

Westpac Institutional Bank Market Update

Philip Chronican
19 June 2007



Leading Australasian wholesale bank

Leading

- Product leadership across capital and loan markets in Australia and New Zealand
- No. 1 or 2 rankings across key league tables*
 - Domestic Bonds
 - Transactional Banking, FX
 - Syndicated Loans

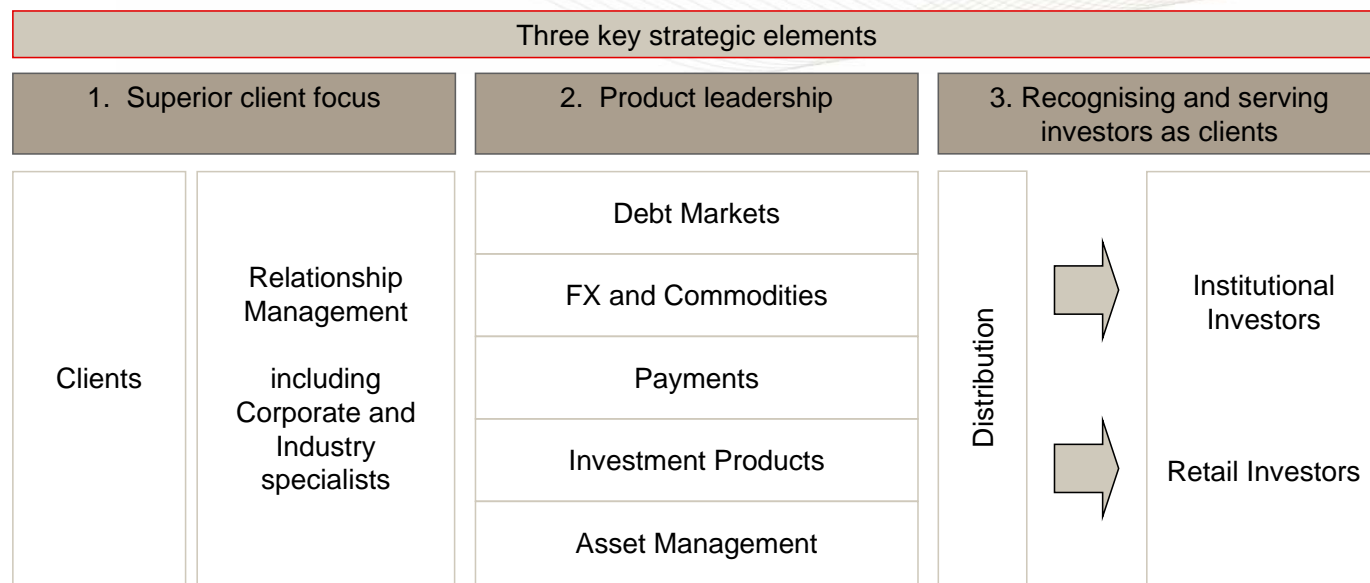
Australasian

- Focus on corporate, institutional and government clients that are based in, or have interests in, Australia and New Zealand
- Leverage expertise from handling A\$ and NZ\$ capital flows

Wholesale Bank

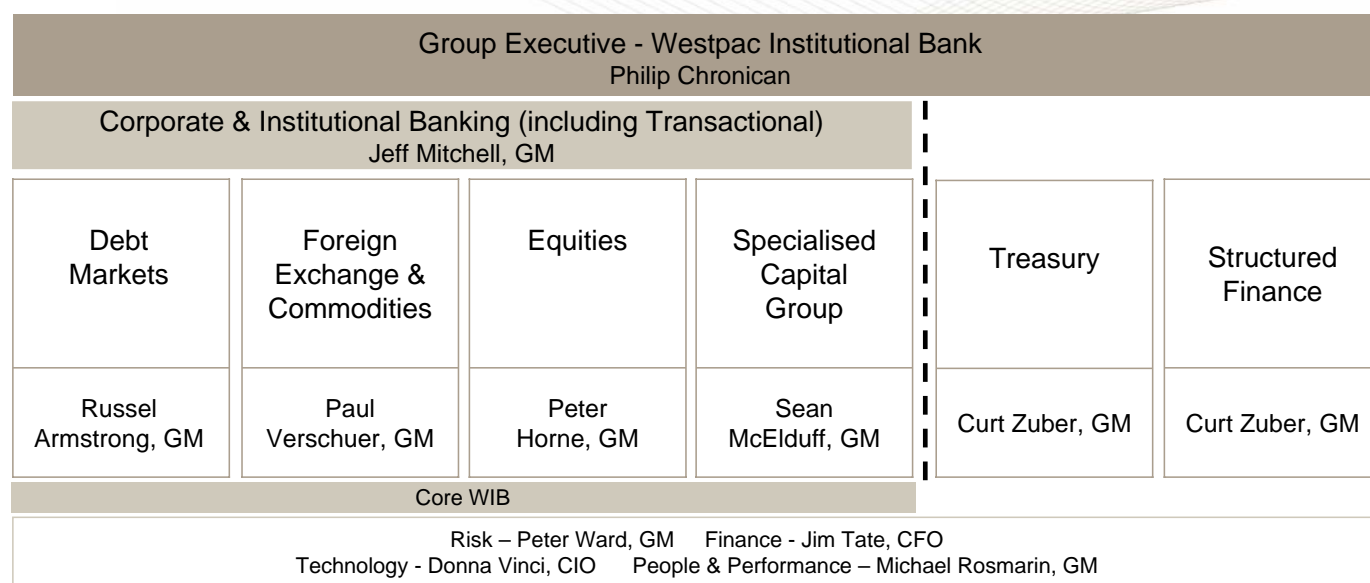
- Corporates – turnover typically >\$100m
- Focused on understanding our clients and their industry better than anyone else
- WIB banks 5 out of 8 State and Territory governments, as well as a number of Federal government departments and agencies

