Group Executive, Westpac Institutional Bank	1982	2005
Philip Coffey	Chief Financial Officer	1996	2005
Rob Coombe	Chief Executive Officer, BT Financial Group	2002	2005
Brad Cooper	Group Executive, Westpac New Zealand Limited	2007	2007
Peter Hanlon	Group Executive, Business Financial Services	1995	2007
Michael Pratt	Group Executive, Consumer Financial Services	2002	2002
Diane Sias	Group Executive, Business & Technology Solutions and Services	2007	2007

There are no family relationships between or among any of our Directors or Group Executives.

David Morgan, Chief Executive Officer, BEc, MSc, PhD. Age 60

David has extensive experience in the financial sector, having worked in the International Monetary Fund in Washington in the 1970s and the Federal Treasury in the 1980s where he headed all major areas before being appointed Senior Deputy Secretary. Since joining Westpac in 1990, he has had responsibility for all major operating divisions including Westpac Financial Services, Retail Banking, Commercial Banking, Corporate and Institutional Banking and International Banking. He was appointed to the Board in November 1997 prior to being appointed CEO in March 1999.

Ilana Atlas, Group Executive, People and Performance, BJur (Hons.), LLB (Hons.), LLM. Age 52

Ilana joined Westpac in 2000 as Group Secretary and General Counsel. In October 2002 she was appointed to her present role, and is accountable for people strategy and management. She was previously a partner of Mallesons Stephen Jaques, where she worked extensively as a corporate lawyer and in managerial roles including human resources and as managing partner.

Andrew Carriline, Acting Chief Risk Officer, BCom LLB. Age 47

After joining Westpac in 1996, Andrew played a key role in Westpac s extensive outsourcing and M&A agenda, including the sale of AGC and acquisition of BT and Rothschild. Since 2002, Andrew has had a number of senior roles in Risk and Sourcing areas of Westpac. Andrew s current responsibilities include Group Risk, Group Operational Risk and Compliance and Legal and Secretariat. Prior to joining Westpac, Andrew practiced law firstly in the public sector at the Commonwealth Attorney-General s Department and then in private practice at Freehills.

Philip Chronican, Group Executive, Westpac Institutional Bank, BCom (Hons.), MBA, SF Fin. Age 51

Phil was appointed into his present role in December 2005 with responsibility for Westpac s relationships with corporate, institutional and government clients in Australia and worldwide, as well as the business areas of financial markets, debt capital markets, specialised capital, structured investments and transactional banking. In addition, Phil has geographic responsibility for Westpac s Asian and Pacific Island business. He was previously Chief Financial Officer (CFO) and held business group CFO roles in both retail and institutional banking. Phil has been with Westpac in a variety of positions in Australia and in New Zealand since 1982.

Philip Coffey, Chief Financial Officer, BEc (Hons.). Age 49

Phil was appointed Chief Financial Officer (CFO) 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. Previously with AIDC and Citicorp, he has extensive experience in funds management and financial markets, including roles in the UK and New Zealand. He began his career with the Reserve Bank of Australia.

Rob Coombe, Chief Executive Officer, BT Financial Group, LLB (Hons.). Age 44

Rob joined Westpac with the acquisition of the BT Financial Group in 2002 and has over 23 years experience in banking, finance and wealth management. Rob 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 is actively involved in industry issues and is a board member of the Investment and Financial Services Association Limited (IFSA).

Brad Cooper, Group Executive, Westpac New Zealand Limited DipBM, MBA, FAIM. Age 45

Brad was appointed Chief Executive and Group Executive, Westpac New Zealand Limited on 2 April 2007. Prior to this appointment, 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 2004.

Peter Hanlon, Group Executive, Business Financial Services, BA (Comms), CTech (Aero Eng), AMP (Harvard).Age 52

As Group Executive, Business Financial Services, Peter is responsible for business banking sales, relationship management, customer service and product and risk management conducted by Westpac across Australia. Prior to this position, he 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 the State Bank of South Australia where he was the Chief Manager of Sales and Service. Prior to his banking career, Peter served in The Royal Australian Air Force.

Michael Pratt, Group Executive, Consumer Financial Services, CBkg, GradDipOrgBeh, SF Fin, FAIM, FAHRI,AMP (Harvard), Age 54

Mike joined the Westpac executive team in April 2002 as Group Executive for New Zealand and Pacific Banking. In August 2002, he was appointed Group Executive, Business and Consumer Banking (BCB) for Australia. In February 2007 BCB was split and Mike assumed responsibility for mortgage and personal lending including third party relationships, cards and savings and transaction accounts. Mike has had an extensive career in retail banking and was previously CEO, Australian Financial Services, National Australia Bank and CEO, Bank of New Zealand.

Diane Sias, Group Executive, Business and Technology Solutions and Services, BEc. MBA. Age 49

Diane re-joined Westpac in September 2007 and is responsible for information technology, outsourcing, governance, banking operations and back office functions and corporate services (including fraud, anti-money laundering and security).Prior to her return to Westpac, Diane was a partner at McKinsey & Company. Diane brings to Westpac global experience in successful execution of organisational restructuring and technology led transformation.

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Three year summary(1)

(in $millions unless otherwise indicated)	2007	2006	2005
Income statement year ended 30 September(2)			
Net interest income	6,313	5,642	5,259
Non-interest income	3,860	3,575	3,454
Net operating income before operating expenses and impairment charges	10,173	9,217	8,713
Operating expenses	(4,543)	(4,295)	(4,159)
Impairment charges	(482)	(375)	(382)
Profit from ordinary activities before income tax expense	5,148	4,547	4,172
Income tax expense	(1,630)	(1,422)	(1,223)
Net profit attributable to minority interests	(67)	(54)	(251)
Net profit attributable to equity holders	3,451	3,071	2,698
Balance sheet at 30 September(2)			
Loans	272,545	234,484	203,150
Other assets	102,276	65,094	63,113
Total assets	374,821	299,578	266,263
Deposits	199,222	167,741	149,252
Debt issues	87,126	66,080	48,754
Loan capital	7,704	5,957	4,214
Other liabilities	62,938	43,702	47,150
Total liabilities	356,990	283,480	249,370
Shareholders equity and minority interest	17,831	16,098	16,893
Key Financial Ratios			
Shareholder value			
Dividends per ordinary share (cents)	131	116	100
Dividend payout ratio (%)	70.1	69.4	67.2
Return on average ordinary equity (%)	23.5	23.0	21.7
Earnings per share (cents)	186.9	167.2	148.9
Net tangible assets per ordinary share ($)(3)	6.96	6.12	5.69
Share price ($):			
High	28.69	25.35	21.40
Low	22.53	20.14	17.52
Close	28.50	22.71	21.10
Business Performance			
Operating expenses to operating income ratio (%)	44.7	46.6	47.7
Net interest margin	2.19	2.29	2.45
Productivity ratio(4)	4.01	4.01	4.00
Capital adequacy			
Total equity to total assets (%)	4.8	5.4	6.3
Total equity to total average assets (%)	5.4	5.7	6.6
Tier 1 ratio (%)	6.5	6.9	7.2
Adjusted common equity (ACE) (%)(5)	4.5	4.6	5.4
Total capital ratio (%)(6)	9.5	9.6	9.7
Credit Quality			
Net impaired assets to equity and collectively assessed provisions (%)	1.4	1.5	1.9
Total provisions(7) to gross loans and acceptances (basis points)	61.6	63.0	84.0
Other information			
Points of bank representation (number at financial year end)	1,073	1,068	1,060
Core full time equivalent staff (number at financial year end)(8)	25,903	25,363	25,583

(1) This three year summary is prepared in accordance with A-IFRS.

(2) The above balance sheet and income statement extracts are derived from the consolidated financial statements included in this report.

(3) After deducting preference equity and goodwill and other intangible assets.

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

(5) See capital resources section for further details on this ratio.

(6) For details on the calculation of this ratio refer to Note 28 to the financial statements.

(7) Includes the Australian Prudential Regulatory Authority required capital deduction of $128 million (pre-tax) above A-IFRS provisioning levels at 30 September 2007 ($117 million (pre-tax) at 30 September 2006), which forms part of the APRA termed General Reserve for Credit Losses.

(8) Core full-time equivalent staff includes overtime and pro-rata part time staff. It excludes staff on unpaid absences (e.g. maternity leave), temporary and contract staff.

Financial review

Key information

Selected consolidated financial and operating data

We have derived the following selected financial information as of, and for the financial years ended, 30 September 2007, 2006 and 2005 from our audited consolidated financial statements and related notes which have been prepared in accordance with A-IFRS. The financial statements were reported on by independent auditors PricewaterhouseCoopers. We have derived the following selected financial information as of and for the financial years ended 30 September 2007, 2006, 2005, 2004 and 2003 in accordance with US GAAP from our audited consolidated financial statements and related notes for each of those financial years.

PricewaterhouseCoopers was appointed our auditor at our Annual General Meeting (AGM) on 12 December 2002 in accordance with the requirements of the Corporations Act.

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

We adopted the requirements of A-IFRS for the first time in preparing financial statements for the year ended 30 September 2006. In accordance with A-IFRS, we have restated the financial statements for our financial year ended 30 September 2005. Transitional provisions permitted financial instruments and insurance related assets and liabilities to be accounted for in accordance with AGAAP in 2005 and A-IFRS in 2006. Previously published financial statements for our financial year ended 30 September 2005, as well as all prior financial periods, were prepared in accordance with AGAAP. A-IFRS differs in certain material respects from AGAAP and, accordingly, financial statements for our financial years ended 30 September 2007, 2006 and 2005 prepared in accordance with A-IFRS are not comparable to the financial statements for 2005 and prior years prepared in accordance with AGAAP.

We have included in a separate section of this Annual Report under the caption Additional financial information selected consolidated financial and operating data as of and for the financial years ended 30 September 2005, 2004 and 2003 derived from our previously published financial statements prepared in accordance with AGAAP. We have displayed this data separately because this data is not comparable to data derived from financial statements prepared in accordance with A-IFRS.

Consolidated income statement

Year Ended 30 September

(in $millions unless otherwise indicated)	2007 US$(1)	2007 A$	2006 A$	2005 A$
Amounts in accordance with A-IFRS				
Interest income	19,547	22,075	18,091	15,544
Interest expense	(13,957)	(15,762)	(12,449)	(10,285)
Net interest income	5,590	6,313	5,642	5,259
Non-interest income	3,418	3,860	3,575	3,454
Net operating income before operating expenses and impairment charges	9,008	10,173	9,217	8,713
Operating expenses	(4,023)	(4,543)	(4,295)	(4,159)
Impairment charges	(427)	(482)	(375)	(382)
Profit before income tax	4,559	5,148	4,547	4,172
Income tax expense	(1,443)	(1,630)	(1,422)	(1,223)
Net profit for the year	3,115	3,518	3,125	2,949
Net profit attributable to minority interests	(59)	(67)	(54)	(251)
Net profit attributable to equity holders of Westpac Banking Corporation	3,056	3,451	3,071	2,698
Weighted average number of ordinary shares (millions)(2)	1,846	1,846	1,837	1,845
Basic earnings per ordinary share (cents)(2)	165.5	186.9	167.2	148.9
Dividends per ordinary share (cents)	116	131	116	100
Dividend payout ratio (%)(3)	70.1	70.1	69.4	67.2

Refer to page 63 for footnote explanations.

			Year Ended 30 September			
(in $millions unless otherwise indicated)	2007 US$(1)	2007 A$	2006 A$	2005 A$	2004 A$	2003 A$
Amounts in accordance with US GAAP(4)						
Net income	3,386	3,824	2,936	2,813	2,772	1,984
Operating expenses	4,091	4,620	4,558	4,289	3,967	3,818

Refer to page 63 for footnote explanations.

(in $millions unless otherwise stated)	Consolidated 2007 US$(1)	2007 A$	2006 A$	2005 A$	2004 A$	2003 A$
Computation of ordinary earnings per share in accordance with US GAAP						
Weighted average number of ordinary shares (millions)	1,846	1,846	1,837	1,851	1,846	1,824
Average other potential ordinary shares	62	62	60	71	63	-
Average options and performance share rights	7	7	5	4	13	7
Average shares and share equivalents	1,915	1,915	1,902	1,926	1,922	1,831
Net income	3,386	3,824	2,936	2,813	2,772	1,984
Basic earnings per ordinary share (cents)(2)	183.4	207.1	159.8	152.0	150.2	108.8
Fully diluted net income per share (cents)(14)	181.2	204.6	158.6	150.2	147.5	108.4
Basic earnings per ADS (five times earnings per share in cents)	917	1,035	799	760	751	544

Refer to page 63 for footnote explanations.

Differences between A-IFRS and US Generally Accepted Accounting Principles (US GAAP) results

Our consolidated financial statements are prepared in accordance with accounting principles and policies as summarised in Note 1 to the financial statements. These accounting principles and policies differ in some material respects to US GAAP. A reconciliation of net income, total assets, total liabilities and equity under US GAAP is included in Note 49 to the financial statements.

Consolidated net income under US GAAP for the year ended 30 September 2007 was A$3,765 million (2006 A$2,936 million, 2005 A$2,813 million).

Selected consolidated balance sheet data

(in $millions unless otherwise indicated)	Year Ended 30 September 2007 US$(1)	2007 A$	2006 A$	2005 A$
Amounts in accordance with A-IFRS				
Year end balances				
Cash and balances with central banks	1,986	2,243	3,132	2,853
Due from other financial institutions	25,130	28,379	12,211	14,355
Trading securities, other financial assets and available-for-sale (2005: Investment securities)	21,699	24,505	17,811	14,464
Loans	241,339	272,545	234,484	198,286
Acceptances of customers(5)				4,864
Due to other financial institutions	8,087	9,133	12,051	10,654
Deposits	176,411	199,222	167,741	149,252

Trading liabilities and other financial liabilities designated at fair value	7,281	8,223	2,893	3,154
Total assets	331,904	374,821	299,578	266,263
Total liabilities excluding loan capital	309,293	349,286	277,523	245,156
Total loan capital(6)	6,822	7,704	5,957	4,214
Net assets	15,789	17,831	16,098	16,893
Total equity attributable to equity holders of Westpac Banking Corporation (7),(8)	14,096	15,919	14,186	13,561
Minority interests	1,693	1,912	1,912	3,332
Average balances				
Total assets	292,410	330,220	282,052	256,690
Loans and other receivables	226,337	255,604	218,796	193,462
Acceptances of customers				5,235
Shareholders equity (7),(8)	13,024	14,708	13,369	12,651
Minority interests	1,692	1,911	1,473	3,507

Refer to page 63 for footnote explanations.

	Year Ended 30 September					
(in $millions unless otherwise indicated)	**2007 US$(1)**	**2007 A$**	**2006 A$**	**2005 A$**	**2004 A$**	**2003 A$**
Amounts in accordance with US GAAP(4)						
Total assets	325,086	367,121	297,908	265,164	251,705	221,768
Total liabilities	310,192	350,301	282,943	250,447	238,777	209,994
Equity attributable to equity holders	14,894	16,820	14,965	14,717	12,928	11,774
Average total assets	285,592	322,520	280,382	262,474	243,662	210,806
Average total equity	14,073	15,892	14,841	14,257	12,351	11,182

Refer to page 63 for footnote explanations.

Summary of consolidated ratios

(in $millions unless otherwise indicated)	2007 US$(1)	2007 A$	2006 A$	2005 A$
	Year Ended 30 September			
Ratios in accordance with A-IFRS				
Profitability ratios (%)				
Net interest margin(9)	2.19	2.19	2.29	2.45
Return on average assets(10)	1.05	1.05	1.09	1.05
Return on average ordinary equity(11)	23.5	23.5	23.0	21.7
Return on average total equity(12)	20.8	20.8	20.7	16.7
Capital ratio (%)				
Average total equity to average total assets	5.0	5.0	5.3	6.3
Total capital ratio(13)	9.5	9.5	9.6	9.7
Earnings ratios				
Basic earnings per ordinary share (cents)(2)	165.5	186.9	167.2	148.9
Fully diluted earnings per ordinary share (cents)(14)	164.1	185.3	165.7	147.2
Dividends per ordinary share (cents)	116	131	116	100
Dividend payout ratio (%)(3)	70.1	70.1	69.4	67.2
Credit quality ratios				
Impairment charges written off (net of recoveries)	309	349	270	331
Impairment charges written off (net of recoveries) to average loans (%)	0.16	0.16	0.12	0.16

(in $millions unless otherwise indicated)	2007 US$(1)	2007 A$	2006 A$	2005 A$	2004 A$	2003 A$
	Year Ended 30 September					
Ratios in accordance with US GAAP(4)						
Profitability ratios (%)						
Net interest margin	2.25	2.25	2.32	2.44	2.40	2.60
Net profit attributable to equity holders to average total assets	1.19	1.19	1.05	1.07	1.14	0.94
Net profit attributable to equity holders to average total equity	24.06	24.06	19.78	19.73	22.40	17.70
Capital ratio (%)						
Average total equity to average total assets	4.9	4.9	5.3	5.4	5.2	5.3
Leverage ratio(15)	4.6	4.6	4.7	5.0	4.7	4.6
Earnings ratios						
Basic earnings per ordinary share (cents)	183.4	207.1	159.8	152.0	150.2	108.8
Fully diluted earnings per ordinary share (cents)(14)	181.2	204.6	158.6	150.2	147.5	108.4
Dividends per ordinary share (US cents)	116	116	87	76	62	53
Dividend payout ratio (%)(3)	63.3	63.3	72.8	65.8	57.3	71.7

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(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$0.8855, the Noon Buying Rate on 28 September 2007. Amounts or ratios are in accordance with

this conversion rate.

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

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

(4) For the reconciliation with US GAAP, refer to Note 49 to the financial statements for the financial years ended 30 September 2007, 2006 and 2005 and to the relevant note to the financial statements for the prior financial years.

(5) Acceptances of customers are included in loans in 2007 and 2006.

(6) This includes 2004 TPS and FIRsTS in 2007 and 2006. In 2005 these instruments were classified as minority interests.

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

(8) New Zealand Class shares were on issue until 11 July 2005. On this date they were fully exchanged for ordinary shares.

(9) Calculated by dividing net interest income (including tax equivalent gross up) by average interest earning assets.

(10) Calculated by dividing net profit attributable to our equity holders by average total assets.

(11) Calculated by dividing net profit attributable to our equity holders adjusted for distributions on New Zealand Class shares by average ordinary equity.

(12) Calculated by dividing net profit attributable to our equity holders by average ordinary equity and minority interests.

(13) For details on the calculation of this ratio refer to Note 28 to the financial statements.

(14) 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.

(15) The leverage ratio has been calculated in accordance with guidelines promulgated by the Board of Governors of the US Federal Reserve System. The ratio is calculated by dividing tier 1 capital by total average assets for leverage capital purposes in accordance with US GAAP.

Risk factors

Our business activities are subject to risks that can adversely impact our business, future performance and financial condition. You should carefully consider the risks and the other information in this Annual Report before investing in our securities. The risks and uncertainties described below are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us. If any of the following risks actually occur, our business, results of operations or financial condition could be materially adversely affected, with the result that the trading price of our securities could decline and you could lose all or part of your investment.

Our business is substantially dependent on the Australian and New Zealand economies

Our revenues and earnings are dependent on the level of financial services our customers require. In particular, levels of borrowing are heavily dependent on customer and investor confidence, the state of the economy, the home lending market and prevailing market interest rates from time to time in the countries in which we operate.

We currently conduct most of our business in Australia and New Zealand. Consequently, our performance is influenced by the level and cyclical nature of business and home lending activity in these countries, and by the growth of the Chinese and Southeast Asian economies by which the Australian economy is heavily influenced. These factors are in turn impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the Australian or New Zealand economies will not materially affect our financial condition and results of operations. The economic conditions of other regions where we conduct operations can also affect our future performance. Furthermore, weakness in the global capital market due to credit, liquidity or other problems could increase our cost of funding and decrease revenues.

We face intense competition in all aspects of our business

We compete, both domestically and internationally, with asset managers, retail and commercial banks, non-bank mortgage brokers, private banking firms, investment banking firms, brokerage firms, and other investment service firms. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. In recent years, competition has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential, and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. We expect these trends to continue. For more detail on how we address competitive pressures refer to the section Competition .

An increase in defaults in our loan portfolio could adversely affect our results of operations and financial condition

Credit risk is our most significant risk and arises primarily from our lending activities. We hold collective and individually assessed provisions for impairment charges. If these provisions prove inadequate then this could have a material adverse effect on our results of operations and financial performance.

For a discussion of our risk management procedures, including the management of credit risk, refer to the section Risk management .

We could suffer losses due to market volatility

We are exposed to market risk as a consequence of our trading activities in financial markets and through the asset and liability management of our overall financial position. In our financial markets trading businesses, we are exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices. If we were to suffer substantial losses due to any such market volatility, it would adversely affect our results of operations and financial condition.

For a discussion of our risk management procedures, including the management of market risk, refer to the section Risk management .

We could suffer losses due to operational risks

As a financial services organisation we are exposed to a variety of other risks including those resulting from process error, fraud, system failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance. Operational risk can directly impact our reputation and result in financial losses which could adversely affect our financial performance or financial condition.

For a discussion of our risk management procedures, including the management of operational risk, refer to the section Risk management .

Our businesses are highly regulated and we could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to us as an institution. All of our businesses are highly regulated in the various jurisdictions in which we do business. We are responsible for ensuring that we comply with all applicable legal and regulatory requirements (including changes to accounting standards refer to sections Accounting standards and Critical accounting estimates) and industry codes of practice, as well as meeting our ethical standards. Our business and earnings are also affected by the fiscal or other policies adopted by various regulatory authorities of the Australian and New Zealand governments, foreign governments and international agencies. The nature and impact of future changes in such policies are not predictable and are beyond our control. Changes in regulations or regulatory policy could adversely affect one or more of our businesses and could require us to incur substantial costs to comply. The failure to comply with applicable regulations could result in fines and penalties or limitations on our ability to do business. These costs, expenses and limitations could have a material adverse affect on our business, financial performance or financial condition.

Reputational damage could harm our business and prospects

Various issues may give rise to reputational risk and cause harm to our business and our prospects. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices, and conduct by companies in which we hold strategic investments. Failure to address these issues appropriately could also give rise to additional legal risk, subject us to regulatory enforcement actions, fines and penalties, or harm our reputation among our customers and our investors in the marketplace.

An inability to meet our payment obligations could adversely affect our financial performance or financial condition

Liquidity risk is the potential inability to meet our payment obligations, which could potentially arise as a result of mismatched cash flows generated by our business. For a more detailed description of liquidity risk, refer to the section Liquidity and funding .

We could suffer losses if we fail to syndicate or sell down underwritten equities

As a financial intermediary we underwrite listed and unlisted equities. Equity underwriting activities include developing solutions for corporate and institutional customers who have a demand for equity capital, and investor customers who have an appetite for equity-based investment products. We may guarantee the pricing and placement of these facilities. We are at risk if we fail to syndicate or sell down our risk to other market participants.

Other risks

Other risks that can impact our performance include insurance risk, model risk, interest rate risk and business risk. Refer to the section Corporate governance for more information on these risks.

Operating and financial review and prospects

The following discussion contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. Where forward-looking statements are made, our actual results may differ significantly from the results discussed. For a description of factors that may affect our results, refer to sections Disclosure regarding forward-looking statements , Risk factors and Risk management .

Accounting standards

The financial statements included in this report have been prepared in accordance with the accounting policies described in Note 1 to the financial statements, being in accordance with A-IFRS. A-IFRS differs in certain material respects from US GAAP. For a reconciliation of significant adjustments from our A-IFRS financial statements to US GAAP, refer to Note 49 to the financial statements.

Recent accounting developments Australia

Westpac adopted A-IFRS with effect from 1 October 2005, with certain comparatives being restated with effect from 1 October 2004. Where Westpac has presented three years of comparative information, the accounting for financial instruments and certain insurance related assets and liabilities is prepared on a different basis in the 2005 financial year. These were accounted for under AGAAP in 2005, while from 2006 and onwards, this was in accordance with A-IFRS.

For other developments in Australian accounting standards refer to Note 1(k) of the financial statements. For a discussion of the impact of the adoption of A-IFRS on our financial position and performance, refer to Note 47 to the financial statements.

Recent accounting developments United States

In September 2006 the FASB issued SFAS 157 Fair Value Measurements which is applicable for financial years beginning after 15 November 2007. The standard is applicable to assets and liabilities required to be measured at fair value by other accounting standards, and requires certain disclosures in respect of these assets and liabilities. It also outlines a framework to apply when determining fair value. The Group will apply the standard from 1 October 2008, we do not expect the standard to materially impact our current approach to fair value measurement.

SFAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans was issued in September 2006. It changes the accounting for defined benefit plans by requiring that gains or losses relating to the plans be recognised in other comprehensive income as they arise. The Group has applied SFAS 158 on 30 September 2007, being the end of the fiscal year. Adoption has required unrecognised actuarial losses to be brought to account reducing equity determined for US GAAP purposes by $229 million.

In June 2006 the FASB issued Interpretation 48 Accounting for Uncertainty in Income Taxes , which prescribes recognition and measurement principles for recognising income tax liabilities and the treatment of related expenses including interest and penalties. The standard is required to be applied for periods beginning after 15 December 2006, and the Group will apply it from 1 October 2007. We do not expect adoption of the interpretation to materially impact income tax expense or provisions.

In March 2006 the FASB issued SFAS 156 Accounting for Servicing of Financial Assets which clarifies how servicing assets or liabilities should be recognised and measured when an entity undertakes an obligation to service a financial asset by entering into a servicing contract through sale. The standard is effective for financial years beginning after 15 September 2006. The standard requires servicing assets or liabilities to be initially measured at fair value and subsequently either using an amortisation or a fair value approach. The Group has applied the standard from 1 October 2006 and the standards has not had a material impact on the Group s reported position or performance for the year.

Critical accounting estimates

Our reported results are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the income statement and the balance sheet. Our principle accounting policies are disclosed in Note 1 to the Financial Statements and Note 49 with respect to policies that differ from US GAAP. Note 1 also includes a description of our critical accounting assumptions and estimates. We have discussed the development and selection of the critical accounting estimates with our Board Audit Committee. We consider that the following areas involve our most critical accounting estimates:

Fair value of financial instruments

Financial instruments classified as held-for-trading, designated at fair value through profit or loss or financial assets classified as available-for-sale are recognised in the financial statements at fair value. All derivatives are measured and recognised at fair value. As far as possible, financial instruments are valued with reference to quoted, observable market prices or by using models which employ observable valuation parameters. Where valuation models rely on parameters for which inputs are not observable, judgements and estimation may be required.

As at 30 September 2007, 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 $39,961 million. The fair value of trading liabilities, financial liabilities designated at fair value through profit and loss and deposits was $56,826 million. The fair value of outstanding derivatives was $884 million (net liability). The fair value of trading securities of $20,815 million and life insurance assets of $15,456 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 $770 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 judgements and estimates used are reasonable in the current market, however, a change in these judgements and estimates would lead to different results as future market conditions can vary from those expected.

Provisions for impairment charges

Provisions for loan impairment charges represent management s best estimate of the losses incurred in the loan portfolios as at the balance date. There are two components of our loan impairment provisions, individually assessed provisions and collectively assessed provisions.

In determining the individual component all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects of the customer, the realisable value of collateral, our position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgements and estimates can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are made.

The collective component is established on a portfolio basis taking into account the level of arrears, collateral, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are estimated loss rates and related emergence periods. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

As at 30 September 2007, gross loans to customers were $273,914 million and the provision for impairment on loans was $1,369 million.

Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the identifiable net assets of acquired businesses. The determination of the fair value of the assets and liabilities of acquired businesses requires the exercise of management judgement. Different fair values would result in changes to the goodwill and to the post-acquisition performance of the acquisitions.

Additionally, goodwill is tested for impairment annually by determining if the carrying value of the cash generating unit (CGU) that it has been allocated to is recoverable. The recoverable amount is the higher of the CGU s fair value and its value in use. Determination of appropriate cash flows and discount rates for the calculation of the value in use is subjective. As at 30 September 2007, the carrying value of goodwill was $2,398 million.

Superannuation obligations

The actuarial valuations of our defined benefit plans obligations are dependant upon a series of assumptions, the key ones being price inflation, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations and the superannuation cost charged to the income statement.

The superannuation deficit across all our plans as at 30 September 2007 was $116 million (2006 deficit of $110 million). This comprises net recognised liabilities of $274 million (2006 $199 million) and unrecognised actuarial gains of $158 million (2006 $89 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 judgement 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 judgements about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

Related party disclosures

Details of our related party disclosures are set out in Note 44 to the financial statements and details of Directors interests in securities are set out in Note 45 to the financial statements. The related party disclosures relate principally to transactions with our Directors and Director-related parties as we do not have individually significant shareholders and our transactions with other related parties are not significant.

Other than as disclosed in Note 45 to the financial statements, if applicable, loans made to parties related to Directors and other key management personnel of Westpac are made in the ordinary course of business on normal terms and conditions (including interest rates and collateral). Loans are made on the same terms and conditions (including interest rates and collateral) as apply to other employees and certain customers in accordance with established policy. These loans do not involve more than the normal risk of collectability or present any other unfavourable features.

Auditors remuneration

Auditors remuneration, including goods and services tax, to the external auditor for the years ended 30 September 2007 and 2006 is summarised from Note 37 to the financial statements as follows:

	2007 $ 000	**2006 $ 000**
Audit fees	12,733	12,753
Audit-related fees	1,885	101
Tax fees	167	187
All other fees	559	165

The external auditor, PricewaterhouseCoopers, also provides audit and non-audit services to non-consolidated entities including trusts of which a Westpac Group entity is trustee, manager or responsible entity and non-consolidated superannuation funds or pension funds. The fees in respect of these services were approximately $4.9 million in total (2006 $4.5 million). PricewaterhouseCoopers may also provide audit and non-audit services to other entities in which Westpac holds a minority interest, and which are not consolidated. Westpac is not aware of the amount of any fees paid by those entities.

Audit related services

Of the total amount of fees paid by Westpac to PricewaterhouseCoopers in the year ended 30 September 2007, approximately 0.43% of these fees (0.52% of Audit fees) were approved by the Board Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X of the US securities laws. No other fees paid by Westpac to PricewaterhouseCoopers in that year were approved by the audit committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

Westpac Group Secretariat continually monitors the application of the pre-approval process in respect of non-audit services provided by PricewaterhouseCoopers and promptly brings to the attention of the Board Audit Committee any exceptions that need to be approved pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X. Westpac Group Secretariat ensures the pre-approval guidelines are communicated to the Business Units through publication on the Westpac Intranet.

