

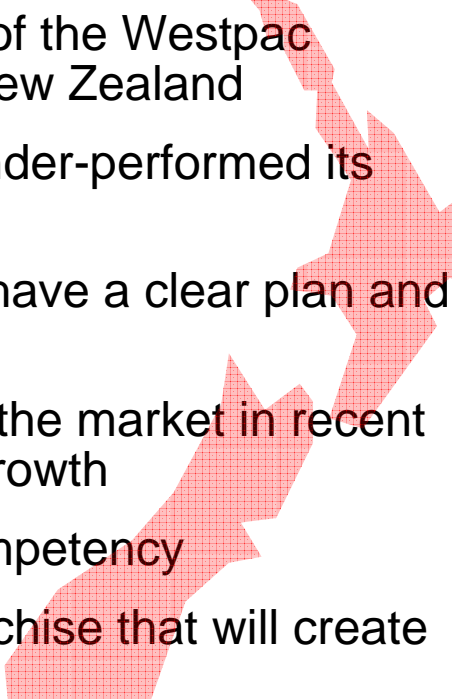
New Zealand banking update

Ann Sherry
CEO New Zealand

7 September 2006

Agenda

- Introduction
- Ann Sherry, CEO Westpac New Zealand
- Henry Ford, General Manager Consumer Banking
- Bruce Mclachlan, General Manager Business Banking
- Question and answer session
- Closing remarks

- Westpac NZ forms a balanced part of the Westpac Group and is a significant force in New Zealand
 - Our Consumer bank has recently under-performed its potential
 - We understand the key drivers, we have a clear plan and we are already seeing results
 - Business banking is out-performing the market in recent years and has potential for further growth
 - Enhancing productivity is a core competency
 - We have a strong and valuable franchise that will create sustainable growth
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New Zealand in context of the Westpac Group

- New Zealand accounts for 17% of Group cash earnings, of which:
 - 14% is New Zealand Business and Consumer Banking
 - 3% is WIB New Zealand
- In perspective, New Zealand is 15% of the Australasian economy²

Westpac New Zealand Banking (\$A) 1H06	Amount	% of Group
Cash Earnings ¹	\$210m	14%
Loans ¹	\$29bn	14%
Deposits ¹	\$18bn	12%

Westpac has the leading franchise in New Zealand

Market share	%	Rank
Mortgage Lending ¹	19%	3rd
Retail Deposits ¹	22%	N/a
Share of Business Balances ²	21%	2 nd

Customer Share	%	Rank
Consumer ³	21%	#1
Business ²	25%	#1

Brand	%	Rank
Consumer Brand Awareness ³	66%	#1
Mortgage Preference ³	13%	#1
Business Brand Awareness ²	60%	#1

Distribution	#	Rank
Branches ⁴	196	#2
ATM's ⁴	457	#1

Customer Satisfaction	%	Rank
Consumer ³	58%	#5=
Business ²	73%	#5=
Branch ³	74%	#4=
Online ³	84%	#1=

People and Corporate Responsibility		Rank
Staff Commitment ⁵	72%	+2%*
Corporate Sustainability ⁶	84%	#1

* New Zealand Norm

Source: 1. RBNZ, Westpac internal data, 2. Reissued TNS 2nd Quarter 2006 (corrected business weight factors), 3. ACNielsen Consumer Finance Monitor – June 2006, 4. KMPG Financial Institutions Performance Survey 2006, Westpac internal data, 5. Staff perspectives survey, ISR norms, 6. Dow Jones Sustainability Index 2005

We undertook a significant strategic review in 2002 and made some key changes to our business

Areas for improvement	Key actions
No specialist distribution	<ul style="list-style-type: none"> • Private Bank • Migrant Bank • Mobile mortgage managers • Home loan specialists • Broker unit • Investment specialists • Internet banking • Business consultants in branch
Weak share of Consumer and SME in Auckland	<ul style="list-style-type: none"> • Moved head office to Auckland • Auckland given priority for specialist deployment • Auckland centric advertising
Little leverage of the Australian business	<ul style="list-style-type: none"> • Re-branded leveraging trans-Tasman consistency • Ask Once programme aligned

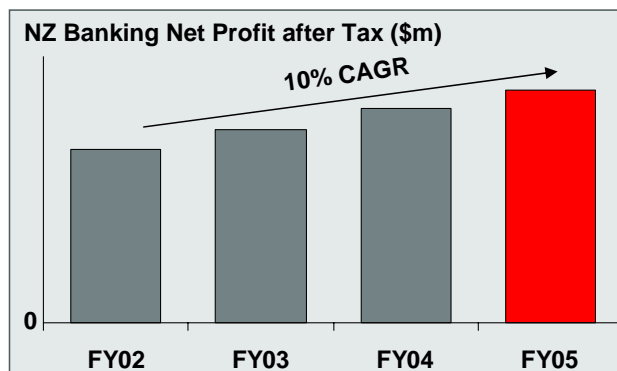
Consistently addressed the opportunities identified

