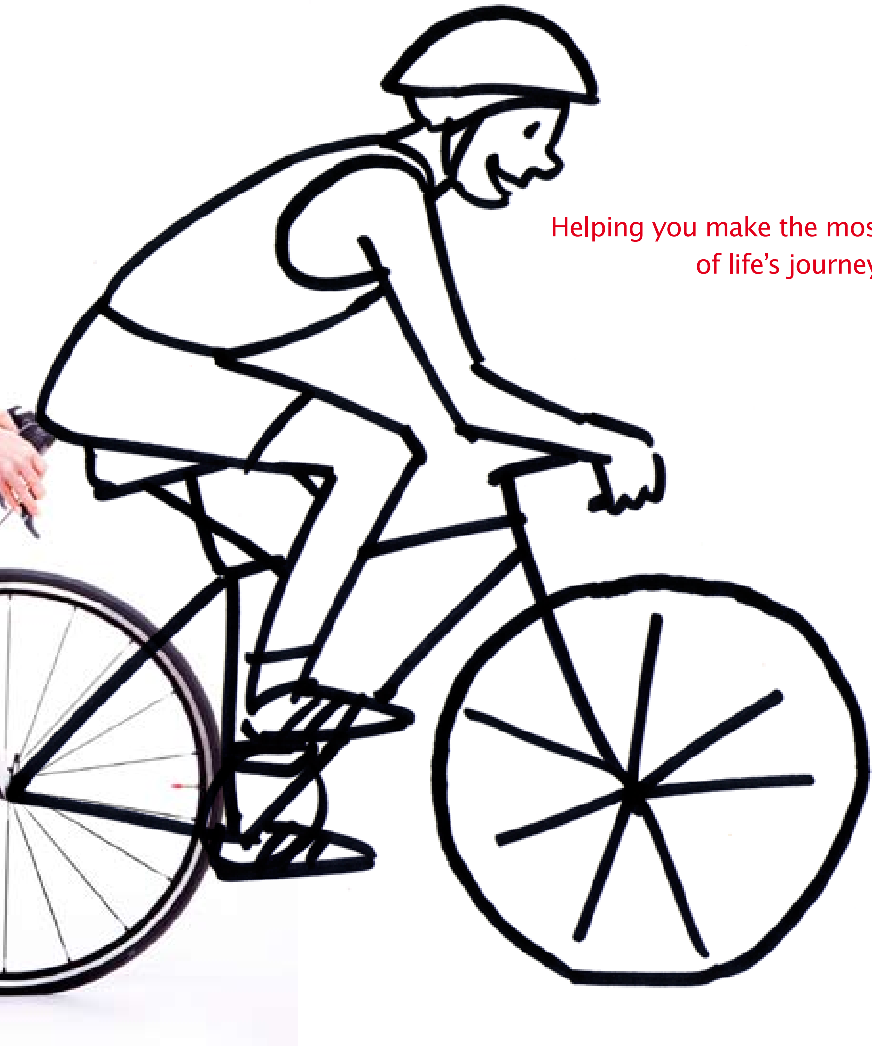
Making the most of life

In-Tandem Superannuation Scheme

Annual Report 2008



Helping you make the most of life's journey.

Contents

Bruce Kerr
Chairman

On behalf of the Scheme Trustees, I am pleased to present the Annual Report of the Westpac New Zealand Staff Superannuation Scheme which incorporates In-Tandem for the year ended 30 June 2008.

Most members, when opening this year's member statement from the In-Tandem section of the Scheme, likely let out a gasp.

Financial markets have been doing it tough, and as superannuation funds are linked to them, this year's returns haven't been as strong as before.

Investment Returns

In-Tandem and 5 year performance (after tax and manager fees) was:

In-Tandem	30 June 2008	30 June 2007	30 June 2006	5 yr average
Growth	-10.88%	6.11%	17.30%	5.48%
Balanced	-5.65%	5.03%	12.96%	5.09%
Stable Balanced	-4.51%	n/a	n/a	n/a
Capital Stable	3.46%	5.99%	5.27%	5.04%

The returns for the In-Tandem portfolios were noticeably lower than the returns earned in the previous year. This was due primarily to the global market downturn that occurred in the second half of the year, caused by the sub-prime and the consequent credit crises.

Currency volatility also played a part in the fluctuating performance over the year, with the NZ Dollar dropping against most currencies in the last quarter. Because 75% of the global shares in the Balanced and Growth portfolios are unhedged, this positive contribution from the currency helped offset some of the losses suffered.

Relative performance compared to extracts taken from the Eriksen Master Trust Survey (after tax and fees) shows over 5 years:

	No. of funds	Median Return	In-Tandem rank
Growth	12	5.7%	7
Balanced	13	6.0%	10
Capital Stable	18	4.4%	5

Note: Funds are classified by their long-term investment strategies as far as possible. Classification is as follows:

Growth funds	Growth assets of 70% to 90% (In-Tandem is 90%)
Balanced funds	Growth assets of 40% to 70% (In-Tandem is 60%)
Capital Stable funds	Growth assets of 0% to 20% (In-Tandem is 10%)

Investment structure has changed

The taxation of superannuation has changed over the past year.

1. Since 1 April 2007 share investments have been taxed under the new Fair Dividend Rate ("FDR") method.
2. From 1 October 2007 there have been new personal investor rules applied to Portfolio Investment Entities ("PIEs").
3. From 1 April 2008 the corporate tax rate (which is also the rate applied to the Scheme's earning from fixed interest and cash investments) reduced from 33% to 30%.

(Note: Investments in fixed interest and cash continue to be taxed as they have been in the past.)

What does all this mean for members of the Scheme?

The introduction of FDR was the catalyst for the Scheme Trustees to undertake a comprehensive review of how the Scheme's share investments are managed, as well as a major review of what makes optimal portfolio structures in the new environment.

