

Westpac Banking Corporation

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March 2009



Westpac Banking Corporation – at a glance

- Top 3 Australian listed company
- One of 12 AA rated banks globally
- Focused on Australia and New Zealand – 98% of revenue
- Strong franchise:
 - 10m Customers
 - 1,300 branches; 2,800 ATMs
 - Increased strategic options with multiple brands
- Sustainability leader

Pro-forma¹ 30 September 2008

Cash earnings	A\$5,047m
Total assets	A\$587bn
Market cap ²	A\$46bn
Return on equity (cash basis)	22.3%

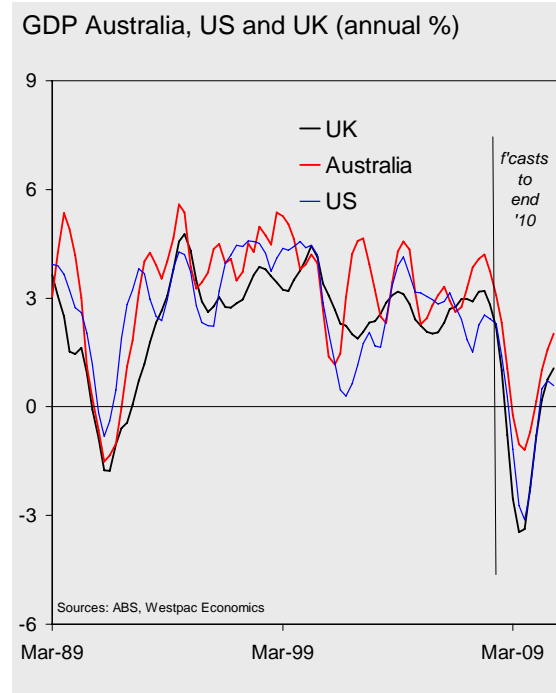
Capital Ratios December 2008

Tier 1 (Basel II)	8.3%
Tier 1 (FSA Basel II)	10.2%
Core capital ratio ³	6.7%

1. Pro-forma is based on the combined earnings and assets of Westpac and St.George Bank before any acquisition adjustments
2. As at 3 March 2009
3. Tier 1 excluding hybrids divided by risk weighted assets

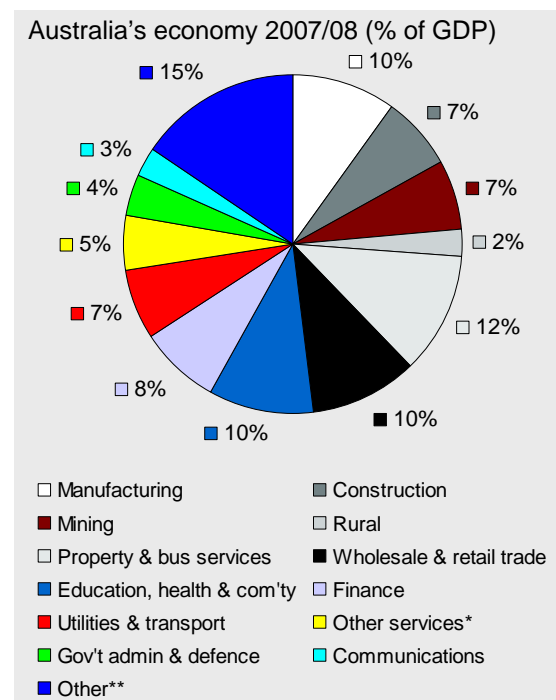
Australia – unable to avoid a recession in 2009

- Growth expected to decline in Australia in 2009
- Decline expected to be relatively shallow given:
 - Economy was in good shape prior to the financial crisis
 - Further benefit from fiscal and monetary stimulus
 - Business balance sheets in sound shape
 - Consumer debt higher but enhanced ability to repay



Australia - a diversified and flexible economy

- Australia is not dependent on any one sector:
 - Mining 7% of GDP
 - Rural 2% of GDP
- No major structural imbalances
- Terms of trade weaker from a high starting point, although decline in \$A cushions impact

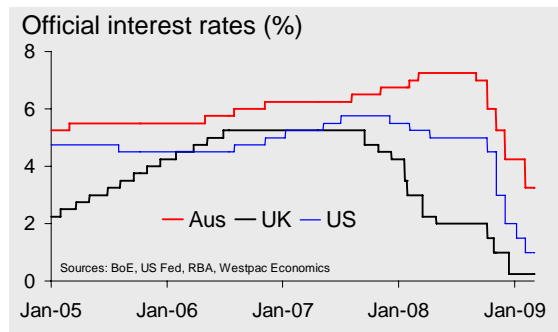
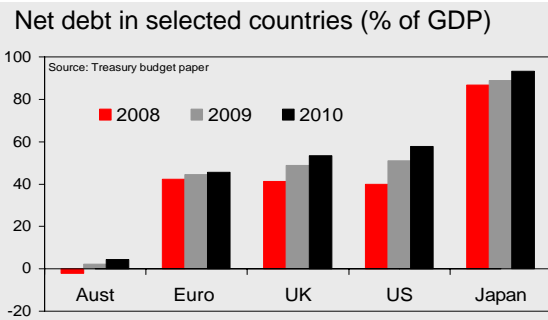


