

2006 Full Year Results

2 November 2006

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David Morgan Chief Executive Officer

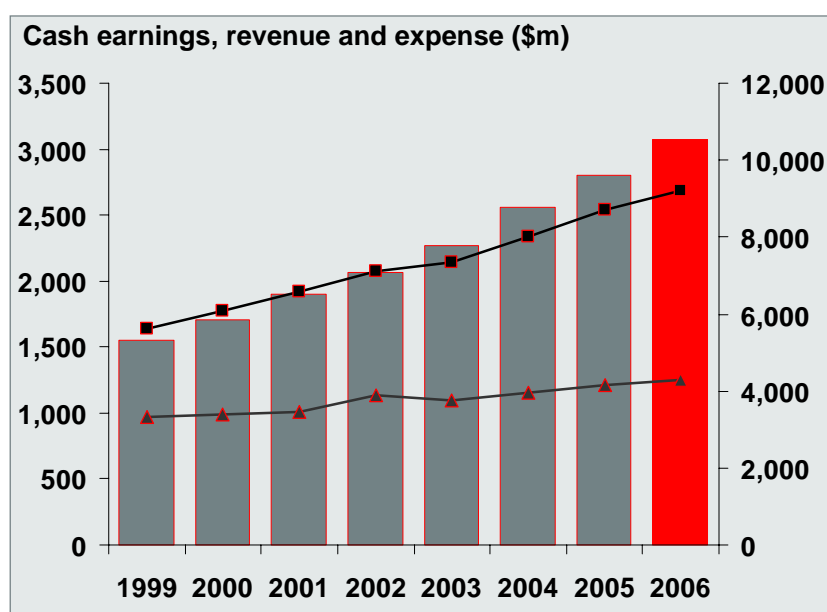
2 November 2006

A sound full year result

Reported net profit	\$3,071m	up 14%
Cash earnings	\$3,079m	up 10%
Core earnings ¹ (pre provisions)	\$4,859m	up 13%
Cash EPS	167 cents	up 10%
Cash ROE	23%	up 80 bps
Cost to income ratio ¹	47%	down 190 bps
Fully franked dividend	116 cents	up 16%

¹ Adjusted for AASB 132 & 139 accounting reclassifications, NZ\$ impacts, and significant one-off items

Consistent solid growth



* AGAAP 1999 to 2004; A-IFRS 2005 and 2006. Source: Westpac

	7 year CAGR	2006
■ Cash Earnings (LHS)*	10%	10%
■ Revenue (RHS)	7%	9%
▲ Expenses (RHS)	4%	4%

Solid underlying growth across the business

BCB	<ul style="list-style-type: none"> • 11% cash earnings growth absorbing cards impact • Improving operational momentum through the year
WIB	<ul style="list-style-type: none"> • Strong cash earnings up 20%¹ • Strength in capital solutions and financial markets • Run-down in structured finance
NZ	<ul style="list-style-type: none"> • Consumer performance improvement initiatives under way • Business performance remaining strong
BT	<ul style="list-style-type: none"> • A key growth driver, underlying cash earnings up 21%, ROE 16% • Growth opportunities in superannuation and insurance • Strong institutional FUM pipeline

