

## Morgan Stanley 2007 Asia Pacific Summit

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### Westpac Banking Corporation – at a glance

- Australia's first bank and company, est. 1817
- Top 10 Australian company and 3rd largest bank by market capitalisation<sup>1</sup>
- Listed on the ASX, NZX and NYSE
- Strong franchise in core markets of Australia, New Zealand and near Pacific:
  - 7.1 million customers
  - > 1,000 branches
  - 28,000 employees
- Consistently strong earnings growth, strong asset quality, comfortable capital position
- Global leader in sustainability

#### as at 30 September 2007

Cash earnings	\$3,507 million
Return on equity (cash basis)	24%
Tier 1 ratio	6.5%
Long-term credit ratings <sup>2</sup>	AA/Aa1
Total assets	\$375 billion
Market cap <sup>1</sup>	\$57 billion

1. As at 31 October 2007. 2. Long-term credit rating from Standard & Poor's and Moody's

## 2007 a strong, high quality result

- Strong earnings growth and a higher return on equity
- High quality revenue led performance
- Enhanced franchise health
- Well provisioned for known risks
- Investing for growth
- Broad based momentum into 2008

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## 2007 results - a strong set of numbers

<b>Cash earnings</b>	<b>\$3,507m</b>	<b>▲ 14%</b>
Revenue	\$10,086m	▲ 11%
Cash EPS	189c	▲ 13%
Economic profit	\$2,693m	▲ 16%
Cash ROE	24%	▲ 80bps
Cost to income ratio (cash basis)	45%	▼ 220bps
Fully franked dividend	131c	▲ 13%

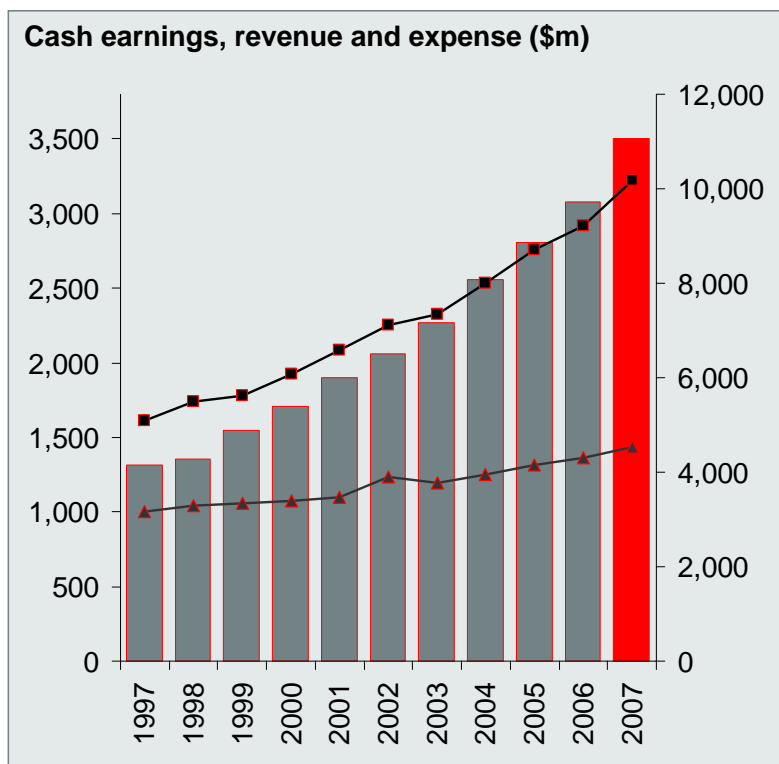
Source: Westpac

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# Delivering consistency over the long term

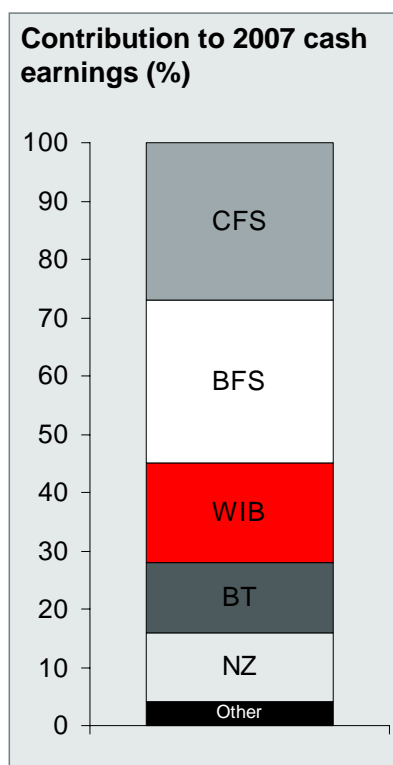


	10 year CAGR	2007
Cash Earnings (LHS)*	10%	14%
Revenue (RHS)	7%	11%
Expenses (RHS)	4%	6%
Economic profit	12%	16%
ROE (10 yr average)	21%	24%

