

## Investor Discussion Pack

**November 2006**

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## 2006 Results Overview

**November 2006**

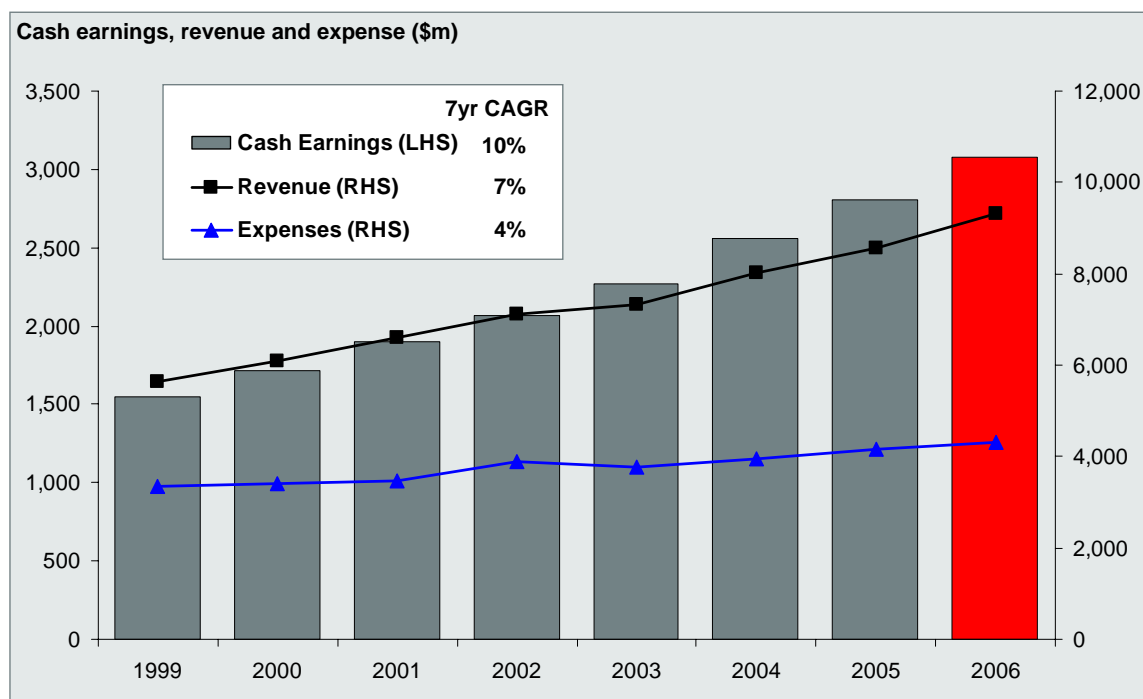
### Westpac Banking Corporation – at a glance

- Australia's First Bank – est. 1817
- Top 50 bank globally<sup>1</sup>
- Strong franchise in core markets of Australia, New Zealand and near Pacific
- Consistent earnings growth
- Sound asset quality
- Global sustainability leader

	30 September 2006
Cash earnings	A\$3,079 million
Return on equity	23%
Tier 1 ratio	6.9%
S&P rating	AA- / Stable / A-1+
Moody's rating	Aa3 / Stable / P-1
Total assets	A\$300 billion
Market cap as at 31 October 2006	A\$44 billion

1. FT Global 500 2006 by sector, rank by market capitalisation

## Consistent solid growth



1999 to 2004 on AGAAP basis. 2005 and 2006 adjusted for the impacts of A-IFRS, accounting reclassifications, NZ\$ exchange rate impacts and one-off significant items. Source: Westpac



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## A sound full year result in 2006

	2005	2006	% Change
Reported net profit	\$2,698	\$3,071m	up 14%
Cash earnings	\$2,804	\$3,079m	up 10%
Core earnings <sup>1</sup> (pre provisions)	\$4,317m	\$4,859m	up 13%
Cash EPS	151.5 cents	167.2 cents	up 10%
Cash ROE	22%	23%	up 80 bps
Cost to income ratio <sup>1</sup>	49%	47%	down 190 bps
Fully franked dividend	100 cents	116 cents	up 16%
Net interest margin	2.45%	2.29%	down 16bps
Stressed loans to total commitments	0.74%	0.81%	up 7bps

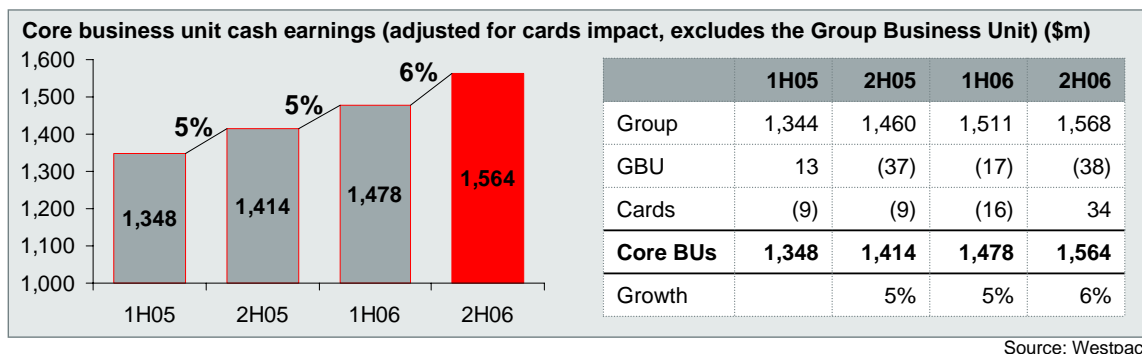
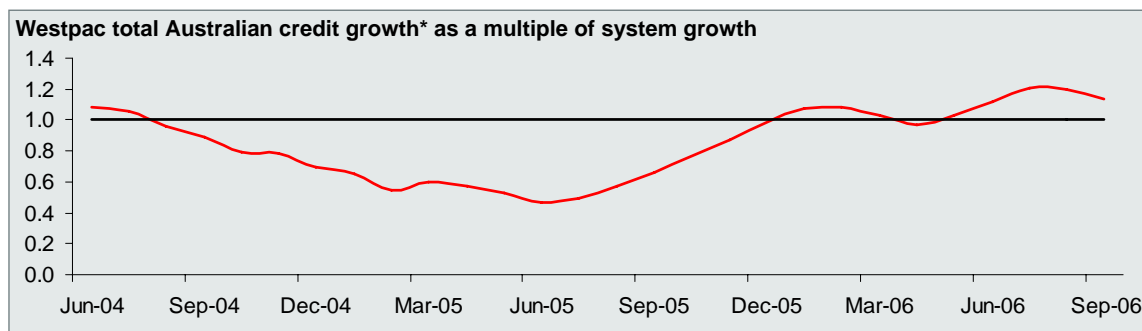
1. Adjusted for the impacts of A-IFRS, accounting reclassifications, NZ\$ exchange rate impacts and one-off significant items. Source: Westpac



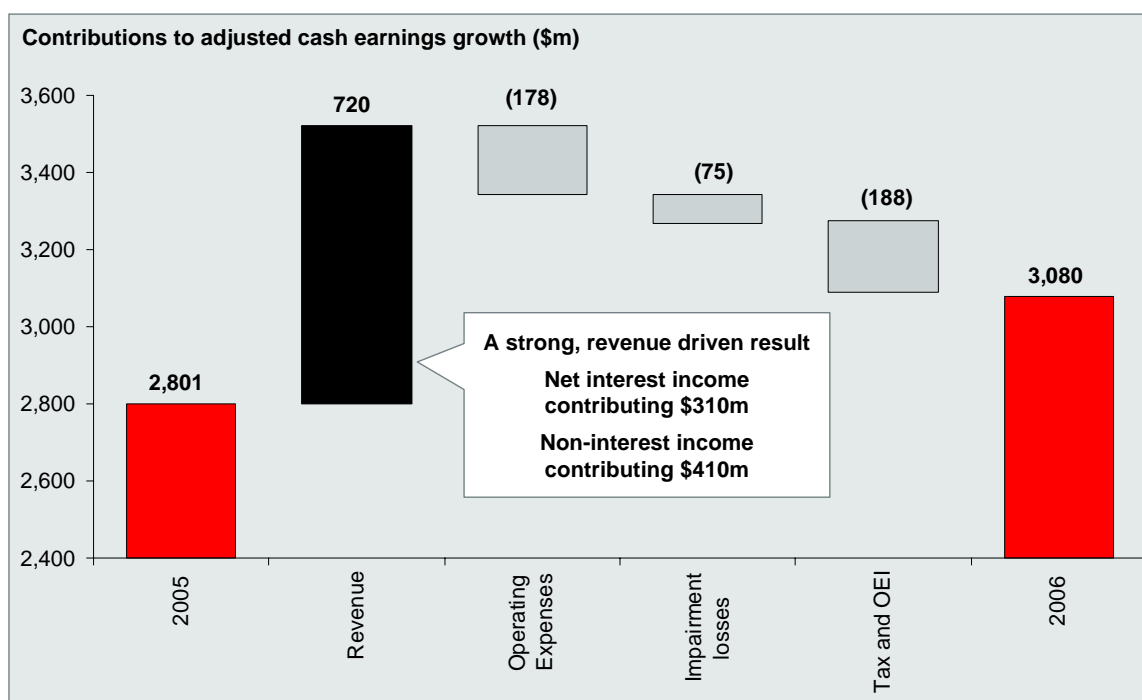
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## Improved momentum across the business

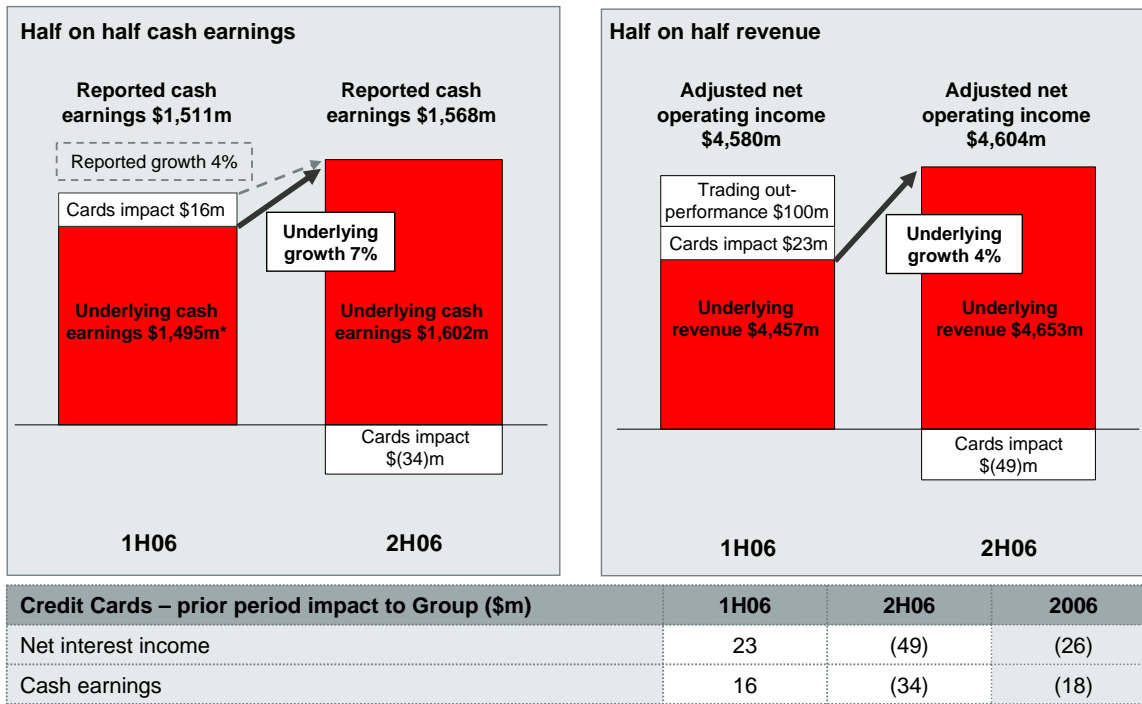


## A revenue driven result



Adjusted for the impacts of A-IFRS, accounting reclassifications, NZ\$ exchange rate impacts and one-off significant items. Source: Westpac

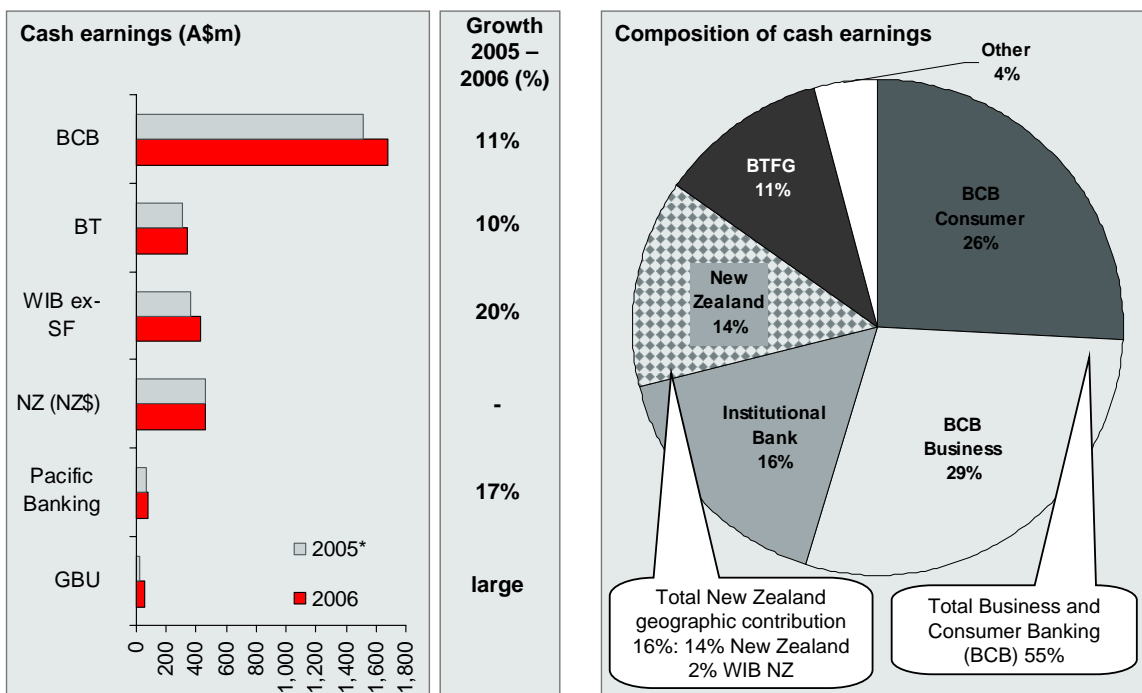
# Improved second half momentum



\*Trading and tax provision movement broadly offset.



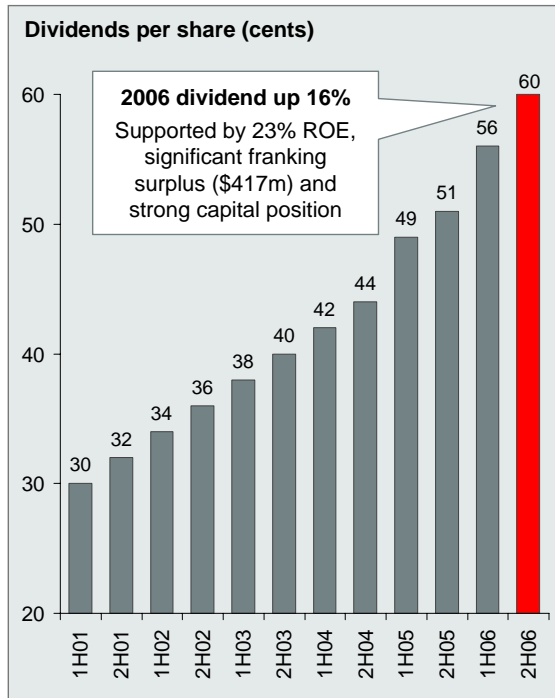
# Composition of earnings by business unit



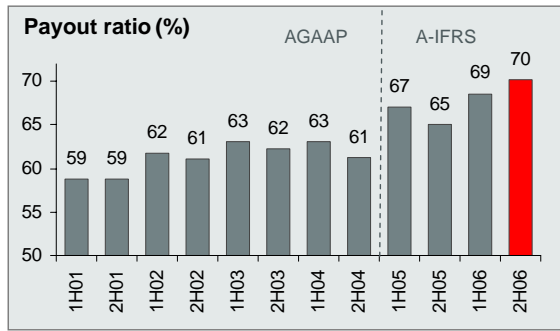
\*2005 re-stated to A-IFRS excluding AASB 132 & 139. Source: Westpac



# Strong dividend growth – higher sustainable payout



Dividend considerations	
Dividend path	Deliver dividend increase each half
Franking	Only pay fully franked dividends
New share issues	General principle is to neutralise new share issuance although some dilution tolerated to utilise franking credits
Pay-out ratio	Absorb some movement in payout ratio given earnings volatility and A-IFRS
Capital	Seek to hold capital ratios within target ranges



Source: Westpac

## Approach to reporting

### Cash earnings approach

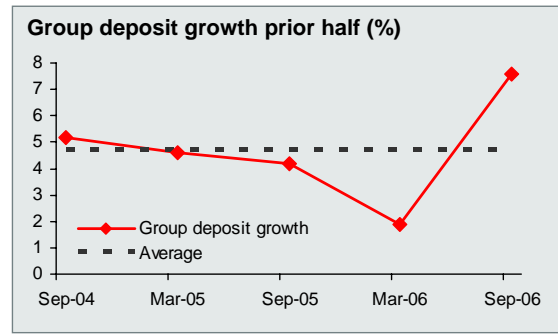
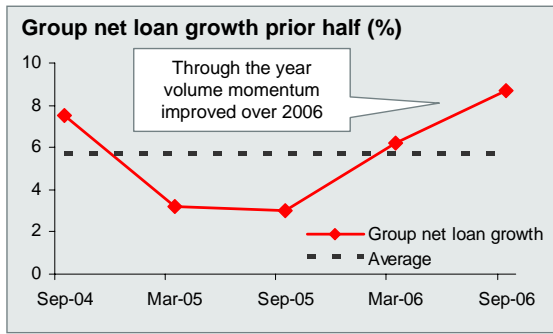
Adjusts Net Profit After Tax for:	<ul style="list-style-type: none"> <li>• Treasury shares</li> <li>• Hybrid distributions in 2005 and fair value changes on economic hedges of hybrid equity instruments</li> <li>• One-off items - Sale of sub-custody business and Deferred tax asset write-off</li> </ul>
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	“Reported” Results	“Adjusted” Results
1H06	Full A-IFRS	A-IFRS excluding AASB 132 & 139, adjusted for accounting reclassifications, NZ\$ movement and one-off items
2H06	Full A-IFRS	
2005	A-IFRS excluding AASB 132 & 139	
2006	Full A-IFRS	
	Appropriate for assessing cash earnings growth at Group and business unit level	Appropriate for assessing movements in the profit and loss components