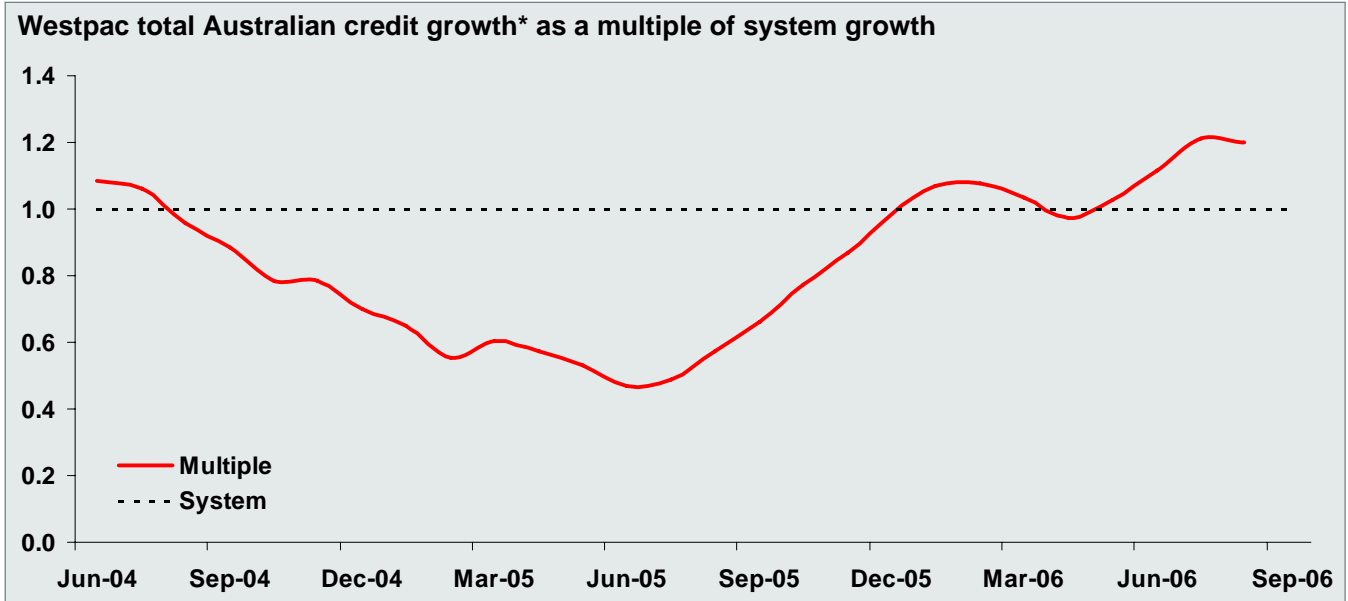
1. Excluding structured finance

Strategic focus delivering improved operational momentum

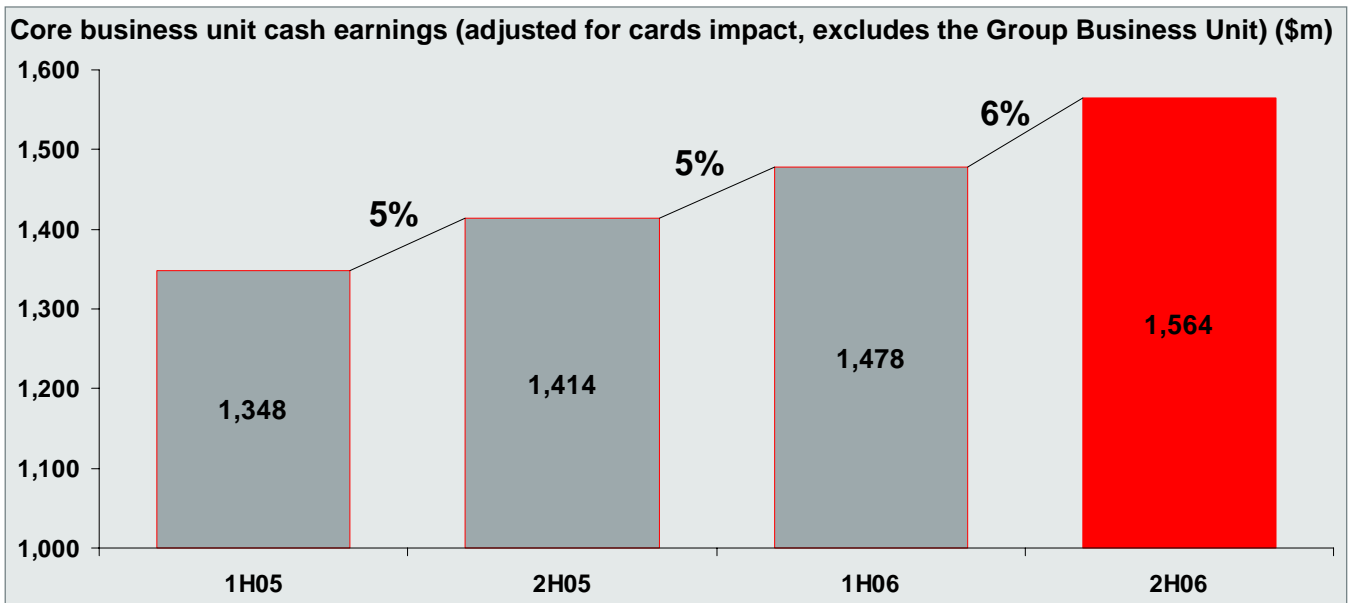
	Strategic drivers	Delivered momentum
Feet on the street	<ul style="list-style-type: none"> • 581 front line personnel • Completed Westpac Way (sales management) rollout 	<ul style="list-style-type: none"> • Doubled proportion of growth relative to system to 1.2 • Reach drawdowns up 40% • 30% of new BCB business lending due to sales force increase
Investing in growth	<ul style="list-style-type: none"> • Completed major platform investments • Streamlined cards application process 	<ul style="list-style-type: none"> • Sector leading infrastructure • BCB cards growth up 21%
Productivity improvement	<ul style="list-style-type: none"> • Completed Pinnacle • Reallocated resources from back to front office 	<ul style="list-style-type: none"> • Pinnacle processing 6,000 deals per month • Total FTE increased only 86 • Cost to income down 190 basis points

Note: Cost to income adjusted for AASB 132 & 139, accounting reclassifications, NZ\$ exchange rate impacts and significant one-off items

Loan growth back above system

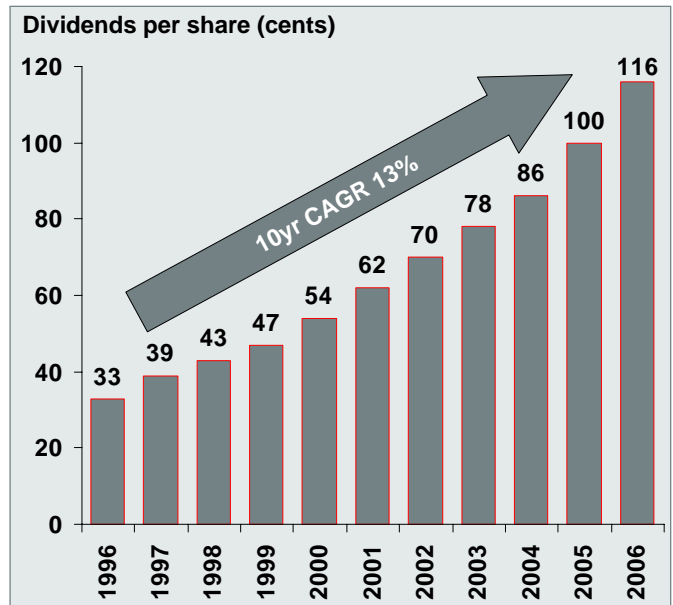


Improved business unit financial momentum



Dividend up 16%

- Strong dividend increase supported by:
 - 23% ROE with \$2bn in surplus capital generated
 - Significant franking surplus of \$417m
 - Strong capital position
 - Confidence in future
- Sustainable increase in pay-out ratio to circa 70%



The Details

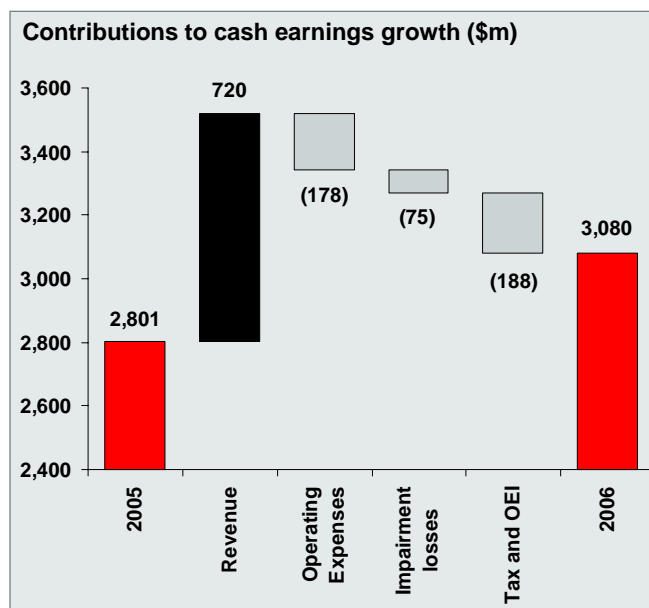
Phil Coffey

Chief Financial Officer

2 November 2006

Revenue growth driving the bottom line

	FY06	
	Reported	Adjusted
Net interest income	7	6
Non interest income	4	12
Operating income	6	9
Expenses	(3)	(4)
Core earnings	8	13
Impaired losses	2	(20)
Tax	(16)	(18)
Cash Earnings	10	



Different half on half dynamics

First Half 2006

- Strong adjusted revenue growth, 5%
- Extraordinary trading performance
- Low expense growth
- One-off tax charge
- Adjust for cards overstatement \$16m
- Softer core business unit contribution:
 - Structured finance run-off
 - NZ underperformance

