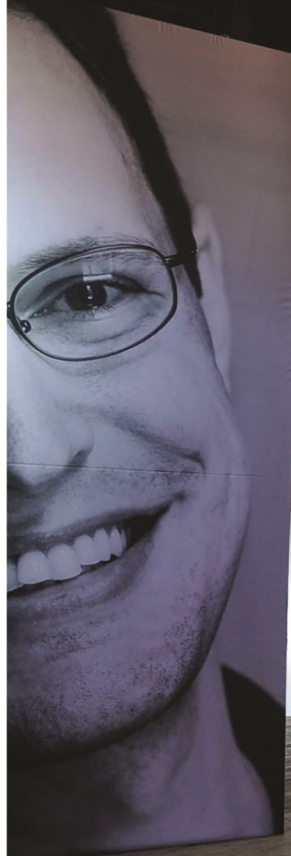


Backing Australia



20
YEARS
SHAPING
AUSTRALIA



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

INTERIM FINANCIAL RESULTS 2016

Westpac GROUP

EST. 1817

Westpac Interim 2016 result **index**

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INTERIM FINANCIAL RESULTS 2016

Brian Hartzler
Chief Executive Officer

Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
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Growing value in a challenging environment

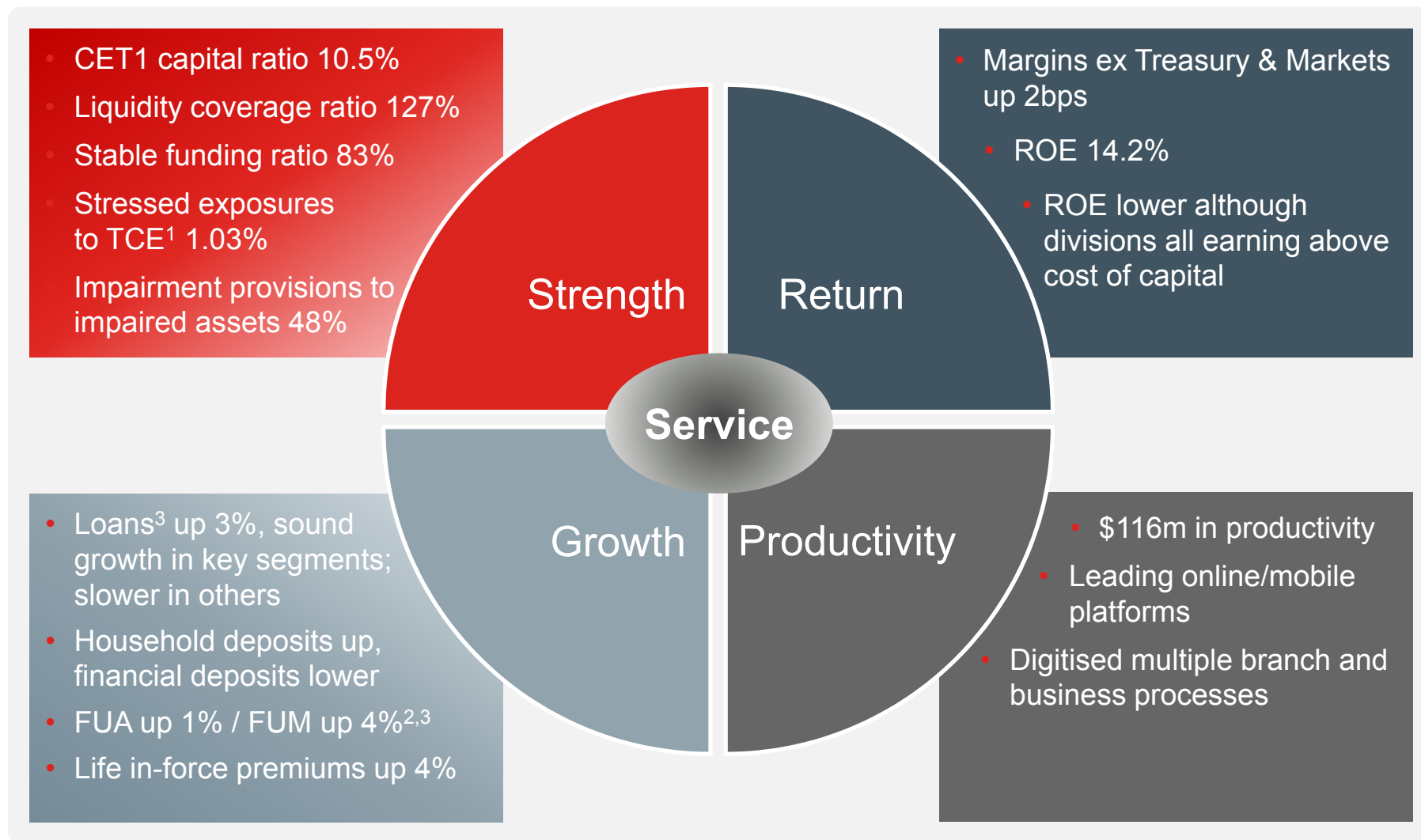
- Solid financial outcome given challenging environment
- Core earnings higher with lift in impairments reducing cash earnings
- Disciplined management
 - More selective and targeted growth, margins managed well
 - Increased capital and return discipline
 - Maintained strong provisioning cover
 - Improving efficiency
- Increased the sustainable value of the franchise
 - Rise in customer numbers and balance sheet growth
 - Strengthened balance sheet

Headline results

	1H16	Change 1H16 – 2H15	Change 1H16 – 1H15
Reported NPAT	\$3,701m	(16%)	3%
Cash earnings	\$3,904m	(3%)	3%
Cash EPS ¹	118.2	(7%)	(2%)
Common equity Tier 1 capital ratio ²	10.5%	97bps	171bps
Return on equity ³	14.2%	(172bps)	(166bps)
Net tangible assets per share	\$13.74	5%	16%
Margin (excl. Treasury and Markets)	2.07%	2bps	6bps
Expense to income ratio	41.6%	(3bps)	(85bps)
Impairment charge to avg. gross loans	21bps	8bps	10bps
Fully franked dividend	94cps ⁴	-	1%

¹ EPS is cash earnings per weighted average ordinary shares. ² Common equity Tier 1 capital ratio on an APRA Basel III basis. ³ Return on equity is cash earnings divided by average ordinary equity. ⁴ cps is cents per share.

Disciplined 1H16 performance



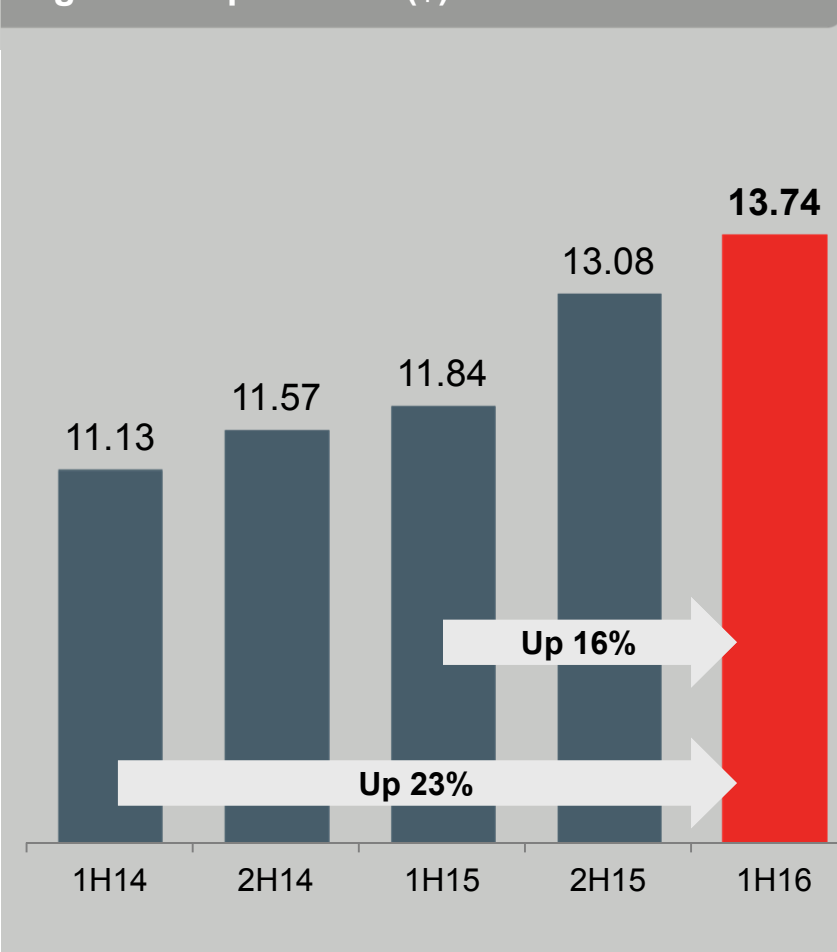
1 TCE is Total Committed Exposure. 2 Spot Group FUM and FUA. 3 Movement to Mar-16 from Sept-15.

Growing the value of the franchise

Drivers of franchise value

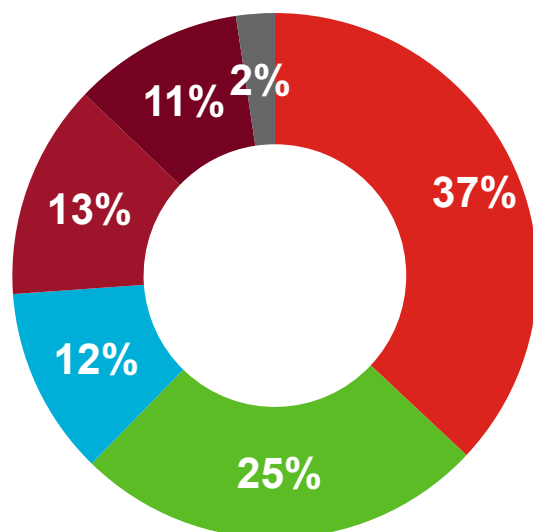
- Customer numbers up 3% over year
- Australian lending and deposit growth in line or ahead of system
- Margins well managed
- Sound fund flows/increased life insurance premiums
- Complaints down 24% over year

Higher NTA per share (\$)



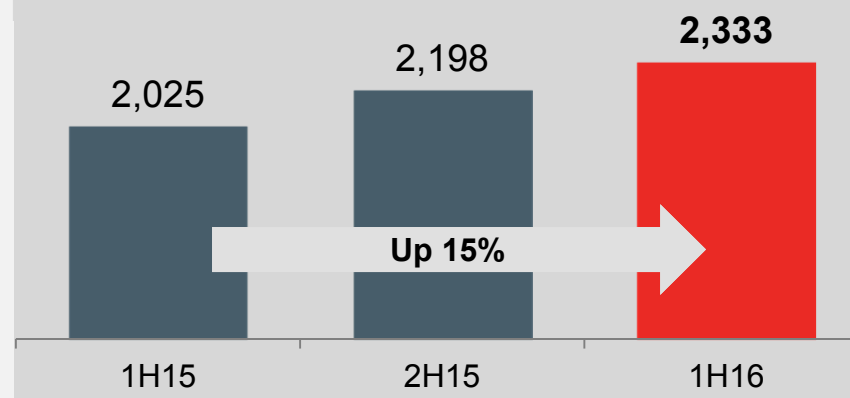
Consumer and Business banks the **engine of growth**

Divisional contribution to cash earnings

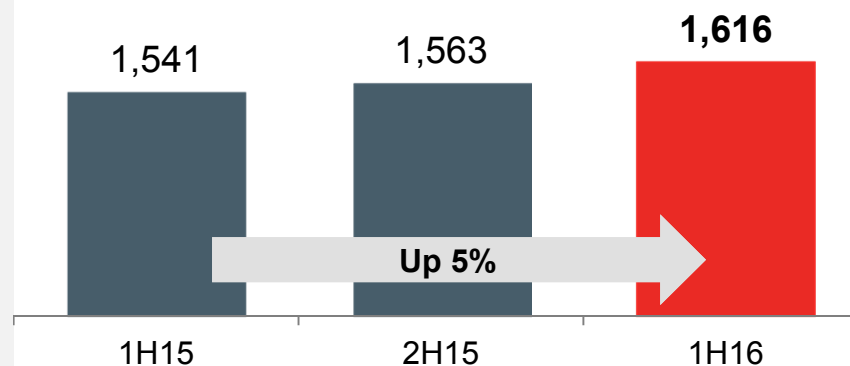


- Consumer Bank
- Business Bank
- BT Financial Group
- Westpac Institutional Bank
- New Zealand
- Group Businesses

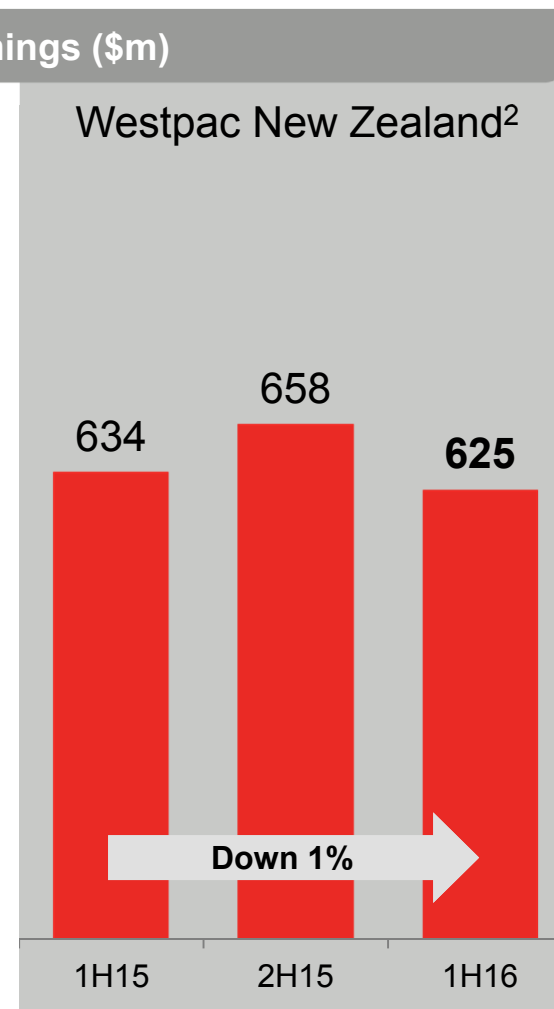
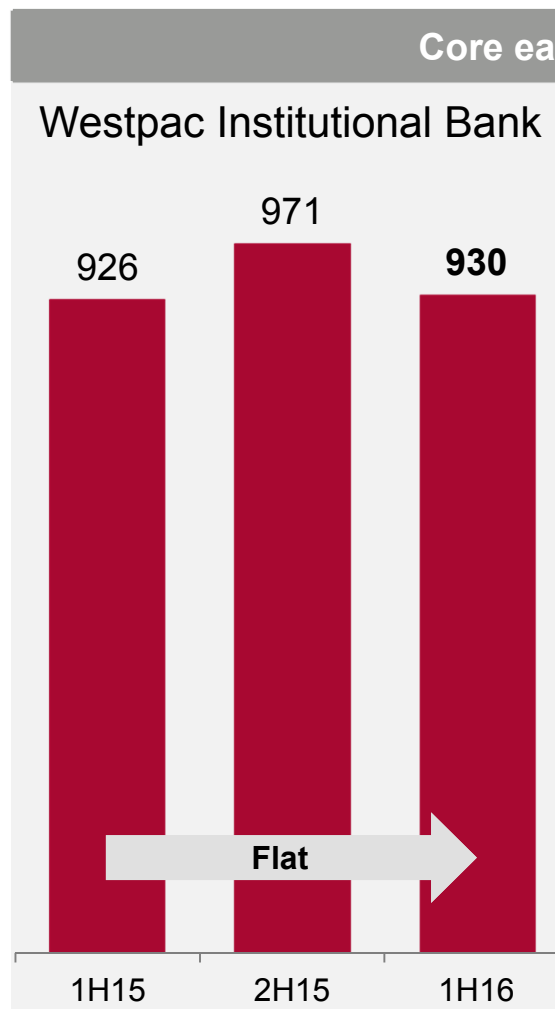
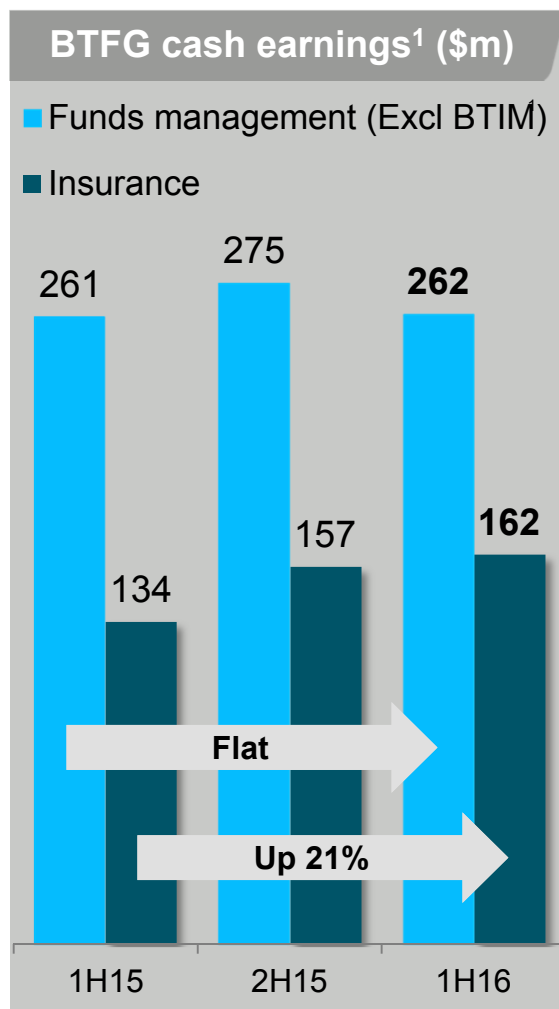
Consumer Bank core earnings (\$m)



Business Bank core earnings (\$m)



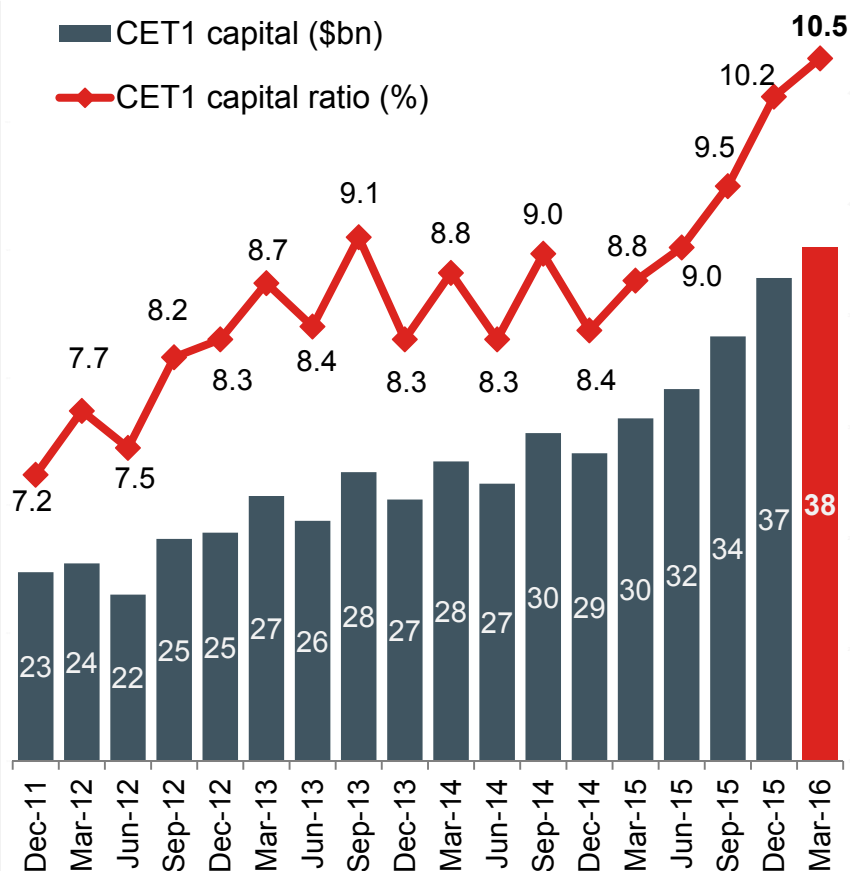
Challenging conditions impacting **other divisions**



¹ Excludes the contribution from BTIM shares sold. ² In \$NZ. In A\$ core earnings for 1H16 \$576m, 2H15 \$607m and 1H15 \$594m.

Materially stronger balance sheet

APRA Basel III CET1 capital



¹ Does not include St. George.

Metric

Sep-08¹ Sep-15 Mar-16

Offshore short term
funding as a % of total

20

10

9

Stable funding
as a % of total

64

84

83

Liquidity (\$bn)

45

136

139

Customer deposit to
loan ratio (%)

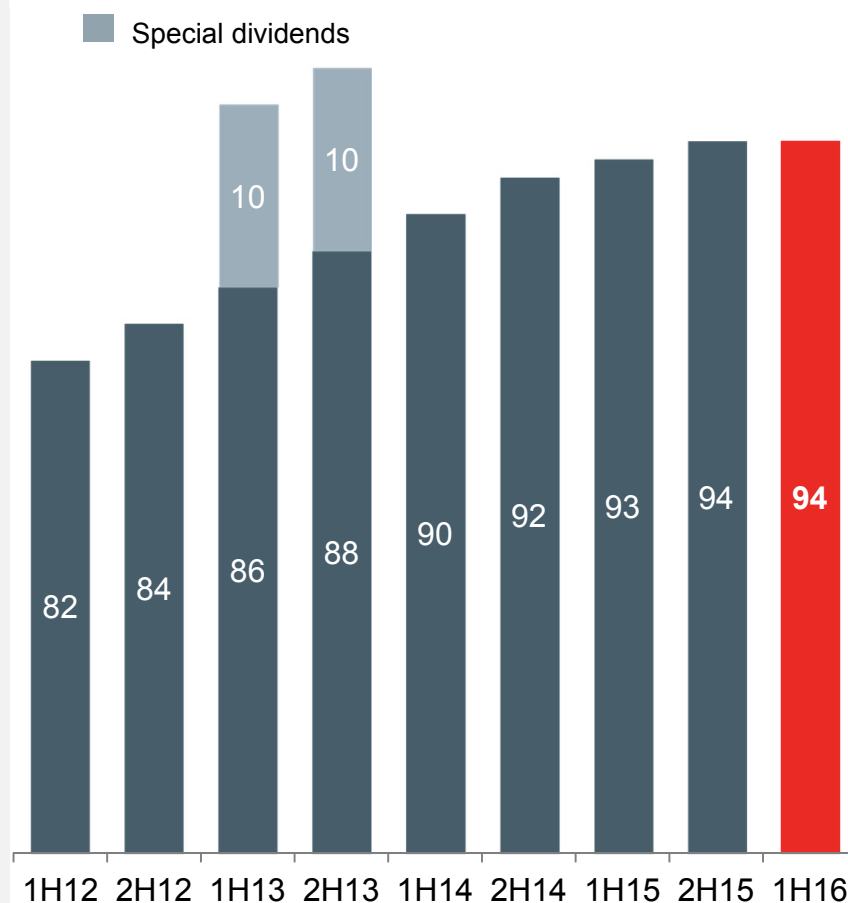
50.8

68.5

69.0

Dividends **maintained**

Dividends (cents per share)

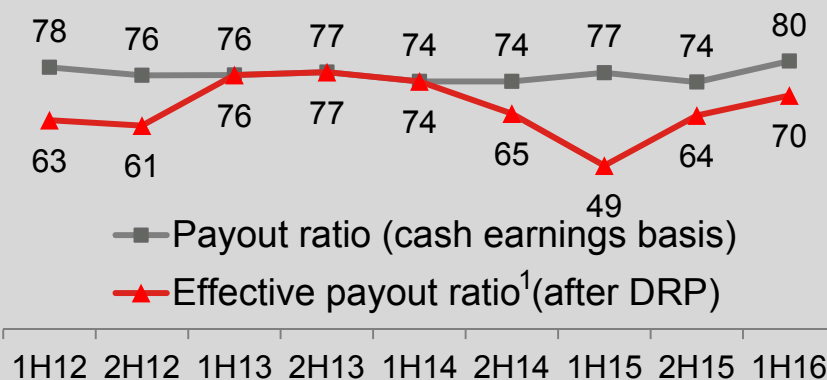


¹ Effective payout ratio assumes 1H16 DRP participation of 12.5%.

Dividend considerations

- Prudent management of capital
- Consistency in dividends per share
- Sustainability of the payout ratio over the long term
- Maximise distribution of franking credits using DRP

Dividend payout ratio (%)



Progress on our five strategic priorities



Performance Discipline

- More selective on growth with well managed margins ✓
- Further strengthened balance sheet ✓
- ROE 14.2%, target of 15% ✗



Service Leadership

- Completed roll-out of 'Our service promise' ✓
- 24% reduction in complaints in Australian retail/wealth ✓
- Continued reconfiguration of the distribution network ✓



Digital Transformation

- New online capabilities (eg Wonder, call connect) ✓
- New functionality added to Panorama and LOLA ✓
- New online platform for St.George business customers ✓



Targeted Growth

- SME lending up 9% ✓
- Sound FUA/FUM flows; sales below expectations ✗
- Slower growth in Asia reflecting current returns ✗



Workforce Revolution

- 8,700 employees now in new agile working locations ✓
- Launched *Learning Bank*, a new online tool for leaders ✓
- Women in leadership 46% ✓

Expectations for operating environment

- Outlook for Australia remains positive; transition to a more innovative services-based economy is underway
- Global factors create fragility in selected sectors and geographies; signs of housing moderating
- Confidence and policy certainty are key to maintaining business investment, credit growth and jobs creation
- Consumer and business banking prospects remain strong
- Conditions for institutional remain challenging
- Westpac is well positioned to manage to the environment while delivering on our strategy

Backing Australia

INTERIM FINANCIAL RESULTS 2016

Peter King
Chief Financial Officer

Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

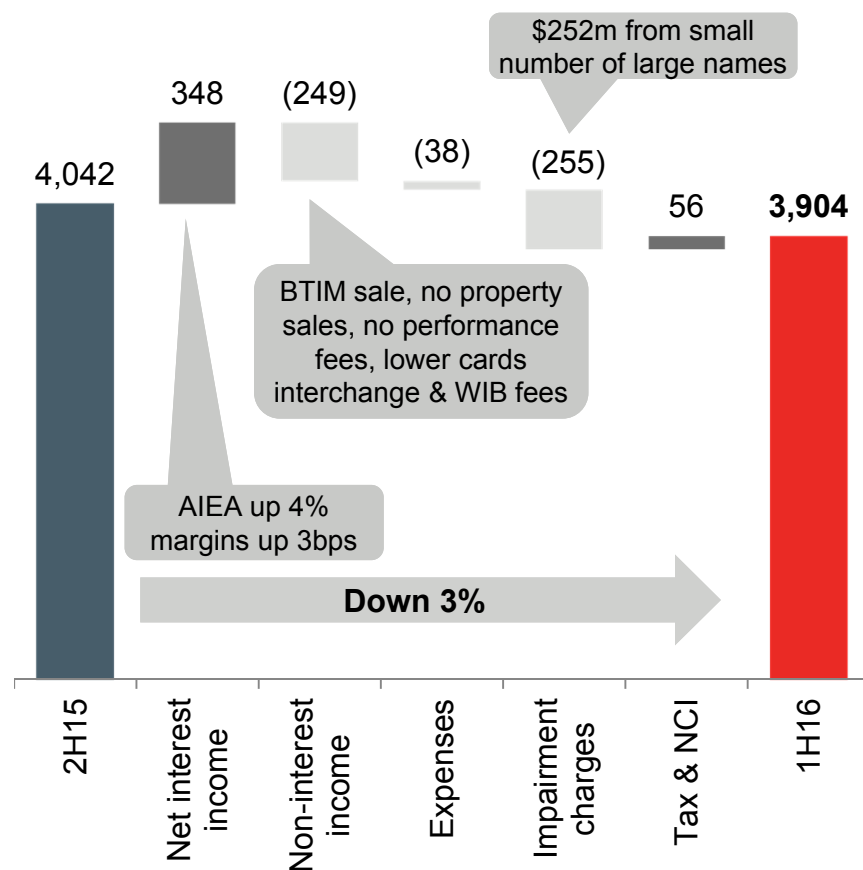
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Westpac GROUP

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Results at a glance

Cash earnings 1H16 – 2H15 (\$m)



Infrequent/volatile items

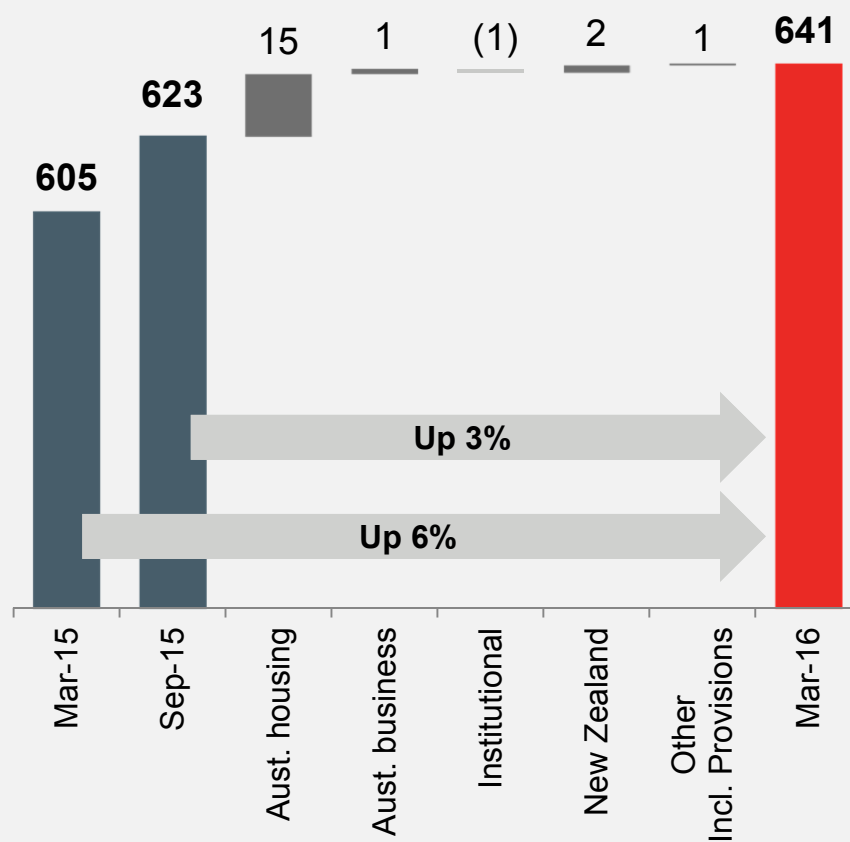
Impact on cash earnings (\$m)

	1H15	2H15	1H16
Asset sales	6	64	0
Performance fees	25	25	0
Group CVA ¹	(22)	(1)	3
Tax matters resolved	0	57	57
Derivative adjustments	(85)	0	0
Total cash earnings impact	(76)	145	60

¹ CVA is credit valuation adjustment.

Disciplined loan growth

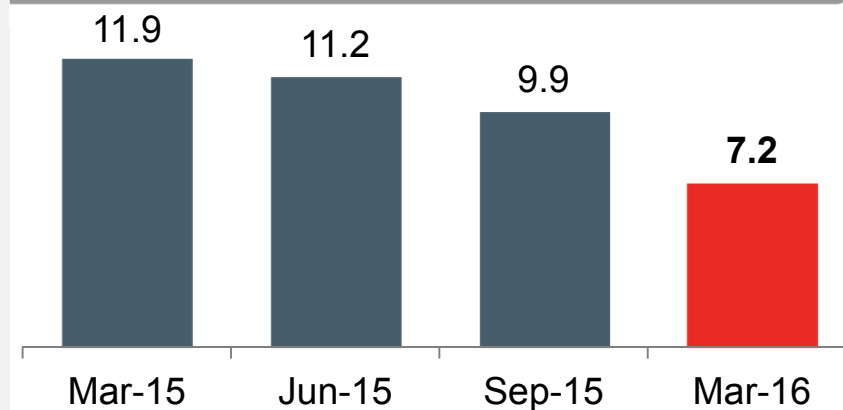
Loans (\$bn)



Australian housing portfolio mix (%)

	Sep-15	Mar-16
Owner occupied loans	48.9	54.3
Investor property lending	44.5	39.5
Line of credit	6.6	6.2

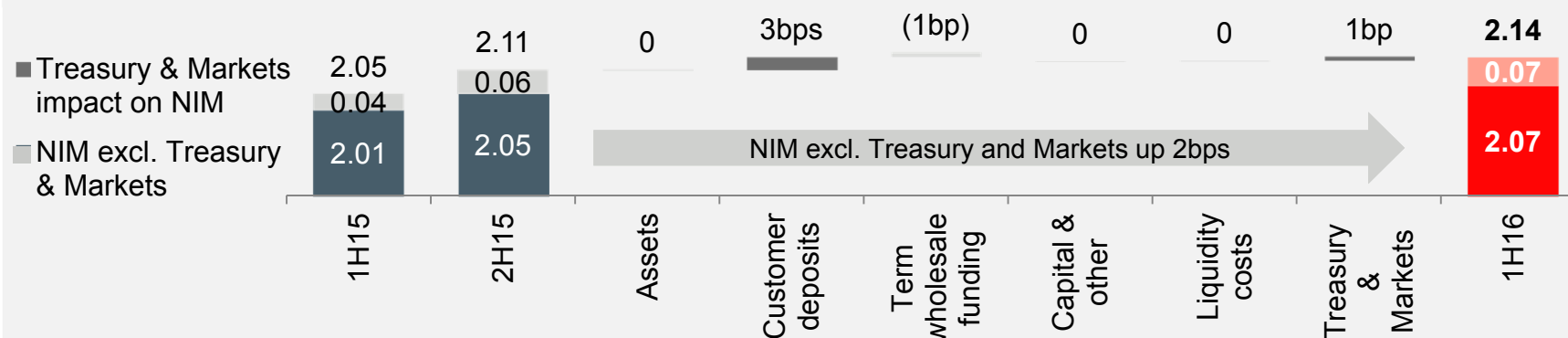
Adjusted investor property loan growth¹(%)



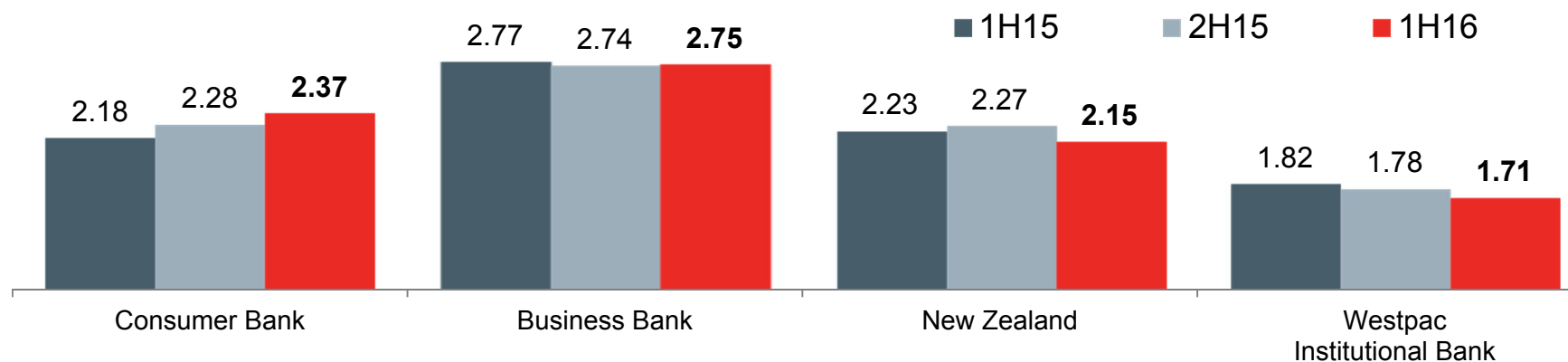
¹ APRA extended definition, excluding switching between investor and owner occupied. Growth over previous 12 months.

Margins **up 2bps** excluding Treasury and Markets

Net interest margin (NIM) movement (%)

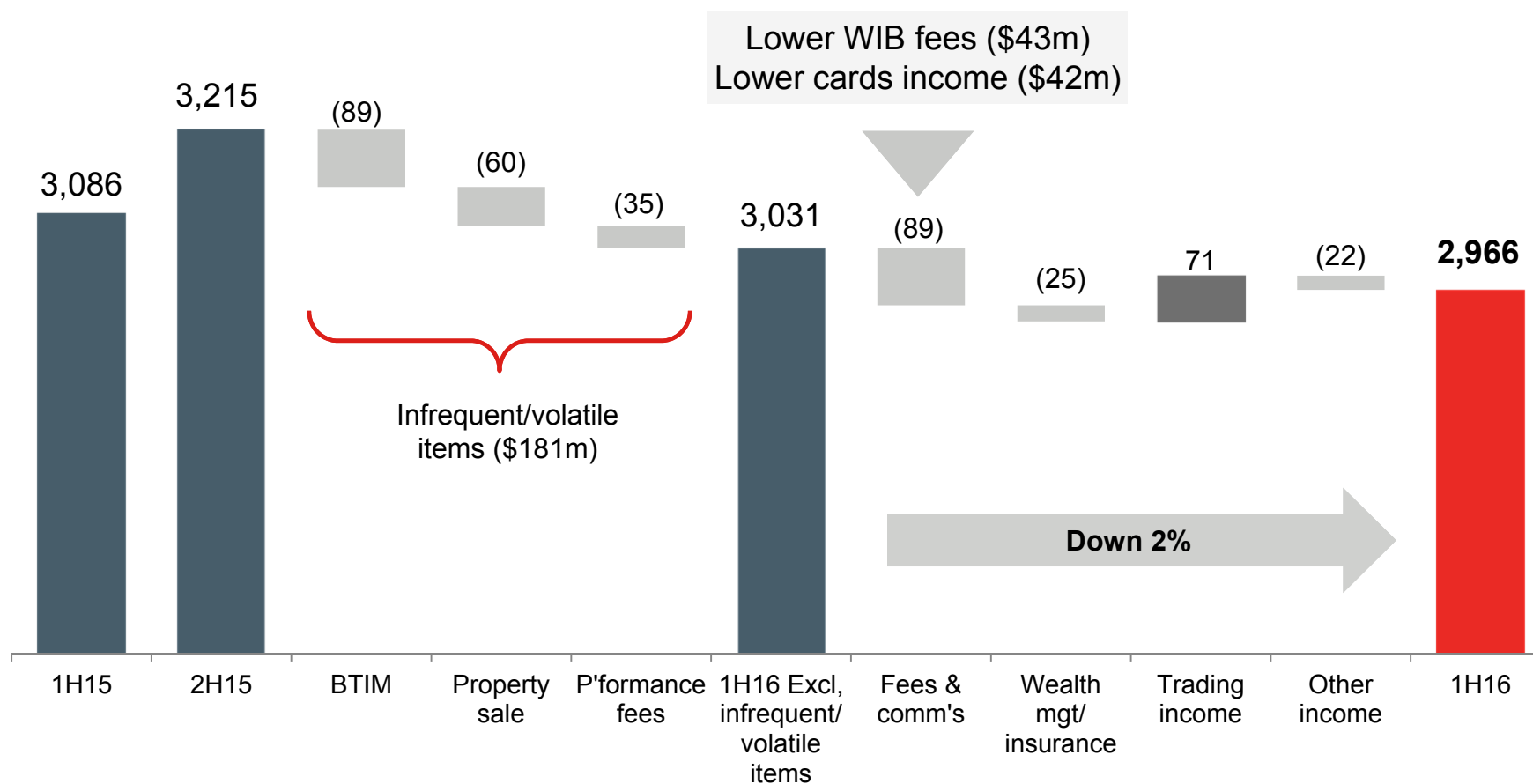


Net interest margins by division (%)



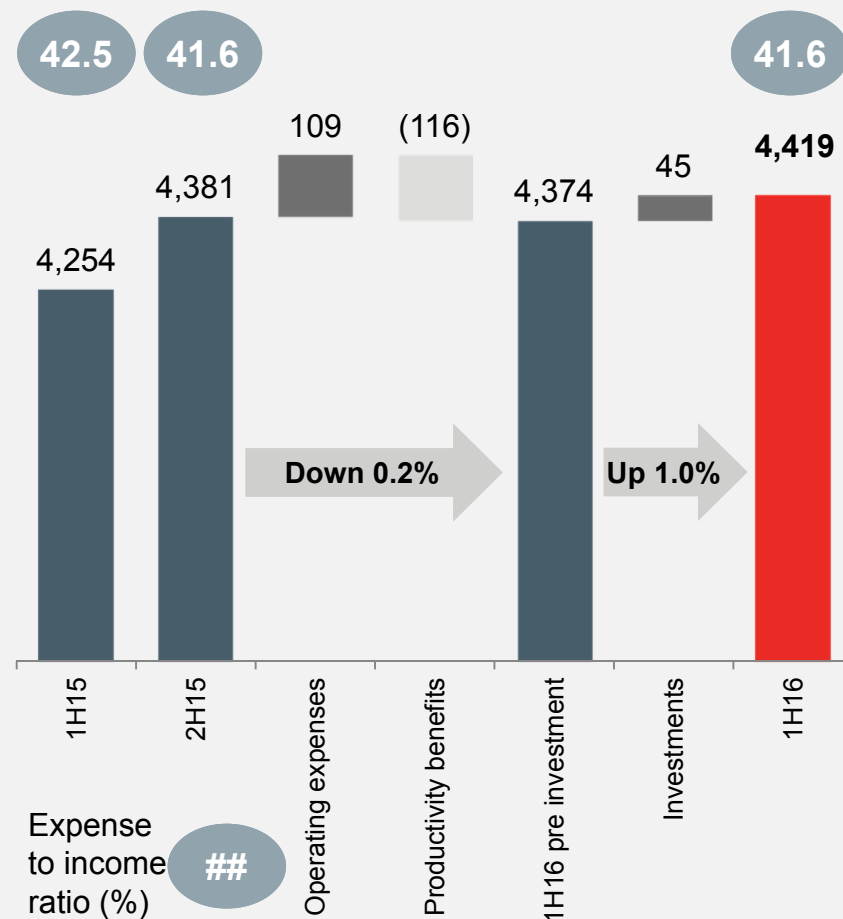
Non-interest income drivers

Non-interest income (\$m)



Productivity continues to offset operating costs

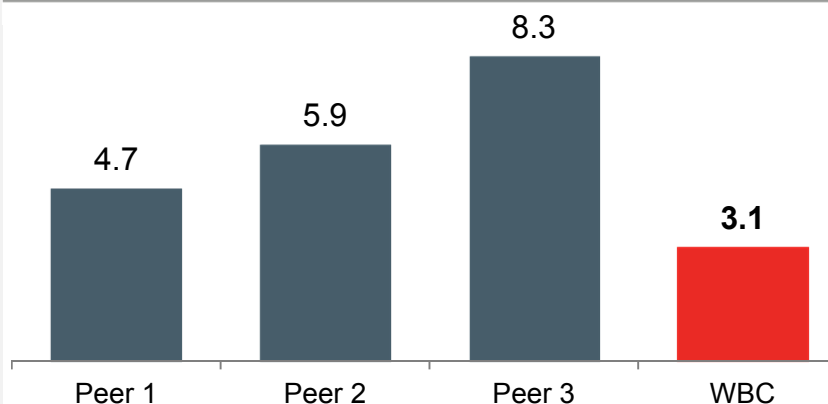
Expense movement (\$m)



Project spending expensed (\$m)

	1H15	2H15	1H16
Investment spend expensed	167	208	256
Investment spend expensed as a % of total investment	36%	37%	49%
Software amortisation (excluding impairments)	254	291	271

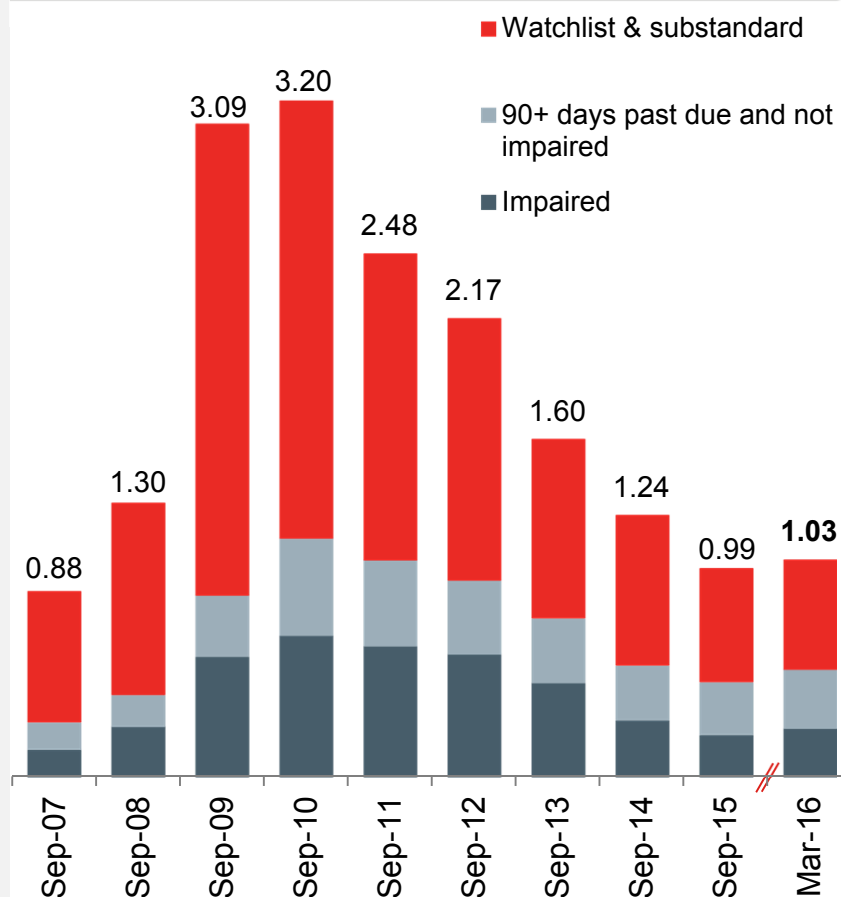
Capitalised software amortisation¹ rate (years)



¹ Data for Westpac and Peer 2 based on 1H16. Peer 1 and 3 from FY15 results.

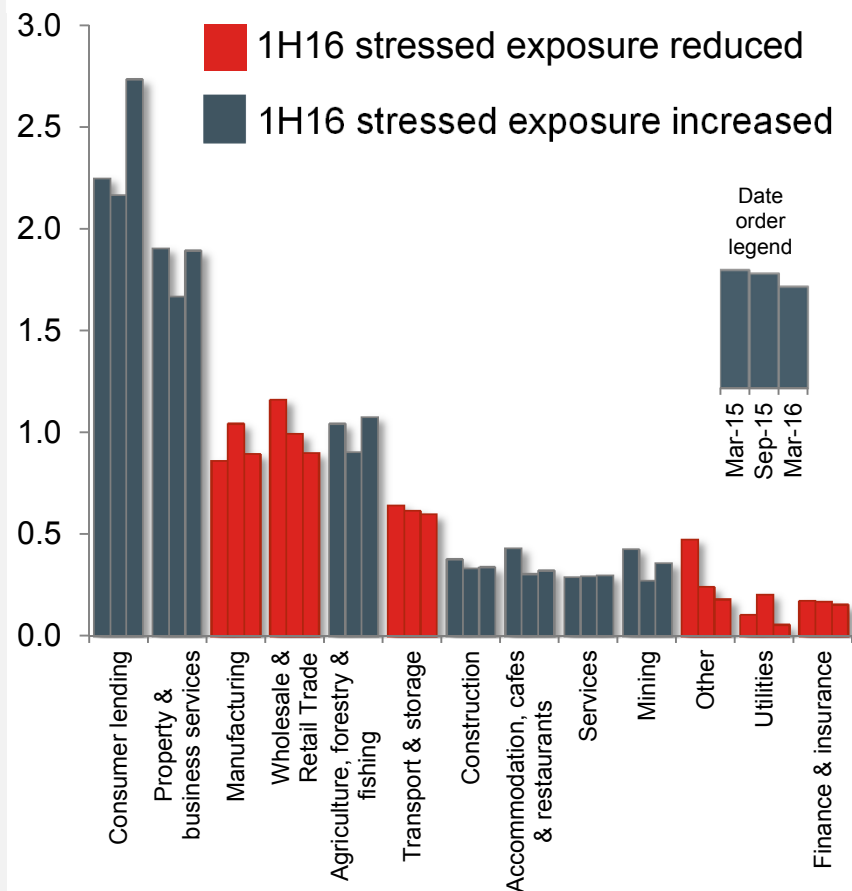
Asset quality **remains sound**

Stressed exposures as a % of TCE¹



¹ TCE is total committed exposure.

