

For the 12 months ended  
30 September 2019

**Presentation and  
Investor Discussion Pack**

**Help when  
it matters.**

Westpac Banking Corporation  
ABN 33 007 457 141





# Westpac 2019 Full Year Results Index

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**Image on front and left**  
Westpac's 'Baker of Beirut' campaign;  
helping people when it matters.

# **Brian Hartzer** Chief Executive Officer



- Result reflects the challenging environment
- Prioritising strength
- Acting decisively to reshape our business
- Delivering on our strategic priorities
- Positioning for the digital future

# FY19 earnings snapshot

	FY19	Change FY19 – FY18 <sup>1</sup>	Change 2H19 – 1H19 <sup>1</sup>
Reported net profit	\$6,784m	(16%)	14%
Cash earnings <sup>2</sup>	\$6,849m	(15%)	8%
Cash EPS <sup>3</sup>	198.2c	(16%)	7%
Return on equity <sup>4,5</sup>	10.8%	(225bps)	63bps
Margin (excl. Treasury & Markets) <sup>5</sup>	2.04%	(7bps)	–
Expense to income ratio <sup>5</sup>	48.6%	Large	(261bps)
Dividend per share (2H19) <sup>6</sup>	80c	(7%)	(15%)
<b>Cash earnings excluding notable items<sup>7</sup></b>			
Cash earnings <sup>2</sup>	\$7,979m	(4%)	(3%)
Cash EPS <sup>3</sup>	230.9c	(6%)	(4%)
Return on equity <sup>4</sup>	12.5%	(94bps)	(59bps)
Margin (excl. Treasury & Markets) <sup>5</sup>	2.08%	(4bps)	(2bps)
Expense to income ratio <sup>5</sup>	43.9%	113bps	38bps

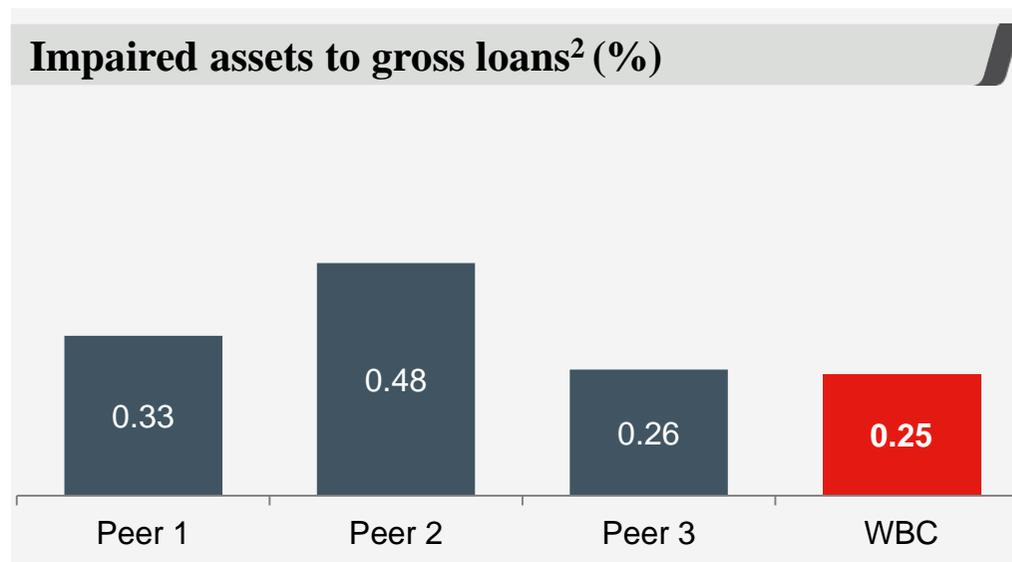
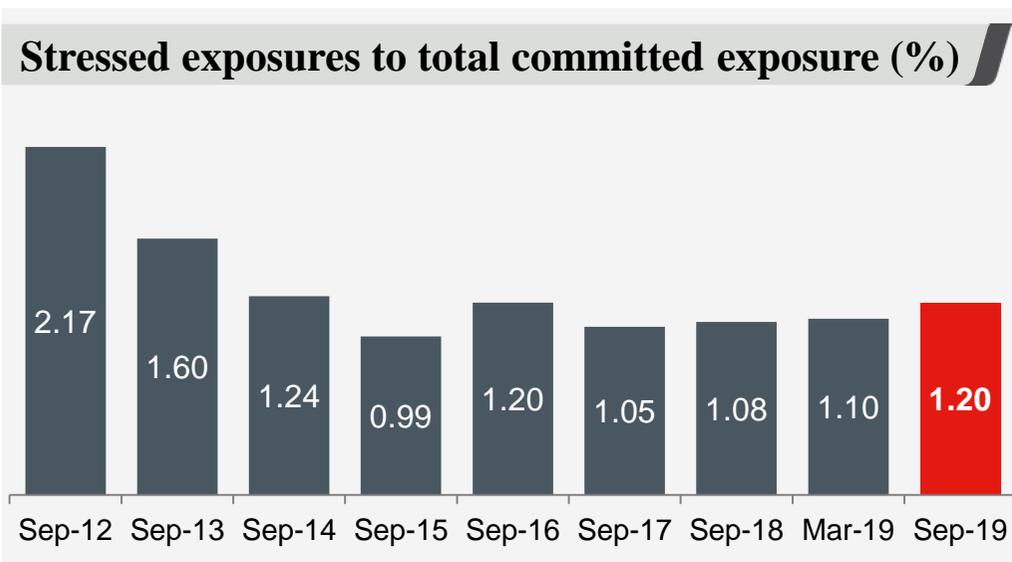
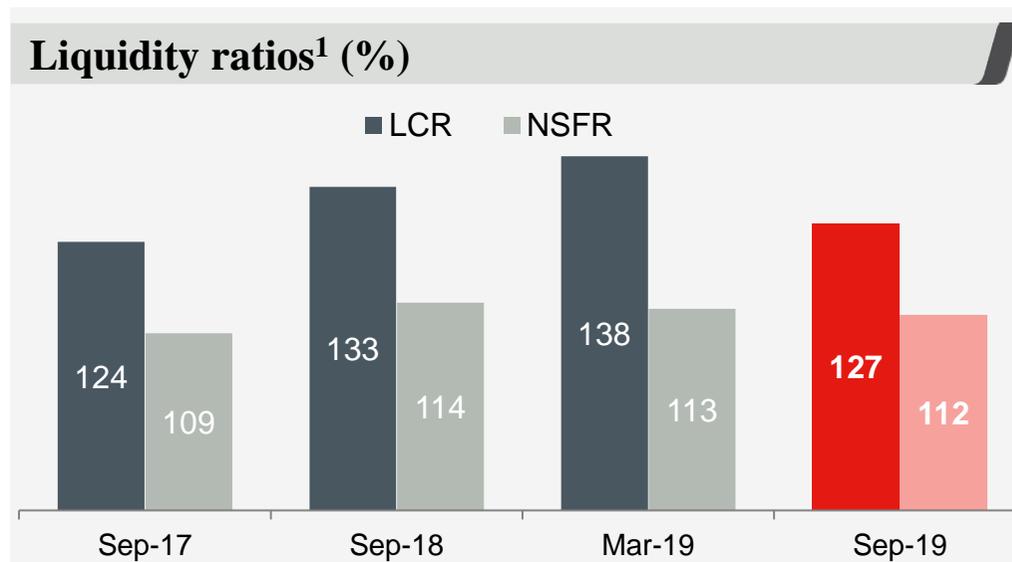
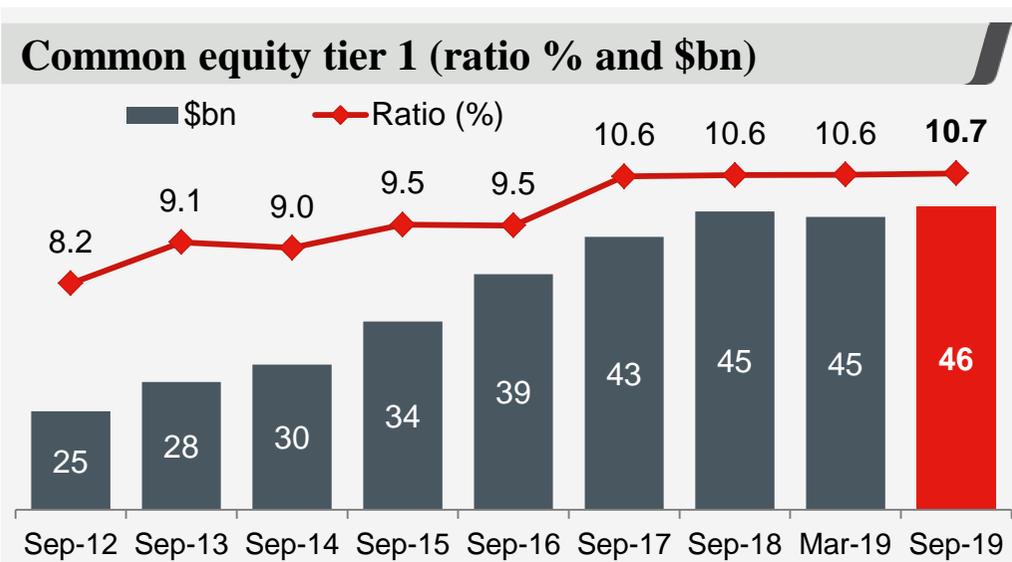
<sup>1</sup> Prior year cash earnings comparatives have been restated for the impacts of AASB 9 & AASB 15. <sup>2</sup> Cash earnings is a measure of profit generated from ongoing operations for further detail see slide 42. <sup>3</sup> Cash EPS is cash earnings divided by weighted average ordinary shares. <sup>4</sup> Return on equity is cash earnings divided by average ordinary equity. <sup>5</sup> Cash earnings basis. <sup>6</sup> Full year 2019 Dividend per share 174c. <sup>7</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

# FY19 divisional snapshot

	Cash earnings FY19 (\$m)	% Change FY19 – FY18	
		As reported	Excl. notable items <sup>1</sup>
Consumer	\$3,288	(4%)	(6%)
Business	\$2,431	(12%)	(2%)
Westpac Institutional Bank	\$1,014	(7%)	(7%)
New Zealand (NZ\$)	\$1,042	3%	4%
Group Businesses	(\$869)	Large	Large

<sup>1</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

# Prioritising strength – Key ratios

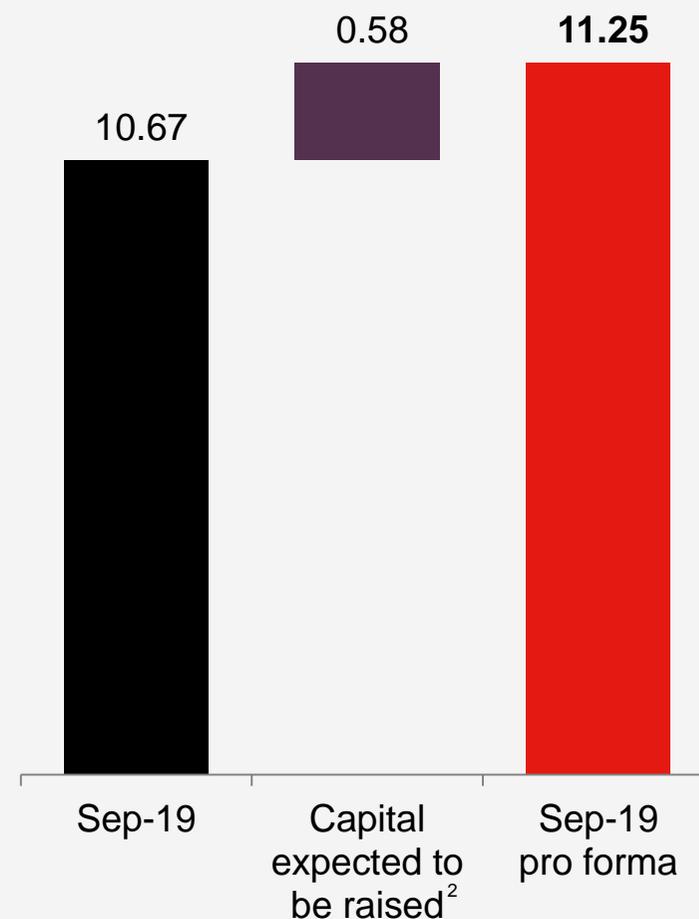


<sup>1</sup> LCR is liquidity coverage ratio, NSFR is net stable funding ratio. <sup>2</sup> Peer 1 and 2 based on FY19 results as reported on a continuing operations basis. Peer 3 based on 1H19 results as reported.

# Prioritising strength – Capital

- CET1 capital ratio was little changed over FY19 (up 4bps). However, CET1 capital ratio was impacted by ~75 bps from
  - Operational risk overlays (CGA self-assessment, standardised model top-up)
  - New standardised model for derivatives RWA<sup>1</sup>
  - Customer remediation provisions and costs associated with the exit of financial planning
- Expect to raise around \$2.5bn of capital<sup>2</sup> via an underwritten institutional placement and a non-underwritten share purchase plan (SPP)
- Increases buffer over APRA’s unquestionably strong benchmark and gives additional capacity to respond to
  - Potential litigation or regulatory actions
  - RBNZ and APRA capital changes
  - Customer growth

Common equity Tier 1 capital – Pro forma (%)



<sup>1</sup> RWA is risk weighted assets. <sup>2</sup> Assumes \$500m to be raised under the SPP – the actual amount raised could be more or less.

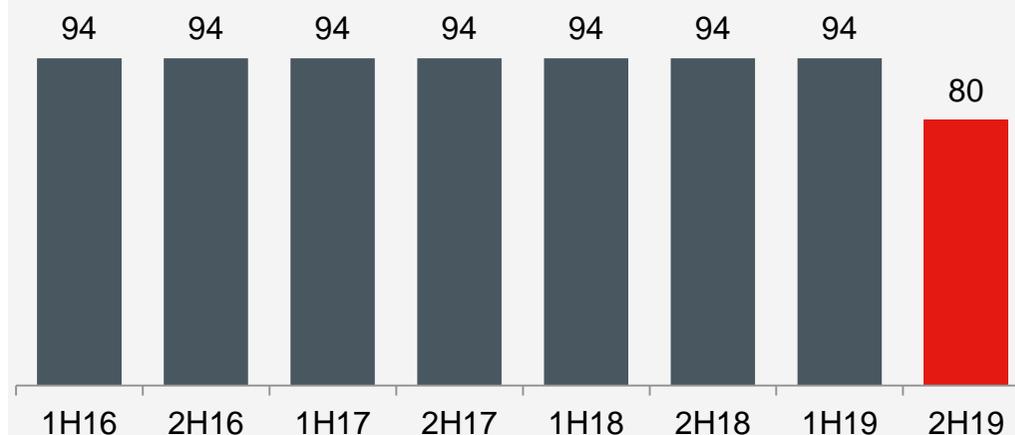
# Prioritising strength – Reset dividend

## Dividend considerations

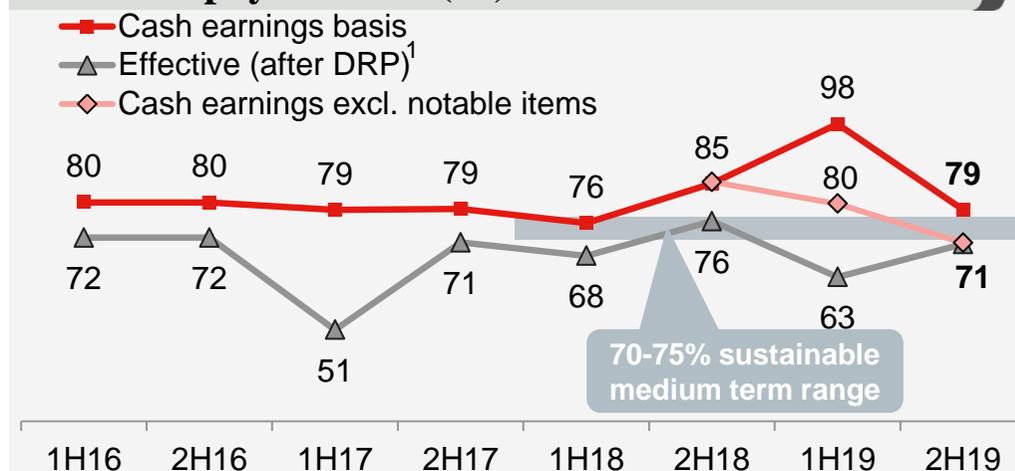
- Reset dividend to reflect capital raising, increase in shares on issue, and lower earnings per share
- Final dividend of 80 cents per share, down 14 cents per share or 15% lower than both the 2019 interim dividend and the 2018 final dividend
- 2H19 dividend represents a payout ratio of 79%; excluding notable items 71%
- Payout ratio excluding notable items is within the sustainable medium-term range of 70-75%
- Dividend yield of 5.4% (closing share price of \$29.64 at 30 September 2019)
- Franking surplus of \$1.6bn

<sup>1</sup> 2H19 assumes DRP participation rate of 10%.

## Dividends per ordinary share (cents)



## Dividend payout ratio (%)



# Acting decisively to **reshape our business**

## Portfolio actions

### Wealth reset

- Exited our financial planning business
- BT integrated into Consumer and Business

### Distribution

- Consolidated 61 branches and 349 ATMs<sup>1</sup>
- Agreement to sell most Australian offsite ATMs
- New State based, multi-brand management structure (Business & Consumer)

## Deal with outstanding issues

### Royal Commission

- 49 recommendations presently applicable to Westpac
  - 11 implemented, 11 underway
  - 27 awaiting legislation/regulatory action

### CGA self-assessment

- ~40% of recommendations implemented<sup>2</sup>

### Remediation

- Significant provisions raised
- New remediation hub, with over 500k<sup>3</sup> customers refunded

## Structural efficiency

### Cost delivery

- \$405m productivity savings
- 5% FTE reduction

<sup>1</sup> Australian ATMs. <sup>2</sup> At 1 November 2019. <sup>3</sup> Since 2017.

# Delivering on our strategic priorities

## Performance disciplines

- New State based structure reinforces accountability
- New operating rhythm focused on execution to drive performance metrics
- Significant investment in risk, compliance, financial crime and customer complaints systems and capabilities

## Service leadership

- # 1 NPS in commercial, SME, and Micro business
- # 2 NPS in consumer for most of the year
- Strong service ethos and disciplines in place (e.g. complaints resolution)
- “Help when it matters” brand campaign supporting customer growth

## Digital transformation

- Customer Service Hub (CSH) rolled out for Westpac 1<sup>st</sup> party mortgages
- Panorama build complete; fastest-growing platform in market (\$23bn in FUA)
- New Payments Platform complete; ~40% of all payments<sup>1</sup> in the market
- No Severity 1 incidents in FY19

<sup>1</sup> NPP payments by value.

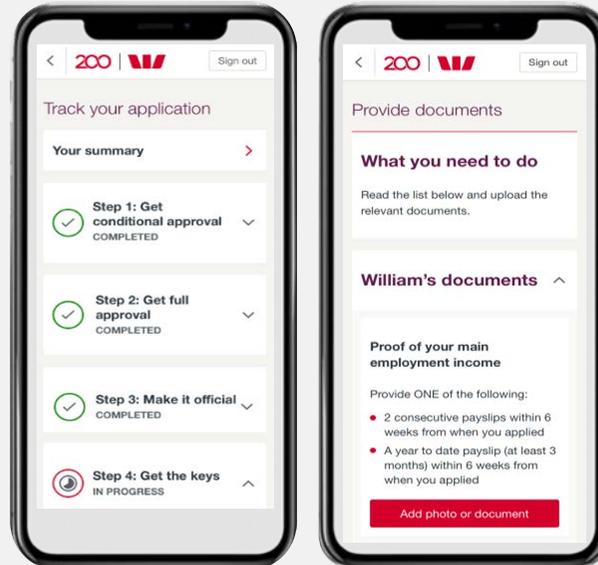
## Digital experience



- Digital sales now ~40% of total<sup>1</sup>
- St. George digital mortgage
- Digital Institutional Bank (DIB)
- Enhanced online Term Deposit renewals
- EasyID (NZ account opening)
- New AI chat-bot 'Red'
- Ready for Open Banking (Feb 2020)<sup>2</sup>

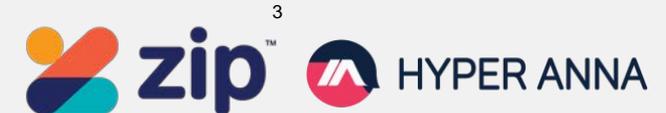
## Automation

### Customer Service Hub



- Customer Service Hub rolled out (Westpac 1<sup>st</sup> party mortgages)
- 80% of mortgages settled electronically (PEXA)
- Enterprise Workflow System

## Fintech partnerships



- Reinventure portfolio now \$150m<sup>5</sup>
- Direct investments: Zip, Uno and planned investment in 10x
- Well positioned to expand partnerships across fintech ecosystem

1 See page 153 for definitions. 2 Subject to outstanding industry issues and testing being completed in a timely manner. 3 Zip offers point-of-sale credit and digital payment services. 4 Uno is an online mortgage broker. 5 Committed capital.

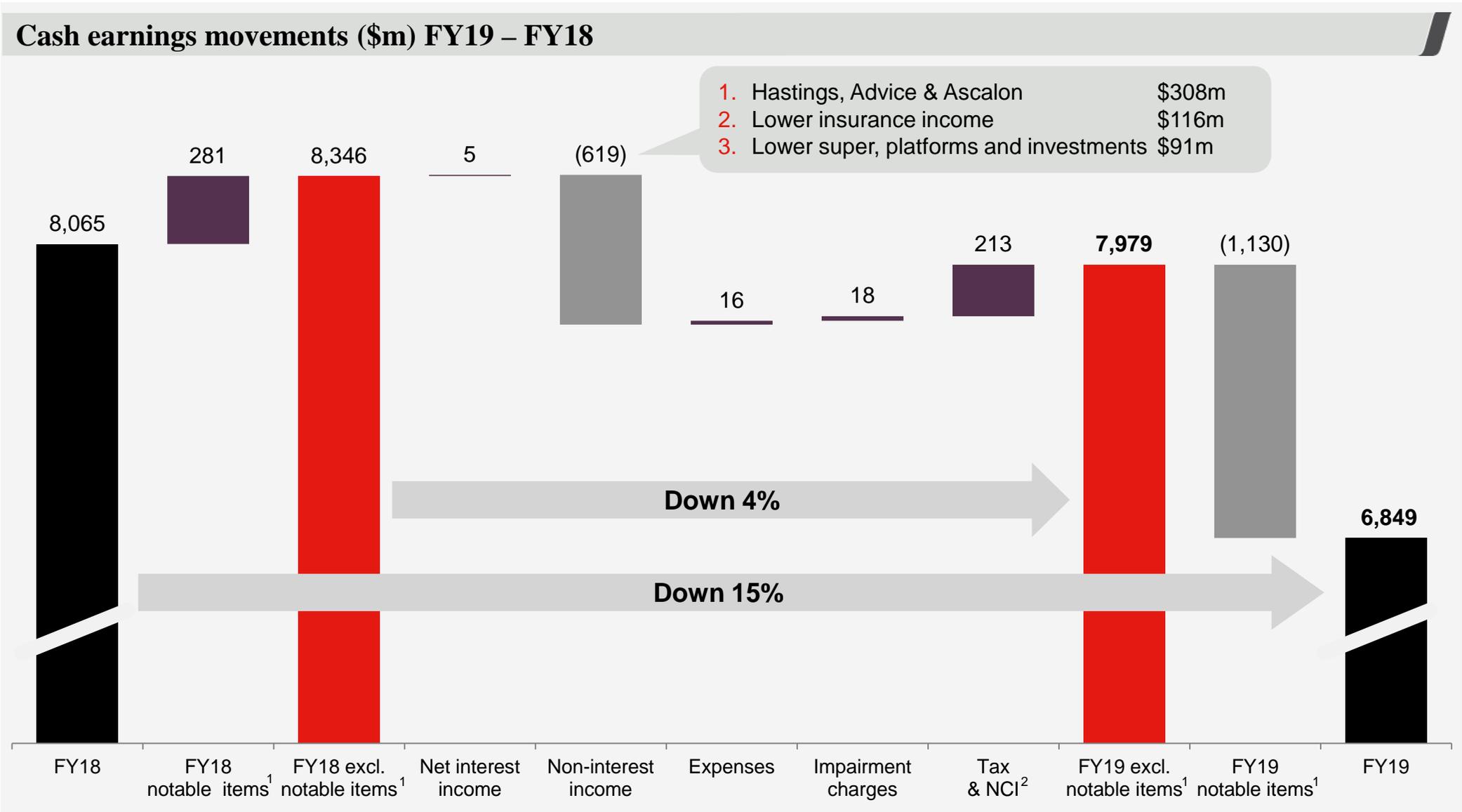
# Positioning for the digital future – Technology

	In production (examples)	To be done
<b>Channel Systems</b>	<ul style="list-style-type: none"> <li>• Mobile Banking</li> <li>• Banker dashboard</li> <li>• 'Red' (AI chatbot)</li> <li>• Human Digital Connections (call centre)</li> <li>• St. George digital mortgage</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile banking 2.0 (2020)</li> <li>• Digital mortgage (Westpac)</li> <li>• Digital Institutional Bank enhancements</li> </ul>
<b>Customer Origination and Analytics</b>	<ul style="list-style-type: none"> <li>• CSH built; Westpac 1<sup>st</sup> party mortgages</li> <li>• Group data platform (DDEP)</li> <li>• Open Banking Phase 1</li> </ul>	<ul style="list-style-type: none"> <li>• Real time data and insights (2Q20)</li> <li>• CSH – other consumer products/channels</li> <li>• Open Banking Phase 2</li> <li>• Risk and compliance system upgrades</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>• Panorama</li> <li>• New Payments Platform</li> <li>• Enterprise Workflow</li> </ul>	<ul style="list-style-type: none"> <li>• Investment platform consolidation</li> <li>• Digital banking platform 10x</li> <li>• Financial markets systems</li> <li>• Core banking consolidation</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>• Hybrid cloud environment</li> <li>• Network backbone upgrade</li> <li>• Worksmarter (desktop)</li> <li>• OneConference (video, voice calls)</li> </ul>	<ul style="list-style-type: none"> <li>• Continued cloud migration</li> <li>• State-of-the-art command centre</li> <li>• Complete network upgrades</li> </ul>

**Peter King**  
Chief Financial Officer

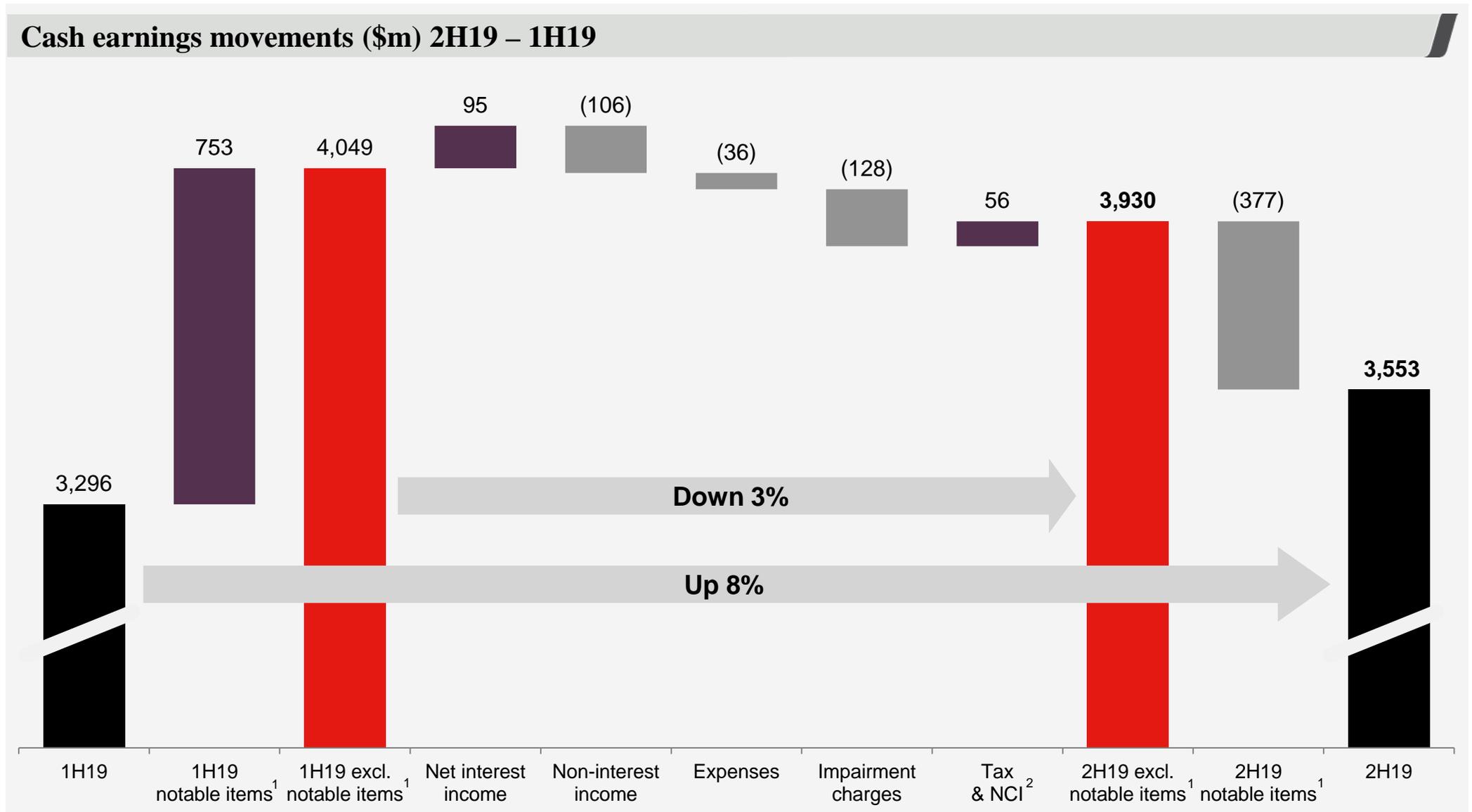


# Results down 15%



<sup>1</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions. <sup>2</sup> NCI is non-controlling interests.

# 2H19 earnings up 8%, down 3% excl. notable items<sup>1</sup>



<sup>1</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions. <sup>2</sup> NCI is non-controlling interests.

# Notable/infrequent/volatile items

Notable items <sup>1</sup> – by area (\$m after tax)			
	2H18	1H19	2H19
Wealth	(141)	(484)	(194)
Banking	(140)	(133)	(147)
Wealth reset	–	(136)	(36)
<b>Total</b>	<b>(281)</b>	<b>(753)</b>	<b>(377)</b>

Infrequent/volatile items (\$m after tax)			
	2H18	1H19	2H19
Asset sales	–	41	42
Fund manager revaluations	(13)	–	–
Group CVA <sup>2</sup>	13	(11)	(41)
<b>Total cash earnings impact</b>	<b>–</b>	<b>30</b>	<b>1</b>

## Wealth reset update

- Spent or provisioned \$241m (pre-tax) in FY19
- Continue to expect exit costs of \$250-300m
- 157 employees moved to Viridian
- Around 14,000 individual customers moved to Viridian

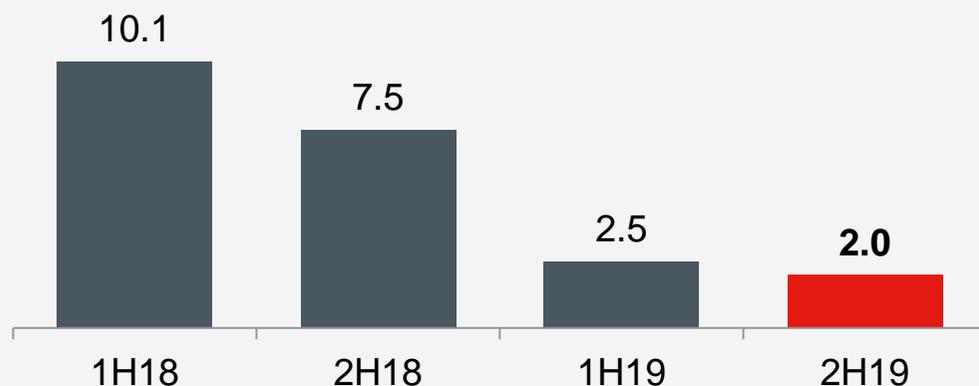
## Infrequent/volatile items detail

- 2H19 Group CVA includes \$41m (pre-tax) revised methodologies
- Major asset sales (pre tax) included:
  - 2H19: CBD branch \$43m, financial planning \$10m
  - 1H19: Paymark NZ\$40m, Ascalon \$3m

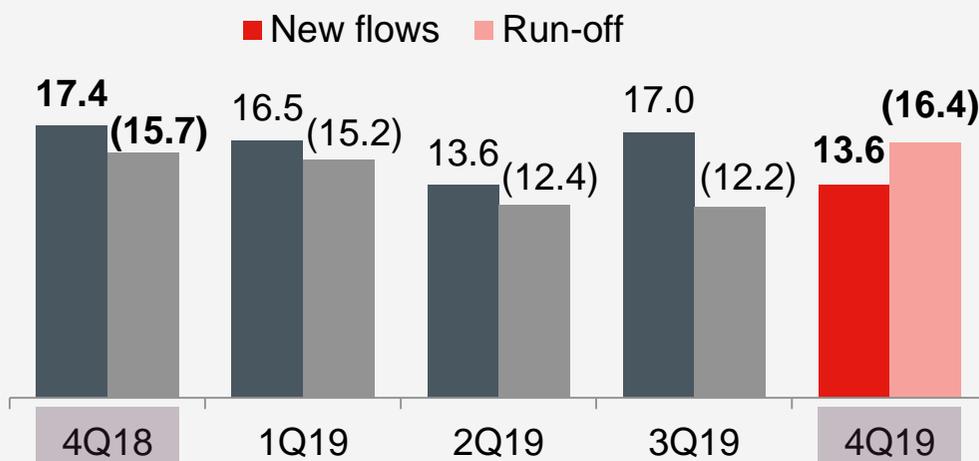
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# Australian mortgage growth slowed

## Net mortgage growth (\$bn)



## Mortgage flows (\$bn)



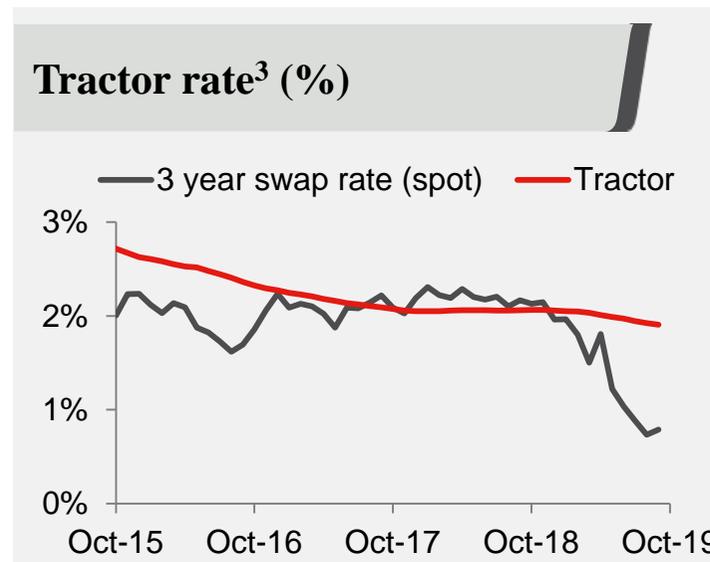
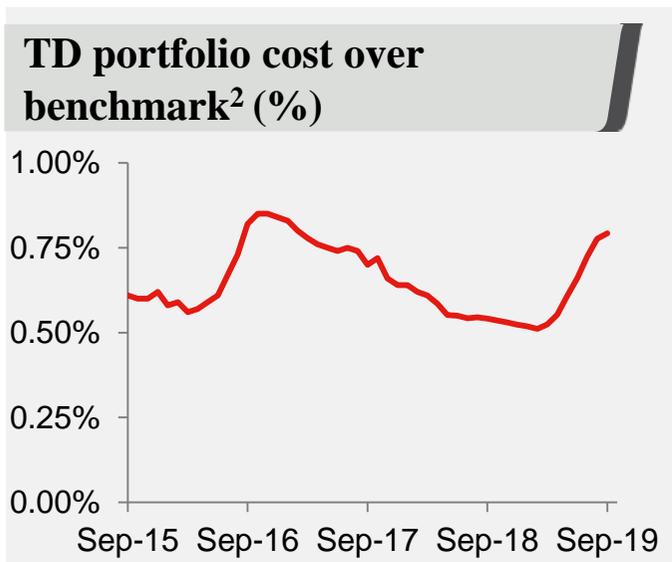
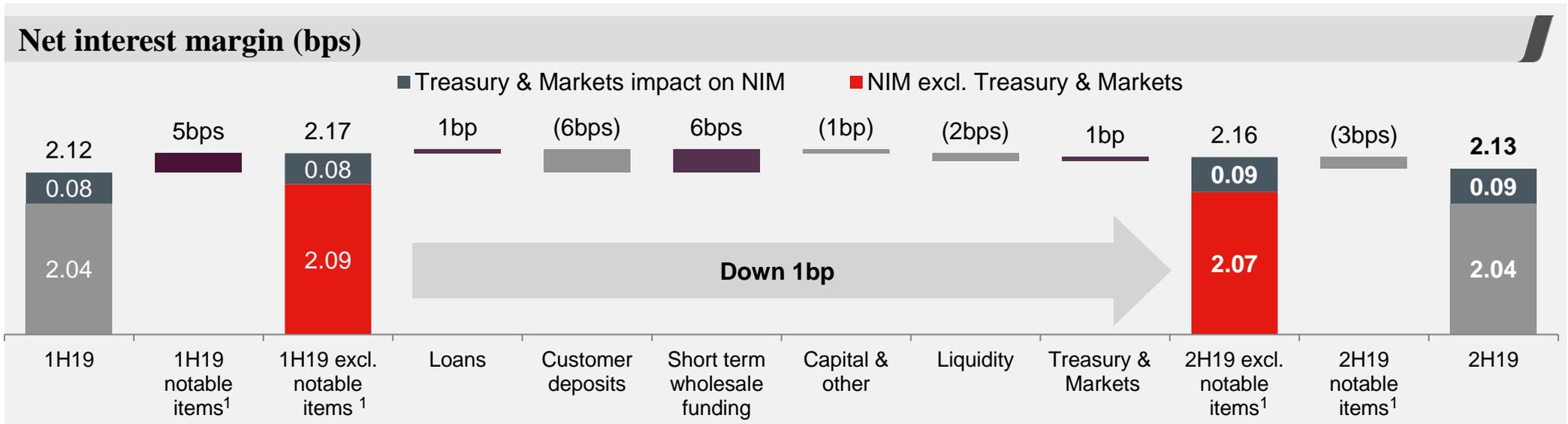
## Mortgage growth (%)

	1H18	2H18	1H19	2H19
Owner occupied	3	3	2	2
Investor	2	1	–	(1)
Fixed rate (% of flow)	30	23	36	35

## Mortgage portfolio mix (%)

	Mar-18	Sep-18	Mar-19	Sep-19
Principal & interest	56	61	66	70
Interest only	40	35	31	27
Line of credit	4	4	3	3

# Margins well managed



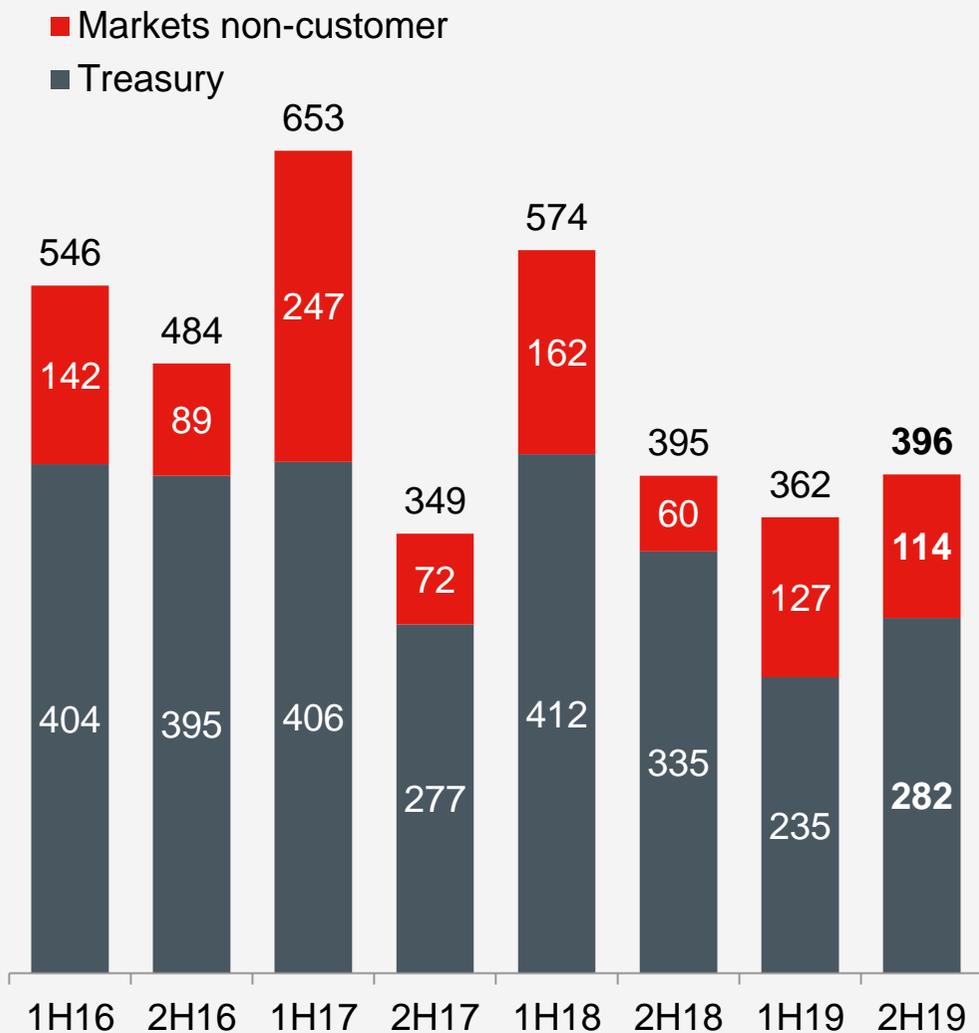
### Certain capital/deposit balances 30 Sept 19 (\$bn)

Capital hedged (Group)	49
Deposits hedged (Group)	41
Australia at call; rate ≤25bps	95
Australia at call; rate 26bps to <75bps	28

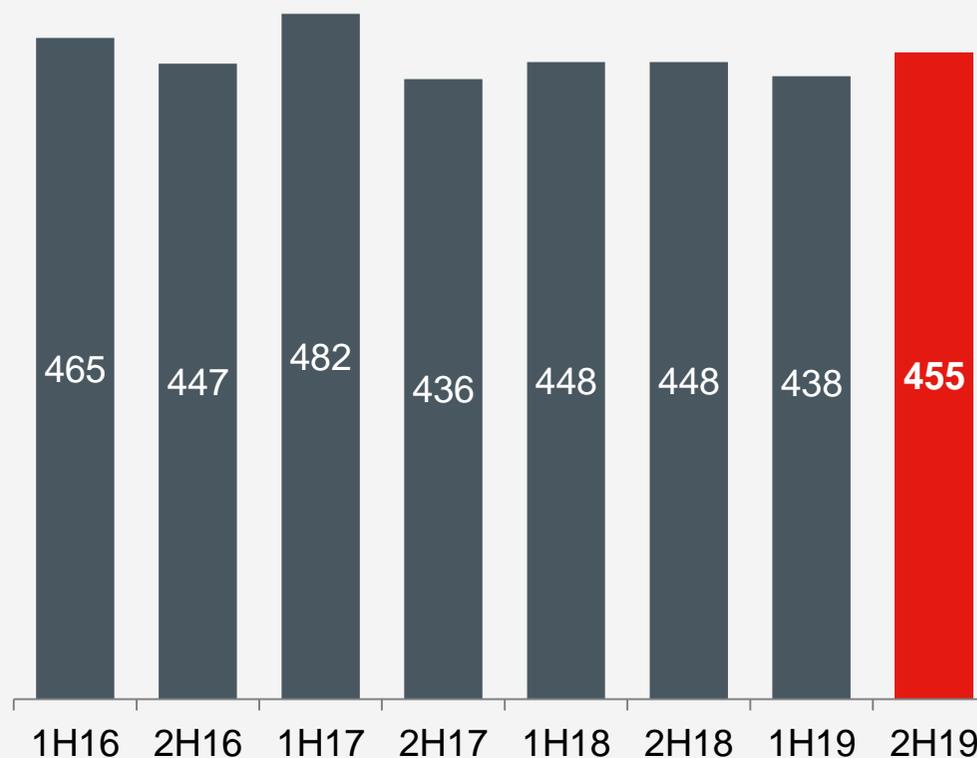
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# Markets & Treasury<sup>1</sup> income up 6% in 2H19

## Markets non-customer and Treasury income (\$m)



## Markets customer income (\$m)

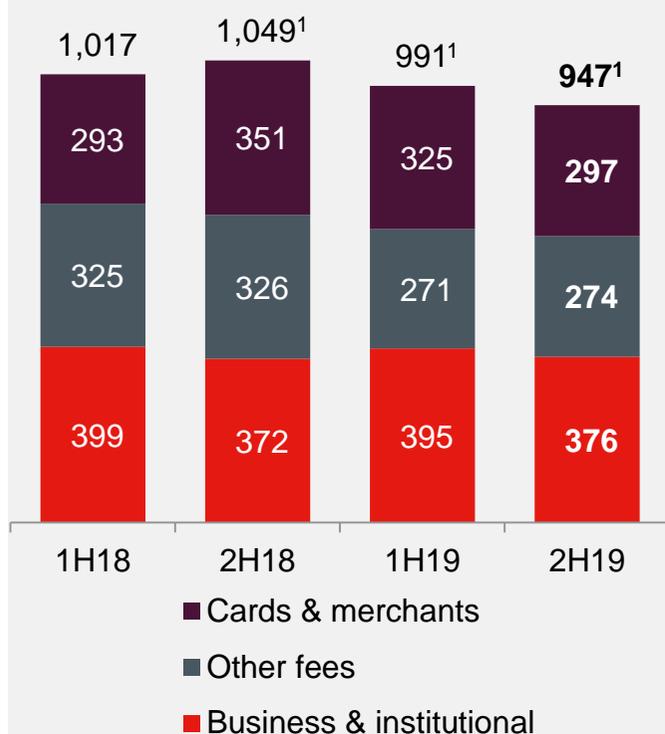


<sup>1</sup> Includes net interest income and non-interest income but excludes derivative valuation adjustments.

# Non-interest income up 16%, down 5% excl. notable items<sup>1</sup>

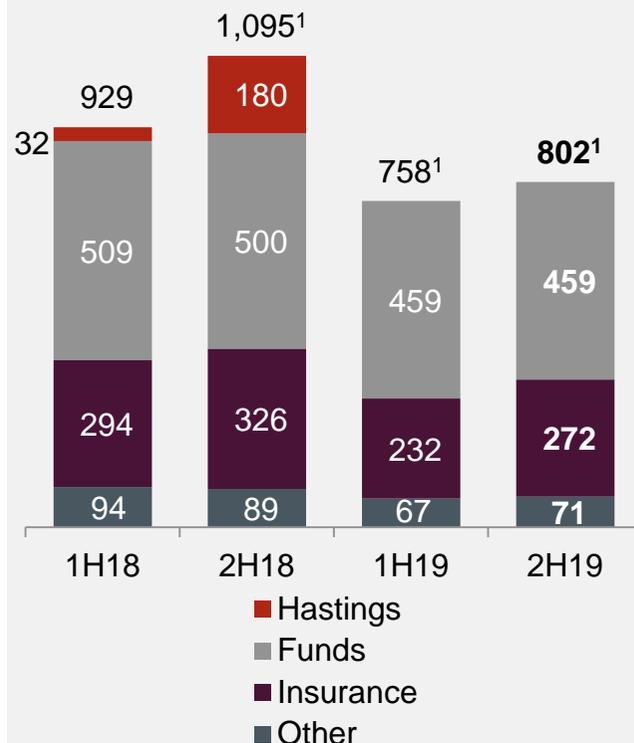
## Net Fees ▼ 4%<sup>1</sup>

- Cards and merchants (down \$28m); higher reward program costs and lower interchange revenue
- WIB (down \$19m); infrastructure & syndication
- Lower advice fees



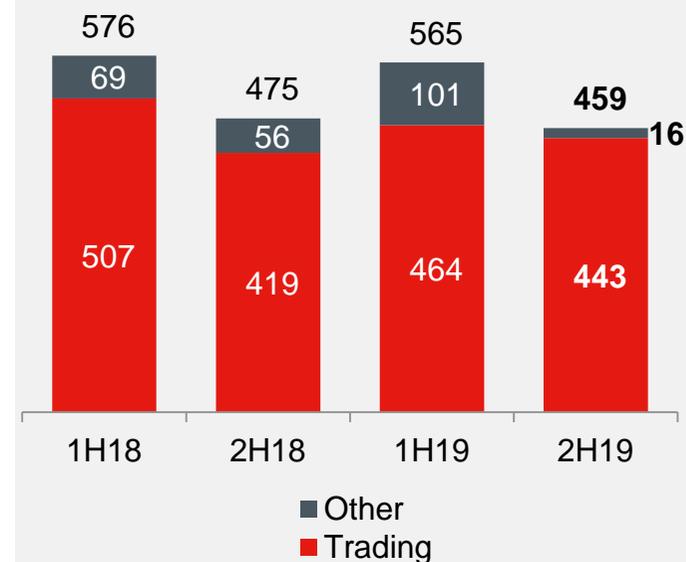
## Wealth and Insurance ▲ 6%<sup>1</sup>

- General insurance (up \$94m) from lower claims
- Life insurance (down \$55m); TPD claims & write-off of DAC following Protect Your Super



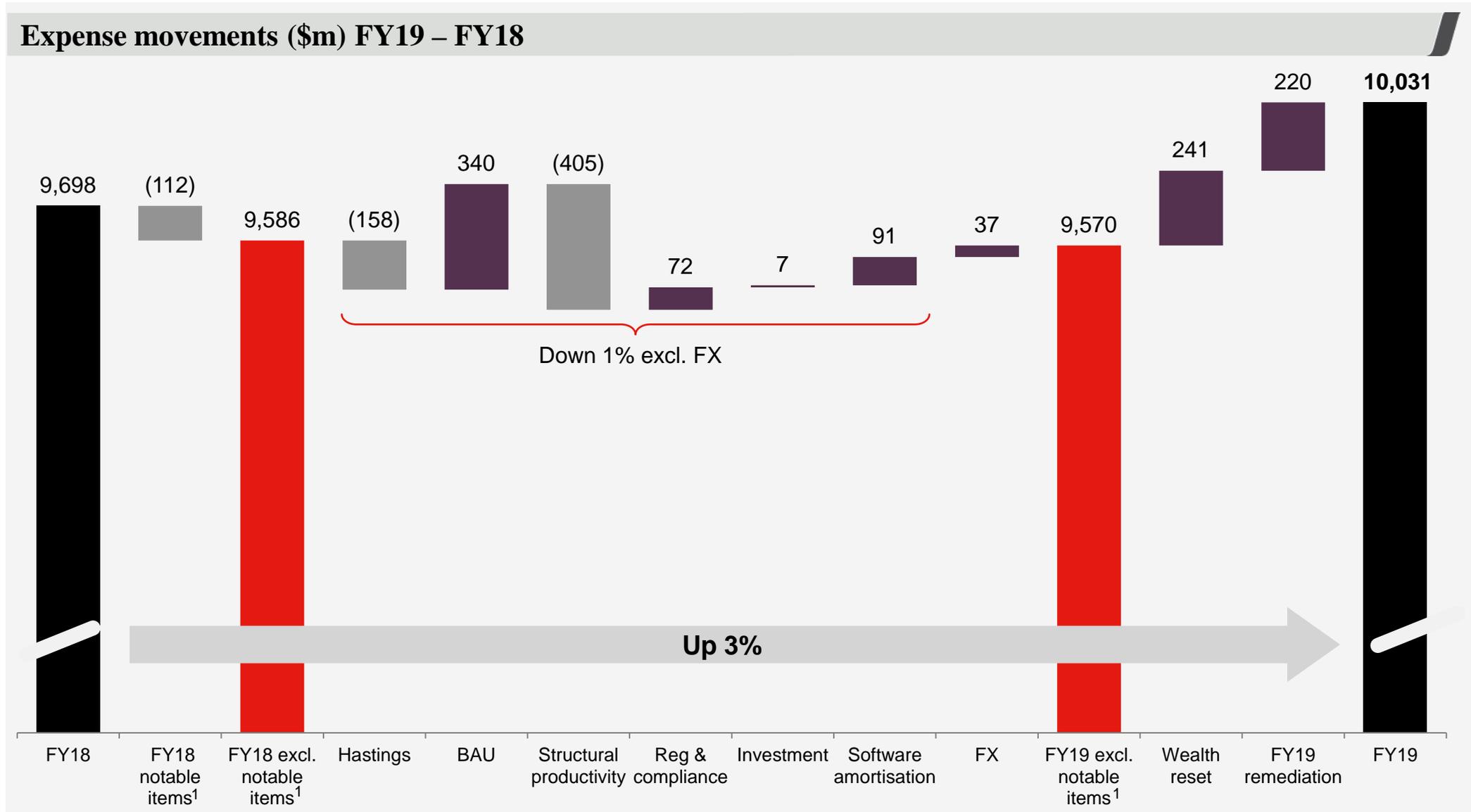
## Trading and Other ▼ 19%<sup>1</sup>

- Lower trading income from CVA methodology change (2H19 charge of \$41m)
- Lower other income from revaluation of financial instruments and other small items



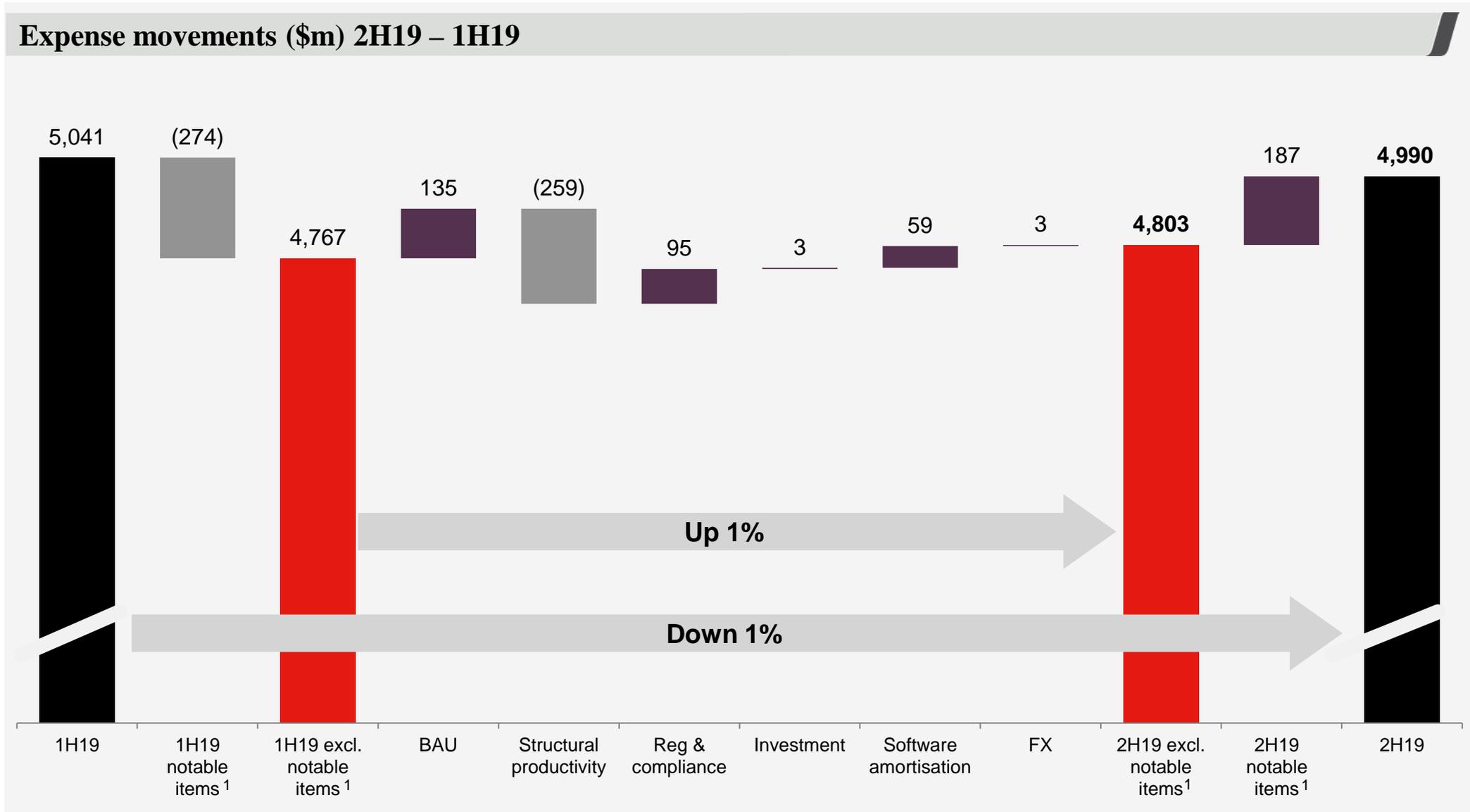
<sup>1</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

# FY19 expenses up 3%, excl. notable items<sup>1</sup> & FX down 1%



<sup>1</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

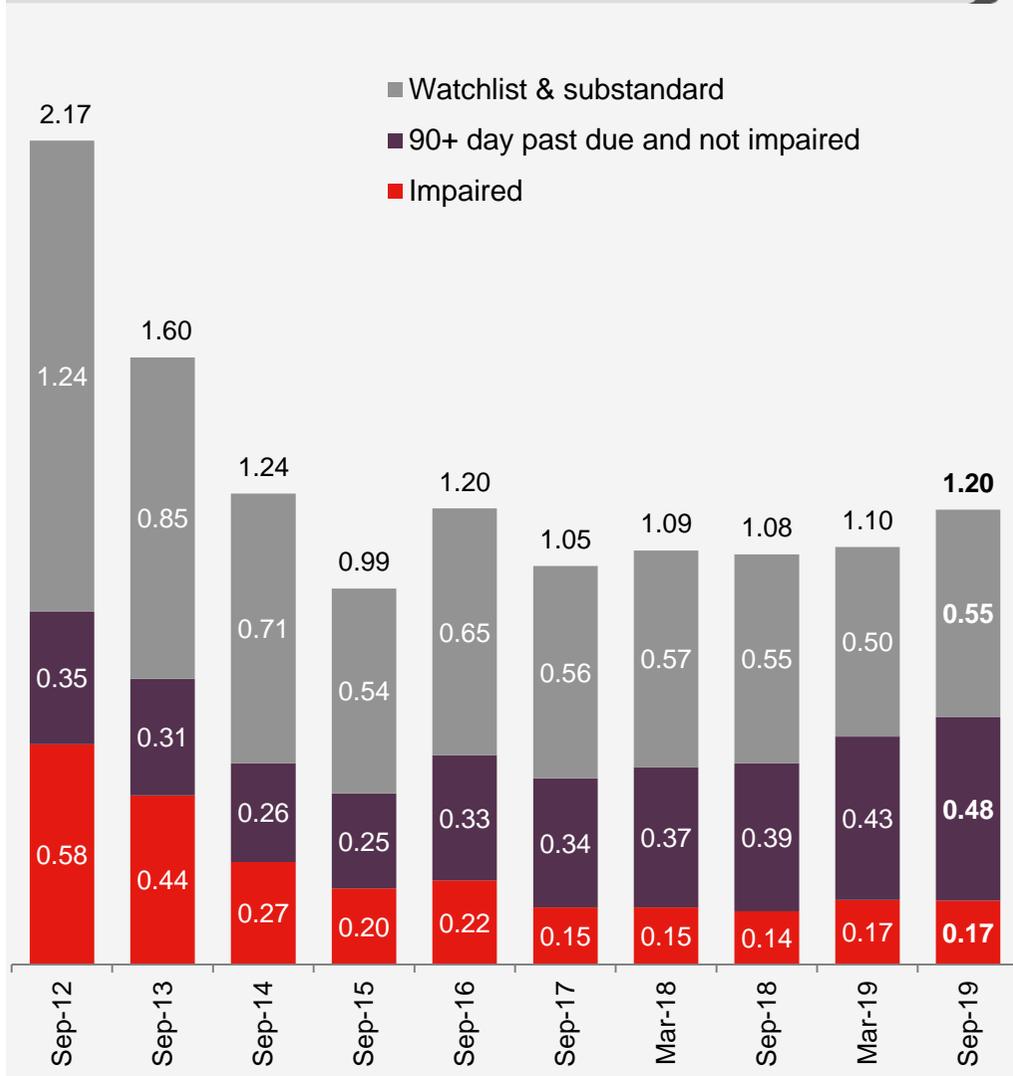
# 2H19 expenses excl. notable items<sup>1</sup> up 1%



<sup>1</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

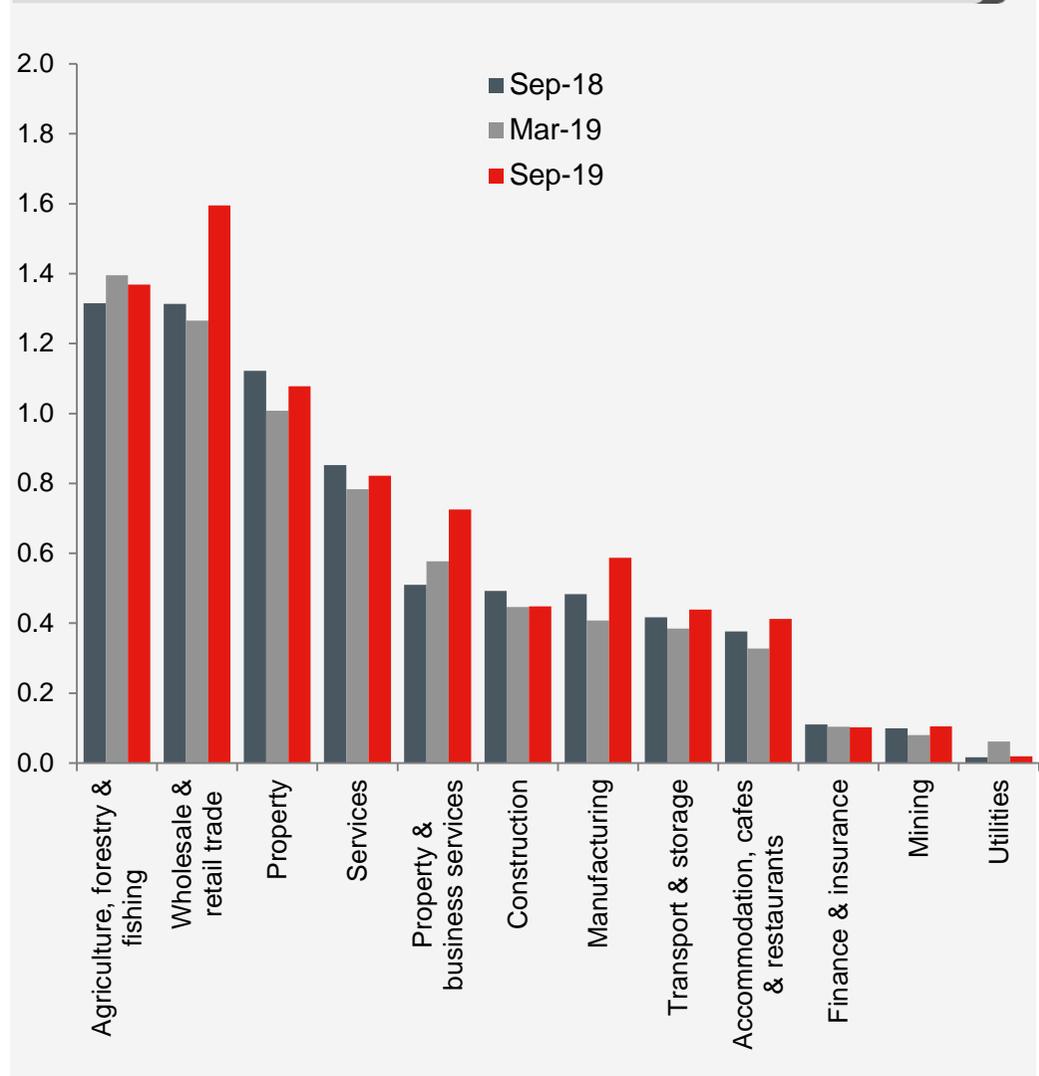
# Credit quality

## Stressed exposures as a % of TCE<sup>1</sup>



<sup>1</sup> TCE is total committed exposure.

