



today...



Alex, 18
"I party hard now and think about the future later."

Peter, 38
"Climate change is happening. It's more about how we adapt to it."

Sue, 32 and Mike, 34
"We would love to live in Italy for a few years so we're squirreling away every cent."

Louise, 32
"The one thing children wear out faster than shoes is parents."

Bob, 68
"My daughter lives in Hong Kong so I'm constantly back and forth."


Peter, 28
"My main goal is to own a new European car."

Bob, 54 and Dianna, 52
"We're baby boomers but we're still on top of the hill, not over it."

Priya, 55
"I've just had my first grandchild and she's all I can think about."

Janet, 46
"In 3 years' time I'll cut down to 3 days a week but I can't ever imagine stopping work."

Westpac Banking Corporation
ABN 33 007 457 141
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Our focus on achieving best performance, by keeping things simple and doing them well, has not wavered.

But responsible banking, in more ways than one, is about the confidence to walk in the shoes of our customers and to respond to their needs and concerns for the future.

We may be 189 years old and Australia's oldest company, but we've always known that our task has been to build value today so that every generation can live better than the last.

We may have been voted the world's most sustainable bank for the fifth year in a row, but we're not going to ease up on driving better, more responsive service and performance now.

This report is going to show you that as a bank, we're underpinning a higher growth orientation by being the best bank we can be today, while keeping our eyes firmly fixed on the future for our customers and the whole community.

Because for all of us in business there is only the future.

INVERTING TRUTHS:

Maintaining composure

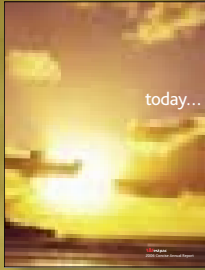
Keep the end goal in sight.

In his legendary rugby career, Johnnie Walker proved to be far more than just a great player. As *Woolley* explains, the real head teacher pressure and absolute focus on the end goal no matter what the score. Helped his team win three world cups. If there is ever a lesson to be learnt in investing, this is it. Maintain your composure and stick to your game plan, even in the face of adversity, and you increase your chances of coming out on top.

BT Investor
Financial Group
Your manager
of the year

BT Financial Group

See your financial adviser, visit btinvestor.com/uk or call 1800 100 566.



Annual Report 2006

This year Westpac has continued its environmental responsibility by making the report smaller and more greenhouse friendly.

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Chairman's
Report

A woman with blonde hair, wearing a black dress, is seen from the side, focused on arranging a large bouquet of flowers. The bouquet includes pink lilies and purple flowers. She is in a florist shop, with various other floral arrangements visible in the background and foreground. The lighting is bright and even.

NETTAN EKENBERG,
PEARSONS FLORIST, CUSTOMER

“We’ve had better opportunities than our parents; shouldn’t it be the same for our kids?”

Today is so much about the here and now that it’s easy to lose sight of the important things in building a stronger tomorrow. Everyone deserves to reap the benefits of their labours but, in an increasingly complex world, we can no longer assume that future generations will enjoy the same opportunities and benefits we share today. That’s why banks need to deliver solutions that don’t just make lives easier today, but also help people and businesses build wealth and prosperity towards a better tomorrow.



**JACK TILBURN,
SHAREHOLDER**

“I aim to be around a while longer yet. That’s what I reckon a good investment should do.”

In today’s impatient society, the difficulty of balancing short-term market expectations with genuine long-term growth has never been more evident. Meeting the real investment needs of people requires intelligent decisions that don’t compromise the future. As holders of people’s wealth, banks share a responsibility to take a longer-term investment view, and to deliver reliable and attractive longer-term value.

W
Investing
in the next
generation



VIRGINIA, EMPLOYEE

“My son and I go to work together.”

Employees having to balance work commitments with caring for family and loved ones is an important issue for business. With the impact of intergenerational changes and labour shortages already upon us, it is an issue that will increasingly touch many of us. We know that more needs to be done to keep those with carers' responsibilities in the workforce, such as workplace childcare, so that we don't put our national competitiveness at risk. That's why it's time for all of us to come together to forge better solutions.



VIT KOCI,
CAPE YORK INITIATIVE MANAGER

**“These young people
are the essence of a
better tomorrow.”**

The long term future of any community depends upon everyone in the community prospering. That's why healthy and growing communities care for the disadvantaged amongst them. As a bank, we know we can't expect to be sustainable and prosperous if the communities on which we depend are not prospering. This is why accepting responsibility for the impacts of our business activities on the community and the environment is in our own interest. Investing in the community is simply part of ensuring we're able to look forward to a prosperous future together.



CHAIRMAN'S
REPORT

Today.

Our report this year unashamedly focuses on yet another year of record performance in terms of profits and returns, driving shareholder value.

LAST YEAR I talked of the need for fresh thinking to fully harness the passion within our people in responding to the needs of our stakeholders. This year the need is to broaden this fresh thinking to take on the real challenge of ensuring our long-term prosperity.

When you're the Chairman of a 189-year old company, Australia's first company, you get to think about this a lot. And, perhaps it's because of Westpac's remarkable place in Australia's history, that we feel we have the obligation to buck the short-term focus that so dominates the corporate agenda today.

I will elaborate more on what we're doing to ensure the sustainability of this great organisation shortly, and David Morgan in his report will explain how we are addressing tomorrow's issues today by providing leading products and services so that every generation can live better than the last.

Record profit and returns

But first to our results. They provide the clearest evidence of the real progress we have made, notwithstanding the tougher competitive environment during the year.

Our reported profit after tax was another record, up 14% on last year to \$3,071 million. Earnings per share (EPS) was up 12% to \$1.67 per share, another all-time record.

Cash earnings were also up 10% to \$3,079 million.

This is a sound result at a group level. It is a result that builds on our growing track record of delivering strong operational leverage, with revenues growing at 6% while holding expense growth to just 3%.

As a result, we've further improved our efficiency, lowering our expense to income ratio to just 46.6%, down from 47.7% last year.

Most of our businesses achieved solid cash earnings growth, although not all are performing at their full potential.

Australian Business and Consumer Banking was up 11%; BT was up 10% on a reported basis but up 21% on an adjusted like-for-like basis; the Institutional Bank was up 4% on a reported basis, but up 20% excluding the structured finance business, which suffered a profit decline due to exiting of certain NZ transactions; and Pacific Banking was up 17%. New Zealand banking was disappointing, up 4% in AUD terms but flat in NZ\$ terms in an extremely competitive market.

Shareholders benefiting

These results and our confidence in our future have allowed your Board to declare a final dividend of 60 cents per ordinary share, fully franked. Together with our first half fully franked dividend of 56 cents, the total dividend for 2006 is \$1.16, an increase of 16% on 2005. As a result, our dividend payout ratio rose to 69%, up from 67% in 2005.

Returns also remained strong with our return on equity coming in at 23.0%, up from 21.7% last year.

Overall, the gain in our net worth in the past year, in terms of market capitalisation, was \$2.3 billion, or 6%. And taking into account share price movements and dividends, we've been able to deliver total shareholder returns averaging 16% compound growth over the past five years.

Soundly positioned

Undoubtedly, our results have benefited from continued sound economic conditions in Australia, with low inflation, a modest increase in official interest rates, low unemployment and continued low company gearing. In New Zealand, while the operating conditions have been largely accommodating, the economy has slowed.

These overall positive conditions have continued to benefit asset quality. Net impaired assets have fallen to 1.5%, from 1.9% in 2005, as a proportion of our equity and collectively assessed provisions.

Importantly, Westpac's capital position remains very strong. As at 30 September, our Tier 1 ratio stood at 6.9%, above our target range of 6.0% to 6.75%. At the same time, our Adjusted Common Equity Ratio stood at 4.6%, comfortably within our stated target range of 4.0% to 4.75%.

Sustainable prosperity

Let me return to my point on ensuring our continued prosperity as a company.

As a bank, Westpac's long term future is fundamentally linked to the health of the society in which we operate. Our future prosperity can't be divorced from that of the community and the environment in which we operate.

The broader community and business environment, however, faces immense challenges today, including from: climate change; trans-national organised crime and terrorism; and the growing social divides and erosion of social fabric. How well the world deals with these challenges is vital to our future.

We in business hold many of the keys to meeting and solving these challenges. We have the know-how, the innovation and the financial wherewithal. And, we have the most to gain, or to lose, depending on how you look at the issue. Governments can only do so much. We in business need to create the climate for governments to get the right policy frameworks in place.

For all of us in business there is only one future. Today is the future. For our part, we know that our customers can only prosper if the communities they live in are prospering. This is why we are focused on the things that will most impact the sustainable prosperity of the communities around us.

For our part, we know that our customers can only prosper if the communities they live in are prospering.

The sustainability priorities we share with the community are set out each year in our Stakeholder Impact Report. I'm pleased to report that we've been recognised as a global leader for reporting.

And, Westpac has been again rated as the world's most sustainable bank in the Dow Jones Sustainability Index for the fifth year in a row. We draw much confidence from this that we are on the right track in having sustainable development and responsible business practices at the heart of what we do.

People and changes

Your Board has remained very stable this year. However, after nine years of valued contribution, Ms Helen Lynch AM, who joined the Board in 1997, will compulsorily retire from the Board at this year's Annual General Meeting. In that time, Helen has served on all but one of the Board Committees and was most recently Chairman of the Corporate Responsibility and Sustainability Committee.

Helen's association with Westpac goes back a long way. She joined Westpac in 1959 and in 1978 she was appointed Australia's first female branch manager. Helen went on to a distinguished career in Westpac's executive ranks and was named The Bulletin/Qantas Business Woman of the Year in 1990. In 1994, Helen was made a Member of the Order of Australia for services to banking and finance – the same year that she retired from Westpac after 36 years of dedicated service.

On the executive front, there have been no changes apart from the switch of roles between Philip Chronican and Phil Coffey, who took up the other's roles of Group Executive for the Westpac Institutional Bank and Chief Financial Officer respectively, and the elevation of Robert Whitfield, Chief Risk Officer, to the Executive Team, on 1 December last year.

New Zealand Incorporation

As foreshadowed last year, after 145 years of operation as a branch in New Zealand, our retail and business banking operations in New Zealand became Westpac New Zealand Limited, a locally incorporated company, on 1 November 2006.

The incorporation of our New Zealand banking operations ensures that we fully comply with the Reserve Bank of New Zealand policy that all systemically important banks must incorporate as local New Zealand entities. Importantly, local incorporation should be virtually invisible for our New Zealand customers as it does not change the services we provide in New Zealand.

Looking forward

Economic and market conditions for 2007 are expected to remain supportive, with economic growth improving modestly and unemployment remaining at historically low levels in Australia. While economic activity is improving, some easing in credit growth is anticipated as business credit growth returns to more sustainable levels after a very buoyant 2006.

We also expect wealth management conditions to remain very positive, with the recent superannuation taxation changes driving growth.

In New Zealand, economic growth is expected to remain subdued as high interest rates and a strong currency dampen activity. Slowing activity is expected to be reflected in a slowing in credit growth through 2007.

“Your Board believes that Westpac is again well positioned to continue to deliver strong earnings and returns for shareholders in the coming year.”

Confident prospects

Overall, current operational and financial performance at Westpac remains robust.

As a well diversified provider, not overly dependent on any one product line or customer segment, we are well positioned. Our franchise and improved operational momentum gives us particular confidence that we can continue to drive strong medium-term revenue growth in all our core markets.

That confidence is also built on our peoples' dedication and advocacy for our customers. I again thank them sincerely for their tireless contributions.

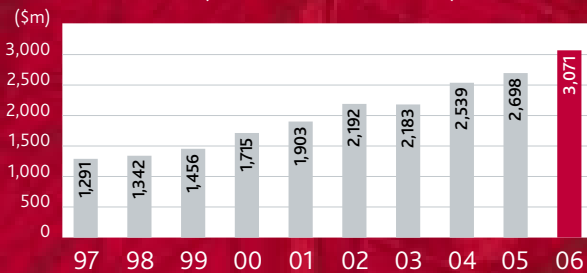
As a result, your Board believes that Westpac is again well positioned to continue to deliver strong earnings and returns for shareholders in the coming year.



Leon A. Davis AO
Chairman

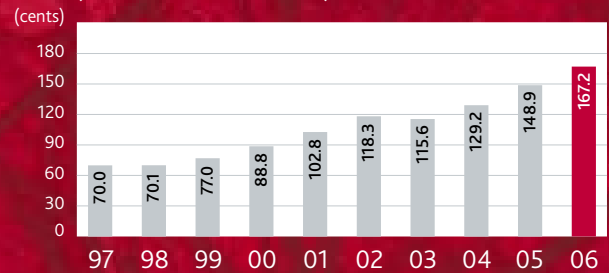
Profit up 14%

Operating profit after tax attributable to shareholders (before abnormal items).



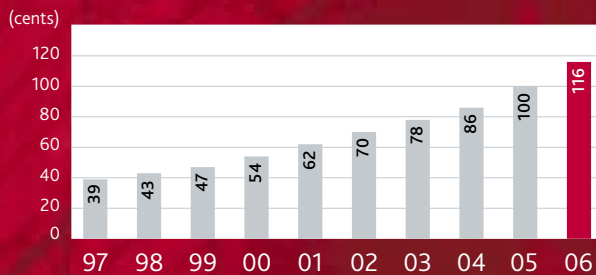
Earnings up 12%

Earnings per ordinary share (before abnormal items).



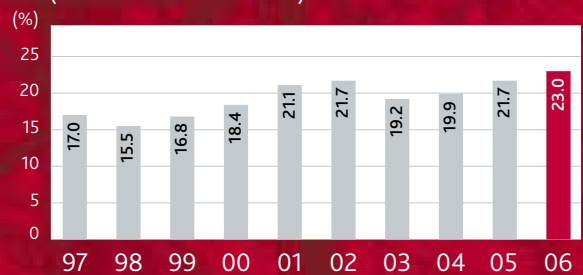
Dividends up 16%

Dividends per ordinary share.



Returns 23%

Return on average ordinary equity (before abnormal items).



	2006	2005	% change 2006/2005
Reported earnings			
Net profit ¹ (\$m)	3,071	2,698	14
Earnings per share (cents)	167.2	148.9	12
Dividends per share (cents)	116	100	16
Economic profit ² (\$m)	2,303	2,033	13
Return on equity ³ (%)	23.0	21.7	6
Expense to income ratio (%)	46.6	47.7	(2)
Tier 1 capital ratio (%)	6.9	7.2	(4)
Asset quality ratio ⁴ (%)	1.5	1.9	(19)
Cash basis			
Cash earnings ⁵ (\$m)	3,079	2,804	10
Cash earnings per share (cents)	167.2	151.5	10
Cash return on equity (%)	23.0	22.2	4

1 Net profit attributable to equity holders.

2 Economic profit represents the excess of adjusted profit over a minimum required rate of return on equity invested. For this purpose, adjusted profit is defined as net profit after income tax but before amortisation of goodwill, plus a proportion (70%) of the face value of franking credits paid to equity holders.

3 Return on average ordinary equity.

4 Net impaired assets to equity and collectively assessed provisions.

5 Net profit attributable to equity holders adjusted for the impact of Treasury shares, New Zealand Class share distributions (2005 only), fair value changes on economic hedges of hybrid equity instruments, and one-off significant items not part of ongoing business operations.

CEO'S
REPORT

8 in a row.

On any measure, we've had another solid year of performance, delivering record double-digit earnings growth and exceptional returns.

A CROSS THE GROUP we've delivered broad-based performance with solid lending, deposit and wealth management growth. For the 8th year in a row, we have now achieved double-digit earnings growth on a like-for-like basis¹, driven by sound revenue growth and controlled expense growth, and with sector-leading returns.

What makes us different?

In last year's report, I set out the really important things that are sustaining our track record of performance. I talked about the quality of our people and their passion for our customers; our absolute determination to be a clear No.1 in helping people achieve their financial aspirations; and our commitment to always doing the right thing in the way

¹ Reported cash earnings growth, with the 2002 to 2003 growth normalised for the sale of AGC in 2002.





David Morgan spelling out the issues for the Australian payments industry at the recent international SIBOS Conference.

we conduct our business. It's been these things that have underpinned our consistently good performances, and they continue to do so.

During the year, we spent considerable time looking further into the things that lie at the heart of Westpac as part of our brand review and new advertising. We kept coming back to our heritage and to our deep commitment to creating security and wealth through what we do, thereby building strong and prosperous communities.

This was the idea originally conceived nearly two centuries ago in Sydney's penal settlement. It was the idea for a bank, the idea for Australia's first bank.

It is why our vision and our determination to help our customers achieve their financial aspirations is as relevant as ever.

The only constant is change, and the necessity to anticipate

and adapt to it to preserve the future. Leaving things in a better state for future generations is paramount.

Which is why 'every generation should live better than the last' is at the core of our new advertising and marketing.

We are not just Australia's first bank; we are Australia's first Company and we are a central and unbroken thread in Australian economic history. We've learnt through long experience the importance of creating wealth, fulfilling ambitions, looking after our people, and contributing to community and nation building, .

A clear plan

A vision and an idea by themselves, however, are not enough. We need a plan to achieve that vision, and we need to execute against that plan efficiently and effectively. It's all about a clear strategy and great execution.

NUMBERS

5

The number of years in a row that Westpac has been the global leader for the banking sector in the Dow Jones Sustainability Index

**16%**

The five year compound annual return on an investment in Westpac shares

\$47m

The amount of Westpac's community contributions in Australia in 2006

12%

Reduction in greenhouse gas emissions in 2006

23%

The proportion of Westpac people aged over 45 years

347

The number of families using Westpac childcare centres

1,025

Employees accessed paid parental leave

**33+**

Years that Westpac have been supporting rescue services

14

Transactions assessed against the Equator Principles

Our plan is to continue to focus on our twin goals of driving strong income growth, whilst improving our operational efficiency. And our three strategic themes of putting more 'feet on the street', investing in our growth businesses and opportunities, and further enhancement in productivity, are central to achieving these goals.

In an environment of narrowing profit margins and heightened competition, it's all about remaining strong and competitive by continuing to deliver for customers while being more productive in everything we do.

Consistently growing the bottom line requires a watchful eye on the risk and return trade-offs.

Our portfolio diversification provides great risk balance and serves our shareholders well. But as a full-service financial firm, the safest and most sustainable way for us to achieve our growth aspirations is to get more of our existing customers satisfying all their financial needs through leading products and services. With our complementary products and strong cross-business partnerships, we are well placed to achieve this.

Redefining the future of banking

In the following pages you will see a snapshot of our leading offerings across our businesses – products and services that are very much at the cutting edge in redefining how people can more easily and more simply satisfy their banking and investment needs.

These include innovative offerings such as: our suite of award-winning credit card products; our ground breaking Business One transaction and savings product; our payments solutions and alternative investments; our benchmark-setting Wrap platform; and our environmentally friendly e-statements and home loan initiatives.

CFO Philip Coffey provides a snapshot of business unit and Group business performance.

Business unit performance ^{1,2} (\$m)	2006	2005	%Mov't 2006/05
Business and Consumer Banking	1,682	1,517	11
Westpac Institutional Banking	504	484	4
New Zealand Banking	423	405	4
BT Financial Group	339	309	10
Pacific Banking	76	65	17
Group Business Unit ³	55	24	129
Reported Cash Earnings	3,079	2,804	10
Treasury shares	(9)	(32)	70
Distribution on other equity instruments	—	(49)	100
TPS revaluations ⁴	(30)	(25)	(20)
Sale of sub-custody business	72	—	0
Deferred tax asset write-off	(41)	—	0
Net profit attributable to equity holders	3,071	2,698	14

“In an environment of narrowing profit margins and heightened business competition, it’s all about remaining strong and competitive by continuing to innovate.”

While we are proud of the way we are defining the future for banking, we’re equally proud of our improved services for customers as we work toward the goal of being a truly great Australasian company.

Our customers tell us we are on the right track and our report on our performance against our Ask Once Commitments, available on our website, charts the improvements on behalf of customers.

The future

As for 2007, we believe it will again be a year in which our financial performance sets new benchmarks.

We will continue to prioritise growth in the segments that provide the most attractive risk-adjusted returns. At the same time, we will be maintaining a cautious approach to credit, recognising the affordability pressures and the price competitiveness of selective segments.

We feel well prepared to deliver sustainable growth:

- We’re in strong financial shape
- We’ve put around 580 more ‘feet on the street’ in customer sales and service roles this year
- We’re managing all the things that drive longer-term performance well, being again judged the world’s most sustainable bank
- Our employee commitment is high
- We’re in an enviable position in terms of our high value customer base

With all this momentum, we have no intention of taking our eyes off the ball. We’ll continue to focus on being the best at providing excellent service, on being an employer of choice, and on being a global leader in responsible business practices while making a real and ongoing contribution to the communities we serve.

There are more than 27,000 of us. We are unique individuals and a unique team and we are confident in our ability to continue to deliver for our shareholders and the communities that allow us to serve them. I want to pay tribute to the enormous commitment, dedication and hard work of our people.

I trust you enjoy the following insights into our progress across our business groups.



David Morgan
Chief Executive Officer

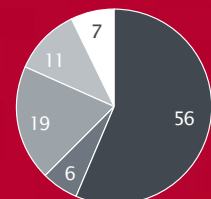
Credit ratings

	Short term	Long term
Moody’s Investor Services	P-1	Aa3
Standard and Poor’s	A-1+	AA-
Fitch Ratings	F1+	AA-

- 1 Internal charges and transfer pricing adjustments have been reflected in the net profit reported for each of our business units.
- 2 Due to changes in our management reporting structure, or due to accounting reclassifications, comparatives have been restated and therefore may differ from results previously reported.
- 3 This segment includes the results of Group Treasury and the Corporate Centre, as well as certain accounting entries to facilitate the presentation of our business unit results.
- 4 TPS are Trust Preferred Securities.

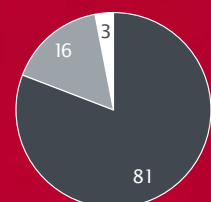
Assets by key business unit (%)

Business and Consumer Banking	■
BT Financial Group	■
Institutional Bank	■
New Zealand	■
Other	■



Operating revenue by region (%)

Australia	■
New Zealand	■
Other	■

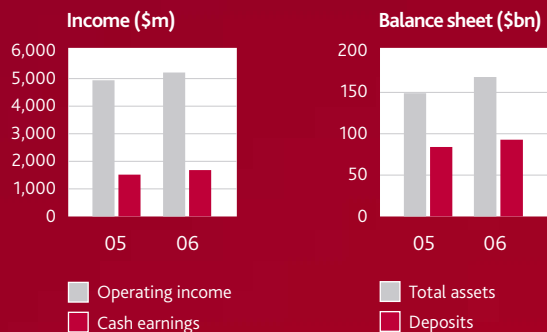


BUSINESS AND CONSUMER BANKING

MIKE PRATT, GROUP EXECUTIVE

Business and Consumer Banking (BCB) operates across Australia and has responsibility for sales, service and product development for consumer banking, and small and medium sized businesses. Activities are conducted through a network of 819 branches and in-store branches, contact centres, 1,637 ATMs, e-channel banking services and a strong mobile sales force including Home Finance and Business Finance Managers.

Out of this world.



Business and Consumer Banking	2006	2005	%Mov't 2006/05
Operating income (\$m)	5,221	4,940	6
Operating expenses (\$m)	(2,534)	(2,467)	(3)
Cash earnings (\$m)	1,682	1,517	11
Economic profit (\$m)	1,590	1,393	14
Total assets (\$bn)	168.6	149.5	13
Deposits (\$bn)	92.8	84.3	10
Net loans and acceptances (\$bn)	166.0	146.7	13
Expense to income ratio (%)	48.5	49.9	(3)
Employee numbers	11,763	11,505	2

Earth is a new type of credit card. We've taken the best aspects of other cards and combined them to give you a new, simple and rewarding card.



**EARN
YOU QANTAS
FREQUENT
FLYER
POINTS**

WE WANT TO help the next generation discover there is more to life on earth. Powered by Westpac, our new 'earth' credit card offers Qantas rewards as well as low rates and a low annual fee.

'earth' gives customers an American Express card to maximise their earnings potential, and a MasterCard offering the convenience of ATM cash withdrawals and usage in 23 million locations worldwide. With all this combined into one account, our customers can see their 'earth' and make every opportunity of getting to the places that they dream about. ●

UPDATE

What have we done this year?

Our focus this year has been to improve service to our customers. We have further increased the number of bankers in face-to-face contact with customers; more fully leveraged the investments we have made in recent years in tools and technology; and, brought our brand to life in a relevant and compelling way.

We have appointed 440 additional bankers, customer managers and support to meet market needs and enable managers to spend more time with their customers.

The rollout of our sales and service desktop platform

to our branch network and contact centres has been completed. This allows our contact centre teams and front line bankers to see the same information, and gives them tools to have quality conversations with customers and meet their needs more quickly.

Our "Pinnacle" business lending approval and processing system has been fully implemented for small business, leading to our ability to approve and process loans more quickly.

We have launched market-leading new card products, including our Platinum Altitude MasterCard with companion American Express card; the 'earth' card with its lower interest rate and Qantas Frequent Flyer points; and, Australia's first Debit MasterCard providing transaction account access online and overseas.

(continued over)

“We have increased the number of bankers in face to face contact with customers.”

UPDATE (cont'd)

Our investment in customer service was recognised when we were awarded “Best of the Best” for Excellence in Service for Large Organisations in the 2006 Customer Service Industry Association awards.

Overall, BCB revenue growth was 6% for the year. Excluding the impact of a one off write-off relating to the over-accrual of interest

income in the credit card business, revenue growth was 7%. Expense growth was contained to 3%, despite significant investments in customer-facing resources and systems, and the expense to income ratio fell to 48.5%. Cash earnings were up 11%. Excluding the impact of the cards write-off cash earnings growth was 13%. This is an outstanding result given the competitive environment.



**WESTPAC
BUSINESS
ONE**

IN THIS RAPIDLY changing world, businesses have different banking needs. Westpac Business One is a forward-looking product that provides options for differing transactions and credit needs through our branch and electronic network. By providing transparent and simple pricing plans we can assist next generation businesses to better manage their transaction and borrowing costs. ●



“It’s a single account that combines a transaction account with an optional line of credit, allowing customers to take control of their cash flow, rather than being controlled by it.”



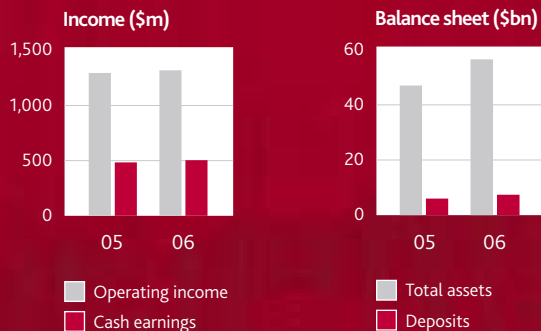
One.

Westpac Business One is a new business account designed to help smooth out the ups and downs of your business.

