Westpac 2008
Interim Results

1 May 2008

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Gail Kelly
Chief Executive Officer

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Agenda

- Overview of current market conditions
- Summary of performance
- Result details
- First impressions and strategic priorities

A changed environment

- Higher funding costs
- Decline in equity markets
- Increased market volatility
- Moderation in risk appetite
- Current credit cycle accelerated by changed environment

Westpac is well placed

- Strongly positioned leading into changed environment
- Timely and coordinated response
- Robust risk management with a depth of management experience
- Actively supporting customers

Funding and liquidity

- Proactively managed funding requirements:
  - Access to markets maintained
  - Excellent investor relationships
  - Strong funding profile
  - Over 80% of 2008 term funding plan complete
- Very strong liquidity position

Credit risk remains a key focus

- Additional economic overlay provision in FY07 and 1H08
- Extensive reviews of certain sectors including:
  - Property
  - Infrastructure
  - Securitisation
  - Margin lending
  - Highly leveraged companies
- Supporting existing customers a priority

Robust performance despite challenging conditions

		Change 1H07 – 1H08
Cash earnings	**$1,839m**	**▲ 10%**
NPAT	$2,202m	▲ 34%
Revenue (cash basis)	$5,430m	▲ 12%
Impairment charge to average loans	30bps	▲ 11bps
Cash EPS	98.2c	▲ 8%
Cash ROE	22.7%	▼ 90bps
Cost to income ratio (cash basis)	44.4%	▼ 150bps
Fully franked dividend	70c	▲ 11%

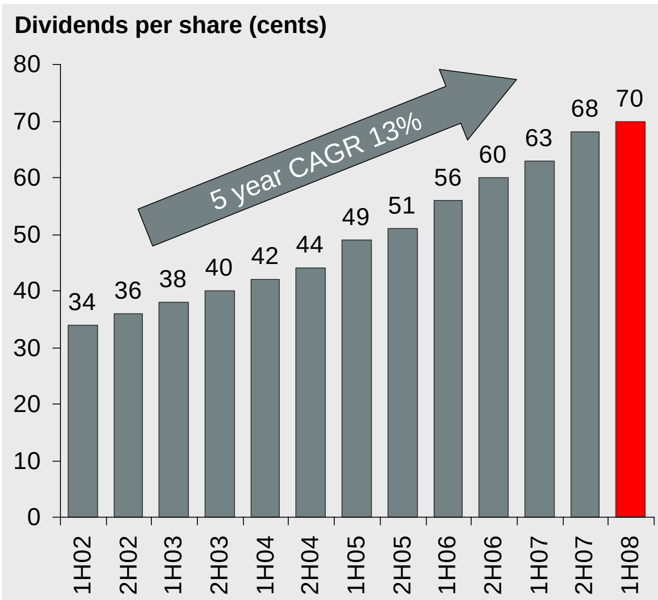
All business units positioned well

	Cash earnings % growth
Consumer Financial Services	
Growth restrained by higher funding costs and RAMS acquisition	▲ **10%**
Business Financial Services	
Prior investment delivering	▲ **13%**
Westpac Institutional Bank	
Strong earnings offset by higher impairment charges	▼ **6%**
BT Financial Group	
Adverse market movements impacting earnings	▼ **10%**
New Zealand	
Continuing the turnaround with good growth	▲ **12%**[1]

1. In NZ$

Maintaining consistent dividend path

- Dividends up 11%
- Pay-out ratio of 71%, maintained around recent levels
- Solid capital position under Basel II
- DRP satisfied by new share issuance



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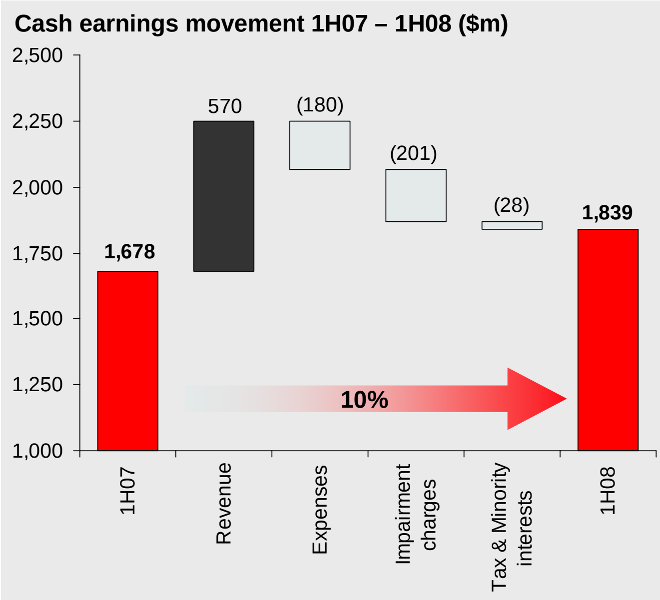
Phil Coffey
Chief Financial Officer

