# FIRST HALF 2013
# FINANCIAL RESULT

CASH EARNINGS BASIS (UNLESS OTHERWISE STATED)

# Index

# FIRST HALF 2013
# FINANCIAL RESULT

**GAIL KELLY**
**CHIEF EXECUTIVE OFFICER**

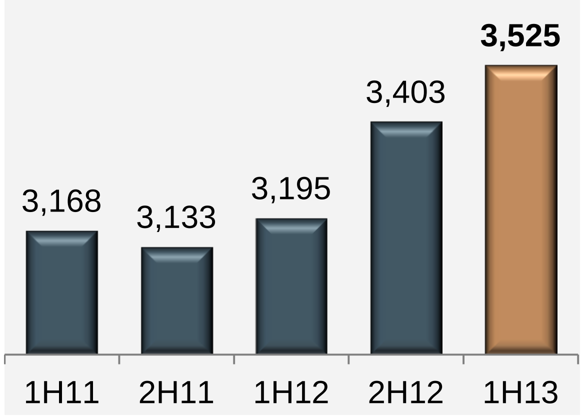
**COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS**
**(UNLESS OTHERWISE STATED)**

# A strong 1H13 result

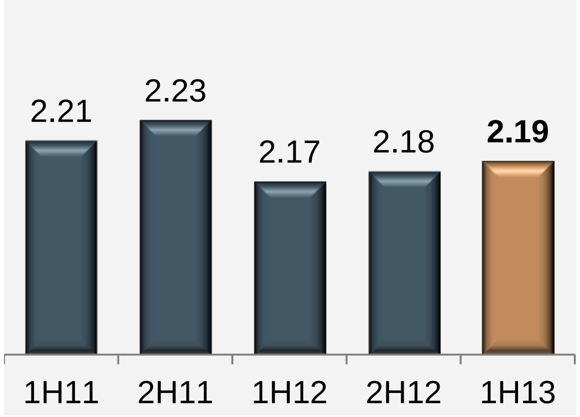
- A strong and balanced performance
- All divisions performing well
- Executing well against strategic priorities
- Managing for the environment
  - Actively targeting areas where conditions more favourable
  - Disciplined where conditions more challenging
  - Continued focus on productivity
  - Further strengthened balance sheet across all dimensions
- Strong capital position

# A strong company

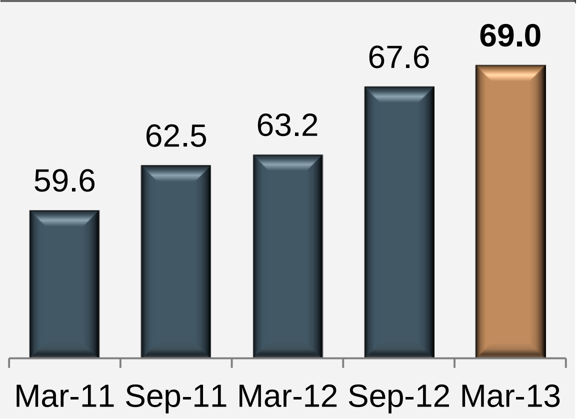
Cash earnings ($m)



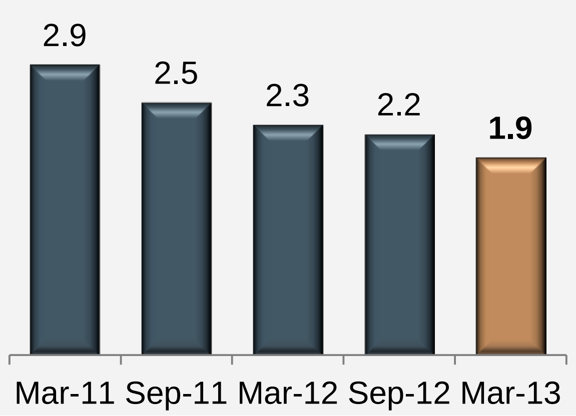

Net interest margin (%)



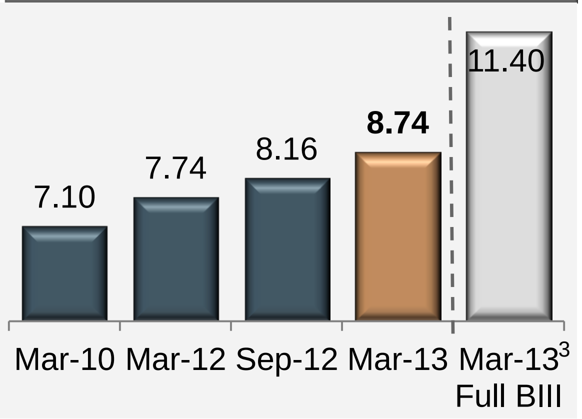

Customer deposit to loan ratio (%)



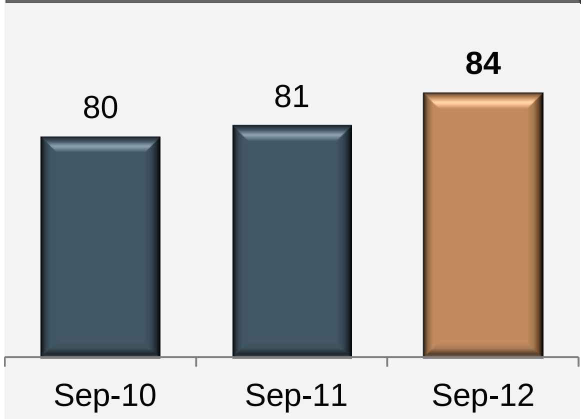

Stressed assets to TCE[1] (%)




APRA common equity ratio[2] (%)




Employee engagement (%)




1 TCE is Total Committed Exposures. 2 Figures prior to Mar-13 are pro forma estimates. 3 Common equity ratio on a fully harmonised Basel III basis.

# A balanced performance[1]

- Customer deposit to loan ratio up 581bps to 69.0%
- Common equity ratio 100bps higher. 10c special dividend
- Asset quality improved, provisioning leads sector

**Strength**
*A strong company*

- Cash ROE up 102bps to 16.1%
- Customer return on credit RWA up 8bps to 4.0%
- Margins up 2bps

**Return**
*Maintain discipline*

- $228m in productivity savings
- Expense to income ratio down 51bps to 40.6%
- Revenue per FTE up 8%
- SIPs nearing completion

**Productivity**
*Sector leading*

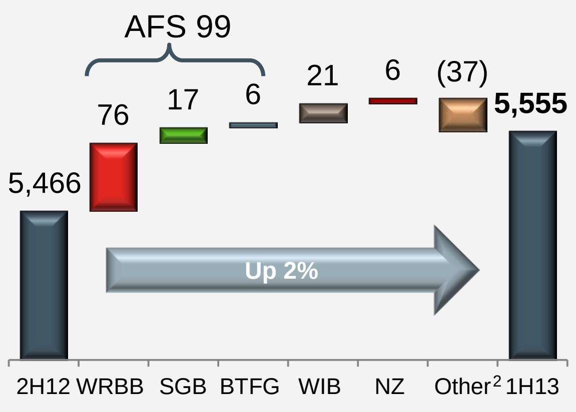
- Customer deposits up 12%
- Wealth penetration sector leading at 18.6%[2] up 95bps
- BoM growing over 5x system[3] in household deposits and over 3x system[4] in mortgages

**Growth**
*Investment driven*

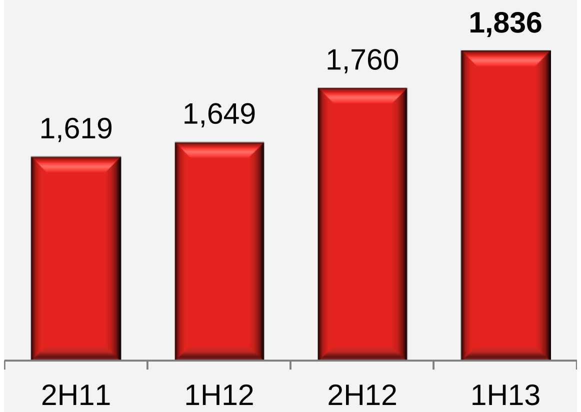
1 All metrics on this page refer to performance of 1H13 compared to 1H12. 2 Refer to slide 111 for Wealth penetration metrics provider details. 3 Bank of Melbourne (BoM) growth multiple is for the 12 months to Dec 12 for Victoria and has been estimated based on State based ABS National Accounts data along with ABA/Cannex surveys. 4 Growth multiple is for the 12 months to Feb 13 for Victoria and has been estimated based on ABS new housing finance statistics, State based ABS National Accounts data along with ABA/Cannex surveys.

# Growth across all divisions (core earnings[1] $m)

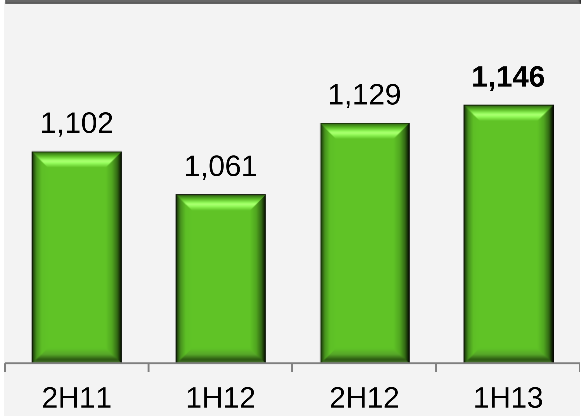
## Divisional contribution



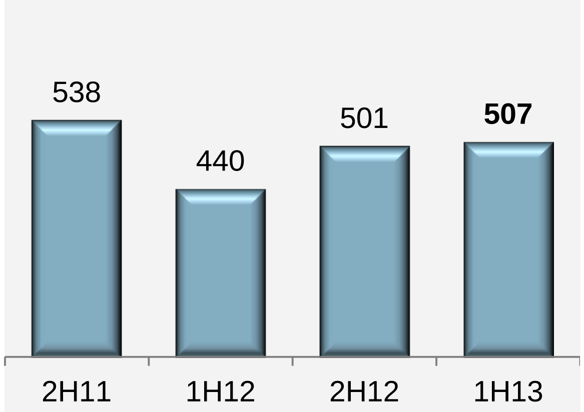

## Westpac RBB



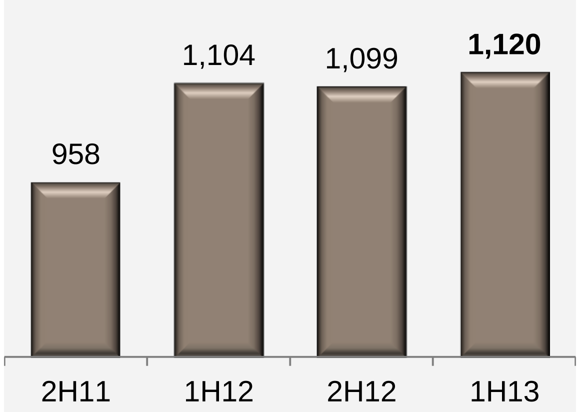

## St.George



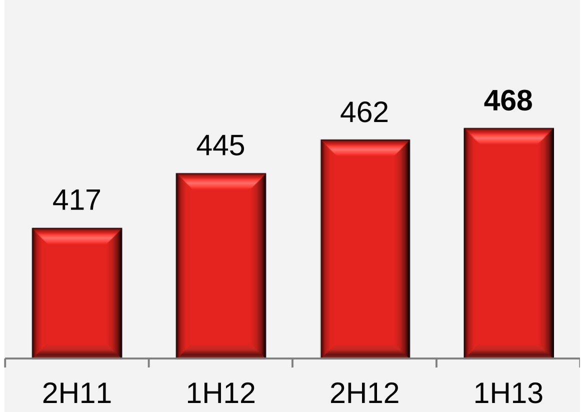

## BT Financial Group




## Westpac Institutional Bank



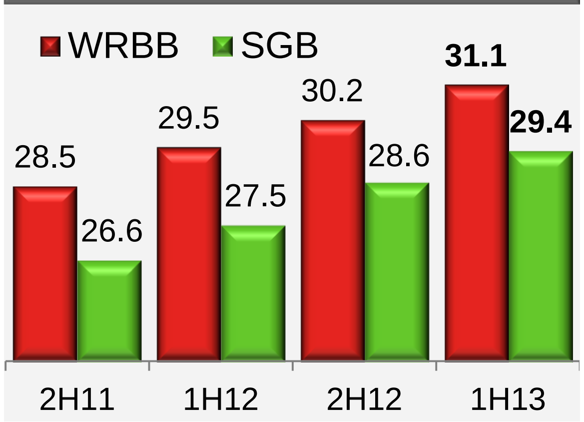

## Westpac New Zealand



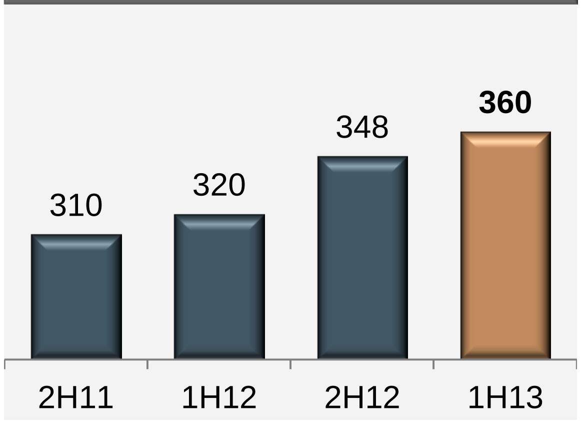

1 Core earnings is operating profit before income tax and impairment charges and in A$. 2 Other includes Westpac Pacific and Group Business Unit.

# Underlying customer momentum

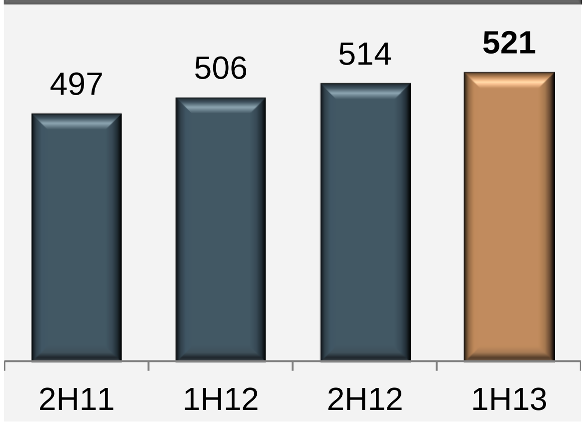
## Customers with 4+ products (%)



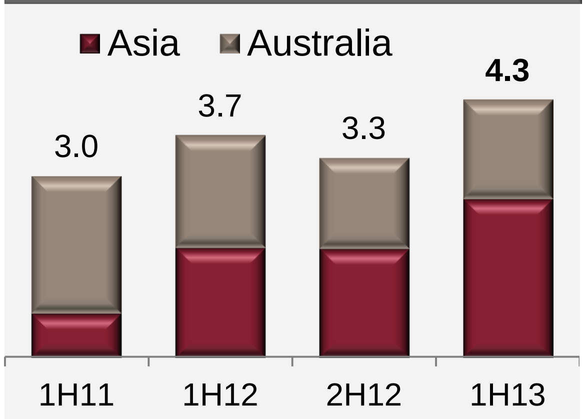

## Customer deposits ($bn)



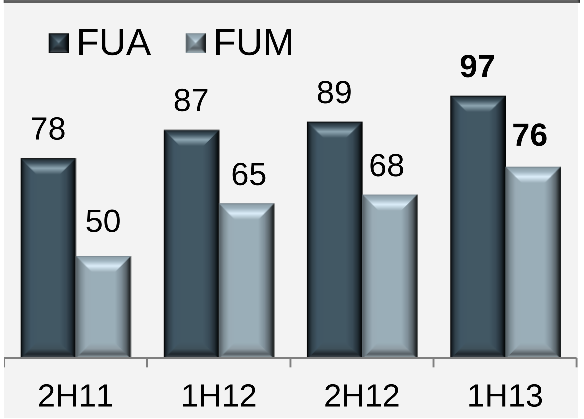

## Loans ($bn)



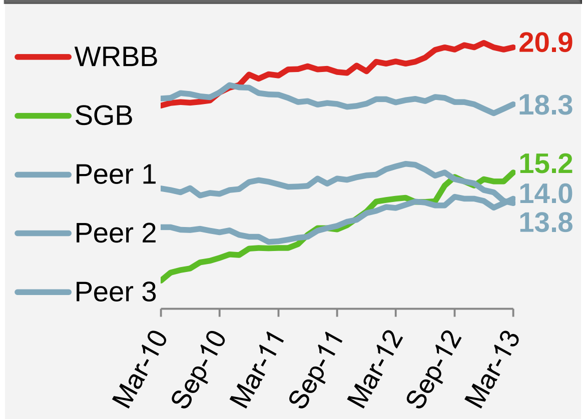

## WIB trade volumes ($bn)




## FUM and FUA ($bn)



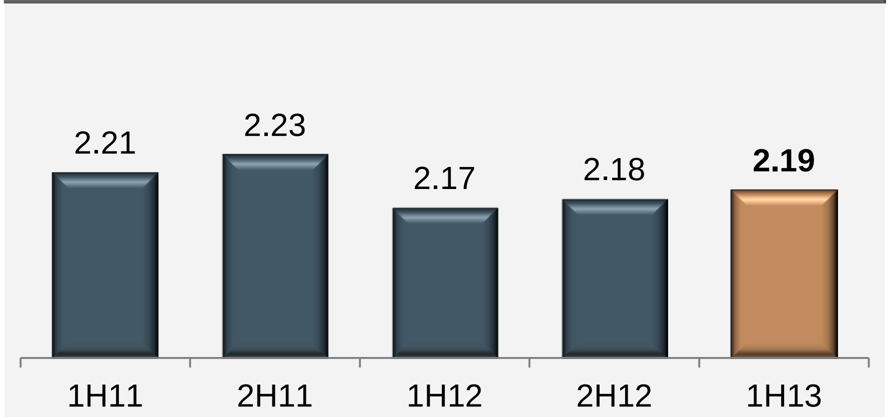

## Wealth penetration[1] (%)



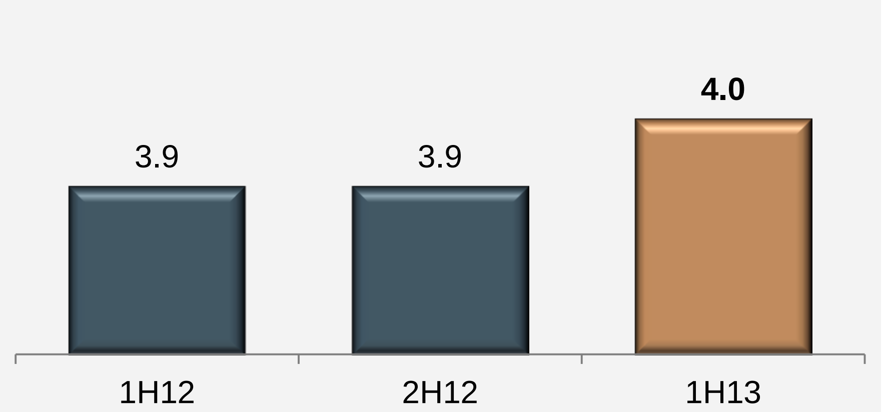

1 See slide 111 for wealth penetration metrics provider details.

# Improving returns remains a focus

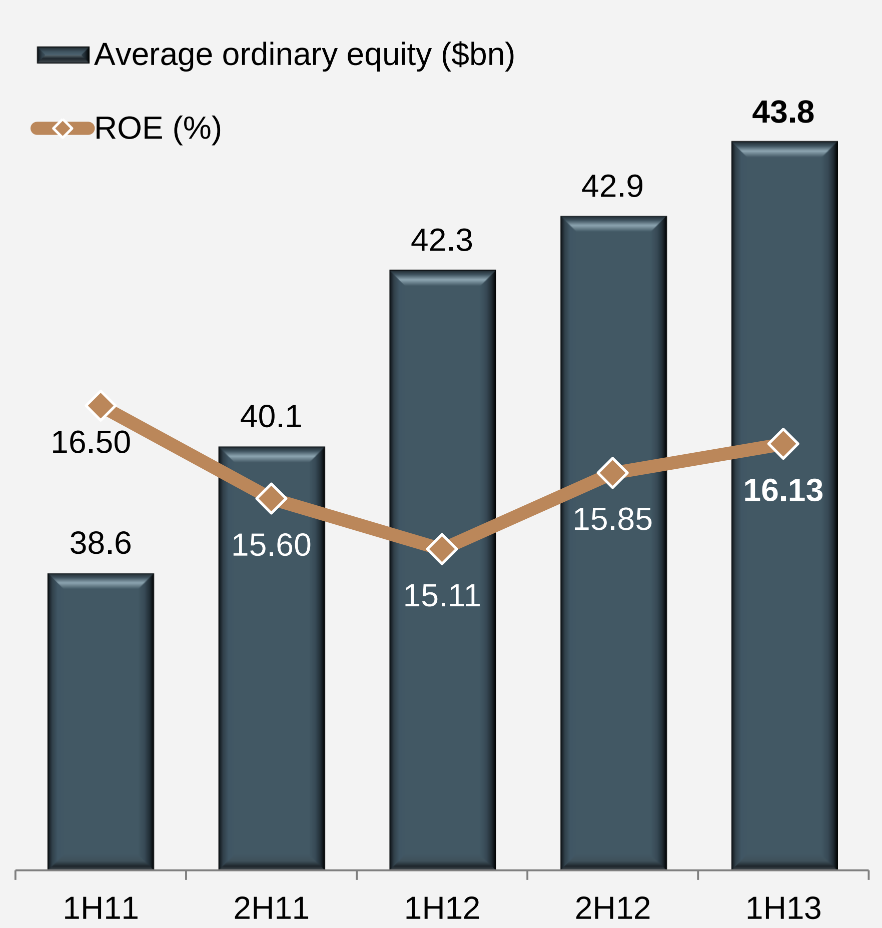
## Net interest margin (%)




## Customer return on credit RWA[1] (%)




## Return on equity



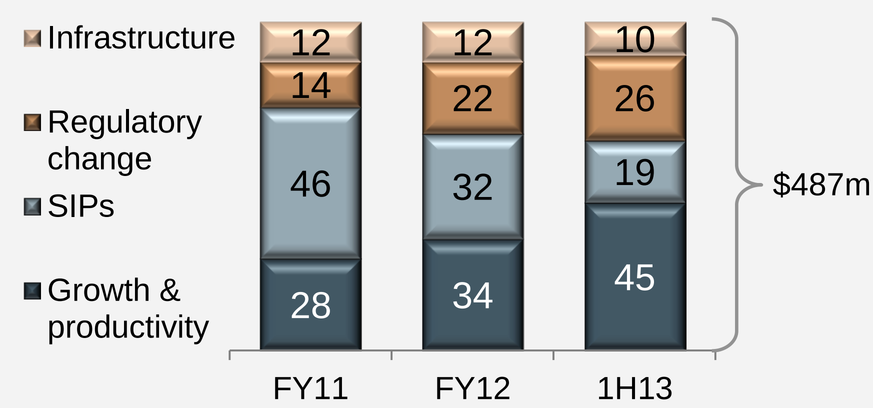

1 Customer return calculated as operating income, less Treasury and Markets (non-customer) income less operating expenses, divided by average credit risk weighted assets. 1H12 and 2H12 ratios have been adjusted to reflect changes in RWA balances under Basel III on a pro forma basis.

# Productivity funding investment

## $121m of efficiencies delivered in 1H13

| | |
|---|---|
| Structural change<br>• AFS/Group services<br>• Supplier program | <br>$16m<br>$23m |
| Continuous improvement | $28m |
| Other efficiency initiatives | $54m |

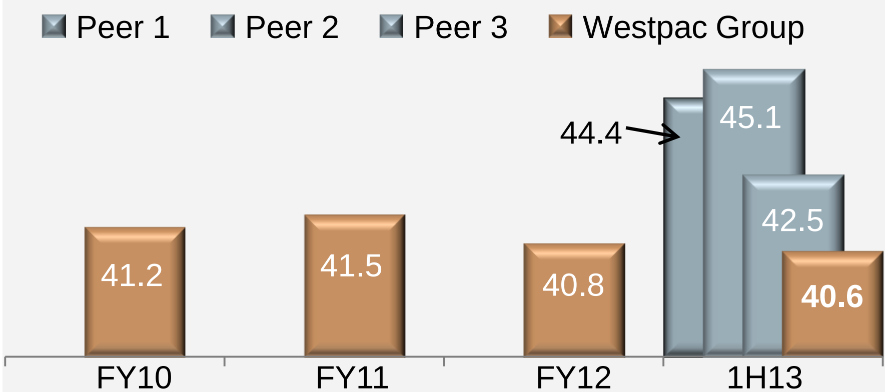
## Composition of investment spending (%)




## Productivity savings examples (1H12 – 1H13)

| | |
|---|---|
| Call centre costs | Down 7% |
| Time taken to report lost/stolen credit cards | Down from 20mins to 2mins |
| Accounts opened on mobile devices | Up to 5% from almost zero |
| AFS customer complaints | Down 20% |

## Expense to income ratio[1] (%)

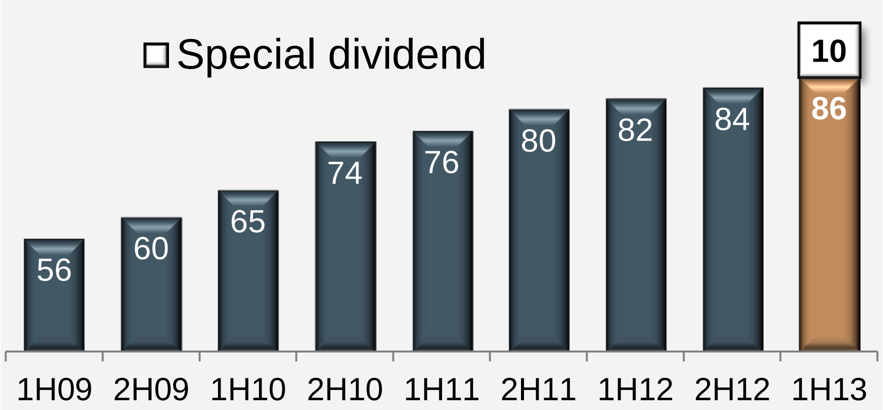



1 Peer 1 6 months to 31 March 2013; Peer 2 6 months to 31 December 2012; Peer 3 6 months to 30 September 2012.

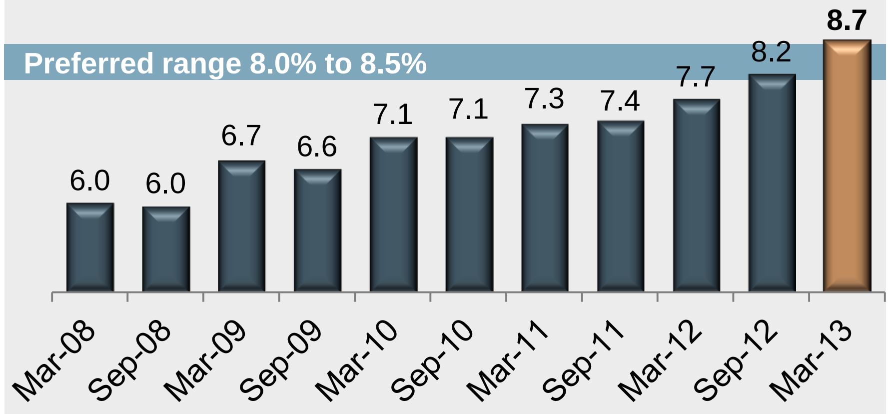
# Capital supports special dividend

- Strong capital ratio above preferred range
- Fully franked ordinary dividend 86c (up 2c)
- Neutralise DRP[1] for 1H13
- Special, fully franked dividend of 10c
- Franking surplus $590m after dividends

**Dividends (cents per share)**




**APRA Common equity tier 1 ratio[2] (%)**




1 DRP is dividend reinvestment plan. 2 APRA Common equity tier 1 ratio based on Basel III standards from Sep-10 to Mar-13 with numbers prior to Mar-13 on a pro forma basis. Mar-08 to Mar-10 based on Basel II standards.

# Key result metrics

| | 1H13 | Change 1H12 – 1H13 | Change 2H12 – 1H13 |
|---|---|---|---|
| Reported NPAT | $3,304m | 11% | 10% |
| **Cash earnings** | **$3,525m** | **10%** | **4%** |
| Cash EPS | 113.9c | 8% | 3% |
| Core earnings[1,2] | $5,555m | 6% | 2% |
| Impairment charges to average loans | 17bps | (7bps) | (7bps) |
| Common equity ratio APRA Basel III | 8.7% | 100bps[3] | 58bps[3] |
| Return on equity[2] | 16.1% | 102bps | 28bps |
| Expense to income ratio[2] | 40.6% | (51bps) | 10bps |
| Fully franked dividend | 86c | 5% | 2% |
| Special dividend, fully franked | 10c | na | na |

1 Core earnings is operating profit before income tax and impairment charges. 2 Cash earnings basis. 3 Comparisons on a pro forma Basel III basis.

# Focused execution of clear strategic priorities

| | | |
|---|---|---|
| 1 | A strong company | • Consistent increase in dividends |
| 2 | Reorient to higher growth/higher return sectors and segments | • Maintain ROE above 15% |
| 3 | Continue building deeper customer relationships | • Grow customer return on credit risk weighted assets |
| 4 | Materially simplify products and processes | • Maintain lowest expense to income ratio of peers |
| 5 | One team approach | • Focus on leadership, diversity and flexibility |

# FIRST HALF 2013
# FINANCIAL RESULT

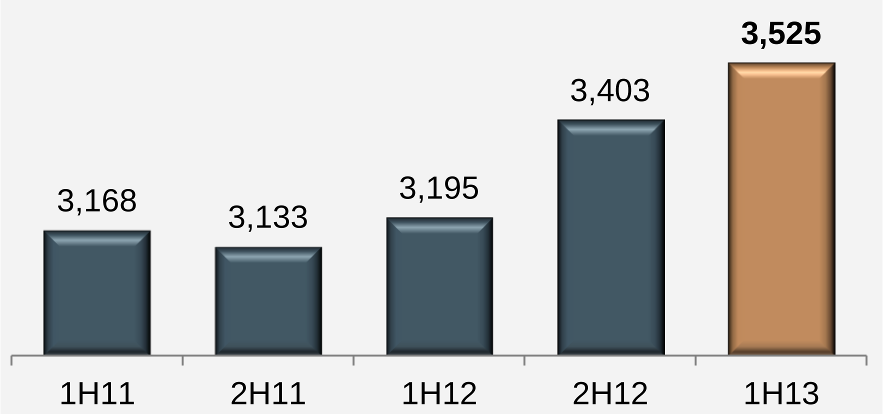
PHILIP COFFEY
CHIEF FINANCIAL OFFICER

COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS
(UNLESS OTHERWISE STATED)

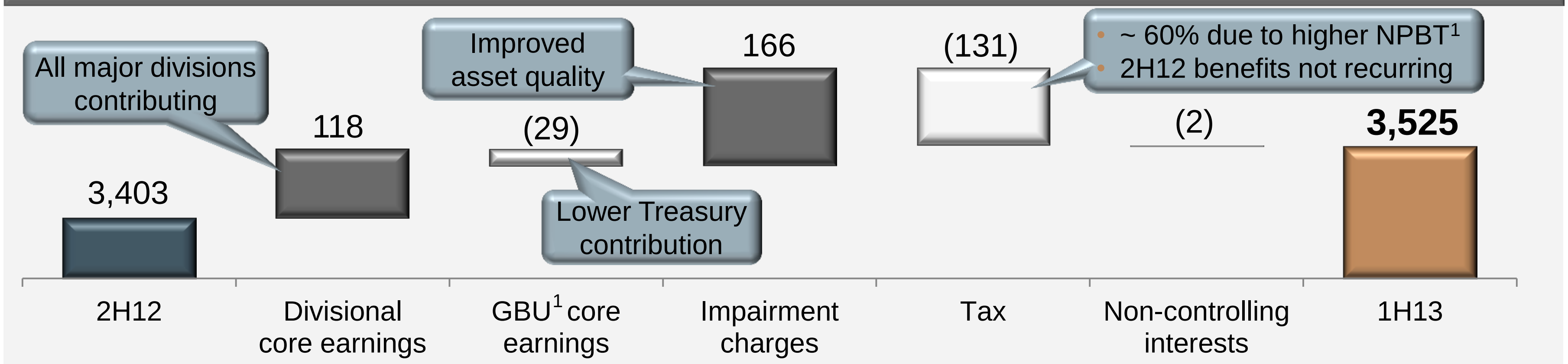
# 1H13 built on a strong base

- 1H13 results built on a particularly good 2H12
- Result supported by
  - Core earnings growth across divisions
  - Lower impairment charges

**Cash earnings ($m)**




**Composition of 1H13 Cash earnings ($m)**

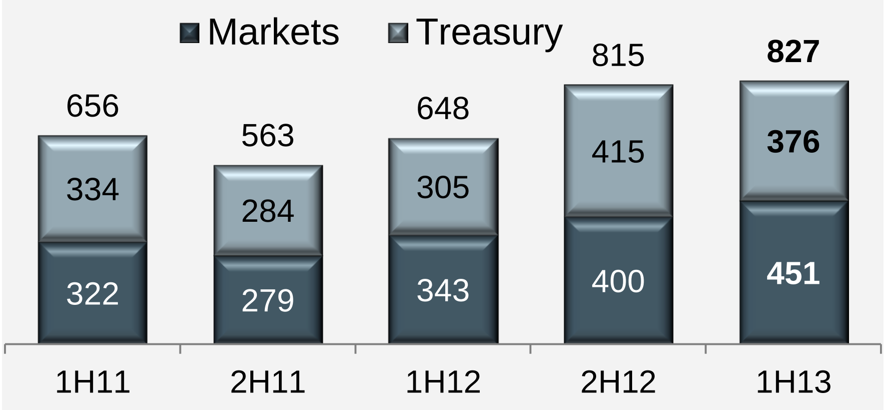



1 GBU is Group Business Unit and includes Treasury.

# A high quality performance

- Straightforward result
  - No material unusual items
  - No restatements to prior periods
  - Reduced size and number of cash earnings adjustments
- Little impact on earnings growth from Markets and Treasury income, including CVA
- Reduced impact from performance fees
- No material change in provisioning and related capital elements
  - Total provisions — $42m lower
    - Includes eco. overlay — $28m higher
  - GRCL adjustment — $48m benefit

**Markets related income ($m)**




| | 1H13 $m | 1H12 – 1H13 % | 2H12 – 1H13 % |
|---|---|---|---|
| Cash earnings | 3,525 | 10 | 4 |
| Reported profit | 3,304 | 11 | 10 |

# Improved return with reduced leverage

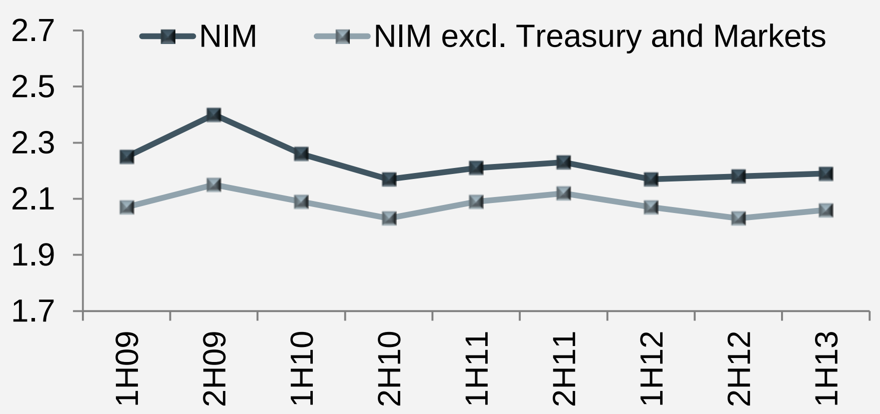
| Return on average interest-earning assets[1] (AIEA) (%) | 1H12 | 2H12 | 1H13 |
|---|---|---|---|
| Interest income (margin) | 2.17 | 2.18 | 2.19 |
| Non-interest income | 0.93 | 0.98 | 0.99 |
| Operating expenses | (1.27) | (1.28) | (1.29) |
| Impairment charges | (0.21) | (0.21) | (0.15) |
| Tax & non-controlling interests | (0.50) | (0.50) | (0.54) |
| **Cash earnings (ROA[2])** | **1.11** | **1.17** | **1.20** |
| **Leverage (AIEA/AOE[3])** | **13.57x** | **13.55x** | **13.50x** |
| **Return on average ordinary equity (ROE)** | **15.1** | **15.9** | **16.1** |

1 Analysis divides key profit and loss items by average interest-earning assets to determine the return, or cost metric. Cash earnings to average interest-earning assets multiplied by the leverage equals the return on equity. 2 ROA is Return on average interest earning assets. 3 AOE is Average ordinary equity.

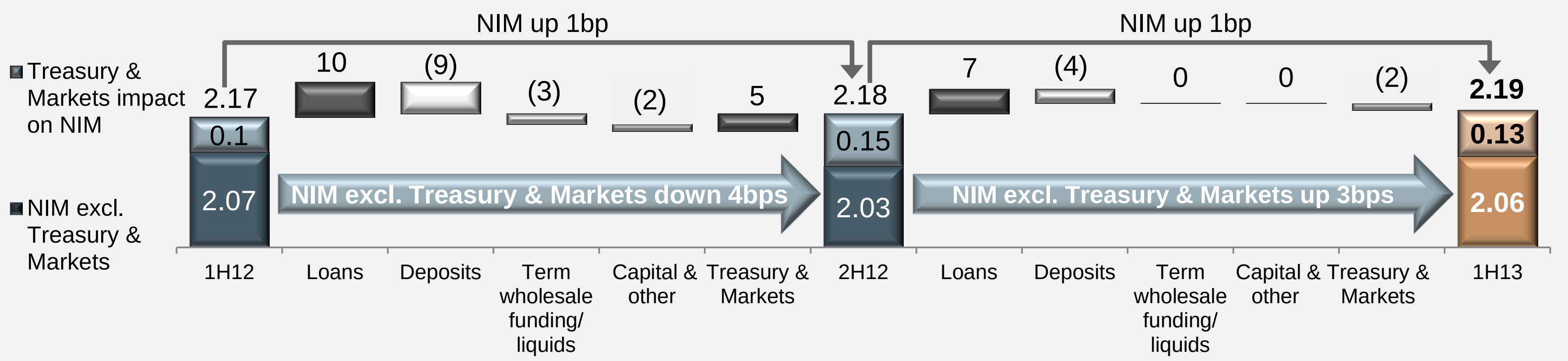
# Margins well managed

- Margins up 1bp to 2.19%
- Margins excluding Treasury & Markets up 3bps to 2.06%
  - Loan repricing offsetting higher deposit costs
  - Term wholesale funding impact neutral
  - Impact of reducing short term funding reflected in deposit spreads

**Net interest margin[1] (NIM) (%)**




**NIM movement (% & bps)**

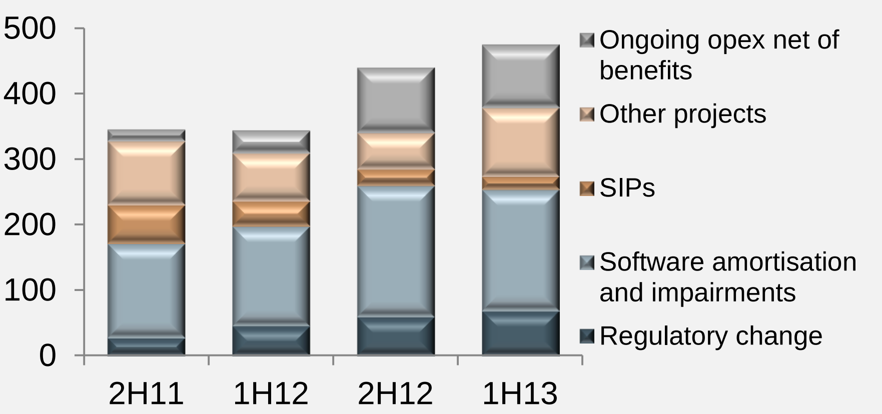



1 2009 is pro forma including St.George for the entire period with 1H09 ASX Profit Announcement providing details of pro forma adjustments.

