

Left to right:  
Antonio Tricoli, Westpac Scholar;  
Westpac Rescue Helicopter; and  
Bob Mac Smith, fifth generation  
farmer and Westpac customer.

WESTPAC BANKING CORPORATION  
ABN 33 007 457 141

# Full Year 2016 Financial Results

November 2016

200 | **Westpac** GROUP

200 years proudly supporting Australia

# Westpac Full Year 2016 result **index**

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Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16, FY15 and 2H16 and 1H16 periods. Comparison of 2H16 versus 1H16 (unless otherwise stated)

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Brian Hartzler  
Chief Executive Officer

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## Consistent operating performance; strengthening the franchise

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- Core earnings up 3%, cash earnings flat, ROE lower
- Disciplined management in an environment of increased competition, low interest rates, and higher capital
- Consumer and Business Banks strong; more difficult conditions in Wealth and WIB
- Good progress on productivity and digital transformation
- Franchise value has grown – world's most sustainable bank<sup>1</sup>
- Dividend unchanged

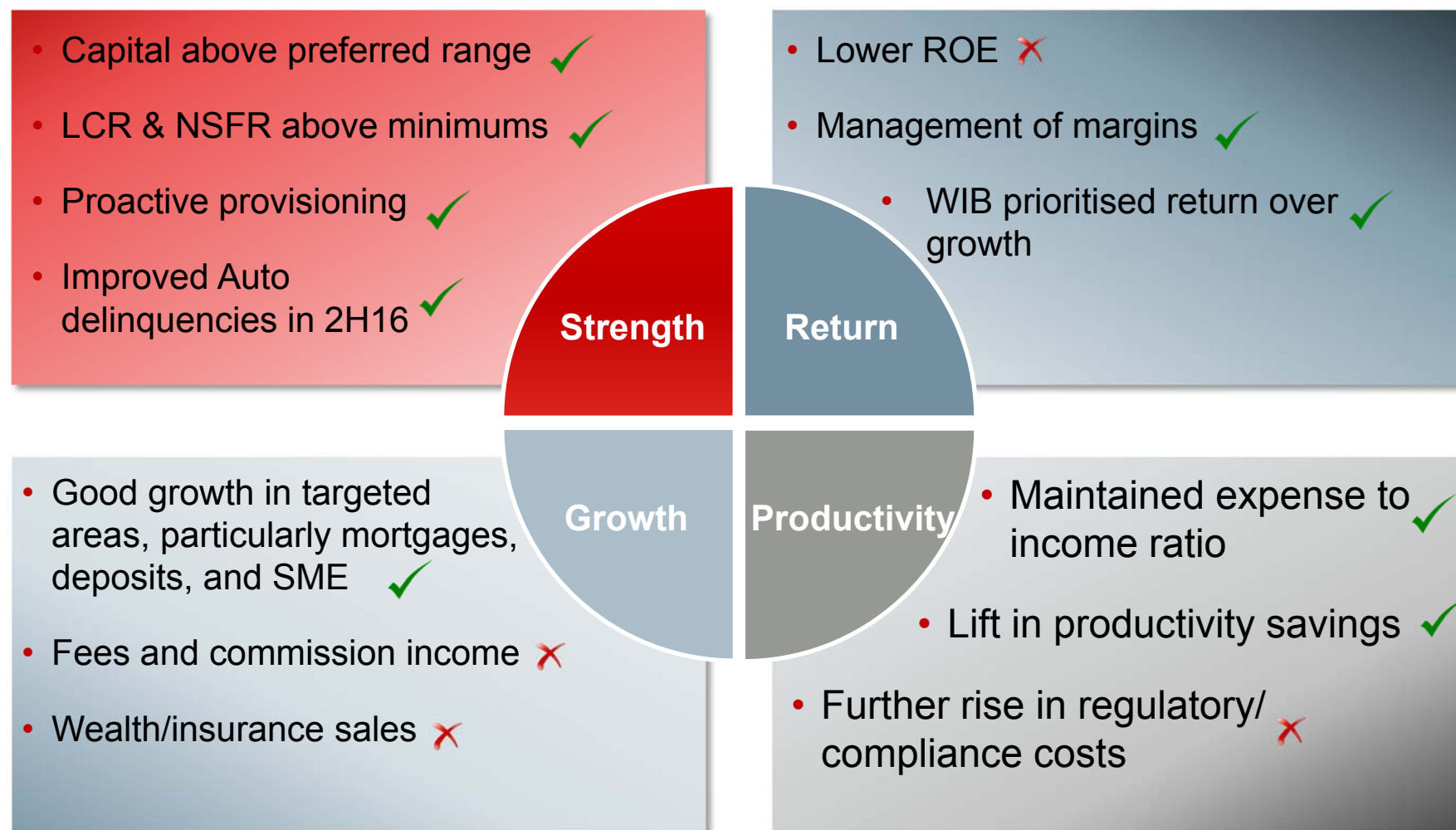
<sup>1</sup> Global banking leader in the Dow Jones Sustainability Index 2016.

# Headline results

	FY16	Change FY16 – FY15	Change 2H16 – 1H16
Reported NPAT	\$7,445m	(7%)	1%
Cash earnings	\$7,822m	-	-
Cash EPS <sup>1</sup>	235.5c	(5%)	(1%)
Common equity Tier 1 capital ratio <sup>2</sup>	9.5%	(2bps)	(99bps)
Return on equity <sup>3</sup>	14.0%	(185bps)	(31bps)
Net tangible assets per share	\$13.96	7%	2%
Margin (excl. Treasury and Markets) <sup>4</sup>	2.06%	3bps	(3bps)
Expense to income ratio <sup>4</sup>	42.0%	(7bps)	71bps
Impairment charge to avg. gross loans	17bps	5bps	(7bps)
Fully franked dividend <sup>5</sup>	188cps	1%	-

<sup>1</sup> Cash EPS is cash earnings per weighted average ordinary shares. <sup>2</sup> Common equity Tier 1 capital ratio on an APRA Basel III basis. <sup>3</sup> Return on equity is cash earnings divided by average ordinary equity. <sup>4</sup> Cash earnings basis. <sup>5</sup> Cents per share.

# Prioritising strength while managing return



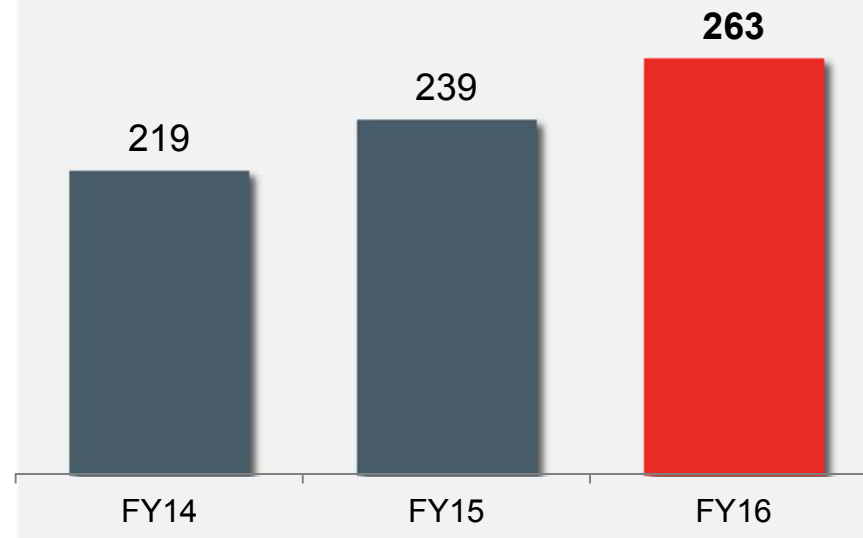


# Continued focus on productivity

## Dealing with the current environment

- Maintained positive jaws
- Increased productivity savings to \$263m
- Continued to invest in service strategy

### Annual productivity savings (\$m)



<sup>1</sup> Digital sales as % of total sales 22% in 2H16.

## Building for the future

### Digitising the business

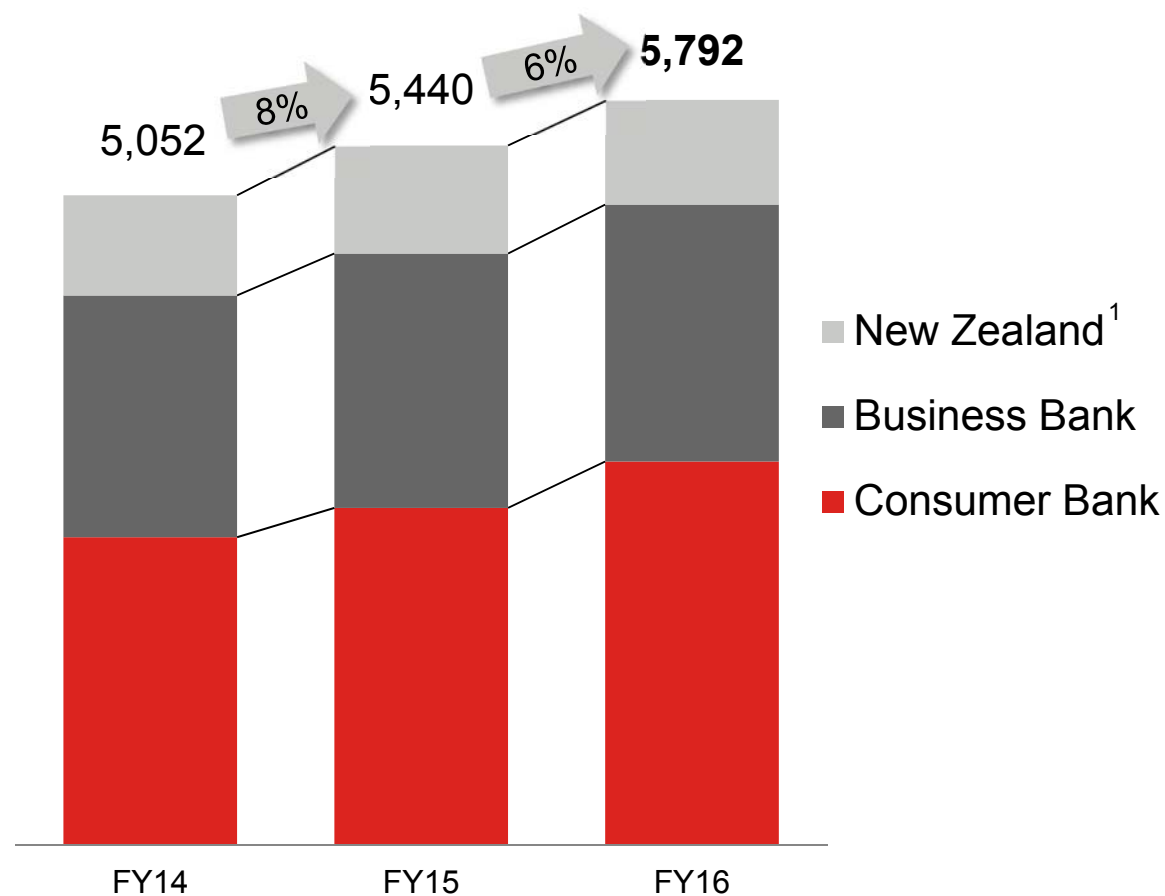
- 7 of top 10 manual activities digitised
- New online business banking in St.George
- Extended online origination via LOLA
- Digital sales as a % of total sales 22%<sup>1</sup>
- CashNav (money management app) launched in NZ

### Re-platforming

- Upgraded St.George Hogan to Celeriti
- Customer Service Hub underway
- Key modules of Panorama launched and delivering

# Growing the retail franchise

## Cash earnings<sup>1</sup> (\$m)



## Expanding the franchise<sup>2</sup>

### New Zealand

- Customer numbers up 1%
- Lending up 9%<sup>3</sup>
- Deposits up 11%<sup>3</sup>

### Business Bank

- Customer numbers up 5%
- SME lending up 8%
- Deposits up 9%

### Consumer Bank

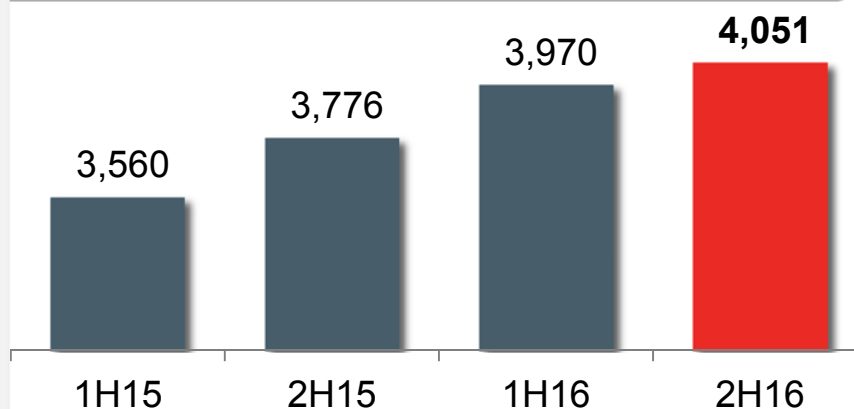
- Customer numbers up 3%
- Lending up 8%
- Deposits up 7%

<sup>1</sup> New Zealand reported in A\$. In NZ\$ cash earnings for FY14 NZ\$864m, FY15 NZ\$905m and FY16 NZ\$872m. <sup>2</sup> Reflects changes from FY15. <sup>3</sup> Growth in NZ\$

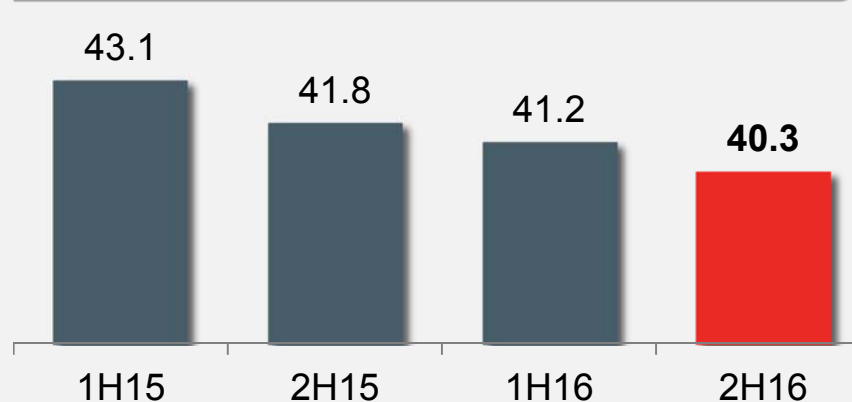


# Consumer Bank consistently delivering

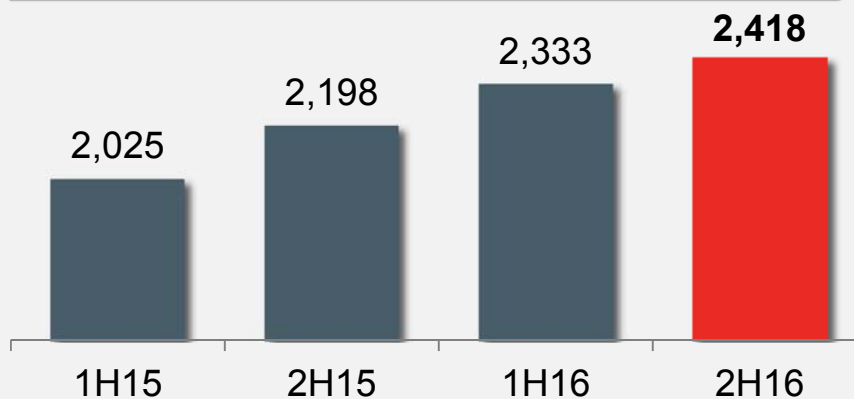
Revenue (\$m)



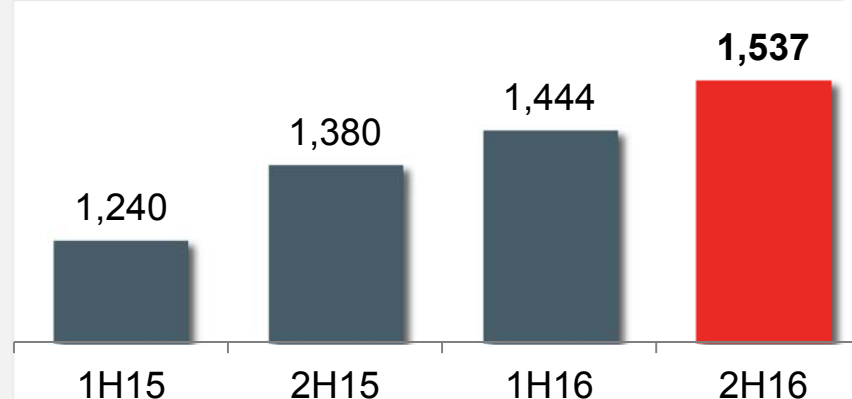
Expense to income ratio (%)



Core earnings (\$m)



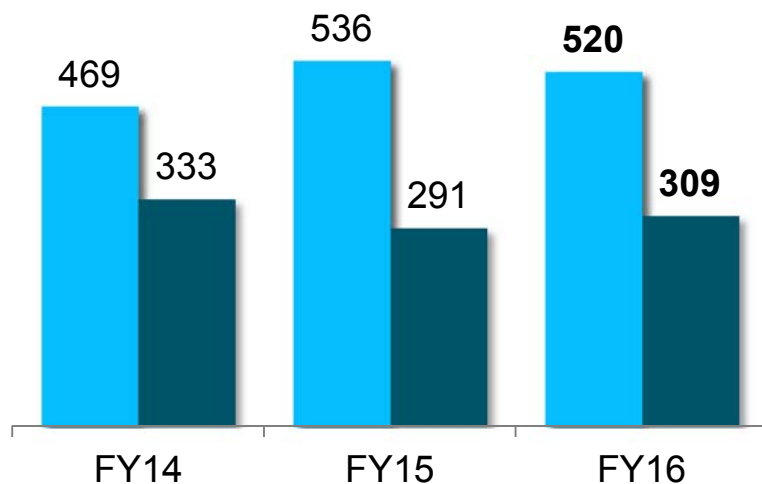
Cash earnings (\$m)



# Tougher conditions impact **Wealth and WIB**

## BTFG Cash earnings (\$m)

■ Funds management (Excl BTIM) ■ Insurance

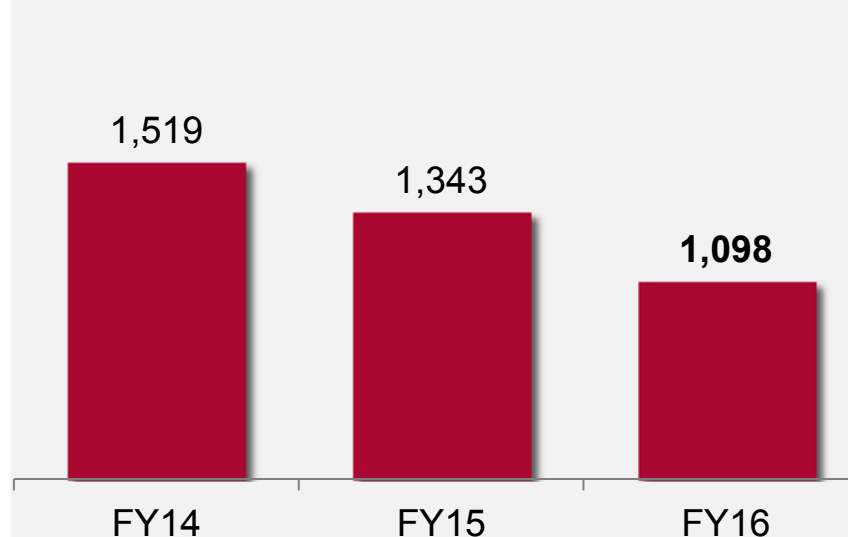


### Movement FY16 – FY15

FUM (spot)	5%
FUA (spot)	7%
Life in-force premiums	9%
General insurance gross written premiums	2%
Private wealth cash earnings growth	24%
Life insurance claims ratio	+269bps

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

## WIB Cash earnings (\$m)



### Movement FY16 – FY15

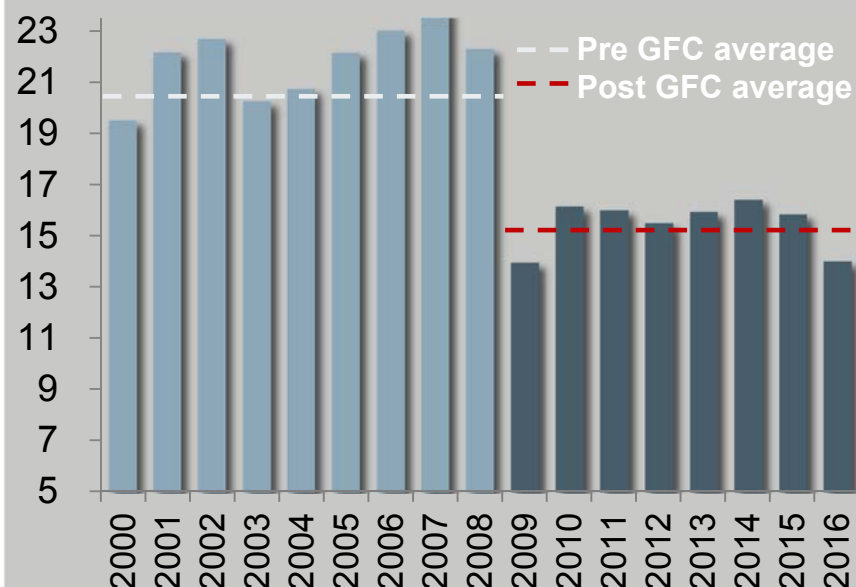
Lending	(3%)
Deposits	10%
Markets customer income	(2%)
Margin YoY	(7bps)
Margin HoH	+4bps
Impaired assets to TCE <sup>1</sup>	+19bps

# Seeking to achieve ROE in the range of 13-14%

## ROE considerations

- ROE has structurally fallen since GFC
  - Decline in interest rates
  - Lower margins
  - Increased regulatory capital
- Healthy ROE is required to attract investment and support the economy through the cycle
- Seeking to achieve a ROE in the range of 13-14% in the medium term

## Cash return on equity (%)

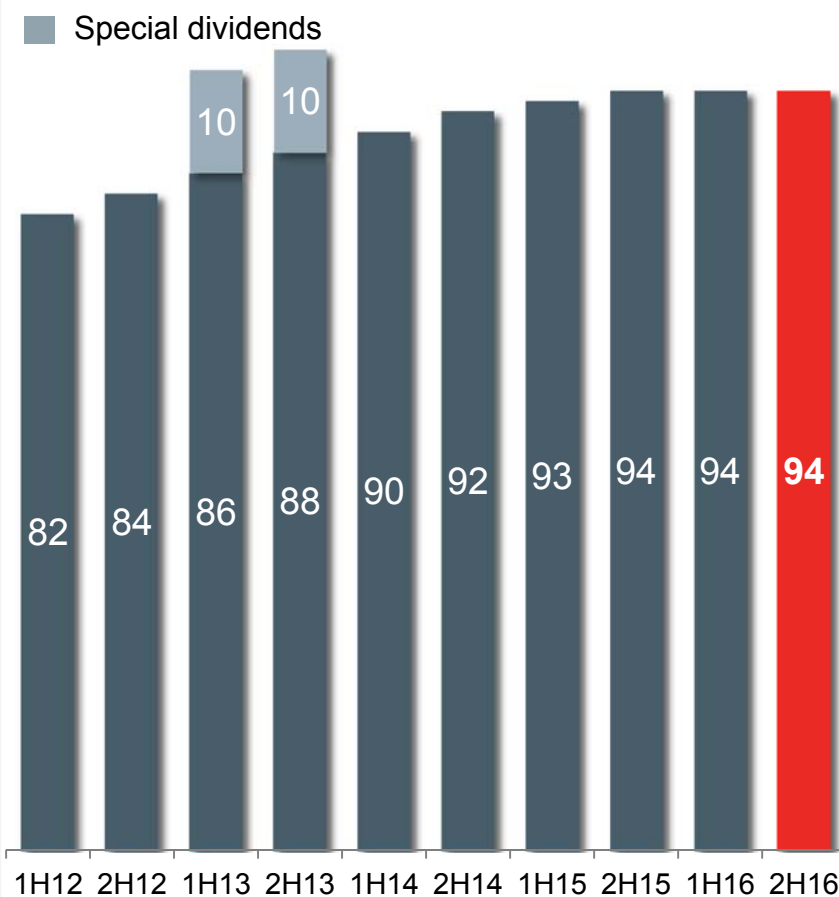


DuPont analysis	2006	2011	2016	Comments
+ Return on AIEA <sup>1</sup>	1.23%	1.15%	1.08%	• Lower margins and fee income ↓
✕ Leverage (AIEA/equity <sup>2</sup> )	18.8x	13.9x	12.9x	• More capital ↓
≡ Return on equity	23%	16%	14%	↓

<sup>1</sup> Average interest-earning assets. <sup>2</sup> Equity is average ordinary equity.

# Dividends

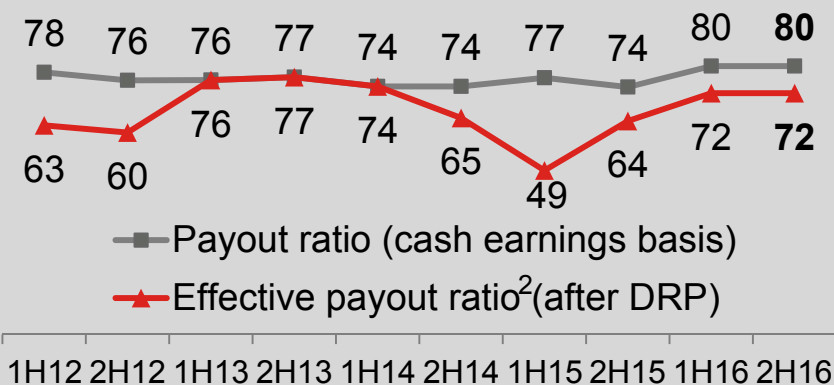
## Dividends (cents per share)



## Dividend considerations in 2H16

- Strong capital position; comfortably above preferred range
- Modest RWA growth<sup>1</sup>
- Sustainability of the payout ratio over the long term
- Surplus franking credits

## Dividend payout ratio (%)



<sup>1</sup> Growth in RWA before changes in calculation of mortgage RWA. <sup>2</sup> Effective payout ratio assumes 2H16 DRP participation of 10.0%.

# Sustainably increasing the value of the franchise

More customers;  
deeper  
relationships

- Customer numbers up 2% in FY16
- Deepening relationships
- Customer complaints down 31%; more to do on customer satisfaction

Improving  
efficiency

- Targeting a sub 40% expense to income ratio
- Significant progress on digitising the company
- Major steps in re-platforming technology

No  
compromises  
on risk

- Balance sheet stronger across all dimensions
- Asset quality in good shape; proactive provisioning
- Simplifying business; focussed on relationship customers

# Expectations for operating environment

- Australian outlook remains positive; transition to a more innovative services-based economy is continuing
- Signs of housing market moderating although underlying demand remains
- Some uncertainty in global markets, particularly Europe (including the UK) and China, likely to continue
- Westpac is well positioned to manage to the environment while delivering on our strategy



Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16, FY15 and 2H16 and 1H16 periods. Comparison of 2H16 versus 1H16 (unless otherwise stated)

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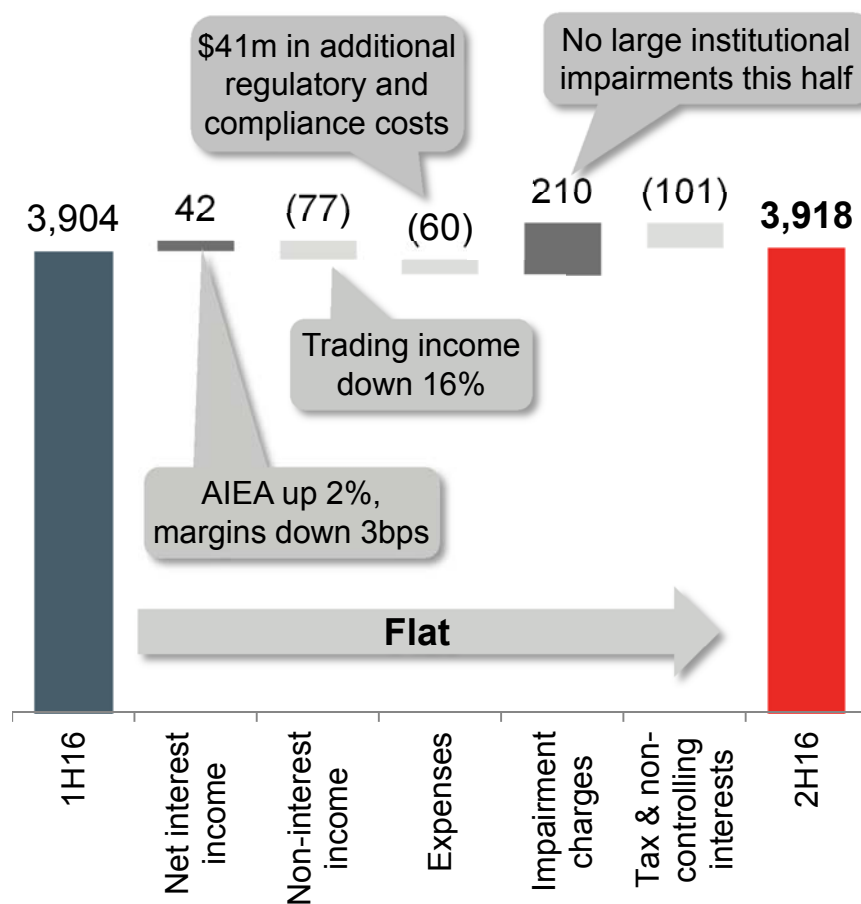
Peter King  
Chief Financial Officer

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# Results at a **glance**

## Cash earnings 2H16 – 1H16 (\$m)



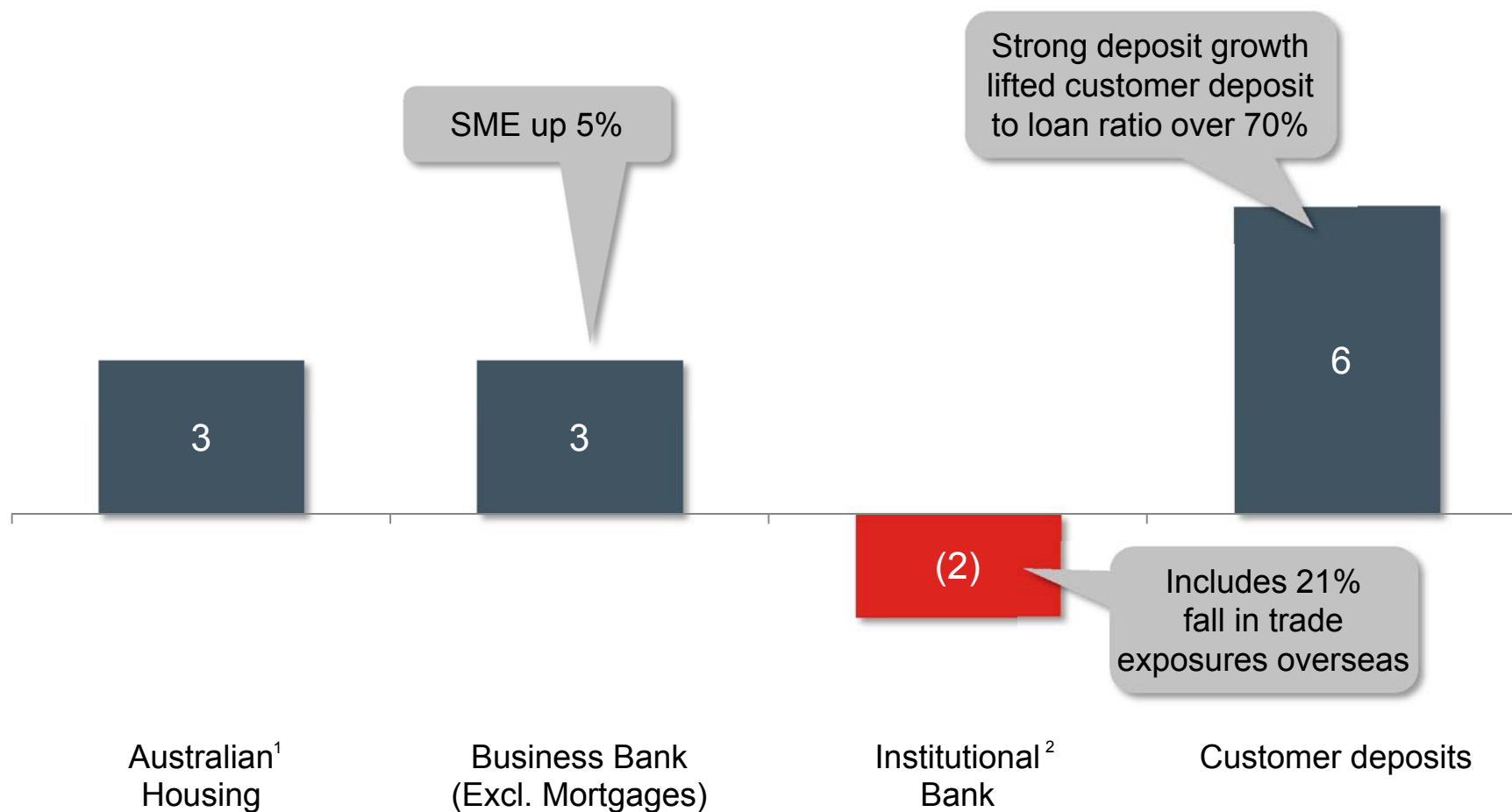
## Infrequent/volatile items (\$m)

Cash earnings impact	2H15	1H16	2H16
Asset sales	64	0	(4)
Performance fees	25	0	22
Group CVA <sup>1</sup>	(1)	3	3
Tax matters resolved	57	57	0
<b>Total cash earnings impact</b>	<b>145</b>	<b>60</b>	<b>21</b>

<sup>1</sup> CVA is credit valuation adjustment.

# Targeted balance sheet growth

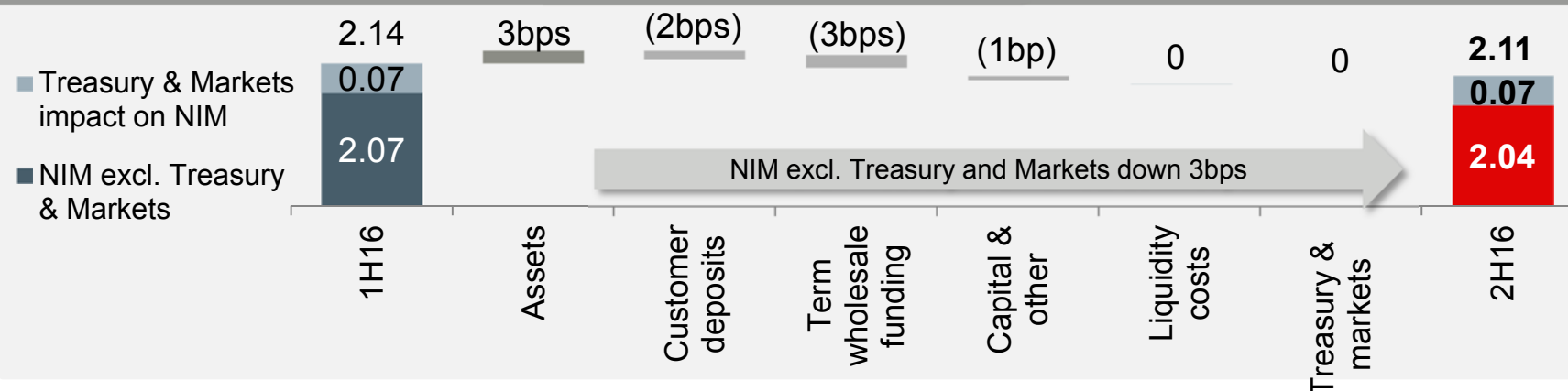
Loan/deposit growth 2H16 v 1H16 (%)



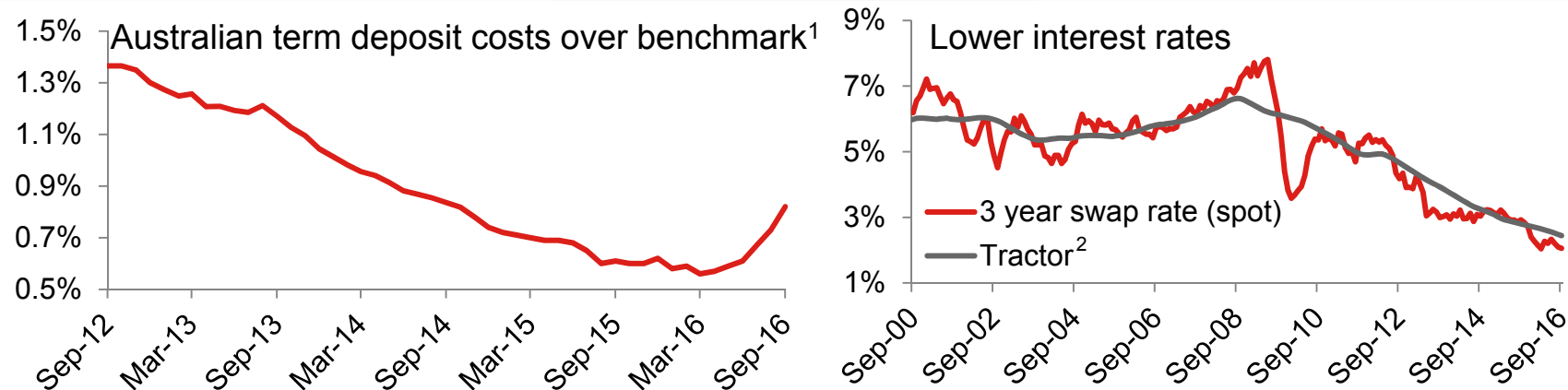
<sup>1</sup> Total Australian mortgages across all divisions. <sup>2</sup> Institutional bank includes Australian and offshore balance sheet

# Margins impacted by cost of funds

## Net interest margin (NIM) (%)



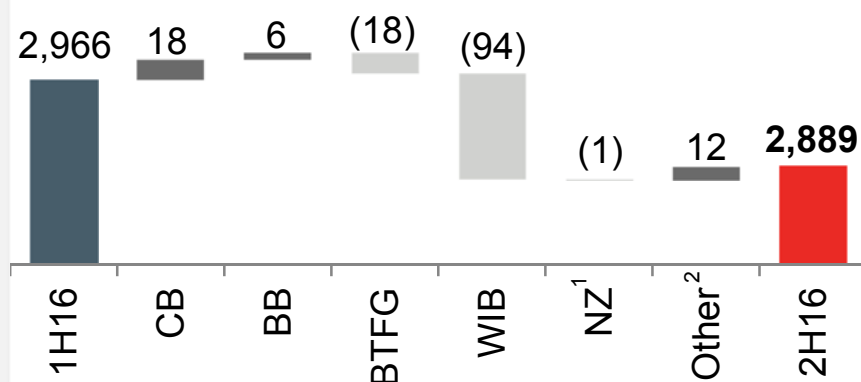
## Net interest margin drivers



<sup>1</sup> Term deposit rates less equivalent term swap rate. <sup>2</sup> Three year swap rate average moving average which reflects a return on capital balances and other low rate deposits.

# Non-interest **income**

Non-interest income by division (\$m)

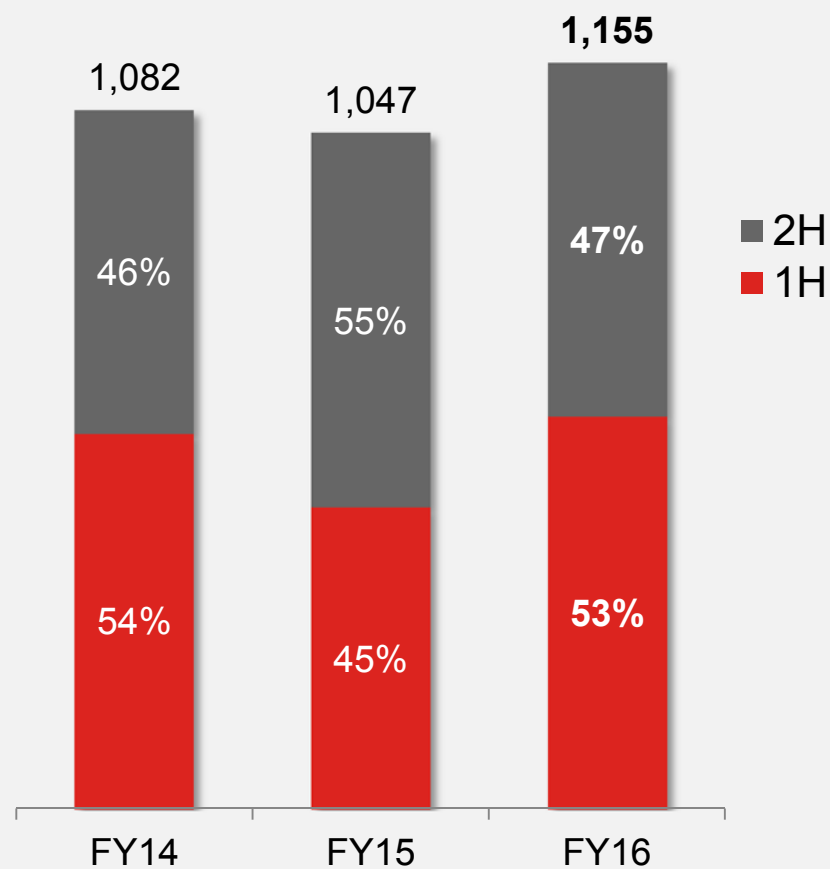


Non-interest income growth in 2H16 (%)

Consumer Bank	4
Business Bank	1
BTFG	(2)
WIB	(12)
New Zealand (in NZ\$)	(2)

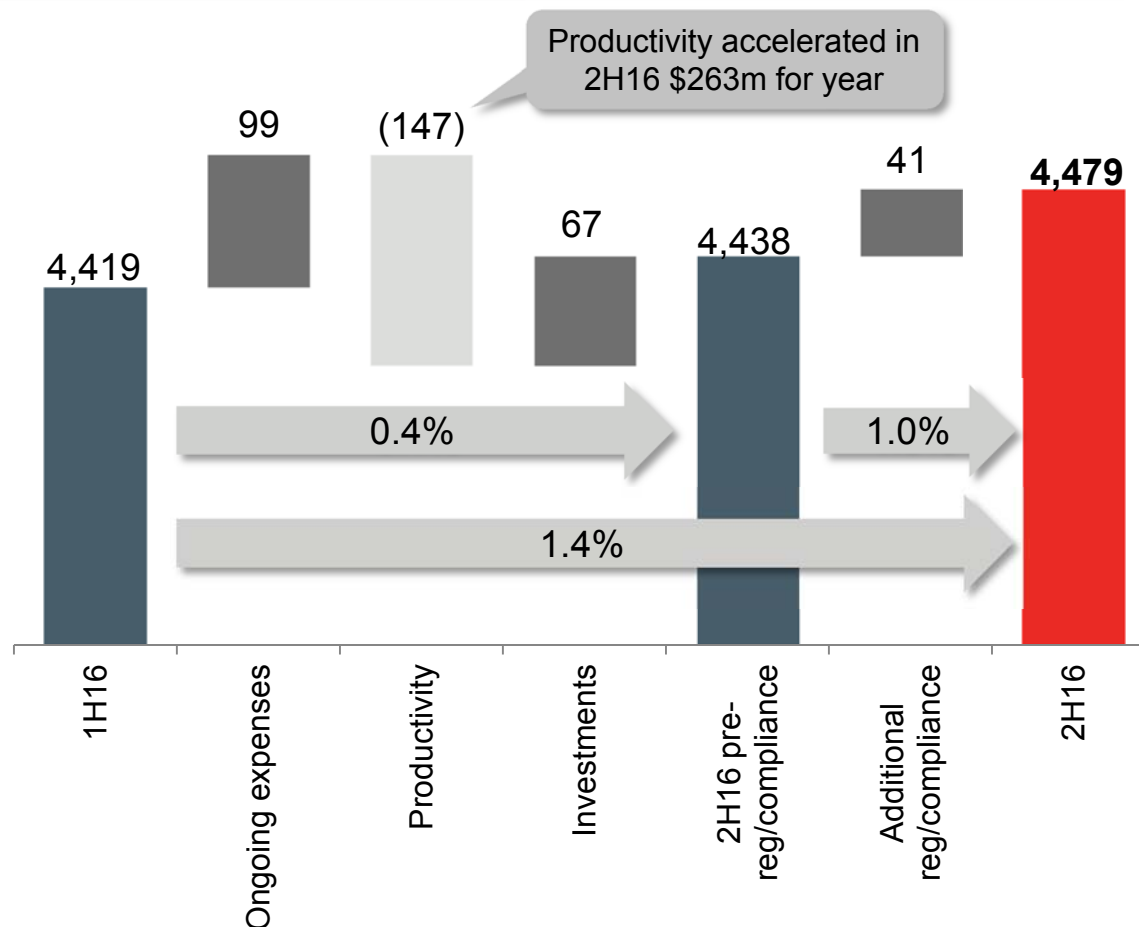
<sup>1</sup> New Zealand in A\$. <sup>2</sup> Other includes Group Businesses.