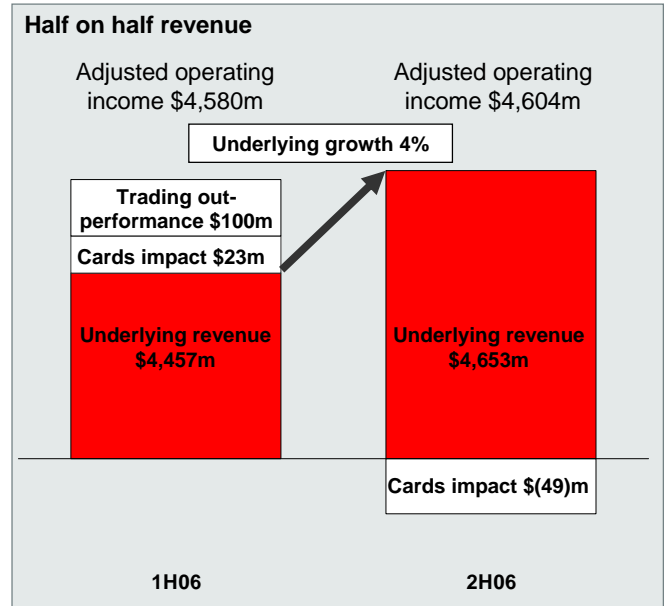
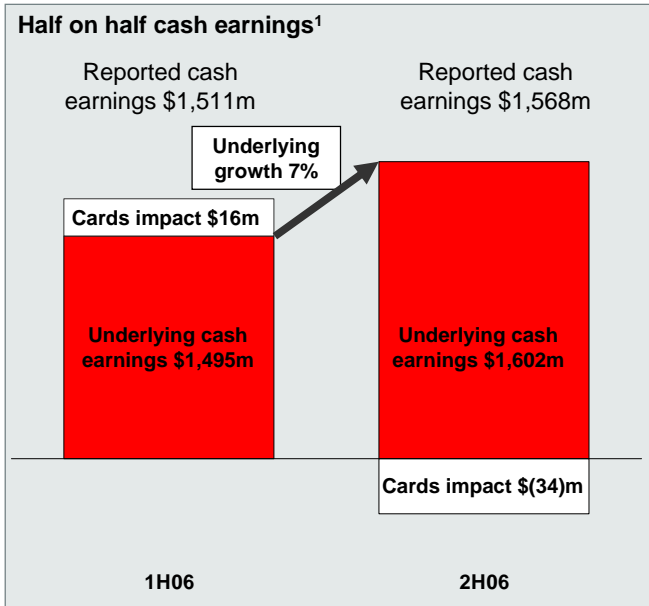
Softer underlying performance

Second Half 2006

- Lower adjusted revenue growth, 1%
- More 'normal' trading performance
- Increased front line investment
- Normalisation of tax charges
- One-off cards cost \$34m
- Stronger core business unit contribution

Stronger underlying performance

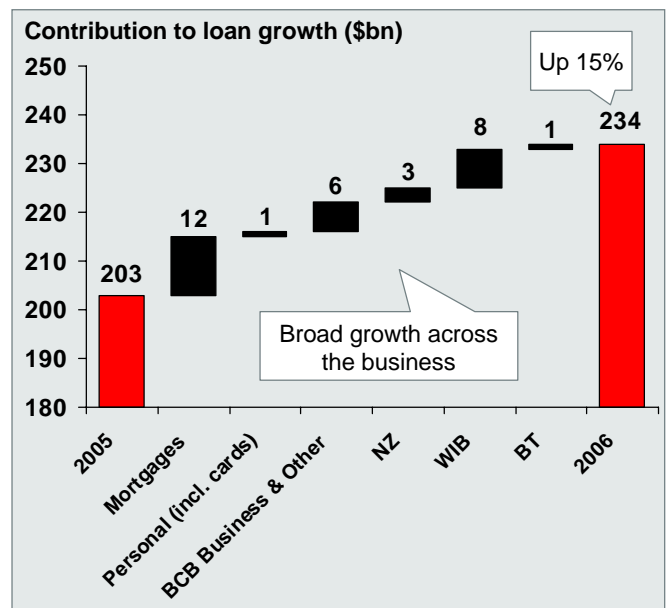
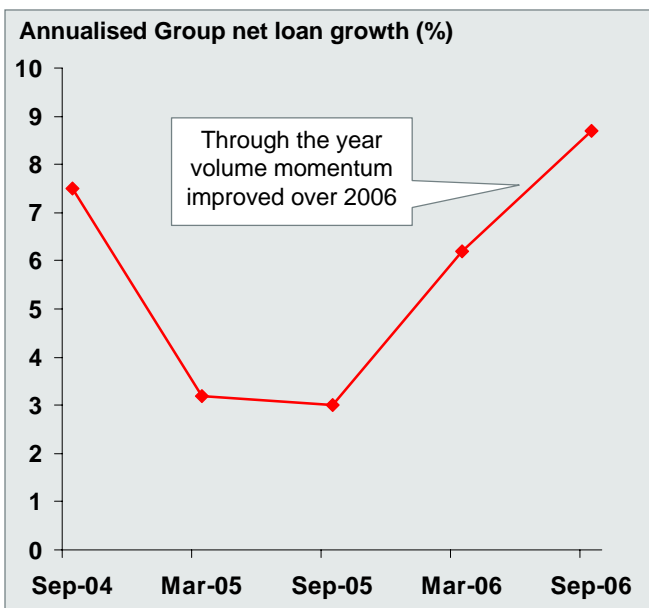
Improved 2nd half momentum