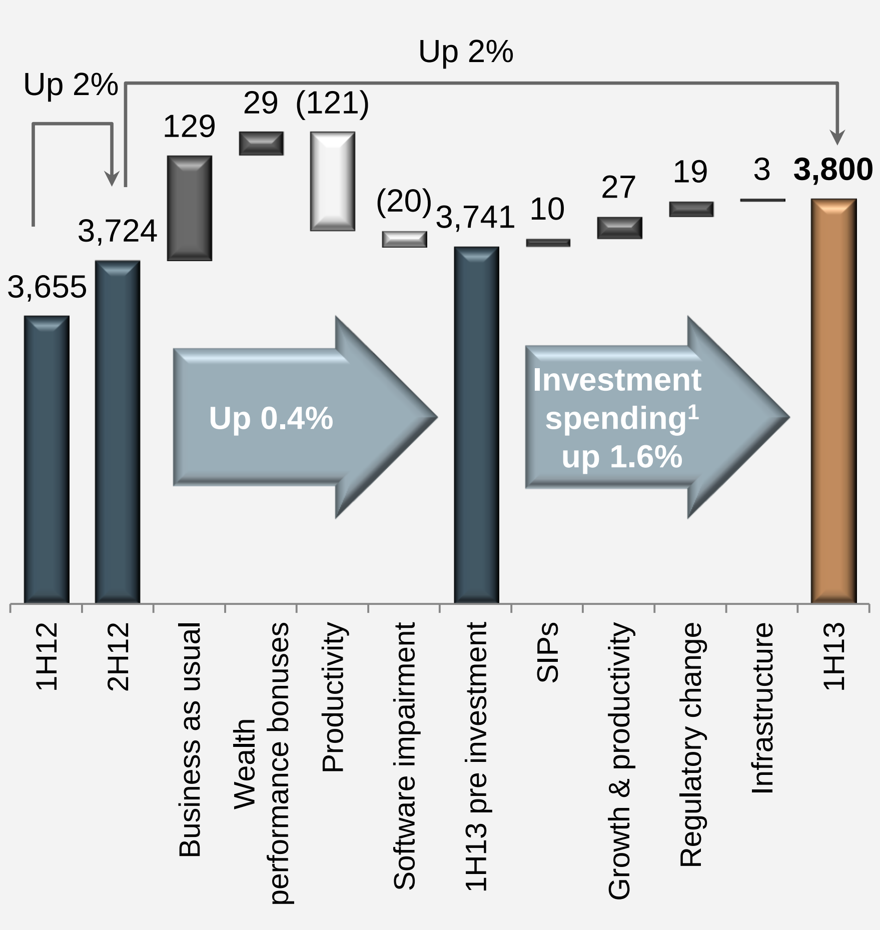
# Expenses supporting investment

- Expenses up 2%
- Business as usual costs largely offset by productivity
- Most growth in expenses relates to higher investment

## Impact on expenses from projects ($m)



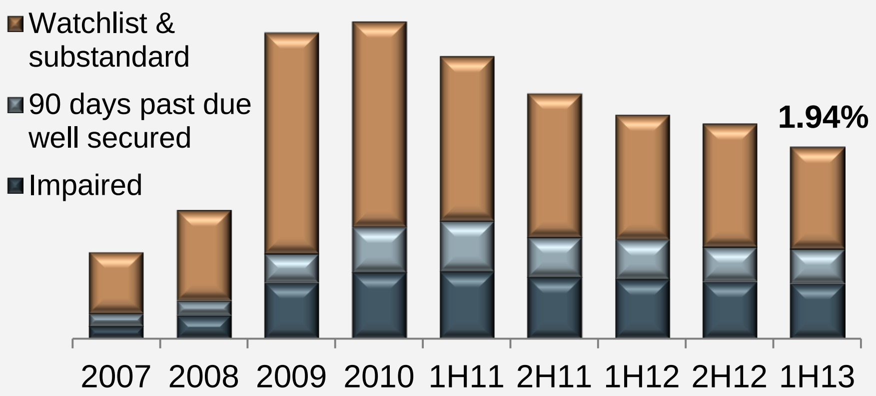

## Components of expense movements ($m)



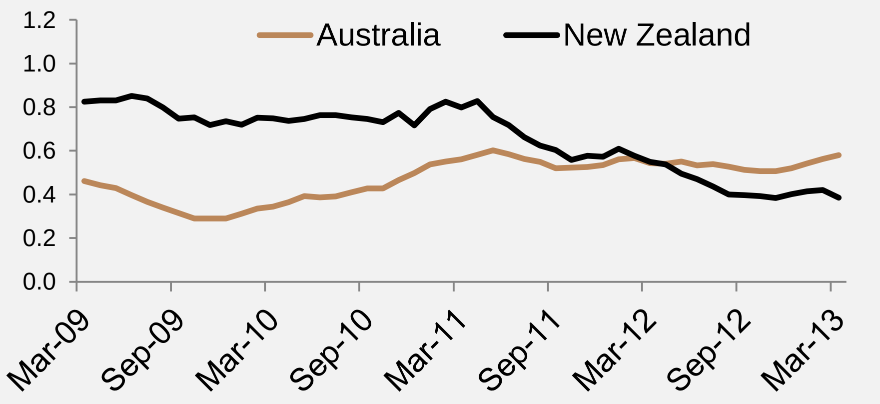

1 Movements in amortisation/depreciation has been spread across investment spend categories.

# Asset quality continues to improve

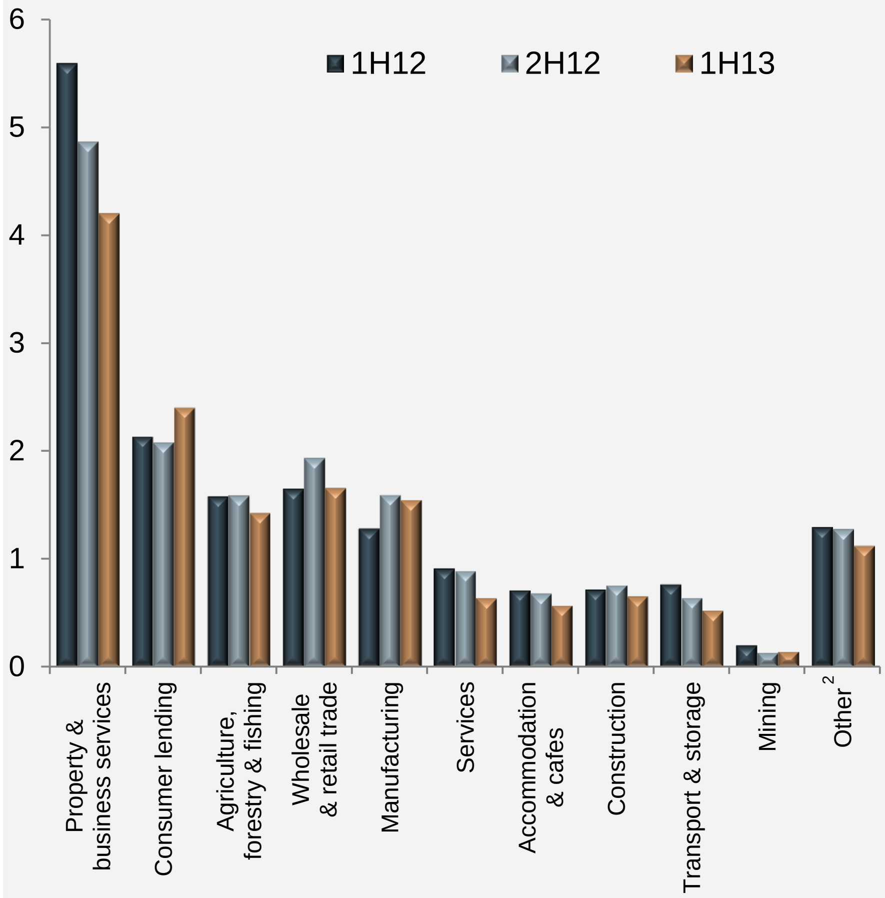
## Stressed exposures as a % of TCE[1]




## Mortgage 90+ day delinquencies (%)



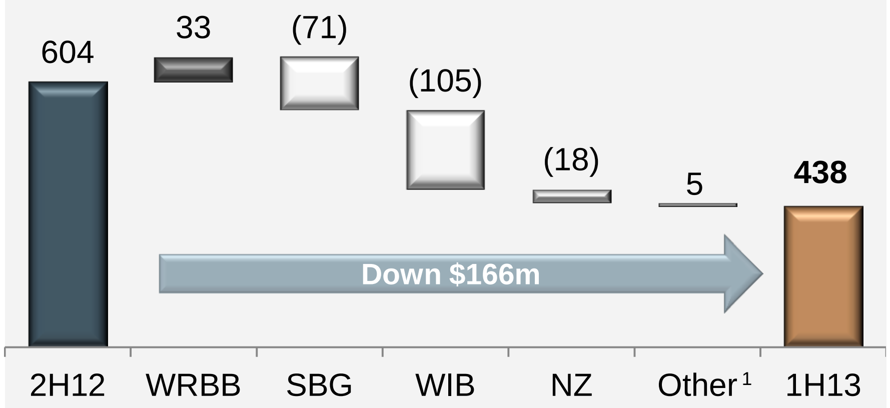

## Stressed exposures by sector ($bn)




1 TCE is Total Committed Exposures. 2 Other includes Government, admin & defence, utilities, and finance & insurance sectors

# Impairment charges

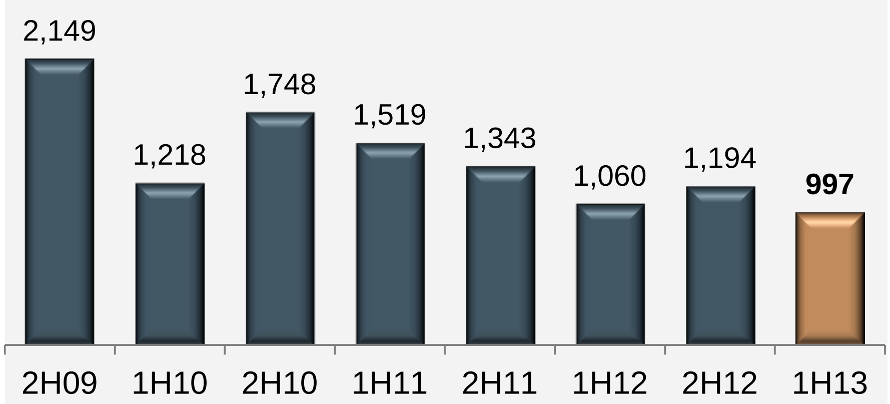
## Impairment charge movements ($m)




## Economic overlay ($m)

| | | |
|---|---|---|
| Balance at Sep-12 | | 363 |
| Movement in property overlay | (32) | |
| Movement in other overlays | (3) | |
| New sector overlays, mostly manufacturing | 63 | |
| Closing balance at Mar-13 | | 391 |

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

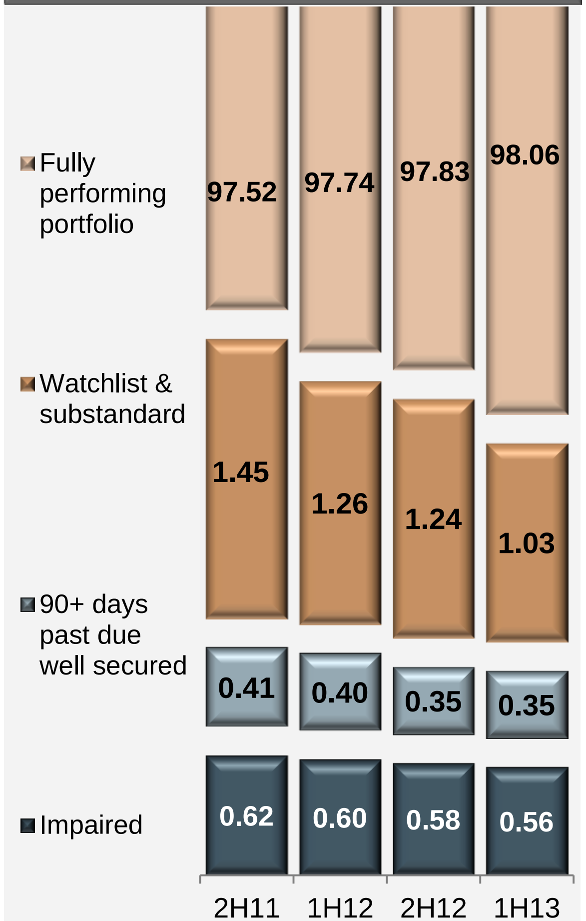



| Strong provisioning coverage | Sep-12 | Mar-13 |
|---|---|---|
| Impairment provisions to impaired assets (%) | 37 | **40** |
| Collectively assessed provisions to credit RWA[2] (bps) | 108 | **106** |

1 Other includes BTFG, Westpac Pacific, and Group Business Unit. 2 Ratio reflects changes in RWA from introduction of Basel III with prior period restated (impact -4bps for Mar-13 and -5bps for Sept-12).

# Provision cover by portfolio category

**Exposures as a % of TCE[1]**

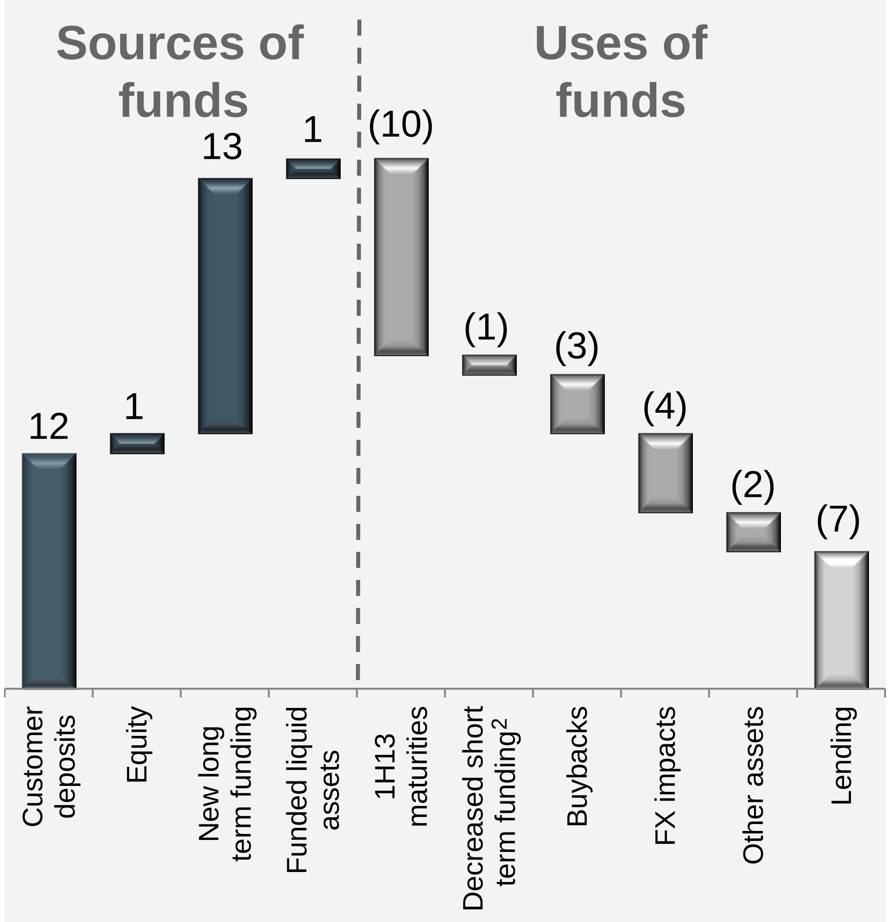



| | Provisioning to TCE[1] (%) | | | | |
|---|---|---|---|---|---|
| | 2H11 | 1H12 | 2H12 | 1H13 | |
| **Performing portfolio** | | | | | Collective provisions |
| • Small cover as low probability of default (PD)<br>• Includes economic overlay | 0.25 | 0.25 | 0.25 | 0.24 | Collective provisions |
| **Watchlist & substandard** | | | | | Collective provisions |
| • Still performing but higher cover reflects elevated PD[2] | 7.15 | 7.86 | 6.69 | 6.74 | Collective provisions |
| **90+ days past due well secured** | | | | | Collective provisions |
| • In default but strong security | 5.63 | 5.76 | 5.55 | 5.37 | Collective provisions |
| **Impaired assets** | | | | | Impaired asset provisions |
| • In default. High provision cover reflects expected recovery | 36.00 | 37.84 | 37.42 | 40.24 | Impaired asset provisions |

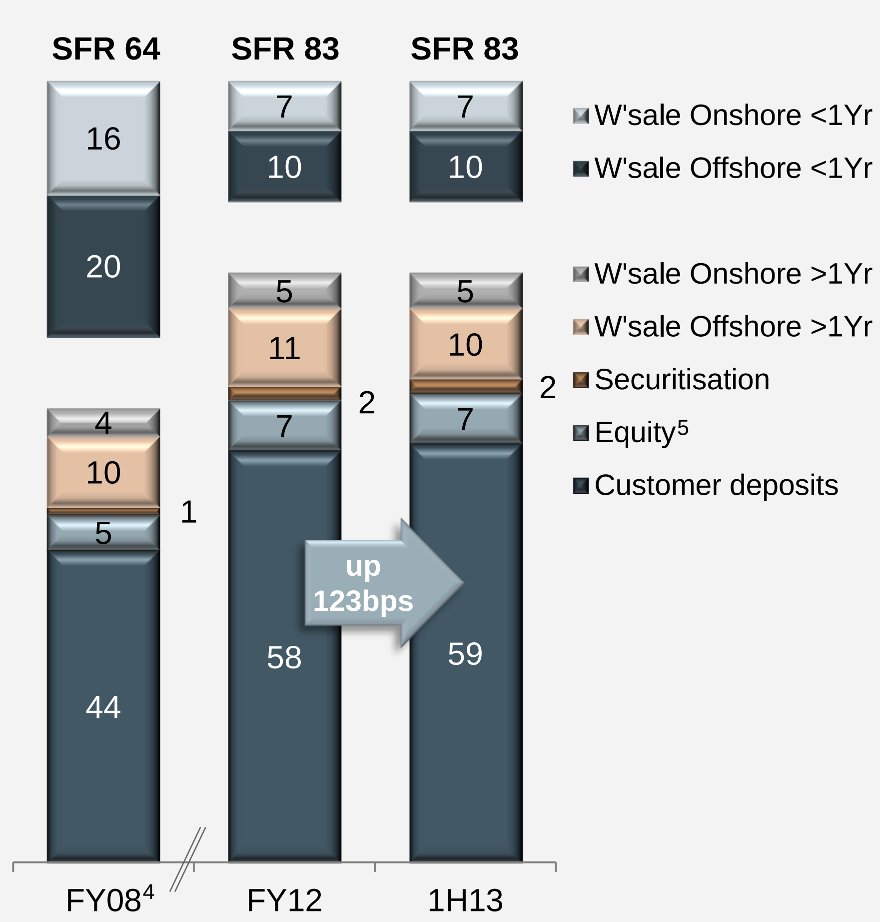
1 TCE is Total Committed Exposures. 2 PD is probability of default.

# Continued improvement in funding mix

## Sources and uses of funds over 1H13[1] ($bn)




## Stable funding ratio (SFR)[3] (%)

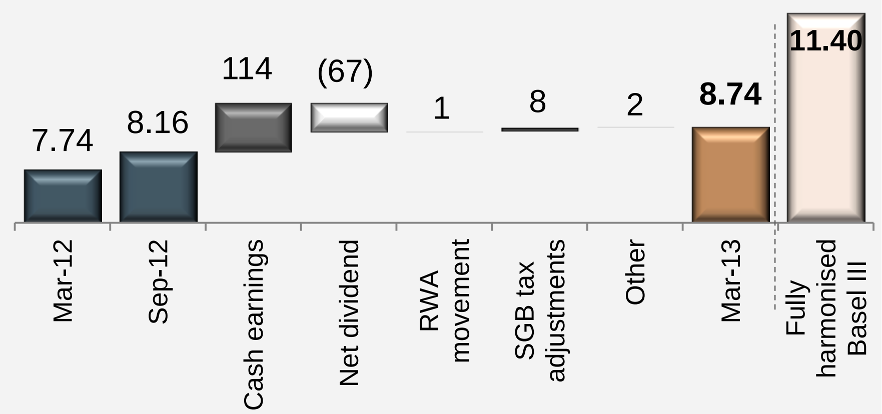



1 Movements based on funding view of the balance sheet. 2 Includes change in long term scroll. 3 SFR is calculated as customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 4 2008 comparatives exclude St.George. 5 Equity excludes FX translation, available for sale securities and cash flow hedge reserves.

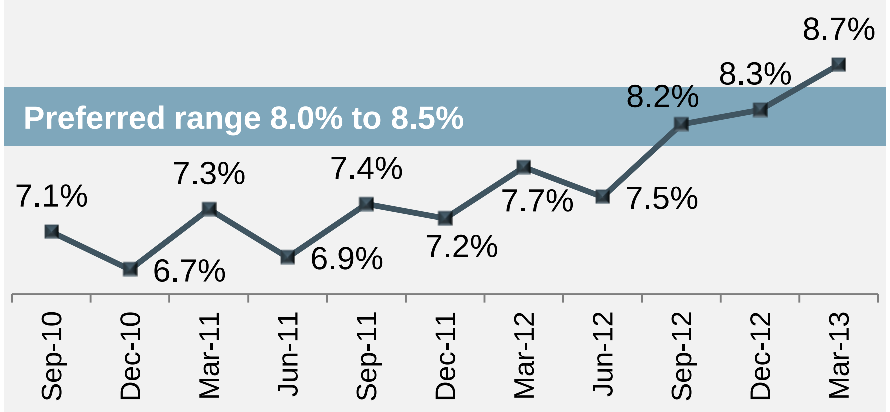
# Capital above preferred range

- Common equity ratio up 58bps
  - Good organic capital generation
  - Benefits from capital allocation efficiency
  - Improved asset quality
  - Benefit from St.George tax adjustments
- Managing shares on issue
  - Commenced sourcing shares for employee plans from the market
  - 1H13 DRP[1] to be satisfied with shares sourced from the market

**Common equity tier 1 ratio[2] Basel III (%)**




**Common equity tier 1 ratio[2] Basel III (%)**




1 DRP is dividend reinvestment plan. 2 All figures prior to Mar-13 are pro forma estimates.

# Considerations for 2H13

- Lending growth likely to remain modest although some improvement off a low base
- Deposit growth to remain faster than lending
- Margin disciplines to remain; focus on balanced return/growth mix
- Further productivity benefits funding investment
- Continued focus on core earnings growth
- Leading asset quality picture expected to remain, although impairment charge at low point
- Strong balance sheet delivering benefits for shareholders
- Focused on execution of a clear strategy

# FIRST HALF 2013

# INVESTOR DISCUSSION PACK

COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS
(UNLESS OTHERWISE STATED)

# FIRST HALF 2013 OVERVIEW

**COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS
(UNLESS OTHERWISE STATED)**

# Westpac Group at a glance

- Australia's first bank and first company, opened in 1817
- Australia's 2nd largest bank, and 11th largest bank in the world, ranked by market capitalisation[1]
- Strategy focused on supporting customers and markets connected to Australia, New Zealand and the near Pacific
- Portfolio of brands providing retail, business, institutional banking and wealth management services with excellent positioning in key markets
- Efficiency leader of Australian peers and one of the most efficient banks globally[2]
- Strong capital, funding, liquidity and provisioning
- Solid earnings profile over time
- Leader in sustainability[3]

| Australian Financial Services (AFS)[8] | | | WIB | Westpac NZ |
|---|---|---|---|---|
| Westpac Retail & Business Banking | St.George Banking Group | BT Financial Group | Westpac Institutional Bank | Westpac New Zealand |
| Westpac | St.George, BankSA, Bank of Melbourne, RAMS | BT, Advance, Asgard, Securitor, Licensee Select, Ascalon Capital Managers | | Westpac |

| Key statistics for 1H13 | |
|---|---|
| Customers | **12m** |
| Australian household deposit market share[4] | **23%** |
| Australian housing market share[5] | **23%** |
| Australian business market share[5] | **18%** |
| New Zealand household deposit market share[6] | **21%** |
| New Zealand consumer lending market share[6] | **20%** |
| Australian wealth platforms market share[7] | **20%** |

| Key financial data for 1H13 (31 March 2013) | |
|---|---|
| Reported profit | **$3,304m** |
| Cash earnings | **$3,525m** |
| Cash earnings per share | **113.9c** |
| Common equity tier 1 ratio | **8.7%** |
| Return on equity (cash basis) | **16.1%** |
| Total assets | **$677.5bn** |
| Market capitalisation[1] | **$95bn** |

1 As at 28 March 2013. Source: IRESS, CapitalIQ and www.xe.com based in US Dollars. 2 Data sourced from Credit Suisse analysis of cost to income ratio of world's largest banks March 2013. 3 WBC rated 10th (highest rated Australian company) at the 2013 World Economic Forum, Global 100 most sustainable companies. 4 APRA Banking Statistics, March 2013. 5 RBA Banking Statistics, March 2013. 6 RBNZ March 2013. 7 Plan for Life, December 2012, All Master Funds Admin. 8 AFS is Australian Financial Services and includes Westpac RBB, St.George and BTFG.

# 1H13 Financial snapshot

| | 1H13 | change[1] 1H12– 1H13 | change[1] 2H12 – 1H13 |
|---|---|---|---|
| **Earnings** | | | |
| Cash earnings[2] ($m) | **3,525** | 10% | 4% |
| EPS[2,3] (cents) | **113.9** | 8% | 3% |
| Core earnings[2] ($m) | **5,555** | 6% | 2% |
| Return on equity[2] (%) | **16.13** | 102bps | 28bps |
| Dividends per share (cents) | **86** | 5% | 2% |
| Special dividend per share (cents) | **10** | n/a | n/a |
| Expense to income ratio[2] (%) | **40.6** | (51bps) | 10bps |
| Net interest margin[2] (%) | **2.19** | 2bps | 1bp |
| **Funding and liquidity** | | | |
| Customer deposit to loan ratio (%) | **69.0** | 581bps | 142bps |
| Stable funding ratio[4] (%) | **83** | 390bps | 30bps |
| Short term funding[5] ($bn) | **103** | (17%) | - |
| Total liquid assets ($bn) | **111** | 10% | 1% |

| | 1H13 | change[1] 1H12 – 1H13 | change[1] 2H12 – 1H13 |
|---|---|---|---|
| **Balance sheet** | | | |
| Total assets ($bn) | **678** | 4% | - |
| Common equity tier 1 ratio[6] (%) | **8.7** | 100bps | 58bps |
| Risk weighted assets [7] ($bn) | **308** | flat | flat |
| Loans ($bn) | **521** | 3% | 1% |
| Customer deposits ($bn) | **360** | 12% | 3% |
| NTA[8] per share ($) | **10.71** | 6% | 2% |
| **Asset quality** | | | |
| Impairment charges to average gross loans (bps) | **17** | (7bps) | (7bps) |
| Impaired assets to gross loans (bps) | **82** | (6bps) | (3bps) |
| Impaired provisions to impaired assets (%) | **40** | 240bps | 280bps |
| Collectively assessed provisions to credit RWA (bps)[7] | **106** | (10bps) | (2bps) |

1 For profitability metrics the change represents results for 1H13 versus 2H12 and 1H13 versus 1H12, the actual results for 2H12 and 1H12 are not represented here. 2 Cash earnings basis. 3 EPS is Earnings Per Share. 4 Stable funding ratio calculated on the basis of customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 5 Includes long term wholesale funding with a residual maturity less than 1 year. 6 Common Equity is Basel III basis, with comparisons done to pro forma 2H12 and 1H12 numbers. 7 Ratio adjusted for introduction of Basel III with prior period restated (impact -4bps for Mar13 and -5bps for Sept12). 8 NTA is Net Tangible Assets.

# Reconciliation between Cash earnings and Reported profit

## Cash earnings policy[1]

- Westpac Group uses a measure of performance referred to as Cash earnings to assess financial performance
- 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 business divisions and across peer companies
- To calculate Cash earnings, reported results are adjusted for
  - Material items that key decision makers at the Westpac Group believe do not reflect ongoing operations
  - 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 appropriate measure of profit

- Cash earnings is used as the primary method of management reporting for both the Group and operating divisions
- Adjustments to Cash earnings have had little net impact on aggregate earnings over recent years
- 1H13 Cash earnings growth of 4% is below reported profit growth of 10%

| | 1H13 | % chg on 1H12 | % chg on 2H12 |
|---|---|---|---|
| Cash earnings | **3,525** | 10 | 4 |
| Reported profit | **3,304** | 11 | 10 |

## Reported profit and Cash earnings[2] adjustments ($m)

| | 2H12 | 1H13 |
|---|---|---|
| Reported profit | 3,003 | **3,304** |
| TPS revaluations | 3 | **8** |
| Treasury Shares | 15 | **29** |
| Ineffective hedges | 1 | **(23)** |
| Fair value gain on economic hedges | (13) | **57** |
| Buyback of government guaranteed debt | - | **43** |
| Supplier program | 46 | **-** |
| Amortisation of intangible assets | 77 | **75** |
| Fair value amortisation of financial instruments | 28 | **32** |
| Litigation provision | 78 | **-** |
| TOFA tax consolidation adjustment | 165 | **-** |
| Cash earnings | 3,403 | **3,525** |

1 All adjustments shown are after tax. 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 A-IFRS. The specific adjustments outlined include both cash and non-cash items. 2 Cash earnings is reported profit adjusted for material items to ensure they appropriately reflect profits normally available to ordinary shareholders. All adjustments shown are after tax. Refer to slide 110 for a summary of the Westpac Group First Half 2013 Results.

# Our strategic priorities

## Strategic priorities

1. A strong company
2. Reorient to higher growth / higher return sectors and segments
3. Continue building deeper customer relationships
4. Materially simplify products and processes
5. One team approach

## Continuing to manage the business in a balanced way across the dimensions of growth, return, productivity and strength

**Strength** – *Strong company*
- Capital within preferred range of 8.0% - 8.5%
- Target stable funding ratio[1] > 75%

**Return** – *Maintain discipline*
- Maintaining strong ROE
  - Maintain dividend path

**Productivity** – *Sector leading*
- Maintain expense to income ratio below peers

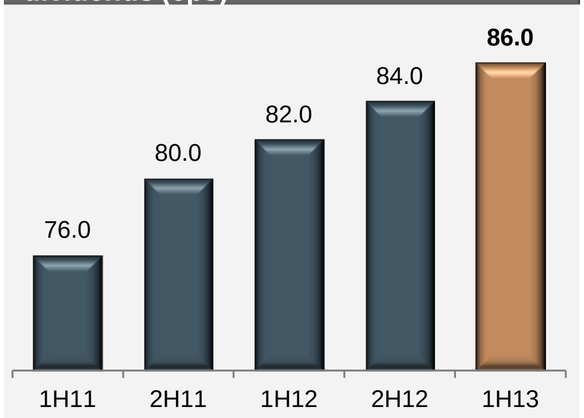
**Growth** – *Investment driven*
- Higher growth in target segments, including Deposits, Asia, SME, Trade and Natural Resources

| Priorities | 1H13 versus 2H12 outcomes |
|---|---|
| Strong company | • Common equity ratio up 58bps to 8.7[2]%, special dividend 10c<br>• Customer deposit to loan ratio up 14bps to 69.0%<br>• Stressed assets to TCE down 23bps to 1.94%<br>• Collectively assessed provisions to credit RWA[2] down 2bps to 106bps<br>• Ranked 10th in Corporate Knights 2013 Global 100 Most Sustainable Corporations (highest ranked bank globally and highest ranked Australian company) |
| Reorient to higher growth | • Above system growth in deposits[3] and wealth[4]<br>• Bank of Melbourne delivering to plan with 9 more branches, strong deposit growth (up 12%) and customers (up 6%)<br>• BT Super for Life retail customer growth of 11% and FUM up 26%<br>• General insurance gross written premiums and Life Insurance in-force premiums both up 6%<br>• Trade finance volumes up 29%, strengthened capabilities<br>• 1 of only 2 Australian banks granted rights to directly trade Australian dollar/Chinese Yuan |
| Deeper customer relationships | • Higher insurance and wealth penetration[5], up 20bps to 18.6%, and increased products per customer across all brands<br>• Improved customer return on credit RWA[2, 6], up 9bps to 4.0%<br>• Customer numbers up 1.1% with customers with 4+ products improved across all brands |
| Simplify products and processes | • Expense to income ratio 40.6%, well below peers<br>• $121m in productivity savings<br>• Revenue per FTE[7] up 2%<br>• SIPs program on track to deliver targeted outcomes |
| One team | • Women in leadership roles moved from 40% to 41%<br>• High performer retention up from 95.9% to 96.0% |

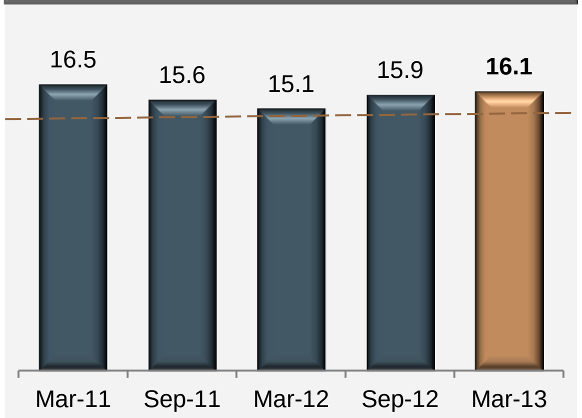
1 Stable funding ratio calculated on the basis of customer deposits + wholesale funding with the residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 2 Prior periods are pro forma. 3 APRA Banking Statistics, March 2013. 4 Plan for Life, December 2013, All Master Funds Admin. 5 Refer to slide 111 for wealth penetration metrics provider details. 6 Customer return calculated as operating income, less Treasury and Markets (non-customer) income, less operating expenses, divided by average credit risk weighted assets. 7 Based on average FTE.

# Delivering against key strategic priorities

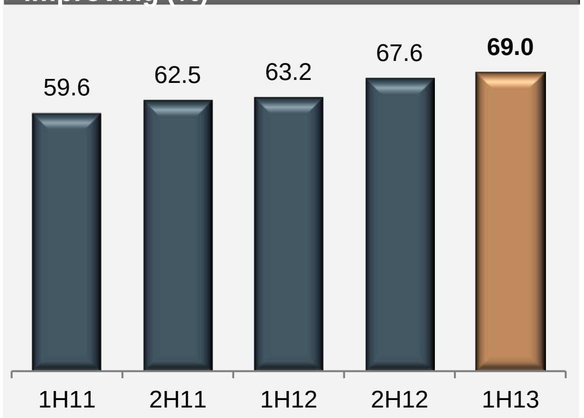
### Consistent increase in ordinary dividends (cps)



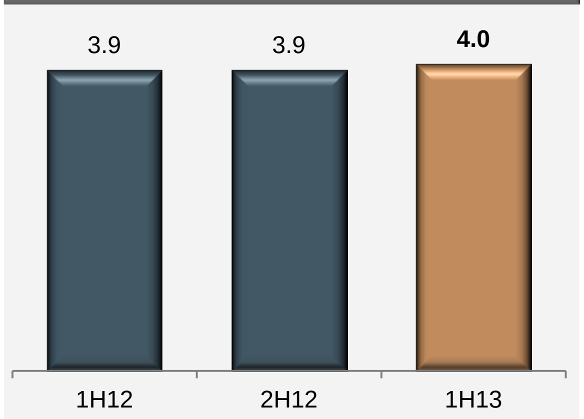

### Maintain strong ROE (%)



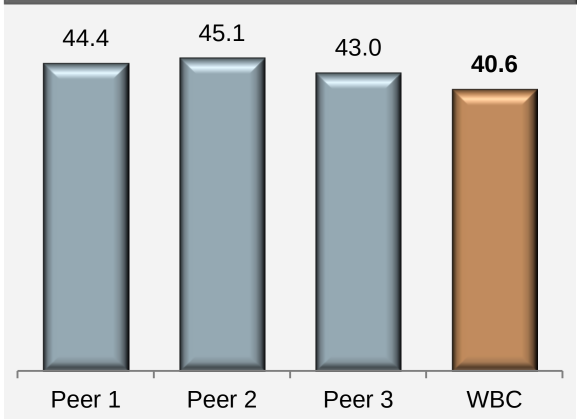

### Customer deposit to loan ratio improving (%)



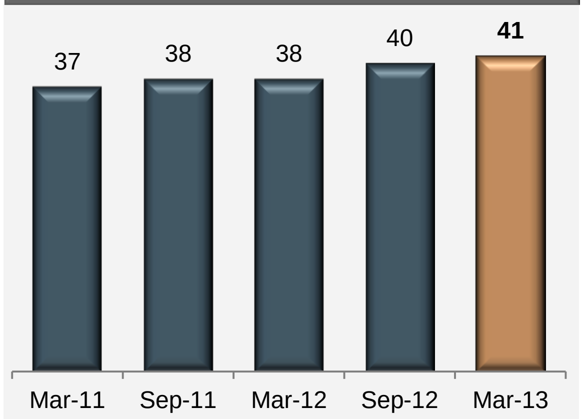

### Grow customer return on credit RWA[1] (%)




### Lowest expense to income of peers[2] (%)



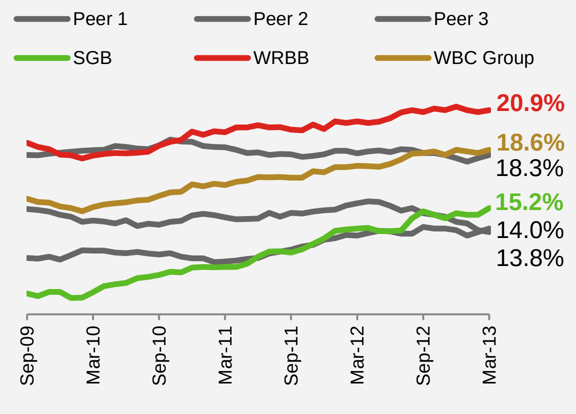

### Women in leadership increasing (%)



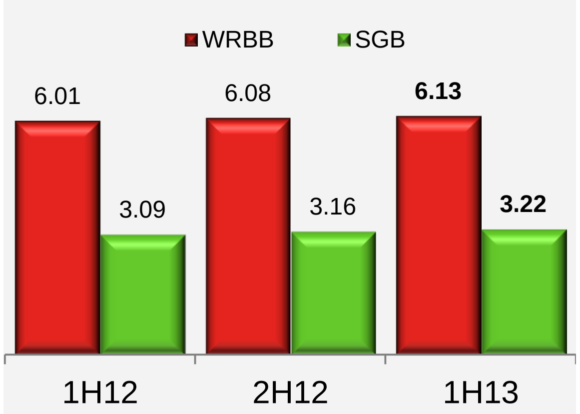

1 Customer return to RWA has been restated in prior two periods for implementation of Basel III and subsequent increase in RWA. 2 Peer 1 6 months to 31 March 2013; Peer 2 6 months to 31 December 2012; Peer 3 6 months to 30 September 2012.

# Improving franchise quality

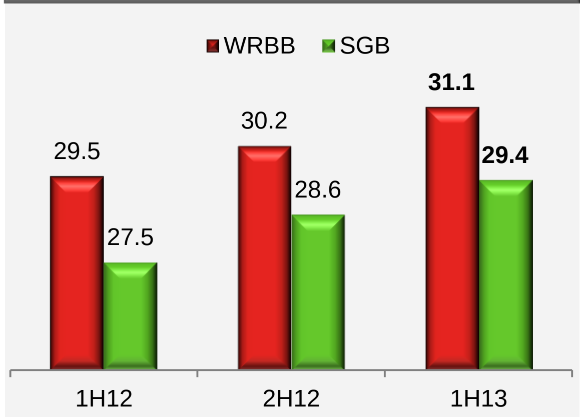
## Wealth penetration[1] leads sector (%)



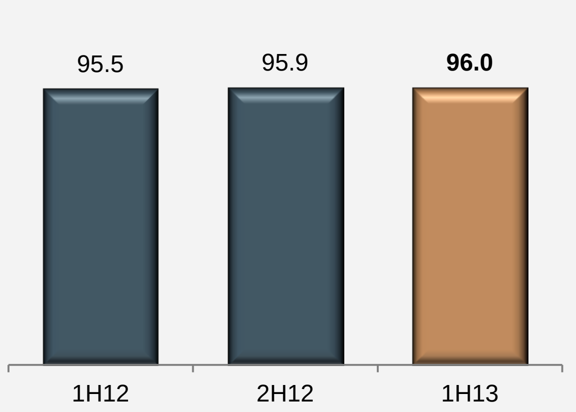

## Customer numbers up across brands (#m)



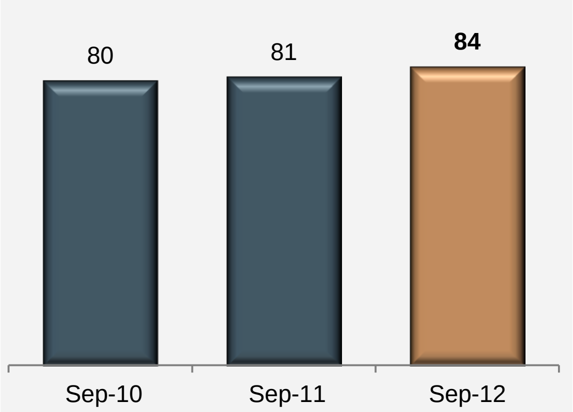

## Customers with 4+ products rising (%)



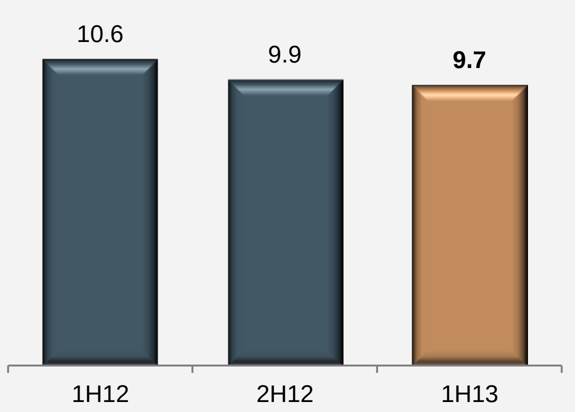

## High performer retention continues (%)




## Employee engagement[2] improving (%)




## Employee voluntary attrition falling (%)




1 Refer to slide 111 for wealth penetration metrics provider details. 2 Employee engagement survey is completed annually.

# Westpac sustainability agenda 2013-2017

- Sustainability is an integral part of the Westpac Group agenda since being the first bank in Australia to publish an environmental policy in 1992
- Many aspects of sustainability are already embedded (e.g. sustainable sourcing, and responsible lending and investment)
- Our strategic focus is now on longer-term emerging issues. We aim to have a positive societal impact on these issues whilst pursuing the opportunities they present us
- Three initial priority issues for action
  - Responding to the big shifts of demographic and cultural change
  - Creating economic solutions to environmental challenges
  - Helping customers achieve sustainable financial futures in a changed landscape

## Leading track record

- Westpac ranked 10th in Corporate Knights 2013 Global 100 Most Sustainable Corporations in the world (highest ranked bank globally and highest ranked Australian company)
- Score of 92% in 2012/13 Dow Jones Sustainability Index, the Group's best score
- Named as one of the World's Most Ethical Companies from 2008-2013 by Ethisphere Institute (for the 6th year in a row)

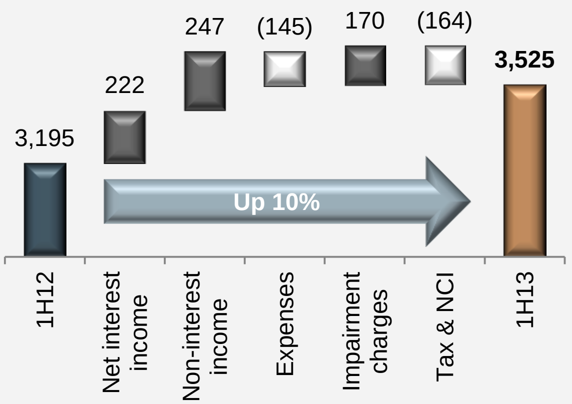
## Shaping the future landscape – 10 initial objectives

| Objectives | 5 year aspirations |
|---|---|
| **Anticipating big demographic/cultural shifts** | |
| • Target participation of under-represented groups<br>• Flexible work practices to drive participation | • Champion the participation of 40+ year old women<br>• Women in leadership target of 50% |
| • Extend length and quality of working lives | • Increase the mean retirement age across the Group<br>• Benchmark and improve employee wellbeing |
| • Anticipate future needs of aging and culturally diverse customers | • Develop products supporting financial wellbeing |
| **Create economic solutions to environmental challenges** | |
| • Provide products and services to help customers adapt to environmental challenges | • Launch one product or service each year to help retail customers meet environmental challenges |
| • Lend and invest in emerging CleanTech and environmental services sectors | • Make up to $6bn available in lending and investment for these sectors |
| • Continue to reduce our own environmental footprint | • Make operations carbon-neutral over 2013-2017 |
| **Help customers achieve sustainable financial futures** | |
| • Ensure customers have access to right advice to encourage a secure retirement | • Comprehensive, general and single topic advice to meet different customer preferences |
| • Help customers meet their goals in retirement | • Develop market-leading innovative solutions |
| • Increase access to financial services in the Pacific | • Provide access to basic and affordable housing to an additional 300,000 Pacific Islanders |
| • Improve access to social and affordable housing | • Make up to $2bn available for lending and investment in social and affordable housing |

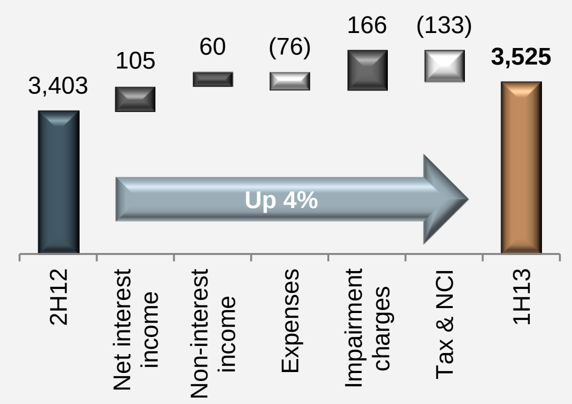
# 1H13 Cash earnings growth built on strong FY12 performance

| Cash earnings | 1H13 ($m) | % change[1] 1H12-1H13 | % change[1] 2H12-1H13 |
|---|---|---|---|
| Net interest income | **6,445** | 4 | 2 |
| Non-interest income | **2,910** | 9 | 2 |
| Expenses | **3,800** | 4 | 2 |
| Core earnings | **5,555** | 6 | 2 |
| Impairment charges | **438** | (28) | (27) |
| Cash earnings | **3,525** | 10 | 4 |
| Reported profit | **3,304** | 11 | 10 |

## Cash earnings 1H12 – 1H13 ($m)




## Cash earnings 2H12 – 1H13 ($m)




## Cash earnings features of 1H12-1H13

- Cash earnings up 10%, driven by a strong performance across all divisions. AFS up 16% with a continued strong performance from WRBB (up 11%) and BTFG (up 15%) and a significantly improved contribution from St.George (up 25%). WIB earnings were up 11%, while Westpac NZ increased 12%
- Net interest income up 4%, with sound balance sheet growth and slightly higher margins
- Non-interest income up 9%, driven by a significant uplift in wealth and insurance earnings and good customer flows supporting a rise in markets income
- Expense growth well contained at 4%. Productivity initiatives delivered $228m in savings, largely offsetting higher business as usual costs. Ongoing investment in Bank of Melbourne, Wealth and Asia. Amortisation/depreciation and compliance costs were also higher
- Impairment charges significantly lower (down 28%), from improved asset quality

## Cash earnings features of 2H12-1H13

- Cash earnings up 4%, with all divisions performing well. AFS was higher (up 3%) due primarily to a strong St.George result (up 9%) and a solid performance by WRBB, offsetting a slightly softer BTFG result partly due to seasonal insurance claims. Strong performance by WIB (up 10%), and solid Westpac NZ result (up 6%)
- Net interest income rose 2%, with modest loan growth supported by slightly higher margins
- Non-interest income up 2%, with higher markets income and improved cross sell of wealth and risk management products across the Group, partly offset by higher seasonal insurance claims and lower Hastings fees
- Expense growth well contained at 2%. Wage and property cost increases along with investment in SIPs, Bank of Melbourne, Wealth and Asia were partly offset by $121m of productivity savings
- Impairment charges down 27%, due to asset quality continuing to improve
- Reported profit up 10%, ahead of Cash earnings growth of 4%

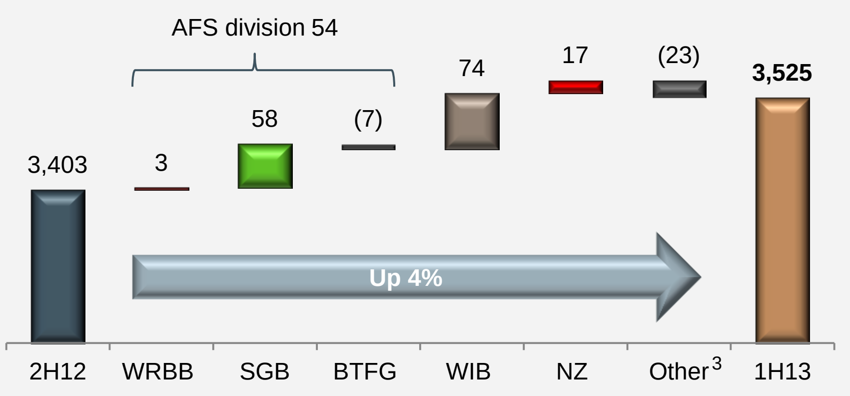
1 For profitability metrics the change represents results for 1H13 versus 2H12 and 1H13 versus 1H12, the actual results for 2H12 and 1H12 are not represented here.



