Westpac 2010 August Update and Pillar 3 Report

23 August 2010

Another solid quarter

- Australian operating environment continues to improve although global uncertainty remains
- Solid third quarter, cash earnings of around $1.4bn
- Growing assets/deposits broadly in line with system, margin decline slowing as expected
- Completed funding needs for the year
- Strengthened Tier 1 capital ratio, up from 8.6% to 8.9%
- Asset quality stabilised, impairment charges easing further

Good business momentum

	3Q10 Mvt	Comments
Australian mortgages	$6.6bn	▪ In line with system for the quarter ▪ Proportion of mortgages via proprietary channels averaged 65% for the quarter up from 56% (1H10 avg)
Australian business lending		
Institutional	-$2.8bn	▪ Institutional lower as de-gearing continues. Of this decline, $1.5bn relates to property
Commercial & SME[1]	$0.4bn	▪ Commercial and SME lending beginning to improve, with a solid pipeline
New Zealand lending (NZ$)	$0.2bn	▪ Growing ahead of system
Total customer deposits	$4.1bn	▪ Australian household deposits grew in line with the banking system for quarter. Most growth in on-line and savings accounts
BT Wrap/Asgard platform net FUA flows	$1bn[2]	▪ Number one position for March quarter (36% share of flow)

1. Commercial & SME includes St.George Bank and Westpac Retail & Business Banking.
2. Flows for the March 2010 quarter.

Solid customer metrics

Business unit	Performance
Westpac Retail & Business Banking	▪ Net promoter score results mixed, with improving business yet softer consumer ▪ Strong customer retention ▪ Good cross sell, with increasing products per customer
St.George Bank	▪ Improving net promoter scores and leading the major banks across all key segments ▪ Strong customer retention ▪ Improving cross sell metrics, particularly wealth and insurance
Institutional Bank	▪ No.1 in Lead Bank[1] ▪ No.1 in Relationship Strength Index[1] ▪ No.1 in Customer Satisfaction[1]
Westpac New Zealand	▪ Net promoter scores improving but remain at the lower end of peers ▪ Solid and improving cross sell and improving market share

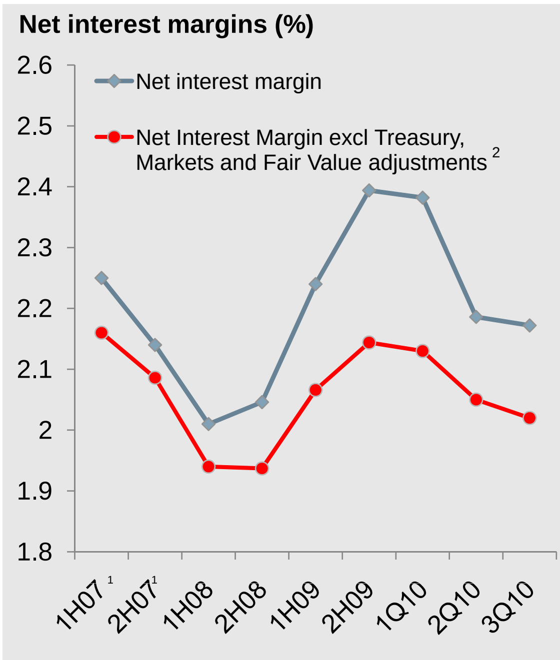
1. Peter Lee Large Corporate and Institutional Relationship Banking survey results Australia, 2009-10.

3Q10 Cash earnings around $1.4bn

Income trends	▪ Treasury and Markets related income lower but still solid ▪ Good wealth flows although weaker investment markets has led to lower income ▪ Westpac RBB and St.George revenues beginning to improve
Expenses	▪ Expenses and investment well managed, with spending modestly higher than the average of first two quarters
Impairment charges	▪ 3Q10 impairment charge of around $0.3bn. Decline over prior quarters broadly spread across business units ▪ No change to economic overlays
Tax	▪ Effective tax rate similar to 1H10 rate of 30%

