WESTPAC BANKING CORP
Form 20-F
November 15, 2010

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, 2010	
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: **2.25% Notes due November 19, 2012, 2.10% Notes due August 2, 2013, 4.20% Notes due February 27, 2015, 3.00% Notes due August 4, 2015, 4.625% Subordinated Notes due 2018 and 4.875% Notes due November 19, 2019**

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

Ordinary shares	**2,989,207,519 fully paid**

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

Yes x No o

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

Yes o No x

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

Yes x No o

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

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

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

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

Other o

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

Yes o No x

The Westpac Group

Annual Report 2010

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

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

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

Form 20-F cross-reference index

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

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INFORMATION ON WESTPAC

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

We have branches, affiliates and controlled entities(1) throughout Australia, New Zealand and the near Pacific region, and maintain offices in some of the key financial centres around the world(2).

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

As at 30 September 2010, our market capitalisation was $69.5 billion(3) and we had total assets of $618.3 billion.

Business strategy

Our ***vision*** is to be one of the world s great companies, helping our customers, communities and people to prosper and grow.

Our ***aspiration*** is to:

- have a family of much loved financial services brands;
- be recognised for enduring customer relationships;
- be a place where the best people want to work;
- be a leader in the community; and

- be a great investment.

Our ***mission*** is to earn all of our customers business.

Our ***focus*** is on:

- delighting our customers;
- having the right people in the right roles; and
- our reputation.

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

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

Strategic priorities

By putting the customer at the centre of everything we do, engaging our customers through brands they know and trust, and focusing on the key elements of customer advocacy, we believe we will realise our vision to be one of the world s great companies, helping our customers, communities and people to prosper and grow.

Consistent with that approach, our strategic priorities are particularly centred on improving our distribution and customer offerings, specifically to:

a) Focus on key customer segments, aiming to deepen relationships with customers, especially in savings and wealth management by

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

b) Become faster, simpler and easier to do business with

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

c) Realise our multi-brand advantage by

- having a clear, shared vision of success across the Group;

- offering an even greater choice to customers; and
- continuing to invest in and support the individual brands across The Westpac Group.

d) Make our people an important part of our advantage

- through appropriate recruitment and induction processes;
- with a continuing focus on training and coaching; and
- by having a flexible and diverse workforce.

e) Invest in technology and operations to

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

f) Lead in reputational and sustainability matters

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

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(1) Refer to Note 38 to the financial statements for a list of our controlled entities as at 30 September 2010.

(2) Contact details for our head office, major businesses and offshore locations can be found on the inside back cover.

(3) Based on the closing share price of our ordinary shares on the Australian Securities Exchange (ASX) as at 30 September 2010.

- through further embedding sustainability concepts in all elements of our businesses;
- through ongoing joint endeavours with our not-for-profit partners; and
- by continuing to develop strong risk management capabilities as a competitive advantage.

Organisational structure

Our operations comprise the following five key customer-facing business divisions operating under multiple brands, serving around 11.8 million customers(1):

- Westpac Retail & Business Banking, which we refer to as Westpac RBB, is responsible for sales, marketing and customer service for all consumer and small-to-medium enterprise customers in Australia under the Westpac and RAMS (2) brands;
- Westpac Institutional Bank, which we refer to as WIB, delivers a broad range of financial services to commercial, corporate, institutional and government customers either based in, or with interests in, Australia and New Zealand. Customers are supported through Westpac branches and subsidiaries located in Australia, New Zealand, New York, London and Asia;
- St.George Bank is responsible for sales, marketing and customer service for our consumer, business and corporate customers in Australia under the St.George brand. It also includes the management and operation of Bank of South Australia (BankSA);
- BT Financial Group Australia, which we refer to as BTFG, is Westpac s wealth management business. BTFG designs, creates and distributes financial products that are designed to help our customers achieve their financial goals by administering, managing and protecting their assets. BTFG includes operations under the Asgard, Advance, Licensee Select, Magnitude, BankSA and Securitor brands; and
- New Zealand Banking, which provides a full range of retail and commercial banking and wealth management products and services to consumer and business customers throughout New Zealand. New Zealand Banking operates under the Westpac New Zealand, Westpac Life New Zealand and BT New Zealand brands.

Other business divisions in the Group include:

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

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

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

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

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

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

Structure chart of our businesses

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(1) All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships) as at 30 September 2010.

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

Managing sustainability

Our sustainability approach

We have a set of goals to make sustainability part of the way we do business including embedding sustainability into our strategy, values, culture and processes including supply chain, risk management, and product development.

Application of the AA1000 Principles

Our approach to sustainability is aligned to the AA1000 AccountAbility Principles Standard (2008), a voluntary framework developed by the UK based AccountAbility organisation. The standard establishes a framework for the identification, management and communication of sustainability issues. Underpinning the framework are three key principles:

- inclusivity;
- sustainability materiality; and
- responsiveness.

Utilising these principles assists us to identify and respond to issues that matter to the long-term prosperity of our business, our customers, our people and our communities.

Inclusivity

Open dialogue with a wide range of stakeholder groups is important to better understand how we impact upon each other. Open dialogue also assists us to understand emerging trends and issues so that we can best respond to these challenges.

Key changes in our approach to inclusivity during 2010 have included:

- working to better understand and address customer concerns;
- specific engagement with customers and non-government organisations on developing credit policy statements;
- the further rollout of Net Promoter Score (NPS) measures across the Group;
- more explicit monitoring of our reputation across a range of stakeholders; and
- a review of our main stakeholder consultation body, the Community Consultative Council (CCC), was undertaken and will continue in 2011.

We have increased our engagement with the local community as well as maintained specific issue based engagements and our CCC.

Sustainability materiality

In addition to the stakeholder consultation approach described above, issues, risks and opportunities are also identified from a wide range of sources such as strategic planning sessions, media coverage and government priorities.

We prioritise issues according to their impact on our stakeholders, our business operations and financial outcomes. This year we applied a more prescriptive process to categorise and weigh individual issues. Issues are reviewed internally and endorsed by the Board Sustainability Committee before being reviewed by our external sustainability assurers, KPMG.

This year we saw fewer issues raised, but those raised were multifaceted and complex. Significant issues included: interest rates and fees, the impact of the global financial crisis, customer service, regulation, diversity and flexibility, climate change, and responsible lending and investment.

Responsiveness

These issues feed directly into the development of our sustainability strategy and objectives setting.

We set ourselves a number of objectives for 2010 which were broadly achieved in most areas. Details of our performance are provided on the following pages.

Following feedback from the CCC, and discussions with the Westpac Board, we have reviewed our five-year sustainability strategy to enhance the social dimensions of our performance objectives. This refresh will more closely align our 2011 sustainability objectives to our sustainability and business activities.

The following table sets out our performance against 2010 sustainability objectives

Going mainstream

Building sustainability into our products and services to help customers become more sustainable.

Embed sustainability criteria into consumer product design and decision making process across our retail brands in Australia.	ü	Product life cycle development documentation aligns to sustainability strategy.
Launch an energy efficiency loan product for retail customers in Australia and New Zealand.	ü	First major bank to participate in the Australian Federal Government s Green Loan program, and a participant in the New Zealand Government s Warm Up New Zealand campaign to encourage the installation of heat pumps and insulation.
Roll out St.George Bank employee green loan to all Australian-based Westpac Group employees.	ü	$4,000 interest free green loan per employee was made available to employees in February 2010.
Roll out an innovative savings product to assist customers in savings and budget planning.	ü	In October 2009, St.George Bank and BankSA launched SENSE, a savings product with tools to save and improve customers money management. Winner of a 2010 Canstar Cannex Innovation Excellence Award.
To be ranked as the top 1 and 2 for NPS scores in Australia amongst the major banks and 4th in New Zealand.	Í	Whilst St.George Bank continues to lead NPS scores amongst the major banks, the remainder of this objective has not yet been reached.

People and places

Social sustainability including responsible banking and working on issues of concern to local communities

Commence measurement and reporting of customer feedback on Assist services and the Financial Solutions Group.	ü	NPS scores specific to the Assist services have been tracked during the year
Complete roll out of Westpac Local in Westpac RBB.	ü	The Westpac Local model has been implemented across Westpac RBB and New Zealand banking.
Provide $1 million in financial and in-kind support for financial counselling services.	ü	Over $1 million in support was provided.
Continue to grow the Organisational Mentoring Program.	ü	Number of Organisational Mentoring partners has increased from 5 in 2009 to over 40 in 2010.
Maintain a Group-wide employee engagement score of 81%.	Í	Employee engagement maintained at a high level, 80% (81% in 2009).

Tread lightly

Managing our own environmental footprint

Reduce Scope 1 and 2(1) emissions by 12.5% on 2008 levels(2).	Í	Total Scope 1 and 2 emissions reduced by 4% against the 2008 baseline.
	ü	

Reduce paper consumption by 7% on 2008 levels(2).		Paper consumption decreased by more than 24% against the 2008 baseline.
Reduce water consumption by 6% in Australian corporate and contact centres on 2008 levels.	n/a	The published target was established for Westpac. Comparable data is not available due to the integration of Westpac and St.George.
Identify and measure additional areas of Scope 3(3) (indirect emissions).	ü	Additional areas of Scope 3 emissions have been identified and have been incorporated into the measurement and reporting framework.

(1) Scope 1 emissions are all direct greenhouse gas (GHG) emissions generated by the organisation. Scope 2 emissions are GHG emissions from energy (typically electricity) purchased by the organisation.

(2) The 2008 baseline has been adjusted to include St.George on a pro forma basis.

(3) Scope 3 emissions are GHG emissions from other indirect sources (typically from purchased materials, products or services).

Climate change

Helping customers and employees transition to a low-carbon economy

Implement New Zealand carbon strategy.	ü	The New Zealand carbon strategy has been implemented, including participation in New Zealand Emissions Trading Scheme (NZ ETS).
Launch carbon hedging and risk management products in Australia and New Zealand.	ü	First bank to trade in the New Zealand Emissions Trading Scheme. Well positioned to deliver products should market trading commence in Australia.
Incorporate carbon considerations into credit and risk processes and sector strategies.	ü	Carbon-related regulatory risk has been incorporated into sector strategy and credit submission templates. Carbon-related risk management strategies have been incorporated into specific high risk transactions.
Continue to engage with all significantly affected customers.	ü	Continued engagement with customers in Australia and New Zealand likely to be impacted by the measures to better understand the impacts and develop product responses.

Speaking out

Leading beyond the corporate walls and speaking out in support of sustainable business practice

Advocate for continued action on climate change.	ü	Westpac established as a Lead Partner with the Climate Institute, a local not-for-profit organisation which promotes policy, market and business solutions to climate change.
		Founding partner of the Advance Green Network linking Australians around the world involved in sustainability. Events have been held in New York and London.
Continue to encourage the adoption of sustainable business practices amongst small to medium enterprises (SME) and within the community sector.	ü	Involved in the National SME Project and the launch of the Good Business Register for SME in December 2009.
Encourage greater use of Environmental, Social and Governance (ESG) factors in investment decision-making.	ü	Sustainability performance integrated into the 2010 Annual Review and Annual Report. Hosted an analyst briefing on sustainability in the finance sector.
Scope opportunities to embed sustainability criteria into the category management plans for priority areas of spend.	ü	Sustainability criteria has been embedded into category plans developed by our Group procurement team. For selected suppliers, environmental reporting criteria has also been embedded.
Have at least 5% of employees registered as Our Tomorrow Champions across the Group.	ü	More than 5% (2,300 employees) have registered to be an Our Tomorrow Champion across the Group.

Solid foundations

Corporate governance, risk management, values and ethics

Develop a consistent framework for credit risk analysis across all business units.	ü	An ESG Risk Framework has been approved by the Board Risk Management Committee.
Establish a governance process to implement the United Nations Principles for Responsible Investment (UN PRI) across the merged BTFG funds management businesses.	Í	Work to date on implementing a governance process for the implementation of the UN PRI has focused on the Advance business, including surveying of external fund managers and the development of a draft framework.
Implement Sustainable Supply Chain Management (SSCM) across all countries and brands.	ü	The Sustainable Supply Chain Management Policy applies across all countries and brands. Implemented in all Australian brands and with high spend suppliers in Pacific Banking. Detailed sustainability assessments are currently being carried out with high-risk and high-spend suppliers in New Zealand.
Explore opportunities to align sourcing practices with our local community engagement approach.	ü	In support of the Westpac Local model our Print Management Services Agreement now supports local printing of specialised marketing materials.

Competition

The financial services markets are strongly competitive across the regions in which we operate and are likely to become more so as the global economy recovers from the global financial crisis.

We service the financial and wealth needs of a broad set of customer segments, spanning from small businesses to large corporate and institutional clients on the business side and consumers to high net worth individuals on the retail side of our business. Our competitors vary across the range of products and services that we offer, from large global organisations with a broad offering to entities more focused upon a specific region or product.

In Australia, the competition for deposits has intensified as banks and other financial institutions seek to reduce their reliance on wholesale funding and better position themselves for anticipated liquidity regulatory requirements.

We expect competition within the lending market to further intensify, in particular in business lending, as business confidence improves and investment returns. Competition for mortgages is likely to intensify further if growth in the housing market slows.

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

The New Zealand economy, which suffered a more significant slowdown in economic activity than Australia during the global financial crisis, is showing some early signs of improvement. As a result, we would expect to see renewed competition for customers business as confidence improves, notwithstanding that a number of smaller non bank institutions have exited the New Zealand market.

Outlook(1)

The 2010 financial year has been an important period for The Westpac Group. Having emerged from the global financial crisis in strong shape, the Group has focused on improving the sustainability of the business. This has included, continuing to expand the distribution capability, building on the multi-brand strategy, implementing comprehensive cuts to customer fees, reducing the Group s reliance on third party distribution, absorbing falls in markets related income, enhancing the Group s technology infrastructure and further strengthening capital and liquidity. Each of these factors has some impact on earnings and the effects will continue into 2011.

In the period ahead, economic activity is expected to further improve as business investment picks up and global growth trends higher. Nevertheless we expect some of the legacies of the global financial crisis to be with us for some time including caution remaining in financial markets.

These trends are expected to see wholesale funding costs continue to rise in the year ahead.

At the same time we expect further clarity in the prudential and regulatory change agenda, particularly in finalising adjustments to capital and liquidity requirements. These changes are likely to see Westpac further strengthen its balance sheet although this is expected to be accomplished in a measured way.

Credit growth is expected to improve in the year ahead with housing growth remaining around current levels and business lending gradually improving after two years of de-gearing.

In the period ahead, Westpac will continue to focus on: better meeting customer needs; capitalising on our multi-brand approach and further strengthening the infrastructure supporting our network. This includes increasing investment in our Strategic Investment Priorities. At the same time, the Group will have a more targeted and selective approach to growth while appropriately managing all aspects of the balance sheet.

Having further strengthened the franchise over 2010, The Westpac Group is in excellent shape to continue supporting customers and improving returns to shareholders.

Significant developments

Merger with St.George Bank Limited

On 1 December 2008, Westpac completed its merger with St.George by way of a scheme of arrangement. The merger, originally announced on 13 May 2008, was approved by holders of St.George ordinary shares on 13 November 2008 and subsequently approved by the Federal Court of Australia on 17 November 2008. Upon completion of the merger, St.George Bank Limited operated as a Westpac subsidiary. A regulatory condition of the merger was that Westpac and St.George would transition to a single authorised deposit-taking institution (ADI).

On 1 March 2010 Westpac and St.George commenced operating as a single ADI. In conjunction, the legal entity, St.George Bank Limited was deregistered and Westpac became its successor in law. That transition resulted in all St.George assets and liabilities (including all deposits, contracts and debt securities previously issued by St.George Bank Limited) becoming Westpac assets and liabilities. All directly owned subsidiaries of St.George Bank Limited are now directly owned by Westpac.

St.George and all its wholly owned Australian subsidiaries joined the Westpac tax consolidation group on 31 March 2009. As part of the tax consolidation process, Westpac was required to reset the tax value of certain St.George Bank assets to the appropriate market value of those assets on 31 March 2009. A number of St.George Bank derivative contracts were assessed as having a market value, at the time of tax consolidation, higher than their original value. Pending the determination of the tax consolidation outcome, Westpac s accounting for these contracts had factored in tax on this increase in value.

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

Tax consolidation relating to the merger with St.George has been finalised for the 2009 and 2010 financial years. With the tax consolidation impacts for the 2009 and 2010 financial years now completed and the approach agreed with the Australian Taxation Office (ATO), it has been determined that tax is not required to be paid on the increase in the value of the derivative contracts that matured in the 2009 and 2010 financial years. This value totalled $2,284 million, and accordingly, our current tax liability and income tax expense have been reduced by $685 million. This will lead to a corresponding refund of 2009 tax paid and an adjustment to Westpac s tax payable for 2010.

As additional derivative contracts mature, there may be further material favourable adjustments. However, it is not possible to assess these adjustments until the interaction of the new taxation of financial arrangements (TOFA) legislation and the tax consolidation rules is clarified. Additional adjustments to tax payable or deferred balances will not be made until discussions clarifying the application of these rules have been finalised with the ATO.

Strategic investment priorities

Westpac has commenced a significant investment in major strategic projects aimed at delivering business and technology capabilities to improve the customer experience. That investment is taking place through 15 cross-divisional programs we call our Strategic Investment Priorities (SIPs). The SIPS are a series of programs that implement the Group s technology strategy and plan including:

- addressing legacy technology issues;
- transforming the Group s technology infrastructure to support a multi-brand platform; and
- supporting Westpac s customer focused strategy.

The SIPs program consolidates a significant proportion of Westpac s project investment and is planned to take place over five years with a forecast project investment of $2 billion.

Liquidity

On 17 December 2009, the Basel Committee on Banking Supervision (BCBS) released a consultative document titled *International framework for liquidity risk measurement, standards and monitoring*. The BCBS intends to release final standards by December 2010.

Following an extensive consultation process and Quantitative Impact Study, the BCBS continues to work on the quantification and determination of final standards. While some information has been released, the final package of reforms is not yet known. One unresolved issue of particular relevance to the Australian marketplace is the qualification criteria for liquid assets in jurisdictions where there are insufficient government bonds available to meet the Liquidity Coverage Ratio. The BCBS has announced that the implementation of the proposed Liquidity

Coverage Ratio and Net Stable Funding Ratio are to be delayed until 2015 and 2018 respectively, pursuant to an observation period and further analysis by the BCBS.

The Australian Prudential Regulation Authority (APRA) has indicated that it will release revised Australian liquidity standards for consultation subsequent to finalisation of the BCBS standards. It is expected that APRA will release draft standards during 2011, and final standards during 2012.

Until there is greater clarity regarding the new prudential requirements, the full extent of the impacts for Westpac is uncertain. Notwithstanding the uncertain requirements, Westpac expects to be required to increase its holding of liquid assets.

Capital

On 17 December 2009, the BCBS released a consultative document titled *Strengthening the resilience of the banking sector* which set out potential changes to the definition and quantum of capital required to be held by banks globally, including the introduction of certain capital buffers. On 26 July 2010, the Group of Governors and Heads of Supervision, the oversight body of the BCBS, announced that they had reached broad agreement on the overall design of the capital reform package. This includes transitional arrangements for introduction of the proposed leverage ratio for final implementation by 2018.

On 12 September 2010, this Group of Governors also issued a further release announcing higher global minimum capital standards, which included:

- an increase in the minimum common equity requirement from 2% to 4.5%;
- an increase in the minimum Tier 1 capital requirement from 4% to 6%;
- quantification of the capital conservation buffer at 2.5%, to be met with common equity; and
- quantification of a range for the countercyclical buffer of between 0% - 2.5% of common equity or other fully loss absorbing capital.

The September 2010 release also outlined that agreement has been reached on transitional arrangements for implementing the new standards, with phase in arrangements starting from 1 January 2013 and some elements not becoming fully effective until 1 January 2019. The BCBS capital reforms are expected to be finalised by the end of 2010, following which APRA is expected to consult with industry in relation to prudential standards applicable for Australia. Until the full suite of capital reforms are finalised by the BCBS, and APRA s prudential standards are issued, the full extent of the impacts for Westpac is uncertain.

In addition, the Financial Stability Board (FSB) working closely with the BCBS has finalised a policy framework, to be endorsed by the G20, that will apply to institutions deemed to be systemically important financial institutions (SIFIs). The framework calls on jurisdictions to put in place additional requirements for both national and global SIFIs. Details of the framework and the definition of a SIFI are currently unknown, and therefore the implications for Westpac cannot be determined at this stage.