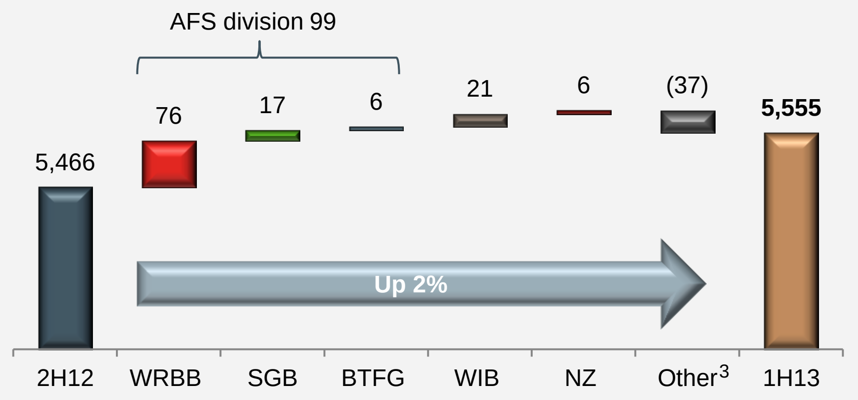
Westpac GROUP

# Growth driven by all customer facing business divisions

## 1H13 divisional contribution to Cash earnings growth ($m)[1,2]



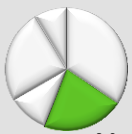
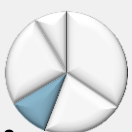

## 1H13 divisional contribution to core earnings growth ($m)[1,2]




| 1H13 Cash earnings[2] ($m) | AFS | WRBB | SGB | BTFG | WIB | NZ | Other[3] | Group |
|---|---|---|---|---|---|---|---|---|
| Operating income | 6,351 | 3,401 | 1,845 | 1,105 | 1,647 | 812 | 545 | **9,355** |
| Expenses | (2,862) | (1,565) | (699) | (598) | (527) | (344) | (67) | **(3,800)** |
| Core earnings | 3,489 | 1,836 | 1,146 | 507 | 1,120 | 468 | 478 | **5,555** |
| Impairment charges | (366) | (244) | (122) | - | 43 | (54) | (61) | **(438)** |
| Tax & non-controlling interests | (947) | (476) | (309) | (162) | (350) | (116) | (179) | **(1,592)** |
| **Cash earnings** | **2,176** | **1,116** | **715** | **345** | **813** | **298** | **238** | **3,525** |

1 Refer to business unit definitions, slide 111. 2 Expressed in A$. 3 Other is Group Business Unit and Westpac Pacific.

# 1H13 highlights quality franchise

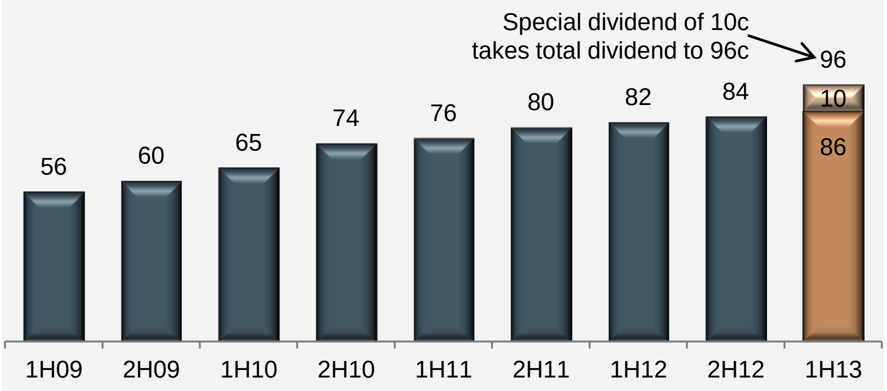
| Business unit | % of Group Cash earnings[1] | Cash earnings $m | Cash earnings % chg | Core earnings % change | Earnings summary | Performance highlights |
|---|---|---|---|---|---|---|
| WRBB |  32 | 1,116 | - | +4 | • Deposits up 3%, deposit to loan up 108bps<br>• Lending up 1%, with mortgage and consumer finance growth offsetting decline in business loans<br>• Margins up 6bps<br>• Expenses up 2%, expense to income down 48bps<br>• Impairment charges up 16% | • Deposits grew above system[3]<br>• Sector leading wealth penetration of customers[3] (up 9bps to 20.9%)<br>• Revenue per FTE[5] up 6%<br>• Active mobile customers up 17% and leading NPS in mobile customer experience[6] |
| SGB |  20 | 715 | +9 | +2 | • Deposits up 4%, deposit to loan up 151bps<br>• Solid growth in mortgages up 3% and consumer finance up 4%, offset business loans down 5%<br>• Margins up 4bps<br>• Expenses up 3%, expense to income up 37bps<br>• Impairment charges down 37% | • Exceeded growth in wealth penetration of majors[4] up 22bps to 15.2%<br>• Bank of Melbourne meeting high growth plans<br>• RAMS success in new product offerings<br>• Revenue per FTE up 3% |
| BTFG |  10 | 345 | -2 | +1 | • Funds management Cash earnings up 7% with good flows and improved markets<br>• Insurance 16% lower with seasonally higher catastrophe claims<br>• Expenses up 2% with strategic investments made in the half including platform technology | • Ranked #1 on All Platforms (including corporate super) at 20.4%[7] market share<br>• BT Super for Life (retail FUM) up 26%<br>• Asgard Infinity $3.6bn in FUA (up 56%)<br>• Market leading revenue per WRBB salaried planner ($536K) versus bank median $284K |
| WIB |  23 | 813 | +10 | +2 | • Deposits up 3%, lending up 4%<br>• Margins down 9bps<br>• Expenses up 4%, continuing to invest in Asia<br>• Impairment benefit of $43m | • Revenue up 3% with strong customer flows, particularly in Debt Markets sales<br>• No.1 Lead Bank[8]<br>• No.1 Relationship Strength[8]<br>• No.1 for Overall Satisfaction[8] |
| NZ |  8 | 298[2] | +6 | +1 | • Deposits up 7%, deposit to loan up 442bps<br>• Lending up 1%, with good growth in mortgages with LVR <80%<br>• Margins down 9bps (or 35bps after inclusion of NZ treasury assets)<br>• Expenses up 2%, expense to income up 90bps<br>• Impairment charges down 28% | • Deposits grew above system[9]<br>• Customer retention improved 50bps to 96.8%<br>• Customers with wealth products up 180bps to 25.2%<br>• Customers with 4+ products up 20bps and MyBank[10] customers up 30bps |

1 Group Business Unit and Westpac Pacific not represented. 2 In Australian dollars. 3 APRA Banking statistics, March 2013. 4 Refer to slide 111 for wealth penetration metrics provider details. 5 Based on average FTE. 6 RFI's " Australian Mobility Banking Program " December 2012 Survey Results. 7 Plan for Life, December 2012, All Master Funds Admin. 8 Peter Lee Survey refer slide 95 for detail. 9 RBNZ, March 2013. 10 MyBank is an internal measure of customers who use Westpac NZ as their main transactional provider (> $1,000 and >10 transactions per month) and have two or more additional needs met by Westpac NZ (ie: savings, credit cards, borrowing, insurance, wealth).

# Continued strong dividend growth path with a special dividend

- 1H13 record dividend of 86 cents, up 2%
  - Dividend yield[1] 5.6%
  - Equivalent to a fully franked dividend yield[1] of 7.3%
- Special dividend of 10 cents, fully franked
  - Adds 0.3% to dividend yield[2] for this period
- Significant franking balance of $590m after payment of 1H13 interim ordinary and special dividends
- Payout ratio at 76% on ordinary dividend, and 84% including special dividend
- Arranging for purchase of shares to satisfy the DRP
- Dividend CAGR significantly higher than average of Australian peer banks on 2, 5, and 10 year view

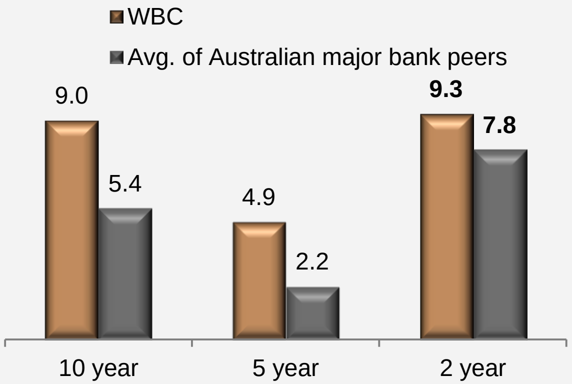
## Dividends per share (cents)



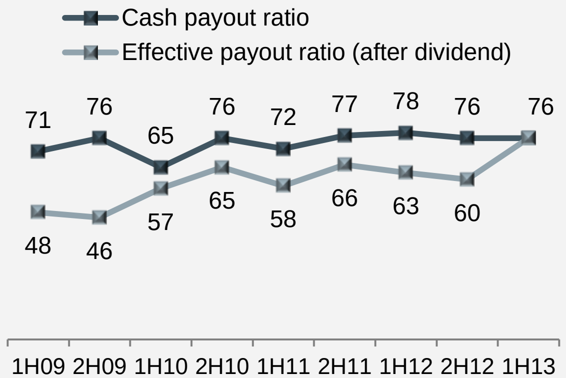

## Key dividend considerations

- Seek to lift dividend cents per share each half while growing organic capital and maintaining a strong capital position
- Pay fully franked dividends, utilising franking surplus to distribute value to shareholders
- Maintain payout ratio that is sustainable in the long term

## Dividend CAGR to FY12[3] (%)




## Ordinary dividend payout ratio[4] (%)




1 Annualised 1H13 ordinary dividend using 28 March 2013 Westpac closing share price of $30.76. 2 Annualised ordinary dividend and 1H13 special dividend using 28 March 2013 Westpac closing share price of $30.76. 3 Data using past full year dividend numbers for major banks up to FY12 results. 4 Effective payout adjusted for capital returned via the DRP.

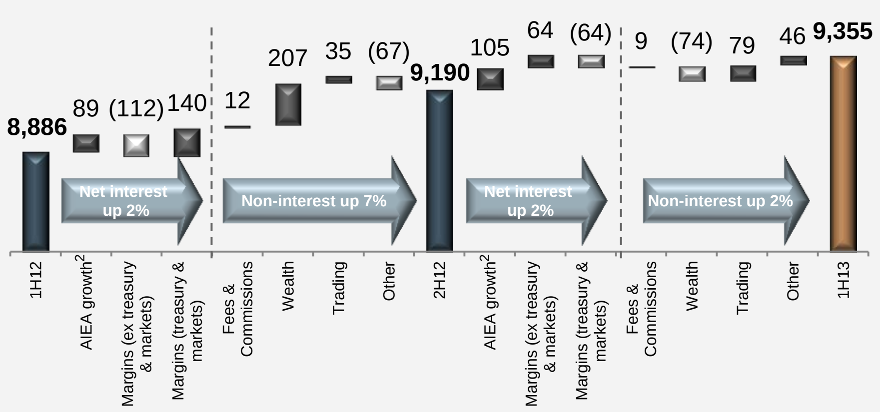
# FIRST HALF 2013 FEATURES

COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS
(UNLESS OTHERWISE STATED)

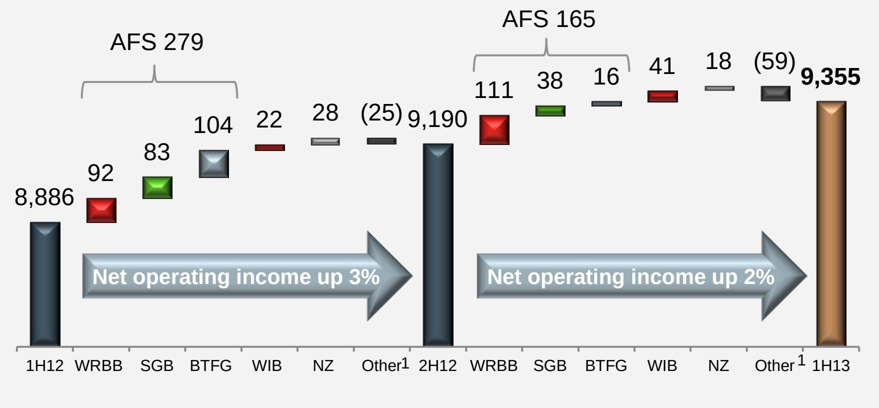
# Sound operating income

- Net operating income up 2%
- Net interest income up 2%
  - Average interest-earnings asset growth of 2%
  - Modest loan growth, strong customer deposit growth
  - Margins up 1bp
- Non-interest income up 2%
  - Fees and commissions up 1% to $1,330m, from higher business facility fees
  - Wealth and insurance down 7% to $934m, with higher wealth performance fees offset by a seasonal uplift in General Insurance claims, continued impact of de-risking LMI business, and lower Hastings performance fees
  - Higher Trading income, up 18% to $520m primarily due to improved income in Debt Markets and a credit value adjustment benefit of $21m compared to $3m charge in 2H12
  - Other income up strongly, mostly from realisation of gains on investments in Hastings listed funds

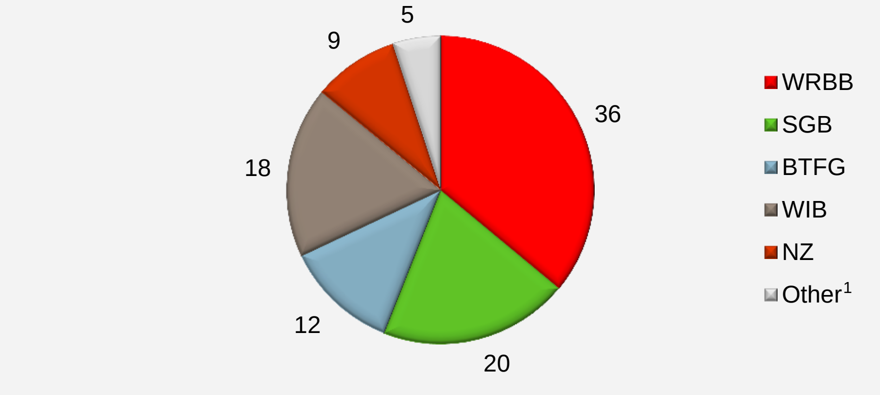
## Net operating income movement half on half ($m)




## Divisional contribution to net operating income ($m)




## Divisional composition of net operating income (%)

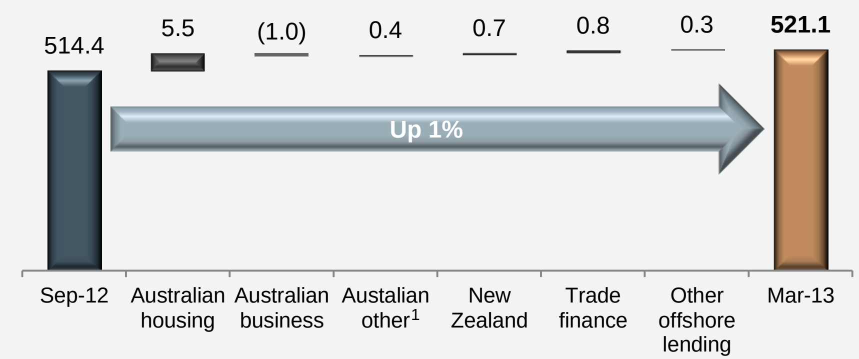



1 Other includes Westpac Pacific and Group Business Unit. 2 AIEA is Average Interest Earning Assets.

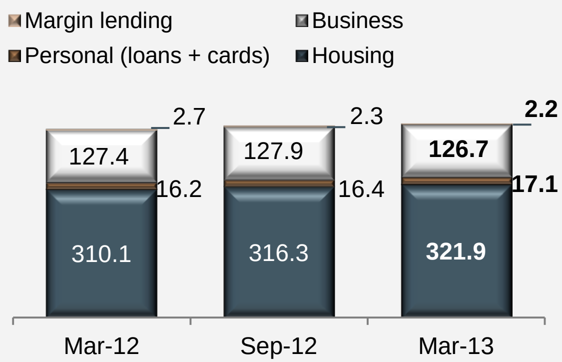
# Loan growth predominantly in Australian housing

- Westpac Group loans up 1%
- Australian housing loans up 2%
  - Growth in new lending partly offset by high run-off as customers use lower rates to repay faster
- Australian business lending down 1%
  - Good growth in institutional lending (up 4%), with particularly strong growth in trade finance. Decline in commercial/SME lending, mostly from work-out of stressed facilities
- Australian personal lending up 4%, with growth in personal and auto loans
- New Zealand lending up 1%, primarily mortgages

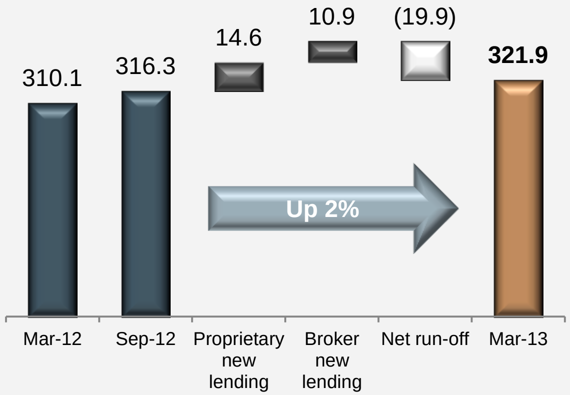
## Net loans Sep12 – Mar13 ($bn)



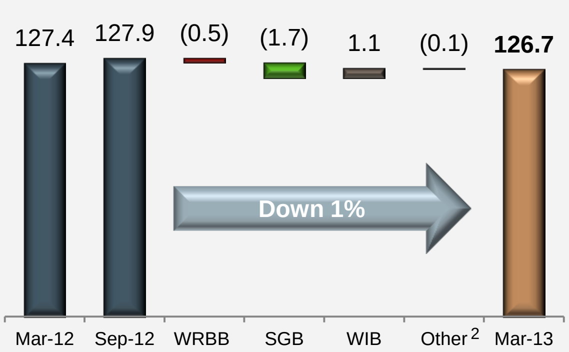

## Australian gross loans ($bn)




## Australian housing flow (gross loans) ($bn)




## Australian business lending flow (gross loans) ($bn)

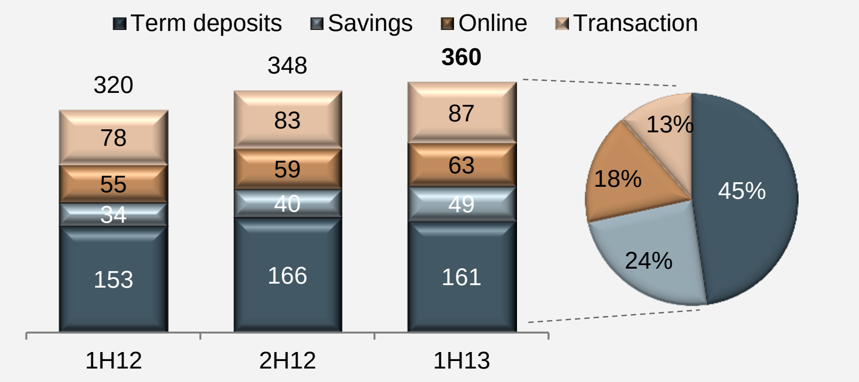



1 Australian margin lending, personal loans, cards and other loans. 2 Includes BTFG and Treasury.

# Customer deposit growth funding loan growth

- Customer deposits up $11.9bn or 3%
- Customer deposit growth well in excess of loan growth of $6.7bn
- Growth was higher in at-call savings, as consumers sought increased flexibility rather than locking in rates
  - Savings account balances up $9.1bn (23%), with strong growth in reward saver accounts of $7bn
  - Online deposits up $4.1bn (7%), with RAMS new online product contributing $1.8bn since its launch in May 12
  - Term deposits, down $5.1bn (3%)
  - Transaction accounts were up $3.8bn (5%), with an increase in mortgage offset accounts of $1.6bn[1]
- Lower growth in corporate deposits from decision not to match competitor pricing for some large corporate deposits during half

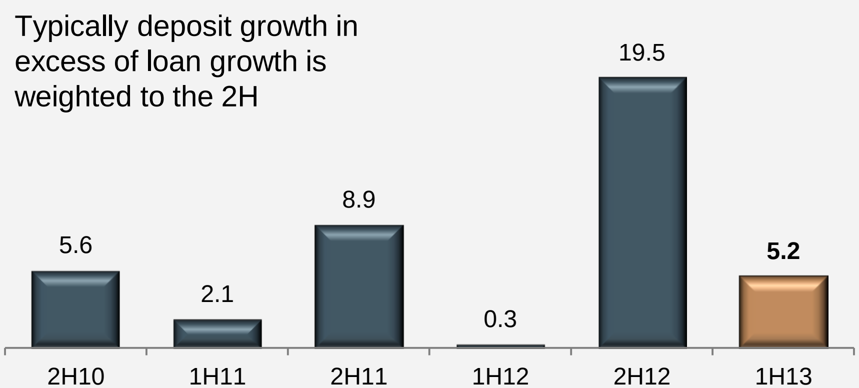
## Customer deposit composition[3] ($bn and %)




## Customer deposit strategy

| | |
|---|---|
| Improve customer deposit to loan ratio | • Ratio up 142bps to 69.0% |
| Ensure interest rates reflect value of deposit | • Seek to build high quality and stickier deposit base as transition to new liquidity rules<br>• Focus on behavioural maturity and relationship business |
| Increase distribution reach | • Capture deposits on wealth platforms, especially superannuation<br>• Attract new deposit sources via RAMS |
| Further increase deposit focus across network | • Greater weighting in banker scorecards<br>• Increased focus on deposit rich segments, particularly 'Prime of Life'[2] |

## Deposit growth in excess of loan growth ($bn)

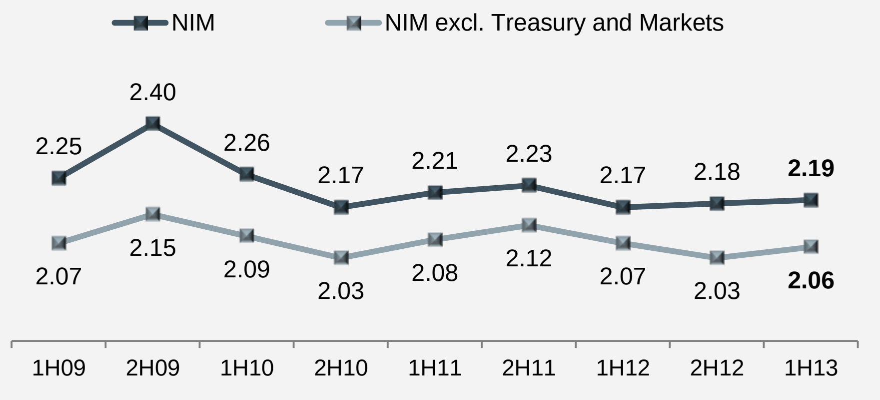



1 Excludes RAMS. 2 Prime of Life customers are 45+ years of age. 3 Mortgage offset accounts are included in transaction accounts.

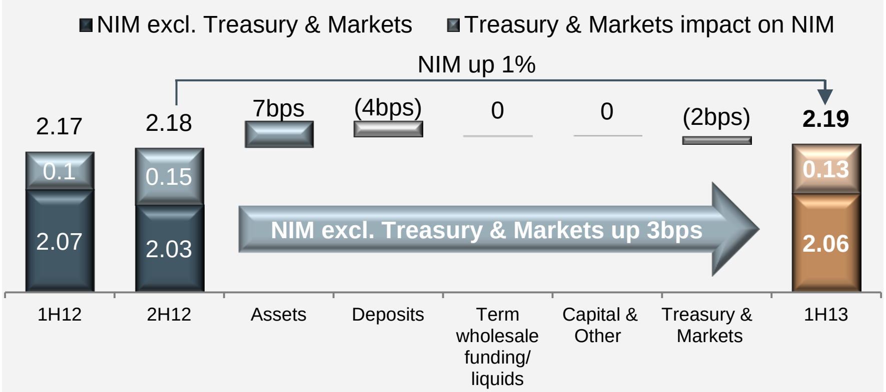
# Underlying margin modestly higher

- Net interest margin (NIM) up 1bp to 2.19%
- NIM excluding Treasury and Markets 3bps higher as asset re-pricing offset higher deposit costs
  - 7bps increase primarily from re-pricing of loan facilities
  - 4bps decline from deposit impacts with 2bps from increased competition for online and savings and 2bps from lower hedging benefit on low interest transaction accounts
  - Term wholesale funding and liquidity had minimal impact on margin during the half
  - 2bps decline from lower Treasury and Markets income, recorded in net interest income
- Margins firmer in Australian retail banking. NZ margins down 9bps (35bps when including NZ liquids impact). WIB margins down 9bps due to increased competition for both assets and liabilities

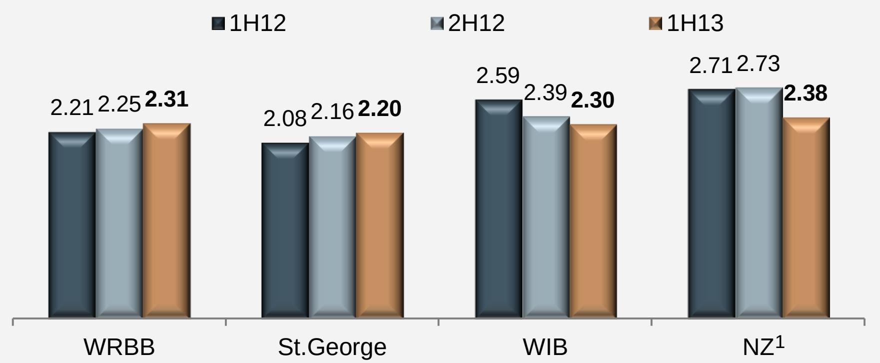
## Net interest margin[1] (%)




## Net interest margin movement (%)




## Net interest margin by business unit (%)

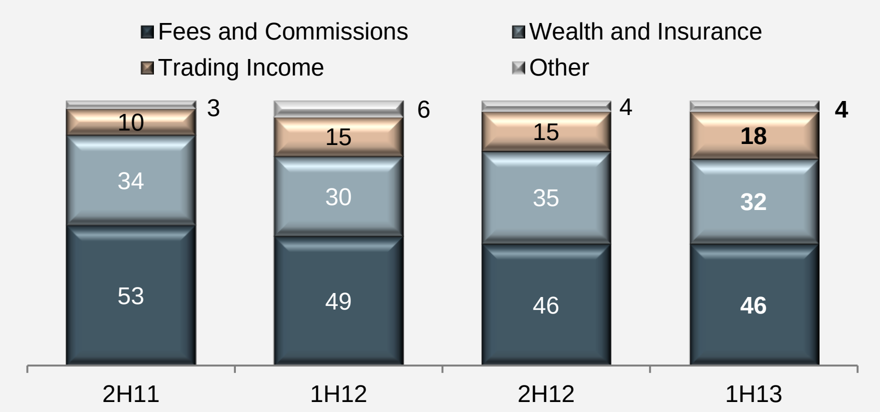



1 New Zealand margins include NZ treasury operations and assets in 1H13, which adversely impacted margins by 26bps.

# Non-interest income solid performance

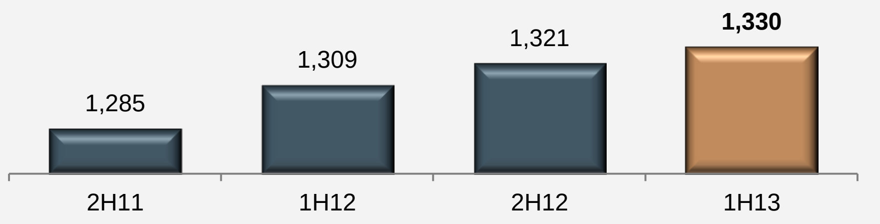
- Non-interest income up 2%
  - Fees and commissions up 1% to $1,330m, with higher business facility fees
  - Wealth and insurance down 7% to $934m, with higher wealth performance fees offset by a seasonal uplift in General Insurance claims, de-risking of LMI business, and lower Hastings performance fees
  - Higher Trading income, up 18% to $520m, primarily due to improved income in Debt Markets and a credit value adjustment benefit of $21m compared to $3m charge in 2H12
  - Other income up 58% to $126m, mostly from realisation of gains on investments in Hastings listed funds

## Non-interest income contributors (% of total)

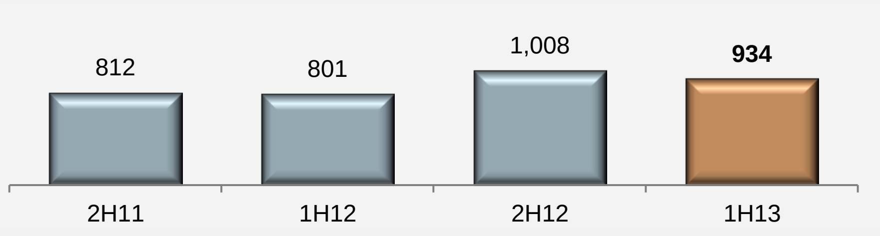



## Non-interest income ($m)

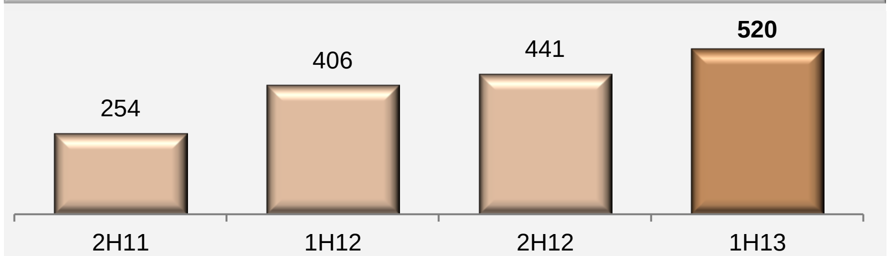
### Fees and Commissions




### Wealth and Insurance




### Trading Income



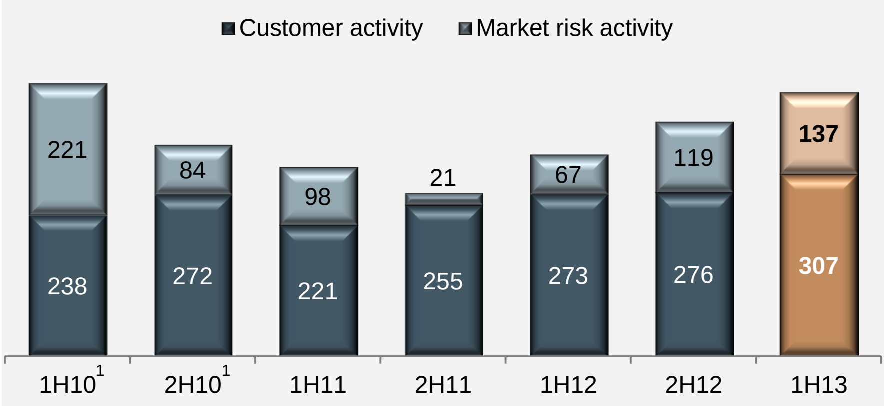



Westpac GROUP

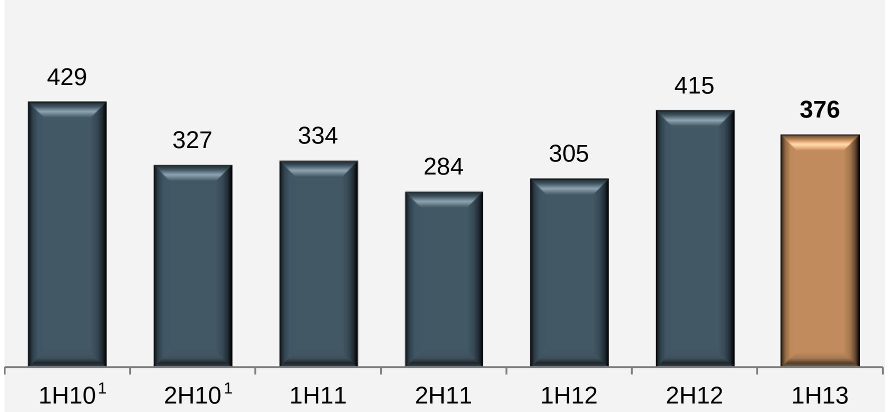
# WIB Markets and Treasury income – strong result driven by customer flows

- Strong WIB Markets income of $444m, up 12% (up 31% on 1H12) on the back of good customer flows
  - Customer activity $307m, up 11% (up 12% on 1H12), supported by a $34m (36%) increase in customer income in Debt Markets
  - Market risk income $137m, up 15% (up $70m on 1H12) with increases in Debt Markets trading income partially offset by lower energy trading income
  - Favourable movement on counterparty credit risk valuations (CVA)
- WIB average daily VaR $5.4m ($5.4m for 2H12)
- Treasury income $376m, down 9% (up 23% on 1H12) due to lower income on the liquid assets portfolio
- Average daily Treasury VaR $25.5m ($29.7m for 2H12)

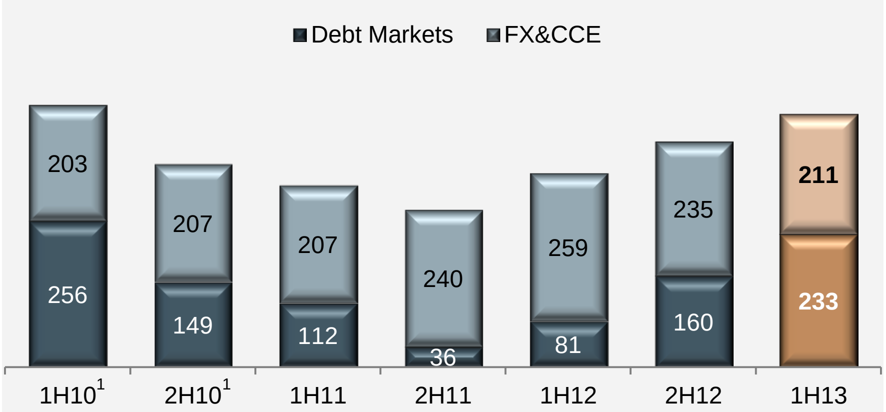
## WIB Markets income and customer activity ($m)




## Treasury income ($m)




## WIB Markets income ($m)

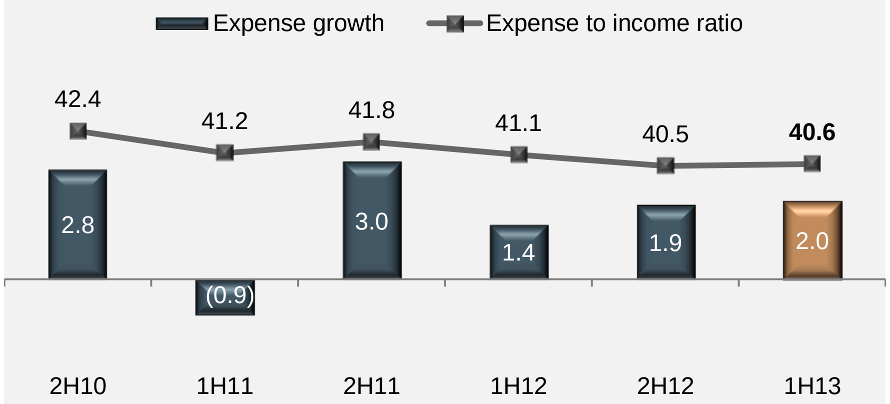



1. 1H10 and 2H10 periods have not been restated to reflect changes in capital allocation and transfer pricing methodology implemented in 2H12.

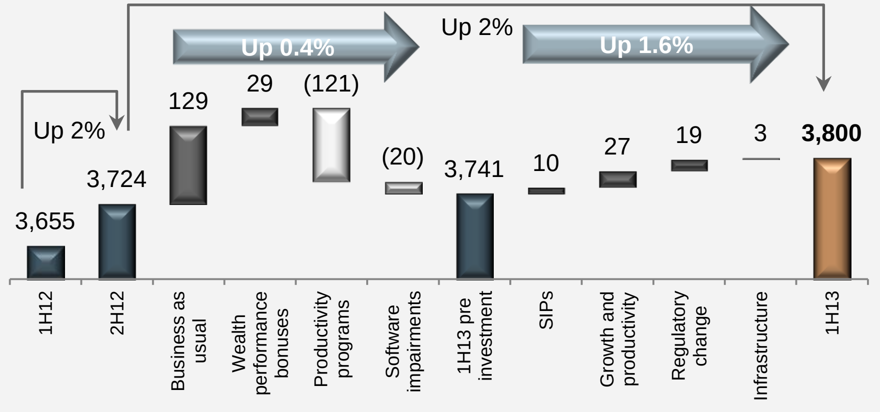
# Expenses up 2% with continued investment

- Expenses up 2% contributing to a 10bps increase in expense to income ratio to 40.6% (down 51bps on 1H12)
- Well controlled business as usual costs (up 0.4%), with $121m worth of productivity initiatives delivered in 1H13. These included
  - AFS/Group Services $16m
  - Supplier program $23m
  - Continuous improvement $28m
  - Other cost management initiatives $54m
- Investment spending up 1.6% weighted towards growth and productivity (Asia, Wealth, simplification program) and regulatory change
  - Rise in amortisation/depreciation across portfolio investments of $5m in 1H13 and expected to add 1% to expenses in FY13

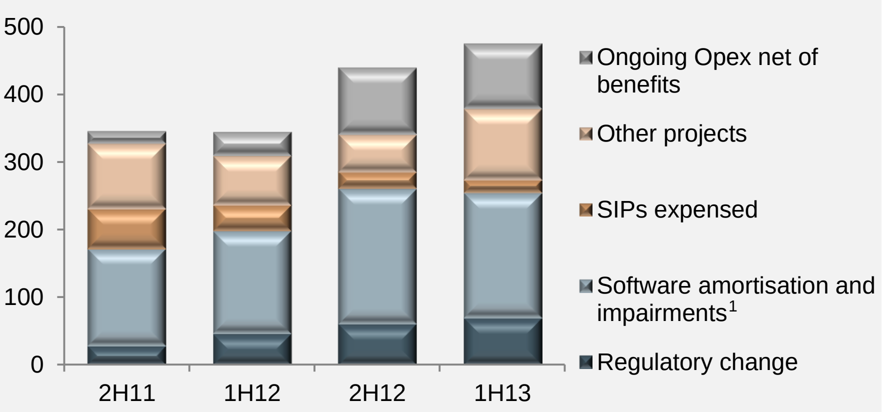
## Expense growth (%)




## Expense movement ($)



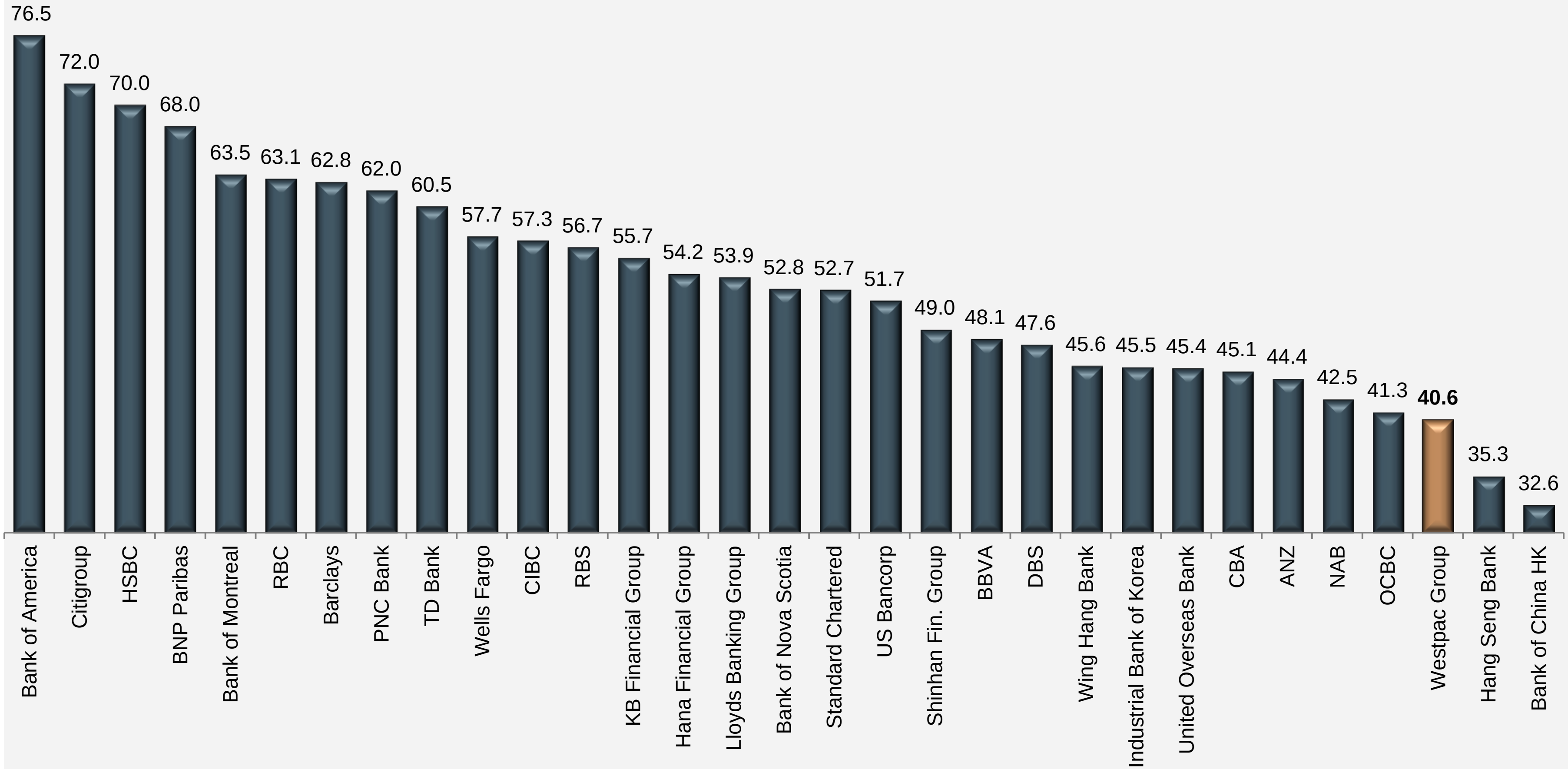

## Total impact on expenses from projects ($m)




1 Software amortisation and impairments excludes depreciation.

# Efficiency leader of peers and all banks in developed markets

**Global peer comparison of expense to income ratios[1] (%)**




1 Company data, Credit Suisse estimates (based on latest reporting data as at 26 October 2012). CBA, ANZ and WBC have been updated for 1H13 results, while NAB based on 2H12 result.