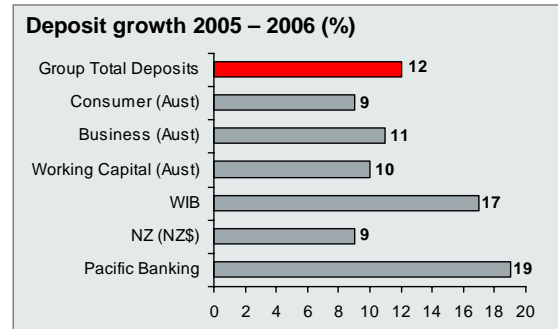
## Underlying operating income strong

\$m	2005	2006	% Change 2005 – 2006
<b>Reported operating income</b>	<b>8,713</b>	<b>9,217</b>	<b>6%</b>
Remove AASB 132/139	-	159	
Net accounting changes, Epic, NZ\$ movement and sale of sub-custody business	(249)	(192)	(23)
<b>Adjusted operating income</b>	<b>8,464</b>	<b>9,184</b>	<b>9%</b>
Credit card income over-accrual	(26)	26	large
Fair value of securities portfolios	(64)	(74)	16
JDV (2005)/MasterCard (2006) profit	(13)	(15)	15
Asset and property sales	(11)	(10)	(9)
Mortgage broker amortisation	(16)	-	
Private equity business	(16)	-	
<b>Underlying operating income</b>	<b>8,318</b>	<b>9,111</b>	<b>10%</b>

# Strong growth on both sides of the balance sheet



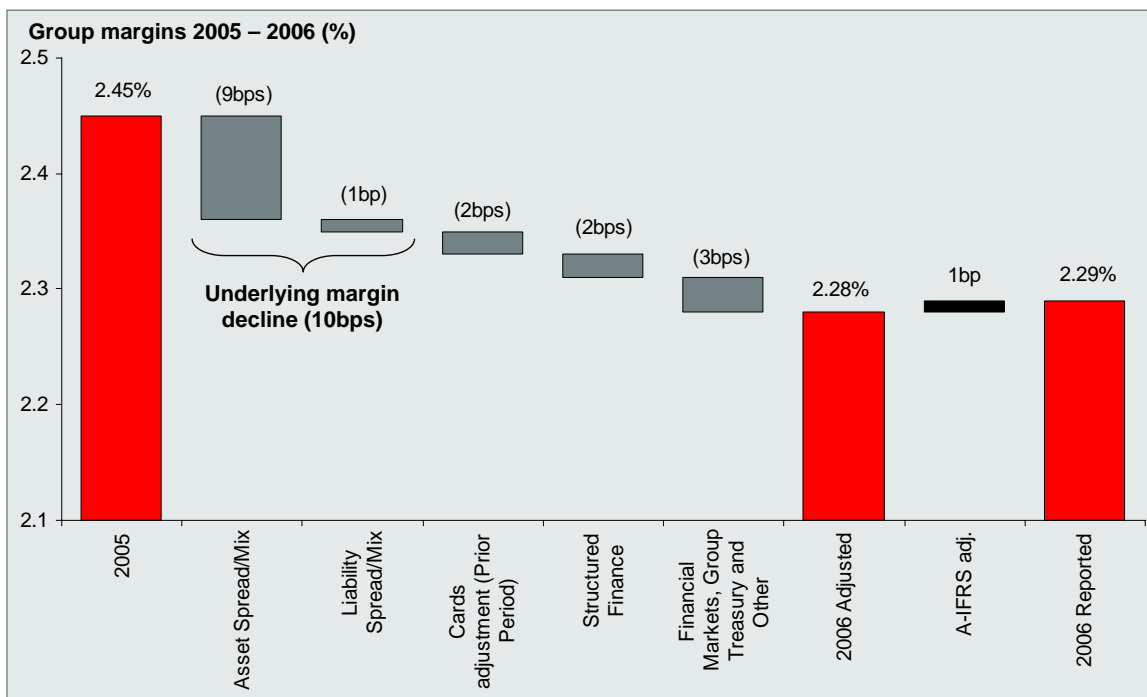
Excludes Other, including Treasury short term wholesale funding



Note: % changes have been calculated before rounding of numbers Source: Westpac



# Analysis of margin movements

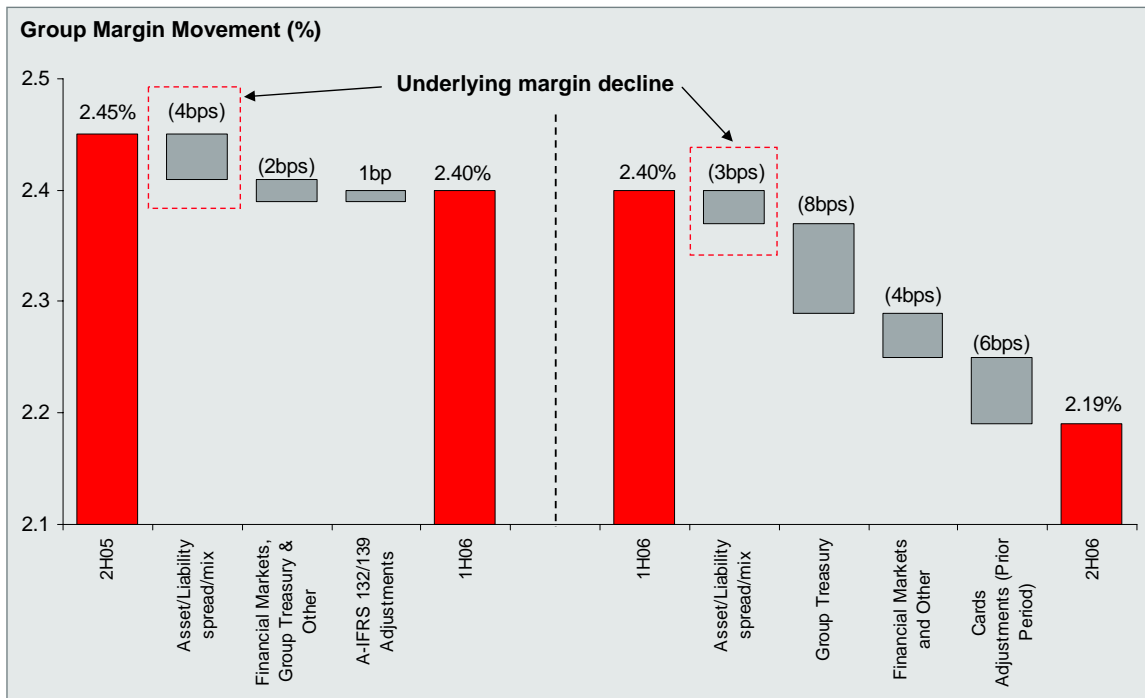


Source: Westpac





## Analysis of margin movements – half on half



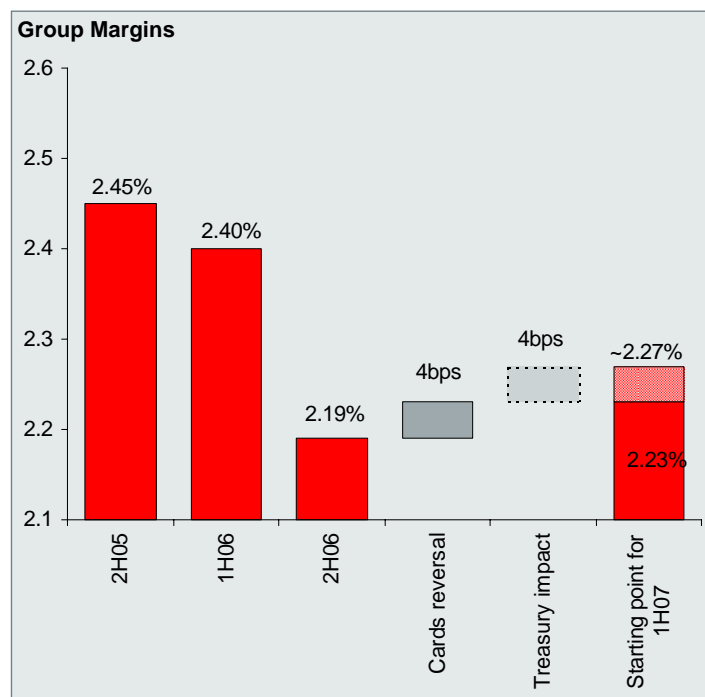
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## Starting point for 2007 margins

- One-off impacts on margins in 2006 provides a different starting point for 2007
- Starting point should be around 2.27% being the 2H06 margin (2.19%) adjusted for:
  - Cards impact 4bps
  - More normal Treasury performance (after soft 2H06) adding 4bps



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## Detailed analysis of spread movements

Underlying spread/mix decline (bps)				
	2005 - 2006		1H06 - 2H06	
	Absolute	Contribution	Absolute	Contribution
<b>Asset spread/mix</b>				
Aust. Mortgages	(8)	(3)	(5)	(2)
Aust. Credit cards	(50)	(1)	(12)	-
Aust. Business	(7)	(1)	(6)	(1)
NZ lending	(13)	(2)	(1)	-
WIB ex-FM	(6)	(1)	-	-
<b>Liability spread/mix</b>				
Aust. Deposits	1	-	8	3
NZ Deposits	(5)	-	(13)	(1)
Wholesale funding		(1)		(1)
Mix, rounding, other		(1)		(1)
<b>Underlying decline</b>		<b>(10)</b>		<b>(3)</b>

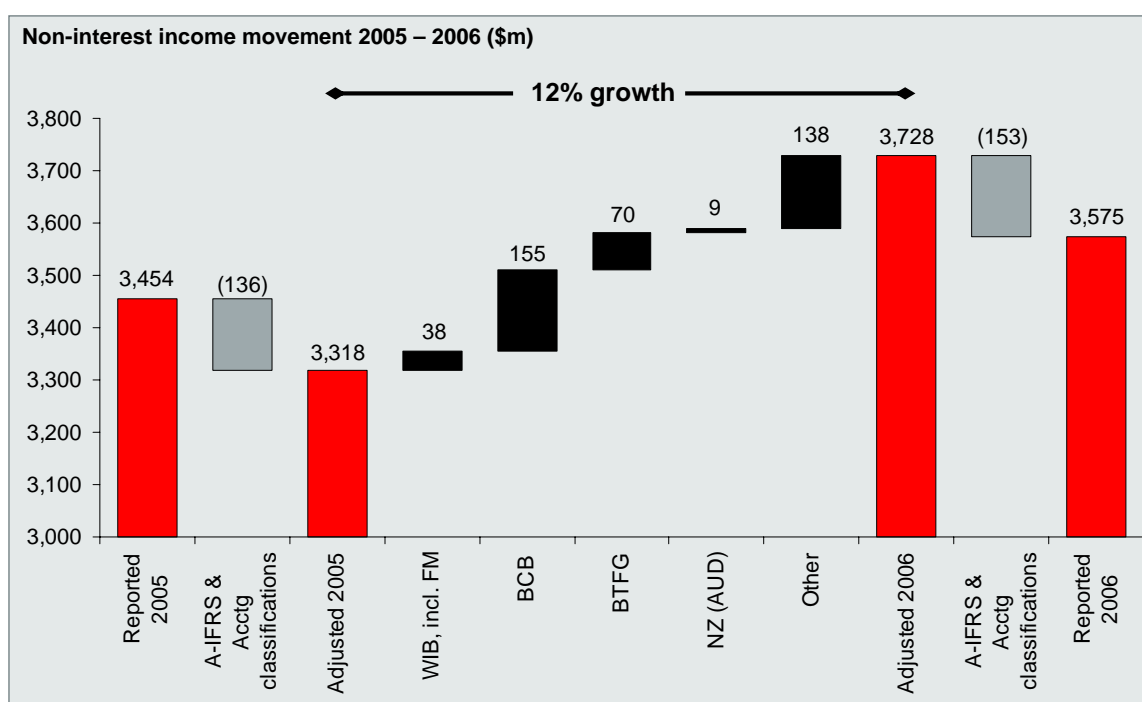
Largest portfolio biggest contributor to margin decline

Growth skewed to low rate cards

Fixed / floating rate issues stabilised

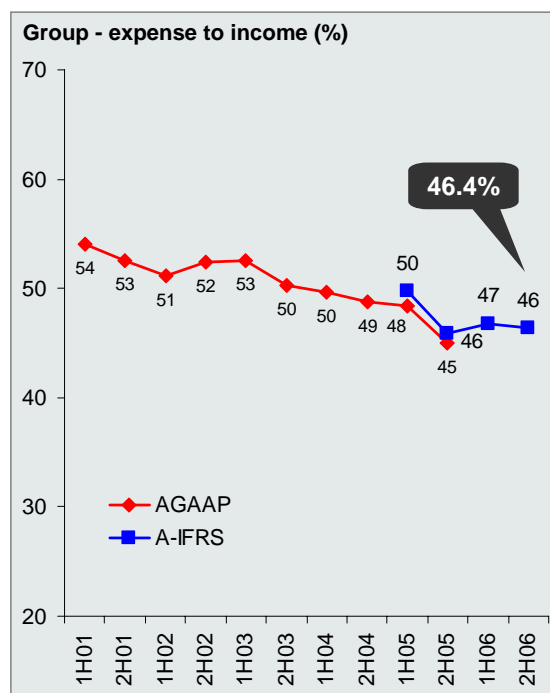
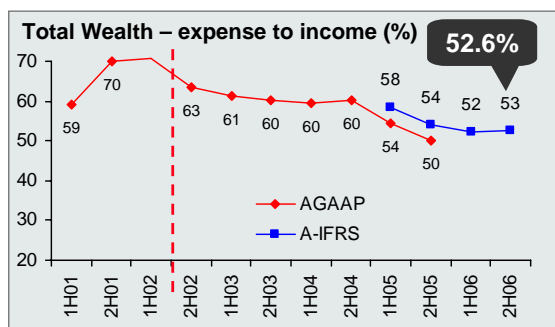
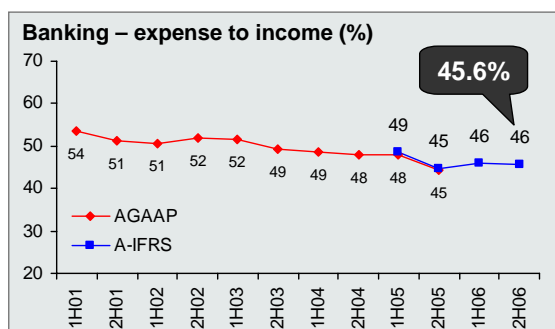
Figures rounded to the nearest basis point. Australian Deposits excludes working capital.

## Non-interest income analysis



Source: Westpac

## Expense to income improves further



..... Pre BT acquisition – data not comparable. Source: Westpac

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## Expenses – delivering capability

\$m	% Change			% Change		
	2005	2006	2005–2006	1H06	2H06	1H06–2H06
Salaries & staff expenses	2,186	2,324	6	1,165	1,159	(1)
Equipment and occupancy	596	614	3	304	310	2
Other	1,377	1,357	(1)	666	691	4
Reported operating expenses	4,159	4,295	3%	2,135	2,160	1%
Adjustment <sup>1</sup>	(12)	30		(1)	31	
Adjusted operating expenses	4,147	4,325	4%	2,134	2,191	3%
Adjusted cost to income ratio	49.0%	47.1%	190bps	46.6%	47.6%	(100bps)

**Boosting the front line:**

- 581 new customer facing staff
- Change in workforce mix contributed \$119m to salary expenses

Driven by lower outsourcing and non lending losses offset by higher advertising and telecommunication costs

1. Adjusted for AASB 132 & 139, accounting reclassifications and NZ\$ movement. Source: Westpac

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## Maintaining investment spend

Project expenditure (\$m)		2005	2006
Front office capability	Advice Platform, Reach (CRM), Corporate Online, Pinnacle, NZ teller platform	93	61
Productivity & Infrastructure	Westpac Place, One Bank platform, NZ lending originations, Connect@Westpac	218	198
Compliance	Basel II, IFRS, SOX, Anti-money laundering	37	29
Other	System refreshes Product enhancements	83	109
<b>Total investment spend<sup>1</sup></b>		<b>431</b>	<b>397</b>

\$m	2003	2004	2005	2006
Capitalised software balance	300	377	447	480
Annual amortisation <sup>2</sup>	89	104	142	175

1. Includes investment provided by partners (2005: \$43m, 2006: \$35m). 2005 numbers reclassified.  
2. Annual amortisation includes impairments in 2006

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## Interest carrying adjustment

- Under A-IFRS:
  - Using the effective interest rate method to recognise income, interest can only be recognised on the net (of impairment provisions) carrying amount of loans; and
  - Impairment provisions must be calculated by discounting expected cash flows from impaired loans at their original effective interest rates
- This means that interest cannot be accrued on the portion of loans that are offset by a provision
- As many such loans continue to pay cash interest at full contractual rates- the "excess" interest is recognised as impairment provision discount unwind
- Adjusting impairment losses for this impact results in a charge which is more comparable to previous AGAAP bad debt charge

	1H06	2H06	2005	2006
Reported impairment losses	(185)	(190)	(382)	(375)
A-IFRS reclassification of interest	(33)	(48)	-	(81)
NZ\$ impact on impairment losses	-	(1)	-	(1)
Adjusted impairment losses	(218)	(239)	(382)	(457)

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## Managing exchange rate risk of future NZD earnings

	AGAAP	A-IFRS	
<b>Hedging approach</b>	100% retail earnings hedged for following year	Up to 100% of the expected earnings for the next financial year and 50% of expected earnings for subsequent financial year hedged	
<b>Accounting treatment</b>	Hedge accounting applied	Hedge accounting treatment not available from 1 October 2006	
<b>Implications</b>		<b>As at 1 October 2006</b> <ul style="list-style-type: none"> <li>Fair value of hedge contracts in place for 2007 capitalised on the balance sheet at \$(23)m</li> <li>\$(23)m to be brought to account through the income statement over the term of the underlying hedge contract through 2007</li> </ul>	<b>From 1 October 2006</b> <ul style="list-style-type: none"> <li>Movements in the fair value of total hedges will be recognised immediately in the income statement</li> </ul>
<b>Output</b>	Lower earnings volatility from movements in the AUD/NZD exchange rate (vs A-IFRS approach)	Potential additional reported earnings volatility due to timing of income recognition  Reduction to 2006/2007 Group cash earnings of approx. 1%	

## Diversified wholesale funding franchise

### Wholesale Funding Objective

- Raise efficiently priced funds within prudent liquidity limits, simultaneously building capacity ahead of balance sheet needs

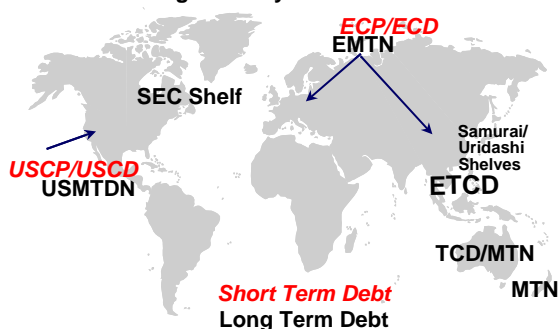
### Issuance strategy

- Well timed deals driven by investor demand
- Responsible pricing and realistic volume expectations
- Lead Manager(s) selected on market knowledge and proven secondary market support
- Syndicate selected on performance and distribution
- Markets selected for capacity build or to replenish capacity and refresh credit lines
- Medium Term Note franchise to tap unutilised lines

