

# Westpac Banking Corporation

## As at 30 September 2005

### Key Facts

#### Australia's First Bank

- Established 1817

#### Position at 30 September 2005

■ Net profit	A\$2,818m
■ Cash earnings	A\$2,874m
■ Cash ROE	21%
■ Tier 1 ratio	7.2%
■ Total assets	A\$260bn
■ Total deposits	A\$149bn

**Customers** 8.3m

#### Credit ratings

	Short Term	Long Term
Moody's	P-1	Aa3
S&P	A-1+	AA-

#### Market capitalisation

- A\$39 billion

#### Listings

- Australian Stock Exchange
- New York Stock Exchange (ADRs)
- Tokyo Stock Exchange
- New Zealand Stock Exchange

#### Further information

[www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

### Overview

Westpac is one of the four major banking organisations in Australasia and one of the top 50 banks in the world by market capitalisation<sup>1</sup>.

The company provides a broad range of banking and financial services including retail, commercial and institutional banking, combined with a high growth wealth management operation.

Setting Westpac apart from its peers is:

- Consistency of earnings - compound average growth of 11% in cash earnings per share over 5 years, and return on equity of 21%;
- A 64% payout ratio and a dividend yield of 4.6%<sup>2</sup>;
- The company's focus is on its core markets of Australia, New Zealand and the near Pacific; and
- Its position as a global leader in sustainability. Westpac has been ranked number one in the global banking sector in the Dow Jones Sustainability Index for four years in a row.

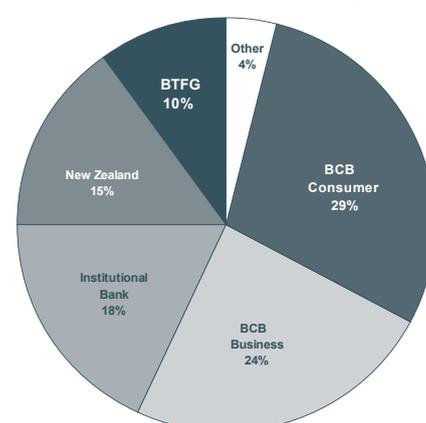
### Performance

In 2005, Westpac delivered a 12% increase in cash earnings and a 12% increase in cash earnings per share. All of the group's operating business units contributed to the performance with particularly strong performances from BT Financial Group and Business and Consumer Banking, who increased cash earnings by 48% and 15% respectively.

Behind the performance was a 10% lift in operating income, while expenses increased a more moderate 4%. As a result, the cost to income ratio declined to 46.6% and in the second half of the year, Westpac had the lowest cost to income ratio of the major Australian banks.

Loans and acceptances grew 7% over the year.

Composition of cash earnings



<sup>1</sup> FT Global 500, 2005 survey  
<sup>2</sup> Yield as at 8 November 2005

# Business & Consumer Banking

## Key Facts

### Business segments

- Australian retail banking
- Consumer
- SME (<A\$20m turnover)
- Middle Market (<A\$125m turnover)

### Position at 30 September 2005

■ Cash earnings	A\$1,537m
■ Economic profit	A\$1,228m
■ Deposits	A\$83.1bn
■ Assets	A\$148.3bn
■ Expense to income ratio	50.7%

### Growth in key products

■ Housing up	8%
■ Business lending up	7%
■ Personal unsecured up	2%
■ Deposits up	11%

### Points of distribution

- 813 branches and In-store branches
- 1,653 ATMs
- Approx. 82,500 EFTPOS terminals

**Employees** 12,403

## Business overview

Business and Consumer Banking provides financial services to individuals and small to medium size businesses throughout Australia. Our activities are conducted through our nation-wide branch network and mobile sales force, call centres, ATMs, e-channels banking services, and through third party brokers.

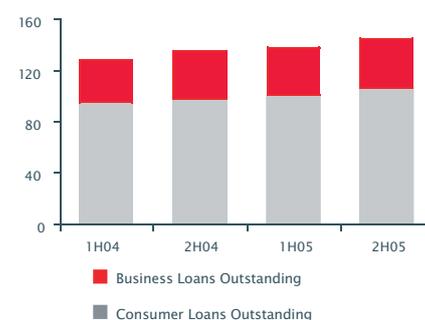
## Performance

- Cash earnings of A\$1,537m, up 15% over the year – a strong result in a competitive environment.
- Net interest income increased 8%, due to 8% growth in loans and acceptances and 11% growth in deposits, offset by modest spread decline.
- Increased front line capability via more customer facing employees, CRM platform roll-out and improved systems in branches.
- Cost to income ratio improved by 170 basis points.