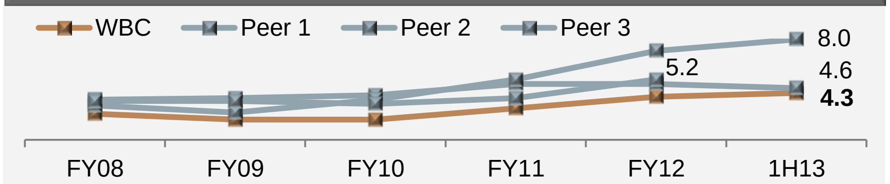
# Investment spend well managed

- Total cash spend on investments increased to $487m
  - SIPs cash spend eased to $91m as a number of projects were completed. Total cash spent on SIPs to date is $1,468m and remains on track
  - Regulatory change and compliance spend expensed increased 15% to $69m
  - Other investment includes Wealth and Asia
- Capitalised software balances were $1,651m, up $100m
  - Capitalised software balance similar to peers
  - Average amortisation period more aggressive than peers reflecting conservative management practices
  - Approach has no impact on capital
- Anticipate that amortisation and depreciation will add around 1.0% to expenses in FY13

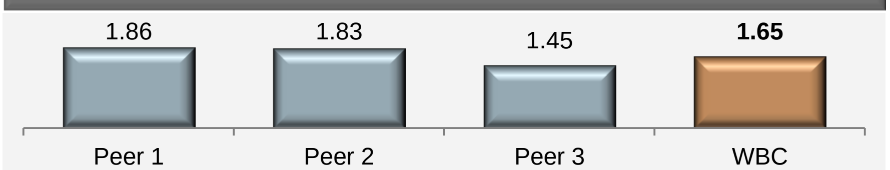
| Investment spend expensed ($m) | 1H12 | 2H12 | 1H13 |
|---|---|---|---|
| SIPs | 39 | 25 | **20** |
| Regulatory change and compliance | 46 | 60 | **69** |
| Other | 73 | 56 | **105** |
| **Total** | **158** | **141** | **194** |
| **Investment spend capitalised ($m)** | **1H12** | **2H12** | **1H13** |
| SIPs | 148 | 91 | **71** |
| Regulatory change and compliance | 46 | 58 | **59** |
| Other | 98 | 196 | **163** |
| **Total**[1] | **292** | **345** | **293** |

| Capitalised software & deferred expenses ($m) | 1H12 | 2H12 | 1H13 |
|---|---|---|---|
| **Capitalised software** | | | |
| Opening balance | 1,303 | 1,435 | **1,551** |
| Additions | 287 | 316 | **286** |
| Amortisation | (152) | (177) | **(182)** |
| Write-offs and other | (3) | (23) | (4) |
| Closing balance | 1,435 | 1,551 | **1,651** |
| **Other deferred expenses** | | | |
| Deferred acquisition costs | 142 | 143 | **139** |
| Other deferred expenses | 17 | 17 | **20** |

## Average amortisation period[2] (years)




## Capitalised software balance[2,3] ($bn)

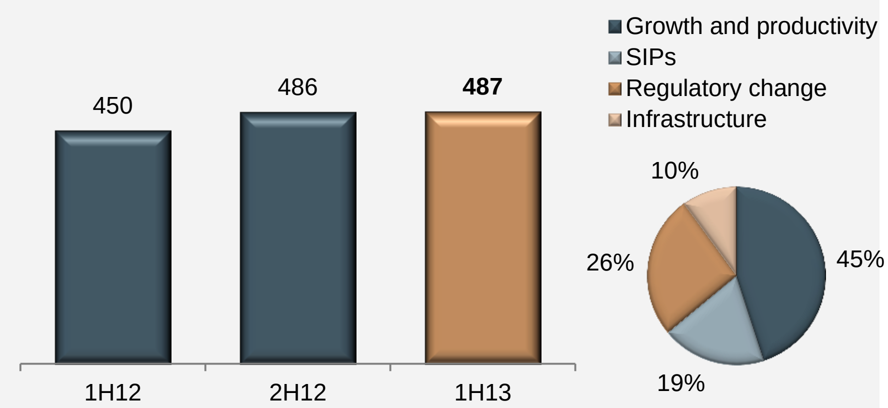



1 Investment spend capitalised also includes technology hardware equipment. 2 Data for Westpac as at 1H13. Peer 1 as at 1H13, Peer 2 as at 1H13, and Peer 3 as at FY12. 3 Software capitalisation based on closing 1H13 balances for Westpac, Peer 1 and Peer 2 and closing FY12 balances for Peer 3.

# Investment program focused on delivering returns

- Investment spend in 1H13 of $487m in line with 2H12
- Investment spend composition weighted heavily towards growth and productivity (45%) and regulatory change (26%)
- SIPs was 19% of investment spend
  - Successfully connected the new online platform to our back-end systems and established end-to-end integration
  - Successfully migrated the George Street data centre as well as St.George and WRBB mainframe environments, into the new Western Sydney data centre
  - Introduced enhanced capabilities to our payments system increasing speed of payments processing

**Total cash investment spend ($m) and composition (%)**




**Investment**

| Years | Major programs |
|---|---|
| 2010 - 12 | • SIPs<br>– 2011: completed 6 SIPs: credit card consolidation; collections system; enterprise middleware services; customer faster file; deposit growth; wealth management<br>– 2012: completed 4 SIPs: testing; bankSMART; customer information system; and data centre/ perimeter security<br>• Expansion of Bank of Melbourne<br>• Expansion in Asia<br>• Expansion of planner network |
| 2013 - 14 | • SIPs balance remaining<br>– New online platform, including mobile<br>– Migration of technology to new data centre<br>– Payments transformation<br>• Expansion of Bank of Melbourne<br>• Expansion in Asia<br>• New wealth platform (including SMSF capability)<br>• Simplification program |

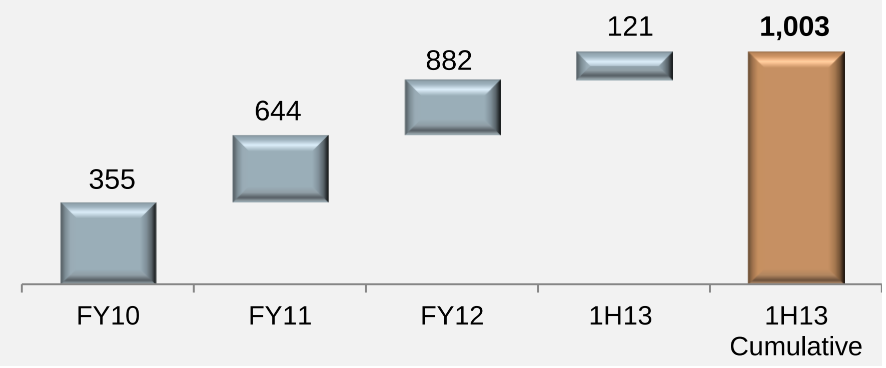


Westpac GROUP

# Continuous productivity focus and improvement

- Westpac Group has implemented a variety of programs over recent years to maintain a strong efficiency advantage relative to peers that has delivered over $1bn in savings over 3.5 years
- This has included the St.George merger, a broad productivity program, AFS and Group Services divisional restructure, changes to supplier arrangements, SIPs investment and a range of other divisional programs
- Looking ahead, programs to maintain the Group's efficiency advantage include
  - Delivering benefits from the supplier program
  - Completion of SIPs
  - Dedicated productivity team focused on six main streams of work that will increase self-serve and straight through processing via digital channels, simplify our product set, improve and standardise processes, and continue to simplify our IT environment

**Over $1bn saved from efficiency programs over last 3.5 years ($m)**




| Simplification streams | | Metrics to measure progress |
|---|---|---|
| Simplify and digitally enable distribution | Simplify branch distribution | Branch sales FTE / branch FTE (%) |
| | | Digital sales / transactions (%) |
| | Use digital to deepen relationships | Self service adoption rates (%) |
| | Simplify customer contact centres | Increase proportion of revenue generating FTE |
| Simplify products | | Number of 'for sale' products removed |
| | | Number of 'back book' products removed |
| Simplify processes and standardise services | | Operations unit cost (%) |
| | | First time right (%) |
| | | Time to yes – mortgages / business |
| Simplify IT | | IT cash spend / total expenditure (%) |
| | | Number of applications closed |



Westpac GROUP

# Investment programs are progressively modernising our technology and capability

2009 | 2011 | 2013 | 2015 | 2017

## Key SIPs outcomes

- **Digital signatures** – online signatures/account authorities
- **Cards consolidation** – single multi-brand card processing platform
- **Unity** – new contact centre platform
- **Spider** – new Westpac RBB teller platform
- **'In sourcing' of mortgage platform**
- **Group Customer Master** – single customer platform across brands
- **Enhanced enterprise testing & release management**
- **Enterprise Services Bus** – new middleware technology simplifying system-to-system linkages across the Group
- **Enterprise perimeter security** – enhanced protection
- **Information management** – customer analytics
- **Payments** – including consolidated global payments solution
- **Online** – a single new 'best-in-class' online platform.
- **Data centres** – new data centre and consolidation of existing centres from 9 to 2

## Ongoing focus areas

- **Enhanced digital enablement** – including mobile
- **Workplace productivity**
- **Upgrade of wealth platform** – including for SMSF
- **Asia expansion** – including upgrading Asia infrastructure, particularly payments/trade
- **Simplified banker desktop** – branch and call centre
- **Enterprise business process management**
- **Enterprise originations and core platform consolidation (leveraging existing St.George platforms)**
- **Payments systems upgrade for "faster payments"**
- **Customer insights and analytics**

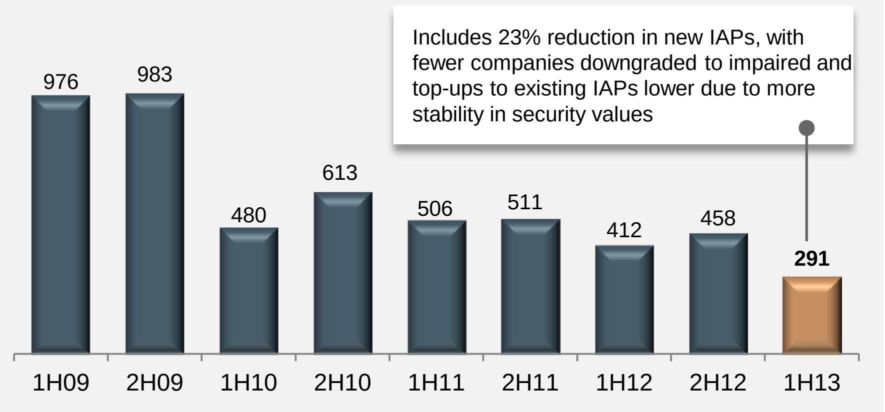
**Regulatory change**

**Key**

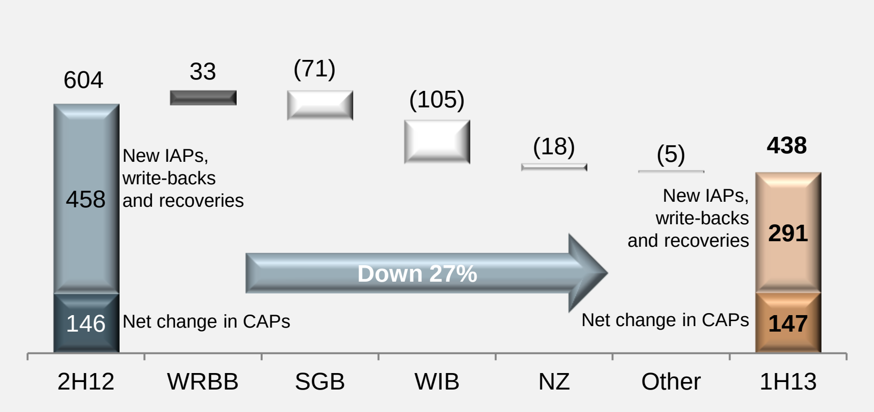
- Channels
- Infrastructure and integration
- Core capability modernisation

# Improvements in asset quality leading to lower impairment charges in 1H13

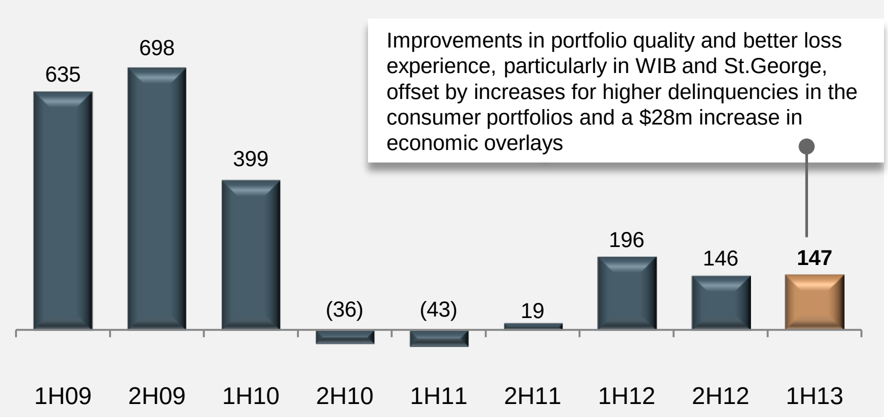
## New IAPs, write-backs and recoveries ($m)



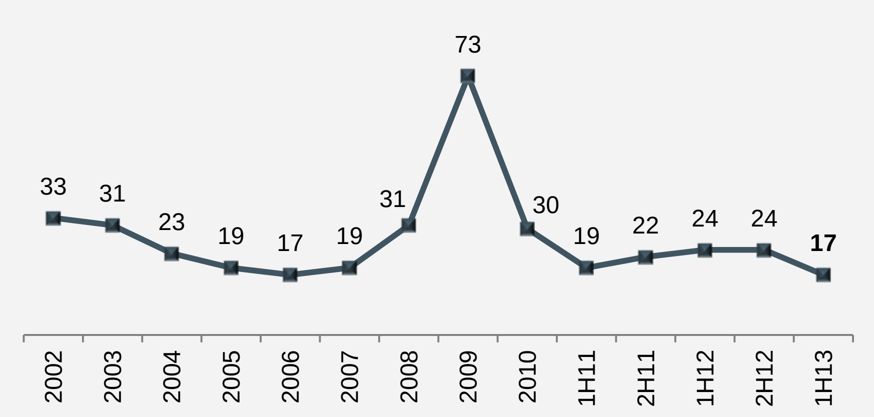

## Impairment charge movements ($m)




## Net change in CAPs ($m)




## Impairment charges to average gross loans[1] (bps)




1 2002-2005 reported under AGAAP; 2006 onwards reported on A-IFRS basis. Pre-2008 does not include St.George. 2008 and 2009 are pro forma including St.George for the entire period with 1H09 ASX Profit Announcement providing details of pro forma adjustments.

# FIRST HALF 2013

# CAPITAL, FUNDING & LIQUIDITY

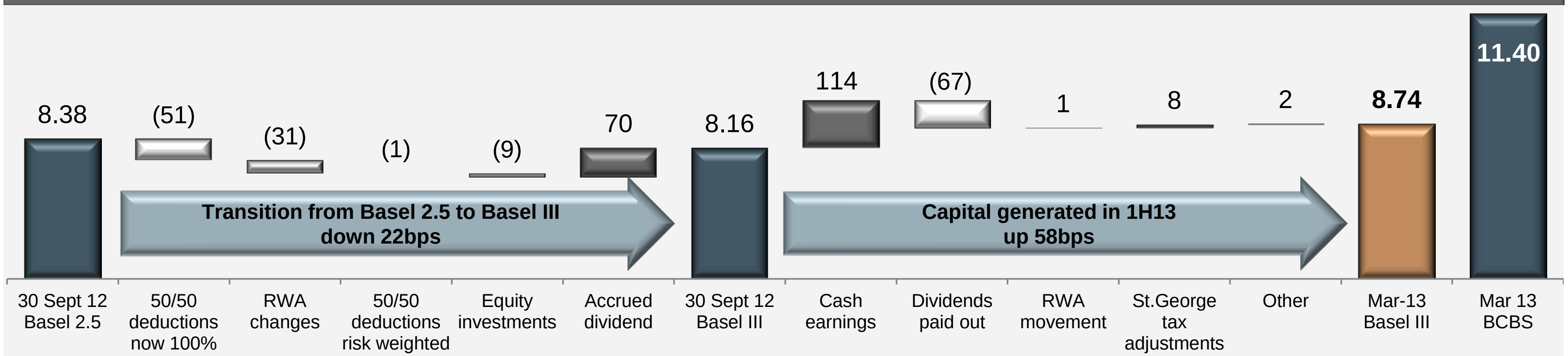
COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS
(UNLESS OTHERWISE STATED)

# Strong capital position, up across all measures

- Westpac's capital ratios are now fully reported on an APRA Basel III basis with prior periods reported under Basel 2.5
- Transitioning to Basel III led to a 22bps reduction in the Common equity tier 1 capital ratio
- After Basel III transition adjustments, solid earnings growth combined with modest RWA growth contributed to a 58bps rise in the Common equity tier 1 capital ratio
- Fully harmonised BCBS[1] Basel III common equity ratio, up 77bps to 11.40%

| Key capital ratios[2] (%) | 1H12 | 2H12 | 1H13 |
|---|---|---|---|
| Common equity tier 1 ratio | 8.0 | 8.4 | **8.7** |
| Additional tier 1 capital | 1.8 | 1.9 | **2.1** |
| Tier 2 capital | 1.0 | 1.4 | **1.7** |
| Total regulatory capital ratio | 10.8 | 11.7 | **12.5** |
| Risk weighted assets ($bn) | 300 | 298 | **308** |
| **Basel III ratios[3] (%)** | | | |
| Common equity tier 1 ratio | 7.7 | 8.2 | **8.7** |
| Common equity tier 1 ratio (BCBS[3]) | 10.3 | 10.6 | **11.4** |
| Risk weighted assets ($bn) | 311 | 309 | **308** |

## Common equity tier 1 capital ratio (% and bps)



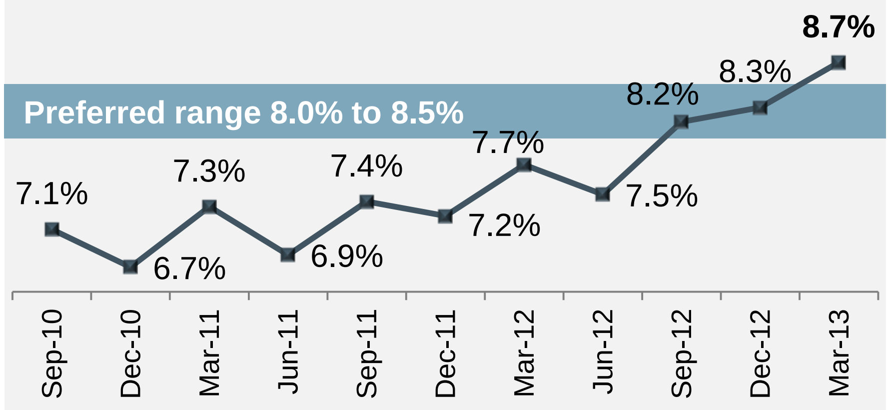

1 Basel Committee on Banking Supervision. 2 Data reported on a Basel 2.5 basis for 1H12 and 2H12 , figures for 1H13 are reported on a Basel III basis. 2 Ratios and RWA calculated on a Basel III basis with 1H12 and 2H12 numbers on a pro forma basis.

# Clear direction on Westpac's preferred capital range

## Board approved Basel III preferred capital range

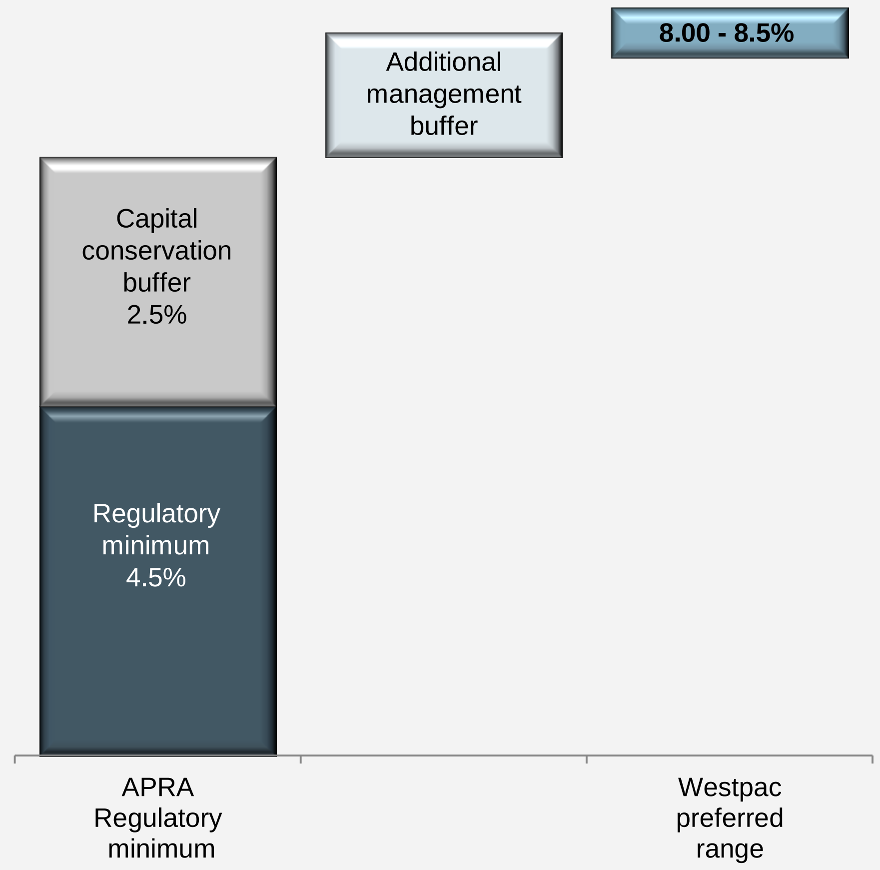
- Preferred range common equity tier 1 ratio of 8.0% to 8.5%, comfortably above APRA minimums and capital conservation buffer
- Management buffer above regulatory minimums considers
  - Desire to remain well capitalised on both an Australian and global basis
  - Quarterly volatility in reported ratios
  - Possible reduction in capital under severe stress tests using internal modelling and regulatory scenarios
  - Sufficient flexibility should APRA's capital standards be further updated/adjusted

## APRA Basel III Common equity ratio[1] (%)




1 All numbers prior to Mar-13 on a pro forma basis.

## APRA Basel III Common equity ratio - preferred range (%)



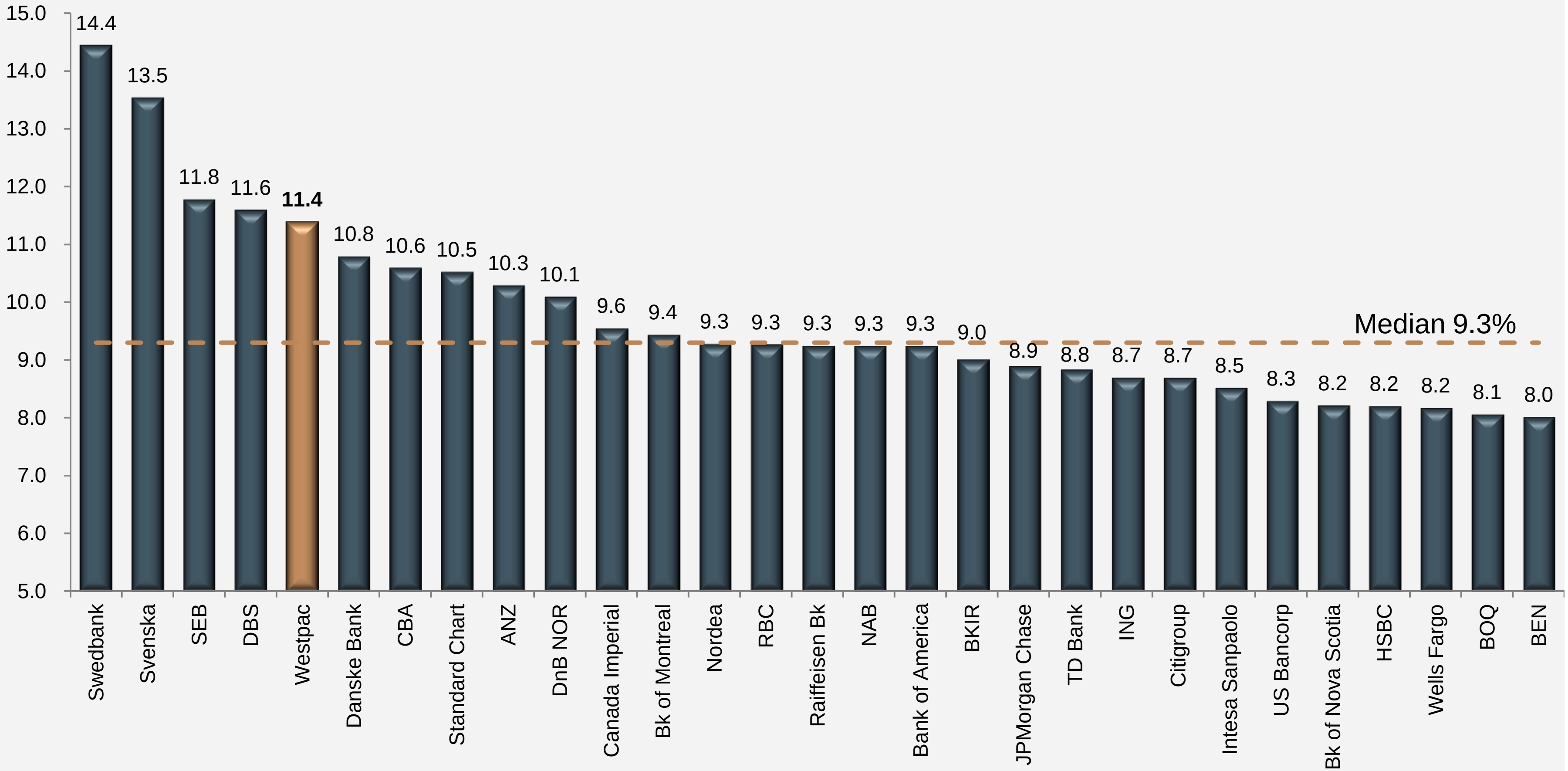
# APRA to BCBS Basel III reconciliation

- The Australian Prudential Regulation Authority (APRA) has maintained the conservative stance adopted under its Basel II capital standards, resulting in a significant variance between capital measured under APRA and fully harmonised Basel III
- Key differences in the calculation of Common equity tier 1 ratios between APRA's Basel III and fully harmonised Basel III under Basel Committee on Banking Supervision (BCBS) are detailed below

| Description | Common equity ratio |
|---|---|
| **Westpac's Common equity tier 1 capital ratio under APRA Basel III** | **8.74%** |
| Under BCBS, supervisors have the option of applying concessional thresholds when determining the capital requirements of deferred tax assets, investments in non-consolidated subsidiaries (NCS) and equity investments in commercial entities held in the banking book. Risk weighted asset treatments apply in lieu of common equity deductions if these items are individually less than 10% and together less than 15% of common equity. To the extent the amounts are greater than the concessional thresholds, common equity deductions apply<br><br>APRA has chosen not to apply this concessional treatment and requires a 100% deduction from common equity for deferred tax assets, investments in non-consolidated financial institutions, NCS, equity investments, and all under-writing positions in financial and commercial institutions held for more than 5 business days<br><br>Westpac's common equity ratio would increase if APRA applied concessional thresholds | +132bps |
| Mortgage risk weights under APRA are based on a minimum loss given default (LGD) of 20% whereas BCBS sets a minimum LGD of 10%. The actual LGD used must be supported by historical data but APRA's higher minimum means that Australian mortgage risk weights are typically higher than those calculated using the lower BCBS LGD minimum | +69bps |
| APRA applies a risk weighted asset requirement to Interest rate risk in the banking book (IRRBB). This is not currently considered under BCBS standards | +40bps |
| Other differences, including treatment of specialised lending | +25bps |
| **Westpac's fully harmonised Basel III Common equity tier 1 capital ratio under BCBS** | **11.40%** |

# Fully harmonised common equity tier 1 ratio above local peers and at the upper end of global peers

**Global peer comparison of Basel III pro-forma Common equity tier 1 ratios (%)[1]**

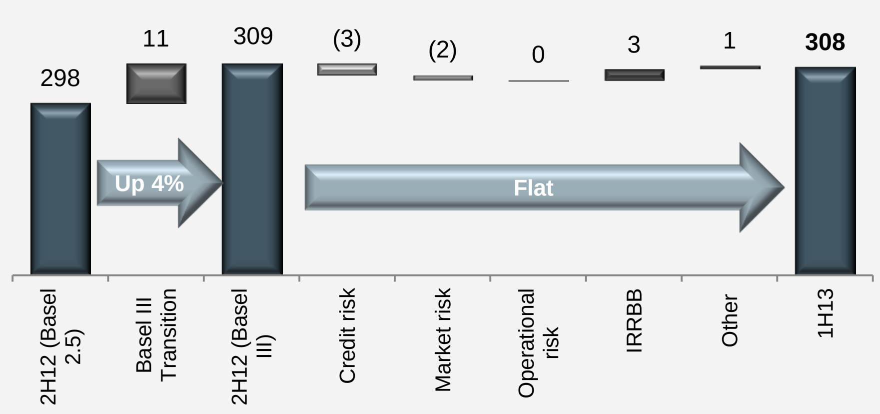



1 Company data, Credit Suisse estimates (based on latest reporting data as at April 2013).

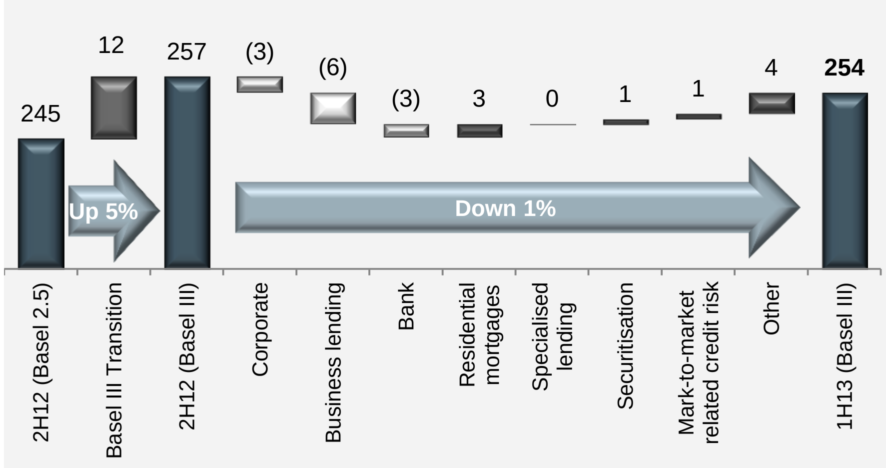
# Risk weighted assets relatively flat over half

- Basel III pro forma adjustments added $10.7bn to reported RWA at 30 September 2012
  - $12.0bn increase in credit RWA
  - Removal of $1.3bn RWA for equity risk as equity investments are now treated as a 100% deduction from capital
- Excluding Basel III transitional impacts, other movements in RWA included
  - Credit risk RWA decreased 1% overall or $3.3bn. Lower business lending RWA mostly reflecting the benefit of reduced stressed assets, more than offset growth in RWA in Australian mortgages
  - IRRBB[1] increased $3.5bn due to a reduced embedded gain and changed risk exposure
  - Lower market risk RWA of $1.5bn from a reduced exposure to interest rate risk
  - Other RWA increased $0.7bn

**RWA movements ($bn)**




**Credit RWA movements ($bn)**

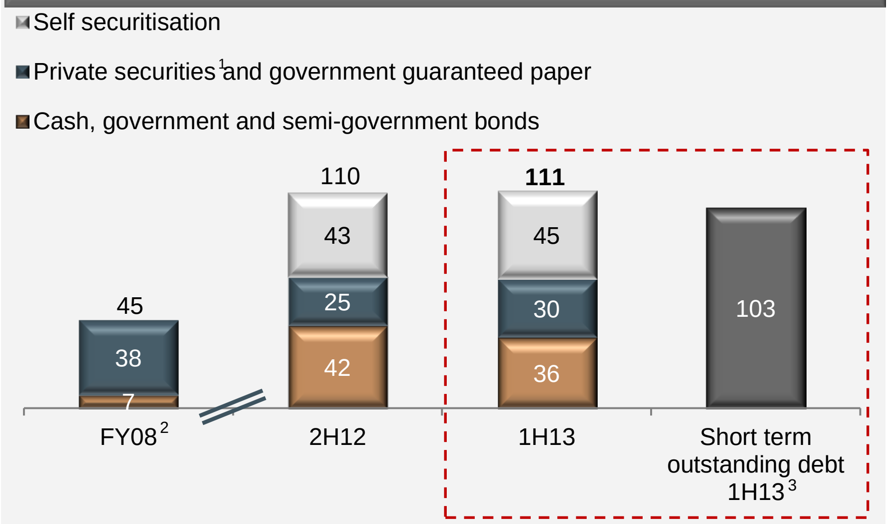



1 IRRBB is Interest rate risk in banking book.

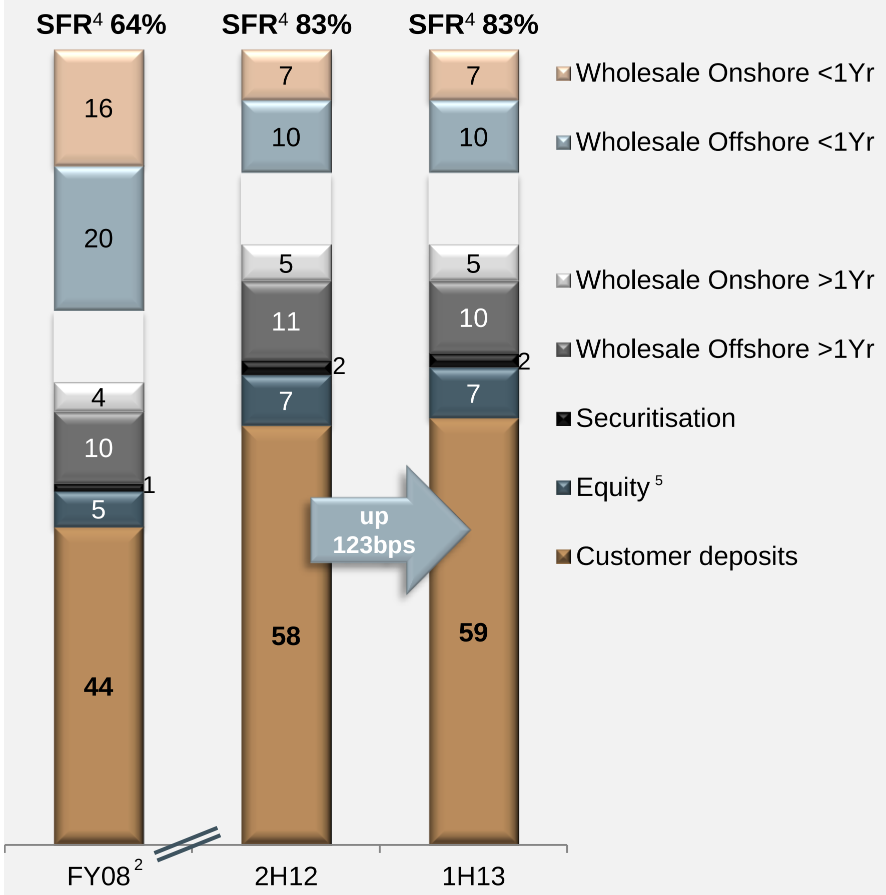
# Strong funding profile supported by customer deposit growth

- Stable funding ratio 83%, up 30bps
  - Increase in customer deposit funding of $11.9bn to 59% of total funding
  - Small decrease in short term funding of $0.5bn
- Liquid asset portfolio at $111bn covers all short term and long term debt maturities in the next 15 months (excluding expected amortisation)
  - Provides important buffer during periods of market dislocation

## Liquid assets ($bn)




## Funding composition by residual maturity (%)

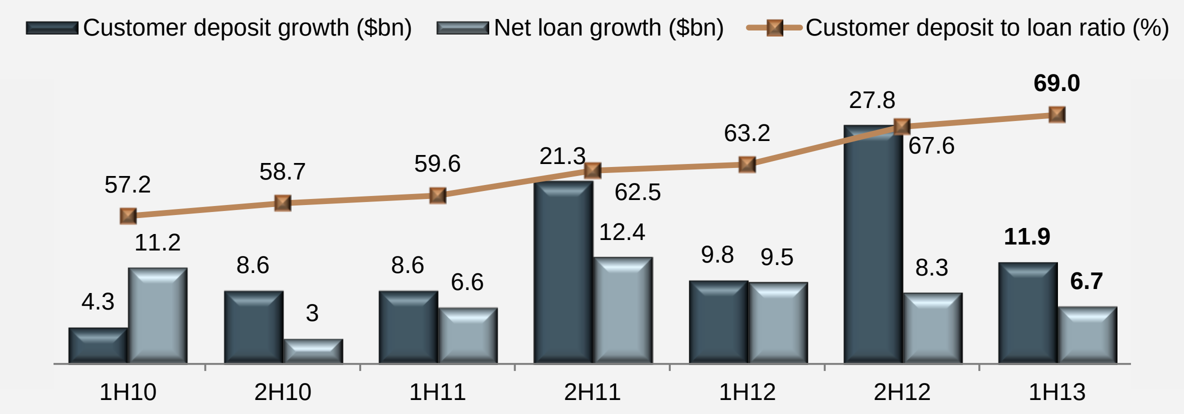



1 Private securities include Bank paper, RMBS, and Supra-nationals. 2 2008 does not include St.George. 3 Includes long term wholesale funding with a residual maturity less than 1 year. 4 SFR is the stable funding ratio calculated on the basis of customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 5 Equity excludes FX translation, Available for Sale Securities and Cash Flow Hedging Reserves.

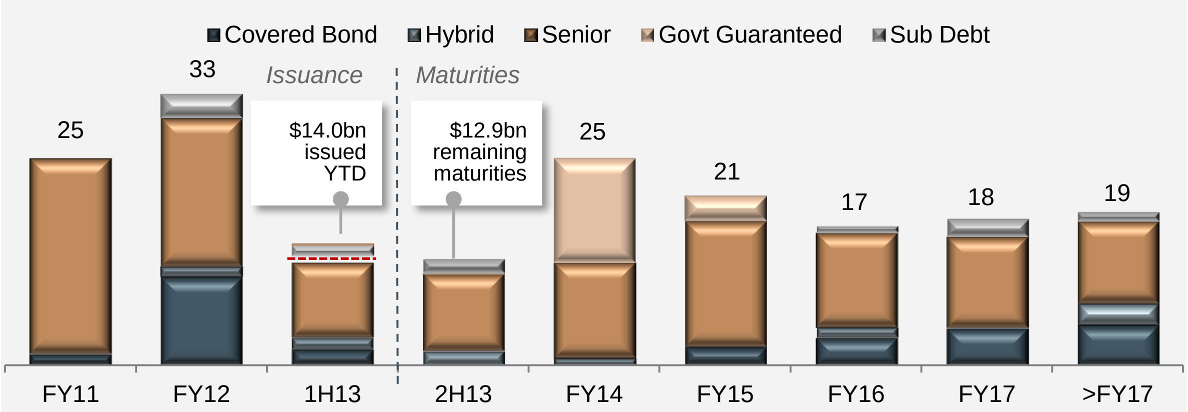
# Customer deposits continue to fund loan growth

- Customer deposit growth continuing to fund loan growth
  - 142bps improvement in deposit to loan ratio to 69.0%
  - Lower wholesale funding needs
- Term wholesale funding focused on refinancing term maturities
  - Expected annual term issuance around $25bn, depending on balance sheet movement and market conditions
  - $12.5bn term debt issued in 1H13, including $1.4bn hybrid issued March 2013
  - Weighted average maturity of new issuance 4.5 years
  - Further $1.4bn issued after 31 March 2013, positioning the Group well for FY13
  - $3.4 billion of Government-guaranteed debt bought back in 1H13, reducing FY14 refinancing needs

## Westpac deposit growth funding loan growth



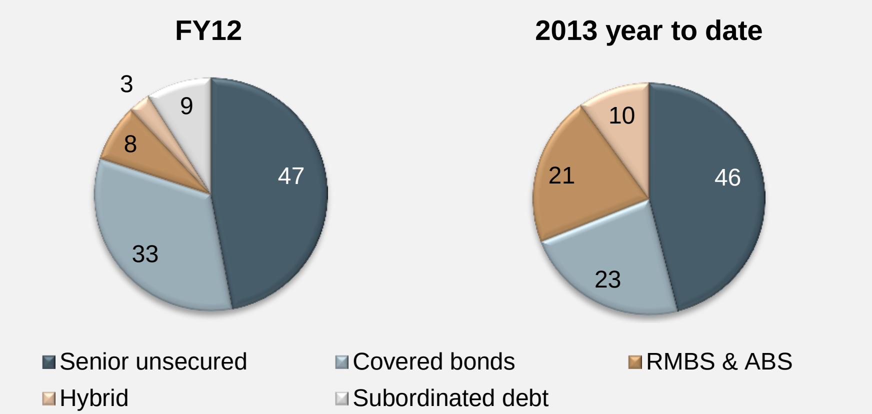

## Term debt issuance and maturity profile[1] ($bn)



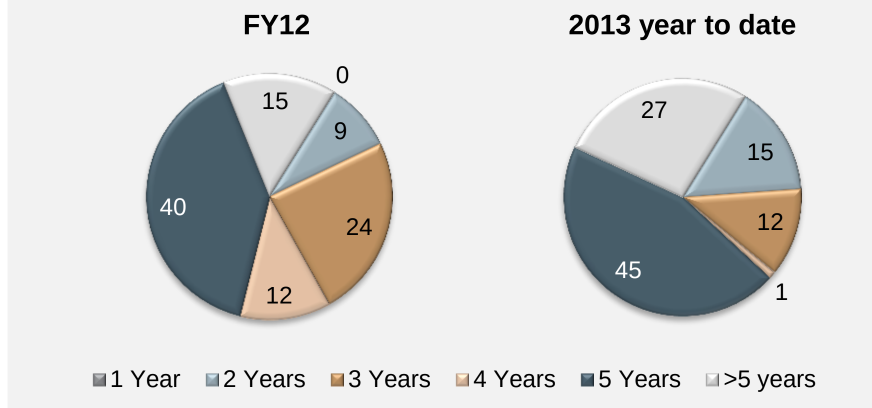

1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. Perpetual sub-debt has been included in >FY17 maturity bucket. Maturities exclude securitisation amortisation

# Term issuance focused on flexibility and diversity

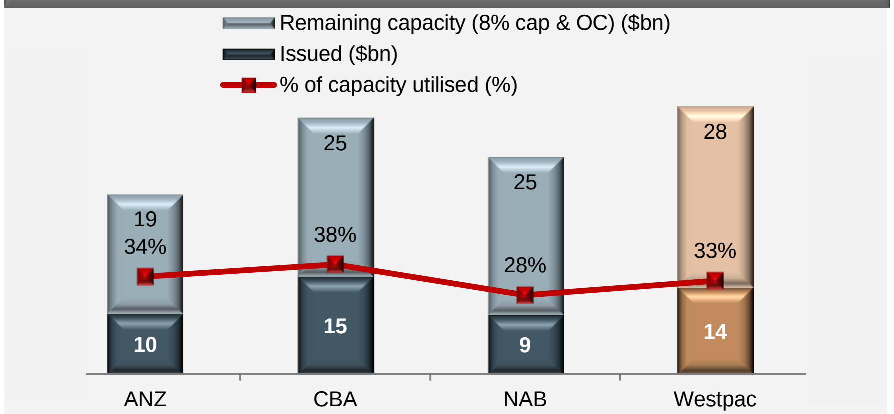
## New term issuance by type[1] (%)



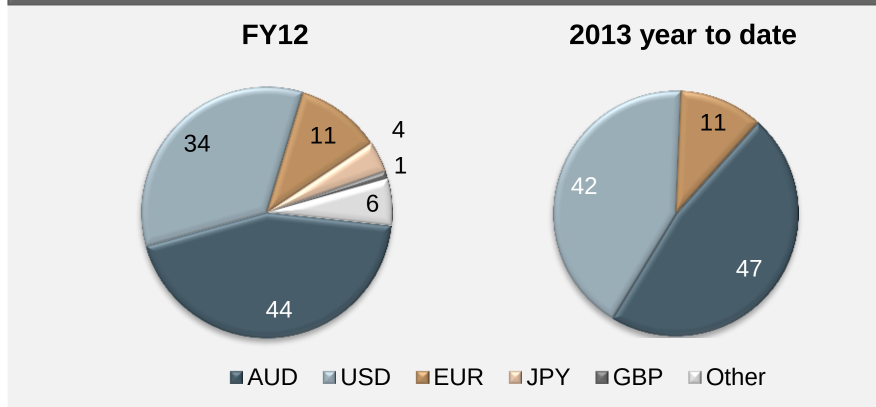

## New term issuance by original tenor[1,2] (%)




## Australian covered bond issuance[3]




## New term issuance by currency[1] (%)



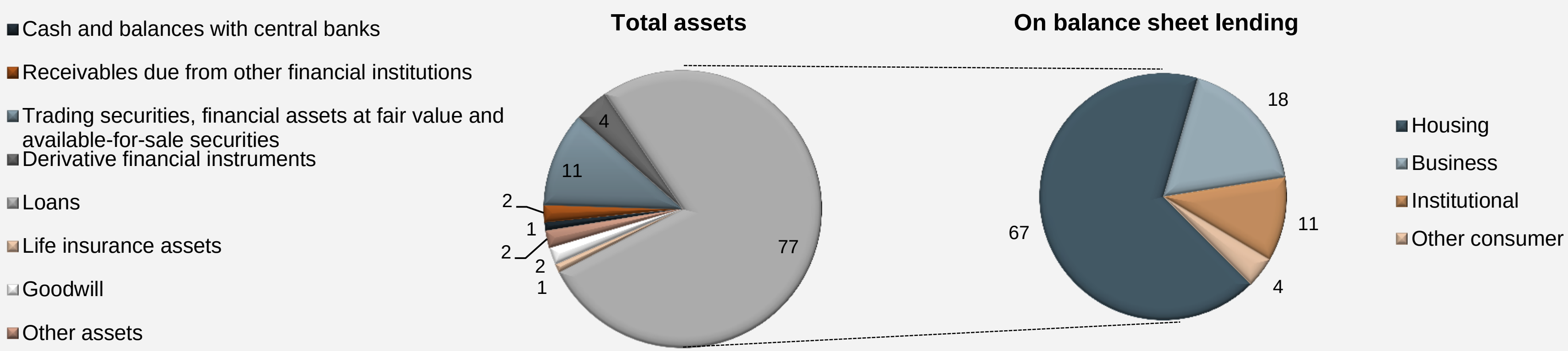

1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 2 Excludes securitisation. 3 Sources: Westpac, Bloomberg, Company reports as at 22 April 2013.