Result discussion and analysis

- 1H08 performance
- Analysis of key earnings components
- Credit quality and impairment charges
- Funding
- Basel II and implications for capital
- Forward considerations

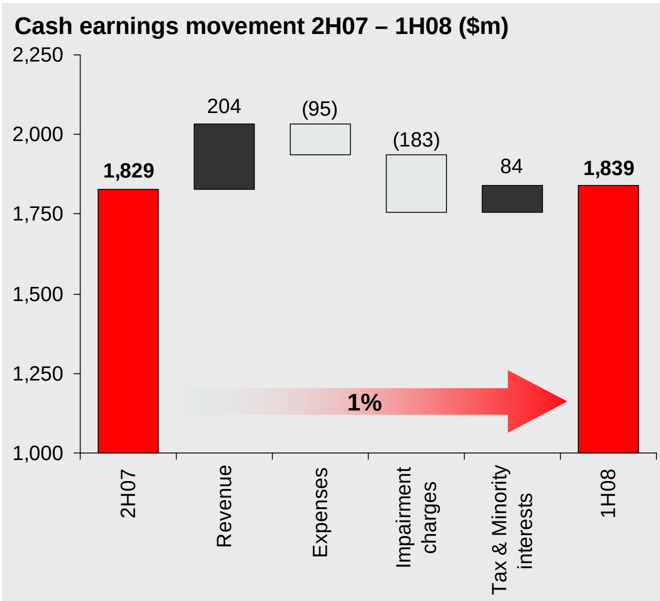
Robust result in current conditions

- Reported NPAT up 34%, including significant asset sales
- Cash earnings up 10%
- Strong revenue growth, up 12%
- Higher impairment charges
- Operating environment impacted composition of the result



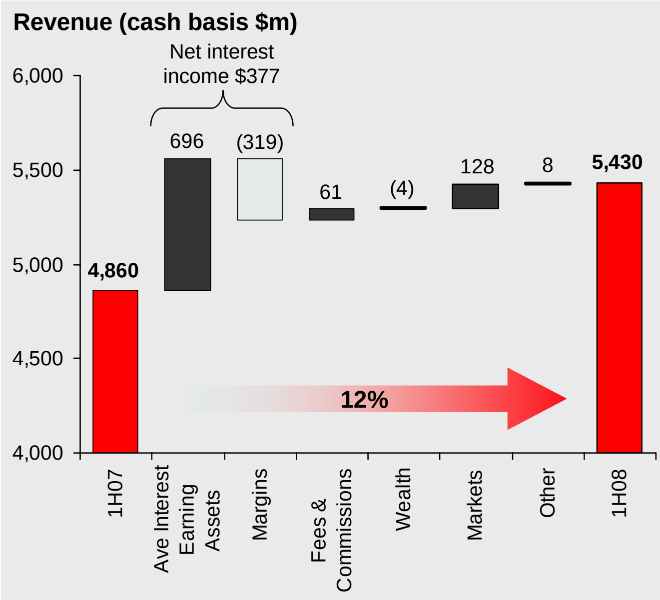
Earnings over prior period relatively flat

- Sound revenue growth, up 4%
- Three significant headwinds in the half:
  - Higher cost of funds $115m
  - Lower BTFG revenue $34m
  - Higher impairments $183m



Revenue growth mix reflects market conditions

- Strong revenue growth - different mix
- Net interest income up 12%
  - Average interest earning assets up 23%
  - Margin decline (-20bps) impacted by additional liquidity
- Modest fee growth:
  - Solid banking and Specialised Capital Group fees
  - Lower transaction fees
- Wealth impacted by decline in investment markets
- Solid markets income



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Markets and Treasury – managing volatility well

- Strong FX and Energy performance
- Soft Equities trading performance
- Good Debt Markets performance:
  - Good market sales
  - Strong credit markets outcome
  - Lower debt markets trading
- Strong Treasury result
- Rise in VaR reflects higher market volatility and changing correlations – little change in underlying positions