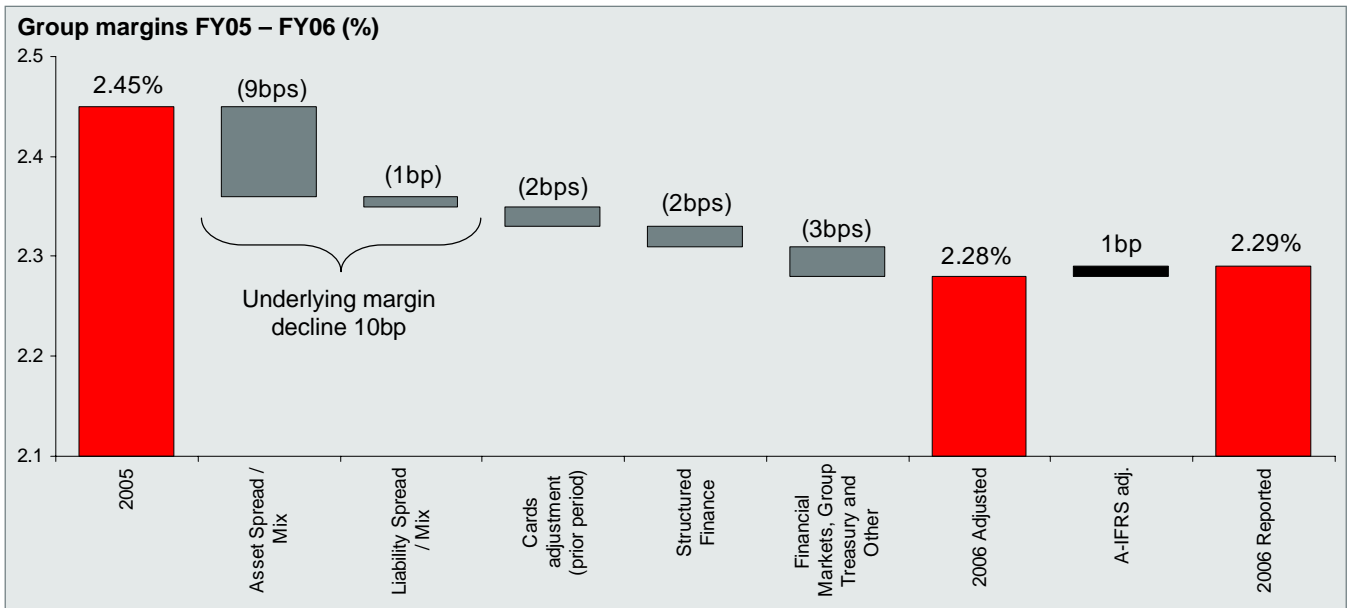
1. Trading and tax provision movements broadly offset at the bottom line



Loan growth momentum restored

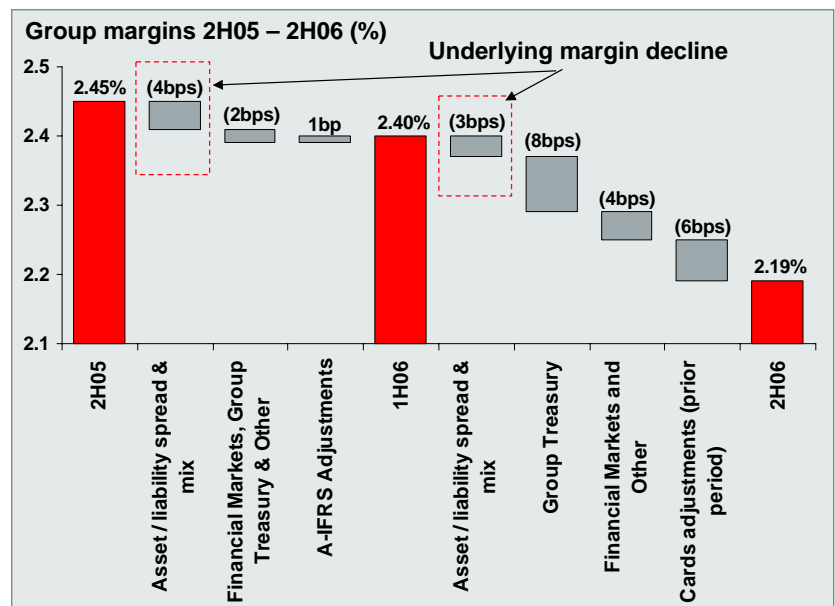


Analysis of year on year margin movement



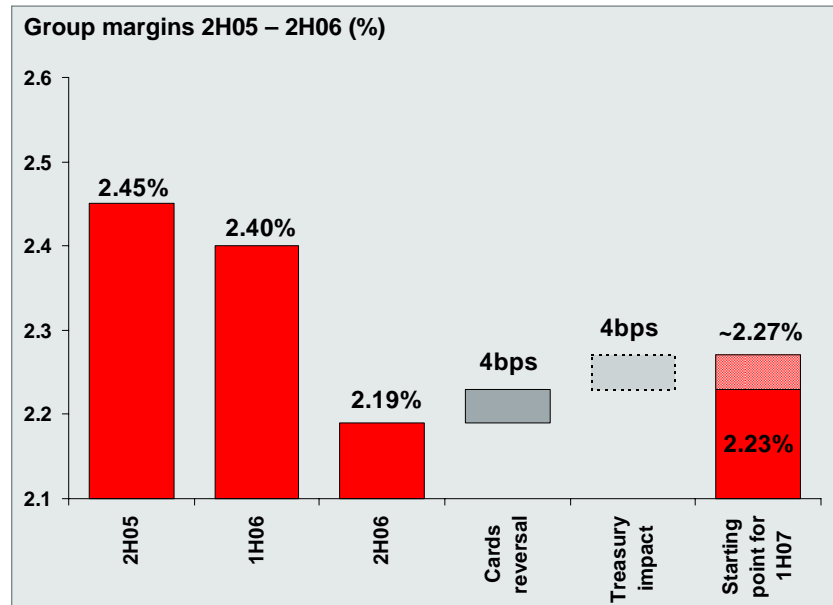
Analysis of half on half margin

- Reported margins in 2H06 down 21bps on 1H06, underlying margin decline 3bps
- Factors increasing 2H06 reported margin decline:
 - Treasury net interest income lower in 2H06 than 1H06 (8bps)
 - WIB assets higher in 2H06
 - Cards over-accrual adjustment (6bps)