Overview of performance

	2007 $m	2006 $m	2005 $m
Net interest income	6,313	5,642	5,259
Non-interest income	3,860	3,575	3,454
Net operating income before operating expenses and impairment charges	10,173	9,217	8,713
Operating expenses	(4,543)	(4,295)	(4,159)
Impairment charges	(482)	(375)	(382)
Profit from ordinary activities before income tax expense	5,148	4,547	4,172
Income tax expense	(1,630)	(1,422)	(1,223)
Net profit attributable to minority interests	(67)	(54)	(251)
Net profit attributable to equity holders	3,451	3,071	2,698
Earnings per share (cents): Basic	186.9	167.2	148.9
Earnings per share (cents): Fully diluted	185.3	165.7	147.2

Overview of performance

2007 v 2006

Net profit attributable to equity holders was $3,451 million in 2007, an increase of $380 million or 12% compared to 2006. The Group s result was characterised by strong net operating income before operating expenses and impairment charges growth of 10%, with contributions from all our business units. Expense growth was 6%. Both impairment charges and income tax expense increased over 2006. Business Financial Services (BFS) contributed $95 million of the increase in net profit attributable to equity holders, Consumer Financial Services (CFS) contributed $164 million, Institutional Bank $85 million, BT Financial Group Australia (BTFG) $78 million, and New Zealand Banking s contribution in A$ terms was down by $6 million. The Other segment s contribution decreased by $36 million compared to 2006.

Net interest income increased $671 million or 12% compared to 2006 resulting from strong Consumer and Business volume growth in both Australia and New Zealand, with a 16% increase in loans and 19% increase in deposits, partly offset by a 10 basis point decline in net interest margin.

Non-interest income growth of $285 million or 8% benefited from a 4% increase in fees and commissions, a 16% increase in wealth management and insurance income and a 26% increase in trading income. This was somewhat offset by a reduction in other income, which included the profit from the sale of the sub-custody business in 2006.

Expenses increased by $248 million or 6% in 2007 largely driven by a 10% increase in staff expenses supporting additional customer serving employees, increased customer volumes and performance related incentive payments. Technology and software amortisation increased by $21 million compared to 2006.

Impairment charges increased by $107 million or 29% in line with strong loan growth combined with modest deterioration consistent with the economic environment and tightening of monetary policy.

2006 v 2005

Net profit attributable to equity holders was $3,071 million in 2006, an increase of $373 million or 14% over 2005. The 2006 result was driven by sound revenue growth due to improving volumes, with system market share multiples for new business improving in key products including housing, cards and business lending (source: Reserve Bank of Australia/Australian Prudential Regulation Authority statistics). Expense growth was 3%, while impairment charges fell slightly. Higher tax charges were offset by lower allocations of profit to minority interests. BFS contributed $58 million of the increase in net profit attributable to equity holders, CFS contributed $172 million, Institutional Bank contributed $20 million, BTFG $30 million, while New Zealand Banking s contribution increased $18 million. The Other segment s contribution increased $75 million.

Net interest income was $5,642 million in 2006, an increase of $383 million or 7% on 2005. The increase in 2006 was driven by a 12% increase in average interest earnings assets, partially offset by a 16 basis point decline in margins. Net loans grew 15% in 2006, with the key drivers being strong growth in Institutional Bank lending (up 33%), BTFG margin lending (up 48%) and Personal (up 17%). Mortgage balances increased 12%. Margins declined 16 basis points due to changes in both asset and liability mix. Decreases in asset spreads were offset by increases in liability spreads following RBA rate rises during the year.

Non-interest income was $3,575 million in 2006, up $121 million or 4% on 2005. Fees and commissions fell primarily due to the impact of AASB 132 and AASB 139, which were only applicable from 1 October 2005. These standards require certain fees that we have previously taken to income statement as received, to be capitalised on the balance sheet and subsequently be recognised as part of net interest income. Trading income grew significantly in 2006 with improved performance in Treasury and Financial Markets. Other non-interest income included the proceeds from the sale of the Bank s sub-custody business to HSBC of $94 million.

Operating expenses were $4,295 million in 2006, an increase of $136 million or 3% on 2005. Increases in personnel costs due to increased staff levels and pay increases paid in October 2005 and January 2006 were the key drivers. Software amortisation also increased following recent systems investments in tools such as Pinnacle and Reach.

Impairment charges were $375 million, $7 million or 2% lower than 2005. This decrease was partly driven by the impacts of AASB 132 and AASB 139, which led to changes in the provision methodology and were only applicable from 1 October 2005. The decrease in the expense relating to this adjustment was offset by higher charges related to book growth (primarily credit cards) and a slight increase in stressed loans (up seven basis points to 81 basis points).

Income statement review

Net Interest income

	2007 $m	2006 $m	2005 $m
Interest income	22,075	18,091	15,544
Interest expense	(15,762)	(12,449)	(10,285)
Net interest income	6,313	5,642	5,259
Increase/(decrease) in net interest income			
Due to change in volume	380	(214)	285
Due to change in rate	291	597	219
Change in net interest income	671	383	504

2007 v 2006

Net interest income was $6,313 million in 2007, an increase of $671 million or 12% compared to 2006.

The key driver for this growth was the 17% increase in average interest earning assets and the 18% increase in average interest bearing liabilities, offset by a ten basis point decrease in margins.

Growth in net loans over the year was 16% compared to growth of 17% in average interest earning assets. In Australia, net loan growth was $30.8 billion or 16% over the prior year. In New Zealand, net loans increased by 21% (NZ$ terms) and by 18% in A$ terms.

Key drivers of the growth in net loans over 2007 were:

CFS net loans up 12%, predominantly in housing, which was up 12%;

BFS lending up 16%, with growth across all segments supported by increases in customer serving employees;

Institutional Bank up 33% following increased customer demand and limited opportunities for customers to access capital markets in the last quarter;

lending in BTFG grew 36%, with margin lending up $1.3 billion; and

New Zealand Banking lending up NZ$6.1 billion (17%) driven by housing and business lending.

Total deposits, including short term wholesale funding, increased 19% or $31.5 billion since 30 September 2006, in line with growth in average interest bearing liabilities. Excluding wholesale funding, deposits increased 13% or $15.9 billion. This increase was largely a result of deposit growth in our Australian and New Zealand operations. In Australia, growth in deposits in BFS and CFS of 15% and 11% respectively was driven by growth in online deposit accounts, with the BFS result also boosted by growth in corporate cash accounts. In New Zealand, deposits were up 15% (NZ$ terms), resulting from growth in consumer online deposit accounts and term deposits.

Treasury short term wholesale funding increased $15.6 billion (33%), in part to fund increased holdings of liquid assets.

Net interest margin for the year ended 30 September 2007 was 2.19%, ten basis points lower than the equivalent margin for the year ended 30 September 2006. A positive outcome was the slowdown in combined asset and liability margin decline in our Consumer and Business areas in our Australian and New Zealand core banking businesses. The decline moderated from ten basis points in 2006 to eight basis points in 2007.

The components of the margin decline of ten basis points were:

a decrease in asset spread/mix of seven basis points, driven by:

six basis point decrease from additional competitive pressure on new business combined with new business being written at lower spreads than spreads on the existing book. Spread compression slowed in the second half; and

one basis point decrease due to mix impacts from a higher proportion of fixed rate loans in Australia and New Zealand and low rate credit cards in Australia;

a decrease in liability spread/mix of one basis point, driven by:

six basis point increase in liability spreads (five basis points in Australia and one basis point in New Zealand); and

seven basis point decrease from product mix changes, primarily the migration to higher interest online deposit accounts in Australia and New Zealand;

four basis point margin mix impact of growing lower margin institutional assets faster than higher margin consumer and business loans; partially offset by:

Treasury had a one basis point positive impact on margins despite increased funding costs over the latter months of the year; and

the impact of the credit card over-accrual correction in 2006 had a one basis point positive impact on margins in the current year.

2006 v 2005

Net interest income was $5,642 million in 2006, an increase of $383 million on 2005. The key drivers of this increase are discussed below.

Net interest income was impacted by transitional A-IFRS standards, primarily AASB 132 and AASB 139, which were applied prospectively from 1 October 2005 (with no reclassification of comparatives). Changes included:

- the deferral and subsequent recognition of certain lending and deposit fees as interest income (classified as non interest income in 2005);
- the recognition in interest expense on distributions on hybrid instruments classified as debt (recognised in minority interests in 2005); and
- the recognition of interest income using the effective interest rate method.

The net impact of the changes on net interest income was an increase of $106 million.

In 2006 the increase in net interest income was also a result of an increase in average interest earning assets of 12% and average interest bearing liabilities of 15% combined with a margin decline of 16 basis points.

Growth in average net loans of 13% was lower than the 15% growth in loans at period end principally due to strong lending growth in the latter months of 2006, particularly in the Institutional Bank.

Growth in period end balances of Australian net loans was 20%. Total New Zealand net loans at period end increased by 12% (NZ$ terms) and by 7% in A$ terms.

Key loan growth drivers included:

CFS net loans increased 13%, with Housing lending up 12%;

BFS net loans increased 15%;

Institutional Bank net loans increased by 33%;

New Zealand housing lending increased 14% while business lending increased by 11%; and

BTFG achieved 48% growth in its margin lending portfolio driven by continued strong equity markets.

Growth in period end deposit balances across the Group increased 12% in 2006 with a 10% increase in CFS customer deposits, an 11% increase in BFS customer deposits, and a 9% (NZ$ terms) increase in New Zealand customer deposits. Institutional Bank deposits increased 17%. However, deposit growth did not match loan growth, driving a 20% increase in treasury short term funding.

In both Australia and New Zealand, strong deposit growth was primarily due to the continued growth in high interest, on-line saver accounts. Growth in transaction accounts and term deposits was not significant.

Overall, margins were down 16 basis points to 2.29% in 2006. The introduction of A-IFRS standards increased margins by one basis point with a 17 basis point decline due to business impacts.

Key movements impacting on the Group were:

assets - competitive pressures and our decision to meet the market on price saw spreads decline on mortgages, cards and business lending in BFS and CFS (five basis points). New Zealand contributed two basis points of the decline, mainly due to the residual impact of the switch between floating and fixed rate mortgages, which occurred in 2005. Spread contraction on Corporate lending and other assets contributed two basis points to the decline.

liability impacts reduced the interest margin by a further basis point, mainly due to the increased reliance on wholesale funding. Whilst our online savings accounts exhibited strong growth, reducing overall interest margins, this was offset by increases in retail liability spreads on traditional deposit products;

the correction of an overstatement of credit card income contributed two basis points;

the effect of the roll off of our New Zealand Structured Finance portfolio in mid 2005, contributed a further two basis points; and

the remaining three basis points were largely generated from the change in mix between net interest income and non-interest income in our Treasury business and hence had no impact on total income.

Interest spread and margin

	2007 $m	2006 $m	2005 $m
Group			
Net interest income	6,313	5,642	5,259
Tax equivalent gross up(1)	101	111	214
Net interest income (including gross up)	6,414	5,753	5,473
Average interest earning assets	292,417	250,703	223,698
Average interest bearing liabilities	274,955	233,016	203,294
Average net non-interest bearing liabilities and equity	17,462	17,687	20,404
Interest spread(2)	1.85%	1.92%	1.99%
Benefit of net non-interest bearing liabilities and equity(3)	0.34%	0.37%	0.46%
Net interest margin(4)	2.19%	2.29%	2.45%
On a geographical basis, interest spread and margins were:			
Australia			
Interest spread(2)	1.85%	1.87%	1.89%
Benefit of net non-interest bearing liabilities and equity(3)	0.27%	0.30%	0.37%
Net interest margin(4)	2.12%	2.17%	2.26%
New Zealand			
Interest spread(2)	1.74%	2.03%	2.30%
Benefit of net non-interest bearing liabilities and equity(3)	0.64%	0.59%	0.58%
Net interest margin(4)	2.38%	2.62%	2.88%
Other overseas			
Interest spread(2)	0.83%	0.72%	0.73%
Benefit of net non-interest bearing liabilities and equity(3)	0.27%	0.41%	0.29%
Net interest margin(4)	1.10%	1.13%	1.02%

(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. The calculations for Australia and New Zealand take into account the interest expense/income of cross-border, intragroup borrowing/lending.

(4) Net interest margin is calculated by dividing net interest income (including tax equivalent gross up) by average interest earning assets.

Non-interest income

	2007 $m	2006 $m	2005 $m
Net fees and commissions	1,832	1,766	1,853
Trading income	660	525	332
Wealth management and insurance income	1,259	1,084	1,135
Other income	109	200	134
Total non-interest income	3,860	3,575	3,454

2007 v 2006

Non-interest income was $3,860 million in 2007, an increase of $285 million or 8% compared to 2006. This was driven by increases across fees and commissions, trading and wealth management income, partially offset by a reduction in other income.

Fees and commissions increased by $66 million or 4%. This was largely driven by an increase in CFS fees and commissions due to volume led increases and some fee re-pricing initiatives in 2006 and higher fees and commissions in BFS due to deposit fee increases. This was tempered by a decline in New Zealand Banking fees and commissions due to fee reductions on transaction accounts which were introduced in early 2007 to increase product competitiveness.

Trading income increased by $135 million or 26% compared to 2006 as increased sales and risk management activity was stimulated by higher market volatility. This resulted in an increase in Institutional Bank Markets income which was up $152 million; this was partially offset by lower Treasury foreign exchange income.

Wealth management and insurance income increased by $175 million or 16%. This was largely driven by growth in Funds Under Administration (FUA) of 14% and Funds Under Management (FUM) of 6%. FUA and FUM were impacted by two large redemptions of very low margin mandates in the second half of 2007, which had minimal impact on revenues. Excluding these redemptions, growth rates in FUA and FUM were 35% and 15% respectively. Wealth management income was also impacted by the policyholder tax recoveries from our life insurance business. Policyholder tax recoveries in 2007 were $92 million, an increase of $31 million on 2006.

Other income decreased by $91 million or 46% compared to 2006. The prior year results included the proceeds from the sale of the sub-custody business ($94 million) which was the primary driver of the year on year decline in total other income. Movements across other line items within other income largely offset year on year. Income received in the current year from the recognition of research and development (R&D) rebates associated with qualifying technology expenditure ($40 million) and income received from the earn-out of the sale of the sub-custody business ($19 million) was offset by lower gains on disposal, revaluation of assets not repeated in the current year and losses on translation of our NZ earnings.

2006 v 2005

Non-interest income was $3,575 million in 2006, an increase of $121 million or 4% on 2005. The increase was driven by an increase in trading and other income, partially offset by a decrease in our wealth management income and fees and commissions income.

Fees and commissions decreased by $87 million or 5% on 2005. Fees and commissions are materially impacted by A-IFRS standards, primarily AASB 132 and AASB 139, which are only applicable from 1 October 2005, impacting the 2006 results for the first time. The adoption of these standards contributed $256 million to the decline in fees and commissions, primarily related to the effective interest rate adjustment. This standard requires certain lending and borrowing related fees received and costs paid, previously recognised as non-interest income as incurred, to be deferred on the balance sheet as part of loans, deposits or debt issues and subsequently recognised as a yield adjustment to interest income or expense. There was no such impact in 2005. Improved loan growth across our businesses and recalibration of some fees over the year contributed a $178 million increase to fees and commissions on 2005.

Trading income increased by $193 million over the prior year, driven by improved performance in Financial Markets and Treasury.

Wealth management and insurance income decreased by $51 million or 4% on 2005. The decrease in wealth management and insurance income was impacted by the consolidation treatment of external investors interests in certain managed investment schemes where Westpac controls the schemes, with the outside investors interest now treated as liabilities rather than minority interests, and policyholder tax recoveries from our life insurance business. The consolidation changes related to these schemes have no impact on net profit attributable to equity holders as the other side of the consolidation entry is reflected in the tax expense line (for the policyholder tax recovery entry) or net profits attributable to minority interests (for the managed investment schemes entry). Policyholder tax recoveries in 2006 were $61 million, a decrease of $27 million or 31% on 2005 due to lower investment returns on Westpac s life insurance statutory funds. Total movements in these consolidation entries resulted in wealth management and insurance income decreasing $121 million offset by a reduction in allocation of profit to minority interests. This decline was partially offset by growth in fees, due primarily to growth in Funds under Administration.

Other income was $200 million in 2006, an increase of $66 million or 49% on 2005. This increase included the sale proceeds of the sub-custody business in July 2006 ($94 million), the sale of part of the Group s shareholding in MasterCard Inc. ($15 million of which $13 million was recognised in Australia and $2 million in New Zealand), and revaluation gains on financial assets in 2006 of $74 million relating to investment securities and credit derivatives. Offsetting this, 2005 results included $64 million profits on the sale of investment securities.

Operating expenses

	2007 $m	2006 $m	2005 $m
Salaries and other staff expenses	2,557	2,324	2,186
Equipment and occupancy expenses	628	614	596
Other expenses	1,358	1,357	1,377
Total operating expenses	4,543	4,295	4,159
Productivity ratio(1)	4.01	4.01	4.00
Total operating expenses to operating income ratio	44.7%	46.6%	47.7%

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

2007 v 2006

Operating expenses in 2007 were $4,543 million, an increase of $248 million or 6% compared to 2006. The increase in 2007 was primarily the result of higher personnel costs. The expense to income ratio fell 190 basis points to 44.7%.

Salaries and other staff expenses were $2,557 million, an increase of $233 million or 10% compared to 2006. This was driven by increased staff numbers, fixed salary increase of 4% and other market related pay increases, and variable performance related pay increases in line with higher Markets income and strong economic profit growth.

Equipment and occupancy expenses were $628 million, an increase of $14 million or 2% compared to 2006. This was driven by an increase in operating lease rentals due to market related increases from the renewal of existing leases as well as the opening of 13 new retail branches and five new commercial banking centres, increases in software and technology amortisation, partially offset by a decline in other equipment and occupancy expenses.

Other expenses increased by $1 million on 2006 to $1,358 million. The negligible growth year on year was largely due to a decrease in outsourcing costs as contractual benefits were realised, offset by increased advertising costs associated with the launch of the new brand campaign.

2006 v 2005

Operating expenses in 2006 were $4,295 million, an increase of $136 million or 3% on 2005.

The increase in 2006 was primarily the result of higher personnel costs and software amortisation charges as a number of projects were rolled out to the business and were then amortised. The expense to income ratio fell 110 basis points to 46.6%.

Salary and other staff expenses were $2,324 million, an increase of $138 million or 6% on 2005. The increase in salaries and wages was the result of increased staff numbers, a general pay increase of 4% made in October 2005 (as discussed under Employees) and a change in the mix of our workforce to more customer facing staff. Restructuring costs increased by $19 million over 2005, driven by costs arising from the implementation of our strategy to increase the proportion of customer facing staff across our businesses. The rollout of this initiative has resulted in a reduction in FTE across support functions with a flow on to restructuring and redundancy costs incurred over the prior year.

Equipment and occupancy costs were $614 million, an increase of $18 million or 3% on 2005. This has been driven by a $33 million increase in software amortisation expenses (including impairments) over the prior year following the completion of large projects during 2006, including Pinnacle, which re-engineered our lending processes; Reach, an integrated customer management system; and Connect@Westpac, a new on-line system to manage various human resources functions, which replaced a number of legacy tools and systems.

Other expenses were $1,357 million in 2006, $20 million or 1% lower than 2005. Reduced outsourcing costs from efficiencies generated with our outsource partners and lower non-lending losses were the key drivers. Stationery costs were also down as initiatives regarding customer statements and the availability of annual reports on-line gained traction. In addition, other expenses in 2005 included $8 million in expenses relating to the consolidation of Epic.

Impairment charges

	2007 $m	2006 $m	2005 $m
Impairment charges	482	375	382
Impairment charges to average loans (basis points)	19	17	19

2007 v 2006

Impairment charges increased by $107 million or 29% to $482 million in 2007. Impairment charges in 2007 represented 19 basis points of average gross loans, up two basis points compared to the 30 September 2006 results.

The higher charge in the current year reflects an increase in provisioning to reflect recent developments in global markets, increased write-offs in the Australian unsecured lending portfolio, some downward re-grades in the business segment in New Zealand and lower write-backs in the Institutional Bank. These charges were partially offset by lower individually assessed provisions in the Institutional Bank.

Stressed exposures as a percentage of total commitments increased seven basis points from 30 September 2006 to 88 basis points at 30 September 2007. This was largely driven by re-grading of business customers in New Zealand, due to a more challenging economic environment. We track these exposures closely and have benefited in the past by early identification and monitoring of potential problem exposures, together with prompt remediation steps to avoid/minimise losses.

Total impaired asset provisions as a percentage of total impaired assets remained stable at 49% from 30 September 2006 to 30 September 2007. We are alert to the stresses that may emerge from recent developments in global capital markets and from the tightened funding environment.

2006 v 2005

Impairment charges decreased by $7 million or 2% as at 30 September 2006 to $375 million. The movement in the result between 2006 and 2005 was impacted by the change in methodology under A-IFRS to the extent that the 2006 charge is not strictly comparable with the 2005 result. Impairment charges in 2006 represented 17 basis points of average gross loans and acceptances, down two basis points on 30 September 2005.

The lower charge in 2006 reflected the change in calculation methodology offset by additional charges generated by the unsecured consumer portfolio (credit cards portfolio), some deterioration in the business segment in Australia, as well as some deterioration in individual exposures in the Institutional Bank.

Stressed loans as a percentage of total commitments increased 7 basis points from 30 September 2005 to 81 basis points at 30 September 2006. This was largely driven by business customers in our Australian retail division, due to a more challenging economic environment (interest rate rises and higher input costs such as fuel during 2006).

Total impairment asset provisions as a percentage of total impaired assets was 49% as at 30 September 2006, up from 36% as at 30 September 2005. The increase in provisioning coverage from 2005 reflects the inclusion of facilities greater than 90 days past due not well secured in line with APRA s prudential approach to the adoption of A-IFRS by ADIs. These facilities attract higher provisioning under A-IFRS.

Income tax expense

	2007 $m	**2006 $m**	**2005 $m**
Income tax expense	1,630	1,422	1,223
Tax as a percentage of profit from ordinary activities before tax (effective tax rate)	31.7%	31.3%	29.3%

2007 v 2006

Income tax expense increased by $208 million or 15%, from $1,422 million in 2006 to $1,630 million in 2007. The effective tax rate increased by 40 basis points in 2007 to 31.7%. The 2007 income tax result was impacted by the tax effect of movements in exchange rates on branch capital deployed offshore, contributing $43 million to the increase in income tax expense.

2006 v 2005

Tax expenses were up $199 million or 16% in 2006, resulting in an increase in the effective tax rate of 200 basis points to 31.3%. Key drivers of the increase were:

structured finance deals during 2005 a number of structured finance deals in New Zealand were terminated. These deals generated income which was subject to a reduced rate of income tax at a Group level. The deals have not been replaced with business of a similar nature. Please refer to Note 40 to the financial statements for further discussion on proceedings currently under way with the New Zealand tax authorities;

life company concessional tax rates the Australian concessional tax rates applicable to earnings from life insurance companies ceased in July 2005, resulting in higher tax charges going forward. The higher tax charges impacted our 2005 results for only three months, while being in effect for all of 2006; and

the impact of the write down in Westpac s deferred tax asset in the United Kingdom of $41 million.

Balance sheet review

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

As at 30 September	2007 $m	2006 $m	2005 $m
Assets			
Cash and balances with central banks	2,243	3,132	2,853
Due from other financial institutions	28,379	12,211	14,355
Derivative financial instruments	24,308	10,311	9,944
Trading securities, other financial assets and available-for-sale (2005 Investment securities)	24,505	17,811	14,464
Loans	272,545	234,484	203,150
Life insurance assets	15,456	14,281	13,595
All other assets	7,385	7,348	7,902
Total assets	374,821	299,578	266,263
Liabilities and equity			
Due to other financial institutions	9,133	12,051	10,654
Deposits	199,222	167,741	149,252
Derivative financial instruments	25,192	9,342	10,514
Trading liabilities and other financial liabilities	8,223	2,893	3,154
Debt issues	87,126	66,080	48,754
Acceptances			4,864
Life insurance liabilities	14,392	13,476	11,717
All other liabilities	5,998	5,940	6,247
Loan capital	7,704	5,957	4,214
Total liabilities	356,990	283,480	249,370
Total equity	17,831	16,098	16,893
Total liabilities and equity	374,821	299,578	266,263

Assets

During the financial year ended 30 September 2007, total assets increased by $75.2 billion or 25.1% to $374.8 billion, from $299.6 billion in 2006 and $33.3 billion or 12.5% from $266.3 billion in 2005. The key drivers of this growth were:

Loans increased by $38.1 billion or 16.2% to $272.5 billion in 2007, from $234.5 billion in 2006 and by $31.3 billion or 15.4% in 2005 from $203.2 billion. The major areas of growth were:

housing loans in Australia grew by $13.7 billion or 12.3% in 2007 and $12.0 billion or 12.1% in 2006; and

non-housing loans in Australia grew by $11.8 billion or 26.4% in 2007 and $10.2 billion or 29.7% in 2006, particularly relating to business and personal lending.

Trading securities, other financial assets and available-for-sale securities increased by $6.7 billion which was mainly invested in debt securities. In addition, due from other financial institutions increased by $16.2 billion or 132.4% in 2007 compared to a decrease of $2.1 billion or 14.9% in 2006. The increase in these balances is primarily due to our strategy of maintaining greater liquid assets to give us additional flexibility in current market conditions.

Derivative financial instruments (assets) have increased by $14.0 billion or 135.7% in 2007. This growth is driven by the higher domestic and international customer flows in the Institutional and Treasury businesses resulting in a $216.6 billion or 16.6% increase in the notional of derivatives, combined with the volatility in foreign exchange rates, particularly AUS/USD, experienced in the later part of the reporting period.

Liabilities and equity

Total liabilities as at 30 September 2007 were $357.0 billion which was an increase of $73.5 billion or 25.9% compared with 2006. This is compared to the $34.1 billion or 13.7% increase between 2006 and 2005. The key movements in liabilities are outlined below.

Deposits in 2007 increased by $31.5 billion or 18.8% compared with 2006 and $18.5 billion or 12.4% in 2006 compared with 2005. The increase was due to call deposits in Australia which increased by $11.3 billion and increased issuance of certificates of deposit in the Australian market of $9.6 billion.

Derivative financial instruments (liabilities) have increased by $15.9 billion or 169.7%. This growth is driven by the higher domestic and international customer flows in the Institutional and Treasury businesses resulting in a $216.6 billion or 16.6% increase in the notional of derivatives, combined with the volatility in foreign exchange rates, particularly AUD/USD, experienced in the later part of the reporting period.

This year has seen the continuation of a long term trend of lending growth exceeding customer deposit growth. This has resulted in an increase in debt issues of $21.0 billion through our debt programmes compared to the $17.3 billion growth in the prior year. The increased current year growth for both deposits and debt issues is a result of our management of liquidity risk and customer deposit growth.

Equity increased by $1.7 billion or 10.8% during 2007 to $17.8 billion and decreased $0.8 billion or 4.7% during 2006.

Major movements in equity included the following:

- retained profits (net of dividends and other equity distributions) increased by $1.2 billion in 2007 compared to $0.2 billion in 2006; and
- increase of $0.6 billion in shares issued via the dividend reinvestment plan.

Asset quality

As at 30 September	2007 $m	2006 $m	2005 $m
Loans			
Loans (excluding total provisions for impairment charges)	273,914	235,684	200,015
Acceptances(1)			4,864
Total gross loans(2)	273,914	235,684	204,879
Average loans			
Australia	209,671	180,931	155,470
New Zealand	41,178	34,460	34,202
Other overseas	4,010	2,544	2,154
Total average loans(2)	254,859	217,935	191,826

(1) Acceptances of customers are included in loans in 2007 and 2006.

(2) Gross loans are stated before related provisions for impairment.

Total gross loans represented 73.1% of the total assets of the Group as at 30 September 2007 compared to 78.7% in 2006 and 76.9% in 2005.

Gross loans increased by $38.2 billion or 16.2% to $273.9 billion in 2007, from $235.7 billion in 2006 and $204.9 billion in 2005. The increase in 2007 and 2006 is due to strong growth in mortgage and business lending portfolios.

Approximately 27.3% of the loans at 30 September 2007 mature within one year and 24.4% mature between one year and five years. Real estate mortgage 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 increased $35.5 billion or 16.5% to $250.8 billion in 2007, from $215.4 billion in 2006 and $189.7 billion in 2005 predominantly due to the growth in mortgage and business lending. Australia and New Zealand average loans accounted for 98.4% of the total average gross loans in 2007 which is a decrease of 0.4% on 2006.

Other overseas average loans increased by $1.5 billion or 57.6% to $4.0 billion in 2007, from $2.5 billion in 2006 and $2.2 billion in 2005.

As at 30 September	2007 $m	2006 $m	2005 $m
Impaired assets			
Non-accrual assets(1):			
Gross	423	411	421
Impairment provisions	(159)	(167)	(189)
Net	264	244	232

Restructured loans:			
Gross	4	22	68
Impairment provisions		(10)	(10)
Net	4	12	58
Overdrafts and revolving credit greater than 90 days:			
Gross	113	88	72
Impairment provisions	(107)	(80)	(3)
Net	6	8	69
Net impaired assets	274	264	359
Provisions for impairment charges			
Individually assessed provisions (2005 specific provision)	148	164	199
Collectively assessed provisions (2005 general provision)	1,410	1,194	1,530
Provisions for impairment charges	1,558	1,358	1,729
Asset quality			
Total impairment asset provisions to total impaired assets	49.2%	49.3%	36.0%
Total impaired assets to total loans(2)	0.20%	0.22%	0.27%
Total provisions to total loans(3)	0.62%	0.63%	0.84%
Total provisions to total impaired assets	288.5%	260.7%	308.2%
Collectively assessed provisions to non-housing performing loans(3)	1.1%	1.1%	1.5%

(1) Loans with individually assessed impairment provisions held against them, excluding restructured loans. The loans are classed as non-accrual for US GAAP 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 of $128 million (pre-tax) above A-IFRS provisioning levels at 30 September 2007 (2006 $117 million, 2005 nil), which forms part of the APRA termed General Reserve for Credit Losses.