INSTITUTIONAL BANKING

PHILIP CHRONICAN, GROUP EXECUTIVE

Westpac Institutional Bank (WIB) serves the financial needs of corporations, institutions and government customers. WIB operates through dedicated industry teams supported by specialised expertise in financial markets, capital markets, transactional banking, specialised capital and alternative investments. Customers are supported through branches and subsidiaries located in Australia, New Zealand, New York, London and Asia.



Westpac Institutional Bank	2006	2005	%Mov't 2006/05
Operating income (\$m)	1,319	1,295	2
Operating expenses (\$m)	(570)	(550)	(4)
Cash earnings (\$m)	504	484	4
Economic profit (\$m)	309	330	(6)
Total assets (\$bn)	56.5	47.1	20
Deposits (\$bn)	7.4	6.3	17
Net loans and acceptances (\$bn)	32.1	24.1	33
Expense to income ratio (%)	43.2	42.5	2
Employee numbers	1,501	1,528	(2)

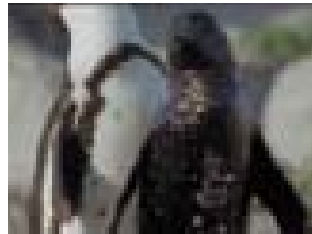
In 2003, ten of the world's banks signed the **Equator Principles** agreeing not to fund projects that endanger communities or the environment. Westpac was one of them.

**THE ONLY
AUSTRALIAN
BANK TO
SIGN**



IN JUNE 2003, Westpac joined nine leading banks from seven countries in announcing their adoption of the Equator Principles, a voluntary set of guidelines that have been developed for managing social and environmental issues relating to the financing of projects. Today, there are approximately 30 signatories to the Equator Principles, which cover more than 80% of the global project-financing market. ●

“By adopting these principles, Westpac is sending a strong message that we are prepared to put the planet and people in the same equation as profit.”



UPDATE

What have we done this year?

We continue to build the business and pursue growth opportunities both in Australia and offshore.

In our core products, such as capital markets, foreign exchange, and transactional banking, we have consolidated our market leadership.

We also continue to have very strong client satisfaction and relationship strength measures as evidenced through industry surveys.

We have had strong growth in our Specialised Capital Group businesses, both in the bank and through our Hastings subsidiary. Hastings has commenced its offshore expansion, having opened a London office and acquired UK-based investments.

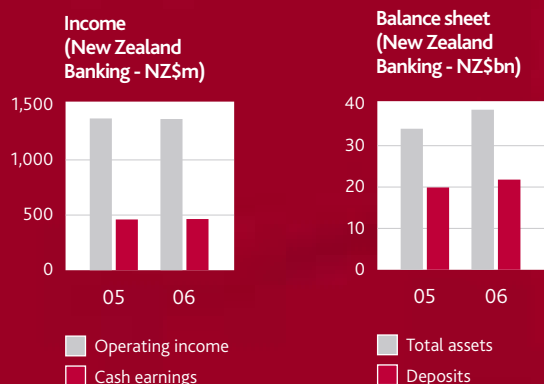
Successful execution across all areas has driven an 8% increase in operating income and a 20% increase in cash earnings over the year, excluding the structured finance business that is in rundown.

NEW ZEALAND AND PACIFIC BANKING

ANN SHERRY AO, GROUP EXECUTIVE

Westpac New Zealand, since 1861, and Pacific Banking, since 1901, have provided banking and wealth management products and services to consumers and businesses. In New Zealand we reach our 1.4 million customers through a nationwide network of 196 branches, call centres and 463 ATMs, with more than 565,000 registered online banking users.

Our Pacific region operations include Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu, spanning 43 branches, 42 ATMs, an extensive EFTPOS network and 5,500 registered online banking users.



New Zealand and Pacific Banking	New Zealand (NZD)			Pacific Banking (AUD)		
	2006	2005	%Mov't 2006/05	2006	2005	%Mov't 2006/05
Operating income (\$m)	1,371	1,367	0	176	150	17
Operating expenses (\$m)	(658)	(656)	0	(55)	(53)	(4)
Cash earnings (\$m)	464	463	0	76	65	17
Economic profit (\$m)	264	279	(5)	62	51	22
Total assets (\$bn)	38.7	34.1	13	1.6	1.3	23
Deposits (\$bn)	21.8	19.9	9	1.4	1.2	19
Net loans and acceptances (\$bn)	36.6	32.3	13	1.2	0.9	33
Expense to income ratio (%)	48.0	48.0	0	31.3	35.3	(11)
Employee numbers	4,939	4,993	(1)	1,075	1,076	0

Migrant
移民銀
한국인 금

**MIGRANT
BANKING**
+64 9306
1670

The Migrant Banking team was set up to ensure that migrants were supported in the complex process of moving to a new country.



WITH A YEARLY influx of about 45,000 new migrants coming to New Zealand, we recognised early on a very important segment that requires a very focused business strategy to be truly successful.

So, while we obviously have the basics right, in having a team of professionals who can converse with migrants in a wide range of languages, in having developed 'welcome packs', and advertising in migrant related media in a number of languages, we have also sought to remain on the front foot. You can even open an account online in Chinese and Korean!

A key initiative is to tap into the market before they leave their country of origin. We attend migrant expos offshore and have appointed a Business Development Manager in London, as the United Kingdom remains a very large source for migrants.

Looking forward, we have developed associations with immigration consultants as valuable referral sources, and have staff in our Asian offices to help potential clients. ●

UPDATE

What have we done this year?

Our business banking delivered market-leading results, improved customer satisfaction, and balance sheet growth – with exceptional growth in Agri-lending at 1.4x system growth.

Our business portfolio also benefited from leveraging Institutional Banking's skill set, offering business customers direct access to a range of risk management products.

Through enhanced cross-selling, financial markets and trade sales grew by 20%.

We undertook a full diagnostic in our consumer business, developing a clear plan to restore growth. Early signs are encouraging, with fourth quarter net

customer growth of 5,000 and mortgage registrations increasing above market levels, both in total and in the key Auckland market.

We continued to invest in the front line, opening three branches in high-profile sites in Auckland and adding 22 front line bankers, while continuing to invest in our branch and back-office infrastructure.

The legislation process required to implement local incorporation has been completed, with transition occurring on 1 November 2006.

Following the full roll-out of internet banking across Pacific Banking in 2005, Westpac's Internet Payment Gateway was implemented in Papua New Guinea and Vanuatu. The new Gateway will allow business merchants in the Pacific to compete in the commercial world of selling products and services online.

Haere Mai.

BT FINANCIAL GROUP

NEW ERA
FOR BABY
BOOMERS

INVESTING, NAVIGATING THROUGH superannuation or retirement planning, is complex. At BT, we've recruited an army of advisers to help customers navigate through the complexities of financial planning.

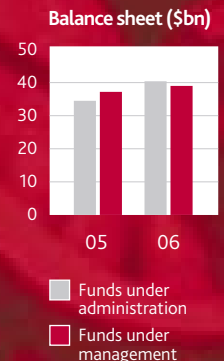
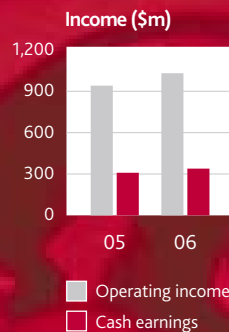
Every Australian needs to know how important their super will be as we enter a 'super revolution'. With the many legislative changes to impact the superannuation landscape over the next 12 months, we're investing in our Advice business to make sure we are well equipped to offer our customers the support and guidance they will be seeking as they make the transition to retirement.

Our Advice business will continue to focus on establishing an expansive footprint to meet the changing financial planning needs of Australia's baby boomer generation as they near and enter retirement.

Oh Baby!

ROB COOMBE, CHIEF EXECUTIVE OFFICER

As Westpac's wealth management operation, BT Financial Group (BT) helps customers create and manage their wealth through our investment management, superannuation, financial advice and insurance businesses. We manage, administer and advise on more than \$100 billion in assets and provide market-leading financial products and services, including wealth administration platforms, financial planning advice, margin lending facilities, super and retirement products, and insurance.



We're providing our financial advisers with the tools and support they need to deliver quality advice in a timely and consistent manner to help people prepare for retirement. This includes improving systems and processes to facilitate the growth of our advice business, and enhancing superannuation, retirement, investment and insurance products to make sure they meet the changing needs of our customers. ●

“Over the next 40 years, the proportion of the population aged over 65 will almost double.”



BT Financial Group	2006	2005	%Mov't 2006/05
Operating income (\$m)	1,031	941	10
Operating expenses (\$m)	(547)	(527)	(4)
Cash earnings (\$m)	339	309	10
Economic profit (\$m)	222	166	34
Funds under administration (\$bn)	40.4	34.5	17
Funds under management (\$bn)	39.0	37.2	5
Expense to income ratio (%)	53.1	56.0	(5)
Employee numbers	2,894	2,696	7

UPDATE

What have we done this year?

We've delivered on our promise to investors with strong investment performances, rating upgrades, sound researcher recognition and standout performances by our Australian Equities team.

Our year culminated in BT being named Fund Manager of The Year in the prestigious AFR Smart Investor Blue Ribbon Awards.

This has underpinned the solid flow of funds into BT's core products, including almost a billion dollars in institutional mandates since 1 August 2006.

We're always looking at opportunities for our investors. We've been keen to identify and deliver alternative investment opportunities for our customers. This year we took a 50 per cent stake in Voyager Funds Management, an absolute return manager, which invests in the expanding Asia Pacific region. We also formed an alliance with leading investment management firm AQR Capital Management, to manage our core international equities.

BT Super Solutions business currently manages more than \$14 billion in superannuation and retirement funds on behalf of 670,000 Australians. Over the next decade Australian

superannuation funds are expected to grow from the current \$810 billion to \$2.6 trillion and BT is working to develop innovative products and services to meet the needs of employers, advisers and investors in the changing retirement landscape.

BT's market-leading administration wrap platform has enjoyed phenomenal growth. BT's Wrap now has over \$27 billion in funds under administration, with new business increasing 34 per cent over the year.

Our Margin Lending division continued its outstanding growth with the loan book also increasing by 48 per cent to \$3.7 billion. Capturing 15 per cent of new business, BT is second in terms of overall market share.

Our Broking business has doubled income in the past three years. Volumes have increased by eight per cent, taking revenue to over \$32 million.

Since integrating Westpac's General and Life Insurance teams within BT, General Insurance product sales have increased by 18 per cent and Life sales have had a strong second half of the year following the successful execution of some new sales and process initiatives. We are now well primed as we build on the momentum that is starting to show in the Insurance business.

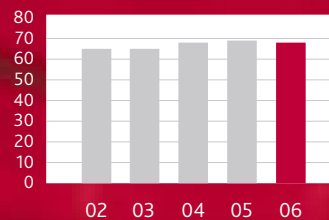
PEOPLE AND PERFORMANCE

TOO BUSY TO RETIRE

ILANA ATLAS, GROUP EXECUTIVE

People and Performance supports our businesses in achieving their goals through a range of enterprise or business-focused people initiatives. These include leadership and succession, recruitment and retention, workforce planning and policy, remuneration advice, learning and development, employment policy and communication and performance management.

Employee commitment (%)



Recruits come of age.

The Age Balance strategy has established Westpac as a recognised leader in the management of intergenerational workforces.

SUCH AN INITIATIVE was unprecedented and achieving this goal was a remarkable step forward in demonstrating that a large organisation could reinvent recruitment practices. The results have exceeded our aspirations, with almost 1,400 mature age workers recruited to date. Westpac quickly understood the value of combining its approach around corporate responsibility, with the commercial benefit of accessing a previously untapped labour pool. The response from both potential candidates and the community provided the platform for Westpac to succeed where other companies had failed in meeting this challenge.

This year we provided community members with the opportunity to attend skills based training to increase their chances of meaningful employment. We also launched a series of initiatives that focused on the retention of our existing workforce through a program that included understanding retirement intentions, promoting available flexible work opportunities and coaching employees to prepare for their retirement. We have also sought to recognise our long serving and experienced employees by providing opportunities for them to share their knowledge and leave a legacy within the organisation. ●

“In 2002, Westpac embarked on an ambitious program to recruit 900 mature age employees.”

UPDATE

What have we done this year?

Parental leave entitlements were expanded, including the right to take time out for two years and the right to work part time until a child reaches school age.

We opened two additional Westpac workplace childcare centres, with 347 families

now using our childcare centres across Australia.

Our focus on developing outstanding leaders continued with our Enterprise Leadership Program.

Our new Leadership Model is based on our values of integrity, teamwork and achievement. 79% of our employees feel positive on the performance and effectiveness of their leaders, placing us in the top quartile of Australian large companies and in line with global best practice.

Personnel by Business Unit ¹	2006	2005
Business and Consumer Banking	11,763	11,505
Institutional Bank	1,501	1,528
New Zealand	4,939	4,993
BT Financial Group	2,894	2,696
Business and Technology Solutions and Services	4,138	4,385
Pacific Banking	1,075	1,076
Head Office Functions & other	914	955
Total	27,224	27,138

¹ The number of employees includes core full time equivalent, overtime, temporary and contractors

BUSINESS AND TECHNOLOGY SOLUTIONS AND SERVICES

MICHAEL COOMER, GROUP EXECUTIVE

Business and Technology Solutions and Services (BTSS) people perform the back office functions for our products, define our overall information technology (IT) architecture, support and enhance software systems, and manage and implement major projects. In addition, BTSS provides infrastructure support for cash management, fraud, physical security, business services and records management. The division also manages our property portfolio and outsourcing contracts.



HQ

Westpac's new headquarters is a new generation in building a great workplace community.

Branch representation	2006	2005
Australia	819	813
New Zealand	196	195
Other	48	48
Total	1,063	1,056

Online banking customers (million)	2006	2005
Australia	2.3	1.9
New Zealand	0.6	0.5
Total	2.9	2.4

ATM distribution	2006	2005
Australia	1,637	1,653
New Zealand	463	471
Other	51	42
Total	2,151	2,166

Customers ¹ (million)	2006	2005
Australia	5.4	5.4
New Zealand	1.4	1.4
Other	0.2	0.2
Total	7.0	7.0

¹ All customers, primary and secondary, with an active relationship (excludes channel only and potential relationships). Based on a reconciliation of various customer information systems we have revised our consolidated Group customer numbers.



UPDATE

What have we done this year?

BTSS successfully completed the very large and complex development of Westpac's new head office, Westpac Place, with the building being opened by the Hon John Howard MP, Prime Minister of Australia, on 4 August 2006. The building now houses around 5,000 employees, drawn from some 10 separate sites across the City of Sydney in what was a major logistical exercise. From day one in the building, our employees have responded positively to the new work environment and how it supports greater collaboration and customer focus.

The Westpac Place project initiated a major upgrade in the head office server technology platforms, which occurred alongside further expansion of the Voice Over Internet Protocol (VOIP) and One Bank Platform. This sets us up with refreshed, leading technologies, enabling our people to work at their best

– living the organisational values and delivering great customer experiences.

BTSS continues to partner with the other business units to ensure Westpac's underpinning systems, processes and tools are efficient and help to improve customer service. The deployment of workflow and imaging technology in our transaction operations group together with our Quality Program (building lean Six Sigma capability across the organisation) have helped us drive significant improvements in process efficiencies across the Bank.

We have completed the Bank's Pinnacle Program – a complete reengineering of Westpac's end-to-end credit and lending processes. We have also extended our Reach Program across our network to support customer sales and service. Corporate Online, our internet banking platform for Institutional Bank and Business customers with complex transactional banking needs, has been voted Australia's Number One Lead Transactional Banking platform for the second year in a row.



The severe drought gripping Australia is likely to slash Australia's wheat output in 2006/07 by as much as 64% from the last year, according to the AWB

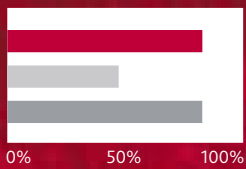
Our sustainability report card



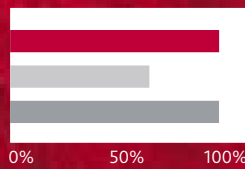
Westpac has been assessed as the global sustainability leader for the banking sector in the 2005/2006 Dow Jones Sustainability Index, for the 5th year in a row.

The charts below summarise Westpac's performance. Detail on the index and assessment process is available at www.sustainability-indexes.com

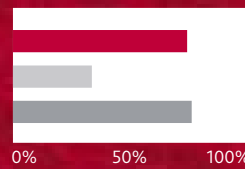
Total sustainability score



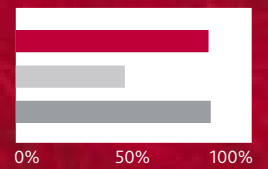
Economic dimension



Environmental dimension



Social dimension



Westpac score (%)

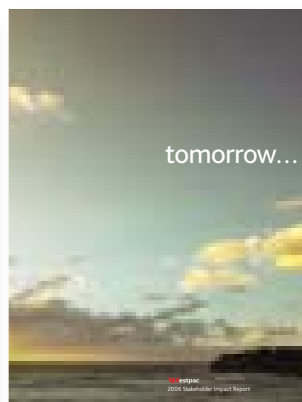
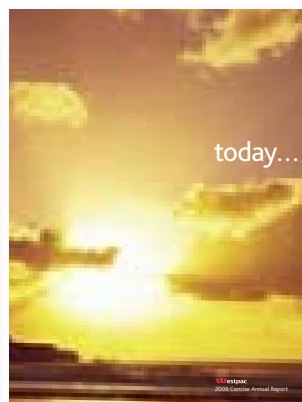


Banking sector average on a global basis (%)



Best company on a global basis within the banking sector (%)





ENSURING THAT OUR practices are sensitive and responsive to stakeholder and community interests has become a business basic for us. Why? Because we know that the successful management of social, environmental and other risks, is fundamental to sustainable prosperity.

And that's why we're continuing to align our financial and non-financial reporting. We believe our stakeholders need the complete picture of our social and environmental initiatives, as well as our financial ones, if they are to fully assess and value our performance.

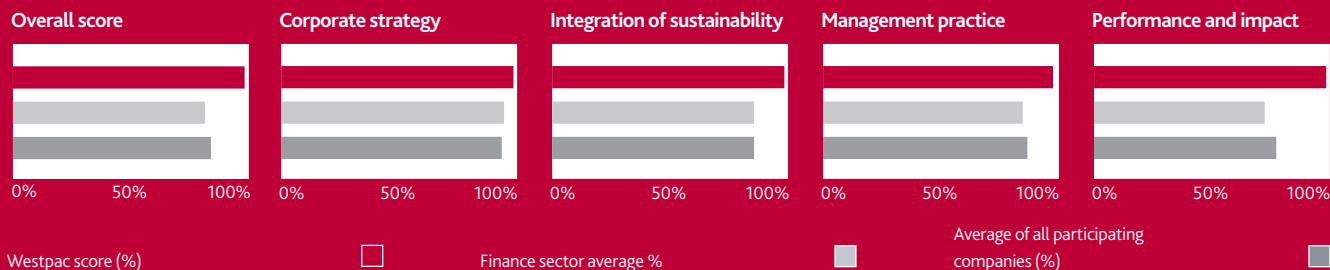
Our Stakeholder Impact Report measures and reports on our performance against more than 100 financial and non-financial drivers of value covering the marketplace, workplace, community, environmental and economic dimensions. ●

Our Stakeholder Impact Report is available at <http://www.westpac.com.au/corporateresponsibility>



Westpac has been rated the number one company in the Corporate Responsibility Index in both Australia and the UK. The Index was developed by the UK-based Business in the Community. It operates in Australia via

the St James Ethics Centre. The charts below summarise Westpac's performance. More information on the index is available at: www.corporate-responsibility.com.au



Generation 
**captures the spirit and
 passion of Westpac's
 people and their
 community involvement.**

**In 2006, Westpac
 contributed \$52 million
 to the community in
 Australia and NZ.**

Key Community Partnerships

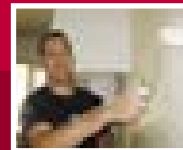
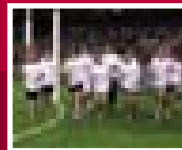
Australia

Australian Mathematics Trust
 Indigenous Enterprise Partnerships
 Juvenile Diabetes Research Foundation
 Landcare Australia
 Mission Australia
 The Salvation Army
 The Smith Family
 Life Saving Victoria
 Surf Life Saving Australia, VIC, QLD, SA, TAS
 Tasmanian Air Rescue Trust

New Zealand

Westpac Rescue Helicopters
 Auckland, Christchurch, Hamilton, Wellington
 Life Education Trust
 Internet Safety Group
 Sir Peter Blake Trust

EVERY GENERATION SHOULD



On the farm: Westpac helping
 indigenous enterprise

Community.

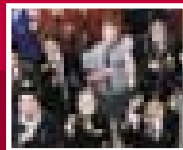
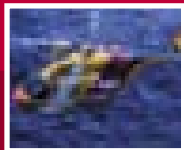


LIVE BETTER THAN THE LAST

SIR
AR
K J
GENERAL
RESCUE
HELICOPTER
WE
NL w ZEA
PETER
BLAK
THE ARTS
FOUNDA
LIFE EDI
TRUST
ST



On the bus: Westpac volunteers out in the community



On the beach: proudly supporting 2007 – Year of the Surf Lifesaver

CORPORATE GOVERNANCE

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1. Westpac's approach to corporate governance

a) Framework and approach to corporate governance

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

This approach includes a commitment to best practice governance standards, which Westpac's Board sees as fundamental to the sustainability of Westpac's business and performance.

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

In Australia, Westpac has taken into account the "Principles of Good Corporate Governance and Best Practice Recommendations" published in March 2003 by the Australian Stock Exchange Limited's Corporate Governance Council ("ASXCGC"), and the Corporations Act 2001 ("Corporations Act").

In the international arena, Westpac has responded to a range of relevant corporate governance principles.

@ Westpac's corporate governance statement and practices are available in the corporate governance section on its website at www.westpac.com.au/corporateresponsibility

b) Compliance with the ASXCGC's Best Practice Recommendations

The Australian Stock Exchange Limited ("ASX") listing rules require listed entities such as Westpac to include a statement in their annual report disclosing the extent to which they have followed the 28 ASXCGC Best Practice Recommendations during the reporting period, identifying any recommendations that have not been followed and providing reasons for that variance.

Westpac believes that its governance practices comply with the ASXCGC's Best Practice Recommendations, subject to the qualification below relating to ASXCGC Best Practice Recommendation 9.4. A checklist summarising our compliance is on the Westpac website.

Recommendation 9.4 advocates that entities seek shareholder approval of equity-based reward schemes for executives. In 2006 Westpac is seeking shareholder approval for two new equity-based reward schemes, the Westpac Reward Plan and the Restricted Share Plan. Detailed descriptions of both plans are provided in the 2006 Remuneration Report.

Westpac complies with recommendation 9.4 for some of its current long-term incentive plans. Both of the Chief Executive Officer's current agreements, the Chief Executive Share Option Agreement 2001 and the Chief Executive Securities Agreement 2003, have shareholder approval.

Westpac's current equity-based reward plans were introduced in 2002, prior to the release of the ASXCGC's Best Practice Recommendations. As the plans did not require shareholder approval under the Corporations Act and ASX listing rules, they were not put to shareholders for approval. The 2002 equity-based reward plans were however extensively disclosed to shareholders in the 2002, 2003, 2004 and 2005 Annual Reports and are set out in detail in the Remuneration Report on pages 56 to 71 of the Concise Annual Report and on pages 142 to 148 in the 2006 Annual Financial Report.

2. Date of this statement

This statement reflects Westpac's corporate governance framework, policies and procedures as at 2 November 2006.

3. The Board of Directors

a) Membership and expertise of the Board

The Board has a broad range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, with details of each Director's background, is set in the Directors' Report on pages 52 to 53 of the Concise Annual Report. The Board considers that between them, the Non-executive Directors bring the range of skills, knowledge and experience necessary to govern Westpac. All Directors have extensive experience of the social and environmental context in which the business operates.

The Board's approach to selection, performance evaluation and tenure of Directors is described on pages 37 to 38 of this corporate governance statement.

ASXCGC's Best Practice Recommendation 2.1, 2.5

b) Board role and responsibility

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

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

- strategy – providing strategic direction and approving corporate strategic initiatives;
- board performance and composition – evaluating the performance of Non-executive Directors, and determining the size and composition of the Westpac Board as well as making recommendations to shareholders for the appointment and removal of Directors;

- leadership selection – evaluating the performance of and selecting the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO");
- succession planning – planning for Board and executive succession;
- remuneration – setting CEO remuneration and setting Non-executive Director remuneration within shareholder approved limits;
- financial performance – approving Westpac's budget, monitoring management and financial performance;
- financial reporting – considering and approving Westpac's half-yearly and annual financial statements;
- audit – selecting and recommending to shareholders the appointment of the external auditor. Determining the duration, remuneration and terms of appointment of the external auditor and evaluating their performance and ongoing independence. Maintaining a direct and ongoing dialogue with the external auditor;
- risk management – approving Westpac's risk management strategy and monitoring its effectiveness;
- corporate responsibility – considering the social, ethical and environmental impact of Westpac's activities, setting standards and monitoring compliance with Westpac's responsibility policies and practices; and
- relationship with the exchanges and regulators, and continuous disclosure – maintaining a direct and ongoing dialogue with relevant regulators in Australia and offshore and ensuring that the market and Westpac's shareholders are continuously informed of material developments.

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

The Board has delegated to management, responsibility for:

- strategy – developing and implementing corporate strategies and making recommendations on significant corporate strategic initiatives;
- senior management selection – making recommendations for the appointment of senior management, determining terms of appointment, evaluating performance, and developing and maintaining succession plans for senior management roles;
- financial performance – developing Westpac's annual budget and managing day-to-day operations within the budget;
- risk management – maintaining an effective risk management framework;
- continuous disclosure – keeping the Board and market fully informed about material developments; and
- corporate responsibility – managing day-to-day operations in accordance with standards for social, ethical and environmental practices, which have been set by the Board.

@ Westpac's Board Charter is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 1.1

c) Board size and composition

There are seven independent Non-executive Directors and one Executive Director on the Board. Westpac's Constitution sets a maximum of fifteen Non-executive Directors. In addition, up to three members of the Board may be Executive Directors.

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

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

@ Westpac's Constitution is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

d) The selection and role of the Chairman

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

- ensuring that, when all Board members take office, they undertake appropriate induction covering the terms of their appointment, their duties and responsibilities;
- providing effective leadership on formulating the Board's strategy;
- representing the views of the Board to the public;
- ensuring the Board meets at regular intervals throughout the year, and that minutes of meetings accurately record decisions taken and, where appropriate, the views of individual Directors;
- guiding the agenda and conduct of all Board meetings; and
- reviewing the performance of Non-executive Directors.

The current Chairman, Leon Davis, is an independent Non-executive Director. He has been a Director of Westpac since November 1999 and Chairman since December 2000. The Chairman is a member of each Board Committee and Chairman of the Nominations Committee.

ASXCGC's Best Practice Recommendation 2.2, 2.3

e) Director independence

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

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

In assessing independence, the Board considers whether the Director has a business or other relationship with Westpac,

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 another Westpac Group member.

