

# Westpac Banking Corporation

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31 March 2006

# Westpac at a glance

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- Established 1817
- Top 40 bank globally<sup>1</sup>
- Core markets - Australia, New Zealand and near Pacific
- 8.3 million customers
- Global sustainability leader
- Consistent earnings growth
- Broad business mix

	<b>30 Sept 2005</b>
Total assets	A\$260bn
Cash return on equity	21%
Cost to income ratio	47%
Market cap <sup>2</sup>	A\$44bn

1 FT Global 500 by sector - 2005 - ranked by market capitalisation

2 As at 21 March 2006 – Source IRESS

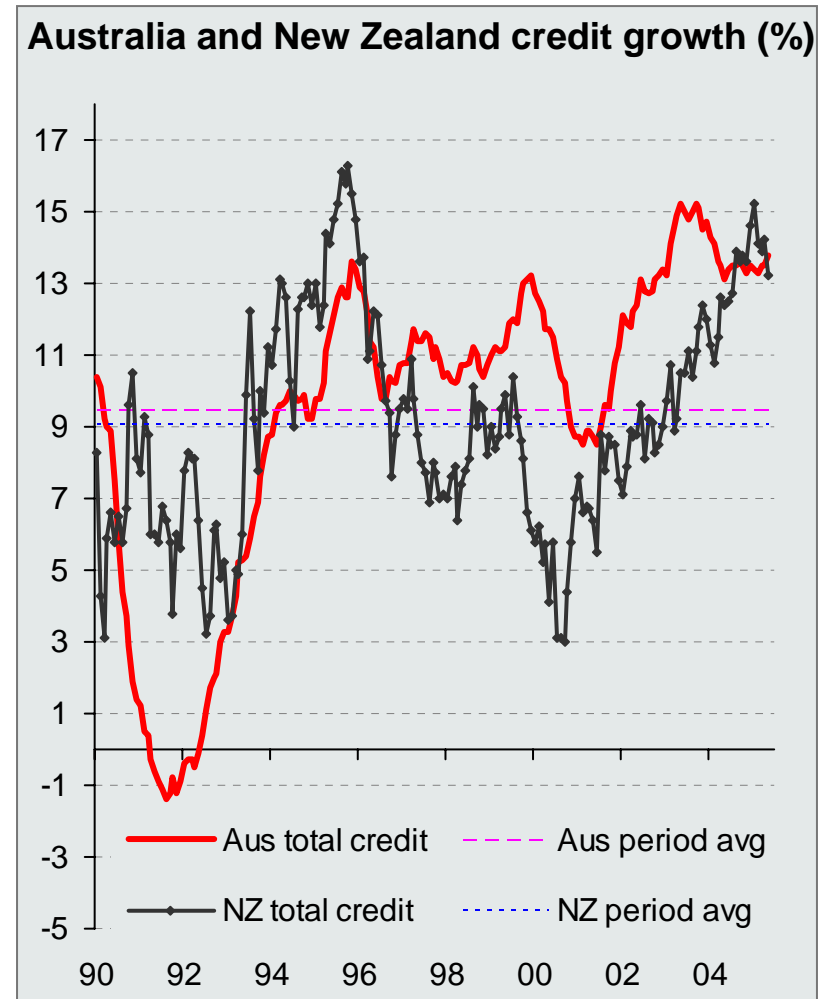
# What is different about Westpac?

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<b>Global leader in sustainability</b>	<ul style="list-style-type: none"><li>• Long run consistency in earnings</li><li>• Top quartile employee engagement</li><li>• Sustainability strategy embedded across the business</li></ul>
<b>Disciplined focus on core markets</b>	<ul style="list-style-type: none"><li>• Not chasing growth outside Australia, New Zealand and the near Pacific</li><li>• No strategic gaps</li><li>• Consistent acquisition criteria</li></ul>
<b>Large, high quality, customer franchise</b>	<ul style="list-style-type: none"><li>• 2nd largest customer franchise in the region</li><li>• Customer base skewed to high value segments</li></ul>

# Financial services environment remains positive

- Solid Australian economy
- NZ market more challenging but still delivering growth
- Credit growth remaining above long term average
- Supportive asset quality environment:
  - Unemployment rate at 30 year lows
  - Business balance sheets under geared
- Double digit growth in wealth management



Source: RBA, RBNZ

# Operating environment challenging

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## Competitive

- Australian institutions expanding their footprint
- International players re-emerging
- Price increasingly used to attract business
- Increased product choice
- Competition for talent is intense

## Regulatory

- Compliance requirements remain heavy
- International harmonisation challenges:
  - IFRS
  - Basel II
  - Sarbanes Oxley
- Anti-money laundering changes underway

