2006 Half Year

The Westpac Shareholder Newsletter for the half year ended 31 March 2006

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Chairman's Report

On 4 May 2006 we announced a record operating profit after tax of $1,469 million, for the six months ended 31 March 2006.

Cash earnings increased 12% to $1,511 million. Under the new accounting standards reporting we will continue to focus on cash earnings as the key performance measure as we believe this approach is the most effective measure of cash generated for ordinary shareholders.

Cash earnings per share were up 12% to 82 cents, and the return on equity, on a cash basis, at 23% was up from 22% a year ago.

As a result of this strong performance and our confidence in our future, the interim dividend was increased to 56 cents per ordinary share, fully franked, paid on 3 July 2005. This was up 7 cents per share, or 14%, on the 2005 interim dividend. The dividend payout ratio has risen to 69%, compared with 67% for the March 2004 half.

David Morgan, our Chief Executive Officer, provides greater detail on the Bank's performance during the first half later in this newsletter.

I often get asked what other investment opportunities are there for shareholders to participate in that relate to Westpac. One way was through the Westpac Trust Preferred Securities that we launched on 11 May 2006, and which, by the time this newsletter goes to print, should be completed and listed on the Australian Stock Exchange. This security will provide us with additional innovative capital to help fund growth in the business while providing security holders with a non-cumulative, floating rate investment, with quarterly payments that are expected to be fully franked.

I am pleased to advise that following feedback from a number of shareholders during the year, we have made some further enhancements to the Shareholders Benefits Package this year. Full details are contained in the Terms and Conditions insert with this newsletter.

In summary, the enhancements include:

- Access to a Westpac One account, which is in fact two accounts, one transaction and one saving, free of the monthly fee. It also provides one statement, unlimited withdrawals and fee-free deposits; and
- Provision of a direct refund of $150 off any implementation fee that is incurred following the preparation of a wealth management plan with one of our Financial Advisors.

As I said to shareholders last year, Westpac has an organisational goal to reduce its total paper consumption each year.

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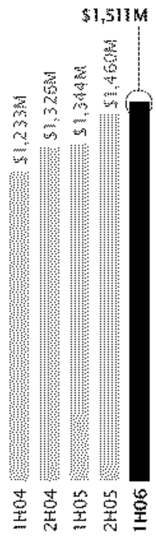
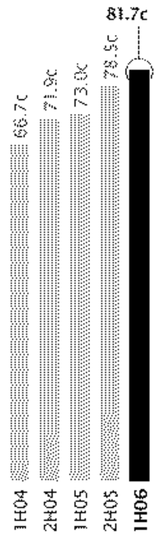
1. Comparatives are with the half-year ended 31 March 2005 unless stated otherwise.

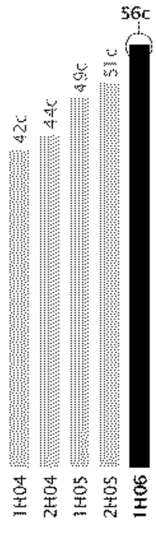
Financial Highlights



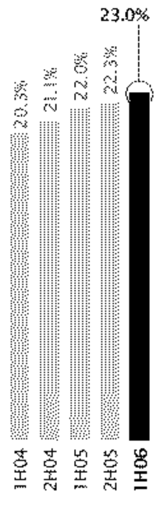
Cash Earnings



Cash earnings per share



Dividends per share



Return on average ordinary equity (cash basis)

2006 Annual General Meeting

The Westpac Banking Corporation 2006 Annual General Meeting is scheduled to be held in Brisbane, Australia, on Thursday 14 December 2006. The AGM will also be webcast live. A simultaneous information meeting will be held in Sydney, Australia.

Details of the locations, timing and business of the meeting will be advised in the Notice of Meeting that will be sent to shareholders in November 2006. ■

Travelling to the AGM

For shareholders wishing to attend the Annual General Meeting in Brisbane, CiEvents, Level 5, 33 Berry Street, Sydney NSW 2060, has been invited to develop a competitive travel package, comprising airfare and/or accommodation, for shareholders travelling either from Sydney or Melbourne to Brisbane.

Interested shareholders can contact:

Krista Hatfield at CiEvents on Phone: (02) 9923 8505; by Facsimile: (02) 9923 8560; or by Email: krista.hatfield@cievents.com.au

Alternatively, shareholders can consult a travel agent of their choice.