Our strategic framework



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How we're organised



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Source of comparative advantage

Clients

- 35% of Australia's largest corporates and institutions named Westpac as "one of their lead banks" in 2006¹
- Relationship management teams supported by specialist product expertise

Capabilities

- Since 2004, Australia's largest corporates and institutions ranked Westpac as No. 1 lead domestic transactional bank²
- Across other major product groups we have leading capabilities
 - No. 1 loan arranger and syndicated loans³
 - Best FX Bank in Australia⁴
- Reinvesting in platforms for growth

People and culture

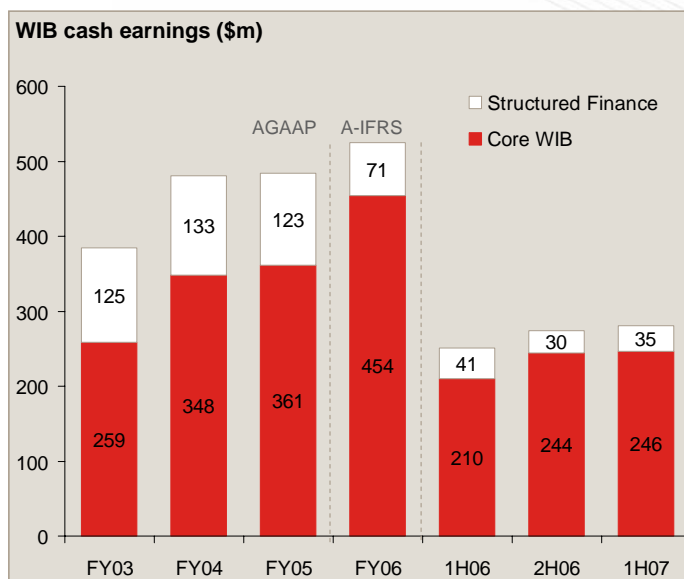
- Employee commitment consistently above both Australian and global financial services norms
- Compelling employment value proposition – high calibre professional people and a positive and collaborative work environment

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¹ Peter Lee Associates Large Corporate & Institutional Relationship Banking survey, Australia 2006
² Peter Lee Associates Large Corporate & Institutional Transactional Banking survey, Australia 2004-2006
³ No. 1 Australian & NZ Loans Mandated Arranger – Bloomberg March 2007, No.1 Australian Syndicated Loans – Thomson Financial June 2007
⁴ Global Finance 2006



Financial outcomes



- Consistent earnings growth from Core WIB businesses over recent periods
- Cash earnings CAGR of 21% for Core WIB from FY03 to FY06
- Structured Finance portfolio continues to be restructured. We now expect further contraction of the business following repeated regulatory and tax changes

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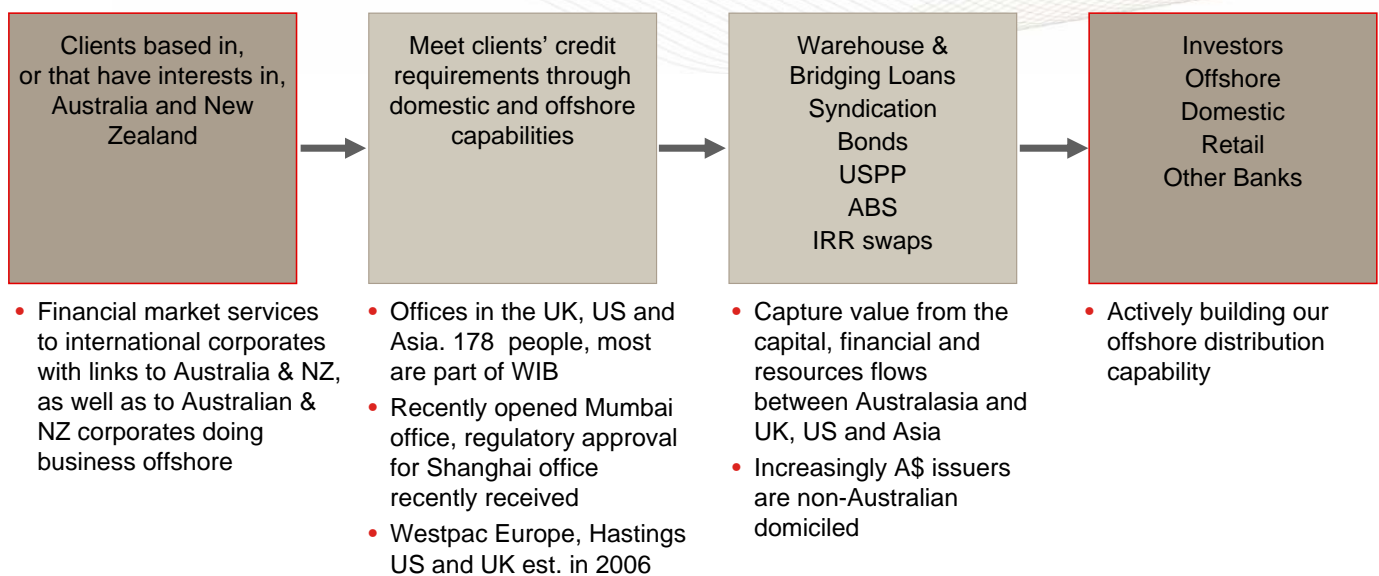


FX and Commodities

Product	Position
FX	<ul style="list-style-type: none"> • No. 1 market share in Australia* • No. 1 relationship strength index (clients' service experience)* • Major investment in systems and processes to be completed in 2008
Commodities	<ul style="list-style-type: none"> • Offering wide range of hedging solutions to clients across various commodity groups – agriculture, metals, oil, coal and gas • Developing carbon capability
Energy	<ul style="list-style-type: none"> • Established capability in Australian electricity • Selected trading activity in other energy markets

