



The Westpac Group 2011 Interim Results

4 May 2011

Westpac Banking Corporation ABN 33 007 457 141



The Westpac Group 2011 Interim Results

Gail Kelly
Chief Executive Officer

Westpac Banking Corporation ABN 33 007 457 141

Building momentum

- Good quality result, with all divisions delivering core and cash earnings growth over 2H10
- Strong progress on strategic agenda, including our Strategic Investment Priorities (SIPs) and productivity program
- Multi-brand a key point of differentiation
- Strong and well positioned balance sheet
- All divisions on sound footing with confidence growing

Healthy financial performance


	1H11	% change 2H10 – 1H11	
Cash earnings	\$3,168m	✓	8
Reported NPAT	\$3,961m	✓	14
Core earnings ¹	\$5,000m	✓	4
Impairment charges to average loans	19 bps	✓	(5 bps)
Cash EPS	106c	✓	8
Return on ordinary equity (cash basis)	16.5%	✓	70 bps
Expense to income ratio (cash basis)	41.2%	✓	(120 bps)
Fully franked dividend	76c	✓	3

¹ Core earnings defined as operating profit before income tax and impairment charges.

Cash earnings up across all divisions in 1H11

Cash earnings by half (\$m)	1H10		2H10		1H11
Westpac RBB	873	↑1	883	↑6	936
Westpac Institutional Bank	807	↓12	707	↑8	767
St.George Bank	472	↑21	569	↑2	582
BT Financial Group	301	↓2	294	↑5	309
Westpac New Zealand ¹	125	↑58	197	↑7	210
The Westpac Group	2,949	↓1	2,930	↑8	3,168

¹ In NZ\$.

 Represents % change over prior half


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Higher 1H11 core earnings across all divisions – first since 2H07

Core earnings by half (\$m)	1H10		2H10		1H11
Westpac RBB	1,552	■	1,549	↑4	1,613
Westpac Institutional Bank	1,208	↓13	1,049	↑1	1,057
St.George Bank	1,012	↓3	986	↑2	1,008
BT Financial Group	442	↓4	424	↑6	449
Westpac New Zealand ¹	383	↑10	421	↑3	433
The Westpac Group	5,135	↓6	4,803	↑4	5,000






¹ In NZ\$.

 Represents % change over prior half

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Building momentum across the Group

Westpac RBB		<ul style="list-style-type: none"> Consistently growing mortgage market share Business Net Promoter Score rising in key segments, now best of peers
Westpac Institutional Bank		<ul style="list-style-type: none"> Higher proportion of income from customer activities Good customer flows in debt markets and transactional banking
St. George Bank		<ul style="list-style-type: none"> Emphasis on proprietary sales, housing applications improving Improving momentum in wealth sales
BT Financial Group		<ul style="list-style-type: none"> Leading Wrap and Superannuation platforms consistently growing share Life & General Insurance sales rising supported by expanded distribution
Westpac New Zealand		<ul style="list-style-type: none"> Investment in front line leading to improved share in a soft market Continued growth in products per customer

Delivering SIPs projects and productivity initiatives

SIPs on track	<ul style="list-style-type: none"> Invested \$297m in 1H11 Program executing to plan and on budget. Major achievements <ul style="list-style-type: none"> Rollout of common call centre platform well advanced First stage of collections platform consolidation completed St. George cards successfully migrated onto new multi-brand platform
Productivity initiatives delivering early gains	<ul style="list-style-type: none"> Initiatives focused on improving the customer experience while creating financial headroom for investment. Gains achieved in 1H11 <ul style="list-style-type: none"> \$120 million in benefits – ahead of schedule Mortgages – improved approval times and 50% reduction in rework Business lending – approval times reduced by 15-30%