	2002/03	2003/04	2004/05	2005/06
Market context	<ul style="list-style-type: none"> •Kiwibank opens first branch 	<ul style="list-style-type: none"> •ANZ purchase of National Bank 	<ul style="list-style-type: none"> •Mortgage price war •RBNZ intervention 	
Westpac NZ Banking initiatives	<ul style="list-style-type: none"> • Sales force specialisation • Head office to Auckland • Reorganised sales management structure • Trans-tasman brand 	<ul style="list-style-type: none"> • SME servicing model decentralised • Customer needs analysis process introduced • Plan mainframe move • Customer experience programmes initiated 	<ul style="list-style-type: none"> • Increase 'feet on the street' across business segments • Launched equipment finance • Launched wealth WRAP platform • 18 month home loan offers 	<ul style="list-style-type: none"> • Teller platform update complete • Leads and referral tool introduced • Cross counter payments • Rejuvenated offer in consumer lending market
Key Focus	Specialist distribution, share of consumers and SME in Auckland, leverage of the Australian business			

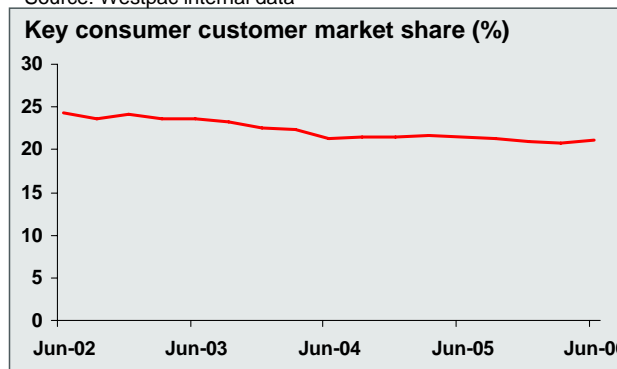


Financial performance has been strong

- Strong focus on profitability:
 - ROE 20% - upper end of NZ peers
 - Cost to income ratio declined 200 bps over last 3 years
- But lost consumer customer market share



Source: Westpac internal data



Source: Westpac internal data



Consumer under-performance has been driven by portfolio mix and weak strategic positioning

- Portfolio mix:
 - Fixed to floating home loan mix
 - Higher proportion of lower-income customers
 - Geographic bias towards lower growth regions
- Strategic Positioning:
 - Focused on niche markets at a time when industry was focused on total market customer share
 - Undue focus on profitability at the expense of competitiveness
 - Auckland initiatives were insufficient as competitors also raised capability
- A detailed diagnostic has been undertaken

Our response is underway

Highlights

Retain customers

Greater share of Auckland market

Sales force effectiveness

- Rolled out retention management program to 28 'hot spot' branches
- Commenced simplification of fee structures
- Opened three new branches, including Sylvia Park - New Zealand's largest shopping centre
- Single point of accountability in Auckland
- Delivered New Zealand leads and referral tool to front line
- 'Run it like you own it' roll-out underway

Market leadership in Business banking

Sustainable leadership

- Strong market leadership
- Sustainable leadership (24% market share) built around effective segment strategies and strong stable team
- Sound portfolio asset quality

Future Growth Opportunities

Auckland

Cross-sell/
Share of wallet

Leverage WIB

Investing for growth and productivity

Current investment focus seeks to boost growth while enhancing productivity

Growth

- Automated lending origination platform
- Enhanced credit decisioning
- Greater utilisation of electronic channels

Productivity

- Back-office site consolidation
- Process automation
- Digital imaging and workforce management

We have a strong and valuable franchise

- Large and broad customer base with strong cross sell potential
- Highest brand awareness
- Significant distribution footprint
- Enhancing productivity is a core competency
- Strong asset quality
- Staff are highly committed and believe in us
- We are the leader in corporate responsibility
- We now have a strong management team



Consumer banking

Henry Ford
General Manager Consumer Banking

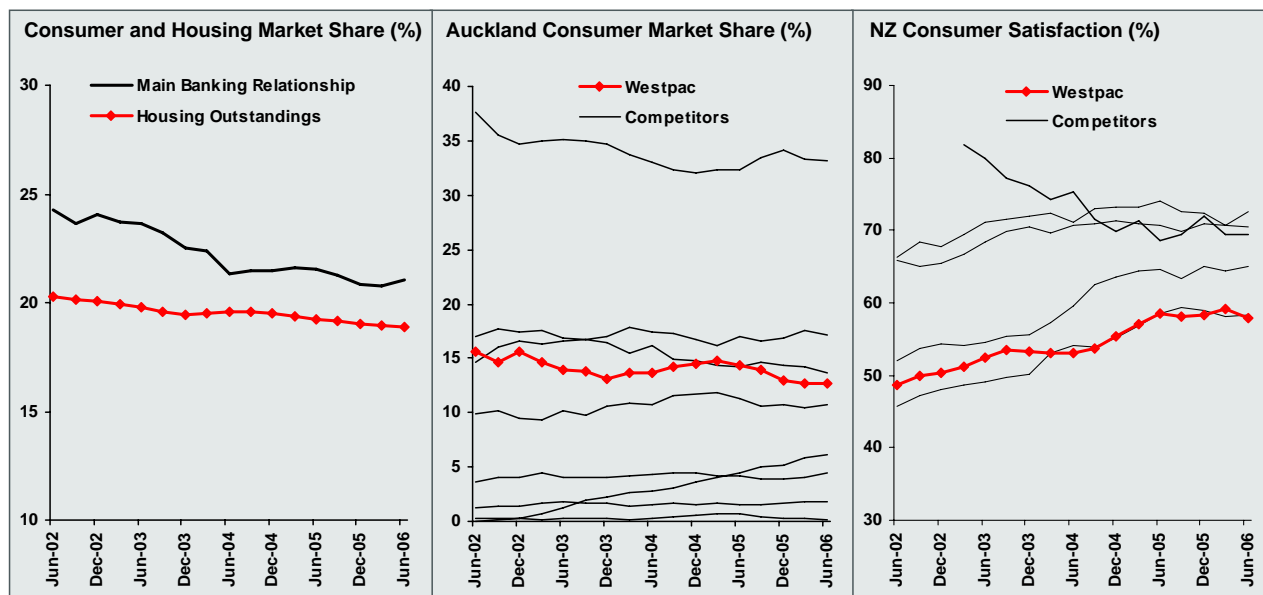
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Consumer banking performance has been disappointing