Derivatives Reform

Globally regulators are transforming the Over the Counter (OTC) derivatives market by mandating central clearing for standardised OTC derivatives, encouraging exchange trading where appropriate, imposing higher capital charges on non-cleared products, and requiring all transactions to be reported to trade repositories. Westpac is closely monitoring offshore developments and is actively engaging with both local and international regulators, trade associations, banks, and clearing houses. It is expected that the usage of clearing globally will expand rapidly during 2011 and Westpac will commence moving towards a cleared solution following an appropriate risk assessment, as and when clearing solutions meeting the needs of the Australian marketplace become available. These changes have the potential to affect WIB s Markets business.

United States

There are a number of significant regulatory reforms currently occurring in the United States. These include:

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)

In response to the recent financial crisis, new legislation designed to reform the system for supervision and regulation of financial firms in the United States was signed into law on 21 July 2010. The Dodd-Frank Act contains a wide range of provisions that will affect financial institutions operating in the United States, including foreign banks like Westpac. Included among its provisions are reforms designed to reduce systemic risk presented by very large financial firms, promote enhanced supervision, regulation, and prudential standards for financial firms, establish comprehensive supervision of financial markets, impose new limitations on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the government with the tools needed to manage a financial crisis. Many aspects of the legislation require rulemaking by US federal supervisory agencies for full implementation. Until there is greater clarity, it is not possible to assess the impact of the legislation and the regulations on our operations.

Foreign Account Taxation Compliance Act (FATCA)

The FATCA provisions were signed into law in the US on 18 March 2010. The legislation requires foreign financial institutions (such as Westpac) to provide the US Internal Revenue Service (IRS) with information on accounts held by US persons. There are a number of significant Australian legal obstacles to compliance and the final form of the rules is unknown. However, if implemented near to its current form it would require substantial investment in a compliance and reporting framework to meet the standards.

Further regulatory developments

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

- Credit law reform - The *National Credit Code* has commenced, increasing the regulation of activities relating to the provision of consumer credit. The Government has begun working on a second phase of its credit law reforms, which is expected to extend the regulation of credit to cover small businesses;

- Consumer law reform - The Government continues reforms to Australia s consumer laws. Regulators such as the Australian Competition and Consumer Commission (ACCC) and Australian Securities and Investments Commission (ASIC) are assisting industry with the detail of the new regulatory framework, including developing guidance on the application of new laws relating to unfair terms in consumer contracts;

- Margin lending reform - Margin lending has been made a financial product subject to the *Corporations Act* and this has created new conduct and disclosure requirements for issuers and advisers of margin lending facilities which will take effect from 1 January 2011;

- Superannuation changes - On 5 July 2010, the Government released the final report of the Cooper Review on the governance, efficiency, structure and operation of Australia s superannuation system. The report makes several recommendations, including the proposed introduction of a simple, low-cost MySuper superannuation product and an initiative called SuperStream to improve the efficiency of processing superannuation transactions through the use of technology; and

- The introduction of a new regulatory framework for personal property securities - The Government has introduced a national personal property securities regime involving a single register, replacing a wide range of complex State and Territory based legislation and registers.

Westpac continues to review these developments, engage with Government, regulators and industry bodies as appropriate, and amend its systems, processes and operations to align with regulatory changes as they occur.

Proposed transfer of additional banking operations to Westpac New Zealand

It is a policy of the Reserve Bank of New Zealand (RBNZ) that all systemically important banks must incorporate as local entities in New Zealand, rather than operate through branch structures.

Until 1 November 2006, Westpac conducted its banking operations within New Zealand in a branch structure. On that date, and after extensive consultation with the RBNZ, Westpac adopted a dual registration operating model including a locally incorporated subsidiary, Westpac New Zealand Limited (WNZL), to conduct its retail and business banking activities in New Zealand, and a branch, Westpac s NZ Branch (NZ Branch) to conduct its institutional and financial markets activities. The conditions of registration of each of WNZL and NZ Branch are consistent with these operating model arrangements.

In 2009, the RBNZ asked Westpac to review the structure of its operating model in New Zealand to ensure that it is able to sustain durable compliance with the RBNZ s prudential policies. Accordingly, it was agreed that an independent review would take place, with the terms of reference for the review established through consultation between the RBNZ, WNZL and Westpac. The RBNZ, WNZL and Westpac have reached high level agreement on changes to the operating model.

Under that agreement, the NZ Branch will transfer the following additional business activities and associated employees to WNZL:

- institutional customer deposits;

- institutional customer transactional banking;

- institutional customer lending;

- debt capital markets (including customer loan syndication and securitisation arrangements, but excluding the debt securities team activities, such as arrangement of commercial paper and bond programmes); and

- corporate advisory.

Details of the changes are being worked through in consultation with the RBNZ as part of the implementation program.

Under the proposed changes to the operating model, the NZ Branch will retain its financial markets operations for external customers, including sales and trading of capital markets products and foreign exchange for corporate and institutional customers, pricing and risk management for interest rate, foreign exchange and commodity products for retail, business and institutional customers of WNZL, and trading of capital markets products and foreign exchange as principal. In addition, the NZ Branch will retain its global intra-group financing functions.

Implementation of the transfer is currently expected to be completed by the end of the 2011 calendar year.

Australian Government Guarantee Scheme

On 31 March 2010, the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding (the Guarantee Scheme) closed to new liabilities. The Guarantee Scheme, originally announced in October 2008, provided a guarantee facility for deposits of amounts over $1 million and wholesale funding of an eligible ADI, in return for a fee payable by the eligible ADI.

Deposit balances above $1 million covered by the Guarantee Scheme as at 31 March 2010 will be covered until maturity (for term deposits), or until October 2015 (for at call deposits). For at call deposits, the amount covered will be capped at the closing guaranteed amount on 31 March 2010. Deposits and interest payments after this date will only be covered (up to the capped amount) if the guaranteed balance has fallen below the capped amount. For term deposits, interest due after 31 March 2010 will be guaranteed to maturity. Statutory trust accounts will be treated in the same way as other large deposits. Guaranteed wholesale liabilities as at 31 March 2010 will also be guaranteed to maturity (which may be up to five years).

Guarantee Scheme fees based on eligible ADIs long term credit rating, required to be paid monthly, continue to apply throughout the period for which the guarantee applies to the relevant deposits. The monthly payment is calculated on the basis of the funds to be guaranteed, multiplied by the Guarantee Scheme fee. The Guarantee Scheme fee applicable to Westpac is 70 basis points or (0.70%) per annum. The fee waiver for guaranteed amounts held in statutory trust accounts continues to apply.

The closure of the Guarantee Scheme does not affect the Financial Claims Scheme (FCS), administered by APRA, which will continue to provide depositors a free guarantee of deposits in eligible ADIs up to and including $1 million. The FCS applies to an eligible ADI if APRA has applied for the winding up of the ADI and the responsible Australian Government minister has declared that the FCS applies to that ADI. The Financial Claims Scheme (ADIs) Levy Act 2008 provides for the imposition of a levy to fund the excess of certain of APRA s financial claims scheme costs connected with that ADI. The levy would be imposed on liabilities of eligible ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities. The $1 million FCS cap is scheduled to be reviewed by the Australian Government in or around October 2011.

New Zealand Government Guarantee Scheme

WNZL opted into the New Zealand Retail Deposit Guarantee Scheme which the New Zealand Government originally announced on 12 October 2008. The scheme was for a two year period. WNZL entered into a Crown Deed of Guarantee on 11 November 2008, which was amended by a Supplemental Deed dated 24 November 2008. The Crown withdrew the original deed in respect of indebtedness incurred on or after 1 January 2010 and entered into a revised deed of guarantee with WNZL dated 16 December 2009. The scheme expired on 12 October 2010.

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The New Zealand deposit guarantee extended to debt securities issued by WNZL in any currency (which included deposits and other amounts lent to WNZL), other than debt securities issued to excluded creditors such as financial institutions and related parties of a participating entity. It did not extend to subordinated debt obligations. The debt securities covered by the New Zealand deposit guarantees were limited to an amount of NZ$1 million per creditor per approved institution. Under the original New Zealand deposit guarantee, WNZL was required to pay a fee of 10 basis points (or 0.1%) on the amounts owing to creditors covered by that guarantee to the extent that amount exceeded NZ$5 billion as at 12 October 2008. A similar additional fee was payable in respect of the balance as at 12 October 2009.

On 25 August 2009, the Crown announced an extension of the deposit guarantee scheme. The extension scheme is effectively a new scheme that commenced on 12 October 2010 and ends on 31 December 2011. Institutions had to re-apply to have a guarantee under the extension scheme. When releasing its Financial Stability Report in May 2010, the RBNZ said that there was no need for banks to enter the extended scheme and WNZL and Westpac Banking Corporation s NZ Branch did not apply for the extension scheme.

On 1 November 2008, the New Zealand Government announced details of a wholesale funding guarantee facility to investment-grade financial institutions that have substantial New Zealand borrowing and lending operations (the Facility). The Crown entered into a Crown Wholesale Funding Guarantee Facility Deed with WNZL on 23 February 2009 and has provided a Crown Wholesale Funding Guarantee in respect of WNZL dated the same date. The Facility operated on an opt-in basis, by institution and by instrument. Wholesale funding liabilities of WNZL (which could include amounts guaranteed by WNZL) only have the benefit of the Facility where a Guarantee Eligibility Certificate has been issued in respect of those liabilities. Copies of the Guarantee Eligibility Certificates issued in respect of WNZL obligations are available on the New Zealand Treasury internet site. A guarantee fee was charged for each Guarantee Eligibility Certificate issued under the Facility, differentiated by the credit rating of the issuer of the relevant securities, the term of the security being guaranteed and, in the case of issues with terms of more than one year, between New Zealand dollar and non-New Zealand dollar issues. The maximum term of securities guaranteed was five years. The NZ Branch did not participate in the scheme.

The Facility closed on 30 April 2010. From that time no new Guarantee Eligibility Certificates will be issued but existing guaranteed liabilities have not been affected.

Tax developments

The Australian Federal Government commissioned Australia s Future Tax System Review (the Henry Review) which is a comprehensive review of the Australian taxation system (except GST), chaired by the Secretary to the Treasurer, Dr Ken Henry AC.

On 2 May 2010, the Federal Government released the Henry Review and its initial response. A large proportion of the Henry Review s 138 recommendations were not dealt with in the Government s initial response. Of the recommendations addressed in its initial response, the Government recommended reducing the company tax rate to 29% for the 2013 - 2014 income year and to 28% from the 2014 - 2015 income year (28% for small business by 2012), and the gradual increase of the employers compulsory superannuation guarantee from 9% to 12% by 2020. Detail of these proposed reforms, and the Government s response to the other recommendations, are expected to be released progressively. The Federal Government has made no announcement concerning the Henry Review since the Australian Federal election held in September 2010, and it is not certain that all aspects of the Government s response will remain unchanged in the new Parliament. Until further detail is released, and any changes to the law finalised, any impact on Westpac cannot be determined.

The taxation of financial arrangements rules contained in the Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 became law on 26 March 2009. The TOFA rules will effectively result in a closer alignment of the recognition and measurement of many financial instruments between the Australian accounting standards and taxation laws.

Changes to accounting standards

In further response to the global financial crisis, governments, regulators and accounting standard setters are working to revise certain accounting standards. The objective is to achieve convergence towards a single set of high-quality, global and independent accounting standards. The specific areas that have been targeted include accounting for financial instruments, loan-loss provisioning, off-balance sheet exposures and the impairment and valuation of financial assets. The Group expects that there will be a number of new standards issued in calendar years 2010 and 2011 that may require changes to our current accounting approaches.

Litigation

New Zealand Commissioner of Inland Revenue

On 23 December 2009, Westpac reached a settlement with the New Zealand Commissioner of Inland Revenue (CIR) of the previously reported proceedings relating to nine structured finance transactions undertaken between 1998 and 2002. Under the settlement, Westpac agreed to pay the CIR 80% of the full amount of primary tax and interest and with no imposition of penalties. All proceedings have been discontinued and the other terms of the settlement are subject to confidentiality. Westpac provided in full for the primary tax and interest claimed by the CIR as part of its 2009 result, and consequently there has been a write back through income tax expense in the year ended 30 September 2010.

Supervision and regulation

Australia

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

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

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

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

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

ASIC is the national regulator of Australian companies. Its primary responsibility is for regulation and enforcement of company, financial markets and financial services laws that protect consumers, investors and creditors. With respect to financial services, it promotes honesty and fairness through the provision of consumer protection, using regulatory powers to enforce laws relating to deposit-taking activities, general insurance, life insurance, superannuation, retirement savings accounts, securities (such as shares, debentures and managed investments) and futures contracts and financial advice. ASIC became the principal regulator of consumer credit providers in 2010 following the introduction of new national consumer credit regulation. Effective 1 October 2010, ASIC has taken over from the ASX responsibility for supervision of trading on Australia s domestic licensed markets and of trading participants. This supplements its pre-existing responsibility for enforcement of the laws against misconduct on Australia s financial markets.

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

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

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

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

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

These requirements include:

- implementing programs for identifying and monitoring customers, and for managing the risks of money laundering and terrorism financing;

- reporting suspicious matters, threshold transactions and international funds transfer instructions; and

- submitting an annual compliance report.

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

New Zealand

RBNZ is responsible for the supervision of the New Zealand registered banks. The New Zealand prudential supervision regime requires that registered banks disclose, on a quarterly basis, information on financial performance and risk positions, and that directors regularly attest to certain key matters.

United States

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

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

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

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

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

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

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

Anti-money laundering regulation

Australia

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

United States

The US 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 US 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 US Patriot Act and other recent events have resulted in heightened scrutiny of Bank Secrecy Act and anti-money laundering compliance programs by US federal bank regulatory and law enforcement authorities.

Outsourcing contracts

Westpac s significant long-term contracts are summarised in Note 34 to the financial statements.

Legal proceedings

Our entities are defendants from time-to-time in legal proceedings arising from the conduct of our business and material legal proceedings, if any, are described in Note 36 to the financial statements. An assessment of likely losses is made on a case-by-case basis for the purposes of the financial statements.

Westpac is aware from reports in the media and other public statements that class action proceedings relating to exception fees have been commenced against one Australian bank, and may be commenced against other Australian banks. At this stage no such proceedings have been commenced against Westpac.

Principal office

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

CORPORATE GOVERNANCE

Introduction

This statement describes our corporate governance framework, policies and practices as at 3 November 2010.

Framework and approach

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

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

Australia

We take into account the *Corporations Act 2001* (Corporations Act) and the Corporate Governance Principles and Recommendations (ASXCGC s Recommendations) published by the ASX Corporate Governance Council (ASXCGC). As an ADI, we must also comply with governance requirements prescribed by APRA under Prudential Standard APS 510 Governance.

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

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

New Zealand

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

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

United States

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

We comply in all material respects with all NYSE listing rules applicable to us as a foreign private issuer.

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

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

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

Westpac s employee equity plans have been disclosed in the Remuneration Report in Section 9 of the 2010 Directors report, which is subject to a non-binding shareholder vote at the Annual General Meeting (AGM) and grants to our CEO are approved by shareholders at the AGM. The details of all grants under our equity-based incentive plans have been disclosed in Note 25 of our financial statements for the year ended 30 September 2010.

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

Our constitution states that at each AGM one-third of our Directors (excluding the CEO and any Director appointed during the year to fill a casual vacancy) and any other Director who has held office for three or more years since their last election, must retire. In 2010, none of our Directors met this three-year threshold. Westpac considered that it was appropriate for the full Board, rather than the Nominations Committee, to determine the Board candidates for retirement under the rotation policy, and to review and recommend their re-election by shareholders at the 2010 AGM.

Websites

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

These documents are also available to our shareholders in print from our Investor Relations department.

Governance framework

From time to time the Board may form other Committees or request Directors to undertake specific extra duties. During the year, the Board formed a new Committee to provide a specific focus on Occupational Health and Safety (OHS) across the Group. The role of that Committee, and Board-level oversight arrangements for OHS, will be reviewed in 2011.

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

Board, committees and oversight of management

Board of Directors

Roles and responsibilities

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

- approving the strategic direction of The Westpac Group;
- evaluating Board performance and determining Board size and composition;
- appointing and determining the duration, remuneration and other terms of appointment of the CEO and Chief Financial Officer (CFO), and ratifying the appointments of other senior executives;
- evaluating the performance of the CEO and CFO, and monitoring the performance of other senior executives;
- succession planning for the Board, CEO and CFO;
- approving the annual budget and financial statements and monitoring performance against the approved budget;
- determining our dividend policy;
- determining our capital structure;
- approving our risk management strategy and frameworks, and monitoring their effectiveness;

- considering the social, ethical and environmental impact of our activities and monitoring compliance with our sustainability policies and practices;

- maintaining a direct and ongoing dialogue with Westpac s auditors and, where appropriate, principal regulators;

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

- approving the Westpac Group s Remuneration Policy;

- determining the size of bonus/incentive pools; and

- monitoring OHS issues in The Westpac Group and considering appropriate OHS reports and information.

Delegated authority

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

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

- Audit;

- Risk Management;

- Nominations;

- Remuneration;

- Sustainability; and

- Technology.

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

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

Independence

Together, the Board members have a broad range of relevant financial and other skills and knowledge combined with the extensive experience necessary to guide our business. Details are set out in Section 1 of the 2010 Directors report.

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

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

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

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

Size and membership of Board Committees as at 30 September 2010

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

This table shows membership of standing Committees of the Board. From time to time the Board may form other Committees or request Directors to undertake specific extra duties such as the new Committee focusing on OHS established during the year.

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

Length of tenure of Non-executive Directors

Balance of Non-executive and executive Directors

The Chairman

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

- providing effective leadership to the Board in relation to all Board matters;
- guiding the agenda and conducting all Board meetings;
- in conjunction with the Company Secretary, arranging regular Board meetings throughout the year, confirming that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- overseeing the process for appraising Directors and the Board as a whole;
- overseeing Board succession;
- acting as a conduit between management and Board, and being the primary point of communication between the Board and CEO;
- representing the views of the Board to the public; and
- taking a leading role in creating and maintaining an effective corporate governance system.

The Deputy Chairman

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

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

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

CEO

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

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

Board meetings

The Board has 10 scheduled meetings each year, with additional meetings held as required. In July each year the Board discusses our strategic plan and approves our overall strategic direction. The Board also conducts a half year review of our strategy. The Board conducts workshops on specific subjects relevant to our business throughout the year. Board meetings are characterised by robust exchanges of views, with Directors bringing their experience and independent judgment to bear on the issues and decisions at hand.

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

Meetings attended by Directors for the 2010 financial year are reported in Section 8 of the 2010 Directors report.

Nomination and appointment

The Board Nominations Committee is responsible for:

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

- evaluating annually the performance and effectiveness of the Board, its Committees and individual Directors;
- planning succession of the Non-executive Directors;
- developing and implementing induction programs for new Directors and ongoing education for existing Directors;
- developing eligibility criteria for the appointment of Directors;
- recommending appointment of Directors to the Board; and
- considering and recommending candidates for appointment to the Boards of relevant subsidiaries.

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

New Directors receive an induction pack which includes a letter of appointment that sets out the expectations of the role, conditions of appointment including expected term of appointment, and remuneration. This letter conforms to the ASXCGC s Recommendations. New Directors are also offered an induction program, details of which are set out on the next page.

The attendance of Board Nominations Committee members at the Committee s meetings is set out in Section 8 of the 2010 Directors report.

Term of office

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

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

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

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

Education

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

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

Access to information and advice

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

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

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

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

Company Secretaries

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

Profiles of our Company Secretaries are set out in Section 1 of the 2010 Directors report.

Committees

Composition and independence

Committee members are chosen for the skills and experience they can contribute to the respective Committees. All of the Committees comprise independent Non-executive Directors. The CEO is also a member of the Board Sustainability and Board Technology Committees.

Operation and reporting

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

Performance

Board, Committees and Directors

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

The performance review process conducted in 2010 included interviews by an independent assessor with Directors and all senior executives. The review was wide-ranging, with outputs collected and analysed and presented to the Board. The Board discussed the results and agreed follow-up action on matters relating to Board composition, process and priorities.

The Chairman also discussed individual results with each Director and Committee Chair. The full Board (excluding the Chairman) reviewed the results of the performance review of the Chairman. These results were then privately discussed between the Chairman and Deputy Chairman.

Management

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

Management performance evaluations for the 2010 financial year are conducted following the end of the 2010 financial year.

There is a further discussion on performance in the Remuneration Report in the 2010 Directors report.

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

Advisory Boards

The Westpac Group operates a multi-branding strategy with each brand having its own unique identity and market position. Westpac maintains an Advisory Board for BankSA that assists in preserving the unique identity of the BankSA brand within the overall multi-brand strategy of The Westpac Group through oversight of management reports in relation to the brand health and positioning of the brand.

Ethical and responsible decision-making

Code of Conduct and Principles for Doing Business

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

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

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

- governance and ethical practices;
- employees;
- customers;
- environment;
- community; and
- suppliers.