Prior to November 2007, the Trustees had the majority of the Scheme's share investments managed under passive (index mirroring) mandates. The new rules removed the tax driven incentive for investment in passively managed equities. The new rules also removed tax disadvantages of active share investments. Consequently, the Trustees moved to a fully active approach for both domestic and international share investments, with effect from November 2007.

Additionally, to further diversify the Scheme's future earnings potential, the Trustees have agreed on a long-term strategic asset allocation in domestic and international listed property securities. That allocation will come from the existing allocation to domestic and international shares, and will be implemented when appropriate in the future.

Lastly, the review was also the opportunity for the Trustees to review the investment managers used by the Scheme. This part of the review saw the appointment of ING (NZ) Limited to manage local Bonds and BlackRock (through BTFM) to manage a share of the international Bonds.

"Thinking about how much you can save before you retire, the Scheme's 'Combo' Option will in almost all cases produce the biggest savings outcome, given time."

KiwiSaver

KiwiSaver came into effect from 1 July 2007. In-Tandem section has been changed to enable members to participate in KiwiSaver without the need to sacrifice any more of their discretionary earnings. In-Tandem members may choose to divert 4% of their member contribution, along with a matching bank contribution, to a KiwiSaver scheme of their choice.

Obviously, unlike In-Tandem, your KiwiSaver savings are locked in until you reach age 65 (or for 5 years from the date of joining if you are over age 60 when you join). Individually you will need to decide whether the loss of earlier access is adequately compensated for by the KiwiSaver incentives.

The main KiwiSaver incentives are

1. Westpac's matching contribution to KiwiSaver will no longer have ESCT deducted (ie. you will save the full 4%)
2. the one-off $1,000 kick start
3. the government's co-contribution matching your contribution up to $1,040 p.a.
4. if you earn less than $38,000 per annum your investment earnings will be taxed appropriately at 19.5%, rather than the In-Tandem tax rate of 30%.
5. Annual fee subsidy of $40.00

Thinking about how much you can save before you retire, the Scheme's "Combo" Option will in almost all cases produce the biggest savings outcome, given time. I encourage members to think about taking up the "Combo" Option.

Of course I would caveat the above statement by mentioning that KiwiSaver benefits could change with the outcome of the 2008 general election.

Defined Benefit scheme

Once again, on the Trustees' recommendation, Westpac approved an increase to current pensions to help offset the effects of inflation. This year's increase will be 4.02% and will take full effect from the first pension payment after 1 October 2008.

The 30 June 2008 actuarial review of the Defined Benefit section reported an actuarial deficit of almost $13 million. In accordance with the funding framework, Westpac has agreed to pay a one-off additional contribution of $3.6 million into the Scheme, in the 2008/09 year.

Thank you

I would like to extend my sincere thanks to my fellow Trustees for their continued support and commitment during the year. Those Trustees are Christine Parker, David Biegel, David Cunningham, Lyn McMorran and Royce Brennan.

Each Trustee has contributed diligently and with enthusiasm, bringing a broad range of skill and acumen to the governance of the Scheme.

The smooth running of your Scheme is not achieved by the Trustees alone. I would also like to extend my thanks to the people who supply services to the Trustees throughout the year, and who assist the smooth running of your Scheme. These include Westpac People & Performance, our Scheme Secretary, investment consultants, lawyers, insurers, and the Administrators of the Scheme.

If any member has questions or comments, I can be contacted at Bruce_Kerr@westpac.co.nz

Bruce Kerr, Chairman
13 November, 2008

Know your Trustees.
You can talk with any of them about your Scheme.

Member Elected Trustees

David Biegel
Senior KiwiSaver Manager,
BT Financial Services

Lyn McMorran
Area Manager, Private Bank Southern

Bank Appointed Trustees

Bruce Kerr
Independent Chairman of Trustees and Executive Director, ASFONZ – the voice of workplace super

Christine Parker
General Manager, People & Performance

David Cunningham
General Manager, Product Management

Royce Brennan
General Manager, Risk

Changes to the Trustees since the last annual report

- **Lyn McMorran** was elected to the role of Trustee on 28 September 2007, replacing the late Tony Ziesler.
- **Christine Parker** was appointed as an additional Trustee on 29 April 2008.
- **Royce Brennan** was appointed to the role of Trustee on 7 July 2008, replacing David Boyes who resigned from his role as Scheme Trustee on 24 June 2008.

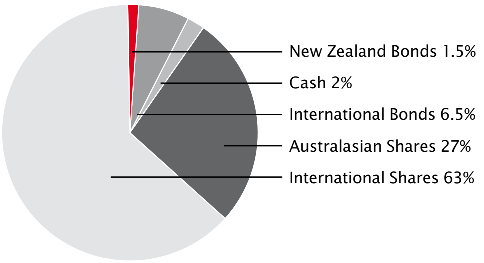
The choice is yours.
You should invest in the portfolio that best fits your own risk profile.

Growth Portfolio

The objective of the Growth portfolio is to maximise the investment return over the long-term by way of a diversified share portfolio. In particular, the specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 4.0 % p.a. (400 basis points) over each rolling ten-year period.**

While the objective of the portfolio is to maximise the long-term return, because the portfolio will be primarily invested in shares, it is recognised that short-term the returns will be volatile.

The current investment strategy for the Growth portfolio is

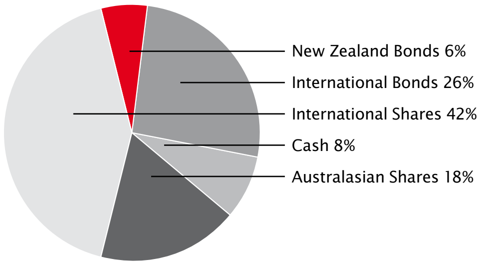


Balanced Portfolio & Defined Benefit Assets

The objective of the Balanced portfolio is to provide significantly above-average investment returns while maintaining the value of members' investments in real terms over the medium to long-term. In particular, the specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 3.5% p.a. (350 basis points) over each rolling ten-year period.**

The investments of the portfolio will be diversified across the main investment sectors of shares, bonds and cash.