Main bank consumer share has been decreasing

Aspirations in Auckland have not been achieved

Satisfaction improvements have been insufficient to catch leaders



Source: ACNielsen Consumer Finance Monitor – June 2006, RBNZ, Westpac Internal, four quarter moving average

Source: ACNielsen Consumer Finance Monitor – June 2006, four quarter moving average

Source: ACNielsen Consumer Finance Monitor – June 2006, four quarter moving average

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Portfolio mix and strategic positioning has contributed to the under-performance

Portfolio mix

- High proportion of floating rate home loans
- Higher exposure to lower growth geographies

Strategic positioning

- Create specialist sales forces and capabilities
- Customer profitability
- Intensified competition

Strategic review

Retain customers

Greater share of Auckland market

Sales force effectiveness

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We will retain our customers

Business issues

Pricing

Conservative credit policies

Customer Contact

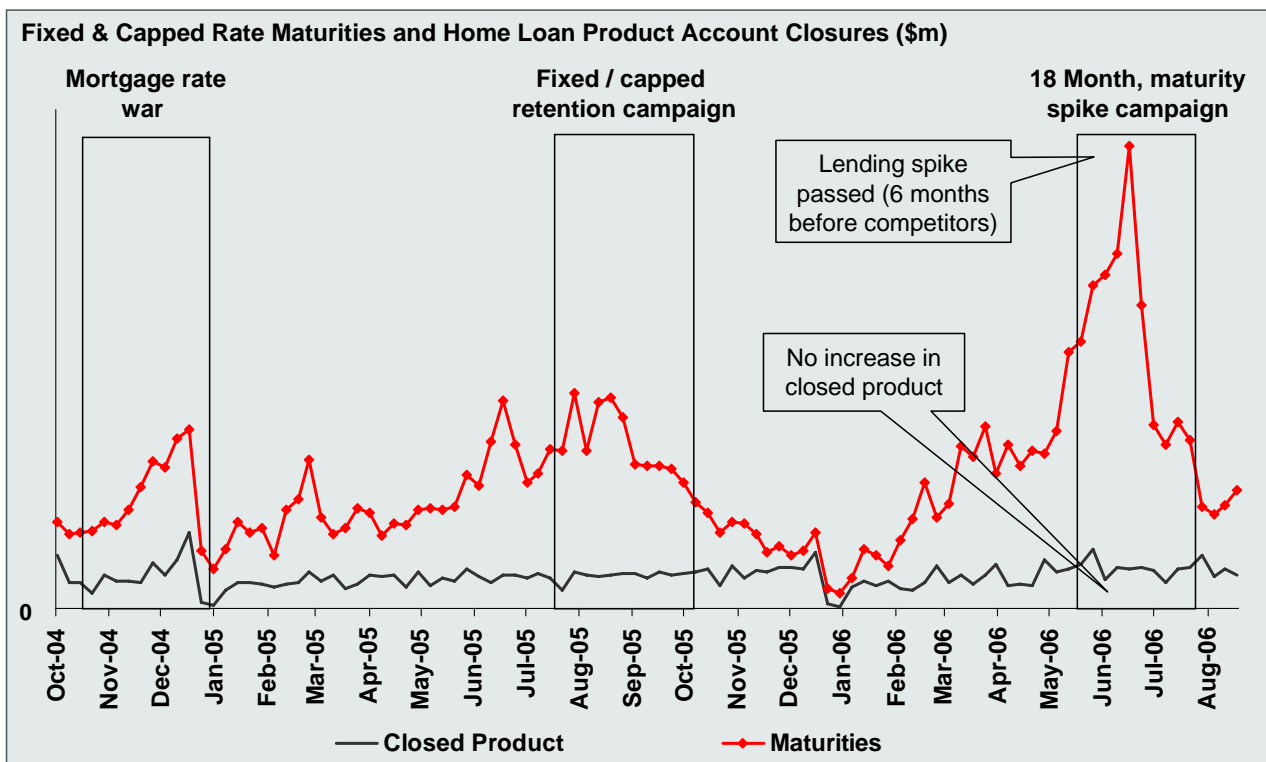
Progress to date

- Home loan and deposit pricing now in market
- Simplifying current account suite
- Fee discretion to the front line