Markets income, long term view (\$m)



# Expenses include a rise in regulatory & compliance costs

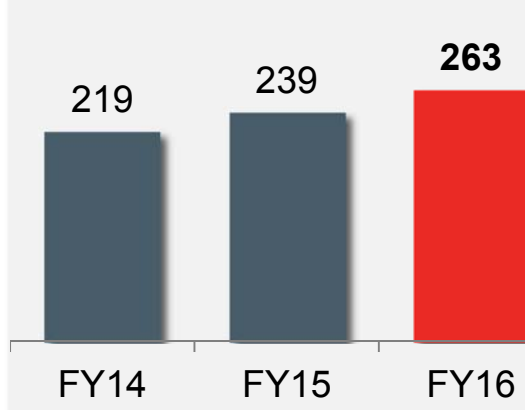
## Expense movement (\$m)



## Expense growth in 2H16 (%)

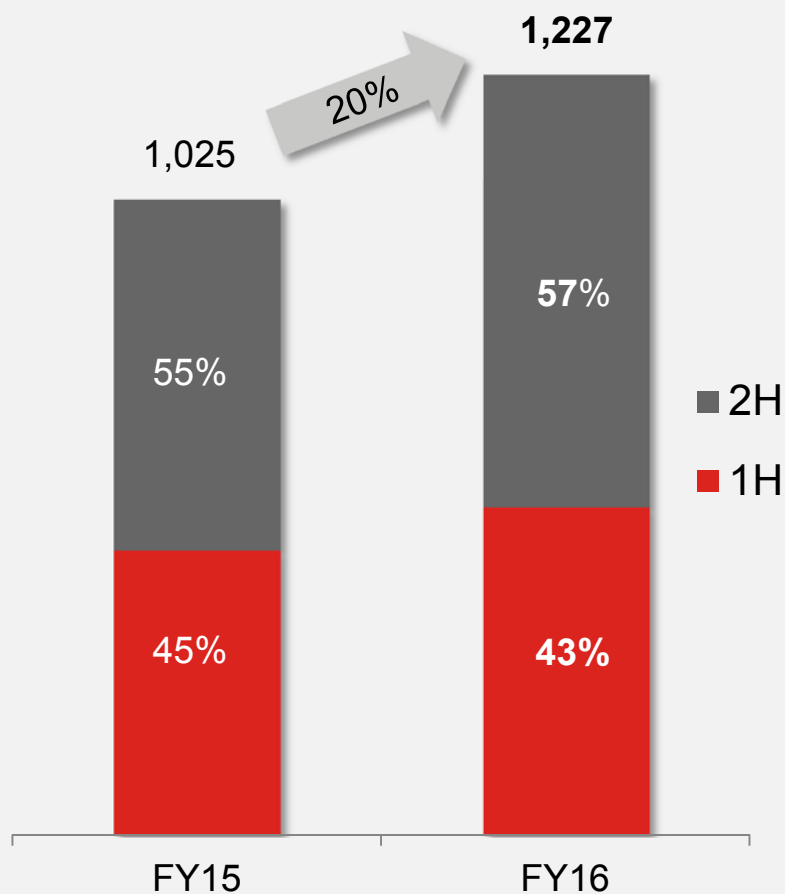
Consumer Bank	0
Business Bank	0
BTFG	5
WIB	1
New Zealand (in NZ\$)	1
Group Businesses	4

## Productivity benefits (\$m)



# Drivers of investment spend

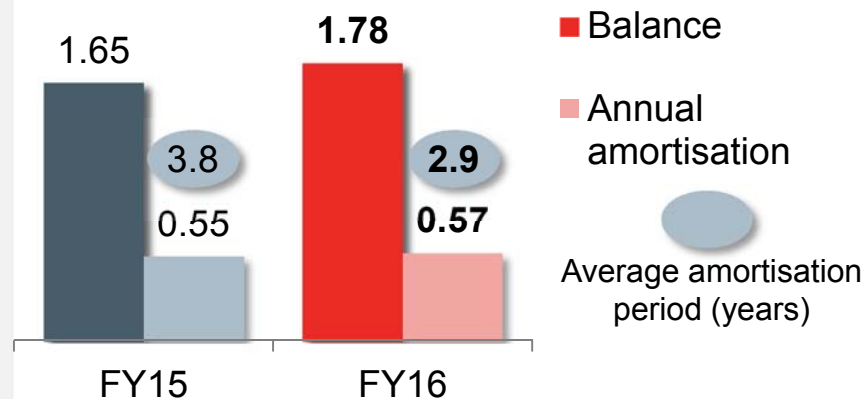
Investment spend (\$m)



Investment spending

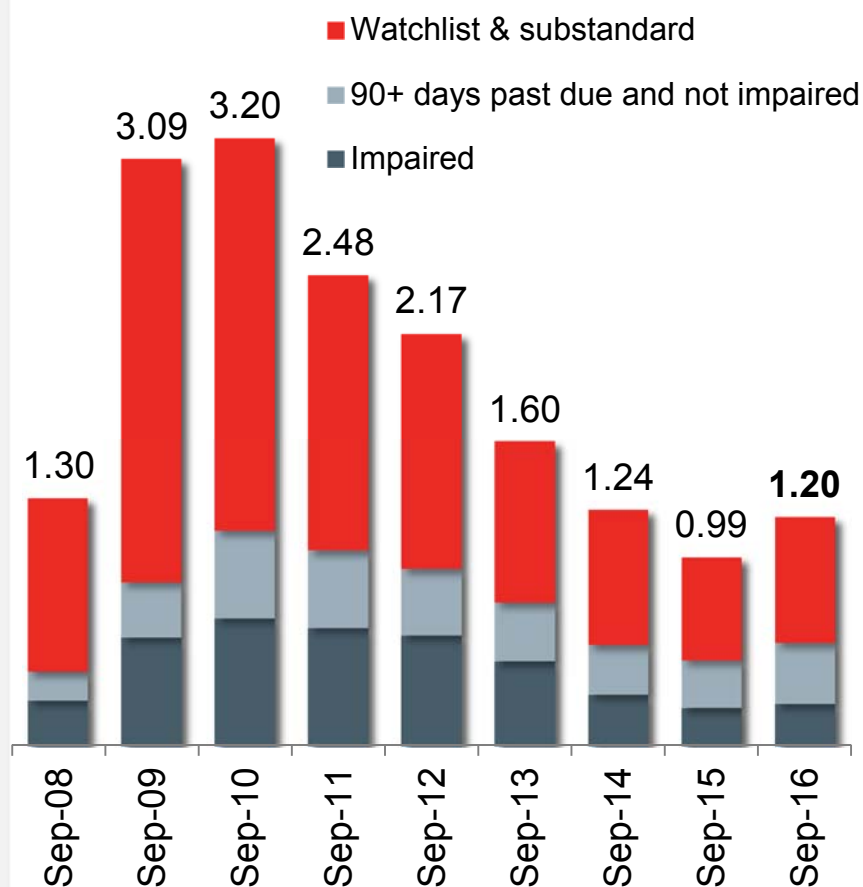
- FY16 spend \$1.23bn, skewed to 2H16
- Per cent expensed increased from change in accounting approach
  - 42% in FY16
  - 37% in FY15

Capitalised software (\$bn)



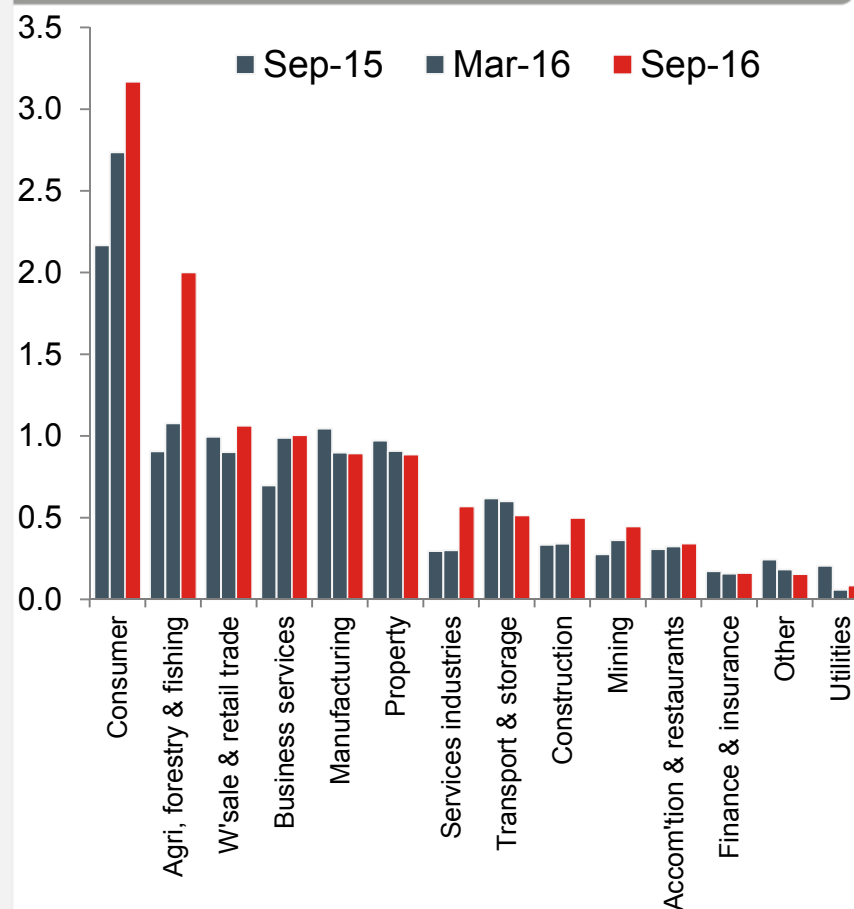
# Asset quality **remains sound**

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



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

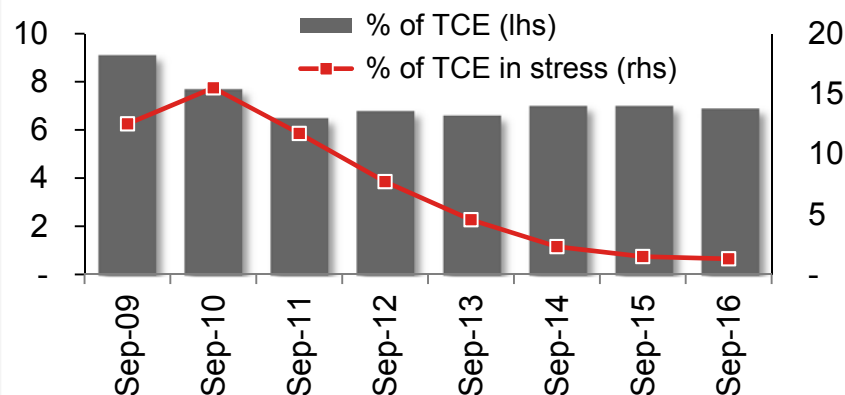
Stressed exposure by sector/industry (\$bn)





# Asset quality – commercial property

## Commercial property (%)



## LVRs of residential apartment development portfolio >\$20m, by completion date (%)



<sup>1</sup> There are no completions currently in the portfolio for 2019.

## Residential development portfolio >\$20m

Lending for residential apartment development >\$20m ("high rise") **\$5.1bn**

Weighted average LVR **54%**

Estimated market share **14%**

Exposure to Sydney major markets, Perth metro, Inner Brisbane, Inner Melbourne **\$3.2bn**

## Mortgages for inner city apartments

Loans **\$13.0bn**

Average LVR at origination **69%**

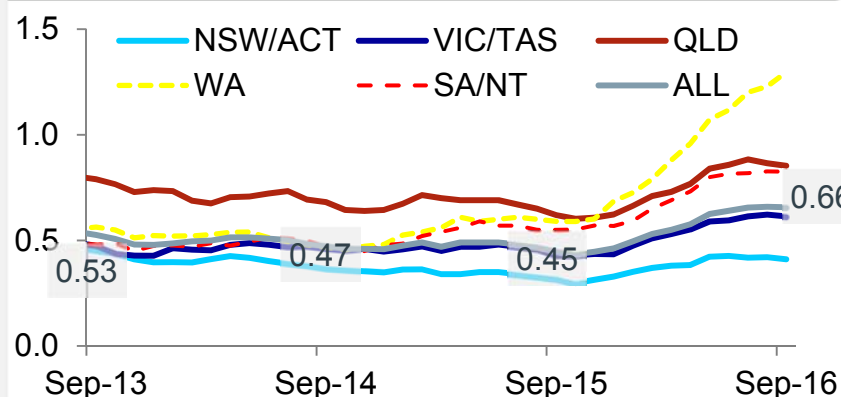
Average dynamic LVR **54%**

Dynamic LVR >90% **2.9%**

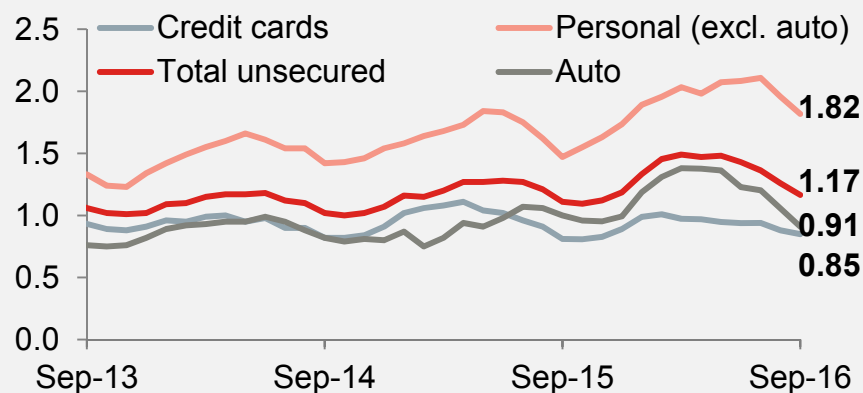
90+ day delinquencies **30bps**

# Asset quality – consumer delinquencies and NZ dairy

Aust. mortgage 90+ day delinquencies (%)



Aust. other personal 90+ day delinquencies (%)



1 RBNZ Agricultural market share. 2 Includes impaired.

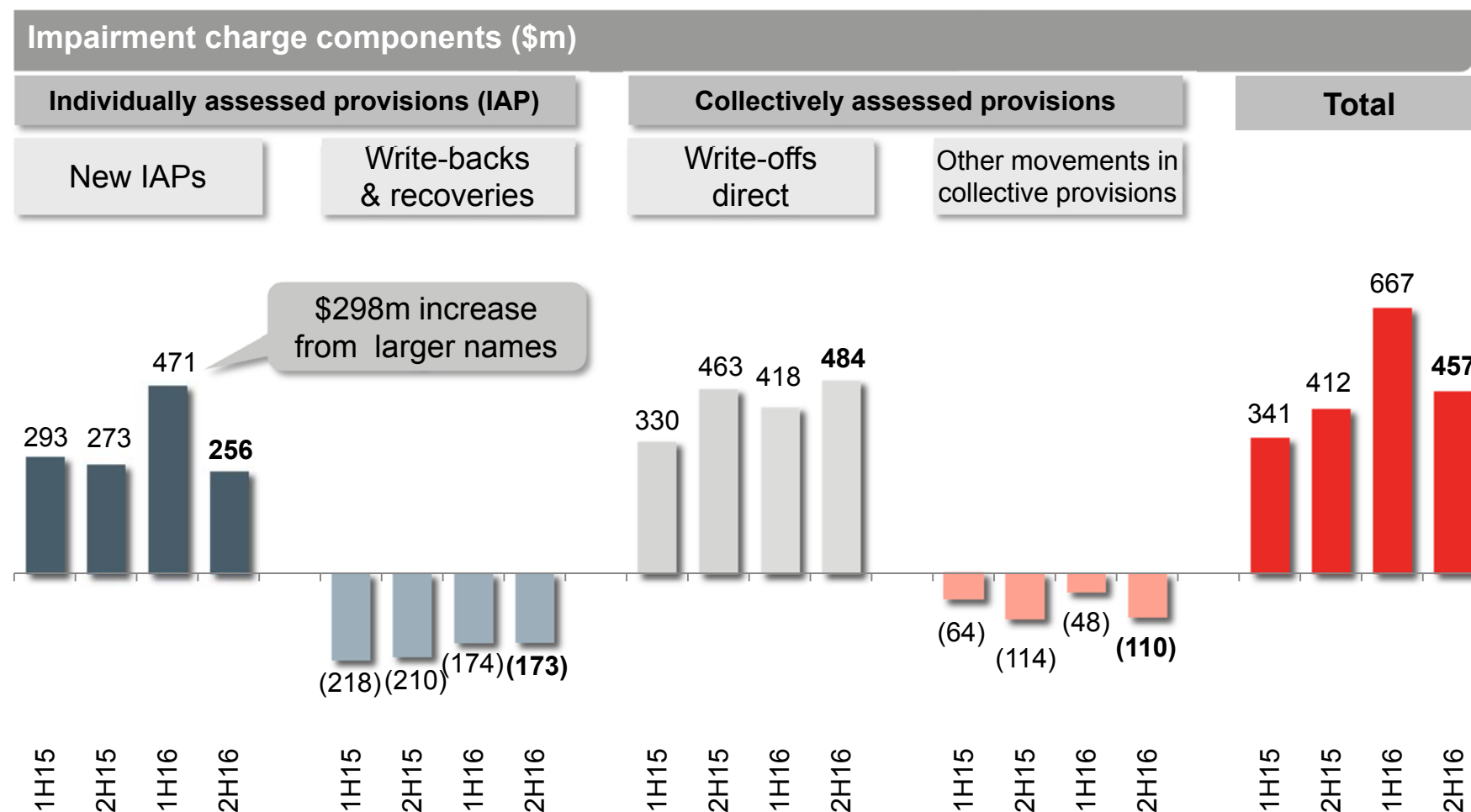
NZ dairy portfolio

	Sept-15	Sept-16
Market share <sup>1</sup> (%)	12.3	13.0
NZ dairy TCE (NZ\$bn)	5.6	5.9
% of NZ dairy stressed <sup>2</sup>	4.74	25.29
% of NZ dairy impaired	0.13	0.34

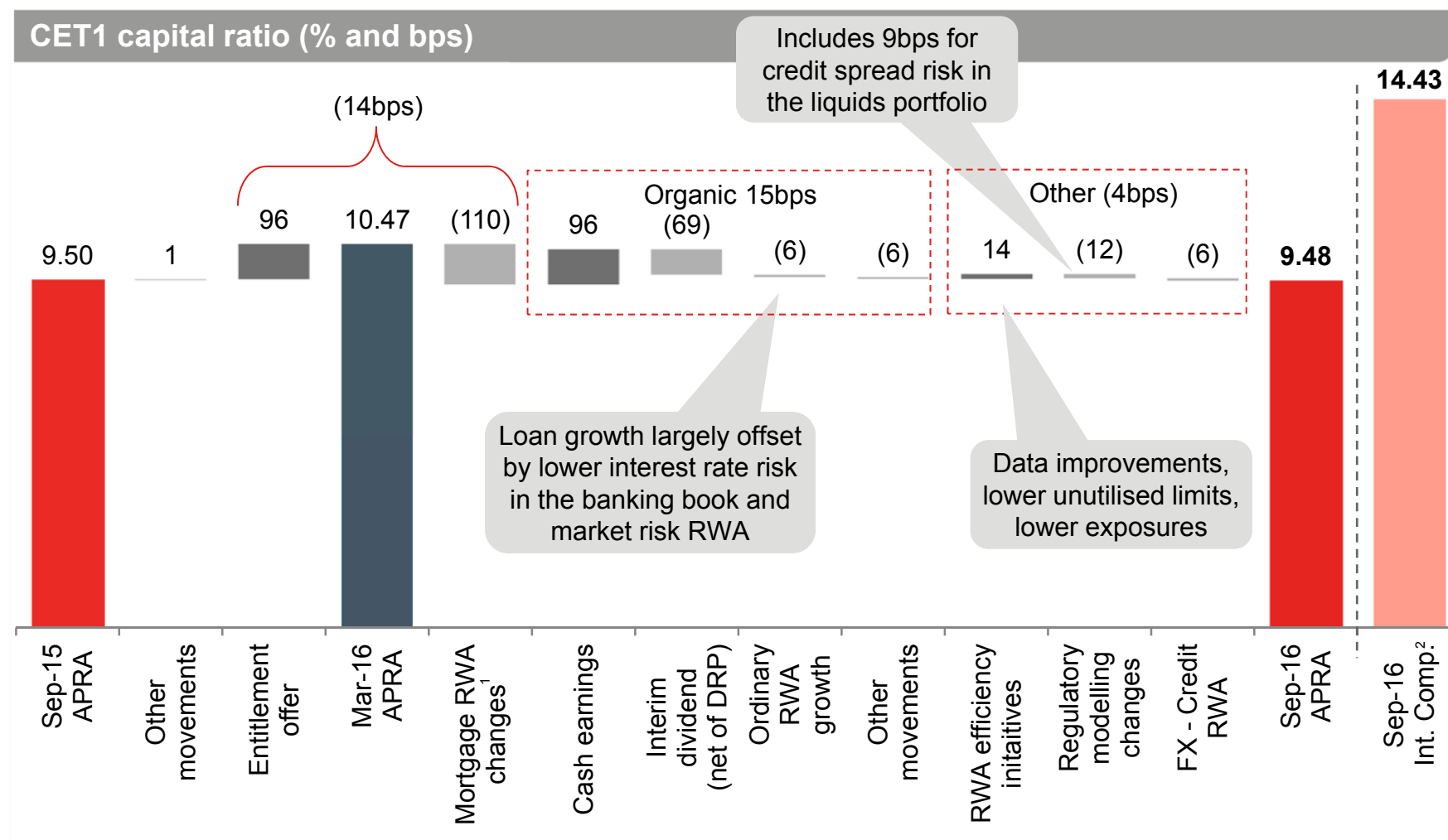
Prudent management of NZ dairy

- Built dairy economic overlay since 2014
- Comprehensive file review using milk price of NZ\$4.25
- Stressed assets increased \$647m in 4Q16
- Impaired 0.34% (up from 0.13% at Mar-16)
- In September 2016, Fonterra lifted milk price forecast to NZ\$5.25 (from NZ\$4.25)

# Impairment charge reflects **sound asset quality**



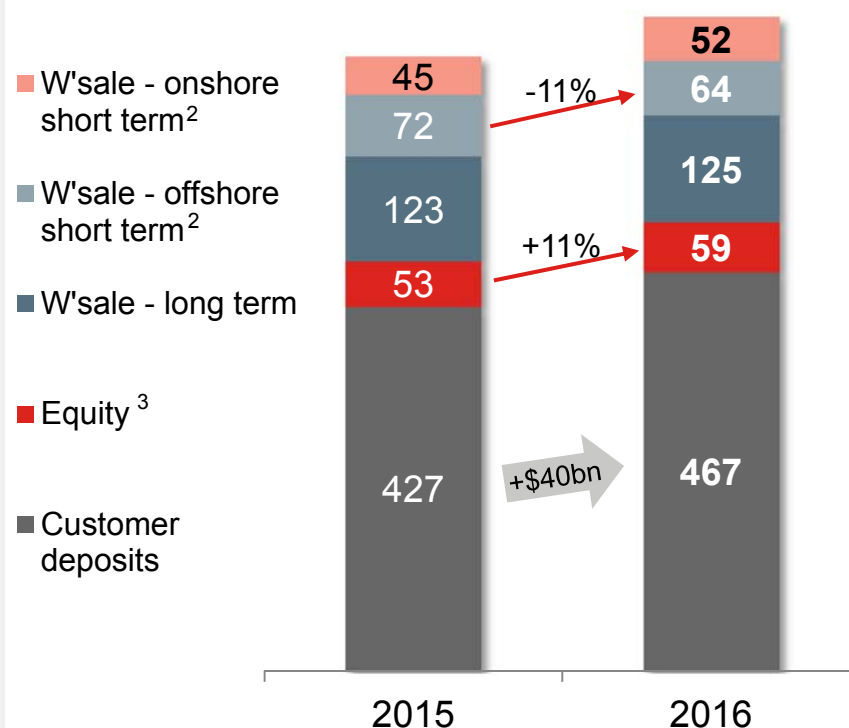
# CET1 capital ratio **above preferred range**



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

# Well positioned for liquidity regulation

## Liabilities and equity<sup>1</sup> (\$bn)

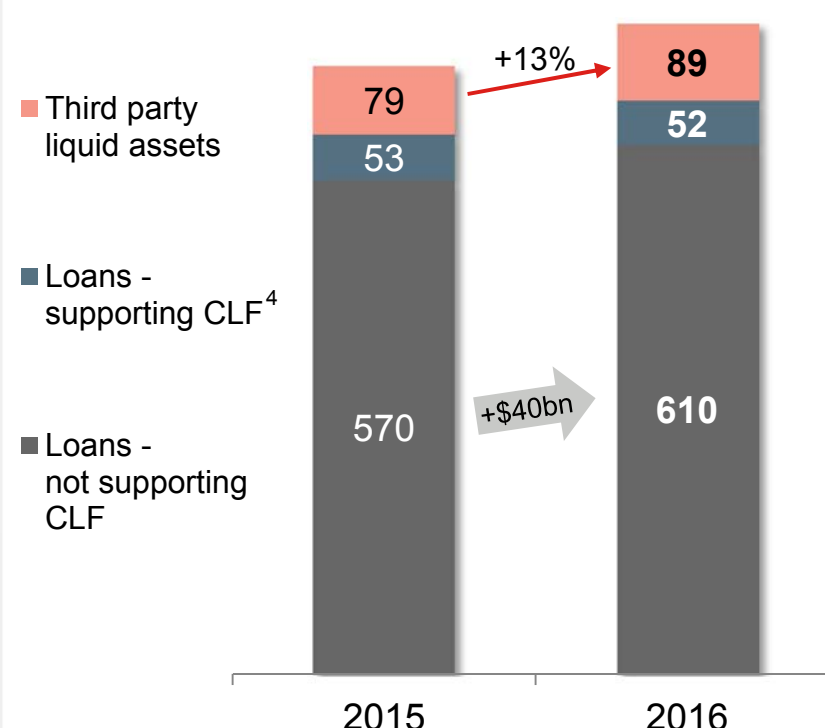


LCR customer deposit run-off

15%

14%

## Assets<sup>1</sup> (\$bn)



CLF (\$bn)

2015

2016

2017

66

59

49

<sup>1</sup> Excludes other assets and liabilities. Refer to Section 2.4.1 of Westpac's 2016 Full Year Financial Results for details of total assets and total liabilities for 2015 and 2016. <sup>2</sup> Includes long term wholesale funding with a residual maturity less than or equal to 1 year. <sup>3</sup> Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. <sup>4</sup> Relates to internally securitised assets that are eligible for repurchase with the RBA.

# Considerations for FY17

- Continued discipline on growth/return
- New liquidity rules see tighter link between loan and deposit growth
- Active margin management required given competition and higher funding costs
- Target expense growth at bottom end of 2-3% range
- Productivity gains similar to FY16
- Asset quality expected to remain sound
- Continue to invest to support franchise growth and productivity



Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

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## Investor Discussion Pack

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Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

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## Strategy















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

- Australia's first bank and first company, opened in 1817
- Australia's 2nd largest bank and 13<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 and differentiated through service
- Supporting consumers and businesses in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range of financial services including consumer, business and institutional banking, wealth management and insurance
- Strong capital, funding, liquidity, with sound asset quality
- Credit ratings AA- / Aa2 / AA-<sup>3</sup>
- One of the most efficient banks globally<sup>2</sup>
- Consistent earnings profile over time
- Leader in sustainability<sup>4</sup>

**WBC**  
listed on  
**ASX & NZX**

**WBK**  
LISTED  
**NYSE**

Consumer Bank	Business Bank	BT Financial Group	Institutional Bank	Westpac New Zealand
    	   	 <b>ADVANCE</b> <b>Ascalon</b> <small>Capital Managers</small> <b>Asgard</b>  <small>Licensee Select</small> 	 	

## Key statistics as at 30 Sep 2016






Customers	13.4m
Australian household deposit market share <sup>5</sup>	23%
Australian mortgage market share <sup>6</sup>	23%
Australian business market share <sup>6</sup>	19%
New Zealand deposit market share <sup>7</sup>	20%
New Zealand consumer lending market share <sup>7</sup>	20%
Australian wealth platforms market share <sup>8</sup>	19%

## Key financial data for FY16 (30 Sep 2016)

Reported net profit after tax	\$7,445m
Cash earnings	\$7,822m
Expense to income ratio <sup>9</sup>	42.0%
Common equity Tier 1 capital ratio (APRA basis)	9.5%
Return on equity <sup>9</sup>	14.0%
Total assets	\$839bn
Market capitalisation <sup>10</sup>	\$99bn

<sup>1</sup> 30 September 2016. Source: S&P Capital IQ, based in US Dollars. <sup>2</sup> S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings and Moody's Investors Services have Westpac on a negative outlook, Fitch Ratings has Westpac on a stable outlook. <sup>3</sup> Credit Suisse analysis of expense to income ratio of world's largest banks September 2016. <sup>4</sup> Included in 2016 Global 100 most sustainable companies, announced at World Economic Forum in January 2016. <sup>5</sup> APRA Banking Statistics, September 2016. <sup>6</sup> RBA Financial Aggregates, September 2016. <sup>7</sup> RBNZ, September 2016. <sup>8</sup> Strategic Insight, June 2016, All Master Funds Admin. <sup>9</sup> Cash earnings basis. <sup>10</sup> Based on share price as at 30 September 2016, \$29.51.

## Delivering on our five strategic priorities

Vision	To be one of the world's great service companies, helping our customers, communities and people to prosper and grow				
Strategic Priorities	<b>Performance Discipline</b> 	<b>Service Leadership</b> 	<b>Digital Transformation</b> 	<b>Targeted Growth</b> 	<b>Workforce Revolution</b> 
Measures	Seeking 13% - 14% ROE (medium-term)	+1m customers (2015-2017)	Cost growth 2-3% per annum and expense to income ratio below 40%	Stronger growth in wealth and SME	Employee engagement in top performing norms, women in leadership 50% by end of 2017
Progress in FY16	ROE 14.0%	13.4m customers Up 2% Sep16 – Sep15	Digitised 7 of the 10 top manual transactions, \$263m productivity benefits, and expense to income ratio 42%	SME business loan growth of 8% and FUM/FUA growth of 9% and 7% respectively	Employee engagement 69% Women in leadership 48%

# Sources of comparative advantage

## Excellent strategic position

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

## Sector leading balance sheet

- Asset quality
  - Sector leading through global financial crisis
  - Sound quality; balance sheet skewed to mortgages
  - Low impaired assets; well provisioned at 49%<sup>1</sup>
- Capital
  - CET1 capital ratio in top quartile of international peers
- Liquidity
  - 85% of funding from stable sources
  - High liquidity levels; LCR of 134%

## Global efficiency leader

- Expense to income ratio at lower end of global peers and below average of Australian major banks at 42.0%
- Only major Australian bank with a target of reducing expense to income ratio below 40%
- Productivity focus has delivered \$1.8bn of savings FY09 to FY16

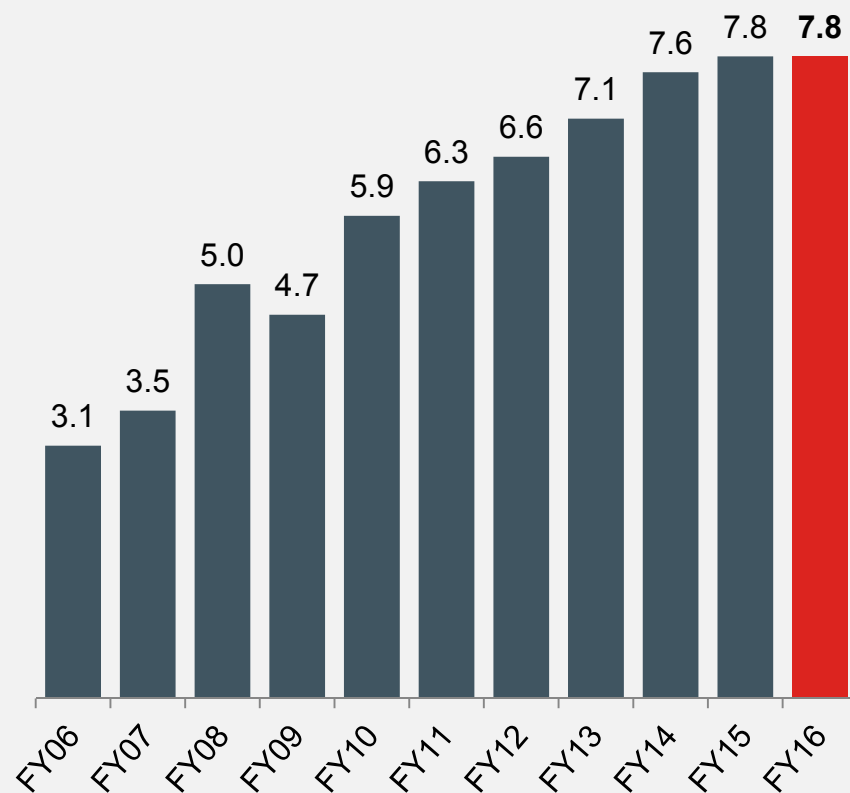
## Sustainability culture

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

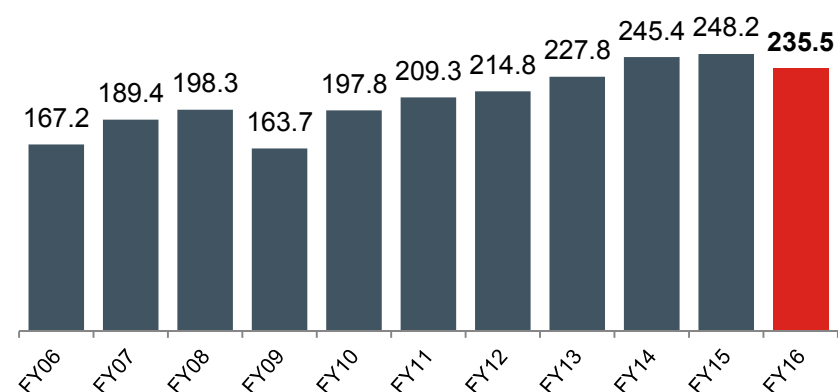
<sup>1</sup> Gross impaired asset provisions to gross impaired loans.

## Consistent performer **over the long term**

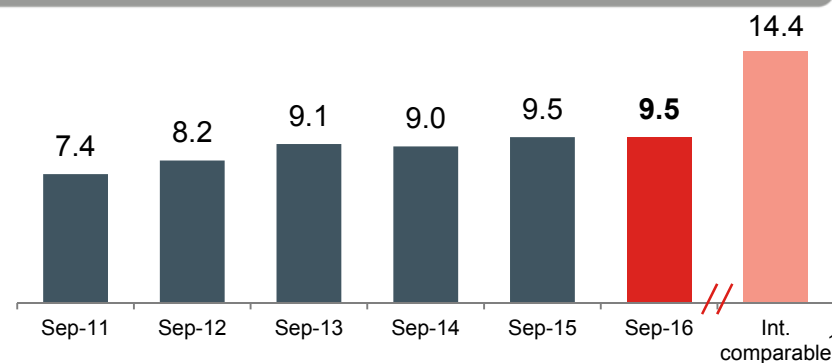
Cash earnings (\$bn)



Cash earnings per share (cents)



Common equity Tier 1 capital ratio (%)



<sup>1</sup> Refer slide 89 for details of internationally comparable CET1 capital ratio.





Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

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## Overview

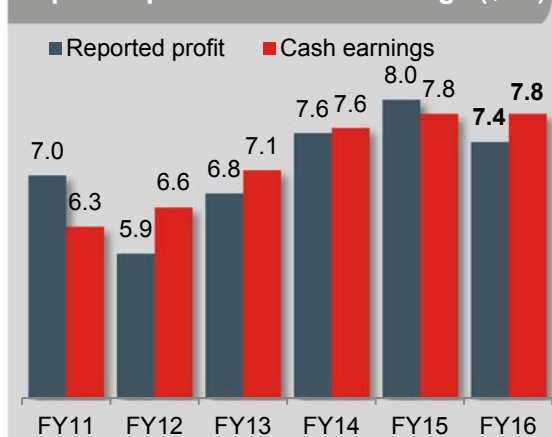
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# Cash earnings and reported net profit reconciliation

## 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 well over a decade and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for:
  - Material items that key decision makers at the Westpac Group believe do not reflect ongoing operations (both positive and negative)
  - 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 profit and cash earnings (\$bn)



	FY16 (\$m)	% change FY16- FY15	% change 2H16- 1H16
Cash earnings	7,822	-	-
Cash EPS (cents)	235.5	(5)	(1)
Reported net profit	7,445	(7)	1

## Reported net profit and cash earnings<sup>1</sup> adjustments (\$m)

	FY15	FY16
<b>Reported net profit</b>	8,012	7,445
Partial sale of BTIM	(665)	-
Capitalised technology cost balances	354	-
Amortisation of intangible assets	149	158
Acquisition transaction and integration expenses	66	15
Lloyds tax adjustments	(64)	-
Fair value (gain)/loss on economic hedges	(33)	203
Ineffective hedges	1	(9)
Treasury shares	1	10
Buyback of government guaranteed debt	(1)	-
<b>Cash earnings</b>	7,820	7,822

<sup>1</sup> Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax. For further details refer to slide 127.



# FY16 financial **snapshot**

	FY16	Change FY16 – FY15	Change 2H16 – 1H16
<b>Earnings<sup>1</sup></b>			
Earnings per share (cents)	<b>235.5</b>	(5%)	(1%)
Core earnings (\$m)	<b>12,305</b>	3%	(2%)
Cash earnings (\$m)	<b>7,822</b>	-	-
Return on equity (%)	<b>14.0</b>	(185bps)	(31bps)
Dividend (cents per share)	<b>188</b>	1%	-
Expense to income ratio (%)	<b>42.0</b>	(7bps)	71bps
Net interest margin (%)	<b>2.13</b>	5bps	(3bps)
<b>Asset quality</b>			
Impairment charges to average gross loans (bps)	<b>17</b>	5bps	(7bps)
Gross impaired assets to gross loans (bps)	<b>32</b>	2bps	(7bps)
Gross impaired asset provisions to gross impaired assets (%)	<b>49.4</b>	314bps	177bps

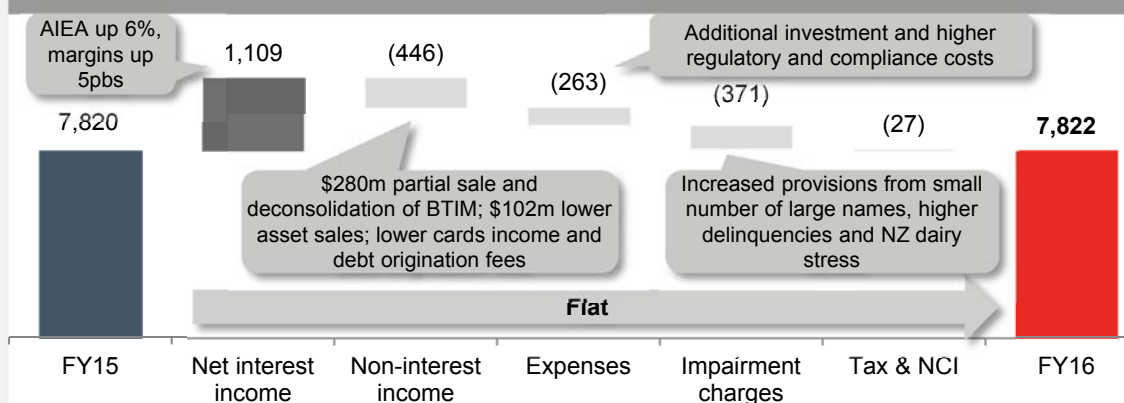
	FY16	Change FY16 – FY15	Change 2H16 – 1H16
<b>Balance sheet</b>			
Total assets (\$bn)	<b>839.2</b>	3%	1%
Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)	<b>9.5</b>	(2bps)	(99bps)
CET1 capital ratio (Internationally comparable <sup>2</sup> ) (%)	<b>14.4</b>	123bps	(24bps)
CET1 capital (\$bn)	<b>38.9</b>	14%	2%
Risk weighted assets (\$bn)	<b>410.1</b>	14%	13%
Loans (\$bn)	<b>661.9</b>	6%	3%
Customer deposits (\$bn)	<b>466.6</b>	9%	6%
Net tangible assets per share (\$)	<b>13.96</b>	7%	2%
<b>Funding and Liquidity</b>			
Customer deposit to loan ratio (%)	<b>70.5</b>	196bps	151bps
Liquidity coverage ratio (%)	<b>134</b>	Large	Large
Total liquid assets <sup>3</sup> (\$bn)	<b>144</b>	6%	4%

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

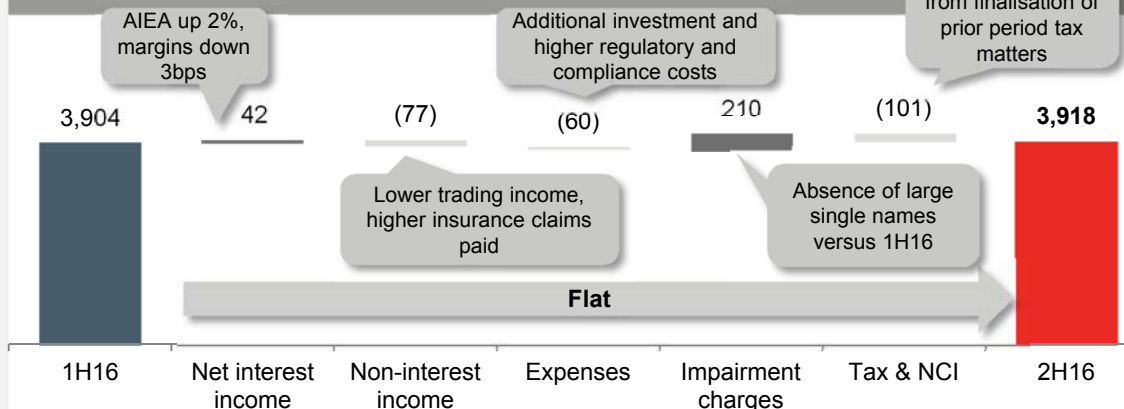
# Cash earnings flat over the year and prior half

	FY16 (\$m)	% chg FY16- FY15	% chg 2H16- 1H16
Net interest income	15,348	8	1
Non-interest income	5,855	(7)	(3)
Expenses	8,898	3	1
Core earnings	12,305	3	(2)
Impairment charges	1,124	49	(31)
<b>Cash earnings</b>	<b>7,822</b>	-	-
Reported net profit	7,445	(7)	1

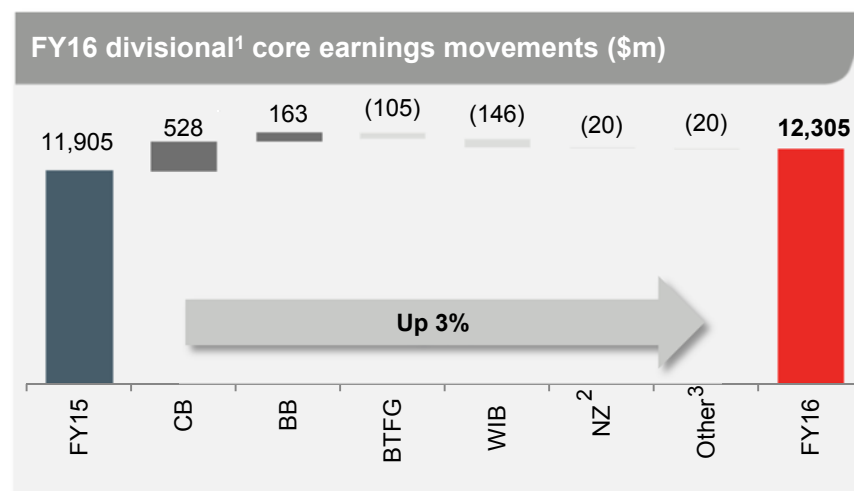
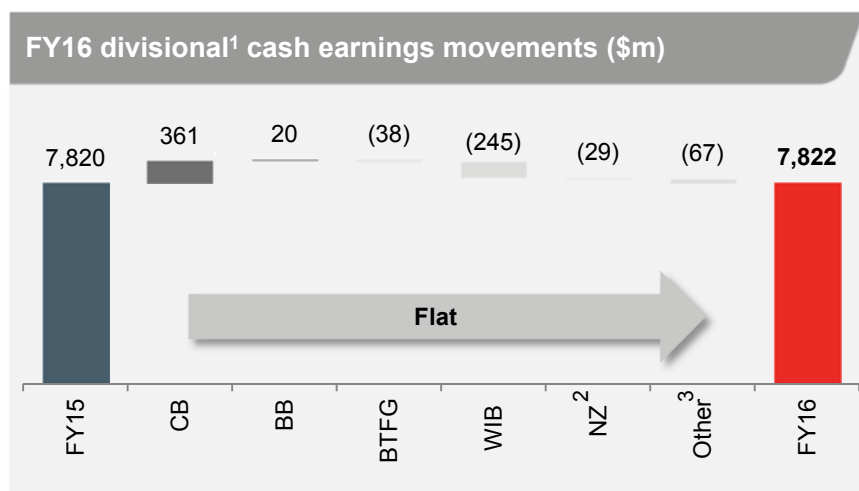
## Cash earnings features of FY16 - FY15 (\$m)



## Cash earnings features of 2H16 - 1H16 (\$m)



# Consumer Bank and Business Bank the **main contributors**



FY16 (\$m)	CB	BB	BTFG	WIB	NZ <sup>2</sup>	Other <sup>3</sup>	Group
Operating income	8,021	5,063	2,406	3,098	2,037	578	21,203
Expenses	(3,270)	(1,796)	(1,160)	(1,347)	(856)	(469)	(8,898)
Core earnings	4,751	3,267	1,246	1,751	1,181	109	12,305
Impairment (charges) / benefits	(492)	(410)	-	(177)	(54)	9	(1,124)
Tax & non-controlling interests	(1,278)	(858)	(370)	(476)	(315)	(62)	(3,359)
<b>Cash earnings</b>	<b>2,981</b>	<b>1,999</b>	<b>876</b>	<b>1,098</b>	<b>812</b>	<b>56</b>	<b>7,822</b>
<b>% of Group cash earnings</b>	<b>38</b>	<b>26</b>	<b>11</b>	<b>14</b>	<b>10</b>	<b>1</b>	

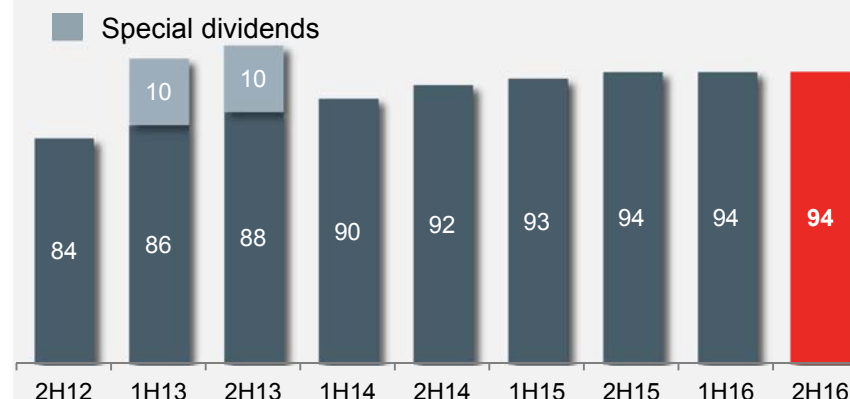
1 Refer to division definitions, slide 128. 2 In A\$. 3 Other is Group Businesses (including Treasury).

# Dividends

## Key dividend considerations for 2H16

- Strong capital position; comfortably above preferred range
- Modest RWA growth
- Sustainability of the payout ratio over the long term
- Surplus franking credits

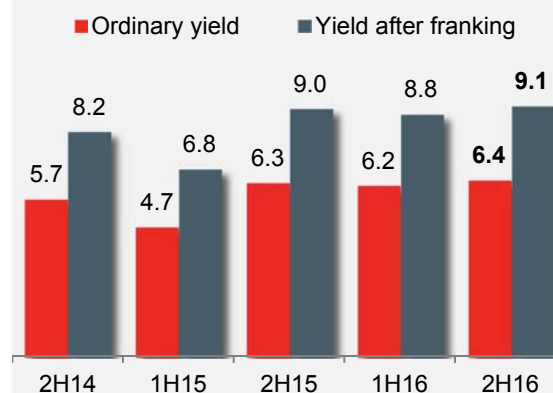
## Dividends (cents per share)



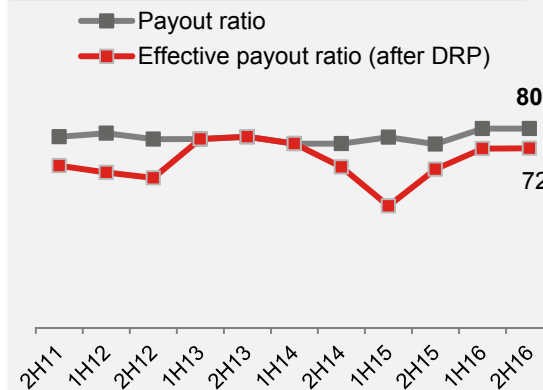
## 2H16 dividend

- 2H16 ordinary dividend of 94 cps, no change on 1H16 and 2H15
- Full year dividend of 188 cps, FY15 187 cps
- Payout ratio for 2H16 of 80.3%, FY16 80.3%
  - Effective payout ratio<sup>1</sup> 72%. Issuing shares to satisfy Final 2016 DRP with no discount
- 2H16 dividend yield<sup>2</sup> 6.4%, FY16 6.4%
  - Equivalent to a fully franked dividend yield<sup>2</sup> of 9.1%. FY16 9.1%

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



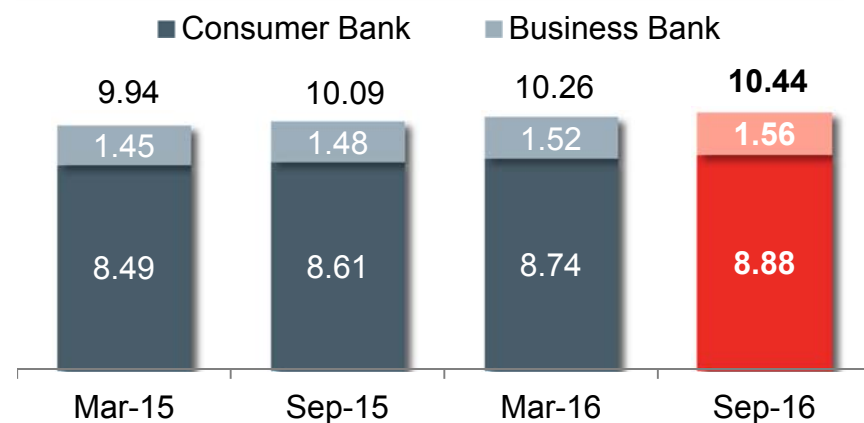
## Ordinary dividend payout ratio<sup>3</sup> (%)



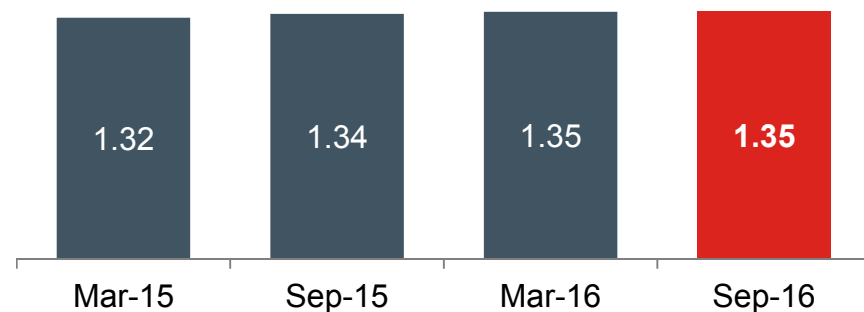
<sup>1</sup> Effective payout ratio assumes 2H16 DRP participation of 10.0%. <sup>2</sup> Data using half year dividends and share price as at 31 March and 30 September in each period. <sup>3</sup> On cash earnings basis.