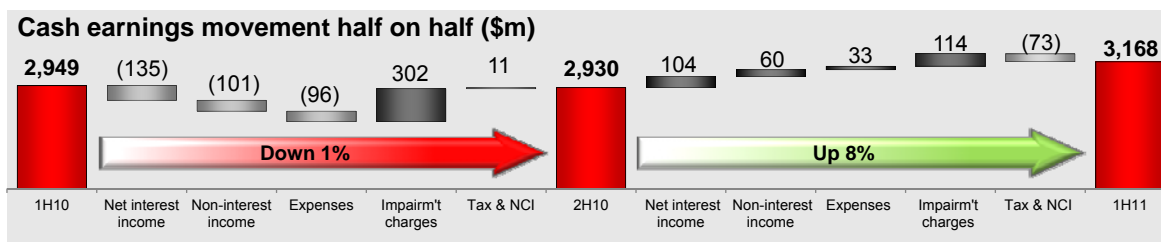
¹ SIPs are the Strategic Investment Priorities a suite of major investments commenced in 2010 to designed to enhance the Group's front end and product systems and strengthen the technology infrastructure.

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Philip Coffey
Chief Financial Officer

Westpac Banking Corporation ABN 33 007 457 141

Solid growth in cash earnings in 1H11



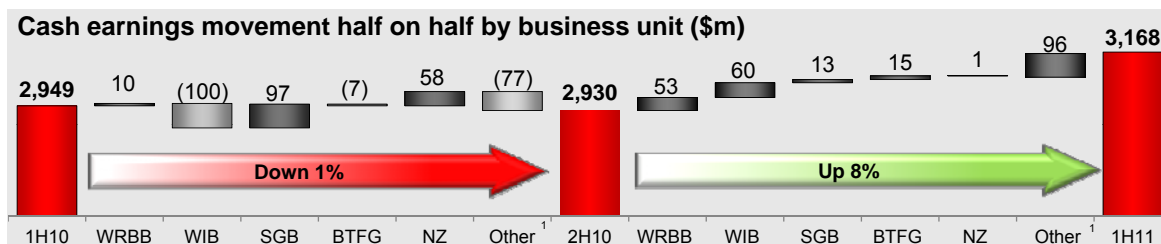
1H10 – 2H10 key features

- Revenue lower, from fall in margins and softer Markets and Treasury income
- Expenses up 3%, higher salary costs partly offset by merger synergies and productivity
- Impairment charges significantly lower with asset quality improving

2H10 – 1H11 key features

- Improved margins and higher fee growth supporting revenue
- Expenses down 1%, productivity improvements more than offsetting salary increases
- Impairment charges fell across all divisions, particularly in WIB

All divisions recorded cash earnings growth in 1H11



1H10 – 2H10 key features

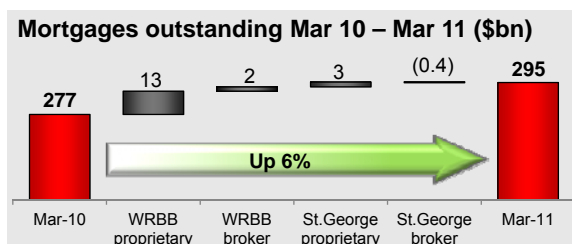
- WIB impacted by lower markets income post strong 1H10
- Banking franchises (particularly St.George and NZ) benefited from decline in impairment charges

2H10 – 1H11 key features

- All divisions contributing
- WIB benefited from a fall in impairment charges due to improving asset quality
- Banking franchises exhibited revenue growth, sound expense control and declining impairment charges

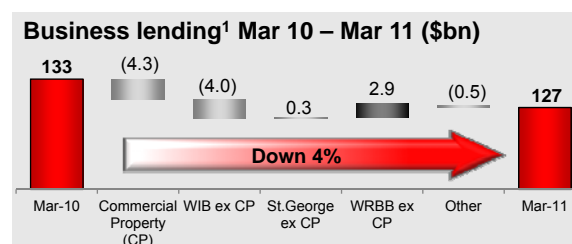
¹ Other includes Pacific Banking and the Group Business Unit.

