NEW ZEALAND LISTED OFFER OF NZD SUBORDINATED NOTES

Issued by Westpac Banking Corporation

Roadshow Presentation

July 2016

This investment is riskier than a bank deposit. The Westpac NZD Subordinated Notes are complex financial products that are not suitable for many investors. If you do not fully understand how they work or the associated risks, you should not invest in Westpac NZD Subordinated Notes

To assist you to make an investment decision, you should read the Product Disclosure Statement for Westpac NZD Subordinated Notes and you can seek advice from a professional financial advisor

Westpac GROUP

EST. 1817

Disclaimer

This presentation has been prepared and authorised by Westpac Banking Corporation (ABN 33 007 457 141)("Westpac") in relation to the proposed offer of unsecured, subordinated, fixed rate debt securities ("Westpac NZD Subordinated Notes" or "Notes") in New Zealand (the "Offer"). The Offer will be made in the Product Disclosure Statement dated 26 July 2016 ("PDS") in accordance with the Financial Markets Conduct Act 2013 ("FMCA").

The information provided in this presentation is an overview and is not investment advice. It has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). Investors should carefully read and consider the PDS in full and may seek advice from their financial adviser or other professional adviser before deciding to invest in the Offer. Any decision by a person to apply for Notes should be made on the basis of information contained in the PDS and the Disclose Register and an independent assessment as to whether to invest, and not in reliance on any information contained in this presentation. Anyone wishing to acquire Notes will need to complete the Application Form in the PDS during the Offer period. No applications or money will be accepted unless an investor has received the PDS. To obtain a PDS, interested investors should contact their financial adviser or visit www.westpac.com.au/westpacnzdsubnotes.

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There is no public pool for the Notes. All Notes, including oversubscriptions, have been reserved for subscription by clients of the Joint Lead Managers, Co-Managers and other approved financial advisors invited to participate in the Bookbuild.

Westpac intends to quote the Notes on the NZX Debt Market. NZX takes no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Defined terms used in this presentation have the meanings given to them in the PDS.

A new Tier 2 capital security from Westpac Banking Corporation

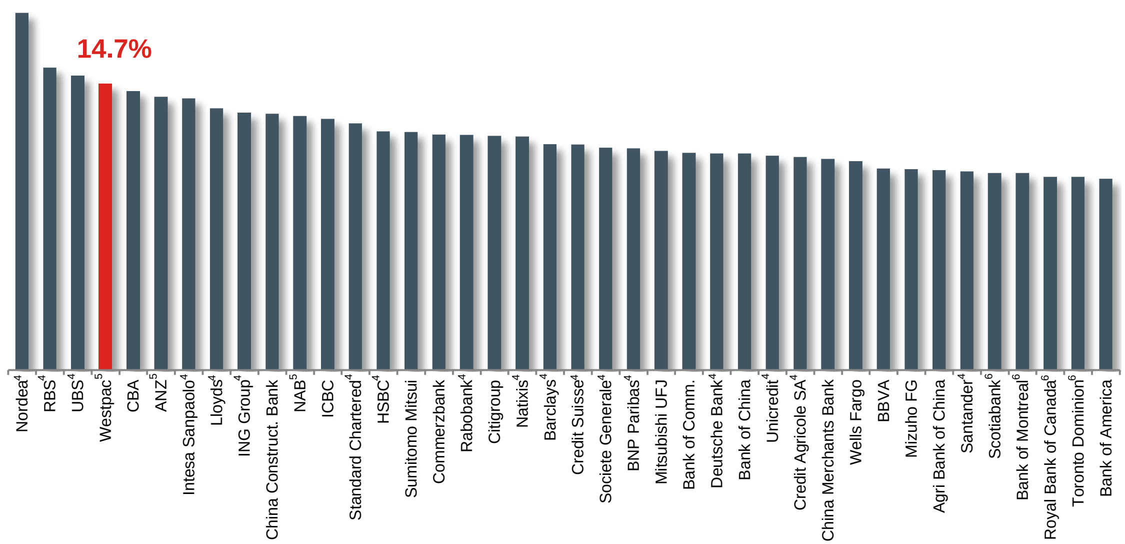
Summary of Notes

- A new investment in Westpac Banking Corporation called ‘Westpac NZD Subordinated Notes’ (**Notes**)
- **Fixed rate** interest payments, payable quarterly in arrear
- **Payments are non-discretionary**. Interest (and principal) must be paid when due, if Westpac satisfies the solvency condition. Interest accumulates if not paid
- **Margin range** 2.60% - 2.80% per annum. The Margin will be set on 4 August 2016 (Rate Set Date)
- **Maturity date** 1 September 2026 (10 years), subject to solvency. Westpac option to redeem[1] from 1 September 2021
- **In a Winding Up**, Notes will rank ahead of Westpac ordinary shares (**Westpac Shares**) and Additional Tier 1 capital. The ranking of the investment will be adversely affected if a Non-Viability Trigger Event occurs
- **Conversion** into Westpac Shares may occur following a Non-Viability Trigger Event
- Expected to be quoted on NZDX

Westpac Banking Corporation (issuer) summary

- **Second largest** bank in Australia, with a market capitalisation of A$101bn as at 31 March 2016
- **Number 1 or Number 2** market position in key customer segments in Australia and New Zealand
- **1H16 Cash earnings[2] of A$3.9bn with a ROE of 14.2%** (cash earnings basis)
- **Capital, funding and liquidity ratios** ahead of internal and regulatory minimums
- **Top quartile** Common Equity Tier 1 (CET1) capital ratio amongst banks globally

Global comparison of Basel III CET1 capital ratios[3] (%)



1 Optional early redemption is subject to APRA’s prior written approval. There can be no certainty that APRA will provide such approval. 2 Cash earnings is a non-GAAP measure. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings. 3 Based on CET1 capital ratios as at 31 December 2015 unless otherwise stated, assuming Basel III capital reforms are fully implemented. 4 Deduction for accrued expected future dividends added back for comparability. 5 As at 31 March 2016. 6 As at 31 January 2016.

Westpac has a strong balance sheet across all dimensions

Stable Funding Ratio

- 83% of lending supported by funding from stable sources
- In excess of 75% internal target
- Stable funding includes:
  - Customer deposits (60% of funding)
  - Equity 8%
  - Securitisation and wholesale funding >1 year 16%

Liquidity Coverage Ratio (LCR)