The current investment strategy for the Balanced portfolio is



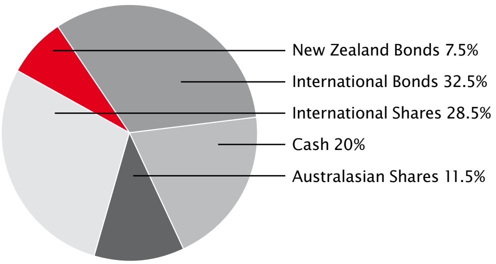
Changing portfolios is easy. You can invest your accumulated savings in one or more and even have new contributions going elsewhere if you wish.

Stable Balanced Portfolio

The objective of the Stable Balanced portfolio is to provide above-average investment returns while maintaining the value of members' investments in real terms over the medium to long-term. In particular, the specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 2.5% p.a. (250 basis points) over each rolling ten-year period.**

The investments of the portfolio will be diversified across the main investment sectors of shares, bonds and cash.

The current investment strategy for the Stable Balanced portfolio is



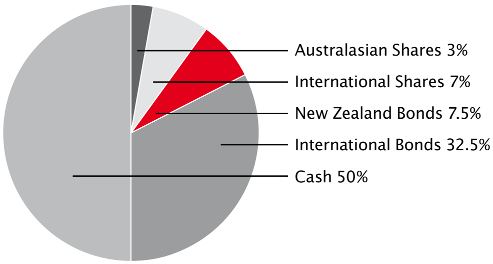
Capital Stable Portfolio

The objective of the Capital Stable portfolio is to provide above-average investment returns while maintaining the real value of members' investments over the short to medium-term.

In particular, the specific investment objective of the portfolio is to achieve a return, after tax and investment expenses, as measured by the increase in the unit price, which **exceeds the rate of inflation by at least 2% p.a. (200 basis points) over each rolling five-year period.**

The investments of the portfolio will be largely invested in New Zealand cash, bank deposits and fixed interest securities (both New Zealand and overseas).

The current investment strategy for the Capital Stable portfolio is



All returns given below are one-year returns to 30 June 2008 gross ie. before tax and investing fees.

Trans-Tasman shares

Managed by Brook Asset Management (50%) and ING (NZ) Ltd (50%) from 1 November 2007.

Managed by Brook Asset Management (50%) and AMP Capital Investors Ltd (50%) to 1 November 2007.

Gross return	**-20.5%**
Benchmark return	**-23.1%**

The above returns include the returns for the AMP Capital Investors passive NZ equities that were transferred to ING in November 2007. The NZ market suffered large losses in the second half of the year, fuelled by the global sub-prime and credit crises, though the active management has resulted in a significant out-performance of the benchmark.

International shares

Managed by AMP Capital Investors.

Gross return	**-10.9%**
Benchmark return	**-10.4%**

The above returns include the returns for the passive international equities that were invested with AMP and transferred to active management during October/ November 2007. The global share markets have experienced losses and increased volatility in the second half of the year, caused by the sub-prime and credit crises, which is reflected in the negative returns for the year.

New Zealand fixed interest

Managed by BT Funds Management.

Gross return	**9.3%**
Benchmark return	**9.1%**

The local fixed interest market provided very respectable returns considering the global financial problems. This was helped by a renewed interest in “safer” investments and consequently a drop in the government bond yields, providing capital gains to the fixed income portfolio.

International fixed interest

Managed by BT Funds Management (BlackRock – 50%) and Tower (PIMCO – 50%) from 31 October 2007.

Managed by Tower (PIMCO – 100%) to 31 October 2007.

Gross return	**8.6%**
Benchmark return	**9.8%**

The year saw a change from historical low yields on corporate bonds to see these expand dramatically in the last quarter as the credit crisis gained momentum. This resulted in a small loss over the last quarter, and reduced the strong returns from the previous part of the year. Over the short-term the credit crisis is affecting both equities and non-government fixed interest rates alike.

Cash

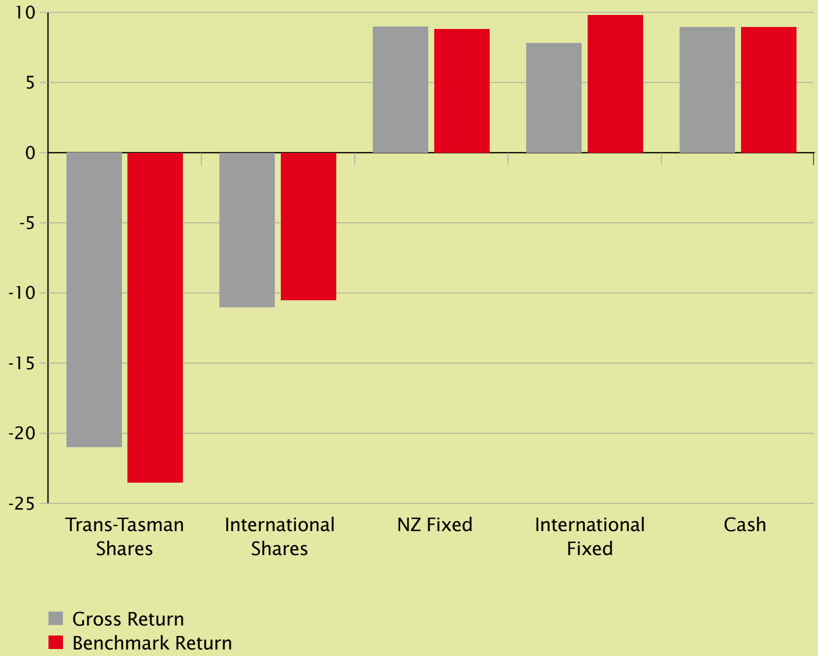
Managed by BT Funds Management.