Markets revenue ($m)	1H07	2H07	1H08
FX and Energy	139	230	213
Equities	15	19	-1
Debt Markets sales and trading	99	82	115
Total	**253**	**331**	**327**
Average VaR[1]	4.7	5.3	7.1

Treasury revenue ($m)	1H07	2H07	1H08
Net interest income	123	96	142
Non-interest income	-	7	-
Total	**123**	**103**	**142**
Average VaR[1]	8.4[2]	7.2	9.9

1. VaR at 99% confidence level, 1 day hold period
2. No diversification benefits taken into account in 1H07

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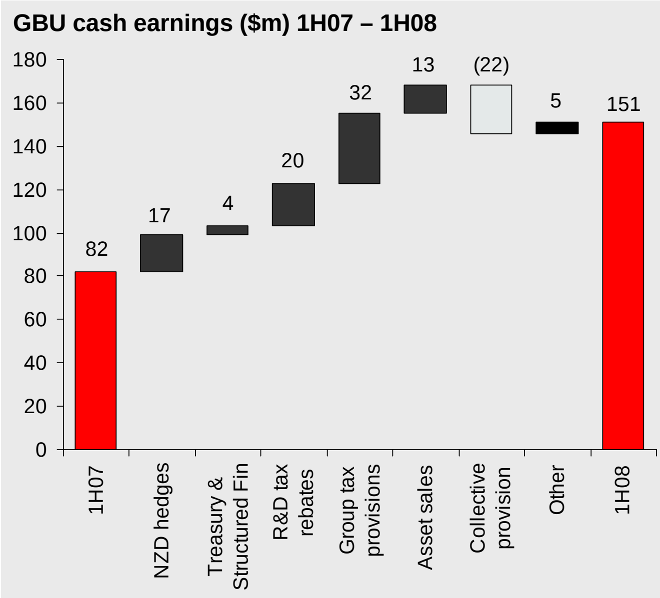
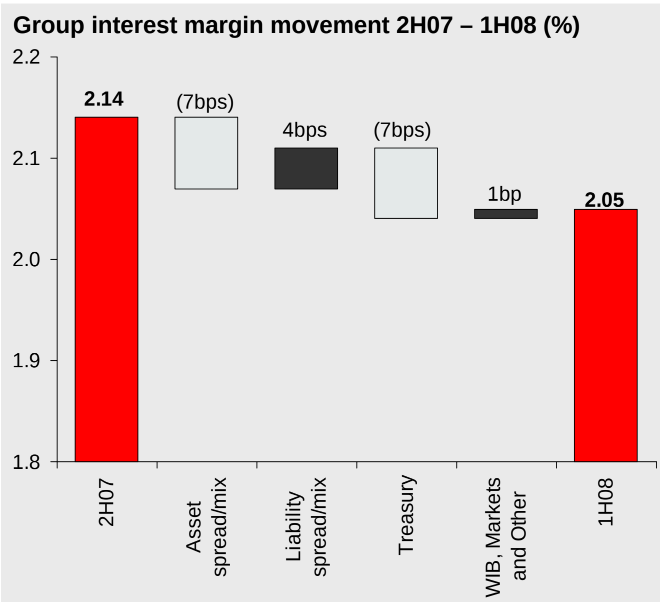
Group business unit

- Benefiting from a number of management initiatives:
  - Hedging NZ retail earnings
  - Resolution of certain tax issues
  - Sale of Bedford Park operations centre in Adelaide
  - R&D tax rebates
- Additional collective provision for current environment, $31m pre tax