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

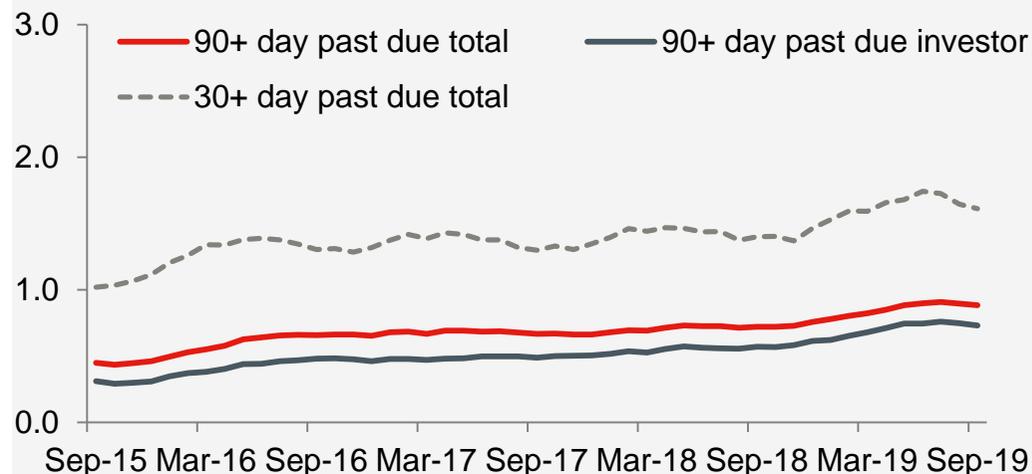


# Australian mortgage credit quality

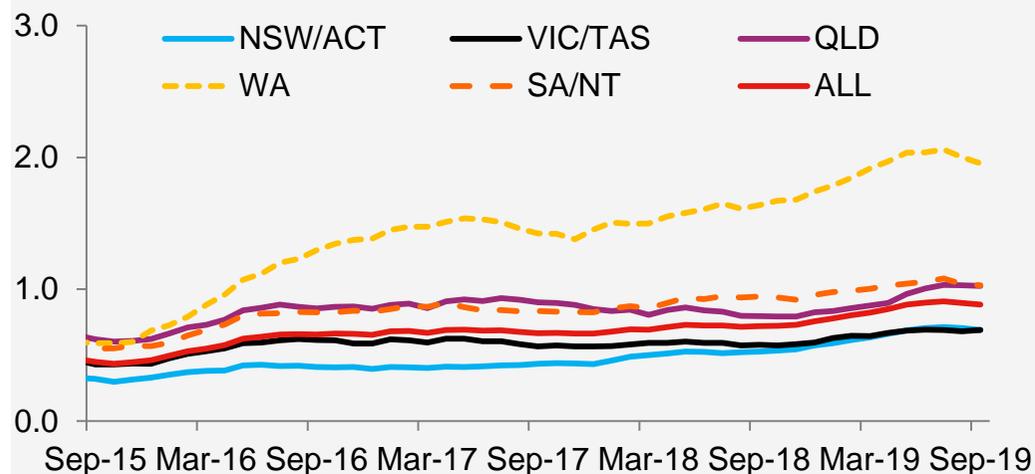
## Australian mortgage portfolio characteristics

	Sep-18	Mar-19	Sep-19
30+ day delinquencies	140bps	<b>159bps</b>	<b>161bps</b>
90+ day delinquencies	72bps	<b>82bps</b>	<b>88bps</b>
Customers ahead of repayments <sup>1</sup>	69%	<b>69%</b>	<b>70%</b>
Realised mortgage losses <sup>2</sup> (\$m)	38	<b>51</b>	<b>57</b>
Dynamic LVR (weighted average)	54%	<b>57%</b>	<b>58%</b>

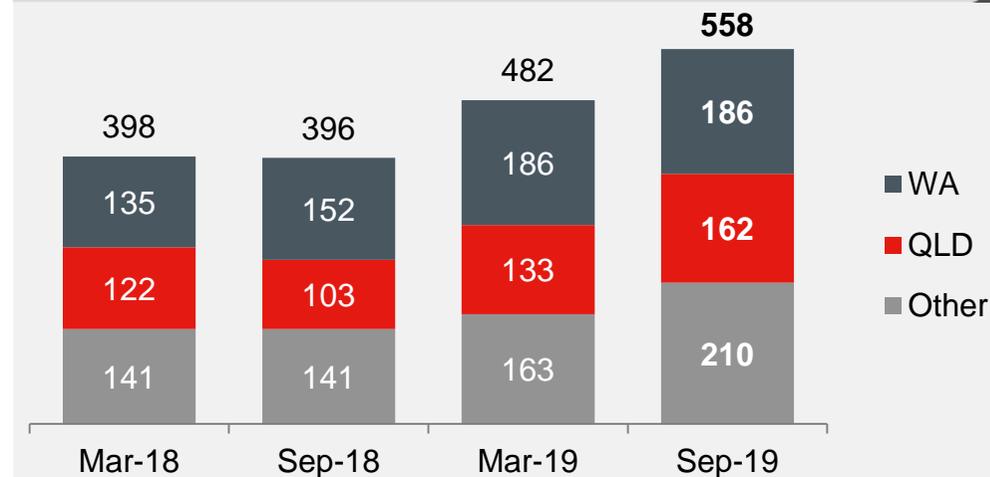
## Australian mortgage portfolio delinquencies (%)



## Australian mortgages 90+ day delinquencies by State (%)

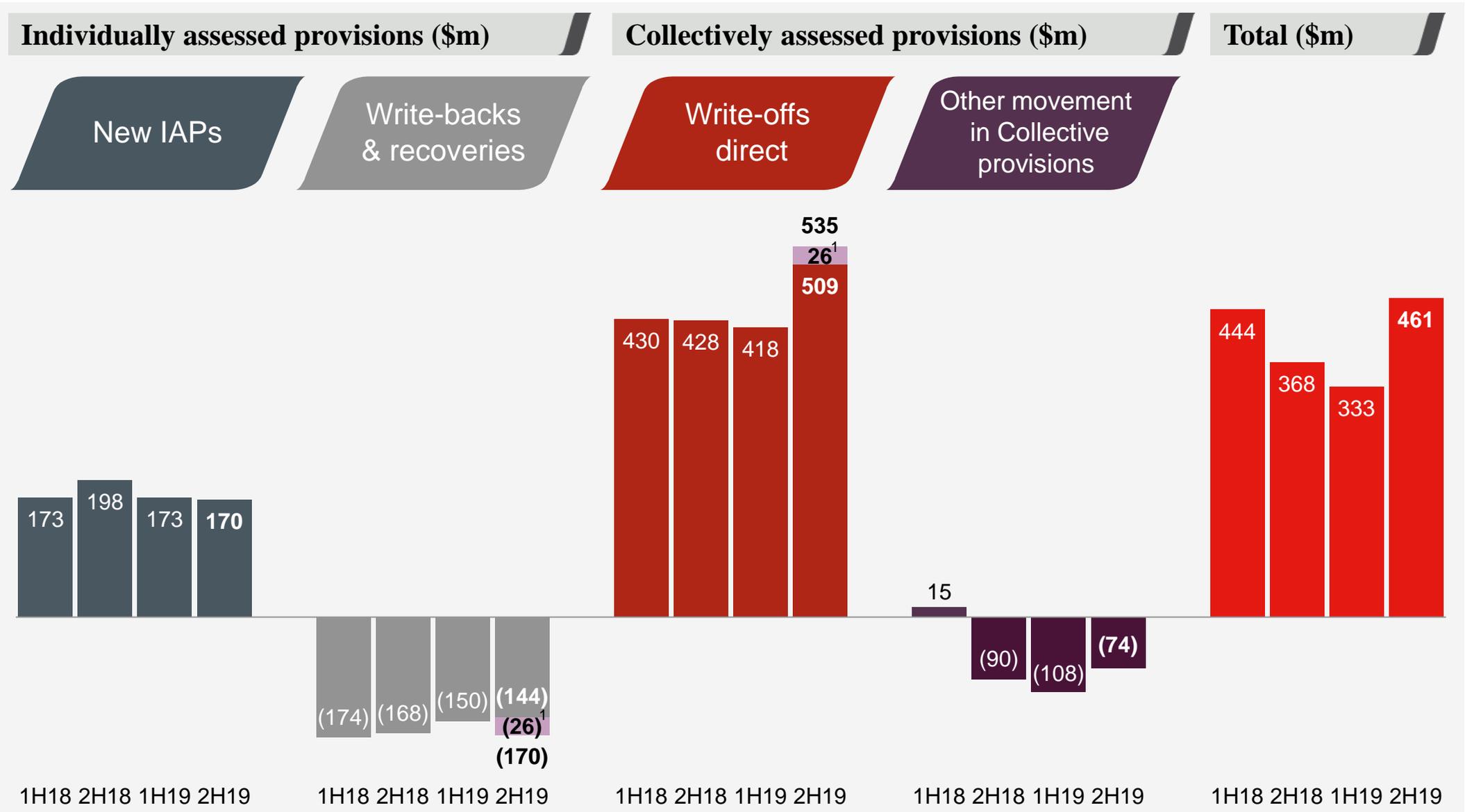


## Properties in possession (number)



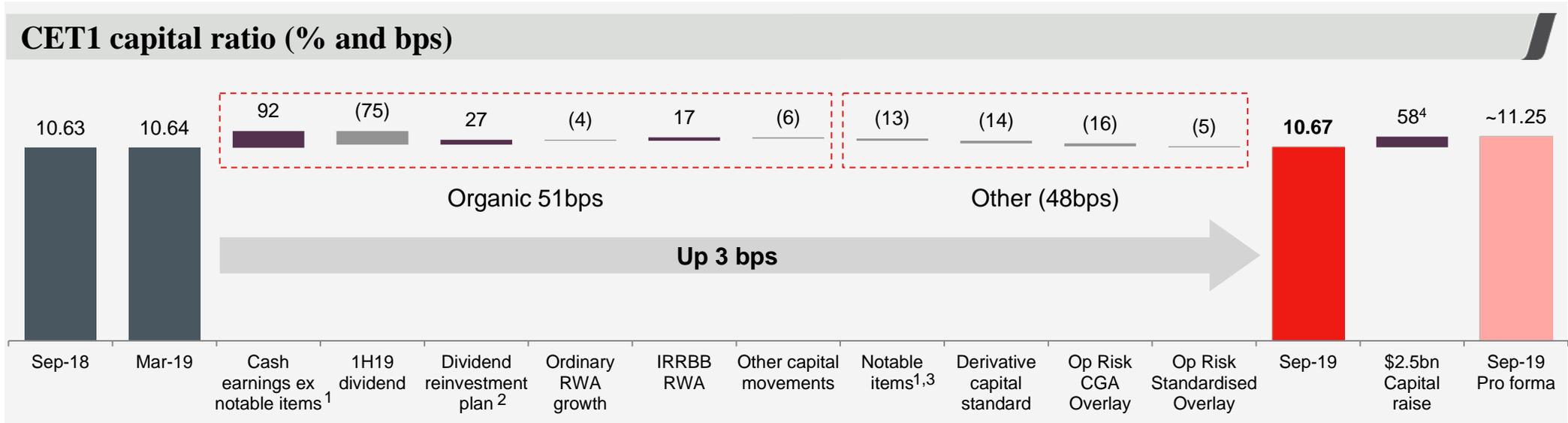
<sup>1</sup> Including offset balances. <sup>2</sup> Net of reinsurance costs.

# 2H19 Impairment charge 13bps of gross loans

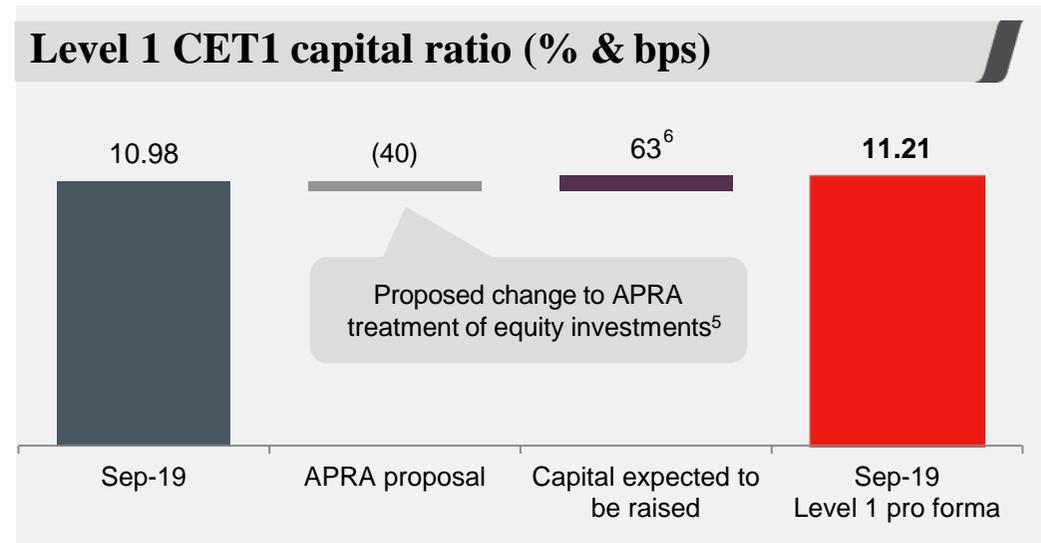


<sup>1</sup> Gross-up of write-offs.

# CET1 ratio 10.67%



- ### Considerations
- Further clarity on revised capital frameworks expected 2019/20
  - Impact of AASB16 adoption 1 October 2019 (8bps)
  - Well positioned for proposed change to APS111<sup>5</sup> with pro forma Level 1 CET1 of 11.21%



1 Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions. 2 Dividend reinvestment plan (DRP) reflects 1.5% discount applied for Interim 2019 dividend. 3 The impact of notable items on the CET1 ratio includes capital deduction for the associated deferred tax assets. 4 58 basis point increase reflects the impact of the Underwritten Placement \$2.0bn and assumes the SPP raises \$500m. 5 "Revisions to APS 111 Capital Adequacy: Measurement of Capital" released on 15 October 2019. For this purpose equity investments includes Additional Tier 1 and Tier 2 capital. 6 63 basis point increase reflects the Level 1 impact of the underwritten \$2.0bn Placement and assumes the SPP raises \$500 million after allowing for the change to risk weights from the proposed change to APS 111.

# Considerations for FY20<sup>1</sup>

<b>Average lending</b>	<ul style="list-style-type: none"> <li>• Average lending expected to be relatively flat over FY20 as a likely decline in mortgage balances in 1H20 is offset by expected growth in 2H20</li> </ul>
<b>Net interest margin (excl. Treasury &amp; Markets and notable<sup>2</sup> items)</b>	<ul style="list-style-type: none"> <li>• Margin for September 2019 (exit margin) of 2.04%<sup>3</sup> (2H19 margin of 2.07%)</li> </ul>
<b>Non-interest income (excluding notable items )</b>	<ul style="list-style-type: none"> <li>• Banking fees expected to reflect modest loan growth and impact of regulatory changes to credit cards</li> <li>• Wealth management and insurance income likely to be lower in FY20 from             <ul style="list-style-type: none"> <li>– Exit of financial planning business ~\$50m decline</li> <li>– Industry/legislative change including, Protecting Your Super legislation, corporate super migration, and platform margins (pricing &amp; lower cash rates) ~\$100m</li> <li>– Insurance income dependent on claims experience and lapse rates</li> </ul> </li> <li>• Any sales of non-current assets in FY20 unlikely to realise material gains (FY19 ~\$100m pre tax)</li> </ul>
<b>Impairment charges</b>	<ul style="list-style-type: none"> <li>• Impairment charges remained low in FY19 at 11bps of average gross loans, FY20 impairments to reflect economic environment</li> </ul>

<sup>1</sup> The information on this slide contains 'forward-looking statements' and statements of expectation reflecting Westpac's current views with respect to future events. They are subject to change without notice and certain risks, uncertainties and assumptions which are, in many instances, beyond its control. They have been based upon management's expectations and beliefs concerning future developments and their potential effect upon Westpac. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may differ materially from those expressed or implied in such statements. Investors should not place undue reliance on forward-looking statements and statements of expectation. Except as required by law, Westpac is not responsible for updating, or obliged to update, any matter arising after the date of this presentation. The information in this slide is subject to the information in Westpac's ASX filings, including its 2019 Annual Report, and elsewhere in this presentation. <sup>2</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions. <sup>3</sup> Margin for month of September 2019.

# Considerations for FY20<sup>1</sup>... continued

FY20 expenses are expected to be 1% higher, excluding potential notable<sup>2</sup> items (based on FY19 expenses excluding notable<sup>2</sup> items of \$9,570m)

## Increase in amortisation

- Increase in amortisation of capitalised software of ~\$170m expected in FY20 following the rise in capitalised software and new systems becoming operational. The largest contributor is the Customer Service Hub

## Higher compliance/risk spend

- Reflecting the Group's emphasis on strength, and a focus on enhancing Westpac's compliance/risk management processes; related operational expenses are expected to rise by ~\$245m. Includes costs related to risk management, compliance, financial crime and complaints management
- This investment is expected to lead to a more efficient and effective risk environment and, while higher spending will remain in FY21, cost reductions are expected thereafter

## Productivity offsets

- Expecting ~\$500m in productivity in FY20, up 23% from the \$405m in FY19
- Exit of financial planning business and Wealth reset expected to reduce expenses by ~\$200m in FY20

<sup>1</sup> The information on this slide contains 'forward-looking statements' and statements of expectation reflecting Westpac's current views with respect to future events. They are subject to change without notice and certain risks, uncertainties and assumptions which are, in many instances, beyond its control. They have been based upon management's expectations and beliefs concerning future developments and their potential effect upon Westpac. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may differ materially from those expressed or implied in such statements. Investors should not place undue reliance on forward-looking statements and statements of expectation. Except as required by law, Westpac is not responsible for updating, or obliged to update, any matter arising after the date of this presentation. The information in this slide is subject to the information in Westpac's ASX filings, including its 2019 Annual Report, and elsewhere in this presentation. <sup>2</sup> Notable items include provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the Group's wealth business. For further details see slide 41. Each remediation program has its own methodology. These methodologies and estimates may change over time as further facts emerge and may require additional provisions.

# **Brian Hartzer** Chief Executive Officer



- Economic activity expected to improve through the year but remain subdued (GDP growth ending calendar 2020 at 2.4%)
- Housing expected to continue its recovery in Sydney and Melbourne
- Expect credit to increase moderately across both business and consumer
- Interest rates expected to go lower
- Some regulatory uncertainty remains – expecting more clarity through 2020, particularly on capital
- Continue to expect further remediation provisions/costs and possible litigation or regulatory actions

# Building a bank for the future

## Key service factors

## Westpac position

### Scale & strength

- Navigate economic cycle
- Maintain funding sources
- Spread cost of technology and compliance

- Number 1 or 2 across all key segments<sup>1</sup>
- 14.2m customers
- Credit ratings<sup>2</sup> AA-/Aa3/AA-
- Unquestionably strong capital

### Brand & service

- Strong and trusted brands
- Ability to sustain marketing investment
- High service quality

- National and regional brands
- Strong and improving NPS position

### People & culture

- Economics of skill in technology, risk and analytics
- High quality, engaged and diverse workforce

- 71% employee commitment; #1 on LinkedIn<sup>3</sup>
- Strong service ethos
- Strengthening risk capability

### Technology

- Modern, efficient, scalable platforms
- Superior data capability
- APIs and partnering

- Reinvention and direct fintech partnerships
- Digital bank capability (expected investment in 10x)

<sup>1</sup> As measured by MFI market share. <sup>2</sup> S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. <sup>3</sup> LinkedIn most desired employers in Australia.

# Measures of success

## Performance disciplines

### 2020

- ~\$500m in productivity savings (\$700m including Wealth Reset)
- Restore mortgage growth to ~1X system<sup>1</sup>
- Further reshape network
- Navigate low interest rate environment

### Aspiration

- <40% Cost to income ratio

## Service leadership

- Extend lead in business NPS
- Close gap to #1 in consumer

- #1 NPS of major bank peers across all segments

## Digital transformation

- Roll out Customer Service Hub (CSH) to regional brands and brokers
- New mobile banking app
- Launch Phase 2 of Open Banking
- Increase digital sales to 45%

- All consumer products on CSH
- Extend partnerships to deliver new and enhanced services
- Complete infrastructure renewal (networks, data, cloud)

<sup>1</sup> By September 2020.



Financial results throughout this presentation are in Australian dollars and are based on cash earnings unless otherwise stated. Refer page 42 for definition. Results principally cover the 2H19, 1H19 and 2H18 periods. Comparison of 2H19 versus 1H19 (unless otherwise stated)



# Westpac Group at a glance: Australia's First Bank

WBC  
listed on  
ASX & NZX

WBK  
LISTED  
NYSE

Strategy | 36

- In its 203<sup>rd</sup> year, Australia's first bank and first company, opened 1817
- Australia's 2nd largest bank and 20<sup>th</sup> largest bank in the world; ranked by market capitalisation<sup>1</sup>
- Well positioned across key markets with a service-led strategy focused on customers
- 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 across consumer, business and institutional banking, and wealth administration
- One of the more efficient banks globally<sup>2</sup>
- Capital ratios are in the top quartile globally, with sound credit quality
- Credit ratings<sup>3</sup> AA- / Aa3 / AA-
- Leader in sustainability<sup>4</sup>

## Four operating divisions

<b>Consumer</b>	 	 	 	
<b>Business</b>	 	 	 	
<b>Westpac Institutional Bank (WIB)</b>	 		 	

## Key statistics at 30 September 2019

Customers	14.2m
Australian household deposit market share <sup>5</sup>	22%
Australian mortgage market share <sup>6</sup>	23%
Australian business credit market share <sup>6</sup>	17%
New Zealand deposit market share <sup>7</sup>	18%
New Zealand consumer lending market share <sup>7</sup>	18%
Australian wealth platforms market share <sup>8</sup>	18%

## Key financial data for Full Year 2019

Reported net profit after tax	\$6,784m
Cash earnings	\$6,849m
Expense to income ratio <sup>9</sup>	48.6%
Common equity Tier 1 capital ratio (APRA basis)	10.7%
Return on equity <sup>9</sup>	10.7%
Total assets	\$907bn
Market capitalisation <sup>10</sup>	\$103bn

1 30 September 2019 Source: S&P Capital IQ, based in US\$. 2 Credit Suisse analysis of expense to income ratio of world's largest banks October 2019. 3 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings and Moody's Investor Services have Westpac on a stable outlook. Fitch Ratings have Westpac on a negative outlook. 4 A member of banking sector leadership group DJSI World, since 2002. Ranked leader in Sustainability ESG Rating. 5 APRA Banking Statistics, September 2019. 6 RBA Financial Aggregates, September 2019. 7 RBNZ, September 2019. 8 Strategic Insights July 2019, All Master Funds Admin. 9 Cash earnings basis. 10 Based on share price at 30 September 2019 of \$29.64.

## Our Vision

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

## Strategic Priorities



### Customer Franchise

- Great customer outcomes
- Differentiated brand portfolio
- Strong loyal customer base
- Motivated employees
- Supported communities



### Performance Discipline

- **Strength** - a point of differentiation
- **Return** – ahead of peers
- **Productivity** – < 40% cost to income
- **Growth** – highly targeted



### Digital Transformation

- Leading digital platforms and experience
- Superior data infrastructure capability
- More digitally active customers
- Streamline and simplify processes
- Build and strengthen digital partnerships

## 2020 Focus areas



### Deal with outstanding issues

- Finalise existing remediation
- Implement Royal Commission and CGA self-assessment recommendations
- Close outstanding legal/regulatory issues
- Improve regulatory and compliance processes and controls



### Structural productivity

- \$500m of productivity savings
- Further reshape the network branches/ATMs/digital



### Reshape the business

- Simplify product set
- Reshape organisational design and enhance ways of working
- Complete roll-out of Customer Service Hub
- Complete infrastructure renewal (networks, data, cloud)



### Service

- Extend NPS lead in business
- Close NPS gap to #1 in consumer
- Further enhance service culture

## Deal with outstanding issues

- Reset Wealth:
  - Exited personal financial advice by Westpac Group planners and authorised representatives and moving to a referral model
  - Restructured BTFG businesses into Consumer and Business divisions
- Raised provisions for Advice customer remediation in FY19 for:
  - Salaried advisers of \$137m (after tax)
  - Authorised representatives of \$428m (after tax)
- Centralised oversight of customer remediation into remediation hub. Paid \$248m to customers in FY19
- Implemented 11 Royal Commission recommendations and 40% of CGA self-assessment recommendations

## Momentum in customer franchise<sup>2</sup>

- Increased Australian banking customer numbers by 124k to 11.2m over FY19
- Number 1 in Net Promotor Score (NPS) for business customers and Number 2 for consumer customers<sup>3</sup> for most of FY19
- Australian NPS
  - Consumer NPS<sup>3</sup> -7.3 (down 0.5 pts on Sep 18)
  - Business NPS<sup>3</sup> -4.5 (up 8.4 pts on Sep 18)
- NZ NPS
  - Consumer NPS +5 (down 3 pts on Sep 18)
  - Business NPS +3 (up 3 pts on Sep 18)
- WIB NPS +51 (up 6 from Sep 18)
- Deepen relationships
  - #2 MFI<sup>4</sup> consumer market share (16.5%)
  - #2 MFI SME<sup>5</sup> market share (20.3%)
  - #1 MFI commercial market share (25.5%)
  - #1 in platform funds under administration<sup>6</sup> (18%)
  - 87 of top 100 ASX companies bank with WIB
- Launched a range of new digital facilities
  - End-to-end digital mortgage in St.George
  - New chat-bot (Red)
  - Online pricing tool for term deposits
  - Real-time account opening in NZ (EasyID)
- Material improvement in complaints management

## Structural cost reduction

- \$405m in productivity savings delivered in FY19
- FTE
  - Reduced operating divisions from 5 to 4
  - FTE 5% lower over the year
- Continued reshaping of distribution network
  - Removed 375 ATMs across the Group
  - Entered an agreement to sell most of the Group's offsite ATMs in Australia
  - Rationalised 61 branches across the Group
  - Converting India branch to rep office
- Migrated activity to digital
  - 55% of accounts now use eStatements
  - >195k mortgages settled via eConveyancing
  - 112 WIB customers now use Corporate Lending Portal
- Improvements in major platforms
  - Customer service hub (CSH) operational in Westpac brand in FY19
  - Additional functionality on Panorama with advanced reporting and eSignatures
  - Real time payments on NPP were enabled for the majority of Westpac Group customers. Westpac processes over 40% of all NPP payments (by value)

1 Progress over FY19 unless otherwise noted. 2 Refer to pages 153 and 154 for metric definitions and details of metric provider. 3 Australian NPS is August 2019. 4 Main financial institution. 5 Refers to Total SME. 6 Strategic Insights June 2019. All Master Funds Admin.

## Strong strategic position – consistent strategy

- No. 1 or 2 position across key markets<sup>1</sup> – all divisions well placed
- Unique portfolio of brands, reaching more customers
- Strategic position in platforms and insurance
- No material non-core businesses

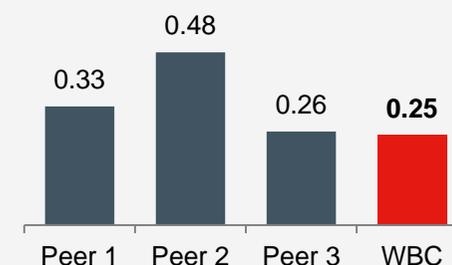
## Sustainability leadership

- First Australian bank to:
  - Sign Equator Principles (2003)
  - Commit to 2 degree economy (2014)
- Public support for Taskforce on Climate-related Financial Disclosures (TCFD) recommendations (2017)
- Foundation member of United Nations Environment Program Finance Initiatives Principles for Responsible Banking (2018)
- Member of global banking leadership group in Dow Jones Sustainability Index since 2002; sector leader 11 times; ranked #1 in Australia in Financial Services in 2019, #9 globally

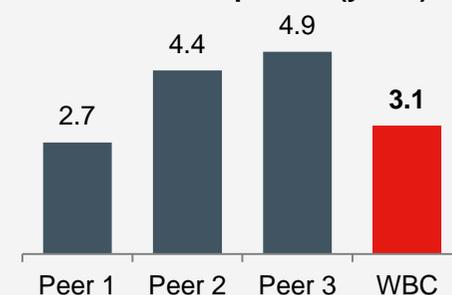
## Conservative financial management

- Strong credit quality with low impaired assets to gross loans
- Capital ratios at top end of banks globally
- Provision cover at upper end of peers
- Balance sheet weighted to mortgages
- Disciplined amortisation of capitalised software
- Only SEC registered Australian Bank – Sarbanes Oxley certifications

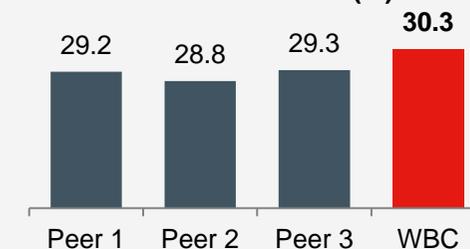
### Impaired assets to gross loans<sup>2</sup> (%)



### Capitalised software average amortisation period<sup>2</sup> (years)



### Effective tax rate<sup>2</sup> (%)



<sup>1</sup> As measured by market share or MFI share. <sup>2</sup> Peer 1 and 2 are on continuing operations basis. Peer 1 and 2 based on FY19 results as reported, Peer 3 based on 1H19 results as reported.



# Notable items in FY19 and FY18

In FY19 and FY18, the Group raised certain provisions known throughout this document as “notable items” which relate to the following:

## Customer remediation

Provisions of \$958 million (after tax) in FY19, \$281 million in FY18. The majority of the provisions relate to remediation programs for:

- Certain ongoing advice service fees associated with the Group’s salaried financial planners and authorised representatives
- Refunds for certain customers that had interest only loans that did not automatically switch, when required, to principal and interest loans
- Refunds to certain business customers who were provided with business loans where they should have been provided with loans covered by the *National Consumer Credit Protection Act*
- Other items as part of our get it right, put it right initiative

## Wealth reset

In March 2019, the Group announced its decision to reset its Wealth business. In FY19, provisions for restructuring and transition costs were \$241 million (after tax \$172 million)

FY19 notable items (\$m)	Remediation				Wealth reset	Group
	Consumer	Business	NZ	GB <sup>1</sup>	GB <sup>1</sup>	
Net interest income	(85)	(246)	(13)	-	-	(344)
Non-interest income	(2)	(55)	(4)	(759)	-	(820)
Expenses	25	(87)	(15)	(143)	(241)	(461)
Core earnings	(62)	(388)	(32)	(902)	(241)	(1,625)
Impairment charges	-	-	-	-	-	-
Tax and non-controlling interests	29	118	9	270	69	495
<b>Cash earnings</b>	<b>(33)</b>	<b>(270)</b>	<b>(23)</b>	<b>(632)</b>	<b>(172)</b>	<b>(1,130)</b>

FY18 notable items (\$m)	Remediation				Wealth reset	Group
	Consumer	Business	NZ	GB <sup>1</sup>	GB <sup>1</sup>	
Net interest income	(99)	-	(2)	(4)	-	(105)
Non-interest income	(12)	-	(11)	(140)	-	(163)
Expenses	(39)	(5)	(3)	(65)	-	(112)
Core earnings	(150)	(5)	(16)	(209)	-	(380)
Impairment charges	-	-	-	-	-	-
Tax and non-controlling interests	36	-	4	59	-	99
<b>Cash earnings</b>	<b>(114)</b>	<b>(5)</b>	<b>(12)</b>	<b>(150)</b>	<b>-</b>	<b>(281)</b>

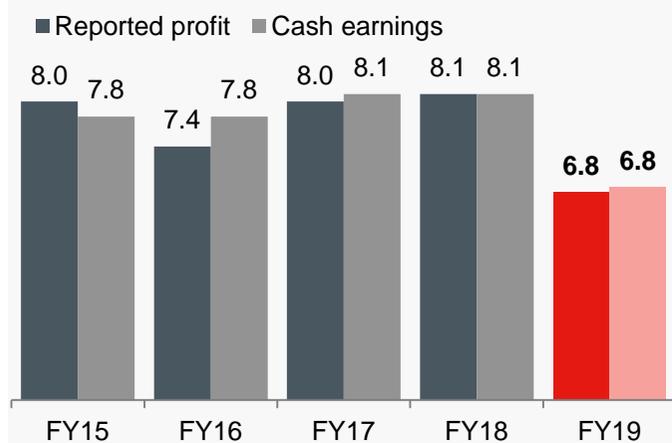
<sup>1</sup> Group Businesses.

# Cash earnings and reported net profit reconciliation

## Cash earnings<sup>1</sup> 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 15 years 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 the Westpac Group believe do not reflect the Group's operating performance
  - 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)



	FY19 (\$m)	% chg FY19-FY18	% chg 2H19-1H19
Cash earnings	6,849	(15)	8
Cash EPS (cents)	198.2	(16)	7
Reported net profit	6,784	(16)	14
Reported EPS (cents)	196.5	(17)	13

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

	FY18	FY19
<b>Reported net profit</b>	8,095	6,784
Amortisation of intangible assets	17	–
Fair value (gain)/ loss on economic hedges	(126)	35
Ineffective hedges	13	(20)
Adjustments related to Pental Group (formerly BTIM)	73	45
Treasury shares	(7)	5
<b>Cash earnings</b>	<b>8,065</b>	<b>6,849</b>

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 page 42.

	FY19	Change FY19- FY18	Change 2H19- 1H19
<b>Earnings<sup>1</sup></b>			
Earnings per share (cents)	198.2	(16)	7
Core earnings (\$m)	10,624	(15%)	10%
Cash earnings (\$m)	6,849	(15%)	8%
Return on equity (%)	10.8	(225bps)	63bps
Dividend (cents per share)	80	(15%)	(15%)
Expense to income ratio (%)	48.6	481bps	(261bps)
Net interest margin (%)	2.12	(10bps)	1bp
<b>Credit quality</b>			
Impairment charges to average gross loans (bps)	11	(1bp)	4bps
Impaired assets to gross loans (bps)	25	5bps	1bp
Impaired provisions to impaired assets (%)	44.9	(120bps)	(82bps)

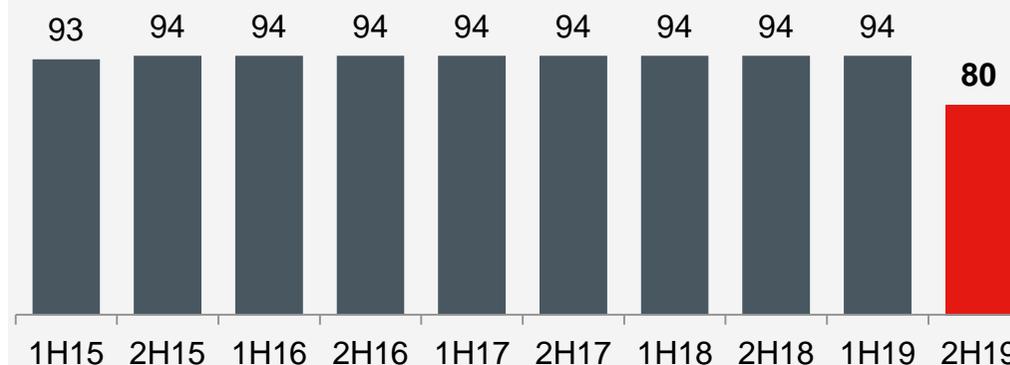
	FY19	Change FY19- FY18	Change 2H19- 1H19
<b>Balance sheet</b>			
Total assets (\$bn)	906.6	3%	2%
Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)	10.7	4bps	3bps
CET1 capital ratio (Internationally comparable <sup>2</sup> ) (%)	15.9	(29bps)	(32bps)
CET1 capital (\$bn)	45.8	1%	2%
Risk weighted assets (\$bn)	429	1%	2%
Loans (\$bn)	714.8	1%	–
Customer deposits (\$bn)	524.5	1%	3%
Net tangible assets per share (\$)	15.36	–	2%
<b>Funding and liquidity</b>			
Customer deposit to loan ratio (%)	73.4	43bps	175bps
Net stable funding ratio (%)	112	(2ppts)	(1ppt)
Liquidity coverage ratio (%)	127	(9ppts)	(6ppts)
Total liquid assets <sup>3</sup> (\$bn)	169.9	11%	12%

1 All measures on a cash earnings basis. 2 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. 3 Total liquid assets represent cash, interbank deposits and assets eligible for existing repurchase agreements with a central bank.

## Dividend considerations

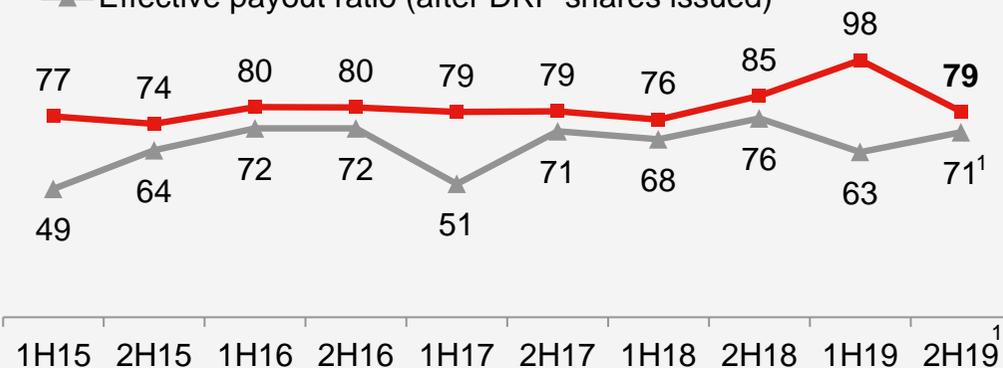
- Reset the dividend given capital raising, increase in shares on issue and lower earnings
- Sustainability of the payout ratio over the medium term
- 2H19 payout ratio (ex notable items) 71%

## Dividends per ordinary share (cents)



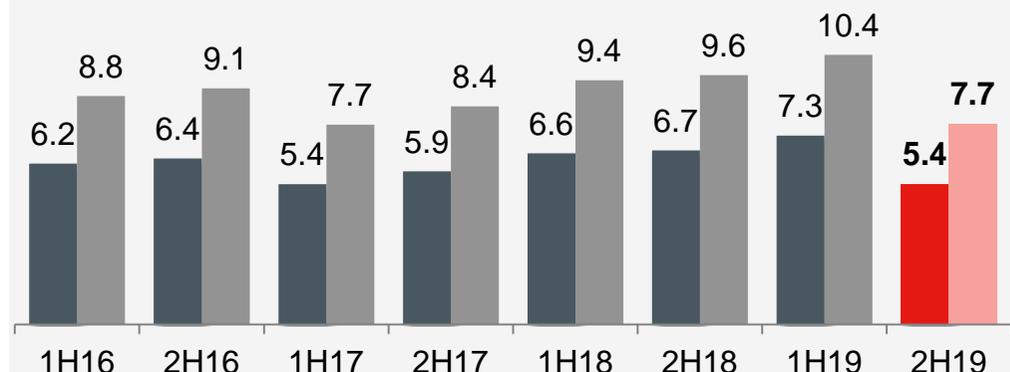
## Dividend payout ratio (%)

- Payout ratio (cash earnings basis)
- Effective payout ratio (after DRP shares issued)



## Ordinary dividend yield<sup>2</sup> (%)

- Ordinary yield
- Including franking

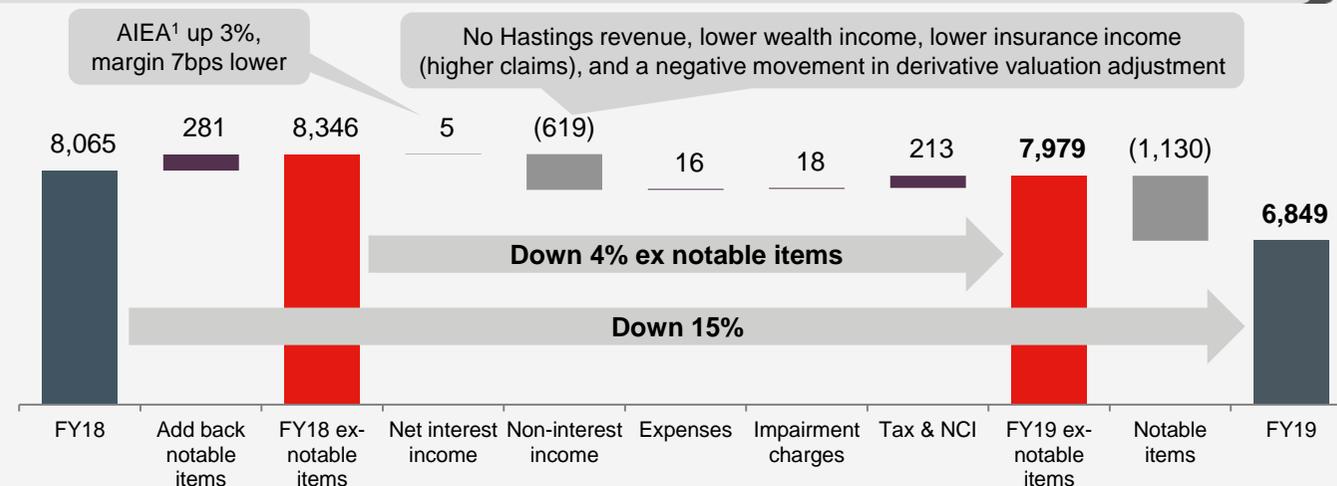


<sup>1</sup> 10% DRP participation rate assumed. <sup>2</sup> Yield based on closing price as at 31 March or 30 September respectively.

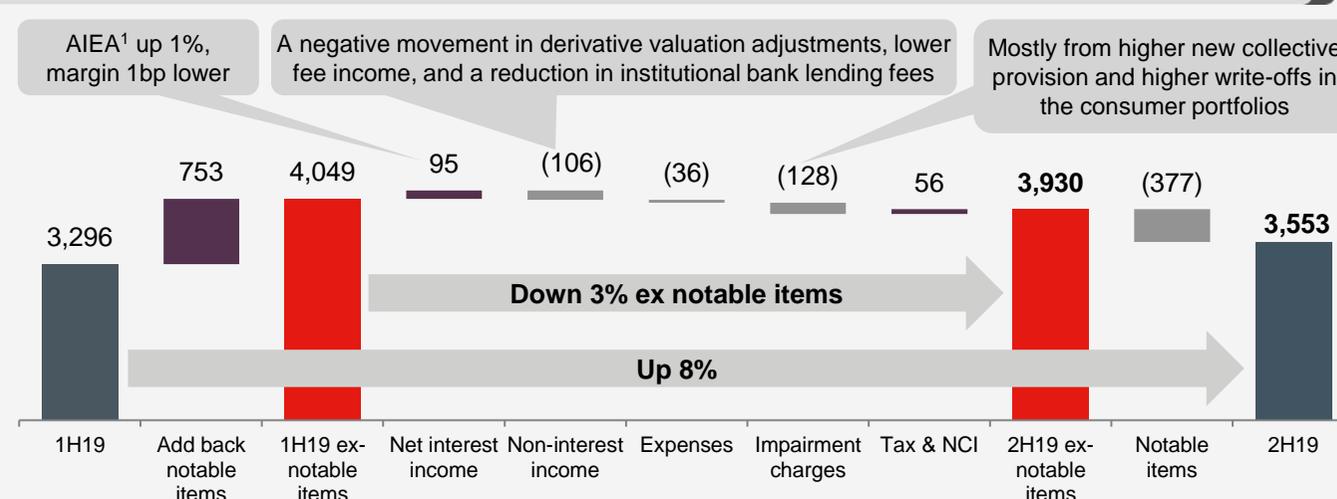
# FY19 cash earnings impacted by notable items of \$1,130m

	FY19 \$m	% Change FY19- FY18	% Change 2H19- 1H19
Net interest income	16,953	(1)	2
Non-interest income	3,702	(26)	16
Expenses	(10,031)	3	(1)
Core earnings	10,624	(15)	10
Impairment charges	(794)	(2)	38
Tax and non-controlling interests (NCI)	(2,981)	(17)	8
<b>Cash earnings</b>	<b>6,849</b>	<b>(15)</b>	<b>8</b>
Add back notable items (after tax)	1,130	Large	(50)
<b>Cash earnings ex notable items</b>	<b>7,979</b>	<b>(4)</b>	<b>(3)</b>
<b>Reported net profit</b>	<b>6,784</b>	<b>(16)</b>	<b>14</b>

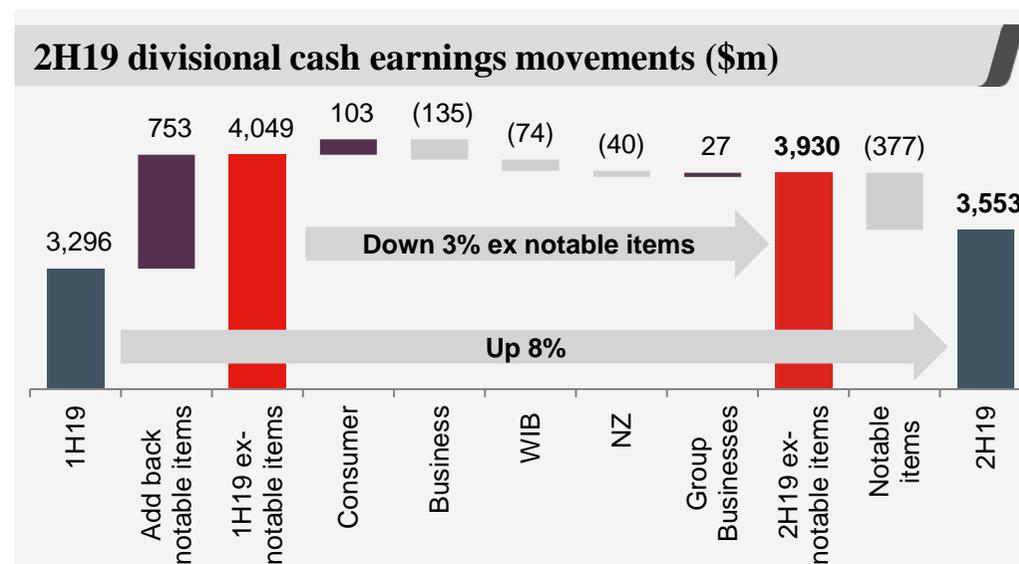
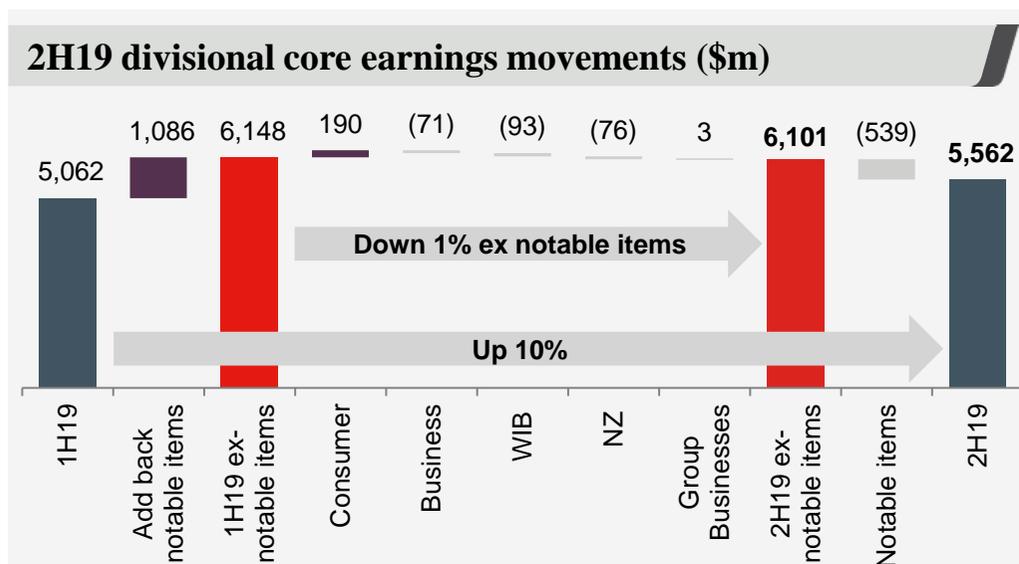
## Cash earnings features of FY19 – FY18 (\$m)



## Cash earnings features of 2H19 – 1H19 (\$m)



<sup>1</sup> Average interest-earning assets.



2H19 (\$m)	Consumer	Business	WIB	NZ	Group Businesses	Group
Operating income	4,644	3,293	1,310	1,104	201	10,552
Expenses	(1,931)	(1,430)	(631)	(486)	(512)	(4,990)
Core earnings	2,713	1,863	679	618	(311)	5,562
Impairment (charges)/benefits	(313)	(198)	(31)	24	57	(461)
Tax & non-controlling interests	(719)	(501)	(178)	(181)	31	(1,548)
<b>Cash earnings</b>	<b>1,681</b>	<b>1,164</b>	<b>470</b>	<b>461</b>	<b>(223)</b>	<b>3,553</b>
<b>% of Group cash earnings</b>	<b>47%</b>	<b>33%</b>	<b>13%</b>	<b>13%</b>	<b>(6%)</b>	<b>100%</b>

<sup>1</sup> Refer to division definitions, page 150.

# More customers, deeper relationships and strong balance sheet

## Grow customers

### Customer numbers (#m)

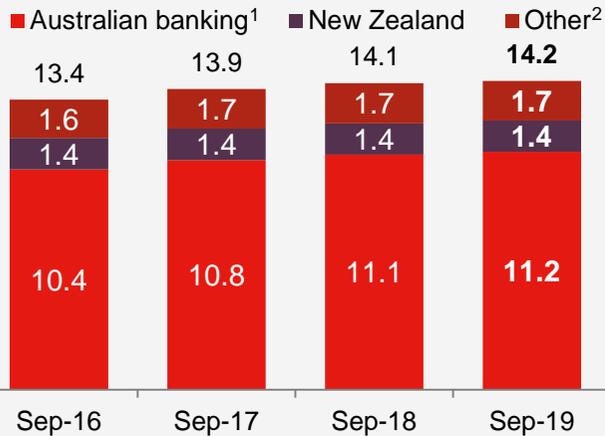
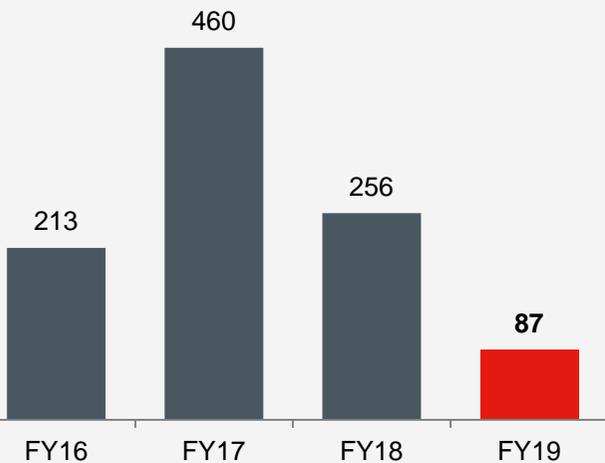


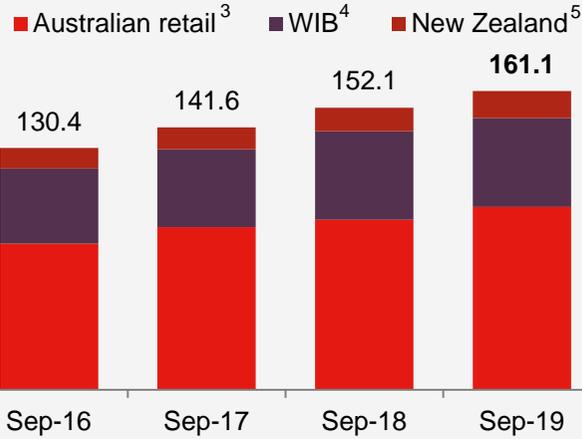
Chart may not add due to rounding

### Increase in customer numbers (#'000's)

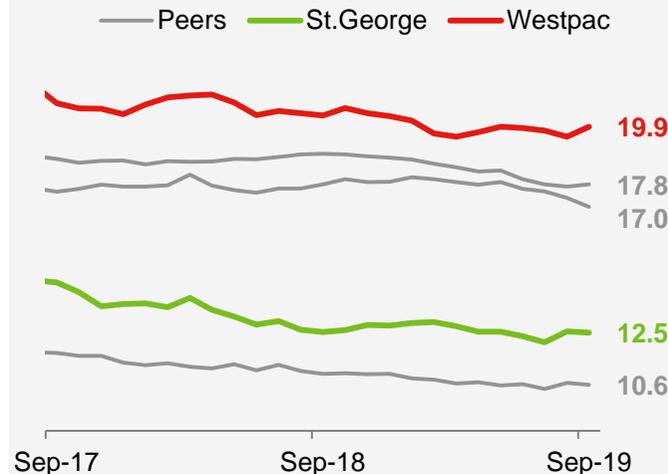


## Deepen relationships

### Transaction account balances (\$bn)

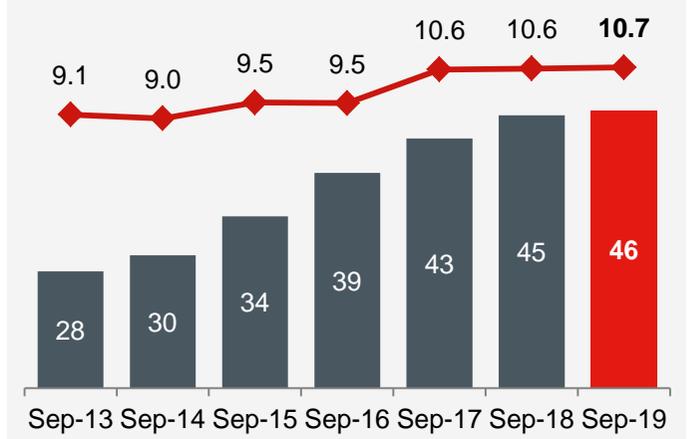


### Australian customers with a wealth product<sup>6</sup> (%)

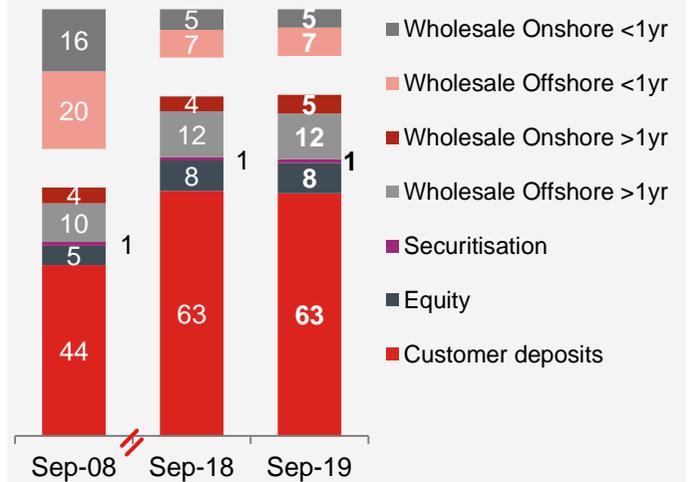


## Maintain balance sheet strength

### CET1 capital ratio (%) and capital (\$bn)

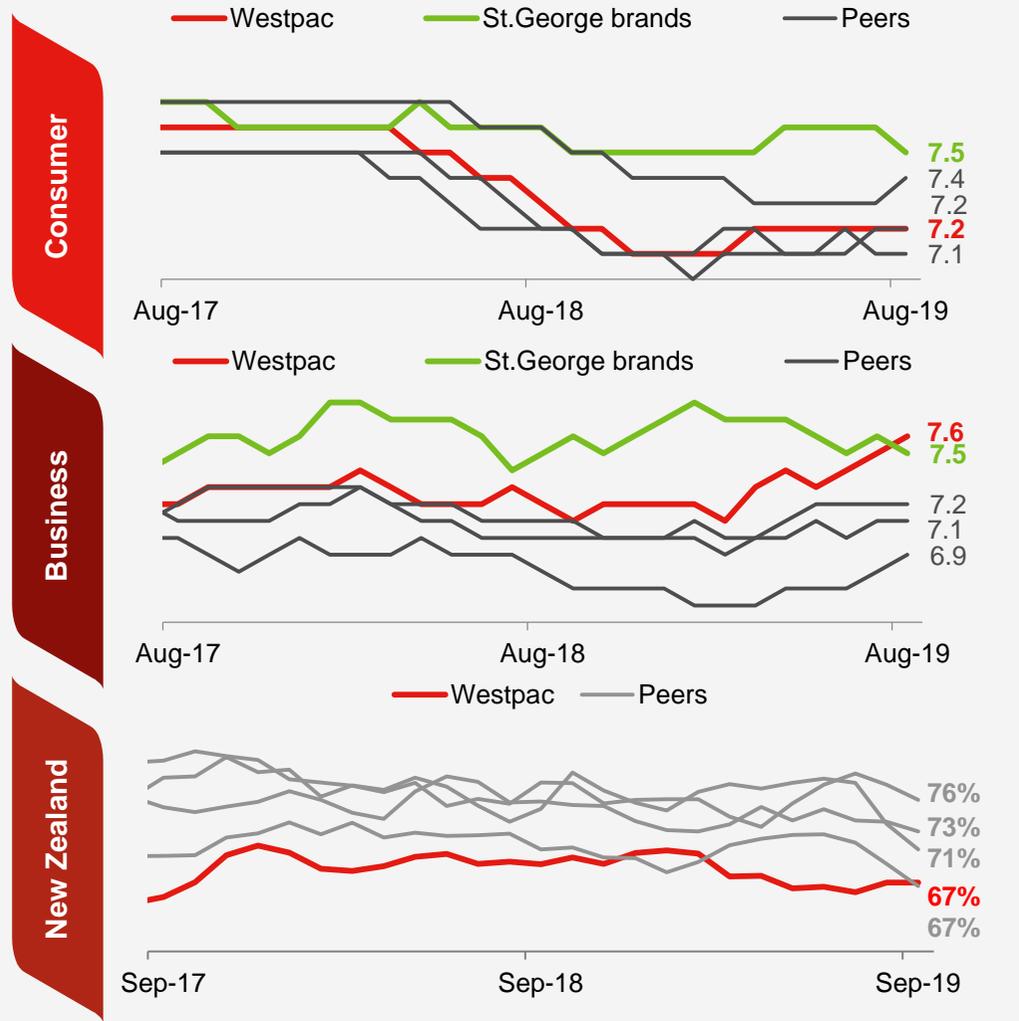


### Funding composition by residual maturity (%)

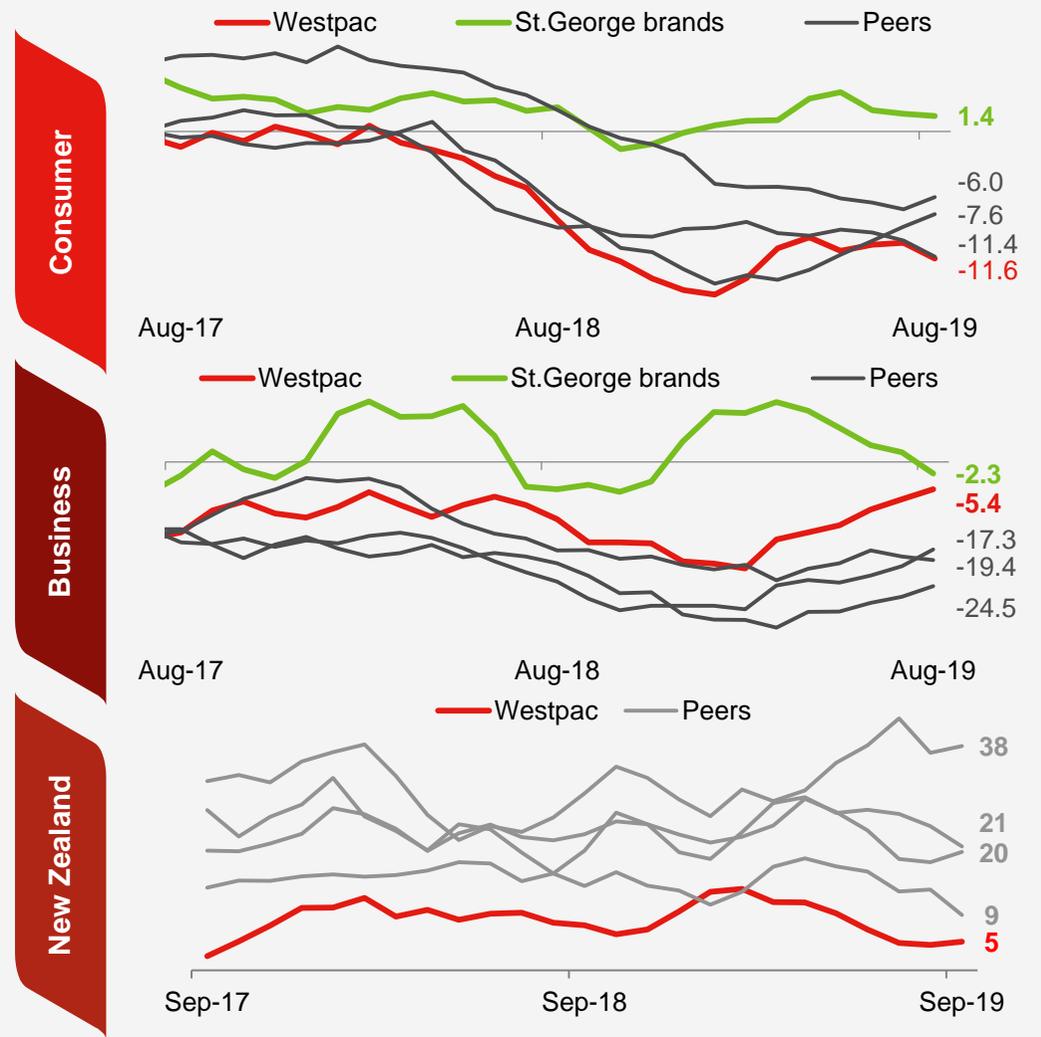


1 Australian banking refers to banking customers in Consumer and Business divisions. 2 Other includes Wealth, WIB and Westpac Pacific. 3 Australian retail refers to Consumer and Business divisions. Business includes Private Wealth. 4 WIB includes Group Businesses. 5 In A\$. 6 Refer to page 153 for details of metric provider.

## Customer satisfaction<sup>1</sup> Consumer and Business (mean), New Zealand (%)



## Net Promotor Score (NPS)



<sup>1</sup> Refer page 153 for metric definition and details of provider.

## Service leadership

- The **Navigate** program continues to embed 'Our Compass', providing our people with a consistent understanding of our code of conduct, values, service promise and vision. The program focuses on clarity around ethical behaviour and treatment of customers
- Simplified our 'Service Promise' to help guide employees in providing superior service and give them the tools to do so
- Motivate performance framework continues to drive a focus on behaviours and culture; including tying behaviours to remuneration outcomes



## Learning and development

- Over 2,130 leaders participated in leadership development programs in 2019, including 433 senior business leaders commencing the new Executive Edge Program in September
- Employees enrolled in over 360,000 courses on LearningBank, our learning platform. Employees obtained over 290 micro-credentials, in partnership with AGSM, Deakin University and Udacity with a further 380 currently studying for a micro-credential
- 750 employees completed the pilot of our Skills Mapping tool, helping them understand their skills and have more future focused development conversations

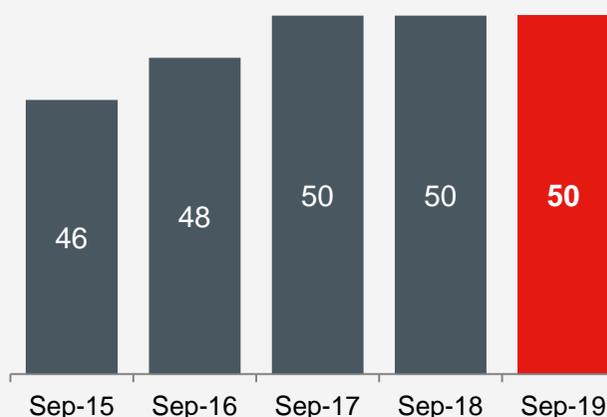
## Simplification

- Released PeopleHQ, a cloud based HR system, with improved position management and workforce controls, enabling tighter workforce management
- Continued organisation design reviews focusing on structural simplification to support productivity
- Increasing Agile transformation across the Group
  - Full implementation of agile ways of working in NZ
  - Extension of agile project methodologies and operating models, in particular, across Group Technology and Consumer Digital and Marketing
  - Implementation of agile flow to work model in HR as the template for support functions

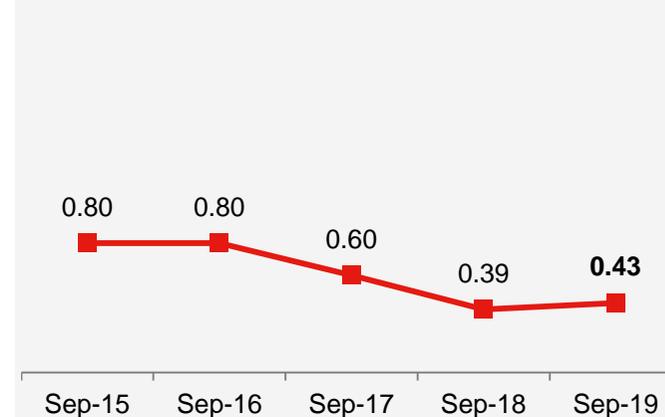
## Employee culture and commitment

- Employee commitment has remained stable in a challenging industry environment (71%)
- Monthly spot commitment results have trended up since May 2019 (70% and above), reflecting employee pride in the delivery of our strategy and progress made towards achieving the organisation's vision of becoming one of the world's great service companies
- The Culture Index<sup>1</sup>, a key measure of the health of the organisation's culture, also remains stable with a six month rolling average at 72%
- Continued to foster a culture where it is safe to speak up, including a dedicated 'Speaking Up Program', designed to provide our people with extra protections and confidence about raising concerns

## Women in Leadership positions<sup>2</sup> (%)



## LTIFR<sup>3</sup> (rolling 12 months) (#)



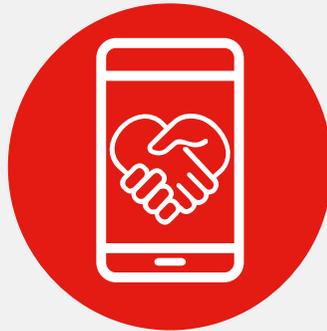
1 Culture Index measures four elements: trust and care, service orientation, agility and innovation, and risk culture. 2 Spot number at 30 September for each period. Refer page 154 for metric definition. 3 Lost time injury frequency rate.

