

2017 INTERIM FINANCIAL RESULTS



200 years proudly supporting Australia

Westpac 2017 Interim result index

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Cover images, from left:

Bank of New South Wales employees with their families at the Officers' Recreation Club annual staff picnic and sports day, Northbridge, Sydney, 1909.

Westpac Young Technologists Scholar, Alicia Hastie (image from Flashpoint Labs).

Bank of New South Wales providing banking facilities for the US Pacific Fleet Task Force in Sydney, 1966.

A wheat harvesting image sent to General Manager Sir Alfred Davidson by customers in Perth, circa 1925.

This page:

Bank of New South Wales Wyalong tent branch, 1894.



2017 INTERIM FINANCIAL RESULTS



200 years proudly supporting Australia

BRIAN HARTZER
CHIEF EXECUTIVE OFFICER

Financial results based on cash earning unless otherwise stated.
Refer page 34 for definition. Results principally cover the 1H17,
2H16 and 1H16 periods. Comparison of 1H17 versus 2H16
(unless otherwise stated)

Westpac Banking Corporation
ABN 33 007 457 141

Another solid result

- Cash earnings up 3% over the half and the prior corresponding period
- Disciplined performance
 - Prioritised strength and return – CET1 10%, ROE 14%
 - Well-managed balance sheet – deposit to loan ratio 72%
 - Flat costs – expense to income ratio 41.7%
- Good operating performance across divisions – WIB a standout
- Delivering on major programs, especially digital
- Unchanged dividend, pay-out ratio lower

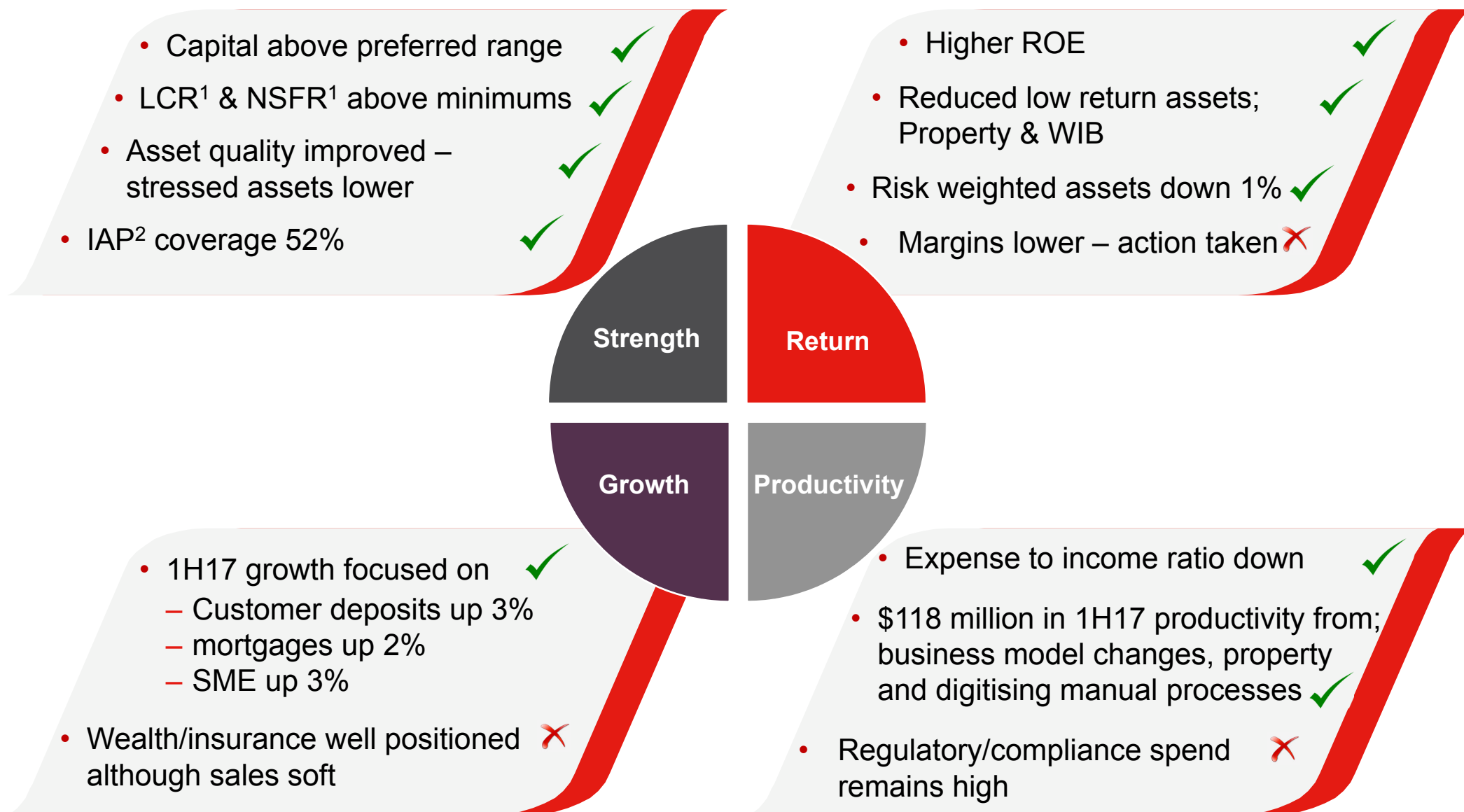
Headline results

	1H17	Change 1H17 – 2H16	Change 1H17 – 1H16
Reported net profit after tax	\$3,907m	4%	6%
Cash earnings	\$4,017m	3%	3%
Cash EPS ¹	119.8c	2%	1%
Common equity Tier 1 capital ratio ²	10.0%	49bps	(50bps)
Return on equity (ROE) ³	14.0%	11bps	(20bps)
Net tangible assets per share	\$14.30	2%	4%
Margin (excl. Treasury and Markets) ⁴	2.00%	(4bps)	(7bps)
Expense to income ratio ⁴	41.7%	(59bps)	12bps
Impairment charge to avg. gross loans	15bps	1bps	(6bps)
Fully franked dividend ⁵	94c	-	-

1 Cash EPS is cash earnings per weighted average ordinary shares. 2 Common equity Tier 1 capital ratio on an APRA Basel III basis. 3 Return on equity is cash earnings divided by average ordinary equity.

4 Cash earnings basis. 5 Cents per share.

Prioritised strength and managing return



¹ LCR is liquidity coverage ratio. NSFR is net stable funding ratio. ² IAP is individually assessed provision

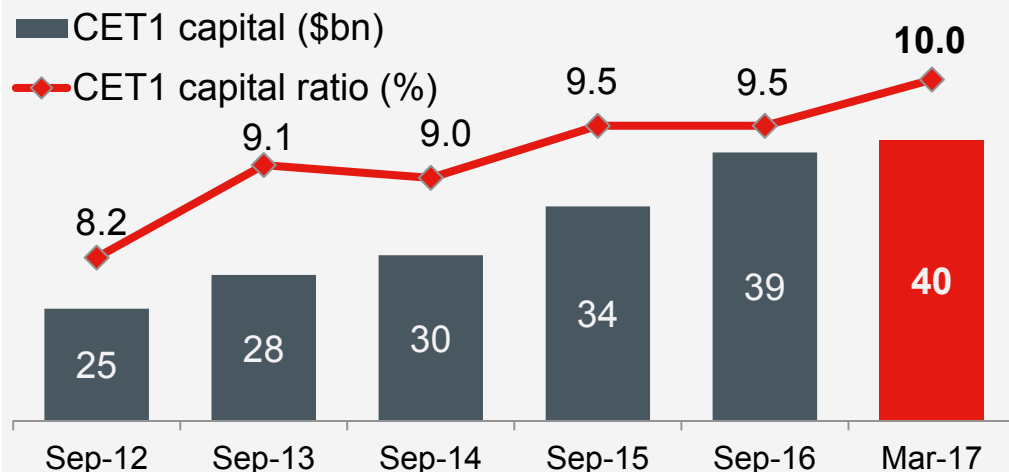
Portfolio of businesses delivering

Cash earnings % change	1H17 -2H16	1H17 -1H16	Comments 1H17 – 2H16
Consumer Bank	(2)	5	<ul style="list-style-type: none"> Higher funding costs led to unchanged core earnings Flat expenses Rise in impairments from higher delinquencies
Business Bank	1	3	<ul style="list-style-type: none"> Disciplined growth and expense management Core earnings up 1%
BT Financial Group	(5)	(11)	<ul style="list-style-type: none"> Income down from GI¹ claims and MySuper migration Productivity leading to lower costs Solid underlying FUM/FUA growth
Westpac Institutional Bank	20	34	<ul style="list-style-type: none"> Stronger sales and markets income Continued capital and pricing discipline – ROE 14.1% Improved efficiency from new operating model
New Zealand (NZ\$)	6	2	<ul style="list-style-type: none"> Lower impairments contributed to higher earnings Core earnings lower from ongoing margin pressure

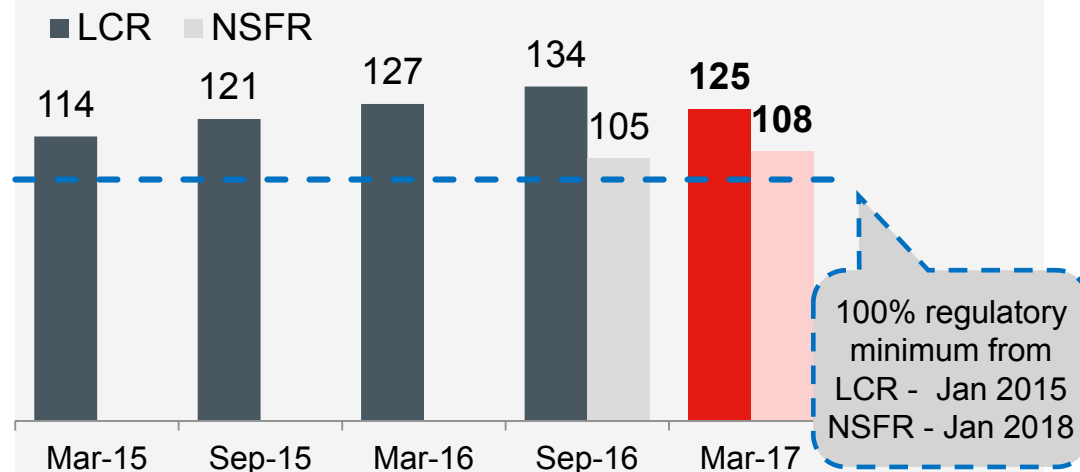
¹ General insurance.

Strong balance sheet

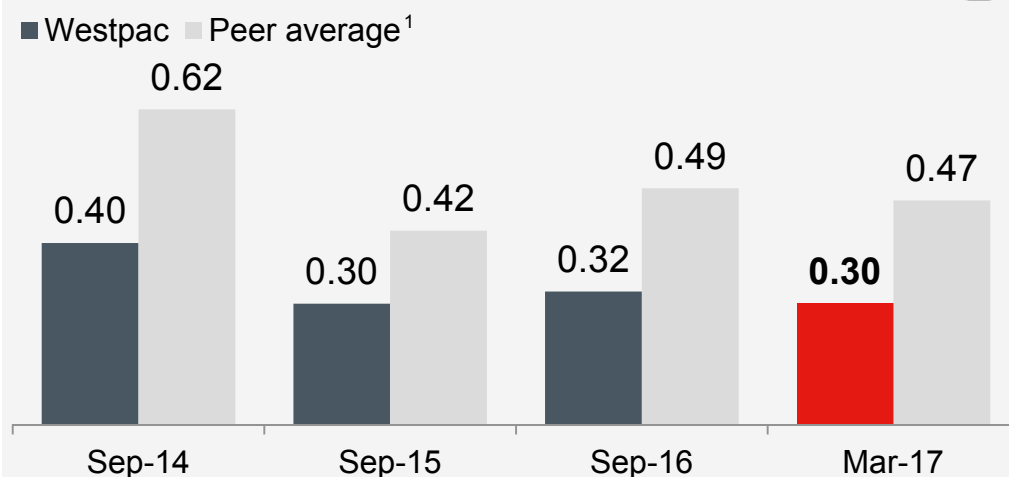
Capital stronger



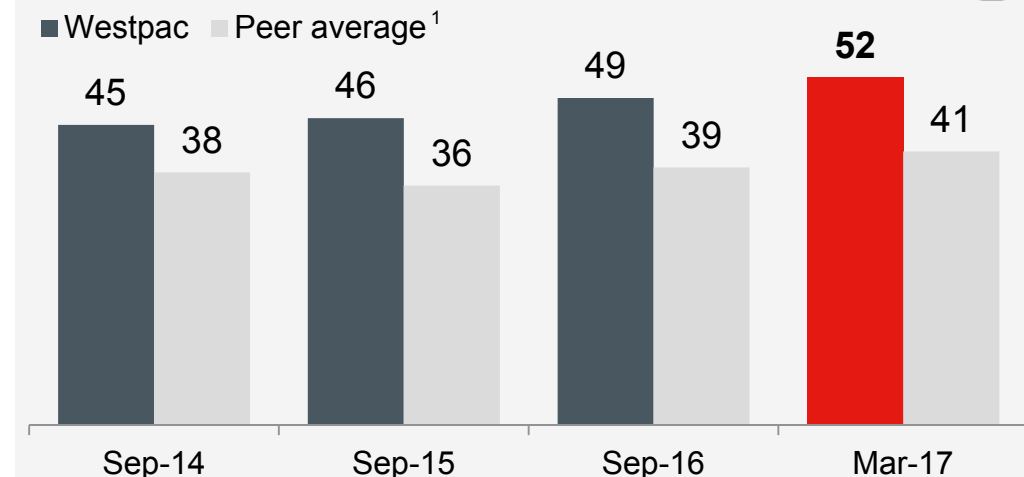
High quality liquidity position (%)



Impaired assets to gross loans (%)



Impaired asset coverage ratio² (%)

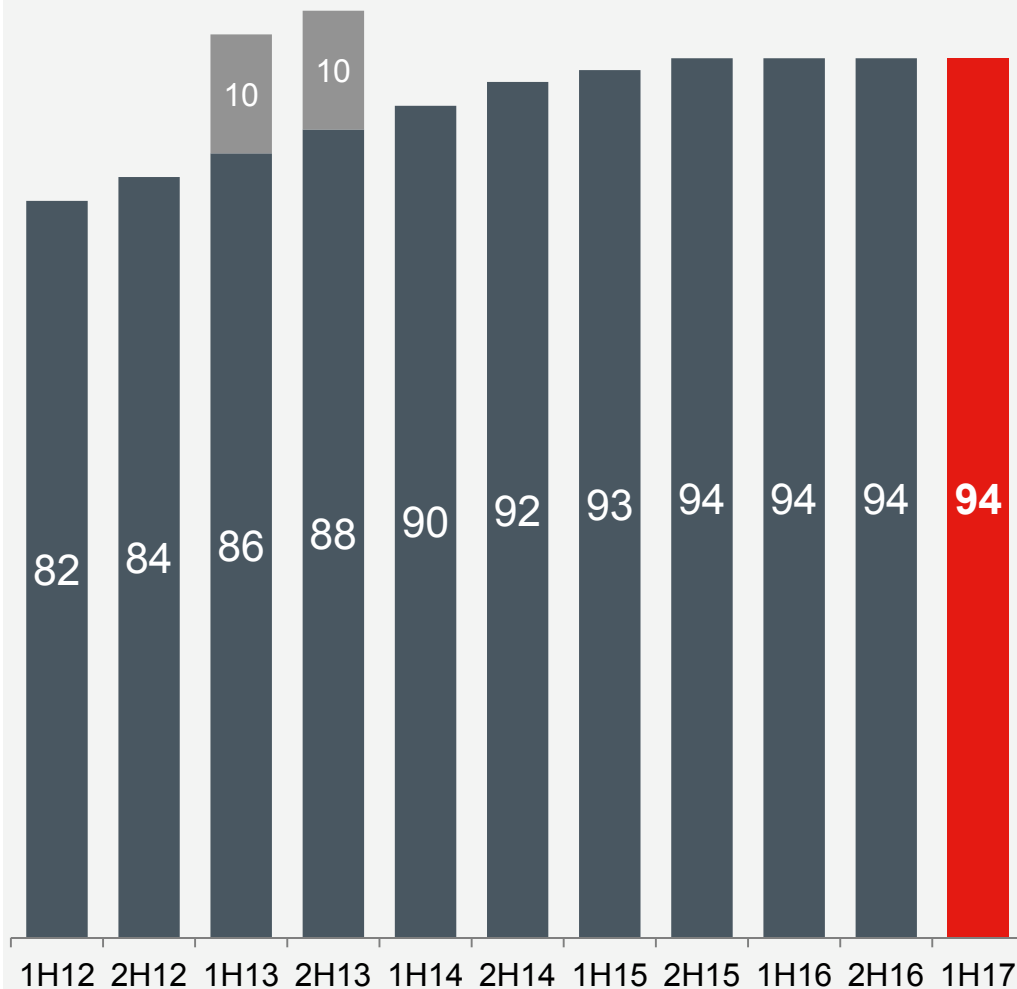


¹ Includes one peer with balance dates of end of June and December. ² Impaired asset provisions to impaired assets.

Dividend maintained

Dividends per ordinary share (cents)

■ Special dividends



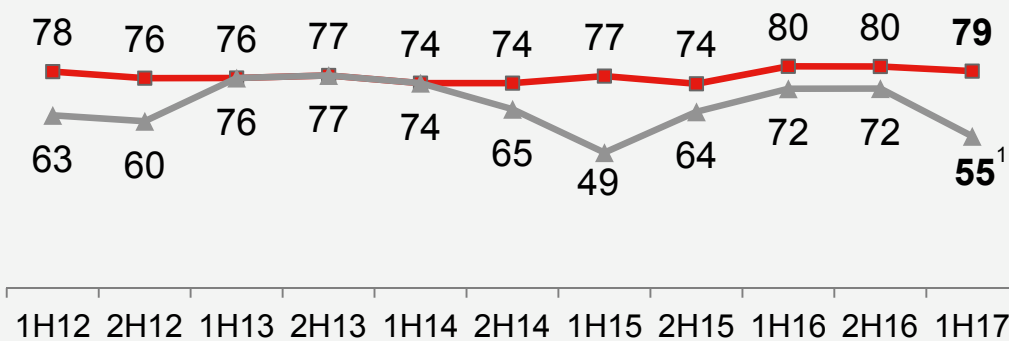
Dividend considerations

- Sustainability of the payout ratio over the long term – ratio lower
- CET1 capital ratio comfortably above preferred range
- RWA lower
- Surplus franking credits

Dividend payout ratio (%)

■ Payout ratio (cash earnings basis)

▲ Effective payout ratio (after DRP)



¹ Effective payout ratio assumes 1H17 DRP participation of 30%.

Progress on our five strategic priorities

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Performance Discipline

- Continued to balance capital, returns and funding
- Taken action on loan pricing to address margin pressure
- Good progress on productivity: \$118m in 1H17 savings



Service Leadership

- Restructured frontline incentives to emphasise service
- 11% fall in complaints across Australian retail/wealth divisions
- Rolled out ~100 new online features and enhancements



Digital Transformation

- Launched digital personal loans
- 6m accounts registered for e-statements (+25% vs Sept 2016)



Targeted Growth

- SME lending up 3% over prior half, 6% over the year
- Panorama development largely complete, \$3.9bn in FUA
- Sound FUA/FUM flows; sales below expectations



Workforce Revolution

- Launched *Motivate* a new performance management framework
- New service leadership training completed
- Women in leadership 49%

- Australian economy resilient, with good prospects
- Increased global volatility remains a risk
- House price growth expected to slow
 - Prices high in Sydney and Melbourne
 - Some weakness in other markets
 - Mortgage serviceability remains strong with significant equity
- Increased business investment important as next source of economic growth; government clarity on commitments to infrastructure will help
- Westpac well positioned for the environment with good momentum on our service strategy

2017 INTERIM FINANCIAL RESULTS



200 years proudly supporting Australia

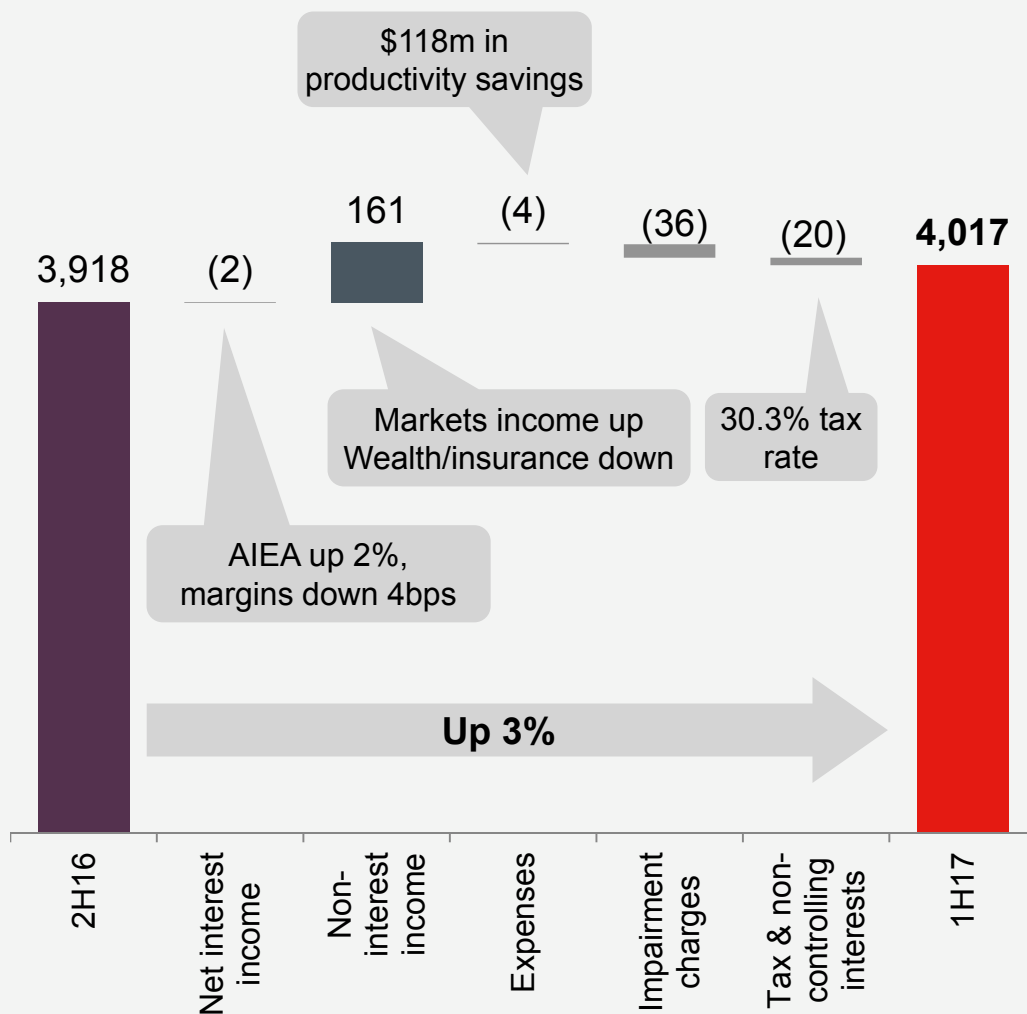
PETER KING
CHIEF FINANCIAL OFFICER

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Results at a glance

Cash earnings movements (\$m)



1 CVA is credit valuation adjustment.

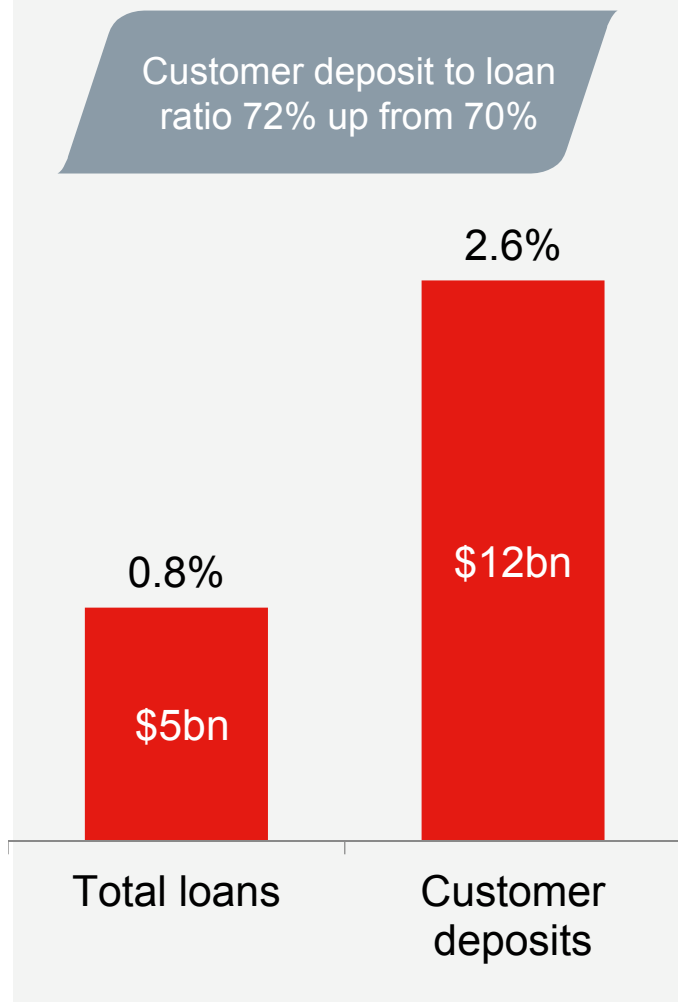
Infrequent/volatile items (\$m)

Cash earnings impact	1H16	2H16	1H17
Asset sales	0	(4)	4
Performance fees	0	22	0
Group CVA ¹	3	3	15
Tax matters resolved	57	0	0
Total impact	60	21	19

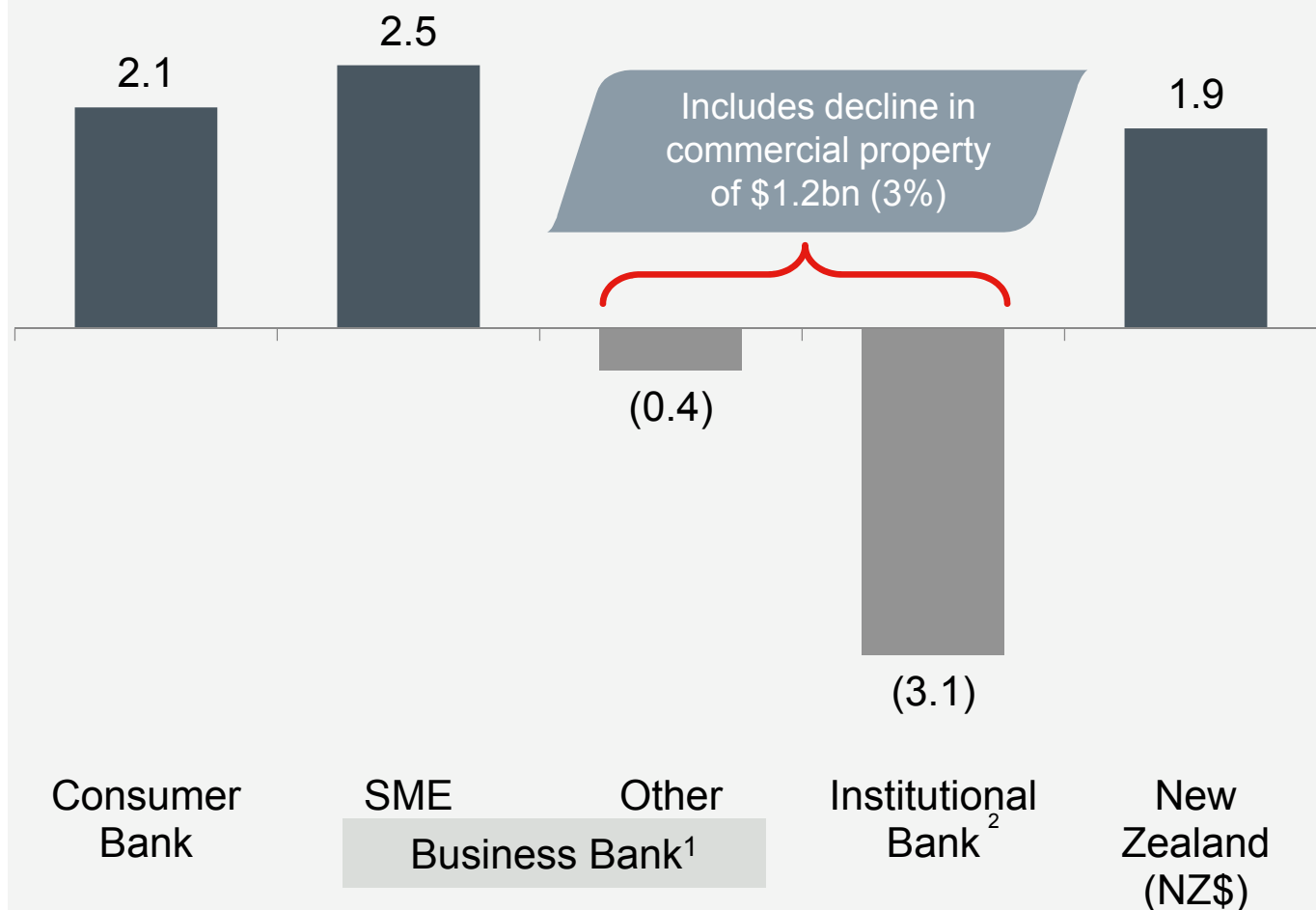
Targeted balance sheet growth

Loan & deposit growth 1H17- 2H16 (% and \$bn)

Customer deposit to loan
ratio 72% up from 70%



Growth in key loan segments 1H17- 2H16 (%)



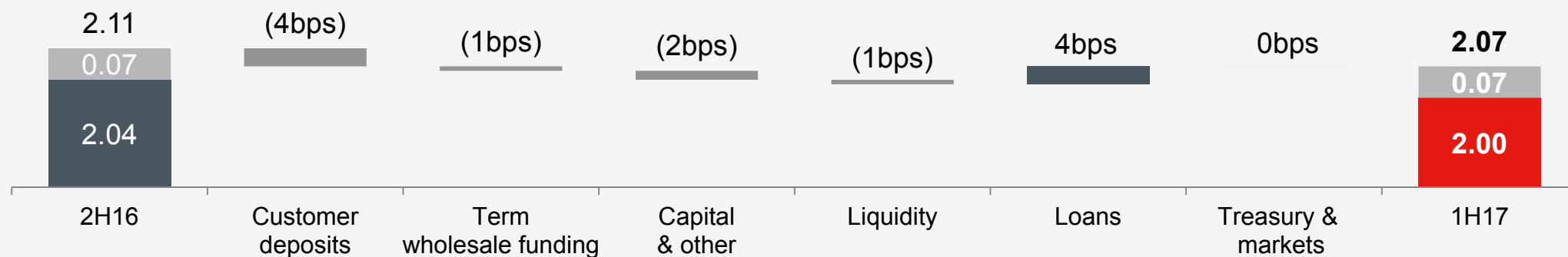
¹ Business Bank loans include mortgage backed. Other is all other lending in the business bank including auto. ² Institutional bank includes Australian and offshore balance sheet.

Margins impacted by funding costs

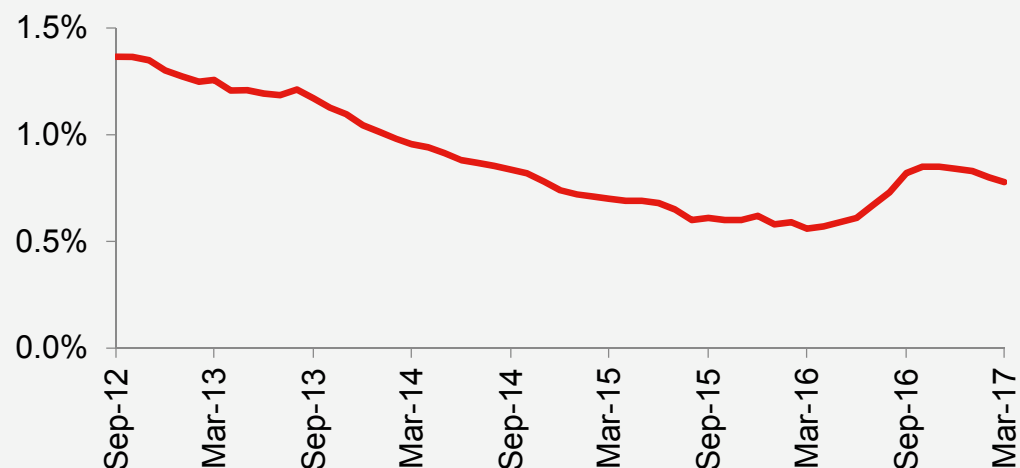
Net interest margin movement (% and bps)

■ Treasury & Markets impact on NIM

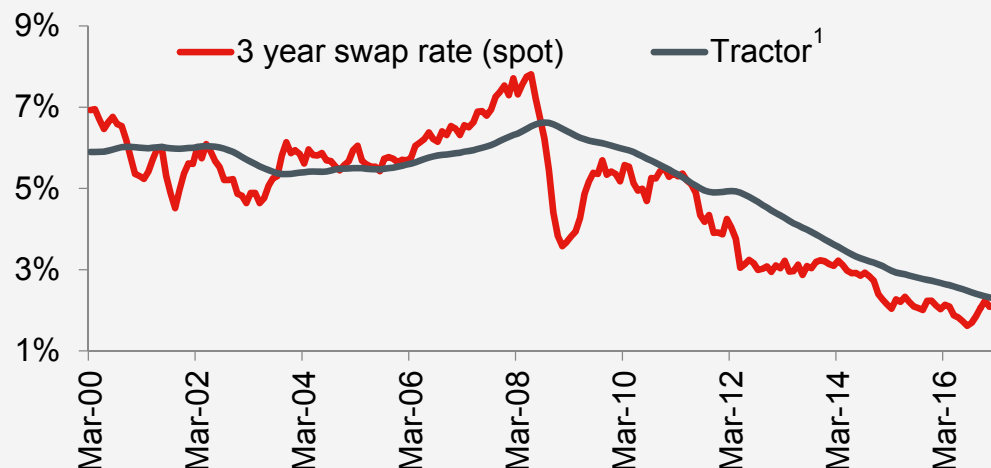
■ NIM excl. Treasury & Markets



Term deposit costs over benchmark (portfolio)



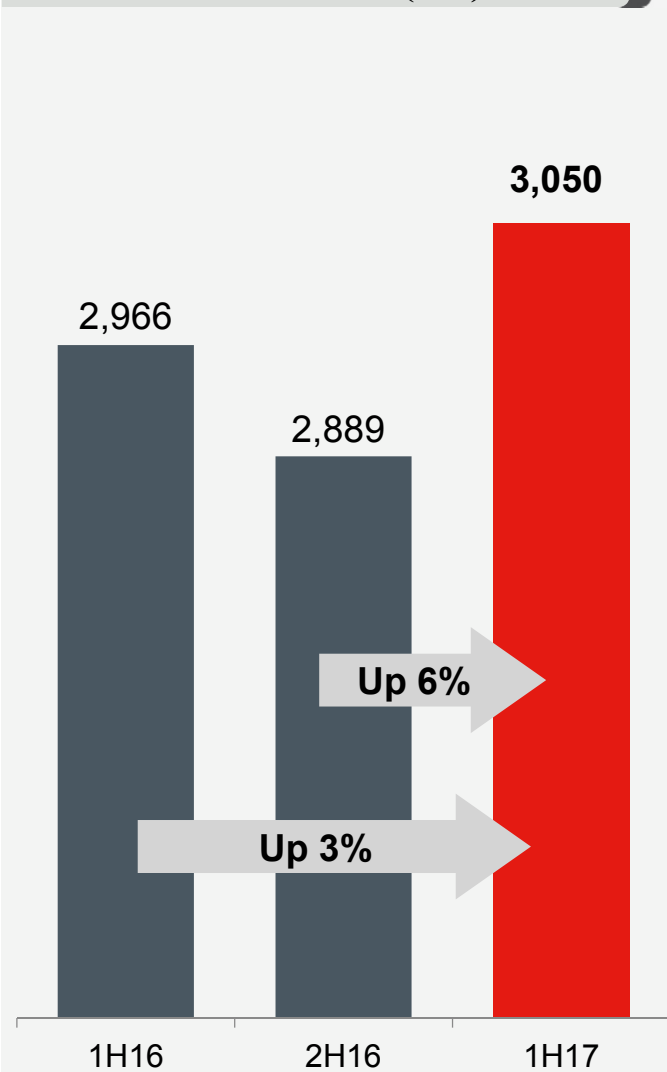
Lower returns on capital and low rate deposits



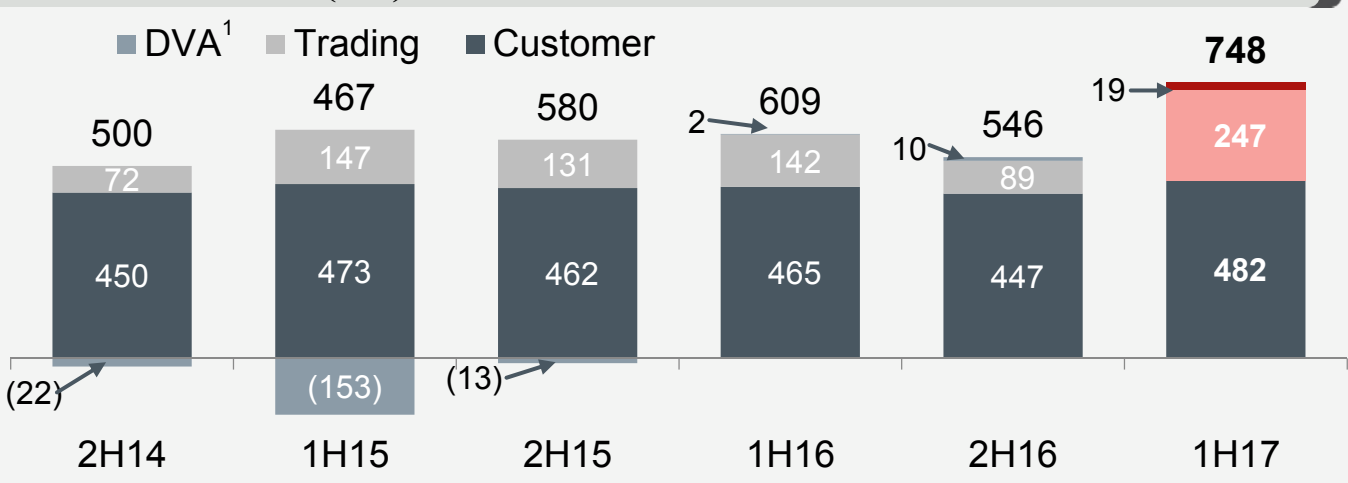
¹ Tractor is the 3 year moving average hedge rate for hedges on capital and low rate deposits.

Non-interest income

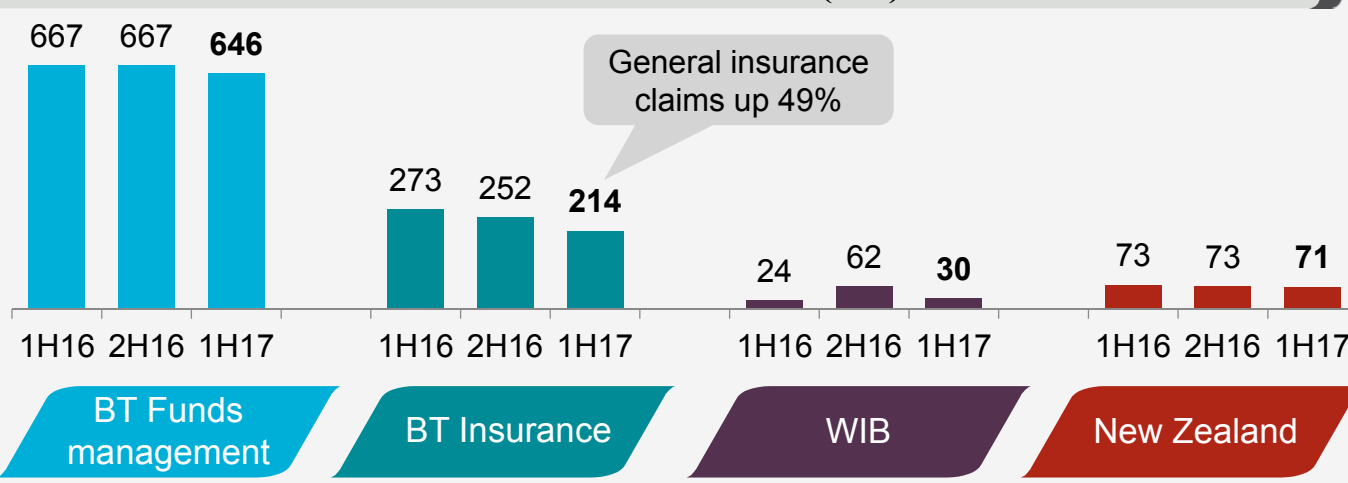
Non-interest income (\$m)



Markets income (\$m)



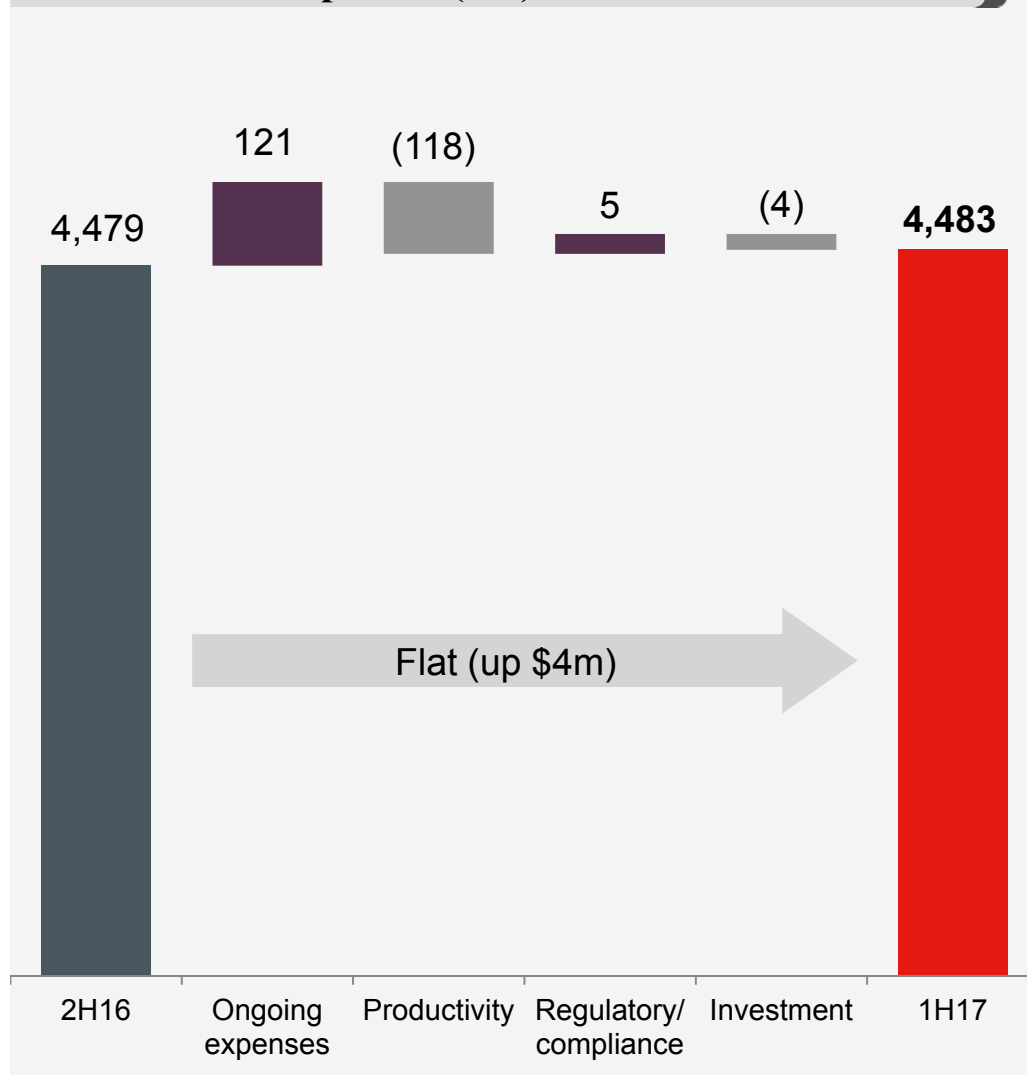
Selected wealth related non-interest income (\$m)



¹ DVA is derivative valuation adjustments includes CVA and FVA adoption in 1H15.

Expenses **tightly managed**

Movement in expenses (\$m)



Divisional expense growth 1H17 – 2H16

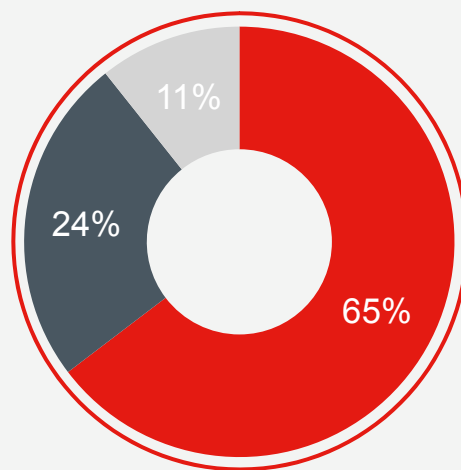
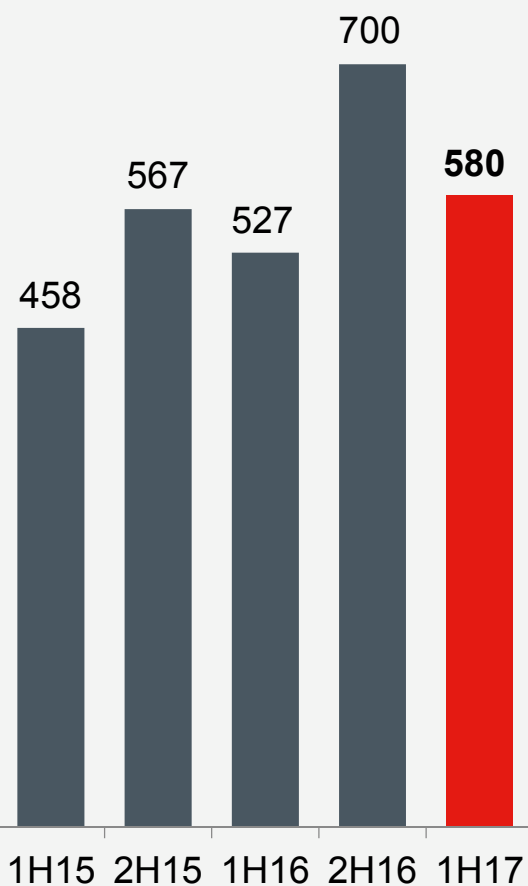
	\$m	%
Consumer Bank	(4)	0
Business Bank	11	1
BTFG	(17)	(3)
WIB	(21)	(3)
New Zealand (in NZ\$)	6	1
Group Businesses	26	11

Sources of productivity savings

- Further digitisation of manual processes
- Operating model changes in the Business Bank and in the Institutional Bank
- Property, including consolidation and net reduction of 45 branches across Australia and New Zealand

Investment spend

Total investment spend (expensed and capitalised) (\$m)

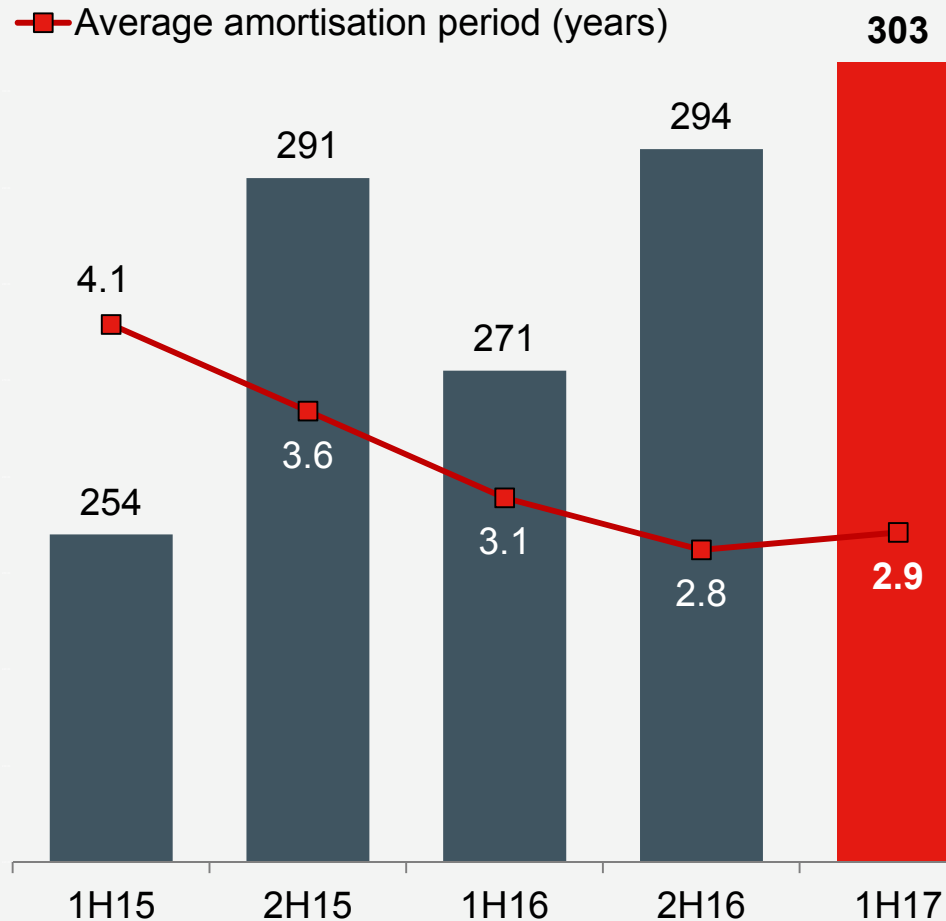


- Growth & productivity
- Regulatory change
- Other technology

Amortisation of capitalised software

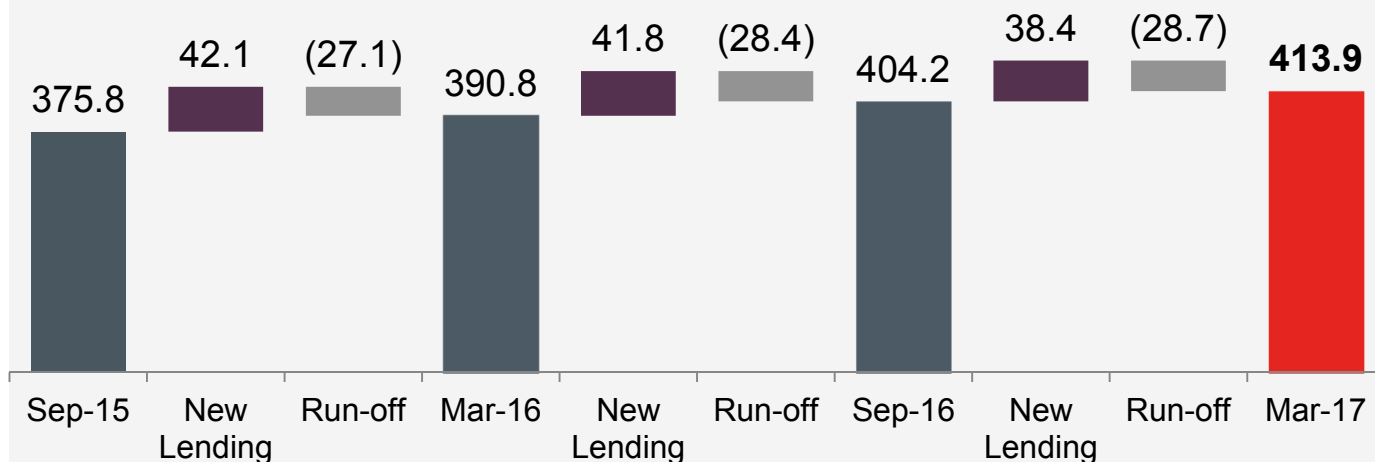
■ Amortisation (\$m)

■ Average amortisation period (years)



Australian mortgage trends

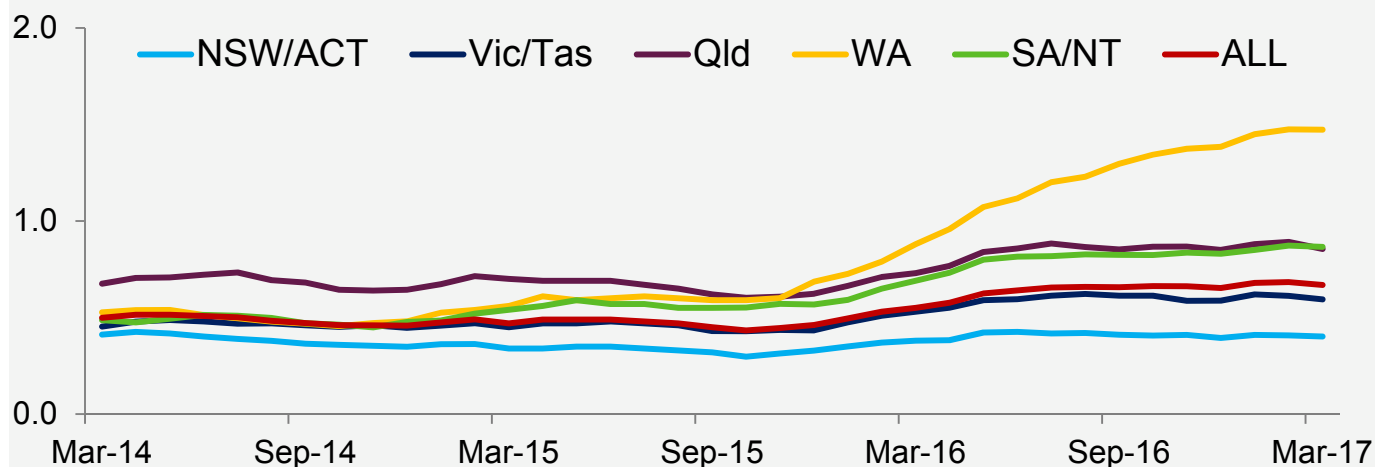
Mortgage portfolio (\$bn)



Slowdown in new lending

- Reduced discounts
- Higher proportion of proprietary flows
- Fixed rate flow higher at 23% in 1H17

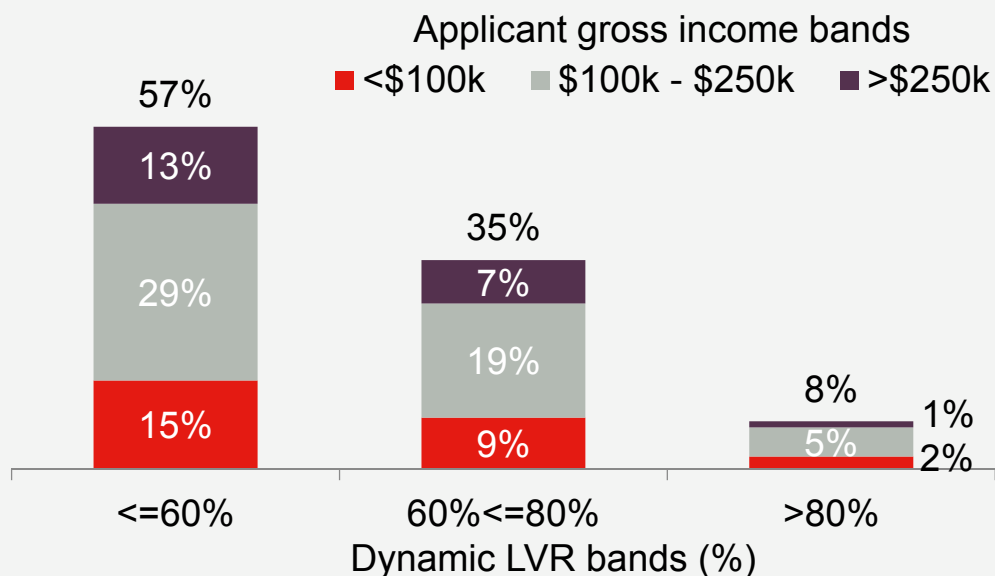
Mortgage 90+ day delinquencies by state (%)



- Delinquencies up 2 bps
- Hardship impact flowed through
- Delinquencies up in WA

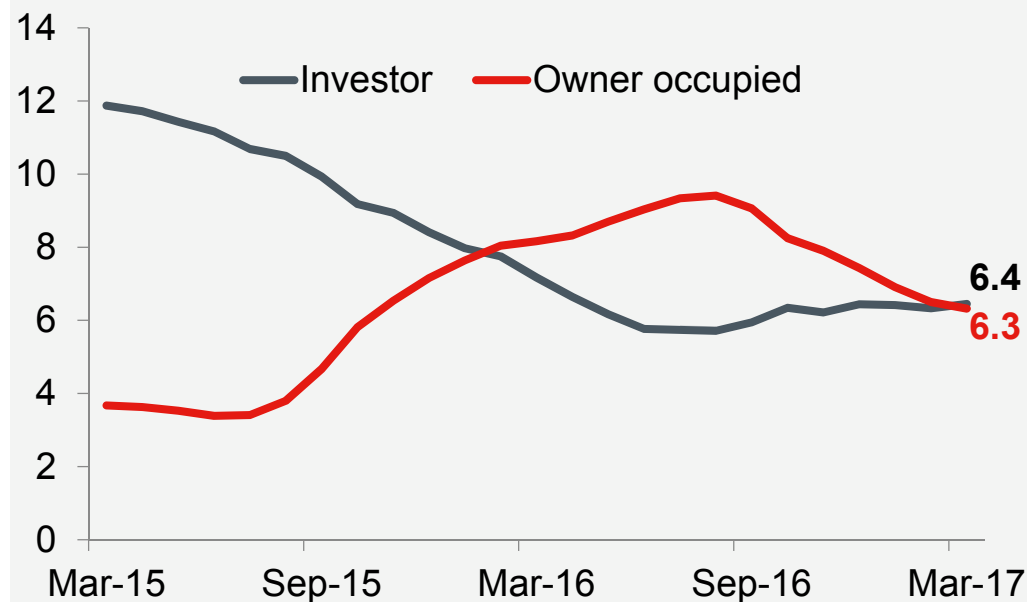
Australian mortgages **well secured**

Interest-only lending by LVR^{1,2} and income band (%)



- 92% of IO with dynamic LVR <=80%
- 2% of IO has a dynamic LVR > 80% *and* gross income < \$100k
- 1H17 IO flow 46% of new lending (portfolio 50%)

Australian mortgages annual growth (%)



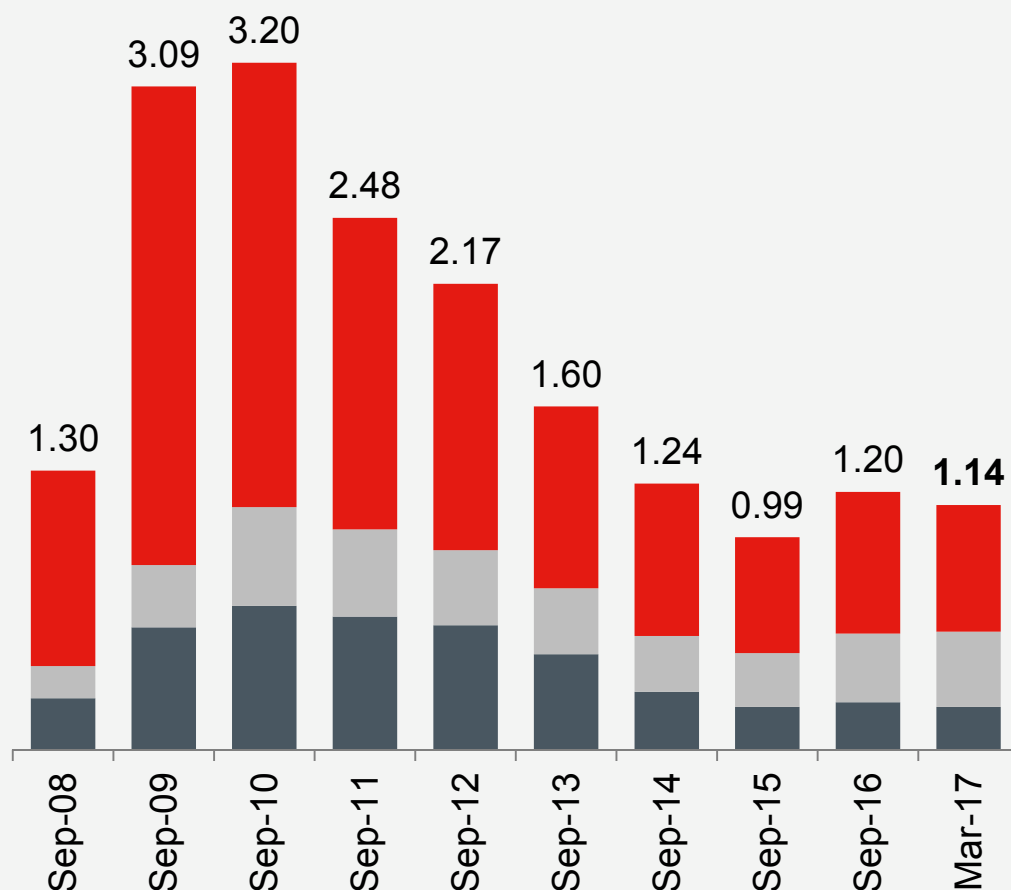
- Investor property growth well below 10% cap
- Investor dynamic LVR average of 47%

1 Excludes RAMS. 2 Dynamic LVR is the loan-to-value ratio taking into account the current outstanding loan balance, estimated changes in security value and other loan adjustments. Property valuation source Australian Property Monitors.