# Building franchise value

Customer numbers (#'m)

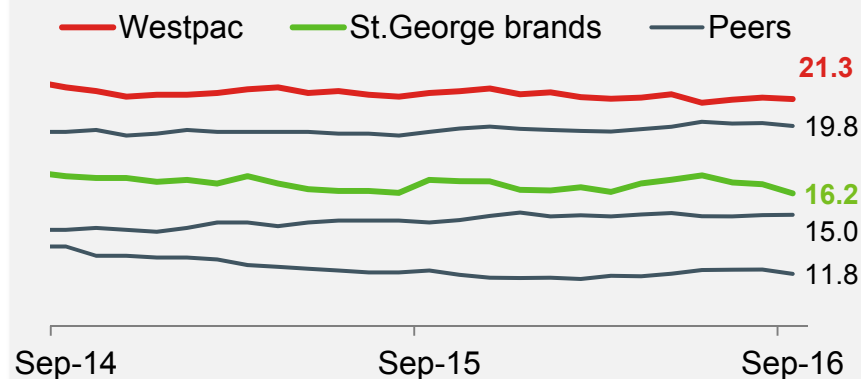


## New Zealand

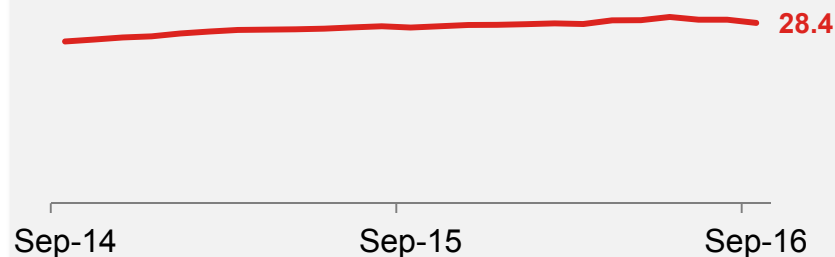


Customers with a wealth product <sup>1,2</sup>(%)

## Australia



## New Zealand

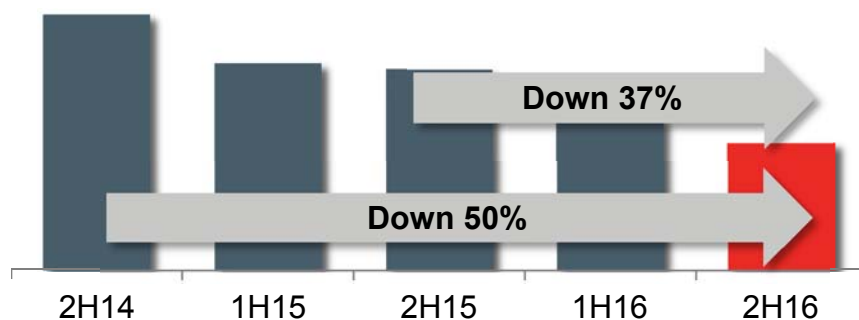


1 Refer slide 131 for metric definition. 2 No peer data available for New Zealand.

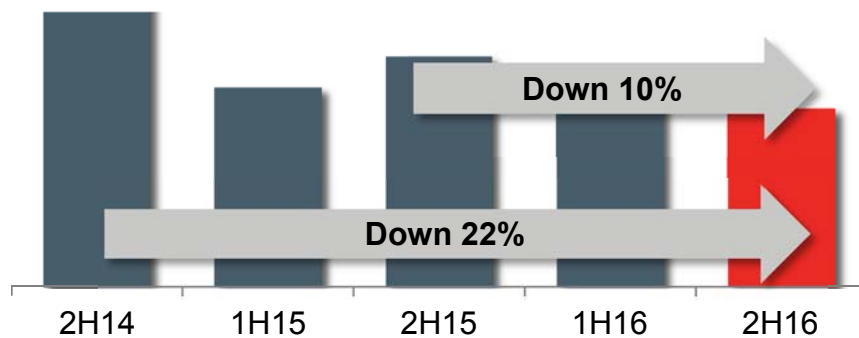
# Building franchise value

## Customer complaints (#)

### Australian retail (CB, BB and BT)



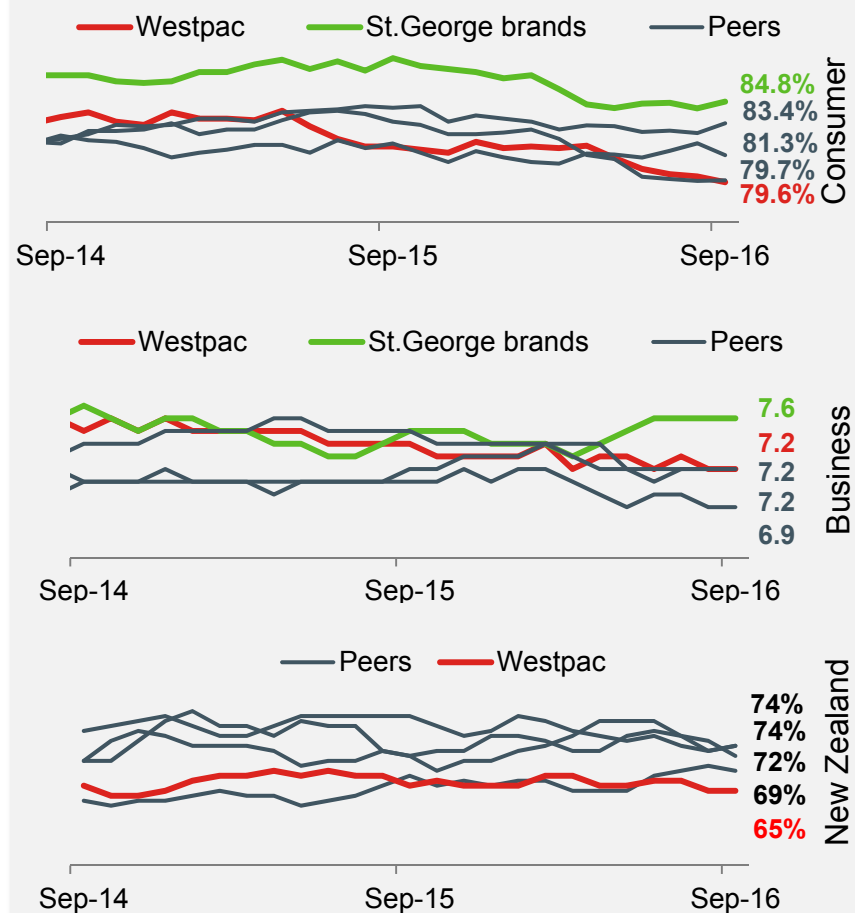
### New Zealand retail



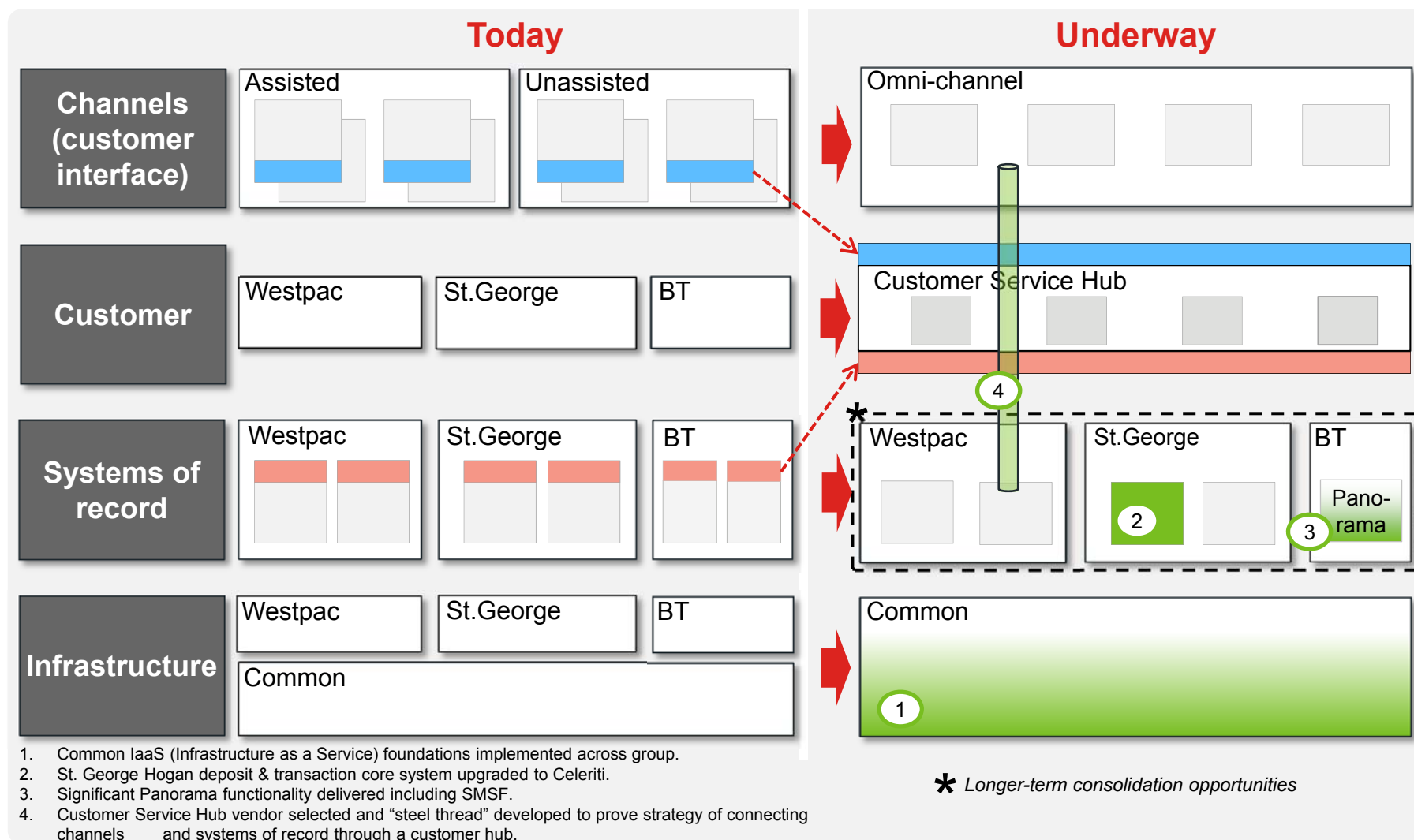
<sup>1</sup> Refer slide 131 for metric definition and details of provider.

## Customer satisfaction<sup>1</sup>

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



# Significant momentum in our technology transformation



# Improving the digital customer experience: Consumer & Business Bank (7 of top 10 processes digitised)

## CONSUMER BANK

## Card on hold

- Customers can place their card on hold using online or mobile without calling a contact centre
- Launched November 2015
- 168k cards locked to date
- Empowers customers with the flexibility of temporarily locking and unlocking their card

## Activate card on mobile

- Activate card on mobile saves customers calling a contact centre or visiting a branch
- 3k customers per week activate their card via mobile device

## Banker in your pocket

- St.George customers can connect through to contact centre from mobile app with no need to verify with security questions
- Saving 50-60 seconds per call (15-20% handle time)

## BUSINESS BANK

## Digital for bankers

LOLA

- Extended LOLA<sup>1</sup> to new Westpac customers and across a wider product range; \$1.4bn approved since launch



- 96% increase in Connect<sup>2</sup> lending

## Digital for customers



- 77% customers migrated to new online platform<sup>3</sup> with NPS improved by 52 points
- Wider range of digital self service options – including term deposit roll over and new business credit cards



## Payments

- 127,000 new, state-of-the-art merchant terminals rolled out
- On-boarding completed in 5 days, down from 23
- 16% increase in Merchant customer growth, 30% reduction in complaints



<sup>1</sup> LOLA is the business lending origination system. <sup>2</sup> Video conferencing and product capability via business connect and connect now. <sup>3</sup> New online platform is called NBBO.



# Improving the digital customer experience: New Zealand and WIB

## NEW ZEALAND

## Westpac One

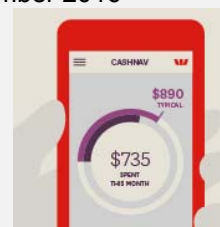
- Market leading platform. Canstar Best Online Bank in New Zealand 2016, 2015
- Around 32% of all applications are online with over 50% of all card applications
- 736k active digital customers
- Up 8% since WestpacOne launched in April 2015
- Active digital customers now 54%



2016 Canstar  
Best Online  
Bank in New  
Zealand

## CashNav

- Launched CashNav, the first integrated app in New Zealand to track finances and deliver spending insights
- Over 50,000 registrations to date since launched on 1 September 2016



## Transforming the network

- Further enhanced 24/7 capability
- 162 Smart ATMs now in two thirds of branches
- Half of branches have 24/7 banking lobbies
- 34% reduction in branch transactions<sup>1</sup>
- 9 (9%) branches closed<sup>1</sup> with another 19 to close 1Q17



## WIB

## Digitised customer forms

- 45% reduction in turn-around times to identify and verify new entities for Anti-Money Laundering / Know Your Customer purposes to 11 days from 20



## UnionPay

- Launched UnionPay<sup>2</sup> as a payment channel through QuickStream and PayWay
- Provides payments capabilities for holders of Chinese UnionPay credit cards to WIB and Business Bank customers who use QuickStream and PayWay receivables solutions

## Other digital innovations

- Commercialised data analytics capability
- Delivered keystroke automation, reducing the end-to-end transaction account opening process
- Piloting LanternPay to facilitate payments through the National Disability Insurance Scheme



<sup>1</sup> Changes since 2013. <sup>2</sup> UnionPay <http://www.unionpayintl.com/>.

# Improving the digital customer experience: BTFG

## SUPERANNUATION & INSURANCE

### Wealth review



- Personalised tool enabling members to evaluate their current and future financial situation
- Accessible to members across Australia

### Super profile



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

### SuperCheck



- An innovative solution helping reunite customers with their lost super
- Westpac Live customers can search and see all their super savings in less than 60 seconds
- Customers can choose to open a BT Super for Life account and combine their super savings

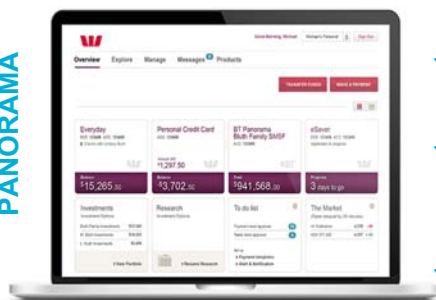
### Digital in insurance



- Policy display – customers can see their home and contents insurance policies in their Online Banking
- Single sign-on and pre-population of customer details into online Home & Contents quotes

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

## PANORAMA



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

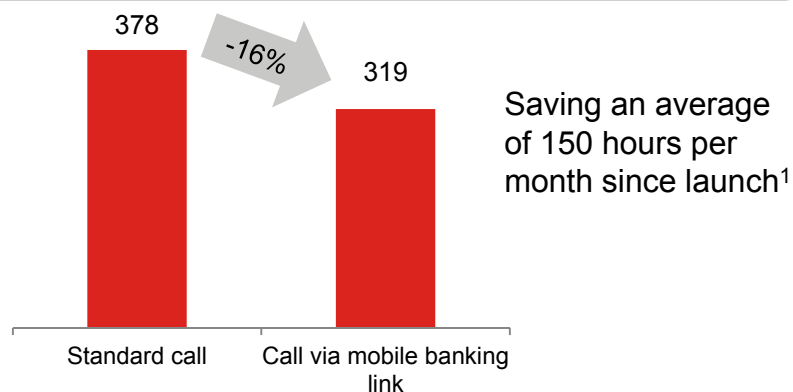
### Functionality and capability

- 2,764 registered Advisers now on Panorama
- Full Westpac live integration
- Over 2,000 SMSF accounts – growing momentum in activity
- Advised Investment Platform and Direct Investor offers now complete
- SMSF offer - a complete end to end offer for all customers including trustees, advisers and accountants

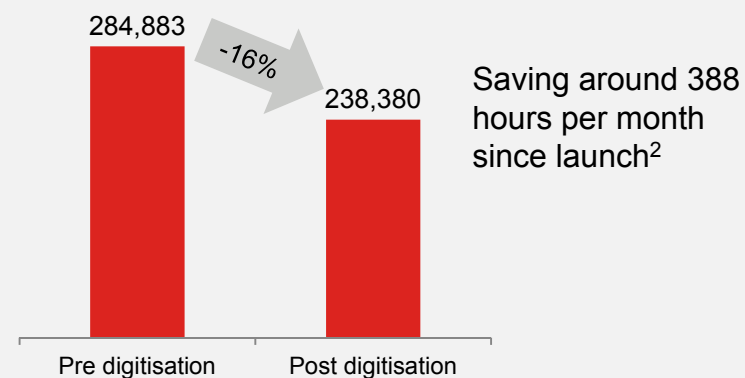


# Examples of digitisation **improving service and efficiency** for contact centres

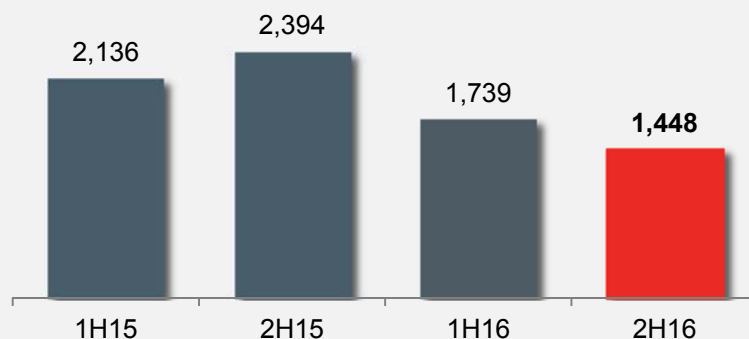
Contact centre average call times<sup>1</sup> (seconds)



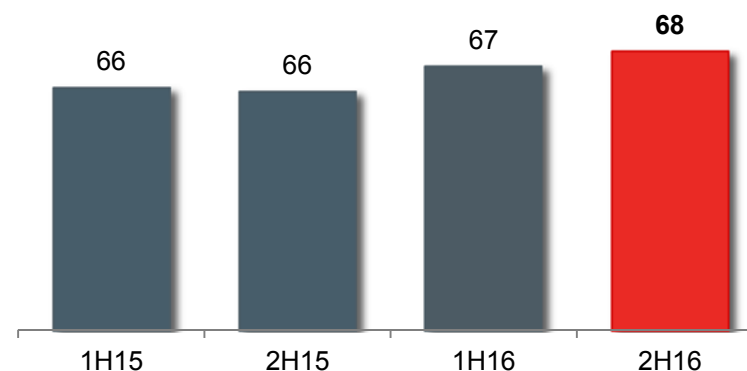
Card lock/unlock calls<sup>2</sup> (#)



Contact centre complaints (#)



NPS<sup>3</sup> contact centre



<sup>1</sup> Connect, the ability to connect with a contact centre via mobile banking for the St George brand, was launched in April 2016. <sup>2</sup> Card lock/unlock launched November 2015. <sup>3</sup> NPS score based on post-call customer survey captured through internal systems of NICE (Westpac) and Qfinity (SGB).

# Actively responding to new digital opportunities<sup>1</sup>

## Accelerating innovation



“The Cave” is an innovation hub in Kogarah where our technology partners can showcase solutions

“Garage” is an agile workplace where our business can solve customer problems, prototype solutions and develop new business models, supported by our Entrepreneurs in residence



Market-leading innovation capabilities, including a dedicated innovation centre “the hive”

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



## Sponsoring & investing to build new tech businesses



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

Uno is a digital mortgage broker providing customers with ability to search, compare and apply for a home loan digitally



Sponsoring companies such as Stone & Chalk to foster and accelerate the development of fintech start-ups

Partnership with Inloop – Australia’s leading provider of “closed loop” solutions; allowing organisations to control and monitor transactions securely and in compliance with incoming legislation. The range of transaction solutions can be tailored to meet customer needs



<sup>1</sup> For more information on our technology transformation, refer to September 2015 strategy update 'Unlocking Westpac's Potential'. <sup>2</sup> Logos are of the respective companies R3, Stone & Chalk & uno.

## Reinventure – Investing in new technology businesses

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



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



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



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



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

New



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



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

New



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



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

New



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



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

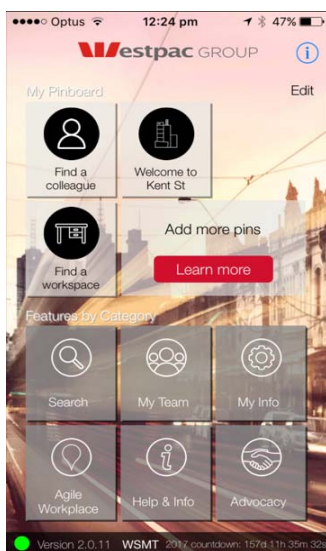


An app to revolutionise the payment process for customers when dining out or grabbing a coffee on the go

# Workforce revolution delivering

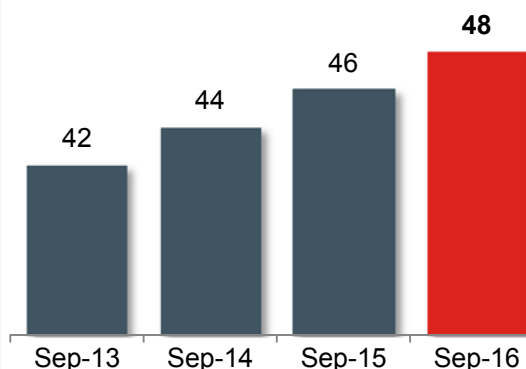
## Agile work space providing benefits

- Around 10,200 employees now in Agile workplaces
- Delivering following benefits
  - 87% decline in paper and storage
  - 25% lower office copy paper usage<sup>1</sup>
  - Respond faster to changing business needs, saving around \$800k pa in relocation expenses

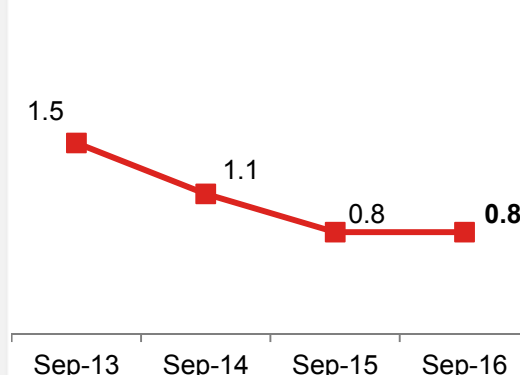


Agile working supported with our worksmart app

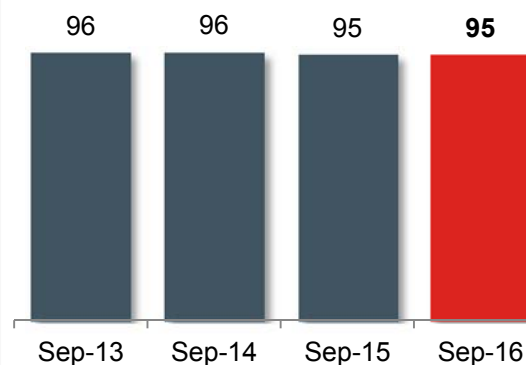
## Women in leadership<sup>2</sup> (%)



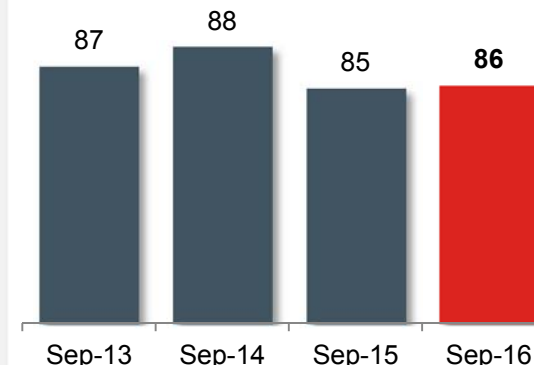
## Lost time injury frequency rate (rolling 12 months) (#)



## High performer retention (rolling 12 months) (%)



## New starter retention (rolling 12 months) (%)



<sup>1</sup> Reduction in office copy paper costs is in real terms over the last three years. <sup>2</sup> Spot number as at 30 September of each of the years.



# Continued sustainability leadership

## Strategic priorities and FY16 progress highlights

1

### Embracing societal change



Help improve the way people work and live as our society changes

- Proportion of leadership roles held by women moved closer to our 2017 target of 50%, increasing to 48%, up from 46% last year
- Recruited an additional 140 Indigenous Australians in 2016

2

### Environmental solutions



Help find solutions to environmental challenges

- Total committed exposure to the CleanTech and environmental services sector was \$6.2bn as at 30 September 2016, remaining ahead of target<sup>1</sup>
- St. George's Barangaroo branch was the first retail fit-out in Australia to be awarded a 6 Star Green Star rating, the first bank branch nationally to be rated by the GBCA<sup>2</sup>

3

### Better financial futures



Help customers to have a better relationship with money, for a better life

- Over 64,000 customers brought into the banking system in the Pacific in 2016, and over 100,000 mobile banking activations since 2014
- Increased lending to the social and affordable housing sector to \$1.05bn, up from \$1.02bn as at 30 September 2015

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

## Leading track record

- Most sustainable bank globally in the 2016 Dow Jones Sustainability Index for the third time in a row, and among sector leaders annually since 2002
- Included in the Global 100 Most Sustainable Corporations in the World by Corporate Knights for 10 of the last 11 years
- Included in the 2016 CDP<sup>3</sup> Climate A list, ranking Westpac among the top 9% of participating companies globally

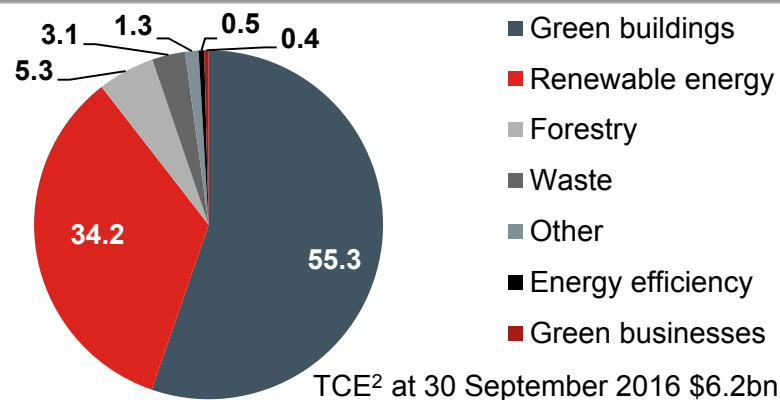
## Significant achievements

- External Stakeholder Advisory Council appointed
- Social enterprises supported by Westpac Foundation created 2,912 employment pathways including 839 jobs
- Made significant progress against our Sustainability Strategy with more than half of the 2017 targets met or exceeded ahead of schedule

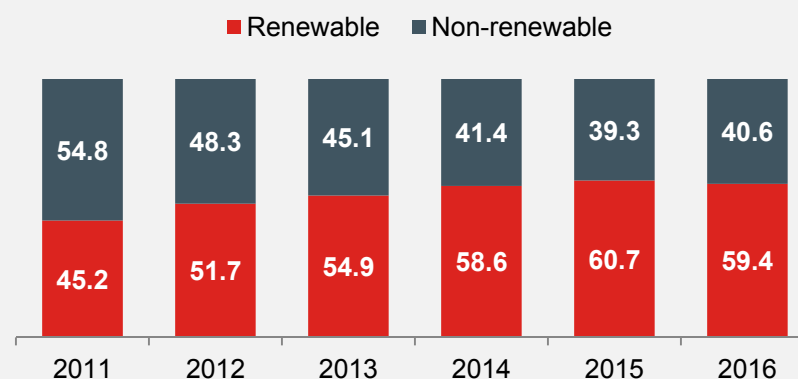
<sup>1</sup> From 2015, a higher threshold for green buildings was introduced in line with industry trends. <sup>2</sup> Rated by Green Building Council of Australia (GBCA) under the Green Star Interiors tool. <sup>3</sup> Formerly the Carbon Disclosure Project.

# Continued support for CleanTech and renewable electricity generation (Australia and New Zealand)

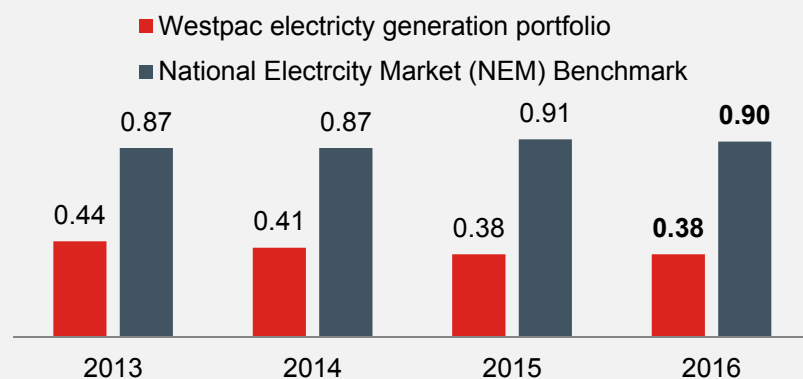
CleanTech<sup>1</sup> and environmental services TCE by type (%)



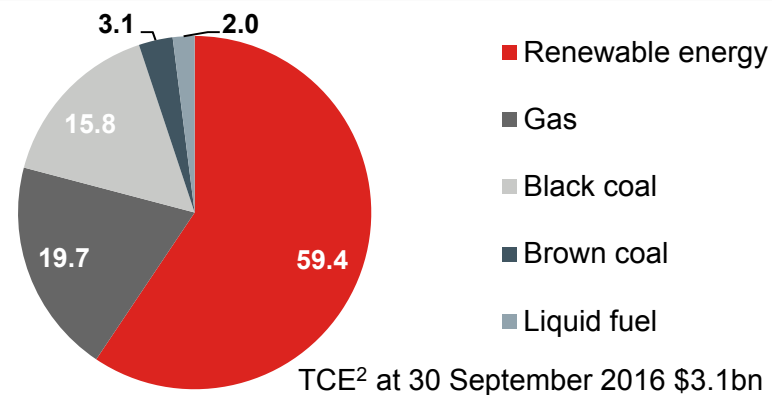
Electricity generation portfolio (%)



Emissions intensity (tCO<sub>2</sub>-e/MWh) – Australia only



Electricity generation TCE by type (%)



<sup>1</sup> In 2016 Westpac had no exposure to waster or land remediation projects that met the criteria for the Group's CleanTech exposures. <sup>2</sup> TCE represents exposures in WIB.

For further details refer to Westpac Group 2016 Sustainability Performance Report or [www.westpac.com.au/sustainability](http://www.westpac.com.au/sustainability).



# Actively supporting Australia

## Supporting communities<sup>1</sup>

### Backing economic activity

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

**\$103bn**  
new lending<sup>2</sup>  
**\$576bn**  
total Aust. loans

### Wealth of many Australians

- Support working and retired Australians either directly (622K shareholders) or via their super funds

**\$6.3bn**  
in dividends;  
Market  
capitalisation  
\$99bn

### The bottom line

- 3<sup>rd</sup> largest Australian taxpayer<sup>3</sup> paying more than \$3bn in income tax in 2015

**>\$3.3bn**  
in income tax  
expense

### The workforce

- Employ 39,568 people

**\$4.6bn**  
in payments to  
employees

### The nation

- \$10m launch of Westpac 200 Businesses of tomorrow
- First 100 Westpac Scholars
- 40+ years continuous support of the Westpac Rescue Helicopter Service

**>1%**  
community  
contributions to  
pre-tax profit

## Income tax expense on a cash earnings basis (\$m) FY15 FY16

Notional income tax based on the Australian company tax rate of 30%	3,346	3,354
---	-------	-------

Net amounts not deductible/(not assessable)	(72)	(10)
---	------	------

Total income tax expense in the income statement	3,274	3,344
--	-------	-------

Effective tax rate (%)	29.4	29.9
------------------------	------	------

## Other tax/government payments (\$m) FY15 FY16

Net GST, Payroll tax, FBT	443	447
---------------------------	-----	-----

Westpac also makes a number of other government and regulatory payments including fees for committed liquidity facility, APRA fees and stamp duties which are not included in the above. Similarly, Westpac also collects tax on behalf of others, such as withholding tax, PAYG and GST. These are excluded from this analysis

<sup>1</sup> All figures for the full year to 30 September 2016 unless otherwise stated. Dividends paid represents the 1H16 and 2H16 dividend. <sup>2</sup> New mortgage and new business lending in Australian retail operations which includes CB, BB and BTFG. <sup>3</sup> Source: Bloomberg.



Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

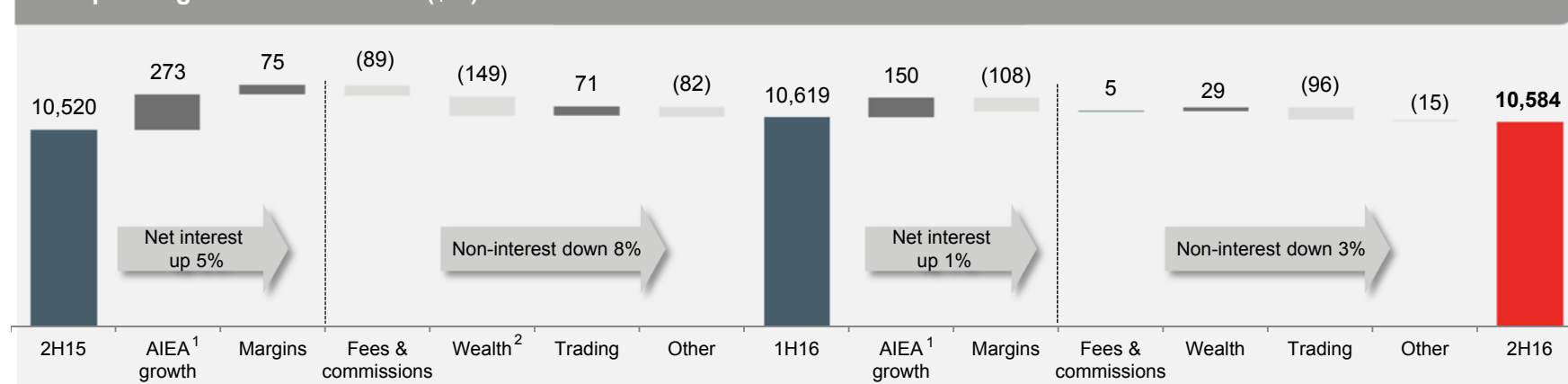
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## Earnings Drivers

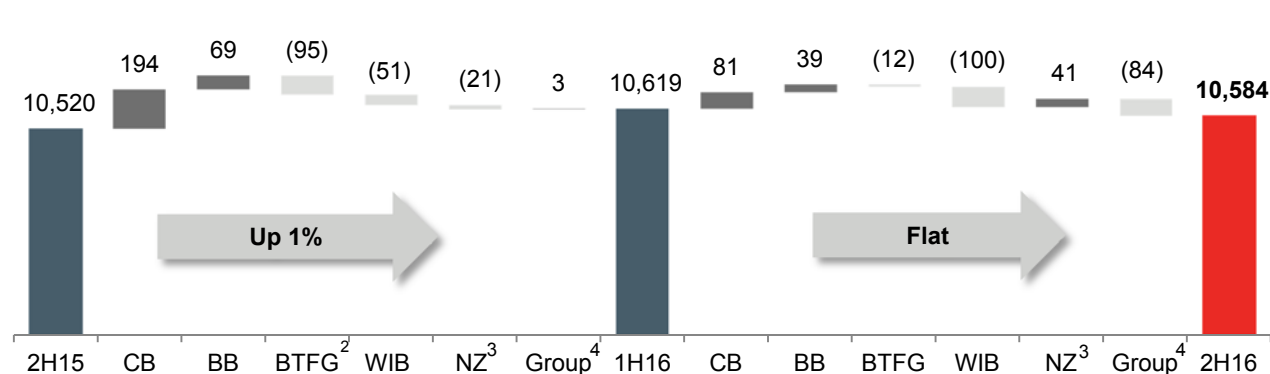
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# Net operating income **flat over half, up 3% over year**

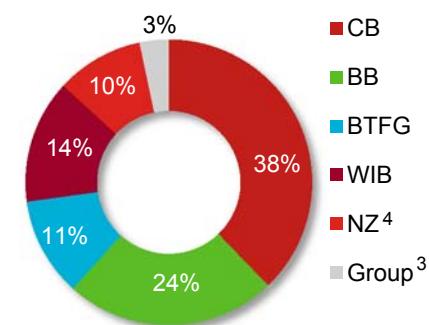
## Net operating income movement (\$m)



## Net operating income by division (\$m) and divisional contribution to net operating income 2H16 (%)



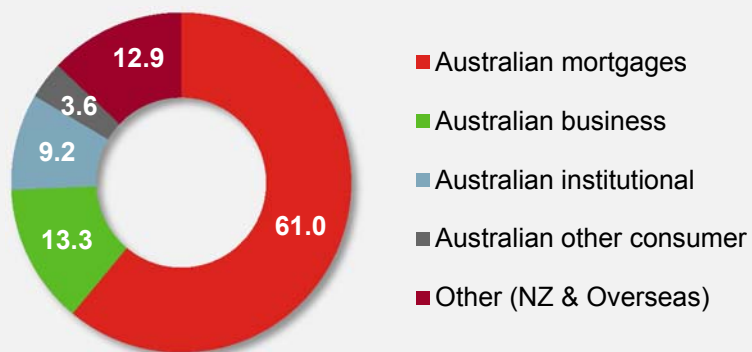
## 2H16 Divisional contribution



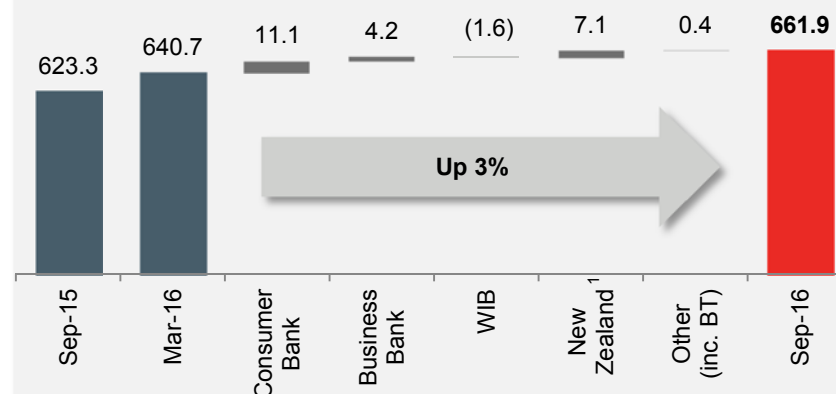
1 AIEA is average interest-earning assets. 2 Impact of partial sale and deconsolidation of BTIM. 3 New Zealand contribution represented in A\$. 4 Group Businesses.

# Composition of lending

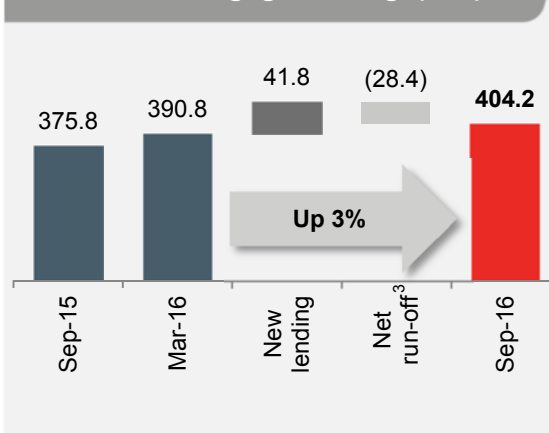
Composition of lending (% of total)



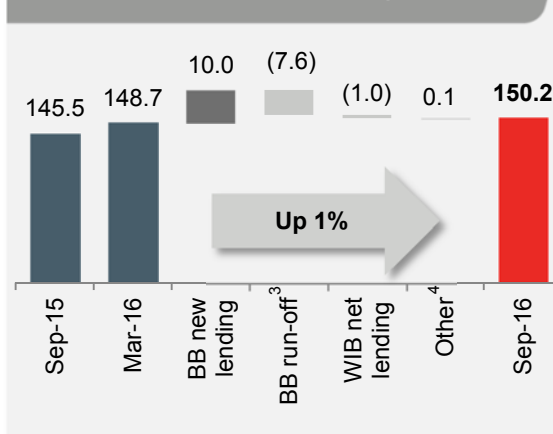
Net loans (\$bn)



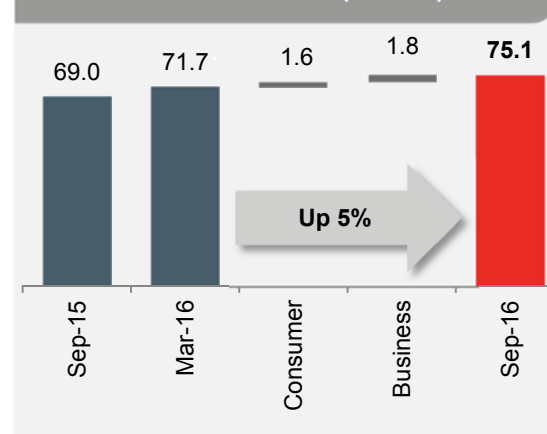
Australian mortgage lending<sup>2</sup> (\$bn)



Australian business lending<sup>2</sup> (\$bn)



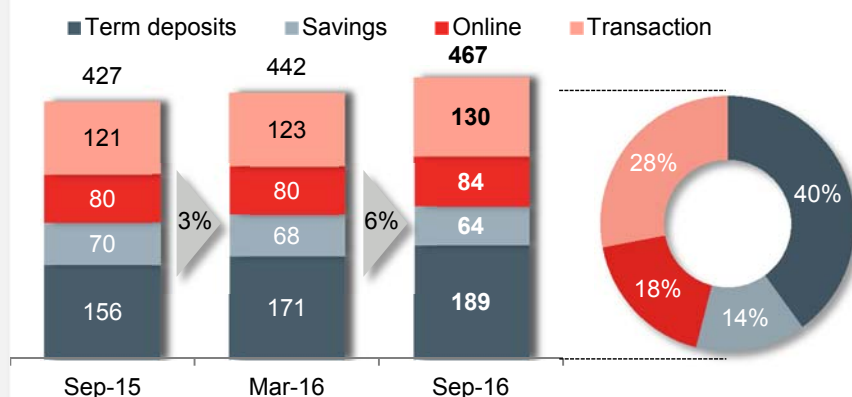
New Zealand net loans (NZ\$bn)



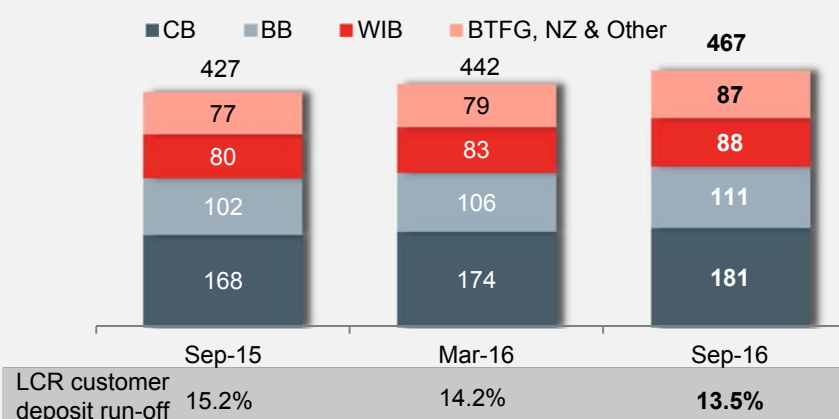
1 In A\$. 2 Gross loans. 3.Run-off includes repayment. 4 Other includes business lending in Private Wealth.

# Customer deposits

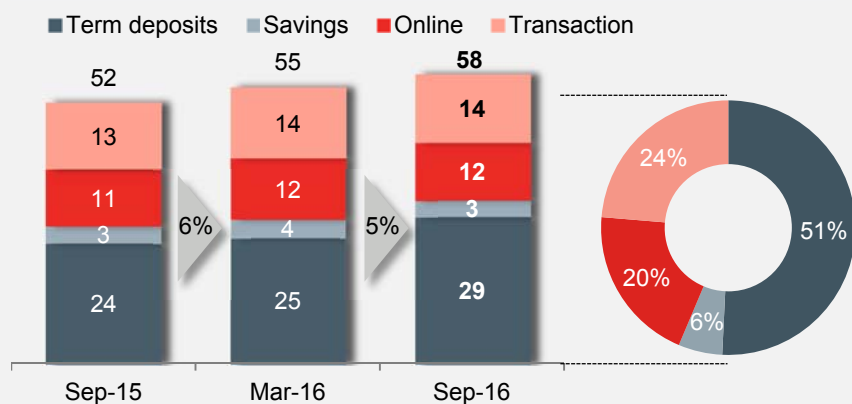
Customer deposit mix (\$bn) and % of total



Customer deposit composition (\$bn)

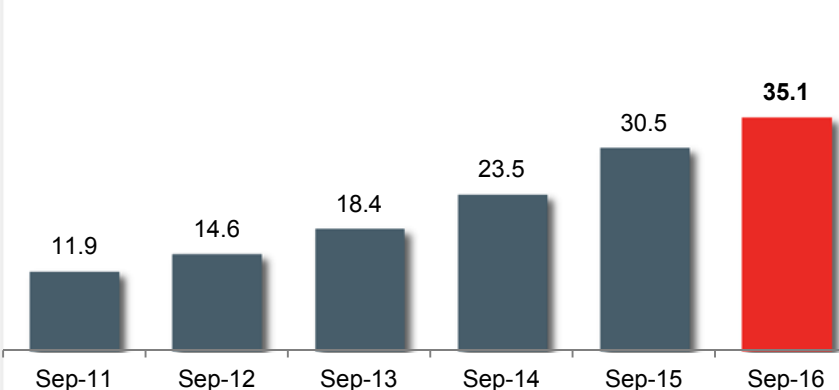


New Zealand customer deposits (NZ\$bn)



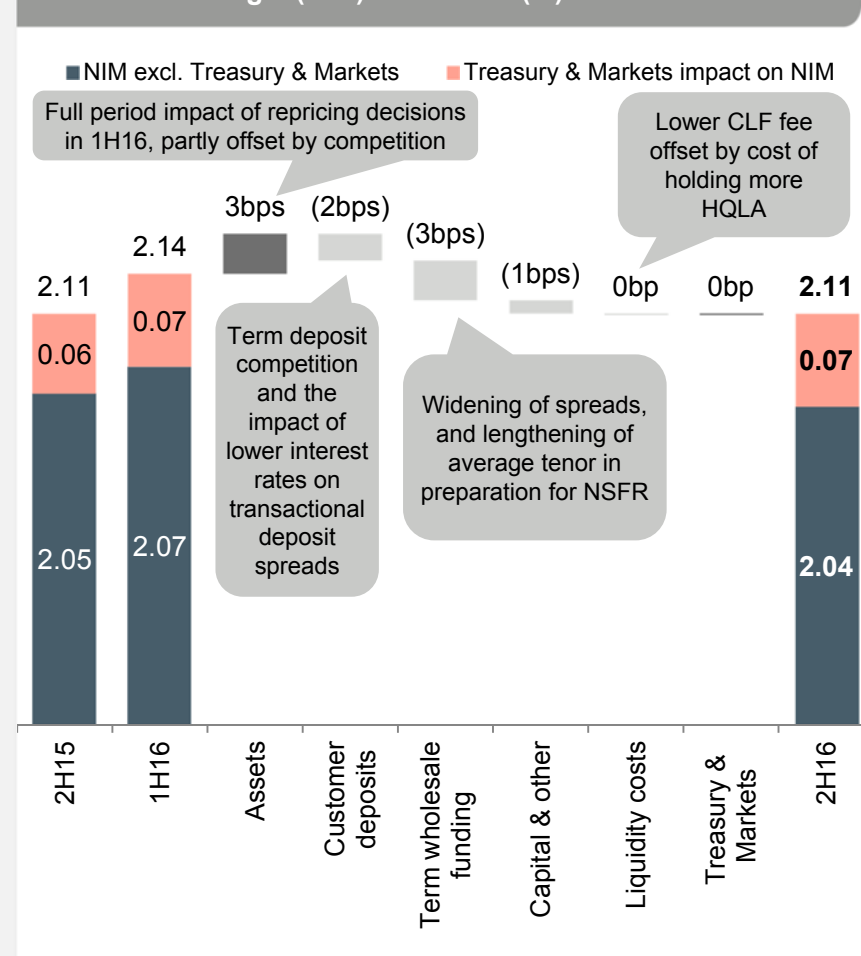
<sup>1</sup> Included in transaction accounts.