Factors impacting 1H08 margins

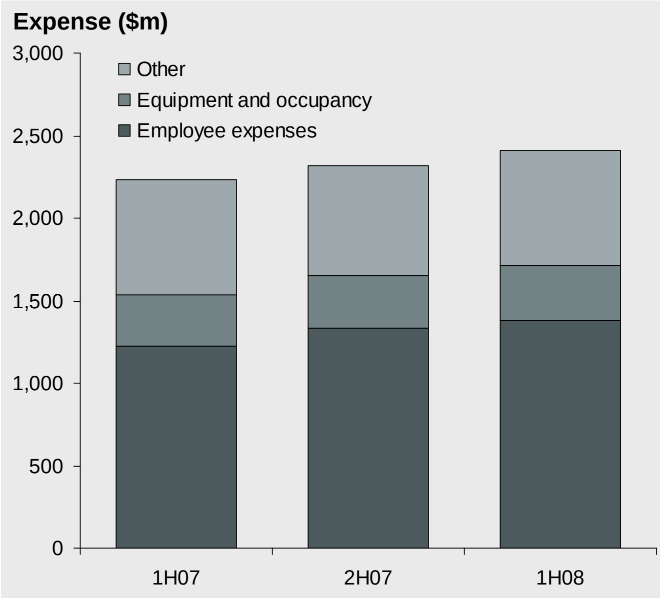
- Net decline in asset and liability spread/mix down 3bps:
  - Higher cost of funds and more fixed rate lending -7bps
  - Increase in deposit spreads 4bps
- Treasury down 7bps from impact of higher liquidity, 10bps, offset by higher interest income
- WIB movement from change in income recognition +2bps offset by mix impacts -1bp
- Total structural[1] impacts on margins 8bps



1. Structural impacts include impact of higher liquidity -10bps and change in income recognition in WIB +2bps

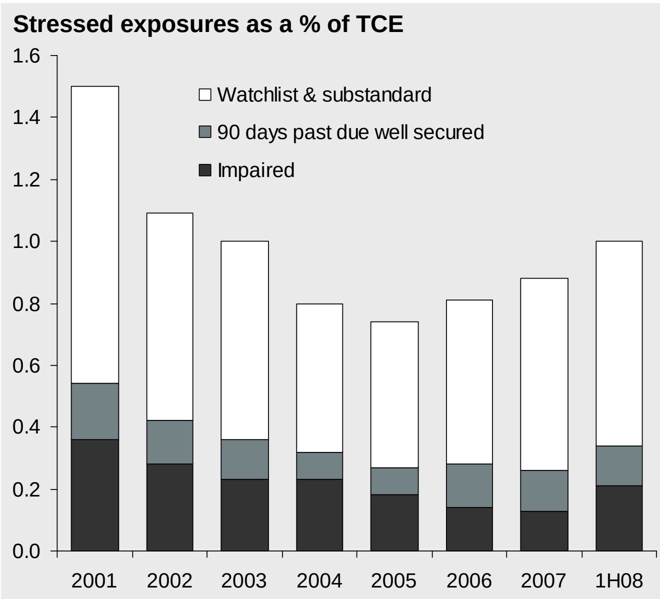
Expenses up 8%

- Employee expenses up 13% reflecting:
  - More people +4%
  - Salary increases +7%
  - RAMS franchise acquisition +$8m
- Equipment and occupancy costs higher
  - Increased branches and business banking centres
- Investment focus led to higher expense growth in BFS, 10% and BT, 12%



Credit cycle continues to turn

- Total stressed exposures increased to 1% of TCE, back to 2003 levels
- Gross impaired assets up $416m over prior period, predominantly due to:
  - Two corporate exposures (migrated from watchlist)
  - One margin loan
  - A number of smaller business exposures



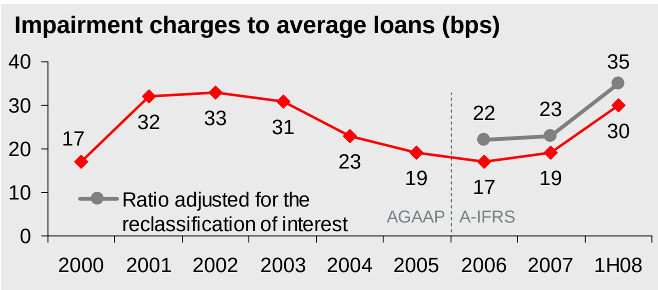
TCE is Total Committed Exposure.

