

# 2018 Full Year Results

For the twelve months ended 30 September 2018

Presentation and  
Investor Discussion Pack

Westpac Banking Corporation | ABN 33 007 457 141

# Westpac 2018 Full Year Results index

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## Image on front

Westpac banker Anna Thorpe helped sheep farmer Greg Woodlock fund the expansion of his dam to capture much needed water for his property 'Kaloola', The Marra, NSW

## Image on right

Westpac Melbourne head office,  
150 Collins Street, Melbourne, Victoria







# Brian Hartzler

## Chief Executive Officer

Financial results throughout this presentation are in Australian dollars and based on cash earnings unless otherwise stated. Refer page 41 for definition. Results principally cover the FY18, FY17 and 2H18 and 1H18 periods. Comparison of 2H18 versus 1H18 (unless otherwise stated)

# Flat result in a difficult year

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- Cash earnings little changed: strong first half, soft second half
- Balance sheet in great shape across all dimensions
- Challenges
  - Royal Commission/regulatory actions
  - Higher cost of funds and full year impact of the bank levy
  - Customer remediation
  - Slowing system credit growth
- Business unit performance mixed
  - NZ, Business Bank were standouts
  - WIB affected by lower markets income
  - BT and Consumer impacted by customer remediation and margins
- Continuing to deliver on our strategy
- Australian economy doing well; challenges remain for banks



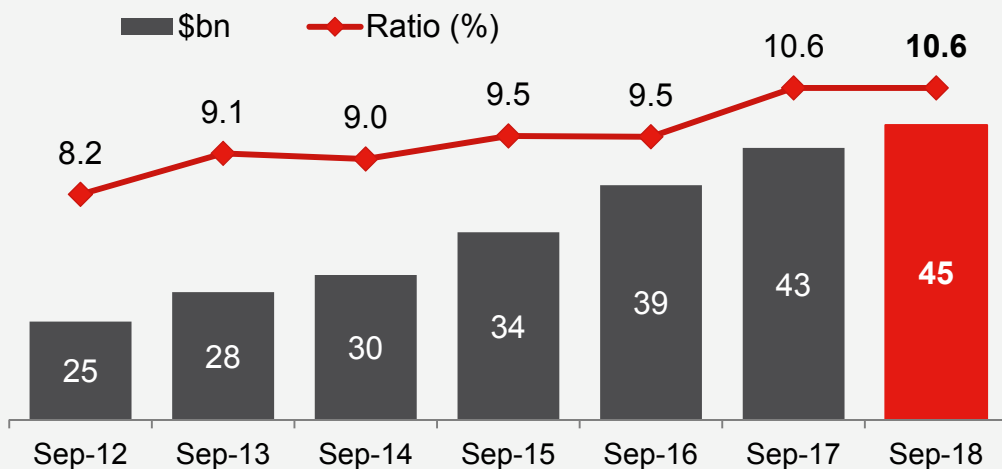
# Earnings snapshot

|                                                | <b>FY18</b> | <b>Change<br/>FY18 – FY17</b> | <b>Change<br/>2H18 – 1H18</b> |
|------------------------------------------------|-------------|-------------------------------|-------------------------------|
| Reported net profit after tax                  | \$8,095m    | 1%                            | (7%)                          |
| Cash earnings                                  | \$8,065m    | -                             | (10%)                         |
| Cash EPS <sup>1</sup>                          | 236.2c      | (1%)                          | (11%)                         |
| Return on equity (ROE) <sup>2</sup>            | 13.0%       | (77bps)                       | (188bp)                       |
| Net tangible assets per share                  | \$15.39     | 5%                            | 3%                            |
| Margin (excl. Treasury & Markets) <sup>3</sup> | 2.00%       | 1bp                           | (10bps)                       |
| Expense to income ratio <sup>3</sup>           | 43.7%       | 143bps                        | 393bps                        |
| Impairment charge to average loans             | 10bps       | (3bps)                        | (2bps)                        |
| Final dividend <sup>4</sup> (fully franked)    | 94cps       | -                             | -                             |

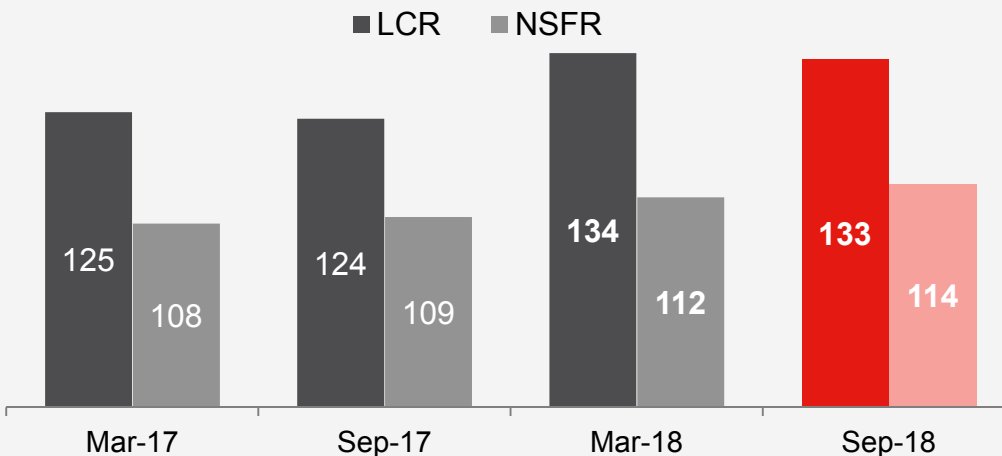
1 Cash EPS is cash earnings divided by the weighted average ordinary shares. 2 Return on equity is cash earnings divided by average ordinary equity. 3 Cash earnings basis. 4 Cents per share.

# Balance sheet **remains strong**

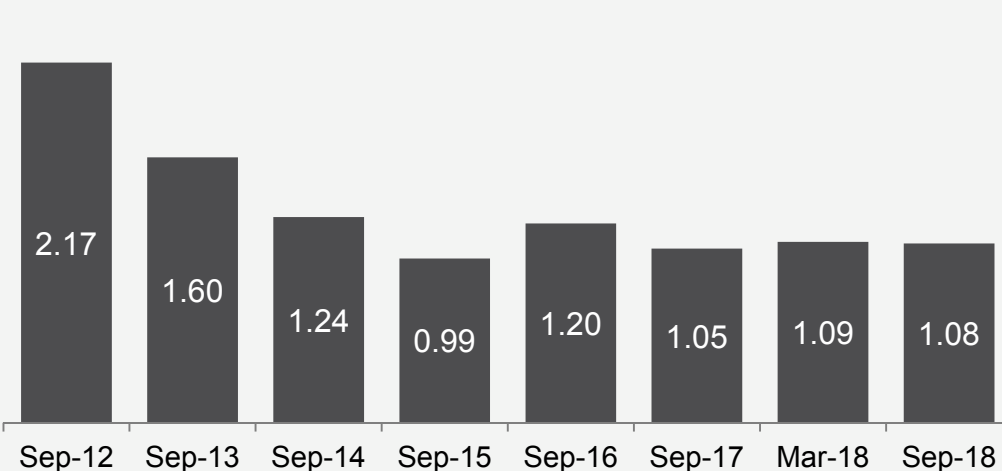
## Common equity Tier 1<sup>1</sup> (ratio % and \$bn)