- Better balanced risk and reward
- Enhanced risk assessment

- Coordinated programme
- Enhanced after sales service
- Targeting key customer events

We have demonstrated this already through a difficult market challenge



Source: Westpac internal data

We will grow in Auckland

Business issues

Insufficient differentiation and focus

Footprint

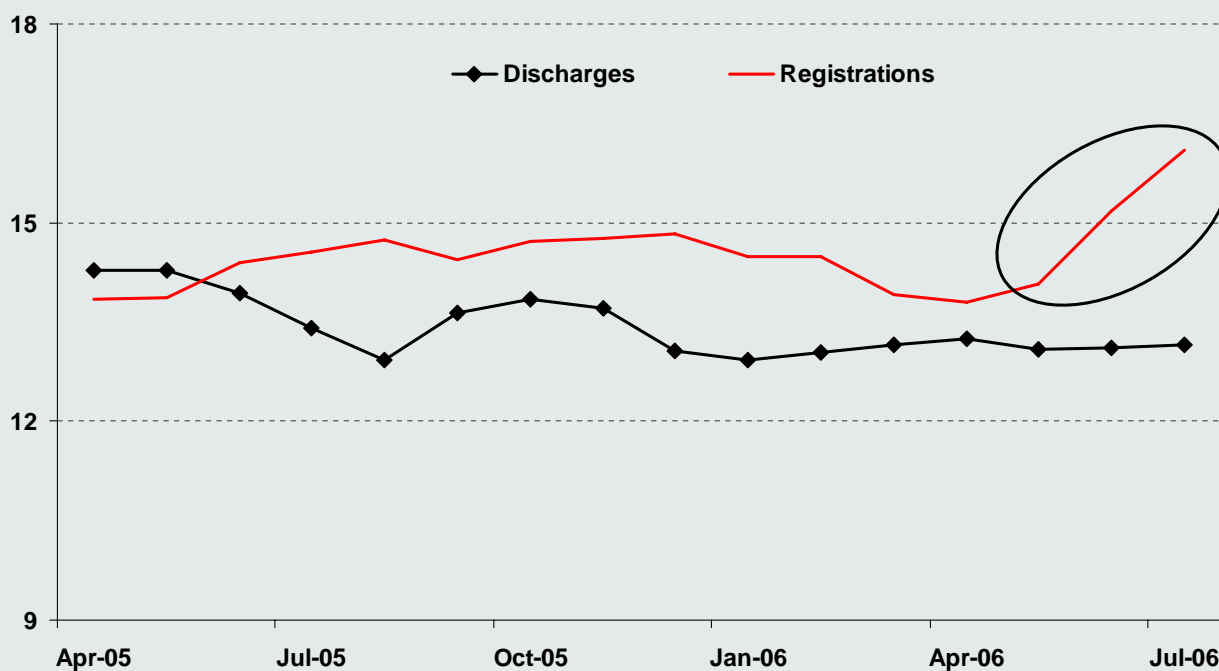
Progress to date

- More focused, Auckland targeted, management structure

- Three new branches in 2006
- Commitment for 8 new branches over the next 3 years

Sales momentum is now visible

Westpac's share of Auckland mortgage registrations and discharges (%)