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

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

In addition to our Code of Conduct and Principles, we have a number of key policies to manage our compliance and human resource requirements. We also voluntarily subscribe to a range of external industry codes, such as the Code of Banking Practice and the Electronic Funds Transfer Code of Conduct.

Code of Ethics for Senior Finance Officers

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

- act honestly and ethically, particularly with respect to conflicts of interest;

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

Conflicts of interest

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

The Board

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

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

Our employees

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

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

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

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

- not solicit, accept or offer money, gifts, favours or entertainment which might influence, or might appear to influence, their business judgment.

Fit and Proper Person assessments

Our Fit and Proper Policy complies with the related APRA Prudential Standards and ASIC Guidelines. In accordance with that policy, we assess the fitness and propriety of our Directors and also of employees who perform specified roles. The Board Nominations Committee and the Board are responsible for assessing the main Board Directors and Non-executive Directors on subsidiary Boards. The Chairman has delegated authority from the Board to make fit and proper assessments for senior executives. An executive Fit and Proper Committee assesses other employees. In all cases the individual is asked to provide a detailed declaration and background checks are undertaken. Assessments are performed upon appointment to the relevant position and are re-assessed annually.

Concern reporting and whistleblowing

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

Employees can also raise possible wrongdoings on an anonymous basis through either of our internal or external whistleblower reporting mechanisms; logging their report onto an internal reporting system (Concern Online); or by telephone or email to an external and independent professional services firm with employees who are trained in confidential reporting and whistleblower protection (Employee Concern Hotline).

Employees may also choose to involve the Whistleblower Protection Officer, who is responsible for protecting the employee against disadvantage.

We investigate concerns raised in a manner that is fair, objective and affords natural justice to all people involved. If the investigation shows that wrongdoing has occurred, we are committed to changing our processes and taking action in relation to employees who have behaved incorrectly. Where illegal conduct has occurred, this may involve reporting the matter to relevant authorities.

The concern reporting system meets all relevant Australian and New Zealand legislative requirements, including the Australian Standard AS8004-2003 (Whistleblower Protection Programs for Entities), in addition to our obligations under the United States Sarbanes-Oxley Act of 2002. The system is monitored and reviewed annually and statistics about concerns raised are reported quarterly to both the Board Risk Management Committee and The Westpac Group Operational Risk & Compliance Committee.

Securities trading

Westpac Directors and all Westpac employees are restricted from dealing in our shares and certain other financial products if they possess inside information. They are also prohibited from passing on inside information to others who may use that information to trade in securities. In addition, Directors and any employees who, because of their seniority or the nature of their position, may have access to material non-public information about Westpac (Prescribed Employees), are subject to further restrictions, including only trading in permitted windows following annual and half year profit announcements.

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

- the insider trading provisions of our policy, which prohibits any dealing in any securities where a Director or employee has access to inside information that may affect the price of those securities;
- the new issues provisions of our policy, which place limitations upon Directors and employees participating in a new product issue where their position puts them in a real or perceived position of conflict of interest;
- restrictions limiting the periods in which the Directors and Prescribed Employees can trade in our shares or other company securities (Trading Windows);
- requiring Directors and Prescribed Employees to notify their intention to trade during those Trading Windows and confirm that they have no inside information;
- monitoring the trading of Westpac securities by Directors and Prescribed Employees;
- maintaining a register of Prescribed Employees, which is regularly updated;
- trades by Directors of Westpac securities are notified to ASX within five business days as required under the ASX Listing Rules; and
- employees are forbidden to enter into hedging arrangements in relation to their unvested employee shares or securities, whether directly or indirectly.

Diversity

The Westpac Group has recently refreshed its diversity strategy and framework for our ongoing program of diversity initiatives. This program will focus on achieving our vision to be one of the world s great companies for diversity and flexibility which means:

- having a workforce profile that delivers competitive advantage by more closely reflecting the customers and the community that we serve;

- having a truly inclusive workplace where every individual can shine regardless of gender, cultural identity, age, work style or approach;

- leveraging the value of diversity for all our stakeholders to deliver the best customer experience, improved financial performance and a stronger corporate reputation; and

- continuing to take a leadership position on diversity practices and setting the agenda in the external community.

The critical areas of focus are women in leadership, accessibility, Indigenous employment, age and cultural diversity all supported by market leading flexibility policies and practices. To deliver on these focus areas we:

- will continue to increase the proportion of women in senior leadership roles through strengthening the talent pipeline at critical points;
- have set a measurable objective to increase the proportion of women in senior management roles (over 4,000 leaders from our executive team through to our bank managers) from 33% to 40% by 2014;
- will continue to provide key leadership programs and mentoring and networking opportunities for women to prepare and support them in their career progression;
- will continue to assess pay equity on an annual basis;
- will continue to encourage and support the application of flexibility policy into practice across the business;
- will continue to deliver against our commitment to the Australian Employment Covenant to assist Indigenous Australians to access employment across our brands;
- will continue to deliver against our Accessibility Action Plan for employees and customers with a disability including providing employment opportunities for people with disabilities;
- will lodge a new Accessibility Action Plan with the Australian Human Rights Commission in calendar 2010; and
- will continue to listen to the needs of our employees through our annual employee survey and specific diversity focused surveys.

The diversity strategy and program of initiatives is reviewed and assessed quarterly by the Group Diversity Council chaired by the CEO and reported to the Board.

Corporate responsibility and sustainability

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

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

Reporting

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

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

We follow the Global Reporting Initiative reporting framework.

The sustainability content of the Annual Review and Sustainability Report and the additional reporting on our website is independently assured against the AA1000 Assurance Standard. This assurance process not only tests the integrity of the data, but also tests the effectiveness of our underlying systems and processes, and the extent to which corporate responsibility and sustainability policies and processes are embedded across our organisation.

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

Board Sustainability Committee

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

The Board Sustainability Committee:

- reviews the social, environmental and ethical impacts of our policies and practices;

- oversees initiatives to enhance our sustainability;
- agrees standards for our corporate responsibility and sustainability policies and practices and monitors compliance with these policies and practices;
- reviews sustainability strategies, objectives and performance including in-depth discussions with management on specific current and emerging issues;
- monitors and oversees our environmental, social, governance and other material business risks (along with the Board Risk Management Committee) including the strategic and operational response to climate change; and
- reviews and approves the independent assurance of our annual sustainability reporting.

Financial reporting

Approach to financial reporting

Our approach to financial reporting reflects three core principles:

- that our financial reports present a true and fair view;
- that our accounting methods comply with applicable accounting rules and policies; and
- that our external auditor is independent and serves securityholder interests.

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

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

Board Audit Committee

The Board Audit Committee oversees all matters concerning:

- the integrity of the financial statements and financial reporting systems;
- the external auditor s qualifications, performance, independence and fees;
- oversight and performance of the internal audit function;
- compliance with financial reporting and related regulatory requirements (in conjunction with the Board Risk Management Committee; this includes an oversight of APRA and ASIC statutory reporting requirements); and
- procedures for the receipt, retention and treatment of financial complaints, including accounting, internal accounting controls or auditing matters and the confidential reporting by employees of concerns regarding accounting or auditing matters.

The Board Audit Committee reviews and assesses:

- any significant estimates and judgments in financial reports, and monitors the methods used to account for unusual transactions;
- the processes used to monitor and comply with laws, regulations and other requirements relating to external reporting of financial and non-financial information;
- the major financial risk exposures; and

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

The Board Audit Committee conducts regular discussions with:

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

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

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

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

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

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

Financial knowledge

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

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

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

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

The Board Audit Committee s membership is set out in the table titled Size and membership of Board Committees as at 30 September 2010 in this statement. The full qualifications of the Audit Committee members and their attendance at Board Audit Committee meetings are set out in Sections 1 and 8 of the 2010 Directors report.

External auditor

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

Our external auditor is PricewaterhouseCoopers (PwC), appointed by shareholders at the 2002 AGM. Our present PwC lead audit partner is Ian Hammond and the review audit partner is Rob Ward. Mr Hammond and Mr Ward assumed responsibility for these roles in 2008 and 2009, respectively.

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

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

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

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

Engagement of the external auditor

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

The breakdown of the aggregate fees billed by the external auditor in respect of each of the two most recent financial years for audit, audit-related, tax and other services is provided in Note 33 to our financial statements for the year ended 30 September 2010. A declaration regarding the Board s satisfaction that the provision of non-audit services by PwC is compatible with the general standards of auditor independence is provided in Section 10 of the 2010 Directors report.

Group Assurance (internal audit)

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

Group Assurance provides regular reports to the Board Audit Committee and, as deemed appropriate, the Board Risk Management Committee, and raises any significant issues with those Committees. The General Manager, Group Assurance has a reporting line to the Chairman of the Board Audit Committee.

Market disclosure

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

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

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

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

To supplement the information already available to investors, we publish on our website investor discussion packs, containing presentations on and explanations about our financial results. We also publish on our website our Annual Review and Sustainability Reports, Annual Reports, profit announcements, CEO and executive briefings (including webcasts), notices of meetings, media releases and briefing transcripts.

Shareholder communication and participation

We seek to keep our shareholders fully informed utilising a variety of communication mediums. These are regularly reviewed to improve our communications, including using new technologies. These approaches include:

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

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

Shareholders are given the option to receive information in print or electronic format.

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

Risk management

Roles and responsibilities

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

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

Committee is set out later in this section under Board Risk Management Committee .

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

Our approach to risk management is that risk is everyone s business and that responsibility and accountability for risk begins with the business units that originate the risk.

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

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

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

Our 2nd Line of Defence has three layers:

- Our executive risk committees lead the optimisation of risk-reward by overseeing and advising on the development of risk appetite statements, risk management frameworks, policies and risk concentration controls and monitoring businesses risk profiles for alignment with approved appetites and strategies.

- Our Group Risk function is independent from the business divisions, reports to the Chief Risk Officer (CRO), and establishes and maintains the Group-wide risk management frameworks, policies and concentration limits that are approved by the Board Risk Management Committee. It also oversees the establishment and maintenance of Group-wide risk estimates, risk capital models and the adequacy and quality of reporting of risk management activities and related controls to senior executives, the Board and relevant Board Committees.

- Divisional risk areas are responsible for developing division-specific risk appetite statements, policies, controls, procedures, monitoring and reporting capability, which align to the Board Statement of Risk Appetite and the risk management frameworks approved by the Board Risk Management Committee. These risk areas are independent of the Divisions 1st Line business areas, with the Risk General Managers in each Division having direct reporting lines to the CRO, as well as to their Division s Group Executive.

The 3rd Line of Defence Independent assurance

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

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

Our overall risk management governance structure is set out in more detail in the table Risk Management Governance Structure in this statement.

Risk management approach

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

We distinguish four main types of risk:

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

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

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

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

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

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

- environmental, social and governance risks the risk that Westpac damages its reputation or financial performance due to failure to recognise or address material existing or emerging sustainability-related environmental, social or governance issues;

- equity risk the potential for financial loss arising from movements in 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 inadequacies of a model;

- outsourcing risk the risk of The Westpac Group being unable to carry on critical business activities as a result of the failure of an external supplier or service provider, or that such failure in turn triggers material concerns in another key risk area;

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

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

In December 2007 Westpac received advanced accreditation from APRA and the Reserve Bank of New Zealand under the Basel II capital framework. This allows us to use the Advanced Internal Ratings Based (AIRB) approach for credit risk and the Advanced Measurement Approach (AMA) for operational risk to determine our regulatory capital position. We received accreditation for interest rate risk in the banking book capital calculation in July 2008, in accordance with APRA s implementation timetable. In May 2010, APRA extended these approvals to include the St.George portfolio, effective from 30 June 2010.

Board Risk Management Committee

The Board Risk Management Committee:

- provides recommendations to the Board on The Westpac Group s risk-reward strategy;
- sets risk appetite;
- reviews and approves the frameworks for managing risk, including credit, operational, market, liquidity, capital and reputation risk;
- reviews and approves the limits and conditions that apply to the taking of risk, including the authority delegated by the Board to the CEO, CFO and CRO;
- monitors the risk profile, performance, capital levels, exposures against limits and the management and control of our risks;
- monitors changes anticipated in the economic and business environment and other factors considered relevant to our risk profile and risk appetite;
- oversees the development and ongoing review of key policies that support our frameworks for managing risk; and
- may approve accepting risks beyond management s approval discretion.

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

- credit risk approving key policies and limits supporting the credit risk management framework; and monitoring the risk profile, performance and management of our credit portfolio;
- liquidity risk approving the internal liquidity assessment process, key policies and limits supporting the liquidity risk management framework including our funding strategy and liquidity requirements; and monitoring the liquidity risk profile;
- market risk approving key policies and limits supporting the market risk management framework including the Value at Risk and Net Interest Income at Risk limits, and monitoring the market risk profile; and

- operational risk monitoring the operational risk profile, the performance of operational risk management and controls, and the development and ongoing review of operational risk policies; reviewing compliance risk processes and our compliance with applicable laws, regulations and regulatory requirements; discussing with management and the external auditor any material correspondence with regulators or government agencies and any published reports that raise material issues; and reviewing complaints and whistleblower concerns.

The Board Risk Management Committee also:

- approves the internal capital adequacy assessment process and in doing so reviews the outcomes of enterprise-wide stress testing;

- monitors capital levels for consistency with The Westpac Group s risk appetite and sets the target capital ranges for regulatory capital having regard to internal economic capital measures;

- provides relevant periodic assurances to and refers any relevant matters to the Board Audit Committee;

- refers to the Board Remuneration Committee any matters that come to its attention that are relevant with respect to risk and risk management which the Board Risk Management Committee considers are relevant for consideration in respect of remuneration structure or remuneration outcomes; and

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

Managing compliance risk

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

- compliance is about our responsibilities as employees, our culture, and the systems and processes we use every day;
- complying with both the letter and spirit of regulatory standards is an essential part of our core values and is critical to our success as a leading Australian financial services organisation;
- ensuring that the letter and spirit of regulatory standards are embedded into how we do business, how we conduct ourselves, how our systems and processes are designed and how they operate;
- compliance with regulatory standards is the responsibility of everyone in every part of Westpac. Visibility and accountability of senior management encourages a strong compliance culture;
- the role of the compliance function is to guide the organisation in embedding compliance into how we do business; and
- actively engaging with regulatory bodies and industry forums to maintain high standards across the industry.

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

- governance environment Board and management oversight and accountability, culture and independent review;
- identification identifying obligations, risks, developing and maintaining compliance plans and implementing change;
- controls and documentation policies, processes, procedures, communication, training and documentation; and

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

As with other forms of risk, business line management is primarily responsible for managing compliance risk. Within each major business area there is a dedicated operational risk and 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. Group Operational Risk and Compliance is responsible for the administration of that framework. Within Group Operational Risk and Compliance a regulatory affairs function exists which manages relationships with regulators as well as the framework for our response to new regulatory developments.

Our Compliance function provides the following support:

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

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

Regular reports are provided to the Board Risk Management Committee on the status of compliance across the Group.

CEO and CFO assurance

The Board receives regular reports from management about our financial condition and operational results, as well as that of our controlled entities. The CEO and the CFO annually provide formal statements to the Board, and have done so for the year ended 30 September 2010, that state in all material respects:

- Westpac s financial records 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 Westpac s and its consolidated entities financial position and of their performance;

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

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

Remuneration

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

The Board Remuneration Committee members are all independent Directors. All members of the Board Remuneration Committee are also members of the Board Risk Management Committee, which assists in the integration of effective risk management into the remuneration framework.

The Board Remuneration Committee:

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

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

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

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

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

- oversees succession planning for Group Executives and other senior executives;

- reviews and makes recommendations to the Board in relation to approving any and all equity-based plans; and

- oversees general remuneration practices across the Group.

The Board Remuneration Committee reviews and recommends to the Board annually the size of variable reward pools based on consideration of pre-determined business performance indicators and the financial soundness of Westpac. The Board Remuneration Committee also approves remuneration arrangements outside of the Group Remuneration Policy relating to individuals or groups of individuals which are significant because of their sensitivity, precedent or disclosure implications.

In addition, the Board Remuneration Committee considers and evaluates the performance of senior executives when making remuneration determinations and otherwise as required.

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

The attendance of Board Remuneration Committee members at the Committee s meetings is set out in Section 8 of the 2010 Directors report.

Further details of our remuneration framework are included in the Remuneration Report in Section 9 of the 2010 Directors report.

Risk Management Governance Structure

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

Board

- reviews and approves our overall risk management strategy.

Board Risk Management Committee (BRMC)

- provides recommendations to the Board on The Westpac Group s risk-reward strategy;
- sets risk appetite;
- approves frameworks and key policies for managing risk;
- monitors our risk profile, performance, capital levels, exposures against limits and management and control of our risks;
- monitors changes anticipated in the economic and business environment and other factors relevant to our risk profile;
- oversees the development and ongoing review of key policies that support our frameworks for managing risk; and
- determines whether to accept risks beyond the approval discretion provided to management.

Other Board Committees with a risk focus

Board Audit Committee

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

Board Sustainability Committee

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

Board Technology Committee

- oversees information technology strategy and implementation.

Board Remuneration Committee

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

Executive Team

- executes the Board-approved strategy;
- assists with the development of the Board Statement of Risk Appetite;
- delivers the Group s various strategic and performance goals within the approved risk appetite; and

- monitors key risks within each business unit, capital adequacy and the Group s reputation.

Executive risk committees

Westpac Group Credit Risk Committee (CREDCO)

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

Westpac Group Operational Risk & Compliance Committee (OPCO)

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

Westpac Group Asset & Liability Committee (ALCO)

- leads the optimisation of funding and liquidity risk-reward across the Group;
- oversees the liquidity risk management framework and key policies;
- oversees the funding and liquidity risk profile; and
- identifies emerging funding & liquidity risks and appropriate actions to address these.

Westpac Group Market Risk Committee (MARCO)

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

Westpac Group Remuneration Oversight Committee (ROC)

- leads the optimisation of risk-adjusted remuneration across the Group;
- oversees the Group Remuneration Policy and provides assurance to the CEO and Board Remuneration Committee that remuneration arrangements across the Group encourage behaviour that supports Westpac s long-term financial soundness and the risk management framework;
- oversees the remuneration arrangements (other than for Group Executives) for Responsible Persons (as defined in the Group s Fit and Proper Policy), risk and financial control personnel, and all other employees for whom a significant portion of total remuneration is based on performance and whose activities, either individually or collectively, may affect the financial soundness of Westpac; and
- oversees the criteria and rationale for determining the total quantum of the Group variable reward pool.

Group and divisional risk management

Group Risk

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

Divisional risk management

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

Independent internal review

Group Assurance

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

Checklist of Westpac s compliance with ASXCGC s Recommendations

	ASXCGC s Recommendations published in August 2007	Reference	Compliance
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 20	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	Page 23	Comply
1.3	Provide the information indicated in *Guide to reporting on Principle 1*.	Pages 20, 23	Comply
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent Directors.	Pages 20, 21	Comply
2.2	The chair should be an independent Director.	Page 22	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 22	Comply
2.4	The Board should establish a nomination committee.	Page 22	Comply
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 23	Comply
2.6	Provide the information indicated in *Guide to reporting on Principle 2*.	Pages 20-23	Comply
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to:	Page 24	Comply
	3.1.1 the practices necessary to maintain confidence in the company s integrity		
	3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders		
	3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Page 25	Comply
3.3	Provide the information indicated in *Guide to reporting on Principle 3*.	Pages 24-25	Comply
Principle 4:	**Safeguard integrity in financial reporting**		

4.1	The Board should establish an audit committee.	Page 27	Comply
4.2	Structure the audit committee so that it:	Pages 21, 27	Comply
	• consists only of Non-executive Directors;		
	• consists of a majority of independent Directors;		
	• is chaired by an independent chair, who is not chair of the Board; and		
	• has at least three members.		
4.3	The audit committee should have a formal charter.	Page 27	Comply
4.4	Provide the information indicated in *Guide to reporting on Principle 4*.	Pages 21, 27	Comply
Principle 5:	**Make timely and balanced disclosure**		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 28	Comply
5.2	Provide the information indicated in *Guide to reporting on Principle 5*.	Page 28	Comply

	ASXCGC s Recommendations published in August 2007	Reference	Compliance
Principle 6:	**Respect the rights of shareholders**		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 28	Comply
6.2	Provide the information indicated in *Guide to reporting on Principle 6*.	Page 28	Comply
Principle 7:	**Recognise and manage risk**		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Pages 28-31, 33	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company s material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company s management of its material business risks.	Pages 28-31, 33	Comply
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 31	Comply
7.4	Provide the information indicated in *Guide to reporting on Principle 7*.	Pages 28-31, 33	Comply
Principle 8:	**Remunerate fairly and responsibly**		
8.1	Establish a remuneration Committee.	Page 32	Comply
8.2	Clearly distinguish the structure of Non-executive Directors remuneration from that of executive Directors and senior executives.	Page 32	Comply
8.3	Provide the information indicated in *Guide to reporting on Principle 8*.	Pages 21, 25, 32	Comply

DIRECTORS REPORT

Our Directors present their report together with the financial statements of the Group for the financial year ended 30 September 2010.

