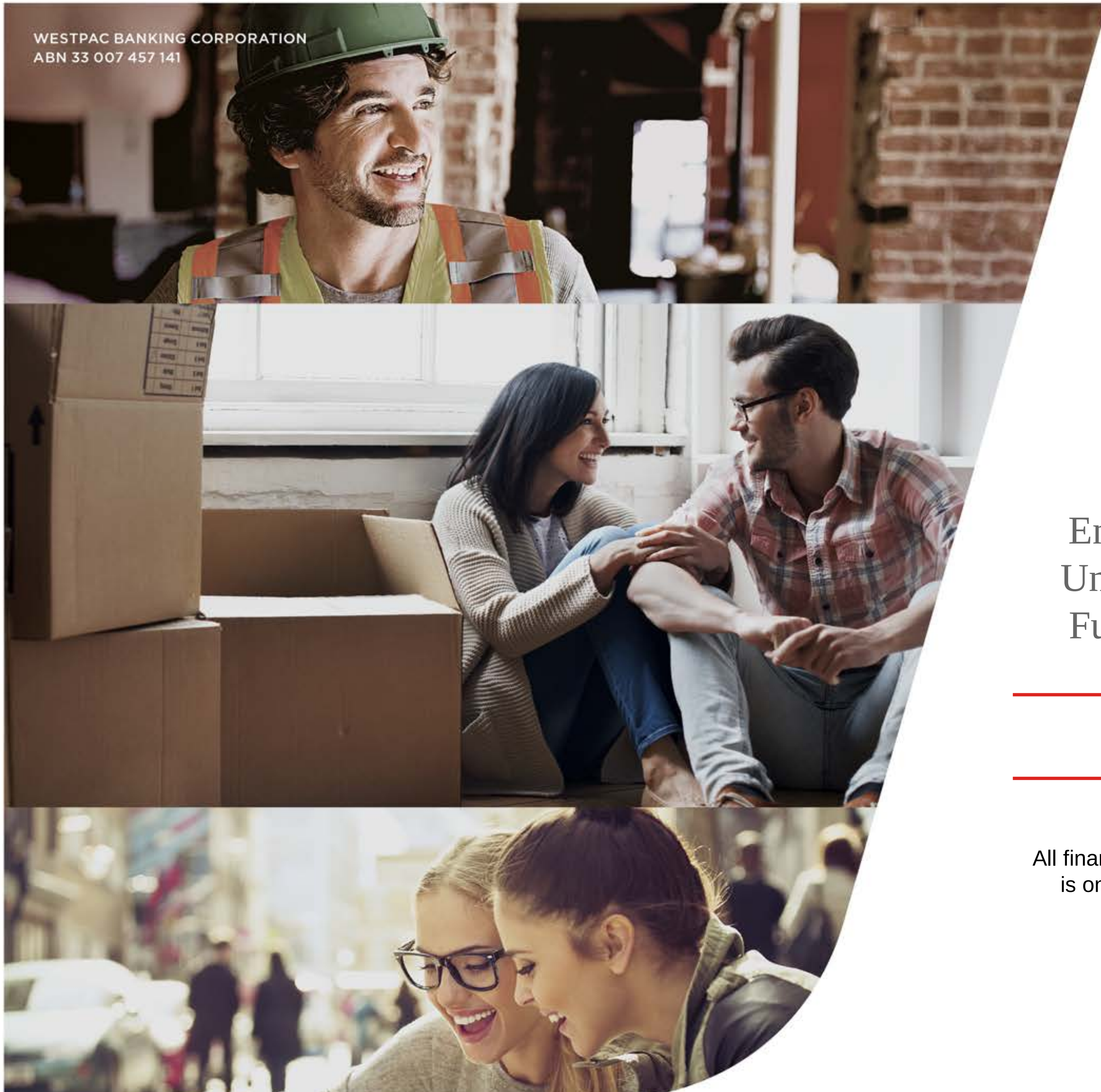

Entitlement Offer and Unaudited Preliminary Full Year 2015 Result

OCTOBER 2015

All financial information for Full Year 2015 is on an unaudited preliminary basis (unless otherwise stated)

Westpac GROUP

EST. 1817

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FINANCIAL INFORMATION AND REFERENCES TO WESTPAC

In this presentation, unless otherwise stated or the context requires otherwise, references to 'dollar amounts', '$', 'AUD' or '$A' are to Australian dollars.

Statutory net profit has been prepared in accordance with Westpac Banking Corporation's accounting policies, these are available in the 2014 Annual Report available at www.westpac.com.au/investorcentre.

Certain financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-IFRS measure. Refer to Appendix 3 for more details of the basis of preparation of cash earnings.

All comparisons are with Full Year 2014 unless otherwise stated. All results relating to Full Year 2015 are on an unaudited preliminary basis. Components in the determination of regulatory capital are estimates and may change. These will be finalised in Westpac's Full Year 2015 results on 2 November 2015.

The pro forma historical financial information included in this presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

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Westpac st.george bankSA Bank of Melbourne RAMS BT Financial Group

Executive summary

Unaudited preliminary Full Year 2015 result compared to Full Year 2014	• Statistical net profit of $8.0 billion, up 6% • Cash earnings[1] of $7.8 billion, up 3% • APRA common equity Tier 1 (CET1) capital ratio of around 9.4%, up from 9.0% • Expect to determine a final 2015 dividend of 94 cents per share, up 2 cents per share on final 2014 dividend
Entitlement Offer	• Fully underwritten, pro rata accelerated renounceable entitlement offer (with retail rights trading) of Westpac ordinary shares to raise approximately $3.5 billion • Eligible shareholders can purchase 1 New Share for every 23 ordinary shares held • Offer price of $25.50 per New Share, implies a 13.1% discount to the final 2015 dividend adjusted Theoretical Ex-Rights Price (TERP)[2,3] of $29.33 • New Shares issued are not entitled to the final 2015 dividend
Impact of Entitlement Offer	• Responds to increases in mortgage risk weights effective from 1 July 2016 • Strengthens Westpac's regulatory capital position – Adds approximately 100bps to Westpac's CET1 capital ratio – Internationally comparable[4] pro forma CET1 capital ratio of approximately 14.1% placing Westpac within the top quartile of international peers
Key dates	• Institutional Entitlement Offer 14 – 15 October 2015 • Record date for entitlements - 19 October 2015 • Retail entitlements trading 19 October – 4 November 2015 • Retail Entitlement Offer 23 October – 11 November 2015

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 in net profit determined in accordance with Australian Accounting Standards. Refer slide 40 for further details. 2 TERP is the theoretical price at which Westpac shares should trade immediately after the ex-date for the Entitlement Offer. For further details refer slide 42. 3 TERP is $29.33 and is adjusted by subtracting the expected final 2015 dividend of 94 cents per share. 4 The basis of the internationally comparable CET1 capital ratio aligns with the APRA study titled "International capital comparison study", dated 13 July 2015. For more details on adjustments made refer slide 19.

Unaudited preliminary Full Year 2015 result highlights[1]

- Statutory net profit of $8,012 million, up 6%
- Cash earnings of $7,820 million, up 3%
  - Cash earnings in 2H15 $4,042 million, up 7% on 1H15
- Cash earnings per share of 249.5 cents, up 2%
- Cash return on equity (ROE) of 15.8%, down 57bps
- Asset quality continued to improve
  - Stressed exposures to total committed exposures (TCE) 0.99% down 25bps
  - Group mortgage +90 days delinquencies 0.42%, down 3bps
  - Impairment charges higher, largely from lower benefits from stress reduction
- Strong capital position, with APRA CET1 capital ratio around 9.4%, which will be further strengthened following completion of this Entitlement Offer
- Expect to determine a final 2015 dividend of 94 cents per share

1 All comparisons are with FY14 unless otherwise stated. All results relating to Full Year 2015 are on an unaudited preliminary basis. Components in the determination of regulatory capital are estimates and may change. These will be finalised in Westpac's FY5 results on 2 November 2015.

Unaudited preliminary Full Year 2015 cash earnings[1]

	FY14 $m	FY15 $m	Change FY15-FY14	Comments
Net interest income	13,496	**14,239**	6%	Average-interest earning assets up 6%, net interest margin flat at 2.08%
Non-interest income	6,324	**6,301**	0%	Sound growth in wealth and insurance combined with a positive impact from hedging offshore earnings were offset by higher insurance claims from severe weather events, the partial sale of BTIM in 2H15, lower performance fees and lower trading income including from the impact of derivative adjustments[2] in 1H15
Net operating income	19,820	**20,540**	4%	
Operating expenses	(8,246)	**(8,635)**	5%	Increase mostly driven by investment in initiatives supporting growth including in wealth, SME[3] and digital
Core earnings	11,574	**11,905**	3%	
Impairment charges	(650)	**(753)**	16%	Asset quality improved over the year. However, impairment charges were higher as benefits from stress reduction were lower. Direct write-offs were also higher
Tax and non-controlling interests	(3,296)	**(3,332)**	1%	Effective tax rate of 29.4%, broadly in line with FY14 (29.6%). Non-controlling interests were 12% lower following the partial sale of BTIM
Cash earnings	7,628	**7,820**	3%	

1 On cash earnings basis unless otherwise stated. 2 In 1H15 changes were made to derivative valuation methodologies, which included the first time adoption of funding valuation adjustment (FVA) to the fair value of derivatives. The impact of these changes resulted in a $122m (pre-tax) charge which reduced non-interest income. 3 Small to medium enterprise.

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Cash earnings and statutory net profit reconciliation[1]

Statutory net profit

	FY14 $m	FY15 $m	Change FY15-FY14
Net interest income	13,542	**14,267**	5%
Non-interest income	6,395	**7,375**	15%
Operating income	19,937	**21,642**	9%
Operating expenses	(8,547)	**(9,473)**	11%
Core earnings[2]	11,390	**12,169**	7%
Impairment charges	(650)	**(753)**	16%
Profit before income tax	10,740	**11,416**	6%
Income tax and NCI[3]	(3,179)	**(3,404)**	7%
Net profit after tax	7,561	**8,012**	6%

Statutory net profit and cash earnings[4] adjustments

	FY15 $m
Statutory net profit after tax	**8,012**
Partial sale of BTIM	**(665)**
Capitalised technology cost balances	**354**
Amortisation of intangible assets	**149**
Acquisition transaction and integration expenses	**66**
Lloyds tax adjustments	**(64)**
Fair value (gain)/loss on economic hedges	**(33)**
Ineffective hedges	**1**
Treasury shares	**1**
Buyback of government guaranteed debt	**(1)**
Cash earnings	**7,820**

Cash earnings[4]

- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- Details on Westpac's cash earnings policy are outlined in Appendix 3
- Noteworthy items excluded from cash earnings this year included
  - Net profit on the partial sale and deconsolidation of BTIM
  - Reduction in capitalised technology cost balances. 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 and writing off the capitalised cost of regulatory program assets where the regulatory requirements have changed
  - Positive tax adjustments arising from the acquisition of Australian businesses of Lloyds Banking Group

1 All financial information for FY15 is on an unaudited preliminary basis. 2 Core earnings is net profit before impairment charges and income tax expense. 3 Non-controlling interests. 4 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. Refer slide 41 for further details of adjustments.