Drivers of balance sheet movements



Mortgage volumes driven by

- Growth through proprietary channels with reduced broker sales, particularly St.George
- Overall Australian growth at 0.8x system with Westpac RBB (1.1x system) and St.George (0.3x system)



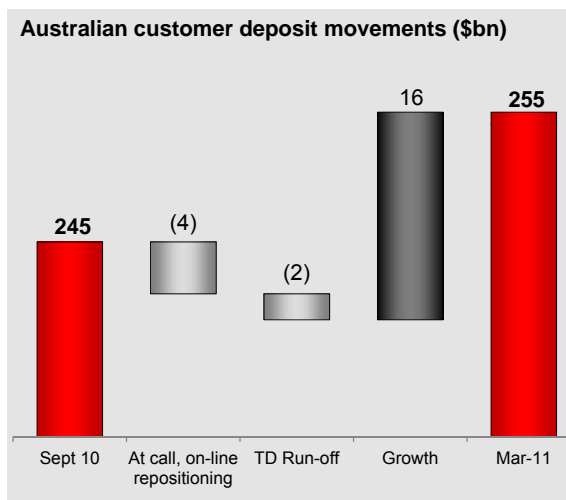
Business lending volumes driven by

- SME Growth in Westpac RBB
- Reducing commercial property exposure
- Institutions continuing to de-gear

¹ Business lending movements adjusts for business transferred from WIB to Westpac RBB during the period.

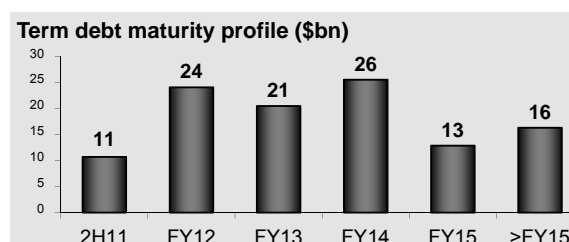
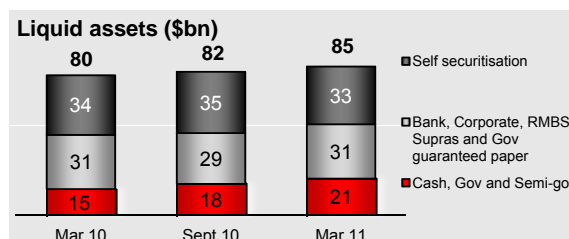
Improved quality of deposit base

- 1H11 lending fully supported by customer deposit growth
- Improved quality of deposit base with \$16bn in new customer deposits offset by
 - Repositioned interest rates for at call, on-line accounts to reward loyalty at more appropriate spreads
 - Exit of non-relationship balances during rollover of December 2009, 12 month Term deposit (TD)



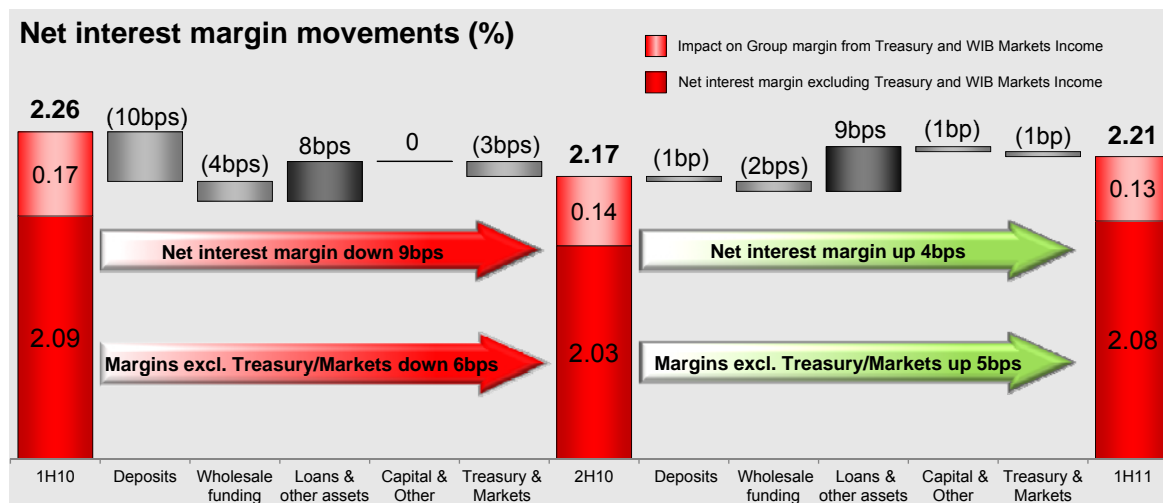
Funding well managed, liquid assets higher

