Westpac Update
8 August 2008

Gail Kelly
Chief Executive Officer
Westpac Banking Corporation

Agenda

Gail Kelly	Strategic journey, merger update and earnings expectations
Philip Chronican	Westpac Institutional Bank (WIB) update
Phil Coffey	Funding, Risk and Capital

Key points

- Achieving good progress on our strategic agenda - putting customers at the centre of our business
- Proposed merger with St.George Bank on track
- Westpac remains well positioned in the current environment
- On track for solid cash earnings growth, with risks well managed

We are accelerating 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 • Reorientated investment around specific customer needs and segments
Distribution	• Strengthen and drive locally empowered businesses	• Local market model refined to include wealth and business - staged roll out planned • Increasing skills and leadership in the field

We are accelerating our strategic agenda

	1H08 Commentary	Progress
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 to increase the focus on this important strategic capability • Immediate focus on strengthening reliability • Development of longer-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'

New operating model focuses on the customer

Westpac Retail and Business Banking

Wealth

Institutional

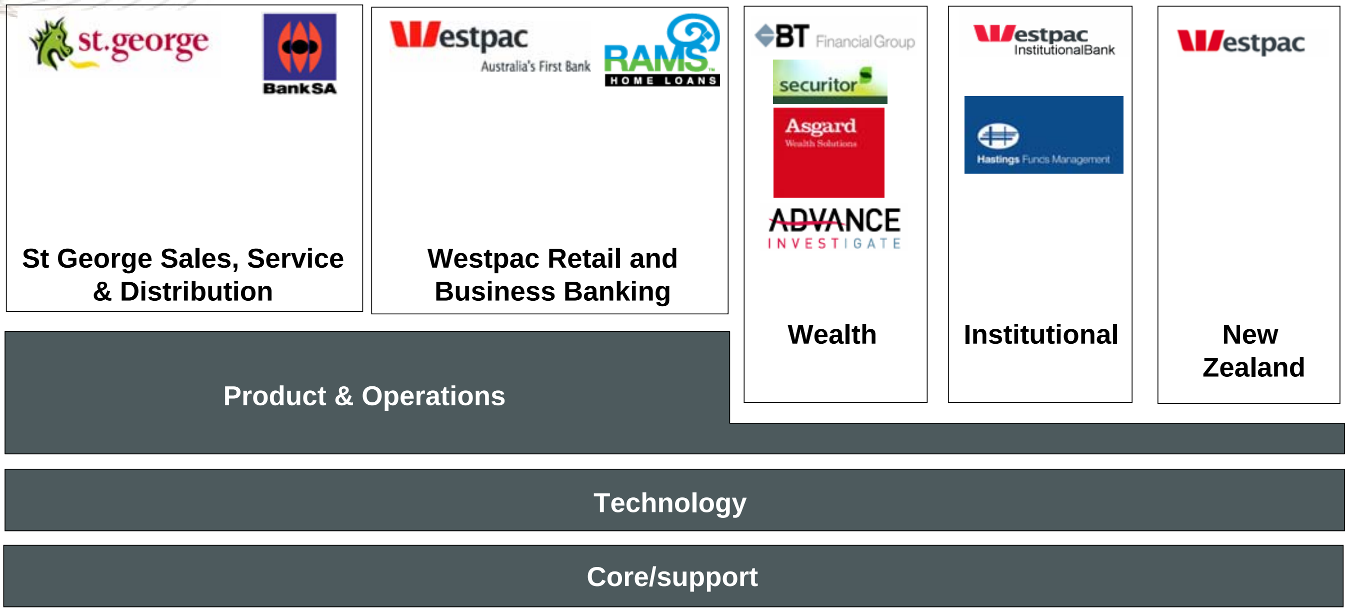
New Zealand

Product & Operations

Technology

Core/support

Model protects customer choice post merger



Proposed merger on track

- Preliminary ACCC findings positive
  - No issues of concern in banking business
  - More information requested on BT Wrap platform and Asgard
- Continuing dialogue with the regulators
- Merger implementation planning underway
- Working to complete transaction as soon as possible