Stressed exposure by industry last 3 halves (\$bn)



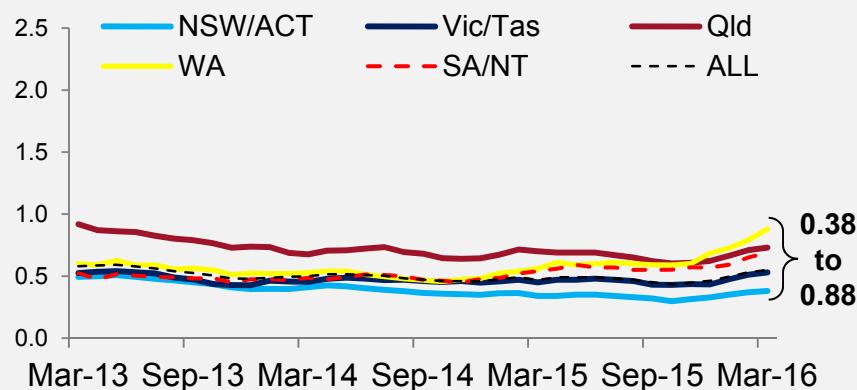
Sources of higher impairment charges

Larger stressed exposures

- Majority downgraded from watchlist/substandard to impaired in 2Q16
- Coverage of impaired assets remains high

	Sep-15	Mar-16
Impaired asset provisions to gross impaired assets (%)	46	48

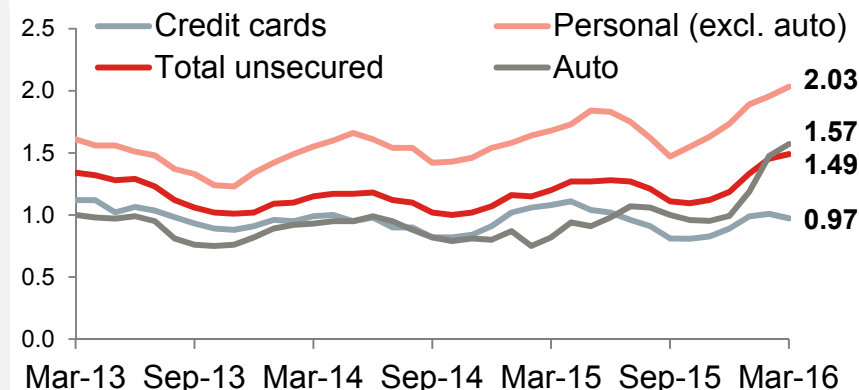
Aust. mortgage 90+ delinquencies by State (%)



NZ Agriculture (Agri) portfolio

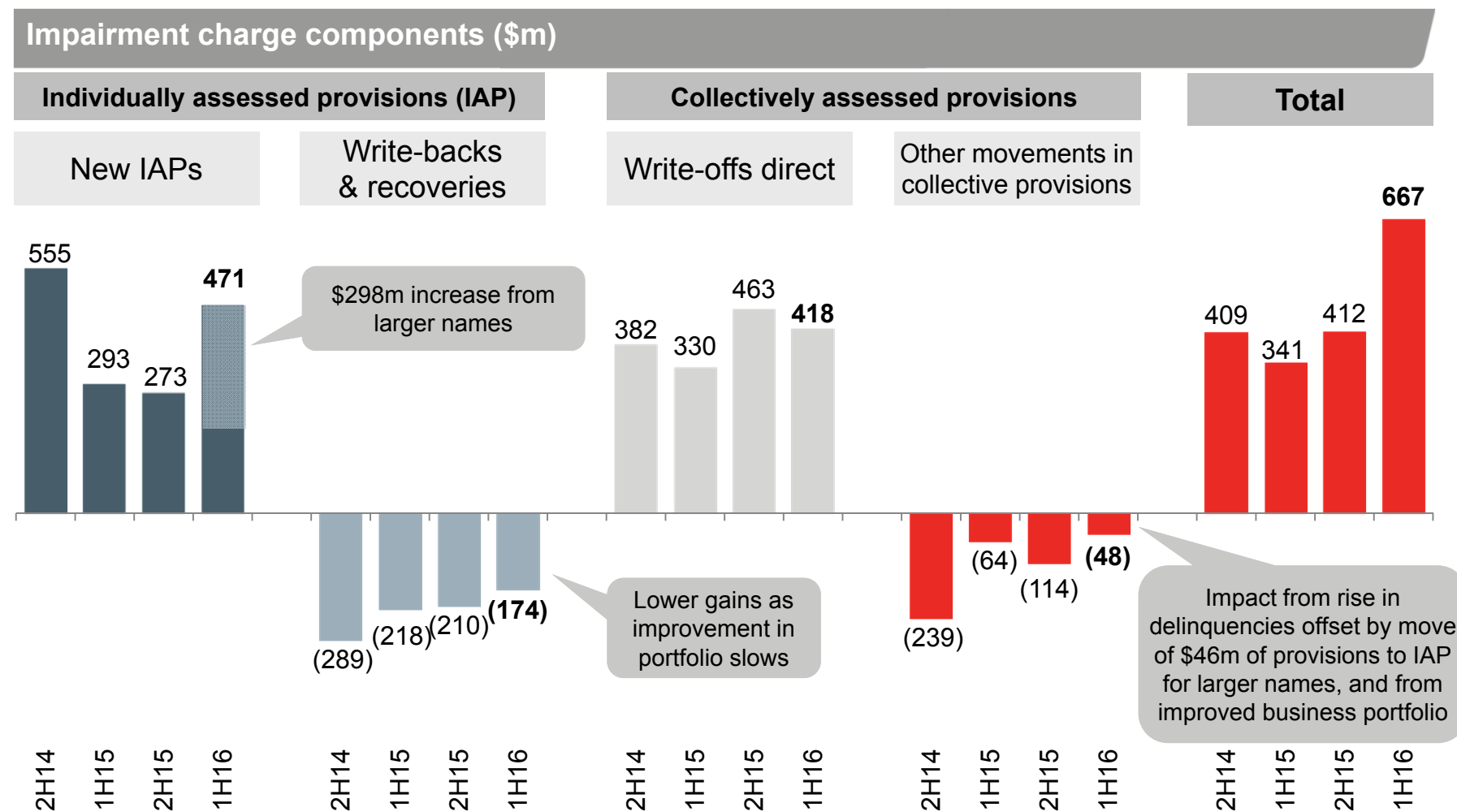
	Sep-15	Mar-16
Market share ¹ (%)	12.3	12.6
NZ Agri TCE (NZ\$bn)	7.8	8.1
% of NZ Agri stressed	3.9	7.8
% of NZ Agri impaired	0.3	0.3

Aust. personal lending 90+ day delinquencies (%)



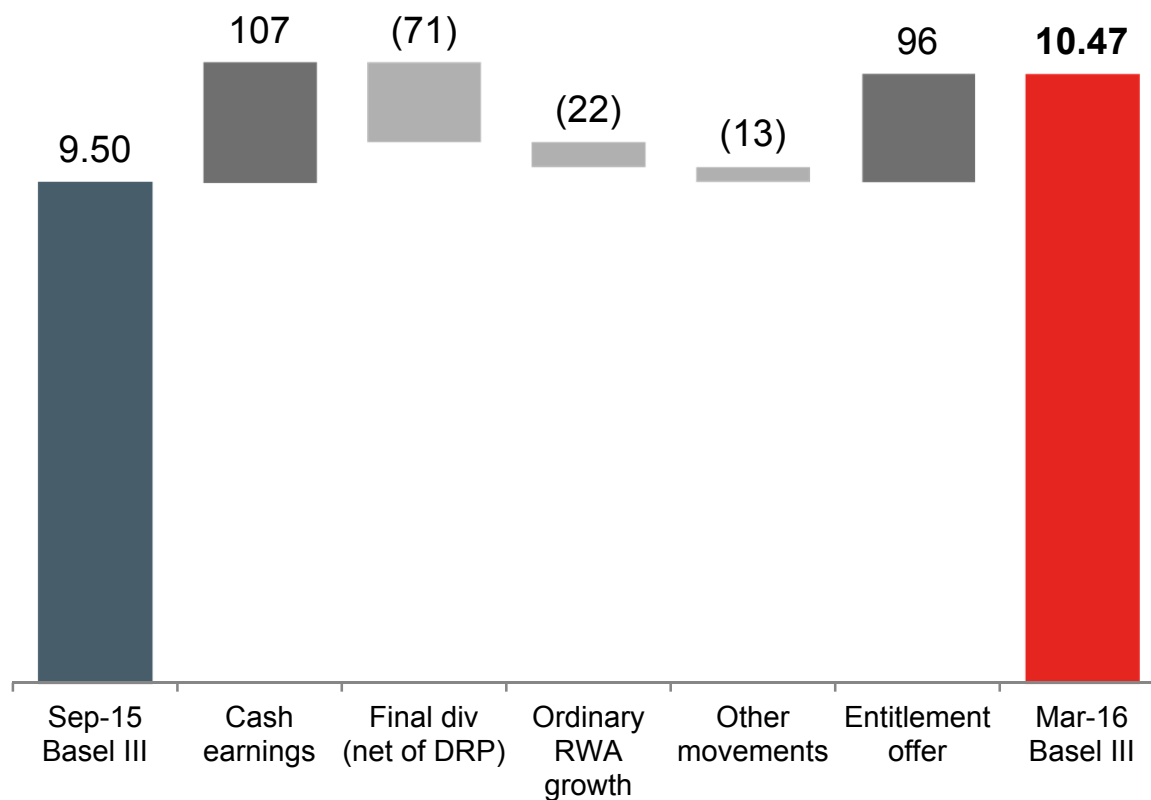
¹ RBNZ March 2016.

Impairment charge 21bps of average loans



Capital movements

Movements in CET1 capital ratio (% and bps)



Capital ratios at Mar-16 (%)

	APRA	Internat. ¹ comparable
CET1	10.47	14.67
Leverage	5.0	5.8

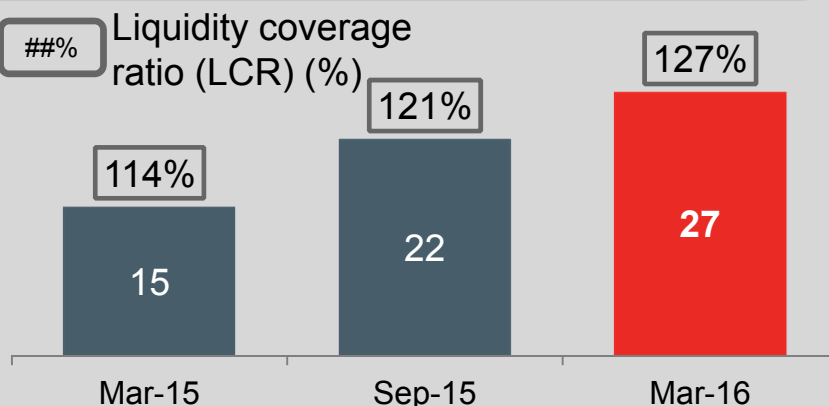
2H16 Mortgage RWA changes

	\$bn
Mortgage correlation factors (from 1 July 2016)	44
Reporting of hardship (in 2H16)	5

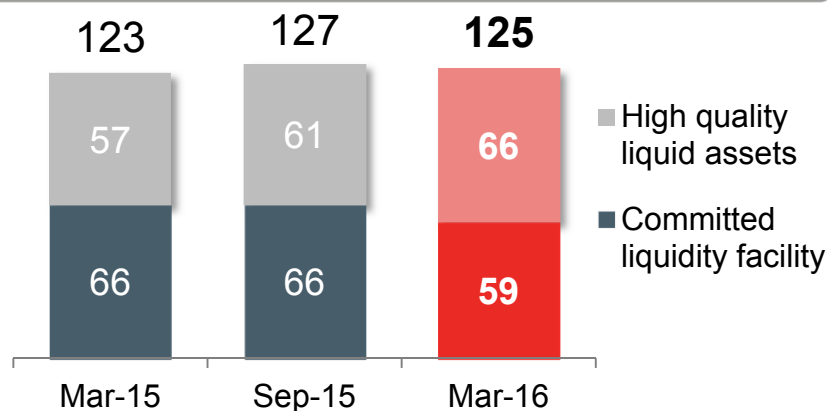
¹ Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

Implementing tighter **liquidity** framework

Liquid asset buffer (\$b) and LCR (%)



Liquid asset composition (\$bn)



Net Stable Funding Ratio (NSFR)

- Introduction of NSFR by APRA aims to further strengthen the liquidity buffers of banks
- APRA discussion paper on NSFR largely mirrors Basel standards published in 2014
- Requires an NSFR minimum of 100%
- Proposed implementation 1 Jan 2018
- Estimated NSFR just below 100%

Considerations for 2H16

- All divisions continuing to execute well
- Optimise growth/return given the environment
- Continue to manage margins well
 - Competition remains intense
 - Full period impact of pricing changes in mortgages and business
 - Deposit spread benefits to fade, funding/liquidity costs higher
- Expense growth above 3% for FY16, with higher costs of restructuring and increased regulatory spend
- Asset quality expected to remain sound – 2H16 impairment charge expected to be lower than 1H16 level

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INTERIM FINANCIAL RESULTS 2016

Investor Discussion Pack

Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
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Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

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ABN 33 007 457 141

Strategy

Westpac GROUP

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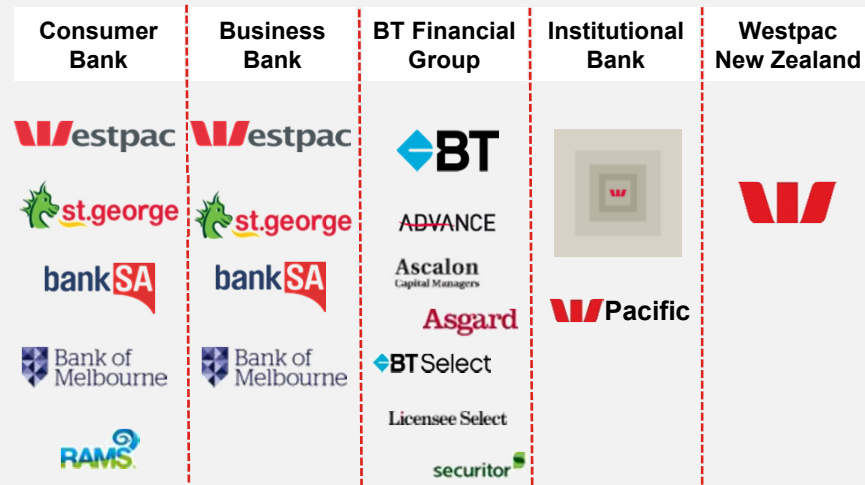
Westpac Group at a glance: Australia's First Bank

- Australia's first bank and first company, opened in 1817
- Australia's 2nd largest bank, and 13th largest bank in the world, ranked by market capitalisation¹
- Well positioned across key markets with a strategy focused on customers and differentiated through service
- Supporting consumer and business customers in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range financial services including consumer, business and institutional banking, wealth management and insurance
- One of the most efficient banks globally²
- Consistent earnings profile over time
- Credit ratings AA- / Aa2 / AA-, with stable outlook³
- Strong capital, funding, liquidity, with sound asset quality
- Leader in sustainability⁴

WBC **WBK**
listed on **LISTED**
ASX & NZX **NYSE**

Key statistics as at 31 March 2016

Customers	13.2m
Australian household deposit market share ⁵	23%
Australian mortgage market share ⁶	23%
Australian business market share ⁶	19%
New Zealand deposit market share ⁷	21%
New Zealand consumer lending market share ⁷	20%
Australian wealth platforms market share ⁸	20%



Key financial data for 1H16 (31 March 2016)

Reported net profit	\$3,701m
Cash earnings	\$3,904m
Expense to income ratio ⁹	41.6%
Common equity Tier 1 capital ratio (APRA basis)	10.5%
Return on equity ⁹	14.2%
Total assets	\$832bn
Market capitalisation ¹⁰	\$101bn

¹ 31 March 2016. Source: IRESS, CapitalIQ and www.xe.com based in US Dollars. ² Credit Suisse analysis of expense to income ratio of world's largest banks March 2016. ³ Standard and Poor's, Moody's Investors Service, Fitch Ratings. ⁴ Included in 2016 Global 100 most sustainable companies, announced at World Economic Forum in January 2016. ⁵ APRA Banking Statistics, March 2016. ⁶ RBA Financial Aggregates, March 2016. ⁷ RBNZ, March 2016. ⁸ Plan for Life, December 2015, All Master Funds Admin. ⁹ Cash earnings basis. ¹⁰ Based on share price as at 31 March 2016, \$30.35.

Sources of comparative advantage

Excellent strategic position

- Seeking to differentiate on service
- Major Australian bank most focused on Australia and NZ
- 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 mortgages
 - Low impaired assets; well provisioned at 48%¹
- Capital
 - CET1 capital ratio in top quartile of international peers
 - Raised \$6bn of equity in 2015
- Liquidity
 - Stable funding ratio at 83%
 - High liquidity levels; LCR of 127%

Global efficiency leader

- Expense to income ratio at lower end of global peers and below average of Australian major banks at 41.6%
- Only major Australian bank with a target of reducing expense to income ratio below 40% by FY18
- Productivity approach has delivered \$1.6bn of savings FY09 to FY15 and a further \$116m in savings in 1H16 with additional programs underway

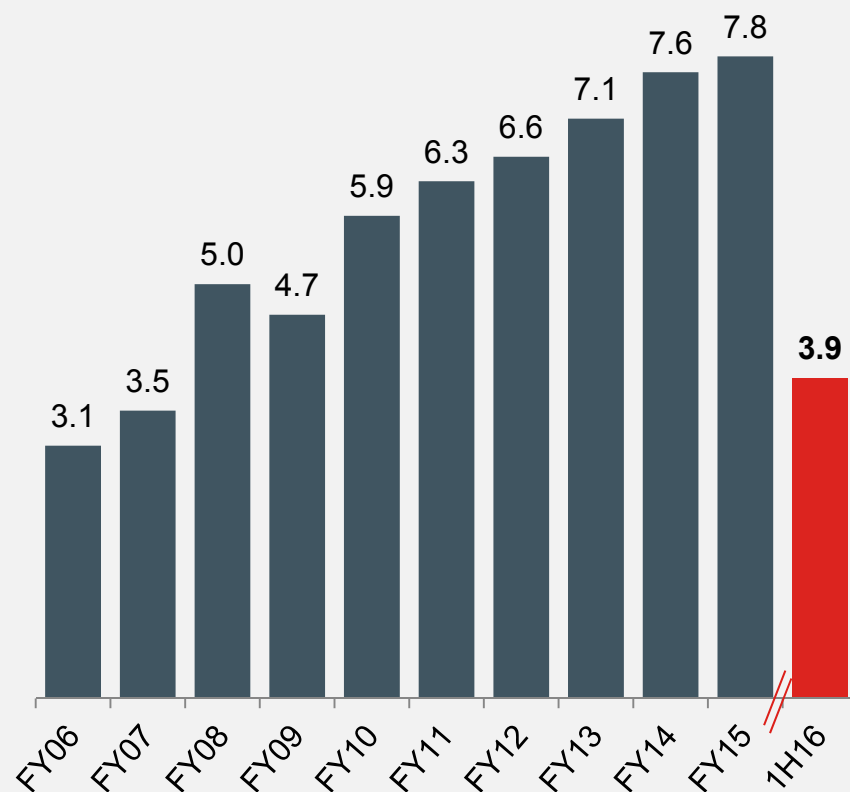
Sustainability culture

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

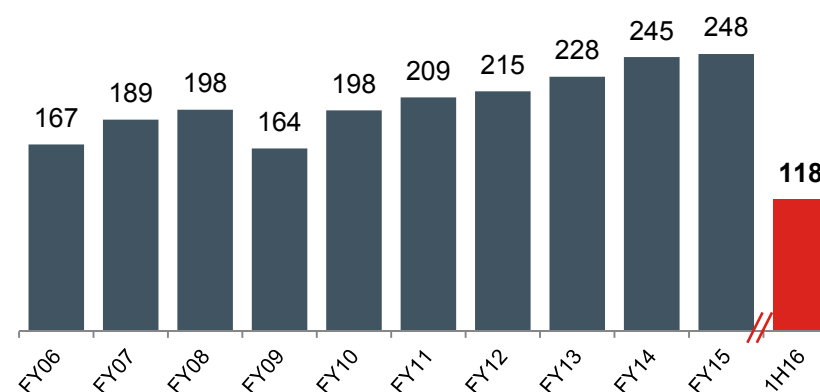
¹ Gross impaired asset provisions to gross impaired loans.

Consistent performer **over the long term**

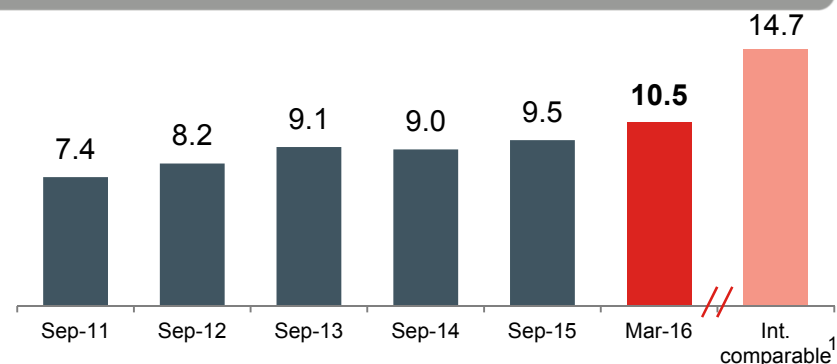
Cash earnings (\$bn)



Cash earnings per share (cents)








Common equity tier 1 capital ratio (%)



¹ Refer page 84 for details of internationally comparable CET1 capital ratio.

Delivering on our five strategic priorities

The Service Revolution					
Priorities	Performance Discipline 	Service Leadership 	Digital Transformation 	Targeted Growth 	Workforce Revolution 
Targets	ROE above 15%	+1m customers (2015-2017) Increased products per customer	Expense to income ratio below 40% by FY18	Stronger growth in wealth, SME and Asia	Leading employee engagement
Progress in 1H16	ROE 14.2%	13.2m customers Up 3% Mar16 – Mar15	Expense to income ratio 41.6%	SME up 4% Customers with a wealth product down 55bps ¹	2016 employee engagement survey underway

¹ Refer page 133 for metric definition and details of provider.



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Overview

Westpac GROUP

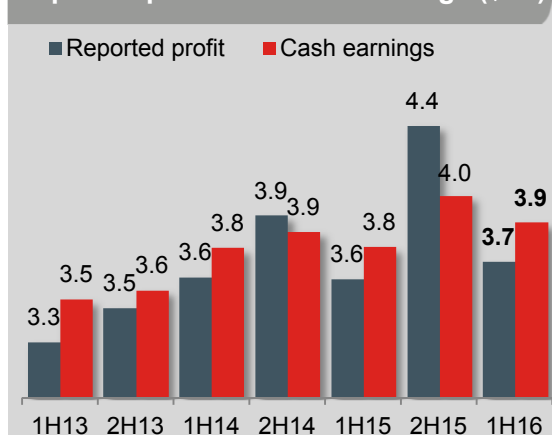
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Cash earnings and reported net profit **reconciliation**

Cash earnings policy

- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- This measure has been used in the Australian banking market for over a decade and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for
 - Material items that key decision makers at 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)



	1H16 (\$m)	% change 1H16- 1H15	% change 1H16- 2H15
Cash earnings	3,904	3	(3)
Cash EPS (cents)	118.2	(2)	(7)
Reported net profit	3,701	3	(16)

Reported net profit and cash earnings¹ adjustments (\$m)

	2H15	1H16
Reported net profit	4,403	3,701
Partial sale of BTIM	(665)	-
Capitalised technology cost balances	354	-
Amortisation of intangible assets	76	79
Acquisition transaction and integration expenses	31	7
Lloyds tax adjustments	(64)	-
Fair value (gain)/loss on economic hedges	(59)	83
Treasury shares	(36)	8
Ineffective hedges	2	26
Cash earnings	4,042	3,904

¹ Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax. For further details refer to page 130.

1H16 financial **snapshot**

	1H16	Change 1H16 – 1H15	Change 1H16 – 2H15
Earnings¹			
Earnings per share (cents)	118.2	(2%)	(7%)
Core earnings (\$m)	6,200	8%	1%
Cash earnings (\$m)	3,904	3%	(3%)
Return on equity (%)	14.2	(166bps)	(172bps)
Dividend (cents per share)	94	1%	flat
Expense to income ratio (%)	41.6	(85bps)	(3bps)
Net interest margin (%)	2.14	9bps	3bps
Asset quality			
Impairment charges to average gross loans (bps)	21	10bps	8bps
Impaired assets to gross loans (bps)	39	4bps	9bps
Impaired asset provisions to impaired assets (%)	48	(16bps)	137bps

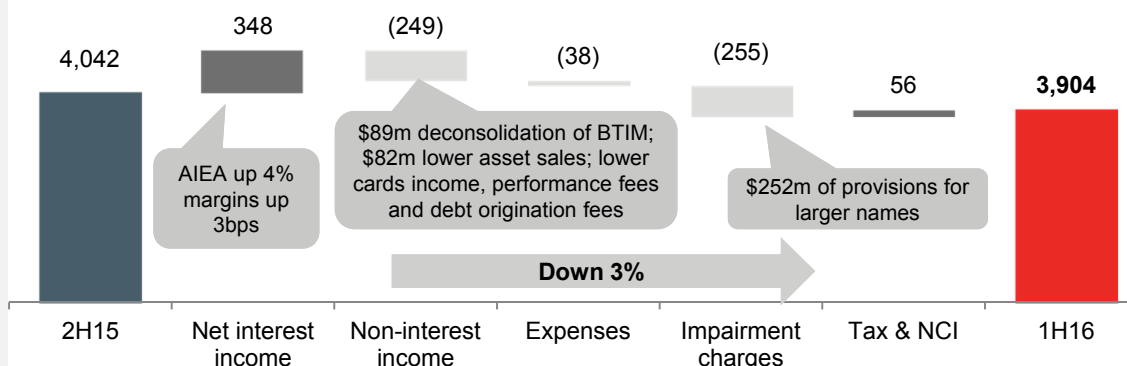
	1H16	Change 1H16 – 1H15	Change 1H16 – 2H15
Balance sheet			
Total assets (\$bn)	831.8	4%	2%
Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)	10.5	171bps	97bps
CET1 capital ratio (Internationally comparable) (%)	14.7	248bps	147bps
CET1 capital (\$bn)	38.0	25%	12%
Risk weighted assets (\$bn)	363.2	5%	1%
Loans (\$bn)	640.7	6%	3%
Customer deposits (\$bn)	442.0	5%	3%
Net tangible assets per share (\$)	13.74	16%	5%
Funding and Liquidity			
Stable funding ratio (%)	83.3	12bps	(50bps)
Customer deposit to loan ratio (%)	69.0	(48bps)	47bps
Liquidity coverage ratio (%)	127	13ppts	6ppts
Total liquid assets ² (\$bn)	139	2%	1%

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

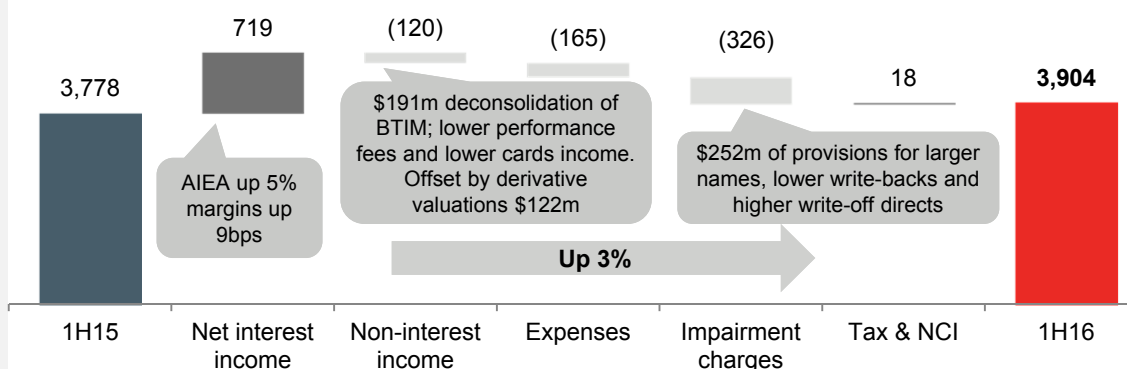
Cash earnings impacted by volatile environment and regulatory change

	1H16 (\$m)	% chg 1H16- 1H15	% chg 1H16- 2H15
Net interest income	7,653	10	5
Non-interest income	2,966	(4)	(8)
Expenses	4,419	4	1
Core earnings	6,200	8	1
Impairment charges	667	96	62
Cash earnings	3,904	3	(3)
Reported net profit	3,701	3	(16)

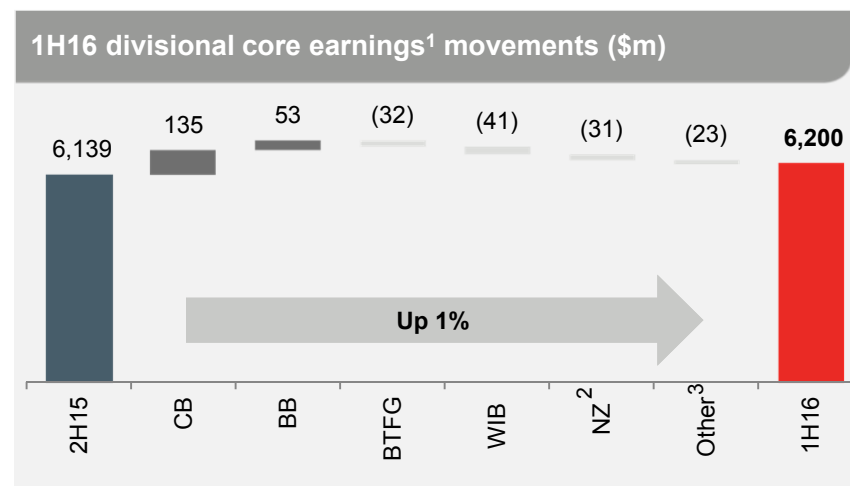
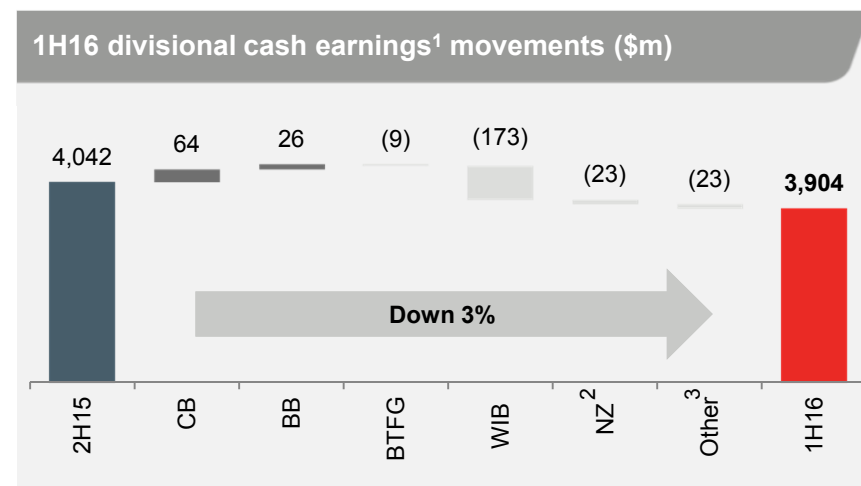
Cash earnings features of 1H16 – 2H15 (\$m)



Cash earnings features of 1H16 - 1H15 (\$m)



Consumer Bank and Business Bank the engines of growth



1H16 (\$m)	CB	BB	BTFG	WIB	NZ ²	Other ³	Group
Operating income	3,970	2,512	1,209	1,599	998	331	10,619
Expenses	(1,637)	(896)	(565)	(669)	(422)	(230)	(4,419)
Core earnings	2,333	1,616	644	930	576	101	6,200
Impairment (charges) / benefits	(269)	(204)	(2)	(178)	(8)	(6)	(667)
Tax & non-controlling interests	(620)	(424)	(190)	(235)	(158)	(2)	(1,629)
Cash earnings	1,444	988	452	517	410	93	3,904
% of Group cash earnings	37	25	12	13	11	2	

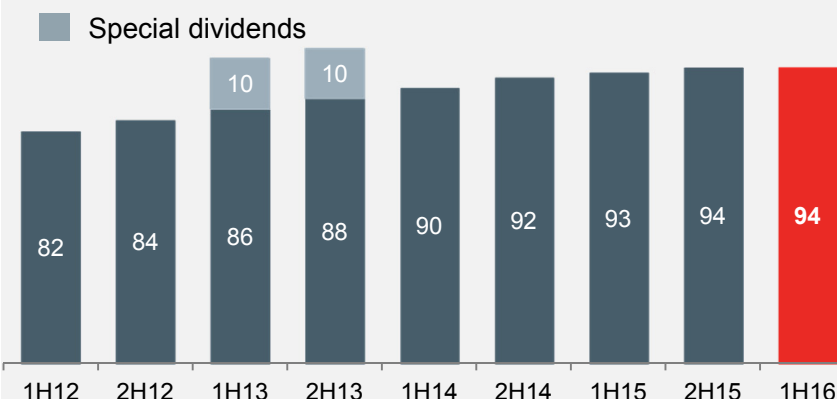
1 Refer to division definitions, page 131. 2 In A\$. 3 Other includes Group Businesses (including Treasury).

Dividends

Key dividend considerations

- Balance sheet strength a priority
- Every six months we balance:
 - Sustainability of the payout ratio over the long term
 - Use the DRP as a mechanism to support distribution of franking credits
 - Seeking to have consistency of dividends per share over time
- Pay fully franked dividends

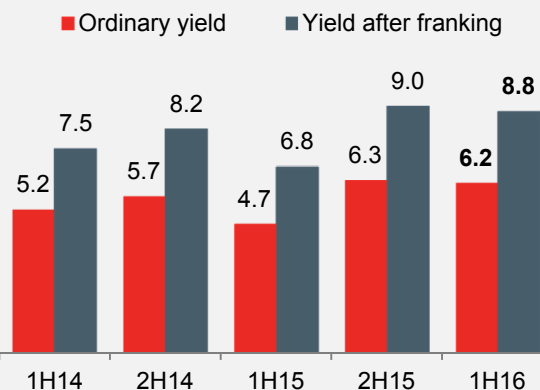
Dividends (cents per share)



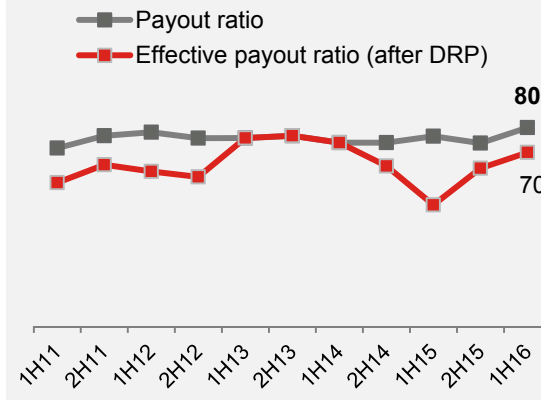
1H16 dividend

- 1H16 ordinary dividends of 94cps, unchanged on 2H15 (up 1% on 1H15)
- Payout ratio of 80%
 - Effective payout ratio¹ 69%. Issuing shares to satisfy 1H16 DRP with no discount
- 1H16 dividend yield² 6.2%
 - Equivalent to a fully franked dividend yield² of 8.8%
- Franking balance of \$844m after allowing for interim dividend payment

Westpac dividend yield²(%)



Ordinary dividend payout ratio³ (%)

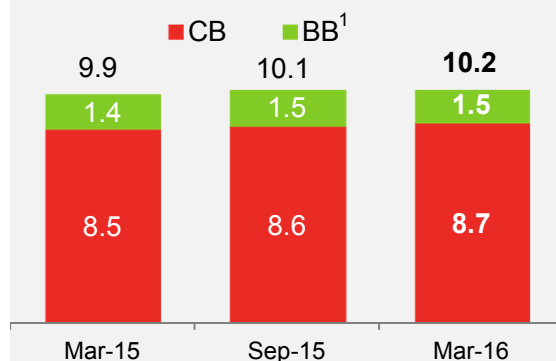


1 Effective payout ratio assumes 1H16 DRP participation of 12.5%. 2 Data using past half year dividends and share price as at 31 March and 30 September in each of the periods. 3 On cash earnings basis.

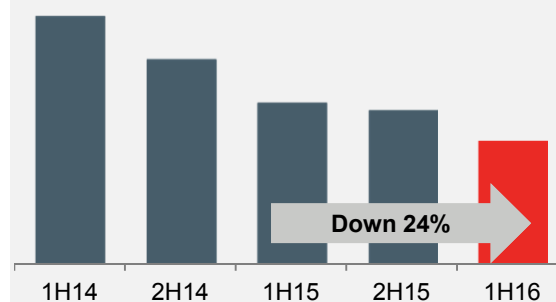
Steadily building franchise value

Customer numbers and service improvement

Customer numbers (#'m)

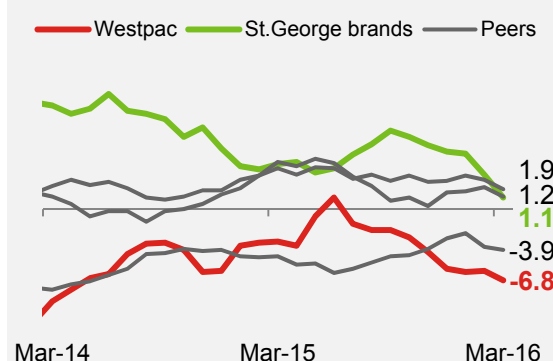


Total customer complaints across CB, BB and BTFG (#)

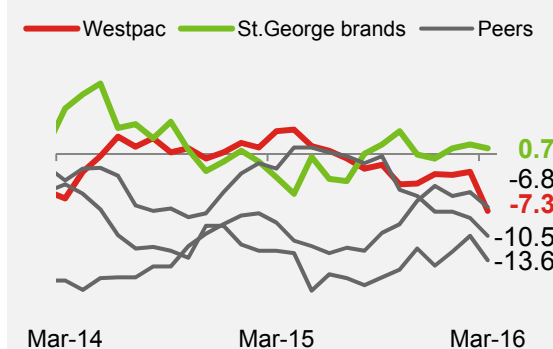


Customer net promoter scores

Overall consumer NPS²

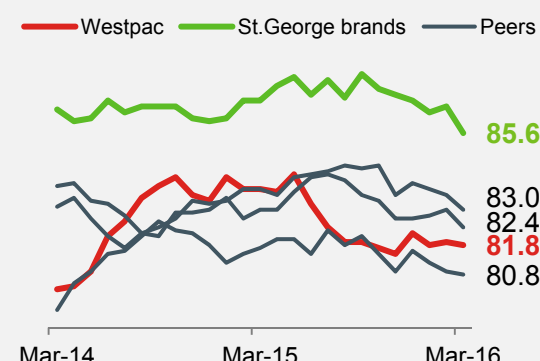


Overall business NPS²

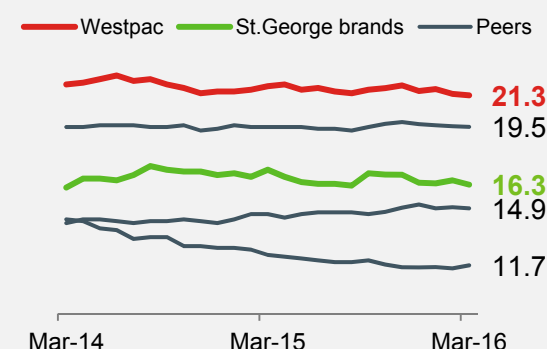


Customer relationships

Customer satisfaction³ (%)



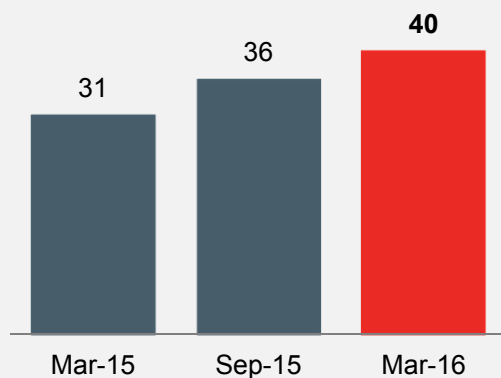
Customers with a wealth product⁴ (%)



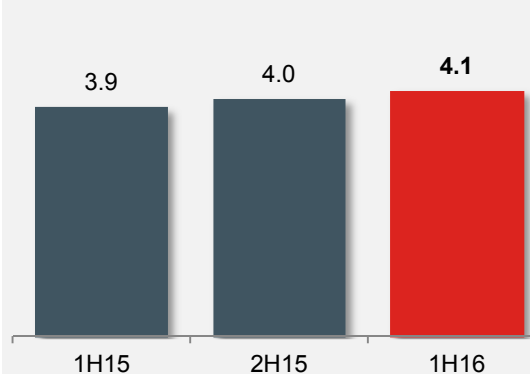
1. Business Bank customer numbers includes consumer customers with auto loans. 2 Refer page 133 for net promoter score details. 3 Refer page 133 for customer satisfaction details 4 Refer page 133 for wealth metrics provider.

Digital transformation continues

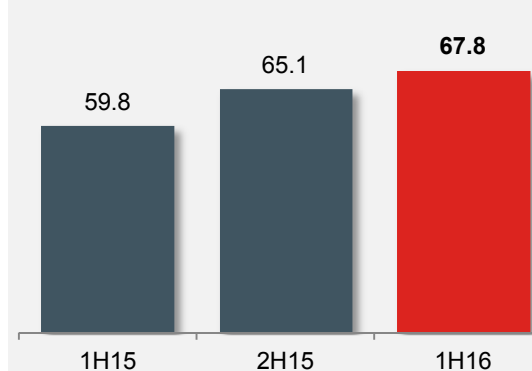
Transactions via Smart ATMs (%)



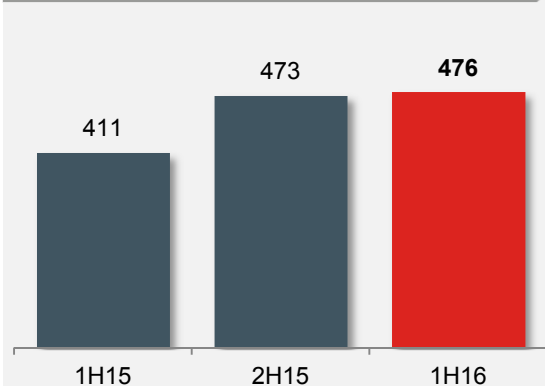
Active digital customers¹ (#'m)



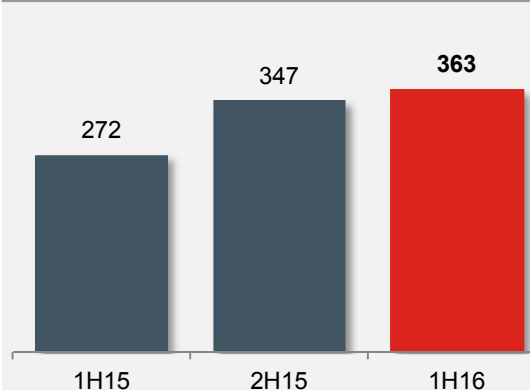
% digital sessions via mobile



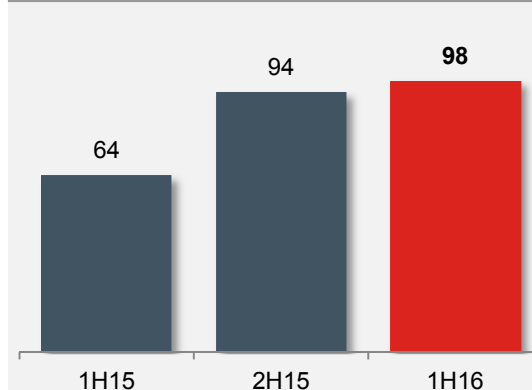
Australian digital banking logins (#'m)



Digital sales volumes (#'000)

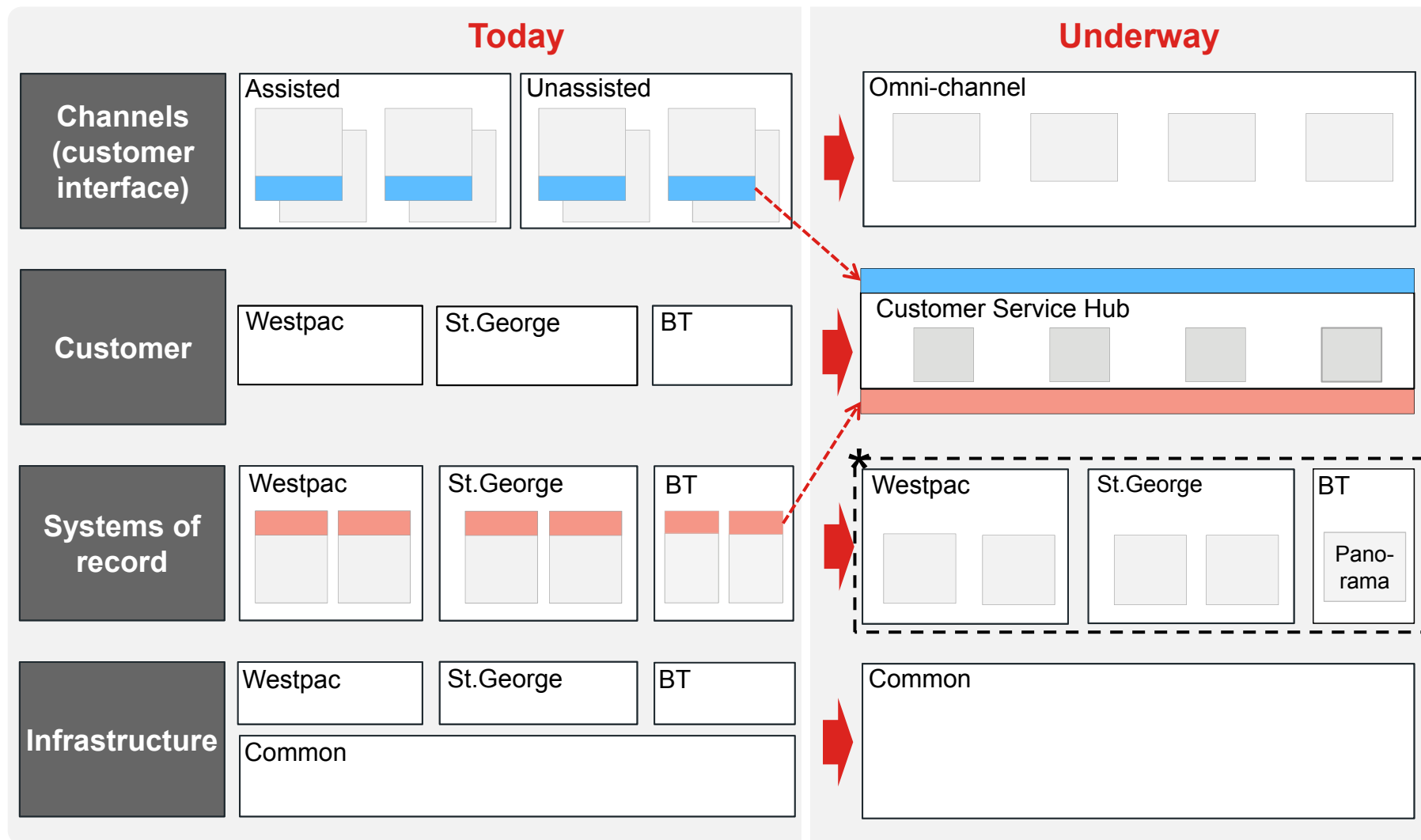


Accounts opened on mobile devices² (#'000)



¹ Australian retail banking customers. ² All products opened across brands (ex RAMS) on either mobile or table and includes deposits; cards; global currency account; investing online (broking); equipment finance etc.

Customer focussed approach to technology transformation



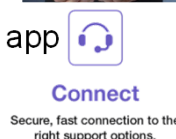
For more information on our technology transformation, refer to September 2015 strategy update 'Unlocking Westpac's Potential'.