- Reduced need to access term wholesale markets in 1H11 with customer deposit growth exceeding lending growth
- \$12.4bn of new term debt issued in 1H11, with a weighted average maturity of 3.8 years
- Stable Funding Ratio¹ 79% as at 1H11
- In 1H11, strong customer deposit growth combined with new term issuance supported
 - \$3.8bn buy back of Government Guaranteed debt
 - \$5bn increase in funded² liquid assets
- Liquid assets of \$85bn, sufficient to cover offshore wholesale debt maturities for 23 months



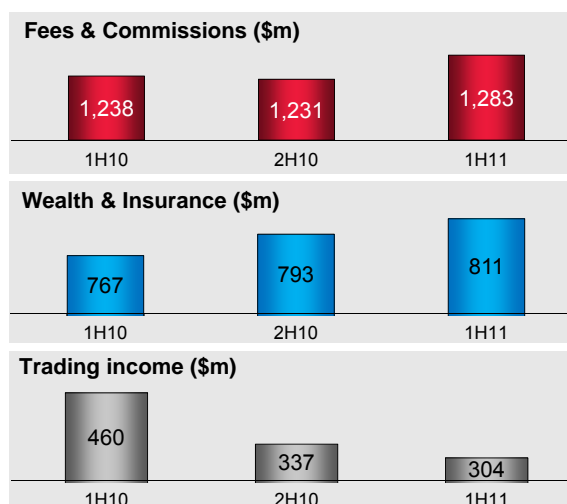
¹ Stable funding ratio is the Westpac ratio of customer deposits + wholesale term funding, with residual contractual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. ² Funded liquid assets includes Cash, Gov and Semi-gov paper along with Bank, Corporate, RMBS, Supras and Gov guaranteed paper.

Margins improved in 1H11



Non-interest income growing from a better quality base

- Non-interest income down 2% on 1H10 (up 2% on 2H10)
- Significant rebasing completed, with Markets/Treasury income lower and reductions in certain bank fees in 2010
- Fees & commissions up 4% from higher business customer line fees
- Wealth up 6%, higher funds management income partly offset by increased insurance claims
- Trading income more sustainable at 12% of non-interest income. Down from peak of 28% in 1H09



WIB Markets and Treasury income stabilising

- WIB Markets and Treasury income lower, consistent with reduced market volatility
- WIB Markets income down \$125m or 27% on 1H10
 - Down 6% on 2H10
 - Customer related earnings represent 75% of total versus 52% in 1H10
- Treasury revenue down \$125m or 29% over 1H10 to more sustainable levels
- Risk appetite relatively stable

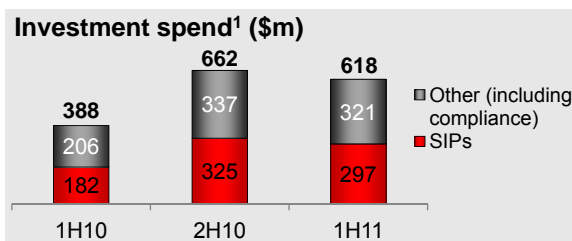
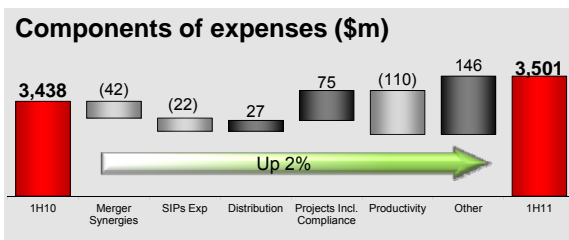
Markets income by source (\$m)	2H09	1H10	2H10	1H11
Customer activity	224	238	272	252
Market trading activity	143	221	84	82
Total	367	459	356	334
Markets income by division (\$m)				
Debt Markets & Equities ¹	208	256	149	127
Foreign Exchange, Commodities, Carbon & Energy	159	203	207	207
Average markets VaR ²	10.6	8.8	5.2	7.3

Treasury income (\$m)	2H09	1H10	2H10	1H11
Total revenue	581	429	327	304
Average Treasury VaR ²	36.0	29.5	25.4	28.0

¹ Represents net interest income and non-interest income from sales and trading operations in Debt Markets and Equity Derivatives component of Equities business. ² VaR at 99% confidence level, 1 day hold period.