Mortgage offset<sup>1</sup> balances (\$bn)

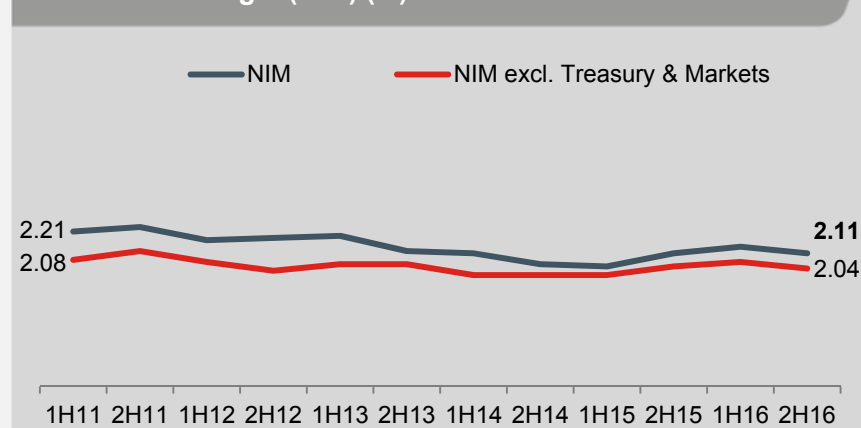


# Net interest margin down 3bps, primarily due to higher funding costs and lower interest rates

Net interest margin (NIM) movement (%)



Net interest margin (NIM) (%)

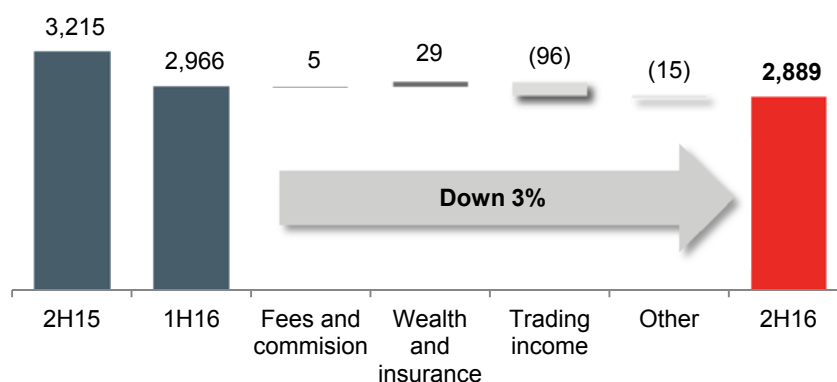


Net interest margin by division (%)

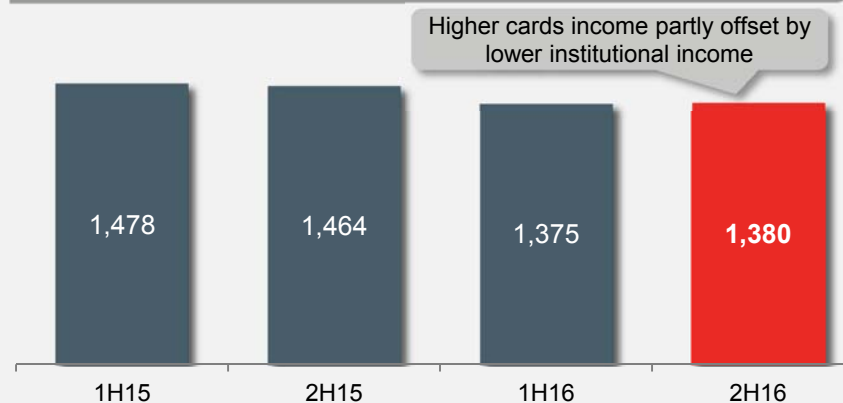


# Non-interest income **down 3%**, primarily from lower trading income

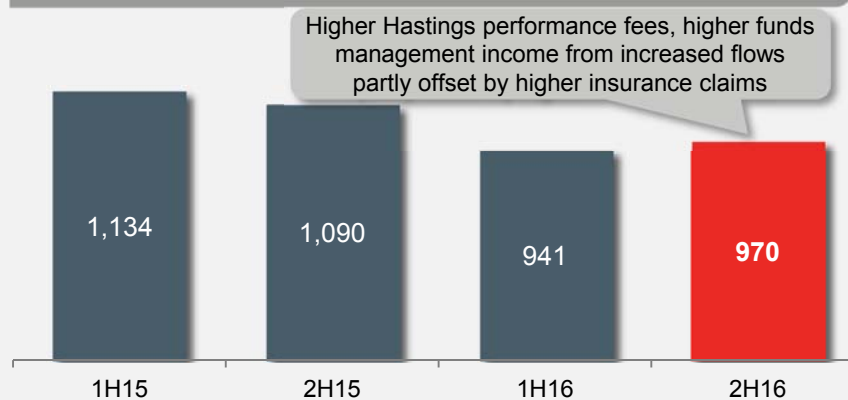
## Non-interest income contributors (\$m)



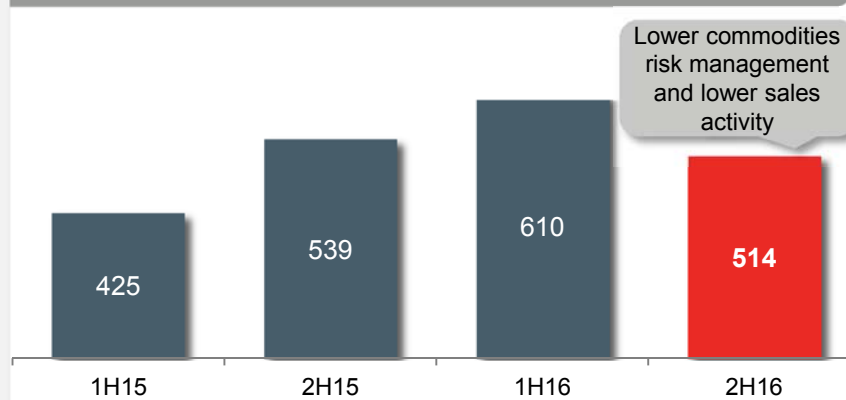
## Fees and commission income (\$m)



## Wealth and insurance income (\$m)

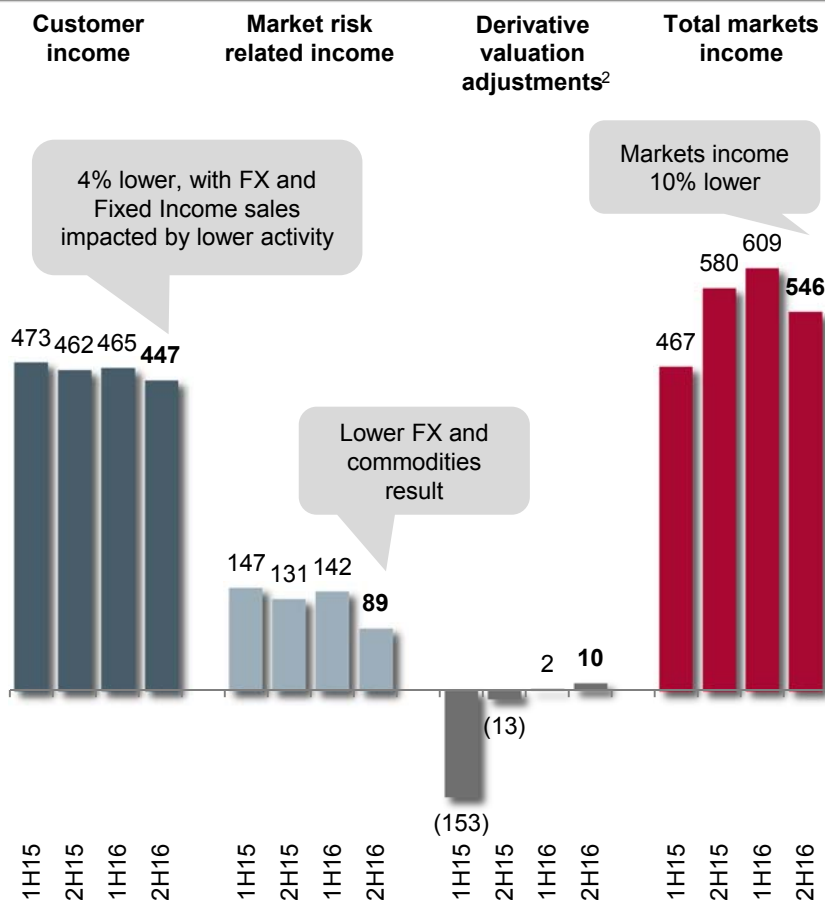


## Trading income (\$m)

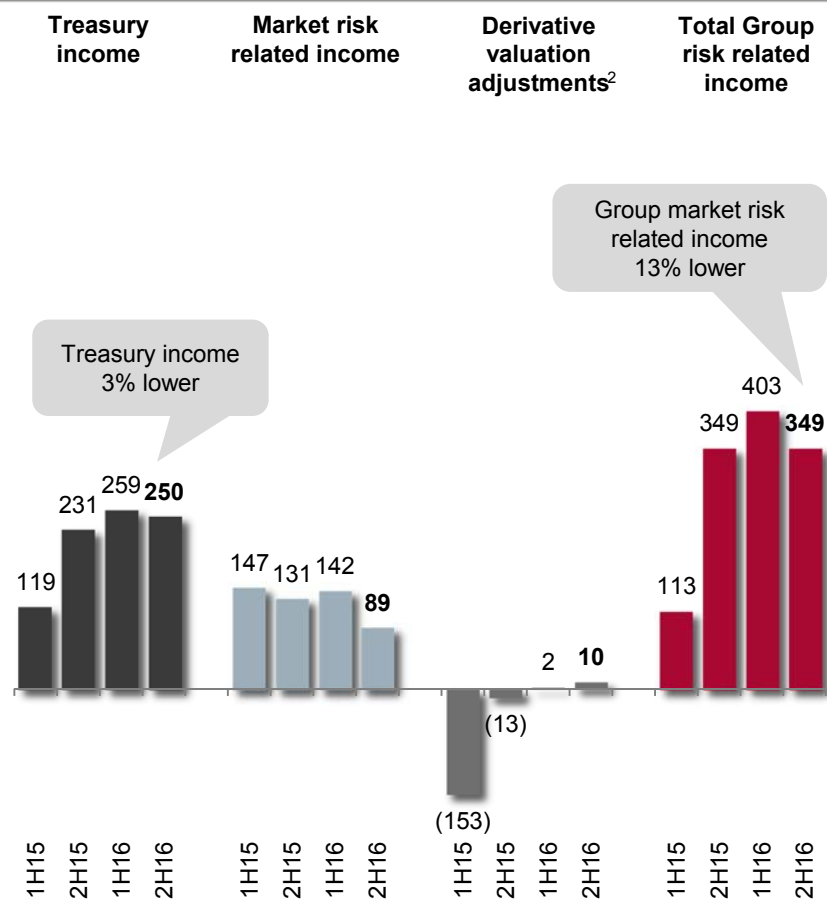


# Markets and Treasury income

## Markets income by activity<sup>1</sup> (\$m)



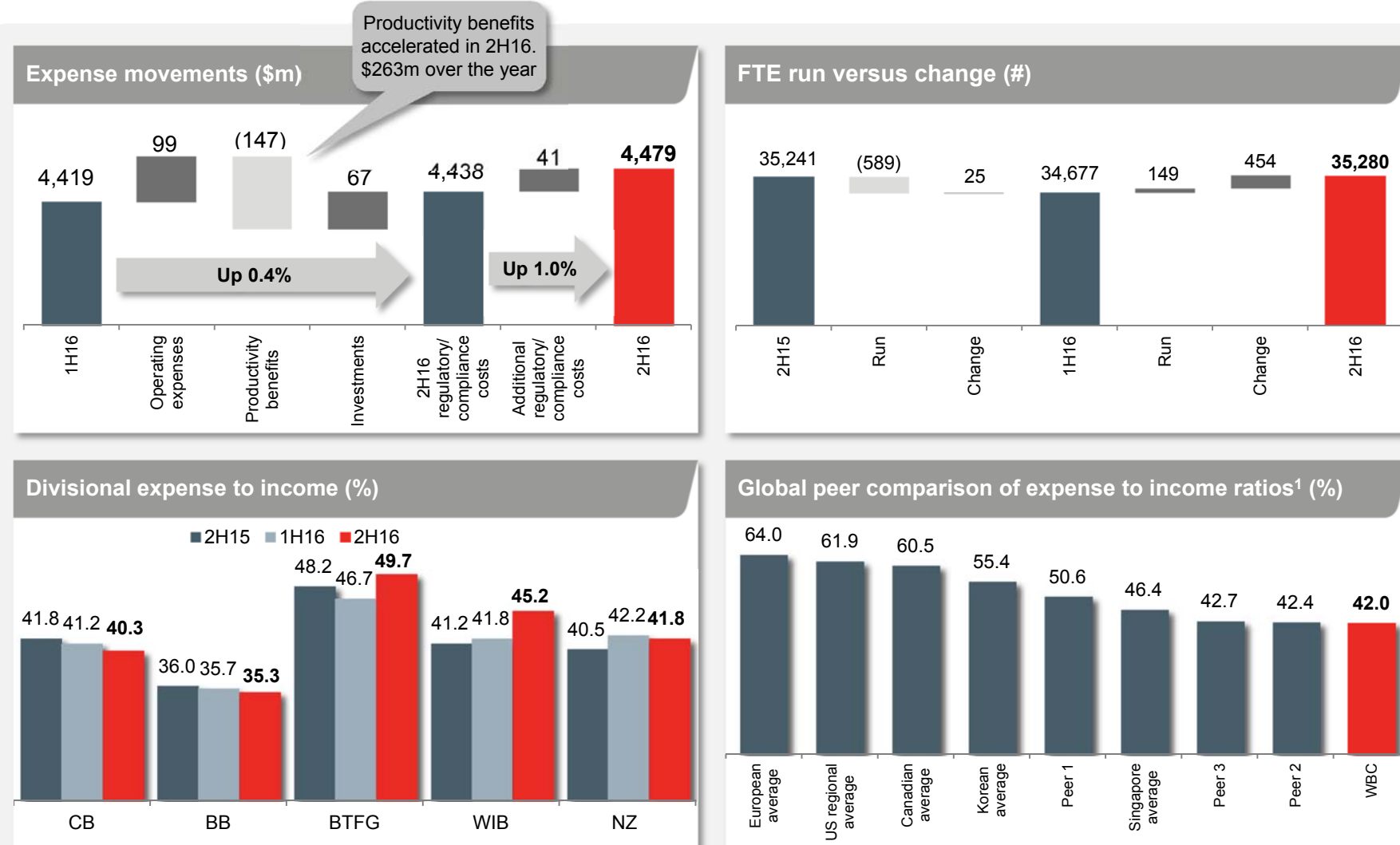
## Group market risk related income<sup>1</sup> (\$m)



<sup>1</sup> Prior periods have been restated to include Westpac Pacific. <sup>2</sup> 1H15 includes charge for methodology changes to derivative valuations of \$122m (pre-tax) and CVA of \$31m (pre-tax).



## Peer leading expense to income ratio, at 42%



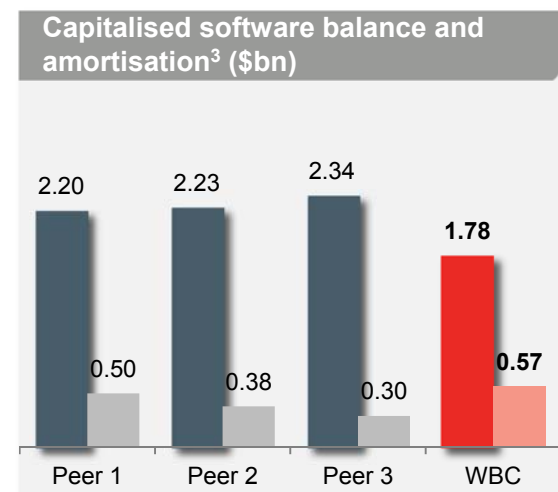
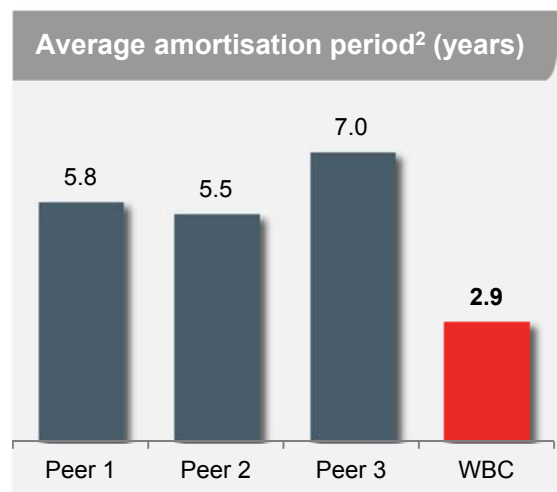
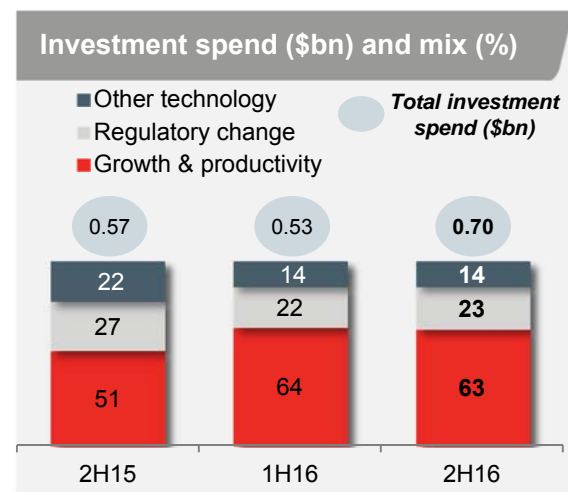
<sup>1</sup> Company data, Credit Suisse. Expense to income ratio average for banks based on their FY16 results, European average excludes Deutsche Bank.

# Investment spend focused on growth and productivity

Investment spend expensed (\$m)	2H15	1H16	2H16
Investment spend expensed	208	256	261
Investment spend expensed as a % of total investment	37%	49%	37%
Software amortisation	291	271	294

Investment spend (\$m)	FY14	FY15	FY16
Expensed	357	375	517
% expensed	33%	37%	42%
Capitalised <sup>1</sup>	711	650	710
Total investment spend	1,068	1,025	1,227
Software amortisation	465	545	565

Investment spend capitalised <sup>1</sup> (\$m)	2H15	1H16	2H16
<b>Capitalised software</b>			
Opening balance	2,102	1,654	1,651
Additions	356	268	428
Amortisation	(291)	(271)	(294)
Write-offs, impairments and foreign exchange translation	(31)	-	(4)
Capitalised technology cost balances	(482)	-	-
Closing balance	1,654	1,651	1,781
<b>Other deferred expenses</b>			
Deferred acquisition costs	119	116	101
Other deferred expenses	14	27	45



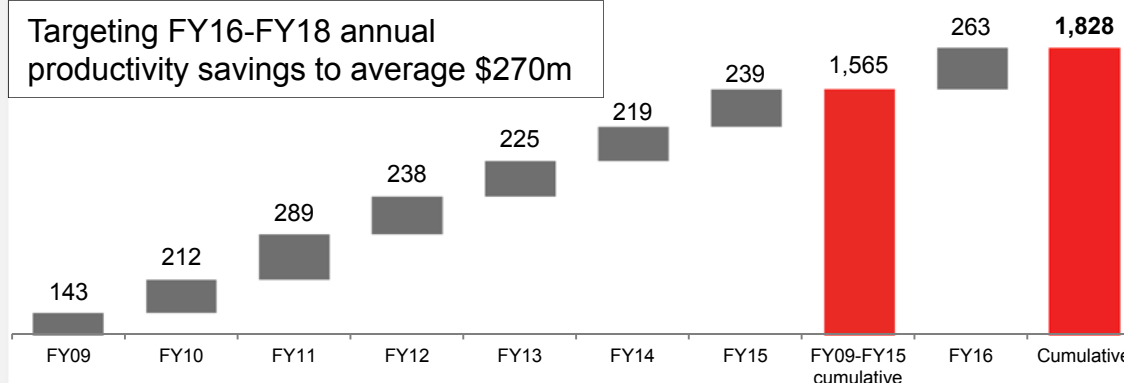
<sup>1</sup> Investment spend capitalised also includes technology hardware equipment. <sup>2</sup> Data based on FY16 cash earnings results, excludes write-offs. <sup>3</sup> Amortisation expense is based on amortisation expense excluding any impairment or accelerated amortisation and is based on FY16 amortisation expense.

# Consistent track record of delivering productivity savings: **\$1.8bn in last 8 years**

- Business Connect and Connect Now video conferencing now in 89% of sites<sup>1</sup>
- 31% reduction in retail and business banking and wealth complaints over last 12 months
- 65,000 Westpac customers requested to temporarily lock or unlock cards 298,000 times online since launched in November 2015. Online now accounts for 59% of all card locks
- 600,000 downloads of Proof of Balance and interim statements online since launch. Previously these customers would have needed to visit a branch or call a contact centre
- Connect – the ability of customers to connect to a banker via their mobile without needing to be re-verified. This has driven reduction, on average, of between 50 – 60 seconds per call
- E-statement functionality launched on Westpac One in New Zealand in March has grown from 13,000 elections in the first month to 121,000 as at September 2016
- Over 50% of credit card applications in New Zealand originated online

## \$1.8bn saved from efficiency programs since FY09 (\$m)

Targeting FY16-FY18 annual productivity savings to average \$270m



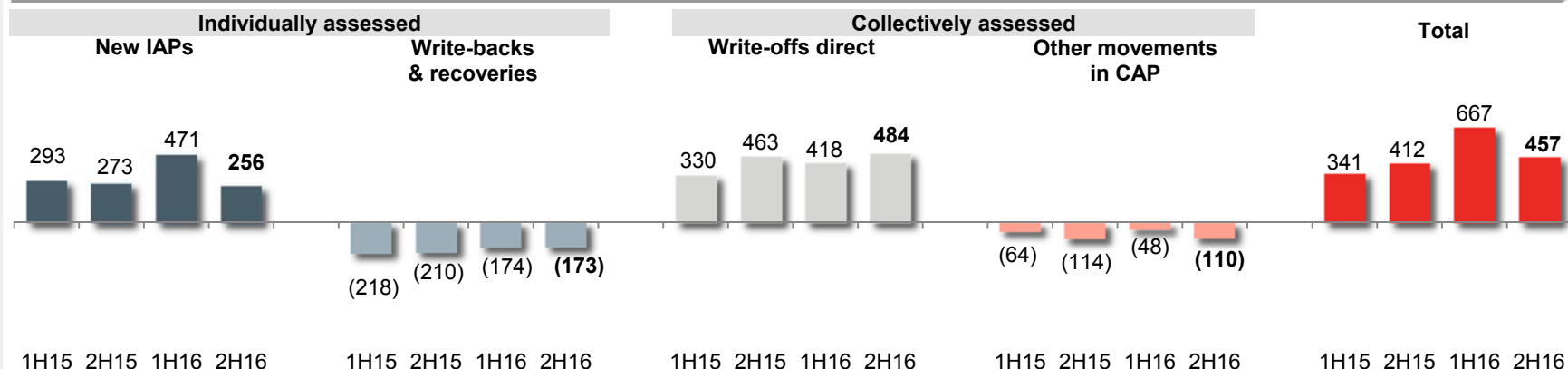
## Metrics

	FY14	FY15	FY16
% of new format Australian branches <sup>2,3</sup>	25%	36%	45%
Australia % of Smart ATMs of ATM network <sup>3</sup>	25%	34%	41%
Number of branches <sup>4</sup>	1,534	1,429	1,309
Consumer Bank and Business Bank active digital customers <sup>3</sup> (# m)	4.0	4.0	4.2
Number of IT applications closed <sup>3</sup>	77	119	151

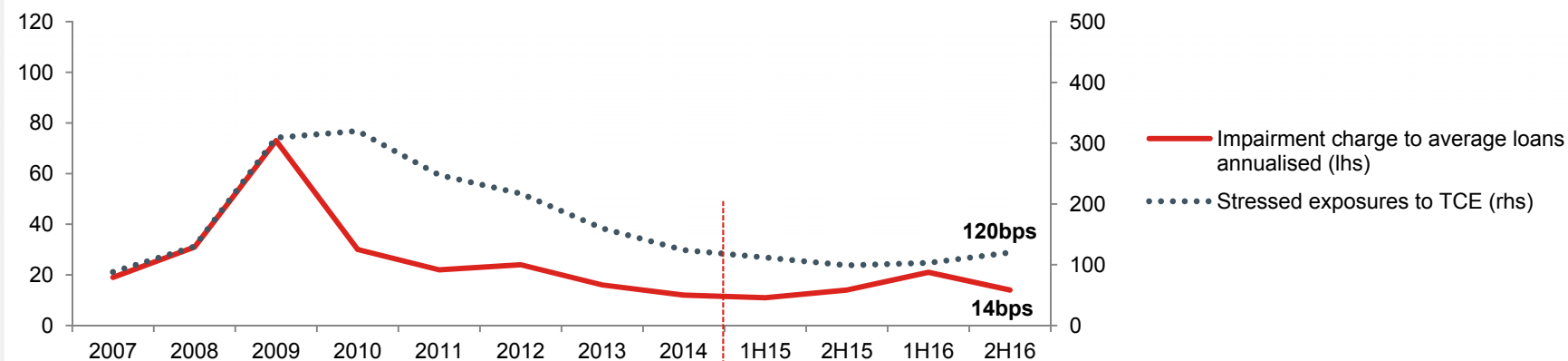
<sup>1</sup> Sites includes branches and standalone business banking centres and excludes instores. <sup>2</sup> Branches excluding instores. <sup>3</sup> Cumulative numbers. <sup>4</sup> Total branches Australia, New Zealand and Westpac Pacific.

## 2H16 impairment charges down due to lower new IAPs

### Impairment charges (\$m)



### Impairment charges and stressed exposures<sup>1</sup> (bps)



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



Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

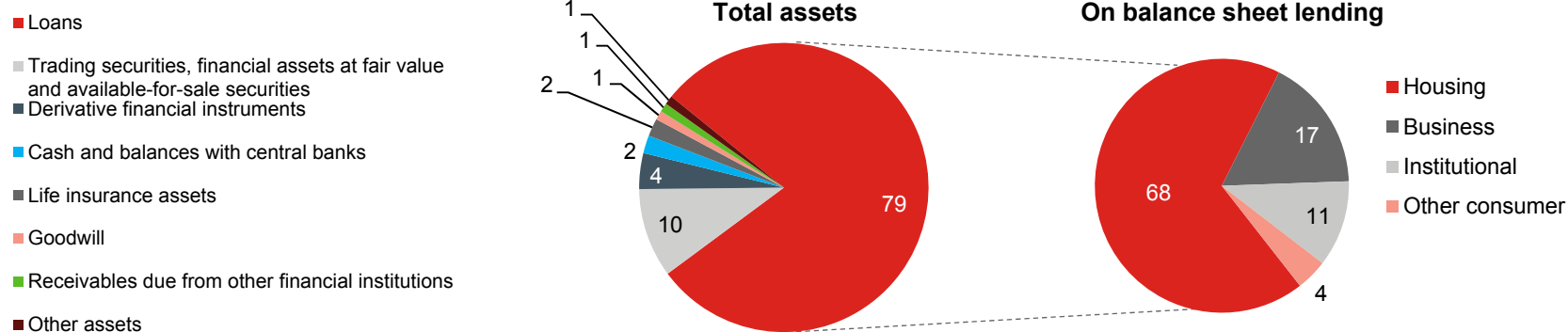
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## Asset Quality

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# High quality portfolio with bias to secured consumer lending

Asset composition as at 30 September 2016 (%)



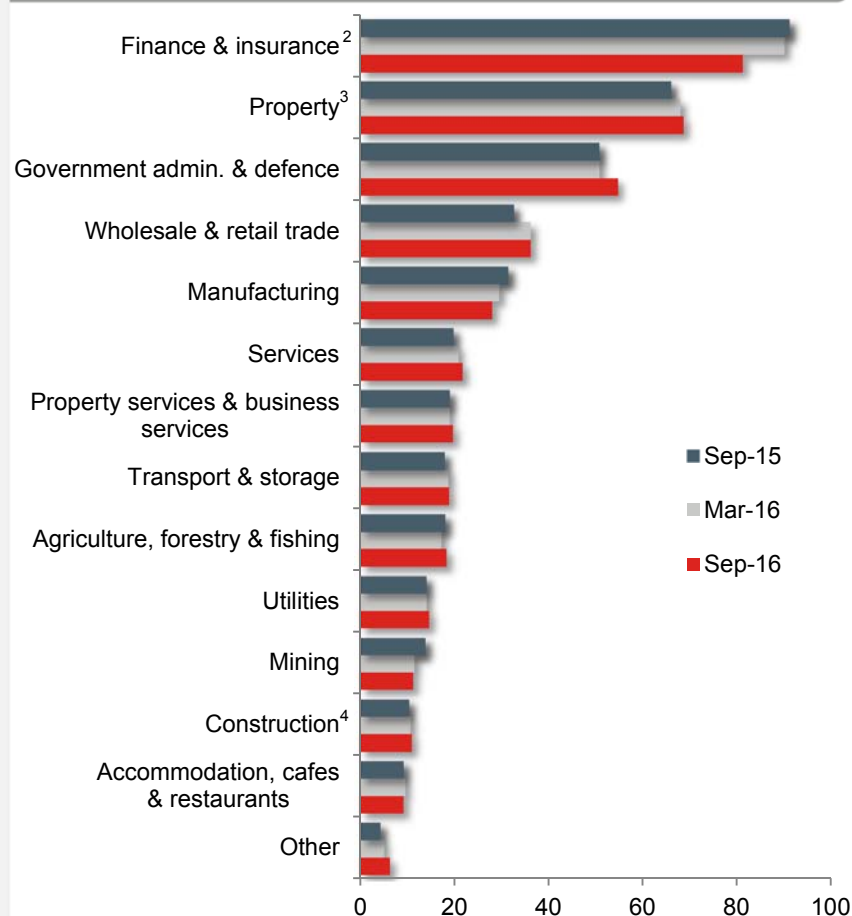
Exposure by risk grade as at 30 September 2016 (\$m)

Standard and Poor's risk grade <sup>1</sup>	Australia	NZ / Pacific	Asia	Americas	Europe	Group	% of Total
AAA to AA-	91,355	7,852	1,145	8,181	917	109,450	11%
A+ to A-	28,317	5,570	5,443	3,980	3,257	46,567	5%
BBB+ to BBB-	60,039	10,718	8,859	1,806	2,303	83,725	9%
BB+ to BB	73,544	10,342	1,959	338	561	86,744	9%
BB- to B+	57,836	9,915	126	15	32	67,924	7%
<B+	6,058	3,382	-	31	-	9,471	1%
Secured consumer	468,952	51,576	778	-	-	521,306	53%
Unsecured consumer	46,286	5,410	-	-	-	51,696	5%
<b>Total committed exposures (TCE)</b>	<b>832,387</b>	<b>104,765</b>	<b>18,310</b>	<b>14,351</b>	<b>7,070</b>	<b>976,883</b>	
<b>Exposure by region<sup>2</sup> (%)</b>	<b>85%</b>	<b>11%</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>		<b>100%</b>

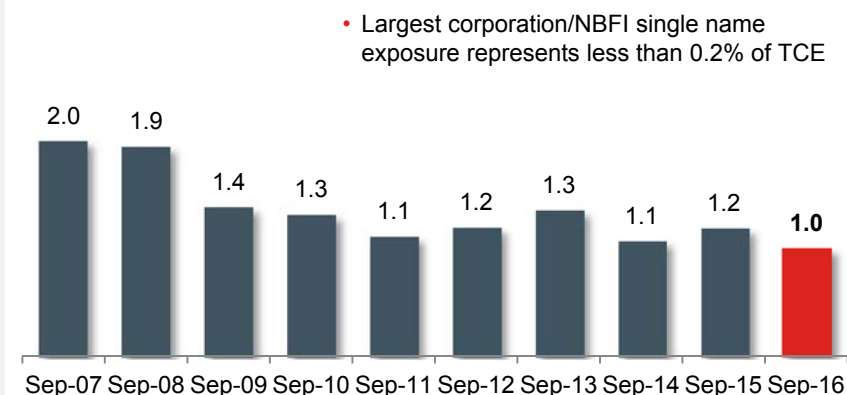
<sup>1</sup> Risk grade equivalent. <sup>2</sup> Exposure by booking office.

# A well diversified portfolio across industries and large exposures

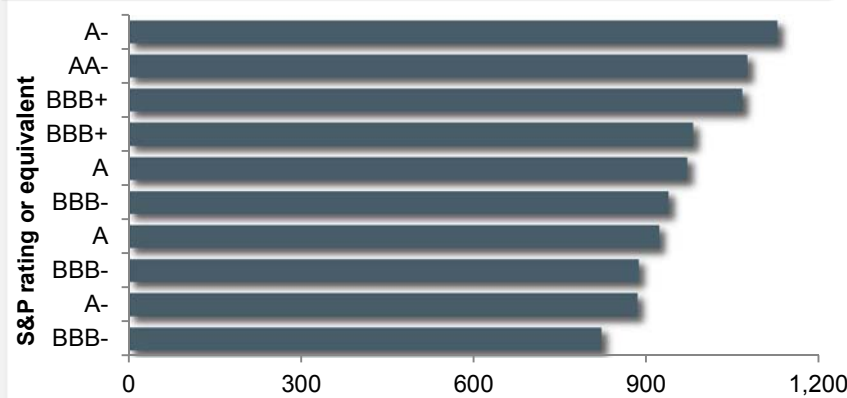
Exposures at default<sup>1</sup> by sector (\$bn)



Top 10 exposures to corporations and NBFIs<sup>5</sup> as a % of TCE<sup>6</sup> (%)



Top 10 exposures to corporations & NBFIs<sup>5</sup> as at 30 September 2016 (\$m)

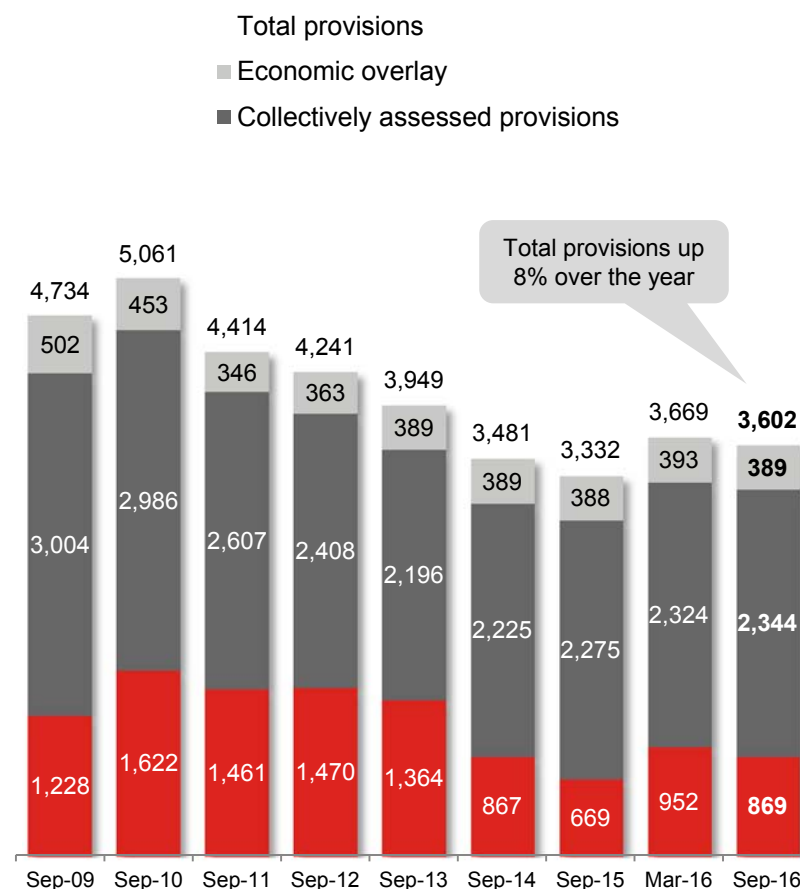


<sup>1</sup> Exposures at default represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. Chart excludes consumer lending. <sup>2</sup> Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. <sup>3</sup> Property includes both residential and non-residential property investors and developers, and excludes real estate agents. <sup>4</sup> Construction includes building and non-building construction, and industries serving the construction sector. <sup>5</sup> NBFI is Non-Bank Financial Institutions. <sup>6</sup> Includes St.George from 2009 onwards.

# Strong provisioning maintained

Asset quality	2H15	1H16	2H16
Impairment charges to average loans annualised (bps)	13	21	14
Impairment charges to average loans annualised (bps) including interest carrying adjustment	16	24	17
Gross impaired assets to gross loans (%)	0.30	0.39	0.32
Stressed exposures to TCE (%)	0.99	1.03	1.20
<b>Provisions</b>			
Total provisions to gross loans (bps)	53	57	54
Impaired asset provisions to impaired assets (%)	46	48	49
Collectively assessed provisions to credit RWA (bps)	86	87	76 <sup>1</sup>
87bps excluding the impact of increase in mortgage risk weights from 1 July 2016			
Economic overlay (\$m)	388	393	389

## Total provisions (\$m)

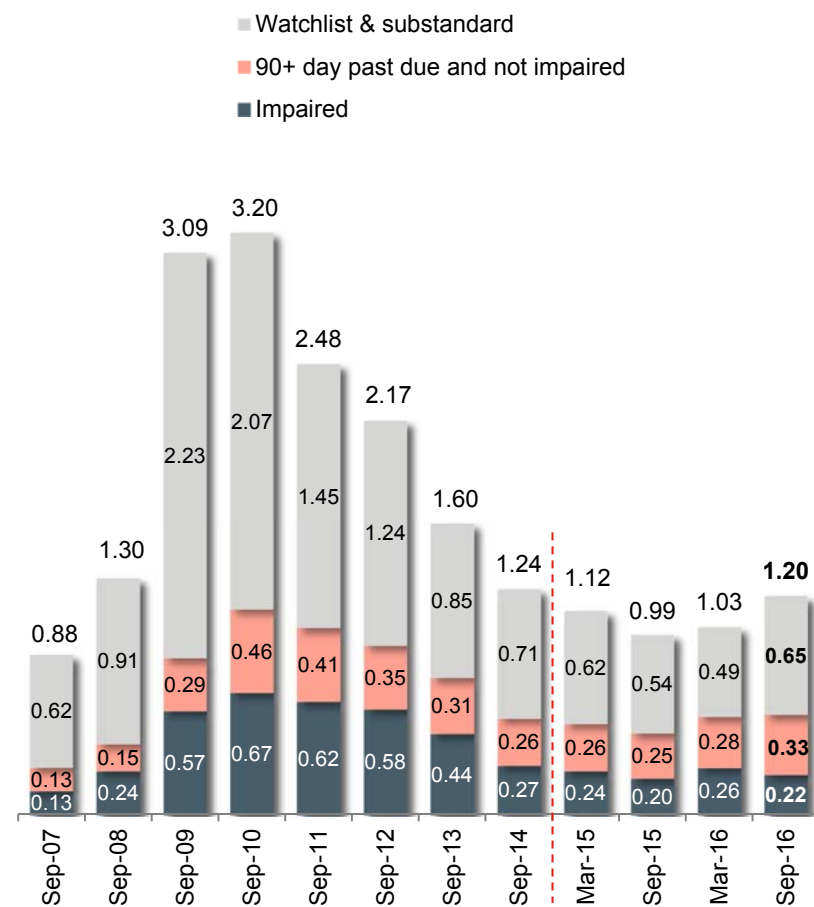


<sup>1</sup> Change in mortgage risk weights increased credit RWA by \$43bn, reducing the collectively assessed provisions to credit RWA ratio by 11bps.

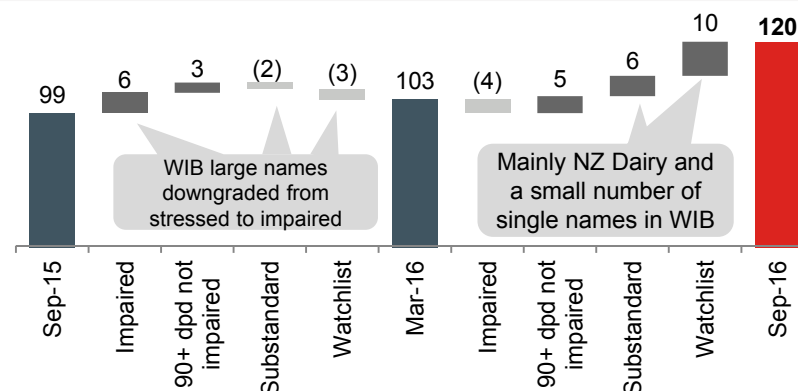


# New impaired assets lower; Increase in stress mainly in Watchlist and Substandard

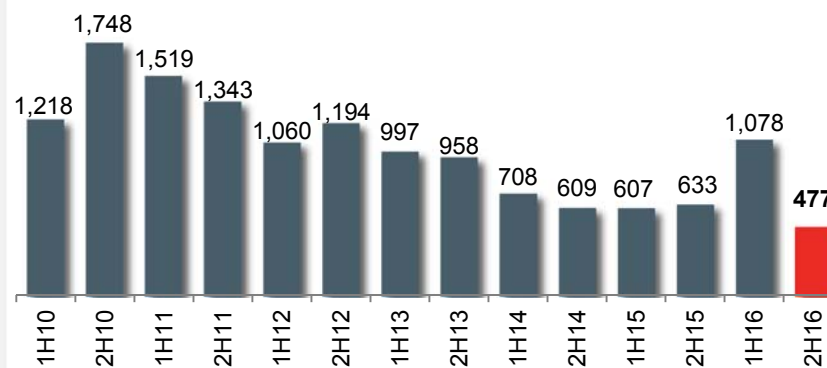
Stressed exposures as a % of TCE (%)



Movement in stress categories (bps)

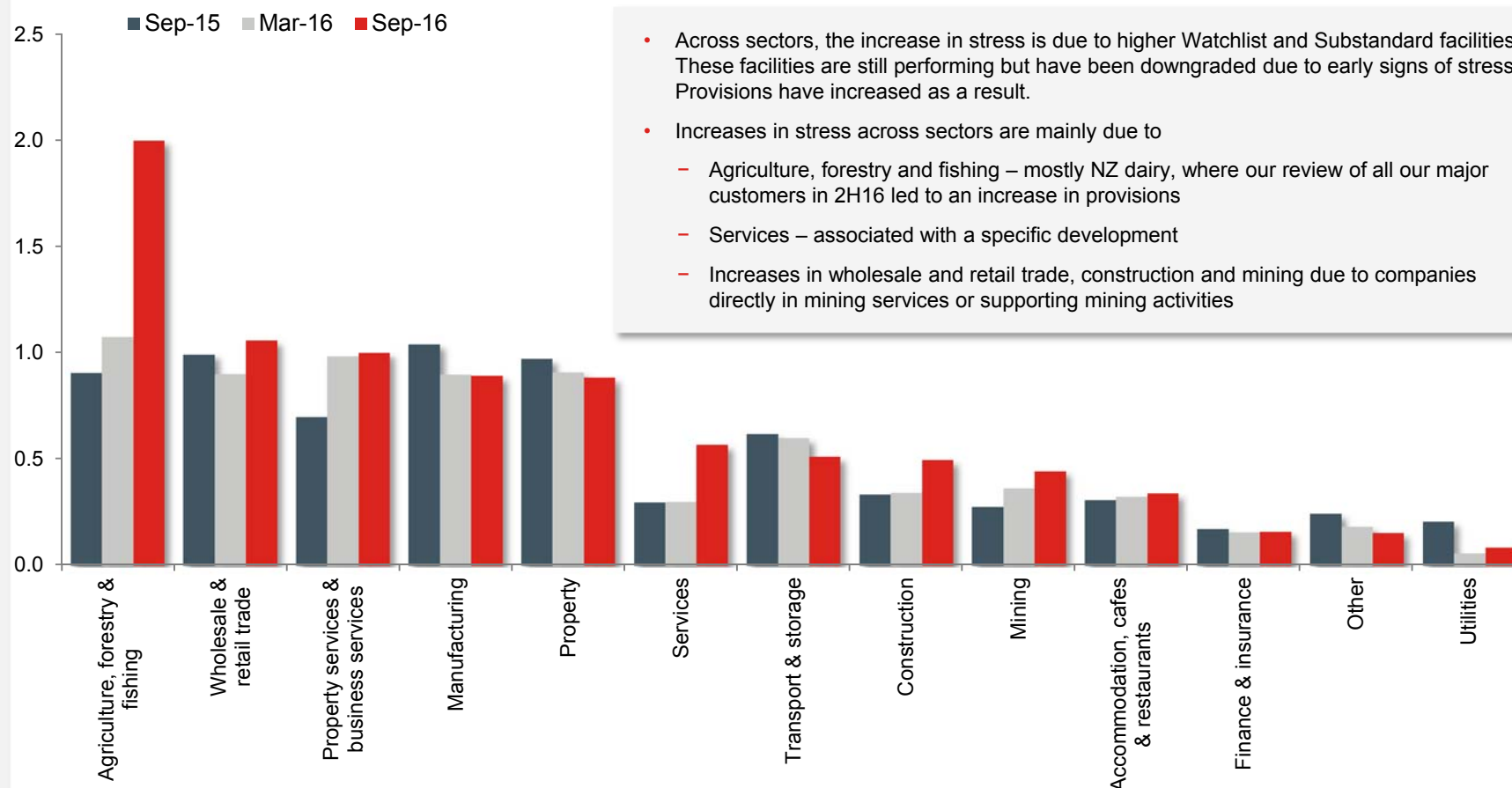


New and increased gross impaired assets (\$m)



# Increase in stressed exposures by industry mainly in NZ dairy and mining-related exposures

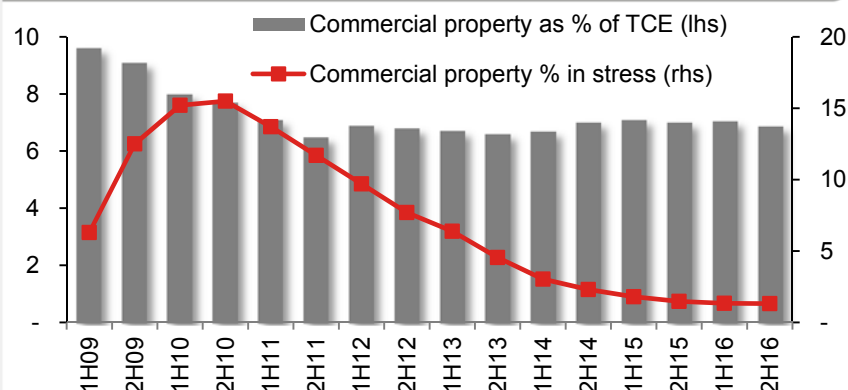
Corporate and business portfolio stressed exposures by industry (\$bn)



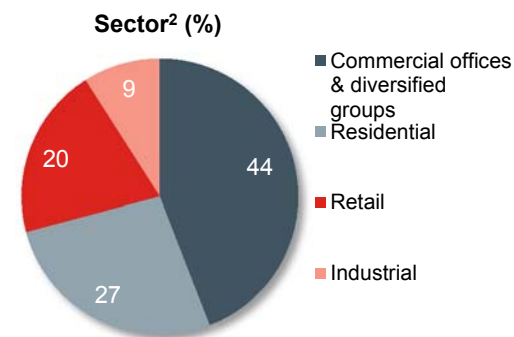
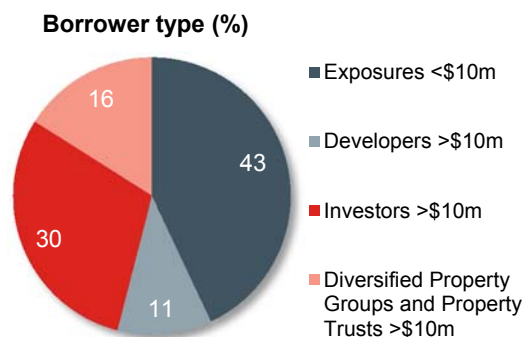
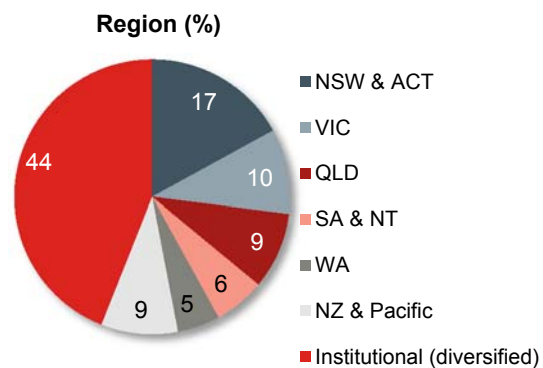
## Areas of interest: Commercial property

Commercial property portfolio	Mar-16	Sep-16
Total committed exposures (TCE)	\$67.5bn	<b>\$67.1bn</b>
Lending	\$52.1bn	<b>\$52.6bn</b>
Commercial property as a % of Group TCE	7.06	<b>6.87</b>
Median risk grade <sup>1</sup>	BB equivalent	<b>BB equivalent</b>
% of portfolio graded as 'stressed' <sup>1</sup>	1.34	<b>1.32</b>
% of portfolio in impaired	0.54	<b>0.53</b>

Commercial property exposures % of TCE and % in stress



Commercial property portfolio composition (%)



<sup>1</sup> Includes impaired exposures. <sup>2</sup> Following a review of the commercial property sector mapping \$4.6bn (6.9% of total commercial property) was reclassified from "Commercial offices & diversified groups" to "Residential".