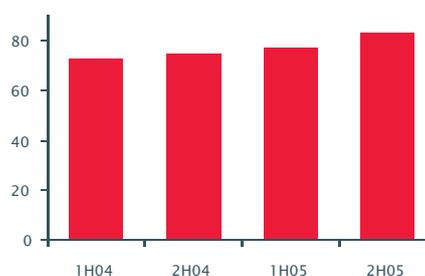
## Key strategies

- Build on the momentum established in the second half of 2005 across the portfolio, and deliver on prior investments in infrastructure and customer facing capability.
- Further implement our sales coaching program, Westpac Way, to drive innovation and improvements in customer experience and sales.
- Create value from skills across the group in funds management and transaction banking.

Loans and Acceptances (A\$bn)



Retail Deposits (A\$bn)



# Westpac Institutional Bank

## Key Facts

### Core businesses

- FX & Interest Rate Risk Mgmt
- Debt Financing & Capital Markets
- Specialised Capital Group
- Transactional Banking

### Coverage

- Australia, New Zealand, New York, London and Asia

### Position at 30 September 2005

- Cash earnings A\$518m
- Economic Profit A\$325m
- Expense to income ratio 42.5%
- Total Committed Lending Exposure A\$94.5bn

### Market Share/Status<sup>1</sup>

- Australian Lead Bank 1st
- FX market share 1st
- Debt Capital Markets 1st
- Lead Transactional Bank 1st

**Employees 1,283**

## Westpac Institutional Bank (WIB)

WIB serves the financial needs of corporate, institutional and government customers. WIB operates through dedicated industry teams, supported by specialists with expertise in financial markets, capital markets, specialised capital and transaction banking. Customers are supported through branches and subsidiaries located in Australia, New Zealand, New York, London and Asia.

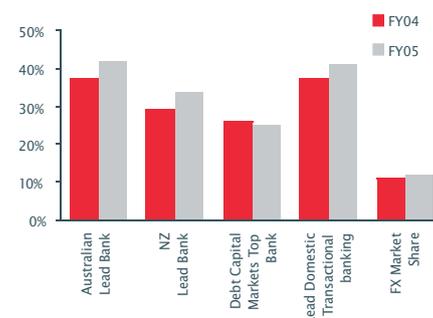
## Performance

- Core earnings up 11%, with revenue growth more than 2.5 times expense growth.
- Solid financial markets income, up 13% with a strong contribution from foreign exchange earnings.
- Transactional banking revenues up 20%.
- Specialised Capital Group a growing business – FUM up 64% over 2004.
- Bad debts higher but still below long term trends, reflecting excellent corporate credit quality.

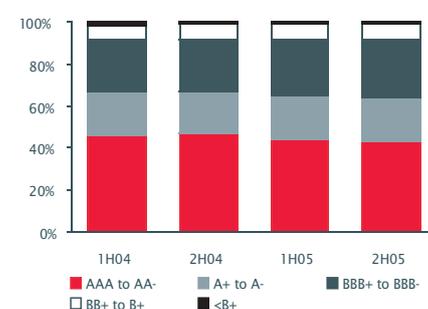
## Key strategies

- Maintain outright leadership in wholesale banking in Australasia.
- Continue building capabilities in strong growth markets including alternative and structured investments, equity derivatives and structured credit transactions.
- Optimise our risk profile while increasing the proportion of earnings from more stable annuity income streams.
- Maintain a strong compliance and governance framework.

Lead Bank Relationship<sup>1</sup>



Total Committed Exposure by Loan Grade



<sup>1</sup> Source: Peter Lee Associates

# New Zealand & Pacific Banking

## Key Facts<sup>1</sup>

- Operating in New Zealand since 1861 and the Pacific since 1901
- 1.4m customers in New Zealand

## Position at 30 September 2005

- Cash earnings NZ\$484m
- Economic Profit NZ\$228m
- Assets NZ\$33.3bn
- Deposits NZ\$19.9bn
- Expense to income ratio 47.0%

## Growth in key products

- Lending growth 14%
- Deposit growth 7%

## Points of distribution

- 195 branches and in-store branches
- 471 ATMs
- Approx. 486,000 registered online banking customers

**Employees 5,000**

## New Zealand & Pacific Business

New Zealand and Pacific Banking provides banking and wealth management products and services to consumers and business customers in New Zealand and the Pacific region. In New Zealand, we are one of the country's largest banks, with a customer base of 1.4 million. Pacific operations include Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu.

