

## Investor Discussion Pack

**March 2006**

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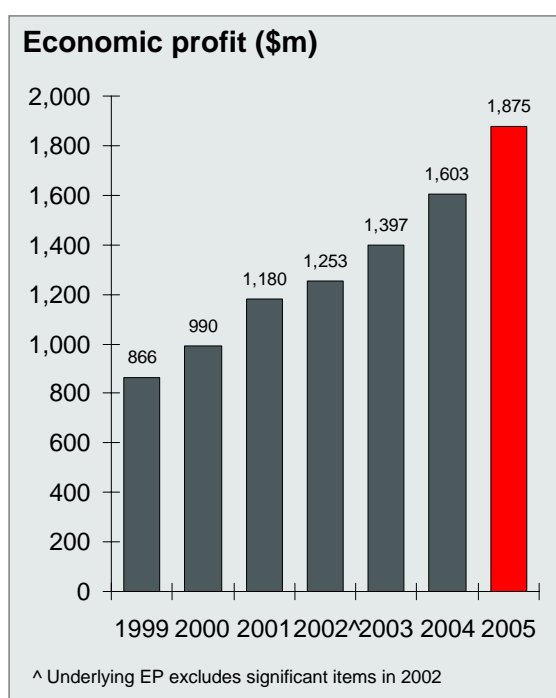
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## Westpac – quality, consistency and growth

	2004	2005	% Change
Cash EPS (cents)	138.6	155.3	12
Cash ROE (%)	20.7	21.4	70bps
Cash earnings (\$m)	2,559	2,874	12
Net profit (\$m)	2,539	2,818	11
Operating revenue (\$m)	8,010	8,805	10
Expenses (\$m)	(3,940)	(4,105)	(4)
Bad and doubtful debts (\$m)	(414)	(382)	8
Economic profit (\$m)	1,603	1,875	17
Net loans and acceptances (\$bn)	188.0	200.5	7
Stressed loans to committed exposures (%)	0.79%	0.72%	(7bps)
Cost to income ratio (%)	49.2	46.6	(260bps)
Net interest margin (%)	2.53	2.50	(3bps)
Fully franked dividend (cents)	86	100	16

## A track record of strong growth and returns



	5 year CAGR
Cash earnings	11%
Cash EPS	11%
Cash ROE (5 year avg)	21%
Economic profit	14%
Revenue	8%
Expenses	4%
Core earnings	13%

## 2005 cash earnings

\$m	2004	2005	% Change
Net interest income	4,755	5,245	10
Non-interest income	3,255	3,560	9
Operating income	8,010	8,805	10
Operating expenses	(3,940)	(4,105)	(4)
Bad debts	(414)	(382)	8
Net profit before tax	3,492	4,150	19
Net profit after tax & OEI	2,539	2,818	11
<b>Cash earnings</b>	<b>2,559</b>	<b>2,874</b>	<b>12</b>

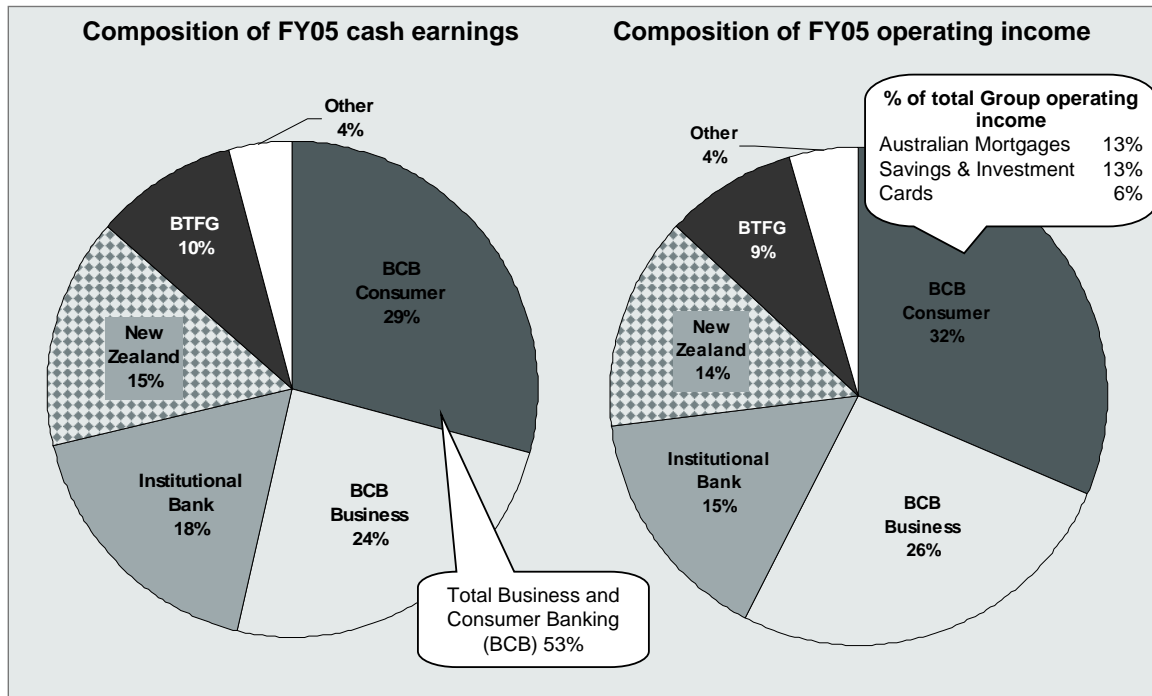


## Traditionally stronger second half

	2H04	1H05	2H05	% Change 1H05- 2H04	% Change 2H05- 1H05
Operating income	4,132	4,204	4,601	2	9
Operating expenses	(2,015)	(2,034)	(2,071)	(1)	(2)
Core earnings	2,037	2,087	2,445	2	17
Bad debts	(207)	(203)	(179)	2	12
Tax & OEI	(516)	(559)	(773)	(8)	(38)
<b>Cash earnings</b>	<b>1,326</b>	<b>1,380</b>	<b>1,494</b>	<b>4</b>	<b>8</b>

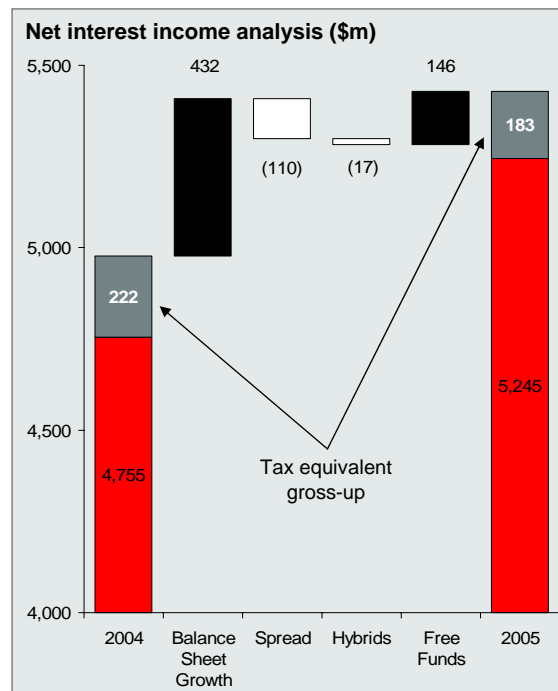
Cash earnings by half year (\$m)	1H	2H	%2H-1H	%1H-2H
2001	920	981	2.6	6.6
2002	996	1,067	1.5	7.1
2003	1,095	1,176	2.6	7.4
2004	1,233	1,326	4.8	7.5
2005	1,380	1,494	4.1	8.3

# Composition of cash earnings and operating income



# 2005 net interest income analysis

- Net interest income increased 10%
  - 10% growth in average interest earning assets
  - 3 bps margin contraction
- Net interest income assisted by:
  - \$27m changes in Treasury composition
  - \$30m changes in financial markets income
  - \$17m from change in broker commission amortisation
- Excluding these items the margin decline would have been around 7bps
- Free funds impact assisted by strong capital position



## Loan growth

\$bn	Sep-04	Sep- 05	% Change <sup>1</sup>
			Sep-05 Sep-04
Consumer (Australia)	98.9	106.5	8
<i>Housing</i>	91.6	99.0	8
<i>Personal (loans &amp; cards)</i>	7.3	7.5	2
Business (Australia)	36.3	38.9	7
Institutional Bank	25.5	24.9	(2)
New Zealand (NZ\$)	28.2	32.2	14
BT Financial Group	1.8	2.5	37
<b>Group</b>			
Net loans and acceptances	188.0	200.5	7
Net loans and acceptances (adj for NZ SF & securitisation)	203.5	186.9	9
Avg. interest earning assets	196.5	217.0	10

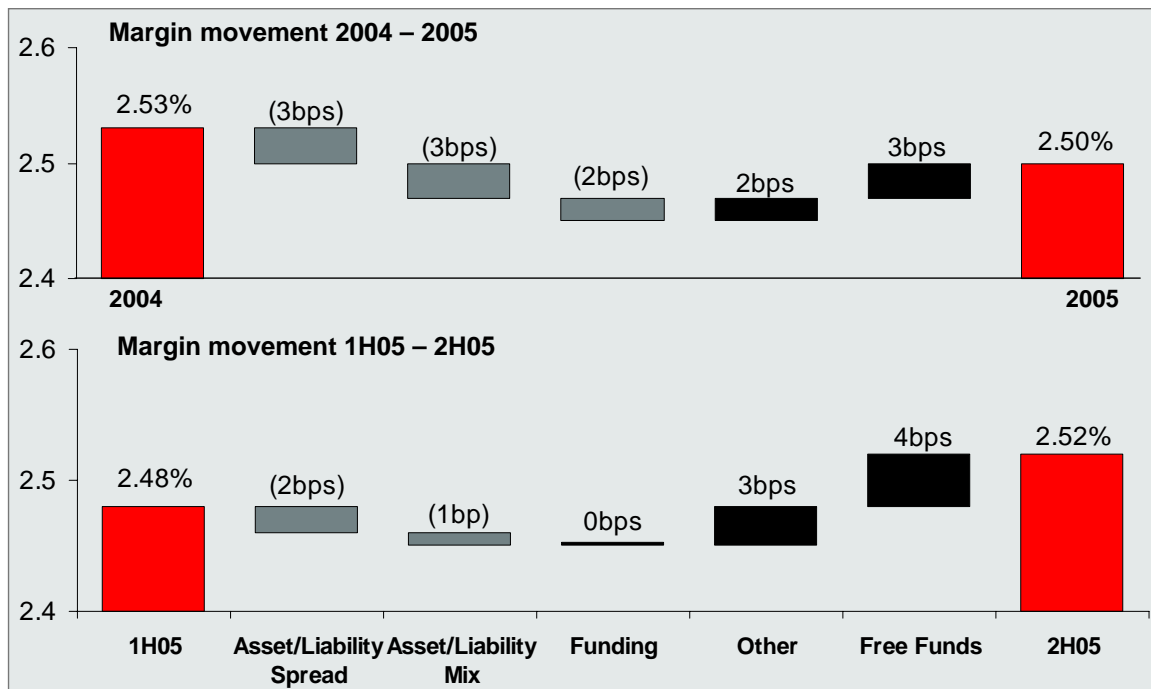
<sup>1</sup> % changes have been calculated before rounding of numbers