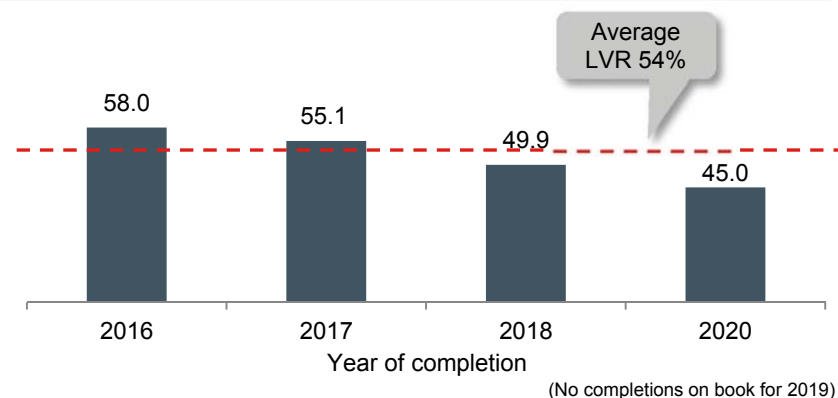
## Areas of interest: Inner city apartments

Commercial property portfolio TCE (\$bn)	Sep-16	%
Commercial property total committed exposures	<b>67.1</b>	<b>100%</b>
Residential apartment development >\$20m ("high rise")	<b>5.1</b>	<b>7.6%</b>
Residential apartment development >\$20m ("high rise") in major markets	<b>3.2</b>	<b>4.8%</b>
<i>Inner Melbourne</i>	<i>1.4</i>	<i>2.1%</i>
<i>Inner Brisbane</i>	<i>0.4</i>	<i>0.6%</i>
<i>Perth metro area</i>	<i>0.2</i>	<i>0.3%</i>
<i>Sydney major markets</i>	<i>1.2</i>	<i>1.8%</i>

### Underwriting standards tightening

- We have been progressively tightening risk appetite in areas of higher concern since 2012
- LVRs have been reducing, limiting the impact on debt repayment of any slow down in settlements. Weighted average LVR for total high rise residential development portfolio 54%; more recent projects have significantly lower LVRs
- All 2H16 debt facilities with presale settlements have been repaid in full
- Active management of concentration risk, including exposure to residential apartment developments taking into consideration both the commercial property and residential mortgage portfolios

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



### Consumer mortgage lending standards are tighter for inner city apartments

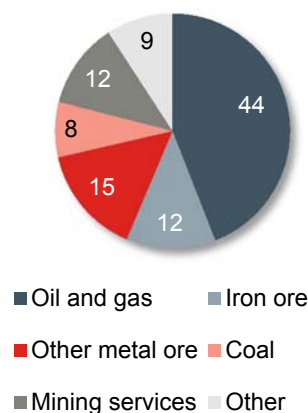
Total consumer mortgage loans for inner city apartments	<b>\$13.0bn</b>
Average LVR at origination	<b>69%</b>
Average Dynamic LVR	<b>54%</b>
Dynamic LVR >90%	<b>2.9%</b>
90+ day delinquencies	<b>30bps</b>

## Areas of interest: Mining and New Zealand dairy

Mining portfolio	Mar-16	Sep-16
Total committed exposures (TCE)	\$11.8bn	<b>\$11.3bn</b>
Lending	\$5.9bn	<b>\$6.2bn</b>
Mining as a % of Group TCE	1.23	<b>1.16</b>
Median risk grade <sup>1</sup>	BBB- equivalent	<b>BBB- equivalent</b>
% of portfolio graded as 'stressed' <sup>1</sup>	3.03	<b>3.94</b>
% of portfolio in impaired	1.26	<b>1.32</b>

- Diversified by commodity, customers and region
- Focused on operators with efficient, lower cost operating models
- Approx. 65% of the performing portfolio is Investment Grade
- Specific provisions to impaired assets at 48%
- Approximately half of the economic overlay allocated to the mining and mining-related sectors
- Oil and gas exposure \$5.0bn

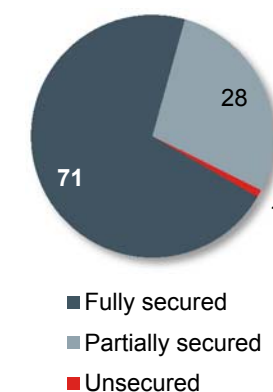
**Mining portfolio (TCE) by sector (%)**



New Zealand dairy portfolio	Mar-16	Sep-16
Total committed exposure (TCE)	NZ\$5.8bn	<b>NZ\$5.9bn</b>
Lending	NZ\$5.5bn	<b>NZ\$5.7bn</b>
New Zealand dairy as a % of Group TCE	0.55	<b>0.58</b>
% of portfolio graded as 'stressed' <sup>1</sup>	10.04	<b>25.29</b>
% of portfolio in impaired	0.13	<b>0.34</b>

- Impaired assets remain low
- Increase in stress from a portfolio review undertaken in 2H16 at a milk price of NZ\$4.25kgm/s
- Origination standards sound
  - Max 65% LVR on farmland
  - Majority of dairy security assets are in prime farming areas where values have been maintained
  - Focused on quality operators with efficient, lower cost models
  - Averaged payout used to determine long term viability and debt servicing ability
- Growth in dairy exposures mostly existing customers drawing on facilities

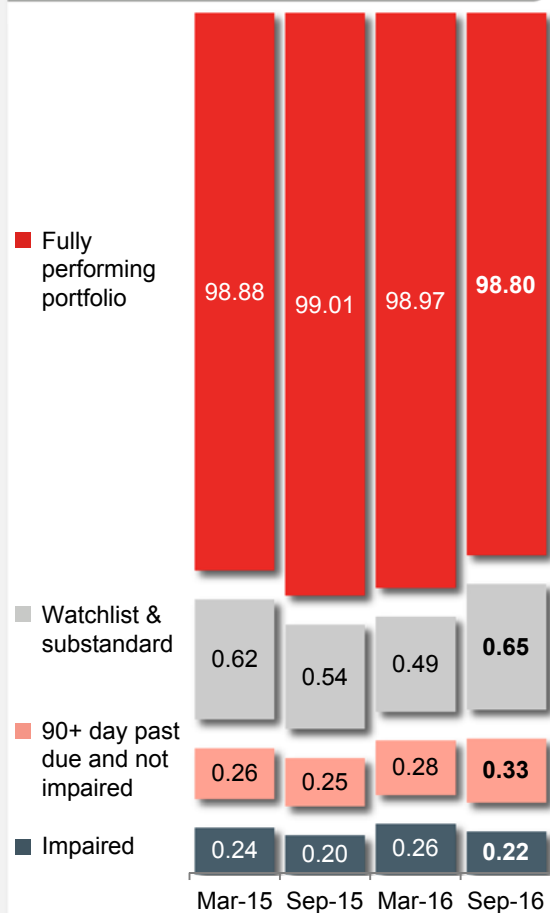
**NZ dairy portfolio (%)**



<sup>1</sup> Includes impaired exposures.

# Provision cover by portfolio category

## Exposures as a % of TCE



## Provisioning to TCE (%)

	Mar-15	Sep-15	Mar-16	Sep-16
<b>Fully performing portfolio</b>				
<ul style="list-style-type: none"> <li>Small cover as low probability of default (PD)</li> <li>Includes economic overlay</li> </ul>	0.22	0.21	0.22	<b>0.22</b>
<b>Watchlist &amp; substandard</b>				
<ul style="list-style-type: none"> <li>Still performing but higher cover reflects elevated PD</li> </ul>	6.55	6.93	4.89	<b>4.51</b>
<b>90+ day past due and not impaired</b>				
<ul style="list-style-type: none"> <li>In default but strong security</li> </ul>	5.36	5.28	4.99	<b>4.57</b>
<b>Impaired assets</b>				
<ul style="list-style-type: none"> <li>In default. High provision cover reflects expected recovery</li> </ul>	47.82	46.27	47.65	<b>49.44</b>

Collective provisions

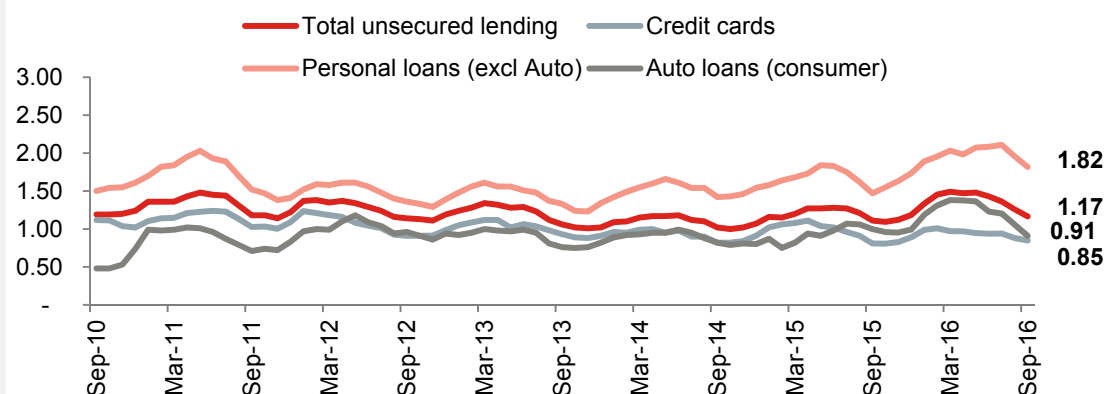
Impaired asset provisions

# Australian consumer unsecured lending portfolio performance remains sound

## Australian consumer unsecured lending

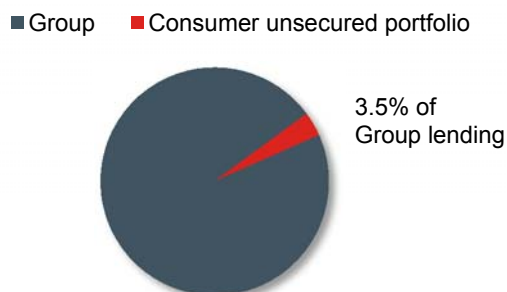
- Australian consumer unsecured lending remains a very small part of the Group portfolio
- 90+ day delinquencies decreased by 32bps to 117bps, primarily driven by the improvement in personal loans and auto finance delinquencies
- Changes in hardship reporting are expected to see a rise in reported delinquencies in 2017. Write-offs and recoveries will also increase as a result of changes in the treatment of hardship

## Australian unsecured lending 90+ day delinquencies (%)

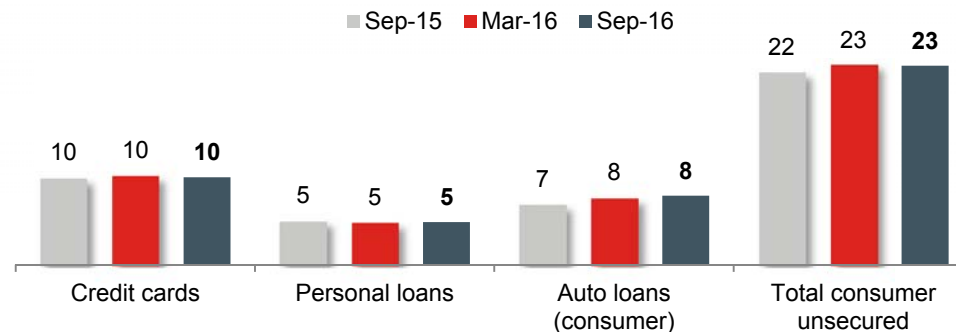


## Australian consumer unsecured lending portfolio (% and \$bn)

### Australian consumer unsecured lending portfolio (%)



### Australian consumer unsecured lending portfolio (\$bn)



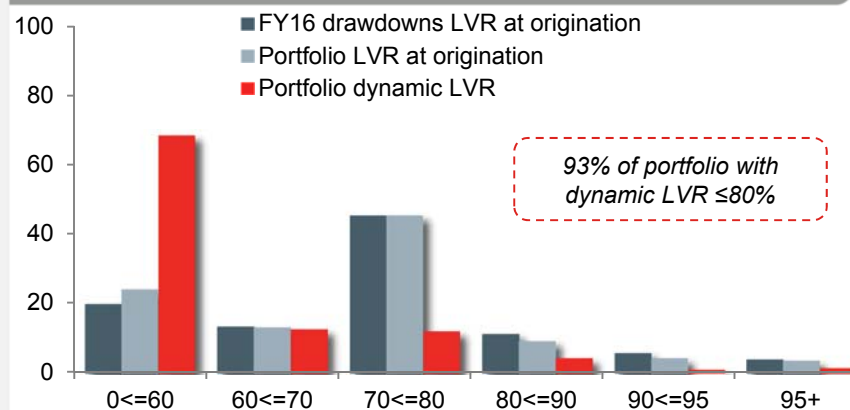
# High levels of borrower equity create buffers in the Australian mortgage portfolio

Australian housing portfolio	Sep-15 balance	Mar-16 balance	Sep-16 balance	2H16 flow <sup>1</sup>
Total portfolio (\$bn)	375.8	390.8	<b>404.2</b>	<b>41.8</b>
Owner occupied (%)	48.9	54.3	<b>55.0</b>	<b>58.6</b>
Investment property loans (%)	44.5	39.5	<b>39.3</b>	<b>39.5</b>
Portfolio loan/line of credit (%)	6.6	6.2	<b>5.7</b>	<b>1.9</b>
Variable rate / Fixed rate (%)	80 / 20	83 / 17	<b>83 / 17</b>	<b>77 / 23</b>
Low Doc (%)	3.0	2.7	<b>2.4</b>	<b>0.5</b>
Proprietary channel (%)	59.1	58.2	<b>57.9</b>	<b>55.9</b>
First Home Buyer (%)	9.2	8.9	<b>8.6</b>	<b>8.4</b>
Mortgage insured (%)	19.4	18.8	<b>18.4</b>	<b>15.0</b>

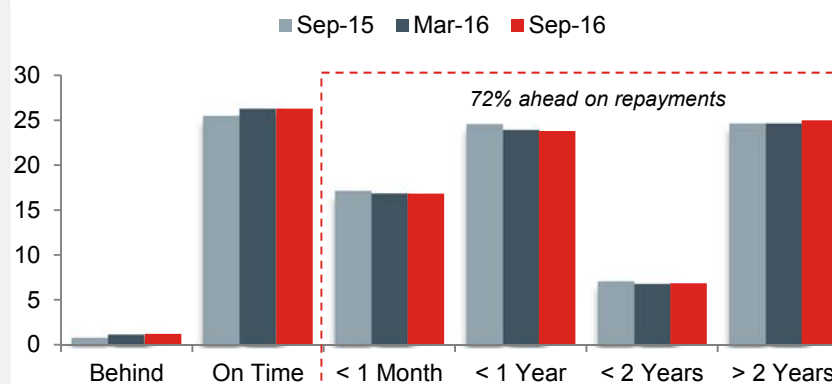
  

	Sep-15	Mar-16	Sep-16
Average LVR at origination <sup>2</sup> (%)	70	70	<b>70</b>
Average dynamic LVR <sup>2,3</sup> (%)	43	43	<b>43</b>
Average LVR of new loans <sup>2,4</sup> (%)	71	70	<b>70</b>
Average loan size <sup>5</sup> (\$'000)	242	249	<b>254</b>
Customers ahead on repayments including offset accts <sup>2,6</sup> (%)	74	72	<b>72</b>
Actual mortgage losses net of insurance <sup>7</sup> (\$m)	32	35	<b>31</b>
Actual mortgage loss rate annualised (bps)	2	2	<b>2</b>

Australian housing loan-to-value ratios (LVRs)<sup>2,3</sup> (%)



Australian home loan customers ahead on repayments<sup>2,6</sup> (%)



1 Flow is all new mortgage originations settled during the 6 month period ended 30 September 2016 and includes RAMS. 2 Excludes RAMS. 3 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. Property valuation source Australian Property Monitors. 4 Average LVR of new loans is based on rolling 6 month window. 5 Portfolio as at 30 September 2016 including amortisation. 6 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset account balances. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. 7 Mortgage insurance claims 2H16 \$7m (1H16 \$4m, 2H15 \$3, 1H15 \$1m).



# Prudent lending standards support Australian mortgage portfolio quality

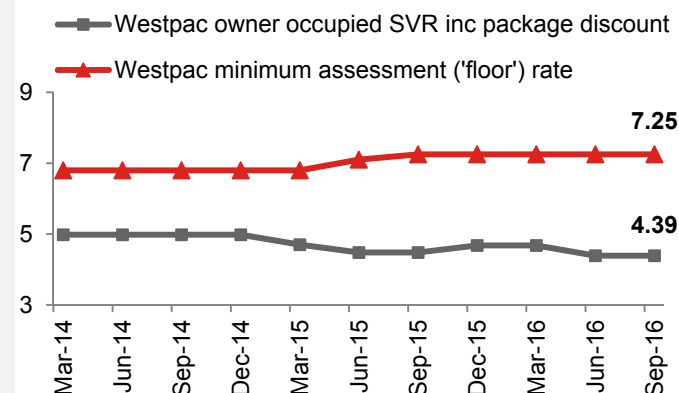
## Lending standards on a tightening bias since 2015

<b>Serviceability</b>	<ul style="list-style-type: none"> <li>Minimum assessment (floor) rate 7.25% and buffer rate of at least 2.25% from September 2015</li> <li>Tightened policy on assessment of living expenses and income verification in November 2015</li> <li>Discounting of rental income, annuity and pension income increased for certain loans in January 2016</li> </ul>
<b>Non-resident and ex-pat lending</b>	<ul style="list-style-type: none"> <li>From April 2016, non-resident customers no longer qualify for mortgage loans (limited exceptions)</li> <li>For Australian and NZ citizens and permanent visa holders using foreign income, tightened verification processes and LVR restricted to 70% maximum</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>Different rates for investment property loans and interest only repayment types progressively introduced from August 2015</li> </ul>

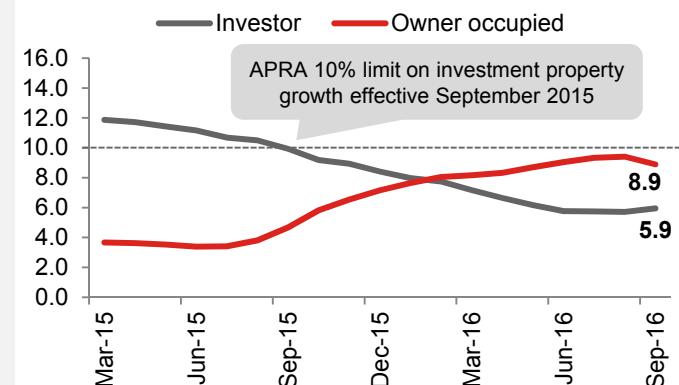
## Sound credit fundamentals underpin Australian mortgages

<b>Full recourse</b>	<ul style="list-style-type: none"> <li>Banks in Australia have full recourse to the borrower's mortgaged property, other assets and future earnings</li> </ul>
<b>Tax</b>	<ul style="list-style-type: none"> <li>Interest payments on primary residence are not tax deductible – provides incentive to pay off mortgage</li> </ul>
<b>Well regulated</b>	<ul style="list-style-type: none"> <li>Strict prudential supervision by one national regulator, APRA</li> <li>National Consumer Protection Bill requires sound underwriting and origination standards</li> </ul>
<b>Sound mortgage products</b>	<ul style="list-style-type: none"> <li>83% are variable rate</li> <li>Fixed rate loans for short periods of time – 3 to 5 years</li> <li>Interest only loans assessed on a principal and interest repayment basis over the remaining term</li> </ul>

## Mortgage interest rate buffers (%)



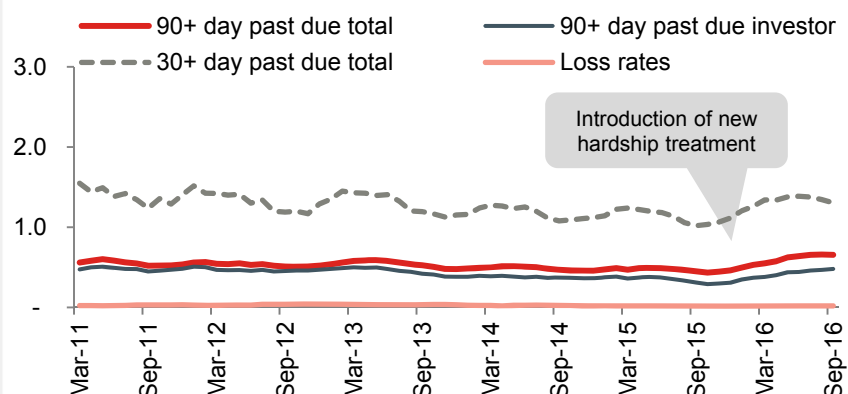
## Owner occupied vs Investment property lending growth (%)



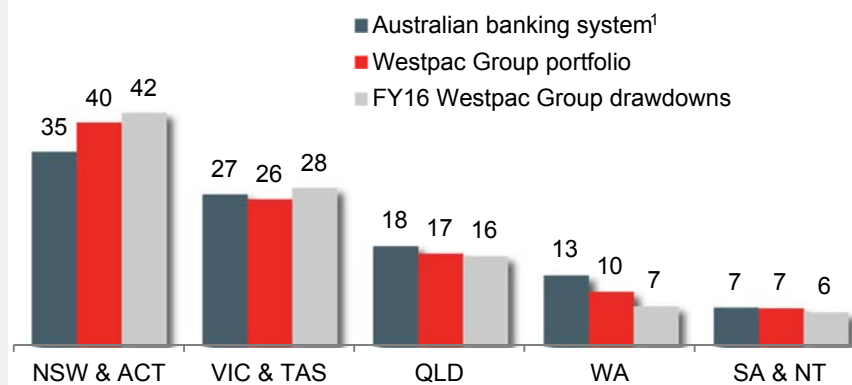
# Australian mortgage delinquencies remain low; Impacted by changes in hardship treatment

Australian mortgage portfolio	Sep-15	Mar-16	Sep-16
30+ day delinquencies (bps)	102	134	<b>130</b>
90+ day delinquencies (bps) (includes impaired mortgages)	45	55	<b>66</b>
Estimated impact of changes to hardship treatment (bps) (total impact 13bps)		4	9
90+ day delinquencies – investment property loans (bps)	31	38	<b>48</b>
Consumer properties in possession (#)	255	253	<b>262</b>

Australian mortgages delinquencies (%)

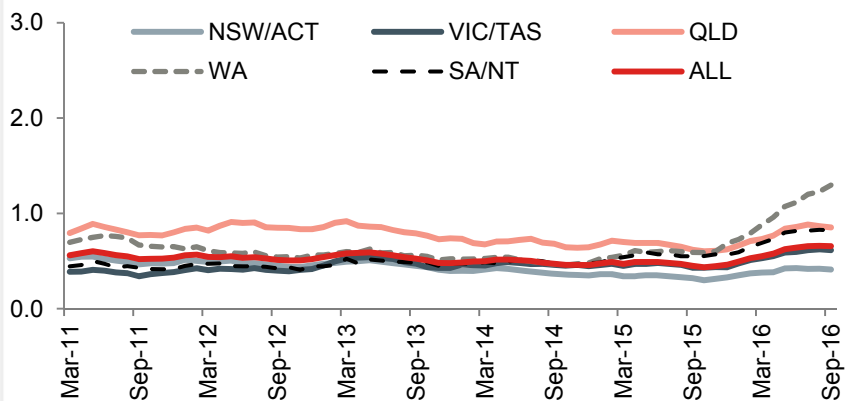


Westpac Australian housing portfolio and banking system by State (%)



<sup>1</sup> Source ABA Cannex August 2016.

Australian mortgages 90+ day delinquencies by state (%)



# Changes in the treatment of **hardship** now largely flowed through Australian mortgage portfolio

- Following guidance from APRA the industry is aligning treatment of hardship in delinquencies
- Westpac changed measurement and delinquency treatment of new hardship accounts in 1H16
- No impact on the risk profile of the Group or asset classes
- At the same time, hardship policies have tightened
- Further deterioration from mortgage hardship changes expected to be minimal

## What is changing?

### Previous approach

When an account enters hardship their position in the delinquency flow (30, 60, or 90 days etc) is frozen until they return to performing (or not)



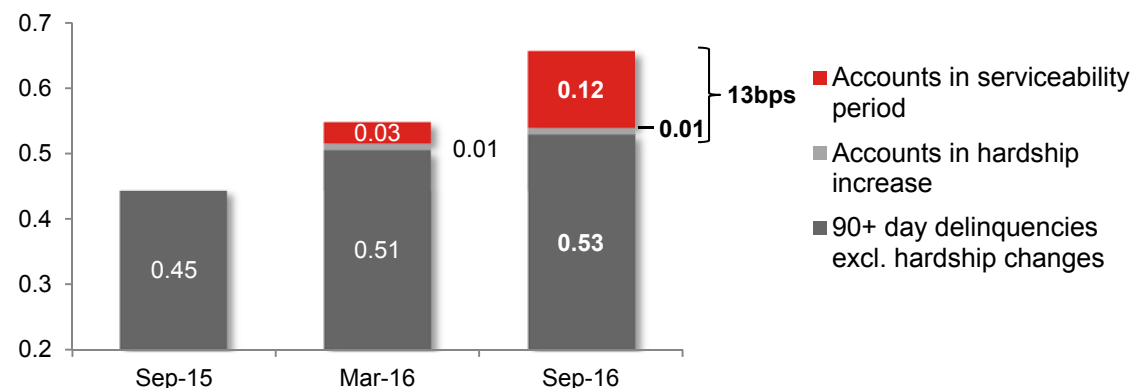
### Changes made in 1H16

- An account in hardship is no longer frozen and continues to migrate through delinquency buckets until 90+ days
- Accounts continue to be reported as delinquent until the customer has maintained repayments for 6 months – called the 'serviceability period'
- Average hardship period granted 3-4 months
- Hardship + serviceability period = 10 months average

## What is hardship?

- Allows customers the opportunity to reduce or defer current repayment obligations in the short term so they can manage through a period of financial hardship (e.g. injury, illness, separation, natural disasters etc)
- May take the form of extending loan duration or restructuring
- Hardship solutions will differ based on customer circumstance, payment serviceability and recoverable position

## 90+ day mortgage delinquencies (%)



# Westpac's Australian **investment property** mortgage portfolio performing well

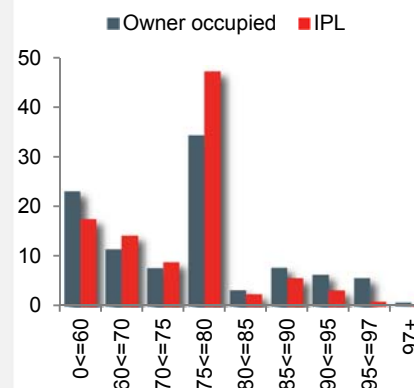
## Investment property lending

- Investment property loans (IPLs)<sup>1</sup> are full recourse
- Maximum LVR for stand alone investment property loans capped at 90%
- Majority of IPLs interest only, however repayment behaviour closely tracks the profile of the principal and interest portfolio
- Discounts applied to certain forms of income. For example dividends / rental income / bonus / overtime are all discounted by 20%
- Loan serviceability assessments include an interest rate buffer (at least 2.25%), minimum assessment rate (7.25%) and adequate surplus test<sup>2</sup>
- Interest only loans are assessed on a principal and interest basis over the residual term
- Specific credit policies apply to assist risk mitigation, including
  - Holiday apartments may be subject to tighter acceptance requirements (e.g. holiday resort style developments require approval prior to individual loans being considered)
  - Additional LVR restrictions and additional income discounting apply to single industry towns and higher risk areas
  - Minimum property size and location restrictions apply
- Loans to Australian citizens and permanent visa holders using foreign-sourced income restricted to maximum 70% LVR and discounts apply to foreign income recognition (up to 20%)

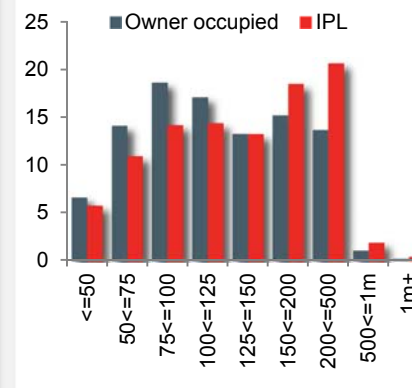
## IPL portfolio statistics

	Sep-15	Mar-16	Sep-16
Average LVR at origination <sup>3</sup> (%)	72	72	<b>72</b>
% IPL loans originated at or below 80% LVR	87	87	<b>88</b>
Average dynamic LVR <sup>3,4,5</sup> (%)	48	48	<b>48</b>
Average LVR of new loans <sup>3,6</sup> (%)	68	67	<b>66</b>
Average loan size (\$'000)	297	299	<b>305</b>
Customers ahead on repayments including offset accounts <sup>3</sup> (%)	65	62	<b>62</b>
90+ day delinquencies (bps)	31	38	<b>48</b>
Annualised loss rate (net of insurance claims) (bps)	2	2	<b>2</b>

### LVR at origination<sup>2</sup> (%)



### Applicants by gross income band<sup>2</sup> (%)



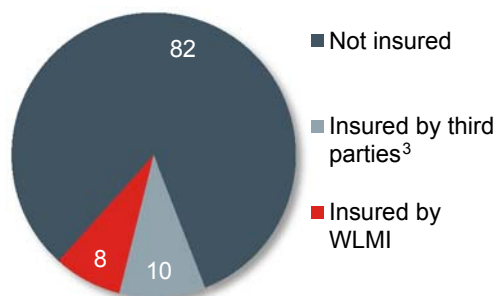
1 Self-Managed Super Fund (SMSF) IPLs are limited recourse however do require member guarantees. 2 An adequate surplus test measures the extent to which a borrower's income exceeds loan repayments, expenses and other commitments, as assessed. 3 Excludes RAMS. 4 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. 5 Property valuation source Australian Property Monitors. 6 Average LVR of new loans is based on rolling 6 month window.

# Lenders mortgage insurance

## Lenders mortgage insurance

- Where mortgage insurance is required, mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), and through external LMI providers, based on risk profile
- WLMI is well capitalised (separate from bank capital) and subject to APRA regulation. Capitalised at 1.45x PCR<sup>1</sup>
- 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 \$132m net of re-insurance recoveries (1H16: \$143m)

## Australian mortgage portfolio (%)



## Lenders mortgage insurance arrangements

LVR Band	Insurance
<ul style="list-style-type: none"> <li>LVR ≤80%</li> <li>Low Doc LVR ≤60%</li> </ul>	Not required
<ul style="list-style-type: none"> <li>LVR &gt;80% to ≤ 90%</li> <li>Low Doc LVR &gt;60% to ≤ 80%</li> </ul>	<ul style="list-style-type: none"> <li>Where insurance required, insured through captive insurer, WLMI</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<sup>2</sup> with Arch Capital Group Limited, Tokio Millennium Re, Endurance Re, Everest Re, Trans Re and AWAC</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>LVR &gt;90%</li> </ul>	<ul style="list-style-type: none"> <li>From 18 May 2015, insured externally through Arch Capital Group Limited for all new business <ul style="list-style-type: none"> <li>Transitional arrangements are currently in place with LMI policies initially written by WLMI and then fully reinsured with Arch Capital</li> </ul> </li> <li>Prior to 18 May 2015, external insurance provided by QBE and Genworth. Existing LMI policies remain in force</li> </ul>

Insurance statistics	2H15	1H16	2H16
Insurance claims (\$m)	3	4	7
WLMI loss ratio <sup>4</sup> (%)	12	10	17
WLMI gross written premiums <sup>5</sup> (\$m)	68	133	154

1 Prudential Capital Requirement (PCR) determined by APRA. 2 For all new business effective from 1 October 2014. 3 Insured coverage is net of quota share. 4 Loss ratio is claims over the total of earned premium plus reinsurance plus exchange commission. 5 LMI gross written premium includes loans >90% LVR reinsured with Arch Capital. 2H16 gross written premium includes \$125m from transitional arrangements (1H16: \$102m).

# Mortgage portfolio stress testing outcomes

- Westpac regularly conducts a range of portfolio stress tests as part of its regulatory and risk management activities
- The Australian mortgage portfolio stress testing scenario presented represents a severe recession and assumes that significant reductions in consumer spending and business investment lead to six consecutive quarters of negative GDP growth. This results in a material increase in unemployment and nationwide falls in property and other asset prices
- Estimated Australian housing portfolio losses under these stressed conditions are manageable and within the Group's risk appetite and capital base
  - Cumulative total losses of \$2.9bn over three years for the uninsured portfolio (1H16: \$2.6bn)
  - Cumulative claims on LMI, both WLMI and external insurers, of \$856m over the three years (1H16: \$875m)
  - Cumulative loss rates have increased (69bps compared to 59bps at 1H16) mainly due to more conservative modelling assumptions, changes in portfolio quality, including as a result of changes in the treatment of hardship and some weakness in mining-related regions, as well as changes in the non-delinquent portfolio
  - WLMI separately conducts stress testing to test the sufficiency of its capital position to cover mortgage claims arising from a stressed mortgage environment
- Preferred capital ranges incorporate buffers at 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 as at 30 September 2016

Key assumptions	Stressed scenario			
	Current	Year 1	Year 2	Year 3
Portfolio size (\$bn)	404	384	376	374
Unemployment rate (%)	5.6	11.6	10.6	9.4
Interest rates (cash rate, %)	1.50	0.50	0.50	0.50
House prices (% change cumulative)	0.0	(13.0)	(22.4)	(26.2)
Annual GDP growth (%)	3.3	(3.9)	(0.2)	1.7
<b>Stressed loss outcomes (net of LMI recoveries)<sup>1</sup></b>				
\$ million	66	1,069	1,581	467
Basis points <sup>2</sup>	2	23	36	11

<sup>1</sup> Assumes 30% of LMI claims will be rejected in a stressed scenario. <sup>2</sup> Stressed loss rates are calculated as a percentage of mortgage exposure at default.





Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

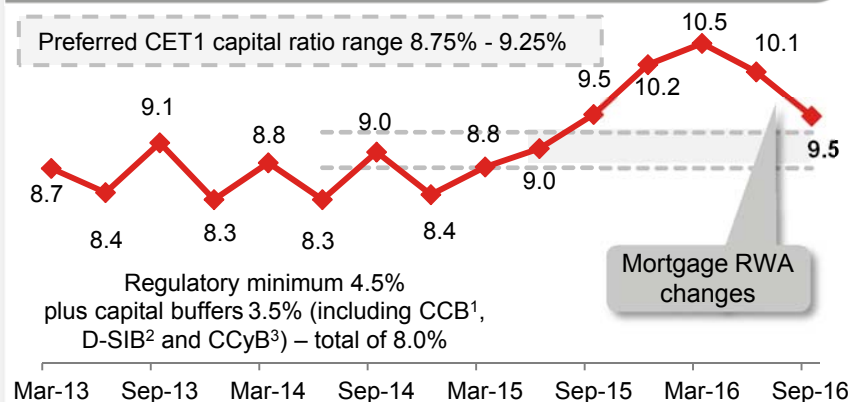
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## Capital, Funding and Liquidity

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# CET1 capital ratio **above** preferred range

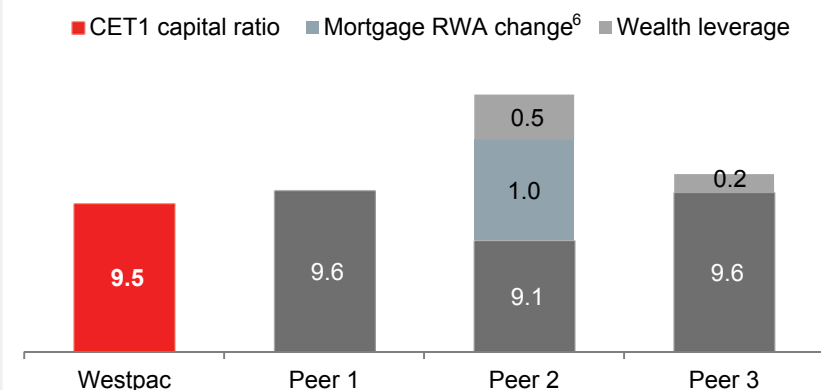
## Common equity Tier 1 capital ratio (CET1) (%)



## Key capital ratios (%)

	Sep-15	Mar-16	Sep-16
CET1 capital ratio	9.5	10.5	<b>9.5</b>
Additional Tier 1 capital	1.9	1.6	<b>1.7</b>
Tier 1 capital ratio	11.4	12.1	<b>11.2</b>
Tier 2 capital	1.9	1.9	<b>1.9</b>
Total regulatory capital ratio	13.3	14.0	<b>13.1</b>
CET1 capital ratio (internationally comparable <sup>4</sup> )	13.2	14.7	<b>14.4</b>
Risk weighted assets (RWA) (\$bn)	359	363	<b>410</b>
Leverage ratio (APRA)	4.8	5.0	<b>5.2</b>
Leverage ratio (internationally comparable <sup>4</sup> )	5.5	5.8	<b>5.9</b>

## Peer CET1 capital ratios on a comparable basis, adjusted for mortgage RWA change and the impact of wealth leverage<sup>5</sup> (%)



## Impact of change to Australian residential mortgage RWA methodology<sup>6</sup> from 1 July 2016

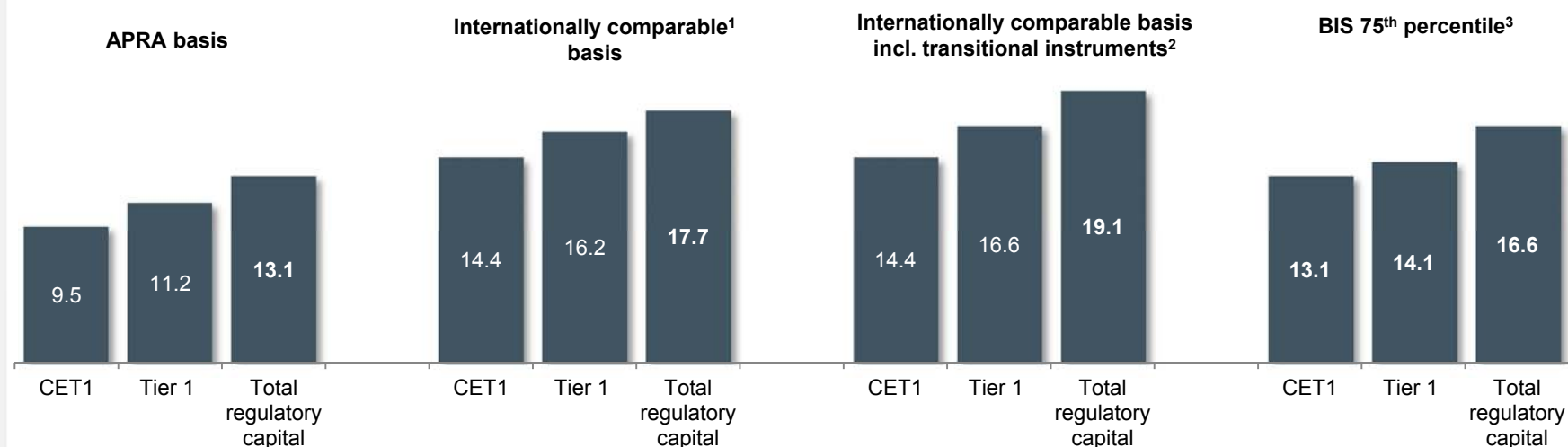
As at 30 September 2016	CET1 Capital ratio (\$bn)	Risk weighted assets (\$bn)	CET1 capital ratio
Pre-mortgage RWA change	39	367	10.6%
Impact of mortgage RWA change	-	43	(1.1%)
<b>Post mortgage RWA change</b>	<b>39</b>	<b>410</b>	<b>9.5%</b>

1 Capital Conservation Buffer. 2 Domestic Systemically Important Bank. 3 Countercyclical buffer. 4 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' of 13 July 2015. 5 Peer 1 and 3 are as at 30 Sep 2016, peer 2 is as at 30 June 2016. Peer 1 and 3 based on pro forma CET1 capital ratio. 6 Refer APRA media release entitled "APRA increases capital adequacy requirements for residential mortgage exposures under the internal ratings-based approach"; 20 July 2016.



# Basel III regulatory capital ratios

## Regulatory capital ratios (%)

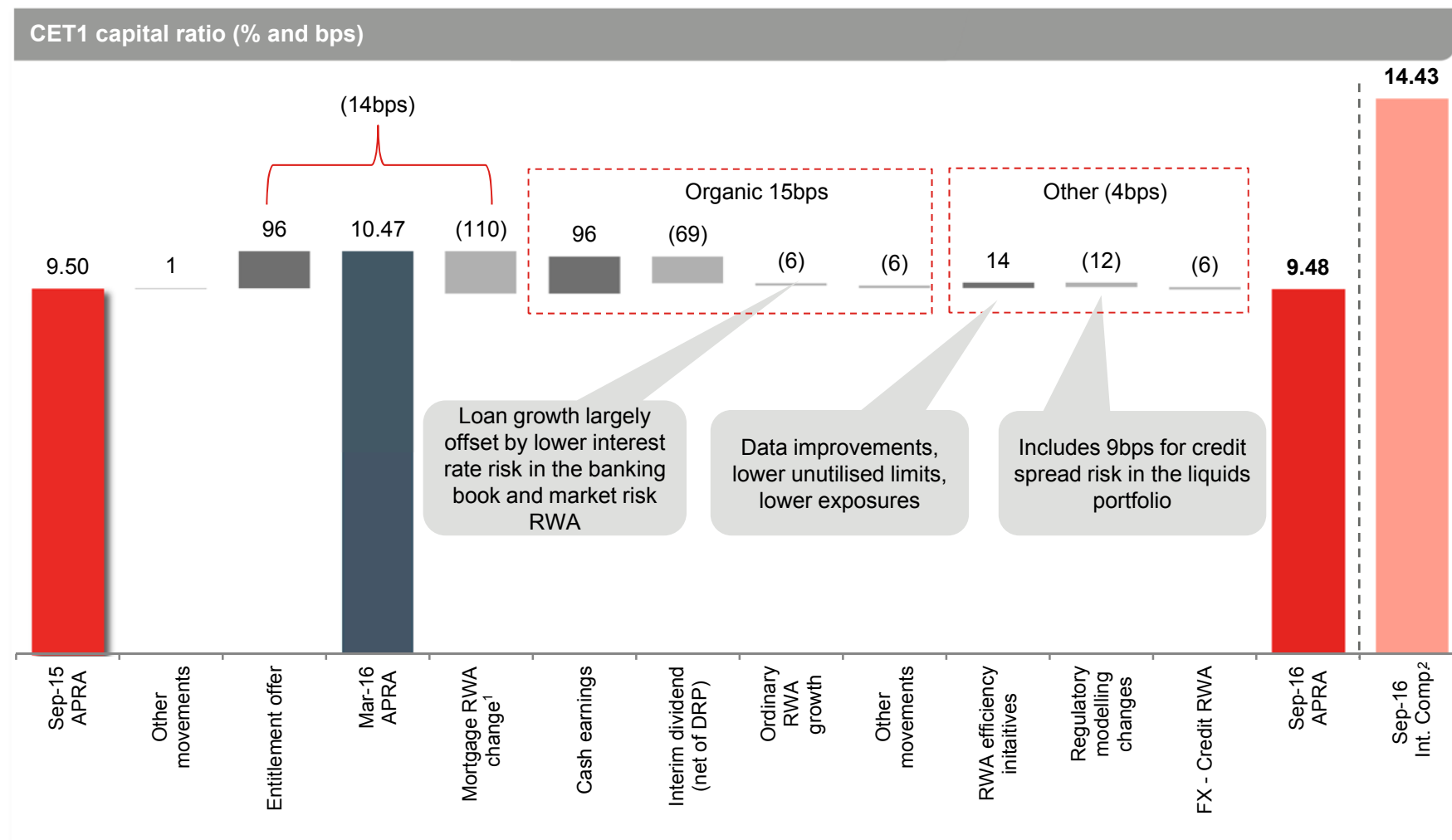


## Internationally comparable capital ratios

- Internationally comparable ratios exclude Basel III transitional instruments, which are included in the APRA capital ratios on a transitional basis
- Westpac is seeking to replace Basel III transitional instruments with Basel III instruments. Should Westpac do this, pro forma internationally comparable:
  - Tier 1 capital ratio would be 16.6%<sup>2</sup> (up from 16.2%)
  - Total regulatory capital ratio would be 19.1%<sup>2</sup> (up from 17.7%)
  - CET1 capital ratio would be unchanged

<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 89. <sup>2</sup> Includes transitional capital instruments eligible as Additional Tier 1 and Tier 2 capital under APRA Basel III rules. <sup>3</sup> Group 1 banks BIS 75<sup>th</sup> percentile fully phased-in Basel III capital ratios from BIS monitoring report released 13 September 2016.

## APRA CET1 capital ratio lower in 2H16 as mortgage RWA change implemented

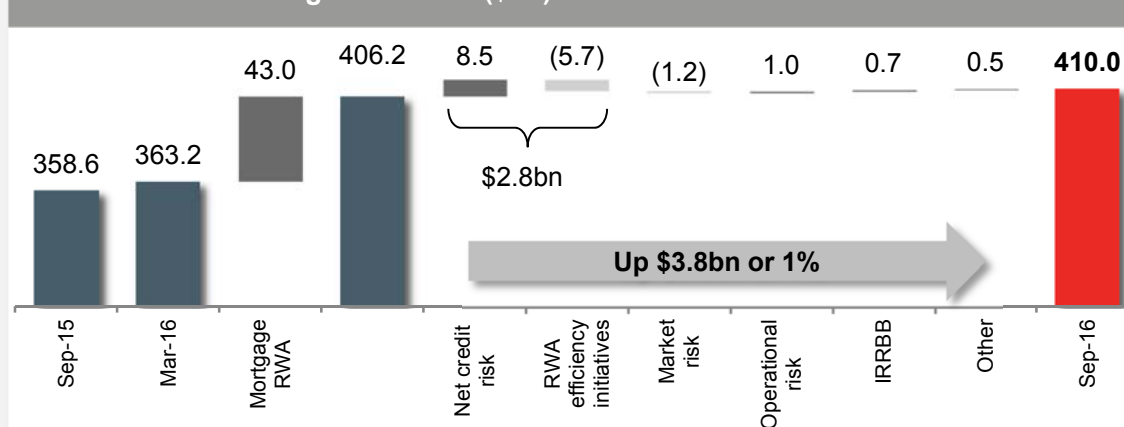


1. APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016. 2. Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

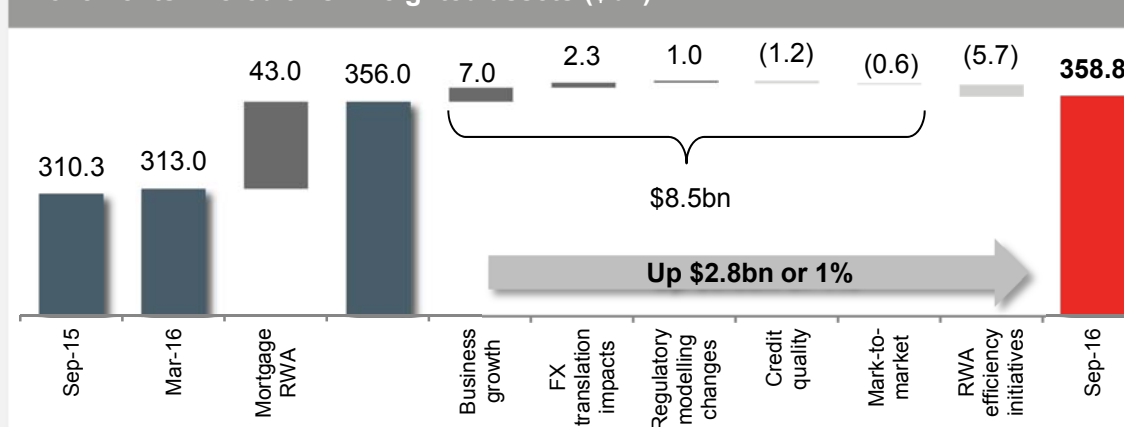
# Total risk weighted assets **up 1%** (excluding mortgage RWA methodology impact)

- Australian residential mortgages RWA methodology changed on 1 July 2016, increased RWA by \$43.0bn
- Excluding the impact of the mortgage RWA change, total RWA increased \$3.8bn (or 1%)
- Credit RWA increased \$2.8bn (1%) from:
  - Increase of \$8.5bn from business growth (\$7.0bn), translation impacts from the higher NZ\$ (\$2.3bn), modelling changes (\$1.0bn) related to parameter updates and reclassification of exposures in the corporate, business and small business portfolios, partly offset by benefits from improved credit quality (\$1.2bn) and a decrease in mark-to-market credit risk (\$0.6bn)
  - RWA efficiency initiatives reduced credit RWA \$5.7bn, from data improvements and refinements to parameters (\$2.7bn) and management of unutilised limits and exposures (\$3.0bn)
- Market risk RWA down \$1.2bn mostly from reduced interest rate risk exposure
- Interest rate risk in the banking book (IRRBB) RWA increased \$0.7bn. Capital for credit spread risk for liquid assets increased IRRBB RWA \$3.6bn. This was partially offset by a higher embedded gain in the portfolio and lower RWA for repricing and yield curve risk (\$2.9bn)

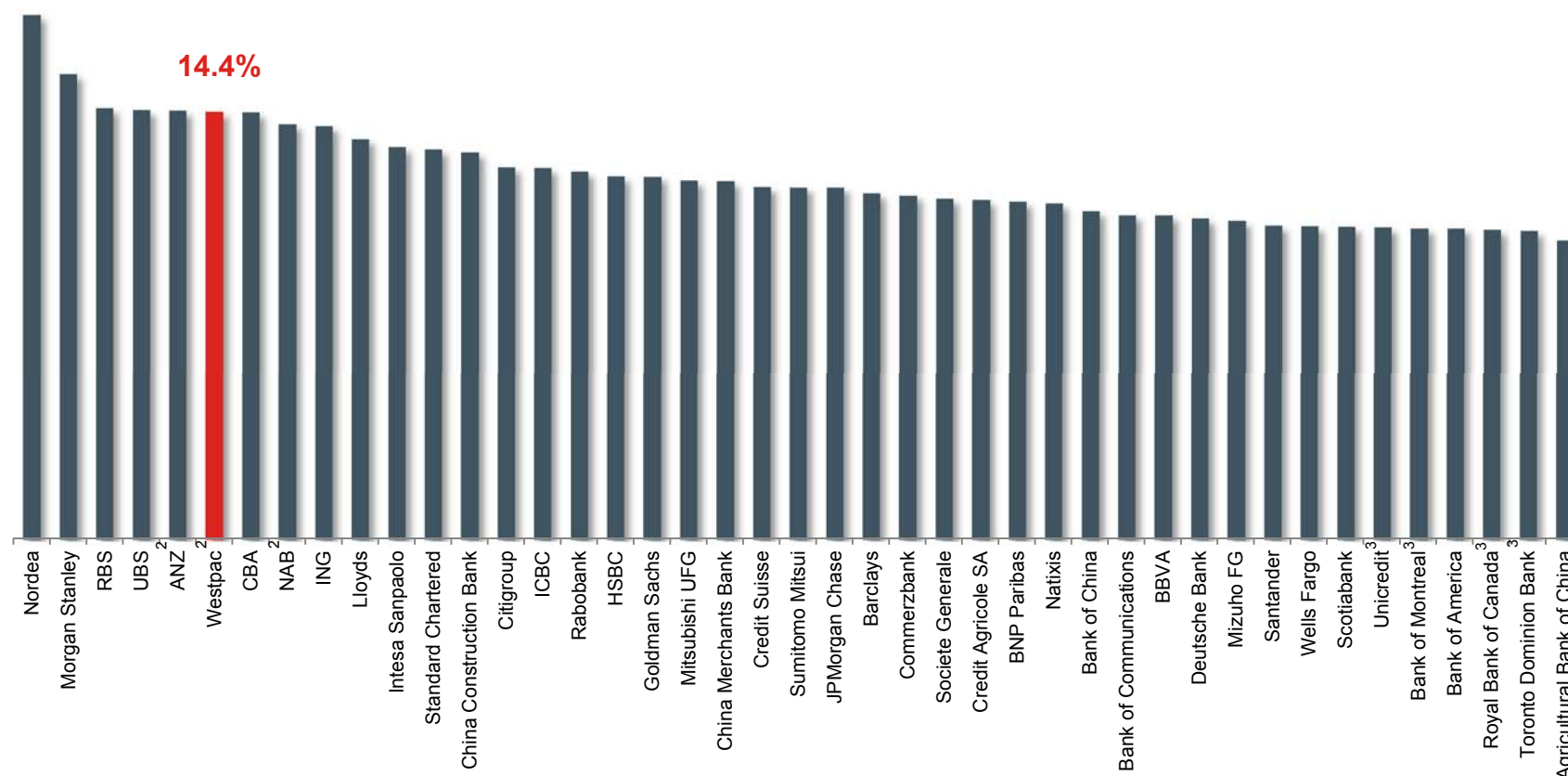
Movement in risk weighted assets (\$bn)



Movements in credit risk weighted assets (\$bn)



## Basel III CET1 capital ratios **global comparison**<sup>1</sup>



Peer group comprises listed commercial banks with total assets in excess of A\$700 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for an estimate. Based on company reports and investor presentations.