Source: Terralink, three month moving average

Building sales force effectiveness

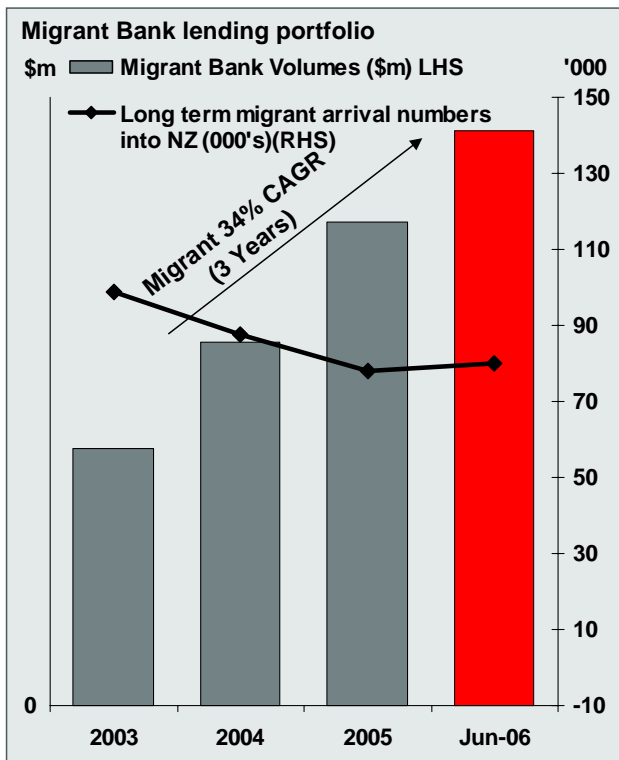
Business issue

Bring specialist sales success to the mass market

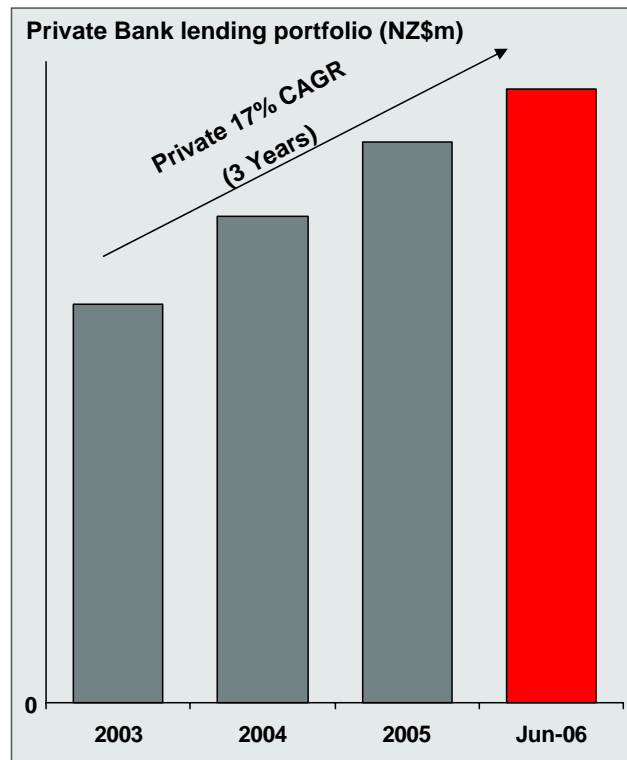
Progress to date

- Leadership roles more sales focused
- Decision making and accountability to the front line
- Enhanced sales skills training
- Tighter alignment of performance pay

Specialist success can be applied to mass market



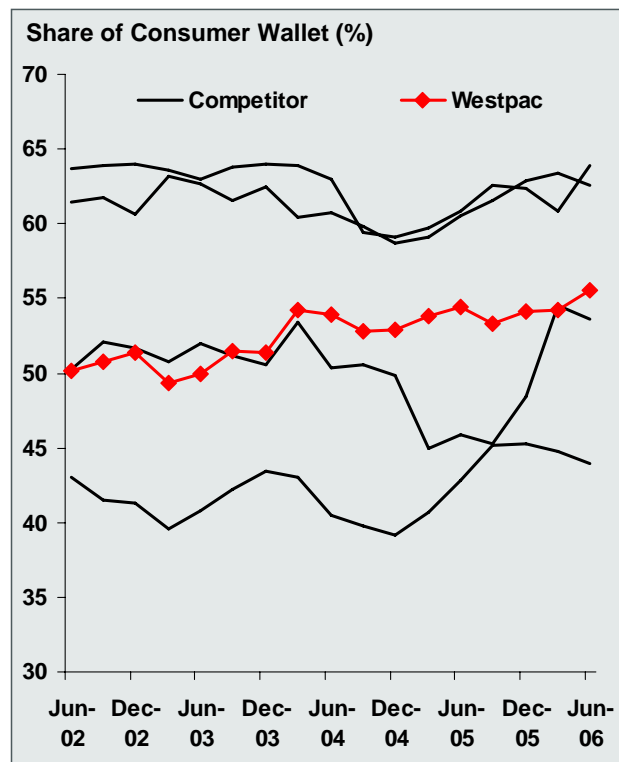
Source: Westpac internal data



Source: Westpac internal data

Building on a solid base

- Significant value in our customer base:
 - 21% main bank market share
 - Large distribution footprint
 - Strong customer acquisition brand
 - Material upside in Auckland
 - Customer base has large cross-sell potential



Source: ACNielsen Consumer Finance Monitor – June 2006,

Summary – Consumer banking

- Over the past four years consumer banking has underperformed its potential
- We understand the issues, and plans are underway to resolve them
- There is considerable potential in our customer base and we have the strategies to unlock this value

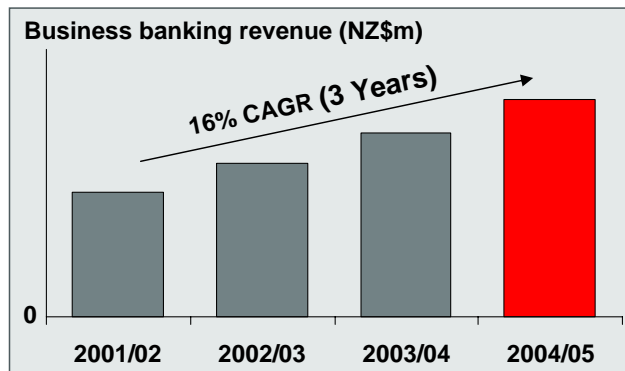
Business banking

Bruce Mclachlan
General Manager Business Banking

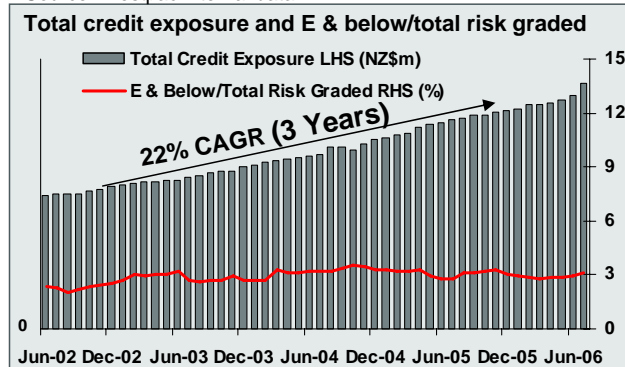
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Historical performance has been strong