CiEvents is not a member of the Westpac Group and any contractual arrangements entered into will be between shareholders and CiEvents. No member of the Westpac Group accepts any liability in relation to bookings.

Full details will be posted shortly on the Annual General Meeting page within the Westpac website at www.westpac.com.au/investorcentre

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Chairman's Report continued...

I am very pleased to report that through shareholders electing to receive their Westpac communications, including Annual Reports, Shareholder Newsletters, and even their dividend payment statements, electronically, this year we reduced the amount of paper consumed in the 2005 Annual General Meeting mailing by 10 tonnes, from 76 tonnes in 2004 to 66 tonnes. More importantly, this reduction resulted in nearly 30 tonnes less of CO^2 emissions being emitted into the environment.

This time last year I also undertook to ensure that the impact of all our shareholder printing is 'carbon neutral', meaning that we would offset the carbon emissions that this produces. To achieve this goal, at the end of 2005 we funded clean energy projects that save as much greenhouse gas as was emitted by the production of the report.

We now have in excess of 45,000 shareholders who have provided us with their email address. And, the numbers moving to this more convenient way to get their shareholder information, now including dividend payment advices and notices of general meetings, has increased substantially on last year.

If you haven't yet and would now like to move to electronic delivery of your shareholder information, we enclose a 'Communication Election Form' to assist. We would ask that you take just a few minutes to complete it and return it in the replied paid envelope supplied. We respect that some people may still like to receive a paper copy of their dividend statement, rather than access and print it online, so that choice is still available. Alternatively you can elect how you would like to receive your communications online at www.linkmarketservices.com.au.

Finally on matters relating to your shareholding, for the second year we will be offering shareholders the option of online proxy voting for the Annual General Meeting (AGM). We will provide details of how this works in our AGM mailing, in November.

Westpac's corporate responsibility program is an integral part of the Westpac Group's core business strategy. It seeks to avoid the pitfalls of having a short term focus and resist demands to maximise near term value at the expense of future value.

And, I believe quite passionately in the need to take into account the needs of stakeholders, in addition to shareholders, given those other stakeholders' fundamental impact on all aspects of our business in terms of risk, resilience and revenue upside.

This approach means that as an organisation we lead according to a core set of values that simultaneously meet the needs of the organisation and our people.

The successful management of this mix of social, environmental and workplace impacts has in our view fundamentally enhanced Westpac's long-term shareholder value, in terms of reduced risk, enhanced resilience and business performance upside.

In the latest period we produced our fifth Stakeholder Impact Report and we launched an innovative environmentally-linked 'Westpac Landcare Term Deposit', a first of its kind in Australia, allowing customers to direct funds towards sustainable farming initiatives. And, in June 2006, on World Environment Day, we introduced an environmentally-linked home loan package, with offers for discounts on environmental products such as solar hot water heaters and insulation.

It is these kinds of initiatives that place your Bank at the forefront in corporate and social responsibility. I am pleased to advise that Westpac has again been ranked the number one company in the annual Australian Corporate Responsibility Index announced in May this year – for the third year in a row.

In conclusion, despite the more challenging environment for banks, Westpac delivered strong growth and returns for the half and we are pleased to have been able to again reward you our shareholders with a substantially increased dividend, reflecting our confidence in the future outlook. ■

Leon A. Davis AO, Chairman

Chief Executive Officer's Report

Strong first half performance

As the Chairman has outlined, the 2006 financial year has started off well, with a strong performance delivering cash earnings of $1,511 million, up 12% on the prior corresponding period.

This was a revenue lead performance, with revenue up 10%, which when combined with us holding expense growth to just 3%, has resulted in a 16% lift in underlying performance.

This result further builds on the strength and consistency of our results over a number of years and demonstrates that we have created a resilient bank that is delivering for all stakeholders, while successfully meeting the growing competitive challenges.

Importantly, our continued investment in sales and customer systems, as well as improved back-office infrastructure, is providing the building blocks for future growth. These investments will see more jobs created in customer serving areas, in addition to the five hundred new front-line employees added over the past twelve months.

Business growth was robust, while maintaining disciplines in terms of margin management, asset quality and cost controls. Asset quality remains sound, with impaired assets and stressed loans remaining at historically low levels.

On the efficiency front, productivity has continued to improve and adjusting for the new accounting standards we have taken three percentage points off our cost to income ratio, which is now sitting at just 47 per cent, down from nearly 60% seven years ago.