## Deposit growth

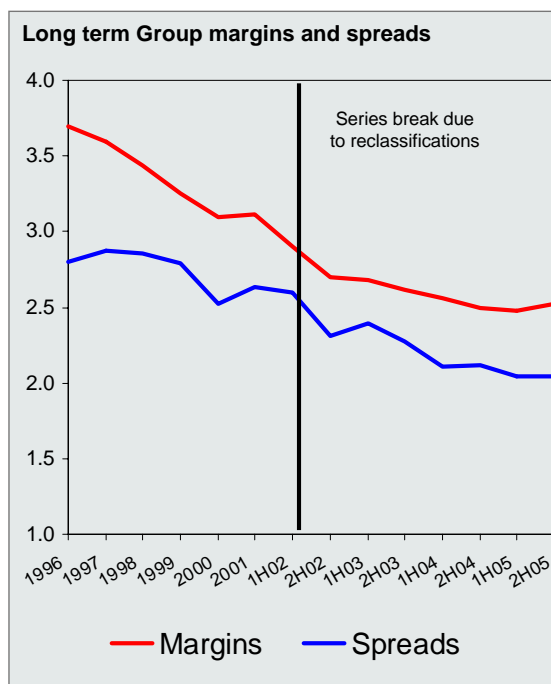
\$bn	Sep-04	Sep- 05	% Change <sup>1</sup>
			Sep-05 Sep-04
<b>Group</b>			
Customer deposits	112.3	120.0	7
Certificates of deposit	34.2	29.4	(14)
Total deposits	146.5	149.5	2
Avg interest bearing liabilities	177.9	197.1	11
<b>Business Unit</b>			
Consumer (Australia)	50.4	52.3	4
Business (Australia)	24.3	30.8	27
Institutional Bank	14.0	14.0	0
New Zealand (NZ\$)	18.6	19.9	7
Pacific Banking	1.1	1.2	5
Other <sup>2</sup>	39.4	33.1	(16)

<sup>1</sup> % changes have been calculated before rounding of numbers  
<sup>2</sup> Other includes Treasury

## Analysis of margin movements



## Group margin and spread trends



### Australian product spreads

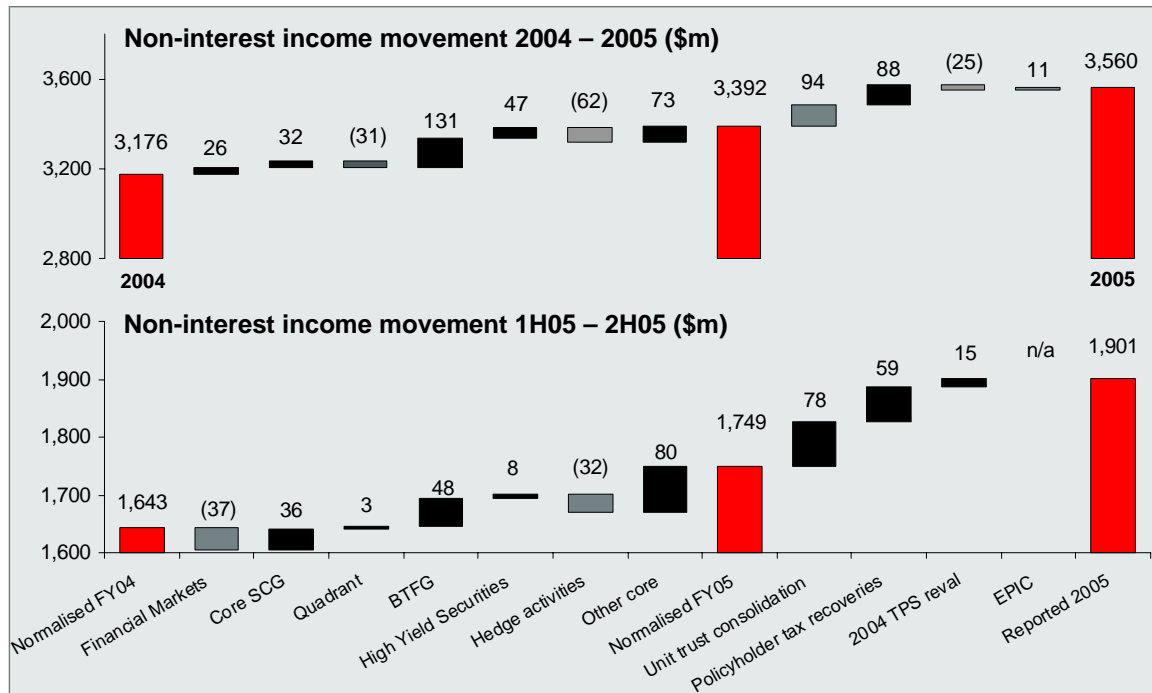
Product	1H04	2H04	1H05	2H05
Mortgages	1.18	1.18	1.17	1.16
Cards	6.77	7.05	7.15	7.12
Business	1.79	1.80	1.78	1.78
Equipment finance	2.16	2.02 <sup>^</sup>	2.15	2.11
Retail deposits	1.71	1.68	1.65	1.68

### New Zealand product spreads

Product	1H04	2H04	1H05	2H05
Loans	1.74	1.67	1.55	1.47
Deposits	1.76	1.86	1.95	1.91

<sup>^</sup> Spread in 2H04 impacted by repurchase of portfolio of equipment finance loans under the terms of the sale of AGC to GE Capital Finance in 2002

## Non-interest income analysis

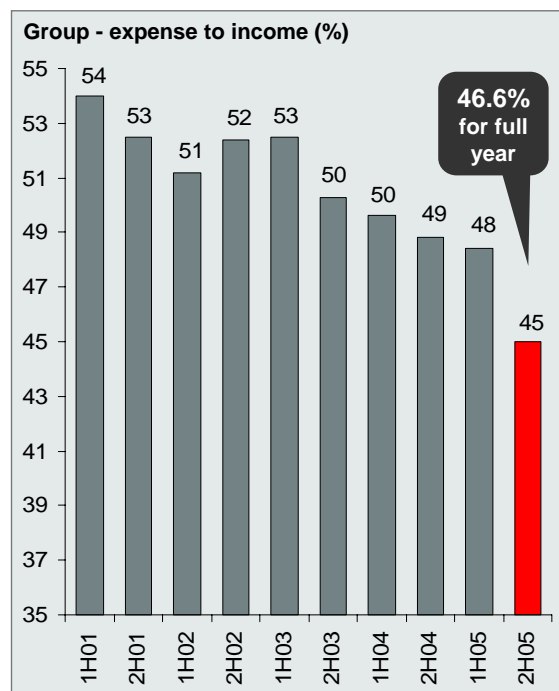
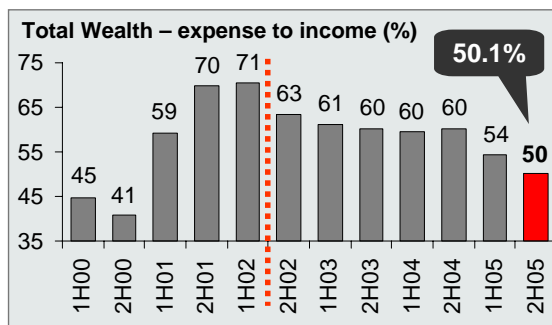
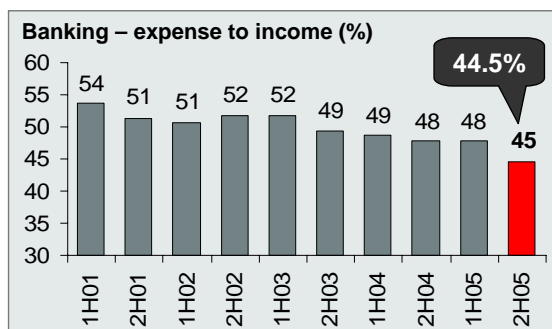


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## Closing the productivity gap



Note: Pre BT acquisition – data not comparable. Data for 2000 does not include NZ wealth business.

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## Expenses – continued tight management

Expense analysis (\$m)	2004	2005	% Change
Operating expenses	3,940	4,105	4.2
<i>Epic consolidation</i>	(22)	(8)	
<i>Consolidation of Life Company MIS</i>	(3)	(4)	
<i>\$NZ impact</i>	-	(24)	
<b>Adjust operating exp.</b>	<b>3,915</b>	<b>4,069</b>	<b>3.9</b>

Expenses by category (\$m)	2004	2005	% Change
Salary and other staff expenses	1,988	2,131	7
Salaries and wages	1,565	1,640	5
Other staff expenses	400	483	21
Restructuring expenses	23	8	(65)
Equipment and occupancy	607	596	(2)
Other	1,345	1,378	2

Major compliance spending \$m	Spend in 1H05	Spend in 2H05	Expected spend after FY05
Basel II	5	13	17
IFRS	4	9	4
Sarbanes Oxley	3	3	8
Anti-Money Laundering	1	1	27
Other	1	2	0
<b>Total</b>	<b>14</b>	<b>28</b>	<b>56</b>

## Investing for future growth

Project expenditure over the year	\$m
Front office capability	
Advice Platform	
Reach – CRM	
Corporate Online	
Pinnacle	82
Productivity & Infrastructure	
New head office	
BT Integration	
One Bank platform	216
Compliance	
Basel II, IFRS, SOX	37
Other	
System refreshes	
Product enhancements	96
<b>Total investment spend<sup>1</sup></b>	<b>431</b>

<sup>1</sup> Includes \$43m in investment provided by partners



## Investing in the strength of the franchise

	Distribution	Infrastructure	Productivity
Recent investments	<ul style="list-style-type: none"> <li>Increased size and strength of distribution network</li> <li>Corporate Online</li> <li>NZ Assist teller platform</li> <li>Integrated sales and service platform (<i>Reach</i>)</li> <li>Enhanced Wrap and Corporate Super platforms</li> </ul>	<ul style="list-style-type: none"> <li>Automated end-to-end lending process (Pinnacle)</li> <li>Single distributed desktop platform</li> <li>Upgrade of finance, MIS and HR infrastructure</li> <li>Compliance programs, IFRS, Basel II, SOX</li> </ul>	<ul style="list-style-type: none"> <li>Lending product review (consolidation, automation, outsourcing)</li> <li>Integrated sales management program 'Westpac Way'</li> <li>New consolidated head office</li> </ul>
Outcomes/benefits	<ul style="list-style-type: none"> <li>More than 40% of branches with extended opening hours</li> <li>Corporate Online now supporting over 1,000 customers and recognised as the market leading platform<sup>1</sup></li> <li>400 new staff in the front line</li> <li><i>Reach</i> now supporting more than 5,000 bankers</li> </ul>	<ul style="list-style-type: none"> <li>Only Australian bank with paperless business loan processes</li> <li>Pinnacle significant back office savings - \$14m in 2005</li> <li>Efficient deployment of modern technologies with reduced risk</li> </ul>	<ul style="list-style-type: none"> <li>Via Westpac Way, Home Finance Managers sales productivity up 25%</li> <li>Support and outsourced costs held relatively flat</li> <li>New head office lease costs fixed for 12 years (through a fixed annual % increase)</li> </ul>