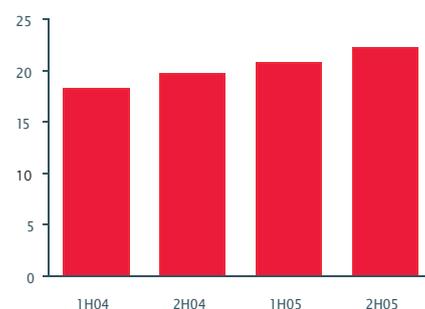
## Performance<sup>1</sup>

- Cash earnings increased 7%, driven by double digit asset growth, modest expense growth and a lower bad debt charge.
- Net interest income increased 5%, with strong growth in both lending and deposits offset by spread compression, particularly in the housing market.
- Business lending up 19%, due to success in middle markets and property finance.
- Cost to income ratio improved by 120 basis points to 47%.
- Pacific Banking cash earnings of A\$63m.

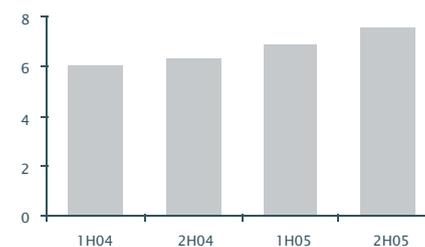
## Key strategies

- Build on strong momentum in business banking.
- Continue to lift customer satisfaction and leverage opportunities within our existing customer base.
- Maintain a high level of employee commitment and focus on leadership and retaining quality people.

Housing Lending (NZ\$bn)



Business Banking Term Lending (NZ\$bn)



<sup>1</sup> Data is for NZ Banking only and in New Zealand dollars (NZ\$) unless otherwise stated

# BT Financial Group

## Key Facts

### Position at 30 September 2005

■ Funds under management <sup>2</sup>	A\$37.1bn
■ Funds under administration <sup>2</sup>	A\$34.5bn
■ Inforce premiums	A\$240m
■ Cash earnings	A\$276m
■ Economic profit	A\$97m

### Market share

■ Platforms: Rank 2	12.1%
■ Corp. Super: Rank 5	7.0%
■ Margin Lending: Rank 3	14.3%
■ Broking: Rank 3	10.5%
■ Retail: Rank 8	4.0%

### Improved Ratings

■ Van Eyk	A
■ Lonsec	RECOMMEND
■ ASSIRT	3 Star

**Employees** 1,762

<sup>1</sup> Internal data supplied by BTFG (Australia)

<sup>2</sup> Corporate Superannuation balances were previously recognised in funds under management

## BT Financial Group (BTFG)

BTFG is Westpac's wealth management business. Its core business is investment management, general and life insurance, margin lending, superannuation and retirement income streams and providing financial planning advice. BTFG manages and administers almost A\$72 billion and is the fourth largest retail fund manager in Australia.

## Performance

- Cash earnings of A\$276m, up 48% on 2004 (excluding one-off items, up 30%).
- Operating income, up 23%.
- Maintained investment management performance – top quartile returns in key funds over 1, 2 and 3 years.
- Rapid growth in administration platforms, Wrap and Corporate Super contributing to 39% growth in funds under administration.
- Margin lending balances of A\$2.5 billion, up 38% on 2004.
- 13% growth in life insurance revenues.

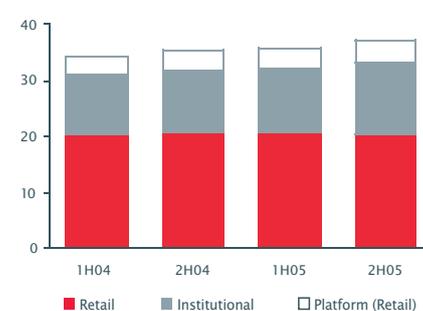
## Key strategies

- Continued growth in administration platforms through further investment and increased use by independent planners.
- Build funds under management by capitalising on superior investment performance.
- Improve cross sell ratios in the insurance business, leveraging opportunities through the broader bank.