- Comfortably above 100% regulatory minimum
- Significant buffer

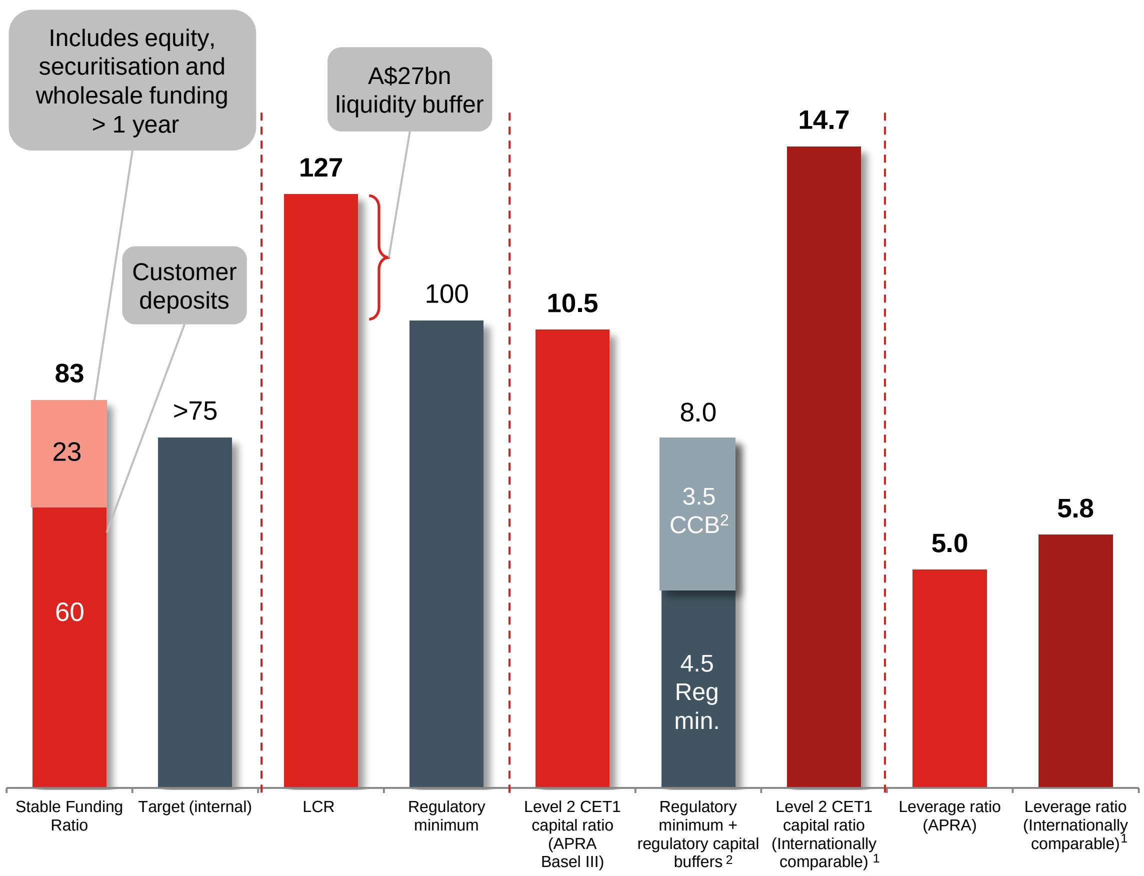
Capital

- A$6.0 billion in CET1 capital raised in calendar 2015, up 25%
- 14.7% CET1 capital ratio on an internationally comparable[1] basis
- Top quartile of banks globally

Leverage Ratio

- Basel III minimum 3% leverage ratio from January 2018 (APRA yet to set minimum)
- 5.8% leverage ratio on an internationally comparable[1] basis

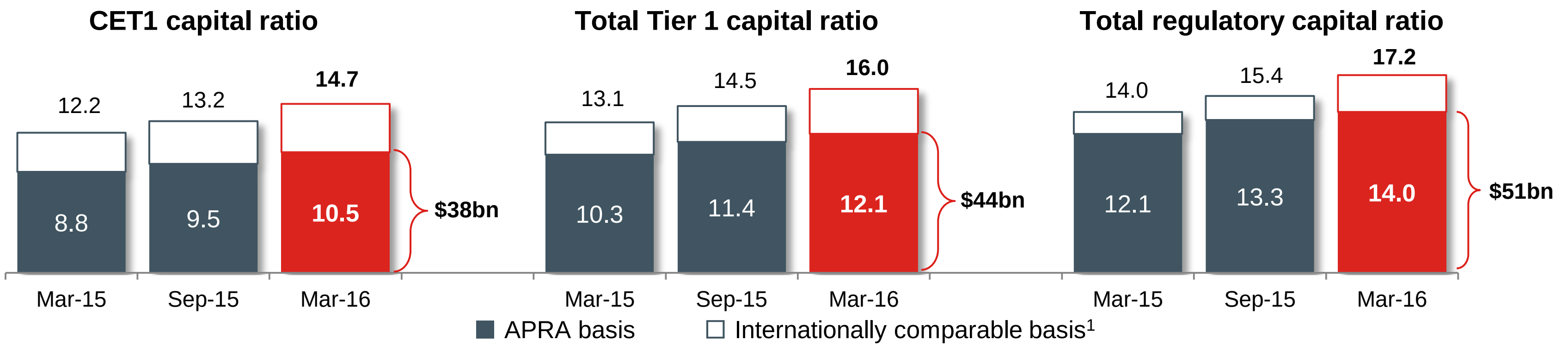
Westpac key balance sheet ratios as at 31 March 2016 (%)



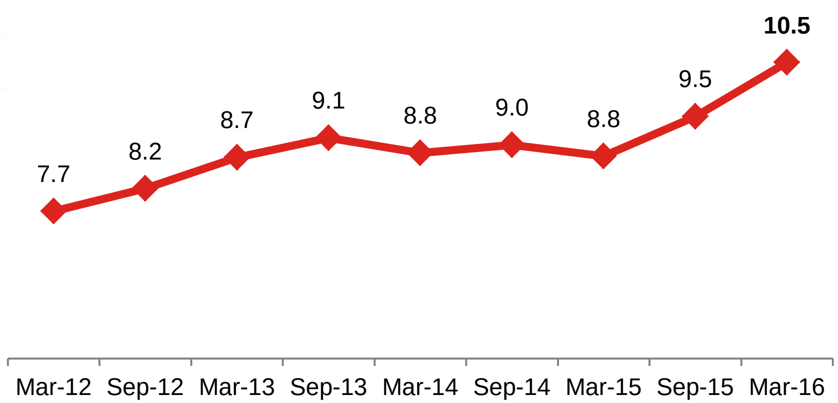
1 Methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. 2 Comprises capital conservation buffer (CCB) of 2.5%, Westpac's domestic systemically important bank (D-SIB) surcharge of 1% and any countercyclical buffer (CCyB) requirement.

Capital ratios materially strengthened

Regulatory capital ratios (Level 2 basis) (%)



CET1 capital ratio (%) (APRA basis)



Changes to current regulatory capital ratios

The adjacent chart sets out Westpac's reported CET1 capital ratios (at Level 2). Subsequent to 31 March 2016 a number of factors will impact Westpac's reported capital ratios in future periods including:

- The payment of Westpac's 2016 interim dividend (reducing the CET1 capital ratio by approximately 0.8%)
- A change in the way APRA calculates risk weighted assets for Australian residential mortgages including new models for assessing mortgages in hardship
- Westpac's earnings since 31 March 2016
- Various other impacts (e.g. IRRBB, movements in foreign exchange rates)

1 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 refer to Appendix 3.