Key Merger Dates

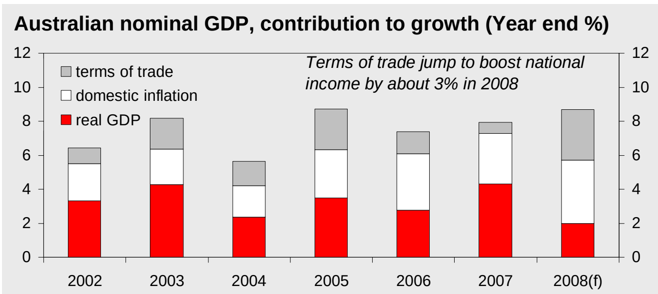
20 Aug	Final ACCC report due
By 30 Aug	Expect regulatory approvals are obtained
1 Sept	Draft of scheme booklet to ASIC
By 29 Sept	Mailing scheme booklet to St.George shareholders
6 Nov	St.George EGM and scheme meeting
7 Nov	Court approval date Final day of trading of St.George shares
21 Nov	Implementation date

Merger implementation planning well advanced

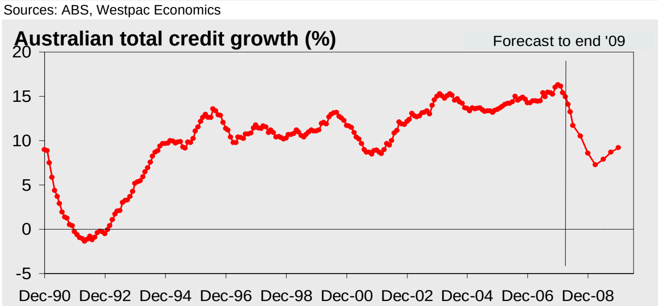
- Transformation team in place
- Clearly identified risks and are actively being addressed
- Well advanced in planning for completion:
  - Prioritising ‘Day One’ critical activities
  - Working with implementation committee to capture data, build work streams and become execution ready
  - Dedicated senior team aligned to business – protecting business as usual
  - Refining operating model to establish clear accountabilities
- Ensuring Westpac is merger ready
- Best practice sessions with multi-brand organisations to learn from the best

Economy responding to tighter conditions

- Domestic demand has slowed in 2008
- Downside to growth partially offset by:
  - Stronger terms of trade
  - Employment growth slowing modestly
  - Options to boost growth remain
- Global markets remain unsettled
- Credit growth slowing to annualised rate of 5.6% in the three months to June 2008
- Funding remains expensive but accessible
- Credit quality continues to deteriorate
- Expect a cut in interest rates in Sept 2008
- NZ economy slowing more sharply



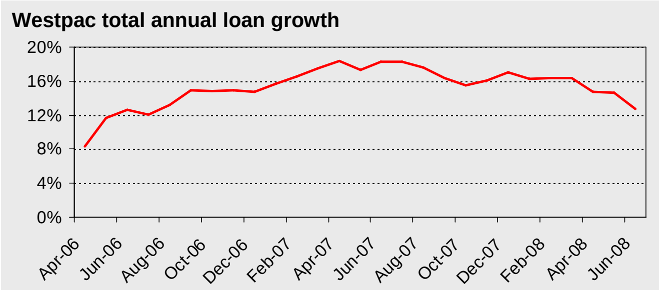
Sources: ABS, Westpac Economics

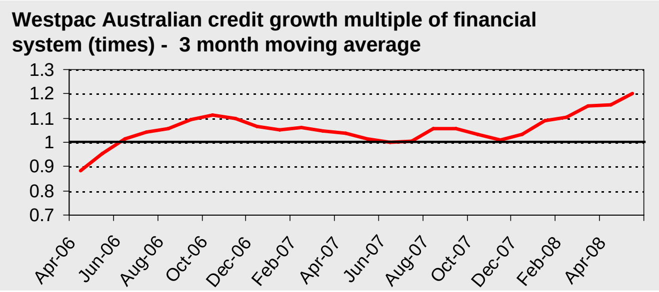


Sources: RBA, Westpac

Westpac growth sound, but slowing

- Westpac loan growth easing, although remains ahead of system
- Housing growth solid, up 3.7% over 3Q08
  - 1.5 times system
  - Proportion of loans via brokers little changed (around 36% from 38%)
- Continued below system growth in cards (0.5 times banking system)
- SME and middle market business lending up 6% over 3Q08 (boosted by end of June flows)
- NZ lending up 1.8% in 3Q08 (Annualised 7% compared to 1H08 of 12%)
- Deposits up 1.7% in 3Q08, solid business/ institutional growth, disappointing consumer