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

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

@ Board criteria for assessing independence is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 2.1, 2.5

f) Avoidance of conflicts of interest by a Director

The Board is conscious of its obligations to ensure that Directors avoid conflicts of interest (both real and apparent) between their duty to Westpac and their own interests. The Board has adopted a procedure to ensure that conflicts and potential conflicts of interest of Directors are disclosed to the Board.

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

In addition, the Director is required to disclose any actual or potential conflict of interest on appointment as a Director and is required to keep these disclosures up to date.

There is a range of policies within Westpac relating to the management of conflicts of interest, such as the Conflicts of Interest and the New Issues policies (see section 7e of this Corporate Governance Statement).

g) Meetings of the Board and their conduct

The Board has ten scheduled meetings each year and meets whenever necessary between scheduled meetings to deal with specific matters needing attention. The Board discusses a particular strategy topic at most Board meetings. In July, the Board meets to discuss Westpac's strategic plan and set the overall strategic direction of Westpac. In 2006, the Board also initiated a half-year review of the organisation's strategic direction. The Board also conducts more formal workshops on specific subjects throughout the year in addition to the regular Board meetings.

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

Members of the executive management are invited to attend all Board meetings and are also available to be contacted by Directors between meetings. The Board, however, usually meets without executive management (other than the CEO) at the commencement and conclusion of each meeting. The Board meets without the CEO or any other members of executive management at least once a year or as required and, as with all other Board meetings, this is presided over by the Chairman. The Audit Committee meets with Westpac's auditor without executive management being present at each Audit Committee meeting.

Meetings attended by Directors for the past financial year are reported in the Directors' Report on page 55 of the Concise Annual Report.

Highlights in 2006

- The Board now meets at each half year to review Westpac's strategic direction and progress on achieving targets.
- The Board discusses a pre-selected strategy topic during each Board meeting to ensure adequate focus on strategic matters.
- The Board held informal workshops on specific topics prior to Board meetings.

h) Succession planning

The Board plans succession of its own members in conjunction with the Nominations Committee. The Nominations Committee is responsible for developing and implementing succession planning for Non-executive Directors, taking into account the challenges and opportunities facing Westpac and the skills and expertise which are therefore needed on the Board in the future.

This year the Nominations Committee has overseen the creation of Principles which apply to the selection and appointment of directors to the boards of Westpac's subsidiaries and overseen the selection of directors appointed to Westpac subsidiary boards in Australia, New Zealand and the United Kingdom.

The Board is responsible for CEO and CFO succession planning. The Board actively manages senior executive succession.

i) Review of Board performance

The Board undertakes ongoing self-assessment and review of performance of the Board, Committees and individual Directors annually. This is to ensure that the Board and Board Committees are working effectively.

The performance review process is facilitated externally and includes written surveys of Directors, Group Executives and the Group Secretary & General Counsel. These reviews are wide-ranging and include, amongst other things, each Director's contributions to Board discussions. The survey results are independently collated and the Chairman formally discusses the results with individual Directors and Committee chairs.

Also, the Board has delegated to the Chairman of the Audit Committee the responsibility for reviewing the results of the annual performance review of the Board Chairman. Following this review, the Chairman of the Audit Committee reports to the Board without the Board Chairman being present.

ASXCGC's Best Practice Recommendation 8.1

j) Nomination and appointment of new Directors

Recommendations for nominations of new Directors are made by the Nominations Committee and considered by the Board as a whole.

The Nominations Committee reviews Director appointments from time to time, with eligibility criteria having regard to a proposed candidate's broad commercial experience and other qualities. External consultants may from time to time be used to access a wide base of potential Directors. Those nominated are assessed by the Board against a range of criteria including 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.

New Directors receive a Letter of Appointment, which sets out their duties, their terms and conditions of appointment including expected term of appointment, and the expectations of the role and remuneration.

If the Board appoints a new Director during the year, that person will stand for election by shareholders at the next Annual General Meeting ("AGM"). Shareholders are provided with relevant information on the candidates for election. The Nominations Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any Director by shareholders. As part of the process of considering whether to support the re-election of a Director, the Nominations Committee takes into account the results of the peer review conducted during the year.

ASXCGC's Best Practice Recommendation 2.5

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

Westpac's Constitution states that at each AGM one-third of its Directors (excluding the CEO) and any Director who has held office for three or more years since their last election must retire. As noted above, any Director who has been appointed during the year must stand for election at the next AGM.

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

The Board has a policy to limit the number of terms of office that any Non-executive Director may serve. Non-executive Directors (other than the Chairman) should not hold office as a Director for more than three consecutive terms. The Board's policy is that the maximum tenure of the Chairman is to be no more than four terms or twelve years (inclusive of any term as a Director prior to being elected as Chairman), from the date of first election by shareholders.

l) Director education

When appointed to the Board, all new Directors are offered an induction program appropriate to their experience to familiarise them with matters relating to Westpac's business, strategy and any current issues before the Board. The induction program includes meetings with the Chairman, the CEO, each Chairman of the respective Board Committees, each Group Executive and the Group Secretary & General Counsel.

The Board encourages Directors to continue their education by participating in formal workshops (held at least four times a year) and attending relevant site visits. Directors are also encouraged to undertake relevant external education where they wish to do so.

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

Highlights in 2006

- The Board undertakes regular development workshops to enhance the Directors' knowledge of key issues facing Westpac.
- Over the past year these included workshops on Westpac's succession planning, International Financial Reporting Standards, organisational strategy, Australian economic conditions, treasury operations, remuneration policies, the New Zealand business, financial results, risk reward and trends in international practice.

m) Board access to information and advice

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

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

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

ASXCGC's Best Practice Recommendation 2.5

n) Company Secretary

The company secretaries of Westpac are Richard Willcock and Anna O'Connell. Richard Willcock is Westpac's Group Secretary & General Counsel. Anna O'Connell is Head of Group Secretariat.

Richard Willcock joined Westpac in 1997 and was appointed to his present role in February 2003 with responsibility for the management and delivery of company secretarial, legal and governance advice and support to the Westpac Board, executive and business. Richard's qualifications include LLB, BA (Hons), MBA and FCIS.

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

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

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

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

4. Board Committees

a) Board Committees and membership

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

The five Board Committees and their membership at 2 November 2006 are set out in the table below:

	Audit Committee	Risk Management Committee	Nominations Committee	Remuneration Committee	Corporate Responsibility and Sustainability Committee
Leon Davis	●	●	Chair ●	●	●
David Morgan					●
Gordon Cairns	●			●	
David Crawford	●	●	●	Chair ●	
Ted Evans	●	Chair ●	●		
Carolyn Hewson	Chair ●	●	●	●	
Helen Lynch	●	●	●		Chair ●
Peter Wilson	●	●			●

Attendances of Directors at Committee meetings are set out in the Directors' Report on page 55 of the Concise Annual Report.

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

b) Committee Charters

The roles and responsibilities of each Committee are set out in the respective Committee Charters which are reviewed at least annually.

@ Copies of the Committee Charters are available in the corporate governance section at www.westpac.com.au/corporateresponsibility

Highlights in 2006

- All Committee Charters were reviewed in 2006 and updated where required to take into account the changes to the respective areas.

c) Committee procedures

Operation of the Committees and reporting to the Board

The Board Committees meet quarterly and at other times as necessary. Each Committee is entitled to the resources and information it requires and has direct access to Westpac employees and advisers. The CEO, senior executives and other selected employees are invited to attend Committee meetings as necessary. All Directors receive all Committee papers and can attend all Committee meetings, subject to there not being any conflict of interest.

Composition and independence of the Committees

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

How the Committees report to the Board

Following each Committee meeting, generally at the next Board meeting, the Board is given a verbal report by the Chair of each Committee. All Committee minutes are tabled at Board meetings.

How Committees' performance is evaluated

The performance of Committees is discussed and reviewed initially within each Committee and then reviewed as part of the Board's performance review.

The performance of each Committee member (other than the CEO) is evaluated as part of the annual peer review of each Director.

ASXCGC's Best Practice Recommendation 4.5, 7.3, 8.1, 9.5

d) Audit Committee

Role of the Committee

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

The Audit Committee, as delegated by the Board, oversees all matters concerning:

- integrity of the financial statements and financial reporting systems;
- making recommendations to the Board for the appointment of the external auditor;
- external auditor's qualifications, performance, independence and fees;

- performance of the internal audit function; and
- compliance with financial reporting and related regulatory requirements.

The Board approves the internal audit plan on the recommendations from the Audit Committee.

Integrity of the financial statements

The Audit Committee considers whether the accounting methods applied by management are consistent and comply with applicable accounting standards and concepts.

The Committee reviews and assesses:

- any significant estimates and judgements in financial reports and monitors the methods used to account for unusual transactions;
- the processes used to monitor and ensure compliance with laws, regulations and other requirements relating to external reporting of financial and non-financial information; and
- the major financial risk exposures and the process surrounding the disclosures made by the CEO and CFO in connection with their personal certifications of the half-year and annual financial statements.

External audit

The Audit Committee is responsible for making recommendations to the Board concerning the appointment of Westpac's external auditor and the terms of engagement. The Committee reviews the performance of the external auditor and regularly reviews the independence of the external auditor in accordance with its policy. This evaluation includes an annual review of the external auditor's internal quality control procedures and consideration of any inquiry or investigation by governmental or professional authorities, within the preceding five years in respect of assignments carried out by the external auditor. As well, the capabilities of the lead audit engagement staff are reviewed.

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

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

Internal audit

The Audit Committee approves the appointment and replacement of the General Manager Group Assurance (Head of Internal Audit) and reviews the internal audit responsibilities, budget and staffing. At each meeting, the Audit Committee meets with the General Manager Group Assurance without management being present. The Audit Committee Chairman also meets separately with the General Manager Group Assurance.

Compliance with financial reporting and related regulatory requirements

The Audit Committee is responsible for ensuring compliance with applicable financial reporting and related regulatory requirements.

The Audit Committee, among other things:

- discusses with the members of the Risk Management Committee, the Chief Compliance and Operational Risk Officer, management and the external auditor, Westpac's major financial risk exposures and the steps management has taken to monitor and control such exposures, including Westpac's risk assessment and risk management policies. In 2005/06 the Audit Committee has spent a significant amount of time reviewing the impact of the introduction of International Financial Reporting Standards and the implementation of section 404 of the United States Sarbanes Oxley Act ("SOX");
- discusses with the external auditor their report regarding significant findings in the conduct of their audit and the adequacy of management's response;
- discusses with management and the external auditor the half-yearly and annual financial statements, including disclosures in the "operating and financial review and prospects" of the Annual Report on Form 20-F;
- discusses with management and the external auditor correspondence with regulators or government agencies and reports which raise issues of a material nature;
- discusses with the Group Secretary & General Counsel, legal matters that may have a material impact on the financial statements and/or Westpac's compliance with financial reporting and related regulatory policies; and
- establishes procedures for the receipt, retention and treatment of financial complaints, including accounting, internal accounting controls or auditing matters and the confidential or anonymous reporting by employees of concerns regarding accounting or auditing matters.

Financial knowledge of Committee members

The Audit Committee includes members who have appropriate financial experience and an understanding of the industry in which Westpac operates. All members of the Audit Committee satisfy the independence requirements that Westpac is currently required to comply with under the ASXCGC Best Practice Recommendations, the United States Securities Exchange Act of 1934 and the rules of the New York Stock Exchange (NYSE).

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

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

The Audit Committee relies on the information provided by management and the external auditor. Management determines that Westpac's financial statements and disclosures are complete and accurate. The external auditor has the duty to plan and conduct audits.

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

ASXCGC's Best Practice Recommendation 4.2, 4.3, 4.4, 4.5

Highlights in 2006

- Reviewed International Financial Reporting Standards impacts.
- Received status and effectiveness updates on the SOX impact.
- Recommended to the Board the process for non-audit service fees provided by the external auditor.

e) Risk Management Committee

Role of the Committee

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

The Risk Management Committee, as delegated by the Board, monitors the alignment of risk profile with current and future capital requirements and oversees the risks inherent in Westpac's operations. The Risk Management Committee:

- reviews and approves the frameworks for managing Westpac's credit, market, liquidity, operational and compliance risk;
- determines, approves and reviews the limits and conditions that apply to the taking of risk, including the authority delegated by the Board to the CEO, CFO and Chief Risk Officer;
- monitors the risk profile, performance, capital levels, exposures against limits and management and control of Westpac's risks;
- monitors changes anticipated for the economic and business environment and other factors considered relevant to Westpac's risk profile;
- oversees the development and ongoing review of appropriate policies that support Westpac's frameworks for managing risk; and
- reviews significant issues that may be raised by internal audit as well as the length of time and action taken to resolve such issues.

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

- for credit risk – monitoring of the risk profile, performance and management of Westpac's credit portfolio and development and review of credit risk policies;
- for market and liquidity risk – monitoring of the market risk profile, approving the Group Value at Risk and Net Interest Income at Risk limits and reviewing Westpac's funding plan and liquidity requirements;

- for operational risk – monitoring of the operational risk profile, performance of operational risk management and controls and development and ongoing review of operational risk policies; and
- for compliance risk – overseeing Westpac's compliance with applicable laws, regulations and regulatory requirements, reviewing and discussing with management and the external auditor any correspondence with regulators or government agencies and any published reports that raise material issues for Westpac, and monitoring where appropriate, complaints and whistle blower concerns.

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

The Risk Management Committee's charter was subject to an annual review in February 2006, with one amendment to clarify management's responsibility to approve policies and processes within the approved risk management framework.

ASXCGC's Best Practice Recommendation 7.1, 7.3

Highlights in 2006:

- Reviewed all risk management frameworks – including the new Equity Risk Management Framework.
- Consideration and enhancements to the way Westpac manages industry concentration risk.
- Ongoing consideration of the requirements and changes under Basel II and International Financial Reporting Standards.

f) Nominations Committee

Role of the Committee

The primary function of the Nominations Committee is performing review procedures to assist the Board in fulfilling its oversight responsibility to shareholders. The Nominations Committee, as delegated by the Board, is responsible for:

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

ASXCGC's Best Practice Recommendation 2.4, 2.5

Highlights in 2006

- Developed principles for the composition of subsidiary boards.

g) Remuneration Committee

Role of the Committee

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

The Remuneration Committee, as delegated by the Board:

- reviews and approves executive remuneration policy;
- reviews and makes recommendations to the Board on corporate goals and objectives relevant to the CEO, and the performance of the CEO in light of these objectives;
- makes recommendations to the Board on the remuneration of the CEO;
- makes recommendations to the Board on the remuneration of Non-executive Directors (Westpac and subsidiary boards), taking into account the shareholder approved fee pool;
- approves contracts and remuneration packages for positions reporting directly to the CEO;
- reviews and makes recommendations to the Board on equity-based plans;
- approves all performance recognition expenditure; and
- oversees general remuneration practices across the Westpac Group.

The Remuneration Committee also reviews and recommends to the Board on the recruitment, retention, termination, and succession planning policies and procedures for the CEO and senior positions reporting directly to the CEO.

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

ASXCGC's Best Practice Recommendation 8.1, 9.2, 9.5

Highlights in 2006

- A complete review of equity-based long term incentive plans to deliver a stronger, more relevant relationship between executive behaviour, corporate performance, and executive reward, including recommending new plans to shareholders for approval at the 2006 AGM.
- Resolution of fee principles for Non-executive Directors on subsidiary companies boards, anticipating changing corporate governance standards and ensuring consistency and appropriate governance across the Westpac Group.

h) Corporate Responsibility and Sustainability Committee

Role of the Committee

The Corporate Responsibility and Sustainability Committee oversees and drives Westpac's commitment to operate its business ethically, responsibly and sustainably, consistent with evolving community expectations.

The Corporate Responsibility and Sustainability Committee, as delegated by the Board:

- reviews Westpac's social, environmental and ethical impacts, both direct and indirect;
- oversees initiatives to enhance Westpac's sustainability;

- sets standards for Westpac's corporate responsibility and sustainability policies and practices and monitors compliance with these policies and practices;
- monitors and oversees Westpac's reputational risks (along with the Risk Management Committee); and
- reviews and approves the independent assurance of Westpac's corporate responsibility systems and non-financial reporting including the annual Stakeholder Impact Report.

Further information on Westpac's approach to corporate responsibility and sustainability is included in section 9 of this corporate governance statement.

Highlights in 2006

- Enhanced non-financial reporting, including the social and environmental assurance process; commissioning a new reporting systems database; and adoption of the new Global Reporting Initiative G3 framework.
- Committed to systematic communication with mainstream financial markets on the shareholder value gained from responsible business practices including a dedicated market briefing and integration of non-financial lead indicators into half year and annual financial reporting.
- Recommitted to the revised Equator Principles including reassessment of sector and issue-specific policies for corporate and institutional lending.
- Founding member of the Australian Business Roundtable on Climate Change.
- Broad contribution to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into corporate responsibility.
- Establishment of Westpac's New Zealand Community Consultative Council.

5. Audit governance and independence

a) Approach to audit governance

The Board is committed to three core principles:

- that Westpac's financial reports present a true and fair view;
- that Westpac's accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies; and
- that the external auditor is independent and serves shareholder interests.

Australian and international developments are monitored and practices reviewed accordingly.

b) Engagement and rotation of the external auditor

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

The Board has adopted a policy that the responsibilities of the lead audit partner and review audit partner cannot be performed by the same people for longer than five years. The present PwC lead audit partner for Westpac's audit is David Armstrong, who assumed this responsibility in 2003. The present PwC review audit partner is David Prothero, who assumed this responsibility in

2005. The Board requires a minimum five-year 'cooling off' period before the lead audit partner or review audit partner are allowed back onto the audit team.

ASXCCG's Best Practice Recommendation 4.5

c) Certification and discussions with the external auditor on independence

The Audit Committee requires the external auditor to confirm quarterly that they have maintained their independence and have complied with the independence standards as promulgated by Australian and international regulators and professional bodies. The Audit Committee meets separately with the external auditor without executive management being present at each meeting. Certification is provided in the Non-Audit Services and Independence declaration in the Directors' Report on page 72.

d) Relationship with the external auditor

Westpac's current policies on employment and other relationships with its external auditor include the following:

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

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

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

- preparation of accounting records and financial statements;
- financial information systems design and implementation;
- appraisal or valuation services and other corporate finance activities;

- internal audit services;
- temporary or permanent staff assignments, or performing any decision-making or ongoing monitoring or management functions;
- broker or dealer, investment adviser or investment banking;
- legal, litigation or other expert services;
- actuarial services;
- recruitment services for managerial, executive or Director positions; and
- certain taxation services to individual employees involved in a financial reporting oversight role of the preparation of the financial statements.

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

The breakdown of the aggregate fees billed by the external auditor in respect of each of the two most recent financial years for audit, audit-related, tax and other services is provided in the 2006 Annual Financial Report.

The SEC, through its Division of Enforcement, is currently conducting an investigation of certain Australian registrants and public accounting firms in relation to aspects of compliance with the SEC's auditor independence requirements. As a part of this investigation, Westpac has furnished information to the SEC regarding the services rendered by PwC, the external auditor of Westpac since 1 October 2000, including information regarding services that the SEC staff may view as the secondment of PwC personnel to entities in the Westpac Group. Westpac is continuing to examine the matters covered by the SEC's investigation.

Westpac cannot predict the nature of any action the SEC might take as a result of the SEC's ongoing investigation. If the SEC determines that any of the other services provided by PwC to the Westpac Group did not comply with applicable rules, the SEC could impose or negotiate a range of possible sanctions, such as fines, the entry of cease-and-desist orders or injunctions, or a requirement to engage a different accounting firm to perform procedures and report on aspects of the relevant accounts or financial statements that may have been impacted by auditor independence concerns. However, based on the information currently available, Westpac considers that it is unlikely that the outcome of the SEC's investigation will have a material adverse financial effect on the Westpac Group.

f) Attendance at the Annual General Meeting

Westpac's external auditor attends the AGM and is available to answer questions from shareholders on:

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

ASXCGC's Best Practice Recommendation 6.2

g) Internal audit

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

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

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

6. Controlling and managing risk

a) Approach to risk management

Westpac approaches risk management by identifying, assessing and managing the risks that affect its business in accordance with a set of core risk management values. This approach enables the risks to be balanced against appropriate rewards and reflects Westpac's vision and values, objectives and strategies, and procedures and training.

Westpac distinguishes four main types of risk:

- credit risk – the risk of financial loss where a customer or counterparty fails to meet their financial obligations;
- market risk – the risk to earnings from changes in market factors, such as foreign exchange rates, interest rates, commodity prices and equity prices;
- operational risk – the risk that arises from inadequate or failed internal processes, people and systems or from external events; and
- compliance risk – the risk of failing to comply with Westpac's obligations under the law, based on the letter and spirit of a range of regulatory standards expected of Westpac and the risk of failure to meet Westpac's ethical standards;

In addition to and linked to these four main types of risk, Westpac allocates resources to manage the following types of risks:

- equity risk – the potential for financial loss arising from movements in the value of Westpac's direct and indirect equity investments;
- insurance risk – the risk of not being able to meet insurance claims (related to insurance subsidiaries);
- interest rate risk – the risk associated with being forced to liquidate or unwind the balance sheet hedge portfolio;
- liquidity risk – the risk of failing to adequately fund cash demand in the short term;
- reputation risk – the risk of negative experiences and perceptions impacting Westpac's standing with stakeholders; and
- strategic risk – the risk associated with the vulnerability of a line of business to changes in the strategic environment.

As these risks are interlinked, Westpac takes an integrated approach to managing them.

Westpac aspires to the advanced internal-ratings based approach for managing credit risk and advanced management approach for operational risk under Basel II.

A description of Westpac's approach to risk management is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 7.1, 7.3

b) Risk management roles and responsibilities

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

Westpac's risk management governance structure

Board

Considers and approves the risk-reward strategy of Westpac

Board Committees

Risk Management Committee	Audit Committee	Corporate Responsibility and Sustainability Committee	Nominations Committee	Remuneration Committee
Risk profile and risk management	Integrity of financial statements and systems	Social, environmental and ethical responsibility and reputation risk	Board skills, succession and governance	Responsible reward practices in line with performance

Independent Internal Review

Group Assurance

Adequacy and effectiveness of management controls for risk

Executive Risk Committees

Westpac Group Risk-Reward Committee

- Sets and leads the risk optimisation agenda for Westpac
- Recommends to the Board Risk Management Committee the appropriate risk-reward positioning and integrates decisions on overall capital levels and earnings profile
- Initiates and oversees strategies of Westpac's risk-reward profile and boundaries for risk appetite and earnings volatility within parameters set by the Board
- Oversees the risk governance framework, including the performance, role and membership of the executive risk committees

Westpac Group Credit Risk Committee

- Optimises credit risk-reward
- Oversees portfolio performance
- Determines limits and authority levels within Board-approved parameters

Westpac Group Market Risk Committee

- Optimises market risk-reward for traded and non-traded market risk
- Oversees portfolio performance
- Determines limits within Board-approved parameters

Westpac Group Operational Risk and Compliance Committee

- Optimises operational risk-reward and compliance
- Oversees the governance of operational risk and compliance, including the framework and policies
- Oversees the operational and reputation risk profile

Group Risk

- Drives enterprise-wide risk management culture, frameworks and decisioning for maximum performance in line with risk appetite
- Ensures risk management is a competitive advantage, delivers better solutions for customers, protects and grows earnings, and builds shareholder value
- Forges a partnership with the business, which shares the vision and the responsibility for superior risk management

Business units

- Manage risks inherent in the business including the development of business-specific policies, controls, procedures and reporting in respect of the risk classes

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

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

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

c) CEO and CFO assurance

The Board receives regular reports about the financial condition and operational results of Westpac and its controlled entities. The CEO and the CFO annually provide formal statements to the Board that in all material respects:

- the financial records of the company for the financial year have been properly maintained in that they:
 - correctly record and explain its transactions and financial position and performance;
 - enable true and fair financial statements to be prepared and audited; and
 - are retained for seven years after the transactions covered by the records are completed.
- the financial statements, and notes required by the accounting standards for the financial year comply with the accounting standards;
- the financial statements and notes for the financial year give a true and fair view of the company's and consolidated entity's financial position and of their performance;
- any other matters that are prescribed by the Corporations regulations as they relate to the financial statements and notes for the financial year are satisfied; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

ASXCGC's Best Practice Recommendation 4.1, 7.2

d) Compliance Risk Management framework

Westpac's Compliance Risk Management framework reflects the following core principles and practices:

- compliance is about our responsibilities as employees, our culture and the systems and processes we use every day;
- complying with the letter and spirit of regulatory standards is an essential part of the Westpac Group's DNA and is critical to its success as a leading Australian financial services organisation;
- ensuring that the letter and spirit of regulatory standards are embedded into how Westpac does business, how we conduct

ourselves, how Westpac's systems and processes are designed and how they operate;

- compliance with regulatory standards are the responsibility of everyone at every level of the Westpac Group. Visibility and accountability of senior management ensures a strong compliance culture;
- the role of the compliance function is to guide the organisation in embedding compliance into how Westpac does business; and
- actively engaging with regulatory bodies and industry forums to ensure the maintenance of high standards across the industry.

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

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

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

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

- environment – board and management oversight and accountability, culture and independent review;
- identification – identifying obligations, developing and maintaining compliance plans and implementing change;
- controls – policies, processes, procedures, communication and training and documentation; and
- monitoring and reporting – monitoring, incident and breach escalation, reporting, issue management and managing regulatory relationships.

@ Westpac's Compliance Risk Management framework is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

7. Promoting ethical and responsible behaviour

a) Westpac's Principles for Doing Business and Code of Conduct

Westpac's Principles for Doing Business set out the principles that govern Westpac's conduct and the behaviours that stakeholders can expect from Westpac.

The Principles apply without exception to all Directors, executives, management and employees, and are aligned to Westpac's core values of teamwork, integrity and achievement. Westpac's Code of Conduct sets out the seven foundation principles, namely:

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

@ Westpac's Principles for Doing Business, our Code of Conduct and other responsibility policies and codes are available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 3.1, 3.3, 10.1

b) Code of ethics for senior finance officers

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

@ The Code of Accounting Practice and Financial Reporting is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 3.1, 3.3

c) Internal policies and procedures

Beyond Westpac's Principles for Doing Business, Westpac complies with a range of external industry codes, such as the Code of Banking Practice and the Electronic Funds Transfer Code of Conduct.

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

ASXCGC's Best Practice Recommendation 3.1, 3.3

d) Concern reporting and whistle blowing

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

Westpac provides a range of mechanisms to raise issues, including:

- raising issues concerning fraud directly with Westpac's Financial Crime Control team;
- making suggestions for more efficient processes via the on-line Ask Once program; and
- raising concerns about "people issues" such as harassment or discrimination directly with People and Performance through P&P Connect.

