

Business Financial Services Market Update

Peter Hanlon, Group Executive
25 September 2007

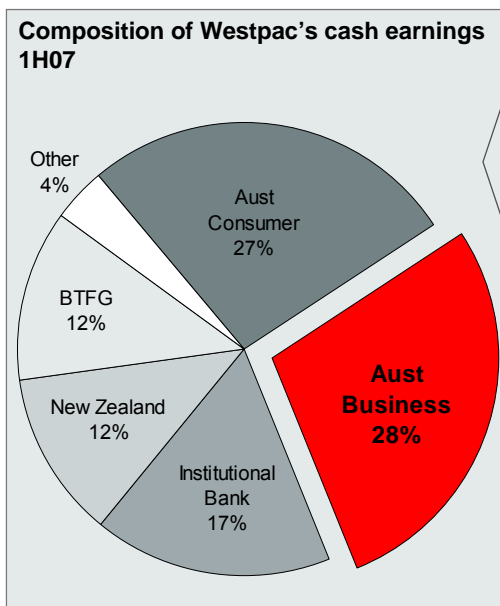
Business Financial Services at a glance

People	<ul style="list-style-type: none">• 3,300 people covering sales, service, product development & management, marketing, credit & risk management, human resources
Customer segments	<ul style="list-style-type: none">• Business banking up to \$5m p.a. turnover• Commercial banking \$5m to \$20m p.a. turnover• Premium business \$20m to \$100m p.a. turnover• Regional & agribusiness All regional & rural business customers
Book size	<ul style="list-style-type: none">• Business loans \$48 bn (1H07)• Business deposits \$48 bn (1H07)
Product businesses	<ul style="list-style-type: none">• Business lending, transaction, savings & investment accounts, corporate cash accounts, payments products, international & trade

Topics for today

- Business Financial Services is a key growth investment for Westpac
- Our strong first half revenue performance is set to continue
- We have a clear set of strategies and our people are committed to deliver