Expecting a solid 2008 performance

Revenues	• Robust revenue growth of 8 - 9% anticipated
Margins	• Little change in underlying margins expected in 2H08 compared to 1H08
Non-interest income	• Wealth earnings significantly impacted by declines in markets • Good WIB markets and Treasury performance
Expenses	• Expense run-rate slowing, expecting full year expense growth around 6 - 7%
Impairment charges	• No new large single name impaired assets compared to 1H08 • Higher collectively assessed provision charge in 2H08 compared to 1H08 given further increase in economic overlay, credit deterioration and growth
Cash earnings	• On track for 6 - 8% cash earnings growth for FY 2008

Managing risk remains a priority

- Maintaining our credit and market risk disciplines
- Executive management committee focused on market dislocation continues:
  - Proactively tracking and responding to emerging trends
  - Maintaining intensity of effort on risk management in the current environment
- Ensuring strong focus on business-as-usual:
  - Limiting distraction from the merger process
  - Strong progress on our strategic agenda
  - Continuing to support our customers
- Expecting higher collective provisions in 2H08, including higher economic overlay
- Maintaining a very healthy capital position a priority

Westpac Update

8 August 2008

Philip Chronican
Group Executive
Westpac Institutional Bank

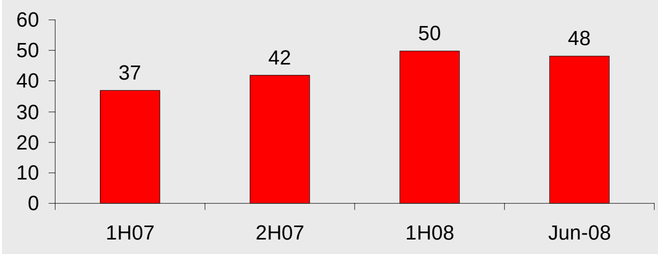
Key points

- Beginning to see a slow down in loan growth
- No new WIB impaired assets over the quarter
- Valuation risks in loan portfolio management activities well controlled
- Effectively managing the current environment

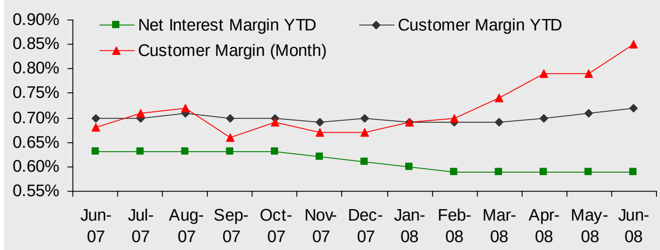
Corporate lending has eased; return metrics improving

- Loan growth has now eased:
  - Re-intermediation has run its course
  - Slower demand in the second half
  - Corporates using cash to reduce leverage
- Financing spreads have risen to reflect increasing market credit spreads
- Improving loan terms and conditions

Institutional Bank lending ($bn)



Financing margins[1]

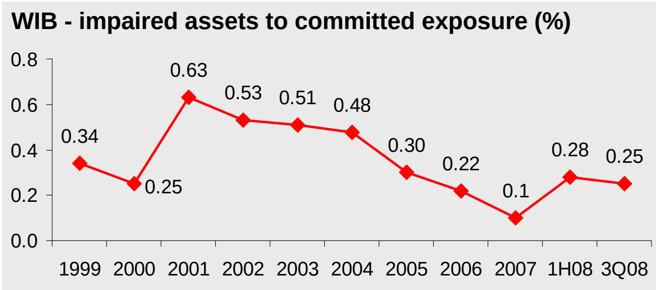


1. Customer margin YTD and net interest margin YTD are 12 month rolling average. Customer margin by month and YTD are incremental to BBSY. Net interest margin YTD includes the cost of funds.