7 * Peter Lee Associates Foreign Exchange Survey Australia 2007

International operations – extension of our domestic business



What sets us apart

Leading end-to-end debt markets capability	<ul style="list-style-type: none">• No.1 market positions• Strongest growth of peers
Complete infrastructure funds management capability through SCG	<ul style="list-style-type: none">• Proven capability across asset sourcing, structuring and distribution• Over 10 years' experience
Equity derivatives	<ul style="list-style-type: none">• 2nd largest equity derivatives portfolio in Australia
Sector leading transactional banking platform	<ul style="list-style-type: none">• Significant online capability• Invoice management functionality
Institutional FX capability	<ul style="list-style-type: none">• Sector leading institutional FX trading & advisory capability

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Westpac
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Corporate & Institutional Banking

Jeff Mitchell

Westpac
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Dimensions of the Business

Superior Client Focus		Corporate & Institutional		
Clients	Relationship Management including Corporate and Industry specialists	Consumer & Industrial	Global Transactional Banking	<ul style="list-style-type: none"> • 400 People Globally • >2000 Clients
		Energy & Resources		
		Financial Institutions, Health, Insurance & Government		
		Property		
		Corporate Banking		

Our model has deepened relationships

Clients tell us they truly value:

- Depth of industry knowledge
- Active dialogue
- Idea generation
- Consistency of delivery

And ...

Westpac does it better than anyone else

Case Study: Godfrey Hirst Pty Limited



Client Relationship

- Private company, banked on a non-exclusive basis by Westpac Business Bank
- Largest manufacturer of carpet / flooring in Australia
- Corporate Banking worked with industry analysts and identified client's acquisitive stance

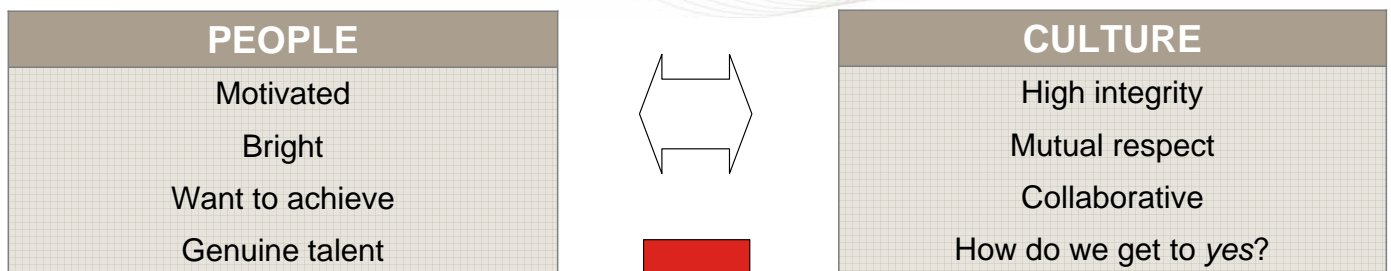
Westpac Roles

- Over a 2 year period WIB developed a key strategic relationship
 - Through internal research expertise were able to provide input to early stage acquisition possibilities
 - Modelled capital structure & debt alternatives
 - Close collaboration with client and advisor
 - Swift approval of debt package
- **Lead Arranger of 100% debt funded acquisition of Feltex**

Client Outcome

- Pre-approved debt enabled a speedy resolution of Feltex insolvency
- Pricing advantage
- Reduced target operational leakage – people, customers
- Enabled enhanced long-term viability
- Single comprehensive solution
- Market share increased from 25% to 45%
- Post acquisition, has been earning accretive

Aren't all institutional banks the same?



- Originations & Risk
- Trading & Sales
- Product & Relationship

Relationship *and* product excellence

Global Transactional Banking

- No. 1 Lead Domestic Transactional Bank (Peter Lee Survey 2004-06)
- No. 1 Overall Relationship Strength in Transactional Banking (Peter Lee Survey 2004-06)
- No. 1 Value-Added Services (Peter Lee Survey 2006)
- No. 1 New Product Development Initiatives (Peter Lee Survey 2005-06)

Debt Markets

- Australia / NZ Bond House of the Year (IFR Asia 2006)
- No. 1 Australian Syndicated Loans (Thomson Financial June 2007)
- No. 1 Australasian Mandated Arranger (Basis Point March 2007)
- No. 1 Australia Mandated Arrangers (Basis Point March 2007)
- No. 1 Australasia Bookrunners (Basis Point March 2007)
- No. 1 Debt Securities Provider (Peter Lee Survey 2006)
- No. 1 Lead Provider Domestic Bonds (Peter Lee Survey 2006)

FX & Commodities

- Best Local Bank (AUD) (Euromoney 2007)
- No. 1 Market Share for Foreign Exchange (Peter Lee Survey 2007)
- No. 1 Overall Relationship Strength Index for Foreign Exchange (Peter Lee Survey 2007)
- No. 1 Sales Strength for Interest Rate Derivatives (Peter Lee Survey 2007)
- Foreign Exchange House of the Year (Insto 2005-06)

Case Study: Orica



Client Relationship

- Orica is an ASX top 50 company
- Fragmented transactional relationships
- Experiencing inconsistent service levels
- Looking for:
 - A long-term partner
 - The next level of automation
 - A cutting-edge solution
- Orica invited incumbents and relationship banks to tender for their transactional banking business