## Secure and reliable



- Protecting both the Group and customers against security threats through digital solutions
- Ensuring customers have 24/7 access to core digital services
- Improving our IT systems operational resilience
- Leveraging data for credit decision making and better understanding of customers' needs

## Giving customers control



- Refining digital services to provide a superior experience
- Encouraging customers to take greater control of their financial health through self-serve and control features
- Creating new services to allow customers to manage their finances more easily

## Reducing cost to serve and cost to change



- Replacing aging infrastructure through projects such as Customer Service Hub, while also saving customers and bankers time
- Streamlining customer interactions and engagement through digital self service
- Shifting data storage to the cloud

## Investing in Fintech

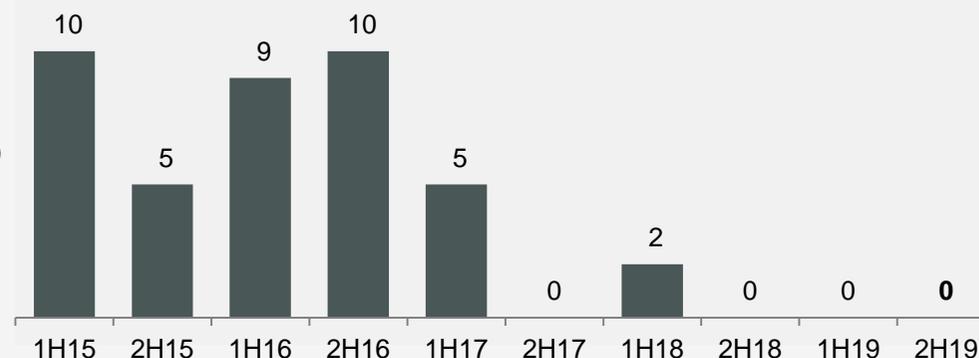


- Direct investment and investments via Reinventure, the Group's fintech venture capital fund
- Accessing insights and adjacent business opportunities
- Creating new commercial partnerships that generate value for customers
- Delivering new products for Westpac customers such as Presto Smart

## Strengthening technology infrastructure

- **Simpler modern core systems** through Customer Service Hub (CSH), Panorama, New Payments Platform (NPP) and cloud based human capital management system (PeopleHQ)
- A more **personalised, intelligent and autonomous digital experience** through next generation mobile application and real-time data and insight platform
- **Digitisation and automation** of operations to streamline process and strengthen control environment
- **Efficient and resilient group-wide infrastructure** through accelerating adoption of cloud
- A **maturing service management platform** to ensure the highest standard of availability and security across all customer services

## Severity 1 IT incidents (Australia)



## Protecting customers

- Two-factor SMS authentication
- Biometric fingerprint logon to mobile banking
- Encouraging customers to notify us of their travel plans to prevent unauthorised overseas transactions
- Malware indicator: inspecting online banking activities to identify if malicious software is present on a customer's device
- Dedicated scam assist team providing 24/7 support to customers and bankers. Has supported >2,000 customers since its launch in June 2019
- National Scam and Awareness seminars completed by branches to support community and help increase understanding and confidence to protect themselves from scams. Seminars also conducted for small business customers

## Detecting fraudulent / suspicious behaviour

Identifying fraudulent / suspicious behaviour quickly by implementing security solutions such as:

- **Real-time monitoring tools and Proactive Risk Manager:** Monitoring transactions real-time & identifying suspicious transactions in milliseconds so they can be held, declined or an alert raised for investigation. Customers are then notified and prompted for additional validation
- **Device ID:** Inspecting transaction devices to determine whether the customer is using a known device. Real time monitoring tools provide further validation if required



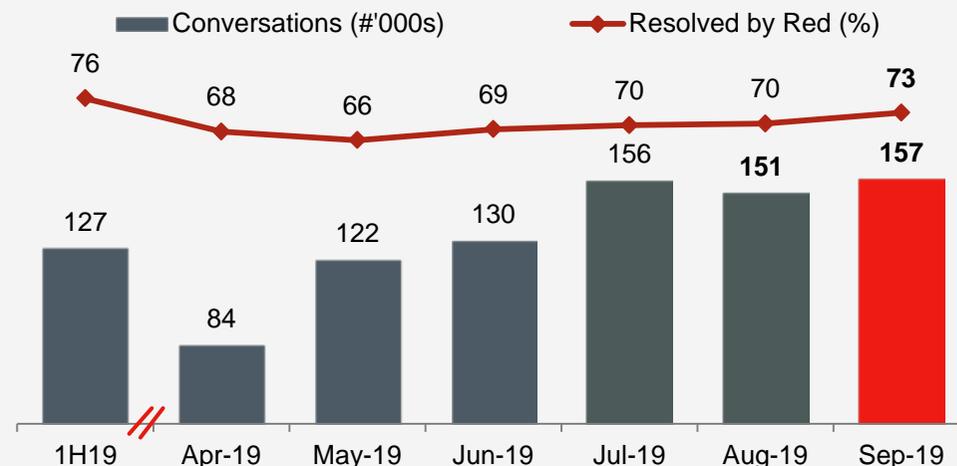
# Giving customers more control

## Customer control features

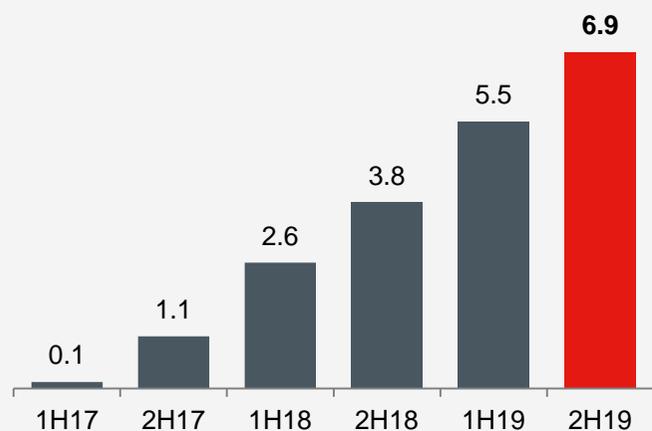
Continuing to develop and implement services which allow customers to control their finances including:

- Ability to lock and unlock lost cards online
- Ability to close/cancel credit card and reduce credit limits online
- Ability to place controls on spend with merchants identified as providing gambling services
- Online transaction history available for 13 months
- Historical statements, including for closed accounts
- Providing new payment methods through eWallet<sup>1</sup>
- Ability to obtain proof of balance

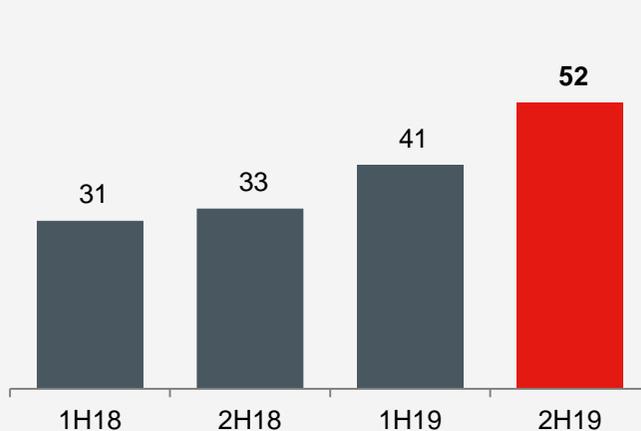
## Westpac Red interactions (AI chatbot)



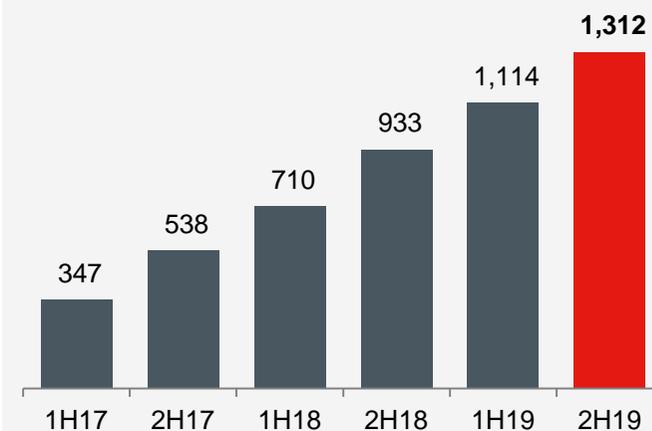
## eWallet transactions (#m)



## Online credit card limit reduction (# '000's)

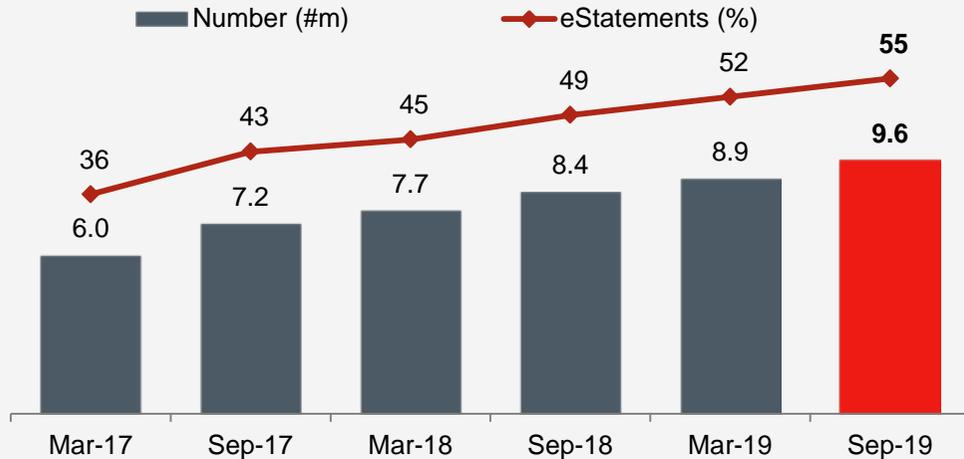


## Online card lock /unlock / closure (# '000's)



<sup>1</sup> eWallet include transactions via Android Pay, Fitbit Pay, Garmin Pay and Samsung Pay.

## Accounts with eStatements

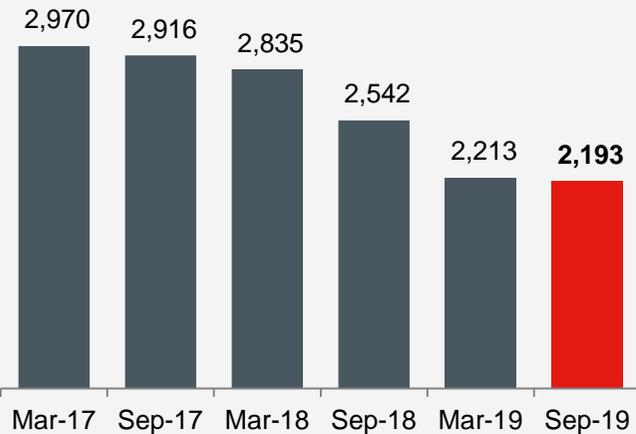


## Progress on key initiatives

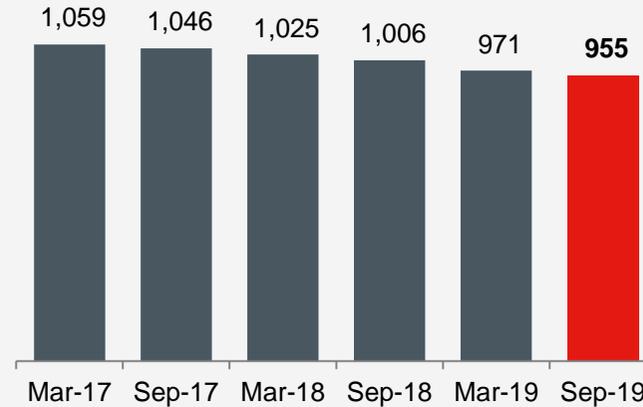
Digitising processes to improve productivity and enhance the customer experience

- More digital communication such as eConveyancing, eStatements, and eSignatures
- Decreasing physical presence and supporting customer preference for cashless transactions by providing different ways to pay (wearables, eWallet, etc)

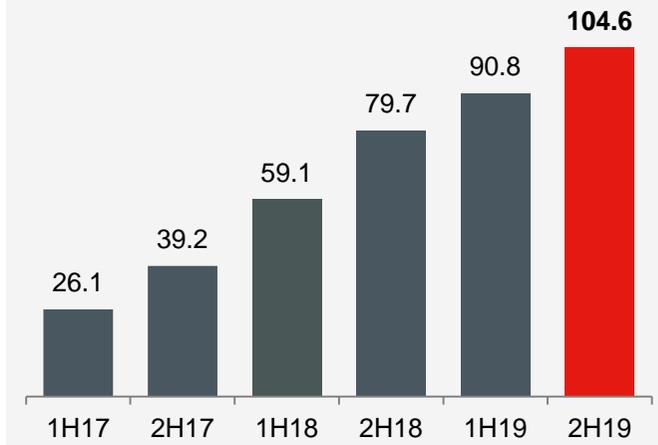
## Australian ATMs (#)



## Australian branches (#)



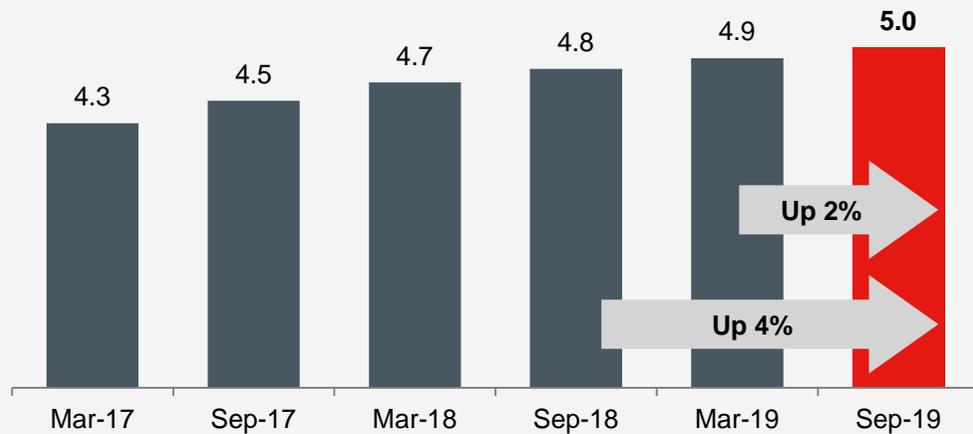
## eConveyancing<sup>1</sup> (#'000's)



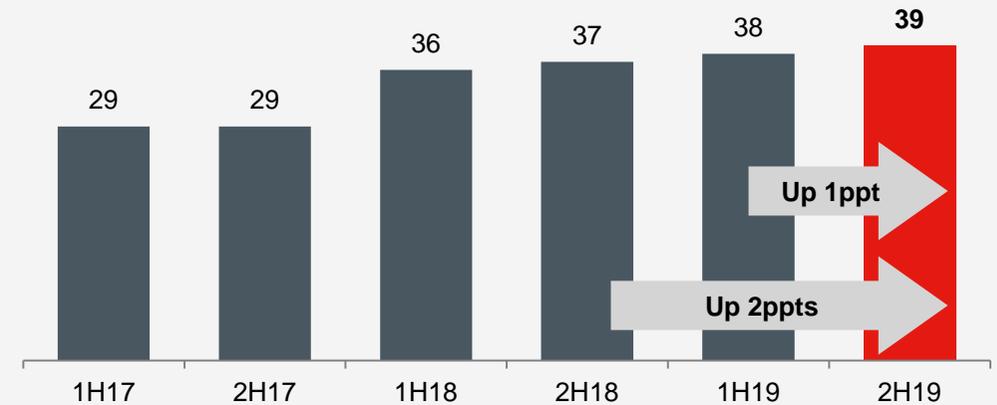
<sup>1</sup> Does not include RAMS.

# Customers preferring digital channels<sup>1</sup>

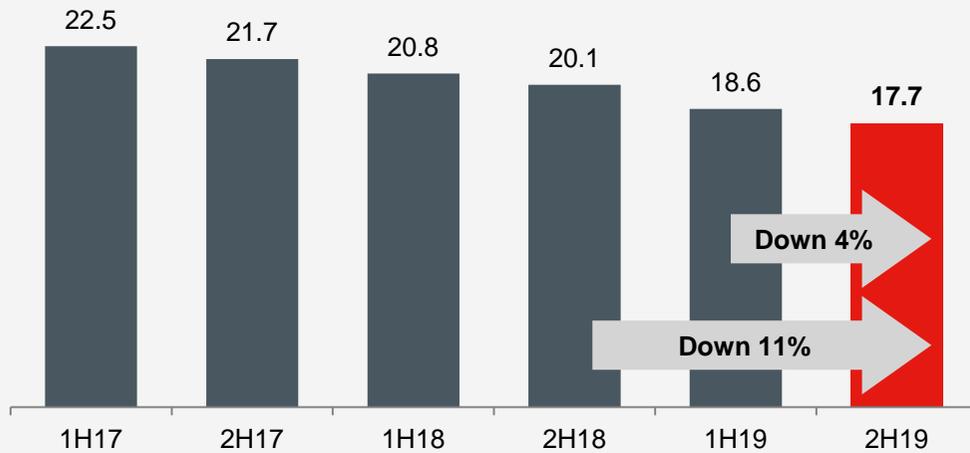
**Digitally active customers (#m)**



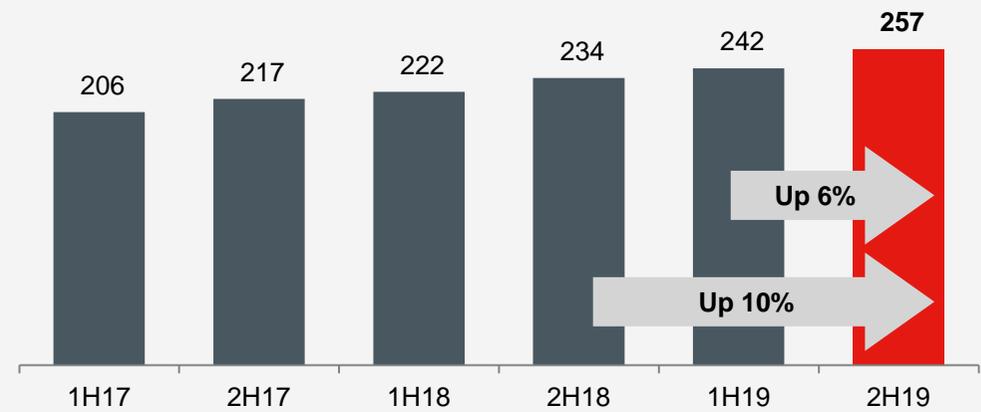
**Sales via digital (%)**



**Branch transactions (#m)**

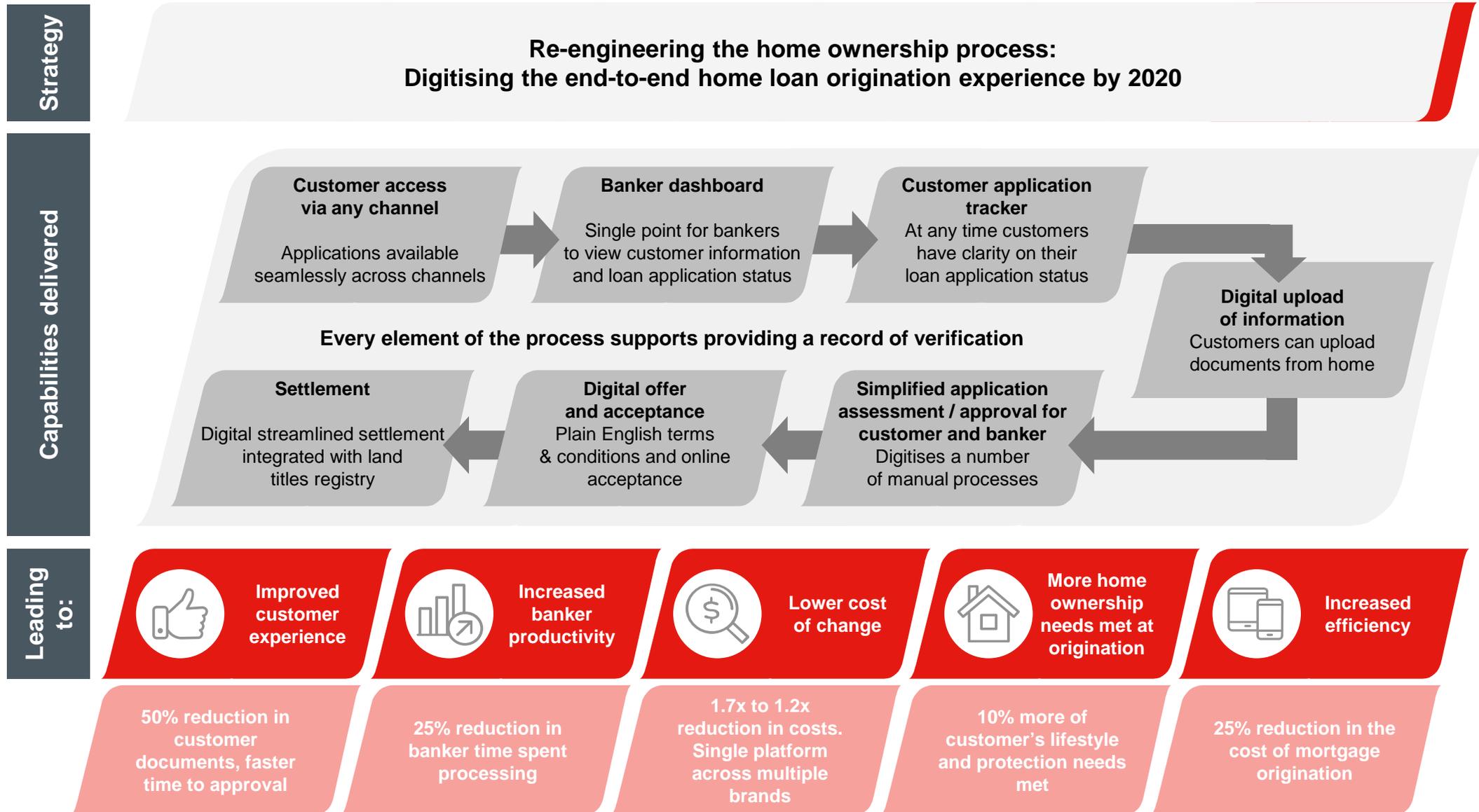


**Digital transactions (#m)**



<sup>1</sup> Refer page 153 for definitions. Prior periods digital sales, and digital and branch transactions have been restated to reflect a consistent definition of a transaction.

# Customer Service Hub Westpac 1st Party roll-out largely complete with significant improvements in the customer and banker experience



Westpac has committed \$150m to fintech venture capital fund, Reinventure. Reinventure enables Westpac to access insights and adjacent business opportunities, both in Australia and offshore. The model also helps Westpac to source commercial partnerships that create value for customers

## New business models

### SocietyOne

Peer-to-peer (P2P) online lending platform connecting borrowers and investors



Helps home sellers make decisions about who they choose to sell their property



Full stack payments platform



Uses data to shed light on high volume crimes, improving prevention and detection



A bitcoin wallet and platform



Turning buildings into community-centric dwellings



Comprehensive cloud-based human resources and employee benefits platform to streamline HR processes



Enables the purchase of residential property, one 'brick' at a time



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



A payment app for customers when dining out or grabbing a coffee on the go



A consumer digital lending platform

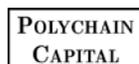
## New technology capabilities



Enterprise cyber security company that protects businesses from malicious bot attacks



Enabling software development teams to scale processes and improve code quality



A fund of funds for cryptocurrency and blockchain technology



Connects ordering apps, payment devices, loyalty and reservations platforms to any point of sale



Digitised debt collection, leveraging modern communications, automation and machine learning



Smart receipts that automatically link purchase receipts to customers' bank accounts



Pioneering a new asset class called Tradeable Income Based Securities (TIBS)



Creating real-game assets for developers, using blockchain technology

## Data, AI and analytics



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



Open Banking API platform that provides connectivity to over 100 financial sources across Australia and NZ



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



Conversational voice-based AI for digital interviewing, powered by machine learning



AI company that integrates neuroscience into their platform creating capability that not only manages complex problems but is able to form intrinsic relationships with humans



AI-powered, context-as-a-service platform, to deliver personalised experiences to customers



Standardises mobile forms into an easily readable format and fillable at the tap of a button



B2B platform for physical retail stores that provides insights through their AI engine and in-store sensors

\* New in 2019. 1 Logos are of the respective companies.

## Examples of how Westpac's and Reinventure's investments are delivering

### Investing in merchant propositions



### Building on Presto Smart for Westpac customers

- Based on software built by Assembly, Presto Smart enables a business merchant terminal to connect with a range of point-of-sale systems

### Investing in the home ownership ecosystem



### Strategic investments in Uno and OpenAgent

- Bringing new capability to Australian property buyers, sellers and investors

### Investing in data, AI and analytics



### Leveraging Data Republic to support growth of the data ecosystem and governed data sharing

- WIB working with Data Republic to deliver bespoke data insight tools for customers, including State Governments

<sup>1</sup> Logos are of the respective companies. <sup>2</sup> Zip offers point-of-sale credit and digital payment services. <sup>3</sup> Uno is an online mortgage broker. <sup>4</sup> Discovery Ag is an agribusiness focused on optimising on-farm efficiencies. <sup>5</sup> Quintessence Labs creates opportunities with quantum technology that encrypts confidential data.

United Nations Sustainable Development Goals alignment	Westpac's sustainability priority areas	FY19 outcomes (unless otherwise stated)
	 <p>Helping people make better financial decisions</p>	<ul style="list-style-type: none"> <li>Delivered financial capability communications for different demographic segments including for young Australians, in partnership with 26 universities and TAFE NSW (900k interactions); women, via Ruby Connection (724k interactions); and older Australians, via Starts at 60 (over 3 million interactions)</li> <li>Continued to offer financial health check programs for superannuation members, including the digital Wealth Review and My Wellbeing online portal</li> </ul>
	 <p>Helping people by being there when it matters most to them</p>	<ul style="list-style-type: none"> <li>Helped customers experiencing financial hardship, issuing over 52,000 financial assistance packages</li> <li>Extended the \$100m drought relief fund launched last year to support Australian farmers</li> <li>Assisted over 900 customers since launching the Priority Assist 1800 telephone line to support customers experiencing domestic and family violence and financial abuse</li> <li>Supported over 3,000 Indigenous Australians through a dedicated customer care team established this year to support remote Indigenous communities</li> </ul>
	 <p>Helping people create a prosperous nation</p>	<ul style="list-style-type: none"> <li>Awarded \$4.3 million in educational scholarships through Westpac Scholars Trust, to the next 102 Westpac Scholars, bringing the total cohort to 416</li> <li>Helped to create over 700 jobs<sup>1</sup> for vulnerable Australians through Westpac Foundation job creation grants to social enterprises</li> <li>Increased lending to climate change solutions to \$9.3bn<sup>2</sup>, progressing towards our 2020 target of \$10bn<sup>2</sup></li> </ul>
	 <p>A culture of doing the right thing</p>	<ul style="list-style-type: none"> <li>Maintained 50% women in leadership roles. Four female directors on Westpac Board (36%)</li> <li>161 new-to-bank Aboriginal or Torres Strait Islander hires</li> <li>Established a new complaints strategy centred on customer connection, service excellence, priority support for vulnerable customers and root cause and complaints prevention</li> <li>Reduced average time to close complaints<sup>3</sup> from 13 days to seven days</li> <li>Commenced tracking customer satisfaction of the complaint resolution experience</li> </ul>
	 <p>The fundamentals – sustainability policies, action plans and frameworks</p>	<ul style="list-style-type: none"> <li>Joined the 'Raising the Bar' initiative, committed to spend \$21m with Indigenous businesses by 2024</li> <li>Launched the world's first Green Tailored Deposit to be certified by internationally recognised Climate Bonds Initiative (CBI)</li> <li>Delivered several sustainability-linked loans designed to incent and reward customers for meeting pre-determined sustainability targets</li> <li>Committed to source 100% of global electricity consumption through renewable energy sources by 2025 and joined RE100</li> </ul>

Further information on Westpac's Sustainability strategy and progress on strategic priorities is available at [www.westpac.com.au/sustainability](http://www.westpac.com.au/sustainability)

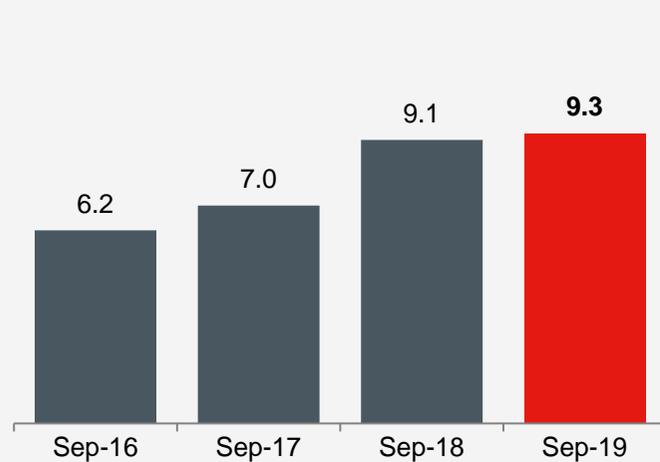
<sup>1</sup> All results as at 30 September 2019, except jobs created through the Westpac Foundation job creation grants to social enterprises which are as at 30 June 2019. <sup>2</sup> Total committed exposure. <sup>3</sup> Refers to complaints not subject to external dispute resolution.

# Delivering sustainable value for all stakeholders<sup>1</sup>

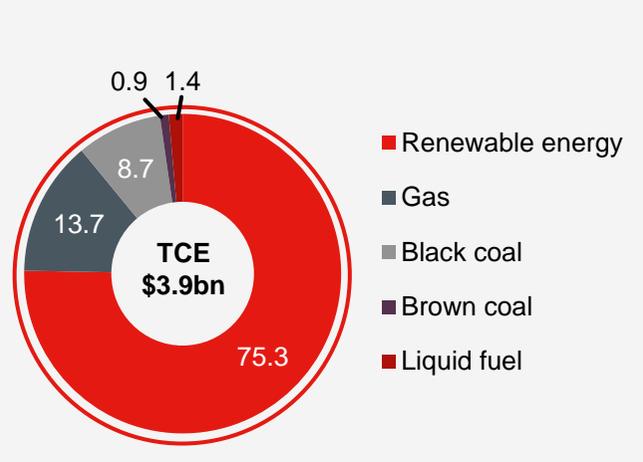
 Customers	 Employees	 Community	 Suppliers	 Investors	 Economy	 Environment
<b>14.2m</b> Customers	<b>36,311</b> Employees <sup>2</sup>	<b>~500</b> relief packages for customers impacted by natural disasters	<b>\$5.9bn</b> Spent with suppliers in Australia	<b>10.7%</b> Cash return on equity	<b>\$3.0bn</b> Income tax FY19	<b>\$9.3bn</b> Committed exposure to climate change solutions
Provided <b>\$61bn</b> New home loans in Australia	<b>50%</b> Women in Leadership positions	<b>\$4.3m</b> Awarded in educational scholarships to the next 102 Westpac Scholars <sup>3</sup>	<b>\$3.6m</b> Spent with Indigenous Australian suppliers <sup>4</sup>	<b>\$6.0bn</b> In dividends to shareholders	<b>30.3%</b> Effective tax rate	<b>\$3.6bn</b> To facilitate climate solutions
Provided <b>\$25bn</b> New business lending in Australia (excludes Institutional)	<b>\$5.0bn</b> Paid to employees	<b>\$130m</b> In community contributions in FY19	<b>\$18.6m</b> Spent with diverse Australian suppliers <sup>4</sup>	<b>+610k</b> shareholders and more via super funds	<b>3<sup>rd</sup></b> Largest tax payer in Australia <sup>5</sup>	<b>100%</b> Of global electricity consumption through renewable energy sources by 2025
Over <b>52,000</b> Customers supported through Westpac Group Assist		<b>+619k</b> financial education interactions		<b>198.2</b> Cash earnings per ordinary share (cents)	<b>\$391m</b> Bank Levy	<b>18 years</b> Global banking leader for the 18th year in a row. Ranked #1 bank in Australia in 2019 by DJSI. Received highest ESG Rating and best ESG Risk Rating of Australian major banks from Sustainalytics at October 2019
					<b>34.2%</b> Effective tax rate including the Bank Levy	

<sup>1</sup> Data for FY19 or as at 30 September 2019 unless otherwise stated. <sup>2</sup> Refers to headcount. <sup>3</sup> Funded by Westpac Scholars Trust. <sup>4</sup> Diverse suppliers includes businesses at least 51% owned and controlled by indigenous Australians or women. Also includes Australian Disability Enterprises and social enterprises. <sup>5</sup> Source: Corporate Tax Transparency Report 2016 - 2017, published December 2018.

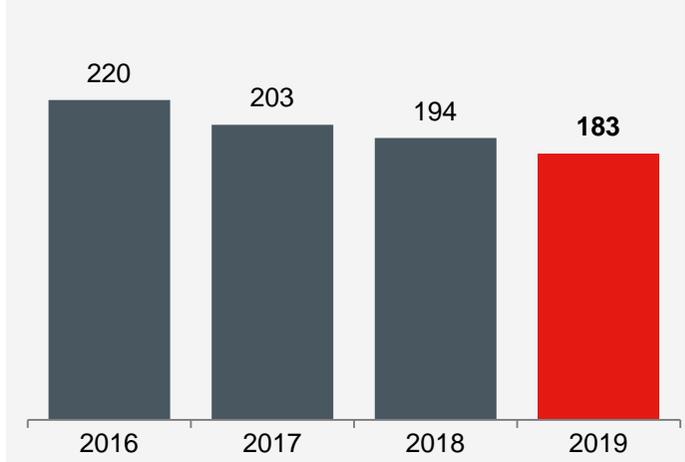
## Climate change solutions exposure (TCE \$bn)



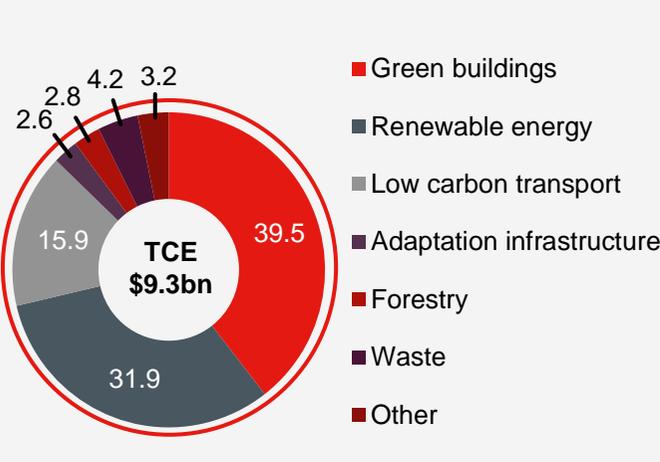
## Electricity generation exposure (% of TCE)<sup>1</sup> at 30 September 2019



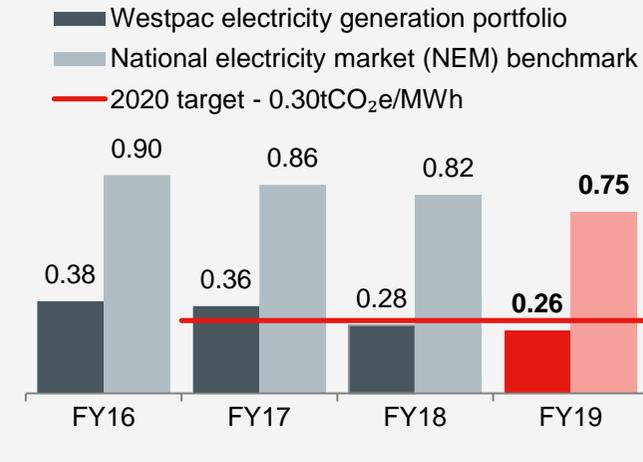
## Total scope 1, 2 and 3 emissions (tCO<sub>2</sub>e, 000s)<sup>2</sup>



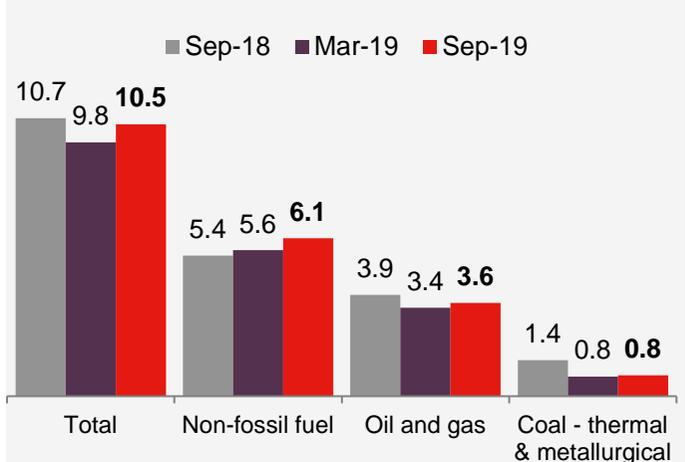
## Climate change solutions exposure (% of TCE) at 30 September 2019



## Emissions intensity (tCO<sub>2</sub>e/MWh)<sup>3</sup>



## Mining exposure (TCE \$bn)



<sup>1</sup> Exposures in WIB only. TCE is total committed exposure. <sup>2</sup> Data as at 30 June for the reporting year. <sup>3</sup> Australia only. NEM benchmark is sourced from Australian Energy Market Operator.

## Alignment with the TCFD

- Westpac continues to integrate the consideration of climate-related risks and opportunities into its business operations. This includes alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- Climate change-related risks are managed within the Group's sustainability, and wider risk management framework

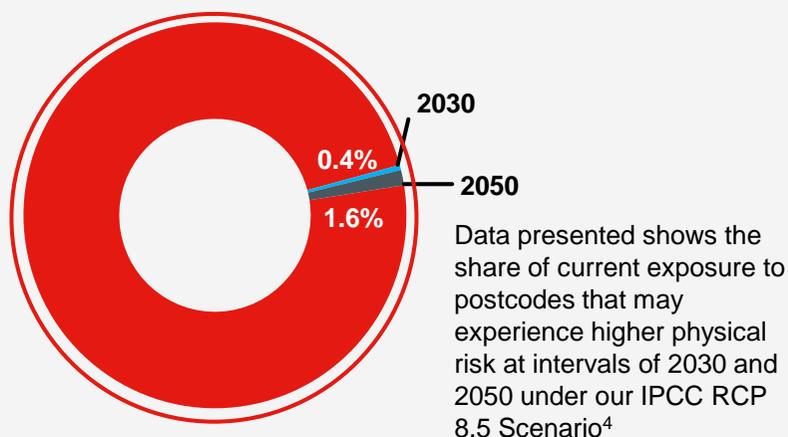


## Transition risk – key points

- Westpac assessed potential transition risks (policy, legal, technology and market changes related to climate change)
- Analysis focused on our current Australian Business and Institutional lending<sup>1</sup> and exposure to sectors that may face growth constraints under 1.5-degree and updated 2-degree scenarios<sup>2</sup>
- Approximately 2.5% of current business lending is exposed to sectors that by 2030, may experience higher risk in a transition to a 1.5-degree economy
- Approximately 0.9% current business lending is exposed to sectors that by 2030, may experience higher risk in a transition to a 2-degree economy

## Portfolio physical risk – 4 degree scenario

Share of current portfolio exposed to higher physical risk (%)



## Physical risk – key points

- Along with the Group's commitment to the Paris Climate Agreement, Westpac continues to assess the resilience of its Australian mortgage portfolio to physical risks in line with TCFD recommendations
- Westpac assessed potential physical risks<sup>3</sup> (financial impacts of changes in climate patterns and extreme weather events)
- Focused on the Australian mortgage portfolio and exposure to postcodes that may face increased physical risk under a 4-degree scenario
- Approximately 1.6% of the current Australian mortgage portfolio is in postcodes which by 2050, may be exposed to higher physical risk under a 4-degree scenario

<sup>1</sup> Australian Business and Institutional lending, excludes retail, sovereign, and bank exposures. <sup>2</sup> For further information see Westpac's Annual Report – Risk and risk management. <sup>3</sup> Five natural perils were assessed: inundation, soil contraction, floods, wind and cyclones, and bushfires. <sup>4</sup> For further information see Westpac's 2019 Annual Report – Risk and risk management.



## Addressing shortcomings

The Royal Commission, as well as our Culture, Governance and Accountability (CGA) self-assessment, uncovered shortcomings in our management of non-financial risk, handling of complaints and product design and performance

## Change underway

Change programs commenced in 2018 and continue to strengthen our management of non-financial risk, improve the handling of customer complaints and enhance our risk culture

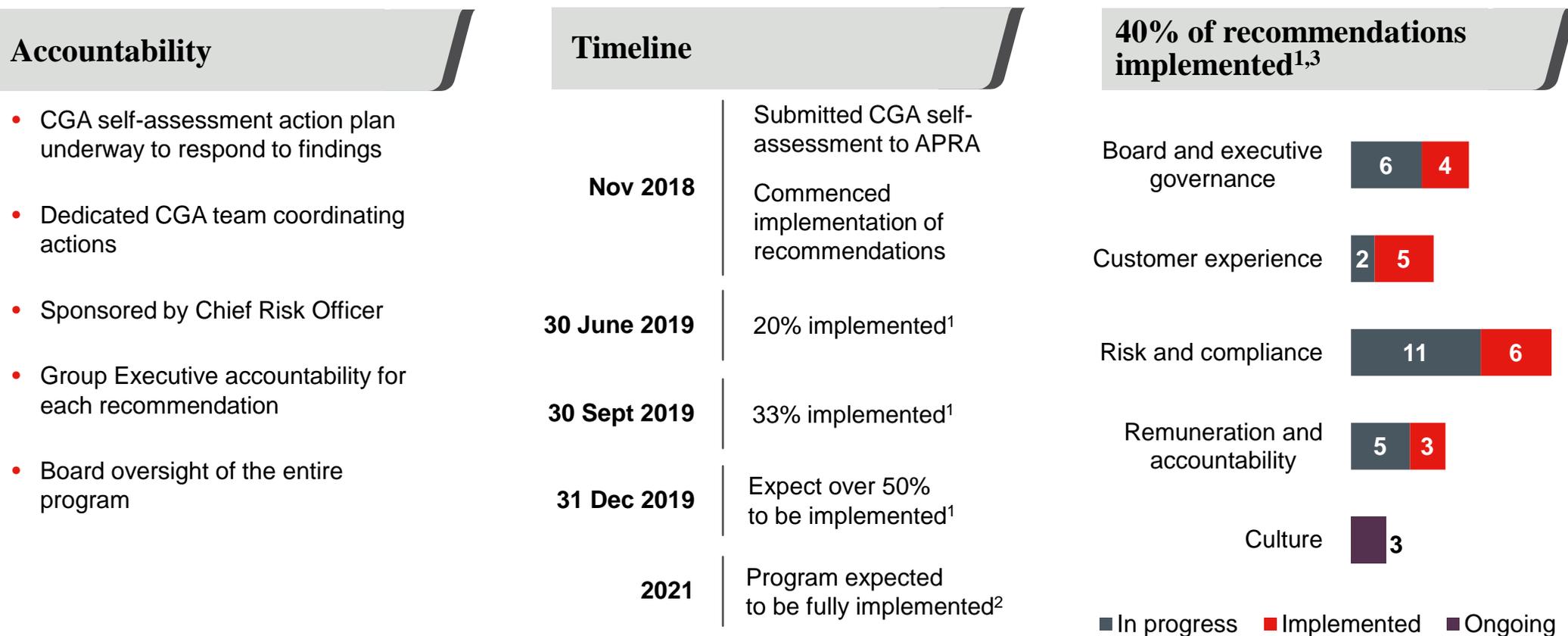
## Six areas of focus

Programs are grouped under six areas which align with the CGA self-assessment recommendations, along with our Royal Commission response plan



# CGA self-assessment action plan progressing well

Westpac completed a Culture, Governance and Accountability (CGA) self-assessment in 2018 at the request of the Australian Prudential Regulation Authority (APRA). It examined the Group's risk culture, governance and accountability frameworks and practices, and the impact on the management of non-financial risks. As well as highlighting a number of strengths across the Group, the CGA self-assessment identified shortcomings and proposed 45 recommendations across five key areas.



<sup>1</sup> As at 1 November 2019. <sup>2</sup> The response to the recommendation has been designed and implemented. Three out of the 45 (7%) recommendations are culture recommendations which will be ongoing and do not have a target closure date. <sup>3</sup> All implemented items will be subject to post-implementation verification to ensure durability of changes made.



Governance is being strengthened by enhancing Board and executive reporting, meeting effectiveness, management of non-financial risks and enhancing the Group's governance structures

## Enhance governance practices and improve non-financial risk reporting

### Reporting

- We have introduced changes to our Board and Committee reporting to provide clearer identification of principal risks, issues, options and assumptions, as well as enhancing reporting on non-financial risks, particularly in relation to customer complaints

### Effectiveness

- Improving the effectiveness of Board Risk & Compliance Committee (BRCC) meetings, including through ongoing review of overall format and agenda content. Increased time allocated for the length of meetings and an additional BRCC meeting each year to enable expanded coverage of risk matters
- Ensuring the information flow between executive and Board committees is transparent, reinforced by overlapping committee membership, including formalising the appointment of the BRCC Chairman as a Member of the Board Audit Committee

### Non financial risks

- Enhanced reporting of non-financial risks, including 'root-cause' analysis and customer complaints, and adopted a risk taxonomy

### Governance structures

- Rationalising committees and other governance forums to reduce complexity and bureaucracy and enhance decision-making and accountability across the Group

# Solving customer complaints with care



Through our centralised Customer and Corporate Relations division and complaints strategy, we are changing our complaints culture and making things better for our customers

## Culture & customer connection

- Resetting perception of complaints through Group-wide *Navigate* program, customer complaints training and 'Spot It, Log it, Own It' campaigns
- Increasing accountability for customer complaints through specific KPIs in Executive and GM scorecards
- 'Customer voice' roundtables to hear direct feedback from customers

## Service excellence

- New operating model: centralised triage; first response; complex and priority care
- Improved website and refreshed communications, making it easier to lodge a complaint
- 'Moments' team to help solve complaints in the moment
- Improved Group-wide complaints policy, framework and standards

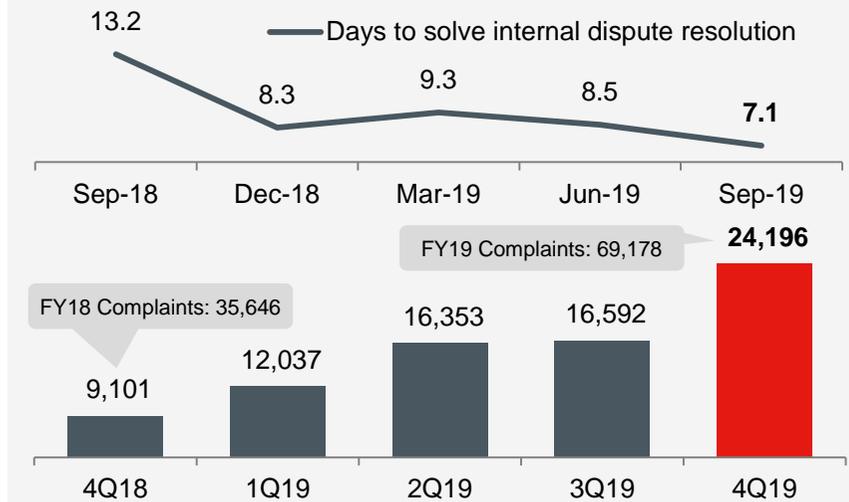
## Priority support

- Vulnerable Customer Action Plan and position statements
- Dedicated '1800' Priority Assist telephone line
- Customer Outcome Committee focused on resolving complex, sensitive and long-dated complaints

## Root cause and complaint prevention

- Using complaints data to identify root causes and use insights in product reviews
- Investing in enhanced data analytics to identify root causes
- Action plans for General Managers to resolve root cause issues that cause complaints

## Improved complaint capture and time to solve (# and days)



Through our new policy of logging all complaints (even those solved in under 5 days), making it easier to lodge complaints online, and our internal "Spot it. Log it. Own it." campaign, complaints logged have increased by 94%.





## Analysis of where we have not got it right

- Completed extensive product reviews
- Reviewing matters identified through the Royal Commission

## Provisioning for issues

- Provisioned \$977 million (after tax) in FY19 for estimated customer refunds, payments and associated costs
- The provisions cover a number of matters with the largest items relating to: advice service fees where the records of advice were insufficient or it is not clear that the services were provided; interest-only loans that did not automatically switch to principal-and-interest after the fixed-rate period; and loans to businesses that should have been provided to individuals under the National Consumer Credit Protection Act

## Accelerating customer refunds

- Centralised oversight of remediation under the Chief Operating Officer in a remediation hub
- Since 2017, paid around \$350 million in refunds to more than 500,000 customers as part of our get it right, put it right initiative

## Provisions for customer refunds and payments (\$m)

	2017	2018	2019	Total
<b>Banking<sup>1</sup></b>	94	122	362	578
<b>Wealth</b>	75	146	802	1,023
<b>Implementation costs</b>	-	62	232	294
<b>Cash earnings impact of above</b>	118	231	977	1,326

<sup>1</sup> Excludes provisions and costs associated with litigation.



## Stronger 'three lines of defence' and risk operating models

### Risk infrastructure

- New Risk Management Framework with three lines of defence and risk culture at its centre
- Introducing a more comprehensive risk "taxonomy" (catalogue of risks) to aid risk assessment, measurement, mitigation and reporting
- Increased focus on timely issue resolution and risk reduction, supported by transparent metrics
- Upgrading JUNO, our non-financial risk system of record, to make it easier to use and derive insight from

### Three lines of defence

- Comprehensive review of our three lines of defence operating model
- Clarification of roles and responsibilities in each line of defence
- Identification of capability requirements and development of training to uplift capability where required

### Simplification

- Streamlining and, where redundant, eliminating policies
- Building a more standardised set of controls, to increase efficiency and effectiveness of risk mitigation

### Improved insights

- Greater investment in root-cause analysis to better understand why things go wrong and fix them
- Increased focus on lessons learned and "read across" from one incident to other similar contexts across the company or across peer companies to test for the risk of further incidents arising from similar underlying causes



## Sharpening accountability and strengthening conduct

### Structure and leadership

- New business structure focused on customer segments
- Selective centralisation including remediation and customer complaints

### Clarity of accountability

- Banking Executive Accountability Regime (BEAR) rolled-out in 2018. Statements of responsibility for all key direct reports of Accountable Persons in FY19

### Goals, metrics and operating rhythm

- Increased proportion of non-financial risk measures in executive scorecards
- Performance management framework, *Motivate*, emphasises behaviours, culture and delivery against objectives

### Remuneration structure

- Implemented Sedgwick Review recommendations for employees
- Replaced variable reward for tellers with fixed pay; removed individual product specific targets for personal bankers and limited financial measures in bonus scorecards to no more than 30% for customer facing employees
- Group Remuneration Policy effectiveness review complete and enhancements underway to improve the Policy's application and supporting frameworks
- Various changes to executive remuneration following shareholder feedback

### Consequence management

- Enhanced Group-wide Consequence Management Framework in 2018

# Building a stronger culture of service



Our CGA self-assessment found that Westpac's culture is analytical and highly consultative. While beneficial at times, this characteristic has slowed down decision making, created undue complexity and diluted accountability.

We're strengthening these aspects of our culture by building on existing programs which focus on leadership, skills and behaviours

## Strengthening leadership

- New leadership development programs, including a program for Business Leaders and their direct reports focusing on better execution, accountability and culture leadership

## Clearer accountability

- Group-wide cultural immersion program, *Navigate*, provides a consistent understanding of our Code of Conduct, values, Service Promise and vision. Program initiated in 2018 with new modules rolled out quarterly
- Simplified *Service Promise* in June 2019, to make expectations clearer for our people
- Group-wide approach to strengthening risk capability to support the three lines of defence

## The right behaviours

- Strengthening our 'speak up' culture, including adoption of a single whistle-blower approach across the Group and extending whistleblowing protections to employees of service providers and family members
- *Our Compass* helps employees navigate the increasingly complex world of banking and financial services, bringing together our vision, values, *Service Promise* and our Code of Conduct to demonstrate how they all work together
- Group-wide performance management framework, *Motivate*, ties remuneration outcomes to behaviour
- Refreshed psychometric screening to ensure new recruits align to the Group's culture and values

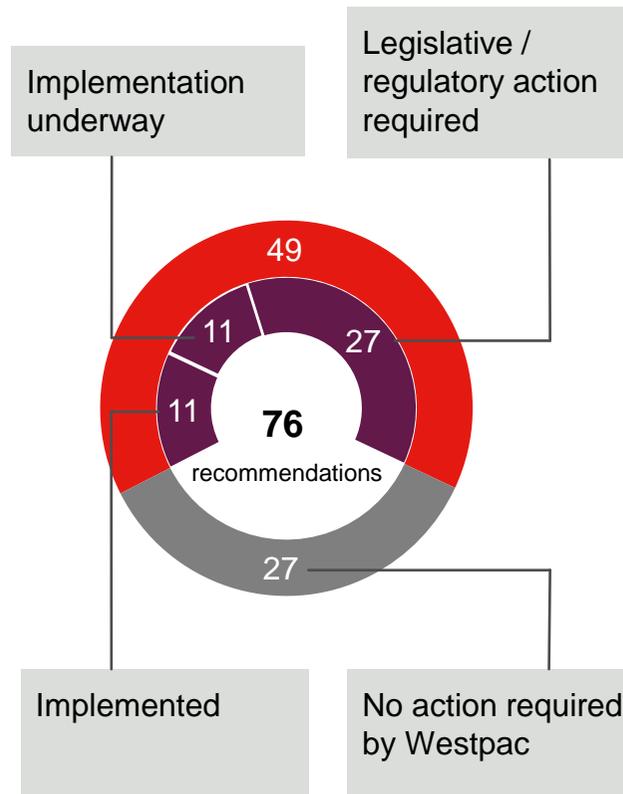
# Royal Commission response plan underway



## Implementation underway

- Dedicated team managing our Royal Commission response
- Group Executive accountability and Board oversight
- The Government's implementation roadmap (August 2019) envisages the introduction of some legislation in 2019 and the remainder in 2020
- Implementing recommendations where we can. So far, of the 49 recommendations that presently apply to Westpac:
  - 11 have been implemented. We have either established new practices and procedures to meet recommendations or we have existing practices consistent with the recommendations
  - 11 are being implemented. Implementation work is in progress to meet recommendations. Some recommendations will require legislative or regulatory action before implementation can be completed
  - 27 require legislative or regulatory action before implementation work can commence. We are undertaking preparatory work where possible, including through participation in Government consultation
- Ongoing effectiveness of new processes will be tested through Westpac's standard second and third line testing procedures

## Progress

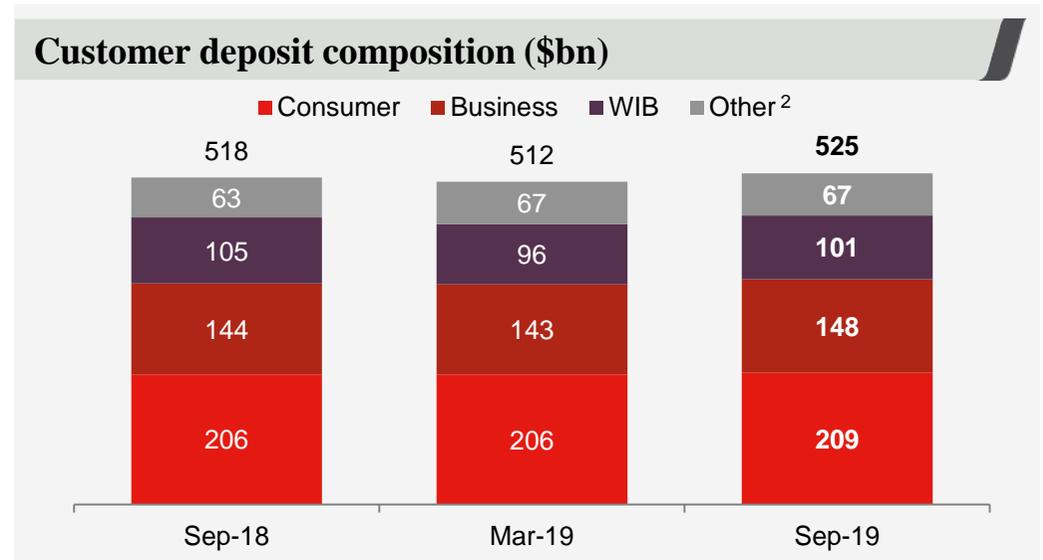
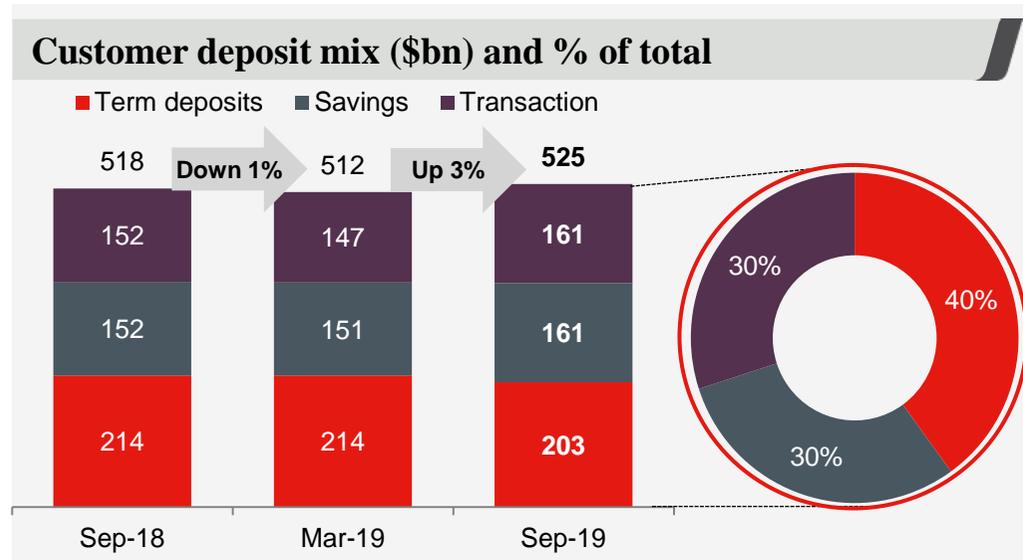
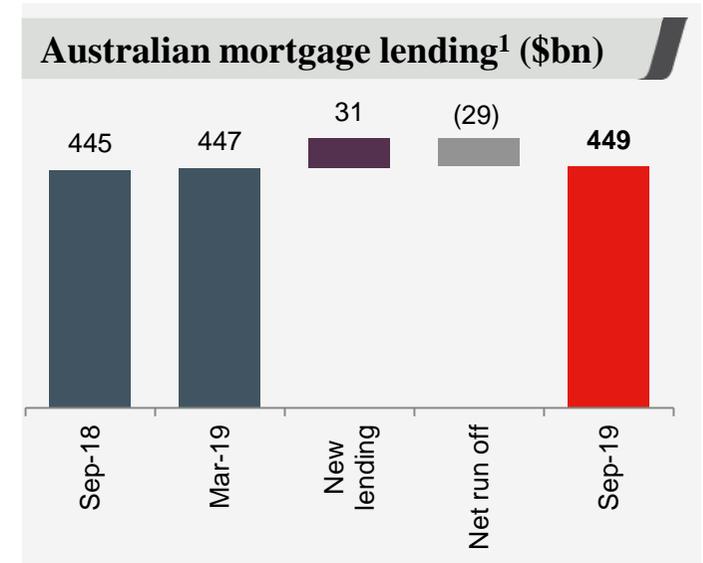
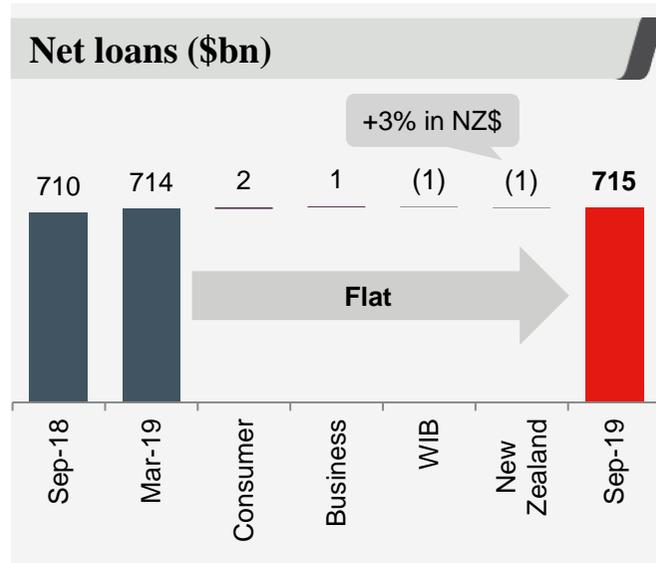
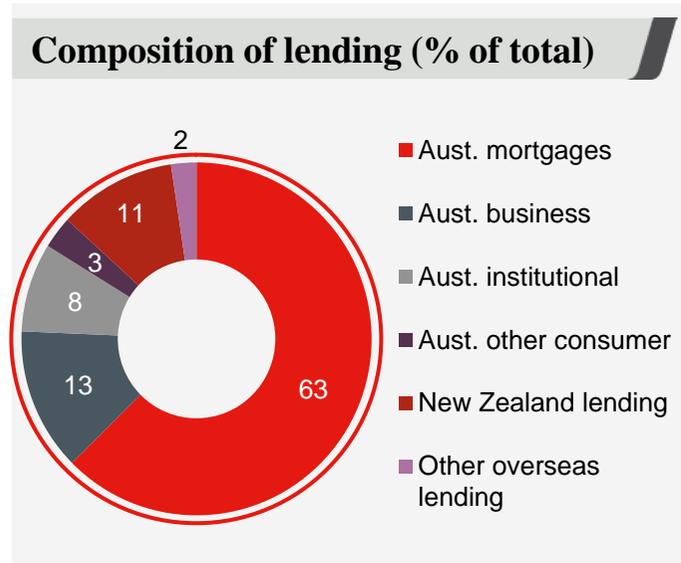


## Executive accountability

Division	#
Consumer	14
Business	14
Strategy & Enterprise Services	4
Human Resources	8
Risk	4
Customer and Corporate Relations	2
Shared across divisions	3
<b>Total</b>	<b>49</b>

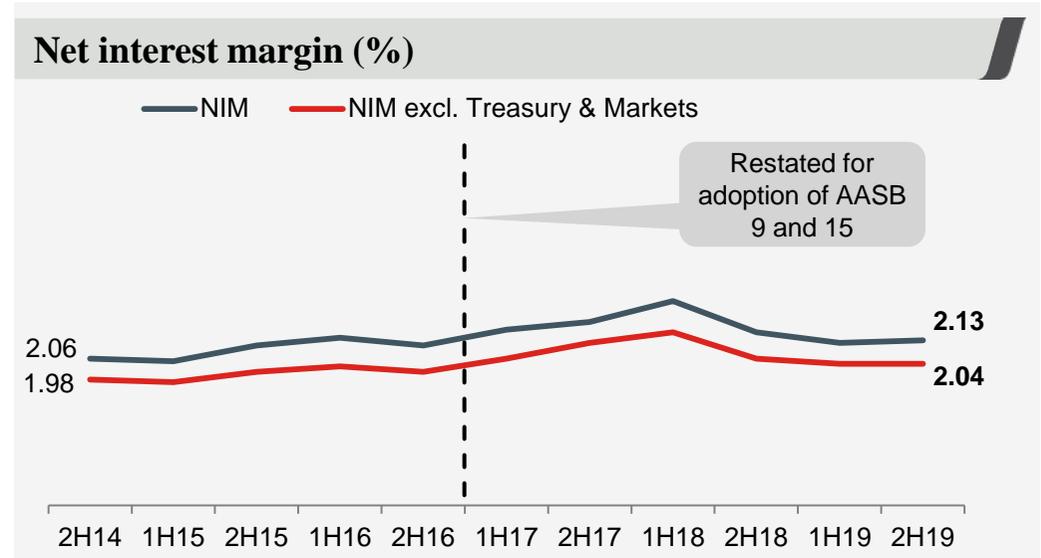
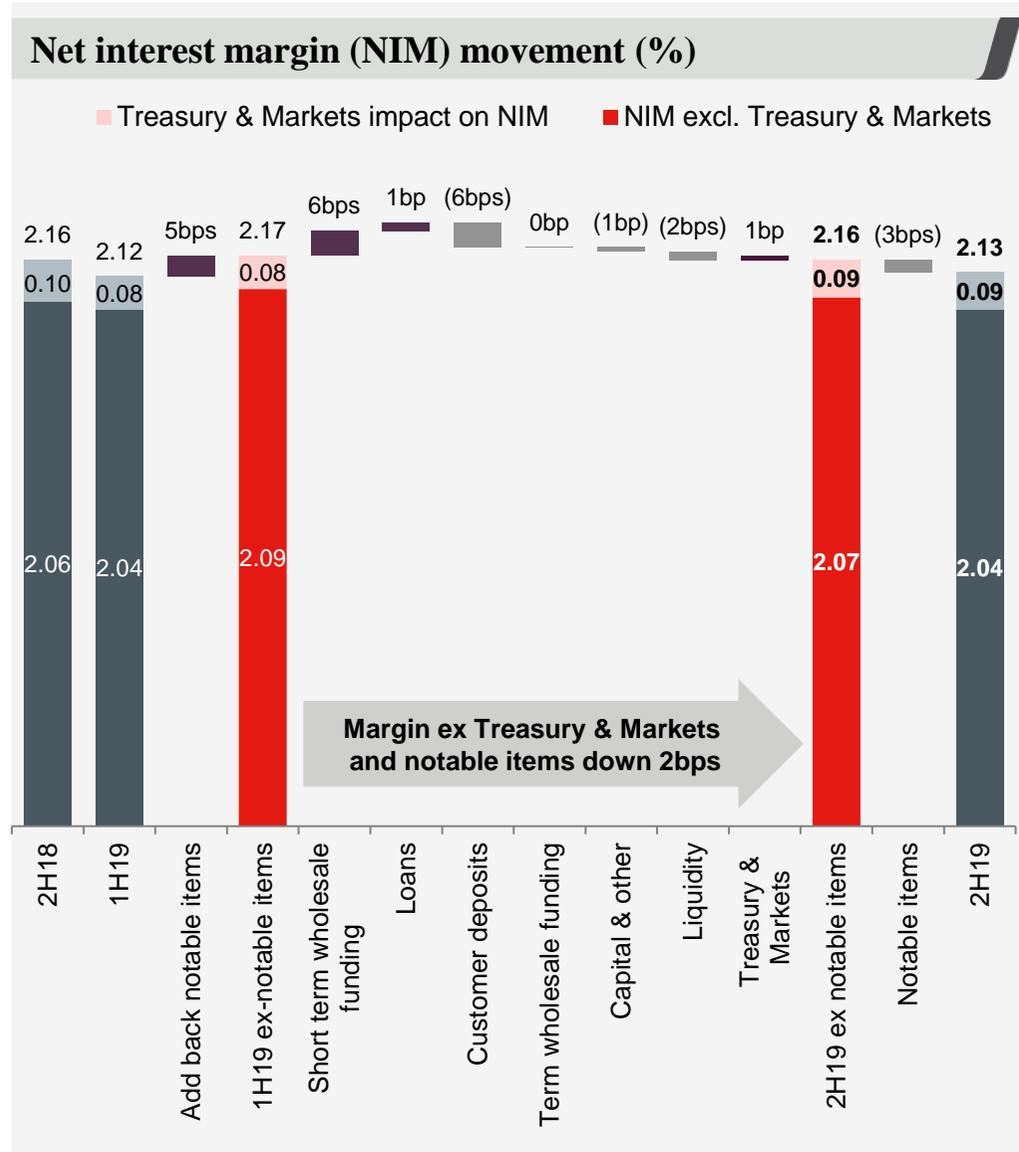


# Composition of lending and deposits



1 Gross loans. 2 Includes Group Business and NZ, (NZ in A\$).

# NIM excluding Treasury & Markets and notable items, down 2bps

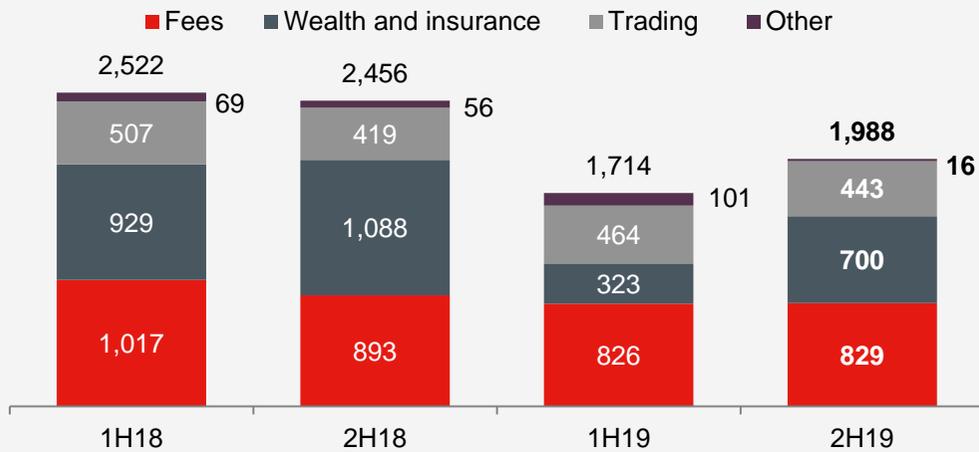


### Net interest margin by division (%)

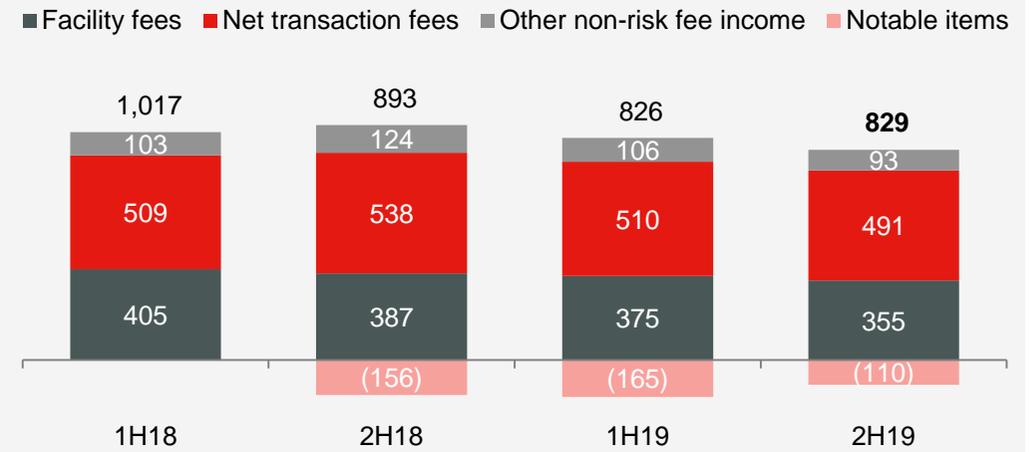
	2H18		1H19		2H19	
	NIM	Ex notable items	NIM	Ex notable items	NIM	Ex notable items
Consumer	2.14	2.20	2.20	2.23	2.27	2.29
Business	3.18	3.18	3.04	3.23	3.08	3.17
WIB	1.74	1.74	1.67	1.67	1.64	1.64
NZ	2.25	2.25	2.23	2.23	2.09	2.12

# Non-interest income impacted by notable items

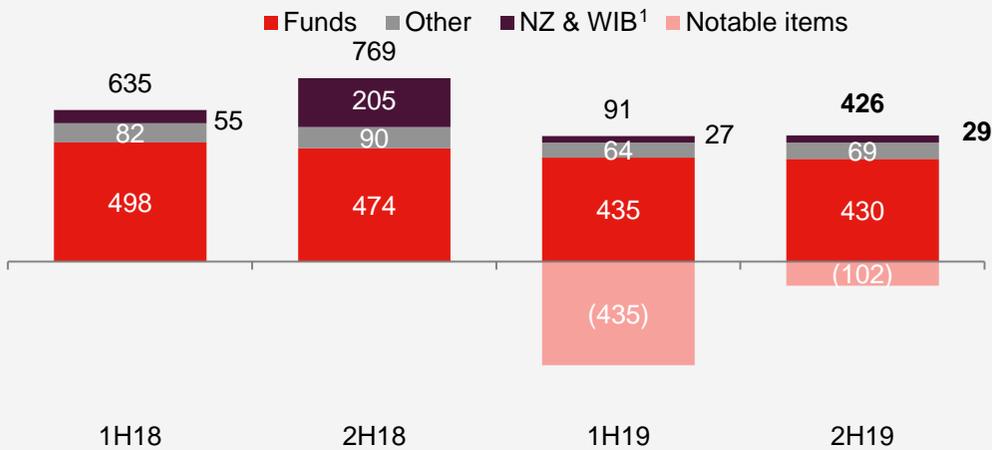
## Non-interest income contributors (\$m)



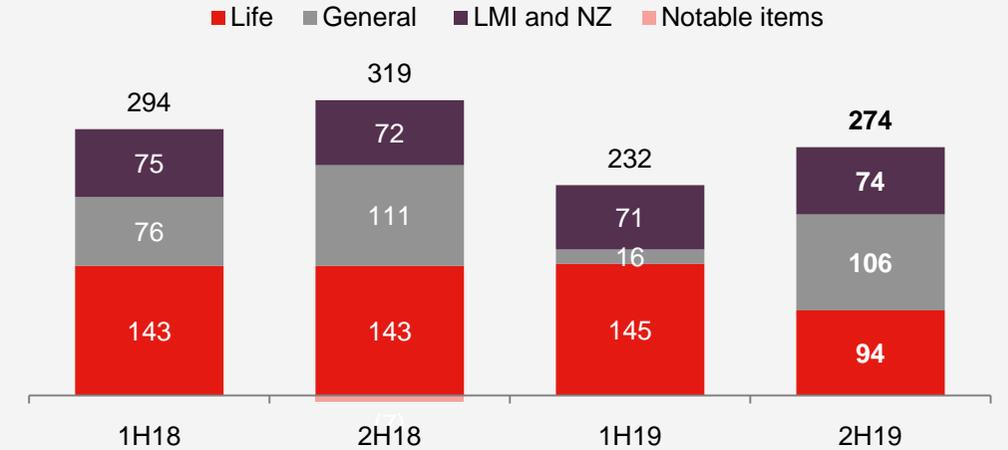
## Net fee income (\$m)



## Wealth management income (\$m)



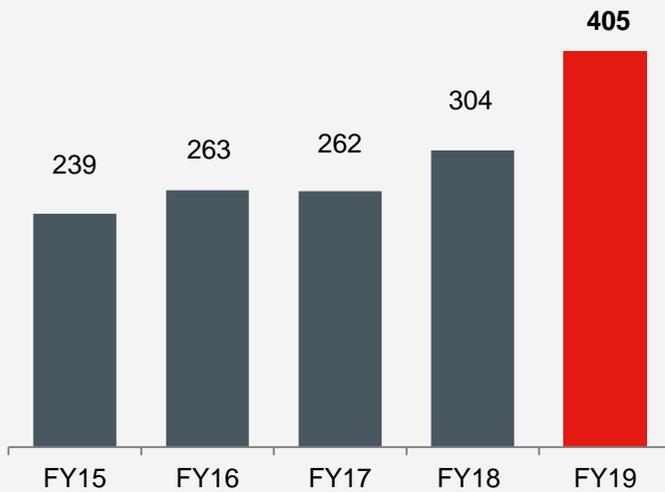
## Insurance income (\$m)



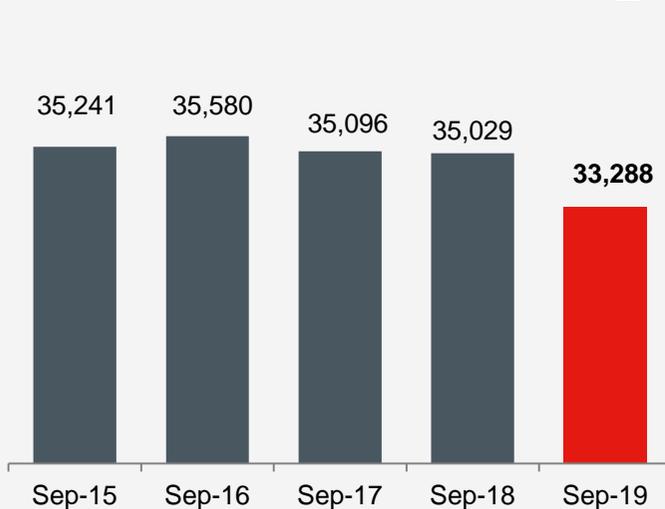
<sup>1</sup> 2H18 includes \$180m of fees associated with Hastings exit.