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FY15 financial snapshot

	FY14	FY15	Change FY15-FY14
Earnings[1]			
EPS[2]	245.4c	**249.5c**	2%
Cash earnings	$7,628m	**$7,820m**	3%
Return on equity	16.4%	**15.8%**	(57bps)
Dividend per share (expected to determine final 2015 dividend of 94 cents)	182c	**187c**	3%
Dividend payout ratio	74.2%	**75.4%**	121bps
Expense to income ratio	41.6%	**42.0%**	44bps
Net interest margin	2.08%	**2.08%**	0bps
Net interest margin ex Treasury and Markets	2.01%	**2.03%**	2bps
Impairment charges to average loans	12bps	**12bps**	0bps
Effective tax rate	29.6%	**29.4%**	(21bps)

	FY14	FY15	Change FY15-FY14
Balance sheet and growth			
Total assets	$770.8bn	**$812.2bn**	5%
Loans	$580.3bn	**$623.3bn**	7%
Customer deposits	$409.2bn	**$427.1bn**	4%
Customer deposit to loan ratio	70.5%	**68.5%**	(199bps)
Stable funding ratio	83.2%	**83.8%**	68bps
NTA[3] per share	$11.57	**$13.08**	13%
Total committed exposures	$880.2bn	**$937.1bn**	6%
Funds under management[4]	$55.1bn	**$60.1bn**	9%
Funds under administration	$114.2bn	**$123.7bn**	8%
Life insurance in-force premiums[5]	$792m	**$892m**	13%
General insurance gross written premiums[5]	$462m	**$492m**	6%

1 All measures on an unaudited preliminary cash earnings basis. 2 EPS is earnings per share. 3 NTA is net tangible assets. 4 Funds under management for FY14 has been restated to exclude BTIM. 5 Data is for BTFG Australia only.

Divisional performance[1]

FY15 divisional cash earnings ($m)[2]		Change FY15-FY14	
Westpac Retail & Business Banking	**2,788**	8%	Cash earnings up 8% supported by a 6% increase in revenue. Disciplined balance sheet growth with loans up 6% and deposits up 7%. Net interest margins increased 7bps due to improved deposit spreads. Non-interest income largely flat. Expenses up 4%, mostly from increased investment in digital and self-service options and costs of rolling-out Westpac Live (new online platform). Expense to income ratio down 91bps to 43.3%. Asset quality improved, although impairment charges were 8% higher as benefits from stress reduction were lower. Write-offs also increased, largely due to portfolio growth
St.George Banking Group	**1,688**	7%	Cash earnings up 7% supported by a 7% increase in revenue. Net interest income up 7% from 8% growth in lending and a 3% rise in deposits, with margins flat over the year. Non-interest income rose 8% from higher line fees and income associated with the Lloyds acquisition. Expenses increased 4% with most of the growth due to higher investment. Asset quality improved, although impairment charges were up 19% mostly as benefits from stress reduction were lower
BT Financial Group	**904**	0%	Sound operating performance with FUM (excluding BTIM)[3] up 7% and FUA up 8%. Life in-force premiums up 13% and general insurance gross written premiums up 6%. Growth was offset by higher severe weather insurance claims, lower performance fees and the partial sale of BTIM
Westpac Institutional Bank	**1,286**	(12%)	Cash earnings down 12%. Revenue down 1% due to methodology changes to derivative valuations[4] and the impact of significant global liquidity which contributed to a 15bp reduction in margins. This was partially offset by higher financial markets income. Expenses up 10% due to higher investment, including Asia. Impairment benefit was $96m lower as benefits from stress reduction were lower
Westpac NZ (in A$)	**851**	8%	6% increase in cash earnings in NZ$. In NZ$ revenue up 7%, supported by a 7% growth in lending, deposits up 5% and a 4bp rise in margins. Expenses were up 6% from investment to support the launch of Westpac One (new online platform) and costs associated with the launch of the new reward credit card. Asset quality improved, however, impairment charges were NZ$21m higher as benefits from stress reduction were lower
Other[5]	**303**	(3%)	Cash earnings 3% lower, largely from a reduction in Treasury income

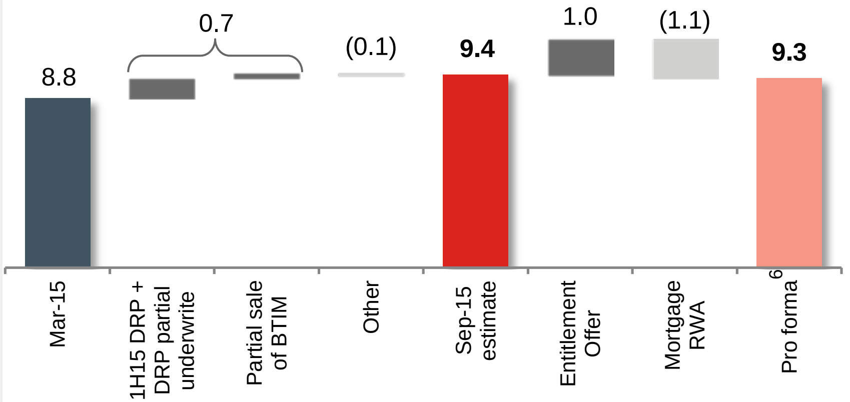
1. On 10 June 2015, Westpac announced a new organisational structure. Results will be aligned to the new structure in FY16. FY15 results are based on the prior structure. 2 Unaudited preliminary cash earnings. 3 Funds under management for FY14 restated to exclude BTIM. 4 In 1H15 changes were made to derivative valuation methodologies, including the first time adoption of funding valuation adjustment to the fair value of derivatives. The impact of these changes resulted in a $122m (pre-tax) charge reducing non-interest income. 5 Other includes Group Businesses (including Treasury) and Westpac Pacific.

Capital materially strengthened[1]

Capital developments

- After allowing for the Entitlement Offer and the impact of changes to mortgage RWA (effective 1 July 2016), Westpac's CET1 capital ratio is above the Group's preferred CET1 capital ratio range of 8.75% - 9.25%
- Westpac is seeking to boost capital by $6.0bn in 2015
  - $2.0bn from 1H15 DRP[2] and partial DRP underwrite (complete)
  - $0.5bn from the partial sale of BTIM (complete)
  - $3.5bn from this Entitlement Offer
- The $6.0bn of capital adds around 170bps to CET1 capital ratio
- Increase in mortgage RWA, if applied at 30 September 2015, would add approximately $42bn to RWA and reduce the CET1 capital ratio by approximately 110bps
- Preferred CET1 capital ratio range remains at 8.75% - 9.25%
  - Maintains appropriate buffer above top of CCB[3] (8%)
  - Known changes in regulatory requirements are largely increasing RWA
- Internationally comparable[4] CET1 capital ratio of around 14.1% (pro forma) places Westpac within top quartile of international peers
- DRP for the final 2015 dividend will be satisfied by issuing shares at no discount. DRP will not be underwritten
- No change to dividend approach. Seek to increase dividends per share within the context of a sustainable payout ratio
- Assuming the $3.5bn in capital had been raised on 1 October 2014, then Westpac's pro forma ROE[5] for Full Year 2015 would have been 14.8% and pro forma EPS[5] would have been 239.0 cents. Does not include impact of future DRP participation or changes in margin or profit

CET1 capital ratio (%) (APRA basis)



Regulatory capital (%)

	Jun-14	Mar-15	Sep-15 est.	Pro forma[6]
CET1 capital ratio	8.3	8.8	9.4	**9.3**
Additional Tier 1 capital	1.7	1.5	1.9	**1.7**
Tier 1 capital ratio	10.0	10.3	11.3	**11.0**
Tier 2 capital	1.7	1.8	1.9	**1.7**
Total regulatory capital ratio	11.7	12.1	13.2	**12.7**
Internationally comparable CET1 capital ratio	11.7	12.2	13.1	**14.1**

1 Components in the determination of regulatory capital are estimates and may change. Will be finalised in FY15 results on 2 Nov 2015. 2 Dividend reinvestment plan. 3 Capital conservation buffer. 4 The internationally comparable CET1 capital ratio aligns with the APRA study titled "International capital comparison study", of 13 July 2015. For more details on adjustments refer slide 19. 5 On a cash earnings basis. 6 Pro forma reflects the impact of the Entitlement Offer and changes to the calculation of RWA for Australian residential mortgages, if they had been in force on 30 Sep 15.

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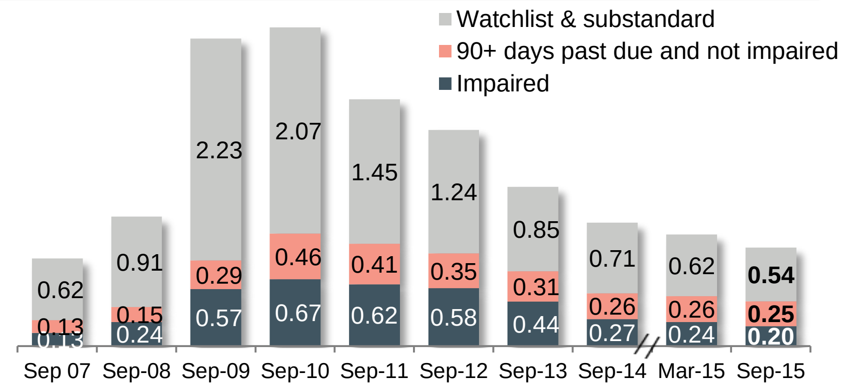
Asset quality improved

