Westpac 1Q10 Update and Pillar 3 Report

16 February 2010

A strong start to the financial year, although risks remain

- Operating environment improving, with stronger Australian economy, but global uncertainty remains
- Strong first quarter, cash earnings of around $1.6bn reflecting a significant decline in Institutional Bank impairment charges
- Good business momentum - winning new customers and growing ahead of system
- St.George merger proceeding well and ahead of plan
- Strengthened Tier 1 capital ratio, up 38bps to 8.5%

Maintaining good business momentum

- Earning all our customers' business:
  - Supporting customers throughout the GFC and into FY10 across all segments
  - Meeting more banking and insurance needs
  - Westpac Local two year investment roll-out largely complete
  - St.George continuing to grow customer numbers and enhance its market position
  - Corporate and Institutional relationships enhanced

Consumer and SME key metrics	FY09	1Q10
Growth against system:		
– Mortgages[1]	1.5x	1.8x
– Household deposits[1]	1.1x	1.5x
– BT Wrap/Asgard platforms[2]	20%	26%
Business lending <$2m Westpac has consistently grown ahead of system for last 2 years[3]		
Customers with >=4 products[4] (%)	22.9	24.5
Westpac RBB net promoter score[5] (%)	-15.4	-15.3
St.George net promoter score[5] (%)	-12.2	-8.5

Westpac Institutional Bank[6]– 1Q10

- Foreign Exchange (Australia) ranked number 1 for market share, relationship strength and sales strength
- Interest Rate Derivatives (Australia) ranked number 1 for market share, relationship strength and sales strength

1. For The Westpac Group including Westpac RBB and St.George. Source APRA. 2. QDS, Plan for Life All Master Funds, September 2009 share of annual net flows 3. Source RBA. Given low business growth (<1%), multiples against system are not relevant. 4. Westpac RBB only. 5 Source: Roy Morgan Research Single Source, Main Financial institution Consumer Net Promoter Score, 6 month rolling average at Sept 09 and Dec 09. 6. Peter Lee Foreign Exchange Survey 2009 (4th Quarter) and Peter Lee Interest Rate Derivatives Survey 2009 (4th Quarter)

Well positioned for 2010 and beyond

- Well placed for changed environment and continued global uncertainty:
  - Proactive in funding, with quality and tenor further enhanced
  - Leading provisioning coverage
  - Strengthened capital position
- Engaged in regulatory reform process - some way to go

Focused on quality/quantity of funding

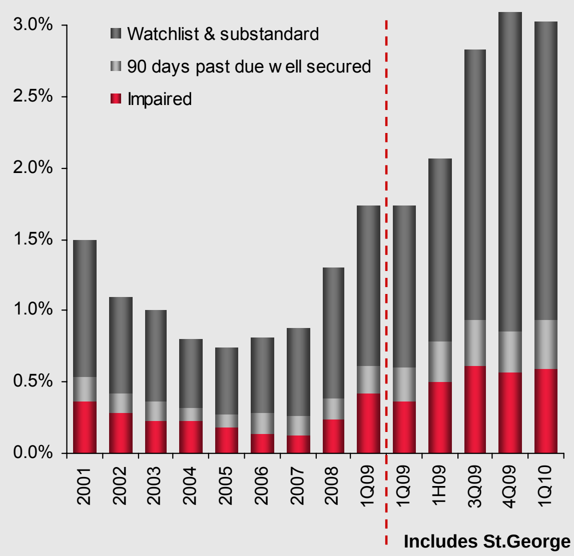
- Customer deposits growing ahead of system, up 1.4%
- $21bn in term funding in 1Q10, including $2bn mortgage securitisation
- Average duration of new term funding raised in 1Q10 was 4.8 years
- Further increased diversity of investor base
- Maintained strong liquidity position

1Q10 Cash earnings around $1.6bn

Volumes	▪ Lending up 1.7% from September 2009, with virtually all growth in mortgages. Other personal and business flat, while corporate lower ▪ Customer deposits up 1.4%, particularly in term deposits
Margins	▪ Customer margins down 5bps, reported margins little changed from 2H09 given mix effects
Non-interest income	▪ Continued improvement in Wealth, with market recovery and improving sales ▪ Fee income impacted by exception fee reductions ▪ Markets income remained strong in 1Q10 although below 1Q09 levels
Expenses	▪ Growth over prior corresponding quarter lower than FY09, with a reduction in operating expense growth partly offset by increased strategic investment
Impairment charges	▪ 1Q10 impairment charge of around $0.4bn with decline over prior quarters mainly from the Institutional Bank ▪ No change to economic overlays
Implications for FY10	▪ Unlikely to maintain Treasury and Markets revenue at elevated levels ▪ Impairment charges below expectations in 1Q10. Some variability in quarterly impairment charges expected throughout the year

