Westpac 2008 Full Year Result

Investor Discussion Pack
October 2008

Westpac 2008 Results

Index

2008 Results Overview

October 2008

Westpac

Overview Westpac Banking Corporation – at a glance

- Major Australian bank, AA rated
- Top 10 Australian company and 3rd largest bank by market capitalisation[1]
- Strategy focused on domestic markets of Australia, New Zealand and the near Pacific
- Well positioned in the current environment:
  - Strong capital, liquidity and funding position
  - No US CDO conduit or credit intermediation issues
- One of only 20 AA rated banks globally
- Strong, consistent earnings profile
- Broad franchise, around 7 million customers
- Leader in sustainability

Key financial data as at 30 September 2008	
Net profit after tax	$3,859 million
Cash earnings	$3,726 million
Return on equity (cash basis)	22%
Tier 1 ratio (Basel II)	7.8%
Total assets	$440 billion
Total deposits	$234 billion
Market cap[1]	$39 billion

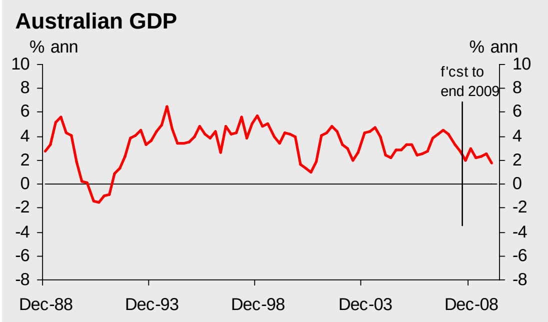
Credit ratings	
Standard and Poor's	AA / Stable / A-1+
Moody's Investor Services	Aa1 / Stable / P-1
Fitch Ratings	AA- / Rating Watch Positive / F1+

1. As at 28 October 2008

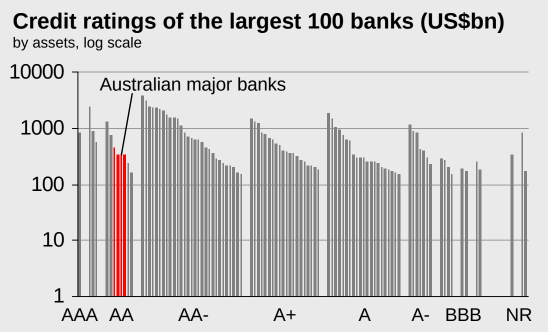
Overview

Australia is well positioned to weather the global slowdown

- Growth expected to moderate in 2009, but recession not expected:
  - 2.2% GDP growth forecast
- Central bank has flexibility:
  - Rate cut cycle commenced Sep 2008
  - 125bps reduction in cash rate so far, to 6.00%
- Australian Government has already provided a fiscal stimulus equal to 1% of GDP and indicated it is prepared to do more to boost economic growth
- Unemployment to rise modestly from historical lows - currently at 4.3%
- Sound banking and insurance sector:
  - Well capitalised, with strong balance sheets
  - Well regulated - largely avoided lenient origination practices, especially in mortgages
  - The 4 major Australian banks are among the top 20 AA-rated banks globally
  - The 4 major Australian banks continue to generate substantial profits



Sources: ABS, Westpac Economics



Sources: RBA, Bloomberg, The Banker

Overview

Westpac proactively managing the challenging environment

Westpac was well positioned leading into the more difficult environment

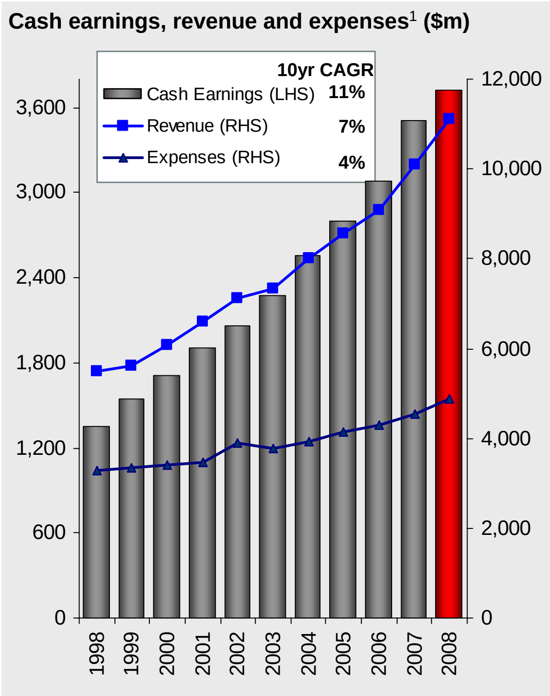
- Strong capital position under Basel II – Tier 1 of 7.8% at September 08 (10.1% under UK FSA)
- Focus on core markets has seen minimal exposure to market sensitive segments
- Low risk appetite has seen no sub-prime, no US CDO conduit or credit intermediation issues
- Small securitisation conduit ($4.2bn), containing customer assets
- CDS/CDO portfolio used for credit risk mitigation/management

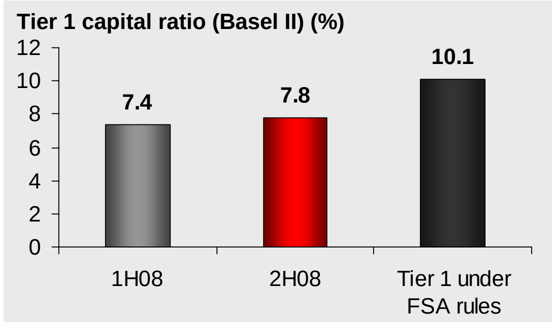
Proactively responded to conditions

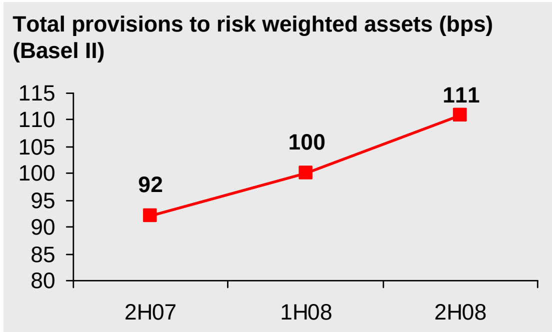
- Established a multi-discipline executive committee in response to the capital market disruption - continuing to meet at least weekly
- Extensive review of certain sectors including property, infrastructure, securitisation, margin lending, insurance, financial services and highly leveraged companies
- Added to the economic overlay provision in FY07 and in each half thereafter
- Consistent access to funding markets throughout disruption and commenced passing on higher funding costs to the business in October 2007
- Liquid assets currently at $58bn; first Australian bank to establish an internal securitisation as an additional source of liquidity
- Supporting existing customers a priority

Overview

Robust financial performance, strengthened capital, increased provisions





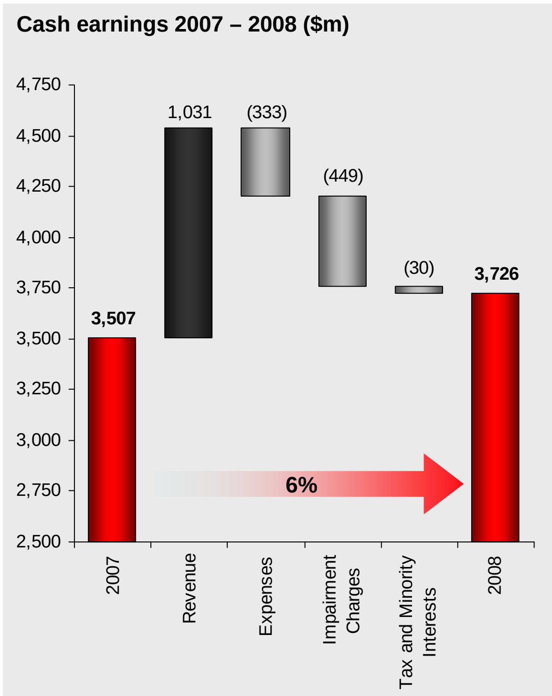


1. 1998 to 2005 reported under AGAAP. 2006 to 2008 reported under A-IFRS.

Overview

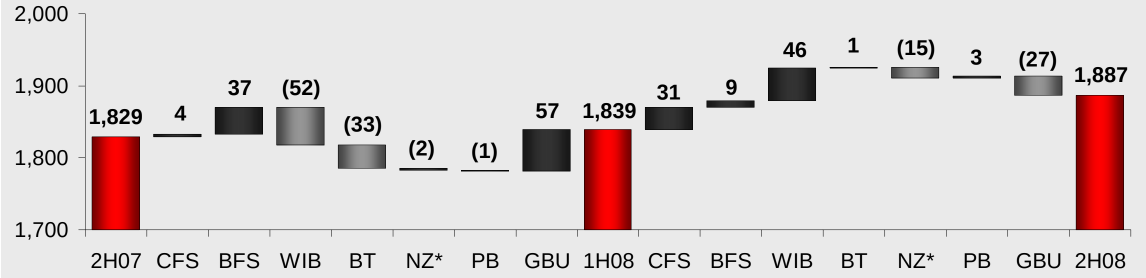
Robust result in current conditions

- Cash earnings up 6%, revenue up 10%
- Expense trajectory moderating
- Impairment charges significantly higher
- Reported NPAT up 12%, including one-off and non-cash items
- Absorbed end year challenges:
  - More severe deterioration in financial markets
  - Re-valued liquid assets
  - Provision for one post balance date corporate downgrade[1]



1, This provision was included in the 2008 accounts and is therefore included in all disclosures, including credit quality ratios

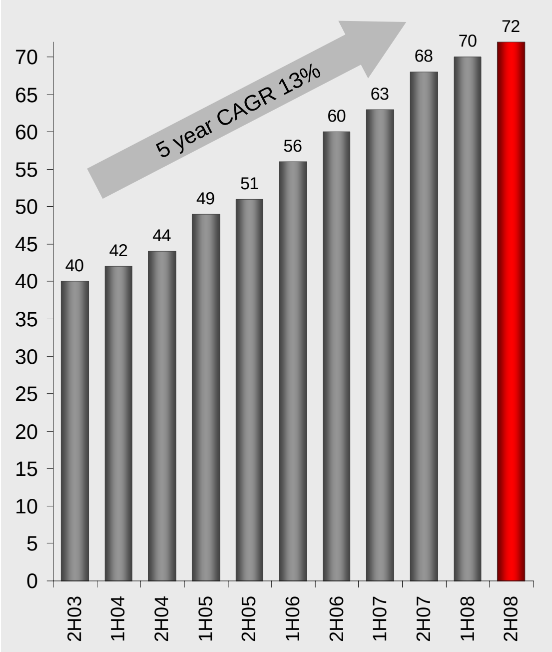
Overview — A strong portfolio with good momentum



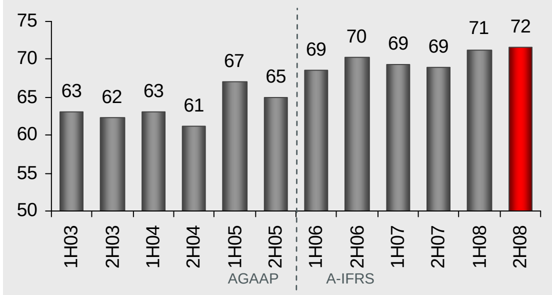
2008 cash earnings ($m)	CFS	BFS	WIB	BT	NZ	PB	GBU	Group
Operating income	3,437	2,660	1,733	1,211	1,325	223	528	**11,117**
Expenses	(1,879)	(913)	(702)	(664)	(585)	(67)	(66)	**(4,876)**
Impairment charges	(251)	(198)	(244)	(4)	(143)	(16)	(75)	**(931)**
Tax and minority interests	(394)	(464)	(221)	(154)	(192)	(47)	(112)	**(1,584)**
Cash earnings	**913**	**1,085**	**566**	**389**	**405**	**93**	**275**	**3,726**
Contribution to cash earnings	25%	29%	15%	10%	11%	3%	7%	100%

See slide 110 for Business Unit definitions

Overview — Consistent dividend path, up 8% over the year



- Full year dividend of 142 cents, fully franked, up 8%
- Dividends supported by:
  - Solid earnings growth
  - Strong capital levels
- Ability to continue to fully frank dividends remains strong (approx. 80% of earnings from Australia)
- Dividend policy unchanged
  - Maintain consistent dividend path



Overview Cash earnings adjustments

	Cash earnings adjustment	2007	2008	Description
	Reported NPAT[1]	**3,451**	**3,859**	
Non-cash items	Treasury shares	29	(25)	Earnings on Westpac shares held by Westpac in the wealth business are not recognised under A-IFRS and are added back as these shares support policyholder liabilities and equity derivative transactions, which are revalued in deriving income
Non-cash items	TPS revaluations	38	(57)	The TPS hybrid instrument is not fair valued however the economic hedge is fair valued – the mismatch in the timing of income recognition is added back
Non-cash items	Unrealised NZ retail earnings hedges	(11)	4	The unrealised profit/loss on the revaluation of hedges on future NZ earnings are reversed because they may create a material timing difference on reported earnings in the current period which does not affect the profit available to shareholders
Non-cash items	Ineffective hedges	-	(1)	The gain/loss on ineffective hedges is reversed because the gain/loss from the fair value movements reverses over time
One-off items in 2008	Gain from BTIM IPO	-	(86)	Gain on the partial sale of BTIM ($141m), adjusted for share based payment amortisation from equity granted to BTIM employees ($40m), impairment of goodwill in NZ ($18m), a loss on the write-down of goodwill ($5m) and tax of $8m
One-off items in 2008	Gain from Visa IPO	-	(205)	Gain on the sale of Visa Inc. shares acquired through the IPO ($172m) plus an unrealised gain on the residual investment ($123m) adjusted for income tax ($90m)
One-off items in 2008	St.George transaction and integration expenses	-	11	Expenses relating to the proposed merger with St.George that impact the P&L are treated as a cash earnings adjustment due to their non-recurring nature
One-off items in 2008	One-off expenses	-	226	Restructuring costs associated with efficiency initiatives and changes to capitalised expenses are treated as cash earnings adjustments due to the size and non-recurring nature
	Cash earnings	**3,507**	**3,726**	

1. Reported net profit after tax attributable to equity holders of Westpac

Outlook 2009 considerations

Revenues	• Looking to grow share in lower growth environment • Manage margin decline to lower end of long term average (5-10bps)
Expenses	• Benefits from restructuring program to emerge in 2009 • Expenses will be impacted by one-offs of around 1%- 2% from: additional defined benefit plan expense; full period impact of RAMS; and BTIM share based payments
Impairment charges	• Seek to retain appropriate level of cover as economy continues to soften • Continued active management of portfolios
SGB Merger	• No change to $700m integration costs or estimated cost savings • Further detail to be provided mid December 2008

Strategy and Proposed Merger

October 2008

Strategy — Westpac is differentiated by its focus and risk disciplines

Focus on core markets	• Major Australian bank most focussed on Australia and New Zealand • Better leveraging Australian & New Zealand growth
Well positioned in current environment	• Proactive and co-ordinated approach to current conditions • Low risk appetite has seen no sub-prime, no US CDO conduit or credit intermediation issues • Tier 1 capital 7.8%, strong funding and liquidity position • Disciplined risk approach evident in portfolio quality
Transformational St.George merger	• Increases customer reach with multiple brands and > 40% increase in the distribution network • Heading to a sub 40% cost/income ratio • Leveraging merger to transform the business around customers • Integration model maximises opportunities, minimises risks • EPS positive within 3 years
Sustainability leader	• Global sustainability leader • Employer of choice

Strategy — Our customer oriented strategy

Vision: To be the leading financial services company in Australia and New Zealand

Assessed by:
- Most recommended financial services company
- Meet most customers needs
- Most skilled and engaged people
- Global leader in sustainability
- Highest returns in sector

Driving principles: Operating as One Team
- Focus on core markets
- Strong local businesses
- Easy to do business with
- Common values

Key Programs

Strategy delivered by two complementary initiatives

Reorganisation and Transformation
- Re-orientating businesses around the customer
- Drive locally empowered businesses
- Transform operations and improve relationships with customers
- Maintain investment in growth sectors, wealth and business banking
- Embed sustainability across the organisation

Reach — Best Practice — Productivity

St.George Merger
- Enhances strategic optionality
- Broader brand/distribution reach
- Excellent customer franchise with additional growth opportunities

Strategy — Excellent progress on our strategic agenda

	1H08 Commentary	Progress
Customer	• Drive a strong customer culture integrating banking and wealth	• Strategies in place for key segments: affluent, SME and commercial • Lifted focus on the customer, including improved call centre management and complaint resolution and the use of net promoter score as a key metric • Managing customer facing activities through a single line of accountability • Reoriented investment to customer needs & segments

Distribution	• Strengthen and drive locally empowered businesses	• Local market model refined to include wealth and business - roll out commenced
		• New Regional GM roles in place
		  - Delivering an integrated experience to customers
		  - Consolidated reporting in place

Operations	• Transform service delivery, redesign processes from a customer perspective	• New Product and Operations division to support customer facing businesses • Commenced end-to-end redesign of products and processes to simplify and enhance efficiency
Technology	• Strengthen capability; focus on simplicity, reliability and flexibility	• Dedicated technology division • Immediate focus on strengthening reliability showing early gains • Refining long-run technology architecture and strategy underway
People	• Drive 'one team' approach	• Breaking down the barriers that have inhibited a single customer focus – early signs very positive • Clear alignment of strategic direction to 'one team'

Strategy — Maintain leadership in environment, social and governance performance

Objective: to be a global leader in sustainability - and clearly recognised as such by customers, investors, employees and communities

Strategy	Enhanced accountability	Measurement
• Reduce direct and financed emissions • Transition to low carbon economy • Leading human capital management • Responsible banking and investment • Engage on local issues and concerns • Best practice risk management and governance	• Clear plans and one, three and five year objectives for focus areas • Integrated into Business Strategy • Sustainability leaders in each business unit • Westpac Sustainability Council to coordinate and share best practice	Dow Jones Sustainability Indexes Member 2006/07 Leading performance with Westpac's highest overall sustainability rating of 87% Top-rated (10.0) in 13 consecutive assessments by GovernanceMetrics International

2009 objectives across key focus areas

Environment			Local social leadership	Governance best practice
Managing our footprint	Relevant products & services	Transitioning to low carbon/water future		
• Reduce Scope 1 and 2 emissions by 5% (30% by 2012) • Site by site energy management plans • Increased accountability for Scope 3 emissions	• Achieve at least second highest sector Net Promoter Score • Wealth products using sustainability principles • Expand Westpac Assist to SMEs	• Launch Commodities, Carbon & Energy products and services • Engage customers on carbon risk • Institutional and business banking carbon risk training	• Maintain employee engagement at 78% • Reduce time lost through injury by 5% • Roll out local social engagement and investment model	• Release sector lending/investment policies • Further integrate financial and non-financial reporting • Report against UNPRI

Proposed SGB Merger — A compelling Australian financial services merger

- Creating a stronger entity, with AA credit rating, strong capital and broad based funding
- Strategic optionality – multiple financial services brands
- Revenue focused merger preserving the best of both:
  - Maintaining and further investing in multiple brands
  - Expands distribution network by over 40%
  - Sharing of best practice across products
- Sector leading efficiency - sub 40% cost/income ratio
  - Synergies equivalent to 20%-25% of St.George cost base from:
    - Common product manufacture and operations
    - Combined head office
    - Leveraging scale in contracts and procurement
- Strong strategic fit:
  - Aligned customer focus
  - Complementary employee cultures
  - Leaders in sustainability and community engagement
- EPS positive by 2011, strong EPS accretion thereafter
- Strongly NPV positive

	St.George	Westpac	Merged Group
Market cap ($bn)[1]	15	39	54
Weight ASX 200 (%)	1.61	4.08	5.69
Customers (million)[5]	3	7	10
Australian retail representation	404	927[4]	1,331
ATMs	1,144	1,704	2,848
Loans ($bn)[2]	120	314	434
Deposits ($bn)[2]	90	234	324
FUM ($bn)[2]	6.5	43.3	49.8
FUA ($bn)[2]	31.1	41.6	72.6
Credit ratings[3]			
• Moody's	Aa2	Aa1	Aa1
• Standard & Poor's	A+	AA	AA
• Fitch	A+	AA-	AA-