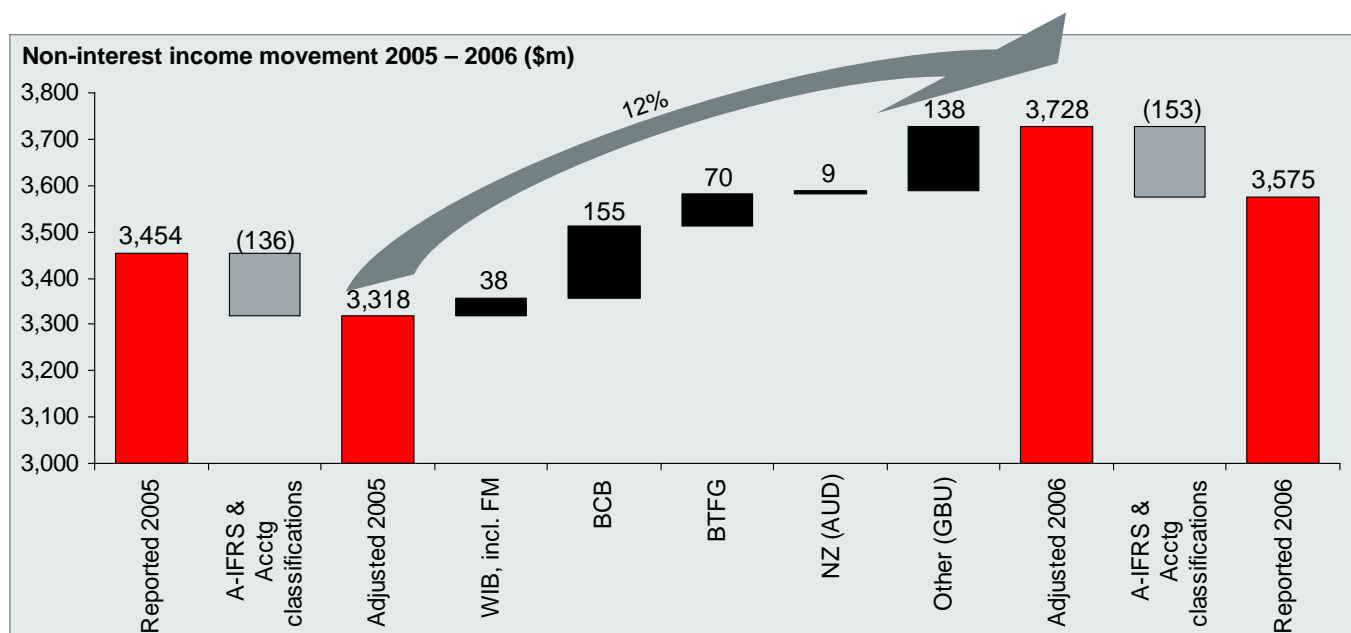


Starting point for 2007 margins

- 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



Non-interest income analysis



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 ¹	(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 front line:

- 581 sales employees
- Change in workforce mix contributed to salary

Higher advertising and telecommunication costs offset by lower outsourcing and non lending losses

1. Adjusted for AASB 132 & 139, accounting reclassifications and NZ\$ exchange rate impacts

Maintaining investment spend

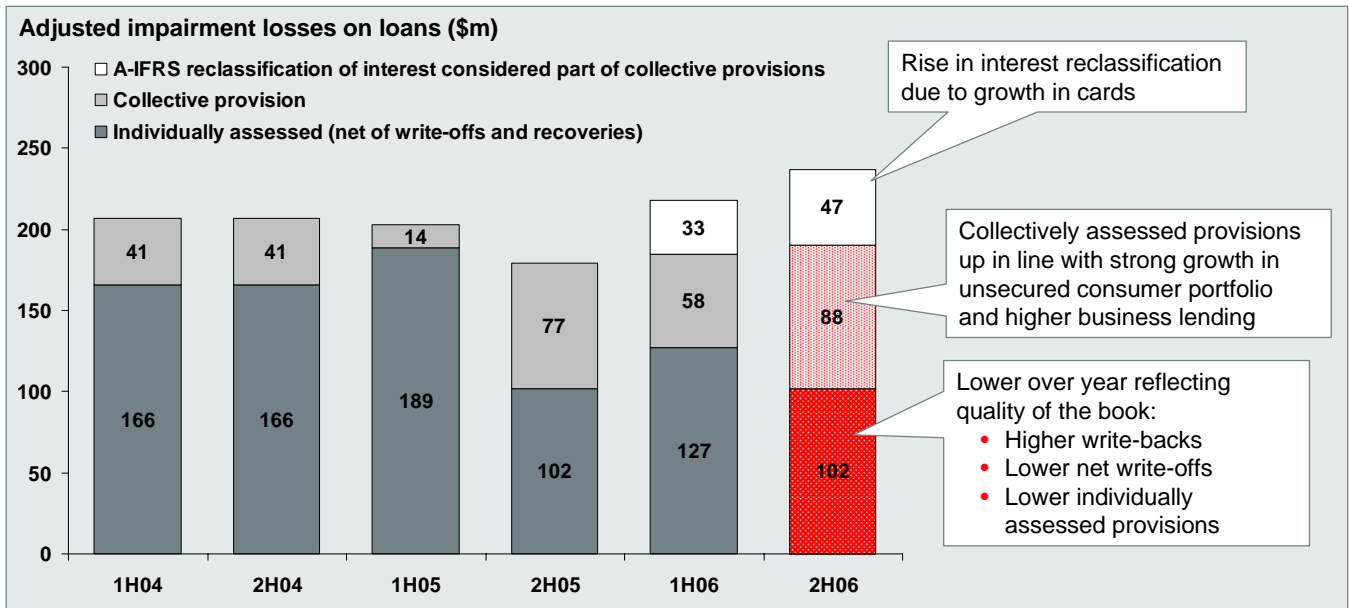
Project expenditure (\$m) ²		2005	2006
Front office capability	Advice Platform, Reach (CRM), Corporate Online, Pinnacle, NZ Teller Platform	93	61
Productivity & Infrastructure	Westpac Place, One Bank platform, NZ lending originations, Connect@Westpac	218	198
Compliance	Basel II, IFRS, SOX, Anti-money laundering	37	29
Other	System refreshes Product enhancements	83	109
Total major investment spend¹		431	397

\$m	2003	2004	2005	2006
Capitalised software balance	300	377	447	480
Annual amortisation (including impairment)	89	104	142	175

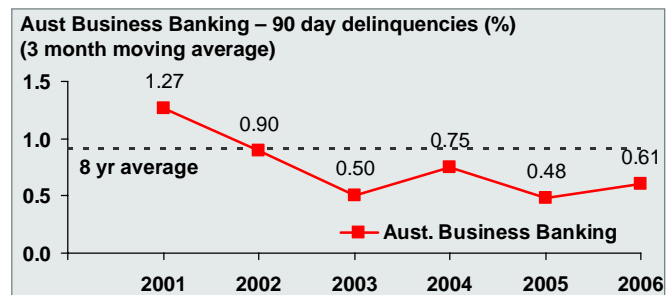
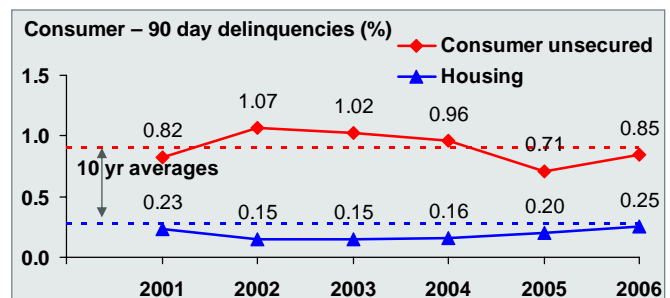
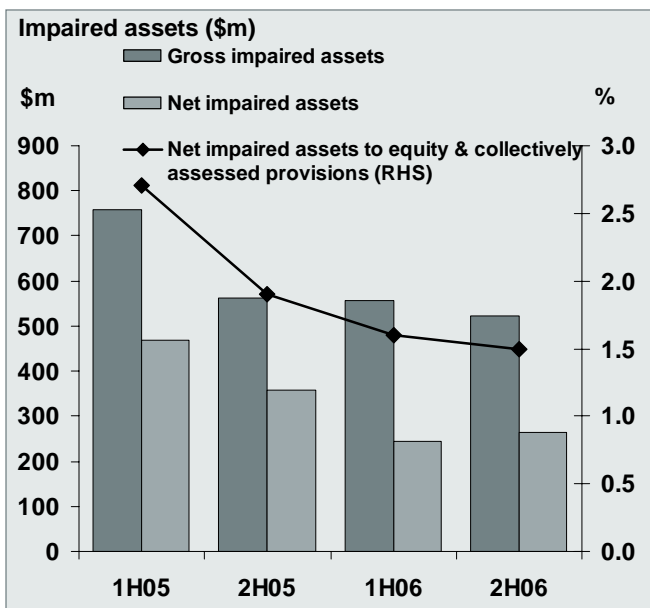
1. Includes investment provided by partners (2005: \$43m, 2006: \$35m)