In 2007, we maintained a high quality loan portfolio with 73% of our exposure to either investment grade or secured consumer mortgages (2006 73%, 2005 74%) and 98% of our exposure is in our core markets of Australia and New Zealand (2006 98%, 2005 98%).

Potential problem loans as at 30 September 2007 amounted to $418 million, up from $297 million at 30 September 2006. The increase was predominantly driven by several downgrades in the Institutional Bank and the Australian Business Banking book. 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 2007, total impaired assets as a percentage of total gross loans remained at historical lows: 0.20% as at 30 September 2007, down from 0.22% at 30 September 2006 (2005 0.27%). Approximately 86% ($464 million) of total impaired assets relate to exposures in Australia and New Zealand. This proportion of impaired assets for 2007 remains unchanged from 30 September 2006 ($450 million) (2005 81% $456 million). Other overseas impaired exposures were $76 million at 30 September 2007 (2006 $71 million, 2005 $105 million).

At 30 September 2007, we had one impaired counterparty with exposure greater than $50 million, accounting for 13% of total impaired assets. This is down from two impaired counterparties with exposure larger than $50 million in 2006, collectively accounting for 24% of total impaired assets. There were a further 12 impaired exposures at 30 September 2007 that were less than $50 million and greater than $5 million (2006 seven impaired exposures).

At 30 September 2007, gross restructured loans were $4 million, a reduction of $18 million compared to 30 September 2006 ($22 million) and a decrease of $64 million compared to 2005 ($68 million). The decrease in 2007 was the result of an upgrade of one large exposure in the Institutional Bank.

Westpac remains well provisioned with total impaired asset provisions to total impaired assets coverage stable at 49%

Total provisions represent 289% of impaired assets as at 30 September 2007, up from 261% at 30 September 2006 (2005 308%). Total provisions to gross loans at 0.62% is down marginally from 0.63% at 30 September 2006.

Consumer mortgage loans 90 days past due at 30 September 2007 increased six basis points to 0.31% of outstandings (2006 0.25%) but still remains below external benchmark indices. The upward trend since 2006 is primarily driven by the impact of higher interest rates.

Other consumer loan delinquencies (including credit card and personal loan products) increased seventeen basis points in 2007 to 1.02% of outstandings (2006 0.85%). The increase was predominantly driven by the Australian book, also primarily due to the impact of higher interest rates.

Credit risk concentrations

We monitor our credit portfolio to manage risk concentrations. At 30 September 2007, our exposure to consumers comprised 61% (2006 63%) of our on-balance sheet loans and 48% (2006 51%) of total credit commitments. Almost 83% (2006 83%) of our exposure to consumers was supported by residential real estate mortgages. This category also includes investment property loans to individuals, credit cards, personal loans, overdrafts and lines of credit. Our consumer credit risks are highly diversified, with substantial consumer market share in every state and territory in Australia, New Zealand and the Pacific region. Moreover, these customers service their debts with incomes derived from a wide range of occupations, in city as well as country areas.

Exposures to businesses, government and other financial institutions are classified into a number of industry clusters based on groupings of related Australian and New Zealand Standard Industrial Classification (ANZSIC) codes and monitored against industry exposure boundaries. The level of industry risk is measured and monitored on a dynamic basis. Exposures are actively managed from a portfolio perspective, with risk mitigation techniques used to regularly re-balance the portfolio. The table below shows the assessed credit quality of our current exposures relating to these customers. The risk grades shown are aligned to the Standard and Poor s credit rating system. Based on these ratings, our exposure to business, government and other financial institution investment grade customers as at 30 September 2007 increased by one percent to 64% (2006 63%, 2005 63%).

Assessed credit quality of exposures to businesses, governments and other financial institutions at 30 September	**2007** %	**2006** %	**2005** %
AAA, AA	29	25	27
A	13	13	13
BBB	22	25	23
BB, B+	35	36	36
Lower than B+	1	1	1
Total	100	100	100

Business group results

To enable a more detailed analysis of our results, the following business group results have been presented on a management reporting basis. Internal charges and transfer pricing adjustments have been included in the performance of each of our business units, reflecting the management of the business within our organisation, rather than the legal structure. Therefore, the results below cannot be compared directly to public disclosure of the performance of individual legal entities within our organisation.

The following business results highlight the performance of our key areas of business and reconcile to our total result including the section Other. Other includes the results of Business and Technology Solutions and Services, Group Treasury, Pacific Banking and Head Office functions. Where the management reporting structure has changed or where accounting reclassifications have been made, comparatives have been reclassified and therefore may differ from results previously reported.

Business Financial Services

	2007 $m	2006 $m	2005 $m
Net interest income	1,842	1,627	1,436
Non-interest income	450	429	507
Net operating income before operating expenses and impairment charges	2,292	2,056	1,943
Operating expenses	(794)	(728)	(700)
Profit before impairment charges and income tax expense	1,498	1,328	1,243
Impairment charges	(106)	(69)	(71)
Profit before income tax	1,392	1,259	1,172
Income tax expense	(417)	(379)	(350)
Net profit attributable to shareholders of Westpac Banking Corporation	975	880	822

	$bn	$bn	$bn
Deposits	51.5	44.8	40.5
Loans	53.3	45.7	39.8
Total assets	54.6	47.6	40.9
Total operating expenses to operating income ratio	34.6%	35.4%	36.0%

2007 v 2006

Net profit attributable to shareholders for Business Financial Services (BFS) in 2007 was $975 million, an increase of $95 million or 11% compared to 2006.

Net interest income was $1,842 million in 2007, an increase of $215 million or 13% compared with 2006. The increase in net interest income was due to a 16% increase in business lending (17% after excluding working capital and trade loans) and a 15% increase in business deposits. This was partially offset by business unit margin compression of 6 basis points.

Non-interest income for 2007 was $450 million, an increase of $21 million or 5% compared with 2006, driven by deposit fee growth. Growth in non-interest income was 8%, excluding income from the sub-custody business which was sold in 2006.

Operating expenses were $794 million, an increase of $66 million or 9% compared with 2006. This was largely driven by the full impact of our customer serving employees recruited in the second half of 2006, combined with the further investment of 194 additional customer serving employees in 2007. Market driven salary increases and higher incentive costs from the uplift in operating performance, increased capability training costs, and higher property costs relating to five new and two refurbished Business Banking Centres also contributed to the increase in operating expenses.

Impairment charges for 2007 were $106 million, an increase of $37 million or 54% compared to 2006. The increase in impairment charges was largely driven by balance sheet growth. This result was in line with expectations and is below long run averages.

Income tax expense for 2007 was $417 million, an increase of $38 million or 10% compared to 2007. This equates to an effective tax rate of 30.0% in 2007 compared with 30.1% in 2006.

2006 v 2005

Net profit attributable to shareholders for BFS in 2006 was $880 million, an increase of $58 million or 7% compared to 2005.

Net interest income was $1,627 million in 2006, an increase of $191 million or 13% compared with 2005. The increase in net interest income in 2006 was a result of loan growth of 15%. Growth in net interest income was also assisted by impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005. These standards require certain fees, previously taken into account upfront, to be deferred on the balance sheet and amortised through net interest income over the life of the underlying product. This results in an increase in net interest income and a decrease in non-interest income.

Non-interest income for 2006 was $429 million, a decrease of $78 million or 15% on 2005. The main drivers for the decrease were the impacts of AASB 132 and AASB 139 as described above. These impacts resulted in non-interest income falling $108 million on 2005. Other non-interest income increased $30 million or 6% compared with 2005, driven from growth in net loans.

Operating expenses for 2006 were $728 million, an increase of $28 million or 4% compared with 2005. The increase in operating expenses was largely driven by an increase in customer serving staff, including 440 business bankers hired during the year, predominantly in the second half of 2006. The increase was also driven by an increase in software amortisation associated with prior period investment in system capabilities.

Impairment charges for 2006 were $69 million, a decrease of $2 million or 3% compared with 2005. This decrease was partly driven by the impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005. The decrease in impairment charges due to the impact of these standards was more than offset by increased charges related to loan growth and an increase in provisioning levels due to a more challenging credit environment.

Income tax expense for 2006 was $379 million, an increase of $29 million or 8% over 2005. This equates to an effective tax rate of 30.1% in 2006 and 29.9% in 2005.

Consumer Financial Services

	2007 $m	2006 $m	2005 $m
Net interest income	2,684	2,451	2,241
Non-interest income	787	714	663
Net operating income before operating expenses and impairment charges	3,471	3,165	2,904
Operating expenses	(1,895)	(1,827)	(1,787)
Profit before impairment charges and income tax expense	1,576	1,338	1,117
Impairment charges	(223)	(220)	(241)
Profit before income tax	1,353	1,118	876
Income tax expense	(402)	(331)	(261)
Net profit attributable to shareholders of Westpac Banking Corporation	951	787	615

	$bn	$bn	$bn
Deposits	53.2	48.0	43.8
Loans	134.7	120.3	106.9
Total assets	135.6	121.0	108.6
Total operating expenses to operating income ratio	54.6%	57.7%	61.5%

2007 v 2006

Net profit attributable to shareholders for Consumer Financial Services (CFS) in 2007 was $951 million, an increase of $164 million or 21% compared to 2006.

Net interest income was $2,684 million in 2007, an increase of $233 million or 10% compared to 2006. The increase in net interest income was the result of a 12% increase in mortgage lending, 8% increase in cards outstandings and an 11% increase in deposit volumes. This was partially offset by a 5 basis point compression in the business unit margin. The non-recurring impact of the credit cards over-accrual in 2006 had the effect of increasing net interest income growth by 1%.

Non-interest income for 2007 was $787 million, an increase of $73 million or 10% compared with 2006. The increase was primarily driven by the full year impact of pricing changes introduced over 2006. Proceeds from the sale of the MasterCard Inc. shares in 2007 of $17 million were $5 million higher than sale proceeds in 2006.

Operating expenses for 2007 were $1,895 million, an increase of $68 million or 4% compared to 2006. This was largely driven by investment in 325 additional customer serving employees, 13 new branches and higher marketing expenses, partially offset by improvements in back office process efficiency.

Impairment charges for 2007 were $223 million, an increase of $3 million or 1% compared to 2006. This was primarily the result of increased write-offs driven by larger portfolio size and an increase in bankruptcies, offset by a decrease in collectively assessed provisioning charges due to improved management of delinquencies.

Income tax expense for 2007 was $402 million, an increase of $71 million or 21% compared to 2007. This equates to an effective tax rate of 29.7% in 2007 compared with 29.6% in 2006.

2006 v 2005

Net profit attributable to shareholders for CFS in 2006 was $787 million, an increase of $172 million or 28% compared to 2005.

Net interest income was $2,451 million in 2006, an increase of $210 million or 9% compared with 2005. The increase in net interest income was the result of 13% loan growth, with mortgages up 12% and credit card outstandings rising by 21%, partially offset by margin decline following continued competitive pricing pressures. Growth in net interest income was also assisted by the impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005. These standards require certain fees, previously taken to account upfront, to be deferred on the balance sheet and amortised through net interest income over the life of the underlying product. This results in an increase in net interest income and a decrease in non-interest income.

The 2006 result was also impacted by a one off write-off to net interest income relating to the over-accrual of interest income in the credit card business. Part of the over-accrual related to prior periods.

Non-interest income for 2006 was $714 million, an increase of $51 million or 8% on 2005. The main driver of the increase was higher fee income and $12 million in proceeds on the partial sale of MasterCard Inc. shareholding.

Operating expenses for 2006 were $1,827 million, an increase of $40 million or 2% compared with 2005. The increase in operating expenses was primarily driven by a 4% salary increase awarded to staff covered by our collective workplace labour agreements on 1 October 2005 and an increase in software amortisation expenses associated with prior period investments in system capabilities. This was partially offset by productivity savings in our operations and call centre areas and the deployment of the branch resource management tools.

Impairment charges for 2006 were $220 million, a decrease of $21 million or 9% compared with 2005. This decrease was partly driven by the impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005. The decrease in impairment charges resulting from the impact of these standards was more than offset by increased charges related to loan growth and an increase in write-offs following increased delinquency rates.

Income tax expense for 2006 was $331 million, an increase of $70 million or 27% over 2005. This equates to an effective tax rate of 29.6% in 2006 and 29.8% in 2005.

BT Financial Group Australia

	2007 $m	2006 $m	2005 $m
Net interest income	49	67	31
Non-interest income	1,135	964	910
Net operating income before operating expenses and impairment charges	1,184	1,031	941
Operating expenses	(602)	(547)	(527)
Profit before impairment charges and income tax expense	582	484	414
Impairment charges			
Profit before income tax	582	484	414
Income tax expense	(166)	(145)	(105)
Minority interests	1		
Net profit attributable to shareholders of Westpac Banking Corporation	417	339	309

	$bn	$bn	$bn
Total assets	22.0	18.7	17.2
Funds under management	41.3	39.0	37.2
Funds under administration	46.2	40.4	34.5
Total operating expenses to operating income ratio	50.8%	53.1%	56.0%

2007 v 2006

Net profit attributable to shareholders for BT Financial Group Australia (BTFG) was $417 million in 2007, an increase of $78 million or 23% on 2006.

Net interest income declined by $18 million or 27%. This was the result of an increase in revenue from the margin lending business driven from asset growth of 35%, more than offset by capital investment moving from interest bearing assets to non-interest bearing assets.

Non-interest income of $1,135 million was $171 million or 18% higher than 2006. The uplift in non-interest income was achieved through:

growth in FUA of 14% was driven by continuing growth in Wrap FUA and strong corporate superannuation growth of 17%. The strong growth in Wrap enabled BTFG to lead the share of new platform business with 24% market share (source: Morningstar, June 2007). Growth in 2007 was however impacted by the transition of the Governance Advisory Services (GAS) business into a new entity called Regnan, a new governance research and engagement company supported by BTFG and seven other institutional investors(1). Excluding the transition of these funds, FUA grew by 35%;

growth in FUM was 6% compared to 30 September 2006 with strong increases in Wholesale, up 43%, and strong market movements. Growth in FUM was impacted by the exiting of a global fixed income mandate of $3.6 billion with Blackrock(2) in 2007. Excluding the exit of these funds, FUM increased 15% over the year;

higher revenue in the Advice channel, up 34% or $27 million;

an increase in life insurance revenues of 23% to $144 million driven by growth in sales of 58% and in-force premiums of 14%. This was partially offset by a 24% or $14 million increase in claims; and

growth in general insurance income of 16% to $130 million driven by increased premium income. This was partially offset by storm claims of $8 million in June 2007.

Growth in FUM and FUA was supported by the superannuation legislation changes which resulted in an increase in superannuation flows in 2007.

Expenses increased by $55 million or 10% compared to 2006. This was driven by volume related expense growth in call centres, operations and processing, and additional investment in FTE in our Advice network. Expenses were also impacted by an increase in performance linked incentives, reflective of the strong performance of this business unit over the year. Additional spend was also directed towards product development and compliance initiatives, including the development of new and improved functionality and services on our Wrap platform and the new online Super for Life product, and increased spend on compliance projects including a major program to implement the superannuation legislation changes.

2006 v 2005

Net profit attributable to shareholders for BTFG in 2006 was $339 million, an increase of $30 million or 10% compared to 2005. The key factors which contributed to the 2006 result were continued improvement in investment management performance, a positive insurance environment, and solid growth in FUA, Margin Lending and General Insurance revenues. This was further supported by top quartile investment performance across most of our flagship funds in 2006 and solid growth in planner numbers and productivity. The 2005 result was impacted by a $13 million profit on sale of our shareholding in JDV Ltd. The termination of the Life Company concessionary tax rates in July 2005 resulted in an increase to the 2006 tax expense of $15 million compared to 2005.

Net interest income for 2006 was $67 million, an increase of $36 million or 116% compared with 2005. The increase was largely driven by increased margin lending volumes, up 48% on 2005. Full year 2006 margin lending sales of $1 billion were an increase of 71% on 2005 driven by sales force effectiveness and a buoyant market.

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(1) The other seven investors in Regnan are ARIA, Hermes, HESTA, LGSS, Vanguard, VFMC and VicSuper. BTFG retains an equal shareholding of 12.5% and an active interest in the new enterprise.

(2) During the year, BTFG exited the Blackrock institutional mandate due to the merger of Blackrock and Merrill Lynch.

Non-interest income for 2006 was $964 million, an increase of $54 million or 6% compared with 2005. The main drivers of the 2006 results were:

the success of our Wrap and Corporate Super businesses resulted in an increase in FUA of 17% to $40 billion. This drove an 11% rise in fee income;

FUM increased by 5% to $39 billion, despite the redemption of a $1 billion Institutional domestic fixed income mandate. The result was also boosted by improved investment management performance, with a number of our funds ranked in the top quartile for one, two and three year performance in 2006 (source: Intech, 30 September 2006); and

an increase of 11% in General Life Insurance income on 2005 to $112 million attributable to the majority of products experiencing strong sales growth, with major improvements coming from Lenders Mortgage insurance (up 68%) and Credit Card insurance (up 65%).

Operating expenses for 2006 were $547 million, an increase of $20 million or 4% compared to 2005. The increase reflected additional investment which was redirected towards a significant ramp up in our Advice network through the hiring of planners, investment representatives and other planner force staff.

Income tax expense for 2006 was $145 million, an increase of $40 million compared with 2005. This equates to an effective tax rate of 30% in 2006 and 25% in 2005. The increase in the effective tax rate was a result of the termination of the Life Company concessionary tax rates in July 2005.

Westpac Institutional Bank

	2007 $m	**2006 $m**	**2005 $m**
Net interest income	594	474	431
Non-interest income	928	853	872
Net operating income before operating expenses and impairment charges	1,522	1,327	1,303
Operating expenses	(618)	(549)	(530)
Profit before impairment loans and income tax expense	904	778	773
Impairment charges	(43)	(39)	(37)
Profit before income tax	861	739	736
Income tax expense	(251)	(214)	(219)
Minority interests			(12)
Net profit attributable to shareholders of Westpac Banking Corporation	610	525	505

	$bn	**$bn**	**$bn**
Deposits	8.8	7.4	6.3
Loans	42.6	32.1	24.1
Total assets	76.3	56.5	47.1
Total operating expenses to operating income ratio	40.6%	41.4%	40.7%

2007 v 2006

Net profit attributable to shareholders for the Institutional Bank was $610 million for the year ended 30 September 2007, up $85 million or 16% compared to 2006.

Net interest income increased by $120 million or 25% to $594 million in 2007. This was driven by the Debt Markets business with the revenue contribution from Financing increasing as a result of asset growth. Overall growth in loans was 33% over the year resulting in a balance of $42.6 billion as at 30 September 2007.

Non-interest income of $928 million increased by $75 million or 9% compared to 2006. This was driven by improved performance in the Foreign Exchange (FX), Equities and Energy businesses which experienced strong customer sales flows. This was aided by increased market volatility in the second half of 2007, which resulted in solid growth in both sales and trading revenues compared to 2006.

The non-interest income results were partially offset by a reduction in income generated by the Specialised Capital Group (SCG), primarily due to lower origination income related to delays in closing two large transactions. The 2006 SCG result also benefited from the redemption of FIELDS securities following the acquisition of the Delhi Group. The 2007 non-interest income result was also impacted by lower revenue from the portfolio of investment securities which decreased $43 million compared to 2006 due to the run down and liquidation of the portfolio.

Operating expenses increased by $69 million or 13% compared to 2006. Operating expenses were impacted by increased performance related pay of $34 million reflecting strong operating performance, and non-lending losses of $14 million in relation to the settlement of a legal claim arising from a prior period. Other expense increases of $22 million or 4% also contributed to the increase. These expenses primarily related to higher other personnel costs and increased investment including offshore expansion in the UK and new transactional banking capabilities.

Impairment charges increased $4 million or 10%, with the continued low levels of impairment charges benefiting from a benign credit environment throughout 2007 and active management of portfolio exposures.

2006 v 2005

Net profit attributable to shareholders for the Institutional Bank in 2006 was $525 million, an increase of $20 million or 4% compared to 2005.

The Financial Markets and Transactional Banking businesses were the main contributors to the 2006 result. The result for the Specialised Capital Group was significant, with revenue maintained in the face of intense market competition and lower levels of suitably valued assets.

Net interest income was $474 million in 2006, an increase of $43 million or 10% compared with 2005. The impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005, contributed to the growth in net interest income. These standards require certain fees, previously taken to account upfront, to be deferred on the balance sheet and amortised through net interest income over the life of the underlying product. This results in an increase in net interest income and a decrease in non-interest income. The increase in net interest income was also due to strong asset growth over the year, and an increased contribution from Financial Markets, offset by the run-off of certain Structured Finance transactions, with the revenue contribution from this division decreasing by $69 million in 2006.

Non-interest income for 2006 was $853 million, a decrease of $19 million or 2% compared with 2005. The main drivers for the decrease were the impacts of AASB 132 and AASB 139 as detailed above, contributing $58 million to the decline in non-interest income. Other non-interest income increased by $39 million compared to 2005, due to the strong performance in Transactional Banking and Financial Markets. The Transactional Banking business delivered revenue growth of $14 million or 9% compared to 2005. Similarly, Financial Markets delivered a strong overall result, driven by a significant lift in trading revenue in the first half of 2006. FX earnings were up $54 million or 25% compared to 2005, due to increased market volatility driving additional customer demand for FX products. These strong FX results were partially offset by lower earnings in our interest rate businesses. This was due to reduced hedging activities in the face of relatively stable monetary conditions and a changed accounting regime.

Operating expenses for 2006 were $549 million, an increase of $19 million or 4% compared to 2005. This was due to revenue related costs in the Specialised Capital Group and Financial Markets businesses, resulting from new growth initiatives and additional performance-based personnel costs.

Impairment charges for 2006 were $39 million, an increase of $2 million compared to 2005. The total impairment charge for 2006 remained well under historic averages, which reflected a continued benign credit environment boosted by the impact of write-backs on accounts previously provisioned.

New Zealand Banking

	2007 $m	2006 $m	2005 $m
Net interest income	903	863	785
Non-interest income	373	380	404
Net operating income before operating expenses and impairment charges	1,276	1,243	1,189
Operating expenses	(601)	(600)	(574)
Profit before impairment charges and income tax expense	675	643	615
Impairment charges	(71)	(29)	(33)
Profit before income tax	604	614	582
Income tax expense	(190)	(194)	(179)
Minority interests	(3)	(3)	(4)
Net profit attributable to shareholders of Westpac Banking Corporation	411	417	399

	$bn	$bn	$bn
Deposits	21.4	19.0	18.1
Loans	36.6	32.0	29.3
Total assets	37.6	33.8	30.9
Funds under management	1.6	1.7	1.7
Total operating expenses to operating income ratio	47.1%	48.3%	48.3%

2007 v 2006

Net profit attributable to shareholders for New Zealand Banking in 2007 was $411 million, a decrease of $6 million or 1% compared to 2006. Exchange rate movements had a $13 million negative impact on earnings.

Net interest income for 2007 was $903 million, an increase of $40 million or 5% compared to 2006. The increase in net interest income in 2007 was the result of an 18% increase in consumer lending in NZ$ terms, 13% increase in business lending in NZ$ terms and 15% increase in deposit volumes in NZ$ terms. This was partially offset by a 20 basis point decline in the business unit margin. The margin decline was reflective of the continued customer preference for fixed rate loans and high interest online saver and term deposit accounts, which are our lower spread products. Exchange rate movements had a $31 million negative impact on net interest income.

Non-interest income for 2007 was $373 million, a decrease of $7 million or 2% compared to 2006. Exchange rate movements had a $13 million negative impact on non-interest income, with the result also impacted by fee initiatives introduced in early 2007.

Operating expenses for 2007 were $601 million, an increase of $1 million compared to 2006. Increases in personnel costs were offset by productivity initiatives and lower technology costs. Exchange rate movements had a $21 million positive impact on operating expenses.

Impairment charges for 2007 were $71 million, an increase of $42 million compared to 2006. The increase was due to higher collectively assessed provisions reflecting balance sheet growth and business banking customer regrades to reflect changing economic conditions. Higher individually assessed provisions and write-offs in personal loans and mortgages also contributed to the increase. Delinquency rates for housing and unsecured consumer loans greater than 90 days in arrears increased in 2007, reflecting a return to longer term norms in both portfolios from historically low levels.

Income tax expense for 2007 was $190 million, a decrease of $4 million or 2% compared to 2006. This equates to an effective tax rate of 31.5% in 2007 compared with 31.6% in 2006.

2006 v 2005

Net profit attributable to shareholders for New Zealand Banking in 2006 was $417 million, an increase of $18 million or 5% compared to 2005. The 2006 result was impacted by the non-recurring write-off relating to an over-accrual of interest income in the New Zealand credit cards business. The majority of the $8 million charge, taken up in the second half of 2006, related to prior periods. Exchange rate movements had a $17 million positive impact on earnings in 2006.

Net interest income for 2006 was $863 million, an increase of $78 million or 10% compared with 2005. Strong volume growth was offset by a 25 basis point decline in business unit margins. The decline reflected the continued migration to lower spread products in both lending (fixed rate mortgages) and deposits (Online saver account). This decline slowed in the second half of the year as product switching within the housing portfolio stabilised. Exchange rate movements had a $36 million positive impact on net interest income.

Growth in net interest income was also assisted by impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005. These standards require certain fees, previously booked as income upfront, to be deferred on the balance sheet and amortised through net interest income over the life of the underlying product. This resulted in an increase in net interest income and a decrease in non-interest income.

Non-interest income for 2006 was $380 million, a decrease of $24 million or 6% compared with 2005. The main driver for the decrease was the impact of AASB 132 and AASB 139 as described above. In the first half of 2006, the non-interest income result was also impacted by a shift towards lower fee products, as customers changed their banking arrangements in response to pricing changes introduced in 2004. This structural shift stabilised in the second half of 2006. Exchange rate movements had a $15 million positive impact on non-interest income.

Operating expenses for 2006 were $600 million, an increase of $26 million or 5% compared to 2005. Salary increases and an increase in the number of customer serving employees were offset by reductions in discretionary expenses and lower outsourcing costs. In 2006 we increased our branch footprint in key Auckland locations. Exchange rate movements had a $24 million negative impact on operating expenses.

Impairment charges for 2006 were $29 million, a decrease of $4 million or 12% compared to 2005. Credit quality remained strong and was reflective of a benign credit environment in New Zealand. Provisioning and impaired asset ratios have improved and delinquency ratios across all major product groups strengthened in 2006 compared to 2005.

Income tax expense for 2006 was $194 million, an increase of $15 million or 8% compared with 2005. This equates to an effective tax rate of 31.6% in 2006 and 30.8% in 2005.

Other

	2007 $m	**2006 $m**	**2005 $m**
Net interest income	241	160	335
Non-interest income	187	235	98
Net operating income before operating expenses and impairment charges	428	395	433
Operating expenses	(33)	(44)	(41)
Profit before impairment charges and income tax expense	395	351	392
Impairment charges	(39)	(18)	
Profit before income tax	356	333	392
Income tax expense	(204)	(159)	(109)
Minority interests	(65)	(51)	(235)
Net profit attributable to shareholders of Westpac Banking Corporation	87	123	48

The Other segment comprises Business and Technology Solutions and Services, Group Treasury, Pacific Banking, and Group Head Office. Group Treasury s operations are primarily focused on the management of the Group s interest rate risk and funding requirements. Pacific Banking operations comprise our presence in the near Pacific including Papua New Guinea and Fiji.

2007 v 2006

Net profit attributable to shareholders in the Other segment decreased by $36 million or 29% compared to 2006.

Net interest income increased by $81 million to $241 million in 2007. This was primarily driven by an increase in Group Treasury s net interest income, up $77 million, largely due to successful positioning in the short term interest rate market, where greater opportunity existed in the first half of 2007; this growth was somewhat impacted by increased funding costs in the latter part of 2007.

Non-interest income of $187 million was $48 million or 20% lower than the 2006 result. The factors contributing to this result were:

a reduction in non-interest income of $35 million from the recognition of certain items impacting 2007 and 2006, including the recognition of R&D rebates associated with qualifying technology expenditure ($40 million) and an earn-out on the sale of the sub-custody business ($19 million) in 2007, compared to the 2006 result which included $94 million profit from the sale of the sub-custody business;

Group Treasury non-interest income was down $41 million due to reduced foreign exchange income; and

an increase in the policyholder tax recoveries from our life insurance business, which were $92 million in 2007, an increase of $31 million on 2006.

Operating expenses declined by $11 million or 25% to $33 million in 2007. This was due to a reduction in expenses in the Group Head Office, partially offset by increased expenses in Pacific Banking, up $7 million or 13%, following the commencement of a longer term investment program in risk and sales management capability and a refresh of technology and telecommunications infrastructure.

Impairment charges increased by $21 million compared to 2006. This was due to increased impairment charges in Pacific Banking due to the economic and political instability experienced in the Pacific region during the first quarter of 2007, and the impact of additional collective provisions raised in the Group Head Office in 2007 due to current market dislocations.

Income tax expense increased by $45 million or 28% to $204 million in 2007. The 2007 income tax result was impacted by the tax effect of movements in exchange rates on branch capital deployed offshore, contributing $43 million to the increase in income tax expense.

Minority interests increased by $14 million or 27% to $65 million. The minority interests represents distributions of our hybrid equity instruments TPS 2003 and TPS 2006, as well as other minority interests. The increase compared to 2006 reflects distributions on TPS 2006, which were issued in June 2006 and commenced paying distributions in September 2006.

2006 v 2005

In 2006 net profit attributable to shareholders in the Other segment increased by $75 million or 156% to $123 million. This was largely a result of the sale of the Group s sub-custody business to HSBC, which generated a net profit after tax of $72 million.

Net operating income before operating expenses and impairment charges decreased $38 million or 9% to $395 million. This decrease included the impact of various consolidation entries that had no impact on net profit attributable to shareholders. These entries include the consolidation of certain managed investment schemes where Westpac controls the schemes (down $94 million to zero in 2006), policyholder tax recoveries from our Life Insurance business (down $27 million to $61 million), and the reversal of tax gross ups from certain financing transactions from our Institutional bank ($111 million reversal in 2006, $214 million reversal in 2005). This was partially offset by higher income from Pacific Banking (up $26 million or 17%). The increase in Pacific Banking income was the result of continued balance sheet growth. Net operating income before operating expenses and impairment charges in 2006 also included $94 million from the sale of Westpac s sub-custody business to HSBC. These were partially offset by lower net interest income from interest paid on certain hybrid equity instruments due to the impact of transitional A-IFRS standards (primarily AASB 132 and AASB 139). In 2005 distributions on the TPS 2004 and FIRsTS instruments were classified as minority interests, while in 2006 they were classified as a deduction to interest income.