Expenses well managed with productivity culture

- Expenses up 2% over 1H10 (down 1% over 2H10). Expense to income ratio
 - The Westpac Group 41.2%
 - Banking 40.2%
- Merger and productivity benefits of \$152m providing capacity for increased project and compliance spending

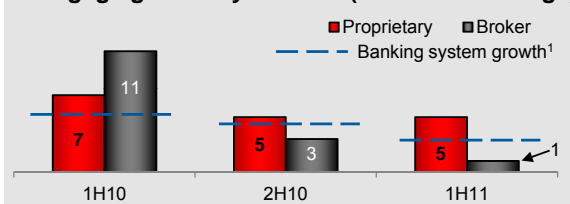


¹ Investment spend in prior periods updated to include distribution expenses with Westpac Local and Bank of Melbourne launch.

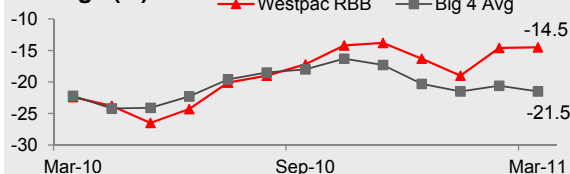
Westpac RBB benefiting from Westpac Local

- Cash earnings up 6% and Core earnings up 4% on 2H10. Key achievements on 2H10
 - Expenses flat
 - Customers with 4+ products up 80bps on 2H10 to 28.3%
 - Mortgage growth 1.1x banking system¹
 - Mortgage customer retention 99%
 - General insurance cross-sell lifted to 76% from 70%
 - Wealth interviews up 15%
- NPS improving across all channels
 - Number 1 Business NPS² of majors
 - Improving Affluent Consumer NPS

Mortgage growth by channel (6 month % change)



Australian Business NPS² – 6 month moving average (%)

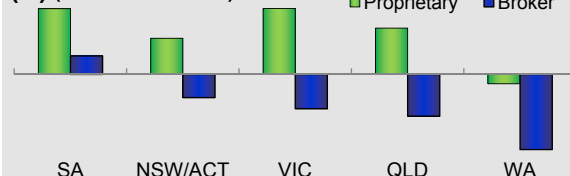


¹ APRA Monthly Banking Statistics, March 2011. ² Source for Business NPS DBM Business Services Finance Monitor, March 2011 – 6MMA. Australian Business NPS = NPS of main financial institution, All businesses. Peer group average simple average of ANZ, CBA, NAB and WBC. NPSSM and Net Promoter ScoreSM is a service mark of Bain & Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.

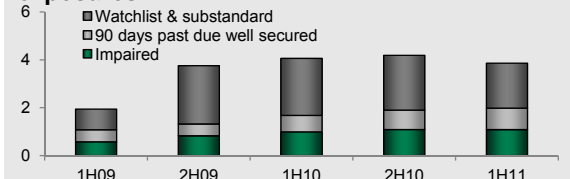
St.George repositioned – momentum building

- Cash earnings up 2% and Core earnings up 2% on 2H10
- Repositioned with reduction in mortgages originated by brokers and more optimal commercial property mix
- Customers with 4+ products up 110bps on 2H10 to 25.3%
 - BT Super for Life sales 430 per week
 - Home & Contents cross-sell¹ up to 53% from 39% for 1H10
- Rebuilding momentum
 - Mortgage approvals up in last two months
 - Growing in number of customers
- Stressed assets lower, particularly in business

St.George mortgage growth by State & channel (%) (Year to March 2011)