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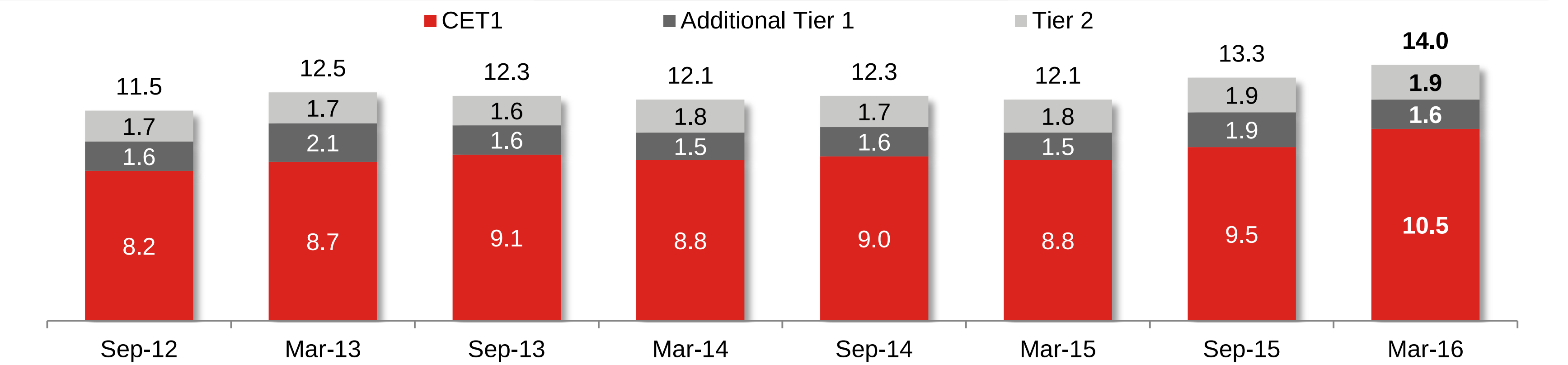
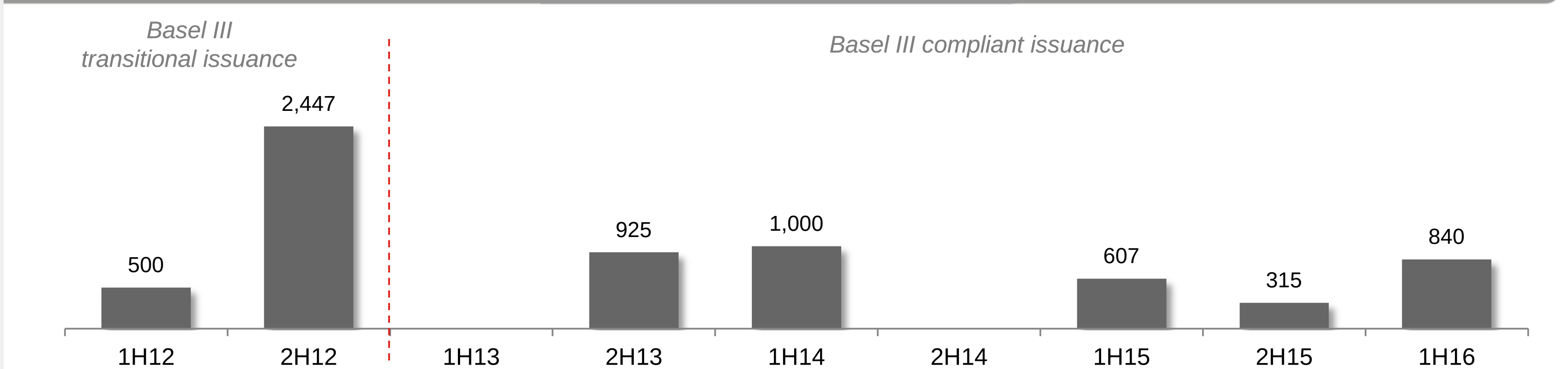
Total regulatory capital and Tier 2 issuance profile

Total regulatory capital (Level 2 basis) (%)



Westpac Tier 2 issuance since 2012 (issuance amount A$m)



Westpac NZD Subordinated Notes
Offer summary

Issuer	• Westpac Banking Corporation, acting through its Sydney head office ABN 33 007 457 141 (**Westpac**)
Offer size	• Up to NZ$250 million, plus unlimited oversubscriptions
Issue Price	• NZ$1.00 per Note
Minimum Application	• NZ$5,000 and in multiples of NZ$1,000 thereafter
Interest Rate	• The Notes pay a fixed rate of interest (with a reset on the First Optional Redemption Date) • Interest is scheduled to be paid quarterly in arrear, subject to the solvency condition. Unpaid amounts accumulate with interest • The Interest Rate is based on the New Zealand 5 year swap rate plus the Margin • The Margin will be determined on 4 August 2016 (Rate Set Date) • Indicative Margin range 2.60% – 2.80% per annum
Early bird interest	• 3.25% per annum (less any applicable withholding tax) on application monies for applications that are accepted, unless those application monies are returned for any reason
No Public Pool	• The Offer (including any oversubscriptions) will be reserved for subscription by clients of the Joint Lead Managers, Co-Managers, and other approved financial advisers who are invited to participate in the Bookbuild
Syndicate	• **Arranger:** Westpac Banking Corporation (acting through its New Zealand branch) • **Joint Lead Managers:** Westpac Banking Corporation (acting through its New Zealand branch), BNZ, Deutsche Craigs, First NZ Capital, Forsyth Barr, Macquarie • **Co-Managers:** JBWere, Macquarie Equities
Brokerage	• 0.75% plus 0.50% firm allocation fee
NZX Debt Market	• The Notes are expected to be quoted on the NZX Debt Market under the code WBC010
Credit Rating	• BBB+ by S&P Global Ratings

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Westpac NZD Subordinated Notes
Overview of key terms

Purpose of the offer	• The Notes will be treated as Tier 2 Capital of the Westpac Group by APRA • The proceeds received under the Offer will be used by Westpac for general business purposes
Description of the Notes	• The Notes are unsecured, subordinated, fixed rate debt securities issued by Westpac that may Convert into Westpac Shares or be Written Off if a Non-Viability Trigger Event occurs • In certain circumstances, the Notes may be repaid early
Maturity Date	• The Notes have a term of 10 years and are scheduled to be repaid on 1 September 2026
Optional Early Redemption	• Westpac may at its option repay some or all of the Notes early on any Interest Payment Date falling on or after the First Optional Redemption Date in year 5 (1 September 2021) and in certain other circumstances. Early repayment is subject to certain conditions, including APRA's prior written approval (which APRA may not provide) and satisfaction of the solvency condition • Investors have no right to request early redemption and should not assume that Westpac will elect to repay the Notes prior to the Maturity Date
Conversion following a Non-Viability Trigger Event	• If a Non-Viability Trigger Event occurs, some or all of the Notes may be Converted into Westpac Shares • This may occur if Westpac encounters severe financial difficulty
Write Off	• If the Notes are not Converted into Westpac Shares when required following a Non-Viability Trigger Event, then the Notes will be immediately and irrevocably Written Off. All rights in relation to the Notes will be terminated and holders will not have their capital repaid
Subordination	• The Notes are subordinated to the claims of senior creditors (including depositors and holders of Westpac's senior or less subordinated debt) in a Winding-Up of Westpac (where the Notes have not been redeemed, or following a Non-Viability Trigger Event, Converted or Written Off) • If the Notes are Converted they will rank equally with existing Westpac Shares

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Westpac NZD Subordinated Notes
Interest payments