\* AGAAP 1999 to 2004; A-IFRS 2005 to 2007.  
Source: Westpac



# Broad based business unit performance



Source: Westpac

Business Unit Cash Earnings Growth %	
<b>Consumer Financial Services (CFS)</b> Strong growth, solid momentum	▲ 21%
<b>Business Financial Services (BFS)</b> Prior investments delivering higher growth	▲ 11%
<b>Westpac Institutional Bank (WIB)</b> Lead position & strong activity driving returns	▲ 16%
<b>BT Financial Group (BT)</b> Growing share in a fast growing market	▲ 23%
<b>New Zealand (NZ)</b> Turnaround on track	▲ 2% <sup>1</sup>

1. In NZ\$ terms

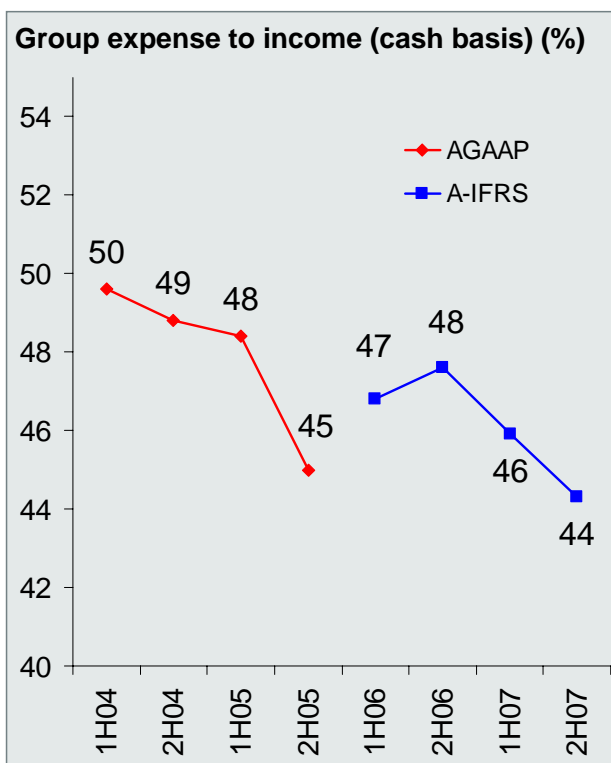


# Drivers of 2007 performance

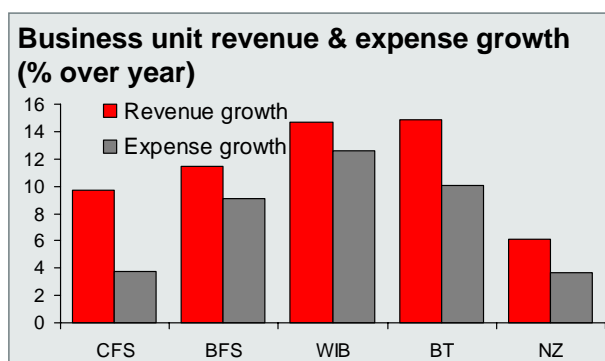
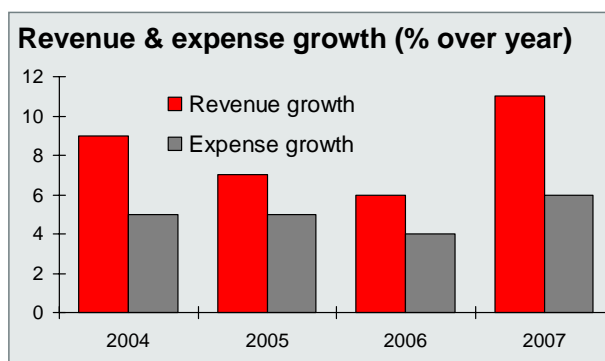
<b>Improved franchise health</b>	<ul style="list-style-type: none"> <li>Employee commitment up to 71% - an all time high</li> <li>Improving customer satisfaction</li> </ul>
<b>Increased investment</b>	<ul style="list-style-type: none"> <li>Major project investment up 9% to over \$500m</li> <li>800 new employees most in the front line</li> </ul>
<b>Strong growth</b>	<ul style="list-style-type: none"> <li>Lending up 16%, Deposits up 19%</li> <li>Wrap and corporate super FUA up 40%</li> </ul>
<b>Enhanced productivity</b>	<ul style="list-style-type: none"> <li>Revenue per employee up 7%</li> <li>Revenue growth higher than cost growth across the business</li> </ul>
<b>Global capital market issues well managed</b>	<ul style="list-style-type: none"> <li>Active management of balance sheet, limited capital impact</li> <li>Increased markets income 33% from higher volatility</li> </ul>