Stressed loans stabilised over the quarter

- No new WIB impaired assets in 3Q08
- Impaired assets reduced as proportion of TCE
- Provision coverage of impaired assets likely to rise
- Stressed loans marginally lower:
  - Upgrades from debt repayments and improved financial position of some exposures
  - Small number of downgrades
- Average portfolio risk grade is unchanged

Institutional Bank stressed loans (A$m)	1H07	2H07	1H08	3Q08
Watchlist	508	813	395	537
Substandard	95	140	508	337
Impaired	219	134	443	400
TOTAL	**822**	**1,087**	**1,346**	**1,274**



Active management of lending portfolio

- Enhances the economic profit of the loan portfolio through efficient capital management
- This is achieved through the use of:
  - Credit Default Swaps (CDSs)
  - Collateralised Debt Obligations (CDOs)
  - Collateralised Loan Obligations (CLOs)
- We target a ratio of hedging between 5% and 15% of our loan portfolio
- CDSs, CDOs and CLOs are used to:
  - Trade credit and service customer needs (normal market trading activities)
  - Create structured product for customers
  - Enhance risk adjusted returns through portfolio diversification
- CDOs and CLOs also provide an offsetting volatility hedge for our CDS exposures

Active management of credit portfolio

- Westpac's underlying exposures through CDSs, CDOs and CLOs are either:
  - Global and Australian corporate risk
  - Australian AA or AAA rated RMBS
  - UK AAA Prime RMBS ($61m)
  - No direct exposure to US mortgages or other US ABS product

CDSs

- Around 60 counterparties – no US monolines
- Netting and collateral agreements in place

CDOs and CLOs

- Portfolio of AAA rated assets with underlying corporate risk

Credit Portfolio position as at 31 July 2008	
Total aggregate committed exposure	$161bn
WIB total loan assets	$48bn
Bought protection (CDS)	$4.9bn
Sold protection - CDS - CDOs/ CLOs	$0.1bn $0.4bn

Active management of credit portfolio

- All our CDSs, CDOs and CLOs:
  - Are held on balance sheet
  - Are marked-to-market by an independent middle office using external marks – changes in the market value are recognised in the financial statements on a monthly basis
- 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 12 months
- All transactions performing with sound underlying fundamentals