1. Directors

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

Particulars of the skills, experience, expertise and responsibilities of the Directors at the date of this report, including all directorships of other listed companies held by a Director at any time in the past three years immediately before 30 September 2010 and the period for which each Directorship has been held, are set out below.

Name: Ted Evans AC,

BEcon (Hons.)

Age: 69

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

Date of next scheduled re-election: December 2012.

Independent: Yes.

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

Other principal directorships: Nil.

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

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

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

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

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

Name: Gail Kelly,

HigherDipEd, BA, MBA with Distinction, HonDBus

Age: 54

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

Date of next scheduled re-election: Not applicable.

Independent: No.

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

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

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

Other Westpac related entities directorships and dates of office: Director of St.George Bank Limited (December 2008 March 2010). Director of Westpac New Zealand Limited (February 2008 February 2010).

Skills, experience and expertise: Immediately prior to her appointment at Westpac, Gail served as Chief Executive Officer & Managing Director of St.George Bank Limited from January 2002 to August 2007. Between October 1997 and December 2001, Gail was employed at the Commonwealth Bank of Australia, firstly as General Manager, Strategic Marketing, and later as Head of Customer Service Division and a member of the bank s Executive Committee. Gail began her career at Nedcor Bank, one of the largest banks in South Africa, where she held various General Manager positions, including HR, cards and personal banking.

Westpac Board Committee membership: Member of each of the Sustainability and Technology Committees.

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited (December 2008 - September 2009). St.George Bank Limited remained a listed entity when it became a subsidiary of Westpac in December 2008. It was delisted in September 2009.

Name: John Curtis AM,

BA, LLB (Hons.)

Age: 60

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

Date of next scheduled re-election: December 2011.

Independent: Yes.

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

Other principal directorships: Chairman of each of Allianz Australia Limited, Landis+Gyr Holdings AG and the University of Technology Sydney Faculty of Business Executive Council.

Other interests: Nil.

Other Westpac related entities directorships: Chairman of St.George Bank Limited (December 2008 February 2010).

Skills, experience and expertise: For the past 23 years John has been a professional company director and has been Chairman and Director of a wide variety of public companies, government entities and foreign corporations. In more recent times he has been largely involved in the financial services sector with his current appointments as set out above and former appointments with Merrill Lynch, Perpetual Limited and First Data Corporation in Australia. Prior to 1987 John was a director of Wormald International Limited and was responsible for its operations in Australia, Europe, Asia and the Americas. During part of that time he was Chairman of the National Building and Construction Council, the peak industry body.

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

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited (October 1997 September 2009). St.George Bank Limited remained a listed entity when it became a subsidiary of Westpac in December 2008. It was delisted in September 2009.

Name: Elizabeth Bryan,

BA (Econ.), MA (Econ.)

Age: 64

Term of office: Director since November 2006.

Date of next scheduled re-election: December 2010.

Independent: Yes.

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

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

Other interests: Nil.

Other Westpac related entities directorships and dates of office: Director of Westpac New Zealand Limited (March 2007 October 2010).

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

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

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

Name: Gordon Cairns,

MA (Hons.)

Age: 60

Term of office: Director since July 2004.

Date of next scheduled re-election: December 2012.

Independent: Yes.

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

Other principal directorships: Centre for Independent Studies and World Education Australia Limited. Chairman of Rebel Sport Limited and Director of Rebel Group Companies and Chairman of Origin Foundation.

Other interests: Senior Advisor to each of McKinsey & Company and Greenhill Caliburn.

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

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

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

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

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

Age: 56

Term of office: Director since December 2008.

Date of next scheduled re-election: December 2010.

Independent: Yes.

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

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

Other interests: Nil.

Other Westpac related entities directorships and dates of office: Director of St.George Bank Limited (December 2008 February 2010).

Skills, experience and expertise: Peter s career in the banking and financial services industry spans over 38 years in Australia and overseas at both the highest levels of management and directorship of major organisations. Peter has held various senior management and directorship positions with Australia and New Zealand Banking Group Limited from 1971 to 2005, and was also a Director of BHP (NZ) Steel Limited from 1990 to 1991, ING Australia Limited from 2002 to 2005 and Esanda Finance Corporation from 2002 to 2005.

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

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited. (April 2007 September 2009). St.George Bank Limited remained a listed entity when it became a subsidiary of Westpac in December 2008. It was delisted in September 2009.

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

Age: 55

Term of office: Director since February 2003.

Date of next scheduled re-election: December 2010.

Independent: Yes.

Current directorships of listed entities and dates of office: Stockland Corporation Limited (since March 2009). BHP Billiton Limited (since March 2010). BT Investment Management Limited (since September 2007).

Other principal directorships: The Australian Charities Fund.

Other interests: Nil

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

Skills, experience and expertise: Carolyn has over 26 years experience in the finance sector and was an Executive Director of Schroders Australia Limited between 1989 and 1995.

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

Directorships of other listed entities over the past three years and dates of office: AGL Energy Limited (October 2006 March 2009).

Name: Lindsay Maxsted,
DipBus (Gordon), FCA

Age: 56

Term of office: Director since March 2008.

Date of next scheduled re-election: December 2011.

Independent: Yes.

Current directorships of listed entities and dates of office: Director of Transurban Group (since March 2008, Chairman since August 2010).

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

Other interests: Nil.

Other Westpac related entities directorships and period of office: Director of St.George Bank Limited (December 2008 February 2010).

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

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

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited (December 2008 September 2009). St.George Bank Limited remained a listed entity when it became a subsidiary of Westpac in December 2008. It was delisted in September 2009.

Name: Graham Reaney,

BComm, CPA

Age: 67

Term of office: Director since December 2008.

Date of next scheduled re-election: December 2011.

Independent: Yes.

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

Other principal directorships: Holcim Finance (Australia) Pty Limited.

Other interests: Nil.

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

Skills, experience and expertise: Graham s business experience spans 31 years, during which time he has held a number of senior corporate appointments, including as Managing Director of National Foods Limited. Other former positions include Managing Director of Industrial Equity Limited. Graham has gained extensive experience both in Australia and overseas in a broad range of industries, including mining and mining services, energy, food, rural, fast moving consumer goods and financial services.

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

Directorships of other listed entities over the past three years and dates of office: St.George Bank Limited (November 1996 November 2008). AGL Energy Limited (July 2006 October 2009).

Name: Peter Wilson, CA

Term of office: Director since October 2003.

Age: 69

Date of next scheduled re-election: December 2012.

Independent: Yes.

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

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

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

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

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

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

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

Company Secretary

Our Company Secretaries as at 30 September 2010 were John Arthur and Rebecca Farrell.

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

Rebecca Farrell (BA, LLB (Hons.)) joined Westpac in 2009. Rebecca started her career as a transactional lawyer at Mallesons Stephen Jaques and subsequently worked in New York for a number of years. Upon returning from the US, Rebecca joined Freehills, where she provided advisory services to ASX listed companies concerning governance, board performance, capital management, executive remuneration, and ASX Listing Rules and Corporations Act compliance. Most recently, Rebecca spent six months at the Future Fund where she advised the Board of Governors on the establishment of their proxy voting system.

2. Executive Team

As at 30 September 2010 our Executive Team was:

Name	Position	Year Joined Group	Year Appointed to Position
Gail Kelly	Managing Director & Chief Executive Officer	2008	2008
John Arthur	Group Executive, Counsel & Secretariat	2008	2008
Greg Bartlett	Chief Executive, St.George Bank	2008	2008
Peter Clare	Group Executive, Product & Operations	2008	2008
Philip Coffey	Chief Financial Officer	1996	2005
Rob Coombe	Group Executive, Westpac Retail & Business Banking	2002	2010
Brad Cooper	Chief Executive Officer, BT Financial Group	2007	2010
George Frazis	Chief Executive Officer, Westpac New Zealand Limited	2009	2009
Peter Hanlon	Group Executive, People & Transformation	1995	2010
Bob McKinnon	Group Executive, Technology	2008	2008
Jon Nicholson	Chief Strategy Officer	2006	2006
Greg Targett	Chief Risk Officer	2008	2009
Rob Whitfield	Group Executive, Westpac Institutional Bank	1986	2009

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

Gail Kelly HigherDipEd, BA, MBA with Distinction, HonDBus. Age 54
Managing Director & Chief Executive Officer

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

Immediately prior to this, she served as Chief Executive Officer & Managing Director of St.George Bank Limited from January 2002 to August 2007. During this period, St.George doubled its assets and net profit after tax. Between October 1997 and December 2001, Gail was employed at the Commonwealth Bank of Australia as General Manager, Strategic Marketing, and later as Head of Customer Service Division and a member of the bank s Executive Committee.

Gail began her career at Nedcor Bank, one of the largest banks in South Africa, where she held various General Manager positions, including HR, cards and personal banking.

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

John Arthur LLB (Hons.). Age 55

Group Executive, Counsel & Secretariat

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

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

Greg Bartlett Age 58
Chief Executive, St.George Bank

Greg was appointed Chief Executive, St.George Bank in December 2008 at the time of the merger of St.George with Westpac. He has over 36 years experience in the banking and finance industry. Greg leads a team of over 5,000 people offering comprehensive Retail and Corporate & Business Banking services to over 2.6 million customers nationally under the St.George and BankSA brands. Previously with the Commercial Banking Company of Sydney Ltd, he has been with St.George for nearly 30 years and was a member of St.George Executive Management Committee for over 18 years. Most recently he was Group Executive, St.George Institutional and Business Bank for nine years. Greg s previous roles at St.George include Group Treasurer and Chief General Manager, Group Treasury and Capital Markets.

After this distinguished career spanning nearly 30 years with St.George, Greg will be retiring as Chief Executive, St.George Bank effective 1 December 2010. Rob Chapman, currently CEO of BankSA, will be appointed Chief Executive, St.George Bank to take effect when Greg retires on 1 December 2010.

Peter Clare BCom, MBA. Age 47
Group Executive, Product & Operations

Peter was appointed Group Executive, Product & Operations on 17 July 2008, with responsibility for all consumer and business product development, management and operations. Peter joined Westpac as Group Executive, Consumer Financial Services in March 2008, with responsibility for sales, service, third party consumer product relationships and product development for Westpac s consumer customers across Australia. Prior to joining Westpac, Peter was Group Executive, Group Technology & Operations of St.George Bank Limited following five years as Group Executive, Strategy with St.George Bank Limited. Prior to that Peter worked for the Commonwealth Bank of Australia between 1997 and 2002 in a range of senior roles, covering strategy, merger programs, operations and performance improvement. He has also worked in management consultancy and accountancy roles.

Philip Coffey BEc (Hons.). Age 53
Chief Financial Officer

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

Rob Coombe LLB (Hons.). Age 47
Group Executive, Westpac Retail & Business Banking

Rob was appointed Group Executive Westpac Retail & Business Banking on 1 February 2010, with responsibility for all Westpac s retail, small-to-medium enterprises and commercial customers in Australia.

Rob was Chief Executive Officer, BT Financial Group from January 2005 until this appointment. Rob joined Westpac with the acquisition of the BT Financial Group in 2002 and has over 26 years experience in banking, finance and wealth management. 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 also a Director of The Australian Indigenous Education Foundation.

Brad Cooper DipBM, MBA, FAIM. Age 48
Chief Executive Officer, BT Financial Group

Brad was appointed Chief Executive Officer of BT Financial Group on 1 February 2010 and is focused on helping Australians determine and achieve their financial aspirations. The BT Financial Group proudly offers products and services from some of Australia s most trusted and respected wealth management brands across financial advice, private banking, investment, superannuation, insurance and retirement. Brad initially joined Westpac in April 2007 as Chief Executive, Westpac New Zealand Limited and after successfully leading a change program in that market moved to the role of Group Chief Transformation Officer leading The Westpac Group s St.George merger implementation. Prior to joining Westpac, Brad was Chairman of GE Capital Bank and Chief Executive Officer of GE Consumer Finance UK & Ireland. He drove GE s UK Six Sigma program and was certified as a Quality Leader (Black Belt) in December 2002. He was promoted to Chief Executive Officer of GE Consumer Finance UK in January 2003 and appointed Chairman of GE Capital Bank in April 2004.

George Frazis B Eng (Hons.), MBA (AGSM/Wharton). Age 46
CEO, Westpac New Zealand Limited

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

Peter Hanlon BA (Comms), C Tech (Aero Eng), AMP (Harvard). Age 55
Group Executive, People & Transformation

Peter was appointed Group Executive, People & Transformation on 1 February 2010, with responsibility for human resources strategy and management, including reward and recognition, learning and development, careers and talent, employee relations and employment policy. He is also responsible for the key customer, people and productivity elements of our Transformation program, and for Corporate Affairs & Sustainability.

Prior to this appointment Peter held the role of Group Executive, Westpac Retail & Business Banking from July 2008. Prior to that, he was Westpac s Group Executive, Business Financial Services, responsible for business banking sales, relationship management, customer service, and product and risk management in Australia. Peter has held several other senior roles in Westpac including General Manager roles in Marketing, Branch Banking and Consumer Credit. Peter joined Westpac in 1995 from BankSA where he was Chief Manager of Branch Sales and Service and Head of Strategic Marketing. Prior to his banking career, Peter served in The Royal Australian Air Force.

Bob McKinnon BCom, ACA, MAICD. Age 57
Group Executive, Technology

Bob was appointed Group Executive, Technology on 17 July 2008. Prior to joining Westpac, Bob was Joint Managing Director of Multiplex Limited and Multiplex Funds Management Limited. Bob has over 38 years of extensive financial and senior management experience, having held senior positions with Lend Lease Corporation, MLC Group, State Street Australia and Commonwealth Bank of Australia. He is also currently a Non-executive Director of Alesco Corporation Limited.

Jon Nicholson BA. Age 54
Chief Strategy Officer

Jon was appointed Chief Strategy Officer in February 2006, with responsibility for Westpac s strategy, planning and M&A activities. He has deep experience in financial services strategy, including considerable international experience. Prior to joining Westpac, Jon was a senior partner with the Boston Consulting Group (BCG), where for many years he built and led BCG s financial services practice across Asia. Earlier in his career, Jon was Senior Private Secretary to the Prime Minister of Australia. He is also a Trustee of the Westpac Foundation.

Greg Targett BEc, DipEd, F Fin, CFTP. Age 53
Chief Risk Officer

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

Rob Whitfield BCom, GradDipBanking, GradDipFin, AMP (Harvard). Age 46
Group Executive, Westpac Institutional Bank

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

3. Report on the business

a) Principal activities

The principal activities of the Group during the financial year ended 30 September 2010 were the provision of financial services including lending, deposit taking, payments services, investment portfolio management and advice, unit trust and superannuation fund management, insurance services, leasing, general finance, foreign exchange and money market services.

There have been no significant changes in the nature of the principal activities of the Group during 2010.

b) Review of and results of operations

A review of the operations of the Group and its divisions and their results for the financial year ended 30 September 2010 is set out in Section 2 of the Annual Report under the sections Review of Group operations and Divisional performance , which form part of this report.

The net profit attributable to equity holders of Westpac for the financial year ended 30 September 2010 was $6,346 million.

c) Dividends

Since 30 September 2010, Westpac has announced a final dividend of 74 cents per ordinary share, totalling approximately $2,212 million for the year ended 30 September 2010 (2009 final dividend of 60 cents per Westpac ordinary share, totalling $1,765 million). The final dividend will be fully franked and will be paid on 20 December 2010.

An interim dividend for the current financial year of 65 cents per ordinary share, totalling $1,935 million, was paid as a fully franked dividend on 2 July 2010 (2009 interim dividend of 56 cents per ordinary share, totalling $1,630 million).

d) Significant changes in state of affairs and events during and after the end of 2010 financial year

Significant changes in the state of affairs of the Group during 2010 were:

- the commencement of Westpac and St.George operating as a single ADI, and the finalisation of a component of tax consolidation related to Westpac s merger with St.George;
- the commencement of our Strategic Investment Priorities, which have a forecast project investment of $2 billion over five years;
- ongoing regulatory response to the recent global financial crisis, which has included proposed changes to liquidity, capital, derivatives and other regulatory requirements;
- the Australian Government withdrawing the Australian Government Guarantee Scheme for wholesale funding and large deposits from 31 March 2010, and the New Zealand Government withdrawing its wholesale funding guarantee facility from 30 April 2010;
- the Australian Government s release and initial response to the Henry Review; and
- the settlement of proceedings with the New Zealand Commissioner of Inland Revenue relating to nine structured finance transactions undertaken between 1998 and 2002.

For a discussion of these matters, please refer to Significant developments in Section 1 under Information on Westpac , which forms part of this report.

e) Likely developments and expected results

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

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

4. Directors interests

a) Directors interests in securities

The following particulars for each Director are set out in the Remuneration Report and Note 41 of our consolidated financial statements for the year ended 30 September 2010 and in the tables below:

- their relevant interests in our shares or the shares of any of our related bodies corporate;
- their relevant interests in debentures of, or interests in, any registered managed investment scheme made available by us or any of our related bodies corporate;
- their rights or options over shares in, debentures of, or interests in, any registered managed investment scheme made available by us or any of our related bodies corporate; and
- any contracts:
- to which the Director is a party or under which they are entitled to a benefit; and
- that confer a right to call for or deliver shares in, debentures of, or interests in, any registered managed investment scheme made available by us or any of our related bodies corporate.

Directors interests in Westpac and related bodies corporate as at 3 November 2010

	Number of Westpac Ordinary Shares	Number of Westpac Share Options	Number of Westpac Share Rights	Westpac SPS	Westpac SPS II
Westpac Banking Corporation securities					
Ted Evans	19,673				
Gail Kelly	1,319,509(1)	720,556(2)	368,023(3)		
John Curtis	80,787				
Elizabeth Bryan	20,510				
Gordon Cairns	17,038				
Peter Hawkins	15,218				

Carolyn Hewson	16,348
Lindsay Maxsted	10,310
Graham Reaney	75,361
Peter Wilson	14,343

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

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

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

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

b) Other relevant interests as at 3 November 2010

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 3 November 2010

	Relevant Interests in Infrastructure Notes	Relevant Interests in Cash Management Trusts (Units)(1)	Other Relevant Interests in Registered Schemes (Units)	Date of Last Notification to the ASX
Elizabeth Bryan	2,000			24 June 2010
John Curtis	1,100			24 June 2010

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

c) ***Indemnities and insurance***

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

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

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

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

- statutory officers (other than as a director) of Westpac;
- directors and other statutory officers of wholly-owned subsidiaries of Westpac; and
- directors and statutory officers of other nominated companies as approved by Westpac in accordance with the terms of the deed poll and Westpac s contractual indemnity policy.

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

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

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

St.George Bank Limited agreed with Westpac to provide indemnities in corresponding terms under the Merger Implementation Agreement, which also continue to apply and have now been assumed by Westpac following the transition to a single ADI.

No amount has been paid under any of these indemnities during the financial year ended 30 September 2010 or since that date.

Our constitution permits us, to the extent permitted by law, to pay or agree to pay premiums in respect of any contract of insurance, which insures any person who is or has been a Director or Company Secretary of Westpac or any of its related bodies corporate against liability incurred by that person in that capacity, including a liability for legal costs, unless:

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

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

For the year ended 30 September 2010 the Group has insurance cover in respect of the amounts which we may have to pay under the indemnities set out above. That cover is subject to the terms and conditions of the relevant insurance, including but not limited to the limit of indemnity provided by the insurance. The insurance policies prohibit disclosure of the premium payable and the nature of the liabilities covered.

d) Options and share rights outstanding

As at the date of this report there are 12,330,887 share options outstanding and 2,930,926 share rights outstanding in relation to Westpac ordinary shares. The expiry date of the share options range between 8 January 2011 and 1 March 2019 and the weighted average exercise price is $21.83. The latest dates for exercise of the share rights range between 20 January 2013 and 1 April 2020.

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

e) Proceedings on behalf of Westpac

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

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

5. Environmental disclosure

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

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

- an internally developed Sustainable Supply Chain Management framework; and

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

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

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

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

- Energy Savings Action Plan and a Water Savings Action Plan for the St.George House Building at Kogarah. Both plans were approved by the NSW Government during 2006 and require Annual Progress Reports (submitted to the NSW Government on 29 December 2008 and 31 October 2008 respectively). The Annual Progress Reports for each Action Plan are due in 2010 and subsequent years by 31 December. We comply with our obligations under the EAA and these Action Plans.

The National Greenhouse and Energy Reporting Act 2007 (Cth) (National Greenhouse Act) came into effect in July 2008. The Group has reported on greenhouse gas emissions, energy consumption and production under the National Greenhouse Act for the period June 2008 through July 2009 (Year 1 Reporting period) and will continue to report annually. The Group complies with the National Greenhouse Act and submitted its first report to the Commonwealth Government in October 2009.