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

@ The concern reporting and whistle blower policy is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 3.1, 3.3, 10.1

e) Insider trading policy and trading in Westpac shares

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

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

The periods in which Directors and Prescribed Employees can trade ("Trading Windows") commence two business days after the release of Westpac's half yearly and annual results. The Trading Windows are normally 56 days in length. However, the Chief Operational Risk and Compliance Officer has the discretion to extend each Trading Window by up to seven days

if having a 56 day Trading Window would unreasonably restrict the exercise of employee scheme entitlements. Directors and Prescribed Employees must also notify Compliance of their intention to trade during those periods and confirm they do not have any inside information. Any trading remains subject to legal obligations to not trade while in the possession of inside information. Group Operational Risk and Compliance monitors the trading of Westpac shares by Directors and Prescribed Employees on a daily basis.

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

All employees are also subject to the New Issues Policy. Companies in the Westpac Group are regularly involved in developing, structuring, funding and distributing financial products through a new issue. Employees cannot participate in these new issues where their position puts them in a real or perceived position of conflict with the interests of other customers. The procedure established identifies employees in a position of direct conflict, avoids the conflict by, where possible, limiting information flows and the people involved in decision making processes, and where it is not possible to avoid the conflict, manages it by restricting participation in new issues.

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

- employees in Westpac Institutional Bank (“WIB”) (including WIB New Zealand), and BT Financial Group are subject to comprehensive restrictions and procedures applicable to buying or selling other securities and financial products. These include seeking consent before dealing in Australian or New Zealand securities listed on the ASX and/or the New Zealand Exchange Limited (“NZX”), and a restriction on dealing in securities in which employees have close working relationships with specific companies. In addition to these employees, the restrictions apply to their immediate family members and entities in which the employees and/or their spouse have a beneficial interest or control or investment influence;
- WIB employees are prohibited from personal account trading in securities issued by customers if they advise, originate, structure, trade, distribute, sell or research the securities; and
- employees in Hastings Funds Management Limited (“Hastings”) are also subject to an Insider Trading Policy. In addition to that policy, Hastings maintains a prescribed financial products list and employee trading is confined to securities that do not appear on the list except during a four week Trading Window following the announcement of half and full year results and the AGM of the named company.

@ A copy of Westpac’s insider trading policy is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC’s Best Practice Recommendation 3.2, 3.3

8. Remuneration framework

Details of Westpac’s remuneration framework are included in the Remuneration Report on pages 56 to 71.

ASXCGC’s Best Practice Recommendation 8.1, 9.1, 9.3, 9.4, 9.5

9. Corporate responsibility and sustainability

a) Approach to corporate responsibility and sustainability

Westpac views sustainable and responsible business practices as an important long-term driver of capacity, performance and shareholder value. As a result, Westpac aims to produce positive outcomes for all stakeholders in the way it conducts its business and to maximise financial as well as social and environmental value from our activities.

This means being committed to transparency and fair dealing, treating employees and customers responsibly, and having solid and transparent links with the community. Such practices reduce operational and reputation risk, and enhance operational efficiency, while contributing to a more sustainable society.

Westpac’s corporate responsibility and sustainability approach goes beyond ASXCGC’s Best Practice Recommendations 3.1 and 10.1.

ASXCGC’s Best Practice Recommendation 3.1, 3.3, 10.1

b) Reporting on our corporate responsibility and sustainability performance

Westpac reports on its social, ethical and environmental performance through its annual Stakeholder Impact Report. Westpac’s transparent and comprehensive reporting on all dimensions of its performance is a component of Westpac’s governance and responsibility management.

The Stakeholder Impact Report aims to address the issues that matter most to customers, employees, shareholders and the community using the widely accepted reporting framework, the Global Reporting Initiative (GRI).

The Stakeholder Impact Report is also independently assured against the AA1000 Assurance Standards. This goes beyond testing the integrity of the data, to the effectiveness of Westpac’s underlying systems and processes more broadly, and the extent that corporate responsibility and sustainability policies and processes are embedded across the organisation.

In addition, Westpac actively participates in various independent external assessments by authoritative sustainability and governance rating organisations benchmarking against best practice.

@ Westpac’s Stakeholder Impact Report and performance in external sustainability assessments are available in the corporate responsibility section at www.westpac.com.au/corporateresponsibility

ASXCGC’s Best Practice Recommendation 3.1, 3.3

Highlights in 2006

Westpac's recent external sustainability and governance ratings include:

- Number one rating for banks globally in the Dow Jones Sustainability Index for 2006/2007 – for the fifth year running.
- Number one in the 2005 Business in the Community Corporate Responsibility Index (CRI) in Australia – the third consecutive Best Performer award.
- One of only 38 companies out of approximately 3,800 companies assessed globally to be awarded the maximum score for corporate governance by Governance Metrics International in September 2006. Westpac has achieved the maximum score in six consecutive ratings from 2004 to 2006.
- The number one company and only AAA rated organisation in the RepuTex Social Responsibility Ratings for 2005/2006, for the third year running.
- Included in the Global 100 Most Sustainable Companies in the World Index 2006.
- Awarded special awards for Continuous Disclosure, Communication and Corporate Governance in the 2006 Australasian Reporting Awards.

10. Market disclosure

Westpac is committed to maintaining a level of disclosure that meets the highest standards and provides all investors with timely and equal access to information. In achieving these standards Westpac maintains a Board-approved Market Disclosure Policy, governing how Westpac communicates with its shareholders and the investment community.

The policy reflects the ASX continuous disclosure requirements and the requirements of other exchanges where Westpac's securities are listed. The policy spells out that information which a reasonable person would expect to have a material effect on the price of Westpac's securities, must be immediately disclosed.

The Disclosure Committee is chaired by the CFO and involves the CEO, senior executives, Group Secretary & General Counsel and General Manager Stakeholder Communications. The Disclosure Committee is responsible for making decisions on what should be disclosed publicly under the market disclosure policy, and for developing and maintaining relevant guidelines, including guidelines on information that may be price sensitive.

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

All market announcements are released to each stock exchange where Westpac has ordinary shares or debt securities listed – ASX, NYSE, NZX, Tokyo Stock Exchange Inc., the London, Singapore and Swiss stock exchanges.

Westpac also publishes on its website the Concise Annual and the Annual Financial Reports, profit announcements, CEO and executive briefings (including webcasts), the Stakeholder Impact Report, economic updates, notices of meetings, media releases and meeting transcripts.

@ Westpac's Market Disclosure Policy is available in the corporate governance section at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 5.1, 5.2, 6.1

11. Shareholder communications and participation

Westpac is committed to giving all shareholders comprehensive, timely and equal access to information about its activities so that they can make informed investment decisions.

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

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

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

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

@ All relevant shareholder information can be accessed at www.westpac.com.au/corporateresponsibility

ASXCGC's Best Practice Recommendation 6.1

Highlights in 2006

- Online proxy voting introduced for the 2005 AGM.
- Improved access to the AGM proceedings for visually and hearing impaired shareholders.

12. Comparison of Westpac's corporate governance practices with NYSE listing rules

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

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

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

- Equity compensation plans

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

Westpac is seeking shareholder approval at the 2006 AGM for two new equity-based reward schemes, the Westpac Reward Plan and the Restricted Share Plan.

For existing plans, Westpac complies with the equivalent domestic requirements in that Westpac is not required under Australian law to provide shareholders with the opportunity to vote on new equity-compensation plans or material revisions to existing plans such as the 2002 equity-based reward plans. However, these plans were extensively disclosed to shareholders in prior corporate governance statements since 2002 and for 2005 and this year, set out in detail in the Remuneration Report.

13. NZX corporate governance rules and principles

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

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

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The Directors of Westpac Banking Corporation ("Westpac") present their report together with the financial statements of the consolidated group, being Westpac and its subsidiaries (collectively referred to as the "Group"), for the financial year ended 30 September 2006.

1. Directors

The names of the persons who have been Directors of Westpac during the period since 1 October 2005 are: Leonard Andrew Davis (Chairman), David Raymond Morgan (Managing Director and Chief Executive Officer), Gordon McKellar Cairns, David Alexander Crawford, Edward Alfred Evans, Carolyn Judith Hewson, Helen Ann Lynch 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 2006 and the period for which each Directorship has been held, are set out on pages 52 to 53.

2. Report on the business

2.1. Principal activities

The principal activities of the Group during the financial year ended 30 September 2006 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.

2.2. Management discussion and analysis

Management discussion and analysis of the Group for the financial year ended 30 September 2006 is set out on pages 76 through to 78 and forms part of this report.

2.3. Review and results of operations

A review of the operations of the Group for the financial year ended 30 September 2006 is set out on pages 76 through to 86 and forms part of this report.

The operating result of the Group attributable to shareholders for the financial year ended 30 September 2006 was a profit of \$3,071 million after tax.

2.4. Dividends

Since 30 September 2006, the Directors have proposed a final dividend of \$0.60 per fully paid ordinary share, totalling approximately \$1,101 million, for the year ended 30 September 2006 (2005: final dividend of \$0.51 per fully paid ordinary share, totalling \$951 million). The final dividend will be fully franked and will be paid on 13 December 2006.

An interim dividend for the current financial year of \$0.56 per fully paid ordinary share, totalling \$1,026 million, was paid as a fully franked dividend on 3 July 2006 (2005: interim dividend of \$0.49 per fully paid ordinary share, totalling \$879 million).

2.5. Significant changes in state of affairs

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

On 1 December 2005, Westpac renewed its managed network service agreement with Telstra Corporation ("Telstra") for a further five year term. Under this agreement Telstra will provide voice, data and video services for the corporate and retail banking in Australia and Pacific Region. Westpac expects to incur costs of approximately \$400 million over the life of the contract.

On 4 October 2006, we executed agreements to build and lease with members of the Britomart Group of companies in respect of approximately 16,000m² of office space across two buildings to be developed at the eastern end of Britomart Precinct near Customs Street in Auckland, New Zealand. The project to fit out the building and relocate approximately 1,500 staff to the new site is called 'Project Unity'. This project will result in the consolidation of our existing Auckland, Hamilton and Wellington support and operations centres into just one location in Britomart (Charter House) in 2009. In addition, Auckland head office and other head office functions in Wellington will move to an adjacent site (East 1 Building) in 2011.

2.6. Events after end of financial year

On 1 November 2006 the assets and liabilities of the New Zealand retail banking business previously held by our New Zealand branch were transferred to a New Zealand incorporated subsidiary to satisfy regulatory requirements. The carrying value

of the assets (and associated liabilities) at 30 September 2006 which were transferred on 1 November 2006 was \$33,536 million (liabilities \$33,536 million).

The transfer of this business to a subsidiary operating structure is not expected to have a significant impact on the Group.

The Directors are not aware of any other matter or circumstance that has arisen since 30 September 2006 which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

2.7. 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 referred to in pages 8 to 31 and form part of this report.

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

3. Directors' interests

3.1. Directors' interests in securities

The following particulars for each Director of Westpac are set out on page 51 and page 54:

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

Directors' holdings of Westpac shares and options as at 2 November 2006

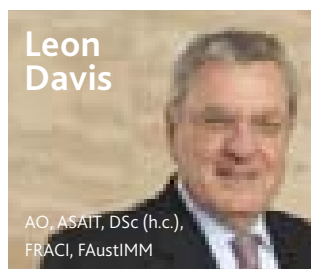
Director	Number of Westpac ordinary fully paid shares	Number of share options	Number of share rights	Non-beneficial
Leon Davis	60,652			84,608 ¹
David Morgan	1,958,186	2,139,000 ²	654,000 ³	
Gordon Cairns	8,506			
David Crawford	16,795			
Ted Evans	8,263			
Carolyn Hewson	9,565			
Helen Lynch	25,770			84,608 ¹
Peter Wilson	10,822			

1 Certain Directors have relevant interests (non-beneficial) in shares, and shares subject to warrants, held beneficially by a staff/community related fund of which those Directors are trustees.

2 Options issued under the Chief Executive Securities Agreement 2003.

3 Performance share rights issued under the Chief Executive Securities Agreement 2003.

BOARD OF DIRECTORS



Age: 67

Term of office: Director since November 1999. Chairman since December 2000.

Independent: Yes

Current Directorships: Director of each of Huysmans Pty Limited and Trouin Pty Limited, President of the Walter and Eliza Hall Institute of Medical Research; Member of Temasek International Panel, and Member of the South Australian Mineral & Petroleum Group.

Other Westpac related entities Directorships: Director of Westpac General Insurance Limited and Trustee of the Westpac Foundation.

Skills, experience and expertise:

Leon has been Chairman of Westpac since December 2000. He has had many years of experience in resource management, both in Australia and overseas. He has lived and worked in senior positions in Australia, Papua New Guinea, Singapore and the United Kingdom. He was formerly Chief Executive of CRA Ltd and then Rio Tinto in the United Kingdom.

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

Directorships of other listed entities over the past 3 years: Director and Deputy Chairman of Rio Tinto (June 1994 – April 2005) and a Director of Codan Limited (July 2000 – December 2004).



Age: 59

Term of office: Appointed Managing Director and Chief Executive Officer ("CEO") in March 1999. Executive Director since November 1997.

Independent: No

Current Directorships: Chairman of the Australian Bankers' Association.

Other Westpac related entities Directorships: Director of Westpac General Insurance Limited and Chairman of Westpac New Zealand Limited.

Skills, experience and expertise:

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

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

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



Age: 56

Term of office: Director since July 2004.

Independent: Yes

Current Directorships: Director of Seven Network Limited and Centre for Independent Studies, Director of Opera Australia, Member of the Asia Pacific Advisory Board of CVC Capital Partners and Chairman of the Advisory Board of the Caliburn Partnership.

Other Westpac related entities Directorships:

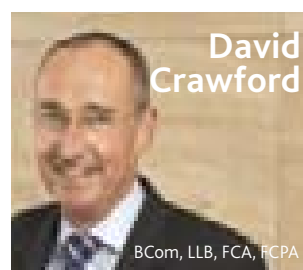
Nil

Skills, experience and expertise:

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

Westpac Board Committee membership: Member of each of the Audit and Remuneration Committees.

Directorships of other listed entities over the past 3 years: Director and Chief Executive Officer of Lion Nathan Limited (October 1997 – December 2004)



Age: 62

Term of office: Director since May 2002.

Independent: Yes

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

Other Westpac related entities Directorships: Nil

Skills, experience and expertise:

David was National Chairman of KPMG from 1998 until 2001, a member of KPMG's International Board and, prior to that, Chairman of KPMG's Southern Regional Practice (1996-1998). He was Chief Executive Officer of the Rural Finance Corporation in Victoria managing the integration and merger of the activities of the Victorian Economic Development Corporation with the Rural Finance Corporation.

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

Directorships of other listed entities over the past 3 years: Chairman of National Foods Limited (November 2001 – June 2005)



Age: 65

Term of office:

Director since November 2001.

Independent: Yes

Current Directorships: Director of IBT Education Limited.

Other Westpac related entities

Directorships: Director of each of Westpac General Insurance Limited and Westpac New Zealand Limited

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 Risk Management Committee and Member of each of the Audit and Nominations Committees.

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



Age: 51

Term of office:

Director since February 2003.

Independent: Yes

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

Other Westpac related entities

Directorships: Nil

Skills, experience and expertise:

Carolyn has had 17 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 Audit Committee and Member of each of the Risk Management, Remuneration and Nominations Committees.

Directorships of other listed entities over the past 3 years:

Director of each of CSR Limited (March 1995 – July 2005) and Australian Gas Light Company (October 1996–October 2006).



Age: 63

Term of office:

Director since November 1997.

Independent: Yes

Current Directorships: Member of the Caliburn Partnership and the Mallesons Stephen Jaques External Advisory Boards.

Other Westpac related entities

Directorships: Chairman of the Westpac Staff Superannuation Plan Pty Limited, Director of Westpac General Insurance Limited and a Trustee of the Westpac Foundation.

Skills, experience and expertise:

Helen has had 36 years experience in Westpac including membership of Westpac's executive team before retiring in 1994.

Westpac Board Committee

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

Directorships of other listed entities over the past 3 years:

Director of each of Southcorp Limited (July 1996 – May 2005), Coles Myer Limited (October 1995 – April 2003), Pacific Brands Limited (February 2004 – October 2006) and Chairman of OPSM Group Limited (September 1994 – October 2003).



Age: 65

Term of office:

Director since October 2003.

Independent: Yes

Current Directorships:

Chairman of Global Equities Market Securities Limited and Director of each of The Colonial Motor Company Limited, Kermadec Property Fund Limited and Hill Country Corporation Limited and Member of the New Zealand Exchange Limited Discipline body.

Other Westpac related entities

Directorships: Director of Westpac New Zealand Limited

Skills, experience and expertise:

Peter is a chartered accountant and formerly a partner with Ernst & Young, with extensive experience in banking, business establishment, problem 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: Member of each of the Audit, Risk Management and Corporate Responsibility and Sustainability Committees.

Directorships of other listed entities over the past 3 years:

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

3.2. Other disclosable interests as at 2 November 2006

Westpac Funds Management Limited, Hastings Funds Management Limited and a number of Westpac subsidiaries within the BT Financial Group, offer a range of registered schemes. Westpac's Directors from time to time invest in these schemes and are required to provide a statement to the Australian Stock Exchange Limited (ASX) when any of their interests in these schemes (except interests in a number of cash management trusts)¹ change. The level of interest held by Directors is set out at the foot of this page.

3.3. Indemnities and insurance

Under Westpac's Constitution Westpac must indemnify, unless the indemnity is forbidden or made void by statute, each Director and Secretary of Westpac and of each of its related bodies corporate and each employee of Westpac against:

- (a) every liability incurred by each such person in their capacity as Director, secretary or employee, as the case may be; and
- (b) 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 on pages 52 and 53 of this report and each of the Secretaries of Westpac, has the benefit of this indemnity which extends to all Directors, Secretaries of Westpac and each of its related bodies corporate and to all employees of Westpac.

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

Following shareholder approval at the 2003 AGM, Westpac has since entered into Deeds of Indemnity with serving directors Leon Davis and Helen Lynch in each case in their capacity as trustees of The Westpac Foundation, on identical terms to those set out in the 2003 Notice of Annual General Meeting.

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

- (a) those employees of the Group who act from time to time as Responsible Officers under the Australian Financial Services licences of a number of the Group companies; and
- (b) employees from time to time of Westpac subsidiaries.

A deed poll of indemnity, in terms equivalent to that provided under Westpac's Constitution, has been put in place.

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

On a similar basis the Board of Directors has approved an indemnity provided to David Morgan with respect to his position as Chairman of the Australian Bankers' Association, a role he has assumed at Westpac's request.

No amount has been paid under any of these indemnities during the financial year ended 30 September 2006 or since that date.

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

- (a) Westpac is forbidden by statute to pay or agree to pay the premium; or
- (b) the contract would, if Westpac paid the premium, be made void by statute.

Westpac, on behalf of the Group, for the year ended 30 September 2006 arranged insurance cover in respect of the amounts which Westpac may have to pay under any of the indemnities set out above. The insurance policy prohibits disclosure of the premium payable and the nature of the liabilities covered.

4. Environmental disclosure

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

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

Westpac has not incurred any liability (including for rectification costs) under any environmental legislation.

The level of interests held directly and indirectly by Directors as at 2 November 2006

Director	Relevant interests in cash management trusts (units) ¹	Other relevant interests in registered schemes (units)	Date of last notification to the ASX
Leon Davis		741,913	6 October 2006
David Morgan	10,000	7,460,081	29 September 2006
Helen Lynch	25,000	635,200	6 October 2006
Gordon Cairns		81,967	11 April 2005

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

5. Rounding of amounts

Westpac is an entity to which ASIC Class Order 98/0100 dated 10 July 1998, relating to the rounding of amounts in Directors' reports and financial reports, applies. Amounts in this report and the accompanying financial report have been rounded to the nearest million dollars, unless indicated to the contrary.

6. Political donations

The donations and other contributions were made to political parties in Australia and New Zealand during the financial year ended 30 September 2006 are set out opposite.

Political donations, year ending 30 September 2006

Australia

Party	Amount (\$) ¹
Australian Labor Party	93,500
Liberal Party of Australia	110,700
National Party of Australia	15,520
Total	219,720

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

New Zealand

Party	Amount (NZ\$)
New Zealand Labour Party	23,500
New Zealand National Party	23,500
New Zealand First	5,000
Green Party of Aotearoa New Zealand	5,000
ACT New Zealand	5,000
United Future New Zealand	5,000
Jim Anderton's Progressive Coalition	3,000
Maori Party	5,000
Total	75,000

7. Directors' meetings

Each Director attended the following meetings of the Board of Directors and Committees of the Board during the financial year, which ended on 30 September 2006:

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

A - Meetings eligible to attend as a member

B - Meetings attended as a member

Unless otherwise stated, each Director has been a member, or the Chairman, of the relevant Committee for the whole of the period from 1 October 2005.

1 Chairman of the Nominations Committee. Member of all other Board Committees.

2 Member of the Corporate Responsibility and Sustainability Committee.

3 Member of the Audit Committee and the Remuneration Committee.

4 Chairman of the Audit Committee until 10 August 2006 and member from 11 August 2006. Chairman of the Remuneration Committee from 11 August 2006. Member of the Risk Management Committee and the Nominations Committee.

5 Chairman of the Risk Management Committee. Member of the Audit Committee and the Nominations Committee.

6 Chairman of the Remuneration Committee until 10 August 2006 and member from 11 August 2006. Chairman of the Audit Committee from 11 August 2006. Member of the Risk Management Committee and the Nominations Committee.

7 Chairman of the Corporate Responsibility and Sustainability Committee. Member of the Audit Committee, the Risk Management Committee and the Nominations Committee.

8 Member of the Audit Committee, the Risk Management Committee and the Corporate Responsibility and Sustainability Committee.

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

8. REMUNERATION REPORT

8.1. Reward objectives

Westpac's reward strategy provides a comprehensive framework aimed at attracting and retaining talented employees and embedding a culture of achievement, and providing transparency of reward policy and practice for all employees. Anchored by a philosophy of paying for performance, enterprise-wide and business-specific programs work together to achieve market competitiveness.

8.2. Board Remuneration Committee

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

The Committee's decisions on reward structures are based on business performance, legal obligations and high standards of corporate governance. The Committee's purpose and responsibilities are documented in the Corporate Governance Statement, commencing on page 34 of this Concise Annual Report, with the full Committee charter available at www.westpac.com.au/corporateresponsibility. The charter was last reviewed in May 2006.

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

8.3. Executive remuneration policy

Westpac's executive remuneration policy sets the framework for rewarding Westpac's Chief Executive Officer (CEO), Group Executives (who are the direct reports of the CEO), and General Managers (who are the direct reports of the Group Executives, including the Group Secretary and General Counsel).

The main principles underlying Westpac's executive remuneration policy are:

- performance-focused rewards, with the majority of rewards linked to detailed financial and non-financial performance targets;
- recognition of shareholder interests, utilising Economic Profit and relative Total Shareholder Return (TSR) in performance targets to reflect both short and long-term value; and
- remuneration outcomes reflecting Westpac's comparative success against companies with which Westpac competes for customers and/or capital.

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

The remuneration for the Head of Group Secretariat, who reports to the Group Secretary and General Counsel and who is a

company secretary of Westpac, is covered by Westpac's general remuneration policy. Under the policy, fixed remuneration is market aligned, with variable "at risk" pay determined by performance against objectives.

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

8.4. Executive remuneration structure

Westpac's executive remuneration structure offers a mix of short-term employment benefits, post-employment benefits and share-based incentives. The CEO's remuneration arrangements are discussed in Section 8.6.

8.4.1. Short-term employment benefits

Fixed remuneration

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

Short-term incentives

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

Other financial and non-financial performance measures are established for each executive, such as business efficiency, customer satisfaction, employee commitment and corporate responsibility. These measures offer insight into current corporate health and are drivers of future, sustainable shareholder value. The metrics used to measure performance against objectives are considered to be the most appropriate to assess Westpac's executive achievements.

Short-term incentive targets are set for all Group Executives and General Managers, and are based on the nature of the role and market competitiveness. In line with the remuneration policy, performance is reviewed based on the "two-up" principle explained in Section 8.3. An individual's performance against the pre-determined objectives drives the quantum of any short-term incentive payment. The potential range of payment from 0% to 200% of short-term incentive target is based on a formula assessing performance against objectives. Management discretion of up to plus or minus 33% of the target may be applied to modify the payment. This discretion provides the opportunity to consider matters such as performance consistency and to recognise an executive's demonstration of Westpac's values, through quality of leadership, personal integrity and contribution to the executive team.

The short-term incentive pool is determined by the Committee and based on a percentage of the Group's Economic Profit.

8.4.2. Post-employment benefits

Executives are generally provided with superannuation, at 9% of eligible salary, through one of Westpac's staff superannuation funds, or for some executives through an eligible fund of their choice. Several executives receive defined benefit superannuation through a legacy fund.

8.4.3. Share-based payments

Share-based reward is a key tool in enabling the achievement of superior and sustainable performance. Following an extensive review of Westpac's share-based reward structures, the Board will seek shareholder approval for two new plans at Westpac's Annual General Meeting on 14 December 2006 – the Westpac Reward Plan and the Restricted Share Plan.

Directors are not eligible to participate in either the following proposed plans or the existing long-term incentive plan.

8.4.3.1. Proposed plans

8.4.3.1.1. Westpac Reward Plan (WRP)

The WRP is a hurdled option plan. Its purpose is to provide Westpac with an enhanced mechanism for driving superior long-term performance. It is targeted at Westpac's most senior management, being the group of executives and selected senior managers in Australia and overseas, as determined by the Board from time to time (Eligible Senior Employees), whose responsibilities provide them with the opportunity to significantly influence long-term shareholder value.

Each Eligible Senior Employee who is eligible to receive an invitation to participate in the WRP will have a pre-determined long-term incentive target (dollar value) communicated at the beginning of the performance year. At the time of the annual remuneration review, Eligible Senior Employees will be considered for an invitation to participate in the WRP, with any invitation being performance dependent and subject to discretion.

TSR will be the basis for the performance hurdles of the WRP as it ensures a link to shareholder value creation, and is considered to be the appropriate measure over the long-term. Westpac's TSR relative to that of other companies is used to ensure Westpac executives are rewarded only when Westpac outperforms against the comparator group of companies. Westpac's aim is to deliver superior TSR compared to similar companies. As such, the ranking group for TSR comparisons for the WRP focuses on 10 financial sector peers (detailed below).

An external consultant measures Westpac's TSR performance relative to the comparator group. These TSR results are then provided to the Board or its delegate to determine the proportion of each option grant that may vest.

The key WRP features are provided in the table below, with the plan rules available from Westpac's share registry, Link Market Services Limited, on request and in the Investor Relations section of the website at www.westpac.com.au/investorcentre.