* Longer-term consolidation opportunities

1H16 technology transformation progress

Next generation customer experience

- New business banking platform in St. George
- Improved mobile functionality
 - Connect with call centre through banking app
 - Block/unblock or activate cards
 - Instant account opening
- Further roll-out of smart ATMs in Australia and NZ
- Completed roll-out of new NZ online platform
- Extended functionality of new online lending application tool for local business bankers



Delivering one bank

- Strong progress on Customer Service Hub
 - Vendor selection and architecture well progressed
 - Early progress on customer experience through **wonder**
- Design of single customer master
- Continued the phased roll-out of Panorama



Best in class operational efficiency

- Strengthened cyber security for customers with the launch of a new cyber security coordination centre
- Improved customer experience through new innovative fraud prevention functions
- Infrastructure transformation underway designed to reduce cost, improve service, improve speed and flexibility and enhance service
- Upgrade of St. George core platform well progressed



Game-changing technologists

- Increased use of cloud technologies including our Hybrid Platform as a Service
- Initial leveraging of new quantum technology-based cybersecurity capabilities
- Piloting new technologies such as blockchain in our payments
- Ideation initiatives launched internally to understand and action customer pain points



For more information on our technology transformation, refer to September 2015 strategy update 'Unlocking Westpac's Potential'.

Actively responding to new digital opportunities

Driving innovation



Program supporting employee innovation using ideation tools and practices to help grow ideas. Innovation challenges are focused on solving barriers to customer service

Evolving the way we deliver projects with agile practices. Includes creating a world class agile global delivery centre supporting faster delivery and solutions focused on customers



Seeking to build market-leading innovation capabilities, including a dedicated innovation centre “the hive” and a showcase centre for emerging technologies “the Cave”

Running Hackathons to test systems and build new and innovative solutions. Accessing our skills and experience to approach problems differently



Active in industry change



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

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



Partnering with companies such as Stone & Chalk to foster and accelerate the development of world-leading fintech start-ups

Encouraging Science, Technology, Engineering and Maths careers including:

- Main sponsor of ‘code camp’ goal to reach 10,000 primary students in FY16
- Supporting technology scholars under the Westpac Bicentennial Foundation



For more information on our technology transformation, refer to September 2015 strategy update ‘Unlocking Westpac’s Potential’

¹ Logos for R3 and Stone & Chalk respectively.

Reinventure – Investing in disruptive technology

Westpac has invested \$50m in 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

Investments to date



Sheds light on high volume crimes, making the cost of preventing them lower than the cost of living with them



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



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



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



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



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



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

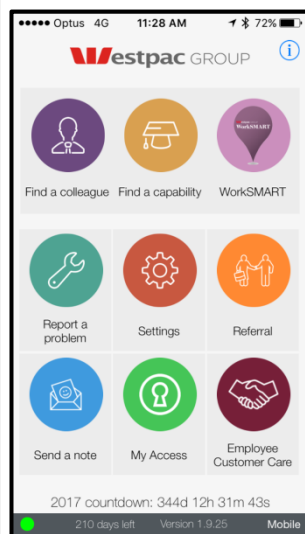


A global Big Data, business intelligence and enterprise data warehousing company

Workforce revolution delivering

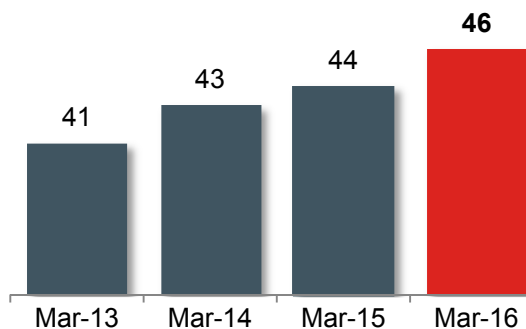
Agile work space providing benefits

- Around 8,700 employees now in Agile workplaces
- Delivering following benefits
 - Increased building utilisation (up 15%)
 - 12% improvement in pride in working with Westpac Group
 - Greater collaboration, up 16%
 - Supported the Group's 87% reduction in paper and storage

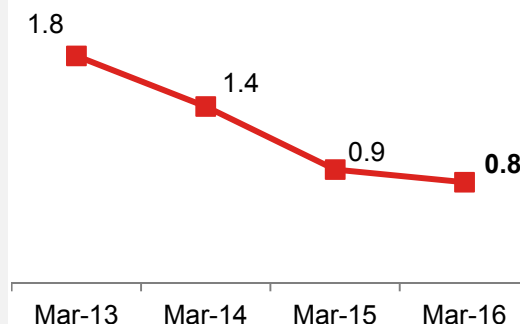


Agile working is supported with our Worksmart app

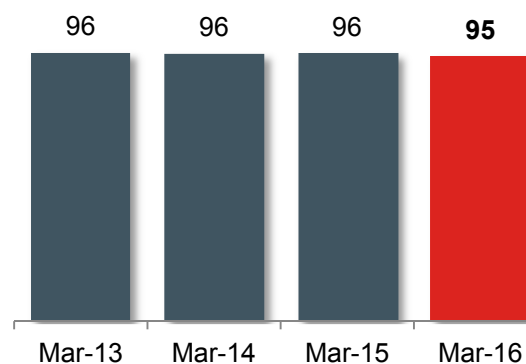
Women in leadership positions increasing (%)



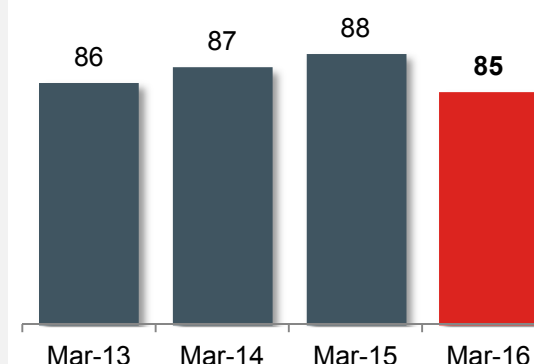
Lost time injury frequency rate reducing (rolling 12 months) (#)



High performer retention (rolling 12 months) (%)



New starter retention remains high (rolling 12 months) (%)



Continued sustainability leadership

Strategic priorities and 1H16 progress highlights

1 Embracing societal change



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

- Women in leadership at 46%, up from 44% one year ago
- Recruited an additional 70 Indigenous Australians

2 Environmental solutions



Help find solutions to environmental challenges

- Group exposures (TCE) to the CleanTech and environmental services sector are \$6.3bn, remaining ahead of target¹
- Continued progress against targets and received the highest Green Star rating (6 Star) for the Sydney Kent Street office and Barangaroo St.George retail branch

3 Better financial futures



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

- On track to meet the Group's 2016 target with over 250,000 net basic banking accounts provided by Westpac Pacific²
- Over \$1.05bn lent to the social and affordable housing sector, 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

¹ From 2015, a higher threshold for green buildings was introduced in line with industry trends. ² Reflects the impact from sale of banking operations across Cook Islands, Samoa and Tonga in July 2015, and Solomon Islands in October 2015. ³ Formerly the Carbon Disclosure Project.

Leading track record

- Global banking leader in the Dow Jones Sustainability Index since 2002, including being named sector leader 8 times, most recently in 2014 and 2015
- Ranked as one of the Global 100 Most Sustainable Corporations in the World by Corporate Knights for 10 of the last 11 years
- Included in the CDP³ 2015 ASX200 Climate Disclosure Leadership Index, achieving the top score of 100 and A-performance band

Significant achievements

- Awarded the first 100 scholarships from the Westpac Bicentennial Foundation, a scholarship fund established by Westpac in 2014, with a contribution of \$100m, to award 100 scholarships every year, forever
- Released BTFG's Responsible Investment Position Statement, a framework for understanding and managing environmental, social and corporate governance impacts, risks and opportunities across portfolios in BTFG

Helping our communities to prosper and grow

Supporting communities¹

Backing economic activity

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

\$51bn
new lending²
of **\$562bn**
total Aust. loans

Wealth of many Australians

- Support working and retired Australians either directly (624K shareholders) or via their super funds

\$3.1bn
in dividends
Market
capitalisation
\$101bn

The bottom line

- 3rd largest Australian taxpayer³ paying more than \$3bn in tax in 2015

>\$1.6bn
in tax expense

The workforce

- Employ 39,174 people

\$2.3bn
in payments to
employees

The nation

- \$10m launch of Westpac 200 Businesses of tomorrow
- First 100 Westpac Scholars

>1%
community
contributions to
pre-tax profit

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

1H15 2H15 1H16

Notional income tax based on the Australian company tax rate of 30%

1,628 1,718 **1,660**

Net amounts not deductible/(not assessable)

(15) (57) **(40)**

Total income tax expense in the income statement

1,613 1,661 **1,620**

Effective tax rate (%)

29.7 29.0 29.3

Other tax/government payments (\$m)

1H15 2H15 1H16

Net GST, Payroll tax, FBT

228 211 230

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

¹ All figures for the six months to 31 March 2016 unless otherwise stated. ² New mortgage and new business lending in Australian retail operations which includes CB, BB and BTFG. ³ Source: Bloomberg.



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

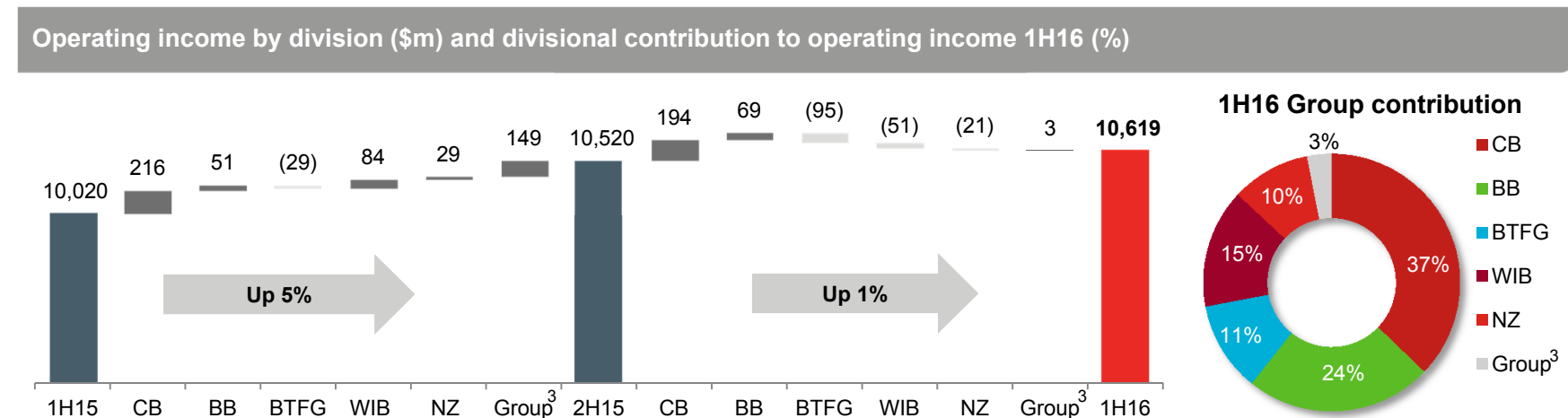
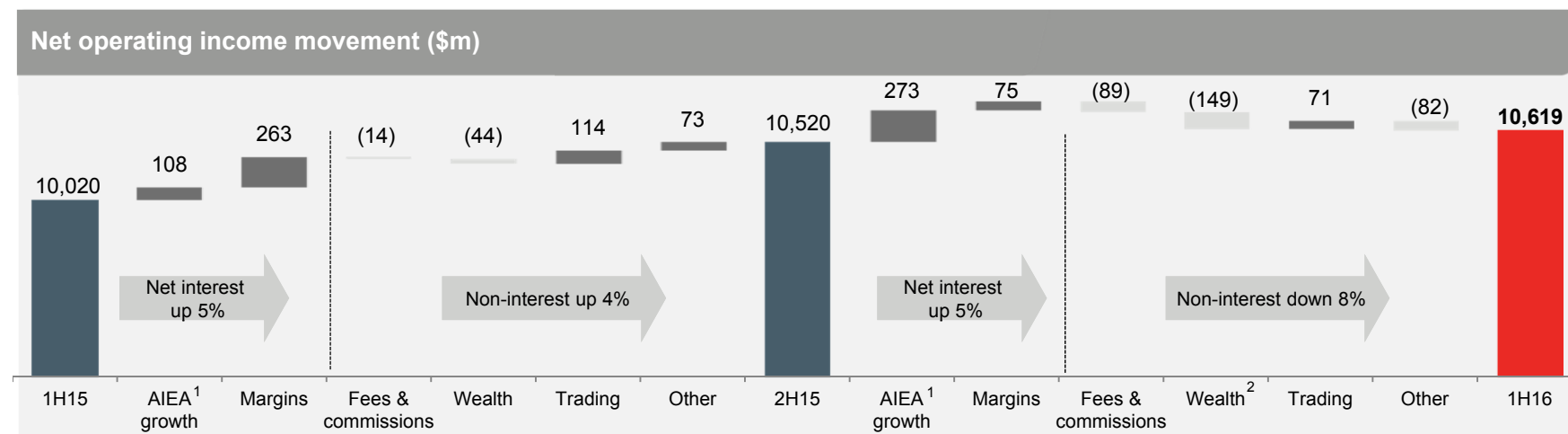
WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Earnings Drivers

Westpac GROUP

EST. 1817

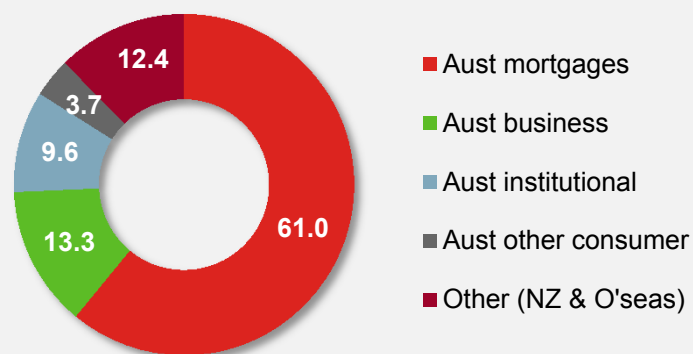
Net operating income **up 1%**



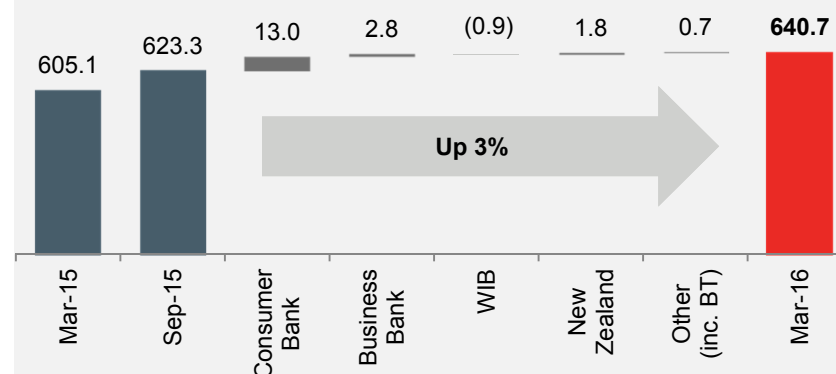
1 AIEA is average interest-earning assets. 2. Impact of partial sale and deconsolidation of BTIM. 3 Group Businesses.

Composition of lending

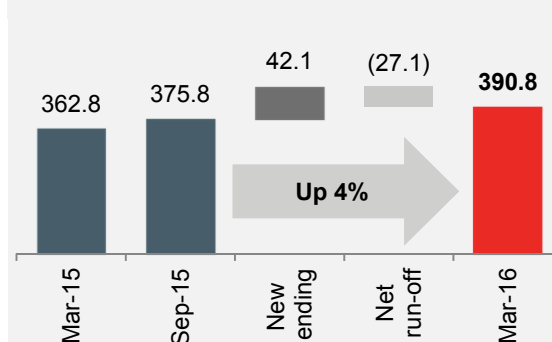
Composition of lending (% of total)



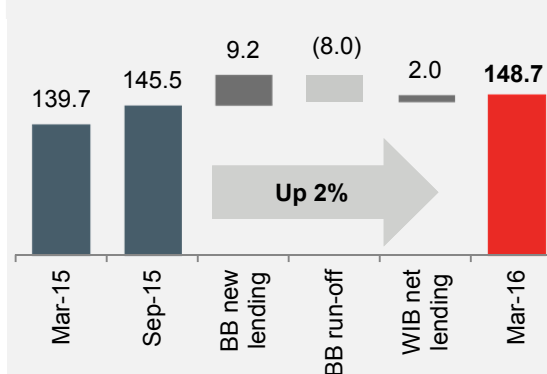
Net loans (\$bn)



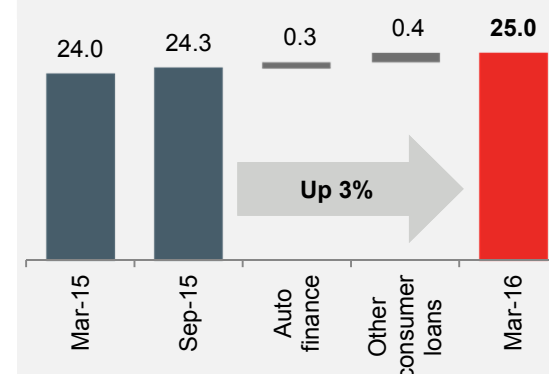
Australian mortgage lending¹ (\$bn)



Australian business lending¹ (\$bn)



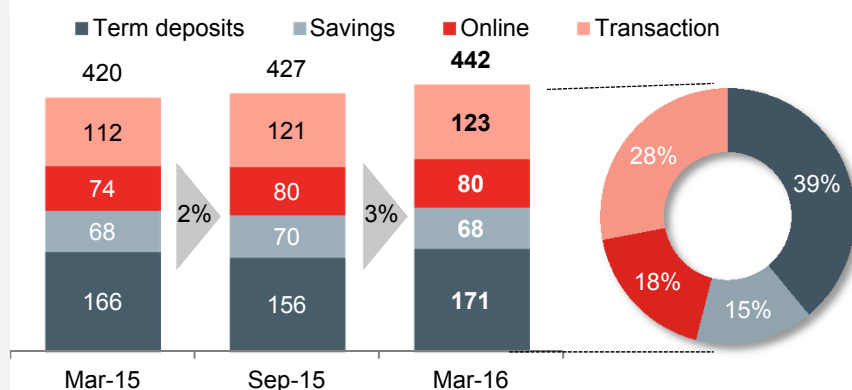
Australian other lending¹ (\$bn)



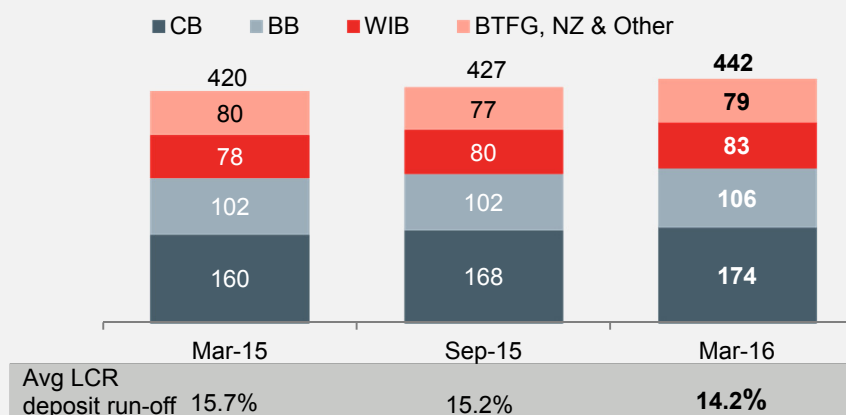
¹ Gross loans.

Customer deposits

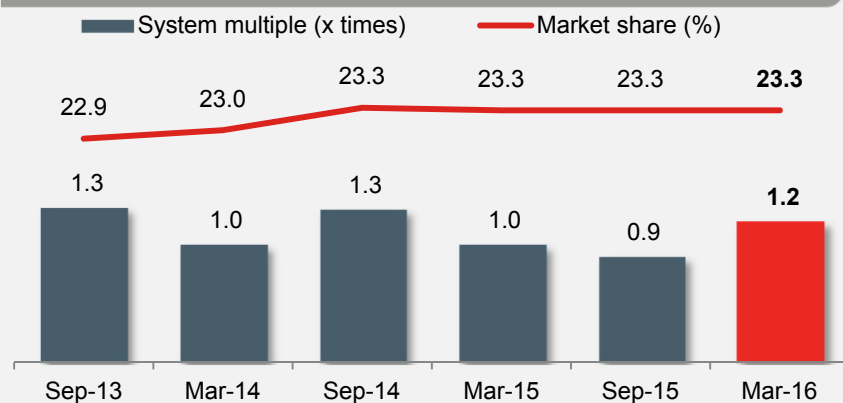
Customer deposit mix (\$bn) and % of total



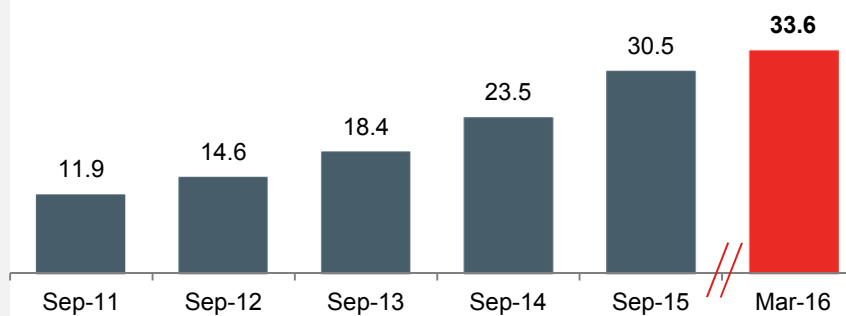
Customer deposit composition (\$bn)



Aust household deposits market share¹ (% and multiple)



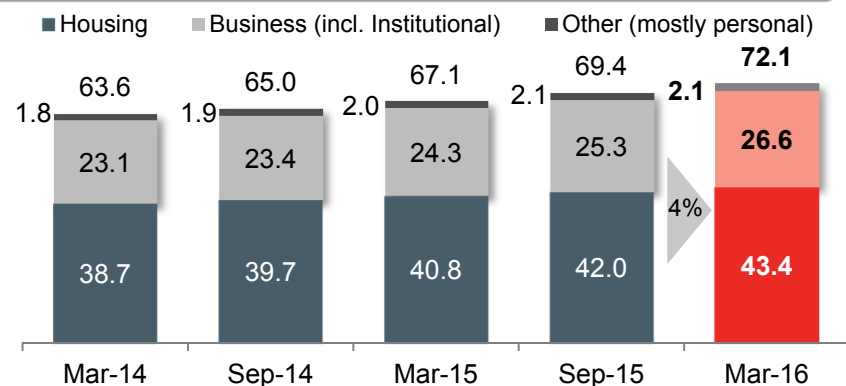
Mortgage offset² account balances (\$bn)



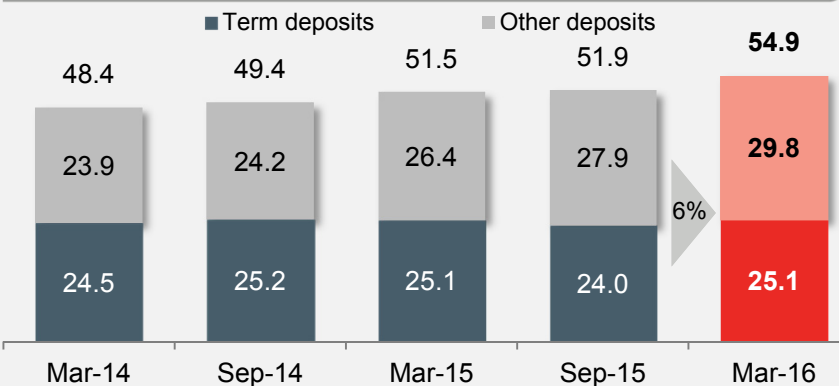
¹ APRA Banking Statistics, March 2016. ² Included in transaction accounts.

Good growth in the New Zealand portfolio

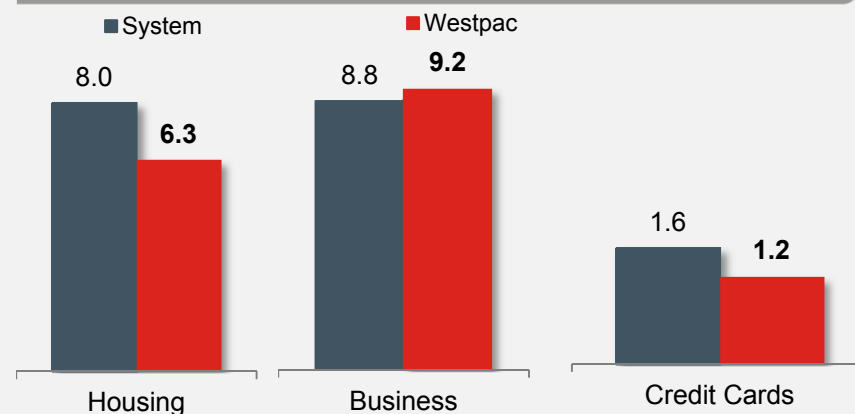
Gross loans (NZ\$bn)



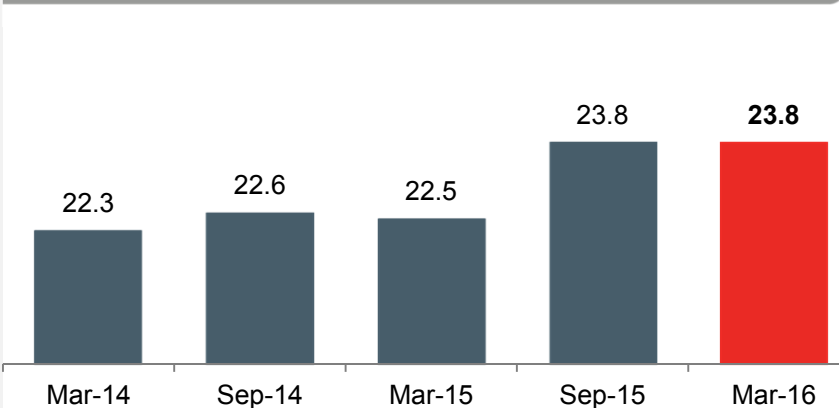
Customer deposits (NZ\$bn)



NZ lending growth compared to system¹ (%)



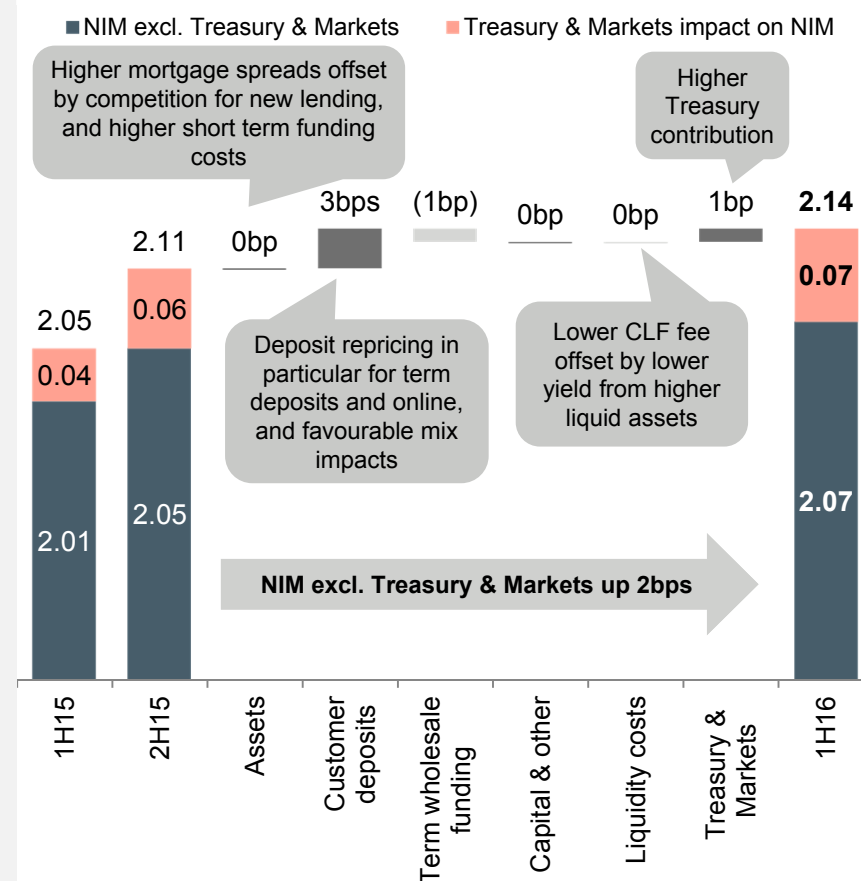
Credit card market share¹ (%)



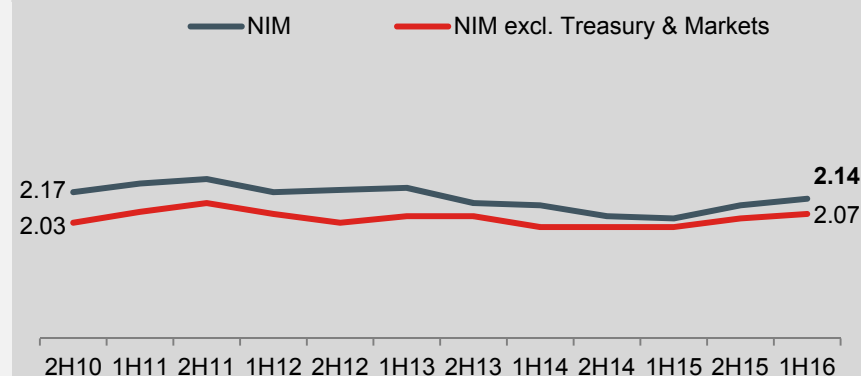
¹ RBNZ March 2016 based on gross lending

Net interest margin up 3bps, primarily due to deposit spreads

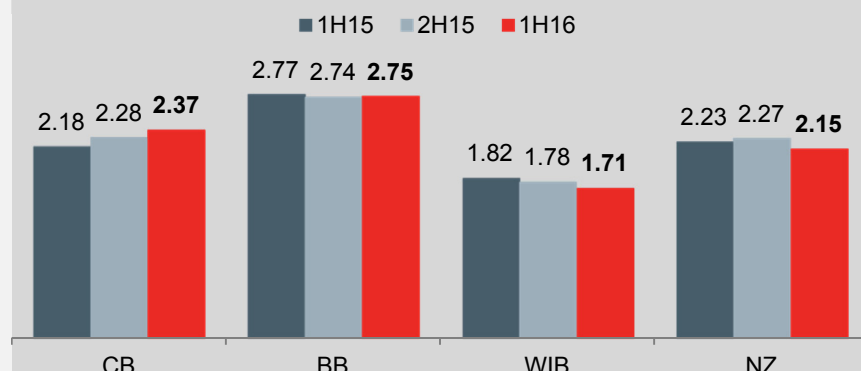
Net interest margin (NIM) movement (%)



Net interest margin (NIM) (%)

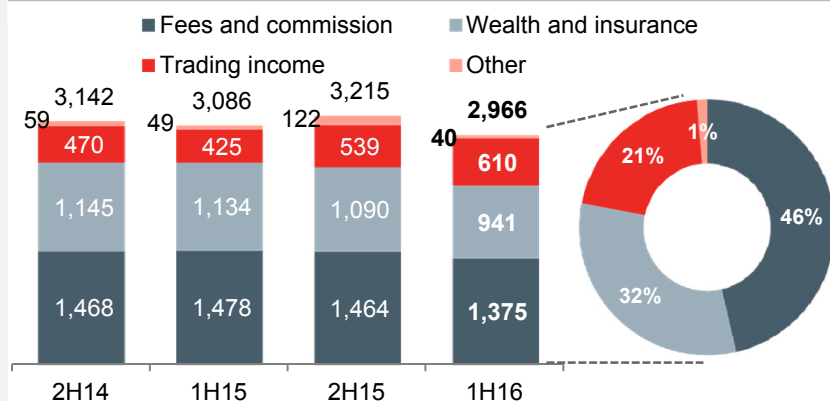


Net interest margin by division (%)

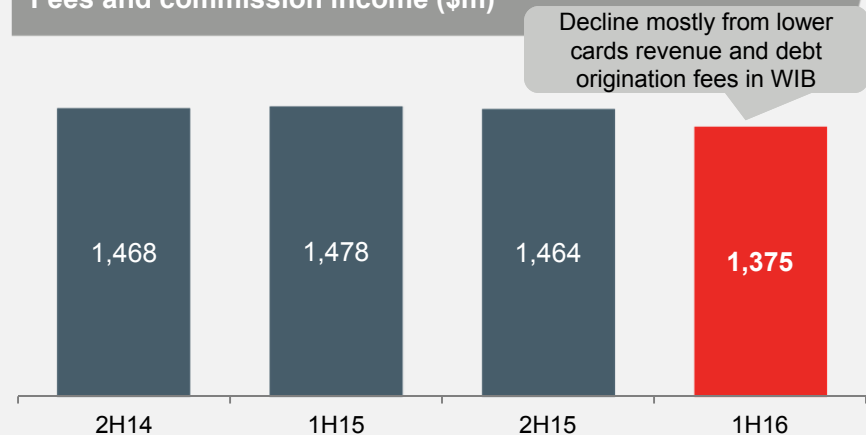


Non-interest income **down 8%, impacted by infrequent items**

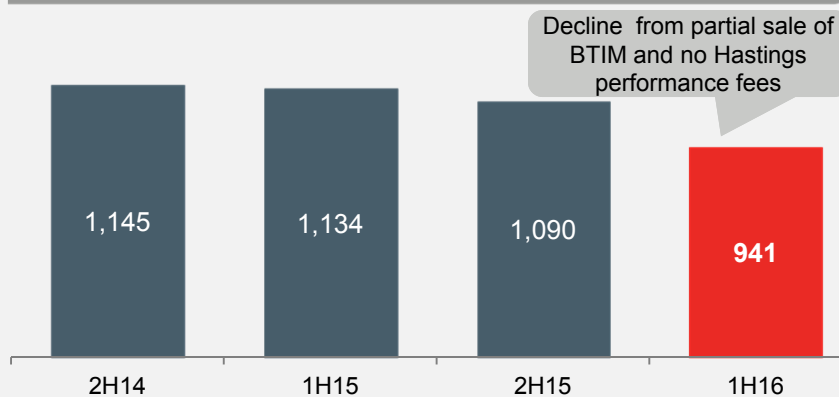
Non-interest income contributors (\$m and % of total)



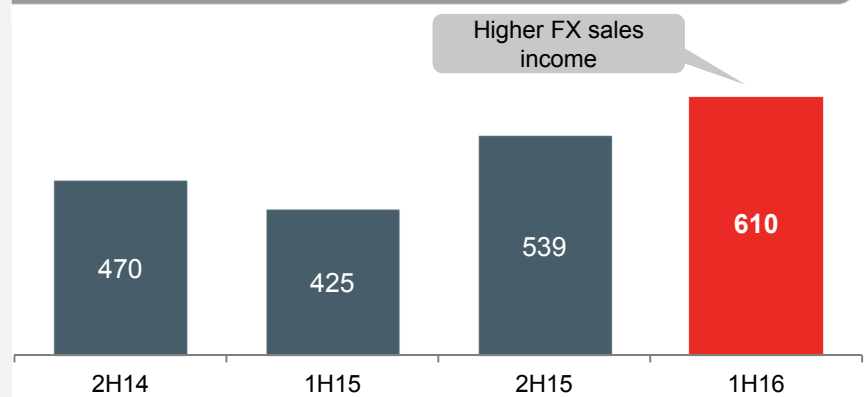
Fees and commission income (\$m)



Wealth and insurance income (\$m)



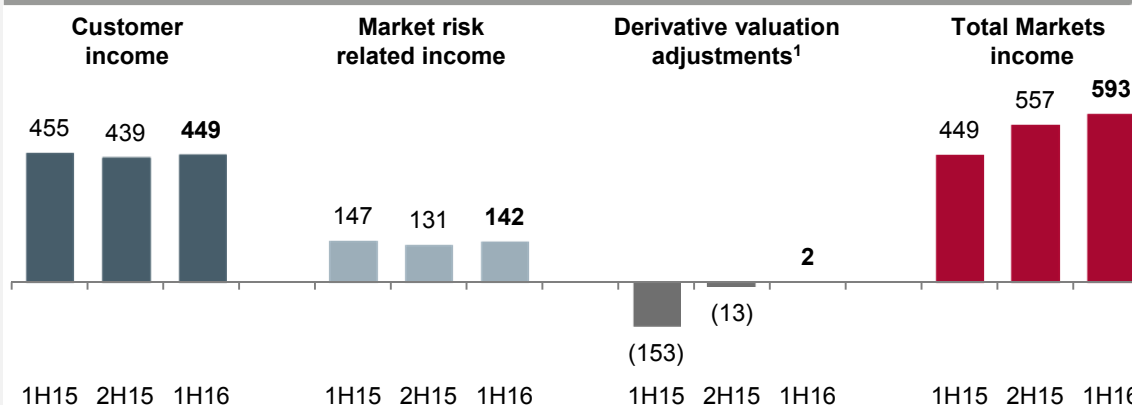
Trading income (\$m)



Markets and Treasury income

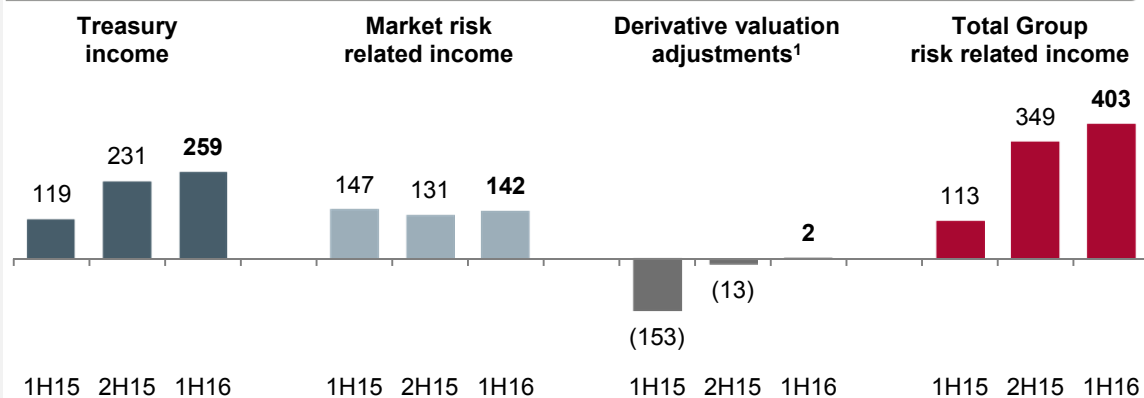
- Total markets income up 6% to \$593m
- Customer income up 2% to \$449m
 - WIB's FX business continued to see customer flows as a result of volatility in core markets
 - Customer activity through the WIB and business, wealth and consumer partnership also contributed to FX sales, with business customers the main driver of growth
- Market risk related income up 8% from higher energy trading results
- Positive impact from derivative valuation adjustments

Markets income by activity (\$m)



- Group risk related income, up 15% to \$403m
 - Lift in Group risk related income due to higher Treasury income, up \$28m driven by interest rate risk management
 - Market risk related income \$11m higher
 - Positive impact from derivative valuation adjustments
- WIB 1H16 average daily VaR \$9.7m (\$7.6m 2H15; \$7.9m 1H15)
- Treasury 1H16 average daily VaR \$9.0m (\$12.2m 2H15; 1H15 \$10.4m)

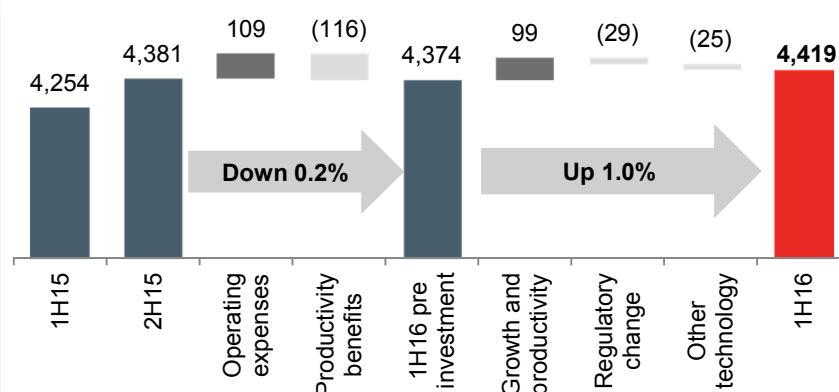
Group risk related income (\$m)



¹ 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 41.6%

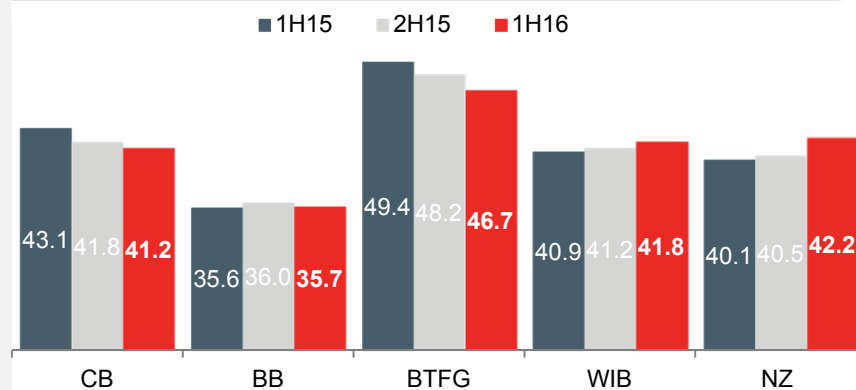
Expense movements (\$m)



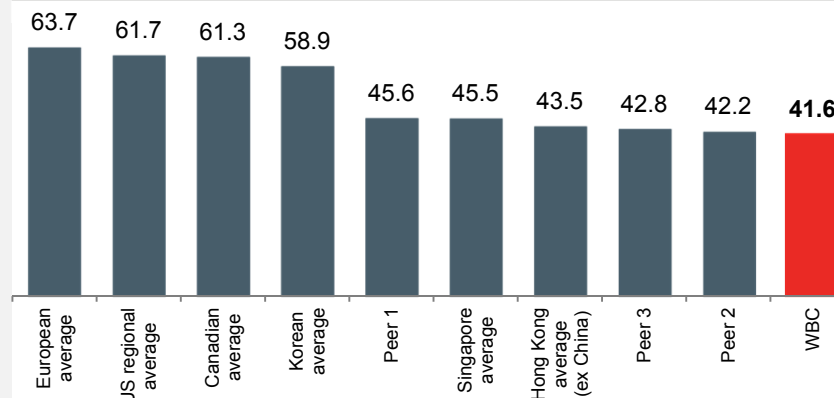
Project spending expensed (\$m)

	1H15	2H15	1H16
Investment spend expensed	167	208	256
Investment spend expensed as a % of total investment	36	37	49
Software amortisation ¹	254	291	271

Divisional expense to income (%)



Global peer comparison of expense to income ratios² (%)



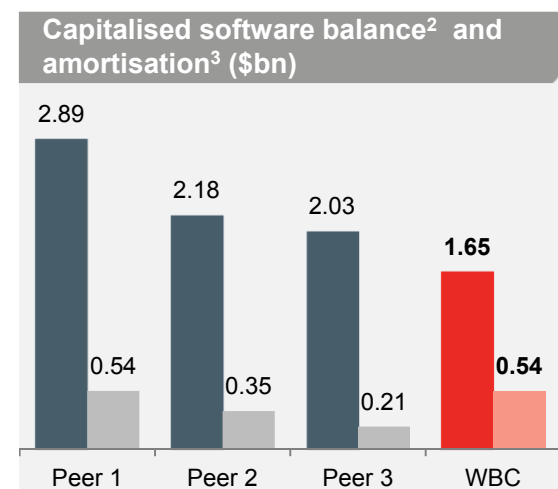
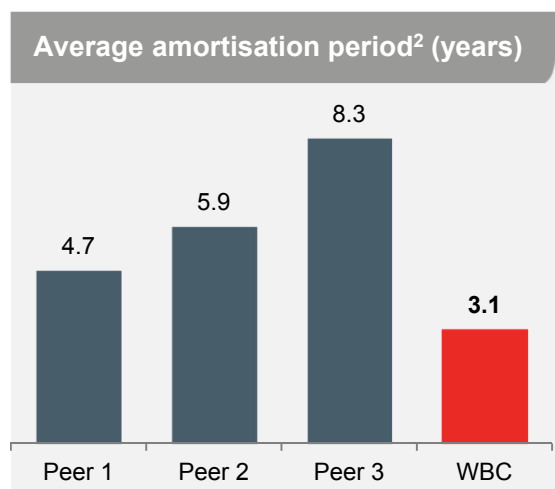
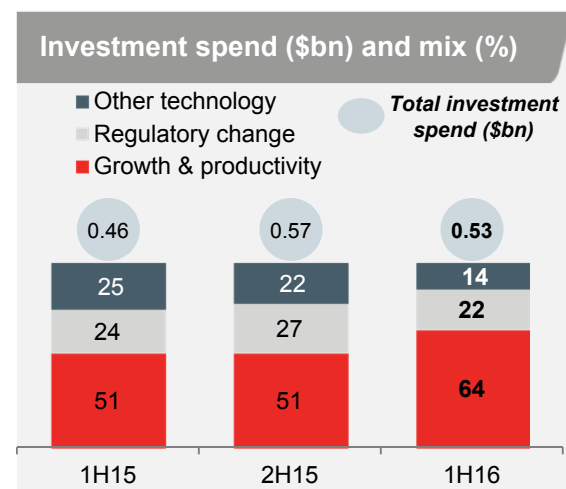
¹ Excludes impairments. ² Company data, Credit Suisse. Expense to income ratio average for banks ex Australia based on their FY15 results, Westpac and Peer 2 based on 1H16 results and Peer 2 and 3 based on FY15.

Investment spend focused on growth and productivity

Investment spend capitalised (\$m)	1H15	2H15	1H16
Growth and productivity	148	184	192
Regulatory change	57	82	49
Other technology	86	93	30
Total¹	291	359	271

Investment spend expensed (\$m)	1H15	2H15	1H16
Growth and productivity	85	106	144
Regulatory change	51	70	68
Other technology	31	32	44
Total	167	208	256

Investment spend capitalised (\$m)	1H15	2H15	1H16
Capitalised software			
Opening balance	2,070	2,102	1,654
Additions	274	356	268
Amortisation	(254)	(291)	(271)
Write-offs, impairments and foreign exchange translation	12	(31)	-
Capitalised technology cost balances	-	(482)	-
Closing balance	2,102	1,654	1,651
Other deferred expenses			
Deferred acquisition costs	126	119	116
Other deferred expenses	14	14	27



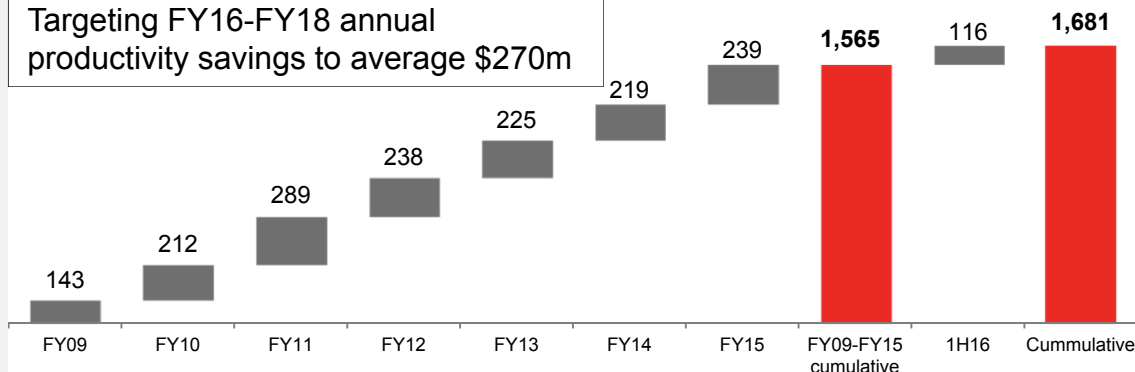
¹ Investment spend capitalised also includes technology hardware equipment. ² Data for Westpac and Peer 2 is 1H16 results, Peer 1 and 3 from FY15 results, excludes write-offs. ³ Amortisation expense is based on amortisation expense excluding any impairment and in the case of Westpac and Peer 2 is based on the 1H16 expense annualised, Peer 2 and Peer 3 is based on FY15 amortisation expense.