Business financial services – a strong 1st half contribution

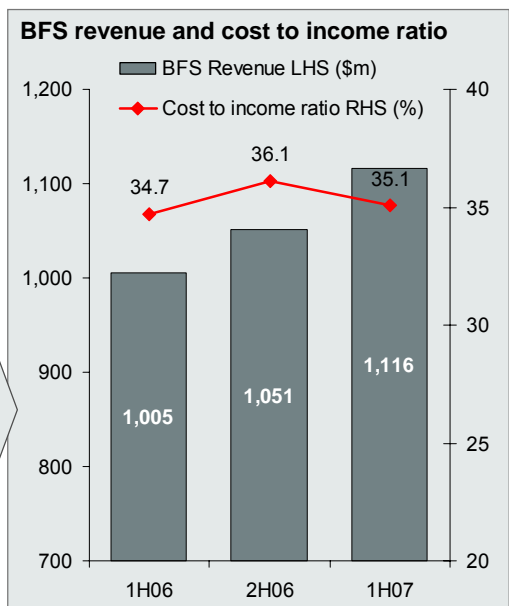


Source: Westpac

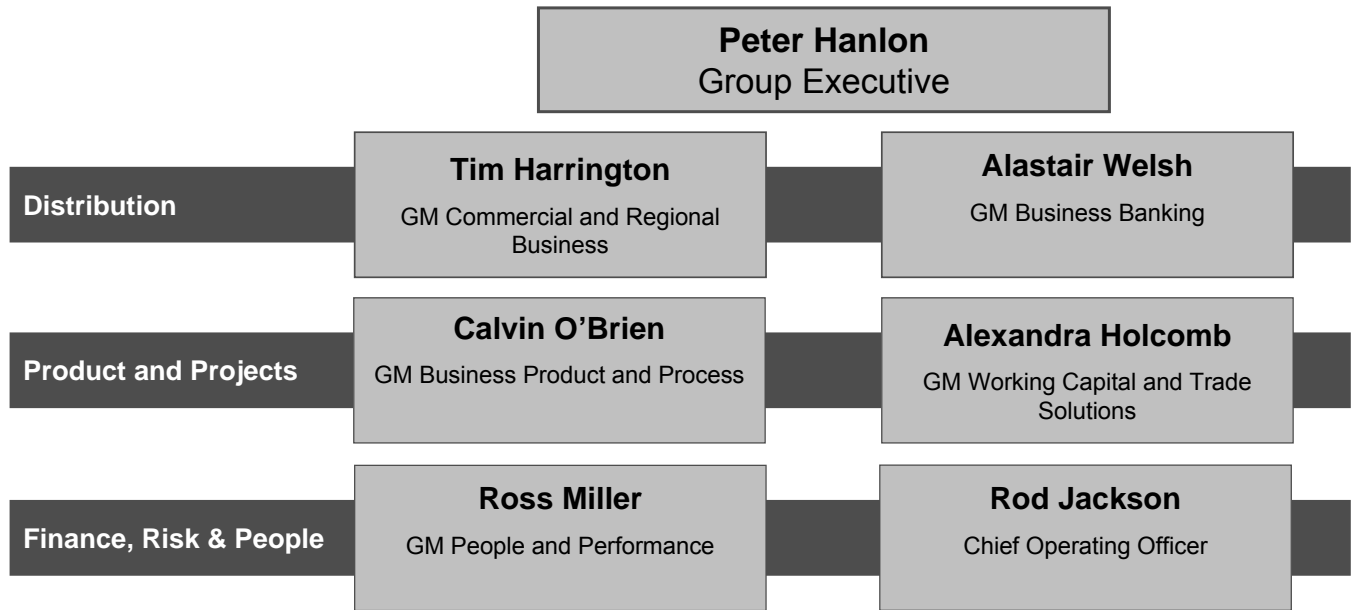
BFS Growth 1H06-H07

- Income up 11%
- Lending up 14%
- Deposits up 17%

- Consistent revenue growth
- Well managed cost to income ratio



The BFS Team



2005-2007: focus and alignment have built a foundation for growth

Better systems	<ul style="list-style-type: none"> • Pinnacle – from 1,620 users in 2005, to over 3,000 users by December 2007
More people	<ul style="list-style-type: none"> • Added over 500 front line personnel in FY 06 and 07 • Specialist teams such as: Business Acquisition Group, Cash Flow Solutions Group, Women's Markets, Asian Business
Training and capability	<ul style="list-style-type: none"> • New business-specific training programs • Over 1,300 attendees in 2007
Distribution footprint	<ul style="list-style-type: none"> • Dedicated business banking centres • 5 new sites, 2 refurbished, 11 sites in planning

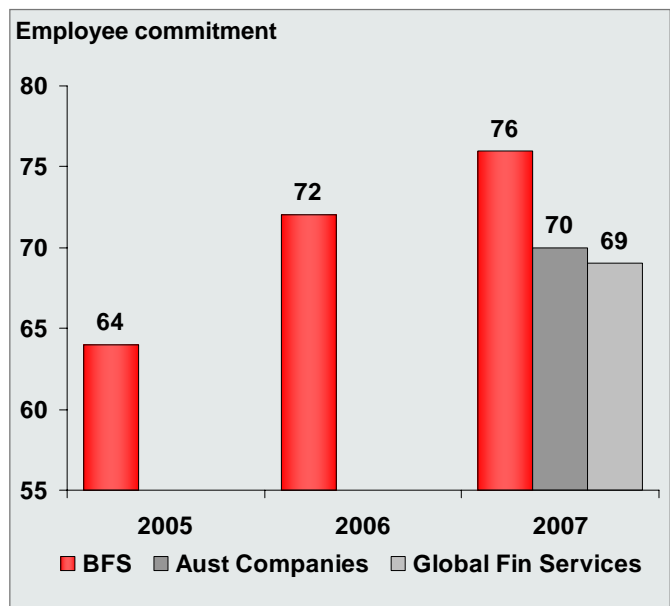
We have a clear set of strategies

Vision: to be Australia's Business Bank of Choice

Localisation	Developing a stronger local market presence for customers, with a focus on high growth areas
Cash flow and wealth expertise	Differentiating ourselves through cash flow and wealth expertise
Making business easier	Making the bank easier to deal with, for our people and for customers
People development for the long-term	Investing in our people's skills and capability

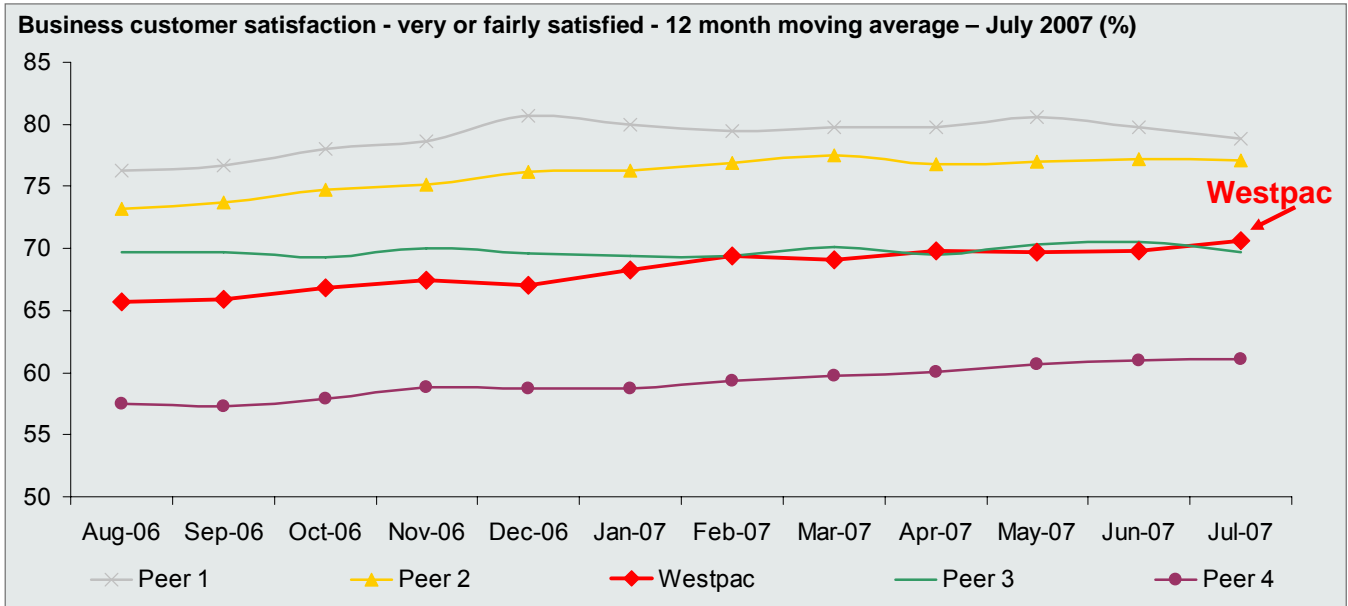
A substantial lift in BFS employee commitment