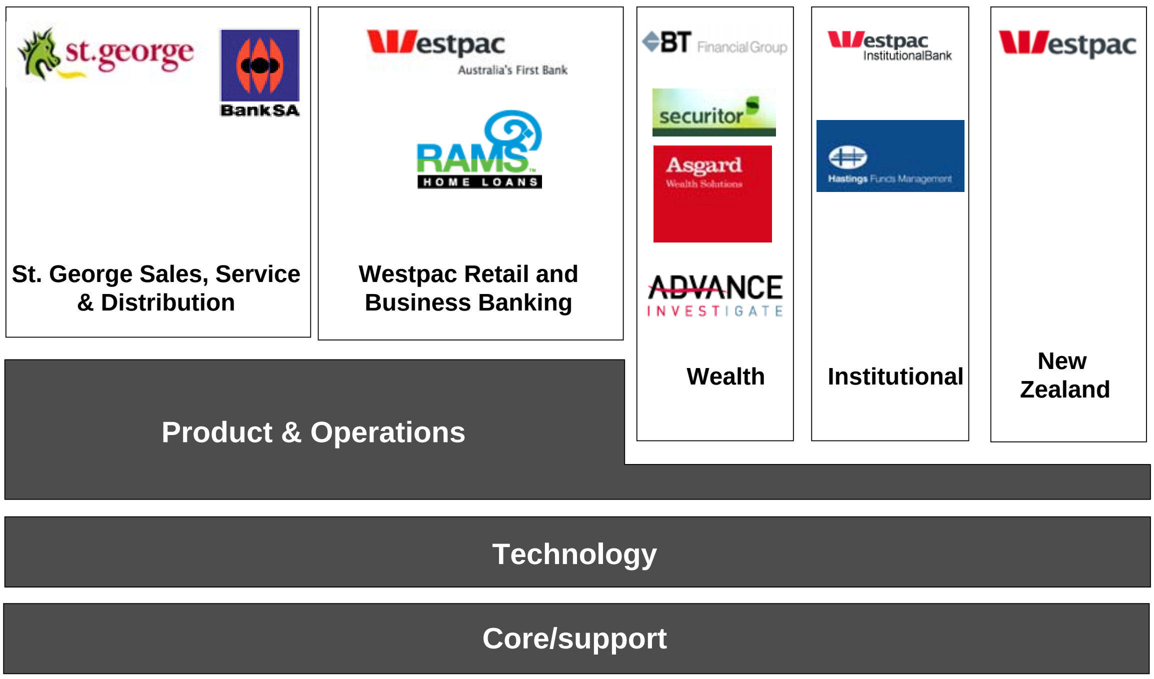
1. Based on closing market price as at 28 October 2008
2. As at 30 September 2008. Source: Westpac and St.George 2008 full year results announcements
3. Merged group subject to final rating agency assessment. All agencies have reaffirmed Westpac's current rating with an unchanged outlook. Fitch have a positive outlook.
4. Includes 87 RAMS franchise outlets
5. As at May 2008

Key terms and conditions

Consideration	• All scrip offer, effected by a scheme of arrangement to be voted on by St.George Shareholders
Exchange ratio	• Exchange ratio of 1.31 Westpac ordinary shares for each St.George ordinary share. Represents a premium of 24.1%[1] based on a 1 month VWAP and a premium of 28.5%[2] based on the spot premium
Capital gains	• Australian St.George shareholders to obtain capital gains tax roll-over relief
Consents	• Approved by ACCC and Australian Federal Treasurer • Approval by St.George shareholders at Scheme Meeting on 13 November 2008 and Court approval required
Independent expert's report	• Confirmed the merger is both 'fair' and 'reasonable' and in its opinion, in the best interests of St.George shareholders
Dividends	• St.George shareholders to receive final St.George dividend based on St.George performance. Also receive a special dividend. Westpac shareholders to receive final Westpac dividend based on Westpac performance
Board	• A new combined Westpac Board with an additional three St.George members. St.George Chairman John Curtis to be Deputy Chairman
Implementation committee	• Joint steering committee responsible for merger implementation planning

1. Based on the VWAP for both St.George and Westpac over the month ended 9 May 2008, adjusted to remove the value of their respective dividends, which shareholders separately retain
2. Based on the closing prices of Westpac and St.George shares on 9 May 2008, adjusted to remove their respective interim dividends of 70 cents and 88 cents respectively

Proposed operating model to protect customer choice



Merger implementation planning well advanced

- Transformation team in place
- All regulatory consents in place
- Well advanced in planning for completion:
  - Prioritising 'Day One' critical activities:
    - Access to over 2,800 ATMs for Westpac and St.George customers without additional fees
    - Customer retention
    - People and structure
  - Working with implementation committee to capture data, build work streams and become merger ready
  - Dedicated team aligned to business to protect business as usual
  - Refining operating model to establish clear accountabilities
- Best practice sessions conducted with multi-brand organisations to learn from the best

Key Dates	
11 Nov	• Record date for eligibility to participate in shareholder meetings • Last date for receipt of proxy forms
13 Nov	• St.George EGM and scheme meeting
Dates beyond 13 November will be subject to St.George shareholder approval	
17 Nov	• Court approval date • Final day of trading of St.George shares
18 Nov	• New Westpac shares begin trading on a deferred settlement basis
1 Dec	• Implementation date • Issue of new Westpac shares

Capital, Funding and Liquidity

October 2008

Capital New capital targets under Basel II established

- Targets are higher than models and regulatory minimums suggest although higher ratios are currently preferred given:
  - Current environment supports higher ratios, from all stakeholders
  - We are still in transition with Basel II
  - Additional buffer for capital volatility
- Current preference to operate towards upper end of targets

Previous Targets (Basel I)	
Measure	**Range (%)**
ACE / RWA	4.00 - 4.75
Tier 1 / RWA	6.00 - 6.75
Total Capital / RWA	9.00 or more

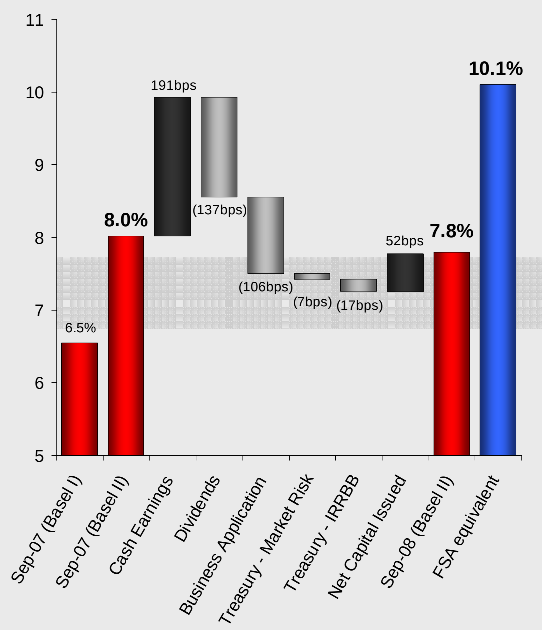
Current Targets (Basel II)	
Measure	**Range %**
Tier 1 / RWA	6.75 - 7.75
Total Capital / RWA	9.75 - 10.75

RWA is risk weighted assets

Capital Strong Tier 1 capital

- Tier 1 capital ratio of 7.8%, accommodating:
  - Rapid RWA growth; and
  - New Treasury RWA 24bps
- Total Regulatory Capital ratio 10.8%
- FSA Tier 1 equivalent 10.1%
- Capital management factors:
  - Underwriting DRP adds ~51bps to Tier 1
  - Considering new Tier 1 hybrid post merger to replace St.George hybrids
- Maintaining capital in excess of targets to:
  - Accommodate proposed merger
  - Current market volatility
  - Support customer growth
  - Buffer against extreme surprises

Tier 1 Capital 2007 – 2008 (%)

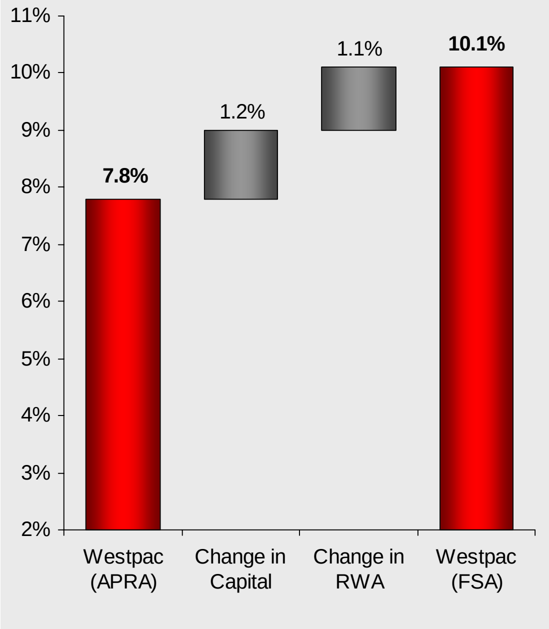


RWA is risk weighted assets

Capital Strong Tier 1 capital using international benchmarks

- APRA Tier 1 capital ratio of 7.8% is more conservative than international calculations
- Under FSA rules:
  - Tier 1 capital ratio approx. 10.1%
  - Total capital ratio approx. 13.8%
- Differences between APRA and the FSA on Tier 1 deductions contribute 120bps to increase:
  - Accrued but unpaid dividends not deducted
  - Equity investments in subsidiaries (i.e. BT) treated as RWA
- Differences between APRA and the FSA on RWA calculations contribute 110bps to increase, including:
  - Removing Interest Rate Risk in the Banking book (not required under FSA rules)
  - Using advanced internal models for commercial property portfolio rather than current 'slotting' approach
  - Differences in mortgage loss given default

Tier 1 Capital impact of FSA rules (%)



Capital Changes in risk weighted assets (RWA)

($m)	Loans			Basel II RWA		
	Sep-08	Sep-07	% change	Sep-08	Sep-07	% change
Business purposes						
On-balance sheet	126,343	105,960	19	85,799	72,238	19
Off-balance sheet				38,836	39,774	(2)
Total business purposes				124,635	112,012	11
Consumer purposes						
On balance sheet	189,147	170,786	11	38,906	33,890	15
Off balance sheet				3,457	3,306	5
Total consumer purposes				42,363	37,196	14
Provision for impairment	(1,945)	(1,369)	42			
Total credit risk	**313,545**	**275,377**	**14**	**166,998**	**149,208**	**12**
% of total RWA				85%	89%	
Total on balance sheet credit risk				124,705	106,128	18
Total off balance sheet credit risk				42,293	43,080	(2)
Non-credit risk						
Equity risk				604	162	Large
Market Risk				6,559	1,782	Large
Operational risk				13,641	14,388	(5)
IRRBB				4,135	n/a	n/a
Other Assets				3,568	2,940	21
Total non-credit risk				**28,507**	**19,272**	**48**
% of RWA				15%	11%	
Total RWA	**313,545**	**275,377**	**14**	**195,505**	**168,480**	**16**

Active management of off-balance sheet exposures

14% rise in lending contributed to 12% growth in credit RWA

Moved Treasury book into traded book over year, increasing RWA in Market risk

IRRBB introduced in July 2008

Capital **Changes in credit RWA and capital ratios**

Changes in credit RWA (and associated capital ratios) have been impacted by three factors:	**Impact on capital ratios**
1. Portfolio growth, including on and off balance sheet growth	(71bps)
2. Changes in the allocation of Basel II factors, in particular:	12bps
▪ Movement in some business facilities from a conservative starting point	
▪ Changes in margin lending security	
3. Changes in credit quality	(16bps)

Total risk weighted assets has also been impacted by various movements in non-credit RWA

	Growth in credit RWA (%)			Composition of credit RWA growth (%)			
	Off balance sheet	On balance sheet	Total	Volume growth (on & off balance sheet)	Change in factors	Change in credit quality	Total change
Business loans	(2)	19	11	106%	(30)%	24%	100%
Consumer loans	5	15	14	72%	12%	16%	100%
Impact on capital ratios			(75bps)	(71bps)	12bps	(16bps)	

Capital **Responsiveness of capital ratios to risk under Basel II**

- Under Basel II, changes in risk grades impact RWA and capital ratios
- Ratios become more pro-cyclical
- Modelling analysis includes:
  - Impact of higher risk weighted assets for changes in risk
  - Impact of higher impairment charges
- Over last 12 months the impact has been modest – 16 bps

Scenarios: Impact from changes in our current institutional and corporate portfolio	Impact on Tier 1 capital
Consistent with early 1990s recession	90 to 130 bps
Consistent with 2001 slowdown	25 to 30 bps
Equivalent to a 1 notch downgrade across the entire portfolio	100 to 120 bps
Equivalent to a 2 notch downgrade in the property portfolio (updated for more recent analysis)	50 to 60 bps
Change in risk over last 12 months	**16 bps**

Capital

Background: Basel II changes to regulatory capital

- Transition to Basel II led to a significant rise in capital ratios
- Change primarily driven by reduction in risk weighted assets (adding to Tier 1 capital) and changes in capital deductions (reducing Tier 1 capital). On transition, net impact was an increase in Tier 1 of 147bps
- Ongoing capital intensity of growth reduced:
  - Changes in non-credit related risk weighted assets unlikely to rise with balance sheet growth
  - New lending absorbs less capital. For example, for every $1 lent for a consumer mortgage the additional capital required is 1.4 cents (Basel II) vs 4 cents (Basel I)

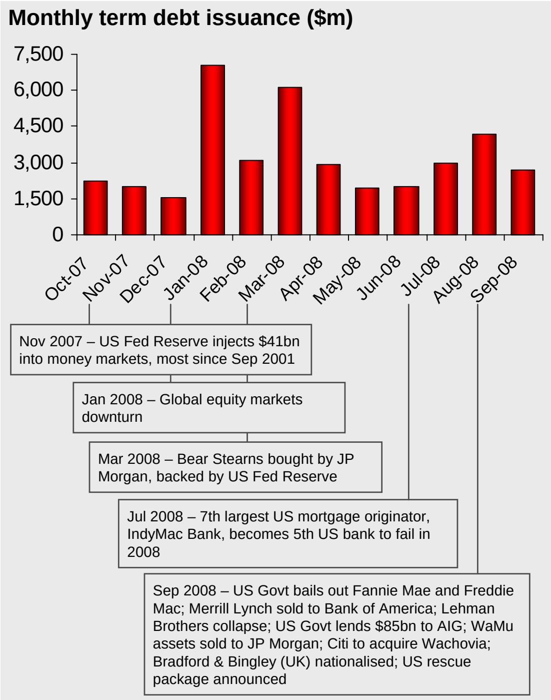
Changes in key capital measures ($m)	Tier 1 capital	Tier 2 capital	Total capital deductions	Total regulatory capital
Basel I as at 30 September 2007	**14,933**	**7,802**	**(989)**	**21,746**
Loss of A-IFRS transition relief[1]	(664)	(362)	-	(1,026)
Removal of accounting provisions from regulatory capital[2]	-	(966)	-	(966)
Tangible investments in non-consolidated subsidiaries	(400)	(548)	948	-
Difference between Basel II Expected Loss and accounting provisions[3,4]	(296)	(296)	-	(592)
Securitisation[3]	(54)	(54)	41	(67)
Basel II as at 30 September 2007 (pro-forma)	**13,519**	**5,576**	**-**	**19,095**

Notes
1. Relates to deductions for capitalised software, defined benefit pension funds and other items in Tier 1 capital
2. Provisions are no longer included in upper Tier 2 capital
3. Deductions that were previously from Total Regulatory Capital are now equally deducted from Tier 1 and Tier 2 capital
4. Represents the difference between APRA downturn expected loss and A-IFRS provisioning on a pre-tax basis

Funding and Liquidity

Consistent access to wholesale markets during 2008

- Raised A$39bn in term funding over 2008, despite credit market dislocation
  - Also raised an additional A$9bn of 1 year debt in domestic short term market
- Benefiting from an established and diverse funding franchise and strong interest in the Westpac name:
  - Executed 241 trades
  - 60% of term funding through private placements
- Flight to quality amongst investors:
  - Increase in demand for both long and short term debt from the domestic market
  - Offshore demand also strong, enabling access to new markets, including Japan, Switzerland and Canada

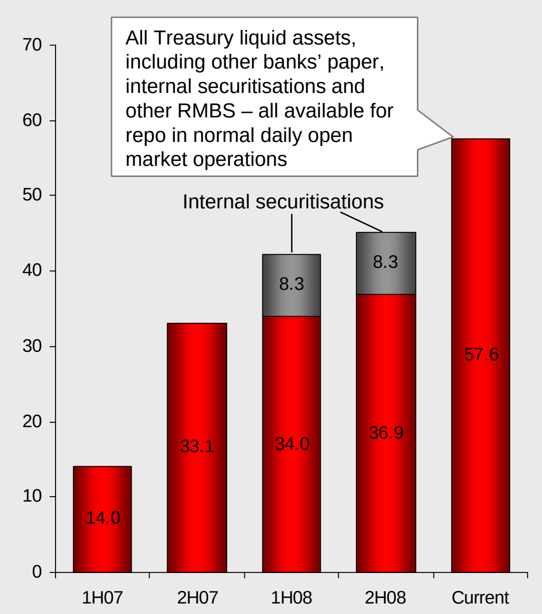


Funding and Liquidity

Strengthened liquidity position

- Liquidity position strengthened:
  - RBA has created a deep source of liquidity by permitting Australian banks to repo a wide range of collateral in normal daily open market operations
  - Westpac Treasury currently holds liquid assets of A$58bn
  - All securities in liquidity portfolio are available for repo in normal daily open market operations, including internal securitisation of Westpac-originated Australian and New Zealand mortgages
  - Covers short term and long term offshore maturities for 12 months
- Additional sources of liquidity of A$7bn are also available, including trading assets held in WIB Financial Markets and cash

Westpac liquid assets ($bn)



Internal securitisations included at the repo cash value.

Funding and Liquidity

Changing landscape has created new options for well rated banks with respected funding franchises

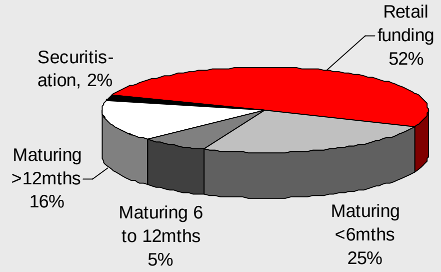
Australian Government guarantee	• Enables Westpac and other Australian banks to compete for offshore wholesale funding with other government guaranteed issuers
Deep sources of liquidity	• Able to repo a wide range of collateral, including internal securitisation, with the RBA in normal daily open market operations
Highly rated bank Strong credit Established funding franchise	• Able to issue without a guarantee, as one of only 20 banks rated AA or higher • Well-known issuer in global markets • Access to established funding programs and a range of funding instruments and structures to meet investor demand
US SEC registration	• Westpac is the only Australian major bank to maintain US SEC registration, providing access to US retail market at short notice

Funding and Liquidity

Little change in funding profile; Well positioned for 2009 term funding requirements

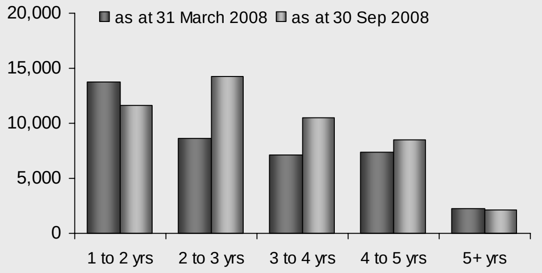
- 70% of the bank's funding is sourced from retail deposits and wholesale term debt with a maturity greater than 12 months - consistent with September 2007
- 2009 term funding plan for the proposed merged entity of Westpac and St.George is expected to be around A$25bn:
  - Includes re-financing requirements
  - Takes into account lower asset growth and stronger deposit growth expectations than 2008
- Combined term funding plan significantly lower than A$39bn raised by Westpac stand-alone in 2008

Funding composition by contractual maturity[1]



1. Represents % of total net funding. Less than 6months includes total liquid assets

Wholesale debt maturity profile[2] ($m)