Instrument	Performance options, with an exercise price set at the time of invitation based on the prevailing market price of Westpac ordinary shares.
Performance measurement	Relative TSR compared to a ranking group of the top 10 of the largest 13 Australian banking and financial sector companies by market capitalisation at the time of grant. As at 1 August 2006, the ranking group consisted of AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Macquarie Bank Limited, National Australia Bank Limited, Promina Group Limited, St George Bank Limited, and Suncorp-Metway Limited.
Performance testing	Initial performance testing after three years, with retest at four years and five years. Securities vest on the first test date only if the TSR ranking is at or above median. Vesting increases at subsequent test dates only if the TSR ranking has improved. The vesting framework has been designed to strengthen the performance link over the longer term. Vesting results are locked in at each test date, and any securities that do not vest continue to be subject to performance hurdles. This model encourages executives to focus on performance over the full five year period.
Vesting	Relative TSR must be at or above median of the ranking group for vesting to occur. Full vesting occurs if relative TSR is at (or exceeds) the 75th percentile of the ranking group, scaling down on a straight-line basis to 50% vesting for median performance.
Lapse of securities	Securities will lapse where an executive leaves the Group due to resignation or dismissal before the securities vest, unless the Board determines otherwise. Securities (whether vested or unvested) will lapse where an executive acts fraudulently or dishonestly or is in material breach of their obligations under the plan or to Westpac, unless the Board determines otherwise. Any securities remaining unvested at the final test date lapse immediately.
Expiry date of vested options	10 years from date of grant.

A condition of participation in the WRP (as for other share-based remuneration) is that executives do not enter into any hedging transaction, whether directly or indirectly, in relation to any unvested securities. Failure to comply will render the securities subject to forfeiture under the plan rules.

8.4.3.1.2. Restricted Share Plan (RSP)

The RSP is a share plan where share allocation depends on individual performance and potential performance at the time of invitation. Vesting of shares depends on the individual remaining employed by Westpac for a period determined by the Board. As a key part of Westpac's strategy for the retention of talent, the RSP will be utilised by Westpac in a number of circumstances.

First, it will provide an instrument for retaining Australian-based employees below General Manager level, identified as a "key resource" within the Group. Such employees will be considered annually for a RSP grant if they are a consistently high performer, assessed as "high potential" through a formal talent management program, or in a critical role where they have a direct impact on Westpac's delivery of strategic objectives. Shares granted are generally restricted for three years.

Second, special purpose awards will also be made from time to time where an additional retention incentive is required for new employees below General Manager level or as "sign-on" or retention award for Eligible Senior Employees. The restriction period for these special purpose awards will be between one and three years.

Third, the retention incentive offered by the RSP is also intended to be utilised for compulsory short-term incentive (bonus) deferral for Group Executives, General Managers, and other key employees. Executives will be required to defer a fixed percentage of their short term incentive into RSP shares, generally restricted from sale for two years.

The key RSP features are provided in the table below, with the plan rules available from Link Market Services Limited on request and in the Investor Relations section of the Westpac website at www.westpac.com.au/investorcentre.

Retention for offshore employees will be managed separately, through the existing Westpac Performance Plan, which is more suitable for the varying conditions of Westpac's offshore locations.

8.4.3.2. Current (2006) plans

8.4.3.2.1. Westpac Performance Plan (WPP)

Introduced in 2002, the focus of the WPP is on providing executives and other key employees with a long-term financial incentive to deliver sustained shareholder value. The WPP provides executives with a pre-determined long-term incentive target, although the grant is wholly discretionary and performance dependent.

The performance-hurdled long-term incentive component of the WPP (being the performance share rights and performance options) will be replaced by the WRP after the 2006 review cycle, subject to shareholder approval. Existing WPP grants will continue to run their course after this time.

TSR is the basis for the performance-hurdled long-term incentive component of the WPP, as it ensures a link to shareholder value creation, and is considered to be the appropriate measure over the long-term. Relative TSR performance measurement was chosen with the aim to deliver superior TSR compared to similar companies.

Currently, grants comprise performance options and/or performance share rights. Performance options have a vesting period of between three and five years. Performance share rights have a vesting period of either two to four years, or three to five years. At each test date, relative TSR for the grant is assessed and the participant may elect to take the vested component of the award, or resubmit the full award to be retested at a subsequent test date. Where the participant chooses at a test date to vest any of the securities granted, any securities that do not vest at that time are forgone.

Instrument	Restricted Westpac ordinary shares held in the RSP in the participant's name.
Performance criteria	Grant subject to strict performance criteria related to being a key employee or in a critical role. As outlined above, the RSP will also be used for short-term incentive deferral. In this circumstance, performance will have been assessed as part of the short-term incentive performance assessment.
Vesting	All shares vest at the expiry of the restriction period, subject to continued employment with the Group, or earlier in the case of retirement, death or total and permanent disablement. There is a provision for pro-rata vesting in cases such as retrenchment, change of control of Westpac, where an employee's company ceases to be a Group company, or in limited circumstances where an employee leaves through mutual agreement.
Forfeiture of shares	Unvested shares are forfeited where an employee resigns from the Group within the restriction period, unless the Board determines otherwise. Shares (whether vested or unvested) are also forfeited where an employee acts fraudulently or dishonestly or where an employee is in material breach of their obligations to Westpac, unless the Board determines otherwise.
Maximum holding period	10 years from the date of grant.
Dividend and voting rights	Shares rank equally with Westpac ordinary shares.

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

WPP grants assess relative TSR performance hurdles against two ranking groups. 50% of the long-term incentive award is assessed against a TSR ranking group of the top 10 of the largest 13 Australian banking and financial sector companies by market capitalisation at the time of grant (excluding Westpac).

The other 50% assesses TSR performance against a ranking group of the 50 largest companies on the ASX by market capitalisation at the time of grant (excluding Westpac, property trusts, specified resource companies, and the first ranking group). Examples of the groups are shown in the Glossary.

For WPP grants prior to December 2005, TSR performance against a single ranking group was utilised, being the 50 largest companies on the ASX by market capitalisation at the time of grant (excluding Westpac, property trusts, and specified resource companies). These grants continue to run their course.

An external consultant measures Westpac's TSR performance relative to the comparator groups, with the TSR results provided to the Board or its delegate to determine the proportion of each award that may vest. During 2006, nine allocations of securities reached their first test dates, with two performances at the 54th percentile and the remaining seven below the median. Three allocations reached their second test dates during the year, with the performance of one at the 54th percentile, and the other two below the median. No vesting is possible where performance is below the median. In 2006, where performance has been above the median but below the 75th percentile, 82% of participants have chosen to vest their securities and not extend the performance period.

Unhurdled securities are also possible to be granted under the WPP, although no unhurdled securities have been granted to date. In developing the RSP as an instrument for retaining key employees, it was identified that the varying conditions of Westpac's offshore locations were better suited to the features of unhurdled securities under the WPP. Restricted for three years and in every way possible mirroring the features of the RSP, unhurdled options will be available for offer in the United States of America, and unhurdled share rights available for offer in other locations (including New Zealand, the United Kingdom, and other countries from time to time, as determined by the Board), subject to the same performance eligibility criteria as the RSP.

Unhurdled securities will also be used for eligible employees based outside of Australia as a vehicle for deferral of short-term incentive and, from time to time, where an additional retention incentive is required or as a sign-on award. The restriction period for these purposes will be three years.

8.4.3.2.2. Deferral Share Plan (DSP)

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

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

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

8.4.3.2.3. Employee Share Plan (ESP)

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

All Australian-based employees who have six months continuous employment as at 30 September each year are eligible and they must register each year. Executives who participate in the WPP, WRP or RSP are not eligible to participate in the ESP.

8.4.3.6. Other plans

The General Management Share Option Plan (GMSOP) is a legacy, equity-linked plan introduced in 1998. Although awards are no longer made, it is still in operation as a small number of outstanding grants continue to run their course. Full expiry of those grants is expected by 2012.

Westpac also provides plans for small, specialised parts of the business. The payments under these plans are directly linked to growth of the relevant part of the business and are each capped at an appropriate proportion of the value and/or profitability of the relevant part of the business.

8.4.4. Remuneration mix

Total reward for executives is aimed at the 75th percentile (against a comparator group of key financial industry peers and where appropriate, other large organisations) for superior performance. Market research conducted in 2005 revealed an overweighting toward long-term incentive for Westpac executives. As a result, the design of the 2006 incentive targets has delivered a more balanced mix of short and long-term incentives.

The 2006 target mix of components for the CEO was 29% fixed, 25% short-term incentive, and 46% long-term incentive, as determined by his employment contract.

For the Group Executives, there is a managed level of variability within the target remuneration mix.

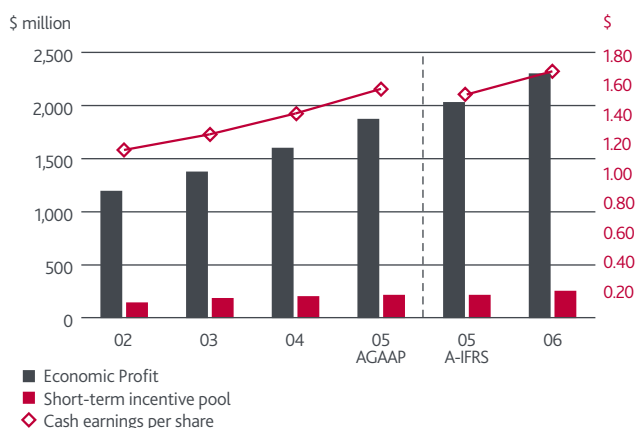
Role title	Fixed remuneration	Short-term incentive	Long-term incentive
Group Executive, People & Performance	36%	32%	32%
Group Executive, New Zealand and Pacific Banking	32%	34%	34%
Chief Financial Officer	30%	35%	35%
Group Executive, Risk	30%	35%	35%
Group Executive, Business and Technology Solutions and Services	30%	35%	35%
Group Executive, Westpac Institutional Bank	30%	35%	35%
Chief Executive Officer, BT Financial Group	28%	36%	36%
Group Executive, Business and Consumer Banking	26%	37%	37%

8.5. Linking reward with performance

Westpac's remuneration policy links the remuneration of all executives, as well as the broader employee population, with Westpac's short-term and long-term performance. The 2006 adoption of a formula-based funding approach to variable reward pools is designed to provide a clearer link between Group financial performance and variable reward and establish upfront the targeted level of profit sharing between shareholders and employees at varying Group performance levels.

Company financial performance and short-term incentives

For 2006, Group Economic Profit target performance levels were exceeded, with cash earnings also ahead of target. The following graph illustrates Economic Profit performance for the last five years against total short-term incentive expenditure and shareholder earnings, noting accounting changes impacting the 2005 and 2006 periods.



In 2006, the short-term incentive pool represented approximately 11.2% of Economic Profit.

	2002*	2003	2004	2005	2006
Share price – high	\$17.01	\$17.14	\$18.28	\$21.40	\$25.35
Share price – low	\$13.11	\$12.83	\$15.00	\$17.52	\$20.14
Share price – close	\$13.85	\$16.20	\$17.73	\$21.10	\$22.71
Dividends per share	70 cents	78 cents	86 cents	100 cents	116 cents
Earnings per share (cash)	\$1.14	\$1.25	\$1.39	(AGAAP) \$1.55 (A-IFRS) \$1.52	(A-IFRS) \$1.67

* The closing share price for the 2001 year (28th September 2001) was \$13.29.

Company financial performance and long-term incentives

At each test date for Westpac's current primary long-term incentive plan, the WPP, a TSR calculation is made based upon share price and dividend yield data, and allowing for any cash distribution under a return of capital to shareholders of any entity in the comparator groups. Westpac's share price and dividend yield performance for the past five fiscal years is shown below.

The five year Westpac TSR to 30 September 2006 is 107%. For example, a \$100 investment in Westpac five years ago would have returned \$207 to the investor.

In 2006 the aggregate total value of long-term incentive granted was approximately 2.8% of Economic Profit.

Company non-financial performance

Westpac's balanced approach to assessing business and individual performance, incorporating formal measures of customer, employee and corporate responsibility features, directly impacts the "at risk" remuneration outcomes for all executives.

Targeted customer satisfaction levels in Australian and New Zealand consumer and business banking have not been achieved, although customer experience and product quality remain in line with our peers. Institutional Banking continued to rank number one or two on customer satisfaction across its key product categories.

Whilst falling marginally below plan, Westpac's employee commitment measures were relatively stable, in the top third of large Australian companies and comfortably above the average for comparable global financial services companies.

Westpac continues to lead the market, nationally and internationally, in terms of our corporate sustainability agenda and community activities. Highlights included recognition of Westpac as the global sustainability leader for banks in the Dow Jones Sustainability Index for the fifth year in a row.

8.6. Chief Executive Officer's employment arrangements

David Morgan's contract (Chief Executive Employment Agreement) was renewed effective 1 March 2004 and is for a fixed term ending on 31 December 2007. A summary of the key terms of the contract was lodged with the ASX on 14 August 2003. The performance and remuneration features are as follows:

8.6.1. Short-term employment benefits

Fixed remuneration

Fixed remuneration is set at \$1.7 million per annum, for the term of the contract. There is the opportunity to salary sacrifice for superannuation, motor vehicles and other employee benefits consistent with Westpac's salary sacrifice policy, as well as Westpac shares under the DSP, consistent with the policy for other Directors.

Short-term incentives

An annual short-term incentive payment may be granted if performance criteria determined by the Board are met. A dollar based payment target is specified in the contract as a percentage of fixed remuneration. For the 2006 performance year, the CEO's short-term incentive target was 120% of his fixed remuneration. The actual short-term incentive paid to the CEO for each year is determined by the Board based on performance against financial and non-financial objectives, within a range of 0% to 200% of target.

For 2006, the Board established performance targets for the CEO relating to Group Economic Profit, employee commitment, customer satisfaction for both retail and wholesale clients, and corporate responsibility and reputation. In addition, several discretionary measures were provided as a guideline for the Board in determining the CEO's short-term incentive payment. In 2006 they included additional financial health measures, occupational health and safety, complaints management, and risk management and compliance. The indicators chosen are considered to be the best measures of critical financial and non-financial Group achievement.

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

For the year ended 30 September 2006, the Board determined that the CEO's short-term incentive payment would be \$2,040,000, which is 100% of the payment target specified in his contract. This payment was calculated based on performance against objectives and the Board's exercise of discretion.

8.6.2. Post-employment benefits

David Morgan is a member of the defined benefit section of Westpac's main staff superannuation fund. Under the terms of his contract, he is required to make a 5% contribution each year towards his superannuation benefits and Westpac meets the remainder of the cost. David Morgan's superannuation benefits currently accrue at a rate of 18% of final average salary for each year of service.

On leaving employment, David Morgan's final average salary will take into account the three year average of his most recent annual fixed remuneration, short-term incentive paid, and in accordance with the provisions of his contract, cash payments associated with the stock appreciation rights granted to him in 1997 (see Section 8.6.3 for details).

8.6.3. Share-based payments

David Morgan is entitled to long-term incentives in accordance with the Chief Executive Securities Agreement 2003, which was approved by shareholders in December 2003. The agreement only results in rewards if shareholders have benefited from Westpac's performance.

The agreement provides for:

- the grant of performance options in three separate tranches of 713,000 on 1 March 2004, 1 March 2005, and 1 March 2006, and a fourth tranche of 594,167 performance options on 1 December 2006; and
- the grant of performance share rights in three separate tranches of 218,000 on 1 March 2004, 1 March 2005, and 1 March 2006, and a fourth tranche of 181,667 performance share rights on 1 December 2006.

David Morgan currently holds share options and performance share rights under the Chief Executive Securities Agreement 2003. Options held under the Chief Executive Share Option Agreement 2001 were exercised in May 2006, and no securities are now outstanding. Full copies of these documents are available from Link Market Services Limited. Shareholders approved the terms of each agreement at general meetings on 13 December 2001, and 11 December 2003 respectively. The key terms of each agreement are summarised on the next page:

	2003 Agreement	2001 Agreement ¹
Type of security	Performance options and performance share rights.	Performance options.
Date introduced	March 2004.	March 2002.
Performance measurement²	Relative TSR compared to the 50 largest listed companies on the ASX by market capitalisation at the commencement of the performance period (excluding Westpac, property trusts, and specified resources companies) – refer Glossary for relative TSR company list.	Relative TSR compared to the 50 largest listed companies on the ASX by market capitalisation at the commencement of the performance period (excluding Westpac, property trusts, and specified resources companies).
Initial performance testing period	Three years.	Three years.
Maximum performance testing period	Three years.	Five years.
History of performance election	Performance election not available .	Performance election not used.
Minimum vesting schedule	Less than median = nil vests.	First allocation: Less than 25th percentile = nil vests. Second allocation: Less than median = nil vests.
Maximum vesting schedule	More than or equal to 75th percentile = 100% of grant vests.	More than or equal to 75th percentile = 100% of grant vests.
TSR measurements to date	First performance measurement due March 2007.	Performance of the first allocation was at the median, and performance of the second allocation was at the 56th percentile.
Plan status	Current plan, with final grant to take place in December 2006.	Legacy plan with last grant in March 2003. No securities remained after May 2006.

1 Shareholders approved a minimum performance hurdle requiring Westpac's TSR to be at or above the 25th percentile performance of the ranking group. However, in February 2003 the Board determined, with the agreement of the CEO, that the minimum performance hurdle applying to the second allocation would require Westpac's TSR to be at or above the median performance of the ranking group.

2 TSR is the basis for the performance measurement as it ensures a link to shareholder value creation, and is considered to be the appropriate measure over the long-term. Relative TSR performance was chosen with the aim to deliver superior TSR compared to Westpac's peers.

An external consultant measures Westpac's TSR performance relative to the comparator groups, with the TSR results provided to the Board or its delegate to determine the proportion of each award that may vest.

Prior to his appointment to the role of CEO, David Morgan was awarded 500,000 stock appreciation rights. These rights were granted on 2 September 1997 at a nominal price of \$7.89 per right (the issue price), vested in September 2000 following achievement of performance conditions, and have an expiry date of 1 September 2007. Under these rights the holder receives a cash payment equal to the amount by which the closing price of Westpac's shares exceeds the issue price as at close of business on the ASX on the date the rights are exercised. 250,000 of the stock appreciation rights were exercised in May 2006.

Issuance of the stock appreciation rights formed part of David Morgan's remuneration awarded in 1997. Where an equity-linked, long-term incentive is cash-settled, as the stock appreciation rights are on eventual exercise, Westpac is required to disclose the movement in value each year. For the year

ended 30 September 2006, the movement in value of the stock appreciation rights was \$1,280,000 (\$1,685,000 in 2005).

8.6.4. Termination benefit

As well as the payment of statutory entitlements and superannuation, the contract provides for the payment of earned but unpaid short-term incentive payments and the reimbursement of reasonable business expenses in the event of David Morgan's employment ceasing. An insured benefit is payable in the event of death or total and permanent disablement, and the Board has the discretion to pay an additional amount in the event of disablement. In the event of resignation with Board consent, or termination without cause, the contract also provides for payment of up to an additional 12 months' fixed remuneration and an amount equal to the previous year's bonus, pro-rated. In the event of termination for poor performance, only the additional fixed remuneration would be paid.

The contract also provides full details of the rights that accrue in relation to pre-existing benefits (superannuation benefits and stock appreciation rights granted in 1997) and rights accruing for long-term incentives under the Chief Executive Securities Agreement 2003 if David Morgan's employment ceases. The rights accruing under the Chief Executive Securities Agreement 2003 on termination were most recently disclosed to the market on 2 March 2004 in an ASX announcement in respect of the grant of securities under the Chief Executive Securities Agreement.

8.7. Group Executives and highest paid executives employment arrangements

The remuneration disclosures prescribed by Section 300A of the Corporations Act have been provided in respect of all Westpac Group Executives. For the 2006 year, covering the period from 1 October 2005 to 30 September 2006, Curt Zuber, Group Treasurer, has also been included in this report as his total remuneration placed him among the five most highly paid executives of the Group.

Remuneration and other employment terms for the Group Executives, such as provision for performance-related incentives, and death and total and permanent disablement cover, are formalised in their employment contracts. All Group Executive employment contracts are unlimited in term but capable of termination on up to 12 months notice (this excludes the CEO). Westpac retains the right to terminate the contract immediately by making a payment in lieu of notice. Contracts for Ilana Atlas, Rob Coombe, Michael Coomer and Michael Pratt also contain a clause such that in the event of termination without cause up to six months after change of control, payment in lieu is based on 1.5 times fixed remuneration package.

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

Executive	Description
Philip Chronican	Superannuation salary includes annual short-term incentive payments (if any).
Michael Coomer	Living, travel and accommodation expenses whilst the executive is required to live away from his normal place of residence.
Michael Pratt	6 months notice period. Provisions relating to permanent relocation from Melbourne to Sydney, including housing payments and relocation payments.
Ann Sherry	Provisions relating to current role to New Zealand, including relocation, travel, living and accommodation expenses and taxation services. Superannuation salary includes annual short-term incentive payments (if any).

The key terms of the employment contract for Curt Zuber, as one of the highest paid executives, are also set out below.

Executive	Description
Curt Zuber	General Management contract, with 6 month notice period.

The 2006 target mix of components for Curt Zuber was 21% fixed, 61% short-term incentive, and 18% long-term incentive, as determined by reference to market practice for the Group Treasurer role.

8.8. Executive remuneration details for the 2006 year

The remuneration of Westpac's CEO, Group Executives, and highest paid executives for the year ended 30 September 2006 is detailed in the following table.

Name	Notes	Short term benefits		Non-monetary benefits ³	Post employment	Share-based payment		Total	% in "options" ⁵	
		Fixed remuneration ¹	Short-term incentive ²		Superannuation benefits	Equity-settled performance options ⁴	Equity-settled performance share rights ⁴			
David Morgan, CEO and Managing Director										
2006	6,7	1,700,000	2,040,000	836	1,382,855	1,579,166	1,703,131	8,405,988	39%	
2005	6	1,700,000	2,100,000	847	626,031	2,035,223	986,629	7,448,730	41%	
Ilana Atlas, Group Executive, People and Performance										
2006		623,275	510,000	3,353	55,887	316,433	398,123	1,907,071	37%	
2005		590,975	330,000	3,207	52,972	310,632	473,652	1,761,438	45%	
Philip Chronican, Group Executive, Westpac Institutional Bank										
2006	6,8	663,192	1,300,000	1,870	449,058	667,143	846,833	3,928,096	39%	
2005	6	587,365	550,000	4,096	154,875	659,788	968,567	2,924,691	56%	
Philip Coffey, Chief Financial Officer										
2006	9	714,561	950,000	2,405	64,063	473,962	577,290	2,782,281	38%	
2005		655,050	507,000	4,015	58,703	516,207	752,167	2,493,142	51%	
Rob Coombe, Chief Executive Officer, BT Financial Group										
2006		587,615	1,220,000	–	52,666	270,864	337,003	2,468,148	25%	
2005	10	519,066	810,000	–	36,885	272,246	470,609	2,108,806	35%	
Michael Coomer, Group Executive, Business and Technology Solutions and Services										
2006		717,890	950,000	129,348	64,351	462,448	588,106	2,912,143	36%	
2005		691,307	475,000	133,190	61,979	505,141	680,080	2,546,697	47%	
Michael Pratt, Group Executive, Business and Consumer Banking										
2006		863,669	975,000	474,081	–	674,283	876,670	3,863,703	40%	
2005		751,000	620,000	474,314	–	568,891	933,353	3,347,558	45%	
Ann Sherry, Group Executive, New Zealand and Pacific Banking										
2006	6	562,375	625,000	298,398	331,164	419,883	524,675	2,761,495	34%	
2005	6	550,000	605,000	224,255	162,461	423,879	632,234	2,597,829	41%	
Rob Whitfield, Group Executive, Risk										
2006	11	602,133	950,000	–	53,960	241,248	298,500	2,145,841	25%	
Curt Zuber, Group Treasurer										
2006	6	419,887	2,250,000	1,750	42,443	82,194	242,675	3,038,949	11%	
2005	6,12	401,506	1,807,000	8,580	24,045	60,316	311,507	2,612,954	14%	

- Fixed Remuneration is the total cost of salary and salary sacrificed benefits (including motor vehicles, parking, etc. and associated fringe benefits tax).
- Short-term incentive figures reflect annual performance awards accrued but not yet paid in respect of the specified year ended 30 September. 100% of the short term incentive for the year ended 30 September 2006 is paid in December 2006. Accordingly, 0% of the short term incentive payment is deferred.
- Non-monetary benefits are determined on the basis of the cost to Westpac (including associated fringe benefits tax, where applicable) and include annual health checks, relocation at Westpac's instigation, and living away from home expenses and allowances.
- 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 options, performance options and performance share rights that were granted during the four years ended 30 September 2006. Details of grants in prior years have been disclosed in previous annual reports and the assumptions used in valuing securities granted in 2006 are summarised in the notes to the table in section 8.8.1.
- For this purpose, "options" includes equity-settled performance options and equity-settled performance share rights.
- For 2006, superannuation benefits are calculated consistent with AASB 119. In 2005, superannuation benefits were calculated based on notional surchargeable superannuation contributions.
- Final Average Salary for superannuation purposes has been impacted by the exercise of stock appreciation rights in May 2006.
- Prior to his appointment as Group Executive, Westpac Institutional Bank on 1 December 2005, Philip Chronican was Chief Financial Officer.
- Prior to his appointment as Chief Financial Officer on 1 December 2005, Philip Coffey was Group Executive, Westpac Institutional Bank.
- Prior to his appointment on 20 January 2005, Rob Coombe was General Manager, Distribution, BT Financial Group. In 2005 Westpac disclosed Rob Coombe's remuneration for the full performance year.
- Prior to his appointment as a Group Executive on 1 December 2005, Rob Whitfield was General Manager, Group Risk. Westpac has disclosed Rob Whitfield's remuneration for the full performance year.
- Fixed remuneration reported in 2005 has been recast for consistency between reporting periods.