- Consistent increases in employee commitment place us well above the average scores for both:
 - Large Australian companies; and
 - Global financial services companies



Source: Towers Perrin-ISR 2007

Customer satisfaction – gaining momentum, but more to do



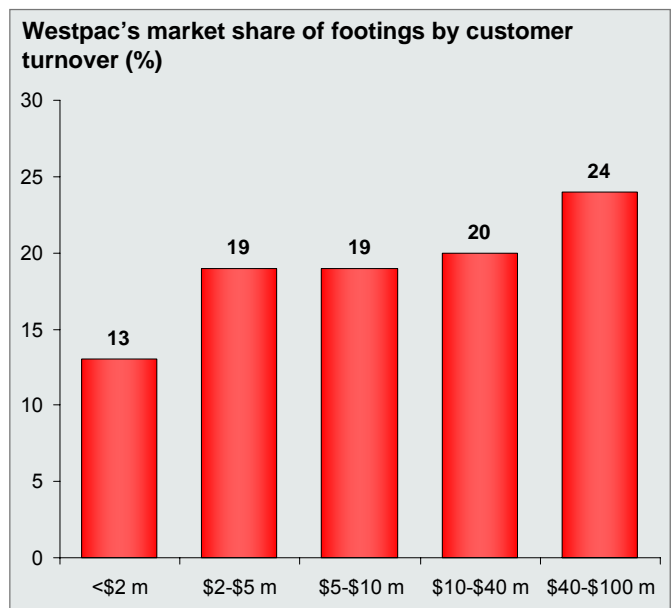
Source: TNS Business Finance Monitor July 2007; Base: all businesses with annual turnover up to \$100m



2005-2007: Improved market share, with strength at the top end



Source: RBA data, Westpac internal analysis

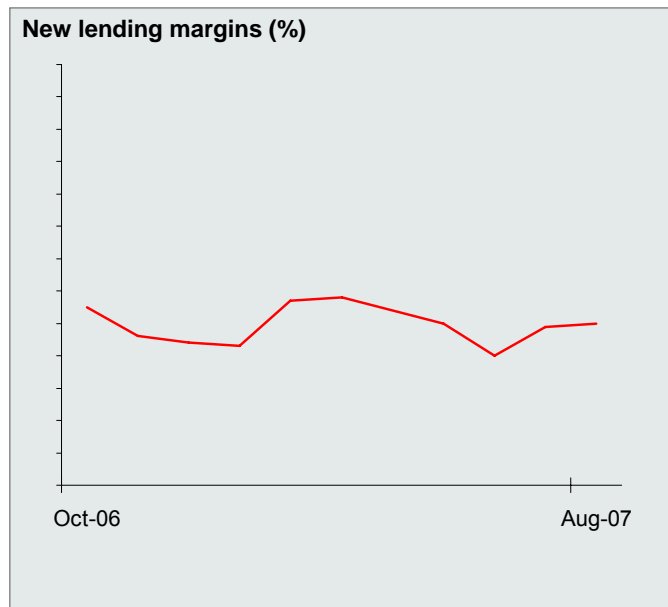


Source: TNS Business Finance Monitor, 12 months to June 2007



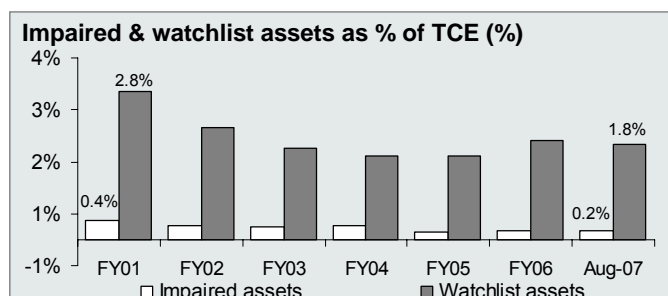
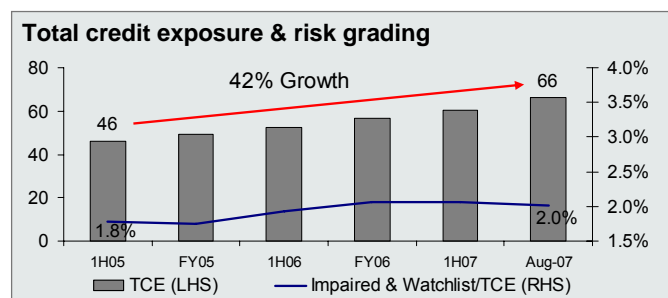
Margin performance within expectations

- Aggregate margin performance consistent with system and strong volume growth
- Margins for new lending little changed over last year