# Westpac's franchise health is strong...

## Sustainability leader

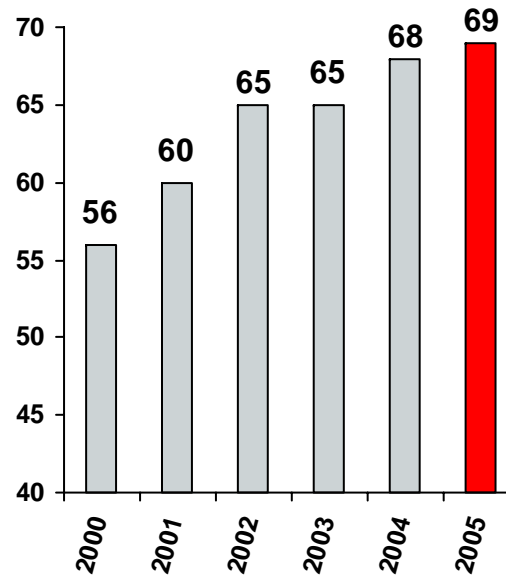
Leader in corporate governance

Ranked No.1 bank globally for sustainability by Dow Jones Sustainability Index for the past 4 years



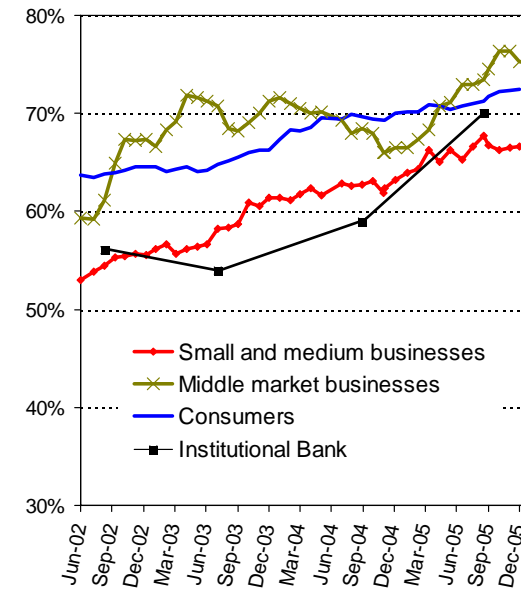
## Committed employees

Westpac employee commitment



## Satisfied customers

Westpac customer satisfaction<sup>1,2</sup>



1. Consumer - proportion of customers very or fairly satisfied in Roy Morgan (Consumer) and Taylor Nelson Sofres (business)  
 2. Institutional Bank – proportion of customers rating as excellent or above average in satisfaction in annual (August) Peter Lee Survey

## ... with a strong financial performance

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Consistent, high quality financial performance and growth	Performing well against peers
EPS 5 year CAGR 11%	12% cash EPS growth in 2005 - highest of major banks
Cash ROE 5 year average 21%	20% ROE in 2005 - highest of major banks
Expense 5 year CAGR 4%	Maintained investment without compromising expense growth
Dividend per share 5 year CAGR 13%	16% dividend uplift in 2005 - highest of major banks

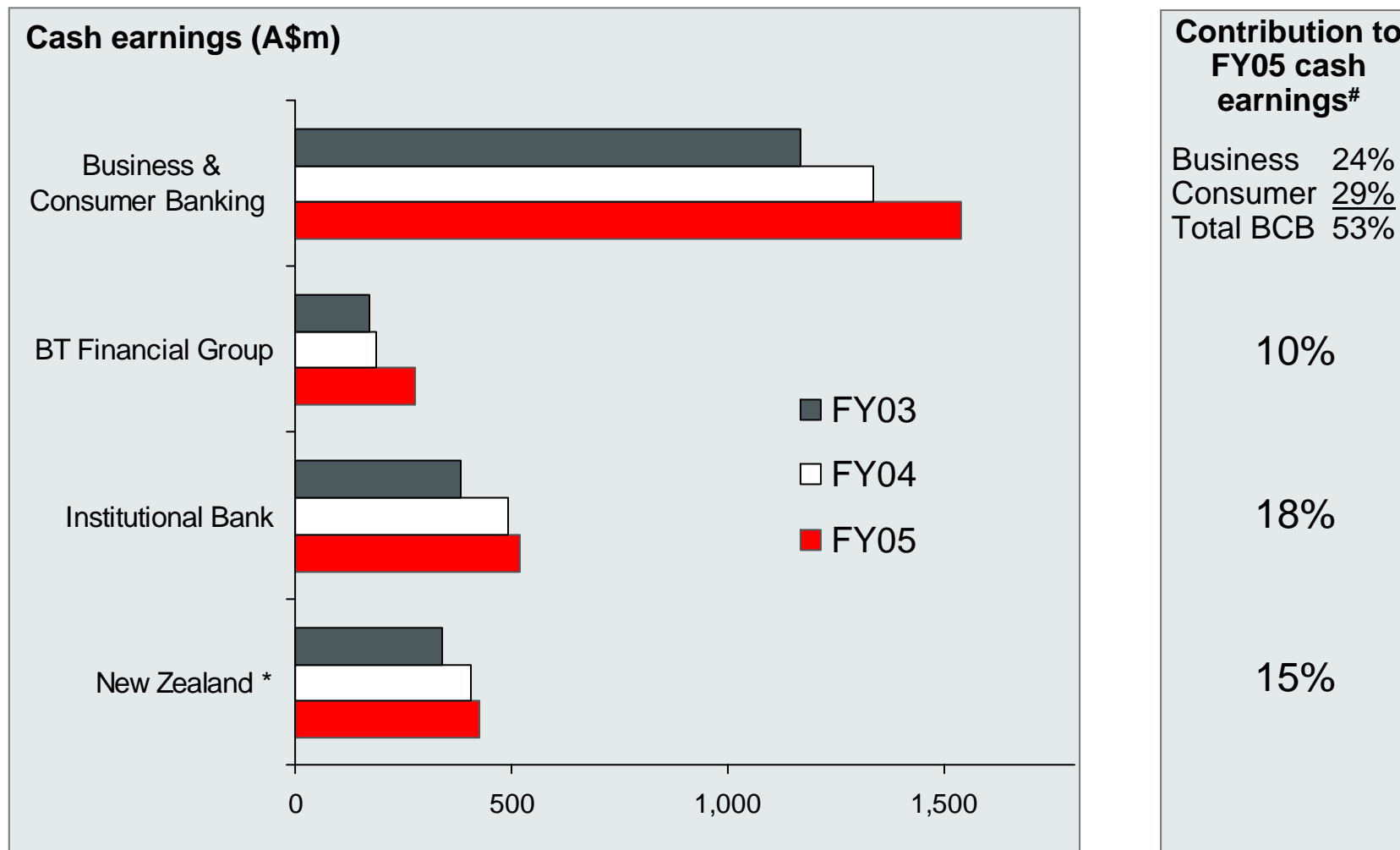
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# Consistent returns over the long run