The Group is subject to the reporting requirements of the Energy Efficiency Opportunities Act 2006 (Cth) (EEO), which requires a report to be submitted to the Commonwealth Government identifying and evaluating cost effective energy savings opportunities. The report is to be submitted by 31 December 2010. We comply with our obligations under the EEO.

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

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

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

6. Rounding of amounts

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

7. Political expenditure

In line with Westpac policy, no cash donations were made to political parties during the financial year ended 30 September 2010. The expenditure reflected in the table below relates to payment for participation in legitimate political activities where there was assessed to be of direct business benefit to Westpac. Such activities include business observer programmes attached to annual party conferences, policy dialogue forums and other political functions such as speeches and events with industry participants.

Political expenditure, year ended 30 September 2010

Australia

	Amount $(1)
Australian Labor Party	83,632
Liberal Party of Australia	69,990
National Party of Australia	5,549
Total	159,171

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

New Zealand

The total expenditure on political activities in New Zealand for the year ended 30 September 2010 was NZ$25,100. In line with Westpac policy, no cash donations were made to political parties in New Zealand during the year.

8. Directors meetings

Each Director attended the following meetings of the Board and Committees of the Board during the financial year ended 30 September 2010:

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

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

A - Meetings eligible to attend as a member

B - Meetings attended as a member

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 2009.

(1) Chairman of the Nominations Committee. He is a member of the Audit Committee, Risk Management Committee and the Technology Committee.
(2) Member of the Audit Committee, Risk Management Committee and Remuneration Committee. Since 3 November 2009 he has been a member of the Nominations Committee.
(3) Member of the Sustainability Committee and Technology Committee.
(4) Chairman of the Technology Committee. She is a member of the Audit Committee, Risk Management Committee and Nominations Committee.
(5) Chairman of the Remuneration Committee. He is a member of the Audit Committee, Risk Management Committee and Nominations Committee.
(6) Member of the Audit Committee, Risk Management Committee and Technology Committee.
(7) Chairman of the Risk Management Committee. She is a member of the Audit Committee, Nominations Committee and Remuneration Committee.
(8) Chairman of the Audit Committee. He is a member of the Risk Management Committee and Nominations Committee.
(9) Member of the Audit Committee, Risk Management Committee and Sustainability Committee.

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

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

9. Remuneration report

Introduction from the Chairman of the Board Remuneration Committee

Dear Shareholder,

Last year in our Remuneration Report, we explained the principles behind our remuneration strategy.

This year we thought it would be helpful to go further and explain how we, as a Board, decide on the quantum and structure of remuneration for our senior management group, our key management personnel and for the members of the Board.

Use of external consultants

The Remuneration Committee, following a competitive tender process, selected a specialist remuneration consultant, Ernst & Young and briefed and paid for them, independently of management. We judged them on the basis of their detailed knowledge of our competitors, their access to international data through their network and their deep understanding of the issues raised by the various external agencies.

Primary and secondary comparator groups

After detailed discussion, we selected the primary group of companies we would benchmark our remuneration against as the other three large Australian banks. We also selected a secondary group being the ASX top 10, excluding those banks. The primary purpose of the secondary group was to source comparisons where comparable positions didn t exist in the primary group or the positions were not directly related to Financial Services positions.

Remuneration aggregates for key management personnel

We primarily used total target remuneration to assess whether our remuneration levels were competitive. We wanted to exclude the variability of target setting in different firms, and the impact of individual performance on actual remuneration.

Relativities

We decided that for all senior management roles external relativities would be the primary lens, taking into account any internal disparities that this might cause. This balanced approach has served us well in the past.

Structure of total target remuneration

Our remuneration is divided into three components: fixed remuneration, short term incentive (STI), and long term incentive (LTI), the latter two referred to as at risk or variable remuneration.

Our policy is for fixed remuneration to be around the median of our primary benchmark group and for total target remuneration to deliver towards the top of our primary group for superior performance, recognising the difficulties arising from inexact role matches.

Our STI is assessed annually against a scoreboard of financial and non financial measures; for further information on these measures, refer to Section 3.2 of the Remuneration report . They are balanced to reward short term financial performance, with other metrics that drive long term value creation.

Of the STI, 60% is received as cash for the CEO, and the balance is deferred in shares. For her direct reports, the percentage received in cash is currently 60% to 75%.

LTI is awarded based on longer term and strategic contribution. It is subject to Total Shareholder Return (TSR) performance relative to a basket of financial services companies. Awards vest over a period of up to five years with initial TSR performance tested on the third anniversary of the commencement of the performance period. Subsequent testing is possible on the fourth and fifth anniversaries.

In benchmarking our structure this year we asked four questions:

- are we paying for performance in the balance between fixed and at risk remuneration?
- are we managing for the long term in the balance between short and long term remuneration?
- should we include a second, externally verifiable metric in our LTI arrangements to balance TSR?
- should we continue to provide the opportunity for multiple performance test dates over the life of our LTI awards?

Our summary conclusions were as follows:

- for the CEO and Group Executives, on average, we have the highest percentage of at-risk remuneration against our primary benchmarking group;
- on the balance between short and long term remuneration we will increase the proportion of STI deferred and the length of the deferral period for our Group Executives;
- we believe having a second performance metric to vest our LTI awards is appropriate; and
- we are not aligned to our peers in having multiple performance test opportunities for our LTI awards and should consider changing.

Changes to the balance between short and long term remuneration will be implemented next year. The introduction of a second performance metric to vest our LTI awards and changes to the multiple testing of LTI awards are envisioned for 2012, enabling us sufficient time for measured consideration of the detail of our proposals.

Discretion

In awarding our STI, the Board has 100% discretion with the scoreboard outcome for the CEO and 50% for the key management personnel and other members of senior management. We believe this discretion is vital to balance any overly mechanistic approach in determining performance outcomes, to better reward the truly outstanding performers and to enable previous decisions (either good or bad) to be taken into account. We exercise this discretion both up and down.

The criteria which we use as the basis for exercising this discretion is set out on Section 3.2.

For next year we have decided that we should align the percentage of discretion that can be applied for Group Executives and other members of senior management to that of the CEO.

Risk adjusted remuneration

We examined our remuneration structure to ensure that it discourages excessive risk taking. We were satisfied by the following building blocks:

- our overall funding pool for variable remuneration is managed to a percentage band of economic profit. Last year this pool fell in line with profitability;
- economic profit, a measure which reflects both profitability and the risk in our business, is our primary financial metric;
- we exercise discretion over the STI outcome, with risk as a primary lens, both retrospectively and prospectively;
- remuneration decisions for employees performing risk and financial control functions are given additional specific focus under our governance arrangements; and
- the Chief Risk Officer, who is the company s top risk officer, attends Remuneration Committee meetings.

Remuneration for Non-executive Directors

We review Non-executive Director fees periodically, benchmarking our relative positioning against the same peer grouping we use to assess key management personnel remuneration. Our two critical lenses were average actual fees, to account for different board sizes, and actual fees per position. Non-executive Director fees were last increased in 2007.

Following benchmarking work this year, we decided that no major changes were warranted but that it would be appropriate not to increase Committee fees and to increase base fees only by 5% for 2011. This is less than inflation over the period and will not necessitate an increase in the shareholder-approved fee pool from which Non-executive Director payments are made.

In conclusion, we hope you, as shareholders, find this a useful explanation of our processes, thinking and actions. As ever, we welcome your feedback, as we strive to make the report simpler and easier to understand.

Gordon Cairns

Chairman - Board Remuneration Committee

1. Remuneration snapshot

This section provides an overview of the Group s remuneration arrangements during 2010 and those planned for 2011.

1.1 Significant factors impacting remuneration this year

The external environment has continued to change significantly during 2010. Economic conditions in Australia improved markedly, yet there is continued uncertainty in the financial sector globally. Our ongoing ability to manage through the new operating environment, leveraging all our brands, while continuing to deliver results for our customers and shareholders is something that we are very proud of.

Executive remuneration has continued to be a focus for governments, regulators and other stakeholders. We have assessed our executive remuneration frameworks and are satisfied that we have a solid foundation for managing remuneration-related risk for the long term.

Remuneration levels

In May 2009, we responded to the lower earnings associated with the global financial crisis by leaving the fixed remuneration levels and variable reward targets for the CEO and Senior Executives(1) unchanged until the 2011 financial year.

More stable market conditions and improving results have meant that remuneration reviews will re-commence from 1 October 2010.

Eligible employees received a 2% pay increase in July 2010 following approval of the new Westpac Enterprise Agreement by Fair Work Australia. This did not include the CEO or Senior Executives.

Performance during the year and the associated remuneration are discussed in more detail in the next section.

Variable reward

The remuneration framework provides for payment of variable rewards to employees so their remuneration is broadly aligned with returns to shareholders.

Each year a variable reward pool is established from which short term incentives, which include cash and deferred share bonuses, and long term incentive awards are paid for all employees, including Senior Executives.

The Remuneration Committee assesses financial performance primarily using economic profit(2), a financial measure that reflects both the profitability and the risk in our business. To supplement this measure, consideration is also given to other measures including cash earnings(3), cash earnings per share and dividends payable to shareholders.

In 2010 the Board concluded that an increase in the Group s overall variable reward funding should be broadly commensurate with our improved financial result and dividend growth.

Regulatory changes

In Australia and internationally the uncertainty since 2009 regarding the regulation of executive remuneration has begun to settle. This year we have managed new regulatory requirements across the many jurisdictions in which Westpac operates.

The charters of the Board and its Remuneration Committee and the Group Remuneration Policy reflect the new APRA Prudential Standard on the governance of remuneration.

During 2010 the Productivity Commission released its report on Executive Remuneration in Australia and the Government followed with its response. The Board generally supports the recommendations and will continue to monitor developments.

Changes to remuneration framework from 2011

For the 2011 financial year, the Board has adopted changes to the executive remuneration framework recommended by the Remuneration Committee to strengthen the alignment of executive remuneration with the interests of our shareholders, regulatory principles and market practices.

For 2011, the framework will retain the current structure of fixed remuneration, short term incentive (STI) and long term incentive (LTI), but with modifications to the STI impacting:

- the proportion that is granted as deferred equity (the cash portion will decrease for most participants); and

- the deferral period for deferred equity granted under the STI (broader and longer for most participants).

Details of these changes are set out in Section 3.2.

Further changes to the LTI proposed for the 2012 financial year, subject to detailed consideration by the Remuneration Committee and the Board, include:

- removal of the re-testing of performance hurdles beyond the initial test date; and
- introduction of a second performance hurdle.

We will further address these matters in next year s report.

The next section gives an overview of remuneration as it applies to three groups: the CEO and Senior Executives, other employees and Non-executive Directors.

(1) Senior Executives are named in Section 1.5 in this Remuneration Report.
(2) Economic profit represents the excess of adjusted cash earnings over a minimum required rate of return on equity invested. For this purpose, adjusted cash earnings is defined as cash earnings plus the estimated value of franking credits paid to shareholders.
(3) Cash earnings is defined in Note 32 of the Financial Statements.

1.2 CEO and Senior Executives

Remuneration principles and strategy

Our remuneration strategy is designed around six principles:

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

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

Executive remuneration framework

The executive remuneration framework for the CEO and Senior Executives has three components.

Fixed remuneration - takes into account the size and complexity of the role, individual responsibilities, experience, skills and market-related pay levels. The fixed package is comprised of cash salary, salary sacrifice(1) items and superannuation.

Short term incentive (STI) - comprises cash and deferred shares. The level of payment is determined based on an STI target set using similar principles to those used for fixed remuneration and on individual, divisional and Group performance for the year. These are measured against risk-adjusted financial targets and non-financial targets that support the Group s short and long term strategy.

Long term incentive (LTI) - performance share rights which vest over a three to five-year period if a performance hurdle is achieved. The award takes into account market benchmarks, individual performance over time, succession potential and key skills.

1.3 Remuneration for other employees

The remuneration strategy for other employees is consistent with the executive remuneration framework described. In particular:

- fixed remuneration is aligned to the market and is reviewed annually;
- we provide superannuation for employees in Australia, New Zealand and some other countries in which we operate;
- employees have the opportunity to participate in an STI scheme designed to support the objectives of their division and the Group, including risk management. In some cases a portion is deferred;
- key employees may also receive an LTI award in the form of deferred shares; and
- eligible employees may receive an annual award of Westpac ordinary shares up to the value of $1,000 under the Employee Share Plan provided the Group meets at least one of two hurdles: an increase in share price or in customer advocacy.

1.4 Non-executive Directors

The Board focuses on strategic direction, long term corporate performance and the creation of shareholder value. The remuneration strategy for Non-executive Directors is set so as to attract and retain experienced and qualified Board members and remunerate them appropriately for their time and expertise.

Non-executive Directors receive a base fee, a fee for chairing or participating in Board Committees and superannuation. Those who serve on subsidiary Boards receive further fees which are paid by the relevant subsidiary company.

During the year the Board reviewed the fee framework for Non-executive Directors. Market data was obtained from an independent remuneration consultant and based on this advice the Board agreed to a 5% increase in base fees for 2011. There will be no increase to Committee fees. Fees for Non-executive Directors were last increased in 2007.

Fee pool

At the 2008 Annual General Meeting the current fee pool of $4.5 million per annum was approved by shareholders. For the 2010 year, $3.5 million (78%) of this fee pool was used.

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

1.5 CEO and Senior Executives disclosed in this report

CEO and Senior Executives

The table below lists the key management personnel disclosed in the 2010 Remuneration Report.

Name	**Position**
Gail Kelly	Managing Director & CEO
Group Executives	
John Arthur	Group Executive, Counsel & Secretariat
Greg Bartlett	Chief Executive, St.George Bank
Peter Clare	Group Executive, Product & Operations
Philip Coffey	Chief Financial Officer
Rob Coombe	Chief Executive Officer, BT Financial Group (until 31 January 2010) Group Executive, Westpac Retail & Business Bank (from 1 February 2010)
Brad Cooper	Group Chief Transformation Officer (until 31 January 2010) Chief Executive Officer, BT Financial Group (from 1 February 2010)
George Frazis	Chief Executive, Westpac New Zealand Limited
Peter Hanlon	Group Executive, Westpac Retail & Business Bank (until 31 January 2010) Group Executive, People & Transformation (from 1 February 2010)
Bob McKinnon	Group Executive, Technology
Greg Targett	Chief Risk Officer
Rob Whitfield	Group Executive, Westpac Institutional Bank
Other Senior Executives	
Curt Zuber	Group Treasurer
Former Group Executive	
Ilana Atlas	Group Executive, People (until 31 January 2010)

Non-executive Directors

Name	Position
Ted Evans	Chairman
John Curtis	Deputy Chairman
Elizabeth Bryan	Director
Gordon Cairns	Director
Peter Hawkins	Director
Carolyn Hewson	Director
Lindsay Maxsted	Director
Graham Reaney	Director
Peter Wilson	Director

2. Governance and risk management

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

2.1 Governance

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

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

- determining the goals and objectives relevant to the remuneration of the CEO and evaluating the performance of the CEO in light of these objectives;
- reviewing succession plans for the CEO and Group Executives;
- considering and approving the Group Remuneration Policy and remuneration structures for each category of persons(1) covered by the Group Remuneration Policy;
- approving individual remuneration levels for the CEO, Non-executive Directors, executives who report directly to the CEO, other persons whose activities in the Board s opinion affect the financial soundness of the Group and any other person specified by APRA;
- approving the appointment of Group Executives and the General Manager Group Assurance and monitoring the performance of senior management; and
- determining the size of variable reward pools as part of the Group s annual plan based on consideration of pre-determined business performance indicators and the financial soundness of the Group.

The Remuneration Committee supports the Board. Its primary function is to assist the Board in fulfilling its responsibilities to shareholders with regard to remuneration. The Remuneration Committee monitors both the Group s remuneration policies and practices, external remuneration practices, market expectations and regulatory requirements in Australia and internationally. The Remuneration Committee:

- reviews and makes recommendations to the Board in relation to the Group Remuneration Policy and assesses the Policy s effectiveness and compliance with Prudential Standards;
- reviews and makes recommendations to the Board on remuneration structures, including incentive plans, for each category of persons covered by the Group Remuneration Policy;
- reviews and makes recommendations to the Board on individual remuneration levels for the CEO, Non-executive Directors, executives who report directly to the CEO, other persons whose activities in the Board s opinion affect the financial soundness of the Group and any other person specified by APRA;
- reviews and makes recommendations to the Board on the remuneration policies and fee levels for Non-executive Directors of subsidiary boards;
- reviews and makes recommendations to the Board on objectives against which the CEO s performance is assessed and which are used as the basis for determining the CEO s variable reward or remuneration;
- reviews and makes recommendations to the Board on the size of variable reward pool, as outlined previously;
- oversees succession planning for Group Executives and other senior executives;
- oversees general remuneration practices and reward expenditure across the Group;
- oversees the Group s equity based plans, and makes recommendations to the Board relating to new plans and changes to existing plans;
- monitors performance against set hurdles under our LTI plans;

- monitors and assesses the extent to which the Group s remuneration policies achieve their aims within an appropriate risk management framework; and

- approves remuneration arrangements outside of the Group Remuneration Policy relating to those individuals or groups of individuals who are significant because of the sensitivity of their roles, precedent or disclosure implications.

During 2010, the Remuneration Committee appointed Ernst & Young as its independent consultant to provide specialist advice on executive remuneration and other Group remuneration matters. These services are provided directly to the Remuneration Committee and are independent of management. Further, the Board maintains a separate funding pool, independently overseen by the Chairman, to pay for this advice.

Members of the Remuneration Committee during 2010

All members of the Remuneration Committee are independent Non-executive Directors. During 2010 the members were:

- Gordon Cairns (Chairman);

- John Curtis; and

- Carolyn Hewson.

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(1) This includes persons whose activities in the Remuneration Committee s opinion may affect the financial soundness of Westpac and any other person specified by APRA.

Remuneration Committee Charter

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

All Board Committee Charters are reviewed annually. The Board Remuneration Committee Charter was amended in 2010. Amendments reflected regulatory changes during the year, particularly the APRA Prudential Standard on the governance of remuneration. Further information about the Remuneration Committee is provided in the Corporate Governance Statement in this Annual Report.

The following diagram illustrates the roles and responsibilities of the Board with regard to remuneration issues and its Remuneration Committee.

Other internal governance structures

A number of new governance structures were established in 2010 to assist the Board and its Remuneration Committee to fulfil their responsibilities to shareholders regarding remuneration matters.

The role and responsibilities of these internal groups and committees, comprised of Westpac executives, are outlined below.

- Remuneration Oversight Committee responsible for leading the optimisation of risk-adjusted remuneration across the Group, overseeing the Group Remuneration Policy, remuneration arrangements and the criteria and rationale for recommending the total quantum of the Group variable reward pool as approved by the Board;

- Divisional Remuneration Oversight Committees responsible for designing and proposing incentive plans and monitoring remuneration outcomes for the respective division; and

- Functional Remuneration Oversight Committees responsible for reviewing incentive plans and remuneration outcomes for the respective functions so there is consistency and appropriateness across the Group. The Committee also reviews the remuneration structure for Risk and Financial Control employees so that their independence is not compromised.

2.2 Risk management

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

The executive remuneration framework specifically includes features to take account of risk. The framework is composed of a mix of fixed pay and variable reward, a portion of which is deferred. During 2010, Senior Executives received deferred compensation in two forms: deferred shares as part of the STI, and an LTI award of performance share rights which deliver value only if the Group meets or exceeds predetermined performance hurdles. These help to align the interests of the CEO and Senior Executives with those of shareholders.

Each year the Board determines the size of the variable reward pool. This is based on an assessment of how profit should be shared between employees, shareholders and ongoing capital requirements. The primary financial indicator used is economic profit but cash earnings, earnings per share and dividends are also taken into account.

STI outcomes are based on financial and non-financial measures which reflect risk management and the Group s corporate values and expected behaviours. Economic profit, which measures profitability adjusted for risk in the business accounted for 40% of the CEO s and Group Executives scoreboards for 2010. A performance measure related to the Board s Risk Appetite Statement accounted for a further 10% of the CEO s and Group Executives scoreboards. In addition, the CEO and each Group Executive is assessed on specific risk measures that may influence any discretionary adjustment to the scoreboard.

Shareholding requirements

To align their rewards with shareholder returns, the CEO and those Senior Executives who are Group Executives are expected to build and maintain a substantial Group shareholding within five years of commencing a Group Executive role. For the CEO the value of that shareholding is expected to be no less than five times her annual fixed package. For Group Executives the expected minimum is $1.2 million.

Participants are strictly forbidden from entering either directly or indirectly into hedging arrangements for those deferred shares in their STI and LTI equity awards which are yet to be vested. No financial products of any kind may be used to mitigate the risk associated with these equity instruments. Any attempt to hedge these securities makes them liable for forfeiture.