- 40% of New Zealand banking
- Strong, consistent revenue growth
- Lending growing at 1.2x system (10%)¹
- Deposit growth at system (8%)¹
- Leveraged WIB capability and increased Financial Markets and trade sales by 28% over the last year
- Sound asset quality



Source: Westpac internal data

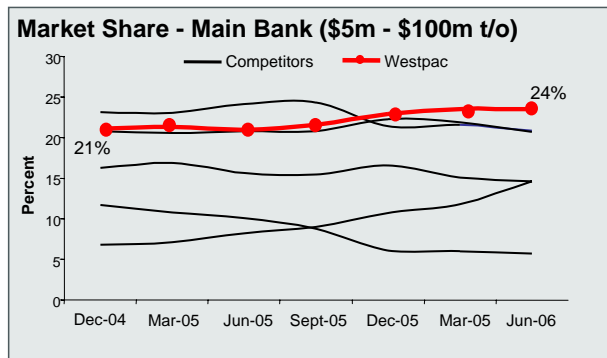


Source: Westpac internal data

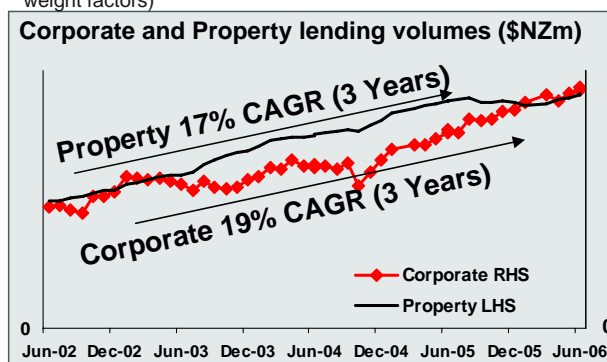
Source: 1. RBNZ, Westpac internal data

Middle Markets is a strength

- Market leadership is increasing
- Success driven by:
 - Investment in people
 - Feet on the street
 - High quality and stable teams
 - Managed exposure to different sectors through market cycles using a portfolio approach to risk
 - Corporate and Property are strong examples



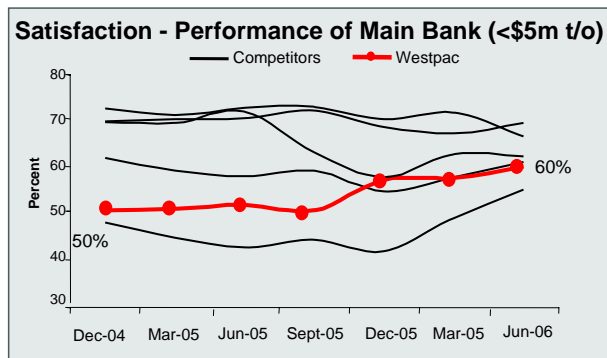
Source: Reissued TNS 2nd Quarter 2006 (corrected business weight factors)



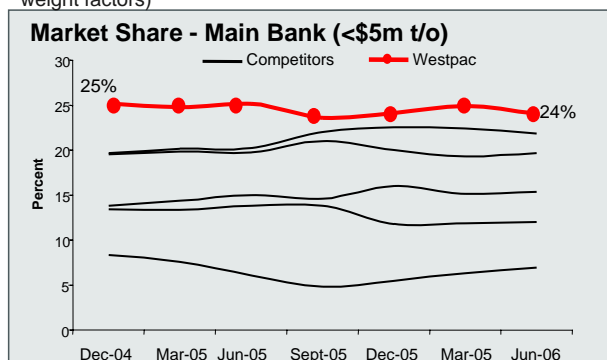
Source: Westpac internal data

SME has significant opportunities for growth

- Improved customer satisfaction, halving differential to service leader over past 18 months
- Success driven by:
 - Decentralised business model
 - Increasing staff levels to meet front line SME needs
 - Leverage branch footprint strength
 - Reset key prices to align with customer expectations



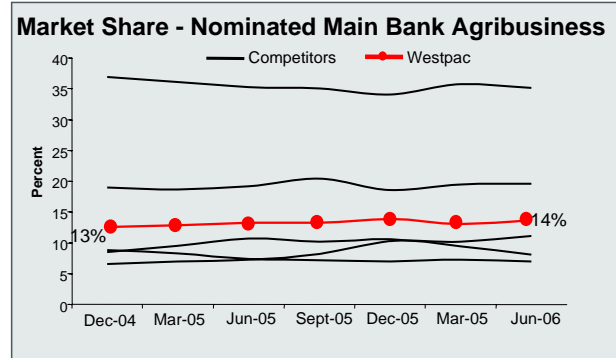
Source: Reissued TNS 2nd Quarter 2006 (corrected business weight factors)