Operating expenses increased $3 million or 7% to $44 million. The impact of movements in the NZ$ exchange rate benefited operating expenses, which were offset by an increase in expenses incurred centrally, which were not recharged to business units.

Impairment charges were $18 million in 2006, up $18 million, as a result of higher charges in Pacific Banking following the above mentioned balance sheet growth and increased charges for certain provisions taken at a Group level. There were no impairment charges in 2005.

Income tax expense increased $50 million or 46% to $159 million primarily due to the write down in Westpac s deferred tax asset in the United Kingdom of $41 million.

Minority interests decreased $184 million or 78% to $51 million as a result of the consolidation of certain managed investment schemes as well as distributions for the TPS 2004 and FIRsTS hybrid equity instruments in 2005. As mentioned above, the distributions on TPS 2004 and FIRsTS were classified as a deduction to interest income in 2006.

Liquidity and funding

Liquidity

Liquidity risk is the potential inability to meet our payment obligations, which could potentially arise as a result of mismatched cash flows generated by our business. This risk is managed through our Board Risk Management Committee (BRMC) approved liquidity framework.

Responsibility for liquidity management is delegated to Group Treasury, under oversight of the Market Risk Committee (MARCO). Group Treasury manage liquidity on a daily basis and submit monthly reports to the MARCO and quarterly reports to the BRMC. Monthly reports are provided to the Australian Prudential Regulation Authority. Group Treasury is also responsible for monitoring our funding base and ensuring that it is prudently maintained and adequately diversified.

Our liquidity risk management framework models our ability to fund under both normal conditions and during a crisis situation (with models run globally and for specific geographical regions Australia, New Zealand and offshore). This approach is designed to ensure that our funding framework is sufficiently flexible to ensure liquidity under a wide range of market conditions. The global liquidity management framework is reviewed annually to ensure it is appropriate to our current and planned activities. The annual review encompasses the funding scenarios modelled, the modelling approach, wholesale funding capacity, limit determination and minimum holdings of liquid assets. The liquidity framework is reviewed by the MARCO and the Group Risk Reward Committee (GRRC) prior to approval by the BRMC.

Group Treasury also undertakes an annual funding review that outlines the current funding strategy for the coming year. This review encompasses trends in global debt markets, funding alternatives, peer analysis, estimation of our upcoming funding requirements, estimated market funding capacity and a funding risk analysis. The annual funding plan is reviewed by the MARCO and the GRRC, prior to approval by the BRMC.

We maintain a crisis management action plan that details the broad actions to be taken in the event of a funding crisis. This document is reviewed annually and defines a committee of senior executives to manage a crisis and allocates responsibility to individuals for key tasks. A media relations strategy, contingent funding plan and detailed contact lists are also incorporated into this document.

Our liquidity risk capital model provides an estimate of liquidity risk capital consistent with measurements of credit, market and operational risk capital. This model measures the risk of loss due to increased costs of ensuring that the demands for cash are met.

Expenses associated with funding and liquidity management are allocated to business units. This approach is intended to promote appropriate behaviours in the organisation and is designed to ensure that pricing signals are consistent with the portfolio management approach.

Sources of liquidity

Principal sources of our liquidity are as follows:

- deposits;
- debt issues;
- proceeds from sale of marketable securities;
- principal repayments on loans;
- interest income;
- fee income; and
- interbank deposit agreement.

We have responded to the current dislocation in wholesale funding markets by holding more marketable securities.

In management s opinion, liquidity is sufficient to meet our present requirements.

Deposits and due to other financial institutions

As at 30 September 2007, deposits amounted to $199.2 billion (2006 $167.7 billion) and represented 55.8% (2006 59.2%) of our total liabilities. These borrowings continue to provide a majority of our funding and represent a well-diversified and stable source of funds.

As at 30 September 2007, due to other financial institutions accounted for $9.1 billion (2006 $12.0 billion) and represented 2.6% (2006 4.3%) of total liabilities. Due to other financial institutions are taken from a wide range of counterparties. For further information refer to Note 18 to the financial statements.

Debt issues

As at 30 September 2007, debt issues amounted to $87.1 billion (2006 $66.1 billion) and represented 24.4% (2006 23.3%) of our total liabilities.

The wholesale funding base is diversified with respect to term, investor base, currency and funding instrument. Facilitating this issuance is an extensive funding infrastructure, covering short and long term debt issuance programmes in a range of key jurisdictions (US market, Euro market, Australian and New Zealand domestic markets) and niche markets (Japanese retail). The risk that a market becomes unavailable (or market pricing increases) is mitigated by our infrastructure and diversification which reduces our reliance on any one funding source and allows us to replace liquidity from a range of other sources/markets. Our wholesale debt issuance capability is enhanced through regular investor presentations (domestically and internationally), internet pages, and a dedicated page on Bloomberg screen service.

We have continued to experience good funding conditions across our wholesale funding markets over the last year. While conditions over the last two months of the year were challenging due to global market dislocation, demand for our debt issuance continued to be strong albeit at more expensive funding spreads.

As at 30 September 2007 Westpac s credit ratings were:

	Short Term	**Long Term**
Standard & Poor s	A-1+	AA
Moody s Investors Services	P-1	Aa1
Fitch Ratings	F1+	AA-

A credit rating is not a recommendation to buy, sell or hold our securities. Such ratings are subject to revision or withdrawal at any time by the assigning rating agency. Investors are cautioned to evaluate each rating independently of any other rating.

Marketable Securities

We hold a portfolio of liquid assets as a buffer against unforeseen funding requirements. These assets are held either in government or semi-government securities or investment grade paper. The large majority of these assets are held domestically in Australia and New Zealand. Determination of holding levels takes account of the liquidity requirements of our statement of financial position as well as our wholesale funding capacity. The level of these holdings is reviewed at least annually and more frequently if required.

Interbank Deposit Agreement (IDA)

We are a participant in an interbank deposit agreement with three other Australian banks. This agreement provides for notice to be served upon the other participants by a bank experiencing liquidity problems. The other depositors are obligated to deposit an equal amount of up to $2 billion each for a period of 30 days. At the conclusion of the 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of certain home loan mortgages to the value of the deposit. This agreement is intended to provide increased certainty of access to wholesale markets in times of crisis.

Material unused sources of liquidity include the liquid asset portfolio, IDA and unused limit under the debt programmes. The IDA and prudential liquid asset portfolio are held in reserve to provide liquidity in the event of a liquidity crisis.

Special purpose entities

We are associated with a number of special purpose entities (also known as special purpose vehicles or SPVs) in the ordinary course of business, primarily to provide funding and financial services products to our customers.

SPVs are typically set up for a single, limited purpose, have a limited life and generally are not operating entities nor do they have employees. The most common form of SPV structure involves the acquisition of financial assets by the SPV that are funded by the issuance of securities to external investors. Repayment of the securities is determined by the performance of the assets acquired by the SPV.

Under A-IFRS, an SPV is consolidated in the financial statements if it is controlled by the parent entity in line with AASB 127 Consolidated and Separate Financial Statements and UIG Interpretation 112 Consolidation Special Purpose Entities. The definition of control is based on the substance rather than form. Refer to Note 1 to the financial statements for information about how we apply the rules on consolidation of SPVs.

In the ordinary course of business, we have established or sponsored the establishment of SPVs in various areas, detailed below. Capital is held, as appropriate, against all SPV-related transactions and exposures.

Asset securitisation

Through our loan securitisation programmes we package an equitable interest in loans (principally housing mortgage loans) as securities which are sold to investors. We provide arm s length interest rate swaps and liquidity facilities to the programmes in accordance with APRA Prudential Guidelines. We have no obligation to repurchase any securitisation securities, other than in certain circumstances (excluding loan impairment) where there is a breach of representation or warranty within 120 days of the initial sale. We may remove interests in loans where they cease to conform with the terms and conditions of the securitisation programmes or through the programmes clean-up features to a maximum of 10% of the programmes initial value.

As at 30 September 2007, a total of $24.7 billion of assets have been securitised through a combination of private placements and public issues to Australian, New Zealand, European and United States investors. After allowing for the amortisation of the initial loans securitised, outstanding securitised loans were $9.6 billion as at 30 September 2007.

Under A-IFRS most of the SPVs involved in our loan securitisation programmes are consolidated by the Group.

Customer funding conduits

We arrange financing for certain customer transactions through a commercial paper conduit that provides customers with access to the commercial paper market. As at 30 September 2007, we administered one significant conduit (2006 one), that was created prior to 1 February 2003, with commercial paper outstanding of $6.0 billion (2006 $5.2 billion). We provide a letter of credit facility as credit support to the commercial paper issued by the conduit. This facility is a variable interest in the conduit that we administer and represents a maximum exposure to loss of $602 million as at 30 September 2007 (2006 $536 million). The conduit is consolidated by the Group.

Structured finance transactions

We are involved with numerous SPVs to provide financing to customers or to provide financing to the Group. Any financing arrangements to customers are entered into under normal lending criteria and are subject to our normal credit approval processes. The assets arising from these financing activities are generally included in due from other financial institutions, available-for-sale securities or loans. The liabilities arising from these financing activities are generally included in due to other financial institutions or debt issues. Exposures in the form of guarantees or undrawn credit lines are included within contingent liabilities and credit-related commitments.

Off-balance sheet arrangements

Wealth management activity

Refer to Note 41 to the financial statements for details of our wealth management activities.

Other off-balance sheet arrangements

Refer to Note 39 to the financial statements for details of our superannuation plans.

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 2007:

	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(1)	9,364	11,658	10,192	7,884	39,098
Operating leases(2)	267	416	278	630	1,591
Other commitments(2)	361	632	297	450	1,740
Total contractual cash obligations	9,992	12,706	10,767	8,964	42,429

(1) Refer to Note 24 to the financial statements for details of long term debt issues.

(2) Refer to Note 38 to the financial statements for details of expenditure commitments.

The above table excludes deposits and other liabilities taken in the normal course of banking business and short term and undated liabilities.

Commercial commitments(1)

The following table shows our significant commercial commitments as at 30 September 2007:

	Less Than 1 Year $m	Between 1 and 3 Years $m	Between 3 and 5 Years $m	Over 5 Years $m	Total $m
Standby letters of credit and financial guarantees	1,361	777	349	444	2,931
Trade letters of credit	7	305	1	188	501
Non-financial guarantees	418	1,852	187	979	3,436
Undrawn loan commitments		6,574	2,872	4,949	14,395
Other commitments(2)	132	62		362	556
Total commercial commitments	1,918	9,570	3,409	6,922	21,819

(1) The numbers in this table are credit equivalents (refer to Note 40 to the financial statements) which are determined in accordance with APRA risk weighted capital adequacy guidelines.

(2) Other commitments include certain drawdown commitments.

85

Capital resources

Capital management strategy

Capital management strategy seeks to balance the fact that capital is an expensive form of funding with the need to be adequately capitalised as an authorised deposit-taking institution. In Westpac, this tension between maximising efficiency, flexibility and adequacy has given rise to the following long-term operating principles for balance sheet structure:

absolute minimum capital requirements are determined and the specific consequences of breaching these requirements identified;

capital is managed within target ranges whose lower limits take account of regulatory requirements;

the top end of the target range represents a trigger to consider whether capital is surplus to business requirements and should be returned to shareholders;

Westpac s target ranges are intended to be consistent with a double A senior debt rating. They are based on the output of our internal economic capital models, adjusted to take account of rating agency and regulatory expectations;

Westpac actively manages the deployment of capital within the Group to ensure capital ratios are within target ranges and other requirements such as Thin capitalisation rules are met; and

in the event of large unexpected losses, the Group is committed to restore its capital position. Management has developed plans to access capital in such circumstances.

Our target ratios are summarised in the table below.

Capital measure	Target ratio
Adjusted common equity as a percentage of Risk weighted assets (ACE/RWA)	4.00 4.75%
Group tier 1 ratio (Level 2 tier 1)	6.00 6.75%
Stand alone tier 1 ratio (Level 1 tier 1)	5.50% minimum

As at 30 September 2007, the Level 1 tier 1 and Level 2 tier 1 ratios were 6.6% and 6.5% respectively and the ACE/RWA was 4.5%. Based on the mid point of our target Adjusted Common Equity range Westpac had $385 million of surplus capital at 30 September 2007.

For further details on capital adequacy refer to Note 28 to the financial statements.

Adjusted common equity

Tier 1 capital is calculated in accordance with APRA capital adequacy guidelines. The determination of ACE is less prescriptive but generally calculated as tier 1 capital less hybrid equity, investments in non-banking subsidiaries and other equity instruments. The ACE ratio has become the capital measure most frequently used by analysts and rating agencies to assess a bank s capital strength. Management believes that the ACE ratio is widely accepted and is a conservative measure of the amount of ordinary equity that explicitly supports a banking business, deducting the entire investment in non-banking subsidiaries from shareholders equity.

Adjusted common equity reconciliation

(in $millions unless otherwise indicated)	**2007**	**2006**
Total tier 1 capital	14,933	13,318
Less: hybrid capital (net of excess of 25% of tier 1 capital) (2007 0, 2006 0)	(3,125)	(3,217)
Less: other deductions in relation to non-consolidated subsidiaries	(777)	(680)
Less: credit portfolio management - subordinated tranche	(41)	
Less: transition relief	(664)	(664)
Adjusted common equity	10,326	8,757
Risk weighted assets(1)	227,222	192,391
Adjusted common equity to risk weighted assets	4.5%	4.6%

(1) Risk weighted assets used in the calculation of ACE differs from the RWA calculation used for APRA regulatory reporting. ACE RWA excludes APRA A-IFRS transaction relief and includes equity investments held by SCG.

In July 2007, APRA released draft revisions to the capital adequacy prudential standard APS110. The revisions introduced a number of changes intended to align with the international Basel II framework. The July 2007 revisions also formalise APRA s proposals for capitalisation of financial conglomerates, like Westpac, that are deemed by APRA to have substantial non-banking business. Once the standard is approved, it is expected that the capital requirement for such conglomerates, referred to as Level 3 entities in the standard, will be set with reference to their economic capital.

Westpac allocates capital to businesses within the Group on an economic basis. Economic capital is embedded within the Group s performance measurement and incentive compensation frameworks. Westpac continues to hold more capital than the amount dictated by its internal economic capital models.

Purchases of equity securities

Month	Total Number of Shares Purchased	Average Price Paid per Share $	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number (or Approximate $ Value) of Shares that may yet be Purchased Under the Plans or Programs
October (2006)	80,244	23.42		n/a
November (2006)	2,307,369	24.60		n/a
December (2006)	2,030,587	23.96		n/a
January (2007)	46,391	24.00		n/a
February (2007)	624,471	25.39		n/a
March (2007)	156,684	25.98		n/a
April (2007)	89,114	26.41		n/a
May (2007)	323,237	27.18		n/a
June (2007)	51,218	25.54		n/a
July (2007)	1,114,929	26.09		n/a
August (2007)	73,387	26.09		n/a
September (2007)	93,323	27.00		n/a
Total	6,990,954	24.93		

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: 2,853,969 ordinary shares;

under our Deferral Share Plan, 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: 541,890 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: 2,265,943 ordinary shares; and

to allocate to eligible employees under the Restricted Share Plan: 1,329,152 ordinary shares.

Refer to the description of the Deferral Share Plan in Note 27 and the discussion regarding share purchases and treasury shares in Note 25 to the financial statements.

Basel capital accord

The regulatory limits applied to our capital ratios are consistent with the Bank of International Settlements capital accord, which was first released in 1988. In June 2004 the Basel Committee on Banking Supervision released the International Convergence of Capital Management and Capital Standards: A Revised Framework also known as Basel II. This framework reflects the advances in risk management practices since the introduction of the 1988 Basel Accord, improving the sensitivity of capital calculation through a broader array of risk classes and enhanced measurement processes.

We are targeting compliance with the most sophisticated methods for both credit and operational risk. In September 2005 we submitted an application to APRA to be accredited to use the Advanced Internal Ratings Based (AIRB) approach for credit risk and the Advanced Measurement Approach (AMA) for operational risk. That submission was in the form of a self assessment against criteria outlined by APRA and the requirements of Basel II. Subsequent to that submission we have worked cooperatively with APRA to address issues arising in their consideration of accreditation requirements for Australian banks, and also on Westpac specific requirements. Westpac has recently provided APRA with a copy of the Board approved Internal Capital Adequacy Assessment Process (ICAAP) document.

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. A broad array of changes to risk management practices have been implemented across all risk classes. We recognise that embedding these principles and practices into day-to-day activities of business units to achieve the full benefits of these changes is an ongoing facet of risk management.

APRA have commenced the release of draft Australian Prudential Standards based on Basel II, and plan to have all relevant standards in final form prior to 1 January 2008. APRA have considerable discretion over the application of Basel II to the banks it regulates and have announced 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 today for traded market risk.

Following accreditation, any reduction in the level of regulatory capital required is subject to transitional arrangements in the first two years of operation. APRA have advised that initial regulatory capital relief will be limited to a maximum of 10% of the current capital requirements under the Basel I approach.

Risk management

Our vision is to be a great Australasian company and effective risk management is key to us achieving this goal. It influences our performance, reputation and future success. We regard managing risk as a fundamental management activity, performed at all levels of the Group.

Effective risk management is all about achieving a balanced approach to risk and reward. Risk management enables us to both increase financial growth opportunities and mitigate potential loss or damage. It is important to note that both mitigation and optimisation strategies are equally important in the world of risk management.

Risk management organisation

Our risk management strategy is approved by our Board and implemented through the Chief Executive Officer (CEO) and the executive management team.

The BRMC has been delegated responsibility for approving and maintaining an effective risk management framework. For further information regarding the role and responsibilities of the BRMC and other Board committees in managing risk, refer to the Corporate governance section.

The CEO and executive management team are responsible for implementing the risk management frameworks approved by the BRMC and developing policies, controls, processes and procedures for identifying and managing risk arising from our activities.

Our Group Risk function plays a key role in our risk management framework. It is independent from the business units and reports to the Chief Risk Officer (CRO) and is accountable for the effectiveness of our risk processes. Our risk function is also responsible for coordinating our response to key regulatory developments and issues affecting risk management.

Independent risk management units operate within each business unit, reporting to the group executive for that unit and the CRO. The business unit head of risk is responsible for identifying and quantifying the risks arising from their business and for implementing appropriate policies, procedures and controls to manage those risks. They also ensure alignment with the Group Risk function.

An independent review of management performance is undertaken by our Group Assurance function. This function contains our portfolio risk review unit, which is responsible for reviewing credit quality and business risks, assessing credit management process quality, credit policy compliance, and adequacy of provisions. Internal audit is responsible for independently evaluating the adequacy and effectiveness of management s control of operational risk.

Categories of risk

The key risks we are subject to are specific banking risks and risks arising from the general business environment. Our risk management framework encompasses credit, market, liquidity, equity, operational and compliance risk.

Credit risk

Refer to Note 31 to the financial statements for details of our credit risk management policies.

Provisions for impairment charges

For information on provisions for impairment charges refer to Critical accounting estimates in Note 1 to the financial statements.

Foreign exchange and derivative credit risk management

Refer to Note 31 to the financial statements for details of our foreign exchange and derivative credit risk management.

Counterparty credit quality

The table below shows the credit quality of our credit exposure associated with foreign exchange and derivative activities. The risk grades shown below are based on Standard & Poor s credit rating system. Based on these ratings, our exposure to investment grade counterparties is 98% as at 30 September 2007 (2006 98%).

Total assessed credit risk as at 30 September	**2007 %**	**2006 %**
AAA, AA	67	56
A	21	29
BBB	10	13
BB and below	2	2
Total	100	100

Counterparty credit risk by industry sector and country of ultimate risk

The table below shows our current credit risk exposure (not including potential future credit risk) by industry sector and by country of ultimate risk.

Current credit risk exposure (net) as at 30 September 2007(1)	Government $bn	Banks $bn	Non-bank Financial Institutions $bn	Others $bn	Total $bn
Australia	0.4	2.0	1.5	0.5	4.4
New Zealand				1.3	1.3
Europe		3.8	0.3	0.1	4.2
United States of America		1.1	0.9	0.1	2.1
Japan		0.1			0.1
Other		0.3	0.1	0.4	0.8
Total	0.4	7.3	2.8	2.4	12.9

(1) Netting has been applied to counterparties with appropriate netting agreements in legally enforceable jurisdictions.

Credit risk maturity profile and settlement risk

The table below shows the maturity profile of our foreign exchange and derivative credit risk exposure in gross replacement cost terms (i.e. not including potential future credit risk). The gross replacement cost overstates our credit risk exposure at 30 September 2007 as it ignores the netting benefit of $11.4 billion.

Gross replacement cost as at 30 September 2007	Less Than 3 Months $bn	Between 3 Months and 1 Year $bn	Between 1 and 2 Years $bn	Between 2 and 5 Years $bn	Over 5 Years $bn	Total $bn
Interest rate						
Swaps	0.1	0.4	0.9	2.4	1.7	5.5
Options						
Forwards and futures	0.1					0.1
Foreign exchange						
Forwards	7.2	1.6	0.1	0.1		9.0
Swaps	1.1	1.0	1.4	2.9	1.5	7.9
Purchased options	0.2	0.5				0.7
Commodities		0.5	0.5	0.1		1.1
Equities and credit						
Total derivatives	8.7	4.0	2.9	5.5	3.2	24.3

Settlement risk occurs when we pay out funds before we receive payment from the counterparty to the transaction. We manage our settlement risk exposures through specific customer limits. We use Continuous Linked Settlement (CLS) to reduce our foreign exchange settlement risk to other CLS participants. CLS enables members to settle foreign exchange transactions between themselves through the simultaneous payment of the currency legs of transactions.

Cross-border outstandings

Cross-border outstandings are loans, placements with banks, interest earning investments and monetary assets denominated in currencies other than the borrower s local currency. They are grouped on the basis of the country of domicile of the borrower or the ultimate guarantor of the risk. The table below excludes irrevocable letters of credit, amounts of which are immaterial. The relevant foreign denominated currencies have been converted at the closing spot exchange rate used in the financial statements.

Our cross-border outstandings to countries that individually represented in excess of 0.75% of Group total assets as at 30 September in each of the past three years, were as follows:

(in $millions unless otherwise indicated)	Governments and Official Institutions	Banks and Other Financial Institutions	Other (Primarily Commercial and Industrial)	Total	Percentage of Total Assets
2007					
United States		2,104	1,332	3,436	0.9%

Australia	10	1,040	2,763	3,813	1.0%
United Kingdom		4,519	434	4,953	1.3%
Netherlands		5,873	76	5,949	1.6%
2006					
United States		2,988	1,349	4,337	1.4%
Australia		659	2,776	3,435	1.1%
2005					
United States		2,632	1,003	3,635	1.4%
Australia	11	1,297	1,649	2,957	1.1%
United Kingdom		1,869	526	2,395	0.9%

Impaired assets among the cross-border outstandings were $28 million as at 30 September 2007 (2006 $35 million, 2005 $76 million).

Market risk

Market risk is the potential for losses arising from adverse movements in the level and volatility of market factors such as foreign exchange rates, interest rates, commodity prices and equity prices.

The management of market risk arising from the Financial Markets trading books (the subject of the notes below) is segregated from the market risks arising from banking activities.

Trading activities

Financial Market trading activities are controlled by a Board-approved market risk framework that incorporates Board-approved Value at Risk (VaR) limits. VaR is the primary mechanism for measuring and controlling market risk. Market risk is managed using VaR and structural risk limits (including volume limits and basis point value limits) in conjunction with scenario analysis and stress testing. Market risk limits are allocated to business management based on business strategies and experience, in addition to market liquidity and risk concentration analysis. A separate independent Market Risk Management unit is responsible for the daily measurement and monitoring of market risk exposures.

VaR is an estimate of the worst case loss in value of trading positions, to a 99% confidence level, assuming positions were held unchanged for one day. We use a historical simulation method to calculate VaR taking into account all material market variables. Actual outcomes are monitored and the model is back-tested daily.

The following table provides a summary of VaR, by risk type, for the six months ended 30 September 2007, 31 March 2007 and 30 September 2006.

Daily value at risk

	30 September 2007			31 March 2007			30 September 2006		
Six months ended	**High $m**	**Low $m**	**Average $m**	**High $m**	**Low $m**	**Average $m**	**High $m**	**Low $m**	**Average $m**
Interest rate risk	4.9	0.6	2.5	6.3	1.6	3.1	5.8	1.8	3.2
Foreign exchange risk	7.2	2.0	3.5	3.4	0.1	1.2	3.2	0.1	1.3
Equity	3.5	0.7	1.8	~	~	~	~	~	~
Commodity(1)	5.0	1.1	3.1	~	~	~	~	~	~
Volatility risk	~	~	~	1.8	0.6	1.1	1.5	0.4	0.8
Other market risks(2)	2.4	0.7	1.0	4.1	0.6	1.8	3.3	1.8	2.3
Diversification effect	n/a	n/a	(6.6)	n/a	n/a	(2.5)	n/a	n/a	(1.7)
Net market risk	9.2	3.2	5.3	7.3	3.2	4.7	8.3	4.2	5.9

(1) Includes Electricity risk.

(2) Includes Commodity (including electricity), Equity, Capital Market underwriting, Prepayment and Issuer Specific risks for
30 September 2006 and 31 March 2007. Includes Prepayment and issues specific risk only for 30 September 2007 (Commodity and Equity risk separately disclosed).

~ Indicates change in format to align with regulatory risk classifications.

The chart below shows the aggregated daily value at risk arising in the trading books for the 12 months ended 30 September 2007.

$ million

The Market Risk Management unit performs daily stress and regular scenario tests on the trading portfolios to quantify the impact of extreme or unexpected movements in market factors.

Daily value at risk position reports are produced by risk type, by product and by geographic region. These are supplemented by structural reporting, advice of profit and loss trigger levels and stress test escalation trigger points.

Distribution of daily trading income

The distribution of daily trading income for the year ended 30 September 2007 is shown in the following chart:

Commodity trading including energy

Commodity trading activity is part of our financial markets business. All trades are marked-to-market daily, using independently sourced or reviewed rates. Rates are compared to both AFMA published prices and brokers quotes. These rates are reviewed on a monthly basis by the Westpac Institutional Bank Revaluation Committee and on a random basis intra-month. These businesses are managed within market risk structural and VaR limits. Credit risk is controlled by pre settlement risk limits by counterparty.

Commodity trading activities in Australia are limited to electricity swaps, options, swaptions, Asian options, futures, Renewable Energy Contracts (RECS) and Settlement Residue Auctions (SRAs); trading on the European and US Markets has been limited to futures.

The total fair value of energy contracts outstanding as at 30 September 2007 was a net asset of $371 million; at 30 September 2006 the outstanding contracts were a net liability of $29 million.

4% of the outstanding fair value of contracts mature in less than one year and the remaining 96% have a maturity profile of between one and five years.

The total fair value of commodity contracts outstanding as at 30 September 2007 is a net asset of $16 million; at 30 September 2006 the outstanding contracts were a net asset of $16 million.

74% of the outstanding fair value of contracts mature in less than one year and the remaining 26% have a maturity profile of between one and five years.

Non-trading risk

Management of structural interest rate risk

Refer to Note 31 to the financial statements.

Structural foreign exchange risk

Refer to Note 31 to the financial statements.

Equity underwriting and warehousing risk

As a financial intermediary we underwrite listed and unlisted equities.

Equity underwriting activities include the development of solutions for corporate and institutional customers who have a demand for equity capital and investor customers who have an appetite for equity based investment products.

Equity warehousing activities involve the acquisition of assets in anticipation of refinance through a combination of senior, mezzanine and capital market debt and listed, unlisted and privately placed equity. This varies from underwriting risk in that we will always be the principal owner of the asset for a predefined period during which we are required to structure and arrange the sell down.

To manage the risks associated with equity underwriting and warehousing, including sufficient investor demand, we have established policies that require business units to seek expressions of interest before transactions are undertaken.

Issues relating to conflicts of interest are managed via separation of duties and the establishment of Chinese Walls . All underwriting and warehousing decisions are made under the authorities approved by our Board and administered by the CRO.

Operational risk

Operational risk arises from inadequate or failed internal processes, people and systems or from external events. Operational risk has the potential to negatively impact our financial performance, or our reputation in the community or to cause other damage to our business as a result of the way we pursue business objectives.

Each business area is responsible for the identification, measurement, monitoring and mitigation of operational risk. The existence of a defined operational risk framework supports the management of operational risk in maximising our opportunities, meeting our compliance obligations, and protecting ourselves from loss.

On a periodic basis, management of each of our business areas formally report on the effectiveness of their management of operational risk (key matters are reported on a quarterly basis). This process is supported by active input from key corporate centre functions such as legal, finance, human resources, risk management, operational risk and compliance and internal audit. The results of this process are reported quarterly to Business Unit and Group Operational Risk and Compliance Management Committees and the Board Risk Management Committee and annually by way of certification to the Australian Prudential Regulation Authority.

Some of the key management and control techniques include segregation of duties, clear delegation of authority, sound project management, change control disciplines and business continuity planning. Where appropriate this is supported by risk transfer mechanisms such as insurance and regular risk and control assessments across the enterprise. Our control environment is enhanced by a focus on staff competency and supervision.

Our internal audit function independently appraises the adequacy and effectiveness of the internal control environment and reports its results separately to our CEO and our Board Risk Management Committee.

Liquidity risk

Liquidity risk is the potential inability to meet our payment obligations. Management of liquidity is the responsibility of the Group Treasurer, who reports to the CFO. Group Treasury is responsible for monitoring our funding base and ensuring that this base is prudently maintained and adequately diversified. For further information refer to Liquidity and funding .

Compliance risk

Compliance risk is the risk of failing to comply with all applicable legal and regulatory requirements and industry codes of practice and to meet our ethical standards.

Our compliance program forms part of a broader integrated risk management framework and is driven by high standards of principle and practice that apply to all management and staff. A key principle is that compliance is about not only complying with the letter of the law, but also embracing the spirit of the regulatory standards that apply.

At Westpac, we assess the impact of changes in the regulatory environment on a continuous basis. We implement compliance requirements by changing the way our staff conduct themselves and the way in which our systems and processes are designed and operate.