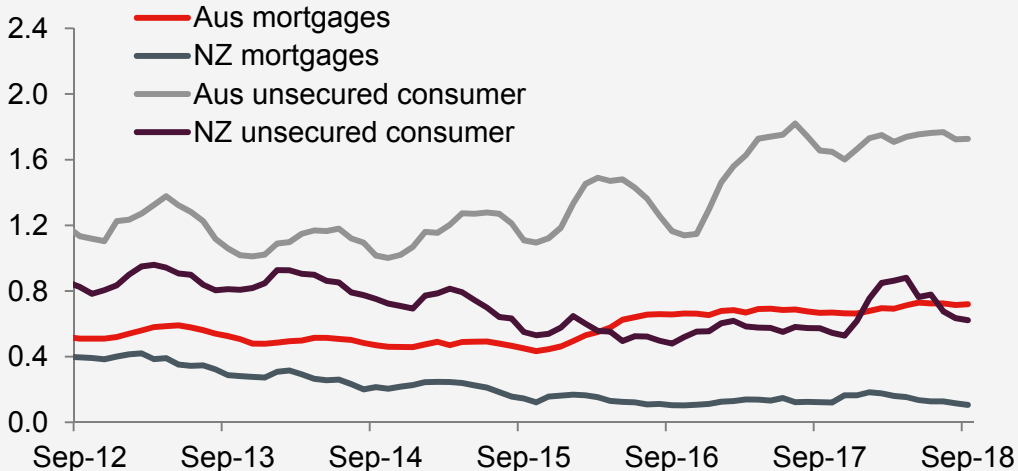
## Liquidity ratios<sup>2</sup> (%)



## Stressed exposures to total committed exposure (%)



## Aust/NZ 90+ day delinquencies (%)



1 Common equity Tier 1 capital ratio on an APRA Basel III basis. 2 LCR is Liquidity coverage ratio, NSFR is Net stable funding ratio.



# Divisional performance

## Cash earnings by division FY18 - FY17 (% change)

|                            |      |                                                                                                                                                                                                                                                                |
|----------------------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer Bank              | -    | <ul style="list-style-type: none"><li>• Good volume growth offset by margin pressure (down 7bps)</li><li>• Margins lower from mortgage spreads, funding costs</li><li>• Expenses up 5% reflects remediation and investment</li></ul>                           |
| Business Bank              | 8    | <ul style="list-style-type: none"><li>• Core earnings up 5%, good fee growth, margins well managed</li><li>• Impairments down from lower write-offs</li></ul>                                                                                                  |
| BT Financial Group         | (12) | <ul style="list-style-type: none"><li>• Growth in insurance and private wealth offset by lower advice revenue and provisions for remediation</li><li>• Positioning business for new environment – reduced platform fees, run-down of legacy products</li></ul> |
| Westpac Institutional Bank | (6)  | <ul style="list-style-type: none"><li>• Revenue impacted by lower markets income and fewer large transactions</li><li>• Margins well managed (up 6bps)</li></ul>                                                                                               |
| New Zealand (NZ\$)         | 5    | <ul style="list-style-type: none"><li>• Business performing well after phase 1 of restructuring</li><li>• Good growth, margins up and expenses down</li></ul>                                                                                                  |

# Strategy unchanged, adapted to environment

1

**Deal with  
outstanding issues**

2

**Momentum in  
customer franchise**

3

**Structural  
cost reduction**

## **Non negotiables:**

- Balance sheet strength
- Credit quality
- Return disciplines
- Culture
- Great service

# 1. Deal with **outstanding issues**

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## **Continuing consumer product reviews**

- Significant number of products reviewed
- Halved number of products offered in the Consumer Bank over 3 years

## **Customer remediation provisions**

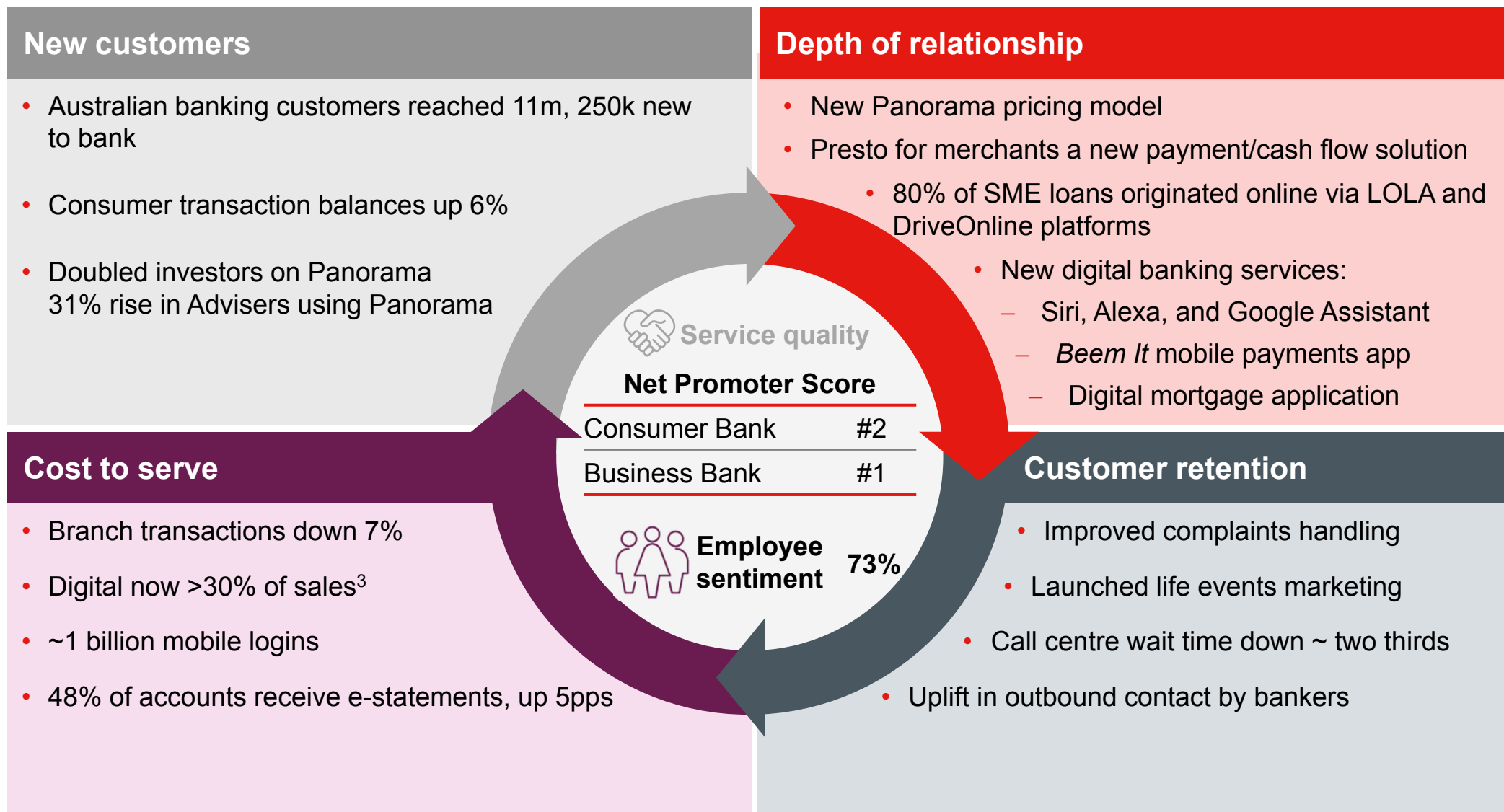
- No advice or no record of advice (salaried financial planners)
- Inappropriate advice (exited planners)
- Other product/operational issues