## Improved productivity with strong jaws



Source: Westpac



# Enhanced franchise health

<b>High employee commitment</b>	<ul style="list-style-type: none"> <li>Employee commitment up to 71% - an all time high</li> <li>Employee turnover 17% - 4 percentage points below sector</li> </ul>
<b>Increased brand strength</b>	<ul style="list-style-type: none"> <li>Significant increase in brand spend</li> <li>Equal first brand consideration<sup>3</sup> up to 68% from 65% over year</li> </ul>
<b>Rising customer satisfaction</b>	<ul style="list-style-type: none"> <li>No 1 with Corporate and Institutional customers</li> <li>Customer satisfaction: Australian Consumer<sup>1</sup> 73% up from 70%; Australian Business<sup>2</sup> 72% up from 66%</li> </ul>
<b>Increased investment</b>	<ul style="list-style-type: none"> <li>Project investment up 9% to over \$500m</li> <li>800 additional employees, most in the front line</li> </ul>
<b>A sustainable company</b>	<ul style="list-style-type: none"> <li>Global sustainability and governance leader</li> <li>Numerous sustainable initiatives/products including e-statements, Landcare deposits, green housing loans</li> </ul>

1. Source: Roy Morgan Research – % of customers very/fairly satisfied main financial institution Aged 14+

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

3. Source: Australia Market Research (AMR); ranking compared to major banks plus St George at Jun 07 compared to Sept 06



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# Current global capital market conditions

	<b>Conditions</b>	<b>Response / Impact</b>
<b>Funding &amp; liquidity</b>	<ul style="list-style-type: none"> <li>Tighter funding at a higher cost</li> </ul>	<ul style="list-style-type: none"> <li>Holding more liquid assets than normal</li> <li>Continuing to fund ourselves across curve</li> </ul>
<b>Market volatility</b>	<ul style="list-style-type: none"> <li>Increase in market volatility</li> </ul>	<ul style="list-style-type: none"> <li>More customers hedging interest rate and FX exposures</li> <li>Increased trading opportunities</li> </ul>
<b>Credit risk</b>	<ul style="list-style-type: none"> <li>Some falls in financial asset values</li> </ul>	<ul style="list-style-type: none"> <li>No direct sub-prime exposure</li> <li>No material impact from revaluation of financial assets</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>Higher risk weighted asset growth</li> </ul>	<ul style="list-style-type: none"> <li>Customers increasingly seeking bank funding</li> <li>Conduit fully self funded at 30 Sept</li> </ul>