### Debt Investor Relations

- Dedicated debt investor relations, multiple information platforms

### Global funding diversity



### Debt Programmes and Issuing Shelves

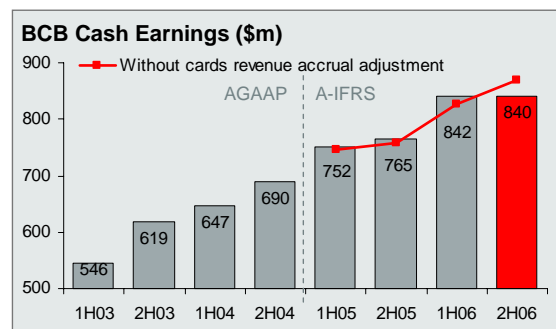
- US\$7.5bn Euro Commercial Paper Program
- US\$2.5bn Euro Transferable CD Program
- US\$25bn Euro Debt Issuance Program
- US\$20bn US Commercial Paper Program
- US\$7.5bn US Commercial Paper Program (WSNZZL)
- US\$5bn US Medium Term Deposit Note Program
- ¥300bn Uridashi shelf
- NZ\$750m Medium Term Note Program
- Domestic debt issuance programmes - no limits

## Westpac Business Units

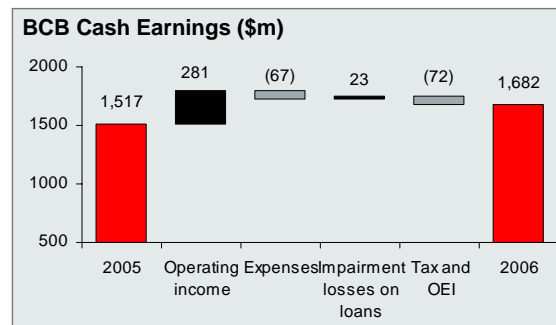
November 2006

### BCB – Cash earnings growth continues, up 11%

- Cash earnings up 11% on 2005
- Strong volume growth:
  - Lending growth up 13%, driven by sales effectiveness and competitive positioning
  - Deposit growth solid at 10%
- Credit card over-accrual impact in 2H06 (\$29m):
  - Reduced overall cash earnings growth by 2 percentage points on 2005
  - Reported margin decline 13bps - adjusted for credit cards, margin decline 10bps
- OPEX cost growth focused on frontline investment



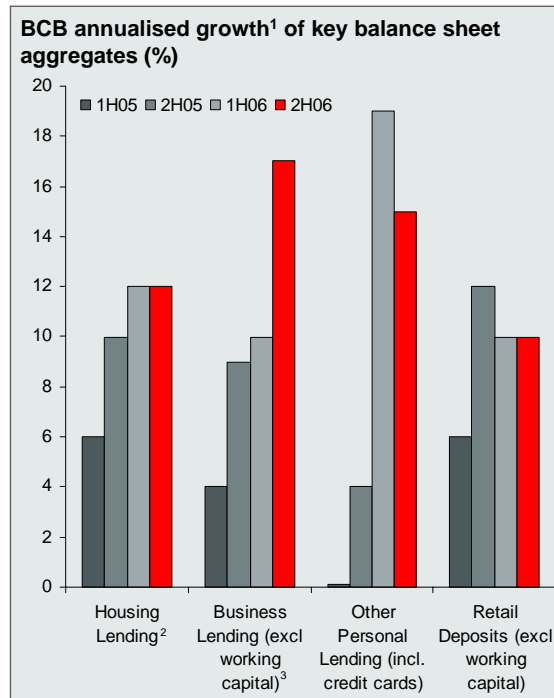
Source: Westpac



Source: Westpac

## Volume growth enhancing revenue momentum

- Volumes in key products up substantially on 2005:
  - Personal lending and retail deposit growth at or above system
  - Mortgages at 0.9x system
  - Business trend accelerating in 2H06
- Key driver to 13% adjusted non-interest income growth in 2006
- Growth driven by:
  - 440 additional bankers
  - Improved sales effectiveness, with Westpac Way fully rolled out
  - Competitive product and pricing
  - Reach and Pinnacle delivering efficiencies



1. 1H05 and 2H05 exclude AASB 132 & 139  
 2. Including securitisations  
 3. BCB business lending including equipment finance  
 Source: Westpac

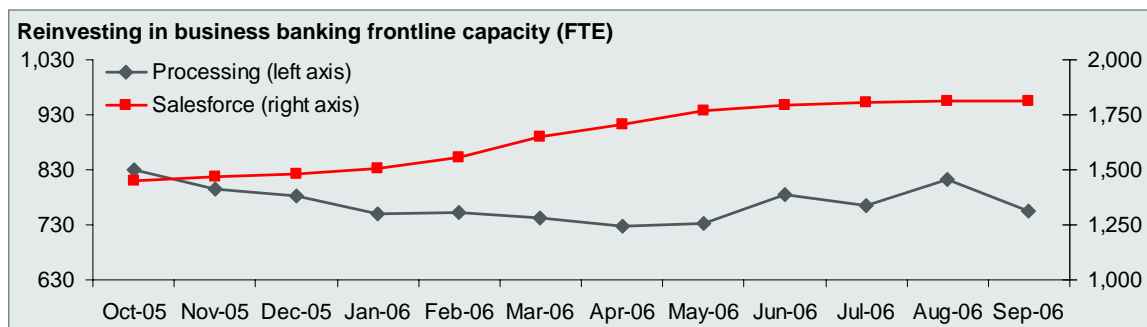


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## Leveraging sector leading platforms

- Over recent years, major investment made to deliver sector leading productivity systems including Reach, Pinnacle and Service Online
- Focus now is to:
  - Add to frontline sales effort to leverage system investment and drive revenue
  - Continue to extract efficiencies from Pinnacle - now used by all bankers in Business Banking, Agribusiness & Specialised Markets
  - Leverage upside from Reach as deployment nears critical mass
    - More than 8,500 users at September 2006, up 73% on 2005



Source: Westpac

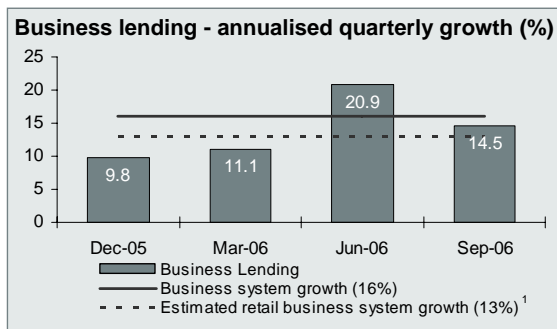
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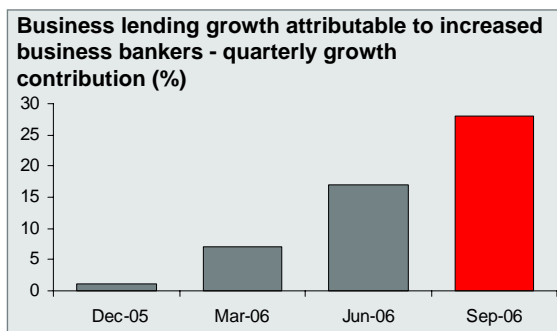


## Frontline investment and productivity driving Business

- Business lending volumes up 15%
- Strong performance driven by:
  - Recruitment of additional relationship bankers, customer managers and transactional bankers
  - Improved sales productivity, 25% improvement in sales contacts
  - Pinnacle system delivering productivity upside
  - Structural changes providing sharper focus on Agri and Small Business
  - Improved distribution via referral partners, up \$1bn



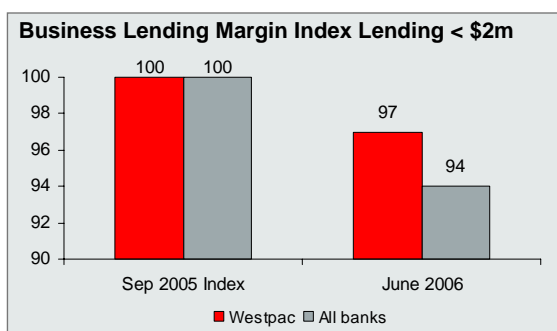
1. Westpac internal estimate. Source: Westpac, RBA



Source: Westpac

## Business margin managed in a declining market

- Market is highly price competitive
- Continue to pursue growth where profitable in terms of total customer value
- Spreads down 7bps over 2006
- Margin decline broadly consistent with market trend



Customer rate less 90 day bill rate. Source: RBA data, APRA return, Westpac analysis

Business lending spread (%)			
1H05	2H05	1H06	2H06
1.85	1.84	1.81	1.75

Source: Westpac



# Business customer experience improving steadily

- Overall customer experience continues to steadily improve
- Customer advocacy a more significant measure – the proportion of customers who intend to do more business
- This has improved by 15% over the last year

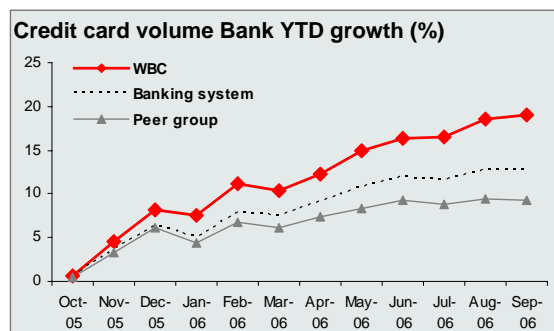
Customer experience tracker (CET)				
Commercial banking relationship score	2004 n=2393	2005 n=2155	2006 n=1581	Change
Commercial banking channel relationship score	84	81	82	↑
Service below expectations (%)	3	6	4	↓
Business intentions with Westpac over the next 6 months				
Do LESS business (%)	7	9	4	↓
Do SAME business (%)	55	54	44	↓
Do MORE business (%)	38	37	52	↑

Source: Westpac

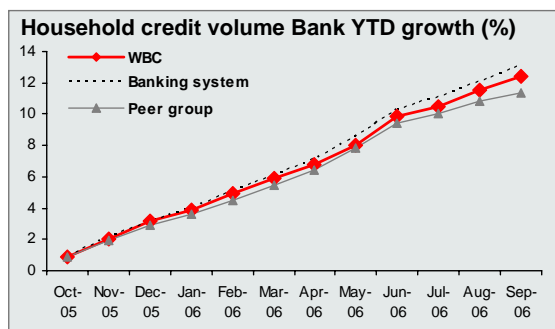


# Strong positions in Consumer Banking

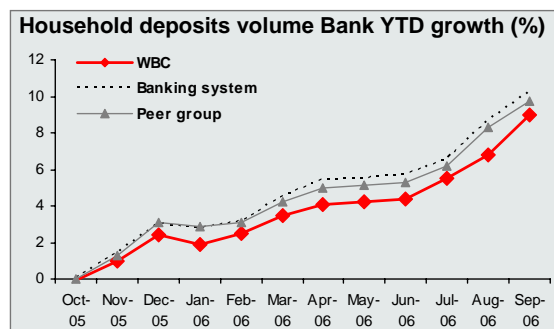
- Strong growth in asset books
- Growth in deposits has lagged competitors as they introduced their equivalents of Max-i Direct high interest savings account



Source: APRA, Westpac; Peer group is ANZ, CBA, NAB & SGB



Source: APRA, Westpac; Peer group is ANZ, CBA, NAB & SGB

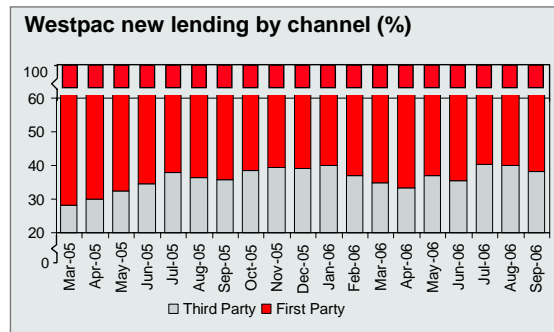


Source: APRA, Westpac; Peer group is ANZ, CBA, NAB & SGB



## Solid growth from first party mortgage channel

- Mortgage lending up 12% on 2005
  - Growing at 0.9x banking system (0.6x system in 2005)
- Improved growth from both proprietary channel and 3<sup>rd</sup> party:
  - Drawdowns from proprietary channels up 19%
  - 3<sup>rd</sup> party origination 38%, stable since October 2005
- Spreads down 8bps over the year driven by both carded business and an increase in fixed rate lending



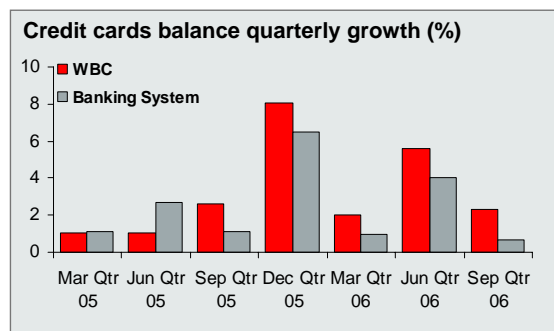
Source: Westpac

Mortgage spread (%)			
1H05	2H05	1H06	2H06
1.07	1.05	1.01	0.96

Mortgage spreads have been restated to include broker commission amortisation Source: Westpac

## Cards portfolio continues to grow strongly

- Credit card portfolio up 21%
- Above system growth driven by:
  - Launch of new products, complementing existing suite
  - Superior branch origination processes delivered by Reach via online applications
  - Improved analytics, enabling better leverage of existing customer base
  - Risk positioning remains sound



Source: APRA

## Impact of credit card revenue accrual adjustment

- BCB 2006 result impacted by a one-off write-off in 2H06 relating to an over-accrual of interest income in credit cards
- Over-accrual arose from inaccuracies in the accounting methodology used to estimate accrued credit card interest income earned
- Full review undertaken and controls enhanced - confident that no additional problems of this nature exist
- Customer accounts and interest charged to customers were not impacted

Credit Cards – prior period impact (\$m)				
	1H06	2H06	FY05	FY06
<b>Net interest income</b>	22	(42)	20	(20)
<b>Cash earnings</b>	15	(29)	14	(14)

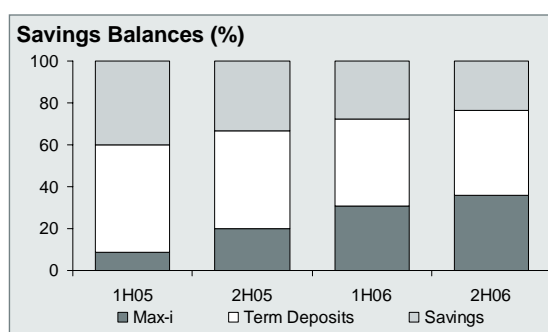
Source: Westpac

Cards spreads adjusted for over-accrual (%)			
1H05	2H05	1H06	2H06
6.68	6.65	6.23	6.11

Source: Westpac

## Deposit growth with active spread management

- Deposit balances up 10%
- Business and Consumer Max-i Direct products driving deposit growth:
  - Slowed overall spread compression
  - Assisting to build relationships
- Westpac One Saver successful in attracting savings balances above Max-i margins



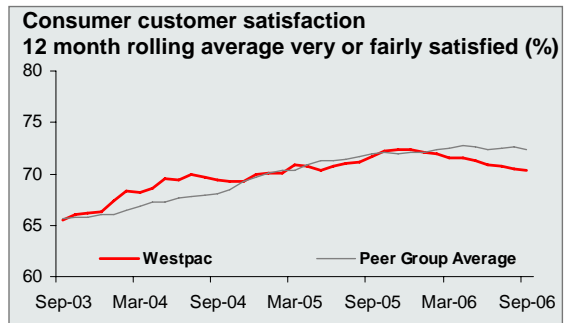
Source: Westpac

Savings & Investments spread (%)			
1H05	2H05	1H06	2H06
1.86	1.85	1.83	1.91

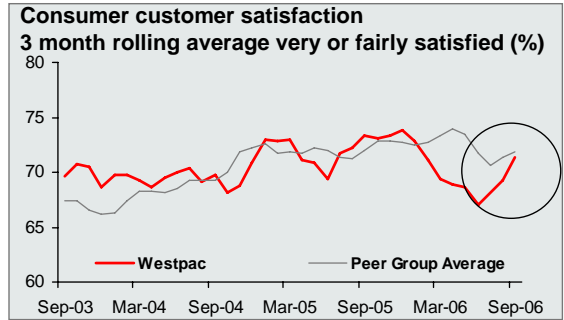
Source: Westpac

# Consumer customer satisfaction – room for improvement

- Customer satisfaction is driven by customer experience, product and brand perception
- Recent decline due to:
  - Low share of brand voice in a 'noisy' marketplace
  - 1H06 pricing initiatives and call centre service levels
- Recent spot data shows improving satisfaction levels
- Increased Brand spend for 2007, new campaign launch - *"Every generation should live better than the last"*



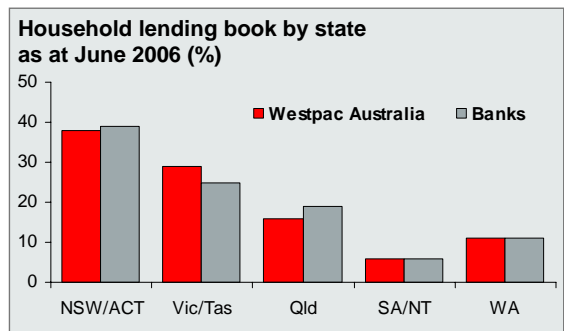
Source: Roy Morgan Research – main financial institution 14+. Peer group is simple average of 3 other majors plus SGB



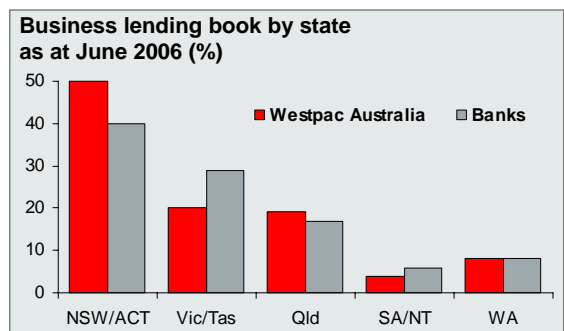
Source: Roy Morgan Research – main financial institution 14+. Peer group is simple average of 3 other majors plus SGB

# Geographically well diversified portfolio

- Household lending book is broadly in line with the market in NSW
- BCB's business lending in NSW/ACT is closer to market, at approximately 36%
- At a Group level, business credit is above market in NSW/ACT, given WIB exposures