Interest payments	• Interest is scheduled to be paid in arrear: – quarterly on 1 March, 1 June, 1 September and 1 December each year (or if that day is not a Business Day, the next Business Day) to, but not including, the Maturity Date or an earlier Redemption Date or a Conversion Date, starting on 1 December 2016; and – on the Maturity Date or an earlier Redemption Date
Fixed Interest Rate	• The fixed rate of interest payable on the Notes will be determined as follows: – from the Issue Date to (but excluding) the First Optional Redemption Date, the sum of the 5 Year Swap Rate on the Rate Set Date and the Margin; and – from (and including) the First Optional Redemption Date to the Maturity Date, the sum of the 5 Year Swap Rate on the First Optional Redemption Date and the Margin • The Margin and Interest Rate will be announced via NZX on or before the Opening Date. The Interest Rate that is reset on the First Optional Redemption Date will be announced via NZX on that date
Margin	• The Margin will be announced via NZX on or before the Opening Date. The Margin will not change over the term of the Notes
Payments are non-discretionary, subject to solvency condition	• Payment of amounts on the Notes is subject to Westpac satisfying the solvency condition on the relevant payment date • The solvency condition will be satisfied if Westpac is Solvent at the time the payment falls due and will remain Solvent immediately after making the payment
Unpaid amounts accumulate	• Unpaid amounts are cumulative. This means that if Westpac does not pay an amount on the Notes because it has not satisfied the solvency condition, Westpac must pay that amount on the first date on which it is able to make the payment and satisfy the solvency condition. Provided the Notes have not been Converted or Written Off, interest will accrue on any interest that is not paid when scheduled as a result of Westpac not satisfying the solvency condition on the relevant payment date

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Westpac NZD Subordinated Notes
Non-Viability Trigger Event and Conversion

Non-Viability Trigger Event	• A Non-Viability Trigger Event occurs if APRA notifies Westpac in writing that it believes: – the Conversion of some or all of the Notes, or conversion, write off or write down of all or some capital instruments of the Westpac Group; or – a public sector injection of capital or equivalent support, is, in each case, necessary because, without it, Westpac would become non-viable
Conversion following a Non-Viability Trigger Event	• If a Non-Viability Trigger Event occurs, some or all of the Notes may be converted into Westpac Shares • Following Conversion, there is no certainty as to the future value of Westpac Shares and holders may suffer a loss as a consequence
Maximum Conversion Number	• The Maximum Conversion Number limits the number of Westpac Shares that may be issued on Conversion • If any Notes are Converted following a Non-Viability Trigger Event, it is likely that the Maximum Conversion Number will apply and limit the number of Westpac Shares to be issued. In this case, the value of the Westpac Shares holders will receive is likely to be significantly less than the aggregate principal amount of those Notes • Holders should note that the Australian Dollar may depreciate in value against the New Zealand Dollar by the time of Conversion. In this case, the Maximum Conversion Number is more likely to apply
Termination of holders' rights if Conversion does not occur	• If for any reason the Notes are not Converted into Westpac Shares when required following a Non-Viability Trigger Event, then rights in relation to such Notes will be immediately and irrevocably Written Off. This means the relevant holders of the Notes will receive nothing further in relation to the Notes. Their rights under the Notes (including rights to payment of interest and principal or to have the notes Converted into Westpac Shares) will be terminated and the holders of the Notes will lose their investment

This presentation provides a summary of the terms of the Offer only. Full details of the Offer are contained in the PDS

Westpac NZD Subordinated Notes
Subordination and ranking

- In a Winding-Up of Westpac, Notes (if they have not been redeemed, or following a Non-Viability Trigger Event, Converted or Written Off) rank (as illustrated below):
  - ahead of Westpac Shares;
  - ahead of Additional Tier 1 Capital securities, such as Westpac Capital Notes 3 and Westpac Capital Notes 4;
  - equally with certain other securities (including Westpac Subordinated Notes 2013); and
  - behind Senior Creditors and certain other securities (including Westpac Subordinated Notes 2012).
- The ranking of the investment in a Winding-Up of Westpac will be adversely affected if a Non-Viability Trigger Event occurs. If the Notes are Converted, they will rank equally with existing Westpac Shares and if they are Written Off holders will lose their investment.

Higher ranking / Earlier priority		**Illustrative examples[1]**
Liabilities ranking in priority to the Notes	Secured liabilities and liabilities preferred by law	• Liabilities in Australia in relation to protected accounts (generally, savings accounts and term deposits) and employee entitlements
	Unsecured, unsubordinated debt	• Trade and general creditors, bonds, notes and debentures and other unsecured, unsubordinated debt obligations. This includes covered bonds which are an unsecured claim on Westpac, although they are secured over assets that form part of the Westpac Group
	Unsecured, subordinated debt issued prior to 1 January 2013	• Westpac Subordinated Notes 2012, other subordinated bonds, notes and debentures and other unsecured, subordinated debt obligations with a fixed maturity date issued prior to 1 January 2013
Liabilities ranking equally with the Notes	**Notes[2]** Unsecured, subordinated debt issued after 1 January 2013 and subordinated perpetual debt	• Westpac Subordinated Notes 2013, other subordinated bonds, notes and debentures and other unsecured, subordinated debt obligations with a fixed maturity date issued after 1 January 2013 and subordinated perpetual floating rate notes issued in 1986
Liabilities ranking below the Notes	Additional Tier 1 Capital securities	• Westpac CPS, Westpac Capital Notes, Westpac Capital Notes 2, Westpac Capital Notes 3, Westpac Capital Notes 4
Equity	Common Equity Tier 1 Capital (Level 2 basis)	• Westpac Shares
Lower ranking / Later priority		

1 The diagram and the descriptions are simplified and illustrative only, and do not include every type of security or obligation that may be issued or entered into by Westpac, or every potential claim against Westpac in a Winding-Up. Westpac will from time to time issue additional securities or incur other obligations that rank ahead of, equally with, or subordinated to the Notes. Further, some of the securities represented in the diagram may be converted into Westpac Shares, which will then rank equally with other Westpac Shares. 2 It is likely that a Non-Viability Trigger Event would occur prior to a Winding-Up and the Notes would have been Converted into Westpac Shares or otherwise had rights attaching to them terminated.

Comparable Basel III compliant subordinated instruments available in New Zealand

	Westpac NZD Subordinated Notes	IAG Subordinated Notes	BNZ Subordinated Notes	ASB Subordinated Notes
Issuer	Westpac Banking Corporation	Insurance Australia Group Limited	Bank of New Zealand	ASB Bank Limited
Instrument Credit Rating	BBB+ by S&P Global Ratings	BBB by S&P Global Ratings	BBB+ by S&P Global Ratings and A3(hyb) by Moody's	BBB+ by S&P Global Ratings
Maturity Date	10 years	27 years	10 years	10.16 years
Optional Early Redemption	Yes[1], after 5 years or due to tax or regulatory event	Yes[1], between years 6 and 7 or due to tax or regulatory event	Yes[2], after 5 years or due to tax or regulatory event	Yes[2], after 5.16 years or due to tax or regulatory event
Interest Payments	Cumulative Subject to solvency condition	Cumulative Interest may be deferred if an interest deferral condition exists	Cumulative Subject to solvency condition	Cumulative Subject to solvency condition
Conversion	On the occurrence of a Non-Viability Trigger Event. If the Notes are not Converted following a Non-Viability Trigger Event, they will be Written Off	Holder conversion (Year 9+) or on the occurrence of a non-viability trigger event. If the notes are not converted following a non-viability trigger event, they will be written off	On the occurrence of a non-viability trigger event. If the notes are not converted following a non-viability trigger event, they will be written off	On the occurrence of a non-viability trigger event. If the notes are not converted following a non-viability trigger event, they will be terminated
Non-Viability Trigger Event	Determined by APRA	Determined by APRA	Determined by RBNZ or APRA or by New Zealand statutory manager	Determined by RBNZ or APRA or by New Zealand statutory manager

1 Optional early redemption is subject to APRA's prior written approval (which APRA may not provide) and the satisfaction of other conditions. 2 Optional early redemption is subject to prior written approval of the Reserve Bank of New Zealand (RBNZ), APRA and the solvency condition.