## **Removed grandfathered commissions to employed financial advisors**

## **Litigation**



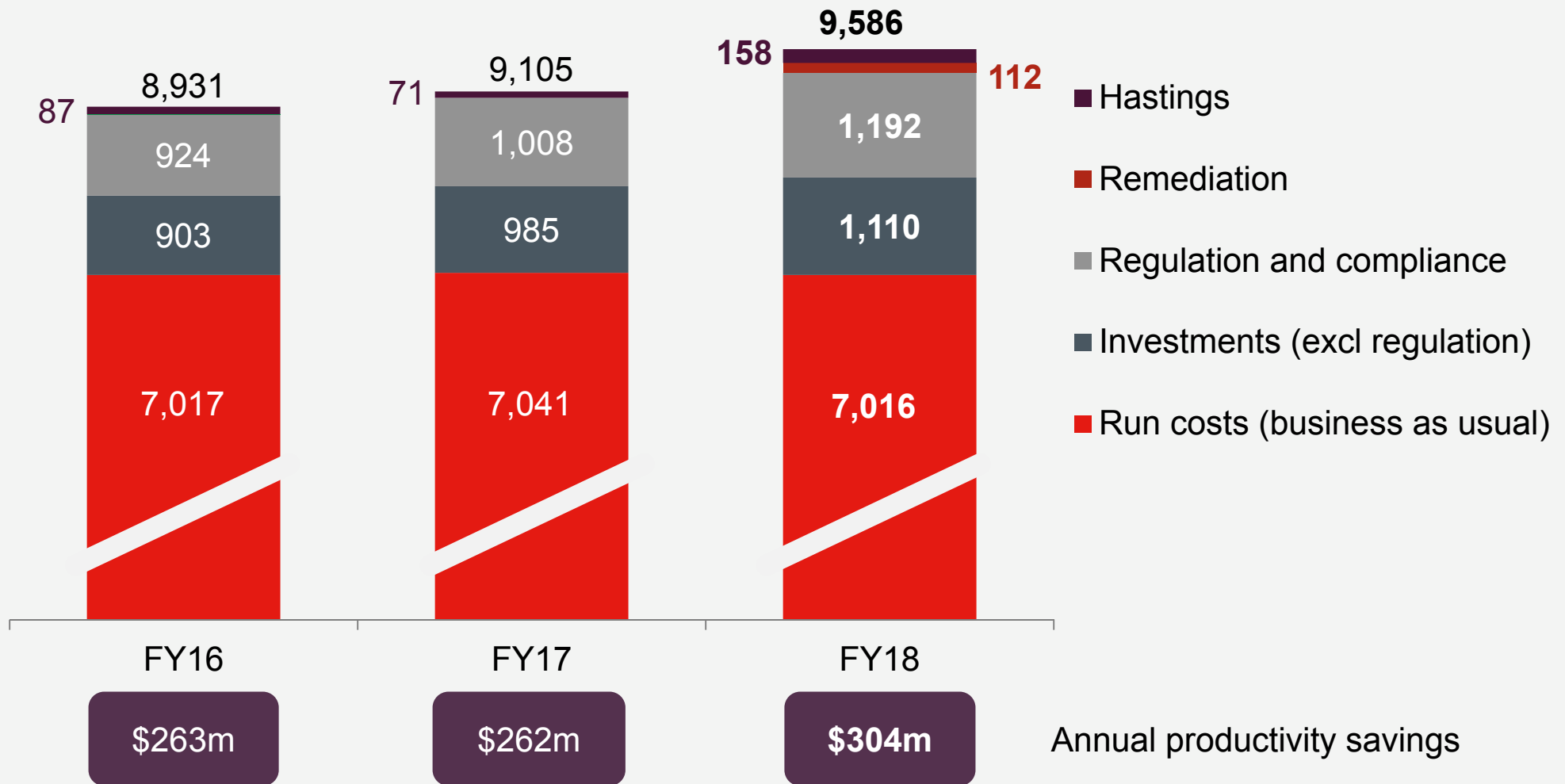
## 2. Momentum in customer franchise<sup>1,2</sup>