Source: ABA/Cannex data

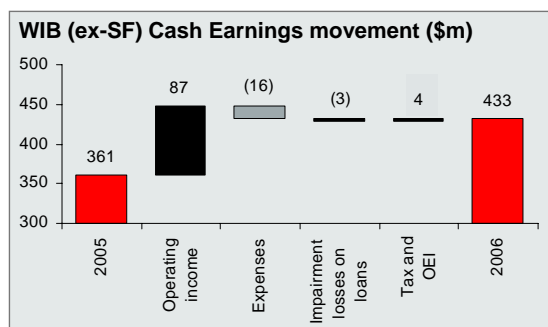
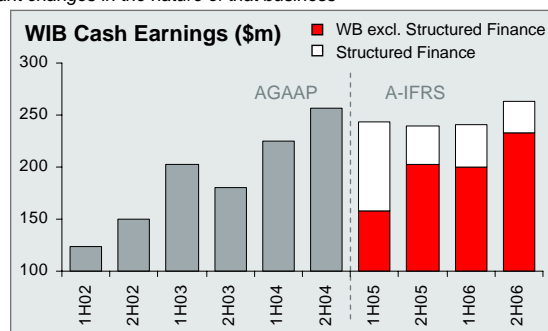


Source: ABA/Cannex data

## WIB - strengthening position in a competitive market

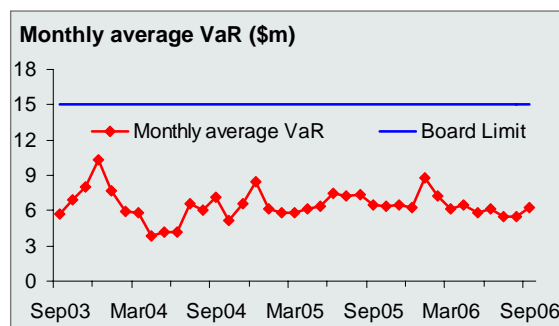
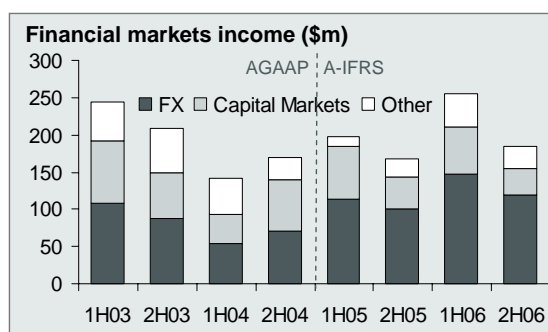
Note: WIB disaggregated Structured Finance from 2005 due to significant changes in the nature of that business

- Cash earnings up 20% on 2005
- Revenue growth of 8%
  - Solid contributions from financial markets and transactional banking
- Net loans up 34% on 2005
  - Short term financing expected to deliver refinancing opportunities
- Impairment losses up 8% on 2005, remain under historic averages



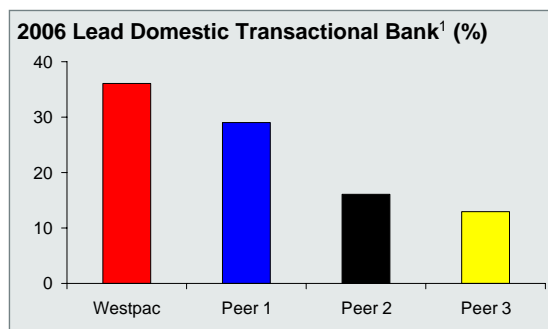
## Financial markets – strong performance in 2006

- Strong overall result, revenues up 20%
- Trading revenues driven by outstanding first half result
- FX earnings up 25%, reflecting success of strategic repositioning
- Interest rate business contribution lower due to reduced customer hedging activities
- Average VaR usage demonstrates no change in overall risk



## Leading positions in wholesale market

- Retained overall #1 in Transactional Banking<sup>1</sup> in 2006
  - #1 Relationship Strength Index
  - #1 Leader for value added services
  - #1 Leader for new product development initiatives
  - #1 Best Transactional Banking Platform<sup>2</sup>
- Lead Bank position dropped to number 2, as change in criteria removed a significant number of our lead bank clients
- #1 in Syndicated Loans<sup>3</sup>



1. Source: P. Lee Large Corporate & Institutional Transactional Banking Survey 2006  
 2. Corporate Online rated no. 1 on 4 out of 8 measures for platform evaluations – based on major competitors  
 3. Source: Thomson Financial

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## Market leadership in Corporate Bonds

- Leading position in Corporate Bonds in 2006
- Achieved across a significant number of segments and products, demonstrating excellence in diverse range of transactions, issuers and products
- Position strengthened by success in targeting offshore issuers

Australia Domestic Bonds - 2005			
Rank	Bookrunner	A\$m	Mkt Share
1	NAB	5,589	13.0
2	RBC Capital Markets	5,215	12.1
3	CBA	4,663	10.8
4	Citigroup	4,375	10.1
5	ANZ	4,027	9.3
6	Deutsche Bank AG	3,560	8.3
7	<b>WIB</b>	<b>3,455</b>	<b>8.0</b>
8	TD Securities	3,400	7.9

Source: Bloomberg; 1 January 2005 – 30 September 2005

Australia Domestic Bonds - 2006			
Rank	Bookrunner	A\$m	Mkt Share
1	<b>WIB</b>	<b>7,593</b>	<b>15.7</b>
2	NAB	7,451	15.4
3	RBC Capital Markets	5,475	11.3
4	CBA	4,515	9.4
5	Deutsche Bank AG	4,272	8.8
6	ABN AMRO	4,070	8.4
7	ANZ	2,908	6.0
8	TD Securities	2,500	5.2

Source: Bloomberg; 1 January 2006 – 30 September 2006

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Investor Discussion Pack November 2006



## Strong growth in Capital Solutions in 2006

- Very strong asset growth over the year:
  - Particularly strong increase in 4Q06
  - High volume of short term finance likely to run-off in 2007
  - Major financier to 2006 corporate actions
- Market leading position in debt capital markets and syndications delivering good volume growth over year
- Asset growth provides pipeline for debt capital markets in 2007

Institutional loans (A\$b)	2005	2006	% Growth
Net loans and acceptances <sup>1</sup> :			
Less than 1 year	8.2	12.1	+48%
Greater than 1 year	15.1	19.2	+27%
<b>Total</b>	<b>23.3</b>	<b>31.3</b>	<b>+34%</b>

Flow Volume (A\$b)	2005	2006	% Growth
Syndicated Lending <sup>2</sup>	5.4	11.0	+104%
Domestic Bonds <sup>3</sup>	3.5	7.6	+117%
ABS <sup>4</sup>	2.8	4.1	+46%

1. Includes bridging facilities, term lending, asset finance and other loans. All amounts represent spot balances as at 30 September. Source: 2. Thomson Financial League Tables; 3. Bloomberg League Tables; 4. Insto League Tables. Flow volume includes self-led and co-led transactions for period from January to September of each year.

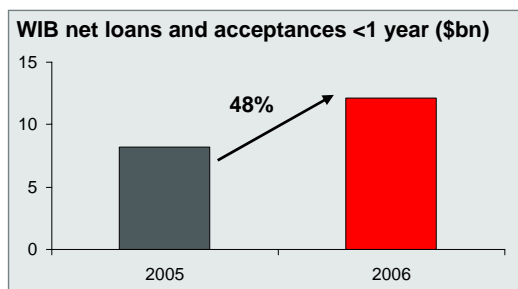
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## Leveraging loan growth into DCM opportunities

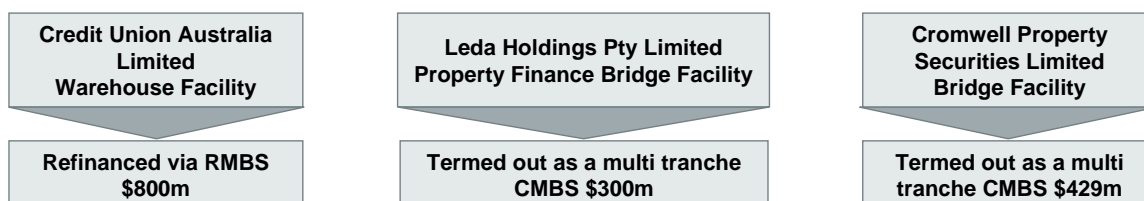
*Strong growth in short-term financing, likely to be sold down in future reporting periods...*



*...Market leading positions in DCM position WIB to capitalise on associated opportunities*

League Table Position <sup>1</sup>	2005	2006
Aust. Domestic Bonds	#7	#1
Aust. Kangaroo Bonds	#12	#3
Syndicated Lending	#4	#1
Aust. ABS	#4	#2

**Transactions in 2006**



1. Source: Aust. Domestic Bonds, Aust. Kangaroo Bonds – Bloomberg; Syndicated Lending – Thomson Financial; Aust. ABS - Insto

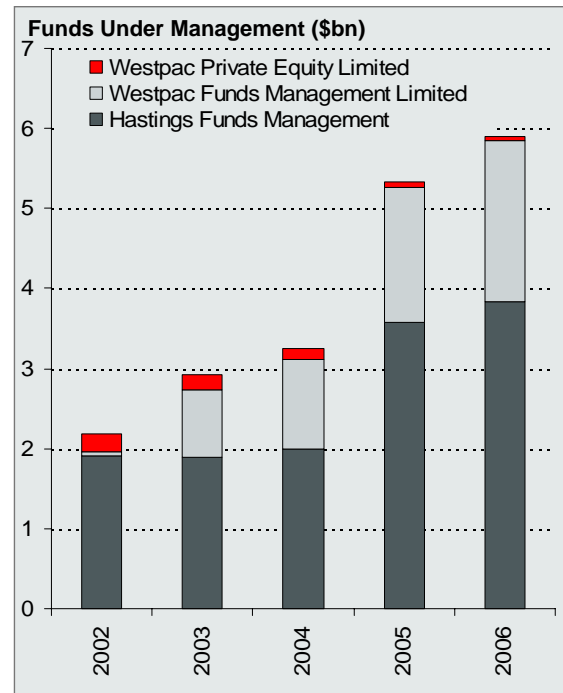
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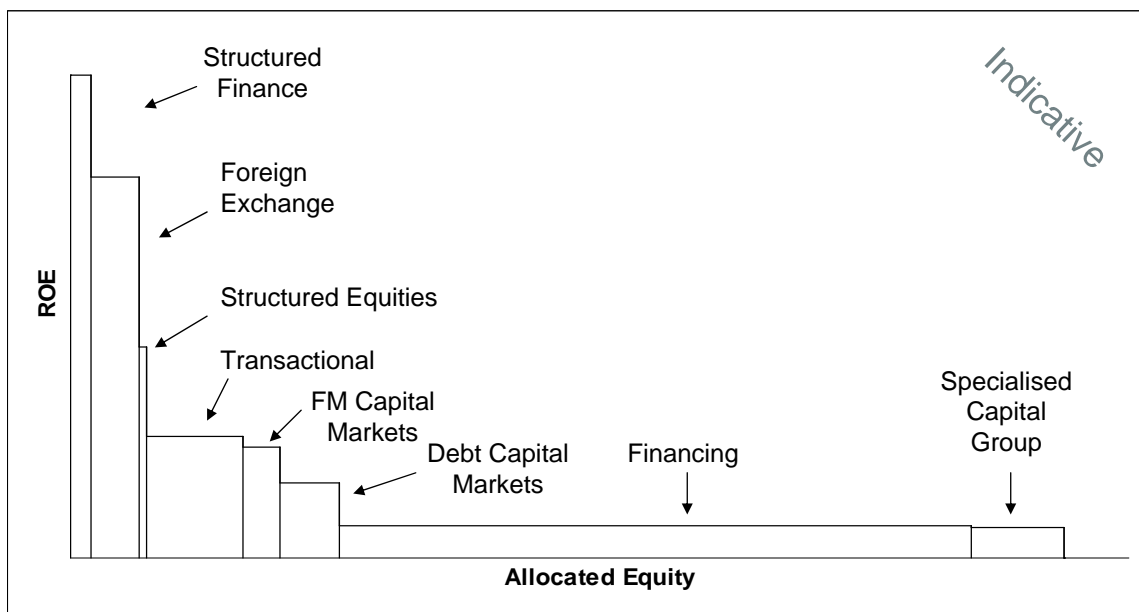


## Specialised Capital Group

- Solid position in a competitive market
- Revenue unchanged over year given limited availability of assets at suitable prices
- FUM up 11% over prior year
- Successful fund performance
- Launch of new fund platforms:
  - Westpac Residential Property Trust and Westpac Diversified Property Fund
- Successful asset divestments
- Well positioned for 2007 – strong pipeline of deals



## WIB portfolio – ROE vs allocated equity





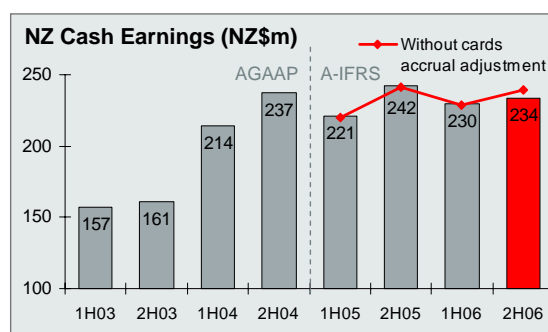
## Asia – executing on growth opportunities

Revenues	Locally booked revenues up 38% in 2006.
Footprint	<ul style="list-style-type: none"> <li>• Repositioned geographic footprint and seeking to expand activities into India and China with potential new offices</li> <li>• Collaboration with Standard Chartered on promoting India-Australia/NZ banking capabilities for Australia/NZ firms interested in India and vice versa</li> <li>• Supporting Australian and New Zealand small to medium enterprises interested in entering the China market</li> </ul>
Capabilities	<ul style="list-style-type: none"> <li>• Continuing to utilise third party relationships to support our efforts                             <ul style="list-style-type: none"> <li>- Regional banking relationship</li> </ul> </li> <li>• Growing success in corporate banking and financial markets, with notable transactions in 2005/06 for Singtel Group Treasury Pte Ltd, Asian Development Bank, National Foods Limited (San Miguel subsidiary), Hongkong Electric Company Limited, Swire Finance Limited.</li> </ul>

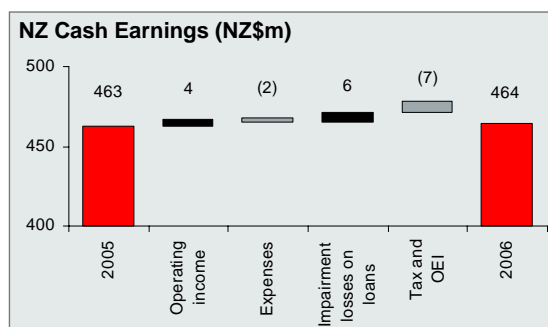
## New Zealand – Business strong, Consumer rebuilding

- Cash earnings flat in NZ\$
  - Business revenues up 8%
  - Consumer revenues down 2%
- Revenue growth impacted by:
  - Credit cards over-accrual of \$8m
  - Move to fixed rate mortgages
  - Lower fee income
- Expense discipline - flat on 2005
- Asset quality remains sound across portfolio

Westpac New Zealand Banking 2006	Lending NZ\$bn	% revenue contribution
<b>NZ Consumer</b>	<b>22.0</b>	<b>66%</b>
<b>NZ Business</b>	<b>15.4</b>	<b>34%</b>



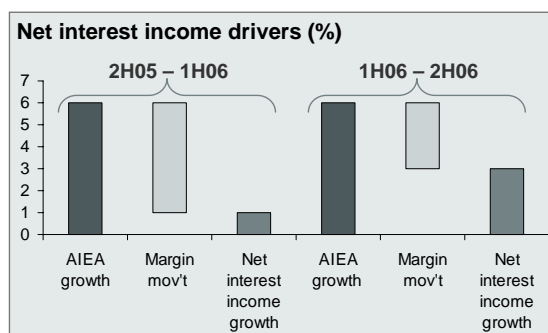
Source: Westpac



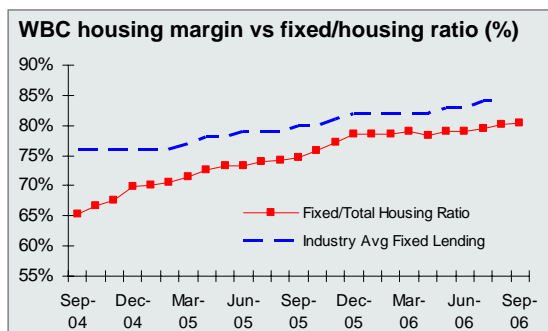
Source: Westpac

## Consumer underperformance driving lower revenue

- Strong volumes, in line with system, offset by 25bps margin decline
  - Switch from floating to fixed rate housing caused 11bps housing spread decline in 2006
    - Trend stabilising in second half
  - Deposit spreads declined 6bps over 2006 due to shift to online savings
- Non-interest income lower
  - Net customer losses in Consumer
  - Customers shifting towards lower fee products in first half
  - Trends stabilising in second half



AIEA is Average Interest Earning Assets. Source: Westpac



Source: Westpac

## New Zealand – improvement in the second half

- Core earnings growth improved in second half, up 5%
- Supported by:
  - Management of mortgage lending spike caused by 2 year fixed rate mortgage rollover
  - Stabilisation of lending spreads
  - Improvement in fee income driven by business and wealth portfolios
  - Investment in front line absorbed

NZ\$m	1H06	2H06	Mov't
Net Interest Income <sup>1</sup>	469	484	3%
Non-interest Income	209	217	4%
Expenses	(327)	(331)	1%
<b>Core earnings</b>	<b>351</b>	<b>370</b>	<b>5%</b>

1. Adjusted for \$8m credit card accrual. Source: Westpac

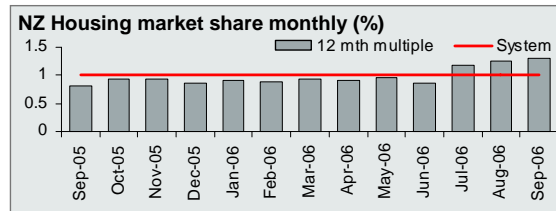
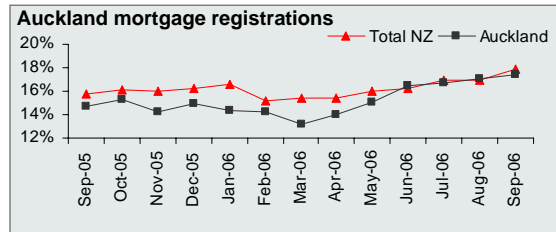
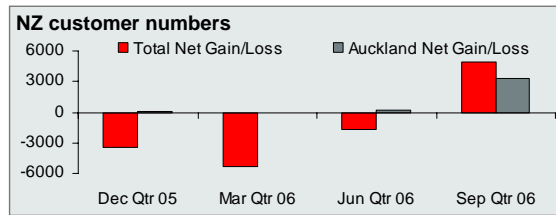
Lending spreads (bps)	1H06	2H06	Mov't
Consumer	96	97	1%
Business	149	150	1%