8.8.1. Equity-settled remuneration granted during the year**Key features of instruments granted during the year**

Reference	Grant date	First possible vesting date	Exercise price \$	Expiry	Fair value per instrument \$
CEO performance option	1 March 2006	1 March 2009	23.52	28 February 2016	2.09
CEO performance share right	1 March 2006	1 March 2009	–	28 February 2016	10.56
WPP performance option, general peer group	20 December 2005	20 December 2008	20.53	20 December 2015	2.55
WPP performance option, finance peer group	20 December 2005	20 December 2008	20.53	20 December 2015	2.48
WPP performance share right, general peer group	20 December 2005	20 December 2007	–	20 December 2015	11.67
WPP performance share right, finance peer group	20 December 2005	20 December 2007	–	20 December 2015	12.27

Grants made during the year

	Number vested during the year	Instruments granted during the year	Number granted during the year	Fair value granted \$	Total fair value granted during year \$
David Morgan	677,886	CEO performance option	713,000	1,490,170	3,792,250
	performance options	CEO performance share right	218,000	2,302,080	
All of the following grants were made under the WPP					
Ilana Atlas	72,141	Performance option, general peer group	70,050	178,628	755,451
	performance options	Performance option, finance peer group	71,003	176,087	
		Performance share right, general peer group	16,753	195,508	
		Performance share right, finance peer group	16,726	205,228	
Philip Chronican	163,681	Performance option, general peer group	169,463	432,131	1,827,582
	performance options	Performance option, finance peer group	171,768	425,985	
		Performance share right, general peer group	40,529	472,973	
		Performance share right, finance peer group	40,464	496,493	
Philip Coffey	127,308	Performance option, general peer group	98,993	252,432	1,067,588
	performance options	Performance option, finance peer group	100,340	248,843	
		Performance share right, general peer group	23,675	276,287	
		Performance share right, finance peer group	23,637	290,026	
Rob Coombe	121,246	Performance option, general peer group	67,449	171,995	727,402
	performance options	Performance option, finance peer group	68,367	169,550	
		Performance share right, general peer group	16,131	188,249	
		Performance share right, finance peer group	16,105	197,608	
Michael Coomer	115,183	Performance option, general peer group	114,093	290,937	1,230,450
	performance options	Performance option, finance peer group	115,646	286,802	
		Performance share right, general peer group	27,287	318,439	
		Performance share right, finance peer group	27,243	334,272	
Michael Pratt	115,183	Performance option, general peer group	157,718	402,181	1,700,921
	performance options	Performance option, finance peer group	159,863	396,460	
		Performance share right, general peer group	37,720	440,192	
		Performance share right, finance peer group	37,660	462,088	

	Number vested during the year	Instruments granted during the year	Number granted during the year	Fair value granted \$	Total fair value granted during year \$
Ann Sherry	103,058 performance options	Performance option, general peer group	96,476	246,014	1,040,445
		Performance option, finance peer group	97,789	242,517	
		Performance share right, general peer group	23,073	269,262	
		Performance share right, finance peer group	23,036	282,652	
Rob Whitfield	49,056 performance options	Performance option, general peer group	62,919	160,443	678,559
		Performance option, finance peer group	63,775	158,162	
		Performance share right, general peer group	15,048	175,610	
		Performance share right, finance peer group	15,024	184,344	
Curt Zuber	10,616 performance share rights	Performance option, general peer group	33,557	85,570	361,881
		Performance option, finance peer group	34,013	84,352	
		Performance share right, general peer group	8,025	93,652	
		Performance share right, finance peer group	8,012	98,307	

1. Performance options and performance share rights granted during the year have been granted to David Morgan under the Chief Executive Securities Agreement 2003 and were granted to the other disclosed executives under the WPP.
2. The fair values of performance options and performance share rights included in the tables above have been independently calculated at grant date using a Binomial/Monte Carlo simulation pricing model. The assumptions included in the valuation of the 1 March 2006 awards to the CEO include a risk free interest rate of 5.2%, a dividend yield on Westpac shares of 4.6% and a volatility in the Westpac share price of 15.0%. The assumptions included in the valuation of the 20 December 2005 awards under the WPP include a risk free interest rate of 5.4% in relation to performance options, a risk free interest rate of 5.3% in relation to performance share rights, a dividend yield on Westpac shares of 4.9% and a volatility in the Westpac share price of 15.0%. Other assumptions include volatilities of, and correlation factors between, share price movements of the ranking group companies and Westpac, which are used to assess the impact of performance hurdles. Performance options and performance share rights have been valued assuming an expected life after the vesting date of up to 1 year. The amounts, when aggregated in this table, do not reconcile with the amounts shown in the other tables in section 8.8 which show amortised totals of long term incentive awards over their vesting period.

8.8.2. Value of equity-settled remuneration exercised and lapsed

All exercised values shown relate to remuneration granted prior to the 2006 year. Exercise is only possible to the extent that performance hurdles have been met.

Lapses occur during the year where some or all of an executive's performance options and performance share rights fail to vest at a test date, or where an executive leaves Westpac. The performance levels achieved during the year where performance was tested and reached the minimum performance hurdle, resulted in lapse rates of between 38% and 42%.

The values in excess of exercise price have been calculated by taking the difference between the exercise price of the share option or performance share right and the 5 day weighted average Westpac share price on the date the transaction (exercise or lapse) occurred. This methodology differs from the method for calculating the fair value of performance options and performance share rights included in other tables in this report and care should be taken in interpreting the following amounts, especially if seeking to aggregate them with other remuneration amounts disclosed.

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

Name	Date of grant	Date of exercise/lapse	Number	Exercise price \$	Value (in excess of exercise price) \$	Value exercised during the year from previous grants (\$)	Value lapsed during the year from previous grants (\$)
David Morgan	4 Mar 03	14 Mar 06	422,114	13.87	9,540	–	4,026,776
	4 Mar 03	30 May 06	677,886	13.87	9,355	6,341,397	–
Ilana Atlas	20 Jan 03	23 Mar 06	52,240	13.59	10,464	–	546,624
Philip Chronican	20 Jan 03	25 Jan 06	118,528	13.59	9,203	–	1,090,854
Philip Coffey	20 Jan 03	17 Mar 06	92,188	13.59	10,292	–	948,809
	20 Jan 03	1 Jun 06	33,431	–	23,012	769,330	–
Rob Coombe	20 Jan 03	21 Feb 06	87,798	13.59	9,573	–	840,457
Michael Coomer	20 Jan 03	16 Mar 06	83,408	13.59	10,225	–	852,862
Michael Pratt	20 Jan 03	1 Feb 06	83,408	13.59	9,567	–	797,982
	20 Jan 03	16 May 06	115,183	13.59	10,667	1,228,702	–
Ann Sherry	20 Jan 03	27 Feb 06	74,629	13.59	9,839	–	734,294
	20 Jan 03	23 May 06	103,058	13.59	10,048	1,035,536	–
Rob Whitfield	20 Jan 03	9 Feb 06	35,523	13.59	9,852	–	349,987
	20 Jan 03	9 Feb 06	10,019	–	23,442	–	234,869
	20 Jan 03	1 Jun 06	49,056	13.59	9,422	462,229	–
	20 Jan 03	1 Jun 06	13,836	–	23,012	318,401	–
Curt Zuber	20 Jan 03	16 Feb 06	7,688	–	23,489	–	180,580
	20 Jan 03	28 Mar 06	10,616	–	23,952	254,277	–

The information in this paragraph is required to be disclosed under the Corporations Act. However, the Board considers that the aggregated information does not reflect actual remuneration received by the named executives. The aggregate of value exercised, value lapsed, and value granted during the year for the specified executives is: David Morgan \$14,160,423; Ilana Atlas \$1,302,075; Philip Chronican \$2,918,436; Philip Coffey \$2,785,727; Rob Coombe \$1,567,859; Michael Coomer \$2,083,312; Michael Pratt \$3,727,605; Ann Sherry \$2,810,275; Rob Whitfield \$2,044,045; Curt Zuber \$796,738.

8.8.3. Share options and performance share rights holdings

The following data does not include performance options and performance share rights in respect of the 2006 remuneration review that had not been issued at 30 September 2006.

Name	Type of equity-based instrument	Number held at start of year	Number granted during the year as remuneration	Number exercised during the year	Number lapsed during the year	Number held at end of year	Number vested and exercisable at end of year
David Morgan	Share option	2,526,000	713,000	677,886	422,114	2,139,000	–
	Performance share right	436,000	218,000	–	–	654,000	–
Ilana Atlas	Share option	762,907	141,053	–	52,240	851,720	429,577
	Performance share right	93,779	33,479	–	–	127,258	18,944
Philip Chronican	Share option	826,521	341,231	–	118,528	1,049,224	163,681
	Performance share right	144,905	80,993	–	–	225,898	–
Philip Coffey	Share option	815,241	199,333	–	92,188	922,386	303,372
	Performance share right	145,281	47,312	33,431	–	159,162	–
Rob Coombe	Share option	404,255	135,816	–	87,798	452,273	121,246
	Performance share right	83,337	32,236	–	–	115,573	31,839

Name	Type of equity-based instrument	Number held at start of year	Number granted during the year as remuneration	Number exercised during the year	Number lapsed during the year	Number held at end of year	Number vested and exercisable at end of year
Michael Coomer	Share option	582,089	229,739	–	83,408	728,420	115,183
	Performance share right	102,008	54,530	–	–	156,538	–
Michael Pratt	Share option	805,219	317,581	115,183	83,408	924,209	–
	Performance share right	161,431	75,380	–	–	236,811	–
Ann Sherry	Share option	539,184	194,265	103,058	74,629	555,762	–
	Performance share right	96,283	46,109	–	–	142,392	–
Rob Whitfield	Share option	281,577	126,694	49,056	35,523	323,692	–
	Performance share right	76,592	30,072	13,836	10,019	82,809	–
Curt Zuber	Share option	60,975	67,570	–	–	128,545	–
	Performance share right	64,868	16,037	10,616	7,688	62,601	–

8.8.4. Ordinary share holdings

Name	Number held at start of year	Number received on exercise of equity instruments	Other changes during the year	Numbers held at end of year	Number held non-beneficially at start of year	Number held non-beneficially at end of year
David Morgan	2,227,580	677,886	(947,280)	1,958,186	–	–
Ilana Atlas	12,484	–	605	13,089	2,000	2,000
Philip Chronican	509,000	–	(49,000)	460,000	–	–
Philip Coffey	238,805	33,431	(49,951)	222,285	–	–
Rob Coombe	–	–	37,493	37,493	–	–
Michael Coomer	270,344	–	(209,064)	61,280	105,318	–
Michael Pratt	7,845	115,183	(113,320)	9,708	–	–
Ann Sherry	277,963	103,058	(94,996)	286,025	–	–
Rob Whitfield	306,333	62,892	(100,000)	269,225	–	–
Curt Zuber	9,685	10,616	–	20,301	–	–

8.9. Share options and performance share rights issued

During the year ended 30 September 2006, there were 4,710,592 performance options granted (excluding performance share rights) under the WPP and the Chief Executive Securities Agreement 2003, to 62 participating officers for nil consideration, with possible exercise dates between December 2008 and February 2016 and a weighted average exercise price of \$21.02.

During the same period, there were 3,913,646 performance share rights granted (excluding performance options) under the WPP and the Chief Executive Securities Agreement 2003, to 850 participating officers (56 of whom also received grants of performance options) for nil consideration, with possible exercise dates between November 2007 and August 2016.

In certain circumstances, such as retrenchment, provided performance hurdles have been satisfied, a proportion of performance options or performance share rights can be exercised earlier than the above dates.

Due to the exercise of share options and performance share rights during the year, officers received 5,370,963 shares, which resulted in total consideration of \$65,489,452 being paid to Westpac.

Currently there are 18,452,809 share options outstanding and 10,328,391 performance share rights outstanding. The latest dates for exercise of share options range between October 2009 and February 2016 and the weighted average exercise price is \$17.24. The latest dates for exercise of performance share rights range between January 2013 and November 2016.

All performance options and performance share rights granted during the year ended 30 September 2006 are subject to performance hurdles that will determine the particular proportion which may be exercised, if any, following the end of the performance period. The performance hurdles compare the total shareholder returns received by Westpac shareholders against those received by shareholders of a group of companies over the performance period.

No person holding a share option or a performance share right has or had, by virtue of the share option or performance share right, a right to participate in any share issue of any other body corporate.

8.10. Non-executive Director remuneration

8.10.1. Policy

The Board's focus is on long-term strategic direction and overall corporate performance. As a consequence, Non-executive Director remuneration has a fixed component only. It is not directly related to Westpac's short-term results and Non-executive Directors do not participate in Westpac's incentive schemes.

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

Previously, Non-executive Directors appointed prior to July 2003 accrued a retiring allowance, a defined benefit entitlement linked to remuneration received in the period leading up to retirement. As such, an amount equal to the annual increase in retiring allowance was disclosed to ensure shareholders were aware of the full cost of employing their Board. Non-executive Directors appointed after July 2003 do not receive the allowance.

Last year the Board resolved to freeze retiring allowances for all Non-executive Directors who were entitled to the allowance, commencing December 2005 (February 2006 for Carolyn Hewson). Non-executive Directors with a frozen retiring allowance moved to a base fee adjusted to recognise the benefit to the Director of his/her retiring allowance. The adjusted fee reflects the lower actuarial value of the forgone allowance to Non-executive Directors who have accrued retiring allowances in the past, compared to the actuarial fee premium applied to Non-executive Directors who have never accrued retiring allowances.

The frozen retiring allowances are indexed to Average Weekly Ordinary Time Earnings, with the indexed amount paid at retirement.

8.10.2. Framework

The fee framework for Non-executive Directors is:

- Chairman: \$547,888 (inclusive of Committee fees). This became effective December 2005 and includes the adjustment for the actuarial value of the forgone retiring allowance.
- Directors appointed after 3 July 2003: \$189,063.
- Directors appointed on or before 3 July 2003: \$189,063 reduced to recognise the individual level of the forgone future retiring allowance. This became effective from December 2005 as retiring allowances were frozen.
- Chairs of the Board Audit Committee and the Board Risk Management Committee: an additional \$35,000.
- Chairs of the Board Remuneration Committee and the Board Corporate Responsibility and Sustainability Committee: an additional \$25,000.
- Additional fees for three Non-executive Directors are payable for membership on boards of subsidiaries or related entities, and are included in the table in section 8.10.5.
- Westpac pays superannuation contributions in accordance with the Superannuation Guarantee legislation for all Non-executive Directors, except those who have withdrawn from superannuation guarantee coverage.

8.10.3. Fee pool

Non-executive Directors' fees are determined within an aggregate Non-executive Directors' fee pool limit, which is periodically approved by shareholders. Shareholders last approved a pool of \$2,500,000 in December 2003. For the 2006 year, \$1,790,522 (72%) of the fee pool was utilised.

The Board will seek shareholder approval for an increase in the aggregate fee pool at the 2006 AGM, to take the amount to \$3,000,000. The proposed increase takes account of the growth in Board remuneration to reflect increased workload, recognises the impact of the freezing of retiring allowances, allows Westpac to appropriately respond to regulatory change impacting subsidiary board appointments, and allows some scope to appoint additional Non-executive Directors. Acknowledging shareholder group concerns, the Board has adopted the approach of seeking prudent increases in the Non-executive Directors' fee pool limit, on an incremental and more frequent basis.

8.10.4. Equity participation

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

8.10.5. Remuneration details for the 2006 year

Details of the nature and amount of each element of the remuneration of Westpac's Non-executive Directors for the year ended 30 September 2006 are as follows. No retiring allowance was paid during the 2006 year.

Name	Notes	Short term	Post employment		Total	Total retiring allowance accrued
		employment benefits	Superannuation guarantee	Retiring allowance accrued during the year ¹		
		Fees \$	\$	\$	\$	\$
Leon Davis, Chairman						
2006		534,619	–	76,883	611,502	1,466,007
2005		460,138	–	168,437	628,575	1,389,124
Gordon Cairns						
2006	2,3	189,063	12,247	–	201,310	–
2005	2,3	179,742	11,730	–	191,472	–
David Crawford						
2006	2,4,5	202,203	12,325	37,539	252,067	339,986
2005	2,4,5	157,087	12,159	144,729	313,975	302,447
Ted Evans						
2006	2,4,5,8	201,775	12,325	37,780	251,880	388,204
2005	2,4,5	157,087	12,159	126,519	295,765	350,424
Carolyn Hewson						
2006	2,4,5	190,817	12,997	67,242	271,056	268,621
2005	2,4,5,6	152,894	12,159	128,054	293,107	201,379
Helen Lynch						
2006	2,4,5,7	219,399	12,325	35,440	267,164	630,498
2005	2,4,5,7	186,185	12,159	74,508	272,852	595,058
Peter Wilson						
2006	2,3,8	190,986	12,247	–	203,233	–
2005	2,3,9	212,012	11,730	–	223,742	–
Total 2006		1,728,862	74,466	254,884	2,058,212	3,093,316
Total 2005 ¹⁰		1,533,914	74,984	658,163	2,267,061	2,838,432

Notes to table:

- Retiring allowances are not included in calculations for the Non-executive Director fee pool. Retiring allowances were frozen for individual Non-executive Directors between December 2005 and February 2006. Accruals shown for 2006 include indexation following the freezing of the retiring allowances.
- Westpac pays statutory superannuation guarantee contributions for any Non-executive Directors appointed after July 2003, and from 14 December 2005 for any Non-executive Directors appointed prior to July 2003.
- Not entitled to retiring allowance.
- Includes fees paid to Chairpersons of Board Committees.
- Westpac paid, to 14 December 2005, the superannuation guarantee charge in relation to its eligible Non-executive Directors appointed prior to July 2003. This amount is not included in calculations for the Non-executive Director fee pool, as it is a government charge.
- Not entitled to retiring allowance as less than three years service completed at reporting year.
- Includes fees for services provided as Chairperson of Westpac Staff Superannuation Plan.
- Includes fees for services provided as Director of Westpac New Zealand Limited as of 8 September 2006.
- Included fees of \$32,270 as a director of Westpac (NZ) Investment Limited. This amount was not included in calculations for Non-executive Director fee pool as it was paid by a related entity.
- 2005 Remuneration Report totals also included remuneration paid to Sir Llewellyn Edwards who retired effective 16 December 2004.



8.11. Glossary of Terms

Term	Description
Economic Profit	For the Group, Economic Profit is defined as cash earnings less a capital charge calculated at 10.5% (11.6% in 2005) of average adjusted ordinary equity plus the estimated value of franking credits paid to shareholders.
Fair value	Defined by accounting standards as "the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged between knowledgeable, willing parties in an arms length transaction". Accounting standards set out specific requirements in relation to the calculation of fair value of equity settled remuneration. Westpac complies with all relevant requirements.
Line of Business	Identifies the functional structure within Westpac. Below CEO, the Bank is divided into Business and Consumer Banking, BT Financial Group, Westpac Institutional Bank, New Zealand and Pacific Banking, and Business and Technology Solutions and Services. These Lines of Business are supported by corporate units including People and Performance, Risk, and Strategy and Finance.
Performance options	Eligible executives are given the opportunity to buy Westpac shares, subject to meeting the agreed performance hurdles. The price to be paid by the executive, or the exercise price of the performance option, is equal to the average market price of Westpac ordinary shares over the five trading days up to the date the offer is made. At any time after vesting, up to a maximum of 10 years from the date of grant, the executive may pay the exercise price of the performance options to receive the shares. Performance options do not carry dividend or voting rights.
Performance share rights	Eligible executives are given the opportunity to receive Westpac shares, subject to meeting the agreed performance hurdles. There is no exercise price payable by eligible executives in respect of vested performance share rights. Once the performance share rights vest, the executive may receive the shares (ie exercise the performance share rights) at any time after vesting, up to a maximum of 10 years from the date of grant. Performance share rights do not carry dividend or voting rights.
Relative TSR ranking groups	Chief Executive Securities peer group – as at 30 September 2006, the ranking group consisted of Alinta Limited, Amcor Limited, AMP Limited, Aristocrat Leisure Limited, Australia and New Zealand Banking Group Limited, Australian Gas Light Company (The), Australian Stock Exchange Limited, AXA Asia Pacific Holdings Limited, Boral Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, Cochlear Limited, Coles Myer Ltd, Commonwealth Bank of Australia, Computershare Limited, CSL Limited, CSR Limited, Downer EDI Limited, Fairfax (John) Holdings Limited, Foster's Group Limited, Insurance Australia Group Limited, James Hardie Industries NV, Leighton Holdings Limited, Lend Lease Corporation Limited, Lion Nathan Limited, Macquarie Airports, Macquarie Bank Limited, Macquarie Infrastructure Group, Metcash Limited, National Australia Bank Limited, Orica Limited, Perpetual Limited, Promina Group Limited, Publishing & Broadcasting Limited, Qantas Airways Limited, QBE Insurance Group Limited, Resmed Inc, Rinker Group Limited, Sonic Healthcare Limited, St George Bank Limited, Suncorp-Metway Limited, Symbion Health Limited, Tabcorp Holdings Limited, Telecom Corporation of New Zealand Limited, Telstra Corporation Limited, Toll Holdings Limited, Transurban Group, Wesfarmers Limited, Woolworths Limited, WorleyParsons Limited. WPP financial peer group – as at 1 August 2006, the ranking group consisted of AMP Limited, Australia and New Zealand Banking Group Limited, AXA Asia Pacific Holdings Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Macquarie Bank Limited, National Australia Bank Limited, Promina Group Limited, St George Bank Limited, and Suncorp-Metway Limited. WPP general peer group – as at 1 August 2006, the ranking group consisted of ABC Learning Centres Limited, Alinta Limited, Allco Finance Group Limited, Amcor Limited, Aristocrat Leisure Limited, Australian Gas Light Company (The), Australian Stock Exchange Limited, Babcock & Brown Infrastructure Group, Babcock & Brown Limited, Billabong International Limited, Boral Limited, Brambles Industries Limited, Coca-Cola Amatil Limited, Cochlear Limited, Coles Myer Ltd, Computershare Limited, CSL Limited, CSR Limited, Downer EDI Limited, Dyno Nobel Limited, Fairfax (John) Holdings Limited, Foster's Group Limited, Goodman Fielder Limited, James Hardie Industries NV, Harvey Norman Holdings Limited, Leighton Holdings Limited, Lend Lease Corporation Limited, Lion Nathan Limited, Macquarie Airports, Macquarie Infrastructure Group, Metcash Limited, Orica Limited, Perpetual Limited, Publishing & Broadcasting Limited, Qantas Airways Limited, QBE Insurance Group Limited, Resmed Inc, Rinker Group Limited, Sigma Pharmaceuticals Limited, Sonic Healthcare Limited, Symbion Health Limited, Tabcorp Holdings Limited, Tattersall's Limited, Telecom Corporation of New Zealand Limited, Telstra Corporation Limited, Toll Holdings Limited, Transurban Group, United Group Limited, Wesfarmers Limited, Woolworths Limited.
Share options	Refers to options over Westpac shares issued under a Westpac equity-settled long-term incentive plan.
Total Shareholder Return (TSR)	Measures a company's share price movement and accumulated dividend yields over the relevant measurement period (i.e. the change in value of an investment in that company's shares) and excluding tax effects.

9. Auditor

9.1. Auditor's independence declaration

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

	
<p>Auditors' independence declaration</p> <p>As lead auditor for the audit of Westpac Banking Corporation for the year ended 30 September 2006, I declare that to the best of my knowledge and belief, there have been:</p> <p>a) no contraventions of the auditor independence requirements of the <i>Corporations Act 2001</i> in relation to the audit; and</p> <p>b) no contraventions of any applicable code of professional conduct in relation to the audit.</p> <p>This declaration is in respect of Westpac Banking Corporation and the entities it controlled during the year.</p>	<p>PricewaterhouseCoopers ABN 52 780 433 757 Darling Park Tower 2 201 Sussex Street GPO BOX 2650 SYDNEY NSW 1171 DX 77 Sydney Australia www.pwc.com/au Telephone +61 2 8266 0000 Facsimile +61 2 8266 9999</p>
 <p>DH Armstrong Partner PricewaterhouseCoopers</p>	<p>Sydney, Australia 2 November 2006</p>
<p>Liability limited by a scheme approved under Professional Standards Legislation</p>	

9.2. Non-audit services and independence

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

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

	\$'000
Remuneration for audit related services	101
Remuneration for taxation services	187
Remuneration for other services	165
Total remuneration for non-audit services	453

Westpac's external auditor, PricewaterhouseCoopers, also provides audit and non-audit services to non-consolidated entities including non-consolidated securitisation vehicles sponsored by the Group, non-consolidated trusts of which a Group entity is trustee, manager or responsible entity and non-consolidated superannuation funds or pension funds. The fees in respect of these services were approximately \$4.5 million in total. 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 Statement, Audit Governance and Independence section on pages 42 to 43 and which forms part of this report.

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

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Signed in accordance with a resolution of the Board of Directors.



Leon A. Davis AO
Chairman
2 November 2006



David Morgan
Managing Director
& Chief Executive Officer
2 November 2006

EXECUTIVE TEAM



David Morgan, Chief Executive Officer, BEc, MSc, PhD. Age 59

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



Ilana Atlas, Group Executive, People and Performance, BJur (Hons.), LLB (Hons.), LLM. Age 51

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



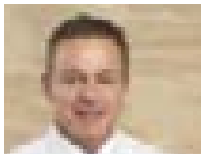
Philip Chronican, Group Executive, Westpac Institutional Bank, BCom (Hons.), MBA, SF Fin. Age 50

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



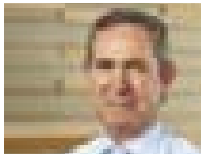
Philip Coffey, Chief Financial Officer, BEco (Hons.). Age 48

Phil joined Westpac in 1996, and was appointed to his present role in December 2005 with responsibility for Westpac's finance, tax, treasury, strategy and investor relations functions. He was previously Group Executive, Westpac Institutional Bank. Previously with AIDC and Citicorp, he had over ten years experience in funds management and financial markets, including roles in the UK and New Zealand. He began his career with the Reserve Bank of Australia.



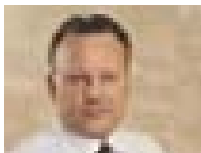
Rob Coombe, Chief Executive Officer, BT Financial Group, LLB (Hons.). Age 43

Rob joined Westpac with the acquisition of the BT Financial Group in 2002 and has over 23 years experience in banking, finance and wealth management. Rob leads a team of over 2,700 people across funds management, life and general insurance, financial planning and retail wealth management businesses. 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.



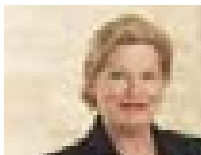
Michael Coomer, Group Executive, Business and Technology Solutions and Services, CEng, GradDipDigitalComms, AMP(Harvard), SF Fin, FAIM, ATS, MAICD. Age 53

Michael joined Westpac in January 2002 and is responsible for information technology, outsourcing governance, banking operations and back office functions and corporate services (including fraud, anti-money laundering and security). Michael has over 30 years of experience at the forefront of information technology, having had associations in the telecommunications, financial services, aerospace and defence industries, primarily in senior executive roles.



Michael Pratt, Group Executive, Business and Consumer Banking, CBkg, GradDipOrgBeh, AMP(Harvard), SF Fin, FAIM, FAHRI, MAICD. Age 53

Mike joined the Westpac executive team in April 2002 as Group Executive for New Zealand and Pacific Banking. In August 2002, he was appointed Group Executive, Business and Consumer Banking for Australia. Mike has had an extensive career in retail banking and was previously CEO, Australian Financial Services, National Australia Bank and CEO Bank of New Zealand. Mike is also a director of MasterCard Asia Pacific Regional Board.



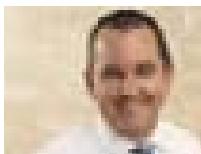
Ann Sherry AO, Group Executive, New Zealand and Pacific Banking, BA, GradDipIR, MAICD, SF Fin, FIPAA. Age 52

After joining Westpac in 1994, Ann headed Human Resources for the institutional and international bank and subsequently led a team driving the merger with the Bank of Melbourne. She later became CEO, Bank of Melbourne. Ann was appointed Group Executive, Human Resources in 2000. In October 2002, she was appointed CEO of Westpac New Zealand and Group Executive, New Zealand and Pacific Banking. Ann also has had extensive experience in government at a senior level.