Asset quality **remains sound**

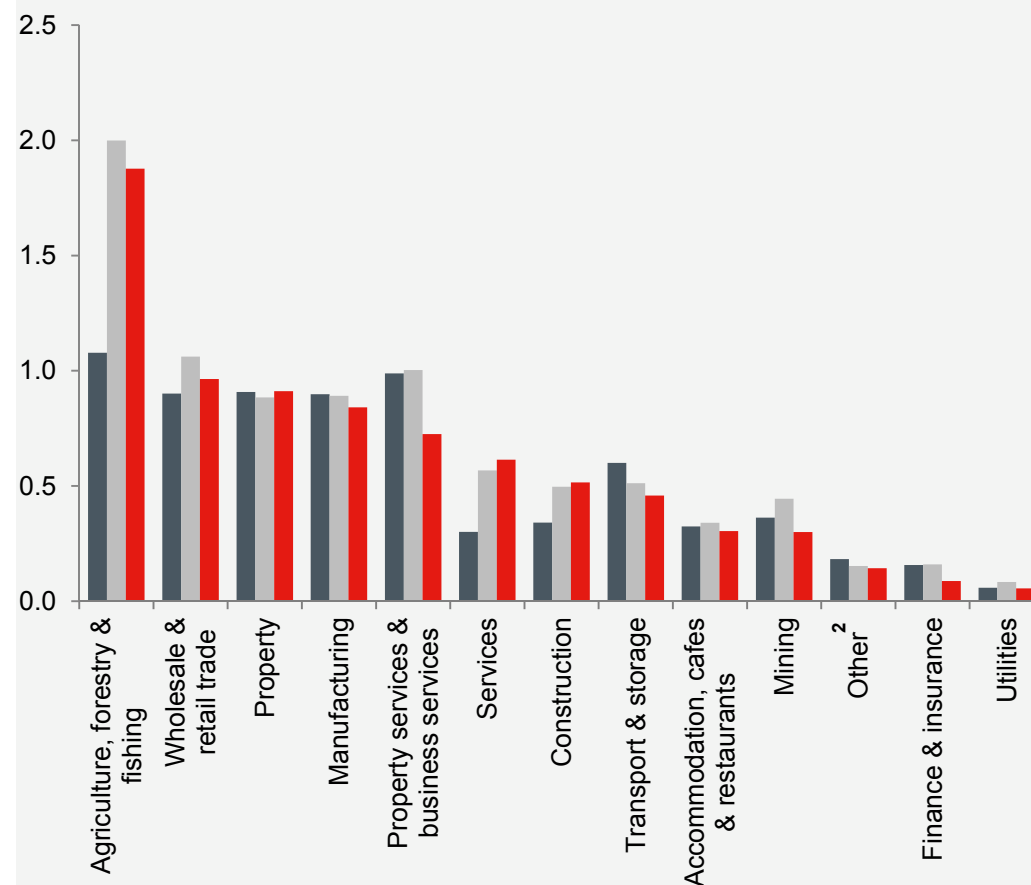
Stressed assets as a % of TCE¹

- Watchlist & substandard
- 90+ days past due and not impaired
- Impaired



Corporate/business stressed exposure by sector (\$bn)

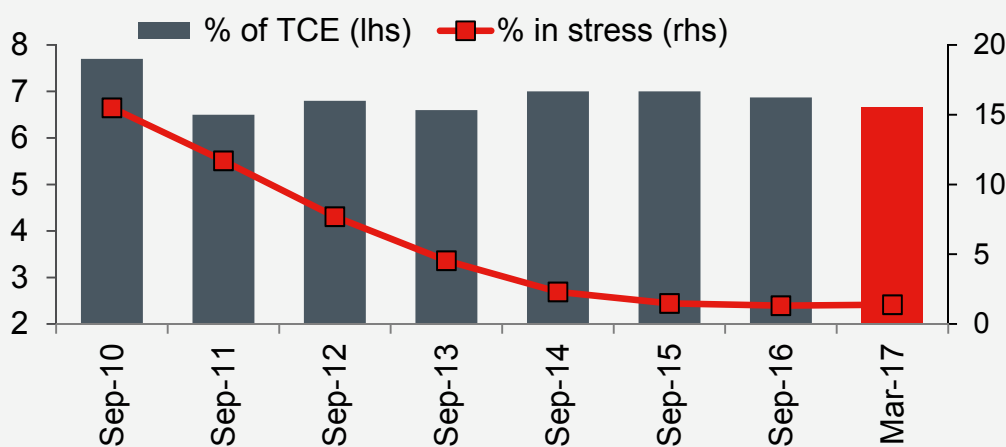
- Mar-16
- Sep-16
- Mar-17



¹ TCE is total committed exposure. ² Includes government, admin and defence.

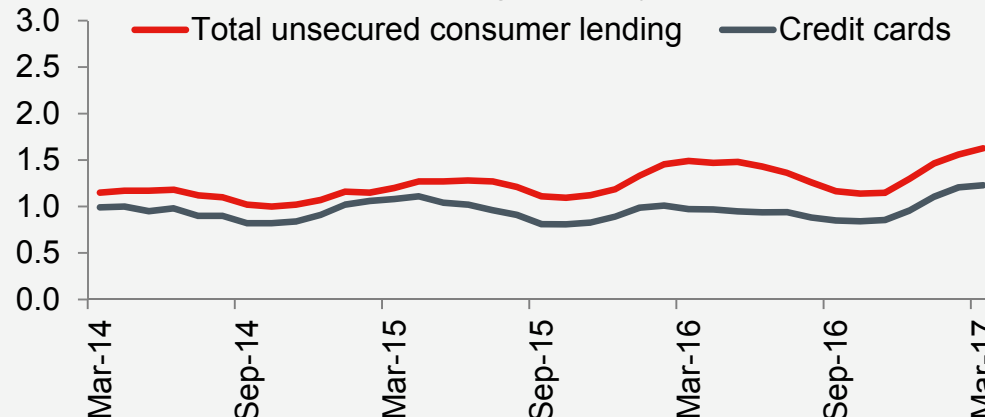
Asset quality – topical areas

Commercial property



Unsecured consumer

Australian unsecured lending 90+ day delinquencies (%)



Apartment development >\$20m

Sept-16 Mar-17

Lending (\$bn) \$5.1 **\$4.1**

Major market loans (\$bn) \$3.2 **\$2.8**

Average LVR (%) 54 **52**

Unsecured consumer delinquencies (%)

Sept-16 Mar-17

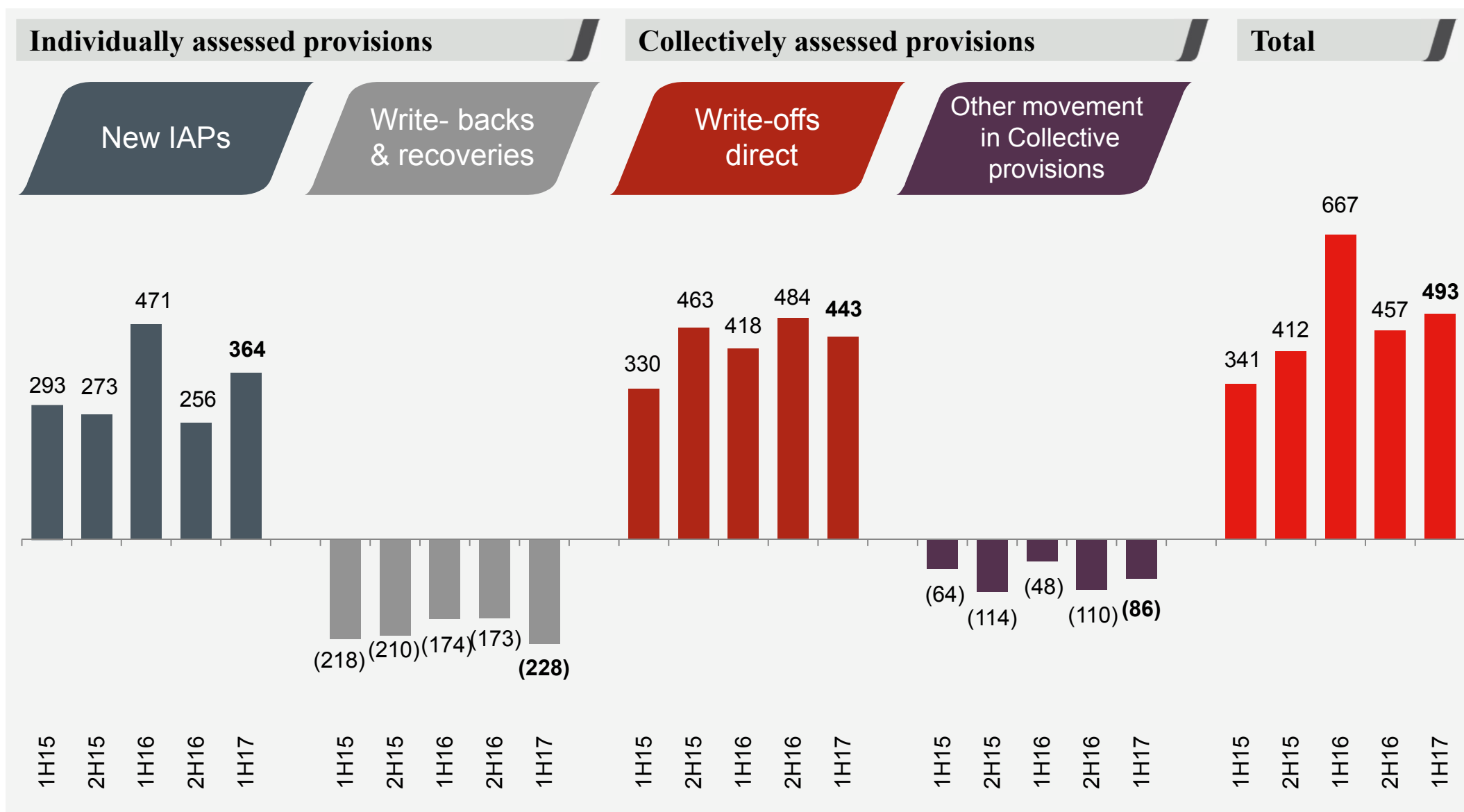
30+ day 2.95 **3.99**

90+ day 1.17 **1.63**

Estimated impact of hardship changes¹ on 90+ day 0.01 **0.28**

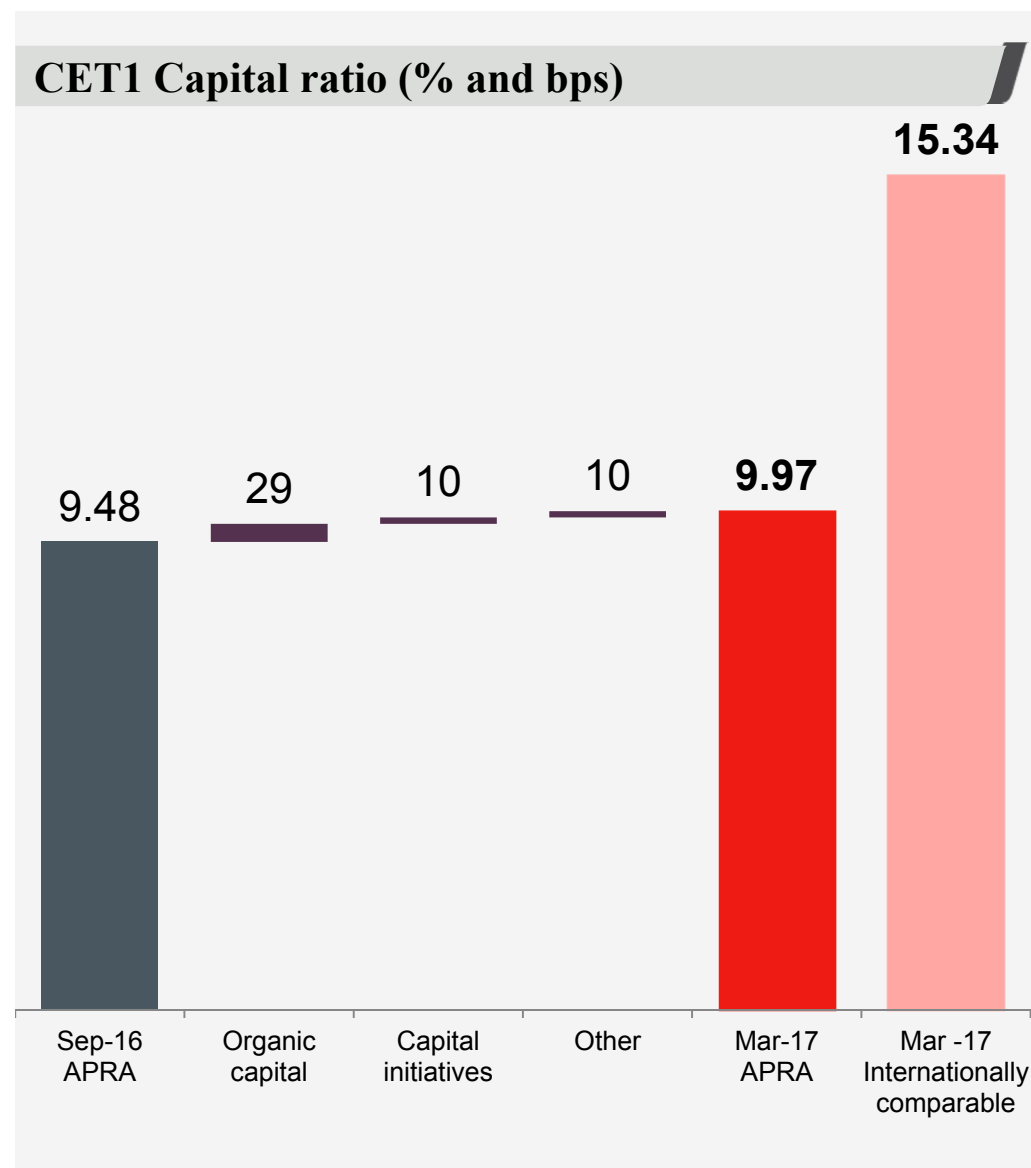
1. APRA hardship policy was adopted across Westpac's Australian unsecured portfolios in late 2016. March 2017 unsecured consumer delinquencies excluding hardship reporting changes are 14 bps lower than March 2016

Impairment charge components (\$m)



CET1 capital ratio **well positioned**

- Total CET1 capital ratio increased 49 bps
- Organic capital generated (after dividends) 29bps with credit RWA declining
- Capital initiatives includes management of unused limits and DTA in LMI
- Other includes FX translation, defined benefit and regulatory model changes
- In 2H17 known regulatory changes on RWA calculations likely to reduce capital ratios by around 10bps



Considerations for FY17

- Continued discipline on growth/return
- Margins – recent changes in pricing to flow into 2H17
- Expense growth likely below 2-3% range although subject to revenue outlook
- Well positioned for unquestionably strong

2017 INTERIM FINANCIAL RESULTS



Investor Discussion Pack

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Strategy

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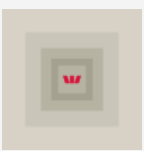















Westpac Group at a glance: Australia's First Bank

WBC
listed on
ASX & NZX

WBK
LISTED
NYSE

Strategy | 28

- Australia's first bank and first company, opened in 1817
- Australia's 2nd largest bank; 15th largest bank in the world; ranked by market capitalisation¹
- Well positioned across key markets with a service-led strategy focused on customers and differentiated through service
- Supporting consumers and businesses in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range of financial services including consumer, business and institutional banking, wealth management and insurance
- One of the most efficient banks globally²
- Consistent earnings profile over time
- Strong capital, funding, liquidity, with sound asset quality
- Credit ratings³ AA- / Aa2 / AA-
- Leader in sustainability⁴

Consumer Bank	Business Bank	BT Financial Group	Institutional Bank	Westpac New Zealand
				
				
				
				
				
				
				

Key statistics at 31 March 2017

Customers	13.6m
Australian household deposit market share ⁵	23%
Australian mortgage market share ⁶	23%
Australian business market share ⁶	19%
New Zealand deposit market share ⁷	19%
New Zealand consumer lending market share ⁷	19%
Australian wealth platforms market share ⁸	19%

Key financial data for First Half 2017






Reported net profit after tax	\$3,907m
Cash earnings	\$4,017m
Expense to income ratio ⁹	41.7%
Common equity Tier 1 capital ratio (APRA basis)	10.0%
Return on equity ⁹	14.0%
Total assets	\$840bn
Market capitalisation ¹⁰	\$118bn

1 31 March 2017. Source: S&P Capital IQ, based in US\$. 2 Credit Suisse analysis of expense to income ratio of world's largest banks April 2017. 3 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings and Moody's Investors Services have Westpac on a negative outlook, Fitch Ratings has Westpac on a stable outlook. 4 Included in 2017 Global 100 most sustainable companies, announced at World Economic Forum in January 2017. 5 APRA Banking Statistics, March 2017. 6 RBA Financial Aggregates, March 2017. 7 RBNZ, February 2017. 8 Plan for Life, December 2016, All Master Funds Admin. 9 Cash earnings basis. 10 Based on share price at 31 March 2017 of \$35.06.

Progress on our five strategic priorities

Vision: To be one of the world's great service companies, helping our customers, communities and people to prosper and grow

The Service Revolution

Priorities	 Performance Discipline	 Service Leadership	 Digital Transformation	 Targeted Growth	 Workforce Revolution
Measures	Seeking to achieve 13-14% ROE (medium-term)	+1m customers (2015-2017)	Cost growth 2-3% per annum and expense to income ratio below 40%	Stronger growth in wealth and SME	Employee engagement in top of high performing norms, women in leadership 50% by end of 2017
Progress 1H17-2H16	ROE 14.0% up 11bps	13.6m customers up 3%	1H17 expenses flat Expense to income ratio 41.7% down 59bps	FUM up 12% FUA up 4% SME lending up 3%	Women in leadership 49% Employee engagement to be measured in 2H17

Excellent strategic position

- Seeking to differentiate on service
- No. 1 or 2 position across key markets - all divisions well placed
- Unique portfolio of brands, reaching a broader customer set
- Comparative advantage in wealth platforms
- Embracing digital opportunities with leading online and mobile capability
- Underweight mining sector, NZ dairy and Western Australia

Sector leading balance sheet

- Asset quality
 - Sector leading through global financial crisis
 - Sound quality; balance sheet skewed to mortgages
 - Low impaired assets; well provisioned at 52%¹
- Capital
 - CET1 capital ratio in top quartile of international peers
- Liquidity
 - High liquidity levels; LCR of 125%
 - Estimated NSFR of 108%

Global efficiency leader

- Expense to income ratio of 41.7% at lower end of global peers and below average of Australian major banks
- Only major Australian bank with a target of reducing expense to income ratio below 40%
- Productivity focus has delivered \$1.9bn of savings FY09 to 1H17

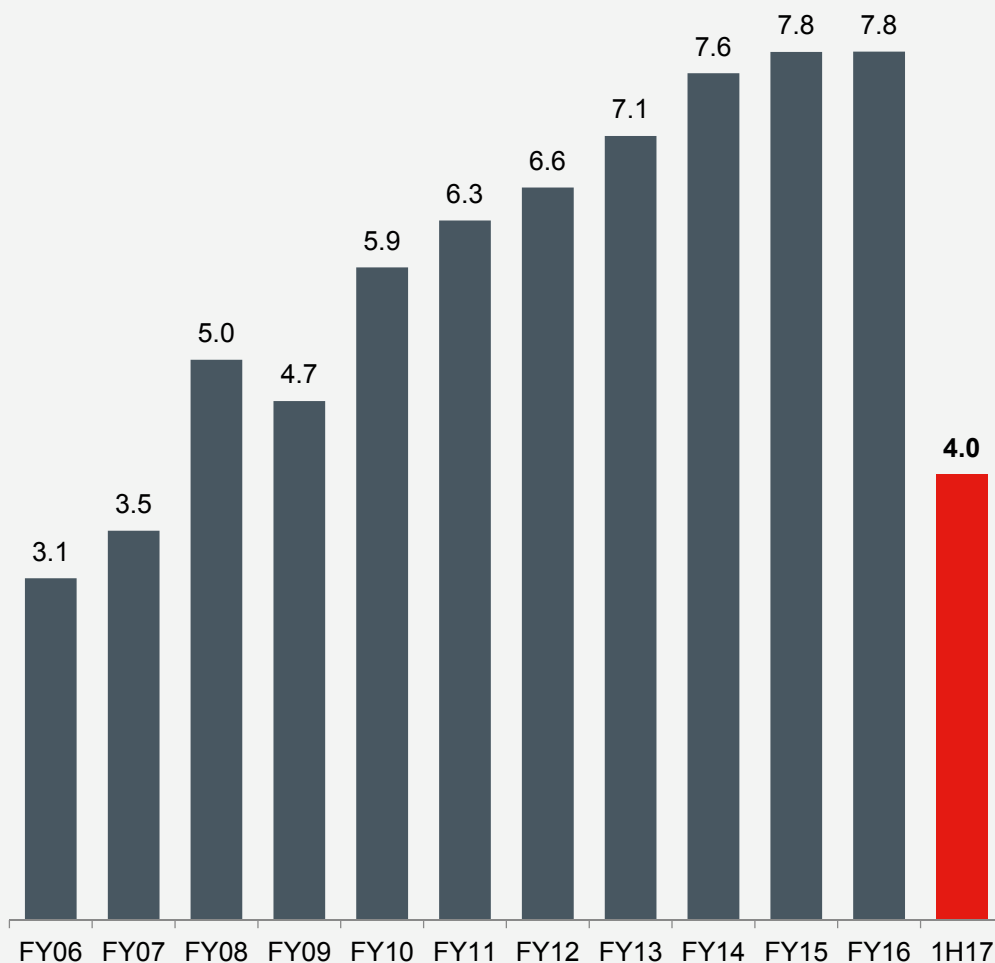
Sustainability culture

- Australia's first bank and first company, reached 200 year anniversary on 8th April 2017
- Global banking leader in Dow Jones Sustainability Index since 2002, named sector leader 9 times, including 2014, 2015 and 2016
- Ranked as one of the Global 100 most sustainable corporations in the world by Corporate Knights for 10 of the last 11 years
- Only major Australian bank SEC registered and listed on NYSE

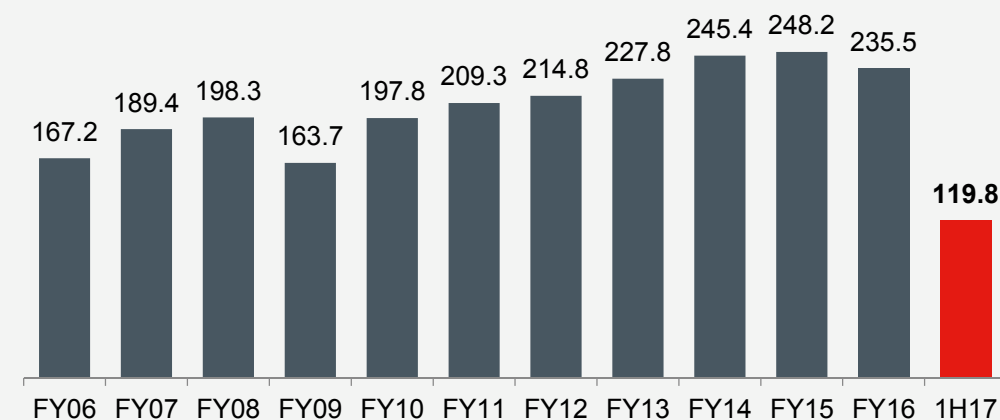
¹ Gross impaired asset provisions to gross impaired loans.

Consistent performer over the long term

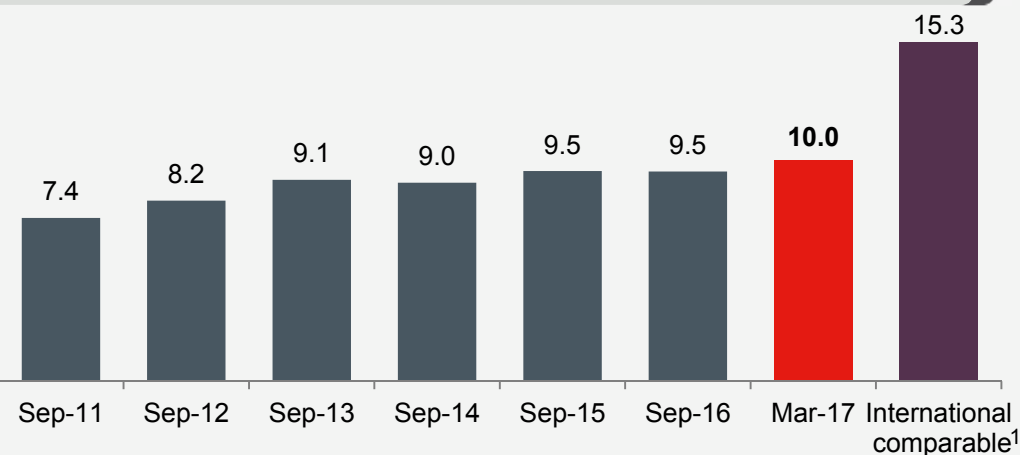
Cash earnings (\$bn)



Cash earnings per share (cents)



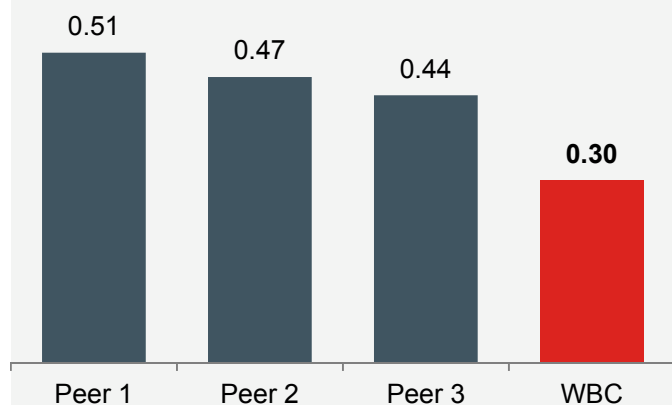
Common equity Tier 1 capital ratio (%)



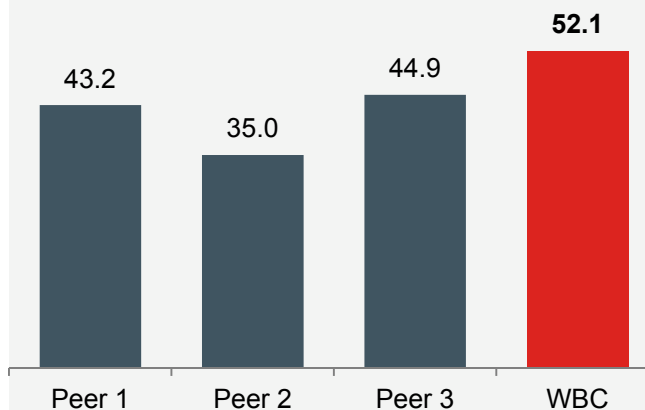
¹ Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. For more details on adjustments refer slide 89.

A conservative, **high quality** bank

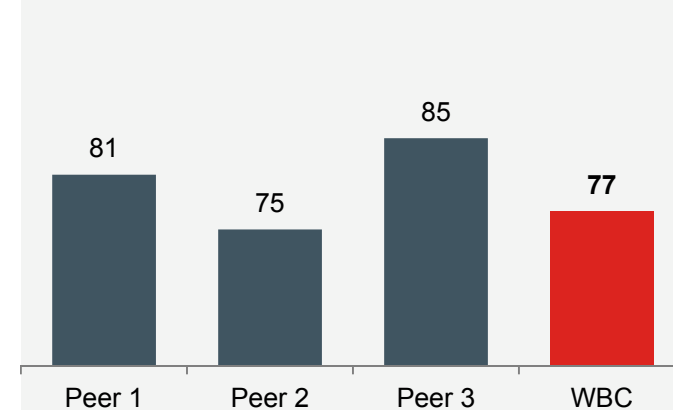
Impaired assets to gross loans¹ (%)



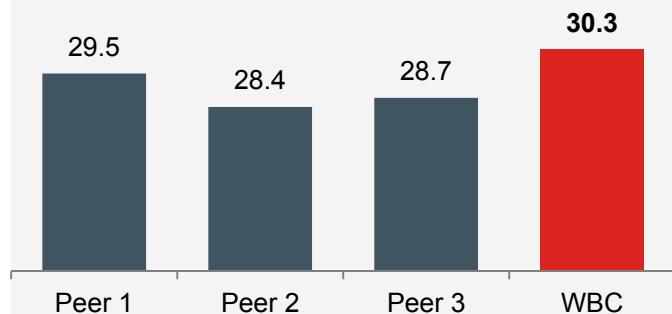
Individually assessed provisions to impaired assets¹ (%)



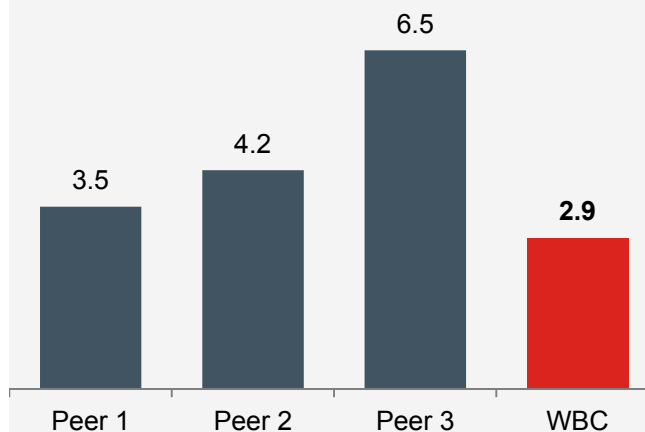
Collectively assessed provisions to credit RWA¹ (bps)



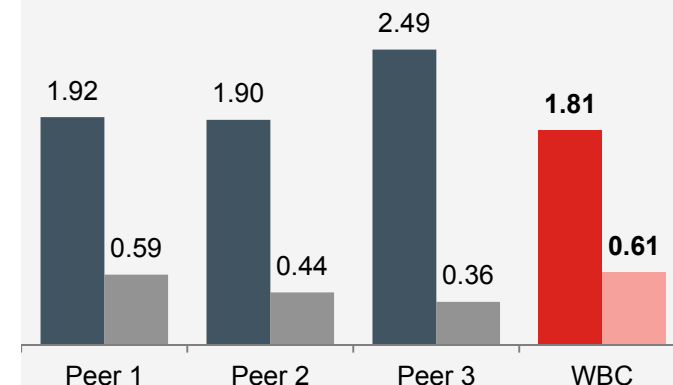
Effective tax rate¹ (%)



Capitalised software, average amortisation period^{1,2} (years)



Capitalised software balance and amortisation^{1,2} (\$bn)



¹ Based on 1H17 results ² Peer 2 data based on 1H17 cash earnings results excludes write-offs. Amortisation expense is based on amortisation expense excluding any impairment or accelerated amortisation. Based on 1H17 annualised expense.

Overview

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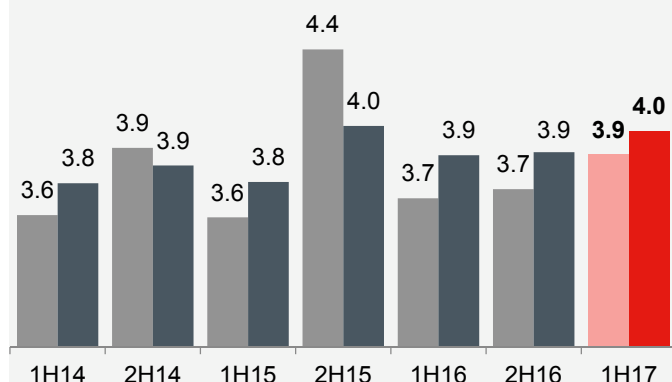
Cash earnings and reported net profit reconciliation

Cash earnings¹ policy

- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- This measure has been used in the Australian banking market for over a decade and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for:
 - Material items that key decision makers at Westpac Group believe do not reflect ongoing operations
 - Items that are not considered when dividends are recommended, such as the amortisation of intangibles, impact of Treasury shares and economic hedging impacts
 - Accounting reclassifications between individual line items that do not impact reported results

Reported net profit and cash earnings (\$bn)

■ Reported profit ■ Cash earnings



	1H17 (\$m)	% chg 1H17- 1H16	% chg 1H17- 2H16
Cash earnings	4,017	3%	3%
Cash EPS (cents)	119.8	1%	2%
Reported net profit	3,907	6%	4%

Reported net profit and cash earnings adjustments (\$m)

	2H16	1H17
Reported net profit	3,744	3,907
Amortisation of intangible assets	79	73
Acquisition transaction and integration expenses	8	-
Fair value (gain)/loss on economic hedges	120	7
Ineffective hedges	(35)	(4)
Treasury shares	2	34
Cash earnings	3,918	4,017

¹ Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax. For further details refer to slide 128.

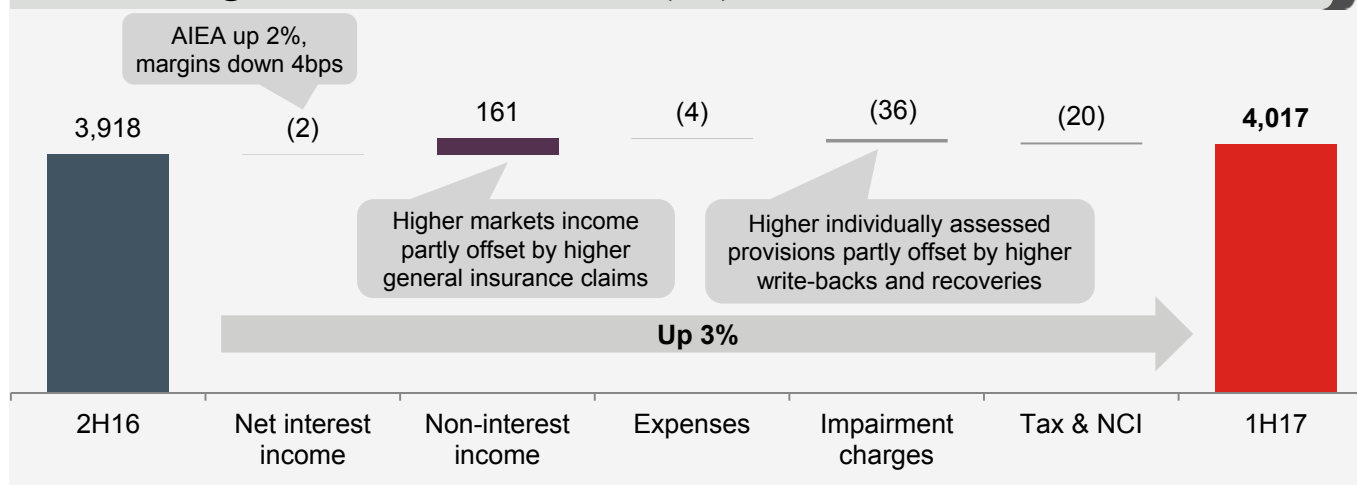
	1H17	Change 1H17 – 1H16	Change 1H17 – 2H16		1H17	Change 1H17 – 1H16	Change 1H17 – 2H16
Earnings¹				Balance sheet			
Earnings per share (cents)	119.8	1%	2%	Total assets (\$bn)	840.0	1%	flat
Core earnings (\$m)	6,260	1%	3%	Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)	9.97	(50bps)	49bps
Cash earnings (\$m)	4,017	3%	3%	CET1 capital ratio (Internationally comparable) (%)	15.3	67bps	91bps
Return on equity (%)	14.0	(20bps)	11bps	CET1 capital (\$bn)	40.3	6%	4%
Dividend (cents per share)	94	flat	flat	Risk weighted assets (\$bn)	404.4	11%	(1%)
Expense to income ratio (%)	41.7	12bps	(59bps)	Loans (\$bn)	666.9	4%	1%
Net interest margin (%)	2.07	(7pbs)	(4bps)	Customer deposits (\$bn)	478.7	8%	3%
Asset quality				Net tangible assets per share (\$)	14.30	4%	2%
Impairment charges to average gross loans (bps)	15	(6bps)	1bp	Funding and liquidity			
Impaired assets to gross loans (bps)	30	(9bps)	(2bps)	Customer deposit to loan ratio (%)	71.8	279bps	128bps
Impaired provisions to impaired assets (%)	52.1	5ppts	3ppts	Net stable funding ratio (%) (estimate)	108	n/a	n/a
				Liquidity coverage ratio (%)	125	(2ppts)	(9ppts)
				Total liquid assets ² (\$bn)	139	flat	(4%)

1 All measures on a cash earnings basis. 2 Total liquid assets represent cash, interbank deposits and assets eligible for existing repurchase agreements with a central bank.

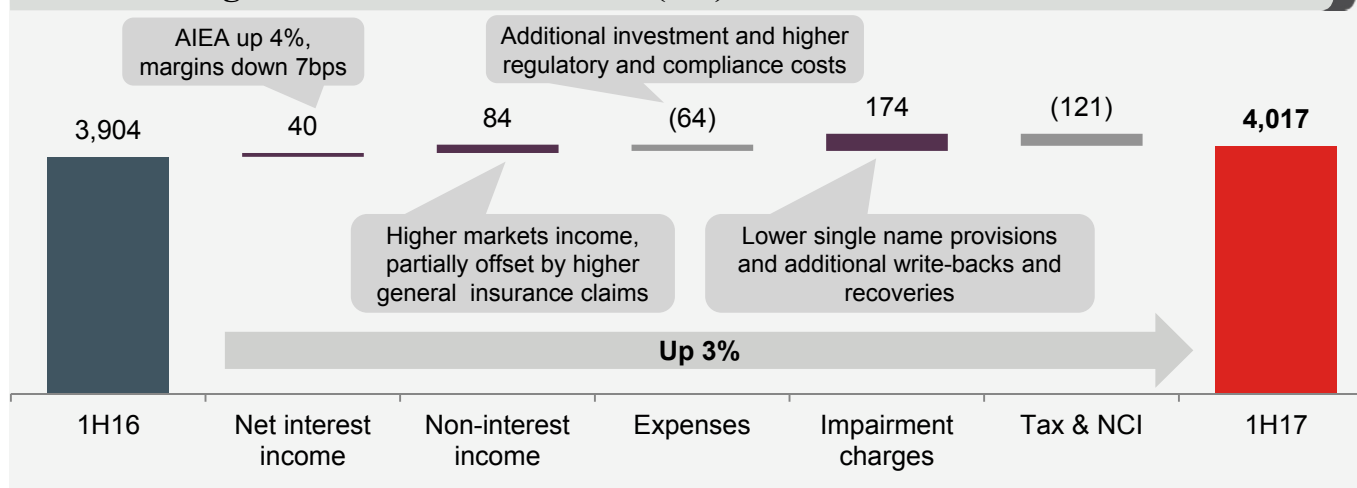
Cash earnings up 3% over the year and prior half

	1H17 (\$m)	% chg 1H17- 1H16	% chg 1H17- 2H16
Net interest income	7,693	1	-
Non-interest income	3,050	3	6
Expenses	(4,483)	1	-
Core earnings	6,260	1	3
Impairment charges	(493)	(26)	8
Tax and non controlling interests	(1,750)	7	1
Cash earnings	4,017	3	3
Reported net profit	3,907	6	4

Cash earnings features of 1H17 – 2H16 (\$m)

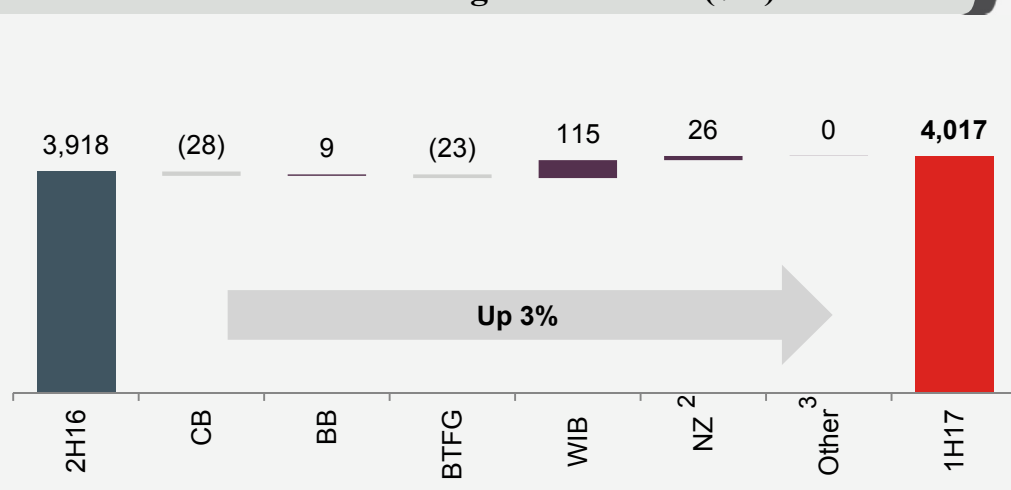


Cash earnings features of 1H17 - 1H16 (\$m)

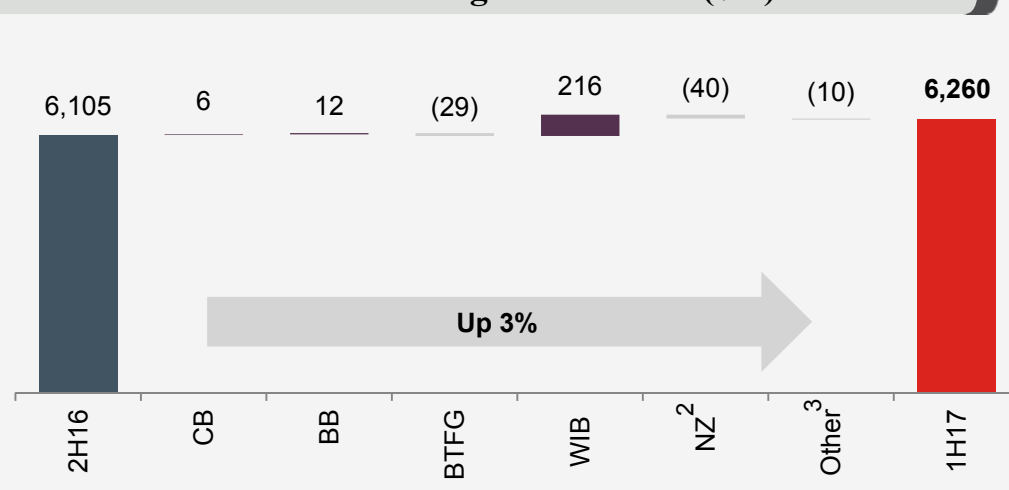


WIB up strongly, demonstrating value of portfolio diversification

1H17 divisional¹ cash earnings movements (\$m)



1H17 divisional¹ core earnings movements (\$m)



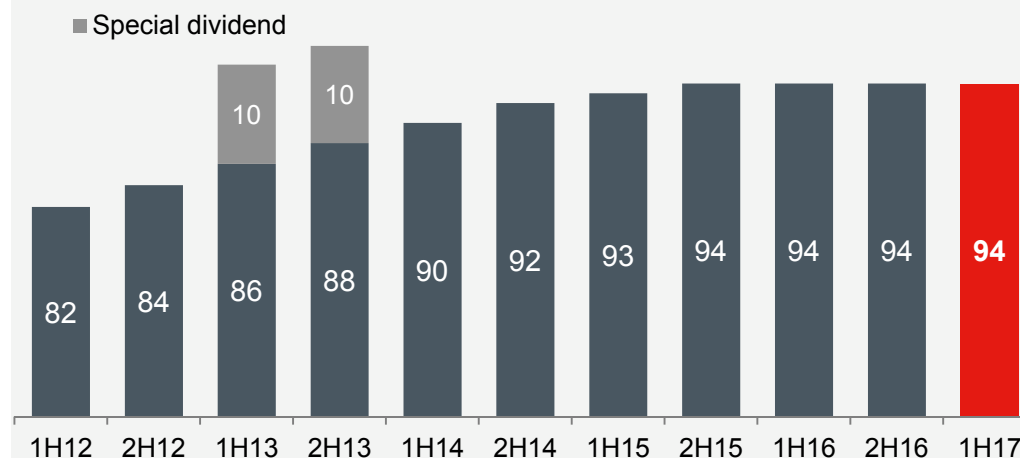
1H17 (\$m)	CB	BB	BTFG	WIB	NZ ²	Other ³	Group
Operating income	4,055	2,557	1,145	1,700	1,017	269	10,743
Expenses	(1,629)	(911)	(578)	(657)	(443)	(265)	(4,483)
Core earnings	2,426	1,646	567	1,043	574	4	6,260
Impairment (charges) / benefits	(267)	(205)	(3)	(64)	35	11	(493)
Tax & non-controlling interests	(648)	(433)	(167)	(279)	(174)	(48)	(1,750)
Cash earnings	1,511	1,008	397	700	435	(34)	4,017
% of Group cash earnings	38	25	10	17	11	(1)	

1 Refer to division definitions, slide 129. 2 In A\$. 3 Other is Group Businesses (including Treasury).

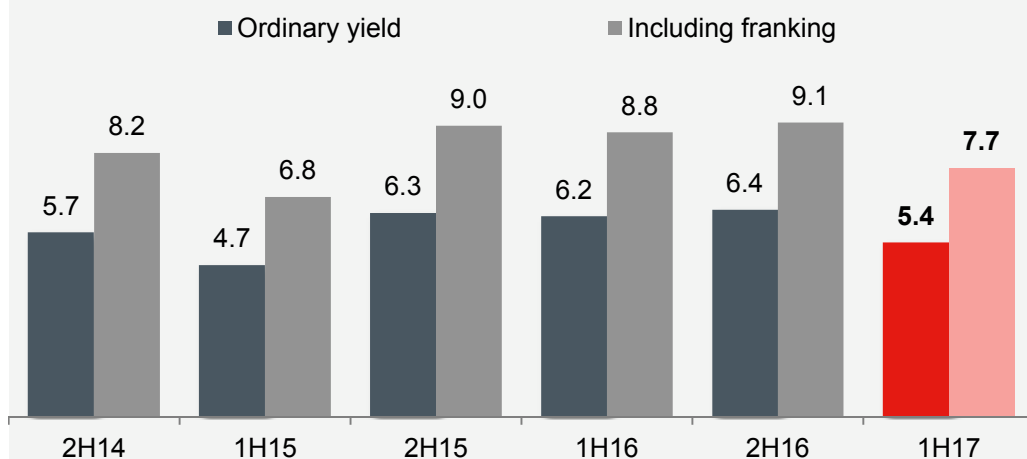
Key dividend considerations for 1H17

- Sustainability of payout ratios over medium term
- Strong capital comfortably above preferred range
- Modest RWA growth
- Final regulatory capital requirements remain uncertain
- Surplus franking credits

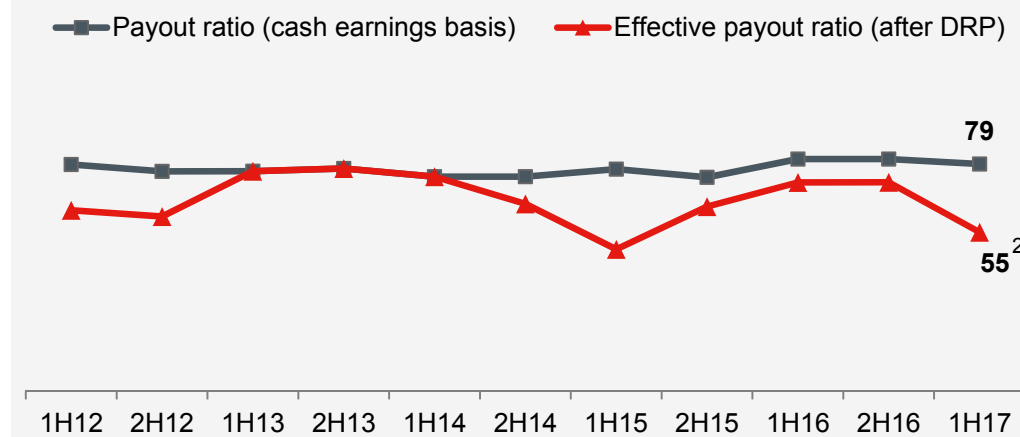
Dividends (cents per share)



Westpac dividend yield¹ (%)



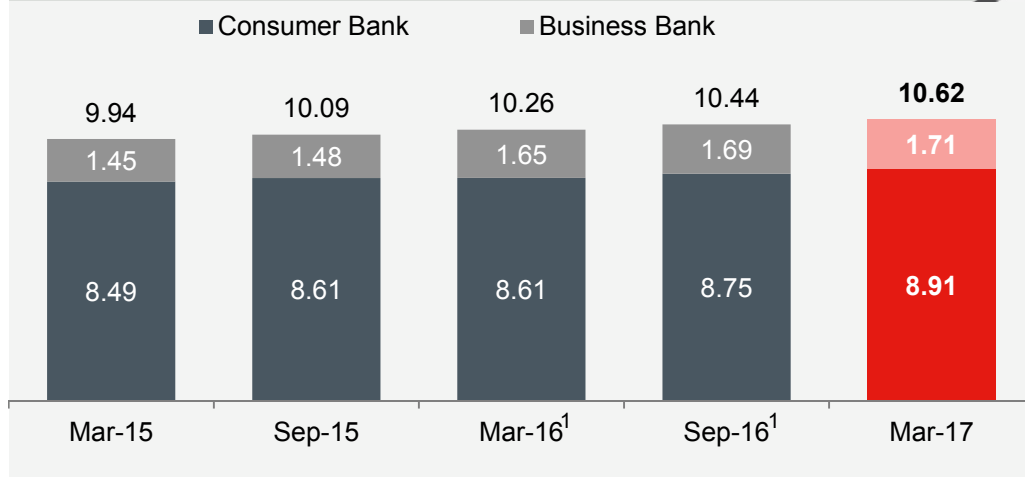
Ordinary dividend payout ratio (%)



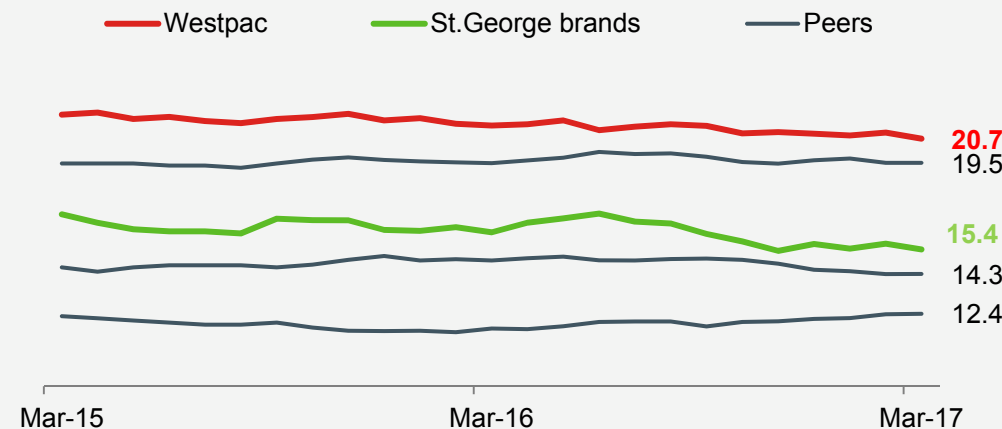
¹ Data using half year dividends and share price at 31 March 2017, or period end. ² Effective pay-out ratio assumes 1H17 DRP participation of 30%

Building long term franchise value

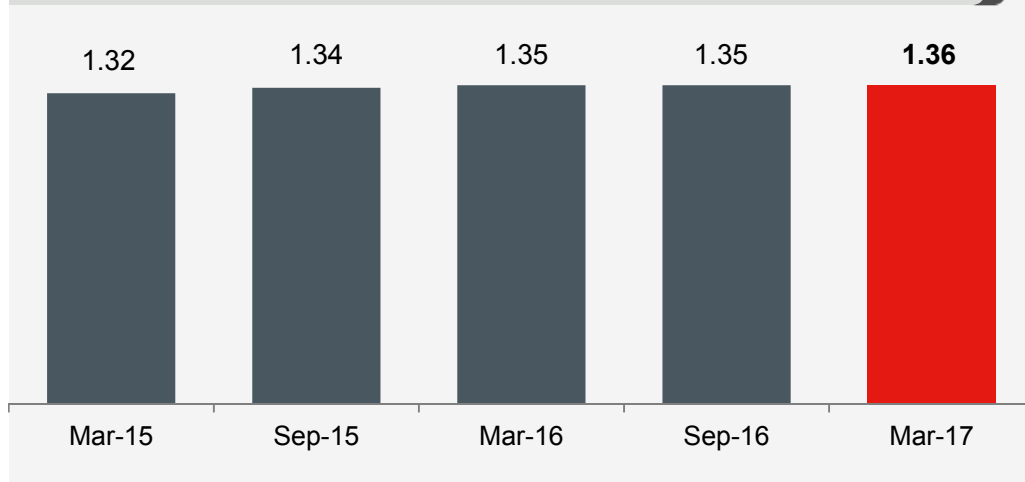
Australian banking customer numbers (#m)



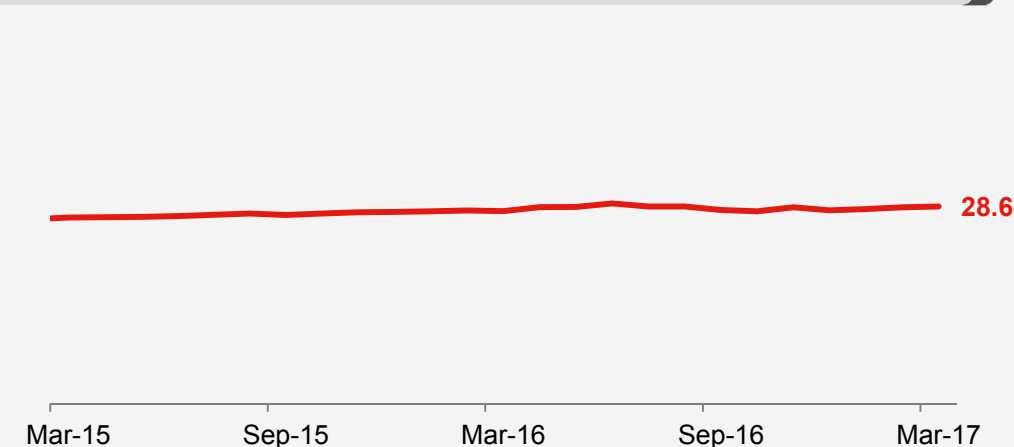
Australian customers with a wealth product² (%)



New Zealand customer numbers (#m)



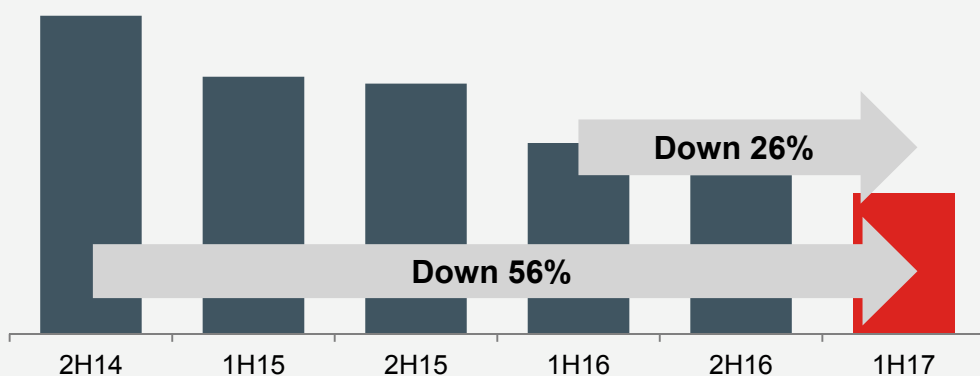
New Zealand customers with a wealth product^{2,3} (%)



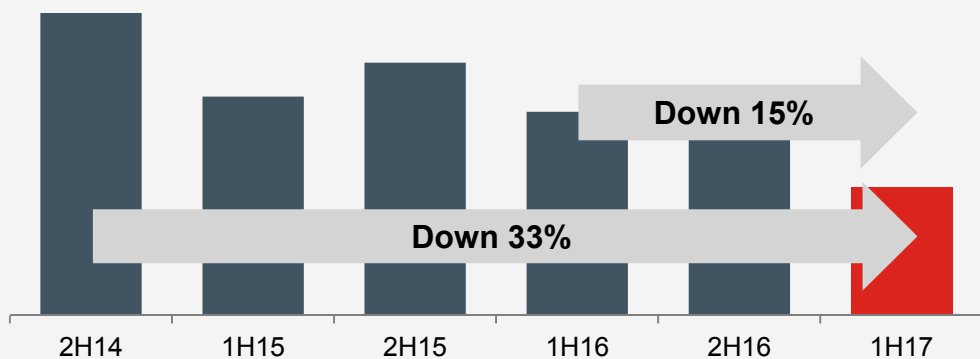
¹ Restated due to transfer of customers between Consumer Bank and Business Bank. ² Refer slide 132 for metric definition. ³ No peer data available for New Zealand.