Gross return 9.1%
Benchmark return 9.0%

The high short-term interest rates and that the Reserve Bank kept the Official Cash Rate at 8.25% for most of the year, meant cash was one of the best performing sectors during this particularly volatile year.

The following chart summarises the performance for the year, inclusive of manager.

Sector returns



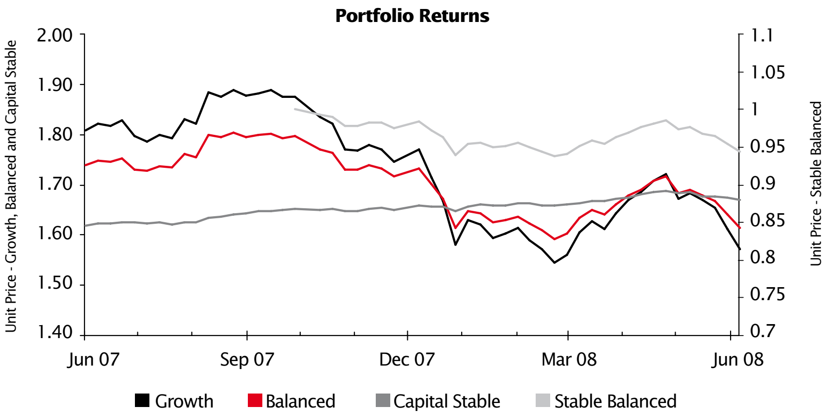
Your investments are held in diversified portfolios. Understanding your risk appetite is important.

Journey from market performance to your portfolio return

You get there by taking the asset class return (after fees and tax) and multiplying it by the allocation held by your portfolio.

After tax and investment manager fees

In-Tandem	30 June 2008	30 June 2007
Growth	-10.88%	6.11%
Balanced	-5.65%	5.03%
Capital Stable	3.46%	5.99%
Stable Balanced	-4.51%	n/a
Defined Benefit	-5.66%	5.01%



Note: *To enable a more useful comparison, the Stable Balanced unit price is plotted against the right y-axis*

Putting negative returns in context

The following is an article published in the winter edition of "Taking Stock". This extract has been reproduced with the consent of AMP Capital Investors.

Sharemarkets had one of the worst starts to the year in history. While this is naturally concerning for investors, negative investment returns are, unfortunately, a natural part of investing.

Occasional bouts of poor performance are the price we have to pay for getting the higher returns that growth assets, such as shares, offer over the long-term. In this article, AMP Capital's Dr Leo Krippner, Head of Investment Strategy for New Zealand and Dr Shane Oliver, Head of Investment Strategy and Chief Economist for AMP Capital in Australia, look at the recent slump in investment returns for diversified funds, put them in context, explore the temptation many investors naturally have to switch to cash and show that this is likely to lead to lower returns over the long-term.

Key Points

The slump in financial assets has led to negative returns for diversified funds. While disconcerting, occasional negative returns in diversified funds are a normal part of the investment cycle.

- Reacting to the current turmoil by moving to cash will lock in losses and only lead to lower long-term returns.
- The wisest approach is to have an appropriate long-term investment strategy and to stick to it.

After a loss, it's tempting to switch to a more conservative strategy. But, this will just lock in the loss and invariably result in lower long-term returns.

Introduction

The major international theme for the June quarter was an easing of credit-crunch fears, replaced by concerns on inflation as oil prices climbed to new highs. The threat of rising inflation at a time when economic growth is slowing spooked investors, which led to a renewed bout of weakness in share prices and ongoing volatility in financial markets in general.

The situation for investors is made worse by uncertainty surrounding the outlook. We think the outlook for the next few months is messy – with oil now the key – but that shares have seen the bulk of the damage. Shares should be back on to a sustainable rising trend later this year as oil prices eventually fall, and investors look forward to better conditions ahead and start taking advantage of attractive share valuations. There are, however, no end of experts who are saying the bear market has only just begun.

Given the uncertainty of the times, it's useful to put things into an historical context.

Shares and diversified funds

All things considered, the recent losses in diversified fund values should not come as a surprise to those who have shown an interest in their investments and have sought advice. The key driver of returns for an investment portfolio is the asset classes in which the funds are invested. The most common medium-risk diversified funds have 60% of their funds invested in growth assets (for example shares and property). This also applies to many individual investors' separately managed portfolios. The logic behind this allocation is that, over the long-term, growth assets provide higher returns.

Over the last few quarters, shares have fallen sharply on the back of the sub-prime mortgage crisis in the US, the credit crunch and more recently the surge in oil prices. From the October peak to the recent trough, US shares plunged 22%, New Zealand shares lost nearly 30% and globally shares fell 23%. Over the year to June, the generally positive return in other assets has not been enough to offset falls in listed assets, and so investment portfolios with a bias towards growth assets have declined in value.

Negative returns are not that unusual

The most important thing to note is that periodic negative returns from a diversified mix of assets are normal. Of course, for new investors it may seem unusual when returns have been relatively stable and favourable over recent times, as was the case from mid-2003 to mid-2007.