Westpac Roles

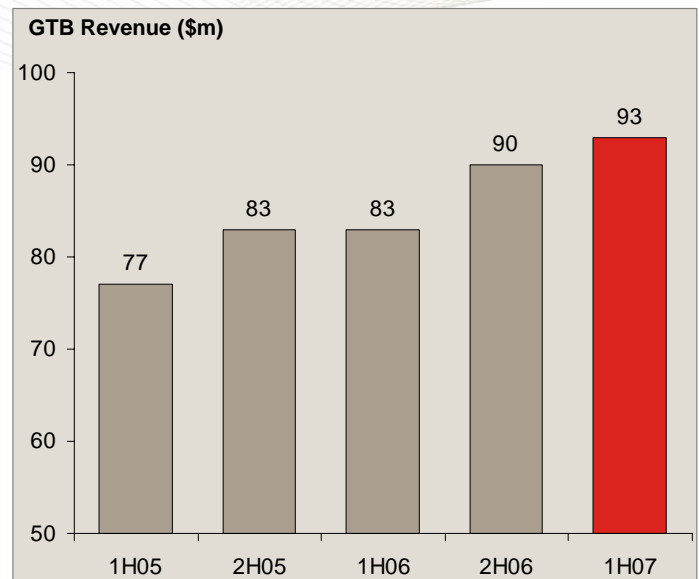
- Recognising the project's magnitude and complexity, we:
 - Formed a dedicated team to scope solutions
 - Built executive support for an aspirational project
- **Westpac was awarded Orica's transactional banking business**
 - Hurdles had to be overcome over a two year implementation
 - New software & technology was developed
 - Further enhancements are ongoing

Client Outcome

- Bank relationships consolidated from 11 down to 4
- 25% reduction in costs
- 60%+ reduction in processing times
- Significant improvement in risk management and security
- Staff able to be redeployed into value-adding activity
- Now considered to have the market-leading transactional solution

Global Transactional Business: Leadership in Technology

- Provides cash management and transaction services to:
 - Over 70% of our total client base
 - Over 40% of the institutional market
- Suite of product solutions include:
 - Receivables & payables management
 - Cash management
 - International trade
 - Corporate Online
 - Present & Pay
- Our core product strength and service expertise places WIB in a market-leading position



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Summary

- Strong relationship focus:
 - Business aligned to the customer
 - Active use of specialists
 - Proactive and collaborative in generating ideas
 - Consistency in delivery
- Product excellence & leadership in technology
- Bright, committed people with a supportive culture
- Client advocacy

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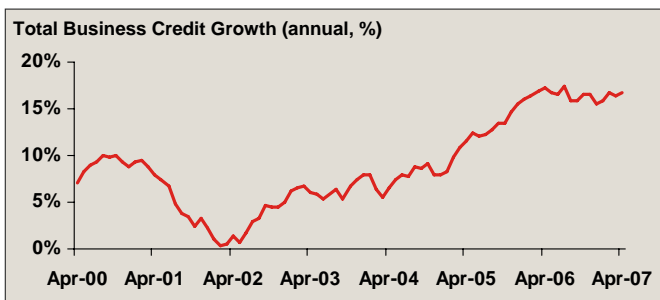
Debt Markets

Russel Armstrong

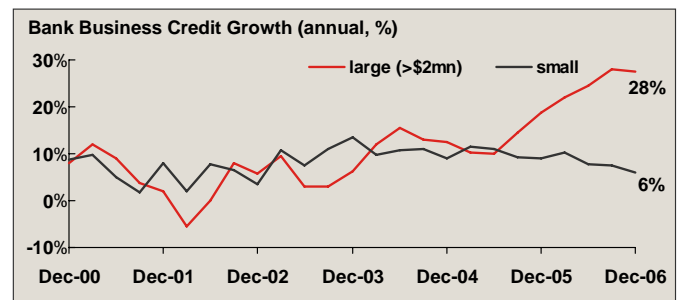


Unprecedented period of activity

- Corporate sector re-gearing from low base
- Significant increase in corporate activity
- Businesses seeking to enhance capital effectiveness
- Strong growth in business credit in 2006 and into 2007
- Growth in investment liquidity, including superannuation and private equity



Source: RBA



Source: RBA, Westpac Economics

WIB well positioned to take advantage

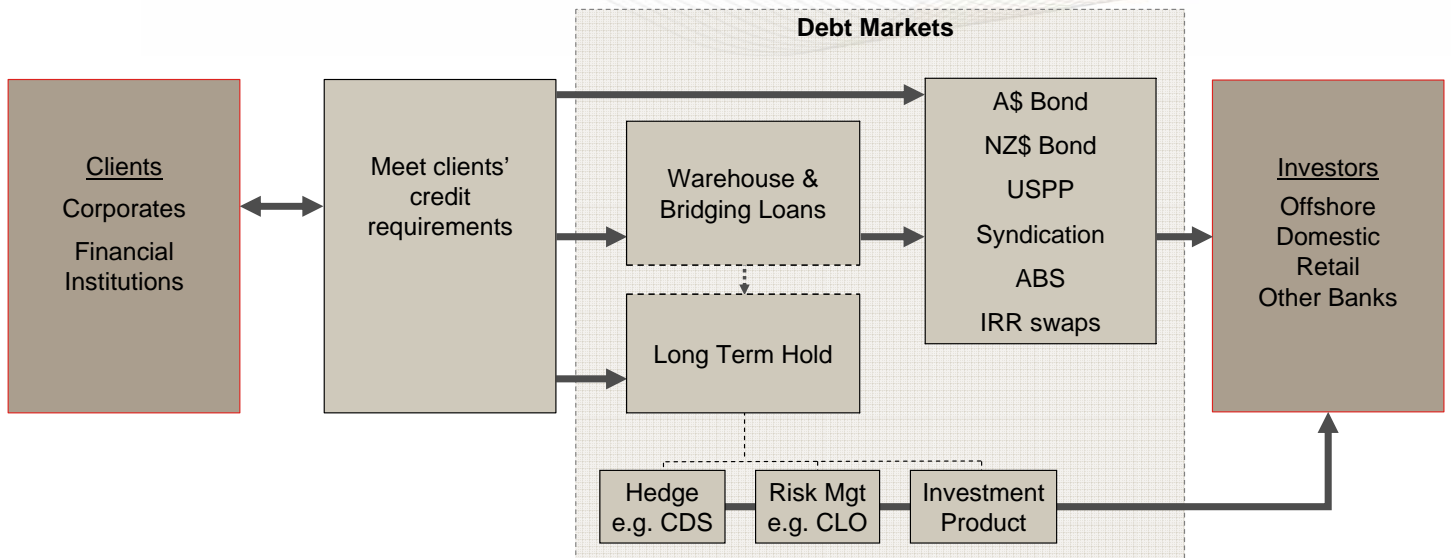
Identified Demand

- Pre-empted demand from borrowers and investors
- Actively sought to build strong client relationships
 - Banker of choice – 1 or 2 lead bank