Customer complaints (#)

Australian retail (CB, BB and BT)



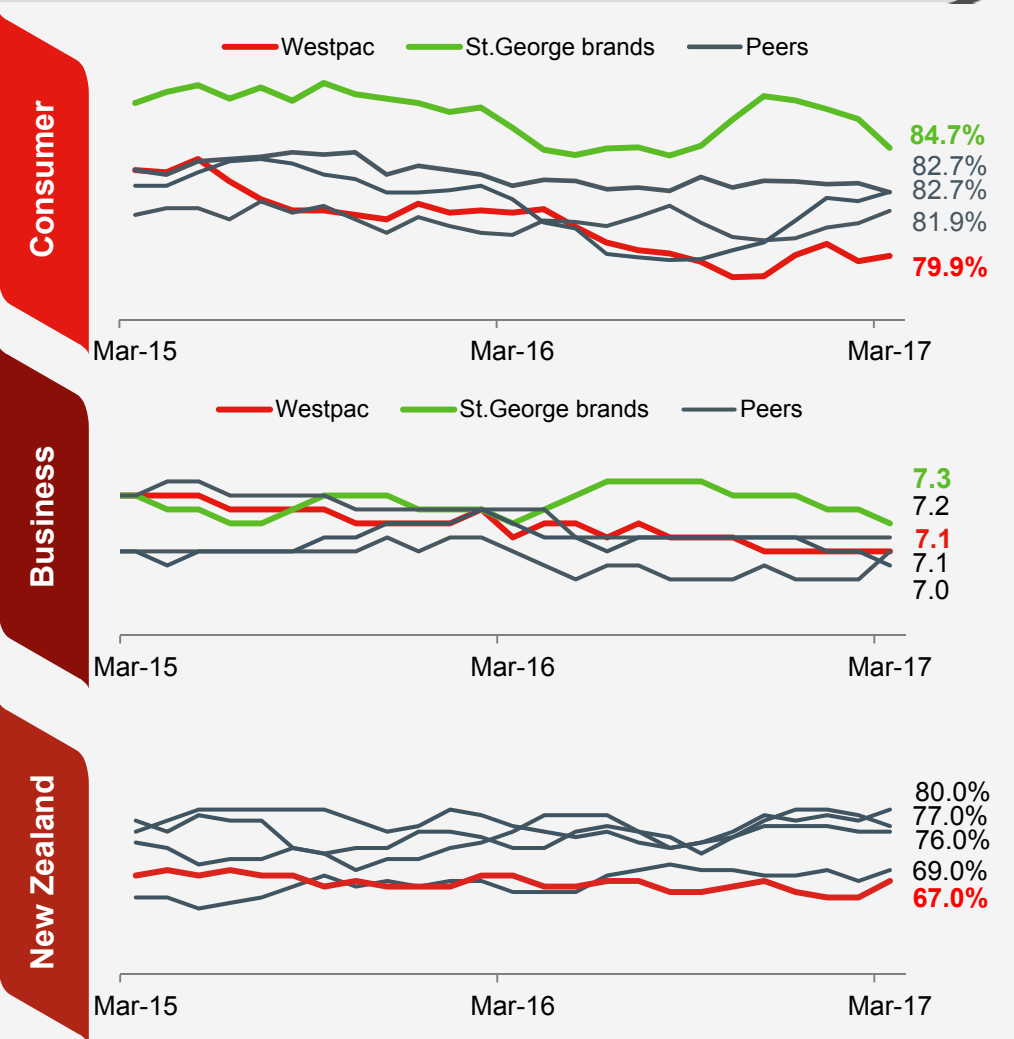
New Zealand retail



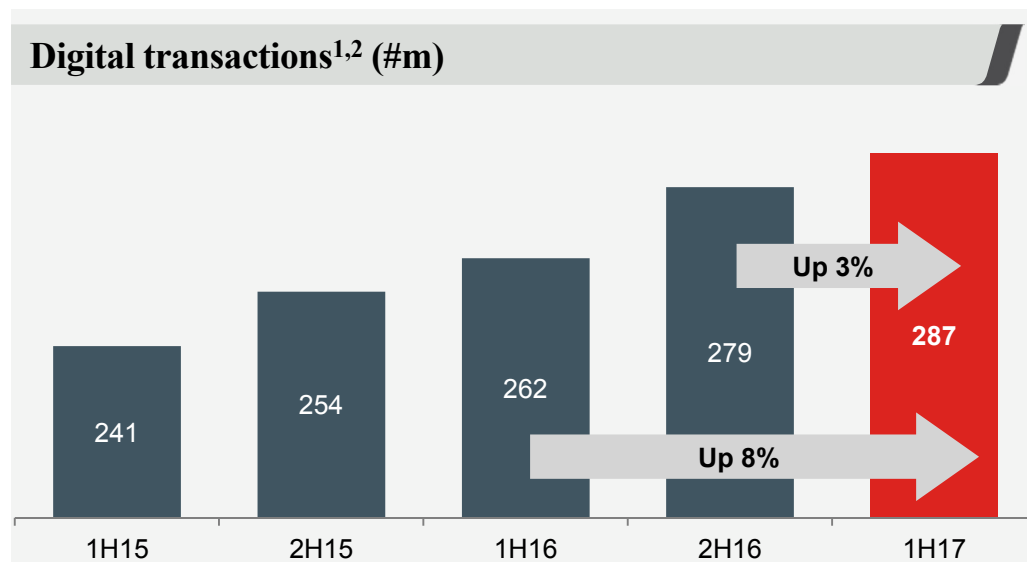
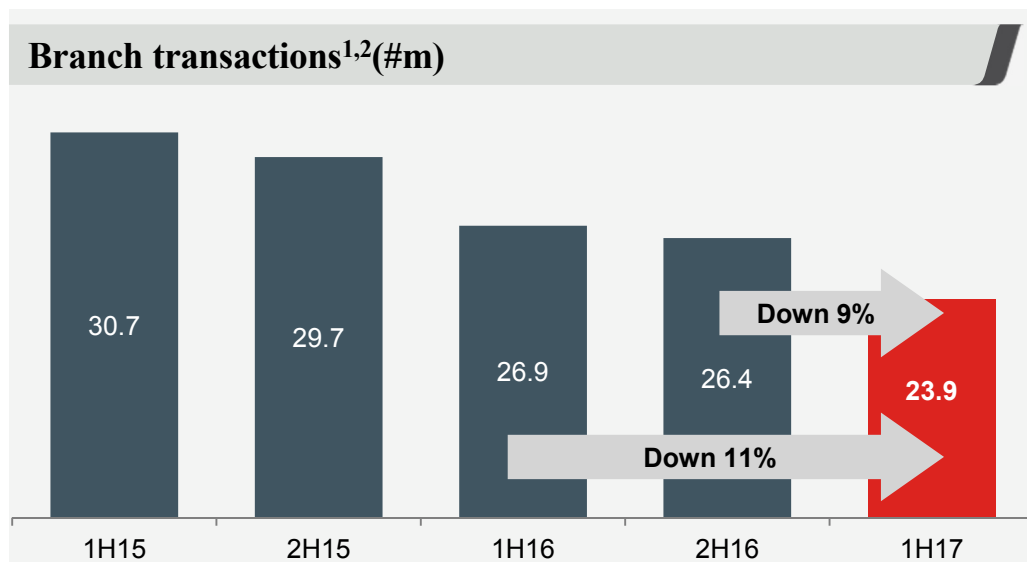
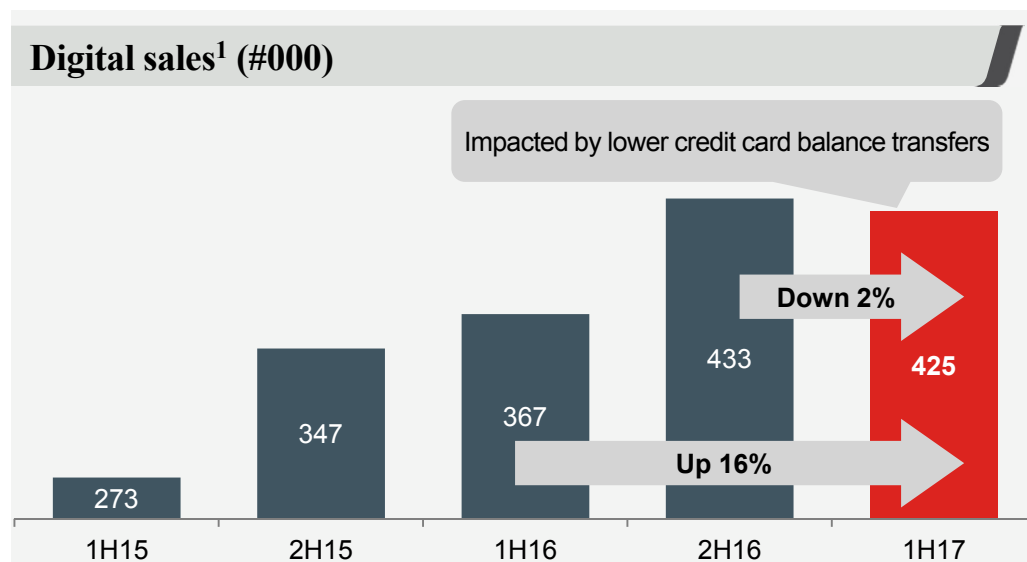
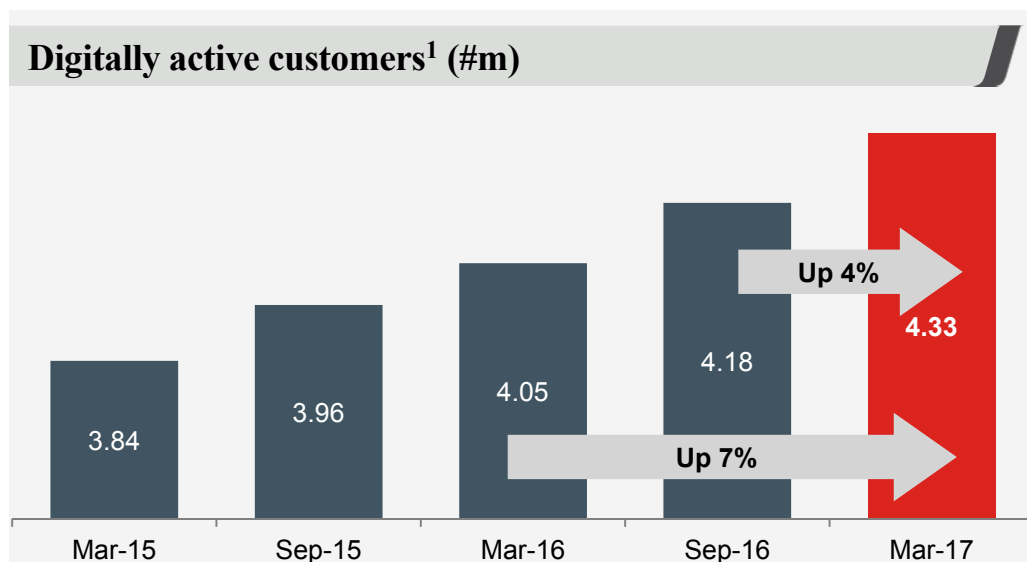
1 Refer slide 132 for metric definition.

Customer satisfaction¹

Consumer and New Zealand (%), Business (mean)



Customers continue to move to digital channels



1 Australian Consumer and Business customers. 2 Digital transactions are typically payments and transfers. Branch transactions are typically withdrawals and deposits along with transfers and payments.

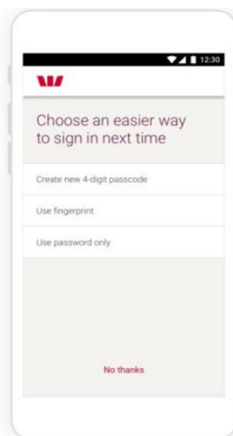
New digital services launched over the last six months

Digital transformation | 42

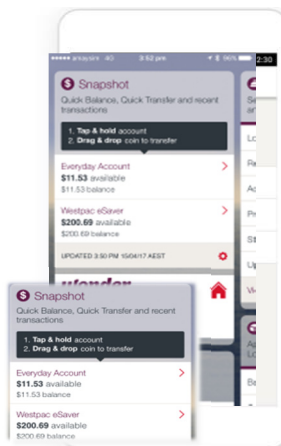
Helping customers get more from digital

Easy set up of key digital features:

- Simple Sign In
- Quick Zone
- Register for eStatements
- Set up push notifications

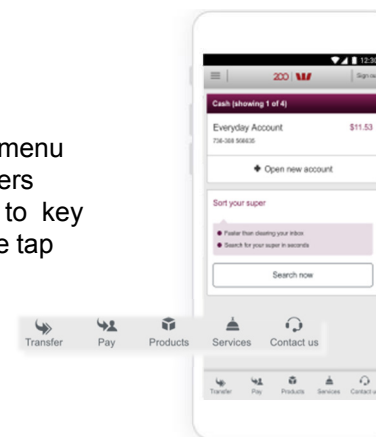


Quick Balance and Quick Transfer help customers check balances or transfer funds with one swipe



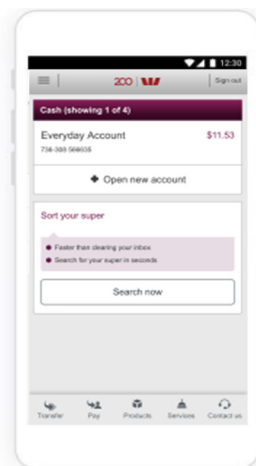
Making digital services easier to find

An enhanced menu giving customers faster access to key features in one tap



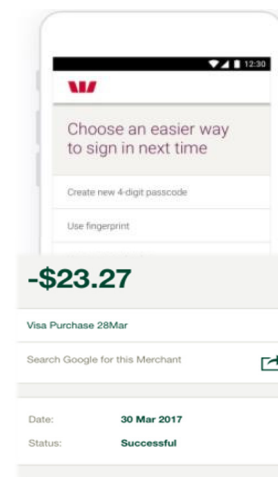
Anticipating customer needs

SuperCheck allows customers to search for and see their Super accounts (including those considered lost) in real time

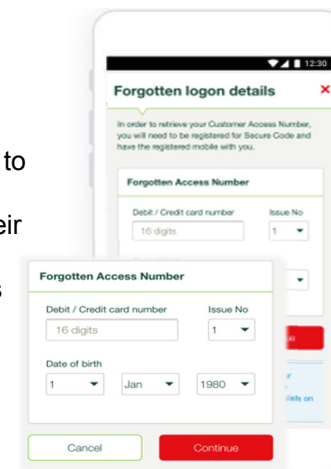


Digitally resolving customer pain points

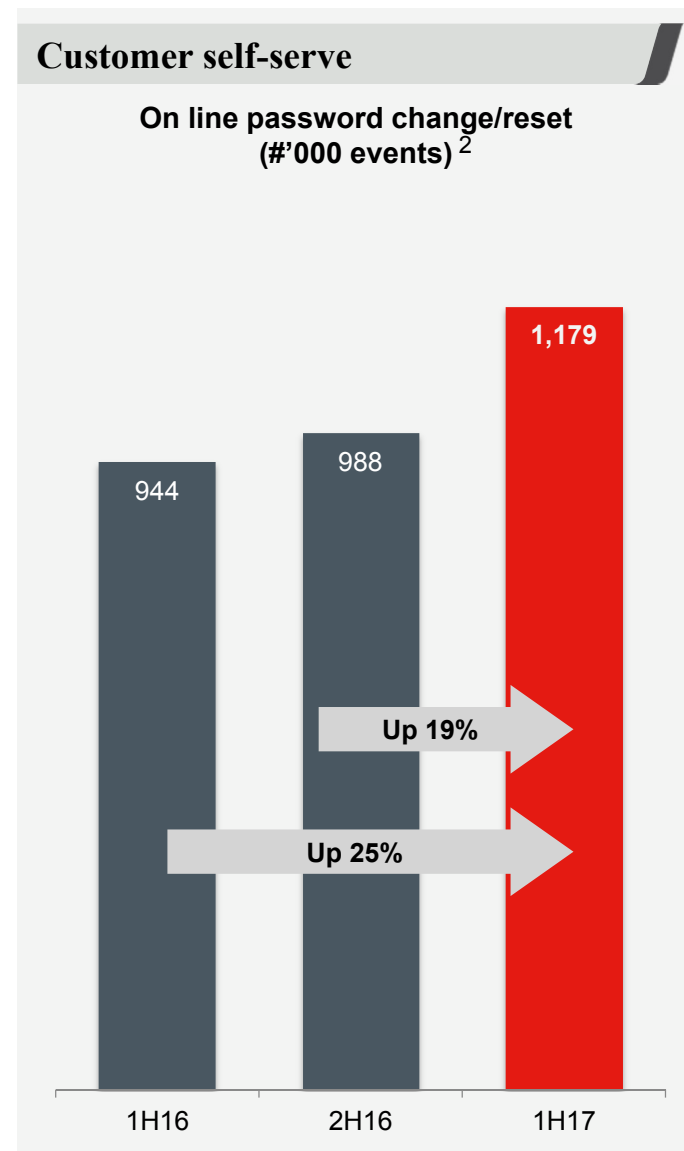
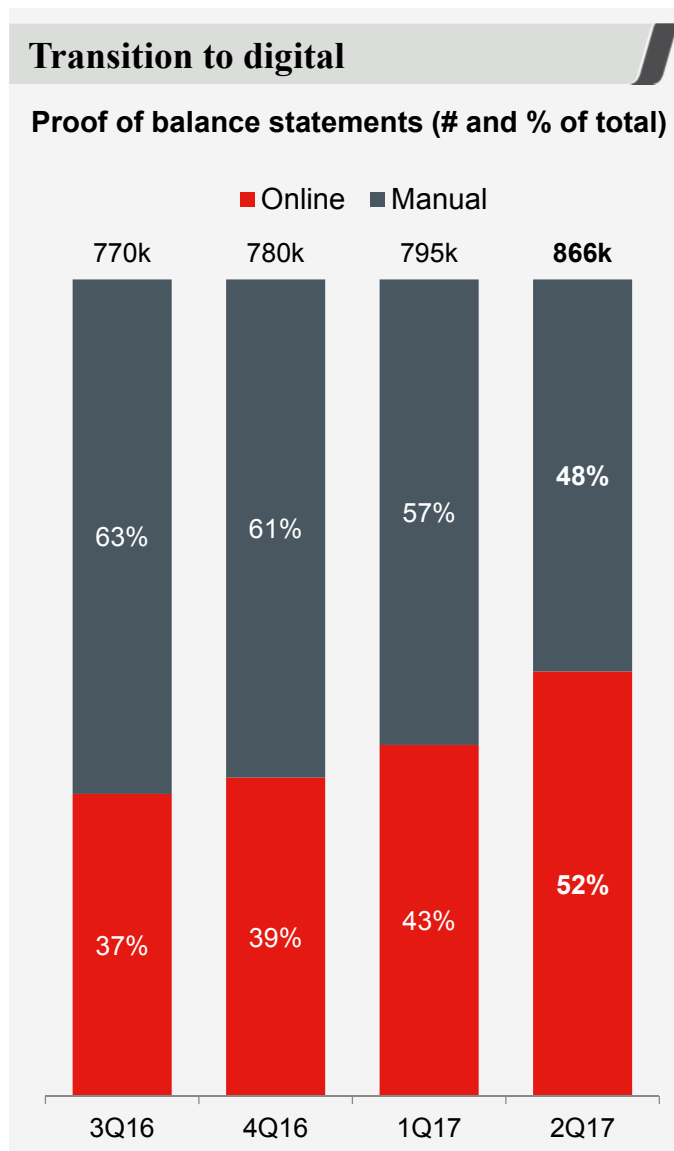
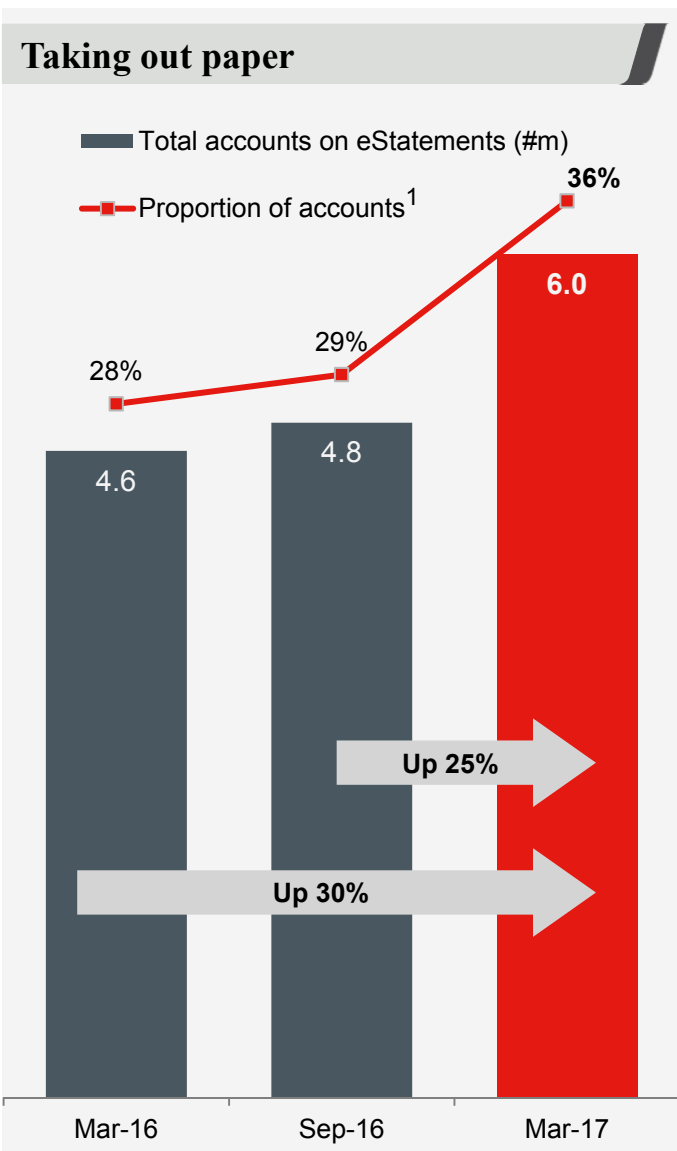
If a transaction looks unfamiliar customers can access more information about merchants with a simple search



Allows customers to reset and retrieve their login credentials



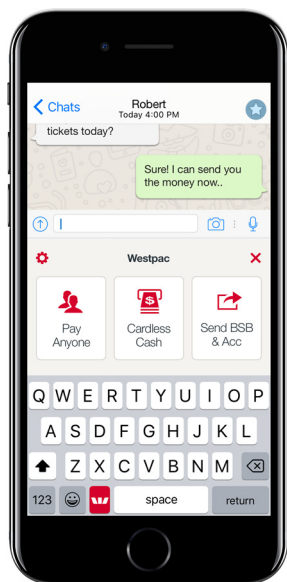
Uptake of recently launched capabilities



1 Consumer Bank accounts only. 2 Password change/reset and retrieving customer number.

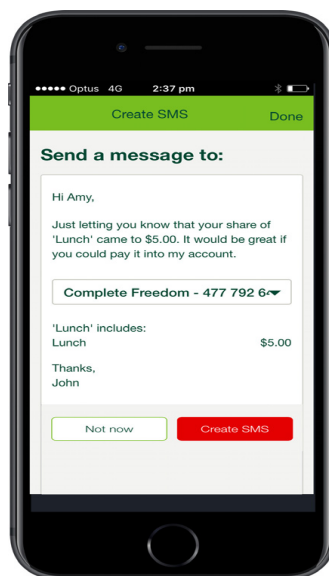
Digital used to transform customer service: **new capabilities**

Westpac Keyboard¹



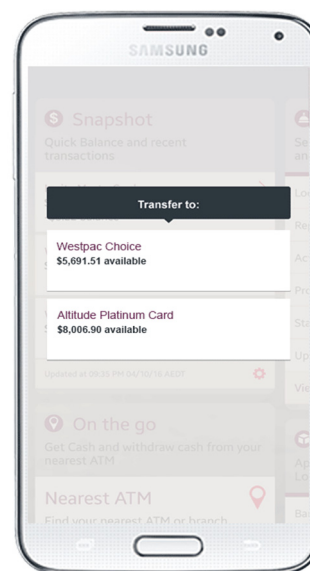
- An Asia-Pacific first
- Make payments in context while inside social chat apps (such as Facebook, Instagram)
- No need to log into banking app

Expense splitter¹



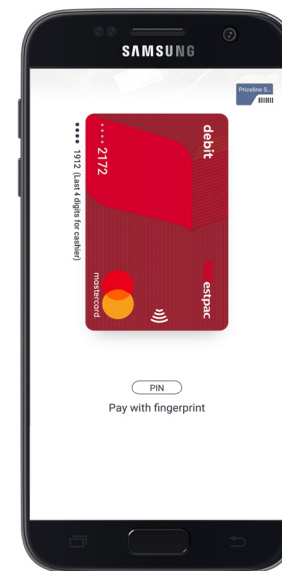
- Manage what you're owed, and who has paid you
- SMS friends to let them know how much they owe you, and what account to pay into

Quick transfers¹



- Allows customers to transfer between three accounts without the need to log into mobile banking
- More control over finances on the go
- CANSTAR 2017 Innovation Excellence Award Winner

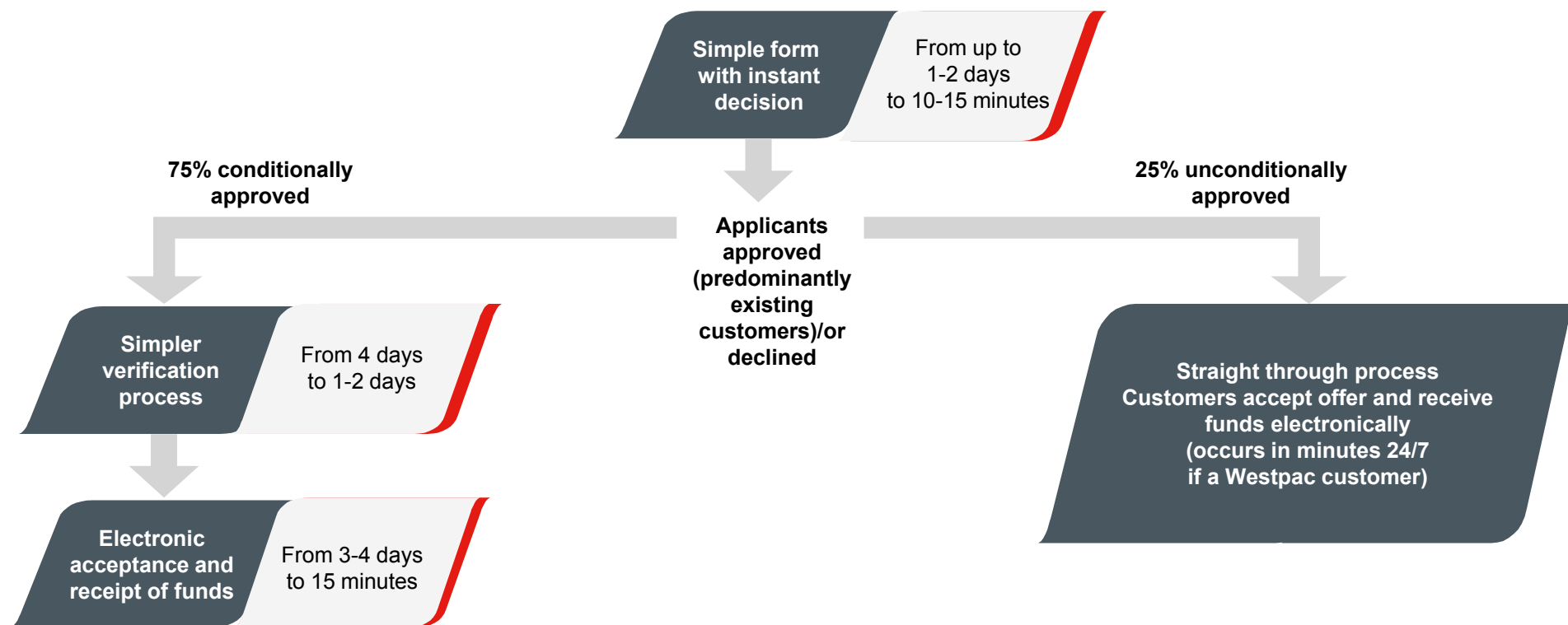
Samsung Pay¹



- First major Australian bank to offer Samsung Pay
- Secure payments at contactless terminals with a compatible Samsung phone or smartwatch
- Free way to pay on the go, offering greater convenience

¹ Keyboard and Samsung Pay for Westpac brand only. Expense splitter for St.George brands only. Quick balance is active for both Westpac and St.George brands.

Deep dive: Digitisation of personal loans¹



- ✓ Improved process for online applicants, as well as branch or call centre applicants
- ✓ Customers save time: no need to visit a branch to sign contracts or collect funds
- ✓ Branch and call centre staff save time: 5 minutes per application
- ✓ Operations team saves time: 5 minutes per application in verification
- ✓ 25% of approvals receive funds on same day, 65% of these in 60 seconds: previous process took up to 9 days

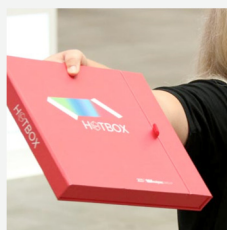
¹ This applies to the Westpac branded unsecured loan process.

Accelerating innovation



"The Hothouse" provides innovation services supported by Entrepreneurs-In-Residence to help solve customer problems. Dedicated space at Kogarah and 275 Kent St, Sydney

The Hotbox program unleashes the entrepreneurs within Westpac's employee network, creating new products and services that will form the leading edge of innovation at Westpac to 2020



Sponsoring the innovation ecosystem through Stone & Chalk allows Westpac to partner with the fintech community and bring the best of the outside in

Active member of R3 creating opportunities through industry collaboration. Utilising distributed ledger-based systems to simplify and automate more financial services



Investing and partnering to build new businesses and help solve customer problems



Invested in Quintessence Labs creating opportunities with quantum technology that strongly encrypts confidential data

Uno is a new mortgage broker disrupting the traditional market by providing consumers with the ability to search, compare and apply for a home loan digitally, from a choice of 20 lenders



Invested and partnered with Surgical Partners to help medical practices improve their operating efficiency by connecting practice management software to cloud based accounting

Westpac and Australian fintech innovators inLoop have partnered to create LanternPay – a scalable, cloud based claiming and payments platform designed for use in Consumer Directed Care programs such as the NDIS, Aged / Home Care and Government insurance schemes



¹ Logos are of the respective companies Stone & Chalk, R3, Uno, Surgical Partners and LanternPay.

Reinventure – Investing in new technology businesses¹

Westpac has committed \$100m to Reinventure, an independently run venture capital fund. The operation allows Westpac to gain insights into emerging fintech business models, adjacent business opportunities and entrepreneurial ways to execute at speed



Using data, sheds light on high volume crimes, improving prevention and detection



A free, all-in-one HR and benefits platform that manages on-boarding and compliance and lets HR professionals focus on value added tasks



A global Big Data, business intelligence and enterprise data warehousing company



Connects ordering apps, payment devices, loyalty and reservations platforms to any POS



A bitcoin wallet and platform where merchants and consumers can transact the digital currency, bitcoin



A one-stop payments platform that helps marketplaces, merchants and their customers transact simply and securely online (previously PromisePay)



A natural language AI system for data analysis targeting relatively simple business queries that comprise 70% of an analysts work in a large organisation



A social media platform for local communities. Nabo differentiates itself by helping residents develop real online geographical communities (by suburbs)



A peer-to-peer lending platform reducing the cost of originating and managing consumer loans, sharing its operating cost advantage with both borrowers and investors to get a better deal



Standardises mobile forms into a format you can easily read and fill at the tap of a button



A trust framework and secure platform that allows users to exchange data safely and securely



A platform to help home sellers find and compare real estate agents



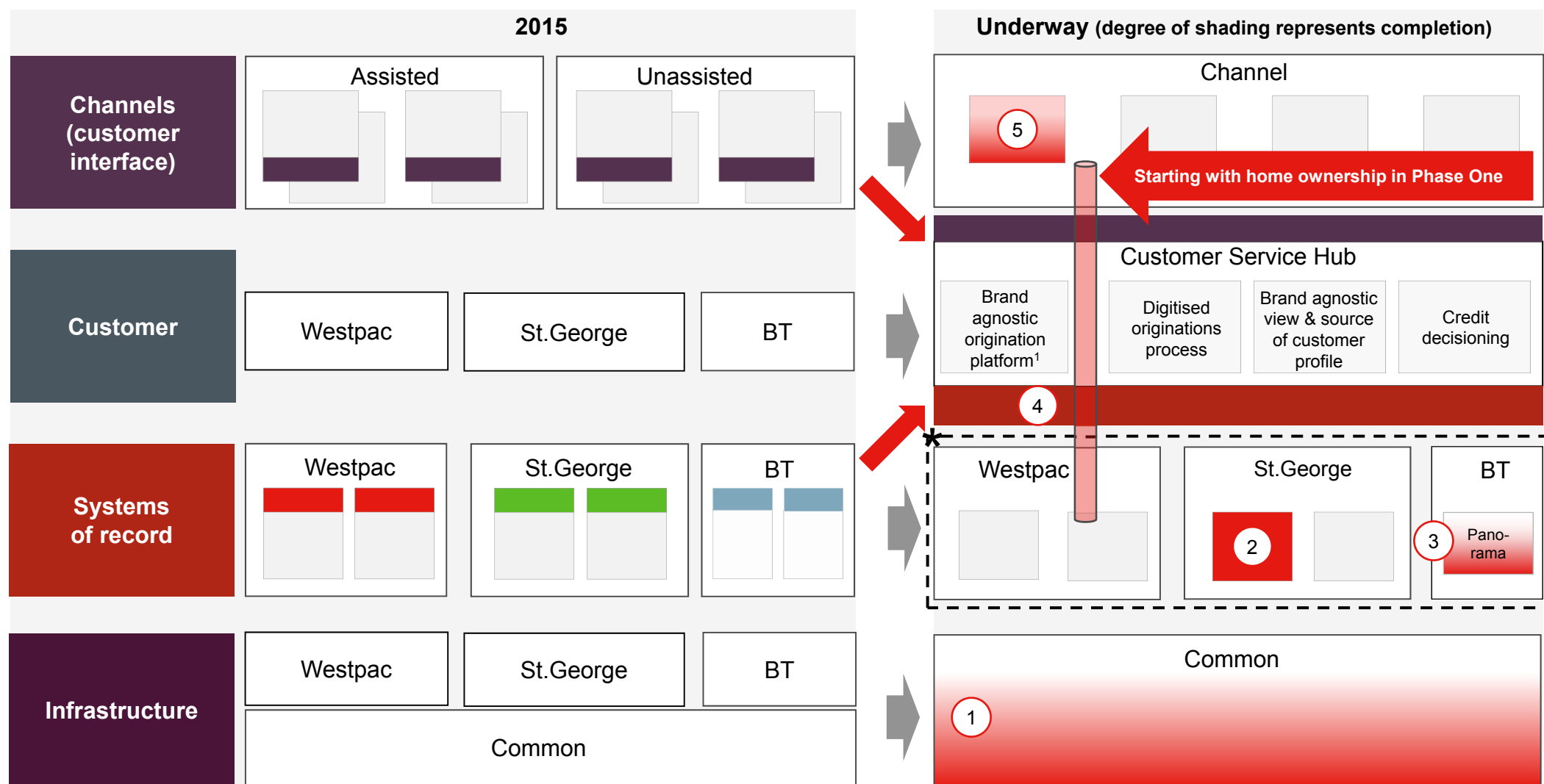
A business loan marketplace that matches SMEs to the best lender based on their characteristics and needs



An app to revolutionise the payment process for customers when dining out or grabbing a coffee on the go

1. Logos are of the respective companies.

Significant momentum in our technology transformation



① Common IaaS (Infrastructure as a Service) foundations implemented across Group.

② St. George Hogan deposit & transaction core system upgraded to Celeriti in 2016.

③ Significant Panorama functionality delivered including SMSF.

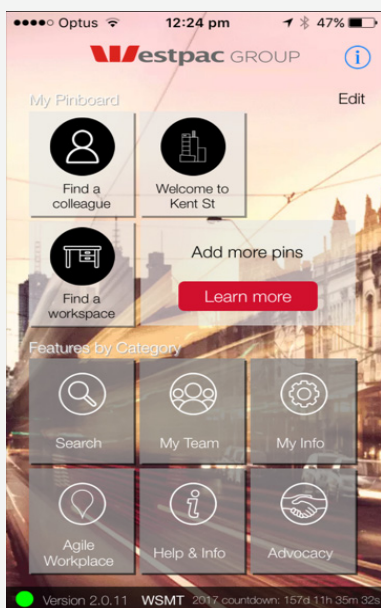
④ Customer Service Hub vendor selected and "steel thread" developed to validate strategy of connecting channels and systems of record through a customer hub.

⑤ Human Digital Connections telephony platform rolled out by the Customer Contact Centres.

¹ Excludes RAMS and BT.

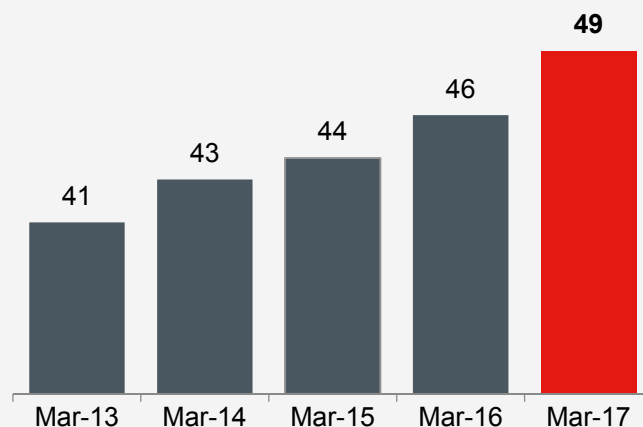
Agile work space providing benefits

- Around 10,300 employees now in agile workplaces
- Commenced work on transforming Westpac Head Office (275 Kent St) to agile
- Delivering the following benefits
 - Employee to desk ratio now 1.3 across Sydney CBD locations
 - A further 72% reduction in paper and storage
 - 15-20% increase in staff satisfaction and pride with the workspace¹

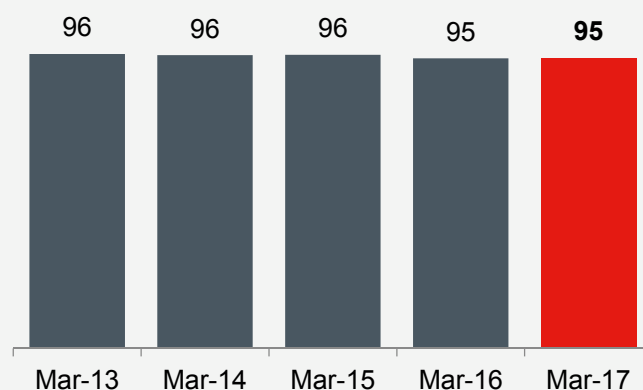


Agile working is supported with our Worksmart app

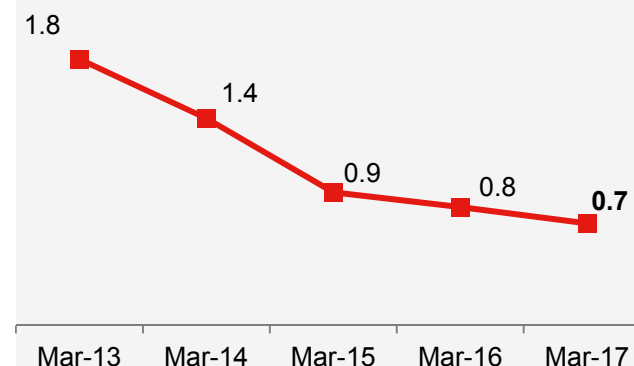
Women in leadership positions² (%)



High performer retention (rolling 12 months) (%)



Lost time injury frequency rate (rolling 12 months) (#)




Embedding customer service


During 1H17 made changes to incentives and performance management programs:


- Removed all product-related incentives for tellers across the Group. Teller performance is now assessed on customer feedback and the quality of service provided
- Introduced a new approach to performance, development and reward (Motivate). Motivate focuses on supporting people to develop and grow, removes forced rankings, and places a greater emphasis on behaviours

¹ Based on survey of employees in 150 Collins St. Melbourne post move to agile. ² Spot number as at 31 March for each period.

Strategic priorities and 1H17 progress highlights

- 1 Embracing societal change**
- 
- Help improve the way people work and live as our society changes
 - Leadership roles held by women increased to 49% (up from 46% a year ago). On track to achieve the 2017 target of 50%
 - Recruited an additional 76 Indigenous Australians

- 2 Environmental solutions**
- 
- Help find solutions to environmental challenges
 - Total committed exposure to the CleanTech and environmental services sector was \$6.7bn as at 31 March 2017, remaining ahead of target¹
 - Westpac Green Bond issued January 2017

- 3 Better financial futures**
- 
- Help customers to have a better relationship with money, for a better life
 - BT Advice customer satisfaction rating was 4.9 for 1H17, meeting target of 4.9 out of 5
 - Lending to the social and affordable housing sector increased to \$1.24bn, up from \$1.05bn a year ago

Further information on Westpac's Sustainability and progress on our strategic priorities is available at www.westpac.com.au/sustainability

¹ From 2015, a higher threshold for green buildings was introduced in line with industry trends. ² Formerly the Carbon Disclosure Project.

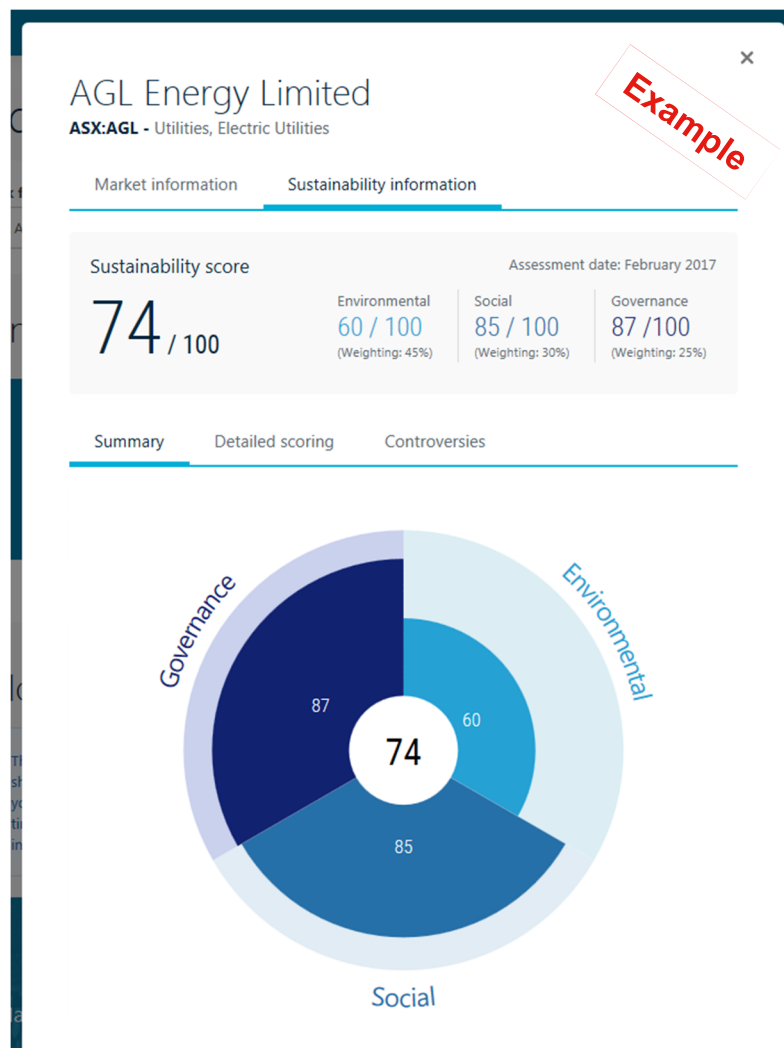
Leading track record

- Most sustainable bank globally in the 2016 Dow Jones Sustainability Index for the third year in a row, and among sector leaders annually since 2002
- Assigned a Gold Class ranking in the RobecoSAM Sustainability Yearbook for 2017, released in January 2017
- Included in the 2016 CDP² Climate A list, ranking Westpac among the top 9% of participating companies globally

Significant achievements

- 'Industry-first' introduction of ESG (Environmental, Social and Governance) scoring data in BT Invest and BT Panorama
- Highest ever customer satisfaction rating achieved in BT Advice
- Significant progress against Sustainability Strategy with more than half of the 2017 targets met or exceeded ahead of schedule

Industry first sustainability scoring on ASX200 and managed funds



BTFG is the first to provide customers with integrated sustainability information, to assist them in decision making

Making sustainable investing easier

- BT launched sustainability scoring, providing financial advisers and customers visibility of how investments rate on key sustainability factors
- Available on BT Invest and BT Panorama's investment menu for over 200 managed funds and ASX200 listed companies
- Research shows more than 90 per cent of Australians believe sustainable investing is important, with almost one in five saying it is extremely important for their investments, to be in sustainable companies¹
- BT Panorama is the only platform to offer integrated ESG scoring

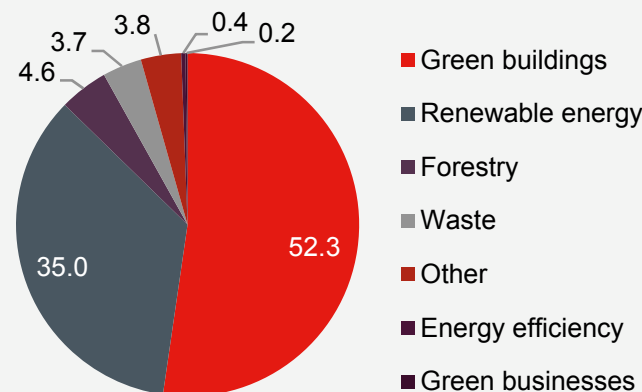


¹ 2016 BT Australian Financial Health Index.
More information available at bt.com.au/sustainability

Continued support for the environmental, energy and mining transition

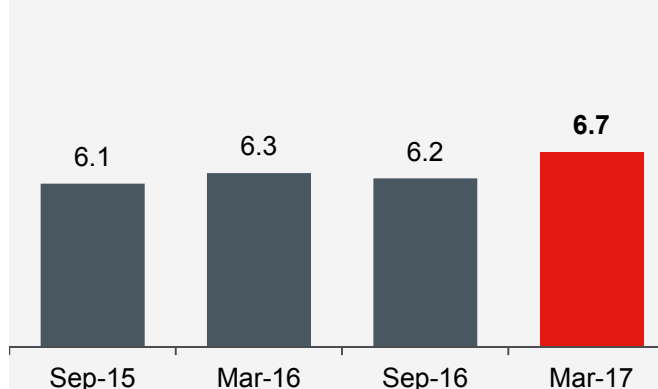
- Supporting CleanTech and environmental services, with over \$6.7bn TCE in Australia and New Zealand
- Mining as a percentage of Group TCE remains low, at approximately 1%. The portfolio mix continues to evolve as a result of a transitioning economy
- Launched in April 2017, a revised Climate Change Position Statement and 2020 Action Plan - new and updated criteria:
 - \$25bn target for lending to climate change solutions (including CleanTech) by 2030 (currently \$6.7bn)
 - Strengthened criteria for financing coal mines
 - Commitment to actively reduce the emissions intensity of exposure to the power generation sector, targeting 0.30 tCO₂e/MWh by 2020
 - Setting a Science-Based Target¹ to reduce Westpac's direct footprint emissions by 9% at or before 2020

CleanTech and environmental services exposure (%)²

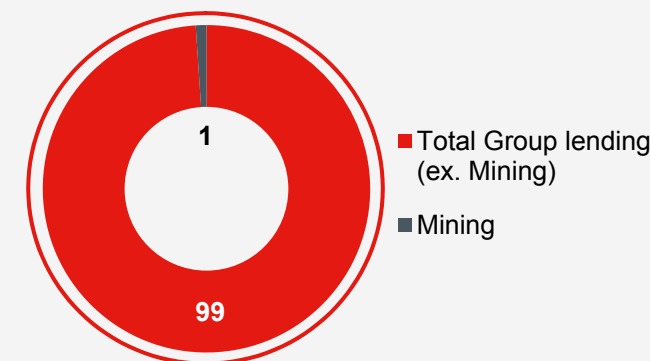


TCE as at 31 March 2017 \$6.7bn

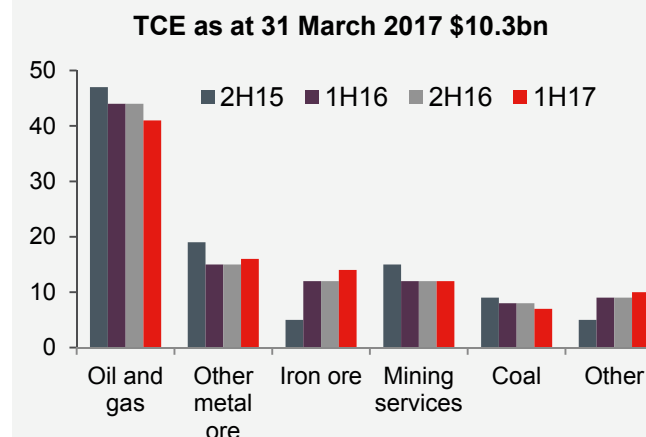
CleanTech and environmental services exposure (\$bn)



Group mining portfolio to total lending TCE (%)



Mining portfolio (TCE) by sector (%)



¹ Targets adopted by companies to reduce greenhouse gas emissions are considered "science-based" if they are in line with the level of decarbonisation required to keep global temperature increase below 2 degrees Celsius compared to pre-industrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. ² As at 31 March 2017, Westpac had no exposure to water or land remediation projects that met the criteria for the Group's CleanTech exposures.

Supporting communities¹

Backing economic activity

- Provide loans to help Australians own their home or grow their business
- Support the efficient flow of funds in the economy and keep deposits safe

\$49.3bn
new lending²
\$584bn
total
Aust. loans

Wealth of many Australians

- Support working and retired Australians either directly (611k shareholders) or via their super funds

\$3.2bn
in dividends;
Market
capitalisation
\$118bn

The bottom line

- 2nd largest Australian taxpayer³ paying more than \$3bn in income tax in 2016

>\$1.7bn
in income tax
expense for
the half

The workforce

- Employ 37,425 people

\$2.3bn
in payments
to employees

The nation

- Westpac 200 Businesses of Tomorrow
- First 200 Westpac Scholars
- 200 Community Grants
- 40+ years continuous support of the Westpac Rescue Helicopter Service

>1%
community
contributions
to pre-tax
profit

Income tax expense on a cash earnings basis (\$m)

	1H16	2H16	1H17
Notional income tax based on the Australian company tax rate of 30%	1,660	1,694	1,730
Net amounts not deductible/ (not assessable)	(40)	30	15
Total income tax expense in the income statement	1,620	1,724	1,745
Effective tax rate (%)	29.3	30.5	30.3

Other tax/government payments (\$m)

	1H16	2H16	1H17
Net GST, Payroll tax, FBT	230	217	238

Westpac also makes a number of other government and regulatory payments including fees for the committed liquidity facility, APRA fees and stamp duties which are not included in the above.

Similarly, Westpac also collects tax on behalf of others, such as withholding tax, PAYG and GST. These are excluded from this analysis

¹ All figures for the half year to 31 March 2017 unless otherwise stated. Dividends paid represents the 1H17 dividend. ² New mortgage and new business lending in Australian retail operations which includes CB, BB and BTFG. ³ Source: ATO's Corporate Tax Transparency Report for the 2014 - 15 Income Year, published December 2016.

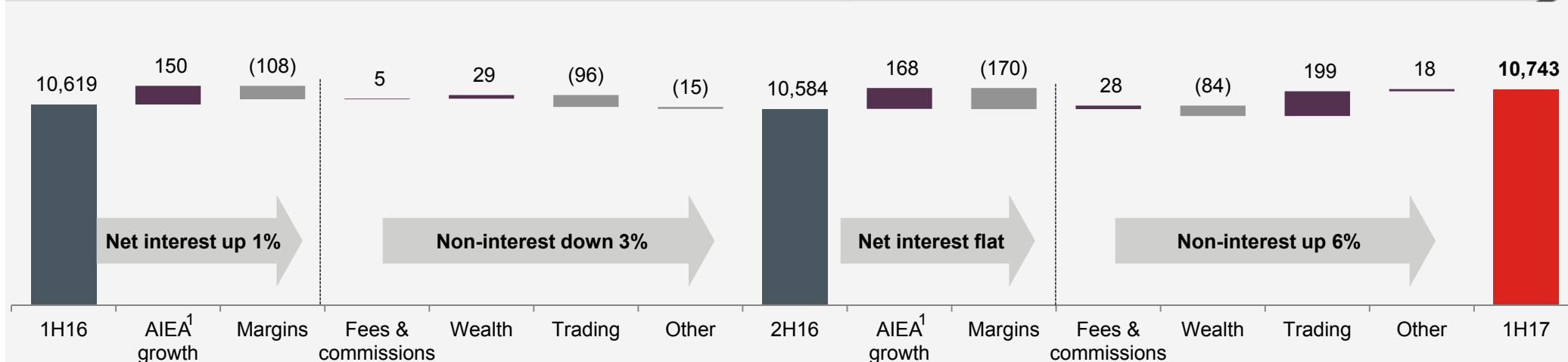
Earnings Drivers

Financial results based on cash earning unless otherwise stated.
Refer page 34 for definition. Results principally cover the 1H17,
2H16 and 1H16 periods. Comparison of 1H17 versus 2H16
(unless otherwise stated)

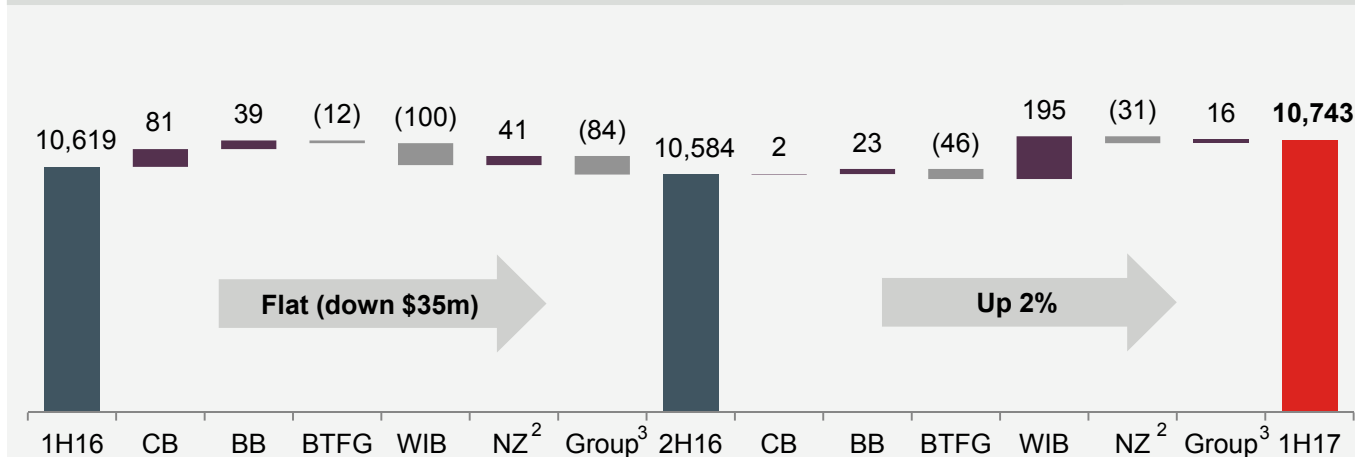
Net operating income up 2% over the half

Revenue | 55

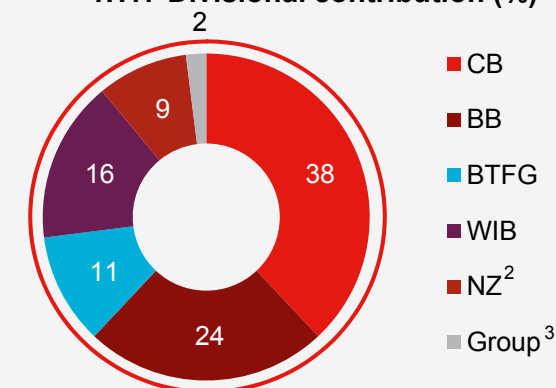
Net operating income movement (\$m)



Net operating income by division (\$m)



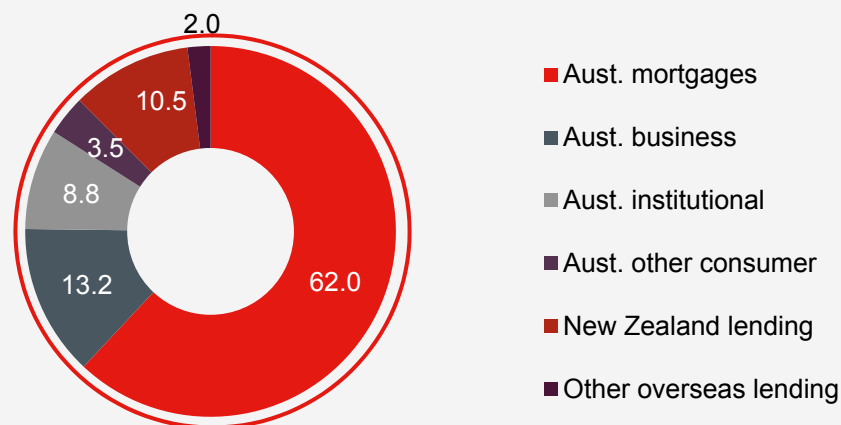
1H17 Divisional contribution (%)



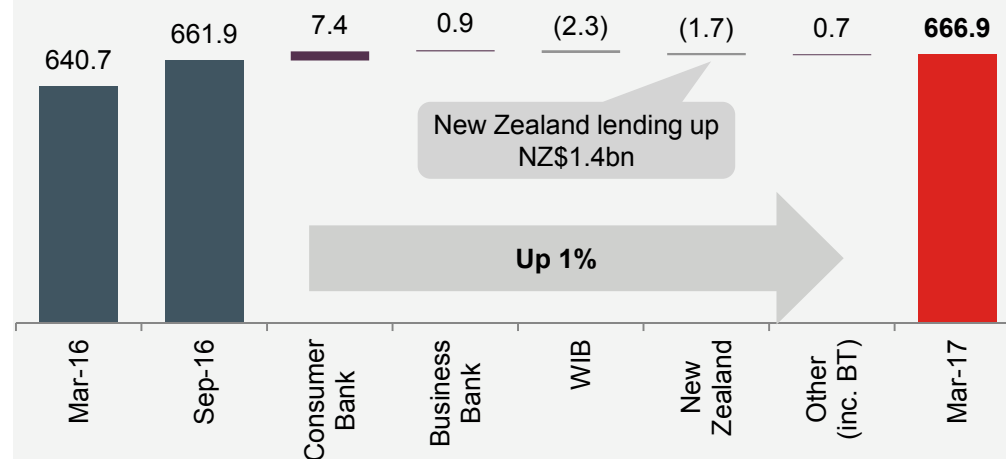
1 AIEA is average interest-earning assets. 2 New Zealand contribution represented in A\$. 3 Group Businesses.

Composition of lending

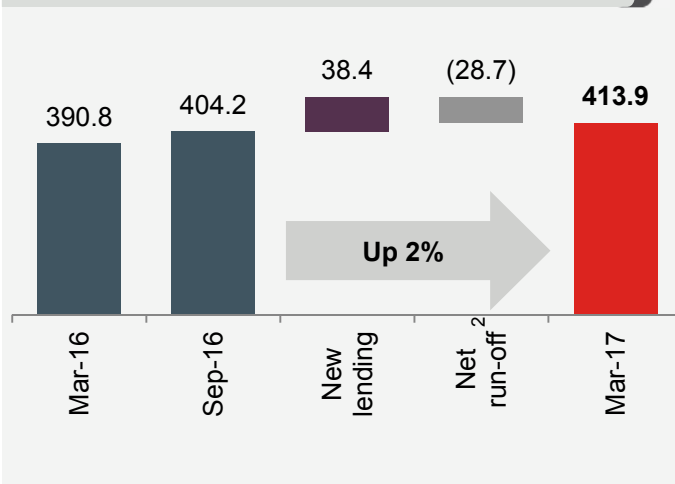
Composition of lending (% of total)



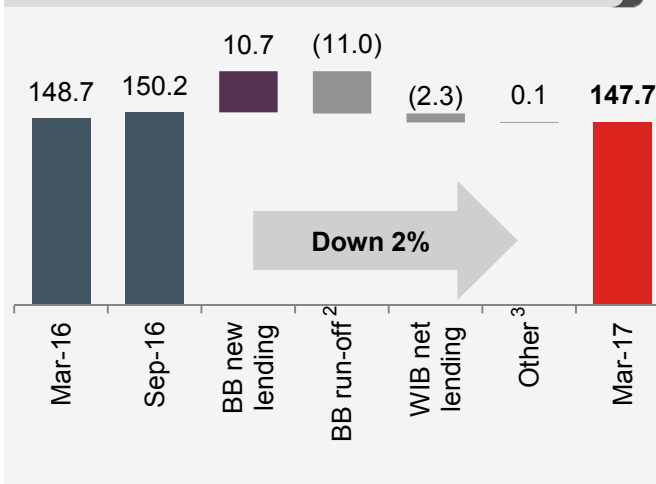
Net loans (\$bn)



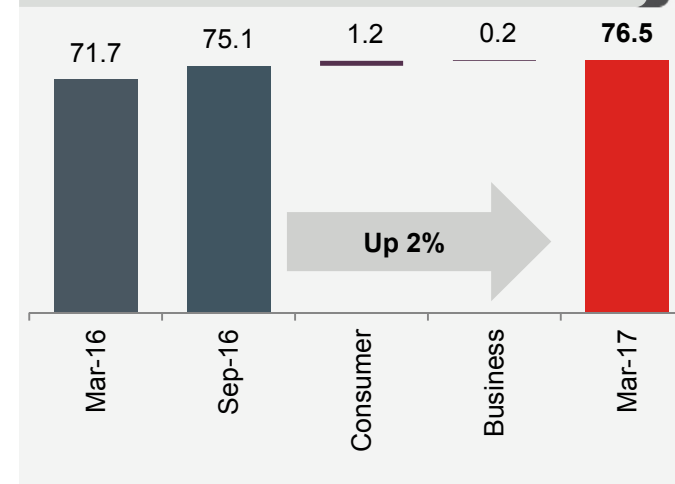
Australian mortgage lending¹ (\$bn)



Australian business lending¹ (\$bn)



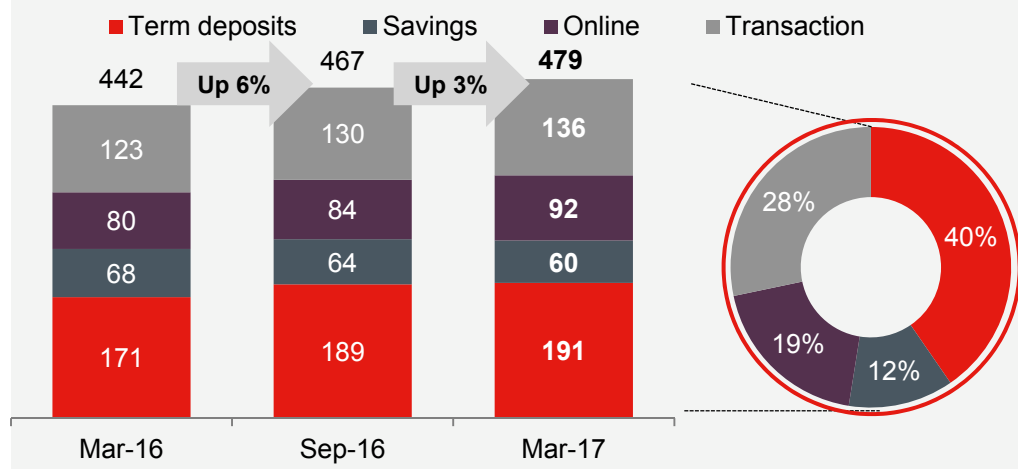
New Zealand net loans (NZ\$bn)



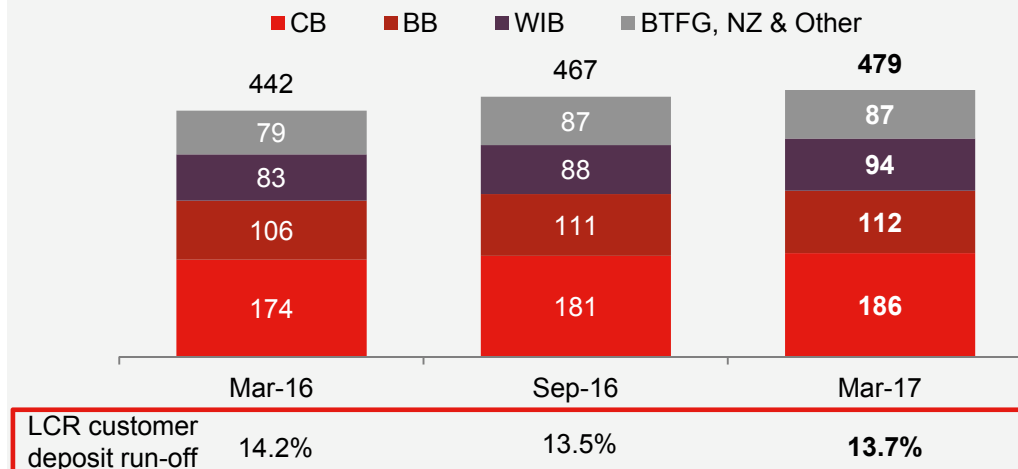
¹ Gross loans. ² Run-off includes repayment. ³ Other includes business lending in Private Wealth.