2. To next call date

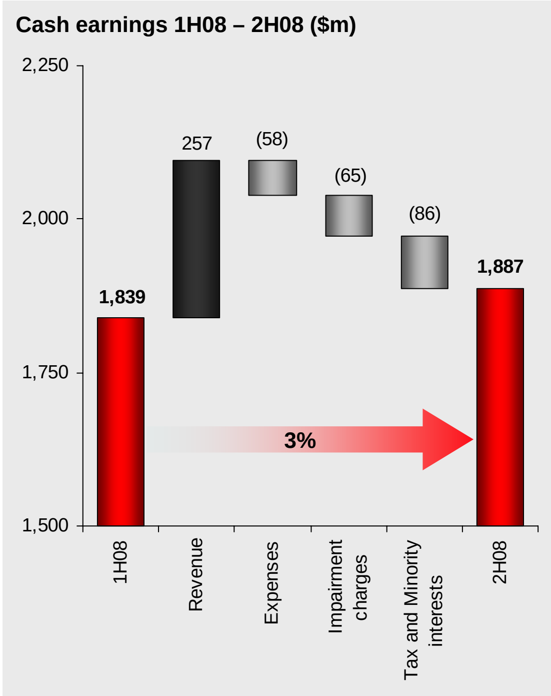
Features of the Result

October 2008

Westpac

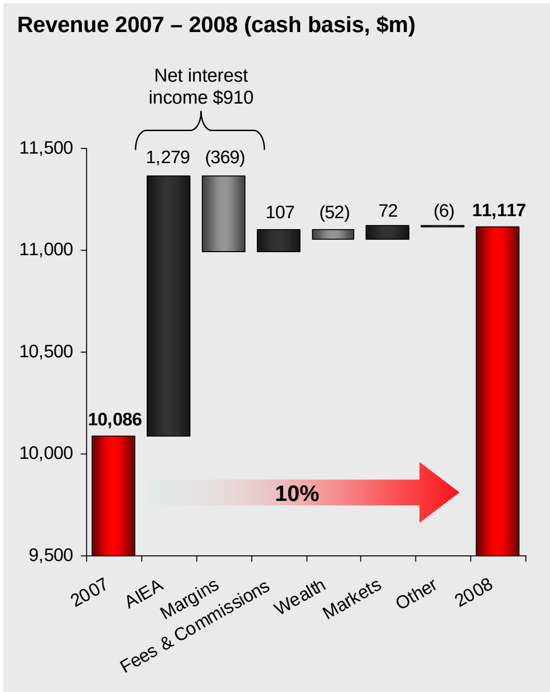
Revenue — Revenue momentum drives earnings in the second half

- Strong revenue growth, up 5%, with all business units contributing:
  - Good loan growth in Australia – Consumer (6%), Business (10%)
  - Stronger customer deposit growth (9%)
- Expenses well managed – up 2%
- Core earnings (before impairment charges) up 7%
- Higher impairment charges and tax



Revenue — Revenue growth mix reflects market conditions

- Strong franchise performance
- Net interest income up 14%
  - Average interest earning assets up 20%
  - Margin decline of 12bps
- Modest fee growth:
  - Solid banking and Specialised Capital Group fees
  - Lower transaction fees
- Wealth lower
- Good markets income

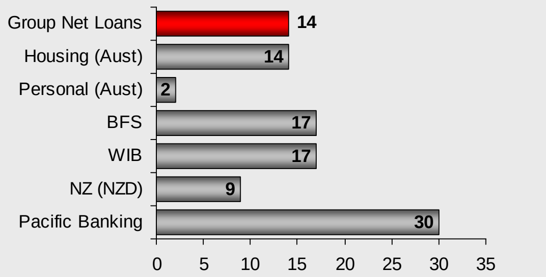


AIEA is Average Interest Earning Assets

Balance Sheet **Solid loan growth – improved share**

- Net loans up by $38bn, or 14%
- Total Westpac Australian credit growth 13%, vs 10% system growth[1], supported by:
  - Increased mortgage lending, 1.5x system[1]
  - Relatively strong growth in business lending in WA, QLD and Victoria
  - Strong demand for the WIB balance sheet in the first half as capital markets became dislocated
- Total Westpac New Zealand loan growth 11%, compared to system credit growth of 10%[2]

Loan growth 2007 – 2008 (%)



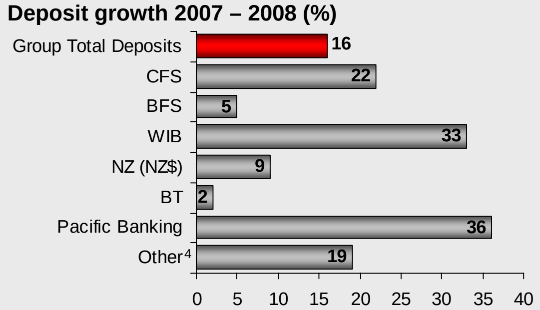
Loans at 30 Sept 2008 (spot balances, $m)		% of total
Group net loans	313,545	100%
CFS – housing	145,507	46%
CFS – personal (loans and cards)	9,512	3%
BFS	62,323	20%
WIB	54,725	17%
New Zealand (NZD)	46,546	12%
BT[3]	720	<1%
Pacific Banking	1,524	<1%

1. Represents Financial System. Source: RBA, 12 months to August 2008. 2. Source: RBNZ, 12 months to August 2008; includes WIB NZ. 3. BT loans include Private Bank Asia only. Other Private Bank assets are predominantly included in CFS, the product manufacturer. See slide 110 for Business Unit definitions

Balance Sheet **Deposit growth 16% - improving trend**

- Deposits up 16% (14% excluding Treasury deposits)
- Benefit from flight to quality in 2H08, however deposit competition increasing as certain competitors less able to access wholesale markets
- Total Westpac Australian retail deposit growth 16%, vs 11% system growth[1], supported by:
  - Strong growth in term deposits, up 49%, from consumer, business and BT customers
  - Increase in domestic corporate deposits, up 33%
  - Growth skewed to latter months
- Total Westpac New Zealand deposit growth 11% vs 13% system growth[2]

Deposit growth 2007 – 2008 (%)



Deposits at 30 Sept 2008 (spot balances, $m)		% of total
Group total deposits	233,730	100%
CFS	72,723	31%
BFS	48,804	21%
WIB	11,427	5%
New Zealand (NZD)	27,201	10%
BT[3]	1,352	<1%
Pacific Banking	2,171	1%
Other (includes Treasury)[4]	74,476	32%

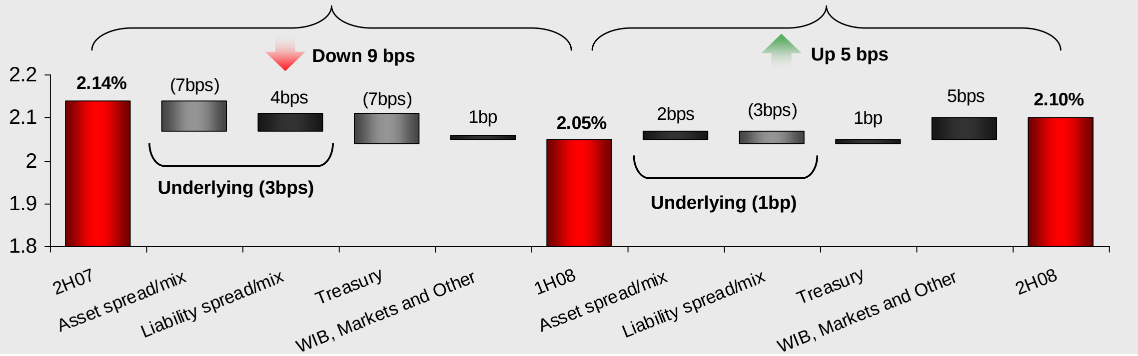
See slide 110 for Business Unit definitions.

1. Source: RBA, 12 months to August 2008. 2. Source: RBNZ, 12 months to August 2008; includes WIB NZ. 3. BT deposits include Private Bank Asia only. Other Private Bank deposits are predominantly included in CFS, the product manufacturer. 4.Other deposits primarily comprises wholesale funding in Treasury, including Certificates of Deposit.

Net Interest Margin

Margins – a tale of two halves

Net interest margins half on half (%)



- First half margins declined significantly, down 9bps, impacted by the higher cost of funds and a doubling in liquid asset balances in Treasury
- In the second half, an increased proportion of funding costs were reflected in lending rates and the lower impact from rises in liquid assets saw margins improve by 5bps
- Removing Treasury, WIB and portfolio compositional impacts, consumer and business margin declined 4bps for the year

Net Interest Margin

Group product spreads reflect changes in market

- Spreads more volatile over the year, impacted by the changes in funding costs
- Lending spreads:
  - Sharply lower in 1H08 as higher funding costs not fully reflected in pricing
  - Improved in 2H08 as facilities repriced
- Deposit spreads:
  - Improved in 1H08 as increase in rates did not match higher transfer pricing (cost of funds)
  - Declined in 2H08 from increase in competitive intensity and switch to lower spread term deposits

Product spreads[1] – Australia (%)

	1H07	2H07	1H08	2H08
Cards	5.17	5.59	5.13	5.38
Mortgages	0.89	0.86	0.72	0.77
Business lending	1.72	1.66	1.54	1.52
Consumer deposits	1.79	1.80	1.91	1.81
Business S&I deposits	2.51	2.48	2.72	2.82

1. Includes broker commissions and wholesale term funding costs

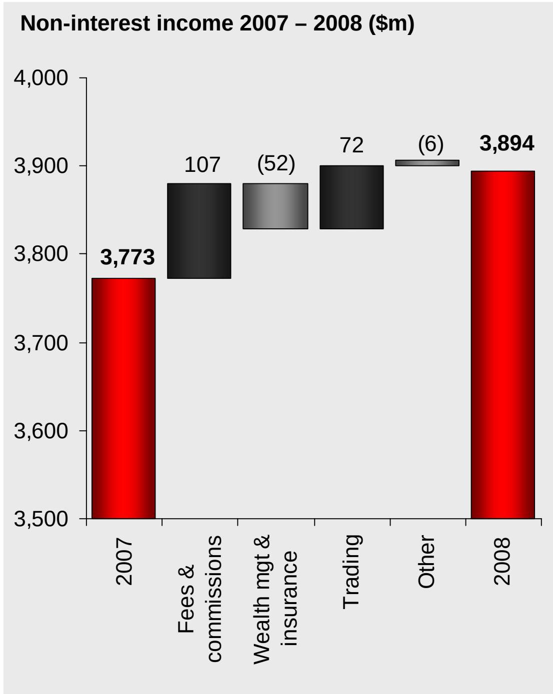
Product spreads – New Zealand (%)

	1H07	2H07	1H08	2H08
Consumer lending	1.18	1.11	1.11	1.27
Business lending	1.53	1.50	1.50	1.56
Deposits	1.80	1.85	1.81	1.60

Non-Interest Income

Non-interest income analysis

- Fees and commissions, up 6%:
  - Increased customer activity in retail
  - Specialised Capital Group in Institutional banking
  - Lower transaction fees
- Wealth management and insurance income lower as a result of declining global investment markets
- Trading income up 11%:
  - Leveraging opportunities from increased volatility:
    - Strong FX and Treasury performance
    - Good Debt Markets increase offset by weaker Energy and Equities



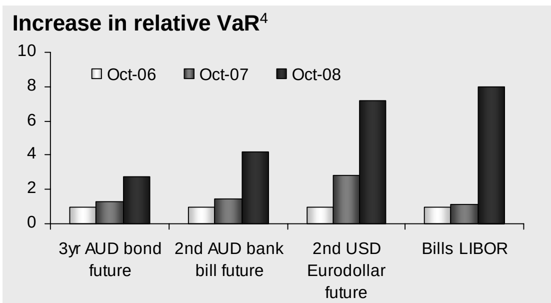
Markets Income

Markets and Treasury – managing volatility well

- Benefiting from a broad markets business
- Markets businesses well positioned for volatility:
  - Customer sales up 20%
  - Strong FX and Debt Markets contribution
  - Softer Energy and Equities
- Strong contribution from Treasury
- Treasury's measured VaR increased materially despite little change in underlying positions
  - Increased holdings of liquid assets, which are marked to market and volatility in cross-currency swaps, held as structural positions
- Relative to peers we have more Treasury risk in our trading book than in the banking accrual book

Markets revenue ($m)	1H07	2H07	1H08	2H08
FX and energy	139	230	213	257
Equities[1]	15	19	(1)	(15)
Debt markets sales and trading	99	82	115	50
Total	**253**	**331**	**327**	**292**
Average VaR[2]	4.7	5.3	7.1	9.5

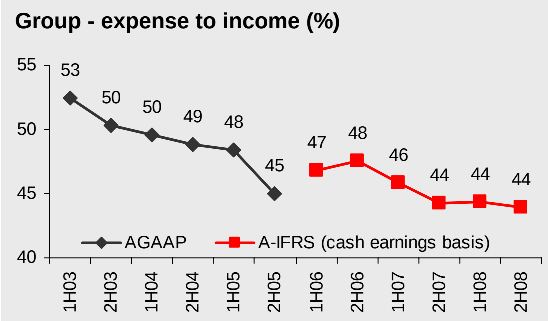
Treasury revenue ($m)	1H07	2H07	1H08	2H08
Total	**123**	**103**	**142**	**229**
Average VaR[2]	8.4[3]	7.2	9.9	22.9

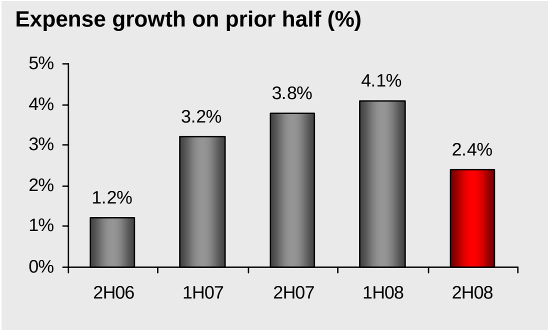


1. Represents Structured Products component of Equities business only. 2. VaR at 99% confidence level, 1 day hold period. 3. No diversification benefit taken into account between trading and banking activities of Treasury in 1H07. 4. Indexed Oct 2006 = 1

Expenses Expense run-rate slowed – investment maintained

- 2008 expense to income ratio 43.9%, over 1 percentage point lower over year
- Expenses up 7% over the year, but up 2% in the second half
- Employee expenses up 8% over the year, flat in the second half:
  - 284 increase in FTE with 353 new front line employees
- Equipment and occupancy up 12%:
  - 29 new retail branches and business banking centres
  - Increase in rental costs and property fit-outs on existing branches
- Acquisition of RAMS added 1% to cost growth for the year ($36m)
- Continuing project investment
- One off restructuring charge – little impact on 2008 expenses





Expenses Capitalised software

- Following a detailed review of capitalised costs, Westpac has written down $157m of capitalised software over the year
- The review included:
  - Impacts from changes in business strategy, which has caused a write-down in some investments
  - A more narrow interpretation of what will be capitalised in the future, with prior amounts written off
- Over the year capitalised software declined 12%, predominantly due to the write-down

Capitalised software balance ($m)	2007	2008
Opening balance	**480**	**527**
Additions	251	300
Amortisation	(177)	(187)
Impairment	(10)	(7)
Other	(17)	(12)
Closing balance before cash earnings adjustment	527	621
Impairment – cash earnings adjustment	-	(157)
Closing balance	**527**	**464**

Impairment Charges

Impairment charge increase consistent with environment

Category	Charge ($m)	Change over yr ($m)	Comments
Individually assessed			
New individually assessed	447	*160*	WIB, mostly in 1H08 from a small number of impaired loans
		157	Impaired loans in BFS ($92m) predominantly two large facilities, and New Zealand ($51m), 2 large business loans and weaker housing
Write-backs and recoveries	(122)	*(30)*	Mostly in 2H08 from resolution of one long standing exposure in WIB
Total individually assessed	**325**	**287**	
Collectively assessed			
Write-offs	378	*76*	Predominantly in the cards portfolio
New collectively assessed	228	*38*	Increase in stressed exposures in BFS, NZ & WIB
		48	Further rise in collective provision for financial crisis ($76m for full year)
Total collectively assessed	**606**	**162**	
Total 2008 Impairment charge	**931**	**449**	

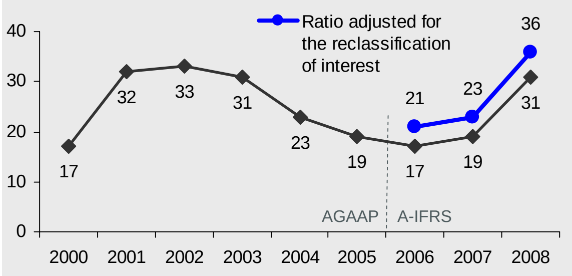
Impairment Charges

Appropriately provisioned for known risks

- Impairment charges to average gross loans higher, at 31bps
- While impairment charges higher, write-offs were little changed over the year
- Provisioning coverage increased to build coverage for the more challenging environment:
  - Additional $76m top up of economic overlay to $251m
  - Total collectively assessed provisions up $351m, or 25%, on 2007
  - Total provision coverage to gross loans up 8bps to 69bps
  - Total provisions to risk weighted assets up 19bps to 111bps
- Further cover in second half from $130m (20% rise) for GRCL and Basel II long-run downturn expected loss capital deductions (total deduction $770m)

Key coverage ratios	2H07	1H08	2H08
Total provisions to gross loans	61bps	62bps	**69bps**
Impairment provisions to impaired assets	49.2%	44.2%	**45.4%**
Total provisions to total RWA (Basel II)[1]	92bps	100bps	**111bps**
Collective provision to credit RWA (Basel II)[1]	94bps	94bps	**105bps**

Impairment charges to average gross loans (bps)



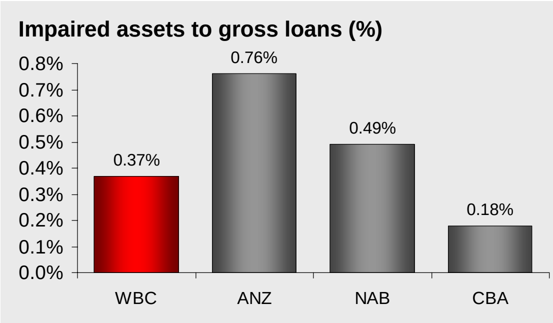
1. Ratios for 2H07 are calculated on a Basel II pro-forma basis

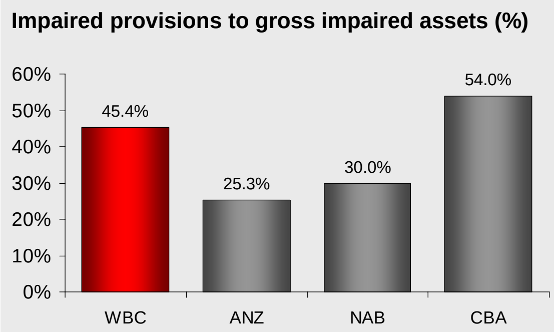
Asset Quality and Risk Management

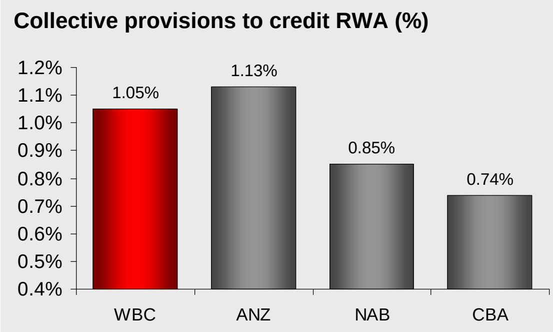
October 2008

Asset Quality High quality portfolio – appropriately provisioned

- Low relative impaired assets, high relative individual provision cover
- Strong total provision and collective provision coverage







Source: Westpac, Company data. CBA as at 30 June 2008

Asset Quality — Impairment provisions and Basel II long run downturn expected loss

Impairment provisions ($m)

Category	Sept 2007	Mar 2008	Sept 2008	Treatment	Comments
Individually assessed provisions	148	317	413	Changes expensed via income statement	Calculated on impaired assets as a discounted cash flow assessed on a case by case basis.
Collectively assessed provision	1,410	1,550	1,761	Changes expensed via income statement	Incurred loss estimates applied to all other loans and receivables based on risk grade or delinquency status plus provisions for incurred economic events.
Total accounting provisions	**1,558**	**1,867**	**2,174**		

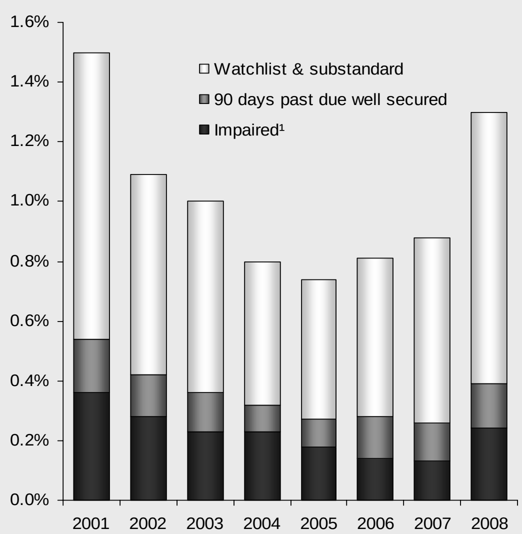
Capital adjustments related to regulatory expected loss ($m)