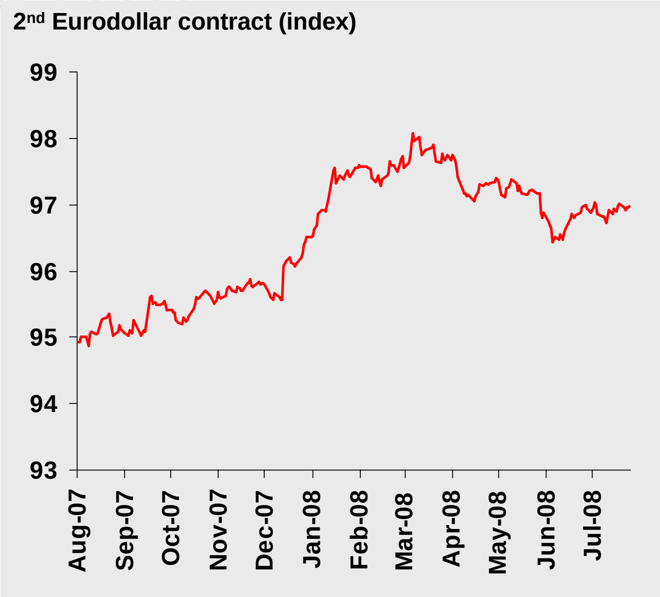
Market sensitive exposures

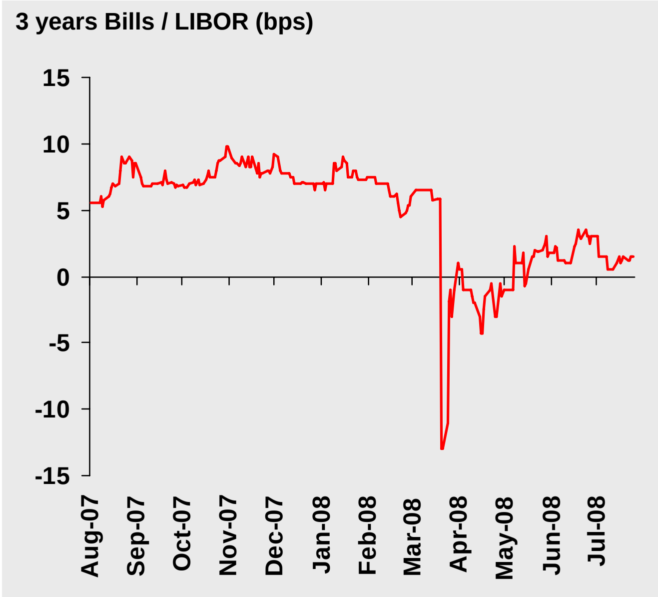
Asset-Backed Commercial Paper (ABCP) conduits as at 31 July 2008	• One Westpac-sponsored ABCP conduit – Waratah Receivables Corporation: - In operation since 1994, offering quality Australian and New Zealand assets originated by Westpac customers, primarily prime mortgages (no sub-prime) - Does not purchase securities in secondary markets - Continues to be fully funded in the market - Approximately A$4.7bn outstanding • Liquidity facilities to external customer conduits total approximately A$830m - US$ related receivables A$145m (none drawn) - A$ related receivables A$200m (none drawn) - NZ$ related receivables A$486m (A$214m drawn)
Asset Backed Securities (ABS) as at 31 July 2008	• Holding UK AAA-rated RMBS (A$61m) and Australian AAA-rated (A$752m) and AA-rated (A$8m) RMBS • Treasury holds A$1.1bn RMBS in its liquidity book – all prime Australian residential • ABS positions are held for market making and customer facilitation

Market sensitive exposures

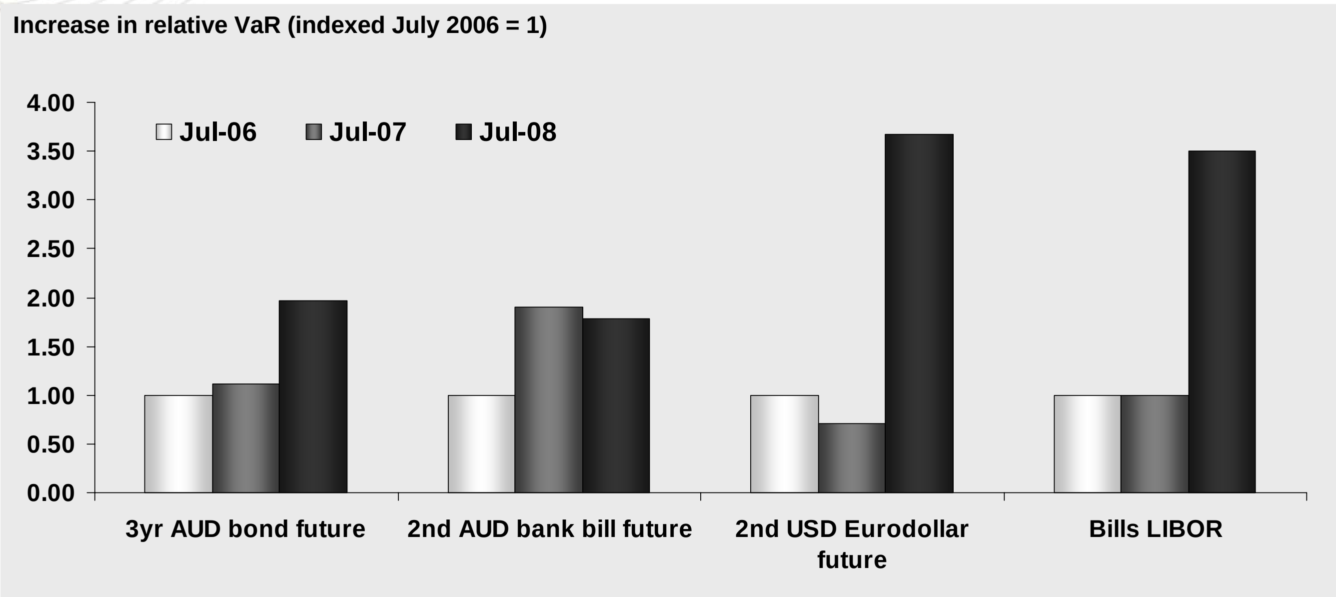
Monoline insurance exposures as at 31 July 2008	• Small holding of bonds 'wrapped' by monoline insurers of approximately A$35m – fair value movements not material • Some loans, predominantly to infrastructure/utilities firms, that have an insurance 'wrap' - total lending approximately A$300m with no credit concerns • Credit assessment conducted on underlying borrower
US Government Mortgage Entities	• No exposure to Fannie Mae or Freddie Mac