* 'Other services' is accommodation and cafes, personal services, cultural and recreation

** 'Other' is dwellings and taxes less subsidies

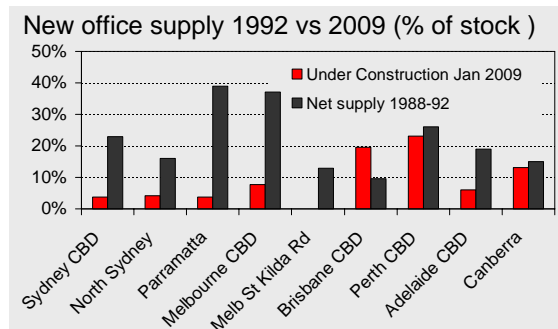
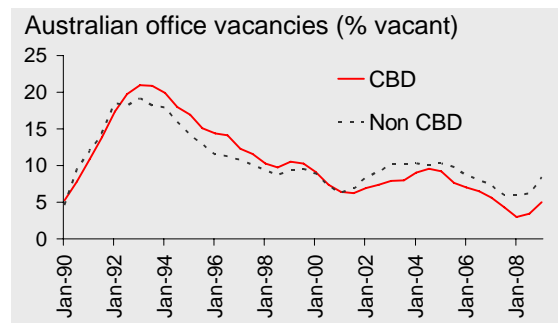
Official sector – rapid response to crisis

- Strong government fiscal position provides ability to respond to slowdown:
 - \$10bn package November 08
 - Additional \$42bn package approved (~4% of GDP)
 - Capacity for increased stimulus in need
- Further interest rate flexibility
- Lower interest rates flowing through to borrowers



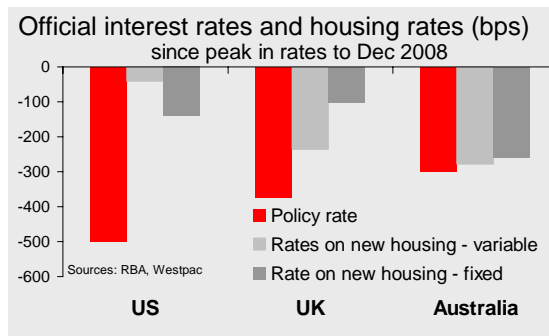
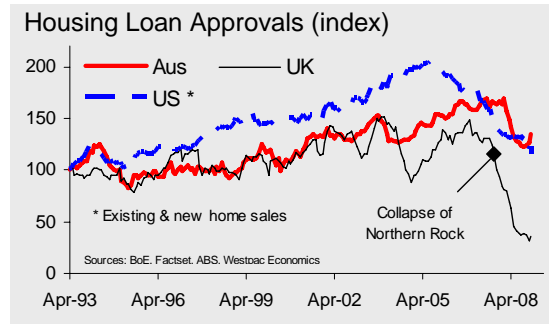
Commercial property – more stress ahead

- Commercial property market entered the crisis with better fundamentals than prior cycles:
 - Little oversupply
 - Low new supply
 - Solid rental income
- Slowdown is expected to see higher vacancies and pressure on incomes
- Government/major bank initiative mitigates stress from withdrawal of offshore funding
- Approx \$8bn equity raised by listed property funds in last 6 months



Australian housing market differs from US/UK

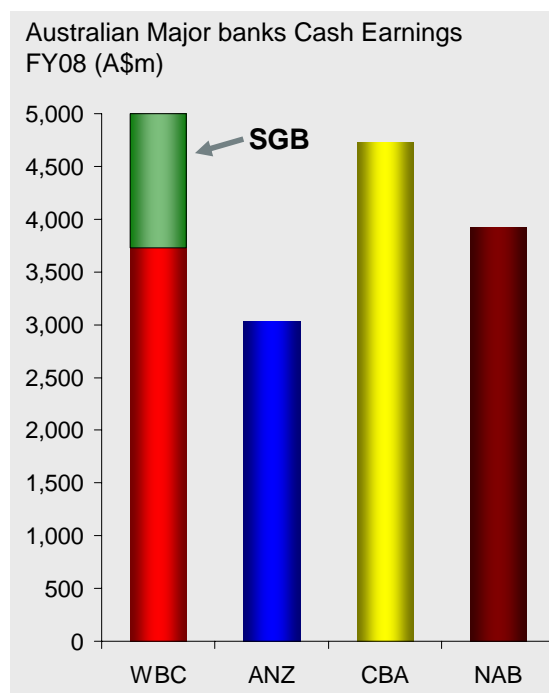
- Australian housing market not expected to collapse:
 - Material housing shortage
 - Construction already slowed
 - First home buyers re-entering
- Higher quality underwriting standards:
 - Low loan to value ratios < 50%
 - Full recourse to borrower
 - Sub-prime <1% of market
- Strong serviceability:
 - Borrowers not stretched - 90% of rate cuts passed on. US borrowers received less than 20%, UK less than half