1 See page 148 for definitions. 2 Growth FY17 to FY18. Digital/branch metrics are 2H18 on 2H17. 3 Excludes mortgages.

### 3. Structural **cost reduction**: Run costs flat

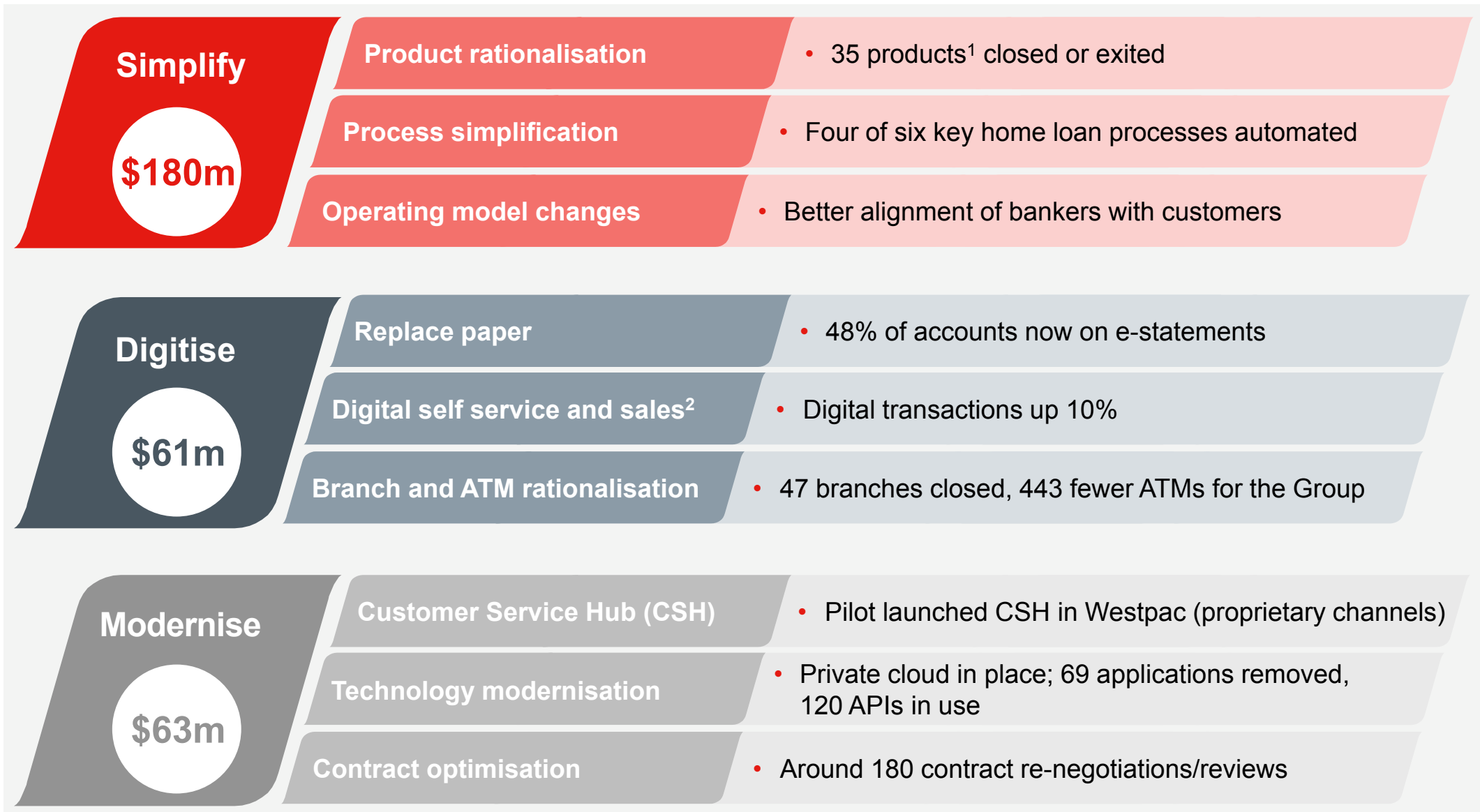
Expenses by type<sup>1</sup> (\$m)



<sup>1</sup> Numbers do not add due to rounding

### 3. Structural **cost reduction**: \$304m in 2018

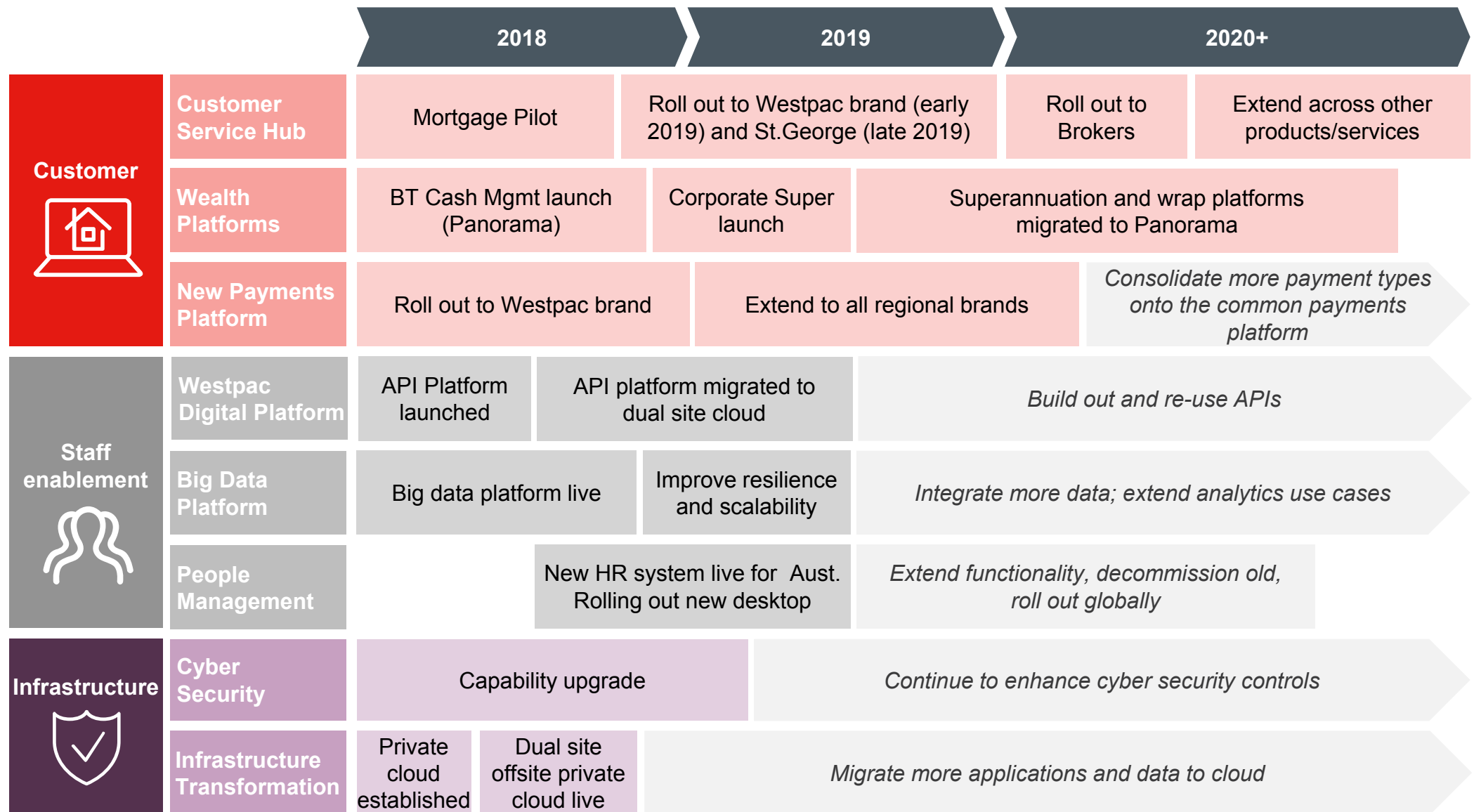
12



<sup>1</sup> Excluding BT. <sup>2</sup> See page 148 for definitions. Digital metrics are 2H18 vs 2H17 unless stated.