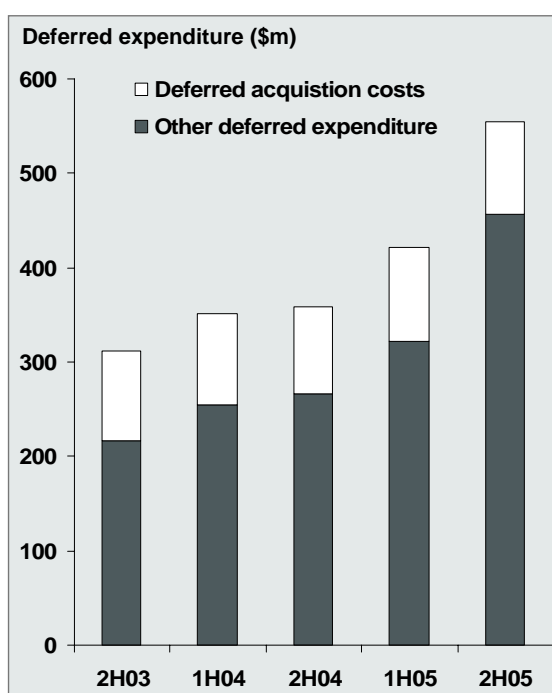
1. Peter Lee Large Corporate & Institutional Transactional Banking Survey

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## Deferred expenditure and capitalised software



Capitalised software - major projects \$m	Amortisation period (years)	Sep 2003	Sep 2004	Sep 2005
Business loan origination (Pinnacle)	3	45	76	91
Institutional Bank	3	31	36	34
Standardised platform (One Bank)	3	26	58	76
Channel development and distribution	3	11	21	22
Product enhancement	3	13	12	9
Customer relationship management (Reach)	3	29	45	46
Other – Australia & NZ	3	127	100	134
Teller platform, New Zealand	5	19	29	36
<b>Total</b>		<b>300</b>	<b>377</b>	<b>447</b>
<b>Annual amortisation</b>		<b>89</b>	<b>104</b>	<b>142</b>

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## Westpac Place

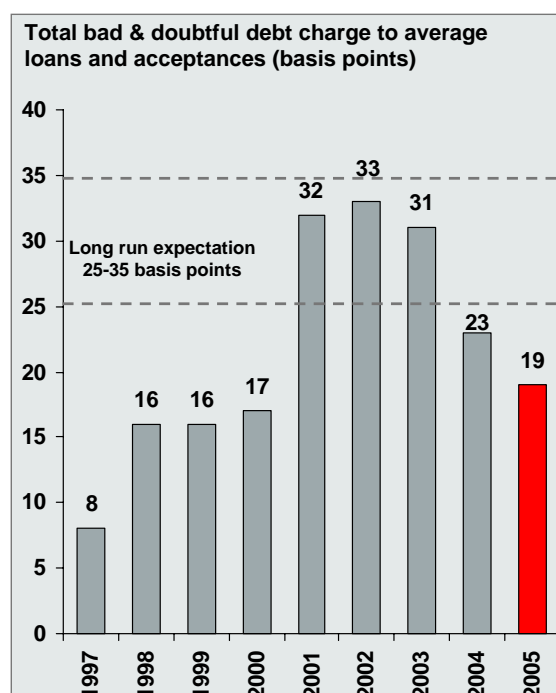
- Moving from 11 sites to 2 primary sites
- 5,000 staff moving to new premises from Feb 2006
- Lease costs fixed for 12 years<sup>1</sup>
- Refresh of mid-range server environment
- \$66m in net fit-out
- \$141m in technology refresh, \$85m provided by suppliers



1. Through a fixed annual % increase

## Bad debts lower due to better write backs & recoveries

\$ m	2004	2005
New specific provisions	174	170
Write-offs	274	307
Write backs & recoveries	(116)	(186)
Bad debts before dynamic provision	332	291
Dynamic provision		
Gross dynamic provision charge	122	112
Factor changes	(27)	17
Transfer to specific provision	(20)	-
Credit related litigation provisions	7	(38)
Net Dynamic provision	82	91
<b>Total bad debt charge</b>	<b>414</b>	<b>382</b>

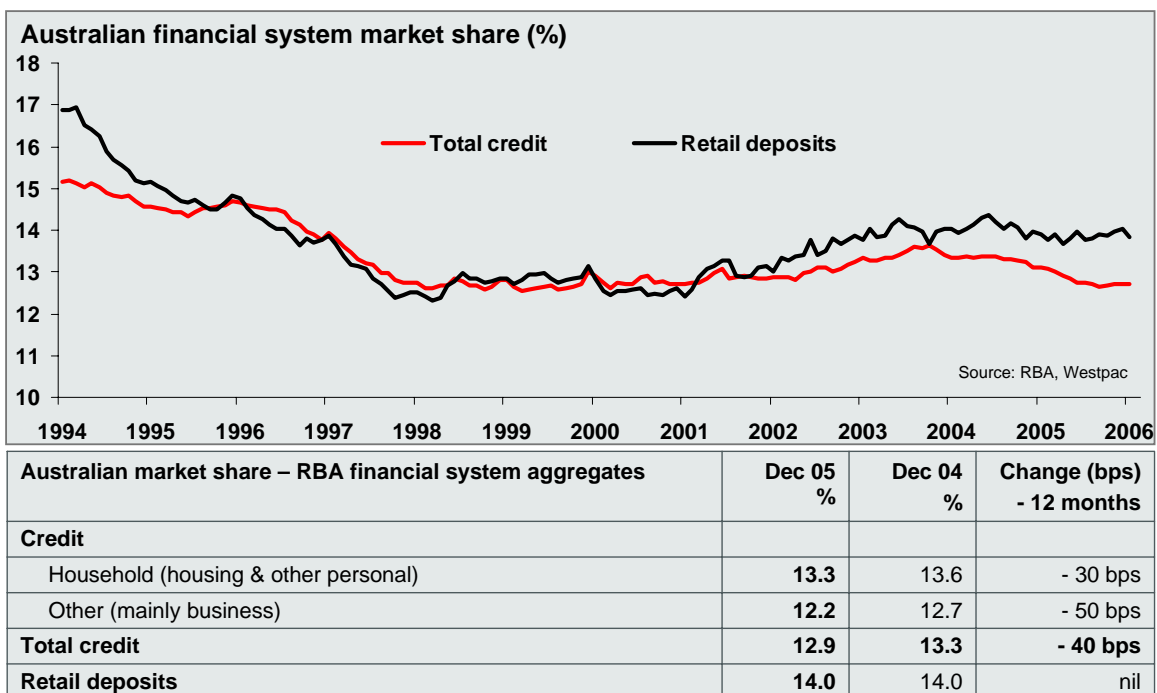


## Tax breakdown

\$m	2004	2005
Tax expense	913	1,222
Tax expense as a % NPBT	26.1%	29.4%
Adjustments		
Policy holder tax recoveries	(33)	(88)
Prior period adjustments	25	(36)
Additional tax expense	(35)	(48)
Normalised tax expense	870	1,050
Normalised tax rate	24.9%	25.3%
Effective tax rate inc gross up <sup>1</sup>	30.3%	30.9%

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.

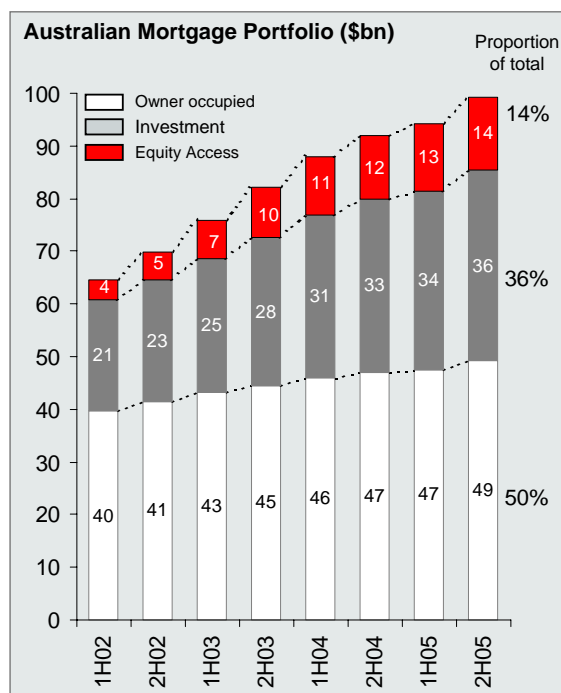
## Aggregate market share



Note: Westpac's 'household' and 'other' market share statistics have been adjusted following the RBA's revision of its methodology for calculating credit data to better reflect the impact of securitisation, announced 31 May 2004.

## Mortgage portfolio characteristics

- Housing growth has remained solid
  - Owner occupied up 5%
  - Investment up 10%
  - Equity Access up 15%
- Average LVR of new loans 65% - no change since 2004
- Total bad debts (excluding dynamic provisioning) are less than 1 basis point



## Low Doc lending – small but profitable

- ‘Low Doc’ style lending historically done for existing customers where customer history well known
- Low Doc loans aimed at attracting new, self-employed customers – primarily through broker channel
- Current Low Doc product and policies consistent with Westpac’s risk appetite and market standards
- Portfolio performance in line with reported industry standards

Low Doc lending – Dec 05	\$m	% of portfolio
Total Portfolio	\$1,231	1%
Quarterly average new lending	\$472	7%

### Low Doc lending - features

Primary applicant must have been self employed for minimum of 2 years

Maximum loan-to-value ratio of 82%<sup>1</sup>

Mortgage insurance required where LVR >60%

All loans require an internal inspection

Security restrictions by property size, type and location (e.g. CBD postcodes not acceptable)

The maximum loan amount per security is A\$1 million for loans with an LVR >60% and \$1.5 million for loans with an LVR ≤60%.

All standard credit policies (credit score, bureau, credit history, serviceability etc) are applied.

Borrower’s income declaration form is completed by all applicants.