Approval of remuneration decisions

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

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

- performance outcomes and remuneration for the CEO and Group Executives; and

- performance outcomes and remuneration for other executives who report directly to the CEO, other persons whose activities in the Board s opinion affect the financial soundness of the Group and any other person specified by APRA.

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

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

Corporate values and culture

We actively focus on our corporate values and seek to ensure a culture of risk management is embedded throughout our organisation. The Group s corporate values are: being part of one team, delighting customers, recognising achievement, valuing each other and acting with integrity. Our annual Staff Perspective Survey asks employees what they value and consider the organisation s top 10 values(1). In 2010, these included values consistent with a culture of risk management, compliance , accountability and doing the right thing .

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(1) Results of the Staff Perspectives Survey reported by Barrett Values Centre, September 2010.

3. The structure of remuneration and assessment of performance

This section describes in more detail the three different components of remuneration and how performance is assessed for the CEO and Senior Executives.

3.1 Fixed remuneration

Fixed remuneration refers to the fixed package - comprising cash salary and salary sacrifice items - and superannuation.

The Group provides superannuation contributions of up to 9% of fixed package. During 2010, three Senior Executives remained members of legacy defined benefit superannuation funds (which are closed to new members).

3.2 Short term incentive (STI)

Performance objectives and performance achieved

The Remuneration Committee sets individual performance objectives for the CEO and each of the Senior Executives. These objectives are intended to provide a robust link between remuneration and the key drivers of long term shareholder value. The STI performance objectives are set out in the form of a scoreboard. These include the financial and non-financial objectives below:

Category	**Weighting for 2010**
Shareholders/financials	40%
Customers	30%
Shareholders/risk	10%
Shareholders/strategy	10%
People	10%

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

Shareholders/financials

Our primary financial measure is economic profit because the Board believes it is the best measure of risk adjusted returns and of the value created for shareholders. In 2010, economic profit increased by 58%, or by $1,263 million.

Customers

We assess the strength of our relationships with our customers using a number of measures.

Net Promoter Score For our retail, business banking and wealth customers we measure customer advocacy. This is how willing our customers are to recommend us to others. In 2010 St.George retail(1) and business(2) customers ranked us as their first choice of the major banks to recommend to others.

Relationship Strength Index(3) This measure combines a range of service quality factors including customer advocacy and in 2010 for our large corporate customers we were ranked equal first among our peer group.

Customers with four or more products(4) We want to earn all our customers business and we measure our progress against this objective by assessing how many customers have four or more products with us. In 2010 we increased the number of both Westpac and St.George retail and business banking customers with four or more products with us by more than 85%.

Technology Much of our customers experience depends on the stability of our technology platforms. We measure our success by looking at the number of critical incidents those that directly impact our customers ability to do business with us. We have reduced the number of these events by over 50% in 2010.

Shareholders/risk

Our scoreboard measure for risk involves the Board s assessment of our performance against the Board Risk Appetite Statement. Highlights of our performance for 2010 include:

- maintenance of our credit rating;
- a strengthened Tier 1 capital position;
- an increase in our stable funding ratio, with the key focus on customer deposits and long term wholesale funds; and

- active management and reduction in the level of impairment charges.

Shareholders/strategy

For 2010 our scoreboard measure for strategy focused on the primary initiatives we have in place to achieve our transformation objectives. These included:

Technology We have made significant progress towards our long term IT strategy, including commencing the implementation of our Strategic Technology Investment.

Funding We enhanced our funding profile over the year including lengthening the duration of our funding and increasing our holdings of liquid assets.

Active customer centric culture Our culture program aims to strengthen the Group s focus on customers. Our employees voted delighting customers and customer satisfaction as our top two corporate values in 2010(5). We are pleased with the strong and healthy alignment between our employees and our strategy.

Multi-branding We have deepened our capability and understanding of what it takes to leverage our very strong brands. We continue to realise significant benefits from the merger with St.George and we are concentrating on maintaining and further building the distinctiveness of our brands.

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(1) Roy Morgan Research, October 2010.

(2) Taylor Nelson Sofres Research, Business Monitor, October 2010.

(3) Peter Lee Associates Large Corporate & Institutional Relationship Banking Survey, Australia, 2010.

(4) An internal measure of the number of products customers hold with the Group.

(5) Results of the Staff Perspectives Survey reported by Barrett Values Centre, September 2010.

People

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

Whilst 2010 has been a challenging year our people have shown great resilience. The aftermath of the global financial crisis, our need to contain spending and its impact on remuneration levels, and the substantial change programs that have been implemented have all impacted our employees.

We had a 90% response rate to our employee engagement survey(1) this year. Despite the challenges we maintained our employee engagement scores compared to 2009 and are ranked in the top quartile of companies globally. Our employee advocacy scores improved markedly this year, with many more of our employees willing to recommend us to their family and friends.

Application of discretion

The Board and Remuneration Committee recognises that the scoreboard approach, whilst embracing a number of complementary performance objectives, will never entirely reflect performance as a whole. The Remuneration Committee may therefore make discretionary adjustments to the scoreboard outcome of up to 100% for the CEO, and up to 50% for Senior Executives. The Remuneration Committee uses the following criteria to apply discretionary adjustments:

- matters not known or not relevant at the beginning of the financial year which are relevant to the under or over performance of the Executive during the financial year;
- personal measures established by the CEO for each Executive;
- the degree of stretch implicit in the scoreboard measures and targets themselves and the context in which the targets were set;
- whether the operating environment during the financial year has been materially better or worse than forecast in the budget assumptions;
- comparison with the performance of the Group s principal competitors, particularly major shareholder and customer benchmarks;

- any major positive or negative risk management or reputational issue which impacts the Group;
- the quality of the financial result as shown by its composition and consistency;
- whether there have been major positive or negative aspects to the quality of leadership and key behaviours and our values; and
- any other relevant over or under performance or other matter not captured.

At the end of the year the Remuneration Committee reviews performance against objectives and applies any adjustments it considers appropriate. The Remuneration Committee then recommends STI outcomes for the CEO and each Senior Executive to the Board for approval.

The maximum STI outcome is 200% of target.

For 2011, the Board has approved an increase in the level of discretion that can be applied to outcomes, from 50% to 100%. Furthermore, the Board has absolute discretion to adjust STI outcomes downwards (to zero if appropriate) if such adjustments are necessary to protect the financial soundness of the Group, or to respond to significant unexpected or unintended consequences.

STI targets

CEO

The CEO s STI target was $3.5 million for 2010, unchanged from 2009.

Senior Executives

STI targets for Senior Executives are set by the Remuneration Committee at the beginning of each year based on market competitiveness and the nature of the role. Targets in 2010 were unchanged from 2009. STI awards for Senior Executives are managed within the Group-wide variable reward pool.

STI structure - a mix of cash and deferred shares

For 2010, the deferred portion of the STI was set as follows:

STI deferral details 2010

Executive	**Deferred Portion**	**Timing**
CEO	40%	50% for 1 year, 50% for 2 years
Senior Executives	25%	2 years
Chief Risk Officer	40%	50% for 2 years, 50% for 3 years
Group Treasurer	34%	2 years

Deferred STI awards granted to the CEO are made in Westpac ordinary shares under the CEO Restricted Share Plan. For Senior Executives based in Australia, the deferred portion is received as Westpac ordinary shares under the Group s general Restricted Share Plan. Shares granted under the CEO Restricted Share Plan and Restricted Share Plan rank equally with Westpac ordinary shares for dividends and voting rights from the date they are granted. These shares are restricted for up to two years, except for the Chief Risk Officer as shown in the table above.

For 2011 changes have been made to both the size and length of this deferral as part of the review of the executive remuneration framework. The new details are shown in the following table.

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(1) Results of the Staff Perspectives Survey conducted by Towers Watson, September 2010.

STI deferral details 2011

Executive	Deferred Portion	Timing
CEO	40%	3 equal tranches for 1, 2 and 3 years
Senior Executives	40%	3 equal tranches for 1, 2 and 3 years
Group Executive, Technology	25%	1 year (as per fixed term contract)

For Senior Executives outside Australia, the deferred component of the STI may instead be received as rights to ordinary shares (which entitle the holder to Westpac ordinary shares at the time of vesting) under the Westpac Performance Plan.

By deferring a portion of the STI, incentive payments are better aligned with the interests of shareholders. Changes in the business during the vesting period are reflected in the share price at the end of the restriction period. Deferred STI also supports the retention of key talent, as generally it is forfeited if the holder resigns during the restriction period. Shares are also forfeited if the holder is dismissed for cause.

3.3 Long term incentive (LTI)

Performance objectives and performance achieved

The CEO and Senior Executives are also eligible for an LTI award. LTI awards may vest over a three to five-year period, subject to a performance hurdle based on the Group s Total Shareholder Return (TSR) relative to its peers. TSR is a measure of gross return based on share price movement, dividends paid and returns of capital to shareholders.

The CEO and Senior Executives receive value from their LTI awards only if the Group s TSR is at or higher than the 50th percentile of a group of our peers as defined in Section 6.7.

The table below details the vesting scale for LTI awards:

Westpac s relative TSR ranking	Percentage of LTI to vest
Below the 50th percentile	0%
At the 50th percentile	50%
At the 60th percentile	70%

At the 70th percentile	90%
At or above the 75th percentile	100%

TSR is measured over a period of three to five years from the beginning of the performance period. Each time TSR is measured, the share price is averaged over three months to smooth the impact of short term fluctuations.

During the year, several LTI awards granted in previous years under the Westpac Performance Plan were tested against the relevant performance hurdles. Nineteen awards of securities under the Westpac Performance Plan reached a performance test date. Performance for all these awards was above the 50th percentile, with the Group s relative TSR ranking results ranging from the 74th percentile to the 100th percentile. Where securities reached their first or second test dates and performance was above the 50th percentile, most employees chose not to extend the performance period. No awards under the CEO Performance Plan and Westpac Reward Plan reached a scheduled test date during the reporting period.

LTI structure

The CEO receives an annual LTI award of performance share rights (rights to purchase ordinary shares at zero exercise price at a pre-determined point in the future, subject to certain performance criteria being met) under the CEO Performance Rights Plan. Senior Executives receive annual LTI awards of performance share rights under the Westpac Reward Plan.

In previous years, the CEO and Senior Executives were eligible for awards of performance options under the Westpac Reward Plan. From July 2009, performance options were replaced with performance share rights in response to changes to the taxation treatment of options.

From time to time Senior Executives may receive one-off LTI awards under the Restricted Share Plan or the Westpac Performance Plan.

The following table sets out the key features of LTI awards to the CEO under the CEO Performance Rights Plan (2010 grant) and to Senior Executives under the Westpac Reward Plan.

	CEO Performance Rights Plan (2010 grant) Westpac Reward Plan
Instrument	Performance share rights
Determining the number of securities	The number of performance share rights each individual receives is determined by dividing the dollar value of the LTI award by the value of the performance share rights at the beginning of the TSR assessment period (performance period).
	The value of performance share rights is determined using a Binomial/Monte Carlo simulation pricing model which uses assumptions based on expected life, volatility, risk free interest rate and dividend yield. The Binomial/Monte Carlo simulation pricing model discounts the market price of Westpac shares at grant to take into consideration these assumptions. This is calculated by an independent valuer.
Performance hurdle is relative TSR	The CEO and Senior Executives receive value from their LTI awards only if Westpac s TSR ranks at or higher than the 50th percentile of a defined group of comparator companies (the ranking group) over the performance period. This provides a link with the creation of value for shareholders over the long term (up to five years).
	Lists of companies in the current ranking groups for the CEO Performance Rights Plan and the Westpac Reward Plan are provided in Section 6.7.
Vesting framework focuses on longer-term performance	Initial TSR performance is tested at the third anniversary of the start of the performance period with subsequent testing possible at the fourth and fifth anniversaries. Full vesting occurs when Westpac s TSR is at or exceeds the 75th percentile relative to the comparator group, scaling down to 50% vesting for performance at the median (50th percentile). Below median performance, securities do not vest. Unvested securities are re-tested at subsequent performance test dates (where these exist) and further vesting occurs only if TSR ranking is above the 50th percentile and has improved from previous test dates.
	The vesting framework has been designed to strengthen the link with shareholder returns over the longer term. Vesting results are locked in at each test date and any securities that are not vested are subject to further performance hurdles until the final test date.
External consultants calculate TSR	TSR results are calculated by an independent external consultant and are provided to the Board or its delegate to review and determine vesting outcomes.
Early vesting is possible in limited cases	For awards made since 1 October 2009, unvested securities may vest prior to a test date if the employee is no longer employed by the Group due to death or disability. In general, any such vesting is not subject to performance hurdles being met. For the CEO, all unvested securities will vest if the CEO leaves the Group due to sickness or in certain circumstances within 12 months of a change of control.
Lapsing of securities	Any securities remaining unvested at the final test date lapse immediately. Where the CEO or Senior Executive leaves the Group due to resignation or dismissal for cause before vesting occurs, securities will lapse unless the Board determines otherwise.

Unexercised performance share rights (whether vested or unvested) will lapse, unless the Board determines otherwise, where the holder acts fraudulently or dishonestly or is in material breach of his or her obligations under the CEO Performance Plan and the Westpac Reward Plan or to the Group.

LTI award opportunities

CEO

The CEO received an LTI award of $2.5 million for 2010. The award was received in the form of performance share rights under arrangements approved by shareholders at the 2009 Annual General Meeting.

The CEO will receive a further equity-based LTI award of $2.7 million in December 2010 for 2011, subject to shareholder approval at the 2010 Annual General Meeting.

Senior Executives

Senior Executives (except Bob McKinnon) receive annual LTI awards of performance share rights under the Westpac Reward Plan. At the beginning of each year, the Board, advised by the Remuneration Committee, sets the dollar value of the LTI award target for each Senior Executive. These did not increase in 2010.

The actual LTI award granted to each Senior Executive is determined at the Board s discretion. The level of the award takes into account market benchmarks, individual performance over time, succession potential and key skills.

Bob McKinnon

Due to the nature of his four year fixed term contract, Bob McKinnon has different LTI arrangements. He received an award of cash-settled performance share rights which vest over the period of his contract provided he meets the performance hurdles set by the Board. The performance hurdles are directly related to his individual long term performance objectives.

3.4 Other long term awards

The Restricted Share Plan and Westpac Performance Plan are also used from time to time for one-off awards to attract Senior Executives to the Group or for retention in specific circumstances. Where awards are made on joining, these typically compensate for real value forfeited on leaving the previous employer which might otherwise deter that Executive from joining the Group.

LTI awards to key employees below senior management level may also be made under the Restricted Share Plan and Westpac Performance Plan. Under these arrangements, employees receive awards of Westpac ordinary shares or share rights which are restricted for a period as determined by the Board. This allows the flexibility to tailor the restriction period to the circumstances of the award.

3.5 Target remuneration mix of remuneration elements

A target remuneration mix is determined for each management level, with the proportion of performance-based rewards increasing with the level of responsibility and the critical nature of the role.

The following diagram illustrates the proportions for target reward in 2010 for the CEO and the average for Group Executives.

LTI award of performance options

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

Deferred STI of restricted shares

- restricted for up to 3 years subject to service conditions

STI paid as cash

- in December 2010

Fixed remuneration

- including cash, salary sacrifice items and employer superannuation

4. Remuneration outcomes for the CEO and Senior Executives

The table below provides the value the CEO and Senior Executives received from the various components of their remuneration during 2010. Details in this table supplement the statutory requirements in Section 6. The valuation of equity based awards is calculated as in note 3 below. It is not prepared in accordance with A-IFRS.

	Period	Fixed remuneration and superannuation $ 000	Short term payments Other payments and benefits $ 000(1)	STI received as cash $ 000(2)	Total short term payments $ 000	Value of equity-based awards that vested during the year $ 000(3)
CEO						
Gail Kelly	Full year	2,701		2,835	5,536	3,083
Senior Executives	**2010**					
John Arthur	Full year	771		975	1,746	
Greg Bartlett	Full year	954	10	1,594	2,558	465
Peter Clare	Full year	960		1,238	2,198	
Philip Coffey	Full year	1,100	1	1,800	2,901	355
Rob Coombe	Full year	960	1	1,500	2,461	514
Brad Cooper	Full year	985	154	1,500	2,639	1,332
George Frazis	Full year	982	293	1,294	2,569	1,517
Peter Hanlon	Full year	1,084	100	1,238	2,422	206
Bob McKinnon	Full year	800		1,125	1,925	
Greg Targett	Full year	1,081	1	702	1,784	239
Rob Whitfield	Full year	1,800	251	1,560	3,611	980
Curt Zuber	Full year	571	1	3,569	4,141	746
Former executive						
Illana Atlas	Part year	257	152	400	809	335

(1) Includes annual health checks, relocation, living away from home expenses, allowances and termination payments.
(2) The CEO and Senior Executives receive part of their annual STI as cash and part was required to be deferred for up to two years (Greg Targett, as Chief Risk Officer, for up to three years). The figure in this column represents the value of the 2010 STI received as cash.
(3) The value in this column is calculated as the number of securities that vested, multiplied by the Group s share price at the time they vested, less any exercise price payable.

5. Remuneration of Non-executive Directors

Remuneration policy and fee pool

The Board s focus is on strategic direction, long term corporate performance and the creation of shareholder value. As a consequence, fees for Non-executive Directors are not directly related to the Group s short term results and Non-executive Directors do not receive performance-based remuneration. The Board undertakes ongoing self-assessment and an external review of its performance and that of the Chairman, each Director and Board Committees. This is detailed in the Corporate Governance Statement in this Annual Report.

Fee framework

The Board periodically reviews the fee framework for Non-executive Directors. At each review the Board considers the performance of the Group and the advice of independent remuneration consultants to help ensure alignment with the market. The current fee framework was set in 2007 as part of a full fee framework review; and reviewed again in 2010.

Under the current framework, all Non-executive Directors receive a single base fee. Non-executive Directors, other than the Chairman, receive additional fees for membership or chairmanship of standing Board Committees (except the Nominations Committee), temporary committees (where appropriate) and subsidiary boards and advisory boards.

The following table details the Board and standing Committee fees payable for 2010:

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

For the 2011 financial year, the Board has determined that the level of base fees will increase by 5%. This change is effective from 1 October 2010. There is no change to any Committee fees.

A temporary OHS Committee was established effective 1 May 2010 to assist with oversight of OHS responsibilities for the Group. The function of, and continued need for, an OHS Committee will be reviewed in 2011.

In addition to their Directors fees, Ted Evans and Carolyn Hewson have retiring allowances that accrued until they were frozen in 2005 and are now indexed in line with average weekly earnings. The indexed amount is payable on retirement. These allowances are detailed in Section 6.6.

Throughout the reporting period, additional fees for eight Non-executive Directors were payable for membership of boards of subsidiaries, the OHS Committee or advisory boards. These fees vary according to the position held, the size, level and nature of activity in the division and the time commitment required.

Superannuation

The Group pays superannuation contributions to Non-executive Directors of up to 9% of their fees. These contributions are capped at the maximum compulsory superannuation contributions base prescribed under Superannuation Guarantee legislation. Employer contributions are made to one of our staff superannuation funds or to an eligible superannuation fund of the Director s choice.

Equity participation

Non-executive Directors have voluntarily resolved to build and maintain their individual holdings of Westpac ordinary shares to align their interests with the long term interests of shareholders.

This table shows the fees received by each Non-executive Director and supplements the statutory disclosure in Section 6.6.

Name	**Period served**	**Main Board and committee fees received(1) $ 000**	**Subsidiary Board fees received $ 000**	**Superannuation $ 000**	**Total $ 000**
Ted Evans (Chairman)	Full year	700		15	715
John Curtis (Deputy Chairman)	Full year	336	30	17	383
Elizabeth Bryan	Full year	298	48	15	361
Gordon Cairns	Full year	303		15	318
Peter Hawkins	Full year	270	23	17	310
Carolyn Hewson	Full year	295	110	25	430
Lindsay Maxsted	Full year	275	23	17	315
Graham Reaney	Full year	279	6	15	300
Peter Wilson	Full year	290	95	15	400

(1) Includes fees for the temporary OHS Committee and the BankSA Advisory Board.

6. Remuneration details - key management personnel and other executives

6.1 CEO and Senior Executive remuneration details for the 2010 year

This section sets out details of remuneration for the CEO and Senior Executives for the 2010 financial year, calculated in accordance with statutory accounting requirements.