Total Funds Under Administration<sup>1,2</sup> (A\$bn)



Total Funds Under Management<sup>1,2</sup> (A\$bn)

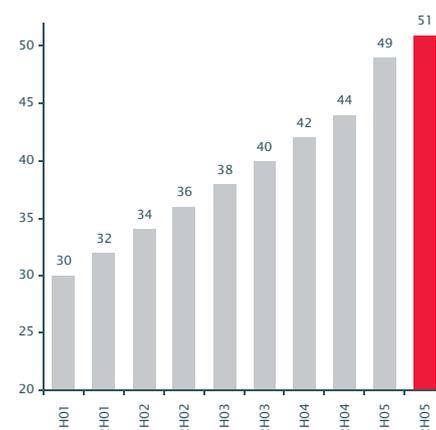


# Financial Summary

## Capital and Dividends

- The consistency of Westpac's performance has enabled the company to increase dividends in every half over the last 10 periods.
- In 2005, Westpac declared a fully franked final dividend of 51 cents per ordinary share, an increase of 16% on 2004, bringing the full year dividend to 100 cents.
- The strength of the 2005 performance was represented by the generation of over A\$1 billion in surplus capital.
- This surplus capital enabled Westpac to fund the increase in dividends and announce a structured off-market buy-back<sup>1</sup> of approximately A\$700 million.
- At the same time, we have maintained the flexibility to continue to efficiently manage our capital base in the future, with key capital ratios remaining above target ranges and our franking balance in surplus.

Dividends per share (A\$ cents)



(in \$millions unless otherwise indicated)	2005 A\$	2004 A\$	2003 A\$	2002 A\$	2001 A\$	2000 A\$
<b>Statement of financial performance – year ended 30 September</b>						
Net operating income	8,805	8,010	7,330	7,124	6,588	6,083
Operating expenses	(4,105)	(3,940)	(3,763)	(3,895)	(3,472)	(3,405)
Bad and doubtful debts	(382)	(414)	(485)	(461)	(433)	(202)
Profit from ordinary activities before income tax expense	4,150	3,492	2,919	2,668	2,585	2,378
Income tax expense	(1,222)	(913)	(728)	(471)	(677)	(660)
Net profit attributable to equity holders	2,818	2,539	2,183	2,192	1,903	1,715
Cash earnings	2,874	2,559	2,271	2,244	1,950	1,770
<b>Statement of financial position at 30 September</b>						
Total assets	259,753	245,079	221,339	191,037	189,845	167,618
Loans and acceptances	200,453	188,005	164,261	140,658	137,950	123,198
Deposits and public borrowings	149,454	146,533	129,071	110,763	96,157	89,994
Total equity	17,212	16,317	13,996	10,468	9,705	9,262
Total risk weighted assets	170,369	158,489	142,909	128,651	127,242	114,816
<b>Share information</b>						
Earnings per share (cents)	144.8	129.2	115.6	118.3	102.8	88.8
Dividends per ordinary share (cents)	100	86	78	70	62	54
Net tangible assets per ordinary share (\$)	6.21	5.47	4.97	4.56	4.28	3.96
<b>Ratios</b>						
Tier 1 ratio (%)	7.2	6.9	7.2	6.5	6.3	6.6
Adjusted common equity (ACE) (%)	5.4	4.8	5.0	-	-	-
Total capital ratio (%)	9.7	9.7	10.5	9.6	9.9	9.9
Dividend payout ratio (%)	69.0	66.6	67.5	59.2	60.3	60.8
Return on average ordinary equity before abnormals (%)	20.7	19.9	19.2	21.7	21.1	18.4
Cash earnings to average adjusted ordinary equity (%)	21.4	20.7	20.3	21.9	21.4	19.0
Operating expenses to operating income (%)	46.6	49.2	51.3	54.7	52.7	56.0
Net interest margin (%)	2.50	2.53	2.62	2.81	3.11	3.10

<sup>1</sup> This Buy-Back is not available to persons in the United States of America, Canada or Japan. No offer is being made in the United States, Canada or Japan or to US persons or residents of Canada or Japan