Customer deposits

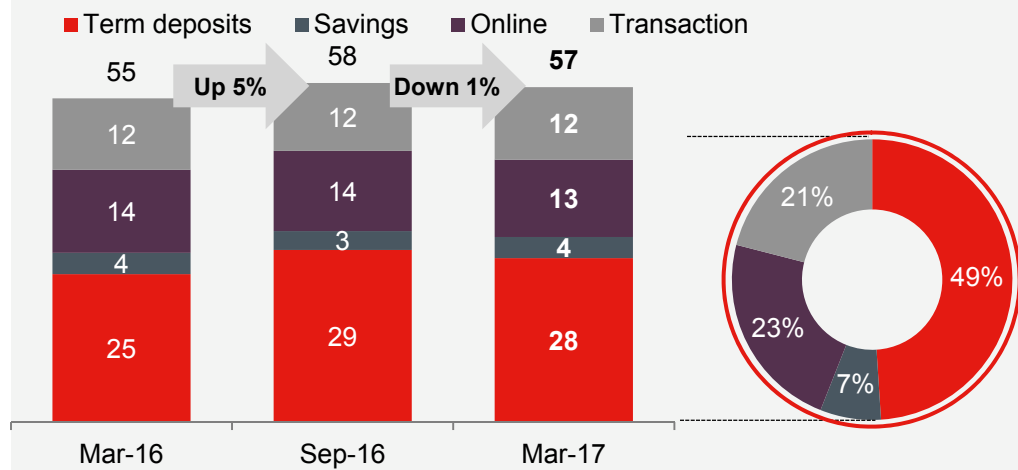
Customer deposit mix (\$bn) and % of total



Customer deposit composition (\$bn)

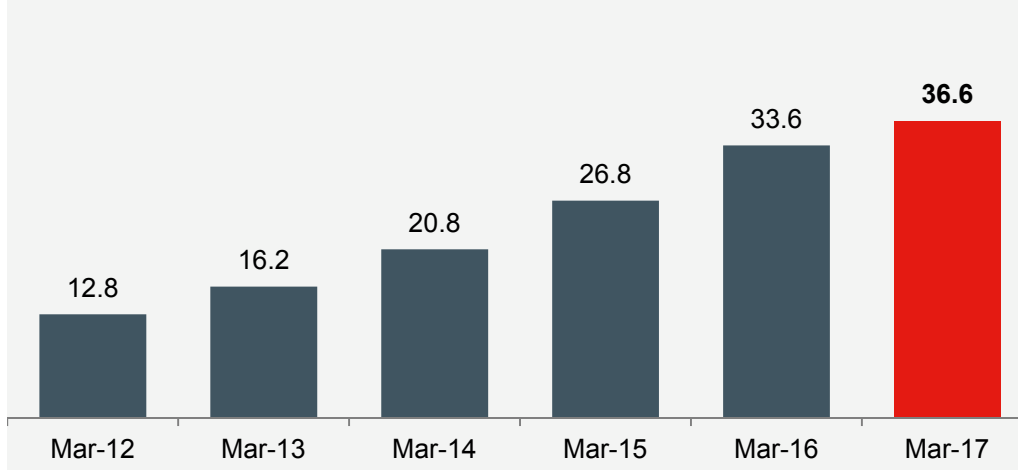


New Zealand customer deposits (NZ\$b)



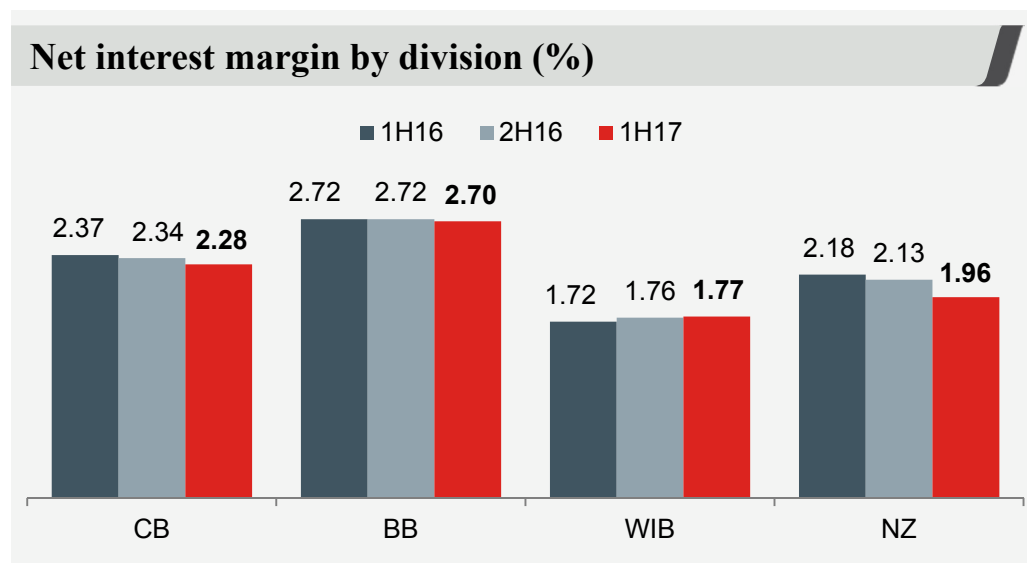
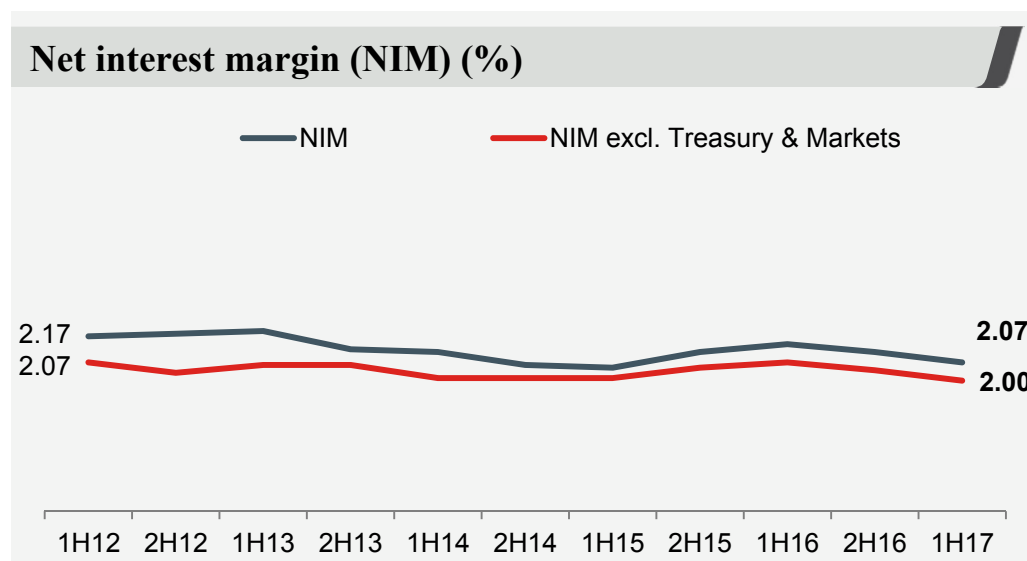
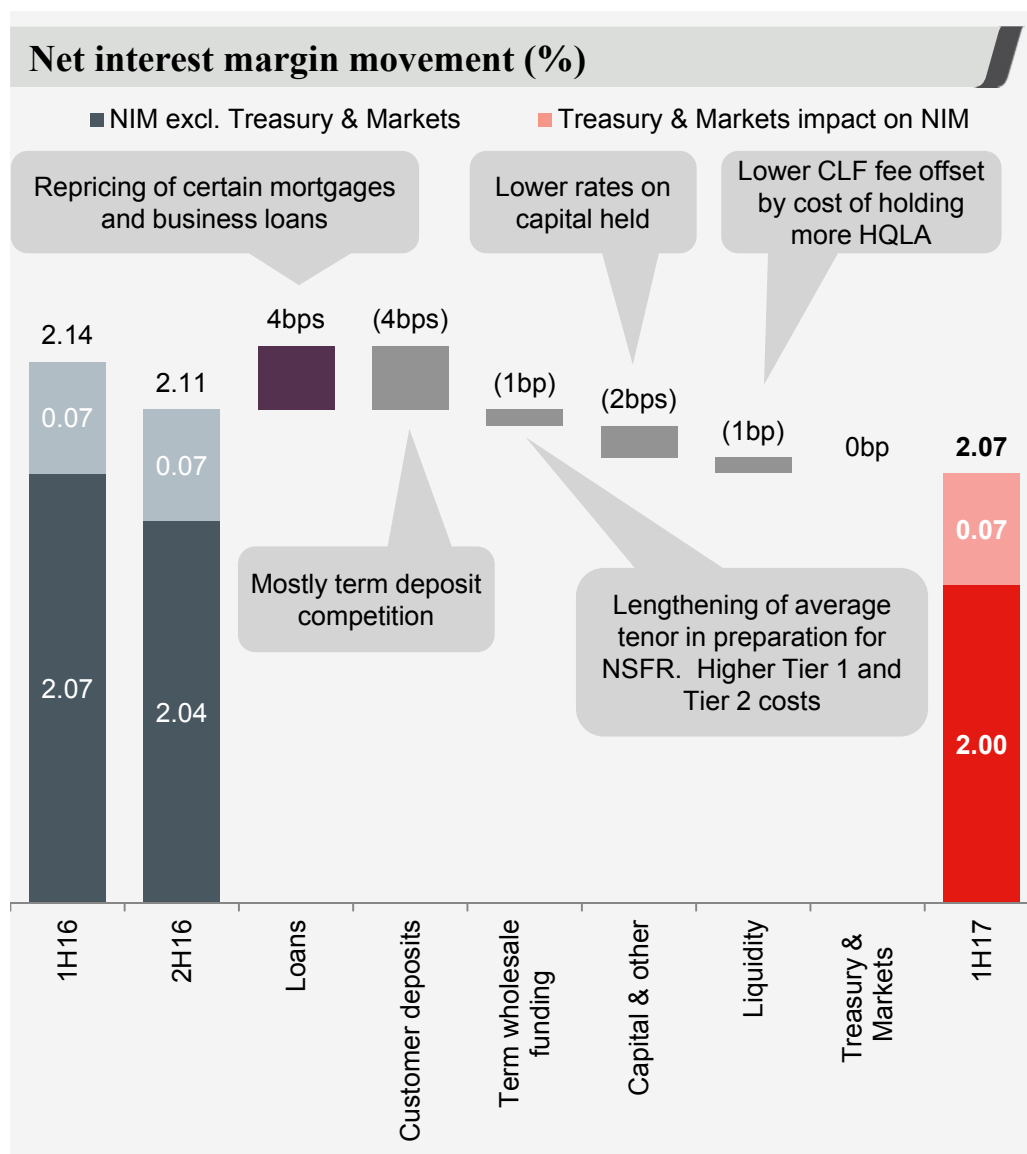
1 Included in transaction accounts.

Mortgage offset¹ balances (\$bn)



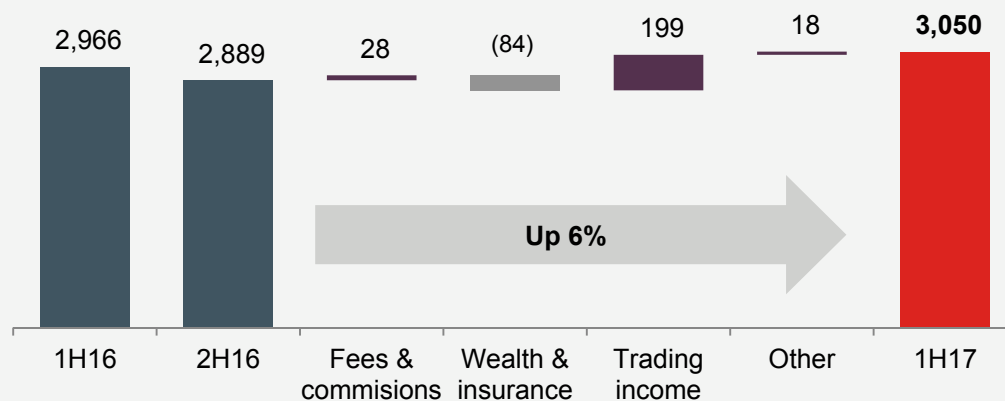
Net interest margin down 4bps, primarily due to higher funding costs and lower interest rates

Revenue | 58

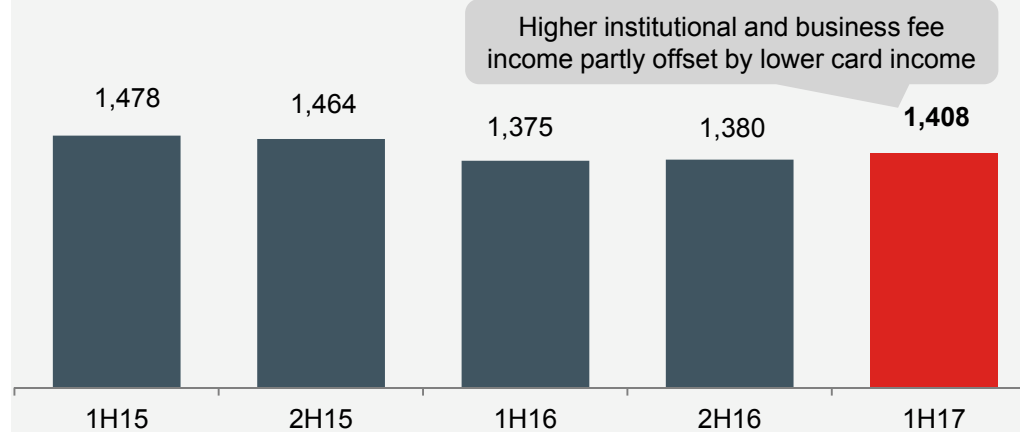


Non-interest income up 6%, primarily from higher markets income

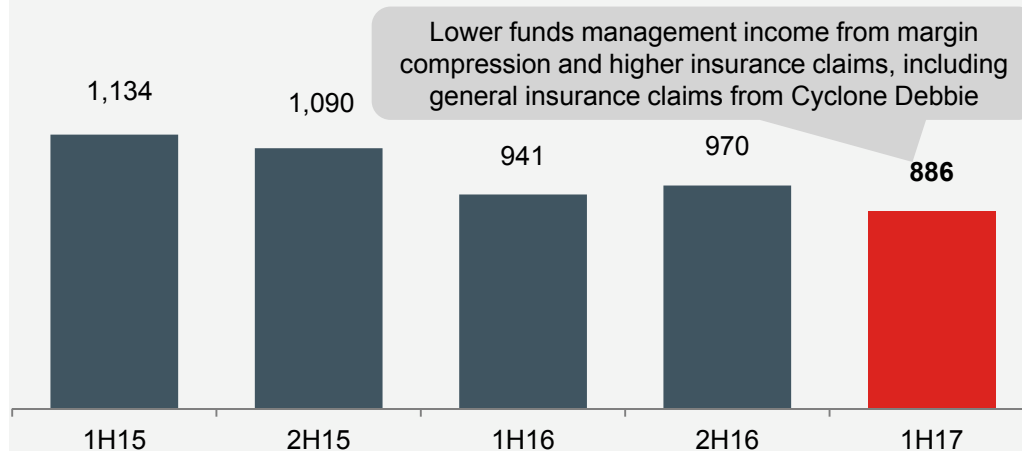
Non-interest income contributors (\$m)



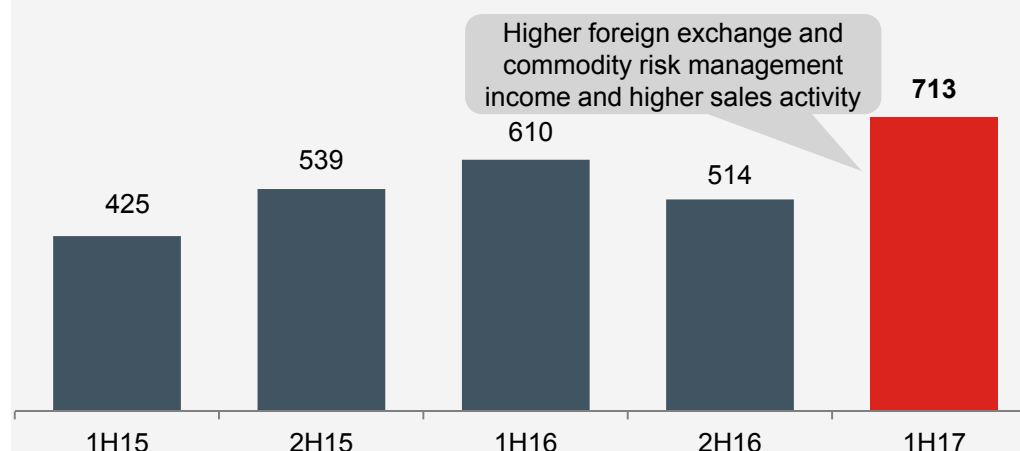
Fees and commissions income (\$m)



Wealth and insurance income (\$m)



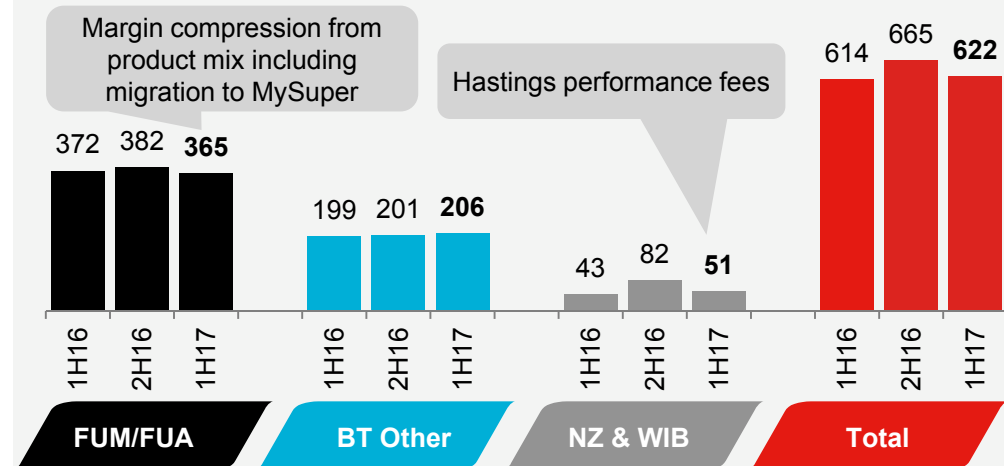
Trading income (\$m)



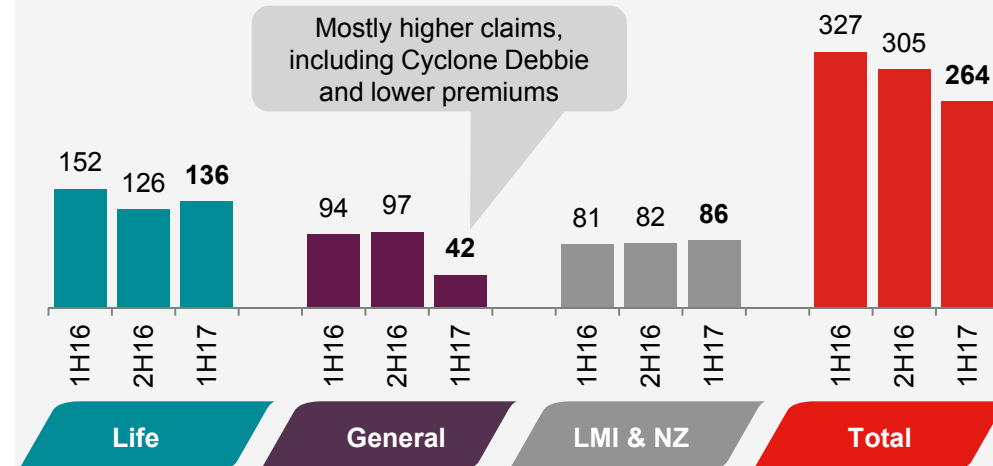
Wealth and insurance and markets and Treasury income

Revenue | 60

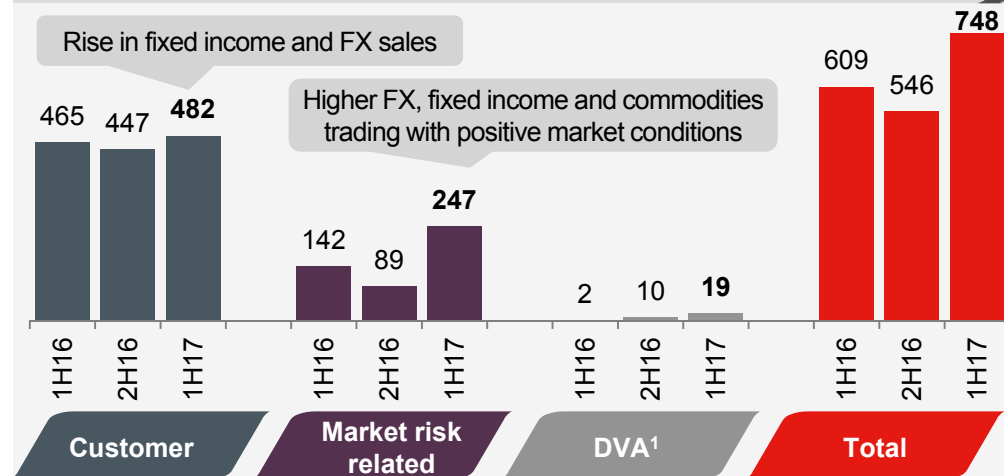
Funds management income (\$m)



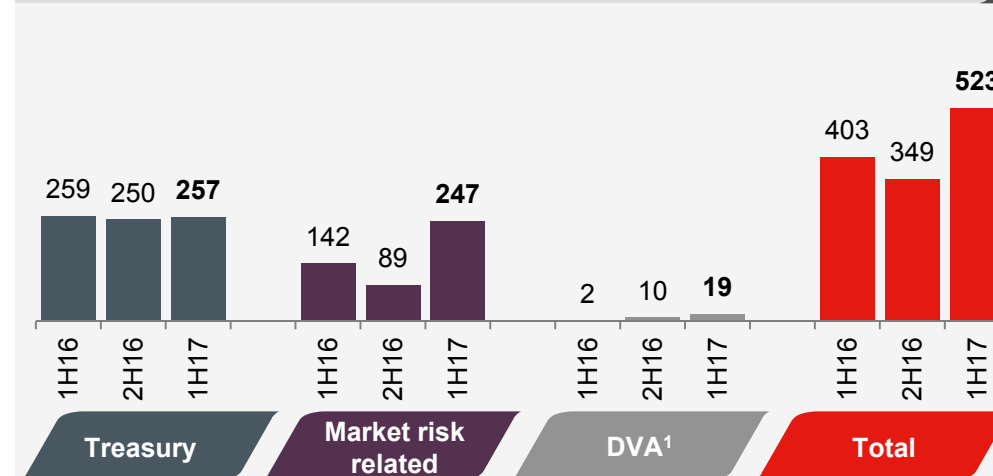
Insurance income (\$m)



Markets income by activity (\$m)



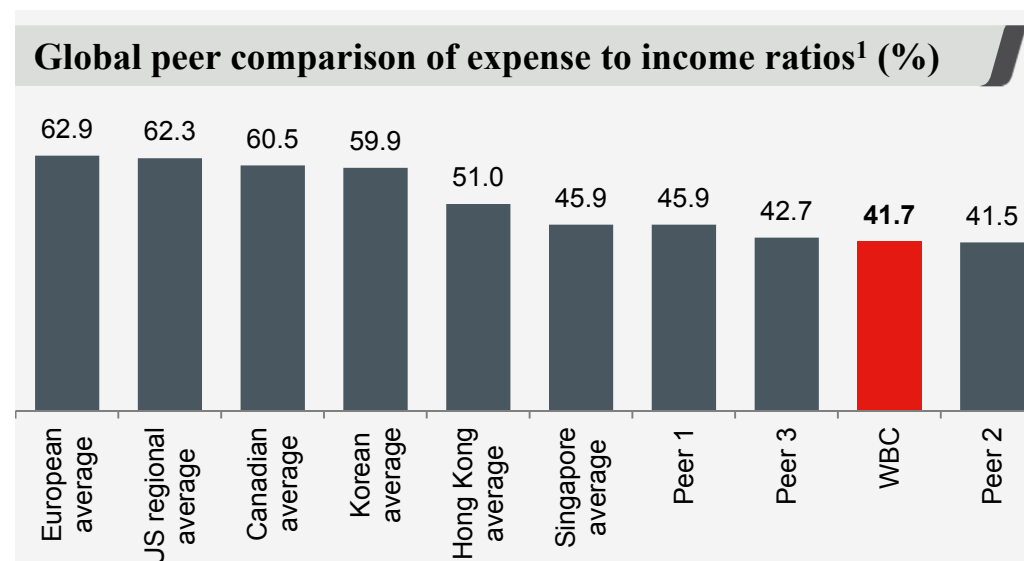
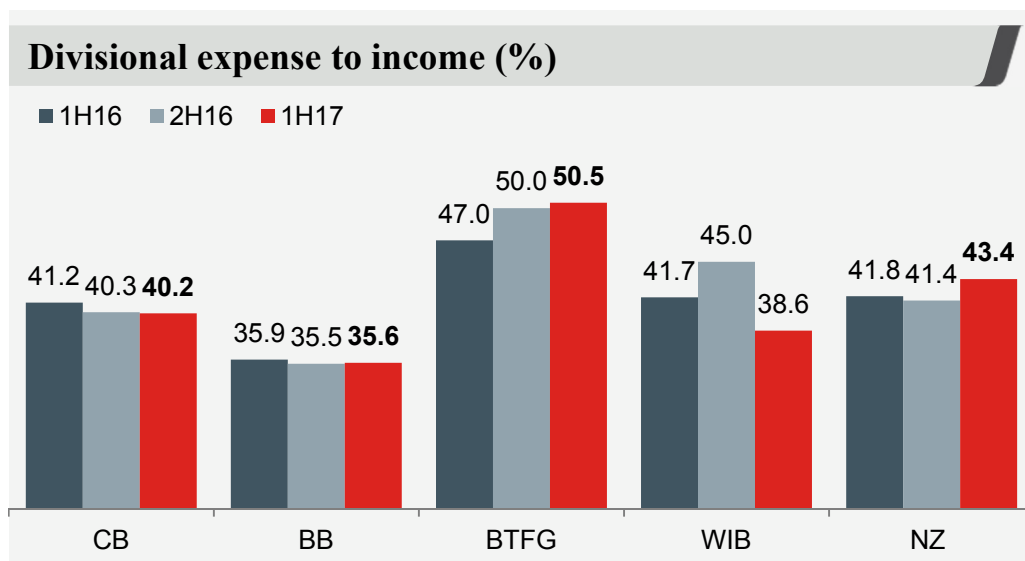
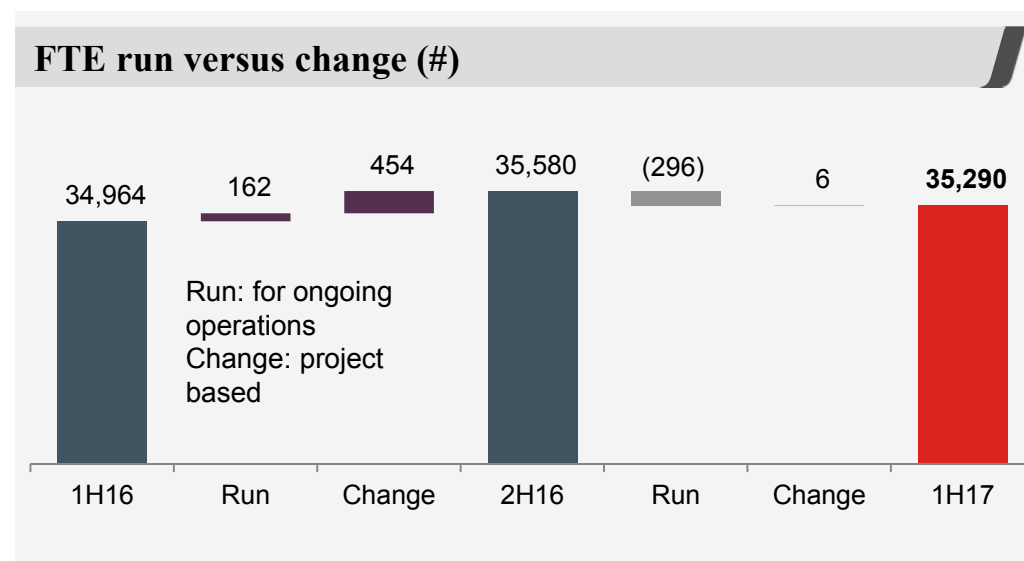
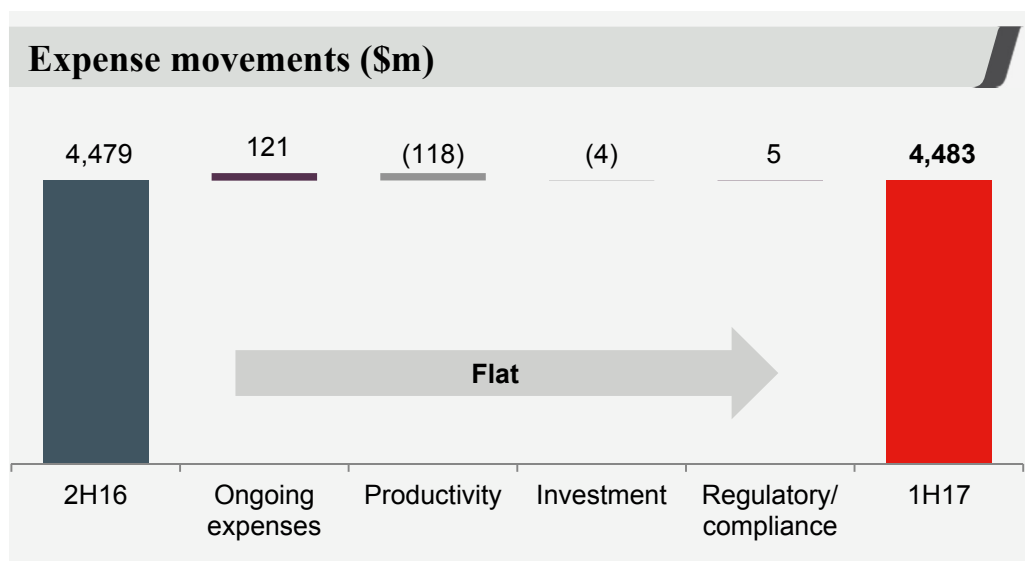
Total Group market risk-related income (\$m)



¹ DVA is derivative valuation adjustments.

Expense to income ratio 41.7%

Expenses | 61

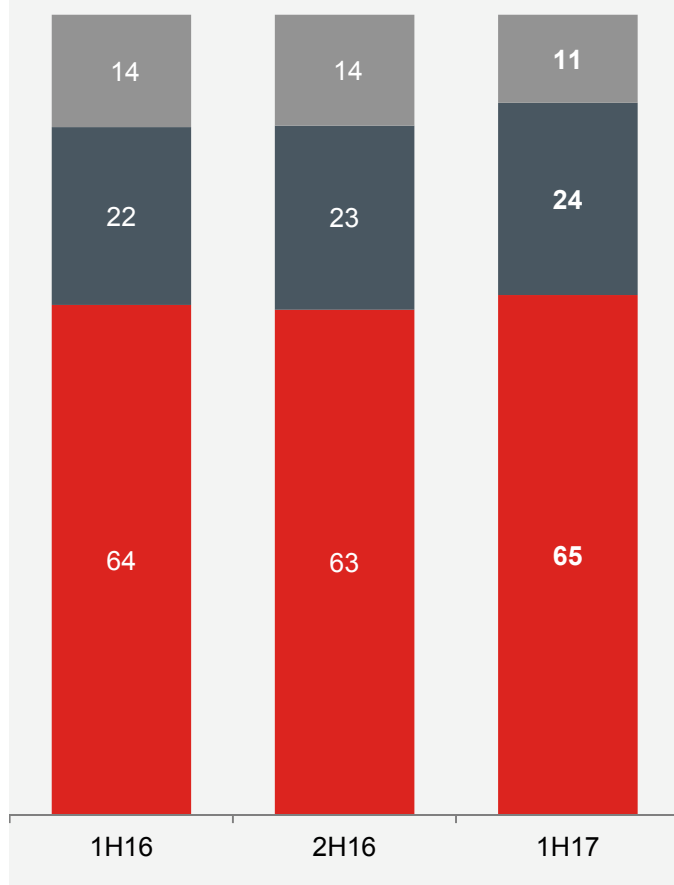


¹ Company data, Credit Suisse. Expense to income ratio average for Peer 1, 2 and 3 based on their 1H17 results, all others based on FY16. European average excludes Deutsche Bank. Peer 2 is based on underlying cash to income ratio.

Investment spend focused on growth and productivity

Total investment spend mix (% of total)

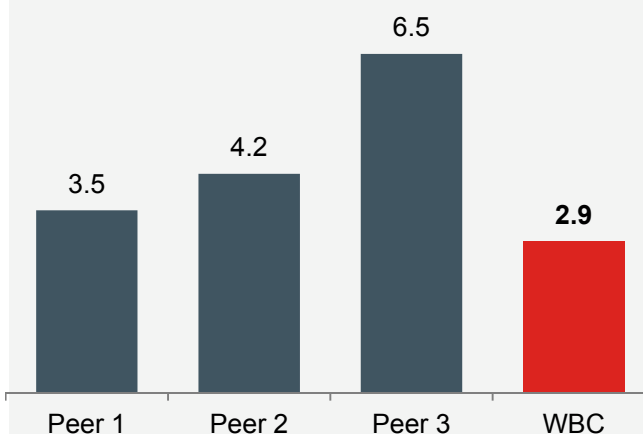
■ Growth & productivity ■ Regulatory change
■ Other technology



Investment spend (\$m)

	1H16	2H16	1H17
Expensed	256	261	236
Capitalised ¹	271	439	344
Total investment spend	527	700	580
Investment spend expensed	49%	37%	41%
Software amortisation	271	294	303
Average amortisation period	3.1yrs	2.8yrs	2.9yrs

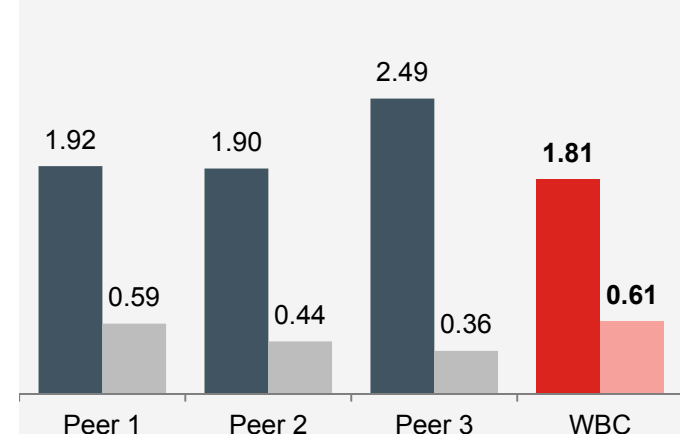
Average amortisation period² (years)



Investment spend capitalised¹ (\$m)

	1H16	2H16	1H17
Capitalised software			
Opening balance	1,654	1,651	1,781
Additions	268	428	344
Amortisation	(271)	(294)	(303)
Write-offs, impairments and foreign exchange translation	-	(4)	(8)
Closing balance	1,651	1,781	1,814
Other deferred expenses			
Deferred acquisition costs	116	101	91
Other deferred expenses	27	45	56

Capitalised software balance and amortisation² (\$bn)



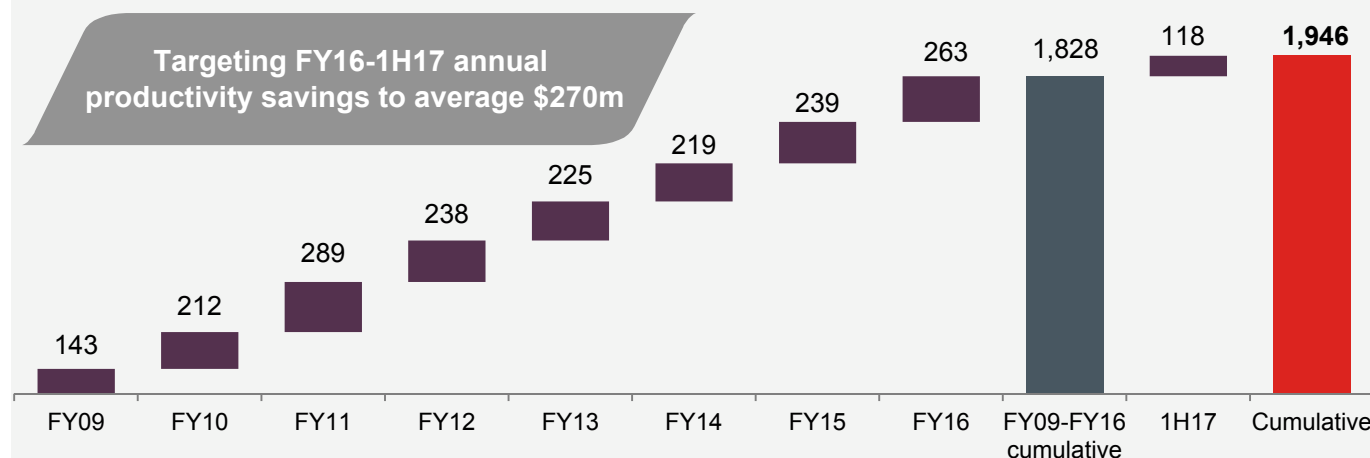
¹ Investment spend capitalised also includes technology hardware equipment. ² Data based on 1H17 results, excludes write-offs. Amortisation expense is based on amortisation expense excluding any impairment and is based on 1H17 annualised amortisation expense.

Productivity track record: \$1.9bn in savings since 2009

Efficiency initiatives:

- Business Connect and Connect Now video conferencing now in 91% of sites¹
- Improved e-Statement functionality in Consumer Bank has supported an increase in the number of accounts registered for e-Statements to 6 million
- Digitised St. George mortgage top-up loan document delivery and completion, enabling customers to sign and return documents electronically, improving quality and reducing time from application to funds from 10 days to same day
- Cheque digitisation has been rolled out to over 500 branches across NT, SA, WA, Tasmania and Queensland. Enables digital cheque imaging at each branch, reducing courier costs and results in faster and more efficient processing
- Annual audit certificates requested by auditors now digitised, ~120k requests, with delivery reduced to 2 days from 15 days
- Launched Virtual Data Vault (VDV) portal, uses 'drop box' style technology, enabling Westpac to provide large volumes of data to regulatory and legislative bodies. Increasing security, saving paper and reducing time to meet requests
- 24/7 portal introduced that allows Westpac Credit Card customers with overdue payments to manage their payment arrangements online. Used by over 5,000 customers per month with 92% of payment arrangements set up on the same day

\$1.9bn saved from efficiency programs since FY09 (\$m)



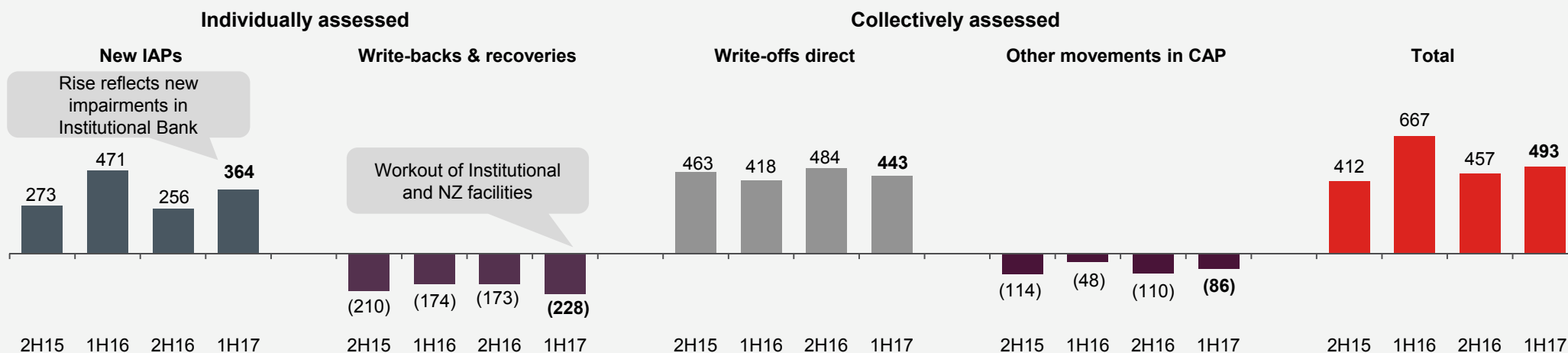
Metrics

	FY15	FY16	1H17
Number of branches ¹	1,429	1,309	1,264
Australian % of Smart ATMs of ATM network ²	34%	41%	42%
Business Connect/Connect Now video conferencing ³	86%	90%	91%
Consumer Bank and Business Bank active digital customers ² (# m)	4.0	4.2	4.3
Retail and business banking and wealth complaint reduction ⁴	28%	31%	26%
Number of IT applications closed ²	119	151	161

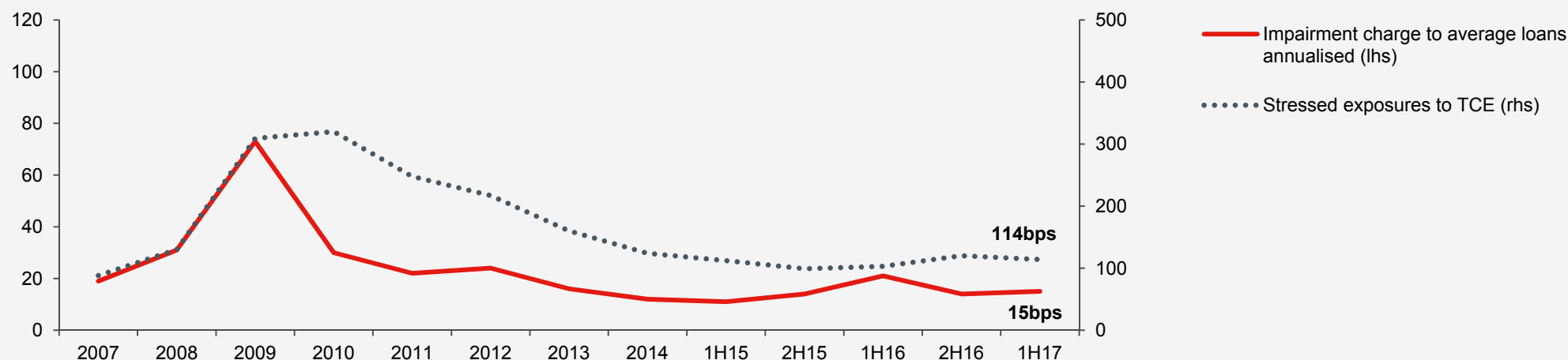
¹ Total branches in Australia, New Zealand and Westpac Pacific. ² Cumulative numbers. ³ Represents % of Australian branches with Business Connect/Connect Now. ⁴ Percentage change is based on prior corresponding period.

1H17 impairment charge lift mainly due to higher IAPs

Impairment charges (\$m)



Impairment charges and stressed exposures¹ (bps)



¹ Pre-2008 does not include St.George. 2008 and 2009 are pro forma including St.George for the entire period with 1H09 ASX Profit Announcement providing details of pro forma adjustments.



Asset quality

Financial results based on cash earning unless otherwise stated.
Refer page 34 for definition. Results principally cover the 1H17,
2H16 and 1H16 periods. Comparison of 1H17 versus 2H16
(unless otherwise stated)

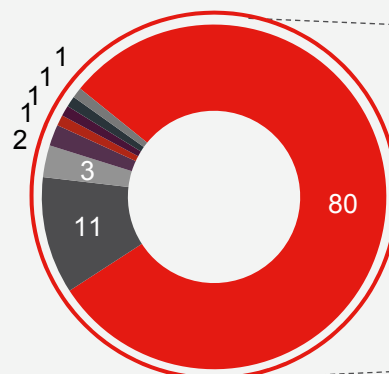
High quality portfolio with bias to secured consumer lending

Asset composition as at 31 March 2017 (%)

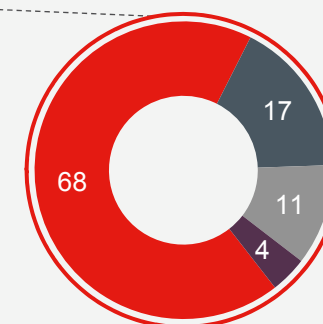
Loans

- Trading securities, financial assets at fair value and available-for-sale securities
- Derivative financial instruments
- Cash and balances with central banks
- Life insurance assets
- Goodwill
- Receivables due from other financial institutions
- Other assets

Total assets (\$840bn)



Total loans (\$667bn)



- Housing
- Business
- Institutional
- Other consumer

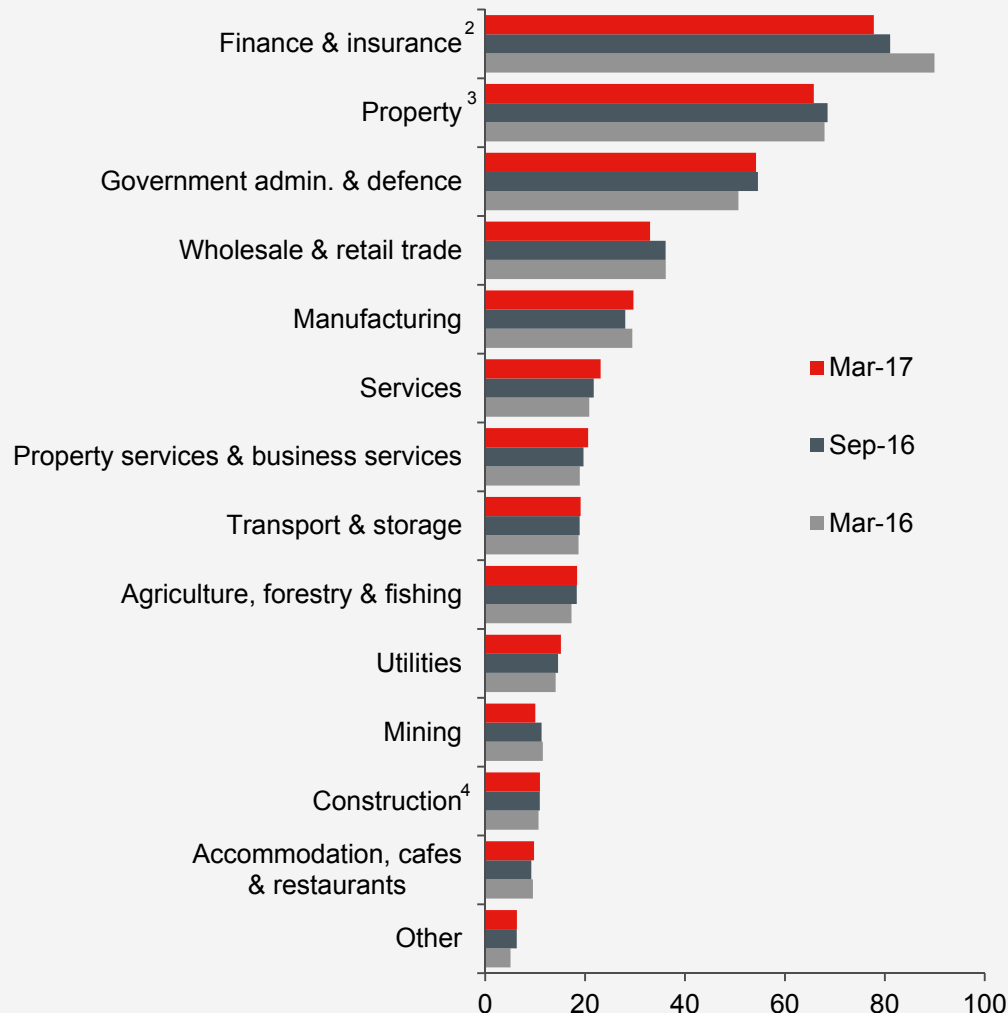
Exposure by risk grade as at 31 March 2017 (\$m)

Standard and Poor's Risk Grade ¹	Australia	NZ / Pacific	Asia	Americas	Europe	Group	% of Total
AAA to AA-	97,865	6,877	1,938	4,676	528	111,884	11%
A+ to A-	28,016	4,783	4,650	5,310	2,956	45,715	5%
BBB+ to BBB-	59,898	10,205	7,417	1,915	1,950	81,385	8%
BB+ to BB	74,395	10,443	1,980	349	567	87,734	9%
BB- to B+	57,627	9,569	146	83	-	67,425	7%
<B+	5,529	3,244	-	-	16	8,789	1%
Secured consumer	479,665	50,689	579	-	-	530,933	54%
Unsecured consumer	45,719	5,209	-	-	-	50,928	5%
Total committed exposures (TCE)	848,714	101,019	16,710	12,333	6,017	984,793	
Exposure by region² (%)	86%	10%	2%	1%	1%		100%

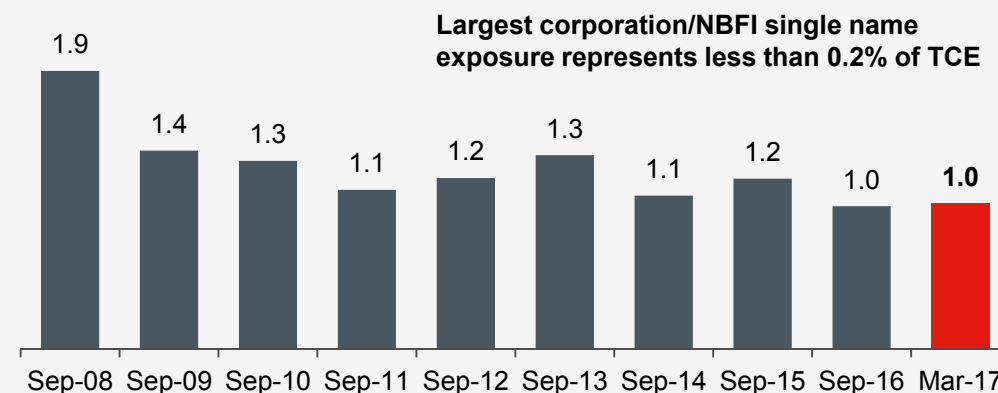
1 Risk grade equivalent. 2 Exposure by booking office.

A well diversified portfolio

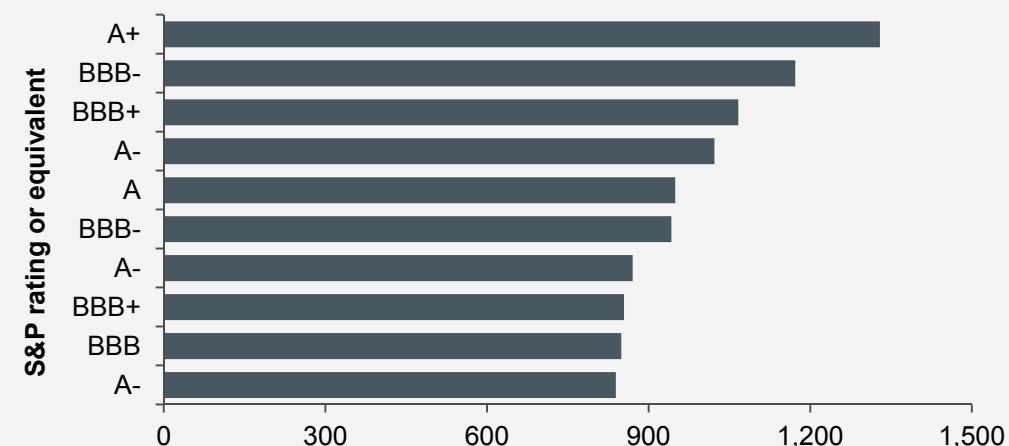
Exposures at default¹ by sector (\$bn)



Top 10 exposures to corporations and NBFIs⁵ as a % of TCE (%)



Top 10 exposures to corporations & NBFIs⁵ at 31 March 2017 (\$m)

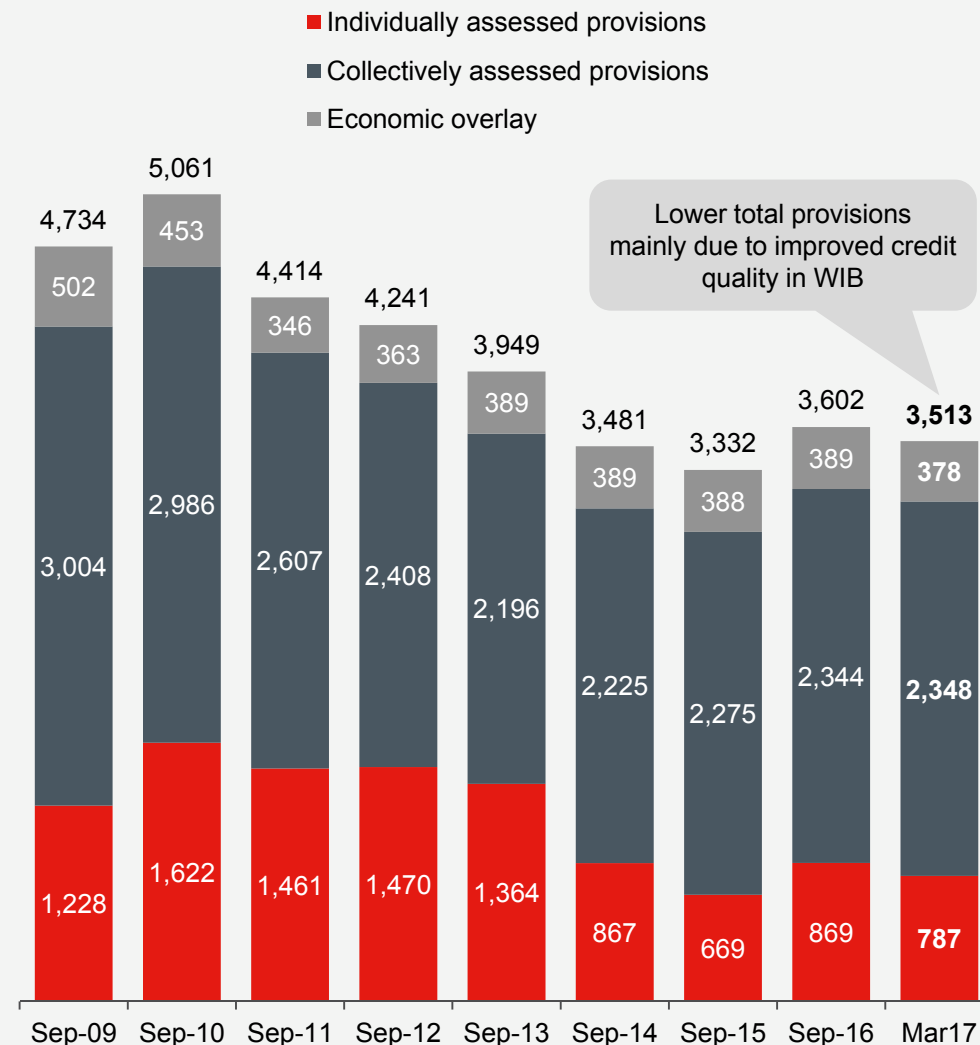


1 Exposures at default is an estimate of the committed exposure expected to be drawn by a customer at the time of default. Excludes consumer lending. 2 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. 3 Property includes both residential and non-residential property investors and developers, and excludes real estate agents. 4 Construction includes building and non-building construction, and industries serving the construction sector. 5 NBFI is non-bank financial institutions.

Strong provisioning maintained

Asset quality	1H16	2H16	1H17
Impairment charges to average loans annualised (bps)	21	14	15
Impairment charges to average loans annualised (bps) including interest carrying adjustment	24	17	18
Gross impaired assets to gross loans (%)	0.39	0.32	0.30
Stressed exposures to TCE (%)	1.03	1.20	1.14
Provisions			
Total provisions to gross loans (bps)	57	54	52
Impaired asset provisions to impaired assets (%)	48	49	52
Collectively assessed provisions to credit RWA (bps)	87	76 ¹	77
Economic overlay (\$m)	393	389	378

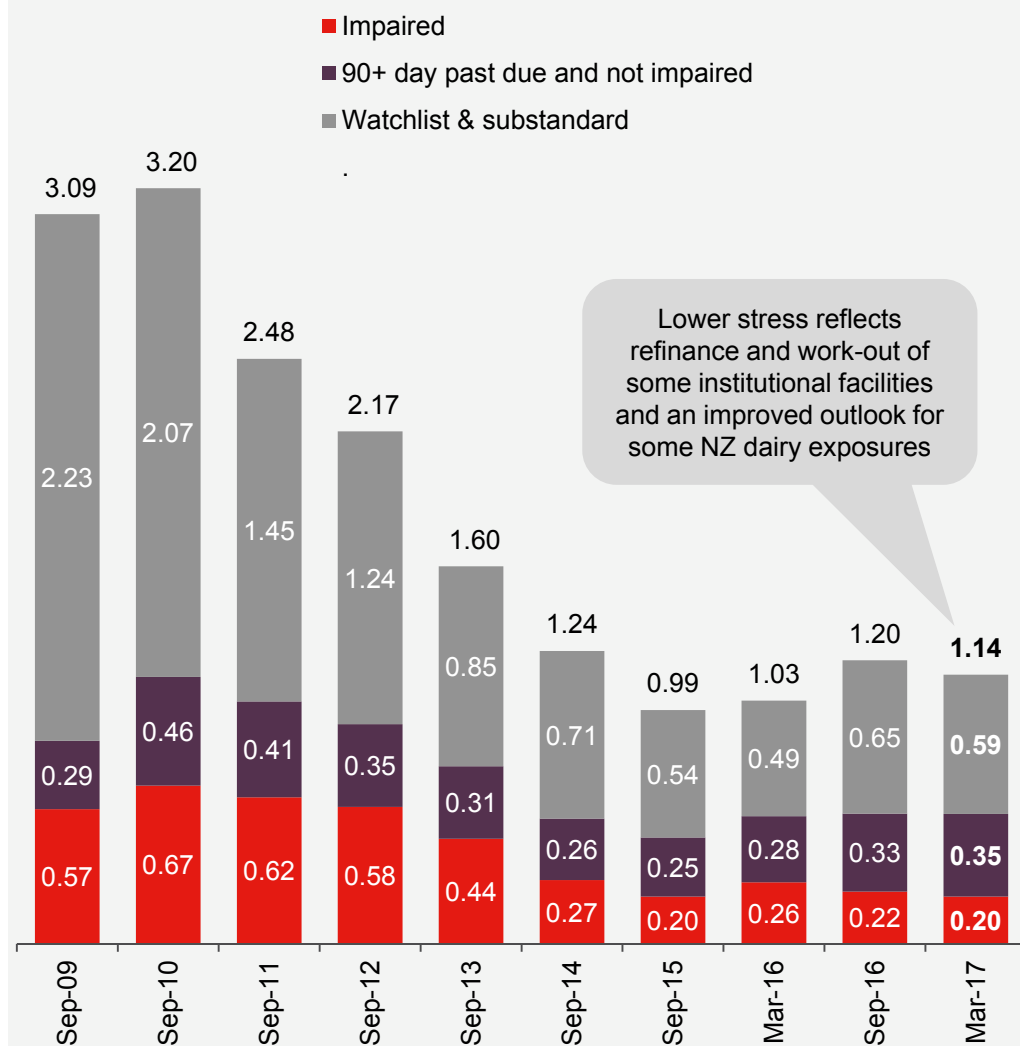
Total provisions (\$m)



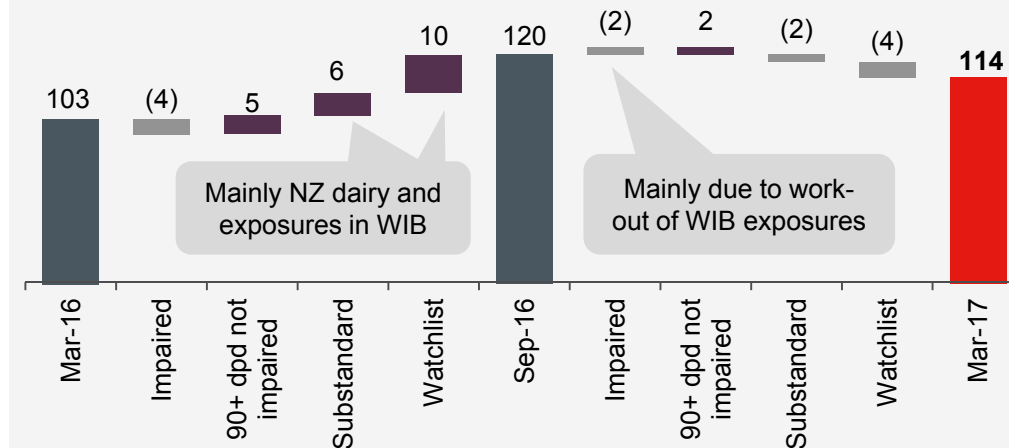
¹ Change in mortgage risk weights increased credit RWA by \$43bn, reducing the collectively assessed provisions to credit RWA ratio by 11bps.