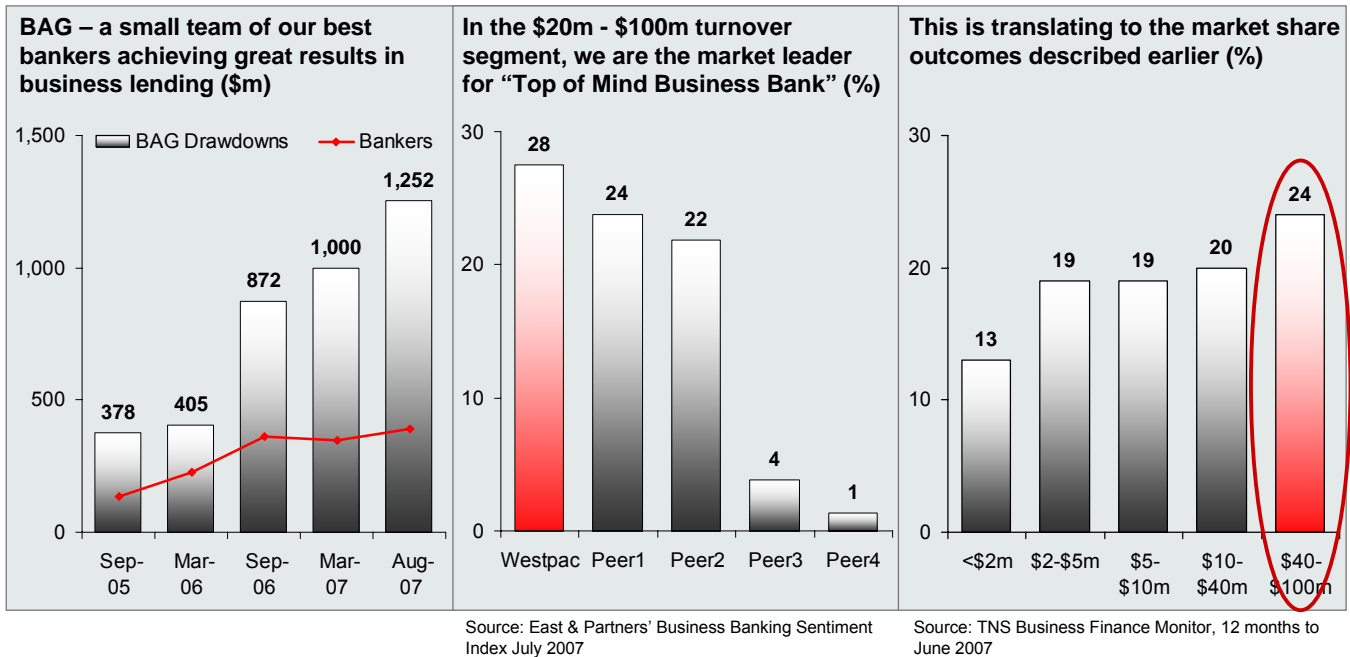


A high quality portfolio combined with strong lending growth

- Strong lending growth over the last three years
- Impaired and watchlist exposures are growing slower than the overall portfolio
- Portfolio is well provisioned
- Higher impairment charges in 2007 given:
 - Lower write backs
 - Higher loan growth in 2007
 - 2006 impairment charges were at historic lows



Business Acquisition Group – high end success



Summary

- Business Financial Services is a key growth investment for Westpac
- Our strong first half revenue performance is set to continue
- We have a clear set of strategies and our people are committed to deliver

My team will now take you through the strategies

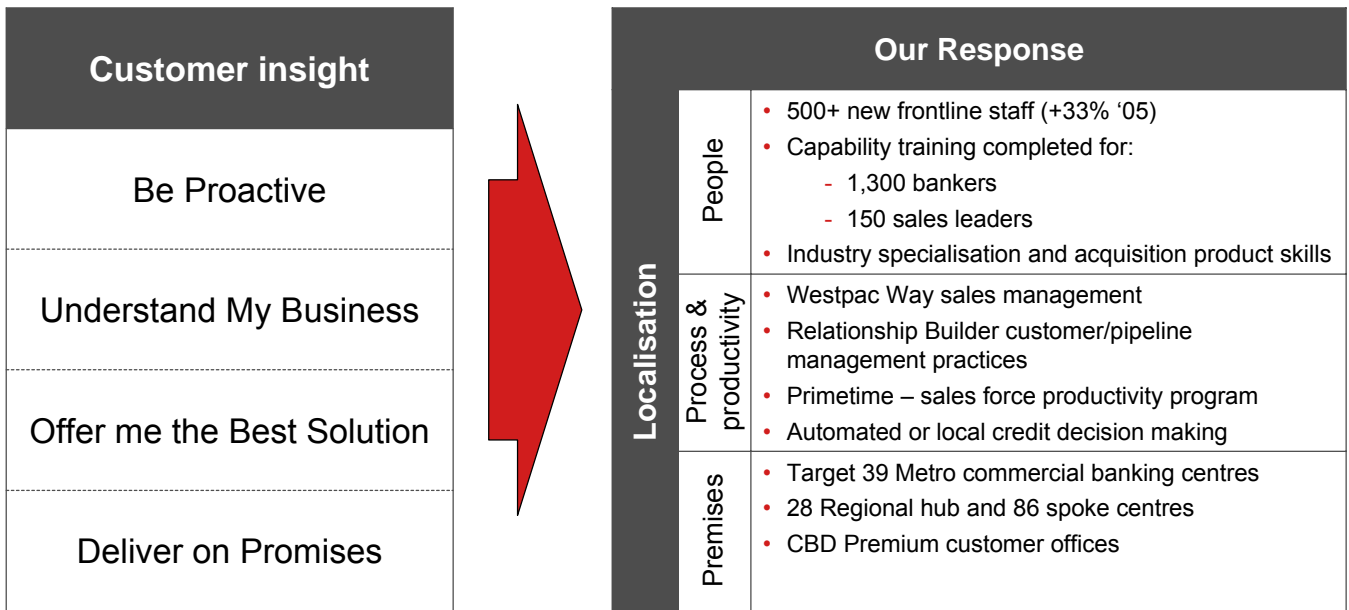
Vision: to be Australia's Business Bank of Choice