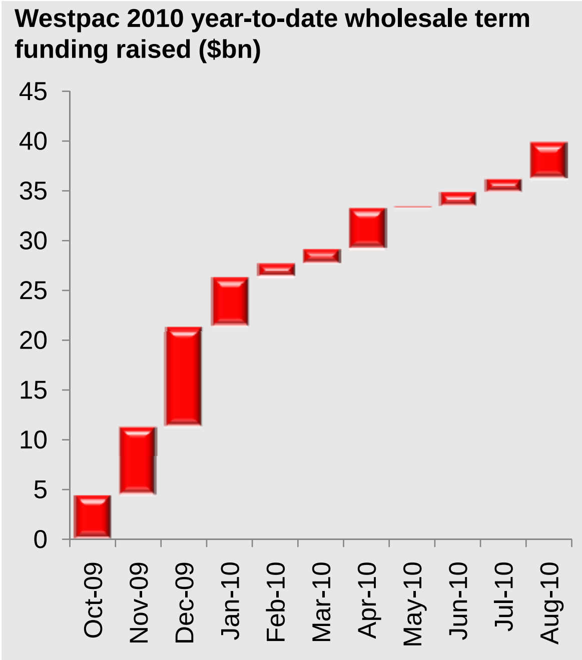
Margin decline slowing

- Reported margins for 3Q10 down 2 basis points to 2.17%
- Volatility in reported margins due principally to net interest income from Treasury and Markets
- In 3Q10, reported margins were negatively impacted by the amortisation schedule of merger fair value adjustments
- Lower 3Q10 margins, excluding Treasury, Markets and fair value adjustments, although rate of decline is moderating. Margins impacted by:
  - Mix impacts as low spread products, such as mortgages and on-line deposits, grow faster than the portfolio average
  - Higher funding costs, particularly customer deposits



1. Prior to the merger with St.George.
2. Fair value adjustments were established as part of the merger accounting for St.George at 17 November 2008. Each category of these adjustments are amortised through the Income Statements over periods of up to 5 years. The impact of this amortisation between 2Q10 and 3Q10 was negative $25m.

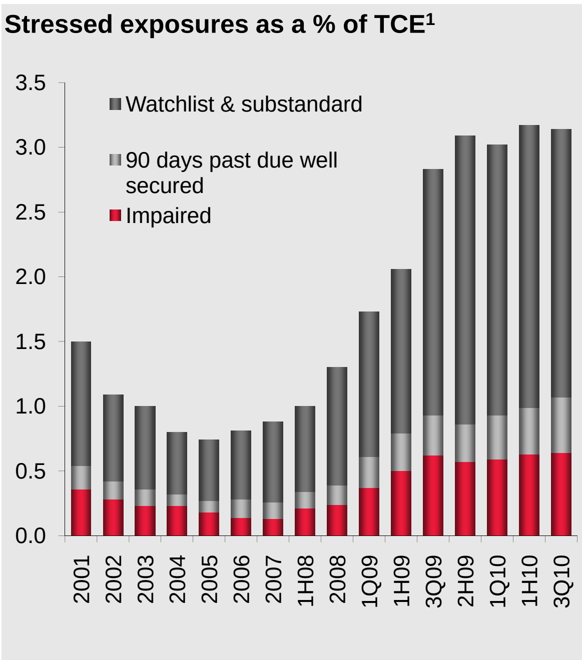
Completed wholesale funding needs for the year



- Raised $40bn in wholesale term funding year to date with an average maturity of 4.7 years
- Stable funding ratio[1] of 78%
- Strong liquidity position maintained
- Westpac continues to tap markets when conditions are favourable
- In managing funding, the Group typically seeks to satisfy its funding needs 6 months in advance
- Currently expect to raise a similar amount of term wholesale funding in 2011 as in 2010

1. Westpac's definition of Stable Funding includes equity, customer deposits, term funding with a residual maturity greater than one year and securitisation.

Stressed exposures stabilised



1. TCE is Total Committed Exposure.

- Stressed exposures to TCE little changed at 314 bps
- Continue to focus on working through existing exposures
  - Small number of new large stressed facilities. Most new stress emerging from smaller entities
  - Downgrades from watchlist & substandard to impaired continue
- Impaired assets up $100m over 3Q10 with facilities downgraded offset by write-offs

Asset quality a key strength

Key asset quality metrics	June 10
Impaired assets to gross loans	91bps
Collectively assessed provisions to credit RWA	152 bps
Impairment provisions to impaired assets	37%
Commercial property portfolio[1] to total TCE	7.8%

Key mortgage statistics June 2010

- 90 day+ delinquencies 44 bps
- First home buyer 90 day+ delinquencies around 10 basis points lower than portfolio average
- Australian properties in possession 290 compared to 282 at March 2010 and 294 at March 2009
- 55% of Australian mortgage customers ahead on repayments