Stressed exposures stabilising

Stressed exposures as a % of total committed exposures (TCE)

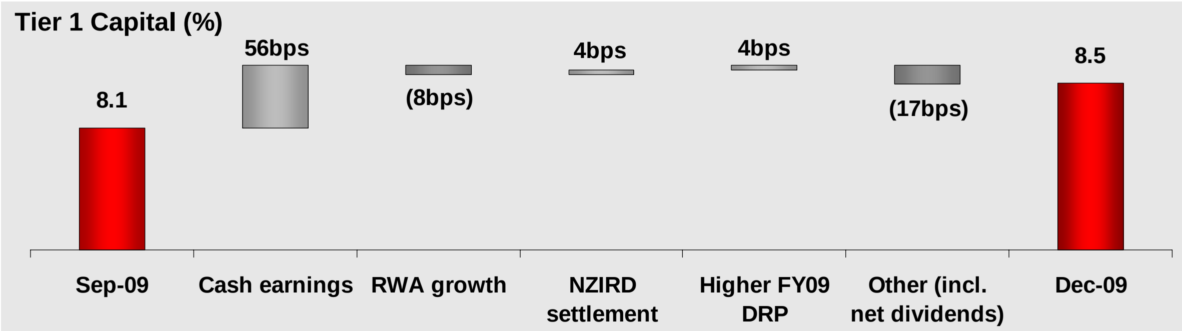


- Primarily focused on working through existing stressed facilities rather than uncovering new sources of stress
- New stressed assets smaller, fewer and spread across industries and geographies. Minimal write-offs in the quarter
- Watchlist/substandard lower from debt repayments/recapitalisations, particularly in Institutional Bank
- Commercial property being worked through with outlook improving:
  - Valuations stabilised, investor sentiment improving
  - Development presales continue to clear
  - Level of stressed assets likely to remain high for some time
  - Commercial property lending <10% of gross loans (down from 13% a year ago)
- Consumer performing well although delinquencies expected to rise

Capital position remains strong

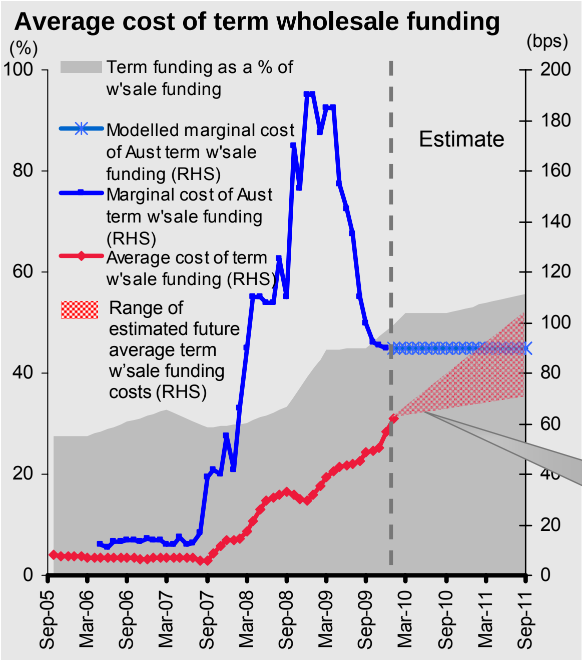
- Tier 1 ratio 8.5%, up 38bps. Key movements:
  - Strong cash earnings contributed 56bps
  - Modest increase in RWA reduced capital by 8bps. Of this 3bps was due to higher credit RWA, the residual mostly growth in market risk RWA
  - Settlement of NZIRD case, higher dividend reinvestment participation and a reduction in deferred tax assets all positive

Key capital ratios	FY09	1Q10
Tier 1 ratio (%)	8.1	8.5
Tier 1 ratio (FSA basis) (%)	10.7	10.9
Total capital ratio (%)	10.8	11.1
Fundamental capital ratio (%)	6.6	7.0
Risk weighted assets ($bn)	289	292



Supplementary slides

Funding costs continuing to rise



- Proactive in funding markets:
  - Supporting continued lending growth
  - Reverse enquiry from diverse investor base
  - Further lengthened funding profile with average tenor of new term issuance in 1Q10 of 4.8 years
- Funding markets remain open but cautious due to recent global events (e.g. Dubai World; Greece)
- Deposit costs also higher reflecting the structural change in the market