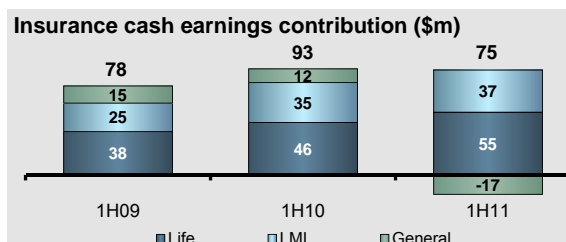
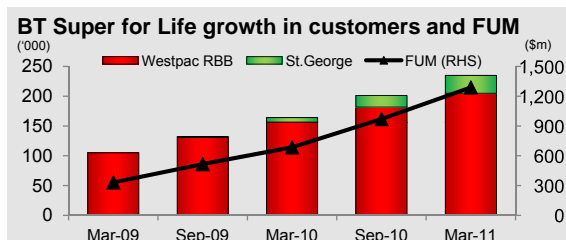
Stressed exposures as a % of total committed exposures



¹ cross-sell rates are defined as the number of risk sales divided by the total home loan sales.

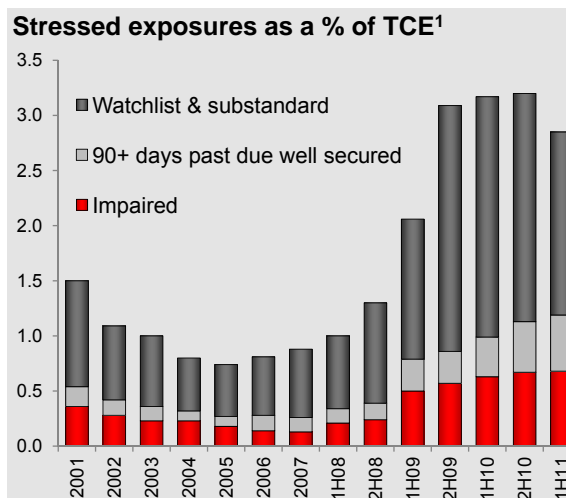
BT strong growth in wealth and life insurance

- Cash earnings up 5%, Core earnings up 6% on 2H10
 - Insurance claims from natural disasters reduced cash earnings by \$39m in 1H11
- Excellent growth and cross-sell
 - BT Super for Life sales average > 1,300 per week
 - BT Wrap/Asgard Platforms 20% market share with 39% of new flows
 - Revenue per planner up 9% on 2H10 driven by higher retail referrals
- Life Insurance Cash earnings \$55m (2 year CAGR 20%)



Asset quality improving

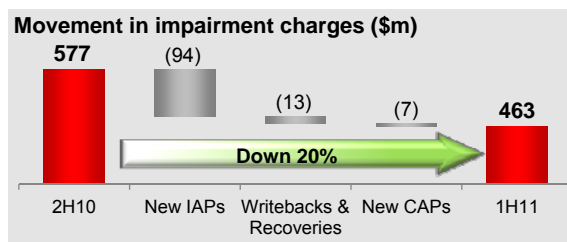
- Stressed exposures at 2.85% of TCE¹, down 35bps from 2H10
 - Watchlist & substandard down 41bps to 166bps
 - 90+ days past due well secured up 5bps, mostly mortgages
 - New impaired assets down with ratio of impaired asset to TCE little changed
- Portion of commercial property portfolio that is stressed down to 13.7% from 15.5% at 2H10



¹ TCE is Total Committed Exposure. ² Impaired provision includes collectively assessed impaired provisions of \$236m. ³ CAP is Collectively assessed provisions.

Impairment charges 20% lower

- New individually assessed provisions (IAPs) lower from a reduction in new impaired assets
- New collectively assessed provision charges down \$7m to a benefit of \$43m
 - Lower economic overlays \$174m
 - Higher natural disasters \$68m
 - Consumer charges from write-offs direct and rising delinquencies
 - Business provisions down from migration of loans to impaired and improved asset quality
- Provisioning cover remains at top of sector
 - Impaired provisions¹/impaired assets 42.2%
 - CAP² to credit RWA 1.38%