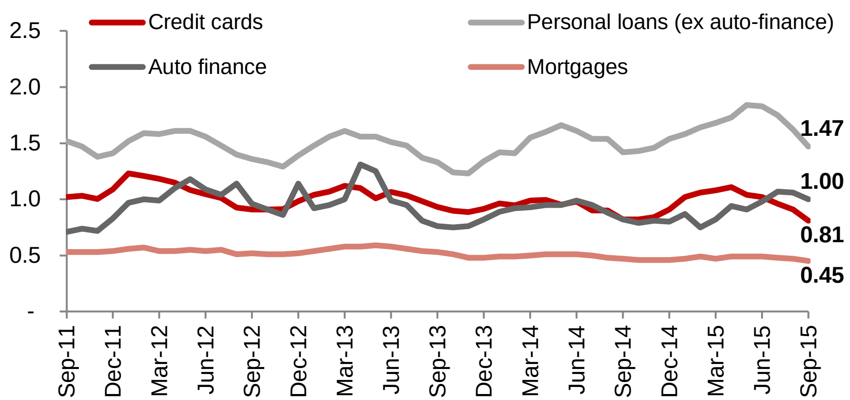
Key asset quality metrics

- Stressed assets down $1.6bn (15%) to $9.2bn
- Australian mortgage 90+ days delinquencies down 2bps to 0.45%, with a drop in delinquency rates in NSW partially offset by higher rates in other states, particularly WA and SA
- Australian credit card 90+ days delinquencies down 1bp to 81bps
- Auto finance 90+ days delinquencies are higher
- High quality New Zealand consumer portfolio maintained
  - 90+ days mortgage delinquencies down 7bps to 0.14%
  - 90+ days credit card delinquencies down 18bps to 0.48%
- Strong provisions and coverage. Coverage slightly lower consistent with reduction in stress
- Total economic overlay was little changed over the year

Stressed exposures as a % of TCE



Australian 90+ days delinquencies (%)



Provisions

	Sep-14	Mar-15	**Sep-15**
Total provisions ($m)	3,481	3,505	**3,332**
Collectively assessed provisions to performing non-housing loans	129bps	128bps	**123bps**
Impairment provisions to impaired assets	45%	48%	**46%**
Total provisions to gross loans	60bps	58bps	**53bps**

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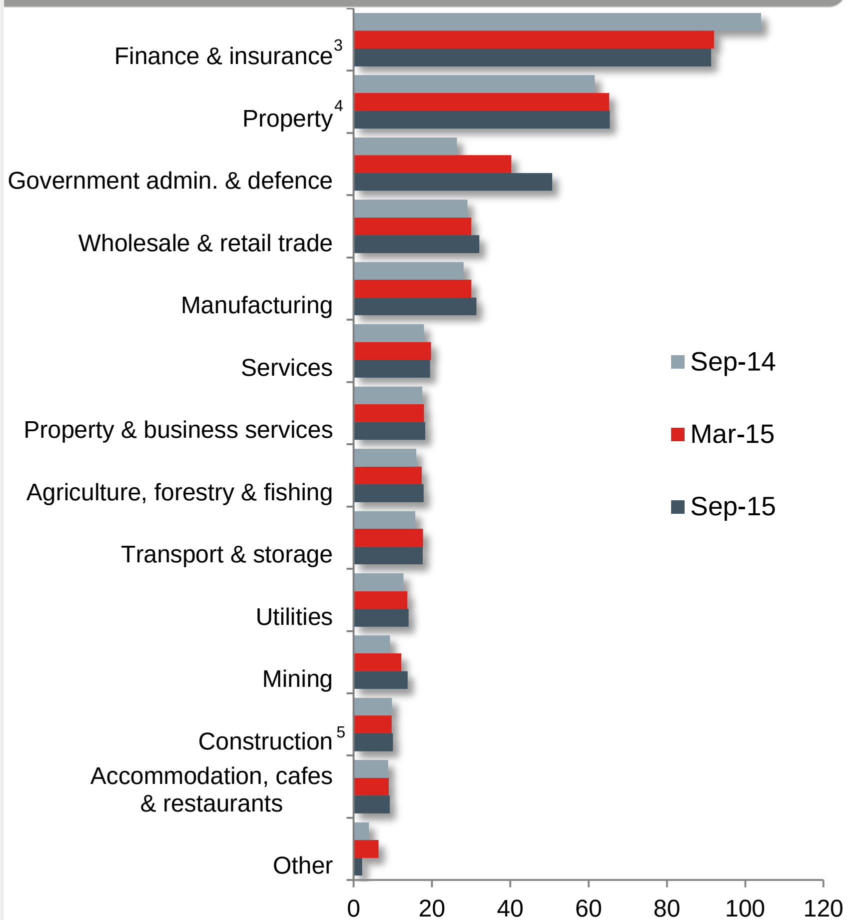
A well diversified portfolio across industries

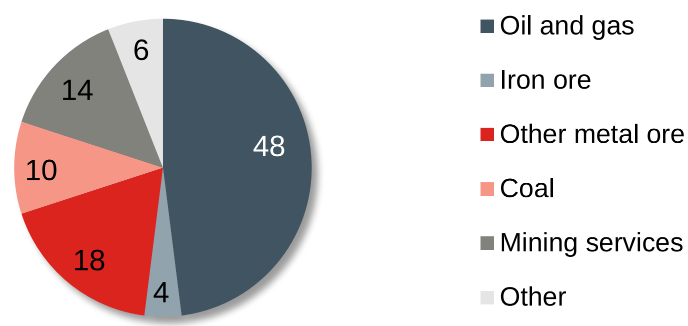
Exposures at default[1] by sector[2] ($bn)



Mining portfolio

- Westpac's direct exposure to mining (category includes energy and resources sector) 1.5% of TCE at 30 September 2015
- Increase in exposure partly due to reclassification of certain conglomerate customers to mining
- A high quality portfolio
  - Diversified by commodity, customer and region
  - Focused on quality operators with efficient, lower cost operating models
  - Well rated, with <1% of exposures in default
- Underwriting includes sensitivity to movements in commodity prices
- Economic overlay provisions also exist for the sector and were increased over the year

Mining portfolio by sector at 30 September 2015[1] (%)



1 Includes impaired exposures. Estimated September 2015 exposures. 2 All residential mortgages are now reported under the retail lending classification to align with our treatment of other consumer portfolios. 3 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. 4 Property includes both residential and non-residential property investors and developers, and excludes real estate agents. 5 Construction includes building and non-building construction, and industries serving the construction sector.

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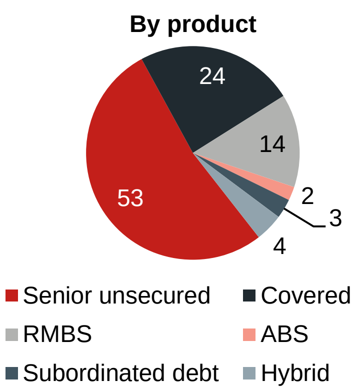
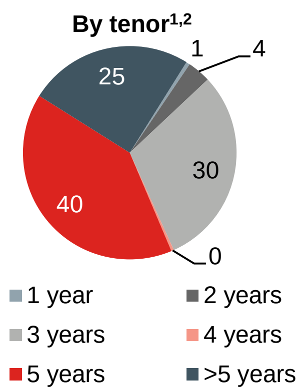
Strong funding and liquidity position

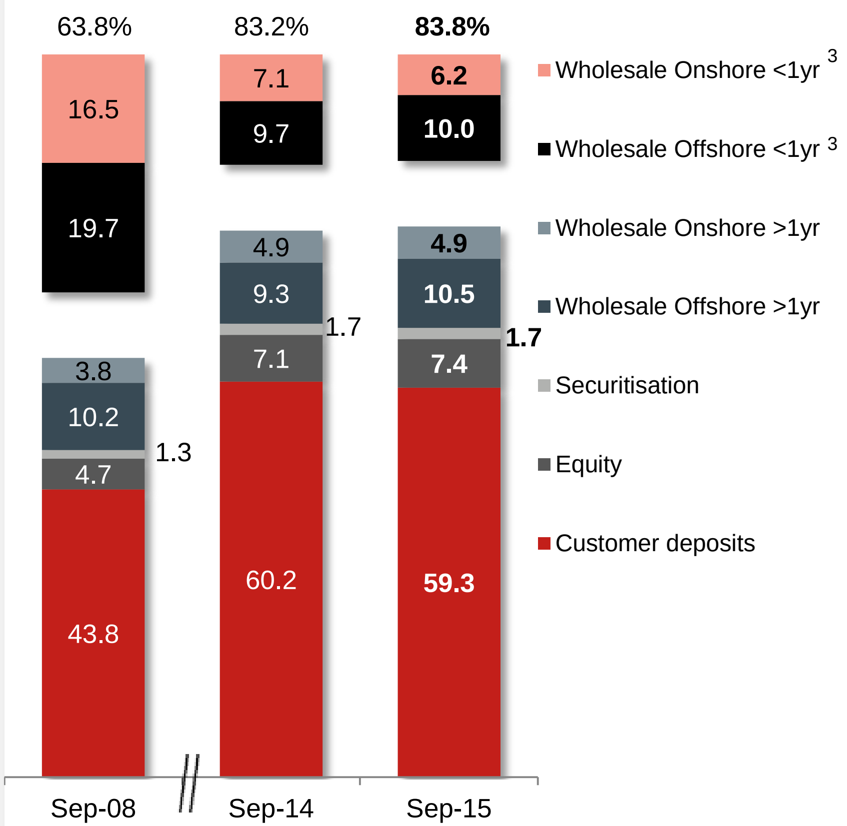
- Liquidity coverage ratio (LCR) is at least 115% as at 30 September 2015
- Hold $136bn of unencumbered liquid assets (includes liquids not qualifying for LCR and some liquids subject to haircut when included in LCR) as at 30 September 2015
- Stable funding ratio 83.8%
  - Customer deposits 59.3% of total funding
  - $31.3bn of term wholesale funding raised in FY15
  - Weighted average term to maturity of 4.9 years[1]
  - More than halved the proportion of short term funding since GFC, including offshore

FY15 new term issuance composition (%)





Stable funding ratio (%)



1 Excludes RMBS and ABS. 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 Includes long term wholesale funding with a residual maturity less than 1 year.