Source: Westpac

# Initiatives underway to restore growth in consumer

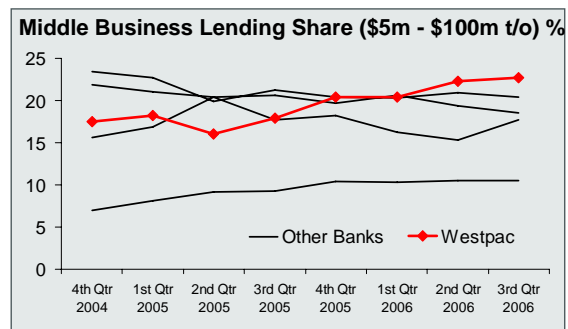
## Initiatives

- Retain customers**
  - Completed roll out of retention management program to branch network
  - Commenced simplification of fee structures
- Greater share of Auckland market**
  - New branches in Auckland, including Sylvia Park – NZ's largest shopping centre
  - Single point of accountability in Auckland
  - Streamlined roles and process to improve sales productivity
- Sales force effectiveness**
  - Delivered New Zealand leads and referral tool and reporting to front line
  - Cross counter payments tool delivered
  - Pricing empowerment roll-out underway



# Strong contribution from Business Banking

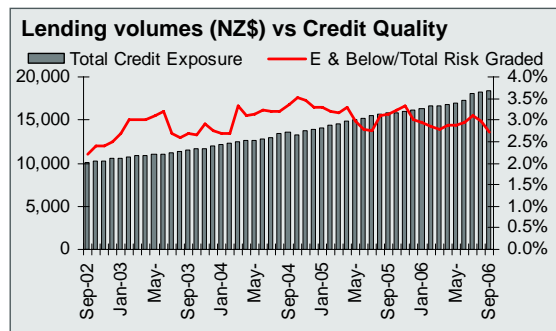
- Business banking revenues up 8%
- Solid performance driven by:
  - #1 position in key business segments maintained
  - Improved customer and balance share
  - Market leading sales advice in middle markets and corporate
  - Agri-lending 1.4x system
  - Leverage of WIB product
- 10% increase in Business customer satisfaction
- Asset quality sound



Source: TNS Business Finance Monitor September 2006

	1H05	2H05	1H06	2H06
	1.59	1.55	1.49	1.50

Source: Westpac

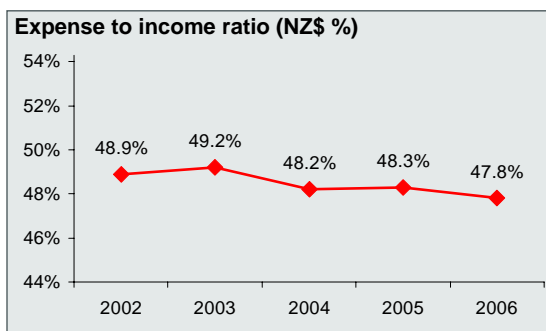


Source: Westpac

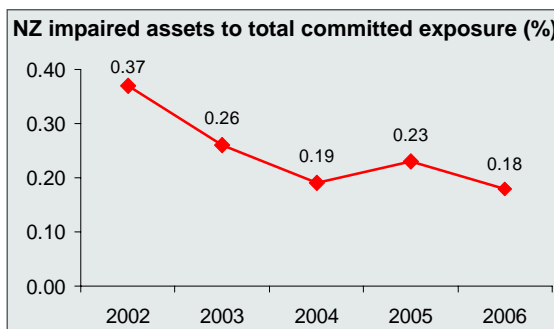


## Expense management and asset quality sound

- With revenue growth slowing, have kept costs flat and invested:
  - Expansion in front line FTE and branches in Auckland
  - Systems investment and branch platform (Assist)
- Asset quality strong:
  - Total impaired assets down 5bps on 2005
  - Housing 90 day delinquencies 13bps at September 2006 (2005: 12bps)
  - Unsecured consumer 90 day delinquencies 62bps September 2006 (2005: 72bps)



Source: Westpac



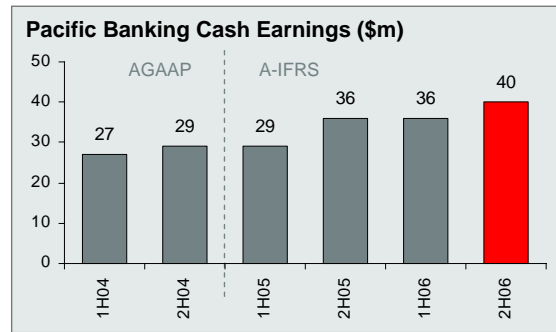
Source: Westpac

## New Zealand incorporation

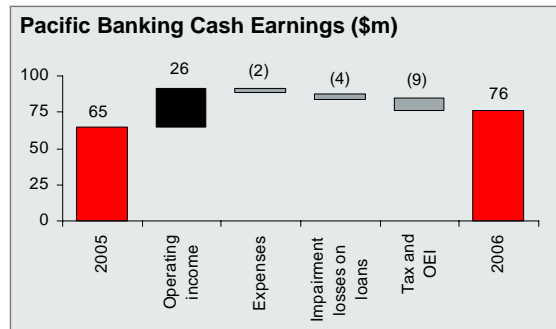
- On 1 November 2006 the retail and business bank operations were transferred to a locally incorporated company called Westpac New Zealand Limited (WNZL)
- The local incorporation model involves Westpac operating concurrently as both a New Zealand incorporated registered Bank and as a branch (dual registration):
  - Retail operations have become part of WNZL
  - Institutional business remains in the NZ Branch
- Total project costs within expectations
- The move to becoming locally incorporated was to comply with the current policy of the Reserve Bank of New Zealand, and does not change the way we do business in New Zealand
- The change to the new model should be virtually invisible for Westpac New Zealand customers, who will still have the same access to products from both entities, as they did before the transfer
- Quarterly General Disclosure Statements will be published by WNZL and by the NZ Branch separately

## Pacific Banking – continued valuable contribution

- Cash earnings up 17%
- 17% uplift in operating income the result of:
  - Strong balance sheet growth
    - Total assets up 23%
    - Deposits up 17%
  - Non-interest income up 10%
    - Strong FX results in first half
    - Growth in fee income across locations



Source: Westpac



Source: Westpac

## BT - Strong growth, more to come

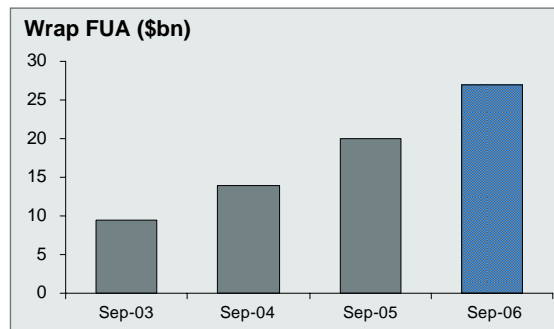
Key performance indicators	2006 \$	% Change FY05-FY06
Cash earnings	<b>339m</b>	↑ <b>10</b>
Total FUM	<b>39bn</b>	↑ <b>5</b>
Total FUA	<b>40bn</b>	↑ <b>17</b>
Margin lending LUM	<b>3.7bn</b>	↑ <b>48</b>
Life in-force premiums	<b>253m</b>	↑ <b>5</b>
GI gross premium revenue	<b>255m</b>	↑ <b>27</b>

- Delivered excellent underlying<sup>1</sup> cash earnings growth of 21%
- Delivered strong results amid less favourable market conditions
- Most major portfolios experienced significant growth
- Return on Equity 16%
- Discipline contained expenses to 4% growth
- Operating income broke through \$1bn

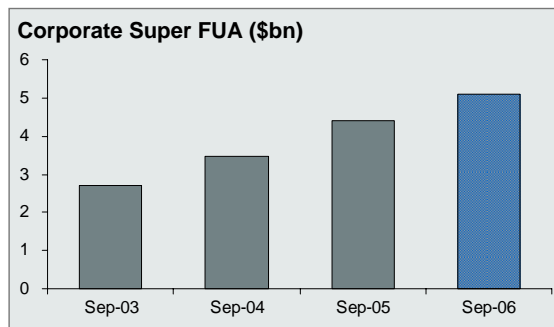
1. Adjusted for sale of JDV Ltd shareholding (\$13m) and the termination of the Life Company concessionary tax rates (\$15m)

# Delivering Wrap and Corporate Super growth

- Wrap FUA up 34% on 2005, to \$27bn
- Wrap netflows (new business) up 48% on 2005; 68% in second half driven by strong sales
- Corporate Super FUA up 18% on 2005 to over \$5bn – almost double in three years



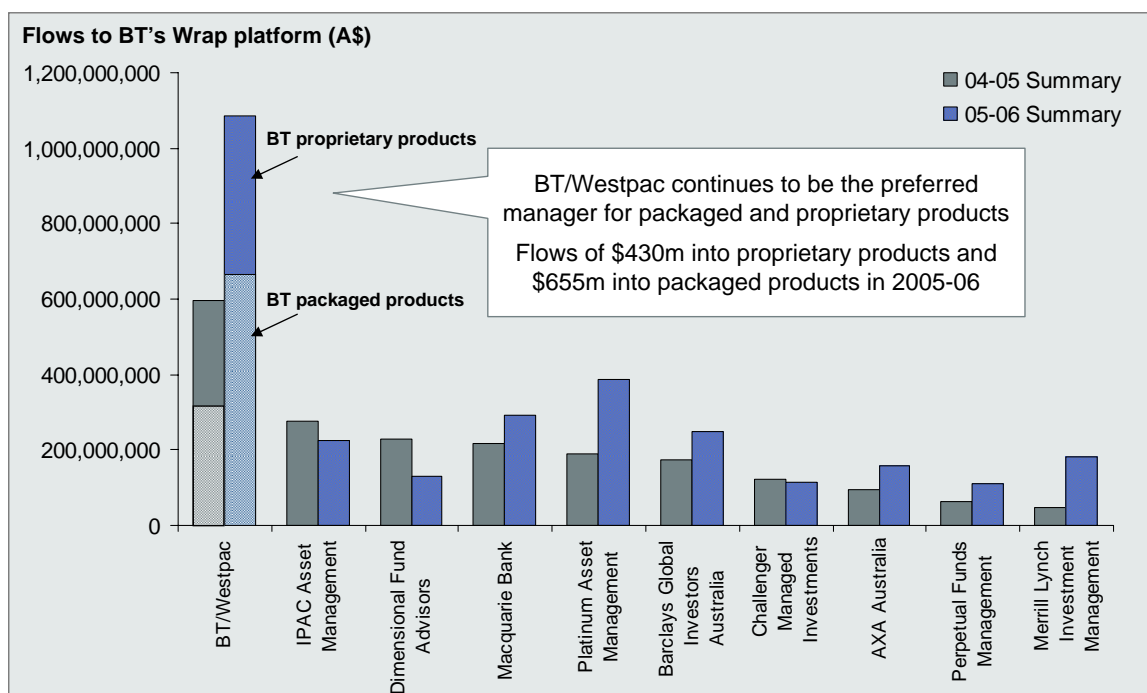
Source: BT



Source: BT



## BT Wrap flows to packaged or proprietary products

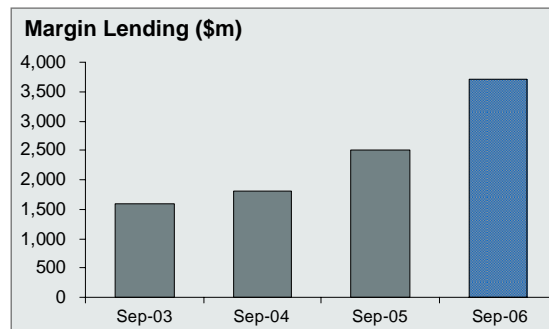


Source: BT



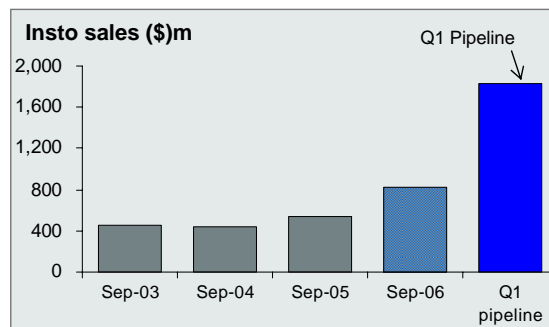
## Excellent Margin Lending result; improving Investment Management momentum

- Margin Lending one of our fastest growing products again in 2006
- LUM increased to \$3.7bn, an increase of 48% on 2005
- Sales exceeded \$1bn, a 71% increase on last year\*



Source: RBA

- Institutional sales up 20% on 2005
- Pipeline very strong - \$1billion booked for Q1 2007



Source: BT

\* Margin Lending sales represents net flows

## Sustained investment performance over three years

- BT won five AFR Smart Investor Awards including **Fund Manager of the Year**
- S&P Manager of the Year for Australian Equities and Balanced Funds
- Goldman Sachs JB Were Multi-Sector Fund Manager Award 2006 for our Diversified Fund
- Researcher and consultant upgrades across the board

Flagship fund Upgrades (S&P)	2005	2006
Core	3 stars	5 stars
Focus	Not rated	5 stars
Small Caps	3 stars	4 stars
Ethical	1 star	4 stars
Imputation	3 stars	4 stars

Source: S&P data

September 2006	Performance and Quartile Ranking					
	1 yr (%)	Quartile	2 yrs (% pa)	Quartile	3 yrs (% pa)	Quartile
Core Australian Share Fund	18.7	1	27.1	1	25.7	1
Ethical Share Fund	23.3	1	30.1	1	28.9	1
Imputation Fund*	24.1	1	30.3	1	28.8	1
Smaller Companies Fund	19.6	1	29.8	1	32.7	1
Balanced	16.0	1	18.3	1	17.7	1
Domestic Fixed Interest	5.2	1	5.4	4	5.4	4
Intl Equities	19.4	2	17.0	2	14.0	2
Property	24.3	4	20.0	4	22.4	4

Source: Intech, \*Mercer

## Insurance businesses - great potential

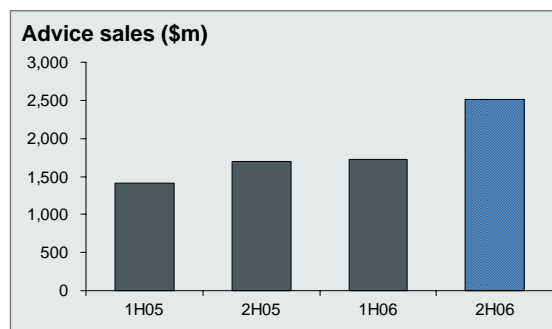
- General insurance revenues rose 11% on the prior year, on the back of increased product sales of 18%
- Full year Life sales were up a modest 3%, off a weak first half
- After execution of sales and process initiatives in the second half, Life sales grew by 18%
- Cross sell focus for business will benefit Insurance sales

Cash earnings (\$m)	FY05	FY06	% growth
General Insurance (Australia)	58	65	12
Life insurance (Australia)	58	50	(14)
<b>Total</b>	<b>116</b>	<b>115</b>	<b>(1)</b>

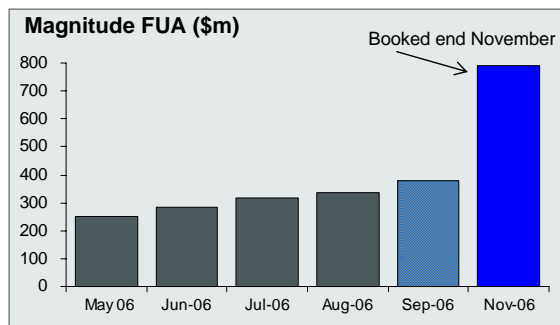
Source: BT

## Advice business showing improving results

- Westpac Financial Planning sales up 32% over last year
- Over 580 planners and investment reps with further planned
- Magnitude launched February 06
  - FUA \$378m to end September
  - Three new practices with \$406m FUA expected to be booked by end November to take FUA to \$789m
  - Accelerated, aggressive program next year



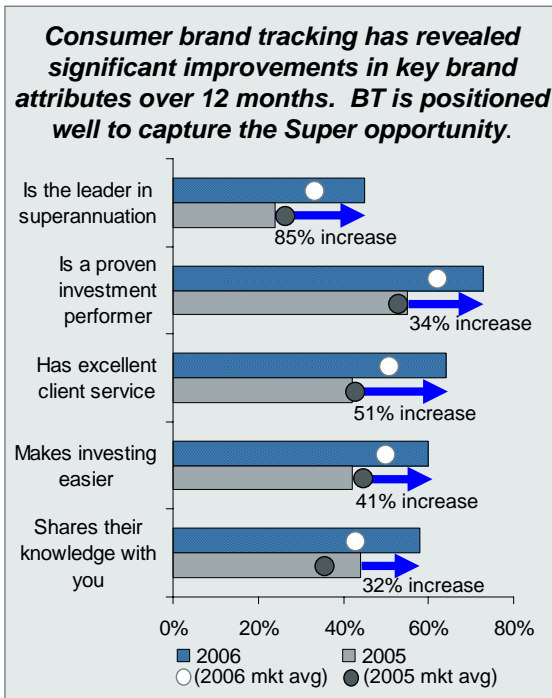
Source: BT



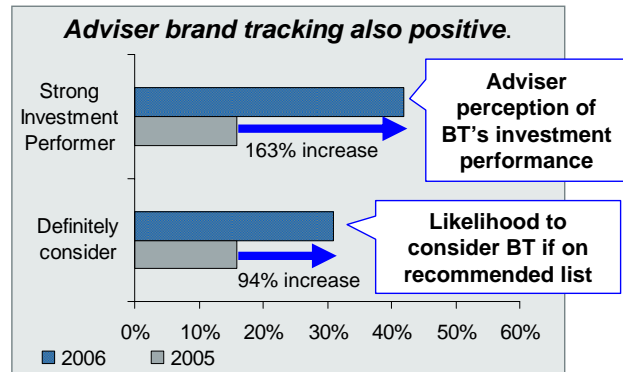
Source: BT



# BT brand investment pays dividends



Source: BT Investor Research 2005-2006



## Group Business Unit

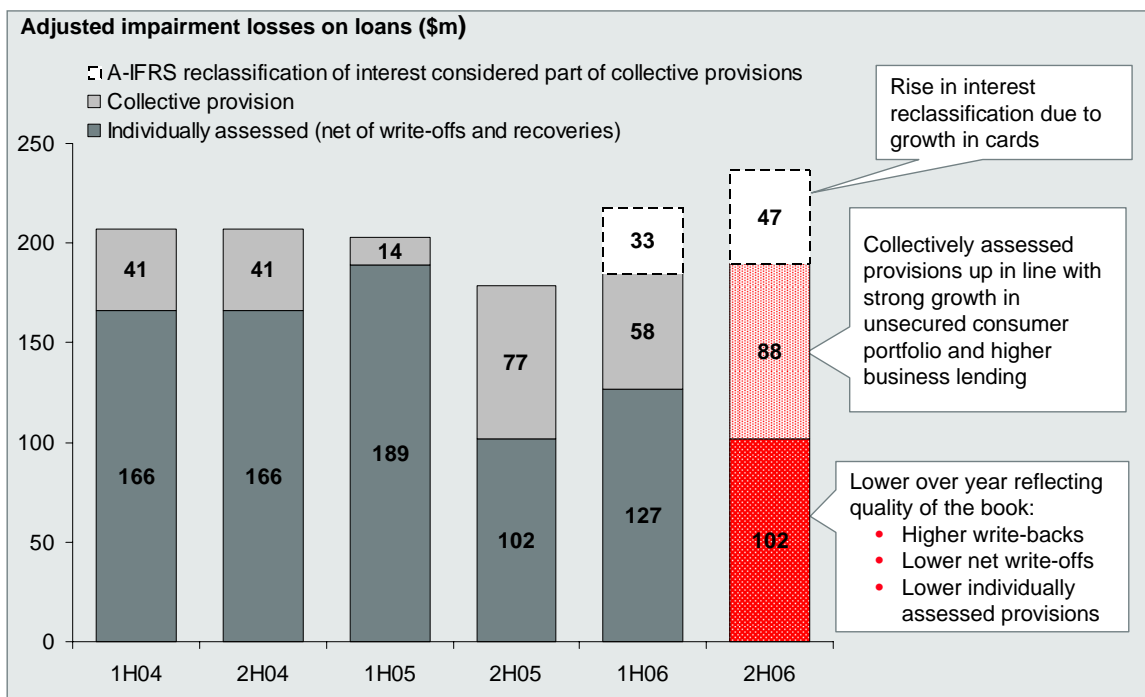
\$m	Change over year
Cash earnings 2005	24
Treasury income	20
Impairment losses	(10)
Group tax provisions	9
Other	12
<b>Cash earnings 2006</b>	<b>55</b>