# Significant progress on technology transformation

13



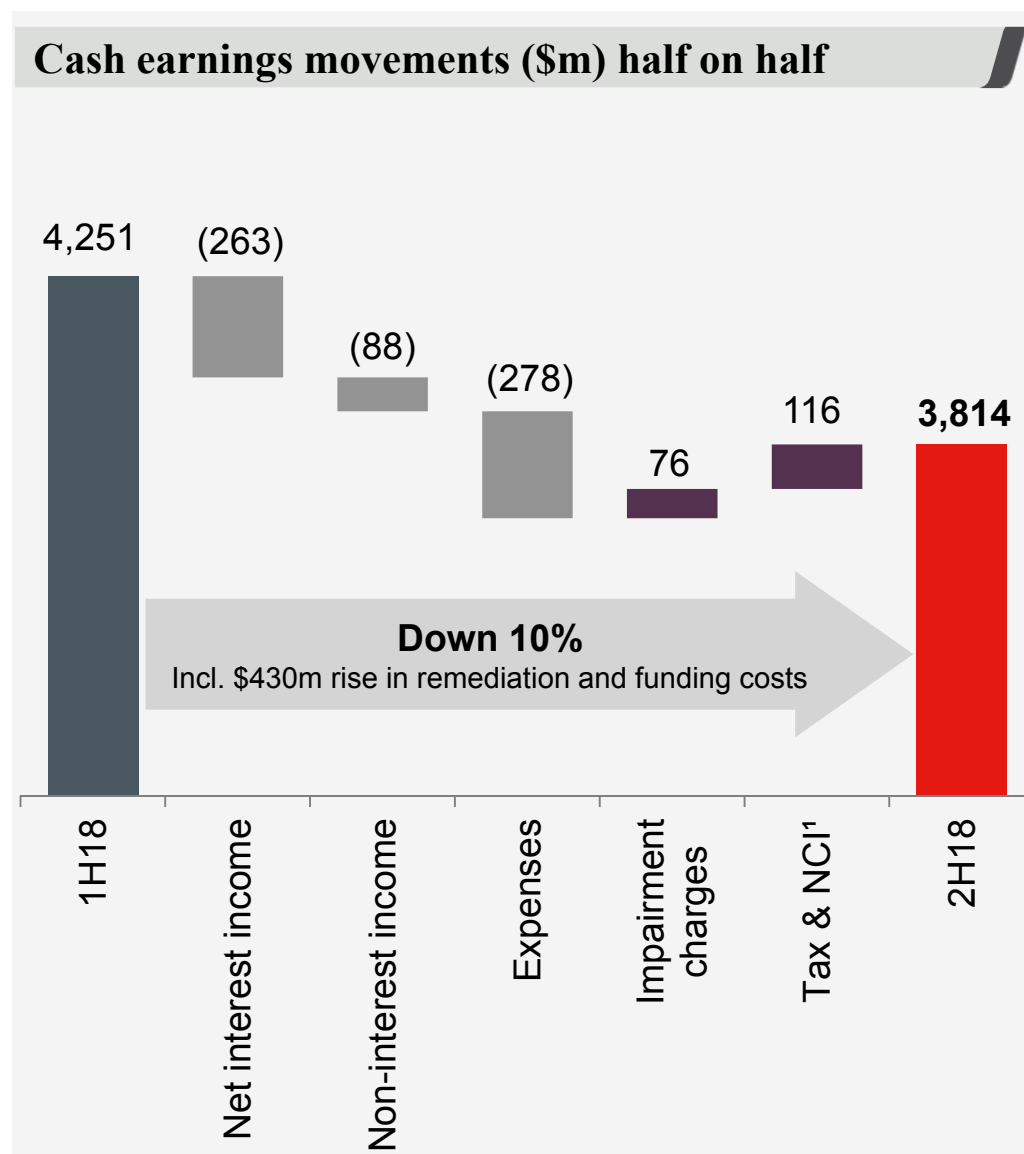
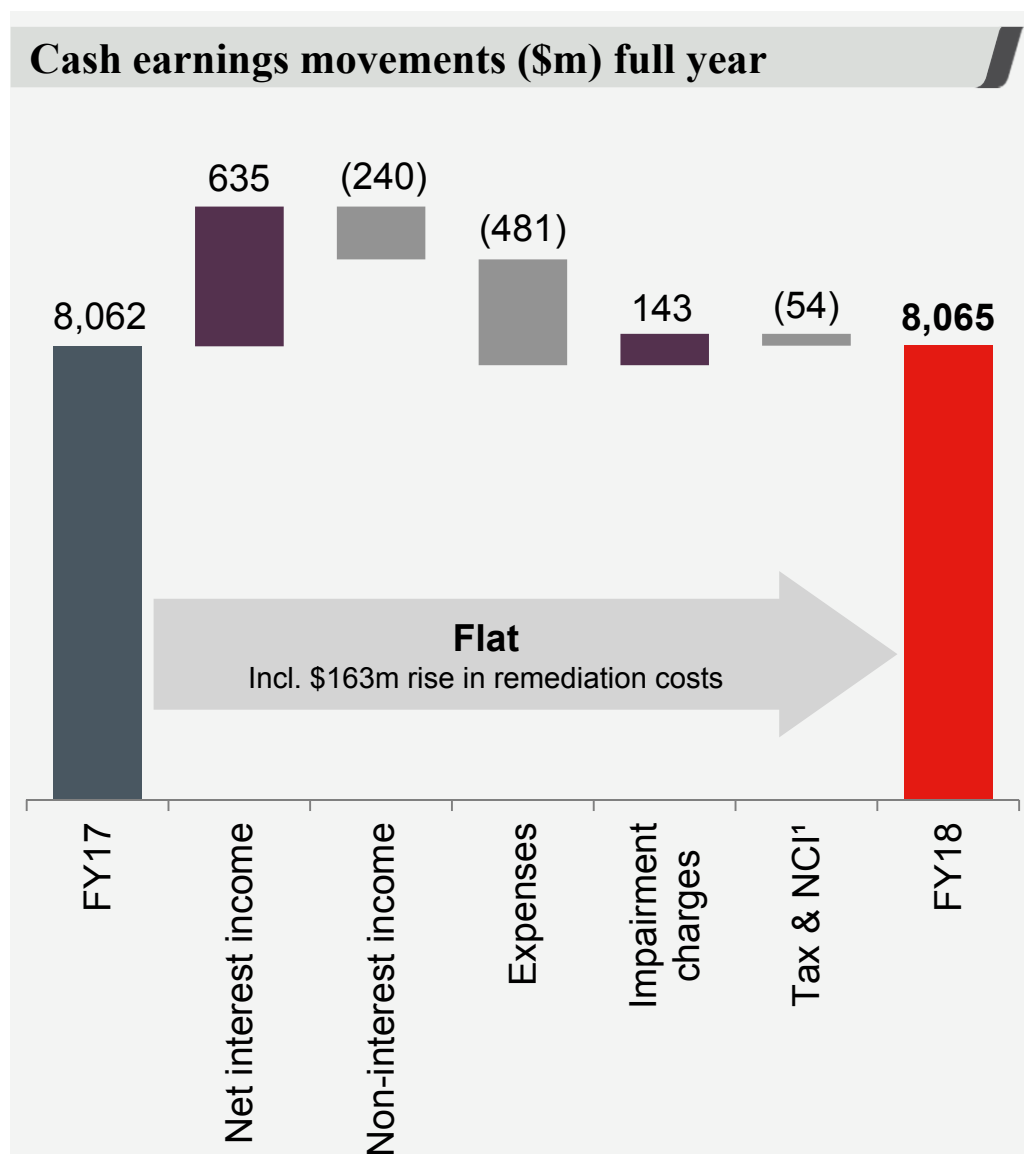


- Flat result; stronger balance sheet
- Impairment losses at cyclical lows
- Strong business portfolio – some short term issues
- Remaining focused on improving service for customers
- Delivering innovative and modernised digital platform

A photograph of two people, a man and a woman, standing in a dry, open landscape. The man is on the left, wearing a light-colored hat, a dark jacket, and jeans. The woman is on the right, wearing a dark hat, a dark jacket, and jeans. In the background, there is a large, circular windmill structure. The ground is dry and sandy, with a small body of water visible on the right side. Two dogs are standing near the water. The sky is overcast with clouds.