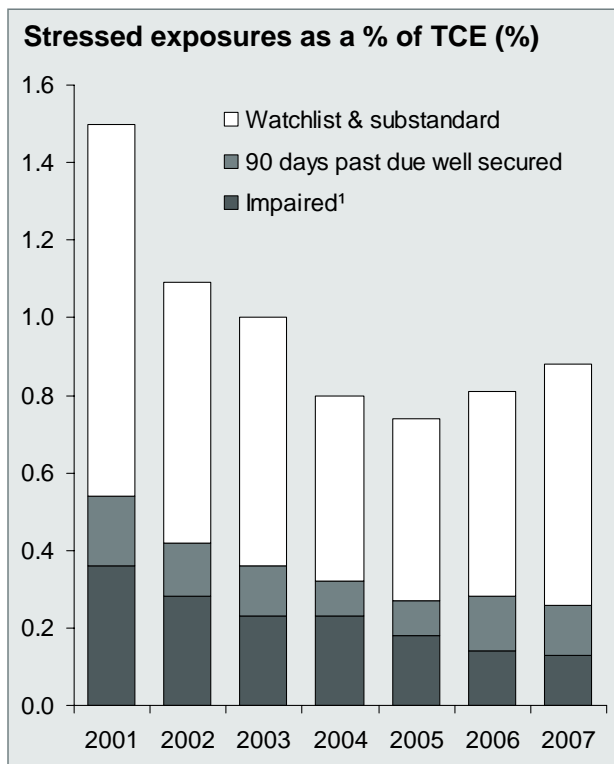
Source: Westpac



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# Credit quality remains strong

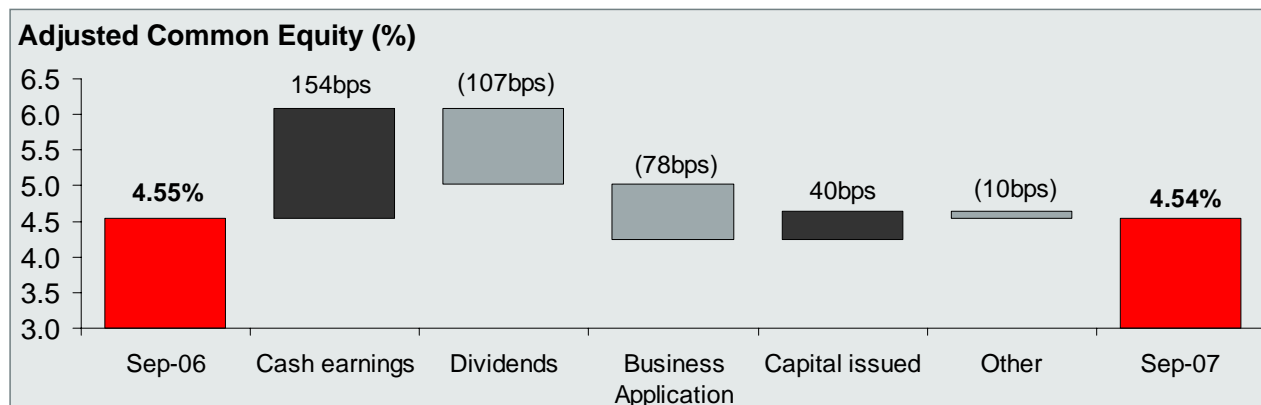


TCE is Total Committed Exposure.

1. Westpac's impaired assets for Sep 05 have been restated to reflect APRA's prudential approach to the adoption of A-IFRS by ADI's, which came into effect 1 July 06. Total impaired assets for Sep 05 includes \$72m of consumer accounts > 90 days past due but not well secured. Source: Westpac

- Credit quality strong
  - Decline in impaired assets as a % of TCE
  - Small rise in watchlist loans given economic conditions
- Well provisioned for known risks
  - Provisioning coverage little changed over year
  - Additional \$28m collective provision
- No signs of future stress
  - Small rise in delinquencies consistent with operating environment

# Healthy capital generation - Basel II approaching



Source: Westpac

- Growth demands higher – risk weighted assets up 18% over year
- Active management of balance sheet to optimise capital usage
- Approaching Basel II implementation
  - Confident accreditation to apply from 1 Jan 2008, an increase in capital ratios expected
  - Provides long run benefit by reducing capital intensity of asset growth and improving risk management capability

# Consistent strategy focussed on core markets

<b>Core markets focus</b>	<ul style="list-style-type: none"> <li>• Focussed on leveraging Australian/NZ growth opportunities</li> <li>• Superannuation (pensions), high growth segments and regions, Disciplined acquisition strategy</li> </ul>
<b>Oriented to growth</b>	<ul style="list-style-type: none"> <li>• Directing greater investment towards high growth opportunities</li> <li>• Expanding franchise footprint and customer serving employees</li> </ul>
<b>Sector leading platforms</b>	<ul style="list-style-type: none"> <li>• Driving value from sector leading platforms in originations, CRM, transactional banking, and portfolio administration</li> </ul>
<b>Financial discipline &amp; controlled risk</b>	<ul style="list-style-type: none"> <li>• ROE above 20% for 7 years</li> <li>• Strong risk profile with sound provisioning</li> </ul>
<b>Sustainably led</b>	<ul style="list-style-type: none"> <li>• Sustainability leader creating longer term value &amp; lower risk</li> <li>• Employer of choice and brand differentiation</li> </ul>