Enhanced Capability

- Restructured to create end-to-end accountability for debt products
- Improved capabilities across asset classes:
 - Syndication, Bonds
 - Distribution
 - Bank of America relationship providing access to US markets
- Supported by improved underwriting quality and portfolio management capability

Single accountability for all debt requirements



A leading market position

Syndicated Loans

Thomson Financial 01/01/2007 – 07/06/2007

Rank	Bookrunner	Market Share
1	Westpac	15.9%
2	Citi	11.9%
3	ANZ	10.0%
4	NAB	8.2%
=5	Credit Suisse & CBA	6.3%

Domestic Bonds

Bloomberg 1/01/2007 – 15/06/2007

Rank	Underwriter	Market Share
1	CBA	15.1%
2	Westpac	13.9%
3	ANZ	11.0%
4	Citi	9.5%
5	RBC Capital Markets	9.3%

US Private Placement

Westpac Internal Database 1/01/2007 – 15/06/2007

Rank	Bookrunner	Market Share
2	Westpac	29.0%

Asset Backed Securities (incl. self-led deals)

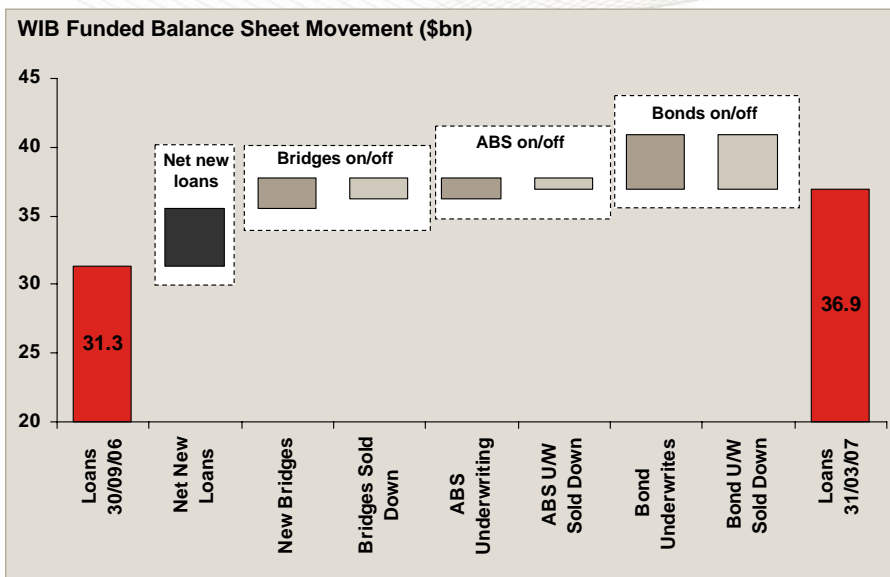
Insto 01/01/07 – 15/06/2007

Rank	Bookrunner	Market Share
4	Westpac	11.7%

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Delivering on end-to-end Debt Markets strategy

- Strong loan growth in 1H07
 - Up 40% on 1H06
 - Up 17% on 2H06
- Excellent issuance and placement volumes
- Significant balance sheet turnover
 - \$16bn on, \$10bn off



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Generating solid returns

- End-to-end Debt Markets activity generating solid returns
- Cross sell is the key driver of revenue
 - Increased financing volumes assists growth in origination income, sales and trading
 - Supports growth in products outside Debt Markets, including FX, transactional banking

Debt markets revenue (\$m)	1H06	2H06	1H07	% M'vmt	
				1H06 – 1H07	2H06 – 1H07
Originations	29	46	50	72%	9%
Sales & Trading	43	40	89	107%	123%
Global Financing	110	119	118	7%	(1)%
Total	182	205	257	41%	25%

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Case Study: Toll Holdings



Client Relationship

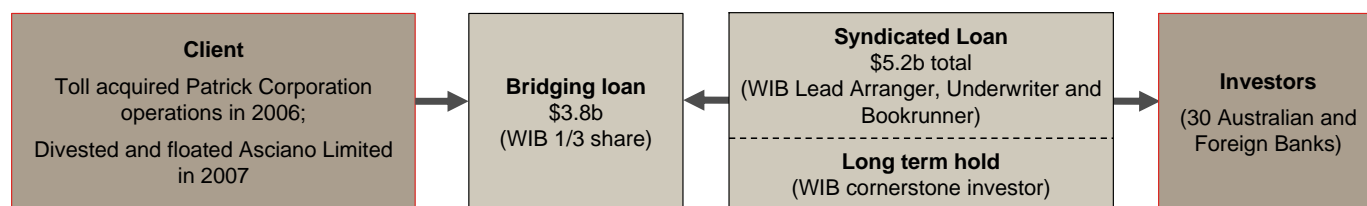
- Toll acquired operations of Patrick Corporation in 2006; Divested and restructured the ports and rail business, Asciano Limited (IPO June 07)
- Toll relationship significant for WIB - involved in bridge financing relating to Patrick acquisition; acquisition in NZ and activities in Asia;
- WIB also a leading financial provider to Virgin Blue (majority owned by Toll)

Westpac Roles

- Joint Lead Arranger and Underwriter of \$3.8b Bridge Facility to facilitate acquisition of Patrick Corporation operations
- Bridge taken out by underwritten syndicated loan to Asciano Limited for \$5.2b. Westpac is one of the Lead Arrangers, Underwriters and Bookrunner for syndicated loan.