Impairment charge increase consistent with environment

Category	$m	Comments
March 2007	**232**	
Individually assessed		
New individually assessed	184	Two corporate exposures. One impaired margin loan. Additional impaired loans in Business banking and New Zealand consistent with credit cycle
Write-backs and recoveries	(15)	Marginally higher recoveries and write-backs in 2008
Collectively assessed		
Write offs	44	Higher write-offs in cards consistent with portfolio seasoning
New collectively assessed	(49)	Lower new consumer collectively assessed primarily due to lower cards growth compared to 1H07. 1H07 also included additional collective provision in the Pacific of $12m
	6	Within WIB, one institutional downgrade, partly offset by 2 exposures migrating to individually assessed provision and compositional changes
Additional provision	31	Additional provisions in consideration of current environment
March 2008	**433**	

Impairments higher – solid coverage

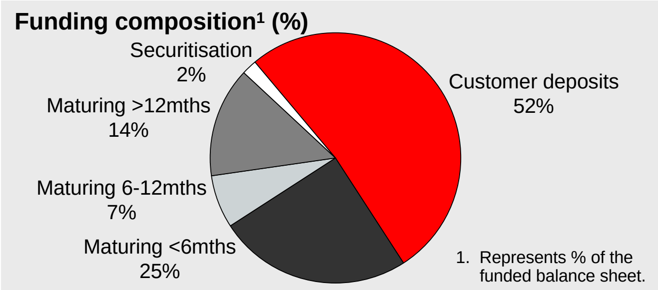
- Impairment charges to average loans higher, at 30bps
- Solid provision coverage against impaired assets
- Total collectively assessed provisions also strong – up 17% on 1H07
- Further $31m addition to economic provision, now $213m in total

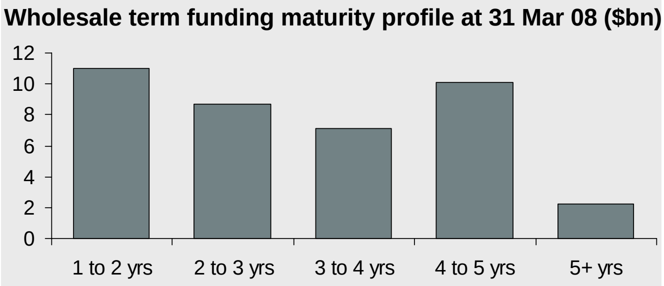


	1H07	2H07	1H08
Total provisions to gross loans	63bps	62bps	63bps
Total provisions to RWA (Basel II)	na	92bps	100bps
CAP to RWA (Basel II)	na	84bps	83bps
Impairment provisions to impaired assets	49bps	49bps	44bps

Healthy funding and liquidity position

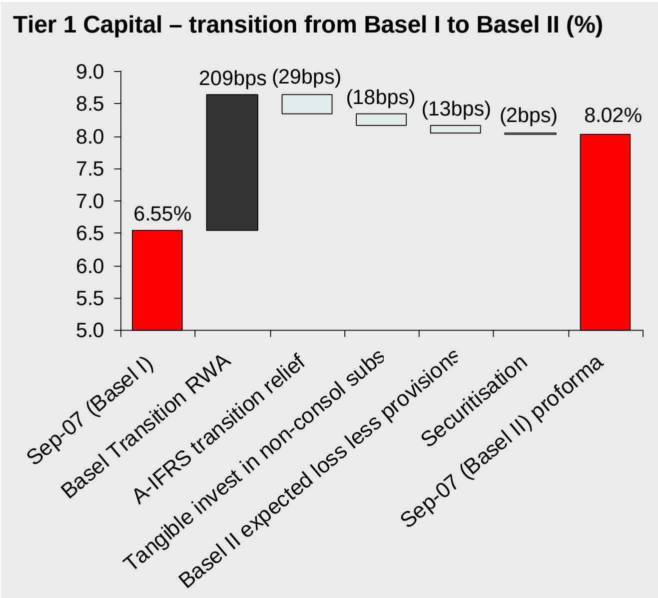
- Well ahead on FY08 term funding plan – $25bn completed to date
- Strong funding profile:
  - Lengthened short term duration from 71 days (Sep 07) to 92 days (Mar 08)
  - Duration of new term issuance 2.8 yrs
- Lower term funding requirement in FY09 ~A$20bn to $25bn
- Very strong liquidity position:
  - $34bn in liquidity, more than double normal levels
  - Additional innovative $10.6bn internal securitisation