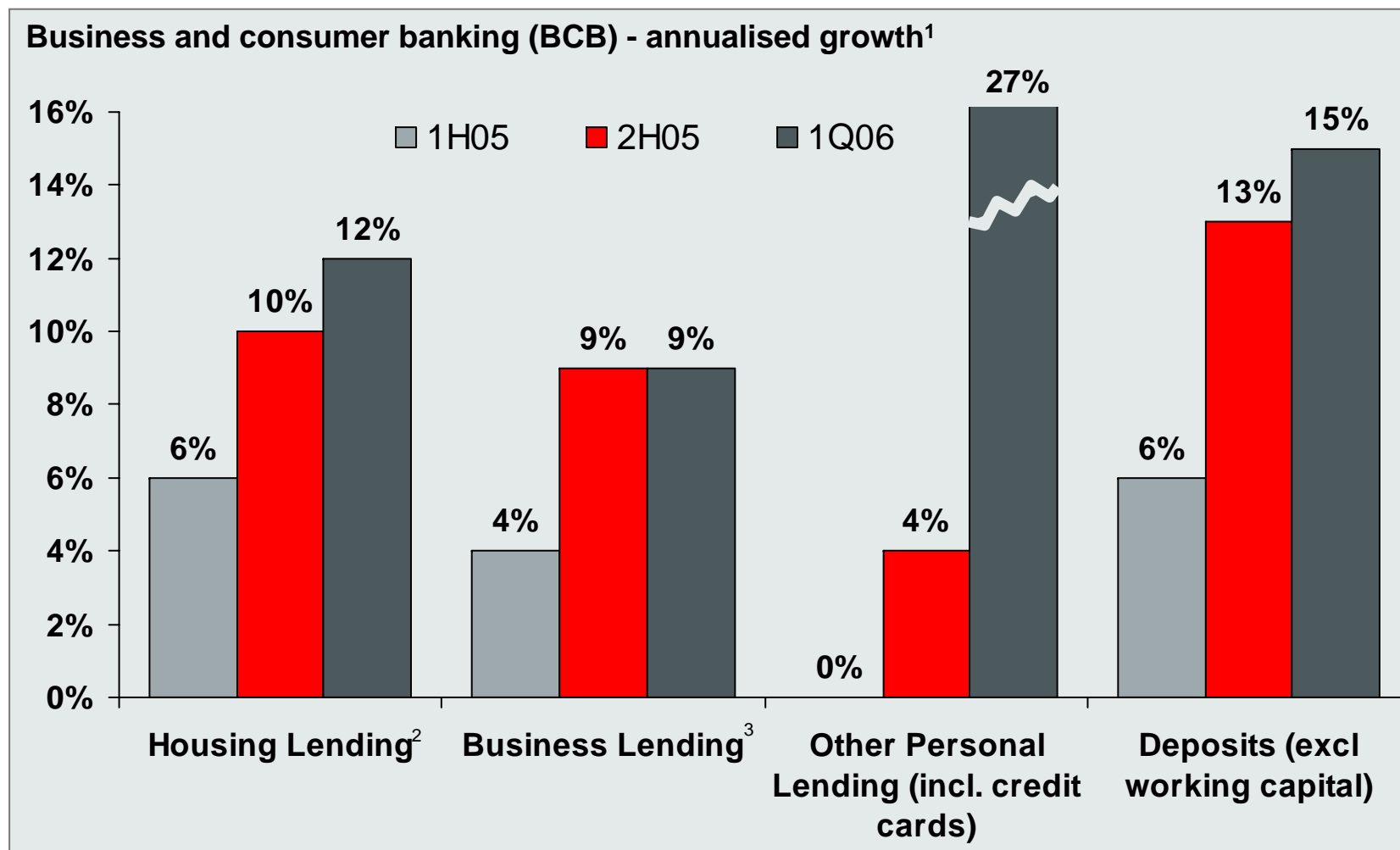
# Growth across all operating business units