# Delivering on growth initiatives

<b>Proposed acquisition of RAMS franchise distribution assets</b>	<ul style="list-style-type: none"> <li>• Provides a new alternative distribution channel             <ul style="list-style-type: none"> <li>- Distribution up 10%</li> <li>- Extends distribution of existing Westpac products</li> </ul> </li> <li>• Strong positive NPV</li> </ul>
<b>Asia Strategy</b> 5 Offices with 1 pending	<ul style="list-style-type: none"> <li>• Capture value through organic growth</li> <li>• Support Australia/NZ customers with links to Asia, and Asian customers with links to Australia/NZ. Includes capital, financial, trade and migration flows</li> <li>• Mumbai representative office now operating</li> <li>• Shanghai Branch Office ready to launch, final approval expected by end of calendar 2007</li> </ul>

# Disciplined approach to acquisitions

## Disciplined approach – key principles

- Aligned with strategic direction
- Strict valuation criteria
- Not unduly diverting

## Other considerations

- No particular requirement to acquire customers
  - Franchise enhanced in Australia and New Zealand with three regional bank acquisitions 1995 – 1998
- Filled major strategic gaps
  - Wealth management capability enhanced with 3 acquisitions in 2002
  - BT acquisition particularly successful
- Some niche opportunities in core markets ie. RAMS franchise assets

# Capitalising on strong wealth growth

Key performance indicators	Change FY06 – FY07
Cash earnings	↑ 23%
Cash earning 5 yr CAGR	> 20%
ROE	21%
Wrap FUA	↑ 44%
Corporate super FUA	↑ 17%
Funds Under Management <sup>1</sup>	↑ 6%
Margin lending growth	↑ 35%
Gross insurance revenue	↑ 22%
Broking revenue	↑ 49%

1. Excluding the exit of \$3.6bn BlackRock mandate, FUM up 15% over the year.

- \$46bn in funds under administration
  - leader in wrap and super flows
- \$41bn in funds under management with good fund performance
- Small but growing insurance operation with improving cross sell
- New products to sustain growth
- Represents 12% of group earnings (and growing) up from 5% in 2002
- Enhancing growth with investment management IPO:
  - Represents around 10% of BT earnings
  - Aligns stakeholder interests