Entitlement Offer and Unaudited Preliminary Full Year 2015 Result

Other Information

All financial information for Full Year 2015 is on an unaudited preliminary basis (unless otherwise stated)

Westpac st.george bankSA Bank of Melbourne RAMS BT Financial Group

The Entitlement Offer[1]

Structure	• Fully underwritten, pro rata accelerated renounceable entitlement offer (with retail rights trading) • Comprises institutional entitlement offer and Retail Entitlement Offer • Eligible shareholders can purchase 1 New Share for every 23 ordinary shares they hold on the Record date[2]
Size	• To raise approximately $3.5 billion of capital • Approximately 138.4 million new Westpac ordinary shares (New Shares) to be issued (c.4% of shares on issue)
Offer Price	• $25.50 per New Share, representing – 13.1% discount to the final 2015 dividend adjusted TERP[3,4] of $29.33 per share; – 13.6% discount to the final 2015 dividend adjusted last closing price[4,5] of $29.50 per share
Institutional Offer	• Institutional Entitlement Offer 14 – 15 October 2015 • Institutional entitlements not taken up and entitlements of ineligible institutional shareholders will be sold under the institutional shortfall bookbuild on 16 October 2015
Retail Offer	• Open to eligible retail shareholders in Australia and New Zealand • Can be taken up between 23 October – 11 November 2015 • Retail entitlements can be traded on ASX from 19 October – 4 November 2015 • Retail entitlements not taken up and entitlements of ineligible retail shareholders will be sold under the retail shortfall bookbuild on or around 16 November 2015
Ranking & Dividend	• New Shares will not be entitled to receive the final 2015 dividend but will otherwise rank equally with existing shares
Record Date	• 7.00pm (Sydney time) on 19 October 2015

1 Dates and times are indicative only and are subject to change. 2 Fractional entitlements will be rounded up to the nearest whole number of New Shares. 3 TERP is the theoretical price at which Westpac shares should trade immediately after the ex-date for the Entitlement Offer. For further information on TERP refer slide 42. 4 Both the last closing price and TERP are adjusted by subtracting the expected final 2015 dividend of 94 cents per share. 5 As at close on 13 October 2015.

Key dates[1]

Event	Date
Announcement of the Entitlement Offer	Wednesday, 14 October 2015
Institutional Entitlement Offer	Wednesday - Thursday, 14 -15 October 2015
Institutional shortfall bookbuild	Friday, 16 October 2015
Existing shares recommence trading	Monday, 19 October 2015
Retail entitlements commence trading on ASX on a deferred settlement basis	Monday, 19 October 2015
Record date for the Entitlement Offer (7.00pm, Sydney time)	Monday, 19 October 2015
Retail Entitlement Offer opens	Friday, 23 October 2015
Despatch of Retail Entitlement Offer booklet completed	Monday, 26 October 2015
Retail entitlements commence trading on ASX on a normal settlement basis	Tuesday, 27 October 2015
Settlement of institutional Entitlement Offer	Wednesday, 28 October 2015
Issue of New Shares under the institutional Entitlement Offer New Shares will trade under a separate ASX code ('WBCN') until the ex-dividend date for the final 2015 dividend	Thursday, 29 October 2015
Westpac's Full Year 2015 final result announced	Monday, 2 November 2015
Retail entitlements trading on ASX ends	Wednesday, 4 November 2015
Retail Entitlement Offer closes (5.00pm, Sydney time)	Wednesday, 11 November 2015
Ex-dividend date for final 2015 dividend for existing ordinary shares	Wednesday, 11 November 2015
Expected retail shortfall bookbuild date	Monday, 16 November 2015
Settlement of the Retail Entitlement Offer	Thursday, 19 November 2015
Issue of New Shares under the Retail Entitlement Offer	Friday, 20 November 2015
New Shares under the Retail Entitlement Offer commence normal settlement trading	Monday, 23 November 2015

1 The above timetable is indicative only and subject to change. Westpac, in conjunction with the Joint Lead Managers, reserves the right to withdraw the institutional Entitlement Offer and/or Retail Entitlement Offer before their respective settlement dates.

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 ratios as at 30 June 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 30 September 2015. 4 Interim profit not included in CET1 capital has been added back. 5 As at 31 July 2015. 6 Figure 2, APRA study titled, "International capital comparison study", dated 13 July 2015.

Internationally comparable capital ratio

The following table provides details on the differences, as at 30 September 2015, between the APRA Basel III capital requirements and internationally comparable capital ratios[1]. It also provides details on the differences from the PricewaterhouseCoopers (PwC) methodology published by the Australian Banking Association in August 2014[2]

	APRA Study[1] %	PwC methodology[2] %
Westpac's pro forma estimated CET1 capital ratio (APRA basis)[3]	**9.3**	**9.3**
Equity investments	0.6	0.6
Deferred tax assets	0.4	0.4
Interest rate risk in the banking book (IRRBB)	0.1	0.1
Residential mortgages – LGD floor	0.6	0.6
Residential mortgages – correlation factor	1.1	1.1
Other retail standardised exposures	0.0	0.0
Unsecured non-retail exposures	0.5	0.6
Non-retail undrawn commitments	0.4	0.4
Specialised lending	0.5	0.9
Currency conversion threshold	0.2	0.2
Capitalised expenses	0.4	0.4
Standardised mortgages and margin lending exposures	n/a	0.1
Internationally comparable CET1 capital ratio	**14.1**	**14.7**

1 Analysis aligns with the APRA study titled "International capital comparison study", dated 13 July 2015. 2 PricewaterhouseCoopers report titled "Australian Bankers Association: International comparability of capital ratios of Australia's major banks", issued in August 2014. 3 Pro forma reflects the impact of the Entitlement Offer and the impact that APRA's changes to the calculation of RWA for Australian residential mortgage would have, if they had been in force on 30 Sep 2015. The pro forma capital ratios do not reflect any impact of DRP on the final 2015 dividend.

Internationally comparable capital ratio

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 peers[1]. The following provides details of the adjustments applied to the APRA Basel III capital requirements, which are aligned to this study

Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements
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
Residential mortgages – LGD floor	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements
Residential mortgages – correlation factor[2]	From 1 July 2016, APRA will require banks that use the internal ratings based (IRB) approach to credit risk to use a correlation factor of 25% to determine RWA for their Australian residential mortgages. The BCBS correlation factor is 15%.
Other retail standardised exposures	Risk weighting of 75%, rather than 100% under APRA's requirements
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements
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
Currency conversion threshold	Increase in the A$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures

1 APRA study titled "International capital comparison study", dated 13 July 2015. 2 This adjustment is also mentioned in a speech by the APRA Chairman "In search of … unquestionably strong" dated 15 September 2015.

Westpac GROUP

Summary of key risks

- Westpac could be adversely affected by failing to comply with existing laws and regulations, or by changes in laws and regulations and regulatory policy
- Adverse credit and capital market conditions, or failure to maintain Westpac's credit ratings, may significantly affect the availability and cost of Westpac's funding
- Westpac could be adversely affected by disruptions to global financial markets or other financial market volatility
- Economic disruptions or declines in asset values may cause Westpac to incur higher credit losses on lending and counterparty exposures
- Westpac may be adversely affected by other events such as changes in competition, technology failures (including cyberattacks), fraud, supplier failures, environmental factors, reputational damage and other operational or conduct risks
- If you choose to sell your Entitlements on ASX, the value received may be less than that achieved for renounced Entitlements through the retail shortfall bookbuild or the price on ASX on another date
- If you do not take up or sell your Entitlements under the Entitlement Offer, there is no guarantee that any value will be received for your renounced Entitlements through the retail shortfall bookbuild process
- Westpac has entered into an agreement with the Joint Lead Managers (**Underwriting Agreement**), under which the Underwriters will accept all New Shares offered if they are not bought by investors. If certain conditions are not satisfied or certain events occur, the Joint Lead Managers may terminate the Underwriting Agreement. If the underwriting agreement is terminated for any reason, then Westpac may not receive the full amount of the Entitlement Offer, its financial position may change, and it may need to take other steps to raise capital
- There are other risks associated with an investment in Westpac shares including that the market price of Westpac shares will fluctuate, dividends may not be paid and may fluctuate and that Westpac may issue or convert additional securities. There are also risks associated with Westpac shares being subordinated and unsecured and not being deposit liabilities or protected accounts of Westpac under the Banking Act or Financial Claims Scheme

This is a summary of some of the key risks only. Appendix 1 contains more detail of the key risks associated with participating in the Entitlement Offer

Entitlement Offer and Unaudited Preliminary Full Year 2015 Result

Appendices

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Appendix 1: Risks

Key risks associated with participating in the Entitlement Offer

1. Risks associated with Westpac's business

1.1 Westpac's businesses are highly regulated and it could be adversely affected by failing to comply with existing laws and regulations or by changes in laws, regulations or regulatory policy

As a financial institution, Westpac is subject to detailed laws and regulations in each of the jurisdictions in which it operates or obtains funding, including Australia, New Zealand, the United Kingdom, the United States and Asia. Westpac is also supervised by a number of different regulatory and supervisory authorities which have broad administrative powers over its businesses. In Australia, the relevant regulatory authorities include the Australian Prudential Regulation Authority (APRA), Reserve Bank of Australia (RBA), ASIC, ASX, Australian Competition and Consumer Commission (ACCC), the Australian Transaction Reports and Analysis Centre (AUSTRAC) and the ATO. The Reserve Bank of New Zealand (RBNZ) and the Financial Markets Authority (FMA) have supervisory oversight of Westpac's New Zealand operations. In the United States Westpac is subject to supervision and regulation by the US Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission (CFTC) and the US Securities and Exchange Commission (SEC). In the United Kingdom, Westpac is subject to supervision and regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). In Asia, we are subject to supervision and regulation by local authorities, including the Monetary Authority of Singapore (MAS) and the Hong Kong Monetary Authority (HKMA). In other jurisdictions in which Westpac operates, including various Pacific countries, it is also required to comply with relevant requirements of local regulatory bodies.

Westpac is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which it operates or obtains funding, as well as meeting its ethical standards.

Compliance risk is the risk of legal or regulatory sanction, financial or reputational loss, arising from our failure to abide by compliance obligations required of us. In Australia, an example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act in certain circumstances to investigate Westpac's affairs and/or issue a direction to Westpac (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a Director, executive officer or employee or not to undertake transactions). Other regulators also have the power to investigate, including looking into past conduct. In recent years, there have been significant increases in the nature and scale of regulatory investigations, enforcement actions and the quantum of fines issued by global regulators. The nature of these reviews can be wide ranging and, for example, currently include industry-wide investigations into potential manipulation in financial markets. From time to time, Westpac receives notices and requests for information from its regulators. Regulatory investigations, fines, penalties or restrictions or regulator imposed conditions could adversely affect Westpac's business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, Westpac faces increasing supervision and regulation in most of the jurisdictions in which it operates or obtains funding, particularly in the areas of funding, liquidity, capital adequacy, conduct and prudential regulation, anti-bribery and corruption, anti-money laundering and counter-terrorism financing and trade sanctions. In December 2010 the Basel Committee on Banking Supervision (BCBS) announced a revised global regulatory framework known as Basel III. Basel III, among other things, increases the required quality and quantity of capital held by banks and introduces new standards for the management of liquidity risk. APRA has now incorporated much of the framework into its prudential standards.

During the year ended 30 September 2015, there were also a series of other regulatory releases from authorities in the various jurisdictions in which Westpac operates or obtains funding proposing significant regulatory change for financial institutions. This includes new accounting and reporting standards which have been finalised, global 'over the counter' derivatives reform and the US Dodd-Frank legislation, including the Volcker Rule promulgated thereunder.

