

Westpac Investor Update

September 2007



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The material contained in this presentation is intended to be general background information on Westpac Banking Corporation and its activities.

The information is supplied in summary form and is therefore not necessarily complete. Also, it is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs.

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These statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. We use words such as 'may', 'expect', 'indicative', 'intend', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or similar words to identify forward-looking statements. Should one or more of the risks or uncertainties materialize, 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 sections entitled 'Risk factors,' 'Competition' and 'Risk management' in Westpac's 2006 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission. 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.

The financial information contained in this presentation includes non-GAAP financial measures. For a reconciliation of 1H07 measures to the most comparable GAAP measure, please refer to our 2007 interim financial statements filed with the Securities Exchange Commission and Australian Stock Exchange.

- US sub-prime mortgages originated in 2006 are experiencing delinquencies and defaults much higher than expectations. This has been mainly driven by high risk underwriting criteria and a slowing of house price appreciation.

- Problems spread to structured securities backed by sub-prime loans, namely Collateralised Debt Obligations (CDOs) and Residential Mortgage-Backed Securities (RMBS), as well as other leveraged products, where losses were higher than expected.
- Asset-backed commercial paper (ABCP) conduits and structured investment vehicles holding US sub-prime assets were also affected.
- Investors exercising caution towards complex, risky or non-standard structured product.

- Investor risk aversion spilled over to a key source of short-term funding - the commercial paper (CP) market - leading to a global tightening in liquidity.
- FX markets and equity markets also impacted by increased volatility, as investment positions were liquidated to meet investor redemptions.
- Currently experiencing a re-pricing of credit risk.

Westpac is well positioned in these conditions given:

Low risk strategy

Focus on sources of comparative advantage within core markets

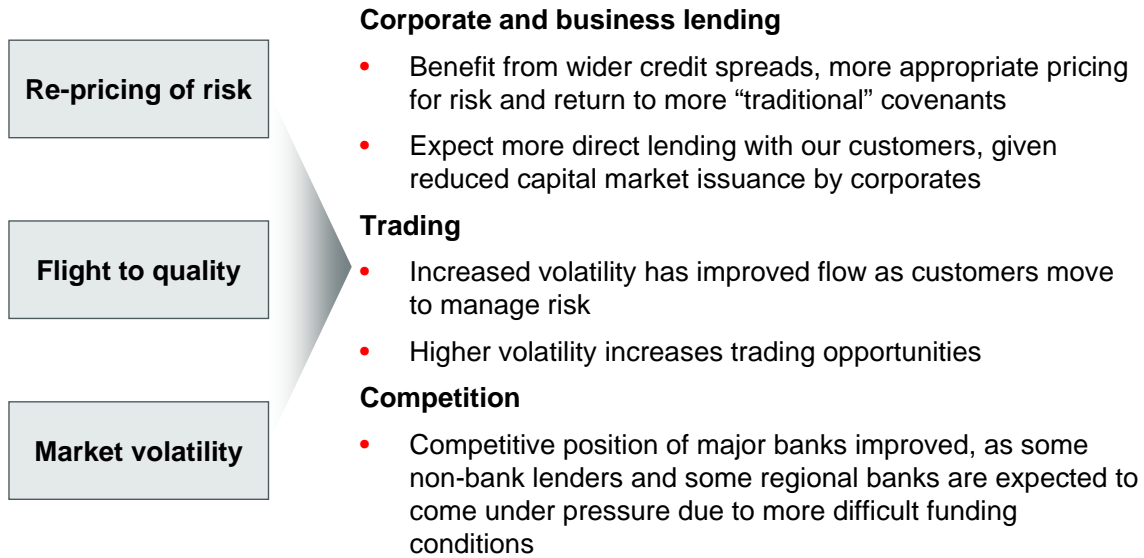
Conservative balance sheet

Strict risk disciplines across the business

Conservative management of capital
Sound capital ratios, targeting AA credit rating

Diversified funding base and prudent liquidity profile

While current conditions are challenging, they also present opportunities to well-rated, low risk, major banks over the medium term:



- Current market conditions have not changed Westpac’s strong outlook, given conservative balance sheet and liquidity profile
- Westpac is well positioned across the 3 main areas of impact:

| Financial Assets | Counterparties | Liquidity and Funding |
|--|---|---|
| <ul style="list-style-type: none"> • No direct exposure to US sub-prime mortgages • No CDOs backed by US sub-prime mortgages • No US RMBS | <ul style="list-style-type: none"> • >98% of all exposures to Australia and NZ • Counterparties with exposure to US mortgages are well rated financial institutions • Exposures to other counterparties, e.g. hedge funds, not individually significant | <ul style="list-style-type: none"> • Continuing to source funding, although conditions are tighter and funding costs higher • Large retail deposit base • Diversified wholesale funding sources • Sound liquidity position with increased flexibility |

- Importantly, the mortgage market in Australia is significantly different to the US

No direct exposure to US sub-prime mortgage market

US sub-prime mortgages



- No direct exposure to US sub-prime mortgages

Collateralised Debt Obligations (CDOs)



- No US mortgage-backed CDOs
- Small portfolio of short-dated and highly rated (A+ to AAA) corporate CDOs approx. A\$160m, predominantly European - portfolio has been in run-off since 2002
- Fair value movements not material <\$1m

Asset Backed Securities (ABS)



- Small holding of UK AAA-rated RMBS (A\$47m) and Australian AAA-rated (A\$129m) and AA-rated (A\$7m) RMBS

Exposures likely to be impacted in current conditions are being closely monitored

- Through the normal course of our institutional business, Westpac has exposures to counterparties who may be impacted by US sub-prime mortgage market flow-on effects, including tighter liquidity conditions
- Exposures likely to be impacted in current conditions are being closely monitored

Hedge funds



- Westpac has little direct lending to hedge funds (approx. A\$30m)
- Some indirect exposure to hedge funds via Financial Markets business, largely via FX and interest rate swap products, which are fully collateralised (net exposure approx. A\$28m)

Fund of hedge funds (FOHF)



- Westpac has exposure to diversified funds that invest in hedge funds (net exposures approx. A\$120m)
- Should these customers come under stress, we do not expect the impact to be significant

Fund of hedge funds managers



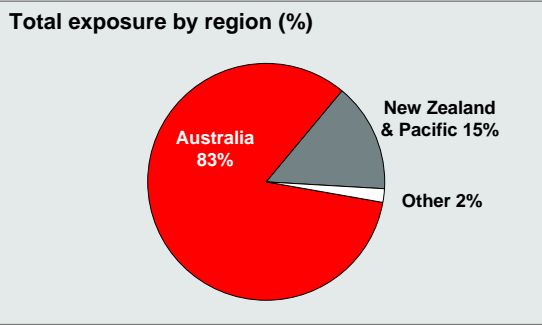
- Westpac has exposure to managers that operate primarily in the FOHF market (net exposures approx. A\$250m)
- Operating revenues generated from management fees are not expected to be significantly impacted

Asset-Backed Commercial Paper (ABCP) conduits

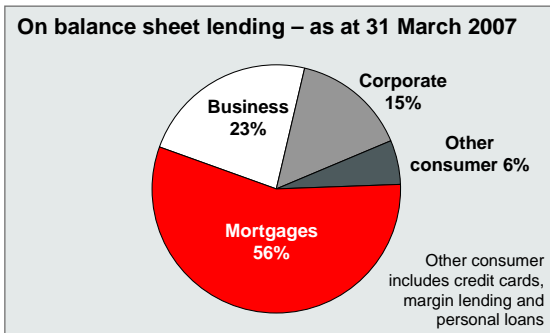
- One Westpac-sponsored ABCP conduit – Waratah Receivables Corporation
 - In operation since 1994, offering quality assets originated by Westpac customers, primarily prime mortgages and trade receivables (no sub-prime)
 - Approx. A\$6bn outstanding
 - Continues to have access to funding and has drawn approx. 15% from its backup liquidity facility (provided by Westpac)
- Westpac has the capital and liquidity capacity should current conditions continue:
 - Adequate liquidity held - Waratah maturities modelled in the Westpac Group liquidity profile
 - Impact on ACE capital approx 12bps, were all current outstandings to be funded by Westpac
 - Small portion of Westpac Group assets
- Liquidity facilities to external customer conduits approx. A\$380m