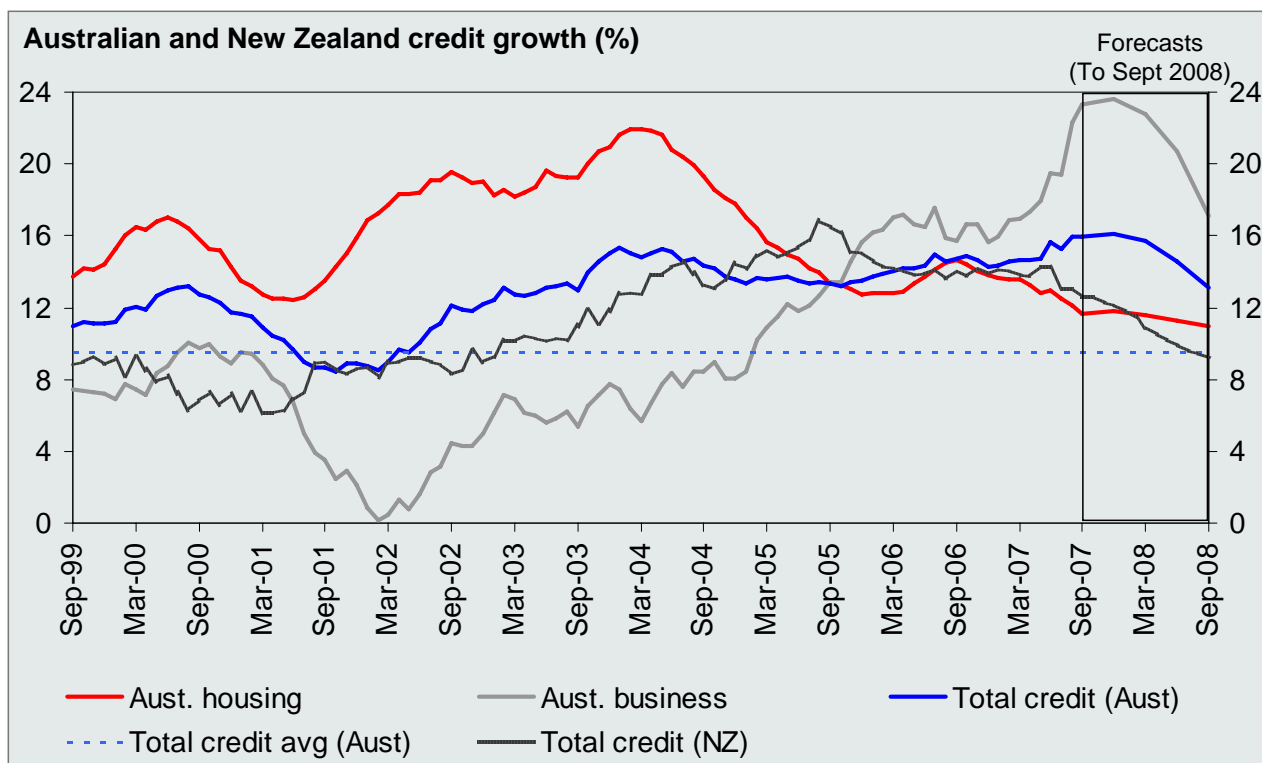


# Australian & New Zealand economic outlook

Key economic indicators	Calendar year		
	2006	2007e	2008f
<b>World</b>			
GDP	5.5%	5.2%	5.0%
<b>Australia</b>			
GDP	2.7%	4.5%	4.5%
Unemployment – end period	4.6%	4.1%	3.9%
CPI headline - year end	3.3%	2.5%	3.0%
<b>New Zealand</b>			
GDP	1.7%	3.1%	3.4%
Unemployment – end period	3.7%	3.4%	3.0%
Consumer prices	2.6%	2.7%	3.0%

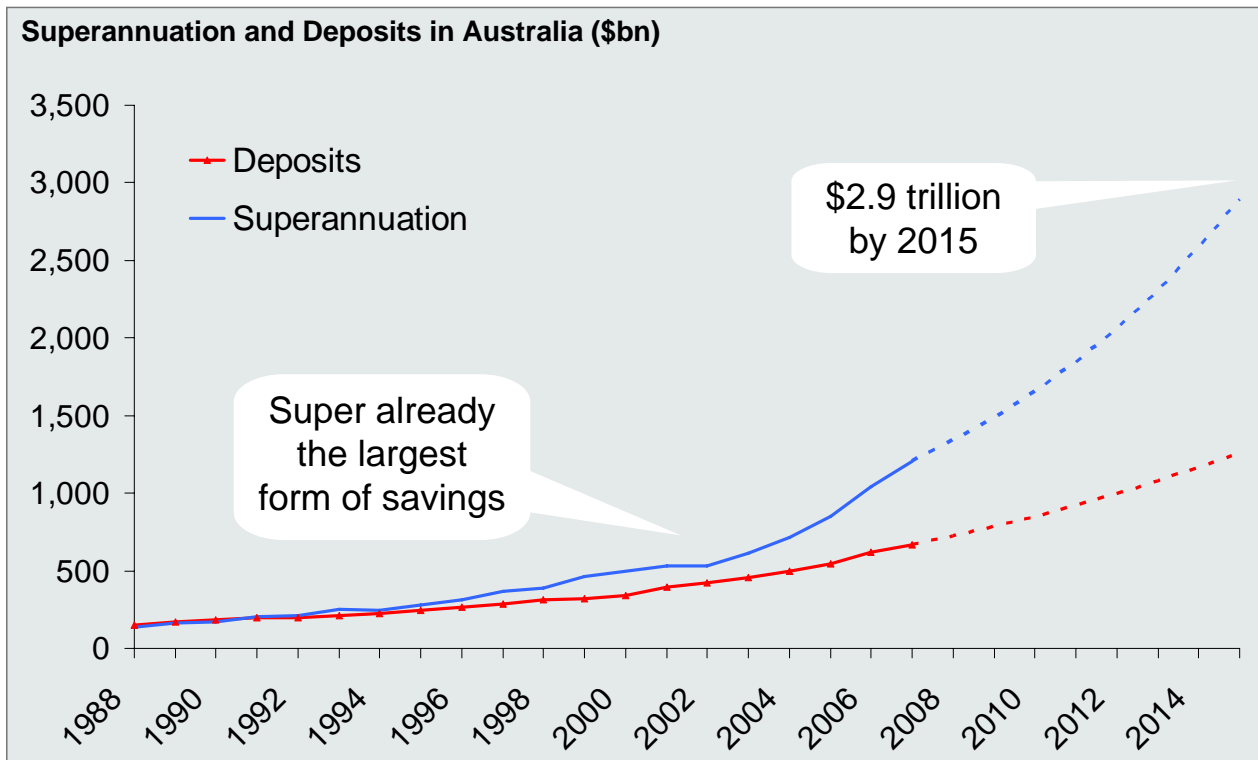
<sup>1</sup> Business investment adjusted to exclude the effect of private sector purchases of public assets. Source: Westpac Economics