Consistent track record of delivering productivity savings - **\$1.7bn** in last 7 years

- Business Connect and Connect Now video conferencing now in 89% of sites¹
- 24% reduction in retail and business banking and wealth complaints over last 12 months
- 90,000 Westpac customers requested to lock or unlock cards since launch in November 2015
- 66,000 downloads of Proof of Balance in the first two weeks of launch. Previously these customers would have needed to visit a branch
- 20% reduction in customers activating the credit cards in Contact Centres as customers activate online
- Launched 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 around 58 seconds per call
- Launched e-statement functionality on Westpac One in New Zealand in March. In the first month, more than 20,000 customers have made this election online

\$1.7bn saved from efficiency programs since FY09 (\$m)

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



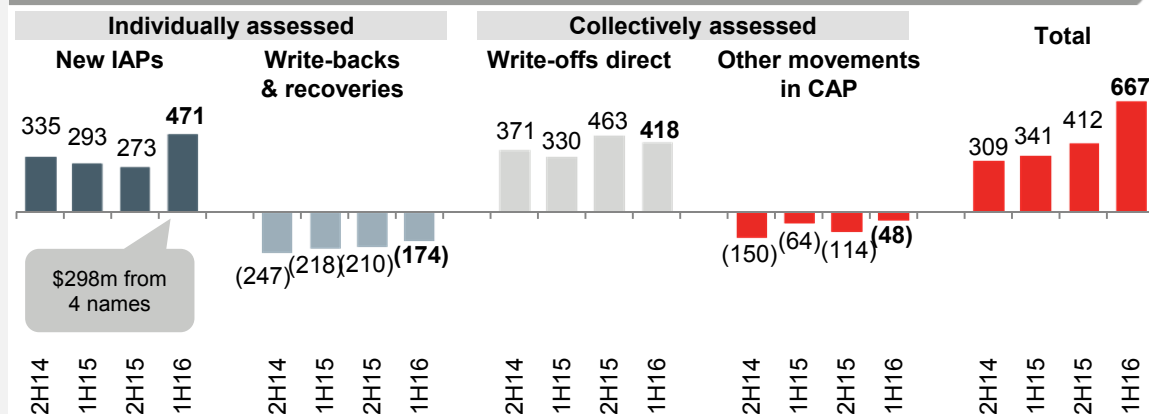
Metrics

	1H15	2H15	1H16
% of new format Australian branches ^{2,3}	30%	36%	39%
Australian % of Smart ATMs of ATM network ³	29%	34%	37%
Consumer Bank and Business Bank active digital customers ³ (#m)	3.9	4.0	4.1
% sales growth per average customer contact centre FTE ⁴	8%	14%	14%
Retail and business banking and wealth complaint reduction ⁴	35%	25%	24%
Number of IT applications closed ³	96	119	129

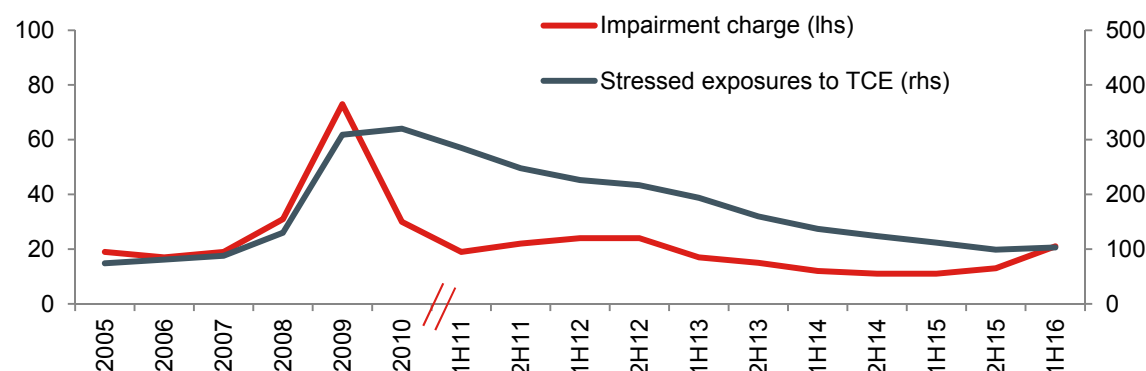
¹ Sites includes branches and standalone business banking centres and excludes instores. ² Branches excluding instores. ³ Cumulative numbers. ⁴ Percentage change is based on prior corresponding period.

Impairment charges higher from historically low base

Impairment charges and stressed exposures (bps)



Impairment charges and stressed exposures¹ (bps)



Asset quality key metrics

	Mar-15	Sep-15	Mar-16
Impairment charges to average loans annualised (bps)	11	13	21
Impairment charges to average loans annualised (bps) including interest carrying adjustment	15	16	24
Gross impaired assets to gross loans (%)	0.35	0.30	0.39
Stressed exposures to TCE (%)	1.12	0.99	1.03
Provisions			
Total provisions to gross loans (bps)	58	53	57
Impaired asset provisions to impaired assets (%)	48	46	48
Collectively assessed provisions to credit RWA (bps)	89	86	87
Economic overlay (\$m)	387	388	393

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



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Asset Quality

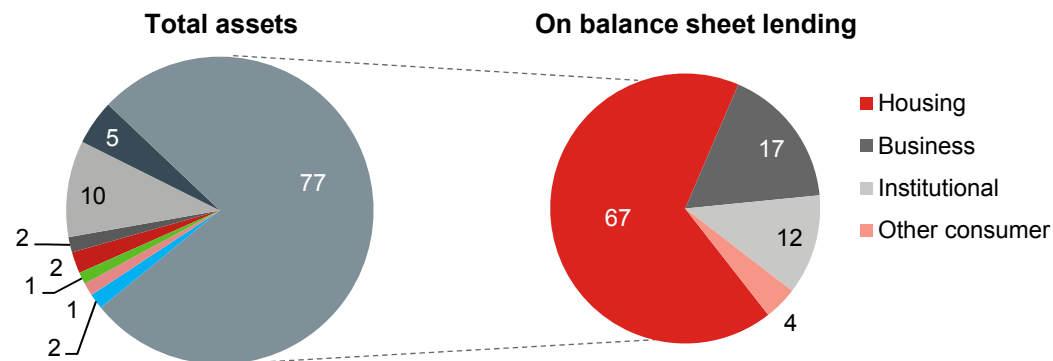
Westpac GROUP

EST. 1817

High quality portfolio with bias to secured consumer lending

Asset composition as at 31 March 2016 (%)

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



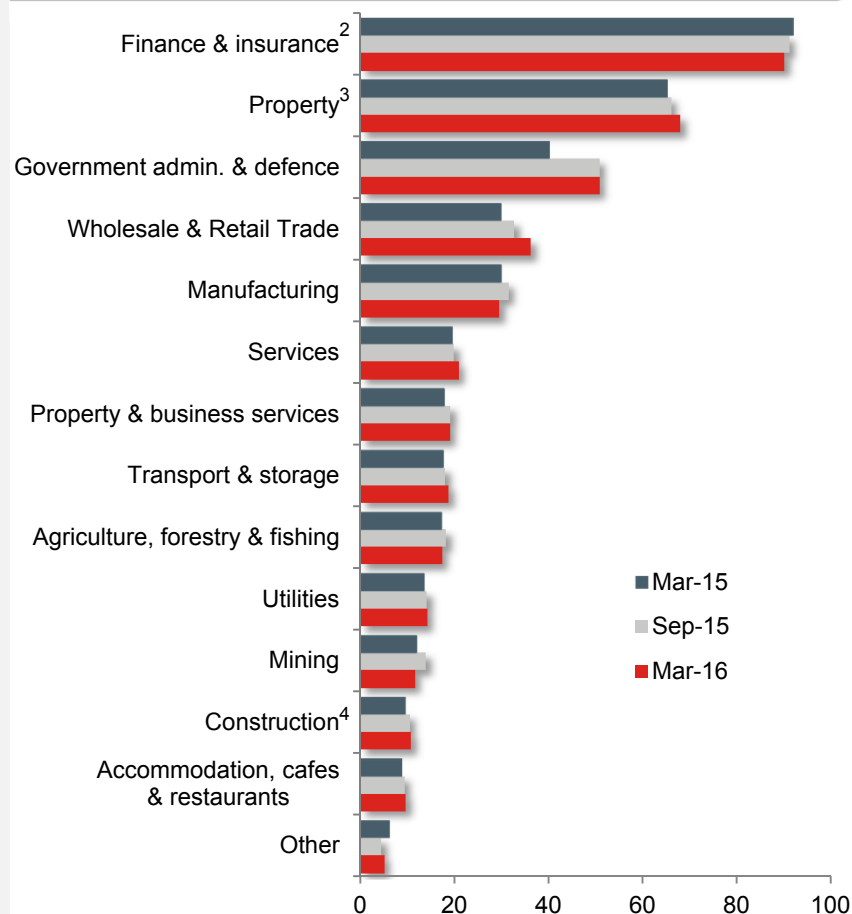
Exposure by risk grade as at 31 March 2016 (\$m)

Standard and Poor's risk grade ¹	Australia	NZ / Pacific	Asia	Americas	Europe	Group	% of Total
AAA to AA-	90,533	6,997	1,339	9,369	1,027	109,265	11%
A+ to A-	28,655	5,235	6,849	4,405	3,044	48,188	5%
BBB+ to BBB-	60,046	10,326	10,675	1,496	1,697	84,240	9%
BB+ to BB	74,113	10,560	2,189	245	545	87,652	9%
BB- to B+	56,964	9,708	128	17	31	66,848	7%
<B+	5,446	1,643	-	60	-	7,149	1%
Secured consumer	454,315	46,987	500	-	-	501,802	53%
Unsecured consumer	45,857	5,155	275	-	-	51,287	5%
Total committed exposures (TCE)	815,929	96,611	21,955	15,592	6,344	956,431	
Exposure by region² (%)	85%	10%	2%	2%	1%		100%

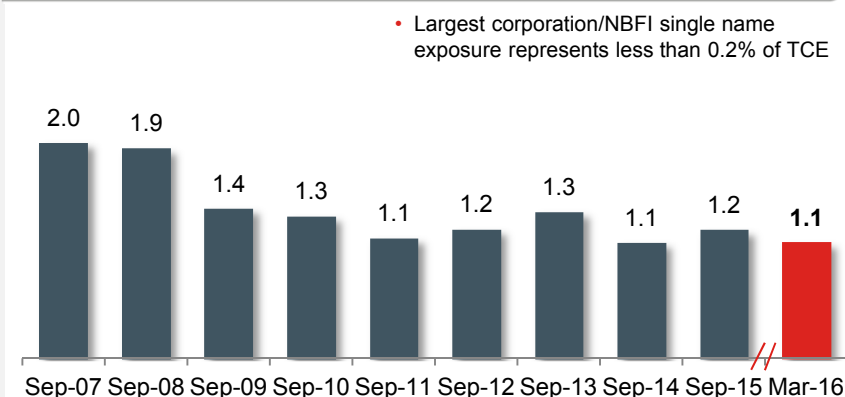
¹ Risk grade equivalent. ² Exposure by booking office.

A well diversified portfolio across industries and large exposures

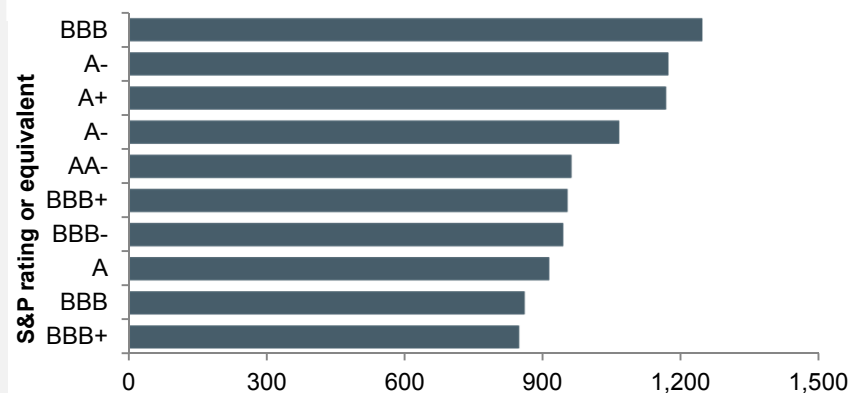
Exposures at default¹ by sector (\$bn)



Top 10 exposures to corporations and NBFIs⁵
as a % of TCE⁶ (%)



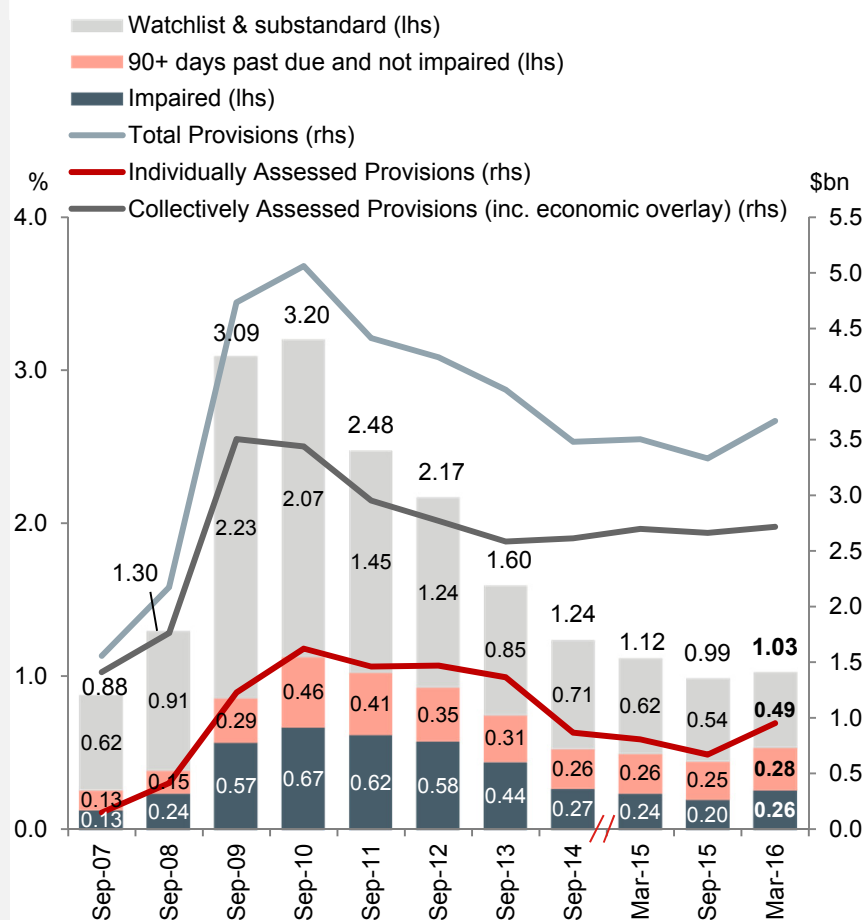
Top 10 exposures to corporations & NBFIs⁵
as at 31 March 2016 (\$m)



¹ 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. ² Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. ³ Property includes both residential and non-residential property investors and developers, and excludes real estate agents. ⁴ Construction includes building and non-building construction, and industries serving the construction sector. ⁵ Non-Bank Financial Institutions. ⁶ Includes St. George from 2009 onwards.

Small rise in stress off a low base; Provision cover remains sound

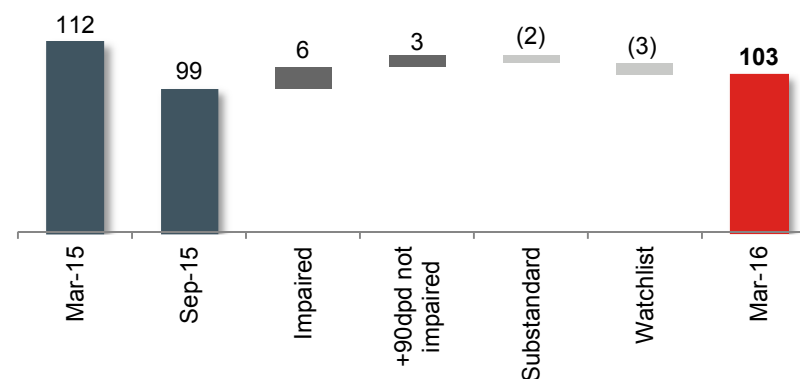
Stressed exposures as a % of TCE



Provisioning cover

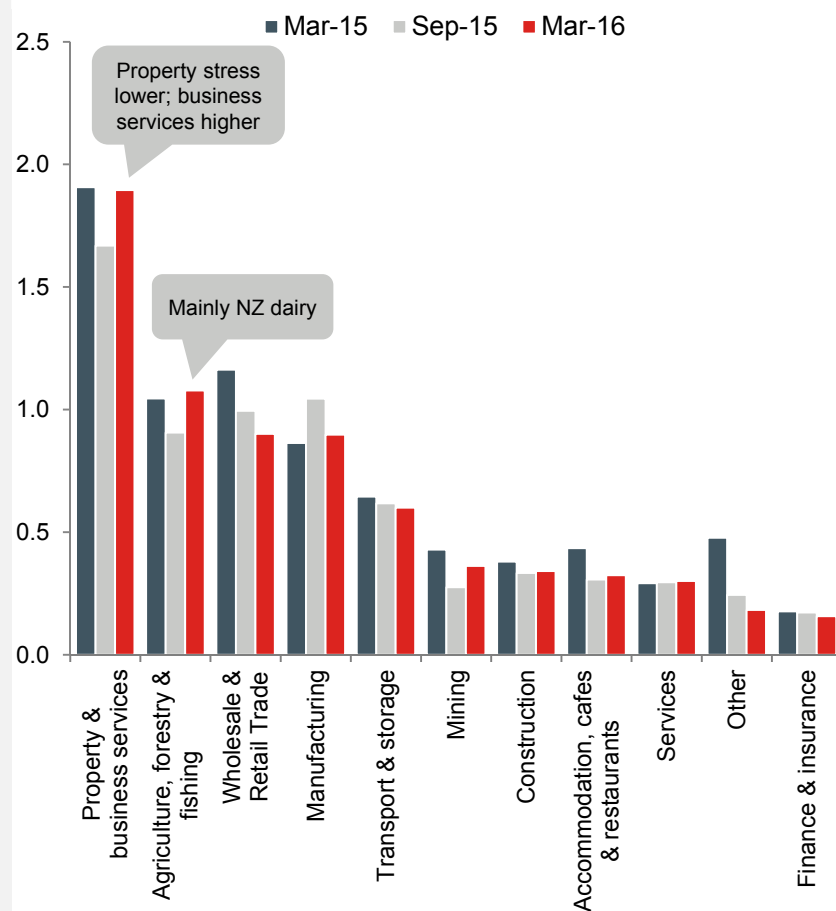
	Sep-14	Mar-15	Sep-15	Mar-16
Impaired asset provisions to impaired assets (%)	45	48	46	48
Collectively assessed provisions to credit RWA (bps)	93	89	86	87
Economic overlay (\$m)	389	387	388	393

Movement in stress categories (bps)

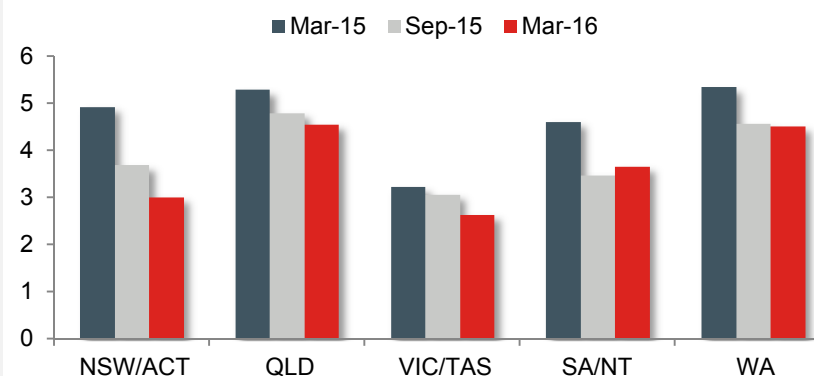


Business portfolio stress by industry

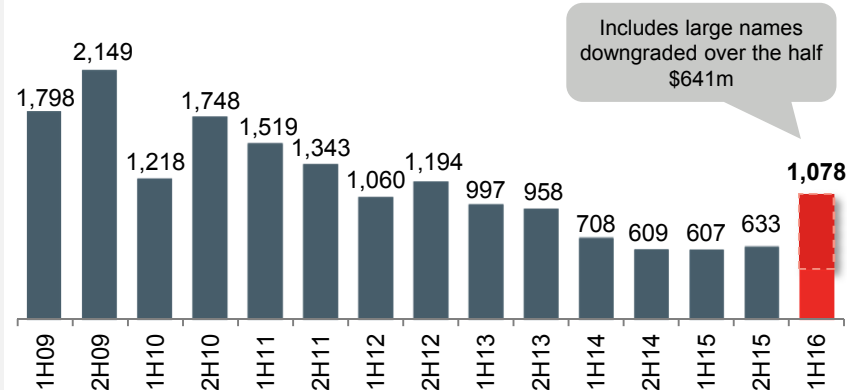
Stressed exposures by industry (\$bn)



Business lending portfolio stress by state¹ (%)



New and increased gross impaired assets (\$m)

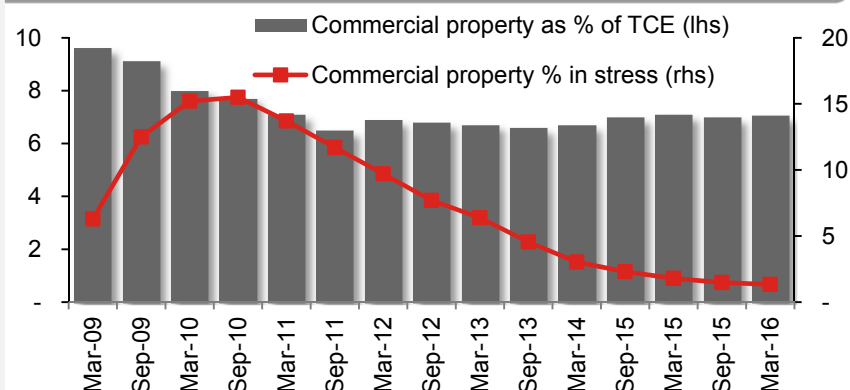


¹ Corporate, SME Corporate and SME Retail. Excludes Institutional.

Areas of interest: Commercial property

Commercial property portfolio	2H15	1H16
Total committed exposures (TCE)	\$65.6bn	\$67.5bn
Lending	\$51.3bn	\$52.1bn
Commercial property as a % of Group TCE	7.00	7.06
Median risk grade ¹	BB equivalent	BB equivalent
% of portfolio graded as 'stressed' ¹	1.48	1.34
% of portfolio in impaired	0.64	0.54

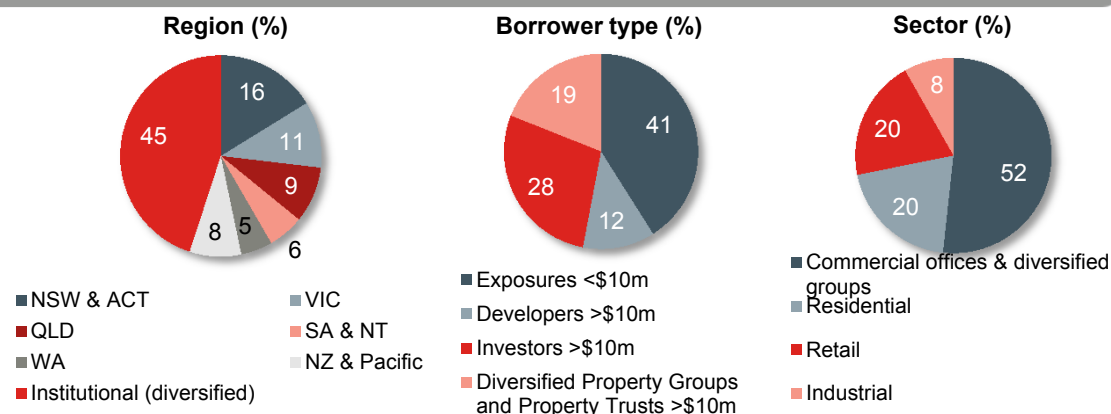
Commercial property exposures % of TCE and % in stress



Commercial property lending

- Growth has moderated to 3% annualised
- Dedicated property risk managers provide additional risk assessment for all loans >\$10m
- Sound underwriting standards with a maximum LVR 65%. Lower LVRs applied to areas of higher concerns e.g. low to mid 50% LVRs for Melbourne and Brisbane CBD and parts of Sydney
- Strong pre-sales are required – typically ≥ 100% of the loan and pre-sales to non-residents limited
- Focus on lending to customers with strong track records of delivering projects on time and on budget

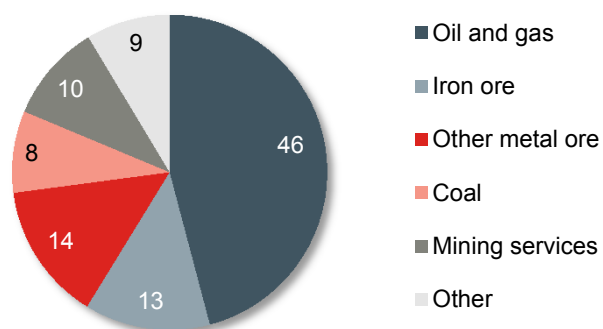
Commercial property portfolio composition (%)



¹ Includes impaired exposures.

Areas of interest: Mining (including Oil and Gas)

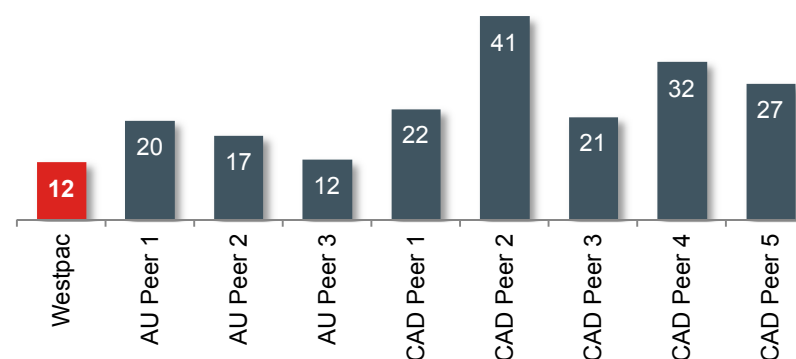
Mining portfolio (total committed exposure) by sector (%)¹



- Diversified by commodity, customers and region
- Focused on operators with efficient, lower cost operating models
- Approx. 65% of the portfolio is Investment Grade
- Increased in stress and impaired in 1H16 driven by a small number of downgrades and reduction in the portfolio
- Specific provisions to impaired assets at 56%. Approx. 45% of the economic overlay allocated to the mining sector
- Oil and Gas exposure \$5.4bn
 - Around half to LNG projects, generally large investment grade counterparties
 - No exposure to high cost shale oil

Mining portfolio	2H15	1H16
Total committed exposures (TCE)	\$14.4bn	\$11.8bn
Lending	\$7.1bn	\$5.9bn
Mining as a % of Group TCE	1.54	1.23
Median risk grade ²	BBB equivalent	BBB- equivalent
% of portfolio graded as 'stressed' ²	1.86	3.03
% of portfolio in impaired	0.28	1.26

Australian and Canadian major bank mining exposures (including oil and gas) EAD³ (A\$bn)⁴



¹ Changes in sectors partly relate to reclassification of certain conglomerate customers within the mining portfolio in 1H16. ² Includes impaired exposures. ³ Exposure at default. ⁴ Westpac at 31 March 2016. Australian peers 1 and 3 are at 30 September 2015. Australian peer 2 is at 31 December 2015. All Canadian peers at 31 January 2016. For CAD peers 2 and 3 data is mining (excluding oil and gas) drawn commitments only. Conversion rate AUD/CAD 0.99. Source Company reports and presentations.

Areas of interest: **Agriculture**

Agriculture portfolio

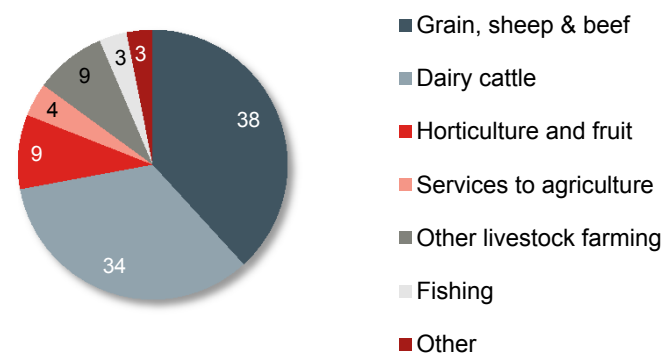
- Agriculture lending comprises 1.79% of Group TCE
- Australian agri portfolio improving. NZ dairy portfolio has been the sector under more stress from declines in milk prices
- The New Zealand dairy portfolio:
 - Focused on quality operators with efficient, lower cost models
 - Within the main regions farms can operate on a 'low cost farming model' due to climate / soil types
 - Majority of dairy security assets held in prime geographic farming areas
 - New Zealand's cost structure at the lower end of global competitors

New Zealand agriculture portfolio	Sep-15	Mar-16
Total committed exposure (TCE)	NZ\$7.8bn	NZ\$8.1bn
Agriculture as a % of TCE	7.9	7.9
% of portfolio graded as 'stressed' ¹	3.92	7.81
% of portfolio in impaired	0.34	0.32
The increase in stress is driven by the downgrade of a number of customers, including one large customer		

1. Includes impaired exposures.

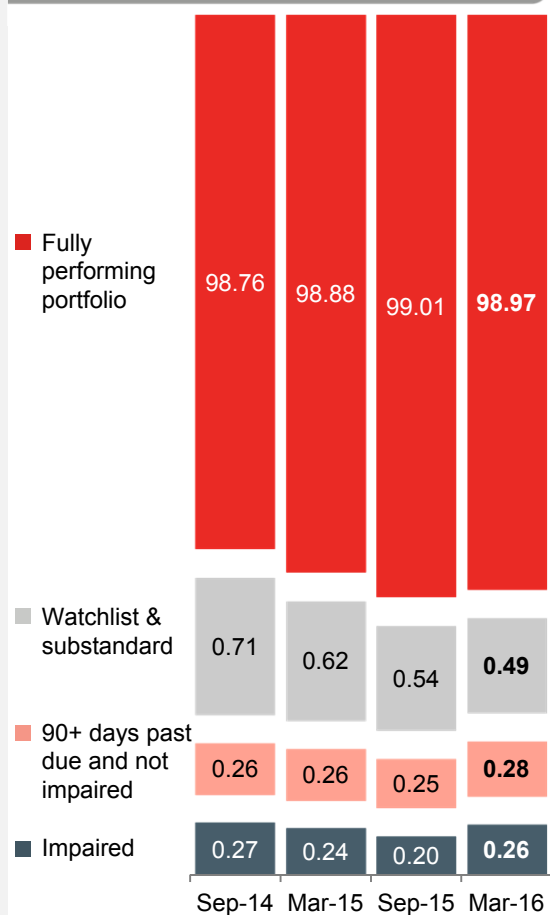
Group agriculture portfolio	Sep-15	Mar-16
Total committed exposures (TCE)	\$18.1bn	\$17.1bn
Lending	\$15.1bn	\$14.5bn
Agriculture as a % of Group TCE	1.92	1.79
Median risk grade ¹	BB Equivalent	BB Equivalent
% of portfolio graded as 'stressed' ¹	4.80	5.84
% of portfolio in impaired	0.43	0.48

Group agriculture portfolio by sector (%)



Provision cover by portfolio category

Exposures as a % of TCE



Provisioning to TCE (%)

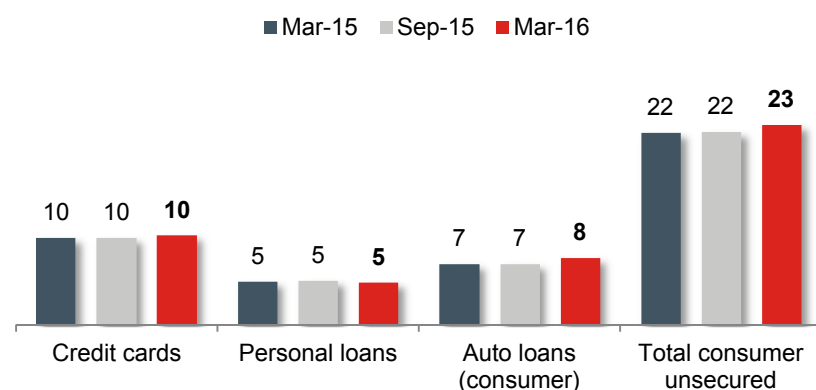
	Sep-14	Mar-15	Sep-15	Mar-16
Fully performing portfolio				
<ul style="list-style-type: none"> Small cover as low probability of default (PD) Includes economic overlay 	0.22	0.22	0.21	0.22
Watchlist & substandard				
<ul style="list-style-type: none"> Still performing but higher cover reflects elevated PD 	6.76	6.55	6.93	4.89
90+ days past due and not impaired				
<ul style="list-style-type: none"> In default but strong security 	5.06	5.36	5.28	4.99
Impaired assets				
<ul style="list-style-type: none"> In default. High provision cover reflects expected recovery 	44.77	47.82	46.27	47.65

Collective provisions

Impaired asset provisions

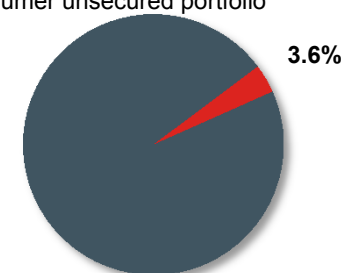
Australian consumer unsecured lending portfolio

Australian consumer unsecured lending portfolio (\$bn)

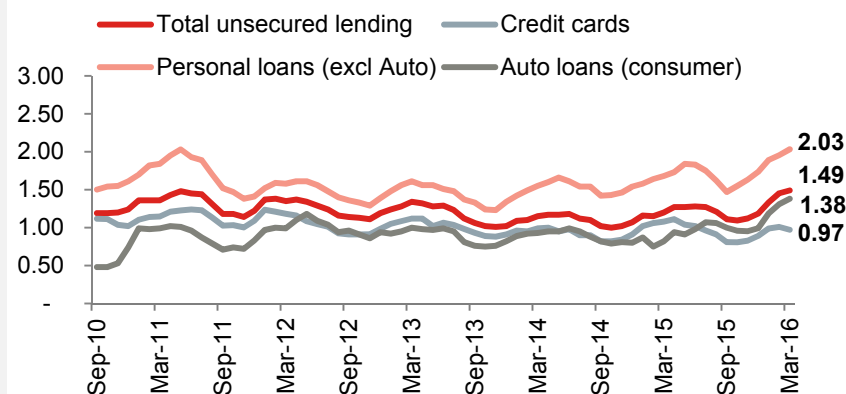


Relative size of Australian consumer unsecured lending portfolio (%)

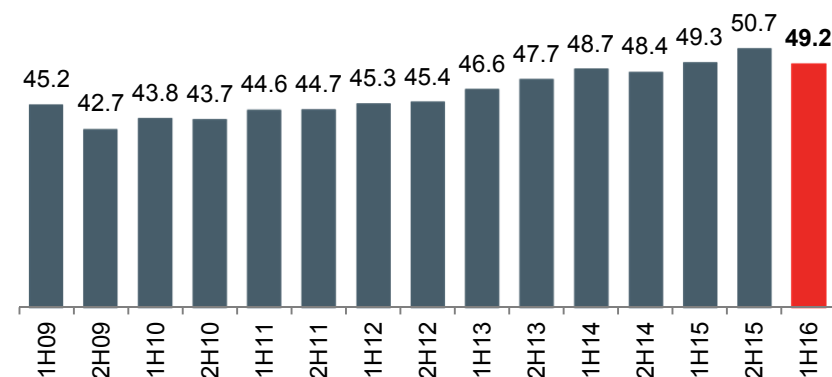
- Total Group lending (excl. Australian consumer unsecured portfolio)
- Australian consumer unsecured portfolio



Australian unsecured lending 90+ days delinquencies (%)



Australian credit card average payments to balance ratio¹ (%)



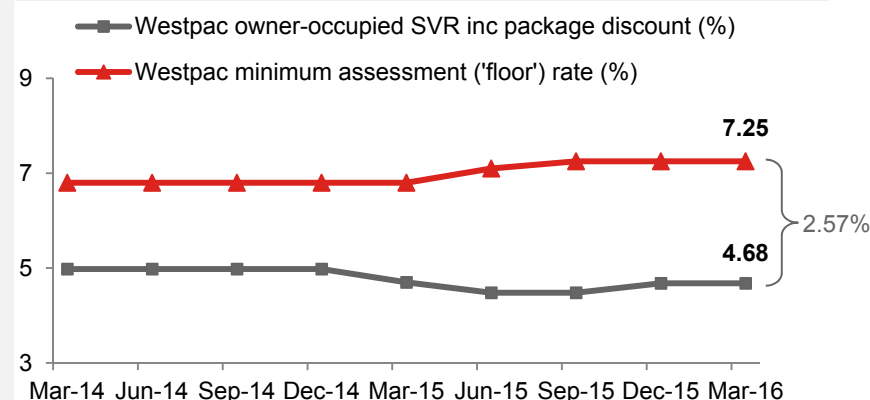
¹ Cards average payments to balance ratio is calculated using the average payment received compared to the average statement balance at the end of the reporting month.

Australian mortgage lending standards **tightened**

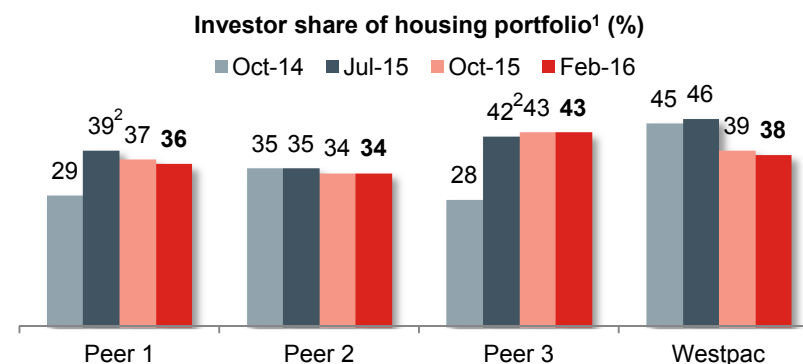
Notable changes to Westpac mortgage lending (last 12 months)

Serviceability	<ul style="list-style-type: none"> Minimum floor rate 7.25% Buffer rate at least 2.25% Tightened policy on assessment of living expenses and income verification Discounting of rental income, annuity and pension income increased for certain loans
Investment property lending	<ul style="list-style-type: none"> Growth below 10% p.a., in line with APRA industry benchmark Maximum LVR for stand alone residential investment property loans capped at 80%
Pricing	<ul style="list-style-type: none"> Variable interest rates on residential investment property loans increased by 0.27% (Westpac brand) and 0.25% (St.George, Bank of Melbourne, BankSA brands) Fixed rates on residential investment property loans increased by up to 0.30%
Mortgage insurance	<ul style="list-style-type: none"> Mortgage insurance for new originations >90% LVR moved to Arch Capital from Genworth Australia and QBE LMI
Non-resident lending	<ul style="list-style-type: none"> Non-resident customers no longer qualify for mortgage loans (limited exceptions for Premium and Private Bank customers) For Australian and NZ citizens and permanent visa holders using foreign income, tightened verification processes and LVR restricted to 70% maximum

Increase in mortgage interest rate buffers (%)



Investor / Owner Occupied portfolio mix changing



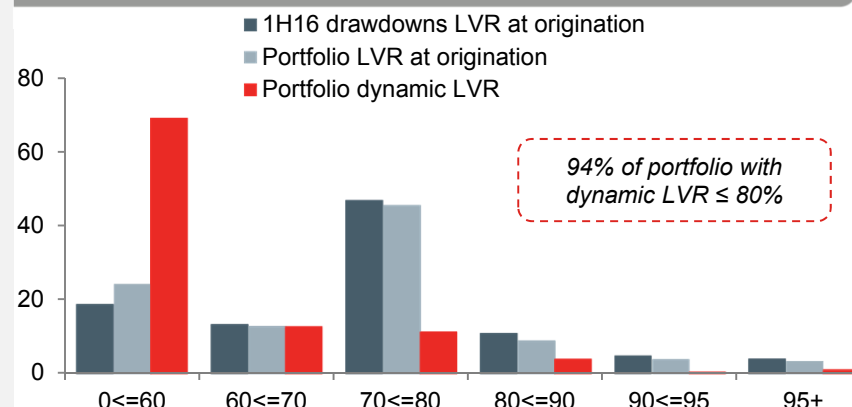
¹ Source: Westpac, APRA Monthly Banking Statistics. Definition of investor lending per Monthly Banking Statistics excludes non-resident and SMSF. ² Increase reflects reclassification of previously reported data for reporting purposes.

High levels of borrower equity supporting Australian mortgage portfolio

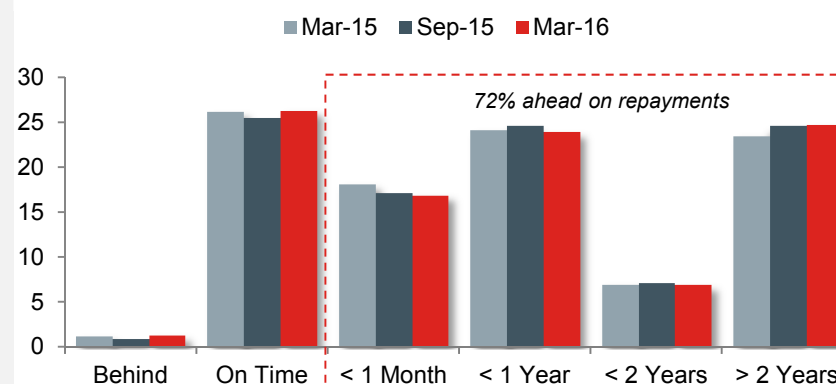
Australian housing portfolio	1H15 balance	2H15 balance	1H16 balance	1H16 flow ¹
Total portfolio (\$bn)	362.8	375.8	390.8	42.1
Owner occupied (%)	46.6	48.9	54.3	62.9
Investment property loans (%)	46.3	44.5	39.5	34.6
Portfolio loan/line of credit (%)	7.1	6.6	6.2	2.5
Variable rate / Fixed rate (%)	78 / 22	80 / 20	83 / 17	87 / 13
Low Doc (%)	3.4	3.0	2.7	0.4
Proprietary channel (%)	59.8	59.1	58.2	50.8
First Home Buyer (%)	9.7	9.2	8.9	7.6
Mortgage insured (%)	20.3	19.4	18.8	13.7

	1H15	2H15	1H16
Average LVR at origination ² (%)	70	70	70
Average dynamic ^{2,3} LVR (%)	43	43	43
Average LVR of new loans ^{2,4} (%)	71	71	70
Average loan size (\$'000)	235	242	249
Customers ahead on repayments, including offset accounts ^{2,5} (%)	73	74	72
Actual mortgage losses (net of insurance) ⁶ (\$m)	38	32	35
Actual mortgage loss rate annualised (bps)	2	2	2

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



Australian home loan customers ahead on repayments^{2,5} (%)

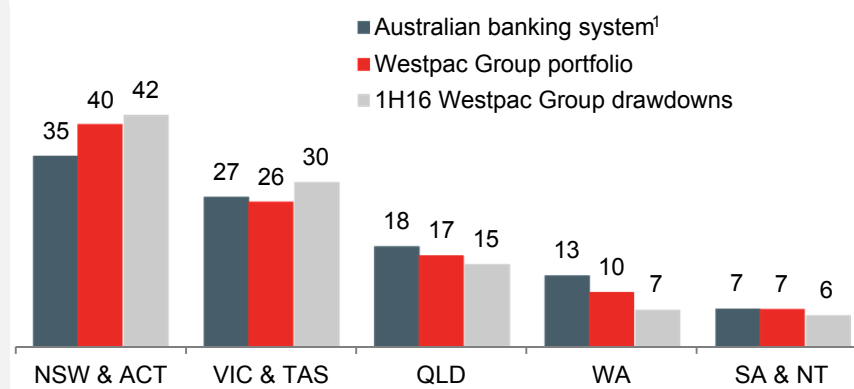


¹ Flow is all new mortgage originations settled during the 6 months ended 31 March 2016 and includes RAMS. ² Excludes RAMS. ³ Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. Property valuation source Australian Property Monitors. ⁴ Average LVR of new loans is based on rolling 6 month window. ⁵ 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. ⁶ Mortgage insurance claims 1H16 \$4m (2H15 \$3, 1H15 \$1m).

Australian mortgage delinquencies remain low

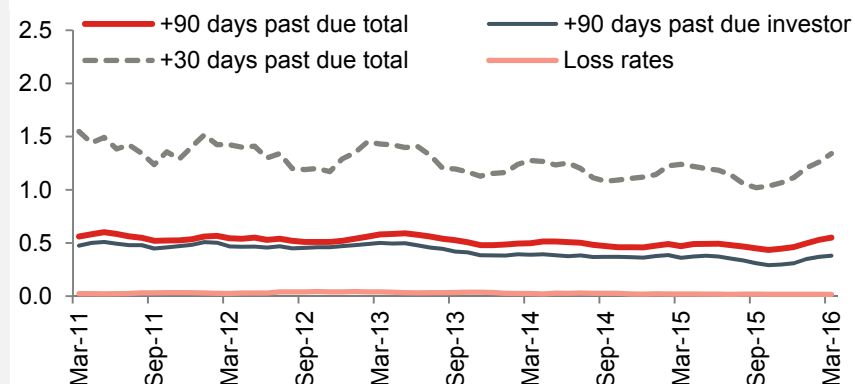
Australian mortgage portfolio	1H15	2H15	1H16
30+ days delinquencies (bps)	124	102	134
90+ days delinquencies (bps) (includes impaired mortgages)	47	45	55
Estimated impact of changes to hardship reporting (bps)			4-5
90+ days delinquencies – investment property loans (bps)	36	31	38
Properties in possession (#)	263	255	253

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

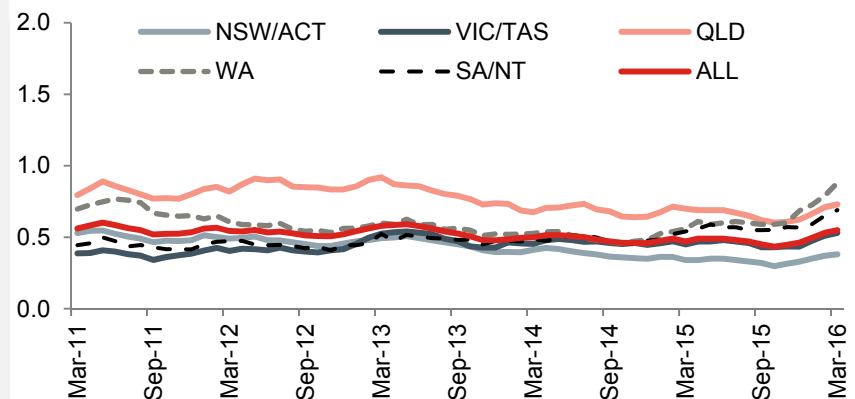


¹ Source ABA Cannex February 2016.

Australian mortgages delinquencies (%)



Australian mortgages delinquencies by state (%)



Changes in the reporting of hardship

- Following guidance from APRA the industry is aligning treatment of hardship in delinquencies
- Westpac changed measurement and reporting of new hardship accounts in 1H16 and impacts will continue in 2H16
- No impact on the risk profile of the Group or asset classes
- At the same time, hardship policies have tightened
- Hardship reporting changes will also impact RWA by approx. \$5bn in 2H16

What is hardship?

- Allows customers the opportunity to reduce or defer current debt obligations in the short term so they can manage through a period of financial hardship (e.g. injury, job loss, 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

What is changing?