# FIRST HALF 2013
# ASSET QUALITY

COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS
(UNLESS OTHERWISE STATED)

# High quality portfolio with bias to secured consumer lending

## Asset composition as at 31 March 2013 (%)



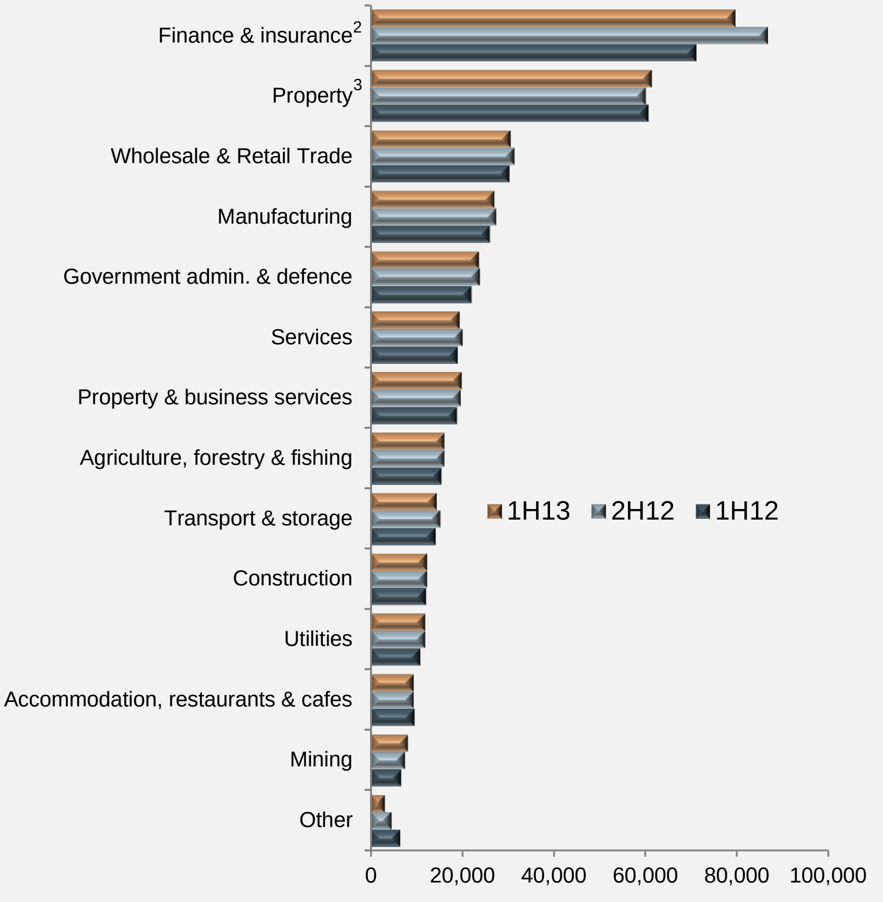

## Exposure by risk grade as at 31 March 2013 ($m)

| Standard and Poor's risk grade | Australia | NZ / Pacific | Americas | Europe | Asia | Group | % of Total |
|---|---|---|---|---|---|---|---|
| AAA to AA- | 73,116 | 6,957 | 1,782 | 640 | 693 | 83,188 | 11% |
| A+ to A- | 32,321 | 3,767 | 1,981 | 1,425 | 1,424 | 40,918 | 5% |
| BBB+ to BBB- | 44,962 | 6,753 | 1,166 | 1,363 | 4,034 | 58,278 | 8% |
| BB+ to BB | 56,964 | 7,117 | 185 | 169 | 1,240 | 65,675 | 9% |
| BB- to B+ | 54,606 | 7,745 | 39 | 0 | 0 | 62,390 | 8% |
| <B+ | 10,013 | 2,262 | 39 | 130 | 0 | 12,444 | 2% |
| Secured consumer | 367,214 | 35,017 | 0 | 0 | 560 | 402,791 | 52% |
| Unsecured consumer | 38,747 | 3,902 | 0 | 0 | 33 | 42,682 | 5% |
| **Total Committed Exposures** | **677,943** | **73,520** | **5,192** | **3,727** | **7,984** | **768,366** | |
| **Exposure by region[1] (%)** | **88%** | **10%** | **<1%** | **<1%** | **1%** | | **100%** |

1 Exposure by booking office.

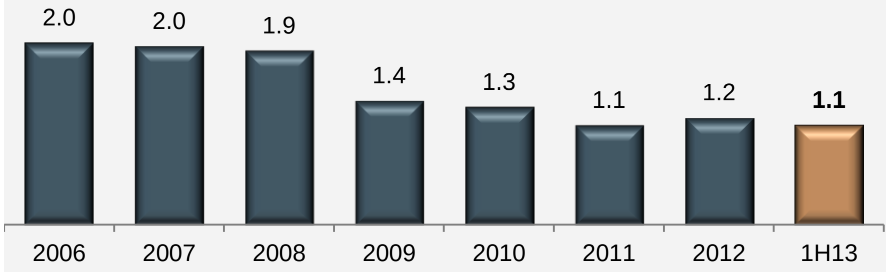
# Diversification across industries and large exposures

## Exposures at default[1] by sector ($m)

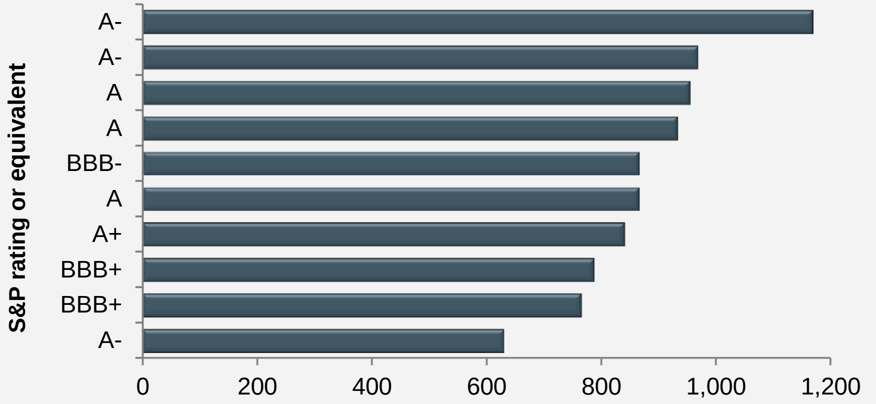



## Top 10 exposures to corporations and NBFIs as a % of TCE[5] (%)

- Top 10 single name exposures to corporations and non-bank financial institutions (NBFIs) continue to be well below 2% of TCE
- Largest corporation/NBFI single name exposure represents 0.15% of TCE



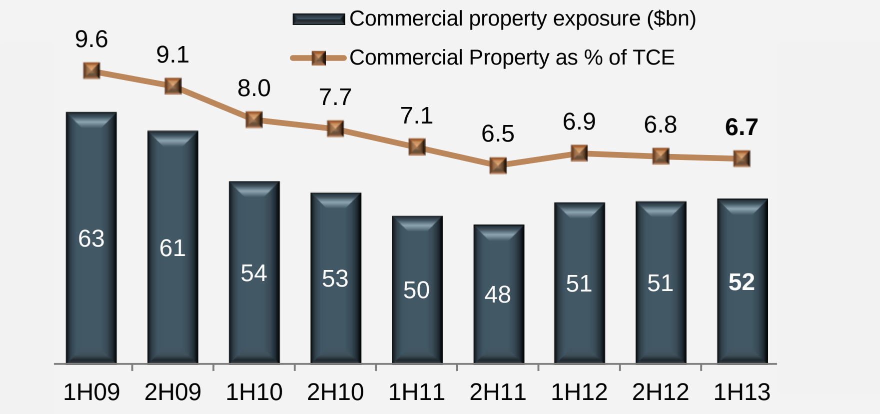

## Top 10 exposures to corporations & NBFIs as at 31 Mar 2013 ($m)



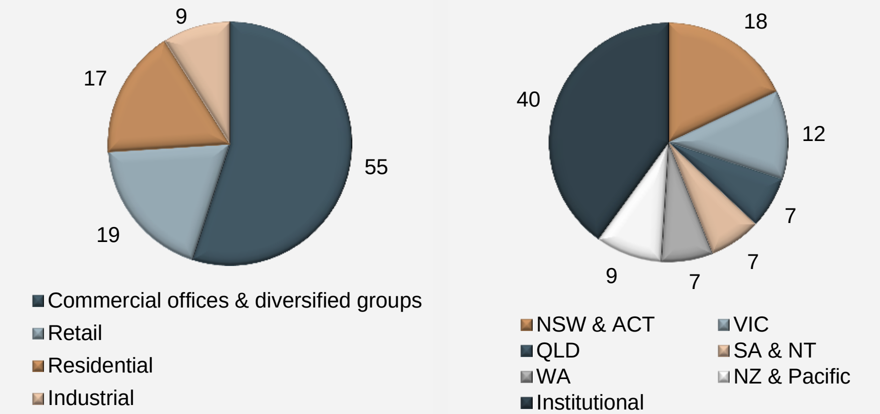

1 Exposures at default represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default and excludes consumer lending. 2 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance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

# Commercial property portfolio comfortably within appetite

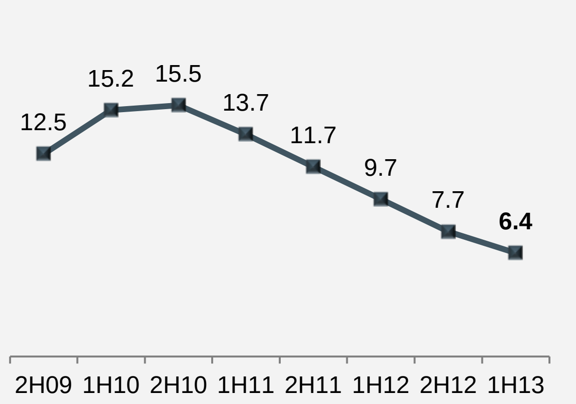
## Commercial property exposures size ($bn) and % of TCE[1]



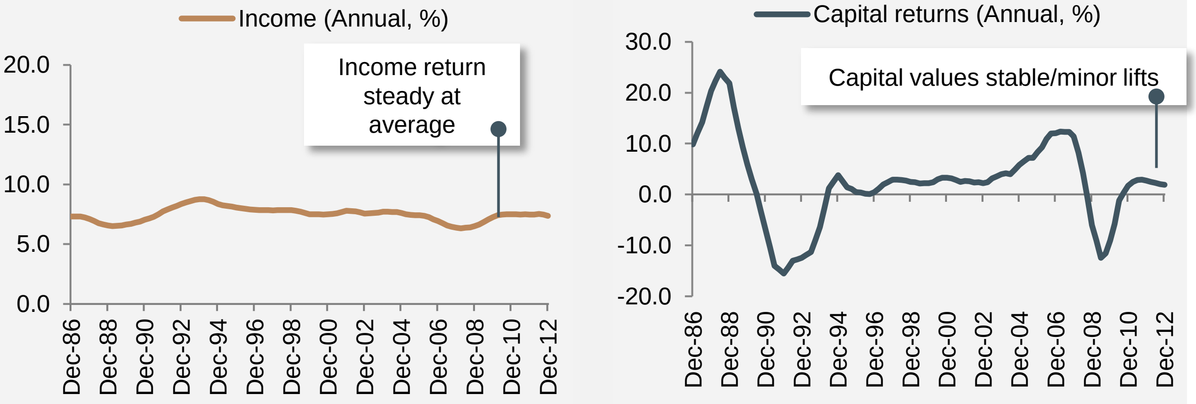

## Commercial property portfolio by sector and region (%)




## Commercial property portfolio TCE[1] classified as stressed (%)



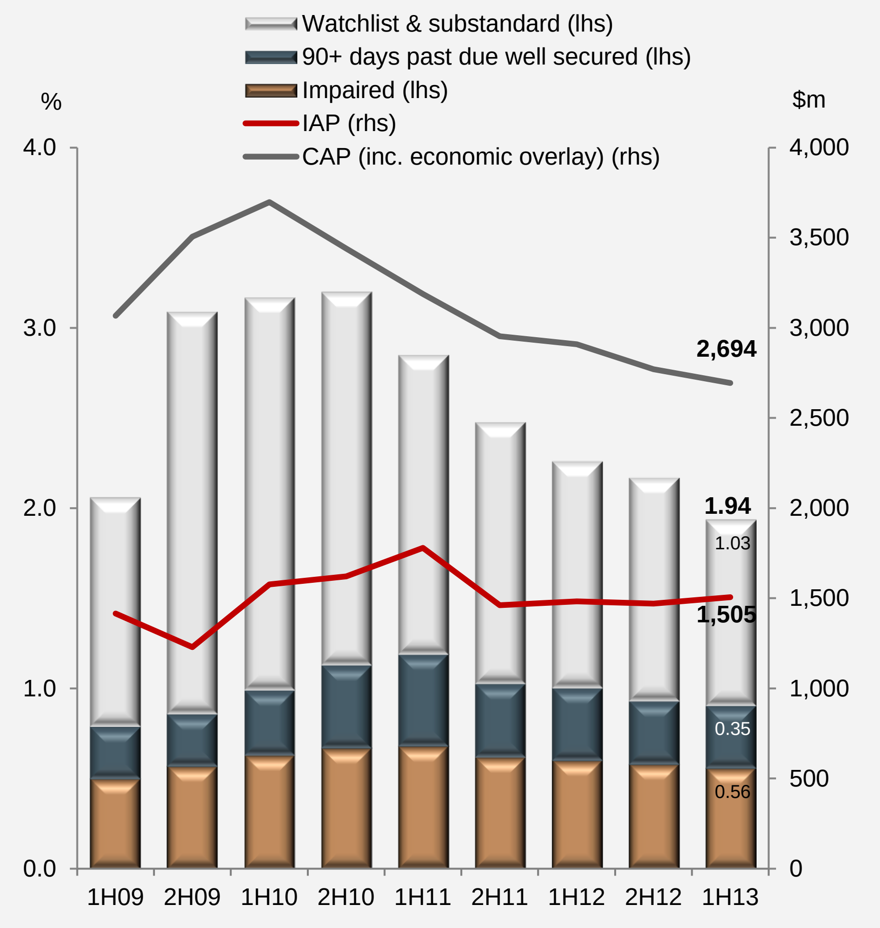

## Commercial property returns stabilising[2]




1 TCE is Total Committed Exposures. 2 IPD Investment performance index Q3 2012. Analysis Westpac Property.

# Asset quality improvement and strong provisioning

**Stressed exposures as a % of TCE[1] (%) and provisions ($m)**



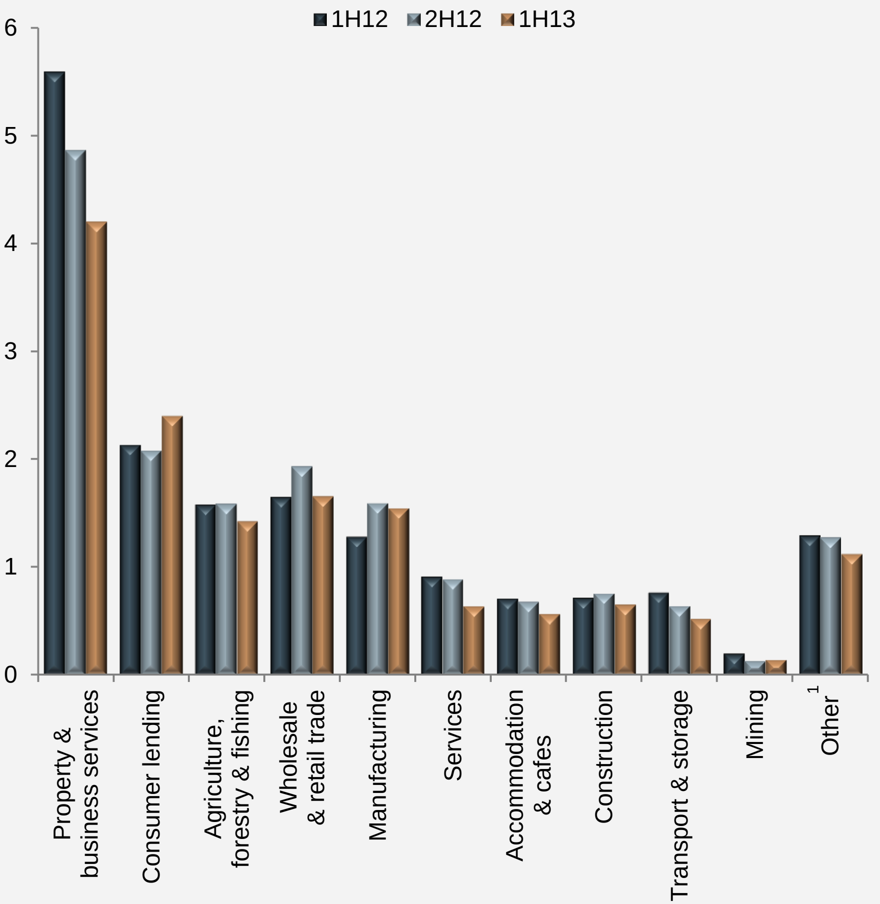

| Provisioning coverage ratios | 1H12 | 2H12 | 1H13 |
|---|---|---|---|
| Collectively assessed provisions to credit RWA (Basel III) | 116bps[2] | 108bps[2] | 106bps |
| Collectively assessed provisions to performing non-housing loans | 164bps | 155bps | 151bps |
| Impairment provisions to impaired assets | 38% | 37% | 40% |
| Total provisions to gross loans | 86bps | 82bps | 80bps |

| 1H13 economic overlay changes ($m) | | |
|---|---|---|
| Balance at Sept-12 | | 363 |
| Movement in property overlay | (32) | |
| Movement in other overlays | (3) | |
| New sector overlays, mostly manufacturing | 63 | |
| Closing balance at Mar-13 | | 391 |

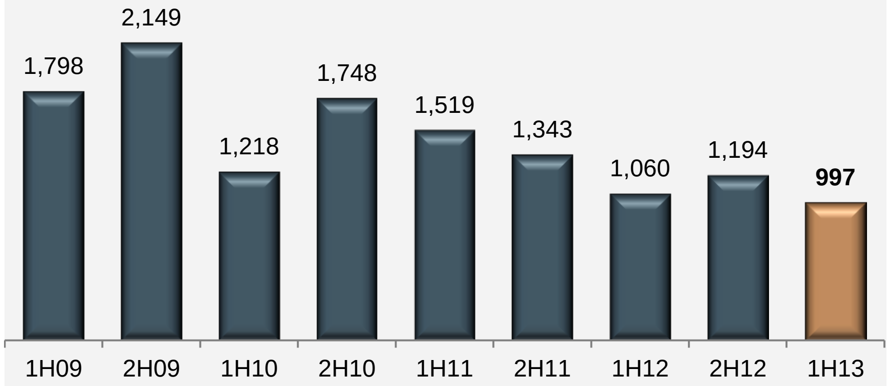
1 TCE is Total Committed Exposures. 2 Figures have been calculated based on Basel III pro forma risk weighted assets.

# Downward trend in stressed exposures

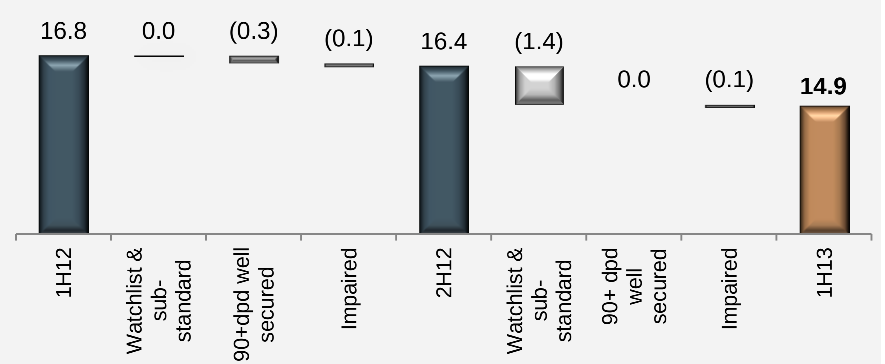
## Stressed exposures by industry ($bn)




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




## Movement in stressed exposures ($bn)

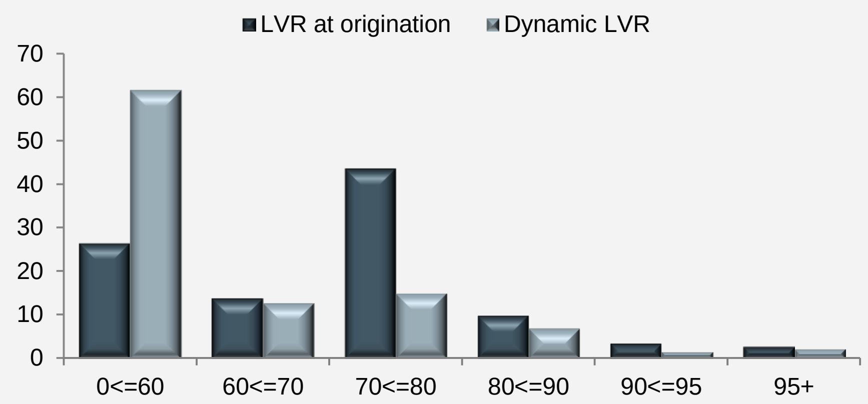



1 Other includes Government, administration & defence, finance & insurance and utilities sectors.

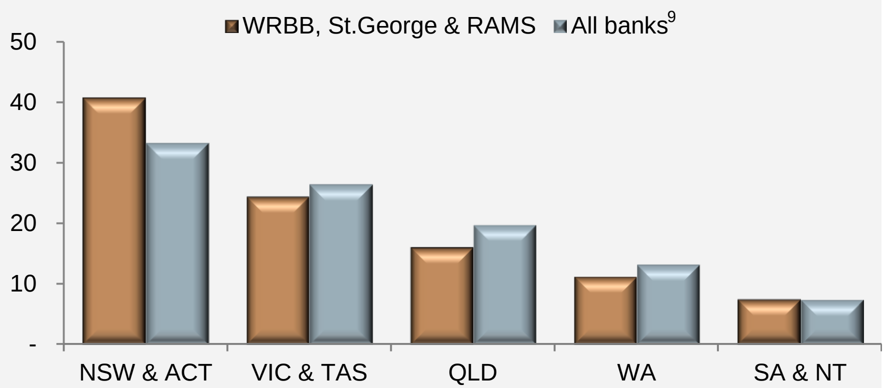
# High quality mortgage portfolio, with strong collateralisation

| Westpac Australian housing portfolio[1] | 2H12 Balance | 1H13 Balance | 1H13 Flow[2] |
|---|---|---|---|
| Total portfolio ($bn) | 316.3 | 321.9 | 25.3 |
| Owner-occupied (%) | 48.2 | 48.1 | 50.6 |
| Investment property loans (%) | 41.5 | 42.2 | 45.6 |
| Portfolio loan/line of credit (%) | 10.3 | 9.7 | 3.8 |
| Variable rate / Fixed rate (%) | 87 / 13 | 85 / 15 | 76 / 24 |
| Low Doc (%) | 5.7 | 5.2 | 1.5 |
| Proprietary channel (%) | 58.4 | 58.2 | 57.0 |
| First Home Buyer (%) | 11.8 | 11.7 | 11.1 |
| Mortgage insured (%) | 25.8 | 24.4 | 17.0 |
| | **2H12** | **1H13** | |
| Average LVR at origination (%) | 69 | 69 | |
| Average dynamic[3,4,5] LVR (%) | 48 | 48 | |
| Average LVR of new loans[6] (%) | 69 | 70 | |
| Average loan size ($'000) | 214 | 219 | |
| Customers ahead on repayments, excluding offset accounts[3,7] (%) | 59 | 56 | |
| Actual mortgage losses (net of insurance)[1,8] ($m) | 43 | 52 | |
| Actual mortgage loss rate[1] annualised (bps) | 3 | 3 | |

## Australian housing portfolio[3,4,5] (%)




## Australian housing portfolio by State (%)




1 Represents WRBB and St.George (including RAMS). 2 Flow is all new mortgage originations total settled amount originated during the 6 month period ended 31 March 2013 and includes RAMS. 3. Excludes RAMS. 4. Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. 5 Property valuation source Australian Property Monitors. 6. Average LVR of new loans is based on rolling 12 month window for each year end period. 7. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. 8 Mortgage insurance claims 1H13 $10m (2H12 $17m and 1H12 $13m). 9 ABA Cannex August 2012.

# Australian housing portfolio delinquencies remain low

**Delinquencies**

- 90+ days delinquencies remain at low levels at 58bps, up 6bps (up 4bps on 1H12) with some impact from seasonal trends
- 30+ days delinquencies are 143bps, up 24bps (up 1bp on 1H12) reflecting normal seasonal trends
- Low Doc 90+ days delinquencies have increased more than the total portfolio with new flows in Low Doc lending declining and delinquency rates on the existing portfolio rising with seasoning
- Interest rate cuts have contributed to strong consumer credit quality

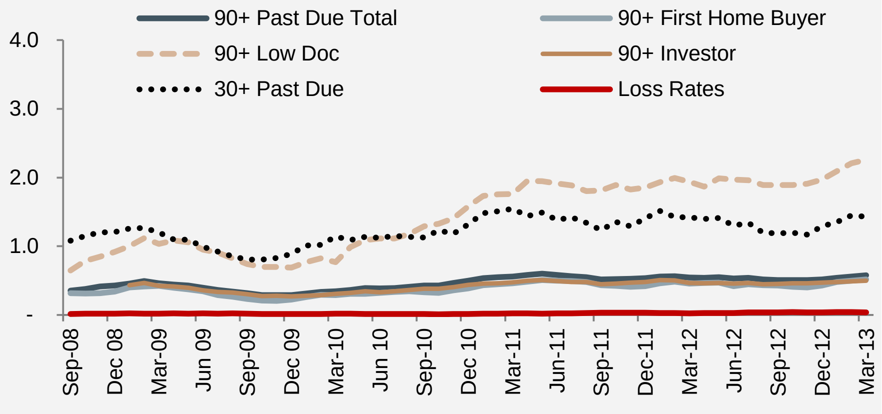
**Properties in possession**

- 248 at March 2013, down from 289 at Sep 2012 and 423 at Mar 2012
- Portfolio inflows continue to be low and benefitting from improved housing market conditions

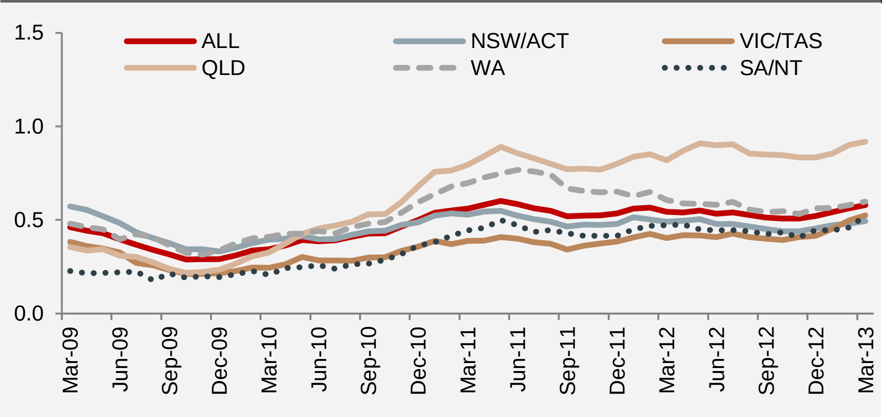
**Loss rates**

- Loss rates remain low by international standards and reflect sound underwriting standards
- Portfolio losses of $52m represents a loss rate of 3bps annualised (net of insurance claims[1]); loss rate unchanged from 2H12 (unchanged from 1H12)

**Australian mortgages delinquencies and loss rates (%)**




**Australian mortgage 90+ days delinquencies (%)**

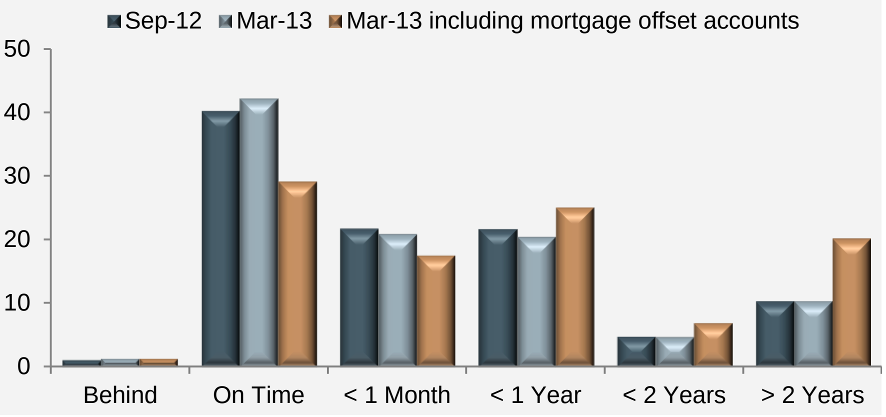



1 Mortgage insurance claims 1H13 $10m (2H12 $17m and 1H12 $13m).

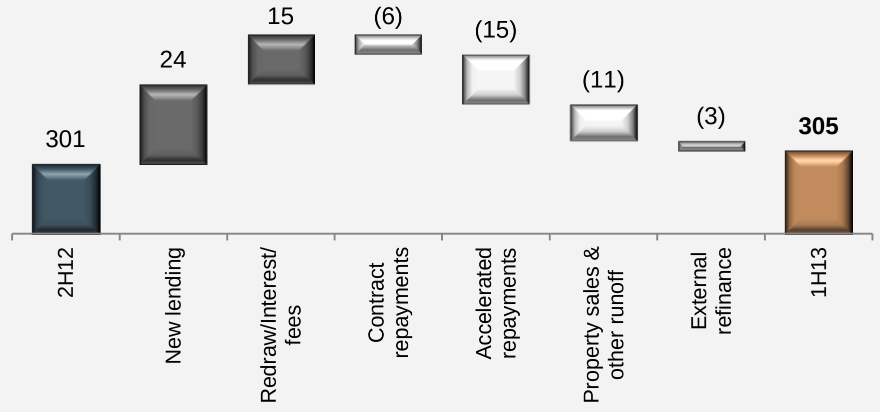
# Prepayment levels and serviceability remain strong

- Australian mortgage customers continue to display a cautious approach to debt levels, taking advantage of lower rates to pay down debt
  - Including mortgage offset account balances, 70% of customers are ahead of scheduled payments, with 20% of these being more than 2 years ahead
  - Excluding mortgage offset account balances, 56% of Australian mortgage customers are ahead of scheduled payments
  - Prepayment levels impacted by increased flows into fixed rate loans (where additional repayments are limited)
- When assessing loan serviceability, Westpac has a minimum assessment rate, often referred to as a floor rate, currently set at 7.46% p.a. across all brands
- In the current low interest rate environment, the minimum assessment rate is more than 190bps higher than the standard lending rate

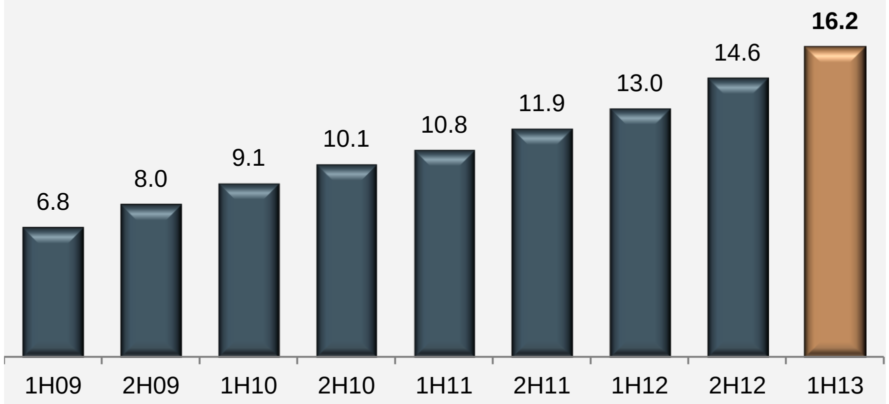
## Australian home loan customers ahead on repayments[1,2] (%)




## Australian mortgage[1] balance growth ($bn)




## Mortgage offset account balances[1] ($bn)

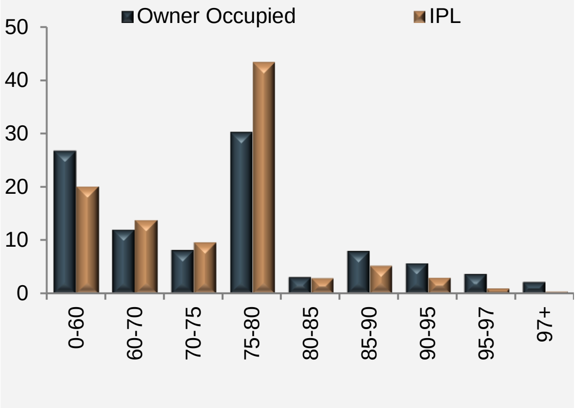



1 Excludes RAMS. 2 Customer loans ahead on payments exclude equity loans/line of credit products as there is no scheduled principal payments. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due.

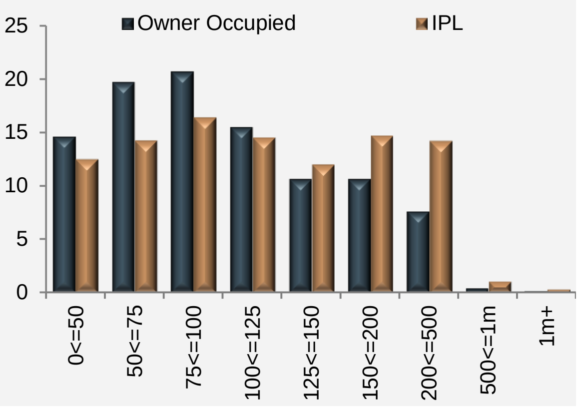
# Australian investment property portfolio sound

- Investment property loans (IPLs) make up 42.2% of Westpac's Australian mortgage portfolio
- 43% of IPL loans are originated at 80% LVR, to take advantage of tax deductions and avoid mortgage insurance costs
- While the majority of IPLs are interest-only, the realised amortisation profile closely tracks the principal and interest portfolio, with 40% of interest-only IPL customers ahead on repayments at 1H13
- Compared to owner-occupied applicants, IPL applicants on average are older, have higher incomes and higher credit scores
- Specific credit policies apply to IPLs to assist risk mitigation, for example:
  - Holiday apartments subject to tighter acceptance requirements
  - Additional LVR restrictions apply to single industry towns
- IPL delinquency performance has historically been better than the portfolio average
  - At 1H13, IPL 90+ days delinquencies were 50bps compared to 58bps for the portfolio
- IPL customers with more than one investment loan perform better than IPL customers with one investment loan and better than the overall portfolio

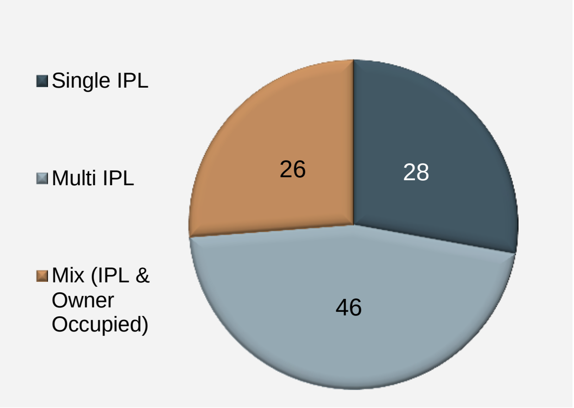
**Australian mortgage[1] loan-to-value ratio at origination (%)**



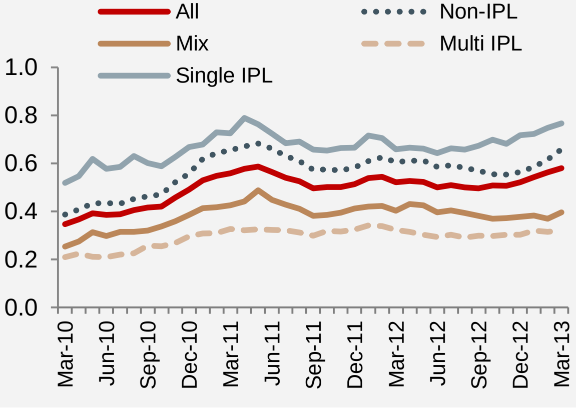

**Australian mortgage[1] applicants by gross income band (%)**




**Australian IPL[1] portfolio by customer type (%)**




**Australian mortgage[1] 90+ days delinquency by customer type (%)**




1 Excludes RAMS.

# Mortgage portfolio stress testing outcomes

- Westpac regularly conducts a range of portfolio stress tests as part of its regulatory and risk management activities
- The Australian mortgage portfolio stress testing scenario presented represents a 'typical' severe recession – significant reductions in consumer spending and business investment lead to six consecutive quarters of negative GDP growth, resulting in a material increase in unemployment and nationwide falls in property and other asset prices
- Estimated Australian housing portfolio losses under stress conditions are manageable within the Group's risk appetite and capital base
  - Yearly average losses over the stressed scenario $692m, representing 22bps of the portfolio
  - Cumulative loss modelled over the three years is $2.1bn
- LMI insurance claims would also be higher – an estimated additional $140m in total over the three years (net of reinsurance recoveries)
- Stress testing is also conducted on Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), to ensure it is sufficiently capitalised to cover mortgage claims arising from a stressed mortgage environment
- These scenarios seek to ensure that WLMI would be sufficiently capitalised to fund claims from extreme events that would only be expected to occur every 200 years

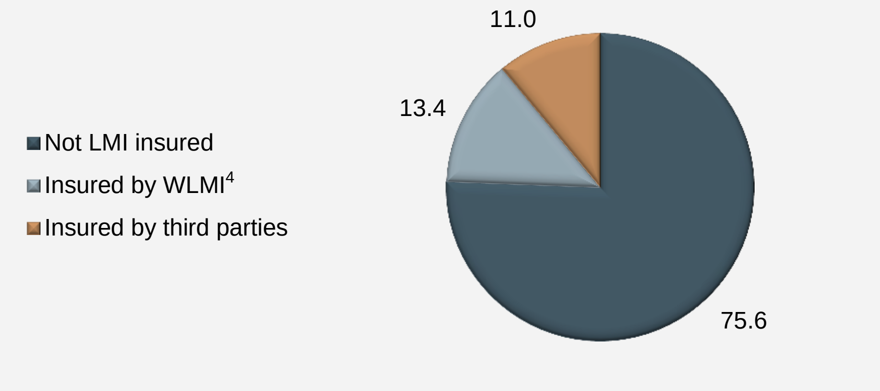
**Australian mortgage portfolio stress testing as at 31 March 2013**

| Key assumptions | | Stressed scenario | | |
|---|---|---|---|---|
| | Current | Year 1 | Year 2 | Year 3 |
| Portfolio size ($bn) | 322 | 321 | 315 | 317 |
| Unemployment rate (%) | 5.6 | 11.2 | 10.2 | 8.9 |
| Interest rates (cash rate, %) | 3.0 | 2.8 | 1.0 | 1.0 |
| House prices (% change cumulative) | 0.0 | -13.0 | -21.2 | -23.4 |
| Annual GDP growth (%) | 3.1 | -3.9 | -0.2 | 1.7 |
| **Key outcomes** | | | | |
| Stressed losses (net of LMI recoveries) | 3bps | 20bps | 22bps | 23bps |

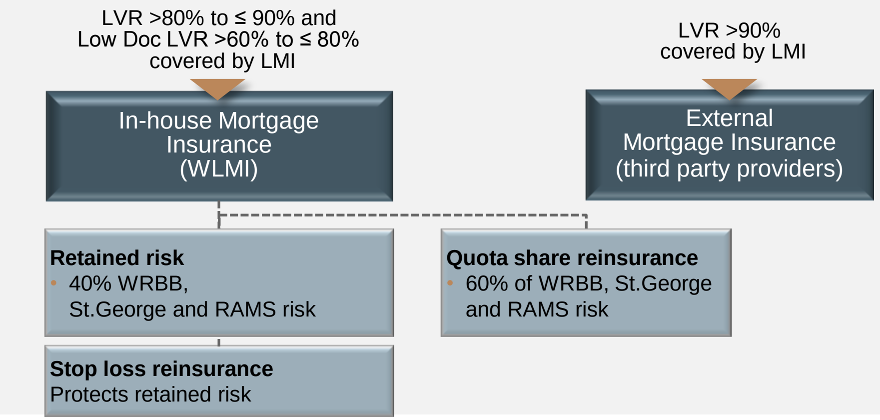
# Lenders Mortgage Insurance managing risk transfer

- Westpac Group has one captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), which insures mortgages originated through all brands and channels
- Mortgages with origination LVR between 80-90% and Low Doc between 60-80% are generally covered by WLMI
  - WLMI currently retains 40% of the risk for WRBB, St.George[1] and RAMS brand mortgages
  - Remaining 60% of risk is covered by a quota share arrangement with four parties (Genworth Australia, QBE LMI, Arch Re and Tokio Millennium)
  - Additional stop loss insurance in place with a separate party to cover potential extreme loss scenarios
- Mortgages with origination LVR >90% are insured with third parties (prior to 2009 insured through WLMI)
- WLMI is strongly capitalised (separate from bank capital) and subject to APRA regulation. Capitalised at 1.23x PCR[2]
- Capital conservatively invested (cash and fixed interest) so returns primarily based on premium income and risk management
- Scenarios confirm sufficient capital to fund claims arising from events of severe stress (up to 1 in 200 years)
  - In a 1 in 200 years loss scenario, estimated losses for WLMI are $305m (net of re-insurance recoveries)
- 1H13 insurance claims $10m (2H12 $17m and 1H12 $13m)
- WLMI loss ratio[3] 30%, down from 35% (unchanged from 1H12)

## Australian mortgage portfolio LMI coverage (%) as at 31 March 2013




## Lenders Mortgage Insurance (LMI) structure as at 31 March 2013

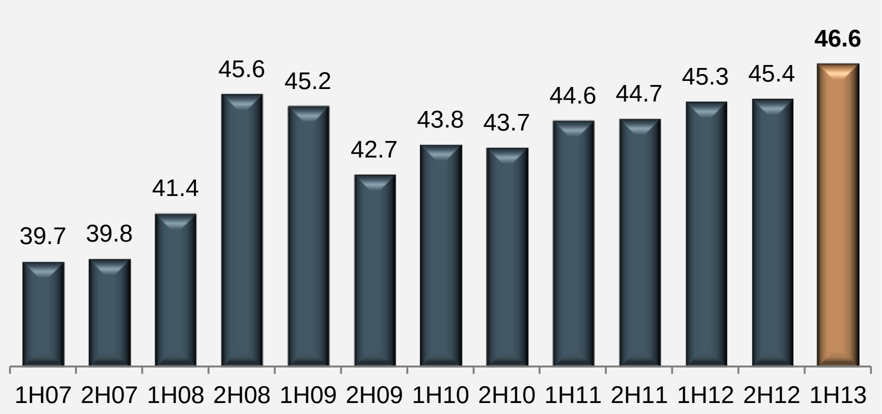



1 St.George includes mortgages originated under the St.George, BankSA and Bank of Melbourne brands. 2 Prudential Capital Requirement (PCR) determined by Australian Prudential Regulation Authority.
3 Loss ratio is claims over the total of earned premium plus reinsurance rebate plus exchange commission. 4 Insured coverage is net of quota share.