<sup>1</sup> Based on CET1 capital ratios as at 30 June 2016 unless otherwise stated, assuming Basel III capital reforms fully implemented. For those banks where accrued expected dividends have been deducted these have been added back for comparability. <sup>2</sup> As at 30 September 2016. <sup>3</sup> As at 31 July 2016.

# Internationally comparable capital ratio reconciliation

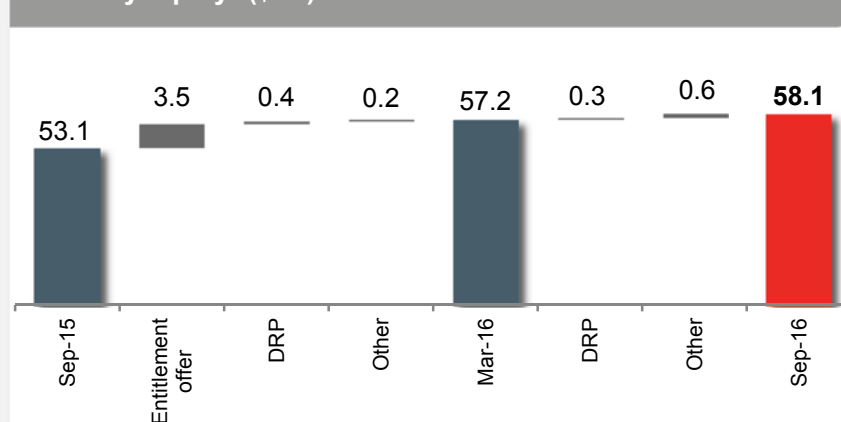
APRA's Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers<sup>1</sup>. The following provides details of the adjustments applied to the APRA Basel III capital requirements to derive internationally comparable ratios, which are aligned to this study

		APRA Study <sup>1</sup> (%)
<b>Westpac's CET1 capital ratio (APRA basis)</b>		<b>9.5</b>
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.5
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.4
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	0.2
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	1.6
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.6
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.4
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	0.6
Currency conversion threshold	Increase in the A\$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.4
<b>Internationally comparable CET1 capital ratio</b>		<b>14.4</b>

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

# Optimising returns by actively managing capital

## Ordinary equity<sup>1</sup> (\$bn)



## Actively managing returns

- FY16 ROE decreased due to the significant capital raised during calendar year 2015. Average ordinary equity (AOE) rose 3% over the half and 13% over the year
- Leverage ratio improved from the increased AOE
- Continue to refine capital allocation model with more capital allocated to divisions in 2016
- Capital held centrally includes: surplus capital, capital for Treasury, and capital for the next dividend payment

## Capital allocated to divisions (\$bn)

	1H15	2H15	1H16	2H16
Group <sup>2</sup>	47.9	50.8	55.2	<b>56.6</b>
Consumer Bank and Business Bank	19.2	19.7	23.3	<b>24.6</b>
BTFG	3.1	3.3	3.5	<b>3.6</b>
WIB	8.9	8.8	9.3	<b>9.2</b>
Westpac NZ (A\$)	3.7	3.7	3.4	<b>3.7</b>

## Return on equity (%)

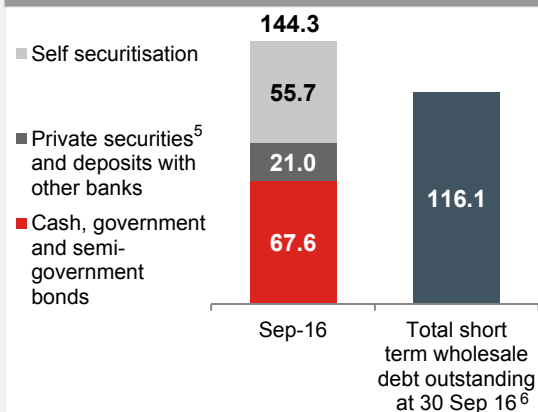
Division	FY15	FY16
Group	15.8	<b>14.0</b>
Consumer Bank and Business Bank	17.5	<b>16.1</b>
BTFG	15.8	<b>15.0</b>
WIB	13.8	<b>11.0</b>
Westpac NZ (A\$)	19.5	<b>19.4</b>

<sup>1</sup> Ordinary equity is spot and also includes reserves. <sup>2</sup> Divisional amounts do not total to the Group given additional capital is held for Treasury, Group functions and for future dividends.

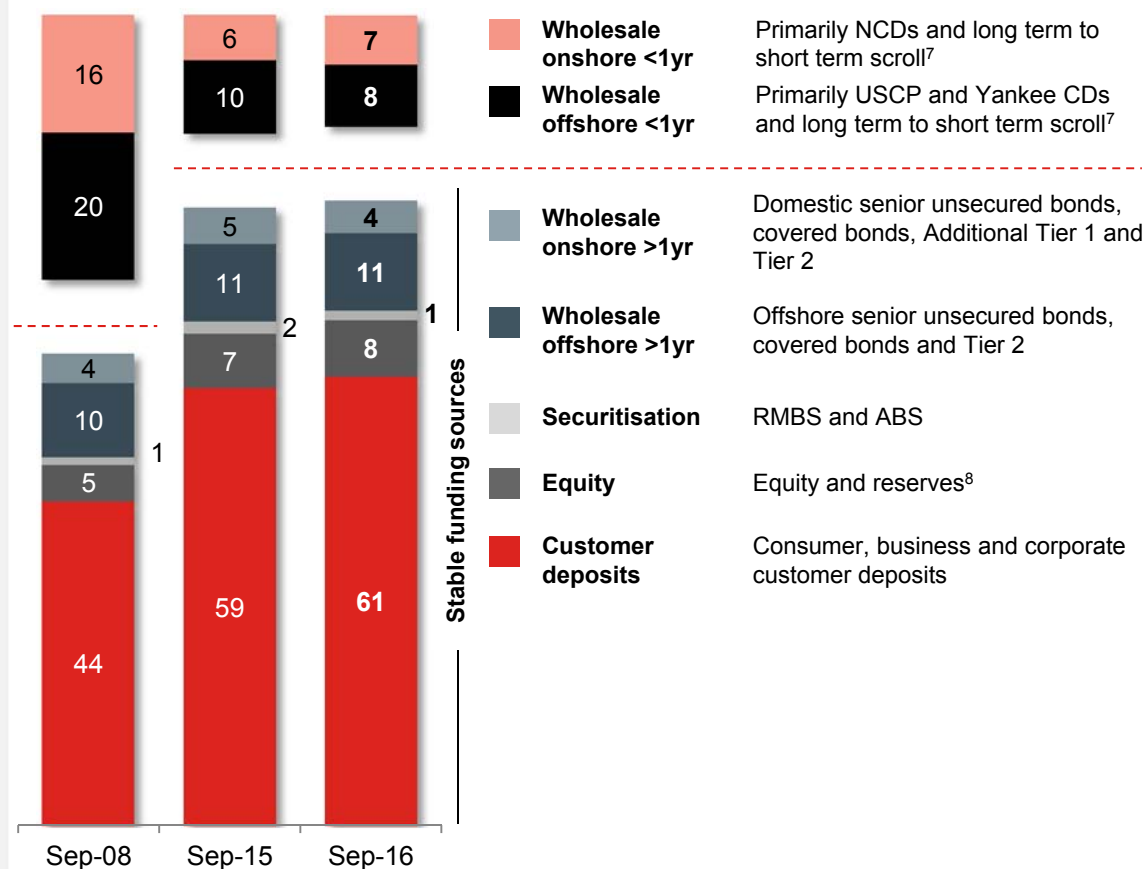
## Stable sources provide 85% of all funding

Key liquidity and funding ratios (\$m)	Mar-16	Sep-16
HQLA <sup>1</sup>	66.2	69.4
CLF <sup>2</sup>	58.6	58.6
<b>Total LCR Liquid assets</b>	<b>124.8</b>	<b>128.0</b>
Customer deposits	63.2	63.5
Wholesale funding	13.4	13.1
Other flows <sup>3</sup>	21.3	19.2
<b>Total cash outflows</b>	<b>97.9</b>	<b>95.8</b>
<b>LCR<sup>4</sup></b>	<b>127%</b>	<b>134%</b>
<b>Estimated NSFR</b>	<b>n/a</b>	<b>&gt;100%</b>

### Unencumbered liquid assets (\$bn)



### Funding composition by residual maturity (%)

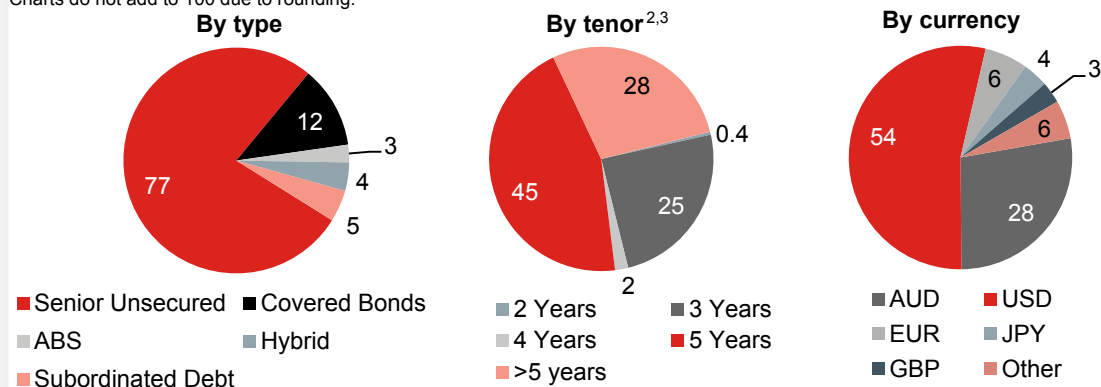


<sup>1</sup> Includes HQLA as defined in APS 210, RBNZ eligible liquids, less RBA open repos funding end of day ESA balances with the RBA. <sup>2</sup> The RBA makes available to Australian Authorised Deposit-taking Institutions a committed liquidity facility (CLF) that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. <sup>3</sup> Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. <sup>4</sup> 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. <sup>5</sup> Private securities include Bank paper, RMBS, and Supra-nationals. <sup>6</sup> Includes long term wholesale funding with a residual maturity less than or equal to 1 year. <sup>7</sup> Scroll represents wholesale funding with an original maturity >12months that now has a residual maturity <12months. <sup>8</sup> Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves.

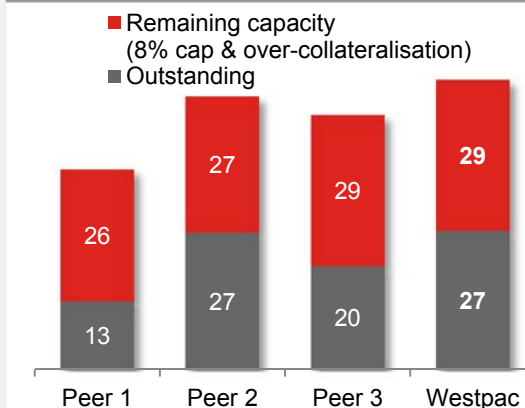
# Targeting a diversified funding base

## FY16 new term issuance composition<sup>1</sup> (%)

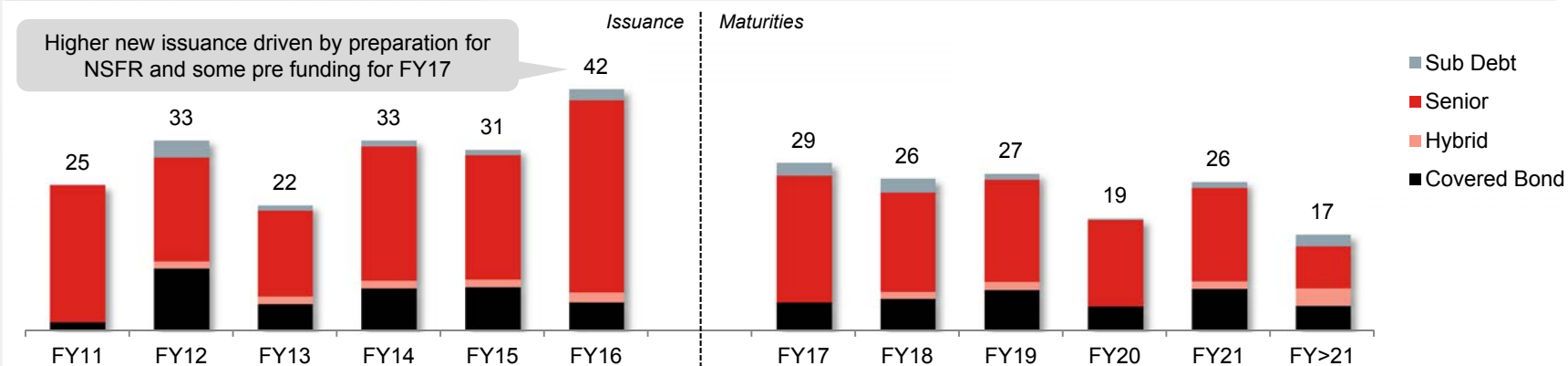
Charts do not add to 100 due to rounding.



## Australian covered bond issuance<sup>5</sup> (\$bn)



## Term debt issuance and maturity profile<sup>1,2,4</sup> (\$bn)



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

<sup>2</sup> Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. <sup>3</sup> Tenor excludes RMBS and ABS. <sup>4</sup> Perpetual sub-debt has been included in >FY21 maturity bucket. Maturities exclude securitisation amortisation. <sup>5</sup> Sources: Westpac, APRA Banking Statistics September 2016.





Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover the FY16 and FY15 years, including 2H16 and 1H16. Comparison of 2H16 versus 1H16 (unless otherwise stated)

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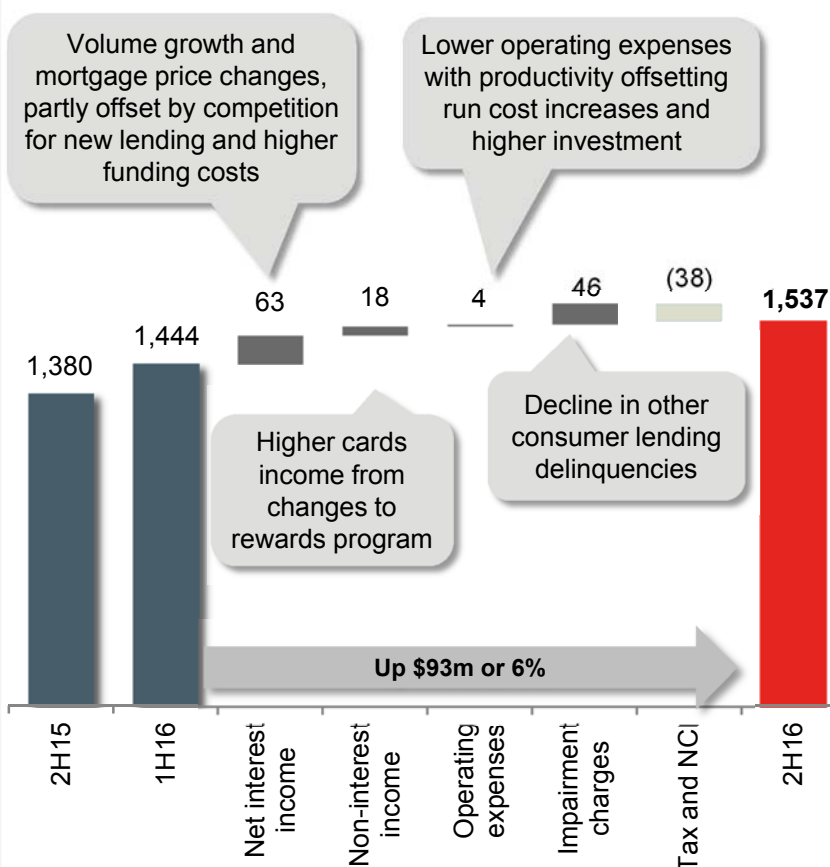
## Divisional results

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# Consumer Bank disciplined 2H16 result



## Cash earnings (\$m)



## Key financial metrics

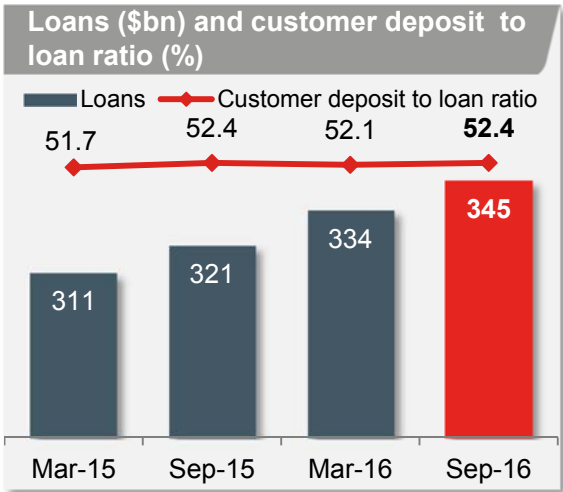
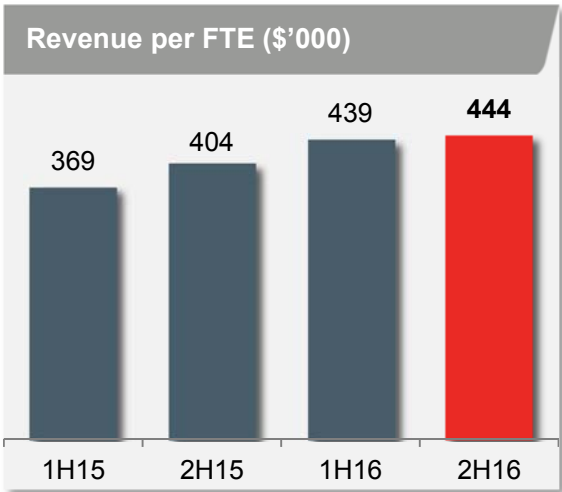
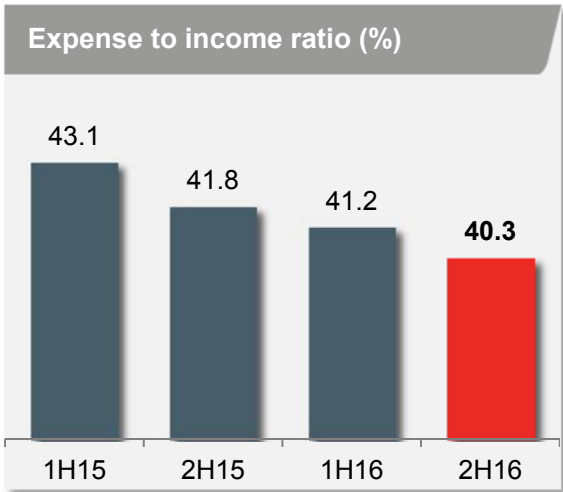
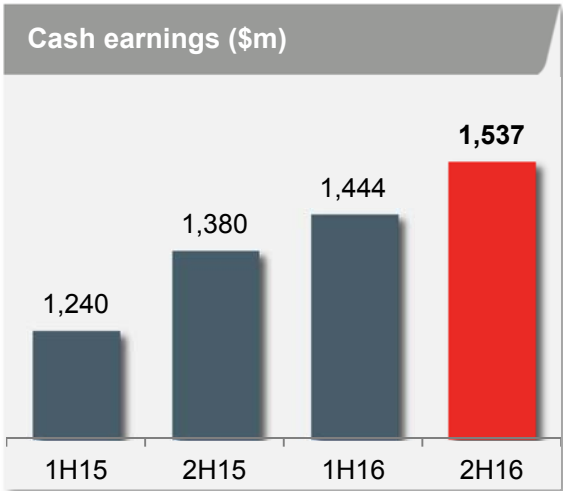
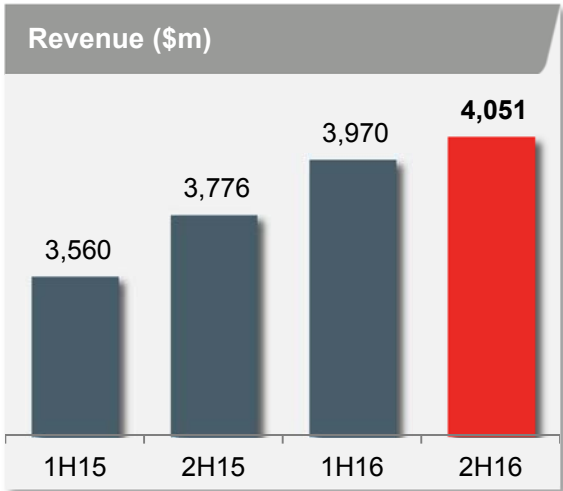
	2H15	1H16	2H16	Change on 1H16
Revenue (\$m)	3,776	3,970	4,051	+2%
Net interest margin (%)	2.28	2.37	2.34	(3bps)
Expense to income (%)	41.8	41.2	40.3	(92bps)
Customer deposit to loan ratio (%)	52.4	52.1	52.4	+24bps
Stressed assets to TCE (%)	0.41	0.51	0.61	+10bps

## Key operating metrics

	2H15	1H16	2H16	Change on 1H16
Total customers (#'m)	8.6	8.7	8.9	2%
Active digital customers (#'m)	3.5	3.6	3.7	3%
Total branches (#)	1,201	1,096	1,085	(11)
Customer satisfaction <sup>1</sup> (%)	83.8	83.1	81.3	(180bps)
Service quality – complaints ('000's)	20.7	16.8	13.1	(20%)

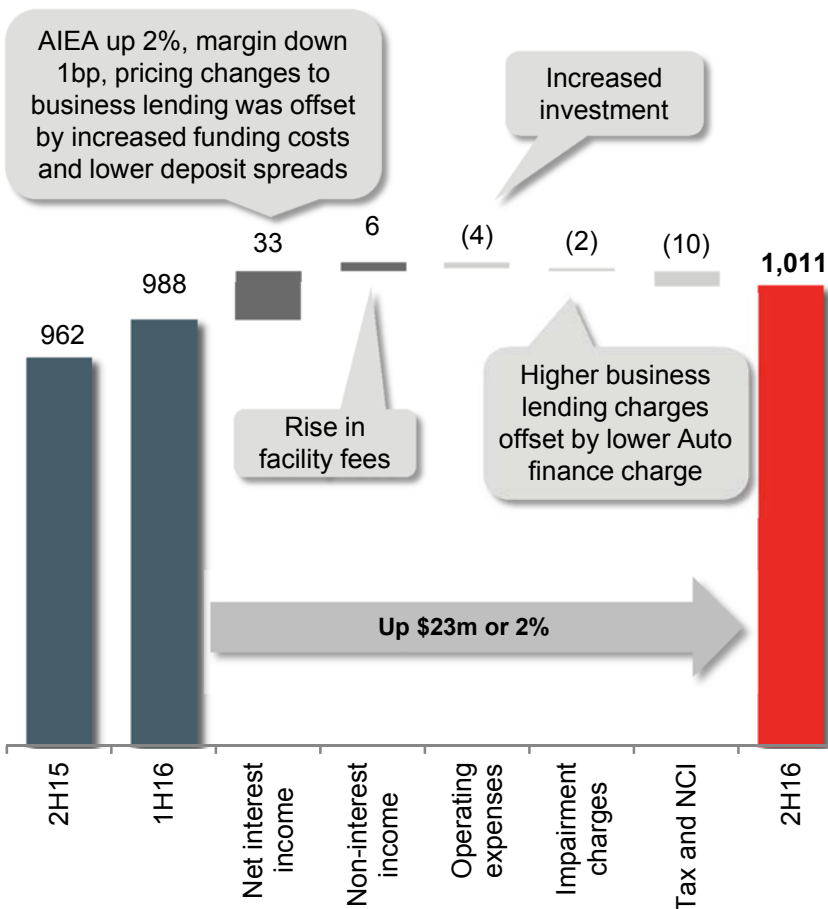
<sup>1</sup> Refer slide 89 for metric definition and details of provider.

# Consumer Bank consistently delivering



## Business Bank delivered a solid FY16 result

### Cash earnings (\$m)



### Key financial metrics

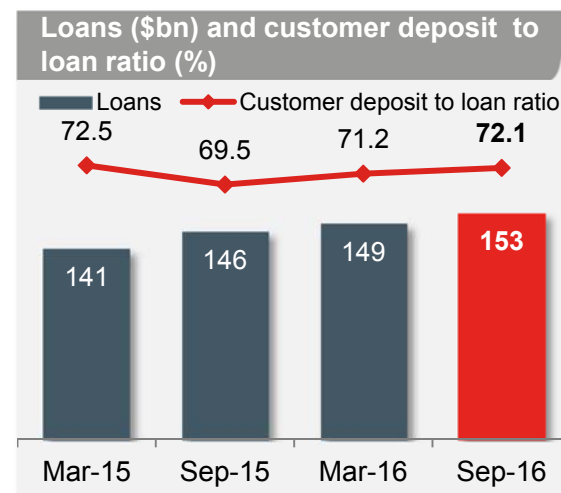
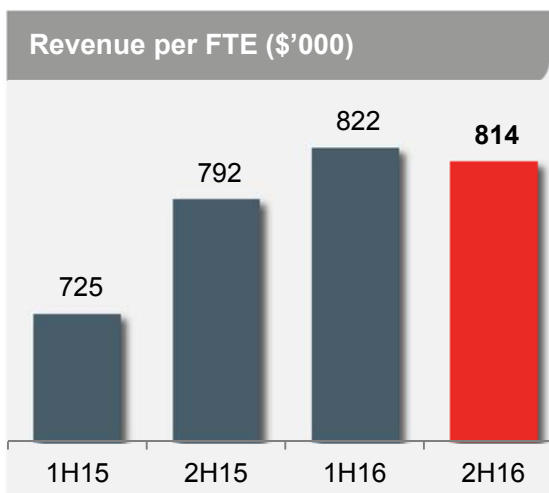
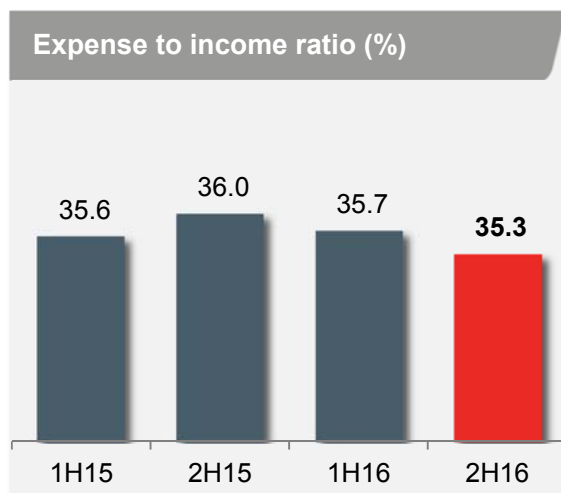
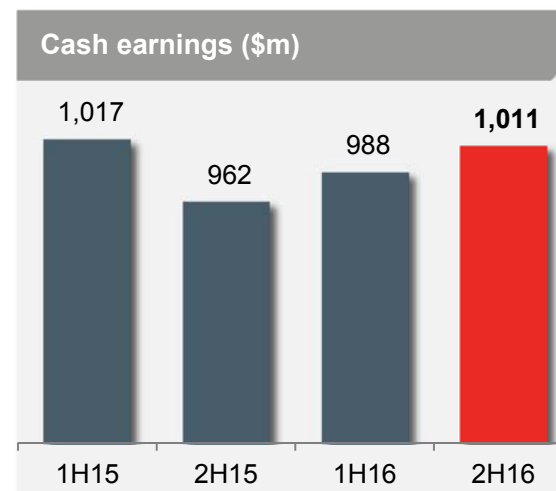
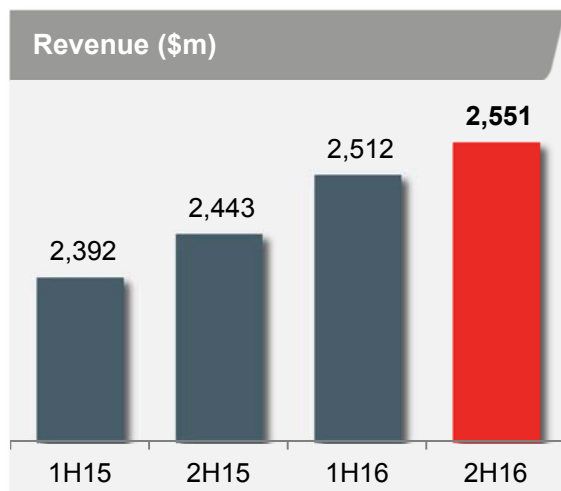
	2H15	1H16	2H16	Change on 1H16
Revenue (\$m)	2,443	2,512	2,551	2%
Net interest margin (%)	2.74	2.75	2.74	(1bp)
Expense to income (%)	36.0	35.7	35.3	(39bps)
Customer deposit to loan ratio (%)	69.5	71.2	72.1	92bps
Stressed assets to TCE (%)	2.20	2.13	2.24	11bps

### Key operating metrics

	2H15	1H16	2H16	Change on 1H16
Total business customers ('000's)	986	1,019	1,043	2%
Customer satisfaction <sup>1</sup> (rank)	#2	=#2	#1	Up 1
Customer satisfaction - SME <sup>1</sup> (rank)	=#1	#2	#1	Up 1
Digital sales (%)	6	9	9	-
Loans via LOLA (\$m)	253	336	729	117%

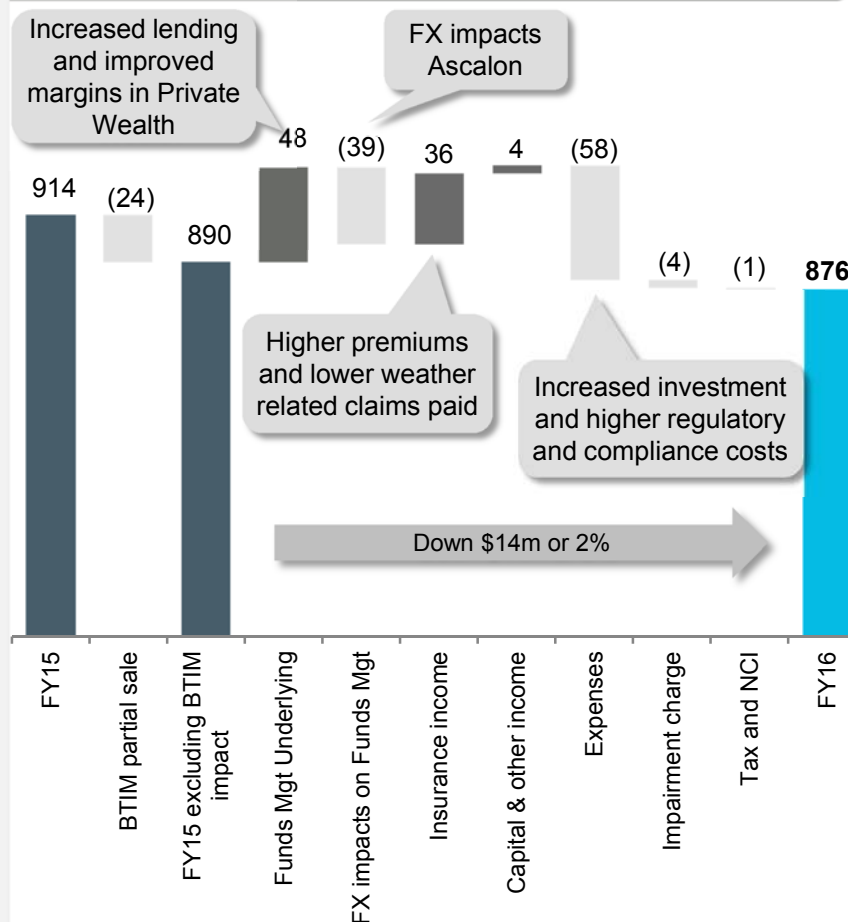
<sup>1</sup> Refer slide 89 for metric definition and details of provider.

## Sound fundamentals, trending positively



# BTFG franchise, impacted by challenging environment

## Cash earnings movement FY15 – FY16 (\$m)



## Key financial metrics

	FY14	FY15	FY16	Change on FY15
Revenue (\$m)	2,663	2,637	<b>2,406</b>	(9%)
Expense to income (%)	49.7	48.8	<b>48.2</b>	(56bps)
FUM (\$bn) ex BTIM (spot)	43.2	46.3	<b>48.4</b>	5%
FUA (\$bn) (spot)	112.7	121.9	<b>130.8</b>	7%
Revenue impact of partial sale of BTIM (\$m)	381	280	<b>0</b>	(100%)

## Key operating metrics

	2H15	1H16	2H16	Change on 1H16
Customers with a wealth product <sup>1</sup> (%)	19.7	19.2	<b>19.1</b>	(10bps)
Planners (salaried & aligned) <sup>2</sup> (#)	1,192	1,116	<b>1,134</b>	2%
BT Super for Life customers (#'000)	482	489	<b>506</b>	3%
Platform market share <sup>3</sup> (inc. Corp Super) (%)	19.9	19.6	<b>19.0</b>	(60bps)
Retail market share <sup>3</sup> (exc. cash) (%)	18.9	18.6	<b>18.0</b>	(60bps)
Life Insurance market share <sup>4</sup> (%)	11.3	10.9	<b>11.0</b>	10bps
H&C insurance market share <sup>5</sup> (%)	5.7	5.7	<b>5.7</b>	-
Women in leadership <sup>2</sup> (%)	44	42.1	<b>45.0</b>	290bps

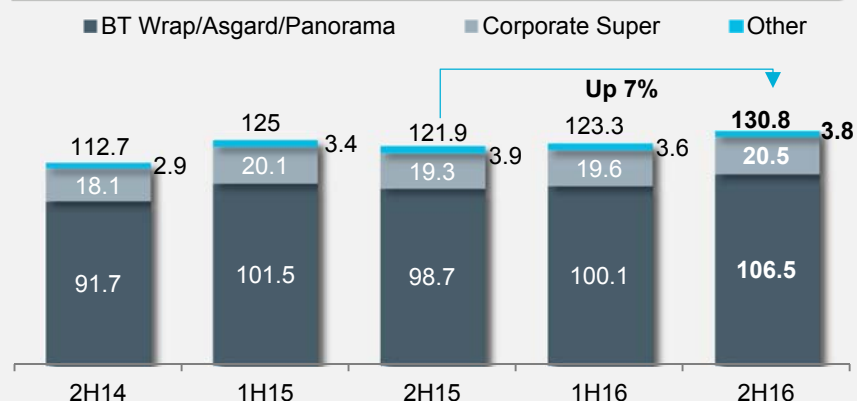
1 Refer slide 131 for wealth metrics provider. 2 Spot number as at balance date. 3 Strategic Insight, All Master Funds Admin as at June 2016 (for 2H16), as at December 2015 (for 1H16) and as at June 2015 (for 2H15) and represents the BT Wealth business market share at these times. 4 Strategic Insight (Individual Risk) rolling 12 month average. New sales includes sales, premium re-rates, age and CPI indexation June 2016. 5 Internally calculated from APRA quarterly general insurance performance statistics, June 2016.

# Funds management, positive flows impacted by FX movements

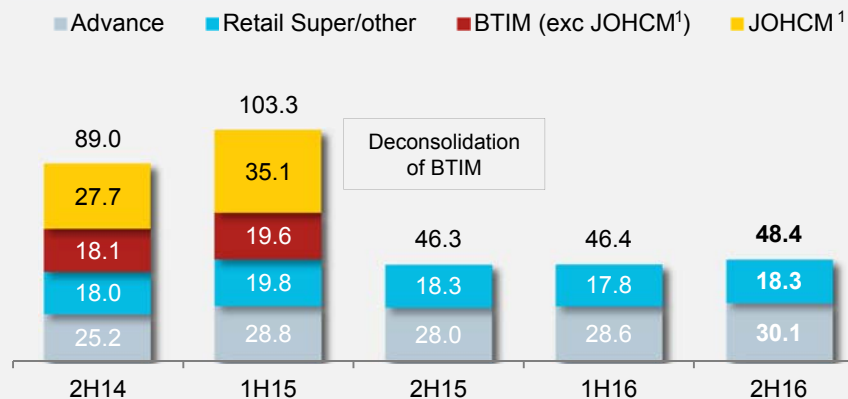
## Earning drivers

- Significant growth in Private Wealth
- Advice income lower from reduced activity
- FX movements from revaluation of Ascalon seed pool funds have also reduced revenue
- FUM related revenue was flat to FY15
  - Positive net flows in BT Super for Life retail FUM up 13% to \$6.5bn
  - FUM margins down 1bp from shift in portfolio mix and competition
- FUA related revenue up 2% on FY15
  - Panorama had positive flows of \$1.3bn
  - BT Wrap/Asgard platforms FUA up 8%
  - FUA margins were well managed, flat on FY15

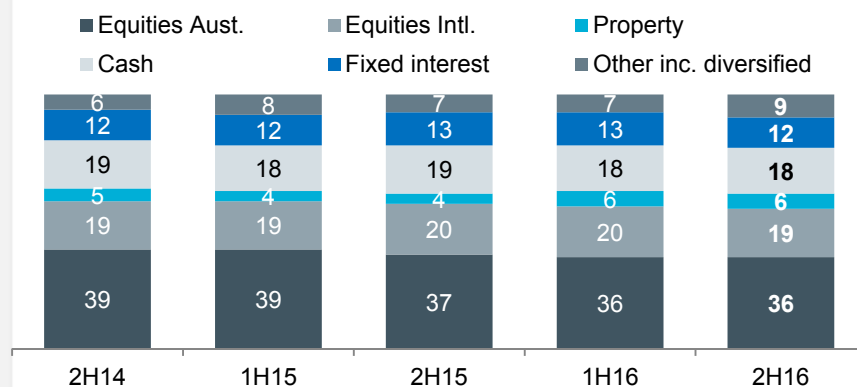
## FUA (\$bn)



## FUM (\$bn)



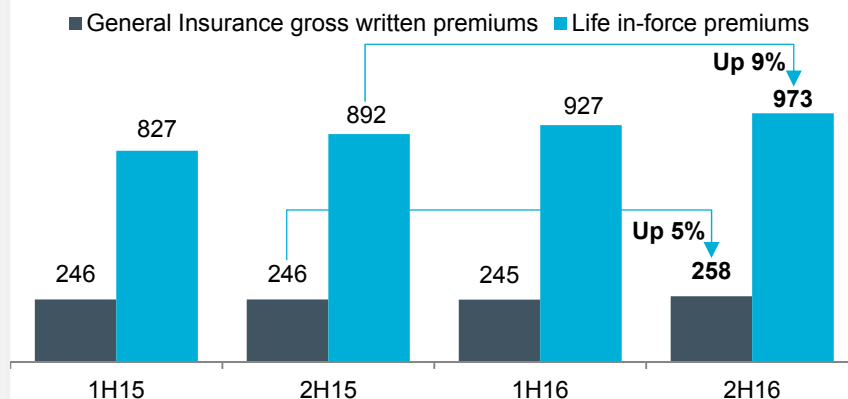
## FUA by asset class (%)



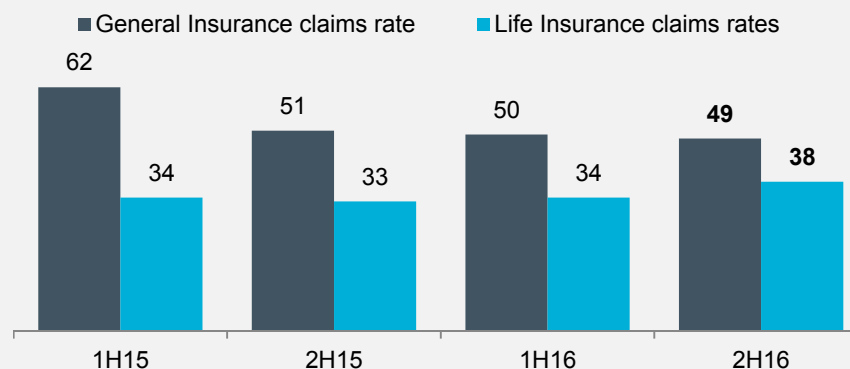
1 J O Hambro Capital Management.

# Insurance, premium growth continues

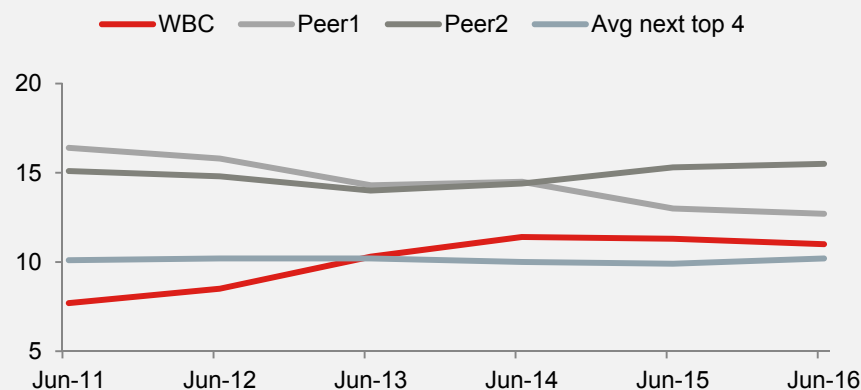
## Insurance premiums (\$m)



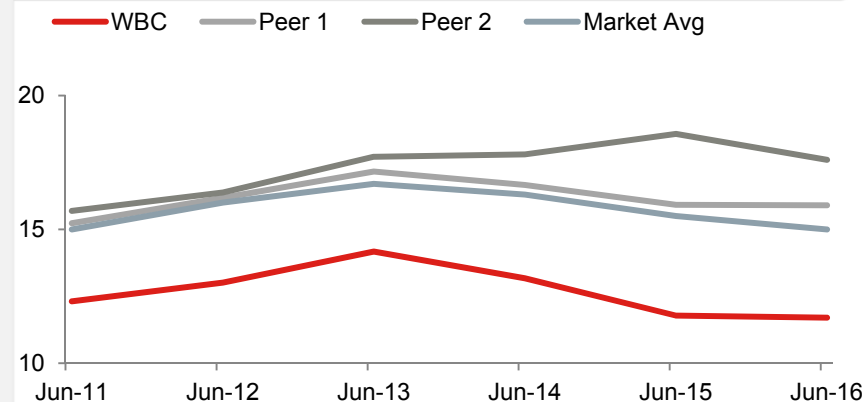
## Insurance claims rates (%)



## Life Insurance individual new sales market share<sup>1</sup> (%)



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

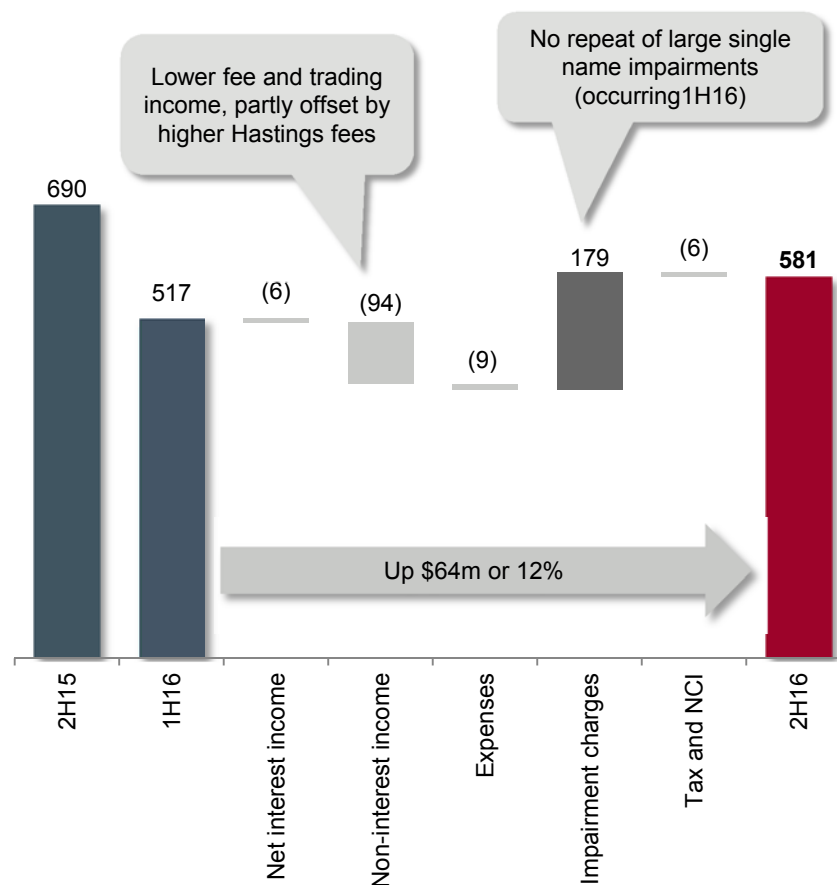


<sup>1</sup> Strategic Insight June 2016.