**Peter King**  
Chief Financial Officer

# Result **impacted** by remediation and funding costs



1 NCI is non-controlling interests.

# Infrequent/volatile items

| Infrequent/volatile items (\$m after tax) |              |            |              |
|-------------------------------------------|--------------|------------|--------------|
|                                           | 2H17         | 1H18       | 2H18         |
| Asset sales                               | –            | (7)        | 0            |
| Fund manager revaluations                 | (3)          | –          | (13)         |
| Group CVA <sup>1</sup>                    | 20           | (1)        | 13           |
| Provisions for remediation <sup>2</sup>   | (118)        | –          | (281)        |
| <b>Total cash earnings impact</b>         | <b>(101)</b> | <b>(8)</b> | <b>(281)</b> |

| Key items                |                                                                      |       |       |
|--------------------------|----------------------------------------------------------------------|-------|-------|
| Remediation <sup>2</sup> | \$281m (after tax)                                                   |       |       |
| Divisional impact        | BTFG: \$141m, Consumer Bank: \$110m, Other \$30m                     |       |       |
| Hastings exit            | Small impact on cash earnings, more significant impact on line items |       |       |
| Hastings P&L (\$m)       |                                                                      |       |       |
|                          | 1H18                                                                 | 2H18  | FY18  |
| Revenue                  | 23                                                                   | 181   | 204   |
| Expenses                 | (37)                                                                 | (121) | (158) |
| Core earnings            | (14)                                                                 | 60    | 46    |
| Cash earnings            | (2)                                                                  | 19    | 17    |

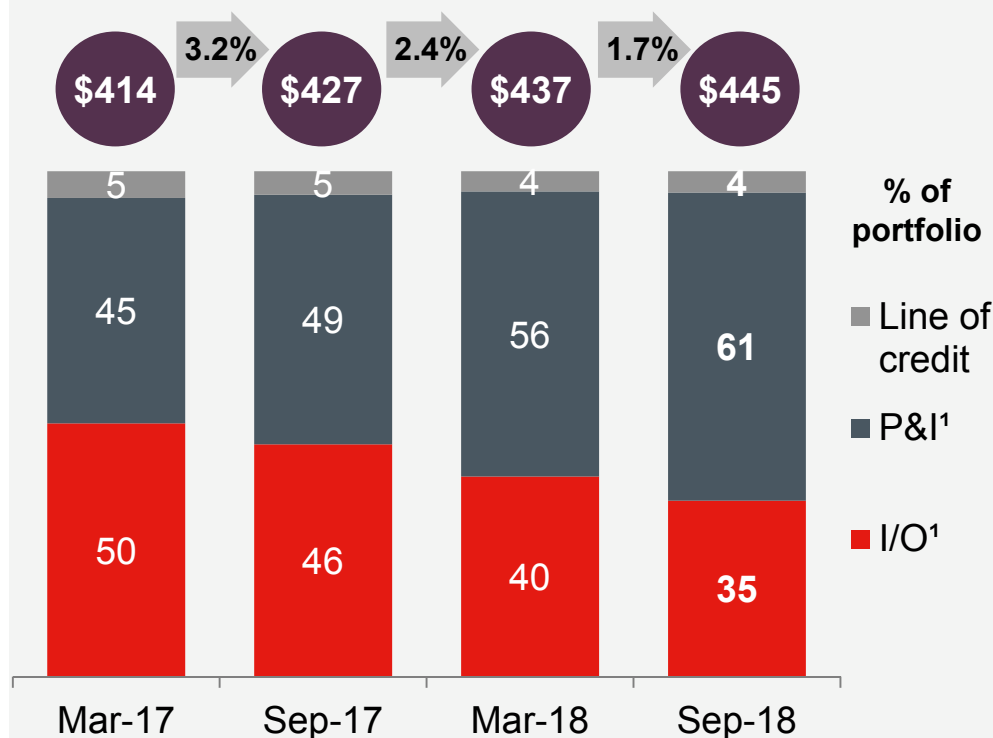
1 CVA is credit valuation adjustment. 2 Remediation includes provisions for customer refunds and payments and associated costs and estimated litigation costs.



# Australian mortgage growth moderating

18

## Australian mortgages (\$bn) and mix (%)



## Mortgage portfolio flow composition (%)

|                        | 1H17 | 2H17 | 1H18 | 2H18 |
|------------------------|------|------|------|------|
| Owner occupied growth  | 3    | 4    | 3    | 3    |
| Investor growth        | 3    | 4    | 1    | 1    |
| Basic (% of flow)      | 22   | 14   | 20   | 29   |
| Fixed rate (% of flow) | 23   | 36   | 30   | 23   |

## New mortgage lending dynamics (%)

|                                       | 1H18 | 2H18 |
|---------------------------------------|------|------|
| Approvals/Applications                | 93   | 93   |
| No. of new loans (change HoH)         | -10  | -5   |
| Average loan size (change HoH)        | 6    | 1    |
| New lending (change HoH) <sup>2</sup> | -5   | -4   |

<sup>1</sup> I/O is interest only mortgage lending. P&I is principal and interest mortgage lending. <sup>2</sup> New lending by amount drawn.