Markets have remained volatile





Higher volatility increases measured VaR



VaR has increased - little change in structural risk

- Measured VAR has increased materially despite little change in underlying positions
- Increased holdings of liquid assets has resulted in a significant increase to the VaR for Treasury
- Treasury VaR has also been impacted by volatility in cross-currency swaps
- Relative to other banks we have more Treasury risk in our marked-to-market book than in the banking accrual book

Markets	1H07	2H07	1H08	3Q08
Average VaR (A$m)	4.7	5.3	7.1	10.3

Treasury	1H07	2H07	1H08	3Q08
Average VaR (A$m)	8.4	7.2	9.9	19.7

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Margin lending quality improved

- Margin lending balances at 30 June 2008:
  - 2% lower since March 2008
  - 14% lower since September 2007
- No structured wholesale stock lending facilities, where security is held over end customers' holdings
- Impairment charges in 2H08 will include an additional $10m on a previously reported exposure, now fully provisioned
- Portfolio gearing has increased modestly as market values have declined

Margin lending	Sep '07	Dec '07	Mar '08	Jun '08
Portfolio size ($bn)	$4.9	$5.2	$4.3	$4.2
Gearing / LVR	41%	43%	46%	49%

Margin calls	Sep '07	Dec '07	Mar '08	Jun '08
Number	359	679	2,682	1,379
% of clients	2%	4.5%	17%	9%
Forced sales	0.2%	0.04%	6%	0.4%

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Response to current environment

- Remain "open for business"
- No distraction from portfolio issues
- Maintaining risk disciplines
- Active management of transaction flow and pricing
- Reviewed and acted on key portfolios:
  - Finance sector – impact of both offshore credit crunch and the flight to quality
  - Property sector – asset valuation issues coupled with significant cost of debt
  - Retail sector – softening consumer demand
  - Margin lending
- Refinance risk generally – particularly for higher geared companies
- Seeking opportunities to enhance competitive position

Summary - position much as articulated in May 2008

- Loan growth slowing, returns improving
- No new impaired exposures
- Measured VaR is up – trading results are commensurate with the increase in VaR
- Margin loan book stabilised, with top up provision to one exposure
- Limited valuation risks in securities portfolio
- Effectively managing the current environment
- Strong competitive position to support clients

Westpac Update
8 August 2008

Phil Coffey
Chief Financial Officer
Westpac Banking Corporation

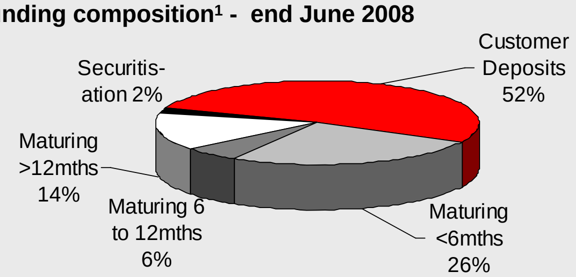
Key points

- FY08 funding plan completed; pre-funding commenced for FY09
- Markets remain challenging, but open
- Economic growth slowing more rapidly, credit conditions tracking in line
- Strong capital position preferred in current environment

Completed FY08 term funding

- A$32bn raised in term funding to date – keeping ahead of plans
- 2008 term issuance average duration 2.9 years
- Strong liquidity position around $30bn
- FY09 term funding expected to be lower:
  - ~A$20bn to $25bn (pre SGB merger)
  - Expect merger to add around $10bn in term funding
  - No reliance on securitisation