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A strong financial services sector

- Aussie major banks represent more than ¼ of all AA rated banks globally
- Exposure to stressed sectors minimal - no sub-prime mortgages
- Major banks:
 - Generated over A\$15bn in cash earnings in 2008
 - Raised over A\$14bn in equity the last 6 months



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Robust performance 1Q09

Volumes	<ul style="list-style-type: none"> • Customer deposits up 9.6% over prior quarter • Total lending up 2.4% over prior quarter
Margins	<ul style="list-style-type: none"> • Wholesale funding costs increasing • Strong margins benefiting from Treasury income
Non-interest income	<ul style="list-style-type: none"> • Strong markets performance • Wealth earnings under pressure
Expenses	<ul style="list-style-type: none"> • Expense run rate is easing from FY08 growth rate • One-off impacts¹ add ~1-2% to FY09 costs
Impairment charges	<ul style="list-style-type: none"> • Impairment charge of A\$800m
Cash earnings	<ul style="list-style-type: none"> • A\$1.2bn of cash earnings² for December qtr 2008, down 2% on prior corresponding period

1. One off impacts include additional defined benefit plan expense, full period impact of RAMS, BTIM share based payments and from FX translation

2. Unaudited pro-forma cash earnings. The current and prior corresponding period pro-forma accounts have been prepared on the basis that St.George earnings were consolidated into the Westpac Group from 1 October 2007

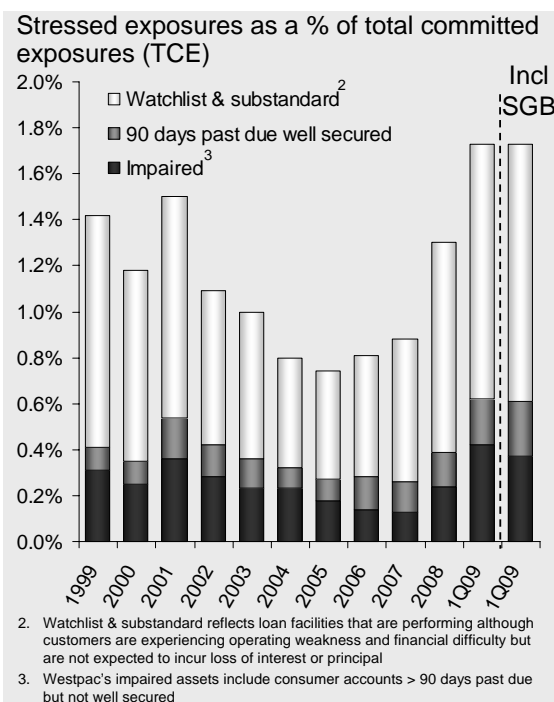
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Stressed exposures increasing, consistent with environment

- Sharply higher stressed exposures:
 - Mainly due to 3 large impaired corporate exposures
 - Watchlist & substandard rise from institutional, commercial and New Zealand
- Consumer 90+ day delinquencies a little higher:
 - Mortgages 43bps (up 7bps¹)
 - Unsecured 99bps (up 6bps¹)
- Stressed exposure profile little changed following St.George merger



1. Increase from 30 September 2008 to 31 December 2008, for the Australian portfolios

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Compelling St.George merger on track

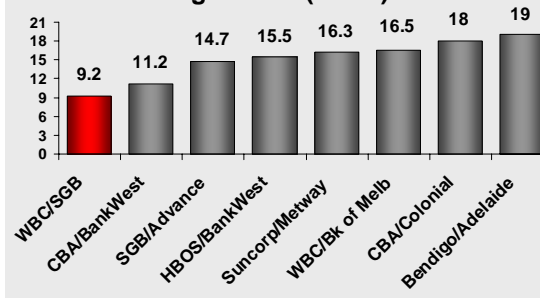
- Merger preserves the best of both:
 - Multiple brands
 - 40% increase in distribution
 - Leader in funds mgmt/admin
- Approaching a sub 40% cost/income ratio
- Purchase price of A\$12bn – compares favourably
- Integration proceeding well with no customer disruption