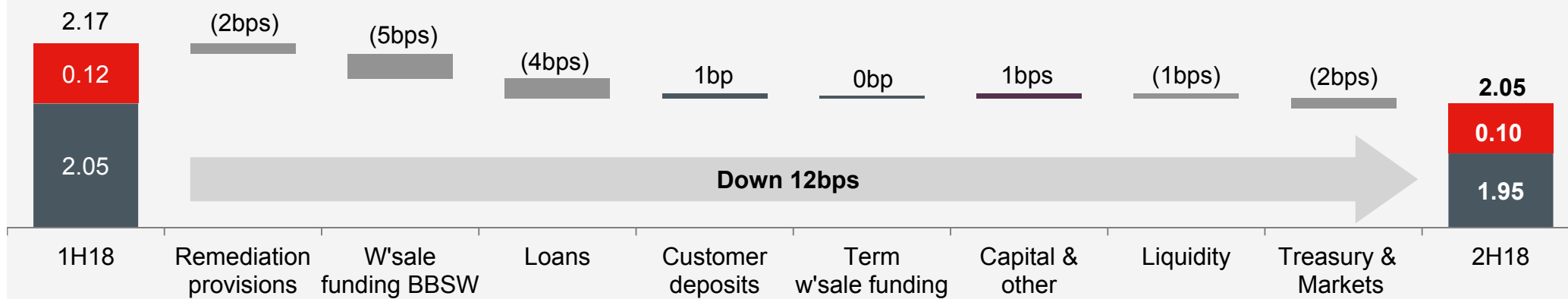


# Margins impacted by competition, cost of funds, Treasury

19

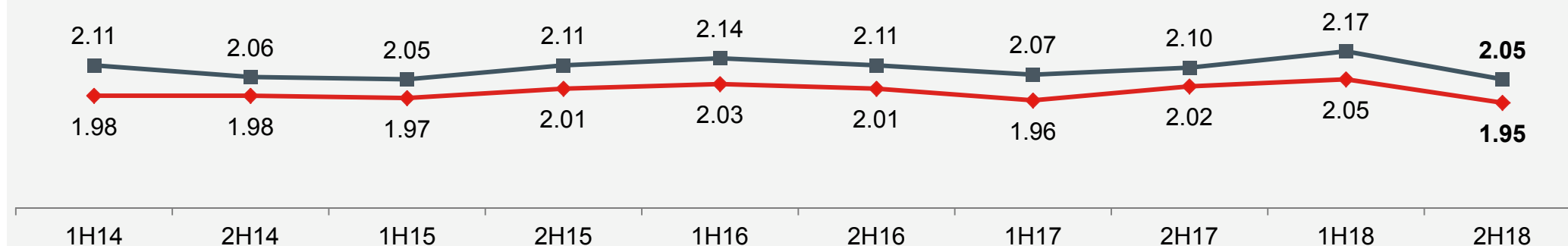
## Net interest margin movement (% and bps)

■ NIM excl. Treasury & Markets ■ Treasury & Markets impact on NIM

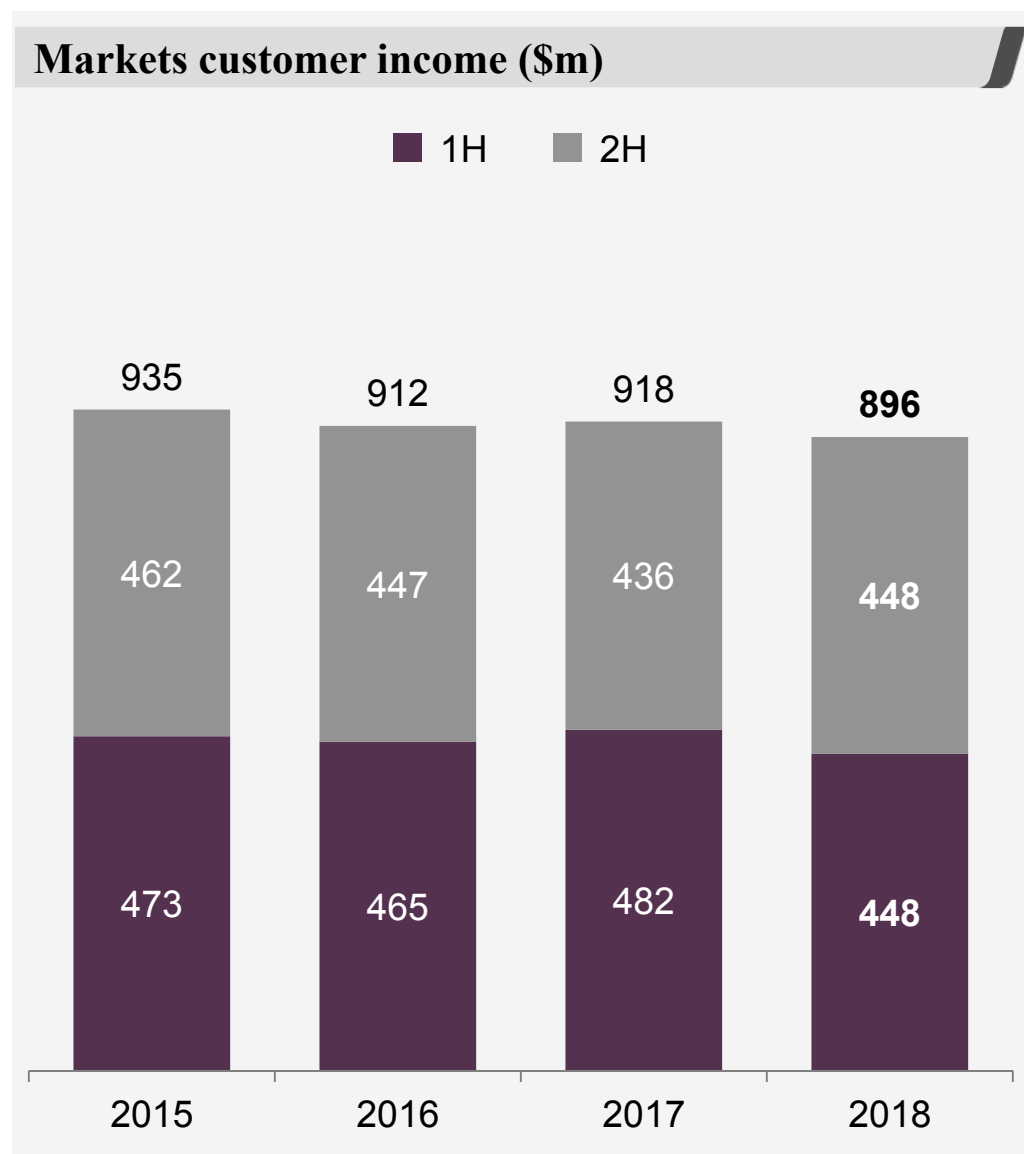
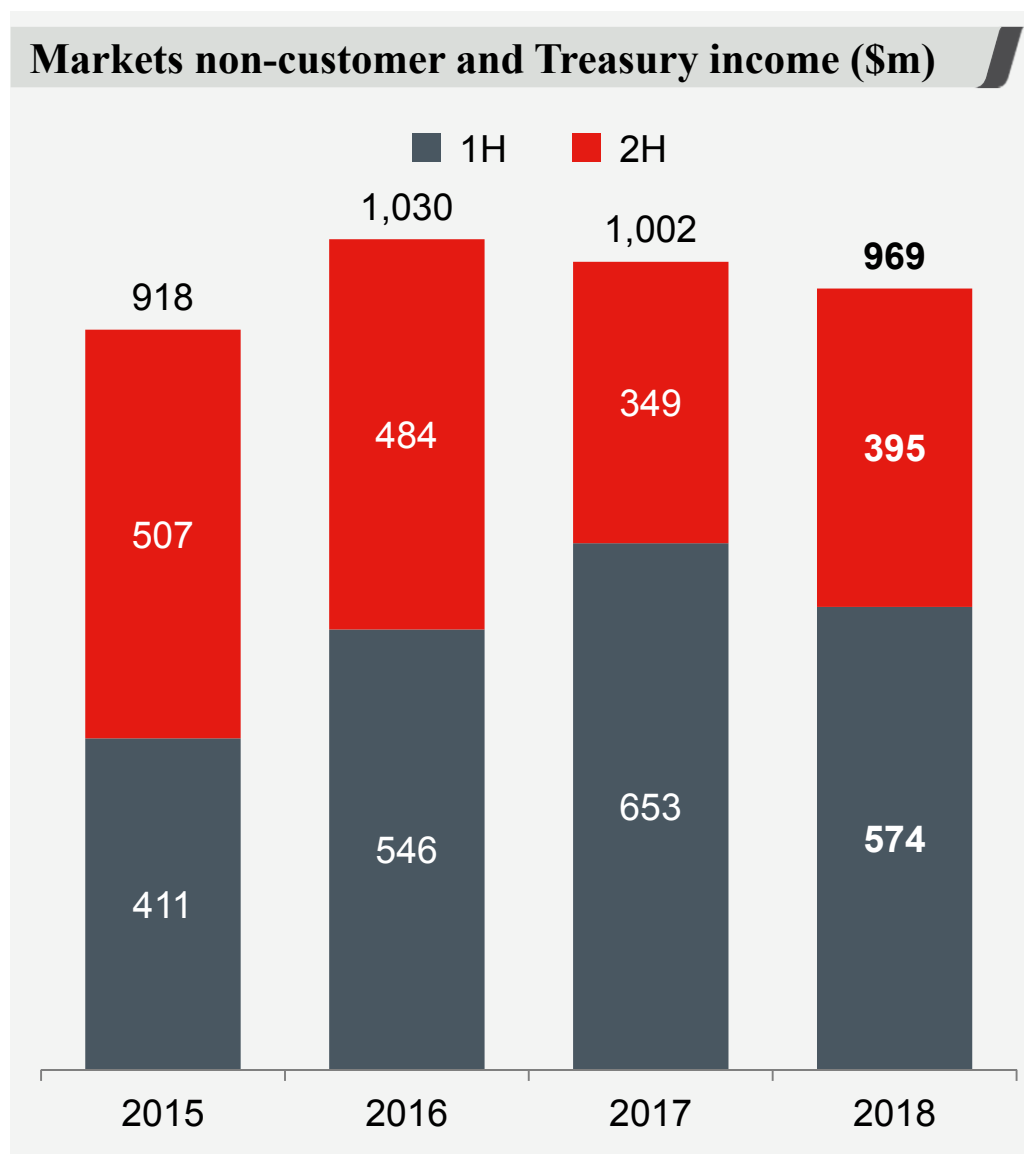