\* Cash earnings in NZ\$ million

# Components will not add to 100% due to exclusion of group business unit

# BCB momentum continues to build



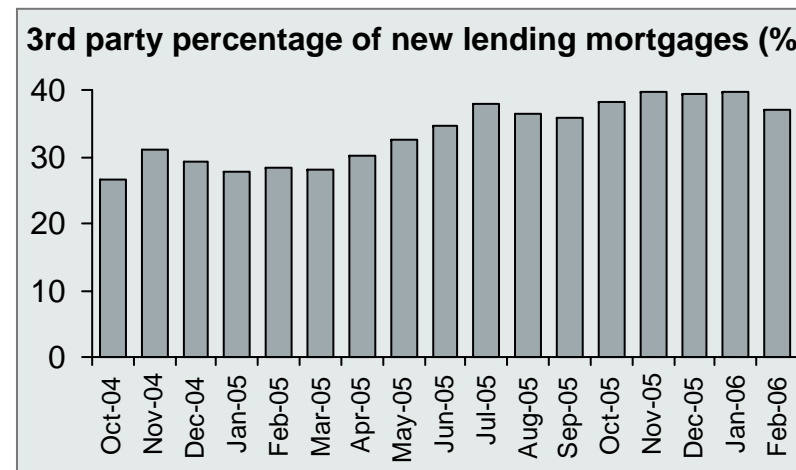
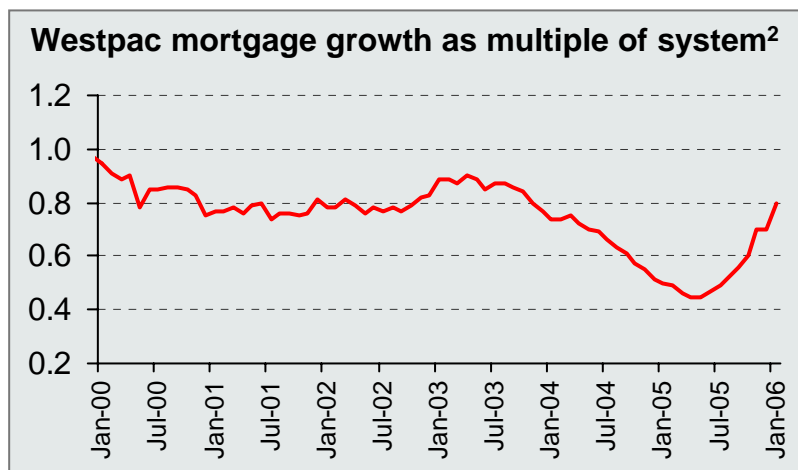
1. Annualised half yearly growth for 1H05 and 2H05; annualised quarterly growth for 1Q06

2. Including securitisations

3. BCB business lending including equipment finance

# Housing loan growth back on track

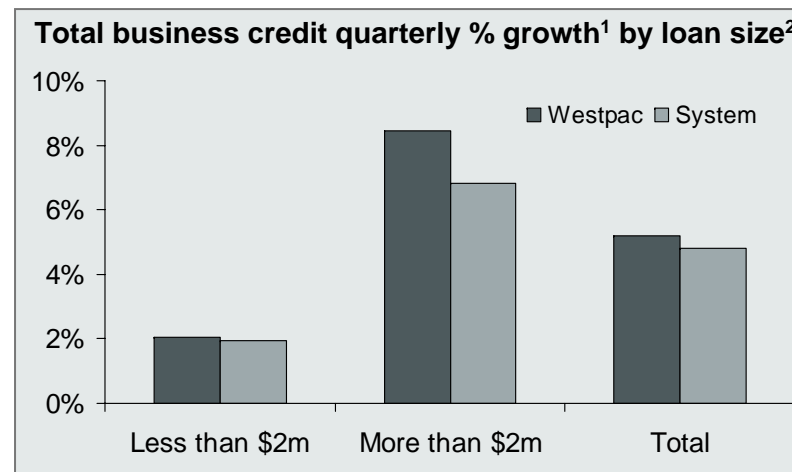
Initiative	Outcome
Implemented a new sales management program, 'Westpac Way'	Productivity <sup>1</sup> increased by 40% from March 2005 to December 2005
More active broker engagement	Uplift in broker sales - averaging 39% of total drawdowns since September 2005
Selective pricing initiatives and increased preparedness to meet market	Margins down around 2bps from 2H05 to 1Q06