# Expenses **well managed** ex notable items

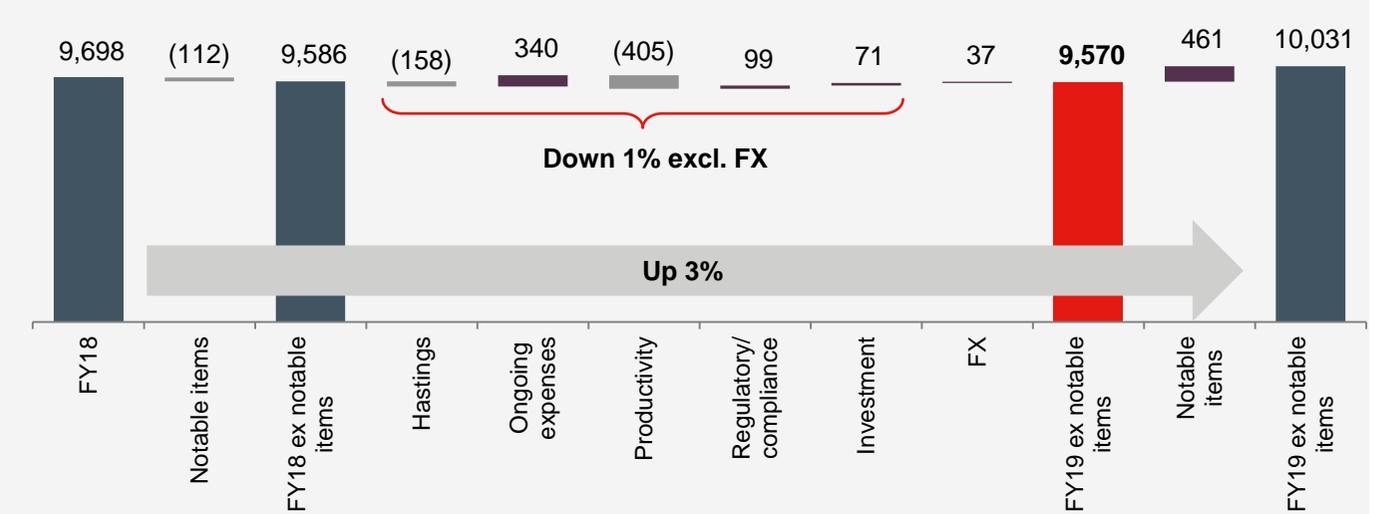
## Productivity savings (\$m)



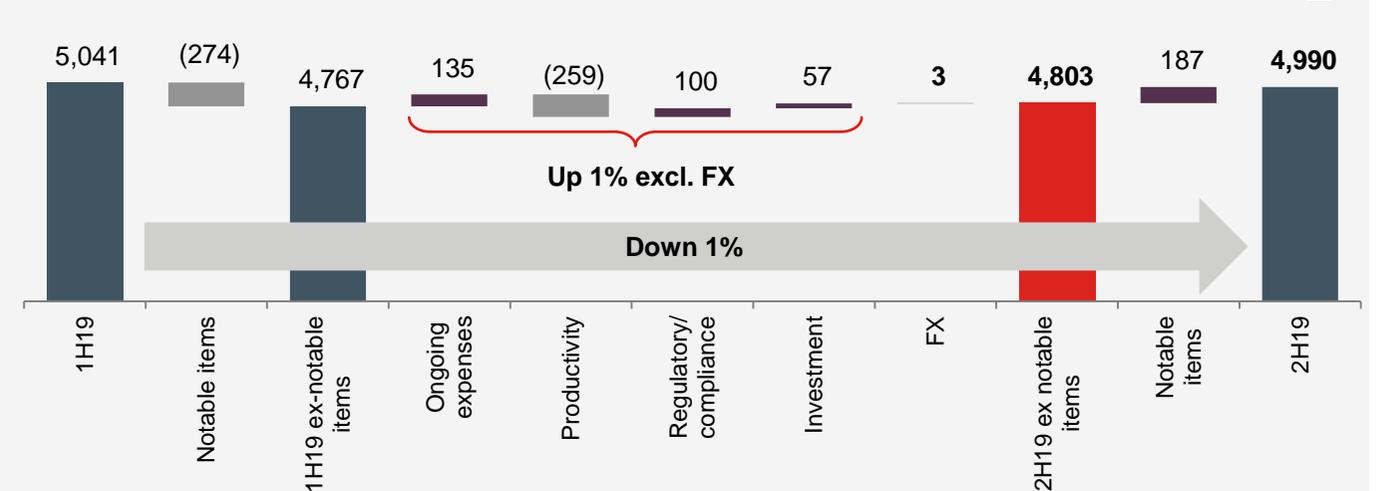
## FTE (#)



## Expense movements FY19 – FY18 (\$m)

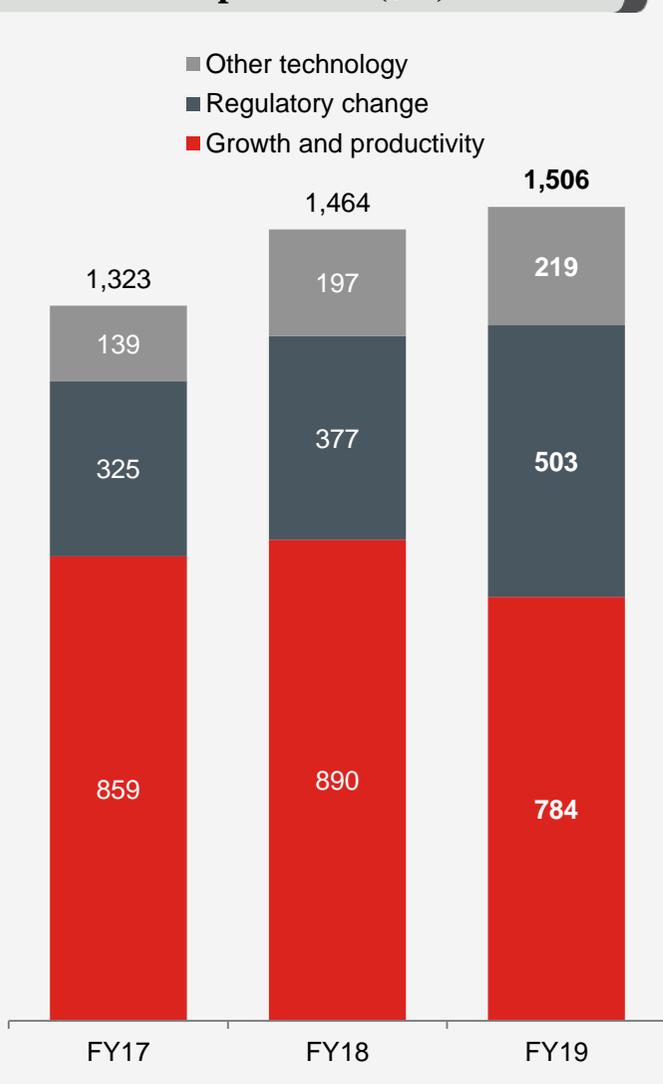


## Expense movements 2H19 – 1H19 (\$m)



# Investment spend focused on growth, productivity, risk and compliance

## Investment spend mix (\$m)



## Investment spend (\$m)

	FY17	FY18	FY19
Expensed	517	583	<b>608</b>
Capitalised	710	881	<b>898</b>
<b>Total investment spend</b>	<b>1,256</b>	<b>1,464</b>	<b>1,506</b>
Investment spend expensed	42%	40%	<b>40%</b>

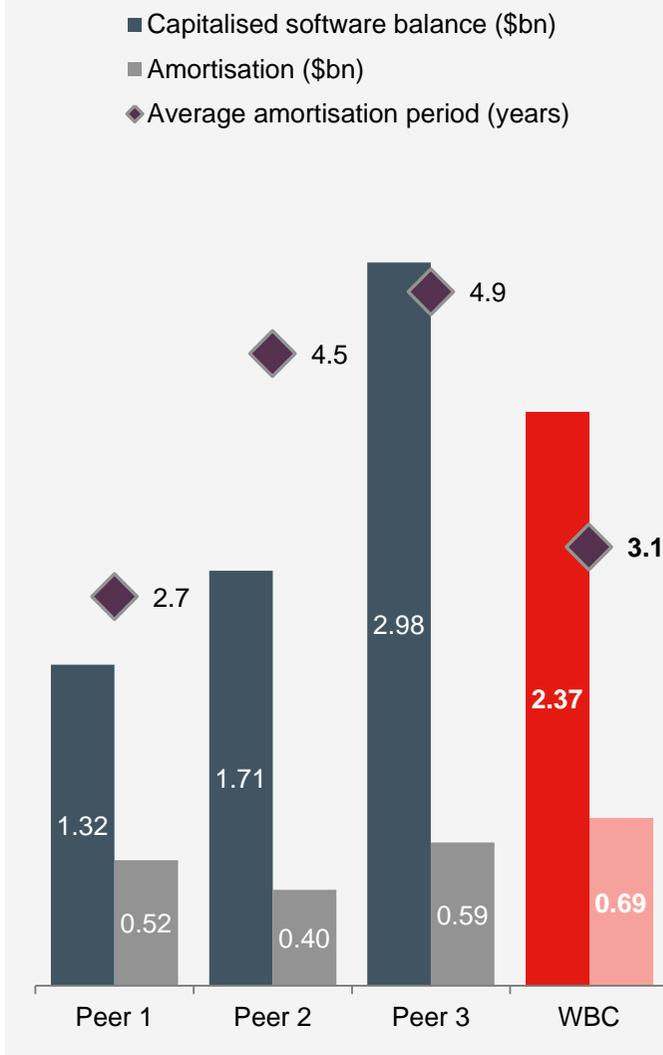
## Capitalised software

Opening balance	1,781	1,916	<b>2,177</b>
Additions	766	882	<b>906</b>
Amortisation	(614)	(618)	<b>(694)</b>
Other <sup>1</sup>	(17)	(3)	<b>(24)</b>
<b>Closing balance</b>	<b>1,916</b>	<b>2,177</b>	<b>2,365</b>
Average amortisation period	2.9yrs	3.1yrs	<b>3.1yrs</b>

## Other deferred expenses

Deferred acquisition costs	86	71	<b>61</b>
Other deferred expenses	28	29	<b>29</b>

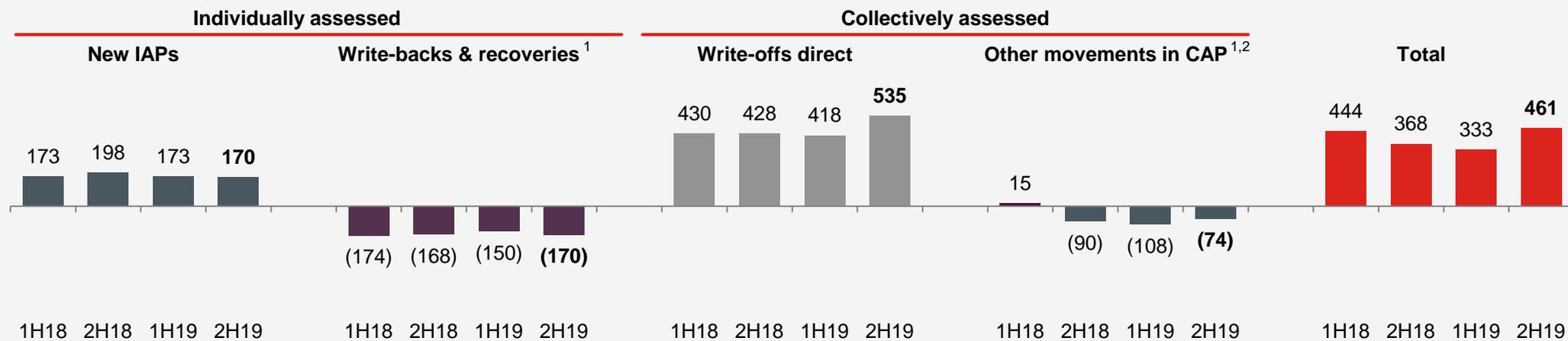
## Capitalised software<sup>2</sup>



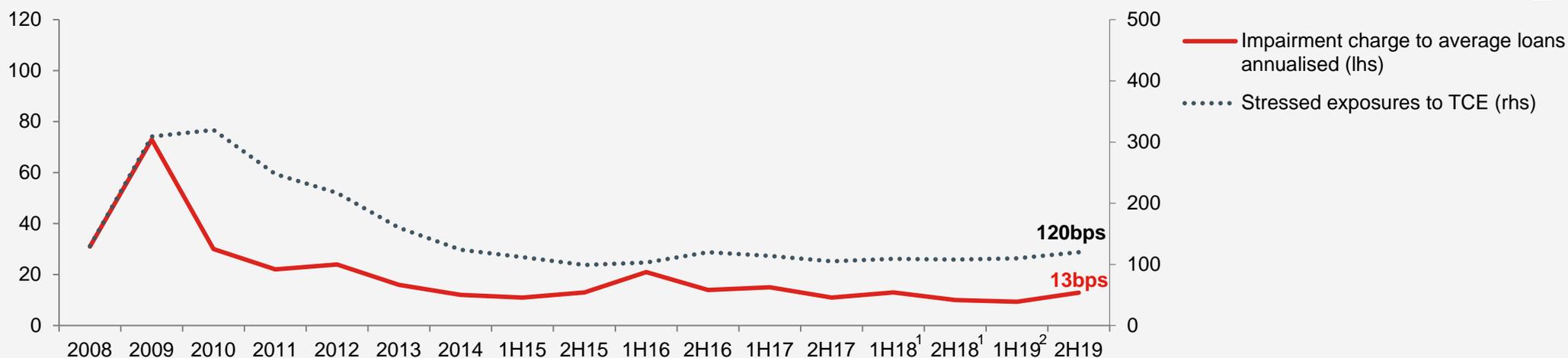
<sup>1</sup> Includes write-offs, impairments and foreign exchange translation. <sup>2</sup> Peer 1 and 2 are reported on a continuing operations basis. Based on FY19 results. Peer 3 based on 1H19. Amortisation excludes impairments and write-offs.

# Impairment charges remain low

## Impairment charges (\$m)



## Impairment charges and stressed exposures<sup>3</sup> (bps)



1 1H18 and 2H18 include impacts of pro forma adjustments to recoveries (other fees and expenses) and CAP (interest carrying adjustments). 2 1H19 reflects the adoption of AASB9 from 1 October 2018.

3 2008 and 2009 are pro forma including St. George for the entire period with 1H09 ASX Profit Announcement providing details of pro forma adjustments.

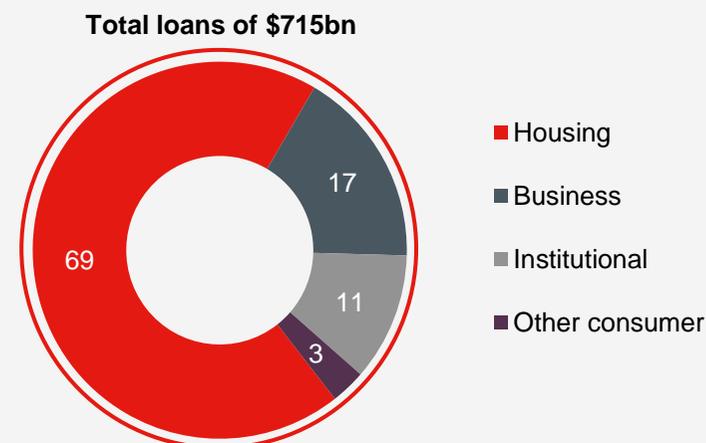


# High quality portfolio with bias to residential mortgage lending

## Asset composition (%)

Total assets (\$907bn)	Sep-17	Sep-18	Sep-19
Loans	80	81	79
Available-for-sale securities and investment securities	7	7	8
Trading securities and financial assets at fair value through income statement	3	3	4
Derivative financial instruments	3	3	3
Cash and balances with central banks	2	3	2
Collateral paid and other financial assets	1	1	1
Intangible assets	1	1	1
Life insurance assets and other assets	3	1	2

## Lending composition at 30 September 2019 (% of total)

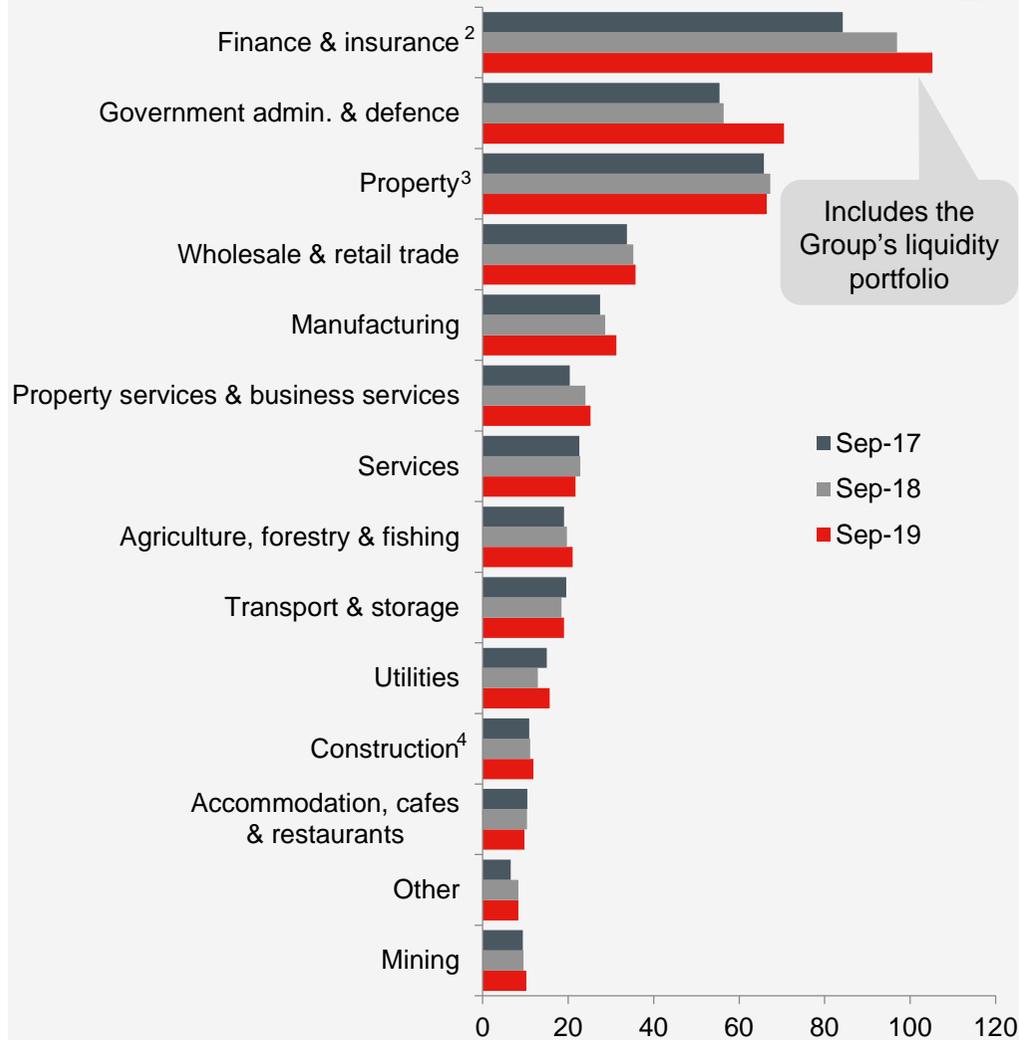


## Exposure by risk grade at 30 September 2019 (\$m)

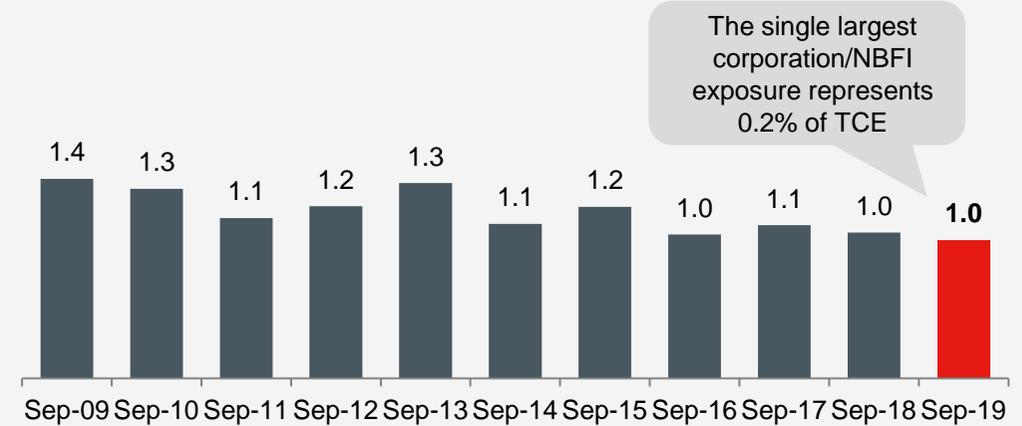
Standard and Poor's Risk Grade <sup>1</sup>	Australia	NZ / Pacific	Americas	Asia	Europe	Group	% of Total
AAA to AA-	104,527	10,933	10,701	3,331	729	130,221	12%
A+ to A-	33,940	5,204	5,123	7,633	3,482	55,382	5%
BBB+ to BBB-	57,617	11,668	3,691	10,464	2,429	85,869	8%
BB+ to BB	69,317	12,043	376	1,819	112	83,667	8%
BB- to B+	60,807	10,609	15	208	-	71,639	7%
<B+	6,126	1,665	-	-	-	7,791	1%
Mortgages	511,658	56,983	-	191	-	568,832	54%
Other consumer products	42,044	4,635	-	-	-	46,679	5%
<b>Total committed exposures (TCE)</b>	<b>886,036</b>	<b>113,740</b>	<b>19,906</b>	<b>23,646</b>	<b>6,752</b>	<b>1,050,080</b>	
<b>Exposure by region<sup>2</sup> (%)</b>	<b>85%</b>	<b>11%</b>	<b>2%</b>	<b>2%</b>	<b>&lt;1%</b>		<b>100%</b>

1 Risk grade equivalent. 2 Exposure by booking office.

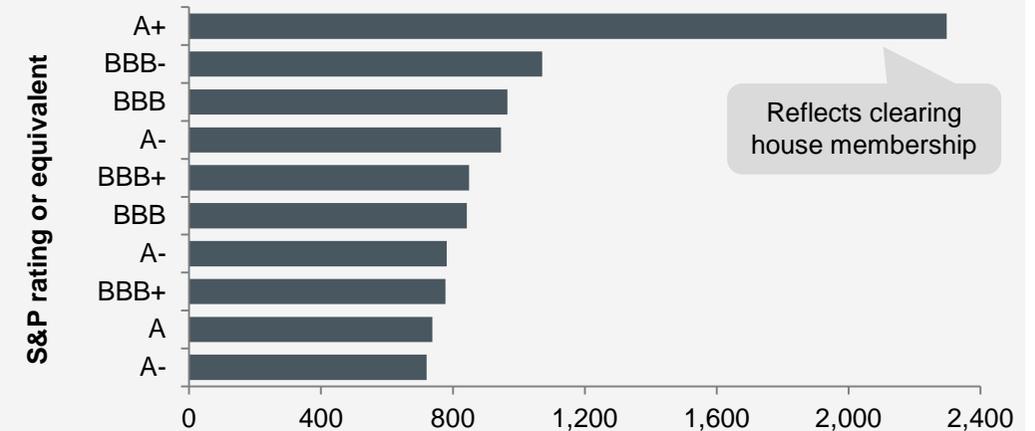
## Exposures at default<sup>1</sup> by sector (\$bn)



## Top 10 exposures to corporations and NBFIs<sup>5</sup> (% of TCE)



## Top 10 exposures to corporations & NBFIs at 30 September 2019 (\$m)



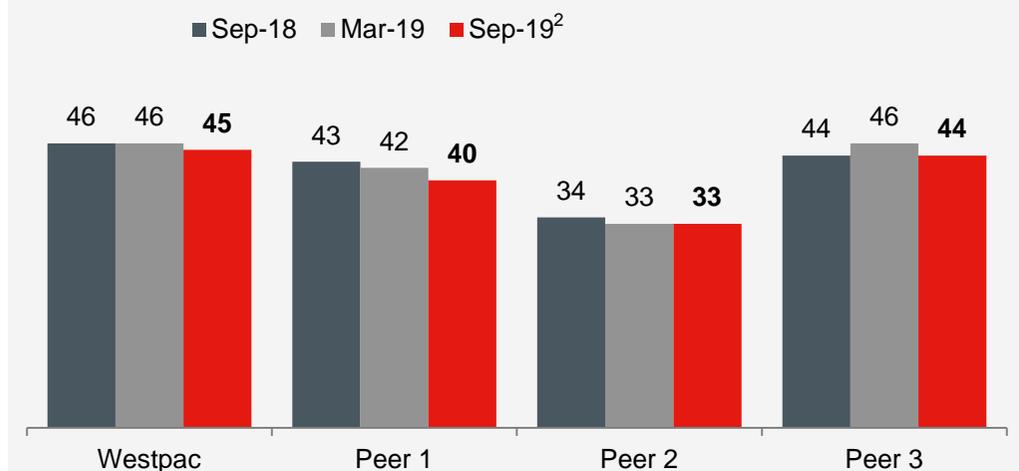
1 Exposures at default is an estimate of the committed exposure expected to be drawn by a customer at the time of default. Excludes consumer lending. 2 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. 3 Property 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.

# Well provisioned, sound credit quality

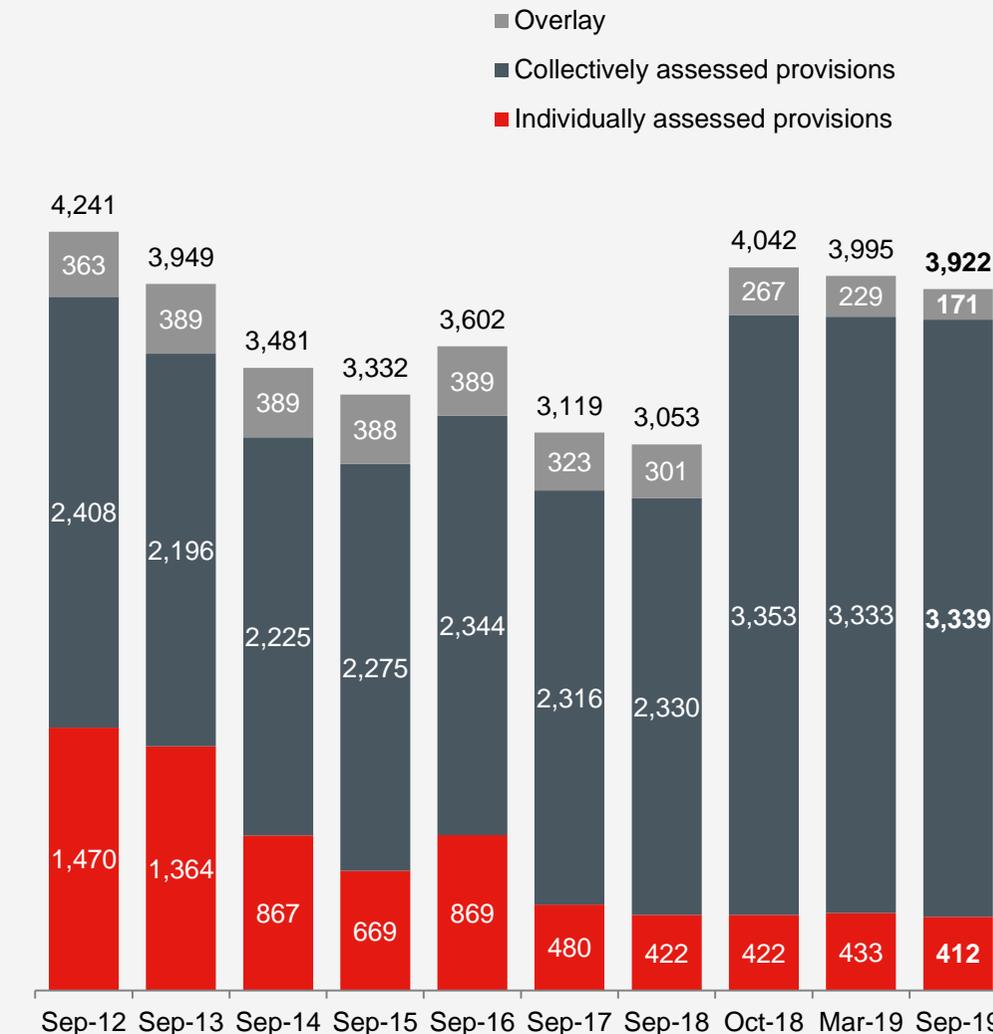
## Provisioning ratios

	Sep-18	1-Oct-18	Mar-19	Sep-19
Loan provisions <sup>1</sup> to gross loans (bps)	43	57	56	<b>54</b>
Impaired asset provisions to impaired assets (%)	46	47	46	<b>45</b>
Collectively assessed provisions to credit RWA (bps)	73	101	98	<b>95</b>

## Impaired asset provisions to impaired assets (%)

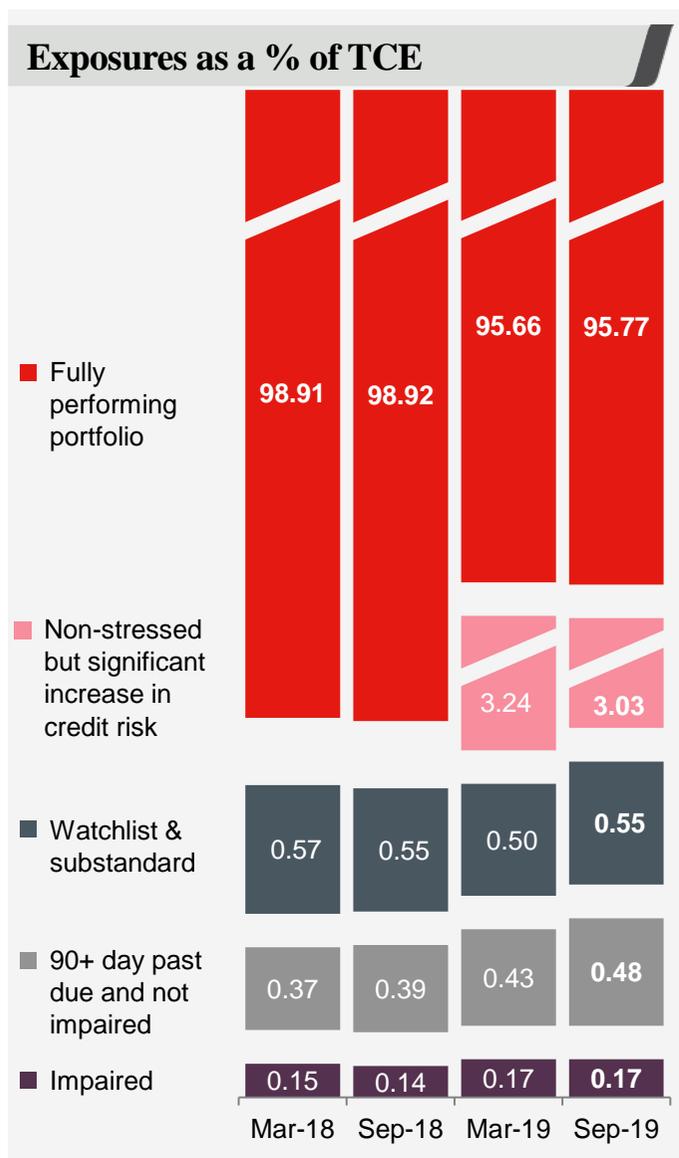


## Total impairment provisions (\$m)



<sup>1</sup> Includes provisions for credit commitments. <sup>2</sup> Sep-19 column reflects latest available data. Westpac and Peer 1 as at 30 September 2019. Peer 3 as at 30 June 2019. For Peer 2, periods are as at 30 June 2018, 31 December 2018 and 30 June 2019.

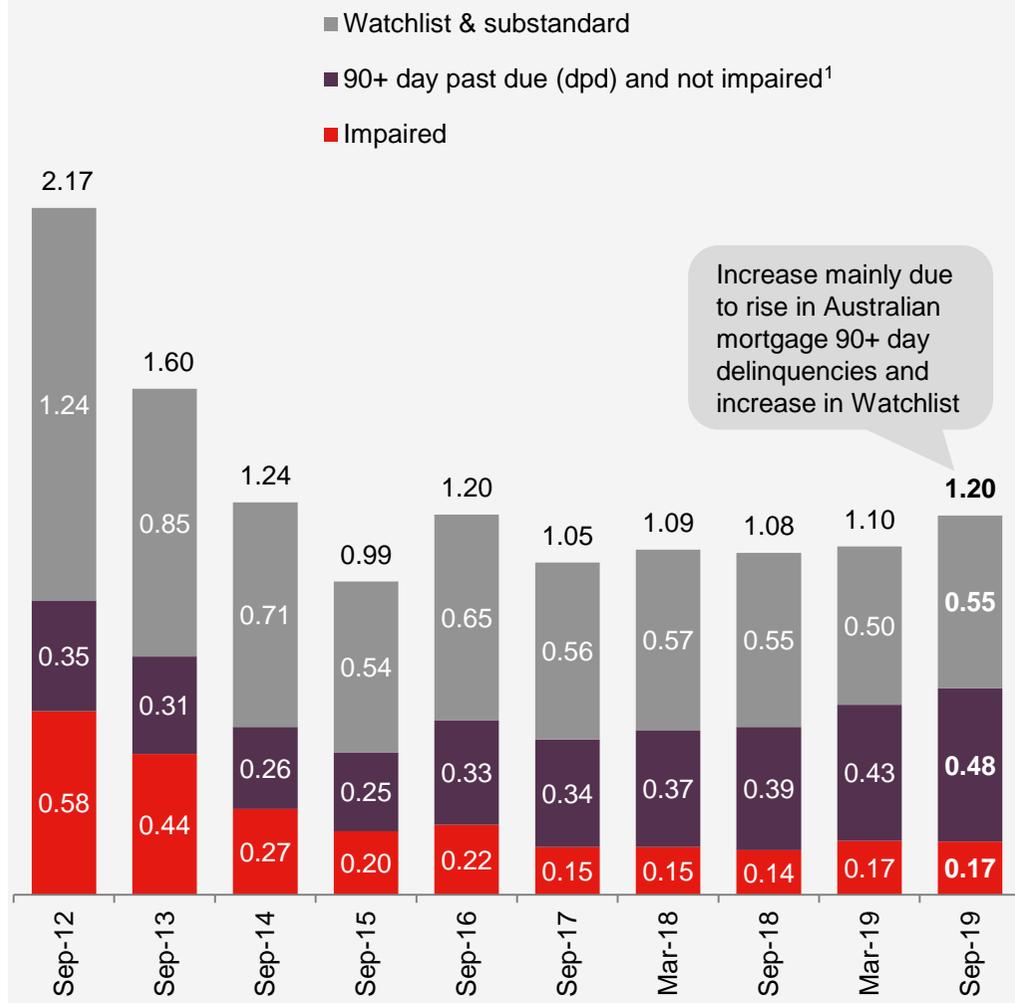
# Provision cover by portfolio category



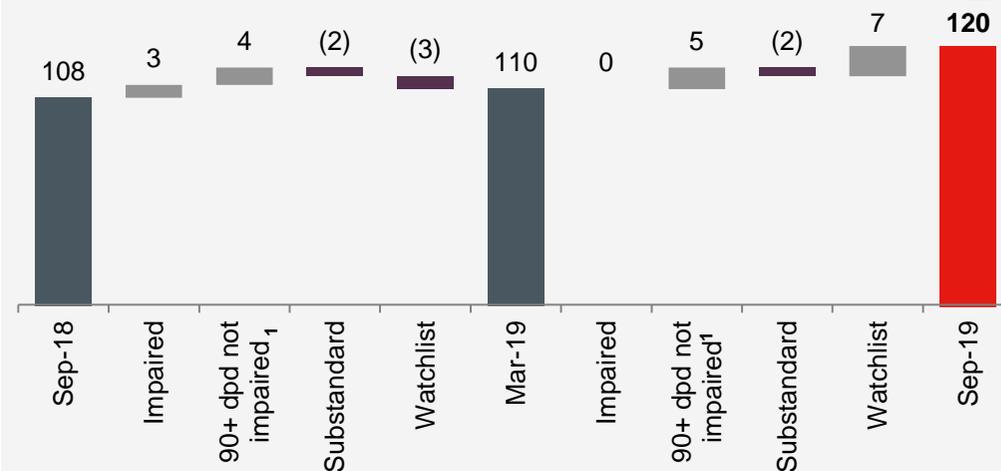
	Provisioning to TCE (%)			
	Mar-18	Sep-18	Mar-19	Sep-19
<b>Fully performing portfolio</b>				
Small cover as low probability of default (PD)	0.20	0.18	0.09	<b>0.09</b>
<b>Non-stressed but significant increase in credit risk</b>				
Lifetime expected loss based on future economic conditions			4.18	<b>4.32</b>
<b>Watchlist &amp; substandard</b>				
Still performing but higher cover reflects deterioration	4.71	5.27	5.59	<b>5.27</b>
<b>90+ day past due and not impaired</b>				
In default but strong security	5.03	5.11	12.34	<b>11.07</b>
<b>Impaired assets</b>				
In default. High provision cover reflects expected recovery	45.54	46.12	45.74	<b>44.92</b>

# Stressed exposures modest rise in FY19

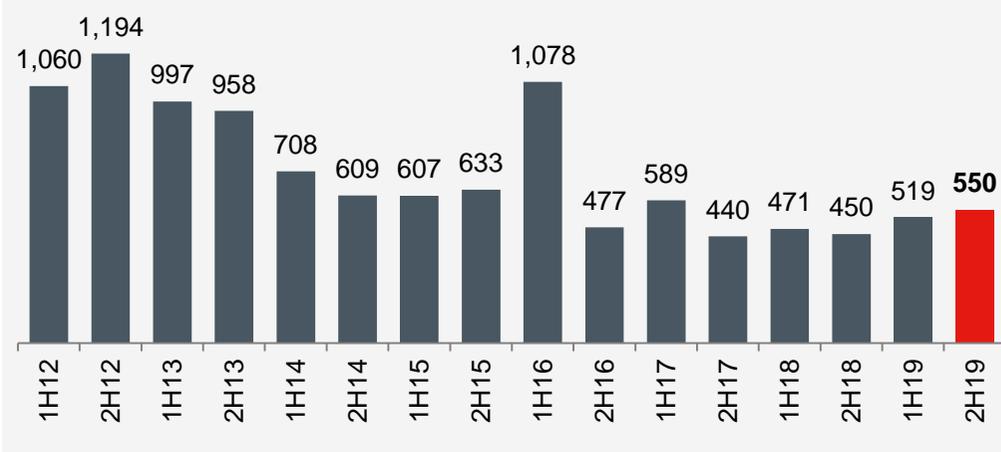
## Stressed exposures as a % of TCE



## Movement in stress categories (bps)



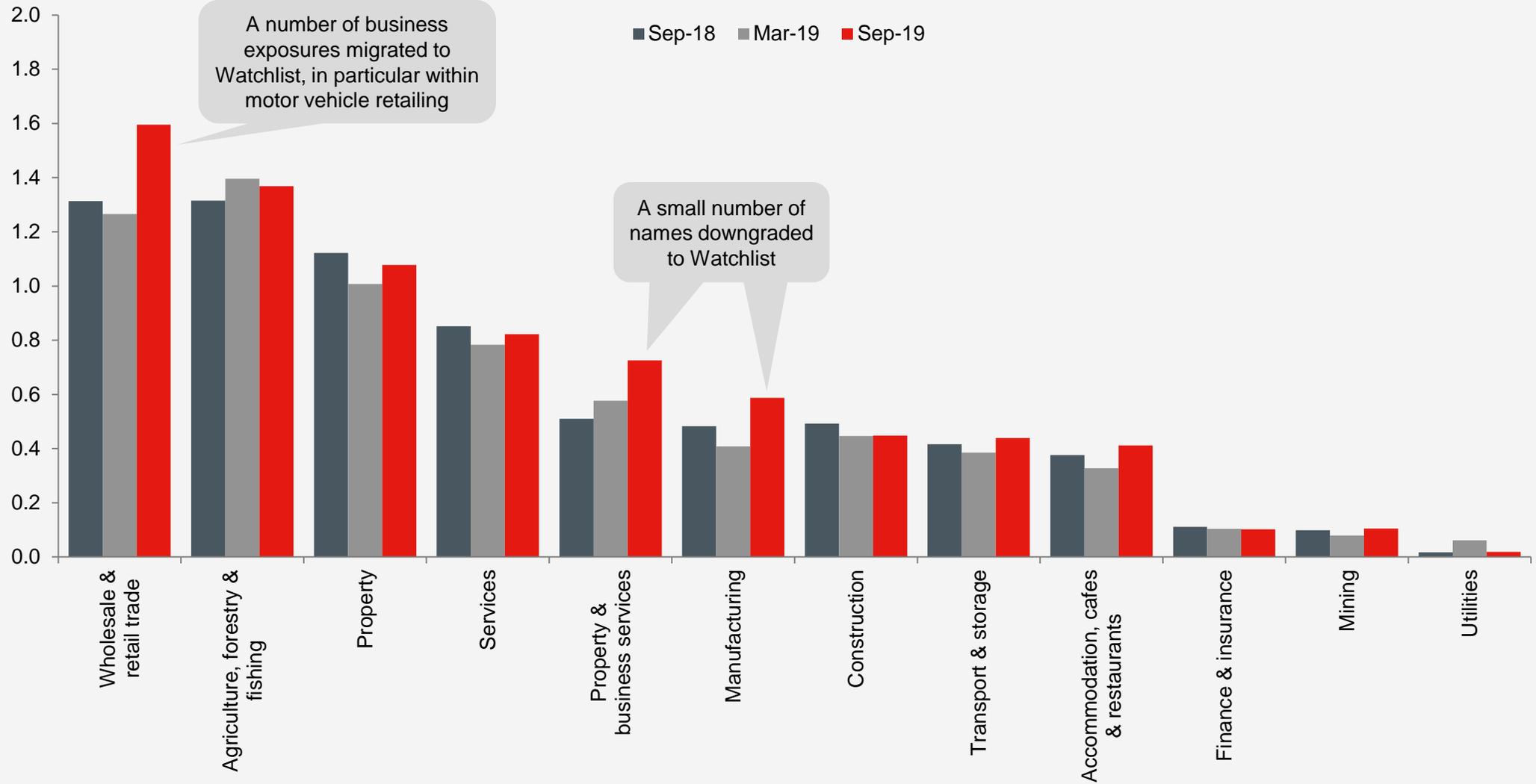
## New and increased gross impaired assets (\$m)



<sup>1</sup> Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes.

# Overall corporate and business stressed exposures increased modestly over 2H19

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

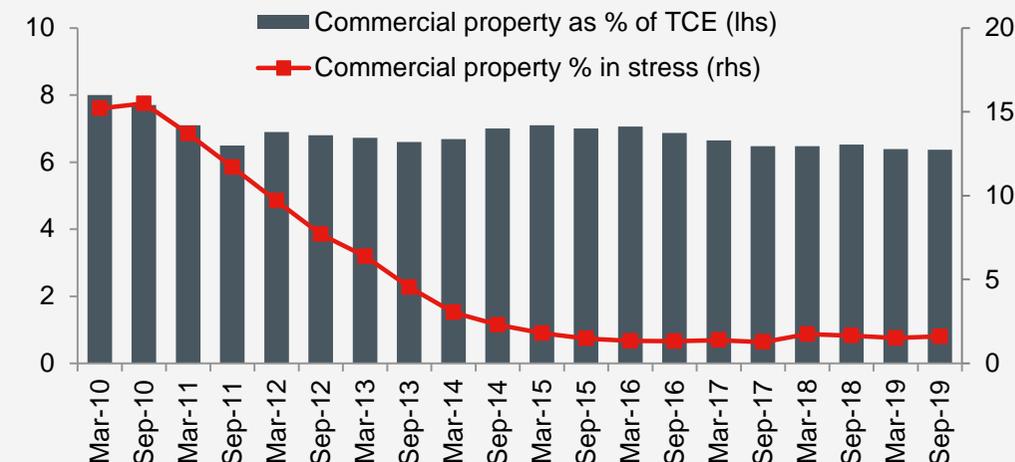


# Areas of interest: Commercial property

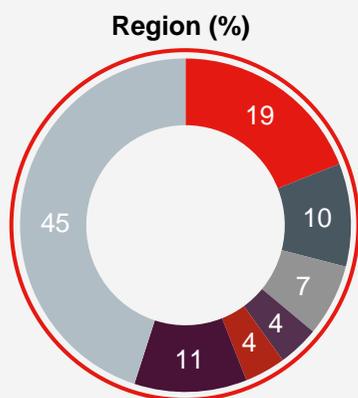
## Commercial property portfolio

	Sep-18	Mar-19	Sep-19
Total committed exposures (TCE)	\$67.6bn	\$66.9bn	<b>\$66.9bn</b>
Lending	\$52.0bn	\$52.3bn	<b>\$51.7bn</b>
Commercial property as a % of Group TCE	6.51	6.39	<b>6.37</b>
Median risk grade	BB+ equivalent	BB+ equivalent	<b>BB+ equivalent</b>
% of portfolio graded as stressed <sup>1,2</sup>	1.66	1.51	<b>1.61</b>
% of portfolio in impaired <sup>2</sup>	0.23	0.22	<b>0.15</b>

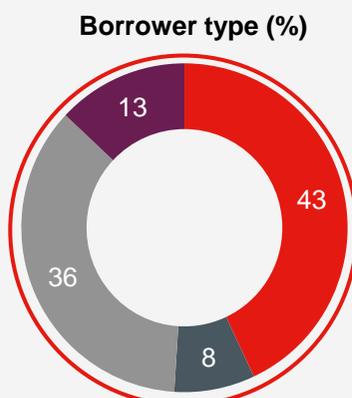
## Commercial property exposures % of TCE and % in stress



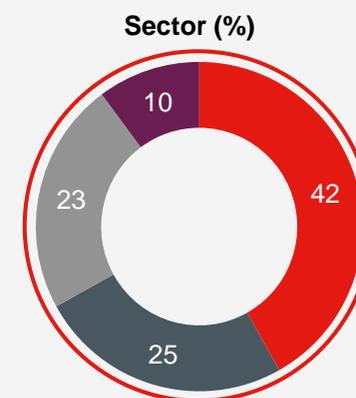
## Commercial property portfolio composition (%)



- NSW & ACT
- VIC
- QLD
- SA & NT
- WA
- NZ & Pacific
- Institutional (diversified)



- Investors & Developers <\$10m
- Developers >\$10m
- Investors >\$10m
- Diversified Property Groups and Property Trusts >\$10m



- Commercial offices & diversified groups
- Residential
- Retail
- Industrial

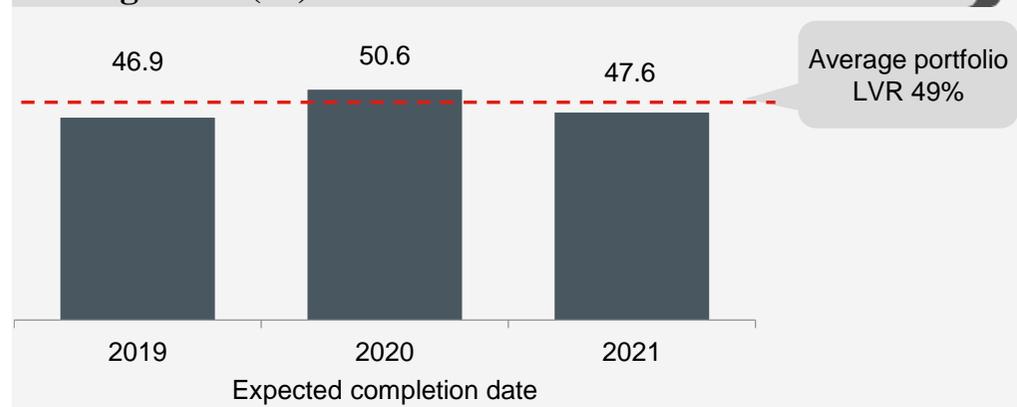
1 Includes impaired exposures. 2 Percentage of commercial property portfolio TCE.

# Areas of interest: Inner city apartments

## Commercial property portfolio TCE (\$bn)

	Sep-18	Mar-19	Sep-19	TCE (%) <sup>1</sup>	
Residential apartment development >\$20m	4.1	3.3	<b>3.4</b>	5.1	<ul style="list-style-type: none"> <li>• Approvals and new starts lower and expected to slow further.</li> <li>• Tightened risk appetite for areas of concern remains in place</li> <li>• Settlements remain slightly slower than historical experience, but Westpac's debt has been repaid in full given low LVRs</li> </ul>
Residential apartment development >\$20m in major markets, refer below <sup>2</sup>	2.6	2.8	<b>2.8</b>	4.2	
Sydney major markets	1.8	2.1	<b>2.0</b>	3.0	<ul style="list-style-type: none"> <li>• Increase due to expanding definition of 'major' Sydney suburbs in Nov-18. Comparable TCE to Sep-18 would be \$1.5bn at Sep-19</li> </ul>
Inner Melbourne	0.6	0.5	<b>0.5</b>	0.7	<ul style="list-style-type: none"> <li>• Weighted average LVR 48.8%</li> </ul>
Inner Brisbane	0.1	0.1	<b>0.1</b>	0.1	<ul style="list-style-type: none"> <li>• Slow market. Exposure low</li> </ul>
Perth metro	0.1	0.1	<b>0.1</b>	0.1	<ul style="list-style-type: none"> <li>• Activity slowly lifting</li> </ul>

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



<sup>1</sup> Percentage of commercial property TCE. <sup>2</sup> Totals may not add up due to rounding.

## Consumer mortgages

Consumer mortgages where security is within an inner city residential apartment development	Sep-18	Mar-19	Sep-19
Total consumer mortgage loans for inner city apartments	\$15.2bn	\$15.3bn	<b>\$15.3bn</b>
Average LVR at origination	73%	72%	<b>72%</b>
Average dynamic LVR	57%	56%	<b>56%</b>
Dynamic LVR >90%	2.49%	3.59%	<b>3.66%</b>
90+ day delinquencies	44bps	62bps	<b>66bps</b>

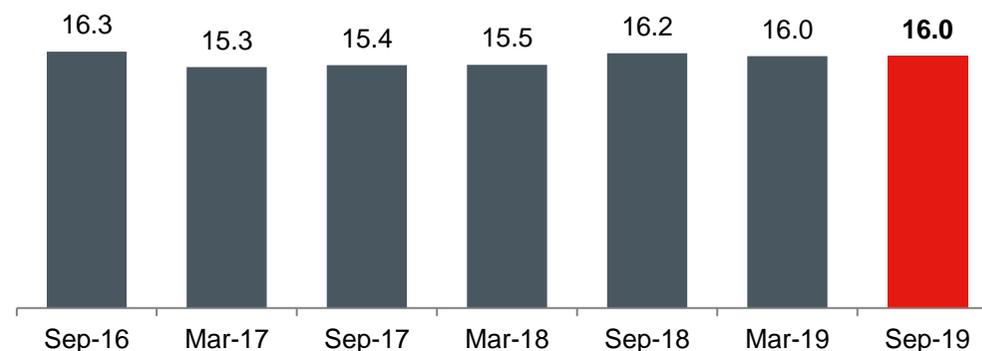
# Areas of interest: Retail trade

## Motor vehicle retailing stress increasing

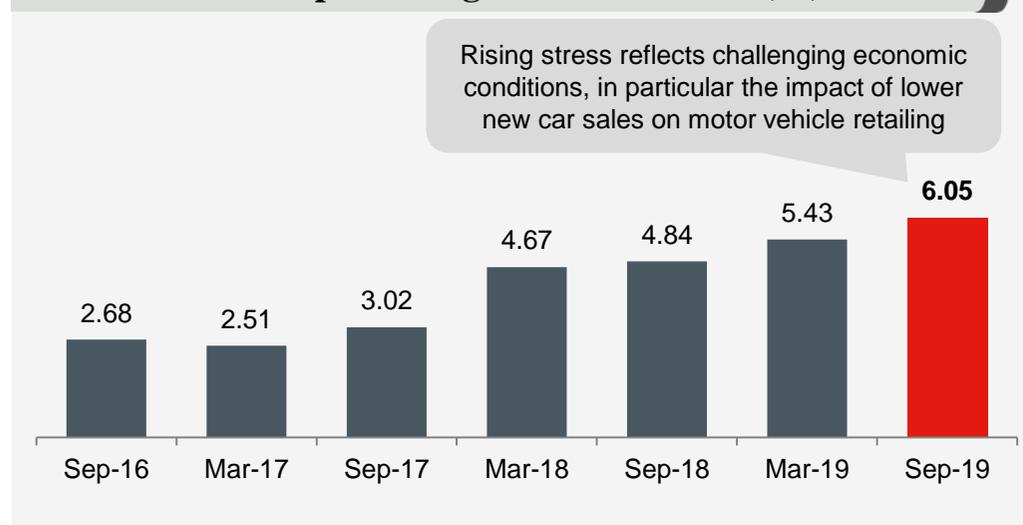
### Retail trade portfolio

	Sep-18	Mar-19	Sep-19
Total committed exposures (TCE)	\$16.2bn	\$16.0bn	<b>\$16.0bn</b>
Lending	\$11.6bn	\$11.5bn	<b>\$11.6bn</b>
Retail trade as a % of Group TCE	1.56	1.53	<b>1.52</b>
Median risk grade	BB equivalent	BB equivalent	<b>BB equivalent</b>
% of portfolio graded as stressed <sup>1,2</sup>	4.84	5.43	<b>6.05</b>
% of portfolio in impaired <sup>2</sup>	0.41	1.24	<b>1.30</b>

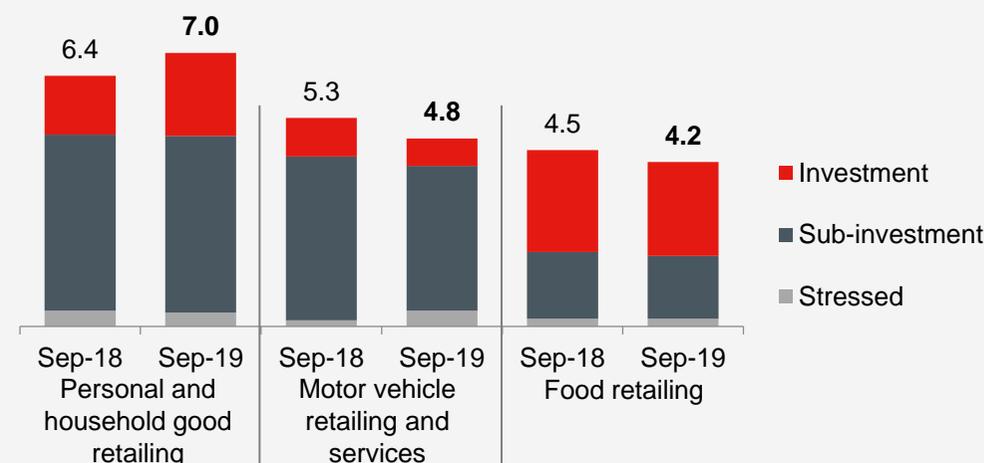
### Retail trade exposure (TCE) (\$bn)



### % of Retail trade portfolio graded as stressed (%)



### Retail trade by internal risk grade category (TCE) (\$bn)



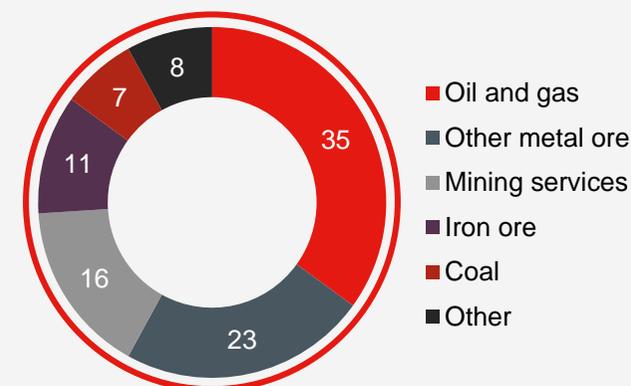
1 Includes impaired exposures. 2 Percentage of retail trade portfolio TCE.