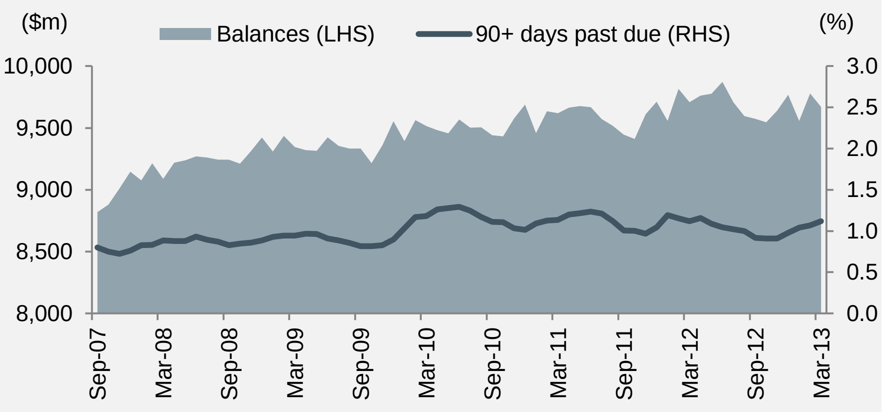
# Australian credit card portfolio continues sound performance

- Credit card payment rates continue to reflect ongoing consumer deleveraging
- The average payments to balance ratio for the Australian portfolio was 47.0% at 1H13, the highest level since 2007
- 90+ day credit card delinquencies up 20bps to 112bps (down 6bps on 1H12) consistent with seasonal trends

## Australian credit card average payments to balance ratio[1] (%)




## Australian credit cards



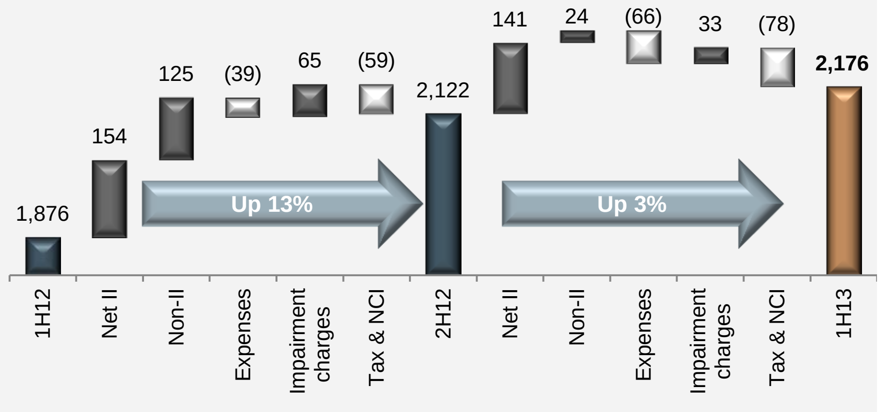

1 Cards average payments to balance ratio is calculated using the average payment received compared to the average statement balance at the end of the reporting month.

# FIRST HALF 2013
# BUSINESS UNITS

**COMPARISON OF 1H13 VERSUS 2H12 CASH EARNINGS BASIS**
**(UNLESS OTHERWISE STATED)**

# AFS Cash earnings up 3% in 1H13

## Cash earnings movement ($m)




## Key features of AFS in 1H13

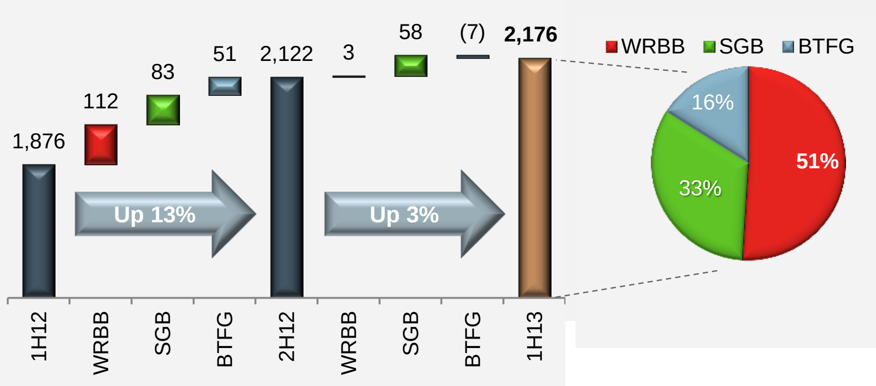
- Cash earnings up 3%. Core earnings up 3%
- Driven by strong growth across retail bank divisions. Wealth result affected by usual seasonal rise in General Insurance claims
- Net interest income up $141m (3%) with sound volume growth and margins well managed, up 6bps
- Non-interest income up $24m (1%) driven by increased line fees. Slightly offset by Wealth income with seasonally higher insurance claims
- Expenses well managed, up $66m (2%), with productivity savings helping make room for continued investment, particularly Bank of Melbourne and in wealth platforms. Expense to income ratio down 14bps to 45.1%
- Impairment charges down $33m (down 8%) primarily due to strong improvement in St.George business portfolio

## Movement in key AFS metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customer deposit to loan ratio (%) | 55.8 | 58.1 | 59.4 | ↑ | 130bps |
| Margins (%) | 2.19 | 2.24 | 2.30 | ↑ | 6bps |
| Revenue per FTE[1] ($'000) | 302 | 322 | 333 | ↑ | 3% |
| Expense to income (%) | 46.7 | 45.2 | 45.1 | ↓ | 14bps |

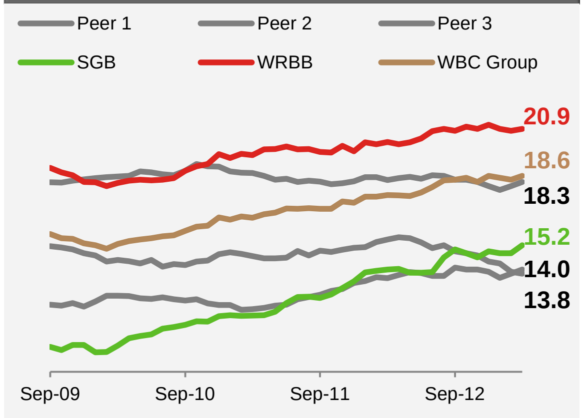
1 Based on average FTE.

## Cash earnings contribution ($m) and (%)

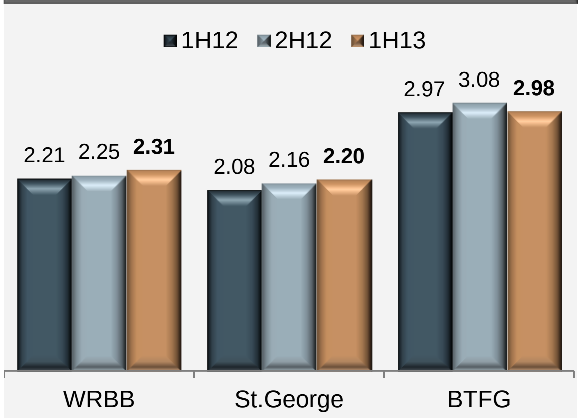


# Delivering performance at upper end of sector

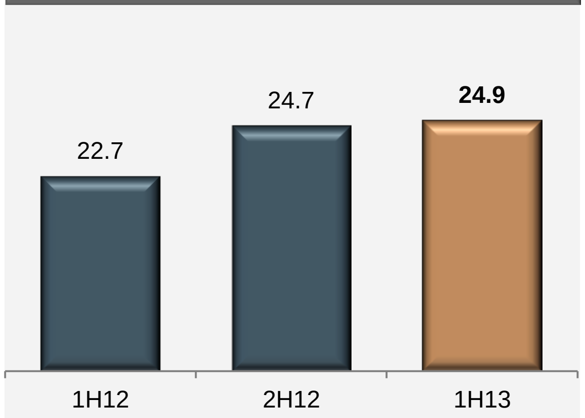
## Wealth penetration[1] (%)



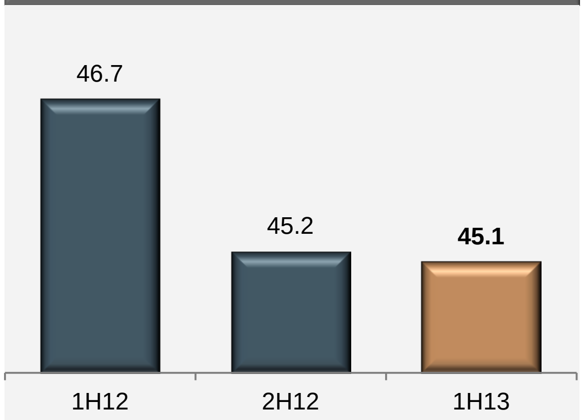

## Net interest margins(%)



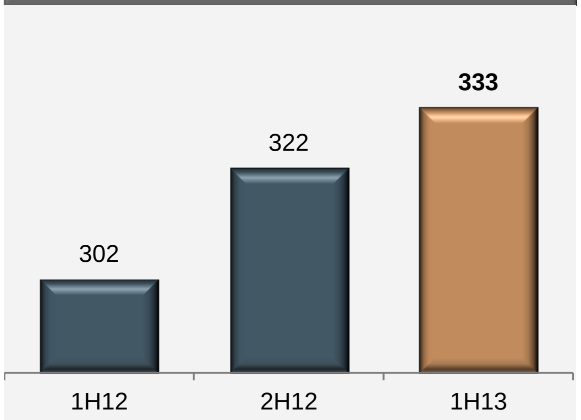

## Return on tangible equity (%)



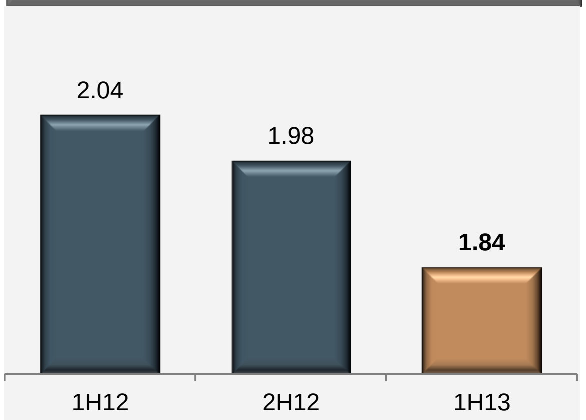

## Expense to income ratio (%)




## Revenue per FTE ($'000)




## Stressed exposures as a % of TCE[2] (%)

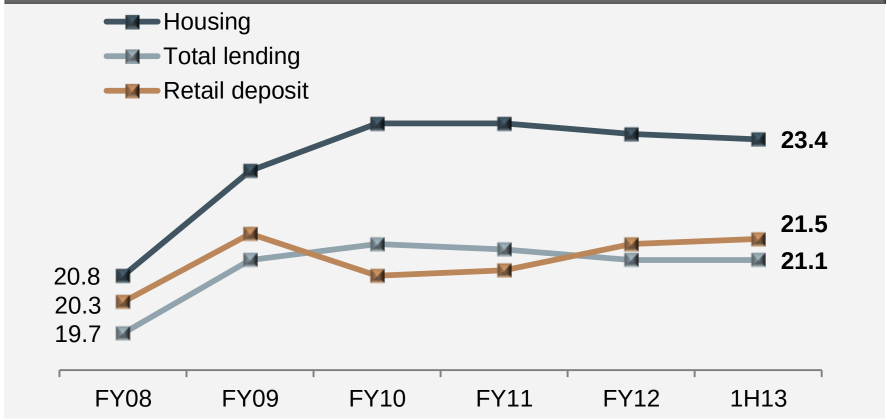



1 Refer to slide 111 for wealth penetration metrics provider details. 2 TCE is Total Committed Exposures.

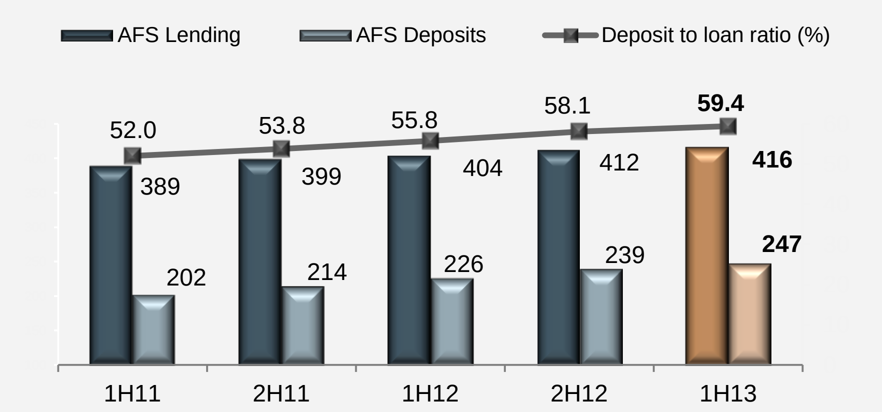
# AFS strong position, subdued growth environment in 1H13

- Solid deposit growth exceeded loan growth, improving the deposit to loan ratio 130bps to 59.4%
- Deposits up $7.6bn or 3%
  - Strong growth with customer preferences moving to saving, transaction and online accounts from term deposits
  - Household deposits grew at 1.2x system
- Housing loans up $5.6bn or 2%
  - Focused on service-led strategy
  - Solid new flows offset by increased repayments
- Other lending up 2%
- Business lending down $2.2bn or 3%
  - SGB down $1.6bn due to reductions in property and stressed exposures. WRBB down $0.5bn

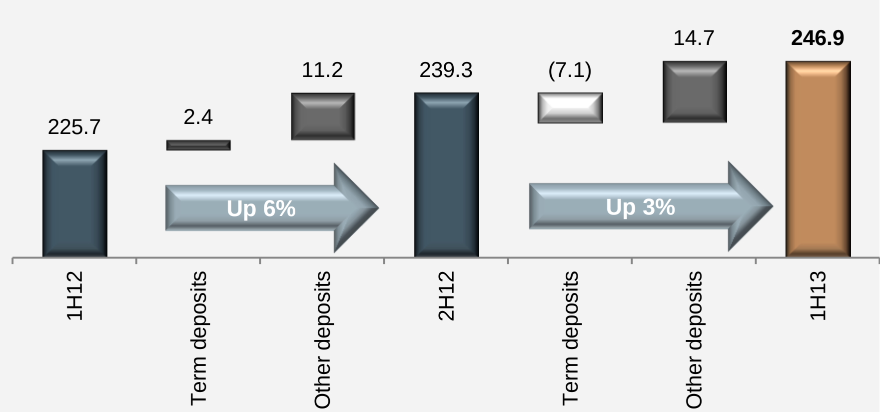
## Westpac Group market share[1] (%)




## AFS lending and deposits ($bn)




## AFS deposit growth ($bn)




1 RBA Banking Statistics, March 2013.

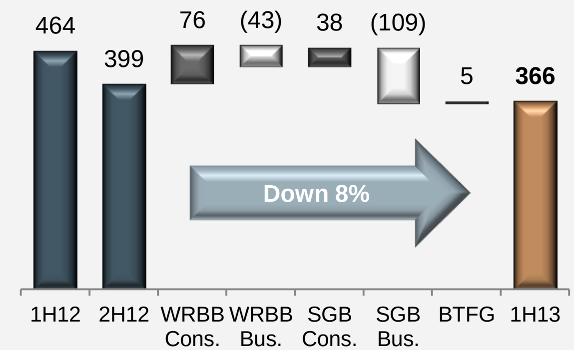
# AFS high quality portfolio; significant improvement in business

AFS

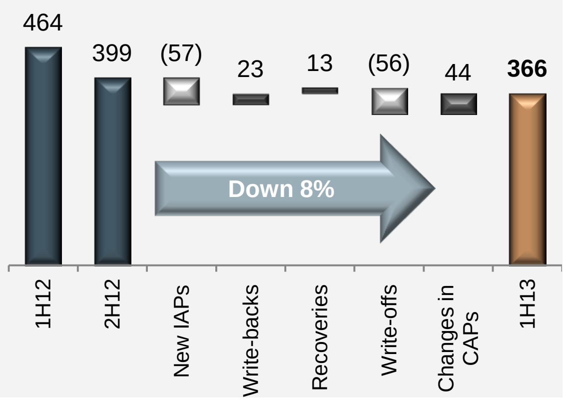
## Strong risk profile[1]

- AFS portfolio quality remains high, with stressed exposures as a % of TCE reducing 14bps to 1.84% (down 20bps on 1H12)
- Impaired assets flat at 47bps (down 1bp on 1H12)
- Significant improvement in business portfolio quality, driven by asset sales, write-offs and refinancing, includes lower St.George property exposures, with significant reduction in non-performing assets
- Consumer delinquencies up modestly, partly from seasonal trends
  - Mortgage 90+ days delinquencies up 6bps to 58bps (up 4bps on 1H12)
  - Credit card 90+ days delinquencies up 20bps to 112bps (down 6bps on 1H12)

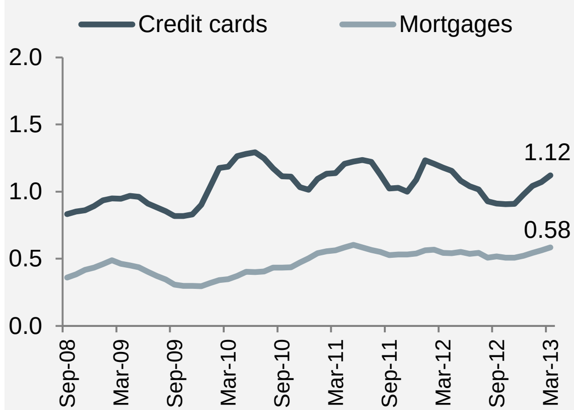
## Movement in impairment charges ($m)



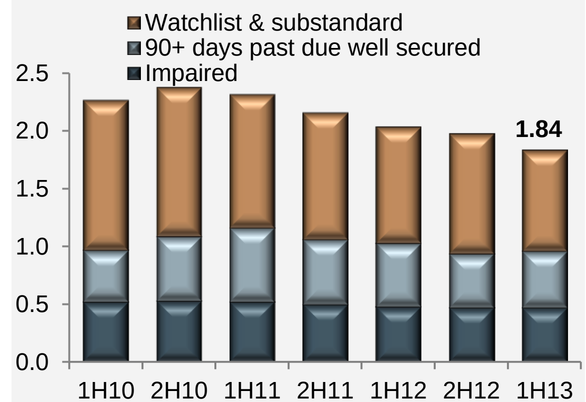

## Movement in impairment charges ($m)




## 90+ days delinquencies (%)



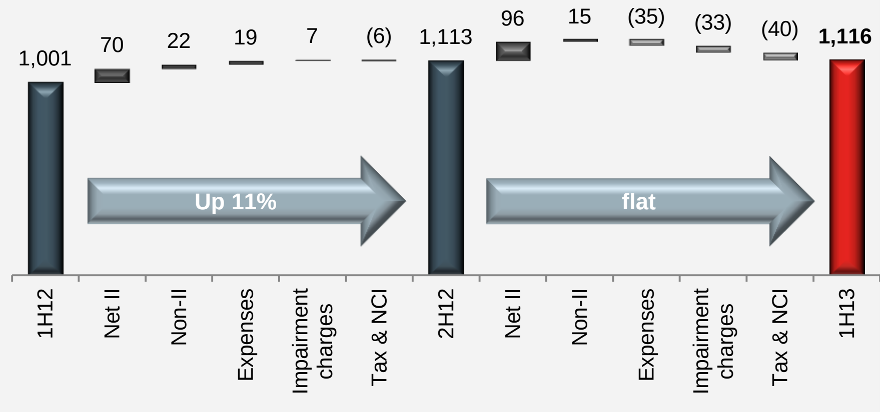

## Stressed exposures as a % of TCE[2] (%)



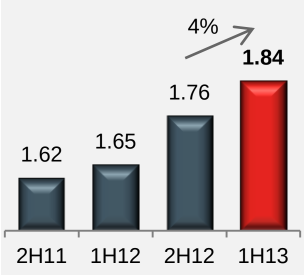

1 Refer slide 112 for asset quality definitions. 2 TCE is Total Committed Exposures.

# Strong franchise delivering a disciplined performance

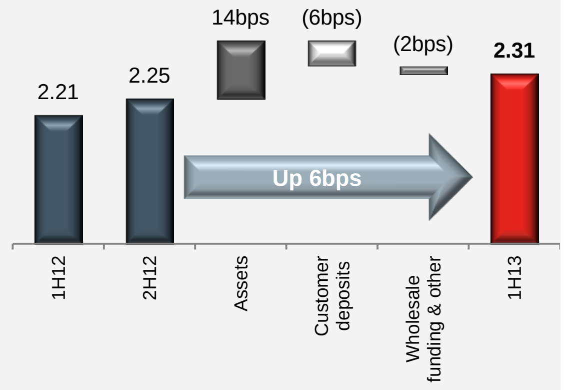
## Cash earnings movement ($m)




## Core earnings ($bn)




## Net interest margin (%)




## Movement 1H13 – 2H12

| | | | |
|---|---|---|---|
| Cash earnings | - | - | • Largely flat at $1,116m |
| Core earnings | ↑ | 4% | • Up 4% to $1,836m |
| Net interest income | ↑ | 4% | • Deposits up 3% and deposit to loan ratio improved to 56.4% (up 108bps)<br>• Lending up 1%, with a 1% rise in mortgages and solid growth in consumer finance, offset by a decline in business from higher run-off |
| Margins | ↑ | 6bps | • Margins up 6bps to 2.31%<br>• Deposit spreads 6bps lower due to more competitive pricing, particularly in at-call savings accounts where most of 1H13 growth occurred<br>• Lending spreads up 14bps from asset repricing |
| Non-interest income | ↑ | 2% | • Increased business line fees<br>• Seasonal rise in credit card income from loyalty point redemptions and higher merchant income |
| Expenses | ↑ | 2% | • Distribution expenses down 2% with FTE reductions, improved productivity across frontline roles and reduced discretionary spend offsetting salary increases and higher credit card redemption costs<br>• Total expenses up 2% due to SIPs amortisation, regulatory costs, project costs and brand relaunch |
| Impairment charges | ↑ | 16% | • Impairment charges up $33m to $244m<br>• Consumer impairment charges higher from a rise in delinquencies partly from seasonal trends<br>• Business impairment charges down due to loss experience being consistently lower than expected |
| Tax and NCI | ↑ | 9% | • Effective tax rate 30% (up 180bps) with 2H12 including benefit from a review of the timing of certain leasehold deductions |

# Deepening customer relationships and leading customer experience through mobile innovation

WRBB

## Key features of 1H13

- Westpac Local strategy meeting more customer needs, combined with disciplined pricing, expenses and risk management delivering a balanced performance
  - Strong balance sheet with 108bps increase in deposit to loan ratio
  - Highest wealth penetration of major banks[1] at 20.9% (up 9bps)
  - Customer numbers up 1%, customers with 4+ products up 86bps to 31.1% and customer service quality complaints down 12% and down 24% on prior year
  - Increase in customers using digital channels including: active mobile customers up 200,000 or 17% and total digital sales up 54%. Compared with every other major Australian bank, WRBB has the highest NPS in mobile customer experience[2]
  - 6 BankNow branches launched (with significantly smaller branch footprint) driving a 9% migration of counter deposit transactions to self service and an average of 59% of total transactions being self service
  - Leaner operating model with process efficiencies enabling a 2% FTE reduction, and improving sales productivity with revenue per FTE[3] up 6%
  - Winner of 2013 Canstar Blue Most Satisfied Customers Award (major banks)

## Movement in key metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customer deposit to loan ratio (%) | 53.5 | 55.3 | 56.4 | ↑ | 108bps |
| Margins (%) | 2.21 | 2.25 | 2.31 | ↑ | 6bps |
| Revenue per FTE[3] ($'000) | 298 | 320 | 338 | ↑ | 6% |
| Expense to income (%) | 48.4 | 46.5 | 46.0 | ↓ | 48bps |

## Key customer / employee metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customers (#m) | 6.01 | 6.08 | 6.13 | ✓ | 1% |
| Active mobile customers (#m) | 0.95 | 1.17 | 1.37 | ✓ | 17% |
| Active online customers (#m) | 2.21 | 2.30 | 2.37 | ✓ | 3% |
| Customer retention (%) | 97.9 | 97.6 | 97.6 | – | 0 |
| Customers with 4+ products (%) | 29.5 | 30.2 | 31.1 | ✓ | 86bps |
| Service quality (complaints # '000) | 46.3 | 40.1 | 35.4 | ✓ | (12%) |
| Average products per customer[4] (#) | 2.71 | 2.80 | 2.82 | ✓ | 1% |
| Wealth penetration[1] (%) | 20.3 | 20.8 | 20.9 | ✓ | 9bps |
| BT Super for Life retail customers ('000) | 232 | 246 | 263 | ✓ | 7% |
| Home & contents penetration[1] (%) | 8.6 | 8.8 | 8.9 | ✓ | 4bps |
| Employees (# FTE[3]) | 10,747 | 10,287 | 10,052 | – | (2%) |
| Women in senior leadership (%) | 44 | 45 | 42 | x | 300bps |

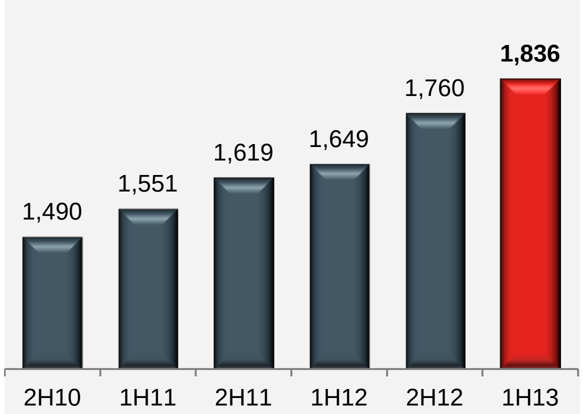
1 Refer to slide 111 for wealth penetration metrics provider details. 2 RFi's " Australian Mobility Banking Program " December 2012 Survey Results. 3 Based on average FTE. 4 Roy Morgan Research (Dec12), Total Banking & Finance (incl. Work Based Super) customers aged 14+, 6 month rolling average.

WRBB

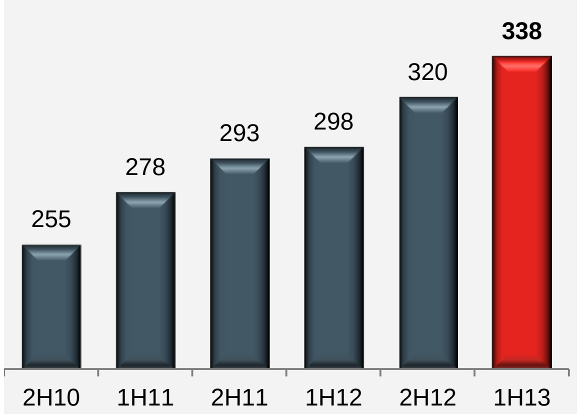
# Strategy driving uplift across key metrics, delivering a stronger and more sustainable franchise[1]

Westpac

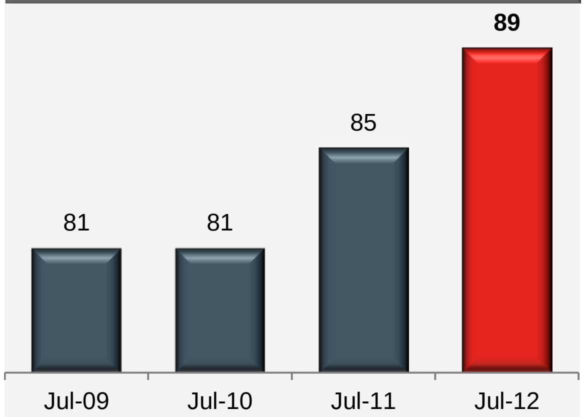
## Core earnings ($m)



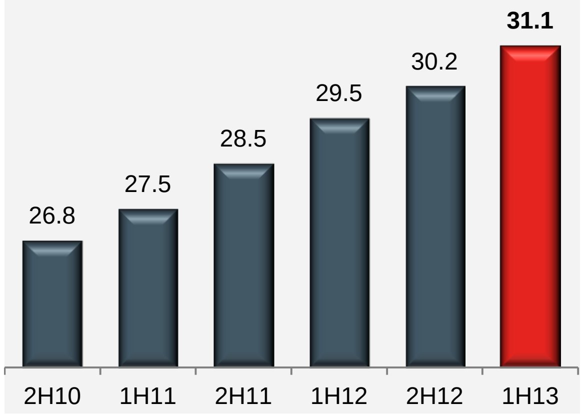

## Revenue per FTE[2] ($'000)



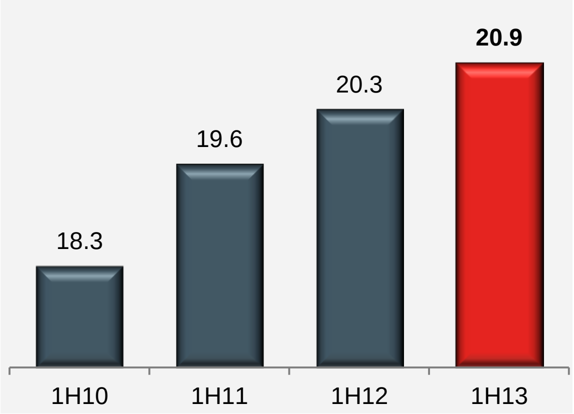

## Employee engagement (%)



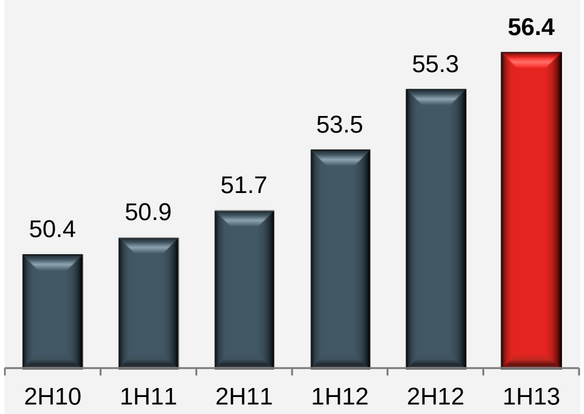

## Customers with 4+ products (%)




## Customers with wealth products[3] (%)



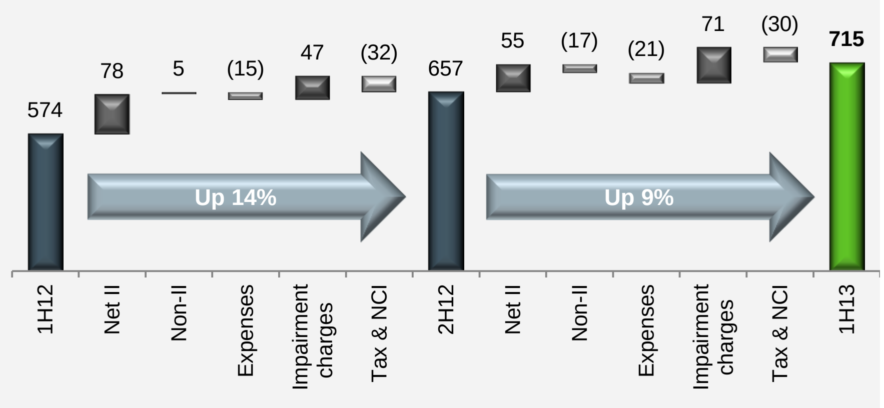

## Customer deposit to loan ratio (%)



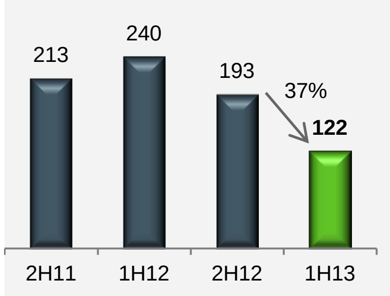

1 Slight variances may occur due to business movements within divisions over this period of time. 2 Based on average FTE. 3 Refer to slide 111 for wealth penetration metrics provider details.

# St.George delivering strong growth in 1H13

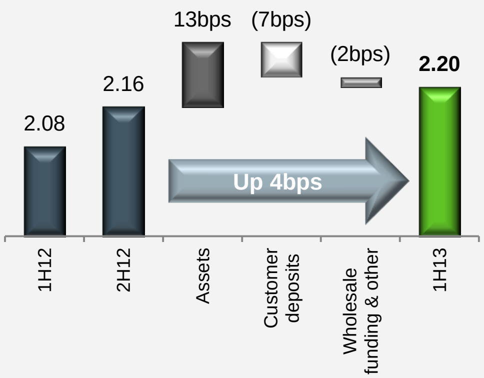
## Cash earnings movement ($m)




## Impairment charges ($m)




## Net interest margin (%)




## Movement 1H13 – 2H12

| | | | |
|---|---|---|---|
| Cash earnings | ↑ | 9% | • Up 9% to $715m, with a positive contribution from all brands |
| Core earnings | ↑ | 2% | • Up 2% to $1,146m |
| Net interest income | ↑ | 4% | • Deposits up 4% and deposit to loan ratio improved by 151bps to 56.3%<br>• Lending up 1%, with a 3% rise in mortgages and 4% rise in consumer finance, offsetting a 5% fall in business loans principally from run-down in stressed assets, and a further reduction in property lending |
| Margins | ↑ | 4bps | • Margins up 4bps to 2.20%<br>• Asset spreads improved 13bps with mortgage repricing and improved business lending spreads<br>• Offset by a 7bps decline in deposits, mostly reflecting increased competition |
| Non-interest income | ↓ | 6% | • Lower financial markets income and a reduction in mortgage related fees offset by a rise in business lending fees |
| Expenses | ↑ | 3% | • Expansion of Bank of Melbourne, launch of new 'Business Connect' model for serving SME customers, and increased technology costs<br>• Partly offset by productivity initiatives |
| Impairment charges | ↓ | 37% | • Impairment charges down $71m (37%) to $122m<br>• Business impairment charges down significantly from an improvement in the quality of the business portfolio including a reduction in stressed assets<br>• Consumer impairment charges up, largely driven by seasonal increases in delinquencies |

# Strong momentum in key operating metrics with reinvigorated strategy

## Key features of 1H13

- St.George has continued strong momentum in 1H13 with a reinvigorated strategy, resulting in sustainably improved share in mortgages, deposits, and wealth
- Continued to strengthen the balance sheet, with improved deposit to loan ratio and improved asset quality, with a significant decline in the impairment charge
- Customer numbers up 2%, with Bank of Melbourne customers up 6%. Customers with 4+ products up 77bps to 29.4%
- Growth in wealth penetration[1] significantly higher than majors, up 22bps to 15.2% (3rd highest wealth penetration behind only WRBB and CBA brands). BT Super for Life customers up 19%
- Bank of Melbourne brand awareness at record high of 30% and continues to develop great local partnerships (e.g. MCG, Melbourne City Council)
- RAMS continued strong growth in residential lending and in new deposit product. Strong brand to compete against low-cost players
- Improved productivity with a 3% increase in revenue per FTE

## Movement in key metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customer deposit to loan ratio (%) | 51.7 | 54.8 | **56.3** | ↑ | 151bps |
| Margins (%) | 2.08 | 2.16 | **2.20** | ↑ | 4bps |
| Revenue per FTE[2] ($'000) | 338 | 354 | **363** | ↑ | 3% |
| Expense to income (%) | 38.5 | 37.5 | **37.9** | ↑ | 37bps |

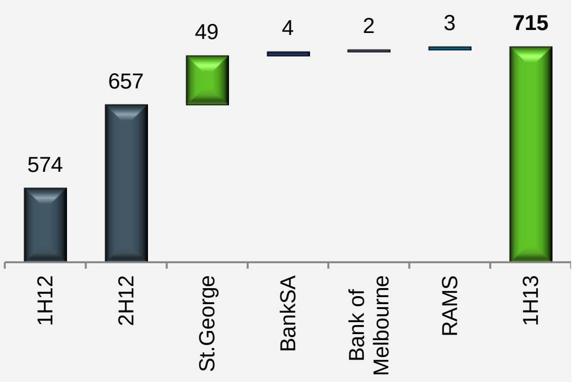
## Key customer / employee metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customers (#m) | 3.09 | 3.16 | **3.22** | ✓ | 2% |
| Active mobile customers[3] (#m) | 0.34 | 0.40 | **0.47** | ✓ | 16% |
| Active online customers[4] (#m) | 1.08 | 1.15 | **1.20** | ✓ | 5% |
| Customers with 4+ products[3] | 27.5 | 28.6 | **29.4** | ✓ | 77bps |
| Avg. products per customer (#) | 2.54 | 2.58 | **2.61** | ✓ | 1% |
| Wealth penetration[1] (%) | 14.0 | 15.0 | **15.2** | ✓ | 22bps |
| BT Super for Life customers ('000) | 53 | 68 | **81** | ✓ | 19% |
| Home & contents penetration[1] (%) | 4.4 | 4.5 | **4.8** | ✓ | 33bps |
| Employees (# FTE[2]) | 5,105 | 5,109 | **5,086** | - | (1%) |
| Women in senior leadership (%) | 38 | 40 | **45** | ✓ | 500bps |

1 Refer to slide 111 for wealth penetration metrics provider details. 2 Based on average FTE. 3 Excludes RAMS. 4 Past active online customers restated to include all St.George brands.

# Local brands delivering sustainable growth and increasing the Group's flexibility

## Cash earnings by brand ($m)



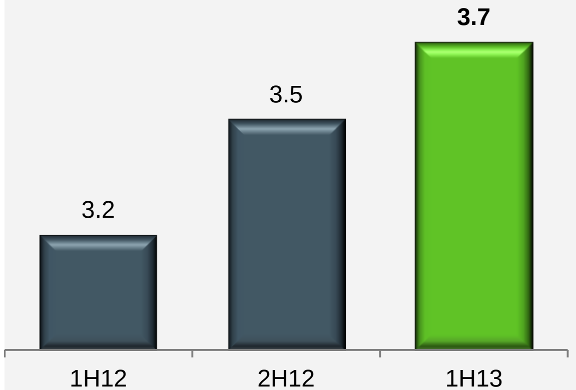

## St.George in 1H13

- St.George (NSW/QLD/ACT/WA) Cash earnings higher supported by balance sheet growth and margin improvement. Impairments significantly lower
- Strong deposit growth with an improvement in the deposit to loan ratio of 120bps to 67.2%
- Uplift in wealth penetration in NSW/ACT, up 11bps to 13.6% of customers[2]
- Customer numbers up 1% and customers with 4+ products up 73bps to 29.5%
- New SME model being rolled out

## BankSA in 1H13

- BankSA Cash earnings higher due to a good mix of volume and margin growth. Impairments lower
- Growing market share in deposits and home loans in a low growth environment
- Deepening customer base, with customers with 4+ products up 99bps to 29.3%
- Wealth penetration, up 44bps to 16.6% of customers[2]
- Bank nearly 1 in 3 of population in South Australia

## Bank of Melbourne footings market share[1] (%)




## Bank of Melbourne in 1H13

- Positive Cash earnings growth funding expansion
- Added 9 branches in 1H13 to 71[3]
- Household deposits over 5x Victorian banking system (Dec11 – Dec12)[4] and mortgages over 3x Victorian system (Feb12 – Feb13)[5]
- 12% deposit growth to $8.5bn and 5% lending growth to $20.0bn
- 6% customer growth; 79bps lift in customers with 4+ products to 28.1%; and wealth penetration at 18.4[2]%

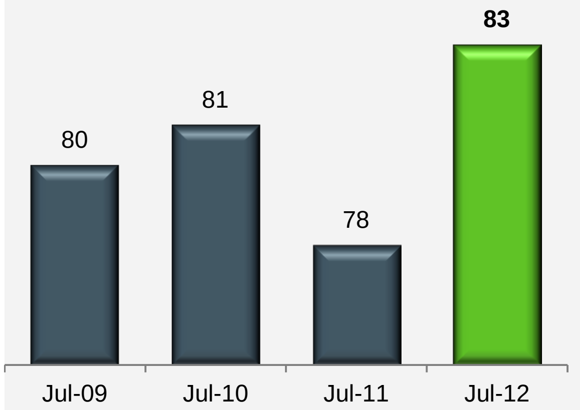
## RAMS in 1H13

- RAMS Cash earnings higher, with growth in home loans and deposits
- Launched deposits in May 2012 and have surpassed $1.8bn
- RAMS surpassed 100,000 customers from both its mortgage and deposit products

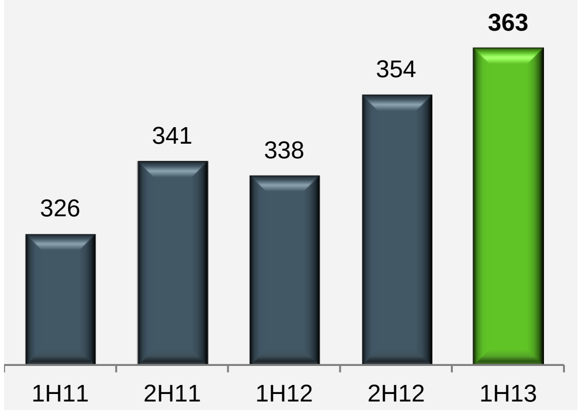
1 Footings is calculated as household deposits and housing balances. Sources RBA, APRA, ABS and internal analysis. 2 Refer to slide 111 for wealth penetration metrics provider. 3 Branch numbers include instore advisory stores. 4 Growth multiple is for the 12 months to Dec 12 for Victoria and has been estimated based on State based ABS National Accounts data along with ABA/Cannex surveys. 5 Growth multiple is for the 12 months to Feb 13 for Victoria and has been estimated based on ABS new housing finance statistics, State based ABS National Accounts data along with ABA/Cannex surveys.