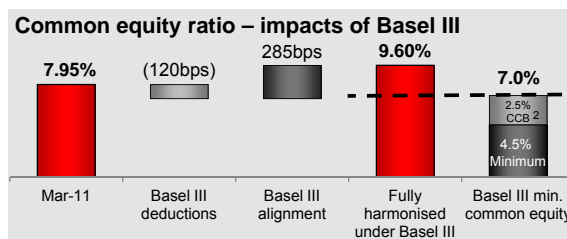
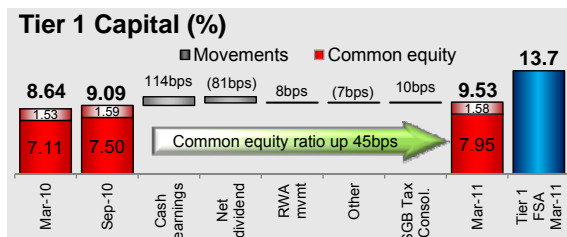
Collective provision charge 1H11 (\$m)

Lower economic overlays	Property	-82
	Improving economic conditions	-92
New overlays	NZ earthquake	32
	Queensland floods	36
	Consumer provisions	282
	Business provisions	-219
Total 1H11 collective provision charge benefit		-43

¹ Impaired provision includes collectively assessed impaired provisions of \$236m. ² CAP is Collectively assessed provisions.

Strong capital generation

- Strong organic capital generation¹, 41bps over 1H11
- St. George tax consolidation added 10bps in 1H11, with a further 30bps over next 3 years
- Other impacts down 7bps, including higher capitalised software deduction
- Well placed for Basel III rules
 - Solid common equity ratio of 7.95%
 - New deductions estimated to reduce ratios by 120bps
 - Full harmonisation to Basel III would see Westpac's current common equity ratio up 165bps to 9.60%

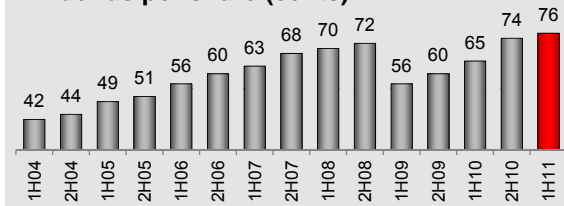


¹ Organic capital is Cash earnings, less net dividends less RWA movement. ² CCB = Capital conservation buffer.

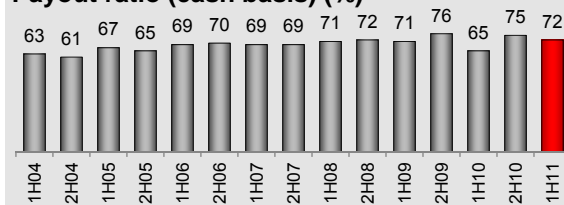
Continued dividend path

- 1H11 dividend 76 cents, up 17% over 1H10 and up 3% over 2H10
- Seeking a steadily rising dividend path while maintaining a payout ratio of around 70%
- Pay-out ratio consistent with current stage of cycle with falling impairments and low RWA growth
- DRP to be satisfied by new share issuance, with no DRP discount
- Significant franking balance of \$1.3bn

Dividends per share (cents)



Payout ratio (cash basis) (%)



Considerations for 2H11

- System growth modestly improving, with the Group focused on improving share in target segments and continuing to grow share of wealth
- Full period impact of prior pricing changes (mortgages and deposits) to flow through to margins, offsetting rising funding costs
- SIPs expenses and industry compliance costs rising, although partly offset by ongoing productivity improvements
- Asset quality continuing to improve

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Domestic environment supportive, global uncertainty remains

- Australian economy remains healthy with sound growth, controlled inflation and low unemployment
- Natural disasters created a short term challenge, although the rebuilding phase will contribute to growth in the medium term
- Global uncertainty remains although proximity to Asia provides some offset
- Consumer and business caution has led to a strengthening of balance sheets, positioning customers well to respond to growth as sentiment improves

Our strategic journey

2008 Transform

- Strategy focused on significantly enhancing the customer experience
- Ensured the Group was strongly positioned through the GFC
- St.George merger providing multi-brand capability
- Restructured IT model and improved IT stability

2009 Strengthen & integrate

- Stronger balance sheet: more capital, deposits, liquidity and strong provisioning
- Supported customers through the GFC
- Commenced Westpac Local rollout, transforming Westpac RBB
- Delivered major integration milestones with St.George merger
- Completed IT strategy and blueprint