## WIB 2H16 cash earnings rose as impairment charges fell

### Cash earnings (\$m)



### Financial metrics

	2H15	1H16	2H16	Change on 1H16
Revenue (\$m)	1,650	1,599	1,499	(6%)
Net interest margin (%)	1.78	1.71	1.75	4bps
Expense to income (%)	41.2	41.8	45.2	339bps
Customer deposit to loan ratio (%)	105.2	110.6	119.8	large
Stressed assets to TCE (bps)	78	77	88	11bps

### Operating metrics

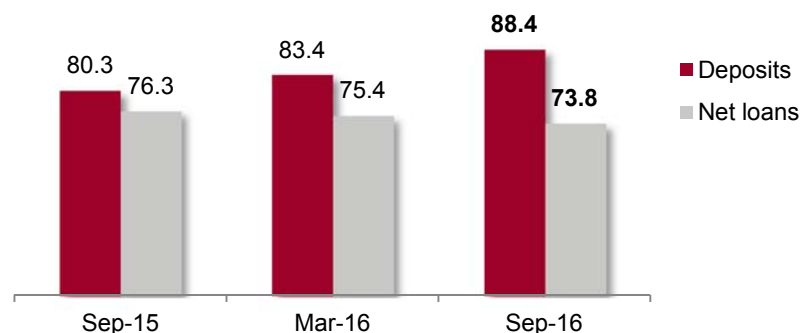
	2H15	1H16	2H16	Change on 1H16
Customer revenue <sup>1</sup> / total revenue (%)	81	82	82	(11bps)
Trading revenue / total revenue (%)	7	9	6	(286bps)
Revenue per average FTE (\$'000)	552	571	553	(3%)
Transactional banking relationships (#)	873	887	900	13
Deposits (\$bn)	80.3	83.4	88.4	6%
Loans (\$bn)	76.3	75.4	73.8	(2%)

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

# Continued **discipline** in managing the business

## Disciplined balance sheet management

WIB net loans and deposits (\$bn)



### Net loans

- Disciplined loan and pricing process and focus on improving capital efficiency saw net loans decrease by 2% or \$1.6bn
- Included 23% reduction in trade exposures in Asia and 3% reduction in Corporate and Institutional lending
- Focus on supporting existing customers, especially in Government, Health, Services and IT sectors and higher return opportunities

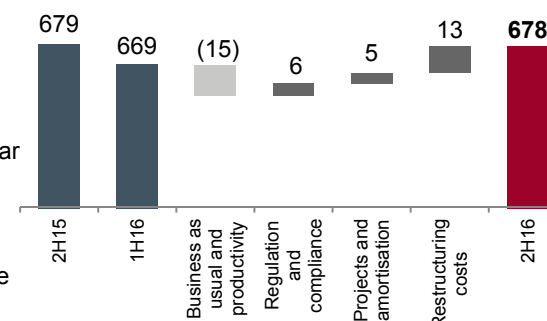
### Deposits

- Up 6% or \$5.0bn, with growth mainly in term deposits and working capital balances
- WIB benefiting from strong transactional banking capabilities and focus on service

## Strong expense control

WIB expenses (\$m)

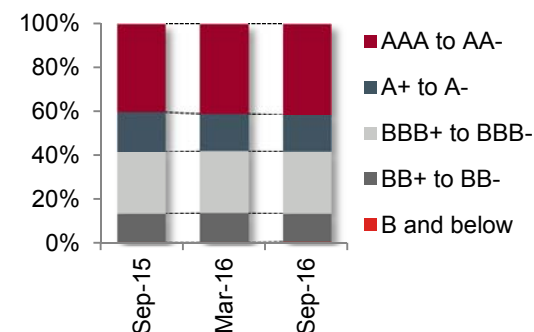
- Business costs more than offset by productivity gains
- Investment spend reflects regulation and compliance and amortisation of prior year investments
- Restructuring costs reflect new operating model and sale of some Pacific operations



## Maintained portfolio quality

- 2% reduction in total committed exposures over the half, 4% reduction over the year
- Average risk grade BBB
- Credit portfolio diversified across industries

WIB TCE by risk grade (%)



# Consistent focus on customer service and innovation

## Focus on innovation, service and digitisation...

### New operating model

- Delivering better service
  - Creation of a global client experience team
  - Sales coverage aligned to customer needs
  - Dedicated industry analytics and insights team
  - Better alignment to industry sectors
  - Increased digitisation
- Improved efficiency, with the reduction of around 100 roles

### Meeting customers' offshore needs



WIB complements its core franchise in Australia and New Zealand with a presence in key global centres to meet customer needs

### Innovation, Service and Digitisation

- Introduced Digital Client Forms
  - 45% reduction in turn-around-times to identify and verify new entities for AML/KYC purposes from 20 days to 11 days
- Launched UnionPay as a payment channel in QuickStream and PayWay
  - UnionPay provides bank card services and major card schemes in China
- Implemented BT and Asgard onto the QuickSuper clearing house
  - 65% of BT's employer customers now on the new platform
- Piloted LanternPay
  - Facilitates payments through the National Disability Insurance Scheme
- Delivered keystroke automation
  - Reduced the end-to-end transaction account opening process
- Expansion of financial markets products available via online banking platforms and simplified access to services, including access to pricing via online banking
- Commercialised WIB's data analytics capability

## ... driving Australasia's leading Institutional Bank

**2,800+**  
customers  
across a  
diversified  
portfolio

**900**  
transactional  
banking  
relationships

**93%**  
of the ASX Top  
100 bank with  
WIB

**82%**  
of WIB revenue  
from customer  
business<sup>1</sup>

**No.1** globally  
for consistent  
pricing/liquidity  
in spot/forward:  
Voice trading<sup>2</sup>

**Best**  
Debt Finance  
House, Australia  
last 4 years<sup>3</sup>

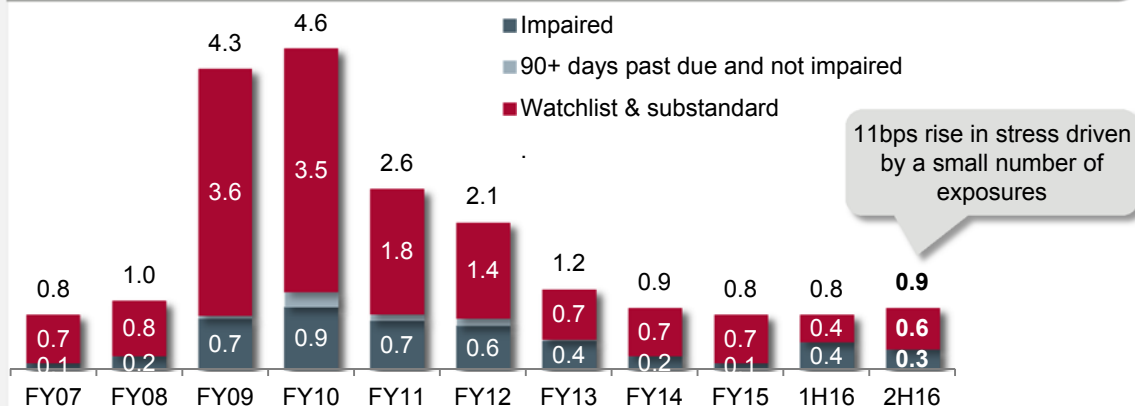
**Best**  
E-Solutions  
Partner Bank  
Australia<sup>4</sup>

**Best**  
power deal /  
project finance  
deal of the year,  
Australia<sup>5</sup>

<sup>1</sup> WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings. <sup>2</sup> Euromoney FX Survey 2016. Qualitative ranking from 3,435 industry votes. <sup>3</sup> FinanceAsia Achievement Awards 2012, 2013, 2014, 2015 - Australia and New Zealand. <sup>4</sup> The Asset Triple A Treasury, Trade and Risk Management Award 2016. <sup>5</sup> Project finance deal of the year/Best power deal, Australia - acquisition of TransGrid by NSW Electricity Networks - joint mandated lead arranger. Awarded by The Asset Triple A Asia Infrastructure Awards 2016.

# Maintaining **asset quality** in the Institutional Bank

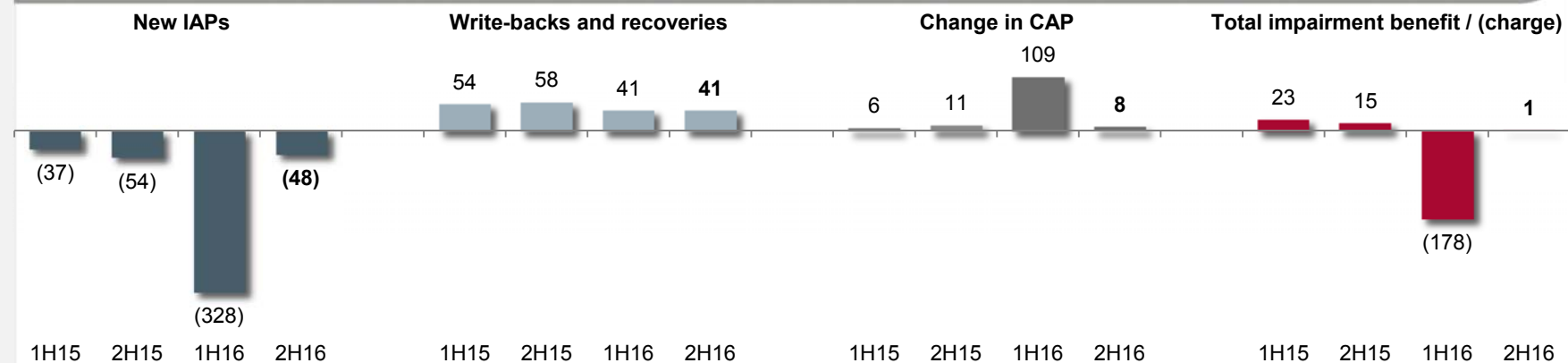
Stressed exposures as a % of TCE<sup>1</sup>



WIB coverage ratios

	2H15	1H16	2H16
Impairment provisions to impaired assets (%)	45.0	46.1	46.8
Collectively assessed provisions to credit RWA (bps)	46	35	36

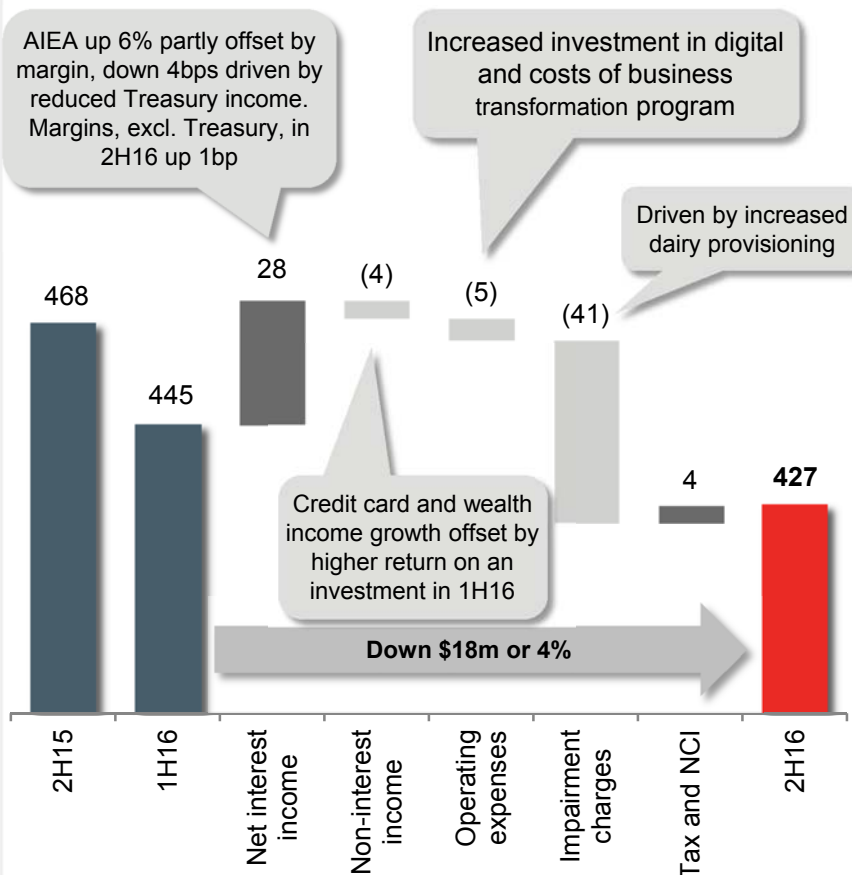
Impairments (charges) / benefits (\$m)



<sup>1</sup> Prior periods have not been restated for changes in the WIB loan portfolio.

# Core earnings up 3%, margins excl. Treasury flat

## Cash earnings (NZ\$m)



1 Refer slide 131 for metric definition.

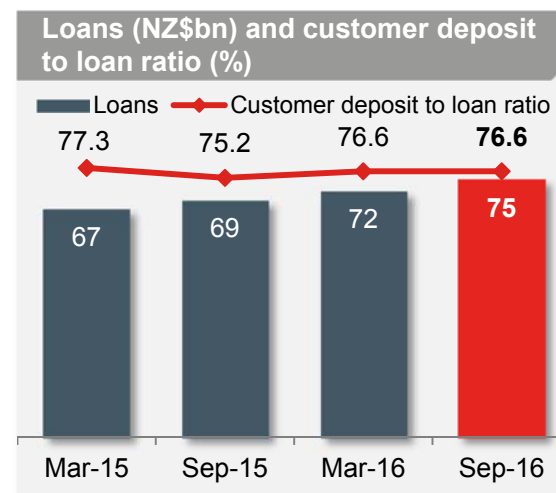
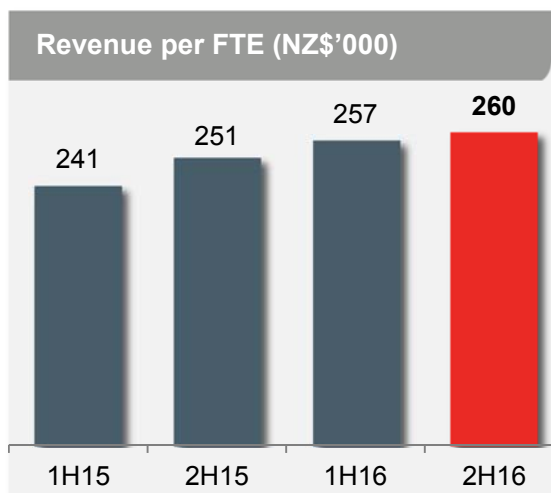
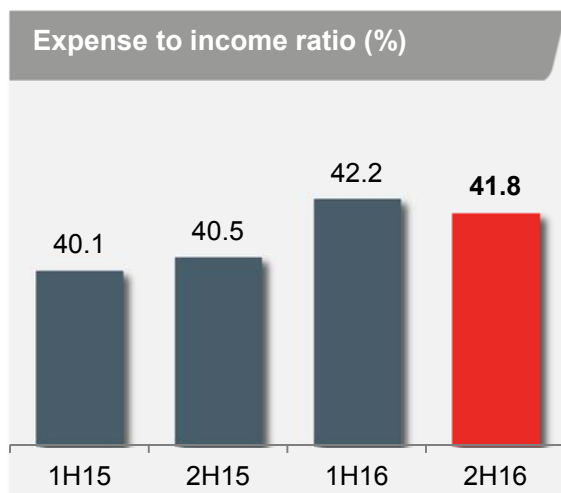
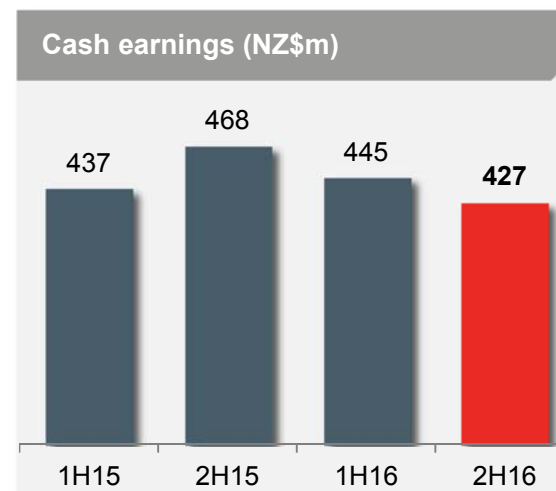
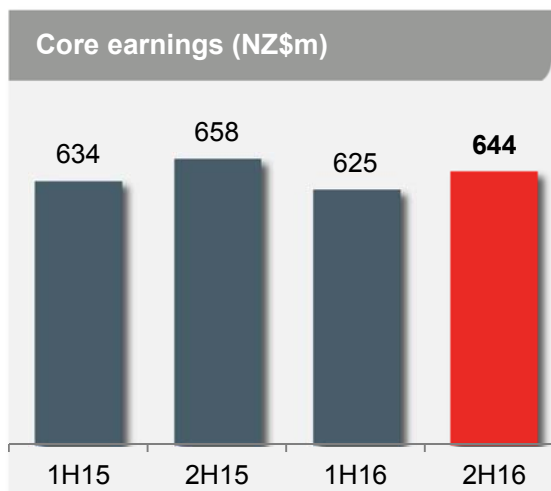
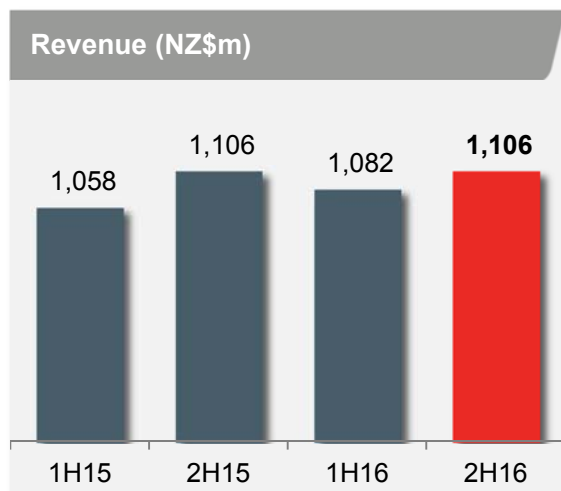
## Key financial metrics

	2H15	1H16	2H16	Change on 1H16
Revenue (NZ\$m)	1,106	1,082	<b>1,106</b>	2%
Net interest margin (%)	2.27	2.15	<b>2.11</b>	(4bps)
Net interest margin excl. Treasury (%)	2.45	2.35	<b>2.36</b>	1bp
Expense to income (%)	40.5	42.2	<b>41.8</b>	(47bps)
Customer deposit to loan ratio (%)	75.2	76.6	<b>76.6</b>	(1bp)
Stressed assets to TCE (%)	1.60	1.78	<b>2.54</b>	76bps

## Key operating metrics

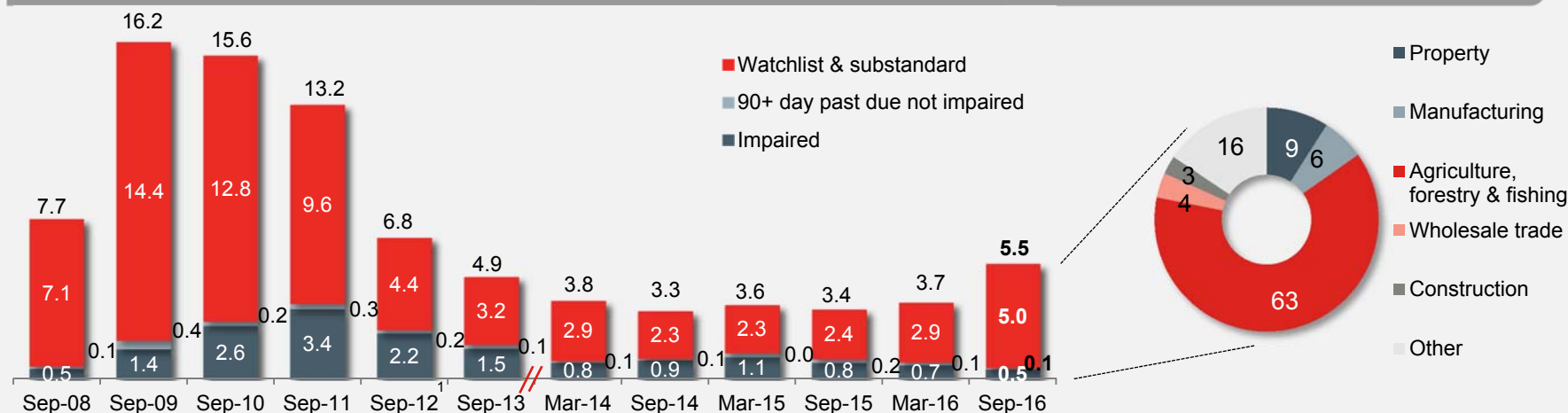
	2H15	1H16	2H16	Change on 1H16
Customers (#m)	1.34	1.35	<b>1.35</b>	-
Customers with a wealth product <sup>1</sup> (%)	28.1	28.3	<b>28.4</b>	6bps
FUM (NZ\$bn)	6.5	7.0	<b>7.5</b>	7%
FUA (NZ\$bn)	2.0	2.0	<b>2.0</b>	-
Service quality - complaints ('000's)	14.7	13.4	<b>13.2</b>	(2%)

## Maintaining sound results



# Increase in stress reflects **review of dairy exposures**

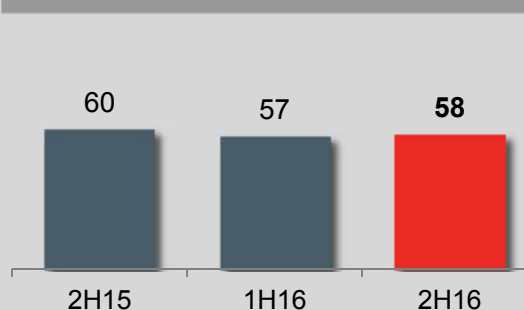
## Business stressed exposures as a % of New Zealand business TCE



## Agribusiness portfolio

	Sep-15	Mar-16	Sep-16
TCE (NZ\$bn)	7.8	8.1	8.6
Agriculture as a % of total TCE	7.9	7.9	8.1
% of portfolio graded as 'stressed' <sup>2</sup>	3.9	7.8	18.6
% of portfolio in impaired	0.34	0.32	0.42

## Total provisions to gross loans (bps)



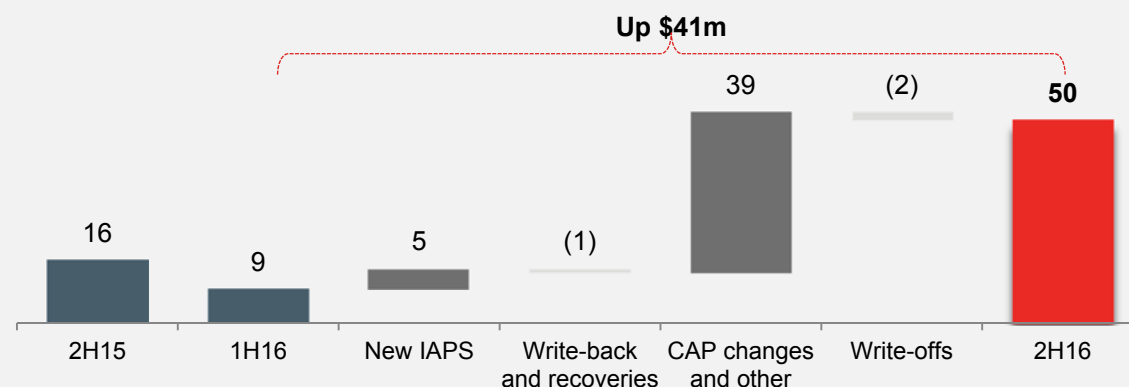
## Key messages

- 2H16 dairy file review, using milk price of NZ\$4.25 saw more customers classified as watchlist and substandard
- Portfolio will benefit from recent milk price rise which has boosted confidence and lifted forecast payouts
- Focus on supporting existing customers with proven long term financial viability

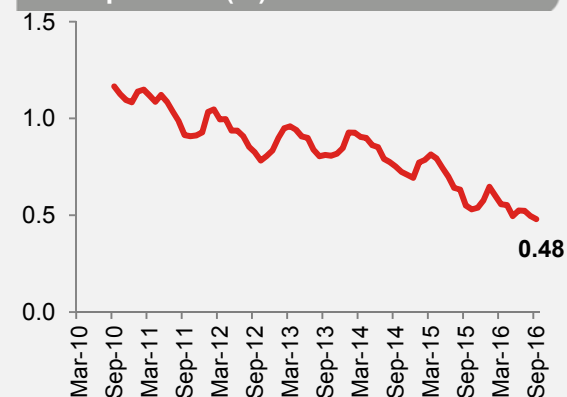
<sup>1</sup> Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012. <sup>2</sup> Included impaired exposures.

# Consumer asset quality **in good shape**

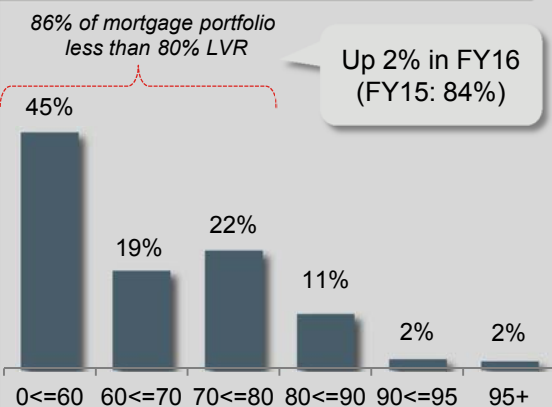
Movement in impairment charges (NZ\$m)



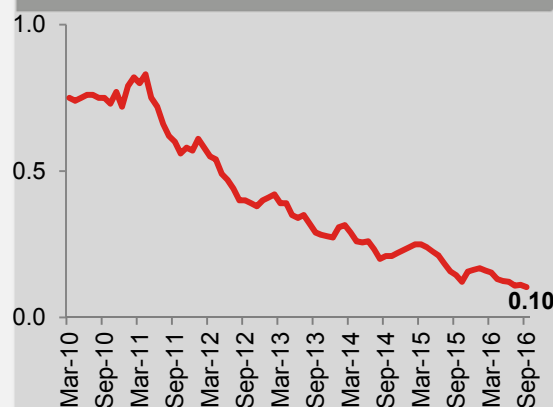
Unsecured consumer 90+ day delinquencies (%)



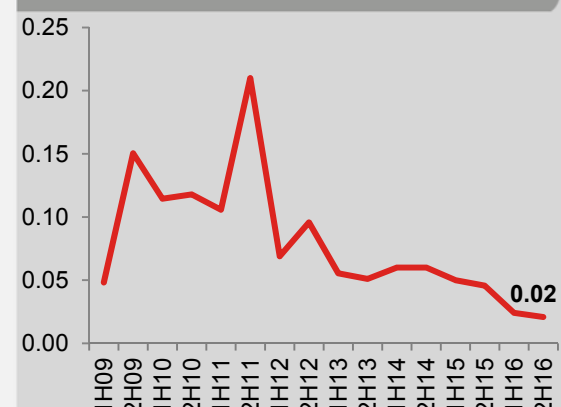
Mortgage portfolio LVR<sup>1</sup> (%) of portfolio



Mortgage 90+ day delinquencies (%)



Mortgage loss rates each half (%)



<sup>1</sup> LVR based on current loan balance and latest assessment of property value.





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## Economics

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# Snapshot

## More than mining, the Australian economy is diverse and flexible

### Australian economy key statistics (latest available as at 2 November 2016)

**GDP** **3.3%**

Westpac Forecast  
(end 2017) 3.3%

**Unemployment Rate** **5.6%**

Westpac Forecast  
(end 2017) 5.8%

**Inflation** **1.3%**

Westpac Forecast  
(end 2017) 1.7%

**Cash Rate** **1.50%**

Westpac Forecast  
(June 2018) 1.50%

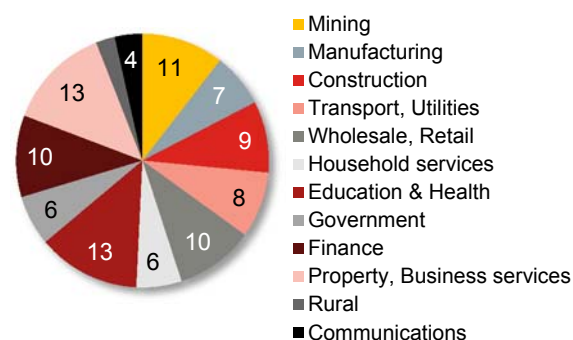
**AUD/USD** **US\$0.76**

Westpac Forecast  
(June 2018) US\$0.68

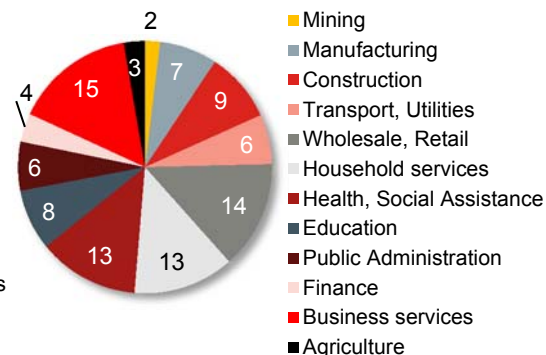
Sources: RBA, ABS, Westpac Economics.

### Australia's economy is diversified and flexible

Sector contribution to GDP (%)<sup>1</sup>

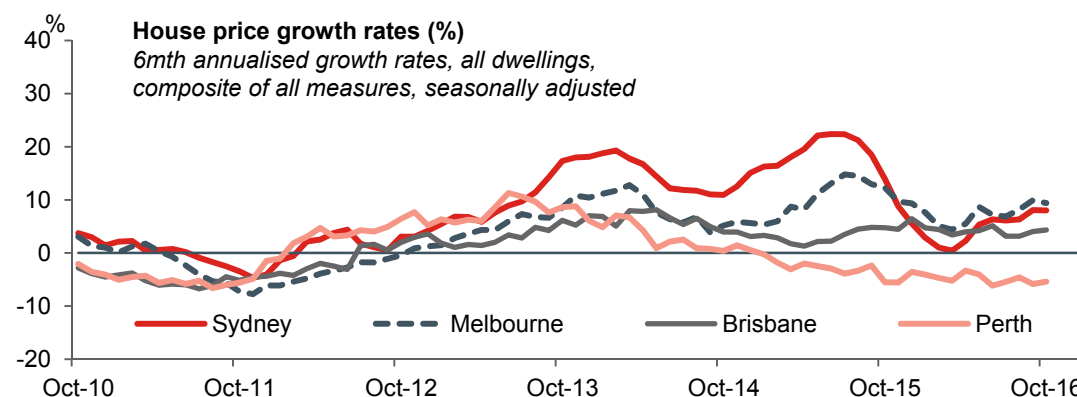


Australian employment by sector 2015/16 (%)



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

### Australian housing sector: geographic differences



Sources: ABS, CoreLogic, APM, Residex, Westpac Economics.

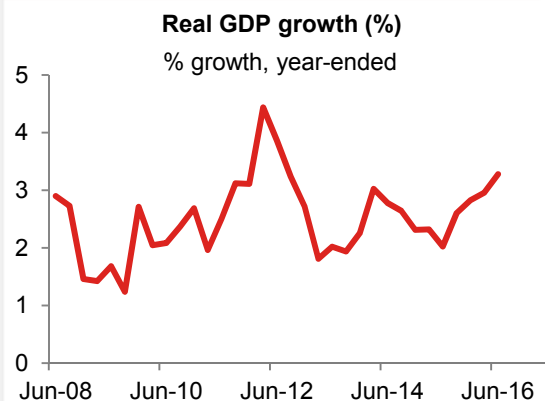
# Australian and New Zealand economic forecasts

Key economic indicators <sup>1</sup> (%) as at October 2016		Calendar year			
		2014	2015	2016f	2017f
<b>World</b>	<b>GDP</b>	<b>3.4</b>	<b>3.1</b>	<b>3.2</b>	<b>3.4</b>
<b>Australia</b>	<b>GDP</b>	<b>2.7</b>	<b>2.4</b>	<b>2.9</b>	<b>3.0</b>
	Private consumption	2.8	2.8	2.7	3.0
	Business investment <sup>2,3</sup>	-4.2	-9.2	-9.2	-4.5
	Unemployment – end period	6.2	5.8	5.5	5.7
	CPI headline – year end	1.7	1.7	1.5	1.7
	Interest rates – cash rate	2.50	2.00	1.50	1.50
	Credit growth, Total – year end	5.8	6.6	5.4	5.5
	Credit growth, Housing – year end	7.0	7.4	6.4	5.7
	Credit growth, Business – year end	4.7	6.4	4.5	5.5
<b>New Zealand</b>	<b>GDP</b>	<b>3.8</b>	<b>2.5</b>	<b>3.6</b>	<b>3.4</b>
	Unemployment – end period	5.5	5.0	5.1	4.6
	Consumer prices	0.8	0.1	1.0	1.7
	Interest rates – official cash rate	3.50	2.50	1.75	1.75
	Credit growth – Total	4.6	6.2	7.5	6.6
	Credit growth – Housing	5.1	6.0	8.6	8.1
	Credit growth – Business	3.7	6.7	6.5	4.8

1 Source: Westpac Economics. 2 GDP and component forecasts updated following the release of quarterly national accounts. 3 Business investment adjusted to exclude the effect of private sector purchases of public assets.

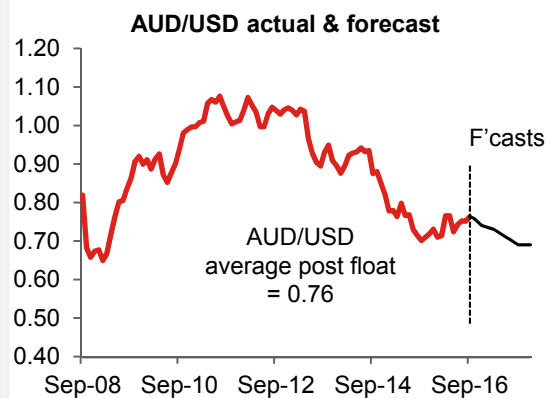
# Australian economy outlook sound, though some soft spots

## Economy continues to grow



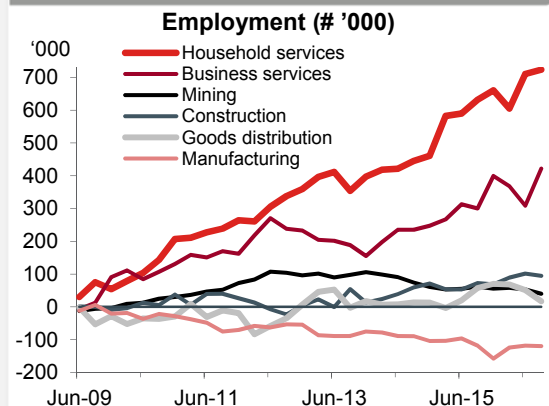
Source: ABS, Westpac Economics

## AUD close to post float average



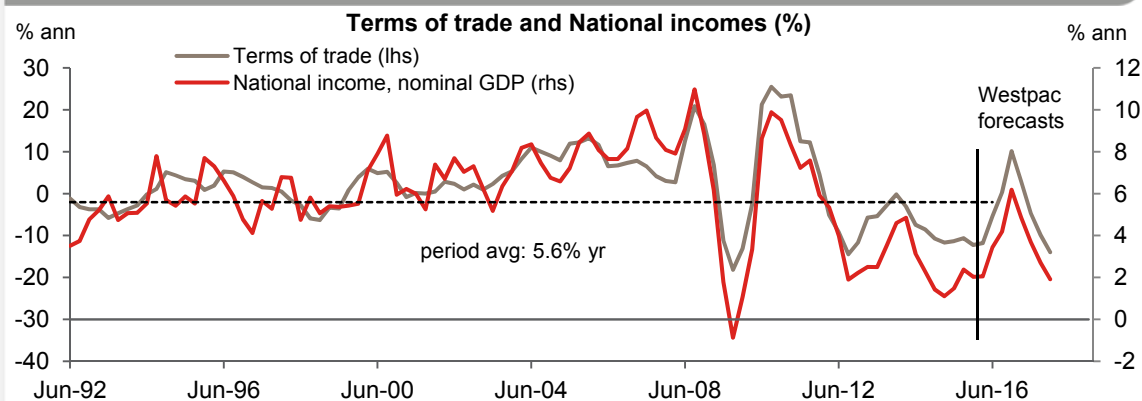
Sources: RBA, Westpac Economics.

## Non-mining economy advancing



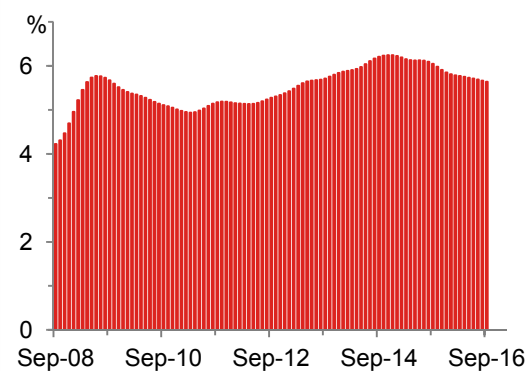
Sources: ABS, Westpac Economics.

## Income shock starting to ease



Sources: ABS, Westpac Economics.

## Australian unemployment rate (%)

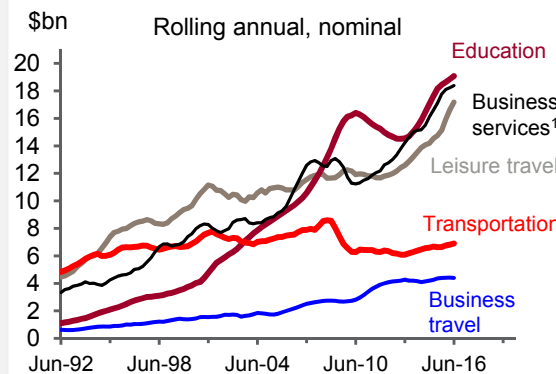


Sources: ABS, Westpac Economics.

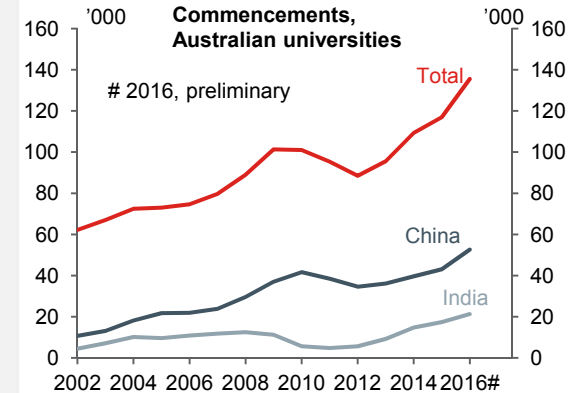
# Service exports performing strongly, supported by ‘consumer’ China

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

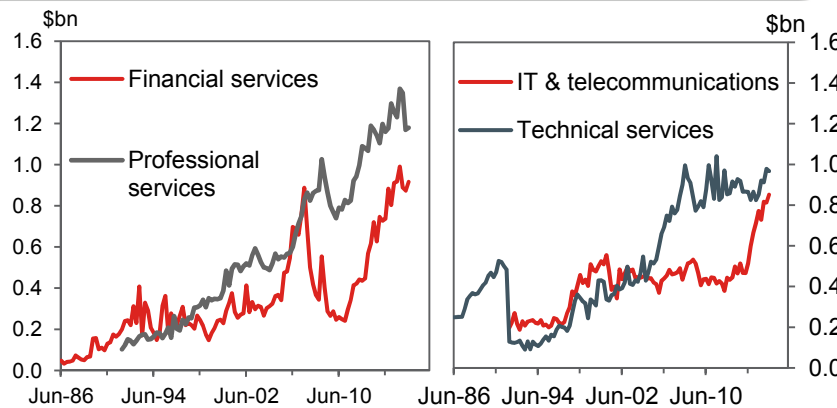
## Service exports (\$bn)



## Education

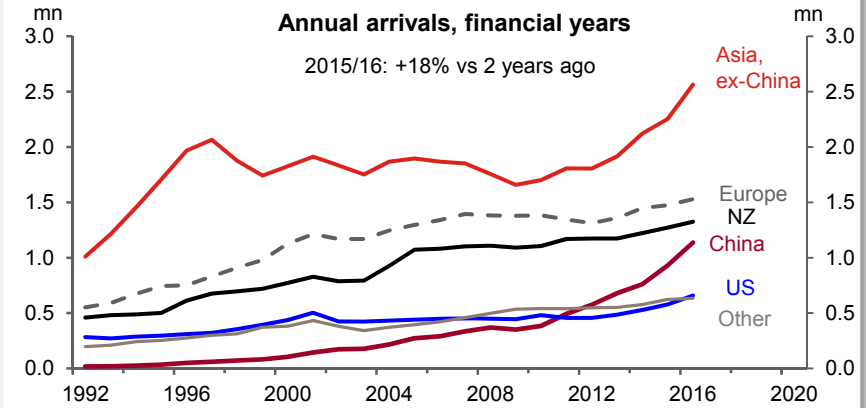


## Business services



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

## International arrivals in Australia (millions)

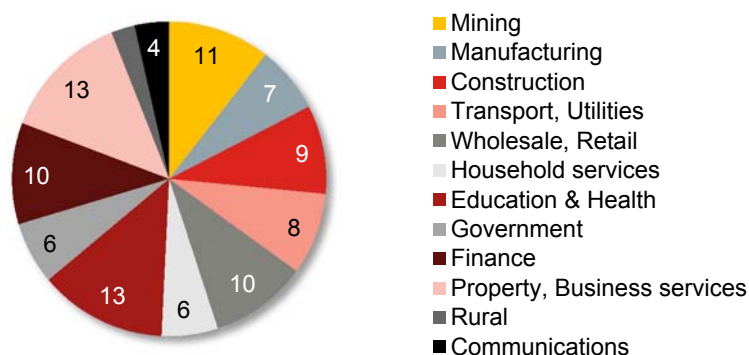


# Australian labour market

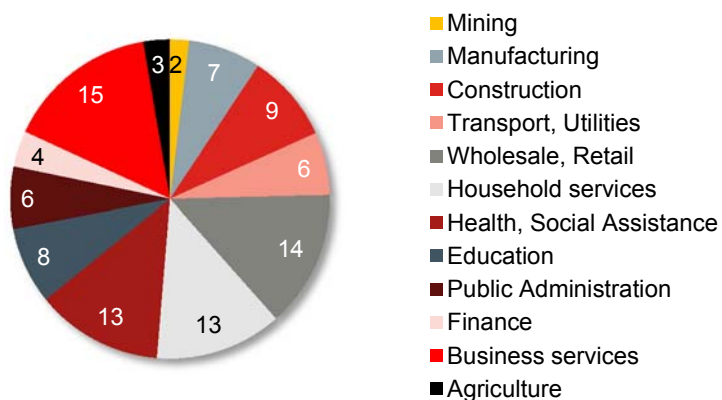
## Widening of employment gains to more sectors

### Australia: more than just mining

Sector contribution to GDP (%)<sup>1</sup>



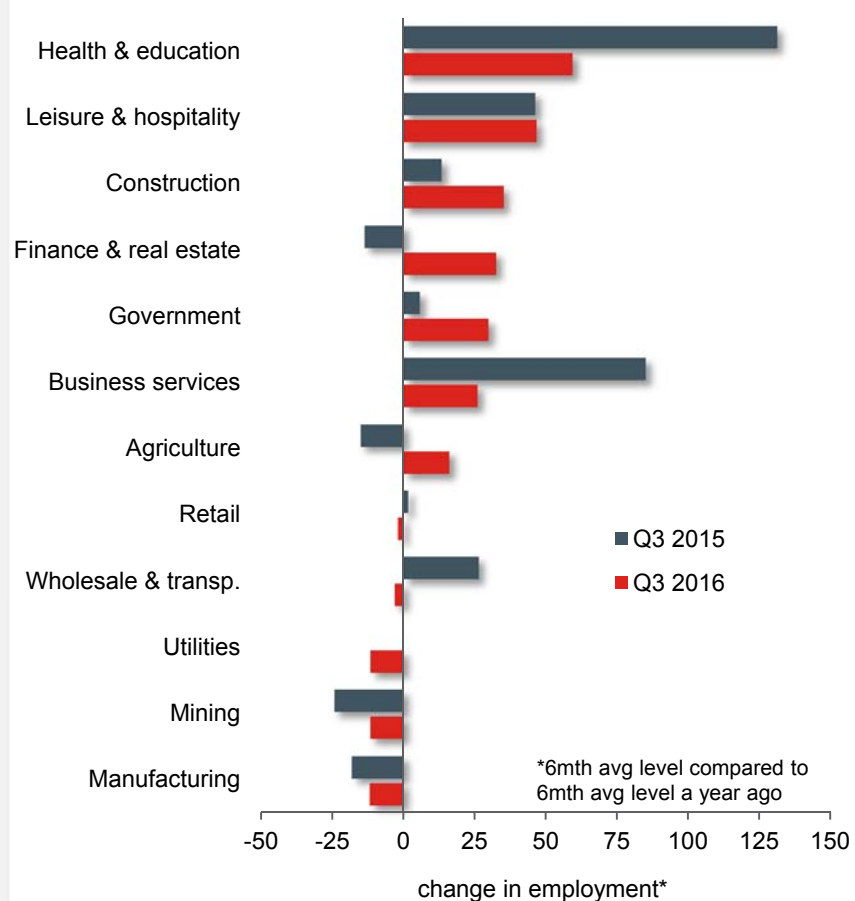
Australian employment by sector 2015/16 (%)



Sources: ABS, Westpac Economics.

<sup>1</sup> Excludes ownership of dwellings and taxes less subsidies.

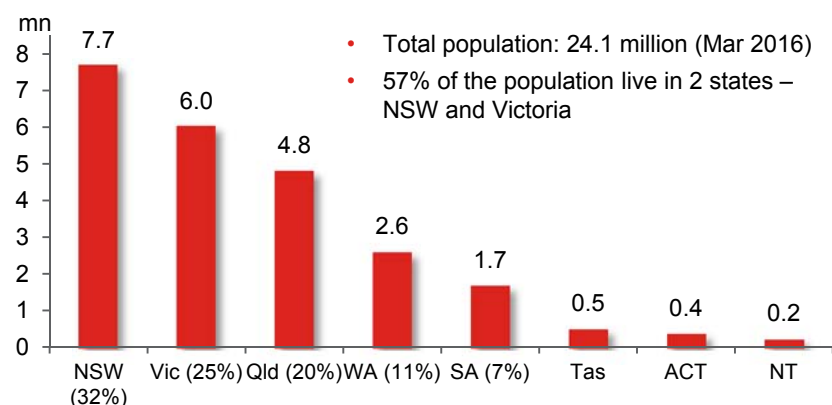
### Australia: employment by sector (annual change, '000)



Sources: ABS, Westpac Economics.

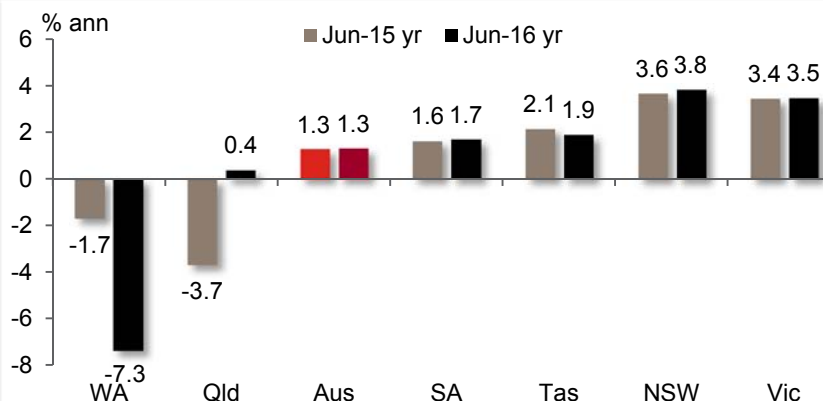
# NSW and Victoria performing strongly; weakness in WA

Australian population by State (#m)



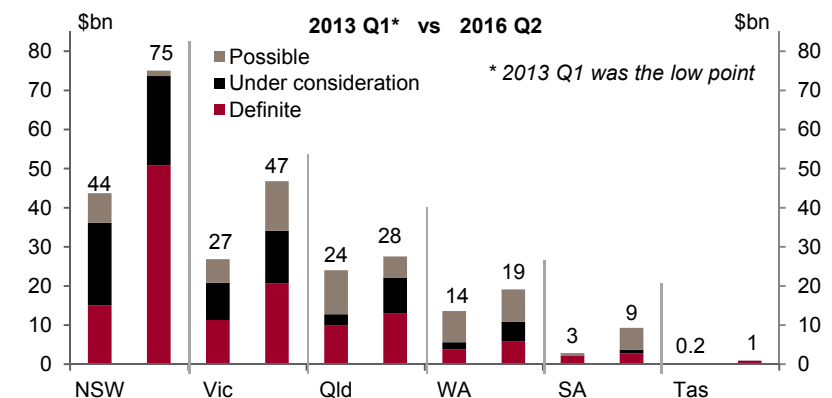
Sources: ABS, Westpac Economics

Domestic final demand (% ann)



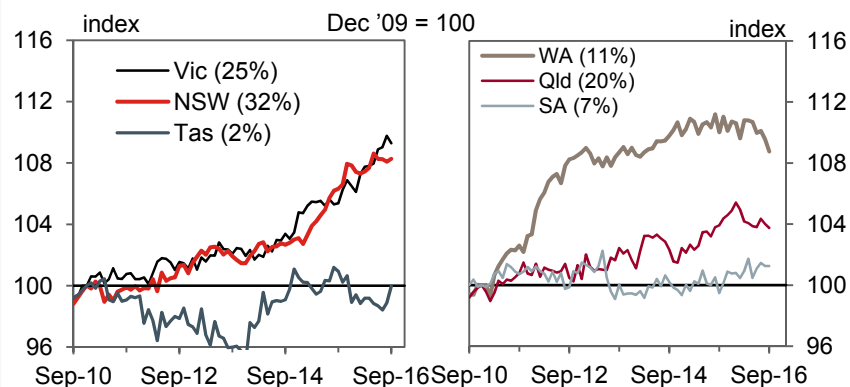
Sources: ABS, Westpac Economics

Public transport project pipeline (\$bn)



Sources: Deloitte Access Economics, Westpac Economics

State jobs markets (index, share of total employment)



Sources: ABS, Westpac Economics



# Australian state economies

## WA

### POPULATION

2.6 million

### SIZE OF ECONOMY

17% of Australian GDP

### GROWTH

1.0% forecast for 2015/16

1.1% forecast for 2016/17

### HOUSE PRICES

Perth dwelling prices down

4.4%yr to October 2016



## SA

### POPULATION

1.7 million

### SIZE OF ECONOMY

6% of Australian GDP

### GROWTH

2.5% forecast for 2015/16

2.0% forecast for 2016/17

### HOUSE PRICES

Adelaide dwelling prices up

1.6%yr to October 2016

## VIC

### POPULATION

6.0 million

### SIZE OF ECONOMY

22% of Australian GDP

### GROWTH

3.7% forecast for 2015/16

3.2% forecast for 2016/17

### HOUSE PRICES

Melbourne dwelling prices up

8.3%yr to October 2016

## QLD

### POPULATION

4.8 million

### SIZE OF ECONOMY

19% of Australian GDP

### GROWTH

2.5% forecast for 2015/16

4.0% forecast for 2016/17

### HOUSE PRICES

Brisbane dwelling prices up

4.1%yr to October 2016

## NSW

### POPULATION

7.7 million

### SIZE OF ECONOMY

31% of Australian GDP

### GROWTH

3.4% forecast for 2015/16

3.3% forecast for 2016/17

### HOUSE PRICES

Sydney dwelling prices up

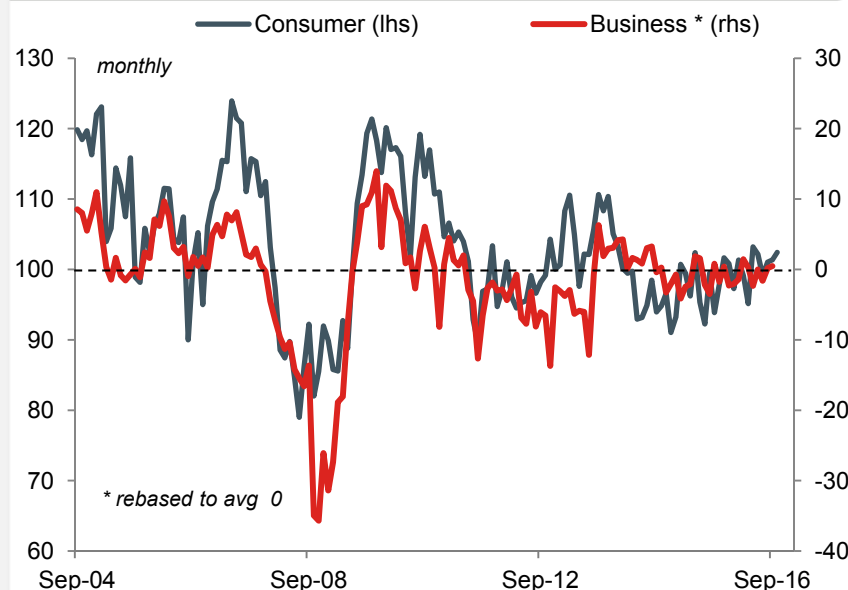
9.7%yr to October 2016

Sources: ABS, CoreLogic, Westpac Economics



# Credit growth **expanding at a modest pace**

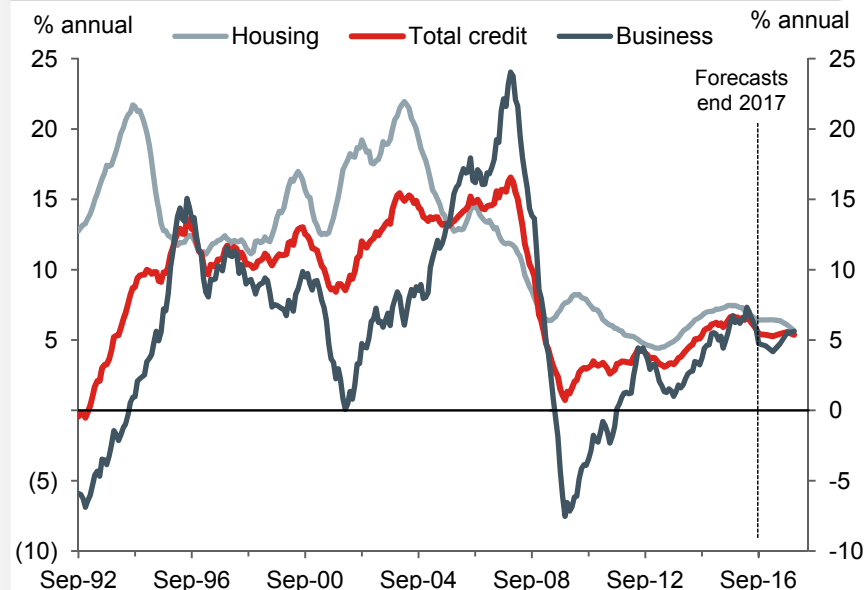
Business confidence and consumer confidence (net balance)



Sources: Westpac MI, NAB, Westpac Economics.