# Strategic priorities to drive growth/return

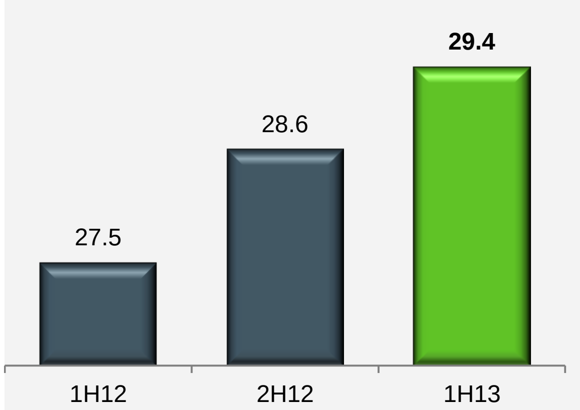
### Best Bankers, driving strong employee engagement (%)




### Revenue per FTE[1] ($'000)



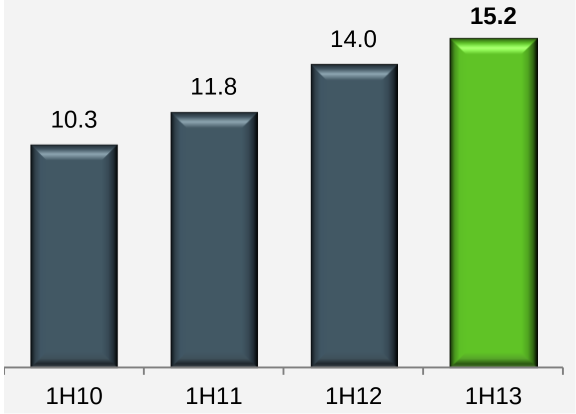

### Customers with 4+ products




### Grow SME customers

- St.George has a strong commercial business offer, however, the SME segment is under served and the division is below its natural share
- A significant growth opportunity exists with 2,500 new business customers visiting branches each month and clear leadership in SME NPS. Initiatives include
  - Hub distribution model with efficient access to specialists using online, video and mobile
  - Relationship based approach supported by emerging technologies
  - Convenience with 24 hour lobbies, coin counters and coin dispensers
  - Integrated approach to managing customers using skills of BTFG and WIB

### Continue to drive wealth and insurance cross sell[2] (%)




### Maintain leadership in innovation

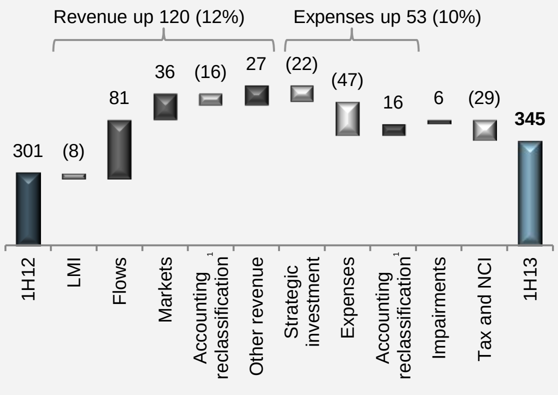
- Leverage strong heritage of online/mobile capability
  - First internet banking (1995)
  - First to provide same day merchant settlements (2001)
  - First to send SMS alerts (2003)
  - First savings/transaction accounts opened via mobile devices (2010)
- Provide innovative customer solutions
  - Pay anyone via mobile (April 2012)
  - PropertyMate (August 2012)
  - Credit and debit card application and activation via mobile (November 2012)
  - Personal loans on mobile (March 2013)

1 Based on average FTE. 2 Refer to slide 111 for wealth penetration metrics provider details.

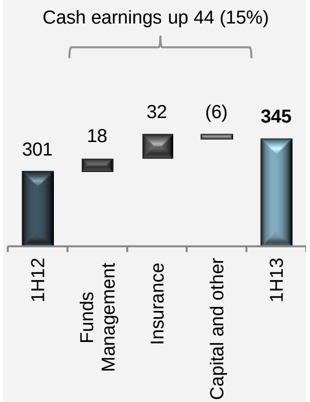
# Strong underlying growth across business

BT Financial Group

## Cash earnings movement[1] ($m)




## Cash earnings ($m)




## Cash earnings 1H13 – 1H12 up 15%

| | | | |
|---|---|---|---|
| Funds Management | ↑ | 10% | • Up $18m to $194m driven by<br>– Increase in asset markets<br>– 29% growth in Advice new business revenue<br>– BTIM / JOHCM performance fee growth of $29m<br>– Partially offset by increased strategic investment and business as usual spend<br>– Impairments improved by $6m |
| Insurance | ↑ | 39% | • Up $32m to $115m driven by<br>– 18% growth in Life Insurance in-force premiums driven by strong IFA momentum<br>– Lower catastrophe claims of $9m<br>– Lenders Mortgage Insurance reduced Cash earnings by $5m |
| Capital & other | ↓ | 14% | • Down $6m to $36m from lower investment earnings |

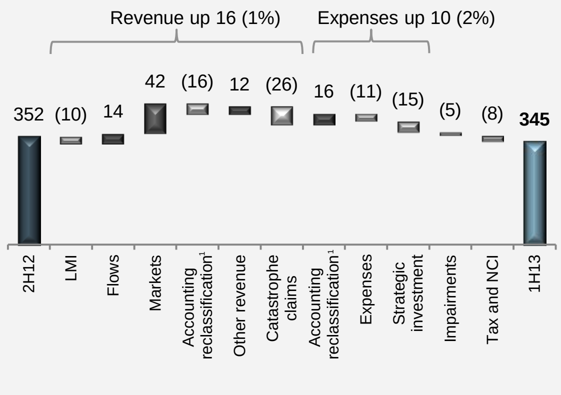
## Movement 1H13 – 1H12[3]

| | | | |
|---|---|---|---|
| Flows | ↑ | 8% | • Flows revenue up $81m (8%)<br>• All Platforms (including Corporate Super) market share ranked number 1 at 20.4%[2]<br>• Advice new business revenue up 29% driven by an increase in planner footprint and improved productivity<br>• Life Insurance in-force premiums and General Insurance gross written premiums growth of 18% and 16% respectively<br>• Margin lending balances down 20% |
| Markets | ↑ | 4% | • Asset markets higher including average ASX200 increasing 12%, positively impacting FUM and FUA related revenue across Platforms, Superannuation and Asset Management<br>• Higher average daily broking volumes up 3.2% |
| Other revenue and accounting reclassification | ↑ | 1% | • BTIM / JOHCM performance fees up $29m offset by margin compression in Platforms and Advice and other items<br>• Accounting disclosure reclassification reduced revenue by $16m[1] |
| Expenses | ↑ | 10% | • Expenses up $53m (10%)<br>• Strategic investment up $22m, with a focus on growing planner numbers, investment in platform technology and business transformation<br>• Business as usual expenses up $47m, driven by higher performance related fees, compliance and volume related costs<br>• Accounting disclosure reclassification reduced expenses by $16m[1] |

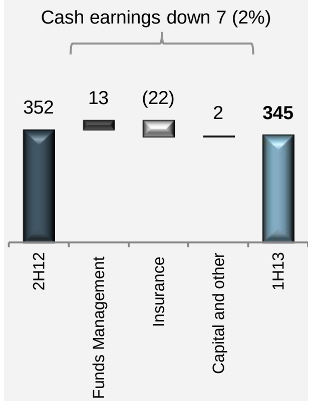
1 During 1H13 accounting disclosure reclassification adjustments were made with no prior period adjustment, the net impact was a reduction in BTFG revenue and expenses of $16m in 1H13. Prior period results of Funds Management and Insurance were restated to ensure comparability, the corresponding entries were processed through Capital and other. 2 Plan for Life, December 2012, All Master Funds Admin. 3 Movement percentage calculated over prior year total revenue or expense.

# Underlying business momentum continues

## Cash earnings movement[1] ($m)




## Cash earnings ($m)




## Cash earnings 1H13 - 2H12 down 2%

| | | | |
|---|---|---|---|
| Funds management | ↑ | 7% | • Up $13m to $194m<br>– Increase in asset markets<br>– BTIM / JOHCM performance fees up $26m<br>– Increased strategic investment and BAU spend<br>– Impairment charges $5m lower |
| Insurance | ↓ | 16% | • Down $22m to $115m<br>– General gross-written and Life in-force premium growth partly offset by higher working claims<br>– Seasonally higher catastrophe claims and increased life insurance claims<br>– Lenders Mortgage Insurance cash earnings down $7m |
| Capital & other | ↑ | 6% | • Up $2m to $36m with a modest rise in investment earnings |

## Movement 1H13 – 2H12[2]

| | | | |
|---|---|---|---|
| Flows | ↑ | 1% | • Flows revenue up $14m (1%)<br>• Life Insurance in-force premium and General Insurance gross written premium growth of 6%<br>• Margin lending balances down 10% |
| Markets | ↑ | 4% | • Asset markets stronger including average ASX200 up 11%, positively impacting FUM and FUA related revenue across Platforms, Superannuation and Asset Management<br>• Higher average daily broking volumes up 11% |
| Other revenue and accounting reclassification | - | 0% | • BTIM / JOHCM performance fees up $26m offset by margin compression in Platforms and Advice and other items<br>• Accounting disclosure reclassification reduced revenue by $16m[1] |
| Catastrophe claims | ↓ | 2% | • Catastrophe claims seasonally higher by $26m |
| Expenses | ↑ | 2% | • Expenses up $10m (2%)<br>• Strategic investment up $15m with increased investment in platform technology and business transformation<br>• Business as usual expenses up $11m<br>• Accounting disclosure reclassification reduced expenses by $16m[1] |

1 During 1H13 accounting disclosure reclassification adjustments were made with no prior period adjustment, the net impact was a reduction in BTFG revenue and expenses of $16m in 1H13. Prior period results of Funds Management and Insurance were restated to ensure comparability, the corresponding entries were processed through Capital and other. 2 Movement percentage calculated over prior year total revenue or expense.

# Ongoing improvement across many key metrics

BT Financial Group

## Key features of 1H13

- Cross sell continues to improve wealth penetration[1] with Westpac Group leading the sector at 18.6% (WRBB at 20.9% maintaining #1 and St.George #3 at 15.2%)
- Maintained number 1 ranking for FUA share on All Platforms (including Corporate Super), currently at 20.4%[2]
- Continued investment in planner network with growth in planner numbers (up 1% on 2H12 and 10% on 1H12). Sector leading revenue per planner[3] in Westpac Financial Planning, and St.George Financial Planning above bank sector median
- Insurance premium growth above system[4], with strong sales in Life Insurance through the IFA network, flat on 2H12 and up 33% on 1H12. Life Insurance in-force premiums and General Insurance gross written premiums both up 6% in the first half (on 2H12) and 18% and 16% respectively (on 1H12)

## FUM / FUA

| | Average | | Period end | |
|---|---|---|---|---|
| | $bn | 1H13 – 2H12 % mov't | $bn | 1H13 – 2H12 % mov't |
| BT Wrap/Asgard FUA | 74.0 | 7 | 77.0 | 8 |
| Corporate Super | 14.1 | 11 | 14.7 | 11 |
| Other FUA | 3.4 | 2 | 3.8 | 15 |
| **Total FUA** | **91.5** | **7** | **95.5** | **9** |
| Retail FUM | 15.4 | 2 | 15.8 | 3 |
| Institutional FUM | 19.3 | 6 | 19.7 | 6 |
| Wholesale FUM | 27.5 | 30 | 30.2 | 33 |
| **Total FUM** | **62.2** | **14** | **65.7** | **16** |

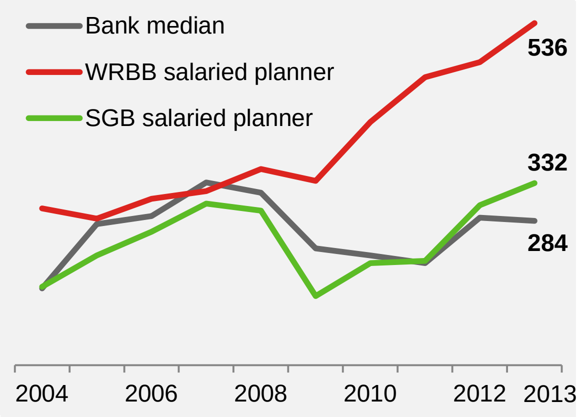
## Key customer / employee metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Planners (salaried and aligned) (# spot) | 1,023 | 1,112 | **1,121** | ✓ | 1% |
| Revenue per planner[5] ($'000's) | 115 | 120 | **120** | - | - |
| Customers with an Insurance product (#m) | 1.43 | 1.51 | **1.56** | ✓ | 3% |
| BT Super for Life (retail) customers (#'000) | 288 | 314 | **348** | ✓ | 11% |
| Wealth penetration Westpac Group customers[1] (%) | 17.7 | 18.4 | **18.6** | ✓ | 20bps |
| BT Super for Life (retail) FUM[6] ($bn) | 2.0 | 2.3 | **2.9** | ✓ | 26% |
| Life Insurance market share[4] (%) | 8.2 | 8.9 | **9.7** | ✓ | 77bps |
| Home & contents market share[7] (%) | 4.1 | 4.2 | **4.9** | ✓ | 62bps |
| Total deposits ($bn) | 19.5 | 19.9 | **20.5** | ✓ | 3% |
| Employees[8] (# FTE) | 3,739 | 3,833 | **3,950** | - | 3% |
| Women in senior leadership (%) | 38 | 40 | **41** | ✓ | 100bps |

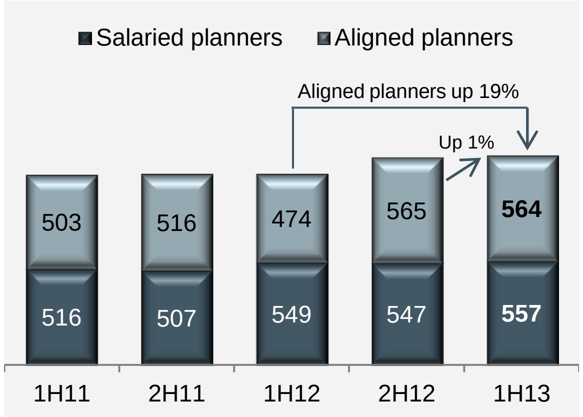
1 Refer to slide 111 for wealth penetration metrics provider details. 2 Plan for Life, December 2012, All Master Funds Admin. 3 Comparator December 2012 data from 1 July 2004 to 31 December 2012, includes salaried financial planners only. 4 Plan for Life data (new sales includes sales, premium re-rates, age and CPI indexation), December 2012. 5 Revenue per spot planner includes salaried and aligned. 6 Excludes Westpac Group Staff Super Plan of $4.1bn. 7 Internally calculated from APRA quarterly general insurance performance statistics, December, 2012. 8 Based on average FTE.

# Increased planner numbers, productivity, good cross-sell and improved markets contribute to FUA growth

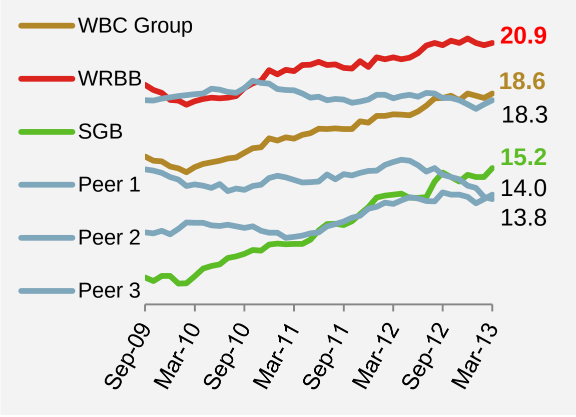
## Market leading revenue per salaried planner[1,2] ($000)



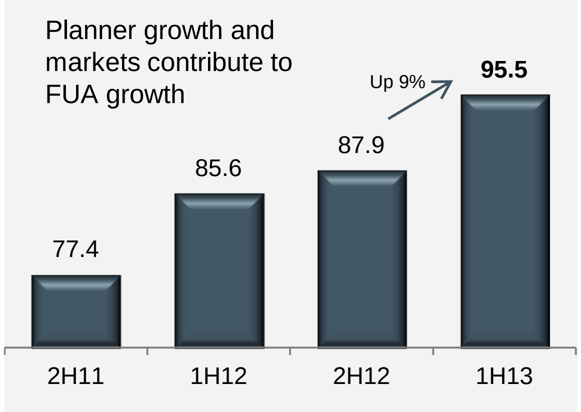

## Aligned and salaried planner numbers up (#)



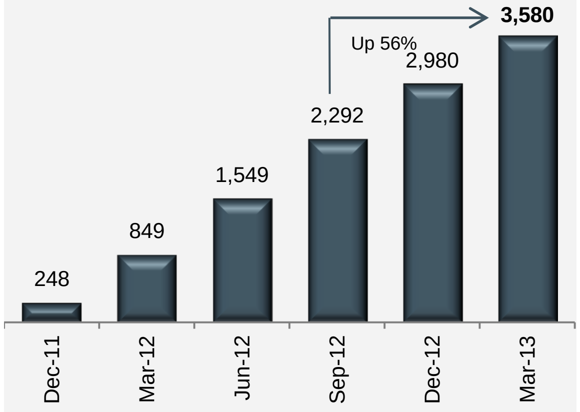

## Leading on wealth penetration[3] (%)



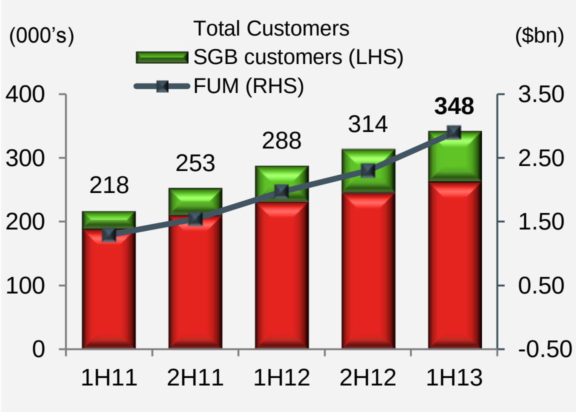

## Total FUA growth ($bn)




## Asgard Infinity ($m)



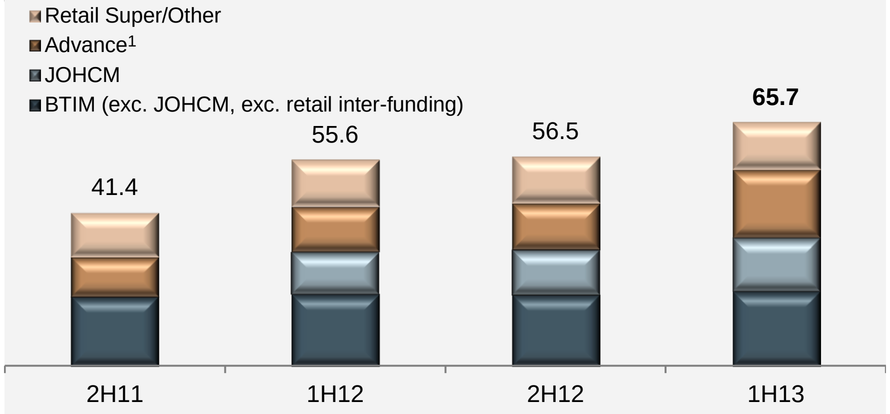

## BT Super for Life (retail) customer numbers and FUM growth




1 Comparator December 2012 data from 1 July 2004 to 31 December 2012. 2 Includes salaried planners only. 3 Refer to slide 111 for wealth penetration provider details.

# Steady increase in FUM

## Increased flows and markets contribute to FUM growth ($bn)




## BT Investment Management

**BTIM is ASX listed and a separately managed global asset manager (63% share consolidated into BTFG)**

- Spot FUM up 5% on Sep-12 to $35.9bn (excluding JOHCM)
- Positive flows through the Westpac channels in BT Super for Life, Corporate Super funds and the Fixed Interest funds
- 73% of funds above benchmark (3 years)

**J O Hambro Capital Management (JOHCM)**

- London-based global asset manager acquired in 2011 by BTIM
- JOHCM continues strong FUM growth (FUM up 18% on Sep-12 to $14.5bn)
- Outperformed benchmarks leading to performance fees of $34m in 1H13, materially higher than the $4m in 1H12
- 90% of funds above benchmark (3 years)

## Advance – manager of managers

**Advance is a multi manager business focusing on asset allocation, manager selection and risk management**

- Spot FUM up 46% on Sep-12 to $18.3bn[1]
- 80% of funds above benchmark (3 years)
- Awarded 2013 Best Fund Manager by Money Magazine in its 2013 Best of the Best Awards for the second consecutive year. Also awarded Best Multi-sector Fund for Advance Moderate Multi-Blend Fund
- Advance Alternative Strategies Multi-Blend Fund won the Best Multi-strategy / Fund of Hedge Fund category in Professional Planner/Zenith Awards 2012

## Ascalon[2] – stable of boutique managers

**Ascalon acquires equity stakes in boutique fund managers with specialist investment expertise, aiming to create a portfolio of diverse fund managers with distinctive investment management styles**

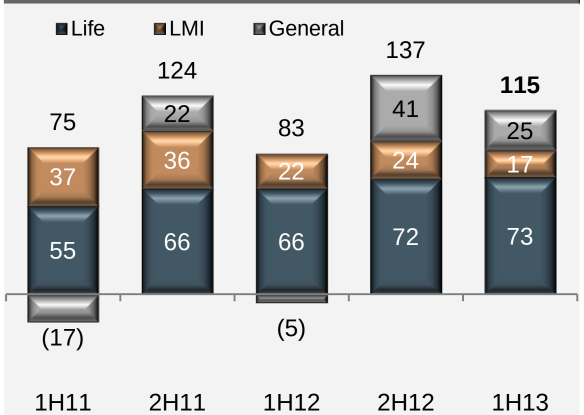
- Ascalon has an equity stake in nine boutiques and recently acquired a 30% stake in Singapore-based alternative manager RV Capital Management, bringing its number of Asian-based fund manager partnerships to three
- Ascalon actively manages its portfolio and is in the process of exiting from two boutique firms
- Awarded "Boutique Fund Managers of the Year – Asia Pacific" in the 2013 International Hedge Fund Awards

1 Includes Westpac Group Staff Super Plan FUM of $3.4bn. 2 Represents FUM of boutique investment managers in which Ascalon Capital Managers Limited (Ascalon) holds minority ownership interests. These boutiques are not part of the Westpac Group of companies and are not intended to attribute FUM to Ascalon or any other entity of the Westpac Group.

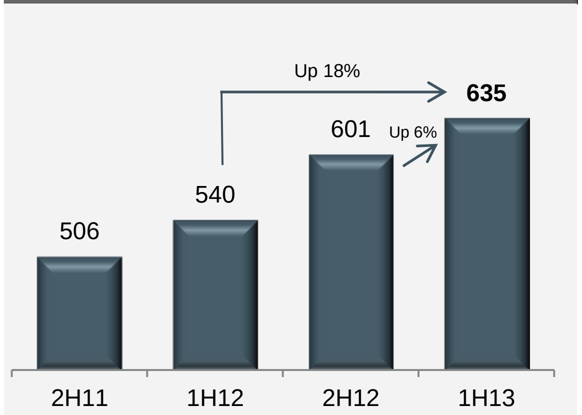
# Strong growth in Life and General Insurance

BT Financial Group

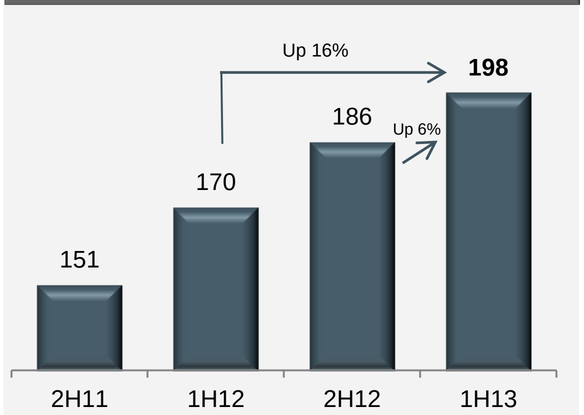
## Insurance Cash earnings contribution ($m)



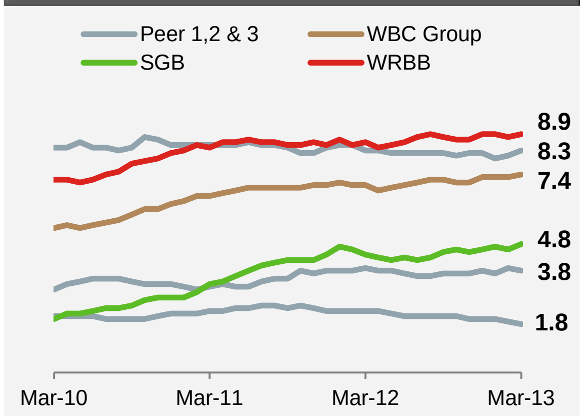

## Life Insurance in-force premiums ($m)



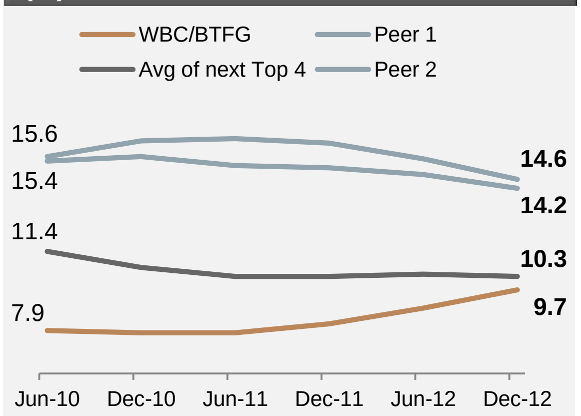

## General Insurance gross written premiums ($m)



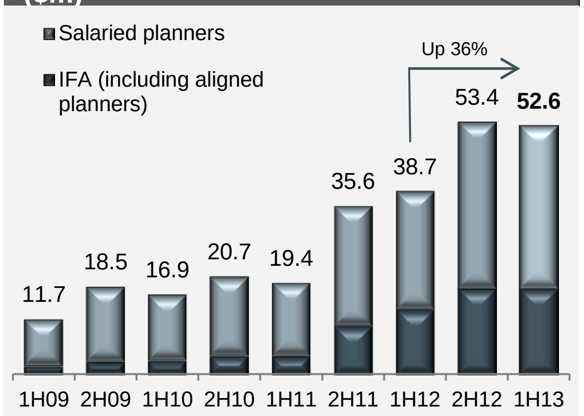

## Home and Contents penetration[1] (%)




## Life Insurance new sales market share[2] (%)




## Life Insurance sales by retail planners ($m)

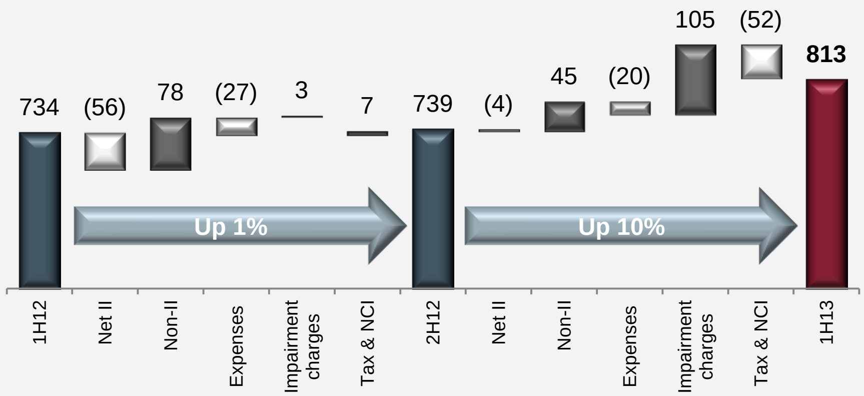



1 Refer to slide 111 for the wealth penetration metrics provider details. Peer 1, 2 and 3 represent the major banks. 2 Plan for Life data (new sales includes sales, premium re-rates, age and CPI indexation), December 2012.

# Strong uplift in Cash earnings

Westpac Institutional Bank

## Cash earnings movement ($m)




## Key metrics

| | 1H12 | 2H12 | 1H13 |
|---|---|---|---|
| Deposit to loan ratio (%) | 96 | 120 | 118 |
| Expense to income (%) | 30.3 | 31.6 | 32.0 |
| Employees (FTE[1]) | 1,683 | 1,731 | 1,804 |
| Revenue per FTE[1] ($000) | 941 | 928 | 913 |

1 Based on average FTE.

## Movement 1H13 – 2H12

| | | | |
|---|---|---|---|
| Cash earnings | ↑ | 10% | • Cash earnings up 10% to $813m |
| Core earnings | ↑ | 2% | • Core earnings up 2% to $1,120m |
| Net interest income | – | flat | • Lending up $2.1bn or 4%, with good growth in key areas of Asia, trade finance and natural resources, as well as securitisation<br>• Deposits up $1.8bn or 3%, building on strong growth of 2012 |
| Margins | ↓ | 9bps | • Margins 9bps lower to 2.30%, due to increased competition for both institutional lending and deposits |
| Non-interest income | ↑ | 6% | • Strong increase in Markets income, supported by good customer flows, particularly in interest rate hedging products in Debt Markets<br>• $37m positive movement in counterparty credit risk valuations (CVA)<br>• Revenue associated with Hastings lower, reflecting significant performance fees related to asset sales in 2H12 |
| Expenses | ↑ | 4% | • Investment in targeted areas, including Asia, and performance-related payments associated with Hastings<br>• Underlying expenses flat |
| Impairment charges | ↓ | large | • 1H13 impairment benefit of $43m compared to impairment charge in 2H12 of $62m reflects improvement in WIB portfolio quality<br>• Lower new IAPs and higher write-backs<br>• CAPs lower in line with improving asset quality and slower credit growth |

# Deep customer relationships core to WIB's strategy

Have the best **PEOPLE** who understand our customers' needs

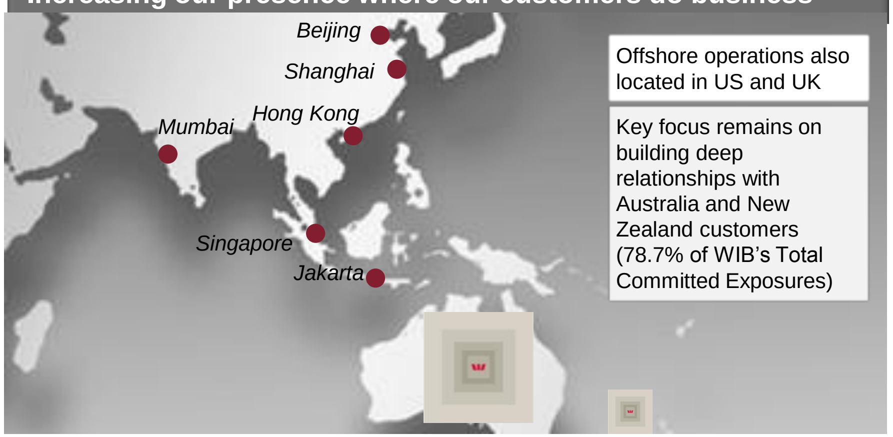
Invest in **TECHNOLOGY** and innovation where it matters most

Foster an intelligent and confident **RISK** culture

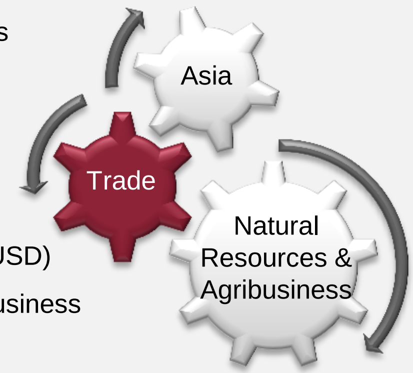
Support ethical and **SUSTAINABLE** development

Grow our **INTERNATIONAL** capability with a focus on Asia

## Increasing our presence where our customers do business




## Extending WIB franchise




- Focus on extending capabilities into fast growing Asian region, connecting trade, capital and people flows
- Strategy delivering good growth over the half
  - Asia revenues up 36% (in USD)
  - Natural Resources & Agribusiness revenues up 7%
  - Trade volumes in Australia and Asia up 29%, however margin compression in this sector has seen lower revenue growth
- Investing further in extending capabilities
  - 81% of new FTE in 1H13 focused on building capacity in Asia
- Official opening of Mumbai branch in February 2013
- Granted foundation market makers license to trade AUD/CNY from April 2013

# Australasia’s number one institutional bank

Westpac Institutional Bank

## Relationship.

**No.1** Lead Relationship Bank in Australia[1]

**No.1** Relationship Strength Index[1]

**No.1** Customer Satisfaction[1]

## Insight.

**No.1** Most Useful Analysis of the Australian Economy[2]

**No.1** Most Useful Interest Rate Forecasts and Trend Analysis[2]

## Global Transactional Services.

**No.1** Supply Chain Finance – Product[3]

**No.1** Best Transactional Banking Platform – Corporate Online[3<]

**No.1** Lead Domestic Transactional Bank in Australia[3]

## Foreign Exchange.

**No.1** Australian Bank for FX, Globally[4]

**No.1** Australian Bank for FX Quantitative Research[4]

**No.1** Australian FX Bank for Client Service in the Asian and Australasian Timezone and Geography[4]

**No.1** Relationship Strength Index[5]

## Debt Markets.

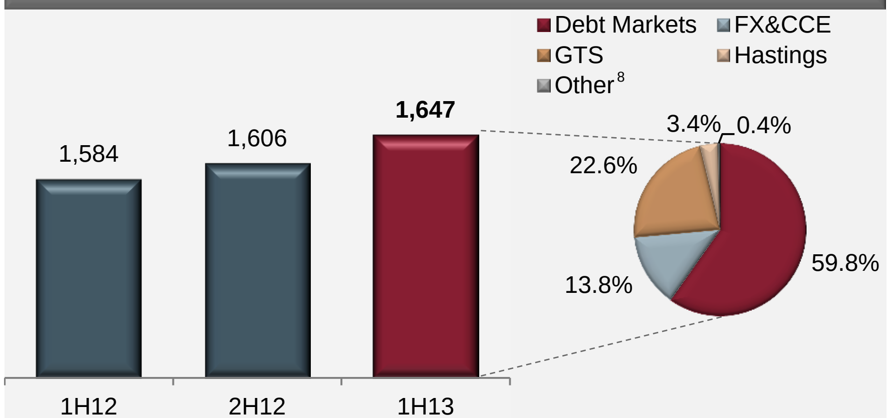
**No.1** Australian Domestic ‘Bank of Choice’ for Fixed Income[6]

**No.1** Best Debt Finance House 2012 – Finance Asia[7]

**No.1** Structured Finance Bank of Choice[1]

**No.1** Agency Provision - Overall Service Quality[1]

**WIB revenue ($m)**




1. Peter Lee Associates Large Corporate and Institutional Banking Survey Australia 2012. Rank vs. top 4 from 549 respondents. 2. Peter Lee Associates Interest Rate Derivatives Survey, Australia 2012. Rank vs. top 4 from 175 corporate respondents. 3. Peter Lee Associates Large Corporate and Institutional Transactional Banking Survey Australia 2012. Rank vs. top 4 from 553 respondents. <Based on the Platform Performance Index. 4. Euromoney FX Poll 2012. Rank vs. marketplace from 15,423 industry votes. 5. Peter Lee Associates Foreign Exchange Survey Australia 2012. Rank vs. top 4 from 311 corporate and financial institution respondents. 6. Peter Lee Associates Debt Securities Investors, Australia Survey for 2012 (Most Active Investors). Based upon Westpac achieving a no. 1 ranking amongst the four major domestic banks for estimated market share across Commonwealth Treasury and Semi Government Bonds, Covered Bonds, Corporate Bonds, Asset Backed Bonds and CPI Linked Securities, a no. 1 ranking for Relationship Strength amongst the four major domestic banks across Commonwealth Treasury and Semi Government Bonds and Asset Backed Bonds, a no. 1 ranking for overall service quality in CPI Linked Securities and a no. 1 ranking for best service in Covered Bonds. 7. FinanceAsia’s Achievement Awards 2012 – Australia and New Zealand. As determined by publication. 8 Other includes Private Bank Asia

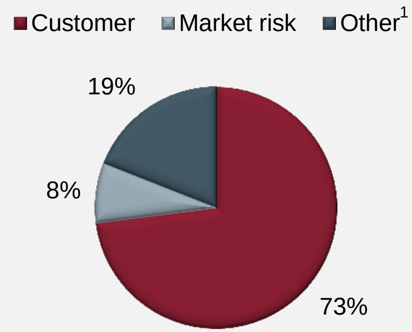
Westpac Institutional Bank

# Maintaining customer focus

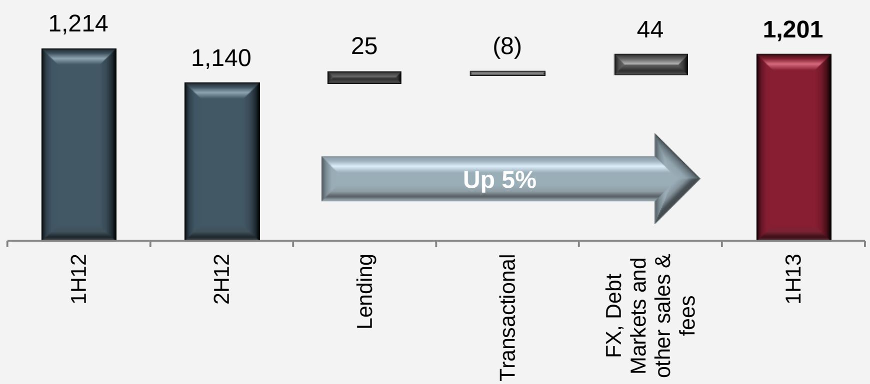
## WIB customer revenue up 5%

- WIB's strategic focus on deep and enduring customer relationships has supported growth in customer revenues
- Customer revenue of $1,201m, up $61m, or 5.3%
- Driven by strong customer flows in Debt Markets, particularly in interest rate products

**WIB 1H13 revenue composition**




## WIB customer revenue 1H13 – 2H12 ($m)




1 Other includes Hastings and capital benefit.

## WIB revenue by business division

| Business | % WIB revenue | Performance |
|---|---|---|
| **Debt Markets** | 60% | • Revenue up 17% (up 16% on 1H12)<br>• Good customer flows with sales income up 36%<br>• Strong increase in core lending revenue, up 8%<br>• Strong trading result, up $39m |
| **Foreign Exchange and Commodities, Carbon and Energy** | 14% | • Revenue down 9% (down 18% on 1H12)<br>• Weaker trading revenue in the half in Energy<br>• Reduced customer margin in FX<br>• Sales revenue steady, with volumes up in the half |
| **Global Transactional Services** | 23% | • Revenue down 5% (down 4% on 1H12)<br>• Margin contraction in Trade and Transactional partially offset by volume increases<br>• Won and retained significant business during the half, including retaining transactional banking services to the NSW Government |
| **Hastings** | 3% | • Revenue down 63% (down 8% on 1H12)<br>• Performance fees lower as 2H12 benefited from performance fees related to asset sales<br>• Focus moving to unlisted funds |

# Solid balance sheet growth

Westpac Institutional Bank

## Balance sheet

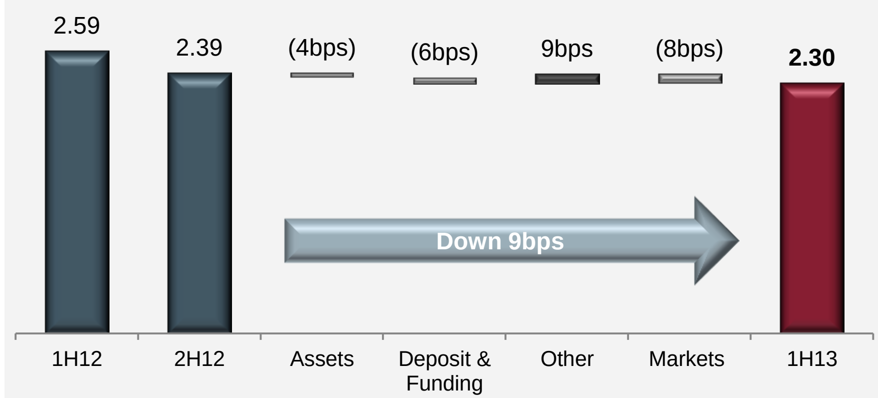
- WIB balance sheet growth solid
  - Deposits up $1.8bn, or 3%, building on WIB's strong deposit growth in FY12 and benefiting from a market-leading position in transactional banking services
  - Lending up $2.1bn, or 4%, supported by a $1.4bn lift in Asian related lending, including trade finance, and good growth in natural resources and securitisation.
- Deposit to loan ratio remains above 100%, at 118%

## Net interest margin

- Lending margins reflect
  - Asset prices coming off highs seen during the financial crisis
  - Increased competition in a low credit growth environment, particularly from banks in jurisdictions with low rates and where liquidity is being used to stimulate economic growth
- Deposit margins reflect the impact of regulatory changes and associated competition for deposits

| | | | | % Change | |
|---|---|---|---|---|---|
| **$bn** | **1H12** | **2H12** | **1H13** | **1H13 – 1H12** | **1H13 – 2H12** |
| Total Deposits | 52.4 | 64.5 | 66.3 | 26.5 | 2.8 |
| Net Loans | 54.5 | 53.9 | 56.0 | 2.8 | 3.9 |
| Total Committed Exposures | 191.9 | 193.1 | 193.4 | 0.8 | 0.2 |

## Net interest margin (%)






Westpac GROUP

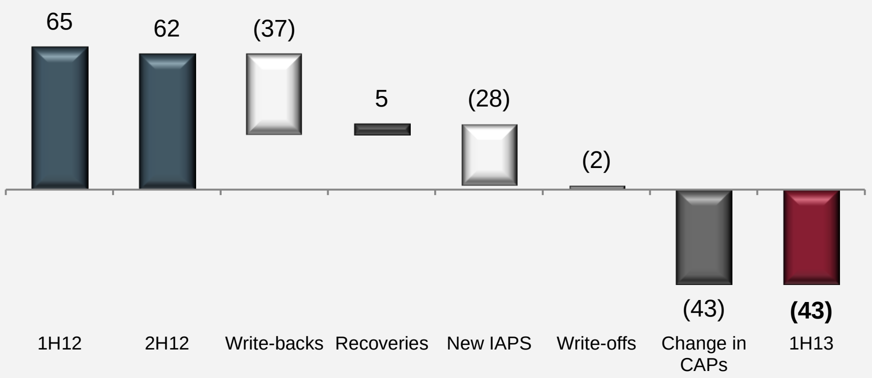
# Portfolio quality remains strong

Westpac Institutional Bank

## Asset quality remains strong

- Significant reduction in the level of stressed assets leading to a benefit from impairments of $43m. Positive outcome reflects
  - New IAPs $28m lower, driven by reduced number of new impaired assets
  - Write-back benefits of $37m
  - CAP benefit of $43m due to repayments and upgrades and an improved assessment of portfolio risk
- Asset quality remains strong. Some companies remain under pressure from the high Australian dollar, uncertainty associated with slow down in Europe and China, consumer caution and changed consumer buying behaviour

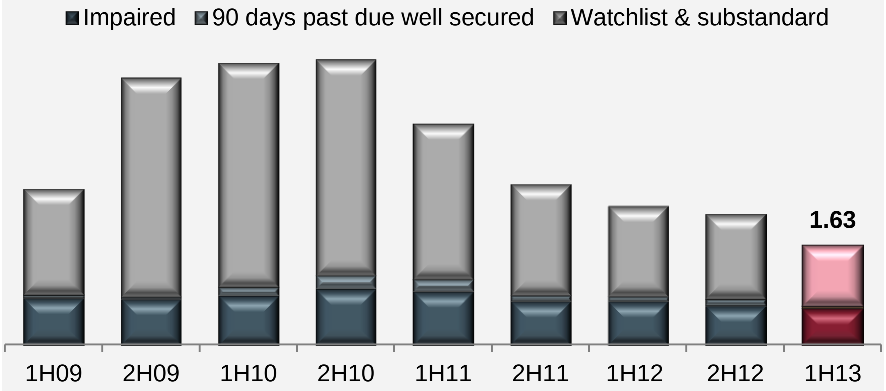
## Movement in impairment charges/(benefits) ($m)




## Decline in stressed exposures[1]

- Stressed exposures to TCE down 50bps to 1.63% of the WIB portfolio (down 63bps on 1H12)
- Significant reduction in all stressed categories, particularly in Watchlist assets
- Reduction in stressed exposures driven by repayments, asset sales, write-offs and upgrades back to performing
- Impaired assets down 5bps to 59bps (down 12bps on 1H12)
- Contribution of property to stressed exposures 21.4%, down from 23.5% (down from 33.4% 1H12)

## Stressed exposures as a % of TCE[2,3] (%)

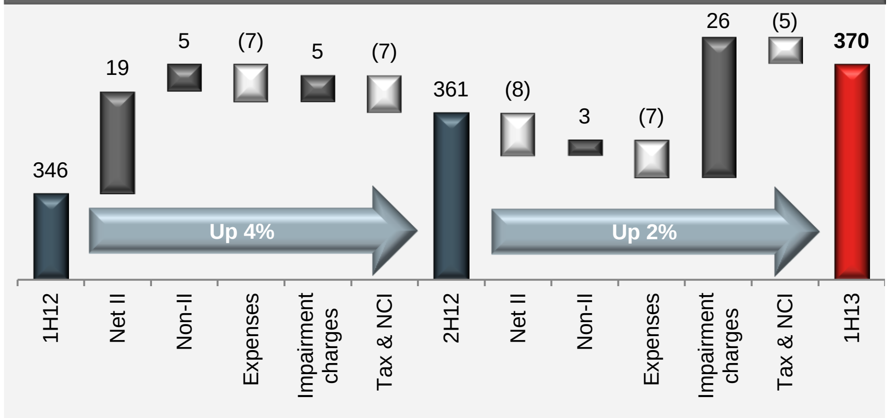



1 Refer to slide 112 for asset quality definitions. 2 TCE is Total Committed Exposures. 3 Includes Premium Business Group.