An outstanding feature of this first half result has been our ability to make a further step change in the dividend payment, lifting it by 7 cents or 14%, to 56 cents. With the off-market buyback completed in December 2005 and this dividend, Westpac has returned over $2 billion to shareholders in the period.

Our diverse and well balanced portfolio of businesses remains a key strength:

- Our Australian Business and Consumer Banking operations delivered a 12% increase in cash earnings, while restoring the momentum in the mortgage business, cards and business banking, without going out on the risk curve or sacrificing price. Underlying this was solid volume growth across key portfolios, with lending growing 11%, while containing expense growth to just 2%. Credit card growth has been a highlight with growth of 14% for the year. Looking forward we know that we have some work to further build the momentum in the small to medium sized business sector, which bore the brunt of the introduction of the new loan origination system last year. The issues with this system are now behind us, and we see improved prospects for the remainder of the financial year and beyond.
- Westpac Institutional Bank's cash earnings were impacted by the run off in New Zealand structured finance transactions. However, excluding the structured finance business, its underlying cash earnings were strong, up 26%. In particular the financial markets performance was strong, with foreign exchange earnings up 30%. Importantly the Institutional Bank continues to be number one lead bank for Australian corporations.
- New Zealand retail banking cash earnings increased 4%. Total lending grew a solid 13% and deposits were up 8%, however this growth was offset by a 25 basis point decline in margins particularly impacted by the continued migration from floating, to lower spread fixed rate, housing loans. In New Zealand we have to contend with both a highly competitive market and a slowing economy.
- The standout performance in the period was by BT Financial Group, where cash earnings were up a strong 20%. Funds under administration grew an impressive 27%, with Wrap and corporate superannuation volumes growing 43% and 28% respectively. Also, insurance, margin lending and discount broking all lifted their contribution. Importantly, the targeting of Westpac's customer base has seen sales volumes within the advice business improve 21%.

Capital

Given the solid earnings growth and very strong return on equity, Westpac continued to generate significant excess capital. As at 31 March 2006 our Tier 1 capital ratio stood at 6.8% and the Adjusted Common Equity ratio was at 5.1%, both above our target ranges.

Outlook

Westpac's financial position is in excellent shape and the increase in the dividend reflects the strength of the result and confidence in our future.

Importantly, the overall economic and operating environment remains favourable, despite the challenges of rising oil prices, a softer outlook for the New Zealand economy and increased competition.

While recognising these short-term challenges, we continue to manage Westpac for the long-term, focusing on sustainable profitable growth and returns, and building a resilient company.

The engagement of our employees around clear long-term vision and strong values has developed a team of highly motivated and focused people, with a great ability to get the job done.

With Westpac's franchise in good shape, we are confident that we will continue to deliver strong outcomes for shareholders.

David Morgan

David Morgan, Chief Executive Officer

Be first to receive shareholder news... and save paper!

By registering your email address you can start receiving important Westpac shareholder information electronically. This will save time, paper and money. To register fill out the enclosed Communications Election Form and send it back in the reply paid envelope or go to www.westpac.com.au/investorcentre and click on 'Register your email address' on the right hand side of the page.

We strongly recommend that any shareholders who currently receive their dividend by cheque, consider changing to either direct credit of dividends to an account at a financial institution or joining the Dividend Reinvestment Plan.

Available on the Westpac Internet site – www.westpac.com.au/investorcentre

Information of interest to shareholders is available on our Internet site. You can now directly access the Investor Centre by typing the following address in your internet browser address window:
www.westpac.com.au/investorcentre

The Investor Centre includes information on:

- Dividends and key shareholder dates
- Share registry contacts and access
- Westpac's financial performance
- Corporate governance
- The 2005 Concise Report and copies of past annual reports
- Briefings provided to investors and analysts, and speeches by key executives
- Westpac's US ADR program.

Shareholders of Westpac ordinary shares listed on the Australian Stock Exchange (main register) and on the New Zealand Exchange (New Zealand branch register) can directly access our registry company, Link Market Services Limited (formerly ASX Perpetual Registrars Limited), via a link from the Shareholders Services page in the Investor Centre. Once linked to the registry you can obtain information about your holdings and initiate changes to address details or other information relevant to those holdings.