Merged Group

	3	7	10
Customers (m)	3	7	10
Australian retail representation	404	927	1,331
ATMs	1,144	1,704	2,848
Loans (A\$bn) ¹	120	314	434
Deposits (A\$bn) ¹	90	234	324
FUA (A\$bn) ¹	31.1	41.6	72.6

Price to earnings ratios (times)



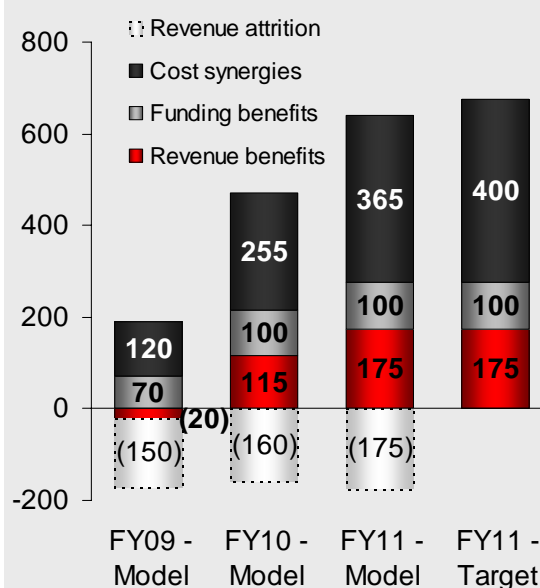
1. As at 30 September 2008. Source: Westpac and St.George 2008 full year results announcements

Merger benefits exceeding initial estimates

- Cost synergies 10% higher than initial estimates - A\$400m
- Targeting no customer attrition (versus 4% model)
- Major revenue benefits:
 - Applying St.George middle-market business customer model to Westpac
 - Cross sell of institutional products
 - Insurance/wealth cross sell

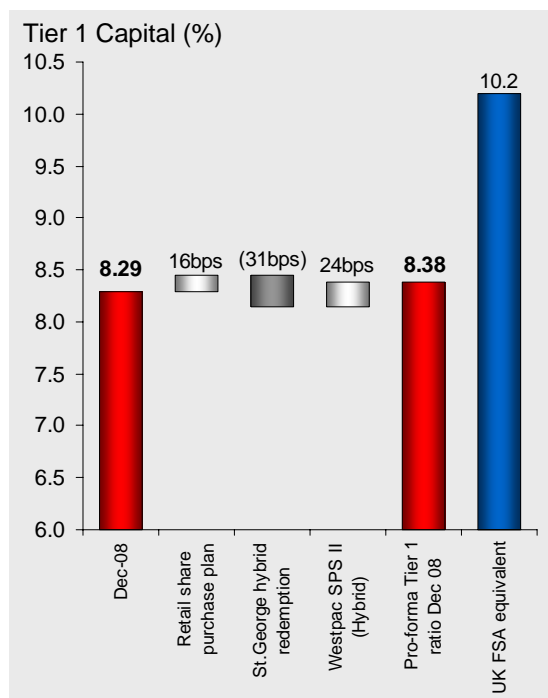
Merger benefits (A\$m)

Acquisition model vs Current target



Strengthened balance sheet

- Strong Tier 1 ratio of 8.3%, above target range of 6.75%-7.75%:
 - \$3.8bn in additional equity raised in last 4 months
 - Seeking A\$700m via new Hybrid¹
- Tier 1 ratio (FSA equivalent) 10.2%
- Strong funding and liquidity position:
 - Deposit growth 9% in 1Q09
 - Over A\$15bn in term funding issued in FY09 to date
 - Over A\$60bn of liquidity
- Dividend outcomes to reflect shareholder perspectives, earnings outlook and desire to remain well capitalised



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Westpac clearly differentiated from peers

Focus on core markets	<ul style="list-style-type: none"> • Major Australian bank most focussed on Australia and New Zealand
Well positioned in current environment	<ul style="list-style-type: none"> • Proactive response to financial crisis <ul style="list-style-type: none"> - No sub-prime or related losses - No conduit losses - Led market in strengthening funding & liquidity • Strong capital and earnings position • Low risk approach evident in loan portfolio quality – over 50% Australian mortgages
Transformational St. George merger	<ul style="list-style-type: none"> • Merger assists in transforming Westpac with multiple brands • 40% increase in the distribution network • Heading to a sub 40% cost/income ratio

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Summary

- The Australian economy is expected to experience a shallow recession in 2009
- Westpac's performance has been robust in current environment
- Stressed assets increasing consistent with the weaker environment
- St.George merger progressing to plan and ahead on synergies
- Further strengthened balance sheet since the end of 2008
- Westpac is differentiated by its focus on core markets, low risk approach and St.George merger

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