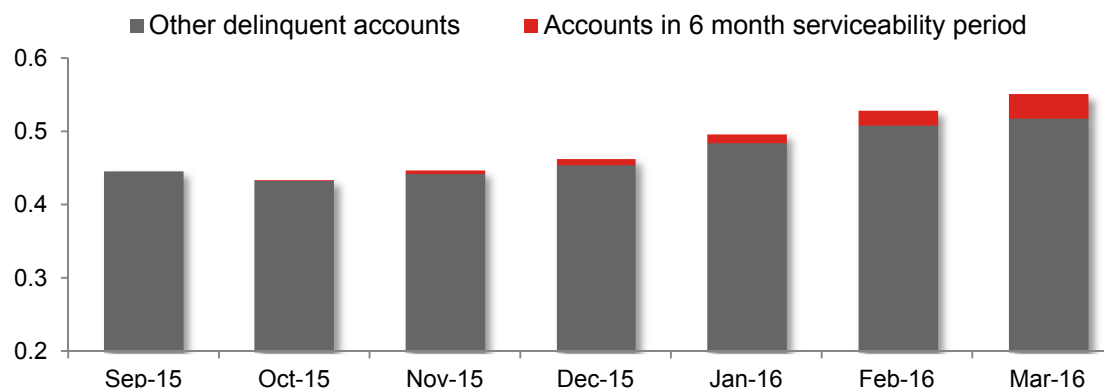
Previous approach

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 +90days
- Accounts continue to be reported as delinquent until the customer has maintained repayments for 6 months – called the ‘serviceability period’
- Average hardship period granted 3-4months
- Hardship + serviceability period = 10 months average

90+ days mortgage delinquencies (bps)



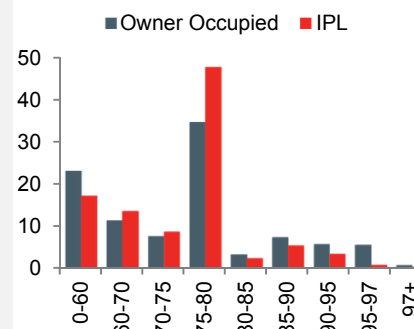
Westpac's Australian investment property portfolio

Investment property lending

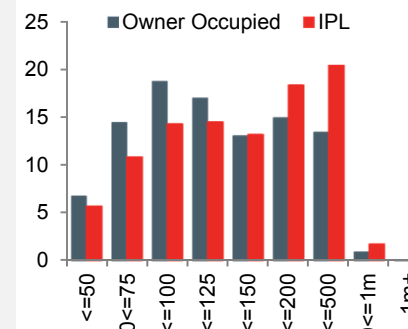
- Investment property loans (IPLs)¹ are full recourse
- Maximum LVR for stand alone investment property loans capped at 80%
- Majority of IPLs interest only, however repayment profile closely tracks the profile of the principal and interest portfolio
- Discounts to certain forms of income. For example dividends / rental income / bonus / overtime discounted by 20%
- Loan serviceability assessments include an interest rate buffer (at least 2.25%), minimum assessment rate (7.25%) and adequate surplus test
- Interest only loans are assessed on a principal and interest basis
- 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 postcodes
 - 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	1H15	2H15	1H16
Average LVR at origination ² (%)	72	72	72
% IPL loans originated at or below 80% LVR	87	87	87
Average dynamic ^{2,3,4} LVR (%)	48	48	48
Average LVR of new loans ^{2,5} (%)	70	68	67
Average loan size (\$'000)	292	297	299
Customers ahead on repayments including offset accounts ² (%)	65	65	62
+90 days delinquencies (bps)	36	31	38
Annualised loss rate (net of insurance claims ¹) (bps)	2	2	2

LVR at origination² (%)



Applicants by gross income band² (%)



1 Self-Managed Super Fund (SMSF) IPLs are limited recourse however do require member guarantees. 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. 4 Property valuation source Australian Property Monitors. 5 Average LVR of new loans is based on rolling 6 month window.

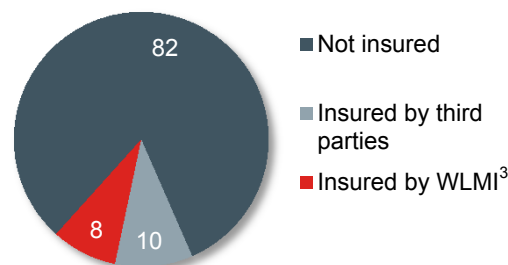
Lenders mortgage insurance

- Lenders mortgage insurance (LMI) provides benefits to the Westpac Group
 - Risk transfer / loss mitigation
 - Improvement in the quality of risk acceptance via the additional layer of independent review
- Mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), and through external LMI providers, based on risk profile
- WLMI provides Westpac with an increased return on the mortgages it insures through the capture of underwriting profit
- WLMI is well capitalised (separate from bank capital) and subject to APRA regulation. Capitalised at 1.45x PCR¹
- 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 \$143m net of re-insurance recoveries (2H15: \$135m)

Lenders mortgage insurance

LVR Band	• LVR ≤ 80%	• LVR >80% to ≤ 90%	• LVR >90%
	• Low Doc LVR ≤ 60%	• Low Doc LVR >60% to ≤ 80%	
Insurance	Not required	Generally insured through captive insurer, WLMI. LMI not required for certain borrower groups. Reinsurance arrangements: <ul style="list-style-type: none"> • 40% risk retained by WLMI • 60% risk transferred through quota share arrangements² with Arch Capital Group Limited, Tokio Millennium Re, Endurance Re, Everest Re, Trans Re and AWAC 	Insured externally through Arch Capital Group Limited for all new business effective from 18 May 2015 Transitional arrangements are currently in place with LMI policies initially written by WLMI and then fully reinsured with Arch Capital Prior to 18 May 2015, external insurance provided by QBE and Genworth. Existing LMI policies remain in force

Australian mortgage portfolio (%)



Insurance statistics	1H15	2H15	1H16
Insurance claims (\$m)	1	3	4
WLMI loss ratio ⁴ (%)	5	12	10
Gross written premiums (\$m)	24	68	133 ⁵

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. 1H16 gross written premium includes \$102m from transitional arrangements.

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 \$2.6bn over three years for the uninsured portfolio (FY15 estimate was \$2.3bn)
 - Cumulative claims on LMI, both WLMI and external insurers, of \$875m over the three years
 - Stress loss basis point outcomes have decreased (Years 1 and 2) mainly due to a decrease in dynamic LVRs. Cumulative losses however have increased compared to FY15 predominantly driven by increase in portfolio size
- 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 31 March 2016

Key assumptions	Stressed scenario			
	Current	Year 1	Year 2	Year 3
Portfolio size (\$bn)	391	377	369	367
Unemployment rate (%)	5.8	11.6	10.6	9.4
Interest rates (cash rate, %)	2.00	0.50	0.50	0.50
House prices (% change cumulative)	0.0	(13.0)	(22.4)	(26.2)
Annual GDP growth (%)	2.8	(3.9)	(0.2)	1.7
Stressed loss outcomes (net of LMI recoveries)¹				
\$ million	70 ²	1,053	1,370	419
Basis points ³	2	21	29	9

¹ Assumes 30% of LMI claims will be rejected in a stressed scenario. ² Represents 1H16 actual losses of \$35m annualised. ³ Stressed loss rates are calculated as a percentage of mortgage exposure at default.



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Capital, Funding & Liquidity

Westpac GROUP

EST. 1817

A resilient balance sheet

10.5% CET1

(APRA Basel III basis)

- Materially higher - \$6.0 billion in CET1 capital raised in calendar 2015
- 14.7% CET1 capital ratio on an internationally comparable¹ basis
- Places Westpac comfortably within the top quartile of banks globally

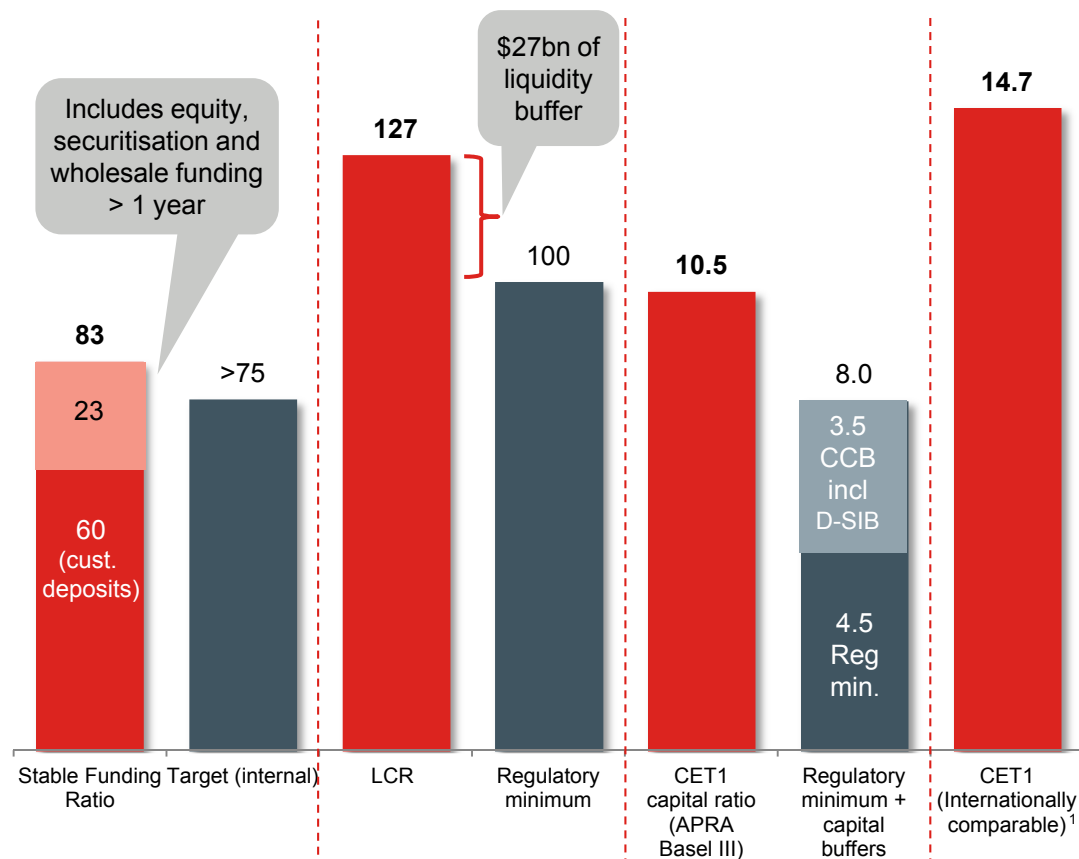
83% Stable Funding Ratio

- Well above 75% internal target
- Stable funding includes:
 - Customer deposits (60% of funding)
 - Equity 8%
 - Securitisation and wholesale funding >1 year 16%
- Short term funding 17% - more than halved since 2008

127% LCR

- Comfortably above 100% regulatory minimum
- Fully compliant since 1 January 2015

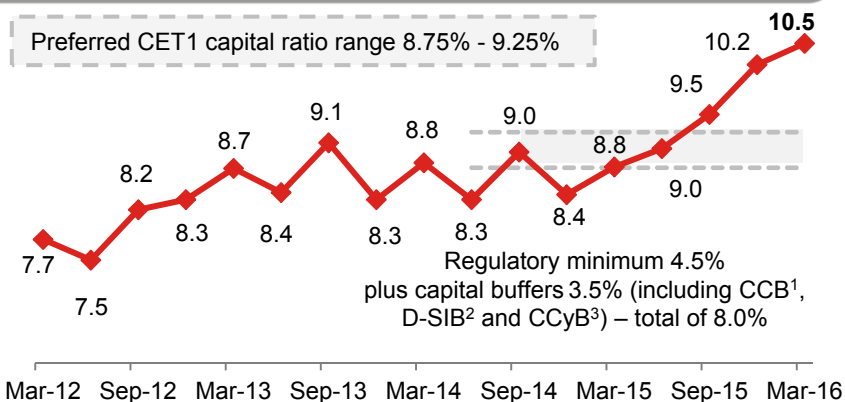
Westpac key balance sheet ratios (%)



¹ Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

Sector leading capital position

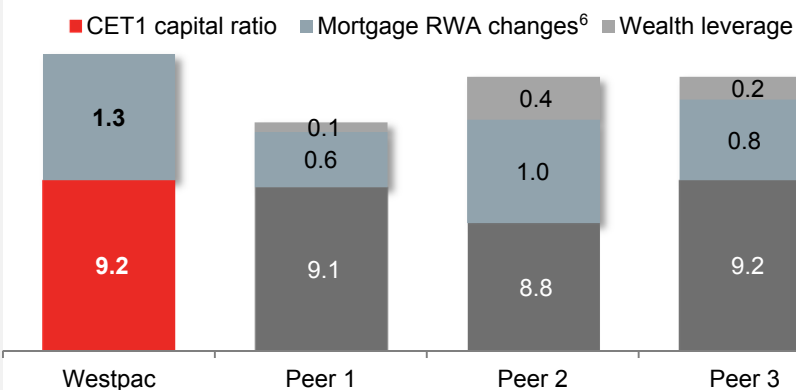
Common equity Tier 1 (CET1) (%)



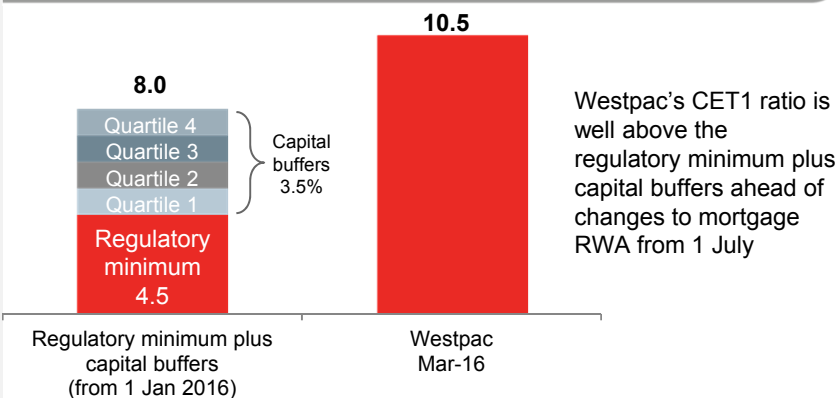
Key capital ratios (%)

	Mar-15	Sep-15	Mar-16
CET1 capital ratio	8.8	9.5	10.5
Additional Tier 1 capital	1.5	1.9	1.6
Tier 1 capital ratio	10.3	11.4	12.1
Tier 2 capital	1.8	1.9	1.9
Total regulatory capital ratio	12.1	13.3	14.0
CET1 capital ratio (internationally comparable ⁴)	12.2	13.2	14.7
Risk weighted assets (RWA) (\$bn)	347	359	363
Leverage ratio (APRA)	n/a	4.8	5.0
Leverage ratio (internationally comparable ⁴)	n/a	5.5	5.8

Peer CET1 capital ratios on a comparable basis, adjusted for impact of wealth leverage and mortgage RWA changes⁵ (%)



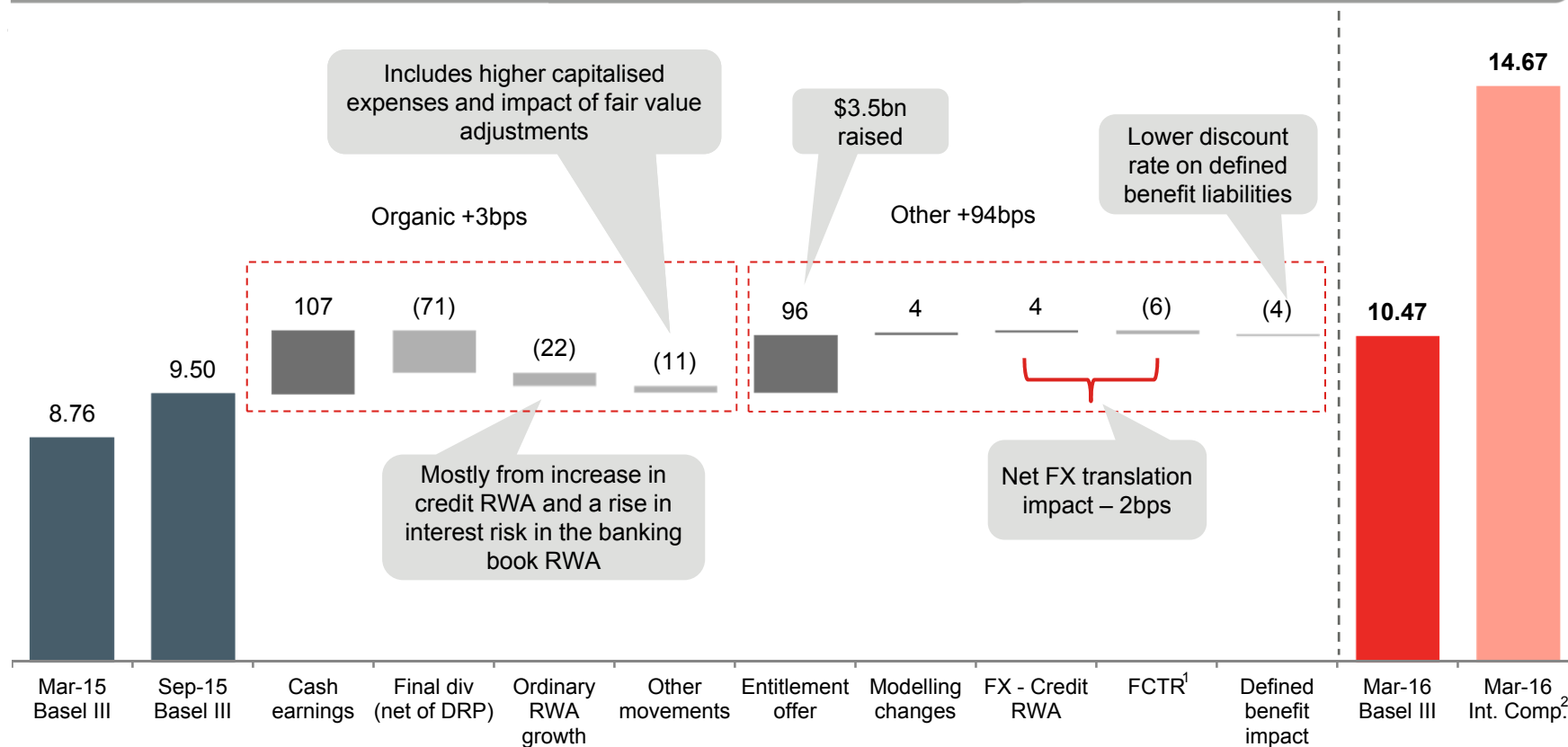
CET1 capital ratio comfortably above regulatory minimums (%)



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 2015, peer 2 is as at 31 Dec 2015. Peer 1 and 3 based on pro forma CET1 capital ratio. 6 Westpac also includes the estimated impact of updates to models for hardship in addition to the change to mortgage RWA changes announced by APRA on 20 July 2015.

CET1 capital ratio **materially strengthened**

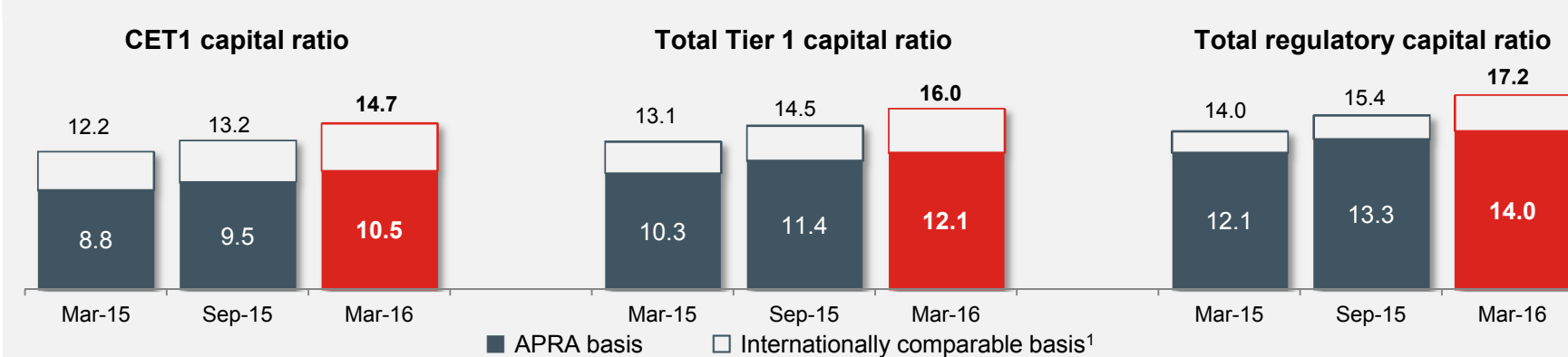
CET1 capital ratio (% and bps)



¹ Foreign currency translation reserve. ² Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

Basel III regulatory capital ratios

Regulatory capital ratios (%)



Internationally comparable capital ratios (%)

- Internationally comparable ratios exclude non-compliant Basel III instruments. These instruments are included in the APRA capital ratios on a transitional basis
- Westpac is seeking to replace non-compliant Basel III instruments with compliant instruments as they mature. Should Westpac do this, pro forma internationally comparable
 - Tier 1 capital ratio would be 16.6% (up from 16.0%)
 - Total regulatory capital ratio would be 18.9% (up from 17.2%)
 - CET1 capital ratio would be unchanged
- TPS 2006 (A\$755m) will cease to be eligible as Additional Tier 1 (AT1) capital after 30 June 2016. As a result, the Group is considering the issuance of a new A\$ AT1 capital instrument, subject to market conditions

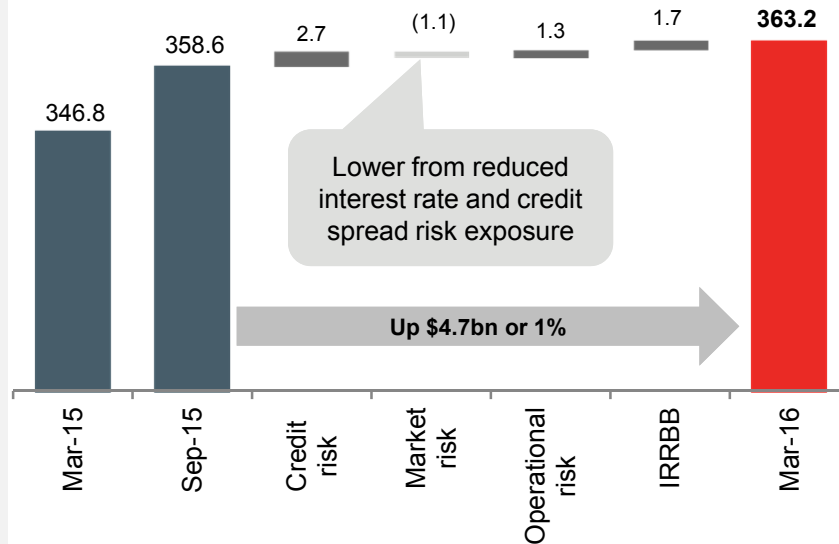
¹ Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. For more details on adjustments refer page 84.

RWA movements

RWA movements (\$bn)

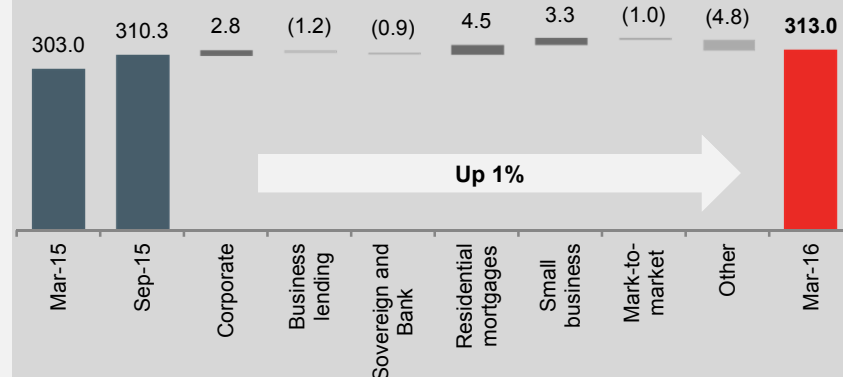
Increase due to growth (mostly mortgages) and update in LGD¹ parameters for corporate. Partially offset by lower mark-to-market credit risk and moving Lloyds exposures to Advanced

Higher RWA as rising market interest rates reduced the embedded gain in the portfolio

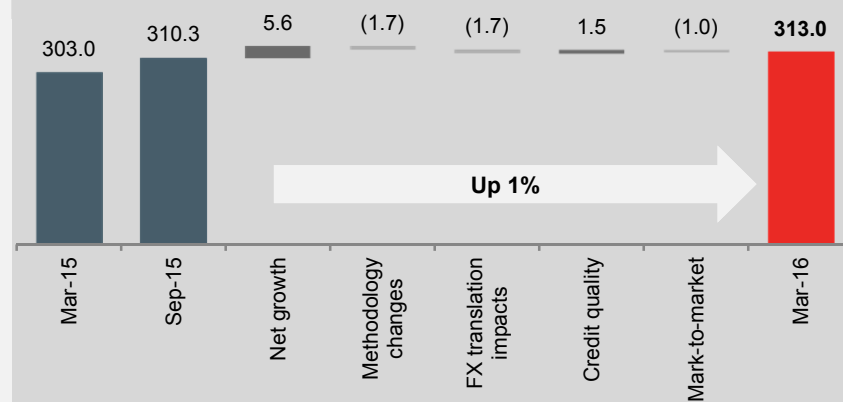


¹ Loss given default.


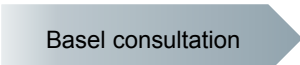
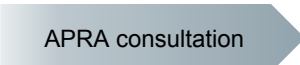

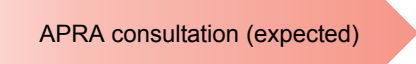
Components of Credit RWA movements (\$bn)



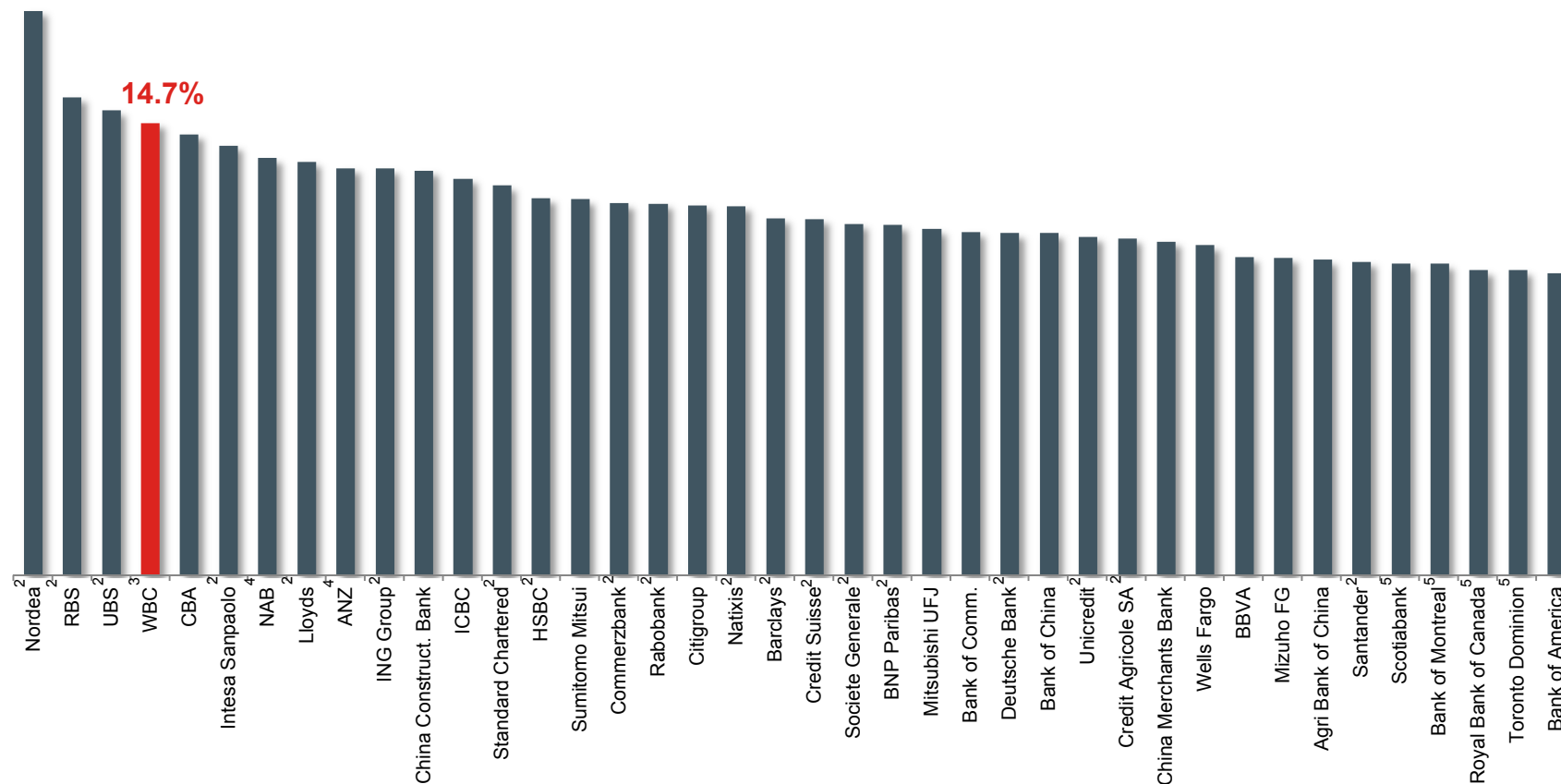
Credit RWA movements (\$bn)



Regulatory change agenda to continue

Regulation	2016	2017	Post 2017
Net Stable Funding ratio (NSFR) <ul style="list-style-type: none"> Ensures that banks hold a minimum amount of stable funding based on a one-year horizon 	 <p>APRA discussion paper released Mar 2016 Draft prudential standard expected 2H16</p>		NSFR proposed to commence 1 Jan 2018
Basel IV <ul style="list-style-type: none"> Constraints on Advanced models for credit risk Revised standardised credit risk Advanced RWA floors based on standardised approach Review of sovereign exposures RWA Fundamental review of trading book Counterparty credit risk changes Operational risk to standardised approach 	 <p>Basel consultation releases:</p> <ul style="list-style-type: none"> Credit risk, Standardised approach (Dec 2015) Operational risk (Mar 2016) Credit risk, Internal models (Mar 2016) <p>Basel finalised requirements:</p> <ul style="list-style-type: none"> Market risk (Jan 2016) IRRBB risk (Apr 2016) 	 <p>APRA consultation</p>	APRA implementation from 2018
Leverage ratio <ul style="list-style-type: none"> Non-risk based ratio to act as a backstop to risk based capital requirements. 	 <p>Basel consultation released Apr 2016</p>		Basel: Leverage commences 1 Jan 2018 (Minimum 3% of Leverage)
Total Loss Absorbing Capacity (TLAC) <ul style="list-style-type: none"> TLAC seeks to boost loss absorbing capital and recapitalisation capacity for systemically important banks TLAC ratios may be both risk-based (% of RWA) and non-risk based (leverage) 		 <p>APRA consultation (expected)</p>	FSB: 1 Jan 2019 (6% leverage & 16% of RWA) 1 Jan 2022 (6.75% leverage & 18% of RWA)

Basel III CET1 capital ratios **global comparison**¹



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

¹ Based on CET1 capital ratios as at 31 December 2015 unless otherwise stated, assuming Basel III capital reforms fully implemented. ² Deduction for accrued expected future dividends added back for comparability. ³ As at 31 March 2016. ⁴ As at 30 September 2015. ⁵ As at 31 Jan 2016.

Internationally comparable capital ratio reconciliation

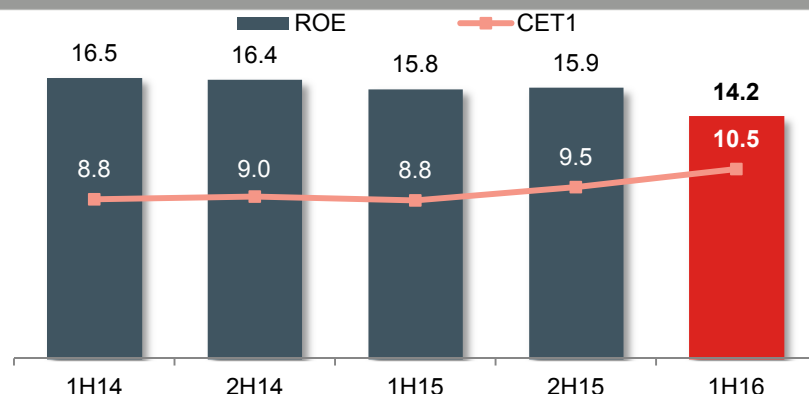
The APRA Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers¹. The following provides details of the adjustments applied to the APRA Basel III capital requirements, which align to the methodology used in this study

		APRA Study ¹ %
Westpac's CET1 capital ratio (APRA basis)		10.5
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 – LGD floor	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements	0.7
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of 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
Internationally comparable CET1 capital ratio		14.7

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

Actively managing capital to optimise returns

Return on equity and CET1 capital ratios (%)



Actively managing returns

- Returns in 1H16 decreased due to the significant capital raised during 2015. Average ordinary equity (AOE) rose 9% over the half and 15% over the year
- Leverage ratio improved from the increased average ordinary equity
- Continue to refine capital allocation model with more capital allocated to divisions in 1H16
- Capital held centrally includes: surplus capital, capital for Treasury, and capital for the next dividend payment

Return on average interest earnings assets (%)

	2H14	1H15	2H15	1H16
Net interest margin	2.06	2.05	2.11	2.14
Non-interest income	0.95	0.91	0.93	0.83
Operating income	3.01	2.96	3.04	2.97
Operating expenses	(1.26)	(1.26)	(1.27)	(1.24)
Cash earnings (ROA ¹)	1.17	1.12	1.17	1.09
Leverage (AIEA/AOE ²)	14.01	14.16	13.57	12.95
ROE	16.4	15.8	15.9	14.2

Return on equity (%)

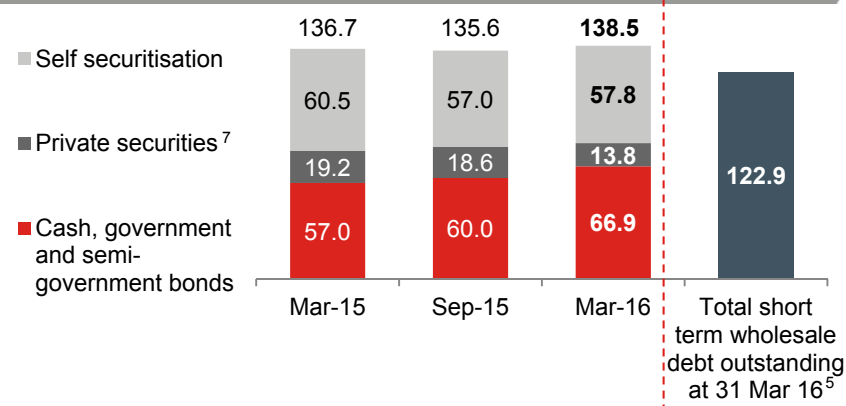
Division	2H15	1H16
Group	15.9	14.2
Consumer Bank and Business Bank	17.6	16.1
BTFG	16.0	15.6
WIB	14.2	10.3
Westpac NZ (\$A)	20.1	20.3

1 ROA is return on average interest-earning assets. 2 AOE is average ordinary equity.

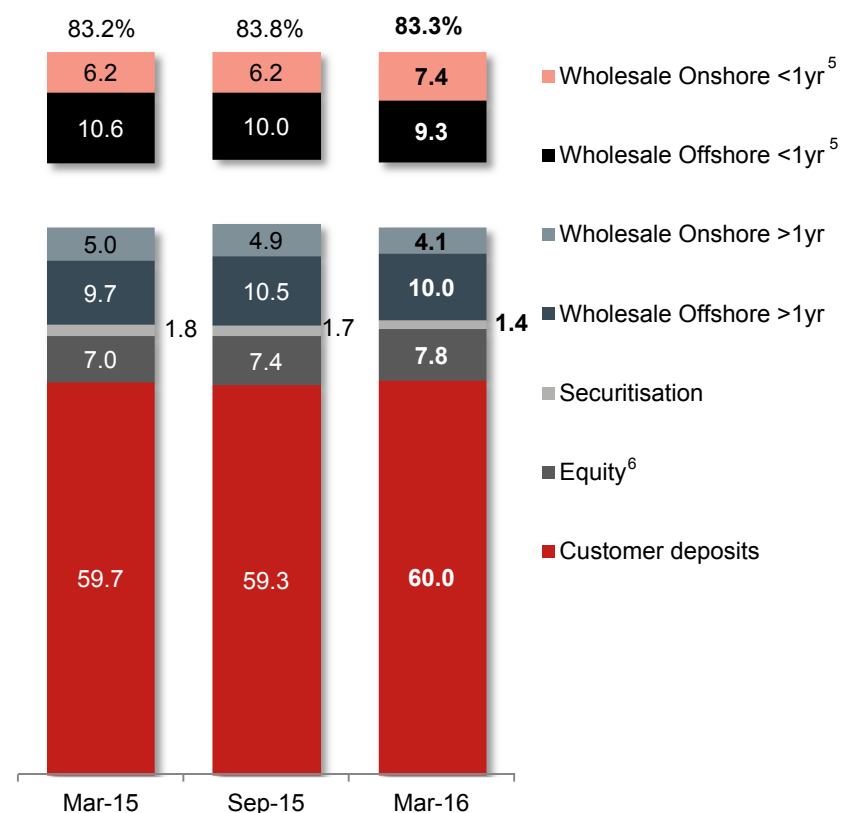
Stable sources provide 83% of all funding

Liquidity Coverage Ratio (\$bn)	Sep-15	Mar-16	% Mov't Mar 16 – Sep 15
High Quality Liquid Assets ¹ (HQLA)	61	66	9
Committed Liquidity Facility ² (CLF)	66	59	(11)
Total LCR liquid assets	127	125	(2)
Customer deposits	65	63	(3)
Wholesale funding	15	13	(10)
Other flows ³	25	22	(12)
Total cash outflows	105	98	(6)
LCR⁴	121%	127%	
<i>Customer deposit average run off rate</i>	<i>15.2%</i>	<i>14.2%</i>	

Unencumbered liquid assets (\$bn)



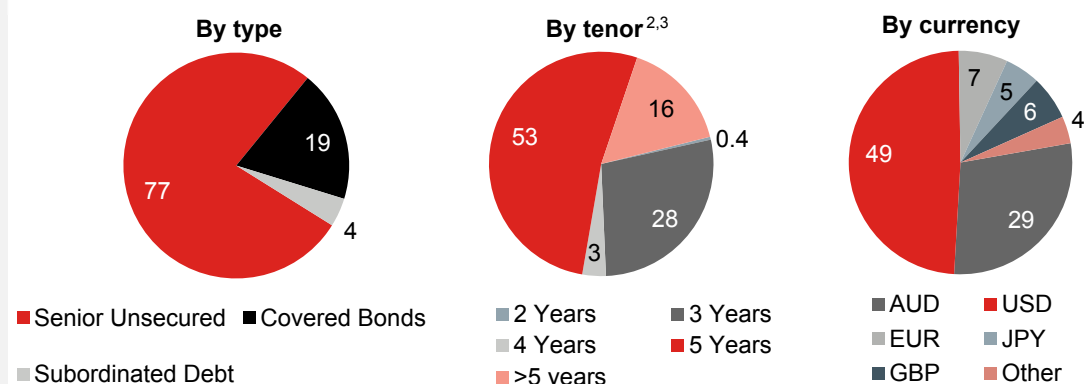
Stable funding ratio (%)



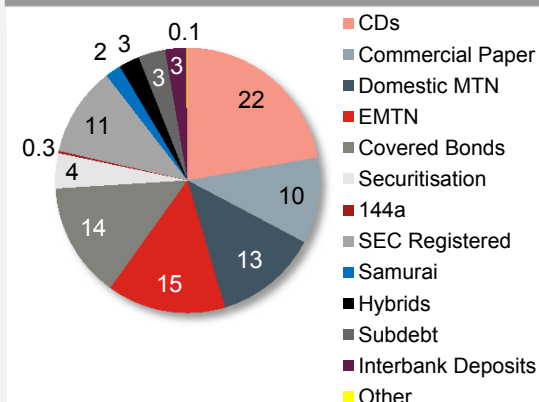
1 Includes HQLA as defined in APS 210, BS-13 qualifying liquids, less RBA open repos funding end of day ESA balances with the RBA. 2 The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. 3 Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. 4 LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash outflows in a modelled 30 day defined stressed scenario. Calculated on a spot basis. 5 Includes long term wholesale funding with a residual maturity less than or equal to 1 year. 6 Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. 7 Private securities include Bank paper, RMBS, and Supra-nationals.

Targeting a diversified funding base

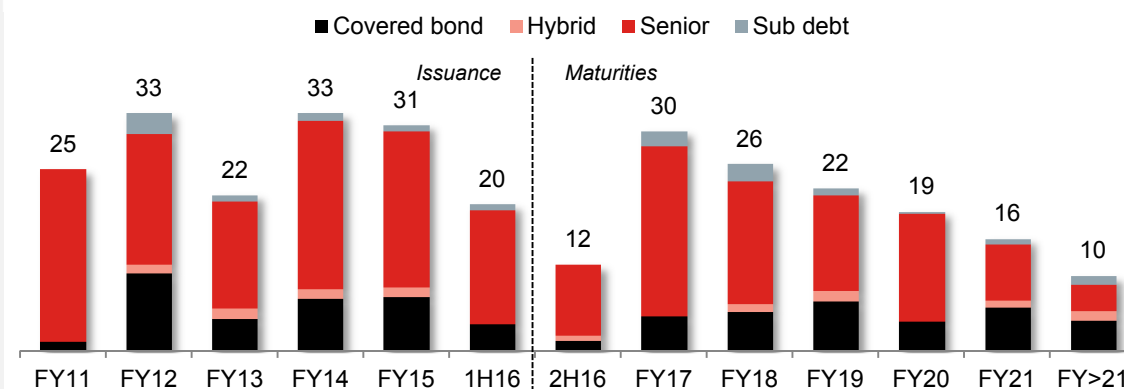
1H16 new term issuance composition¹ (%)



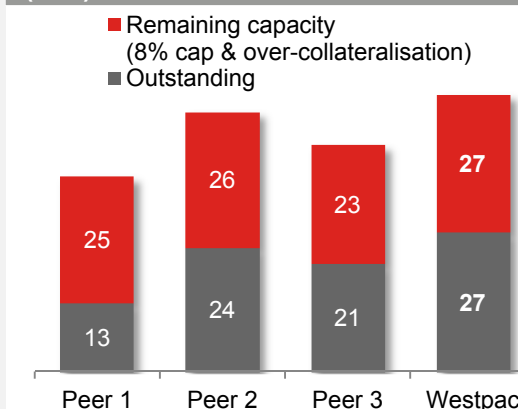
Wholesale funding composition⁵ (%)



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



Australian covered bond issuance⁶ (\$bn)



1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 370 days excluding US Commercial Paper and Yankee Certificates of Deposit. 2 Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 3 Tenor excludes RMBS and ABS. 4 Perpetual sub-debt has been included in >FY21 maturity bucket. Maturities exclude securitisation amortisation. 5 Shown by product. At FX spot currency translation. 6 Sources: Westpac, APRA Banking Statistics February 2016.



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Divisional Results

Westpac GROUP

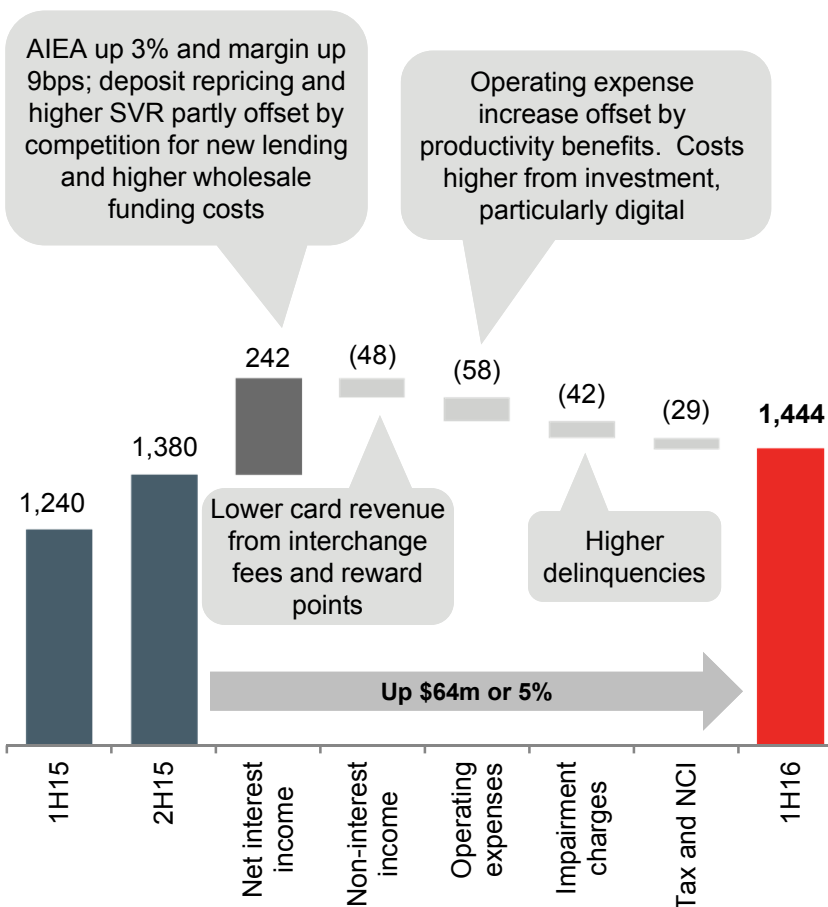
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Consumer Bank

disciplined 1H16 result



Cash earnings (\$m)



Key financial metrics

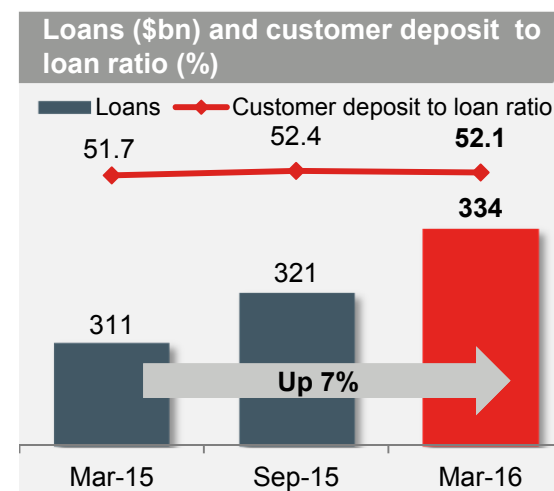
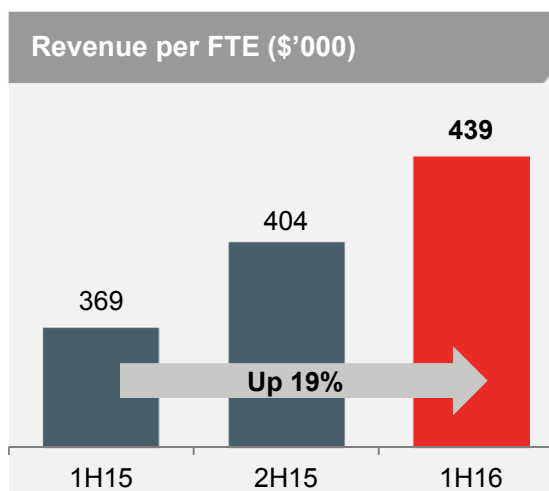
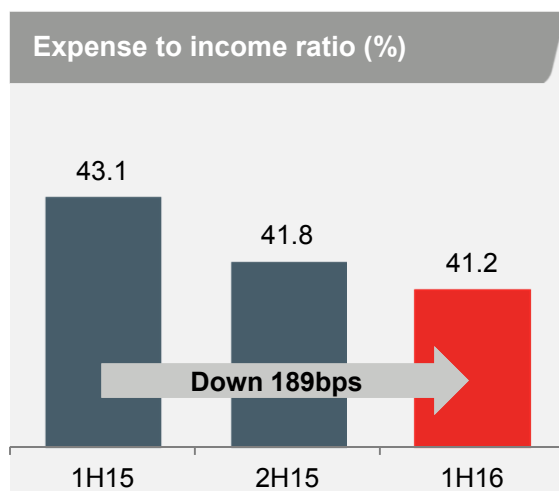
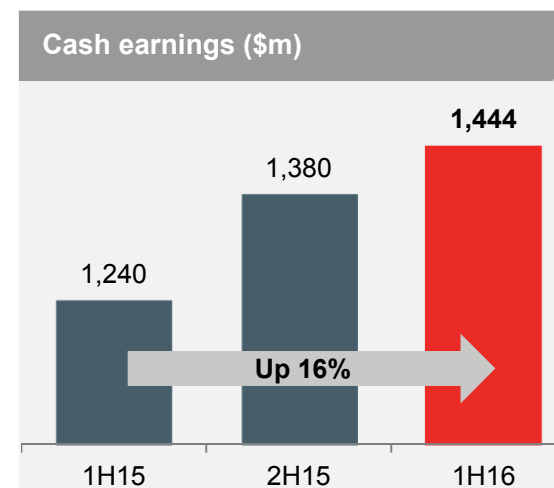
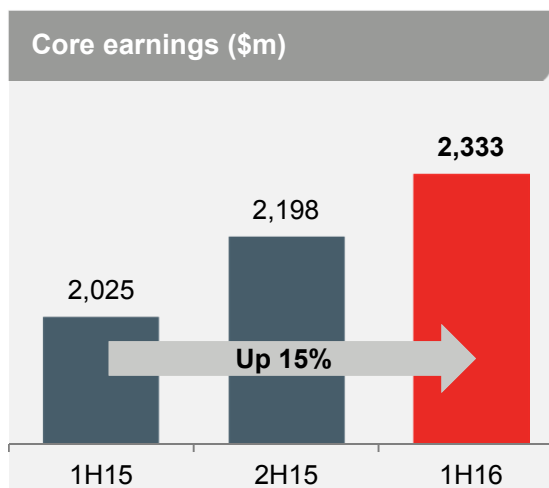
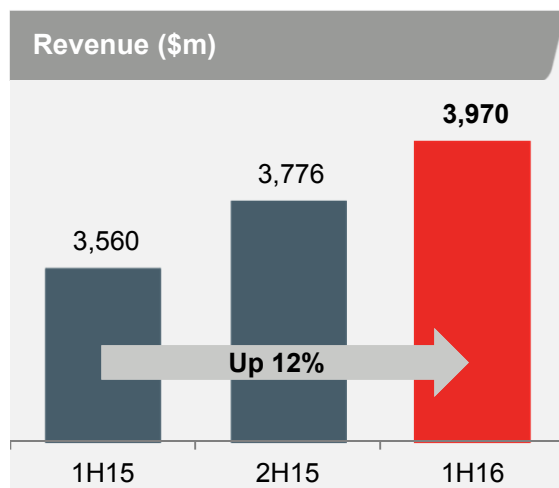
	1H15	2H15	1H16	Change on 2H15
Revenue (\$m)	3,560	3,776	3,970	5%
Net interest margin (%)	2.18	2.28	2.37	9bps
Expense to income (%)	43.1	41.8	41.2	(56bps)
Customer deposit to loan ratio (%)	51.7	52.4	52.1	(31bps)
Stressed assets to TCE (%)	0.44	0.41	0.51	10bps

Key operating metrics

	1H15	2H15	1H16	Change on 2H15
Total customers (#'m)	8.5	8.6	8.7	2%
Active digital customers ((#'m)	3.4	3.5	3.6	2%
Total branches (#)	1,261	1,193	1,088	(9%)
Customer satisfaction ¹ (%)	84.7	83.8	83.1	(70bps)
Service quality – complaints (#'000)	21.5	20.7	16.8	(19%)

¹ Refer page 133 for metric definition.