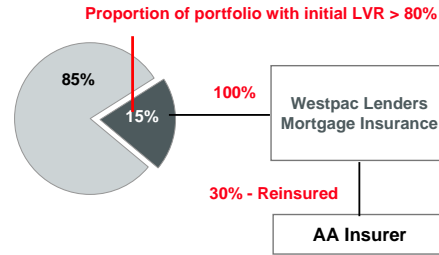
1. 80% LVR plus 2% to cover premium capitalisation

# Mortgage portfolio quality

## Mortgage insurance

- 100% mortgage insurance where loan to value (LVR) ratio > 80%. Some exceptions include LVR 80-80.99, short-term /bridging loans and some employee loans – this represents approx. \$2.34b in exposure.
- Stop loss reinsurance cover over all 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



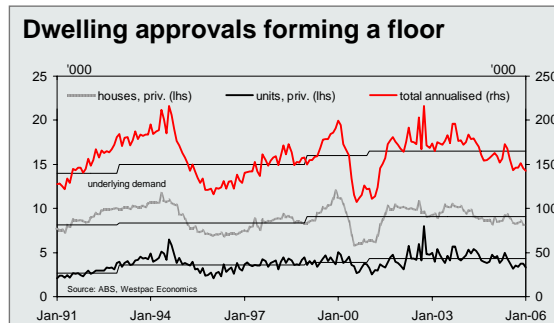
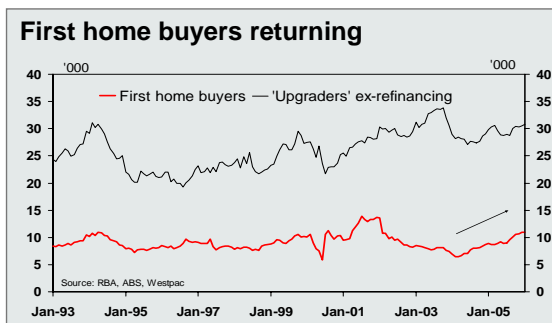
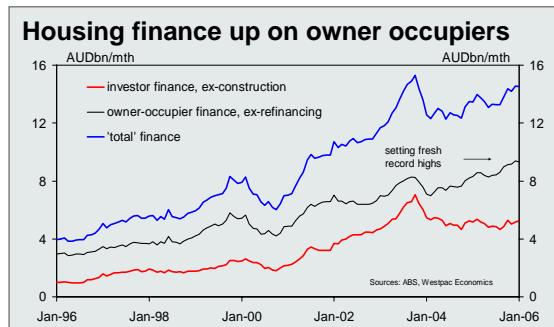
## Mortgage portfolio stress testing – 2005 results

- Nominal changes in sensitivities over prior year
- Further improvements in unemployment since prior stress testing
- Capacity to absorb interest rate rises strong with 71% of amortising borrowers repaying in excess of required minimum

Westpac 2005 Stress Test Results	Base case	Scenario A	Scenario B
Interest rate % pa	7.3%	9.3%	11.3%
Individual effect \$m	0	5	12
Price fall %	0%	10%	20%
Individual effect \$m	0	7	21
Unemployment rate	5.0%	6.0%	7.0%
Individual effect \$m	0	3	9
Combined effect \$m	0	21	109
Combined effect bps	0.0	2.1	11.0

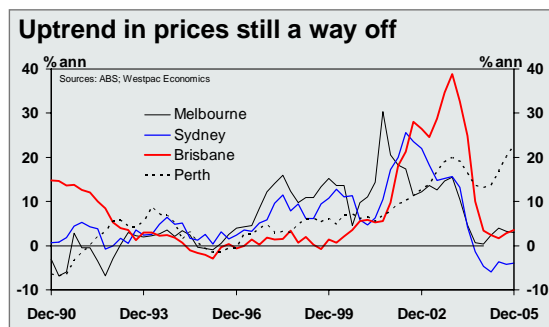
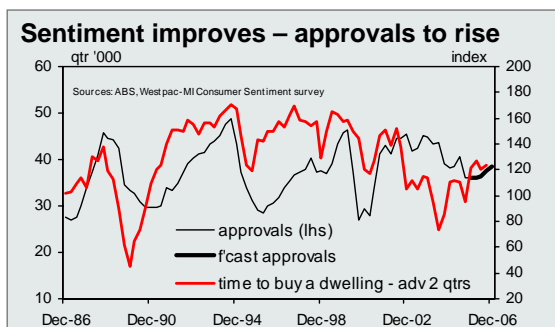
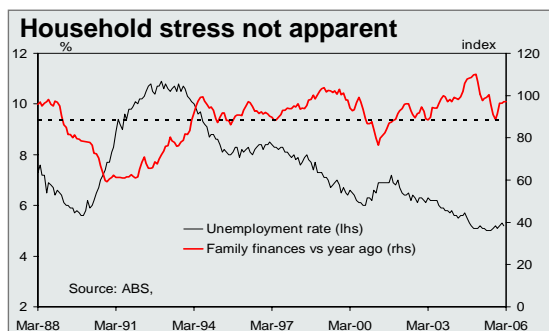
# Housing market – strong fundamentals

- Housing market in orderly decline following RBA rate rise in March 2005
- Sector now beginning to turn:
  - Housing finance for owner occupiers reaching new highs
  - Improving affordability bringing first home buyers back into the market
  - Dwelling approvals stabilising



## Housing market – outlook remains positive

- Improving sentiment a positive for outlook
- Households feel a sense of job security with unemployment rate at generational lows
- However, a sustained uptrend in property prices still a way off:
  - Past the worst, however – Australia-wide prices bounced 2.1% in 4Q 2005



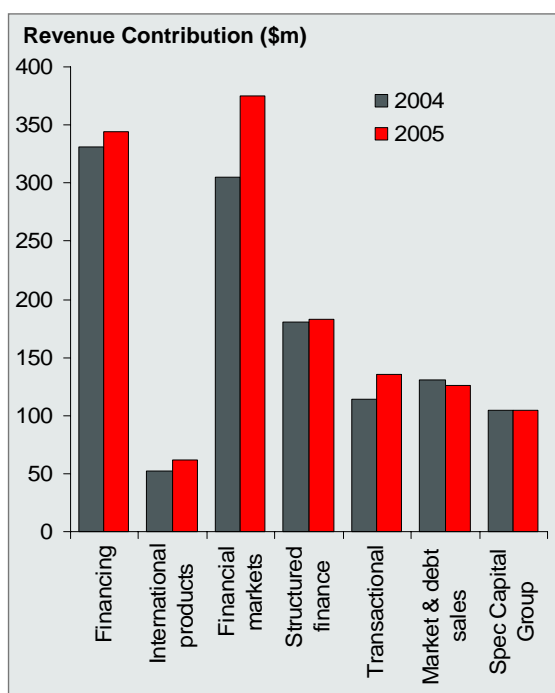
Source: Westpac

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## Institutional Bank – strong fundamentals



Rank against peers <sup>1</sup>	2002/03	2003/04	2004/05
<b>Lead Bank</b>	<b>2<sup>nd</sup></b>	<b>=1<sup>st</sup></b>	<b>1<sup>st</sup></b>
Customer satisfaction <sup>2</sup>	3 <sup>rd</sup>	3 <sup>rd</sup>	1 <sup>st</sup>
Transactional	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
FX <sup>3</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Interest rates	2 <sup>nd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Syndicated loans	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Trade finance	2 <sup>nd</sup>	2 <sup>nd</sup>	2 <sup>nd</sup>
Debt securities origination	1 <sup>st</sup>	2 <sup>nd</sup>	1 <sup>st</sup>
Structured securities	n/a	2 <sup>nd</sup>	1 <sup>st</sup>
US private placements <sup>4</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>

1. Market share, Peter Lee Surveys, Australia
2. Customer Satisfaction Index Peter Lee Surveys, Australia
3. Market share based on volume, Peter Lee Surveys, Australia
4. Westpac estimate

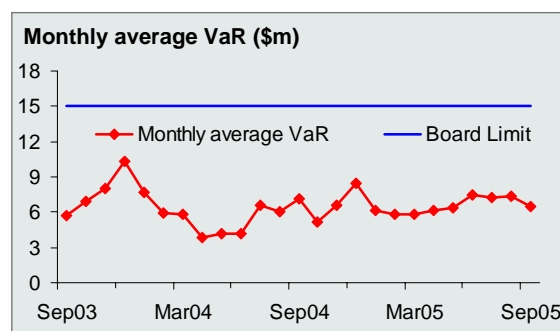
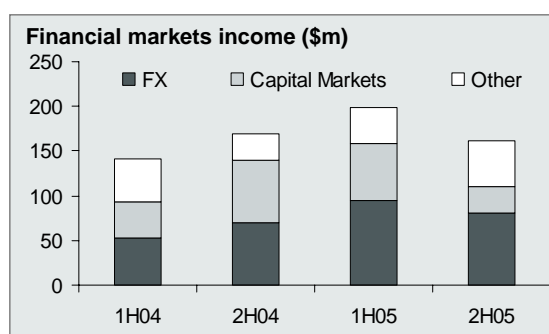
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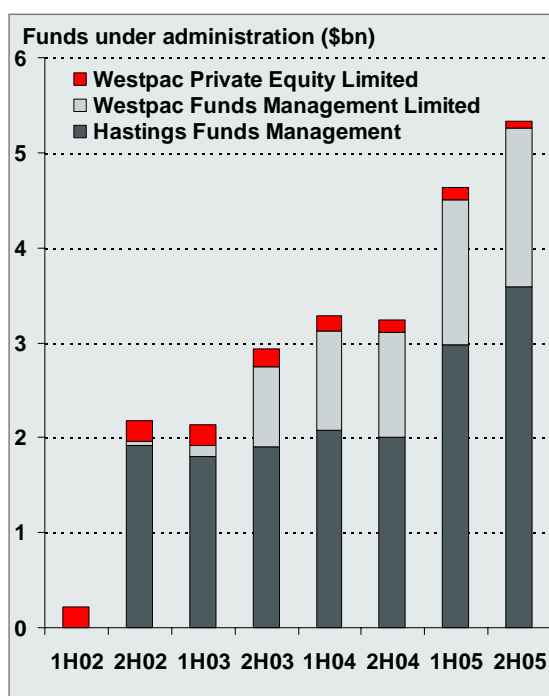
## Financial markets – sound performance

- Strong foreign exchange performance, up 47% on 2004
- Disciplined risk management and strong customer flow
- Capital markets more subdued reflecting stable domestic economic environment and offshore volatility



## Specialised Capital Group – a growing business

- Specialised Capital revenue (excluding private equity) up 67%
- Hastings
  - Effective ownership from 1 July 2005
  - Total consideration \$122m
  - Consideration of \$86m for remaining 49%
  - Settled 4 November 2005, by issue of new Westpac shares (\$54.2m) and cash (\$33.5m)
  - 4 new funds added over the year:
    - Hastings Diversified Utilities Fund
    - TAPS Trust
    - Hastings High Yield Fund
    - Hastings Private Equity 2