- Solid treasury performance
  - Volatility half on half given more of portfolio fair valued under A-IFRS
- Items not included in cash earnings
  - Deferred tax write-off related to capital repatriation in UK \$41m higher
  - Sale of sub custody \$72m
- Group tax provisions down \$9m over prior year

## Asset Quality and Capital

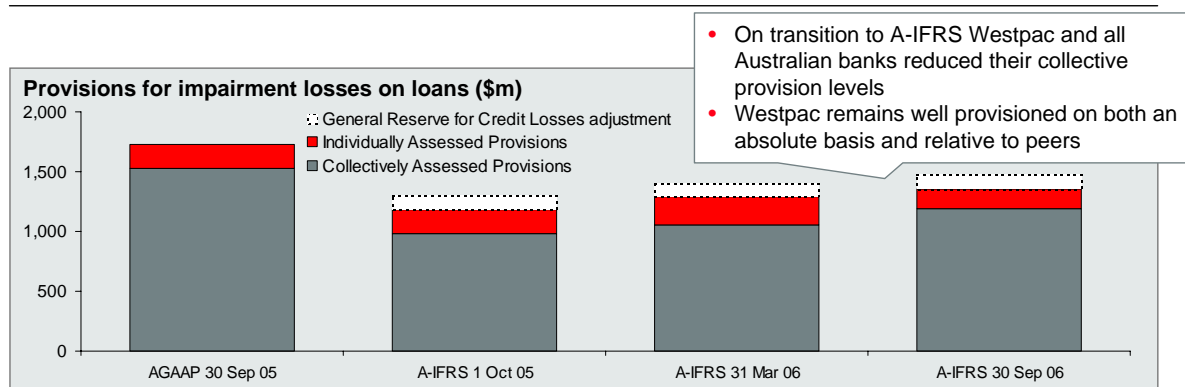
November 2006

### Collective provisions increased with asset growth



Source: Westpac

## Well provisioned under A-IFRS



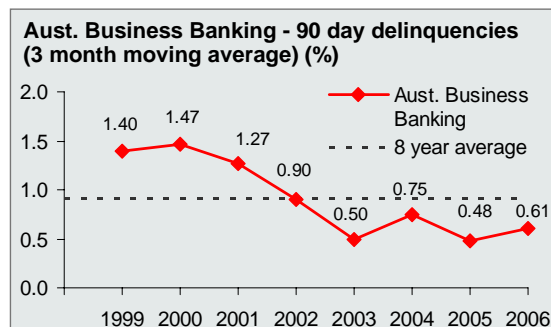
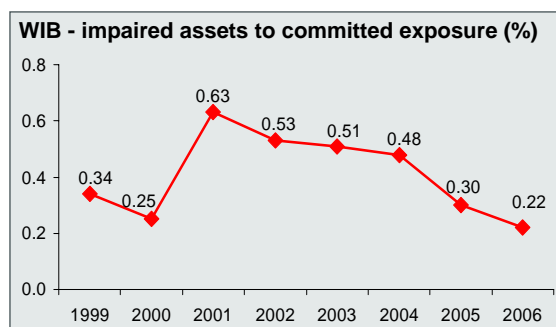
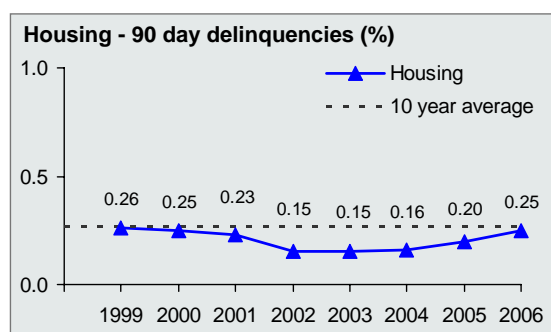
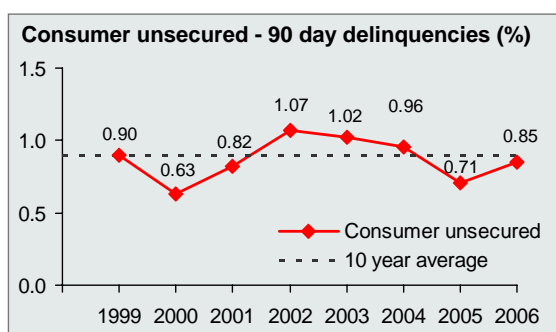
- On transition to A-IFRS Westpac and all Australian banks reduced their collective provision levels
- Westpac remains well provisioned on both an absolute basis and relative to peers

Source: Westpac

A-IFRS FY06	WBC
Total provisions <sup>1</sup> to RWA (%)	0.76
Collective provisions for drawn and undrawn exposures <sup>1</sup> to RWA (%)	0.68
Total provisions <sup>1</sup> to GLAA (%)	0.63
Collective provisions <sup>1</sup> to GLAA (%)	0.56
Collective provisions <sup>1</sup> to non-housing GLAA (%)	1.13
Total provision coverage of impairment losses on loans written off (annualised, 3 year average)	4.80

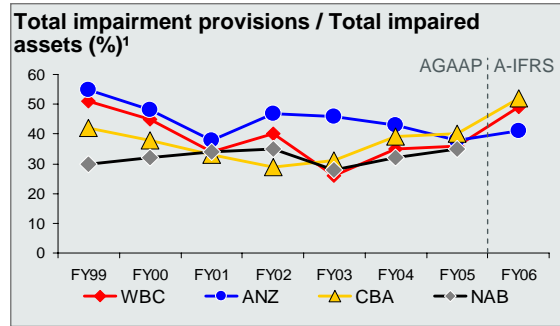
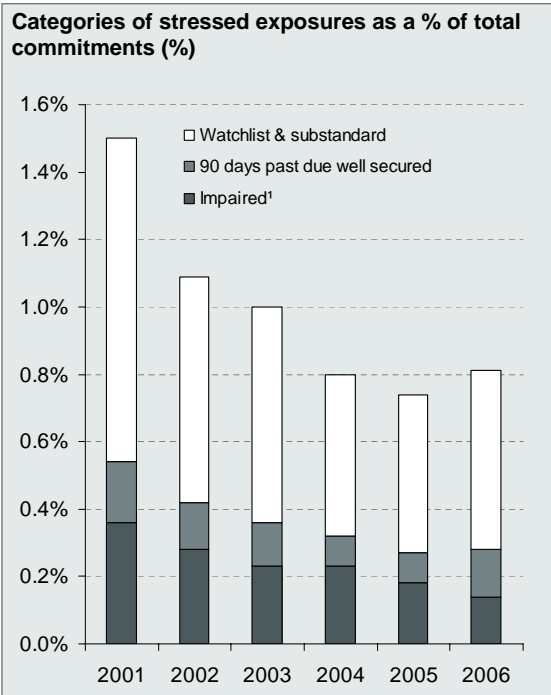
1. Includes General Reserve for Credit Losses (GRCL) adjustment (pre-tax) above A-IFRS provisioning levels (\$117m)

## Forward credit indicators

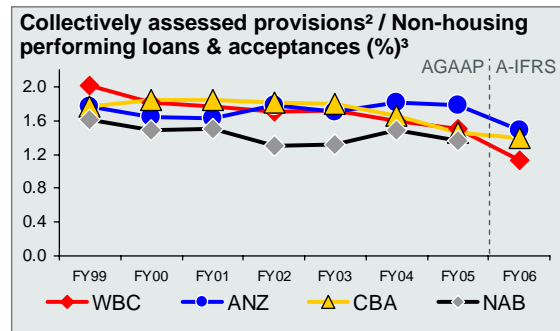


Source: Westpac

# Credit quality



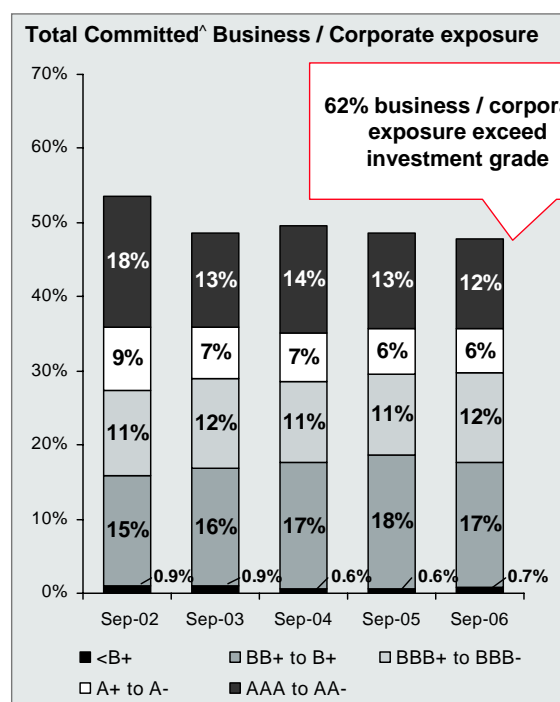
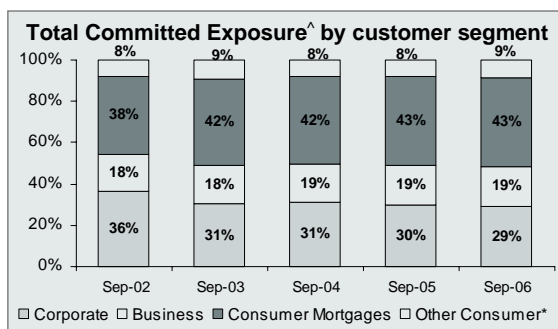
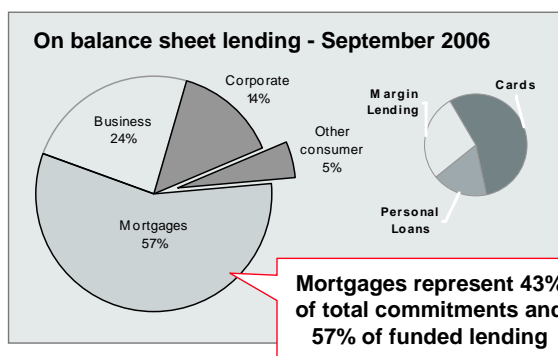
• 2H 06 coverage ratio is 1.5x.



1. Westpac's impaired assets for Sep 05 have been restated to reflect APRA's prudential approach to the adoption of A-IFRS by ADI's, which came into effect 1 July 06. Total impaired assets for Sep 05 includes \$72m of consumer accounts > 90 days past due but not well secured. Prior to 2006, impaired provisions equals specific provisions.  
 2. Includes General Reserve for Credit Losses (GRCL) adjustment (pre-tax) above A-IFRS provisioning levels. WBC \$117m, CBA \$500m, ANZ nil and NAB \$230m.  
 3. Prior to 2006: General provisions / Non-housing performing loans & acceptances



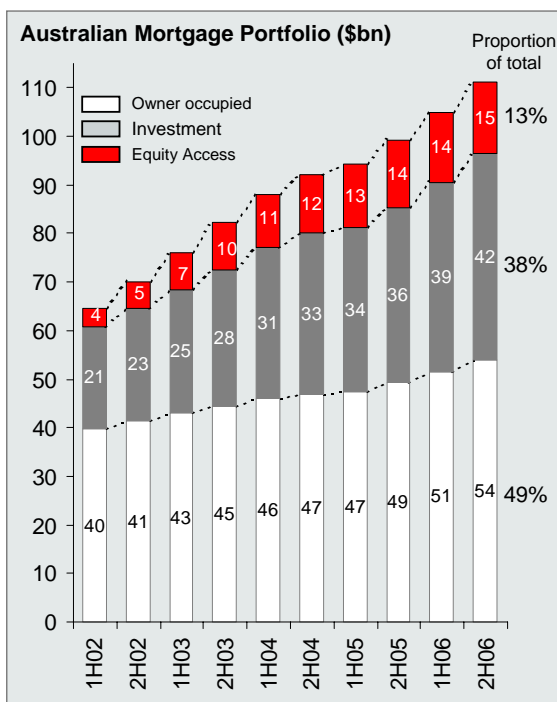
# Composition of portfolio



<sup>^</sup>Total committed exposures include outstanding facilities and un-drawn commitments that may give rise to lending risk or pre-settlement risk  
 \*Other consumer includes credit cards, personal lending and margin lending



## Australian mortgage portfolio



### Total Portfolio – as at 30 September 2006

Average LVR of portfolio<sup>1</sup> 68%

Average LVR of new loans 70%

### Low Doc Portfolio – as at 30 September 2006

	\$m	% of portfolio
Total portfolio	\$2,853	<3%
Avg new lending per month	\$184	<9%

### Low Doc Lending

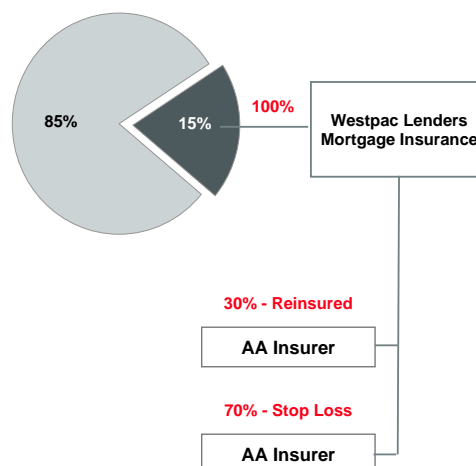
- Primary applicant must have been self employed for minimum of 2 years
- Maximum loan-to-value ratio of 82%, mortgage insurance required where LVR >60%
- Security restrictions on property size, type and location (e.g. CBD postcodes not acceptable)
- All loans require an internal inspection
- All standard credit policies (credit score, bureau, credit history, serviceability etc) are applied.

1. Based on valuation at drawdown

## Australian mortgage insurance

- 100% mortgage insurance where loan to value (LVR) ratio >85%
- Between 80-85% LVR, customers can elect to take mortgage insurance and pay an up front mortgage insurance premium or have no mortgage insurance and pay an interest rate premium
- Stop loss reinsurance cover over retained Lenders Mortgage Insurance underwriting risk in place with a "AA" rated reinsurer.
- Stop loss reinsurer assumes abnormally high claim costs incurred in any year above a 1 in 25 years loss event through to a 1 in 70 years loss event

### Mortgage insurance structure



## Update to mortgage portfolio stress testing

- Further improvements in the model in 2006, including additional economic variables in the stress scenarios
- Capacity to absorb interest rate rises strong with 72% of amortising borrowers repaying in excess of required minimum
- In addition to normal expenses, an interest rate buffer is applied in Westpac's assessment of capacity to repay a loan, to allow for any future interest rate increases

Westpac mortgage portfolio stress testing – 2006 results	Base case	Scenario 1	Scenario 2
Interest rate % pa Individual effect \$m	7.8% 0	9.8% 3	11.8% 6
Price growth % pa Individual effect \$m	3.4% 0	(10)% 18	(20)% 44
Unemployment rate % pa Individual effect \$m	4.9% 0	6.9% 6	8.9% 14
Average weekly earnings growth % pa Individual effect \$m	4.3% 0	3.3% 4	2.3% 9
Housing credit growth % pa Individual effect \$m	12.2% 0	10.2% 4	8.2% 7
Combined effect \$m Combined effect bps	0 0.0	55 5.0	212 19.0

Maximum expected loss if ALL economic factors coincided

Individual effects do not sum to the total effect because the impact of each of the individual effects is multiplicative in the model

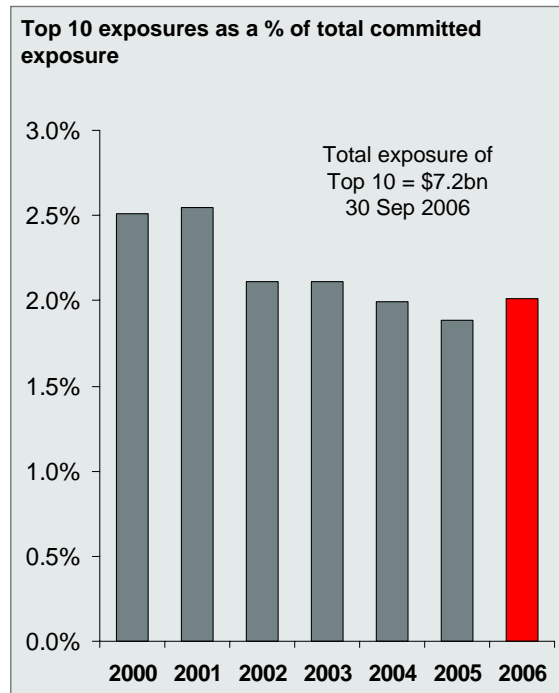
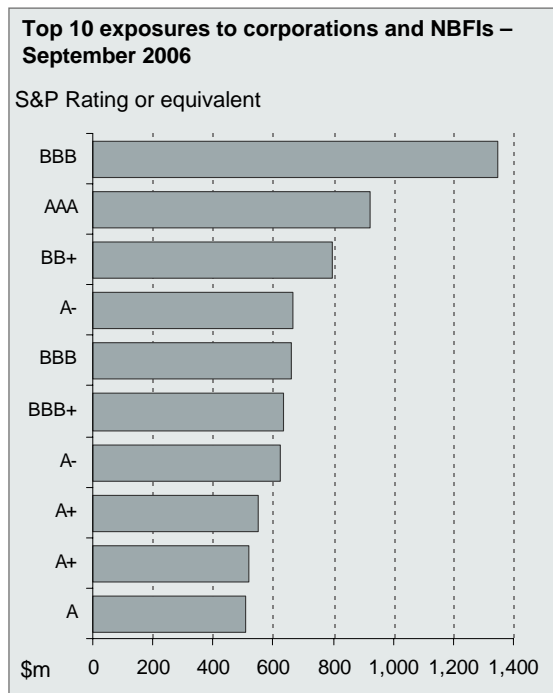
## Total exposure by region