			Short term benefits			Post employment	Share-based payment			
Name	**Period**	**Fixed remuneration(1) $**	**STI (cash)(2) $**	**Non-monetary benefits(3) $**	**Other short term benefits $**	**Superannuation benefits $**	**Restricted shares(4) $**	**Options(5) $**	**Share rights(5) $**	**Total(6) $**
Gail Kelly										
2010	Full year(7)	2,685,837	2,835,000			14,913	1,732,042	839,924	1,479,280	9,586,996
2009	Full year(7)	2,686,255	2,625,000	985		14,021	3,737,721	777,035	783,895	10,624,912
John Arthur										
2010	Full year	707,513	975,000			63,578	92,935		97,757	1,936,783
2009	Part year	590,840	555,000	275		53,103				1,199,218
Greg Bartlett										
2010	Full year(3),(8)	747,622	1,593,750	9,904		206,000	283,754		210,640	3,051,670
2009	Part year(3),(8)	624,444	712,500	15,843		90,138	534,103		67,302	2,044,330
Peter Clare										
2010	Full year	880,734	1,237,500			79,266	237,316	63,258	131,357	2,629,431
2009	Full year	901,871	862,500	1,012		48,244	84,871	63,258		1,961,756
Philip Coffey										
2010	Full year	1,009,174	1,800,000	1,012		90,826	660,898	247,162	183,292	3,992,364
2009	Full year	998,714	1,687,500	836		72,290	518,336	391,111	45,407	3,714,194
Rob Coombe										
2010	Full year	880,734	1,500,000	1,012		79,265	403,230	253,101	171,076	3,288,418
2009	Full year	889,332	975,000	1,012		47,440	469,313	373,561	40,444	2,796,102
Brad Cooper										
2010	Full year	903,670	1,500,000	153,860		81,330	879,125	197,113	261,788	3,976,886
2009	Full year(9)	892,070	1,012,500	635,210	800,000	80,286	511,948	197,113	173,776	4,302,903
George Frazis										
2010	Full year	967,330	1,293,750	292,613		14,586		399,634	1,418,395	4,386,308
2009	Part year	588,635	630,000	121,679		8,384		234,306	1,043,149	2,626,153
Peter Hanlon										
2010	Full year(8)	880,734	1,237,500	99,856		203,508	362,815	153,735	131,357	3,069,505
2009	Full year(8)	858,818	975,000	1,012		215,938	282,586	211,905	16,772	2,562,031
Bob McKinnon										

2010	Full year	733,945	1,125,000			66,055	150,706		447,931	2,523,637
2009	Full year	738,641	900,000	1,012		61,358			388,595	2,089,606
Greg Targett										
2010	Full year	991,917	701,700	1,012		89,174	161,950		174,912	2,120,665
2009	Part year	614,474	288,000	1,012		51,703	239,581		23,553	1,218,323
Rob Whitfield										
2010	Full year(10)	1,651,376	1,560,000	251,389		148,624	710,694	183,477	183,292	4,688,852
2009	Full year(9)	1,500,228	732,000	248,784	2,000,000	135,021	862,650	294,649	37,218	5,810,550
Curt Zuber										
2010	Full year(8)	482,742	3,569,203	1,012		88,443	1,020,156	168,807	85,841	5,416,204
2009	Full year(8)	476,907	3,395,000	1,012		99,919	1,024,751	228,098	19,850	5,245,537

Name Period	Short term benefits Fixed remuneration(1) $	STI (cash)(2) $	Non-monetary benefits(3) $	Other short term benefits $	Post employment Superannuation benefits $	Share-based payment Restricted shares(4) $	Options(5) $	Share rights(5) $	Total(6) $
Former executive									
Ilana Atlas									
2010 Part year(9)	235,474	400,000		151,648	21,193	195,075	231,602		1,234,992
2009 Full year	694,285	860,000	1,012		62,486	309,061	258,834	30,269	2,215,947

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

(2) 2010 STI figures reflect annual cash performance awards accrued but not yet paid in respect of the year ended 30 September 2010.

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

(4) The value of restricted shares is amortised over the applicable vesting period, and the amount shown is the amortisation relating to the 2010 reporting year (and 2009 year as comparison).

(5) Equity-settled remuneration is based on the amortisation over the vesting period (normally two or three years) of the fair value at grant date of hurdled and unhurdled options and share rights that were granted during the four years ended 30 September 2010. Assumptions used in valuing securities granted in 2010 are summarised in the notes to the table in Section 6.2. Details of prior years grants have been disclosed in previous Annual Reports. For Ilana Atlas the remaining adjusted unamortised portion is shown. The amount shown for Bob McKinnon s cash-settled performance share rights is based on the amortisation over the vesting period of the fair value at 30 September 2010. Assumptions used in the valuation of cash-settled performance share rights include risk free interest rates of 4.67% to 4.72%, a dividend yield on Westpac ordinary shares of 5% and volatility in the Westpac share price of 30%.

(6) The percentage of the CEO and each Senior Executive s 2010 remuneration delivered in the form of share rights and options was: Gail Kelly 24%, John Arthur 5%, Greg Bartlett 7%, Peter Clare 7%, Philip Coffey 11%, Rob Coombe 13%, Brad Cooper 12%, George Frazis 41%, Peter Hanlon 9%, Bob McKinnon 18%, Greg Targett 8%, Rob Whitfield 8%, Curt Zuber 5%, and (former executive) Ilana Atlas 19%.

(7) $2,846,043 of the amortised value of Gail Kelly s 2009 restricted shares related to her sign-on arrangements. In 2010 $192,956 relates to the value of her sign-on arrangements.

(8) Greg Bartlett, Peter Hanlon and Curt Zuber are all members of legacy defined benefit superannuation funds. Superannuation benefits have been calculated consistent with AASB 119. Under the terms of Greg Bartlett s defined benefit superannuation arrangements, 17.25% of his fixed remuneration is required to be contributed to his Plan account, which includes employer contributions.

(9) The amount under Other short term benefits for Ilana Atlas relates to payments made on termination of employment, including accrued annual leave. The amounts under Other short term benefits in 2009 for Rob Whitfield related to the merger with St.George, and for Brad Cooper related to his sign-on arrangements.

(10) The increase in Rob Whitfield s fixed remuneration relates to a change of role and responsibility effective from 1 December 2008.

6.2 Summary of LTI grants made during the year

The table below provides a summary of the LTI awards granted at no consideration to the CEO and Senior Executives during 2010. The LTI grants will vest only on satisfaction of performance and/or service conditions tested in future financial years.

Equity instrument	Granted to	Grant Date	Commencement date(1)	First possible vesting date	Exercise price	Expiry	Fair value(2) per instrument
CEO Performance Plan performance share rights	Gail Kelly	21 December 2009	21 December 2009	21 December 2012		21 December 2019	$ 14.51
Westpac Reward Plan performance share rights	All Senior Executives except: - Bob McKinnon;	28 January 2010	1 October 2009	1 October 2012		1 October 2019	$ 15.31
Westpac Performance Plan unhurdled share rights	George Frazis	28 January 2010	1 October 2009	1 October 2011		1 October 2019	$ 22.10

(1) The commencement date is the start of the performance period in the case of performance share rights, or the start of the restriction period in the case of unhurdled share rights. Awards to the CEO were approved by shareholders at the Annual General Meeting on 16 December 2009. Subject to the approval of shareholders at the Annual General meeting on 15 December 2010 of the CEO s equity incentive arrangements for the 2011 financial year, the start of the vesting period for the CEO s LTI grants for the 2011 financial year will be aligned with performance years so the commencement date for those awards will be 1 October 2010. This will result in the same performance period for the CEO s LTI awards as applies for other Senior Executives.

(2) The fair value of share rights included in the tables above has been independently calculated at grant date using Binomial/Monte Carlo simulation pricing models. The assumptions included in the valuation of the 21 December 2009 awards to Gail Kelly include a risk free interest rate of 4.99%, a dividend yield on Westpac ordinary shares of 5% and a volatility in the Westpac ordinary share price of 30%. The assumptions included in the valuation of awards under the Westpac Reward Plan include a risk free interest rate of 4.99%, a dividend yield on Westpac ordinary shares of 5% and volatility in the Westpac share price of 30%. The assumptions included in the valuation of awards under the Westpac Performance Plan include a risk free interest rate of 4.43%, a dividend yield on Westpac ordinary shares of 5% and volatility in the Westpac share price of 30%. Other assumptions include volatilities of, and correlation factors between, share price movements of the ranking group members and Westpac, which are used to assess the impact of performance hurdles. Performance share rights have been valued assuming an expected life after the vesting date of up to 1 year.

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

This table shows details of movements in the number of equity instruments granted, vested and exercised for the CEO and Senior Executives under the relevant plans.

Name	Type of equity instrument	Number granted(1)	Number vested(2)	Number exercised(2)
Gail Kelly	CEO Performance share rights	166,002		
	Shares under the CEO Restricted Share Plan	74,626	129,405	n/a
John Arthur	Performance share rights	19,173		
	Shares under Restricted Share Plan	7,889		n/a
Greg Bartlett(3)	Performance share rights	25,464		
	Shares under Restricted Share Plan	10,127	18,470	n/a
Peter Clare	Performance share rights	25,763		
	Shares under Restricted Share Plan	12,260		n/a
Philip Coffey	Performance options		149,567	353,213
	Performance share rights	35,949		
	Shares under Restricted Share Plan	23,987	15,140	n/a
Rob Coombe	Performance options		133,220	319,803
	Performance share rights	33,553		
	Shares under Restricted Share Plan	13,859	21,926	n/a
Brad Cooper	Performance share rights	31,455		
	Unhurdled share rights		22,045	
	Shares under Restricted Share Plan	34,742	30,325	n/a
George Frazis(4)	Performance share rights	29,958		
	Unhurdled share rights	9,995	58,177	58,177
Peter Hanlon	Performance options		55,249	299,265
	Performance share rights	25,763		11,214
	Shares under Restricted Share Plan	13,859	8,791	n/a
Bob McKinnon	Shares under Restricted Share Plan	12,793		n/a
Greg Targett(3)	Performance share rights	28,759		
	Shares under Restricted Share Plan	6,204	9,556	n/a
Rob Whitfield	Performance options		122,596	
	Performance share rights	35,949		
	Shares under Restricted Share Plan	19,786	41,254	n/a
Curt Zuber	Performance options		65,384	119,338
	Performance share rights	16,836		

	Shares under Restricted Share Plan	25,146	31,856	n/a
Former executive				
Ilana Atlas(5)	Performance options		235,068	30,000
	Performance share rights			107,480
	Shares under Restricted Share Plan		29,991	n/a

(1) No performance options were granted in 2010.

(2) For performance options granted in December 2006 that vested during 2010, 50% of the award was assessed against a TSR ranking group of the top 10 largest Australian banking and financial sector companies by market capitalisation at the time of grant (excluding Westpac). The other 50% was assessed against a ranking group of the 50 largest companies on the ASX by market capitalisation at the time of grant (excluding Westpac, specified resource companies and the financial sector ranking group).

(3) Vested options and share rights that were granted prior to October 2009 can be exercised up to a maximum of 10 years from their commencement date. For each option and share right exercised during the year, the relevant executive received one fully paid Westpac ordinary share. The exercise price for share rights is nil. Five tranches of options were exercised during the year with exercise prices of $13.59, $16.34, $18.98, $20.53 and $20.53 respectively.

(4) George Frazis received a deferred STI award of unhurdled share rights, which vests after two years of service. Details of the award are included in Section 6.2.

(5) Performance options granted to Ilana Atlas from December 2006 that vested during 2010 were assessed against a TSR ranking group of the top 10 largest Australian banking and financial sector companies by market capitalisation at the time of grant (excluding Westpac).

6.4 Movement in equity instruments during the year (value)

This table shows details of movements in the value of equity instruments granted, vested and exercised for the CEO and Senior Executives under the relevant plans.

Name	Type of equity instrument	Value granted(1) $	Value exercised(2) $	Value forfeited or lapsed(3) $
Current executives				
Gail Kelly	CEO Performance share rights	2,408,689		
	Shares under the CEO Restricted Share Plan	1,020,715	n/a	
John Arthur	Performance share rights	293,539		
	Shares under Restricted Share Plan	92,935	n/a	
Greg Bartlett	Performance share rights	389,854		
	Shares under Restricted Share Plan	119,300	n/a	
Peter Clare	Performance share rights	394,432		
	Shares under Restricted Share Plan	144,427	n/a	
Philip Coffey	Performance options		2,457,943	
	Performance share rights	550,379		
	Shares under Restricted Share Plan	282,576	n/a	
Rob Coombe	Performance options		1,541,092	
	Performance share rights	513,696		
	Shares under Restricted Share Plan	163,264	n/a	
Brad Cooper	Performance share rights	481,576		
	Shares under Restricted Share Plan	496,418	n/a	
George Frazis	Performance share rights	458,657		
	Unhurdled share rights	220,890	1,458,736	
Peter Hanlon	Performance options		2,172,664	
	Performance share rights	394,432	292,058	
	Shares under Restricted Share Plan	163,264	n/a	
Bob McKinnon	Shares under Restricted Share Plan	150,706	n/a	
Greg Targett	Performance share rights	440,300		
	Shares under Restricted Share Plan	73,085	n/a	
Rob Whitfield	Performance share rights	550,379		
	Shares under Restricted Share Plan	233,086	n/a	
Curt Zuber	Performance options		442,961	
	Performance share rights	257,759		
	Shares under Restricted Share Plan	296,229	n/a	
Former executive				
Ilana Atlas	Performance options		302,525	
	Performance share rights		2,670,410	
	Shares under Restricted Share Plan		n/a	

(1) For options and share rights, the value granted represents the number of securities granted multiplied by the fair value per instrument as set out in the table in Section 6.2. For restricted shares, the value granted represents the number of ordinary shares granted multiplied by the five day weighted average price of a Westpac ordinary share on the date the shares were granted. These values, which represent the full value of the equity-based awards made to disclosed executives in 2010, do not reconcile with the amount shown in the table in Section 6.1, which shows amortised totals of equity awards over their vesting period. The minimum total value of the grants is nil and an estimate of the maximum possible total value is the fair value, as shown above.

(2) The value of each option or share right exercised or lapsed is calculated based on the weighted average price of Westpac ordinary shares on the ASX on the date of exercise, less the relevant exercise price (if any). Where the exercise price is greater than the five day weighted average price of Westpac ordinary shares, the value has been calculated as $Nil.

(3) No options, share rights or restricted shares lapsed or were forfeited in 2010.

6.5 Employment agreements

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

The material terms of these employment agreements are summarised below.

Term	Who	Conditions
Duration of contract	• CEO and Senior Executives • Bob McKinnon	• On-going until notice given by either party • 4 year fixed term contract
Notice to be provided by the executive or the Group to terminate the employment agreement	• CEO, John Arthur, Philip Coffey, Rob Coombe, Brad Cooper, George Frazis, Peter Hanlon, Greg Targett and Rob Whitfield • Greg Bartlett and Peter Clare • Bob McKinnon and Curt Zuber	• 12 months • 6 months if Senior Executive gives notice, 12 months if the Group gives notice • 6 months
Termination payments to be made on termination without cause	• CEO and all Senior Executives	• Deferred STI and LTI awards vest according to the applicable equity plan rules
Termination for cause	• CEO, John Arthur, Greg Bartlett, Greg Targett, Rob Whitfield • All other Senior Executives	• Immediately for misconduct • 3 months notice for poor performance • Immediately for misconduct, standard contractual notice period for poor performance
Post-employment restraints	• CEO, John Arthur, Greg Bartlett, Peter Clare, Philip Coffey, Brad Cooper, George Frazis, Peter Hanlon, Greg Targett and Rob Whitfield • Rob Coombe, Bob McKinnon and Curt Zuber	• 12 month non-solicitation restraint • 6 month non-solicitation restraint

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

- Gail Kelly The restricted period on all unvested restricted shares (deferred STI) will continue to the full term when Gail Kelly ceases employment with Westpac, except for death, sickness or disability or in certain circumstances within 12 months of change of control of Westpac. In these circumstances all unvested restricted shares will vest. On immediate termination for misconduct, all restricted shares will be forfeited. When Gail Kelly ceases employment with Westpac, all unvested performance share rights (LTI) will lapse at the Board s discretion, except for under circumstances of death, sickness or disability and in certain circumstances within 12 months of change of control of Westpac.

In these circumstances all unvested performance share rights will vest. On termination immediate termination for misconduct, all unvested performance share rights will lapse;

- Rob Coombe Payment in lieu of notice is based on 1.5 times fixed remuneration package, in the event of termination of employment without cause up to six months after change of control of the Group;

- Brad Cooper Provisions relating to relocation from Auckland to Sydney, including accommodation and housing payments, relocation payments, motor vehicle, car parking, additional travel between Australia and New Zealand and taxation services. With the exception of taxation services, the relocation is now complete;

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

- Peter Hanlon Provisions relating to accommodation in Sydney and travel between Adelaide and Sydney;

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

- John Arthur and Greg Bartlett STI pro-rated for the performance year worked is payable for termination without cause.

6.6 Details of Non-executive Director remuneration

Details of the nature and amount of each element of the remuneration of our Non-executive Directors for the year ended 30 September 2010 are as follows:

			Short term employment benefits	Post employment			
Name	The Board the Non-executive served on	Notes	Fees $	Superannuation guarantee $	Retiring allowance accrued during the year(1) $	Total $	Total retiring allowance accrued $
2010							
Ted Evans (Chairman)							
	Westpac Banking Corporation	2	700,000	14,660	21,749	736,409	466,624
John Curtis (Deputy Chairman)							
	Westpac Banking Corporation	3,4	336,000	14,660		350,660	
	St.George Bank Limited	5	30,374	2,736		33,110	
	Total		366,374	17,396		383,770	
Elizabeth Bryan							
	Westpac Banking Corporation	3,4	298,000	14,660		312,660	
	Westpac New Zealand Limited		47,966			47,966	
	Total		345,966	14,660		360,626	
Gordon Cairns							
	Westpac Banking Corporation	3,4	303,000	14,660		317,660	
Peter Hawkins							
	Westpac Banking Corporation	3	270,000	14,660		284,660	
	St.George Bank Limited	5	23,350	2,101		25,451	
	Total		293,350	16,761		310,111	
Carolyn Hewson							
	Westpac Banking Corporation	2,3	295,000	14,660	15,287	324,947	324,567
	BT Investment Management Limited		109,867	9,888		119,755	
	Total	3,4	404,867	24,548	15,287	444,702	324,567
Lindsay Maxsted							
	Westpac Banking Corporation	3	275,000	14,660		289,660	
	St.George Bank Limited	5	23,342	2,101		25,443	
	Total		298,342	16,761		315,103	
Graham Reaney							
	Westpac Banking Corporation	3,6	278,647	14,660		293,307	
	St.George Bank Limited	5,6	5,630	524		6,154	
	Total		284,277	15,184		299,461	
Peter Wilson							
	Westpac Banking Corporation	3	290,000	14,660		304,660	
	Westpac New Zealand Limited		95,170			95,170	
	Total		385,170	14,660		399,830	
Total 2010			3,381,346	149,290	37,036	3,567,672	791,191

(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 2010 include indexation in line with average weekly earnings following the freezing of the retiring allowances.

(2) Entitled to retiring allowance.

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

(4) Includes fees paid for serving on the temporary OHS Committee, from 1 May 2010.

(5) Fees paid by St.George Bank Limited ceased when Westpac and St.George became a single Authorised Deposit-taking Institution on 1 March 2010.

(6) Fees paid for services on the BankSA advisory board.

Name	The Board the Non-executive served on(1)	Notes	Short term employment benefits Fees $	Post employment Superannuation guarantee $	Retiring allowance accrued during the year(2) $	Total $	Total retiring allowance accrued $
2009							
Ted Evans (Chairman)							
	Westpac Banking Corporation	3	700,000	13,899	23,878	737,777	444,876
John Curtis (Deputy Chairman)							
	Westpac Banking Corporation		262,376	11,477		273,853	
	St.George Bank Limited		63,490	5,714		69,204	
	Total	4	325,866	17,191		343,057	
Elizabeth Bryan							
	Westpac Banking Corporation		286,259	13,899		300,158	
	Westpac New Zealand Limited		48,708			48,708	
	Total	4	334,967	13,899		348,866	
Gordon Cairns							
	Westpac Banking Corporation	4	295,000	13,899		308,899	
Peter Hawkins							
	Westpac Banking Corporation		221,111	11,476		232,587	
	St.George Bank Limited		48,744	4,387		53,131	
	Total	3,4	269,855	15,863		285,718	
Carolyn Hewson							
	Westpac Banking Corporation		295,000	13,899	17,463	326,362	309,279
	BT Investment Management		110,000	9,900		119,900	
	Total	3,4	405,000	23,799	17,463	446,262	309,279
Lindsay Maxsted							
	Westpac Banking Corporation	4	275,000	13,899		288,899	
	St.George Bank Limited	4	48,744	4,387		53,131	
	Total	3,4	323,744	18,286		342,030	
Graham Reaney							
	Westpac Banking Corporation	4	221,111	11,477		232,588	
	St.George Bank Limited	5	11,274	1,015		12,289	
	Total		232,385	12,492		244,877	
Peter Wilson							
	Westpac Banking Corporation		290,000	13,899		303,899	
	Westpac New Zealand Limited		97,415			97,415	
	Total	4	387,415	13,899		401,314	
Total 2009			3,274,232	143,227	41,341	3,458,800	754,155

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

(2) Retiring allowances are not included in calculations for the Non-executive Director fee pool. Retiring allowances were frozen for individual Non-executive Directors between December 2005 and February 2006. Accruals shown for 2009 include indexation in line with average weekly earnings following the freezing of the retiring allowances.