- Consumer sentiment has broadly improved over the last year but has been choppy month to month. Most recently sentiment has lifted following the RBA's May and August rate cuts
- Heightened job loss fears have been a recurring consumer theme in recent years but have also shown some signs of improvement
- Business confidence is at around historic averages, supported by improved business conditions. Actual business conditions have lifted to above average readings as the non-mining economy strengthens, responding to lower rates and a lower dollar

Australian private sector credit growth (% ann)



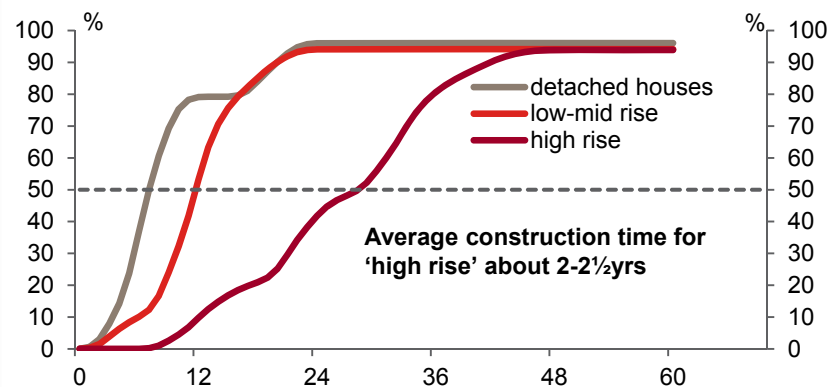
Sources: RBA, Westpac Economics.

- Credit grew by 5.4% in the year to September 2016, moderating from 6.6% at end 2015 as housing cooled following tighter lending conditions in 2015 and due to a soft spot in business ahead of the July Federal election. Over the past three months, credit grew 4.7% annualised
- Credit growth is expected to grow at around 5.5% in the year to Dec 2017, similar to that achieved in 2016. In terms of composition, housing credit growth is expected to moderate as regulatory constraints limit investor credit growth, while business credit growth is expected to be a little higher than in 2016.

# Australia's **high rise apartment** market

- Construction in Australia has responded to low rates and the end of the mining boom
- A pick-up in apartment construction in recent years will see a large number of completions in 2016 and 2017
- Inner-city Melbourne is forecast to have the largest number of completions (around 16,000) over the next two years, followed by Brisbane (12,000) and Sydney (10,000)<sup>1</sup>
- New completions will start to address the large structural deficit in Australian housing that accumulated over the past decade, driven by strong migration-led population growth and low levels of building during the mining boom
- Market-wide oversupply not likely but pockets of oversupply may emerge over the short to medium term as new supply is absorbed

## Dwelling construction: indicative completion times<sup>2</sup>



Sources: ABS, Westpac Economics.

<sup>1</sup> Source: RBA, CoreLogic. <sup>2</sup> Estimated proportion of approved dwellings completed by months after approval. Note that not all approved dwellings are completed, reflecting both cancellations and reductions in project size. Also, 'high rise' projects often have significant delays between approval and commencement.

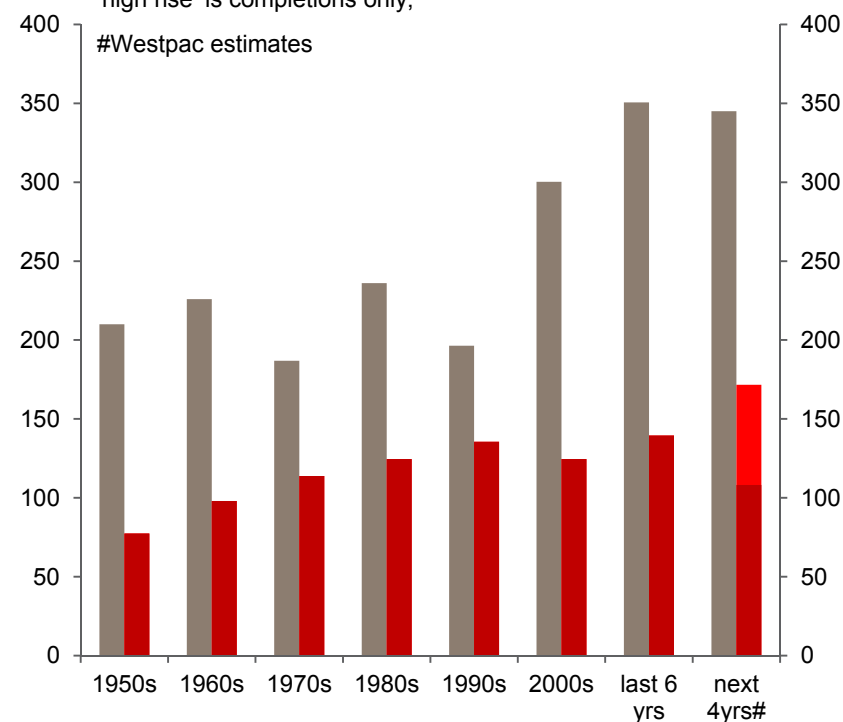
## Population versus dwelling stock (annual average change '000)

■ Population ■ New 'high rise' apartments<sup>^</sup> ■ Total dwelling stock<sup>^</sup>

\*Average annual change

<sup>^</sup>Net of demolitions – implied by Census data; 'high rise' is completions only;

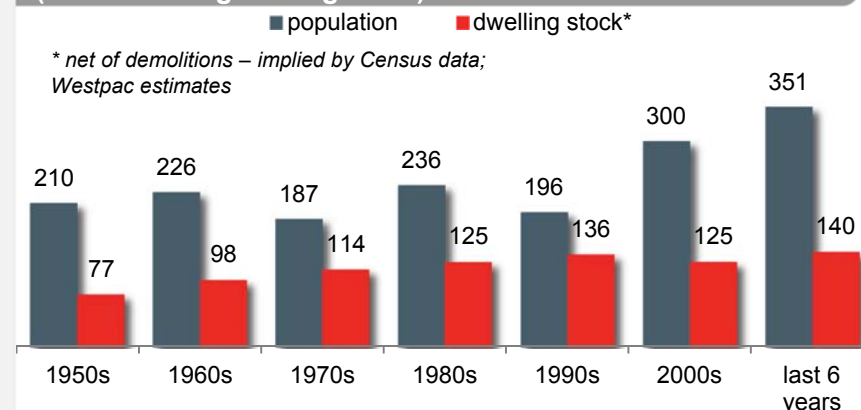
#Westpac estimates



Sources: REIA, Westpac Economics.

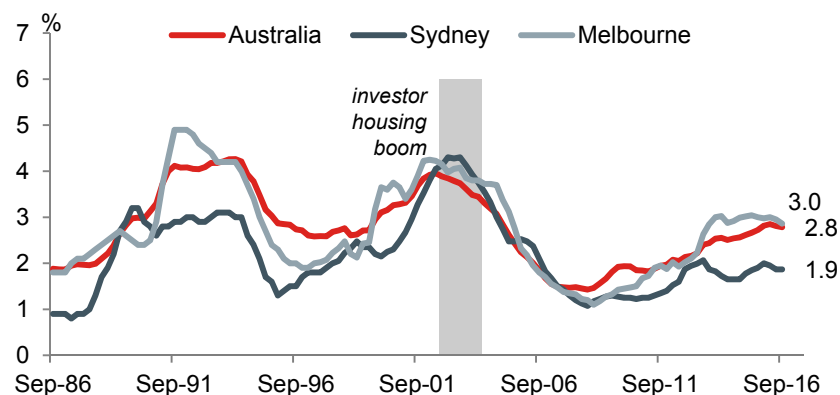
# Australian housing market has **sound fundamentals**, Sector moderating

Population versus dwelling stock  
(annual average change '000)



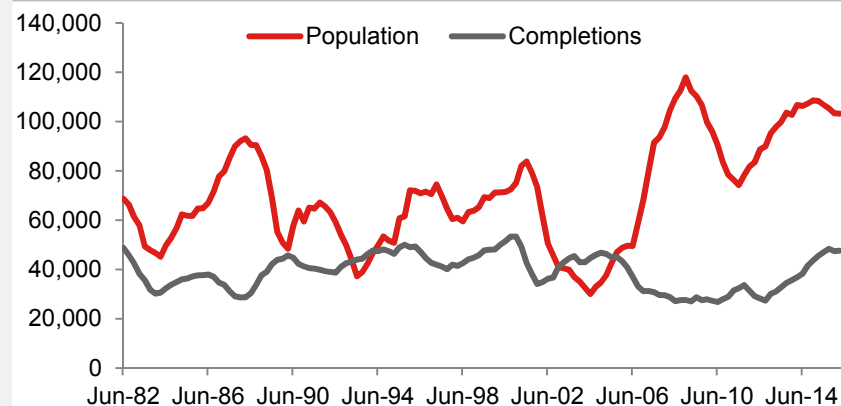
Sources: REIA, Westpac Economics.

Residential rental vacancy rates (%)



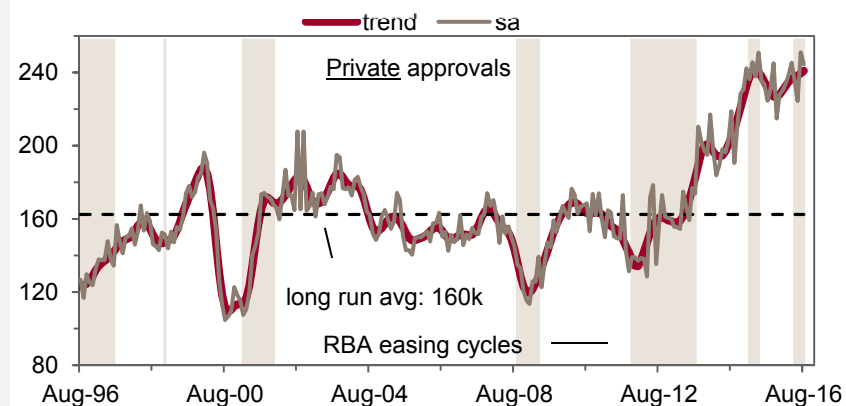
Sources: ABS, Westpac Economics.

New dwelling completions v population growth - NSW (#)



Sources: ABS, Westpac Economics.

Dwelling approvals: 2% off their peak ('000 mth, annualised)



Sources: RBA, Westpac Economics

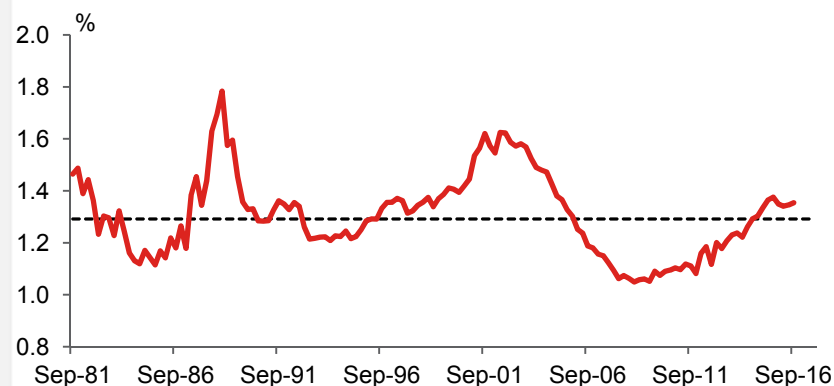
# House price growth and activity

## Some moderation, geographic differences

Capital city	Population	% Change Year on Year (Oct-16)	Average since 2007
Sydney	4.9m	Up 9.7%	Up 7.3%
Melbourne	4.9m	Up 8.3%	Up 6.2%
Brisbane	2.3m	Up 4.1%	Up 1.4%
Perth	2.0m	Down 4.4%	Down 0.2%
Adelaide	1.3m	Up 1.6%	Up 1.7%

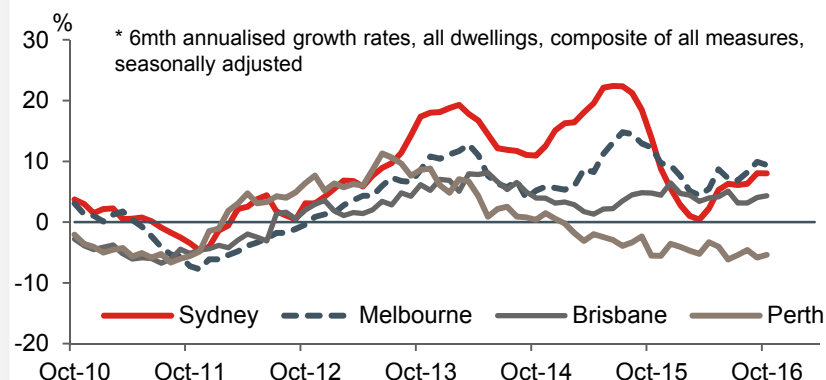
Sources: ABS, CoreLogic, Westpac Economics.

### Sydney dwelling prices vs rest of Australia (ratio of weighted medians other major capital cities)



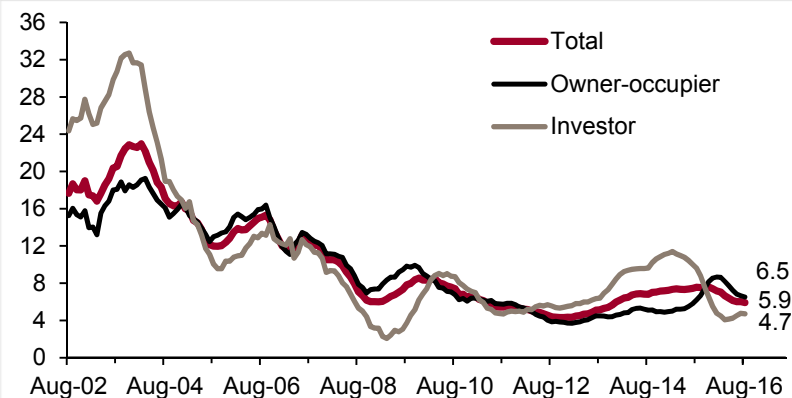
Sources: ABS, CoreLogic, APM, Residex, Westpac Economics.

### Capital city dwelling prices – growth rates (%)



Sources: ABS, CoreLogic, APM, Residex, Westpac Economics.

### Housing credit (6mth % change annualised)



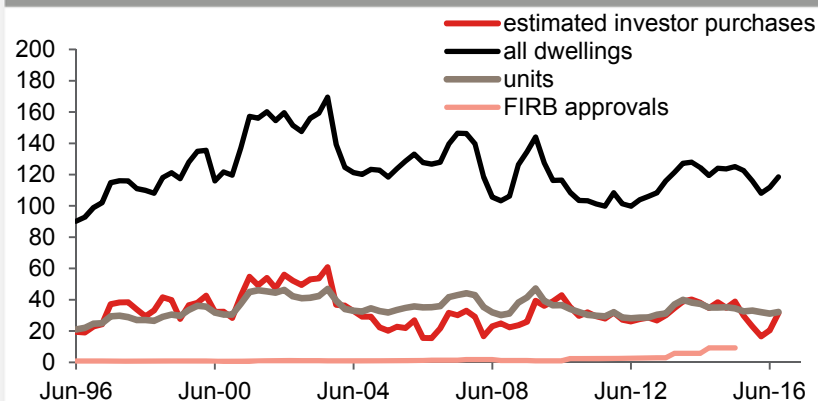
Sources: RBA, Westpac Economics.

# Investment property lending **off highs**

- Investor activity responded in 2014 and into 2015 to low vacancy rates, solid rental yields and returns compared to other asset classes, and low interest rates, including low fixed rates offering attractive opportunities to hedge interest rate risk
- Regulators moved in 2015 to contain growth in this sector with measures having a clear effect: investor credit growth slowed from 11.9% in November 2014 to 5.3% in November 2015 on a three month annualised basis<sup>1</sup>
- Total market turnover has fallen back to relatively low levels and is well below the both recent peaks and the extreme highs seen in 2002-03, when market activity was particularly strong (high turnover is often associated with greater speculative activity)

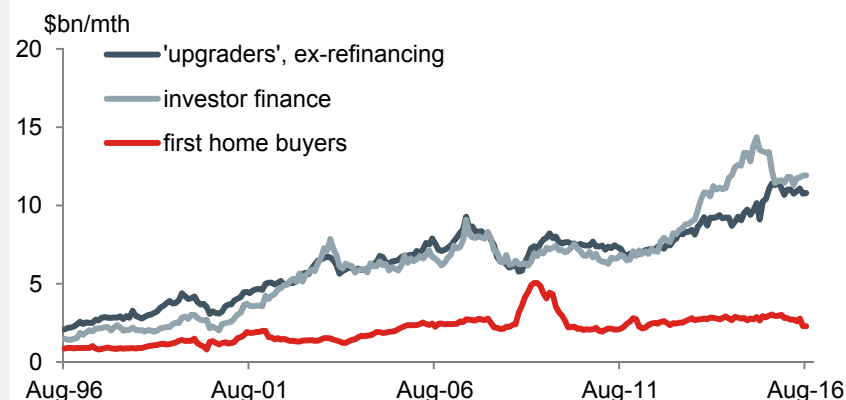
<sup>1</sup> Source: RBA

## Dwelling turnover (quarterly # '000)



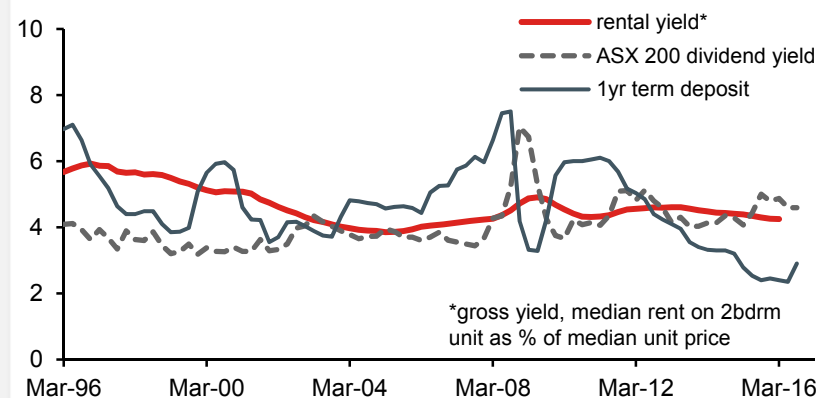
Sources: CoreLogic, ABS, FIRB, Westpac Economics

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



Sources: ABS, Westpac Economics.

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

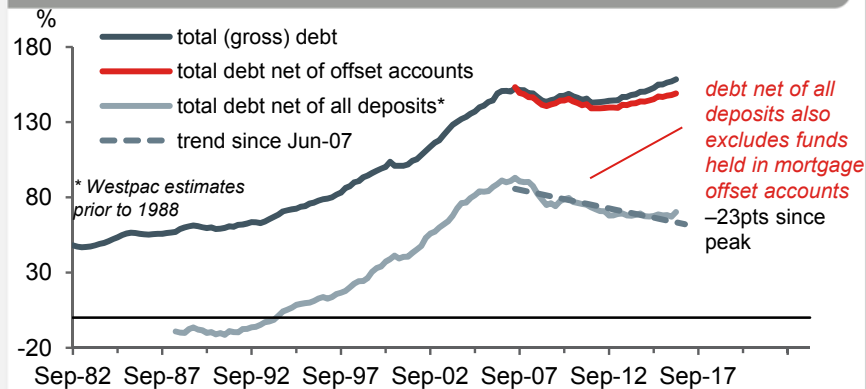


Sources: CoreLogic, REIA, RBA, Westpac Economics.

# Australian households

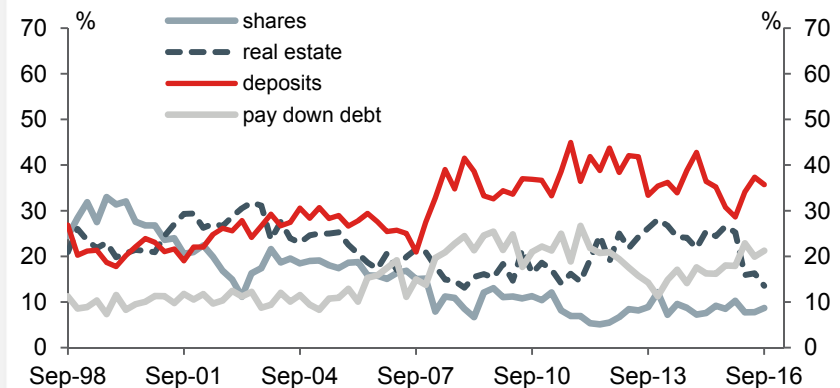
## A cautious approach to household finances

Australian households: debt to income ratio (%)



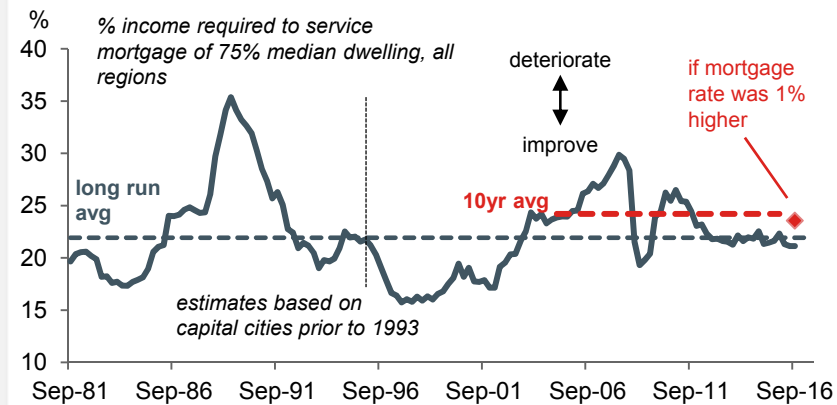
Sources: ABS, RBA, Westpac Economics.

Consumer survey: 'Wisest place for savings'



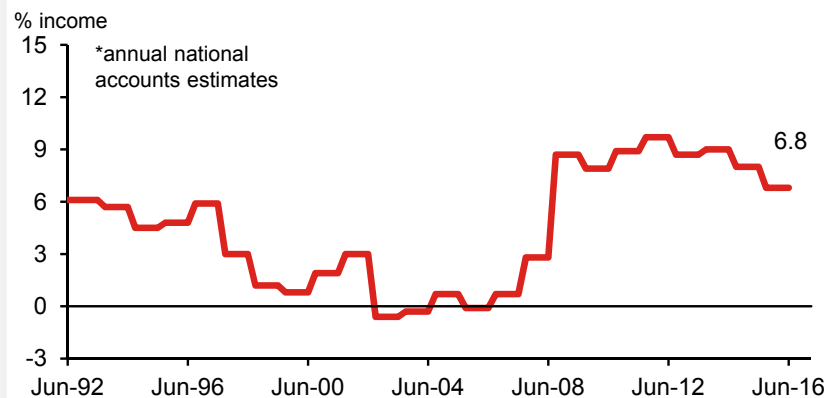
Sources: Melbourne Institute, Westpac Economics.

Housing affordability: all dwellings



Sources: CoreLogic, Residex, Westpac Economics.

Household savings rate (% income)



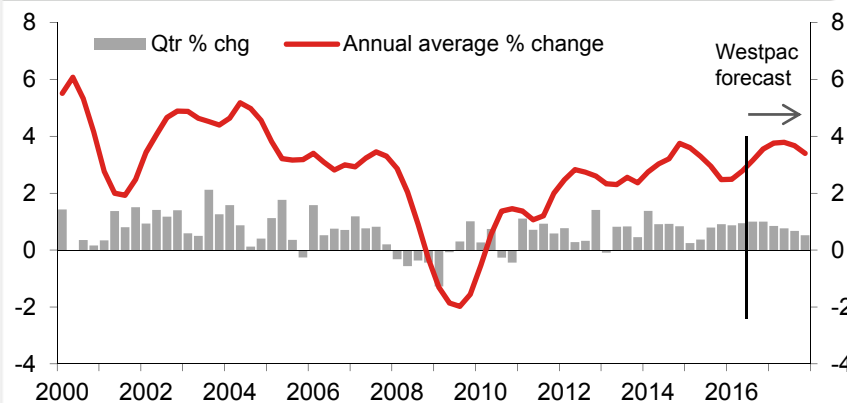
Sources: ABS, Westpac Economics.

# New Zealand economy

Key economic statistics	FY15	FY16f	Change
GDP annual average growth	2.9%	3.2%	30 bps
Inflation rate	0.4%	0.2%	(20 bps)
Official cash rate (OCR)	3.0%	2.0%	(100 bps)
Unemployment rate	5.5%	4.9%	(60 bps)
Dairy payout (ex dividend) <sup>1,2</sup>	\$4.40	\$3.90	(\$0.50)

Source: RBNZ, Westpac Economics

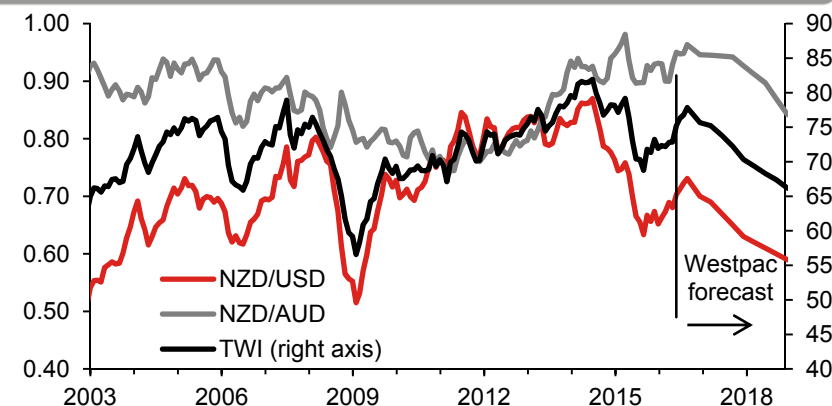
## GDP growth (%)



Source: Statistics NZ, Westpac Economics

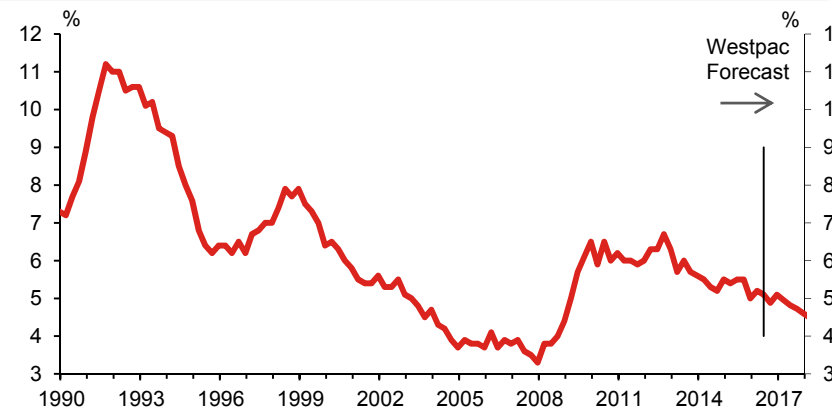
<sup>1</sup> Westpac NZ Economics forecast (ex dividend), Fonterra forecast is \$3.90/kg. <sup>2</sup> Seasons ended May.

## NZD/USD, NZD/AUD and TWI



Source: RBNZ, Westpac Economics

## New Zealand unemployment rate (%)



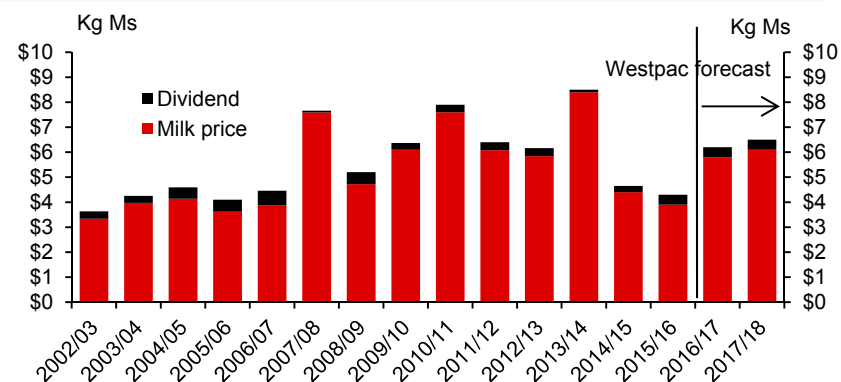
Source: Statistics NZ, Westpac Economics

# New Zealand economy

## Conditions are improving for the dairy sector

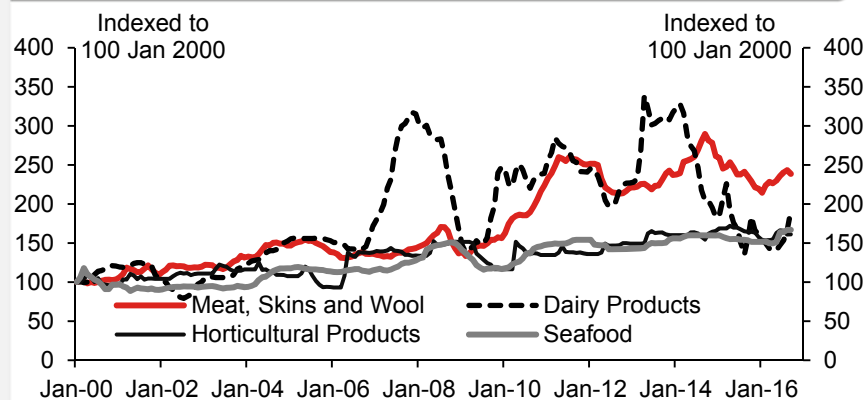
- Global dairy prices have improved significantly in recent months as fundamentals have shifted in favour of dairy producers
- The sustained period of lower prices has led to milk supply contracting in key dairy exporting regions including Europe, New Zealand and Australia
- In addition, there have been some signs of firmer demand, particularly out of China
- Consequently, Westpac Economics has upgraded our forecast of the farm gate milk price for this season to \$5.80. However, while this is a significant improvement for farmers, it will take some time for farmers to repair their balance sheets following two seasons of very low prices, and the sector is likely to remain cautious for some time yet
- The New Zealand tourism sector continues to perform strongly. Visitor arrivals in September were up 13% on a year ago

### Dairy payout and dividend<sup>1</sup>



Source: Fonterra, Westpac Economics

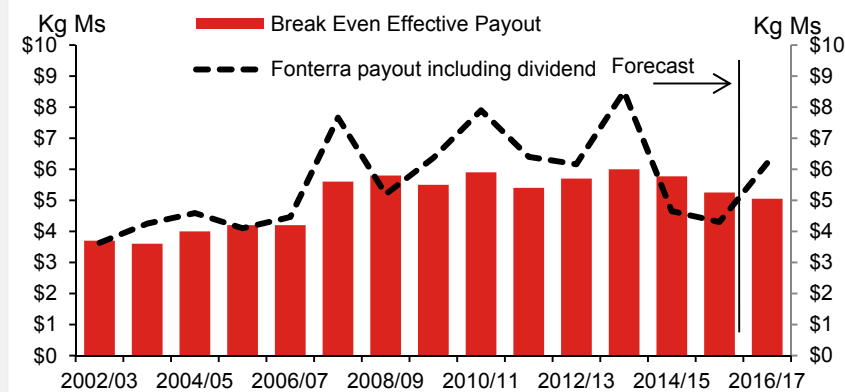
### NZ export commodity price index (NZD)



Source: ANZ, Westpac

<sup>1</sup> Westpac NZ Economics forecast (ex dividend), Fonterra forecast is \$3.90/kg. 2 Seasons ended May.

### Break-even dairy payout



Source: RBNZ, DairyNZ, Westpac, Fonterra

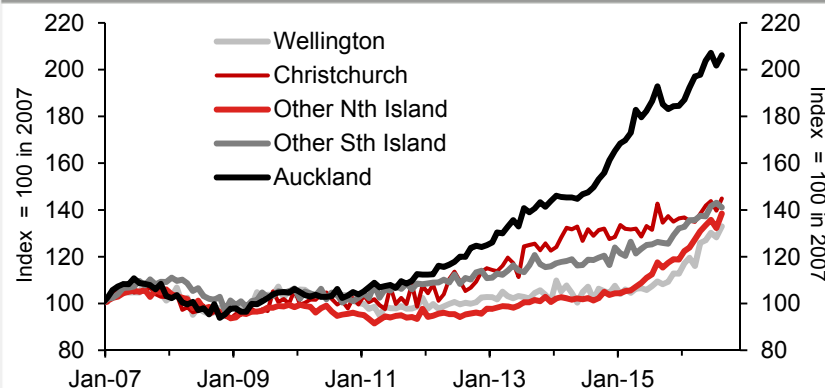


# New Zealand economy

## Housing market trends prompt policy response

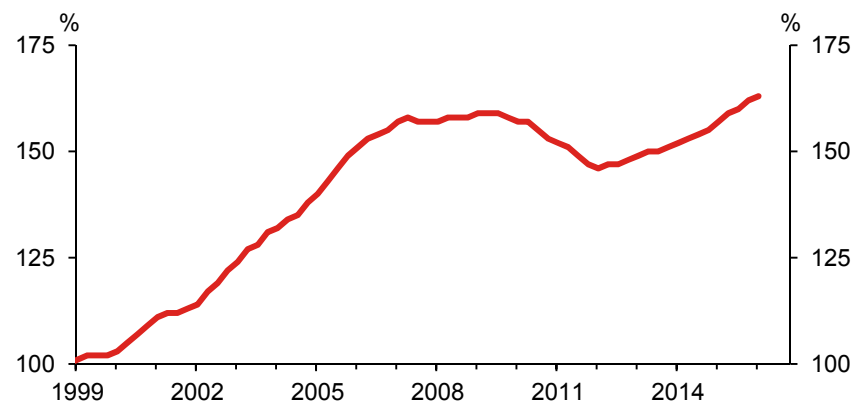
- House prices have been rising at a rapid pace, including strong growth in many regions outside of Auckland. This has been encouraged by record low interest rates. In addition, in parts of the country such as Auckland, housing supply has not kept up with population growth
- Increases in house prices have seen credit growth accelerating and household debt climbing to record levels. House prices appear overvalued compared to metrics such as price-to-rents and price-to-incomes. This has raised financial stability concerns. In response, the RBNZ recently tightened restrictions on mortgage lending further
  - For investors, 95% of loans must now have at least a 40% deposit
  - For owner occupiers, 90% of loans must now have at least a 20% deposit
- The tightening in lending restrictions has seen some moderation in house price inflation. However, as with previous changes, the impact of these latest changes is expected to have only a temporary impact on prices

New Zealand house prices by region (index)



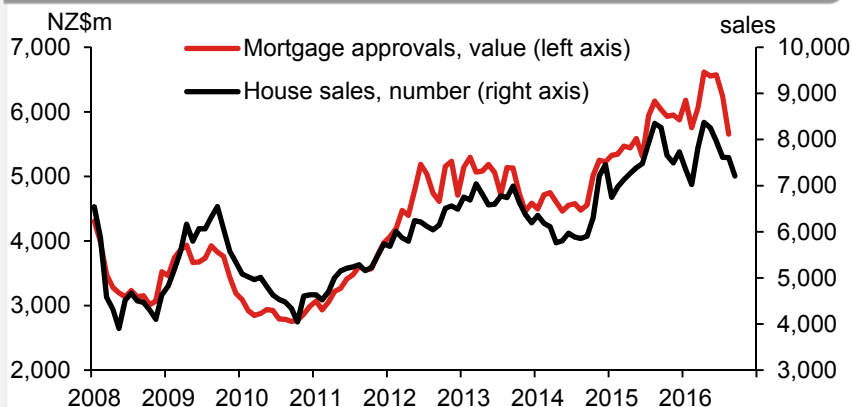
Sources: REINZ, Westpac Economics

Household debt, share of disposable income (%)



Source: RBNZ

Housing turnover



Sources: RBNZ, REINZ



Financial results based on cash earnings unless otherwise stated. Refer page 36 for definition. Results principally cover 1H16 and 2H15. Comparison of 1H16 versus 2H15 (unless otherwise stated)

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## Appendix & Disclaimer

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## Appendix 1: Cash earnings adjustments

Cash earnings adjustment	2H15 \$m	1H16 \$m	2H16 \$m	Description
Reported net profit	4,403	3,701	3,744	Net profit attributable to owners of Westpac Banking Corporation
Partial sale of BTIM	(665)	0	0	During Second Half 2015 the Group recognised a significant gain following the partial sale and deconsolidation of the Group's shareholding in BT Investment Management. This gain has been treated as a cash earnings adjustment given its size and that it does not reflect ongoing operations
Capitalised technology cost balances	354	0	0	Following changes to the Group's technology and digital strategy, rapid changes in technology and evolving regulatory requirements a number of accounting changes have been introduced, including moving to an accelerated amortisation methodology for most existing assets with a useful life of greater than three years, writing off the capitalised cost of regulatory program assets where the regulatory requirements have changed and directly expensing more project costs. The expense recognised in 2H15 to reduce the carrying value of impacted assets has been treated as a cash earnings adjustment given its size and that it did not reflect ongoing operations
Amortisation of intangible assets	76	79	79	The merger with St.George, the acquisition of J O Hambro Capital Management and acquisition of Lloyds resulted in the recognition of identifiable intangible assets. The commencement of equity accounting for BTIM also resulted in the recognition of notional identifiable intangible assets within the investments in associate's carrying value. The intangible assets recognised relate to core deposits, customer relationships, management contracts and distribution relationships. These intangible items are amortised over their useful lives, ranging between four and twenty years. The amortisation of these intangible assets (excluding capitalised software) is a cash earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders
Acquisition transaction and integration expenses	31	7	8	Costs associated with the acquisition of Lloyds have been treated as a cash earnings adjustment as they do not reflect the earnings expected from the acquired businesses following the integration period
Lloyds tax adjustments	(64)	0	0	Tax adjustments arising from the acquisition of Lloyds have been treated as a cash earnings adjustment in line with our treatment of Lloyds acquisition and integration costs
Fair value (gain)/loss on economic hedges	(59)	83	120	Unrealised fair value (gain)/loss on economic hedges: FX hedges on future NZ earnings and accrual accounted term funding transactions are reversed as they may create a material timing difference on reported earnings in the current period, which does not affect cash earnings over the life of the hedge
Ineffective hedges	2	26	(35)	The (gain)/loss on ineffective hedges is reversed in deriving cash earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time
Treasury shares	(36)	8	2	Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares are not permitted to be recognised as income in the reported results. In deriving cash earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income
Cash earnings	4,042	3,904	3,918	

## Appendix 2: Definitions

### Westpac's divisions

Consumer Bank	Consumer Bank (CB) is responsible for sales and service to consumer customers in Australia under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands. Activities are conducted through a dedicated team of specialist consumer relationship managers along with an extensive network of branches, contact centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. CB also works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including in wealth and foreign exchange. The revenue from these products is mostly retained by the product originators
Business Bank	Business Bank (BB) is responsible for sales and service to micro, SME and commercial business customers for facilities up to approximately \$150 million. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands. Customers are provided with a wide range of banking and financial products and services to support their lending, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance, property finance and treasury services. The division is also responsible for certain consumer customers with auto finance loans. BB works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including corporate superannuation, foreign exchange and interest rate hedging. The revenue from these products is mostly retained by the product originators
WIB	Westpac Institutional Bank (WIB) delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in transactional banking, financial and debt capital markets, specialised capital, and alternative investment solutions. Customers are supported throughout Australia as well as via branches and subsidiaries located in New Zealand, the US, UK and Asia. WIB is also responsible for Westpac Pacific currently providing a range of banking services in Fiji and PNG. WIB works in an integrated way with all the Group's divisions in the provision of more complex financial needs including across foreign exchange and fixed interest solutions

### Westpac's divisions

BTFG	BT Financial Group (Australia) (BTFG) is the wealth management and insurance arm of the Westpac Group providing a broad range of associated services. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation, retirement products, wealth administration platforms, private banking, margin lending and equities broking. BTFG's insurance business covers the manufacturing and distribution of life, general and lenders mortgage insurance. The division also uses third parties for the manufacture of certain general insurance products as well as actively reinsuring its risk using external providers across all insurance classes. BTFG operates a range of wealth, funds management (including Ascalon which is a boutique incubator of emerging fund managers), and financial advice brands and operates under the banking brands of Westpac, St.George, Bank of Melbourne and BankSA for Private Wealth and Insurance. BT Investment Management Limited (BTIM) is 29.5% owned by BTFG (following a partial sale in 2015) with the business being equity accounted from July 2015. BTFG works in an integrated way with all the Group's Australian divisions in supporting the insurance and wealth needs of customers
Westpac NZ	Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also has its own infrastructure, including technology, operations and treasury
Group Businesses or GBU	This segment provides centralised Group functions including Treasury, Technology and Core Support (finance, human resources etc.). Costs are partially allocated to other divisions in the Group, with costs attributed to enterprise activity retained in Group Businesses. This segment also reflects Group items including: earnings on capital not allocated to divisions, earnings from non-core asset sales and certain other head office items such as centrally raised provisions

## Appendix 2: Definitions (continued)

### Capital and asset quality

Capital ratios As defined by APRA (unless stated otherwise)

Internationally comparable	The internationally comparable common equity Tier 1 (CET1) capital ratio is an estimate of Westpac's CET1 ratio calculated on rules comparable with global peers. The ratio adjusts for differences between APRA's rules and those applied to global peers. The adjustments are applied to both the determination of regulatory CET1 and the determination of risk weighted assets. Methodology aligns with the APRA study titled "International capital comparison study" dated 13 July 2015
Leverage ratio	As defined by APRA (unless state otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures
Liquidity coverage ratio (LCR)	An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out flows in a modelled 30 day defined stressed scenario
Risk Weighted Assets or RWA	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non asset backed risks (ie. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5
Impaired assets	Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cashflow, and the net realisation of value of assets to which recourse is held: 1. facilities 90 days or more past due, and full recovery is not in doubt: exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days; 2. non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans; 3. restructured assets: exposures where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer;

### Asset quality

Impaired assets (continued)	4. other assets acquired through security enforcement (includes other real estate owned): includes the value of any other assets acquired as full or partial settlement of outstanding obligations through the enforcement of security arrangements; and 5. any other assets where the full collection of interest and principal is in doubt
Stressed loans	Stressed loans are the total of watchlist and substandard, 90 days past due and not impaired and impaired assets
90 days past due and not impaired	Includes facilities where: 1. contractual payments of interest and / or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days, including from First Half 2016 accounts for customers who have been granted hardship assistance; or 2. an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and 3. the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, or which are not secured but there is a reasonable expectation that full recovery or the amount due will be made and interest is being taken to profit on an accrual basis. These facilities, while in default, are not treated as impaired for accounting purposes
Total committed exposures (TCE)	Represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk
Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
Individually assessed provisions or IAPs	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are individually significant. 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

## Appendix 2: Definitions (continued)

### Asset quality (continued) & financial performance

Collectively assessed provisions or CAPs	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data. Included in the collectively assessed provision is an economic overlay provision which is calculated based on changes that occurred in sectors of the economy or in the economy as a whole
Cash earnings	Is a measure of the level of profit that is generated by ongoing operation and is therefore available for distribution to shareholders. Three categories of adjustments are made to reported results to determine cash earnings: material items that key decision makers at Westpac believe do not reflect ongoing operations; items that are not considered when dividends are recommended; and accounting reclassifications that do not impact reported results. For details of these adjustments refer to slide 127.
Core earnings	Net operating income less operating expenses
AIEA	Average interest-earning assets and is the average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period
Net interest margin	Calculated by dividing net interest income by average interest-earning assets
Full-time equivalent employees (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight
Net tangible assets per ordinary share	Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported)
Cash earnings per ordinary share	Cash earnings divided by the weighted average ordinary shares (cash earnings basis)
Weighted average ordinary shares (cash earnings)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period
Weighted average ordinary shares (reported)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less Westpac shares held by the Group ('Treasury shares')

### Other

High quality liquid assets (HQLA)	As defined by APRA in Australian Prudential Standard APS210 Liquidity, including BS-13 qualifying liquid assets, less RBA open repos funding end of day ESA balances with the RBA
Committed liquidity facility (CLF)	The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity
Net Stable Funding Ratio (NSFR)	The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. When it is implemented by APRA from 1 January 2018, ADI's must maintain an NSFR of at least 100%
Credit value adjustment (CVA)	CVA adjusts the fair value of over-the-counter derivatives for credit risk. CVA is employed on the majority of derivative positions and reflects the market view of the counterparty credit risk. A Debit Valuation Adjustment (DVA) is employed to adjust for our own credit risk
Funding valuation adjustment (FVA)	FVA reflects the estimated present value of the future market funding cost or benefit associated with funding uncollateralised derivatives



## Appendix 2: Definitions (continued)

### Other

	Data based on Roy Morgan Research, Respondents aged 14+ and 12 month rolling. Wealth penetration is defined as the proportion of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with a Banking Group and also have Managed Investments, Superannuation or Insurance with the same Banking Group
Australian customers with wealth products metrics provider	Westpac includes Westpac, Bank of Melbourne (until Jul-11), BT, Challenge Bank, RAMS (until Dec-11), Rothschild, ASGARD, and Sealcorp  St.George brands include St. George, Advance Bank, BankSA, Bank of Melbourne (from Aug-11), Dragondirect, RAMS (from Jan-12).  Westpac Group include Advance Bank, ASGARD, BankSA, Bank of Melbourne, BT, Challenge Bank, Dragondirect, RAMS, Rothschild, and Sealcorp.  'Peers includes: ANZ Group, CBA Group, NAB Group, Westpac and St.George brands'
NZ customers with wealth products (%)	Number of customers who have managed investments or superannuation with Westpac NZ as a proportion of the total active customers in Westpac NZ Retail, Private and Business Bank
Customer satisfaction – overall consumer	Source: Roy Morgan Research, September 2014 - 2016, 6MMA. Main Financial Institution (as defined by the customer). Satisfaction ratings are based on the relationship with the financial institution. Customers must have at least a Deposit/Transaction account relationship with the institution and are aged 14 or over. Satisfaction is the percentage of customers who answered 'Very' or 'Fairly satisfied' with their overall relationship with their MFI
Customer satisfaction – overall business	Source: DBM Consultants Business Financial Services Monitor, September 2014 - 2016, 6MMA. MFI customers, all businesses. The Customer Satisfaction score is an average of customer satisfaction ratings of the customer's main financial institution for business banking on a scale of 0 to 10 (0 means 'extremely dissatisfied' and 10 means 'extremely satisfied')

### Other

Customer satisfaction – SME	Source: DBM Consultants Business Financial Services Monitor, September 2014 - 2016, 6MMA. MFI customers, SME businesses. The Customer Satisfaction score is an average of customer satisfaction ratings of the customer's main financial institution for small business banking on a scale of 0 to 10 (0 means 'extremely dissatisfied' and 10 means 'extremely satisfied')
Westpac Group rank	The ranking refers to Westpac's position relative to the other three major Australian banks (ANZ, CBA and NAB)
Customer satisfaction – New Zealand	Source: Camorra Research. % of main bank customers who rated excellent or very good, rolling three month as at September 2016
NPS	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. For retail banking, using a scale of 1 to 10 (1 means 'very unlikely' and 10 means 'very likely'), the 1-6 raters (detractors) are deducted from the 9-10 raters (promoters). For business banking, using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters)
NPS contact centre and online platform	Based on Internal surveys, September 2016, 6 month moving average

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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 Full Year 2016 Financial Results (incorporating the requirements of Appendix 4E) for the twelve months ended 30 September 2016 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of cash earnings. Refer to slides 36 for an explanation of cash earnings and Appendix 1 slide 127 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', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', '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 Interim Financial Results for the six months ended 31 March 2016 (or Annual Report for year ended 30 September 2015) 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, where as a result of new information, future events or otherwise, after the date of this presentation.