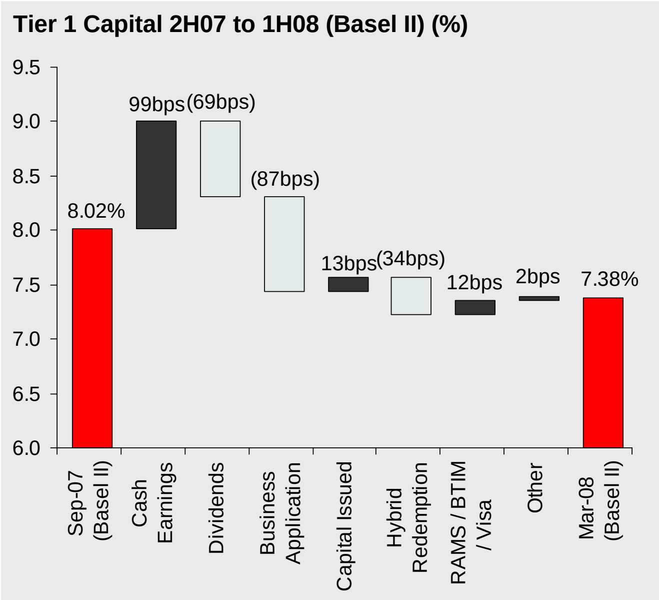
Well capitalised under Basel II

- Transition to Basel II leads to a significant rise in capital ratios
- Sources of that change:
  - 26% reduction in risk weighted assets, adding 209bps to Tier 1
  - Changes in capital deductions reducing Tier 1 by 9%, or 62bps



Strong Tier 1 capital and additional hybrid capacity

- Strong earnings growth and net divestments / acquisitions adding over 100bps to Tier 1 ratio over the half
- Offset by:
  - Dividends, 69bps
  - Redemption of FIRsTS (hybrid) in December 2007
  - Business application, of 87bps
- Strong ACE ratio at 5.98%
- Total Regulatory Capital ratio >10%
- Significant hybrid capacity remains



Implications for capital management

- Basel II demonstrates Westpac is well positioned
- No immediate need for additional capital, given:
  - Strong capital levels and shape of portfolio
  - Utilised hybrid capacity 18% vs cap of 25%
  - Asset growth is expected to ease through the remainder of 2008
  - Basel II reduces the capital intensity of new growth. For example, for every $1 lent for a consumer mortgage, the additional capital required equates to:
    - Basel I 4.0 cents
    - Basel II 1.4 cents
- Given market volatility and the current environment, we believe it is appropriate to maintain higher capital ratios

2H08 considerations

- Tougher operating conditions to continue in 2H08:
  - Funding costs to trend higher as term funding matures and is replaced
  - Pipeline of new business beginning to slow
  - Impairment charges likely to remain higher
  - Not expecting another major equity market correction
- Our response:
  - Continued risk diligence, keeping ahead of the curve
  - Further strengthen deposit gathering
  - Harder look at productivity initiatives

Summing up

- Robust result in the current conditions
- Strong revenue growth maintaining recent trends
- Market conditions, and our response, are clearly reflected in earnings
- Asset quality remains strong, with higher provisions
- Very strong funding, liquidity and capital
- Heading into 2H08 well positioned

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Chief Executive Officer

Early observations

Customer	• Exceptional customer base • Limited segmentation • Strong but underleveraged brand • No.1 in Institutional Banking • "Middle of the pack" customer service in retail and business banking • Strong business units operating independently
People	• High level of engagement, enthusiasm for change • Great place to work • Deep skills and experience

Early observations … continued

Distribution	• Undervalued • Sub-par systems / tools / support, particularly in retail • Growing strength in business banking
Products	• Exceptional strength in wrap, super and payments
Operations	• Designed to support products rather than customers
Risk and financial management	• Strong risk culture • Robust planning and financial systems
Sustainability	• A real strength, compelling position

Strategic priority areas

Customer	• Drive a strong customer culture • Develop and implement compelling customer segment strategies integrating banking and wealth • Significantly improve customer experience
People	• Strengthen capabilities and depth of talent particularly in distribution businesses • Strengthen collaboration and teamwork • Encourage boldness, promote achievement

Strategic priority areas … continued

Distribution	• Establish and drive locally empowered businesses • Continue to invest in Business Banking and Wealth
Operations & Investment	• Focus on being easier to deal with • Transform service delivery, redesigning processes end-to-end • Invest to increase the reliability and consistency of services • Focus on driving productivity, eliminating duplication to provide headroom for additional investment
Sustainability	• Embed in all elements of the business • Continue to develop risk management as a competitive advantage

Next steps – clear plans underway

- Long range strategic planning process underway
- Specific streams of work commenced. Executive Officer accountability for each stream in place, with teams being mobilised
- Financial pathway and business cases to fund new investment have commenced - including utilising Visa IPO and BTIM proceeds
- Further detail to be provided later this year

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