Stressed exposures lower

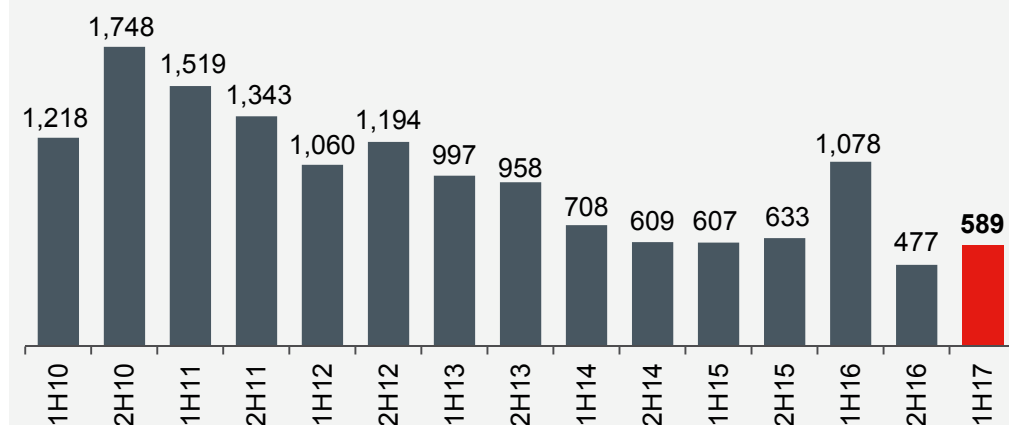
Stressed exposures as a % of TCE



Movement in stress categories (bps)

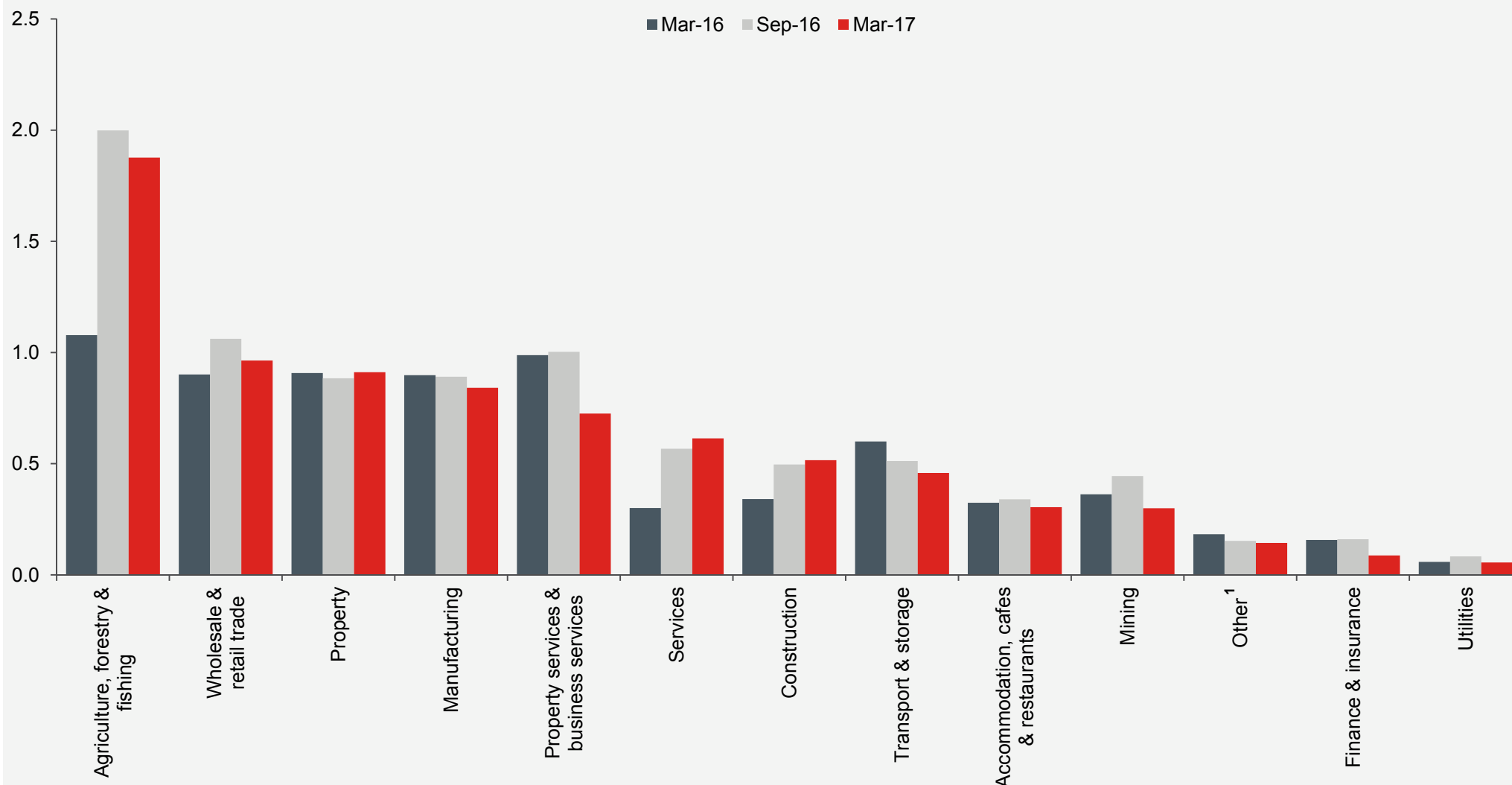


New and increased gross impaired assets (\$m)



Stressed exposures lower across industries reflecting both work-out and return to health of facilities

Corporate and business portfolio stressed exposures by industry (\$bn)



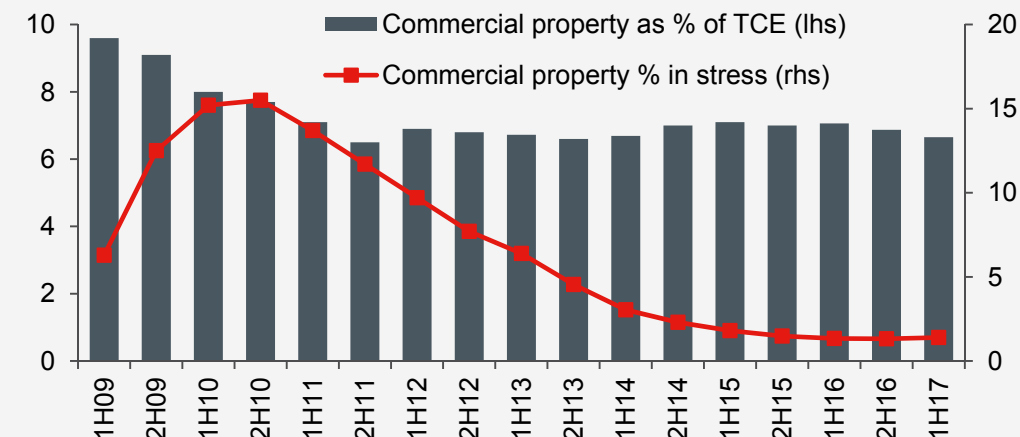
¹ Includes Government admin. & defence

Areas of interest: Commercial property

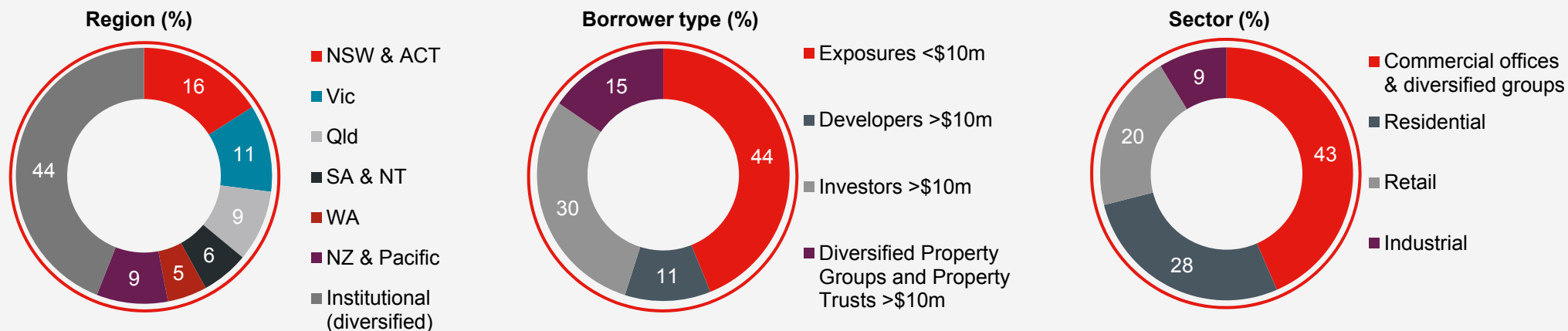
Commercial property portfolio

	Sep-16	Mar-17
Total committed exposures (TCE)	\$67.1bn	\$65.5bn
Lending	\$52.6bn	\$51.4bn
Commercial property as a % of Group TCE	6.87	6.65
Median risk grade ¹	BB equivalent	BB equivalent
% of portfolio graded as 'stressed' ¹	1.32	1.39
% of portfolio in impaired	0.53	0.46

Commercial property exposures % of TCE and % in stress



Commercial property portfolio composition (%)



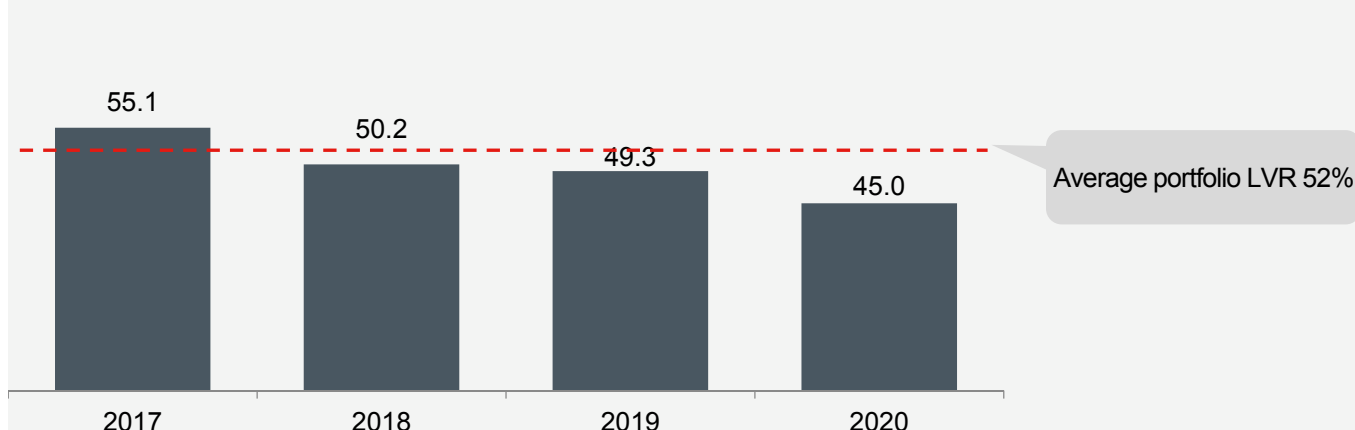
¹ Includes impaired exposures.

Areas of interest: Inner city apartments

Commercial property portfolio TCE (\$bn)

	Sep-16	Mar-17	TCE % ¹	
Residential apartment development >\$20m	5.1	4.1	6.3%	<ul style="list-style-type: none"> Progressively tightened risk appetite in areas of higher concern since 2012 Actively monitoring settlements for >\$20m residential development book
Residential apartment development >\$20m in major markets, shown below	3.2	2.8	4.3%	<ul style="list-style-type: none"> While settlements have been slightly slower, Westpac's debt has been repaid in full given low LVRs
Sydney major markets	1.2	1.3	2.0%	<ul style="list-style-type: none"> 1H17 new lending LVR 49.2%
Inner Melbourne	1.4	1.0	1.5%	<ul style="list-style-type: none"> 1H17 new lending LVR 51.4%
Inner Brisbane	0.4	0.2	0.3%	<ul style="list-style-type: none"> Exposure low and falling
Perth metro	0.2	0.2	0.3%	<ul style="list-style-type: none"> Exposure low and falling
Adelaide CBD	0.1	0.1	0.2%	<ul style="list-style-type: none"> One project

Residential apartment development >\$20m weighted average LVR (%)



¹ Percentage of commercial property TCE.

Consumer mortgages

Consumer mortgages where security is within a residential apartment development >\$20m	Sep-16	Mar-17
Total consumer mortgage loans for inner city apartments	\$13.0bn	\$13.5bn
Average LVR at origination	69%	71%
Average dynamic LVR	54%	53%
Dynamic LVR >90%	2.9%	2.0%
90+ day delinquencies	30bps	37bps

Asset quality areas of interest

Mining (inc. oil and gas) portfolio

	Sep-16	Mar-17
Total committed exposures (TCE)	\$11.3bn	\$10.4bn
Lending	\$6.2bn	\$6.0bn
% of Group TCE	1.16	1.05
% of portfolio graded as 'stressed' ^{1,2}	3.94	2.90
% of portfolio in impaired ²	1.32	1.15

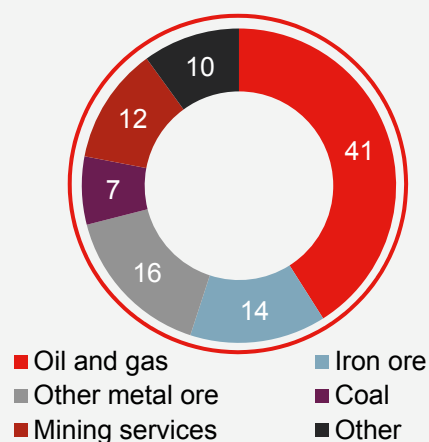
New Zealand dairy portfolio

	Sep-16	Mar-17
Total committed exposure (TCE)	NZ\$5.9bn	NZ\$5.9bn
Lending	NZ\$5.7bn	NZ\$5.6bn
% of Group TCE	0.58	0.55
% of portfolio graded as 'stressed' ^{1,2}	25.29	21.70
% of portfolio in impaired ²	0.34	0.34

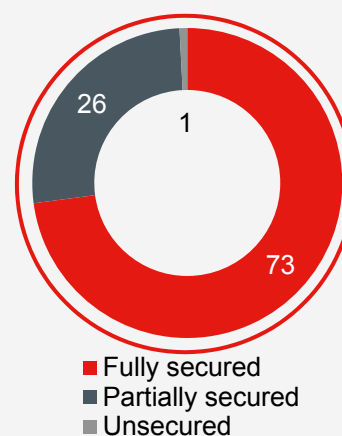
Retail trade portfolio

	Sep-16	Mar-17
Total committed exposures (TCE)	\$16.3bn	\$15.3bn
Lending	\$12.1bn	\$11.3bn
% of Group TCE	1.67	1.55
% of portfolio graded as 'stressed' ^{1,2}	2.68	2.51
% of portfolio in impaired ²	0.34	0.40

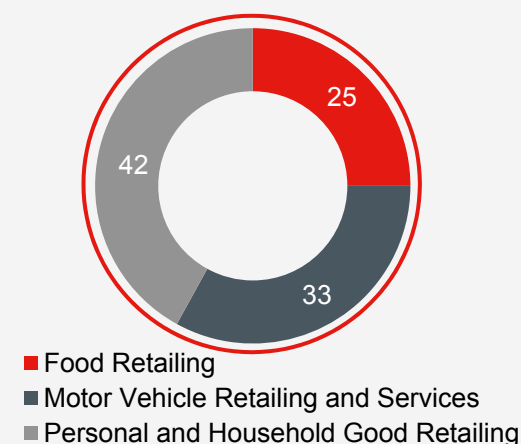
Mining portfolio (TCE) by sector (%)



NZ dairy portfolio (TCE) by security (%)

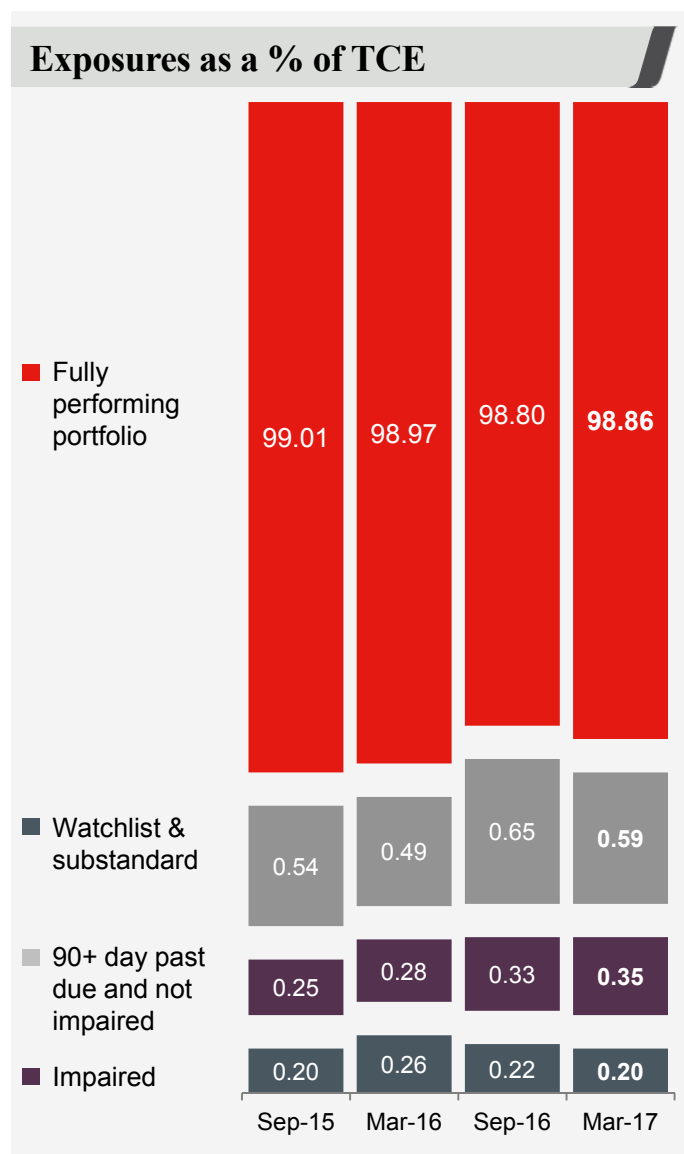


Retail portfolio (TCE) by sector (%)



1 Includes impaired exposures. 2 Percentage of portfolio TCE.

Provision cover by portfolio category



Collective provisions

Impaired asset provisions

	PROVISIONING TO TCE (%)			
	Sep-15	Mar-16	Sep-16	Mar-17
Fully performing portfolio				
• Small cover as low probability of default (PD)	0.21	0.22	0.22	0.21
• Includes economic overlay				
Watchlist & substandard				
• Still performing but higher cover reflects elevated PD	6.93	4.89	4.51	4.52
90+ day past due and not impaired				
• In default but strong security	5.28	4.99	4.57	5.04
Impaired assets				
• In default. High provision cover reflects expected recovery	46.27	47.65	49.44	52.07

Changes in the treatment of hardship now flowing through other consumer delinquencies

APRA is standardising the delinquency treatment of facilities in hardship

Hardship allows eligible customers to reduce or defer repayments in the short term to manage through a period of financial difficulty (e.g. unemployment, injury, natural disasters). Solutions are tailored to customer circumstances and may include extending the loan or restructuring.

Prior Westpac approach

- When an account entered hardship its delinquency status (30, 60, or 90 days etc.) was frozen until after hardship arrangements ended or the facility returned to performing (or not)

Current Westpac approach

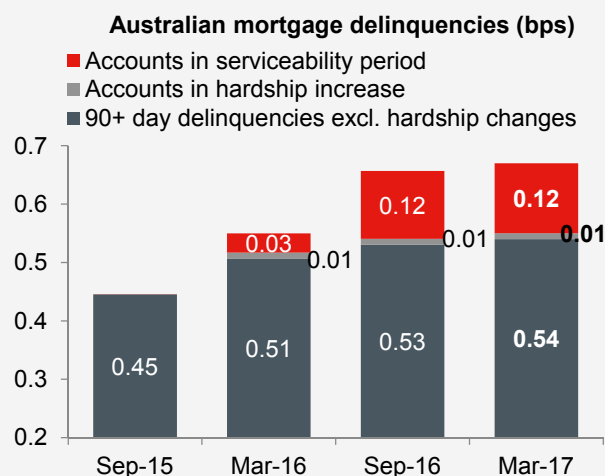
- An account in hardship continues to migrate through delinquency buckets until 90+ day
- Accounts reported as delinquent until repayments maintained for 6 months ('serviceability period')
- Average hardship period granted is 3-4 months
- Hardship plus serviceability period averages 10 months
- Changes have no impact on Westpac's risk profile

Industry comparability

- Westpac changed hardship treatment following guidance from APRA. Implemented change for mortgage portfolio; changes for NZ and consumer unsecured currently underway
- Treatment across banks and non-banks, including serviceability period applied is not yet aligned. This makes comparability of 90+ day delinquencies more difficult

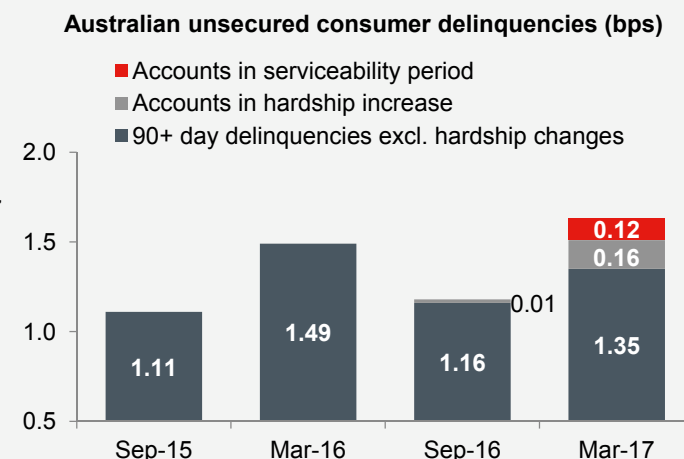
Impact on mortgages - completed

- Implemented in 1H16 and has now fully flowed through
- Increased mortgage 90+ day delinquencies by 13bps
- Increase to risk weighted assets offset by change to correlation factor in 1H17



Impact on unsecured consumer lending

- Portfolios impacted are credit cards, personal loans and auto
- Impact on 90+ day delinquencies in 1H17 was 28bps and will continue to rise in 2H17
- The change has yet to flow through to risk weighted assets
- Expected to result in higher write-offs and higher write-backs



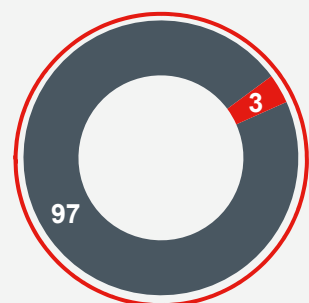
Australian consumer unsecured lending

Australian unsecured consumer portfolio

	Mar-16	Sep-16	Mar-17
30+ day delinquencies (%)	3.88	2.95	3.99
90+ day delinquencies (%)	1.49	1.17	1.63
<i>Estimated impact of changes to hardship treatment for 90+ day delinquencies (bps)</i>	-	1bp	28bps
<ul style="list-style-type: none"> APRA hardship policy adopted across Westpac's Australian unsecured portfolios in 1H17 March 2017 unsecured consumer delinquencies, excluding hardship reporting changes are 14bps lower than March 2016 			

Australian consumer unsecured lending portfolio (% and \$bn)

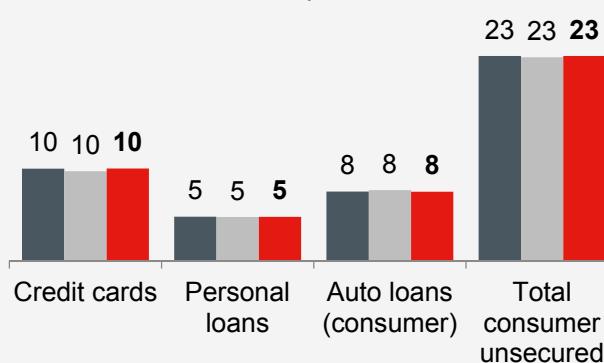
Composition (%)
3.4% of Group lending



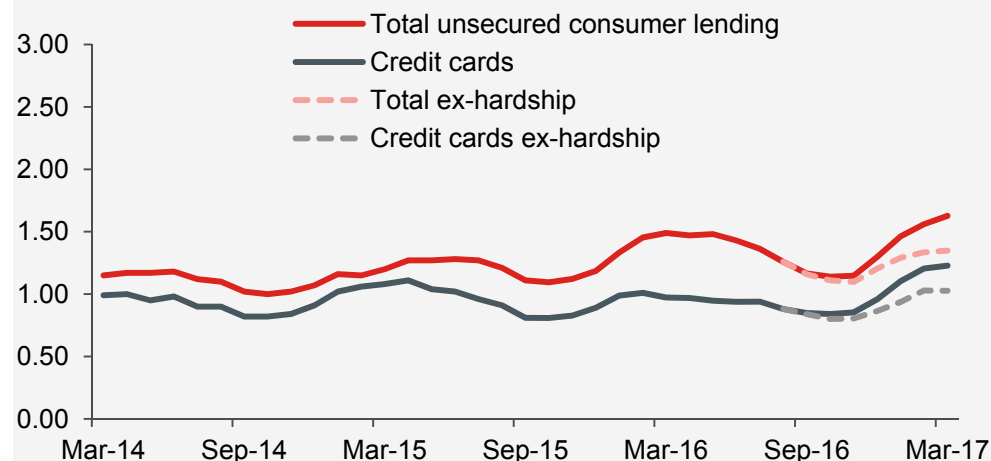
■ Group
■ Consumer unsecured portfolio

Portfolio (\$bn)

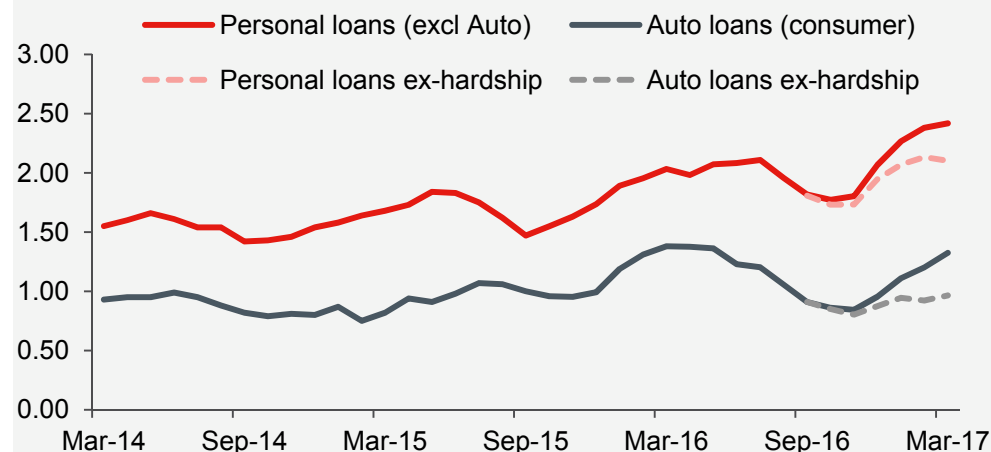
■ Mar-16 ■ Sep-16 ■ Mar-17



Australian unsecured lending 90+ day delinquencies (%)



Australian unsecured lending 90+ day delinquencies (%)

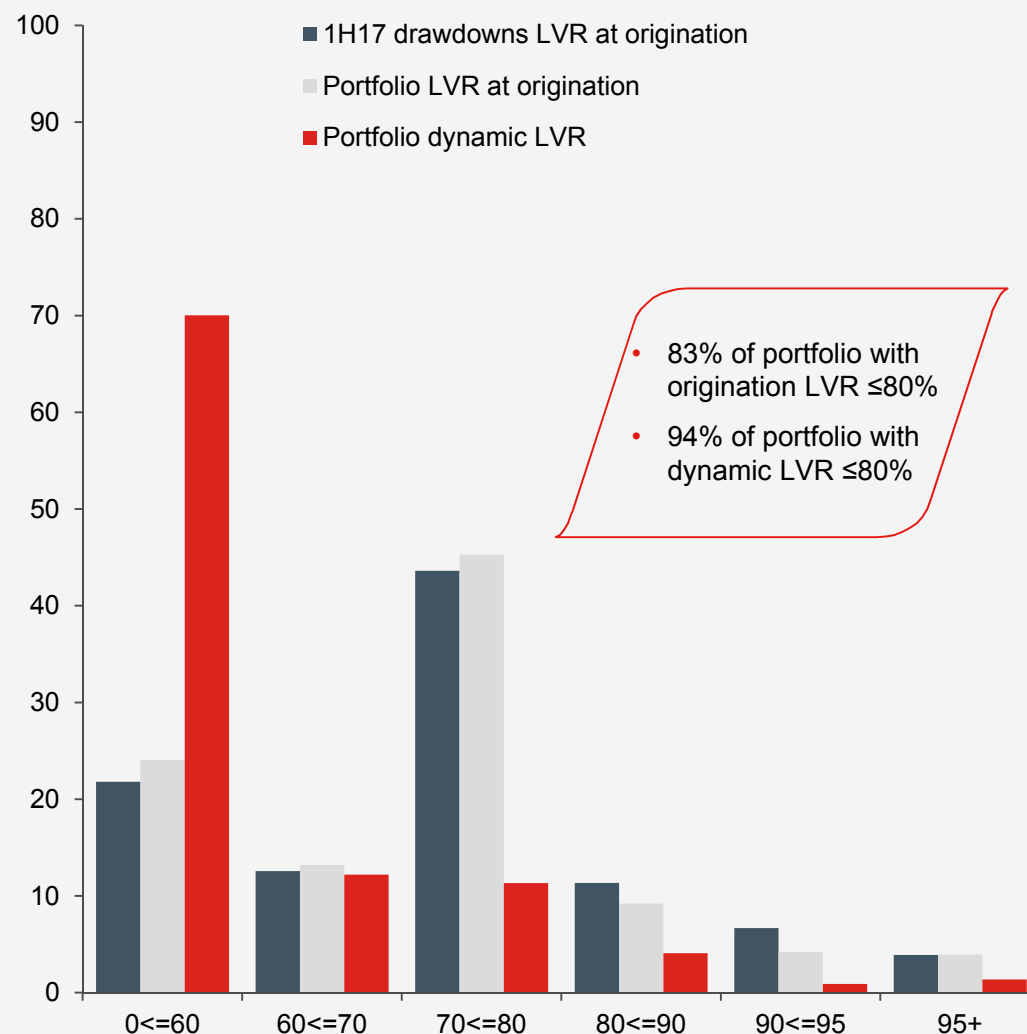


High levels of borrower equity create buffers in the Australian mortgage portfolio

Australian housing portfolio

	Mar-16 balance	Sep-16 balance	Mar-17 balance	1H17 flow ¹
Total portfolio (\$bn)	390.8	404.2	413.9	38.4
Owner occupied (%)	54.3	55.0	55.3	55.1
Investment property loans (%)	39.5	39.3	39.5	43.5
Portfolio loan/line of credit (%)	6.2	5.7	5.3	1.4
Variable rate / Fixed rate (%)	83 / 17	83 / 17	82 / 18	77 / 23
Low doc (%)	2.7	2.4	2.2	0.4
Proprietary channel (%)	58.2	57.9	57.7	56.7
First home buyer (%)	8.9	8.6	8.4	7.9
Mortgage insured (%)	18.8	18.4	18.1	14.1
	Mar-16	Sep-16	Mar-17	
Average LVR at origination ² (%)	70	70	70	
Average dynamic LVR ^{2,3} (%)	43	43	42	
Average LVR of new loans ^{2,4} (%)	70	70	68	
Average loan size ⁵ (\$'000)	249	254	259	
Customers ahead on repayments including offset accts ^{2,6} (%)	72	72	71	
Actual mortgage losses net of insurance ⁷ (\$m)	35	31	36	
Actual mortgage loss rate annualised (bps)	2	2	2	

Australian housing loan-to-value ratios (LVRs)^{2,3} (%)

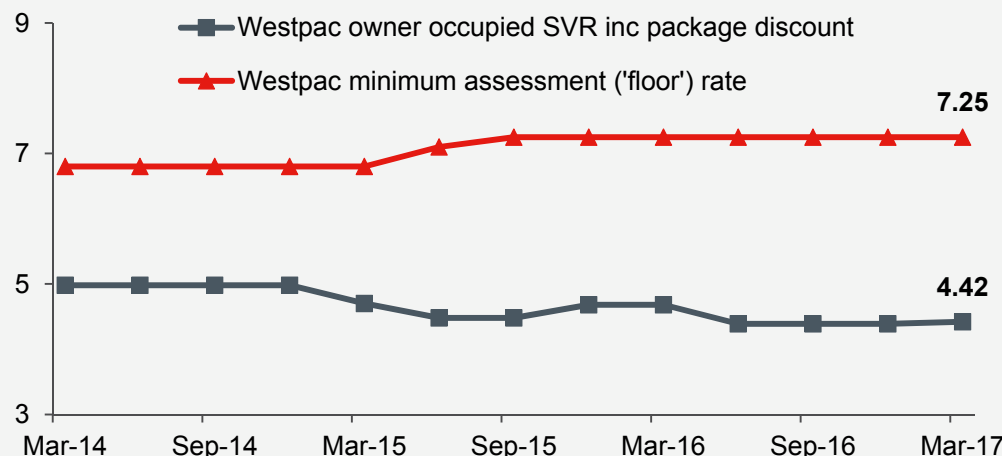


1 Flow is all new mortgages settled during the 6 month period ended 31 March 2017 and includes RAMS. 2 Excludes RAMS. 3 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 4 Average LVR of new loans is on rolling 6 month window. 5 Includes amortisation. 6 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset balances. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. 7 Mortgage insurance claims 1H17 \$3m (2H16 \$7m, 1H16 \$4m).

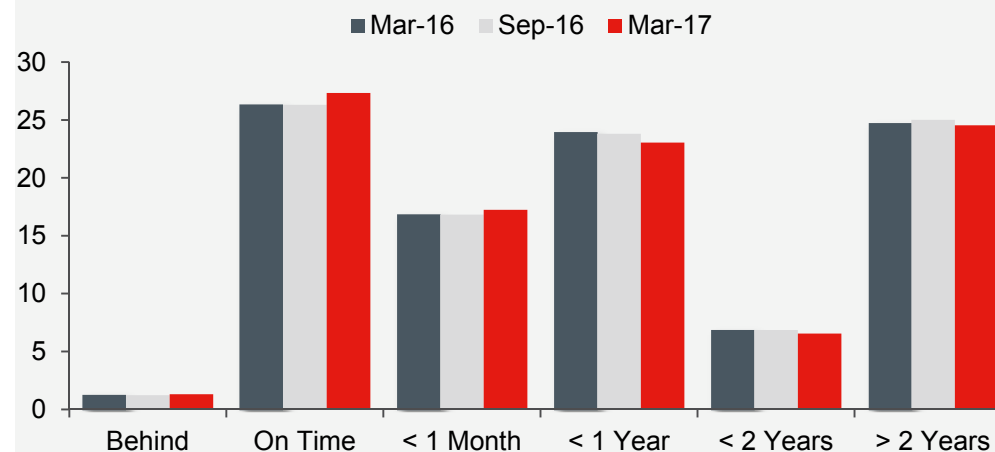
Australian mortgage serviceability supporting payments ahead

Asset Quality | 78

Mortgage interest rate buffers (%)



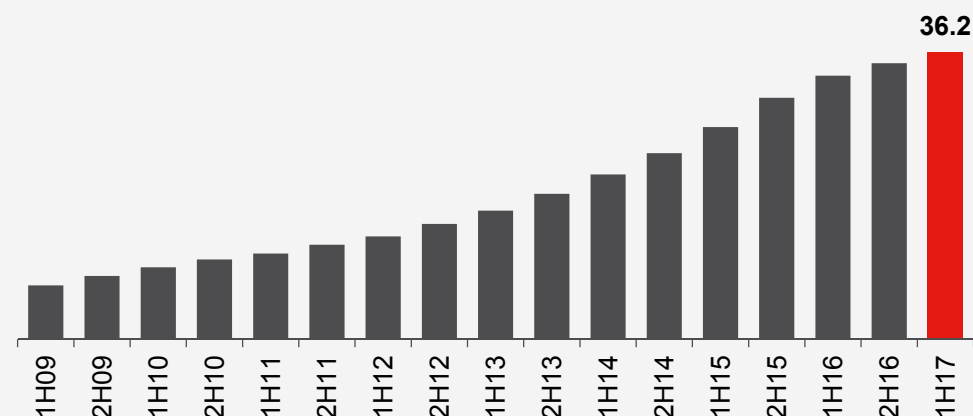
Australian home loan customers ahead on repayments²(%)



Key serviceability requirements

Income	Discounts of 20% apply to less certain income sources such as rental income/bonuses/pensions
Expenses	Higher of declared expenses or HEM ¹ adjusted by income and geography
Interest rate buffer	Higher of customer rate plus 2.25% or the minimum assessment ('floor') rate of 7.25% applied
Restrictions	<ul style="list-style-type: none"> LVR restrictions apply to single-industry towns and higher-risk postcodes LVR restrictions to Australian and NZ citizens and permanent visa holders using foreign income Loans to non-residents not offered since April 2016 (limited exceptions) Minimum property size and location restrictions apply

Westpac Australian offset account balances (\$bn)



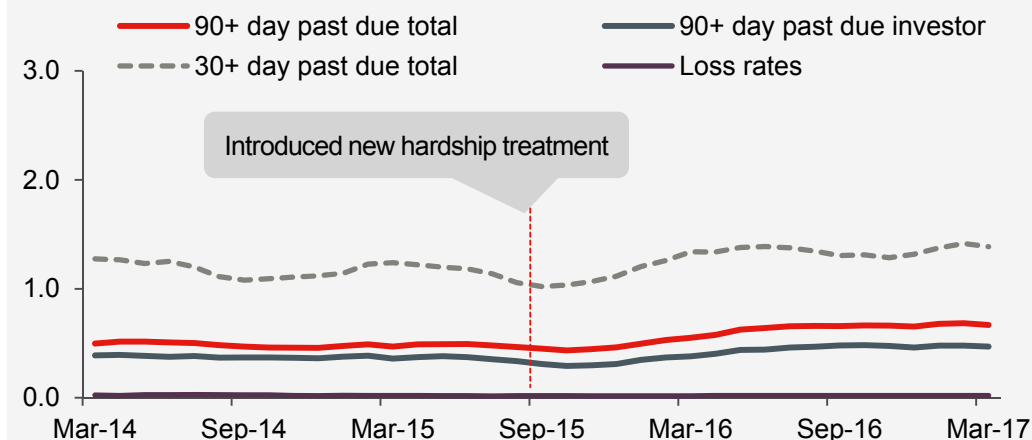
¹ HEM is the Household Expenditure Measure, produced by the University of Melbourne. ² Excludes RAMS. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset account balances. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. Calculated by loan balance.

Australian mortgage delinquencies remain low

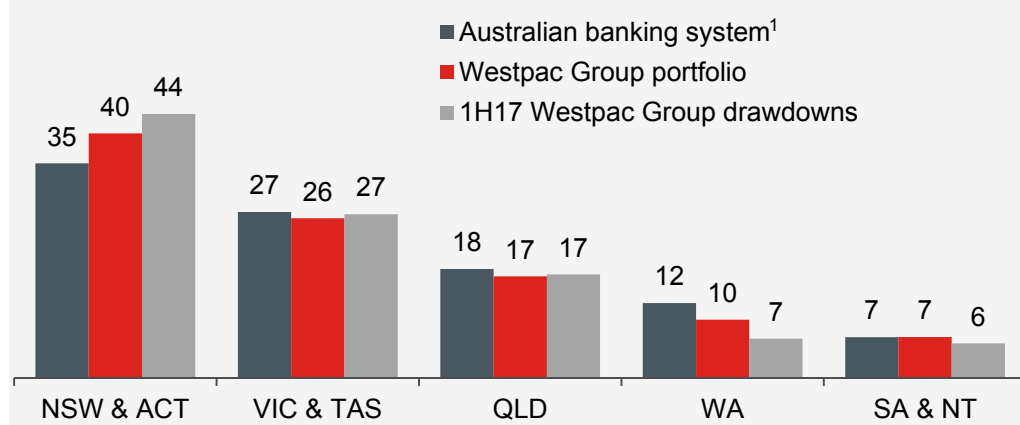
Australian mortgage portfolio

	Mar-16	Sep-16	Mar-17
30+ day delinquencies (bps)	134	130	139
90+ day delinquencies (bps) (includes impaired mortgages)	55	66	67
Estimated cumulative impact of changes to hardship treatment (bps)	4	13	13
Consumer properties in possession	253	262	382
<ul style="list-style-type: none"> Increase in 1H17 mainly due to rise in WA and Qld reflecting weaker economic conditions in those states 			

Australian mortgages delinquencies (%)

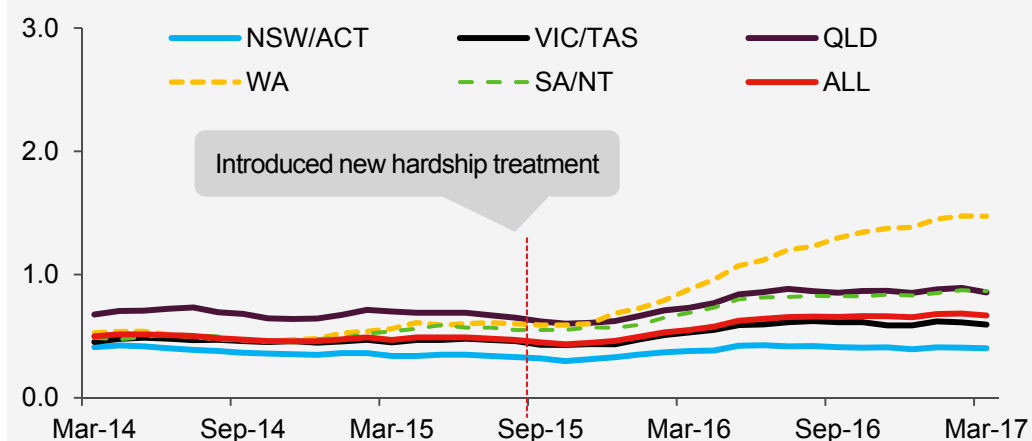


Housing lending portfolio by State (%)



¹ Source ABA Cannex February 2017.

Australian mortgages 90+ day delinquencies by state (%)



Sound underwriting supports quality across the mortgage book

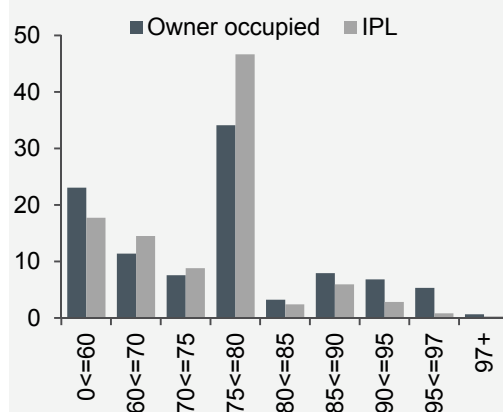
Investment property portfolio

	Mar-16	Sep-16	Mar-17
Average LVR of new IPL loans in the period ^{1,2} (%)	67	66	65
Average LVR of IPL loans at origination ¹ (%)	72	72	72
% IPL loans originated at or below 80% LVR	87	88	88
Average dynamic LVR ^{1,3} (%)	48	48	47
Average loan size (\$'000)	299	305	309
Customers ahead on repayments including offset accounts ¹ (%)	62	62	61
90+ day delinquencies (bps)	38	48	47
Annualised loss rate (net of insurance claims) (bps)	2	2	2

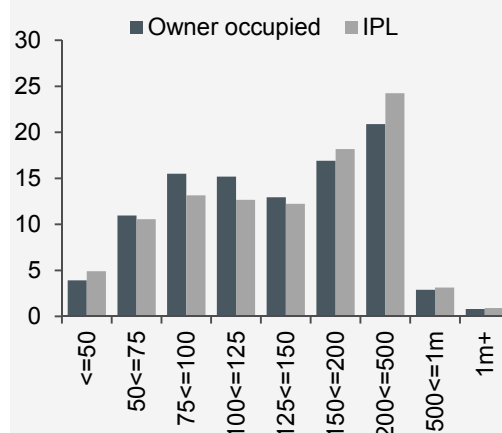
Interest-only portfolio

- Interest-only (IO) loans assessed on a principal and interest basis, now over the residual term. IO loans are full recourse
- Serviceability assessments include an interest rate buffer (at least 2.25%), minimum assessment rate (7.25%) and adequate surplus test⁴
- IO is 50% of the mortgage portfolio and 46% of flows in 1H17.
- Portfolio statistics as at 31 March 2017
 - 67% average LVR of interest-only loans at origination¹
 - 66% of customers ahead of repayments (including offset accounts)¹
 - 90+ day delinquencies 48bps
 - Annualised loss rate 1bp (net of insurance claims)

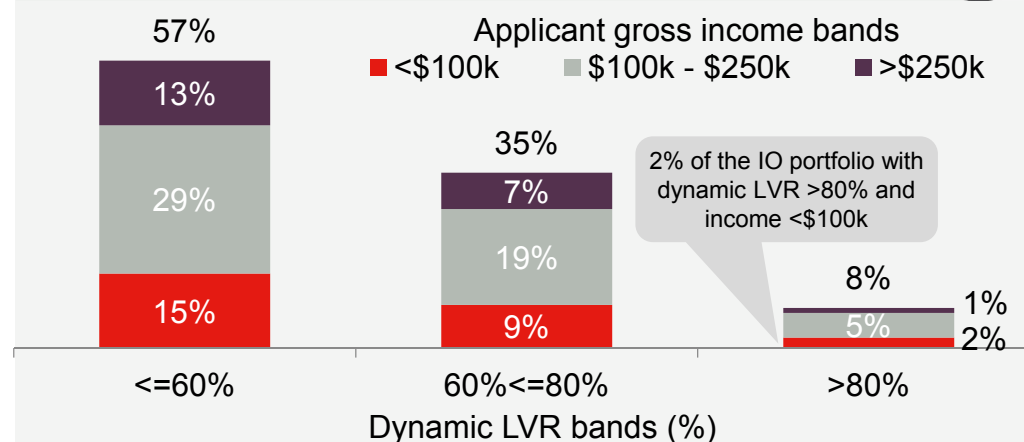
LVR at origination¹ (%)



Applicants by gross income band¹ (%)



Interest-only lending by LVR^{1,3} and income band (%)

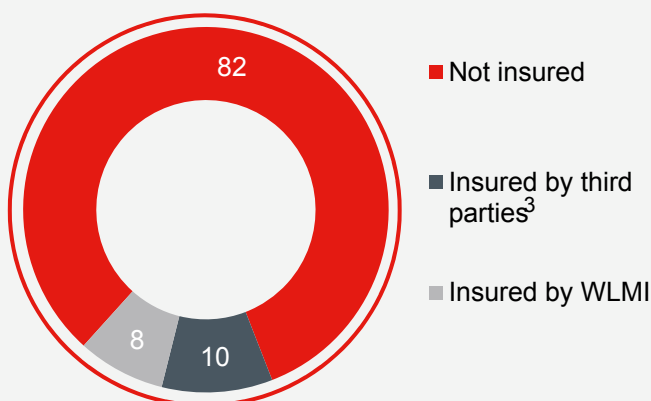


1 Excludes RAMS. 2 Average LVR of new loans is on a rolling 6 month window. 3 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 4 An adequate surplus test measures the extent to which a borrowers income exceeds loan repayments, expenses and other commitments, as assessed.

Lenders mortgage insurance

- Where mortgage insurance is required, mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), and through external LMI providers, based on risk profile
- WLMI is well capitalised (separate from bank capital) and subject to APRA regulation. WLMI targets a capitalisation range of 1.25x PCR¹ and have consistently been above this target
- Scenarios indicate sufficient capital to fund claims arising from events of severe stress – estimated losses for WLMI from a 1 in 200 year event are \$130m net of re-insurance recoveries (2H16: \$132m)

Australian mortgage portfolio (%)



Lenders mortgage insurance arrangements

LVR Band	Insurance
<ul style="list-style-type: none"> LVR ≤80% Low doc LVR ≤60% 	Not required
<ul style="list-style-type: none"> LVR >80% to ≤ 90% Low doc LVR >60% to ≤ 80% 	<ul style="list-style-type: none"> Where insurance required, insured through captive insurer, WLMI LMI not required for certain borrower groups Reinsurance arrangements: <ul style="list-style-type: none"> 40% risk retained by WLMI 60% risk transferred through quota share arrangements² with Arch Reinsurance Limited, Tokio Millennium Re, Endurance Re, Everest Re, Trans Re and AWAC
<ul style="list-style-type: none"> LVR >90% 	<ul style="list-style-type: none"> 100% reinsurance through Arch Reinsurance Limited Reinsurance arrangements see loans with LVR >90% insured through WLMI with 100% of risk subsequently transferred to Arch Reinsurance Limited

Insurance statistics

	1H16	2H16	1H17
Insurance claims (\$m)	4	7	3
WLMI loss ratio ⁴ (%)	10	17	7
WLMI gross written premiums ⁵ (\$m)	133	154	141

1 Prudential Capital Requirement (PCR) calculated in accordance with APRA standards. 2 For all new business from 1 October 2014. 3 Insured coverage is net of quota share. 4 Loss ratio is claims over the total of earned premium plus reinsurance plus exchange commission. 5 LMI gross written premium includes loans >90% LVR reinsured with Arch Reinsurance Limited. 1H17 gross written premium includes \$107m from the arrangement (2H16: \$125m, 1H16: \$102m).

Mortgage portfolio stress testing outcomes

- Westpac regularly conducts a range of portfolio stress tests as part of its regulatory and risk management activities
- The Australian mortgage portfolio stress testing scenario presented represents a severe recession and assumes that significant reductions in consumer spending and business investment lead to six consecutive quarters of negative GDP growth. This results in a material increase in unemployment and nationwide falls in property and other asset prices
- Estimated Australian housing portfolio losses under these stressed conditions are manageable and within the Group's risk appetite and capital base
 - Cumulative total losses of \$3bn over three years for the uninsured portfolio (September 2016: \$2.9bn)
 - Cumulative claims on LMI, both WLMI and external insurers, of \$903m over the three years (September 2016: \$856m)
 - Cumulative loss rates have increased (74bps compared to 69bps at September 2016) mainly due to more conservative modelling assumptions, changes in portfolio quality, as well as changes in the non-delinquent portfolio
 - WLMI separately conducts stress testing to test the sufficiency of its capital position to cover mortgage claims arising from a stressed mortgage environment
- Preferred capital ranges incorporate buffers at Westpac Group level that also consider the combined impact on the mortgage portfolio and WLMI of severe stress scenarios

Australian mortgage portfolio stress testing as at 31 March 2017

Key assumptions	Stressed scenario			
	Current	Year 1	Year 2	Year 3
Portfolio size (\$bn)	413	398	390	388
Unemployment rate (%)	5.8	12.0	11.0	9.7
Interest rates (cash rate, %)	1.50	0.50	0.50	0.50
House prices (% change cumulative)	0.0	(13.0)	(22.4)	(26.2)
Annual GDP growth (%)	2.7	(3.9)	(0.2)	1.7
Stressed loss outcomes (net of LMI recoveries)¹				
\$ million	72 ²	1,084	1,646	486
Basis points ³	2	24	38	12

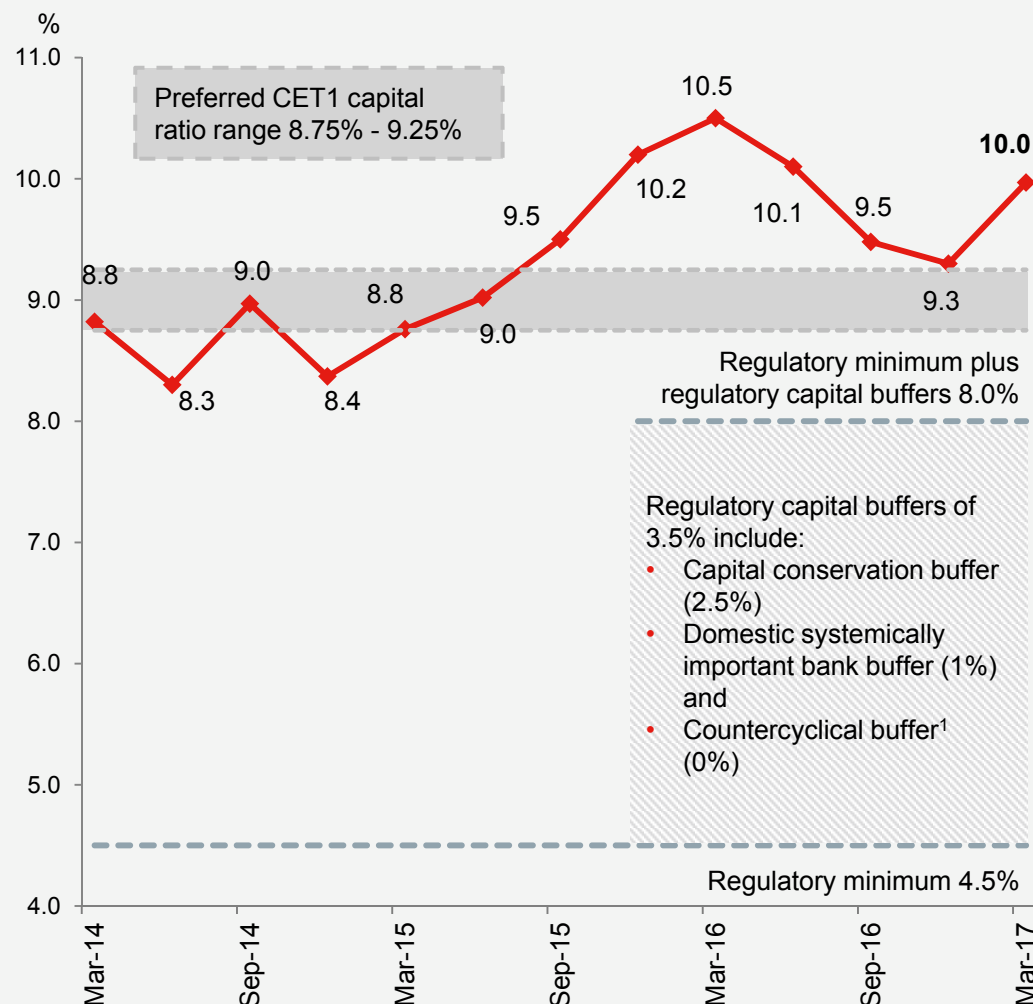
¹ Assumes 30% of LMI claims will be rejected in a stressed scenario. ² Represents 1H17 actual losses of \$36 annualised. ³ Stressed loss rates are calculated as a percentage of mortgage exposure at default.

Capital, Funding and Liquidity

Financial results based on cash earning unless otherwise stated. Refer page 34 for definition. Results principally cover the 1H17, 2H16 and 1H16 periods. Comparison of 1H17 versus 2H16 (unless otherwise stated)

CET1 capital ratio **above preferred range**

Common equity Tier 1 (CET1) capital ratio (%)



Key capital ratios (%)

	Mar-16	Sep-16	Mar-17
CET1 capital ratio	10.5	9.5	10.0
Additional Tier 1 capital	1.6	1.7	1.7
Tier 2 capital	1.9	1.9	2.3
Total regulatory capital ratio	14.0	13.1	14.0
Risk weighted assets (RWA) (\$bn) ²	363	410	404
Leverage ratio	5.0	5.2	5.3
Internationally comparable ratios³			
Leverage ratio (internationally comparable)	5.8	5.9	6.0
CET1 ratio (internationally comparable)	14.7	14.4	15.3

¹ Countercyclical buffer currently set at nil for Australia and New Zealand. ² APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016 increased RWA by \$43bn (reduced CET1 capital ratio by 110bps). ³ Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' of 13 July 2015.

Highlights

CET1

- CET1 capital ratio above preferred range
- Well placed to respond to future APRA announcements

Leverage ratio

- 5.3%, up from 5.2%
- Well above the 3.0% Basel minimum

Internationally comparable ratios

- Top quartile for CET1 capital ratio
- Leverage ratio well positioned against international peers

Rating agency capital benchmarks

- Estimated S&P risk adjusted capital (RAC) ratio of 9.9%¹
- Near S&P's "strong" assessment of 10%

Risk weighted assets

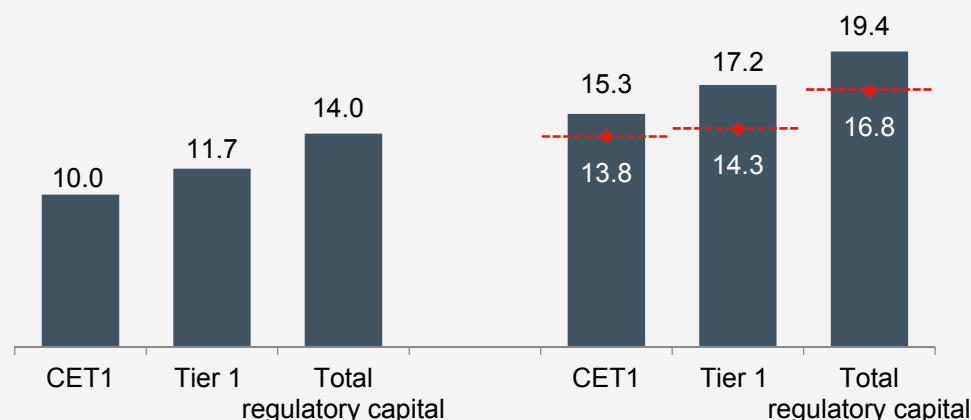
- Reduced by 1% due to discipline in RWA management, both on and off balance sheet, and improved asset quality

Regulatory capital ratios (%)

APRA basis

Internationally comparable² basis

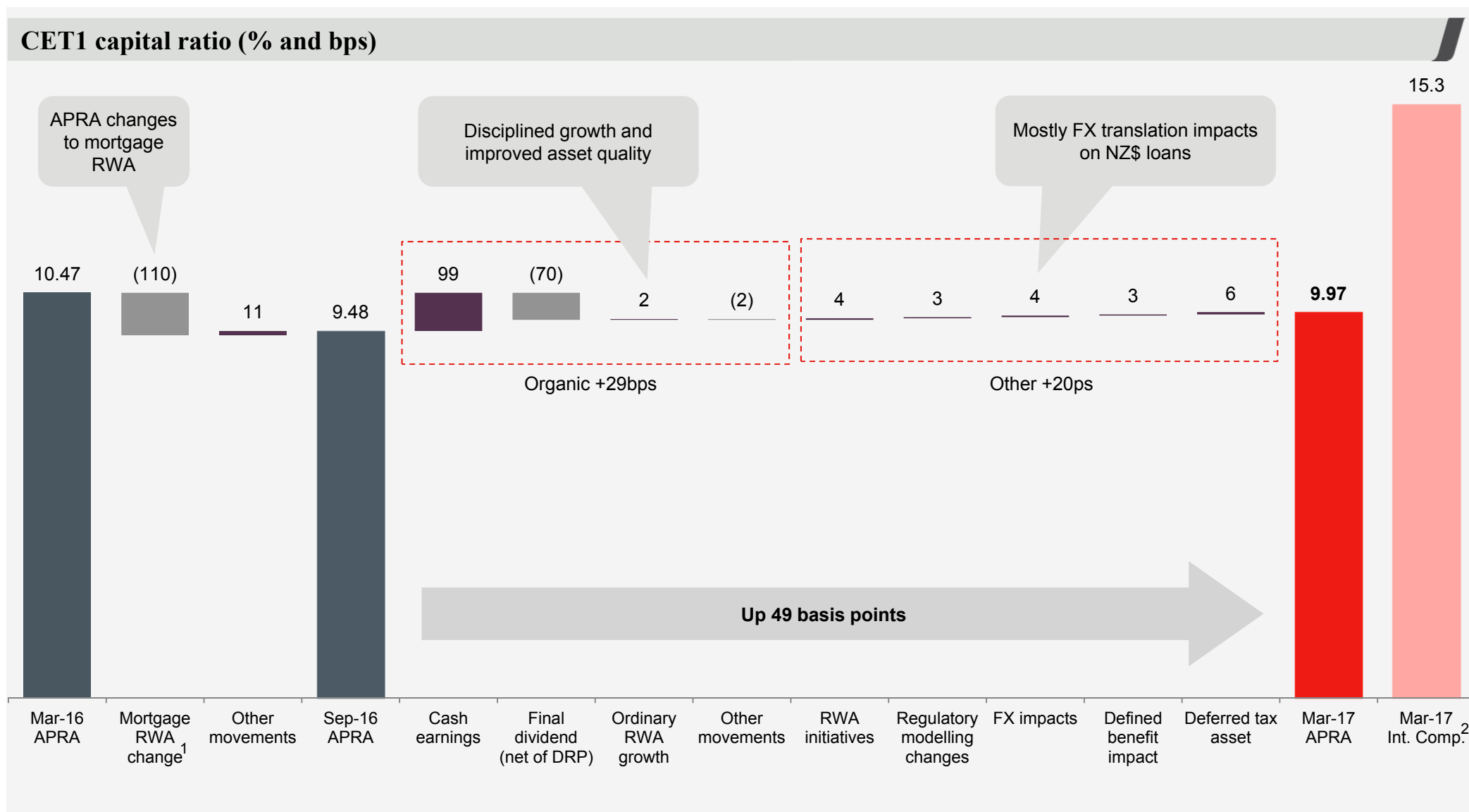
---◆--- BIS 75th percentile³



- Internationally comparable ratios exclude Basel III transitional instruments, which are included in the APRA capital ratios on a transitional basis
- Westpac is seeking to replace Basel III transitional instruments with Basel III fully compliant instruments. Should Westpac do this, pro forma internationally comparable:
 - Tier 1 capital ratio would be 17.6%⁴ (up from 17.2%)
 - Total regulatory capital ratio would be 20.7%⁴ (up from 19.4%)
 - CET1 capital ratio would be unchanged

¹ Westpac's estimate of RAC ratio based on current S&P RAC Framework. ² Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. For more details on adjustments refer slide 129. ³ Group 1 banks BIS 75th percentile fully phased-in Basel III capital ratios from BIS monitoring report released 28 February 2017. ⁴ Includes transitional capital instruments eligible as Additional Tier 1 and Tier 2 capital under APRA Basel III rules.