Localisation and people development	<ul style="list-style-type: none">• Tim Harrington• Ross Miller	The right people, in the right places, doing the right things
Cash flow and wealth expertise	<ul style="list-style-type: none">• Alexandra Holcomb• Alastair Welsh	Meeting more of customers' needs, through specialisation and innovation
Making business easier	<ul style="list-style-type: none">• Calvin O'Brien• Rod Jackson	Making business easier brings benefits to customers, bankers and the bottom line

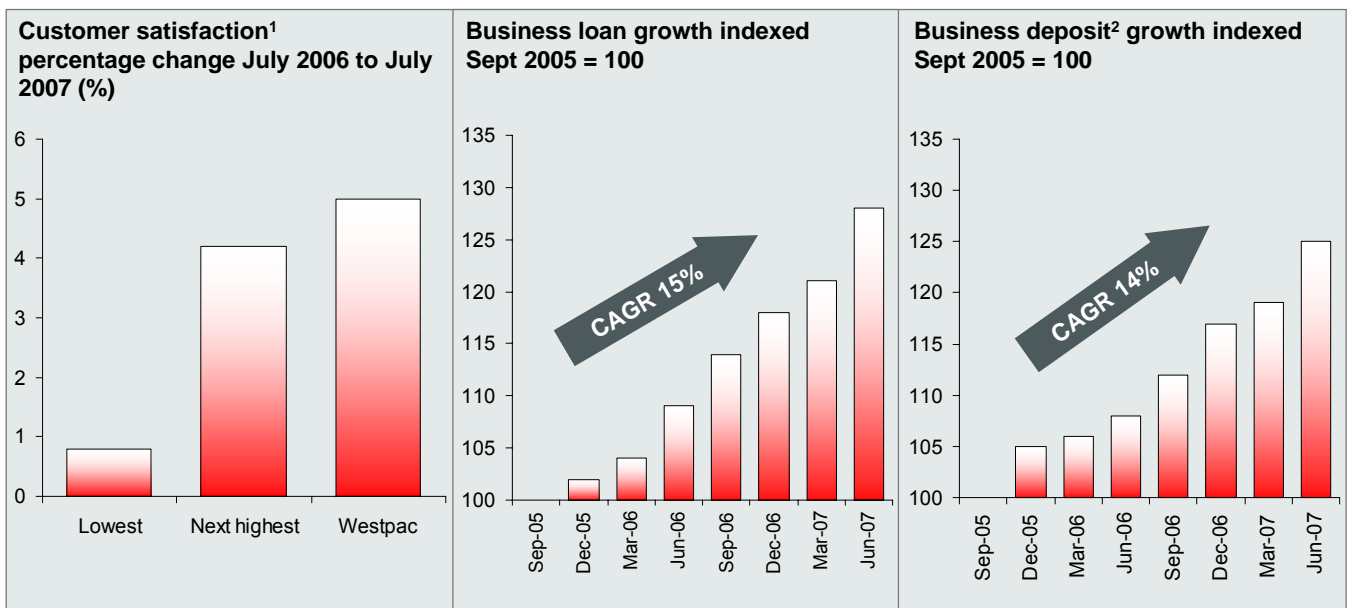
Localisation and People Development

Tim Harrington
Ross Miller

Building our business around the customer



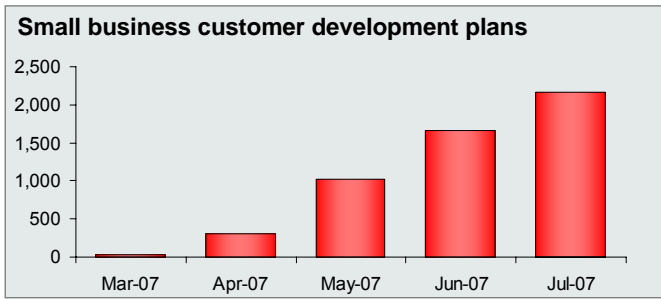
Delivering Results



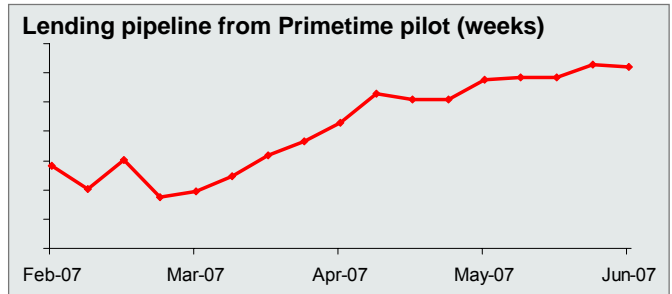
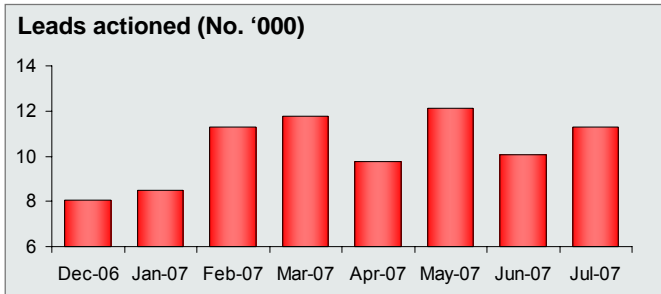
1. Source: TNS Business Finance Monitor July 2007, 12 month moving average

2. Savings and investment deposits

Accelerating momentum



*leading indicators strengthening,
and a business system to
sustain results*



Australia's First Bank

Localisation and People Development

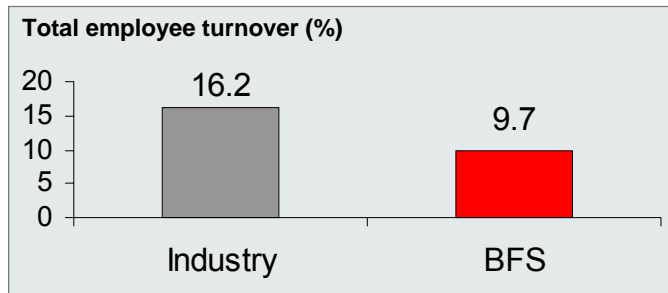
Tim Harrington
Ross Miller

Strong People Results

Staff perspective survey key results	2005		2006		2007
Employee Commitment	64	↑	72	↑	76
People Leader Index	75	↑	80	↑	82
"I would recommend Westpac as a good place to work"	75	→	74	↑	83

Retention

- BFS employee turnover below industry norms
- High performer turnover even lower—6.9% against industry average 8.8%*



Source: InfoHRM 2007 HR Benchmark Report

Sustainability

Recruitment	<ul style="list-style-type: none"> • Continued investment in recruitment • A strong employment brand in the market place • 85 graduates will join BFS in FY08