# Areas of interest: Mining and Australian Agriculture

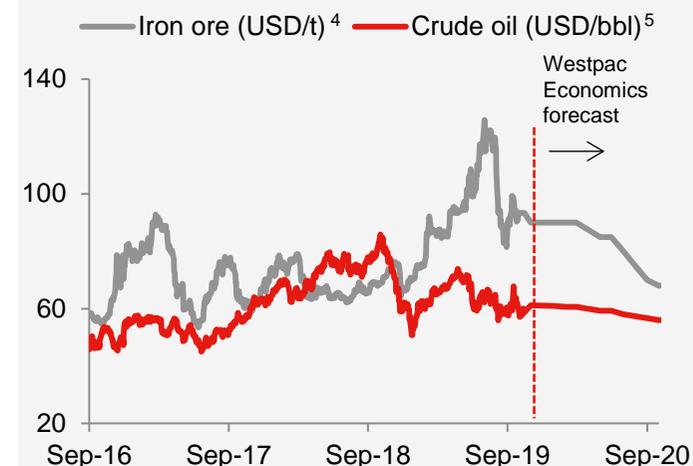
## Mining (inc. oil and gas) portfolio

	Sep-18	Mar-19	Sep-19
Total committed exposure (TCE)	\$10.7bn	\$9.8bn	<b>\$10.5bn</b>
Lending	\$5.7bn	\$5.2bn	<b>\$5.5bn</b>
Median risk grade (S&P equivalent)	BBB-	BBB-	<b>BBB</b>
% of Group TCE	1.03	0.94	<b>1.00</b>
% of portfolio graded as stressed <sup>1,2</sup>	0.99	0.81	<b>0.99</b>
% of portfolio in impaired <sup>2</sup>	0.17	0.16	<b>0.16</b>

## Mining portfolio (TCE) by sector (%)



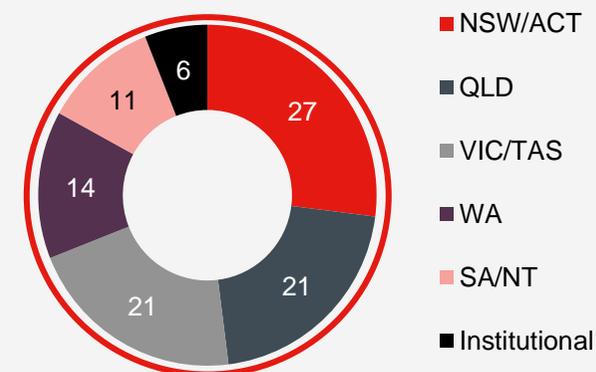
## Iron Ore and Oil prices (\$)³



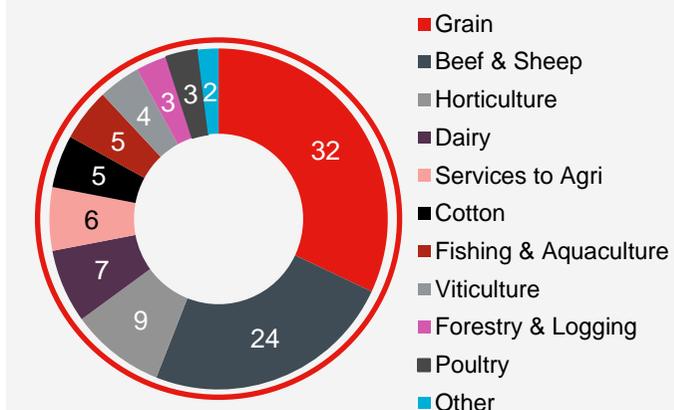
## Australian Agriculture portfolio

	Sep-18	Mar-19	Sep-19
Total committed exposure (TCE)	\$10.6bn	\$10.9bn	<b>\$11.2bn</b>
Lending	\$8.5bn	\$8.6bn	<b>\$9.1bn</b>
Median risk grade (S&P equivalent)	BB	BB	<b>BB</b>
% of Group TCE	1.02	1.04	<b>1.07</b>
% of portfolio graded as stressed <sup>1,2</sup>	4.40	4.65	<b>4.29</b>
% of portfolio in impaired <sup>2</sup>	0.27	0.35	<b>0.28</b>

## Australian Agriculture (TCE) by state (%)



## Australian Agriculture (TCE) portfolio composition (%)



1 Includes impaired exposures. 2 Percentage of portfolio TCE. 3 Sourced from Westpac Economics and Bloomberg. 4 The steel index 62% Fe fines benchmark. 5 Brent oil price.

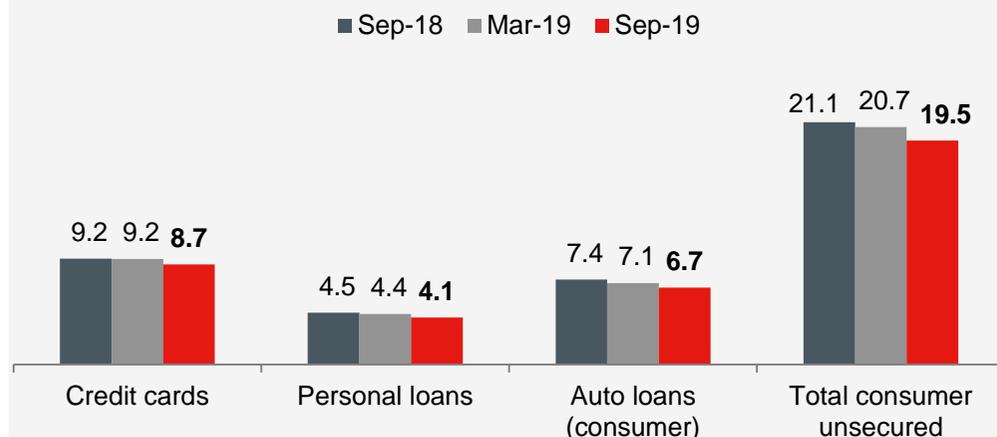
# Australian consumer unsecured lending, 3% of Group loans

## Australian consumer unsecured lending portfolio<sup>1</sup>

	Sep-18	Mar-19	Sep-19
Lending	\$21.1bn	\$20.7bn	<b>\$19.5bn</b>
30+ day delinquencies (%)	3.65	4.08	<b>3.68</b>
90+ day delinquencies (%)	1.73	1.87	<b>1.77</b>

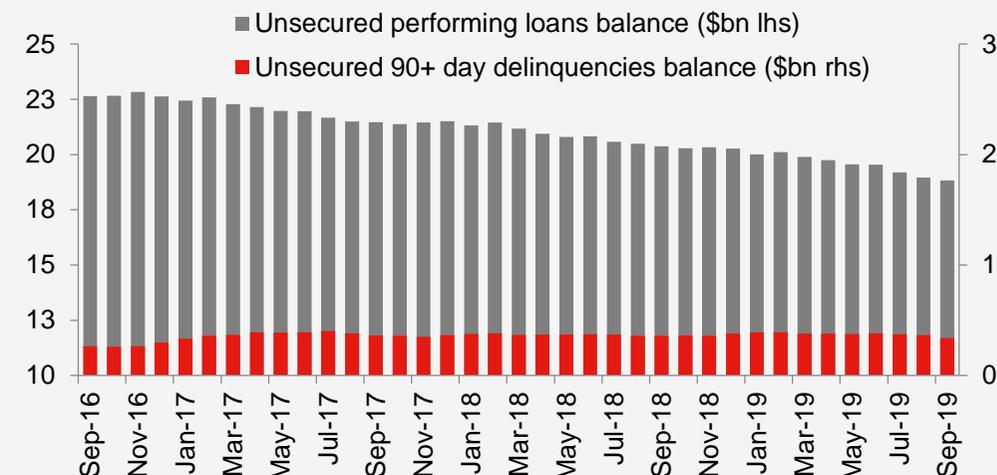
Small increase in consumer unsecured 90+ day delinquencies over FY19 due to portfolio contraction, temporary changes to collections operations partly offset by an improvement in Auto Finance arrears

## Australian unsecured portfolio (\$bn)<sup>1</sup>

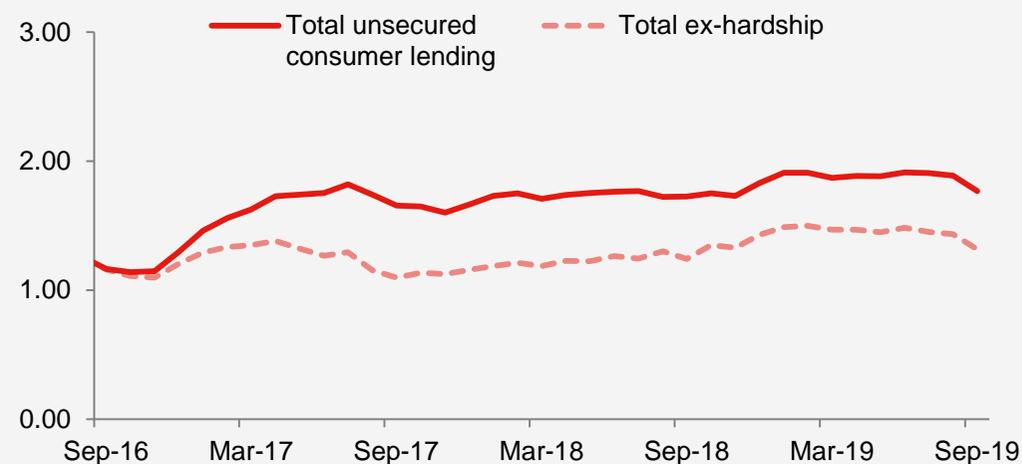


<sup>1</sup> Does not include Margin Lending.

## Unsecured portfolio (\$bn)



## 90+ day delinquencies (%)

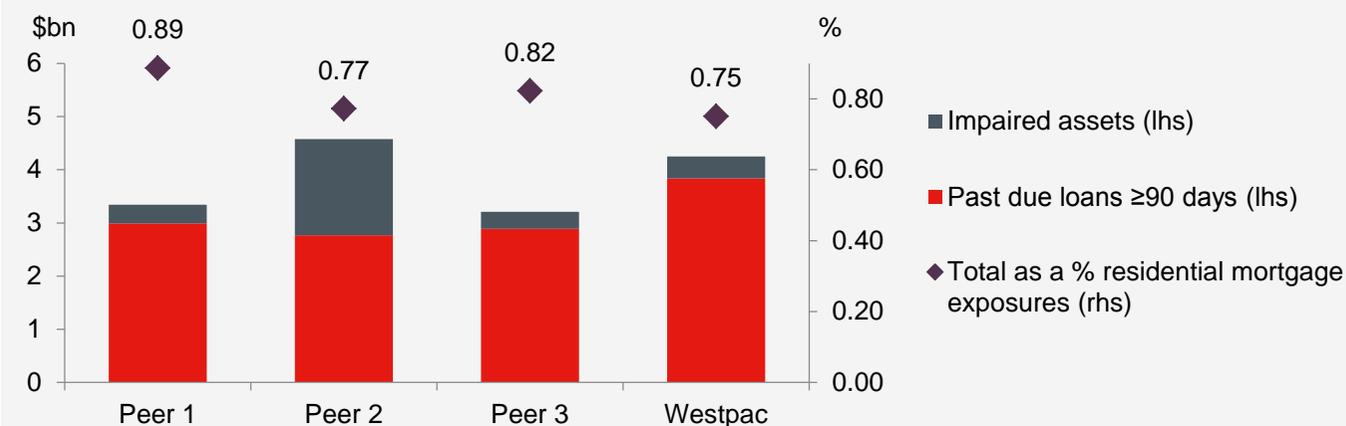


# Australian mortgage portfolio performance

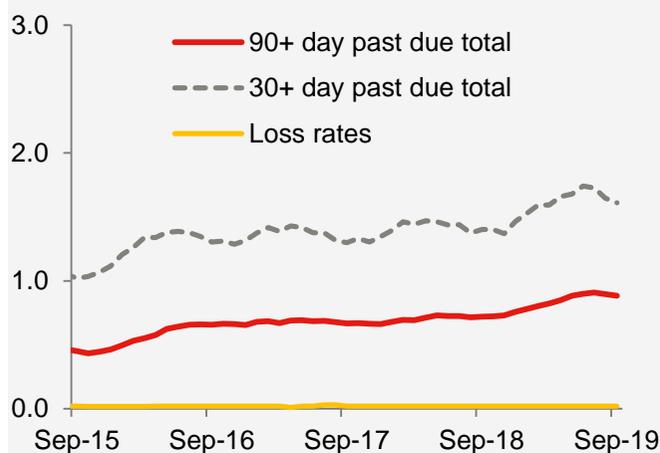
Australian mortgage portfolio	Sep-18	Mar-19	Sep-19
30+ day delinquencies (bps)	140	159	161
90+ day delinquencies (bps) <i>(inc. impaired mortgages)</i>	72	82	88
Consumer properties in possession	396	482	558
Mortgage loss rate annualised (bps) <sup>1</sup>	2	2	3

- Australian mortgage 90+ day delinquencies had a peak in July 2019 of 91bps and declined in August and September 2019
- Increase in FY19 reflects:
  - Existing 90+ day borrowers remaining in collections for longer due mainly to weak housing market activity in most of FY19
  - A greater proportion of P&I loans in the portfolio (70% of portfolio at 30 September 2019)
  - NSW/ACT delinquencies rose 6bps in 2H19 (16bps higher over FY19) to 69bps at 30 September 2019 (NSW/ACT represents 41% of the portfolio)
  - Seasoning of the RAMS portfolio, as this portfolio has a higher delinquency profile
- Properties in possession continue to be mostly in WA and Qld

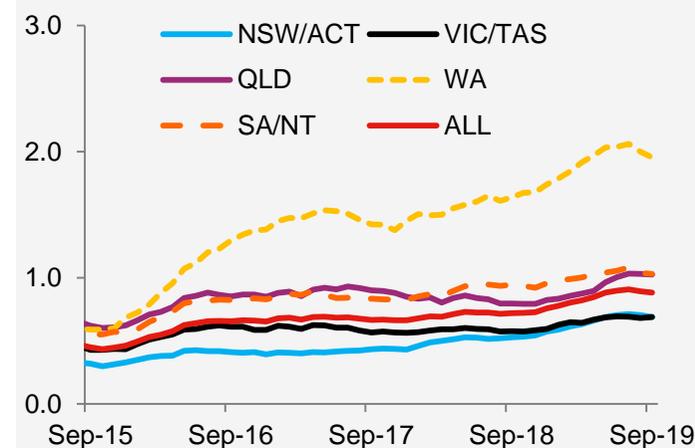
## Major banks' total residential mortgage impaired and past due loans $\geq 90$ days (\$bn and %)<sup>2</sup>



## Australian mortgage delinquencies and loss rates (%)



## Australian mortgage 90+ day delinquencies by State (%)

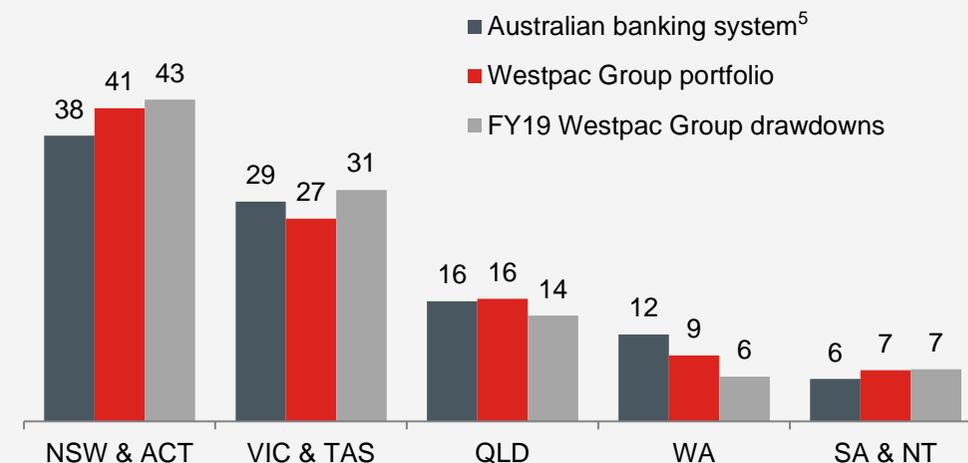


<sup>1</sup> Mortgage loss rate is for the 6 months ending. <sup>2</sup> Source: Pillar 3 Reports, based on APRA Residential Mortgage classification. Exposure is on and off balance sheet exposure at default. Data as at 30 September 2019 for Westpac. Data as at 30 June 2019 for Peer 1, Peer 2 and Peer 3.

# Australian mortgage portfolio composition

Australian mortgage portfolio	Sep-18 balance	Mar-19 balance	Sep-19 balance	2H19 Flow <sup>1</sup>
Total portfolio (\$bn)	444.7	447.2	<b>449.2</b>	<b>30.6</b>
Owner occupied (%)	56.8	57.3	<b>58.3</b>	<b>61.6</b>
Investment property loans (%)	39.1	39.1	<b>38.5</b>	<b>38.1</b>
Portfolio loan/line of credit (%)	4.1	3.6	<b>3.2</b>	<b>0.3</b>
Variable rate / Fixed rate (%)	77 / 23	76 / 24	<b>75 / 25</b>	<b>65 / 35</b>
Interest only (%)	34.8	30.6	<b>26.9</b>	<b>21.3</b>
Proprietary channel (%)	56.1	56.3	<b>55.7</b>	<b>51.4</b>
First home buyer (%)	7.8	8.0	<b>8.4</b>	<b>10.9</b>
Mortgage insured (%)	16.3	15.9	<b>15.6</b>	<b>11.3</b>
	<b>Sep-18</b>	<b>Mar-19</b>	<b>Sep-19</b>	<b>2H19 Flow<sup>1</sup></b>
Average loan size <sup>2</sup> (\$'000)	273	275	<b>277</b>	<b>372</b>
Customers ahead on repayments including offset account balances <sup>3</sup> (%)	69	69	<b>70</b>	
Actual mortgage losses net of insurance <sup>4</sup> (\$m, for the 6 months ending)	38	51	<b>57</b>	
Actual mortgage loss rate annualised (bps, for the 6 months ending)	2	2	<b>3</b>	

## Australian mortgage portfolio by State (%)

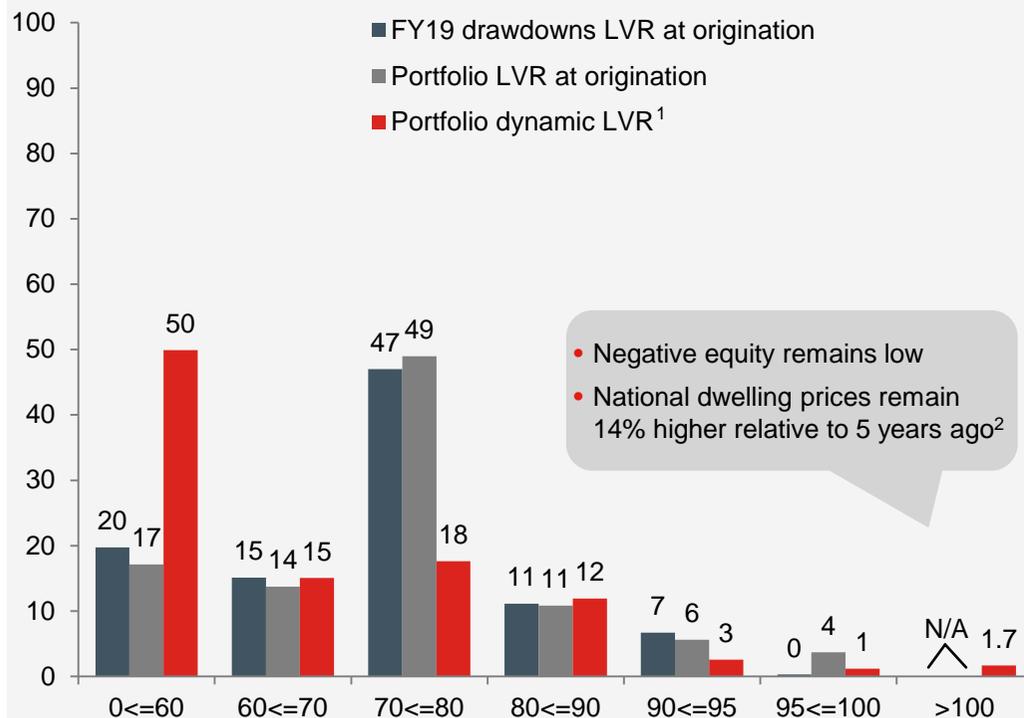


## Switching from I/O to P&I<sup>6</sup> (\$bn)



1 Flow is new mortgages settled in the 6 months ended 30 September 2019 and includes RAMS. 2 Includes amortisation. Calculated at account level, where split loans represent more than one account. 3 Loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. 4 Mortgage insurance claims 2H19 \$5m (1H19 \$7m; 2H18 \$4m). 5 Source Comparator Apr-Jun 2019. 6 1 I/O is interest only mortgage lending. P&I is principal and interest mortgage lending.

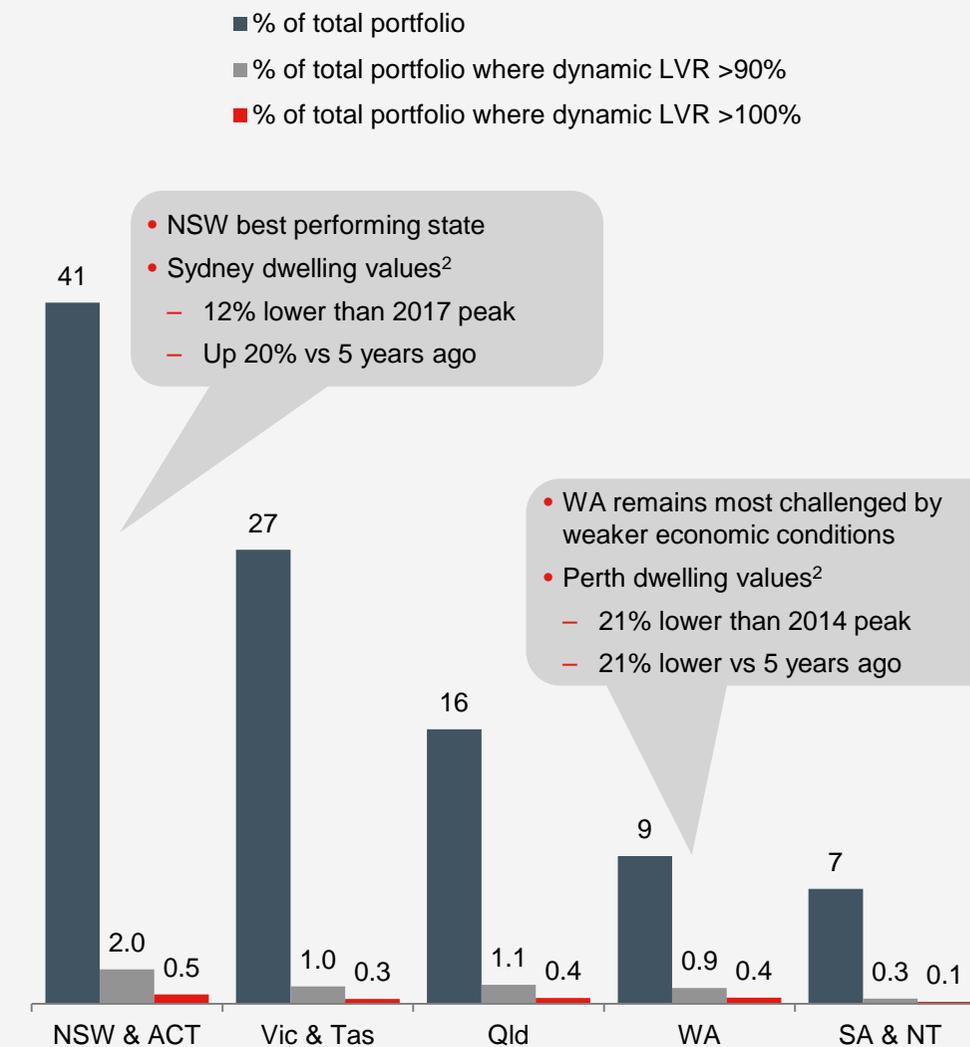
## Australian housing loan-to-value ratios (LVRs) (%)



### Australian mortgage portfolio LVRs

	Sep-18 balance	Mar-19 balance	Sep-19 balance
Weighted averages <sup>3</sup>			
LVR at origination (%)	74	74	<b>74</b>
Dynamic LVR <sup>1,4</sup> (%)	54	57	<b>58</b>
LVR of new loans <sup>5</sup> (%)	71	72	<b>72</b>

## Australian housing loan-to-value ratios (LVRs) (%)

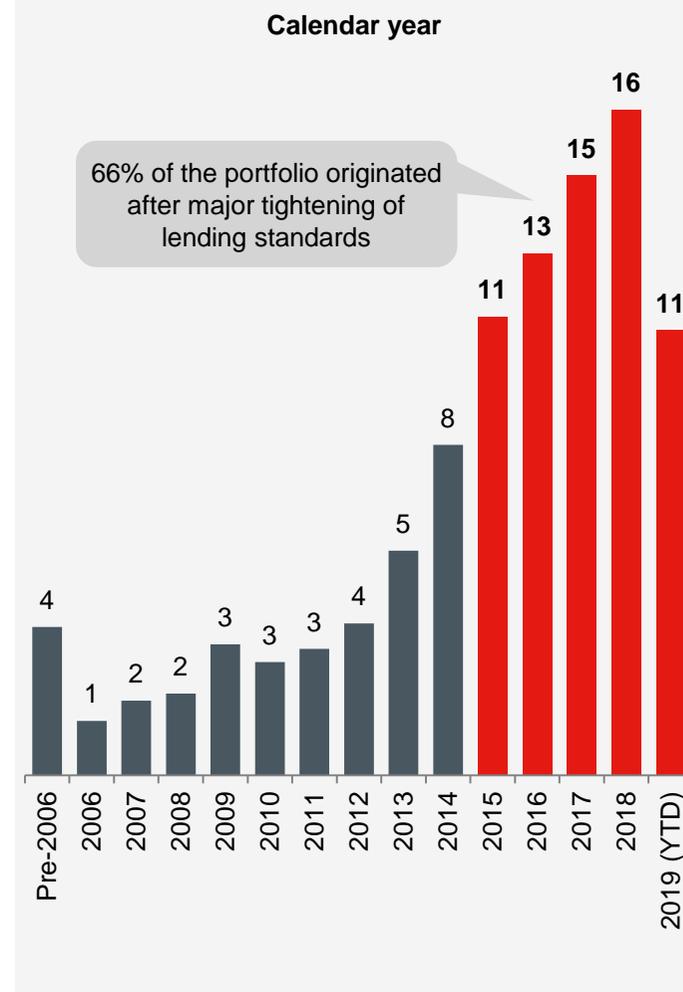


1 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 2 Source: CoreLogic, 1 October 2019. 3 Weighted average LVR calculation considers size of outstanding balances. 4 Includes RAMS in 1H19 and 2H19. Excludes RAMS in 2H18. 5 Average LVR of new loans is on rolling 6 months.

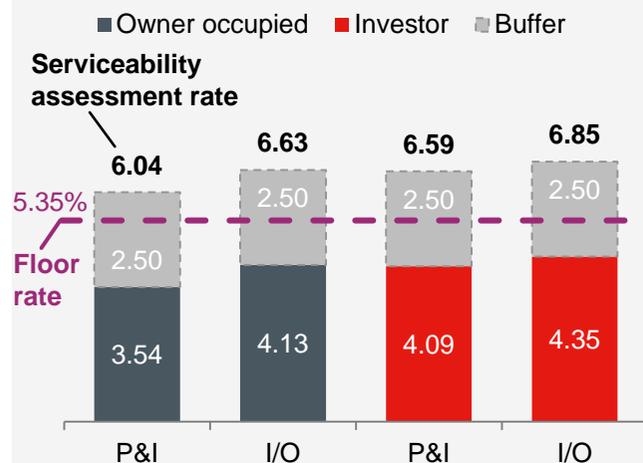
## Notable changes to Westpac mortgage lending standards in FY19

- Increase in minimum assessment (“floor”) rate to 7.25% and increase in serviceability assessment buffer to 2.25%
  - Credit card repayments assessed at 3% of limit (previously 2%)
- 2015**
- Expenses benchmark (HEM) adjusted by income bands as well as post settlement postcode location, marital status and dependants
  - Serviceability for loans with interest only terms assessed over the residual P&I term, not full loan term and maximum I/O terms reduced – owner occupied reduced to 5 years
- 
- Mandatory 20% minimum shading on all non-base income (e.g. rental income, annuity income) – previously non-base income discounted by varying amounts
  - Ceased non-resident lending. For Australian and NZ citizens and permanent visa holders using foreign income, tightened verification and LVR restricted to 70%
  - Maximum I/O terms for new IPLs reduced to 10 years
  - Maximum LVRs restricted to include LMI capitalisation
- 2016**
- 
- 30% limit on new interest-only lending, based on % of limits (removed 2019)
  - Tighter limits on interest-only lending >80% LVR
  - Heightened supervision of mortgage lending warehouses
  - Strengthened pre settlement hind-sighting process of applications with introduction of day 2 review team
- 2017**
- 
- More granular assessment of expenses through the introduction of 13 categories to capture living expenses and other commitments
  - Income verification requirements for self-employed applicants strengthened
- 2018**
- 
- Categories to capture living expenses and other commitments increased to 17 (from 13)
  - HEM tables updated with values are based on the 2015/2016 ABS Household Expenditure Survey (HES), which replaces the 2009/2010 HES data previously used. This incorporates significant changes to spending patterns with a more up-to-date view on actual expenses, relative to income
- 2019**
- Tightened policy on acceptable valuation methodology
  - Credit card repayments assessed at 3.8% of limit (previously 3%)
  - Interest rate buffer increased from 2.25% to 2.50%; minimum assessment rate reduced from 7.25% in line with revised prudential guidance; Westpac minimum assessment (“floor”) rate currently 5.35%

## Australian mortgage portfolio by year of origination (% of total book)



## Variable mortgage interest rates<sup>1</sup> (%)

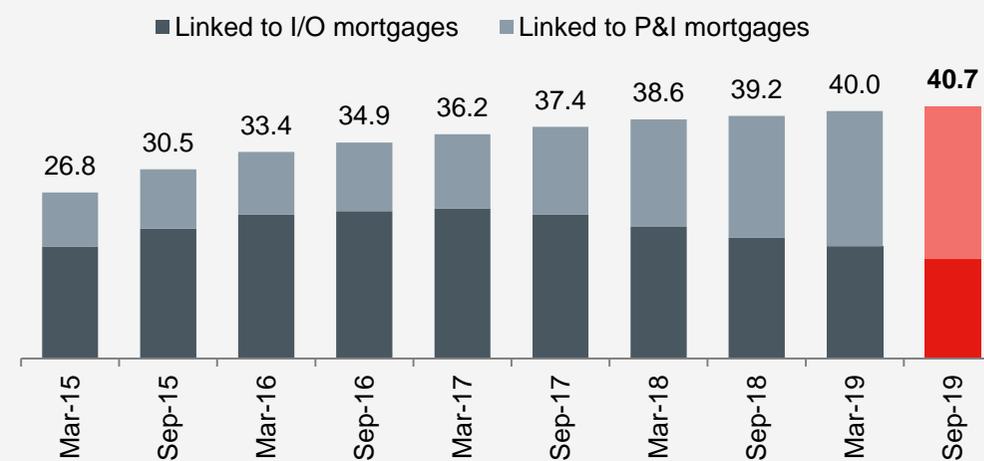


Loans assessed at the higher of the customer rate (including any discounts) plus 2.50% buffer, or minimum assessment rate ("floor rate")

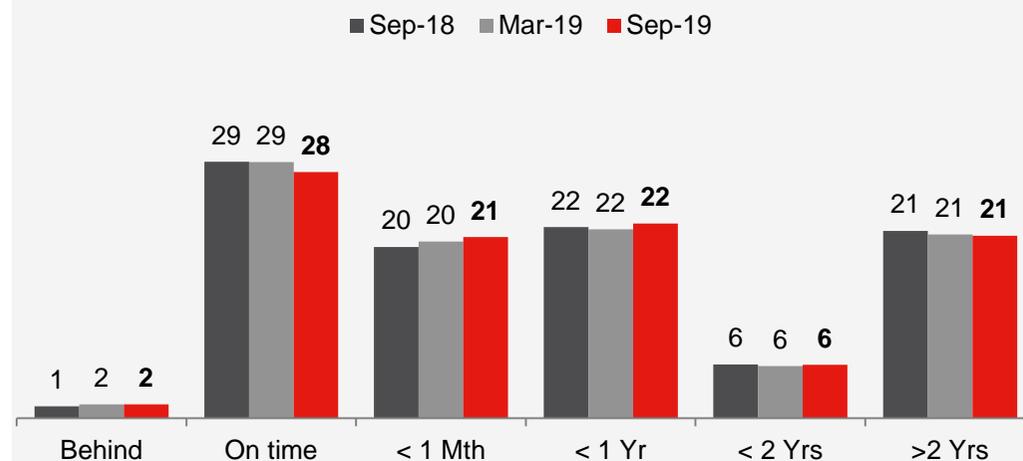
APRA advised that ADI's will set their own floor for use in serviceability assessments, effective 5 July 2019

Westpac now applies a minimum floor rate of 5.35%

## Westpac Australian offset account balances<sup>2</sup> (\$bn)

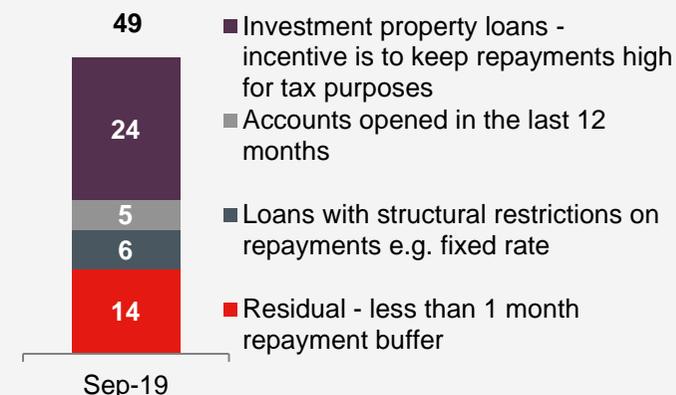


## Australian home loan customers ahead on repayments<sup>3</sup> (% by balances)



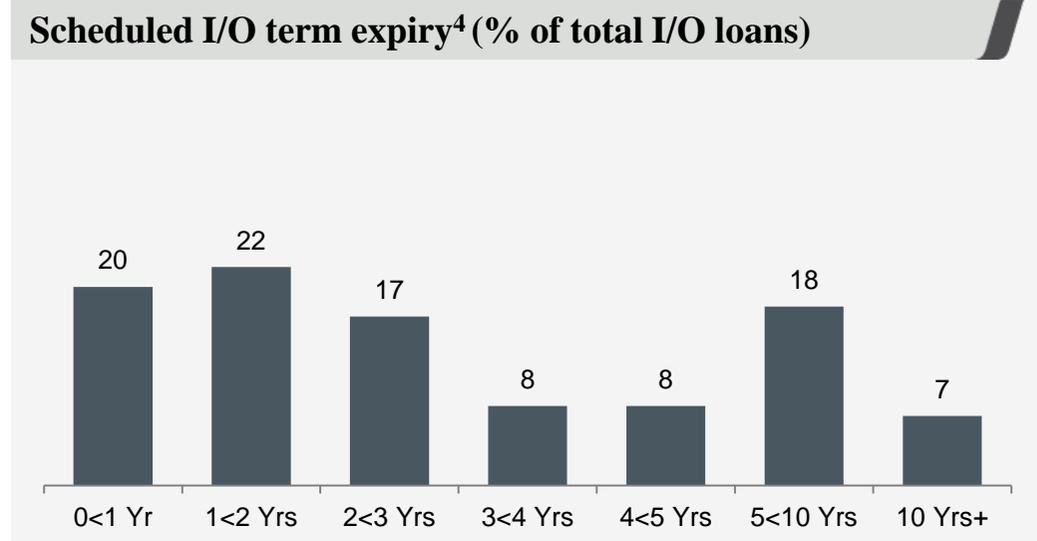
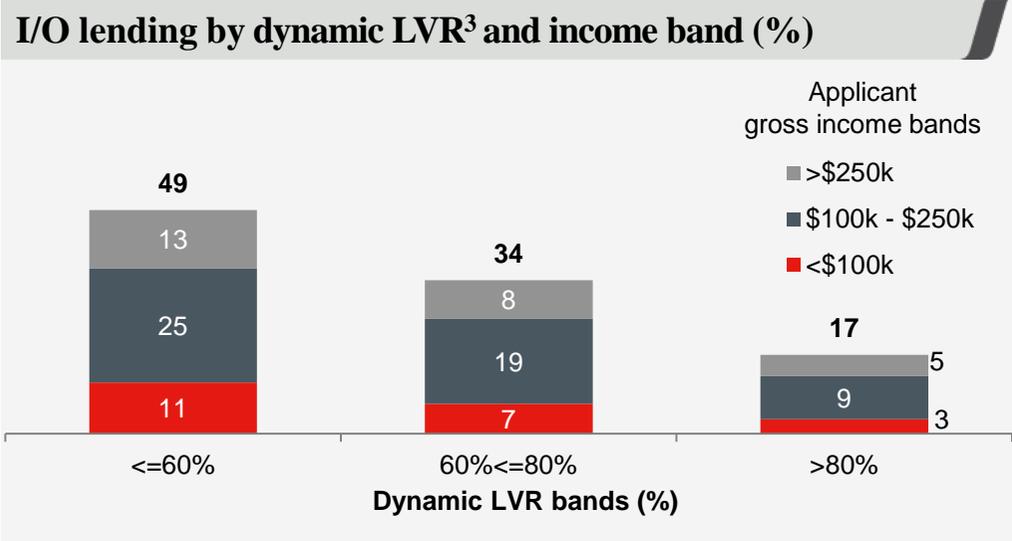
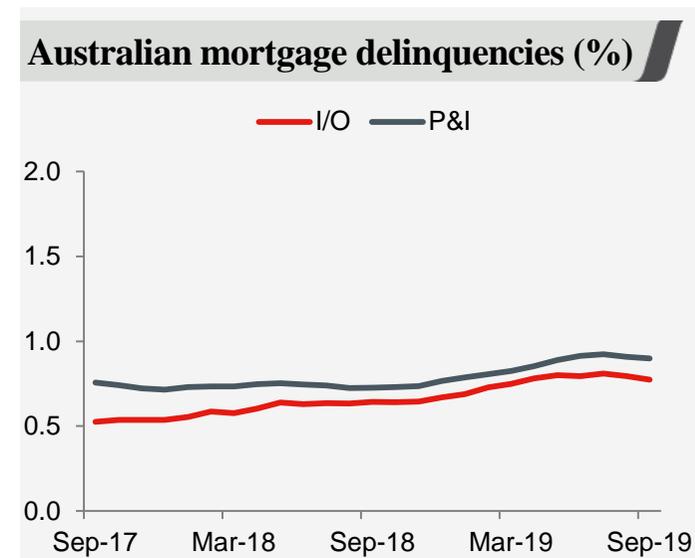
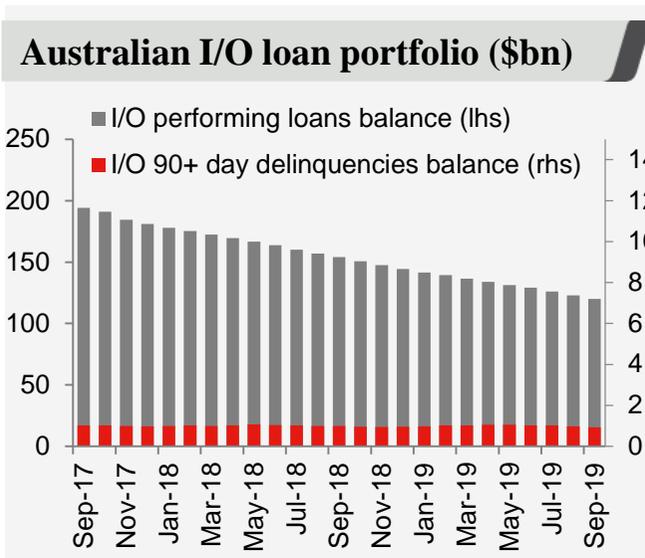
70% of Westpac borrowers are ahead on their mortgage repayments, including offset account balances

## Loans 'On time' and <1 mth ahead (% of balances)



1 Interest rates for Westpac Rocket Repay Home Loan inclusive of Premier Advantage Package discount assuming loan amount above \$250,000. Pricing at 16 October 2019. 2 Excludes RAMS. 3 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset accounts. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due.

- 73% weighted average LVR of interest only loans at origination<sup>1</sup>
- 62% of customers ahead of repayments (including offset accounts)<sup>2</sup>
- Offset account balances attached to interest only loans represent 40% of offset account balances
- 90+ day delinquencies 77bps (compared to P&I portfolio 90bps)
- Annualised loss rate (net of insurance claims) 5bps (1H19: 3bps). Increase in 2H19 mainly due to portfolio contraction



<sup>1</sup> Weighted average LVR calculation takes into account size of outstanding balances. <sup>2</sup> Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. <sup>3</sup> Excludes RAMS. 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. <sup>4</sup> Excludes line of credit loans, I/O loans without date (including bridging loans and loans with construction purpose) and I/O loans that should have switched to P&I but for the previously announced mortgage processing error.

# Australian investment property portfolio

Investment property lending (IPL) portfolio		Sep-18	Mar-19	Sep-19
Weighted averages <sup>1</sup>	LVR of IPL loans at origination (%)	73	73	<b>72</b>
	LVR of new IPL loans in the period <sup>2</sup> (%)	70	71	<b>70</b>
	Dynamic LVR <sup>3</sup> of IPL loans (%)	56	59	<b>60</b>
Average loan size <sup>4</sup> (\$'000)		321	321	<b>322</b>
Customers ahead on repayments including offset accounts <sup>5</sup> (%)		58	58	<b>59</b>
90+ day delinquencies (bps)		57	68	<b>73</b>
Annualised loss rate (net of insurance claims) (bps)		3	3	<b>4</b>

## Investment property portfolio by number of properties per customer (%)

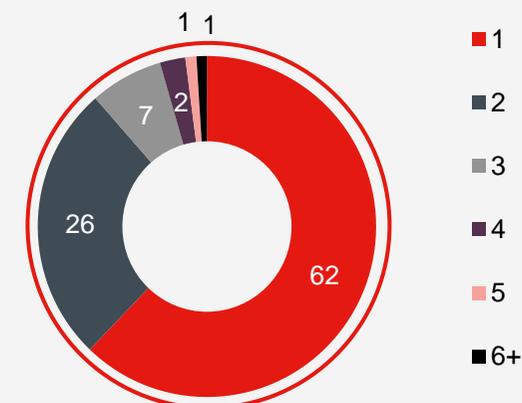
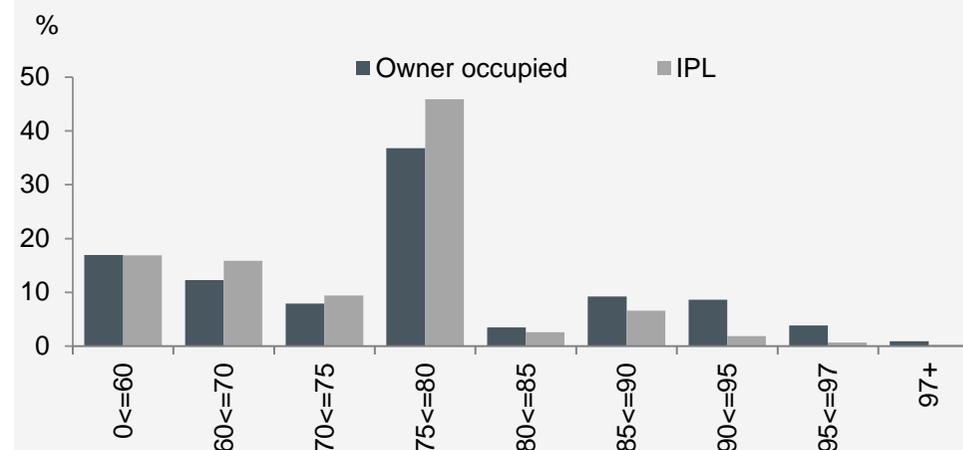


Chart does not add to 100 due to rounding

## Mortgage portfolio by gross income band (%)



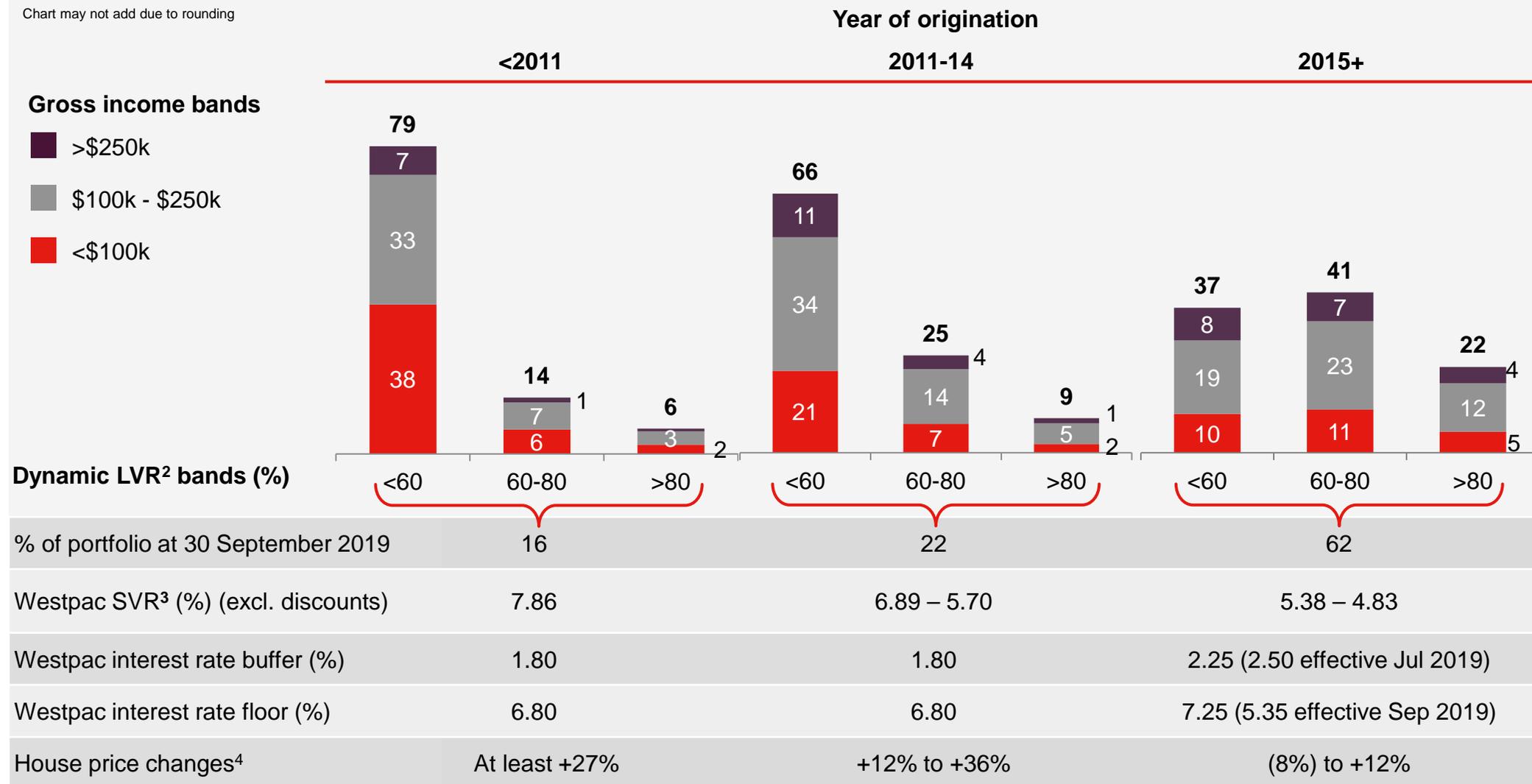
## Mortgage portfolio by LVR at origination (%)



1 Weighted average LVR calculation takes into account size of outstanding balances. 2 Average LVR of new loans is on rolling 6 month window. 3 Includes RAMS in 1H19 and 2H19. Excludes RAMS in 2H18. 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 Includes amortisation. Calculated at account level where split loans represent more than one account. 5 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments.

## Australian mortgage lending<sup>1</sup> by origination date, dynamic LVR<sup>2</sup> and income bands (%)

Chart may not add due to rounding



1 Portfolio comprised of residential mortgages, excluding RAMS, and business mortgages originated via a separate platform such as construction loans and loans to SMSFs. 2 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. 3 Based on a specific Rocket Repay rate offered during the period. Westpac Rocket Repay Home Loan exclusive of discounts assuming loan amount above \$250,000. 4 Source, Westpac Economics, CoreLogic. All dwellings Australia - average 8 major capital cities. Prices to September 2019.

## Lenders mortgage insurance (LMI)

- Where mortgage insurance is required, mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance<sup>1</sup> (WLMI), and reinsured 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 ratio of 1.2x PCR<sup>2</sup> and has 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 \$88m net of re-insurance recoveries (1H19: \$97m)

### Westpac's Australian mortgage portfolio at 30 Sep 2019 (%)

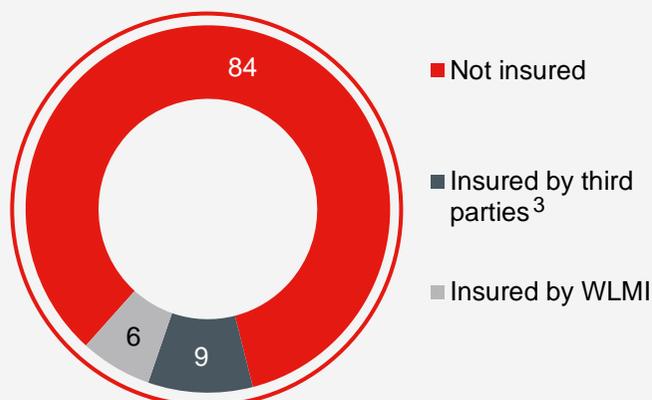


Chart does not add due to rounding

## Lenders mortgage insurance arrangements

LVR Band	insurance
<ul style="list-style-type: none"> <li>LVR ≤80%</li> <li>Low doc<sup>4</sup> LVR ≤60%</li> </ul>	Not required
<ul style="list-style-type: none"> <li>LVR &gt;80% to ≤ 90%</li> <li>Low doc<sup>4</sup> LVR &gt;60% to ≤ 80%</li> </ul>	<ul style="list-style-type: none"> <li>Where insurance required, insured through captive insurer, WLMI<sup>5</sup></li> <li>LMI not required for certain borrower groups</li> <li>Reinsurance arrangements:                             <ul style="list-style-type: none"> <li>40% risk retained by WLMI</li> <li>60% risk transferred through quota share arrangements with Arch Reinsurance Limited, Renaissance Re, Endurance Re, Everest Re, Trans Re, AWAC and Capita 2232</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>LVR &gt;90%</li> </ul>	<ul style="list-style-type: none"> <li>100% reinsurance through Arch Reinsurance Limited</li> <li>Reinsurance arrangements see loans with LVR &gt;90% insured through WLMI with 100% of risk subsequently transferred to Arch Reinsurance Limited</li> </ul>

## Insurance statistics

	2H18	1H19	2H19
Insurance claims (\$m)	4	7	5
WLMI claims ratio <sup>6</sup> (%)	11	25	16
WLMI gross written premiums <sup>7</sup> (\$m)	90	76	84

1 Since 18 May 2015 WLMI has underwritten all mortgage insurance, where required, on Westpac originated mortgages. The in-force portfolio of loans includes mortgage insurance provided by external providers. 2 Prudential Capital Requirement (PCR) calculated in accordance with APRA standards. 3 Insured coverage is net of quota share. 4 Low doc loans no longer sold. Refers to arrangements in place for legacy products. 5 No WLMI coverage if the loan goes to 90+ arrears in the first twelve months and insurance via WLMI ceases once the loans is 8 years from origination (unless in a securitised pool). 6 Loss ratio is claims over the total earned premium plus exchange commission. 7 LMI gross written premium includes loans >90% LVR reinsured with Arch Reinsurance Limited. 2H19 gross written premium includes \$56m from the arrangement (1H19: \$52m and 2H18: \$61m)

# 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 assumes a severe recession in which 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 \$5.1bn over three years for the uninsured portfolio (FY18: \$4.4bn)
  - Cumulative claims on LMI, both WLMI and external insurers, of \$1.0bn over the three years (FY18: \$1.0bn)
  - Loss rates have increased primarily due to further declines in house prices which lead to a higher dynamic LVR starting point for the portfolio and an increase in the LMI claim rejection rate from 30% to 50%
- WLMI separately conducts stress testing to test the sufficiency of its capital position to cover mortgage claims arising from a stressed mortgage environment
- Capital targets incorporate buffers at the Westpac Group level that also consider the combined impact on the mortgage portfolio and WLMI of severe stress scenarios

## Australian mortgage portfolio stress testing

Key assumptions	Current	Stressed scenario		
		Year 1	Year 2	Year 3
Portfolio size (\$bn)	449	432	423	421
Unemployment rate (%)	5.3	11.6	10.6	9.6
Interest rates (cash rate, %)	1.00	0.00	0.00	0.00
House prices (% change cumulative)	-	(18.5)	(29.7)	(35.2)
Annual GDP growth (%)	1.4	(3.9)	(0.2)	1.7
<b>Stressed loss outcomes (net of LMI recoveries)<sup>1</sup></b>				
<b>Portfolio at 31 March 2019</b>				
\$ million	102 <sup>2</sup>	1,837	2,578	874
Basis points <sup>3</sup>	2	38	54	19
<b>Portfolio at 30 September 2019</b>				
\$ million	108	1,948	2,729	973
Basis points <sup>3</sup>	2	40	57	21

<sup>1</sup> Assumes 50% of LMI claims will be rejected in a stressed scenario. <sup>2</sup> Represents 1H19 actual losses of \$51m annualised. <sup>3</sup> Stressed loss rates are calculated as a percentage of average exposure at default (EAD).



# CET1 ratio of 10.7%, increasing to ~11.25% on a pro forma basis

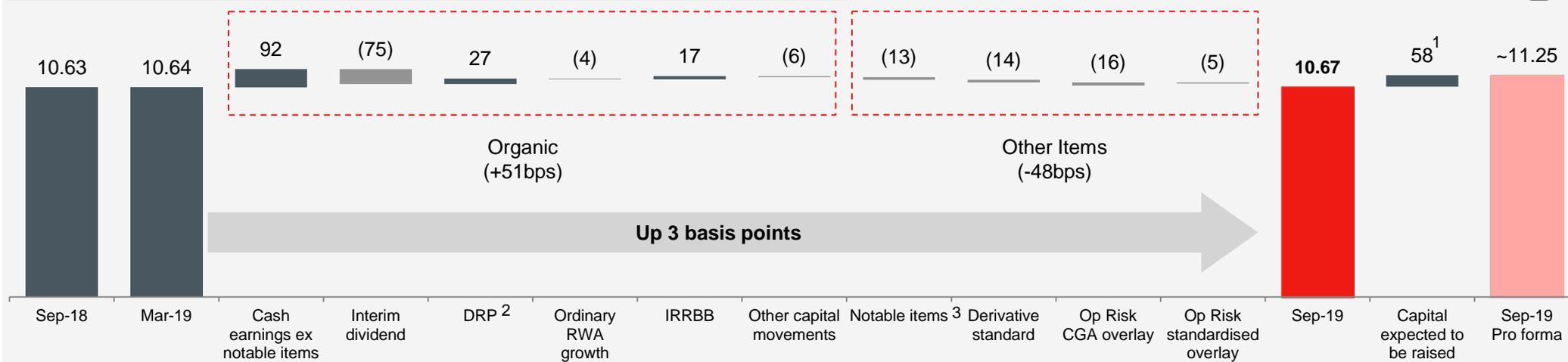
## Capital update

- CET1 ratio of 10.67%, up 3bps from 31 March 2019
- Over the half, organic capital growth of 51bps, was largely offset by other items (48bps). Other items related to higher RWAs from operational risk overlays (21bps), a new derivative RWA standard (14bps) and the impact of notable items (13bps)
- On a pro forma basis, taking into account an expected \$2.5bn<sup>1</sup> capital raise, the September 2019 CET1 ratio would increase to ~11.25%

## Future developments

- AASB16 leasing accounting standard applies from 1 October 2019 (~8bps reduction to the CET1 ratio)
- APRA unquestionably strong capital of 10.5% to be met by 1 January 2020
- Further clarity on revised APRA capital framework expected over 2019/20
- Final RBNZ capital proposals expected in December 2019

## CET1 capital ratio movements (% , bps)



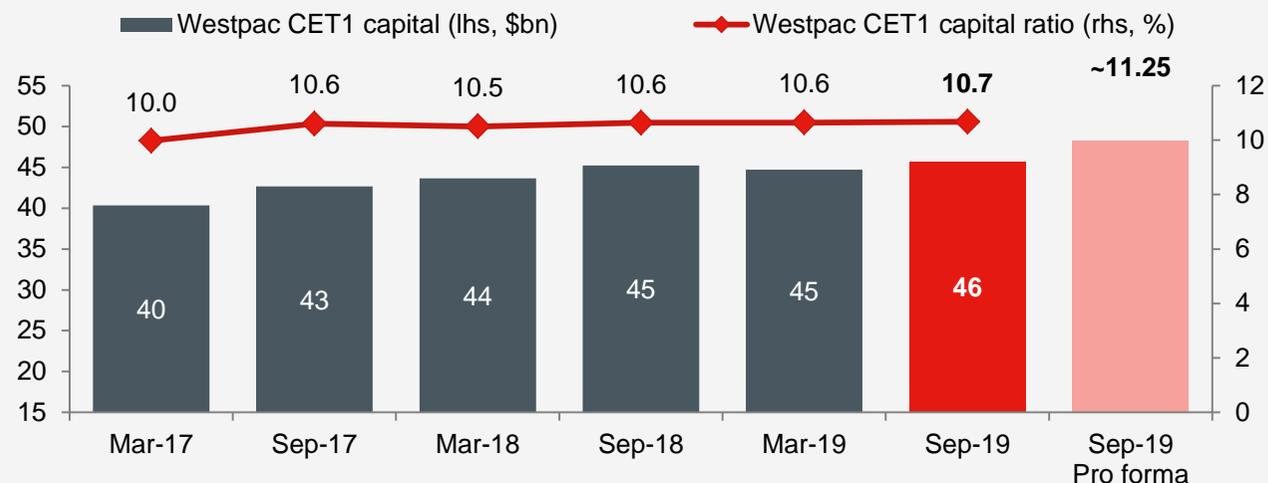
<sup>1</sup> 58 basis point increase reflects the impact of the Placement \$2.0bn and assumes the SPP raises \$500 million. The basis point impact is net of issue costs. <sup>2</sup> Dividend reinvestment plan (DRP) reflects 1.5% discount applied for Interim 2019 dividend. <sup>3</sup> The impact of notable items on the CET1 capital ratio includes the capital deductions for associated deferred tax assets.

# Key capital ratios

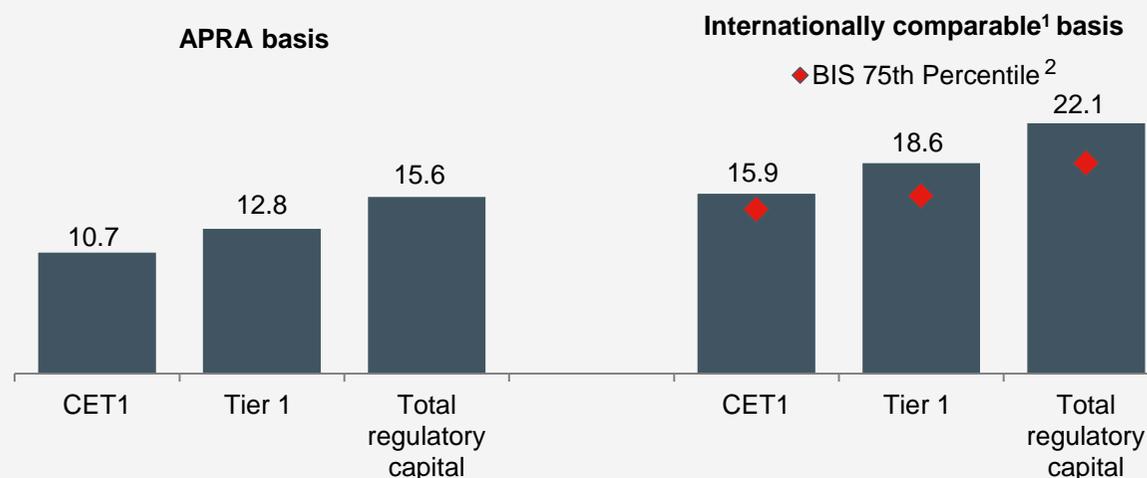
## Capital ratios

%	Sep-18	Mar-19	Sep-19
CET1 capital ratio	10.6	10.6	<b>10.7</b>
Additional Tier 1 capital	2.2	2.2	<b>2.2</b>
Tier 1 capital ratio	12.8	12.8	<b>12.8</b>
Tier 2 capital	1.9	1.8	<b>2.8</b>
Total regulatory capital ratio	14.7	14.6	<b>15.6</b>
Risk weighted assets (RWA) (\$bn)	425	420	<b>429</b>
Leverage ratio	5.8	5.7	<b>5.7</b>
<b>Internationally comparable ratios<sup>1</sup></b>			
Leverage ratio (internationally comparable)	6.5	6.4	<b>6.4</b>
CET1 capital ratio (internationally comparable)	16.1	16.2	<b>15.9</b>

## CET1 capital ratio (%) and CET1 capital (\$bn)



## Key capital ratios (%)

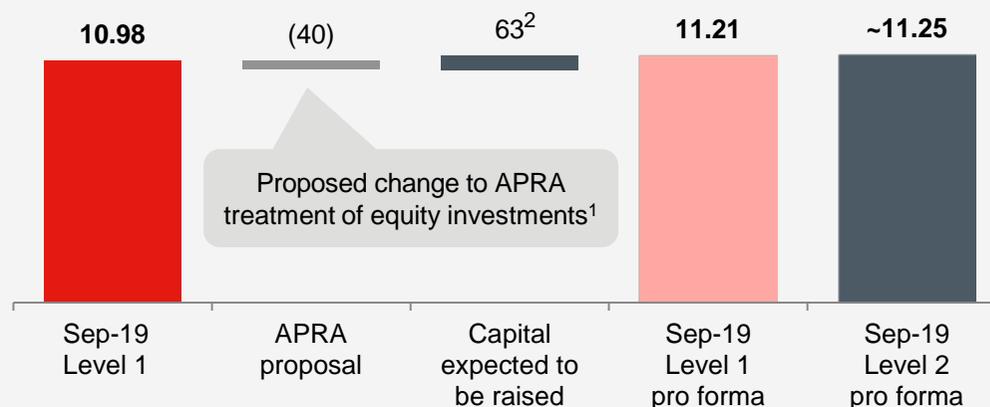


<sup>1</sup> Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. For more details on adjustments refer slide 108. <sup>2</sup> Group 1 banks BIS 75<sup>th</sup> percentile fully phased-in Basel III capital ratios from BIS monitoring report released 2 October 2019.

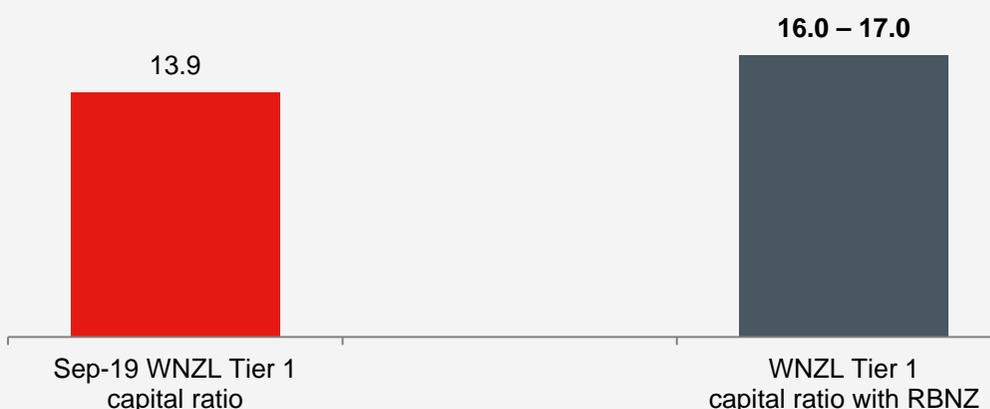
## Level 1 and New Zealand Capital Review

- APRA has proposed changes to the capital treatment of a parent ADI's ("Level 1") equity investments in subsidiary banking and insurance companies to commence 1 January 2021<sup>1</sup>
- Based on 30 September 2019, the impact is a ~40bps reduction in Westpac's Level 1 CET1 ratio, primarily from Westpac's equity investment in WNZL
- Taking into account the expected \$2.5bn<sup>2</sup> capital raise, the Level 1 pro forma would be 11.21%
- The RBNZ is consulting on capital requirements for New Zealand banks, including a Tier 1 capital requirement of 16% for systemically important NZ banks including WNZL, and changes to risk weighted asset measurement. Further clarity from the RBNZ is expected in December 2019
- On a pro forma basis, the proposals would increase Westpac's Level 1 capital requirements by NZ\$1.2- NZ\$1.8 billion (assuming a WNZL Tier 1 capital ratio of 16-17%) if the proposals were applied at 30 September 2019<sup>3</sup>
- Westpac is well placed to respond to the changes within the proposed transition period (currently 5 years)

## Level 1 CET1 capital ratio (% , bps)



## RBNZ proposals – WNZL Tier 1 capital ratio (%)



<sup>1</sup> "Revisions to APS 111 Capital Adequacy: Measurement of Capital" released on 15 October 2019. For this purpose equity investments includes Additional Tier 1 and Tier 2 capital. <sup>2</sup> 63 basis point increase reflects the Level 1 impact of the underwritten \$2.0bn Placement and assumes the SPP raises \$500 million after allowing for the change to risk weights from the proposed change to APS 111. The basis point impact is net of issue costs. <sup>3</sup> Based on the WNZL balance sheet as at 30 September 2019 including the estimated impact of the RBNZ's proposed changes to risk weighted assets. Assumes that some of WNZL's supplementary capital can be issued externally over time.