The latter is designed to reform the entire system for the supervision and regulation of financial firms that operate in or have a connection with the United States, including non-US banks like Westpac. Other areas of proposed or potential change that could impact Westpac include changes to tax legislation, including franking, regulation relating to remuneration, consumer protection and competition legislation, privacy and data protection, anti-bribery and corruption, anti-money laundering and counter-terrorism financing laws and trade sanctions. In addition, further changes may occur driven by policy, prudential or political factors. In 2013, the Australian Government commissioned a Financial System Inquiry with broad terms of reference. The Federal Treasurer released the Inquiry's Final Report to Government on 7 December 2014, which was followed by a process of consultation on the Final Report's recommendations to 31 March 2015.

Appendix 1: Risks (continued)

Until the Government officially responds to the Inquiry's recommendations, the final impact of this Inquiry is difficult to predict but may result in substantial regulatory changes, including changes to capital requirements which could have a material impact on Westpac's business, prospects, financial performance or financial condition.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which Westpac operates and, in addition, such changes may be inconsistently introduced across jurisdictions.

Changes may also occur in the oversight approach of regulators. It is possible that governments in jurisdictions in which Westpac operates or obtains funding might revise their application of existing regulatory policies that apply to, or impact, Westpac's business, including for reasons relating to national interest and/or systemic stability.

Regulatory changes and the timing of their introduction continue to evolve and Westpac currently manages its businesses in the context of regulatory uncertainty. The nature and impact of future changes are not predictable and are beyond Westpac's control. Regulatory compliance and the management of regulatory change is an increasingly important part of Westpac's strategic planning. Westpac expects that it will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing or implement new processes to comply with the new regulations.

Regulatory changes may also impact Westpac's operations by requiring it to have increased levels of liquidity and higher levels of, and better quality, capital as well as place restrictions on the businesses Westpac conducts (including limiting our ability to provide products and services to certain customers), require it to amend its corporate structure or require it to alter its product or service offerings. If regulatory change has any such effect, it could adversely affect one or more of Westpac's businesses, restrict Westpac's flexibility, require Westpac to incur substantial costs and impact the profitability of one or more of Westpac's business lines. Any such costs or restrictions could adversely affect Westpac's business, prospects, financial performance or financial condition.

1.2 Adverse credit and capital market conditions may significantly affect Westpac's ability to meet funding and liquidity needs and may increase its cost of funding

Westpac relies on credit and capital markets to fund its business and as a source of liquidity. Westpac's liquidity and costs of obtaining funding are related to credit and capital market conditions.

Global credit and capital markets can experience periods of extreme volatility, disruption and decreased liquidity as was demonstrated during the Global Financial Crisis. While there have now been extended periods of stability in these markets, the environment has become more volatile and unpredictable. The main risks Westpac faces are damage to market confidence, changes to the access and cost of funding and a slowing in global activity or through other impacts on entities with whom Westpac does business.

As of 30 September 2015, approximately 33% of Westpac's total funding originated from domestic and international wholesale markets, of this around 61% was sourced outside Australia and New Zealand.

A shift in investment preferences of businesses and consumers away from bank deposits towards other asset or investment classes could increase Westpac's need for funding from other, potentially less stable or more expensive forms of funding.

If market conditions deteriorate due to economic, financial, political or other reasons, Westpac's funding costs may be adversely affected and its liquidity and its funding and lending activities may be constrained.

If Westpac's current sources of funding prove to be insufficient, Westpac may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, Westpac's credit ratings and credit market capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect Westpac's financial performance, liquidity, capital resources and financial condition. There is no assurance that Westpac will be able to obtain adequate funding and do so at acceptable prices, nor that Westpac will be able to recover any additional costs.

If Westpac is unable to source appropriate funding, Westpac may also be forced to reduce its lending or begin selling liquid securities. Such actions may adversely impact Westpac's business, prospects, liquidity, capital resources, financial performance or financial condition.

Westpac enters into collateralised derivative obligations, which may require Westpac to post additional collateral based on movements in market rates, which has the potential to adversely affect Westpac's liquidity.

Westpac GROUP

Appendix 1: Risks (continued)

1.3 Sovereign risk may destabilise financial markets adversely

Sovereign risk is the risk that foreign governments will default on their debt obligations, will be unable to refinance their debts as they fall due, or will nationalise parts of their economy including assets of financial institutions such as Westpac.

Should one sovereign default, there could be a cascading effect to other markets and countries, the consequences of which, while difficult to predict, may be similar to or worse than those experienced during the Global Financial Crisis. Such an event could destabilise global financial markets adversely affecting Westpac's liquidity, financial performance or financial condition.

1.4 Failure to maintain credit ratings could adversely affect Westpac's cost of funds, liquidity, competitive position and access to capital markets

Credit ratings are independent opinions on Westpac's creditworthiness. Westpac's credit ratings affect the cost and availability of its funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating Westpac's products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to Westpac by rating agencies are based on an evaluation of a number of factors, including Westpac's financial strength, structural considerations regarding the Australian financial system and the credit rating of the Australian Government. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this Appendix 1 or by other events including changes to the methodologies used by the rating agencies to determine ratings.

Failure to maintain current credit ratings could adversely affect Westpac's cost of funds and related margins, collateral requirements, liquidity, competitive position and Westpac's access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether Westpac's ratings differ among agencies (split ratings) and whether any ratings changes also impact Westpac's peers or the sector.

1.5 A systemic shock in relation to the Australian, New Zealand or other financial systems could have adverse consequences for Westpac or its customers or counterparties that would be difficult to predict and respond to

There is a risk that a major systemic shock could occur that causes an adverse impact on the Australian, New Zealand or other financial systems.

As outlined above, during the past decade the financial services industry and capital markets have been, and may continue to be, adversely affected by market volatility and the negative outlook for global economic conditions. A shock to one of the major global economies could again result in currency and interest rate fluctuations and operational disruptions that negatively impact the Westpac Group.

Any such market and economic disruptions could adversely affect financial institutions such as Westpac because consumer and business spending may decrease, unemployment may rise and demand for the products and services Westpac provides may decline, thereby reducing its earnings. These conditions may also affect the ability of Westpac's borrowers to repay their loans or its counterparties to meet their obligations, causing Westpac to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing Westpac's access to funding and impairing Westpac's customers and counterparties and their businesses. If this were to occur, Westpac's business, prospects, financial performance or financial condition could be adversely affected.

The nature and consequences of any such event are difficult to predict and there can be no certainty that Westpac could respond effectively to any such event.

1.6 Declines in asset markets could adversely affect Westpac's operations or profitability

Declines in Australian, New Zealand or other asset markets, including equity, residential and commercial property and other asset markets, could adversely affect Westpac's operations and profitability.

Declining asset prices also impact Westpac's wealth management business. Earnings in Westpac's wealth management business are, in part, dependent on asset values because it typically receives fees based on the value of securities and/or assets held or managed. A decline in asset prices could negatively impact the earnings of this business.

Declining asset prices could also impact customers and counterparties and the value of security (including residential and commercial property) Westpac holds against loans and derivatives which may impact Westpac's ability to recover amounts owing to it if customers or counterparties were to default. It may also affect Westpac's level of provisioning which in turn impacts Westpac's profitability and financial condition.

Appendix 1: Risks (continued)

1.7 Westpac's business is substantially dependent on the Australian and New Zealand economies

Westpac's revenues and earnings are dependent on economic activity and the level of financial services Westpac's customers require. In particular, lending is dependent on various factors including economic growth, business investment, business and consumer sentiment, levels of employment, interest rates and trade flows in the countries in which Westpac operates.

Westpac conducts the majority of its business in Australia and New Zealand and, consequently, Westpac's performance is influenced by the level and cyclical nature of lending in these countries. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A significant decrease in Australian and New Zealand housing valuations could adversely impact Westpac's home lending activities because borrowers with loans in excess of their property value may show a higher propensity to default and in the event of defaults Westpac's security would be eroded, causing Westpac to incur higher credit losses. The demand for Westpac's home lending products may also decline due to buyer concerns about decreases in values.

Adverse changes to the economic and business conditions in Australia and New Zealand and other countries such as China, India and Japan, could also adversely affect the Australian economy and Westpac's customers. In particular, due to the current relationship between Australia and China, particularly in the mining and resources sectors, a slowdown in China's economic growth could negatively impact the Australian economy. Changes in economic conditions could in turn result in reduced demand for Westpac's products and services and affect the ability of Westpac's borrowers to repay their loans. If this were to occur, it could negatively impact Westpac's business, prospects, financial performance or financial condition.

1.8 An increase in defaults in credit exposures could adversely affect Westpac's liquidity, capital resources, financial performance or financial condition

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations to Westpac. It is a significant risk and arises primarily from our lending and derivatives activities.

Westpac establishes provisions for credit impairment based on current information. If economic conditions deteriorate, some customers and/or counterparties could experience higher levels of financial stress and Westpac may experience a significant increase in defaults and write-offs, and be required to increase its provisioning. Such events would diminish available capital and could adversely affect Westpac's liquidity, capital resources, financial performance or financial condition.

Credit risk also arises from certain derivative contracts Westpac enters into and from Westpac's dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments, and government bodies the financial conditions of which may be affected to varying degrees by economic conditions in global financial markets.

1.9 Westpac faces intense competition in all aspects of its business

The financial services industry is highly competitive. Westpac competes, both domestically and internationally, with retail and commercial banks, asset managers, investment banking firms, brokerage firms, other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently. Digital technologies are changing consumer behaviour and the competitive environment. The use of digital channels by customers to conduct their banking continues to rise and emerging competitors are increasingly utilising new technologies and seeking to disrupt existing business models, including in relation to digital payment services. The Westpac Group faces competition from established providers of financial services as well as the threat of competition from banking businesses developed by non-financial services companies.

If Westpac is unable to compete effectively in its various businesses and markets, Westpac's market share may decline. Increased competition may also adversely affect Westpac by diverting business to its competitors or creating pressure to lower margins.

Increased competition for deposits could also increase Westpac's cost of funding and lead Westpac to access other types of funding or reduce lending. Westpac relies on bank deposits to fund a significant portion of its balance sheet and deposits have been a relatively stable source of funding. Westpac competes with banks and other financial services firms for such deposits. To the extent that Westpac is not able to successfully compete for deposits, Westpac would be forced to rely more heavily on other, potentially less stable or more expensive forms of funding, or reduce lending.