Putting negative returns in context

Chart 1. Key asset class returns, over the last two years

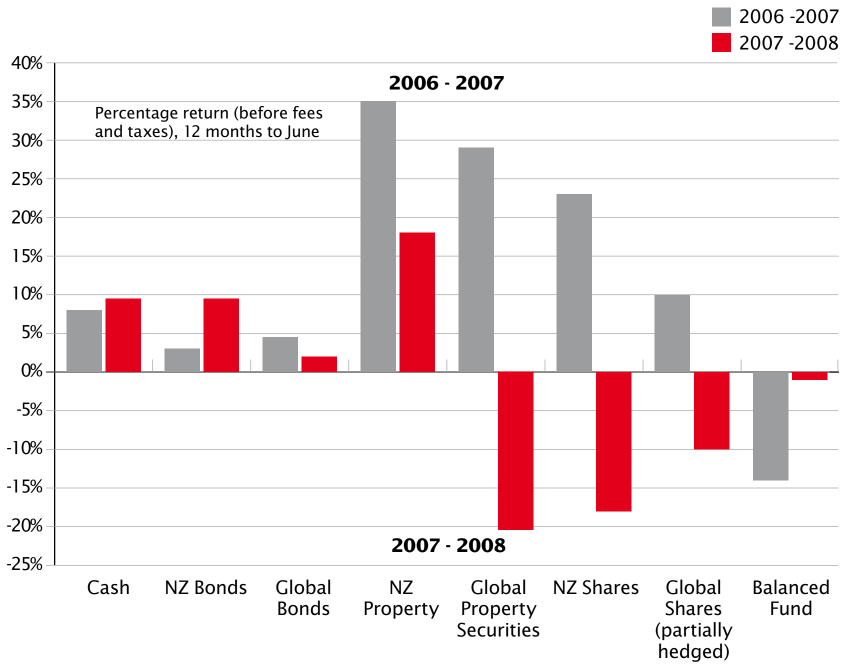


Chart 2 shows a simulated performance of a balanced fund over a very long period of history. The simulated fund is composed of 60% shares (20% domestic/40% international), 35% bonds (20% domestic/15% international), and 5% cash. Property exposure is not included because long-term historical data is not available, and the international investments are left unhedged (but expressed in New Zealand dollars) for simplicity. The numbers have also been adjusted for inflation so they equate to real spending power in today's dollars. It's clear that periods of negative returns in a balanced fund are a normal part of the investment cycle, as are subsequent recoveries. The main driver of negative returns is typically declines in share markets, often associated with economic recessions. For example, negative returns occurred in 1931-32 (Great Depression), 1937-38 (US recession), 1941 (World War II), 1944-46 (recession), 1948-49 (recession), 1958, 1962, 1966-67 (recession), 1970 (US recession), 1973-74 (oil crisis, stagflation), 1987-88 (share market crash), 1990 (recession), 1994-95 (bond crash), and 2001-03 (tech wreck, terrorist attacks). In the midst of these it probably seemed like the "worst ever crisis", but shares always recovered to resume their rising trend, pushing investors' returns back into positive territory. With shares and growth assets, periodic negative returns are the price we pay for the higher long-term

Typically, investors tend to be "despondent" after a period of strong falls in the value of their investments. This results in selling at the bottom of the investment cycle, when in reality the opportunities for capital gain are at their greatest.

returns they provide on average. Indeed, it is useful to remind ourselves of those higher than average returns whenever we get an occasional set-back. For example, AMP Capital Investors' medium-risk balanced fund generated a double digit rate of returns over the 2002-06 period (14.1% pa in nominal terms and 11.3% pa in real terms). While the average balanced fund investor may have lost a nominal 5% or so over the last year, in the previous four years to 2006 they would have seen their savings grow by around 45%.

Switching to cash will likely reduce long-term returns

It is also useful to remind ourselves about the pitfalls of overreacting to a loss. After a loss, it's tempting to switch to a more conservative strategy. But, this will just lock in the loss and will invariably result in lower long-term returns. Chart 3 shows the cumulative return to two portfolios since December 1930:

- The balanced fund noted earlier with fixed weights (40% global equities, 20% NZ equities, 20% NZ bonds, 15% global bonds, and 5% cash).
- A "switching strategy" that starts off with the balanced fund mix, but moves 100% into cash after any negative calendar year and doesn't move back until after the balanced portfolio generates one calendar year of positive returns. This replicates an investor who switches to cash after a down year, and requires a year of positive returns to get confident again (or to regret being out of the market).

Chart 2. Inflation-adjusted annual returns on a balanced fund

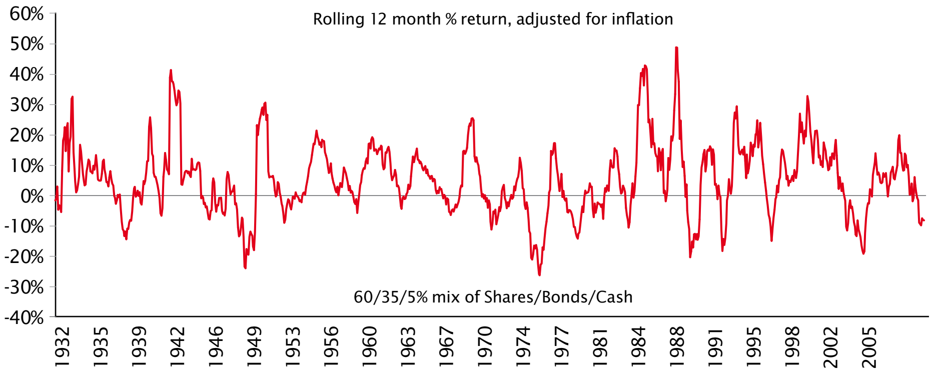


Chart 3. Cumulative returns on a balanced fund and a "switch" portfolio, both adjusted for inflation.