General Reserve for Credit Losses (GRCL) adjustment	89	54	10	Tier 1 capital deduction, not a balance sheet item	Tax effected difference between accounting provisions and long run inherent loss, as defined under APRA prudential standards
Basel II long run downturn expected loss	592[1]	586	760	50% Tier 1 50% Tier 2 capital deduction, not a balance sheet item	Difference between long run down turn expected loss, as agreed with APRA, and eligible provisions (accounting provisions plus GRCL net of deferred tax asset). The rise in expected loss is due to asset growth, some deterioration in the portfolio and an increase in the expected loss for specialised lending.
Total capital adjustment	**681**	**640**	**770**		

1. Pro-forma

Asset Quality — Stressed exposures reflect changing environment

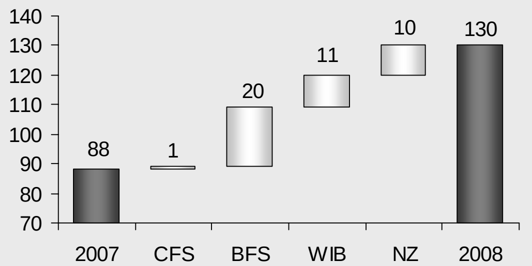
Stressed exposures as a % of total committed exposures (TCE)



1. Westpac's impaired assets from 2005 reflect APRA's prudential approach to the adoption of A-IFRS by ADIs to include consumer accounts > 90 days past due but not well secured

- Total stressed exposures up 42bps from 2007 to 1.30% of TCE
- Mostly due to increase in Watchlist assets in the second half
- Increases have been primarily in the Institutional Bank, business customers in both Australia and New Zealand and the New Zealand housing sector

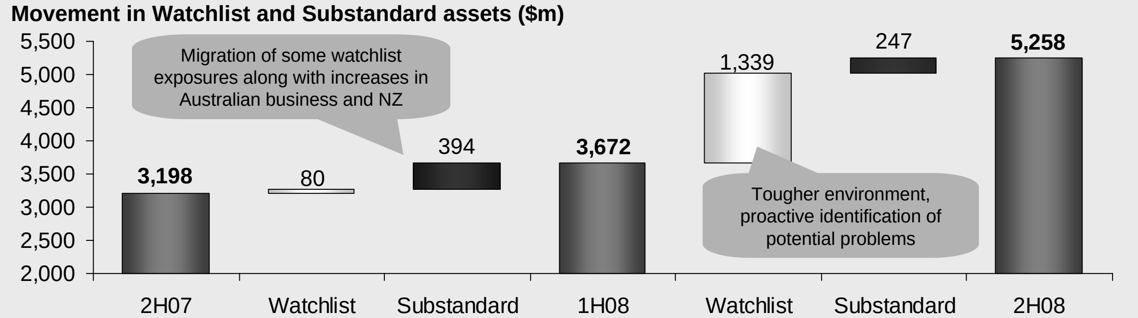
Business unit contribution to changes in stressed exposures (bps)



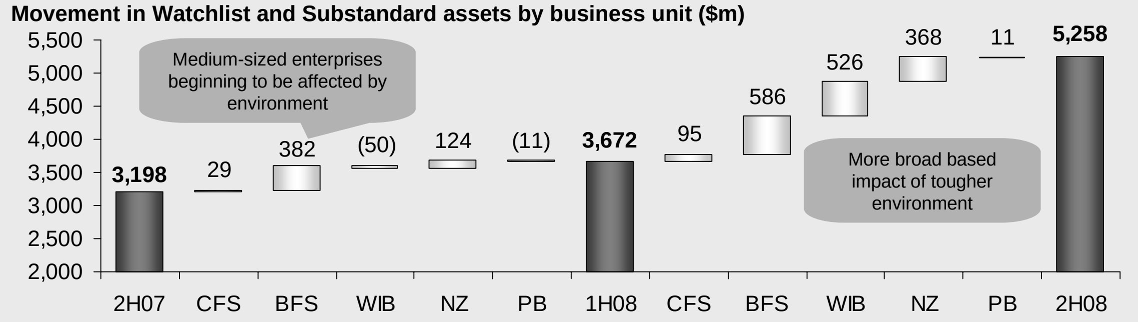
Asset Quality

Tougher environment, proactively moving on potential issues

Movement in Watchlist and Substandard assets ($m)



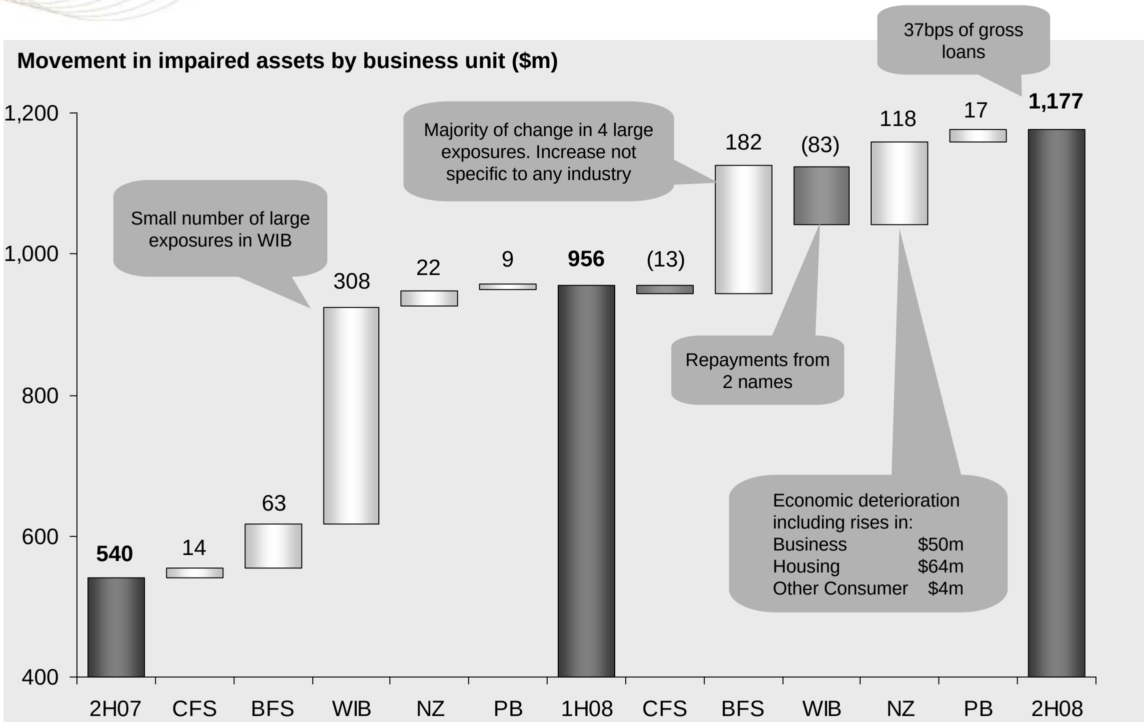
Movement in Watchlist and Substandard assets by business unit ($m)



Asset Quality

Impaired exposures rising with the weaker environment

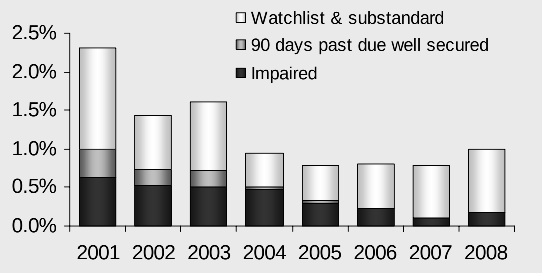
Movement in impaired assets by business unit ($m)



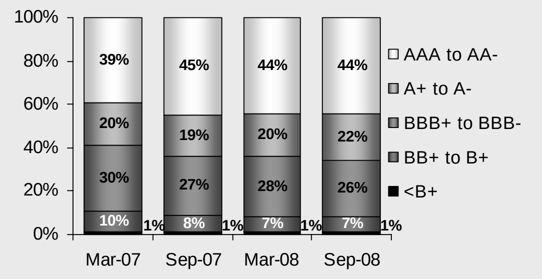
Asset Quality Quality Institutional loan portfolio

- Limited portfolio issues place WIB in a strong competitive position to support clients
- No US CDO conduit or credit intermediation issues
- No material new WIB impaired assets in the second half, however watchlist and substandard exposures higher, reflecting:
  - Small number of downgrades, offset by debt repayments from some exposures
- Average portfolio risk grade unchanged throughout 2008, as downgrades within the portfolio offset by increased exposure to highly-rated counterparties
- Provision coverage of impaired assets increased by 5bps

Stressed exposures as a % of WIB TCE (%)



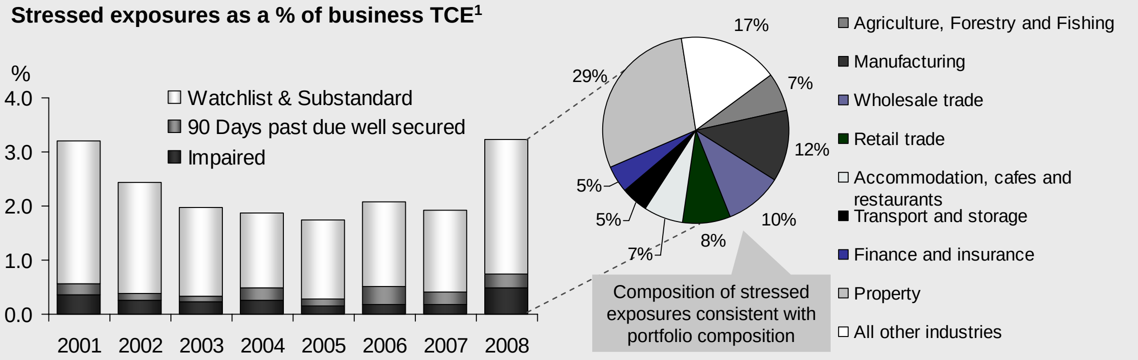
WIB total committed exposures by risk grade



Asset Quality Australian business portfolio reflects slowing economic growth

- Remain comfortable with portfolio quality, although stressed exposures have increased
- Increase in impaired assets includes 4 names that account for 65% of the total
- Increase in Watchlist category reflecting impact of changing economic conditions
- No specific industries showing excessive stress, impact of slowing economic activity and higher interest rates and input costs is broad based across small and medium sized businesses
- Risk management activities strengthened:
  - Boosted capabilities in early warning signals, watchlist activity, loans management and collections
  - Increased lending hurdle rates and continued vigilance on portfolio concentrations
  - Increased investment in credit scoring capabilities

Stressed exposures as a % of business TCE[1]

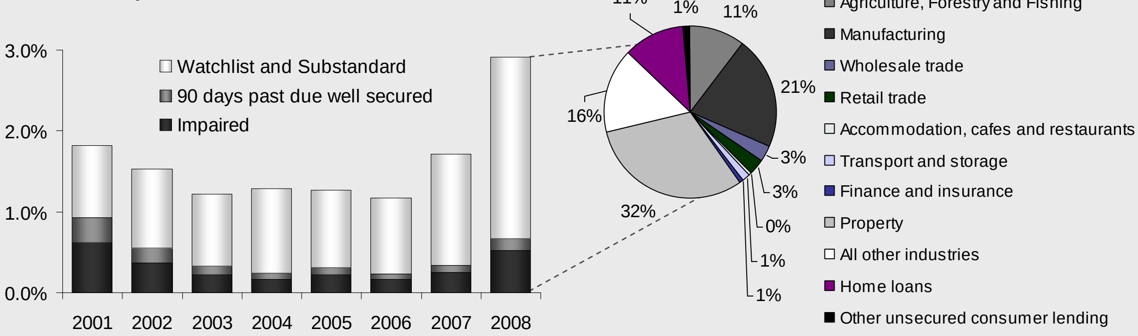


1. TCE is total committed exposure

Asset Quality New Zealand portfolio – more challenging conditions

- Deterioration in economic conditions and a rapid slow down in the housing market in New Zealand have driven an increase in stressed exposures, particularly in the Watchlist category
- Impaired assets represent 52bps of total committed exposures, of which approx. two-thirds relates to housing, with the balance predominately 2 exposures in the business portfolio
- Risk management activities have been boosted:
  - Capabilities and FTE in asset management, recoveries and collections have been increased to manage the portfolio
  - More assistance provided to lower graded customers to manage their debt position in difficult conditions
  - Focus on early involvement of senior business and credit staff to ensure active management of customers experiencing difficulty

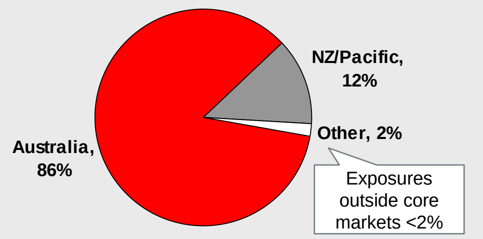
Stressed exposures as a % of New Zealand TCE[1]



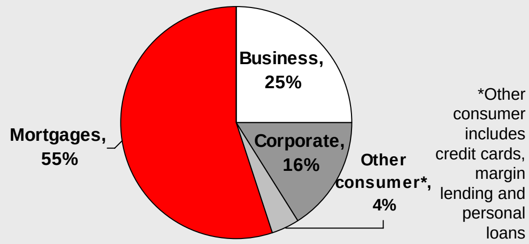
1. TCE is total committed exposure

Asset Quality Balance sheet reflects focus on domestic markets

Total exposure by region (%) as at 30 Sep 2008



On balance sheet lending (%) as at 30 Sep 2008

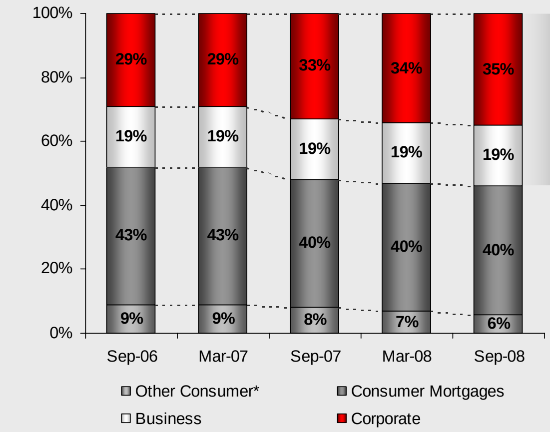


Exposure by risk grade[1] as at 30 Sep 2008 ($m)							
Risk grade	Australia	NZ / Pacific	Americas	Europe	Asia	Group	*% of Total*
AAA to AA-	72,298	2,287	998	332	303	76,218	15%
A+ to A-	33,757	3,166	966	1,250	334	39,473	8%
BBB+ to BBB-	46,792	7,738	1,422	1,202	154	57,308	11%
BB+ to B+	73,547	13,359	249	589	90	87,834	18%
<B+	3,947	1,389	187	22	-	5,545	1%
Secured consumer	165,584	30,744	-	-	-	196,328	40%
Unsecured consumer	28,837	3,846	-	-	-	32,683	7%
Total committed exposure	424,762	62,529	3,822	3,395	881	495,389	
Exposure by region (%)	86%	12%	<1%	<1%	<1%		

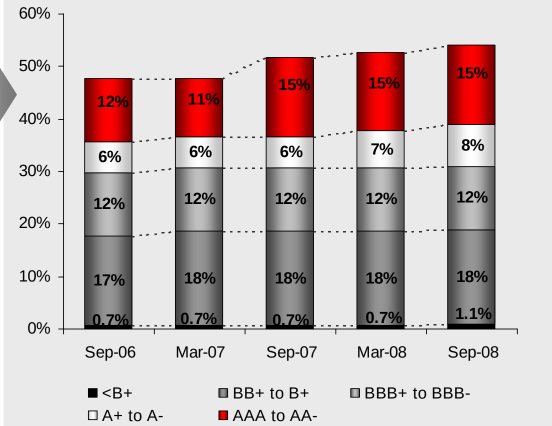
1. Exposure by booking office

Asset Quality **Little change in average risk grade of portfolio**

Total Committed Exposure[1] by customer segment



Total Committed Business / Corporate exposure[1] by risk grade



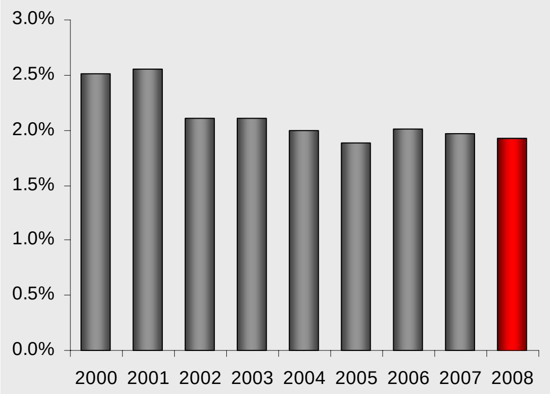
- Growth in corporate TCE primarily due to increased customer demand for bilateral lending as an alternative source of funding given global capital market dislocation
- Asset growth has seen little change in the composition of business/corporate exposures by risk grade
- 65% of business/corporate exposure is investment grade or higher

1. Total committed exposures include outstanding facilities and un-drawn commitments that may give rise to lending risk or pre-settlement risk
*Other consumer includes credit cards, personal lending and margin lending.

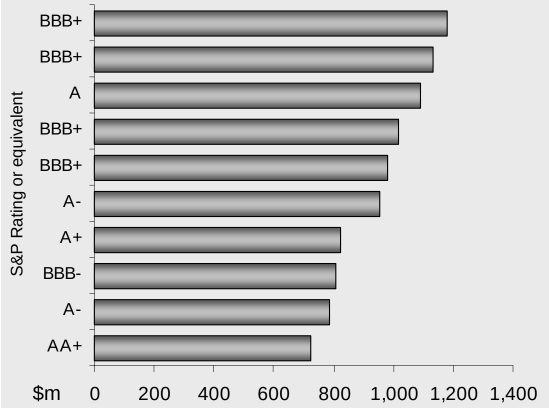
Westpac

Asset Quality **Single name concentrations well managed**

Top 10 exposures to corporations and NBFIs – as a % of total committed exposure



Top 10 exposures to corporations and NBFIs – as at 30 September 2008[1]



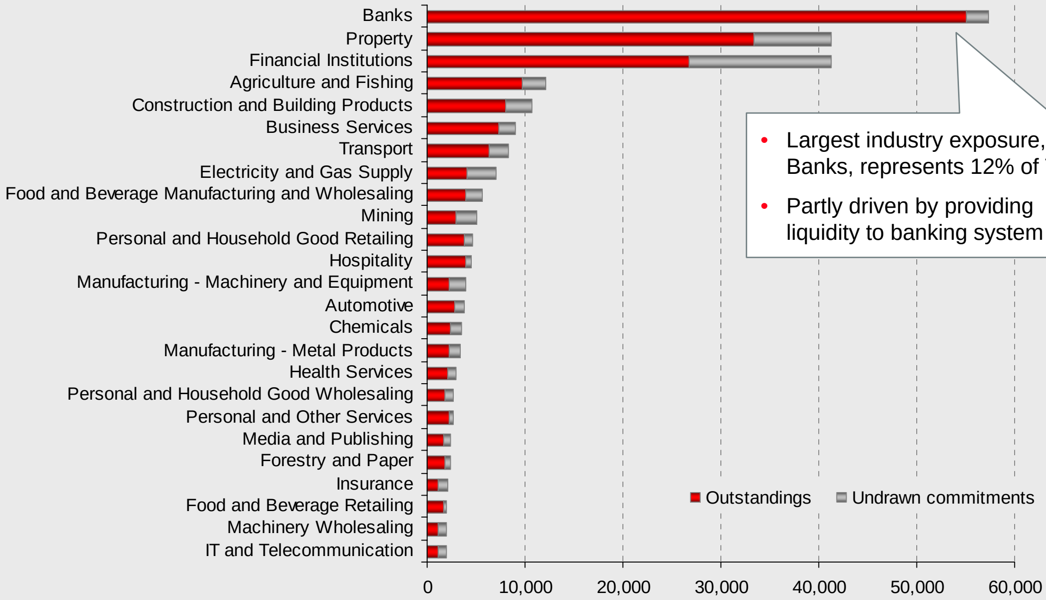
- Top 10 exposures to corporates and NBFIs have continued to be less than 2% of TCE.
- Total exposure of Top 10 = $9.5bn
- All top 10 exposures investment grade or higher

1. Chart not comparable to 2007 equivalent as securitisation exposures no longer included

Westpac

Asset Quality Well diversified across industries

Total Committed Exposure and Outstandings – as at 30 September 2008 ($m)

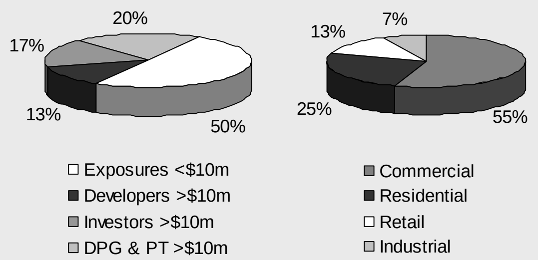


Note: Excludes governments.