Appendix 1:
Risks (continued)

Westpac is also dependent on its ability to offer products and services that match evolving customer preferences. If Westpac is not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, Westpac may lose customers to its competitors. This could adversely affect Westpac's business, prospects, financial performance and financial condition.

1.10 Westpac could suffer losses due to market volatility

Westpac is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its financial position. This is the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates, commodity prices and equity prices. This includes interest rate risk in the banking book, such as the risk to interest income from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. If Westpac were to suffer substantial losses due to any market volatility, this may adversely affect Westpac's business, prospects, liquidity, capital resources, financial performance or financial condition.

1.11 Westpac could suffer losses due to conduct risk

Conduct risk is the risk arising from unfair or inappropriate behaviour or practices of the Westpac Group or its staff. Westpac is highly dependent on the conduct of its employees, contractors and external service providers. Westpac could, for example, be adversely affected in the event that an employee, contractor or external service provider engages in unfair or inappropriate conduct. This could include losses from a failure to meet a professional obligation to specific clients, including fiduciary and suitability requirements, or from the nature or design of a product. While Westpac has policies and processes to manage employee, contractor or external service provider misconduct, these policies and processes may not always be effective.

1.12 Westpac could suffer losses due to operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It also includes, among other things, technology risk, model risk and outsourcing risk. While Westpac has policies and processes to manage the risk of human error these policies and processes may not always be effective.

Westpac could incur losses from incorrect or fraudulent payments and settlements, particularly real-time payments. Fraudulent conduct can also emerge from external parties seeking to access Westpac's systems and customers' accounts. If systems, procedures and protocols for managing fraud fail, or are ineffective, they could lead to loss which could adversely affect Westpac's business, prospects, reputation, financial performance or financial condition.

As a financial services organisation, Westpac is heavily reliant on the use of data and models in the conduct of its business. Westpac is therefore exposed to model risk, being the risk of loss arising because of errors or inadequacies in data or a model, or in the control and use of the model.

Westpac relies on a number of suppliers, both in Australia and overseas, to provide services to it and its customers. Failure by these suppliers to deliver services as required could disrupt services and adversely impact Westpac's operations, profitability or reputation.

Operational risks could impact on Westpac's operations or adversely affect demand for its products and services. Operational risks can directly impact Westpac's reputation and result in financial losses which would adversely affect Westpac's financial performance or financial condition.

Entities within the Westpac Group may be involved from time to time in legal proceedings arising from the conduct of their business. There is a risk that these contingent liabilities may be larger than anticipated or that additional litigation or other contingent liabilities may arise.

1.13 Westpac could suffer information security risks, including cyberattacks

The proliferation of new technologies, the increasing use of the internet and telecommunications to conduct financial transactions and the growing sophistication and activities of organised crime have resulted in increased information security risks for major financial institutions such as Westpac and its external service providers.

While Westpac has systems in place to detect and respond to cyberattacks, these systems may not always be effective and there can be no assurance that Westpac will not suffer losses from cyberattacks or other information security breaches in the future.

Appendix 1:
Risks (continued)

Westpac's operations rely on the secure processing, storage and transmission of information on Westpac's computer systems and networks, and the systems and networks of external suppliers. Although Westpac implements measures to protect the security, integrity and confidentiality of its information, there is a risk that the computer systems, software and networks on which Westpac relies may be subject to security breaches, unauthorised access, malicious software, external attacks or internal breaches that could have an adverse impact on Westpac's confidential information or that of its customers and counterparties.

Major banks in other jurisdictions have suffered security breaches from sophisticated cyberattacks. Westpac's external service providers or other parties that facilitate its business activities (e.g. vendors, exchanges, clearing houses, central depositories and financial intermediaries) are also subject to the risk of cyberattacks. Any such security breach could result in the loss of customers and business opportunities, significant disruption to Westpac's operations, misappropriation of Westpac's confidential information and/or that of its customers and damage to Westpac's computers or systems and/or those of its customers. Such a security breach could also result in reputational damage, claims for compensation and regulatory investigations and penalties, which could adversely affect Westpac's business, prospects, financial performance, or financial condition.

Westpac's risk and exposure to such threats remains heightened because of the evolving nature of technology, Westpac's prominence within the financial services industry, the prominence of Westpac's customers (including government, mining and health) and Westpac's plans to continue to improve and expand its internet and mobile banking infrastructure.

Westpac continues to seek to strengthen and enhance its cybersecurity systems and investigate or remediate information security vulnerabilities, investing additional resources to endeavour to counter new and emerging threats as they continue to evolve.

1.14 Westpac could suffer losses due to technology failures

The reliability and security of Westpac's information and technology infrastructure are crucial in maintaining its banking applications and processes. There is a risk that Westpac's information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond Westpac's control.

Further, Westpac's ability to develop and deliver products and services to customers is dependent upon technology that requires periodic renewal. Westpac is constantly managing technology projects including projects to consolidate technology platforms, simplify and enhance Westpac's technology and operations environment, improve productivity and provide for a better customer experience. Failure to implement these projects or manage associated change effectively could result in cost overruns, a failure to achieve anticipated productivity, operational instability or reputational damage. In turn, this could place Westpac at a competitive disadvantage and adversely affect Westpac's financial performance.

1.15 Westpac could suffer losses due to failures in governance or risk management strategies

Westpac has implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and manage the risks to which Westpac is subject, including liquidity risk, credit risk, market risk (such as interest rate, foreign exchange and equity risk), compliance risk, conduct risk and operational risk all of which may impact the Westpac Group's reputation.

However, there are inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that Westpac has not anticipated or identified. If any of Westpac's governance or risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, Westpac could suffer unexpected losses and reputational damage which could adversely affect its business, prospects, financial performance or financial condition.

1.16 Westpac could suffer losses due to insurance risk

Westpac has exposure to insurance risk in its life insurance, general insurance and lenders mortgage insurance businesses, which may adversely affect Westpac's business, operations and financial condition.

Insurance risk is the risk of mis-estimation of the expected cost of insured events, volatility in the number or severity of insured events, and mis-estimation of the cost of incurred claims.

In the life insurance business, insurance risk arises primarily through mortality (death) and morbidity (illness and injury) risks being greater than expected.

Appendix 1: Risks (continued)

In the general insurance business, insurance risk arises mainly through environmental factors (including floods and bushfires) and other calamities, such as earthquakes, tsunamis and volcanic activity, as well as general variability in home and contents insurance claim amounts. Further details on environmental risk factors are discussed below.

In the lenders mortgage insurance business, insurance risk arises primarily from an unexpected downturn in economic conditions.

Westpac could also suffer losses if its reinsurance arrangements are not effective.

1.17 Westpac could suffer losses due to environmental factors

Westpac and its customers operate businesses and hold assets in a diverse range of geographic locations. Any significant environmental change or external event (including fire, storm, flood, earthquake, pandemic or terrorism events) in any of these locations has the potential to disrupt business activities, impact on Westpac's operations, damage property and otherwise affect the value of assets held in the affected locations and Westpac's ability to recover amounts owing to it. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

The risk of loss due to environmental factors is also relevant to Westpac's insurance business. The frequency and severity of external events such as natural disasters is difficult to predict and it is possible that the amounts Westpac reserves for such events may not be adequate to cover actual claims that may arise, which could adversely affect Westpac's business, prospects, financial performance or financial condition.

1.18 Reputational damage could harm Westpac's business and prospects

Westpac's ability to attract and retain customers and Westpac's prospects could be adversely affected if its reputation is damaged.

Reputation risk is the risk to earnings or capital arising from negative public opinion resulting from the loss of reputation or public trust and standing. It arises where there are differences between stakeholders' current and emerging perceptions, beliefs and expectations and Westpac's current and planned activities, performance and behaviours.

There are various potential sources of reputational damage including failure to effectively manage risks in accordance with Westpac's risk management frameworks, potential conflicts of interest, pricing policies, failure to comply with legal and regulatory requirements, failure to meet our market disclosure obligations, regulatory investigations into past conduct, making inaccurate public statements, environmental, social and ethical issues, engagement and conduct of external suppliers, failure to comply with anti-money laundering and anti-bribery and corruption laws, trade sanctions and counter-terrorism finance legislation or privacy laws, litigation, failure of information security systems, improper sales and trading practices, failure to comply with personnel and supplier policies, improper conduct of companies in which Westpac holds strategic investments, technology failures and security breaches. Westpac's reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of Westpac's customers, suppliers and other counterparties.

Failure, or perceived failure, to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject Westpac to regulatory investigations, regulatory enforcement actions, fines and penalties, class actions or remediation costs, or harm Westpac's reputation among its customers, investors and the marketplace. This could lead to loss of business which could adversely affect Westpac's business, prospects, financial performance or financial condition.

1.19 Westpac could suffer losses due to impairment of capitalised software, goodwill and other intangible assets that may adversely affect its business, operations and financial condition

In certain circumstances Westpac may be exposed to a reduction in the value of intangible assets. As at 30 September 2015, Westpac carried goodwill principally related to its investments in Australia, other intangible assets principally relating to assets recognised on acquisition of subsidiaries and capitalised software balances.

Westpac is required to assess the recoverability of the goodwill balances on at least an annual basis or whenever an indicator of impairment exists. For this purpose Westpac uses a discounted cash flow calculation. Changes in methodology or the assumptions upon which the calculation is based, together with expected changes in future cash flows, could materially impact this assessment, resulting in the potential write-off of part or all of the goodwill balances.

Appendix 1: Risks (continued)

Capitalised software and other intangible assets are assessed for indicators of impairment at least annually or on indication of impairment. In the event that an asset is no longer in use, or that the cash flows generated by the asset do not support the carrying value, an impairment will be recorded, adversely impacting the Westpac Group's financial condition. The estimates and assumptions used in assessing the useful life of an asset can be affected by a range of factors including changes in strategy and the rate of external changes in technology and regulatory requirements.

1.20 Westpac could suffer losses if it fails to syndicate or sell down underwritten securities

As a financial intermediary Westpac underwrites listed and unlisted debt and equity securities. Underwriting activities include the development of solutions for corporate and institutional customers who need capital and investor customers who have an appetite for certain investment products. Westpac may guarantee the pricing and placement of these facilities. Westpac could suffer losses if it fails to syndicate or sell down its risk to other market participants. This risk is more pronounced in times of heightened market volatility.

1.21 Certain strategic decisions may have adverse effects on Westpac's business

Westpac, at times, evaluates and may implement strategic decisions and objectives including diversification, innovation, divestment or business expansion initiatives, including acquisitions of businesses. The expansion or integration of a new business can be complex and costly and may require Westpac to comply with additional local or foreign regulatory requirements which may carry additional risks. These decisions may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on Westpac's business, prospects, engagement with regulators, financial performance or financial condition.