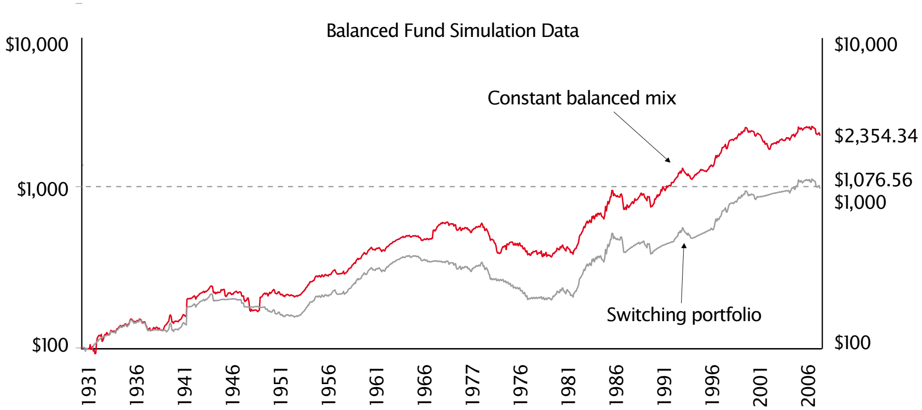


Chart 3 clearly depicts the difference between the two strategies. Over the entire period (from Dec 1930 to June 2008) the switching strategy produces an annualised real rate of return of 3.1% pa versus 4.2% pa for the balanced fund. That may not seem like much, but in terms of real spending power, a $100 investment in 1930 would have grown to $1,076.56 by June 2008 for the switching portfolio, versus $2,354.34 for an investment maintained in the balanced fund. The conclusion is clear – switching to cash after a bad year of investment performance is not the best strategy for meeting your savings goals over time.

Psychology through the cycle and long-term investing "Know Thy Self" helps

Generally, retirement savings and investments in growth assets have to be seen as a long-term proposition. Of course, when retirement is near, the portfolio should naturally revert to lower risk to avoid the chances of losses that can no longer be recovered over the remaining short period of investment. Having all of your savings in cash may make for a good night's sleep at times, but given its lower long-term return potential it's unlikely to provide enough for a decent retirement. Yes, returns on cash are now quite high, but they are unlikely to be sustained. The rapid slowdown in the domestic economy, along with the easier monetary policy which has now begun, means the returns from cash will no longer be such good value. One of the key ingredients for successful investing is for an investor to be aware of how their psychology is being affected by movements in investment markets. Typically, investors tend to be "despondent" after a period of strong falls in the value of their investments. This results in selling or "capitulating" at the bottom of the investment cycle when in reality the opportunities for capital gain are at their greatest. Given the difficulties in timing though, for most investors the best approach is to adopt an appropriate long-term investment strategy and to stick to it.

Conclusion

No one likes to see their investments fall in value. But occasional bouts of negative returns are the price we have to pay for the higher returns growth assets provide over time. Switching to cash may make sleeping at night easier when markets are falling, but it's likely to ensure lower long-term returns. The key is to adopt an appropriate long-term strategy and to stick to it.

Top tips for investing during volatile times

1 Stick to the investment strategy

Once investors have worked out a suitable investment strategy with the appropriate degree of return versus risk for their investment timeframe, it's important to stick with it through the inevitable ups and downs of investing. History has shown us that responding to negative returns by switching to cash tends to lead to lower returns over the long-term. Don't buy high and sell low!

2 Understand your investment psychology

One of the essential ingredients for successful investing is for an investor to be aware of how their own psychology is being affected by movements in investment markets to which they are exposed. Investors will have to be very honest with themselves about their own appetite for risk and their psychological capacity for bearing short-term losses to allow their savings and investment strategy to work for them. Investors should undertake a risk profile checklist to understand which investments will work best for them through thick and thin.

3 Invest in quality assets

During times of volatility it's prudent to be cautious, move away from speculating too much and invest in quality assets. However, if you invest in a managed fund you can safely assume that the manager is undertaking that on your behalf.

4 Don't try timing the market

Trying to time the bottom of an economic cycle is impossible. The best approach for long-term investors is to sit tight. For those wondering when it is time to buy shares, the best approach is to average in rather than attempt to predict the precise bottom in order to limit the impact of getting in too early (or too late).

5 Seek professional advice

Financial advisers, and the investment industry as a whole is under media scrutiny at the moment, but particularly during these volatile times, with the introduction of KiwiSaver and PIEs, investors need well-informed, good and honest financial advice.

KiwiSaver

KiwiSaver came into effect from 1 July 2007. In-Tandem was changed to enable members to participate in KiwiSaver without the need to sacrifice any more of their discretionary earnings. In-Tandem members may choose to divert 4% of their member contribution, along with a matching bank contribution, to a KiwiSaver scheme of their choice.

Obviously, unlike In-Tandem, your KiwiSaver savings are locked in until you reach age 65 (or for 5 years from the date of joining if you are over age 60 when you join). Individually you will need to decide whether the loss of earlier access is adequately compensated for by the KiwiSaver incentives.

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1. Westpac's matching contribution to KiwiSaver will no longer have ESCT deducted (ie. you will save the full 4%)
2. the one-off $1,000 kick start.
3. the government's co-contribution matching your contribution up to $1,040 p.a.
4. if you earn less than $38,000 per annum your investment earnings will be taxed appropriately at 19.5%, rather than the In-Tandem tax rate of 30%.
5. Annual fee subsidy of $40.00

Commonly asked questions

For a full Q & A on KiwiSaver and In-Tandem use the following links in the Westpac Intranet:

People> Working @ Westpac> Total Remuneration> Superannuation > "Combo" Option

Trustees report

The Trustees of the Westpac New Zealand Staff Superannuation Scheme provide members with the following information, as required by the Second Schedule to the Superannuation Schemes Act 1989

- the Trustees confirm that all contributions required to be made to the Scheme, in accordance with the terms of the Scheme's Trust Deed, have been made
- the Trustees certify that all benefits required to be paid from the Scheme were paid in accordance with the terms of the Scheme's Trust Deed
- the Trustees certify that the Market values of the assets of the Scheme as at 30 June 2008 did not exceed the value of the benefits that would have been payable had all members of the Scheme ceased to be members at that date, and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at 30 June 2008. Further details are provided in the Actuarial Report
- the Trustees confirm that contributions are currently being made by the bank, in accordance with the most recent actuarial review of the Scheme
- the Trustees confirm that no more than 10% percent of the market value of the Scheme's assets were invested with employers (or associated entities), either directly or indirectly, who are parties to the Scheme
- the Trustees confirm that the Scheme is ongoing and the bank remains committed to the Scheme.

Trust Deed amendments

During the year under review, two amendments were made to the Scheme's governing Trust Deed.