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Key dates for the Offer

Key dates for the Offer	
Roadshow	26-28 July 2016
Firm application bids due	4 August 2016
Rate Set Date	4 August 2016
Opening Date	5 August 2016
Closing Date	26 August 2016
Issue and Allotment Date	1 September 2016
Expected date of initial quotation and trading of the Notes on NZX Debt Market	2 September 2016
Key dates for Westpac NZD Subordinated Notes	
First Interest Payment Date[1]	1 December 2016
First Optional Redemption Date[2]	1 September 2021
Maturity Date	1 September 2026

1 Interest is payable quarterly in arrear, subject to the solvency condition. 2 APRA must provide its prior written approval for any optional early redemption. There can be no certainty that APRA will provide its approval.

Key risks

Risks affecting Westpac's creditworthiness

An investment in Notes may be affected by Westpac's ongoing performance and financial position and other risks associated with Westpac and the Westpac Group. Westpac considers that the most significant risk factors are

- Risks associated with compliance and regulatory change. Westpac could be adversely affected by failing to comply with existing laws and regulations, or by changes in laws and regulations and regulatory policy
- Risks relating to the availability and cost of funding. Adverse credit and capital market conditions or depositor preferences, or failure to maintain Westpac's credit ratings, may significantly affect Westpac's ability to meet its liquidity and funding needs and the cost of Westpac's funding
- Risks arising out of financial market volatility. Westpac could be adversely affected by disruptions to global financial markets or other financial market volatility
- Risks relating to economic conditions, asset values and credit losses. Westpac may incur higher credit losses on lending and counterparty exposures as a result of certain events, including economic disruptions, declines in asset values or declines in commodity prices

Risks associated with the Notes

- It is possible that the Notes may trade at a market price below their principal amount (NZ$1.00 per Note). Circumstances in which the market price of the Notes may decline include general market conditions, changes in investor perception and sentiment in relation to Westpac and its creditworthiness, the availability of better rates of return on other securities issued by Westpac or other issuers and the occurrence of or increase in the likelihood of the occurrence of a Non-Viability Trigger Event
- The market for the Notes will likely be less liquid than the market for Westpac Shares. Holders who wish to sell their Notes may not be able to sell their Notes readily or at prices that will enable them to realise a yield comparable to that of similar instruments, if insufficient liquidity exists in the market for the Notes
- There is a risk that interest amounts will not be paid on the Notes. The payment of amounts on the Notes is subject to Westpac satisfying the solvency condition on the relevant payment date
- If Westpac fails to make a payment because it has not satisfied the solvency condition, this will not be an Event of Default, and holders will not be able to take any action against Westpac unless an Event of Default subsequently occurs

This is a summary of the key risks only.
You should read the PDS in full before deciding to invest (including Section 6 "Risks of investing")

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Key risks (continued)

Risks associated with the Notes (Continued)

- The interest rate on the Notes will be fixed for 5 years from the Issue Date to the First Optional Redemption Date and then reset for another 5 years. There is a risk that the interest rate that is set on the First Optional Redemption Date will be lower than the interest rate which applies for the first 5 years of the Notes, or lower than the interest rate that applies to other debt or capital instruments with an equivalent term at the First Optional Redemption Date
- If a Non-Viability Trigger Event occurs, it is likely that the Maximum Conversion Number will apply and limit the number of Westpac Shares to be issued. In this case, the value of Westpac Shares received is likely to be significantly less than the aggregate principal amount of Notes held, and holders may lose a significant amount of the money invested
- Any significant depreciation of the Australian Dollar against the New Zealand Dollar by the Conversion Date will increase the likelihood of the Maximum Conversion Number applying. It will likely also reduce the New Zealand Dollar equivalent of Westpac Shares received. Following Conversion, there is no certainty as to the future value of the Westpac Shares
- If for any reason Conversion of Notes required to be Converted does not occur within 5 ASX Business Days following a Non-Viability Trigger Event, all rights in respect of those Notes (including the right to have the Notes Converted) will be immediately and irrevocably Written Off and terminated. Holders will lose all of the value of their investment and they will not receive any compensation

Risks associated with the Notes (Continued)

- In the event of a Winding-Up, if the Notes are still on issue and have not been redeemed or, following a Non-Viability Trigger Event, Converted or Written Off, they will rank ahead of Westpac Shares, equally with all other Equal Ranking Instruments and behind Senior Creditors (including depositors and all holders of Westpac's senior or less subordinated debt). If there is a shortfall of funds on a Winding-Up to pay all amounts ranking senior to, and equally with, Notes, holders will lose all or some of their investment. Ranking of the investment will be adversely affected if a Non-Viability Trigger Event occurs
- Subject to certain conditions, Westpac may repay some or all of the Notes on any Interest Payment Date falling on or after the First Optional Redemption Date and also before the Maturity Date in certain other circumstances. The timing or occurrence of an early repayment of the Notes may not coincide with your individual preferences of holders. Holders have no right to request early redemption, and should not assume that Westpac will elect to repay the Notes early
- Westpac may issue further securities which rank equally with, or ahead of, the Notes

Risks relating to a possible downgrade of the credit rating of the Notes

- The credit rating assigned to the Notes may be withdrawn or lowered at any time. Such changes may affect the market price and liquidity of the Notes. As a consequence of S&P Global Ratings recently placing the Australian government's credit rating on negative outlook, the senior long term credit rating of all four major Australian banks (including Westpac) has been placed on negative outlook. This increases the risk that Westpac's credit rating could be downgraded, and this could adversely affect the credit rating for the Notes

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Issued by Westpac Banking Corporation

Additional Information

Westpac Group at a glance

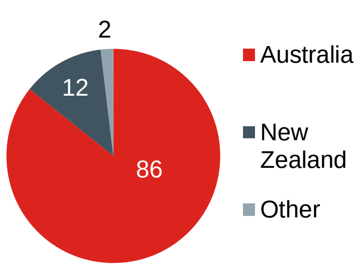
- Australia's 2nd largest bank, and 13th largest bank in the world, ranked by market capitalisation[1]
- Supporting consumer and business customers in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range financial services including consumer, business and institutional banking, wealth management and insurance
- One of the most efficient banks globally[2]
- Consistent earnings profile over time
- Strong capital, funding, liquidity, with sound asset quality
- Leader in sustainability[3]

Key statistics as at 31 March 2016

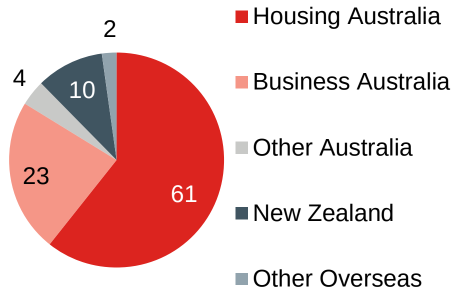
Customers	**13.2m**
Australian household deposit market share[6]	**23%**
Australian mortgage market share[7]	**23%**
Australian business market share[7]	**19%**
New Zealand deposit market share[8]	**21%**
New Zealand consumer lending market share[8]	**20%**
Australian wealth platforms market share[9]	**20%**

Focus on Australia & New Zealand

Revenue by geography[4] (%)



Net loans[5] (%)