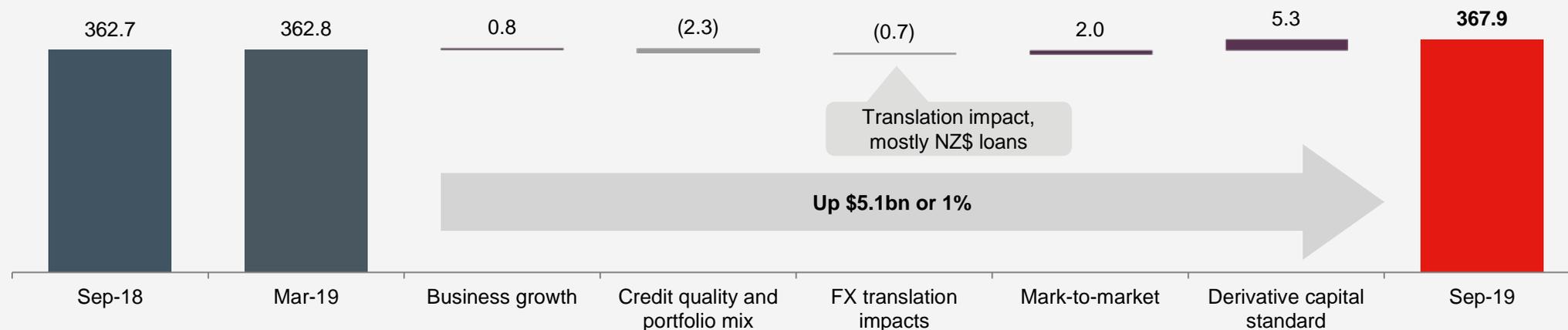
# RWA higher from operational risk overlays and new derivative capital standard

## Risk weighted assets (\$bn)



- Credit risk weighted assets up due to the introduction of a new derivative capital standard
- Operational risk RWA up due to APRA overlay in response to the CGA self-assessment (\$6.3bn) and to align Westpac's operational risk capital to the standardised approach (\$2.1bn)
- IRRBB RWA reduced \$6.5bn to \$0.5bn due to impact of lower interest rates on the embedded gain

## Movement in credit risk weighted assets (\$bn)



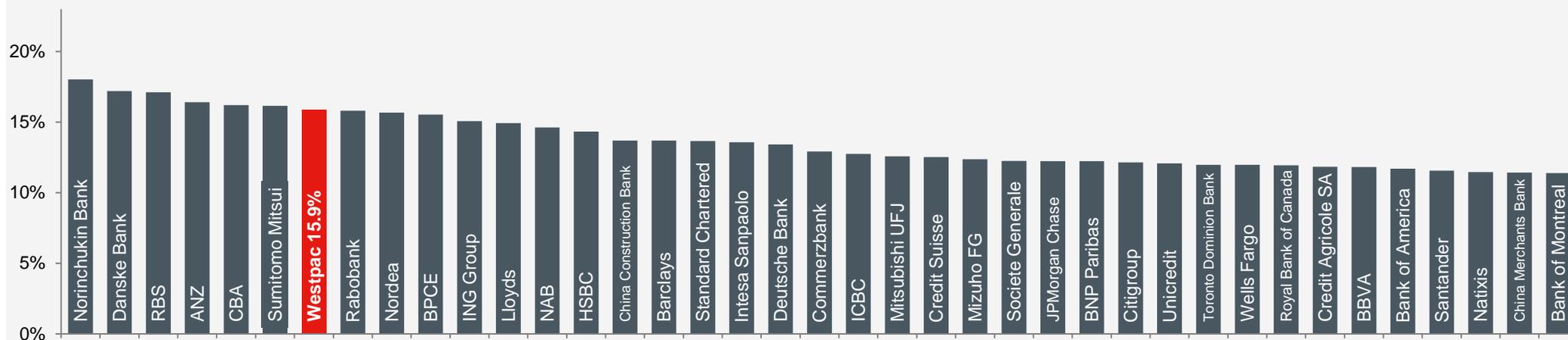
# Expected timetable on various regulatory changes<sup>1</sup>

	Second half 2019	First half 2020	Second half 2020	2021	2022
<b>Standardised approach to credit risk</b>	Consult, additional quantitative impact study		Finalise		Implementation
<b>Advanced approach to credit risk</b>	Consult, additional quantitative impact study		Finalise		Implementation
<b>Operational risk</b>	Consult and finalise			Implementation	
<b>Leverage ratio</b>		Finalise			Implementation
<b>Measurement of capital</b>	Consult		Finalise		Implementation
<b>Capital floor</b>	Consult		Finalise		Implementation
<b>Interest-rate risk in the banking book</b>	Consult		Finalise		Implementation
<b>Level 1 equity exposures</b>	Consult and finalise			Implementation	
<b>RBNZ capital framework</b>	Finalise	Implementation date and transition under consultation			
<b>Related party exposures</b>	Finalise			Implementation	
<b>Loss absorbing capacity</b>	1 <sup>st</sup> phase announced +3ppts of RWA as Tier 2	Further consultation on 2nd phase			2024 Implementation

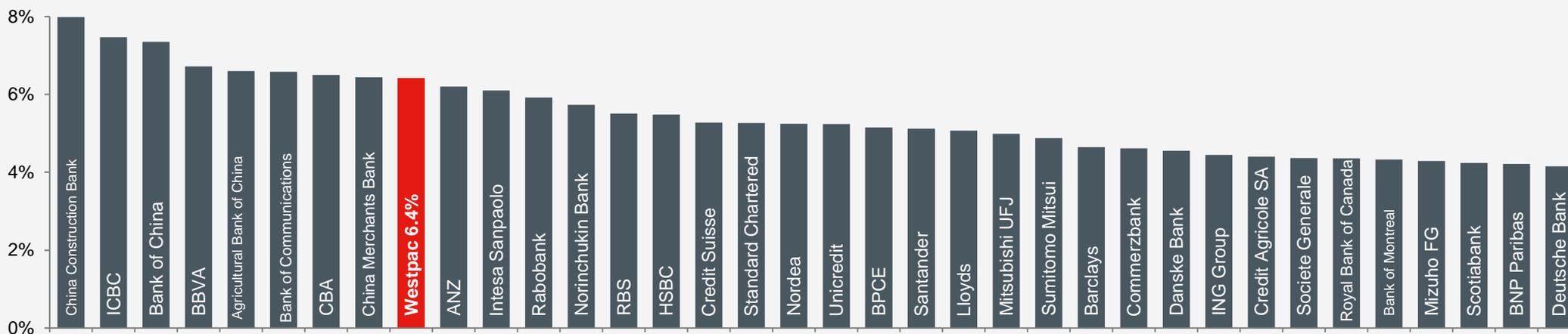
<sup>1</sup> Regulatory change timeline based on APRA's paper "Revisions to the capital framework for authorised deposit-taking institutions" (published 12 June 2019).

# Well placed on internationally comparable CET1 and leverage ratios

## Common equity Tier 1 ratio (%)<sup>1</sup>



## Leverage ratio (%)<sup>1</sup>



1. 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 30 June 2019, except for NAB which is at 31 March 2019, ANZ and Westpac which are at 30 September 2019, and Bank of Montreal, Scotiabank, Royal Bank of Canada and Toronto Dominion are at 31 July 2019. Assumes Basel III capital reforms fully implemented. Leverage ratio is on a transitional basis. Where accrued expected dividends have been deducted and disclosed, 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. NAB has not disclosed an internationally comparable leverage ratio since September 2017.

# 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 peers<sup>1</sup>. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio

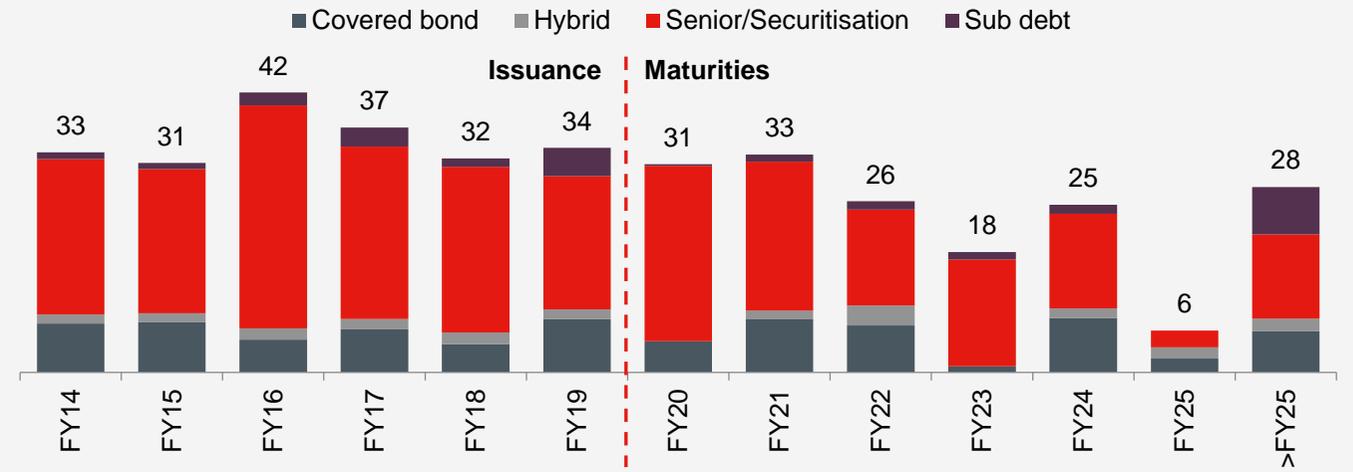
		(%)
<b>Westpac's CET1 capital ratio (APRA basis)</b>		<b>10.7</b>
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.4
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.5
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	0.0
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	1.9
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	0.3
<b>Internationally comparable CET1 capital ratio</b>		<b>15.9</b>
<b>Internationally comparable Tier 1 capital ratio</b>		<b>18.6</b>
<b>Internationally comparable total regulatory capital ratio</b>		<b>22.1</b>

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

# Long term wholesale funding

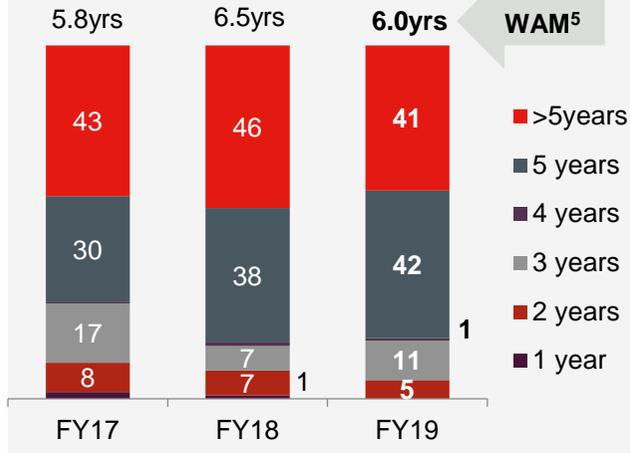
- A\$33.5bn new term wholesale funding raised in FY19
- Majority of new issuance in senior unsecured bonds (51%) and covered bonds (24%) in line with prior years
- Increased Tier 2 issuance (\$4.2bn in FY19), as the Group made progress towards meeting APRA's TLAC requirements
- Additional diversity provided through issuance of \$1.4bn AT1 and \$2.8bn in RMBS
- Higher proportion of AUD term issuance in FY19 reflects strong liquidity and demand in the Australian market relative to prior years

## Term debt issuance and maturity profile<sup>1,2,3</sup> (\$bn)



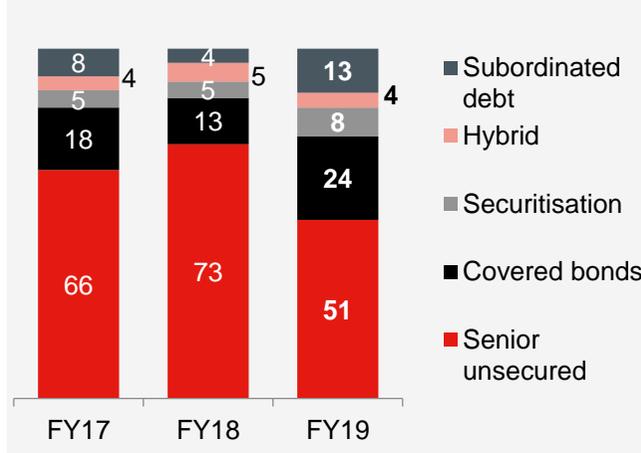
## New term issuance by tenor<sup>2,4</sup> (%)

Charts may not add to 100 due to rounding.



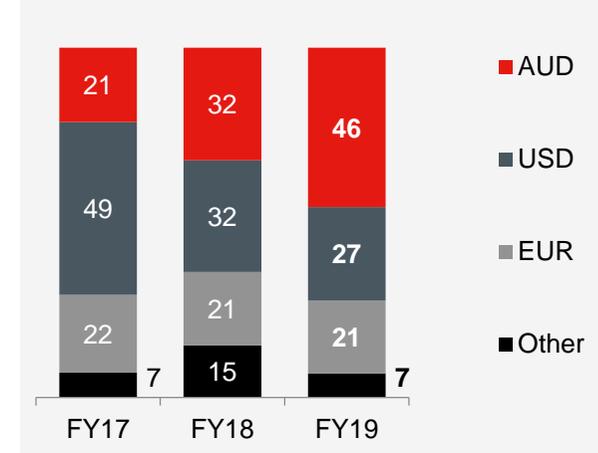
## New term issuance by type (%)

Charts may not add to 100 due to rounding.



## New term issuance by currency (%)

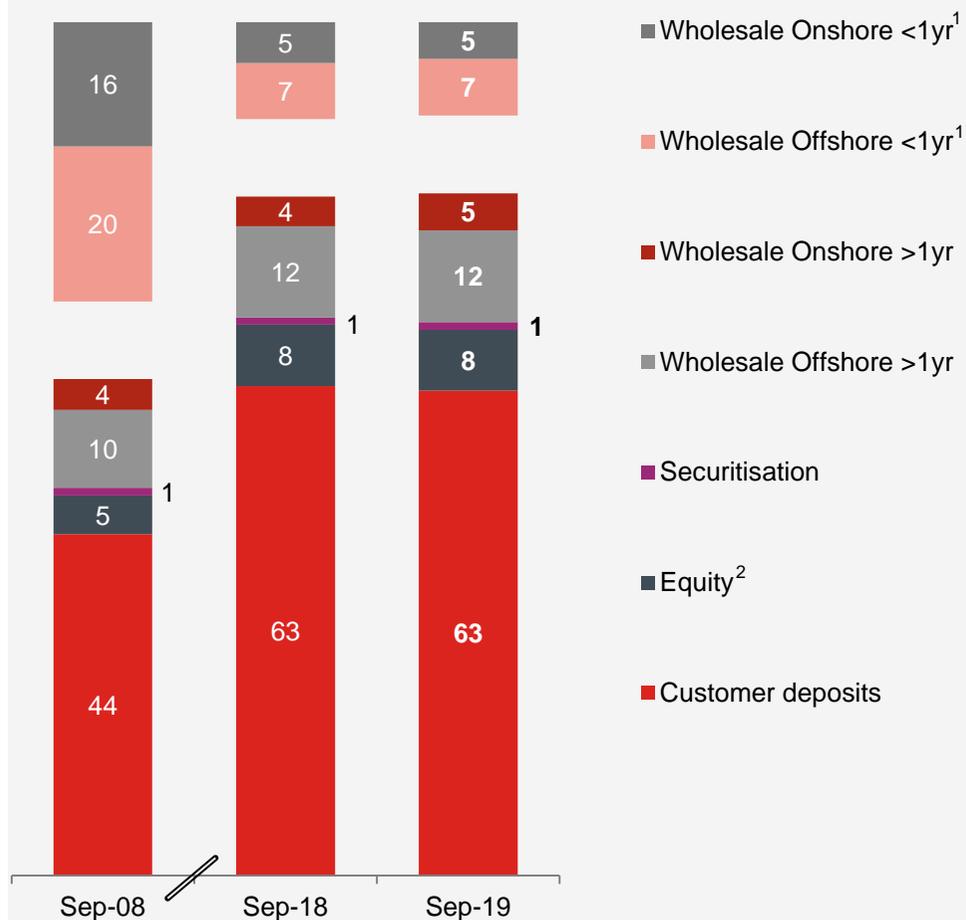
Charts may not add to 100 due to rounding.



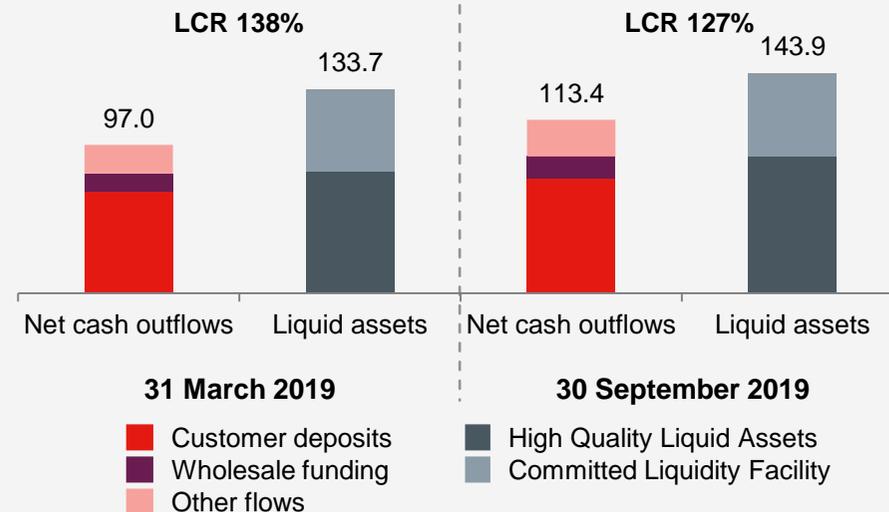
1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. 2 Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 3 Perpetual sub-debt has been included in >FY25 maturity bucket. Maturities exclude securitisation amortisation. 4 Tenor excludes RMBS and ABS. 5 WAM is weighted average maturity.

## Funding composition by residual maturity (%)

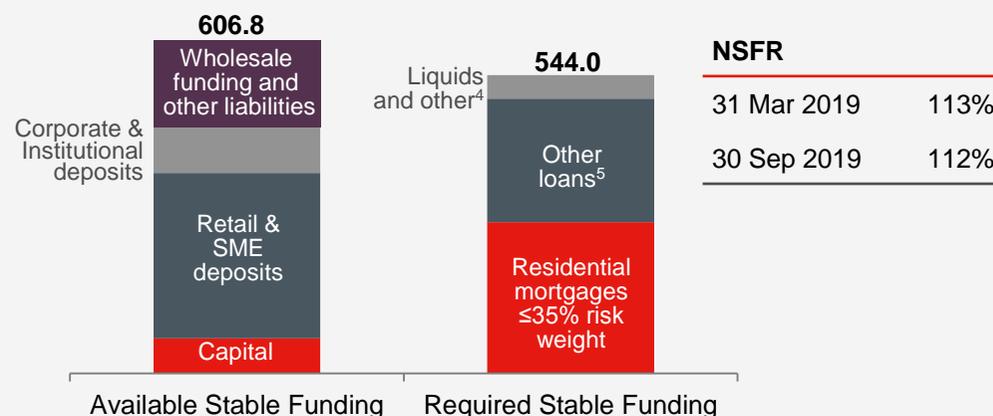
Bars may not add to 100 due to rounding



## Liquidity coverage ratio (LCR)<sup>3</sup> (\$bn and %)



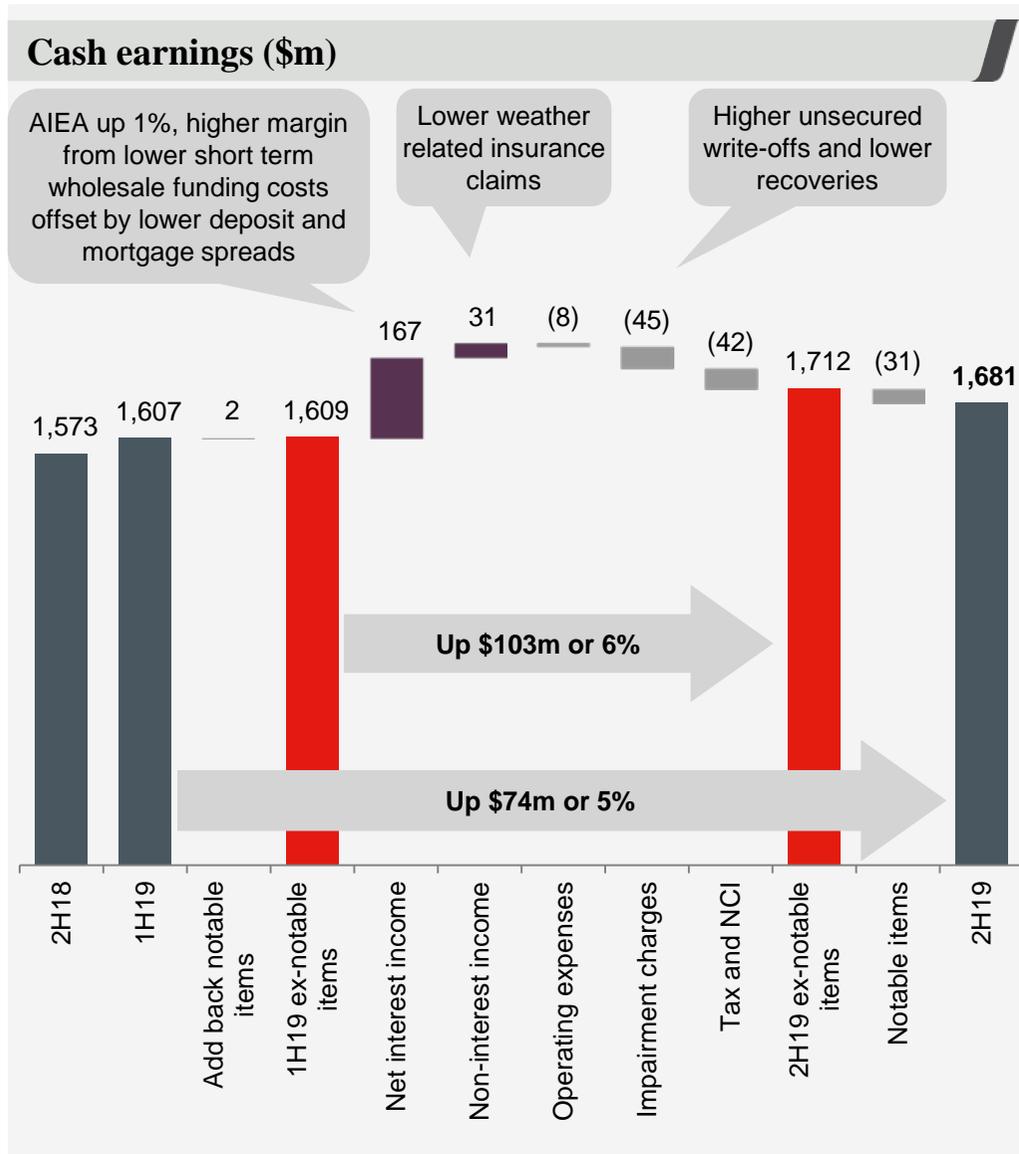
## Net stable funding ratio (NSFR) at 30 September 2019 (\$bn)



1 Includes long term wholesale funding with a residual maturity less than or equal to 1 year. 2 Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. 3 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. HQLA includes HQLA as defined in APS 210, RBNZ eligible liquids, less RBA open repos funding end of day ESA balances with the RBA. Committed Liquidity Facility or CLF is made available to Australian Authorised Deposit-taking Institutions by the RBA that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. 4 Other includes derivatives and other assets. 5 Other loans includes off balance sheet exposures and residential mortgages >35% risk weight.



# Consumer earnings up 6% (excluding notable items)



### Key financial metrics

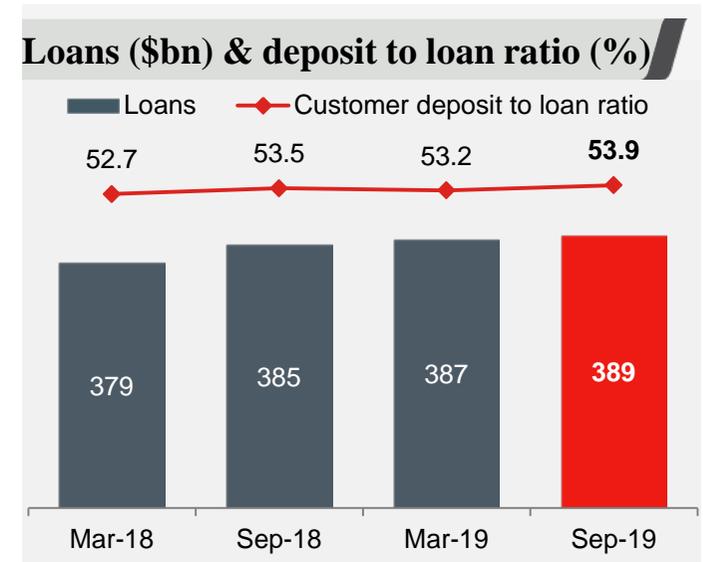
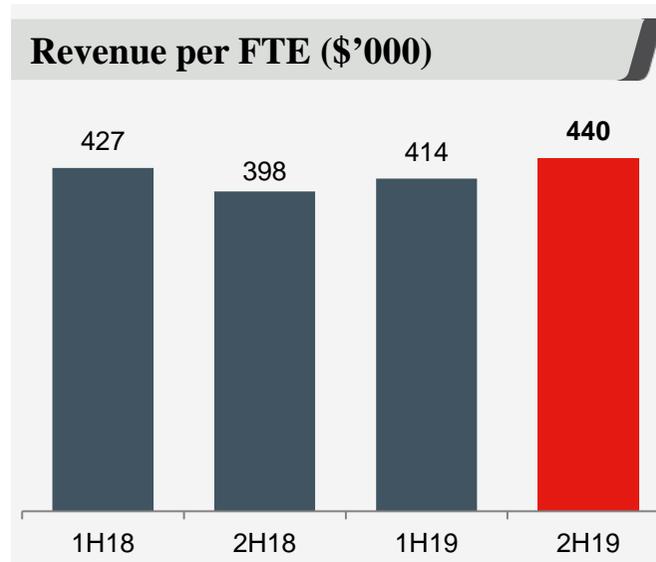
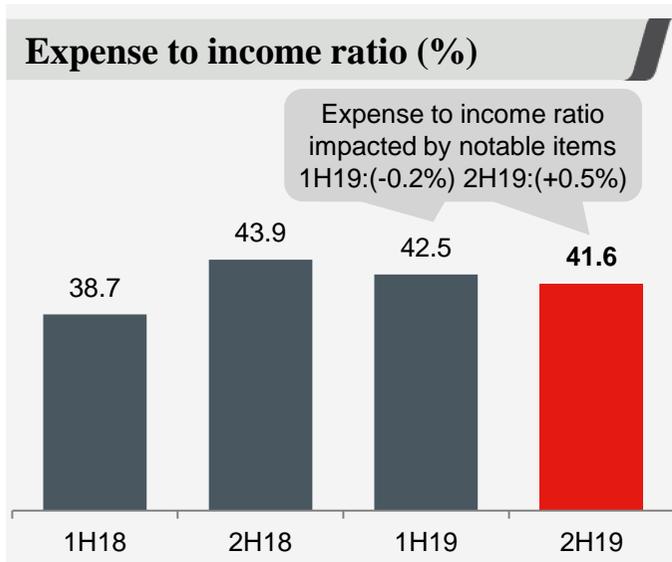
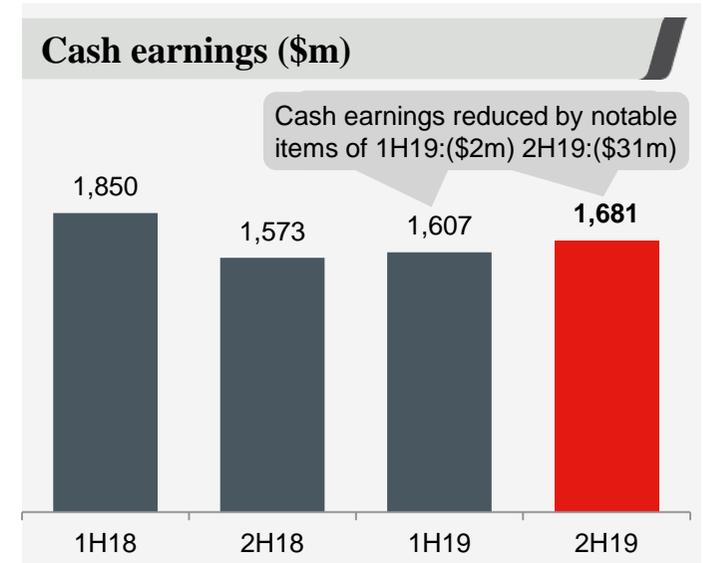
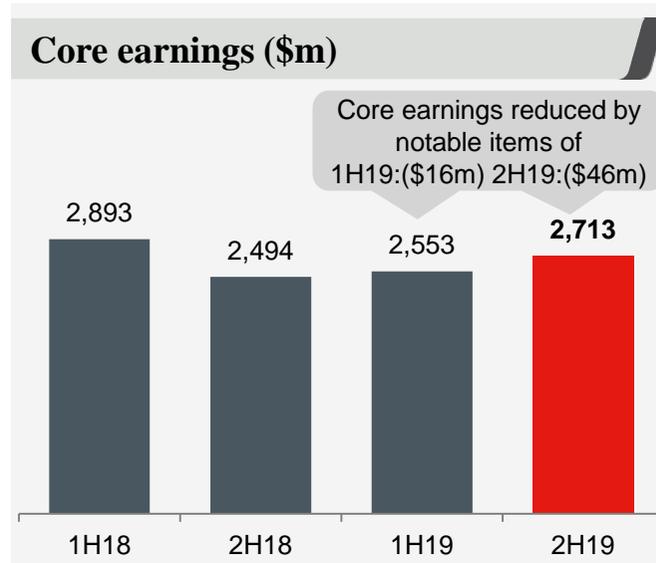
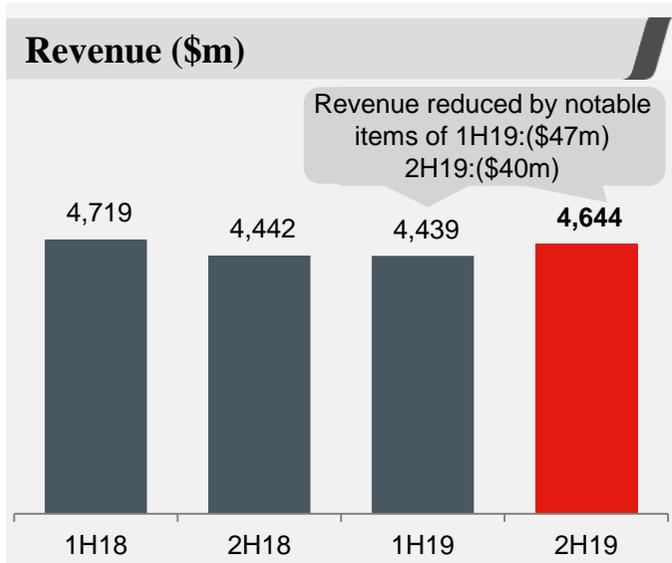
	2H18	1H19	2H19	Change on 1H19
Revenue <sup>1</sup> (\$m)	4,442	4,439	<b>4,644</b>	5%
Net interest margin <sup>1</sup> (%)	2.14	2.20	<b>2.27</b>	7bps
Expense to income <sup>1</sup> (%)	43.9	42.5	<b>41.6</b>	(91bps)
Customer deposit to loan ratio (%)	53.5	53.2	<b>53.9</b>	71bps
Stressed exposures to TCE <sup>1</sup> (%)	0.65	0.74	<b>0.81</b>	7bps
Life Insurance in-force premiums <sup>1</sup> (\$m)	1,277	1,259	<b>1,212</b>	(4%)
General Insurance GWP (\$m)	252	259	<b>279</b>	8%

### Key operating metrics

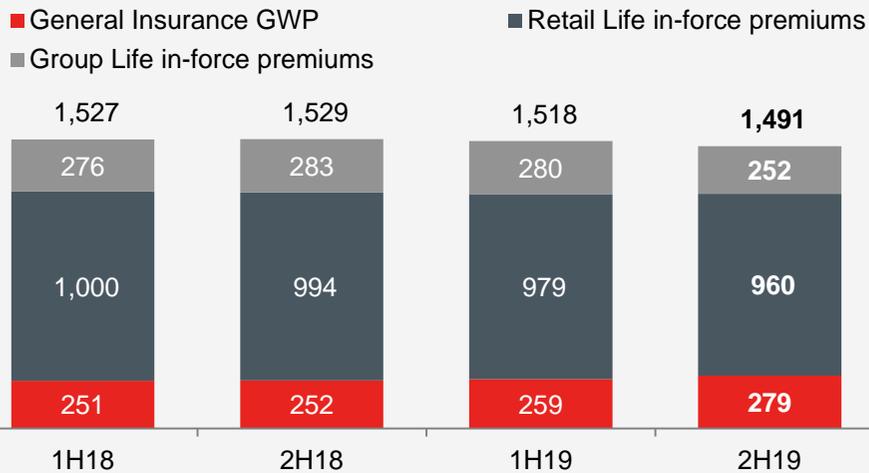
	2H18	1H19	2H19	Change on 1H19
Total banking customers (#m)	9.5	9.5	<b>9.6</b>	1%
Active digital banking customers (#m)	4.3	4.4	<b>4.4</b>	-
Digital sales <sup>2</sup> (%)	37	38	<b>39</b>	1ppt
Total branches (#)	1,006	971	<b>955</b>	(16)
Total ATMs (#)	2,542	2,213	<b>2,193</b>	(20)
Customer satisfaction <sup>2,3</sup>	7.3 (2 <sup>nd</sup> )	7.3 (2 <sup>nd</sup> )	<b>7.3</b> (2 <sup>nd</sup> )	-
Net promoter score (NPS) <sup>2,3</sup> 6mma <sup>4</sup>	-6.8 (2 <sup>nd</sup> )	-6.6 (2 <sup>nd</sup> )	<b>-7.3</b> (3 <sup>rd</sup> )	Down 1 place

1 Restated for the impact of restructure of BTFG. 2 Refer pages 153 and 154 for metric definitions and details of provider. 3 Customer satisfaction and NPS metrics refer to total Consumer customers across the Westpac Group. Data for 2H19 as at August 2019. 4 6 month moving average.

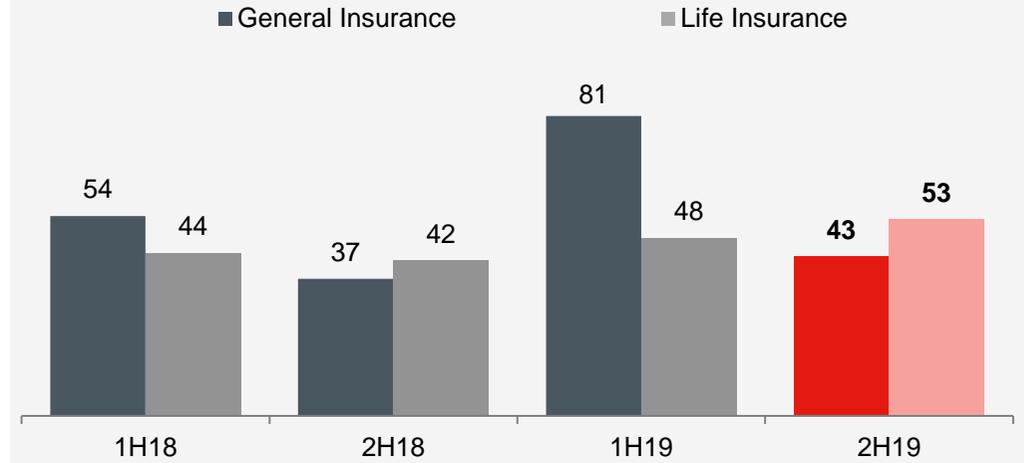
# 2H19 performance reflects disciplined management



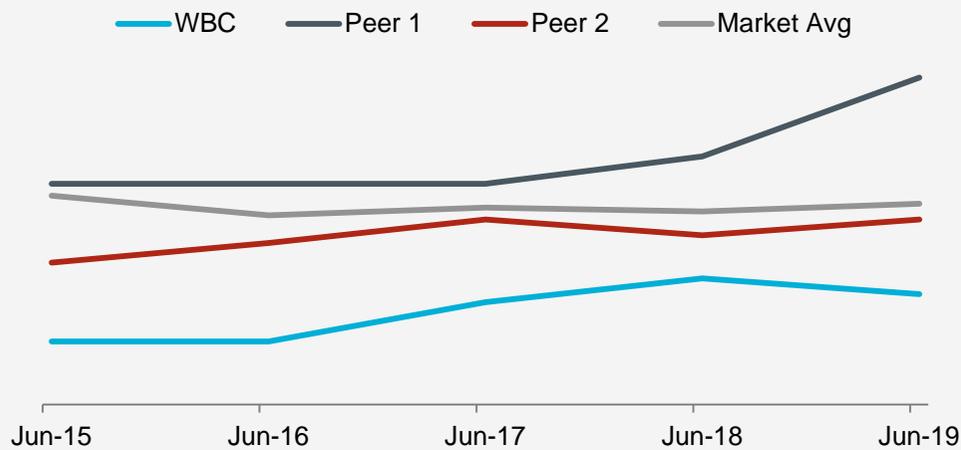
## Insurance premiums (\$m)



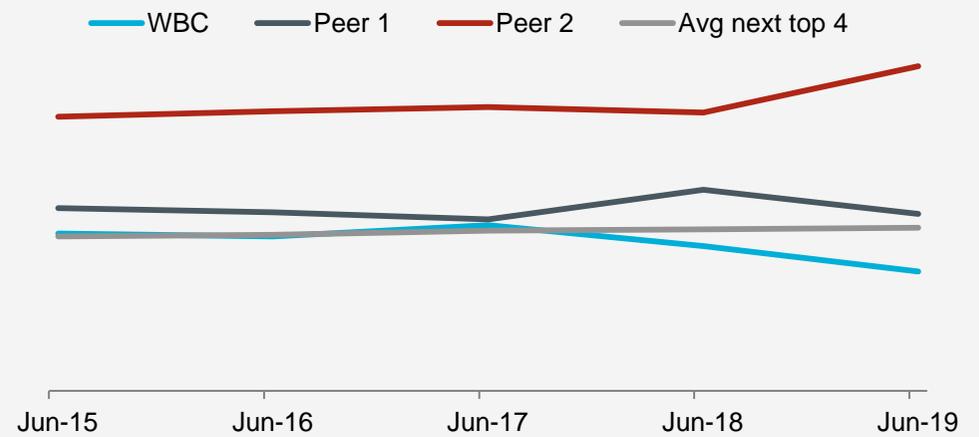
## Insurance claims rates (%)



## Life insurance lapse rates<sup>1</sup> (%)



## Life insurance market share<sup>1,2</sup> (%)



1 Strategic Insights June 2019. 2 Market share is Retail life insurance new sales.

## Simplify

### Online Home Loan app

- Paperless application with document upload and e-sign
- Extended to in-branch lenders

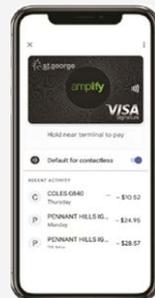


### Term Deposit Pricing Platform

- View, accept and fulfil term deposits online
- Reduction in pricing escalations to bankers from 25% to 2%

### eWallet transactions up 82% PCP

- All customers can access
  - Google Pay
  - Samsung Pay
  - New Payments Platform



## Digitising

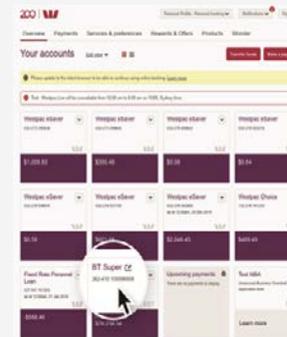
### General Insurance

- Enhanced online claims experience with 40% quicker lodgement time and better document upload capability, improving claim response time
- Online lodgements for Home and Contents have increased 59% on prior year



### Life Insurance

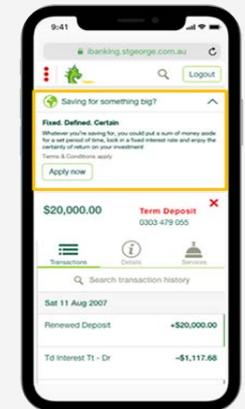
- 'My Wellbeing' portal giving customers improved content, tools, 'Benefits Now' rewards and discounts on premiums<sup>1</sup>
- Portal for self service claims lodgement, document upload and payment tracking, accessed via online banking or Panorama<sup>2</sup>



## Connecting

### Personalising the online experience

- Relevant, timely offers based on customer behaviour
- Deposit click-to-action rate increased from 4% to 20%
- Customer recurring payments

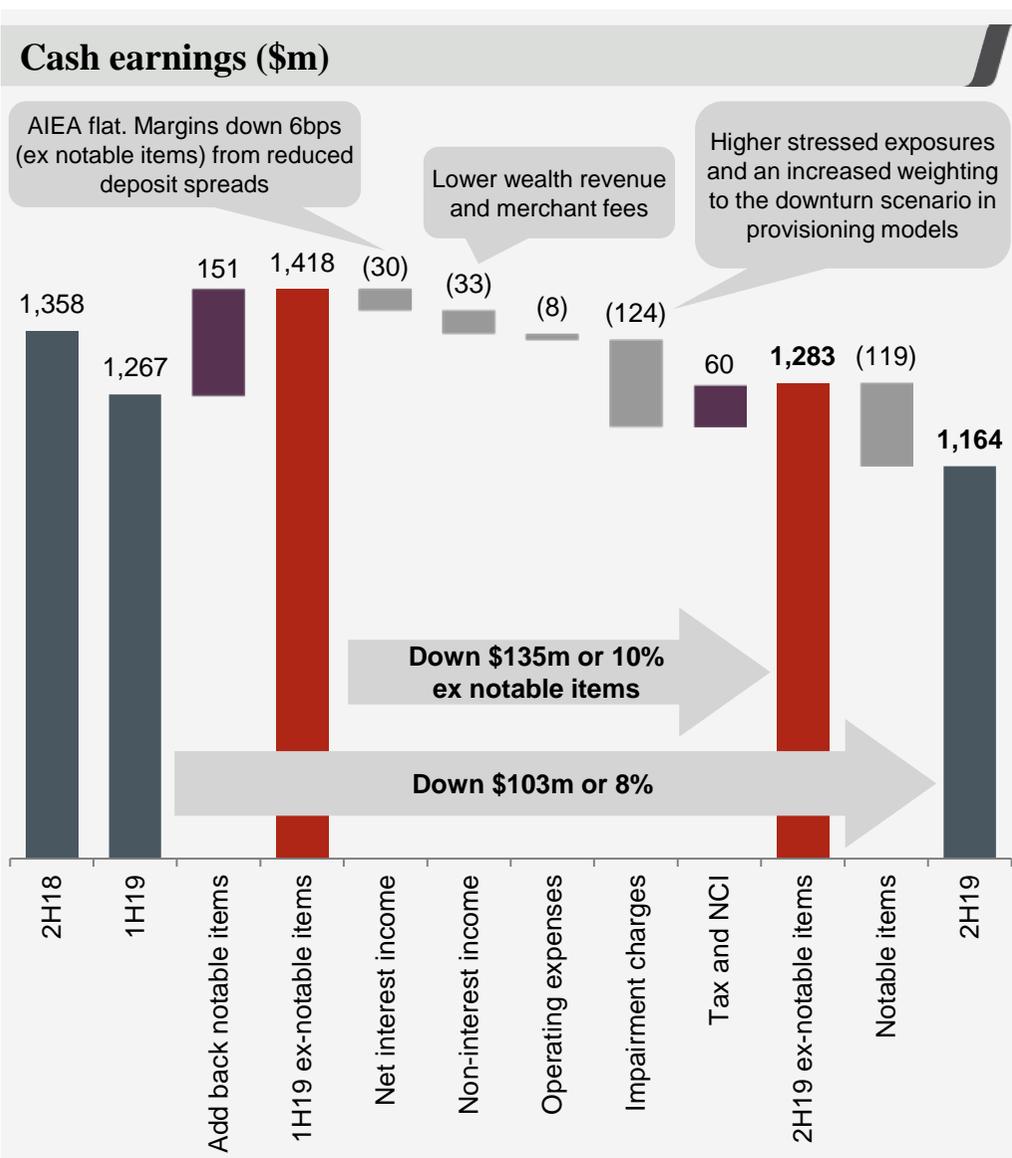


### Webchat

- Customers on Westpac desktop and mobile can contact Westpac via secured messaging and Webchat anywhere, anytime
- Westpac's Red (bot) has conducted almost 1 million live chats with over 70% of issues resolved without escalation to a banker

1 Eligibility criteria applies when qualifying for premium discounts. 2 This feature only available for Westpac Group members.

# Business 2H19 performance impacted by notable items and higher impairments



### Key financial metrics

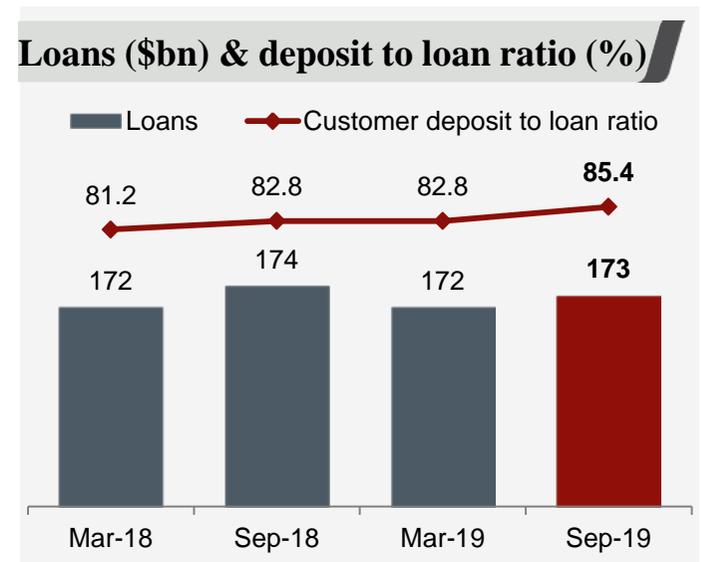
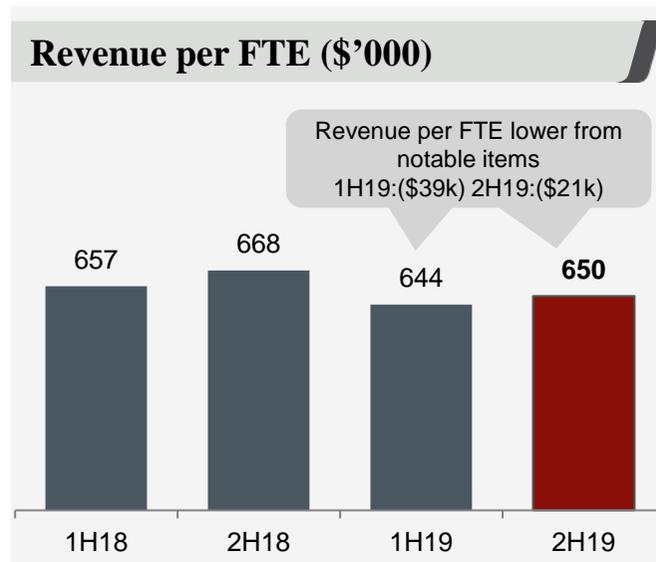
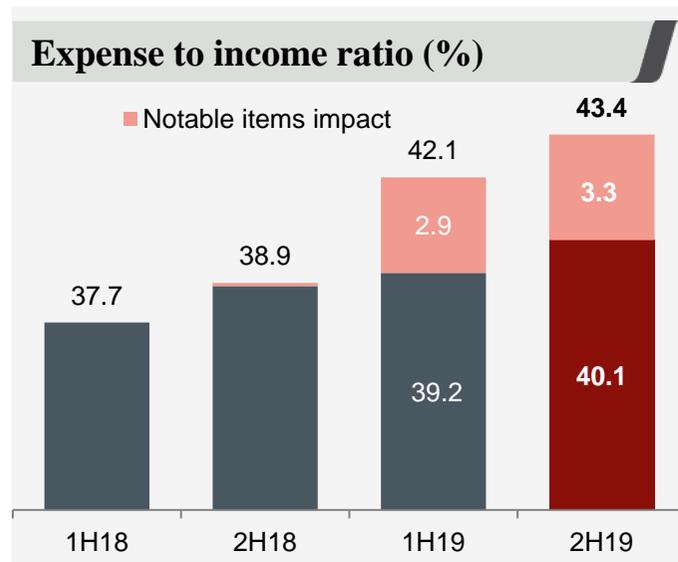
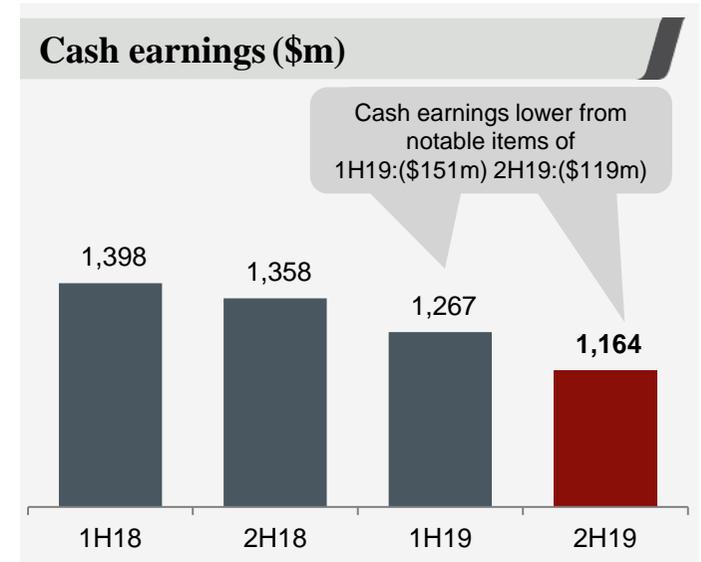
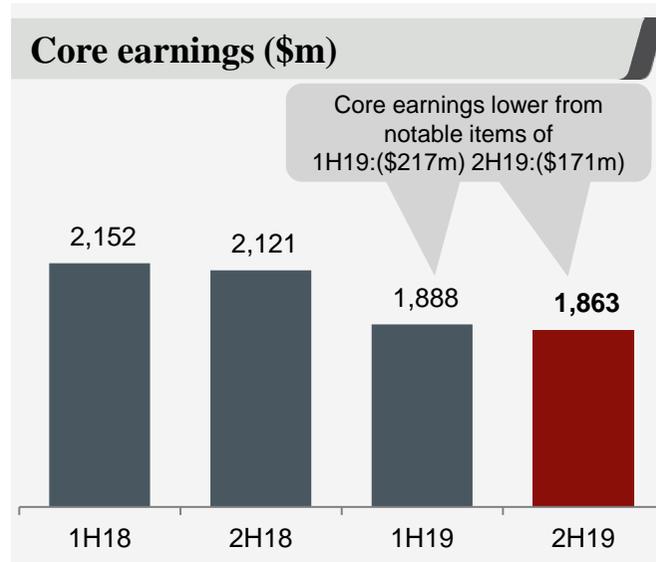
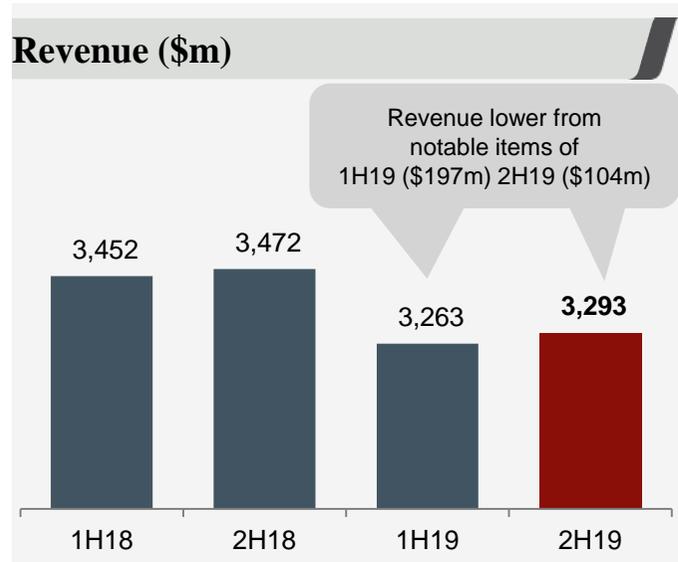
	2H18	1H19	2H19	Change on 1H19
Revenue (\$m)	3,472	3,263	<b>3,293</b>	1%
Net interest margin (%)	3.18	3.04	<b>3.08</b>	4bps
Expense to income (%)	38.9	42.1	<b>43.4</b>	129bps
Customer deposit to loan ratio (%)	82.83	82.76	<b>85.43</b>	267bps
Stressed exposures to TCE (%)	2.48%	2.43%	<b>2.72%</b>	29bps
Total funds (\$bn) (spot)	205.6	203.1	<b>215.4</b>	6%

### Key operating metrics

	2H18	1H19	2H19	Change on 1H19
Total business customers <sup>1</sup> ('000's)	1,079	1,073	<b>1,072</b>	-
Customer satisfaction <sup>2</sup> (rank)	#1	#1	<b>#1</b>	-
Customer satisfaction – SME <sup>2</sup> (rank)	#1	#1	<b>#1</b>	-
Digital sales <sup>3</sup> (%)	15	20	<b>21</b>	1ppt
Platform FUA market share <sup>4</sup> (inc. Corp Super) (%)	19	18	<b>18</b>	-

1 Represents Business customers only. Excludes Private wealth. 2 DBM external ratings, 2H19 as at August 2019. SME refers to Total SME. 3 Share of sales made digitally for eligible products, excludes wealth. 4 Retail Platforms market share sourced from Strategic Insight, All Master Funds Admin segment and represents the Westpac Business Wealth market share disclosed in Strategic Insight as at June 2019 (2H19), December 2018 (1H19) and June 18 (2H18).

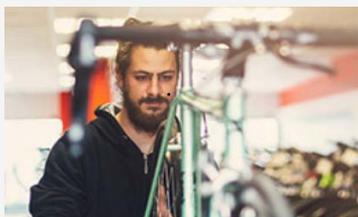
# 2H19 key metrics



## Digital Transformation



Investing in banker capacity and capability to provide world class customer experience



### Improving banker productivity

- Added new features to our online banker dashboard, saving bankers time by providing a single source for customer information and contact management
- Extended the capability of our **banker service portal** for SME customers, covering nearly 80% of service requests and saving around 33 minutes of banker time per week

### Improved customer experience

- **Business Institute** program provides professional development with 600+ bankers participating in Core and Advanced Lending Pathway, in partnership with Macquarie University. Additionally, 2,300 bankers are undertaking leadership and skills development courses including Customer First Conversation training
- Private Wealth won “**Best Private Bank Australia 2019**” at the International Business Magazine Awards 2019, “**Best Private Bank in Australia**” at the Global Finance Awards (3<sup>rd</sup> year in a row) and “**Best Private Bank in Australia**” at the Global Private Banking Awards (5<sup>th</sup> year in a row)

## Performance Disciplines



Empowering customers with enhanced online account opening and servicing capabilities



### Digitising our customer experience

- **Biz Invoice** – over 10,000 SME customers have signed up to our free online invoicing solution, which creates, sends and auto reconciles invoices. New features include automatic overdue payment reminders, reporting, BPAY, and an integrated merchant facility
- **Digital Sales** - investment in digital capabilities has supported a 6ppt rise in the proportion of digital sales to 21% from 15% in 2H18

### Customer enhancements

- **Presto Smart** - provides seamless payment integration capability. In July, launched a merchant dashboard, providing real time transaction information
- **Business Loan Finder** – online tool that helps customers to find a suitable loan product
- **Merchant Service Visibility** – giving merchant customers better facility visibility and access online
- **ABN update** – business customers can update their ABN online

## Customer Franchise



Building a simpler and better business for the future by embracing regulatory change and simplifying our operating model



### Simplifying our operating model

Streamlined our operating model to drive greater efficiency and better serve customers by bringing all brands together under the following teams: commercial, SME and servicing

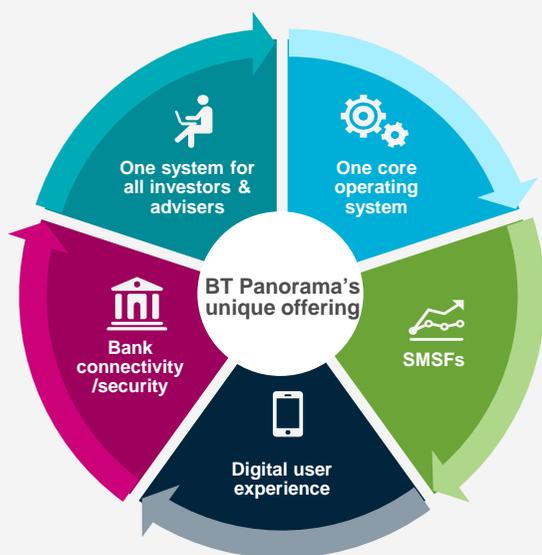
### Leveraging regulatory investment to deliver strategic capabilities

- Developed a risk platform with capability to meet new APRA commercial property requirements, as well as enhancing our control environment
- Streamlined and automated the generation of lending documents resulting in 25% fewer words and 47% reduction in documentation, making them easier for customers to read and understand. This also provides greater operational control and future flexibility
- Leveraging the capability developed to meet ATO regulatory requirements, to enable foundational self-service for merchant customers, including the delivery of eStatements, and merchant account visibility

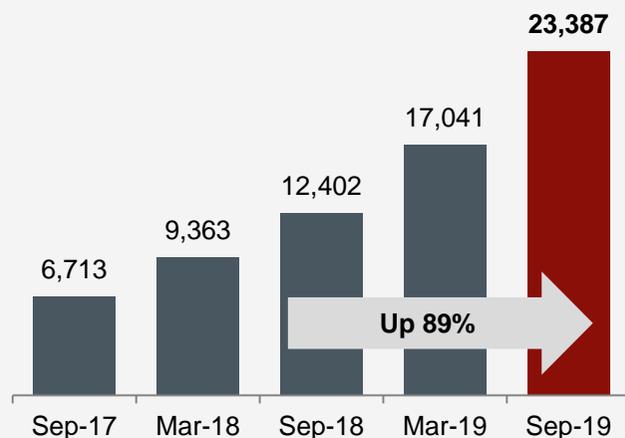
## Platforms

### New pricing structure success measures since 1<sup>st</sup> October 2018:

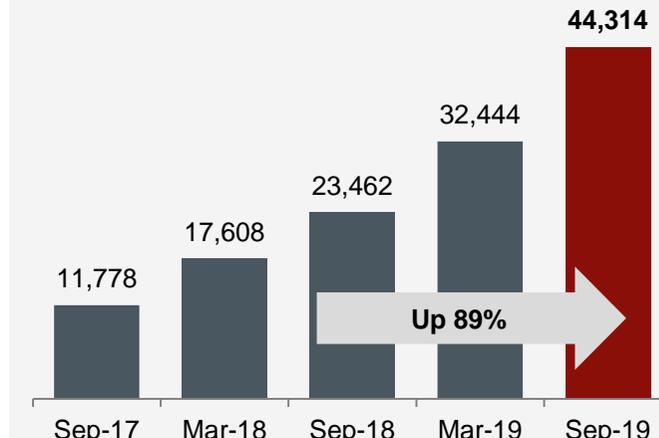
- an increase of **719** active advisers on Panorama
- **13,285** accounts on Asgard Open eWrap<sup>1</sup>
- **38,259** accounts on BT Wrap Open<sup>1</sup>
- **5,537** accounts transferred from legacy platforms onto Panorama



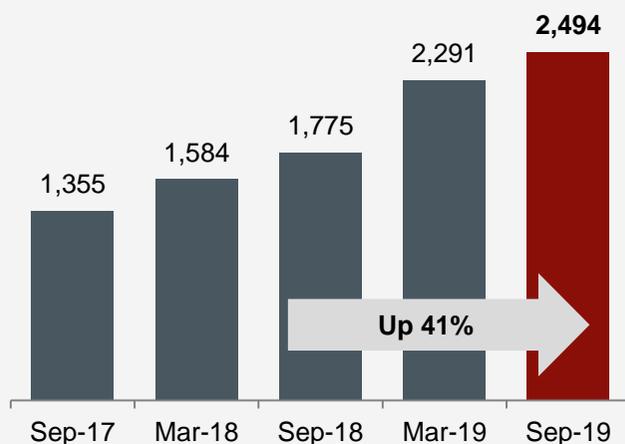
## FUA on Panorama (\$m)



## Investors on Panorama (#)



## Active advisers on Panorama (#)

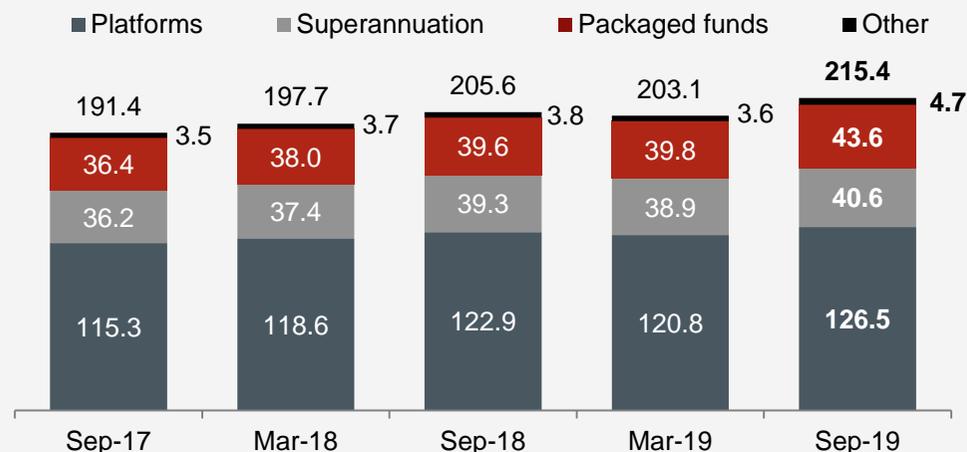


## SMSF funds on Panorama (#)

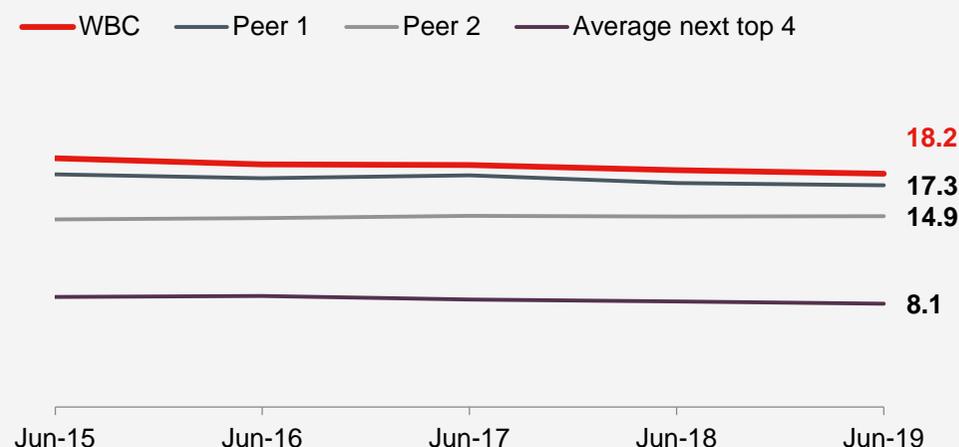


<sup>1</sup> Includes accounts transferred to open badges and new accounts opened during the year.

## Funds (\$bn)



## Retail platforms market share<sup>1</sup> (%)



## Award Winning



**BT Super for Life** won “**Best Commercial Product, Personal**” at the Super Fund of the Year Awards, recognising its investment performance, product design and member engagement

CONEXUS

**BT Panorama** won “**Best Technology Platform**” at the Conexus Financial Superannuation Awards 2019 (3rd year in a row)



**BT Panorama Fintech** “**Platform of the Year Award 2019**” Financial Standard Marketing, Advertising and Sales Excellence (MAX) Awards



“**Wealth Management Experts of the Year 2019**” APAC Australian Enterprise Awards

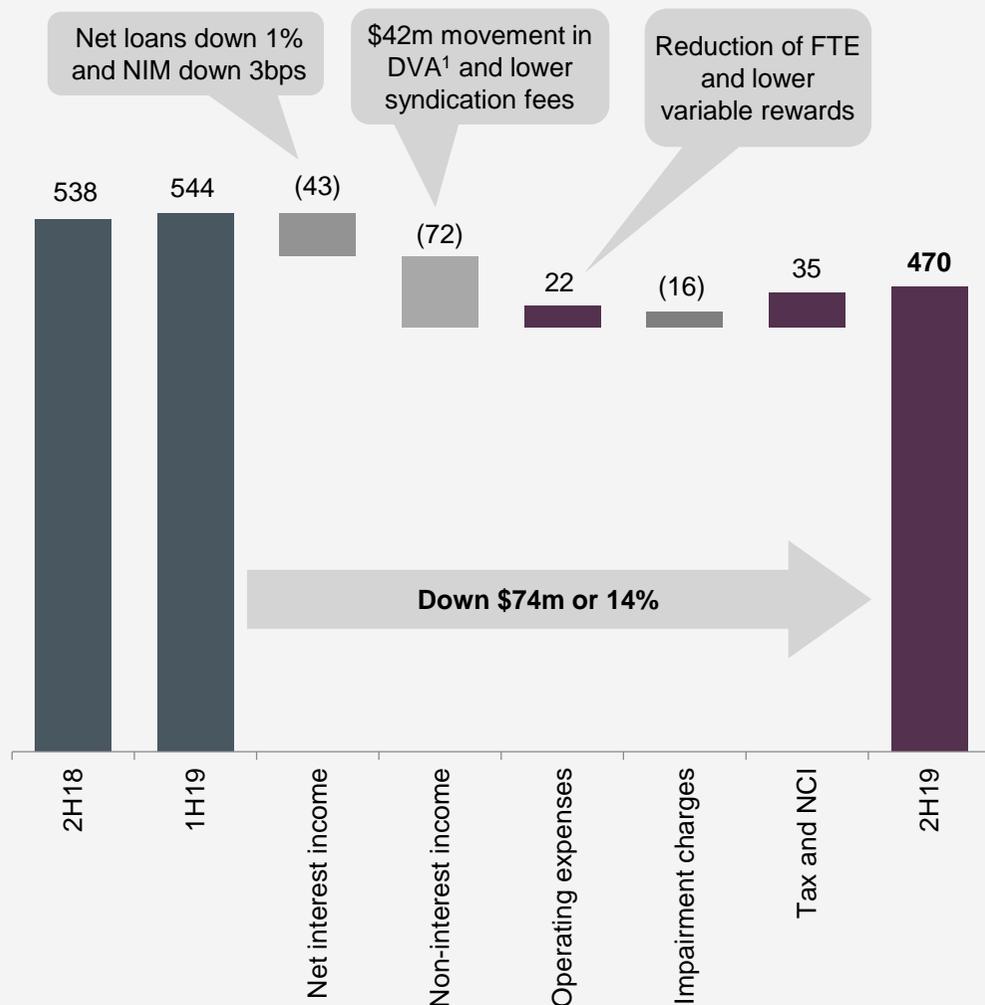
## Superannuation

- **BT Super Migration** – successfully migrated ~35,000 members to a new registry system and into simpler, more competitive products. This was a significant step in reducing the number of products and replacing legacy technologies
- **Protecting Your Super initiatives** – delivered a multi-channel solution, including a digital opt in process to 270,000 customers, with ~19% electing to retain their insurance cover

<sup>1</sup> Retail Platforms market share sourced from Strategic Insight, All Master Funds Admin segment and represents the Westpac Business Wealth market share disclosed in Strategic Insight as at June 2019.