Shareholders' Calendar

Interim dividend payable	3 July 2006
Financial year end	30 September 2006
Final results and dividend announcement	2 November 2006
Record Date for final dividend	22 November 2006*
Record Date for final dividend (New York)	21 November 2006*
Final dividend payable	13 December 2006*
Annual General Meeting	14 December 2006**

* Dates will be confirmed at the time of announcing 2006 final results.

** Details regarding the date of this meeting, and the business to be dealt with, will be contained in the separate Notice of Meeting to be sent to shareholders in November 2006.

Westpac's Sustainability Ratings

Member of Dow Jones Sustainability Indexes 06

Westpac has been assessed as the global sustainability leader for the banking sector in the 2005/2006 Dow Jones Sustainability Index, for the fourth year in a row.

CORPORATE RESPONSIBILITY INDEX

Westpac has been ranked the number one company in the Australian 2006 Corporate Responsibility Index, for the third year in a row.

GovernanceMetrics International - top global governance rating of 10. One of only five companies to receive the top rating five consecutive times.

Westpac

Shareholders Benefits Package

Rewarding our shareholders with discounts on a range of Westpac products.

Are you eligible for these benefits?

To access the Shareholders Benefits Package, you must:

- Be an Australian resident.
- Hold a minimum of 500 fully paid ordinary Westpac shares, in any one holding.

You'll receive a benefits card annually, included with the July dividend notice – just show this card at any Westpac branch to receive your benefits.*

Please note:

- Companies and trusts that hold a minimum of 500 fully paid ordinary Westpac shares can nominate one individual to enjoy these benefits.
- Benefits cannot be split between more than one individual, and cannot be applied to any business-related account or business purpose.
- To nominate an individual, take your card into a branch and state your request. They won't need to apply to have a separate card issued, nor write to the bank with a special request.

Enjoy a number of exclusive shareholder benefits.

The Shareholders Benefits Package offers savings on loans, investments and wealth products, plus discounts on everyday banking, and even bonus points with your Altitude card. See below for some of the savings that are available to you.

Loans[1]

Product	We offer:	Your benefit:
Property loans	If you're buying a home, refinancing, building or investing in a property, we may have a property loan to suit you.	Pay no establishment fee[2] – save up to $750 on selected property loans. Also available for your spouse, de facto spouse and children[3].
Top-up loans	If you need to renovate or require extra funds, you may be able to increase the limit on your existing loan with a Top-up loan.	Pay no top-up fee – save up to $400 on Premium Option Home Loans or Variable Investment Property Loans.
Equity Access loans	If you have equity in your home, this loan provides a line of credit that you could use for investments or other purposes.	Pay no establishment fee[2] – save up to $750.
Margin lending	A form of borrowing that allows you to invest in shares or managed funds using your existing shares or managed funds as security. This increases the total amount you may invest without having to tie up more of your funds.	Save 0.15% p.a. on a standard Margin Loan rate.

Insurance[4]

Product	We offer:	Your benefit:
Home and contents insurance	Protect your home and everything in it with comprehensive cover.	Save $50 on Westpac Home Insurance and $50 on Contents Insurance.

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Everyday banking.

Product	We offer:	Your benefit:
Westpac One account	Westpac One combines one transaction account with one savings account. You'll pay no monthly fee, plus get one combined statement, unlimited Westpac withdrawals and fee-free deposits.	Pay no monthly account fee – save up to $60 a year.[5]
Term deposits	Invest as little as $5,000 in a term deposit, for any term between 7 days and 2 years, and receive a highly competitive interest rate – guaranteed for the entire term.	Get a bonus 0.25% p.a. interest on term deposits from $25,000 to $250,000. This offer is not available in conjunction with any other special offer.[5]
Altitude credit card[6]	Altitude offers better value from a credit card, a great range of rewards, including flights on all the world's major airlines.	Get 1,500 bonus Altitude points every year.[7] To be eligible, you need to have a valid approved Altitude card before 1 August each year.
	To receive your first allocation of points, you must register your interest at a Westpac branch before 16 August. Once you've done so, you don't need to do this again in subsequent years.	

Financial planning.[8]

Product	We offer:	Your benefit:
Financial advice	Speak with a Westpac Financial Planner to help you achieve your financial goals. Your planner can help you develop a personalised financial plan – for investment, superannuation, retirement planning or perhaps personal insurance.	Benefit from a $150 reimbursement when you proceed with the recommendations in your plan.[9]
Ongoing services	Service One: A financial plan program for customers with medium sized, moderately complex portfolios. Service Plus: Ideal for larger, more complex portfolios.	Get 10% off Service One and Service Plus annual fees – save up to $300 per year.