Unique portfolio of brands

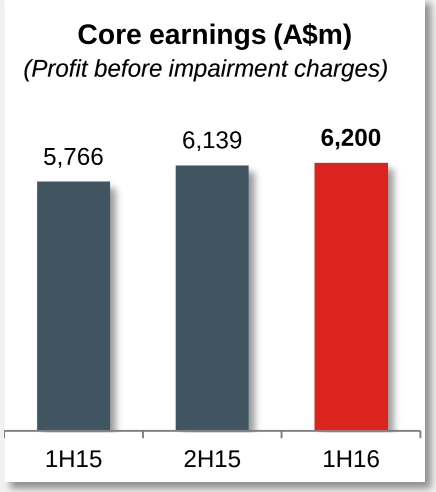
Westpac Institutional Bank

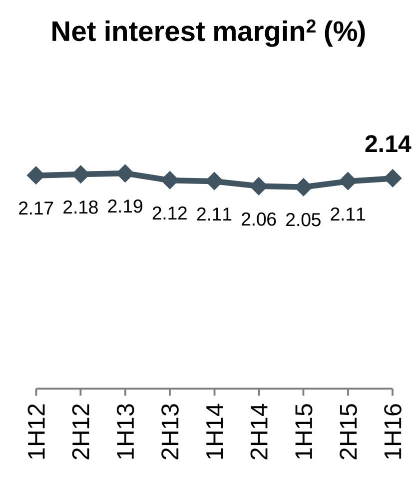
Westpac New Zealand

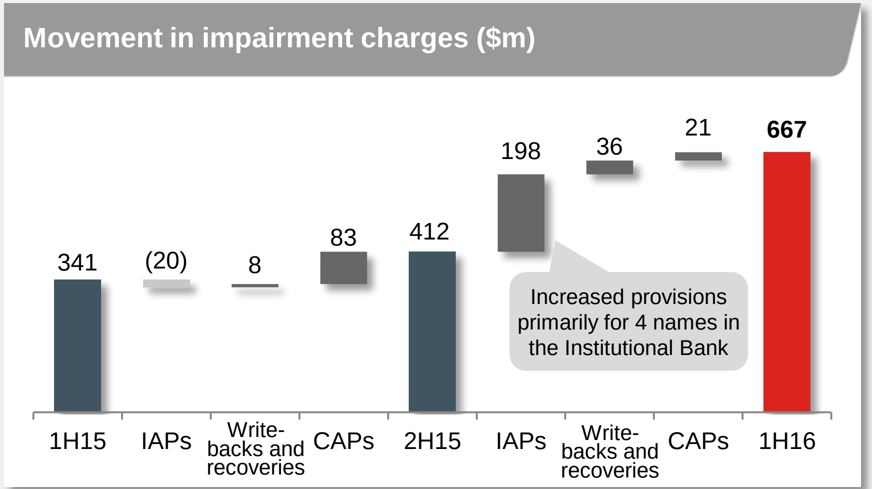
1 As at 31 March 2016. Source: IRESS, CapitalIQ and www.xe.com based in US Dollars. 2 Credit Suisse analysis of expense to income ratio of world's largest banks March 2016. 3 Included in 2016 Global 100 most sustainable companies, announced at World Economic Forum in January 2016. 4 As at 30 September 2015. 5 As at 31 March 2016. 6 APRA Banking Statistics, March 2016. 7 RBA Financial Aggregates, March 2016. 8 RBNZ, March 2016. 9 Plan for Life, December 2015, All Master Funds Admin.

First Half 2016 financial results

1H16 Cash Earnings[1] Results	1H16	% Change 1H16 – 1H15
Financial results (A$m)		
Net operating income	**10,619**	*6*
Expenses	**(4,419)**	*4*
Core earnings	**6,200**	*8*
Impairment charges	**(667)**	*96*
Cash earnings[1]	**3,904**	*3*
Reported net profit after tax	**3,701**	*3*
Financial metrics		
Return on average ordinary equity	**14.2%**	*(166bps)*
Earnings per share	**118.2c**	*(2)*
Net interest margin	**2.14%**	*9bps*
Expense to income ratio	**41.6%**	*(85bps)*
Impairment charges to avg. loans ann.	**21bps**	*10bps*
Balance sheet and asset quality		
Net loans	**A$641bn**	*6*
Total committed exposure (TCE)	**A$956bn**	*5*
Customer deposits	**A$442bn**	*5*
Impaired loans to total gross loans	**39bps**	*4bps*







1 Cash earnings is a non-GAAP measure. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings. 2 Prior periods have not been restated for accounting changes.

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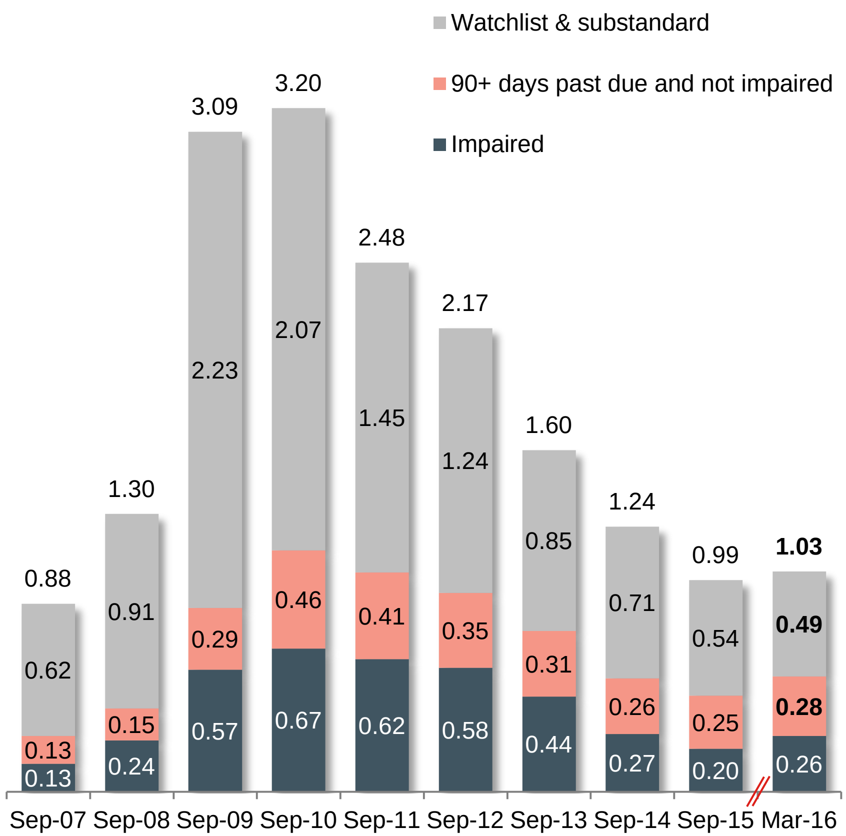
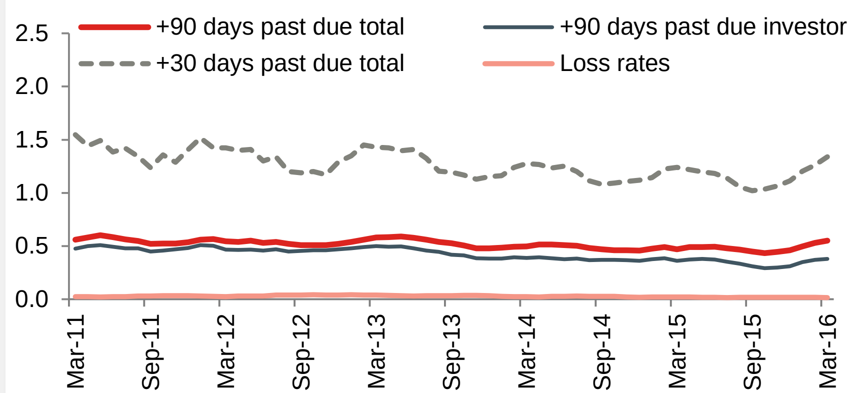
Asset quality remains sound