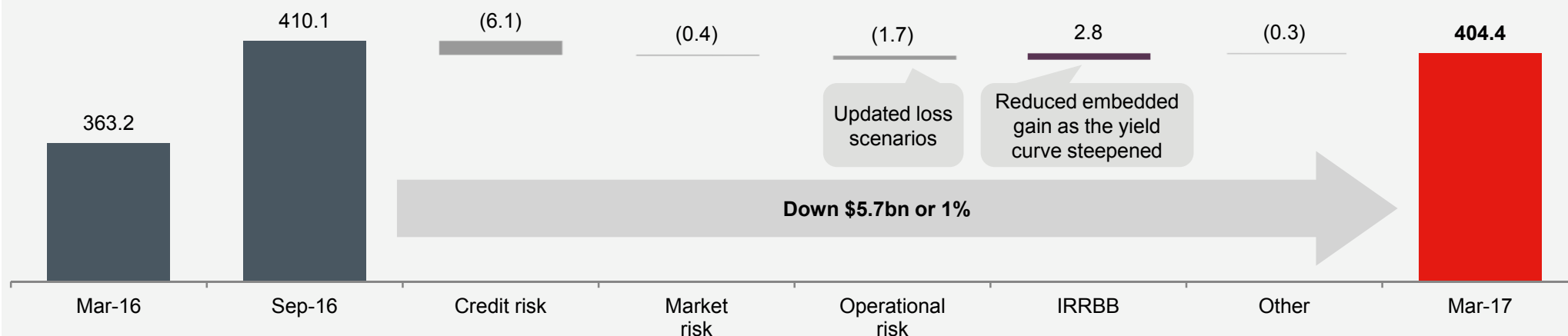
Strong capital generation supported by disciplined loan growth



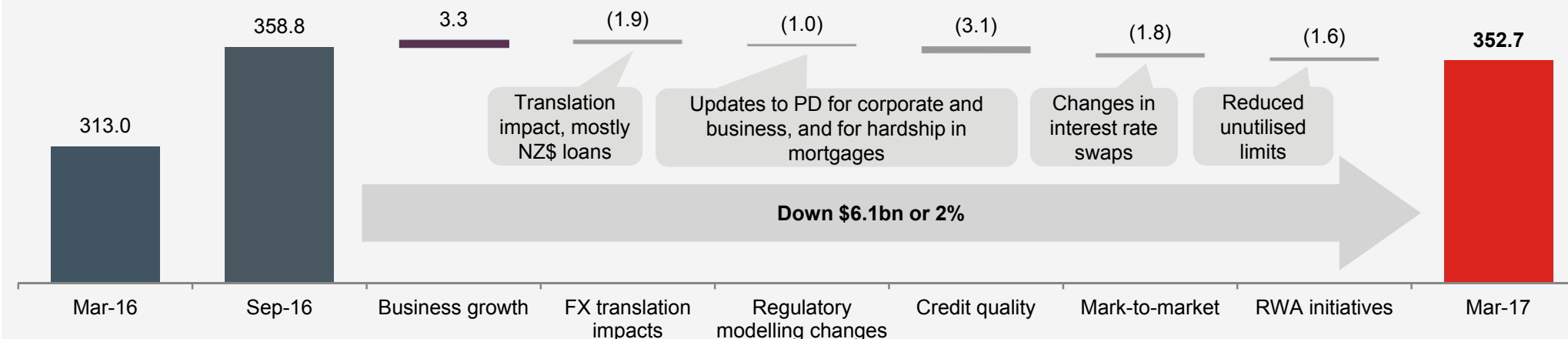
¹ APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016. ² Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

Disciplined management and **improved asset quality** reduce RWA

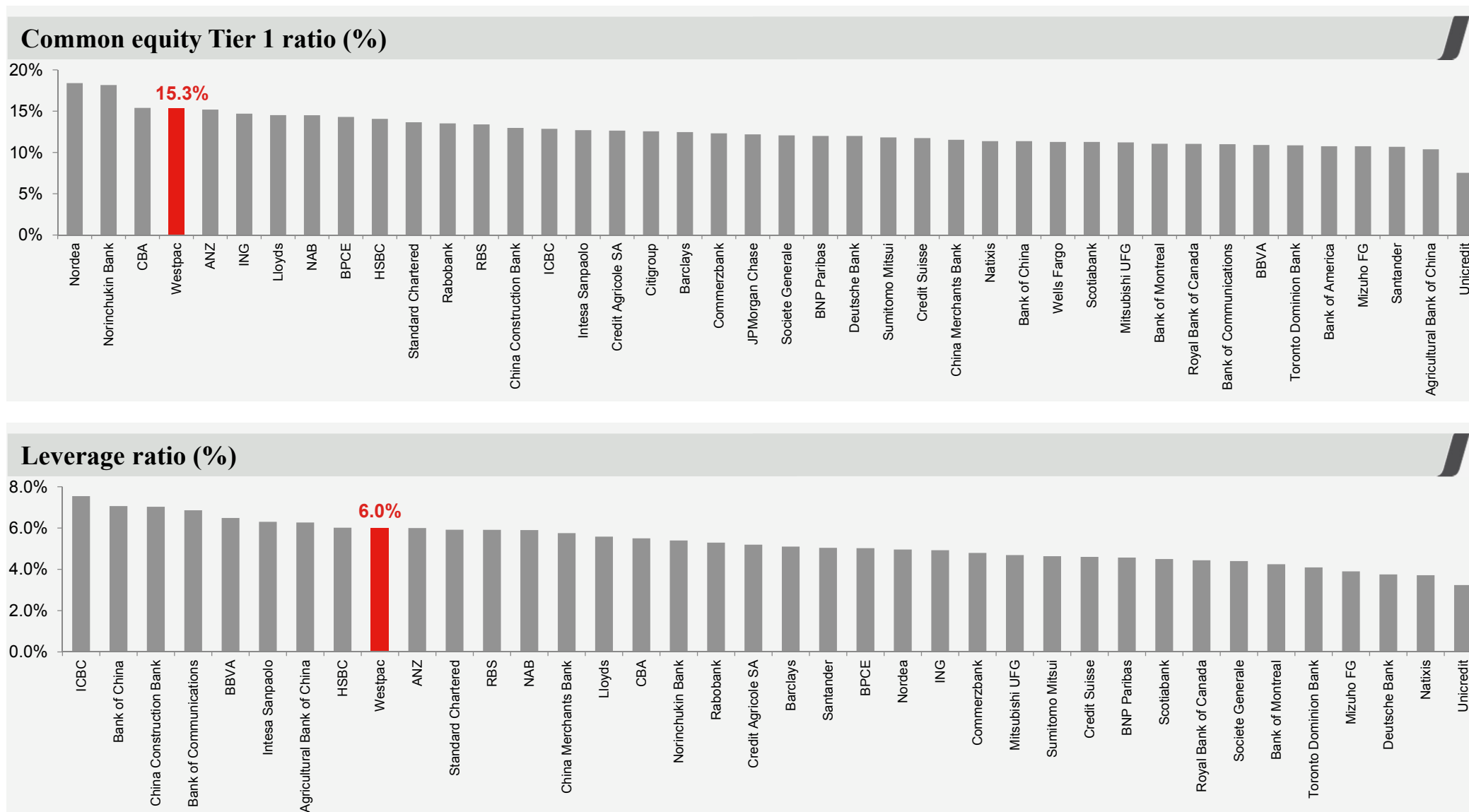
Movement in risk weighted assets (\$bn)



Movement in credit risk weighted assets (\$bn)



Well placed on internationally comparable CET1 and leverage ratios



Peer group comprises listed commercial banks with assets in excess of A\$700bn and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure to estimate. Based on company reports/presentations. Ratios at 31 Dec 2016, except for Westpac, ANZ and NAB, which are at 31 Mar 2017, while Scotiabank, Bank of Montreal, Royal Bank of Canada and Toronto Dominion are at 31 Jan 2017, assumes Basel III capital reforms fully implemented. Where accrued expected dividends have been deducted, these have been added back for comparability. US banks are excluded from leverage ratio analysis due to business model differences, for example from loans sold to US Government sponsored enterprises.

Internationally comparable capital ratio reconciliation

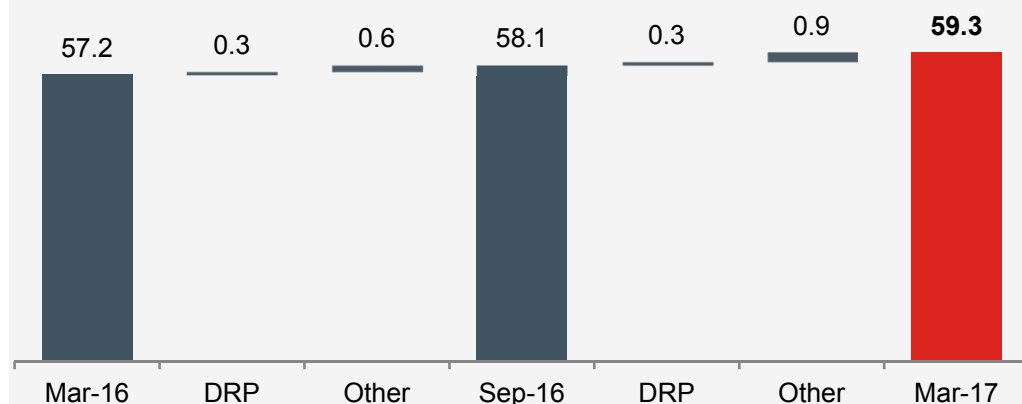
APRA's Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios by Australian banks. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers¹. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio

		(%)
Westpac's CET1 capital ratio (APRA basis)		10.0
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.5
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.3
Interest rate risk in the banking book (IRRBB)	APRA requires capital to be held for IRRBB. The BCBS does not have a Pillar 1 capital requirement for IRRBB	0.3
Residential mortgages	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements. APRA also applies a correlation factor for mortgages higher than the 15% factor prescribed in the Basel rules	1.7
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of internal-ratings based (IRB) probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factors	0.7
Currency conversion threshold	Increase in the A\$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.4
Internationally comparable CET1 capital ratio		15.3
Internationally comparable Tier 1 capital ratio		17.2
Internationally comparable total regulatory capital ratio		19.4

¹ Methodology aligns with the APRA study titled "International capital comparison study", dated 13 July 2015.

Optimising returns by actively managing capital

Ordinary equity (spot and includes reserves) (\$bn)



Actively managing returns

- 1H17 ROE increased as cash earnings growth (3%) was higher than the increase in average ordinary equity (AOE) of 2%
- Leverage ratio improved from the increased AOE
- Continue to refine capital allocation model with more capital allocated to divisions in 1H17
- Capital held centrally includes surplus capital, capital for Treasury, and capital for the next dividend payment

Capital allocated to divisions (\$bn)

Division	1H16	2H16	1H17
Total Group	55.2	56.6	57.7
Consumer Bank and Business Bank	22.4	23.7	24.4
BTFG	3.2	3.3	3.4
WIB	9.7	9.6	9.4
Westpac NZ (A\$)	4.1	4.4	4.6

Return on equity (%)

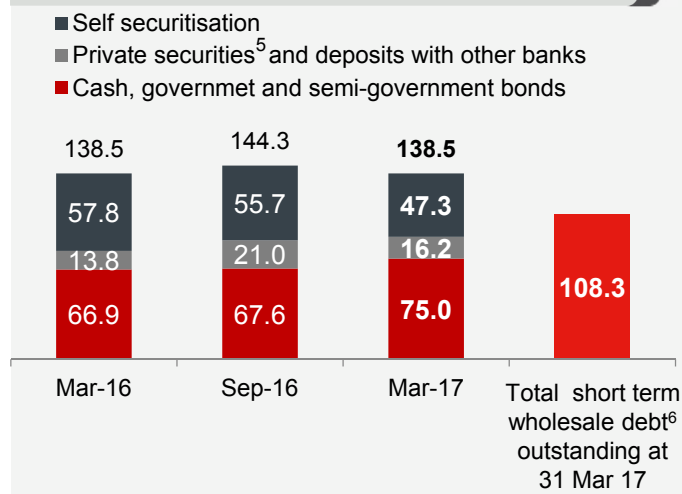
Division	1H16	2H16	1H17
Total Group	14.2	13.8	14.0
Consumer Bank and Business Bank	16.5	16.6	16.4
BTFG	16.2	14.9	14.4
WIB	9.9	11.3	14.1
Westpac NZ (A\$)	17.9	16.5	17.3

Maintained strong funding and liquidity profile

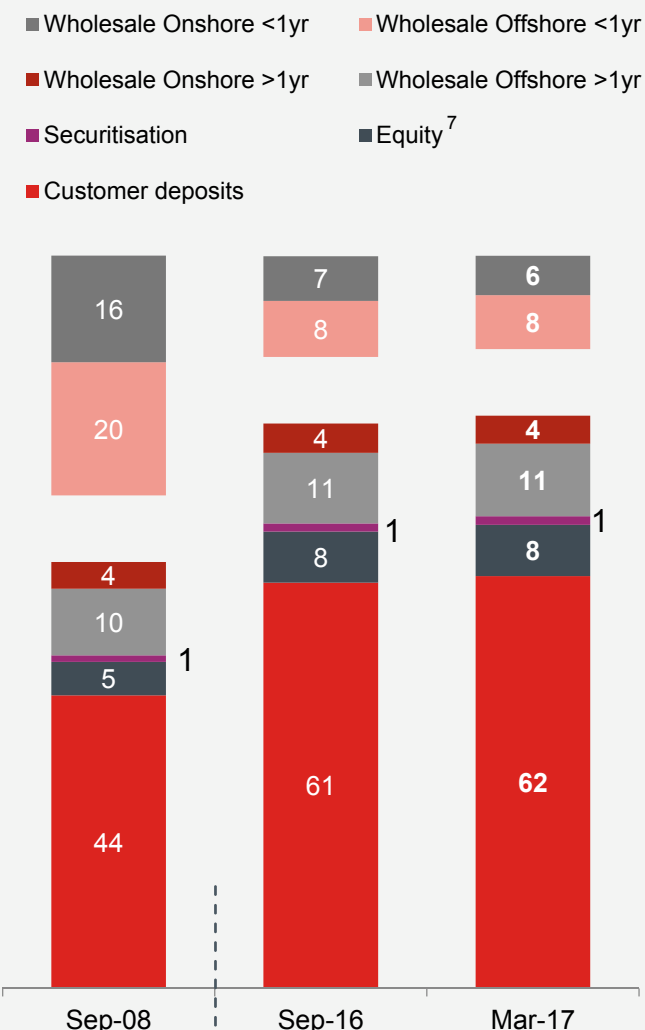
Liquidity Coverage Ratio (\$bn and %)

	Sep-16	Mar-17
HQLA ¹	69.4	73.6
CLF ²	58.6	49.1
Total LCR Liquid assets	128.0	122.7
Customer deposits	63.5	65.9
Wholesale funding	13.1	13.2
Other flows ³	19.2	19.1
Total cash outflows	95.8	98.2
LCR⁴	134%	125%

Unencumbered liquid assets (\$bn)



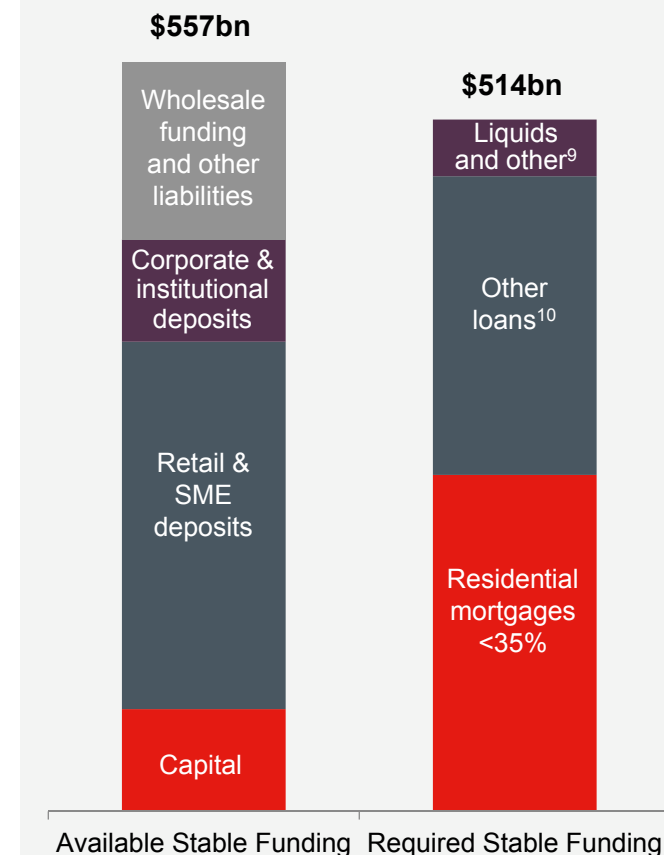
Funding composition by residual maturity (%)



Net Stable Funding Ratio (NSFR)

	Sep-16	Mar-17
Estimated NSFR	105%	108%

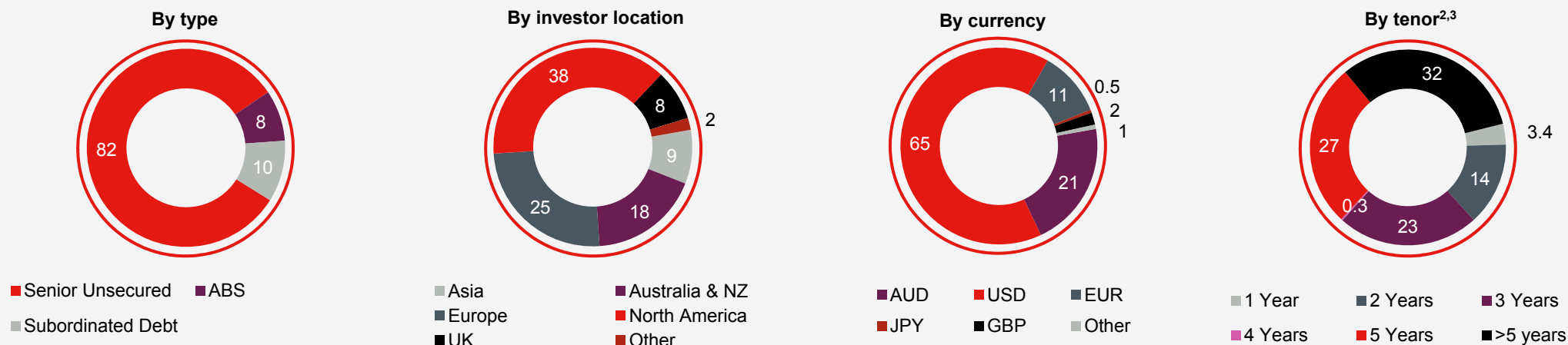
NSFR composition⁸ as at 31 March 2017 (\$bn)



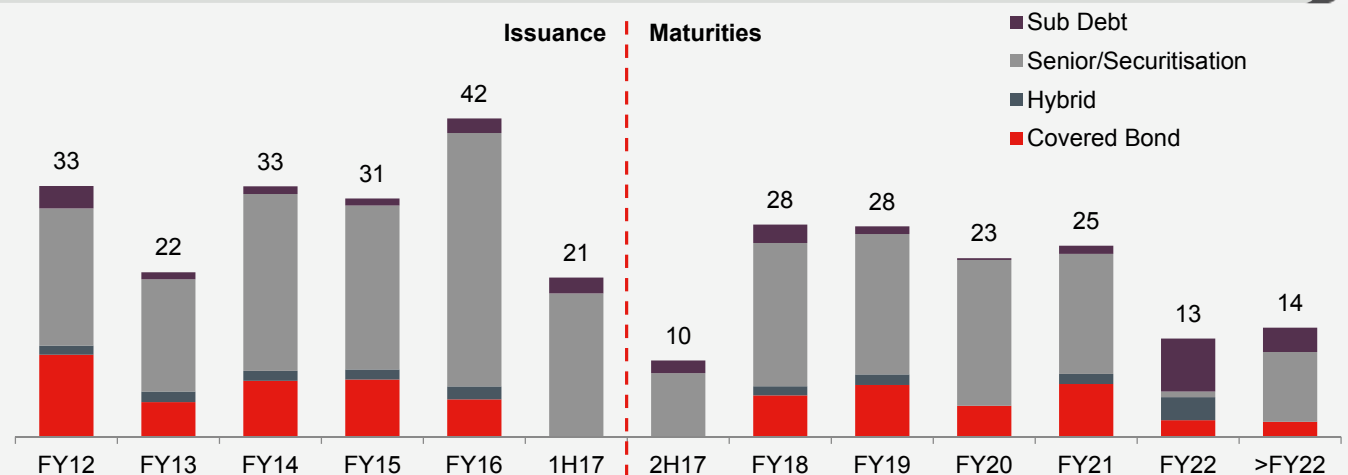
1 Includes HQLA as defined in APS 210, RBNZ eligible liquids, less RBA open repos funding end of day ESA balances with the RBA. 2 The RBA makes available to Australian Authorised Deposit-taking Institutions a committed liquidity facility (CLF) that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. 3 Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. 4 LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash outflows in a modelled 30 day defined stressed scenario. Calculated on a spot basis. 5 Private securities include Bank paper, RMBS, and Supra-nationals. 6 Includes long term wholesale funding with a residual maturity less than or equal to 1 year. 7 Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. 8 All figures shown on a Level 2 basis and based on current estimates. 9 Other includes derivatives and other assets. 10 Other loans includes off balance sheet exposures and residential mortgages >35% risk weight.

New term issuance reflects investor preferences

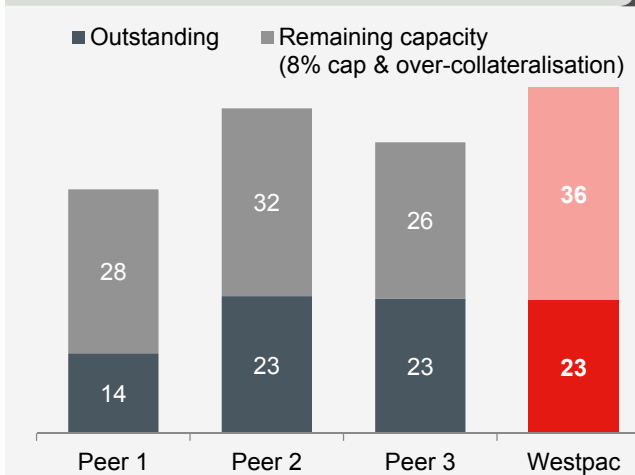
1H17 new term issuance composition¹ (%)



Term debt issuance and maturity profile^{1,2,4} (\$bn)



Australian covered bond issuance⁵ (\$bn)



¹ Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 370 days excluding US Commercial Paper and Yankee Certificates of Deposit.

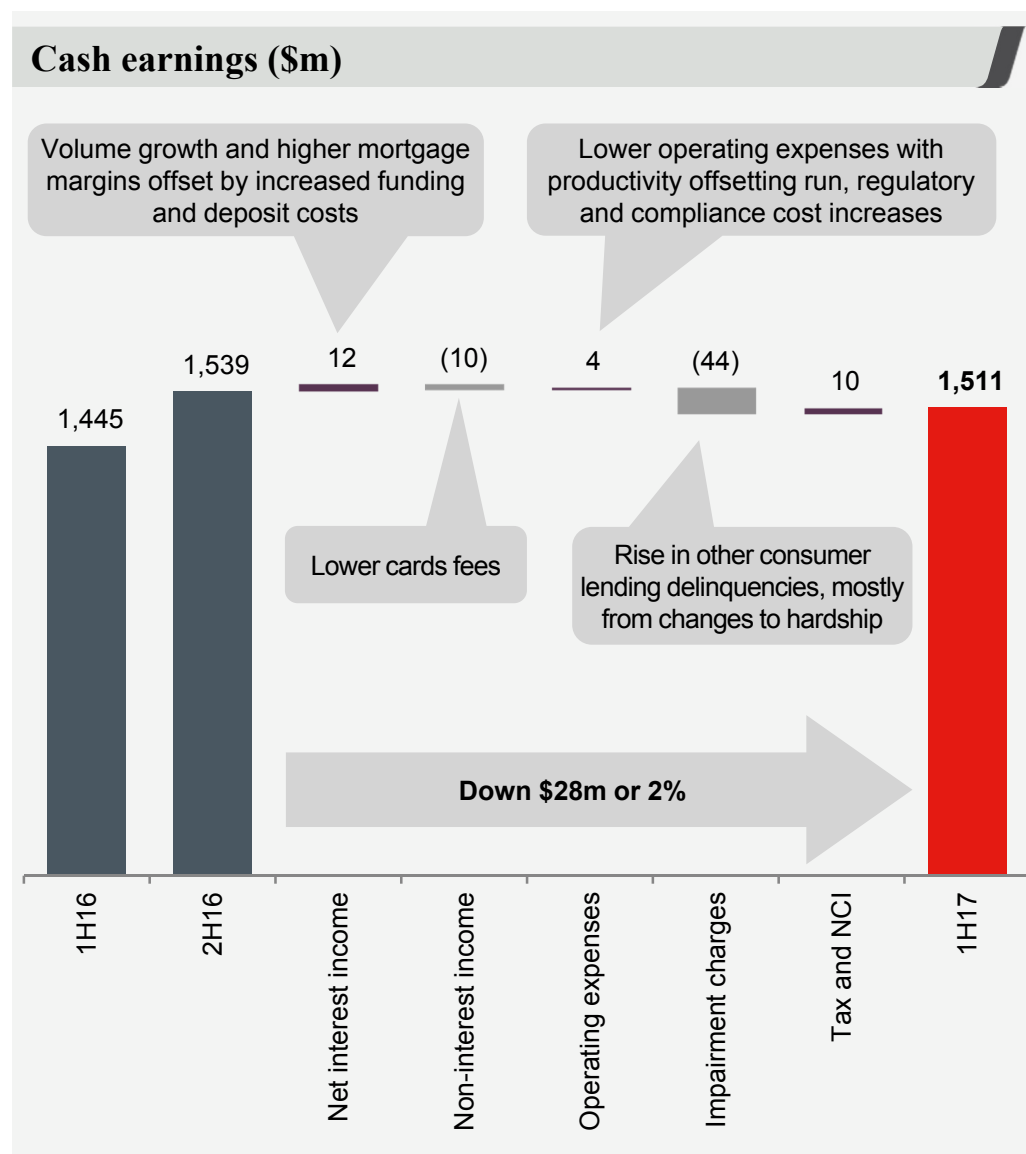
² Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. ³ Tenor excludes RMBS and ABS. ⁴ Perpetual sub-debt has been included in >FY22 maturity bucket. Maturities exclude securitisation amortisation. ⁵ Sources: Westpac, APRA Banking Statistics March 2017.

Divisional Results

Financial results based on cash earning unless otherwise stated.
Refer page 34 for definition. Results principally cover the 1H17,
2H16 and 1H16 periods. Comparison of 1H17 versus 2H16
(unless otherwise stated)

Consumer Bank disciplined 1H17 result in a competitive environment

Consumer | 94



Key financial metrics

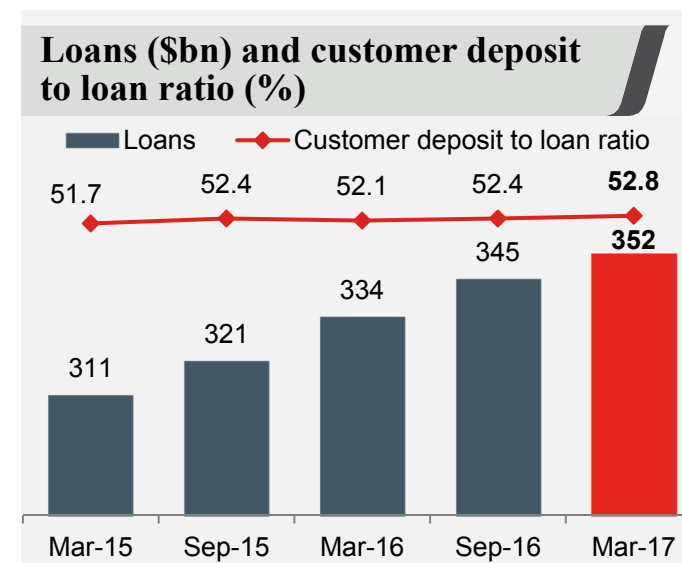
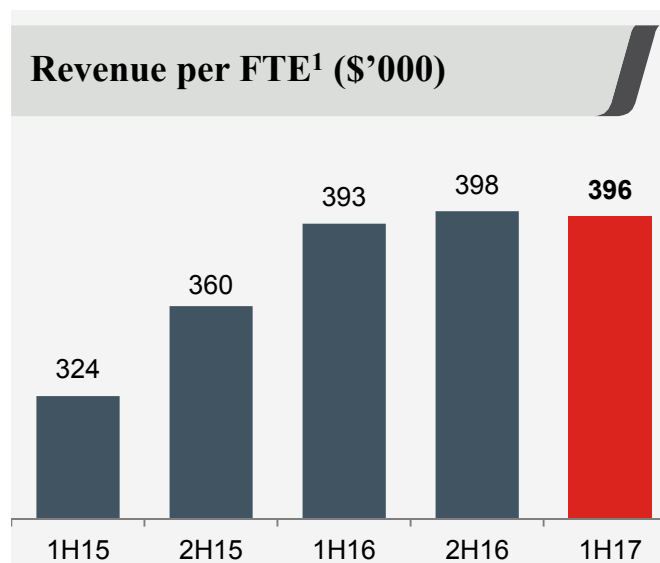
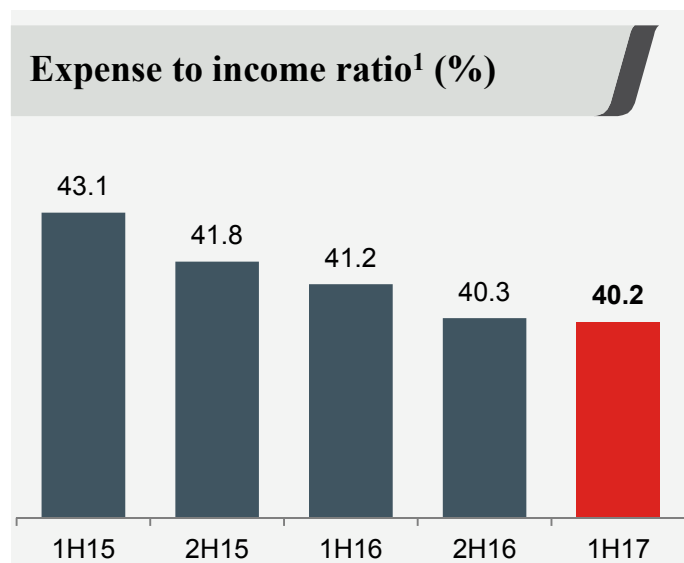
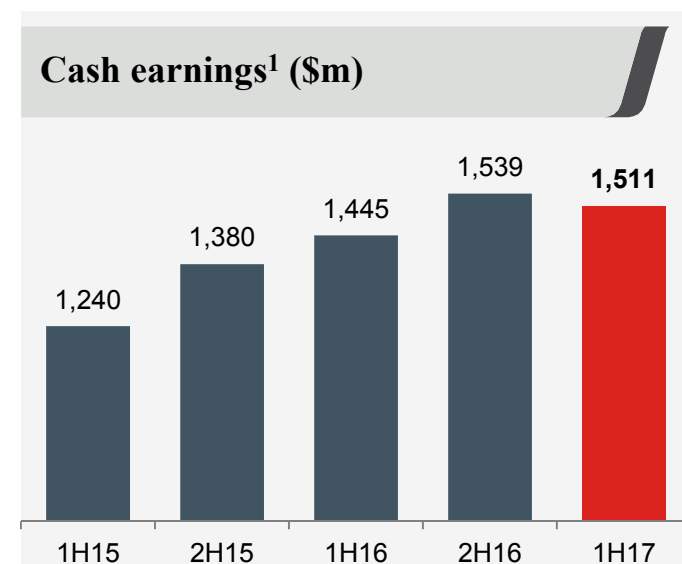
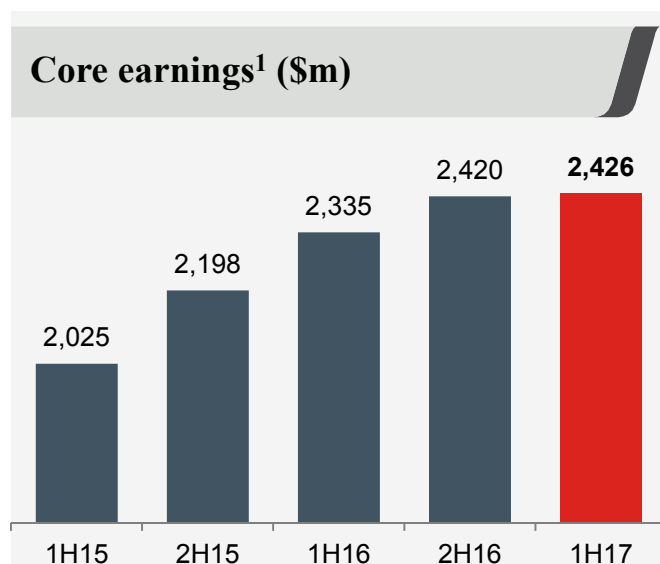
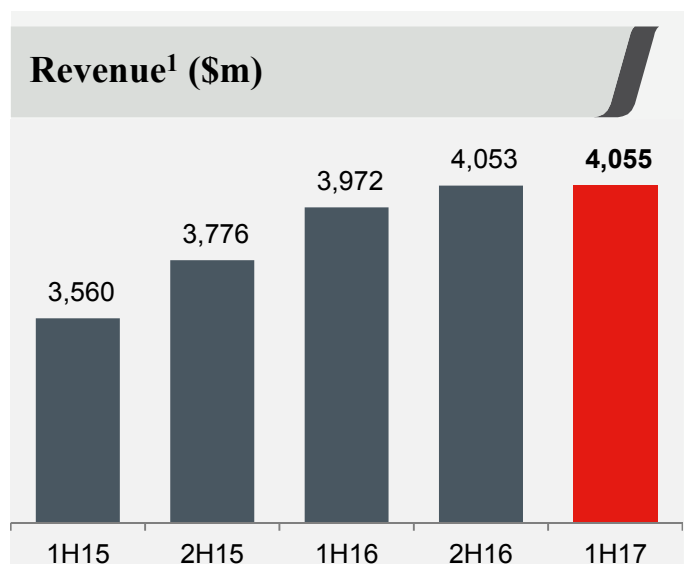
	1H16	2H16	1H17	Change on 2H16
Revenue (\$m)	3,972	4,053	4,055	-
Net interest margin (%)	2.37	2.34	2.28	(6bps)
Expense to income (%)	41.2	40.3	40.2	(12bps)
Customer deposit to loan ratio (%)	52.1	52.4	52.8	40bps
Stressed assets to TCE (%)	0.51	0.61	0.64	3bps

Key operating metrics

	1H16	2H16	1H17	Change on 2H16
Total customers (#m)	8.6	8.8	8.9	2%
Active digital customers (#m)	3.5	3.6	3.8	4%
Total branches (#)	1,096	1,085	1,059	(26)
Customer satisfaction ¹ (%)	83.1	81.3	81.6	30bps
Service quality – complaints (#'000)	16.8	13.1	11.8	(10%)

1 Refer slide 132 for metric definition and details of provider.

A disciplined 1H17 performance



¹ Following an update to the Group's capital allocation framework, 1H16 and 2H16 numbers have been restated to ensure comparability to 1H17. 1H15 and 2H15 have not been restated at this time.

Improving the digital customer experience: Consumer Bank & Business Bank

Consumer | 96

Consumer

Proof of balance

- Following the successful launch of proof of balance for Westpac customers, this has now been rolled out to St.George customers
- Removes the need for customers to visit a branch to obtain a proof of income for third party applications
- 52%⁴ of proof of balance statements obtained online

Quick transfer

- Enables customers to transfer between three accounts without the need to log in to mobile banking
- CANSTAR 2017 Innovation Excellence Award Winner
- 1.1 million quick transfers since launch in December 2016

Digitisation of personal loans

- During 1H17 completed the digitisation of the unsecured personal loan process¹
- Improved process time across all channels
- 25% of approvals² receive funds on same day, 65% of these in 60 seconds (see detailed case study slide 45)

Business

Digital for bankers



- Simple and fast process for extending maturing facilities. LOLA sales almost doubled over the half

Credit risk management

- Improved system has reduced manual processing and saved time by simplifying risk reviews, serviceability assessments and automated covenant monitoring

Digital for customers



- Completed of customer migration to our leading online platform with improved customer satisfaction reported



- Providing more digital self service options, including new deposit account opening and instant decision on overdrafts³. Digital sales have increased 35%

Payments

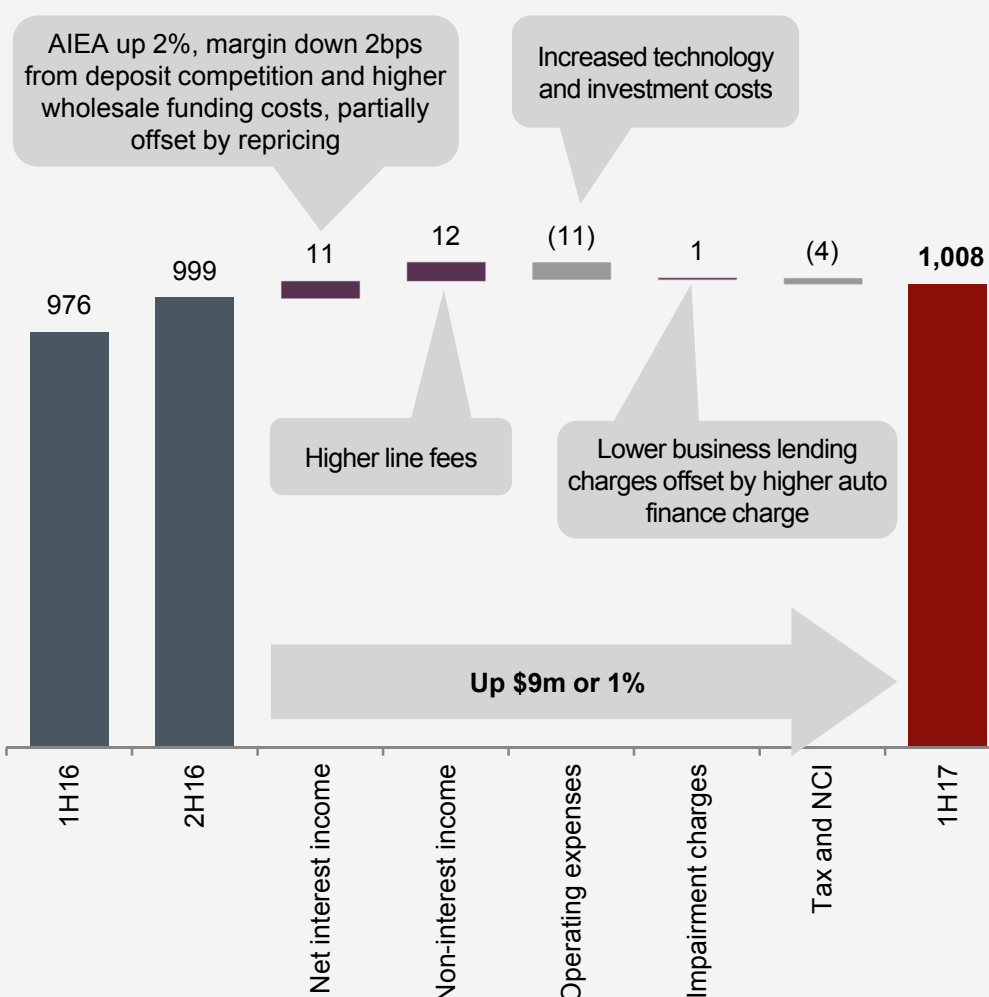
- Supporting 600 merchants with Genie (mPOS), enabling payment acceptance using a portable card reader linked to a smart phone
- Introduced simplified merchant pricing plans, Union Pay card acceptance online and transaction reporting tools. Net merchant growth up 19%



1 This applies to Westpac branded unsecured loan process. 2 Existing customers. 3 For existing customers with credit limits. 4 At 2Q17.

Business Bank delivers a solid 1H17 result

Cash earnings (\$m)



Key financial metrics

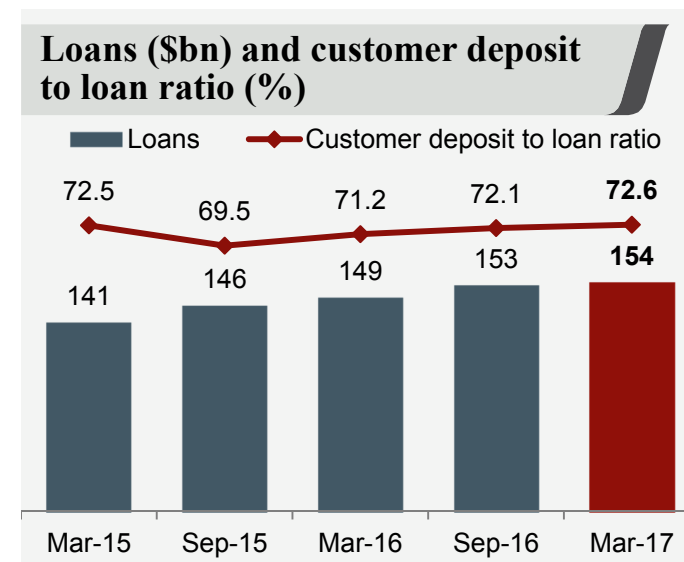
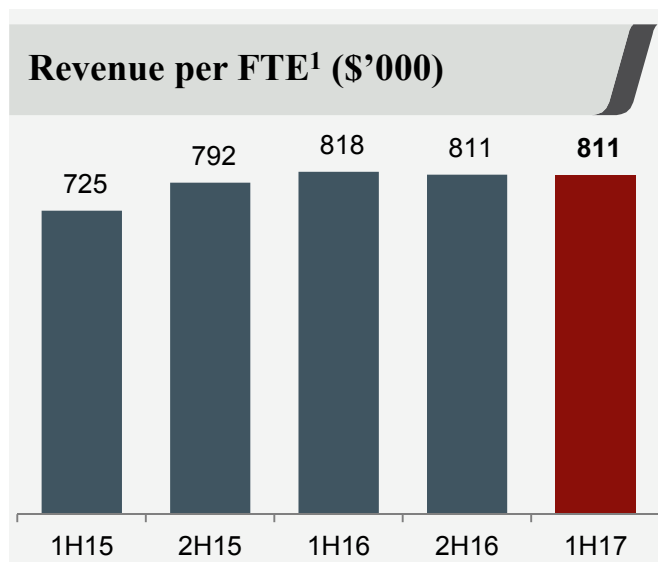
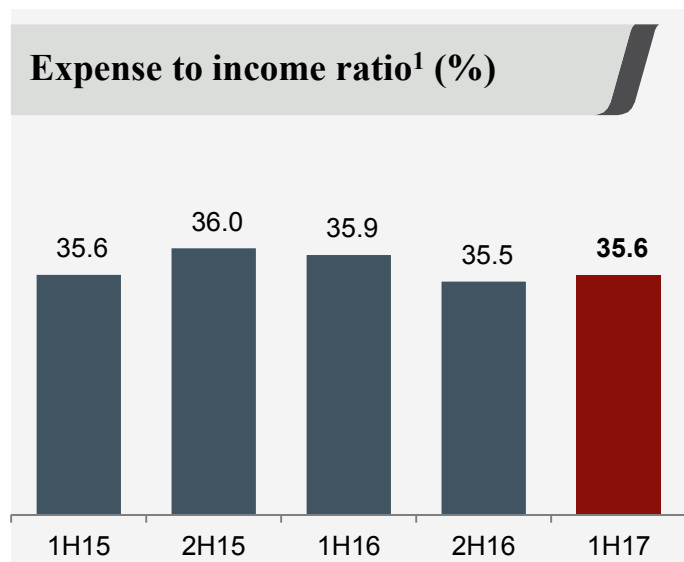
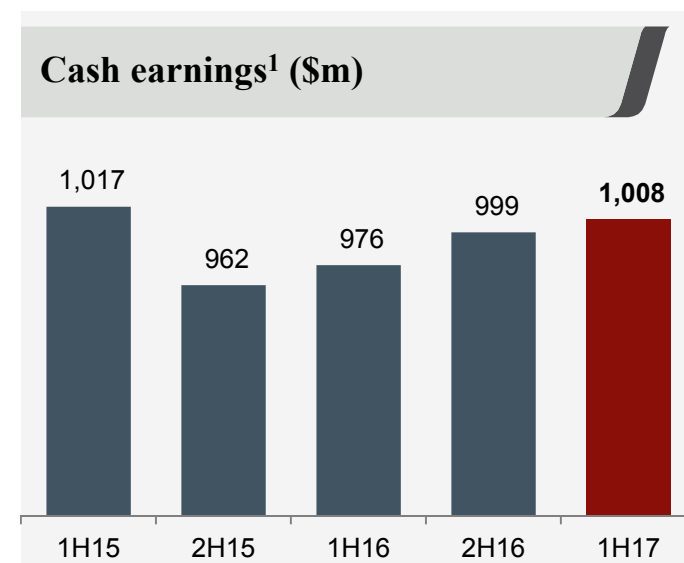
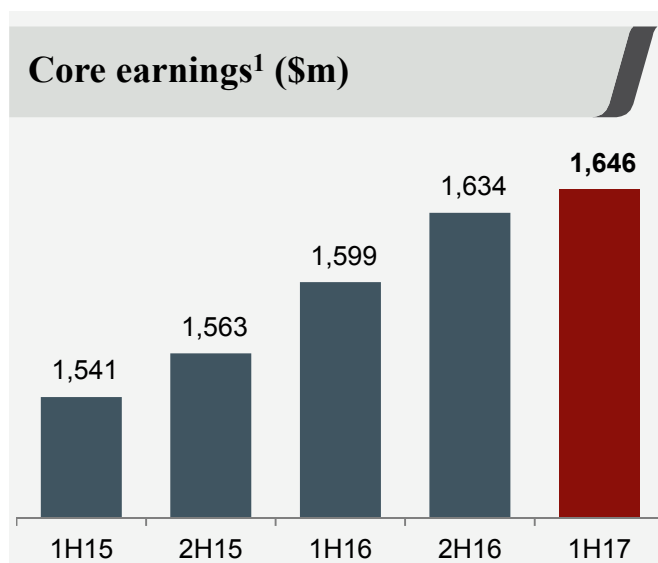
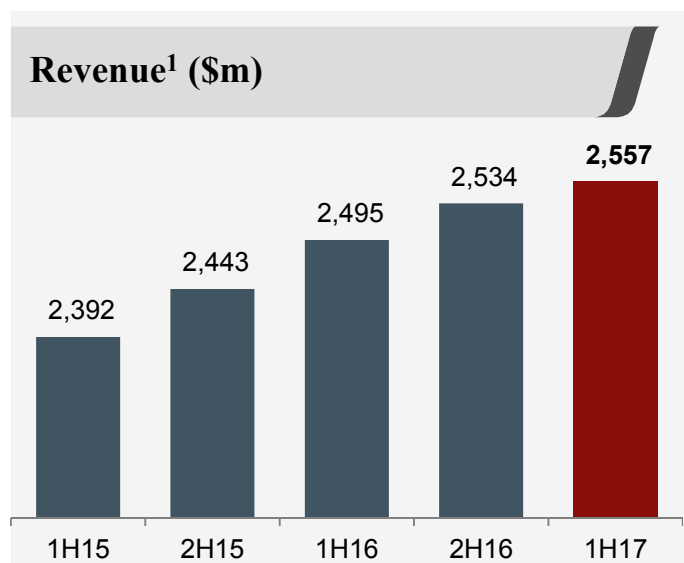
	1H16	2H16	1H17	Change on 2H16
Revenue (\$m)	2,495	2,534	2,557	1%
Net interest margin (%)	2.72	2.72	2.70	(2bps)
Expense to income (%)	35.9	35.5	35.6	11bps
Customer deposit to loan ratio (%)	71.2	72.1	72.6	49bps
Stressed assets to TCE (%)	2.13	2.24	2.32	8bps

Key operating metrics

	1H16	2H16	1H17	Change on 2H16
Total business customers ('000's)	1,150	1,170	1,183	1%
Customer satisfaction ¹ (rank)	=#2	#1	=#1	-
Customer satisfaction - SME ¹ (rank)	#2	#1	#2	- 1 place
Digital sales (%)	8	9	10	+ 1ppt
Loans via LOLA (\$m)	336	729	1,421	95%

¹ Refer slide 132 for metric definition and details of provider.

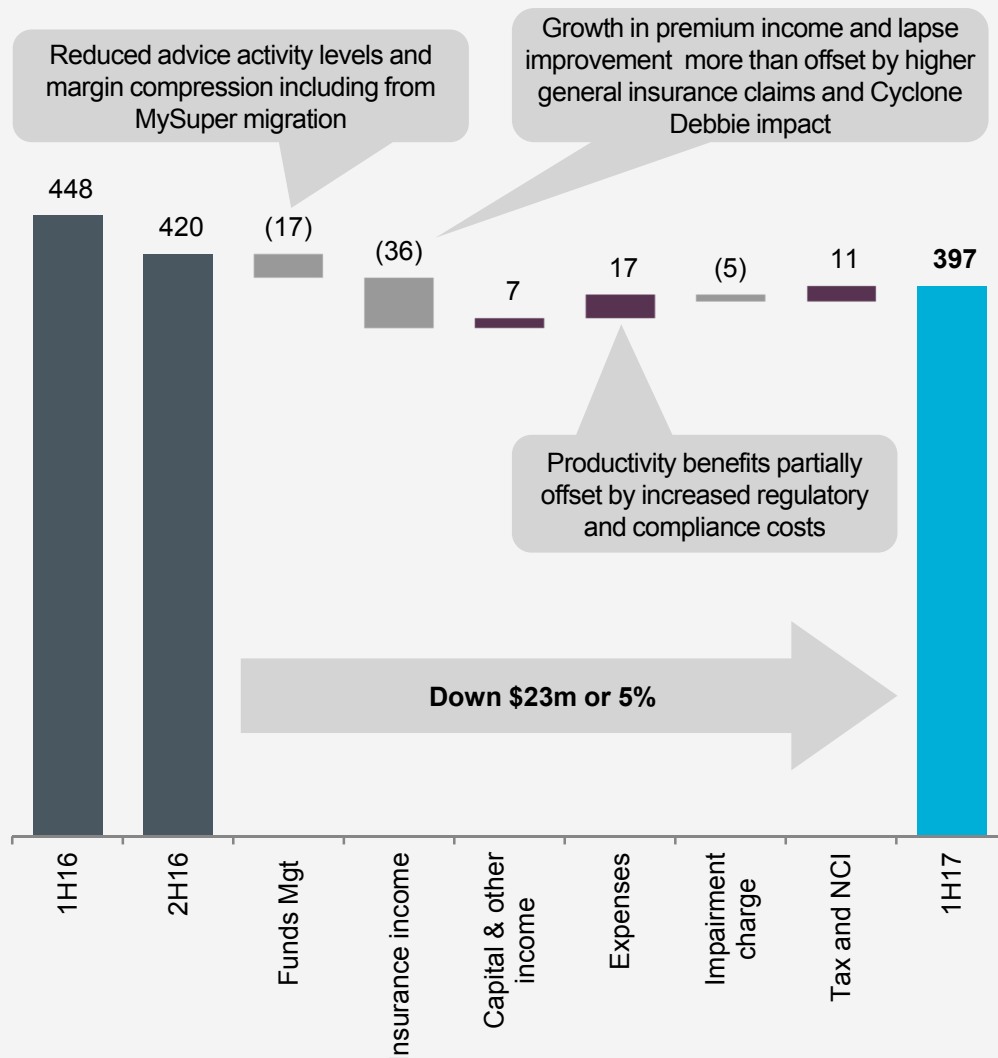
A disciplined 1H17 performance



¹ Following an update to the Group's capital allocation framework, 1H16 and 2H16 numbers have been restated to ensure comparability to 1H17. 1H15 and 2H15 have not been restated at this time.

BT franchise impacted by challenging environment

Cash earnings movement 2H16 – 1H17 (\$m)



Key financial metrics

	1H16	2H16	1H17	Change on 2H16
Revenue (\$m)	1,203	1,191	1,145	(4%)
Expense to income (%)	47.0	50.0	50.5	52bps
FUM (\$bn) (spot)	46.4	48.4	55.1	14%
FUA (\$bn) (spot)	123.3	130.8	136.4	4%

Key operating metrics

	1H16	2H16	1H17	Change on 2H16
Customers with a wealth product ¹ (%)	19.2	19.1	18.5	(60bps)
Planners (salaried & aligned) (#) (spot)	1,116	1,134	1,094	(4%)
BT Super for Life customers (#'000)	489	506	527	4%
Platform market share ² (inc. Corp Super) (%)	19.6	19.0	19.0	-
Retail market share ² (exc. cash) (%)	18.6	18.0	18.1	10bps
Life Insurance market share ³ (%)	10.9	11.0	11.6	60bps
H&C insurance market share ⁴ (%)	5.7	5.7	5.7	-
Women in leadership ⁵ (%)	42.1	45.0	46.0	100bps

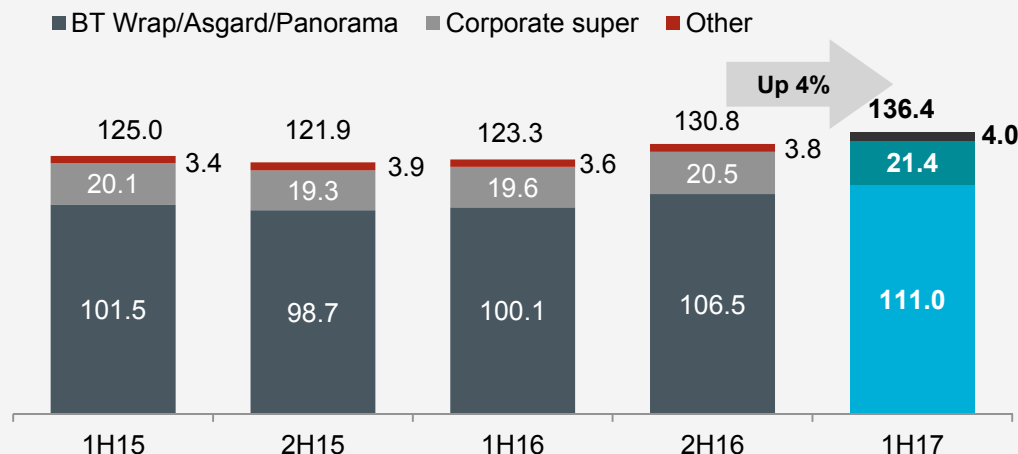
1 Refer slide 132 for wealth metrics provider. 2 Strategic Insight, All Master Funds Admin as at December 2016 (for 1H17), as at June 2016 (for 2H16), as at December 2015 (for 1H16) and represents the BT Wealth business market share at these times. 3 Strategic Insight (Individual Risk) rolling 12 month average. New sales includes sales, premium re-rates, age and CPI indexation December 2016. 4 Internally calculated from APRA quarterly general insurance performance statistics, December 2016. 5 Spot number as at balance date.

Funds management business: Positive flows offset by margin compression from product mix changes

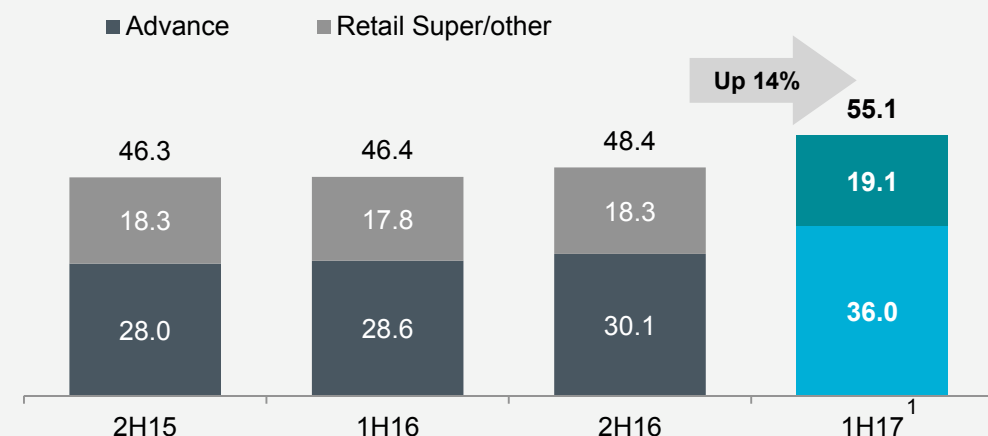
Earning drivers 1H17 v 2H16

- Continued growth in Private Wealth
- Advice income lower from reduced activity and compliance remediation program
- FUM related revenue down 9% on 2H16:
 - FUM margins down 7bps from shift in portfolio mix
- FUA related revenue was down 3% on 2H16:
 - Panorama had positive flows of \$1.1bn
 - BT Wrap/Asgard platforms FUA increased \$3.3bn on 2H16
 - FUA margins were down 2bps on 2H16 due to shift in portfolio mix including MySuper migration

FUA (\$bn)

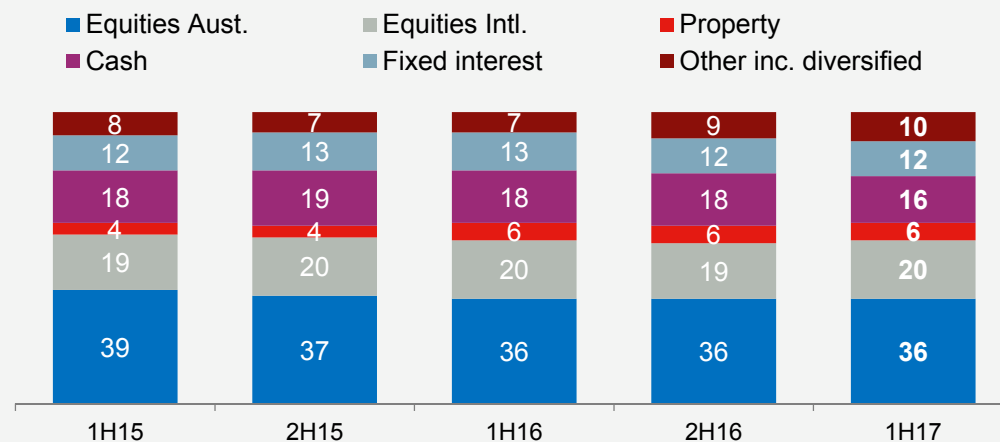


FUM (\$bn)

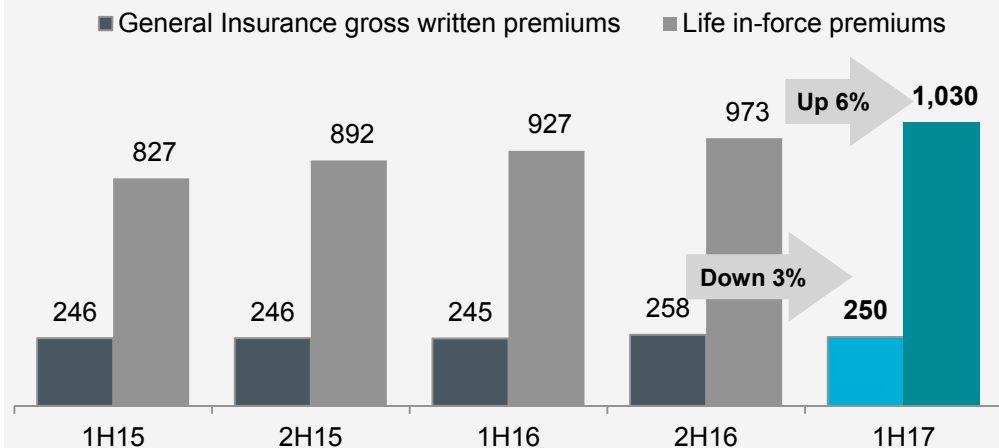


¹ Includes \$4bn increase due to MySuper migrations which occurred in late 1H17.