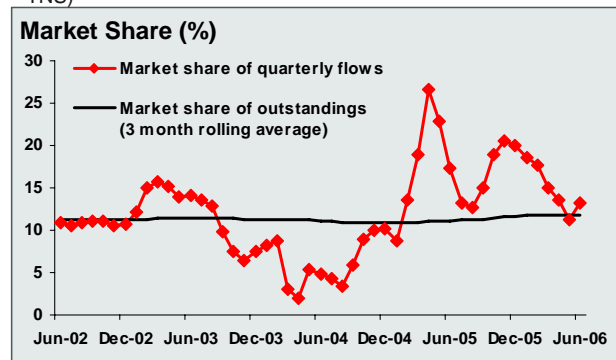
Source: Reissued TNS 2nd Quarter 2006 (corrected business weight factors)

Agribusiness is a turnaround story

- Agri-business was under-performing with a low share and a lack of focus
- Implemented turnaround strategy
 - Changed leadership
 - Refocused on target segments
 - Leveraged specialist capability
 - Added capacity to front line
- As a result we have outperformed the market
 - Main bank relationship share increased slightly
 - Agribusiness lending growing at 1.3x system¹



Source: TNS 2nd Quarter 2006 (Agri data was not adjusted by TNS)



Source: RBNZ, Westpac Internal Data

Source: 1. RBNZ, Westpac internal data

Significant opportunities to drive further growth

Auckland

- Increasing 'feet on street'
- Focus on industry specialisation
- Leverage future growth in Consumer business

Cross-sell/ Share of wallet

- Leverage existing customer base
- Better balancing risk and reward

Leverage WIB

- Increasing customer demand will drive continued momentum
- Roll out new products (e.g. foreign exchange) and expertise through Business

Summary – Business banking

- Created New Zealand's leading business bank through strong segment strategies and building strong stable teams
- Quality of our portfolio is excellent and our risk measures are sound
- Our competitive advantage is sustainable and significant opportunities remain to further build on our position

New Zealand banking update

Ann Sherry
CEO New Zealand

7 September 2006

We have a strong platform to build sustainable growth

Shareholder

- 7% Revenue 3 year CAGR to 2004/05¹
- 5% Cost 3 year CAGR to 2004/05¹
- 10% NPAT 3 year CAGR to 2004/05¹
- Cost to income ratio reduced by 200 bps (2002/03 to 2005/06)¹

Customer

- Over 1 in 5 consumers have their main banking relationship with us⁴
- 1 in 4 businesses have their main banking relationship with us⁵, 24% share
- #1 brand preference in Consumer and Business segment^{4,5}
- Most preferred mortgage provider⁴

Employee

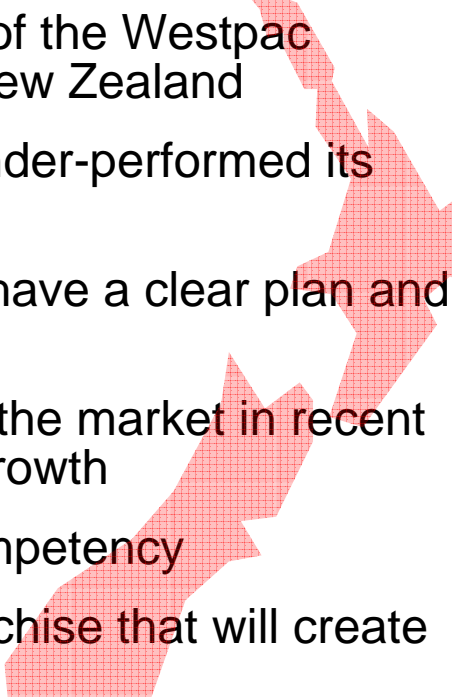
- Outperform New Zealand geographic and Global Financial Services norms²
- Employment brand – top New Zealand financial institution and 4th overall³
- 1400 graduate applications, offering premier programme¹

Corporate Responsibility

- #1 Dow Jones Australia and New Zealand⁶
- Financial literacy programme
- Community involvement, e.g. Rescue Helicopters for just on 25 years

Source: 1. Westpac internal data, 2. Staff perspectives survey, ISR norms, 3. Hays Employment Brand Survey, 4. ACNielsen Consumer Finance Monitor – June 2006, 5. Reissued TNS 2nd Quarter 2006 (corrected business weight factors), 6. Dow Jones Sustainability Index 2005

Key messages

- Westpac NZ forms a balanced part of the Westpac Group and is a significant force in New Zealand
 - Our Consumer bank has recently under-performed its potential
 - We understand the key drivers, we have a clear plan and we are already seeing results
 - Business banking is out-performing the market in recent years and has potential for further growth
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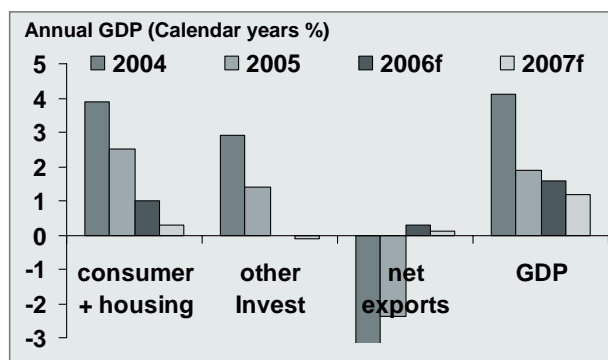
Supplementary Slides