Stressed exposures as a % of TCE (%)



Provisions	Mar-15	Sep-15	Mar-16
Total provisions to gross loans (bps)	58	53	**57**
Impaired asset provisions to impaired assets (%)	48	46	**48**
Collectively assessed provisions to credit RWA (bps)	89	86	**87**
Economic overlay ($m)	387	388	**393**

Australian mortgages delinquencies (%)



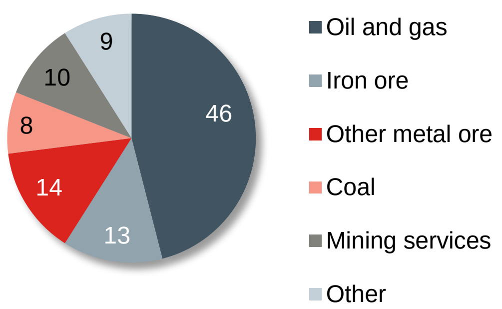
Areas of interest
mining, agriculture and commercial property

All amounts are in A$

Mining (incl. Oil and Gas) portfolio

	Sep-15	Mar-16
TCE	$14.4bn	**$11.8bn**
Lending	$7.1bn	**$5.9bn**
% of Group TCE	1.54	**1.23**
% of portfolio graded as stressed[1, 2]	1.86	**3.03**
% of portfolio in impaired[2]	0.28	**1.26**

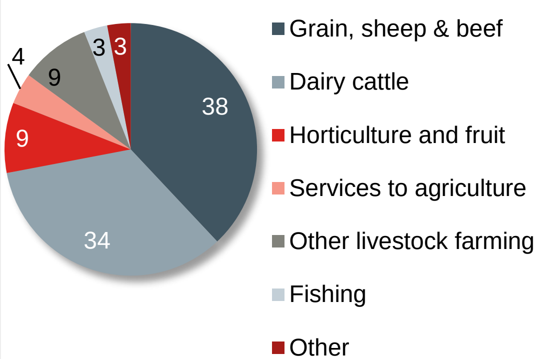
TCE by sector (%)



Agriculture portfolio

	Sep-15	Mar-16
TCE	$18.1bn	**$17.1bn**
Lending	$15.1bn	**$14.5bn**
% of Group TCE	1.92	**1.79**
% of portfolio graded as stressed[1, 2]	4.80	**5.84**
% of portfolio in impaired[2]	0.43	**0.48**

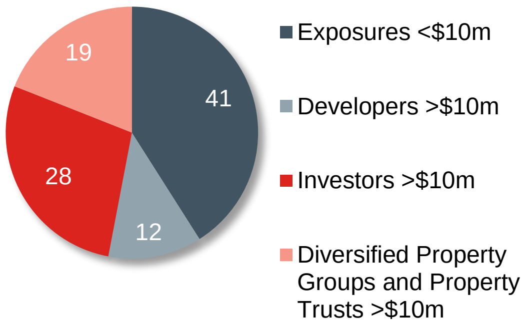
TCE by sector (%)



Commercial property portfolio

	Sep-15	Mar-16
TCE	$65.6bn	**$67.5bn**
Lending	$51.3bn	**$52.1bn**
% of Group TCE	7.00	**7.06**
% of portfolio graded as stressed[1, 2]	1.48	**1.34**
% of portfolio in impaired[2]	0.64	**0.54**

TCE by borrower type (%)

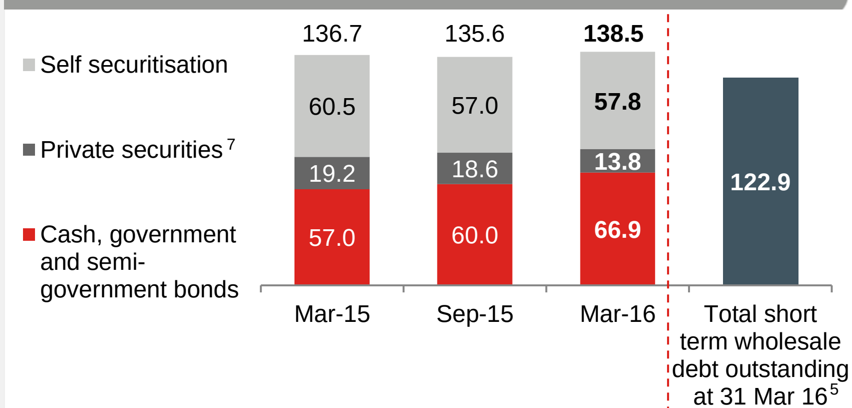


1 Includes impaired exposures. 2 Per cent of portfolio is to TCE.

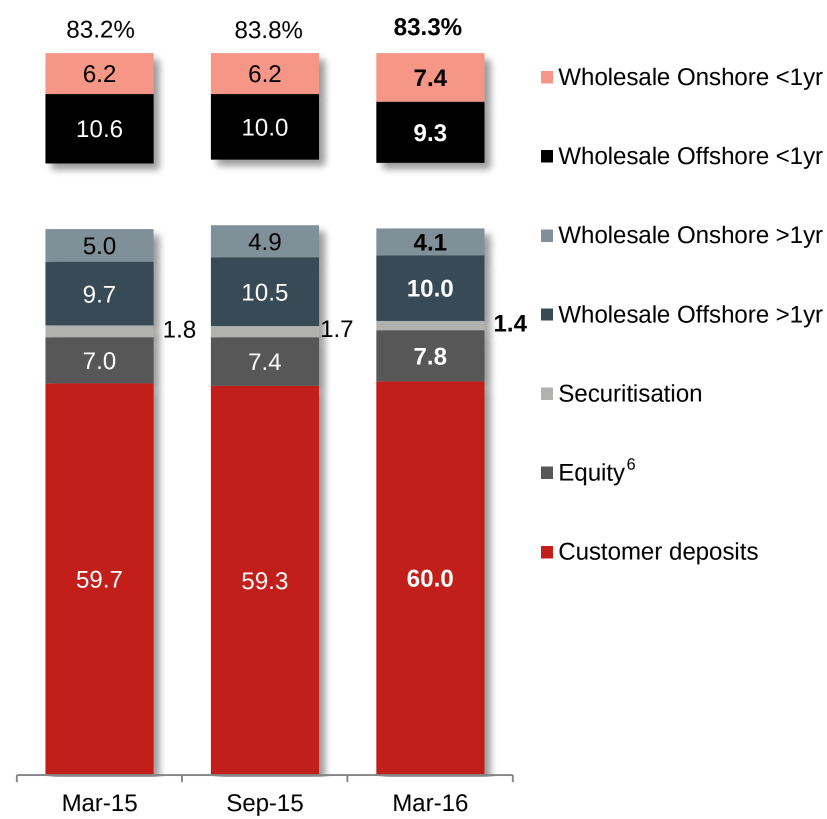
Stable sources provide 83% of all funding