The key components of the compliance framework are: the governance environment (including oversight, culture and accountabilities); identification of risks and controls (through monitoring and communicating regulatory and business developments, and documenting requirements in compliance plans); internal monitoring and reporting activities (such as breach escalation, management and remediation processes); and compliance controls (policies, procedures, training and documentation).

Primary responsibility for the implementation of compliance requirements resides with line management, who are required to demonstrate that they have effective processes in place. Further, each staff member owns compliance within their sphere of influence and activity.

Within each major business area there is a dedicated compliance function designed to guide compliance within that business. Group management oversight is provided by the Group Operational Risk and Compliance Committee, which establishes the compliance framework and policies, and oversees compliance effectiveness across the group. There is also a group compliance function, led by the Chief Operational Risk and Compliance Officer, providing independent oversight of compliance through accountability to the relevant Board Committee.

Our regulatory compliance responsibilities continue to increase. The most significant change we are currently preparing for is the progressive commencement of Australian anti-money laundering and counter terrorism legislation. Financial services reform continues to be an ongoing source of regulatory change. We also expect changes to continue in the area of privacy law. This year has seen the introduction of a national Do Not Call Register, and we expect other regulatory changes to result from the current review of the Privacy Act by the Australian Law Reform Commission.

US Sarbanes-Oxley Act

The US Congress passed the Public Company Accounting Reform and Investor Protection Act in July 2002, which is commonly known as the Sarbanes Oxley Act 2002 (SOX). SOX is a wide ranging piece of US legislation concerned largely with financial reporting and corporate governance. We are obligated to comply with SOX by virtue of being a foreign registrant with the SEC and we have established procedures designed to ensure compliance with all applicable requirements of SOX.

Disclosure controls and procedures

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the US Securities Exchange Act of 1934) as of 30 September 2007.

Based upon this evaluation, our CEO and CFO have concluded that the design and operation of our disclosure controls and procedures were effective as of 30 September 2007.

Internal control over financial reporting

Rule 13a-15(a) under the US Securities Exchange Act of 1934 requires us to maintain an effective system of internal control over financial reporting. Please refer to the sections headed Management s report on internal control over financial reporting and Report of independent registered public accounting firm for those reports.

Changes in our internal control over financial reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) of the US Securities Exchange Act of 1934) for the year ended 30 September 2007 that has been identified that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Additional financial information

(Prepared in accordance with AGAAP)

Selected consolidated financial and operating data

Under applicable US disclosure requirements, we are required to include in this Annual Report certain financial and operating data covering a period of five years. Due to the transition to A-IFRS, such information is available prepared in accordance with A-IFRS only for the financial years ended 30 September 2007, 2006 and 2005. Accordingly, we have displayed below the required data as of and for the financial years ended 30 September 2005, 2004 and 2003, derived from our previously published financial statements prepared in accordance with AGAAP. The financial statements for 2005, 2004 and 2003 were reported on by independent auditors PricewaterhouseCoopers.

Because the financial and operating data set forth below is derived from our previously published financial statements prepared in accordance with AGAAP, it is not comparable to such data derived from our financial statements prepared in accordance with A-IFRS. For a more complete understanding of the financial and operating data derived from our financial statements prepared in accordance with AGAAP, see our Annual Report on Form 20-F for the financial year ended 30 September 2005, the following portions of which are incorporated into this Annual Report by reference: the information under the caption Operating and financial review and prospects on pages 18 to 41 and our audited consolidated financial statements (and accompanying notes) as of and for the financial years ended 30 September 2005, 2004 and 2003. A copy of our Annual Report for the financial year ended 30 September 2005 is available on our web site at www.westpac.com.au or on the web site maintained by the SEC at www.sec.gov. We encourage you to refer to such information in connection with your review of the AGAAP financial information presented below.

Consolidated statement of financial performance

(in $millions unless otherwise stated)	2005 A$	2004 A$	2003 A$
Amounts in accordance with AGAAP			
Interest income	15,113	12,939	10,885
Interest expense	(9,868)	(8,184)	(6,559)
Net interest income	5,245	4,755	4,326
Non-interest income	3,560	3,255	3,004
Net operating income	8,805	8,010	7,330
Operating expenses	(4,105)	(3,940)	(3,763)
Amortisation of goodwill	(168)	(164)	(163)
Bad and doubtful debts	(382)	(414)	(485)
Profit from ordinary activities before income tax expense	4,150	3,492	2,919
Income tax expense	(1,222)	(913)	(728)
Net profit	2,928	2,579	2,191
Net profit attributable to outside equity interests:			
Managed investment schemes	(90)	(30)	
Other	(20)	(10)	(8)
Net profit attributable to equity holders	2,818	2,539	2,183
Weighted average number of ordinary shares (millions)(1)	1,851	1,846	1,824
Basic earnings per ordinary share (cents)(1)	144.8	129.2	115.6
Dividends per ordinary share (cents)	100	86	78
Distributions on other equity instruments	137	154	75

Dividend payout ratio (%)(2)	69.0	66.6	67.5

Refer to page 95 for footnote explanations.

Differences between Australian and US Generally Accepted Accounting Principles (GAAP) results

The consolidated financial statements for each of the years ended 30 September 2005, 2004 and 2003 were prepared in accordance with AGAAP. These accounting principles and policies differ in some material respects from US GAAP. A reconciliation of net income, total assets, total liabilities and equity under US GAAP is included in Note 45 to the 2005 financial statements.

Consolidated net income under US GAAP for the year ended 30 September 2005 was A$2,813 million (2004 A$2,772 million; 2003 A$1,984). The significant adjustments between AGAAP and US GAAP results primarily relate to premises and sites, superannuation expenses, a one-off change in estimate to the allowance for impairment charges, hedging, debt instruments and effective yield adjustments.

Consolidated statement of financial position data

(in $millions unless otherwise stated)	Year Ended 30 September 2005 A$	2004 A$	2003 A$
Amounts in accordance with AGAAP			
Year end balances			
Cash and balances with central banks	1,844	1,800	1,786
Due from other financial institutions	10,896	9,538	6,035
Trading and investment securities	11,827	13,412	12,449
Loans	195,589	182,471	160,473
Acceptances of customers	4,864	5,534	3,788
Deposits and public borrowings(3)	149,454	146,533	129,071
Due to other financial institutions	10,654	7,071	3,831
Total assets	259,753	245,079	221,339
Total liabilities excluding loan capital	238,327	224,331	202,799
Total loan capital	4,214	4,431	4,544
Net assets	17,212	16,317	13,996
Ordinary equity (4),(5),(6)	13,892	12,416	11,713
Trust Originated Preferred Securities (TOPrS[SM])			465
Fixed Interest Resettable Trust Securities (FIRsTS)	655	655	655
Trust Preferred Securities (2003 TPS)	1,132	1,132	1,132
Trust Preferred Securities (2004 TPS)	685	685	
Outside equity interests	848	1,429	31
Average balances			
Total assets	254,355	237,036	210,377
Loans	188,073	170,863	149,896
Acceptances of customers	5,235	4,502	4,402
Total equity(4)	15,440	14,421	12,097
Ordinary equity (4),(5),(6)	12,968	11,979	10,972
Trust Originated Preferred Securities (TOPrS)		320	465
Fixed Interest Resettable Trust Securities (FIRsTS)	655	655	511
Trust Preferred Securities (2003 TPS)	1,132	1,132	149
Trust Preferred Securities (2004 TPS)	685	335	
Outside equity interests	1,040	1,406	21

Refer to page 95 for footnote explanations.

Summary of consolidated ratios

(in $millions unless otherwise stated)	2005 A$	2004 A$	2003 A$
Ratios in accordance with AGAAP			
Profitability ratios (%)			
Net interest margin(7)	2.50	2.53	2.62
Return on average assets(8)	1.11	1.07	1.04
Return on average ordinary equity(4)	20.7	19.9	19.2
Return on average total equity(10)	18.3	17.6	18.0
Capital ratio (%)			
Average total equity to average total assets	6.1	6.1	5.8
Total capital ratio(11)	9.7	9.7	10.5
Earnings ratios			
Basic earnings per ordinary share (cents)(1)	144.8	129.2	115.6
Fully diluted earnings per ordinary share (cents)(12)	143.3	127.7	115.3
Dividends per ordinary share (cents)	100	86	78
Dividend payout ratio (%)(2)	69.0	66.6	67.5
Credit quality ratios			
Bad debt write-offs (net of recoveries)	331	251	336
Bad debt write-offs (net of recoveries) to average loans (%)	0.18	0.15	0.22

(1) Based on the weighted average number of fully paid ordinary shares outstanding, including 41 million New Zealand Class shares in 2005 (2004 53 million; 2003 $54 million), and after deducting distributions on other equity instruments of $137 million in 2005 (2004 $154 million; 2003 $75 million).

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

(3) Public borrowings balances were only held until 2002. They related to Australian Guarantee Corporation Limited and Augusta (1962) Limited (formerly Australian Guarantee Corporation (NZ) Limited).

(4) Includes total parent entity interest and New Zealand Class shares. Excludes outside equity interests (minority interest).

(5) Excludes TOPrS, FIRsTS, 2003 TPS and 2004 TPS.

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

(7) Calculated by dividing net interest income (including tax equivalent gross up) by average interest earning assets.

(8) Calculated by dividing net profit attributable to our equity holders by average total assets.

(9) Calculated by dividing net profit attributable to our equity holders less distributions on other equity instruments by average ordinary equity.

(10) Calculated by dividing net profit attributable to our equity holders by average total equity.

(11) For details on the calculation of this ratio refer to previously published financial statements.

(12) Based on basic earnings per share, with the weighted average number of fully paid ordinary shares outstanding adjusted for the conversion of dilutive potential ordinary shares, issued for no consideration, and after adjusting earnings for distributions on dilutive potential ordinary shares.

Computation of ordinary earnings per share

(in $millions unless otherwise stated)	2005 A$	2004 A$	2003 A$
AGAAP			
Net income after deducting distributions on other equity instruments	2,681	2,385	2,108
Weighted average number of ordinary shares (millions)	1,851	1,846	1,824
Basic earnings per ordinary share (cents)	144.8	129	116
Distributions on other equity instruments	137	154	75

Loans

	Consolidated AGAAP 2005 $m	2004 $m	2003 $m
Loans by type of customer			
Australia			
Government and other public authorities	223	167	119
Agriculture, forestry and fishing(1)	2,210	1,707	1,614
Commercial and financial(2)	32,994	28,675	22,795
Real estate - construction	2,487	1,348	1,054
Real estate - mortgage(1)	82,182	77,176	69,668
Instalment loans and other personal lending(1)	25,404	25,341	21,626
	145,500	134,414	116,876
Lease financing	4,201	4,133	3,274
Own acceptances discounted	11,303	10,172	10,792
Total Australia	161,004	148,719	130,942
Overseas			
Government and other public authorities	446	138	548
Agriculture, forestry and fishing(1)	2,908	2,177	2,073
Commercial and financial	10,561	13,482	11,675
Real estate - construction	457	245	284
Real estate - mortgage(1)	19,875	17,963	14,245
Instalment loans and other personal lending(1)	2,053	1,419	2,185
	36,300	35,424	31,010
Lease financing	14	52	75
Total overseas	36,314	35,476	31,085
Total loans (net of unearned income)	197,318	184,195	162,027
Provisions for bad and doubtful debts	(1,729)	(1,724)	(1,554)
Total net loans	195,589	182,471	160,473

(1) Real estate mortgage loans and instalment loans and other personal lending as at 30 September 2005 included a total of $1.9 billion of personal lending to the agricultural sector (2004 $1.8 billion, 2003 $1.6 billion). In addition, $1.6 billion of finance had been provided to the agricultural sector (2004 $1.6 billion, 2003 $1.3 billion) in the form of acceptances which are excluded from the above table.

(2) Some lending in the commercial and financial sectors in Australia is for the purpose of the financing of construction of real estate and land development projects which cannot be separately identified from other lending to these borrowers, given their conglomerate structure and activities. In these circumstances, the loans have been included in the commercial and financial category.

Provisions for bad and doubtful debts

	Consolidated AGAAP		
	2005 $m	2004 $m	2003 $m
General provision			
Balance at beginning of year	1,487	1,393	1,162
Charge to net profit(1)	382	414	485
Transfer to specific provisions	(70)	(131)	(53)
Recoveries of debts previously written off	86	73	74
Write-offs	(307)	(274)	(275)
Provisions of controlled entities/businesses (disposed)/acquired			
Exchange rate and other adjustments	(48)	12	
Balance at year end(2)	1,530	1,487	1,393
Specific provisions			
Balance at beginning of year	237	161	272
Transfer from/(to) general provision:			
New specific provisions	170	174	136
Specific provisions no longer required	(100)	(43)	(83)
	70	131	53
Write-offs	(110)	(50)	(135)
Provisions of controlled entities/businesses (disposed)/acquired			
Exchange rate and other adjustements	2	(5)	(29)
Balance at year end	199	237	161
Total provisions for bad and doubtful debts	1,729	1,724	1,554

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(1) The 2005 charge to net profit of $382 million represented an 8% decrease over the 2004 charge of $414 million and was down 21% from 2003. The coverage ratio of total provisions (specific and general) to total impaired assets at 30 September 2005 increased to 354% from 253% as at 30 September 2004 and 254% as at 30 September 2003.

(2) This included a provision for off-balance sheet credit related commitments for the Group $179 million (2004 $201 million; 2003 $219 million).

	Consolidated AGAAP					
	2005		2004		2003	
	$m	%	$m	%	$m	%
Specific provisions by type of customer						
Australia						
Agriculture, forestry and fishing	2	0.1	5	0.3	3	0.2
Commercial and financial	134	7.7	164	9.5	67	4.3
Real estate - construction	1	0.1	4	0.2		
Real estate - mortgage	5	0.3	2	0.1	2	0.1
Instalment loans and other personal lending	16	0.9	8	0.5	5	0.3
Total Australia	158	9.1	183	10.6	77	4.9
New Zealand						
Agriculture, forestry and fishing	1	0.1	2	0.1	1	0.1
Commercial and financial	8	0.5	3	0.2	2	0.1
Real estate - mortgage	5	0.3			1	0.1
Instalment loans and other personal lending	4	0.2	2	0.1	3	0.2

Total New Zealand	18	1.1	7	0.4	7	0.5
Other overseas						
Agriculture, forestry and fishing			1	0.1	1	0.1
Commercial and financial	22	1.2	43	2.5	74	4.8
Real estate - mortgage						
Instalment loans and other personal lending	1	0.1	3	0.1	2	0.1
Total other overseas	23	1.3	47	2.7	77	5.0
Total overseas	41	2.4	54	3.1	84	5.5
Total specific provisions	199	11.5	237	13.7	161	10.4
Total general provision	1,530	88.5	1,487	86.3	1,393	89.6
Total provisions	1,729	100.0	1,724	100.0	1,554	100.0

The following tables show the movements in the balance of provisions for bad and doubtful debts, details of loans written off and recoveries of loans written off by customer and geographic category for 2005, 2004 and 2003:

	Consolidated AGAAP		
	2005	**2004**	**2003**
	$m	**$m**	**$m**
Balance of provisions for bad and doubtful debts			
Balance at beginning of year	1,724	1,554	1,434
Net write-offs and recoveries	(331)	(251)	(336)
Charge to operating profit	382	414	485
Provisions of controlled entities/businesses (disposed)/acquired			
Exchange rate and other adjustments	(46)	7	(29)
Balance of provisions for bad and doubtful debts at year end	1,729	1,724	1,554
Write-offs and recoveries			
Write-offs			
Australia			
Agriculture, forestry and fishing	(4)	(2)	(2)
Commercial and financial(1)	(113)	(35)	(89)
Real estate - construction	(4)	(2)	(1)
Real estate - mortgage	(3)	(4)	(7)
Instalment loans and other personal lending	(251)	(212)	(208)
Total Australia	(375)	(255)	(307)
New Zealand			
Agriculture, forestry and fishing		(4)	
Commercial and financial(1)		(2)	(4)
Real estate - construction	(2)		
Real estate - mortgage		(2)	
Instalment loans and other personal lending	(30)	(29)	(42)
Total New Zealand	(32)	(37)	(46)
Total other overseas	(10)	(32)	(57)
Total write-offs	(417)	(324)	(410)
Recoveries			
Australia			
Commercial and financial(1)	11	8	2
Real estate - mortgage			2
Instalment loans and other personal lending	59	46	48
Australia	70	54	52
New Zealand	14	15	22
Other overseas	2	4	
Total recoveries	86	73	74
Net write-offs and recoveries	(331)	(251)	(336)

(1) Lease finance write-offs and recoveries, which are not significant, were included in the commercial and financial category.

Impaired assets

	Consolidated AGAAP 2005 $m	2004 $m	2003 $m
Australia			
Non-accrual assets:			
Gross	287	314	320
Specific provisions	(151)	(150)	(76)
Net	136	164	244
Restructured loans:			
Gross	24	62	3
Specific provisions	(7)	(33)	(1)
Net	17	29	2
Net Australian impaired assets	153	193	246
New Zealand			
Non-accrual assets:			
Gross	73	55	63
Specific provisions	(18)	(7)	(7)
Net	55	48	56
Restructured loans:			
Gross			
Specific provisions			
Net			
Net New Zealand impaired assets	55	48	56
Other overseas			
Non-accrual assets:			
Gross	61	141	214
Specific provisions	(20)	(37)	(76)
Net	41	104	138
Restructured loans:			
Gross	44	109	12
Specific provisions	(3)	(10)	(1)
Net	41	99	11
Net other overseas impaired assets	82	203	149
Total net impaired assets(1)	290	444	451
Accruing items past due 90 days (with adequate security):			
Australia	240	213	139
New Zealand	34	29	171
Other overseas	7	30	29
Total	281	272	339
Interest received for the year on the above non-accrual and restructured assets was:			
Australia	6	3	5
New Zealand	3	3	2
Other overseas	4	7	8
Total	13	13	15
Interest forgone for the year on the above non-accrual and restructured assets was estimated at:			
Australia	14	19	30
New Zealand	1	1	2
Other overseas	3	6	7
Total	18	26	39

(1) This includes impaired items in respect of derivative financial instruments and unrecognised contingent commitments of $23 million as at 30 September 2005 (2004 $81 million, 2003 $31 million.)

Investment securities

	Consolidated AGAAP			
	2005		2004	
	Book Value $m	Market Value $m	Book Value $m	Market Value $m
Listed securities				
Australian debt securities	2	2	2	2
Overseas public securities	14	14	13	13
Overseas debt securities	97	92	385	384
Total listed securities	113	108	400	399
Unlisted securities				
Australian debt securities:				
Mortgage backed securities	333	334	590	590
Other debt securities	116	117	234	236
Overseas public securities	122	122	96	94
Overseas debt securities	1,744	1,905	2,394	2,527
Total unlisted securities	2,315	2,478	3,314	3,447
Total investment securities	2,428	2,586	3,714	3,846

Other than securities issued by the Australian Commonwealth or State Governments, the Group held no trading and investment securities of a single issuer, the book value of which, in aggregate, exceeded 10% of total equity as at 30 September 2005 (2004 nil).

The following table shows the maturities of the Group s investment securities and the weighted average carrying yield for each range of investment securities as at 30 September 2005 and 2004. There were no tax-exempt securities.

	Less Than 1 Year		Between 1 and 5 Years		Between 5 and 10 Years		Over 10 Years		Total	Weighted Average Rate
	$m	%	$m	%	$m	%	$m	%	$m	%
2005 Book value										
Australian debt securities:										
Mortgage backed securities	55	6.6	278	6.0					333	6.2
Other debt securities			118	6.6					118	6.6
Overseas public securities	136	5.4							136	5.4
Overseas debt securities	87	5.2	1,743	6.4			11	10.5	1,841	6.2
Total book value by maturity	278	5.5	2,139	6.3			11	10.5	2,428	6.2
Total market value by maturity	271		2,307				8		2,586	
2004 Book value										
Australian debt securities:										
Mortgage backed securities	144	5.6	446	5.7					590	5.7
Other debt securities	59	5.5	177	5.4					236	5.4
Overseas public securities	106	9.0	3	3.4					109	9.0
Overseas debt securities	440	2.2	2,228	6.1	102	3.4	9	3.5	2,779	5.4
Total book value by maturity	749	4.3	2,854	6.0	102	3.4	9	3.5	3,714	5.6
Total market value by maturity	745		2,990		102		9		3,846	

Section 3

Financial report for the year ended 30 September 2007

Annual financial report 2007

Financial statements

Income statements for the years ended 30 September

Westpac Banking Corporation

		Consolidated			Parent Entity	
	Note	**2007**	**2006**	**2005**	**2007**	**2006**
		$m	**$m**	**$m**	**$m**	**$m**
Interest income	2	22,075	18,091	15,544	18,702	17,763
Interest expense	2	(15,762)	(12,449)	(10,285)	(13,463)	(12,547)
Net interest income		6,313	5,642	5,259	5,239	5,216
Non-interest income	3	3,860	3,575	3,454	2,557	3,342
Net operating income before operating expenses and impairment charges		10,173	9,217	8,713	7,796	8,558
Operating expenses	4	(4,543)	(4,295)	(4,159)	(3,593)	(3,905)
Impairment charges	12	(482)	(375)	(382)	(404)	(375)
Profit before income tax		5,148	4,547	4,172	3,799	4,278
Income tax expense	5	(1,630)	(1,422)	(1,223)	(935)	(919)
Net profit for the year		3,518	3,125	2,949	2,864	3,359
Profit attributable to minority interests		(67)	(54)	(251)		
Net profit attributable to equity holders of Westpac Banking Corporation		3,451	3,071	2,698	2,864	3,359
Earnings (in cents) per share						
Basic	7	186.9	167.2	148.9		
Diluted	7	185.3	165.7	147.2		

The above income statements should be read in conjunction with the accompanying notes.

A summary of significant adjustments to net profit attributable to equity holders of Westpac Banking Corporation, total equity, total assets and total liabilities that would be required if US GAAP had been applied is disclosed in Note 49.

Balance sheets as at 30 September

Westpac Banking Corporation

		Consolidated		Parent Entity	
	Note	2007 $m	2006 $m	2007 $m	2006 $m
Assets					
Cash and balances with central banks	46	2,243	3,132	2,629	2,461
Due from other financial institutions	8	28,379	12,211	21,759	5,375
Derivative financial instruments	33	24,308	10,311	24,202	10,010
Trading securities	9	20,815	13,560	18,582	13,603
Other financial assets designated at fair value	9	1,179	3,282	830	584
Available-for-sale securities	10	2,511	969	607	156
Loans	11	272,545	234,484	234,976	233,320
Life insurance assets		15,456	14,281		
Regulatory deposits with central banks overseas		753	465	729	441
Due from subsidiaries				1,223	9,836
Investments in subsidiaries				4,072	4,605
Goodwill and other intangible assets	14	2,989	2,952	1,194	1,701
Property, plant and equipment	15	489	466	365	352
Deferred tax assets	16	516	653	568	683
Other assets	17	2,638	2,812	1,735	2,287
Total assets		374,821	299,578	313,471	285,414
Liabilities					
Due to other financial institutions	18	9,133	12,051	7,756	6,301
Deposits at fair value	19	48,603	33,286	45,575	33,286
Deposits at amortised cost	19	150,619	134,455	127,389	133,495
Derivative financial instruments	33	25,192	9,342	25,173	9,491
Trading liabilities and other financial liabilities designated at fair value	20	8,223	2,893	8,238	2,829
Debt issues	24	87,126	66,080	63,550	53,035
Current tax liabilities		233	301	244	296
Life insurance liabilities		14,392	13,476		
Due to subsidiaries				8,453	21,966
Provisions	22	980	868	819	758
Other liabilities	23	4,785	4,771	3,149	3,636
Total liabilities excluding loan capital		349,286	277,523	290,346	265,093
Loan Capital					
Subordinated bonds, notes and debentures	24	6,042	4,107	7,275	5,436
Subordinated perpetual notes	24	429	521	429	521
Trust Preferred Securities	24	1,233	1,329		
Total loan capital		7,704	5,957	7,704	5,957
Total liabilities		356,990	283,480	298,050	271,050
Net assets		17,831	16,098	15,421	14,364
Shareholders equity					
Share capital:					
Ordinary share capital	25	6,125	5,519	6,125	5,519
Treasury and RSP treasury shares	25	(114)	(51)	(42)	(8)
Reserves	26	192	186	85	130
Retained profits	26	9,716	8,532	7,361	6,835
Convertible debentures	25			1,892	1,888
Total equity attributable to equity holders of Westpac Banking Corporation		15,919	14,186	15,421	14,364
Minority interests	25	1,912	1,912		
Total shareholders equity and minority interest		17,831	16,098	15,421	14,364

Contingent liabilities, contingent assets and credit commitments	40

The above balance sheets should be read in conjunction with the accompanying notes.

A summary of significant adjustments to net profit attributable to equity holders of Westpac Banking Corporation, total equity, total assets and total liabilities that would be required if US GAAP had been applied is disclosed in Note 49.

Statements of recognised income and expense for the years ended 30 September

Westpac Banking Corporation

		Consolidated			Parent Entity	
	Note	2007 $m	2006 $m	2005 $m	2007 $m	2006 $m
Gains/(losses) on available-for-sale securities:						
Recognised in equity	26	(6)	57		(4)	41
Transferred to income statements	26	(20)	(35)		(21)	(18)
Gains/(losses) on cash flow hedging instruments:						
Recognised in equity	26	124	(42)		51	(42)
Transferred to income statements	26	12	(36)		14	(36)
Exchange differences on translation of foreign operations	26	(179)	26	(96)	(180)	22
Income tax on items taken directly to or transferred directly from equity:						
Available-for-sale securities reserve	26	9	(7)		8	(7)
Cash flow hedging reserve	26	(37)	25		(20)	25
Foreign currency translation reserve	26	48	13		54	13
Net income recognised directly in equity		(49)	1	(96)	(98)	(2)
Profit attributable to equity holders		3,518	3,125	2,949	2,864	3,359
Total net income recognised for the year		3,469	3,126	2,853	2,766	3,357
Attributable to:						
Members of the parent		3,402	3,072	2,602	2,766	3,357
Minority interests		67	54	251		
Total net income recognised for the year		3,469	3,126	2,853	2,766	3,357

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

A summary of significant adjustments to net profit attributable to equity holders of Westpac Banking Corporation, total equity, total assets and total liabilities that would be required if US GAAP had been applied is disclosed in Note 49.

Cash flow statements for the years ended 30 September

Westpac Banking Corporation

	Consolidated			Parent Entity	
	2007	**2006**	**2005**	**2007**	**2006**
	$m	**$m**	**$m**	**$m**	**$m**
Cash flows from operating activities					
Interest received	21,862	17,944	15,483	18,653	17,896
Interest paid	(15,493)	(12,412)	(10,041)	(13,414)	(12,408)
Dividends received excluding life business	14	9	28	505	1,056
Other non-interest income received	2,739	2,587	3,100	1,704	1,992
Operating expenses paid	(3,528)	(3,364)	(3,949)	(2,888)	(2,492)
Net (increase)/decrease in trading and fair value assets	(5,735)	(3,268)	119	(5,389)	(1,624)
Net increase/(decrease) in trading and fair value liabilities	5,562	(360)	(674)	5,416	(222)
Net increase in derivative financial instruments	(5,591)	(2,488)	(1,829)	(5,704)	(2,843)
Income tax paid excluding life business	(1,485)	(1,328)	(751)	(1,197)	(962)
Life business:					
Receipts from policyholders and customers	3,236	2,754	2,560		
Interest and other items of similar nature	39	55	93		
Dividends received	1,104	980	706		
Payments to policyholders and suppliers	(3,914)	(3,371)	(2,461)		
Income tax paid	(85)	(69)	(94)		
Net cash (used in)/provided by operating activities	(1,275)	(2,331)	2,290	(2,314)	393
Cash flows from investing activities					
Proceeds from available-for-sale securities	2,431	860	1,694	359	257
Purchase of available-for-sale securities	(4,009)	(1,198)	(598)	(823)	(209)
Net (increase)/decrease in:					
Due from other financial institutions	(16,603)	2,142	(995)	(16,768)	2,896
Loans	(40,348)	(29,422)	(16,108)	(35,095)	(32,174)
Life insurance assets	(261)	107	(62)		
Regulatory deposits with central banks overseas	(358)	(117)	143	(355)	(123)
Other assets	(528)	(315)	(1,664)	281	(960)
Due from controlled entities				8,611	4,707
Investments in controlled entities				533	(77)
Purchase of intangible assets	(251)	(220)	(294)	(204)	(249)
Purchase of property, plant and equipment	(147)	(225)	(128)	(121)	(198)
Proceeds from disposal of property, plant and equipment	6	23	27		19
Proceeds from disposal of other investments			41		
Controlled entities and businesses disposed, net of cash held		120	545	(106)	120
Net cash (used in)/provided by investing activities	(60,068)	(28,245)	(17,399)	(43,688)	(25,991)
Cash flows from financing activities					
Issue of loan capital	2,223	704	1,401	2,223	708
Redemption of loan capital		(420)	(1,396)		(420)
Proceeds from exercise of employee options	37	67	191	37	67
Purchase of shares on exercise of employee options and shares	(73)	(34)		(73)	(34)
Proceeds from issue of 2006 TPS (net of issue costs $12 million)		751		4	751
Buy-back of ordinary shares and NZ Class shares		(1,003)	(1)		(1,003)
Net increase/(decrease) in:					
Due to other financial institutions	(2,493)	1,315	3,894	1,771	(709)
Deposits	34,342	17,547	4,294	32,478	18,209

Debt issues	28,943	13,835	8,499	17,012	25,673
Other liabilities	(673)	(249)	(25)	(382)	981
Due to controlled entities				(5,116)	(16,872)
Purchase of treasury shares	(91)	(17)	(18)	(34)	(3)
Sale of treasury shares	28	27	7		
Payment of dividends	(1,630)	(1,628)	(1,241)	(1,703)	(1,697)
Payment of dividends to minority interests	(67)	(54)	(161)		
Net cash (used in)/provided by financing activities	60,546	30,841	15,444	46,217	25,651
Net increase/(decrease) in cash and cash equivalents	(797)	265	335	215	53
Effect of exchange rate changes on cash and cash equivalents	(92)	14	(7)	(47)	17
Cash and cash equivalents as at the beginning of the year	3,132	2,853	2,525	2,461	2,391
Cash and cash equivalents as at the end of the year	2,243	3,132	2,853	2,629	2,461

The above cash flow statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

Note 1. Summary of significant accounting policies

a. Basis of accounting

(i) General

This general purpose financial report has been prepared in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended), A-IFRS, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Westpac s consolidated financial statements and notes also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

This financial report also includes additional disclosures required by the United States Securities and Exchange Commission in respect of foreign registrants.