Represents movement since 1H10

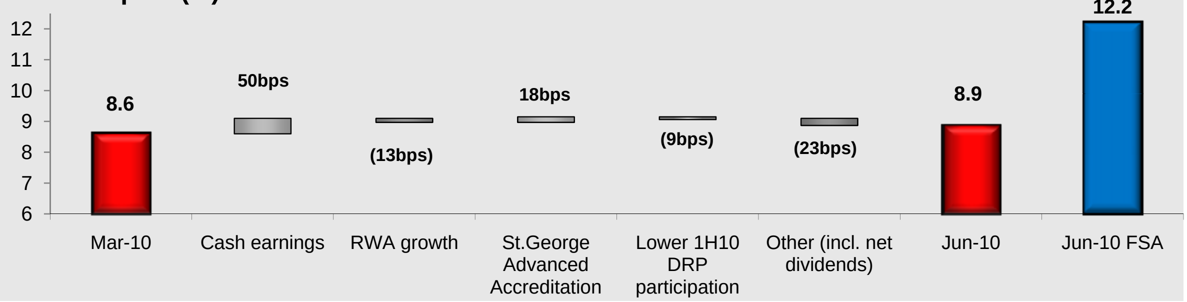
1. Commercial property portfolio down from a peak of over 10%.

Capital position remains strong

- Strong Tier 1 ratio at 8.9%
- Tier 1 impact from St.George advanced accreditation
  - +33 bps lower RWA
  - - 15 bps higher capital deductions
- 85 bps in additional hybrid capacity
- Total regulatory capital ratio little changed from higher deductions and the removal of GRCL (following St.George's transition to advanced accreditation)

Key capital ratios	1H10	Jun 10
Tier 1 ratio (%)	8.6	8.9
Tier 1 ratio (FSA basis) (%)	11.4	12.2
Total capital ratio (%)	10.8	10.8
Fundamental capital ratio (%)	7.1%	7.3%
Risk weighted assets ($bn)	290.1	283.6

Tier 1 Capital (%)



Additional slides

Key points from the June Pillar 3 Report

- The key feature of Westpac's Pillar 3 report for June 2010, has been the transition of the St.George portfolios from a standardised Basel II approach to the advanced measurement processes
- Receiving advanced accreditation for the St.George portfolios has the following major impacts:
  - St.George assets, previously reported as 'standardised' are now recorded under the various asset classes
  - Using advanced methodologies for the St.George portfolio has led to a $10bn fall in risk weighted assets (4.1% decline)
  - Other non-credit related risk weighted assets have been determined for interest rate risk in the banking book and operational risk
  - The previously calculated General Reserve for Credit Losses for St.George is no longer included in Tier 2 capital

Key impacts of St.George advanced accreditation	Comments
Exposure at default up $22.2bn	▪ St.George undrawn commitments are fully recognised under the advanced measurement methodology. This change led to a 3.6% rise in EAD
Regulatory expected loss up $2.1bn	▪ Most of the rise due to St.George achieving advanced accreditation, while the non-defaulted regulatory expected loss increased $1bn
Standardised EAD down $128.5bn	• Reduced standardised risk weighted assets by $75.2bn
Mortgage EAD up $97.1bn	• Added $16.9bn to mortgage risk weighted assets
Corporate EAD up $11.4bn	• Added $10.9bn to Corporate RWA
Business EAD up $15.8bn	• Added $12.9bn to Business RWA
Specialised lending EAD up $17.4bn	▪ Added $18.7bn to specialised lending RWA ▪ Impaired specialised lending increased $1bn. This represents a reclassification of impaired loans that were previously reflected in the standardised asset category ▪ The impaired coverage ratio has declined due to lower provisions on the St.George facilities. These facilities have high levels of security and hence less provisions have been required

Key movements in risk weighted assets

Risk Weighted Assets (RWA) ($bn)	Mar-10	Proforma Impact of St.George advanced accred	Portfolio changes	June-10
Corporate	46.9	10.9	2.5	60.3
Business Lending	29.9	13.0	0.5	43.4
Sovereign	0.5	0	0.2	0.7
Bank	3.6	0.1	0.4	4.1
Residual Mortgages	38.8	16.8	1.1	56.7
Australian Credit Cards	4.9	1.4	0.1	6.4
Other Retail	4.2	3.4	0.1	7.7
Small Business	3.1	0	0.1	3.2
Specialised lending	29.1	18.7	0	47.8
Securitisation	5.5	0.7	-1.0	5.2
Standardised	79.9	-75.2	1.2	5.9
Total credit RWA	**246.4**	**-10.2**	**5.2**	**241.4**
Equity Risk	1.0	-	0.3	1.3
Market risk	6.7	-	-1.3	5.4
Operational risk	22.6	-3.3	-	19.3
Interest Rate Risk in the Banking Book	10.6	2.7	-0.9	12.4
Other	2.8	-	1.0	3.8
Total RWA	**290.1**	**-10.8**	**4.3**	**283.6**

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