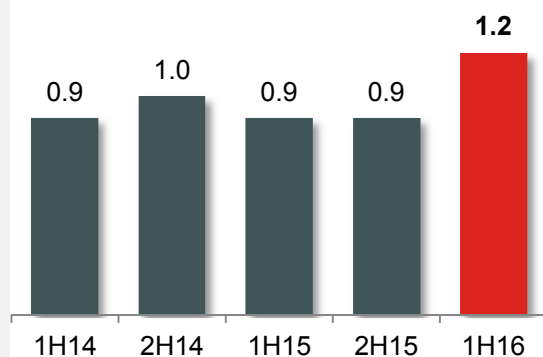
Consumer Bank consistently delivering



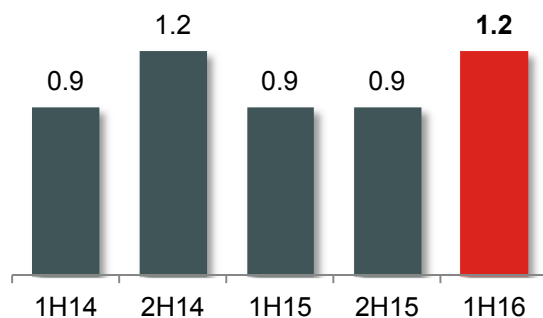
Solid franchise

Good growth

Housing system multiple¹



Deposit system multiple²



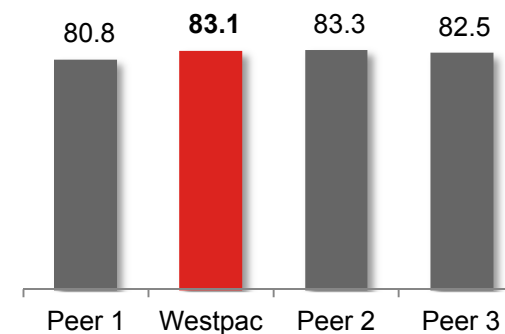
Leading the market

- Best Retail Bank in Australia (Westpac Brand)³
- Internet Banking Product of the Year – Westpac Live (Asia Pac)³
- Retail Bank of the Year in Technology and Innovation (Westpac Brand)⁴
- Best Use of Data Analytics: St. George Property Sellers⁴
- Best Digital Product, Westpac Live 2015⁵
- Silver Midas Award for Power of Thumbs advertising campaign⁶
- Best First Home Buyer Lender (RAMS)⁷

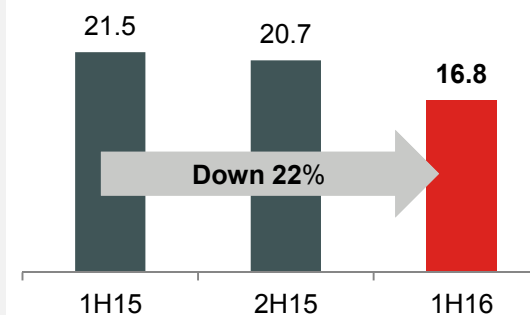


Satisfaction & lower complaints

Customer Satisfaction (%)⁸ Mar 2016 – 6MMA



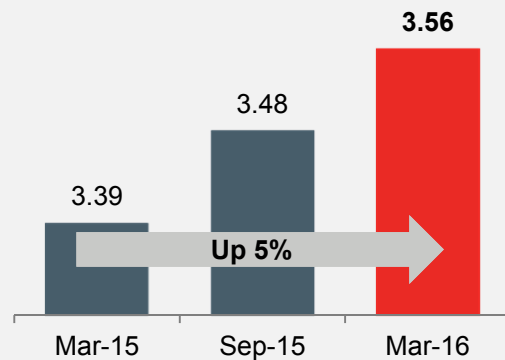
Consumer Bank complaints (#'000)



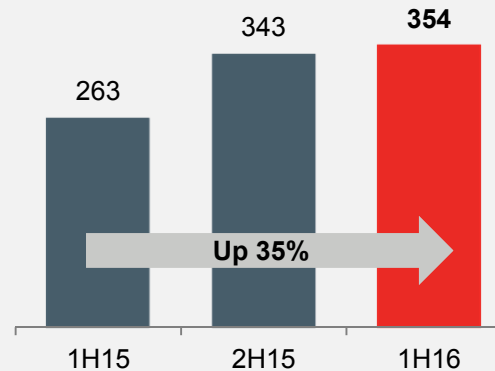
1 Source RBA Financial Aggregate. 2 Source APRA Banking Statistics Household Deposits. 3 The Asian Banker Awards March 2016 (Westpac Brand). 4 FST Media Tech & Innovation in Financial Services Awards Nov 2015. 5 Gartner - Cool Business Award. 6 Midas Awards 2015 (St. George Brand). 7 The Australian Lending Awards Feb 2016. 8 MMA is monthly moving average. Data based on Roy Morgan Research March 2016. Refer page 133 for details of metric provider including definition. Data for Westpac is total Consumer Bank

Transformation driving productivity

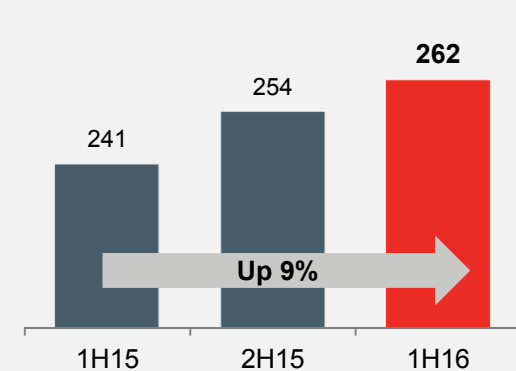
Active digital customers (#m)



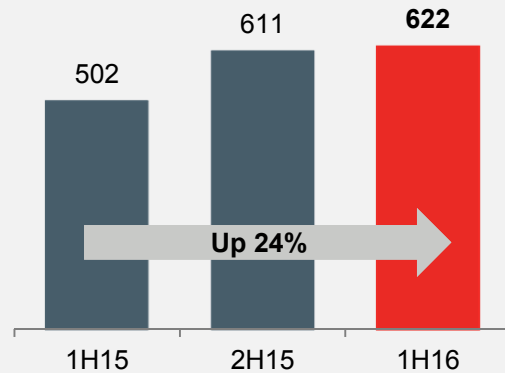
Digital sales (#'000)



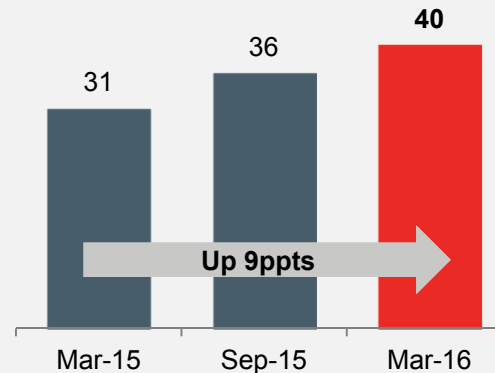
Digital transactions (#m)



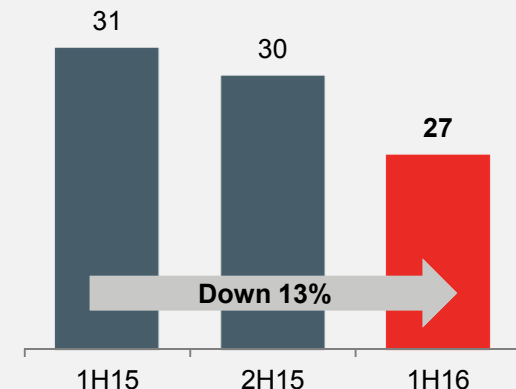
Customers converted to e-statements (#'000's)



Transactions via Smart ATMs (%)



Branch transactions (#m)



Enhancing the digital customer experience

Attract Grow customer base

Walk out working

Helping customers register for and use online and mobile banking



Get active on your account

Let us help you to get active on your account and make the most out of your BankSA Mobile Banking

Email details to employer
Use our email template to notify your employer about your new account

Import payees and billers
We can help you import your payees, billers and direct debit details to BankSA

Easy switching

Allowing customers to easily import payees from another bank, obtain a list of direct debits and notify their employer of their new bank details

Electronic Verification (EV) in the account opening process

In February 2016, over 90% of customers chose EV during the online account opening process for Everyday Banking.

Step 2. What ID do you have on you?

Get verified online and save time. Providing two forms of

- ☐ Australian driver's licence
☐ Medicare Card
☐ Passport

> Show all ID options

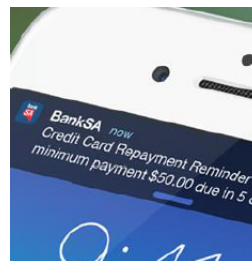
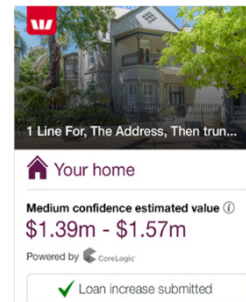
☐ I'll skip providing ID for now
You will have to go to a Westpac branch to have your ID verified.

Deepen Build deeper relationships

wonder

Enhancing customers' knowledge of their property options

On average, 27,000 customers per week are engaging with Wonder



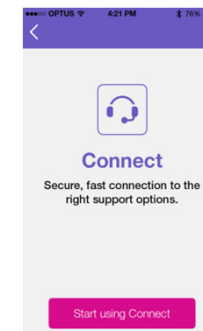
Credit Card Repayment Alert

An average of 188 customers per day registered for credit card payment alerts

Simplify - make it easier for customers and employees

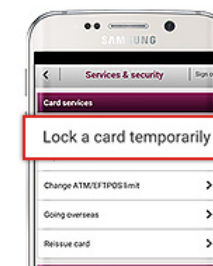
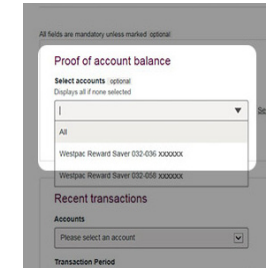
Easier call centre access via mobile banking

50-60 second reduction in average call handling time



Proof of Balance

Over 70,000 statements downloaded since launch

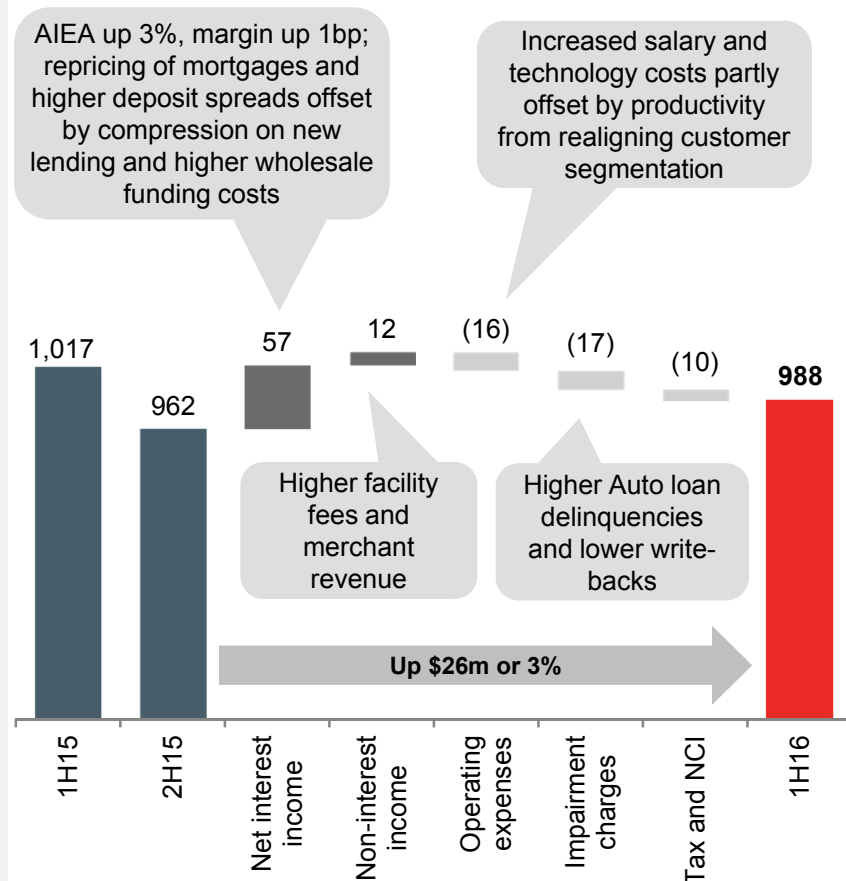


Card on Hold

Customers requested to lock or unlock their misplaced cards digitally 87,882 times

Business Bank delivers a balanced 1H16 result

Cash earnings (\$m)



Key financial metrics

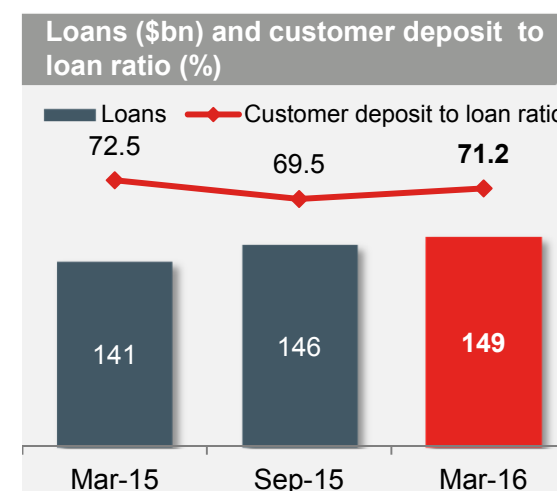
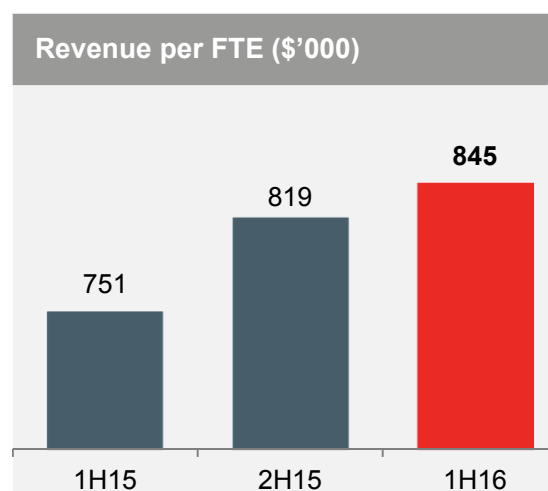
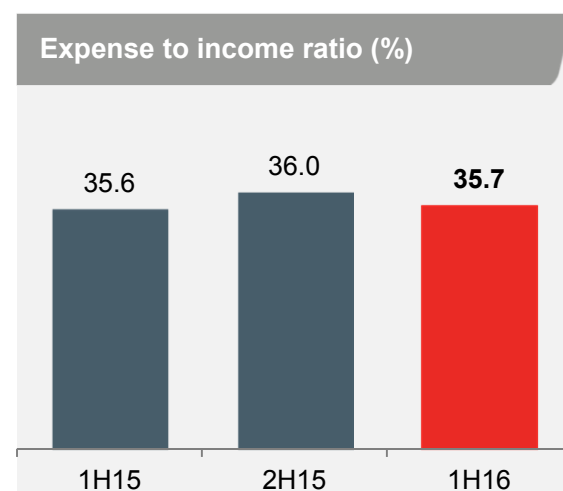
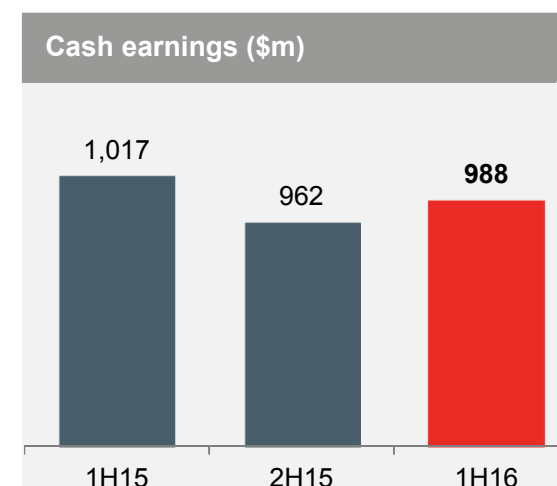
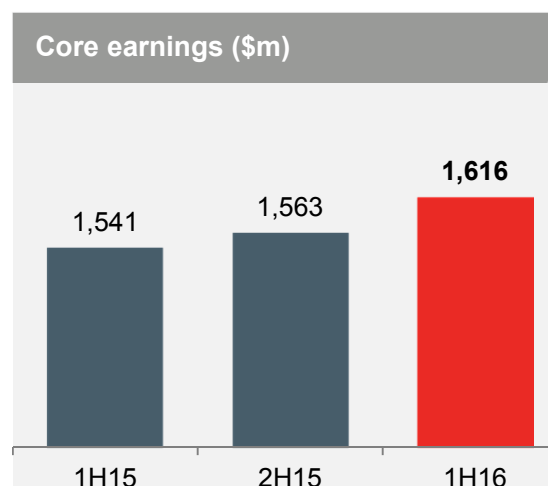
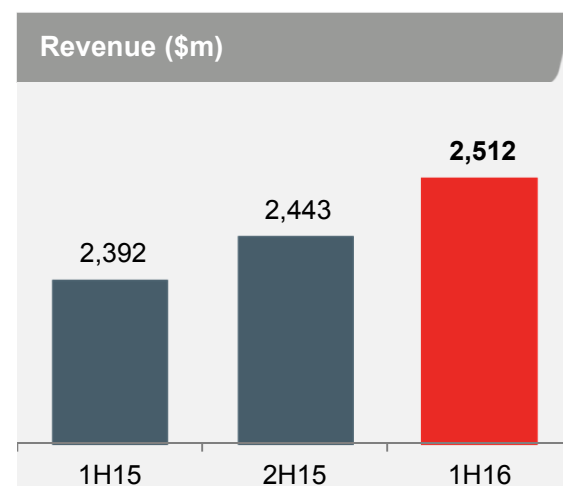
	1H15	2H15	1H16	Change on 2H15
Revenue (\$m)	2,392	2,443	2,512	3%
Net interest margin (%)	2.77	2.74	2.75	1bp
Expense to income (%)	35.6	36.0	35.7	(35bps)
Customer deposit to loan ratio (%)	72.5	69.5	71.2	164bps
Stressed assets to TCE (%)	2.64	2.20	2.13	(7bps)

Key operating metrics

	1H15	2H15	1H16	Change on 2H15
Total business customers ('000's)	967	986	1,019	3%
NPS ¹ – SME ranking	1 st	2 nd	1 st	Up
NPS ¹ – Overall business ranking	1 st	1 st	1 st	
Customer satisfaction ¹ (mean)	7.5	7.4	7.3	(0.1)
Digital sales (%)	5	6	9	3ppts
Loans via LOLA (\$m)	16	253	336	33%

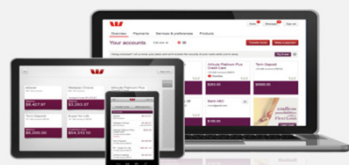
¹ Refer page 133 for metric definition and details of provider.

Sound fundamentals



New capabilities **gaining traction**

Digital for customers



- Completed roll-out
- 31% increase in digital sales



Launching new online business banking platform for St. George, BankSA and Bank of Melbourne customers

Payments



Market leading merchant terminals

- 100,000 terminals in place
- 3% increase in merchant customers
- 16% reduction in complaints

Digital for bankers



Simplified origination for fast lending decisions

- \$600m of loans settled
- “Time to Yes” reduced from 15 days to <1 day
- \$34bn conditionally pre approved

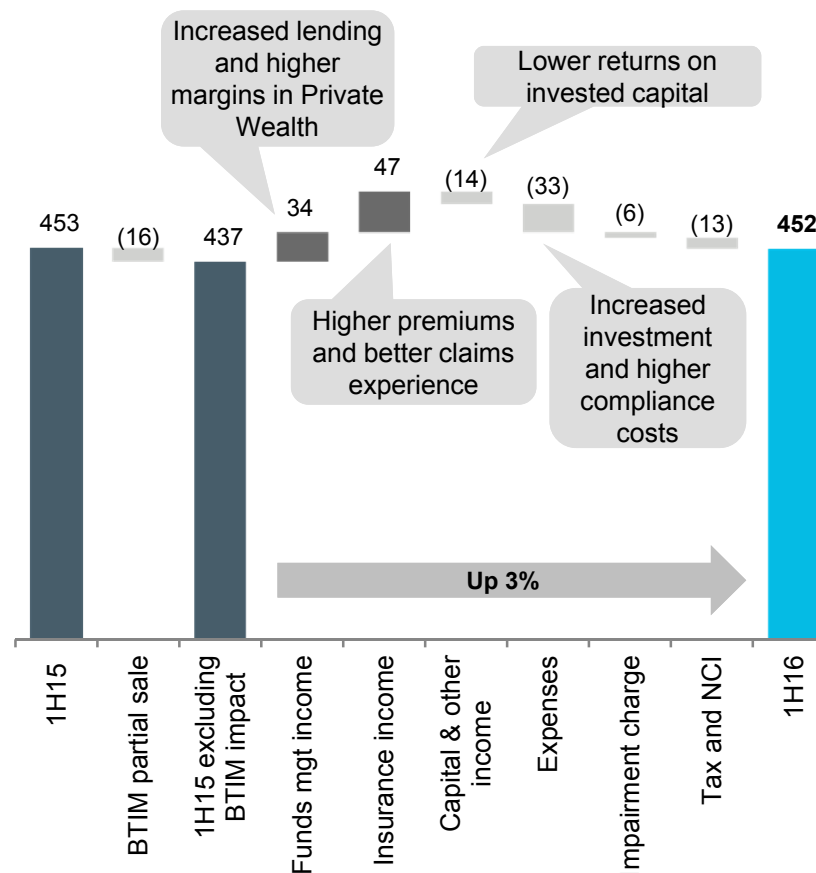


Enhanced video conferencing and product capability

- 38% increase in lending

BTFG franchise growing, financials impacted by market volatility

Cash earnings movement 1H15 - 1H16 (\$m)



Key financial metrics

	1H14	1H15	1H16	Change on 1H15
Revenue (\$m)	1,325	1,333	1,209	(9%)
Expense to income (%)	50.6	49.4	46.7	(263bps)
FUM (\$bn) (spot)	82.1	103.3	46.4	(55%)
FUM (\$bn) ex BTIM (spot)	41.0	48.6	46.4	(5%)
FUA (\$bn) (spot)	106.8	125.0	123.3	(1%)

Key operating metrics

	1H15	2H15	1H16	Change on 2H15
Customers with a wealth product (%) ¹	20.0	19.7	19.2	(55bps)
Planners (salaried & aligned) (#)	1,222	1,192	1,116	(6%)
BT Super for Life customers (#000)	478	482	489	1%
Platform market share ² (inc. Corp Super)	19.9	19.9	19.6	(30bps)
Retail market share ² (exc. cash) (%)	18.8	18.9	18.6	(30bps)
Life Insurance market share ³ (%)	11.6	11.3	10.9	(40bps)
H&C insurance market share ⁴ (%)	5.6	5.7	5.7	-
Women in leadership ⁵ (%)	43	44	42.1	(190bps)

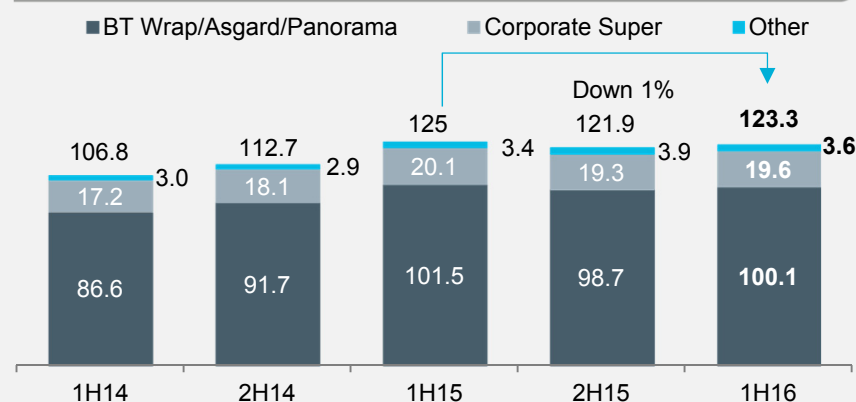
1 Refer page133for wealth metrics provider. 2 Plan for Life, All Master Funds Admin as at December 2015 (for 1H16), as at June 2015 (for 2H15) and as at December 2014 (for 1H15) and represents the BT Wealth business market share at these times. 3 Plan for Life (Individual Risk) rolling 12 month average. New sales includes sales, premium re-rates, age and CPI indexation December 2015. 4 Internally calculated from APRA quarterly general insurance performance statistics, December 2015. 5 Spot number as at balance date.

Funds management net flows offset by weaker markets

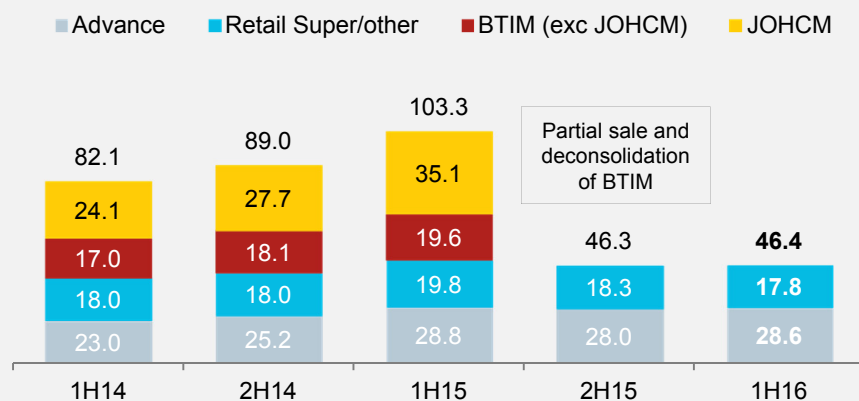
Earning drivers

- Positive net inflows across FUM and FUA has been offset by negative market impact
- FUM related revenue increased over 1H15 driven by
 - Positive net flows in Advance wholesale portfolios
 - BT Super for Life retail FUM up 6% to \$6bn
- FUA related revenue was flat on 1H15
 - Asgard Infinity FUA up 9% to \$9.5bn supported by positive flows
 - BT Wrap/Asgard platforms FUA down 1%
 - FUA margins down 1bp from shift in portfolio mix and competition
- Advice income lower from softer sales
- Improved contribution from Private Wealth

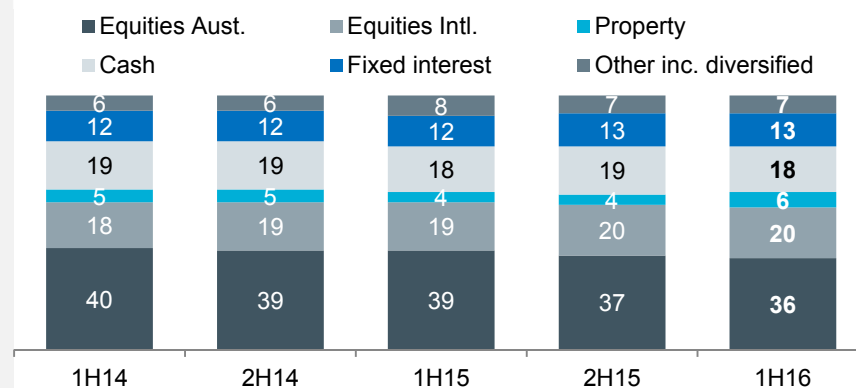
FUA (\$bn)



FUM (\$bn)

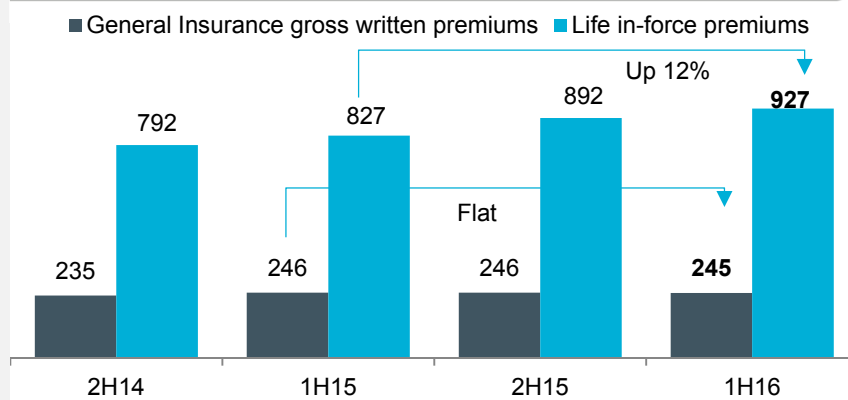


FUA by asset class (%)

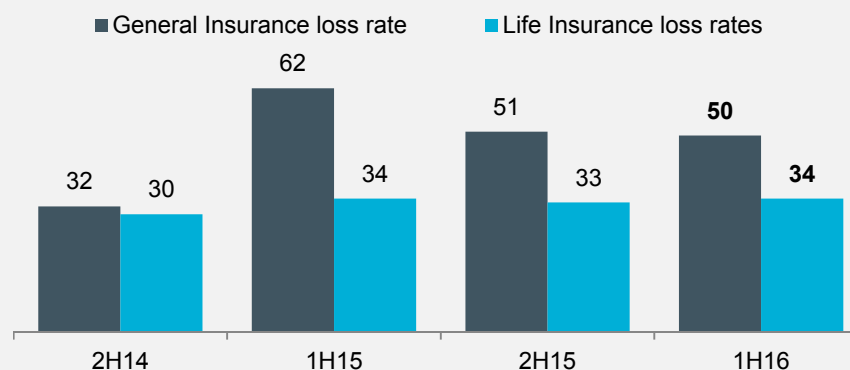


Quality insurance portfolio

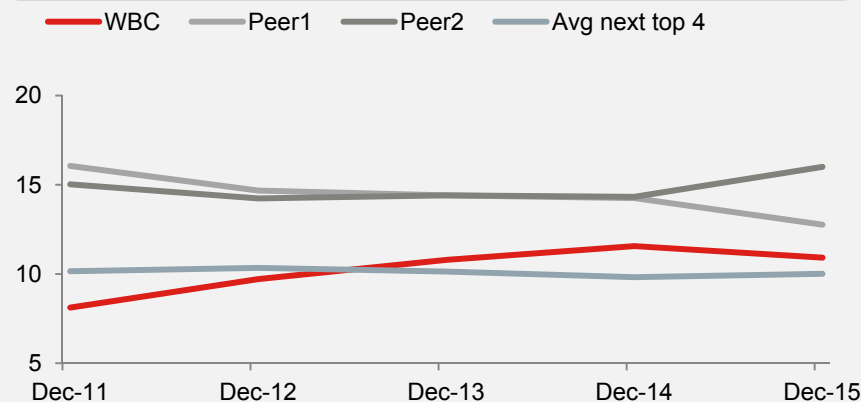
Premiums (\$m)



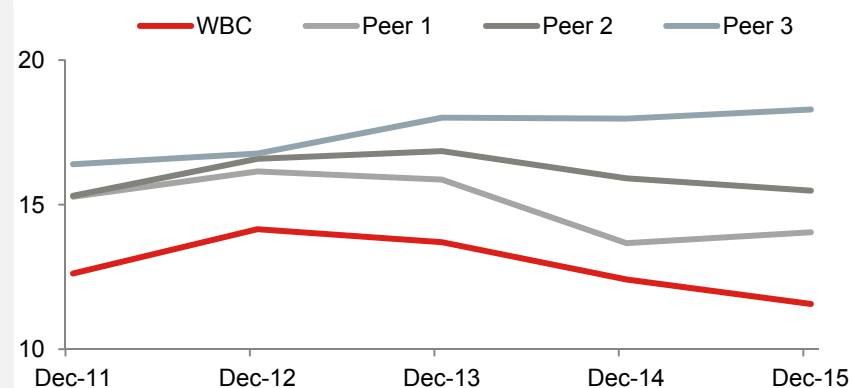
Insurance loss rates (%)



Life Insurance individual new sales market share¹ (%)



Life Insurance lapse rates¹ (%)



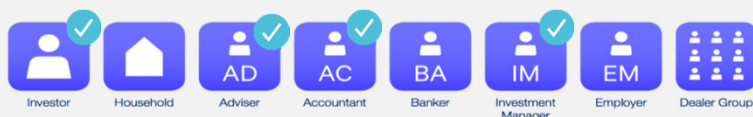
¹ Plan for Life June 2015.

Leading wealth provider, investing for the future

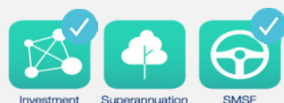
Panorama – the journey so far

Panorama is our new wealth administration platform that supports the end-to-end management of a customer's wealth including superannuation. The system provides support for a variety of different stakeholders (perspectives). It supports different portfolios and delivers a range of investment options:

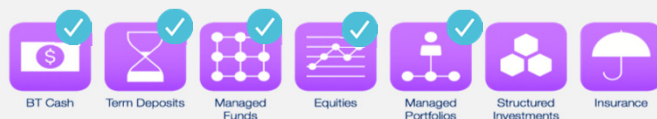
Perspectives



Portfolios



Investments



Modular

Flexible architecture to cater to different clients needs

Connectivity

Connect to existing accounting software

Collaboration

Collaborate with accounting partner to complete fund administration

Compliance

Compliance embedded trading platform to assist administration

Developments over 1H16

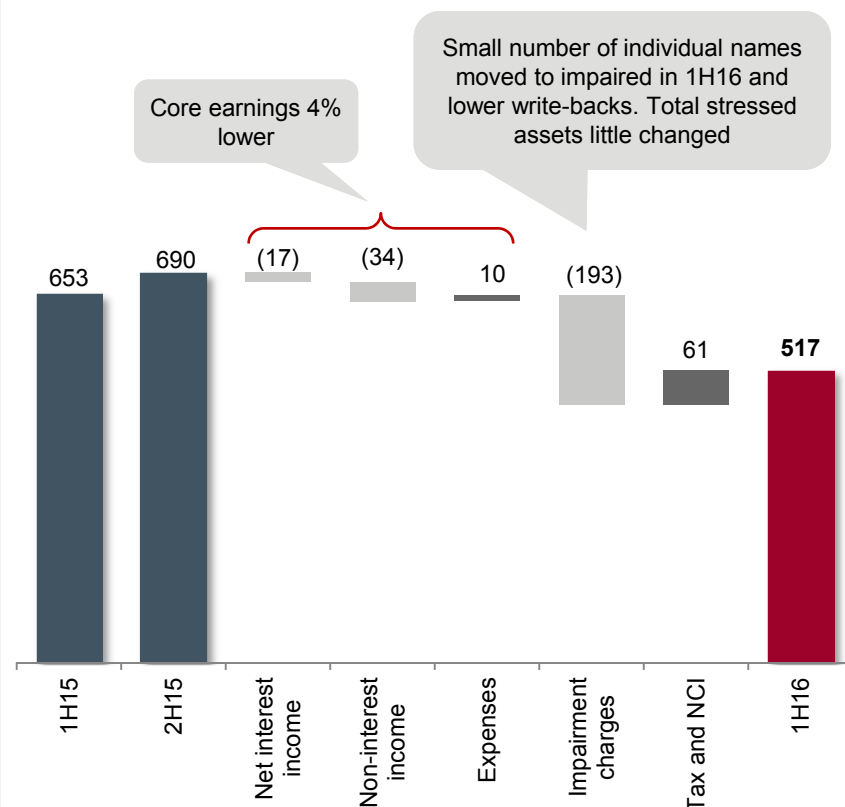
- BT Panorama delivered new capabilities:
 - SMSF solution: a single place where advisers and accountants can collaborate to manage a client's self-managed super fund
 - BT Invest: provides direct access to a range of tools and experts online, allowing customers to easily set up, track and manage their investments. In an industry first, BT Invest has been integrated with Westpac Live enabling customers to manage their wealth and banking side by side
- Aligning Advice service offers to provide customers with greater accessibility to advice across the entire bank network, including Westpac, St George, Bank of Melbourne and Bank SA

Significant achievements

- BT Life Insurance recognised with AFA/Plan for Life award for Life Company of the year. Recognised as Claims team of the year and consistently rated A+ by Claims Management Analysis program since 2011
- BT's Adviser View continues to help customers search for an adviser and rate their advice experience, with over 158,000 unique site visits and an average rating of 4.89 out of 5 for our advisers, across five dimensions
- Private Wealth recognised as Best Private Bank in Australia at the 2015 Global Private Banking Awards

WIB 1H16 cash earnings lower with higher impairment charge

Cash earnings (\$m)



Key financial metrics

	1H15	2H15	1H16	Change on 2H15
Revenue (\$m)	1,566	1,650	1,599	(3%)
Net interest margin (%)	1.82	1.78	1.71	(7bps)
Expense to income (%)	40.9	41.2	41.8	69bps
Customer deposit to loan ratio (%)	108.3	105.2	110.6	large
Stressed assets to TCE (bps)	81	78	77	(1bp)

Key operating metrics

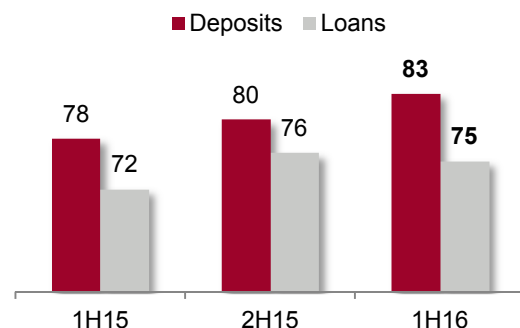
	1H15	2H15	1H16	Change on 2H15
Customer revenue / total revenue (%)	82 ¹	81	82	109bps
Trading revenue / total revenue (%)	7 ¹	7	9	210bps
Revenue per FTE (\$'000)	552 ¹	550	569	3%
Transactional banking relationships (#)	861	873	887	2%
Deposits (\$bn)	78.1	80.3	83.4	4%
Loans (\$bn)	72.1	76.3	75.4	(1%)

¹ Excludes impact of changes made to derivative valuation methodologies in 1H15.

Disciplined approach to managing the business

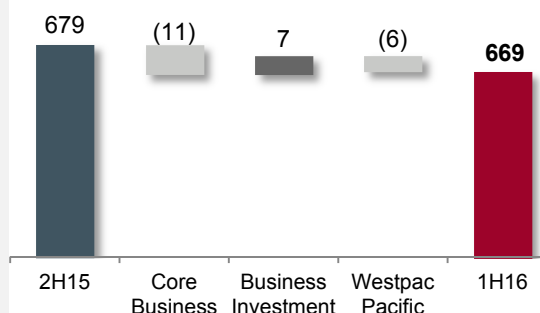
Balance sheet

WIB net loans and deposits (\$bn)



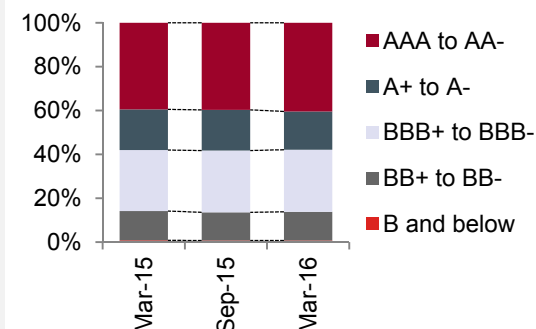
Expenses

WIB expenses (\$m)



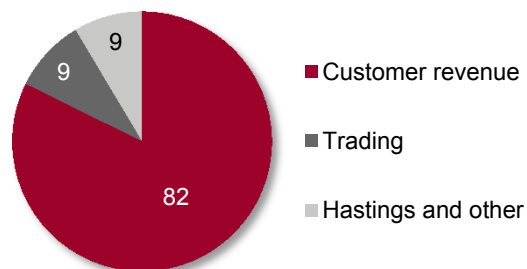
Asset quality

WIB TCE by risk grade (%)



Customer revenue¹

WIB revenue 1H16 (%)



New operating model



Key changes

- Creation of a global client experience team
- Sales coverage aligned to customer needs
- Dedicated industry analytics and insights team
- Better alignment to industry sectors

A more efficient model

- Right service levels to customers
- Standardised processes
- Increased digitisation
- Reduced duplication and customer touchpoints
- Reduction of around 100 roles

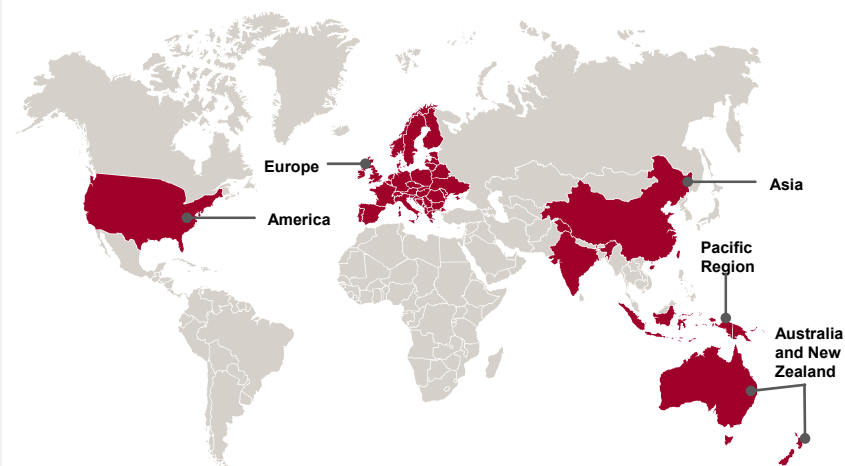
¹ WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings.

Maintaining our leading institutional franchise

Australasia's leading Institutional Bank

Franchise	88% of the ASX Top 100 bank with WIB	82% of WIB revenue from customer business ¹	17 new transactional bank customers won in 1H16
Awards	No.1 Australian bank for FX, globally ²	Best Debt Finance House in Australia last 4 years ³	Best Cash Management Bank, Australia ⁴
Solutions	Lead arranger of debt financing for 3 major infrastructure deals in 1H16	2% growth in WIB and business, wealth and consumer partnership revenue	81% of FX sales revenue facilitated through digital channels
Innovation	4,000 customers downloading the Corporate Mobile App in 1H16	50 customers live with PayWay Connect, including expanded functionality	130,000 employers using the QuickSuper gateway

Westpac Institutional Bank global presence



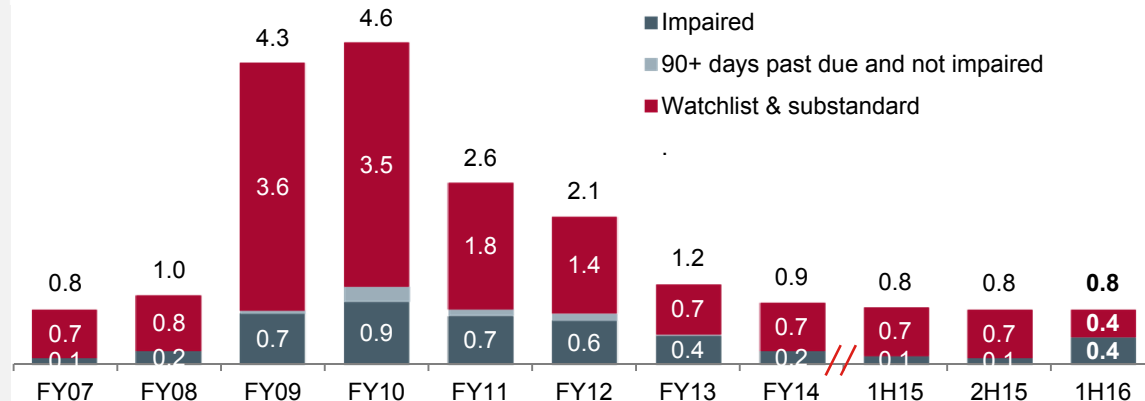
WIB complements its core franchise in Australia and New Zealand with a presence in key global centres to meet customer needs

- **Asia:** Transactional banking, trade and financial markets. Asia lending currently represents less than 2% of the Westpac balance sheet
- **Europe and America:** Financial markets products and services for global corporate and institutional clients
- **Pacific:** WIB has operations in Papua New Guinea and Fiji. The Solomon Islands branch was sold on 30 October 2015 and the sale of operations in Vanuatu is expected to take place in 2H16

¹ WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings. ² Euromoney FX Poll 2015. Measure of market share from 3,794 FX industry votes. ³ FinanceAsia Achievement Awards 2012, 2013, 2014, 2015 – Australia and New Zealand. ⁴ The Asset Triple A Treasury, Trade and Risk Management Award 2015.

Institutional Bank asset quality

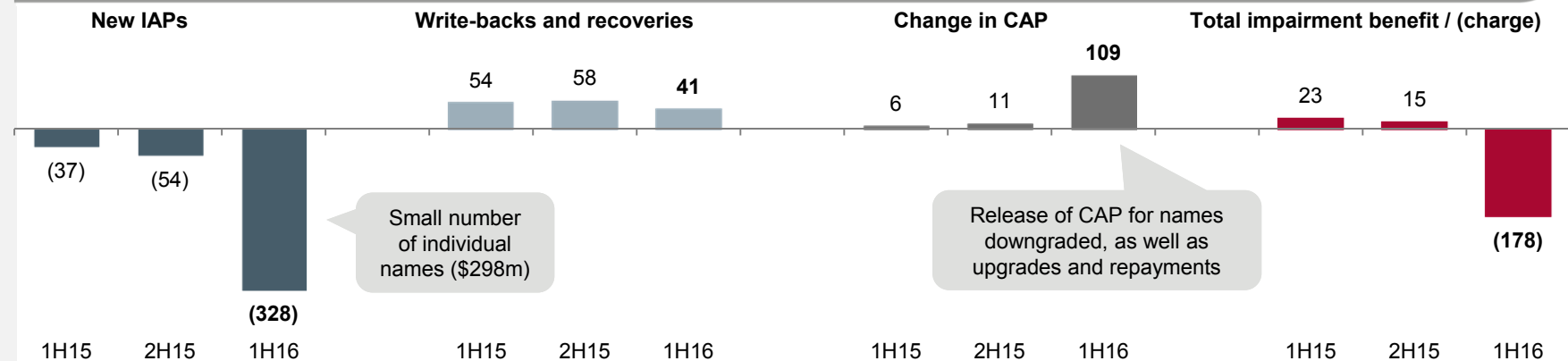
Stressed exposures as a % of TCE¹



WIB coverage ratios

	1H15	2H15	1H16
Impairment provisions to impaired assets (%)	55.9	45.0	46.1
Collectively assessed provisions to credit RWA (bps)	48	46	35

Impairments: (charges) / benefits (\$m)



¹ Prior periods have not been restated for changes in the WIB loan portfolio

Results reflect competitive environment

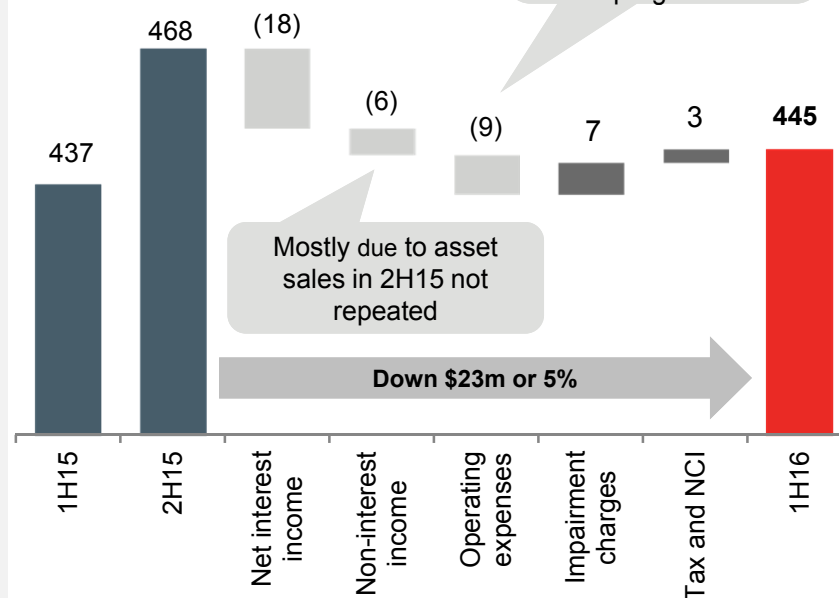
Cash earnings (NZ\$m)

AIEA up 4% offset by margin, down 12bps; compression on mortgage and business lending from intense competition, partly offset by benefits from deposit repricing

Increased investment in digital and initial costs of business transformation program

Mostly due to asset sales in 2H15 not repeated

Down \$23m or 5%



Key financial metrics

	1H15	2H15	1H16	Change on 2H15
Revenue (NZ\$m)	1,058	1,106	1,082	(2%)
Net interest margin (%)	2.23	2.27	2.15	(12bps)
Expense to income (%)	40.1	40.5	42.2	173bps
Customer deposit to loan ratio (%)	77.3	75.2	76.6	135bps
Stressed assets to TCE (%)	1.75	1.60	1.78	18bps

Key operating metrics

	1H15	2H15	1H16	Change on 2H15
Customers (#m)	1.32	1.34	1.35	1%
Products per customer (#)	3.73	3.69	3.84	4%
Customers with a wealth product ¹ (%)	28.0	28.2	28.5	29bps
FUM (NZ\$bn)	6.0	6.5	7.0	8%
FUA (NZ\$bn)	1.9	2.0	2.0	-
Service quality – complaints ('000's)	13.8	14.7	13.4	(9%)

¹ Refer page 133 for metric definition.