This financial report was authorised for issue by the Board of Directors on 1 November 2007.

New Zealand consumer and business banking

In accordance with the Reserve Bank of New Zealand s policy that all systemically important banks in New Zealand be incorporated, Westpac s New Zealand Branch transferred its consumer and business banking to a locally incorporated bank, Westpac New Zealand Limited, on 1 November 2006. The transfer of the New Zealand consumer and business banking is disclosed in Note 46 as a disposal of a business by the parent entity. The transfer has no impact on the Group s financial results or position, but has resulted in reduced income, expenses, assets and liabilities in the parent entity.

(ii) *Adoption of new and revised Accounting Standards*

As of 1 October 2006, Westpac adopted an amendment to AASB 139 Financial Instruments: Recognition and Measurement. As a result of this amendment cash flow hedging of intragroup revenue no longer qualifies for hedge accounting. This amendment has resulted in subsequent changes to the fair value of derivative instruments that hedge New Zealand dollar income being recognised in the income statement. Amounts deferred in the cash flow hedging reserve up to 30 September 2006 have been released to the income statement when the underlying hedged revenues were recognised in income. Westpac has applied the exemption available in AASB 139 and not restated the comparative reported information for the impact of this change in accounting policy. The effect of the change has resulted in an increase in other income and accordingly profit before income tax of $16 million, an increase in income tax expense of $5 million and an increase in net profit for the year of $11 million. This resulted in a corresponding decrease in the cash flow hedge reserve of $11 million.

(iii) *Historical cost convention*

The financial report has been prepared under the historical cost convention, as modified by applying fair value accounting to available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iv) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries (including special purpose entities) controlled by Westpac and the results of all subsidiaries. Westpac and its subsidiaries are referred to collectively as the Group . The effects of all transactions between entities in the Group are eliminated. Control exists when the parent entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control commences and they are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(e)).

The interest of minority shareholders is stated at the minority s proportion of the net profit and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly, by Westpac Banking Corporation (Westpac). Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of Westpac.

(v) Foreign Currency Translation

a. Functional and presentation currency

Items included in the financial statements of each of the Group s entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars. All amounts are expressed in Australian dollars except where otherwise indicated.

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in equity as qualifying cash flow hedges or qualifying net investment hedges (refer to Note 1(i)(i)).

Translation differences on non-monetary items classified as available-for-sale financial assets are included in the available-for-sale securities reserve in equity.

c. Group companies

Assets and liabilities of overseas branches and subsidiaries that have a functional currency other than the Australian dollar are translated at exchange rates prevailing on the balance date. Income and expenses are translated at average exchange rates prevailing during the period. Other equity balances are translated at historical exchange rates. Exchange differences that have arisen since 1 October 2004, the date of transition to A-IFRS, are recognised as a separate component of equity in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of borrowings and other currency instruments designated as hedges of the net investment in overseas branches and subsidiaries are reflected in the foreign currency translation reserve. When a foreign operation is sold or borrowings are repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale or repayment of borrowing.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

b. Revenue recognition

(i) Interest income

Interest income for all interest earning financial assets is recognised in the income statement using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest relating to impaired loans is recognised using the loan s original effective interest rate. This rate is also used to discount the future cash flows for the purpose of measuring impairment charges.

(ii) Dividends on redeemable preference share finance

Dividend income on redeemable preference share finance is included as part of interest income and is recorded in the income statement on an effective interest basis.

(iii) Leasing

Finance leases are accounted for under the net investment method whereby income recognition is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease and is included as part of interest income.

(iv) Fee income

Fees and commissions are generally recognised on an accrual basis over the period during which the service is performed. All fees relating to the successful origination or settlement of a loan (together with the related direct costs) are deferred and recognised as an adjustment to the effective interest rate on the loan. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time proportionate basis. Asset management fees related to investment funds are recognised over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

(v) Net trading income

Net trading income includes realised and unrealised gains and losses from trading assets and trading liabilities (including all derivatives except those that are designated as hedging instruments).

(vi) Other dividend income

Other dividend income is recorded as non-interest income as declared.

(vii) Gain or loss on sale of property, plant and equipment

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised as non-interest income.

c. Expense recognition

(i) Interest expense

Interest expense, including premiums or discounts and associated issue expenses incurred on the issue of financial liabilities, is recognised in the income statement using the effective interest method (refer to Note 1(b)(i)).

(ii) Impairment on loans and receivables carried at amortised cost

The charge recognised in the income statement for impairment on loans and receivables carried at amortised cost reflects the net movement in the provisions for individually assessed and collectively assessed loans, write-offs and recoveries of impairments previously written-off.

(iii) Leasing

Operating lease payments are recognised in the income statement as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit received. Incentives received on entering into operating leases are recorded as liabilities and amortised as a reduction of rental expense over the lease term on a straight-line basis.

(iv) Commissions and other fees

External commissions and other costs paid to acquire loans are capitalised and amortised using the effective interest method (refer to Note 1(b)(i)). All other fees and commissions are recognised in the income statement over the period which the related service is consumed.

(v) Wealth management acquisition costs

Acquisition costs are the variable costs of acquiring new business principally in relation to the Group s life insurance and retail funds management business.

Managed investment acquisition costs

Deferred acquisition costs associated with the retail funds management business are costs that are directly incremental to the acquisition of new business. These costs are recorded as an asset and are amortised in the income statement on the same basis as the recognition of related revenue.

Life insurance acquisition costs

Deferred acquisition costs associated with life insurance business are costs that are incremental to the acquisition of new business. These costs are recorded as an asset and are amortised in the income statement on the same basis as the recognition of related revenue.

(vi) Share-based payment

Certain employees are entitled to participate in option and share ownership schemes.

Options and performance share rights

The fair value of options and performance share rights provided to employees as share-based payment is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and is recognised over the expected vesting period during which the employees would become entitled to exercise the option or performance share right.

The fair value of options and performance share rights is estimated at grant date using a Binomial/Monte Carlo simulation pricing model incorporating the vesting and performance hurdle features of the grants. The fair value of the options and performance share rights excludes the impact of any non-market vesting conditions such as participants continued employment by the Group. The non-market vesting conditions are included in assumptions used when determining the number of options and performance share rights expected to become exercisable for which an expense is recognised. At each reporting date these assumptions are revised and the expense recognised each year takes into account the most recent estimates.

Employee share plan

The value of shares expected to be issued to employees for no consideration under the employee share plan is recognised as an expense over the financial year. The fair value of any ordinary shares issued to satisfy the obligation to employees is recognised as a separate component of equity, or if purchased on market, the obligation to employees is satisfied by delivering shares that have been purchased on market.

Restricted share plan:

The fair value of shares issued to employees for no consideration under the restricted share plan is recognised as an expense over the vesting period. The fair value of ordinary shares issued to satisfy the obligation to employees is measured at grant date and is recognised as a separate component of equity.

Westpac has formed a trust to hold any shares forfeited by employees until they are reallocated in subsequent grants to employees in the Group s restricted share plan. Shares held by the trust as a result of forfeitures and held in the name of employees, which have not yet vested, are treated as treasury shares and deducted from shareholders equity.

d. Income tax

Income tax expense on the profit for the year comprises current tax and the movement in deferred tax balances.

Current tax is the expected tax payable on the taxable income for the financial year using tax rates that have been enacted or substantively enacted for each jurisdiction at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is accounted for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes. Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, (other than in a business combination) or differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted for each jurisdiction at the balance date that are expected to apply when the liability is settled or the asset is realised.

Current and deferred tax attributable to amounts recognised directly in equity are also recognised directly in equity.

Except as noted above, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. For presentation purposes deferred tax assets and deferred tax liabilities have been offset where they relate to income taxes levied by the same taxation authority on the same taxable entity in Group.

e. Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group s share of the identifiable net assets acquired is recorded as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group s incremental borrowing rate.

f. Assets

(i) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale securities. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: firstly financial assets held for trading and secondly those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term, if it is part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking, if it is a derivative that is not a designated hedging instrument, or if so designated on acquisition by management, in accordance with conditions set out in f(i)(e).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group s management has the positive intention and ability to hold to maturity.

Available-for-sale securities

Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Other investments

Other investments which comprise of unlisted securities that do not have a quoted price in an active market where fair value cannot be estimated within a reasonable range of probable outcomes, are carried at cost.

Recognition of financial assets

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets recognised at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the right to receive payment is established and interest on debt instruments is recognised using the effective interest method.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

a. Cash and balances with central banks

Cash and balances with central banks includes cash at branches, Reserve Bank settlement account balances and nostro balances. They are brought to account at the face value or the gross value of the outstanding balance, where appropriate.

b. Due from other financial institutions

Receivables from other financial institutions include loans and certificates of deposit. They are accounted for as loans and receivables.

c. Derivative financial instruments

Derivative financial instruments including forwards, futures, swaps and options are recognised in the balance sheet at fair value. Fair values are obtained from quoted market prices, independent dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves and volatility of the underlying. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

d. Trading securities

Trading securities include debt and equity instruments which are actively traded and securities purchased under agreement to resell. They are accounted for as financial assets at fair value through profit or loss.

e. Other financial assets designated at fair value

Certain non-trading bonds, notes and commercial bills are designated at fair value through profit or loss. This designation is only made if the financial asset contains an embedded derivative or it is managed on a fair value basis in accordance with a documented strategy or if designating it at fair value reduces an accounting mismatch.

f. Available-for-sale securities

Available-for-sale securities are public and other debt and equity securities that are not classified as at fair value through profit or loss, loans and receivables or as held-to-maturity investments. The accounting policy for available-for-sale securities is set out above.

g. Loans

Loans includes advances, overdrafts, home loans, credit card and other personal lending, term loans, leasing receivables, bill financing and redeemable preference share financing. The accounting policy for loans and receivables is set out above.

Security is obtained if, based on an evaluation of the customer s credit worthiness, it is considered necessary for the customer s overall borrowing facility. Security would normally consist of assets such as cash deposits, receivables, inventory, plant and equipment, real estate and investments.

h. Regulatory deposits with central banks overseas

In several countries in which the Group operates, the law requires that regulatory deposits be lodged with the local central bank at a rate of interest generally below that prevailing in the market. The amount of the deposit and the interest rate receivable is determined in accordance with the requirements of the local central bank. They are accounted for as loans and receivables.

i. Life insurance assets

Assets held by the life insurance companies, including investments in funds managed by the Group, are designated at fair value through profit or loss as required by AASB 1038 Life Insurance Contracts . Changes in fair value are included in the income statement. Most assets are held in the life insurance statutory funds and can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of that fund, to acquire investments to further the business of the fund or as distribution when solvency and capital adequacy requirements are met. Therefore they are not as liquid as other financial assets.

Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment charges are recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower s financial difficulty, a concession that the Group would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) the disappearance of an active market for that financial asset because of financial difficulties; or

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including:

- adverse changes in the payment status of borrowers in the Group; or
- national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment on loans and receivables or held-to-maturity investments has been incurred, the amount of the charge is measured as the difference between the asset s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset s original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group s grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets reflect, and are directionally consistent with, changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the charge for loan impairment in the income statement. If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor s credit rating), the previously recognised impairment charge is reversed by adjusting the provision account. The amount of the reversal is recognised in the income statement.

Assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment charge on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment charge was recognised in the income statement, the impairment charge is reversed through the income statement. Subsequent reversal of impairment charges on equity instruments are not recognised in the income statement.

(ii) Non-financial assets

a. Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and impairment. Cost is the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred. Impairment is recognised as a part of operating expenses in the income statement.

Computer software is capitalised at cost and classified as Property, Plant and Equipment where it is integral to the operation of associated hardware.

Depreciation is calculated using the straight-line method to allocate the cost of assets less any residual value over their estimated useful lives, as follows:

Premises and sites	Up to 67 years
Leasehold improvements	Up to 10 years
Furniture and equipment	3 15 years

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying value and are included in the income statement.

b. Intangible assets

Goodwill

Goodwill represents amounts arising on the acquisition of businesses. Goodwill represents the excess of purchase consideration, including directly attributable expenses associated with the acquisition, over the fair value of the Group s share of the identifiable net assets of the acquired business.

All Goodwill is considered to have an indefinite life.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired, and is carried at cost or deemed cost less accumulated impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Goodwill was tested for impairment at 30 September 2007.

Other Intangibles

Other intangibles are stated at cost less accumulated amortisation and impairment. Other intangibles consist of computer software, value of in-force business and service contracts (parent only).

Computer software

Internal and external costs directly incurred in the purchase or development of computer software, including subsequent upgrades and enhancements are recognised as intangible assets when it is probable that they will generate future economic benefits attributable to the Group. These costs are amortised using the straight-line method to allocate the cost of the asset less any residual value over the estimated useful lives of between 3 and 5 years.

Value of in-force business

The excess of the purchase consideration for Westpac Life Insurance Services Limited over the fair value of the net tangible assets acquired is recorded as an intangible asset. This represents the future profits to be earned on contracts in existence at the acquisition date. This is amortised over 30 years on a systematic basis reflecting the pattern in which the asset s future economic benefits are expected to be consumed.

(iii) Investments in controlled entities

Investments in controlled entities are initially recorded by Westpac at cost. Investments in controlled entities are subsequently held at lower of cost and recoverable amounts.

(iv) Impairment of non-financial assets

The carrying amount of the Group s non-financial assets, other than deferred tax assets and assets arising from employee benefits, are reviewed at each balance date to determine whether there is any indication of impairment. If such an indication exists, the asset s recoverable amount is estimated. An impairment charge is recognised whenever the carrying amount of an asset or the cash-generating unit it is allocated to exceeds its recoverable amount. With the exception of goodwill for which impairment charges are not reversed, where an impairment charge subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment charge been recognised for the asset (or cash-generating unit) in prior years. Impairment charges and reversals of impairment charges are recognised in the income statement.

As detailed above, goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired.

The recoverable amount of an asset is the greater of its net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

g. Liabilities

(i) Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs. They are subsequently measured at amortised cost except for derivatives and liabilities at fair value, which are held at fair value through profit or loss. Financial liabilities are recognised when an obligation arises and derecognised when it is discharged.

a. Due to other financial institutions

Due to other financial institutions includes deposits, vostro balances and settlement account balances due to other financial institutions. They are measured at amortised cost.

b. Deposits at fair value

Deposits at fair value include certificates of deposit and interest bearing deposits. They are designated at fair value through profit or loss as they are managed as part of a trading portfolio.

c. Deposits at amortised cost

Deposits at amortised cost include non-interest bearing deposits repayable at call, certificates of deposit and interest bearing deposits. They are measured at amortised cost.

d. Derivative financial instruments

Derivative financial instruments including forwards, futures, swaps and options are recognised in the balance sheet at fair value. Unrealised and realised changes to the fair value of derivatives which are held for trading or do not meet hedging requirements, are recorded in net trading income. Fair values are obtained from quoted market prices, independent dealer price quotations, discounted cash flow models and option pricing models, which incorporate current market and contractual prices for the underlying instrument, time to expiry, yield curves and volatility of the underlying. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

e. Trading liabilities and other financial liabilities designated at fair value

Securities sold under repurchase agreements and securities sold short are classified as trading liabilities. They are accounted for as financial liabilities at fair value through profit or loss.

f. Debt issues and loan capital

These are bonds, notes, commercial paper, debentures, Fixed Interest Resettable Securities (FIRsTS) and Trust Preferred Securities 2004 (TPS 2004) that have been issued by the Group. Debt issues and loan capital are measured at amortised cost using the effective interest method.

Loan capital includes FIRsTS and TPS 2004 that qualify as tier 1 capital and subordinated bonds, notes and debentures that qualify as tier 2 capital as defined by APRA for capital adequacy purposes.

g. Financial guarantees

Financial guarantee contracts are recognised as financial liabilities at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of a financial guarantee contract is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ii) Life insurance liabilities

Life insurance liabilities consist of life insurance contract liabilities, life investment contract liabilities and external liabilities of managed investment schemes controlled by statutory life funds.

Life insurance contract liabilities

The value of life insurance contract liabilities is calculated by using the margin on services methodology. The methodology takes into account the risks and uncertainties of the particular classes of the life insurance business written. Deferred policy acquisition cost are connected with measurement basis of life insurance contract liabilities and are equally sensitive to the factors that are considered in the liabilities measurement. This methodology is in accordance with Actuarial Standard 1.04 Valuation of Policy liabilities issued by the Life Insurance Actuarial Standard Board (LIASB) under Life Insurance Act 1995.

Under this methodology, planned profit margins and an estimate of future liabilities are calculated separately for each related product group using applied assumptions at each reporting date. Profit margins are released over each reporting period in line with the service that has been provided. The balance of the planned profit is deferred by including them in the value of policy liabilities.

The key factors that affect the estimation of these liabilities and related assets are:

The cost of providing benefits and administrating the contracts;

Mortality and morbidity experience, including enhancements to policyholder benefits;

Discontinuance experience, which affects the Group s ability to recover the cost of acquiring new business over the life of the contracts, and

The rate at which projected future cash flows are discounted.

In addition, factors such as regulation, competition, interest rates, taxes, securities market conditions and general economic conditions affect the level of these liabilities. In some contracts, the Group shares experience on investment results with its customers, which can offset the impacts of these factors on the profitability of these products.

Life investment contract liabilities

Life investment contract liabilities are designated at fair value through profit or loss. Fair value is based on the higher of the valuation of linked assets, or the minimum current surrender value.

External liabilities of managed investment schemes controlled by statutory life funds

External liabilities of managed investment schemes controlled by statutory life funds are designated at fair value through profit or loss.

(iii) Provisions

a. Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the balance date are recognised in provisions in respect of employee s services up to the balance date and are measured at the amounts expected to be paid when the liabilities are settled.

No provision is made for non-vesting sick leave as the pattern of sick leave taken indicates that no additional liability will arise for non-vesting sick leave.

Long service leave

Liabilities for long service leave expected to be settled within 12 months of the balance date are recognised in the provision for long service leave and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave and other deferred employee benefits expected to be settled more than 12 months from the balance date are recognised in the provision for long service leave and are measured at the present value of future payments expected to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departure and periods of service. Expected future payments are discounted to their net present value using market yields at the balance date on government bonds with terms that match as closely as possible the estimated timing of future cash flows.

Employee benefit on-costs

A liability is also carried for on-costs, including payroll tax, in respect of provisions for certain employee benefits which attract such costs.

Termination benefits

Liabilities for termination benefits are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. Liabilities for termination benefits are recognised within other liabilities unless the timing or amount is uncertain, in which case they are recognised as provisions.

Liabilities for termination benefits expected to be settled within 12 months are measured at amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the balance date are measured at the estimated cash outflows, discounted using market yields at the balance date on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

b. Provision for leasehold premises

The provision for leasehold premises covers net outgoings on certain unoccupied leased premises or sub-let premises where projected rental income falls short of rental expense. The liability is determined on the basis of the present value of net future cash flows.

c. Provision for restructuring

A provision for restructuring is recognised where there is a demonstrable commitment and a detailed plan such that there is little or no discretion to avoid payments to other parties and the amount can be reliably estimated.

d. Provision for dividends

A liability for dividends is recognised when dividends are declared, determined or publicly recommended by the Directors but not distributed as at the balance date.

h. Equity

(i) Ordinary shares

Ordinary shares are recognised at the amount paid up per ordinary share net of directly attributable issue costs.

(ii) *Treasury shares*

Where the parent entity or other members of the consolidated Group purchases shares in the parent entity, the consideration paid is deducted from total shareholders equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in shareholders equity.

(iii) *Minority interests*

Minority interests represents the share in the net assets of subsidiaries attributable to equity interests that are not owned directly or indirectly by the parent entity. The group has on issue the following hybrid instruments; Trust Preferred Securities 2003 (TPS 2003) and Trust Preferred Securities 2006 (TPS 2006) that are classified as minority interests.

(iv) *Reserves*

Foreign currency translation reserve: as noted in Note 1(a)(v), exchange differences arising on translation of the assets and liabilities of overseas branches and subsidiaries are reflected in the foreign currency translation reserve. Any offsetting gains or losses on hedging these balances, together with any tax effect are also reflected in this reserve, which may be either a debit or credit balance. Any credit balance in this reserve would not normally be regarded as being available for payment of dividends until such gains are realised.

Available-for-sale securities reserve: comprises the changes in the fair value of available-for-sale financial securities, net of tax. These changes are transferred to the income statement in non interest income when the asset is either derecognised or impaired.

Cash flow hedging reserve: comprises the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

Share-based payment reserve: comprises the fair value of share-based payments recognised as an expense.

i. Other accounting principles and policies

(i) Hedging

The Group uses derivative instruments as part of its asset and liability management activities to manage exposures to interest rates and foreign currency, including exposures arising from forecast transactions. The method of recognising the fair value gain or loss of derivatives depends on the nature of the hedging relationship. Hedging relationships are of three types:

Fair value hedge: a hedge of the change in fair value of recognised assets or liabilities or unrecognised firm commitments;

Cash flow hedge: a hedge of variability in highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction; and

Hedge of a net investment in a foreign operation: a hedge of the amount of the Group s interest in the net assets of a foreign operation.

The Group uses hedge accounting for derivatives designated in this way when certain criteria are met. At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group formally assesses, both at the inception of the hedge and on an ongoing basis, whether the hedging derivatives have been highly effective in offsetting changes in the fair value or cash flows of the hedged items.

A hedge is regarded as highly effective if, at inception and throughout its life, the Group can expect changes in the fair value or cash flows of the hedged item to be almost fully offset by the changes in the fair value or cash flows of the hedging instrument, and actual results of the hedge are within a range of 80% to 125% of these changes. Hedge ineffectiveness represents the amount by which the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged item or the amount by which changes in the cash flow of the hedging derivative differ from changes (or expected changes) in the present value of the cash flows of the hedged item.

a. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributed to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item recognised at amortised cost, is amortised to the income statement over the period to maturity.

b. Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are transferred to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the period in which the hedge item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

c. Hedge of a net investment in a foreign operation

Hedges on net investments in overseas branches and subsidiaries are accounted in a manner similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve in equity and the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the overseas branch or subsidiary is disposed of.

(ii) Embedded derivatives

In certain instances a derivative may be embedded in a host contract . If the host contract is not carried at fair value with changes in fair value reported in the income statement, the embedded derivative is separated from the host contract and accounted for as a stand-alone derivative instrument at fair value if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(iii) Superannuation obligations

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

The asset or liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation less the fair value of plan assets at the balance date as adjusted for unrecognised actuarial gains and losses. The carrying amount of an asset recognised in respect of a defined benefit plan is restricted to the total of any unrecognised gains and losses and the present value of available reductions in future contributions to the plan. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using market yield on government bonds for obligations denominated in Australian dollars, or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit obligation. The calculation is performed annually by an independent qualified actuary using the projected unit credit method.

The cost recognised in the income statement in respect of defined benefit superannuation plans comprises the current service cost, an interest cost and an expected return on plan assets. In addition, actuarial gains or losses which result from annual actuarial valuations, which exceed 10% of the greater of the present value of the defined benefit plan s obligations or the market value of the defined benefit plan s assets, are spread on a straight-line basis over the expected remaining service period of members of the respective schemes.

(iv) ***Loan securitisation***

The Group, through its loan securitisation programs, packages and sells loans (principally housing mortgage loans) as securities to investors. In such transactions, the Group provides an equitable interest in the loans to investors who provide funding to the Group. Securitised loans that do not qualify for derecognition and associated funding are included in loans and debt issues respectively.

(v) Funds management and trust activities

Certain controlled entities within the Group conduct investment management and other fiduciary activities as responsible entity, trustee, custodian or manager on behalf of individuals, trusts, retirement benefit plans and other institutions. These activities involve the management of assets in investment schemes and superannuation funds, and the holding or placing of assets on behalf of third parties.

Where controlled entities, as responsible entities or trustees, incur liabilities in respect of these activities, a right of indemnity exists against the assets of the applicable trusts. To the extent these assets are sufficient to cover liabilities, and it is not probable that the controlled entities will be required to settle them, the liabilities are not included in the consolidated financial statements.

The Group also manages life insurance statutory fund assets that are included in the consolidated financial statements (refer to Note 1(f)(iii).

At 30 September 2007, the total value of assets under discretionary management by the Group that have not been included in the consolidated financial statements was approximately $42.9 billion (30 September 2006 $40.7 billion).

(vi) Earnings per share

Basic earnings per share is determined by dividing net profit after tax attributable to equity holders of Westpac, excluding costs of servicing other equity instruments, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price over the reporting period.

(vii) Leases

Leases are classified as either finance leases or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. In contrast, an operating lease exists where the leased assets are allocated to the lessor.

In its capacity as a lessor, the Group primarily offers finance leases. The Group recognises the assets held under finance lease in the balance sheet as loans at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic return on the Group s net investment in the finance lease. Finance lease income is included within interest income in the income statement refer to Note 1(b)(iii).

In its capacity as a lessee, the Group mainly uses property and equipment under operating leases. Payments due to the lessor under operating leases are charged to equipment and occupancy expense on a straight-line basis over the term of the lease (refer to Note 1(c)(iii)).

(viii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(ix) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), that is subject to risks and returns that are different from those of other business or geographical segments.

(x) Rounding of amounts

In accordance with ASIC Class Order 98/100, all amounts have been rounded to the nearest million dollars unless otherwise stated.

j. Critical accounting assumptions and estimates

(i) Critical accounting estimates

The application of the Group s accounting policies necessarily requires the use of judgement, estimates and assumptions. Should different assumptions or estimates be applied, the resulting values would change, impacting the net assets and income of the Group.

Management has discussed the accounting policies which are sensitive to the use of judgement, estimates and assumptions with the Board Audit Committee.

The nature of assumptions and estimates used and the value of the resulting asset and liability balances are included in the policy below.

(ii) Fair value of financial instruments

Financial instruments classified as held-for-trading or 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.

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. Where the fair value is calculated using financial market pricing models, the methodology used is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to the present value. These models use as their basis independently sourced market parameters including, for example, interest rate yield curves, equities and commodities prices, option volatilities and currency rates. Most market parameters are either directly observable or are implied from instrument prices. However, profits or losses are recognised upon initial recognition only when such profits can be measured solely by reference to observable current market transactions or valuation techniques based solely on observable market inputs.

The calculation of fair value for any financial instrument may also require adjustment of the quoted price or model value to reflect the cost of credit risk (where not embedded in underlying models or prices used) or to reflect hedging costs not captured in pricing models (to the extent they would be taken into account by a market participant in determining a price). The process of calculating fair value on illiquid instruments or from a valuation model may require estimation of certain pricing parameters, assumptions or model characteristics.

These estimates are calibrated against industry standards, economic models and observed transaction prices.

The fair value of financial instruments is provided in Note 35.

A negligible proportion of the Group s trading derivatives are valued directly from quoted prices, the majority being valued using appropriate valuation techniques, using observable market inputs. The fair value of substantially all securities positions carried at fair value is determined directly from quoted prices.

(iii) *Provisions for impairment charges*

The Group s loan impairment provisions are established to recognise incurred impairment in its portfolio of loans. A loan is impaired when there is objective evidence that events occurring since the loan was recognised have affected expected cash flows from the loan. The impairment charge is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loans original effective interest rate. Provisions for loan impairment represent management s estimate of the charges incurred in the loan portfolios as at the balance date. Changes to the provisions for loan impairment and changes to the provisions for undrawn contractually committed facilities and guarantees provided are reported in the consolidated income statement as part of the impairment on loans.

At 30 September 2007, gross loans to customers totalled $273,914 million (2006 - $235,684 million) and the provision for loan impairment was $1,369 million (2006 - $1,200 million). There are two components to the Group s loan impairment provisions, individual and collective.

Individual component all impaired loans that exceed specified thresholds are individually assessed for impairment. Individually assessed loans principally comprise the Group s portfolio of commercial loans to medium and large businesses. Impairment is recognised as the difference between the carrying value of the loan and the discounted value of management s best estimate of future cash repayments and proceeds from any security held (discounted at the loan s original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the realisable value of collateral, the Group s position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgements 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 taken.

Collective component this is made up of two elements: loan impairment provisions for impaired loans that are below individual assessment thresholds (collective impaired loan provisions) and for loan impairments that have been incurred but have not been separately identified at the balance sheet date (incurred but not reported provisions). These are established on a portfolio basis taking into account the level of arrears, collateral, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are the estimated loss rates and the related emergence periods. The emergence period for each loan product type is determined through detailed studies of loss emergence patterns. Loan files where losses have emerged are reviewed to identify the average time period between observable loss indicator events and the loss becoming identifiable. These portfolios include credit card receivables and other personal advances including mortgages. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

The impairment charge reflected in the income statement is $482 million and the provision balance at 30 September 2007 of $1,369 million represents 0.50% of loans.

(iv) *Goodwill*

As stated in Note 1(f)(ii)(b) goodwill represents the excess of purchase consideration, including incidental expenses, over the fair value of the Group s share of the identified net assets of acquired businesses. Goodwill is tested for impairment at least annually. The carrying value of goodwill as at 30 September 2007 was $2,398 million.

The determination of the fair value of assets and liabilities of the acquired businesses requires the exercise of management judgement. Different fair values would result in changes to the goodwill and to the post-acquisition performance of the acquisition.

To determine if goodwill is impaired the carrying value of the identified cash-generating unit (CGU) to which the goodwill is allocated, including the allocated goodwill, is compared its recoverable amount. Recoverable amount is the higher of the CGU s fair value and its value in use. Value in use is the present value of expected future cash flows from the CGU. Determination of appropriate cash flows and discount rates for the calculation of value in use is subjective. Fair value is the amount obtainable for the sale of the CGU in an arm s length transaction between knowledgeable, willing parties. The assumptions applied to determine impairment are outlined in Note 14.

Goodwill impairment testing for 2007 indicated that none of the Group s goodwill was impaired.

(v) *Superannuation obligations*

The Group operates a number of defined benefit plans as described in Note 39. For each of these plans, actuarial valuations of the plan s obligations and the fair value measurements of the plan s assets are performed annually in accordance with the requirements of AASB 119: Employee Benefits.