To apply for any of these benefits, visit a branch, call 1300 360 599 or go to www.westpac.com.au/investorcentre

Things you should know: * It is the responsibility of the shareholder to present their Shareholders Benefits card at a branch in order to access any benefits they are entitled to. Westpac is unable to automatically identify shareholders and provide them with benefits. **1.** Westpac's normal lending criteria apply to all of the lending products referred to in this brochure. **2.** Premium Option Home Loans with 1 Year Guaranteed rate, First Option Home Loans and Low Doc Premium Options Home Loans, Bridging Loans and 100% LVR Loan Options are excluded from the establishment fee discount benefit. Investment Loans with 1 Year Guaranteed rate, First Option Investment Property Loans and Low Doc Variable Rate Investment Property Loans are also excluded. Not available to non-resident shareholders. **3.** To access the benefit for your spouse (or de facto spouse) and your children, their relationship to you must be confirmed at a Westpac branch. For details on how to do this, if you cannot attend in person, call **1300 360 599**. **4.** Home and Contents Insurance is issued by Westpac General Insurance Limited ABN 99 003 719 319 (WGIL) and distributed by Westpac Banking Corporation ABN 33 007 457 141 (the Bank). This policy is subject to conditions, limits and exclusions on cover, which are explained in the policy wording. The policy is not an investment in or deposit with the Bank. No Westpac Group company (other than the Bank as policy distributor and WGIL) has any liability in connection with the policy or this brochure. The Bank does not guarantee payments under the policy. In some states, the Domestic Workers Compensation cover is issued and guaranteed only by Allianz Australia Insurance Limited ABN 15 000 122 850. The information in this brochure is factual only. It does not constitute financial product advice. Before acting on the information in this brochure you should seek independent financial and taxation advice to determine the appropriateness to you objectives, financial situations and needs. You can obtain a copy of the Product Disclosure Statement (PDS) and the Bank's Financial Services Guide (FSG) by calling **1300 650 255** or visiting www.westpac.com.au. You should consider the PDS and FSG before making any decision in relation to Home and Contents Insurance. **5.** This saving only applies to one Westpac One account. Other fees and charges may apply. The Bank is the issuer of Westpac One and Term Deposits. A Product Disclosure Statement (PDS) is available for these products. You can obtain a copy of the PDS, or contact Westpac, by calling **132 032**, visiting www.westpac.com.au or by visiting any of our branches. You should consider the PDS before making any decision in relation to these products. If you have a complaint about these products, please contact us by: telephone: **1300 130 467**, or mail: GPO Box 5265, Sydney NSW 2001. If you are still not satisfied, you may refer your complaint to the Banking and Financial Services Ombudsman by telephone: **1300 780 808** or mail: GPO Box 3, Melbourne VIC 3001. **6.** Earning and redemption of Altitude points (including available rewards) is subject to the Altitude Terms and Conditions. Benefits apply to Altitude card, Altitude Gold card, Altitude Platinum Card, Altitude Business Limited Edition card and Altitude Business Limited Edition Gold card. Only one points benefit can be applied per card account. A benefit can also be applied to a card if the eligible shareholder is the holder of an additional card on an Altitude card, Altitude Gold card account, Altitude Platinum, Altitude Business Limited card and Altitude Business Limited Gold card. **7.** The number of points is subject to periodic review. **8.** Westpac Financial Planners are not qualified to give tax advice. Your individual situation may differ and you should seek independent professional tax advice on any taxation matters. Westpac Financial Planners are representatives of Westpac Banking Corporation, AFSL No. 233714. **9.** Applicable charges for plan preparation and implementation must be paid before a $150 cheque claim will be authorised by your planner.

The benefits are not available in conjunction with any discounts, special offers, negotiated rates or other packages offered by Westpac or its subsidiaries, including the Westpac Employee Advantage benefits package. The information in this brochure is current as at 1 June 2006 and has been prepared without taking into account your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation and needs. Westpac Banking Corporation's Financial Services Guide can be obtained by calling **132 032**, visiting www.westpac.com.au or visiting any of our branches. Fees and charges apply to all products mentioned. Full details of all terms and conditions are available on request. These may be varied or new terms and conditions introduced in the future. Westpac reserves the right to withdraw the Shareholders Benefits Package or vary eligibility criteria and benefits at its discretion.