# WIB delivers a disciplined performance

## Cash earnings (\$m)



## Key financial metrics

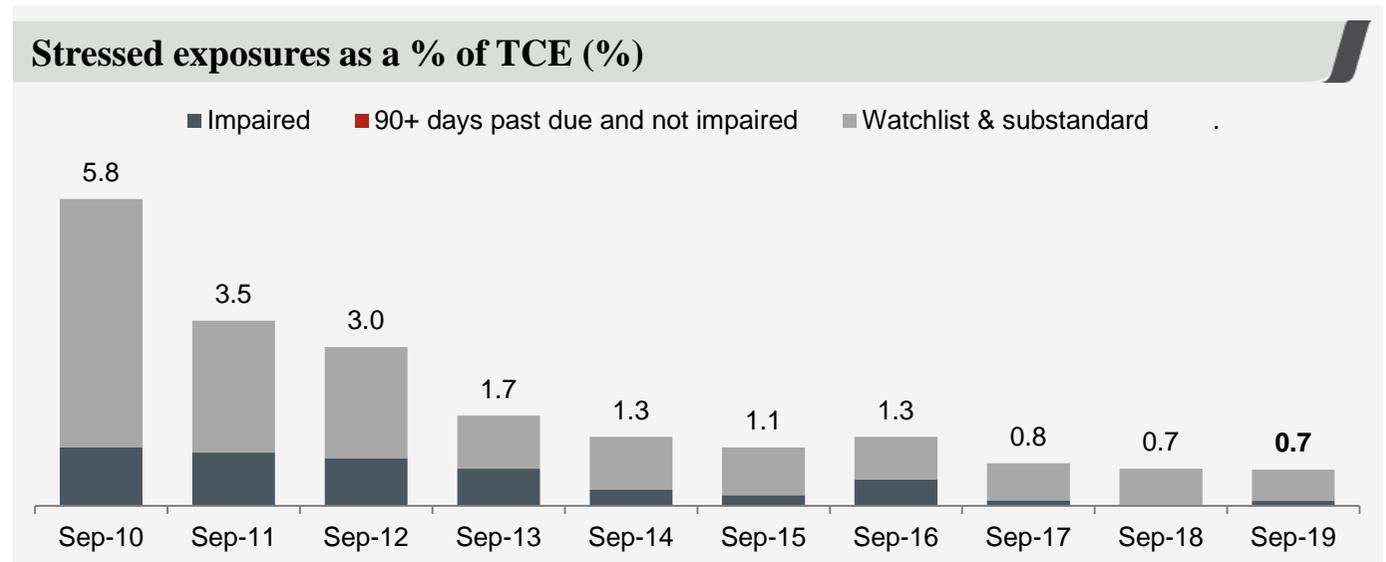
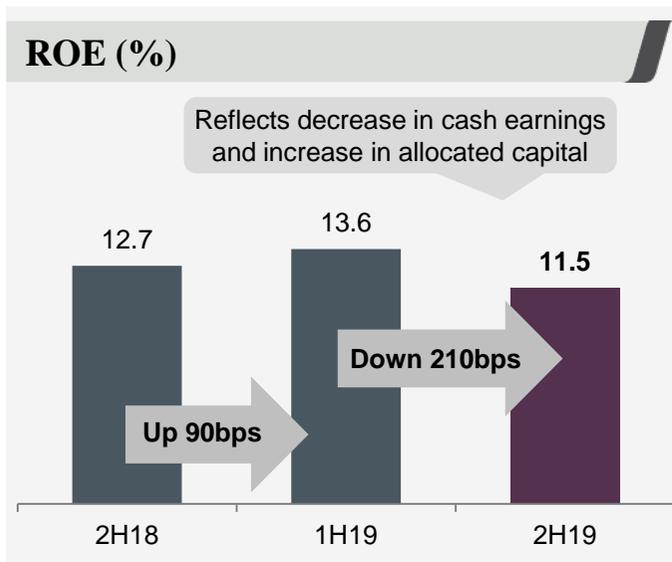
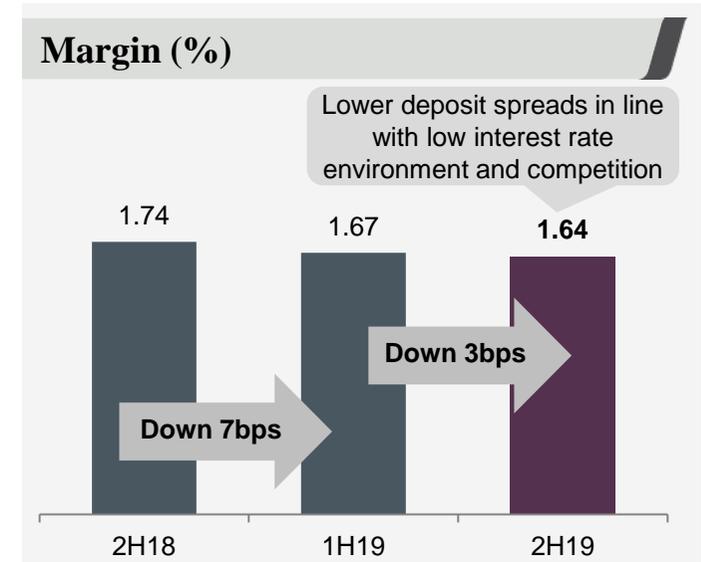
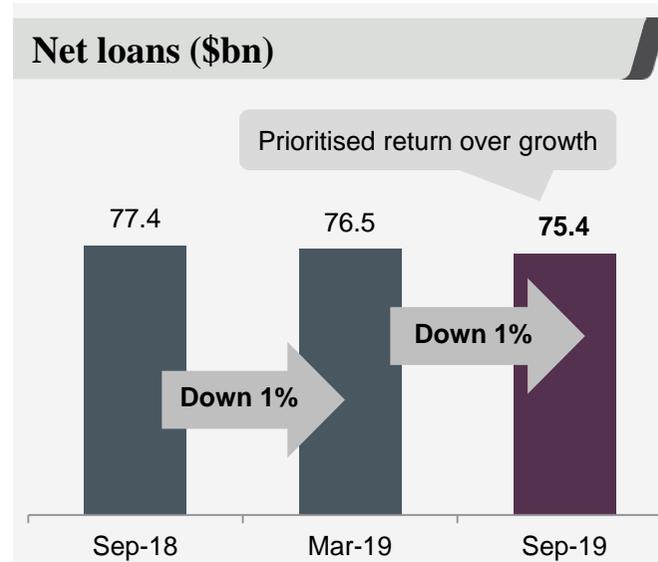
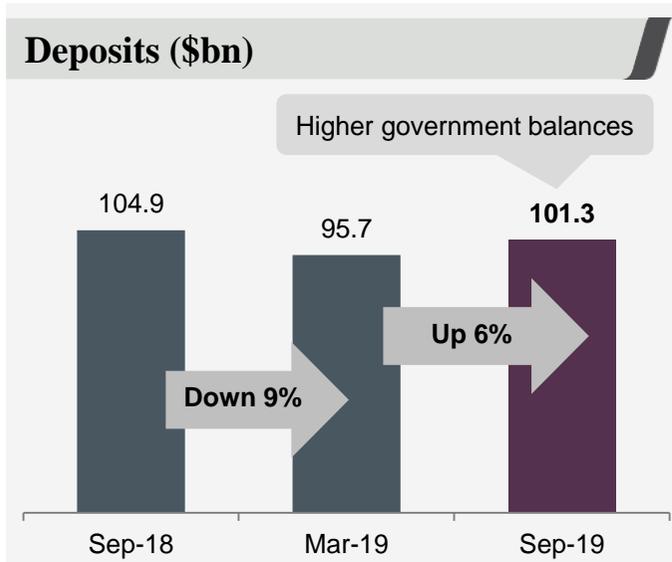
	2H18	1H19	2H19	Change on 1H19
Revenue (\$m)	1,566	1,425	<b>1,310</b>	(8%)
Net interest margin (NIM) (%)	1.74	1.67	<b>1.64</b>	(3bps)
Expense to income ratio (%)	49.2	45.8	<b>48.2</b>	235bps
Customer deposit to loan ratio (%)	135.5	125.1	<b>134.4</b>	large
Stressed exposures to TCE (%)	0.66	0.63	<b>0.68</b>	5bps

## Key operating metrics

	2H18	1H19	2H19	Change on 1H19
Customer revenue <sup>2</sup> / total revenue (%)	83.1	91.6	<b>95.1</b>	350bps
Trading revenue / total revenue (%)	3.8	8.8	<b>8.7</b>	(10bps)
Revenue per FTE (\$'000) <sup>3</sup>	909	844	<b>811</b>	(4%)

1 Derivative valuation adjustment. 2 WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings. 3 Excludes Westpac Pacific revenue and FTE.

# Prioritising returns over growth



## Westpac Institutional Bank

- Leading financial markets, financing and transactional banking product capability
- Deep expertise and industry insights
- Digital and banker-led service aligned to customer needs



### Service driven customer franchise

#### Maintaining deep and enduring customer relationships

- 87 of the ASX Top 100 banked by WIB
- High customer retention – 12 major clients retained in competitive tenders, including key State Government contracts
- Investing in upskilling our bankers, and freeing up their time to refocus on customer-facing activities
- Strengthened focus on financial crime, operational risks and complaints management



### Well placed for opportunities

#### Infrastructure

- Leading Australian infrastructure bank, supporting almost three quarters of the recent nation-building infrastructure projects
- Newly established relationship and deal execution presence delivering in UK/Europe, with 6 notable transactions closed in FY19 with new to bank relationships across transport (airport and ports), district heating and infrastructure funds

#### Renewables

- Leading financier, for the second year running, to greenfield renewable energy projects in Australia<sup>1</sup>, supporting 5 new projects which, when complete, are expected to generate sufficient electricity to power up to 580,000 households
- Launched world's first certified green deposit product

#### Sustainable Financing

- Provided Sustainability Linked Loans ('SLL'):
  - Queensland Airport – the first SLL linked to the Airport Carbon Accreditation scheme in Australia;
  - COFCO – the first SLL for a Chinese company and largest for a commodities trader;
  - AGL – WIB was the largest lender in AGL's SLL syndicate

#### M&A Financing

- Completed 16 M&A financing transactions in FY19



### Digital transformation

#### Digital Institutional Bank (DIB)

- Digital capability to optimise working capital and simplify cash management
- Will offer digitised transactional banking with real-time cash mobility, visibility of account balances, intraday balance movement and a single view of cash liquidity throughout customers' entire corporate structure
- Used by State Governments and corporates to improve visibility of their overall cash position

#### Corporate Lending Portal

- Delivering digital capabilities for customers that enable them to control their loan management tasks, including requesting drawdowns, bank guarantees and rollovers, through a secure self-service workflow with real-time status updates. Currently being used by 112 customers and 380+ individual users

#### New Payments Platform (NPP)

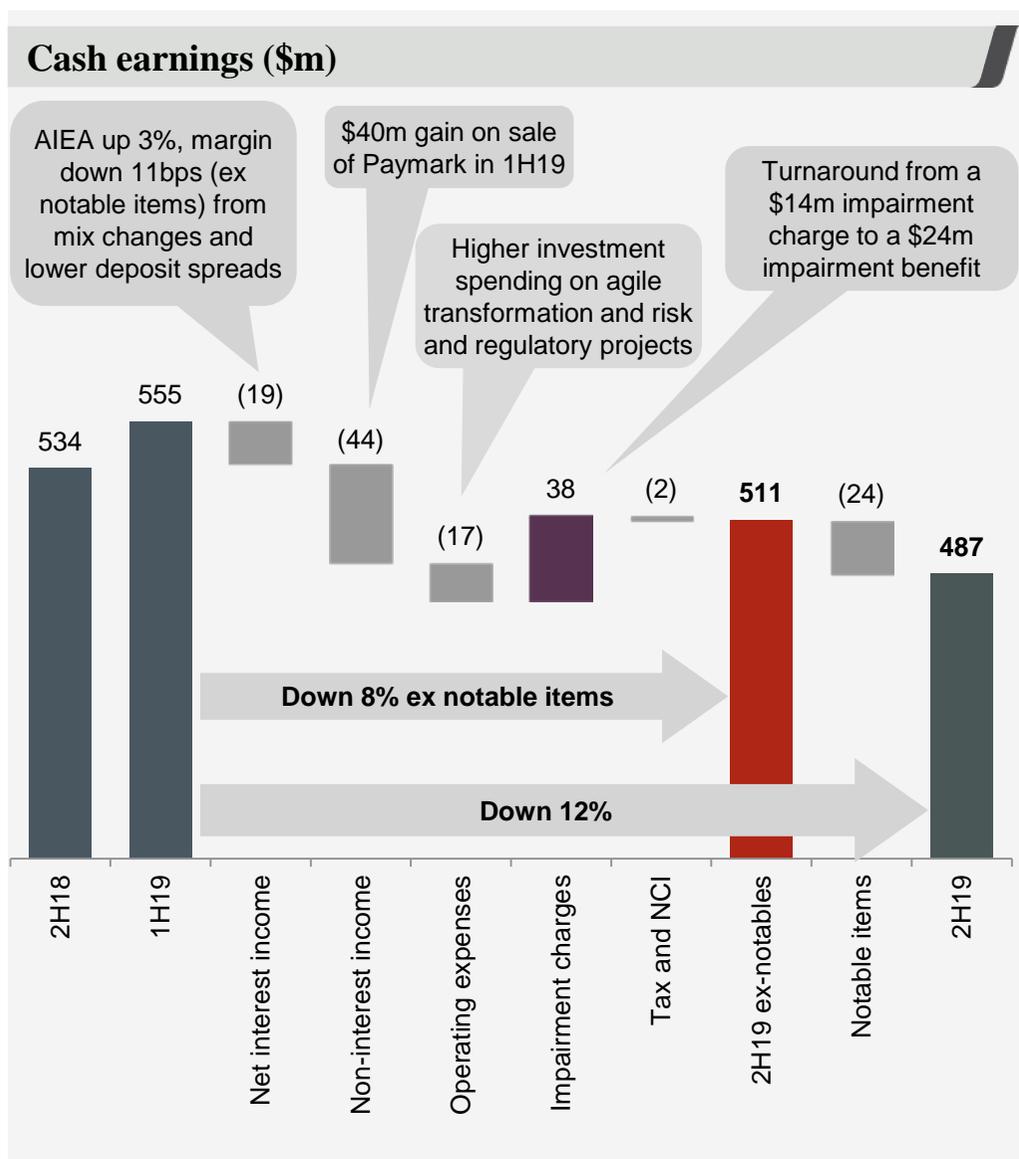
- NPP (Real-time payments) transitioning to business as usual
- 9m customer accounts enabled and volumes now at 60m+ transactions processed, making Westpac responsible for approx. 30% of volume

#### Financial Markets

- Improvements to processes and systems to strengthen customer price construction and price streaming capability across FX, Fixed Income and Derivatives
- By applying behavioural analytics to data, WIB generates insights into customers' behavioural needs, creating "Smart Leads" for the sales force to action across products offered to the Business, Wealth and Consumer segments

<sup>1</sup> Source: IJGlobal, September 2019.

# NZ 2H19 earnings impacted by lower margins and higher investment<sup>1</sup>



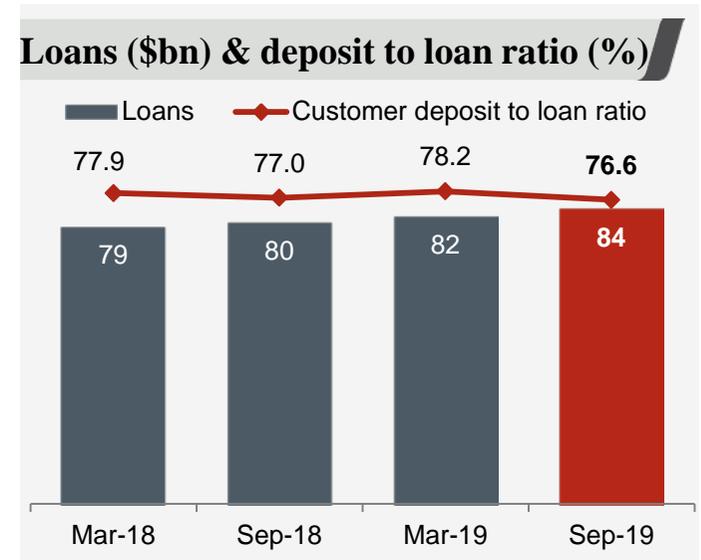
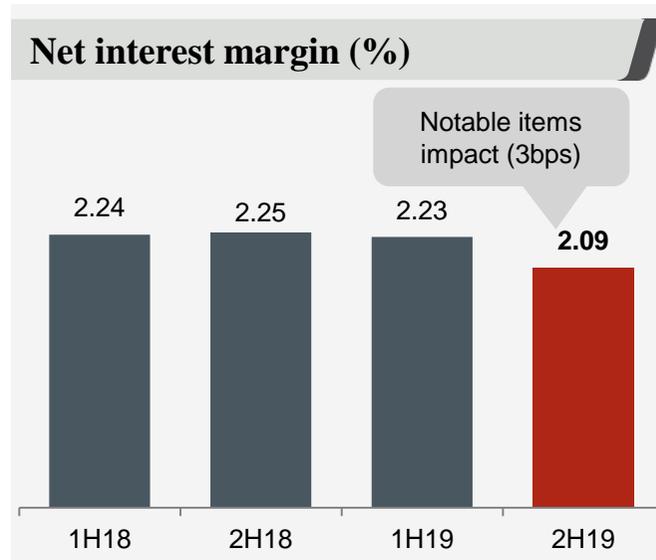
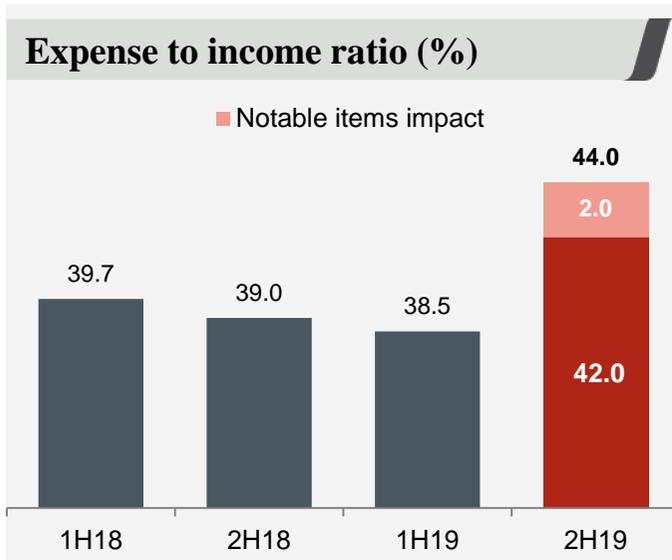
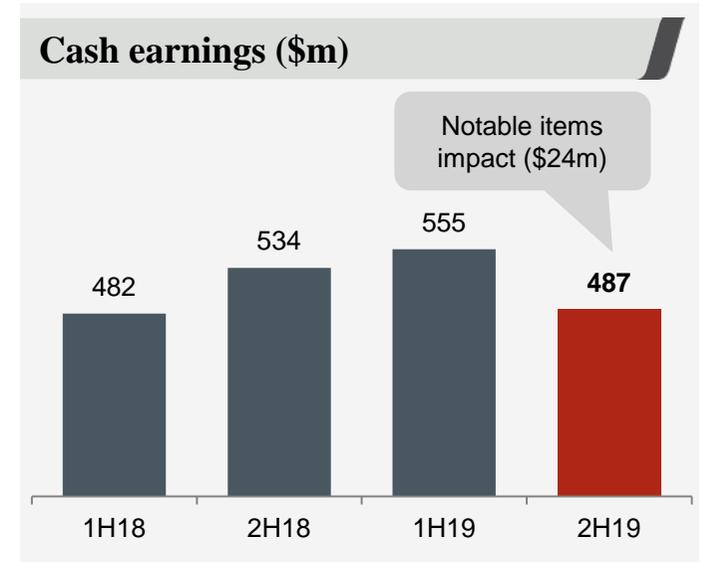
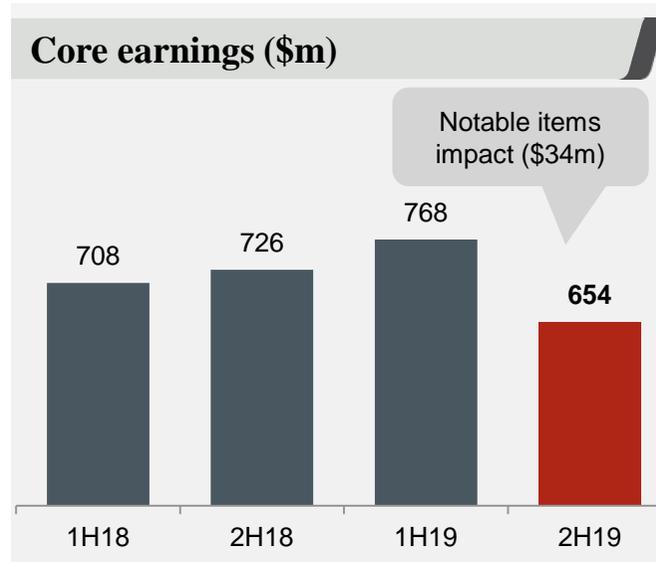
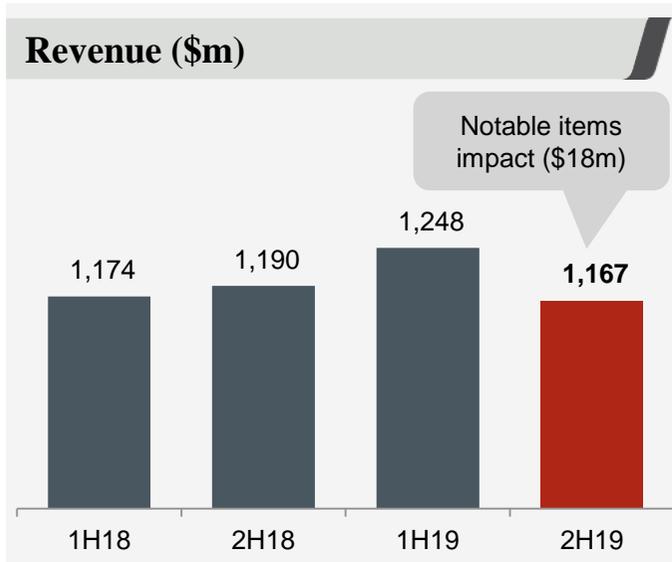
### Key financial metrics

	2H18	1H19	2H19	Change on 1H19
Revenue (\$m)	1,190	1,248	1,167	(6%)
Net interest margin (%)	2.25	2.23	2.09	(14bps)
Expense to income (%)	39.0	38.5	44.0	Large
Customer deposit to loan ratio (%)	77.0	78.2	76.6	(160bps)
Stressed exposures to TCE (%)	1.57	1.57	1.66	9bps

### Key operating metrics

	2H18	1H19	2H19	Change on 1H19
Customers (#m)	1.35	1.35	1.35	-
Branches (#)	163	161	155	(6)
Consumer NPS <sup>2</sup>	+8	+11	+5	Down 6
Business NPS <sup>2</sup>	+0	+4	+3	Down 1
Agri NPS <sup>2</sup>	+17	+16	+20	Up 4
Funds (\$bn) (spot)	10.7	10.9	11.5	6%
Service quality – complaints (000's)	9.2	8.6	9.3	8%

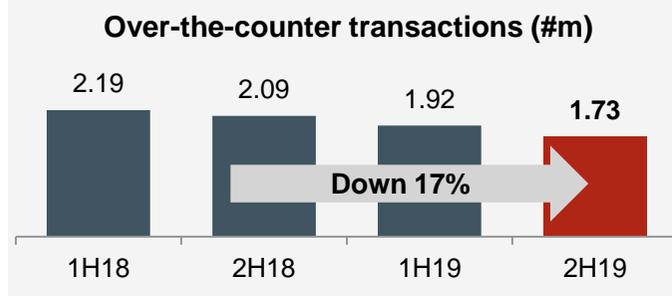
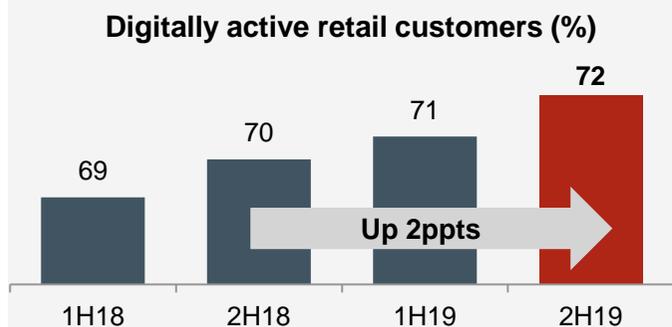
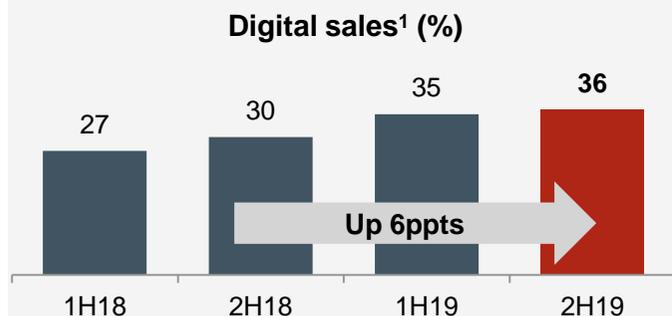
<sup>1</sup> In NZ\$ unless otherwise noted. <sup>2</sup> Refer page 154 for details of metric definition and provider.



<sup>1</sup> All figures in NZ\$ unless otherwise indicated.

# Investing in the customer experience through innovation and digital offerings

## Digital for customers



## Making banking easier

### Westpac Way of Working



- Reconfigured key functions representing 20% of our workforce to a new agile structure to create better customer experiences and outcomes

- New operating model supports improved innovation and speed to market while creating a better work environment for our employees

### Real-time account opening

- EasyID** - ability to open accounts real-time, 24/7 within minutes
- Now available online and via dedicated portals in branches



### Innovative products

- Apple pay<sup>2</sup>** - launched 2<sup>nd</sup> April, allows customers to use their iPhone and Apple Watch to make secure contactless payments

### Online insurance

- Ability to obtain a quote and sign up online, 24/7 for home, contents and car insurance

## Deeper customer relationships

### Creating ongoing value for customers

- Value Me** has now reached over 380,000 customers since its launch in September 2017. Value Me helps identify customers' best products, services and banking solutions based on their behaviour



- 72% of customers who received a playback felt more valued by Westpac and 50% of customers more likely to recommend Westpac

- Your story** conversations have reached over 175,000 customers since launch in August 2018

### Award winning solutions

- Making banking solutions simple and easy for customers has seen Westpac win **Canstar's Bank of the Year – Everyday Banking** award for 2019 (fourth year running)



<sup>1</sup> Digital online sales includes fulfilment volumes. <sup>2</sup> Apple Pay is a trademark of Apple Inc, registered in the U.S. and other countries.

# Balance sheet drivers

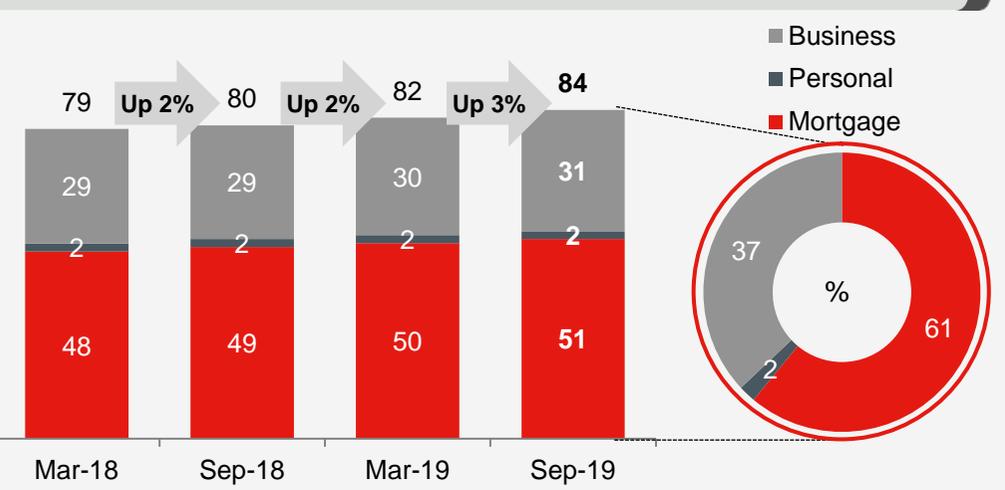
## New Zealand net loans (NZ\$b)



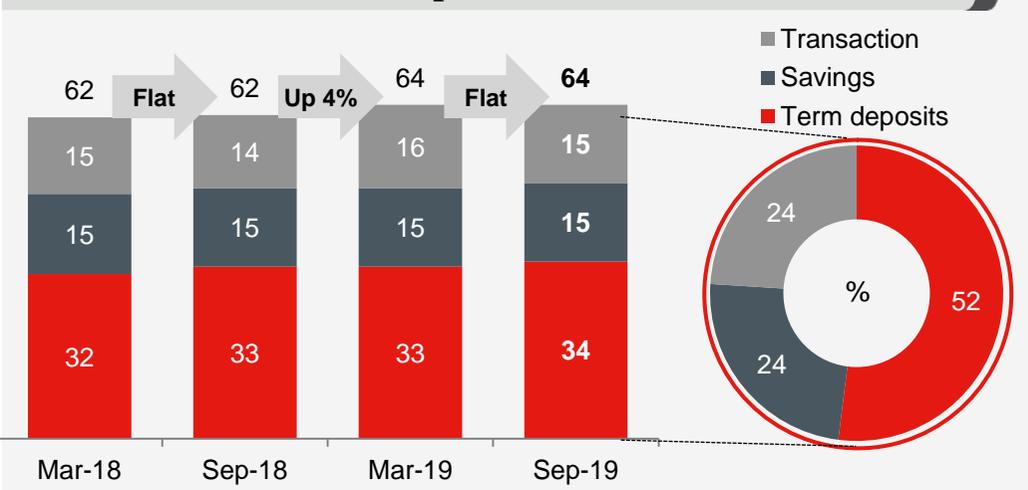
## New Zealand deposits (NZ\$b)



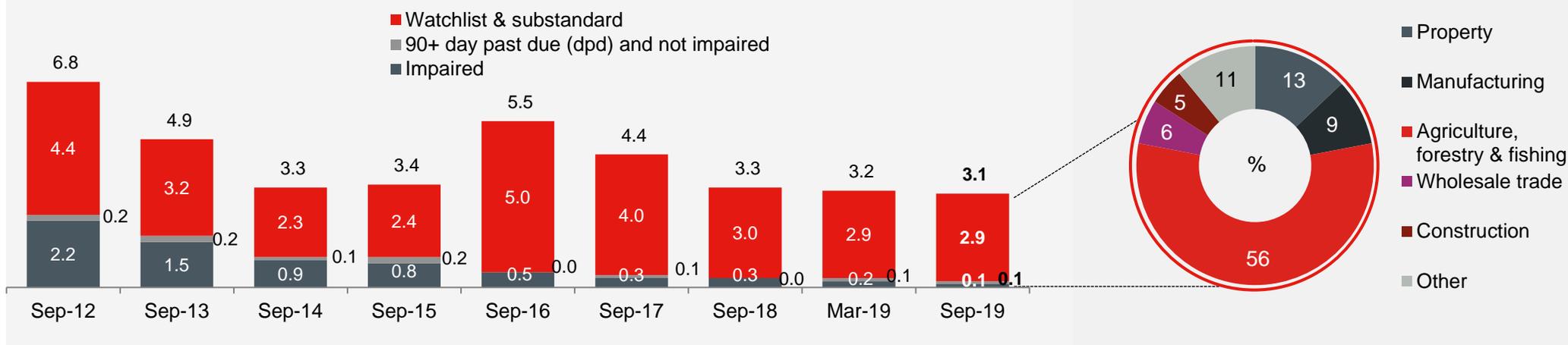
## New Zealand customer loans (NZ\$b) and % of total



## New Zealand customer deposits (NZ\$b) and % of total



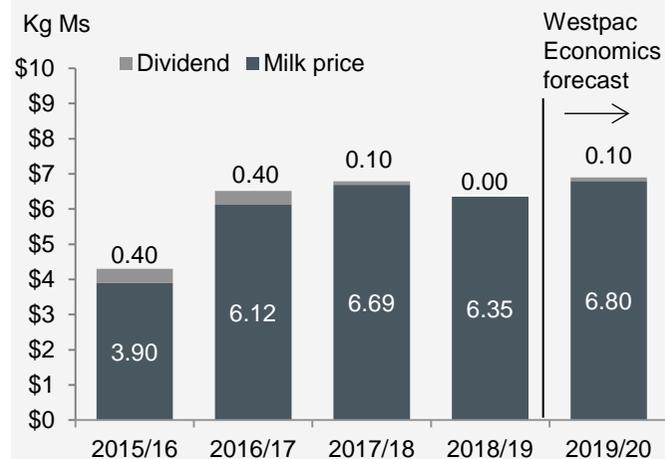
## Business stressed exposures as a % of New Zealand business TCE



## Agribusiness portfolio

	Sep-18	Mar-19	Sep-19
TCE (NZ\$bn)	9.2	9.4	<b>9.5</b>
Agriculture as a % of total TCE	8.3	8.2	<b>8.1</b>
% of portfolio graded as 'stressed' <sup>1</sup>	9.7	10.0	<b>10.0</b>
% of portfolio in impaired	0.42	0.40	<b>0.32</b>

## Milk price & Fonterra dividend<sup>2</sup> (NZ\$)



## Dairy portfolio summary

- Overall portfolio health remains sound. Dairy stressed assets largely flat. Focus remains on supporting existing dairy customers with proven long-term viability
- Fonterra has forecasted a price range for the 2019/20 season of \$6.55/kg milk solid (MS) - \$7.55/kg MS with the advance rate set at \$7.05/kg MS
- Increased environmental regulation, increasing costs and US-China trade war continue to pose challenges

1 Includes impaired exposures. 2 Source: Fonterra.

# Consumer portfolio

### Mortgages 90+ days past due (%)

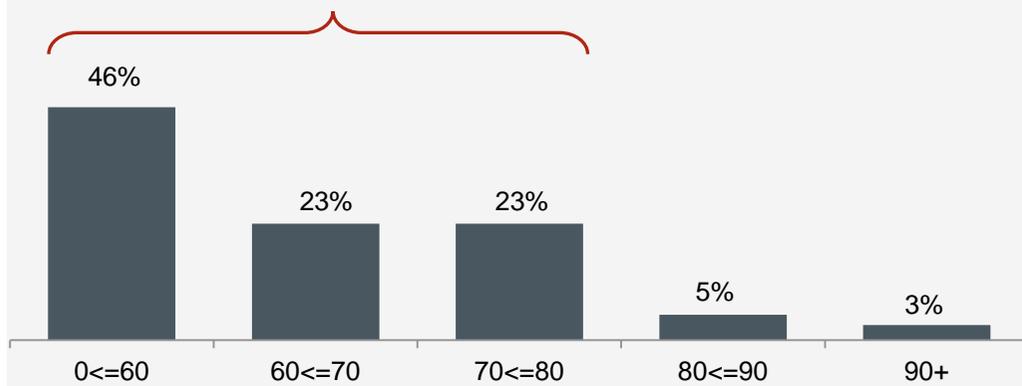


### Unsecured consumer 90+ day delinquencies (%)



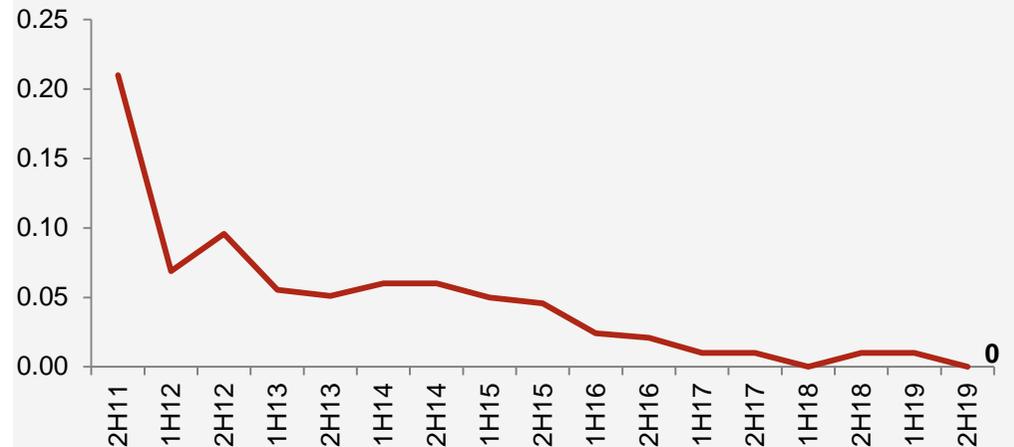
### Mortgage portfolio LVR<sup>1</sup> (%) of portfolio

92% of mortgage portfolio less than 80% LVR



<sup>1</sup> LVR based on current loan property value at latest credit event.

### Mortgage loss rates each half (%)





# Australian and New Zealand economic forecasts

Key economic indicators (%) as at October 2019		Calendar year			
		2017	2018	2019F	2020F
<b>World</b>	<b>GDP<sup>1</sup></b>	<b>3.8</b>	<b>3.6</b>	<b>3.0</b>	<b>3.2</b>
<b>Australia</b>	<b>GDP<sup>2</sup></b>	<b>2.5</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>
	Private consumption <sup>2</sup>	2.8	2.0	1.9	2.3
	Business investment <sup>2,3</sup>	7.3	-0.8	-0.4	2.8
	Unemployment – end period	5.5	5.0	5.4	5.6
	CPI headline – year end	1.9	1.8	1.7	1.9
	Interest rates – cash rate	1.50	1.50	0.75	0.50
	Credit growth, Total – year end	4.8	4.3	2.5	3.3
	Credit growth, Housing – year end	6.3	4.7	3.0	3.7
	Credit growth, Business – year end	3.0	4.7	2.8	3.3
<b>New Zealand</b>	<b>GDP<sup>2</sup></b>	<b>3.1</b>	<b>2.8</b>	<b>2.2</b>	<b>2.3</b>
	Unemployment – end period	4.5	4.3	4.2	4.2
	Consumer prices	1.6	1.9	1.7	1.7
	Interest rates – official cash rate	1.75	1.75	1.00	0.75
	Credit growth – Total <sup>4</sup>	6.5	5.2	5.5	5.3
	Credit growth – Housing <sup>4</sup>	7.4	5.9	6.3	6.5
	Credit growth – Business <sup>4</sup>	5.2	4.3	4.9	3.8

Source: Westpac Economics.

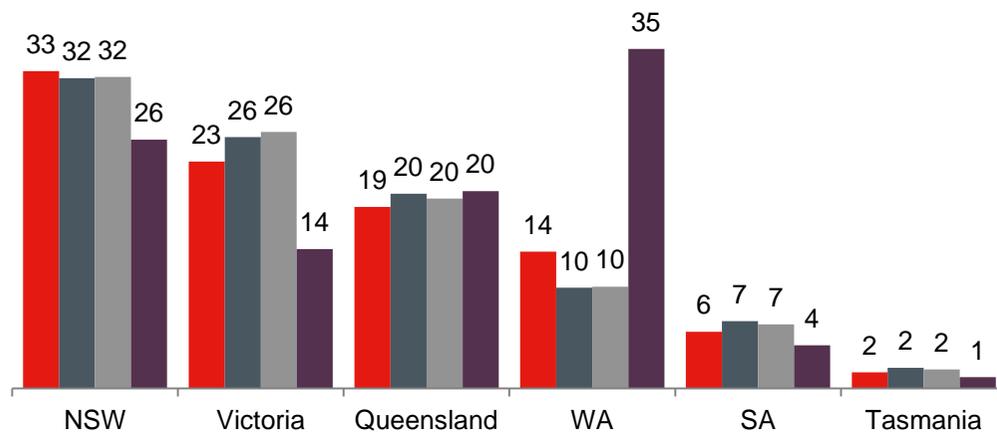
1 Year average growth rates. 2 Through the year growth rates. 3 Business investment adjusted to exclude the effect of public sector purchases of public assets. 4 NZ credit forecasts are for growth over the calendar year.

## NSW and Victoria 58% of population and employment



Relative size of States (Share of Australia, 2017/18, %)

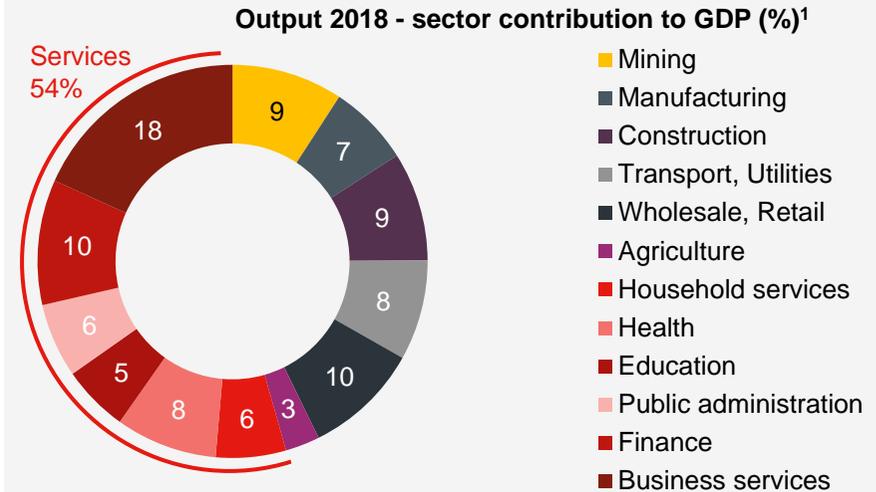
■ GDP ■ Population ■ Employment ■ Exports



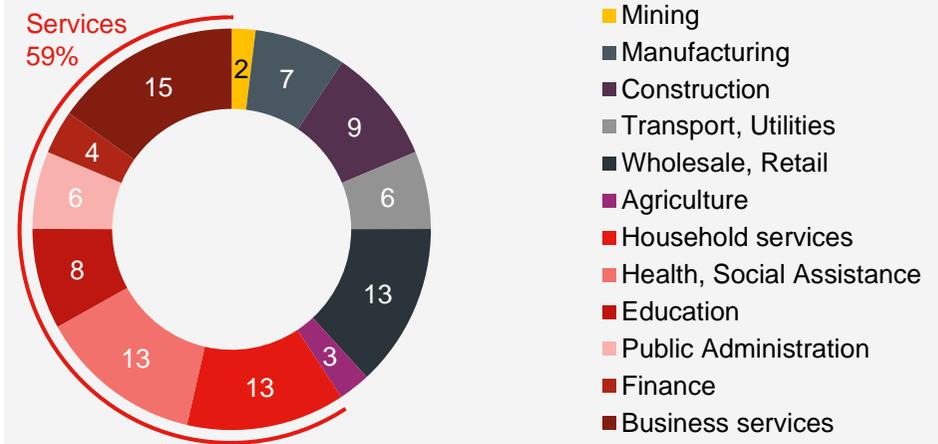
Sources: ABS, Westpac Economics

1 Real, financial years, experimental estimates.

## Services employ a large part of the Australian workforce



Australian employment by sector 2018 (%)



Sources: ABS, Westpac Economics.

1 Excludes ownership of dwellings and taxes less subsidies.

## Australian economy key statistics (latest available as at October 2019)

**GDP (June quarter 2019)** **1.4%**

Westpac Economics Forecast  
(end calendar 2020) **2.4%**

**Unemployment Rate** **5.2%**

Westpac Economics Forecast  
(end calendar 2020) **5.6%**

**Inflation** **1.6%**

Westpac Economics Forecast  
(end calendar 2020) **1.9%**

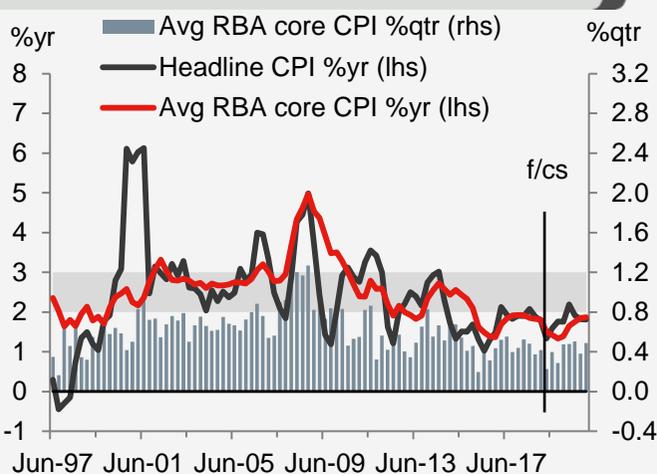
**Cash Rate** **0.75%**

Westpac Economics Forecast  
(end calendar 2020) **0.50%**

**AUD/USD** **US\$0.68**

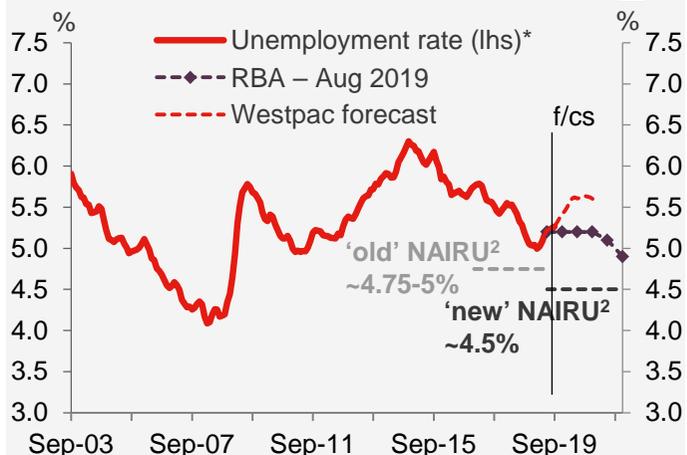
Westpac Economics Forecast  
(end calendar 2020) **US\$0.67**

## Inflation remains subdued<sup>1</sup>



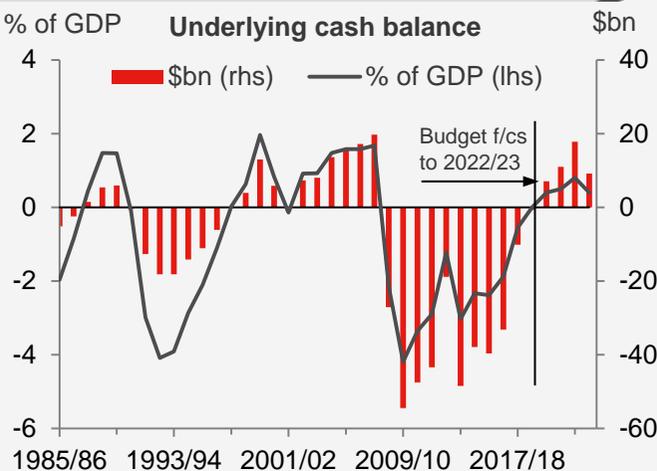
Sources: ABS, RBA, Westpac Economics

## Labour market slack



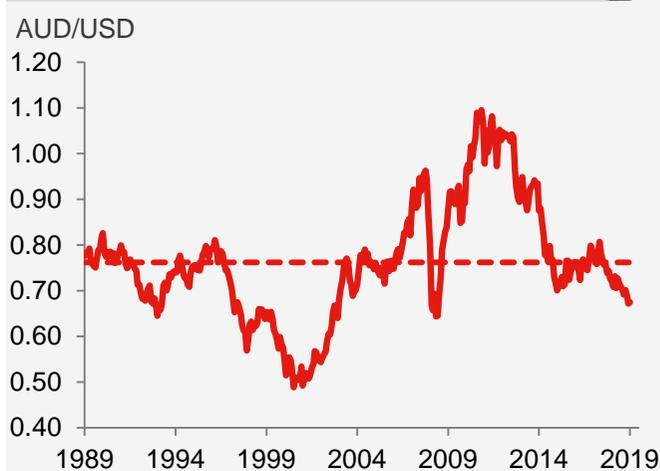
Sources: ABS, RBA, Westpac Economics

## Federal budget – back in surplus



Sources: Budget papers, ABS, Westpac Economics

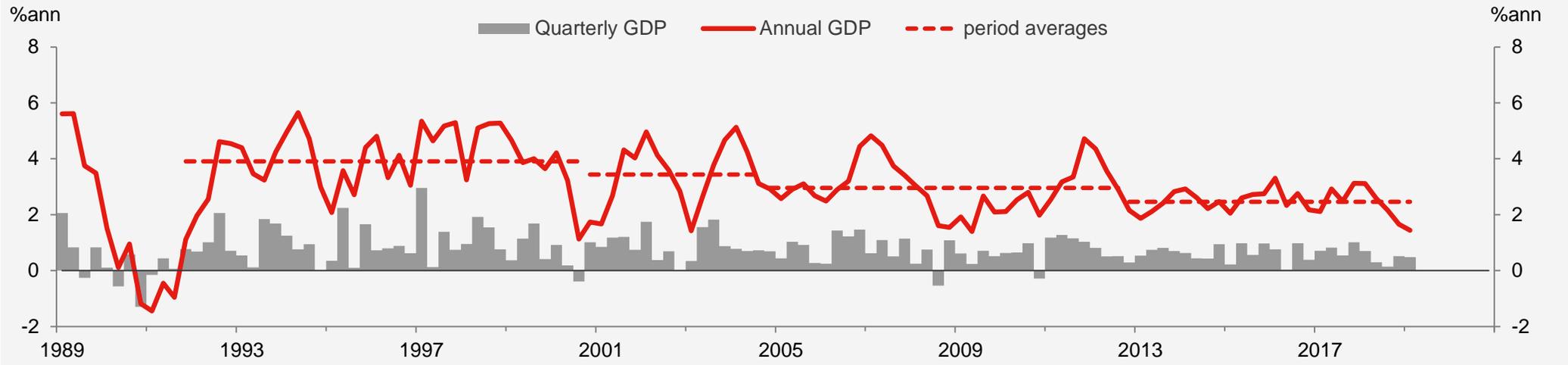
## AUD expected to move lower



Sources: RBA, Westpac Economics

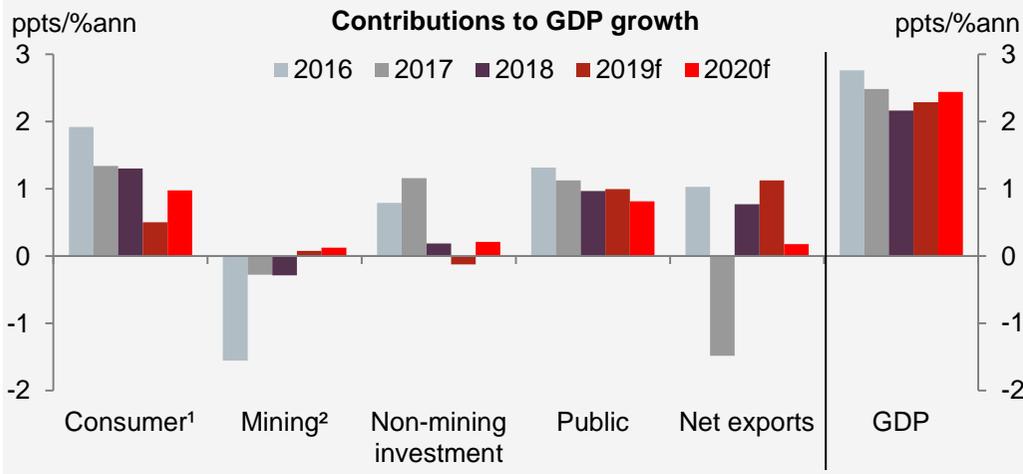
1 Average RBA core CPI is average of seasonally adjusted trimmed mean & weighted median CPI. 2 The NAIRU – or non-accelerating inflation rate of unemployment – is a benchmark for assessing the degree of spare capacity and inflationary pressures in the labour market. When the observed unemployment rate is below the NAIRU, conditions in the labour market are tight and there will be upward pressure on wage growth and inflation.  
Source: RBA.

## Australia: 28 years of uninterrupted growth



Sources: ABS, Westpac Economics.

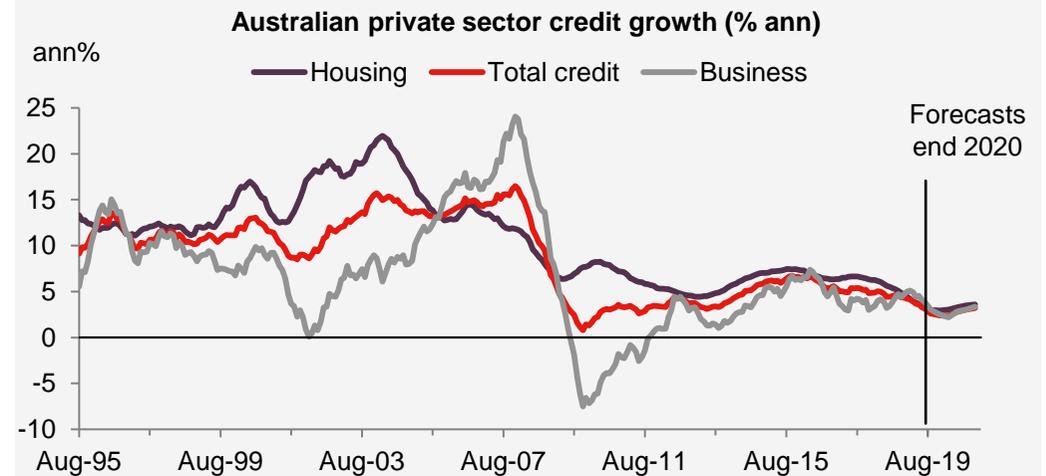
## Australian growth mix: shifting drivers



Sources: ABS, Westpac Economics.

1 Incl. housing. 2 Mining investment.

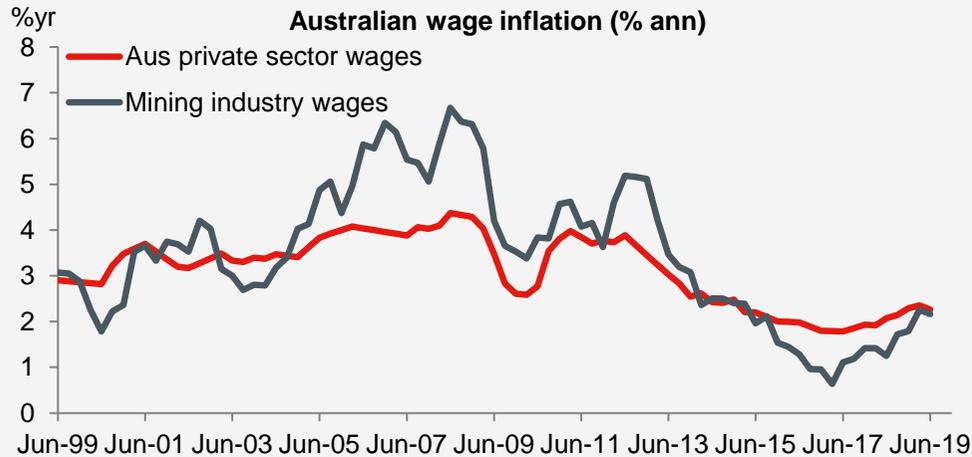
## Australian private sector credit growth subdued



Sources: RBA, Westpac Economics.

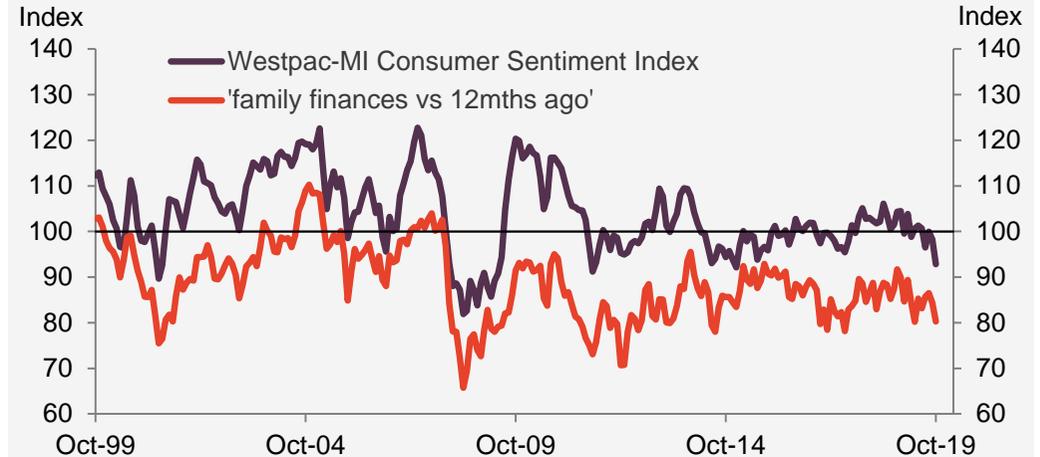
# Ongoing weakness centred on consumer and housing construction

## Australian wage inflation remains low



Sources: ABS, Westpac Economics.

## Consumer sentiment remains weak



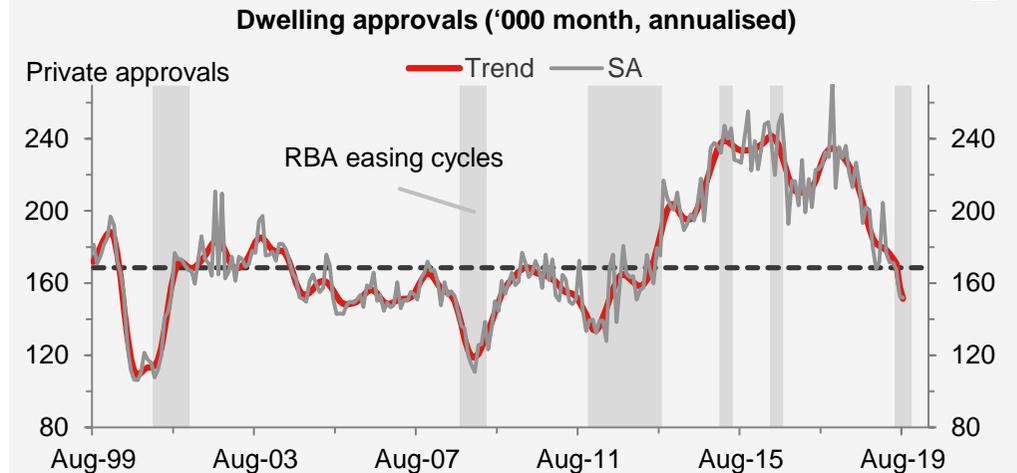
Sources: Melbourne Institute, Westpac Economics.

## Household savings ratio: poised to rise



Sources: ABS, Westpac Economics

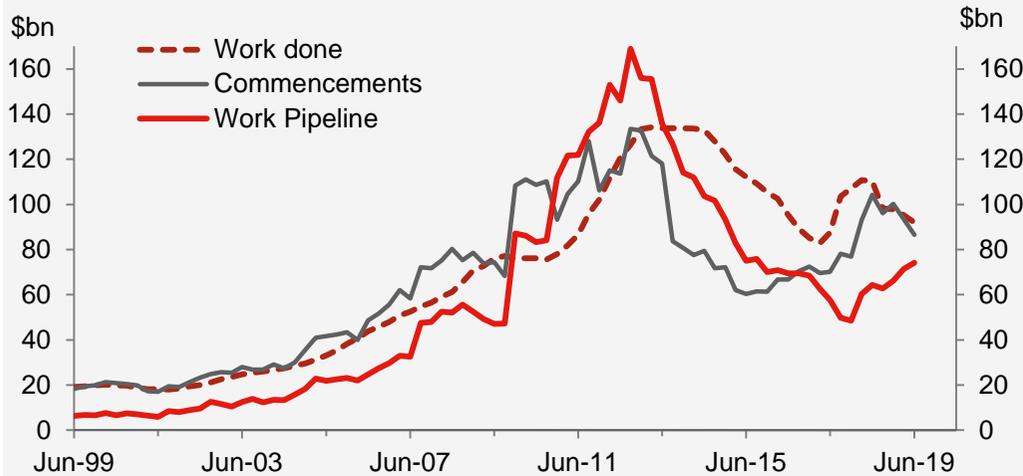
## Dwelling approvals down from 2016 highs



Sources: ABS, RBA, Westpac Economics.

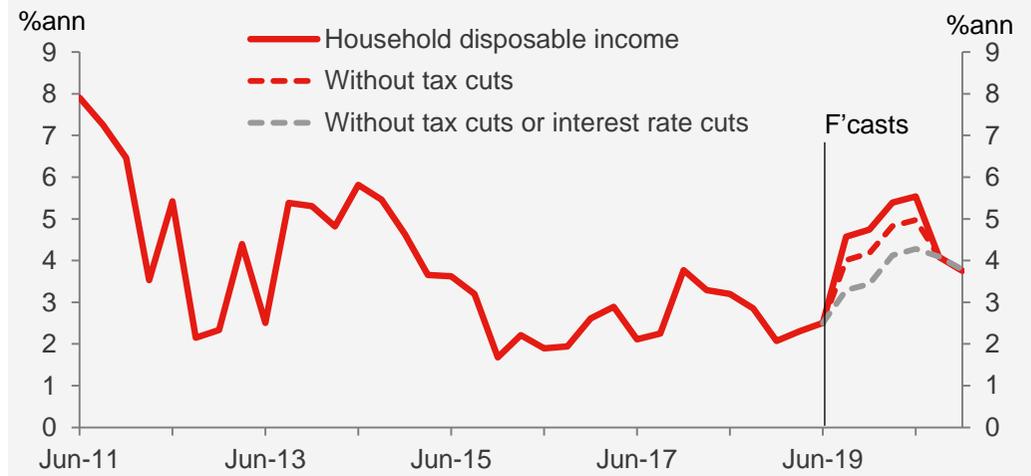
# Some offset from infrastructure, Government spending and population growth

## Infrastructure pipeline (\$bn, rolling annual)



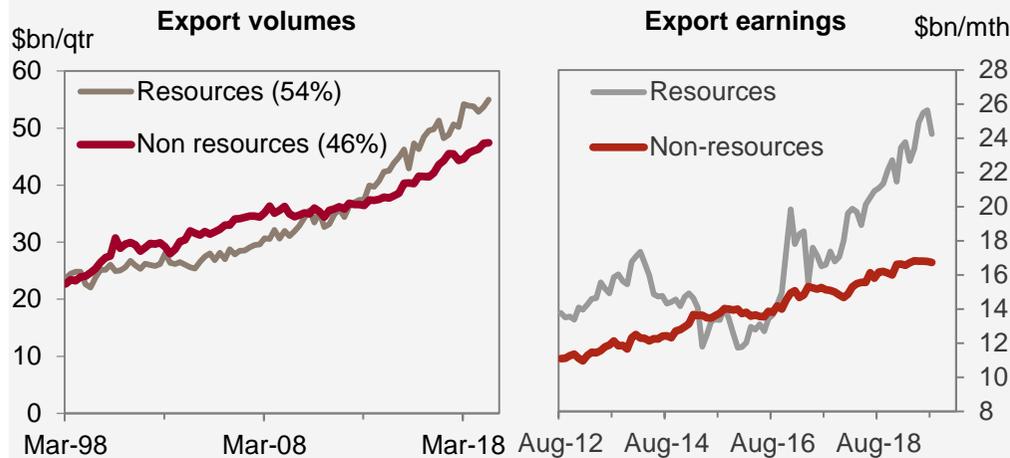
Sources: ABS, Westpac Economics

## Household incomes: one off policy support



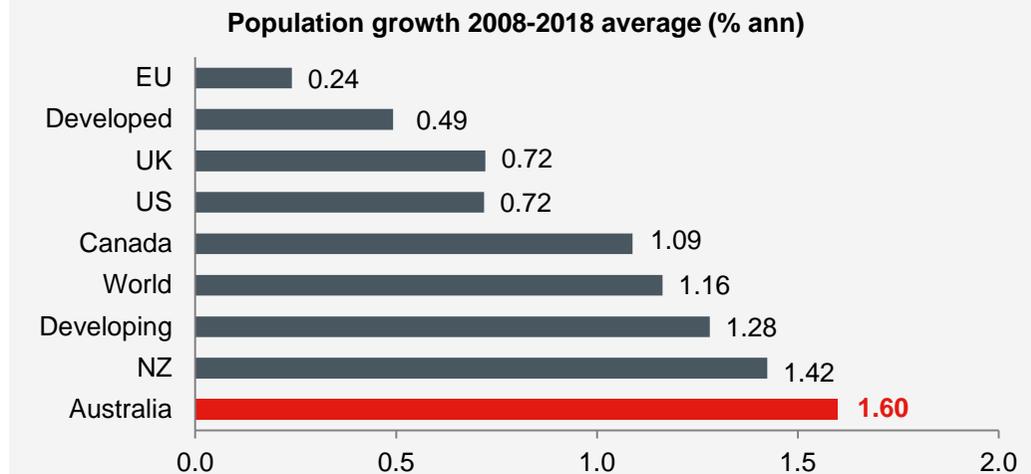
Sources: ABS, Westpac Economics.