Rob Whitfield, Group Executive, Risk, BCom, GradDipBanking, GradDipFin, AMP (Harvard). Age 42

Rob joined Westpac as a graduate in 1986, where he gained broad experience across most financial markets products. After completing time in both New York and London, Rob joined Group Treasury in 1993 and was appointed Group Treasurer in 2000. Rob became Chief Risk Officer in 2004, and joined the executive team in December 2005. His responsibilities include credit, market and operational risk, compliance, legal and secretariat.



Richard Willcock, Group Secretary and General Counsel, LLB, BA (Hons.), MBA, FCIS. Age 47

Richard joined Westpac in 1997 as Senior Counsel, Institutional and International Banking Group and was appointed to his present role in February 2003 with responsibility for the management and delivery of company secretarial, legal and compliance services to the Westpac Board, executive and business. Prior to his current appointment he was General Manager, Risk for BT Financial Group. Richard previously practiced law in private practice from 1982 and was a partner at law firm Abbott Tout.

TEN YEAR SUMMARY¹

(in \$millions unless otherwise indicated)	2006	2005	2004	2003	2002
Income statement – year ended 30 September²					
Net interest income	5,642	5,259	4,755	4,326	4,205
Non-interest income	3,575	3,454	3,255	3,004	2,919
Net operating income	9,217	8,713	8,010	7,330	7,124
Operating expenses	(4,295)	(4,159)	(3,940)	(3,763)	(3,895)
Amortisation of goodwill	–	–	(164)	(163)	(100)
Impairment losses on loans	(375)	(382)	(414)	(485)	(461)
Profit from ordinary activities before income tax expense and abnormal items	4,547	4,172	3,492	2,919	2,668
Income tax expense	(1,422)	(1,223)	(913)	(728)	(471)
Net profit attributable to outside equity interests	(54)	(251)	(40)	(8)	(5)
Net profit attributable to equity holders before abnormal items	3,071	2,698	2,539	2,183	2,192
Abnormal items (net of tax) ³	–	–	–	–	–
Net profit attributable to equity holders	3,071	2,698	2,539	2,183	2,192
Goodwill amortisation	–	–	164	163	100
Distributions on other equity instruments	–	49	(154)	(75)	(48)
2004 TPS revaluation	30	25	10	–	–
Treasury Shares	9	32	–	–	–
Sale of sub-custody business	(72)	–	–	–	–
Deferred tax asset write-off	41	–	–	–	–
Cash earnings	3,079	2,804	2,559	2,271	2,244
Balance sheet at 30 September²					
Total assets	299,578	266,263	245,079	221,339	191,037
Loans	234,484	198,286	182,471	160,473	135,870
Acceptances	–	4,864	5,534	3,788	4,788
Deposits and public borrowings ⁴	167,741	149,252	146,533	129,071	110,763
Loan capital	5,957	4,214	4,431	4,544	4,512
Total equity	16,098	16,893	16,317	13,996	10,468
Total risk weighted assets	193,417	170,369	158,489	142,909	128,651
Share information					
Earnings per share (cents):					
Before abnormals	167.2	148.9	129.2	115.6	118.3
After abnormals	167.2	148.9	129.2	115.6	118.3
Dividends per ordinary share (cents)	116	100	86	78	70
Net tangible assets per ordinary share (\$) ⁵	6.12	5.69	5.47	4.97	4.56
Share price (\$):					
High	25.35	21.40	18.28	17.14	17.01
Low	21.31	17.52	15.00	12.83	13.11
Close	22.71	21.10	17.73	16.20	13.85
Ratios					
Total equity to total assets (%)	5.4	6.3	6.7	6.3	5.5
Total equity to total average assets (%)	5.7	6.6	6.9	6.7	5.6
Tier 1 ratio (%) ⁶	6.9	7.2	6.9	7.2	6.5
Adjusted common equity (ACE) (%) ⁷	4.6	4.8	4.8	5.0	–
Total capital ratio (%) ⁸	9.6	9.7	9.7	10.5	9.6
Dividend payout ratio (%)	69.4	67.2	66.6	67.5	59.2
Dividend payout ratio – cash earnings (%)	69.4	66.0	62.0	62.6	56.5
Return on average ordinary equity (%)	23.0	21.7	19.9	19.2	21.7
Cash earnings to average adjusted ordinary equity (%)	23.0	22.2	20.7	20.3	21.9
Productivity ratio ⁹	4.01	4.08	4.03	3.99	3.90
Operating expenses to operating income ratio (%)	46.6	47.7	49.2	51.3	54.7
Net interest margin (%)	2.29	2.45	2.53	2.62	2.81
Other information					
Points of bank representation (number at financial year end) ¹⁰	1,066	1,060	1,065	1,069	1,371
Core full-time equivalent staff (number at financial year end) ¹¹	25,363	25,583	25,683	25,013	23,637

- We have adopted the requirements of A-IFRS for the first time for the purposes of preparing financial information for the years 30 September 2006 and 2005 in this report. Information in this table prepared for 30 September 2004, as well as all prior financial periods, was prepared in accordance with AGAAP. A-IFRS differs in certain material respects from AGAAP and, accordingly, financial information for our financial years ended 30 September 2006 and 2005, in accordance with A-IFRS, are not comparable to financial information of prior years prepared in accordance with AGAAP.
- The above income statement extracts for 2006 and 2005 and balance sheet extract for 2006 and 2005 are derived from the consolidated financial statements included in this report, and for prior years are derived from financial statements previously published.
- For reporting periods ending on or after 30 June 2001, we are no longer permitted to disclose abnormal items on the face of the income statement.
- Public borrowing balances were only held until 2002. They related to Australian Guarantee Corporation Limited and Augusta (1962) Limited (formerly Australian Guarantee Corporation (NZ) Limited).

(in \$millions unless otherwise indicated)	2001	2000	1999	1998	1997
Income statement – year ended 30 September²					
Net interest income	4,051	3,669	3,476	3,492	3,353
Non-interest income	2,537	2,414	2,155	2,003	1,739
Net operating income	6,588	6,083	5,631	5,495	5,092
Operating expenses	(3,472)	(3,405)	(3,334)	(3,286)	(3,166)
Amortisation of goodwill	(98)	(98)	(100)	(106)	(62)
Impairment losses on loans	(433)	(202)	(171)	(168)	(78)
Profit from ordinary activities before income tax expense and abnormal items	2,585	2,378	2,026	1,935	1,786
Income tax expense	(677)	(660)	(567)	(589)	(493)
Net profit attributable to outside equity interests	(5)	(3)	(3)	(4)	(2)
Net profit attributable to equity holders before abnormal items	1,903	1,715	1,456	1,342	1,291
Abnormal items (net of tax) ³	–	–	–	(70)	–
Net profit attributable to equity holders	1,903	1,715	1,456	1,272	1,291
Goodwill amortisation	98	98	100	106	62
Distributions on other equity instruments	(51)	(43)	(8)	(24)	(39)
2004 TPS revaluation	–	–	–	–	–
Treasury Shares	–	–	–	–	–
Sale of sub-custody business	–	–	–	–	–
Deferred tax asset write-off	–	–	–	–	–
Cash earnings	1,950	1,770	1,548	1,354	1,314
Balance sheet at 30 September²					
Total assets	189,845	167,618	140,220	137,319	118,963
Loans	122,250	107,533	97,716	91,738	77,874
Acceptances	15,700	15,665	10,249	10,325	11,242
Deposits and public borrowings ⁴	96,157	89,994	85,546	83,164	72,636
Loan capital	4,838	4,892	2,692	2,523	1,895
Total equity	9,705	9,262	8,997	8,611	8,206
Total risk weighted assets	127,242	114,816	102,592	97,430	87,133
Share information					
Earnings per share (cents):					
Before abnormals	102.8	88.8	77.0	70.1	70.0
After abnormals	102.8	88.8	77.0	66.4	70.0
Dividends per ordinary share (cents)	62	54	47	43	39
Net tangible assets per ordinary share (\$) ⁵	4.28	3.96	3.71	3.59	3.69
Share price (\$):					
High	14.55	12.97	12.06	11.45	9.10
Low	11.87	9.16	8.36	7.10	6.43
Close	13.29	12.75	9.45	9.28	8.70
Ratios					
Total equity to total assets (%)	5.1	5.5	6.4	6.3	6.9
Total equity to total average assets (%)	5.4	5.8	6.4	6.2	6.6
Tier 1 ratio (%) ⁶	6.3	6.6	7.0	6.8	8.0
Adjusted common equity (ACE) (%) ⁷	–	–	–	–	–
Total capital ratio (%) ⁸	9.9	9.9	9.2	9.3	10.5
Dividend payout ratio (%)	60.3	60.8	61.0	61.3	55.7
Dividend payout ratio – cash earnings (%)	57.3	57.4	57.1	59.7	53.1
Return on average ordinary equity (%)	21.1	18.4	16.8	15.5	17.0
Cash earnings to average adjusted ordinary equity (%)	21.4	19.0	17.6	15.8	17.6
Productivity ratio ⁹	3.60	3.35	3.30	3.22	2.90
Operating expenses to operating income ratio (%)	52.7	56.0	59.2	59.8	62.2
Net interest margin (%)	3.11	3.10	3.25	3.44	3.59
Other information					
Points of bank representation (number at financial year end) ¹⁰	1,347	1,375	1,625	1,832	1,547
Core full-time equivalent staff (number at financial year end) ¹¹	27,088	29,510	31,731	33,222	31,608

5 After deducting minority interests, goodwill and other intangibles.

6 The Tier 1 ratio has not been restated for changes in methodology over the ten year period.

7 ACE has only been calculated since 2003.

8 For details on the calculation of this ratio refer to note 28 to the financial statements in the Annual Financial Report.

9 Net operating income/salaries and other staff expenses.

10 As of 2003, business banking, agribusiness, private bank and financial planning centres all operate from our branch network and as such are no longer counted as separate points of representation.

11 Core full-time equivalent staff includes overtime and pro-rata part-time staff. It excludes temporary and contract staff.

CONCISE FINANCIAL REPORT

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The financial statements and specific disclosures included in this Concise Financial Report have been derived from the Annual Financial Report of Westpac Banking Corporation and its controlled entities (the 'Group') and do not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the Annual Financial Report for the year ended 30 September 2006.

A copy of the 2006 Annual Financial Report including the independent audit report is available and will be sent to any shareholder without charge upon request. The Annual Financial Report can be requested by phoning Australia 612 9226 3143 and can be accessed via the internet at www.westpac.com.au/investorcentre

Management discussion and analysis of the income statement

Net profit attributable to equity holders was \$3,071 million in 2006, an increase of \$373 million or 14% over 2005.

The 2006 result was driven by sound revenue growth due to improving volumes, with system market share multiples for new business improving in key products, including housing, cards and business lending (source: Reserve Bank of Australia/Australian Prudential Regulation Statistics). Expense growth was 3% while impairment losses fell slightly. Higher tax charges were offset by lower allocations of profit to minority interests. Business and Consumer Banking contributed \$230 million of the increase in net profit attributable to equity holders, Westpac Institutional Bank contributed \$20 million, BTFG \$30 million, while New Zealand's contribution increased \$18 million. The Other segment's contribution increased \$75 million.

Net interest income was \$5,642 million in 2006, an increase of \$383 million or 7% on 2005. The increase in 2006 was driven by a 12% increase in average interest earnings assets, partially offset by a 16 basis point decline in margins. Net loans and acceptances grew 15% in 2006, with the key drivers being strong growth in Institutional Bank lending (up 33%), BTFG margin lending (up 48%) and Personal (up 17%). Mortgage balances increased 12%. Margins declined 16 basis points due to changes in both asset and liability mix. Decreases in asset spreads were offset by increases in liability spreads following RBA rate rises during the year.

Non-interest income was \$3,575 million in 2006, up \$121 million or 4% on 2005. Fees and commissions fell primarily due to the impact of AASB 132 and AASB 139, which were only applicable from 1 October 2005. These standards require certain fees that we have previously taken to income statement as received, to be capitalised on the balance sheet and subsequently be recognised as part of net interest income. Trading income grew significantly in 2006 with improved performance in Treasury and Financial Markets. Other non-interest income included the proceeds from the sale of the Bank's sub-custody business to HSBC of \$94 million.

Operating expenses were \$4,295 million in 2006, an increase of \$136 million or 3% on 2005. Increases in personnel costs due to increased staff levels and pay increases paid in October 2005 and January 2006 were the key drivers. Software amortisation also increased following recent systems investments in tools such as Pinnacle and Reach.

Impairment losses were \$375 million, \$7 million or 2% lower than 2005. This decrease was partly driven by the impacts of AASB 132 and AASB 139, which were only applicable from 1 October 2005. The decrease in the expense relating to this adjustment was offset by higher charges related to book growth (primarily credit cards) and a slight increase in stressed loans (up 7 basis points to 81 basis points).

Income statement for the year ended 30 September

Westpac Banking Corporation and its controlled entities

	Note	Consolidated	
		2006 \$m	2005 \$m
Interest income		18,091	15,544
Interest expense		(12,449)	(10,285)
Net interest income		5,642	5,259
Non-interest income		3,575	3,454
Net operating income		9,217	8,713
Operating expenses		(4,295)	(4,159)
Impairment losses on loans		(375)	(382)
Profit before income tax		4,547	4,172
Income tax expense		(1,422)	(1,223)
Net profit for the year		3,125	2,949
Profit attributable to minority interests		(54)	(251)
Net profit attributable to equity holders of Westpac Banking Corporation		3,071	2,698
Earnings (in cents) per share			
Basic	4	167.2	148.9
Diluted	4	165.7	147.2

The above income statement should be read in conjunction with the accompanying notes and management discussion and analysis.

Management discussion and analysis of the balance sheet

Assets

During the financial year 30 September 2006, total assets increased by \$33.3 billion or 12.5% to \$299.6 billion, from \$266.3 billion in 2005. The key drivers of this growth were: Loans and acceptances increased by \$31.3 billion or 15.4% to \$234.5 billion in 2006, from \$203.2 billion in 2005. The major areas of growth were:

- growth in housing loans in Australia of \$12.0 billion or 12.1%, and
- non-housing loans in Australia which grew by \$10.2 billion particularly in business and personal lending.

Trading assets, other financial asset and available-for-sale securities increased by \$3.3 billion which was mainly invested in debt securities.

The mark-to-market valuation of our derivative financial instruments resulted in an increase of \$1.5 billion to net assets. These fair value movements are primarily influenced by market movements in major currencies.

These increases were partly offset by a decrease of \$1.9 billion in assets due from other financial institutions and cash and balances with central banks as our holdings of certificates of deposits declined.

Liabilities and equity

Total liabilities as at 30 September 2006 were \$283.5 billion which was an increase of \$34.1 billion or 13.7% compared with the prior year. The key movements in liabilities were:

Deposits increased by \$18.5 billion or 12.4% compared with 2005. This increase was funded by increased issuance of negotiable certificates of deposit in the Australian market of \$4.2 billion. In addition, call deposits in Australia increased by \$9.7 billion.

This year has seen the continuation of a long term trend of lending growth exceeding customer deposit growth. This has resulted in an increase in debt issues of \$12.7 billion through our debt programmes.

As explained in Note 1 to the financial statements under the heading 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' certain disclosures for this period may not be presented consistently with prior reported periods. The movements of trading liabilities and other financial liabilities, loan capital and life insurance liabilities are primarily due to the presentation differences as follows:

- acceptances of \$4.9 billion reclassified to debt issue;
- debt issues of \$3.5 billion reclassified to trading liabilities and other financial instruments;
- trust preferred securities of \$1.3 billion reclassified to loan capital; and
- managed investment scheme \$0.8 billion reclassified to life insurance assets.

Equity decreased by \$0.8 billion or 4.7% during 2006 to \$16.1 billion.

Major movements in equity included the following:

- \$1.3 billion of trust preferred securities and \$0.8 billion of managed investment schemes were reclassified under liabilities due to presentation changes as explained in Note 1 to the financial statements;
- 2006 TPS was issued with a value of \$0.8 billion; and
- a share buy-back of \$1 billion.

Balance sheet for the year ended 30 September

Westpac Banking Corporation and its controlled entities

	Note	Consolidated	
		2006 \$m	2005 \$m
Assets			
Cash and balances with central banks		2,478	2,853
Due from other financial institutions		12,865	14,355
Derivative financial instruments		10,311	9,944
Trading securities		13,560	12,036
Other financial assets designated at fair value		3,282	
Available-for-sale securities		969	
Investment securities			2,428
Loans		234,484	198,286
Acceptances of customers			4,864
Life insurance assets		14,281	13,595
Regulatory deposits with central banks overseas		465	347
Goodwill and other intangible assets		2,952	2,957
Property, plant and equipment		466	379
Deferred tax assets		653	820
Other assets		2,812	3,399
Total assets		299,578	266,263
Liabilities			
Due to other financial institutions		12,051	10,654
Deposits at fair value		33,286	
Deposits at amortised cost		134,455	149,252
Derivative financial instruments		9,342	10,514
Trading liabilities and other financial liabilities designated at fair value		7,497	3,154
Debt issues		61,476	48,754
Acceptances			4,864
Current tax liabilities		301	306
Deferred tax liabilities		-	20
Life insurance liabilities		13,476	11,717
Provisions		868	651
Other liabilities		4,771	5,270
Total liabilities excluding loan capital		277,523	245,156
Loan Capital			
Subordinated bonds, notes and debentures		4,107	3,702
Subordinated perpetual notes		521	512
Trust Preferred Securities		1,329	
Total loan capital		5,957	4,214
Total liabilities		283,480	249,370
Net assets		16,098	16,893
Shareholders' equity			
Share capital:			
Ordinary share capital		5,519	5,296
Treasury shares		(51)	(61)
Reserves		186	46
Retained profits	3	8,532	8,280
Total equity attributable to equity holders of Westpac Banking Corporation		14,186	13,561
Minority interests		1,912	3,332
Total shareholders' equity and minority interest		16,098	16,893

The above balance sheet should be read in conjunction with the accompanying notes and management discussion and analysis.

Statement of recognised income and expense for the year ended 30 September

	Consolidated	
	2006 \$m	2005 \$m
Gains/(losses) on available-for-sale securities:		
Recognised in equity	57	
Transferred to an income statement	(39)	
Gains/(losses) on cash flow hedging instruments:		
Recognised in equity	(42)	
Transferred to an income statement	(36)	
Exchange differences on translation of foreign operations	26	(96)
Income tax on items taken directly to or transferred directly from equity:		
Available-for-sale securities reserve	(7)	
Cash flow hedging reserve	25	
Foreign currency translation reserve	13	–
Net income recognised directly in equity	(1)	(96)
Profit attributable to equity holders	3,125	2,949
Total net income recognised for the year	3,126	2,853
Attributable to:		
Members of the parent	3,072	2,602
Minority interests	54	251
Total net income recognised for the year	3,126	2,853

The above Statement of recognised income and expense should be read in conjunction with the accompanying notes and management discussion and analysis.

Cash flow statement for the year ended 30 September

Westpac Banking Corporation and its controlled entities

	Consolidated	
	2006	2005
	\$m	\$m
Cash flows from operating activities		
Interest received	17,944	15,483
Interest paid	(12,412)	(10,041)
Dividends received excluding life business	9	28
Other non-interest income received	2,587	3,100
Operating expenses paid	(3,634)	(3,949)
Net (increase)/decrease in trading and fair value assets	(3,268)	119
Net increase/(decrease) in trading and fair value liabilities	943	(674)
Net (increase)/decrease in derivative financial instruments	(2,488)	(1,829)
Income tax paid excluding life business	(1,328)	(751)
Life business:		
Receipts from policyholders and customers	2,754	2,560
Interest and other items of similar nature	55	93
Dividends received	980	706
Payments to policyholders and suppliers	(3,371)	(2,461)
Income tax paid	(69)	(94)
Net cash provided by operating activities	(1,028)	2,290
Cash flows from investing activities		
Proceeds from available-for-sale securities (2005: investment securities)	281	130
Proceeds from matured/disposed available-for-sale securities (2005: investment securities)	579	1,564
Purchase of available-for-sale securities (2005: investment securities)	(1,198)	(598)
Net (increase)/decrease in:		
Due from other financial institutions	1,488	(995)
Loans	(29,422)	(16,108)
Life insurance assets	107	(62)
Regulatory deposits with central banks overseas	(117)	143
Other assets	(315)	(1,664)
Purchase of intangible assets	(220)	(294)
Purchase of property, plant and equipment	(225)	(128)
Proceeds from disposal of property, plant and equipment	23	27
Proceeds from disposal of other investments	–	41
Controlled entities and businesses disposed, net of cash held	120	545
Net cash used in investing activities	(28,899)	(17,399)
Cash flows from financing activities		
Issue of loan capital	704	1,401
Redemption of loan capital	(420)	(1,396)
Proceeds from issue of shares	33	191
Proceeds from issue of 2006 TPS (net of issue costs \$12 million)	751	–
Buy-back of ordinary shares and NZ Class shares	(1,003)	(1)
Net increase/(decrease) in:		
Due to other financial institutions	1,315	3,894
Deposits and public borrowings	17,547	4,294
Debt issues	12,532	8,499
Other liabilities	(249)	(25)
Purchase of treasury shares	(17)	(18)
Sale of treasury shares	27	7
Payment of dividends	(1,628)	(1,241)
Payment of dividends to minority interests	(54)	(161)
Net cash provided by financing activities	29,538	15,444
Net increase in cash and cash equivalents	(389)	335
Effect of exchange rate changes on cash and cash equivalents	14	(7)
Cash and cash equivalents as at the beginning of the year	2,853	2,525
Cash and cash equivalents as at the end of the year	2,478	2,853

The above cash flow statement should be read in conjunction with the accompanying notes.

FINANCIAL NOTES

Note 1. Summary of significant accounting policies

This Concise Financial Report has been derived from or is consistent with the Annual Financial Report of Westpac Banking Corporation ('Westpac') and its controlled entities ('the Group'), for the year ended 30 September 2006, which has been prepared in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended), Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

This Concise Financial Report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the relevant provisions of the Corporations Act 2001.

A full description of the accounting policies adopted by the Group is provided in the 2006 Annual Financial Report.

Unless otherwise indicated, all amounts are presented in Australian dollars (\$A).

Comparative information is restated where appropriate to enhance comparability.

The impacts of adopting Australian Equivalents of International Financial Reporting Standards (A-IFRS)

This is the first year that the Group has presented its financial statements in accordance with A-IFRS. The last financial statements under AGAAP were for the year ended 30 September 2005 and, except as detailed below, the date of transition to A-IFRS was therefore 1 October 2004.

A full explanation of the impacts of transition to A-IFRS, including reconciliations between AGAAP and A-IFRS for the Balance Sheet and Income Statement is provided in Note 48 of our Annual Report.

Presentation changes to previously reported AGAAP comparatives:

In accordance with A-IFRS disclosure requirements certain items have been reclassified between specific asset and liability categories. The key presentation adjustments made for our reconciliations for periods prior to 1 October 2005 are as follows:

- Financial assets and liabilities are required to be disclosed as a separate category on the face of the balance sheet. Accordingly derivative financial assets and liabilities have been reclassified from other assets and other liabilities.
- Previously only trading securities were separately disclosed on the face of the balance sheet. Now all trading assets and trading liabilities are separately recognised. Other trading assets and liabilities have been reclassified from other assets and other liabilities.
- Capitalised computer software costs have been reclassified. Amounts eligible for capitalisation have been reclassified from property plant and equipment and are now disclosed as intangible assets on the balance sheet. Additionally amortisation of capitalised computer software has been reclassified from equipment and occupancy expenses to other expenses in the income statement.

- An intangible asset acquired as part of a wealth business acquisition has been reclassified out of other assets and moved to the new balance sheet category of goodwill and other intangible assets.
- Certain other liabilities that meet the definition of provisions have been reclassified.

Further key presentation adjustments made for periods after 1 October 2005 are as follows:

- Investment securities have predominantly been reclassified into the new category of available-for-sale securities; and
- Certificates of deposit previously reported as part of deposits have been reclassified as deposits at fair value.

A-IFRS adjustments impacting on prior year comparatives

- *Goodwill* – goodwill acquired in business combinations is no longer required to be amortised, and instead is subject to impairment testing at least annually. If any impairments occur, they will be recognised immediately in the income statement.
- *Share based payments* – under AGAAP the Group did not recognise an expense for performance options and performance share rights issued to staff or for new shares issued under the employee share plan. Under A-IFRS the Group recognises an expense for all share-based remuneration.
- *Consolidation of special purpose vehicles (SPVs)* – a difference in the consolidation rules under A-IFRS and AGAAP has resulted in the Group consolidating a number of SPVs used for the securitisation of the Group's own and customers' assets. The consolidation of these vehicles resulted in an increase in both assets and liabilities with no impact on net assets.
- *Treasury shares* – under A-IFRS shares in Westpac Banking Corporation held by the Group, including securities held in statutory life funds and consolidated managed investment vehicles, are reclassified as treasury shares and accounted for as a deduction from share capital. Any changes in the value of treasury shares held are recognised in equity at the time of disposal and dividends are not recognised as income or distributions.
- *Hybrid equity instruments* – the Group has issued a number of hybrid Tier 1 instruments, which were classified as other equity interests under AGAAP. Under A-IFRS these instruments, with a carrying value of \$2,925 million as at 1 October 2004, were on consolidation presented as minority interests.

A-IFRS adjustments impacting on the restatement of the opening balance sheet as at 1 October 2005

Classification – as a result of the application of the new classification standards for financial instruments from 1 October 2005, new balance sheet classifications have been created and certain assets and liabilities have been moved to different balance sheet line items. The most significant adjustment was the reclassification of acceptance assets as loans, and acceptance liabilities as debt issues. Classification changes had no impact on shareholders' equity.

Debt v equity classifications – from 1 October 2005 the Fixed Interest Resetable Trust Securities (FIRTS) and Trust Preferred Securities 2004 (TPS 2004) hybrid equity instruments with a carrying value of \$1,343 million previously classified as equity were reclassified as debt on the balance sheet.

Note 1. Summary of significant accounting policies (continued)

Additionally, minority interests of \$826 million in managed investment schemes controlled by the Group's life companies were reclassified as debt and transferred to policyholder liabilities.

Insurance contracts – under A-IFRS revised measurement rules, particularly relating to discount rates and amortisation periods, are applied when determining life insurance policyholder liabilities. Additionally, deferred acquisition costs and deferred entry fees are no longer included in the calculation of policyholder liabilities.

Effective yield – from 1 October 2005, certain lending and borrowing related fees received and costs paid are required to be deferred on the balance sheet and subsequently recognised as a yield adjustment to interest income or interest expense.

Loan provisioning – at 1 October 2005 the application of the A-IFRS financial instruments standards to the loss estimation process resulted in an overall reduction in consolidated credit provisioning levels of \$547 million.

Derivatives and hedging – from 1 October 2005 A-IFRS requires that all derivative contracts, whether used as hedging instruments or otherwise, be recognised on the balance sheet at fair value.