2. Details previously provided have been restated moving \$11m from other to front office projects in 2005

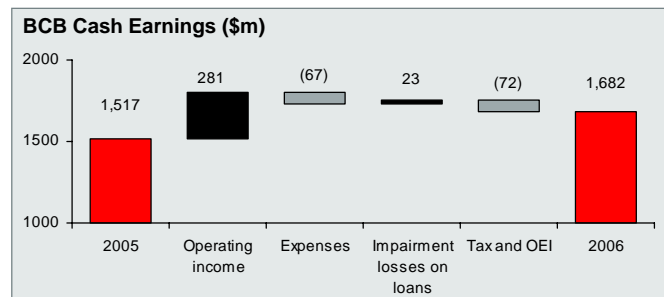
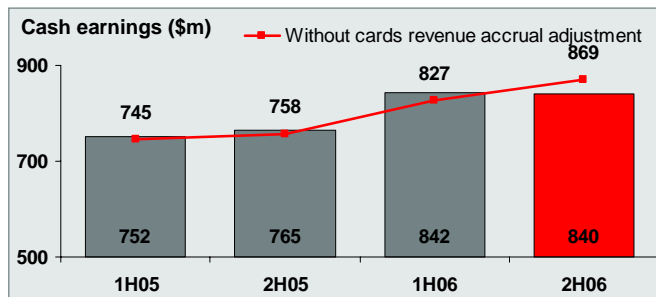
Collectively assessed provisions increased with asset growth



Asset quality sound, forward indicators coming off lows



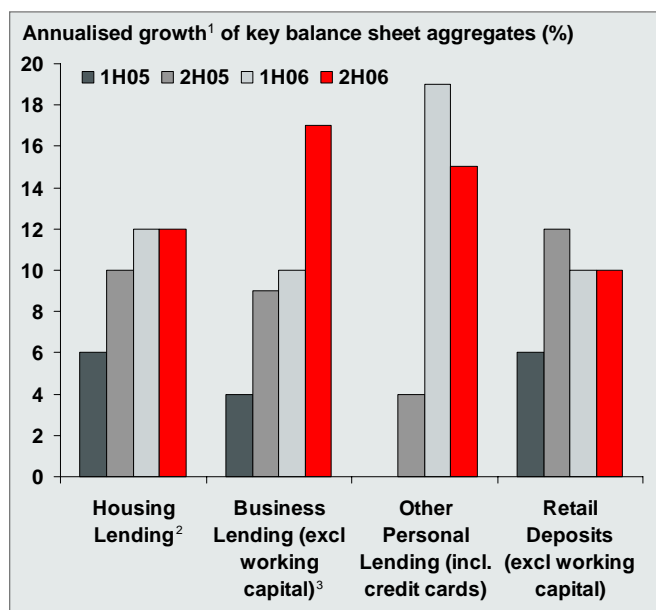
BCB – Sound underlying result, improving momentum



- Cash earnings up 11% on 2005
- Credit card over-accrual reduced earnings growth by 2% over year
- Expenses focused on front line investment

- Solid revenue performance, up 7% driven by:
 - Lending up 13%
 - Margin decline 13bps - adjusted for credit cards, down 10bps
 - Very strong non-interest income, up 13%

BCB – delivering profitable growth

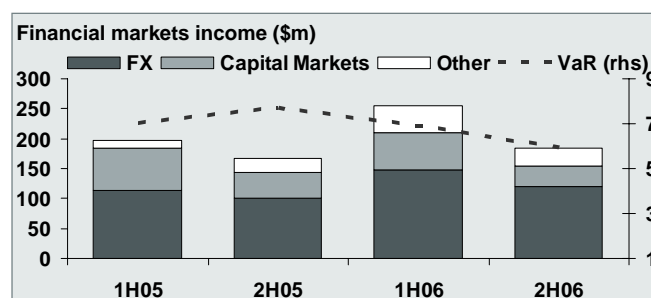
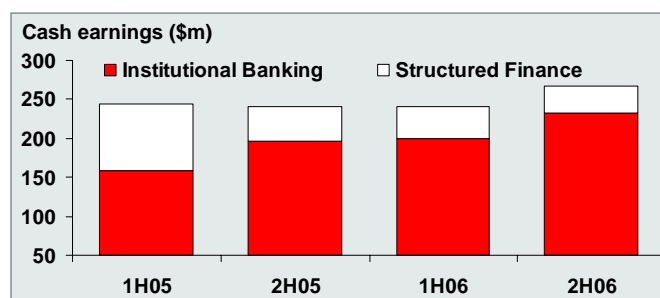


1. 1H05 and 2H05 exclude AASB 132 & 139
 2. Including securitisation
 3. BCB business lending including equipment finance

	1H05	2H05	1H06	2H06
Business lending spread (%)	1.85	1.84	1.81	1.75
Cards spreads adjusted for over-accrual (%)	6.68	6.65	6.23	6.11
Savings & Investments spread (%)	1.86	1.85	1.83	1.91
Mortgage spread (%)*	1.07	1.05	1.01	0.96

* Mortgage spreads amended from prior disclosures to include spreads after mortgage broker commissions

WIB – strengthening position in a competitive market



- Cash earnings up 20%¹ on 2005
- Revenue growth of 8%¹
 - Financial markets 20%
 - Transactional banking up 9%
- Net loans up 34%
- Write backs assisting impairment losses in 2H06