## BT gaining market share across the business

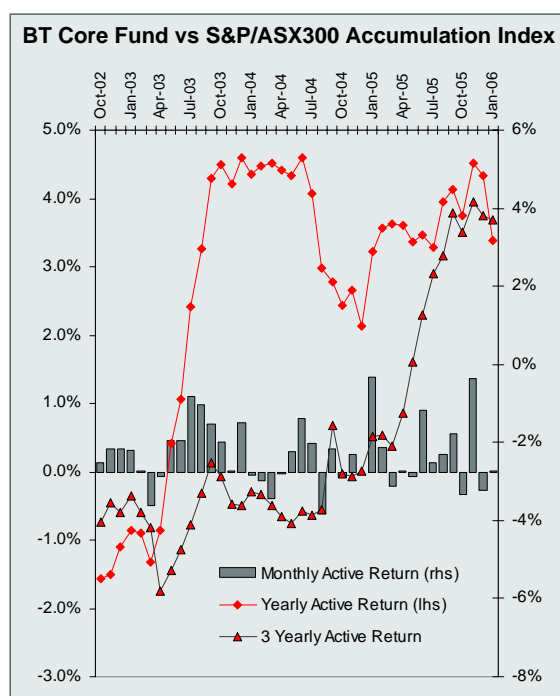
Current Australian market share			Current share of new business	
Product	Market share (%)	Rank	Market share (%)	Rank
Platforms	12.2	2	15.7	2
Corporate super	6.7	6	10.3	3
Margin lending	15.2	3/4	31.0	1*
Broking	9.7	3	9.6	3
Life and risk	n/a	n/a	9.4	4
Funds Management	4.1	8	n/a	n/a

**Source:**

\*BT competitor analysis on ranking  
 Platforms– S&P Dec 05  
 Margin Lending RBA Dec 05 market share  
 Broking: IRESS Feb 06

Life and Risk: Plan for Life Sept 05;  
 Corp Super: Dext&r Sept 05  
 Funds: S&P Dec 05 and domestically sourced Retail and Wholesale  
 (excludes alliances and overseas sourced funds)

## BT sustained investment performance



	Performance and Quartile Ranking					
	1 yr %	Quar-tile*	2 yrs % pa	Quar-tile	3 yrs % pa	Quar-tile
January 2006						
<b>Core Australian Share Fund</b>	28.2	1	30.9	1	27.5	1
<b>Ethical Share Fund</b>	30.4	1	33.5	1	31.4	1
<b>Imputation Fund</b>	29.7	1	32.8	1	30.5	1
<b>Smaller Companies Fund</b>	21.9	1	35.6	1	38.6	1
<b>Balanced</b>	19.1	2	19.4	1	18.0	1
<b>Property</b>	9.4	4	20.9	4	17.3	4
<b>Intl Equities (Putnam)</b>	20.8	3	14.2	3	11.8	3



## Australian funds under management

Asset class \$bn	Dec 05		
	Total	Retail	Retail %
Cash	6.7	4.5	67%
Australian Fixed Interest	5.9	3.0	51%
International Fixed Interest	4.8	1.0	21%
Property*	2.7	2.0	74%
Australian Equities	9.8	7.5	77%
International Equities	5.1	4.0	78%
Other**	2.7	0.4	15%
<b>TOTAL</b>	<b>37.7</b>	<b>22.4</b>	<b>59%</b>

\*Includes global property

\*\* Includes Alternative Investments & Private Portfolio Mgt

## Insurance business

- Insurance operations have continued to perform well
- Solid growth in risk in-force premiums, up 6% over year
- Life insurance performance supported by positive claims experience and lower lapse rates
- General insurance earnings continue to trend higher
- Lenders mortgage insurance earnings lower, in line with slower mortgage growth

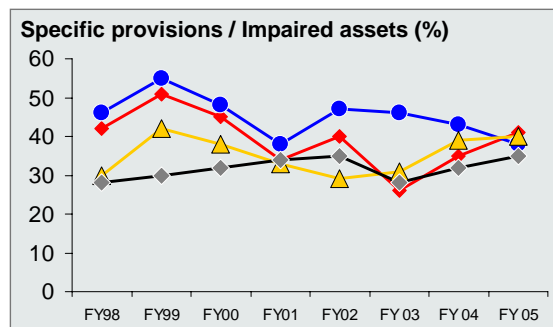
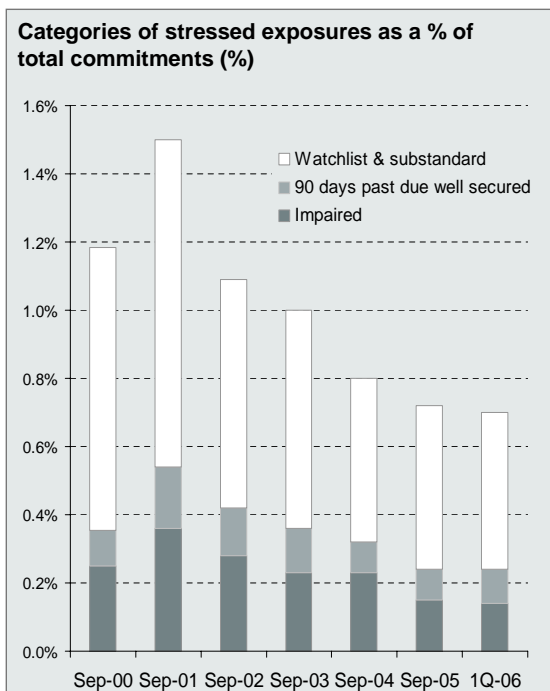
Cash earnings (\$m)	2004	2005	% growth
Life insurance - Australia	46	55	20
Life insurance - New Zealand	19	19	0
General Insurance (Australia)	42	45	7
Lenders mortgage insurance (Australia)	17	16	(2)
<b>Total</b>	<b>124</b>	<b>135</b>	<b>9</b>

# Risk management framework

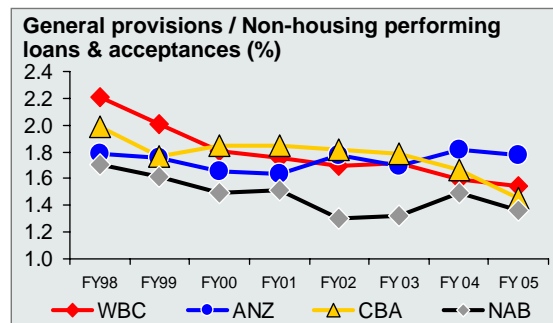
<b>Board</b>	Considers and approves the risk-reward strategy of the Group				
<b>Board Committees</b>	The Board Committees, by delegated authority, assist the Board in fulfilling its oversight responsibilities				
	<b>Risk Management Committee</b> <ul style="list-style-type: none"> <li>Risk profile and risk management</li> </ul>	<b>Audit Committee</b> <ul style="list-style-type: none"> <li>Integrity of financial statements and systems</li> </ul>	<b>Corporate Responsibility and Sustainability Committee</b> <ul style="list-style-type: none"> <li>Social, environmental and ethical responsibility and reputation risk</li> </ul>	<b>Nominations Committee</b> <ul style="list-style-type: none"> <li>Board skills, succession and governance</li> </ul>	<b>Remuneration Committee</b> <ul style="list-style-type: none"> <li>Responsible reward practices in line with performance</li> </ul>
<b>Independent Internal Review</b>	<b>Group Assurance</b> Adequacy and effectiveness of management controls for risk				
<b>Executive Risk Committees</b>	<b>Westpac Group Risk Reward Committee</b> <ul style="list-style-type: none"> <li>Sets and leads the risk optimisation agenda for the Group</li> <li>Recommends to the Risk Management Committee the appropriate risk-reward positioning and integrates decisions on overall capital levels and earnings profile</li> <li>Initiates and oversees strategies of the Group's risk-reward profile and boundaries for risk appetite and earnings volatility within parameters set by the Board</li> <li>Oversees the risk governance framework, including the performance, role and membership of the executive risk committees</li> </ul>				
	<b>Westpac Group Credit Risk Committee</b> <ul style="list-style-type: none"> <li>Optimises credit risk-reward</li> <li>Oversees portfolio performance</li> <li>Determines limits and authority levels within Board approved parameters</li> </ul>	<b>Westpac Group Market Risk Committee</b> <ul style="list-style-type: none"> <li>Optimises market risk-reward for traded and non-traded market risk</li> <li>Oversees portfolio performance</li> <li>Determines limits with Board approved parameters</li> </ul>	<b>Westpac Group Operational Risk &amp; Compliance Committee</b> <ul style="list-style-type: none"> <li>Optimises operational risk-reward and compliance</li> <li>Oversees the governance of operational risk and compliance, including the framework and policies</li> <li>Oversees the operational and reputation risk profile</li> </ul>		
<b>Group Risk</b>	<ul style="list-style-type: none"> <li>Drives enterprise-wide risk management culture, frameworks and decisioning for maximum performance in line with risk appetite</li> <li>Ensures risk management is a competitive advantage, delivers better solutions for customers, protects and grows earnings, and builds shareholder value</li> <li>Forges a partnership with the business, which shares the vision and the responsibility for superior risk management</li> </ul>				
<b>Business Units</b>	Manage risks inherent in the business including the development of business-specific policies, controls, procedures and reporting in respect of the relevant risk classes				



# Stressed exposures continue to decline

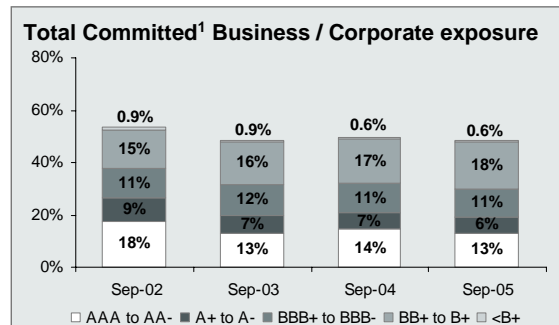
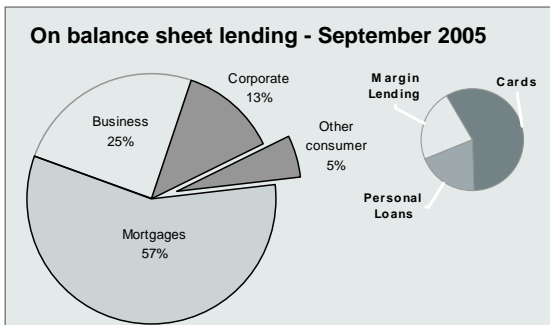
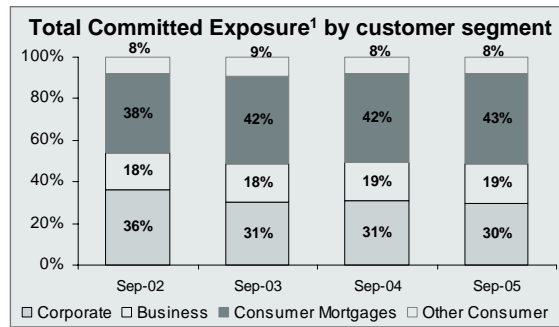


• FY 05 coverage ratio is 1.6x.