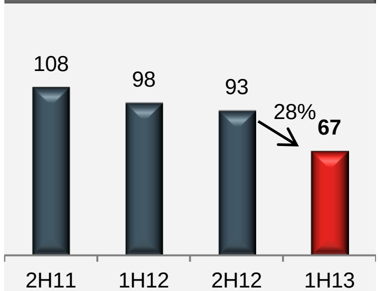
# Strong franchise and risk profile in a low growth, competitive environment

New Zealand

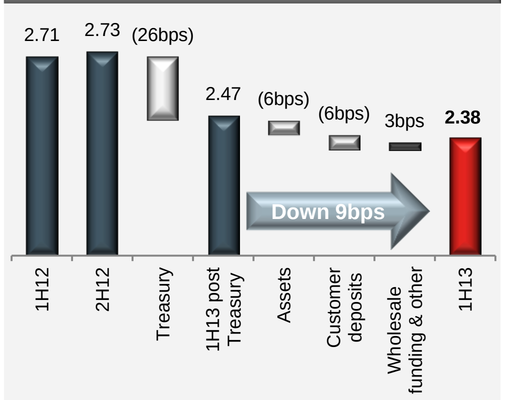
## Cash earnings movement ($m)[1]




## Impairment charges ($m)[1]




## Net interest margin (%)




1 Expressed in NZ$.

## Movement 1H13 – 2H12[1]

| | | | |
|---|---|---|---|
| Cash earnings | ↑ | 2% | • Cash earnings up 2% to $370m |
| Core earnings | ↓ | 2% | • Core earnings down 2% to $582m |
| Net interest income | ↓ | 1% | • Deposits up 7% and deposit to loan ratio improved to 75.1% (up 442bps)<br>• Lending up 1% in competitive environment, principally driven by housing, with Westpac delivering good growth in the less than 80% LVR category<br>• Business lending largely flat, but good growth in target Agri segment (up 3%) |
| Margin | ↓ | 9bps (35bps incl. treasury assets) | • Underlying margins down 9bps (excluding treasury assets)<br>– Assets lower with switch to lower spread mortgages by customers<br>– Reduced deposit spreads driven by strong competition and lower returns on rate insensitive deposits<br>• Inclusion of NZ treasury operations and assets (liquid assets) adversely impacting NIM by 26bps |
| Non-interest income | ↑ | 1% | • Growth in non interest income principally driven by wealth fees earned from FUM/FUA (balances $5.4bn up 13%) and increase in facility fees |
| Expenses | ↑ | 2% | • Expenses up 2% driven by wage increases, marketing & brand activity, continued investment in technology and higher restructuring costs<br>• Partly offset by benefits from ongoing productivity initiatives |
| Impairment charges | ↓ | 28% | • Impairments down 28% to $67m<br>• Asset quality has continued to improve, driven primarily by lower incidence of business IAPs<br>• Partly offset by a slowdown in consumer delinquency improvement compared to 2H12 and also a small number of Institutional impairments |

# Strong focus on investment and improving balance sheet strength

New Zealand

## Key features of 1H13

- Sound performance which strengthened the franchise with a higher deposit to loan ratio and improved asset quality
- Continued investment in customer facing activities including online and mobile technology as well as branch enhancements
  - Unique banking mobile customers up 108%
  - Total monthly deposits on Smart ATMs up 85%
- Providing real time credit decisions through online origination, already operational for home loans
- Ongoing investment in Westpac Local and 'MyBank'[1] have contributed to the deepening of customer relationships, enhancing cross sell capability
  - MyBank customers increased 24bps to 26.3%
  - Customers with wealth products improved 181bps to 25.2%
- Shift in focus from speed to quality of the customer experience at the front-line, including streamlined decision making for local business managers

## Key metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customer deposit to loan ratio (%) | 67.7 | 70.7 | 75.1 | ↑ | 442bps |
| Margins (%) | 2.71 | 2.73 | 2.38[2] | ↓ | 35bps |
| Revenue per FTE[3] ($000) | 215 | 218 | 216 | ↓ | 1% |
| Expense to income (%) | 42.0 | 41.7 | 42.5 | ↑ | 90bps |

## Key customer / employee metrics

| | 1H12 | 2H12 | 1H13 | | Change on 2H12 |
|---|---|---|---|---|---|
| Customers (#m) | 1.27 | 1.27 | 1.29 | ✓ | 1% |
| Unique mobile banking customers (#000) | 14 | 85 | 177 | ✓ | large |
| Unique mobile banking customers as % of total customers | 1 | 7 | 14 | ✓ | large |
| Active online customers (#000) | 589 | 601 | 617 | ✓ | 3% |
| Active online banking customers as % of total customers | 46% | 47% | 48% | ✓ | 51bps |
| Customer retention (%) | 95.9 | 96.3 | 96.8 | ✓ | 51bps |
| MyBank customers[1] (%) | 25.1 | 26.0 | 26.3 | ✓ | 24bps |
| Customers with 4+ products (%) | 49.0 | 49.6 | 49.8 | ✓ | 14bps |
| Customers with wealth products (%) | 21.2 | 23.4 | 25.2 | ✓ | 181bps |
| Total deposits on Smart ATMs (# 000) | 104 | 318 | 590 | ✓ | 85% |
| Employees (FTE[3]) | 4,619 | 4,676 | 4,680 | - | 0% |
| Women in senior leadership (%) | 41 | 42 | 41 | x | (100bps) |

1 MyBank is an internal measure of customers who use Westpac NZ as their main transactional provider (> $1,000 and >10 transactions per month) and have two or more additional needs met by Westpac NZ (ie: savings, credit cards, borrowing, insurance, wealth). 2 Margins were down 9bps excluding the 26bps impact in 1H13 from the inclusion of Treasury liquid assets. 3 Based on average FTE.

# Strategy to drive sustainable returns

New Zealand

## Five strategic imperatives

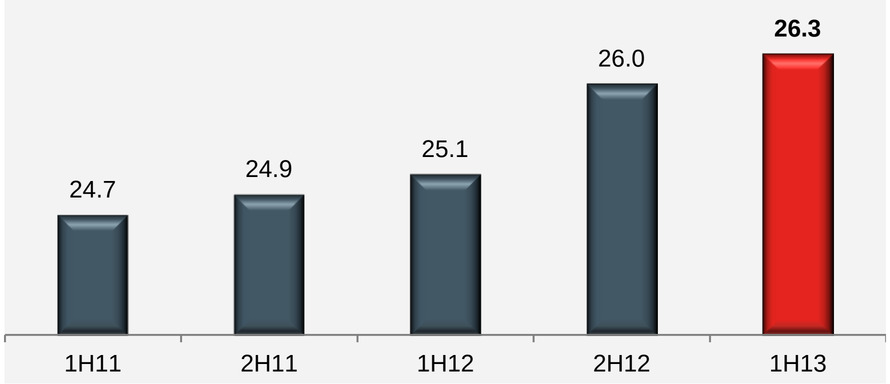
- Transition to next generation distribution
- Build a faster moving, more responsive and flexible business
  - Empowerment/capability of frontline staff and responding more rapidly to change as well as customer needs
- Deepen customer relationships in target segments
  - Further investment in MyBank with closer links to wealth and insurance offerings
- Continue to simplify the business to improve productivity and enhance the customer experience
- Optimise the portfolio to strengthen the balance sheet and improve returns
  - New products and rebalance segment exposure to reflect NZ economy

## Next generation distribution

Changing customer preferences and improved technology is leading to material changes in distribution. Areas of focus include

- Mobile innovation
- Enhanced functionality of internet banking
- Payments simplification and more self serve channels
- 24/7 availability with smart ATMs and coin machines – smart ATMs currently installed onsite at 33% of branch locations
- Changing branch formats with investment in self serve capability and offering more advice
- Encouraging customers to transact as well as interact with us to build closer connections and a deeper relationship

## Deepen relationships – MyBank customers (%)




## Productivity – simplification for growth

Productivity initiative focused on eliminating non-value work, reducing processing times, increasing self serve transactions and improving customer experience

- Cross-divisional program launched at start of 1H13
- Detailed review of organisation model and structure, external spend and resourcing
- 79 initiatives to be completed in FY13 of which 13 were completed 1H13
- Additional 17 initiatives scheduled for FY14

# Strong deposit growth driving sustainable lending and reduced reliance on wholesale funding

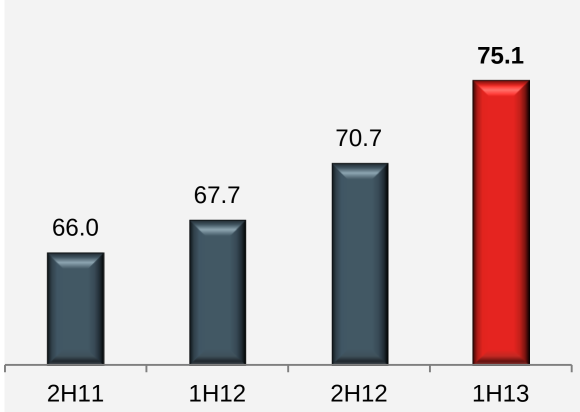
New Zealand

- Strong deposit growth up 7% resulted in an improvement in the deposit to loan ratio to 75.1%, up 442bps in 1H13
- Increase in total lending driven by housing
  - Elected not to compete aggressively in the higher growth housing segment of the market (LVR over 80%) with good growth in the housing LVR below 80% category
- Business and Institutional lending flat. Loan growth was stronger in target segments where Westpac NZ is under represented, particularly agriculture
- Deposits up 7%, with growth in retail deposits of 5% compared to system growth[1] of 4%, has more than fully funded loan growth
  - Term deposits increased $1.2bn (up 5%) driven by retail term and institutional deposits
  - Other deposits increased $1.8bn (up 10%) driven by the retail network's focus on winning customers' everyday banking, as well as good growth in online savings products

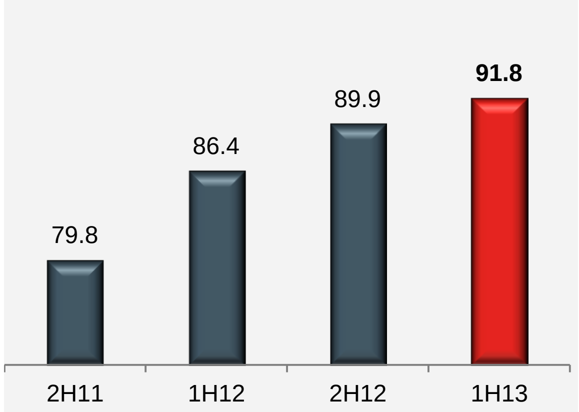
## Balance sheet[2] ($bn)

| | 1H12 | 2H12 | 1H13 | Chg on 2H12 (%) | |
|---|---|---|---|---|---|
| **NET LOANS** | **58.2** | **59.4** | **59.9** | ↑ | **1** |
| Housing | 35.4 | 35.9 | 36.4 | ↑ | 1 |
| Business & Institutional | 21.0 | 21.8 | 21.7 | - | 0 |
| Other | 1.8 | 1.7 | 1.8 | ↑ | 6 |
| **TOTAL DEPOSITS** | **39.4** | **42.0** | **45.0** | ↑ | **7** |
| Term deposits | 20.9 | 23.1 | 24.3 | ↑ | 5 |
| Other | 18.5 | 18.9 | 20.7 | ↑ | 10 |
| **TCE[3]** | 83.3 | 83.7 | 86.3 | ↑ | 3 |

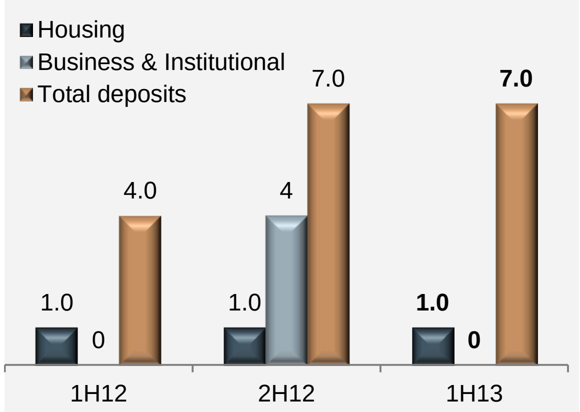
## Deposit to loan ratio (%)




## NZ stable funding ratio (SFR) (%)




## Balance sheet growth (6 month % chg)

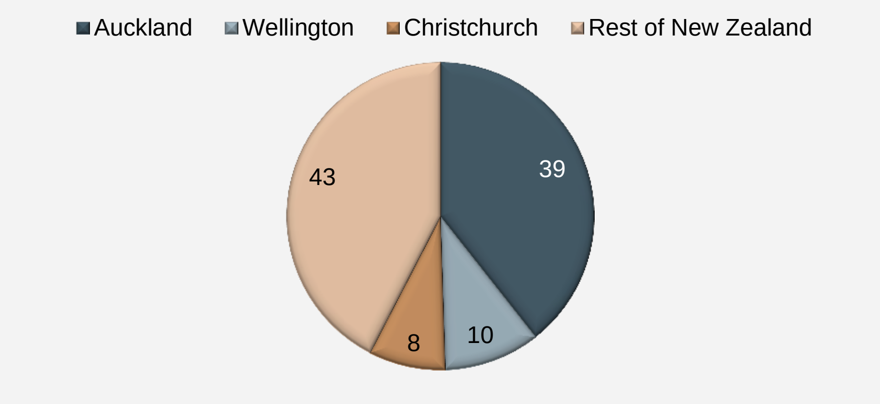



1 RBNZ March 2013. 2 Expressed in NZ$. 3 TCE is Total Committed Exposures.

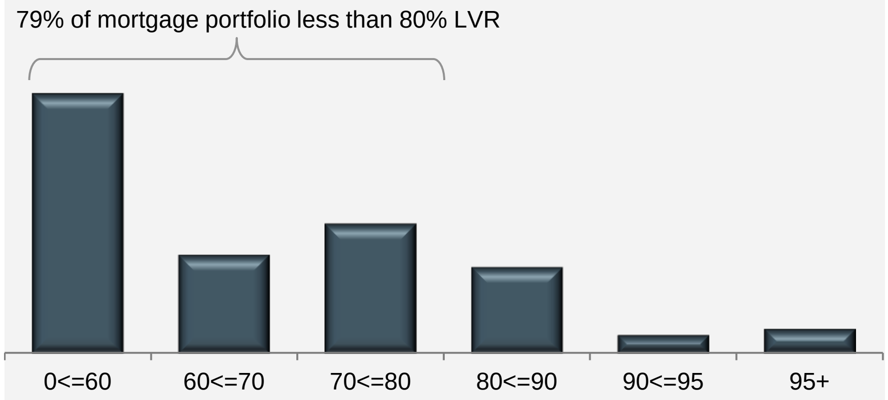
# New Zealand mortgage portfolio

- Mortgage portfolio of $36.4bn, up 1%
- The distribution of the mortgage portfolio across regions is consistent with population concentrations of New Zealand
- Quality of portfolio remains high and well secured, with 79% of the portfolio having a LVR less than 80% (up 42bps)
- Mortgage 90+ days delinquencies down 1bp to 39bps, reflecting improved origination and stable employment levels
- Loan origination through proprietary channel increased to 77% (up from 74%)
- Mortgage write-offs of 0.06% of the portfolio, down 4bps
- The proportion of variable rate mortgages reduced to 43% at 1H13 (down from 48%)

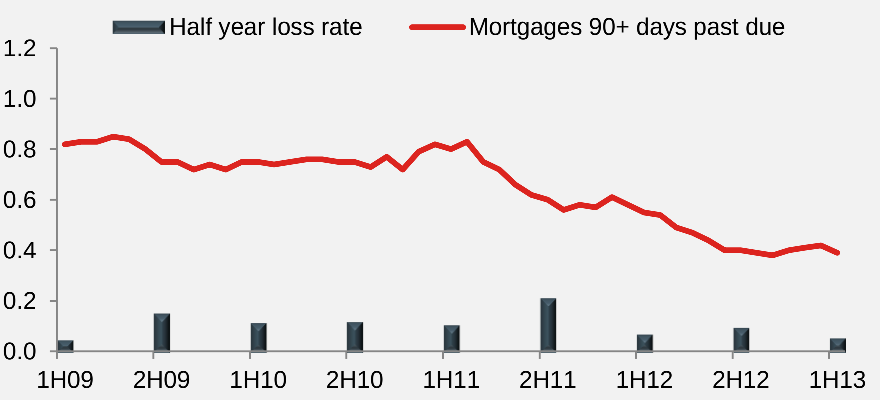
## New Zealand mortgage portfolio by region (%)




## New Zealand mortgage portfolio LVR[1] (%) of portfolio




## Mortgage delinquencies and loss rates (%)



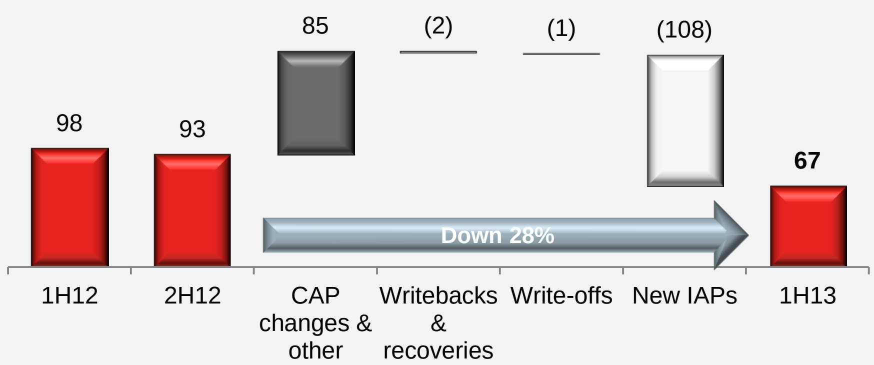

1 LVR based on current loan balance and current assessment of property value.

# Improving asset quality across portfolios

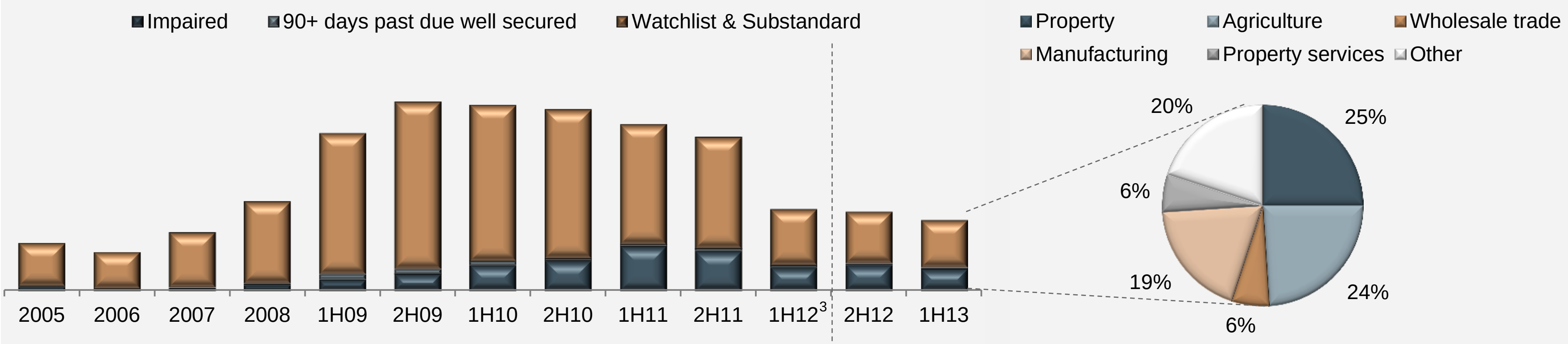
## Asset quality continues to improve[1]

- Impairment charges down 28%
  - Asset quality has continued to improve, driven primarily by lower incidence of business IAPs
  - Partially offset by a slowdown in consumer delinquency improvement compared to 2H12 and also a small number of Institutional impairments
- Business stressed exposures fell to 6.1% of TCE (down 71bps)
  - Down mostly across property, agriculture and wholesale trade sectors
- Business impaired exposures 1.9% of TCE[2] (down 33bps) driven by large agri-business settlement in 1H13
- Total provisions increased $13m, largely driven by a $23m increase from one utility sector exposure

## Movement in impairment charges (NZ$m)




## Business stressed exposures as a % of New Zealand Business TCE[2] (%)

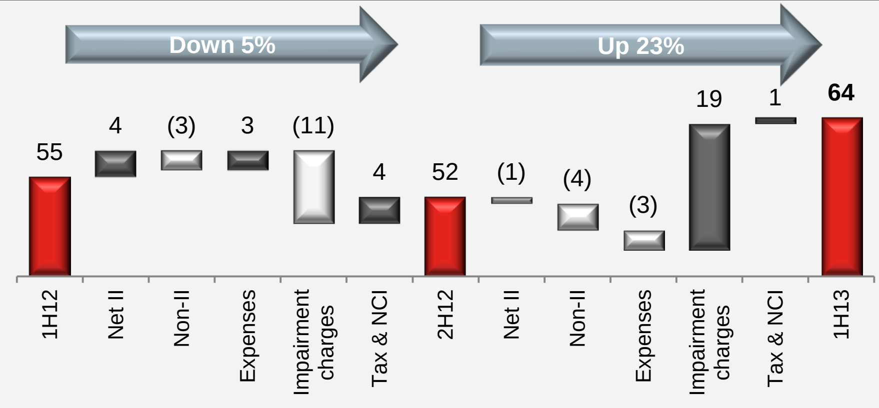



1 Refer slide 112 for asset quality definitions. 2 TCE is Total Committed Exposures. 3 Large reduction in stressed exposures from 2H11 to 1H12 due primarily to transfer of WIB assets during 1H12.

# Strong business performance across the region

Westpac Pacific

## Cash earnings movement ($m)




## Key features of 1H13

- In 1H13 Westpac Pacific built further on its strong performance in 2012 with a 23% uplift in Cash earnings compared to 2H12. Cash earnings were 16% higher than 1H12. Cash earnings were little impacted by exchange rate movements
- Revenue across the region has remained strong, however activity in FX was a little lower and combined with softer margins saw revenue $5m lower over the prior half
- The division has continued to expand the provision of its basic banking services across the region using new technologies to reach remote areas. This program along with financial education is helping the development of these island nations. These initiatives have contributed to a 12% uplift in customer numbers over the last six months

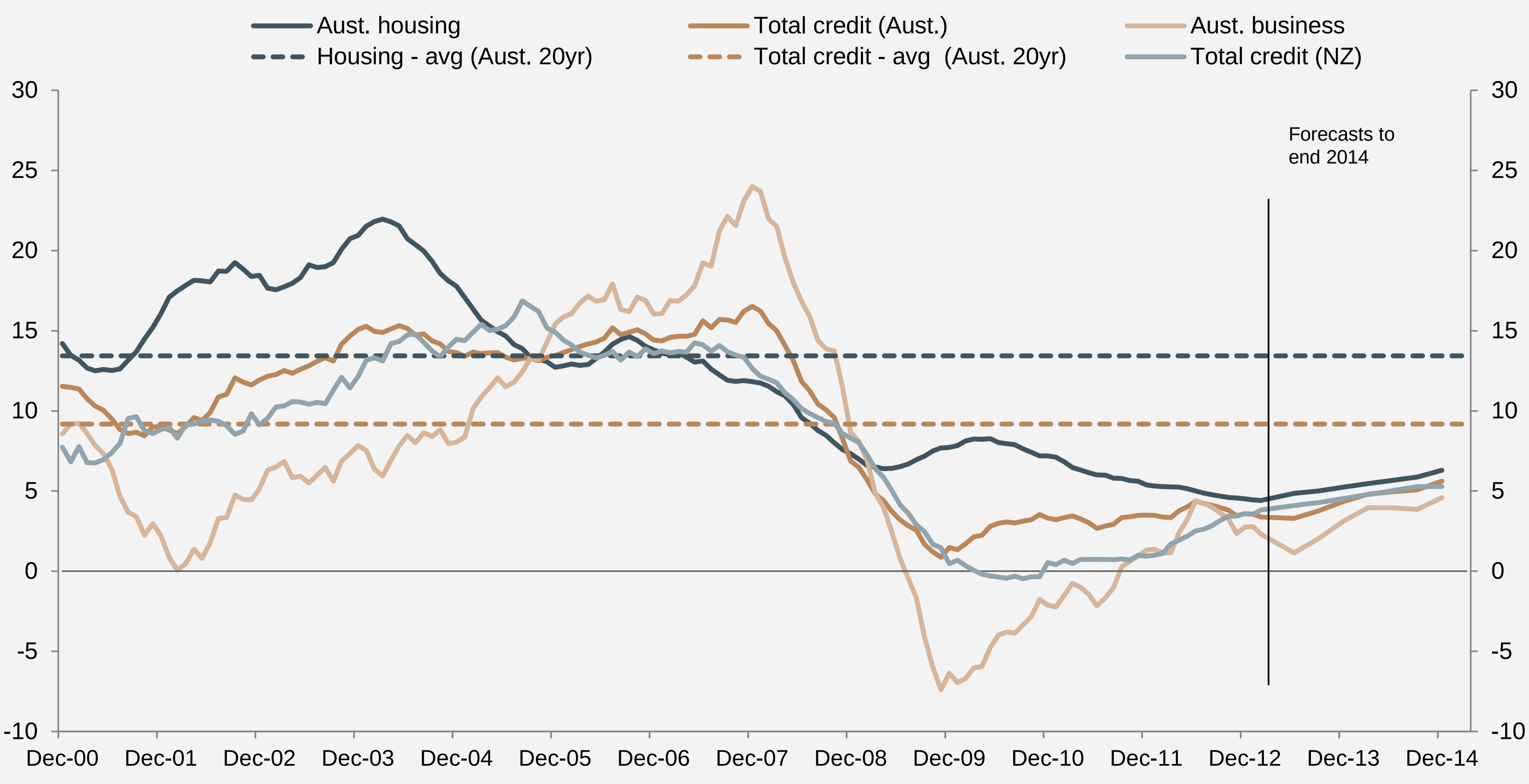
## Movement 1H13 – 2H12

| | | | |
|---|---|---|---|
| Cash earnings | ↑ | 23% | • Up 23% to $64m<br>• Movements in exchange rates across the region had little impact on Cash earnings or the components of Cash earnings |
| Core earnings | ↓ | 8% | • Down 8% to $97m |
| Net interest income | ↓ | 1% | • Lending little changed, deposits up 4%<br>• Volume growth partly offset by lower margins |
| Non-interest income | ↓ | 5% | • Lower FX income as some major investments have neared completion in Papua New Guinea and the demand for FX has moderated |
| Expenses | ↑ | 7% | • Increased investment in infrastructure and increases in salaries in Papua New Guinea |
| Impairment charges | ↓ | Large | • $2 million charge in 1H13<br>• 2H12 included some top-ups to existing provisions and one large provision in Vanuatu |

# FIRST HALF 2013
# ECONOMICS

# Credit growth expected to modestly improve

Credit growth[1] (% annual)




1 RBA, RBNZ, Westpac Economics.

# Australian and New Zealand economic forecasts

| Key economic indicators as at 30 April 2013[1] (%) | | Calendar year | | | |
|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013f | 2014f |
| World | GDP | 4.0 | 3.2 | 3.4 | 3.1 |
| Australia | GDP | 2.4 | 3.6 | 2.5 | 2.3 |
| | Private consumption | 3.3 | 3.2 | 2.4 | 3.0 |
| | Business investment[2,3] | 17.0 | 16.7 | 5.0 | –1.0 |
| | Unemployment – end period | 5.2 | 5.3 | 5.9 | 5.8 |
| | CPI headline – year end | 3.0 | 2.2 | 2.0 | 2.8 |
| | Interest rates – cash rate | 4.50 | 3.00 | 2.75 | 2.75 |
| | Credit growth, Total – year end | 3.5 | 3.6 | 4.3 | 5.5 |
| | Credit growth, Housing – year end | 5.4 | 4.5 | 5.3 | 6.3 |
| | Credit growth, Business – year end | 1.3 | 2.7 | 3.0 | 4.5 |
| New Zealand | GDP | 1.4 | 2.5 | 2.8 | 3.6 |
| | Unemployment – end period | 6.4 | 6.9 | 6.3 | 5.0 |
| | Consumer prices | 1.8 | 0.9 | 1.3 | 2.3 |
| | Interest rates – official cash rate | 2.50 | 2.50 | 2.50 | 3.50 |
| | Credit growth – Total | 0.9 | 3.6 | 4.5 | 5.3 |
| | Credit growth – Housing | 1.2 | 3.7 | 5.4 | 5.9 |
| | Credit growth – Business (incl. agri) | 0.8 | 3.6 | 3.7 | 4.8 |

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

# FIRST HALF 2013
# APPENDIX AND DISCLAIMER

# Appendix 1: Cash earnings adjustments

| | Cash earnings adjustment | 1H12 | 2H12 | 1H13 | Description |
|---|---|---|---|---|---|
| | **Reported NPAT** | **2,967** | **3,003** | **3,304** | **Reported net profit after tax attributable to equity holders of Westpac Group** |
| Non-merger related items | TPS revaluations | 24 | 3 | 8 | The TPS hybrid instrument is not fair valued however the economic hedge is fair valued. The mismatch in the timing of income recognition is added back |
| Non-merger related items | Treasury shares | 12 | 15 | 29 | Earnings on Westpac Group shares held by Westpac in the wealth business are not recognised under A-IFRS. These are added back as these shares support policyholder liabilities and equity derivative transactions, which are revalued in deriving income |
| Non-merger related items | Fair value gain/(loss) on economic hedges | 20 | (13) | 57 | Unrealised profit/losses on economic hedges and revaluation of hedges on future NZ earnings are reversed as they may create a material timing difference on reported earnings in the current period, which does not affect profit available to shareholders |
| Non-merger related items | Ineffective hedges | (8) | 1 | (23) | The gain/loss on qualified hedge ineffectiveness is reversed because the gain/loss from fair value movements reversus over time |
| Non-merger related items | Buyback of government guaranteed debt | (5) | - | 43 | The Group undertook a buyback of a portion of its government guaranteed debt which reduced the government fee on that debt, currently 70bps. The benefit is being amortised over the original term of the debt that was bought back. This has been treated as a Cash earnings adjustment as the economic benefit of ceasing to pay the government guarantee fee cannot be recognised |
| Non-merger related items | Supplier program | 93 | 46 | - | Expenses relating to change to supplier arrangements and include costs associated with streamlining and better documenting systems and processes, technology costs to enable infrastructure and enhance interaction with suppliers and costs associated with restructuring the workforce. Given these significant expenses are not considered in determining dividends they are treated as Cash earnings adjustments |
| Non-merger related items | Amortisation of intangible assets | 74 | 77 | 75 | The amortisation is a Cash earnings adjustment because it is a non-cash flow item and does not affect returns to shareholders. The recognised balance of the majority of merger-related identifiable intangible assets including brands, the core deposits intangible and credit card and financial planner relationship intangible assets will be amortised over their useful life. The acquisition of JOHCM during 1H12 resulted in the recognition of management contract intangible assets and are amortised over their useful lives ranging between 5 – 20 years |
| Non-merger related items | Litigation provision | – | 78 | - | The Group recognised an increased provision with respect to the Bell litigation, where an adverse judgement was received during FY12. Consistent with previous treatment this has been treated as a Cash earnings adjustment due to its size and the historical nature of the proceedings |
| St George merger related items | Fair value amortisation of financial instruments | 18 | 28 | 32 | 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 |
| St George merger related items | Tax consolidation adjustment | – | 165 | - | The resetting of the tax value of certain St.George assets to the appropriate market value as at the tax consolidation effective date. Is treated as a Cash earnings adjustment due to its size and because it does not reflect ongoing operations |
| | **Cash earnings** | **3,195** | **3,403** | **3,525** | |

# Appendix 2: Definitions

## Westpac's business units

| | |
|---|---|
| **Australian Financial Services or AFS** | Australian Financial Services is responsible for the Westpac Group's Australian retail banking, business banking and wealth operations. It incorporates WRBB, SGB and BTFG. AFS also includes the product and risk responsibilities for Australian banking |
| **Westpac RBB or WRBB** | Westpac Retail & Business Banking is part of Australian Financial Services division and provides sales, marketing and customer service for all consumer and small-to-medium enterprise customers Australia under the 'Westpac' brand |
| **St.George Banking Group or St.George or SGB** | St.George Banking Group is part of Australian Financial Services division Provides sales and customer service for our consumer, business and corporate customers in Australia under the St.George brand. It also includes the management and operation of: the Bank of South Australia (BankSA), Bank of Melbourne and RAMS brands |
| **BTFG** | BT Financial Group (Australia) is part of Australian Financial Services division and is the Group's wealth management business, including operations under the Advance Asset Management, Ascalon, Asgard, BT, BT Investment Management, Licensee Select, and Securitor brands. Also included are the advice, private banking, and insurance operations of Bank of Melbourne, BankSA, St.George and WRBB. 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<br>Provides a broad range of financial services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand |
| **Westpac NZ** | Westpac New Zealand<br>Provides a full range of retail and commercial banking and wealth management 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<br>Provides banking services for retail and business customers throughout the South Pacific Island Nations |
| **GB** | Group Businesses<br>Provides centralised Group functions, including Treasury and Finance |

## Financial performance

| | |
|---|---|
| **Cash earnings** | Net profit attributable to equity holders adjusted for the impact of the economic hedges related to TPS, earnings from Treasury shares, fair value gains/losses on economic hedges, ineffective hedges, buyback of government guaranteed debt, supplier program, the amortisation of certain intangibles in relation to the merger with St.George and the JOHCM acquisition, fair value amortisation of financial instruments, the St.George tax consolidation adjustment, and the Bell litigation provision |
| **Core earnings** | Operating profit before income tax and impairment charges |
| **AIEA** | Average interest-earning assets |
| **Net interest spread** | The difference between the average yield on all interest bearing assets and the average rate paid on all interest bearing liabilities |
| **Net interest margin** | Net interest income divided by average interest-earning assets |
| **Full-time equivalent employees (FTE)** | A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight |
| **Wealth and Home and Contents Penetration Metrics** | Data based on Roy Morgan Research, Respondents aged 14+. Wealth penetration is defined as the number of Australians who have Managed Investments, Superannuation or Insurance with each group and who also have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group as a proportion of the total number of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group. Home and Contents penetration is defined as the number of Australians who have Household Insurance (Building, contents and valuable items) within the Group and who also have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group as a proportion of the total number of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group. 12 month rolling average to Sep 2012. WRBB includes Bank of Melbourne (until Jul 2011), BT, Challenge Bank, RAMS (until Dec 2011), Rothschild, and Westpac. St.George includes Advance Bank, Asgard, BankSA, Bank of Melbourne (from Aug 2011), Barclays, Dragondirect, Sealcorp, St.George and RAMS (from Jan 2012). Westpac Group includes Bank of Melbourne, BT, Challenge Bank, RAMS, Rothschild, Westpac, Advance Bank, Asgard, BankSA, Barclays, Dragondirect, Sealcorp and St.George |

# Appendix 2: Definitions (continued)

## Financial performance (cont.)

| | |
|---|---|
| **Net Promoter Score (NPS)** | Net Promoter Score$^{SM}$ and NPS$^{SM}$ is a service mark of Bain & Company, Inc., Satmetrix Systems, Inc. and Mr Frederick Reichheld. |
| **St.George Consumer (NPS)** | Roy Morgan Research. Metric based on the six month rolling average. Consumer NPS = NPS of main financial institution, aged 14+. St.George - includes St.George Bank, Bank of Melbourne (from August 2011), BankSA, Advance Bank, Dragondirect and RAMS (from January 2012). Peer Group is the weighted average of the Big 4 Banks. Weighted Big 4 average includes: WBC, ANZ, CBA and NAB 6 month moving average. Rankings are based on absolute NPS scores compared to WBC, ANZ, CBA and NAB |
| **St.George Business NPS** | DBM Consultants Business Financial Services Monitor: 6 month average; Net Promoter Score is calculated by subtracting the percentage of Detractors (0-6) from the percentage of Promoters (9-10), who answer the following question: "Please use a scale ranging from 0 to 10, where 0 means 'extremely unlikely' and 10 means 'extremely likely'. How likely would you be to Recommend (MFI) to others for business banking?" Business NPS = NPS of main financial institution, all businesses. St.George - includes St.George Bank, Bank of Melbourne (from August 2011), BankSA, Advance Bank, Dragondirect and RAMS (from January 2012). Peer Group is the weighted average of the Big 4 Banks. Weighted Big 4 average includes: WBC, ANZ, CBA and NAB 6 month moving average. Rankings are based on absolute NPS scores compared to WBC, ANZ, CBA and NAB |

## Capital

| | |
|---|---|
| **Risk Weighted Assets or RWA** | Assets (both on and off-balance sheet) of the Westpac Group are assigned within a certain category, amounts included in these categories are multiplied by a risk weighting, and the resulting weighted values added together to arrive at total risk weighted assets |
| **NCI** | Non-controlling interests |
| **Capital ratios** | As defined by APRA (unless stated otherwise) |

## Asset quality

| | |
|---|---|
| **TCE** | Total committed exposures |
| **Stressed loans** | Stressed loans are Watchlist and Substandard, 90 days past due well secured and impaired assets |
| **Impaired assets** | Impaired assets can be classified as<br>1. Non-accrual assets: Exposures with individually assessed impairment provisions held against them, excluding restructured loans<br>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<br>3. 90 days past due (and not well secured): exposures where contractual payments are 90 days or more in arrears and not well secured<br>4. other assets acquired through security enforcement<br>5. any other assets where the full collection of interest and principal is in doubt |
| **90 days past due - well secured** | 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 will be 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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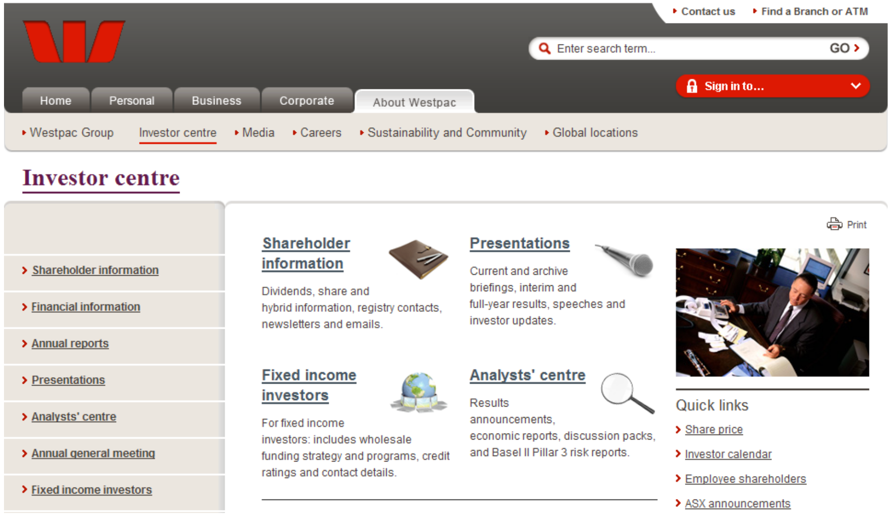
## For further information on Westpac

Please visit our dedicated website www.westpac.com.au/investorcentre click on 'Analysts' Centre'

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



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All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is presented on a Cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac Interim 2013 Results (incorporating the requirements of Appendix 4D) for the half year ended 31 March 2013 available at www.westpac.com.au for details of the basis of preparation of Cash earnings. Refer to slides 30 for an explanation of Cash earnings and Appendix 1 slide 110 for a reconciliation of reported net profit to Cash earnings.

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

We use words such as ‘will’, ‘may’, ‘expect’, 'indicative', ‘intend’, ‘seek’, ‘would’, ‘should’, ‘could’, ‘continue’, ‘plan’, ‘probability’, ‘risk’, ‘forecast’, ‘likely’, ‘estimate’, ‘anticipate’, ‘believe’, or similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and have been made based upon management’s expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results may differ materially from those which we expect, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include those described in the section entitled ‘Risk factors' in Westpac’s Interim Financial Report for the half year ended 31 March 2013 available at www.westpac.com.au. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation, and do not intend, to update any forward-looking statements contained in this presentation.