Exposures outside core markets represent less than 2% of total committed exposures – sub investment grade represent 0.1% of total exposures (excluding core markets of Australia and New Zealand)

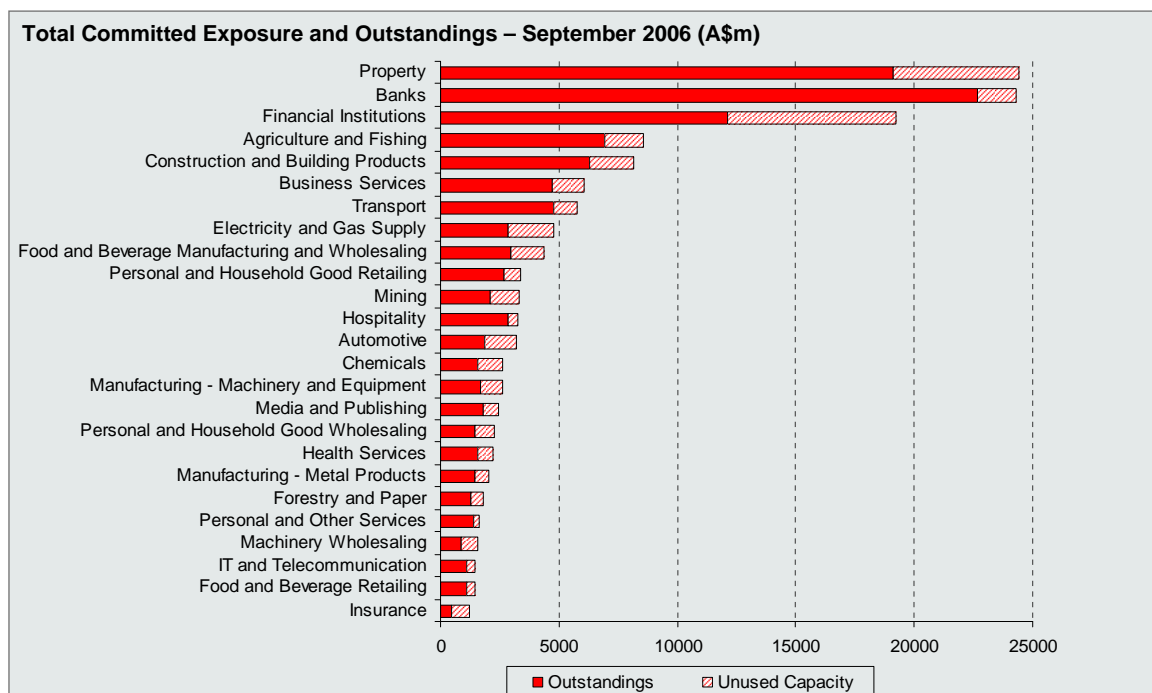
\$m	Australia	NZ / Pacific	Americas	Europe	Asia	Group
<b>AAA to AA-</b>	39,438	2,194	876	132	247	<b>42,887</b>
<b>A+ to A-</b>	17,134	2,804	1,330	827	302	<b>22,397</b>
<b>BBB+ to BBB-</b>	33,521	6,332	1,038	1,857	120	<b>42,868</b>
<b>BB+ to B+</b>	53,007	10,409	167	115	3	<b>63,701</b>
<b>&lt;B+</b>	1,905	411	73	14	-	<b>2,403</b>
<b>Secured consumer</b>	134,429	25,441	-	-	-	<b>159,870</b>
<b>Unsecured consumer</b>	21,584	3,652	-	-	-	<b>25,236</b>
	<b>301,018</b>	<b>51,243</b>	<b>3,484</b>	<b>2,945</b>	<b>672</b>	<b>359,362</b>

Total committed exposures by booking office at 30 September 2006

## Single name concentrations

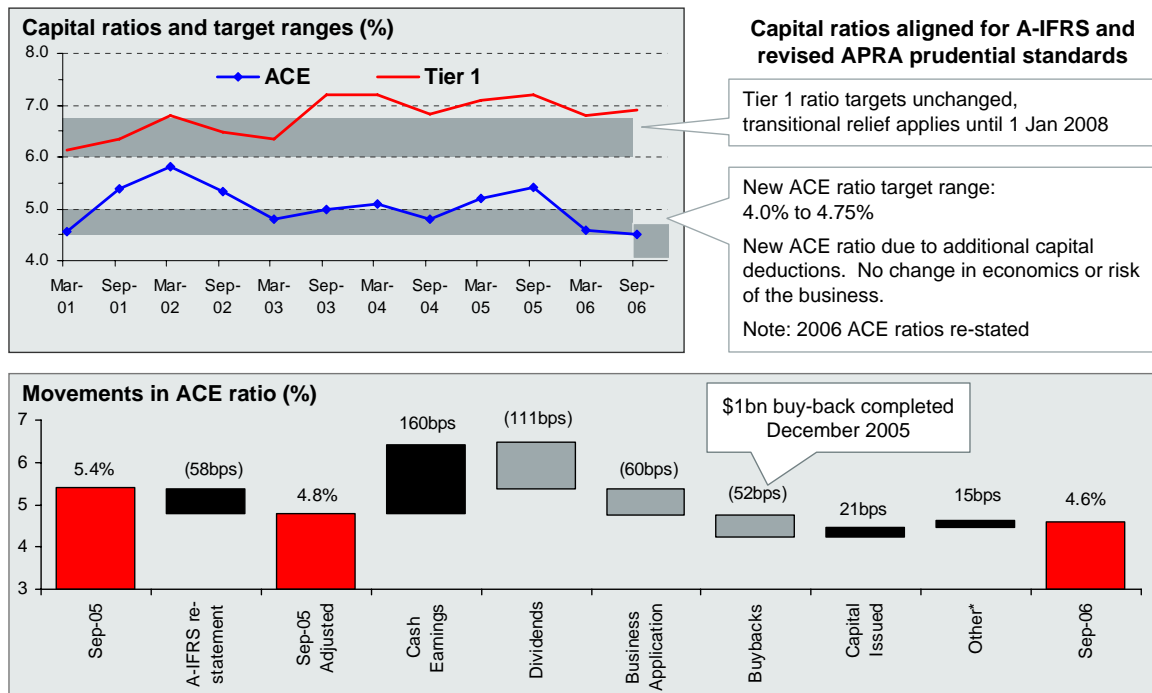


## Industry concentrations



Note: Excludes governments

## Capital ratio target ranges aligned to new standards



\*Includes movements in the foreign currency translation reserve and deferred tax balances

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## General Reserve for Credit Losses adjustment

- In the transition to A-IFRS, most Australian Banks have established a General Reserve for Credit Losses (GRCL) for regulatory purposes. The reserve is designed to include inherent risk that is not allowed under the A-IFRS 'incurred loss' standard.
- APRA have clarified the GRCL position with the release of their new APS 220 standard in May 2006.
- Westpac has estimated that as at 30 September 2006, an additional capital adjustment of \$117m (pre-tax) is needed (March 2006: \$112m (pre-tax)).
- The General Reserve for Credit Losses adjustment is a Tier 1 capital deduction. Westpac has decided not to treat the capital adjustment as a reserve within equity in the financial statements.
- In adopting these changes, APRA has put in place transitional capital arrangements, from 1 July 2006 to 1 January 2008, when the Basel II regime replaces Basel I.
- Basel II introduces a sophisticated risk assessment model that focuses on the adequacy of capital to support all risks. Under the proposed Basel II requirements, it is not clear if any capital adjustment will still be required.

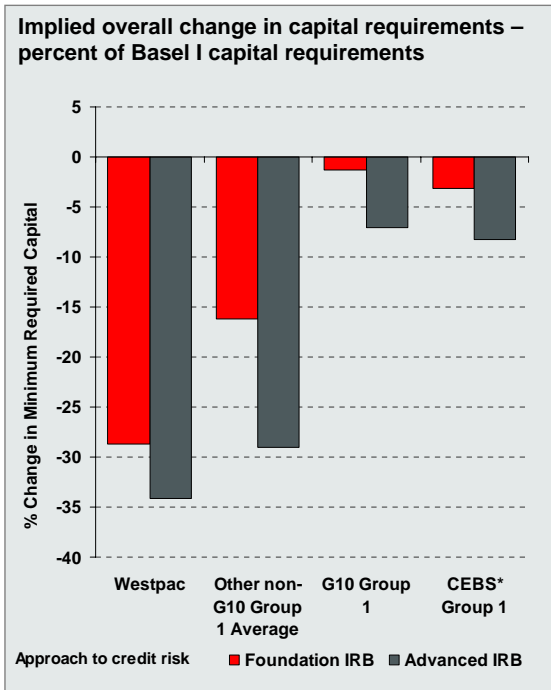
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# Preliminary Basel II outcomes



- Preliminary Basel II outcomes demonstrate Westpac's low risk profile with >30% reduction in RWA
- Actual capital relief remains subject to discussions with regulator

Source: 'Results of the fifth quantitative impact study (QIS 5), 16 June 2006' – BIS Basel Committee on Banking Supervision  
 \* CEBS – Committee of European Banking Supervisors

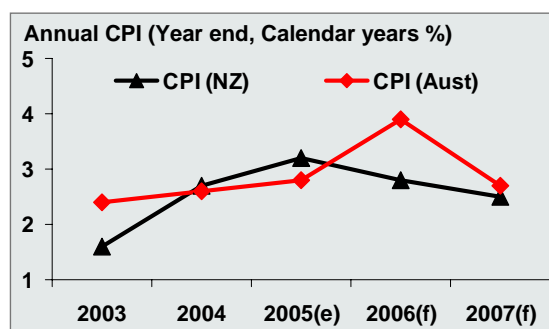
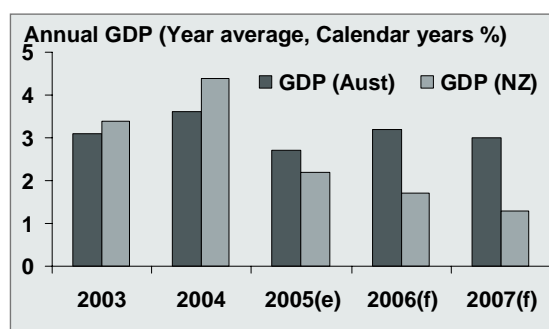


Economic Outlook

November 2006

## Economic environment sound

- Expansion continues in Australia
- By contrast, a period of consolidation in New Zealand
- Global growth above par for 4th consecutive year. Likely to be solid in 2007
- However, higher inflation a challenge of current prosperity. RBA to respond in measured manner
- Unemployment at 30 year low



Source: Westpac Economics

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## Australian and New Zealand economic outlook

Key economic indicators	Calendar year		
	2005	2006f	2007f
<b>World</b>			
GDP	4.7%	4.7%	3.7%
<b>Australia</b>			
Private consumption	3.2%	2.8%	3.0%
Business investment <sup>1</sup>	15.3%	10.0%	3.5%
GDP	2.7%	3.2%	3.0%
Unemployment – end period	5.1%	5.2%	5.0%
CPI headline - yr end	2.8%	3.9%	2.7%
Interest rates – cash rate	5.50% (Dec 05)	6.25% (Dec 06)	6.25% (Jun 07)
<b>New Zealand</b>			
GDP	2.2%	1.7%	1.3%
Unemployment – end period	3.6%	4.0%	4.8%
Consumer prices	3.2%	2.8%	2.5%
Interest rates – overnight cash rate	7.25% (Dec 05)	7.25% (Dec 06)	7.25% (Jun 07)

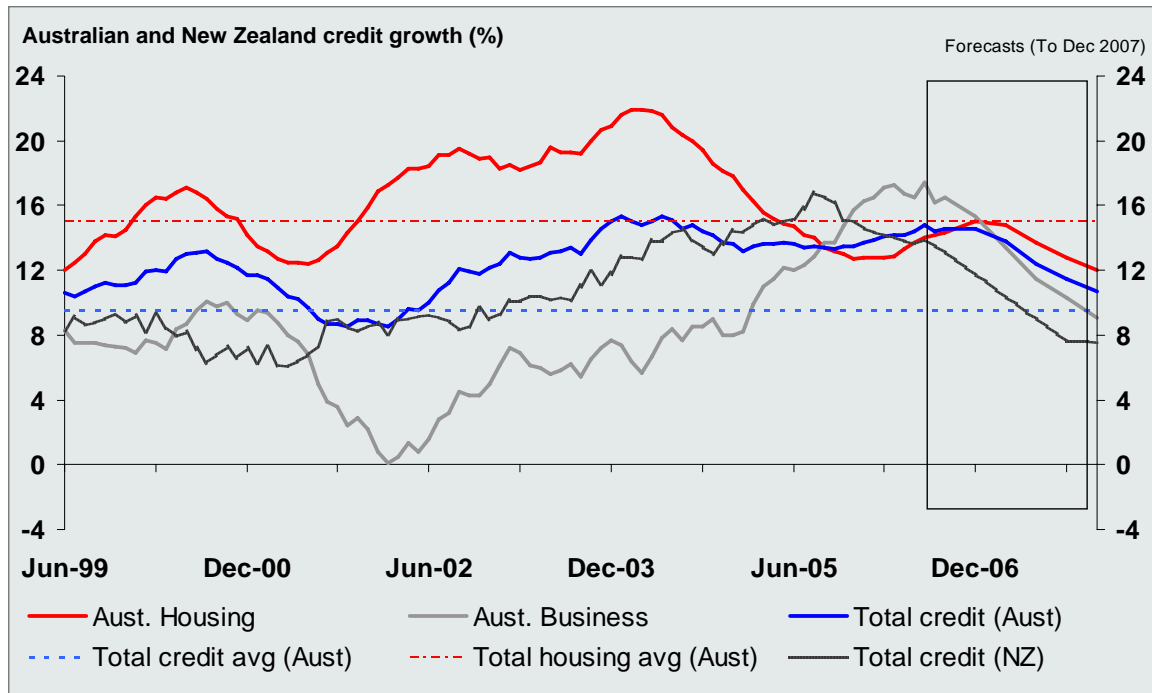
<sup>1</sup> Business investment adjusted to exclude the effect of private sector purchases of public assets. Source: Westpac Economics

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Investor Discussion Pack November 2006



## Credit growth expected to edge lower



Source: RBA, RBNZ, Westpac

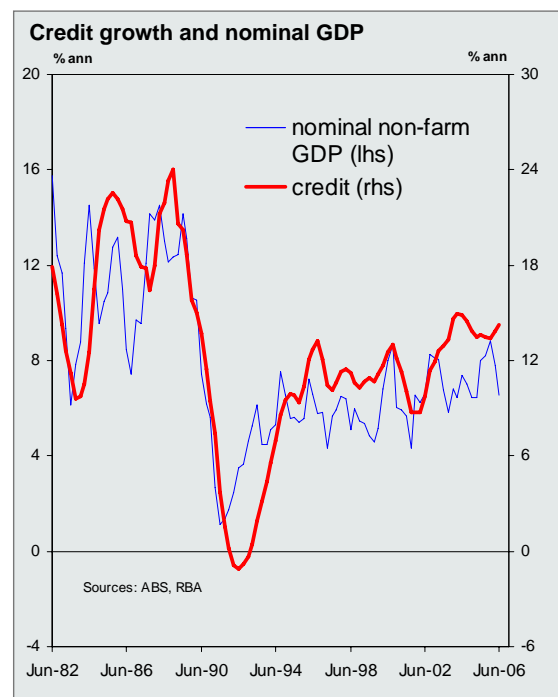
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## Aust. credit growth and nominal non-farm GDP

- Australian credit growth has historically tracked the direction of nominal GDP growth but with a multiplier of around 1.5 times
- Financial innovation and household's ability to allocate a greater share of disposable income to wealth creation supports a multiplier in excess of 1
- Currently, credit growth is tracking above this long term trend, at twice nominal GDP
- Looking forward, credit growth is expected to remain higher than nominal GDP but to ease to be more in line with this longer term trend, with interest rates back around 'average' levels



Source: Westpac Economics

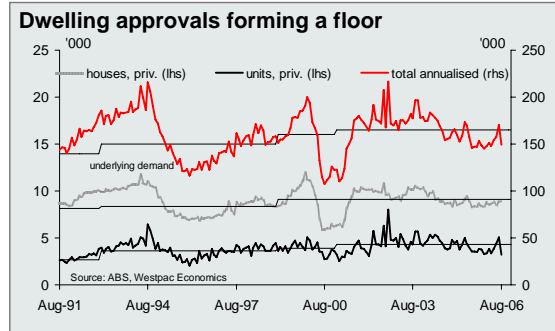
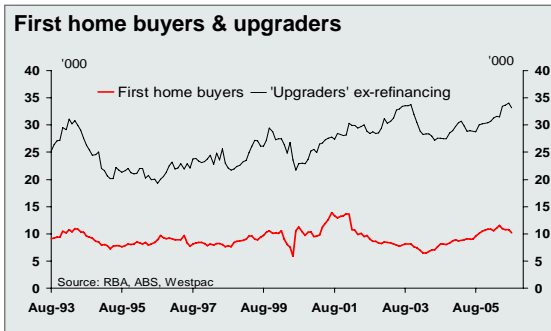
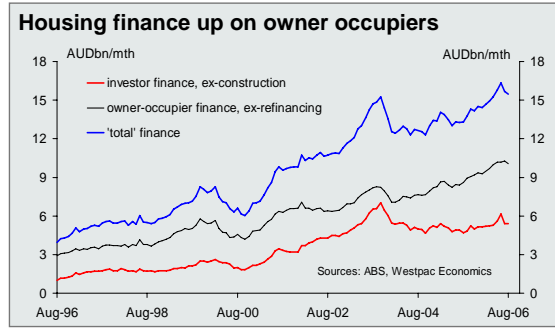
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# Housing market – sound fundamentals

- Housing sector in recovery mode in 2006:
  - Housing finance for owner occupiers reaching new highs
  - First homebuyers returned to the market. 'Upgraders' now main driver.
  - Dwelling approvals off lows, but still below underlying demand.
- However, upswing will be temporarily set back by RBA's interest rate rises.