1. Average drawdown volumes in \$ per Home Finance Manager
2. Westpac rolling annual growth as a % of RBA Housing credit aggregates

# Business lending growing solidly

- Westpac's total Australian business lending growing above system
  - Strong gains in corporate and middle markets
  - Small business lending growing slower
- Modest spread compression
- Pinnacle loan origination system is no longer an impediment to writing new business
- Strong upside remains



1. December quarter, financial year 2006

2. Includes both small and medium business and corporate lending

Product spreads <sup>3</sup>	1H04	2H04	1H05	2H05	1Q06
Business	1.79	1.80	1.78	1.78	1.76
Equipment Finance	2.16	2.02 <sup>^</sup>	2.15	2.11	2.09

3. Small and medium business lending

<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

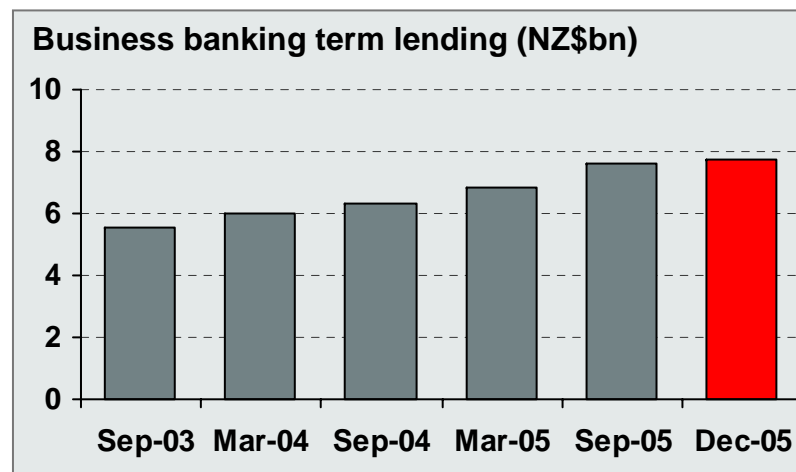
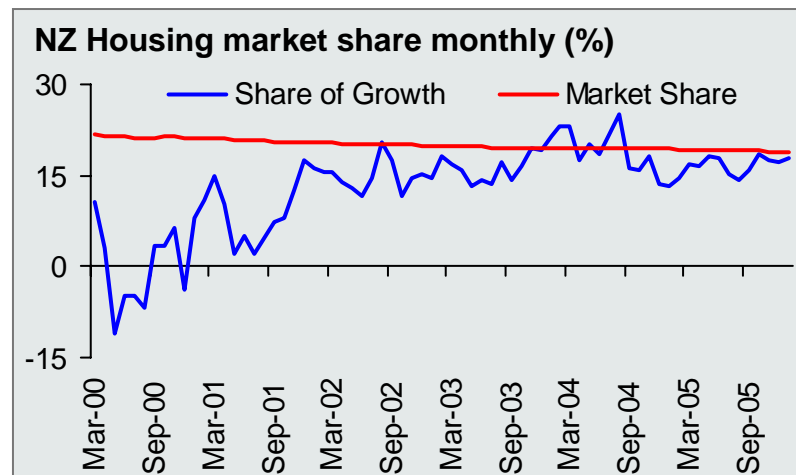
# Deposits market undergoing structural change

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- Continuing to grow deposits in line with market
- Portfolio composition is undergoing significant change with most growth in:
  - Flat fee transaction account (Westpac One)
  - High interest online savings account (Max-i Direct)
- Move to Max-i Direct is impacting margins, although partially offset by rate movements on other savings accounts
  - Net impact of these changes has resulted in retail deposit margins being 1 basis point lower in 1Q06 compared to 2H05
- Transaction fee changes introduced during the year have served to offset the impact of customer migration into lower fee accounts