Distribution

- Syndicated Loan distributed to approximately 30 Australian and foreign banks



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Debt Markets

- Well positioned in environment of robust corporate sector activity
 - Strong client relationships
 - Leading market position across asset classes
 - Single team managing all debt requirements
- Loan growth providing pipeline for capital markets activity
- End-to-end Debt Markets business delivers solid returns

Specialised Capital Group

Sean McElduff

Specialised Capital Group – a key source of growth

- Originate and manage alternative investment products for investors
- A natural extension of our core intermediation capability
- Capability developed organically with Westpac Funds Management Limited and via the acquisition of Hastings Funds Management Limited
- Complementary Westpac's broader funds management strategy

SCG - the opportunity

Financial

- Growing annuity income streams from funds management
- Increase WIB's share of commercial banking business
- Generating fee income from acquisitions and capital raisings

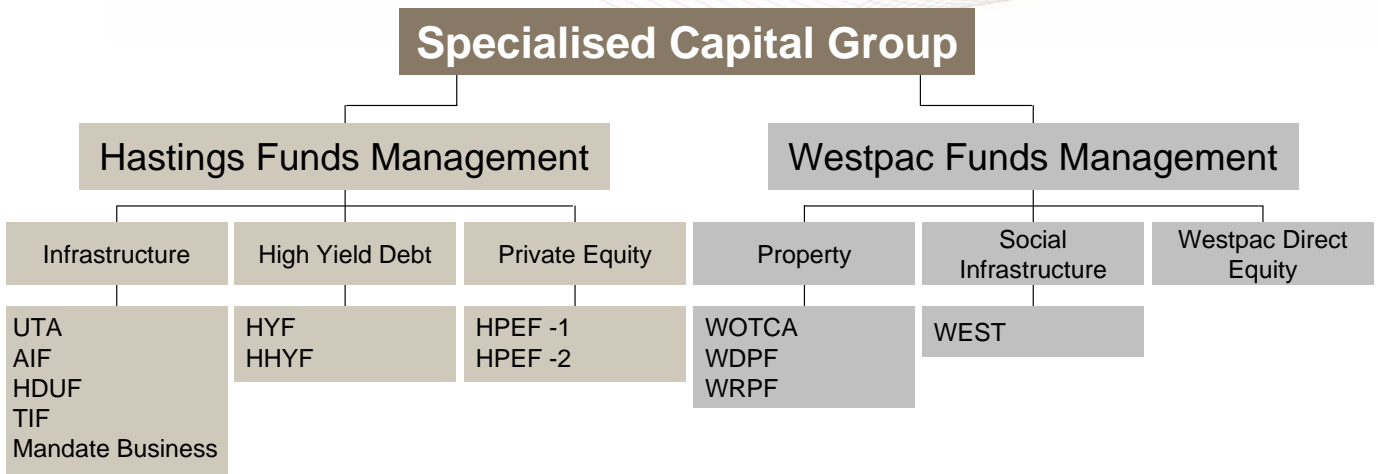
Strategic

- Providing capital solutions for Westpac clients
- Creating investment products for wholesale, retail and high net worth investors

SCG is now well established

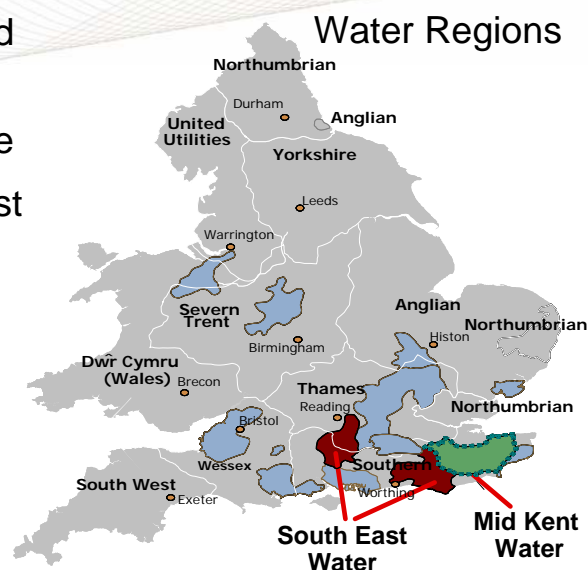
Inception 2002	Expansion 2003 - today	Set for growth
<p>Expansion</p> <ul style="list-style-type: none"> • Clarified opportunity in alternative investments • Identified skills, strengths and weaknesses • Created SCG <p>Hastings acquisition</p> <ul style="list-style-type: none"> • Acquired 51% providing: <ul style="list-style-type: none"> • Capability in funds management • Access to wholesale investors 	<p>Expansion</p> <ul style="list-style-type: none"> • Acquired remaining 49% of Hastings in Sept 2005 • Employees increased from 57 to 140 • Increased open-ended fund platforms to 8 <p>Operations</p> <ul style="list-style-type: none"> • Asset origination structured into two key streams • Leveraged Hastings' fund management expertise into WFML • Established independent board for WFML 	<p>Expansion</p> <ul style="list-style-type: none"> • Growth of existing funds • Established 4 new open-ended fund platforms including social infrastructure, residential and development • Further Hastings expansion into Europe and North America • Offshore capital raising