2 Risks associated with participating in the Entitlement Offer

2.1 Risk of selling Entitlements

If you do not wish to take up your Entitlements, you can sell your Entitlements on ASX during the trading period (***Entitlement Trading Period***).

The price and liquidity of Entitlements on ASX may vary. You should check the price on ASX before deciding to sell on ASX.

If you sell your Entitlements during the Entitlement Trading Period, you may receive a higher or lower price than a shareholder who sells their Entitlements at a different point in time during the Entitlement Trading Period or who renounces their Entitlements and allows them to be sold in the retail shortfall bookbuild process.

There is no guarantee there will be a viable market for your Entitlements during, or on any particular day in, the Entitlement Trading Period. Eligible Retail Shareholders who wish to sell their Entitlements may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Entitlements.

You should also note that if you do not take up all or part of your Entitlements, then your percentage security holding in Westpac will be diluted by not participating to the full extent in the Entitlement Offer.

2.2 Risk of transferring Entitlements

If you do not wish to take up your Entitlements, you can transfer them to another person or entity other than on ASX before the close of the Retail Entitlement Offer.

If you choose to transfer your Entitlements to another person or entity there is no guarantee that you will receive any value for transferred Entitlements. This will depend on what, if any, price you choose to transfer them for. Prices obtainable for transferred Entitlements may rise and fall over the Retail Entitlement Offer Period and will depend on many factors, including the demand for and supply of Entitlements and the value of Ordinary Shares relative to the Offer Price.

You should also note that if you transfer all or part of your Entitlements, then your percentage security holding in Westpac will be diluted by not participating to the full extent in the Entitlement Offer.

Appendix 1:
Risks (continued)

2.3 Risk of doing nothing

If you do not take up or sell your Entitlements under the Entitlement Offer, then your Entitlements will be treated as renounced and will be sold on your behalf in the retail shortfall bookbuild process and the retail proceeds (if any) will be paid to you.

However, there is no guarantee that any value will be received for your renounced Entitlements through the retail shortfall bookbuild process.

The ability to sell Entitlements under the retail shortfall bookbuild and the ability to obtain any proceeds will be dependent upon various factors, including market conditions. Further, the retail shortfall bookbuild price may not be the highest price available, but will be determined having regard to a number of factors, including having binding and bona fide offers which will, if accepted, result in otherwise acceptable allocations to clear the entire book. To the maximum extent permitted by law, Westpac, the Joint Lead Managers or the respective related bodies corporate, affiliates or the directors, officers, employees or advisors of any of them, will not be liable, including for negligence, for any failure to procure any price. If there are any retail sale proceeds, they may be less than, more than, or equal to any price or prices that Entitlements may be sold on ASX, transferred or any proceeds achieved on the institutional shortfall bookbuild. Accordingly, it is possible that retail shareholders who do not take up their Entitlements will receive less value than their institutional counterparts, or no value at all.

You should also note that if you do not take up all or part of your Entitlements, then your percentage security holding in Westpac will be diluted by not participating to the full extent in the Entitlement Offer.

The tax consequences from selling Entitlements or from doing nothing may be different. Before selling Entitlements or choosing to do nothing in respect of Entitlements, you should seek independent tax advice and may wish to refer to the tax disclosure contained in the retail offer booklet which will provide further information on potential taxation implications for Australian and New Zealand shareholders.

2.4 Underwriting risk

Westpac has entered into an agreement with the Joint Lead Managers (**Underwriting Agreement**), under which the Underwriters will accept all New Shares offered if they are not bought by investors. If certain conditions are not satisfied or certain events occur, the Joint Lead Managers may terminate the Underwriting Agreement. The events which may trigger termination of the Underwriting Agreement include (but are not limited to) where:

- Westpac ceases to be admitted to the official list of ASX or Westpac shares are suspended from trading or quotation;
- Westpac withdraws the Entitlement Offer;
- there are certain delays in the timetable for the Entitlement Offer without the Joint Lead Managers' consent;
- any of the offer documents (including this Investor Presentation and all ASX announcements made in connection with the Entitlement Offer) omit certain material required by the Corporations Act, contain a statement which is misleading or deceptive or otherwise fail to comply with the Corporations Act unless, with the consent of the Underwriters, the statement, error or omission can be remedied by supplementary disclosure;
- Westpac fails to perform any of its obligations under the Underwriting Agreement;
- Westpac contravenes its constitution, the Corporations Act and the ASX Listing Rules;
- Westpac's directors commit certain offences; or
- there is a material adverse change in the assets, liabilities, financial position or prospects of Westpac or the Westpac Group.

The ability of the Joint Lead Managers to terminate the Underwriting Agreement in respect of some events will depend on whether the event has or is likely to have a materially adverse effect on the success of the Entitlement Offer, settlement of the Entitlement Offer, or the value of the New Shares.

If the Underwriting Agreement is terminated for any reason, then Westpac may not receive the full amount of the Entitlement Offer, its financial position may change, and it may need to take other steps to raise capital.

Westpac GROUP

Appendix 1: Risks (continued)

3 Risks associated with Westpac shares specifically

3.1 Market price of Westpac shares will fluctuate

Westpac shares trade on ASX. The market price of Westpac shares on ASX will fluctuate due to various factors, including:

- Australian and international general economic conditions (including inflation rates, interest rates and currency exchange rates), changes in government policy, changes in regulatory policy, the expressed views of regulators, investor sentiment and general market movements, which may or may not have an impact on Westpac's actual operating performance;
- operating results that vary from expectations of securities analysts and investors;
- changes in expectations as to Westpac's future financial performance, including financial estimates by securities analysts and investors;
- changes in market valuations of other financial services institutions;
- changes in dividends paid to Westpac shareholders, Westpac's dividend payout policy or Westpac's ability to frank dividends;
- announcement of acquisitions, strategic partnerships, joint ventures or capital commitments by Westpac or its competitors; and
- future issues of Westpac debt or equity securities.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company specific influences such as the general state of the economy, investor uncertainty and global hostilities and tensions. Such market fluctuations may materially adversely affect the market price of Westpac shares.

It is possible that the price of Westpac shares will trade at a market price above or below the Offer Price and no assurances can be made that Westpac's market performance will not be adversely affected by any such market fluctuations or factors. None of Westpac, Westpac's directors or any other person guarantees Westpac's market performance.

3.2 Liquidity risk

Shareholders who wish to sell their Westpac shares may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Westpac shares. Westpac does not guarantee the market price of Westpac shares and there is a risk that you may lose some of the money you invested.

3.3 Dividends may not be paid

Westpac may not pay dividends. Dividends are discretionary and do not accrue.

From 1 January 2016, restrictions on the proportion of profits that can be paid through dividends, Additional Tier 1 Capital distributions and discretionary staff bonuses will apply if Westpac's CET1 Capital ratio falls into the capital conservation buffer (less than 8%), which is set at a level agreed with the Australian Prudential Regulation Authority.

3.4 Dividends may fluctuate

Dividends are entirely discretionary. The rate and value of dividends may fluctuate. There is a risk that dividends may become less attractive compared to returns on comparable securities or investments.

None of Westpac, Westpac's directors or any other person guarantees any particular rate of return on Westpac shares.

3.5 Taxation

Any change to the current rate of company income tax in jurisdictions where Westpac operates may impact on shareholder returns. Any changes to the current rates of income tax applying to individuals and trusts may similarly impact on shareholder returns.

3.6 Shareholders are subordinated and unsecured investors

In a winding up of Westpac, shareholders' claims will rank after the claims of creditors preferred by law, secured creditors and general creditors.
Shareholders' claims will rank equally with claims of holders of all other Westpac ordinary shares.

Appendix 1: Risks (continued)

If Westpac were to be wound up and, after the claims of creditors preferred by law, secured creditors, general creditors and holders of subordinated instruments (including holders of hybrid securities) are satisfied, there are insufficient assets remaining, you may lose some or all of the money you invested in Westpac shares.

3.7 Investments in Westpac shares are not deposit liabilities or protected accounts under the Banking Act

Investments in Westpac shares are an investment in Westpac and will be affected by the ongoing performance, financial position and solvency of Westpac. They are not deposit liabilities or protected accounts under the Banking Act. Therefore, Westpac shares are not guaranteed or insured by any Australian government, government agency or compensation scheme of Australia or any other jurisdiction.

3.8 Foreign Accounting Tax Compliance Act (FATCA) withholding and reporting

In order to comply with FATCA, Westpac (or, if Westpac shares are held through another financial institution, such other financial institution) may be required (pursuant to an agreement with the United States or under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction) (i) to request certain information from holders or beneficial owners of Westpac shares, which information may be provided to the US Internal Revenue Service (**IRS**), and (ii) to withhold tax on some portion of payments made after 31 December 2016 with respect to Westpac shares if such information is not provided or if payments are made to certain foreign financial institutions that have not entered into a similar agreement with the United States (and are not otherwise required to comply with the FATCA regime under applicable law including pursuant to the terms of an applicable intergovernmental agreement entered into between the United States and any other jurisdiction).

If Westpac or any other person is required to withhold amounts under or in connection with FATCA from any payments made with respect to Westpac shares, holders and beneficial owners of Westpac shares will not be entitled to receive any gross up or additional amounts to compensate them for such withholdings.

This information is based on guidance issued by the IRS or other relevant tax authority as at the date of this document. Future guidance may affect the application of FATCA to Westpac, shareholders or beneficial owners of Westpac shares.

3.9 Future issues of debt or other securities by Westpac

Westpac and members of the Westpac Group may, at their absolute discretion, issue additional securities in the future that may rank ahead of, equally with or behind Westpac ordinary shares, whether or not secured. Additionally, certain convertible securities currently on issue or which may be issued by Westpac and members of the Westpac Group in the future may be converted from debt to equity securities. Any issue or conversion of other securities may dilute the relative value of existing Westpac shares and affect your ability to recover any value in a winding up.

There are no restrictions on Westpac raising more debt or issuing other securities (subject to restrictions imposed under the ASX Listing Rules), requiring Westpac to refrain from certain business changes, or requiring Westpac to operate within certain ratio limits.

An investment in Westpac shares carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by any member of the Westpac Group other than future pro rata issues similar to the Entitlement Offer.

No prediction can be made as to the effect, if any, such future issues of debt or other issues of securities by an entity in the Westpac Group may have on the market price or liquidity of Westpac shares.

3.10 Force majeure events may occur

Acts of terrorism, an outbreak of international hostilities or fires, floods, earthquakes, labour strikes, civil wars and other natural disasters may cause an adverse change in investor sentiment with respect to Westpac specifically or the share market more generally, which could have a negative impact on the value of an investment in Westpac shares.