Funding composition[1] - end June 2008



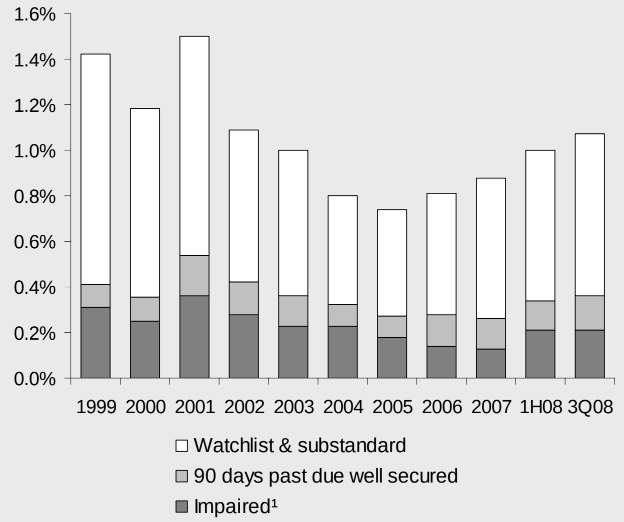
1. Represents % of the funded balance sheet.

Westpac key term debt transactions (Apr to July 2008)		
EMTN Fixed Rate Note	4 year	CHF 250m
Retail Samurai Fixed Rate Note	3 year	JPY 21.6bn
Domestic Fixed Rate Notes	3 year	AUD 1.15bn
Uridashi Fixed Rate Note	2 year	AUD 480m
Subordinated Fixed/Floating Rate Note	10nc5	AUD 660m

Risk – portfolio performing consistent with cycle

- Continuing to see the impact of a slowing economy on credit risk
- Most increase in stressed exposures from higher watchlist and substandard loans:
  - Predominantly SME and middle market businesses in Australia and New Zealand
- Impaired exposures only up $27m over the quarter:
  - Only 3 new impaired exposures of any size; largest new impaired asset $19m
  - Some exposure reductions
- Provisioning coverage remains strong
- Performance reflects the quality of the balance sheet

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



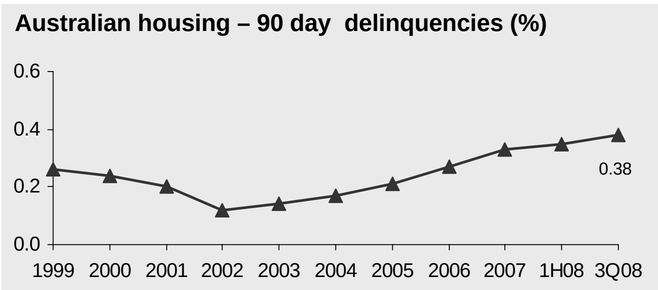
1. Westpac's impaired assets from 2005 reflect APRA's prudential approach to the adoption of A-IFRS by ADI's to include consumer accounts > 90 days past due but not well secured.

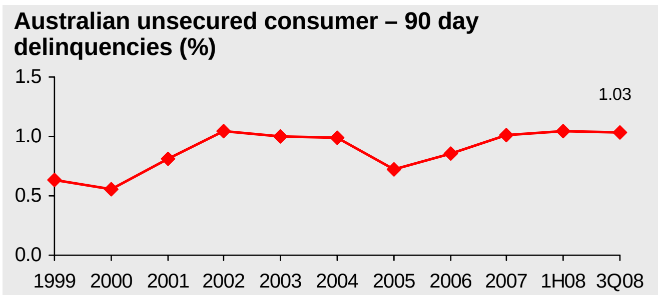
New Zealand – a more challenging market

- Economy is responding to tighter conditions
- Sharp rise in stressed exposures in 3Q08 including NZ$60m increase in impaired assets (NZ$44m of which are mortgages)
- Delinquencies also higher:
  - Housing 90 day delinquencies 38bps (vs 34bps at 1H08)
  - Cards 90 day delinquencies 120bps (vs 114bps at 1H08)
- Small exposure to finance companies, <NZ$150m. Portfolio is being managed centrally to actively manage risk
- Enhanced focus on assisting customers:
  - Additional collections employees
  - Front line employees engaged to identify and contact stressed customers early