The first amendment was made on 25 July 2007. This allowed Westpac to qualify for an exemption from the requirement to automatically enrol new employees in KiwiSaver from 1 July 2007 onwards.

The changes were

1) a new category of membership was established for all permanent employees between the ages of 18 and 65 who do not meet the eligibility criteria to be invited to join other categories of the Scheme
2) the Trust Deed was changed to allow In-Tandem members to direct contributions made by or in respect of them to a KiwiSaver scheme.

The second amendment was made on 3 June 2008.

The amendment made a modification to the Scheme to allow for the Participating Company contribution obligation under the Trust Deed to be reduced by the amount of any Compulsory Employer contribution payable to a Member's KiwiSaver Scheme or Complying Superannuation Fund, as agreed between the Member and the Participating Company.

Additional Disclosure

During the year ended 30 June 2008, the Scheme's assets were invested as follows

Trans-Tasman Shares

The Trustees' investment in Trans-Tasman shares is arranged 50:50 through two unit trusts. The first is known as the UT1 Brook Australasian Companies

Fund. The Trustee of the Fund is Trustees Executors Limited. Brook Asset Management manages, administers and monitors the Fund.

The second is known as the WANZS Equities Australasian Fund. The Trustee of the Fund is The New Zealand Guardian Trust Company Limited. ING (NZ) Limited manages, administers and monitors the Fund. (Previously these funds were invested in passive New Zealand Shares arranged through their membership of a registered superannuation scheme known as the AMP Superannuation Tracker Fund).

International shares

The Trustees' investment in international shares is arranged through three unit trusts. These are known as the AIC I AMP Capital Core Global Shares Fund, AIH I AMP Capital Core Hedged Global Shares Fund, AIE M AMP Capital Extended Markets Global Shares Fund. The Trustee of these funds is BNP Paribas. AMP Capital Investors manages, administers and monitors the Fund. (Previously these funds were invested in passive international shares arranged through their membership of registered superannuation schemes known as the AMP Superannuation World Index Fund ("Super WINZ") and AMP Superannuation Investment Trust ("ASIT")).

International fixed interest

The Trustees' investment in international fixed interest is arranged 50:50 through two unit trusts. The first is known as the TAM International Trust Bond Fund. The Trustee of the Fund is Trustees Executors Limited. The investment management is undertaken by PIMCO.

The second is known as the Wholesale International Fixed Interest Trust. The Trustee of the Fund is The New Zealand Guardian Trust Company Limited. The investment management is undertaken by BlackRock.

New Zealand fixed interest

The Trustees' investment in New Zealand fixed interest is arranged through a segregated account with BT Funds Management (NZ) Limited, which manages, administers and monitors the account.

New Zealand cash

The Trustees' investment in New Zealand cash is arranged through a segregated account with BT Funds Management (NZ) Limited, which manages, administers and monitors the account.

Investment managers

AMP Capital Investors
Brook Asset Management
BT Funds Management (NZ) Limited
ING (NZ) Limited
TOWER Asset Management

Actuarial report

An actuarial valuation of the Scheme was carried out as at 30 June 2008. The purpose of the valuation was to determine the financial position of the Scheme and to determine the level of contributions required from the bank to meet the benefits payable from the Scheme.

The results of the valuation show that there is a past service deficit, with the value of the accrued liabilities exceeding net assets by $12.789m. This compares with a past service surplus of $2.653m as at 30 June

2007. The deterioration in the Scheme's financial position is mainly as a result of poor investment performance over the year.

As noted in previous years' annual reports, the Trustees have agreed a formal funding policy with the bank. Under the funding policy, the target funding ratio for the defined benefit section is 95% to 105%. If the defined benefit funding ratio falls below 95% then additional bank contributions are payable in order to meet the shortfall over a four-year period. If the ratio exceeds 105%, then the Bank contribution required to meet the cost of the future service benefits can be reduced. The defined benefit funding ratio as at 30 June 2008 was 86.4%, which is below the 95% threshold. Consequently the bank is required to pay shortfall contributions of $3.6m pa over a four-year period.

The contributions that I have recommended be paid by the bank are as follows

- 12.0% of the salaries of defined benefit members
- the actual credits to the employer accounts of In-Tandem members
- the cost of the credits to the employer accounts of members who participate in the Superannuation Incentive Plan
- by way of reimbursement, the actual administration expenses incurred by the Scheme
- the expected cost of the group life premiums for In-Tandem members
- an additional $3.6m during the financial year ending 30 June 2009 in respect of the past service shortfall.

Membership Numbers

Changes in the Scheme's membership numbers during the year were as follows (see table below)

Active Numbers		Pensioners and Deferred Pensioners	
Opening membership at 1 July 2007	4,171	Opening membership at 1 July 2007	299
New members (including transfers)	503	Retirements	0
Retirements	-9	New spouse's pensions	2
Redundancy	-33	New deferred pensions	3
Withdrawals	-651	Deaths	-9
Total & permanent disablements	-2	Full commutations	-84
Deaths	-1		
Closing membership at 30 June 2008	3,978	Closing membership at 30 June 2008	211

Summary of the Financial Statements for the year ended 30 June 2008.