## Composition of lending portfolio

- Mortgages represent 43% of total commitments and 57% of funded lending
- 63% business / corporate exposure exceed investment grade
- Other consumer includes credit cards, personal lending and margin lending



1. Total committed exposures include outstanding facilities and un-drawn commitments that may give rise to lending risk or pre-settlement risk

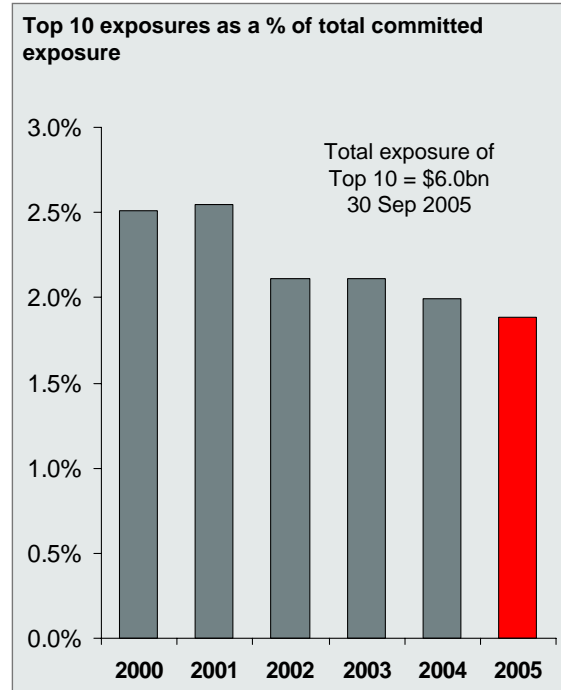
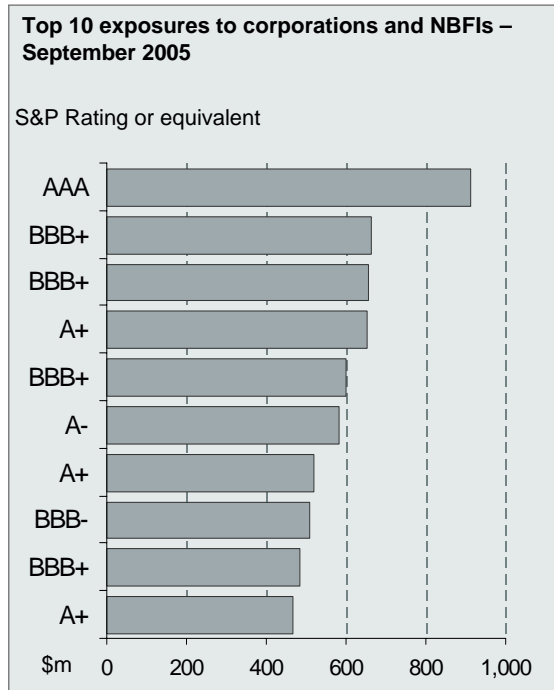
## Total exposure by region

Exposures outside core markets represent less than 2% of total committed exposures – sub investment grade represent less than 0.2% of total exposures (excluding core markets of Australia and New Zealand)

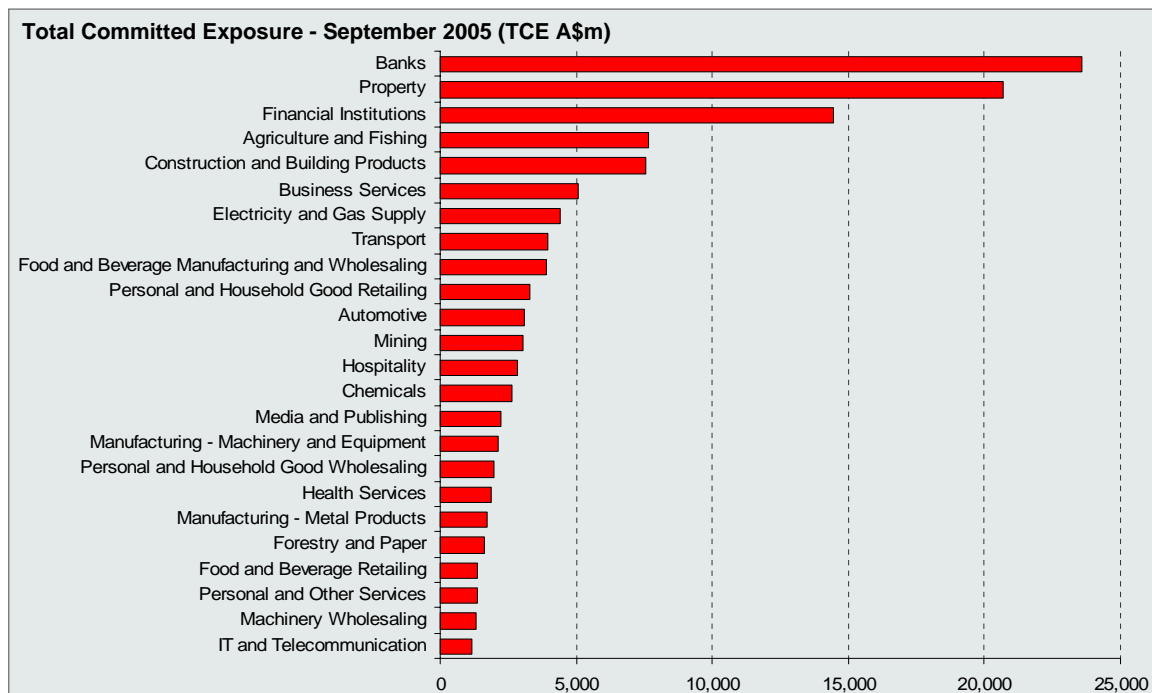
\$m	Australia	NZ / Pacific	Americas	Europe	Asia ex Japan	Japan	Group
AAA to AA-	37,023	2,774	862	185	57	105	41,006
A+ to A- BBB+ to BBB-	16,250	2,773	1,115	620	-	-	20,758
BB+ to B+	27,423	6,493	482	1,056	62	-	35,516
<B+	46,236	9,547	177	57	3	-	56,020
Secured consumer	1,464	477	33	53	-	-	2,027
Unsecured consumer	119,845	23,183	-	-	-	-	143,028
	18,455	3,373	-	-	-	-	21,828
	<b>266,696</b>	<b>48,620</b>	<b>2,670</b>	<b>1,971</b>	<b>122</b>	<b>105</b>	<b>320,183</b>

1. Total committed exposures by booking office at 30 September 2005

# Reduced single name concentrations



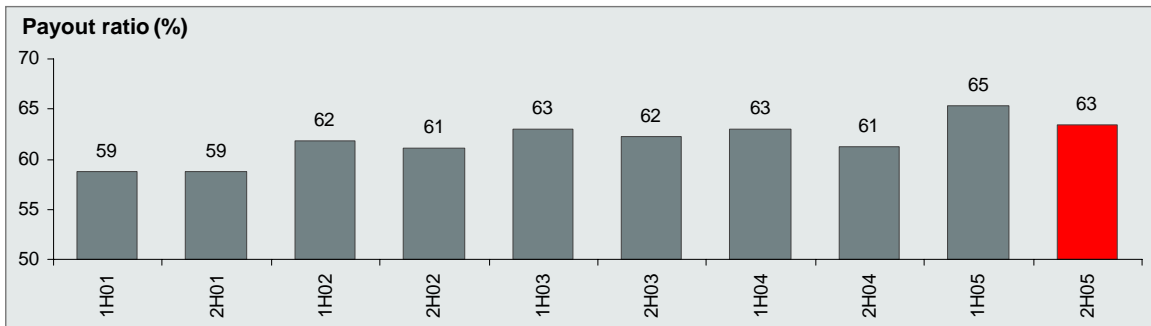
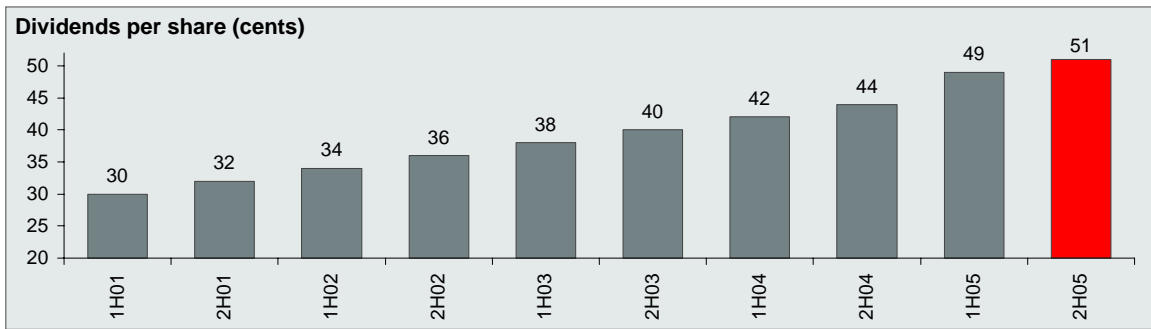
# Industry concentrations



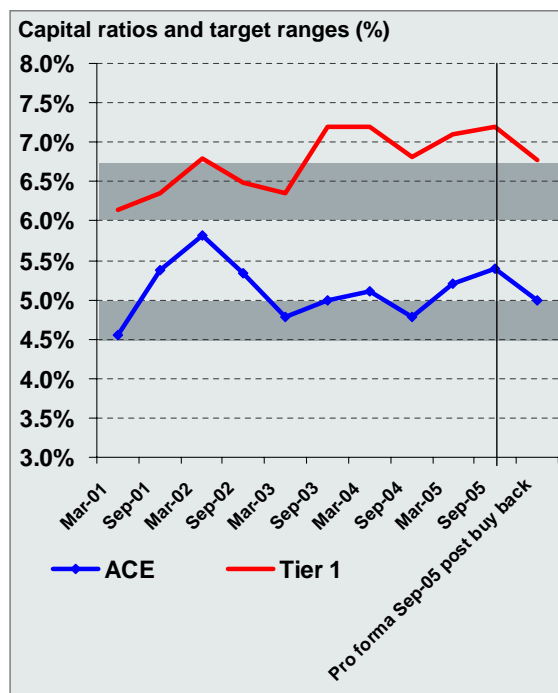
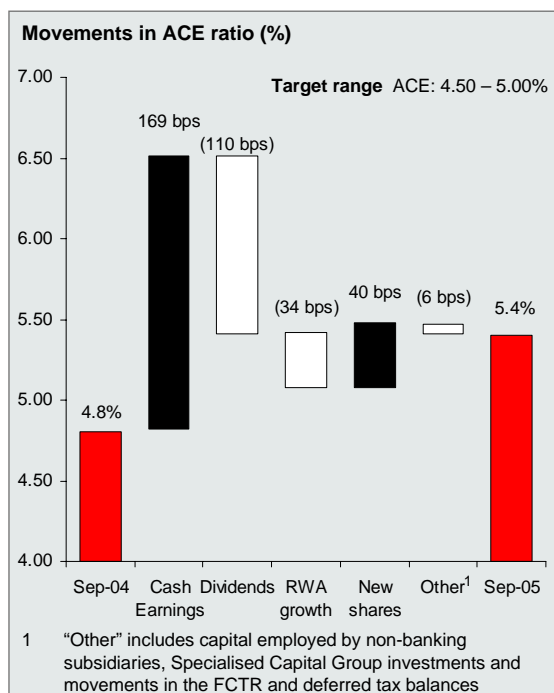
Note: Excludes governments