- New Zealand Economy
- Westpac NZ Management Team

Economic environment

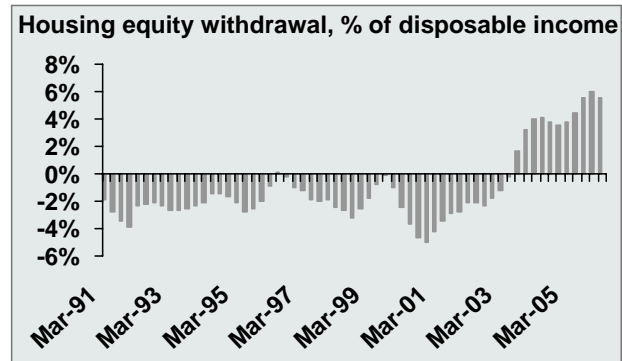
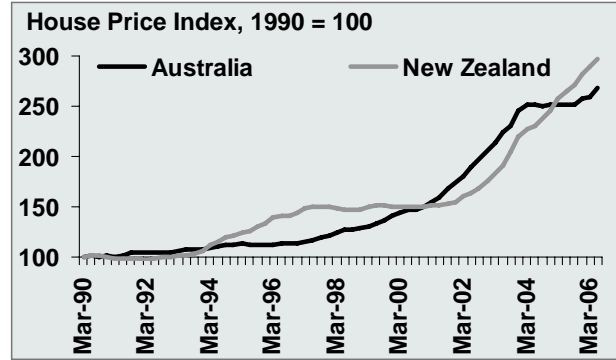
- Economy has slowed to sub 2% growth
- Slow-down has been largely home-sown
- Slower growth has spread from exchange rate exposed sectors to domestic
- Government and infrastructure growth are strong
- There will be a lag before the full benefits of a lower currency filter through
- There's currently a squeeze on business margins and consumer cash-flow

Key economic indicators	Calendar year		
	2005	2006f	2007f
GDP	2.3%	1.5%	1.2%
Unemployment rate – end period	3.6%	4.1%	4.4%
Consumer prices	3.2%	3.8%	2.5%
Overnight cash rate	7.25%	7.25%	6.00%



Economic environment

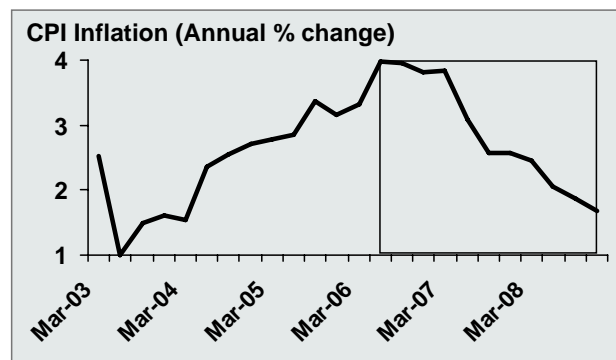
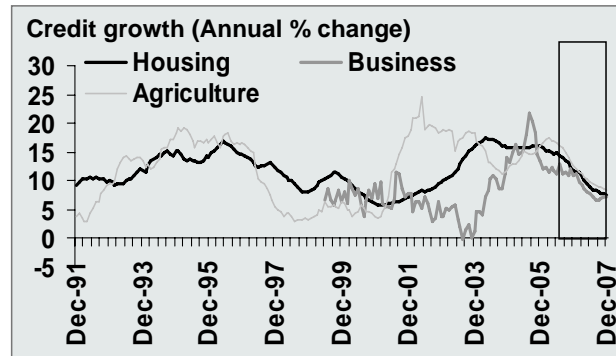
- The housing market is all important for consumer outlook
- Slower growth means NZ businesses will be focussed on market share
- NZ's economic outlook is probably similar to NSW and Victoria's current experience
- The starting point (business balance sheets, labour market, and commercial property) is very favourable in terms of prospects for asset quality



Source: Westpac Economics

Economic environment

- Banking sector lending will likely revert to core growth
- Interest rate cuts will only come when headline inflation is dropping
- Prevalence of fixed rate borrowing may see RBNZ “pushing on a string”
- Much of the monetary easing will come via the exchange rate



Source: Westpac Economics

- Henry Ford – General Manager Consumer
- Bruce Mclachlan – General Manager Business
- David McLean – Westpac Institutional Bank
- Gina Dellabarca – Director of Customer Experience
- David Cunningham – General Manager Marketing and Products
- Peter Thomas – General Manager Customer Service and Delivery
- David Boyes – Chief Information Officer
- Royce Brennan – General Manager Risk
- Geoff Officer – General Manager People and Performance
- Peter Rogers-Jenkins – Chief Financial Officer
- Christine Parker – Director of Corporate Affairs

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