(3) Entitled to retiring allowance.

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

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

6.7 Further information about our equity plans

Our broad-based and specialised employee equity plans.

Deferral Share Plan

The Deferral Share Plan was suspended during 2009 following changes to the taxation treatment of employee equity awards announced by the Federal Government. No new awards were made after 30 June 2009.

Before the plan was suspended, employees could elect to receive any prospective cash STI as Westpac ordinary shares under the Deferral Share Plan. Australian-based Non-executive Directors were also able to elect to receive a percentage of their fees in Westpac ordinary shares under the Deferral Share Plan.

Employee Share Plan

Under the Employee Share Plan, employees in Australia can receive up to $1,000 of Westpac ordinary shares at the end of each financial year to recognise their contribution to our performance. For 2010 the size of the award depended on both share price and our Net Promoter Score, which measures customer advocacy. The CEO, Directors and any employees who received an STI award deferred into equity or an LTI award during the year are not eligible to receive an Employee Share Plan award for that year.

Other plans

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

Comparator companies used in our LTI performance hurdles

This section describes the comparator companies for each of the different Plans.

Chief Executive Officer Performance Plan

The Chief Executive Officer Performance Plan ranking group is comprised of the top 10 selected Australian banking and financial sector companies by market capitalisation listed on the ASX with which Westpac competes for customers. As at 30 September 2010 the most recently determined ranking group consisted of:

- AMP Limited;
- ASX Limited;
- Australia and New Zealand Banking Group Limited;
- AXA Asia Pacific Holdings Limited;
- Commonwealth Bank of Australia;
- Insurance Australia Group Limited;
- Lend Lease Group;
- Macquarie Group Limited;
- National Australia Bank Limited; and
- Suncorp-Metway Limited.

Westpac Reward Plan

The Westpac Reward Plan ranking group is comprised of the top 10 selected Australian banking and financial sector companies by market capitalisation. As at 30 September 2010 the most recently determined peer group under the Westpac Reward Plan consisted of:

- AMP Limited;
- AXA Asia Pacific Holdings Limited;
- Australia and New Zealand Banking Group Limited;
- ASX Limited;
- Commonwealth Bank of Australia;
- Insurance Australia Group Limited;
- Lend Lease Group;
- Macquarie Group Limited;
- National Australia Bank Limited; and
- Suncorp-Metway Limited.

Westpac Performance Plan

Financial ranking group - The top 10 selected Australian banking and financial sector companies, by market capitalisation, at the time of grant. As at 30 September 2010, the most recently determined ranking group consisted of:

- AMP Limited;

- AXA Asia Pacific Holdings Limited;
- Australia and New Zealand Banking Group Limited;
- Bank of Queensland Limited;
- Bendigo and Adelaide Bank Limited;
- Commonwealth Bank of Australia;
- Insurance Australia Group Limited;
- Macquarie Group Limited;
- National Australia Bank Limited; and
- Suncorp-Metway Limited.

General ranking group - The largest 50 Australian listed companies at time of grant, excluding property trusts, specified resources companies and those in the financial peer group. As at 30 September 2010, the most recently determined ranking group consisted of:

- AGL Energy Limited;
- Amcor Limited;
- Ansell Limited;

- Aristocrat Leisure Limited;
- APN News & Media Limited;
- ASX Limited;
- Billabong International Limited;
- Boral Limited;
- Brambles Limited;
- Challenger Financial Services Group Limited;
- Coca-Cola Amatil Limited;
- Cochlear Limited;

- Computershare Limited;
- Connecteast Group;
- CSL Limited;
- CSR Limited;
- David Jones Limited;
- Downer EDI Limited;
- Elders Limited;
- Fairfax Media Limited;
- Foster s Group Limited;
- Goodman Fielder Limited;
- Harvey Norman Holdings Limited;
- Incitec Pivot Limited;

- Intoll Group;
- James Hardie Industries SE;
- Leighton Holdings Limited;
- Lend Lease Group;
- Map Group;
- Metcash Limited;
- Orica Limited;
- Pacific Brands Limited;
- Paperlinx Limited;
- Perpetual Limited;
- Qantas Airways Limited;
- QBE Insurance Group Limited;
- Resmed Inc;
- Sigma Pharmaceuticals Ltd;

- Sonic Healthcare Limited;
- SP Ausnet;
- Tatts Group Limited;
- Tabcorp Holdings Limited;
- Telecom Corporation of New Zealand Limited;
- Telstra Corporation Limited;
- Toll Holdings Limited;
- Transurban Group;
- Wesfarmers Limited;
- West Australian Newspapers Holdings Limited;
- Woolworths Limited; and
- UGL Limited.

10. Auditor

a) Auditor s independence declaration

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

Auditor s Independence Declaration	**PricewaterhouseCoopers**
	ABN 52 780 433 757
As lead auditor for the audit of Westpac Banking Corporation for the year ended 30 September 2010, I declare that to the best of my knowledge and belief, there have been:	
	Darling Park Tower 2
a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and	201 Sussex Street
b. no contraventions of any applicable code of professional conduct in relation to the audit.	GPO BOX 2650
This declaration is in respect of Westpac Banking Corporation and the entities it controlled during the year.	SYDNEY NSW 1171
	DX 77 Sydney Australia Telephone +61 2 8266 0000 Facsimile +61 2 8266 9999 www.pwc.com/au

Ian Hammond
Partner
PricewaterhouseCoopers

Sydney
3 November 2010

b) Non-audit services

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

Details of the non-audit service amounts paid or payable to PricewaterhouseCoopers for non-audit services provided during the 2009 and 2010 financial years are set out in Note 33 to our financial statements.

Our external auditor, PricewaterhouseCoopers, also provides audit and non-audit services to non-consolidated entities including non-consolidated securitisation vehicles sponsored by the Group, non-consolidated trusts of which a 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 $8.6 million in total (2009 $6.3 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.

Westpac has a policy on engaging PricewaterhouseCoopers, details of which are set out in the Corporate governance section, including the subsection entitled Engagement of the external auditor , which forms part of this report.

The Board has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services during 2010 by PricewaterhouseCoopers is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by PricewaterhouseCoopers, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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

Signed in accordance with a resolution of the Board.

Ted Evans AC	Gail Kelly
Chairman	Managing Director & Chief Executive Officer
3 November 2010	3 November 2010

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SECTION 2

FIVE YEAR SUMMARY(1)

(in $millions unless otherwise indicated)	2010	2009	2008	2007	2006
Income statement year ended 30 September(2)					
Net interest income	11,842	11,646	7,222	6,313	5,642
Non-interest income	5,068	4,859	4,383	4,006	3,693
Net operating income before operating expenses and impairment charges on loans	16,910	16,505	11,605	10,319	9,335
Operating expenses	(7,416)	(7,171)	(5,455)	(4,689)	(4,413)
Impairment charges on loans	(1,456)	(3,238)	(931)	(482)	(375)
Profit before income tax expense	8,038	6,096	5,219	5,148	4,547
Income tax expense	(1,626)	(2,579)	(1,287)	(1,630)	(1,422)
Net profit attributable to non-controlling interests	(66)	(71)	(73)	(67)	(54)
Net profit attributable to equity holders	6,346	3,446	3,859	3,451	3,071
Balance sheet at 30 September(2)					
Loans	477,655	463,459	313,545	275,377	236,380
Other assets	140,622	126,128	126,131	102,243	65,081
Total assets	618,277	589,587	439,676	377,620	301,461
Deposits	337,385	329,456	233,730	202,054	169,637
Debt issues and acceptances	150,971	133,024	100,369	87,126	66,080
Loan capital	9,632	11,138	8,718	7,704	5,957
Other liabilities	80,171	79,398	77,388	62,828	43,661
Total liabilities	578,159	553,016	420,205	359,712	285,335
Shareholders equity and non-controlling interest	40,118	36,571	19,471	17,908	16,126
Key financial ratios					
Shareholder value					
Dividends per ordinary share (cents)	139	116	142	131	116
Dividend payout ratio (%)	64.9	92.6	68.9	70.1	69.4
Return on average ordinary equity (%)	17.4	10.8	23.1	23.5	23.0
Basic earnings per share (cents)	214.2	125.3	206.0	186.9	167.2
Net tangible assets per ordinary share ($)(3)	8.96	7.89	7.71	7.00	6.14
Share price ($):					
High	28.43	26.74	31.32	28.69	25.35
Low	20.56	14.40	18.36	22.53	21.31
Close	23.24	26.25	21.48	28.50	22.71
Business performance					
Operating expenses to operating income ratio (%)	43.9	43.4	47.0	45.4	47.3
Net interest margin	2.21	2.38	2.07	2.19	2.29
Capital adequacy					
Total equity to total assets (%)	6.5	6.2	4.4	4.7	5.3
Total equity to total average assets (%)	6.6	6.3	4.8	5.4	5.7
Tier 1 ratio (%)(4)	9.1	8.1	7.8	6.5	6.9
Total capital ratio (%)(4)	11.0	10.8	10.8	9.5	9.6
Credit quality					
Net impaired assets to equity and collectively assessed provisions (%)	6.2	5.7	3.0	1.4	1.5
Total provisions(5) for impairment on loans and credit commitments to total loans (basis points)	104.9	101.2	68.9	56.3	57.2
Other information					
Core full time equivalent staff (number at financial year end)(6)	35,055	34,189	26,717	25,903	25,363

(1) This five year summary is prepared in accordance with A-IFRS. Where accounting classifications have changed or where changes in accounting policy are adopted retrospectively, comparatives have been revised and may differ from results previously reported.

(2) The above income statement extracts for 2010, 2009 and 2008 and balance sheet extracts for 2010, 2009 and 2008 are derived from the consolidated financial statements included in this Annual Report and prior years are derived from financial statements previously published.

(3) Shareholders equity and non-controlling interests, after deducting non-controlling interests, preference equity and goodwill and other intangible assets divided by the number of ordinary shares outstanding, less treasury shares held.

(4) For details on the calculation of this ratio, please refer to Note 30 to the financial statements.

(5) In previous years this ratio has included, if applicable, the APRA required capital deduction (above A-IFRS provisioning levels) which formed part of the APRA termed General Reserve for Credit Losses. This ratio has been revised and is now based only on A-IFRS provisioning levels. The ratio at 30 September 2009 was not impacted, the ratio at 30 September 2008 was revised from 69.0 bps to 68.9 bps, the ratio at 30 September 2007 was revised from 61.6 bps to 56.3 bps and the ratio at 30 September 2006 was revised from 63.0 bps to 57.2 bps.

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

READING THIS REPORT

Disclosure regarding forward-looking statements

This Annual Report contains statements that constitute forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Annual Report and include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as will , may , expect , intend , seek , would , should , could , continue , plan , estimate , a probability , risk or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control, and have been made based upon management s expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors, including, but not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements arising in response to the global financial crisis;
- continuing impacts and consequences of the global financial crisis, including uncertain conditions in funding, equity and asset markets;
- adverse asset, credit or capital market conditions;
- changes to our credit ratings;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- market liquidity and investor confidence;
- changes in consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which Westpac conducts its operations;

- the effects of competition in the geographic and business areas in which Westpac conducts its operations;
- the ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes and risks associated with changes to our technology systems;
- operational risks or environmental factors;
- adverse impacts on our reputation;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which Westpac operates;
- stability of Australian and international financial systems and disruptions to financial markets and any losses Westpac may experience as a result; and
- various other factors beyond Westpac s control.

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

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

Significant developments

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

Currency of presentation, exchange rates and certain definitions

In this Annual Report, financial statements means our audited consolidated balance sheet as at 30 September 2010, 30 September 2009 and 30 September 2008 and consolidated income statement, cash flows and recognised income and expense for each of the years ended 30 September 2010, 2009 and 2008 together with accompanying notes which are included in this Annual Report.

Our financial year ends on 30 September. As used throughout this Annual Report, the financial year ended 30 September 2010 is referred to as 2010 and other financial years are referred to in a corresponding manner.

We publish our consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to dollars , dollar amounts , $, AUD or A$ are to Australian dollars, references to US$, USD or US dollars are to States dollars and references to NZ$, 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$0.9640 (2009 US$0.8824), the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate) as of 30 September 2010. Unless otherwise stated, the translation of Australian dollars into NZ dollars has been made at the rate of A$1.00 = NZ$1.3145

(2009 NZ$1.2196), being the closing spot exchange rate on 30 September 2010 used in the financial statements. Refer to Exchange rates in Section 4 for information regarding the rates of exchange between the Australian dollar and the US dollar for the financial years ended 30 September 2006 to 30 September 2010.

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

Additional financial information

In a separate section of this Annual Report under the heading Additional financial information , we have included selected consolidated financial and operating data on loans and provisions for impairment charges on loans by industry classifications for the financial years ended 30 September 2007 and 2006 on the basis of presentation used in the Annual Report for the year ended 30 September 2007. We have presented this information separately because it is not directly comparable to the presentation of Notes 11 and 12 to the financial statements for the year ended 30 September 2010 included in Section 3 of this Annual Report. With effect from the financial year ended 30 September 2008, we modified the presentation of loans and provisions for impairment charges by industry to align external reporting with the basis of presentation for internal reporting. We revised the presentation for the year ended 30 September 2007, but it was impractical to revise the disclosure for the financial year ended 30 September 2006.

St.George Bank Limited merger

For accounting purposes the merger with St.George Bank Limited took effect from close of business on 17 November 2008 and the net profit of St.George Bank was included in the 2009 financial year with effect from 18 November 2008 to 30 September 2009. Our financial results for the 2010 financial year are therefore not directly comparable to our results for the 2009 financial year due to the additional six weeks of earnings of St.George Bank being included in 2010. The impact of this is highlighted in relevant sections of the Review of Group Operations. When comparing the results for 2009 with the results for 2008 we refer to the financial performance of Westpac excluding the impact of St.George , by which we mean the financial performance of The Westpac Group for 2009 less the contribution from St.George Bank Limited and its subsidiaries from 18 November 2008 to 30 September 2009 (including the impact of the acquisition accounting entries related to the merger). References to excludes the impact of St.George have an equivalent meaning.

REVIEW OF GROUP OPERATIONS

Selected consolidated financial and operating data

We have derived the following selected financial information as of, and for the financial years ended, 30 September 2010, 2009, 2008, 2007 and 2006 from our audited consolidated financial statements and related notes.

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

Accounting standards

The financial statements and other financial information included elsewhere in this Annual Report, unless otherwise indicated, have been prepared and presented in accordance with Australian Accounting Standards, which include the Australian equivalents to International Financial Reporting Standards (A-IFRS). They also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared in accordance with the accounting policies described in Note 1 to the financial statements.

Recent accounting developments

For a discussion of recent accounting developments refer to Note 1 to the financial statements.

Critical accounting estimates

Our reported results are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the income statement and the balance sheet. Our principal accounting policies are disclosed in Note 1 to the financial statements. Note 1 also includes a description of our critical accounting assumptions and estimates. We have discussed the development and selection of the critical accounting estimates with our Board Audit Committee (BAC). The following is a summary of the areas we consider involve our most critical accounting estimates (for more detail refer to Note 1 to the financial statements).

Fair value of financial instruments

Financial instruments classified as held-for-trading, designated at fair value through profit or loss and financial assets classified as available-for-sale are recognised in the financial statements at fair value. All derivatives are measured and recognised at fair value. As far as possible, financial instruments are valued with reference to quoted, observable market prices or by using models which employ observable valuation parameters. Where valuation models rely on parameters for which inputs are not observable, judgments and estimation may be required.

As at 30 September 2010, 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 $67,493 million (2009 $59,836 million). The fair value of trading liabilities and financial liabilities designated at fair value through profit and loss, deposits at fair value and debt issues at fair value was $91,426 million (2009 $103,747 million). The fair value of outstanding derivatives was $7,937 million (2009 $3,291 million) net liability. The fair value of life insurance assets of $12,310 million (2009 $12,384 million) was substantially based on quoted market prices. The fair value of financial assets determined by valuation models that did not use observable market prices was $757 million and $153 million for financial liabilities. The fair value of other financial assets and financial liabilities, including derivatives, is largely determined based on valuation models using observable market prices and rates. Where observable market inputs are not available, day one profits or losses are not recognised.

We believe that the judgments and estimates used are reasonable in the current market. However, a change in these judgments and estimates would lead to different results as future market conditions can vary from those expected.

Provisions for impairment charges on loans

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 (IAPs) and collectively assessed provisions (CAPs).

In determining IAP considerations that have a bearing on the expected future cash flows are taken into account, for example, the business prospects of the customer, the realisable value of collateral, our position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgments and estimates can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are made.

The collectively assessed provisions are established on a portfolio basis taking into account the level of arrears, collateral and security, past loss experience and expected defaults based on portfolio trends. The most significant factors in establishing these provisions are estimated loss rates and related emergence periods. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates, unemployment levels, payment behaviour and bankruptcy rates.

As at 30 September 2010, gross loans to customers were $482,366 million and the provision for impairment on loans was $4,711 million.

Goodwill and intangible assets

Goodwill represents the excess of purchase consideration, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the identifiable net assets of acquired businesses. The determination of the fair value of the assets and liabilities of acquired businesses requires the exercise of management judgment. Different fair values would result in changes to the goodwill and to the post-acquisition performance of the acquisitions.

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 2010, the carrying value of goodwill was $8,569 million.

Superannuation obligations

The actuarial valuation of our defined benefit plan obligations are dependant upon a series of assumptions, the key ones being price inflation, earnings growth, mortality, morbidity and investment returns assumptions. Different assumptions could significantly alter the amount of the difference between plan assets and defined benefit obligations and the amount recognised directly in retained earnings.

The superannuation deficit across all our plans as at 30 September 2010 was $425 million (2009 $388 million deficit).

Provisions (other than loan impairment charges)

Provisions are held in respect of a range of obligations such as employee entitlements, restructuring costs, litigation provisions and non-lending losses, impairment charges on credit commitments, and surplus lease space. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows.

Income taxes

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

Provisions for taxation held in respect of uncertain tax positions represent the tax benefits at risk. The assessment of the amount of tax benefits at risk involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments which are expected to be incurred later than one year are discounted at a rate which reflects both current interest rates and the risks specific to that provision.

St.George Bank Limited merger

The merger with St.George was accounted for using the purchase method of accounting. All the identifiable assets and liabilities of St.George were initially recognised by the Group at their fair value on the date of the merger. This involved additional critical accounting assumptions, judgments and estimates that may have a material impact on the Group s financial statements. The assets and liabilities recognised by the Group following the merger with St.George are set out in Note 43.

- intangible assets

Identifiable intangible assets that are not normally recognised are required to be identified and measured at their fair value as a result of the purchase price accounting requirements of AASB 3 Business Combinations (AASB 3). This involves the use of judgments, estimates and assumptions about how customers may act and how products will perform in the future, based largely on past experience and future contractual arrangements.

The following material identifiable intangible assets were recognised as a result of the merger:

- core deposit intangibles;

- brand names;

- financial planner distribution relationships; and

- credit card customer relationships.

- financial assets and liabilities

The fair value of all of St.George s financial assets and financial liabilities were determined at the merger date. Many of these assets and liabilities are not normally traded in active markets. The global credit and capital market conditions that included extreme volatility, disruption and decreased liquidity increased the level of management judgment required in determining the fair value of St.George s financial assets and financial liabilities.

- tax consolidation

Following the redemption of St.George s hybrid instruments on 31 March 2009, St.George and all its wholly owned Australian subsidiaries joined the Westpac tax consolidated group. Westpac was required to reset the tax value of certain St.George assets to the appropriate market value of those assets.

In order to determine the impact of St.George joining the Westpac tax consolidation group, the fair value of St.George and the fair value of its identifiable assets and liabilities needed to be determined as at 31 March 2009. This requires management to make similar critical assumptions, judgments and estimates that were involved in determining the fair value of identifiable assets and liabilities on the date of the acquisition.

Refer to Note 5 for assessment of the current impact of St.George joining the Westpac tax consolidated group.

Income statement review

Consolidated income statement(1)

	Year Ended 30 September					
	2010	**2010**	**2009**	**2008**	**2007**	**2006**
(in $millions unless otherwise indicated)	**US$(2)**	**A$**	**A$**	**A$**	**A$**	**A$**
Amounts in accordance with A-IFRS &						