Asset Quality Well diversified Property Portfolio

- Total property exposure $41bn, or 8% of total committed exposures
- Well diversified portfolio:
  - Limits in place on composition of loans >$10m to maintain diversification between developers, investors and property groups
  - Greater exposure to the commercial/office sector, where vacancy rates are 4.2%, close to 18 year lows
  - Lower exposure to retail and industrial sector
- Portfolio managed by sector specialists

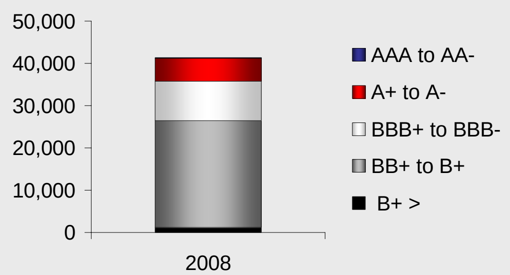
Property portfolio composition (%)



DPG & PT is Diversified Property Groups and Property Trusts

	Property portfolio		Total Westpac
	1H08	2H08	2H08
Total committed exposures ($m)	36,940	41,279	495,389
Impaired assets as a % of TCE	0.12%	0.40%	0.24%
Stressed[1] assets as a % of TCE	1.60%	2.84%	1.30%

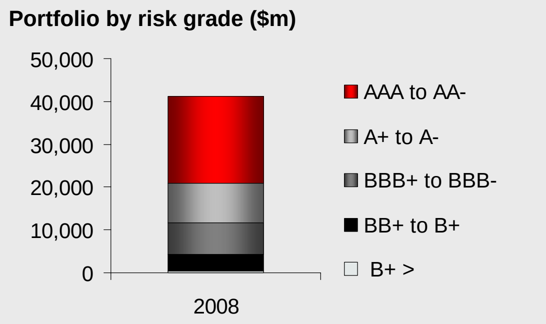
Property portfolio by risk grade ($m)



1. Stressed exposures include watchlist, substandard, 90 past due well secured and impaired assets

Asset Quality Non-Bank Financial Institutions portfolio

- Financial institutions includes lending to investment companies, investment banks and small non-bank financial institutions (NBFIs)
- Total NBFI exposure $41bn, or 8% of total committed exposures
- Comprehensive portfolio review conducted in response to issues impacting individual names in the sector
- Remain comfortable with exposures and portfolio quality
  - Stressed exposures currently 93bps of NBFI portfolio committed exposures



	Non-Bank Financial Institutions		Total Westpac
	1H08	2H08	2H08
Total committed exposures ($m)	38,102	41,275	495,389
Impaired assets as a % of TCE	0.09%	0.07%	0.24%
Stressed[1] assets as a % of TCE	1.09%[2]	0.93%	1.30%

1. Stressed exposures include watchlist, substandard, 90 past due well secured and impaired assets. 2. 1H08 ratio has been re-stated to reflect changes in ANZIC classification

Asset Quality Market sensitive exposures managed effectively

CDSs, CDOs and CLOs as at 30 Sep 2008

- Westpac manages a portfolio of credit derivatives to enhance the economic profit of the institutional bank (WIB) loan portfolio. Target hedging between 5% and 15% of the WIB loan portfolio
- Underlying exposures through CDSs, CDOs and CLOs include global and Australian corporate and institutional risk
- No direct exposure to US mortgages or other US ABS product
- CDS - around 60 counterparties; no US monolines; netting and collateral agreements in place
- All our CDSs, CDOs and CLOs are held on balance sheet and marked-to-market by an independent middle office using external marks
- Cumulative mark-to-market on the portfolio is positive year-to-date
- All credit exposures are individually assessed and internally rated in line with our normal credit criteria; no credit intermediation trades
- Majority of positions purchased within last 18 months and all are performing

Credit Portfolio position[1] as at 30 September 2008	
WIB corporate lending[2]	$51.5bn
Net bought protection (CDS)	$5.2bn
CDOs, CLOs and Portfolio CDS investments	$0.7bn

1. Position size includes impact of FX movements 2. Excludes margin lending and Private Bank Asia; includes securitisation and asset finance

Asset Quality Market sensitive exposures managed effectively

Asset-Backed Commercial Paper (ABCP) conduits as at 30 Sep 2008

- One Westpac-sponsored ABCP conduit – Waratah Receivables Corporation:
  - In operation since 1994, offering quality Australian and New Zealand assets originated by Westpac customers, primarily prime mortgages (no sub-prime)
  - Does not purchase securities in secondary markets
  - Approximately A$4.2bn outstanding
- Liquidity facilities to external customer conduits total approximately A$855m
  - US$ related receivables A$173m (A$4m drawn)
  - A$ related receivables A$200m (none drawn)
  - NZ$ related receivables A$482m (A$208m drawn)

Asset Backed Securities (ABS) as at 30 Sep 2008

- Holding UK AAA-rated RMBS (A$68m) and Australian AAA-rated (A$1,096m) and AA-rated (A$11m) RMBS
- Treasury holds A$1.1bn RMBS in its liquidity book – all prime Australian residential, purchased in the last 6 months, available for repo in normal daily open market operations
- Small holding of CMBS, rated AAA (A$74m), AA (A$4.5m), A (A$4.3m) and BBB (A$10m)
- ABS positions are held for market making and customer facilitation

Asset Quality Market sensitive exposures managed effectively

Monoline insurance exposures as at 30 Sep 2008

- Small holding of bonds ‘wrapped’ by monoline insurers of approximately A$35m – fair value movements not material
- Some loans, predominantly to infrastructure/utilities firms, that have an insurance ‘wrap’ - total lending approximately A$210m with no credit concerns
- Credit assessment conducted on underlying borrower

Lehman Bros

- Exposure to the Lehman Group of companies is <A$10 million

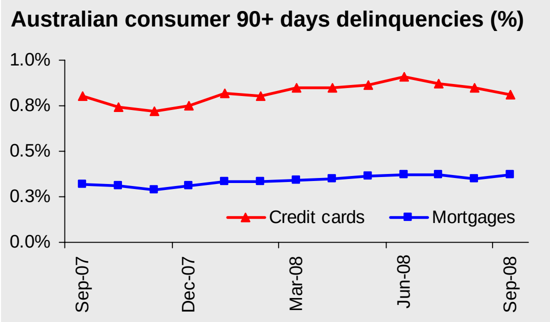
US Government Mortgage Entities

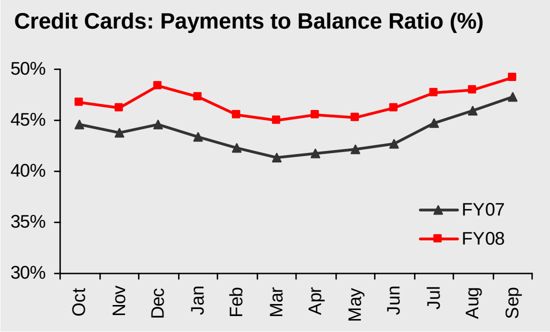
- No exposure to Fannie Mae or Freddie Mac

Australian Consumer Asset Quality

Australian consumer portfolio showing resilience in current environment

- Consumer credit quality has been resilient despite tougher environment:
  - Credit card 90+ days delinquencies 82bps, up 1bp over the year
  - Mortgage 90+ days delinquencies 37bps, up 5bps over the year
  - Increase in write-offs direct <10%
- This has been due to:
  - Low unemployment
  - Strong risk and customer management disciplines
  - Customers responding to tighter conditions:
    - Average proportion of cards balance paid monthly up 2% over last year
    - 73% of amortising mortgage customers[1] remain ahead of their required monthly repayments



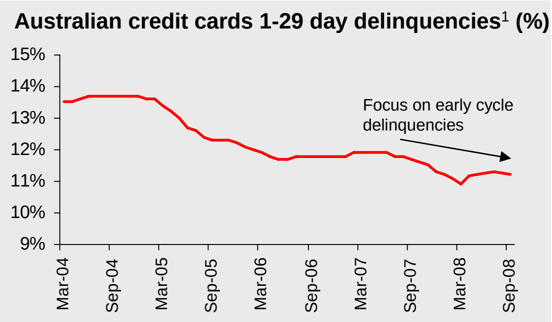


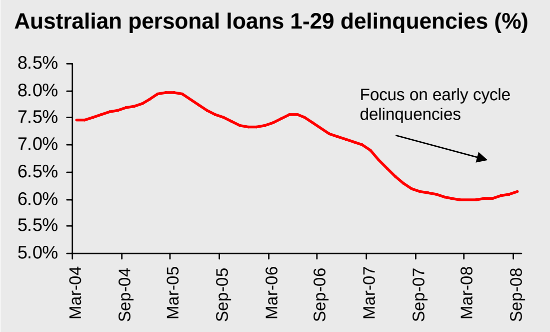
1. Representing 71% of balances.

Australian Consumer Asset Quality

Maintaining a strong focus on risk management

- Investment in collections capacity in prior years has enabled Westpac to focus on customers in early stages of delinquency:
  - FTE collections capacity increased by 40% over last 2 years
  - Additional investment of $3m in 2008
- As a result, early cycle delinquencies have trended down:
  - Cards 1-29 days delinquencies down 38bps in 12 months to 30 Sep 2008
- Consumer lending standards are also regularly reviewed, recent changes include:
  - Tighter LVR policies on mortgage insurance for refinance applications
  - Tighter policies on card limit increase offers
  - New scorecards in personal loans
  - Using new geographic-based factors to assess applications for unsecured products
- Consumer provision levels maintained



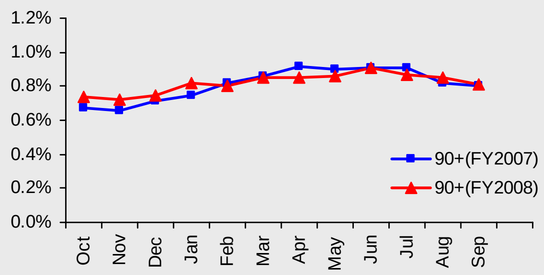


1. Cycle delinquencies

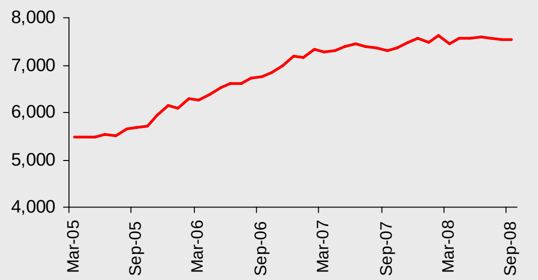
Credit card portfolio quality remains sound

- Credit card portfolio has performed well:
  - Small rise in 90+ day delinquencies to 82bps, up 1bp, despite more challenging external conditions
  - Revolver rates lower
- Due mainly to:
  - Decision to slow asset growth
  - Balanced focus between rewards and low rate segments; limited zero-rate balance transfers
  - Focus collections on early cycle delinquencies
  - Originating new business from existing Westpac customers using Customer Relationship Management tool and analytically-driven originations activities

Australian credit cards 90+ delinquencies (%)



Credit card outstandings ($m)

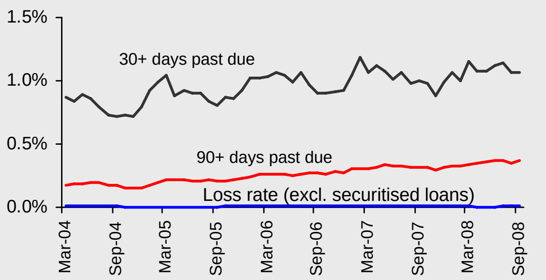


Westpac

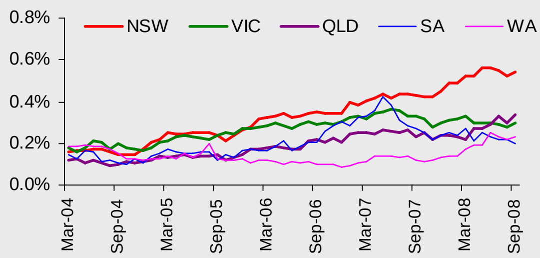
Small rise in mortgage delinquencies, not translating into loss

- Mortgage portfolio has been resilient
- Small rise in delinquencies as expected, given more difficult economic environment:
  - 90+ day mortgage delinquencies to 37bps, up 5bps over the year
- Change in mix has impacted delinquency rates but is not translating into loss, for example:
  - Higher proportion of Low Doc (6.3% of portfolio, 13.4% of annual flows) - 90+ days delinquencies for Low Doc approx. 2x portfolio rate, but <10 losses since 2003
- Total portfolio losses remain low, due to low LVRs and supported by mortgage insurance and sound underwriting standards
- Over the last 12 months, losses totalled $16m[1], from a $145bn portfolio:
  - Equates to a loss rate of 1bp over 12 months
  - 1992 actual loss rate was 11bps (during recession)
- Properties in possession remain low:
  - 165 properties at September 2008 vs average of 141 properties in 2007

Australian mortgage delinquencies (%)



Australian mortgage 90+ days delinquencies by state (%)



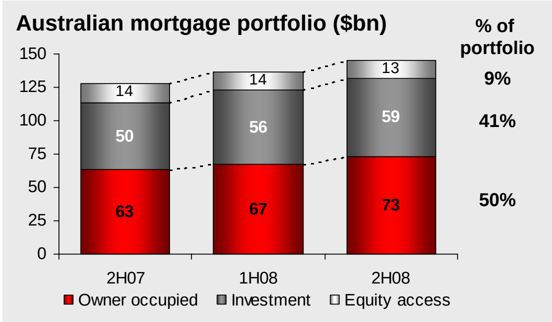
1. Net of mortgage insurance and before collective provision charges. Total impairment charges were $29m vs $26m in 2007.

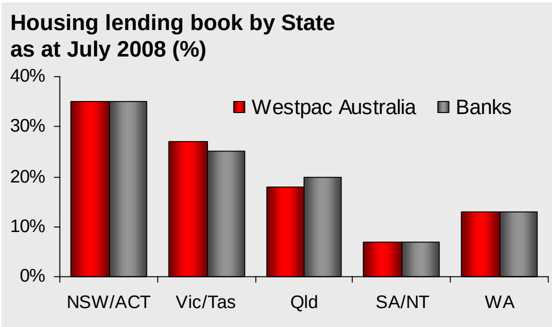
Westpac

Australian Consumer Asset Quality

Mortgage portfolio quality remains high

- Australian mortgage portfolio $146bn
- All mortgages to prime borrowers - no sub-prime mortgages
- No large concentrations in any one state or territory
- Low Doc lending, approx. 6.3% of portfolio, has additional risk mitigants:
  - Lower LVRs – max 60% LVR without insurance, max 82% LVR with insurance
  - Additional lending restrictions to standard mortgages, including limited postcode locations, security types and loan size
  - <10 losses since 2003





Source: ABA/Cannex data

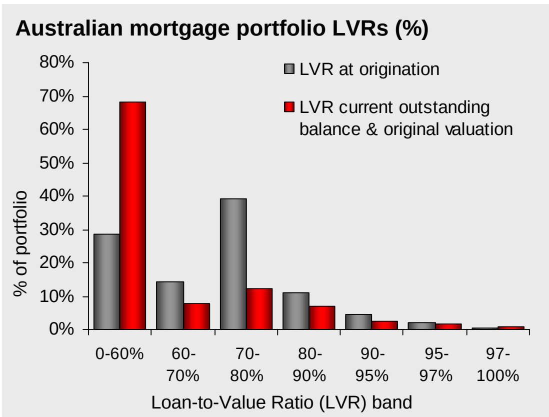
Westpac

Australian Consumer Asset Quality

Low LVR portfolio provides collateral coverage

- Well collateralised mortgage portfolio:
  - More than 88% with an LVR 80% or less, based on current outstanding balance and original valuation
- Low LVR portfolio provides cover for the bank against significant fall in house prices
- Mortgage insurance required where:
  - Standard mortgage LVR >85%
  - Low Doc mortgage LVR >60%
- Approx. 14% of mortgages originated with an LVR >85%
- Approx. 7% of mortgages originated with an LVR >90%

Australian mortgage portfolio	Mar 2008	Sep 2008
Average LVR of portfolio at origination	67%	67%
Average LVR based on current outstanding balances and value at origination	46%	44%
Average LVR of new loans	69%[1]	70%[2]



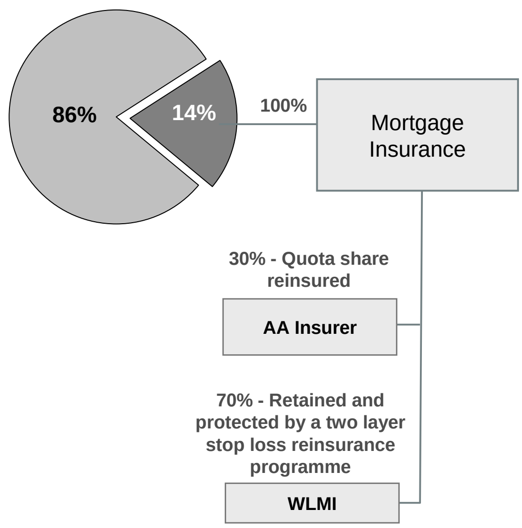
1. Average LVR of new loans for the 12 months to 31 March 2008. 2. Average LVR of new loans for the 12 months to 30 September 2008

Westpac

Mortgage insurance reduces risk

- Approximately 14% of the Australian mortgage portfolio is covered by mortgage insurance
- Westpac uses a captive mortgage insurer – Westpac Lenders Mortgage Insurance (WLMI)
- WLMI's 2008 year loss ratio at 24.5% remains below the long term industry average
- WLMI is subject to separate APRA regulation
  - Well capitalised (1.34x MCR[1] as at June 2008)
  - Equity in WLMI is a deduction to Westpac's Tier 1 capital
- WLMI reinsures 30% of its underwriting risk with AA rated reinsurer through a quota share arrangement
- Additional stop loss reinsurance covers the underwriting risk retained by WLMI and offers protection against abnormally high claims in any one year – the cover is intended to protect up to approx. a 1 in 100 year event
- Should quota share arrangement fall away, Westpac has sufficient ability to absorb capital cost

Mortgage Insurance Structure

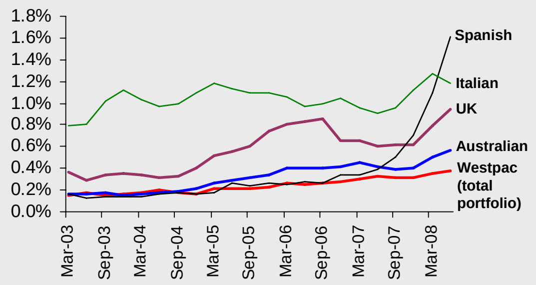


1. The MCR is an insurers Minimum Capital Requirement. The MCR is determined having regard to a range of risk factors that may threaten the ability of the insurer to meet policyholder obligations.

Australian mortgage market fundamentals support quality portfolio

- Majority of loans are variable rate, ~75%
- No step-up loans
- Fixed rate loans for short periods of time – generally 3 to 5 years
- Low loan-to-value ratios
- 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 quickly
- Banks in Australia have recourse to the borrower
- Non-conforming and sub-prime loans not offered by major banks
- RBA estimates sub-prime lending approx. 1% of the Australian market (vs ~15% in the US)

Standard & Poor's Prime Mortgage Performance Index SPIN (%)



Source: Standard and Poor's, JP Morgan, Westpac. Westpac includes securitised and non-securitised loans in Australia and New Zealand. The S&P Prime Mortgage Performance Index (SPIN) measures the proportion of Prime MBS Securities that have been rated by S&P that are delinquent. The index is calculated monthly using the weighted average of all residential MBS issues.