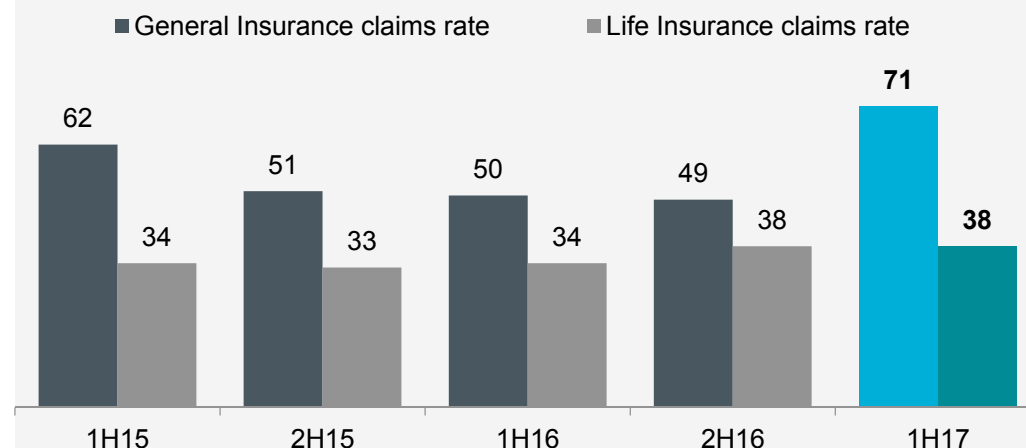
FUA by asset class (%)



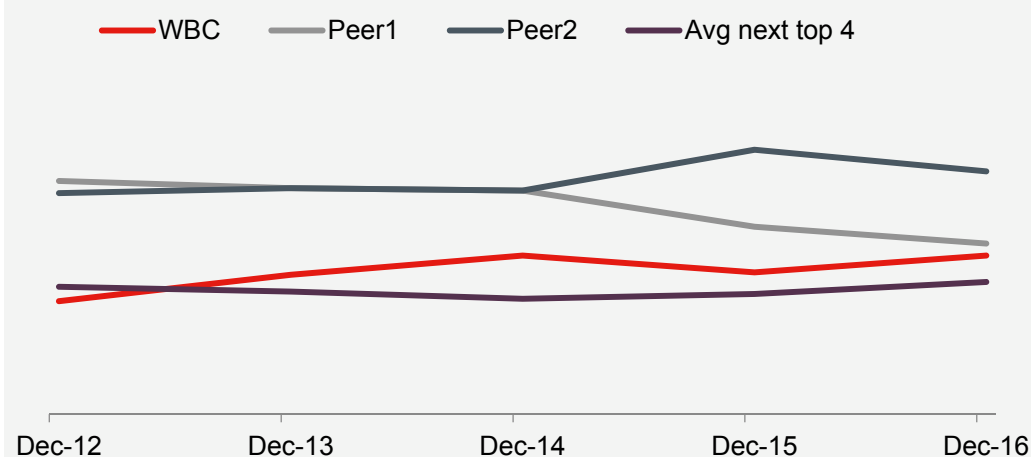
Insurance premiums (\$m)



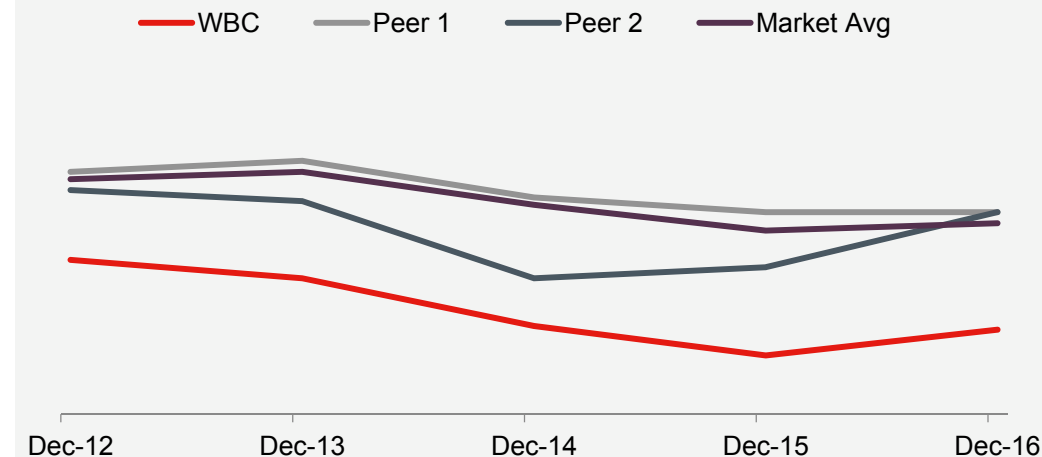
Insurance claims rates (%)



Life Insurance individual new sales market share¹ (%)



Life Insurance lapse rates¹ (%)



¹ Strategic Insight December 2016.

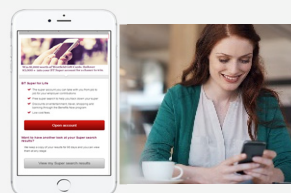
Superannuation & Insurance

Super profile



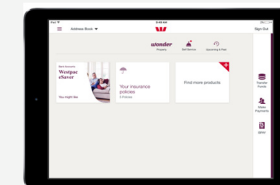
- Launched BT Super Profile
- Supports customers by providing 7 key actions to get their super "sorted"
- Customers are given a score out of 100%, and a list of actions to complete their profile

SuperCheck



- Innovative solution enabling customers to find their lost super. 5,400 customers have consolidated \$100m of their super
- Westpac Live customers can search and see all their super in less than 60 seconds
- Customers can then open a BT Super for Life account and combine their super

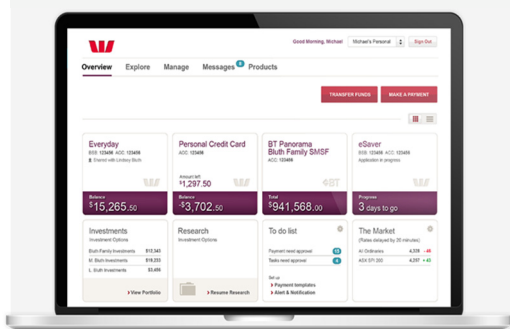
Digital in insurance



- Policy display – customers can see their home and contents, motor and travel insurance policies in Online Banking
- Single sign-on and pre-population of customer details into online home and contents and motor quote and sale

Panorama

Commercialising Panorama – a market leading wealth management platform for customers and advisers



- ✓ **Modular** - flexible architecture to cater to different clients needs
- ✓ **Connectivity** - connect to existing accounting software
- ✓ **Collaboration** - collaborate with accounting partner to complete fund administration for SMSF
- ✓ **Compliance** - compliance embedded trading platform to assist administration

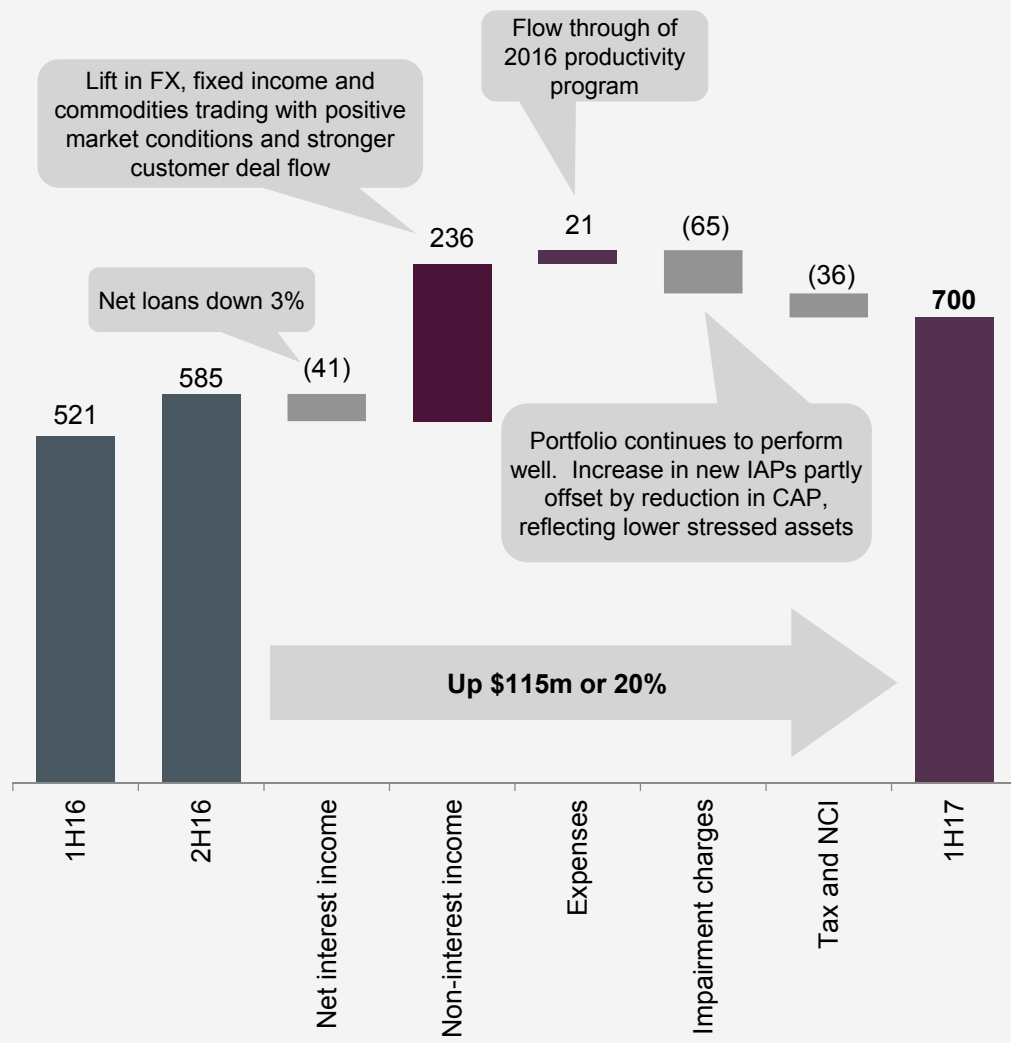
Functionality and capability

- Over 3,000 SMSF accounts - growing momentum
- Successful launch of Super Wrap in February
- Mobile - advisers and investors can view and trade their portfolio on the go
- Advised Investment Platform and Direct Investor offerings complete
- SMSF offer - a complete end to end offer for all customers including trustees, advisers and accountants



WIB 1H17 result driven by lift in customer activity and markets

Cash earnings (\$m)



Financial metrics

	1H16	2H16	1H17	Change on 2H16
Revenue (\$m)	1,605	1,505	1,700	13%
Net interest margin (%)	1.72	1.76	1.77	1bp
Expense to income (%)	41.7	45.0	38.6	(Large)
Customer deposit to loan ratio (%)	110.6	119.8	131.2	Large
Stressed assets to TCE (%)	0.77	0.88	0.59	(29bps)

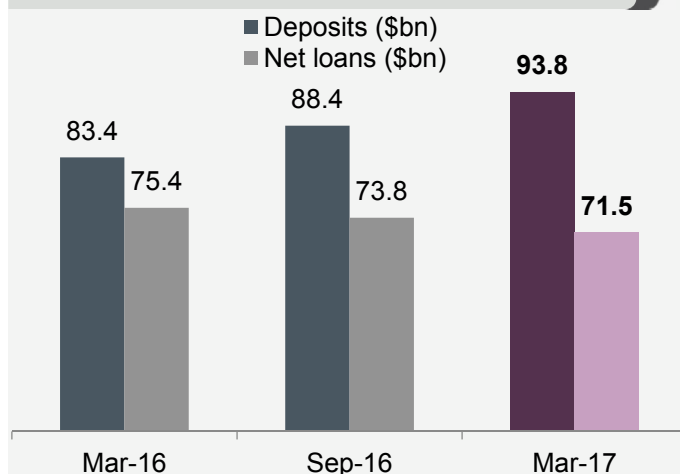
Operating metrics

	1H16	2H16	1H17	Change on 2H16
Customer revenue ¹ / total revenue (%)	82	82	77	(Large)
Trading revenue / total revenue (%)	9	6	14	Large
Revenue per average FTE (\$'000)	573	555	631	14%
Deposits (\$bn)	83.4	88.4	93.8	6%

¹ WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings.

Disciplined performance maintained

Disciplined balance sheet management



Net loans

- 3% reduction in net loans reflects continued disciplined balance sheet management
- Review of unused limits and committed facilities

Deposits

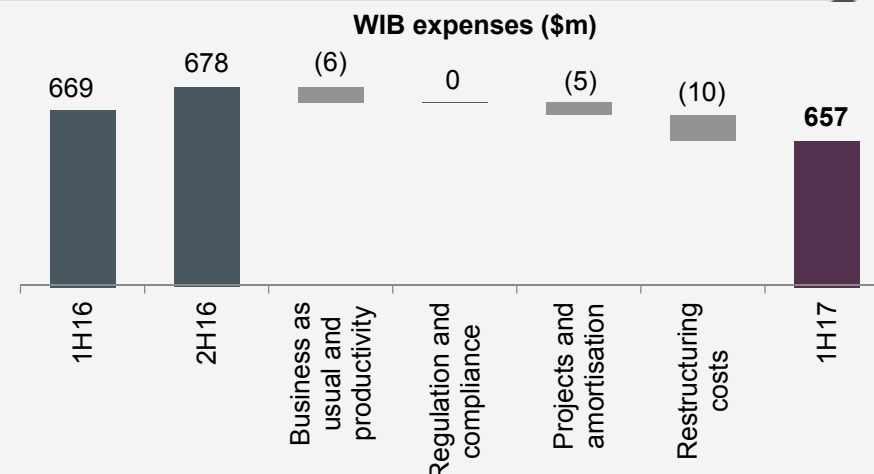
- Deposits up 6% benefiting from being the country's leading transactional banker to government clients

Margin

- Margin up 1 basis point to 1.77% reflecting disciplined new deal pricing

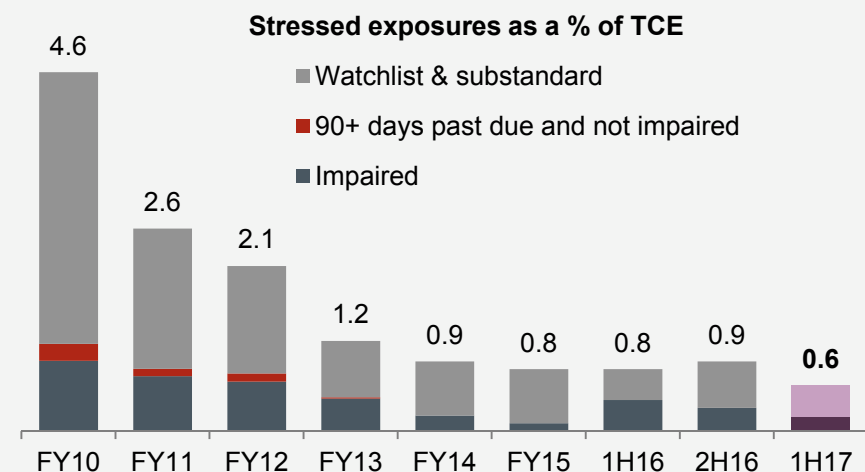
Expense control

- Business as usual costs lower from full period benefit of productivity initiatives and new operating model
- Lower investment in Asia contributed to a fall in project costs
- Regulatory and compliance costs unchanged
- 2H16 included restructuring costs associated with implementing the new operating model which were not repeated



Well managed credit portfolio

- Portfolio performing well, with low relative stress levels
- Prudent coverage of impaired assets with impairment provisions to impaired assets
1H17 66.6%
(2H16: 46.8%)





Leading Institutional Franchise

94%
of the ASX
top 100 bank
with WIB

2,840+
customers

99%
retention rate¹
transactional
banking
relationships

170 years
longest
customer
relationship



Enduring Customer Relationships

Public sector

- Enduring Institutional customer relationships across the public sector, including some going back almost 200 years
- Leading transactional banker to institutional and government clients, banking 4 of the 8 Australian State and Territory Governments
- Leveraging insight and expertise, as well as leading solutions in health (e.g. LanternPay), digital payments and cash management
- Continues to lead the way in supporting the government and industry with the SuperStream superannuation reforms
- Leading player in infrastructure, with a number of significant transactions closed in 1H17
- Strong customer deal flow around PPP, privatisations and renewable energy in addition to business as usual

Connecting customers

- Core franchise in Australia and NZ
- Presence in key global centres to connect customers to trade and capital flows - Shanghai, Beijing, Hong Kong, Singapore, Mumbai as well as London, New York and PNG



Innovative Products and solutions

WIB / Business, wealth and consumer partnership

- LitePay enables international payments straight from online and mobile banking, focus on supporting our migrant customers with a low cost and fast service for sending funds overseas
- Added 3 new currencies and 21 new countries in 1H17

Superannuation

- Largest provider of superannuation transaction services through WIB's Clearing House and Gateway, QuickSuper
- Over 150,000 employers using QuickSuper, with 42m transactions in 1H17, up 30% over 1H16

LanternPay

- Custom-built claiming and payments platform designed for use in the NDIS, aged/home care and third party insurance schemes
- Recently secured its first major institutional mandate to transform payments for a State Government insurance scheme

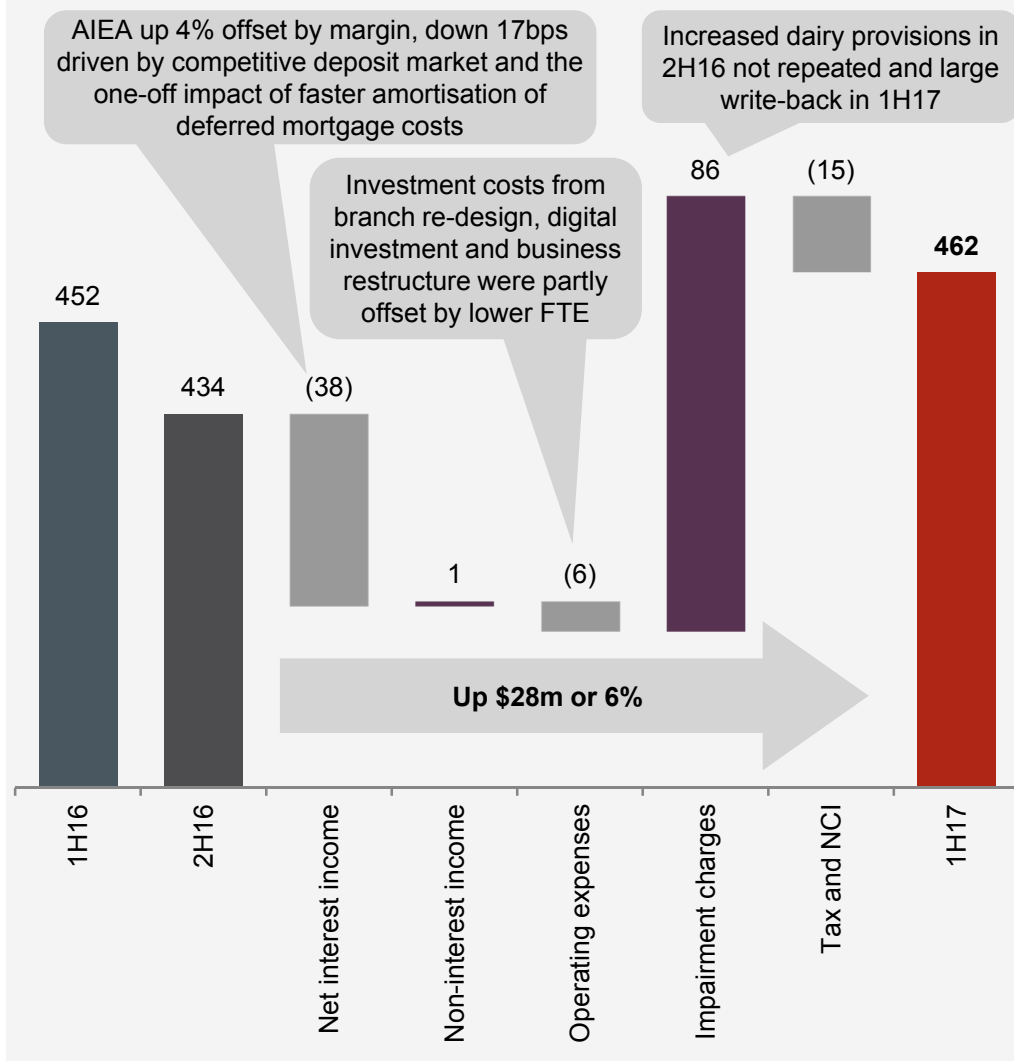
Financial Markets digitisation

- Launched FX ATM pilot – 10 branches (multi-brand) provided with FX ATM machines to enable instant fulfilment of foreign cash in the four most used currencies of USD, EUR, GBP & NZD

¹ Transactional banking relationships retention rate defined as the percentage of customers qualifying as a 'transactional relationship' for the duration of the half.

New Zealand result reflects highly competitive market, and **improving credit quality**

Cash earnings (NZ\$m)



Key financial metrics

	1H16	2H16	1H17	Change on 2H16
Revenue (NZ\$m)	1,092	1,115	1,078	(3%)
Net interest margin (%)	2.18	2.13	1.96	(17bps)
Expense to income (%)	41.8	41.4	43.4	198bps
Customer deposit to loan ratio (%)	76.6	76.6	74.2	(231bps)
Stressed assets to TCE (%)	1.78	2.54	2.41	(13bps)

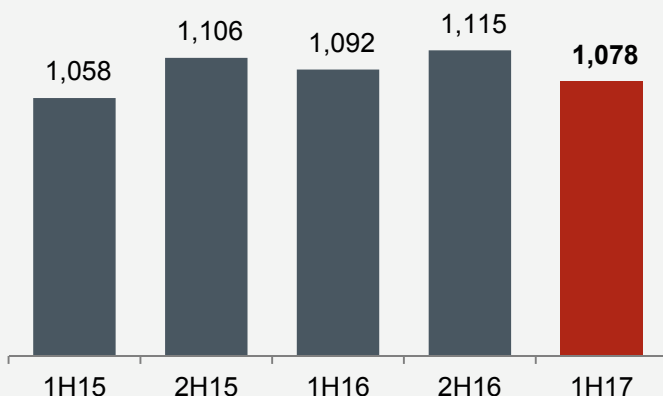
Key operating metrics

	1H16	2H16	1H17	Change on 2H16
Customers (#m)	1.35	1.35	1.36	-
Customers with a wealth product ¹ (%)	28.3	28.4	28.6	19bps
FUM (NZ\$bn)	7.0	7.5	7.7	3%
FUA (NZ\$bn)	2.0	2.0	2.0	-
Service quality - complaints (000's)	13.4	13.2	11.4	(14%)

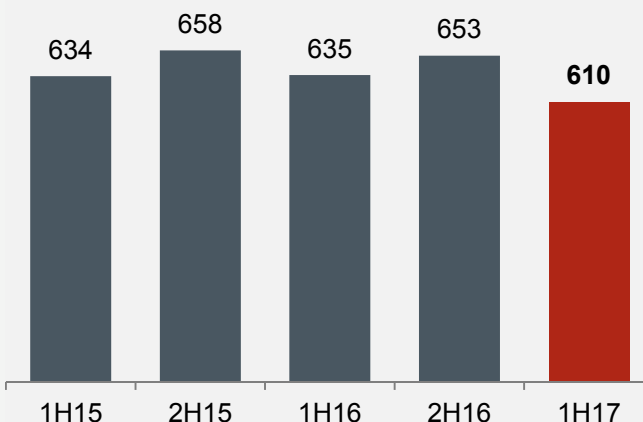
¹ Refer slide 132 for metric definition.

New Zealand key metrics

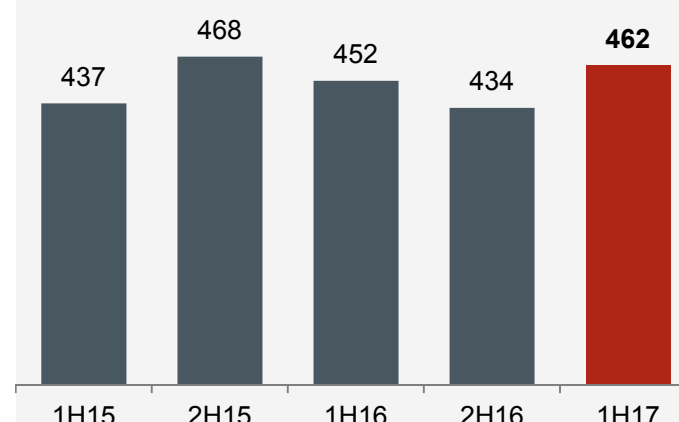
Revenue¹ (NZ\$m)



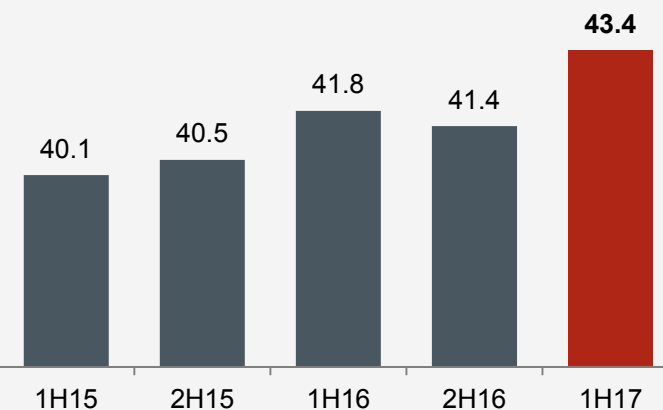
Core earnings¹ (NZ\$m)



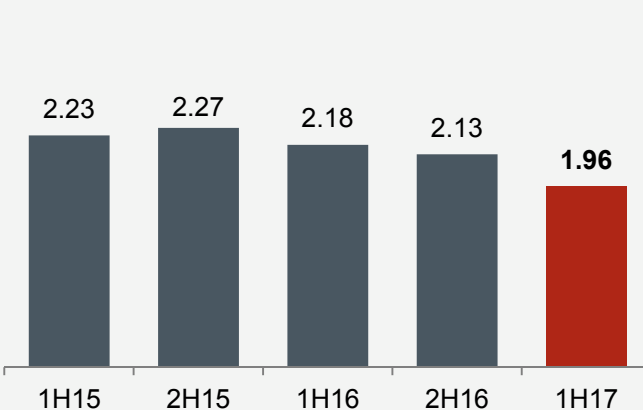
Cash earnings¹ (NZ\$m)



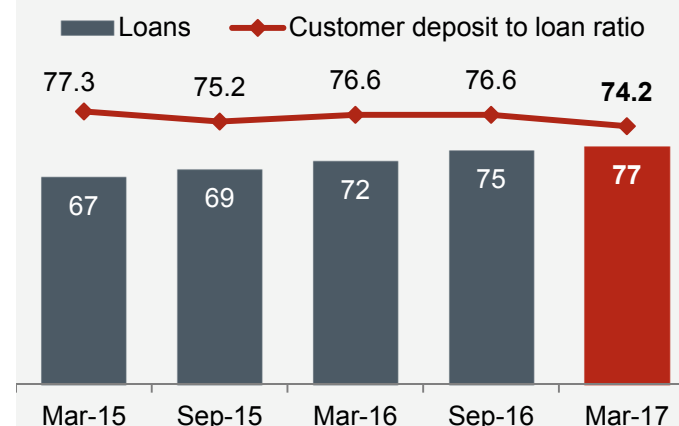
Expense to income ratio¹ (%)



Net interest margin¹ (%)



Loans (NZ\$b) and customer deposit to loan ratio (%)



¹ Following an update to the Group's capital allocation framework, 1H16 and 2H16 numbers have been restated to ensure comparability to 1H17. 1H15 and 2H15 have not been restated at this time.

Improving the digital customer experience

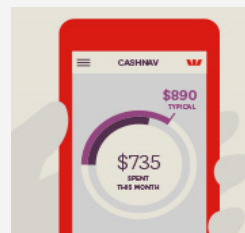
Westpac One

- Market leading platform. Canstar Best Online Bank in New Zealand 2016, 2015
- Around 32% of all applications are online, with over 50% of all card applications
- 758k active digital customers up 11% since launched in April 2015
- Active digital customers now 56% of total



CashNav

- Integrated app to track finances and deliver spending insights
- Market first and leading - Canstar Innovation Excellence Award 2017
- Over 84,000 registrations to date since launched in September 2016

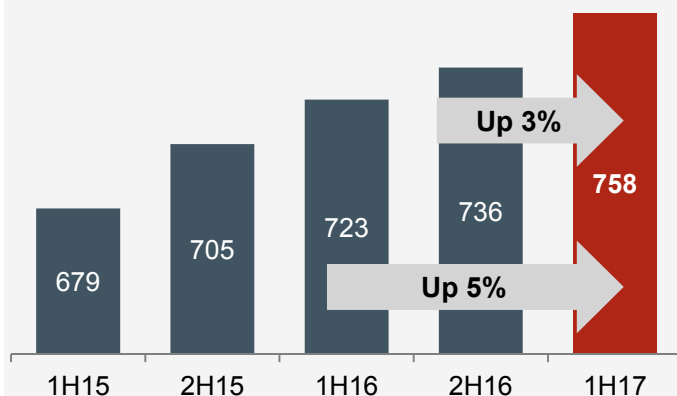


Transforming the network

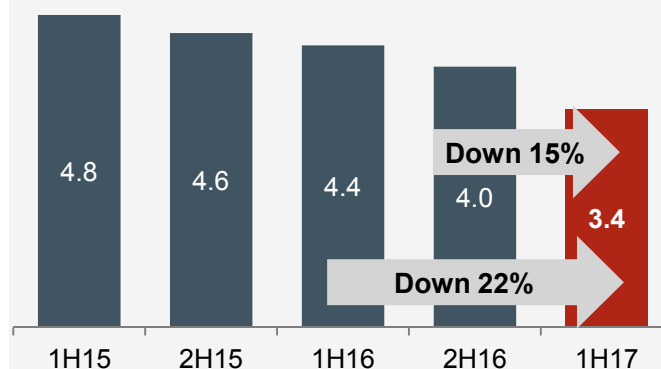
- Further enhancing 24/7 capability
- Market leader with 176 Smart ATM's across the country
- Market first with ATM coin dispenser
- Over 700k paper statements have been suppressed and migrated to e-Statements
- Over 500k transactions migrated to self-serve in the half
- Closed 20 branches and consolidated 2 (net 19 closed)



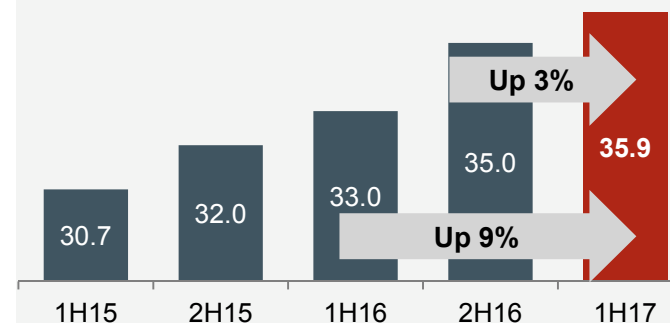
Digitally active customers (#'000's)



Over the counter transactions¹ (#m)



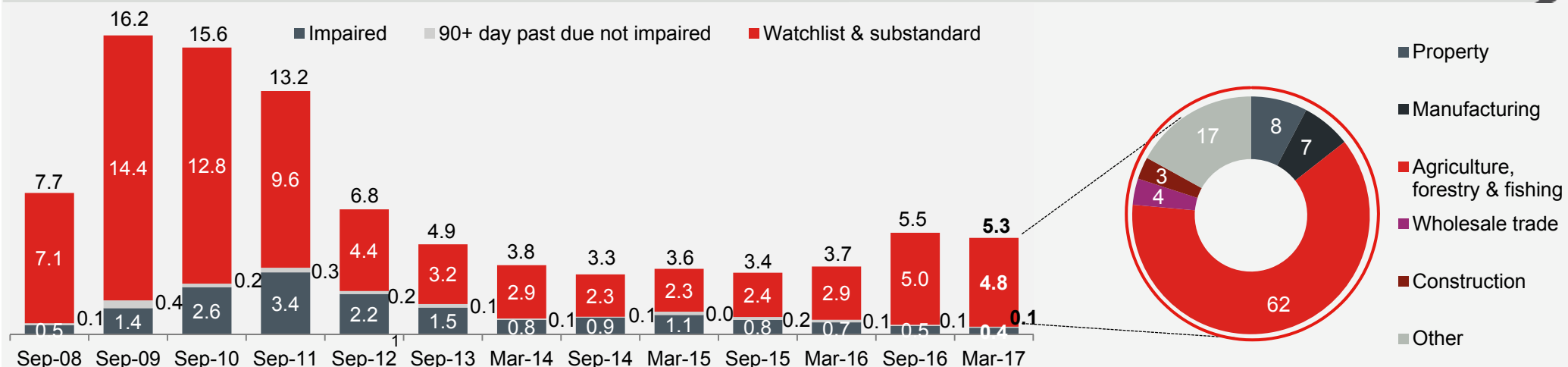
Digital transactions¹ (#m)



¹ Digital transactions are typically payments and transfers. Over the counter transactions are typically withdrawals and deposits along with transfers and payments.

Improvements in stressed exposures as dairy portfolio stabilises

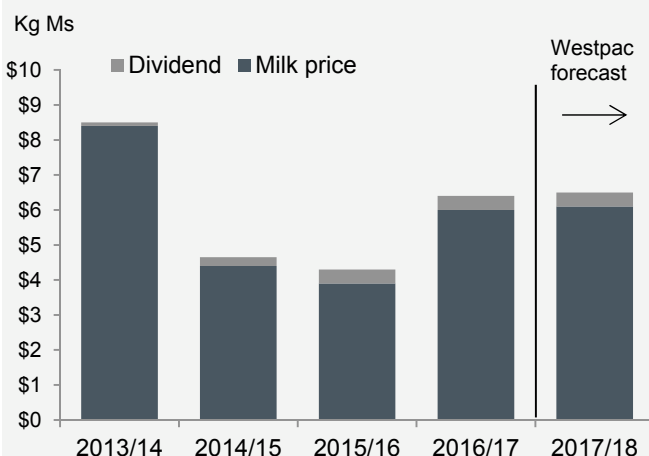
Business stressed exposures as a % of New Zealand business TCE



Agribusiness portfolio

	Mar-16	Sep-16	Mar-17
TCE (NZ\$bn)	8.1	8.6	8.6
Agriculture as a % of total TCE	7.9	8.1	8.0
% of portfolio graded as 'stressed' ²	7.8	18.6	16.9
% of portfolio in impaired	0.32	0.42	0.44

Milk price & Fonterra dividend (NZ\$)



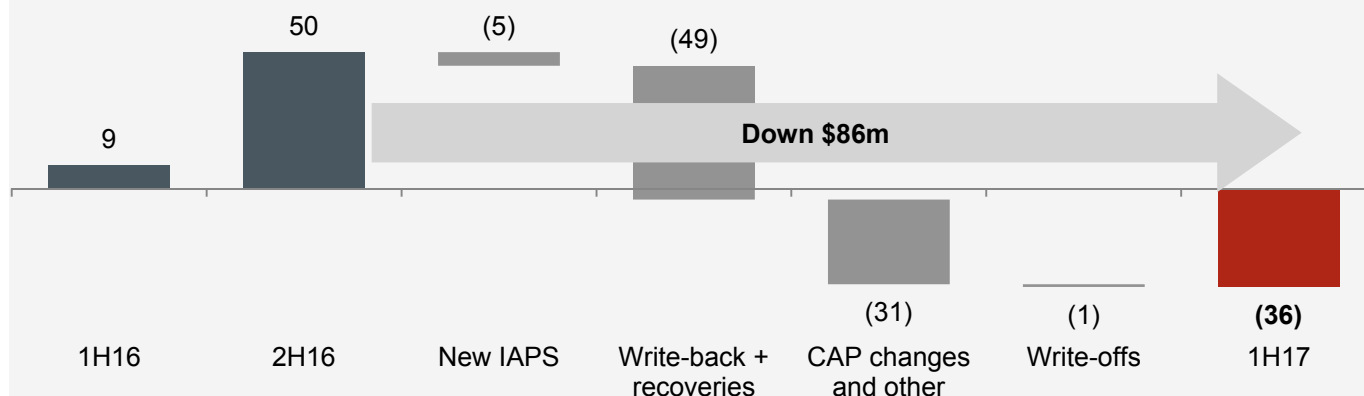
Key messages

- Dairy portfolio has stabilised and risk grade profile is improving following favourable milk price movements
- Focus remains on supporting existing dairy customers with proven long-term financial viability
- Expect portfolio to continue improving as high milk price translates to cash flow

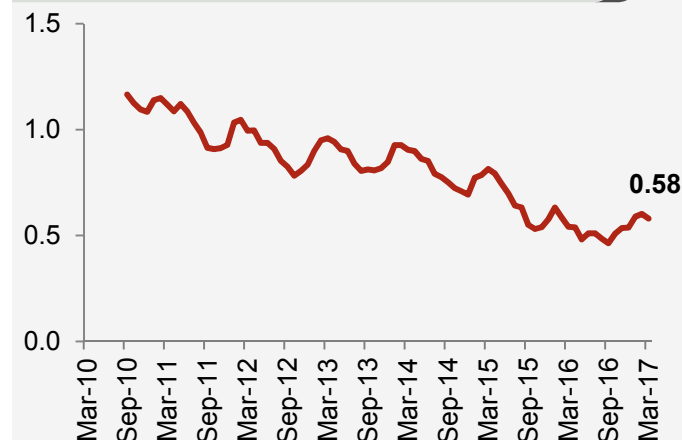
1 Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012. 2 Includes impaired exposures.

Asset quality in good shape

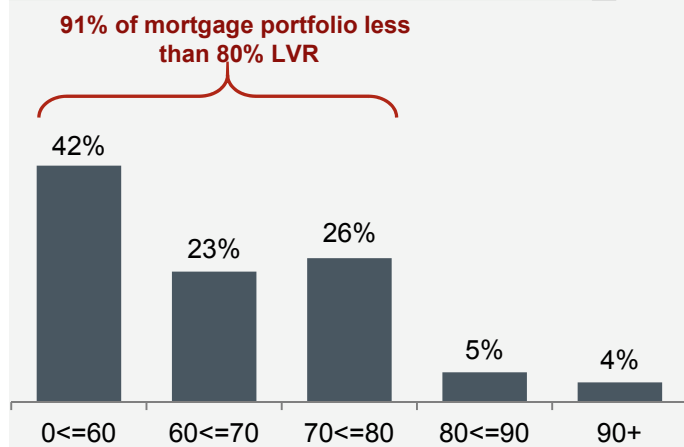
Movement in impairment charges (NZ\$m)



Unsecured consumer 90+ day delinquencies (%)

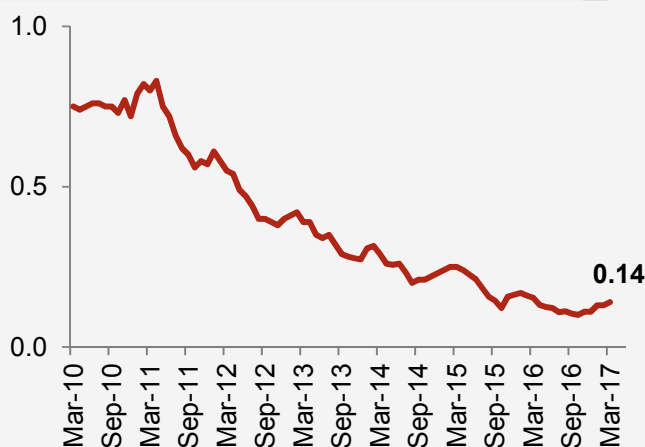


Mortgage portfolio LVR¹ (%) of portfolio

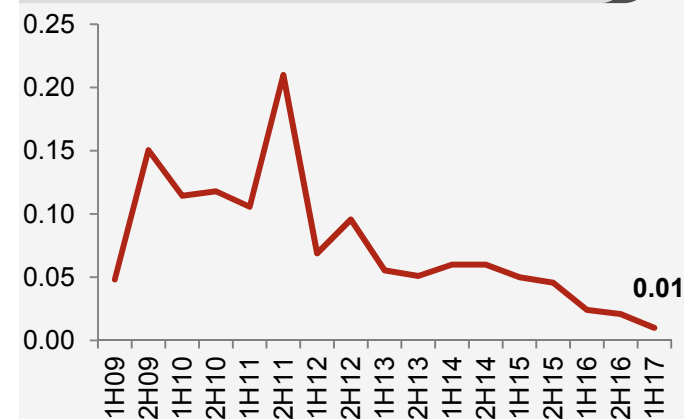


¹ LVR based on current loan and property value at latest credit event.

Mortgage 90+ day delinquencies (%)



Mortgage loss rates each half (%)



Economics

Financial results based on cash earning unless otherwise stated.
Refer page 34 for definition. Results principally cover the 1H17,
2H16 and 1H16 periods. Comparison of 1H17 versus 2H16
(unless otherwise stated)

Australian and New Zealand economic forecasts

KEY ECONOMIC INDICATORS ¹ (%) AS AT MAY 2017		CALENDAR YEAR		
		2015	2016	2017F
World	GDP	3.1	3.3	3.5
Australia	GDP²	2.4	2.5	2.6
	Private consumption	2.7	2.7	2.7
	Business investment ^{2,3}	-8.6	-8.8	-1.7
	Unemployment – end period	5.8	5.7	6.3
	CPI headline – year end	1.7	1.5	2.2
	Interest rates – cash rate	2.00	1.50	1.50
	Credit growth, Total – year end	6.6	5.6	5.0
	Credit growth, Housing – year end	7.4	6.3	5.8
	Credit growth, Business – year end	6.4	5.5	4.7
New Zealand	GDP	2.5	3.1	3.2
	Unemployment – end period	4.9	5.2	4.6
	Consumer prices	0.1	1.3	2.0
	Interest rates – official cash rate	2.5	1.8	1.8
	Credit growth – Total	6.1	7.5	6.8
	Credit growth – Housing	5.8	8.6	7.7
	Credit growth – Business	6.5	6.5	5.8

1 Source: Westpac Economics. 2 GDP and components show year average growth rates. 3 Business investment adjusted to exclude the effect of private sector purchases of public assets.

A positive start to 2017 for the Australian economy

Australian economy key statistics (latest available as at May 2017)

GDP **2.4%**

Westpac Forecast
(end 2017 over prior year) **3.0%**

Unemployment Rate **5.9%**

Westpac Forecast
(end 2017) **6.3%**

Inflation **2.1%**

Westpac Forecast
(end 2017) **2.0%**

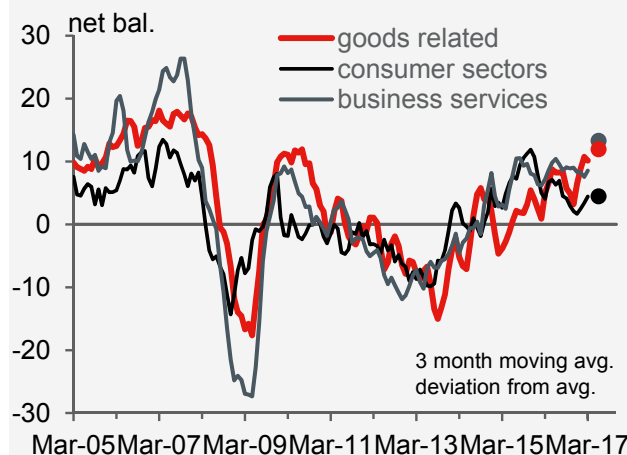
Cash Rate **1.50%**

Westpac Forecast
(June 2018) **1.50%**

AUD/USD **US\$0.76**

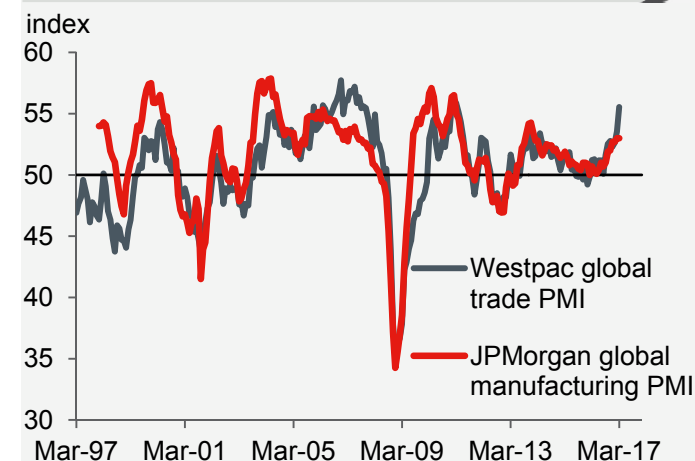
Westpac Forecast
(June 2018) **US\$0.70**

Business conditions trending higher



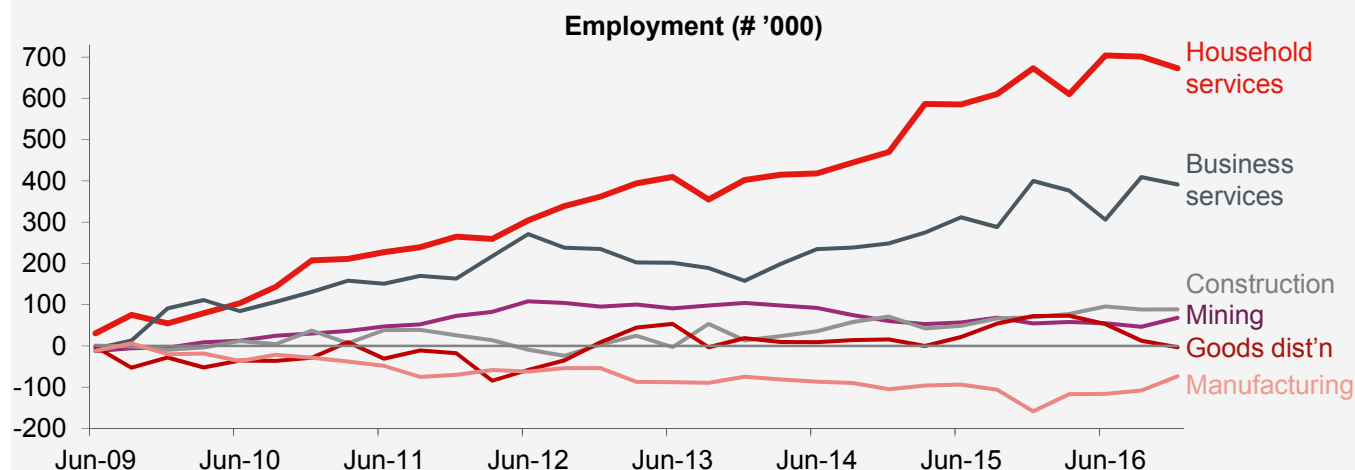
Sources: NAB survey, Westpac Economics.

Global lead indicators have turned



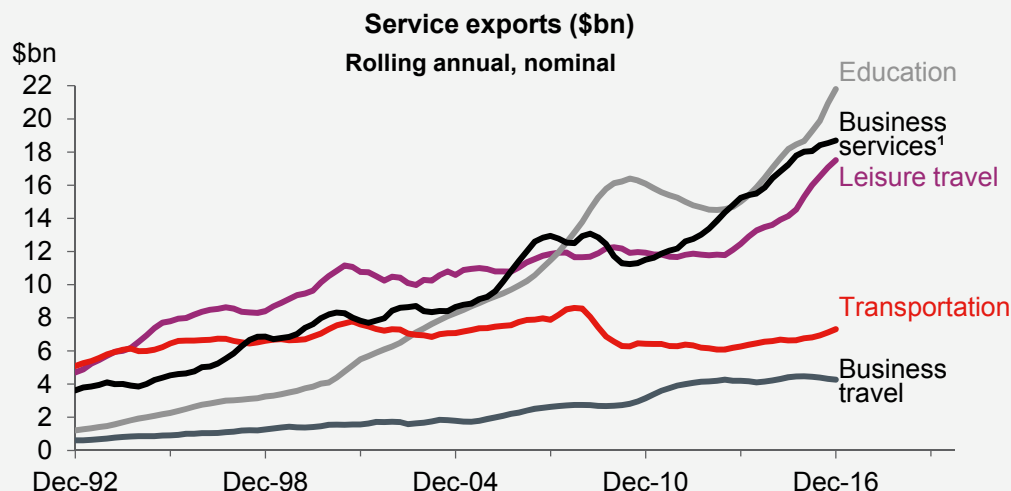
Sources: Reuters, Westpac Economics

Service sector strength driving job gains



Sources: ABS, Westpac Economics.

Services



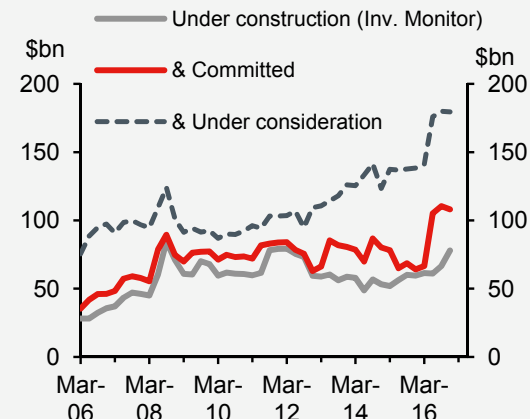
- International trade in services is contributing to the rebalancing of growth in Australia
- Service exports represent 4% of GDP and given the labour intensive nature of these activities, have a significant spill-over effect
- Service exports 3-year growth is the fastest since 2001, boosted by the lower Australian dollar and supported by consumer demand from China
- NSW and Victoria are benefiting, attracting international visitors and foreign students
- NSW accounts for 42% of total service exports, 10ppts above its share of the national economy

1 Includes legal and professional services, financial services, IT & Telecommunications, intellectual property rights and other.

Infrastructure

- While mining investment remains the dominant driver of Australia's investment project pipeline, an upswing in public transport projects is an emerging positive
- Definite public transport projects are now valued at \$108bn. This represents a sharp increase on a year ago, up \$44bn
- NSW and Vic lead with \$47bn worth of projects already under construction over the two states, a further \$28bn is at the committed stage and \$37bn is under consideration including a second airport in Sydney and a freight rail line between Melbourne and Brisbane

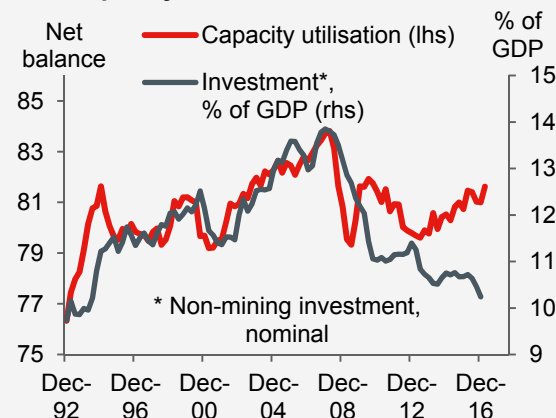
Australia's project pipeline: transport



Capacity utilisation: reduction in spare capacity

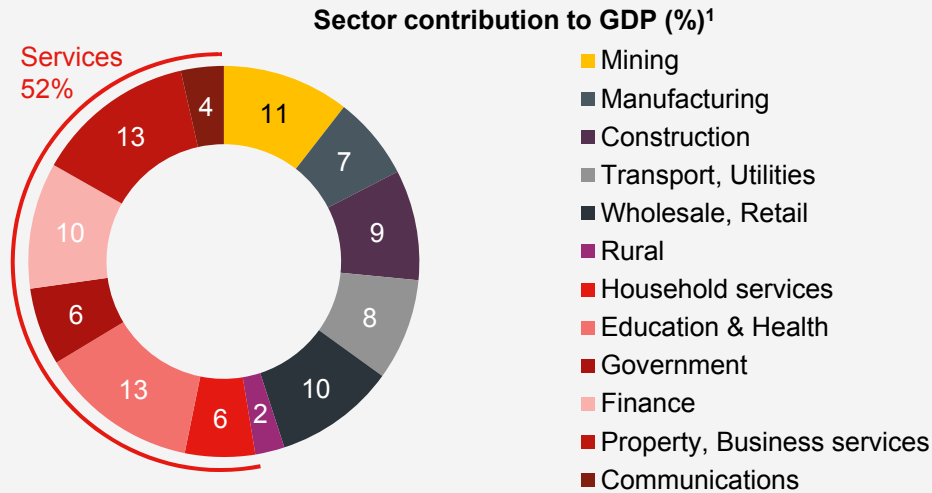
- A wider pick up in non-mining business investment may become a potential driver further out
- Investment has been low in recent years both by historical standards and compared to firm levels of capacity utilisation
- While confidence has not been sufficiently strong to driver a broad based upturn, non-mining investment has picked up in NSW and Vic in recent years.

Capacity utilisation vs investment

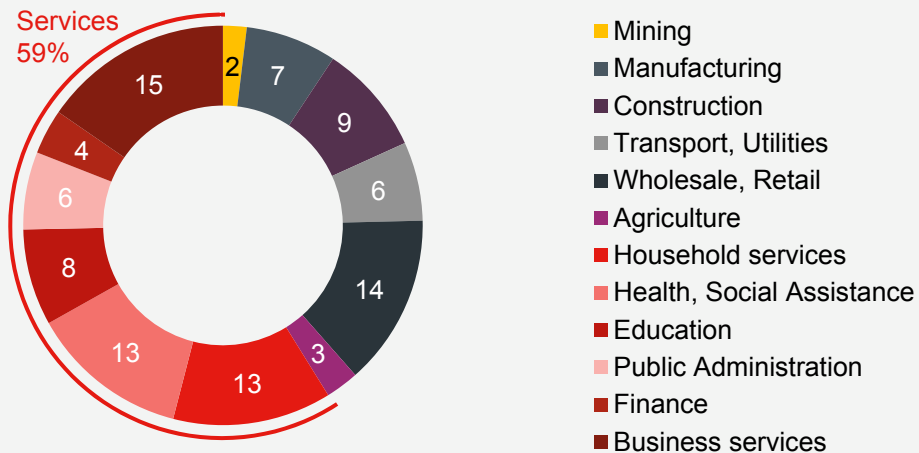


Jobs are being created, although wage growth is low

Services employ a large part of the Australian workforce

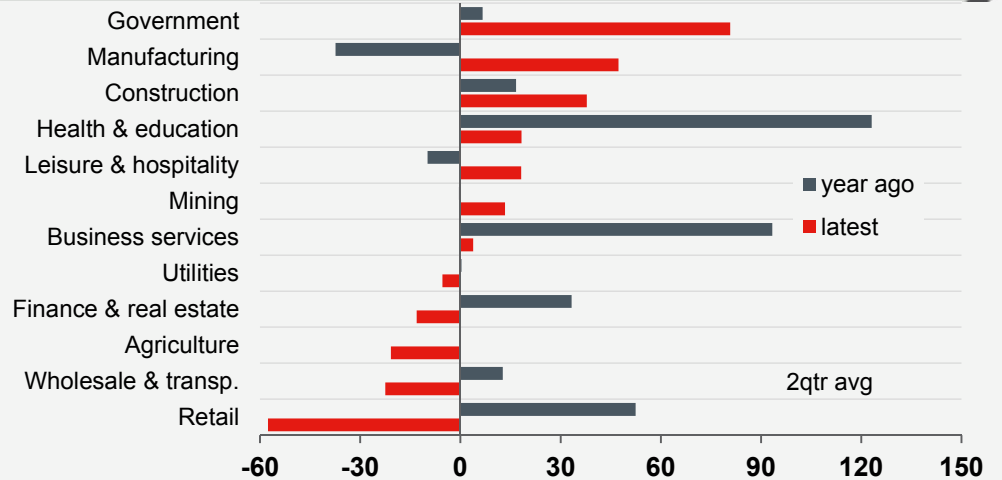


Australian employment by sector 2015/16 (%)



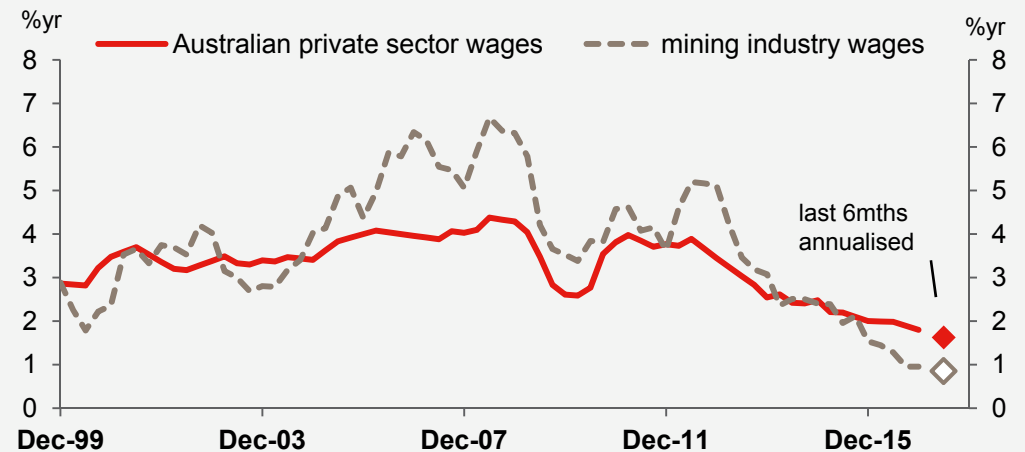
Sources: ABS, Westpac Economics. 1 Excludes ownership of dwellings and taxes less subsidies.

Australian employment by sector (annual change, '000)



Sources: ABS, Westpac Economics. Represents 6 month average level compared to 6 month average level a year ago

Australian wage inflation (% , yr)



Sources: ABS, Westpac Economics.

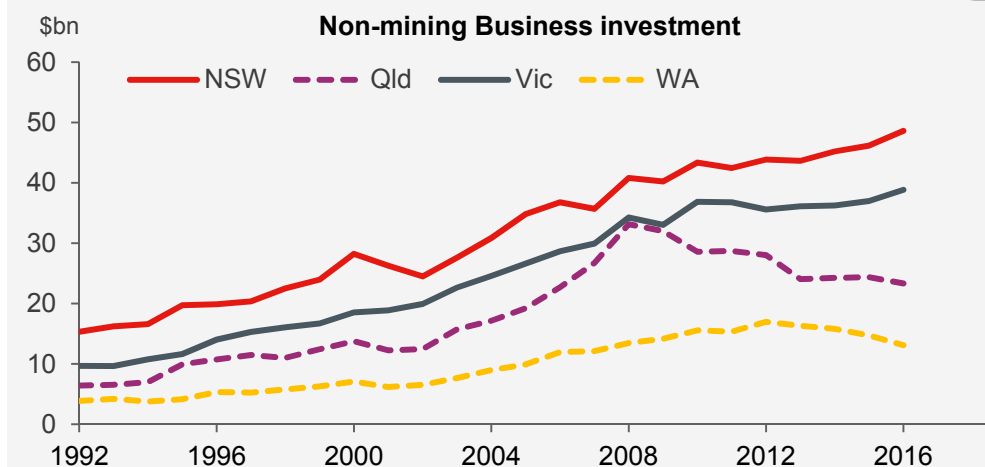
State differences across Australia are key to understanding trends

NSW and Victoria 57% of population, 58% of employment



Sources: ABS, Westpac Economics

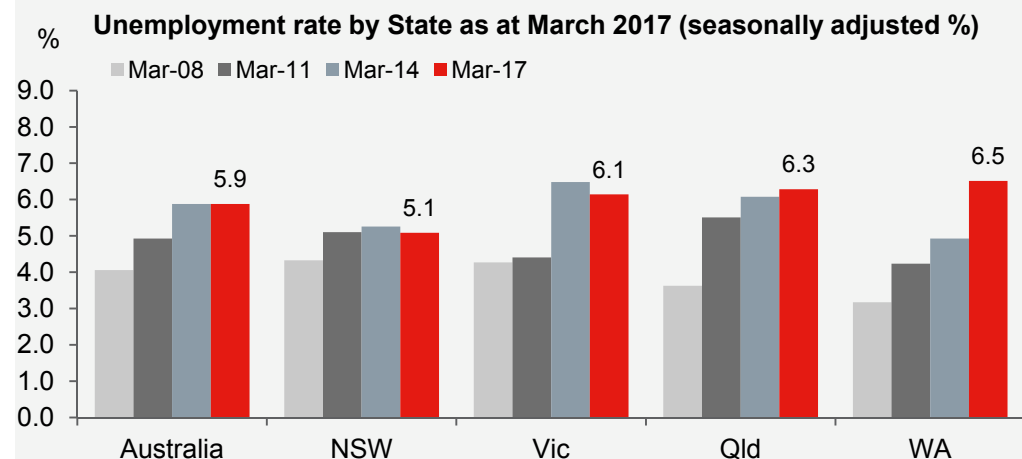
Activity picking up in NSW and Victoria¹



Sources: ABS, Westpac Economics

1. Real, financial years, experimental estimates

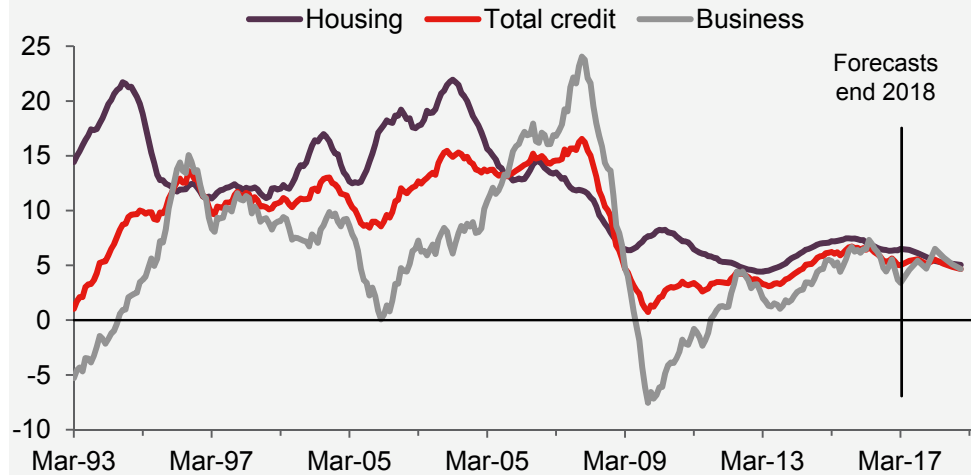
Lowest jobless rate in NSW



Sources: ABS, Westpac Economics

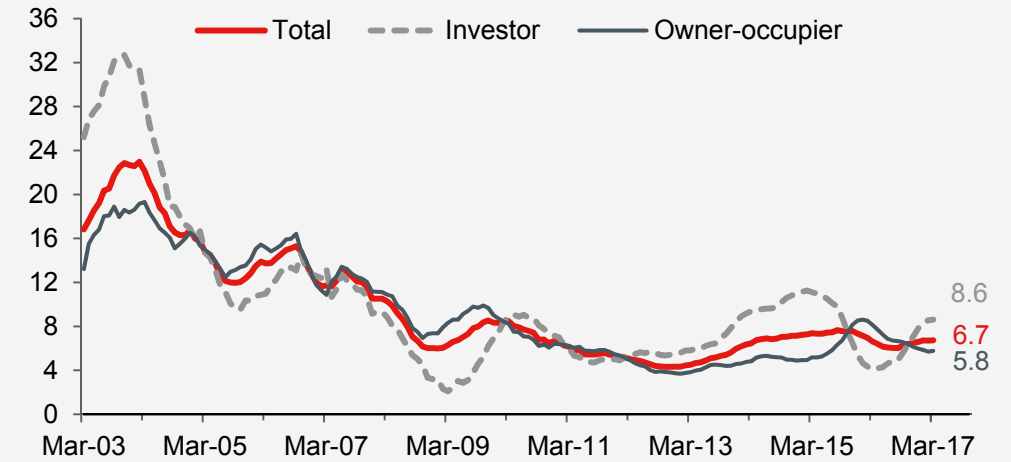
Credit growth remaining modest

Australian private sector credit growth (% ann)



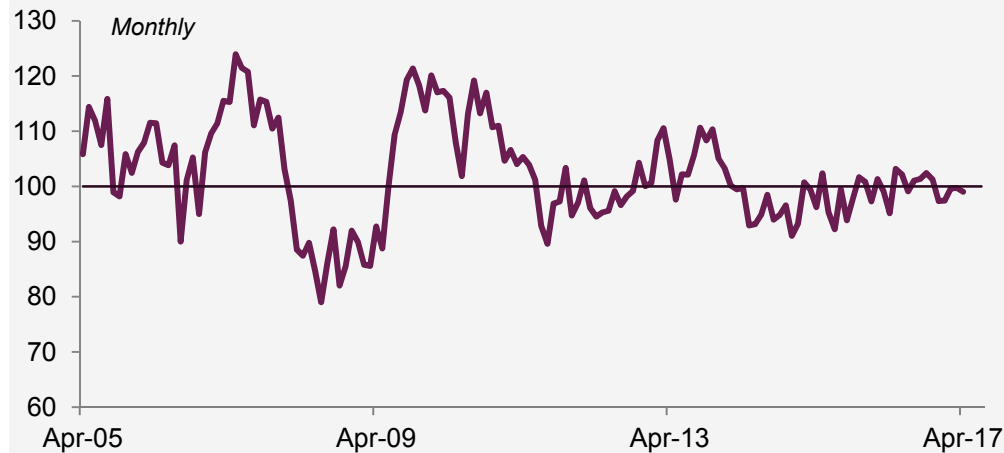
Sources: RBA, Westpac Economics.