SCG's Fund Platforms



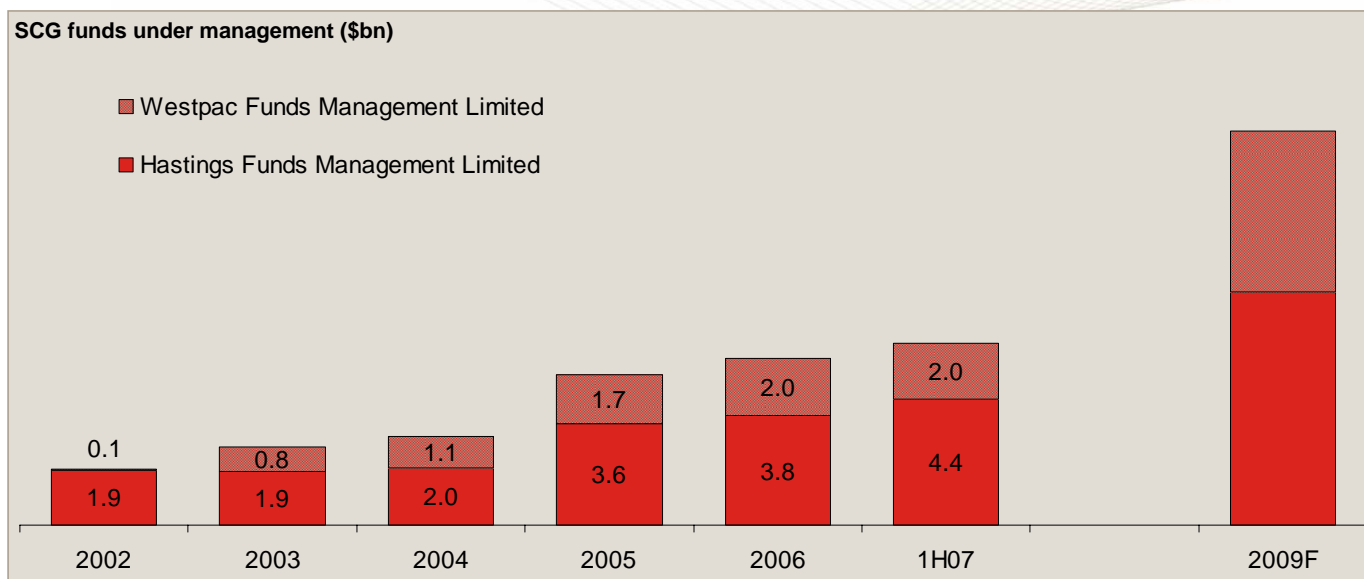
Case study – UK Water Experience

- On behalf of its investors Hastings purchased Mid Kent Water in Feb 2005
- In 2006 South East Water was put up for sale
- Hastings managed funds acquired South East Water
- Success of the transaction highlights the strength of the Westpac / Hastings model



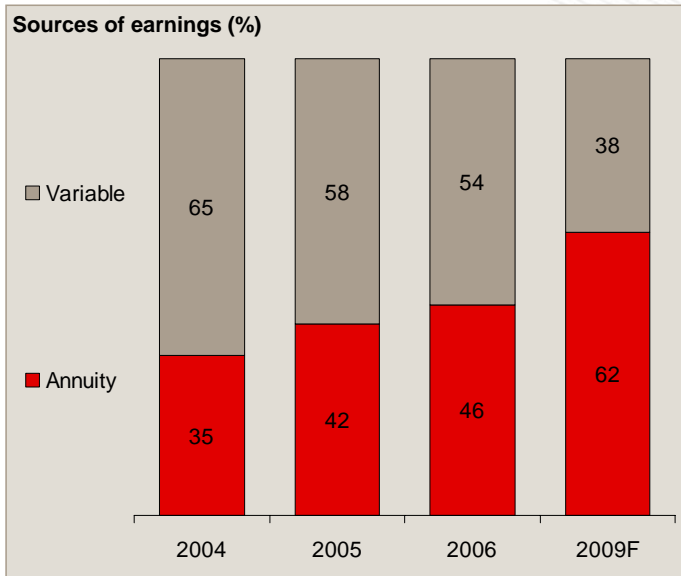
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The key driver of SCG's value is FUM



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Building annuity income streams reduces risk



Variable revenue

- Arranging fees
- Underwriting fees

Annuity revenue

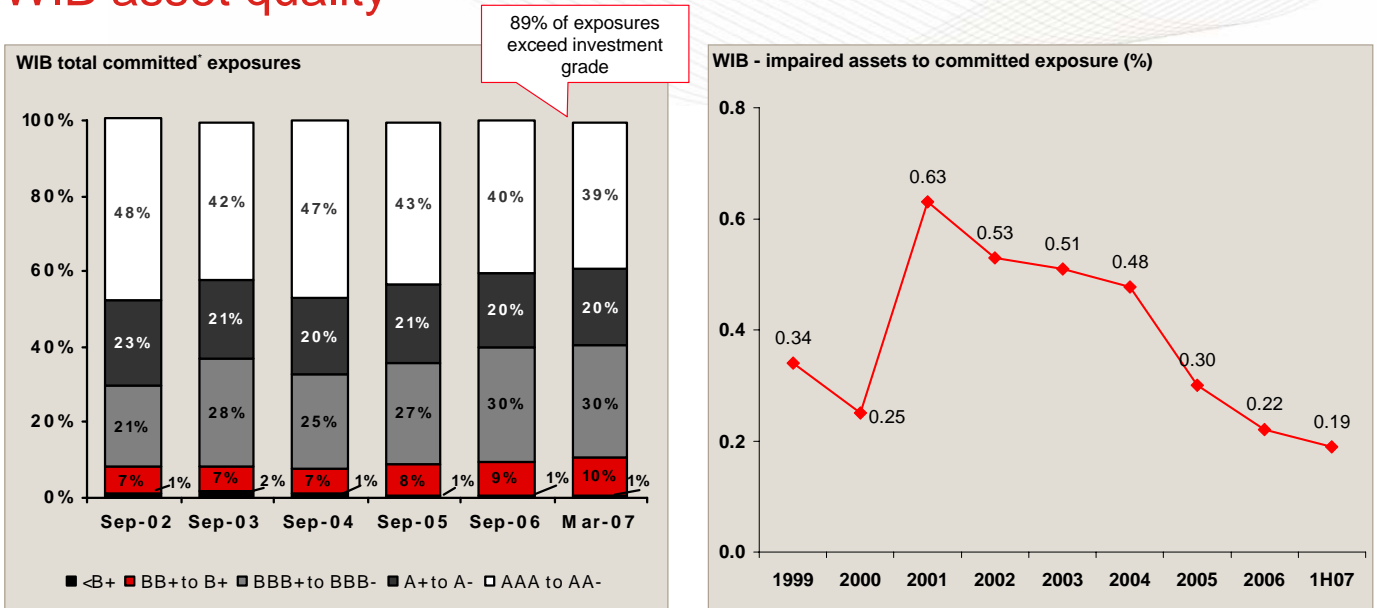
- Fund management fees
- Performance fees