# New Zealand a tough environment

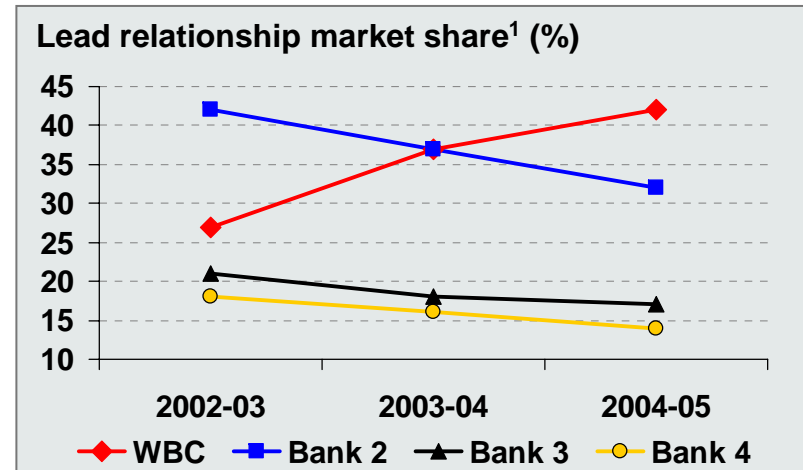
- Solid housing growth of 13.5%<sup>1</sup>, against 15% system growth
- Softer business confidence impacting loan growth; market share stable
- Strong performance in online account, supporting deposit market share
- Margin pressure continuing across all portfolios
- Subdued fee growth
- Asset quality environment remains favourable



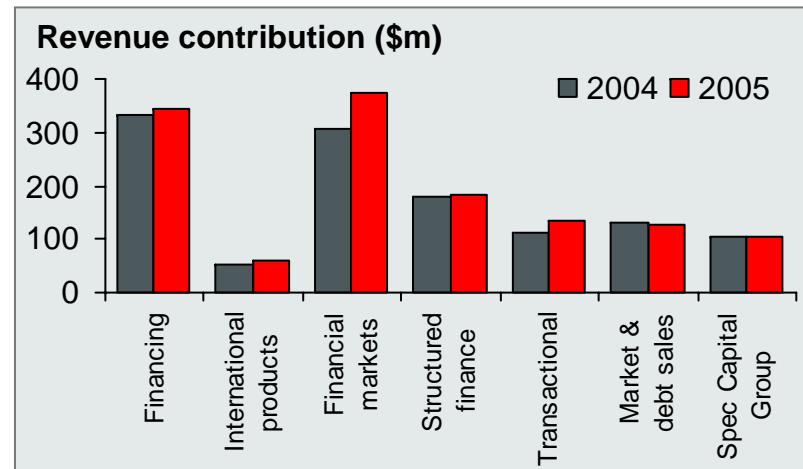
1. 12 month annualised growth to Feb 06

# Australasia's lead institutional bank

- Regional lead bank position supported by:
  - Strong relationship focus
  - Superior transaction banking platform
- Established specialised capital capability
- Starting point for 2006 cash earnings will be lower by \$100m given one-offs previously disclosed:
  - Run-off of NZ structured finance transactions
  - No further gains on high yield portfolio

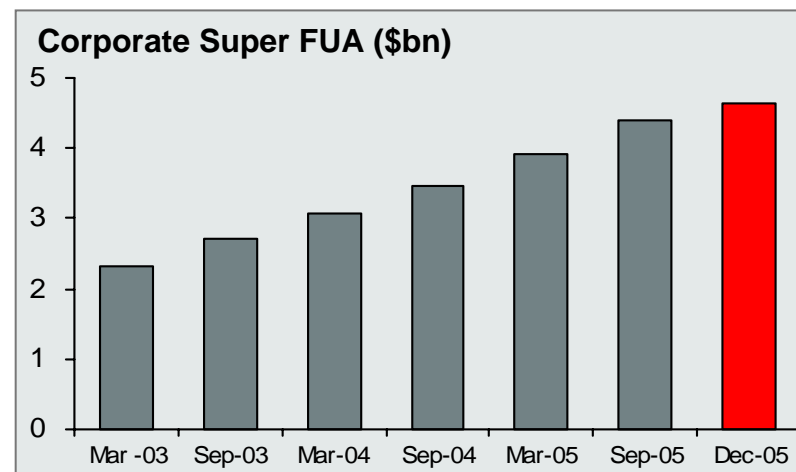
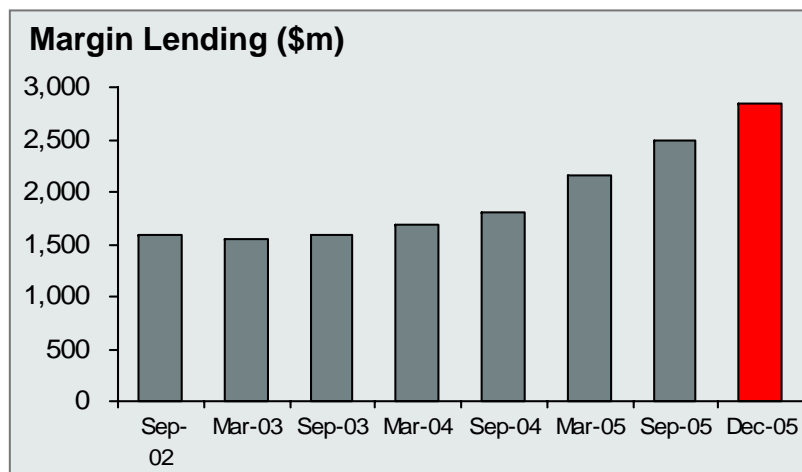
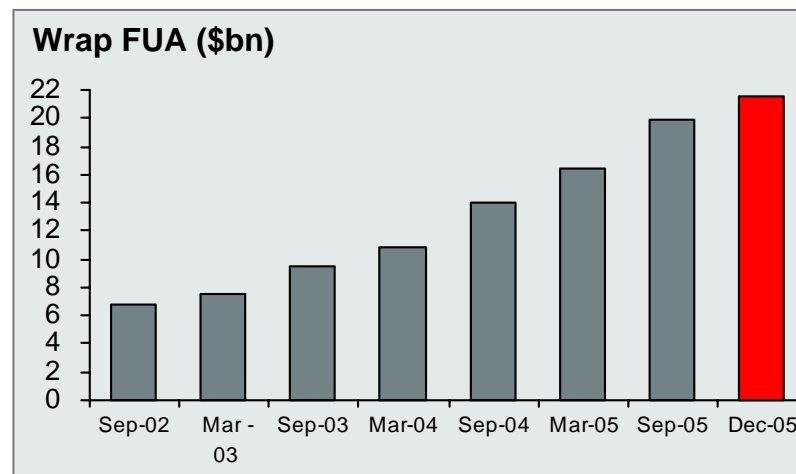