- FX earnings boosted FM
- Diverse earnings including Energy and Equity Derivatives
- Little change in VaR over year

1.Excludes structured finance

WIB Significant increase in capital solutions to customers

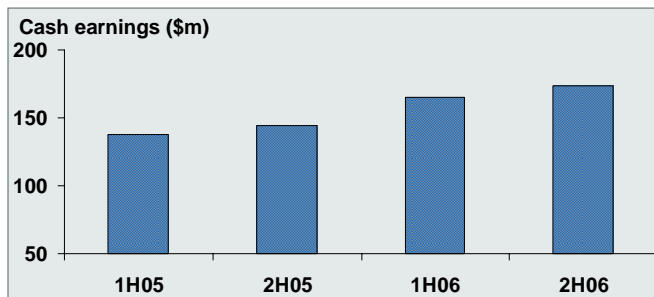
- Very strong asset growth over the year:
 - Particularly strong rise in 4Q06
 - Short term finance volumes likely to run-off in 2007
 - Major financier to 2006 corporate actions
- Market leading position in debt capital markets and syndications delivering good volume growth over year
- Asset growth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

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

Flow Volume (\$b)	2005	2006	% Growth
Syndicated Lending ²	5.4	11.0	+104%
Domestic bonds ³	3.5	7.6	+117%
Asset Backed Securities ⁴	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.
 2. Thomson Financial League Tables
 3. Bloomberg League Tables
 4. Insto League Tables.
 Flow volumes include self-led and co-led transactions from January to September each year.

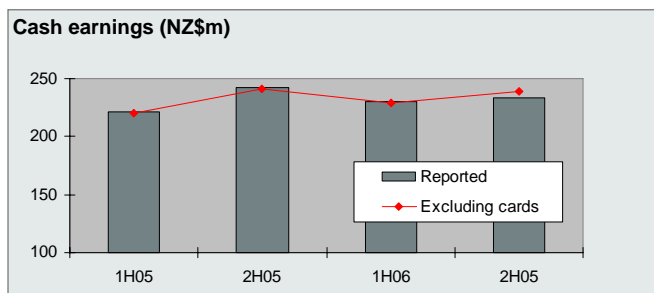
BTFG – Strong underlying cash earnings



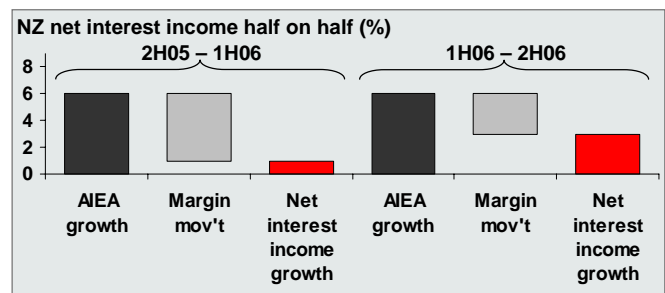
- Reported cash earnings growth 10%, underlying cash earnings up 21%
- 16% Return on equity
- All major portfolios experienced significant growth, including Wrap FUA up 34%
- Top quartile investment performance over 3 years
- Planner sales up 32%

Key performance indicators	2006 \$	% Change FY05-FY06
Total FUM	39b	↑ 5
Total FUA	40b	↑ 17
Margin Lending	3.7b	↑ 48
Life in-force premiums	253m	↑ 5
GI gross premium revenue	255m	↑ 27

New Zealand – flat earnings from soft consumer performance



- Cash earnings flat in NZ\$
- Credit cards income over-accrual reduced cash earnings by \$5m (2H06)
- Disappointing consumer performance
 - Lower fee income
 - Significant margin decline
- Impairment losses up due to lower write-backs



- Margins decline from:
 - Floating to fixed rate housing switch, 11bps in 2006, impact now abating
 - Growth in online savings accounts
- Lower fee income:
 - High customer attrition and increased fee avoidance
 - Plans underway to improve growth

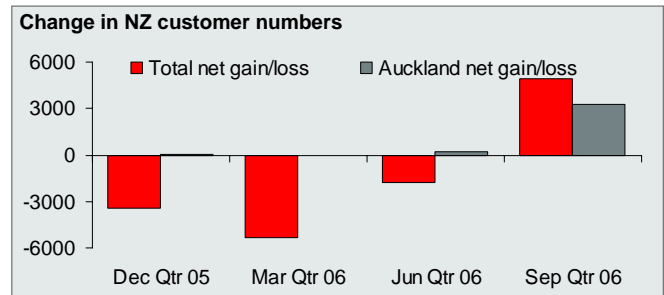
New Zealand – consumer rebuilding, business strong

Consumer Banking

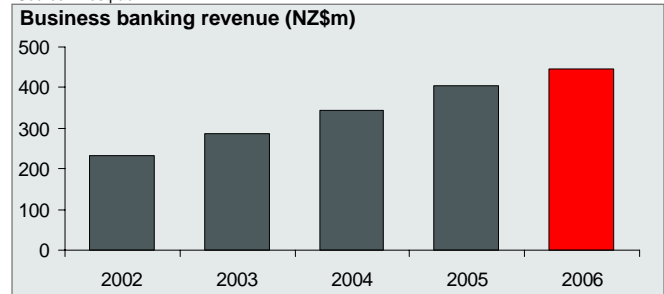
- High customer attrition in early 2006
- Initiatives underway
 - Fee/product enhancements
 - Early signs of net customer growth

Business Banking

- Revenues up 8%, driven by:
 - Market leading sales in middle markets and corporate
 - Agri-lending 1.4x system
 - Leverage of institutional products
- Customer satisfaction up 10% points to 60%



Source: Westpac



Source: Westpac



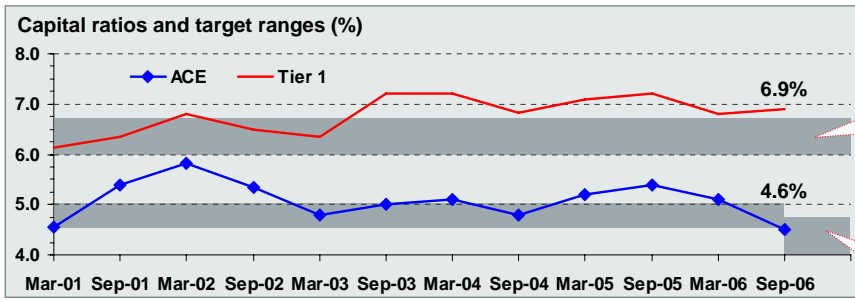
Group business unit

\$m	Change over year
Cash earnings 2005	24
Treasury income	20
Impairment losses	(14)
Group tax provisions	9
Other	16
Cash earnings 2006	55