2010 Structural adjustments

- Further strengthened funding with increased tenor and more liquidity
- Reduced reliance on brokers and exposure to commercial property
- Absorbed significant fee reductions and lower markets income
- Commenced SIPs program and comprehensive productivity initiatives

Looking ahead

Execution & delivery

- Continue to build momentum, leveraging off strong balance sheet and current and prior investment
- Drive growth through multi-brand, including the Bank of Melbourne launch and opening of new Victorian branches
- Further deepen customer relationships, particularly through Wealth flows, deposits and transactional banking
- Proactively respond to regulatory and compliance agenda
- Continue to execute on SIPs program and deliver on productivity initiatives

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APPENDIX

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Appendix 1: Strategic Priorities outlined at 1H08

Customer	<ul style="list-style-type: none"> Drive a strong customer culture Develop and implement compelling customer segment strategies integrating banking and wealth Significantly improve customer experience
People	<ul style="list-style-type: none"> Strengthen capabilities and depth of talent particularly in distribution businesses Strengthen collaboration and teamwork Encourage boldness, promote achievement
Distribution	<ul style="list-style-type: none"> Establish and drive locally empowered businesses Continue to invest in Business Banking and Wealth
Operations & Investment	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Embed in all elements of the business Continue to develop risk management as a competitive advantage

Significant progress on our strategy

		Sept 08	Mar 11
Customers	Customers	7m	13m
	Branches (Aust)	840	1,264
	NPS ¹ Westpac RBB	-24	-18
	NPS ¹ St.George	-13	-4
Australian market share²	Housing ²	16%	26%
	Business ³	14%	17%
	Household deposits ²	14%	23%
	Wealth platforms ⁴	13%	20%
Productivity	Expense/income ratio	44%	41%
Balance sheet	Tier 1 Ratio	7.8%	9.5%
	Stable funding ratio	70%	79%
Brands			
Size	Market capitalisation ⁵	\$41bn	\$73bn

1 Source for Consumer NPS: Roy Morgan Research, March 2011 – 6MMA. Australian Consumer NPS – NPS of main financial institution, Aged 14+. Data till March 2011. NPS™ and Net Promoter Score™ is a service mark of Bain & Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. 2 APRA Banking Statistics (March 11). 3 RBA Banking Statistics (March 11). 4 Plan for Life and Morning Star, December 2010 – all master funds. 5 As at 31 March 2011.

The Westpac Group increasingly differentiated from peers

Very strong Australia and New Zealand position	<ul style="list-style-type: none"> 98% of assets in Australia and New Zealand Most focused on Australian/New Zealand growth opportunities
Multi-brand strategy providing choice	<ul style="list-style-type: none"> Regional banking strategy provides access to a broader customer base and more growth options Ability to be more flexible, responsive and innovative in targeting different customer segments, different competitors and different geographies
Strategically well placed with high quality portfolio	<ul style="list-style-type: none"> Good mix of profitability and growth All divisions well positioned in chosen markets Proven low risk portfolio Consistent balance sheet strength
Efficiency leader	<ul style="list-style-type: none"> Cost growth of 2% on 1H10, with expense to income ratio well below peers Comprehensive productivity program to improve customer experience and maintain efficiency advantage
People and sustainability leader	<ul style="list-style-type: none"> Global leader in the bank sector for ten years, Dow Jones Sustainability Index- Only Australian bank in the Global 100 most sustainable corporations at 2011 World Economic Forum Named one of the World's Most Ethical companies from 2008 – 2011, Ethisphere Institute

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All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is presented on a cash earnings basis. Refer to Westpac's Interim 2011 Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2011 available at www.westpac.com.au/investorcentre for details of the basis of preparation of cash earnings.

This presentation contains statements that constitute "forward-looking statements" including within the meaning of Section 21E of the US Securities Exchange Act of 1934. The forward-looking statements include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

We use words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the expectations described in this presentation. Factors that may impact on the forward-looking statements made include those described in the section entitled 'Principal risks and uncertainties' in Westpac's Interim Financial Report for the half year ended 31 March 2011 available at www.westpac.com.au/investorcentre. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation, and do not intend, to update any forward-looking statements contained in this presentation.