1. Peter Lee Surveys Australia



# Wealth management (BT) growing strongly

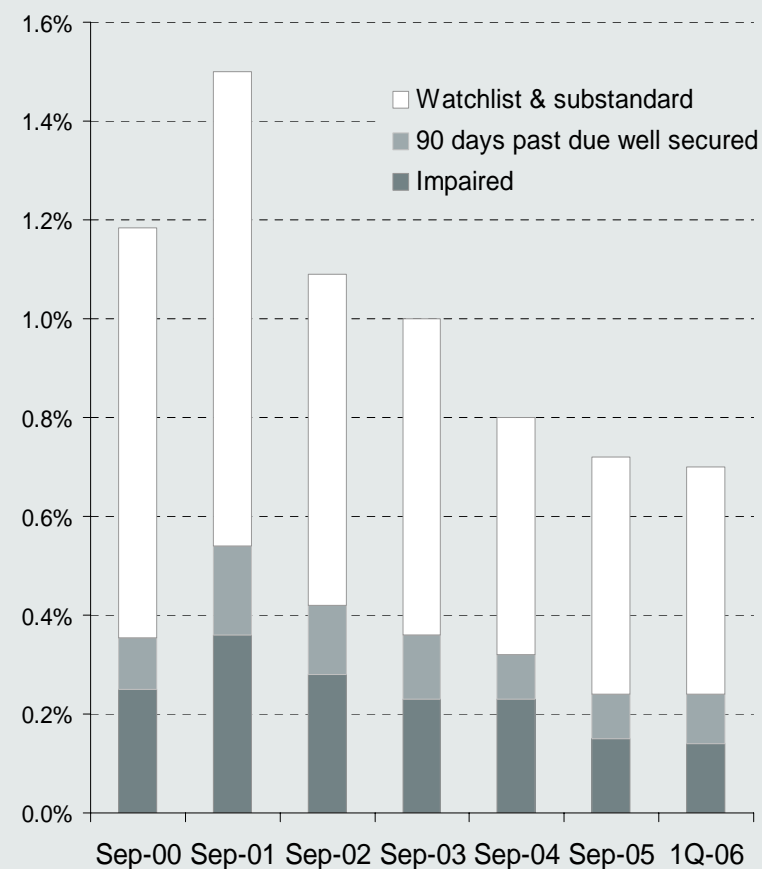
- Strong growth in Wrap and corporate super (pensions) boosting funds under administration (FUA)
- 3 year Top quartile fund performance
- Insurance benefiting from positive market conditions
- Good growth in margin lending, off a small base