Australian consumer portfolio showing resilience

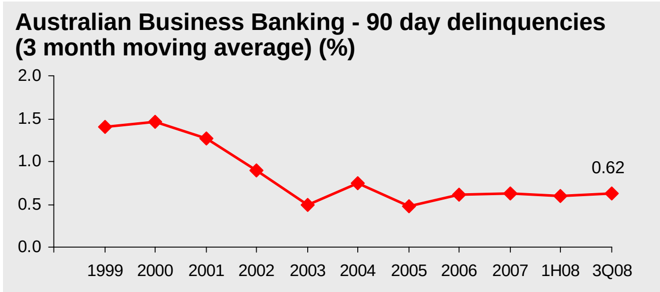
- Rise in consumer delinquencies consistent with the credit cycle
- Mortgage delinquencies up, given higher interest rates and portfolio mix (more low doc loans)
- Card delinquencies resilient, given maturity of portfolio and slower growth
- Investment in collections resources is delivering returns





High quality small and medium business portfolio

- Comfortable with portfolio although we are seeing an increase in stress
- Rise in watchlist and impaired assets given higher interest rates, higher oil prices and slowing growth
- Small rise in 90 day delinquencies although 30 day delinquencies rising more rapidly
- Closely watching certain sectors including tourism, property, transport and storage

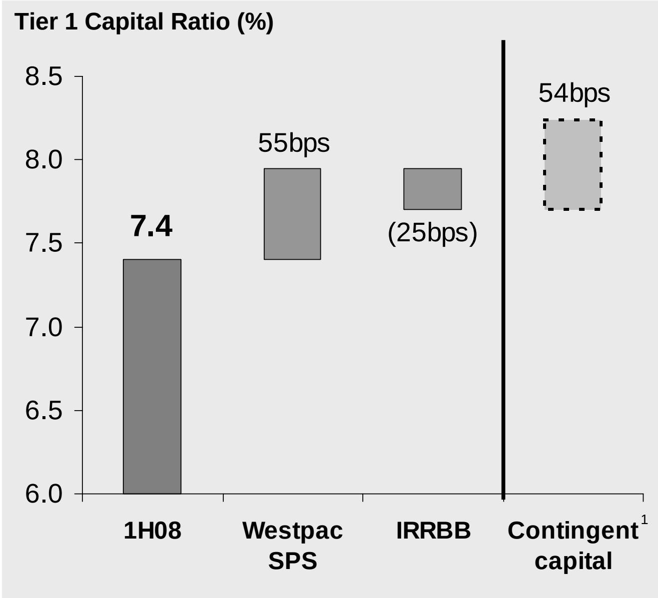


Customers responding rationally to conditions

Mortgages	• Continuing low unemployment supporting customers' ability to repay • 73% of amortising borrowers repay in excess of required minimum • Strong security – 46% average LVR based on current balance and value at origination; <10% of mortgages written above 90% LVR
Cards	• 89% of credit card customers making more than minimum repayments increasing from 86% at 1H 07 • 12% decline in cash advances over the year (less than 1% of limits) • Revolver rates trending lower
Business	• Balance sheets in good shape with strong cash balances and gearing generally low • Bankruptcies increasing, albeit modestly

Strongly capitalised under Basel II

- All stakeholders supporting stronger capital levels
- Achieved accreditation of Interest Rate Risk in the banking book (IRRBB) - likely to impact Tier 1 capital by around 25bp
- Pro-forma Tier 1 of 7.7% at 1H08 (including Westpac SPS and IRRBB)
- Contingent capital available via $1bn in convertible notes (approx 54bps of Tier 1)



1. Contingent capital represents $1bn in convertible notes that may be converted to ordinary shares under certain circumstances, including at Westpac's election. The notes are not included in capital ratios and are included in diluted EPS calculations.

Capital ratios more responsive to risk under Basel II

- Under Basel II, changes in risk grades impact risk weighted assets and hence capital ratios
- Capital ratios become more pro-cyclical; declining when credit conditions deteriorate and rising when conditions improve
- Modelling has estimated the impact of different scenarios on capital ratios
- Analysis includes both higher risk weighted assets and higher impairment charges
- A capital buffer for potential movements in risk profile will be incorporated when Westpac finalises its Basel II capital ranges

Scenarios – Impact from changes in our 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	30 to 40 bps

Summary

- Westpac is in a strong position to pursue its strategic agenda
- WIB – no new impaired assets
- Limited valuation risk within securities portfolios
- Loan portfolio performing consistent with the credit cycle
- Strong capital and funding position
- Effectively responding to the operating environment
- On track to deliver sound 2008 cash earnings growth of 6 - 8%

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