The above risks are not an exhaustive list of the risks associated with participating in the Entitlement Offer. The risks outlined above and other risks may have a material adverse effect on the future financial performance and financial position of Westpac and the price of Westpac shares.

Accordingly, no assurances or guarantees of future performance, profitability, dividends, or returns of capital are given by Westpac or any other person in respect of the future financial performance and financial position of Westpac, or the price of Westpac shares.

Appendix 2: Entitlement Offer selling restrictions

This document does not constitute an offer of entitlements ("Entitlements") or new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Entitlements and New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of Entitlements and New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the Entitlements or the New Shares or the offering of such securities and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of Entitlements or New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the Entitlements or the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

Statutory rights of action for damages and rescission

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the Entitlements or the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the *Securities Act* (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the Entitlements and the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased such securities with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of such securities as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which such securities were offered.

Appendix 2: Entitlement Offer selling restrictions (continued)

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

Certain Canadian income tax considerations. Prospective purchasers of the Entitlements and the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding or disposition of such securities as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

Language of documents in Canada. Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

China

The information in this document does not constitute a public offer of the Entitlements or the New Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Entitlements and the New Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

European Economic Area – Belgium, Denmark, Germany, Luxembourg and Netherlands

The information in this document has been prepared on the basis that all offers of Entitlements and New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to publish a prospectus for offers of securities.

An offer to the public of Entitlements and New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French *Autorité des marchés financiers* ("AMF"). The Entitlements and the New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Entitlements and the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Appendix 2:
Entitlement Offer selling restrictions (continued)

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Entitlements and the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Entitlements and the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Entitlements and the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Entitlements or New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "Prospectus Regulations"). The Entitlements and the New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

Italy

The offering of the Entitlements and the New Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, "CONSOB") pursuant to the Italian securities legislation and, accordingly, no offering material relating to these securities may be distributed in Italy and these securities may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58"), other than:

- to qualified investors ("Qualified Investors"), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999, as amended ("Regulation No. 1197l"); and
- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Entitlements or the New Shares or distribution of any offer document relating to these securities in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Entitlements and the New Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such securities being declared null and void and in the liability of the entity transferring the securities for any damages suffered by the investors.

Westpac GROUP

Appendix 2: Entitlement Offer selling restrictions (continued)

Japan

The Entitlements and the New Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (the "FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Entitlements or New Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Entitlements or New Shares is conditional upon the execution of an agreement to that effect.

Korea

The Company is not making any representation with respect to the eligibility of any recipients of this document to acquire the Entitlements or the New Shares under the laws of Korea, including, without limitation, the Foreign Exchange Transaction Act and regulations thereunder. These securities have not been, and will not be, registered under the Financial Investment Services and Capital Markets Act of Korea (“FSCMA”) and therefore may not be offered or sold (directly or indirectly) in Korea or to any resident of Korea or to any persons for re-offering or resale in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its enforcement decree), except as permitted under the applicable laws and regulations of Korea.

Accordingly, the Entitlements and the New Shares may not be offered or sold in Korea other than to "qualified professional investors" (as defined in the FSCMA).

Malaysia

This document may not be distributed or made available in Malaysia. No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Entitlements or New Shares. The Entitlements and the New Shares may not be offered or sold in Malaysia except pursuant to, and to persons prescribed under, Part I of Schedule 6 of the Malaysian Capital Markets and Services Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

The Entitlements and the New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

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This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Entitlements or the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Entitlements or New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Appendix 2: Entitlement Offer selling restrictions (continued)

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Entitlements or the New Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (*Sw. lag (1991:980) om handel med finansiella instrument*). Any offering of Entitlements or New Shares in Sweden is limited to persons who are "qualified investors" (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The Entitlements and the New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Entitlements and the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. These securities will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Entitlements and the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Entitlements and New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

This document is personal to the recipient only and not for general circulation in Switzerland.

United Arab Emirates

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No offer or invitation to subscribe for Entitlements or New Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

Appendix 2:
Entitlement Offer selling restrictions (continued)

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Entitlements or the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

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In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Appendix 3: Cash earnings policy and adjustments

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

Cash earnings

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.

Reconciliation between reported profit and cash earnings	FY14 $m	FY15 $m
Reported net profit	7,561	**8,012**
Total cash earning adjustments	67	**(192)**
Cash earnings	7,628	**7,820**

Appendix 3: Cash earnings policy and adjustments

Cash earnings adjustment	FY14 $m	FY15 $m	Description
Partial sale of BTIM	0	(665)	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	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 this year 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	147	149	The merger with St.George, the acquisition of JOHCM[1] 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 associates 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	51	66	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)	Tax adjustments arising from the acquisition of Lloyds have been treated as a cash earnings adjustment as they are not reflective of ongoing operations
Fair value (gain)/loss on economic hedges	(105)	(33)	Unrealised profit/losses on economic hedges: FX hedges on future NZ earnings, FX hedges on fees payable on Government-guaranteed debt, accrual accounted term funding transactions and credit spread movements on certain long term debt issuances 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	46	1	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	7	1	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	(42)	(1)	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
Fair value amortisation of financial instruments	17	0	The unwind of the merger accounting adjustments associated with the fair valuing of St.George retail bank loans, deposits, wholesale funding and associated hedges. Given these are not considered in determining dividends they are treated as cash earnings adjustments
Bell litigation provision	(54)	0	During 2012, the Group recognised additional provisions in respect of the long running Bell litigation. This was treated as a cash earnings adjustment at the time due to its size, historical nature and because it did not reflect ongoing operations. In 2014 the Bell litigation has been settled and the release of provisions no longer required has also been treated as a cash earnings adjustment
Westpac Bicentennial Foundation grant	70	0	During 2014, the Group provided a grant to establish the Westpac Bicentennial Foundation. The grant has been treated as a cash earnings adjustment due to its size and because it does not reflect ongoing operations
Prior period tax provisions	(70)	0	During 2011, the Group raised provisions in respect of certain tax positions for transactions previously undertaken by the Group. A number of these matters have now been resolved, resulting in a release of the provisions which are no longer required. As the provisions raised were treated as a cash earnings adjustment, the release has been treated in a consistent manner
Total	**67**	**(192)**	

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Westpac GROUP

Appendix 4: Definitions

Entitlement Offer

TERP	Theoretical Ex-Rights Price (TERP) is the theoretical price at which Westpac shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Westpac shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to Westpac's closing price on 13 October 2015. TERP is $29.33 and is adjusted by subtracting the expected final 2015 dividend of 94 cents per share

Financial performance

Cash earnings	Is a measure of the level of profit that is generated by ongoing operations and is therefore available for distribution to shareholders. Three categories of adjustments are made to reported results to determine cash earnings: material items that key decision makers at Westpac believe do not reflect ongoing operations; items that are not considered when dividends are recommended; and accounting reclassifications that do not impact reported results. For details of these adjustments refer to slide 41
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
NCI	Non-controlling interests

Capital and liquidity

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
Capital ratios	As defined by APRA (unless stated otherwise)
Pro forma capital ratios	For the purpose of this document pro forma capital ratios reflect the impact of the Entitlement Offer and the impact that changes to the calculation of RWA for Australian residential mortgages would have if they had been implemented for 30 September 2015. ARPA's change to mortgage RWA are not due to come into force until 1 July 2016
Internationally comparable	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items as identified in slide 19. Analysis aligns with the ARPA study titled "International capital comparison study" dated 13 July 2015
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.

Appendix 4: Definitions (continued)

Westpac's business units

Westpac RBB or WRBB	Westpac Retail & Business Banking is responsible for sales and service to consumer, SME, commercial and agribusiness customers (with turnover of up to $100 million) in Australia under the Westpac brand
St.George Banking Group or St.George or SGB	St.George Banking Group provides sales and service to consumer, SME and corporate customers (businesses with facilities typically up to $150 million) in Australia under the St.George, BankSA, Bank of Melbourne and RAMS brands
BTFG	BT Financial Group (Australia) is the Group's wealth management business, including operations under the Advance Asset Management, Ascalon, Asgard, Licensee Select, and Securitor brands. Also included are the advice, private banking, and insurance operations of Bank of Melbourne, BankSA, St.George and Westpac. BTFG designs, manufactures and distributes financial products that are designed to help customers achieve their financial goals by administering, managing and protecting their assets
WIB	Westpac Institutional Bank provides a broad range of financial services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. Operates in Australia, New Zealand, UK, US and Asia
Westpac NZ	Westpac New Zealand provides a full range of retail and commercial banking and wealth management and insurance products and services to consumer, business, and institutional customers throughout New Zealand. New Zealand operates under the Westpac New Zealand, Westpac Institutional Bank, Westpac Life and BT brands in NZ
Westpac Pacific	Westpac Pacific provides banking services for retail and business in Fiji, Papua New Guinea, Vanuatu and Solomon Islands
Group Businesses or GBU	Group Businesses provides centralised Group functions, including Treasury and Finance

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	Impaired assets can be classified as 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

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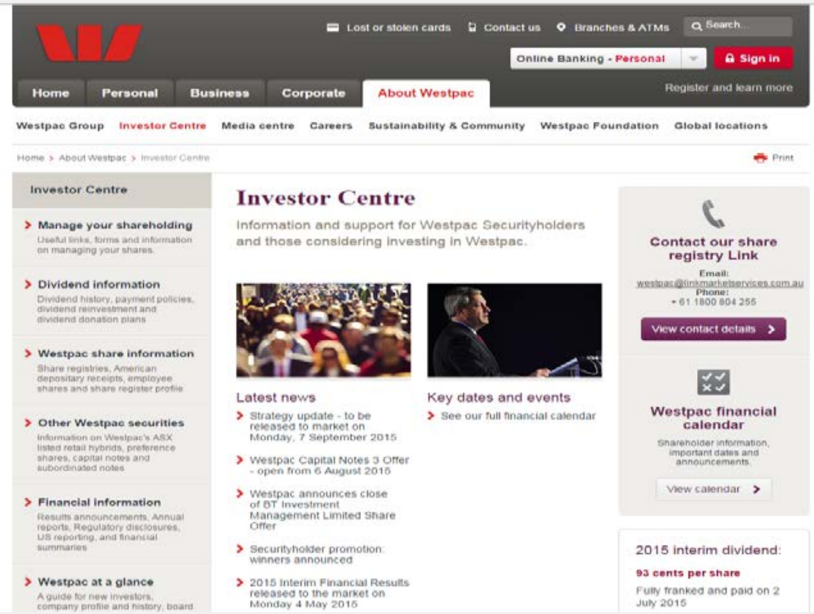
www.westpac.com.au/investorcentre

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



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