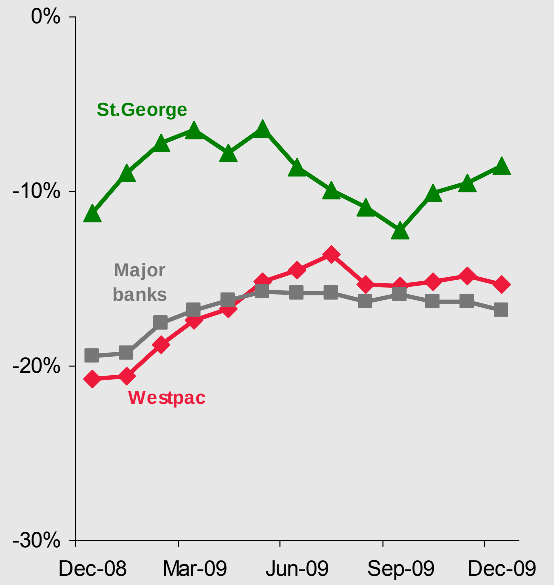
Key points from the 1Q10 Pillar 3 Report

Key points	Drivers
Exposure at default up 1.8%	▪ 5% growth in mortgages offset by a 5% decline in corporate exposures
Risk weighted assets up 1.0%	▪ Movement in RWA predominantly due to $1.8bn rise in RWA for Market Risk related to the increase in wholesale funding over quarter and from the active management of our liquids portfolio ▪ Credit RWA little changed (up 0.4%) with growth in mortgages offset by a decline in corporate
Impaired assets up $226m	▪ Increase mostly from corporate up $150m and specialised lending up $55m ▪ New impaireds were smaller and fewer ▪ No material change in St.George Bank impaired assets over the quarter
Non-defaulted regulatory expected loss up $34m	▪ Increase due to credit migration in specialised lending and retail portfolios ▪ Offset by decline in corporate portfolio
Defaulted regulatory expected loss up $111m	▪ 79% due to defaulted corporate facilities ▪ 19% due to defaulted specialised lending exposures – mostly commercial property ▪ Total Increase in regulatory expected loss (defaulted and non-defaulted) has been relatively modest as most new impaired assets migrated from substandard and watchlist, and were already well represented in non-defaulted regulatory expected loss balances
Individually Assessed Provisions up $174m	▪ 90% due to corporate, business and specialised lending in line with increase in impaired assets ▪ Total individually assessed provisions to total impaired assets 41.1% (39.3% at September 09) ▪ No significant write-offs from individual provisions over the quarter
Collectively Assessed Provisions up $30m	▪ Strong provisioning cover maintained with collective provisions to credit risk weighted assets 143bps (142bps at September 09)
Strong capital position maintained	▪ Tier 1 ratio of 8.5% ▪ Little pro-cyclicality impact from the movement in risk weighted assets

Net Promoter Score (NPS) – improvement across brands

- The Westpac Group uses Net Promoter Score (NPS) as a key metric for assessing the health of the franchise, measuring the propensity of customers to recommend the bank
- Customers are asked how likely they are to recommend the company to a friend or colleague
- On a scale of 1 to 10, the NPS is calculated by taking promoters (those that score 9 or 10) and subtracting the detractors (those who rate the company 6 or less)
- Australian Consumer NPS 6 month moving average improved over the quarter:
  - Westpac RBB at -15.3%, improved 0.1 percentage points over the quarter
  - St.George at -8.5%, improved 3.7 percentage points over the quarter

Australian Consumer NPS[1] – 6 month moving average (%)



1 Source for NPS: Roy Morgan Single Source – Main financial institution Net Promoter Score. Major banks include WBC, ANZ, CBA and NAB (simple average). Data to Dec 09.

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The material contained in this presentation includes pro forma financial information. This pro forma financial information is prepared on the assumption that Westpac's merger with St.George Bank Limited ("St.George") was completed on 1 October 2007 with the exception of the impact of the allocation of purchase consideration, associated fair value adjustments and accounting policy alignments, which are only incorporated from the actual date of the merger, 17 November 2008. The pro forma financial information is unaudited. It is provided for illustrative information purposes to facilitate comparisons of the latest period with prior periods and is not meant to be indicative of the results of operations that would have been achieved had the merger actually taken place at the date indicated.

The pro forma financial information should be read in conjunction with the reported financial information in the Profit Announcement. Refer to the Profit Announcement for a description of the basis of preparation of pro forma financial information for the year ended 30 September 2009 and prior comparative periods.

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