Transforming the customer experience and deepening relationships

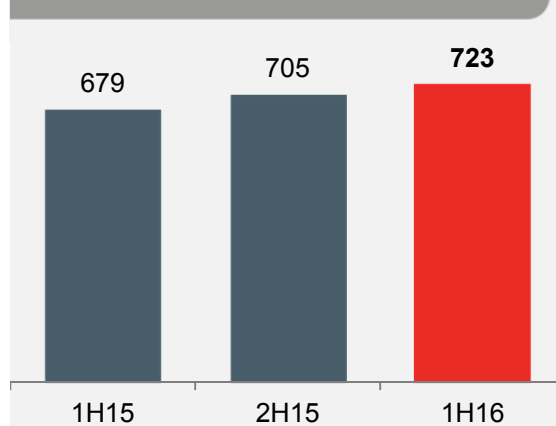
Transforming the customer experience

- Migration of customers onto Westpac One largely complete, contributing to
 - 12% rise in online applications
 - Around one third of all applications now originated online
- Continued the reconfiguration of the network, further expanding the fleet of Smart ATMs (up 5%)
 - 39% of deposits via Smart ATMs, of which one third are made after hours
 - Half of the branch network has 24/7 banking lobbies

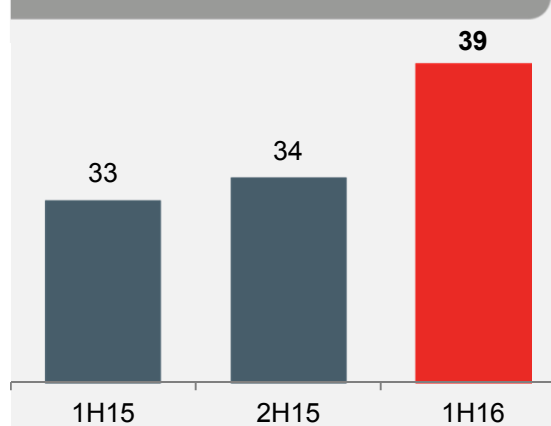
Enhanced position in NZ

- Acquired Airpoints alliance with Air New Zealand in 2015 which is a significant opportunity to grow the customer base
- Over 63,000 Airpoints credit card accounts, up nearly 6,000 in 1H16. Cards market share up to 23.8%¹, with nearly 40% of accounts being new to Westpac
- Renewed banking contract with the New Zealand Government for an 8 year term. New Zealand Government makes up around 20% of the total transactions in New Zealand
- New brand proposition (“It’s time”) building on brand strengths. Early results positive

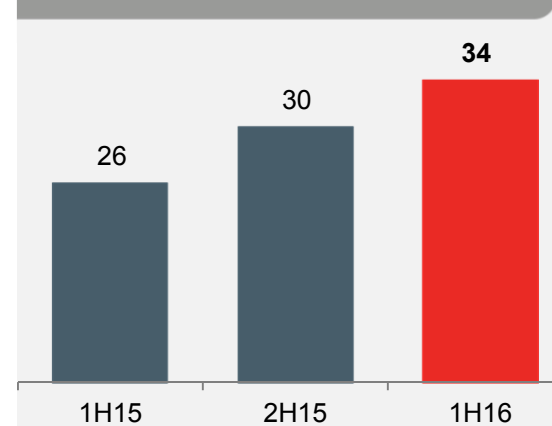
Active online customers (#'000)



Deposits via Smart ATMs (%)



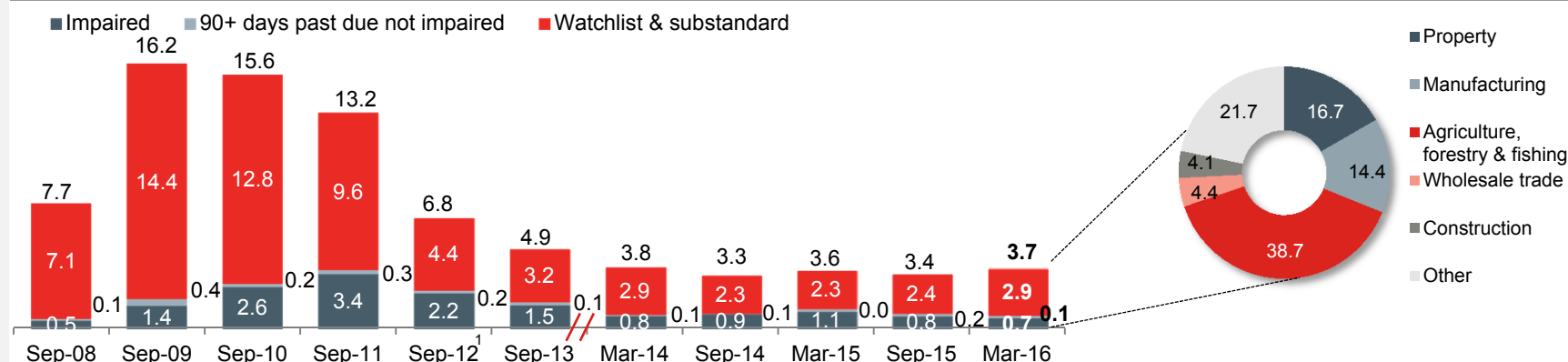
Online applications (#'000)



¹ RBNZ March 2016.

Asset quality *in good shape*

Business stressed exposures as a % of New Zealand business TCE

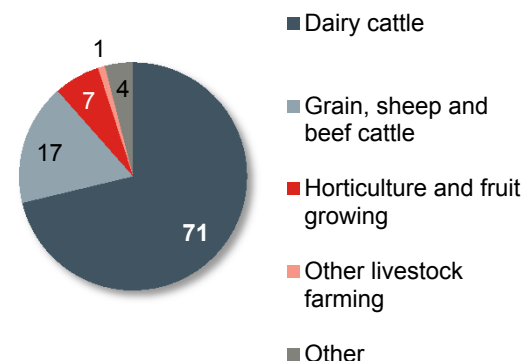


1 Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012.

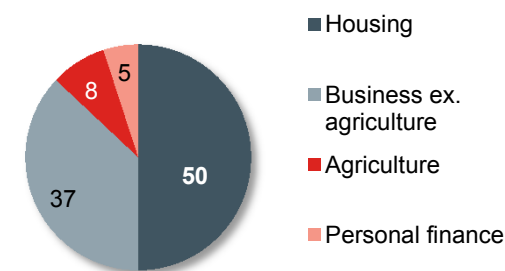
Agribusiness portfolio

	Mar-15	Sep-15	Mar-16
TCE (NZ\$bn)	7.3	7.8	8.1
Agriculture as a % of total TCE	7.7	7.9	7.9
% of portfolio graded as 'stressed'	2.88	3.92	7.81
% of portfolio in impaired	0.33	0.34	0.32

Agribusiness portfolio (TCE) by sector (%)

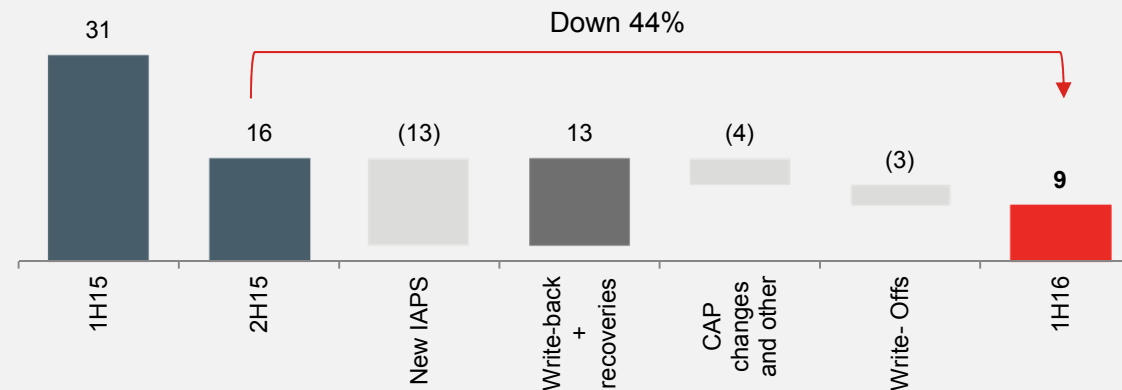


TCE by portfolio (%)

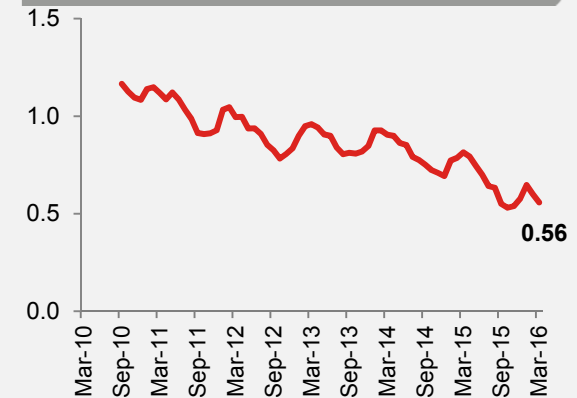


Asset quality **in good shape**

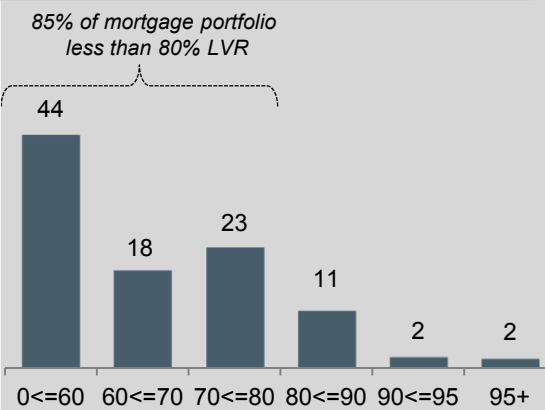
Movement in impairment charges (NZ\$m)



Other consumer¹ 90+ days delinquencies (%)



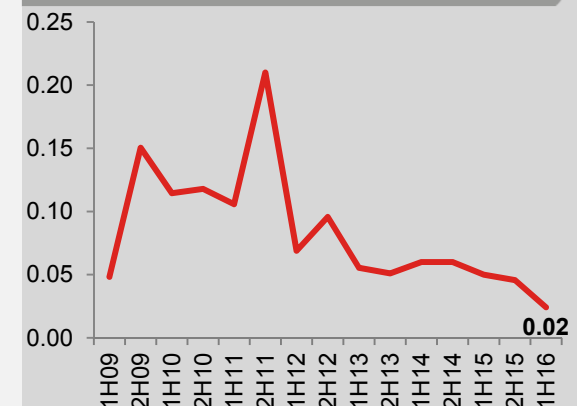
Mortgage portfolio LVR (%) of portfolio



Mortgage 90+ days delinquencies (%)



Mortgage loss rates each half (%)



¹ Other consumer is total consumer less mortgages and business cards.



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Economics

Westpac GROUP

EST. 1817

Snapshot

More than mining, the Australian economy is diverse and flexible

Australian economy key statistics (latest available)

3.0% GDP

Australian economy surprised to the upside in 2015, with growth near trend, benefitting from lower interest rates and a lower dollar

5.7% unemployment

Employment growth has been stronger than expected, supported by demand for labour in the services sector

1.3% inflation

Below the RBA's 2% to 3% target range

US\$0.76 = AU\$1

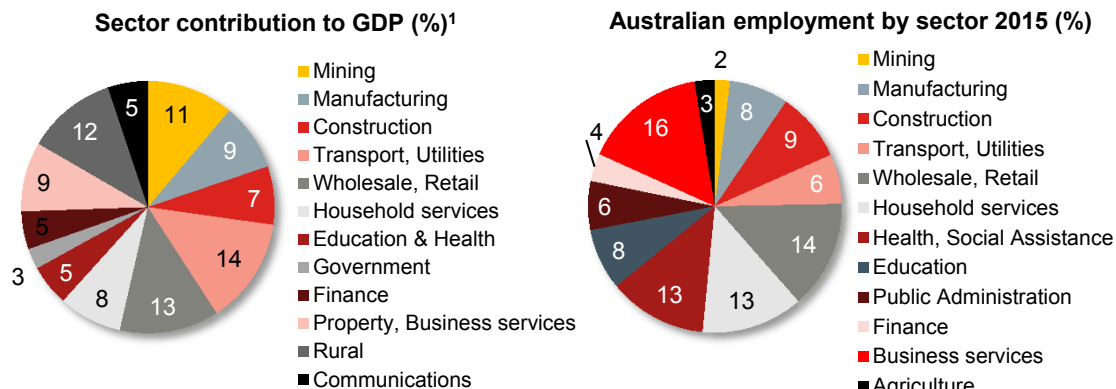
The Australian dollar is now back to average levels. Despite rebounding 5¢ in March, the lower AUD is supporting services sectors and helping to cushion the fall in commodity prices. Westpac Economics expect the AUD to move lower in 2016, to USD 71¢

2.00% cash rate

The RBA left the cash rate unchanged at its April meeting, but has a slight easing bias with global fragilities a concern

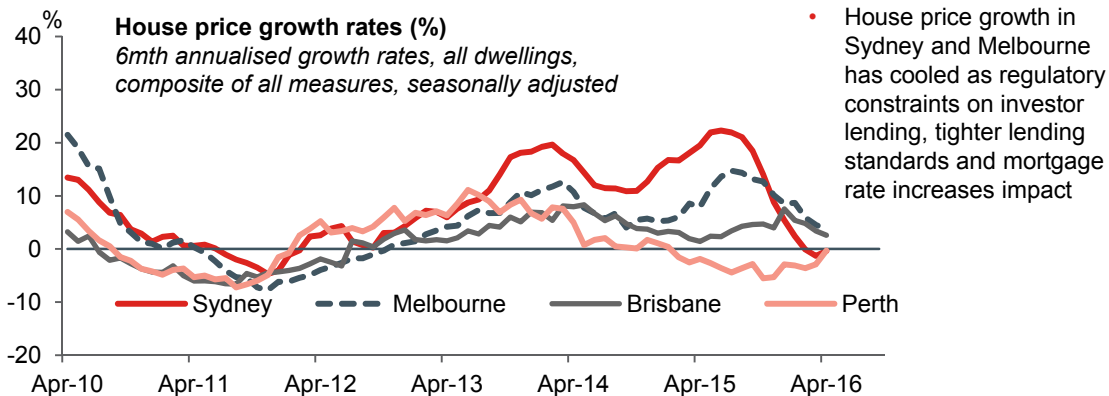
Sources: ABS, RBA, Westpac Economics

Australia's economy is diversified and flexible



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

Australian housing sector beginning to cool



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

Australian and New Zealand economic forecasts

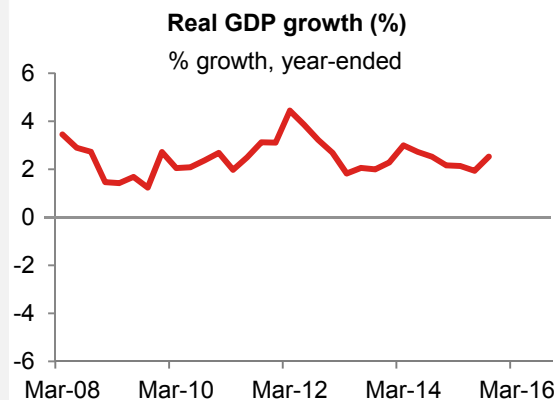
Key economic indicators ¹ (%) forecasts as at April 2016		Calendar year			
		2014	2015	2016f	2017f
World	GDP	3.4	3.1	3.3	3.5
Australia	GDP	2.6	2.5	2.8	3.2
	Private consumption	2.8	2.8	2.9	3.2
	Business investment ^{2,3}	-4.3	-8.9	-10.0	-3.5
	Unemployment – end period	6.2	5.8	5.5	5.3
	CPI headline – year end	1.7	1.7	1.8	2.0
	Interest rates – cash rate	2.50	2.00	2.00	2.50
	Credit growth, Total – year end	5.8	6.4	5.3	5.0
	Credit growth, Housing – year end	7.0	7.4	5.6	5.0
	Credit growth, Business – year end	4.7	6.4	6.0	6.0
New Zealand	GDP	3.7	2.5	2.8	2.6
	Unemployment – end period	5.8	5.3	5.6	5.9
	Consumer prices	0.8	0.1	0.8	2.2
	Interest rates – official cash rate	3.5	2.5	2.0	2.0
	Credit growth – Total	4.6	6.2	7.2	6.0
	Credit growth – Housing	5.1	6.0	7.8	7.0
	Credit growth – Business	3.7	6.6	6.7	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 adjusting well

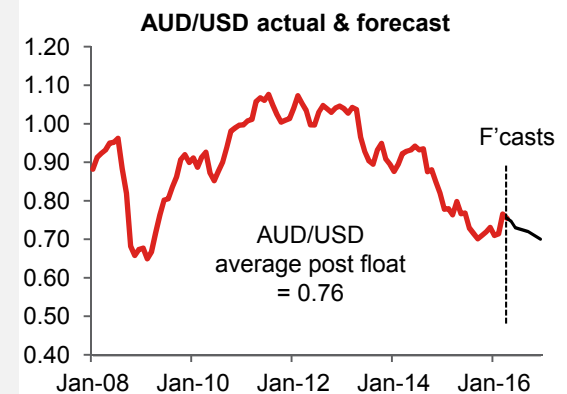
- Australian economy adjusting well to significant changes
 - The terms of trade peaked in September 2011 and, by end 2015, had fallen by 34%
 - Commodity prices, in USD terms, have fallen 60% over this period
 - Chinese demand has slowed
- Australian economy has continued to grow
- Lower AUD and low interest rates key to rebalancing
- Service sectors creating the bulk of new jobs

Economy continues to grow



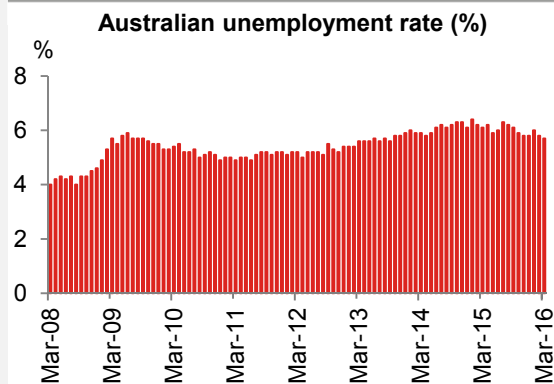
Sources: OECD, Westpac Economics.

AUD close to post float average



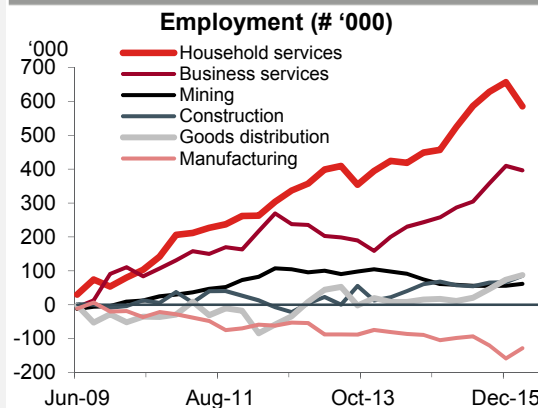
Sources: RBA, Westpac Economics.

Unemployment trending lower



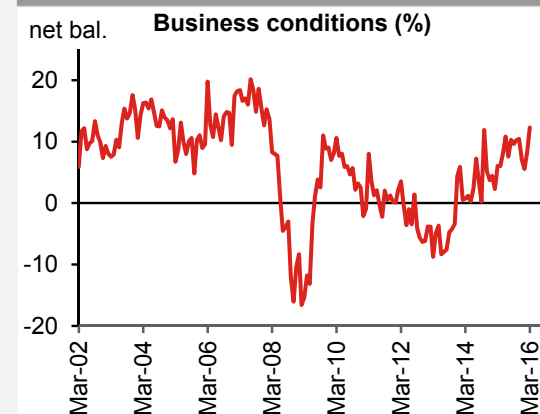
Sources: OECD, Westpac Economics.

Lower AUD boosting service sectors



Source: ABS, Westpac Economics

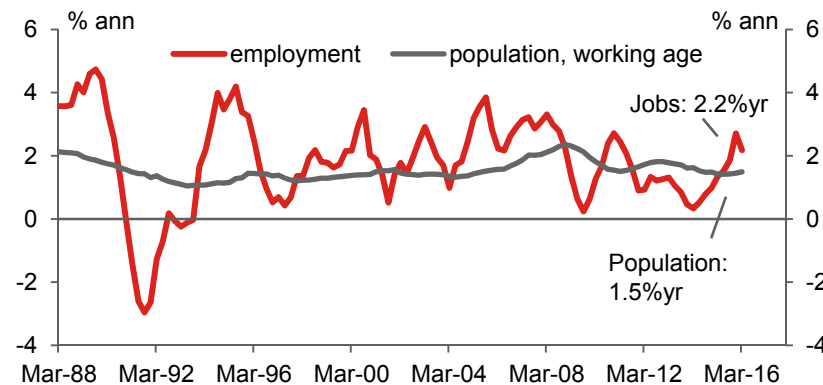
Business conditions strengthened



Sources: NAB, RBA, Westpac Economics

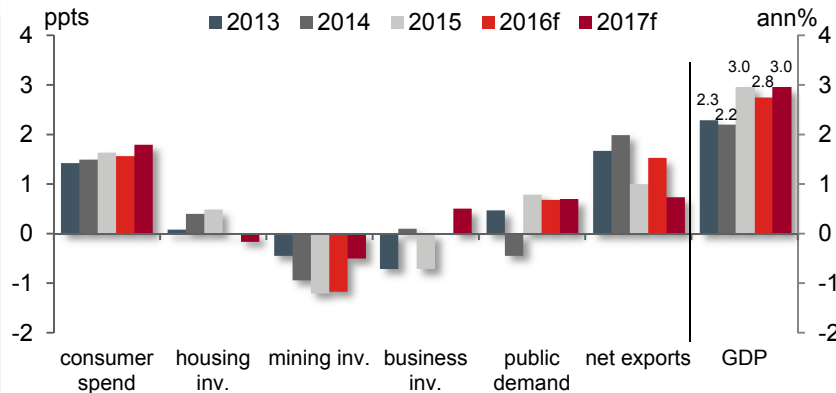
Transition to **non-mining growth** is taking place

Jobs outpaced population growth in 2015



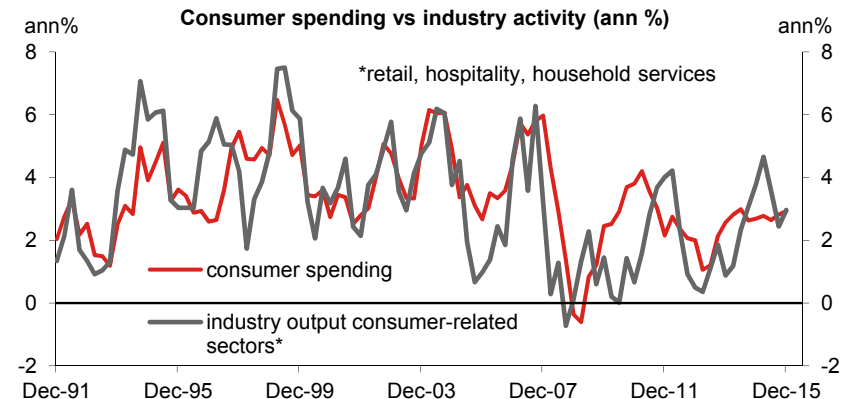
Sources: ABS, Westpac Economics

Contributions to GDP growth



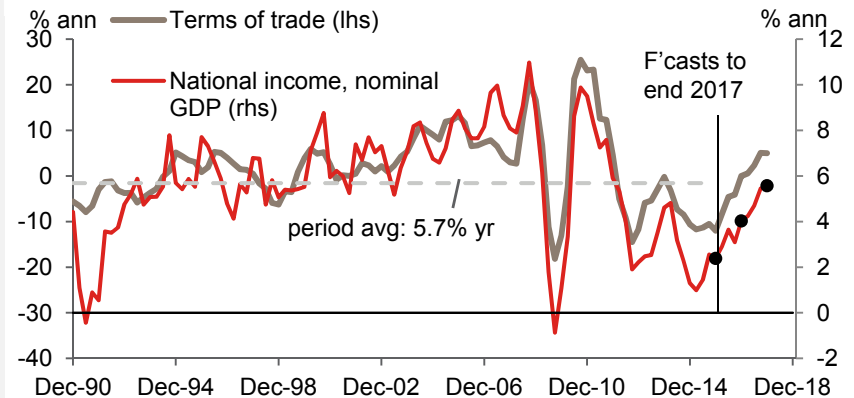
Sources: ABS, Westpac Economics

Consumer related industries improving



Sources: ABS, Westpac Economics

National income to lift as terms of trade stabilises



Sources: ABS, Westpac Economics

Lower Australian dollar key to rebalancing of the economy

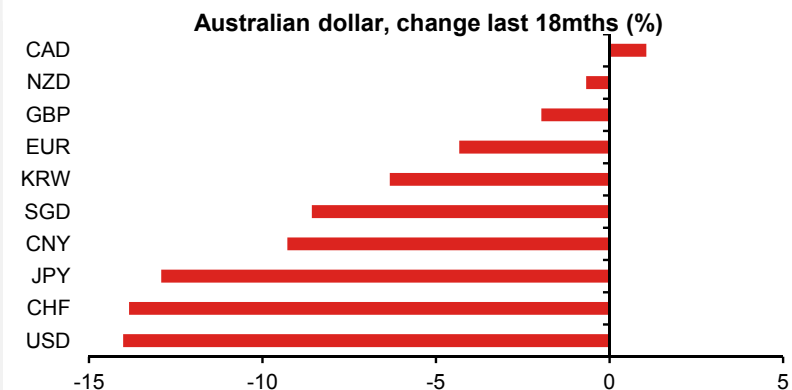
Positives

- A critical buffer to external shocks
- Australia's commodity prices –40% last 2yrs in USD terms but a more modest –27% in AUD terms
- Assists economy's transition from mining to non-mining growth
- AUD prices for non-mining commodity exporters resilient (e.g. rural, flat over the year)
- During the mining boom, high AUD was a headwind for many sectors, including services
- Lower AUD improves competitiveness of export and import-competing sectors, including services
- Clear lift to inbound and domestic tourism and education sectors both important drivers of service sector jobs growth
- Investment in these sectors also starting to improve

Negatives

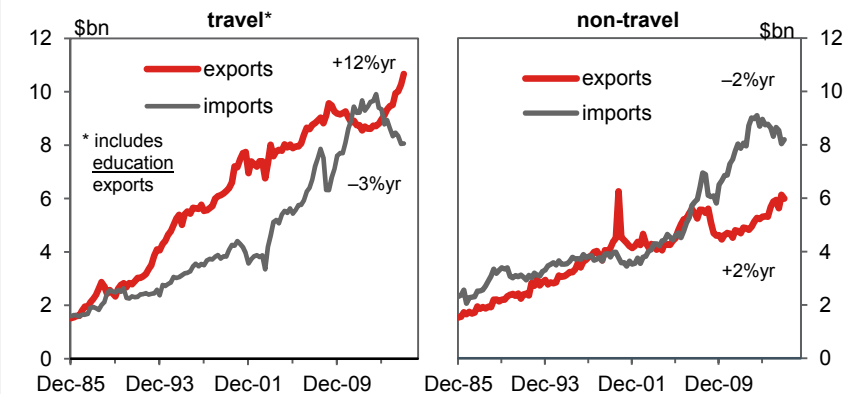
- Impact on sentiment both within and towards Australia
- Reduces purchasing power of Australian incomes
- Pushes up the cost of imports – including capital equipment
- Generates short term inflationary pulse, though this is often absorbed by importers

Australian dollar lower against major currencies



Source: RBA, Westpac Economics

International services turn on lower AUD



Source: ABS, Westpac Economics

Lower AUD sees non-mining sectors pick up

Education

Australia's 4th largest export

- \$119bn education sector, of which 6.1% are international students¹
- International student enrolments up 20.4% in 2015 on 2012³
- International students brought \$19bn to Australia in the year to September 2015²
- Lower AUD, more accommodative visa policies and continuing positive performance on university league tables

Tourism

Australia's 5th largest export

- Inbound arrivals up 15% over the last 2 years
- Outbound growth has slowed to 3% from 9% average over previous 5 years
- Added 42,000 jobs over the last 3 years (+7.7%) after holding flat for the previous 5 years

Business services

Approx. 1/3rd of Australia's service exports

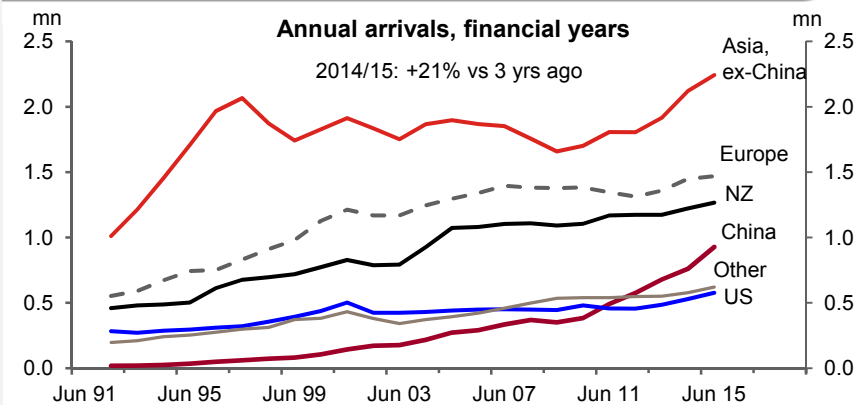
- Increased competitiveness sees Australian expertise in demand offshore, with business services exports – legal, financial, communications and other professionals – up 34% in the last 3 years

Agriculture

15.5% of Australia's merchandise exports

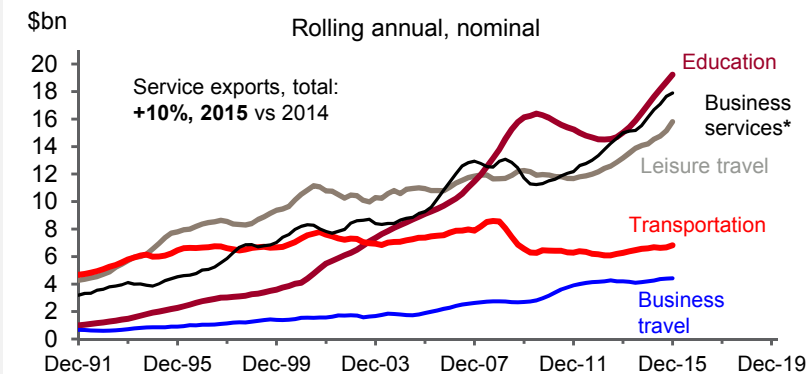
- Improved export competitiveness and more attractive to foreign investment
- Outlook for beef, lamb, wheat and dairy positive
- Wine, an important sector for smaller states and regional areas, has exports worth \$2.1billion
- 122 countries import Australian wines and value of exports grew in 15 markets in 2015⁴

International arrivals in Australia (millions)



Sources: ABS, Westpac Economics

Service exports (\$bn)



Sources: ABS, Westpac Economics

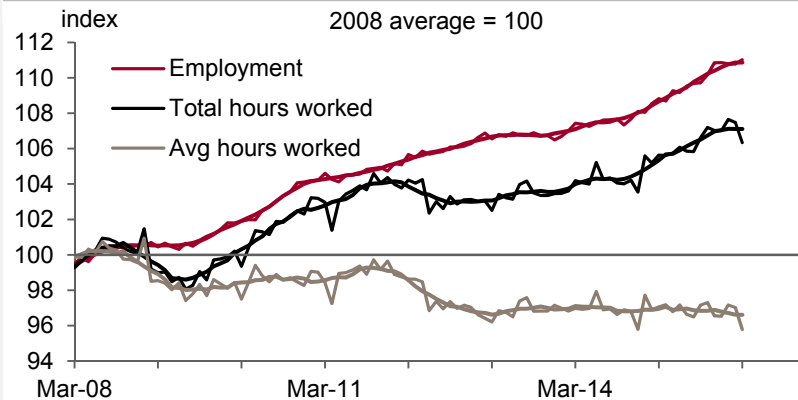
1. Source IBIS World. 2 Source ABS. 3 Source Australian Government Department of Education and Training. 4 Source Wine Australia Export Report.

* Total: \$17.9bn, including: legal & prof services \$5.1bn, financial services \$3.9bn, IT & Telecomm \$2.9bn, Intellectual property rights \$1.0bn and other, \$4.9bn

Australian labour market

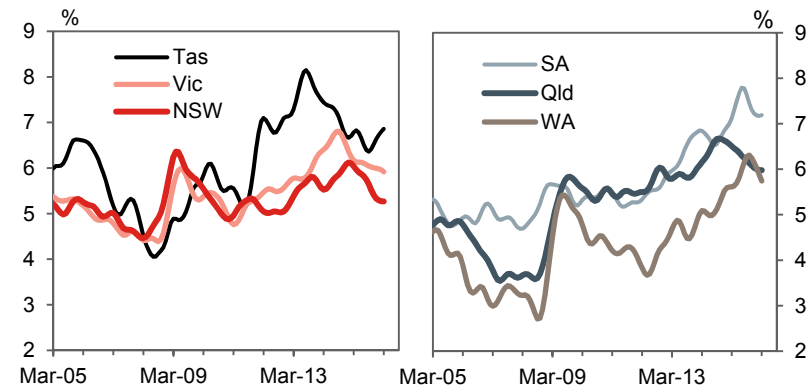
Conditions improving, although wage growth subdued

Employment and hours worked (index)



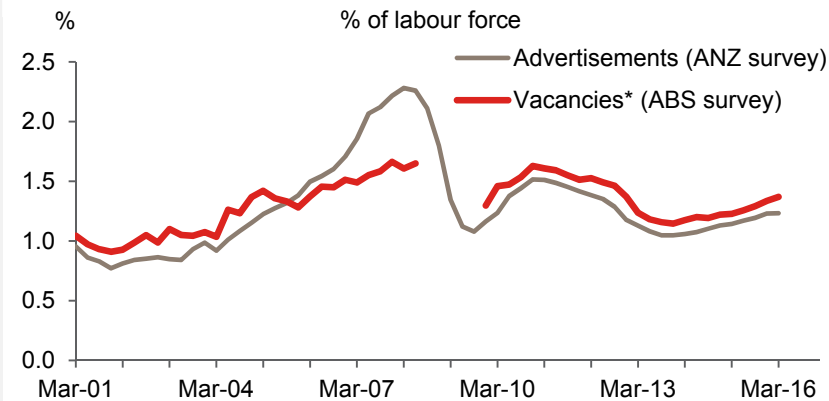
Sources: ABS, Westpac Economics

State unemployment rates (% trend)



Sources: ABS, Westpac Economics

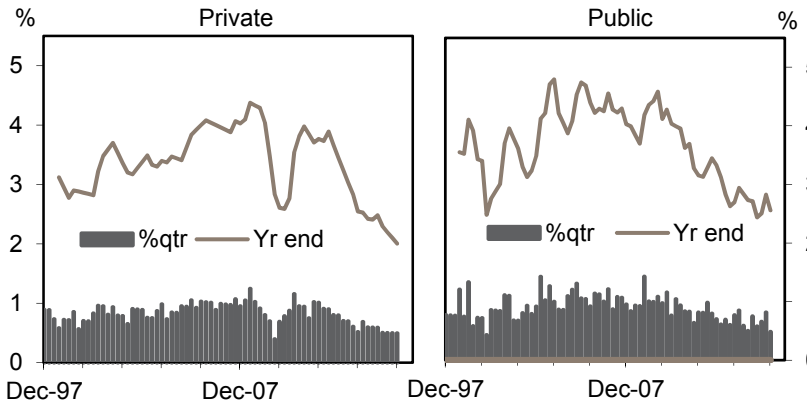
Job ads and job vacancies (%)



Sources: ABS, ANZ, Westpac Economics

*ABS survey suspended between May 2008 and November 2009.

Wage Price Index growth (%)



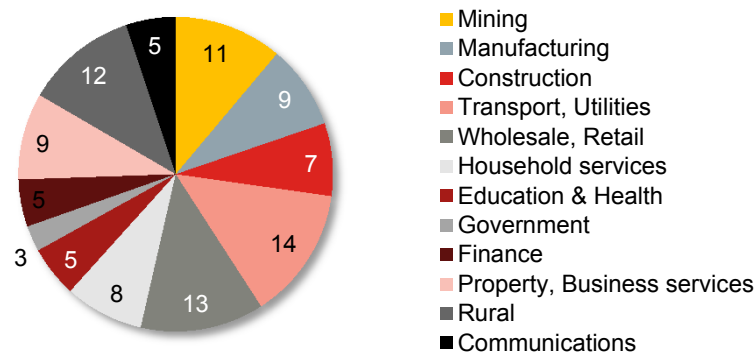
Sources: ABS, Westpac Economics

Australian labour market

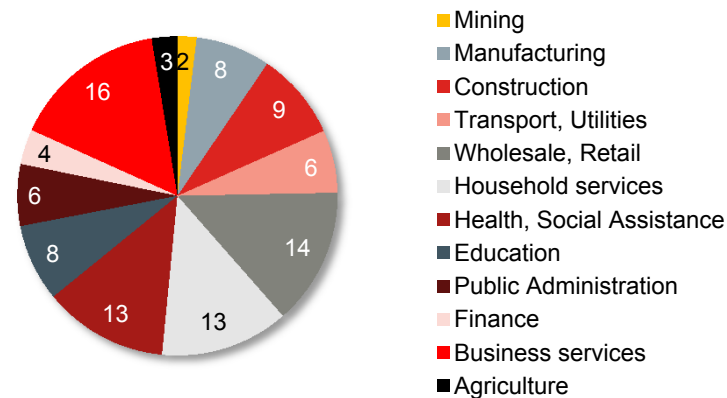
Services sectors creating the vast bulk of new jobs

Australia: more than just mining

Sector contribution to GDP (%)¹

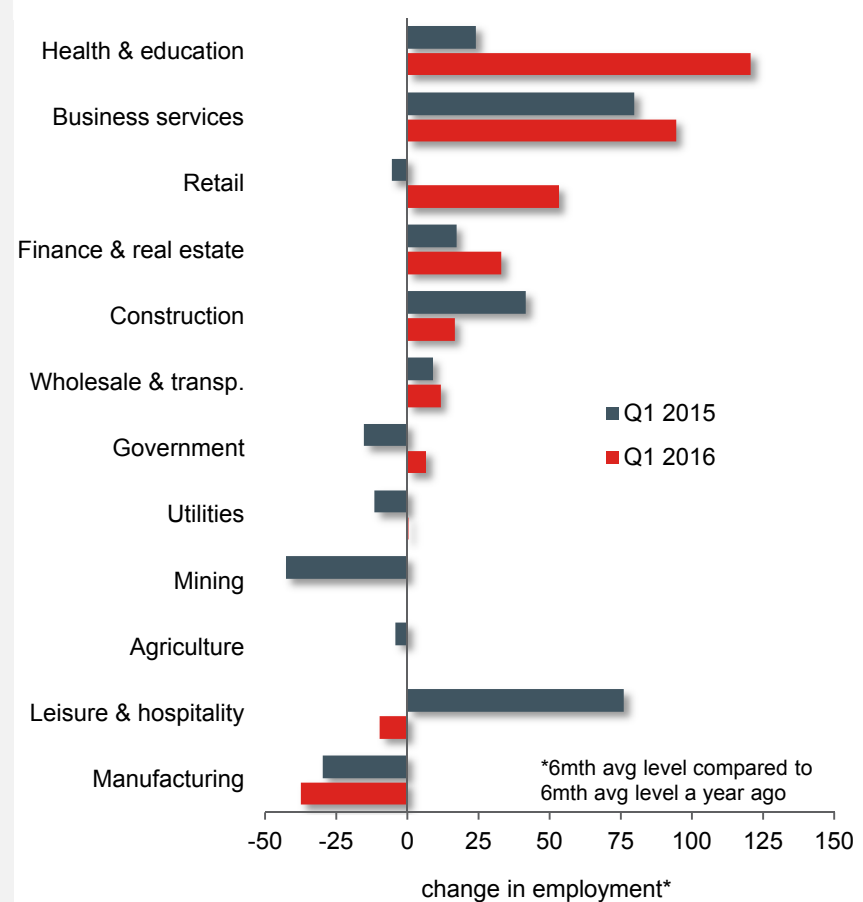


Australian employment by sector 2015 (%)



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

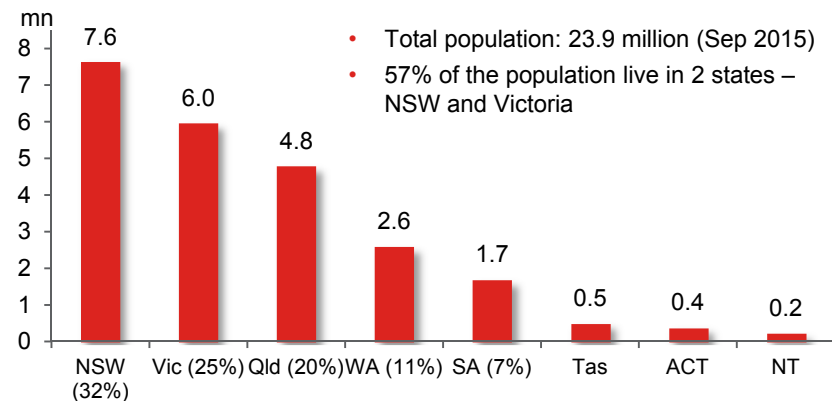
Australia: employment by sector (annual change, '000)



Sources: ABS, Westpac Economics.