Training	<ul style="list-style-type: none"> • Revenue per banker continues to improve as a result of targeted, holistic training, learning & development • 1300 bankers and 150 sales leaders skills improved • 56 Agribusiness managers enrolled into the Charles Sturt University program: "Introduction to Australian Agriculture"
Rewarding Performance	<ul style="list-style-type: none"> • Continued pay for performance • Incentive programs reflect individual contribution

Summary

- Investment in People, Process and Premises is paying off
- We have good momentum
- Our culture is strong
- We have a foundation for growth

Cash flow and
wealth expertise

Alexandra Holcomb
Alastair Welsh

Cash flow and wealth - a key driver of revenue growth

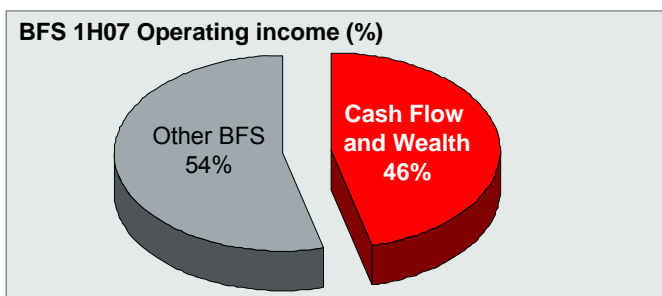
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Meeting the cash flow & wealth needs of business customers

Working Capital & Trade Solutions	<ul style="list-style-type: none"> • Payments products eg. Payables & receivables • International products eg. Trade finance, foreign currency accts • Merchant acquiring
Savings & Investments	<ul style="list-style-type: none"> • Business transaction accounts • Business savings accounts
Wealth	<ul style="list-style-type: none"> • Superannuation • Risk • Investments
Business Lending	<ul style="list-style-type: none"> • Leasing & equipment finance • Invoice financing

Already a strong contributor to revenue growth



- Cash Flow and Wealth operating income up 16% 1H06 to 1H07

	% of BFS Operating income 1H07	Mvm't 1H06 – 1H07
Working Capital & Trade Solutions	15%	▲ 8%
Savings & Investments	30%	▲ 22%

Well positioned for the significant opportunity

Opportunity

- #2 in share of wallet¹
- ~3 products per customer²
- ~50% of customers have 1 product²

Strong Platform for Growth

- ✓ Leverage strength in Corporate & Institutional
- ✓ Differentiating Innovations
- ✓ Investment in Distribution

¹ TNS Business Finance Monitor, 12 months to June 2007, ranking among 5 major banks
² Westpac analysis