Mortgage portfolio stress testing

Westpac Australian mortgage portfolio stress testing – 2008 results	Scenario	Individual effect $m
Interest rate (% pa)	up 4% to 13.4%	24
House price growth (% pa)	down 28% to (20)%	57
Unemployment rate (%)	up 4% to 8.1%	29
Average weekly earnings growth (% pa)	down 2% to 1.7%	18
Housing credit growth (% pa)	down 4% to 6.0%	18
Combined effect[1] $m		**201 (14.4bps)**

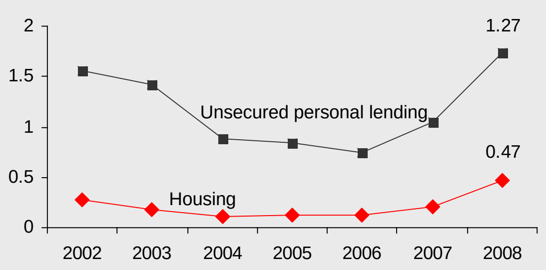
1. Individual effects do not sum to the total effect because the impact of each of the individual effects is non-linear in the model

- Westpac regularly runs a number of stress scenarios on its portfolios, including the mortgage portfolio
- Australian mortgage portfolio loss rate under stressed conditions is 14bps over 12 months or approx. $200m (5.4% of earnings)
- Stress testing is also conducted on Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), to ensure it is sufficiently capitalised to cover mortgage claims arising from a stressed mortgage environment. These scenarios illustrate that WLMI would be sufficiently capitalised to fund claims arising from events with return periods of up to 1 in 250 years, even in the event of reinsurer failure

New Zealand portfolio – more challenging conditions

- More difficult economic conditions and a rapid slow down in the housing market has driven higher consumer delinquencies
- Initiatives in place to manage delinquencies performance:
  - Continue to actively work with customers, including front line early delinquency calling program
  - Improved collections processes delivering higher contact and cure rates
- Mortgage portfolio quality continues to be sound:
  - Average LVR of 67.5%
  - 91.5% of portfolio with LVR <90%
  - Low doc loans <1% of portfolio
- Continuing prudent approach to provisioning

New Zealand 90+ day delinquencies[1] (%)



1. Note: increases in New Zealand unsecured personal lending delinquencies also impacted by change in write-off methodology for personal loans

Business Unit Performance

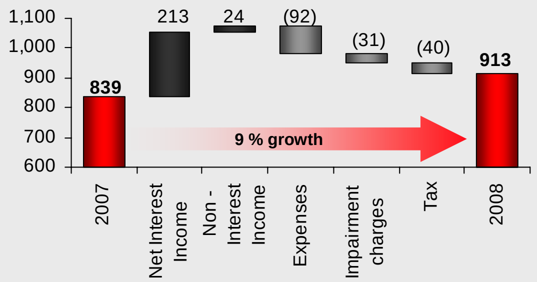
October 2008

Consumer Financial Services

Cash earnings sound, built on good growth

- Cash earnings up 9% on 2007
- Net interest income up 8%
  - Mortgage balances up 14%, 1.5x financial system
  - Deposit growth of 22%
- Non-interest income up 4%
  - Card fee growth from higher customer spend
- Margins down 7bps over the year
  - 1H08 down due to delays in passing on higher funding costs
  - 2H08 higher from repricing, partly offset by strong deposit competition
- Expenses up 5% (including RAMS)
  - 15 new sites and 73 new customer serving employees
  - Upgrade of call centre technology
- Impairment charges, modestly higher, up 14%:
  - Predominantly higher collective provision from a larger book
- Successful cross sell activity - selling over 47,000 BT Super for Life accounts

CFS cash earnings ($m)

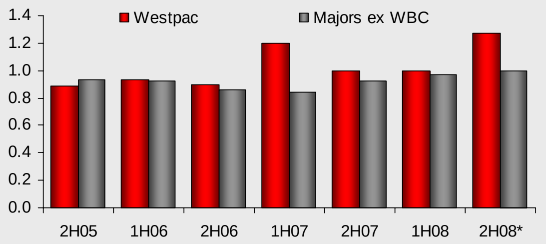


Consumer Financial Services

Strong mortgage franchise performance

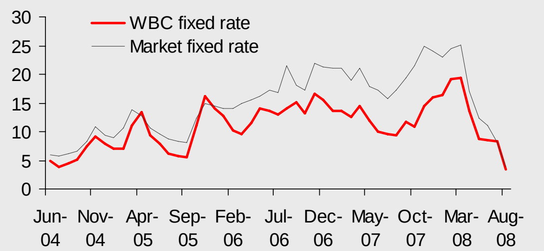
- Growing above both banking and financial system:
  - 1.5x financial system[1]
  - 1.1x banking system[2]
  - Proprietary originations steady at 62%
  - Led market in re-pricing 3rd party commissions
- Spreads down 13bps, but 2H08 up 5bps
  - Higher funding costs passed on progressively through year (20bps in 1H08; 34bps in 2H08)

Mortgage credit growth versus banking system (times)



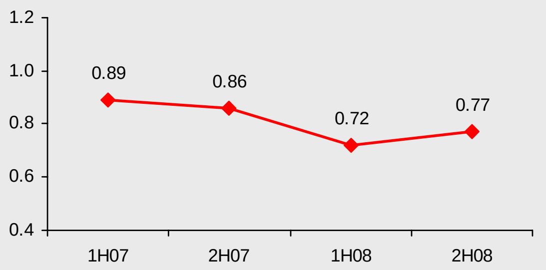
*To August 2008. Source: APRA, Peer group average includes NAB, CBA, ANZ and SGB

New fixed rate lending Westpac vs market (%)



Source: ABS, ABS return, fixed defined as lending fixed for at least 2 years. Market includes banks/credit unions/building societies/wholesale lenders

Average mortgage spreads (%)



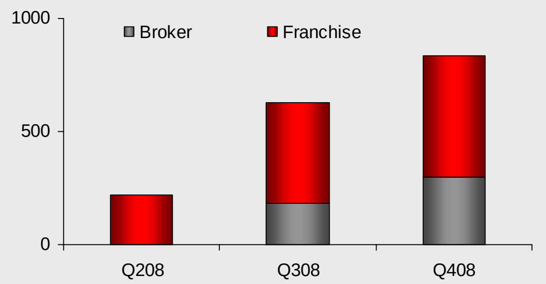
1. Source: RBA, 12 months to August 2008. 2. Source: APRA

Consumer Financial Services

RAMS – a new distribution channel

- Acquisition completed 4 Jan 2008
- Acquired distribution franchise but not mortgage portfolio. Accordingly, income is yet to cover costs
- RAMS represented 11% of Westpac mortgage growth
  - New lending gained significant traction in 2H08
  - Broker settlements rising following re-launch of broker channel
- Areas of focus:
  - Back-office efficiencies through electronic lodgement and decisioning processes
  - Back office integration
  - Recruitment of new franchisees within the redesigned franchise model
  - Providing new options to customers around product, access and price

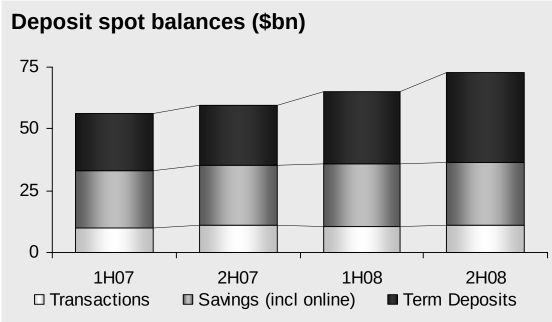
RAMS Settlement Growth ($m)

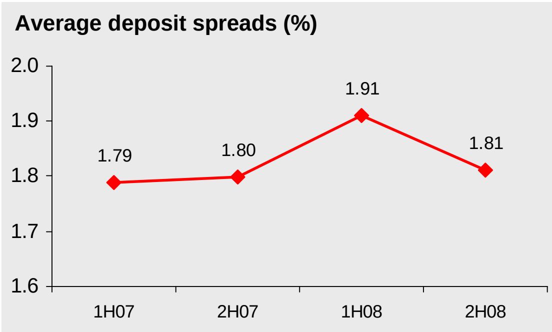


Consumer Financial Services

Deposit growth solid and improving

- Deposit growth solid, balances up 22%
- Term deposits grew to 50% of total portfolio to $36.2bn
  - Last 3 months term deposits up $4.5bn (14% on the previous quarter)
- Savings as a percentage of total portfolio fell by 6%, however balances grew 2% from FY07 to $25.2bn
- Deposit spreads improved 6bps in 2008, but under pressure in 2H08
  - Increased funding benefits from a higher interest rate environment
  - Largely offset by strong price competition on products, particularly 2H08

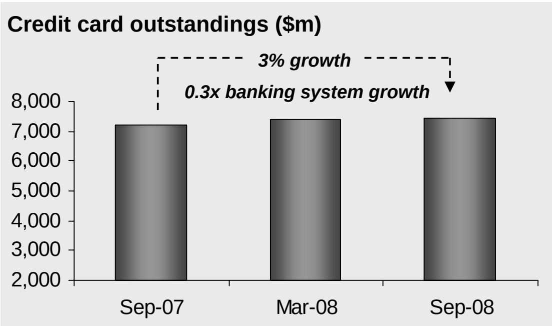


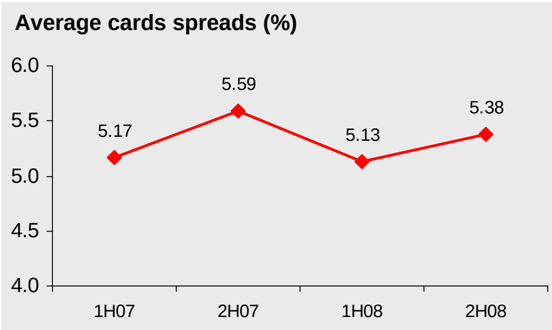


Consumer Financial Services

Limited cards growth

- Card outstandings growth below system, increasing 3%:
  - Tightened certain credit scorecards in 2007
  - Balanced focus between rewards and low rate segments; limited zero-rate balance transfers
- Non-interest income increased 11% from higher customer activity
- Spreads down 13bps year on year:
  - Higher funding costs
  - Reducing revolver rates, as more customers pay down balances
- Virgin agreement terminated:
  - Westpac paid $39m for exclusive brand licence for the next 14 months
  - $1.7bn portfolio; 514,000 accounts
  - Opportunity to sell additional products to customers
  - Cards will be re-branded with opportunity to cross-sell to customers

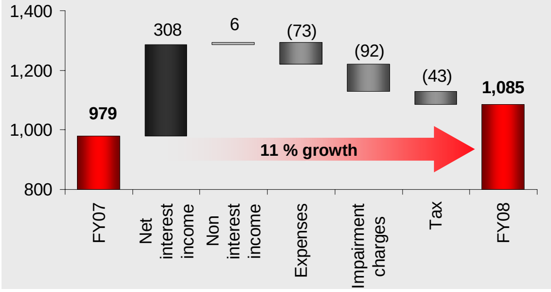




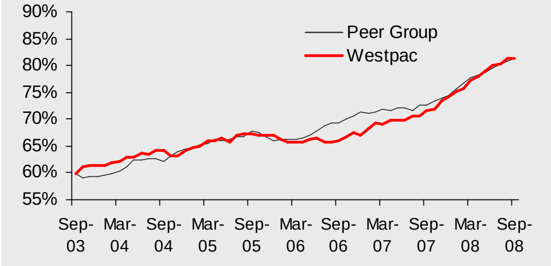
Cash earnings up 11% in a challenging environment

- Cash earnings up 11% on 2007
- Net interest income up 17%:
  - Business lending up 17%
  - Net interest margin down 6bps
- Non-interest income up 1%:
  - Higher fees from increased accounts and higher transactions
  - Partially offset by an increase in income paid by BFS to CFS and Private Bank
- Strong improvement in customer satisfaction, up 9%
- Expense to income ratio down 150bps to 34.3%:
  - Expenses up 9%, but 2H08 up only 2%
  - 219 additional customer serving employees
  - 14 new and 2 refurbished business banking centres
- Impairment charges up $92m
  - $47m relating to 2 large impaired assets, residual broadly spread
  - $13m collectively assessed provision

BFS cash earnings ($m)



Australian Business Satisfaction[1] – Very and Fairly Satisfied, 12mnth moving avg (%)

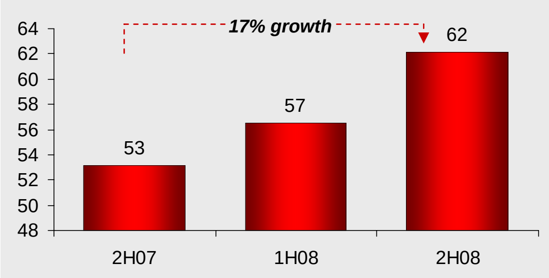


1. Source: TNS Research – % of customers very/fairly satisfied main financial institution. Peer Group includes ANZ, CBA, NAB and SGB (simple average).

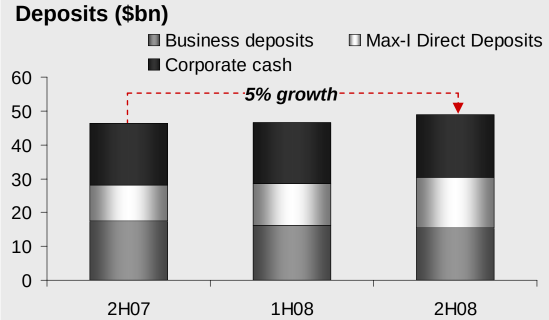
Strong lending growth and solid deposit performance

- Lending growth of 17%:
  - Higher growth in Qld, WA & Victoria
  - 18% uplift in new lending
  - Business credit grew 1.1x system[1] in 2H08
- Reported deposit growth of 5%, although a portion of deposits is captured in CFS (mostly TDs):
  - Deposits originated by BFS up 13%:
  - Deposits grew 1.1x system[2] in 2H08
- Divisional margin down 6bps:
  - Higher reliance on wholesale funding as lending grew faster than deposits
- Lending spreads down 16bps from higher funding costs
  - 2H08 spread decline eased to 2bps due to repricing for risk

Business lending ($bn)



Deposits ($bn)



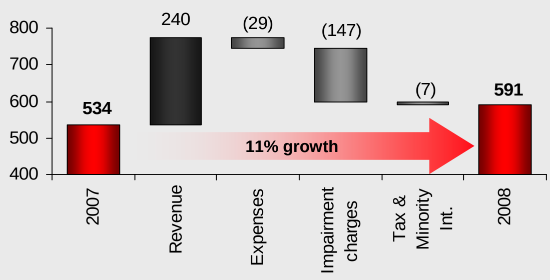
1. Source: RBA share/multiple of financial system. Total Business credit for Westpac Australia. Second half 2008 multiple is for the five months ended 31 August 2008. 2. Source: APRA share/multiple of banking system. Business deposits relate to Non-financial Corporate and Community Service Organisations. Second half 2008 multiple is for the five months ended 31 August 2008.

Westpac Institutional Bank

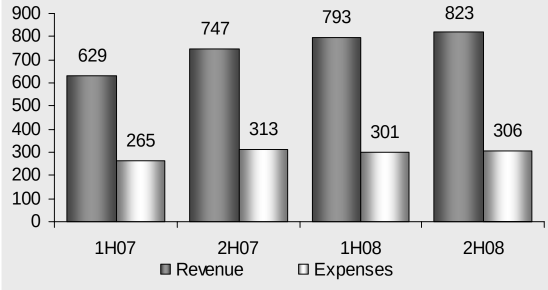
Institutional Bank (ex-Equities)
Competitive position delivers strong performance

- Cash earnings up 11% on 2007
- Strong revenue performance, up 17%, despite difficult market conditions
- Core earnings (before impairment charges) up 26%, driven by:
  - 16% increase in customer revenue
  - Increase in customer sales in markets businesses, up 20%
  - Solid revenue contribution from markets businesses, up 6%
  - 21% net loan growth, primarily in 1H08
  - Net interest margin largely flat
- Impairment charges up $147m in 2008, due to a small number of single name exposures
- Focus on pricing and credit disciplines to maintain the quality and performance of the portfolio

IB[1] cash earnings ($m)



IB[1] revenue and expenses ($m)

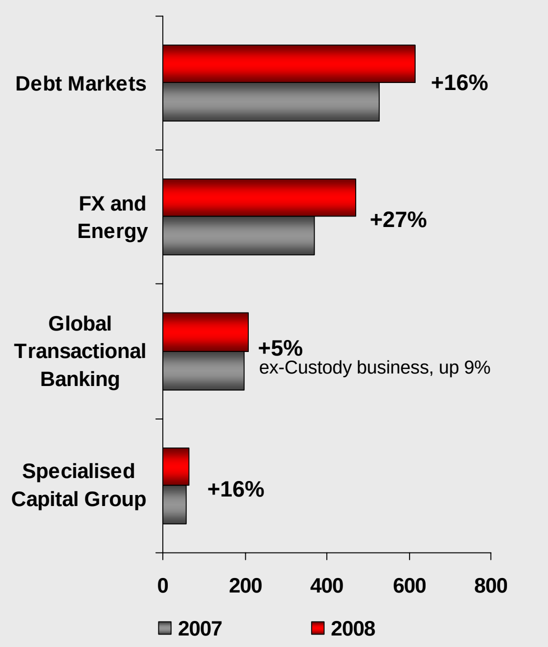


1. Institutional Bank excluding Equities

Westpac Institutional Bank

Institutional Bank (ex-Equities)
Solid revenue growth across businesses

Revenue contribution by product group ($m)



- Debt markets revenue up 16%:
  - Higher loan volumes and increased origination fees, higher contribution from credit portfolio management activities in the first half
  - Offset by reduced distribution activity
- FX and Energy revenues up 27%:
  - Increased customer flows, sales up 17%, driven by increased customer demand for hedging
  - Strong uplift in FX trading income, offsetting lower Energy result
- Transactional Banking up 9%[1]:
  - Strong growth in deposit balances and transactional sales
- SCG revenue up 16%:
  - Improved deal revenue in 1H08 from property transactions and launch of Westpac Essential Services Trust
  - 2H08 impacted by deterioration in investment markets

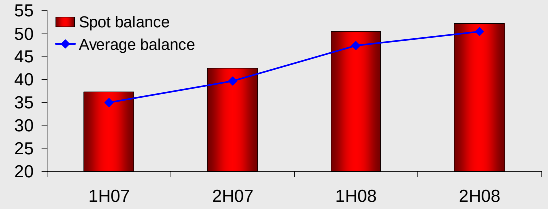
1 After adjusting for the impact of non-recurring income from the custody business of $8m included in the 2007 year.

Westpac Institutional Bank

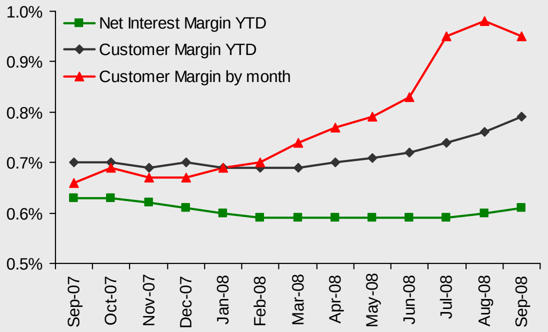
Institutional Bank (ex-Equities)
Loan growth up, returns improving

- Loan growth of 21% over the year, to $51bn:
  - Growth primarily in the first half – WIB in a strong position to support customer demand
  - Slower demand in the second half as corporates have sought to reduce leverage
- Strong average loan balances supporting revenue uplift in 2H08
- Financing returns improving in 2H08:
  - Customer margins on new lending and re-financing have risen to reflect increasing market credit spreads
  - Lower margin loans rolling off
  - Higher funding costs remain
- Improving loan terms and conditions

Institutional Bank lending ($bn)



Corporate lending margins[1] (%)



1. Includes financing, securitisation and asset finance. Customer margin YTD and net interest margin YTD are 12 month rolling average. Customer margin by month and YTD are incremental to BBSY. Net interest margin YTD includes cost of funds.