The actuarial valuation of plan obligations is dependent upon a series of assumptions, the key ones being price inflation, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and obligations, and the superannuation cost charged to the income statement.

The Group s AASB 119 superannuation deficit across all plans as at 30 September 2007 was $116 million (2006 deficit of $110 million). This comprises net recognised liabilities of $274 million (2006 $199 million) and unrecognised actuarial gains of $158 million (2006 $89 million).

(vi) *Provisions (other than loan impairment)*

Provisions are held in respect of a range of future obligations such as employee entitlements, restructuring costs, non-lending losses and surplus lease space. Provisions carried for long service leave are supported by an independent actuarial report. Some of the provisions involve significant judgement about the likely outcome of various events and estimated future cash flows. Provisions for taxation held in respect of uncertain tax positions represents the unrecovered tax benefits associated with specific transactions. The deferral of these benefits involves the exercise of management judgements 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.

k. Future accounting developments

AASB 7: Financial Instruments Disclosures and an amendment to AASB 101: Presentation of Financial Statements were issued by the AASB in August and September 2005 for application in accounting periods beginning on or after 1 January 2007. AASB 7 and the amendments to AASB 101 will apply to Westpac s 30 September 2008 financial report. AASB 7 will impact on financial instrument disclosures and is unlikely to have a material impact for the Westpac Group. The amendments to AASB 101 require disclosure of Westpac s objectives, policies and processes for managing capital.

Interpretation 13: Customer Loyalty Programmes was released by the Australian Accounting Standards Board Interpretations Committee on 1 July 2007. Interpretation 13 will apply to Westpac s 30 September 2009 financial report. The guidance will result in the re-measurement and reclassification of the existing credit card loyalty provision to deferred income. Deferred income will be recognised as revenue when the expense of providing the rewards is incurred. It is expected that there will be some delay in the timing of recognition of revenue from the credit card loyalty program going forward. The guidance is not expected to have a material impact for the Westpac Group.

Note 2. Net interest income

	Consolidated			Parent Entity	
	2007 $m	2006 $m	2005 $m	2007 $m	2006 $m
Interest income					
Loans	19,483	15,895	13,862	16,639	15,639
Due from other financial institutions	969	785	736	570	318
Available-for-sale securities	101	51		7	13
Investment securities			181		
Regulatory deposits with central banks overseas	17	16	12	14	16
Subsidiaries				333	644
Trading securities	1,003	845	530	721	770
Net gain on ineffective hedges	14	2		14	2
Other financial assets designated at fair value	119	152		58	11
Other	369	345	223	346	350
Total interest income(1)	22,075	18,091	15,544	18,702	17,763
Interest expense					
Current and term deposits	(7,046)	(5,629)	(6,549)	(5,816)	(5,589)
Due to other financial institutions	(593)	(562)	(395)	(331)	(307)
Debt issues	(3,440)	(2,563)	(1,621)	(2,556)	(1,779)
Loan capital	(409)	(347)	(214)	(330)	(262)
Subsidiaries				(896)	(1,530)
Trading liabilities	(964)	(822)	(831)	(762)	(774)
Deposits at fair value	(2,500)	(1,940)		(2,251)	(1,940)
Other	(810)	(586)	(675)	(521)	(366)
Total interest expense	(15,762)	(12,449)	(10,285)	(13,463)	(12,547)
Net interest income	6,313	5,642	5,259	5,239	5,216
Impairment charges	(482)	(375)	(382)	(404)	(375)
Net interest income after impairment charges	5,831	5,267	4,877	4,835	4,841

(1) Included within total interest income is $23 million (2006 $18 million) of interest income accrued on impaired financial assets.

Note 3. Non-interest income

	Consolidated			Parent Entity	
	2007 $m	2006 $m	2005 $m	2007 $m	2006 $m
Fees and commissions					
Banking and credit related fees	519	497	740	460	507
Transaction fees and commissions received	1,149	1,087	974	942	1,068
Service and management fees	45	37	46	2	6
Other non-risk fee income	119	145	93	263	250
Total fees and commissions	1,832	1,766	1,853	1,667	1,831
Wealth management and insurance income					
Wealth management revenue	2,910	2,654	2,893		
Life insurance claims and change in life insurance liabilities	(1,764)	(1,674)	(1,855)		
General insurance commission and premiums (net of claims paid)	113	104	97	2	21
Total wealth management and insurance income	1,259	1,084	1,135	2	21
Trading income					
Foreign exchange income	409	279	178	356	211
Other trading securities	251	246	154	(21)	(8)
Total trading income	660	525	332	335	203
Other income					
Dividends received from subsidiaries				490	1,044
Dividends received from other entities	14	9	28	15	12
Rental income	2	3	6	1	2
Gain on disposal of assets:					
Net gain from available-for-sale securities	20	35		17	18
Net gain from investment securities			45		
Other net gains on disposal of assets	2	9	36		5
Net gain/(loss) on ineffective hedges	(2)	3		(2)	3
Hedging overseas operations	(27)	(34)	(66)	(6)	(22)
Net gain/(loss) on financial assets designated at fair value	3	74		(4)	31
Other	97	101	85	42	194
Total other income	109	200	134	553	1,287
Total non-interest income	3,860	3,575	3,454	2,557	3,342
Wealth management and insurance income comprised					
Premium income and management fees	625	527	679		
Funds management income	538	462	377		
Claims expense (net of recoveries)	(143)	(109)	(110)		
Investment revenue	1,747	1,665	1,837		
Life insurance liability expense	(1,616)	(1,560)	(1,740)		
Amortisation of business in force	(5)	(5)	(5)		
General insurance commission and premiums (net of claims paid)	113	104	97	2	21
Total wealth management and insurance income	1,259	1,084	1,135	2	21

Note 4. Operating expenses

	Consolidated 2007 $m	2006 $m	2005 $m	Parent Entity 2007 $m	2006 $m
Salaries and other staff expenses					
Salaries and wages	2,030	1,820	1,707	1,496	1,566
Employee entitlements	170	154	150	147	129
Payroll tax	116	100	94	98	85
Fringe benefits tax	23	24	27	21	23
Superannuation costs:					
Defined contribution plans	116	91	92	91	82
Defined benefit plans (Note 39)	3	17	13	6	17
Equity based compensation	53	63	64	53	63
Restructuring costs	19	27	8	14	22
Other	27	28	31	7	22
Total salaries and other staff expenses	2,557	2,324	2,186	1,933	2,009
Equipment and occupancy expenses					
Operating lease rentals	262	240	241	195	245
Depreciation and amortisation:					
Premises	2	2	4		
Leasehold improvements	32	23	32	22	13
Furniture and equipment	38	38	46	30	30
Technology	59	50	56	46	44
Software	177	163	142	143	162
Impairment charges:					
Software	10	12		10	12
Equipment repairs and maintenance	38	36	44	31	31
Electricity, water and rates	9	9	6	5	8
Land tax		2	2		2
Other	1	39	23		33
Total equipment and occupancy expenses	628	614	596	482	580
Other expenses					
Amortisation of deferred expenditure	3	4	4	30	18
Non-lending losses	48	54	69	35	57
Purchased services:					
Technology and information services	144	139	140	91	108
Legal	25	24	23	19	20
Other professional services	271	275	266	234	262
Stationery	54	53	66	35	44
Postage and freight	96	99	98	74	89
Outsourcing costs	467	477	500	381	463
Insurance	10	13	12	8	11
Advertising	90	75	69	59	62
Training	19	20	21	13	17
Travel	60	55	52	47	49
Other expenses	71	69	57	152	116
Total other expenses	1,358	1,357	1,377	1,178	1,316
Operating expenses	4,543	4,295	4,159	3,593	3,905

Note 5. Income tax

	Consolidated			Parent Entity	
	2007 $m	2006 $m	2005 $m	2007 $m	2006 $m
The income tax expense for the year is reconciled to the profit before income tax as follows					
Profit before income tax expense	5,148	4,547	4,172	3,799	4,278
Prima facie income tax based on the Australian company tax rate of 30%	1,544	1,364	1,252	1,140	1,283
The effect of amounts which are not deductible (assessable) in calculating taxable income					
Change in tax rate(1)	5			(1)	
Rebateable and exempt dividends	(43)	(49)	(79)	(222)	(399)
Tax losses not previously recognised now brought to account	3	24	(46)	(36)	(11)
Life insurance:					
Tax adjustment on policy holders earnings(2)	64	43	62		
Adjustment for life business tax rates	(5)	(3)	(24)		
Other non-assessable items	(30)	(138)	(182)	(33)	(49)
Other non-deductible items	94	120	218	53	48
Adjustment for overseas tax rates	21	21	18	8	16
Income tax (over)/under provided in prior years	(11)	36	36	(12)	28
Other items	(12)	4	(32)	38	3
Total income tax expense in the income statement	1,630	1,422	1,223	935	919
Income tax analysis					
Income tax expense attributable to profit from ordinary activities comprised:					
Current income tax:					
Australia	1,272	1,085	955	878	708
Overseas	268	257	182	(33)	155
	1,540	1,342	1,137	845	863
Deferred income tax:					
Australia	84	16	14	5	1
Overseas	17	28	36	97	27
	101	44	50	102	28
(Over)/under provision in prior years:					
Australia	(13)	35	35	(10)	27
Overseas	2	1	1	(2)	1
	(11)	36	36	(12)	28
Total Australia	1,343	1,136	1,004	873	736
Total overseas	287	286	219	62	183
Total income tax expense attributable to profit from ordinary activities	1,630	1,422	1,223	935	919

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(1) The company tax rate in New Zealand is reducing from 33% to 30% effective for the Group from 1 October 2008, and the company tax rate in the United Kingdom is reducing from 30% to 28% effective for the Group during 2008. These revised income tax rates have not impacted the current tax liability balance for the current reporting period, but will do so in future periods. However, the impact of the change in the income tax rates has been taken into account in the measurement of deferred taxes at the end of the reporting period.

(2) In accordance with the requirements of Australian Accounting Standard AASB 1038 Life Insurance Contracts, our tax expense for the year ended 30 September 2007 includes a $92 million tax charge on policy holders investment earnings (2006 $61 million, 2005 $92 million) of which $28 million (2006 $18 million, 2005 $28 million) is in prima facie tax expense above and the balance of $64 million (2006 $43 million, 2005 $64 million) shown here.

Westpac Banking Corporation and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 October 2002.

The entities in the tax consolidated group have entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity, Westpac Banking Corporation.

Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by Westpac (as head entity in the tax consolidated group).

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Westpac Banking Corporation for any current tax payable assumed and are compensated by Westpac Banking Corporation for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Westpac Banking Corporation under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities financial statements.

The amounts receivable/payable under the tax funding agreement are settled on a quarterly basis in line with Westpac Banking Corporation obligations to pay tax instalments. Any unpaid amounts at balance date are recognised as current intercompany receivables or payables.

Note 6. Dividends

	Consolidated 2007 $m	Consolidated 2006 $m	Consolidated 2005 $m	Parent Entity 2007 $m	Parent Entity 2006 $m
Recognised amounts					
Ordinary dividends					
2006 final dividend paid 60 cents per share (2005 51 cents per share, 2004 44 cents per share) all fully franked at 30%	1,101	953	782	1,104	955
2007 interim dividend paid 63 cents per share (2006 56 cents per share, 2005 49 cents per share) all fully franked at 30%	1,164	1,024	879	1,166	1,026
Total ordinary dividends	2,265	1,977	1,661	2,270	1,981
Distributions on other equity instruments					
Convertible debentures				68	65
Total distributions on other equity instruments				68	65
Dividends not recognised at year end					
Since year end the Directors have recommended the payment of the following final ordinary dividend:					
Ordinary shares 68 cents per share (2006 60 cents per share, 2005 51 cents per share) all fully franked at 30%	1,265	1,101	951	1,268	1,103

The amount disclosed as recognised for ordinary dividends is the final dividend paid in respect of the prior financial year and the interim dividend paid in respect of the current financial year.

	Parent Entity 2007 $m	Parent Entity 2006 $m	Parent Entity 2005 $m
Franking account balance			
Franking account balance as at year end	897	815	826
Franking credits that will arise from payment of current income tax	(71)	77	166
Adjusted franking account balance after payment of current income tax	826	892	992
Franking credits to be utilised for payment of unrecognised final dividend	(552)	(475)	(409)
Adjusted franking account balance	274	417	583

Note 7. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of Westpac by the weighted averaged number of ordinary shares on issue during the year, excluding the number of ordinary shares purchased by the Group and held as Treasury shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	Consolidated					
	2007		2006		2005	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of earnings used in the calculation of earnings per ordinary share ($million)						
Net profit	3,518	3,518	3,125	3,125	2,949	2,949
Net profit attributable to minority interest	(67)	(67)	(54)	(54)	(251)	(251)
Distribution on New Zealand Class shares					49	49
Distribution on RSP treasury shares	(1)					
FIRsTS distributions		44		44		44
2004 TPS distributions		31		37		36
2007 convertible notes		22				
Earnings	3,450	3,548	3,071	3,152	2,747	2,827
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares	1,852	1,852	1,842	1,842	1,851	1,851
Effect of own shares held	(6)	(6)	(5)	(5)	(6)	(6)
Potential dilutive adjustment:						
Exercise of options		7		5		4
Conversion of 2004 TPS		22		31		36
Conversion of FIRsTS		24		29		35
2007 convertible notes		16				1
Total weighted average number of ordinary shares	1,846	1,915	1,837	1,902	1,845	1,921
Earnings per ordinary share (cents)	186.9	185.3	167.2	165.7	148.9	147.2

During the year 2,853,969 (2006 5,370,963, 2005 14,480,843) options and performance share rights were converted to ordinary shares. The diluted earnings per share calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion.

The exercise prices of all options are included in Note 27. In determining diluted earnings per share, options with an exercise price (including grant date fair value that will be expensed in future periods) greater than the average market price over the year have not been included, as these are not considered dilutive. Performance options and performance share rights are only included in determining diluted earnings per share to the extent that market related performance hurdles are met at year end.

Subsequent to 30 September 2007:

no options and no performance share rights were granted to employees (2006 18,600, 2005 15,931 performance share rights) under the Westpac Performance Plan;

93,285 ordinary shares were issued to employees due to the exercise of options (2006 61,000, 2005 222,326); and

22,513 ordinary shares were issued to employees due to the exercise of performance share rights (2006 11,161, 2005 10,319).

Information concerning the classification of securities

Options and share rights

Options and share rights granted to employees prior to 30 September 2007 under the Westpac Performance Plan, Chief Executive Share Option Agreement, Chief Executive Securities Agreement, General Management Share Option Plan and Senior Officers   Share Purchase Scheme are considered to be potentially ordinary shares and have been included in the determination of diluted earnings per share. The options and share rights have not been included in the determination of basic earnings per share. Details relating to options and share rights are set out in Note 27.

New Zealand Class shares (NZ Class shares)

NZ Class shares were considered to be the economic equivalent of Westpac ordinary shares and were classified as ordinary shares and included in the determination of basic earnings per share. As of 11 July 2005 no further distributions on New Zealand Class shares arose as a result of Westpac exercising its right to exchange New Zealand Class shares for ordinary shares.

FIRsTS

As FIRsTS can be exchanged into ordinary shares if a tax or regulatory event occurs or automatically converted in the event of a default, any dilutive impact must be considered. For the year ended 30 September 2007, FIRsTS were dilutive (2006 dilutive, 2005 dilutive) and have been included in the determination of dilutive earnings per share. FIRsTS have not been included in the determination of basic earnings per share. Refer to Note 24 for further details.

2004 TPS

As 2004 TPS can be exchanged for ordinary shares in certain circumstances, any dilutive impact must be considered. For the 2007 financial year, 2004 TPS were dilutive (2006 dilutive, 2005 dilutive) and have been included in the determination of diluted earnings per share. 2004 TPS have not been included in the determination of basic earnings per share. Refer to Note 24 for further details.

2007 convertible notes

The 2007 convertible notes are unsecured, unsubordinated, redeemable, convertible notes that were issued by Westpac in a private placement on 19 April 2007. As they can be exchanged into ordinary shares at the discretion of Westpac upon certain conditions being satisfied, any dilutive impact must be considered. For the year ended 30 September 2007, the 2007 convertible notes were dilutive and have been included in the determination of diluted earnings per share.

Restricted Share Plan (RSP)

During the year ended 30 September 2007, 1,329,152 ordinary shares were purchased on market at an average purchase price of $24.00 and allocated to eligible senior management under the RSP. Full entitlement to these shares do not vest until a service period has been completed.

Note 8. Due from other financial institutions

	Consolidated		Parent Entity	
	2007 $m	**2006 $m**	**2007 $m**	**2006 $m**
Placements	2,515	913	2,482	886
Loans to other banks	10,775	8,888	4,188	2,079
Certificates of deposit	15,089	2,410	15,089	2,410
Total due from other financial institutions	28,379	12,211	21,759	5,375

Amounts due from other financial institutions based on location and nature are outlined below:

	Consolidated		Parent Entity	
	2007 $m	**2006 $m**	**2007 $m**	**2006 $m**
Australia				
Interest earning	24,022	8,141	18,301	3,271
Non-interest earning	3	2	2	2
Total Australia	24,025	8,143	18,303	3,273
Overseas				
Interest earning	4,352	3,778	3,455	2,079
Non-interest earning	2	290	1	23
Total Overseas	4,354	4,068	3,456	2,102
Total due from other financial institutions	28,379	12,211	21,759	5,375

Due from other financial institutions has been restated as at 30 September 2006 to reflect the disclosure of New Zealand exchange settlement accounts held with central banks. This balance has now been classified as cash and balances with central banks. For the year ended 30 September 2006 due from other financial institutions has been restated from $12,865 million to $12,211 million.

Note 9. Trading securities and other financial assets designated at fair value

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Securities	15,716	11,725	13,483	11,768
Securities purchased under agreement to resell	5,099	1,835	5,099	1,835
Total trading securities	20,815	13,560	18,582	13,603
Other financial assets designated at fair value	1,179	3,282	830	584
Total trading securities and other financial assets designated at fair value	21,994	16,842	19,412	14,187

Trading securities includes the following:

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Listed securities				
Australian public securities:				
Commonwealth securities	221	187	221	187
Semi-government securities	2,930	3,442	2,930	3,442
Australian equity securities	71	280		395
Australian debt securities	955	602	955	602
Overseas public securities	298	304	278	304
Overseas debt securities	218	734	218	734
Total listed securities	4,693	5,549	4,602	5,664
Unlisted securities				
Australian public securities:				
Commonwealth securities		2		2
Semi-government securities	2	28	2	28
Australian debt securities	8,278	5,612	8,153	5,540
Overseas public securities		6		6
Overseas debt securities	2,743	528	726	528
Total unlisted securities	11,023	6,176	8,881	6,104
Securities purchased under agreement to resell	5,099	1,835	5,099	1,835
Total trading securities	20,815	13,560	18,582	13,603

Unlisted securities include securities carried at an estimated fair value of $115 million (2006 $40 million) derived using internal valuation models that require estimation of certain pricing parameters, assumptions or model characteristics. $7 million (2006 $1 million) was recognised in the income statement as a result of the movement in estimated fair value.

Other financial assets designated at fair value include:

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Listed securities				
Overseas debt securities		22		22
Total listed securities		22		22
Unlisted securities				
Australian debt securities	1,179	601	830	562
Overseas debt securities		2,659		
Total unlisted securities	1,179	3,260	830	562
Total other financial assets designated at fair value	1,179	3,282	830	584

Unlisted securities include securities carried at an estimated fair value of $655 million (2006 $444 million). This fair value was derived using a valuation model appropriate to the risk characteristics of the instrument. During the year $7 million (2006 $2 million) was recognised in the income statement as a result of the movement in estimated fair value.

Note 10. Available-for-sale securities

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Available-for-sale securities at fair value				
Listed securities				
Australian debt securities	136	284	109	25
Overseas public securities	45	17	45	17
Overseas debt securities	674	33	11	13
Australian equity securities		31		
Unlisted securities				
Australian equity securities	9	43	6	31
Australian debt securities:				
Mortgage backed securities	31	58	31	58
Other debt securities	377			
Overseas public securities	288	174	40	9
Overseas debt securities	941	304	364	
	2,501	944	606	153
Available-for-sale securities at cost(1)				
Unlisted securities	10	25	1	3
Total available-for-sale securities	2,511	969	607	156

(1) Investments in certain unlisted equity instruments are measured at cost at 30 September 2007 because the fair value cannot be reliably measured. These investments represent minority interest in companies for which active markets do not exist and quoted prices are not available.

Other than securities issued by Australian Commonwealth or state governments, the Group held no trading and available-for-sale securities of a single issuer, the book value of which, in aggregate, exceeded 10% of total equity as at 30 September 2007 and 30 September 2006.

The movement in available-for-sale securities may be summarised as follows:

	Consolidated $m	Parent Entity $m
At 1 October 2006 available-for-sale securities	969	156
Additions	4,009	823
Disposals (sale and redemption)	(2,431)	(359)
Impairment charges	(4)	(4)
Exchange differences monetary assets	(26)	(5)
Gains/losses from changes in fair value	(6)	(4)
At 30 September 2007 available-for-sale securities	2,511	607

A gain on sale of $20 million arising from the disposal of available-for-sale equity securities originally carried at cost of nil was recognised in the income statement during the year.

The following table shows the maturities of the Group s available-for-sale debt securities and the weighted-average carrying yield for each range of available-for-sale securities as at 30 September 2007. There are no tax-exempt securities.

	Within 1 Year		Over 1 to 5 Years		Over 5 to 10 Years		Over 10 Years		Total	Weighted Average
	$m	%	$m	%	$m	%	$m	%	$m	%
2007 available-for-sale securities										
Carrying amount at fair value										
Australian debt/equity securities:										
Mortgage backed securities	11	7.1	19	9.1					30	8.3
Other debt/equity securities	425	4.6			100	5.2			525	2.3
Overseas public securities	482	3.4							482	3.4
Overseas debt securities	4	5.0	717	8.3	753	8.7			1,474	8.5
Total by maturity at fair value	922		736		853				2,511	
2006 available-for-sale securities										
Carrying amount at fair value										
Australian debt securities:										
Mortgage backed securities	56	5.8							56	5.8
Other debt securities	82	3.9	217	5.1					299	4.8
Overseas public securities	191	3.4			1				192	3.4
Overseas debt securities	422	7.9							422	7.9
Total by maturity at fair value	751		217		1				969	

Available-for-sale securities revalued to fair value resulted in a loss of $6 million being recognised directly in equity (refer to Note 26 Detail of changes in shareholders equity). As a result of the sale, derecognition or impairment of available-for-sale securities, gains of $20 million have been transferred from equity to the income statement.

The maturity profile is determined based upon contractual terms for available-for-sale debt instruments and estimated maturity for available-for-sale equity instruments.

Note 11. Loans

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Loans are classified based on the location of the lending office				
Australia				
Overdrafts	3,045	3,113	3,045	3,113
Credit card outstandings	7,310	6,755	7,310	6,755
Overnight and at call money market loans	280	248	280	248
Acceptance of finance	21,847	18,617	21,847	18,617
Term loans:				
Housing	110,564	96,456	109,283	95,331
Housing - Line of credit	14,280	14,698	14,280	14,698
Non-housing	56,484	44,678	56,799	44,918
Finance leases	4,345	4,216	4,248	4,115
Margin Lending	4,939	3,621	5,013	3,685
Other	3,105	3,257	3,965	3,964
Total Australia	226,199	195,659	226,070	195,444
New Zealand				
Overdrafts	1,200	1,179	286	1,179
Credit card outstandings	885	857		797
Overnight and at call money market loans	1,787	1,474	1,206	1,474
Term loans:				
Housing	24,820	21,374		21,222
Non-housing	13,738	10,979	4,484	10,979
Other	897	782	531	652
Total New Zealand	43,327	36,645	6,507	36,303
Total Other Overseas	4,388	3,380	3,586	2,762
Total loans	273,914	235,684	236,163	234,509
Provisions on loans (refer to Note 12)	(1,369)	(1,200)	(1,187)	(1,189)
Total net loans	272,545	234,484	234,976	233,320
Securitised loans(1)	9,592	4,093		

(1) Securitised loans are included in total net loans above.

	Consolidated		
	2007 $m	2006 $m	2005 $m
Loans by type of customer			
Australia			
Government and other public authorities	415	278	190
Agriculture, forestry and fishing	3,775	2,954	2,394
Commercial and financial(1)	80,009	65,244	46,693
Real estate - construction	2,458	2,734	2,159
Real estate - mortgage	110,564	96,456	85,335
Instalment loans and other personal lending	24,633	23,777	22,428
	221,854	191,443	159,199
Lease financing	4,345	4,216	4,201
Total loans - Australia	226,199	195,659	163,400
Overseas			
Government and other public authorities	535	387	446
Agriculture, forestry and fishing	4,037	3,449	2,908
Commercial and financial	14,522	11,567	10,770
Real estate - construction	427	445	457
Real estate - mortgage	25,522	22,013	19,967
Instalment loans and other personal lending	2,645	2,145	2,053
	47,688	40,006	36,601
Lease financing	27	19	14
Total Overseas	47,715	40,025	36,615
Total loans	273,914	235,684	200,015
Provisions on loans	(1,369)	(1,200)	(1,729)
Total net loans	272,545	234,484	198,286

(1) Some lending in the commercial and financial sectors in Australia is for the purpose of the financing of construction of real estate and land development projects which cannot be separately identified from other lending to these borrowers, given their conglomerate structure and activities. In these circumstances, the loans have been included in the commercial and financial category.

	Overdrafts $m	Over 1 Day to 3 Months $m	Over 3 Months to 1 Year $m	Over 1 to 5 Years $m	Over 5 Years $m	Total $m
Maturity distribution of all loans by type of customer as at 30 September 2007(1)						
By offices in Australia						
Government and other public authorities		3	5	336	71	415
Agriculture, forestry and fishing	284	1,922	118	988	463	3,775
Commercial and financial	6,939	25,634	10,818	27,878	8,740	80,009
Real estate - construction	247	411	524	584	692	2,458
Real estate - mortgage		2,547	2,218	25,622	80,177	110,564
Instalment loans and other personal lending	667	7,352	78	1,407	15,129	24,633
Lease financing		85	313	3,640	307	4,345
Total Australia	8,137	37,954	14,074	60,455	105,579	226,199
Total Overseas	114	11,619	2,761	6,491	26,730	47,715
Total loans	8,251	49,573	16,835	66,946	132,309	273,914
Maturity distribution of all loans by type of customer as at 30 September 2006(1)						
By offices in Australia						
Government and other public authorities	1	3	5	46	223	278
Agriculture, forestry and fishing	340	1,269	108	437	800	2,954
Commercial and financial	5,989	21,097	7,442	22,217	8,499	65,244
Real estate - construction	257	1,221	147	670	439	2,734
Real estate - mortgage		1,727	1,962	18,991	73,776	96,456
Instalment loans and other personal lending	220	6,790	16	975	15,776	23,777
Lease financing		67	389	3,533	227	4,216
Total Australia	6,807	32,174	10,069	46,869	99,740	195,659
Total Overseas	201	9,497	1,761	5,688	22,878	40,025
Total loans	7,008	41,671	11,830	52,557	122,618	235,684

(1) The maturity analysis is based on contractual terms of loans.

	Consolidated					
	2007			2006		
	Loans at Variable Interest Rates $m	Loans at Fixed Interest Rates $m	Total $m	Loans at Variable Interest Rates $m	Loans at Fixed Interest Rates $m	Total $m
Interest rate segmentation of Group loans maturing after one year						
By offices in Australia	138,078	27,956	166,034	123,612	22,997	146,609
By offices Overseas	6,855	26,366	33,221	5,594	22,972	28,566
Total loans maturing after one year	144,933	54,322	199,255	129,206	45,969	175,175

Loans include the following finance receivables:

	Consolidated 2007 $m	Consolidated 2006 $m	Parent 2007 $m	Parent 2006 $m
Gross investment in finance leases, receivable:				
Due within one year	410	468	312	375
Due after one year but not later than five years	4,168	4,025	4,151	4,000
Due after five years	405	292	402	290
Unearned future finance income on finance leases	(611)	(550)	(593)	(535)
Net investment in finance leases	4,372	4,235	4,272	4,130
Accumulated allowance for uncollectible minimum lease payments	(4)	(21)	(4)	(21)
Net investment in finance leases after accumulated allowance	4,368	4,214	4,268	4,109
The net investment in finance leases may be analysed as follows:				
Due within one year	399	457	312	374
Due after one year but not later than five years	3,655	3,550	3,645	3,530
Due after five years	318	228	315	226
Total net investment in finance leases	4,372	4,235	4,272	4,130

Note 12. Provisions for impairment charges

	Consolidated			Parent Entity	
	2007 $m	2006 $m	2005 $m	2007 $m	2006 $m
Collectively assessed provisions (2005 general provision)					
Balance as at beginning of the year	1,194	1,530	1,487	1,183	1,521
Adjustment on transition to A-IFRS		(545)			(527)
Restated balance as at beginning of the year	1,194	985	1,487	1,183	994
New provisions raised	444	369	398	378	369
Write-offs	(302)	(227)	(307)	(422)	(227)
Discount unwind	115	92		115	92
Exchange rate adjustments	(41)	(25)	(48)	(19)	(45)
Balance as at end of the year(1)	1,410	1,194	1,530	1,235	1,183
Individually assessed provisions (2005 specific provision)					
Balance as at beginning of the year	164	199	237	163	198
New individually assessed provisions (2005 Specific provisions)	130	144	170	105	144
Write-backs	(70)	(113)	(100)	(57)	(113)
Write-offs	(69)	(68)	(110)	(78)	(68)
Discount unwind		2			2
Exchange rate adjustments	(7)		2	(7)	
Balance as at end of the year	148	164	199	126	163
Total provisions for impairment charges and credit commitments	1,558	1,358		1,361	1,346
Less provisions for credit commitments (refer to Note 22)	(189)	(158)		(174)	(157)
Total provisions on loans	1,369	1,200	1,729	1,187	1,189

(1) In 2005 the total included a $179 million provision for off-balance sheet credit related commitments for the Group.