Liquidity Coverage Ratio (A$bn)	Sep-15	Mar-16	% Mov't Mar 16 – Sep 15
High Quality Liquid Assets[1] (HQLA)	61	**66**	9
Committed Liquidity Facility[2] (CLF)	66	**59**	(11)
Total LCR liquid assets	**127**	**125**	**(2)**
Customer deposits	65	**63**	(3)
Wholesale funding	15	**13**	(10)
Other flows[3]	25	**22**	(12)
Total cash outflows	**105**	**98**	**(6)**
LCR[4]	**121%**	**127%**	
Customer deposit average run off rate	*15.2%*	*14.2%*	

Unencumbered liquid assets (A$bn)



Stable funding ratio (%)



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

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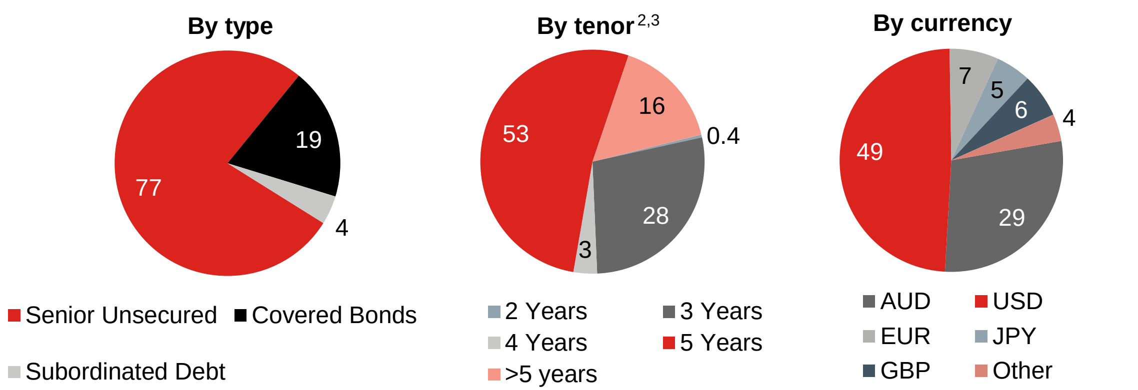
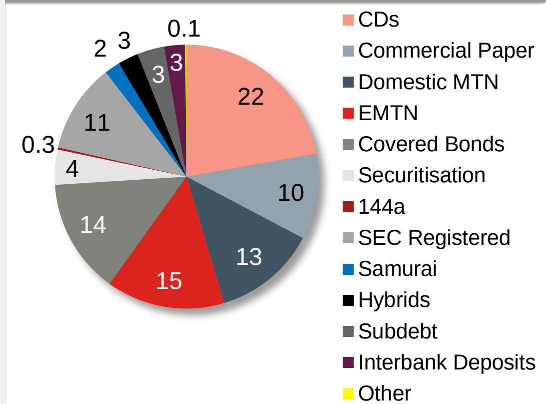
Targeting a diversified funding base

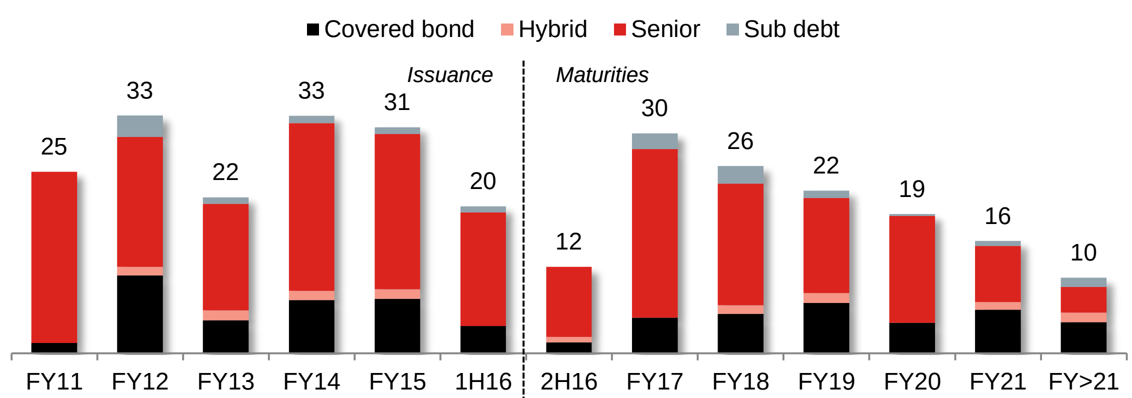
1H16 new term issuance composition[1] (%)



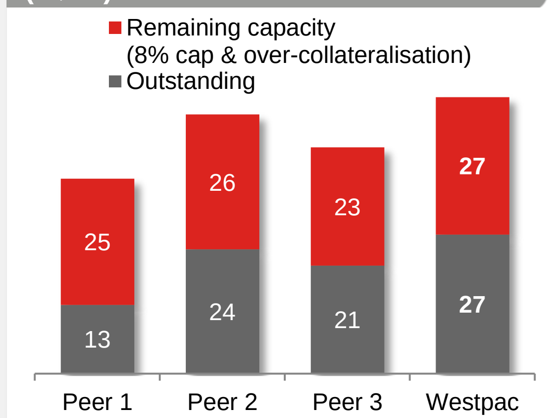
Wholesale funding composition[5] (%)



Term debt issuance and maturity profile[1,2,4] (A$bn)



Australian covered bond issuance[6] (A$bn)



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

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Appendix 1: Cash earnings adjustments

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

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Appendix 2: Definitions

Financial performance and capital

Cash earnings	Is a measure of the level of profit that is generated by ongoing operation and is therefore available for distribution to shareholders. Three categories of adjustments are made to reported results to determine cash earnings: material items that key decision makers at Westpac believe do not reflect ongoing operations; items that are not considered when dividends are recommended; and accounting reclassifications that do not impact reported results
Core earnings	Net operating income less operating expenses
Net interest margin	Net interest income divided by average interest-earning assets
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 (i.e. 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)
Internationally comparable	The internationally comparable common equity tier 1 (CET1) capital ratio is an estimate of Westpac's CET1 ratio calculated on rules comparable with global peers. The ratio adjusts for differences between APRA's rules and those applied to global peers. The adjustments are applied to both the determination of regulatory CET1 and the determination of risk weighted assets. Methodology aligns with the APRA study titled "International capital comparison study" dated 13 July 2015
Leverage ratio	As defined by APRA (unless state otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures
Level 1	Comprises Westpac Banking Corporation and its subsidiary entities that have been approved by APRA as being part of a single 'Extended Licensed Entity' for the purposes of measuring capital adequacy
Level 2	The consolidation of Westpac Banking Corporation and all its subsidiary entities (including offshore subsidiaries such as Westpac New Zealand Limited) except those entities specifically excluded by APRA regulations such as insurance or wealth management subsidiaries
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

Asset quality

TCE	Total committed exposures
Stressed loans	Stressed loans are the total of watchlist and substandard, 90 days past due and not impaired 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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Appendix 3: Internationally comparable capital ratio reconciliation

The APRA Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers[1]. The following provides details of the adjustments applied to the APRA Basel III capital requirements, which align to the methodology used in this study

		APRA Study[1] %
Westpac's Level 2 CET1 capital ratio (APRA basis)		**10.5**
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.5
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.4
Interest rate risk in the banking book (IRRBB)	APRA requires capital to be held for IRRBB. The BCBS does not have a Pillar 1 capital requirement for IRRBB	0.2
Residential mortgages – LGD floor	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements	0.7
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of IRB probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factors	0.6
Currency conversion threshold	Increase in the A$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.4
Internationally comparable CET1 capital ratio		**14.7**

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

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Information for investors

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