Westpac Institutional Bank

Weak Equities performance being addressed

- Equities 2008 result impacted by volatile investment markets, weak trading performance and credit risk issues, resulting in a cash earnings loss of $25m
- The business remains an important part of WIB's long term strategy
- Strategies in place to enhance performance including investment in people and systems to build capabilities
- Impairment charges of $54m relate primarily to a single margin lending exposure ($42m) that is now fully provided for and new collectively assessed provisions ($11m) created in 2H08

Margin lending	Sep '07	Mar '08	Sep '08
Portfolio size ($bn)	$4.9	$4.3	$3.8
Gearing / LVR	40%	46%	61%
Margin calls	**Sep '07**	**Mar '08**	**Sep '08**
Number	359	2,682	1,762
% of clients	2%	17%	11%
Forced sales	0%	6%	0%

- Margin lending portfolio quality has improved as tighter credit policies on single stock exposures have been implemented
- Portfolio gearing has increased as market values have declined
- No structured wholesale stock lending facilities, where security is held over end customers' holdings

Market headwinds offset solid business performance

- Cash earnings down $53m (12%) over year. Market decline negatively impacted earnings by $84m, made up of:
  - $46m due to lower fees with reduction in FUM/FUA
  - $38m due to lower earnings on capital
- FUA margins up 5bps, FUM margins flat
- 2H08 cash earnings up 1%:
  - Insurance earnings up 16% offset funds management cash earnings down 3%
  - Expenses down 1%
- Franchise well placed:
  - Underlying flows good with FUA / FUM (excluding market moves) up 9% and 2% respectively
  - Strong share of new business across products (wrap, corporate and retail)
  - Insurance and private bank positive income generators
  - Expanding reach with Super for Life, Term deposits and life insurance on Wrap and Insurance cross sell at record levels

Key performance indicators	Change FY07 – FY08
Cash earnings	↓ 12%
Insurance operating income	↑ 8%
Advice operating income	↓ 1%
Private bank operating income	↑ 11%

FUM / FUA	Change FY07 – FY08	
	Exclude market move	Include market move
Wrap FUA	↑ 9%	↓ (10)%
Corporate Super FUA	↑ 5%	↓ (10)%
Total FUA	↑ 9%	↓ (10)%
Retail FUM	↓ (4)%	↓ (23)%
Institutional FUM	↑ 19%	↑ 7%
Wholesale FUM	↓ (6)%	↓ (30)%
Total FUM	↑ 2%	↓ (17)%

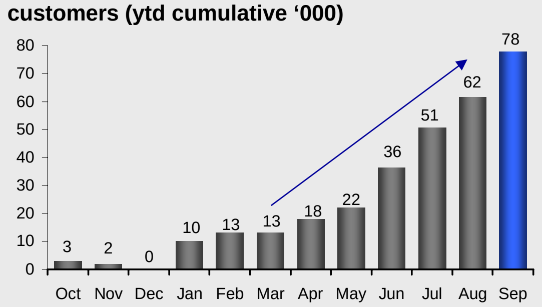
Capitalising on the Super opportunity

- Strong Super pipeline:
  - Share of annual new business ranks in top 3 in major categories, and 2-5 times existing market share
- BT Wrap platform a leading performer:
  - No 1 market share, with 24% of new flows
  - Launched cash trust on platform in April 08, now $1.3bn of term deposits
- BT Super for Life:
  - Online, highly portable, super product, offering simple investment alternatives
  - Awarded 2008 SuperRatings' Fund of the Year Award for Best New product
  - Since launching in October 2007:
    - Over 49,000 customers signed on
    - Signing around 2,500 customers per week with trend accelerating
    - Every branch manager has sold product to at least one customer
  - Introducing new customers – net superannuation customer growth in BT overall 78,000 in 2008

	Current Aust. market share		Share of annual new business	
Product	Market share (%)	Rank	Market share (%)	Rank
Platforms	13	2	24	1
Corp Super	7	6	23	3
Retail	11	4	55	1

Source: Platforms and Retail is Morningstar June 2008; Corporate Super is Plan for Life, June 2008

Net growth in number of Superannuation customers (ytd cumulative '000)



BTIM profit growth in challenging market conditions

- Pro-forma Cash NPAT up 10% to $40m:
  - Mid point of forecast range given on 27 Feb 2008, despite further market declines
  - FUM down 16% to $35bn attributable to market declines
  - Positive flows from institutional and wholesale clients offset retail run-off
  - Out performance by domestic funds across 1, 3 and 5 year periods
  - Margins up 2bp to 37bp
  - Cash expenses down 6% (after equity grant adjustments):
    - Variable costs reduced
    - Cost initiatives
- Well positioned for growth:
  - Experience, brand strength and stability key amid short-term challenges
  - Multi-boutique model winning client support (five major awards including S&P's Fund Manager of the Year)
  - Un-geared balance sheet

Performance and Quartile Ranking	1 yr (% pa)	Quartile	3 yrs (% pa)	Quartile	5 yrs (% pa)	Quartile
Core Australian Share Fund	(22.6)	Q1	6.5	Q2	15.1	Q1
Ethical Share Fund	(24.3)	Q2	7.9	Q1	16.9	Q1
Imputation Fund	(23.8)	Q2	8.4	Q1	17.0	Q1
Focus Fund	(27.2)	Q4	6.8	Q1	NA	NA
Smaller Companies Fund	(27.7)	Q2	6.2	Q2	18.5	Q1
Property	(36.4)	Q1	(1.1)	Q1	7.4	Q1
Domestic Fixed Interest	7.6	Q2	5.3	Q2	5.4	Q3
Managed Cash	7.8	Q2	6.8	Q1	6.3	Q1
Intl Fixed Interest	3.3	Q1	4.3	Q1	5.8	Q1
Intl Equities	(20.5)	Q3	(3.1)	Q4	2.5	Q4
Asian Share Fund	(27.0)	NA	5.6	NA	10.9	NA
Global Return Fund	(9.0)	NA	3.4	NA	6.3	NA
Balanced Fund	(14.1)	Q2	2.9	Q3	8.4	Q1

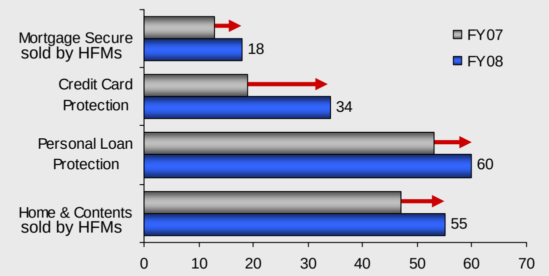
Flagship fund Ratings (S&P)	2008
Core, Imputation, Focus Fund	☆☆☆☆☆
Ethical, Smaller Companies, International, Asian, Global, Balanced	☆☆☆☆
Domestic Fixed Interest, Property	☆☆☆

Source: Page 9, BTIM 2008 Full Year Results Presentation 28 October 2008, available www.btim.com.au

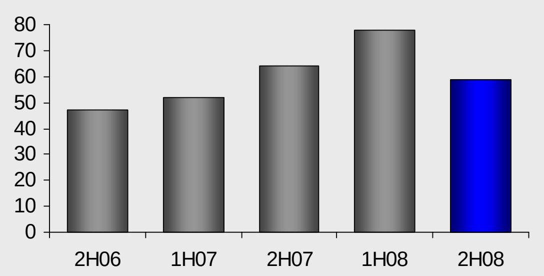
Insurance solid result, strong 2H08

- Cash earnings up 6%, with improved second half, up 16%
- Life insurance cash earnings up 14%
- In-force premium growth of 8%
- Beginning to benefit from expanded reach:
  - Launched Life Insurance on Wrap, sales improving with 35% of sales occurring in 4Q08
- General Insurance cash earnings down 1%, but strong second half:
  - Continued improving levels of cross sell rates mitigating slower mortgage growth
  - Severe weather event claims of $13m, skewed to 1H08, impacting home and contents insurance
  - Increase in mortgage insurance claims of $3m, with mortgage insurance loss ratios rising from 18.6% to 24.5%

Improvements in insurance cross sell rates (%)



Home and contents insurance loss ratio (%)

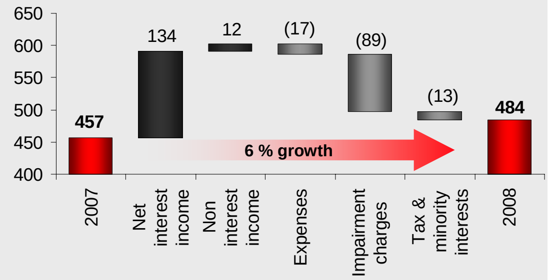


Westpac New Zealand

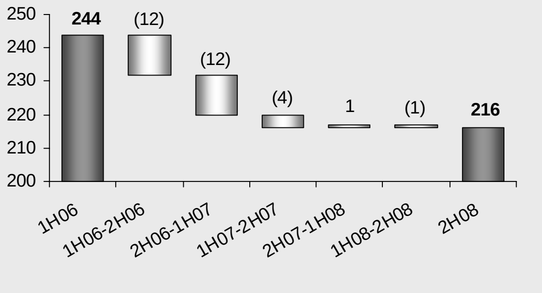
Solid performance in tough conditions

- Cash earnings up 6% on 2007
- Operating income growth of 10% supported by:
  - Loan growth 9% (0.9x system[1])
  - Deposit growth 9% (0.9x system[1])
- Net interest margin down 1bp over the year
  - Re-pricing for risk in business
  - Ensuring higher funding costs reflected in pricing
  - Offset by increased deposit competition
- Continued tight expense management, with expenses up 2%, leading to the expense to income ratio improving 330 bps to 44.2%
- Impairment charges up $89m due to deterioration in the New Zealand economy impacting business customers and driving higher housing delinquencies

New Zealand cash earnings (NZ$m)



New Zealand net interest margin (bps)



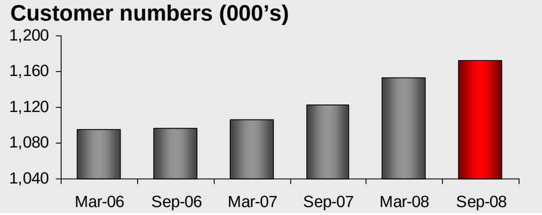
All figures are in NZ$. 1. Source: RBNZ, 12months to August 2008

Westpac New Zealand

Improving fundamentals

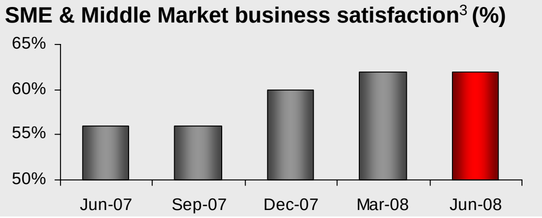
- Customer-focussed strategy continuing to deliver solid growth
- Consistent lending growth over 2008:
  - Consumer lending up 7%, with market share steady at 19%[1]
  - Business lending up 15%
- Deposits up 9%, supported by:
  - Increased term deposits, up 16%
  - Debitplus card remaining market leader
- KiwiSaver product active choice holding an 18% market share
- NZ Consumer Customer satisfaction has improved 14 percentage points over the year, from 47% to 61%

Customer numbers (000's)



Westpac New Zealand consumer satisfaction[2] (%)

SME & Middle Market business satisfaction[3] (%)

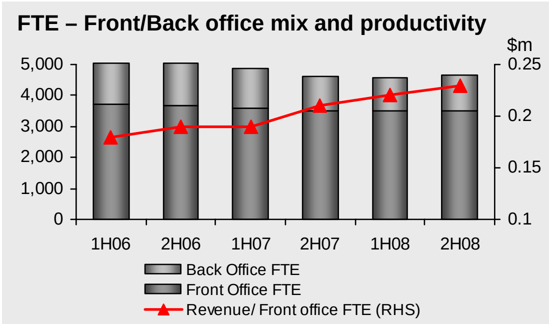


All figures are in NZ$. 1. Source: RBNZ, August 2008 2. Source: Nielsen Consumer Finance Monitor Q407-Q308: 3. Source: TNS Conversa Business Finance Monitor

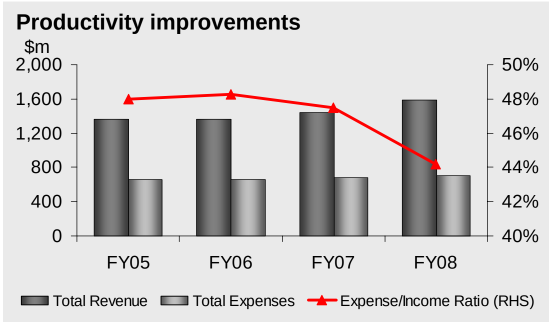
Westpac New Zealand

Productivity focus – expense discipline

- Revenue per front office FTE up 12%
- Additional investment in Collections, Recoveries & Asset Management reflecting response to weakening economic conditions



- Improved expense to income ratio, down 330bps to 44.2%, driven by:
  - Supplier contract renegotiations
  - Ongoing process improvements through major projects including: New Zealand Loan Origination (automation of loan processing); workforce optimisation; call centre effectiveness; and improvements in cash handling

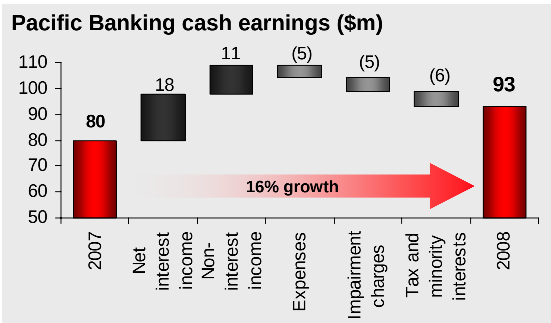


All figures are in NZ$.

Pacific Banking

Improved economic conditions supporting growth

- Cash earnings up 16% on 2007, driven by:
  - Strong asset growth, up 33%
    - Strong economic growth due to the commodity price boom benefited Papua New Guinea in 2008, resulting in increased investment
    - Relatively strong growth experienced in Vanuatu, Samoa and Solomon Islands
  - Strong FX income growth in Papua New Guinea
  - Deposits increased 36% to $2.2bn
- Impairment charges increased by $5m, primarily due to portfolio growth and credit downgrades



Economics

October 2008

Economics — Australian and New Zealand economic outlook

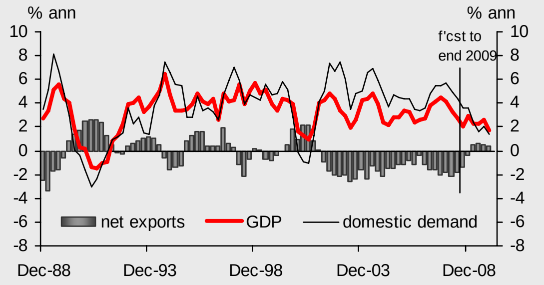
Key economic indicators as at October 2008	Calendar year 2007	2008f	2009f
World			
GDP	4.9%	3.9%	3.0%
Australia[1]			
GDP	4.2%	2.8%	2.2%
Private consumption	4.5%	3.0%	2.0%
Business investment[2]	12.2%	8.0%	-1.0%
Unemployment – end period	4.2%	4.7%	5.7%
CPI headline - year end	3.0%	4.9%	3.1%
Interest rates – cash rate	6.75% (Dec 07)	5.00% (Dec 08)	4.50% (Dec 09)
New Zealand			
GDP	3.2%	0.8%	1.5%
Unemployment – end period	3.4%	4.4%	5.0%
Consumer prices	3.2%	3.6%	2.0%
Interest rates – overnight cash rate	8.25% (Dec 07)	6.00% (Dec 08)	5.50% (Dec 09)

1. GDP and component forecasts are reviewed following the release of quarterly national accounts. 2. Business investment adjusted to exclude the effect of private sector purchases of public assets. Source: Westpac Economics

Economics Australia to slow but avoid recession

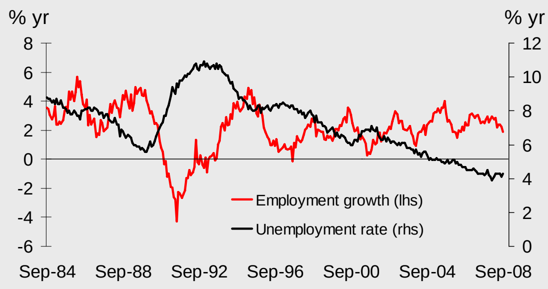
- Australian economic activity expected to slow although likely to avoid recession
- Australian fundamentals remain sound:
  - Unemployment rate at historic low in 2008 providing good income support
  - Commodity prices still well above historic averages and 30% fall in the AUD has cushioned the impact of recent falls
  - No significant over supply in key asset markets including commercial and residential property
  - Corporate sector conservatively geared and no excessive investment
- Government budget remains in surplus, and Federal Government has no net debt, combined with relatively high interest rates the official sector has significant policy flexibility
  - Government already announced a $10.4bn fiscal stimulus package equivalent to 1% of GDP
  - Timely and aggressive easing of fiscal and monetary policy – further scope to cut

Australia's economic growth



Sources: ABS, Westpac Economics

Employment growth and unemployment rate



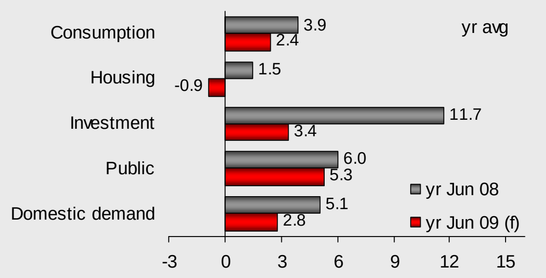
Sources: ABS, Westpac Economics

Westpac

Economics Australian domestic demand on track for a soft landing

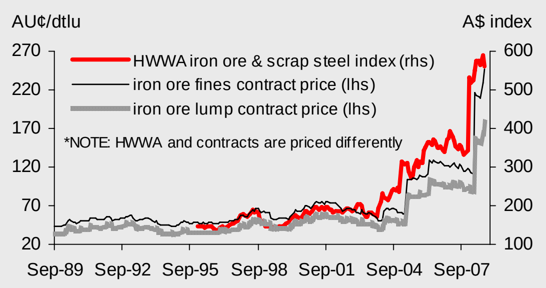
- Australian economy expected to maintain growth and avoid recession:
- Supporting growth will be:
  - $10bn Government support package including payments to consumers and pending tax cuts to lift consumption
  - Modest policy-generated housing upswing by 2009H2 from first home buyers grant
  - Capital spending likely to remain strong in resource sector, supported by huge project pipeline
  - Increase in government infrastructure spending to impact in 2009
  - Official sector retains policy flexibility
- Main negatives include:
  - Impact of high interest rates through 2007-08
  - Shock from financial crisis impacting confidence
  - Wealth impact from lower asset prices
  - More challenging credit conditions particularly for business
  - Weaker global economy

Australia's economic growth mix



Sources: ABS, Westpac Economics

Australian iron ore export and contract prices



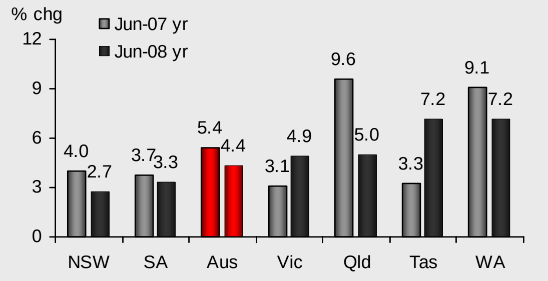
Source: Westpac Economics, ABS, Bloomberg, ABARE

Westpac

Economics

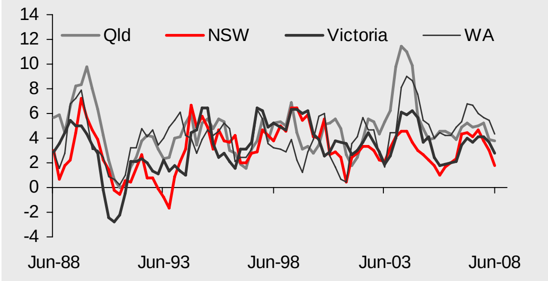
Australian economy: a state perspective

Domestic demand: mixed performance (% ann)



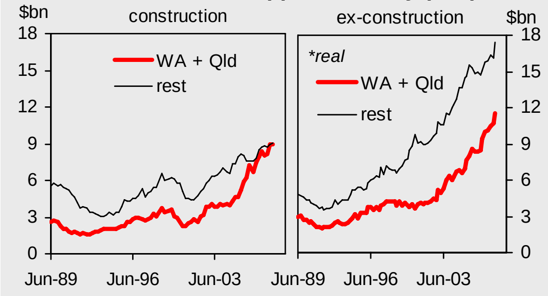
Sources: ABS, Westpac Economics

Consumer spending (% ann)



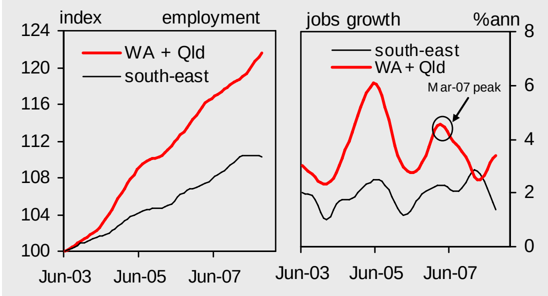
Sources: ABS, Westpac Economics

Business investment supports activity ($bn)