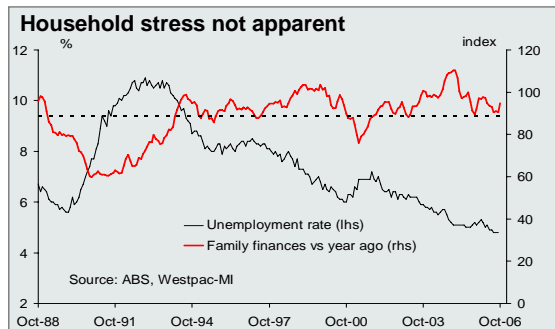


Source: Westpac Economics

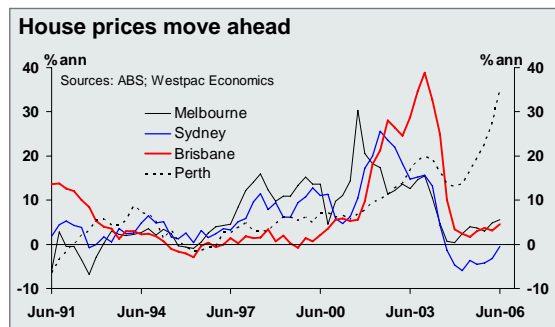
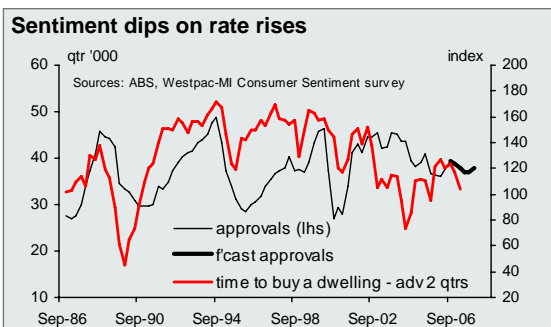


# Housing market – to adjust to rate rises

- Consumer Sentiment rebounded sharply, as petrol price fall largely offsets Aug rate rise.
- Arrears rates up as interest rates increase – but coming off low levels.
- Households enjoying job security – jobs up 2.7%yr & unemployment rate at 30 year low.
- Property prices have strengthened, up 6.4%yr. However, stretched affordability a constraint.

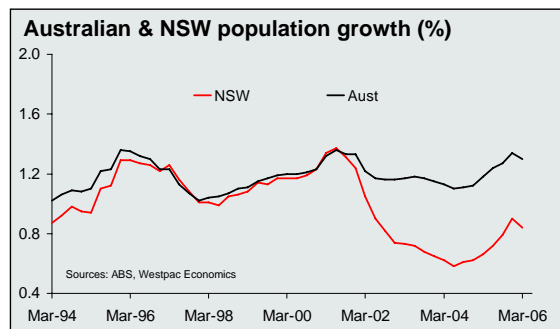
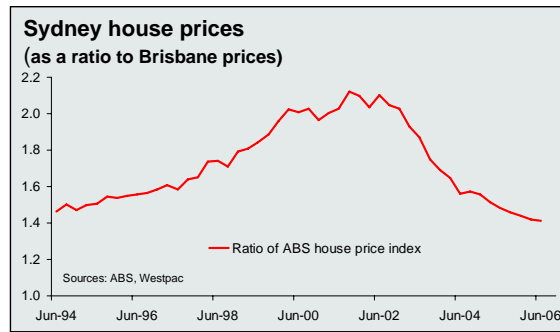


\* Family finances – Westpac Melbourne Institute Consumer Sentiment Index Aug-04



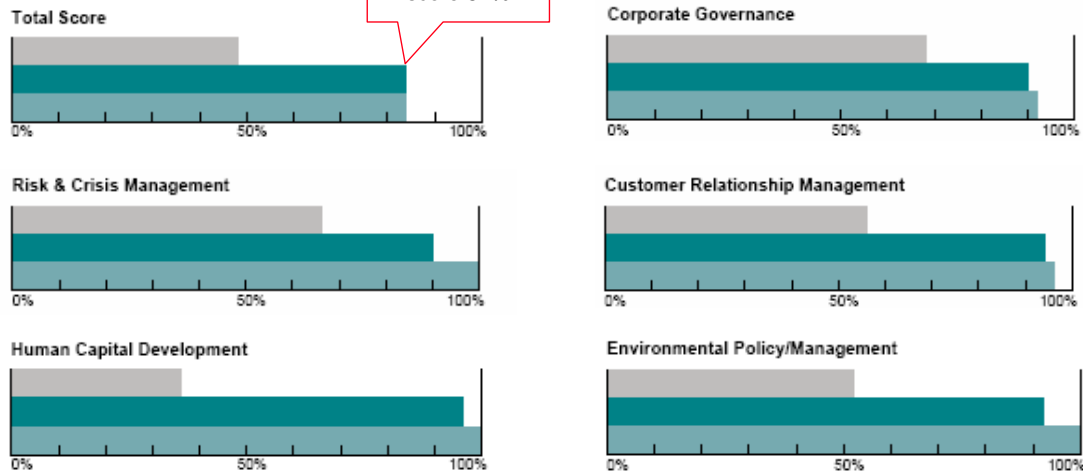
# New South Wales

- NSW growth has lagged the overall Australian economy due to:
  - Lower relative exposure to the resources sector
  - Under investment in infrastructure
  - Lagged impact of lower population growth
- Some turnaround in NSW State's fortunes is expected following:
  - A pick-up in housing demand & improving household spending
  - Recovery of population growth trend
  - State capital spending up sharply



# Most sustainable bank in the world, 5 years in a row

## Snapshot of Westpac's 2006/07 Dow Jones Sustainability Index rating



"This reflects the continuous efforts of Westpac to successfully tackle sector challenges such as meeting customers' high expectations and addressing environmental concerns. Excellent corporate governance, risk management and compliance underline Westpac's commitment to being accountable." – Dow Jones Sustainability Index 2006

Source: Dow Jones Sustainability Index 2006

- DJSI sector average on a global basis
- Westpac Banking Corp.
- Best company on a global basis within DJSI sector



## Extended performance measures

### Human Capital – Strategic Objectives

- Improve retention and commitment
- Improve employee attraction
- Reduce workplace costs

Indicator	2002	2003	2004	2005	2006
Employee turnover (total)	19%	16%	17%	16%	17%
Employee commitment	65%	65%	68%	69%	68%
Lost time injury frequency rate <sup>1</sup>	12	7	7	6	5

### Supporting our people

- 46% of positions in 2006 filled internally via Careers@Westpac
- Employee turnover 4% points below sector median
- 8<sup>th</sup> childcare centre to be opened in 2006
- 1,000+ jobshare positions
- Employed 1,000+ mature aged workers

### Social & Environmental Capital – Strategic Objectives

- Improve social licence to operate
- Reduce regulatory and operational costs
- Improve reputational capital
- Improve operational efficiency

Indicator	2002	2003	2004	2005	2006
Community contributions	\$30m	\$37m	\$42m	\$44m	\$47m
Greenhouse gas emissions <sup>2</sup> ('000)	138	137.2	136.4	124.5	109.3
Paper consumption (sheets/person) ('000)	12	9.3	9.5	10.1	9.6

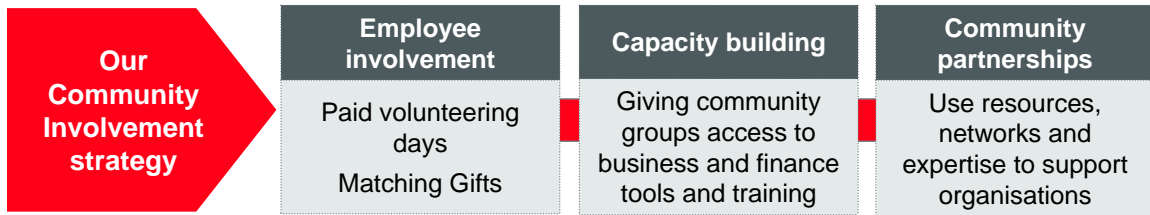
### Business sustainability

- New sustainable products
  - Eco-nomical Home Loan
  - LandCare Term Deposits
- Equator Principles - Founding signatory and only Australian bank to have adopted the principles
- Community contributions up 7%

1. Injuries per one million hours worked 2. Equivalent tonnes of CO2 emissions. Source: Westpac



# Working in partnership with the community



- Westpac has been helping to save lives for more than 33 years through our support of rescue services.
- We have developed partnerships with rescue organisations in Australia and New Zealand as part of strategy to invest in long term core sponsorships.
- As well as direct financial support, some of the joint initiatives include:
  - Capacity building programs provided by Westpac to help improve the financial knowledge and productivity of the rescue service organisations.
  - NSW branch managers, the “Chopper Champions”, organise activities to raise funds for the Westpac Life Saver Rescue Helicopter Services.
- In 2007, Westpac will be involved in the Year of the Surf Life Saver, recognising 100 years of the surf life saving tradition.

Appendices

November 2006

## Right balance of experience, stability and depth

Name	Title	Joined Group Executive	Biography
David Morgan	Chief Executive Officer	Oct 1990	Joined 1990, CEO since 1999. Headed all major operating divisions in Westpac prior to CEO appointment in March 1999. Extensive prior experience in financial sector including in the IMF and the Australian Federal Treasury.
Ilana Atlas	Group Executive People and Performance	Nov 2002	Joined Westpac 2000, as Group Secretary and General Counsel. Previously Partner of a law firm, Mallesons Stephen Jaques. In current role since 2002.
Philip Chronican	Group Executive Westpac Institutional Bank	Jan 2001	Joined Westpac 1982. Appointed to current role in Dec 2005. Previously CFO and held business group CFO roles in both retail and institutional banking.
Philip Coffey	Chief Financial Officer	May 2002	Joined Westpac 1996. Appointed to current role in Dec 2005. Previously Group Executive WIB. Previously with AIDC, Citicorp Global Asset Management, Citigroup and the Reserve Bank of Australia.
Rob Coombe	Chief Executive Officer BT Financial Group	Feb 2005	Rob joined Westpac with the acquisition of the BT Financial Group in 2002 and has over 23 years experience in banking and finance.
Michael Coomer	Group Executive Business & Technology Solutions & Services	Jan 2002	Joined Westpac to current role in January 2002. Michael has 30 years experience in Information Technology covering a broad range of industries.
Mike Pratt	Group Executive Business and Consumer Banking	Apr 2002	Joined Westpac in April 2002 as Group Executive New Zealand & Pacific Banking. Appointed to current role in August 2002. Extensive experience in retail banking including CEO Australian Financial Services for National Australia Bank and CEO Bank of New Zealand.
Ann Sherry	Group Executive New Zealand & Pacific Banking	Mar 1999	Joined Westpac in 1994, in current role since October 2002. Ann has headed People and Performance for the Group and was CEO Bank of Melbourne following the merger in 1997.
Rob Whitfield	Chief Risk Officer	Dec 2005	Rob joined Westpac in 1986. Appointed Group Treasurer in 2000 and Chief Risk Officer in 2004.

Source: Westpac

## Capitalised software – major projects

Capitalised software - major projects (\$m)	Amortisation period (years)	Sep 2005	Sep 2006
Business loan origination (Pinnacle)	3	91	62
Institutional Bank	3	34	38
Standardised platform (One Bank)	3	76	95
Channel development and distribution	3	22	15
Product enhancement	3	9	4
Customer relationship management (Reach)	3	46	38
Advice platform	3	-	13
Connect@Westpac	5	17	35
Teller platform, NZ	5	36	38
Other – Australia & NZ	3	117	142
<b>Total</b>		<b>447</b>	<b>480</b>

Source: Westpac



## Tax breakdown

\$m	2005	2006
Tax expense	1,223	1,422
Effective tax rate	29.3%	31.3%
Adjustments		
Policy holder tax recoveries	(88)	(61)
Prior period adjustments	(36)	(36)
Additional tax expense	(48)	(39)
Normalised tax expense	1,051	1,286
Normalised tax rate	25.2%	28.3%
Effective tax rate incl. gross up <sup>1</sup>	29.9%	31.7%

1. The tax equivalent gross up represents the economic benefit the Group derives from entering into various structured financing transactions that generate income subject to either a reduced or zero rate of income tax.

Source: Westpac

## Business & Consumer Banking (BCB)

Reported (A\$m)	1H06	2H06	% Mov't	Adjusted (A\$m)	2005	2006	% Mov't
Net interest income	2,020	2,058	2	Net interest income	3,770	3,961	5
Non-interest income	547	596	9	Non-interest income	1,170	1,325	13
Operating expenses	(1,233)	(1,301)	(6)	Operating expenses	(2,467)	(2,529)	(3)
Core earnings	1,334	1,353	1	Core earnings	2,473	2,757	11
Impairment losses on loans	(124)	(165)	(33)	Impairment losses on loans	(312)	(353)	(13)
Tax & OEI	(368)	(348)	5	Tax & OEI	(644)	(718)	(11)
<b>NPAT/Cash earnings</b>	<b>842</b>	<b>840</b>	<b>-</b>	<b>NPAT/Cash earnings</b>	<b>1,517</b>	<b>1,686</b>	<b>11</b>
<b>\$bn</b>							
Deposits	87.0	92.8	7				
Net Loans	155.6	166.0	7				
Total Assets	158.0	168.6	7				

Adjusted is A-IFRS excluding AASB 132 & 139. Source: Westpac

## Westpac Institutional Bank (WIB)

Reported (A\$m)	1H06	2H06	% Mov't
Net interest income	228	246	8
Non-interest income	424	421	(1)
Operating expenses	(282)	(288)	(2)
<b>Core earnings</b>	<b>370</b>	<b>379</b>	<b>2</b>
Impairment losses on loans	(38)	(1)	97
Tax & OEI	(91)	(115)	(26)
<b>NPAT/Cash earnings</b>	<b>241</b>	<b>263</b>	<b>9</b>
<b>\$bn</b>			
Deposits	6.0	7.4	23
Net Loans	26.9	32.1	19
Total Assets	56.8	56.5	(1)

Adjusted (A\$m)	2005	2006	% Mov't
Net interest income	431	474	10
Non-interest income	864	845	(2)
Operating expenses	(550)	(570)	(4)
<b>Core earnings</b>	<b>745</b>	<b>749</b>	<b>1</b>
Impairment losses on loans	(37)	(39)	(5)
Tax & OEI	(224)	(206)	8
<b>NPAT/Cash earnings</b>	<b>484</b>	<b>504</b>	<b>4</b>

Adjusted is A-IFRS excluding AASB 132 & 139. Source: Westpac

## WIB earnings composition

### WIB excluding Structured Finance

Reported (A\$m)	1H06	2H06	% Change
Net interest income	177	185	5
Non-interest income	424	421	(1)
Operating expenses	(278)	(280)	(1)
<b>Core earnings</b>	<b>323</b>	<b>326</b>	<b>1</b>
Impairment losses on loans	(38)	(1)	97
Tax & OEI	(85)	(92)	(8)
<b>NPAT/Cash earnings</b>	<b>200</b>	<b>233</b>	<b>17</b>

Adjusted (A\$m)	2005	2006	% Change
Net interest income	250	309	24
Non-interest income	870	902	4
Operating expenses	(542)	(559)	(3)
<b>Core earnings</b>	<b>578</b>	<b>652</b>	<b>13</b>
Impairment losses on loans	(36)	(48)	(33)
Tax & OEI	(181)	(175)	3
<b>NPAT/Cash earnings</b>	<b>361</b>	<b>429</b>	<b>19</b>

### Structured Finance

Reported (A\$m)	1H06	2H06	% Change
Net interest income	51	61	20
Non-interest income	-	-	-
Operating expenses	(4)	(8)	(100)
<b>Core earnings</b>	<b>47</b>	<b>53</b>	<b>13</b>
Impairment losses on loans	-	-	-
Tax & OEI	(6)	(23)	large
<b>NPAT/Cash earnings</b>	<b>41</b>	<b>30</b>	<b>(27)</b>

Adjusted (A\$m)	2005	2006	% Change
Net interest income	181	115	(36)
Non-interest income	(6)	-	
Operating expenses	(8)	(12)	(50)
<b>Core earnings</b>	<b>167</b>	<b>103</b>	<b>(38)</b>
Impairment losses on loans	(1)	-	
Tax & OEI	(43)	(29)	33
<b>NPAT/Cash earnings</b>	<b>123</b>	<b>74</b>	<b>(40)</b>

Adjusted is A-IFRS excluding AASB 132 & 139. Source: Westpac

## New Zealand

Reported (NZ\$m)	1H06	2H06	% Mov't
Net interest income	469	476	1
Non-interest income	209	217	4
Operating expenses	(327)	(331)	(1)
Core earnings	351	362	3
Impairment losses on loans	(11)	(20)	(82)
Tax & OEI	(110)	(108)	2
<b>NPAT/Cash earnings</b>	<b>230</b>	<b>234</b>	<b>2</b>
<b>\$bn</b>			
Deposits	20.8	21.8	5
Net Loans	34.4	36.6	6
Total Assets	36.1	38.7	7
FUM	1.9	1.9	-

Adjusted (NZ\$m)	2005	2006	% Mov't
Net interest income	897	919	2
Non-interest income	470	461	(2)
Operating expenses	(656)	(658)	-
Core earnings	711	722	2
Impairment losses on loans	(37)	(43)	(16)
Tax & OEI	(211)	(216)	(2)
<b>NPAT/Cash earnings</b>	<b>463</b>	<b>463</b>	<b>-</b>

Adjusted is A-IFRS excluding AASB 132 & 139. Source: Westpac

## BT Financial Group

Reported (A\$m)	1H06	2H06	% Mov't
Net interest income	34	33	(3)
Non-interest income	467	497	6
Operating expenses	(265)	(282)	(6)
Core earnings	236	248	5
Impairment losses on loans	-	-	-
Tax & OEI	(71)	(74)	(4)
<b>NPAT/Cash earnings</b>	<b>165</b>	<b>174</b>	<b>5</b>
<b>\$bn</b>			
Total Assets	18.1	18.7	3
FUM	40.3	39.0	(3)
FUA	38.9	40.4	4

Adjusted (A\$m)	2005	2006	% Mov't
Net interest income	31	49	58
Non-interest income	910	980	8
Operating expenses	(527)	(547)	(4)
Core earnings	414	482	16
Impairment losses on loans	-	-	-
Tax & OEI	(105)	(145)	(38)
<b>NPAT/Cash earnings</b>	<b>309</b>	<b>337</b>	<b>9</b>

Adjusted is A-IFRS excluding AASB 132 & 139. Source: Westpac

Reported (A\$m)	1H06	2H06	% Mov't
Net interest income	43	48	12
Non-interest income	44	41	(7)
Operating expenses	(27)	(28)	(4)
<b>Core earnings</b>	<b>60</b>	<b>61</b>	<b>2</b>
Impairment losses on loans	(4)	(3)	25
Tax & OEI	(20)	(18)	10
<b>NPAT/Cash earnings</b>	<b>36</b>	<b>40</b>	<b>11</b>
<b>\$bn</b>			
Deposits	1.3	1.4	7
Total Assets	1.4	1.6	14

Adjusted (A\$m)	2005	2006	% Mov't
Net interest income	73	89	22
Non-interest income	77	87	13
Operating expenses	(53)	(55)	(4)
<b>Core earnings</b>	<b>97</b>	<b>121</b>	<b>25</b>
Impairment losses on loans	(3)	(7)	(133)
Tax & OEI	(29)	(38)	(31)
<b>NPAT/Cash earnings</b>	<b>65</b>	<b>76</b>	<b>17</b>

Adjusted is A-IFRS excluding AASB 132 & 139. Source: Westpac

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