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



Strong capital generation

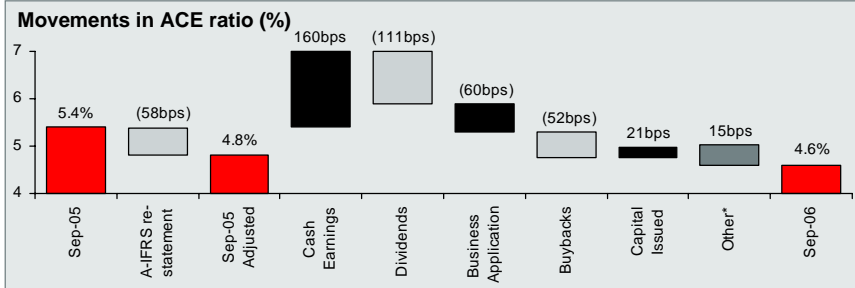


Capital ratios realigned for A-IFRS and revised APRA prudential standards

Tier 1 ratio target unchanged, transitional relief until 1 Jan 2008

New ACE ratio target range: 4.0% to 4.75%

Change due to additional APRA capital deductions. No change in economic risk of the business.



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

Higher dividend payout

Dividend Considerations

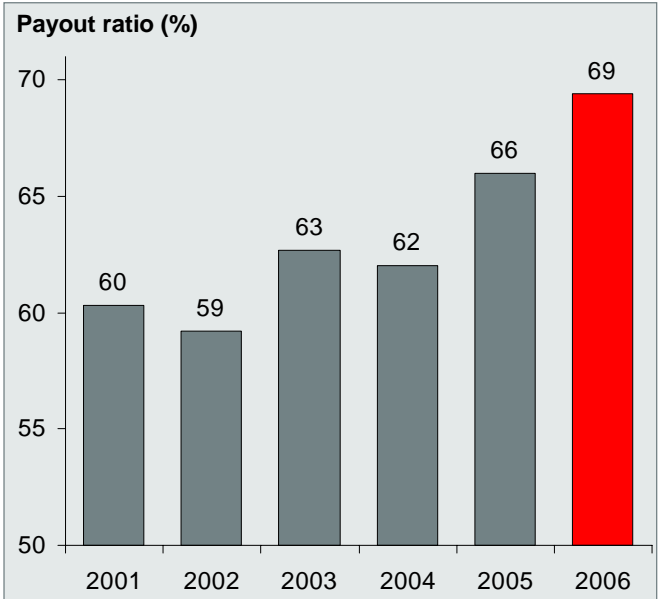
Increase each half

Full franking only

Neutralise share issuance (some dilution tolerated to utilise franking)

Use payout ratio to absorb A-IFRS earnings volatility

Aim to hold capital ratios within target ranges



2007 – setting the scene

Revenue	<ul style="list-style-type: none">• Lending expected to grow in line with system• Margin decline possible at upper end of 5-10 basis points contraction• Solid non-interest income with continuing contributions from BT and WIB
Expenses	<ul style="list-style-type: none">• Average expense growth 4% over last 5 years• 2007 growth expected to be slightly higher than recent average
Impairment losses	<ul style="list-style-type: none">• No signs of systemic stress• Delinquencies trending moderately higher than loan growth
Tax	<ul style="list-style-type: none">• Tax one-offs behind us
NZ\$	<ul style="list-style-type: none">• 2007 NZ earnings 75% hedged• Expect higher NZ\$ to reduce cash earnings growth by 1%

Outlook

David Morgan

Chief Executive Officer

2 November 2006

Environment remains positive

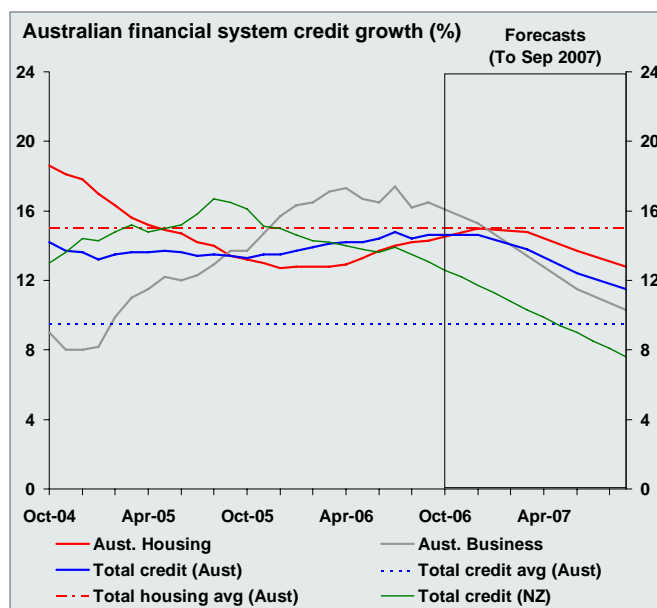
- Australian economy remaining strong:
 - Growth improving modestly
 - Unemployment remaining at recent lows
 - Further rate rise expected
- New Zealand softer:
 - Subdued growth
 - Unemployment rising
 - Interest rates stable

Key economic indicators	Calendar year		
	2005	2006f	2007f
World			
GDP	4.7%	4.7%	3.7%
Australia			
GDP	2.7%	3.2%	3.0%
Interest rates ¹	5.50%	6.25%	6.25%
New Zealand			
GDP	2.2%	1.7%	1.3%
Interest rates ¹	7.25%	7.25%	7.25%

¹ End of calendar year 2005, 2006 and June 2007
Source: Westpac Economics

Financial services market remains positive

- Solid GDP growth continuing to drive credit growth
- Credit growth remaining robust but easing from 2006 highs:
 - Housing expected to decline modestly
 - Business credit coming off 2006 peak
- Asset quality remaining sound
- Wealth sector growth continuing



Building sustainable growth

- BCB**
 - 440 additional front line bankers; more to come
 - Sector leading infrastructure enhancing momentum
 - Volume growth back at system
- WIB**
 - Significant opportunities in debt & capital solutions
 - Good deal pipeline in SCG / Hastings
- NZ**
 - Improving consumer customer retention
 - Maintaining the strength in business banking
- BT**
 - Top quartile fund performance
 - Strong FUM inflows with pipeline of new mandates
 - Capturing superannuation and insurance opportunities

Outlook

- Operating environment remains broadly favourable
- Westpac's franchise is in very good health
- Improved revenue momentum into 2007
- Expenses marginally higher but with healthy gap to revenue growth
- No surprises anticipated for impairment losses or tax expense
- Confident of delivering strong earnings growth in 2007

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