## Exports



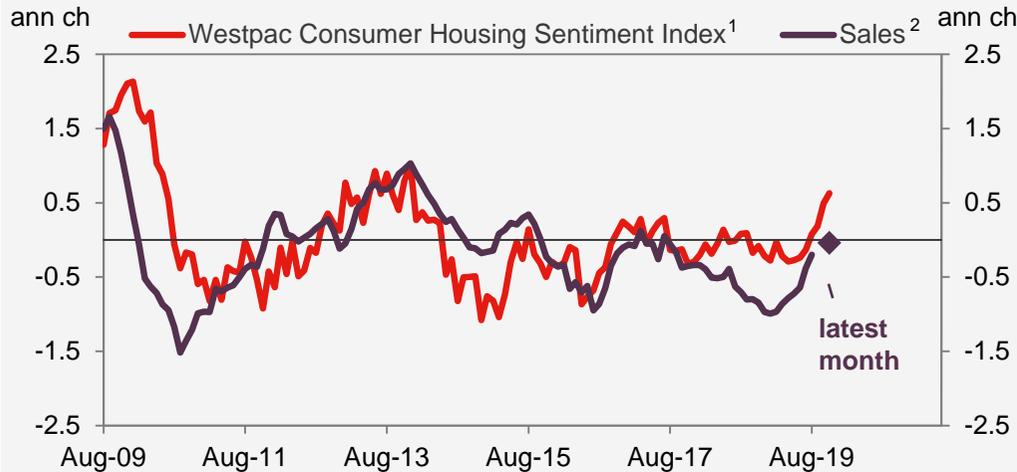
Sources: ABS, Westpac Economics

## Population growth



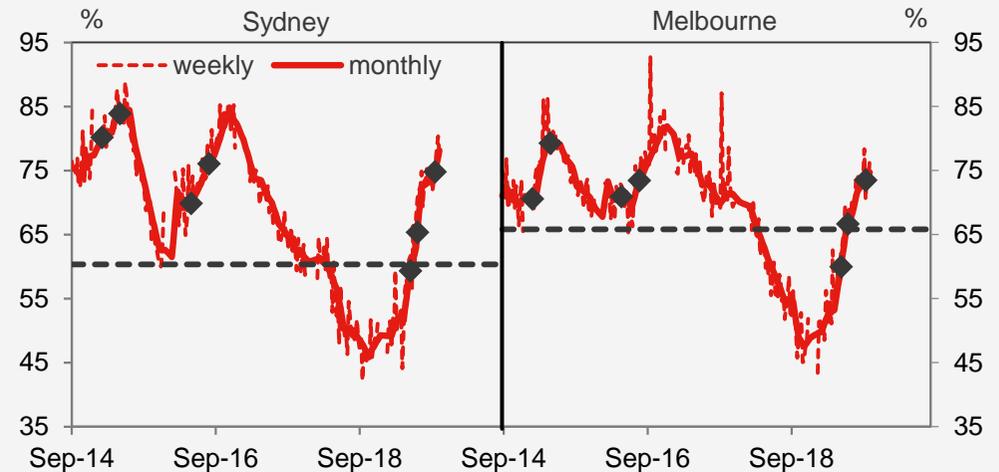
Source: IMF, Westpac Economics

## Consumer housing sentiment



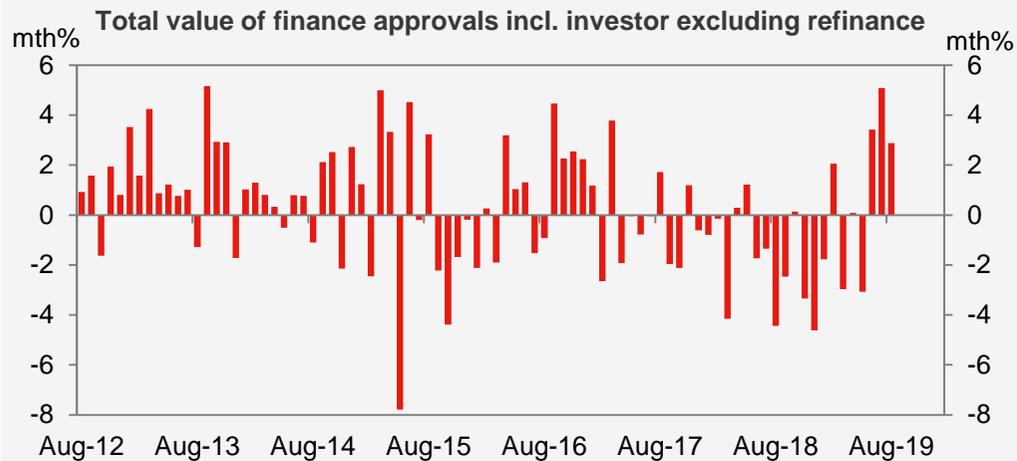
Sources: ABS, CoreLogic, Westpac – Melbourne Institute.

## Auction clearance rates<sup>3</sup>



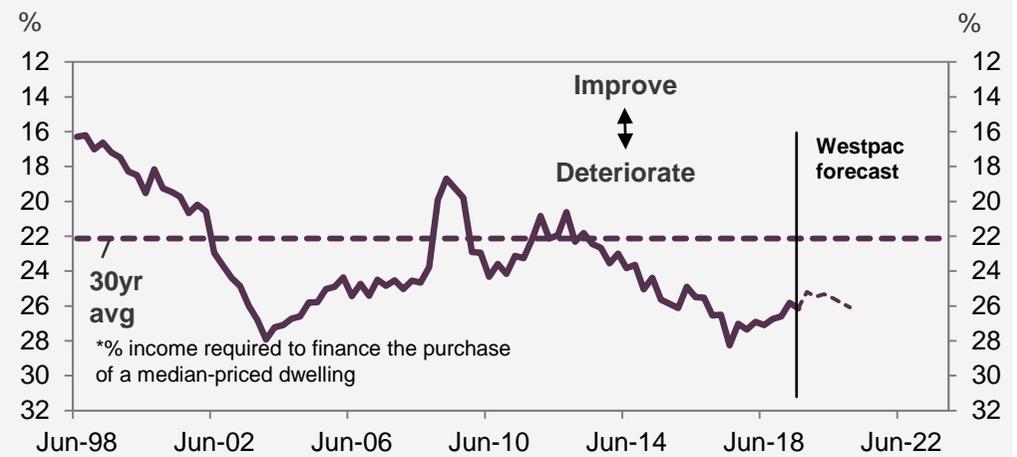
Sources: APM, CoreLogic, Westpac Economics.

## New finance approvals (% month)



Sources: ABS, Westpac Economics.

## NSW: affordability to remain relatively stretched

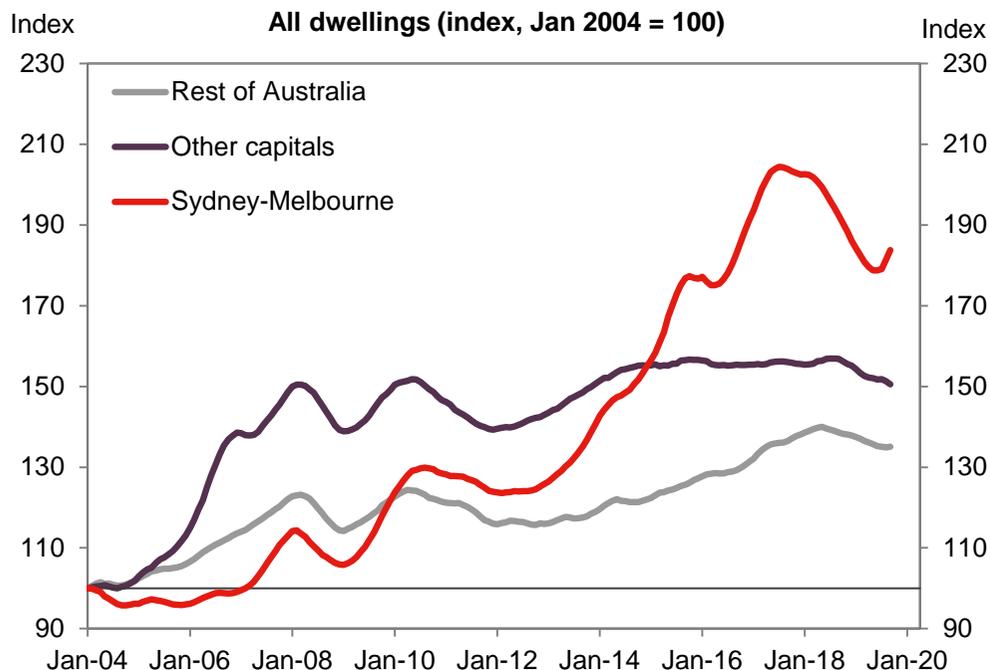


Sources: CoreLogic, ABS, Westpac-Melbourne Institute

1 Advanced 3mths. 2 % stock seasonally adjusted by Westpac, smoothed. 3 Seasonally adjusted by Westpac, smoothed.

# Australian dwelling prices: Sydney, Melbourne prices recovering; Turnover remains low

## Australian dwelling prices



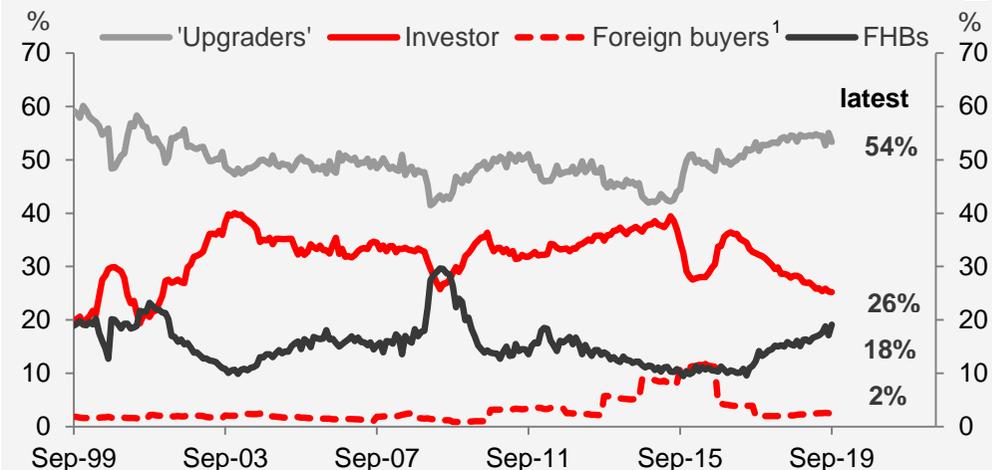
Sources: CoreLogic, Westpac Economics.

Capital city	Pop'n	Dwelling prices %ch last 3mths (Sep-19)	Dwelling prices YoY (Sep-19)
Sydney	4.8m	Up 3.5%	Down 4.8%
Melbourne	4.5m	Up 3.4%	Down 3.9%
Brisbane	2.3m	Up 0.5%	Down 2.1%
Perth	1.9m	Down 1.9%	Down 9.0%

Sources: ABS, CoreLogic, Westpac Economics.

1 Foreign buyers based on annual FIRB approvals. 2 Monthly, capital cities combined, seasonally adjusted by Westpac, smoothed.

## Finance approvals by segment (% of value of housing finance)



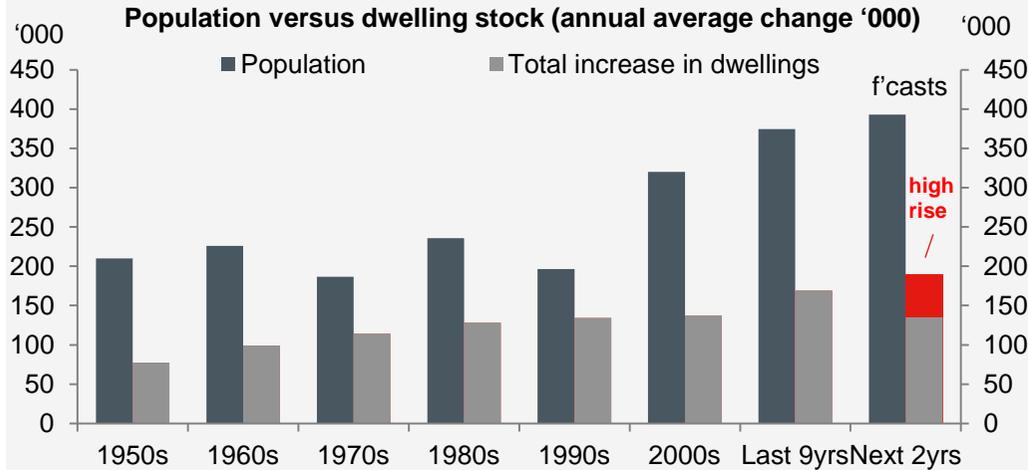
Sources: ABS, Westpac Economics.

## Residential property: listings and sales<sup>2</sup>



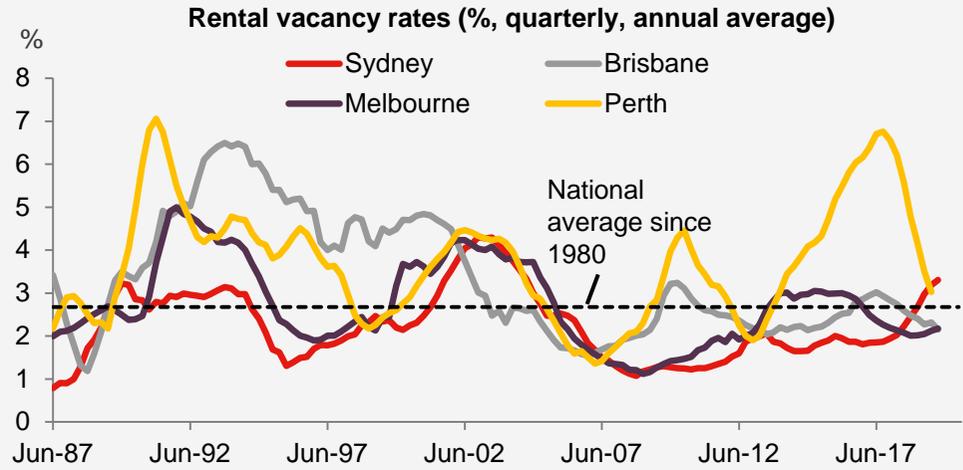
Sources: CoreLogic, Westpac Economics

## Dwelling supply has not kept pace with stronger demand



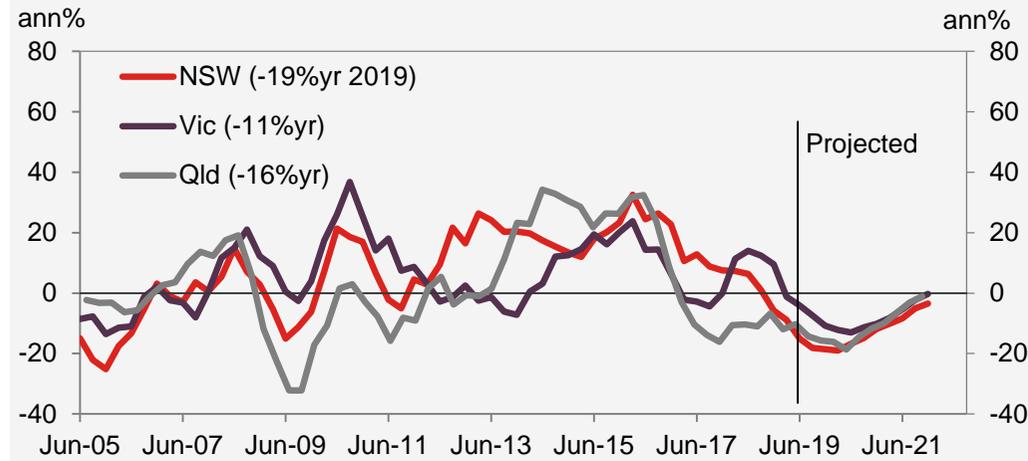
Sources: ABS, Westpac Economics. Dwelling stock is net of demolitions – implied by Census data.

## Rental vacancy rates



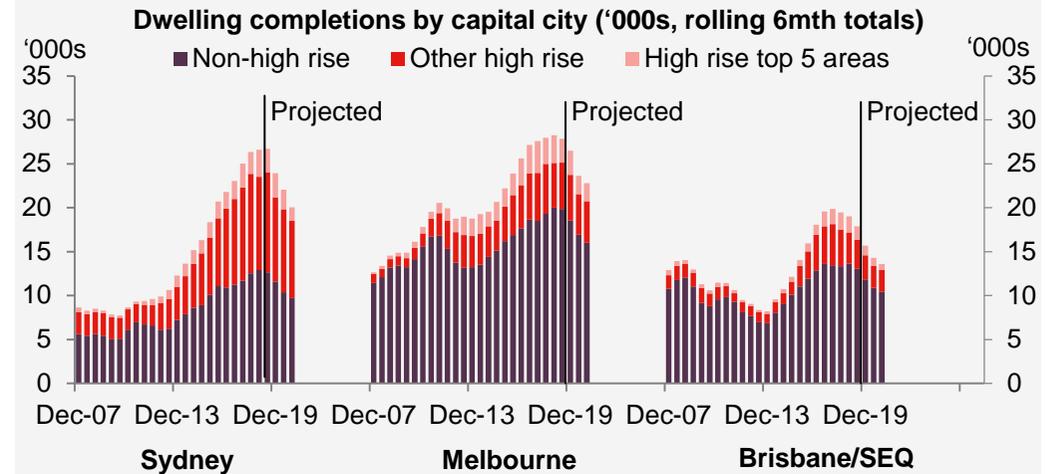
Sources: REIA, Westpac Economics

## Pipeline - dwellings under construction



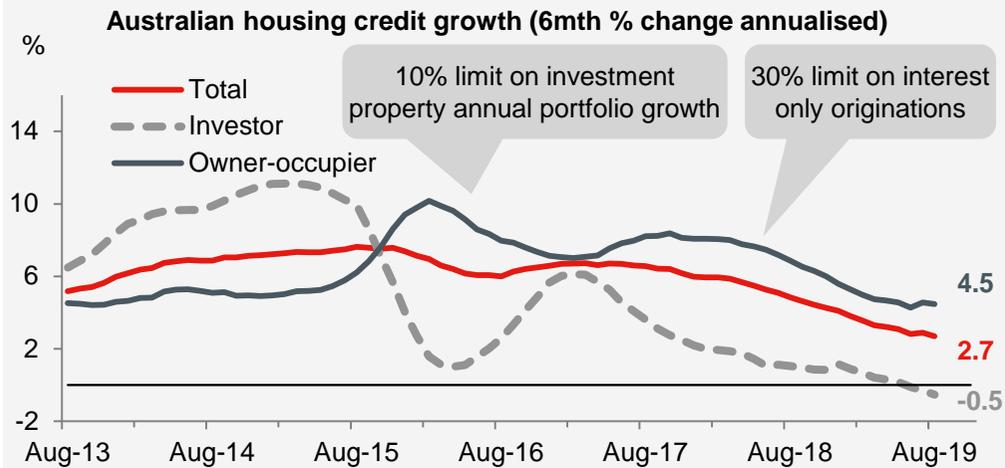
Sources: ABS, Westpac

## Projected dwelling completions, major metro areas



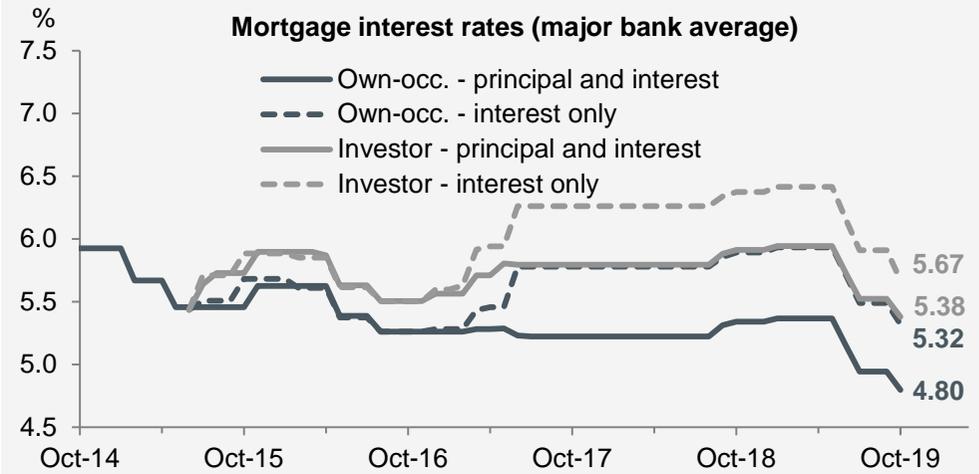
Sources: ABS, Westpac

## Change in composition of housing credit



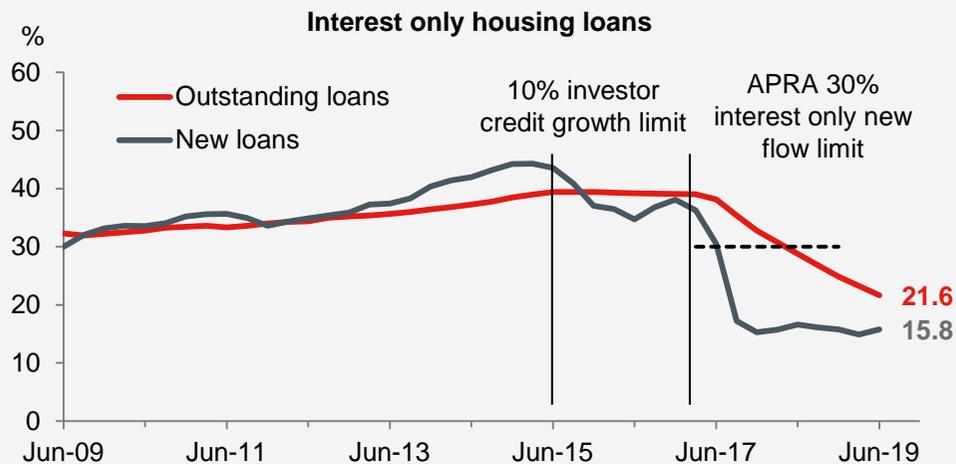
Sources: RBA, Westpac Economics.

## Introduction of differentiated mortgage pricing



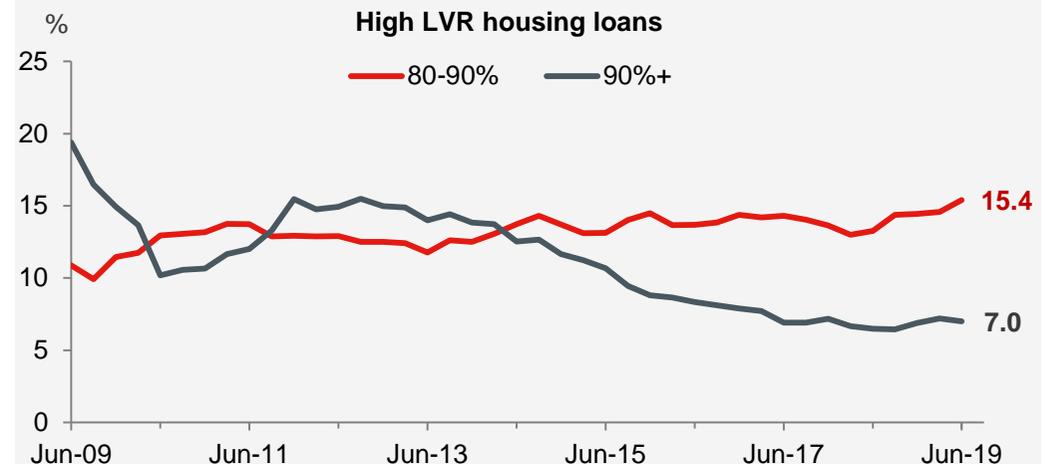
Source: APRA, RBA, Westpac Economics

## Lower flow of interest only loans



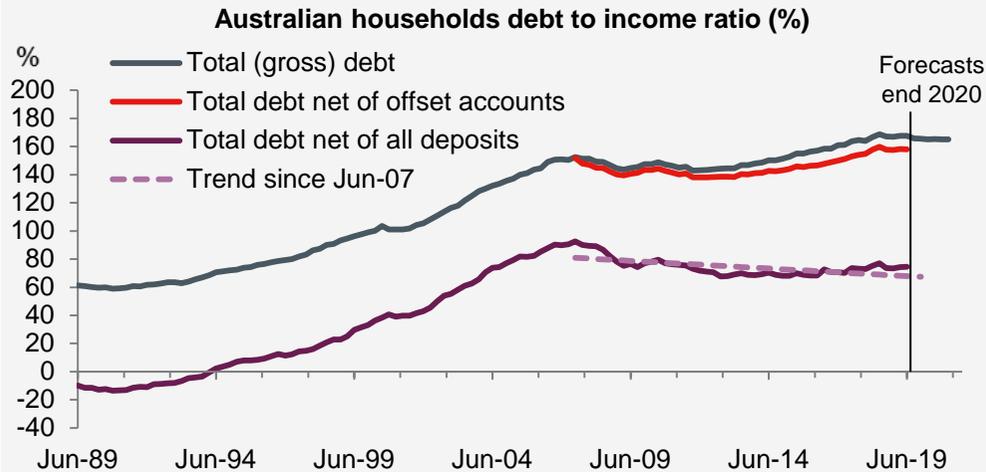
Sources: ABS, APRA, RBA, Westpac Economics.

## Lower new flow of 90%+ LVR loans



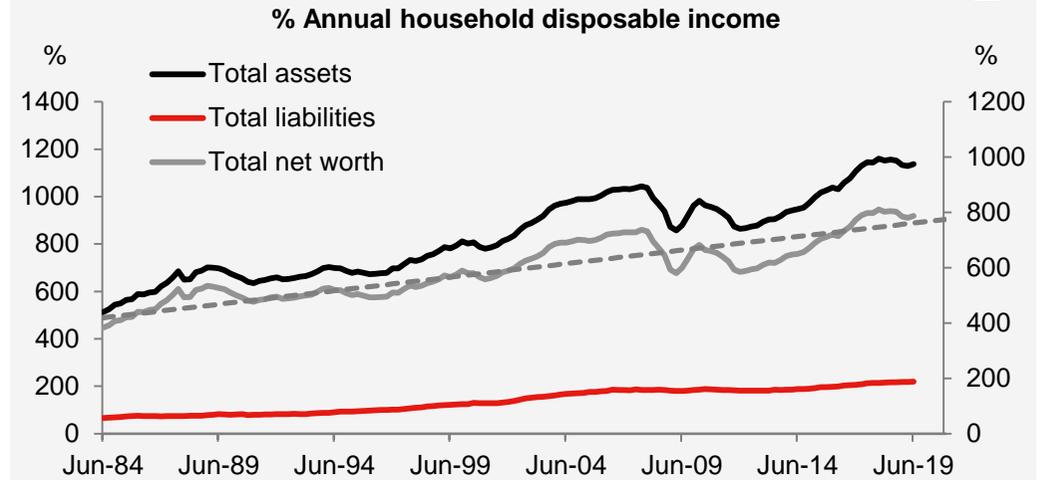
Sources: ABS, APRA, RBA, Westpac Economics

## Australian household debt to income ratio



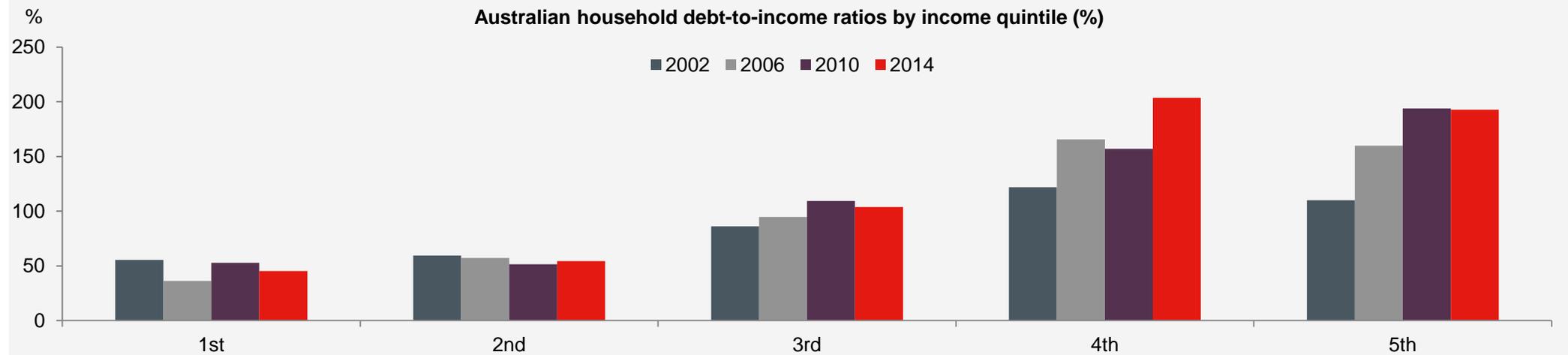
Sources: ABS, RBA, Westpac Economics

## Australian household net wealth



Sources: ABS, RBA, Westpac Economics.

## Higher income households have increased borrowings



Sources: ABS, RBA, Westpac Economics.

## Regional GDP

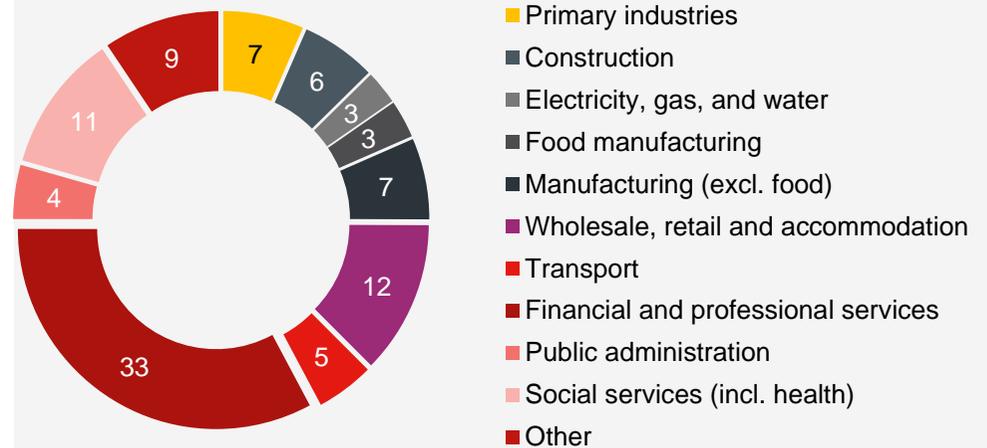
Total nominal GDP 2018: \$293bn  
Population 4.9 mil



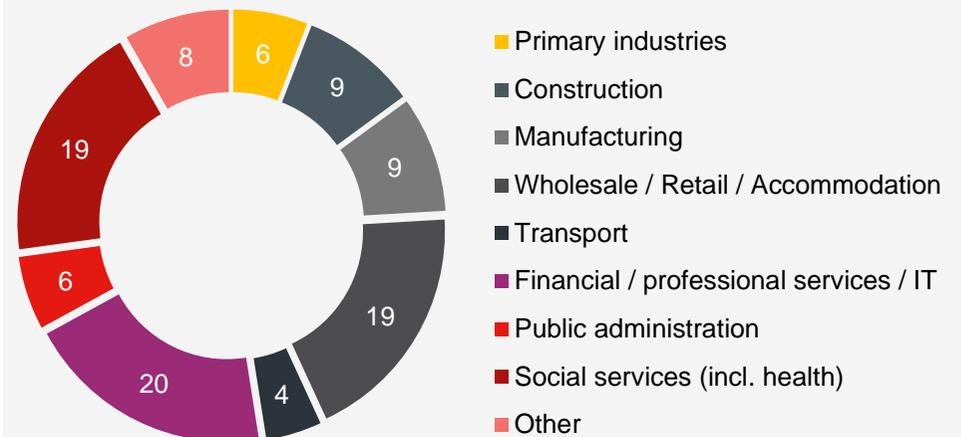
Sources: Stats NZ, Westpac Economics  
Nationwide GDP and employment figures are for the year to June 2019,  
regional figure are for the year to March 2018

## NZ output and employment

Output 2019 - sector shares of GDP (%)



NZ employment by sector 2019 (%)



Sources: Stats NZ, Westpac Economics

# New Zealand economic snapshot – growth has taken a step down

## New Zealand economy key statistics (latest available as at October 2019)

**GDP<sup>1</sup>** **2.4%**

Westpac Economics Forecast  
(end calendar 2020) **2.3%**

**Unemployment Rate** **3.9%**

Westpac Economics Forecast  
(end calendar 2020) **4.2%**

**Inflation** **1.5%**

Westpac Economics Forecast  
(end calendar 2020) **1.7%**

**Cash Rate** **1.00%**

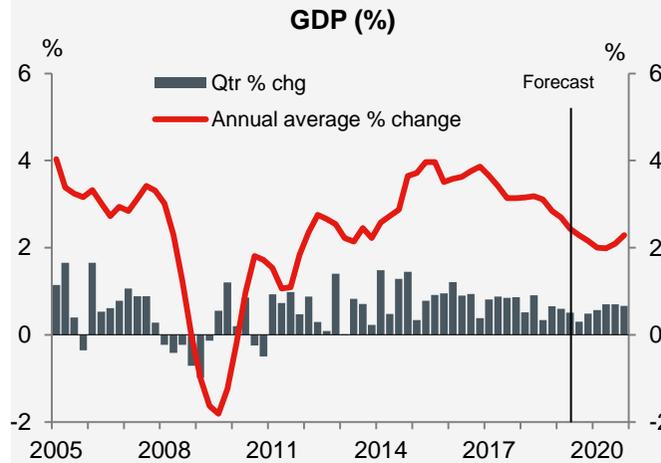
Westpac Economics Forecast  
(end calendar 2020) **0.75%**

**NZD/USD** **US\$0.64**

Westpac Economics Forecast  
(end calendar 2020) **US\$0.63**

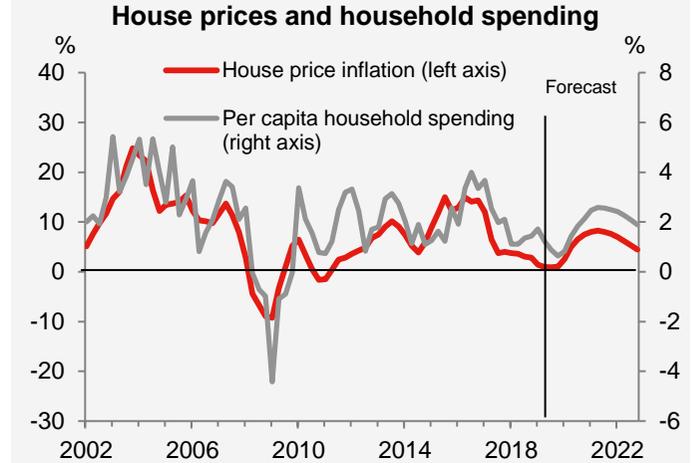
1 Year average growth rates

## GDP growth has cooled



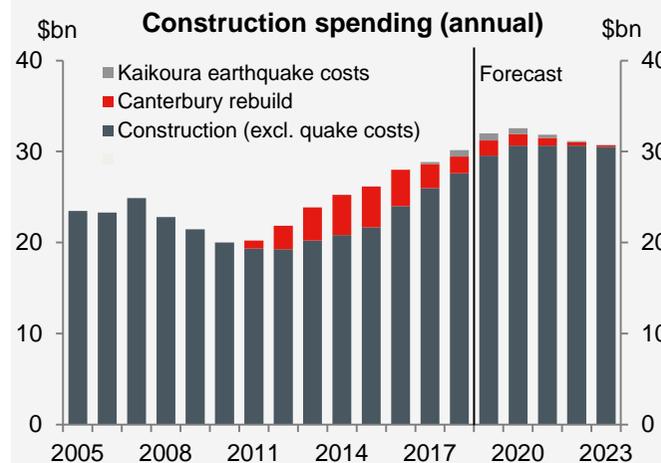
Source: Stats NZ, Westpac Economics

## Housing slowdown a drag on spending



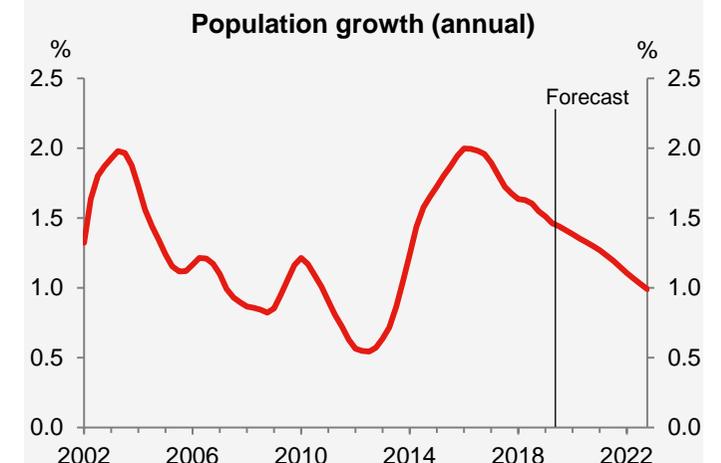
Source: Stats NZ, Westpac Economics

## Construction approaching peak



Source: Westpac Economics estimates

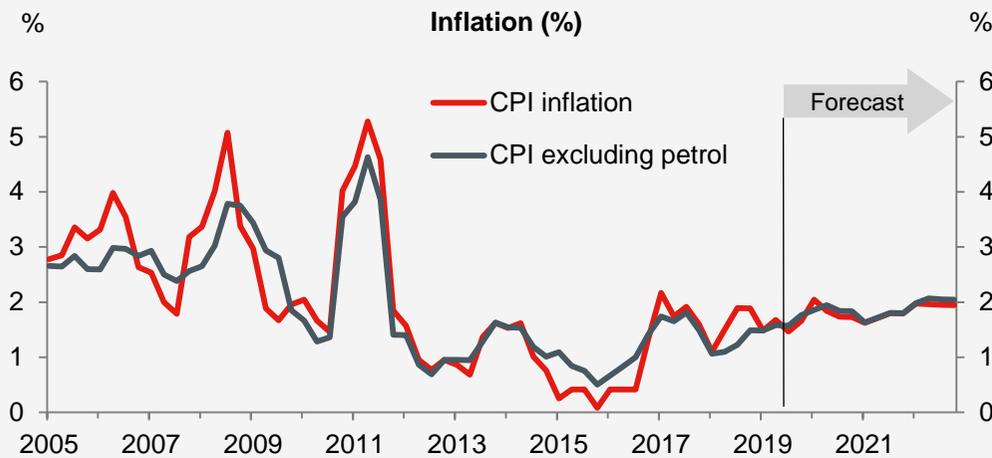
## Population growth cooling



Source: Stats NZ, Westpac Economics

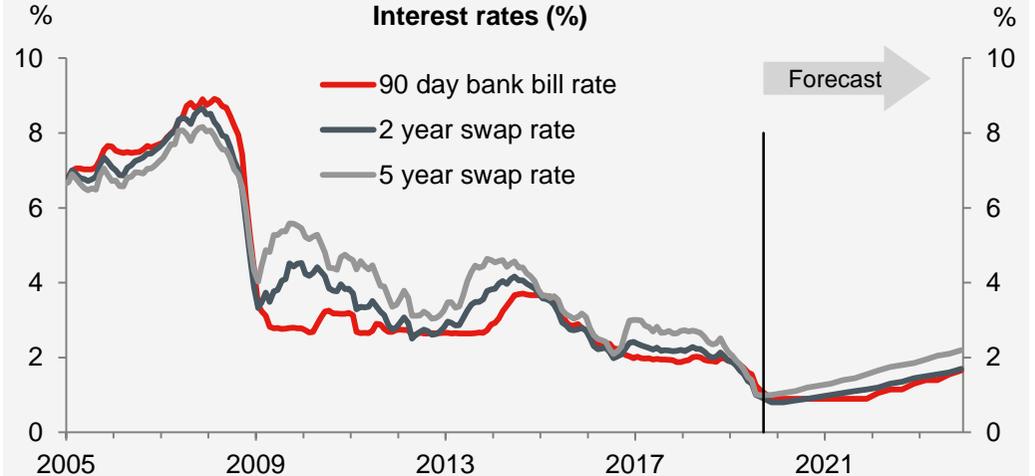
# New Zealand economic indicators – policy to support a firming in growth

## Inflation off its lows, still moderate



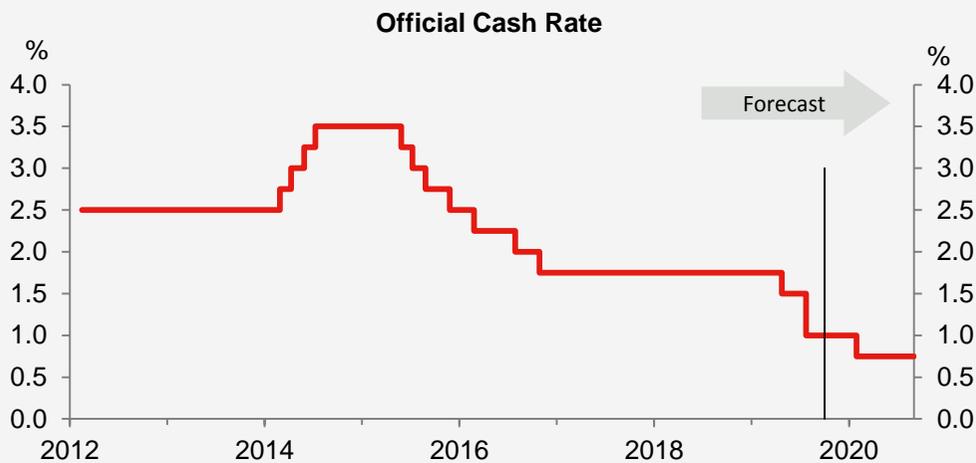
Source: Stats NZ, Westpac Economics

## The RBNZ to hold the cash rate at low levels for some time



Source: RBNZ, Westpac Economics

## Low interest rates to support activity...



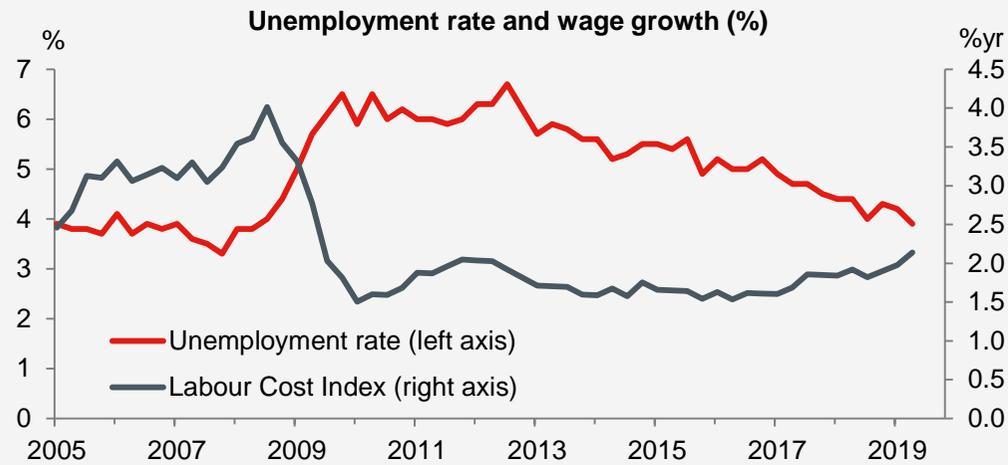
Source: RBNZ, Westpac

## ...along with large planned increases in fiscal spending



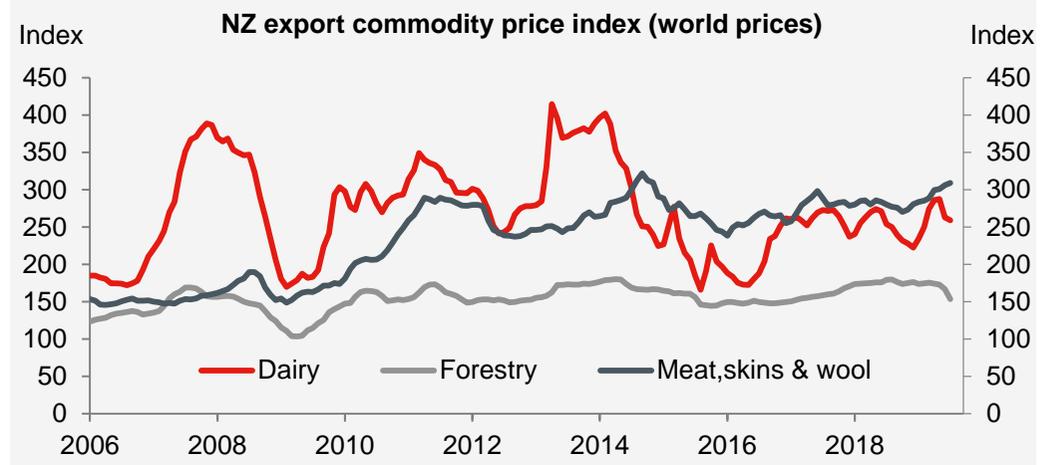
Source: StatsNZ, The Treasury, Westpac

## Labour market has tightened



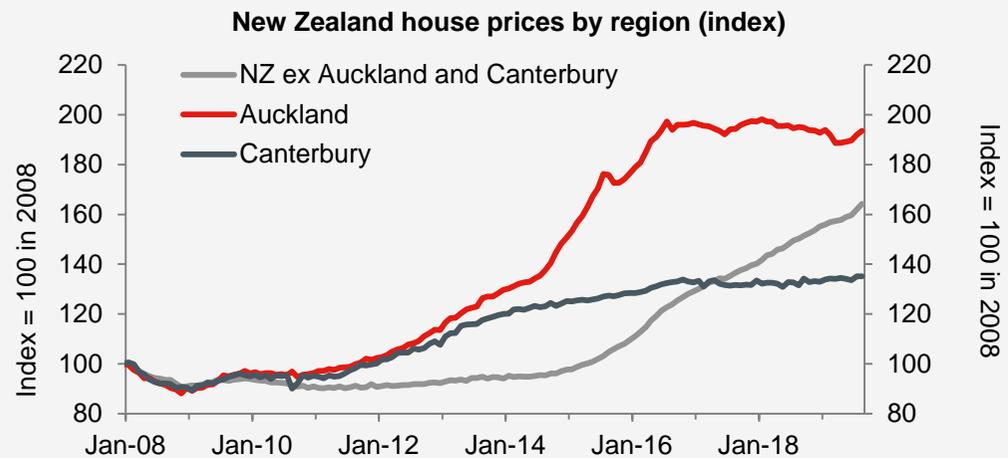
Source: Stats NZ, Westpac Economics

## Export prices still firm



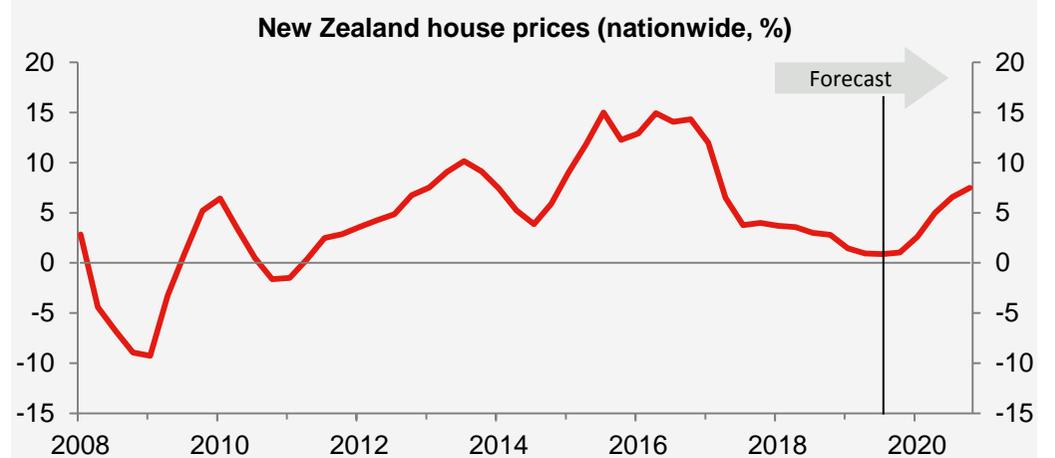
Source: ANZ, Westpac Economics

## Earlier policy changes dampened housing demand...



Source: REINZ

## ...but low mortgage rates starting to drive a pick up



Sources: QVNZ, Westpac Economics



# Appendix 1: Cash earnings adjustments

Cash earnings adjustment	2H18 \$m	1H19 \$m	2H19 \$m	Description
<b>Reported net profit</b>	3,897	3,173	<b>3,611</b>	Net profit attributable to owners of Westpac Banking Corporation
<b>Amortisation of intangible assets</b>	-	-	-	Identifiable intangible assets arising from business acquisitions are amortised over their useful lives, ranging between four and twenty years. This amortisation (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. The last of these intangible assets were fully amortised in December 2017
<b>Fair value (gain)/loss on economic hedges</b>	(163)	125	<b>(90)</b>	Fair value on economic hedges (which do not qualify for hedge accounting under AAS) comprise: <ul style="list-style-type: none"> <li>The unrealised fair value (gain)/loss on foreign exchange hedges of future New Zealand earnings impacting non-interest income is reversed in deriving cash earnings as they may create a material timing difference on reported results but do not affect the Group's cash earnings over the life of the hedge; and</li> <li>The unrealised fair value (gain)/loss on hedges of accrual accounted term funding transactions are reversed in deriving cash earnings as they may create a material timing difference on reported results but do not affect the Group's cash earnings over the life of the hedge</li> </ul>
<b>Ineffective hedges</b>	4	(5)	<b>(15)</b>	The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings 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
<b>Adjustments related to Pandal Group (formerly BTIM)</b>	73	5	<b>40</b>	Consistent with prior periods' treatment, this item has been treated as a cash earnings adjustment given its size and that it does not reflect ongoing operations. The Group has indicated that it may sell the remaining 10% shareholding in Pandal Group Limited at some future date. From September 2018, this adjustment relates to the mark to market of the shares and separation costs related to the original sell down. Any future gain or loss on this shareholding will similarly be excluded from the calculation of cash earnings
<b>Treasury shares</b>	3	(2)	<b>7</b>	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 can not be recognised 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
<b>Cash earnings</b>	<b>3,814</b>	<b>3,296</b>	<b>3,553</b>	

## Industry awards<sup>1</sup>



Received “B” rating in the 2018 CDP for our response to climate change, announced January 2019



Achieved highest ISS QualityScore for Environment and Social dimensions



Rated Prime status of “C” by ISS ESG (formerly ISS-oekom)

Received highest “Leading” rating for the 12<sup>th</sup> consecutive year for ESG Reporting in 2019 from the Australian Council of Superannuation Investors

## Sustainability indexes<sup>1</sup>



Australia’s most sustainable bank and a member of DJSI World, DJSI Asia Pacific, and DJSI Australia Indexes



“Leader” ESG rating of 82, highest ESG rating and best ESG risk rating of major Australian banks<sup>2</sup>



FTSE4Good

Member of the FTSE4Good Index, of which Westpac has been a member for over 11 years, announced in June 2019



Member of the MSCI Global ESG Leaders index with “AA” score<sup>3</sup>



Member of the STOXX 2018/2019 Global ESG Leaders Indices for the sixth consecutive year

## Inclusion and diversity recognition<sup>1</sup>



Included in the 2019 Bloomberg Gender Equality Index



Employer of Choice by The Workplace Gender Equality Agency, held for 15 years



Platinum status since 2018 for LGBTIQ inclusion in the Australian Workplace Equality Index Awards

1 As at 30 September 2019, unless otherwise indicated. 2 Copyright ©2019 Sustainalytics. Data as at 31 October 2019. 3 The inclusion of WBC in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of WBC by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

## Key commitments and partnerships<sup>1</sup>

 <p><b>Principles for Responsible Banking</b> Founding bank of the PRBs, and first to report alignment with the draft Principles</p>	<p>Signatory of:</p>  <p><b>Principles for Responsible Investment</b> Signatory (2007)</p>	 <p><b>UN Sustainable Development Goals</b> CEO Statement of Commitment (2015)</p>	 <p><b>Paris Climate Agreement</b> Supporter (2015)</p>
 <p><b>The Equator Principles</b> Founding Adopter, First Australian Bank (2003)</p>	 <p><b>UN Environment Program Finance Initiative</b> Founding Member (1991)</p>	 <p><b>Financial Stability Board's Task Force on Climate-related Financial Disclosures</b> Align with and support</p>	 <p><b>Climate Action 100+</b> Signatory (2018)</p>
 <p><b>RE100, an initiative of The Climate Group in partnership with CDP</b> Member (2019)</p>	 <p><b>Commitment to United Nations Global Compact</b> Signatory (2002), Global Compact Network Australia Founding Member (2009)</p>	 <p><b>Global Investor Coalition</b> Statement on Climate Change Signatory (2014)</p>	 <p><b>The Montreal Carbon Pledge</b> Signatory (2014)</p>
 <p><b>Climate Bonds Initiative</b> Partner</p>	 <p><b>Carbon Markets Institute</b> Corporate Member</p>	 <p><b>We Mean Business Coalition</b> Signatory (2015)</p>	 <p><b>Social Traders</b> (for social enterprises) Member of Connect (2016)</p>
 <p><b>Carbon Neutral Certification</b> Since 2012</p>	 <p><b>Supply Nation</b> (for Indigenous owned businesses) Founding member (2016)</p>	 <p><b>WeConnect International</b> (for women owned businesses) (2014)</p>	<p><b>United Nations Tobacco-Free Finance pledge</b> Founding signatory (2018)</p>

<sup>1</sup> As at 30 September 2019, unless otherwise indicated.

## Consumer

Consumer is responsible for sales and service to consumer customers in Australia. Consumer is also responsible for the Group's insurance business which covers the manufacture and distribution of life, general and lenders mortgage insurances. The division also uses a third party to manufacture certain general insurance products. Banking products are provided under the Westpac, St.George, BankSA, Bank of Melbourne, and RAMS brands, while insurance products are provided under Westpac Life and BT brands. Consumer works with Business and WIB in the sales, service, and referral of certain financial services and products including superannuation, platforms, auto and foreign exchange. The revenue from these products is mostly retained by the product originators

## Business

Business provides business banking and wealth facilities and products for customers across Australia. Business is responsible for manufacturing and distributing facilities to SME and Commercial business customers (including Agribusiness) generally for up to \$150 million in exposure. SME customers include relationship managed and non-relationship managed SME customers (generally between \$100k-\$250k facilities). The division offers a wide range of banking products and services to support their borrowing, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance and property finance. The division is also responsible for Private Wealth and the manufacture and distribution of investments (including margin lending and equities broking), superannuation and retirement products as well as wealth administration platforms. Business operates under the Westpac, St.George, BankSA, Bank of Melbourne, and BT brands. Business works with Consumer and WIB in the sale, referral and service of select financial services and risk management 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 operating in, or with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in financing, transactional banking, and financial and debt capital markets. 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 with all the Group's divisions in the provision of markets related financial needs including across foreign exchange and fixed interest solutions

## Westpac NZ

Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumer, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks: 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. New Zealand also maintains 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, earnings and costs associated with the Group's fintech investments and certain other head office items such as centrally raised provisions. Following the Group's decision to restructure the Wealth business and to exit the Advice business in March 2019, the remaining Advice business (including associated remediation) and support functions of BTFG Australia has been transferred to Group Business

<p><b>90 days past due and not impaired</b></p>	<p>Includes facilities where:</p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, or where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis.</li> </ul> <p>These facilities, while in default, are not treated as impaired for accounting purposes</p>	<p><b>Stage 2: Lifetime ECL – performing</b></p>	<p>For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime expected losses is recognised. Interest revenue is calculated on the gross carrying amount of the financial asset</p>
<p><b>Provision for expected credit losses (ECL)</b></p>	<p>Expected credit losses (ECL) are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and future economic conditions</p>	<p><b>Stage 3 Lifetime ECL – non-performing</b></p>	<p>For financial assets that are non-performing a provision for lifetime expected losses is recognised. Interest revenue is calculated on the carrying amount net of the provision for ECL rather than the gross carrying amount</p>
<p><b>Collectively assessed provisions (CAPs)</b></p>	<p>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 calculate based on changes that occurred in sectors of the economy or in the economy as a whole.</p>	<p><b>Impaired assets</b></p>	<p>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:</p> <ul style="list-style-type: none"> <li>facilities 90 days or more past due, and full recovery is 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;</li> <li>non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans;</li> <li>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;</li> <li>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</li> <li>any other assets where the full collection of interest and principal is in doubt.</li> </ul>
<p><b>Individually assessed provisions (IAPs)</b></p>	<p>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</p>	<p><b>Stressed assets</b></p>	<p>Watchlist and substandard, 90 days past due and not impaired and impaired assets</p>
<p><b>Stage 1: 12 months ECL – performing</b></p>	<p>For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months expected credit losses is recognised. Interest revenue is calculated on the gross carrying amount of the financial asset</p>	<p><b>Total committed exposures (TCE)</b></p>	<p>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</p>
		<p><b>Watchlist and substandard</b></p>	<p>Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal</p>

# Appendix 3: Definitions – Earnings, capital and liquidity

Earnings Drivers			
<b>Average interest-earning assets (AIEA)</b>	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	<b>Leverage ratio</b>	As defined by APRA (unless stated 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
<b>Cash earnings per ordinary share</b>	Cash earnings divided by the weighted average ordinary shares (cash earnings basis)	<b>Risk weighted assets or RWA</b>	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
<b>Core earnings</b>	Net operating income less operating expenses	<b>Liquidity</b>	
<b>Full-time equivalent employees (FTE)</b>	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	<b>Committed liquidity facility (CLF)</b>	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
<b>Net interest margin (NIM)</b>	Calculated by dividing net interest income by average interest-earning assets	<b>High quality liquid assets (HQLA)</b>	Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR
<b>Net tangible assets per ordinary share</b>	Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported)	<b>Liquidity coverage ratio (LCR)</b>	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
<b>Weighted average ordinary shares (cash earnings)</b>	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period	<b>Net stable funding ratio (NSFR)</b>	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. ADI's must maintain an NSFR of at least 100%
Capital			
<b>Capital ratios</b>	As defined by APRA (unless stated otherwise)		
<b>Internationally comparable ratios</b>	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items. Analysis aligns with the APRA study titled "International capital comparison study" dated 13 July 2015		

<b>Australian customers with wealth products metrics provider</b>	<p>Data based on DBM Consultants, Respondents aged 18+ and 12 month rolling. Wealth penetration is defined as the proportion of Australians who have a Deposit Product, Lending Product or Credit/Debit Card with a Banking Group and also have Managed Funds, Superannuation or Insurance with the same Banking Group. Note: Westpac and St.George use Managed Funds, Superannuation or Insurance with Westpac Group.</p> <p><b>Westpac</b> includes Westpac and Challenge Bank. <b>St.George</b> includes St.George, BankSA, Bank of Melbourne, RAMS and Dragondirect. <b>Westpac Group</b> includes Westpac, Challenge Bank, St.George, BankSA, Bank of Melbourne, RAMS, Dragondirect, Advance Asset Management, Asgard, Bankers Trust, BT, Rothschild and Sealcorp. <b>Peers</b> includes: ANZ Group, CBA Group and NAB Group</p>	<b>CSat (Westpac NZ)</b>	3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Main bank customers are asked to rate the overall level of service they receive from their main bank on a scale of 1 (poor) to 5 (excellent). Results represent the % of customers who rate the service as either 4 (very good) or 5 (excellent), excluding “don’t know”
<b>Branch transactions</b>	Branch transactions are typically withdrawals, deposits, transfers and payments	<b>Digitally active</b>	Australian consumer and business customers who have had an authenticated session (including Quickzone) on Westpac Group digital banking platforms in the prior 90 days
<b>Customer satisfaction or CSat</b>	The Customer Satisfaction score is an average of customer satisfaction ratings of the customer’s main financial institution for consumer or business banking on a scale of 0 to 10 (0 means ‘extremely dissatisfied’ and 10 means ‘extremely satisfied’)	<b>Digital sales</b>	Sales refers to digital sales of consumer core products only. Sales with a funded deposit or activation constitute a quality sale. Includes new American Express credit card sales
<b>CSat – overall business</b>	Source: DBM Consultants Business Financial Services Monitor, August 2017 – August 2019, 6MMA. MFI customers, all businesses	<b>Digital transactions</b>	Digital transactions including payment and transfers that occur on Westpac Live and Compass platforms (excludes payments on other platforms such as Corporate Online and Business Banking Online)
<b>CSat – overall consumer</b>	Source: DBM Consultants Consumer Atlas, August 2017 – August 2019, 6MMA. MFI customers	<b>MFI share</b>	MFI share results are based on the number of customers who have a Main Financial Institution (MFI) relationship with an institution, as a proportion of the number of customers that have a MFI relationship with any institution
<b>CSat –SME</b>	Source: DBM Consultants Business Financial Services Monitor, August 2017 – August 2019, 6MMA. MFI customers, Total SME businesses. Total SME businesses are those organisations with annual turnover under \$5 million (excluding Agribusinesses)	<b>Consumer MFI share</b>	Source: DBM Consultants Consumer Atlas, 6 months to August 2019. MFI customers
		<b>SME MFI share</b>	Source: DBM Consultants Business Financial Services Monitor, 12 months to August 2019. MFI customers, Total SME businesses. Total SME businesses are those organisations with annual turnover under \$5 million (excluding Agribusinesses)

<b>Commercial MFI share</b>	Source: DBM Consultants Business Financial Services Monitor, 12 months to August 2019. MFI customers, Commercial businesses. Commercial businesses are those organisations with annual turnover \$5 million - \$100 million (excluding Agribusinesses)
<b>Net Promoter Score or NPS</b>	Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Net Promoter Score <sup>SM</sup> is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a 11 point numerical scale where 10 is 'Extremely likely' and 0 is 'extremely unlikely', Net Promoter Score is calculated by subtracting the percentage of Detractors (0-6) from the percentage of Promoters (9-10)
<b>NPS Agri (Westpac NZ)</b>	6 month rolling Agri Market Monitor data (survey conducted by Key Research). Respondents are asked about likelihood to recommend their main business bank to business colleagues, friends or family on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)
<b>NPS Business (Westpac NZ)</b>	Source: 6 month rolling Business Finance Monitor data (survey conducted by Kantar TNS among businesses with an annual turnover of \$5 to \$150 million). Respondents are asked about likelihood to recommend their main business bank to business colleagues and associates on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)
<b>NPS Consumer (Westpac NZ)</b>	Source: 3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Respondents are asked about likelihood to recommend their main bank to family and friends on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)

<b>NPS – overall consumer</b>	Source: DBM Consultants Consumer Atlas, August 2017 – August 2019, 6MMA. MFI customers
<b>NPS – overall business</b>	Source: DBM Consultants Business Financial Services Monitor, August 2017 – August 2019, 6MMA. MFI customers, all businesses
<b>SGB Brands</b>	SGB Brands (Consumer): St.George Bank, Bank of Melbourne, BankSA, RAMS, Dragondirect  SGB Brands (Business): St.George Bank, Bank of Melbourne and BankSA
<b>Westpac Group rank</b>	The ranking refers to Westpac Group's position relative to the other three major Australian banking groups (ANZ Group, CBA Group and NAB Group)
<b>NPS – WIB</b>	An internal based survey conducted by a third party agency that asks customers for feedback on the quality of the products, services and insights provided. Customers are surveyed a maximum of 2 times per year
<b>Women in Leadership</b>	Women in Leadership refers to the proportion of women (permanent and maximum term) in leadership roles across the Group. It includes the CEO, Group Executive, General Managers, senior leaders with significant influence on business outcomes,(direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below general manager, and Bank and Assistant Bank Managers

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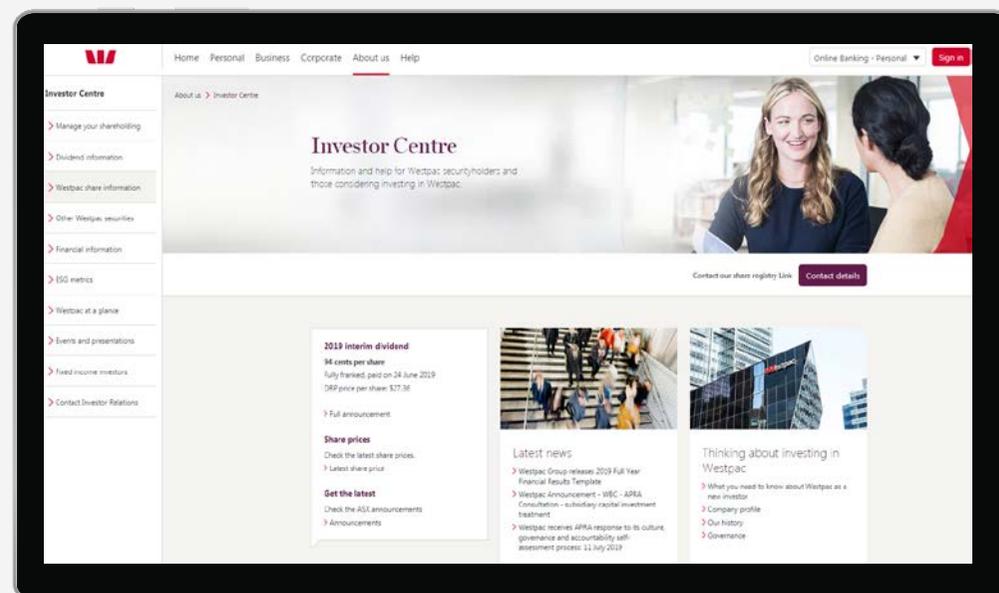
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All amounts are in Australian dollars unless otherwise indicated.

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 2019 Full Year Financial Results (incorporating the requirements of Appendix 4E) for the twelve months ended 30 September 2019 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of cash earnings. Refer to page 42 for an explanation of cash earnings and Appendix 1 page 147 for a reconciliation of reported net profit to cash earnings.

This presentation contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the US Securities Exchange Act of 1934. Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this presentation and include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

We use words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', 'aim', or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, those described in the section titled 'Risk factors' in Westpac's 2019 Annual Report for the year ended 30 September 2019 available at [www.westpac.com.au](http://www.westpac.com.au). When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation to update any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise, after the date of this presentation.

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