Statement of Changes in Net Assets (For the Year Ended 30 June 2008)		2008 $	2007 $
Investment Activities			
	Net Investment (Loss)/Income	(16,600,111)	11,747,440
	Other Income	975,366	832,722
	Net (Loss)/Income	(15,624,745)	12,580,162
Less			
Other Expenses			
	Actuarial Fees	131,290	85,662
	Administration Fees	282,064	282,269
	Auditors' Remuneration – Audit Fees	39,153	37,209
	Auditors' Remuneration – Tax Agent Fees	41,805	39,623
	Investment Consultancy Fees – Retainer	145,166	-
	Legal Fees	122,258	104,654
	Group Life Premiums	690,444	500,000
	Other Expenses	65,659	37,876
	Total Other Expenses	1,517,839	1,087,293
Change in Net Assets before Taxation and Membership Activities		(17,142,584)	11,492,869
	Income Tax Expense	1,668,503	1,205,434
Change in Net Assets after Taxation and before Membership Activities		(18,811,087)	10,287,435
Membership Activities			
	Member Contributions	13,138,537	13,659,380
	Employer Contributions	14,788,313	15,344,735
	Group Life Claims	502,979	470,659
	Transfers In	412,598	155,153
Less	Pensions	4,857,979	5,939,366
	Pensions Commutations	16,511,529	1,841,645
	Benefits Paid	28,448,150	31,732,589
	Net Membership Activities	(20,975,231)	(9,883,673)
Net Increase in Net Assets during year		(39,786,318)	403,762
Add	**Net Assets available for Benefits at Beginning of Year**	290,240,620	289,836,858
	Net Assets available for Benefits at End of Year	250,454,302	290,240,620

Statement of Net Assets (As at 30 June 2008)

		2008	2007
		$	**$**
Assets			
	Financial Assets – At Fair Value Through Profit or Loss	216,596,284	261,047,894
	Current Assets	34,575,713	29,712,154
	Non-Current Assets – Deferred Tax Asset	-	277,688
	Total Assets	251,171,997	291,037,736
Less			
Liabilities			
	Benefits Payable	426,605	559,862
	Contributions Refundable – Member	-	314
	Trade and Other Payables	291,090	236,940
	Total Liabilities	717,695	797,116
NET ASSETS AVAILABLE TO PAY BENEFITS		250,454,302	290,240,620

Statement of Cash Flows (For the Year Ended 30 June 2008)

	2008	2007
Net Cash Flows from Operating Activities	(17,959,603)	(4,198,701)
Net Cash Flows from Investing Activities	23,068,080	1,257,050
Net Increase/(Decrease) in Cash Held	5,108,477	(2,941,651)
Cash at Beginning of Year	29,029,031	31,970,682
Cash at End of Year	34,137,508	29,029,031

Notes to the summary financial statements

A summary of the Scheme's audited financial statements for the year ended 30 June 2008, which were authorised by the Trustees for issue on 20 October 2008, is shown on pages 18 and 19 of this Annual Report. The summary financial report has been extracted from the full audited financial statements dated 20 October 2008. The summary financial statements have been prepared in accordance with FRS-43 – Summary Financial Statements and are in respect of the Scheme's first NZ IFRS's full financial statements.

The full financial statements have been prepared in accordance with generally accepted accounting practice and they comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for profit orientated entities. The Scheme has made an explicit and unreserved statement of compliance with IFRS in note 2 of its full financial statements.

The transition to NZ IFRS is accounted for in accordance with NZ IFRS-1: First-time Adoption of New Zealand Equivalents to International Reporting Standards, with 1 July 2006 as date of transition.

	2007	**2006**
	$	**$**
Net Assets available for Benefits	290,240,620	289,836,858
NZ IFRS Adjustment		
- New Zealand Government Stock	426,524	432,168
- New Zealand Fixed Interest	324,372	273,727
- Short-Term Investments	187,854	180,221
- Accrued Investment Income	(938,750)	(886,116)
Adjusted Net Assets available for Benefits	290,240,620	289,836,858

There has been no change to any previously reported financial information under NZ IFRS. For full note and disclosure of NZ IFRS adjustments refer to note 15 in the full financial statements. No line items were adjusted upon transition.

The financial statements are presented in New Zealand dollars because that is the currency of the primary economic environment in which the Scheme operates.

The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial statements of changes in net assets, net assets and cash flows of the Scheme. A copy of the full financial statements can be obtained free of charge from the Scheme's administration manager.

The auditor has examined the summary financial report for consistency with the audited financial statements on which an unqualified audit opinion has been issued.

Liability for promised benefits

Vested Benefits*	257,797,000	283,123,000

*Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date.

To the members of Westpac New Zealand Staff Superannuation Scheme

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Auditors' Report

To the members of Westpac New Zealand Staff Superannuation Scheme.

We have audited the summary financial statements of the Scheme for the year ended 30 June 2008 on pages 18 to 21.

Trustee's responsibilities

The Scheme's Trustees are responsible for the preparation and presentation of the summary financial statements in accordance with generally accepted accounting practice in New Zealand.

Auditors' responsibilities

We are responsible for expressing to you an independent opinion on the summary financial statements presented by the Trustees.

Basis of opinion

Our audit was conducted in accordance with New Zealand Auditing Standards, and involved carrying out procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of Financial Reporting Standard No.43 – Summary Financial Statements.

We have no relationship with or interests in the Scheme other than in our capacities as auditors and tax advisors.

Unqualified opinion

In our opinion

(a) the amounts set out in the summary financial statements have been correctly extracted from the full financial statements of the Scheme and are consistent in all material respects with the full financial statements, upon which we expressed an unqualified audit opinion in our report to the members dated 20 October 2008

(b) the information reported in the summary financial statements complies with Financial Reporting Standard No.43 – Summary Financial Statements.

We completed our work for the purposes of this report on 10 November 2008 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants, Auckland

Directory

Administration manager
Mercer*

Auditor
PricewaterhouseCoopers

Solicitor
Simpson Grierson

Insurer
Westpac Life NZ Limited

Secretary
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Questions?
If you have any questions about your Scheme or would like more information, please give the scheme administrator, Mercer (N.Z.) Limited a call.

The Scheme Adinistration Manager
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Superannuation Scheme
Mercer (N.Z.) Limited
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Fax 04 914 0434

Email: Jonathan.Church@mercer.com

* From 1 November 2007, Mercer Human Resource Consulting Limited is changed its name to Mercer (N.Z.) Limited. All references in this annual report to Mercer Human Resource Consulting Limited should be replaced with Mercer (N.Z.) Limited from this date.