## Strong dividend and sustainable pay-out ratio



## Strong capital generation



## Basel II update

- Total expected cost of Basel II project \$42m
- Westpac's Basel II project is progressing well:
  - Delivered first submission to APRA by 30 September 2005 seeking advanced IRB & AMA accreditation
  - Westpac will be producing preliminary Basel II reporting by end 2005. Reports will be prepared in parallel with current prudential reporting up to the Basel II implementation date of 2008
  - Systems enhancements well into implementation stages
  - Further capability will be delivered as new standards are released and further quantitative impact studies are completed
- Impact on bank capital dependant on APRA prudential standards and final determination on changes to the treatment of hybrid equities, and finalisation of APRA's response to the introduction of IFRS

## IFRS introduction – key impacts

- Creates no change to economic value or cash flows
- Changes in income expense classification redefines key performance measures
- Industry interpretation of standards yet to finalised, so numbers may be subject to revision
- Fair value/Hedging will increase earnings volatility. Initial impact:
  - 1H05 \$75m
  - 2H05 \$(130m)
  - Full year 2005 \$(55m)
- Excluding volatile items cash earnings would have been around 3% lower under IFRS assuming lower credit costs

Estimated impact of IFRS on FY05 reported earnings <sup>1,2</sup>		
Year ended 30 Sept 2005 (A\$m)	Net profit	Cash earnings
Results under current AGAAP	2,818	2,874
Deferral of income / expenses	(38)	(38)
Hybrid equity	(164)	-
Goodwill amortisation/impairment	149	(19)
Share based payments	(57)	(57)
Other	15	15
Treasury shares	(32)	-
<b>Results under A-IFRS</b>	<b>2,691</b>	<b>2,775</b>

1. Based on current interpretation of IFRS standards and may change, no estimate of impact of credit provisioning changes as consensus on outcome has yet to be achieved
2. Fair value/hedging has been excluded from calculations.

## IFRS capital impacts

Estimated impact of IFRS on capital position at 30 Sep 05 (A\$ million)	Book Equity	ACE	Tier 1	Tier 2
Fee revenue	(180)	(250)	(250)	-
Deferred acquisition costs	(180)	-	-	-
Treasury shares	(100)	-	-	-
Defined benefit plans	(250)	(250) <sup>1</sup>	(250)	-
Credit provisioning <sup>2</sup> (tax effected)	200 to 700	200 to 700	200 to 700	(200) to (700)
<b>Total<sup>3,4</sup></b>	<b>(510) to (10)</b>	<b>(300) to 200</b>	<b>(300) to 200</b>	<b>(200) to (700)</b>

1. Assumes rating agencies adjust ACE to follow Australian prudential treatment
2. Assumes A-IFRS credit provisioning is consistent with APRA prudential standards and no additional 'general reserve for credit risk'
3. Assumes the reclassification of software to intangibles has no impact.
4. Excludes any impact of hedging transition or ongoing volatility.

## Comparison of AGAAP and A-IFRS earnings

Year ended 30 Sept 2005 (\$m)	Reported AGAAP	Hybrid equity	Fee revenue	Goodwill	Securitisation	Share based payments	Treasury shares	Other	A-IFRS
Net-interest income	5,245	(84)	147	-	26	-	-	18	5,352
Non-interest income	3,560	24	(192)	(27)	(57)	-	(32)	(6)	3,270
Operating expenses	(4,105)	-	-	-	(1)	(63)	-	9	(4,160)
Goodwill amortisation	(168)	-	-	168	-	-	-	-	-
Bad and doubtful debts	(382)	-	-	-	-	-	-	-	(382)
Tax and outside equity interests	(1,332)	(104)	7	8	32	6	-	(6)	(1,389)
<b>Net profit after tax</b>	<b>2,818</b>	<b>(164)</b>	<b>(38)</b>	<b>149</b>	<b>-</b>	<b>(57)</b>	<b>(32)</b>	<b>15</b>	<b>2,691</b>
Goodwill amortisation	168	-	-	(168)	-	-	-	-	-
Hybrid distributions	(137)	164	-	-	-	-	-	-	27
Treasury shares	-	-	-	-	-	-	32	-	32
TPS revaluations	25	-	-	-	-	-	-	-	25
<b>Cash earnings</b>	<b>2,874</b>	<b>-</b>	<b>(38)</b>	<b>(19)</b>	<b>-</b>	<b>(57)</b>	<b>-</b>	<b>15</b>	<b>2,775</b>

- Numbers are for the year ended 30 Sept 2005 and exclude any impact for credit provisioning and fair value/hedging
- IFRS impacts rounded to nearest \$5m

## Comparison of AGAAP and A-IFRS balance sheet

30 Sept 2005 (\$m)	Reported AGAAP	Hybrid equity	Fee revenue	Fair Value/Hedging	Goodwill	Securitisatation	Treasury shares	Defined Benefit plans	Other	Full A-IFRS
Cash and due from financial institutions	12,740	-	-	8	-	4,468	-	-	-	17,216
Trading & investment securities and fair value assets	11,827	-	-	(450)	-	(78)	(5)	-	-	11,294
Loans and acceptances	200,453	-	3	219	-	2,505	-	-	-	203,180
Life insurance assets	13,740	-	-	2	-	(53)	(92)	-	-	13,597
Other Assets	20,993	-	(223)	(49)	146	34	-	(271)	(59)	20,571
Due to other financial institutions	10,654	-	-	51	-	-	-	-	-	10,705
Deposits	149,454	-	86	-	-	(202)	-	-	-	149,338
Debt issues and acceptances	46,635	-	(161)	(3,305)	-	6,983	-	-	-	50,152
Life insurance policy liabilities	11,722	-	142	3	-	-	-	-	(5)	11,862
Loan capital	4,214	1,343	(11)	(34)	-	-	-	-	-	5,512
Other liabilities	19,862	-	88	3,055	-	95	-	(26)	(14)	23,060
Minority interest	848	1,133	-	-	-	-	-	-	(2)	1,979
<b>Equity attributable to equity holders of WBC</b>	<b>16,364</b>	<b>(2,476)</b>	<b>(364)</b>	<b>(40)</b>	<b>146</b>	<b>-</b>	<b>(97)</b>	<b>(245)</b>	<b>(38)</b>	<b>13,250</b>

- Numbers are for the year ended 30 Sept 2005 and exclude any impact for credit provisioning
- IFRS impacts rounded to nearest \$5m

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## Structured finance portfolio

- Westpac conducts certain structured finance transactions with exposure primarily to global financial institutions
- Certain structured finance transactions are currently under review by the New Zealand Inland Revenue Department (NZIRD) since late 2003
- Westpac initially sought multiple layers of advice to ensure the transactions conformed with New Zealand tax law and this was confirmed by the NZIRD in a binding ruling on one transaction. Other transactions were modelled on this ruling, and new recent advice confirms earlier view
- Westpac has received amended assessments from the IRD for the 1999 and 2000 years
- Should the NZIRD take the same position across all of these transactions for the periods up to and including 30 September 2005, the maximum potential overall primary tax liability in dispute is estimated to be approximately NZ\$750m (tax effected) including interest
- Westpac unwound the NZ structured finance transactions in 2H05 due to the application of the new NZ Thin Capitalisation regime applying from 1 July 2005
- The impact of discontinuing these transactions will impact the Institutional bank (WIB) and the overall Westpac Group differently due to variations in how tax and revenues are treated. In 2006 the wind-down of these transactions will lead to an increase in both revenue and tax at both a Group and WIB level (see table)
- The full year impact will see a \$36m reduction in cash earnings in 2006

NZ structured finance transactions contribution to earnings <sup>1</sup> :					
WIB	2H04	1H05	2H05	1H06	FY06 Impact
Core revenue	(28)	(23)	(8)	-	32
Gross up	71	67	21	-	(88)
Total revenue	43	44	13	-	(56)
Tax (incl gross-up)	(13)	(13)	(6)	-	20
<b>Cash earnings</b>	<b>27</b>	<b>30</b>	<b>6</b>	<b>-</b>	<b>(36)</b>
<b>Group</b>					
Total revenue	(28)	(23)	(8)	-	32
Total tax	57	54	14	-	(68)
<b>Cash earnings</b>	<b>27</b>	<b>30</b>	<b>6</b>	<b>-</b>	<b>(36)</b>

1 Table does not add as deal expenses not separately noted

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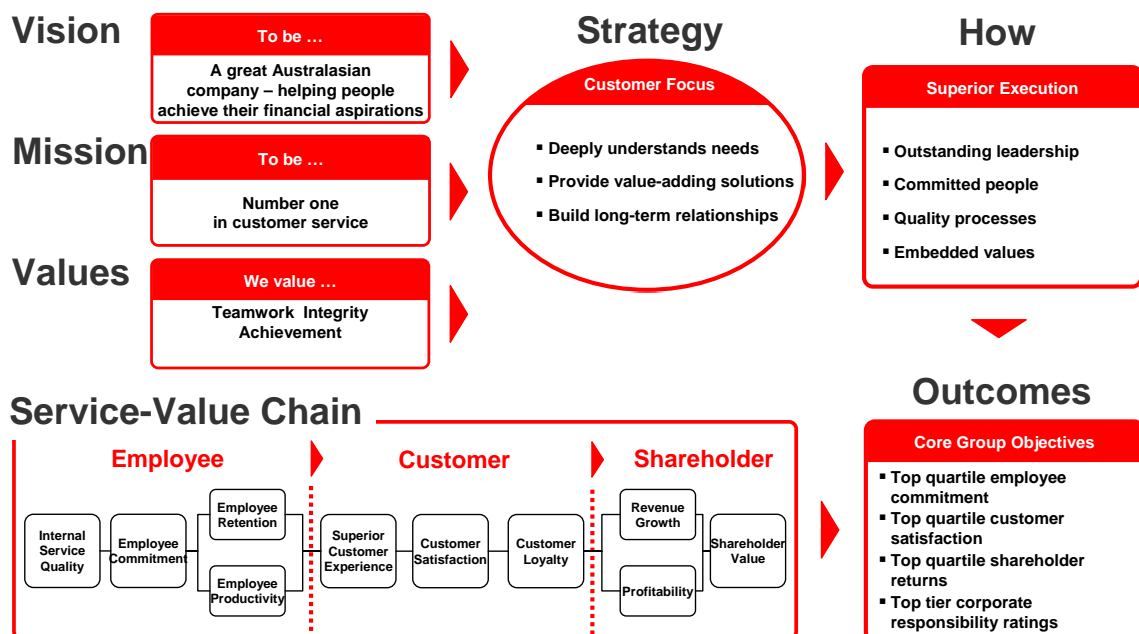