SCG – A key source of growth

- Established and proven team
- Strong capability across the value chain: sourcing assets, structuring, raising capital and funds management
- Enhancing growth via UK/US expansion
- Leveraging the strengths of Westpac, Fund Managers and Investors

Appendix

WIB asset quality



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

Private equity

- Core customers increasingly involved in private equity transactions. Our relationships are primarily with the underlying operating companies
- Westpac supports private equity transactions that are appropriately structured and carry acceptable risk/return characteristics
- Builds on our leading capital markets position
- Current residual holdings around \$2bn (representing around 0.5% of Group total committed exposures). Average deal size \$57m
- Westpac is alert to aggregate changes in leverage across private equity transactions but also levels of gearing generally
- Westpac monitoring risks as:
 - Recent higher debt multiples not yet fully tested; and
 - Trend toward “lite” covenants

WIB cash earnings

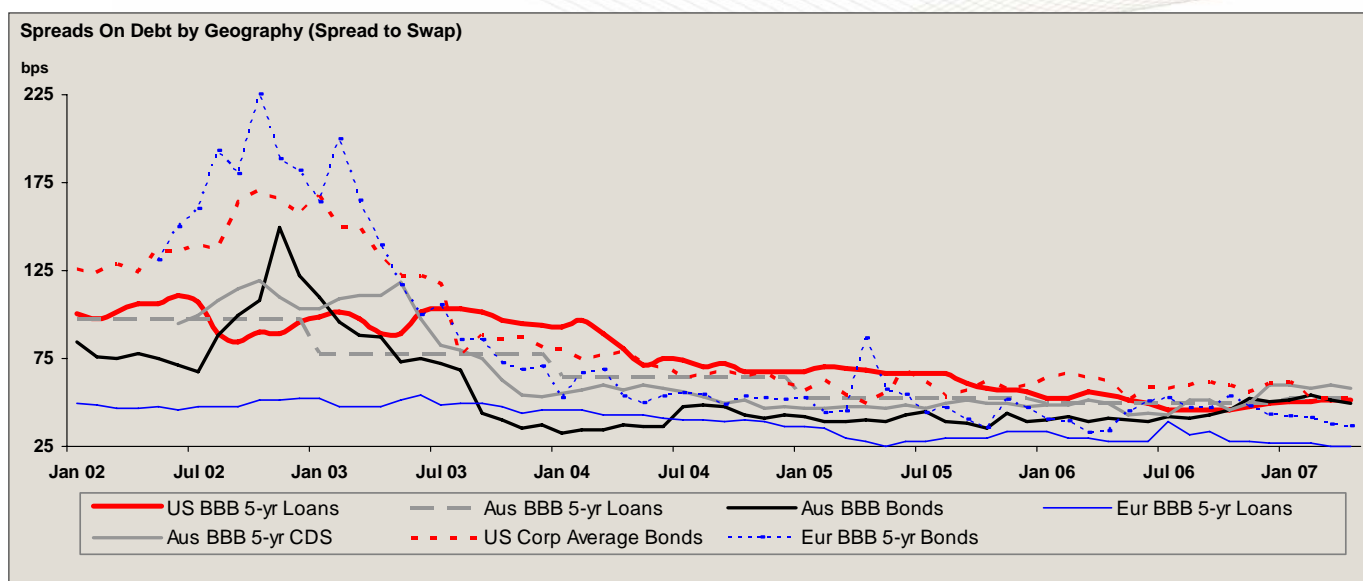
WIB cash earnings (\$m)	FY03*	FY04*	FY05*	FY06	1H06	2H06	1H07
Core WIB	259	348	361	454	210	244	246
Structured Finance	125	133	123	71	41	30	35
Total	384	481	484	525	251	274	281

*Reported on an AGAAP basis

WIB and Debt Markets revenue

Debt markets revenue (A\$m)	1H06	2H06	1H07	% M'vmt 1H06 – 1H07	% M'vmt 2H06 – 1H07
Debt Capital Markets	29	46	50	72%	9%
Sales & Trading	43	40	89	107%	123%
Global Financing	110	119	118	7%	(1)%
Total Debt Markets	182	205	257	41%	25%
SCG (excl. Westpac Private Equity Ltd)	15	70	27	80%	(61)%
FX	148	120	128	(14)%	7%
Transactional	83	90	93	12%	3%
Other (incl. Energy, Equities, Investment Securities)	177	125	128	(28)%	2%
Total WIB Revenue	605	610	633	5%	4%

Spreads converging globally



Glossary

AIF	Australian Infrastructure Fund (ASX: AIX)	UTA	Utilities Trust of Australia
FUM	Funds Under Management	WDEI	Westpac Direct Equity Investments
HDF	Hastings Diversified Utilities Fund (ASX: HDF)	WDPF	Westpac Diversified Property Fund
HHYF	Hastings High Yield Fund	WEST	Westpac Essential Services Trust
HPEF -1	Hastings Private Equity Fund	WFML	Westpac Funds Management Limited
HPEF -2	Hastings Private Equity Fund	WIB	Westpac Institutional Bank
HYF	Hastings Yield Fund	WOT	Westpac Office Trust (ASX: WOTCA)
SCG	Specialised Capital group	WRPF	Westpac Residential Property Fund
TIF	The Infrastructure Fund		

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