Sources: ABS, Westpac Economics

Jobs market cools

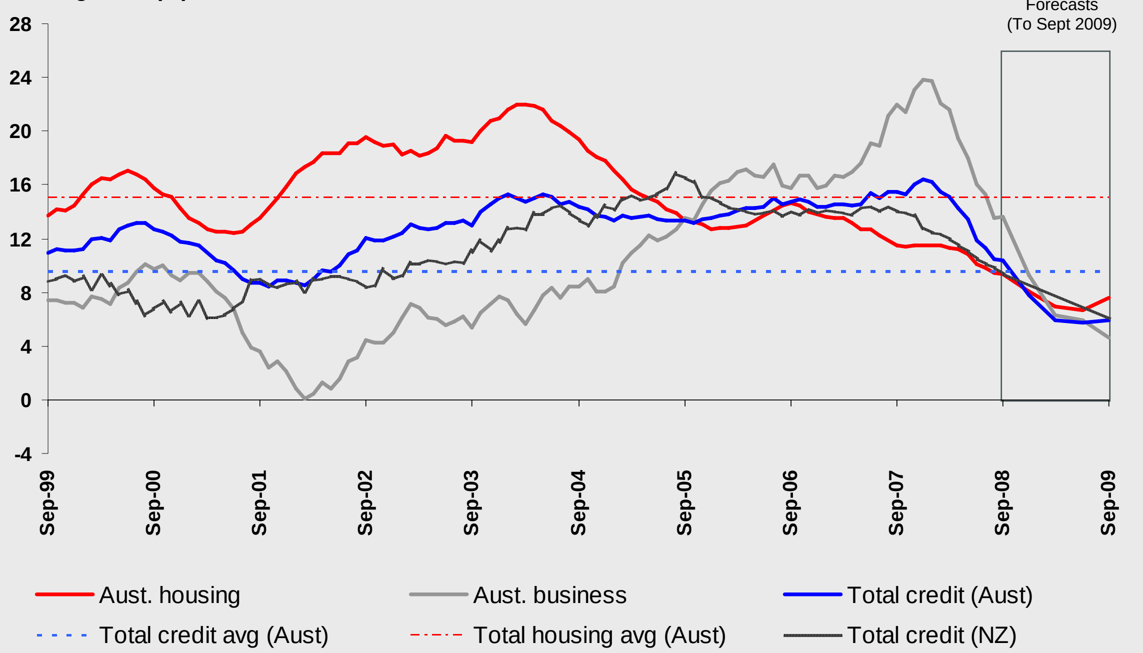


Sources: ABS, Westpac Economics

Economics

Credit growth to decline reflecting a de-gearing of both businesses and households

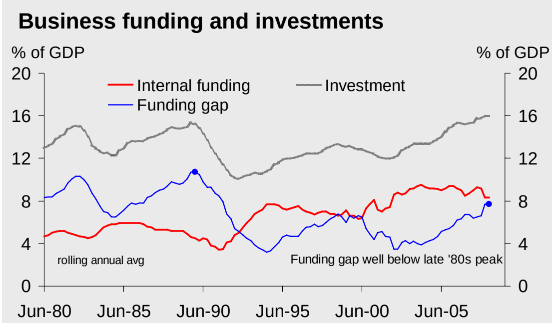
Credit growth (%)



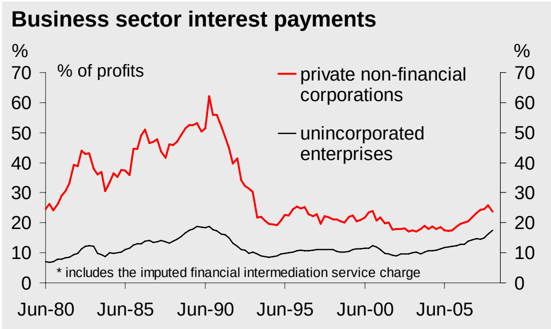
Source: RBA, RBNZ, Westpac Economics

Australian business balance sheets in good shape

- Fundamentals of the corporate sector are sound – a view articulated by the Reserve Bank in the September 2008 Financial Stability Review
- Retained earnings averaging 9% of GDP since 2003 - nearly double the 1980s average, and up a little from the 1990s
- The interest servicing ratio for larger business has increased, but remains well below the 1980s and early 1990s peak
- The ratio for unincorporated enterprises is high by historical standards – rate cuts by the RBA will ease this pressure
- Investment spending is at historical highs as a share of GDP, however, the amount of external funding needed has been much less than during other periods of strong investment (such as the late 1980s)



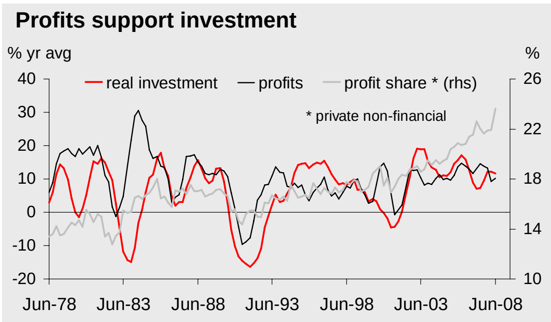
Sources: ABS, RBA



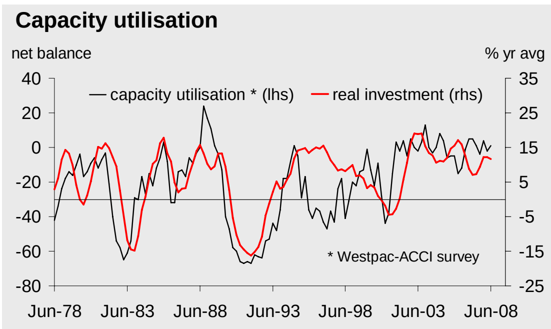
Sources: ABS, RBA

Australian business – no over-investment

- Corporate Australia lifted investment spending over recent years in response to very supportive fundamentals:
  - Ongoing solid domestic and offshore demand
  - High capacity utilisation
- Those positive fundamentals were still evident in the first half of 2008. While some softening in conditions is inevitable, they are expected to remain well above recession type contractions
- The commodity boom lifted the profit share to historic highs. Moreover, profitability in the broader economy is at healthy levels. Non-financial corporate profits, ex-mining, increased by more than 10% over the year
- The economy has been operating at close to full capacity for some time. A moderation in utilisation levels is evident in the last three months, bringing it more into line with the average of the last decade. No indication of over investment, in contrast with some past cycles



Sources: ABS, Westpac Economics

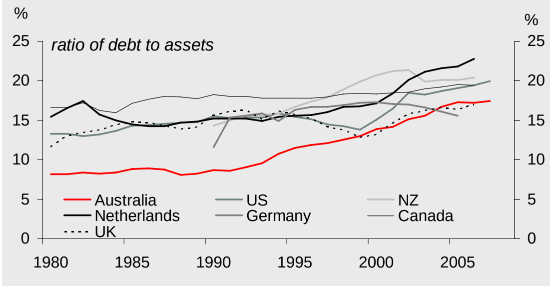


Sources: ABS; ACCI, Westpac Economics

Australian consumer indebtedness high but manageable

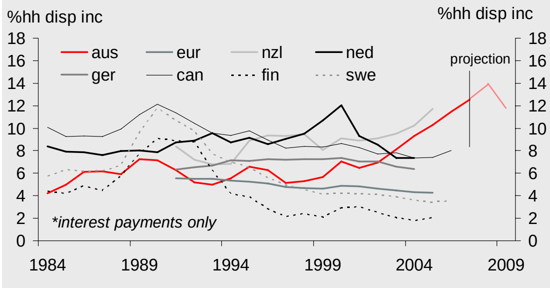
- Consumer debt much higher in this cycle, 160% of disposable income vs 60% in 1990
- However debt to income ratios do not capture serviceability or gearing
- Most consumer debt is housing related debt, with rising debt matched by rises in housing assets. Gearing has risen from 8.7% to 17.4%; low by international standards and from a very low starting point (i.e. Australian households were, arguably, significantly under-geared up until the early 1990s)
- The bulk of the rise in debt has been by higher income, high net worth households best placed to meet their debt servicing obligations
- Household debt servicing costs have risen steadily since 2002 to over 12% of income; a high level by international standards. However, roughly half of the rise is due to higher interest rates; lower rates will see the debt servicing ratio fall back below 12% in 2009
- The main risk to debt servicing surrounds labour market conditions. Although we expect to see a steady rise in the unemployment rate in 2009 widespread labour-shedding is not expected

Household gearing ratio (% ratio of debt to assets)



Sources: Westpac, RBA

Household debt servicing ratio

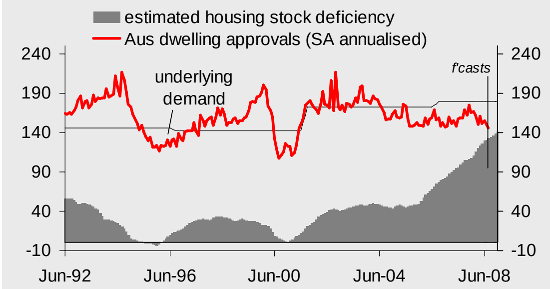


Sources: Westpac, RBA

Australian residential property market supported

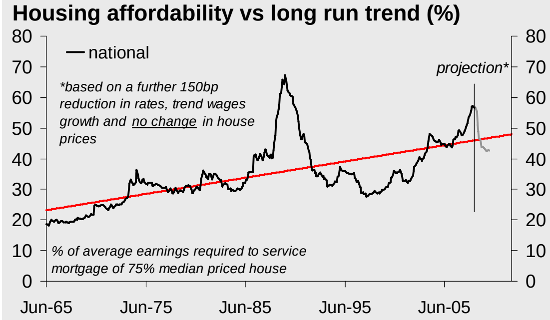
- Australian residential property markets are slowing; price growth has stalled and construction activity has weakened notably since early 2008
- However, the downturn has been much less severe than in other global markets due to significant housing stock deficiency; construction has been running well below requirements over the last four years with ‘pent-up’ demand for housing now approaching 140,000 units
- Construction has already been constrained by high interest rates and a lack of affordability – both will improve significantly by early 2009. The Federal Government’s Additional First Home Buyer’s grant will also lift demand for newly built dwellings
- The combined result is expected to see a modest upturn in construction through 2009

Approvals and housing stock deficiency (‘000)



Sources: ABS, Westpac Economics

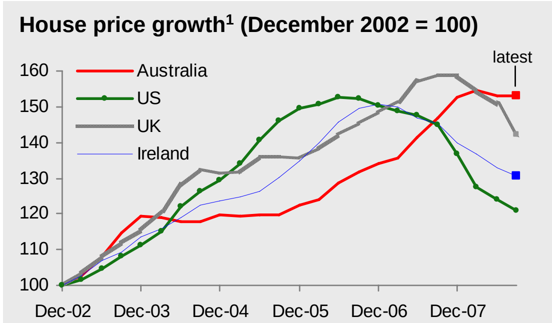
Housing affordability vs long run trend (%)

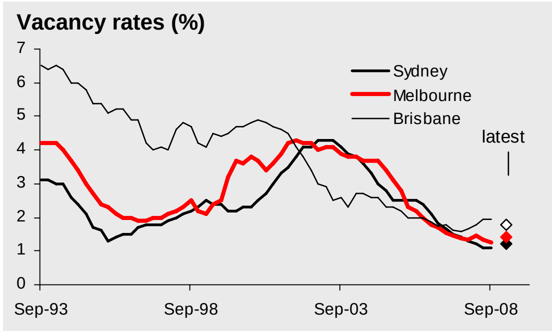


Sources: REIA, ABS, RBA, Westpac

Economics Australian residential property prices resilient

- Australian house prices have risen strongly over the last 15 years but growth has been uneven across different markets since 2003
- Price growth has stalled since the start of 2008, with slight declines in most markets, however falls have been mild compared to other countries
- Australian house prices are being supported by substantial pent-up demand for dwellings and population growth boosted by immigration
- Most evident in rental vacancy rates:
  - Below 1.5% nationally and around 1% in Sydney and Melbourne
- Unlike other global markets, banks have continued to provide credit, supporting demand
- Interest rate cuts and an increase in first home owners grants are expected to provide further support to housing demand and prices



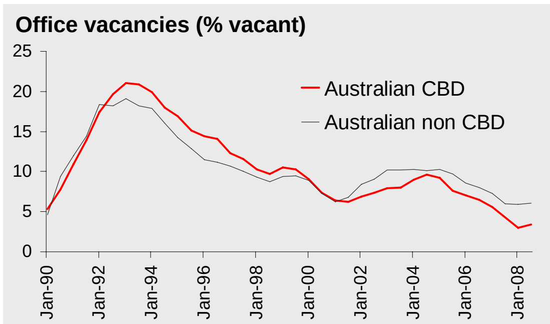


Sources: ABS, Westpac Economics

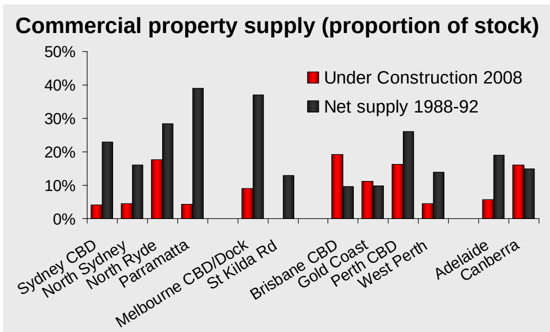
1. Source: JPMorgan; Department of the Environment, Heritage & local Government; US: S&P/Case-Schiller Home Price Index – 20-city; UK: Nationwide house price index; Australia: House price index – weighted average of 8 capital cities; Ireland: Average New House Price.

Economics Australian commercial property

- Short term commercial property sentiment is weak - property yields easing, leading to lower market values
- However, medium term fundamentals are sound:
  - Income servicing ability solid, e.g. 96% of properties in office market paying income, supported by low vacancy rates
  - Limited oversupply
- However, there are challenges from high supply in a few markets – such as Brisbane CBD and some Brisbane regional areas – retail bulky goods and outer areas of industrial Sydney, Melbourne and Brisbane
- Expect some correction into 2009 with higher yields and lower property prices



Source: PCA

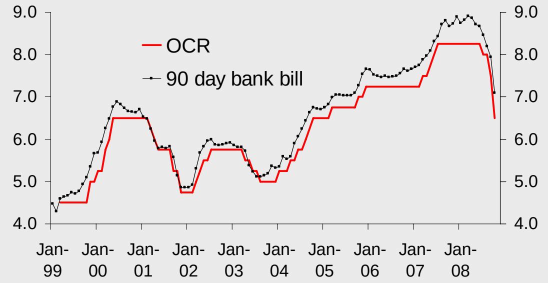


Sources: PCA, Westpac Property

Economics New Zealand activity to improve modestly in 2009

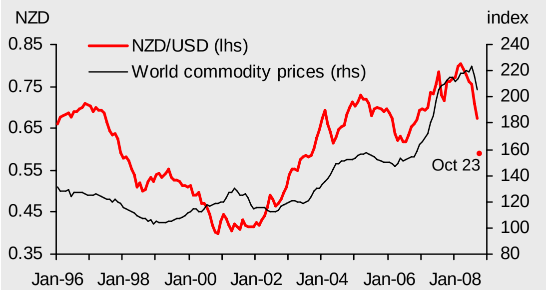
- New Zealand economy has been adversely impacted by drought, slowing global growth and credit market dislocation, with GDP growth contracting in the first half of the year
- While the outlook for growth remains weak, there are some offsetting factors:
  - The Reserve Bank of New Zealand has flexibility to cut interest rates to support domestic activity:
    - Current OCR is at 6.50%
    - 175bps already cut since June and further rate cuts expected
  - Lower New Zealand dollar provides some buffer to weaker commodity prices and lower export demand
  - Large fiscal policy expansion via tax cuts and increased government spending

New Zealand interest rates (%)



Source: RBNZ

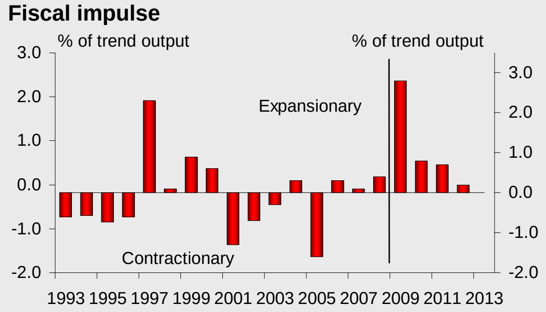
Currency and commodity prices



Source: RBNZ, ANZ

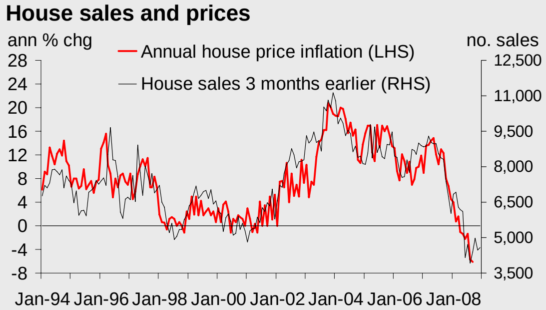
Economics New Zealand economy – large policy response

Fiscal impulse



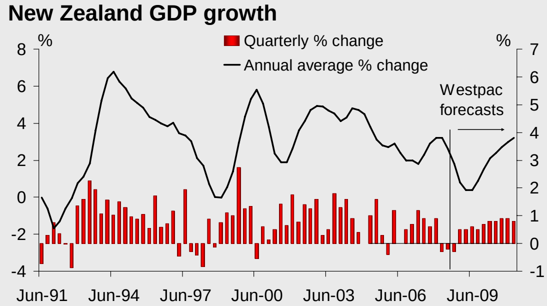
Source: NZ Treasury 2008 PREFU

House sales and prices



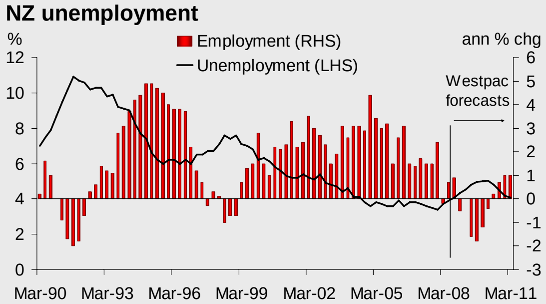
Source: REINZ

New Zealand GDP growth



Source: Statistics NZ, Westpac

NZ unemployment



Source: Statistics NZ, Westpac

Investor Relations

Andrew Bowden
Head of Investor Relations
+61 2 8253 4008
andrewbowden@westpac.com.au

Hugh Devine
Senior Manager, Investor Relations
+612 8253 1047
hdevine@westpac.com.au

Leigh Short
Senior Manager, Investor Relations
+612 8253 1667
lshort@westpac.com.au

Jacqueline Boddy
Manager, Investor Relations
+61 2 8253 3133
jboddy@westpac.com.au

or email:
investorrelations@westpac.com.au

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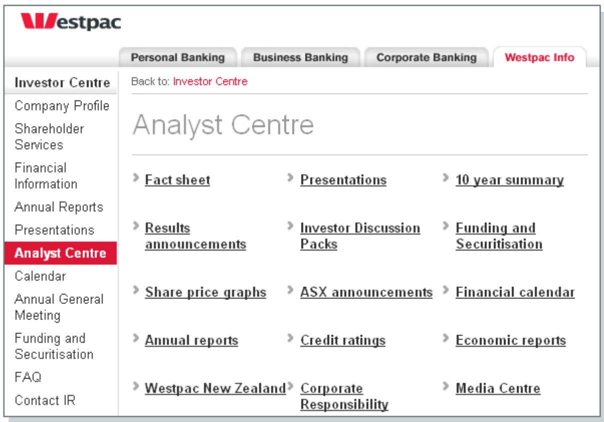

Definitions

Westpac's Business Units	
CFS	Consumer Financial Services
BFS	Business Financial Services
WIB	Westpac Institutional Bank
BT	BT Financial Group
NZ	Westpac's New Zealand operations
PB	Pacific Banking
GBU	Group Business Unit
Financial Performance	
Cash earnings	Net profit attributable to equity holders adjusted for the impact of the economic hedges related to TPS 2003, significant items that are one-off in nature, earnings from Treasury shares, gains/losses on ineffective hedges and the impact of unrealised New Zealand earnings hedges gains/losses
AIEA	Average interest earning assets
Adjusted Common Equity (ACE) ratio	ACE is calculated as Tier 1 capital less hybrid equity and investments in non-banking subsidiaries (excluding those held in our Specialised Capital Group (SCG)). This is divided by risk weighted assets

Asset Quality	
Impaired assets	Impaired assets can be classified into the following categories; 1) Non-accrual assets: Loans with individually assessed impairment provisions held against them, excluding restructured loans; 2) Restructured assets: Assets where the original contractual terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer; 3) 90 days past due: Consumer exposures where contractual payments are 90 days or more in arrears and not well secured
90 days past due - well secured	A loan facility where payments of interest or principal are 90 or more days past due and the value of the security is sufficient to cover the repayment of all principal and interest amounts due, and an additional six months interest
Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
RWA	Risk weighted assets
TCE	Total committed exposure

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