Australian housing credit growth (% ann)



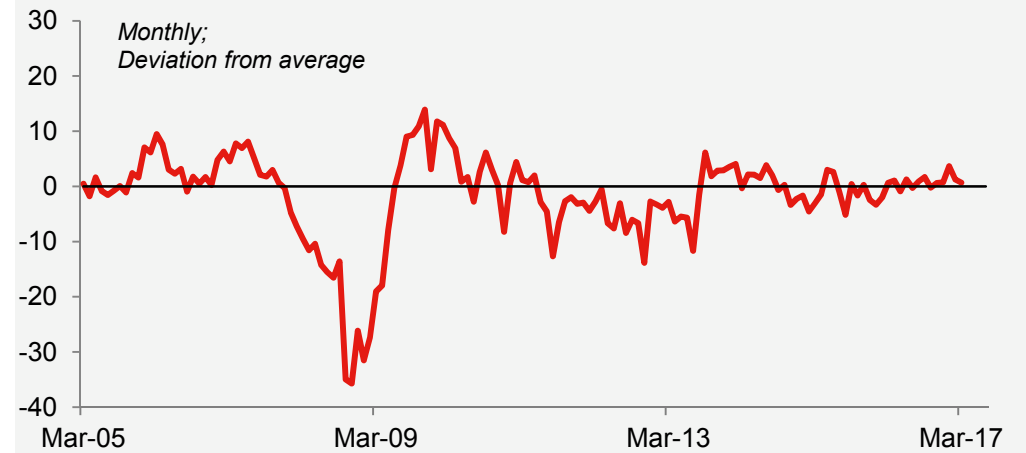
Sources: RBA, Westpac Economics. Housing credit in 6 month % change annualised.

Consumer confidence (net balance)



Sources: Westpac MI, Westpac Economics.

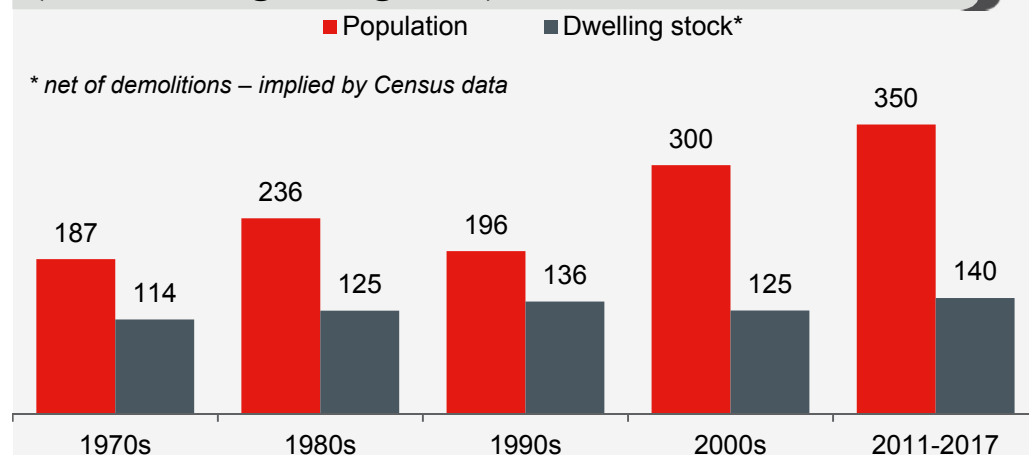
Business confidence (net balance)



Sources: NAB, Westpac Economics.

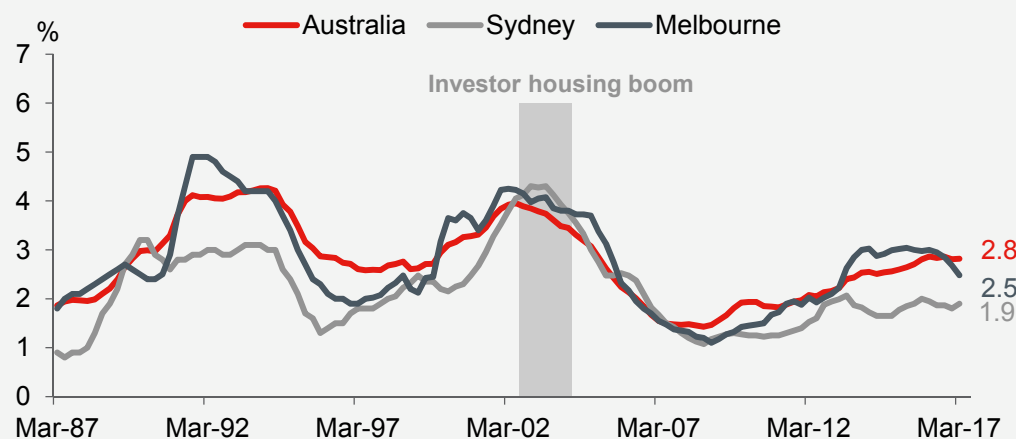
Housing market supported by population growth and dwelling supply/demand balance

Population versus dwelling stock (annual average change '000)



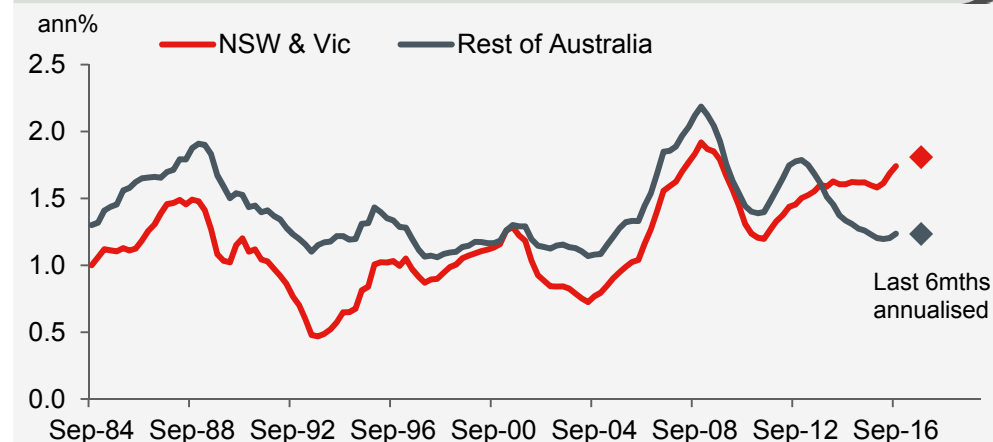
Sources: REIA, Westpac Economics.

Residential rental vacancy rates (%)



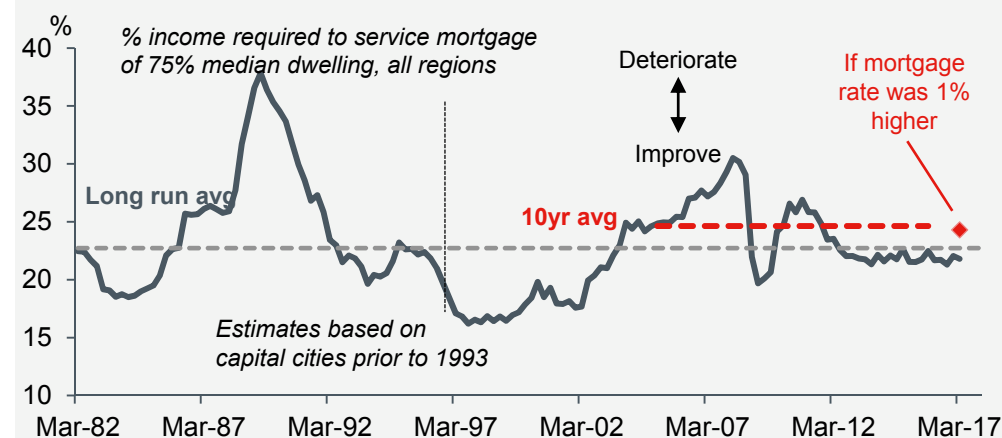
Sources: ABS, Westpac Economics.

Population growth now strongest in NSW and Victoria



Sources: ABS, Westpac Economics

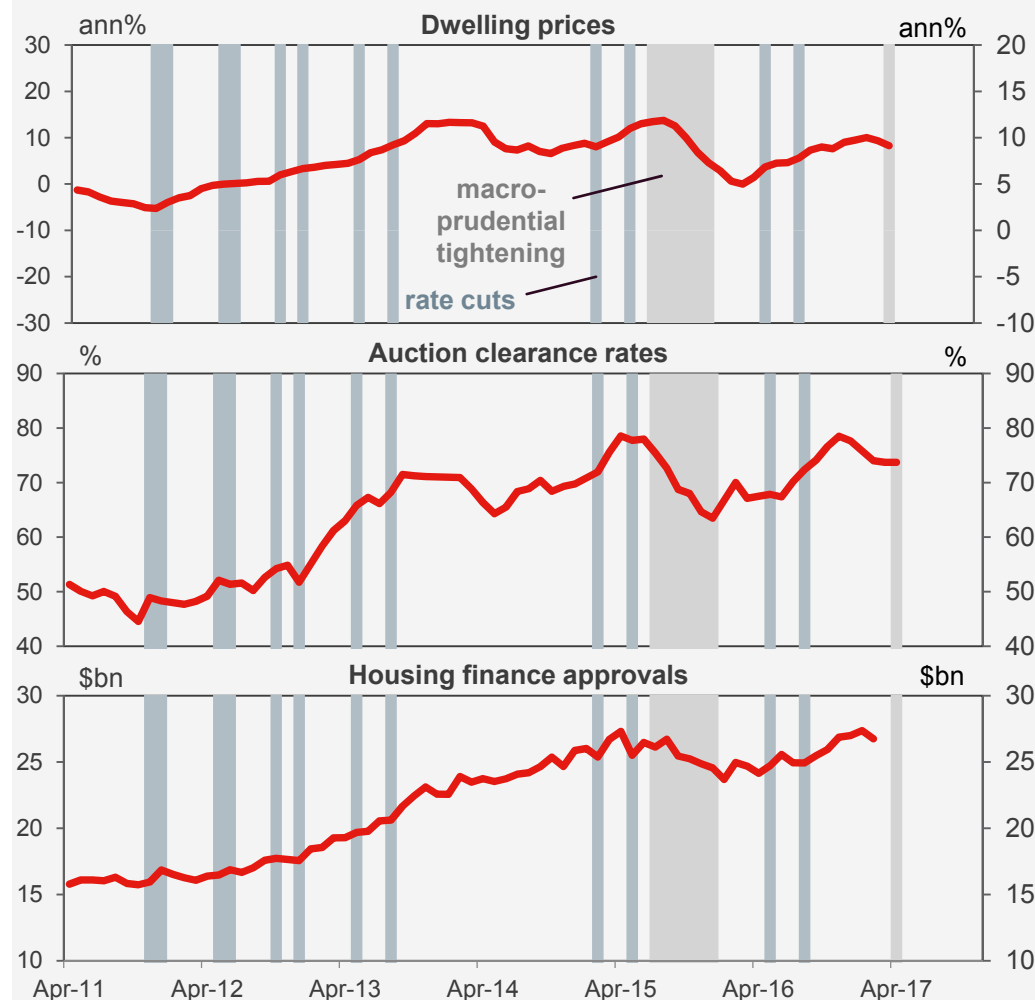
Housing affordability: all dwellings



Sources: CoreLogic, RBA, Residex, Westpac Economics.

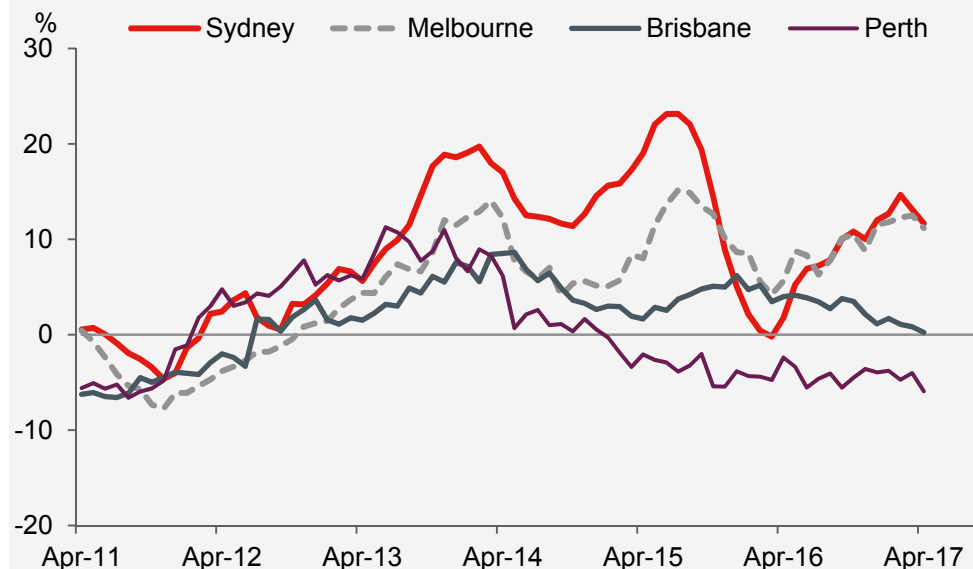
Housing market responds to both macro prudential measures and rates

Australian housing market indicators



Sources: ABS, CoreLogic, APM, Residex, RBA, Westpac Economics. Dwelling prices are all dwellings, composite of all measures, seasonally adjusted, 6mth annualised growth.

Change in Australian dwelling prices by capital city (annual %)



Sources: ABS, CoreLogic, APM, Residex, Westpac Economics. Dwelling prices are all dwellings, composite of all measures, seasonally adjusted, 6mth annualised growth.

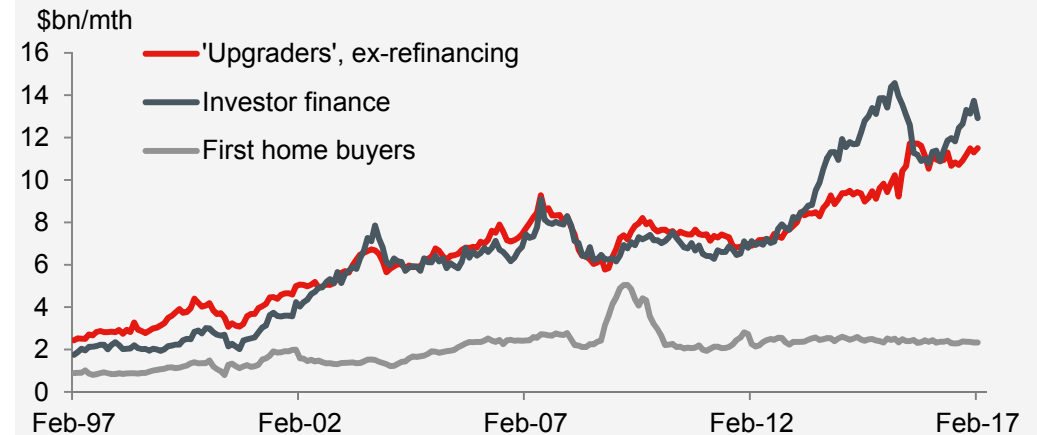
Capital city	Pop'n	% Change YoY (Apr-17)	Avg since 2007
Sydney	4.9m	Up 16.1%	Up 7.6%
Melbourne	4.9m	Up 15.3%	Up 6.6%
Brisbane	2.3m	Up 2.1%	Up 1.4%
Perth	2.0m	Down 6.0%	Down 0.2%
Adelaide	1.3m	Up 2.1%	Up 2.0%

Sources: ABS, CoreLogic, Westpac Economics.

Drivers of investor property lending

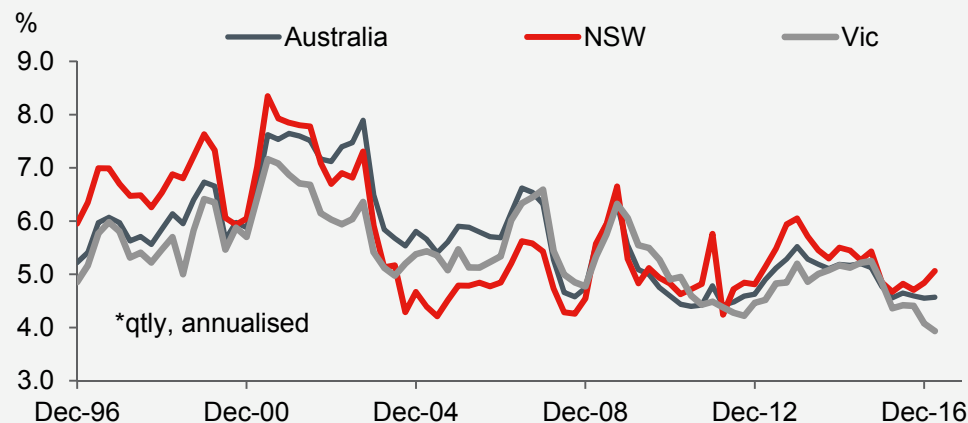
- Investor activity has been a key driver of Australian housing in recent years
- Demand from investors tends to be less sensitive to affordability considerations with price expectations and yields more important factors
 - Both remain supportive for demand with surveyed price expectations positive and gross rental yields similar to the dividend yield on Australian shares and well above returns on term deposits
- Investor activity can be more volatile and susceptible to riskier 'speculative' behaviour. However, the latter does not appear to be a significant factor at the moment. In particular, the proportion of 'short term' transactional buying appears to be low: turnover in Australia's housing markets is low by historical standards, even in the stronger Sydney and Melbourne markets

Housing finance approvals: value of housing finance (\$bn/mth)



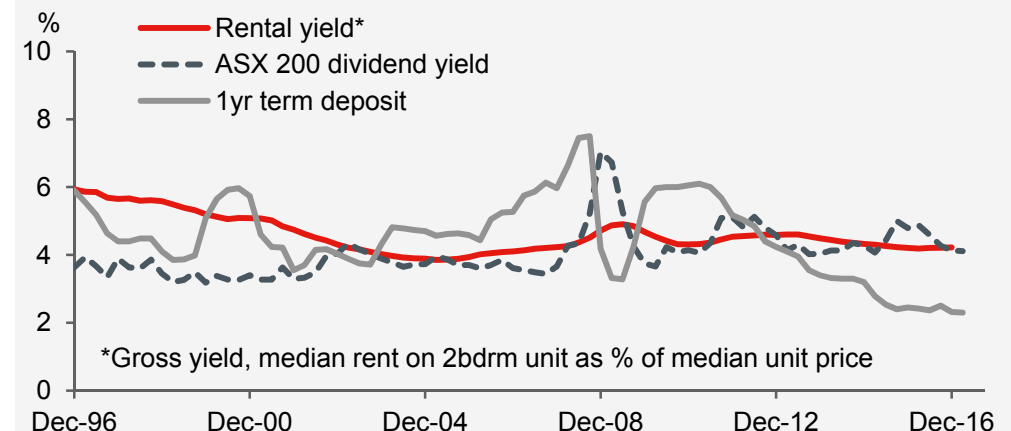
Sources: ABS, Westpac Economics.

Dwelling turnover (% total stock)



Sources: CoreLogic, ABS, Westpac Economics

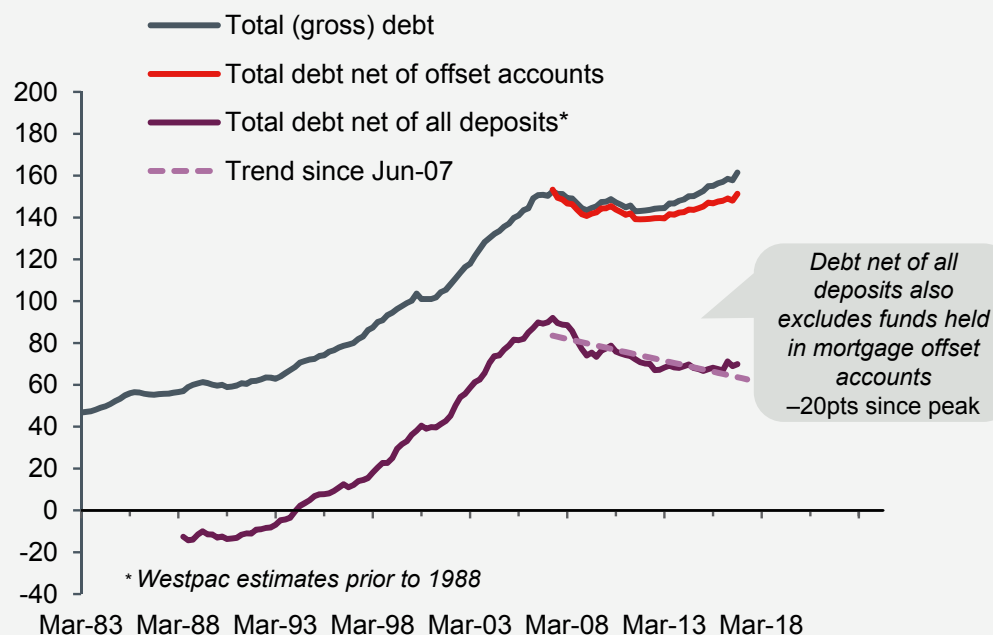
Investor housing yields vs shares, deposits (% p.a.)



Sources: CoreLogic, REIA, RBA, Westpac Economics.

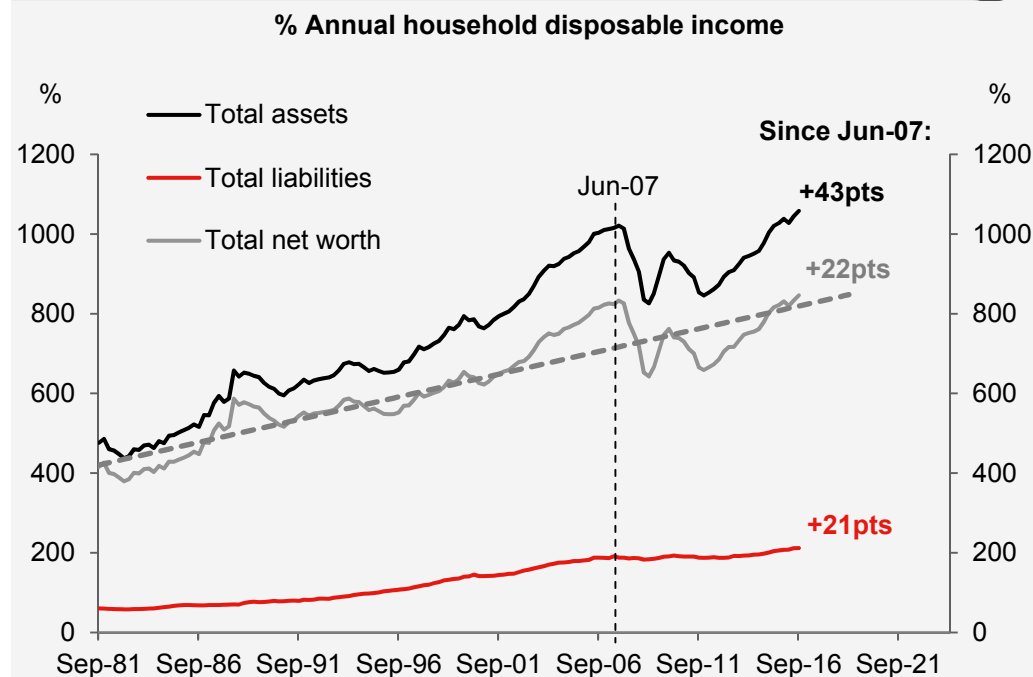
- Conditions remain mixed across Australia's household sector
- After a period of balance sheet consolidation, debt is now rising again. With income growth subdued, aggregate measures of leverage are at or slightly above previous peaks. Debt servicing costs have also risen although they remain well below the 'stressed' peaks in 2011 and 2007
- Gains in household assets have also significantly outstripped the rise in debt, producing strong increases in net worth
- However, conditions vary markedly by state reflecting both the divergent performance of housing markets and household incomes

Australian households debt to income ratio (%)



Sources: ABS, RBA, Westpac Economics

Australian household balance sheets

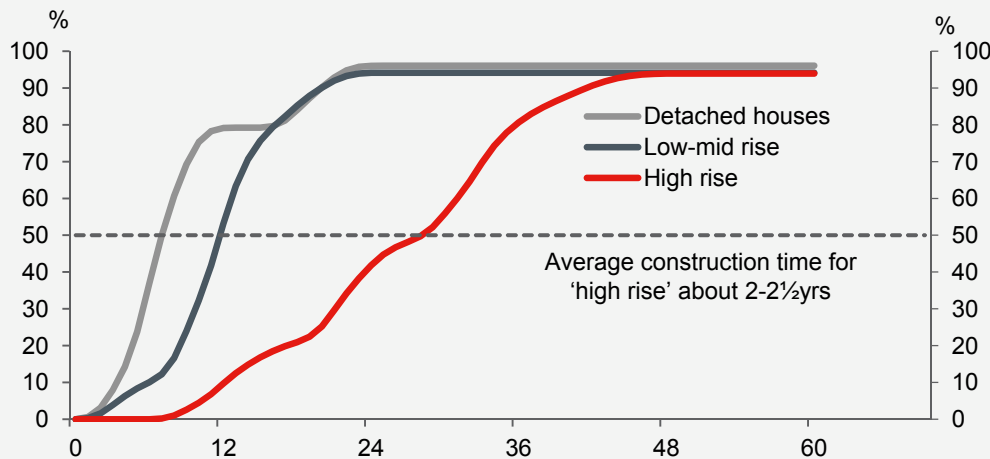


Sources: ABS, RBA, Westpac Economics.

Australia's high rise apartment market

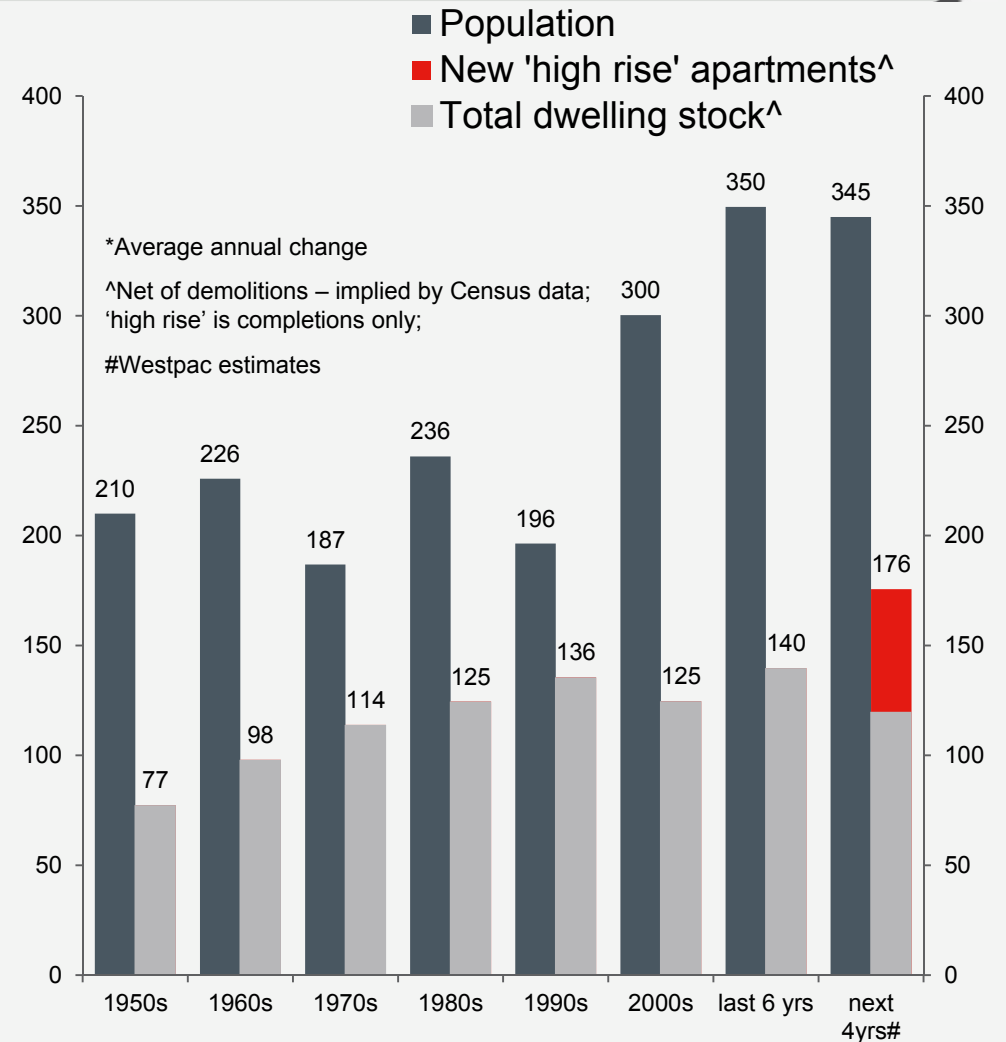
- Construction in Australia has responded to low rates and the end of the mining boom
- A surge in apartment construction in recent years saw a rise in the number of completions in 2016 that will continue into 2017 and 2018
- Sydney is expected to see 50,000 apartment completions over the two years with 34,000 in Melbourne and 18,000 in Brisbane. New supply is more heavily concentrated in inner city areas in Melbourne (18,000 completions) and Brisbane (7,000) than in Sydney (7,500)
- New completions will start to address the large structural deficit that accumulated over the past decade as strong migration-led population growth combined with sustained low levels of building
- Market-wide oversupply is not likely but pockets of oversupply may emerge over the short to medium term as new supply is completed

Dwelling construction: indicative completion times²



Source: RBA, CoreLogic. ² Estimated proportion of approved dwellings completed by months after approval. Note that not all approved dwellings are completed, reflecting both cancellations and reductions in project size. Also, 'high rise' projects often have significant delays between approval and commencement.

Population versus dwelling stock (annual average change '000)

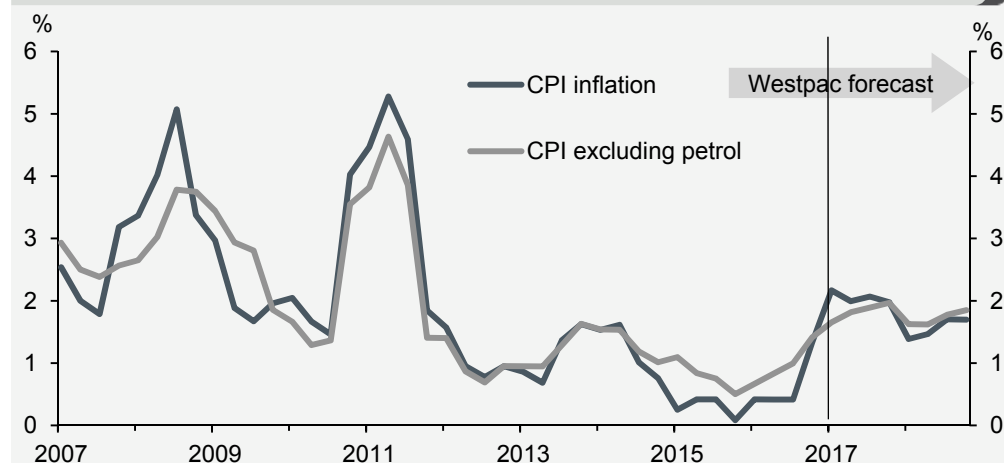


Key economic statistics

	FY16	FY17f	Change
GDP annual average growth	2.9%	2.9%	(0 bps)
Inflation rate	0.4%	2.1%	(+170 bps)
Official cash rate (OCR)	1.75%	1.75%	(0 bps)
Unemployment rate	4.9%	4.5%	(-20 bps)
Dairy payout (ex dividend) ¹	\$6.00	\$6.10	(+\$0.10)

Source: RBNZ, Westpac Economics

Inflation

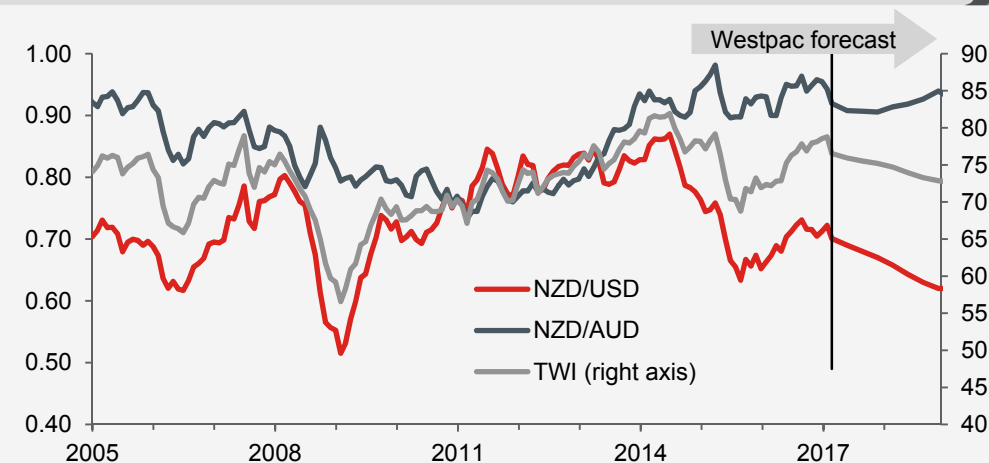


Source: Statistics NZ, Westpac Economics

¹ Seasons ended May.

- Inflation rebounded to 2.2% in early 2017, boosted by fuel and food prices
 - Core inflation, while still below 2%, has also lifted
 - Annual inflation is expected to remain around 2% through 2017 – higher than the RBNZ expect in February when it released its most recent projections
- Westpac Economics still expects that the OCR will be adjusted at a gradual pace
 - Much of the recent pickup in inflation has been due to temporary factors - food and fuel. To ensure inflation remains around 2% beyond 2017, the economy will need to continue growing at strong pace, and this will require interest rates to remain low for some time yet
- Potential changes to the monetary policy framework have been mooted by the NZ Government. These include a possible move from a single decision-maker model to a formal voting committee. The main opposition has also proposed the addition of a 'full employment' goal. It is not clear that either change would result in materially different policy settings

NZD/USD, NZD/AUD and TWI



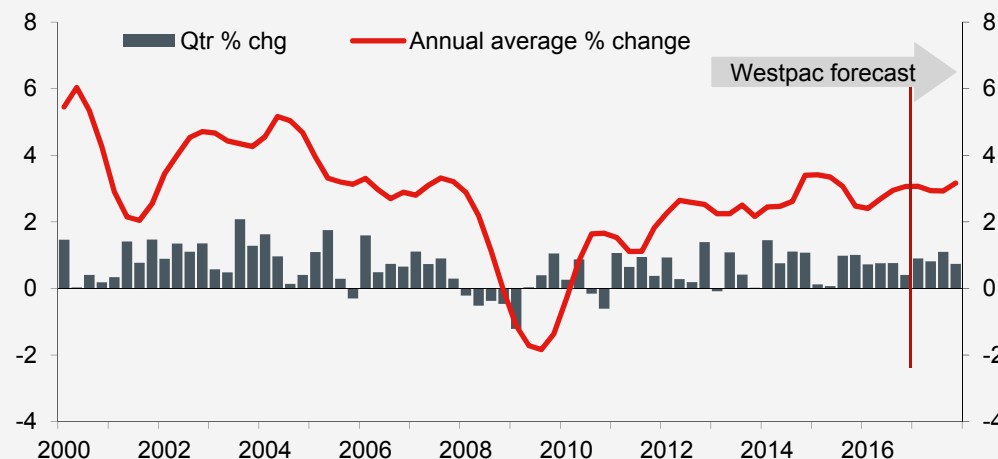
Source: Statistics NZ, Westpac Economics

New Zealand economy

Solid growth outlook, low interest rates a key support

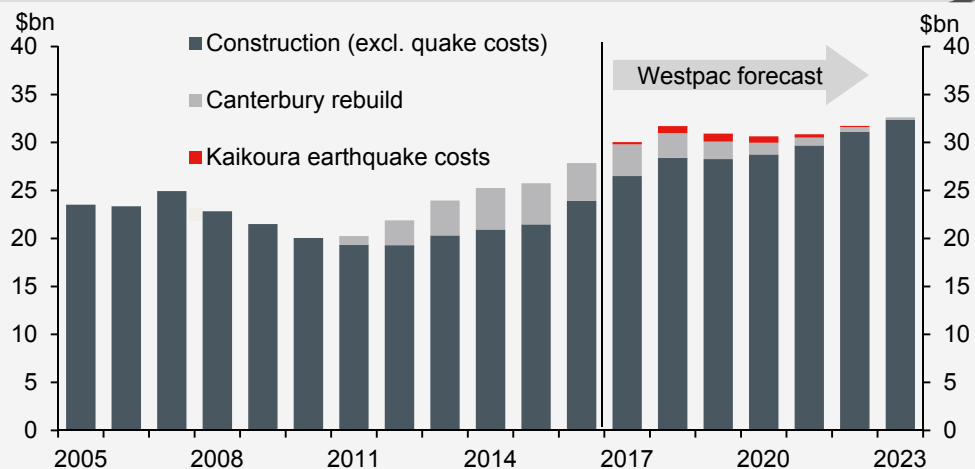
- The New Zealand economy is expected to continue growing at around 3% per annum over the next few years
- Growth is being supported by strong population of around 2% per annum.
 - From record net migration with a net inflow of 72,000 people over the year
 - Recent policy changes are expected to have a limited impact on migration
- There is a very strong outlook for residential construction centred on Auckland, and a large pipeline of non-residential construction, including infrastructure
- Planned spending on the Canterbury (Christchurch) rebuild (equal to around 15% of annual GDP) is around two-thirds complete and has started to wind down

GDP growth (%)



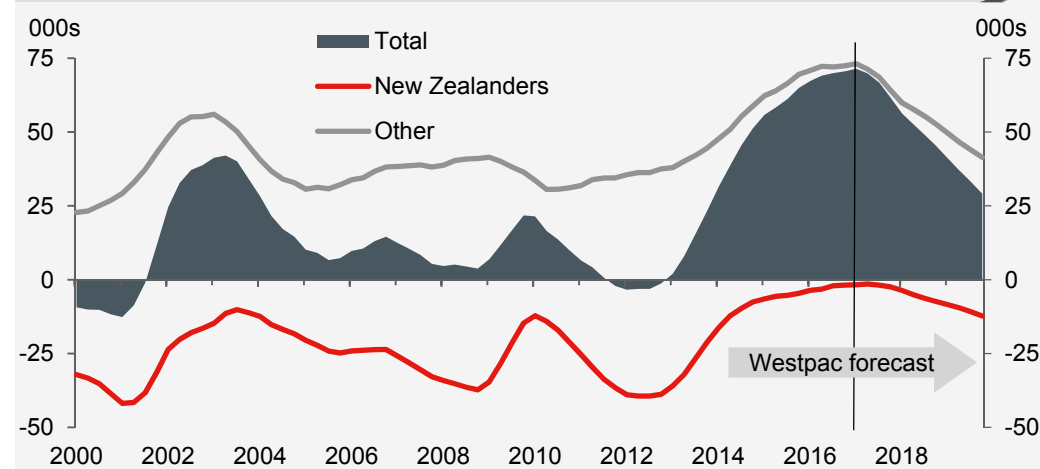
Sources: Stats NZ, Westpac economics

Construction spending (annual)



Source: Stats NZ, Westpac economics

Net migration (annual)

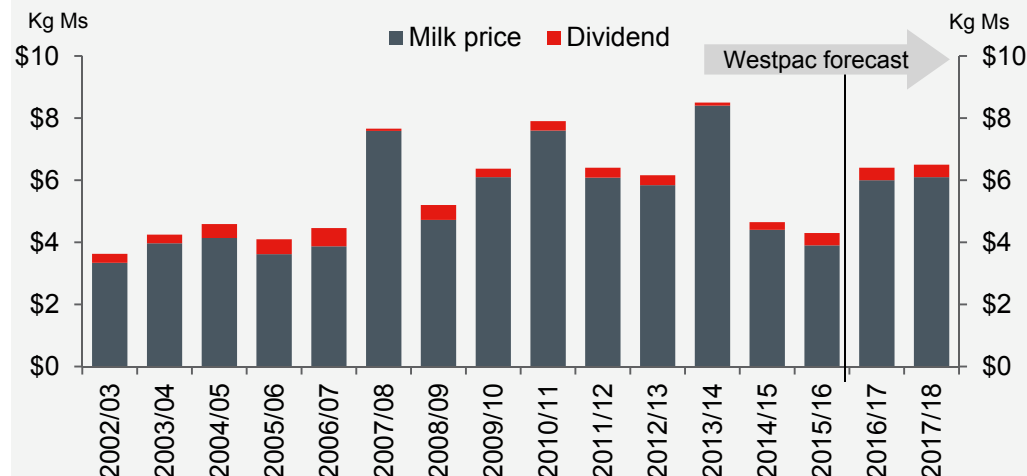


Sources: Stats NZ, Westpac economics

New Zealand - conditions improving for the dairy sector

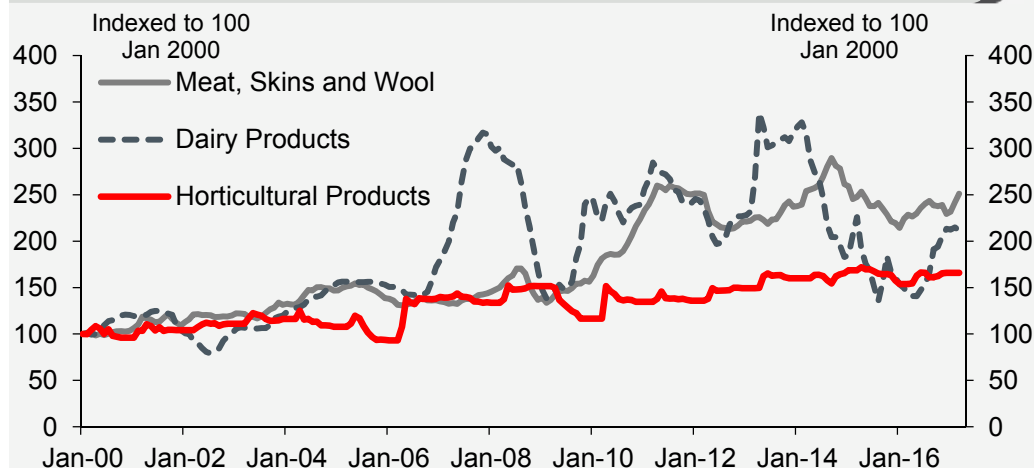
- The outlook for the dairy sector has improved significantly over the year. Despite some recent pull-back, global dairy prices are nearly 50% higher than mid-2016
- A contraction in milk production from key exporting regions, including Europe and New Zealand, was a catalyst for the turnaround in prices in H2 2016. But milk production trends have firmed in recent months, as farmers respond to higher prices. Rising supply is expected to limit further price upside this year
- At the same time, demand has firmed, particularly out of China and parts of Asia
- Westpac Economics is forecasting a farm gate milk price of \$6 for the current 2016/17 season, and a similar \$6.10 for next season. Although that price is above breakeven for most in the industry, it will take time for farmers to repair balance sheets following two seasons of poor prices

Dairy payout and dividend



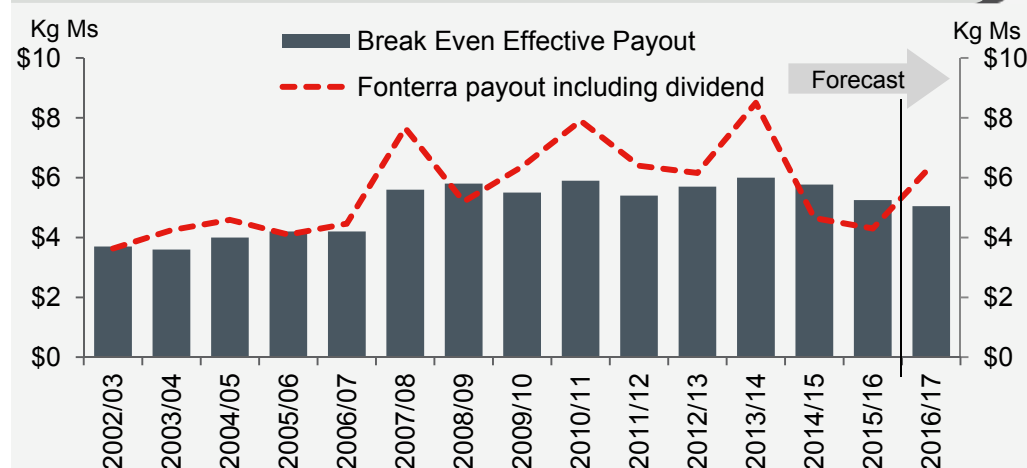
Source: Fonterra, Westpac Economics

NZ export commodity price index (NZD)



Source: ANZ, Westpac

Break-even dairy payout



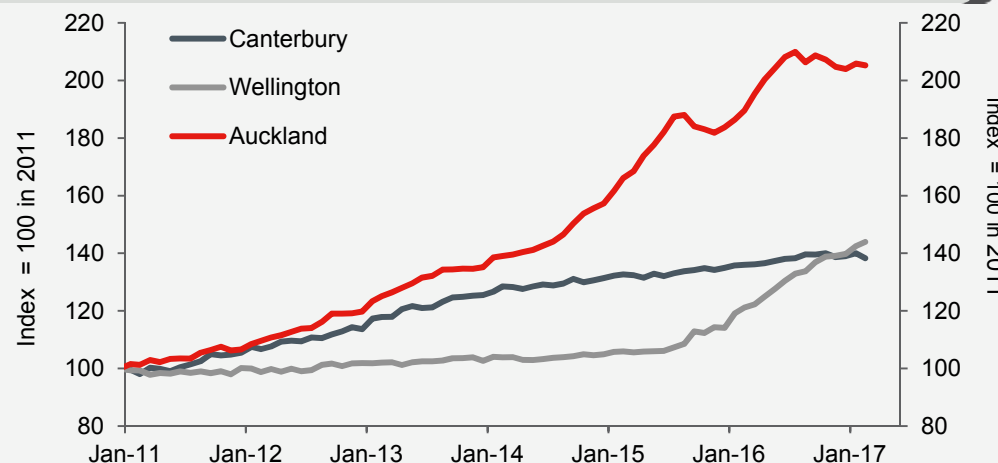
Source: RBNZ, DairyNZ, Westpac, Fonterra

New Zealand economy

Housing market conditions evolving, stability concerns persist

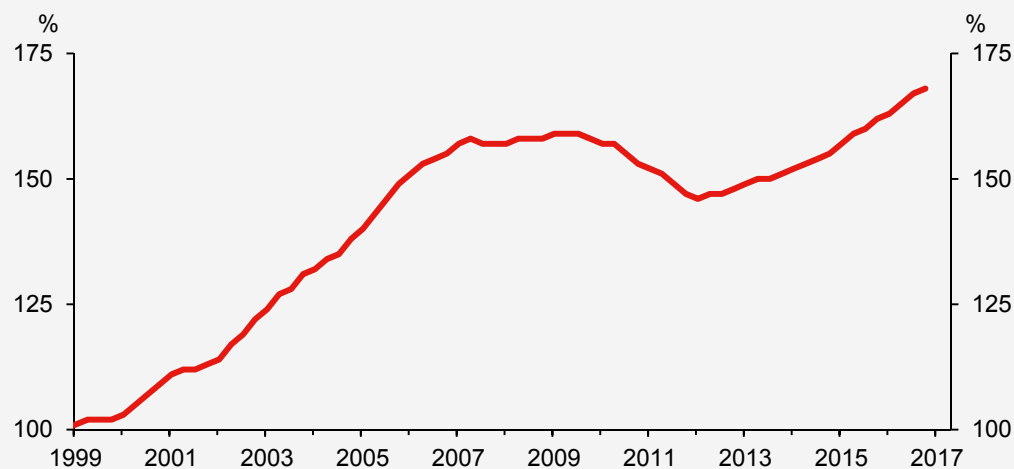
- House price inflation has cooled substantially in recent months
- In Auckland prices have been effectively flat since last August (though tightness in supply is limiting the downside for prices in Auckland)
- Previous hotspots such as Hamilton and Tauranga have also slowed. Prices are still rising at a moderate pace in many of the smaller regions
- Sales level are down around 20% from the peak in 2016
- The tightening of loan-to-value restrictions for investors last July has contributed to the slowdown in the housing market. More significantly, mortgage rates have risen since late last year. Westpac Economics expects this factor to have a more sustained impact on house price growth, with further rises in borrowing rates expected this year

New Zealand house prices by region (index)



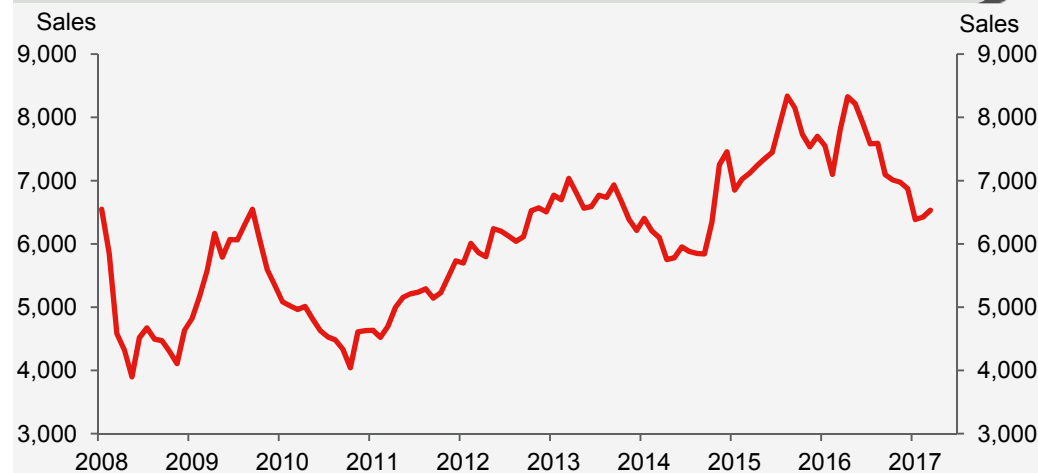
Sources: REINZ, Westpac Economics

Household debt, share of disposable income (%)



Source: RBNZ

House sales (monthly)



Sources: REINZ



Appendix and disclaimer

Appendix 1: Cash earnings adjustments

Cash earnings adjustment	1H16 \$m	2H16 \$m	1H17 \$m	Description
Reported net profit	3,701	3,744	3,907	Net profit attributable to owners of Westpac Banking Corporation
Amortisation of intangible assets	79	79	73	The merger with St. George and acquisition of Lloyds resulted in the recognition of identifiable intangible assets. Commencement of equity accounting for BTIM in 2015 also resulted in the recognition of notional identifiable intangible assets within the investments in associate's carrying value. The intangible assets recognised relate to core deposits, customer relationships, management contracts and distribution relationships. These intangible items are amortised over their useful lives, ranging between four and twenty years. The amortisation of these intangible assets (excluding capitalised software) is a cash earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders
Acquisition transaction and integration expenses	7	8	-	Costs associated with the acquisition of Lloyds were treated as a cash earnings adjustment as they do not reflect the earnings expected from the acquired businesses following the integration period
Fair value (gain)/loss on economic hedges	83	120	7	The unrealised fair value (gain)/loss on FX hedges of future NZ earnings and accrual accounted term funding transactions are reversed in deriving cash earnings as they may create a material timing difference on reported results but they do not affect the Group's cash earnings over the life of the hedge
Ineffective hedges	26	(35)	(4)	The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time
Treasury shares	8	2	34	Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares are not permitted to be recognised as income in the reported results. In deriving cash earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income
Cash earnings	3,904	3,918	4,017	

Consumer Bank

Consumer Bank (CB) is responsible for sales and service to consumer customers in Australia under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands. Activities are conducted through a dedicated team of specialist consumer relationship managers along with an extensive network of branches, call centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. CB also works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including in wealth and foreign exchange. The revenue from these products is mostly retained by the product originators

Business Bank

Business Bank (BB) is responsible for sales and service to micro, SME and commercial business customers for facilities up to approximately \$150 million. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands. Customers are provided with a wide range of banking and financial products and services to support their lending, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance, property finance and treasury. The division is also responsible for consumer customers with auto finance loans. BB works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including corporate superannuation, foreign exchange and interest rate hedging. The revenue from these products is mostly retained by the product originators

WIB

Westpac Institutional Bank (WIB) delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in transactional banking, financial and debt capital markets, specialised capital, and alternative investment solutions. Customers are supported throughout Australia as well as via branches and subsidiaries located in New Zealand, the US, UK and Asia. WIB is also responsible for Westpac Pacific currently providing a range of banking services in Fiji and PNG. WIB works in an integrated way with all the Group's divisions in the provision of more complex financial needs including across foreign exchange and fixed interest solutions

BTFG

BT Financial Group (Australia) (BTFG) is the wealth management and insurance arm of Westpac Group providing a broad range of associated services. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation, retirement products, wealth administration platforms, private banking, margin lending and equities broking. BTFG's insurance business covers the manufacturing and distribution of life, general and lenders mortgage insurance. The division also uses third parties for the manufacture of certain general insurance products as well as actively reinsuring its risk using external providers across all insurance classes. BTFG operates a range of wealth, funds management (including Ascalon which is a boutique incubator of emerging fund managers), and financial advice brands and operates under the banking brands of Westpac, St.George, Bank of Melbourne and BankSA for Private Wealth and Insurance. BT Investment Management Limited (BTIM) is 29.3% owned by BTFG (following a partial sale in 2015) with the business being equity accounted from July 2015. BTFG works in an integrated way with all the Group's Australian divisions in supporting the insurance and wealth needs of customers

Westpac NZ

Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. Westpac New Zealand also has its own infrastructure, including technology, operations and treasury

Group Businesses or GBU

This segment provides centralised Group functions including Treasury, Technology and Core Support (finance, human resources etc.). Costs are partially allocated to other divisions in the Group, with costs attributed to enterprise activity retained in Group Businesses. This segment also reflects Group items including: earnings on capital not allocated to divisions, earnings from non-core asset sales and certain other head office items such as centrally raised provisions

Appendix 2: Definitions (continued)

Capital ratios	As defined by APRA (unless stated otherwise)
Risk weighted assets or RWA	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non asset backed risks (ie. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5
Leverage ratio	As defined by APRA (unless state otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures
Internationally comparable	The internationally comparable common equity Tier 1 (CET1) capital ratio is an estimate of Westpac's CET1 ratio calculated on rules comparable with global peers. The ratio adjusts for differences between APRA's rules and those applied to global peers. The adjustments are applied to both the determination of regulatory CET1 and the determination of risk weighted assets. Methodology aligns with the APRA study titled "International capital comparison study" dated 13 July 2015
Liquidity coverage ratio (LCR)	An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out flows in a modelled 30 day defined stressed scenario
High quality liquid assets (HQLA)	As defined by APRA in Australian Prudential Standard APS210 Liquidity, including BS-13 qualifying liquid assets, less RBA open repos funding end of day ESA balances with the RBA
Committed liquidity facility (CLF)	The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity

Net stable funding ratio (NSFR)	The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. When it is implemented by APRA from 1 January 2018, ADI's must maintain an NSFR of at least 100%
90 days past due and not impaired	Includes facilities where: <ol style="list-style-type: none"> 1. contractual payments of interest and / or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days, including accounts for customers who have been granted hardship assistance; or 2. an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and 3. the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis. <p>These facilities, while in default, are not treated as impaired for accounting purposes</p>
Collectively assessed provisions or CAPs	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data. Included in the collectively assessed provision is an economic overlay provision which is calculated based on changes that occurred in sectors of the economy or in the economy as a whole

Appendix 2: Definitions (continued)

Impaired assets	Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cashflow, and the net realisation of value of assets to which recourse is held:	AIEA	Average interest-earning assets and is the average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period
	1. facilities 90 days or more past due, and full recovery is not in doubt: exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days;	Cash earnings	Is a measure of the level of profit that is generated by ongoing operation and is therefore available for distribution to shareholders. Three categories of adjustments are made to reported results to determine cash earnings: material items that key decision makers at Westpac believe do not reflect ongoing operations; items that are not considered when dividends are recommended; and accounting reclassifications that do not impact reported results. For details of these adjustments refer to slide 128
	2. non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans;	Cash earnings per ordinary share	Cash earnings divided by the weighted average ordinary shares (cash earnings basis)
	3. restructured assets: exposures where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer;	Core earnings	Net operating income less operating expenses
	4. other assets acquired through security enforcement (includes other real estate owned): includes the value of any other assets acquired as full or partial settlement of outstanding obligations through the enforcement of security arrangements; and	Full-time equivalent employees (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight
Individually assessed provisions or IAPs	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are assessed on an individual basis. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the income statement	Net interest margin	Calculated by dividing net interest income by average interest-earning assets
Stressed loans	Stressed loans are the total of watchlist and substandard, 90 days past due and not impaired and impaired assets	Net tangible assets per ordinary share	Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported)
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	Weighted average ordinary shares (cash earnings)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period
Total committed exposures (TCE)	Represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk	Weighted average ordinary shares (reported)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less Westpac shares held by the Group ('Treasury shares')

Appendix 2: Definitions (continued)

Australian customers with wealth products metrics provider	<p>Data based on Roy Morgan Research, Respondents aged 14+ and 12 month rolling. Wealth penetration is defined as the proportion of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with a Banking Group and also have Managed Investments, Superannuation or Insurance with the same Banking Group. Note: Westpac and St.George use Managed Investments, Superannuation or Insurance with Westpac Group.</p> <p>Westpac includes Westpac, BT, Challenge Bank, Rothschild, ASGARD, and Sealcorp. St.George brands include St. George, Advance Bank, BankSA, Bank of Melbourne, Dragondirect, RAMS. Westpac Group includes Westpac, St. George, Advance Bank, ASGARD, BankSA, Bank of Melbourne, BT, Challenge Bank, Dragondirect, RAMS, Rothschild, and Sealcorp.</p> <p>Peers includes: ANZ Group, CBA Group and NAB Group.</p>	Customer satisfaction – overall business	<p>Source: DBM Consultants Business Financial Services Monitor, March 2012 – March 2017, 6MMA. MFI customers, all businesses. The Customer Satisfaction score is an average of customer satisfaction ratings of the customer's main financial institution for business banking on a scale of 0 to 10 (0 means 'extremely dissatisfied' and 10 means 'extremely satisfied')</p>
NZ customers with wealth products (%)	<p>Number of customers who have managed investments or superannuation with Westpac NZ as a proportion of the total active customers in Westpac NZ Retail, Private and Business Bank</p>	Customer satisfaction – SME	<p>Source: DBM Consultants Business Financial Services Monitor, March 2015 – March 2017, 6MMA. MFI customers, SME businesses. The Customer Satisfaction score is an average of customer satisfaction ratings of the customer's main financial institution for small business banking on a scale of 0 to 10 (0 means 'extremely dissatisfied' and 10 means 'extremely satisfied')</p>
Customer satisfaction – overall consumer	<p>Source: Roy Morgan Research, March 2012 – March 2017, 6MMA. Main Financial Institution (as defined by the customer). Satisfaction ratings are based on the relationship with the financial institution. Customers must have at least a Deposit / Transaction account relationship with the institution and are aged 14 or over. Satisfaction is the percentage of customers who answered 'very' or 'fairly satisfied' with their overall relationship with their MFI.</p>	Westpac Group rank	<p>The ranking refers to Westpac's position relative to the other three major Australian banks (ANZ, CBA and NAB)</p>

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Key dates and events
> 2017 Half Year Results and webcast link
> See our full financial calendar for dates

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Unless otherwise noted, financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's 2017 Interim Financial Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2017 available at www.westpac.com.au for details of the basis of preparation of cash earnings. Refer to slides 34 for an explanation of cash earnings and Appendix 1 slide 128 for a reconciliation of reported net profit to cash earnings.

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