## Credit growth moderating but solid



Source: RBA, RBNZ, Westpac

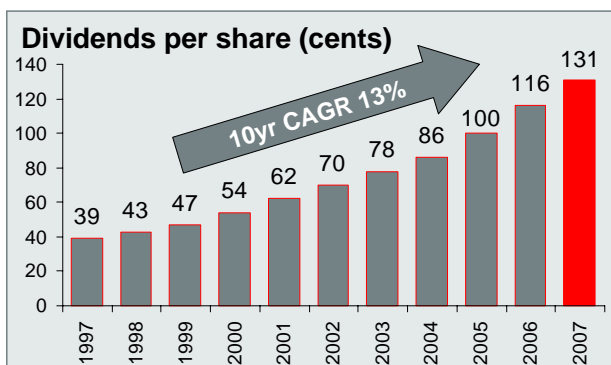
# Superannuation the dominant form of savings



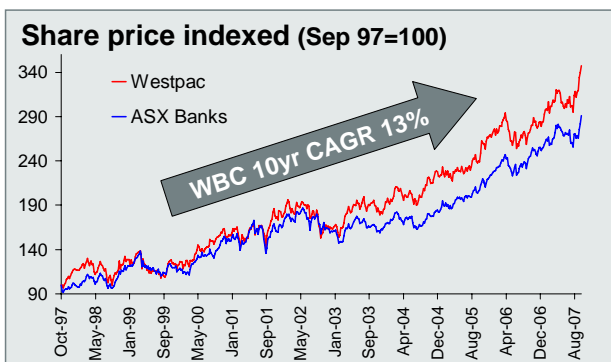
Sources: Dexx&R September 2007, RBA, ABS, Westpac Economics  
 Note: Deposits include deposits held with households, unincorporated enterprises and private non-financial corporations. Super includes pre-retirement super products and post-retirement products. Balances as at December each year.



# Strong returns to shareholders



Source: Westpac



Source: IRESS

- Dividend increase in line with EPS growth
- Sustained higher pay-out ratio of 69%
- Total shareholder return (TSR) over last year of 31% - highest of peers
- 10yr share price CAGR
  - Westpac 13%
  - ASX Banks 11%
- 10yr TSR CAGR 18%



# Outlook: strong broad based momentum into 2008

<b>Consumer Financial services</b>	<ul style="list-style-type: none"><li>• Enhancing distribution with a new local model</li><li>• Begin to drive value from the RAMS franchise</li></ul>
<b>Business Financial services</b>	<ul style="list-style-type: none"><li>• Realise full benefit from strong platform and more bankers</li><li>• Sustained business improvement</li></ul>
<b>Institutional Bank</b>	<ul style="list-style-type: none"><li>• Further leverage leading market position, &amp; strong demand</li><li>• Effective execution of customer led strategy</li></ul>
<b>BT financial Group</b>	<ul style="list-style-type: none"><li>• Continue to grow market share in a fast growing market</li><li>• Capitalise on new investments in super &amp; insurance</li></ul>
<b>New Zealand</b>	<ul style="list-style-type: none"><li>• Turnaround on plan, with good progress in 2H07</li><li>• Solid momentum into 2008</li></ul>

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