	Consolidated			Parent Entity	
	2007 $m	2006 $m	2005 $m	2007 $m	2006 $m
Reconciliation of impairment charges					
New individually assessed provisions (2005 Specific provisions)	130	144	170	105	144
Write-backs	(70)	(113)	(100)	(57)	(113)
Recoveries	(22)	(25)	(86)	(22)	(25)
New collectively assessed provisions (2005 General provisions)	444	369	398	378	369
Impairment charges	482	375	382	404	375

	Consolidated					
	2007		2006		2005	
	$m	%	$m	%	$m	%
Individually assessed provision by type of customer						
Australia						
Agriculture, forestry and fishing	3	0.2	5	0.4	2	0.1
Commercial and financial	82	5.3	109	8.0	134	7.7
Real estate - construction	1	0.1	1	0.1	1	0.1
Real estate - mortgage	3	0.2	6	0.4	5	0.3
Instalment loans and personal lending	1	0.1	2	0.1	16	0.9
Total Australia	90	5.9	123	9.0	158	9.1
New Zealand						
Agriculture, forestry and fishing	1	0.1			1	0.1
Commercial and financial	12	0.8	9	0.7	8	0.5
Real estate - mortgage	3	0.2	2	0.1	5	0.3
Instalment loans and other personal lending	6	0.4	3	0.2	4	0.2
Total New Zealand	22	1.5	14	1.0	18	1.1
Other overseas						
Agriculture, forestry and fishing						
Commercial and financial	36	2.3	21	1.5	22	1.2
Instalment loans and personal lending			6	0.4	1	0.1
Total other overseas	36	2.3	27	1.9	23	1.3
Total overseas	58	3.8	41	2.9	41	2.4
Total individually assessed provisions	148	9.7	164	11.9	199	11.5
Total collectively assessed provisions	1,410	90.3	1,194	88.1	1,530	88.5
Total provisions for impairment charges and credit commitments	1,558	100.0	1,358	100.0	1,729	100.0

The following tables show the movements in the balance of provisions for impairment charges, details of loans written-off and recoveries of loans written off by type of customer and geographic category for the past two years:

	Consolidated 2007 $m	Consolidated 2006 $m
Balance of provisions for impairment charges (Individually and collectively assessed) as at beginning of the year		
Write-offs	(371)	(295)
Recoveries	22	25
Charge to income statement	482	375
Discount unwind	115	94
Exchange rate and other adjustments	(48)	(25)
Balance of provisions for impairment charges as at end of the year	1,558	1,358
Write-offs and recoveries		
Write-offs		
Australia		
Agriculture, forestry and fishing	(5)	(7)
Commercial and financial(1)	(84)	(82)
Real estate - construction	(2)	(1)
Real estate - mortgage	(12)	(6)
Instalment loans and other personal lending	(252)	(192)
Total Australia	(355)	(288)
New Zealand		
Commercial and financial(1)	(3)	(4)
Instalment loans and other personal lending	(3)	(2)
Total New Zealand	(6)	(6)
Total Other Overseas	(10)	(1)
Total write-offs	(371)	(295)
Recoveries		
Australia		
Agriculture, forestry and fishing		
Commercial and financial(1)	6	10
Instalment loans and other personal lending	16	11
Australia	22	21
New Zealand		3
Other Overseas		1
Total recoveries	22	25
Net write-offs and recoveries	(349)	(270)

(1) Lease finance write-offs and recoveries, which are not significant, are included in the commercial and financial category.

Note 13. Non-performing loans

The table below details the Group s investment in non-performing loans:

	Consolidated 2007 $m	2006 $m	2005 $m
Australia			
Non-accrual assets(1):			
Gross	251	284	287
Impairment provisions	(95)	(121)	(151)
Net	156	163	136
Restructured loans:			
Gross	1	21	24
Impairment provisions		(10)	(7)
Net	1	11	17
Overdrafts and revolving credit greater than 90 days:			
Gross	98	78	61
Impairment provisions	(98)	(74)	(3)
Net		4	58
Net Australian non-performing loans	157	178	211
New Zealand			
Non-accrual assets(1):			
Gross	99	58	73
Impairment provisions	(25)	(16)	(18)
Net	74	42	55
Restructured loans:			
Gross	2		
Impairment provisions			
Net	2		
Overdrafts and revolving credit greater than 90 days:			
Gross	13	9	11
Impairment provisions	(7)	(5)	
Net	6	4	11
Net New Zealand non-performing loans	82	46	66
Other Overseas			
Non-accrual assets(1):			
Gross	73	69	61
Impairment provisions	(39)	(30)	(20)
Net	34	39	41
Restructured loans:			
Gross	1	1	44
Impairment provisions			(3)
Net	1	1	41
Overdrafts and revolving credit greater than 90 days:			
Gross	2	1	
Impairment provisions	(2)	(1)	
Net			
Net other Overseas non-performing loans	35	40	82
Total net non-performing loans	274	264	359
Accruing items past due 90 days (with adequate security)			
Australia	491	457	240
New Zealand	42	30	34
Other Overseas	29	9	7

Total	562	496	281
Interest received for the year on the above non-accrual and restructured assets was:			
Australia			6
New Zealand	4	3	3
Other Overseas		1	4
Total	4	4	13
Interest forgone for the year on the above non-accrual and restructured assets was estimated at:			
Australia	15	9	14
New Zealand	2	2	1
Other Overseas	2	3	3
Total	19	14	18

(1) Loans with individually assessed impairment provisions held against them, excluding restructured loans. The loans are classed as non-accrual for US GAAP purposes. Under A-IFRS, interest income is recognised at the effective interest rate on the net balance.

Note 14. Goodwill and other intangible assets

	Consolidated		Parent Entity	
	2007 $m	**2006 $m**	**2007 $m**	**2006 $m**
Goodwill				
Balance as at beginning of the year	2,403	2,436	1,201	1,217
Disposals		(15)	(417)	
Exchange rate and other adjustments	(5)	(18)		(16)
Balance as at end of the year	2,398	2,403	784	1,201
Computer software				
Balance as at beginning of the year	480	447	470	444
Additions	251	220	204	212
Disposals		(10)	(113)	(10)
Impairment	(10)	(12)	(10)	(12)
Amortisation	(177)	(163)	(143)	(162)
Exchange rate adjustments	(2)	(2)	(3)	(2)
Other(1)	(15)		(12)	
Balance as at end of the year	527	480	393	470
Cost	1,481	1,257	1,134	1,237
Accumulated amortisation	(954)	(777)	(741)	(767)
Carrying amount	527	480	393	470
Other intangible assets				
Balance as at beginning of the year	69	74	30	
Additions				37
Amortisation	(5)	(5)	(13)	(7)
Balance as at end of the year	64	69	17	30
Cost	141	141	37	37
Accumulated amortisation	(77)	(72)	(20)	(7)
Carrying amount	64	69	17	30
Total goodwill and other intangible assets	2,989	2,952	1,194	1,701

(1) During the current financial year capitalised computer software costs that are integral to associated hardware have been reclassified to property, plant and equipment as this better reflects the nature of the item.

Goodwill has been allocated to the following cash-generating units:

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Business Financial Services	213	213	213	213
Consumer Financial Services	392	392	391	391
BT Financial Group Australia	1,217	1,217	180	180
New Zealand Retail Banking	430	435		417
BT New Zealand	30	30		
Hastings	54	54		
Westpac Institutional Bank	56	56		
Bank of Tonga	6	6		
Total goodwill	2,398	2,403	784	1,201

There has been no impairment of goodwill during the year (2006 no impairment). In 2007, Business Consumer Banking was split into Business Financial Services and Consumer Financial Services and comparative information has been restated to reflect this change.

The recoverable amount of each CGU is determined using value in use calculations based on the future cash flow projections discounted at the Group s after tax return on equity rate of 10.5% adjusted to a pre-tax rate (2006 10.5%).

All future cash flows are based on approved three year strategic plans. While the strategic business plan assumes certain economic conditions, the forecast is not reliant on one particular assumption. The business forecasts applied by management are considered appropriate as they are based on past experience and are consistent with observable current market information.

The growth rates after 2010 are assumed to be zero for all CGUs for goodwill impairment testing purposes.

Note 15. Property, plant and equipment

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Premises and sites				
Cost	116	121	56	50
Accumulated depreciation	(35)	(42)	(6)	(5)
Net carrying amount	81	79	50	45
Leasehold improvements				
Cost	366	327	242	201
Accumulated amortisation	(243)	(223)	(158)	(140)
Net carrying amount	123	104	84	61
Furniture and equipment				
Cost	539	515	422	404
Accumulated depreciation	(390)	(365)	(296)	(279)

Net carrying amount	149	150	126	125
Technology				
Cost	592	579	437	517
Accumulated depreciation	(456)	(446)	(332)	(396)
Net carrying amount	136	133	105	121
Total property, plant and equipment	489	466	365	352

Reconciliations of the carrying amount for each class of property, plant and equipment are set out below:

	Consolidated 2007 $m	Consolidated 2006 $m	Parent Entity 2007 $m	Parent Entity 2006 $m
Premises and sites				
Balance as at beginning of the year	79	83	45	52
Additions	7	8	7	3
Disposals	(2)	(10)	(1)	(10)
Depreciation	(2)	(2)		
Exchange rate adjustments	(1)		(1)	
Balance as at end of the year	81	79	50	45
Leasehold improvements(1)				
Balance as at beginning of the year	104	96	61	49
Additions	53	35	45	26
Disposals	(1)	(2)		(1)
Amortisation	(32)	(23)	(22)	(13)
Exchange rate adjustments	(1)	(2)		
Balance as at end of the year	123	104	84	61
Furniture and equipment(1)				
Balance as at beginning of the year	150	87	125	61
Additions	38	105	31	96
Disposals	(1)	(3)		(1)
Depreciation	(38)	(38)	(30)	(30)
Exchange rate adjustments		(1)		(1)
Balance as at end of the year	149	150	126	125
Technology				
Balance as at beginning of the year	133	113	121	97
Additions	49	77	38	73
Disposals	(1)	(4)	(19)	(3)
Depreciation	(59)	(50)	(46)	(44)
Exchange rate adjustments	(1)	(3)	(1)	(2)
Other(2)	15		12	
Balance as at end of the year	136	133	105	121

(1) A balance of $61 million relating to the furniture and equipment fit out of Westpac Place has been reclassified from leasehold improvements to furniture and equipment as this better reflects the nature of these items.

(2) During the current financial year capitalised computer software costs that are integral to associated hardware have been reclassified to property, plant and equipment as this better reflects the nature of the item.

Property, plant and equipment under construction

There are no items of property, plant and equipment that are currently under construction.

Note 16. Deferred tax assets

	Consolidated		Parent Entity	
	2007 $m	**2006 $m**	**2007 $m**	**2006 $m**
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Provision for impairment charge on loans	406	389	344	388
Provision for employee benefits	302	193	258	173
Treasury/financial market products	1,568	83	1,582	80
Property, plant and equipment	56	58	35	35
Loans - carrying amount adjustments	57	54	57	53
Provision for non-lending losses	8	11	6	8
Provision for credit commitments	44	35	44	35
Provision for restructuring	1	2	1	2
Provision for lease liabilities	8	2	8	2
Other provisions	37	38	32	35
Other liabilities	276	221	260	206
Life insurance policy liabilities	13	17		
Tax losses(1)	2	28	2	23
Change in tax rate (refer to Note 5)	(5)			
	2,773	1,131	2,629	1,040
Amounts recognised directly in equity				
Cash flow hedges		1		1
Available-for-sale securities	1			
Other equity			5	6
Minority interest	5	6		
	6	7	5	7
Set-off of deferred tax liabilities pursuant to set-off provisions(2)	(2,263)	(485)	(2,066)	(364)
Net deferred tax assets	516	653	568	683
Deferred tax assets to be recovered within 12 months	91	219	95	196
Deferred tax assets to be recovered after more than 12 months	425	434	473	487
Movement				
Opening balance as at beginning of the year	653	820	683	939
A-IFRS transition adjustment		(78)		(78)
Restated balance as at beginning of the year	653	742	683	861
Credited to the income statement	2,119	389	1,945	179
Credited to equity	7	7	6	7
Set-off of deferred tax liabilities pursuant to set-off provisions(2)	(2,263)	(485)	(2,066)	(364)
Closing balance as at end of the year	516	653	568	683

(1) The deferred tax asset attributed to tax loss does not exceed amounts arising from the reversal of existing assessable temporary differences.

(2) Deferred tax assets and liabilities are set-off where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Deductible temporary differences - other	53	62	53	62
Tax losses on revenue account	233	132	231	132
Tax losses on capital account	88	308	88	308

Deferred tax liabilities relating to aggregate temporary differences of $5 million (2006 $40 million) associated with investments in subsidiaries have not been recognised because the parent entity controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

The deferred tax assets related to losses will only be obtained if:

the Group or relevant entity derives future assessable income of a nature or amount sufficient to enable the benefits from the deductions for the losses to be utilised;

the Group or relevant entity continues to comply with the conditions of deductibility imposed by tax legislation; and

no changes in tax legislation adversely affect the Group or relevant entity in realising the benefits from the deductions for the losses.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable profit will be available against which they can be realised.

Note 17. Other assets

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Accrued interest receivable	926	752	717	668
Assets held for sale / inventories	289	104		
Securities sold not delivered	459	503	459	503
Deferred expenditure (after accumulated amortisation of $125 million (2006 $138 million))	36	29	21	25

Deferred acquisition costs (after accumulated amortisation of $125 million (2006 $99 million))	136	120	28	19
Trade debtors	378	390	75	140
Prepayments	65	57	49	53
Accrued fees and commissions	183	149	99	120
Other	166	708	287	759
Total other assets	2,638	2,812	1,735	2,287

Note 18. Due to other financial institutions

Amounts due to other financial institutions based on location and nature are outlined below:

	Consolidated		**Parent Entity**	
	2007 $m	**2006 $m**	**2007 $m**	**2006 $m**
Australia				
Interest bearing	2,516	1,924	2,516	1,924
Non-interest bearing	1,270	1,351	1,250	1,351
Total Australia	3,786	3,275	3,766	3,275
Overseas				
Interest bearing	5,025	8,368	3,668	2,618
Non-interest bearing	322	408	322	408
Total Overseas	5,347	8,776	3,990	3,026
Total due to other financial institutions	9,133	12,051	7,756	6,301

Note 19. Deposits

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Australia				
Deposits at fair value				
Certificates of deposit	37,526	27,917	37,526	27,917
Total deposits at fair value	37,526	27,917	37,526	27,917
Deposits at amortised cost				
Non-interest bearing, repayable at call	3,494	3,641	3,494	3,641
Certificates of deposit	44	712	44	712
Other interest bearing:				
At call	84,038	72,590	83,584	72,088
Term	25,995	23,704	25,995	23,764
Total deposits at amortised cost	113,571	100,647	113,117	100,205
Total Australia	151,097	128,564	150,643	128,122
New Zealand				
Deposits at fair value				
Certificates of deposit	3,045	3,601	17	3,601
Total deposits at fair value	3,045	3,601	17	3,601
Deposits at amortised cost				
Non-interest bearing, repayable at call	1,952	1,923	118	1,923
Other interest bearing:				
At call	11,226	9,810	2,393	9,810
Term	12,533	11,193	1,031	11,193
Total deposits at amortised cost	25,711	22,926	3,542	22,926
Total New Zealand	28,756	26,527	3,559	26,527
Other overseas				
Deposits at fair value				
Certificates of deposit	8,032	1,768	8,032	1,768
Total deposits at fair value	8,032	1,768	8,032	1,768
Deposits at amortised cost				
Non-interest bearing, repayable at call	334	288	182	165
Certificates of deposit	972	594	973	594
Other interest bearing:				
At call	760	628	542	428
Term	9,271	9,372	9,033	9,177
Total deposits at amortised cost	11,337	10,882	10,730	10,364
Total other overseas	19,369	12,650	18,762	12,132
Total deposits at fair value	48,603	33,286	45,575	33,286
Total deposits at amortised cost	150,619	134,455	127,389	133,495

The following table shows average balances and average rates in each of the past three years for major categories of deposits:

	Consolidated					
	2007		2006		2005	
	Average Balance $m	Average Rate %	Average Balance $m	Average Rate %	Average Balance $m	Average Rate %
Average balances and interest rates in each of the past three years for major categories of deposits were:						
Australia						
Non-interest bearing	3,626		3,538		3,650	
Certificates of deposit	31,782	6.3	28,682	5.6	26,649	5.4
Other interest bearing at call	77,660	4.6	67,625	4.1	56,919	3.8
Other interest bearing term	24,549	6.1	22,757	6.4	23,863	5.3
Total Australia	137,617		122,916		111,081	
Overseas						
Non-interest bearing	2,152		2,108		2,110	
Certificates of deposit	8,139	6.3	4,976	6.5	5,728	5.2
Other interest bearing at call	11,721	5.6	9,814	5.4	8,445	4.1
Other interest bearing term	21,309	6.0	19,071	5.7	19,340	5.4
Total Overseas	43,321		35,969		35,623	

Certificates of deposit

Maturity profile of certificates of deposit greater than US$100,000 issued in Australia.

	Consolidated				
	Less Than 3 Months $m	Between 3 and 6 Months $m	Between 6 Months and 1 Year $m	Over 1 Year $m	Total $m
2007					
Certificates of Deposit greater than US$100,000	23,961	11,581	1,934	94	37,570
2006					
Certificates of Deposit greater than US$100,000	18,256	7,469	2,687	217	28,629
2005					
Certificates of Deposit greater than US$100,000	16,760	5,876	1,091	700	24,427

Note 20. Trading liabilities and other financial liabilities designated at fair value

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Securities sold under agreements to repurchase	6,312	1,296	6,312	1,296
Securities sold short	1,323	1,533	1,402	1,533
Total trading liabilities	7,635	2,829	7,714	2,829
Financial liabilities designated at fair value	588	64	524	
Total trading liabilities and other financial liabilities at fair value	8,223	2,893	8,238	2,829

Financial liabilities designated at fair value have been restated as at 30 September 2006 to reflect a reclassification of commercial paper issues for one of our special purpose vehicles. The issues have now been classified to debt issues and loan capital (refer to Note 24). For the year ended 30 September 2006 financial liabilities designated at fair value have been restated from $4,668 million to $64 million.

Included within net trading income are gains of $10 million (2006 $2 million loss) relating to those financial liabilities that were designated as fair value through profit and loss on initial recognition. These movements were attributable to changes in interest rates.

The difference between the carrying amount of financial liabilities that were designated at fair value through profit and loss on initial recognition and the amount that the Group would be contractually required to pay at maturity to the holder of the obligation is $8 million (2006 $2 million).

Note 21. Deferred tax liabilities

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Treasury/financial market products	1,890	156	1,848	147
Finance lease transactions	5	5	(6)	(7)
Property, plant and equipment		(2)		(1)
Intangible assets	19	21		
Life insurance assets	133	122		
Loans - carrying amount adjustments	104	74	104	74
Other assets	70	102	102	144
	2,221	478	2,048	357
Amounts recognised directly in equity				
Cash flow hedges	43	7	18	7
Change in tax rate (refer to Note 5)	(1)			
	42	7	18	7
Set-off of deferred tax liabilities pursuant to set-off provisions(1)	(2,263)	(485)	(2,066)	(364)
Net deferred tax liabililities				
Deferred tax liabilities to be settled within 12 months				
Deferred tax liabilities to be settled after more than 12 months				
Movements				

Opening balance as at beginning of the year		20		136
A-IFRS adjustment		26		13
Opening balance as at beginning of the year		46		149
Charged to the income statement	2,220	432	2,047	208
Charged to equity	43	7	19	7
Set-off of deferred tax liabilities pursuant to set-off provisions(1)	(2,263)	(485)	(2,066)	(364)
Closing balance as at end of the year				

(1) Deferred tax assets and liabilities are set-off where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

Note 22. Provisions

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Long service leave	221	198	198	184
Annual leave and other employee benefits	522	453	414	378
Non-lending losses	37	45	22	25
Provision for impairment on credit commitments/credit litigation	189	158	174	157
Leasehold premises	7	6	7	6
Restructuring provisions	4	8	4	8
Total provisions	980	868	819	758

Non-lending losses

Provision is made for non-lending losses including frauds, litigation costs and the correction of operational issues. The majority of these matters are expected to be settled within 12 months of 30 September 2007.

Provision for impairment on credit commitments/credit litigation

Provision is made for incurred losses as a result of the commitment to extend credit.

Leasehold premises

Provision is made for unavoidable costs in relation to make good costs and premises sub let at lower rates of rent than payable under the head lease. These amounts will be settled as the leases expire over the next four years.

Restructuring provisions

Provisions are recognised for restructuring activities when a detailed financial plan has been developed and a valid expectation that the plan will be carried out is held by those affected by it. Restructuring provisions are expected to be used within 12 months of 30 September 2007.

	Long Service	Annual Leave and Other Employee	Non-Lending	Provision for Credit Commitments/ Credit	Leasehold	Restructuring

	Leave $m	Benefits $m	Losses $m	Litigation $m	Premises $m	Provisions $m	Total $m
Consolidated							
Balance as at beginning of the year	198	453	45	158	6	8	868
Additions	38	424	25	19	3	3	512
Utilised	(15)	(345)	(10)		(2)	(1)	(373)
Unutilised reversed		(8)	(23)			(6)	(37)
Exchange differences		(2)					(2)
Increase on unwinding of discount				12			12
Balance as at end of the year	221	522	37	189	7	4	980
Parent entity							
Balance as at beginning of the year	184	378	25	157	6	8	758
Additions	27	319	21	19	3	3	392
Utilised	(13)	(278)	(8)		(2)	(1)	(302)
Unutilised reversed		(3)	(16)	(14)		(6)	(39)
Exchange differences		(2)					(2)
Increase on unwinding of discount				12			12
Balance as at end of the year	198	414	22	174	7	4	819

Note 23. Other liabilities

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Unearned general insurance premiums	240	202		
Outstanding general insurance claims	114	100		
Retirement benefit deficit	274	199	253	199
Accrued interest payable	1,480	1,211	987	938
Credit card loyalty program(1)	205	188		
Securities purchased not delivered	325	388	326	385
Trade creditors and other accrued expenses	521	483	251	346
Other	1,626	2,000	1,332	1,768
Total other liabilities	4,785	4,771	3,149	3,636

(1) Credit card loyalty program relates to the Altitude rewards program launched by Westpac on 25 November 2001. Westpac has established a trust to hold the liability in respect of the program.

Note 24. Debt issues and loan capital

	Consolidated		Parent Entity	
	2007 $m	2006 $m	2007 $m	2006 $m
Debt issues				
Short term debt	48,028	42,098	33,996	32,233
Long term debt	39,098	23,982	29,554	20,802
Total debt issues	87,126	66,080	63,550	53,035
Short term debt				
USD commercial paper	25,427	25,969	17,999	17,311
EUR euro commercial paper	3,014	3,147	2,468	3,147
AUD euro commercial paper	491	821	491	821
USD euro commercial paper	5,646	2,874	4,860	2,488
GBP euro commercial paper	1,701	2,402	1,283	2,402
NZD euro commercial paper	516	488	486	310
HKD euro commercial paper	316	537	267	537
JPY euro commercial paper	793	40	352	40
CHF euro commercial paper	156	336	156	336
SGD euro commercial paper	12		12	
AUD other commercial paper	9,956	5,484	5,622	4,841
Total short term debt	48,028	42,098	33,996	32,233

Debt issues have been restated as at 30 September 2006 to reflect a reclassification of commercial paper issues for one of our special purpose vehicles. This was previously disclosed as part of trading liabilities and other financial liabilities designated at fair value (refer to Note 20).

Long term debt

Notes and bonds

The following table sets out the maturity analysis of long term bonds and notes:

Issue Currency	Issue Range (millions)	Interest Rate	Consolidated 2007 $m	Consolidated 2006 $m	Parent Entity 2007 $m	Parent Entity 2006 $m
Due from 1 October 2006 to 30 September 2007						
Offshore medium term notes						
AUD	300	Fixed rate 5.85%		299		299
USD	10 - 30	Fixed rate from 0.01 - 3.87%		110		110
USD	5 - 1,500	Floating rate note		2,038		2,038
USD	5 - 30	Structured		154		154
HKD	50 - 400	Fixed rate from 1.00 - 5.33%		512		512
HKD	40 - 200	Structured		187		187
HKD	40 - 540	Floating rate note		100		100
GBP	50 - 150	Fixed rate 4.88%		500		500
GBP	32	Floating rate note		80		80
EUR	200 - 300	Floating rate note		1,359		848
SGD	10 - 100	Fixed rate from 1.86% - 3.31%		93		93
JPY	19,400	Fixed rate 0.23%		220		220
NZD	100 - 500	Fixed rate from 5.88 - 7.18%		783		259
				6,435		5,400
Domestic medium term notes						
NZD	50	Floating rate note		44		
				6,479		5,400
Due from 1 October 2007 to 30 September 2008						
Offshore medium term notes						
AUD	30 - 225	Floating rate note	430	398	430	398
AUD	75 - 525	Fixed rate from 5.75 - 6.34%	627	598	627	598
USD	10 - 50	Structured	11	53	11	53
USD	5 - 1,200	Floating rate note	3,136	758	3,079	692
USD	7 - 50	Fixed rate from 3.25 - 5.17%	241	268	241	268
HKD	50 - 500	Fixed rate from 2.13 - 4.67%	299	153	299	153
HKD	300 - 450	Floating rate note	110	129	110	129
HKD	120 - 200	Structured	17	34	17	34
GBP	250	Floating rate note	572	626	572	626
EUR	35 - 500	Fixed rate from 2.58 - 2.88%	925	974	925	974
EUR	100 - 500	Floating rate note	1,766	170	1,766	170
JPY	25,000	Fixed rate from 0.58 - 0.60%	246	283	246	283

SGD	3 - 160	Fixed rate from 0.00 - 3.46%	350	3	350	3
SGD	5	Structured	4	4	4	4
NZD	50 - 125	Fixed rate from 6.00 - 7.41%	304	200	197	200
NZD	7 - 160	Floating rate note	270			
			9,308	4,651	8,874	4,585
Domestic medium term notes						
AUD	8 - 56	Floating rate note	56	56		
NZD	7.5 - 158	Floating rate note		276		
NZD	125	Fixed rate from 6.19 - 6.34%		109		
			9,364	5,092	8,874	4,585

Structured refers to EMTNs that cannot be categorised as simply fixed or floating. Examples include transactions where rates may change from fixed to floating during the transaction.

Issue Currency	Issue Range (millions)	Interest Rate	Consolidated 2007 $m	Consolidated 2006 $m	Parent Entity 2007 $m	Parent Entity 2006 $m
Due from 1 October 2008 to 30 September 2009						
Offshore medium term notes						
AUD	30 - 130	Fixed rate from 5.17 - 6.40%	204	204	204	204
USD	5 - 10	Structured	23	14	23	14
USD	5 - 750	Floating rate note	898	33	898	33
USD	400	Fixed rate 5.34%	452			
HKD	50 - 300	Fixed rate from 2.78 - 5.35%	349	283	349	283
HKD	540	Floating rate note	79		79	
GBP	50 - 200	Floating rate note	1,308	1,126	1,308	1,126
GBP	50 - 170	Fixed rate 6.01%	503			
JPY	12,500	Fixed rate 0.05%	120		120	
JPY	3,000	Floating rate note	29		29	
JPY	3,000	Structured		34		34
EUR	5 - 750	Floating rate note	1,212	1,272	1,212	1,272
EUR	20 - 70	Fixed rate from 3.13 - 4.19%	151	33	151	33
SGD	25	Fixed rate 3.12%	19	21	19	21
CHF	50 - 200	Fixed rate from 1.63 - 3.12%	238	209	238	209
CAD	300	Floating rate note	340	360	340	360
NZD	50	Fixed rate 9.08%	43			
			5,968	3,589	4,970	3,589
Domestic medium term notes						
AUD	12 - 80	Floating rate note	85	80	(3)	
			6,053	3,669	4,967	3,589
Due from 1 October 2009 to 30 September 2010						
Offshore medium term notes						
AUD	150 - 600	Floating rate note	750		750	
AUD	400	Fixed rate 5.75%	394		394	
USD	5 - 30	Fixed rate from 3.74 - 5.80%	267	238	267	238
USD	5 - 54	Floating rate note	130	153	130	153
USD	10 - 50	Structured	137		137	
EUR	50 - 800	Floating rate note	1,364	85	1,364	85
EUR	10	Fixed rate 3.84%	16		16	
HKD	50 - 400	Fixed rate from 3.38 - 8.04%	263	289	263	289
HKD	50 - 200	Structured	58	15	58	15
HKD	80 - 600	Floating rate note	99		99	
SGD	20	Structured	15		15	
SGD	25 - 67	Floating rate note	101	113	101	113
JPY	2,000 - 19,400	Fixed rate from 1.11 - 2.55%	345	104	345	104
JPY	700	Floating rate note	7		7	
JPY	700 - 2,000	Structured		8		8
CAD	30	Floating rate note	34		34	
CHF	80	Fixed rate 2.83%	77		77	
NZD	100 - 600	Fixed rate from 7.75 - 8.80%	750			
			4,807	1,005	4,057	1,005
Domestic medium term notes						
AUD	50 - 400	Fixed rate from 5.75 - 7.25%	404	398	404	398

AUD	30 - 600	Floating rate note	394	746	364	746
			5,605	2,149	4,825	2,149

Issue Currency	Issue Range (millions)	Interest Rate	Consolidated 2007 $m	Consolidated 2006 $m	Parent Entity 2007 $m	Parent Entity 2006 $m
Due from 1 October 2010 to 30 September 2011						
Offshore medium term notes						
AUD	100	Floating rate note	100	100	100	100
USD	5	Floating rate note	6	7	6	7
USD	20	Fixed rate 5.00%	23	27	23	27
USD	8 - 10	Structured	20		20	
EUR	1,000	Floating rate note	1,602	1,694	1,602	1,694
GBP	200	Fixed rate 4.88%	443	494	443	494
HKD	100 - 600	Fixed rate from 4.19% - 6.65%	156	134	156	134
HKD	800	Floating rate note	117	137	117	137
NZD	150	Floating rate note	129	131	129	131
			2,596	2,724	2,596	2,724
Domestic medium term notes						
AUD	400	Fixed rate 6.25%	397		397	
AUD	5 - 1,700	Floating rate note	1,305	1,643	1,292	1,643
			4,298	4,367	4,285	4,367
Due from 1 October 2011 to 30 September 2012						
Offshore medium term notes						
CHF	50	Fixed rate 2.44%	47	53	47	53
EUR	500 - 1,500	Fixed rate from 4.25% - 4.88%	3,170		3,170	
USD	5 - 70	Structured	123			