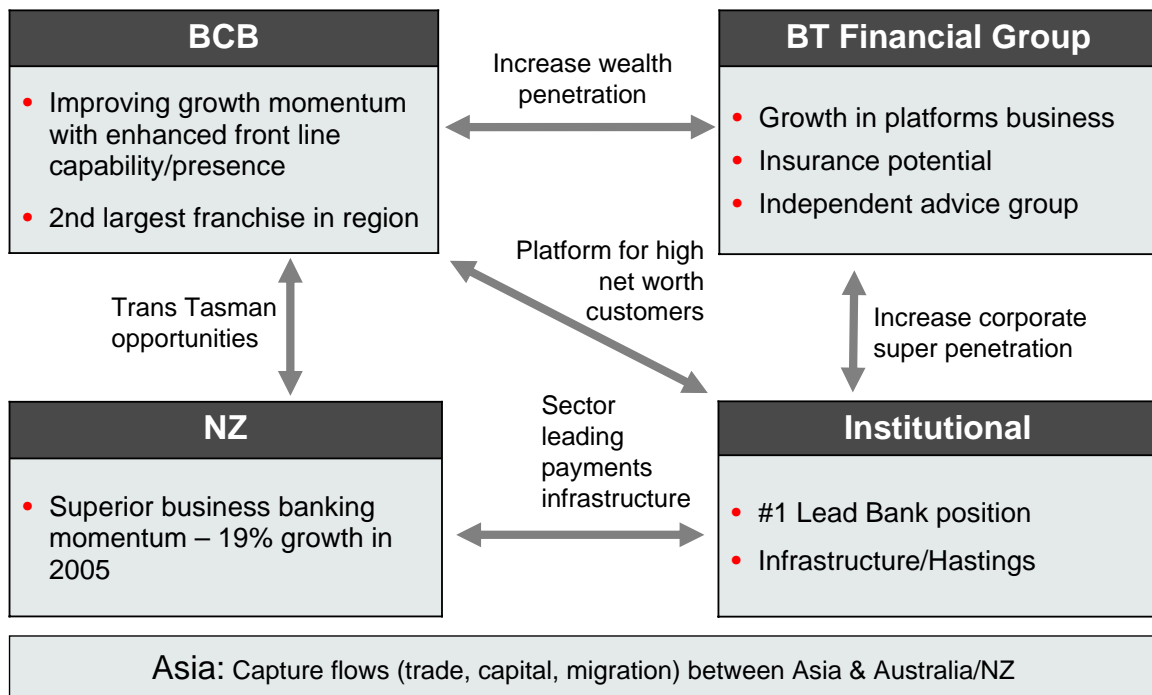
# Preparing for New Zealand incorporation

- Agreed to incorporate systemically important operations in New Zealand in December 2004
- Proposed incorporation model received in-principle agreement from the Reserve Bank of New Zealand in October 2005
- The incorporation model involves Westpac operating as a branch and an incorporated entity concurrently (dual registration). This model will principally see:
  - Retail operations become part of the locally incorporated entity
  - Institutional business will remain in the New Zealand Branch
- The legislative process required to implement local incorporation has begun; the first reading of the legislation in NZ parliament expected in late March 2006
- Transition to dual registration expected to occur on 1 November 2006
- Overall costs for incorporation are expected to be manageable. We recognised a \$10m provision in the 2005 expenses

# Our customer focused strategy



## Multiple sources of growth



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## Strategic options

Option	Comments	Status
<b>Organic growth</b>	<ul style="list-style-type: none"> <li>Aust/NZ lowest risk and highest value available</li> <li>No diversion risk created by acquisition</li> <li>Significant opportunities still remain within existing customer franchise</li> <li>Positioned to reap benefits from recent investments</li> </ul>	Aggressively pursue
<b>Acquisition</b>	<ul style="list-style-type: none"> <li>No major capability gaps</li> <li>Very limited opportunity to generate value at current prices</li> <li>Disciplined adherence to criteria has served us well                             <ul style="list-style-type: none"> <li>- Aligned with strategic direction</li> <li>- Strict valuation criteria</li> <li>- Not unduly diverting</li> </ul> </li> </ul>	Maintain watching brief
<b>International expansion</b>	<ul style="list-style-type: none"> <li>No compelling offshore competitive advantage</li> <li>Low synergies</li> <li>Learn from others' mistakes</li> </ul>	Keep open mind but low probability

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## Asia – an important strategic market

- Focus on organic growth meeting the needs of:

- Aust/NZ clients operating in Asia
- Asian corporates / individuals seeking to expand / migrate / invest in Aust/NZ

- Concentrate on comparative advantage

- Aust/NZ knowledge and contacts
- Use alliance partners where no coverage or expertise

- Refocus current operations – GM appointed



## 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 business units 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 since Feb 2001, Deputy CFO and held 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 since 2002. Previously with AIDC, Citicorp Global Asset Management and Citigroup.
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 as a graduate. Appointed Group Treasurer in 2000 and Chief Risk Officer in 2004.

# Australian and New Zealand economic outlook

Key economic indicators <sup>1</sup>	Calendar year		
	2005e	2006f	2007f
<b>World</b>			
GDP	4.4%	4.1%	3.4%
<b>Australia</b>			
Private consumption	3.1%	3.1%	3.5%
Business investment <sup>2</sup>	14.8%	10.5%	4.5%
GDP	2.5%	3.0%	3.5%
Unemployment	5.1%	5.4%	5.7%
CPI headline - annual change	2.8%	2.8%	2.5%
Interest rates – cash rate	5.50% (Dec 05)	5.50% (Dec 06)	5.00% (Jun 07)
<b>New Zealand</b>			
GDP	2.4%	1.1%	2.5%
Unemployment	3.6%	4.2%	4.5%
Consumer prices	3.2%	2.5%	2.3%
Interest rates – overnight cash rate	7.25% (Dec 05)	6.25% (Dec 06)	5.75% (Jun 07)

<sup>1</sup> Westpac market outlook, March 2006

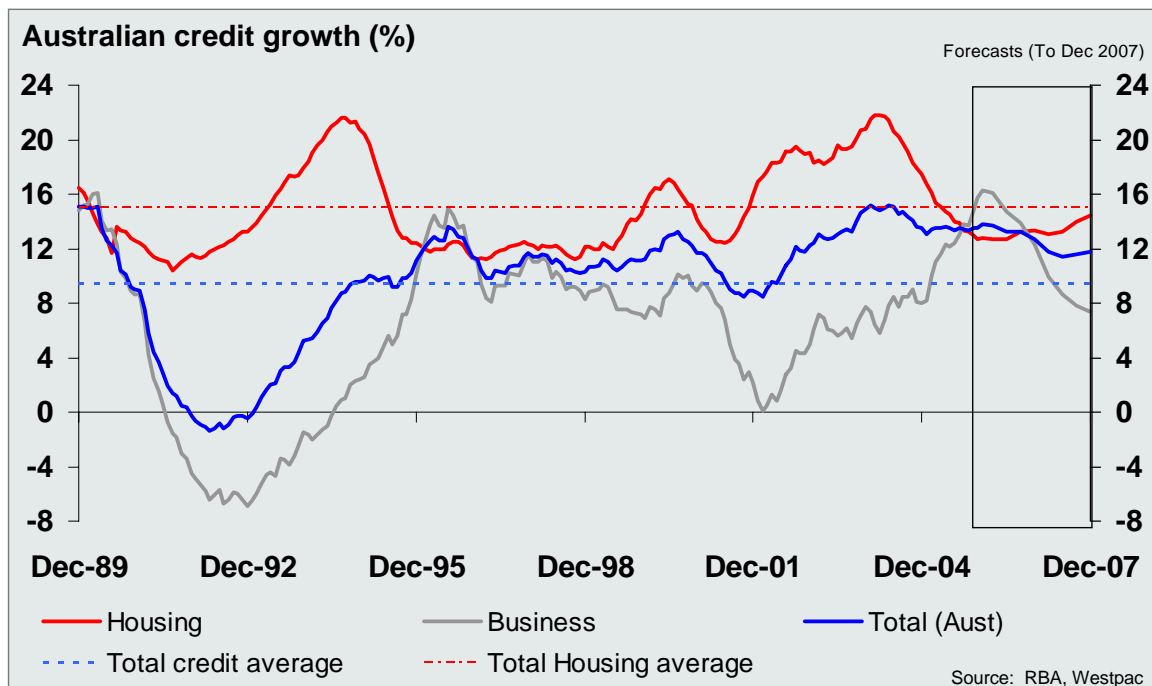
<sup>2</sup> Business investment adjusted to exclude the effect of private sector purchases of public assets

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## Credit growth expected to edge lower



Source: Westpac

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## Where are the risks?

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### Risk

- Further intensified competition
- Impact of new entrants
- Housing market collapse
- Blow-out in bad debts
- Re-regulation
- New wave of corporate collapses
- Global economic recession

### Probability of occurrence

Medium/High

Medium

Low

Low

Low

Low

Low

## Outlook

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- Operating environment remains favourable with good economic fundamentals and well positioned for competitive intensity
- Westpac's franchise is in excellent health
  - Employees - **Top quartile** engagement
  - Customers - **Improved** satisfaction in all segments
  - Sustainability - Global banking **leader**
  - Financial - Performance at **upper end** of sector
- Confident that we will continue to deliver strong outcomes for shareholders

## Investor relations contacts

### Westpac's Investor Relations Team

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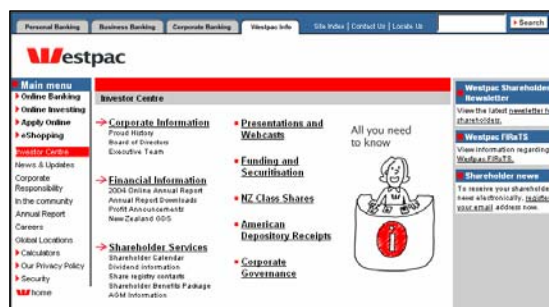
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