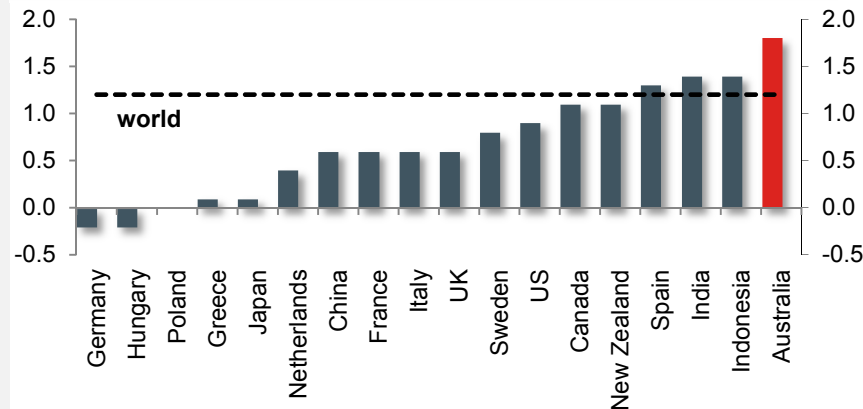
Australia's **population** and **State** breakdown

Australian population by State (million)



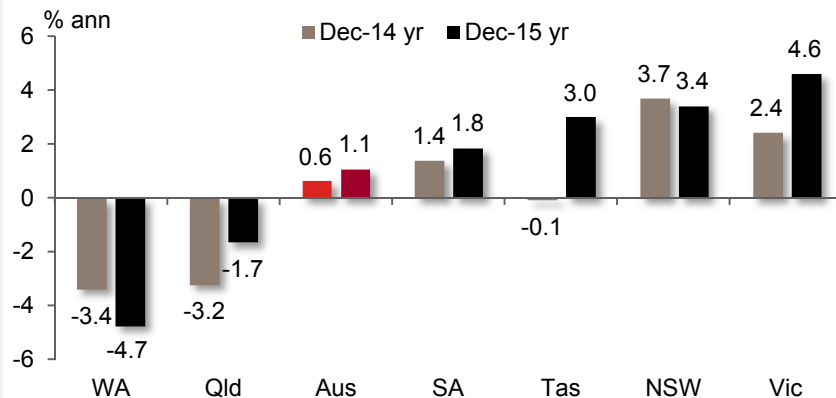
Sources: ABS, Westpac Economics

Population growth (average 2005-10) (%)



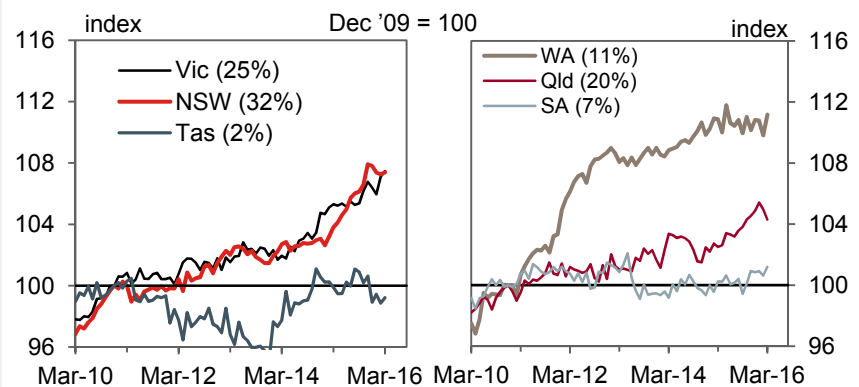
Sources: UN, Westpac

Domestic final demand (% ann)



Sources: ABS, Westpac Economics

State jobs markets (index, share of total employment)



Sources: ABS, Westpac Economics

Australian state economies

Shift in growth with NSW the pace setter

- Domestic demand growth is shifting from the mining states of WA and Qld, to NSW and Victoria
 - 1 in 3 Australians live in NSW, with a similar number spread across WA and Qld, some 25% are in Victoria, and 12% reside in the smaller states and territories
- The downturn in mining investment and in global commodity prices is being particularly hard felt in WA and Qld, with per capita consumer spending is growing weakly or contracting
- The NSW economy, held back by the high interest rates prevailing during the mining boom, has responded strongly to low rates and to the lower dollar. Home building is in a catch-up phase and consumer spending growth is around trend, supported by gains in population, house prices and wage incomes
- In Victoria, conditions are also being supported by low interest rates and a sharply lower dollar. Home building activity has increased strongly and the service sectors (education and tourism) are expanding
- The exchange rate plays a key role in adjusting to swings in global commodity prices and in facilitating a rebalancing of growth between the mining and non-mining sectors of the economy

WA

POPULATION
2.6 million

SIZE OF ECONOMY
17% of Australian GDP

GROWTH
3.5% for 2014/15
1.5% forecast for 2015/16

HOUSE PRICES
Perth house prices down
2.0%yr to Mar-16

QLD

POPULATION
4.8 million

SIZE OF ECONOMY
19% of Australian GDP

GROWTH
0.5% for 2014/15
4.0% forecast for 2015/16

HOUSE PRICES
Brisbane house prices up
5.1%yr to Mar-16

SA

POPULATION
1.7 million

SIZE OF ECONOMY
6% of Australian GDP

GROWTH
1.6% for 2014/15
1.5% forecast for 2015/16

HOUSE PRICES
Adelaide house prices up 3.2%yr
to Mar-16

VIC

POPULATION
6.0 million

SIZE OF ECONOMY
22% of Australian GDP

GROWTH
2.5% for 2014/15
3.0% forecast for 2015/16

HOUSE PRICES
Melbourne house prices up
9.8%yr to Mar-16

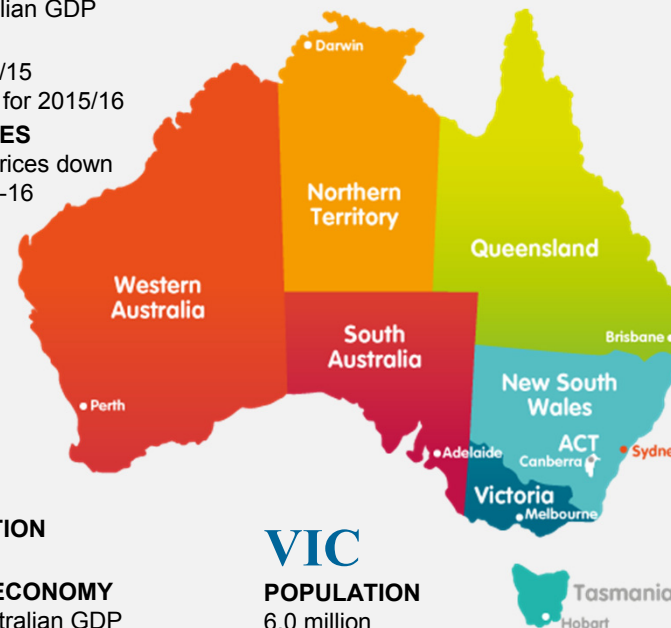
NSW

POPULATION
7.6 million

SIZE OF ECONOMY
31% of Australian GDP

GROWTH
2.4% for 2014/15
3.0% forecast for 2015/16

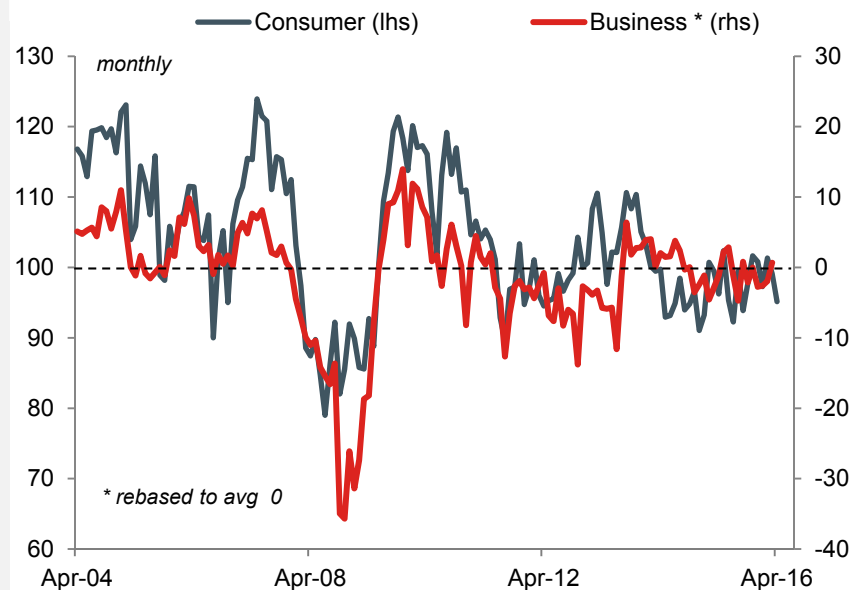
HOUSE PRICES
Sydney house prices up
7.4%yr to Mar-16



Sources: ABS, CoreLogic RP Data, Westpac Economics

Credit growth **expanding at a modest pace**

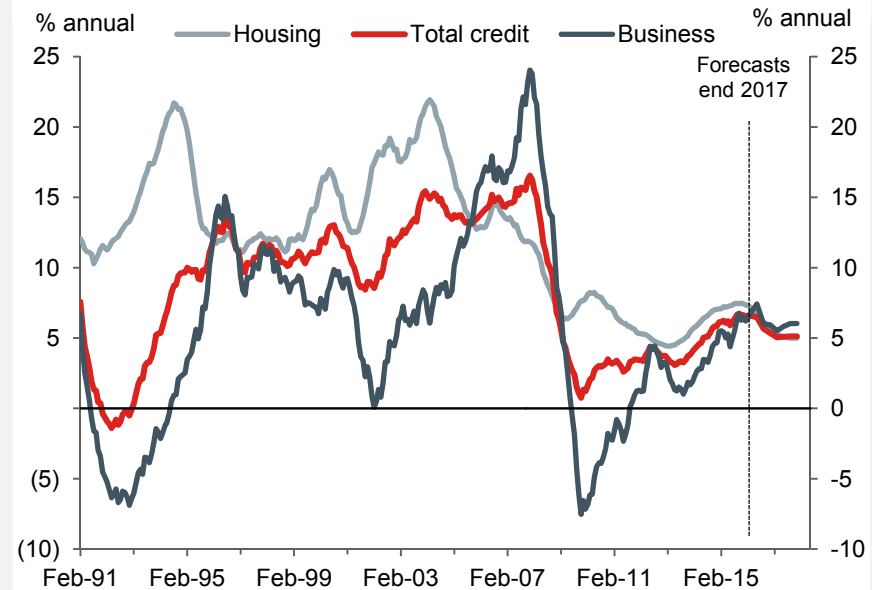
Business confidence and consumer confidence (net balance)



Sources: Westpac MI, NAB, Westpac Economics.

- Consumer sentiment improved in 2015, responding positively to the RBA's February and May rate cuts. Although, in April 2016, sentiment dipped to 95 from 99 in March, ahead of the May Federal Budget.
- A change in Federal Government leadership in Sep 2015 provided a modest lift and job loss fears have started to abate but consumer views on housing have weakened, with a stabilisation apparent in 2016
- 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, albeit varying across industries

Australian private sector credit growth (% ann)

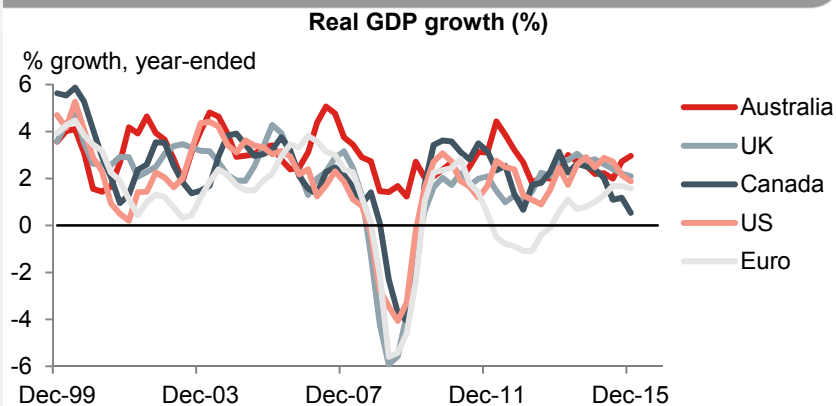


Sources: RBA, Westpac Economics.

- Credit growth lifted to 6.6% in the year to December 2015 with both housing and business responding to lower interest rates
- Credit growth is expected to slow to 5.3% in 2016, with housing credit growth moderating from 7.4% to 5.6% as higher mortgage rates and regulatory constraints on investor housing continue to have an impact, while business credit growth is forecast to remain robust at 6.0%, in line with the 6.4% outcome for 2015

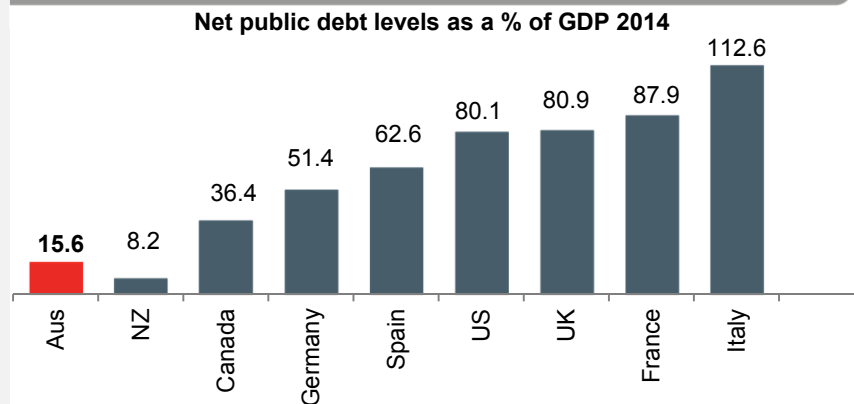
Australia economy: fiscal and monetary flexibility remain

GDP well placed relative to other developed economies



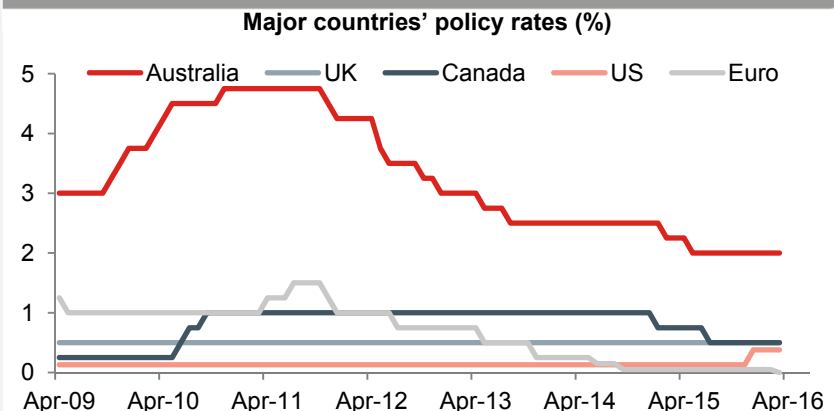
Sources: OECD, Westpac Economics.

Fiscal position remains sound



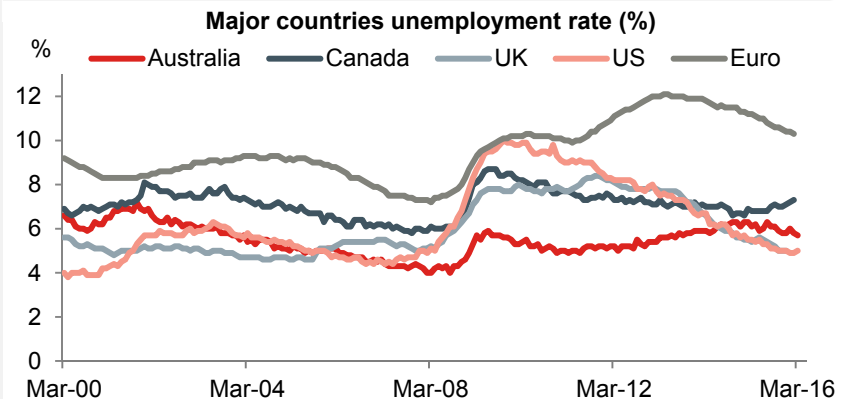
Sources: IMF, Westpac Economics.

RBA still has capacity to reduce rates further



Sources: RBA, OECD, Westpac Economics.

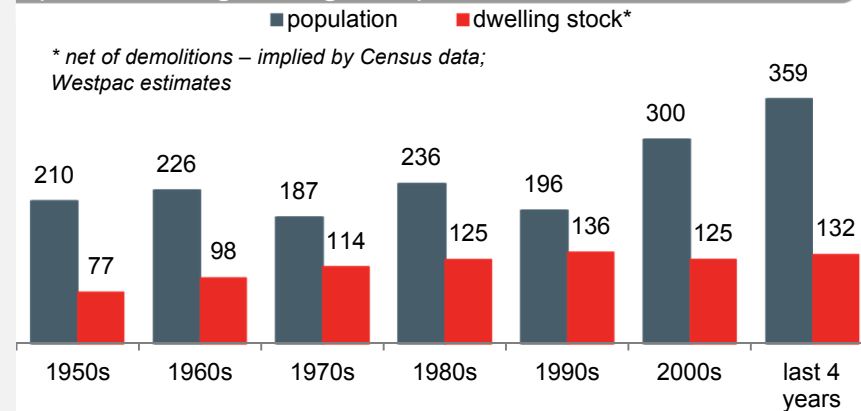
Australian unemployment rate is expected to remain little changed



Sources: OECD, Westpac Economics.

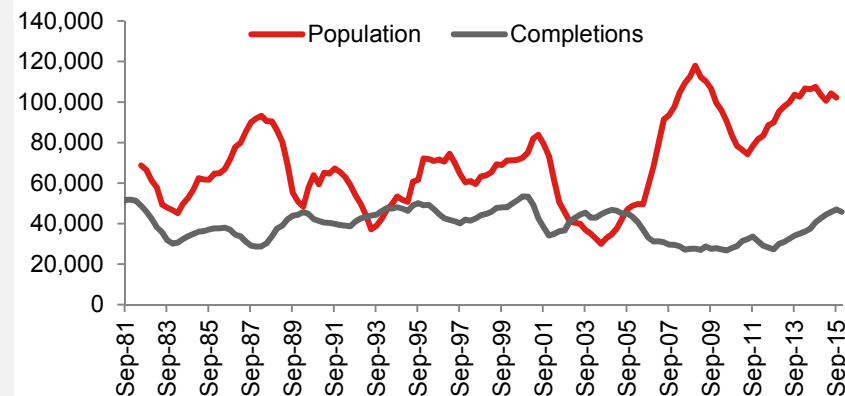
Australian housing market has **sound fundamentals**, Sector moderating

Population versus dwelling stock
(annual average change '000)



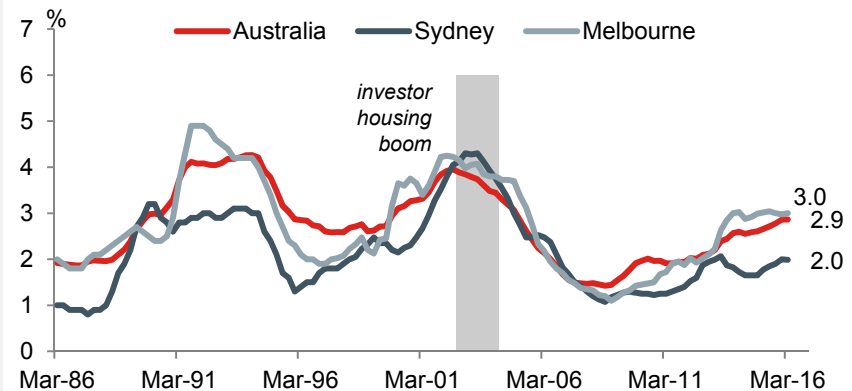
Sources: REIA, Westpac Economics.

New dwelling completions v population growth - NSW (#)



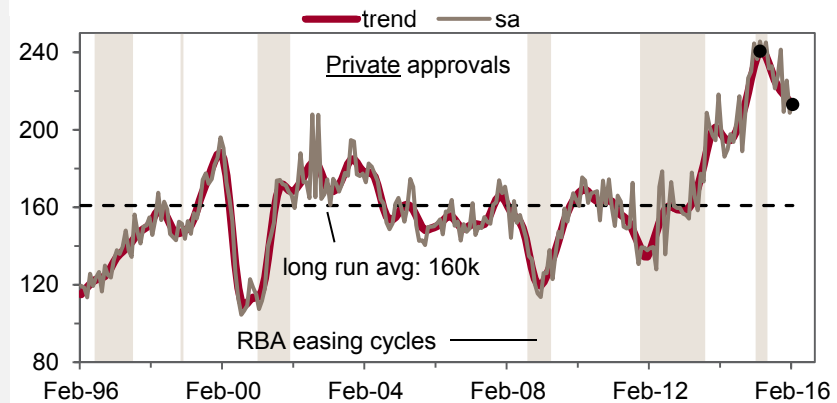
Sources: ABS, Westpac Economics.

Residential rental vacancy rates (%)



Sources: ABS, Westpac Economics.

Dwelling approvals: 11% off their peak ('000 mth, annualised)



Sources: RBA, Westpac Economics

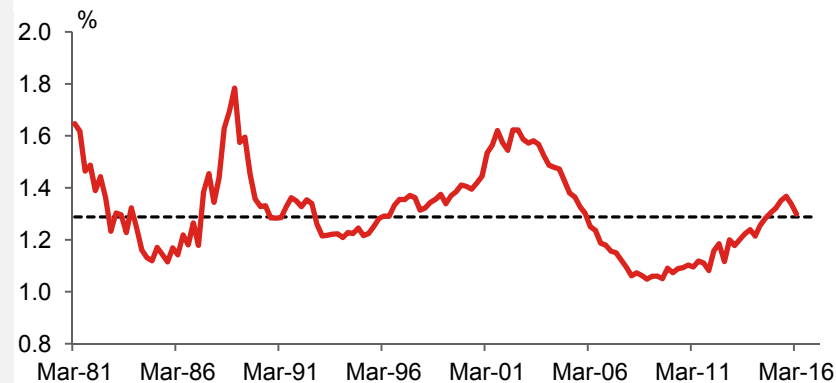
House price growth and activity

Some moderation, geographic differences

- After a surge in the first half of calendar 2015 house price growth has moderated. Nationally, annual price growth has slowed from 10% in June 2015 to 6.6% in March 2016. Activity remains mixed across geographies and market segments.
- Growth rates continue to vary between capital cities¹
 - Sydney up 7.4%yr; average since 2007: 6.3%
 - Melbourne up 9.8%yr; average since 2007: 5.4%
 - Brisbane up 5.1%yr, average since 2007: 1.1%
 - Perth down 2.0%yr, average since 2007: 0.5%
- Housing credit growth is beginning to slow, moderating to 7.1%yr. Net credit growth is being tempered by high levels of repayment. Net of funds accumulating in offset accounts, growth is closer to 6% (RBA est.)

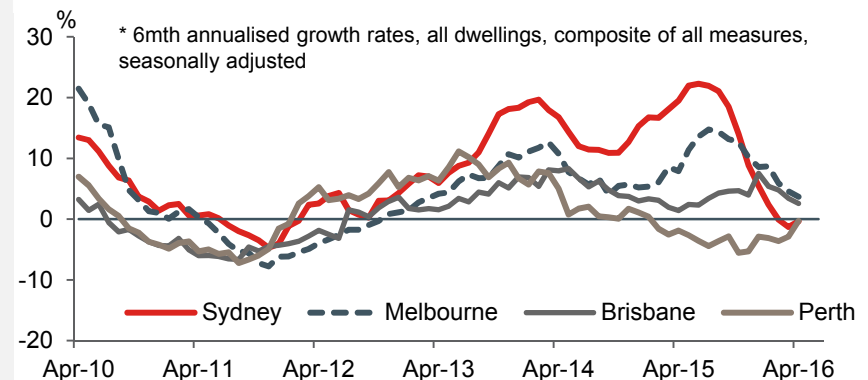
¹ Sources: ABS, Westpac Economics.

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



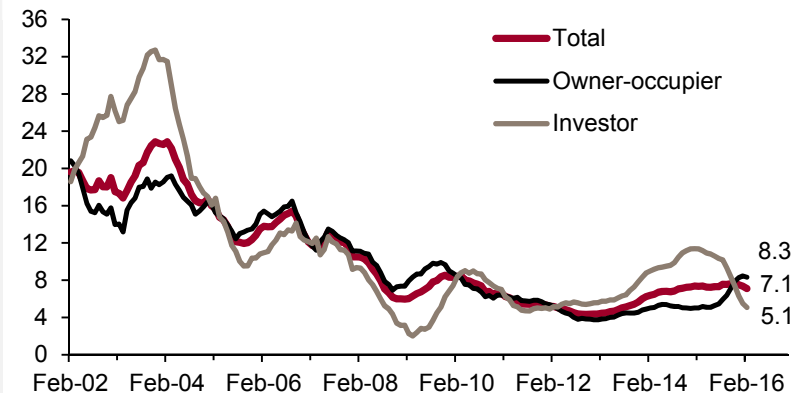
Sources: ABS, CoreLogic RP Data, APM, Residex, Westpac Economics.

Capital city dwelling prices – growth rates (%)



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

Housing credit (6mth % change annualised)



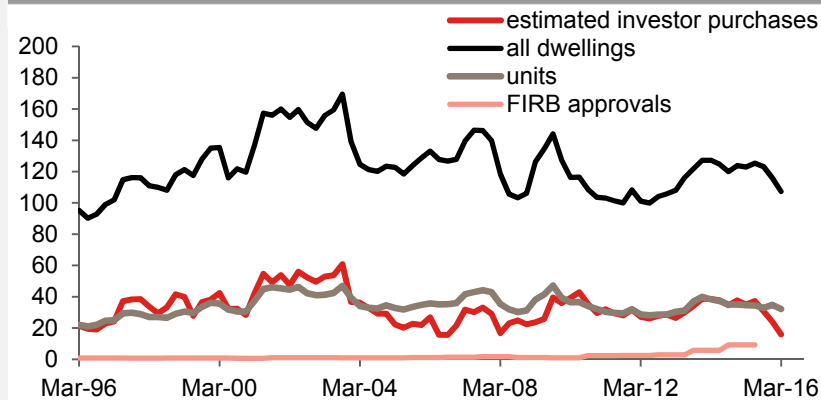
Sources: RBA, Westpac Economics.

Investment property lending **off highs**

- Investor activity responded in 2014 and into 2015 to low vacancy rates, solid rental yields, and 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 and signs are that these measures are having an effect, with investor credit growth slowing from 11.9% in November 2014 to 5.3% in November 2015 on a three month annualised basis¹
- Total market turnover remains below recent peaks and well below the levels seen in 2002-03, when activity was strong (high turnover is often associated with greater speculative activity)

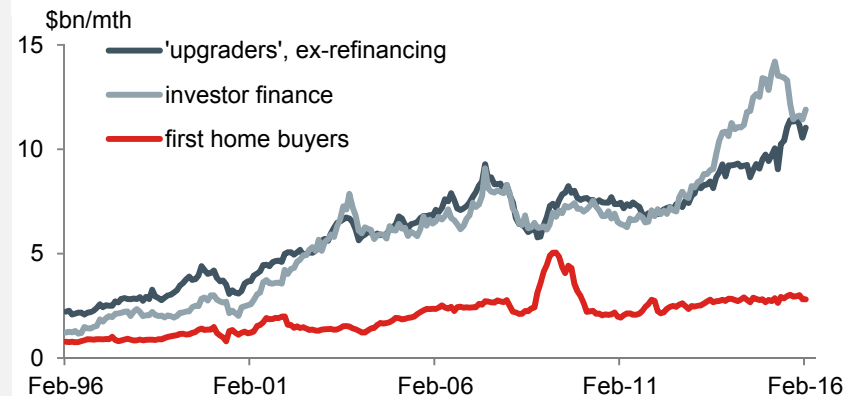
¹ Source: RBA

Dwelling turnover (quarterly # '000)



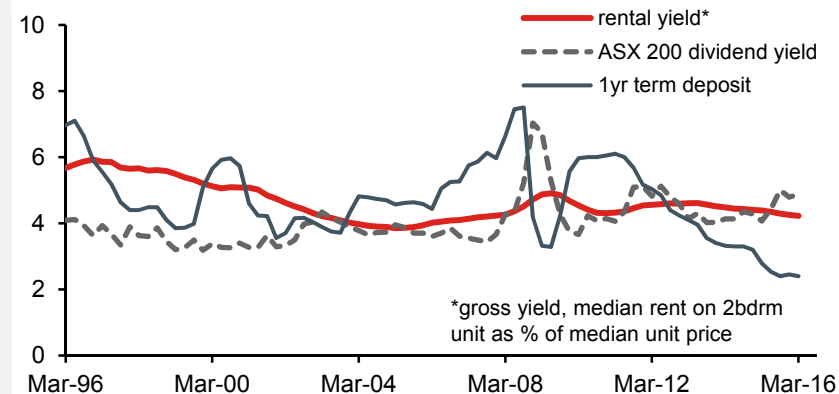
Sources: CoreLogic RP Data, ABS, FIRB, Westpac Economics

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



Sources: ABS, Westpac Economics.

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

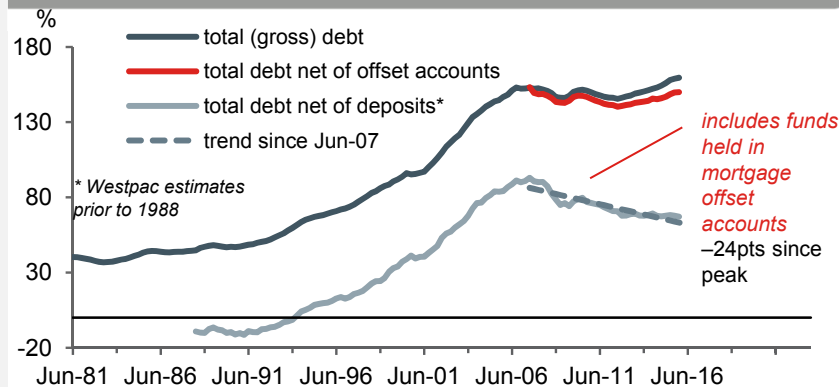


Sources: REIA, RBA, Westpac Economics.

Australian households

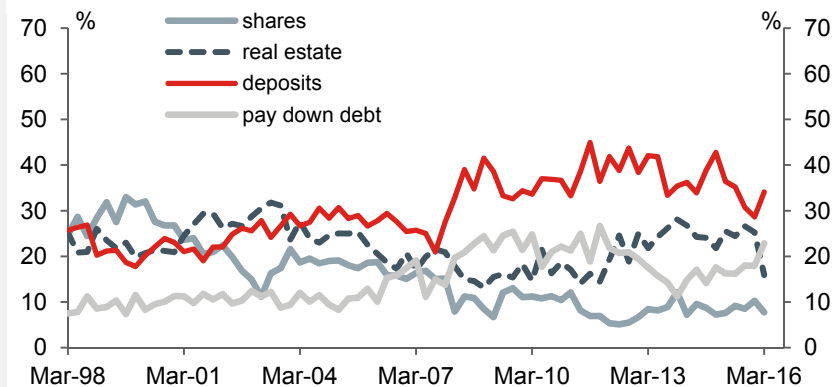
A cautious approach to household finances

Australian households: debt to income ratio (%)



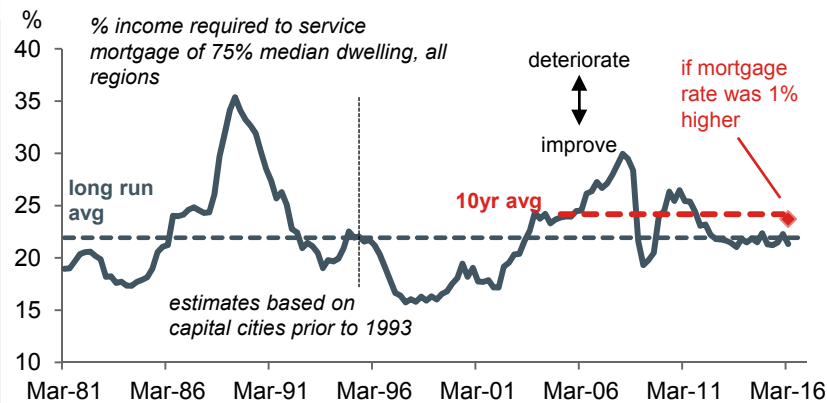
Sources: ABS, RBA, Westpac Economics.

Consumer survey: 'Wisest place for savings'



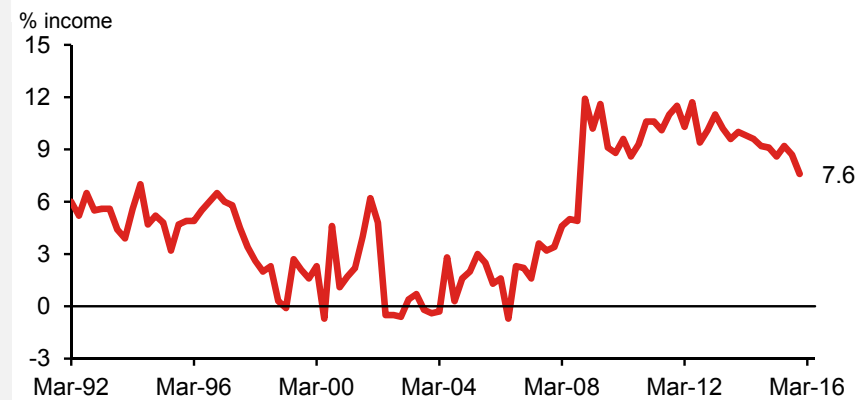
Sources: Melbourne Institute, Westpac Economics.

Housing affordability: all dwellings



Sources: CoreLogic RP Data, Residex, Westpac Economics.

Household savings rate (% income)

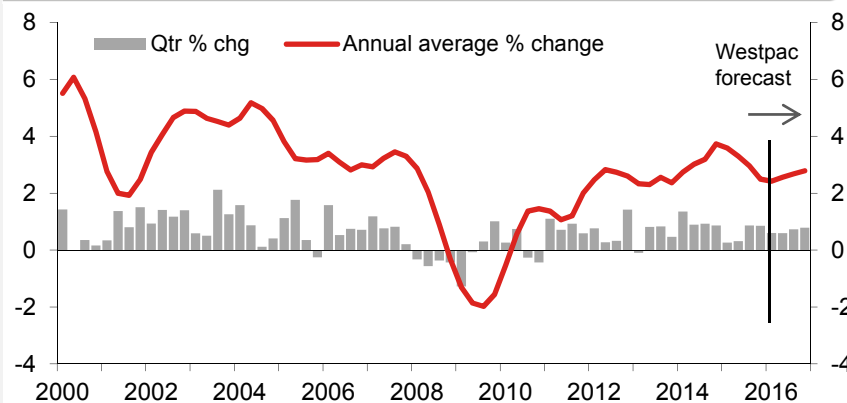


Sources: ABS, Westpac Economics.

New Zealand economy

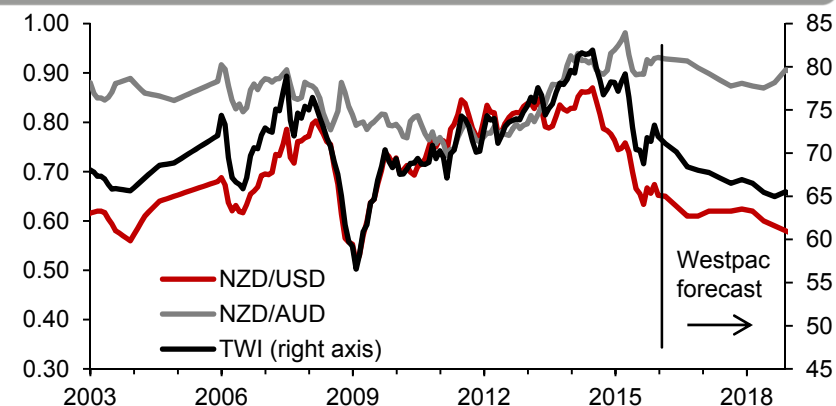
Key economic statistics	FY15	FY16f	Change
GDP annualised average growth	3.0%	2.7%	(30 pts)
Inflation rate	0.4%	0.1%	(30 pts)
Official cash rate (OCR)	2.5%	2.0%	(50 bps)
Unemployment rate	6.0%	5.6%	(40 pts)
Dairy payout (ex dividend) ^{1,2}	\$4.40	\$4.00	(\$0.40)

GDP growth (%)

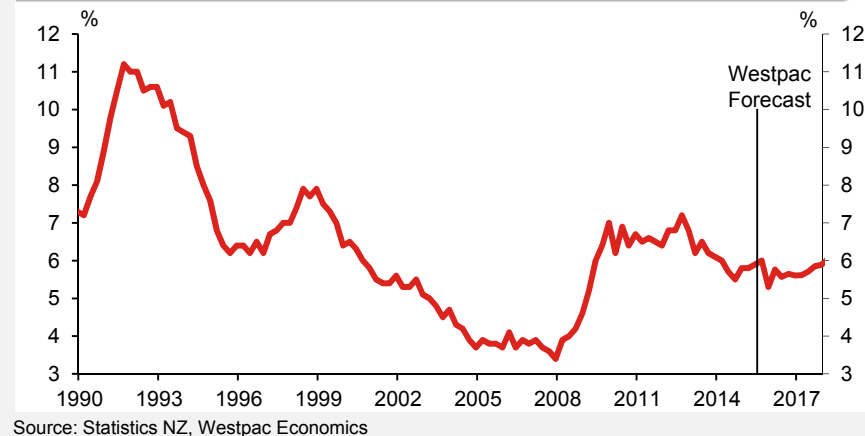


¹ Westpac NZ Economics forecast (ex dividend), Fonterra forecast is \$3.90/kg. ² Seasons ended May.

NZD/USD, NZD/AUD and TWI



New Zealand unemployment rate (%)

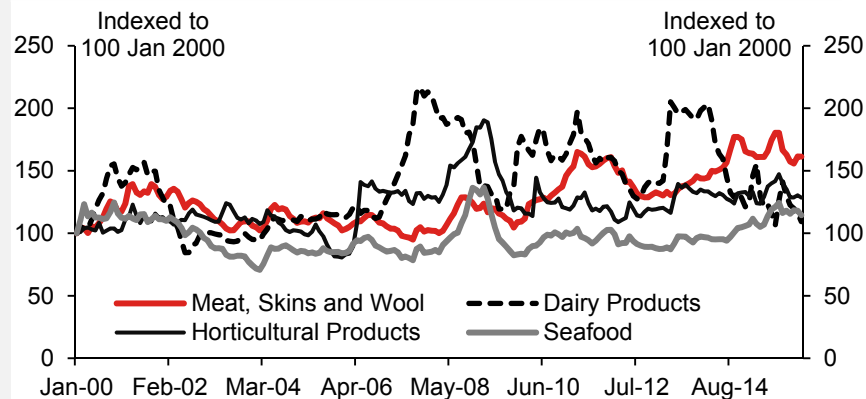


New Zealand economy

Conditions remain challenging for dairy sector

- Global dairy prices have fallen around 20% over the last year
- Prices have been weighed down by lacklustre demand from China and strong growth in global supply, especially out of Europe
- Westpac Economics expect the sustained period of lower prices will eventually lead to slower growth in global milk supply. However, this is taking some time. Westpac Economics payout forecasts assume dairy prices remain around current levels until late 2016 before gradually starting to improve
- While dairy prices remain in the doldrums, prices for some of New Zealand's other agricultural commodity exports have been holding up better. In particular horticulture, beef and wine sectors have been doing well due to decent demand conditions in advanced economies as well as a lower NZ dollar

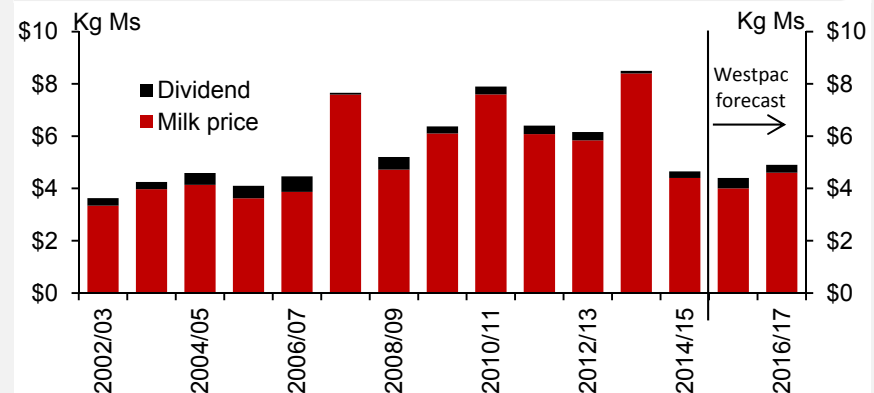
NZ export commodity price index (NZD)



Source: ANZ, Westpac

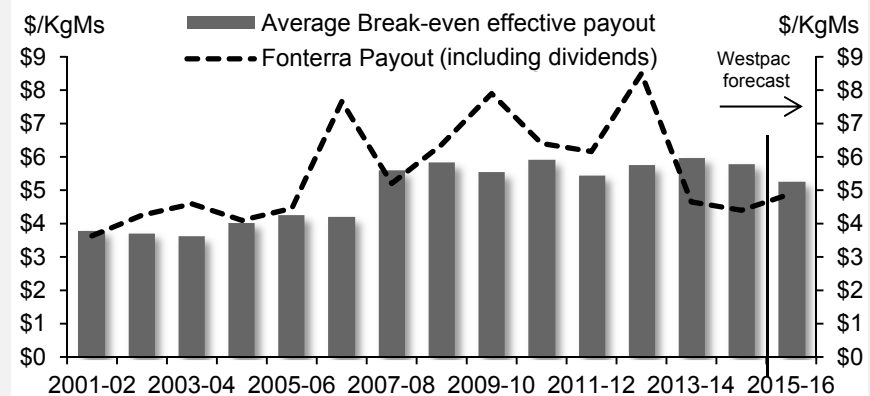
1 Westpac NZ Economics forecast (ex dividend), Fonterra forecast is \$3.90/kg. 2 Seasons ended May.

Dairy payout and dividend¹



Source: Westpac Economics

Break-even dairy payout



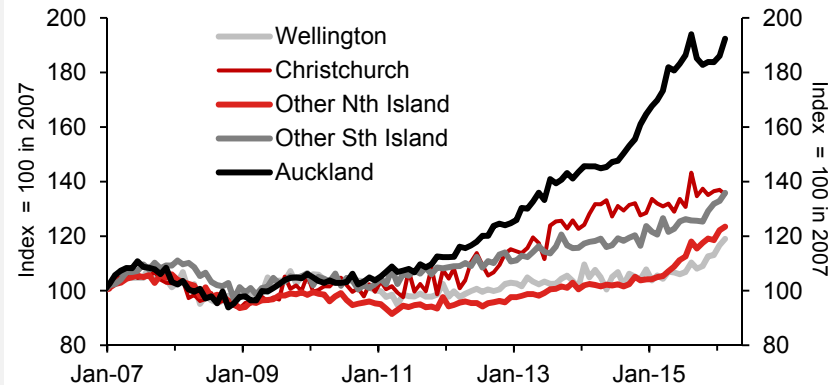
Source: RBNZ, DairyNZ, Westpac, Fonterra

New Zealand economy

Housing sales have slowed, but prices picking up

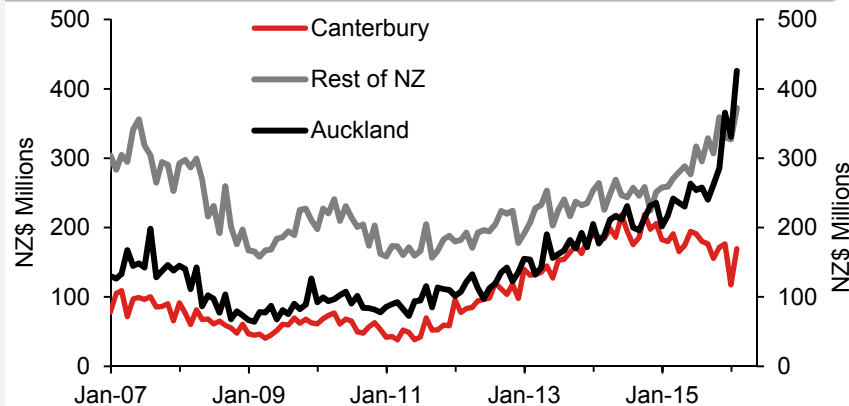
- Following new regulations in late 2015 there has been a slowdown in the Auckland housing market, with sales down from their peak
- However, we are seeing signs that house price inflation is picking up, especially in Auckland. After some softer months, Auckland house prices rose in March and are nearly back to the levels reached in September 2015
- Outside Auckland, house prices are accelerating in most regions, thanks to low borrowing rates and, at the margin, less restrictions on lending outside of Auckland
- RBNZ LVR restrictions remain in place
 - Investors in the Auckland Council area require a deposit of at least 30%
 - Loans to owner-occupiers in Auckland >80% LVR limited to 10%
 - Loans >80% LVR outside of Auckland limited to 15%

New Zealand house prices by region (index)



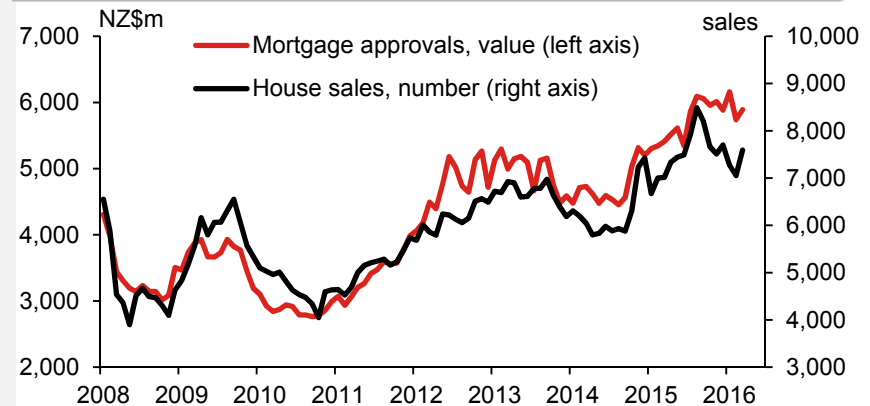
Source: REINZ, Westpac Economics

Residential building consents by value (seasonally adjusted)



Source: Statistics NZ

Housing turnover



Source: RBNZ, REINZ



Financial results based on cash earnings unless otherwise stated. Refer page 33 for definition. Results principally cover the 1H16, 2H15 and 1H15 periods. Comparison of 1H16 versus 2H15 (unless otherwise stated)

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Appendix and Disclaimer

Westpac GROUP

EST. 1817

Appendix 1: Cash earnings adjustments

Cash earnings adjustment	1H15 \$m	2H15 \$m	1H16 \$m	Description
Reported net profit	3,609	4,403	3,701	
Partial sale of BTIM	0	(665)	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	0	354	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 does not reflect ongoing operations
Amortisation of intangible assets	73	76	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	35	31	7	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	0	(64)	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	26	(59)	83	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	(1)	2	26	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	37	(36)	8	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
Buyback of government guaranteed debt	(1)	0	0	The Group has bought back certain Government guaranteed debt issues which reduced the Government guarantee fees (70bps) paid. In undertaking the buybacks, a cost was incurred reflecting the difference between current interest rates and the rate at which the debt was initially issued. In the reported result, the cost incurred was recognised at the time of the buyback. In cash earnings, the cost incurred was being amortised over the original term of the debt that was bought back, consistent with a 70bp saving being effectively spread over the remaining life of the issue. The cash earnings adjustment gives effect to the timing difference between reported results and cash earnings
Cash earnings	3,778	4,042	3,904	

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, call centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. CB also works in an integrated way with BTFG and WIB in the sales and service of select financial services and products including in wealth and foreign exchange. The revenue from these products is mostly retained by the product originators
Business Bank	Business Bank (BB) is responsible for sales and service to micro, SME and commercial business customers for facilities up to around \$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
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 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, and financial advice brands and operates under the banking brands of Westpac, St.George, Bank of Melbourne and BankSA for Private Wealth and Insurance. BTIM is 31% 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's divisions

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 branches and subsidiaries located in Australia, New Zealand, the US, UK and Asia. WIB is also responsible for Westpac Pacific currently providing a range of banking services in Fiji, PNG and Vanuatu. 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 NZ	Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumers, business and institutional customers across New Zealand. Westpac conducts its New Zealand operations through two banks: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Retail activities are conducted via specialist consumer relationship managers through an extensive network of branches, call centres and ATMs across both the North and South Islands. Business and institutional customers are served through relationship and specialist product teams. Consumer and Business customers are also supported by an extensive range of internet and mobile banking solutions. Banking products are provided under the Westpac brand while insurance and wealth products are provided under the Westpac Life and the BT brands.
Group Businesses or GBU	Group Businesses provides centralised Group functions, including Treasury and Finance

Appendix 2: Definitions (continued)

Financial performance

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 page 130.
Core earnings	Net operating income less operating expenses
AIEA	Average interest-earning assets
Net interest margin	Net interest income divided 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)

Asset quality

TCE	Total committed exposures
Stressed loans	Stressed loans are the total of watchlist and substandard, 90 days past due well secured and impaired assets
Impaired assets	<p>Impaired assets can be classified as</p> <ol style="list-style-type: none"> 1. Non-accrual assets: Exposures with individually assessed impairment provisions held against them, excluding restructured loans 2. Restructured assets: exposures where the original contractual terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer 3. 90 days past due (and not well secured): exposures where contractual payments are 90 days or more in arrears and not well secured 4. other assets acquired through security enforcement 5. any other assets where the full collection of interest and principal is in doubt
90 days past due and not impaired	A loan facility where payments of interest and/or principal are 90 or more calendar days past due and the value of the security is sufficient to cover the repayment of all principal and interest amounts due, and interest is being taken to profit on an accrual basis
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 statement of 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 of assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data

Appendix 2: Definitions (continued)

Key metrics

Net Promoter Score or NPS	<p>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 ScoreSM is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.</p> <p>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).</p> <p>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)</p>
Business NPS	Source: DBM Consultants Business Financial Services Monitor, March 2014-2016, 6MMA. MFI customers, all businesses
SME NPS	Source: DBM Consultants Business Financial Services Monitor, March 2014-2016, 6MMA. MFI customers, SME businesses. SME businesses are those organisations with annual turnover under \$5 million (excluding Agricultural business)
Westpac Group NPS rank	The ranking refers to Westpac Group's position relative to the other three major Australian banking groups (CBA Group, NAB Group, and ANZ Group)
Customer satisfaction or CSat – overall consumer	Source: Roy Morgan Research, March 2015 - 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 or CSat – overall business	Source: DBM Consultants Business Financial Services Monitor, March 2015 - 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')

Key metrics (continued)

Australian customers with wealth products metrics provider	<p>Data based on Roy Morgan Research, Respondents aged 14+ and 12 month average to March 2016. 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</p> <p>Westpac includes Advance Bank (rev. Oct 2011) (until Dec 2015), Asgard, Bank of Melbourne (until Jul 2011), BT, Bankers Trust, BT Financial Group, Challenge Bank, RAMS (until Dec 2011), Rothschild, Sealcorp and Westpac</p> <p>St.George brands include Advance Bank, BankSA, Bank of Melbourne (from Aug 2011), Dragondirect, St.George and RAMS (from Jan 2012)</p> <p>Westpac Group includes Bank of Melbourne, BT, Bankers Trust, BT Financial Group, Challenge Bank, RAMS, Rothschild, Westpac, Advance Bank, Asgard, BankSA, Dragondirect, Sealcorp and St.George</p> <p>'Peers includes: ANZ Group, CBA Group, NAB Group, Westpac and St.George brands'</p>
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
New Zealand online banking NPS	Source: Internal survey "Voice of Customer". March 2016, 6MMA. 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)
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

Appendix 2: Definitions (continued)

Capital		Other	
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 based risks (ie market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5	Liquidity coverage ratio (LCR)	The level of high quality liquid assets (as defined by APRA) over total cash outflows in a 30-day defined stressed scenario
		High quality liquid assets (HQLA)	As defined by APRA in Australian Prudential Standard APS210: Liquidity, including RBNZ BS-13 qualifying liquid assets, less RBA open repos funding and end of day exchange settlement accounts
		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
Capital ratios	As defined by APRA (unless stated otherwise)	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). 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%
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	Credit value adjustment (CVA)	CVA adjusts the fair value of over-the-counter derivatives and 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
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, identified in page 84. Methodology aligns with the APRA study titled "International capital comparison study" dated 13 Jul 2015	Derivative valuation adjustments	In First Half 2015 changes were made to derivative valuation methodologies, which include the first time adoption of the FVA for uncollateralised derivatives. The impact of these changes resulted in a \$122 million (pre-tax) charge which reduced non-interest income

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www.westpac.com.au/investorcentre

- Annual reports
- Presentations and webcasts
- 5 year financial summary
- Prior financial results

Investor Centre

Information and support for Westpac Securityholders and those considering investing in Westpac.

Latest news

- 2016 Half Yearly Financial Results Template and Media Release - Monday, 18 April 2016
- Consumer Bank and Business Bank update - Thursday, 24 March 2016
- Westpac New Zealand update was held Tuesday, 8 March 2016
- Westpac announces December quarter Pillar 3 report and supporting presentation
- Westpac's 2015 Annual Reporting suite released

Key dates and events

- Westpac's 2016 Half Year Results - to be announced on Monday, 2 May 2016
- See our full financial calendar for dates

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Westpac financial calendar

Shareholder information, important dates and announcements.

View calendar

2015 final dividend:

94 cents per share
Fully franked and paid on 21 December 2015
DRP price per share: \$31.83
Full announcement

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The information is supplied in summary form and is therefore not necessarily complete. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

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 Interim 2016 Financial Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2016 available at www.westpac.com.au for details of the basis of preparation of cash earnings. Refer to page 33 for an explanation of cash earnings and Appendix 1 page 130 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', or 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. 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.