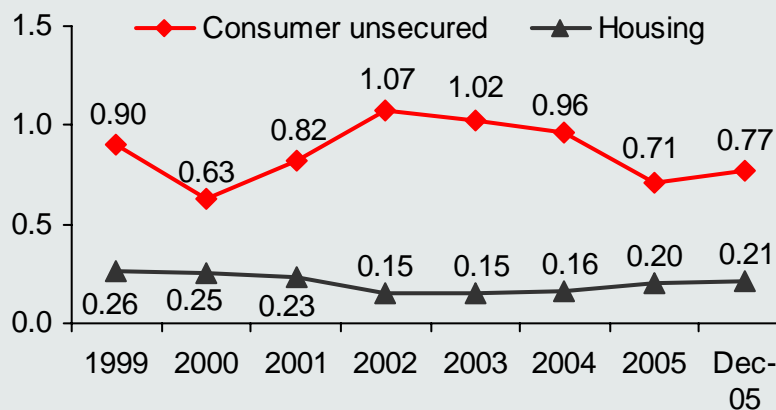


# Asset quality remains sound

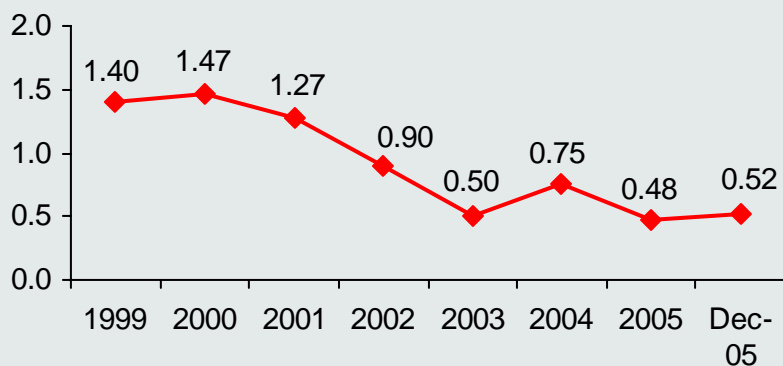
**Categories of stressed exposures as a % of total commitments (%)**



**Consumer - 90 day delinquencies (%)**



**Aust. Business Banking - 90 day delinquencies (3 month moving average) (%)**



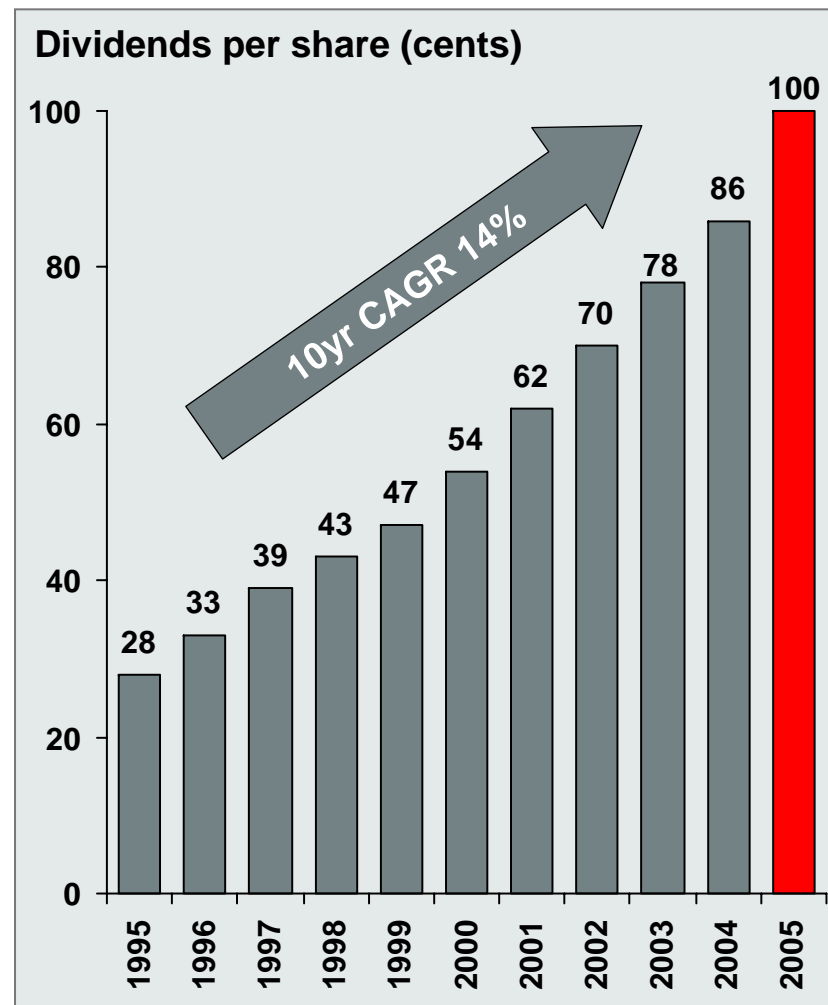
# Positioned to create value into the future

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Short term	Medium term
<ul style="list-style-type: none"><li>• Momentum restored in Australian retail franchise</li><li>• More aggressively pursuing growth in core markets</li><li>• Wealth management business growing ahead of market</li><li>• Most consistent financial performance of peers</li></ul>	<ul style="list-style-type: none"><li>• Deliver on infrastructure investments including corporate online, Pinnacle, Reach</li><li>• Further productivity opportunities in pipeline</li><li>• Growth options delivering further value</li><li>• Global leader in sustainability</li><li>• Advanced Basel II accreditation</li></ul>

# Positive outlook remains

- Macro environment sound, although competition tougher
- Westpac's franchise health is strong, with matching financial performance
- Retail momentum restored
- Consistently returning value to shareholders
- No change to outlook provided at the full year 2005 – confident that Westpac can continue to deliver strong outcomes for shareholders



# Disclaimer

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