Leveraging corporate transactional strength into BFS

Segment	Survey	Market share	Rank against major banks
Corporate & Institutional	Peter Lee survey • Lead domestic transactional bank	36%	#1
Commercial	East & Partners survey • Principal transaction banker	16%	#3
SME	East & Partners survey • Primary transaction banking relationships	14%	#3

Leverage Corporate strength into Commercial and SME

Sources: Peter Lee - Large Corporate & Institutional Transactional Banking, August 2007; East & Partners - Australian Commercial Transaction & e-Banking Markets, Feb 2007; East & Partners - Australian SME Banking Markets, April 2007

Sector leading and differentiating innovations - PayWay

Key benefits of PayWay for our merchants

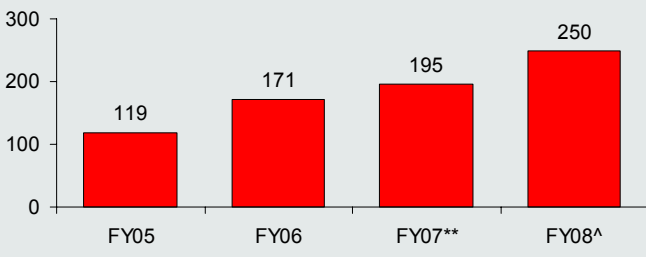
- Improves cash flow via real-time credit card processing with real-time authorisation
- Reduces risk of payment fraud
- Saves time
 - Reduces time spent on collections
 - Provides sophisticated reporting
- Customisation of payment website / voice prompts

Cash flow and wealth expertise

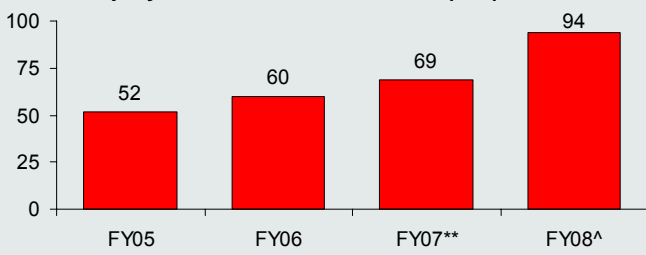
Alexandra Holcomb
Alastair Welsh

Investment in distribution to increase share of wallet

Sales employees - Cash Flow Solutions (No.)



Sales employees - Wealth Distribution (No.)

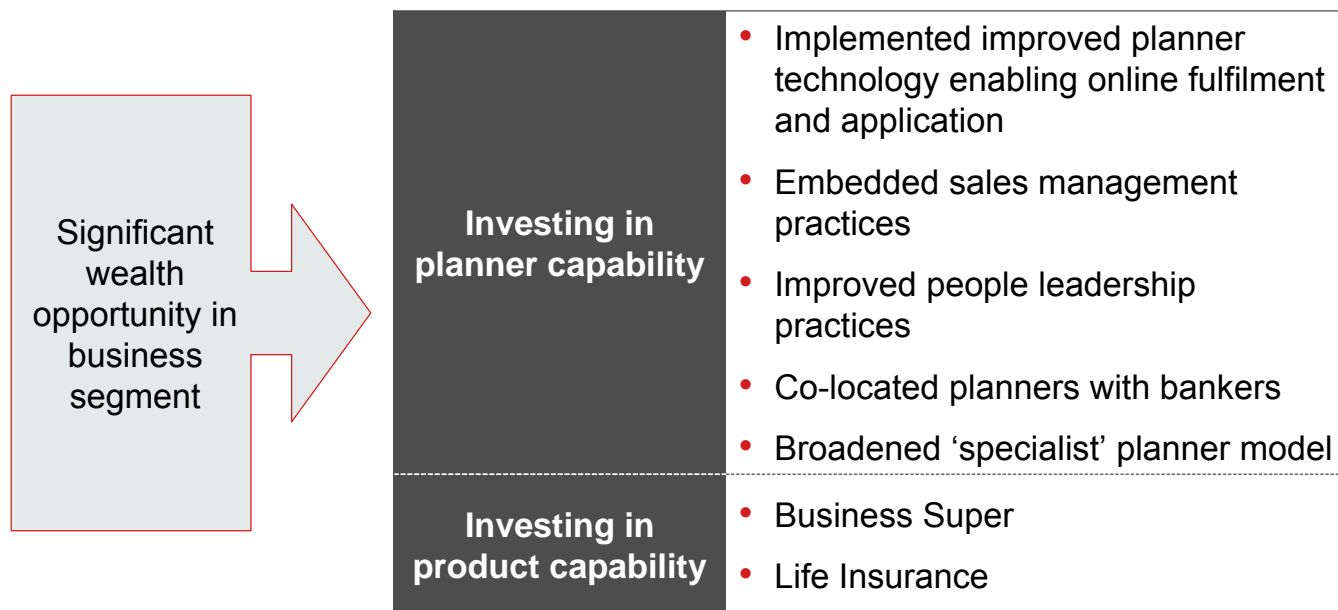


** FY07 YTD actual; ^FY08 forecast

Local banking centres supported by local experts underpinned by:

- Aligned objectives
- Integrated customer relationship management
- Aligned customer development plans
- Aligned sales disciplines – Westpac Way
- Increased productivity
- Increased share of wallet
- Increased number of products