Other commitments

- Westpac has various commitments to US investment banks and diversified financials, predominantly for funding purposes, through the normal course of our institutional business.
- Significant commitments more likely to be affected are:
 - 1 US mortgage bank exposure where US sub-prime mortgages are <10% of portfolio (approx. A\$120m)
 - Some exposure to Australian fund managers invested in moderately geared, highly diversified portfolios of US loans (no CDOs) (approx. A\$425m); leverage reduced if portfolio value declines



- Australia and New Zealand focus
- Exposures outside core markets of Australia and New Zealand represent less than 2% of total committed exposures



- Mortgages represent 56% of funded lending and 43% of total commitments
- 61% business / corporate exposure are investment grade
- Approx. 92% of sub-investment grade Australian business exposures are secured



Australian mortgage market

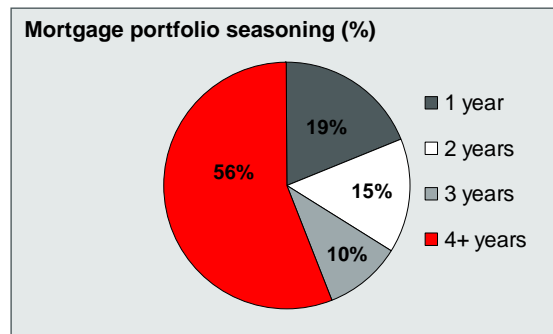
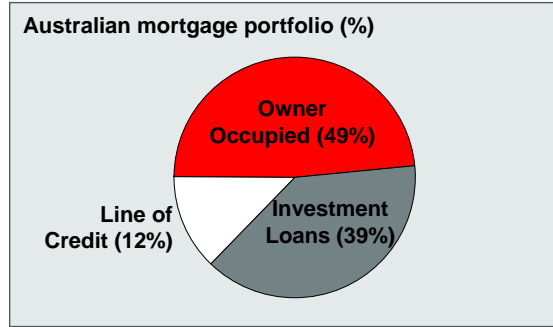
- Majority of housing loans are variable rate – approx. 80% of Westpac portfolio
- Low loan-to-value ratios – Westpac average LVR at origination 68%
- For mortgage-insured loans, mortgage insurance covers the entire loan
- Interest payments on primary residence are not tax deductible – generally leads to mortgages being paid off quicker
- Banks in Australia have recourse to the borrower’s mortgaged property

| United States | Australia |
|--|--|
| <ul style="list-style-type: none"> • RBA estimates sub-prime lending approx. 15% of the US market • Decline in house prices has coincided with riskier lending (e.g. no equity home loans, stated income loans to wage earners) • Adjustable rate mortgages have exposed borrowers to rising interest rates | <ul style="list-style-type: none"> • RBA estimates sub-prime lending approx. 1% of the Australian market • Housing market fundamentals are sound – price depreciation not as severe as US market • Non-conforming and sub-prime loans predominantly offered by non-bank lenders |



Westpac's high quality Australian mortgage portfolio

- All mortgages to prime borrowers
 - Low Doc (self-employed) lending less than 4%
 - No sub-prime mortgages
- Credit quality is sound
 - 90+ days delinquencies 33bps (at June 07)
 - Recent mortgage losses have been around 1 basis point p.a.
- Risk of loss in higher LVR segments remains low due to mortgage insurance cover
- Well seasoned portfolio
 - 66% of the portfolio past the peak loss period (18 – 24 months)



Funding and liquidity position remain sound

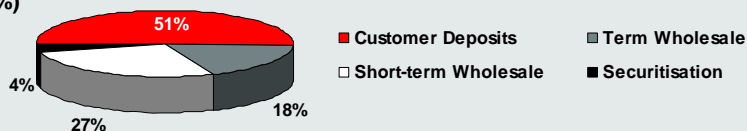
Funding

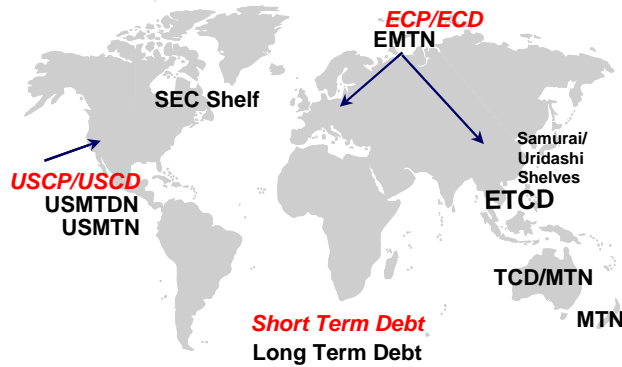
- Westpac's funding strategy is focused on diversity of issuance and flexibility across markets
- No reliance on any one funding source
 - Large retail deposit base
 - Established wholesale funding franchise
 - Funding sources diversified by tenor, investor base, currency, geography and instrument
- Continuing to source funding, although conditions are tighter