Note 2. Dividends and distributions provided for or paid

	Consolidated	
	2006 \$m	2005 \$m
Recognised amounts		
Ordinary dividends		
Final ordinary dividend paid:		
Ordinary shares 51 cents per share (2005: 44 cents per share) all fully franked at 30%	951	782
Interim ordinary dividend paid:		
Ordinary shares 56 cents per share (2005: 49 cents per share) all fully franked at 30%	1,026	879
Total ordinary dividends	1,977	1,661
Dividends not recognised at year end		
Since year end the Directors have recommended the payment of the following final ordinary dividend:		
Ordinary shares 60 cents per share (2005: 51 cents per share) all fully franked at 30%	1,101	951
Franking account balance		
Franking account balance as at year end	815	826
Franking credits that will arise from payment of current income tax	77	166
Adjusted franking account balance after payment of current income tax	892	992
Franking credits to be utilised for payment of unrecognised final dividend	(475)	(409)
Adjusted franking account balance	417	583

The amount disclosed as 'recognised' for ordinary dividends is the final dividend paid in respect of the prior financial year and the interim dividend paid in respect of the current financial year.

Note 3. Retained profits

	Consolidated	
	2006 \$m	2005 \$m
Movements in retained profits were as follows:		
Balance as at beginning of the year	8,280	7,812
A-IFRS transition adjustment	(50)	(569)
Restated balance as at beginning of the year	8,230	7,243
Profit attributable to equity holders	3,071	2,698
Deemed dividend on shares bought back	(791)	–
Ordinary dividends paid	(1,977)	(1,661)
Transfer (to)/from reserves	(1)	–
Balance as at end of the year	8,532	8,280

Note 4. Earnings per ordinary share

	Consolidated			
	2006		2005	
	Basic	Diluted	Basic	Diluted
Reconciliation of earnings used in the calculation of earnings per ordinary share (\$ million)				
Net profit	3,125	3,125	2,949	2,949
Net profit attributable to minority interest	(54)	(54)	(251)	(251)
Distribution on New Zealand Class shares	–	–	49	49
FIRsTS distributions	–	44	–	44
2004 TPS distributions	–	37	–	36
Earnings	3,071	3,152	2,747	2,827
Weighted average number of ordinary shares (millions)				
Weighted average number of ordinary shares	1,842	1,842	1,851	1,851
Effect of own shares held	(5)	(5)	(6)	(6)
Potential dilutive adjustment:				
Exercise of options	–	5	–	4
Conversion of 2004 TPS	–	31	–	36
Conversion of FIRsTS	–	29	–	35
Other	–	–	–	1
Total weighted average number of ordinary shares	1,837	1,902	1,845	1,921
Earnings per ordinary share (cents)	167.2	165.7	148.9	147.2

During the year, 5,370,963 (2005: 14,480,843) options and performance share rights were converted to ordinary shares. The diluted earnings per share calculation includes that portion of these options assumed to be issued for nil consideration, weighted with reference to the date of conversion.

In determining diluted earnings per share, options with an exercise price (including grant date fair value that will be expensed in future periods) greater than the average market price over the year have not been included, as these are not considered dilutive. Performance options and performance share rights are only included in determining diluted earnings per share to the extent that market related performance hurdles are met at year end.

Subsequent to 30 September 2006

- nil options and 18,600 performance share rights were granted to employees (2005: 15,931 performance share rights) under the Westpac Performance Plan;
- 61,000 number of ordinary shares were issued to employees due to the exercise of options (2005: 222,326); and
- 11,161 number of ordinary shares were issued to employees due to the exercise of performance share rights (2005: 10,319).

Note 5. Group segment information

The basis of segment reporting reflects the management of the business within the Group, rather than the legal structure of the Group. The business segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Inter-segment pricing is determined on an arm's length basis.

Inter-segment transfer pricing

Inter-segment pricing rates are set using prices that would be paid or received in arms length transactions. Effective from 1 October 2005, the margin over benchmark interest rates charged by Treasury to other business units on funding was reduced, reflecting changes in market conditions.

Primary reporting - business segments

The business segments are defined by the customers they service and the services they provide. The Business and Consumer Banking segment is responsible for servicing and product development for consumer and smaller to medium-sized business customers within Australia. The BT Financial Group designs, manufactures and services financial products that enable customers to achieve their financial goals through the accumulation, management and protection of personal wealth. The Institutional Banking segment represents primarily corporations and institutional customers either based in, or with interests in, Australia and New Zealand, and also provides certain services to middle-market business banking customers in Australia and New Zealand. The New Zealand Banking segment provides banking and wealth management services to consumer and retail business customers in New Zealand. Other includes the results of Business Technology Solutions and Services, Group Treasury, Pacific Banking and Head Office functions. The majority of the direct operating expenses of Other are recharged back to the business segments as indicated in the internal charges line within operating expenses.

Primary reporting - business segments (continued)

	Consolidated 2006					Total \$m
	Business and Consumer Banking \$m	BT Financial Group \$m	Institutional Banking \$m	New Zealand Retail \$m	Other \$m	
Revenue from external customers	11,712	1,292	3,756	2,948	1,958	21,666
Internal revenue ¹	297	28	2,888	133	(3,346)	-
Total segment revenue	12,009	1,320	6,644	3,081	(1,388)	21,666
Interest income	10,465	234	3,089	2,561	1,742	18,091
Interest expense	(3,594)	1	(1,629)	(983)	(6,244)	(12,449)
Internal charges ¹	(2,793)	(168)	(986)	(715)	4,662	-
Net interest income	4,078	67	474	863	160	5,642
Net non-interest income	1,247	1,058	667	386	217	3,575
Internal charges ¹	(104)	(94)	178	2	18	-
Total operating income	5,221	1,031	1,319	1,251	395	9,217
Depreciation and amortisation	(2)	(26)	(4)	(51)	(209)	(292)
Other non-cash expenses	(116)	(26)	(17)	(6)	(44)	(209)
Other operating expenses	(1,634)	(439)	(456)	(530)	(735)	(3,794)
Internal charges ¹	(782)	(56)	(93)	(13)	944	-
Total operating expenses	(2,534)	(547)	(570)	(600)	(44)	(4,295)
Impairment losses on loans	(289)	-	(39)	(29)	(18)	(375)
Profit before income tax	2,398	484	710	622	333	4,547
Income tax expense	(716)	(145)	(206)	(196)	(159)	(1,422)
Minority interest	-	-	-	(3)	(51)	(54)
Profit attributable to shareholders of Westpac Banking Corporation	1,682	339	504	423	123	3,071
Total assets	168,626	18,705	56,541	33,766	21,940	299,578
Total liabilities	114,168	13,339	31,832	19,177	104,964	283,480
Acquisition of property, plant and equipment, goodwill and other intangible assets	7	43	5	48	342	445

1 Internal charges are eliminated on consolidation.

	Consolidated 2005					Total \$m
	Business and Consumer Banking \$m	BT Financial Group \$m	Institutional Banking \$m	New Zealand Retail \$m	Other \$m	
Revenue from external customers	10,564	1,191	2,508	2,732	2,003	18,998
Internal revenue ¹	322	19	3,554	(53)	(3,842)	-
Total segment revenue	10,886	1,210	6,062	2,679	(1,839)	18,998
Interest income	9,363	165	2,285	2,292	1,439	15,544
Interest expense	(3,126)	(1)	(1,062)	(861)	(5,235)	(10,285)
Internal charges ¹	(2,560)	(133)	(792)	(646)	4,131	-
Net interest income	3,677	31	431	785	335	5,259
Net non-interest income	1,201	1,026	223	440	564	3,454
Internal charges ¹	(31)	(116)	641	(28)	(466)	-
Total operating income	4,847	941	1,295	1,197	433	8,713
Depreciation and amortisation	(1)	(9)	(5)	(64)	(205)	(284)
Other non-cash expenses	(106)	(36)	(18)	(9)	(52)	(221)
Other operating expenses	(1,493)	(425)	(404)	(482)	(850)	(3,654)
Internal charges ¹	(867)	(57)	(123)	(19)	1,066	-
Total operating expenses	(2,467)	(527)	(550)	(574)	(41)	(4,159)
Impairment losses on loans	(312)	-	(37)	(33)	-	(382)
Profit before income tax	2,068	414	708	590	392	4,172
Income tax expense	(616)	(105)	(212)	(181)	(109)	(1,223)
Minority interest	-	-	(12)	(4)	(235)	(251)
Profit attributable to shareholders of Westpac Banking Corporation	1,452	309	484	405	48	2,698
Total assets	149,480	17,152	47,141	30,925	21,565	266,263
Total liabilities	102,557	12,382	28,404	18,224	87,803	249,370
Acquisition of property, plant and equipment, goodwill and other intangible assets	61	2	99	72	188	422

1 Internal charges are eliminated on consolidation.

Secondary reporting – Geographic segments

Geographic segmentation of assets, revenue and profit is based on the location of the office in which these items are booked. Intersegment pricing is determined on an arm's length basis.

	2006		2005	
	\$m	%	\$m	%
Income from operating activities				
Australia	17,496	80.8	15,213	80.1
New Zealand	3,477	16.0	3,255	17.1
Other ¹	693	3.2	530	2.8
Total	21,666	100.0	18,998	100.0
Profit before income tax				
Australia	3,320	73.0	3,017	72.3
New Zealand	747	16.4	790	18.9
Other ¹	480	10.6	365	8.7
Total	4,547	100.0	4,172	100.0
Profit attributable to equity holders of Westpac Banking Corporation				
Australia	2,186	71.2	1,787	66.2
New Zealand	493	16.0	582	21.6
Other ¹	392	12.8	329	12.2
Total	3,071	100.0	2,698	100.0
Assets				
Australia	246,905	82.4	216,909	81.5
New Zealand	44,215	14.8	40,249	15.1
Other ¹	8,458	2.8	9,105	3.4
Total	299,578	100.0	266,263	100.0
Acquisition of fixed assets and intangible assets				
Australia	379	85.2	345	81.8
New Zealand	65	14.6	65	15.4
Other ¹	1	0.2	12	2.8
Total	445	100.0	422	100.0

1 Other includes Pacific Islands, Asia, Americas and Europe.

Note 6. Events occurring after reporting date

On 1 November 2006, the assets and liabilities of the New Zealand retail banking business previously held by our New Zealand Branch were transferred to a New Zealand incorporated subsidiary to satisfy regulatory requirements. The carrying value of the assets (and associated liabilities) at 30 September 2006, which were transferred on 1 November 2006, was \$33,536 million (liabilities \$33,536 million).

The transfer of the business to a subsidiary operating structure is not expected to have a significant impact on the Group.

Directors' declaration

In accordance with a resolution of the Directors of Westpac Banking Corporation ('Westpac'), the Directors declare that the accompanying Concise Financial Report of the consolidated entity, for the year ended 30 September 2006 set out on pages 76 to 86:

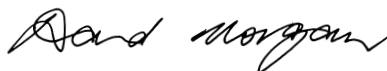
- (a) has been derived from or is consistent with the Annual Financial Report for the financial year; and
- (b) complies with Accounting Standard AASB 1039: Concise Financial Reports.

Dated at Sydney this 2nd day of November 2006

For and on behalf of the Board.



Leon A. Davis AO
Chairman



David Morgan
Chief Executive Officer



Independent Audit Report to the Members of Westpac Banking Corporation

Matters relating to the electronic presentation of the audited concise financial report

This audit report relates to the concise financial report of Westpac Banking Corporation (Westpac) for the financial year ended 30 September 2006 included on Westpac's web site. Westpac's directors are responsible for the integrity of Westpac's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

PricewaterhouseCoopers
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 201 Sussex Street
 GPO BOX 2650
 SYDNEY NSW 1171
 DX 77 Sydney
 Australia
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 Telephone +61 2 8266 0000
 Facsimile +61 2 8266 9999

Audit opinion

In our opinion, the concise financial report of Westpac for the year ended 30 September 2006 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

This opinion must be read in conjunction with the rest of our audit report.

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of recognised income and expense, notes to the financial statements, and the directors' declaration for Westpac for the year ended 30 September 2006.

The directors of Westpac are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of Westpac. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We also performed an independent audit of the full financial report of Westpac for the financial year ended 30 September 2006. Our audit report on the full financial report was signed on 2 November 2006 and was not subject to any qualification.

In conducting our audit of the concise financial report, we performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

DH Armstrong
 Partner
 Sydney, 2 November 2006

INFORMATION FOR SHAREHOLDERS

Shareholders' calendar

Record Date for final dividend	22 November 2006
Record Date for final dividend (New York)	21 November 2006
Final dividend payable	13 December 2006
Annual General Meeting	14 December 2006
Half Year end	31 March 2007
Interim results and dividend announcement	3 May 2007
Record Date for interim dividend	23 May 2007 ¹
Record Date for interim dividend (New York)	22 May 2007 ¹
Interim dividend payable	2 July 2007 ¹
Year end	30 September 2007
Final results and dividend announcement	1 November 2007
Record Date for final dividend	12 November 2007 ²
Record Date for final dividend (New York)	9 November 2007 ²
Annual General Meeting	13 December 2007 ³
Final dividend payable	18 December 2007 ²

1 Dates will be confirmed at the time of announcing the 2007 interim results.

2 Dates will be confirmed at the time of announcing the 2007 final results.

3 Details regarding the date of this meeting and the business to be dealt with, will be contained in the separate Notice of Meeting sent to shareholders in November 2007.

Annual General Meeting

The Westpac Annual General Meeting (AGM) will be held in the Ballroom Le Grand at the Sofitel Brisbane, 249 Turbot Street, Brisbane, on Thursday, 14 December 2006, commencing at 1:30pm (Brisbane time).

The AGM in Brisbane will be transmitted live to an information meeting that will be held for shareholders in the Grand Ballroom at Sofitel Wentworth Sydney, commencing at 2:30pm (Sydney time). At the information meeting you will be able to observe the AGM proceedings and ask questions but you will not be able to vote at that meeting.

The AGM will be webcast live on the internet at www.westpac.com.au/investorcentre and an archive version of the webcast will be placed on the website to enable the AGM proceedings to be viewed at a later time.

Voting rights

Ordinary Shares

On a show of hands, each shareholder present in person, each proxy who is not a shareholder and each duly appointed corporate representative who is not a shareholder, shall have one vote.

On a poll, each shareholder shall have one vote for each fully paid share held, each person present as a proxy and each duly appointed corporate representative shall have one vote for each fully paid share held by the shareholder that the person represents.

Dividends payment

Holders of Westpac ordinary shares, listed on the main Westpac ("Main") and the New Zealand branch ("NZ Branch") share registers, and traded on Australian Stock Exchange Limited (ASX) and on New Zealand Exchange Limited (NZX) respectively, may elect:

- to receive their Westpac ordinary share dividends by **direct credit** to an account with Westpac or any other bank in Australia, New Zealand, or the United Kingdom, or with any building society or credit union in Australia. For NZ Branch holders there is no United Kingdom option and any direct credit in New Zealand is in New Zealand dollars;
- or
- if they are resident in, or their address on the Main or NZ Branch registers is in, Australia or New Zealand, to have the dividends on some or all of their ordinary shares automatically reinvested in additional shares by participating in the **Dividend Reinvestment Plan (DRP)**. Details of the DRP can be obtained at www.westpac.com.au/investorcentre;
- or
- to receive a **cheque** by mail. For NZ Branch holders the cheque is in New Zealand dollars.

Stock exchange listings

Westpac Ordinary Shares are listed on:

- Australian Stock Exchange Limited, (code WBC);
- New York Stock Exchange (NYSE), as American Depositary Shares, (code WBK);
- Tokyo Stock Exchange, Inc., (code 8641); and
- New Zealand Exchange Limited, (code WBC).

For registry contact details see page 91.

Limit on size of shareholdings

There are limits on the acquisition of a shareholding in a bank under the Financial Sector (Shareholdings) Act 1998. Under this Act, a person (including a company) must not acquire an interest in an Australian financial sector company (which includes banks) where the acquisition would take that person's voting power (which includes the voting power of the person's associates) in the financial sector company to more than 15% of the voting power of the financial sector company, without first obtaining the Federal Treasurer's approval. Even if a person has less than 15% of the voting power, the Federal Treasurer has the power to declare that a person has practical control of that company and, by applying for an order from the Federal Court of Australia, may require the person to relinquish that control.

Sources of information for shareholders

Annual Report

We provide our report to shareholders, in November yearly, in two parts:

- a Concise Annual report; and
- an Annual Financial Report.

Both parts are lodged with the ASX and the Australian Securities and Investments Commission (ASIC) and other exchanges and regulators as required. They are available at www.westpac.com.au/investorcentre

In addition, we produce an annual Stakeholder Impact Report, which is available in December yearly.

Westpac, being very mindful of the environmental impact of printing hard copies of the Annual Report, also places a user-friendly version of the Concise Annual Report on our website.

Electronic Communications

Shareholders can elect to receive the following communications electronically:

- Concise Annual Report and Annual Financial Report;
- Dividend statements when paid by direct credit or via the DRP;
- Notices of Meetings and proxy forms; and
- Shareholder Newsletters and major company announcements.

Shareholders who wish to register their email address should go to www.westpac.com.au/investorcentre and click on "Register your email" under "Shareholder News", or contact the Westpac share registry. For registry contact details see page 91.

Other Information

Other sources of information produced during the year include:

- a newsletter containing a review of performance, issued at the time of the dividend payments in July and December;
- an annual Summary of Performance published in Japanese for shareholders in Japan;
- documents lodged with the ASX , NZX and other offshore exchanges;
- documents lodged from time to time in the USA, at the NYSE and the Securities and Exchange Commission, to comply with that country's regulatory requirements; and
- annual reports and information booklets produced by controlled entities and businesses of Westpac Banking Corporation.

Top twenty ordinary shareholders at 4 October 2006

	No. of fully paid ordinary shares	% held
JP Morgan Nominees Australia Limited	251,773,953	13.69
National Nominees Limited	205,863,497	11.19
Westpac Custodian Nominees Limited	180,699,808	9.82
Citicorp Nominees Pty Limited	115,396,305	6.27
RBC Dexia Investor Services Australia Nominees Pty Limited	68,653,814	3.73
Cogent Nominees Pty Limited	58,445,880	3.18
ANZ Nominees Limited	50,766,936	2.76
HSBC Custody Nominees (Australia) Limited	43,451,611	2.36
Queensland Investment Corporation	24,252,947	1.32
AMP Life Limited	19,953,675	1.08
Australian Foundation Investment Company Limited	12,767,616	0.69
Bond Street Custodians Limited	12,477,929	0.68
Australian Reward Investment Alliance	7,775,038	0.42
Permanent Trustee Australia Limited	7,512,768	0.41
Suncorp Custodian Services Pty Ltd	7,453,384	0.41
UBS Wealth Management Australia Nominees Pty Ltd	6,961,818	0.38
Invia Custodian Pty Limited	6,406,867	0.35
Tasman Asset Management Ltd	6,064,634	0.33
Milton Corporation Limited	5,501,037	0.30
Victorian Workcover Authority	4,995,181	0.27
	1,097,174,698	59.64

Top twenty shareholders hold 59.64 per cent of total ordinary shares issued.

Substantial shareholders as at 4 October 2006

Shareholders appearing on the Register of Substantial Shareholders as at 4 October 2006 are:

	No. of fully paid ordinary shares	% held
The Commonwealth Bank of Australia and its subsidiaries (by notice dated 22 September 2006)	91,977,151	5.00

Analysis of holdings at 4 October 2006

By range:

	No. of holders of ordinary fully paid shares	%	No. of Ordinary Shares	%	No. of holders of options and rights to subscribe for ordinary shares ¹
1 – 1,000	165,807	56.87	75,036,339	4.08	94
1,001 – 5,000	99,826	34.24	224,820,916	12.22	353
5,001 – 10,000	15,463	5.30	110,495,015	6.01	208
10,001 – 100,000	10,008	3.43	216,853,448	11.79	304
100,001 and over	451	0.16	1,212,015,446	65.90	45
Totals	291,555	100.00	1,839,221,164	100.00	1,004

¹ Issued under Senior Officers' Share Purchase Scheme, General Management Share Option Plan, Chief Executive Share Option Agreement and Westpac Performance Plan.

	Shares %	Options %
Percentage of total securities held by Top 20 holders in each class	59.64	47.08
Holdings of less than a marketable parcel	5,387	

USEFUL INFORMATION

Online

Australia

Westpac's internet site www.westpac.com.au provides information for shareholders and customers, including:

- Access to internet banking and broking services;
- Details on Westpac's products and services;
- Company history and results, economic updates, market releases and news; and
- Corporate responsibility and Westpac in the community activities.

Investors can short cut to the Investor Centre at www.westpac.com.au/investorcentre. The Centre includes the current Westpac share price and charting, links to the latest ASX announcements and the Westpac share registries.

New Zealand

Westpac's New Zealand internet site www.westpac.co.nz provides:

- Access to internet banking services;
- Details on products and services, including a comprehensive home buying guide;
- Economic updates, news and information, key financial results; and
- Sponsorships and other community activities.

Westpac Investor Relations

Information other than that relating to your shareholdings can be obtained from:

Westpac Investor Relations
Level 20, 275 Kent Street
Sydney NSW 2000, Australia

Australia: Telephone: (02) 8253 3143, Facsimile: (02) 8253 1207
Overseas: Telephone: (61 2) 8253 3143,
Facsimile: (61 2) 8253 1207
Email: investorrelations@westpac.com.au

Share registries

For information about your shareholding, to notify a change of address, etc., you should contact the appropriate share registry. Please note that in Australia, broker sponsored holders are required to contact their broker to amend their address.

Australia – Ordinary shares on the main register

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000
Postal address: Locked Bag A6015, Sydney South NSW 1235
Website: www.linkmarketservices.com.au

Shareholder Enquiries:

Telephone: 1800 804 255 (toll free in Australia)
International: (61 2) 8280 7070
Facsimile: (61 2) 9287 0303
Email: westpac@linkmarketservices.com.au

New Zealand – Ordinary Shares on the New Zealand branch register

Link Market Services Limited
Level 12, 120 Albert Street
Auckland, New Zealand
Postal address: PO Box 91976, Auckland 1030, New Zealand
Website: www.linkmarketservices.com

Shareholder Enquiries:

Telephone: 0800 002 727 (toll free in New Zealand)
International: (64 9) 375 5998
Facsimile: (64 9) 375 5990
Email: lmsenquiries@linkmarketservices.com

Depository in USA for American Depositary Shares (ADS)*

listed on New York Stock Exchange (code WBK – CUSIP 961214301)
JPMorgan Service Centre
PO Box 3408, South Hackensack
NJ 07606-3408, USA

Shareholder Enquiries:

Telephone: 1 800 990 1135
(toll free: non-US callers will be charged IDD)
Email: jpmorgan@mellon.com
Website: www.adr.com

* Each ADS equals five, fully paid ordinary shares

Paying and share handling agent in Japan

for shares listed on Tokyo Stock Exchange
Mitsubishi UFJ Trust and Banking Corporation
1-7-7 Nishi-Ikebukuro, Toshima-ku
Tokyo 171-8508, Japan

Shareholder Enquiries:

Telephone: (81 3) 5391 1900
Facsimile: (81 3) 5391 2041
Website: www.tr.mufg.jp

HOW TO CONTACT US

Australia

Head Office

275 Kent Street
Sydney NSW 2000
Australia

Telephone: (61 2) 9293 9270

Facsimile: (61 2) 8253 4128

At www.westpac.com.au go into "Contact Us" and click on "Telephone directory", or contact us on the following:

- General information and account enquiries:
 - personal customers 132 032 (from outside Australia) (61 2) 9293 9270
 - business customers 132 142
- Cardholder enquiries and lost and stolen cards 1300 651 089
- Home loan enquiries 131 900
- ATM enquiries and service difficulties 1800 022 022
- BT Financial Group 132 135
- Westpac Financial Services 131 817
- Westpac Broking 131 331
- Share registry 1800 804 255
- Shareholder benefits line 1300 360 599

International Payments

Freecall in Australia 1800 632 308

Calling from overseas

(61 2) 9806 4032

Facsimile (61 2) 9806 4091

New Zealand

Head Office

188 Quay Street
Auckland
New Zealand

Telephone: (64 9) 367 3727

Facsimile: (64 9) 367 3729

At www.westpac.co.nz go into "Contact Us" and under "Contact Westpac", click on "... by phone", or contact us on the following:

- General information and account enquiries:
 - personal customers 0800 400 600 (from outside New Zealand) (64 9) 912 8000
 - priority access 0800 900 910
 - business and agribusiness customers 0800 177 188
 - telephone banking self service 0800 172 172
- Home loan enquiries 0800 177 277
- Cardholder enquiries and lost and stolen cards 0800 888 111
- ATM enquiries and service difficulties 0800 400 600
- Financial services – investments and insurances 0800 738 641
- General insurance 0800 809 378
- Share registry 0800 002 727
- NZ Shareholder offers 0800 738 641

International

Hong Kong

Room 3303-05
Two Exchange Square
8 Connaught Place
Central, Hong Kong

Telephone: (852) 2842 9888

Facsimile: (852) 2840 0591

People's Republic of China

611F Tower B, Focus Place
19 Financial Street
Xicheng District, Beijing
People's Republic of China

Telephone: (86 10) 6657 4380

Facsimile: (86 10) 6657 4381

Republic of Indonesia

16th Floor
Wisma Standard Chartered Bank
Jl. Jend Sudirman Kav 33-A
Jakarta 10220, Indonesia

Telephone: (62 21) 574 3719

Facsimile: (62 21) 574 3720

Republic of Singapore

#19-00 SIA Building
77 Robinson Road
Singapore 068896

Telephone: (65) 6530 9898

Facsimile: (65) 6532 6781

United Kingdom

2nd Floor, 63 St Mary Axe
London EC3A 8LE
England

Telephone: (44 207) 621 7000

Facsimile: (44 207) 623 9428

United States of America

575 Fifth Avenue, 39th Floor
New York, NY 10017-2422
USA

Telephone: (1 212) 551 1800

Facsimile: (1 212) 551 1999

Pacific Banking

Cook Islands

Main Road, Avarua
Rarotonga
Cook Islands

Telephone: (682) 22014

Facsimile: (682) 20802

Fiji

Level 2, Westpac House
73 Gordon Street
Suva, Fiji

Telephone: (679) 132 032

Facsimile: (679) 3300 718

Papua New Guinea

Westpac Bank-PNG-Limited
9th Floor, Deloitte Tower
Douglas Street, Port Moresby, NCD
Papua New Guinea

Telephone: (675) 322 0888

Facsimile: (675) 322 0633

Samoa

Westpac Bank Samoa Limited
Beach Road, Apia, Samoa

Telephone: (685) 20000

Facsimile: (685) 22848

Solomon Islands

National Provident Fund Building
721 Mendana Avenue
Honiara, Solomon Islands

Telephone: (677) 21222

Facsimile: (677) 23419

Tonga

Westpac Bank of Tonga
Taufa'ahua Road
Nuku'alofa, Tonga

Telephone: (676) 23933

Facsimile: (676) 23634

Vanuatu

Lini Highway
Port Vila, Vanuatu

Telephone: (678) 22084

Facsimile: (678) 24773



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2007 – Year of the Surf Lifesaver.