Well positioned to capture the wealth opportunity



Summary

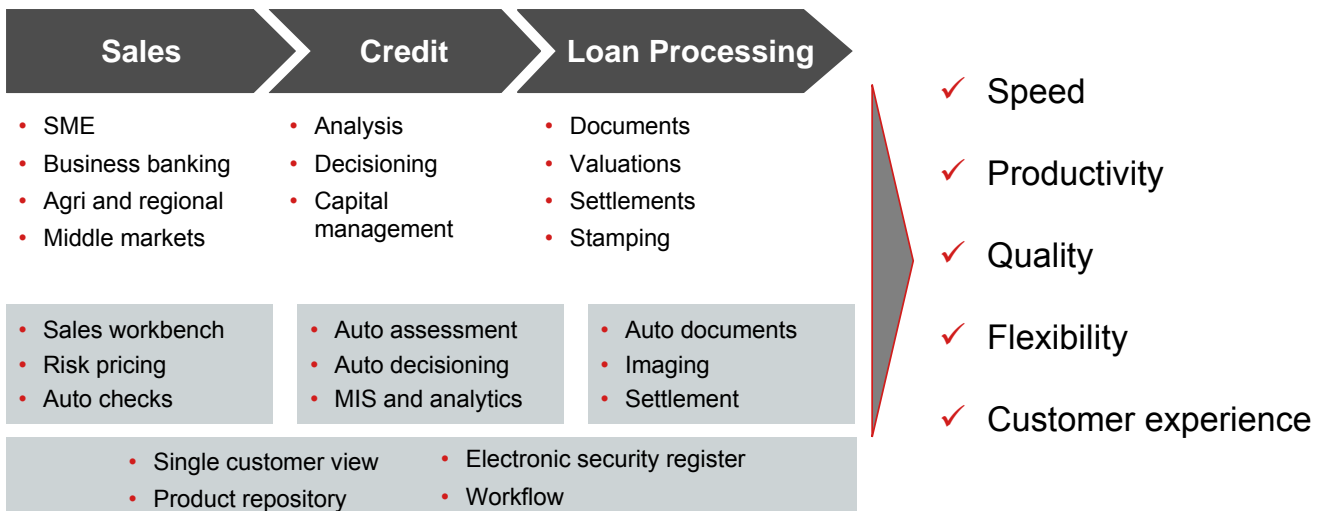
- Cash Flow and Wealth is a key driver of revenue growth
- Delivered strong growth to date, however significant upside remains
- Our strong platform will enable us to deliver growth, through:
 - Leveraging leading position in Corporate & Institutional banking
 - Product innovation
 - Further investment in capabilities

Making business easier

Calvin O'Brien
Rod Jackson

The Pinnacle *REVOLUTION*

Transforming business lending processes and technology ...



... from fragmented paper based silos to an integrated electronic business

Pinnacle has been a journey

2003	Sales – ‘the lending advisor’
2004	Credit and Loan Processing – ‘the lending workflow’
2005	Auto Credit Assessment & Decisioning – ‘Decision Engine’
2006	Growth – roll out and support for increased user base
2007	Localisation – cross skilled teams to drive local outcomes

Making business easier

Calvin O'Brien
Rod Jackson

Pinnacle has delivered significant benefits

Driving growth	<ul style="list-style-type: none"> • Over 100,000 business loans, \$25 billion of value • 2,700 users
Delivering productivity	<ul style="list-style-type: none"> • Sales - 30% reduction in deal creation effort • Credit - 30% reduction in credit assessment effort • Operations - 40% productivity uplift: 400 FTE saving
Quicker outcomes	<ul style="list-style-type: none"> • Faster credit decisions: From 4 days to 1 day • Faster loan documents: From 9 days to 3 days
Automated credit assessment	<ul style="list-style-type: none"> • 90% of loans automatically credit assessed • Instant auto decision of 50% of eligible 'fast track' deals
Flexibility	<ul style="list-style-type: none"> • Single integrated systems across all teams nationally • Easy to support localisation and keep economies of scale

Pinnacle in the future – plenty of opportunity

Equipment finance	<ul style="list-style-type: none"> • Migrating Equipment Finance business (ex AGC) to Pinnacle • A further \$4bn in deals per year and 500 additional employees on the platform
Credit evolution	<ul style="list-style-type: none"> • Predictive scoring and decisioning tools • Increasing auto decisions • Including new to bank customers
Quicker outcomes	<ul style="list-style-type: none"> • Increasing localisation • Increased instant decisions: 50% of all deals in SME • Faster loan documents: from 3 days to 1-2 days
Growth	<ul style="list-style-type: none"> • Supporting and enabling business banking growth

Pinnacle - Making Business Easier

- Pinnacle is a great example of our strategy to Make Business Easier
- It has delivered significant benefits to our customers, bankers and shareholders
- There is further opportunity to drive value

Summary

Peter Hanlon

We have clear set of strategies and our people are committed to deliver

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**Localisation and
people development**

The right people, in the right places, doing the right things

**Cash flow and wealth
expertise**

Meeting more of our customers' needs, through
specialisation and innovation

**Making business
easier**

Making business easier brings benefits to customers,
bankers and the bottom line

Summary

- Business Financial Services is a key growth investment for Westpac
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