Liquidity

- Liquidity risk management framework ensures ability to fund under various stressed scenarios
- Westpac Treasury holds a large portfolio of highly liquid assets
- Have substantially increased liquidity to provide additional flexibility in current market conditions
- Approx. 92% of Treasury liquid assets eligible for repo with a central bank
- Approx. 99% rated AA- or higher

Group funding composition (%)





| Westpac Credit Rating | |
|-----------------------|--------------------|
| S&P | AA / Stable / A-1+ |
| Moody's | Aa1 / Stable / P-1 |

| Debt Programs and Issuing Shelves | |
|--|--|
| <ul style="list-style-type: none"> • US\$25bn Euro Medium Term Note Program • US\$15bn Euro Commercial Paper Program (WBC and WSNZL as issuers) • US\$20bn US Commercial Paper Program • US\$5bn US Medium Term Deposit Note Program • US\$10bn US Senior Medium Term Note and US Subordinated Medium Term Note Program | <ul style="list-style-type: none"> • ¥100bn Samurai shelf • ¥300bn Uridashi shelf • US\$7.5bn US Commercial Paper Program (WSNZL) • US\$5bn Euro Medium Term Note Program (WSNZL) • Westpac and Westpac New Zealand Limited domestic debt issuance programs - no limits |

- BT offers customers a broad range of investment options
- Customers may be impacted where they have invested in funds with direct or indirect exposure to the US sub-prime markets or hedge funds
- Direct exposures via Investment Management not material
 - No exposure to sub-prime sector and minimal exposure to structured credit through Income and Yield areas
 - Minimal exposure through BT's hedge funds
 - Approx. \$4 million invested in Basis Capital as part of diversified Fund
- Hedge fund allocation within BT's diversified and Multi-Manager products approx 8%. Sub-prime exposure through these is negligible.
- No investment options available to US sub-prime markets or hedge funds via Corporate Super
- Margin Lending clients facing minimal impact from market volatility and margin calls are being actively managed
 - Strong credit policy limiting borrowing levels - single stock LVR between 35% and 80% depending on the security
 - Clients generally conservatively geared - average gearing 43%

| WRAP Platform |
|--|
| <ul style="list-style-type: none"> • BT's Wrap administration platform is used by advisers to manage an investor's portfolio of shares, managed funds, margin loans etc. • BT's Wrap platforms includes over 650 managed funds and 300 listed securities • Indirect exposure via customer investments - Dealer groups and advisors who use the BT platform rely on their own review and research processes to make investment choices for their customers • Affected hedge funds have been removed from the platform (Basis Capital* and Absolute Capital^ represented 0.6% of investments through the platform) |

* Basis Capital is an Australian hedge fund that was invested in US sub prime mortgage market via high yield securities
 ^Absolute Capital is an Australian boutique specialist structured credit fund manager

- Current market conditions have not changed Westpac's strong outlook, given conservative balance sheet and liquidity profile
- Westpac is well positioned across the 3 main areas of impact:
 - Financial assets:
 - No direct exposure to US sub-prime mortgages
 - Counterparties:
 - More than 98% of exposures are to core markets of Australia and New Zealand
 - Exposures likely to be impacted in current conditions are being closely monitored
 - Conditions may put some customers under stress and therefore, it is possible that banks in Australia may have some losses through the normal course of institutional and other business - not expecting the impact to be significant
 - Liquidity and Funding:
 - Continuing to source funding, although conditions are tighter and funding costs higher
 - Substantially increased liquidity in current environment to maintain flexibility
- While current conditions are challenging, they also present opportunities to well-rated, low risk, major banks over the medium term



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For further information on Westpac including:

- Annual reports
- Financial results
- Presentations and webcasts
- Key policies

Please visit our dedicated investor website

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