## Long term margin trend (%)

■ NIM ◆ NIM excl. Treasury & Markets

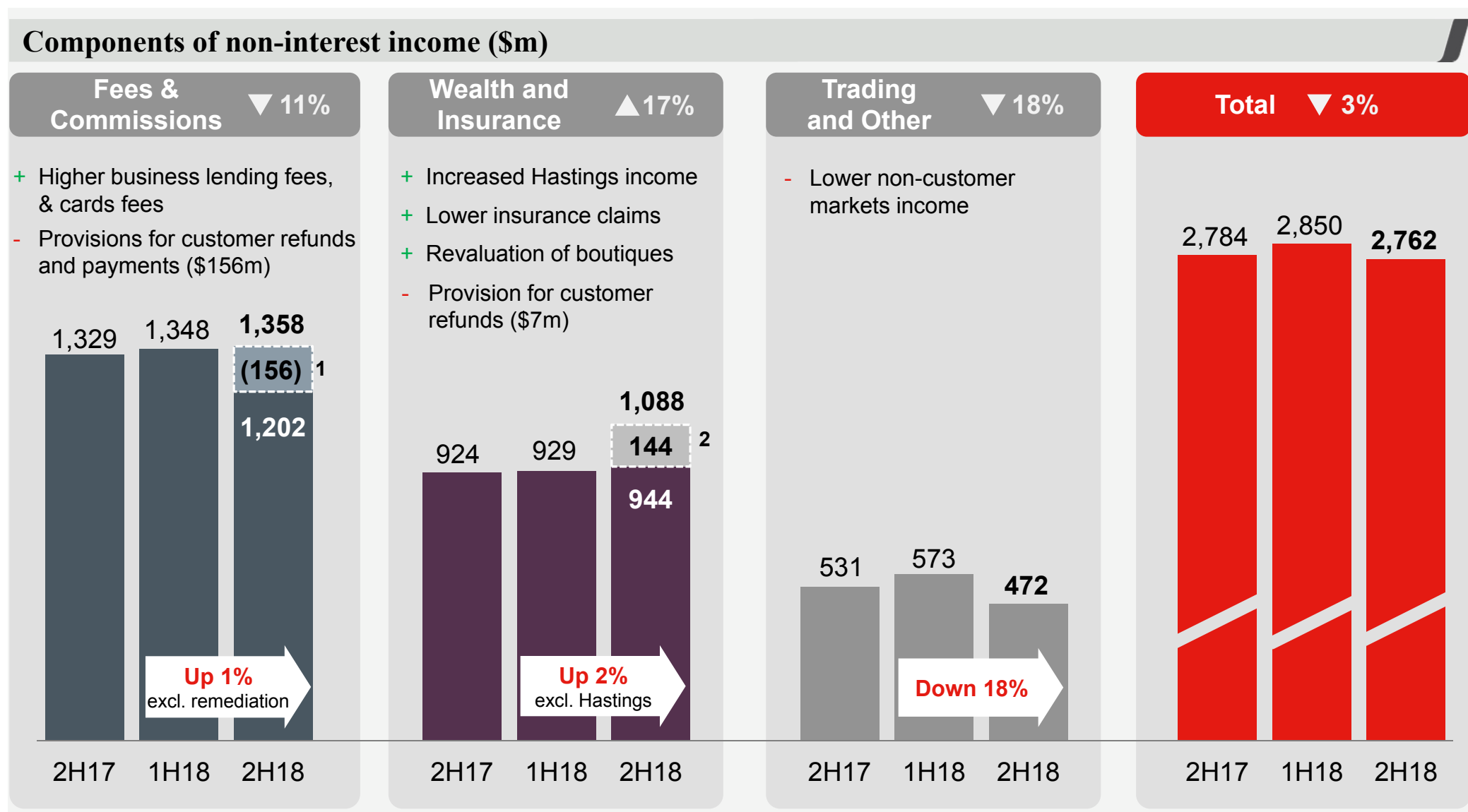


# Markets & Treasury<sup>1</sup> income skewed to 1H18



<sup>1</sup> Includes net interest income and non-interest income but excludes derivative valuation adjustments.

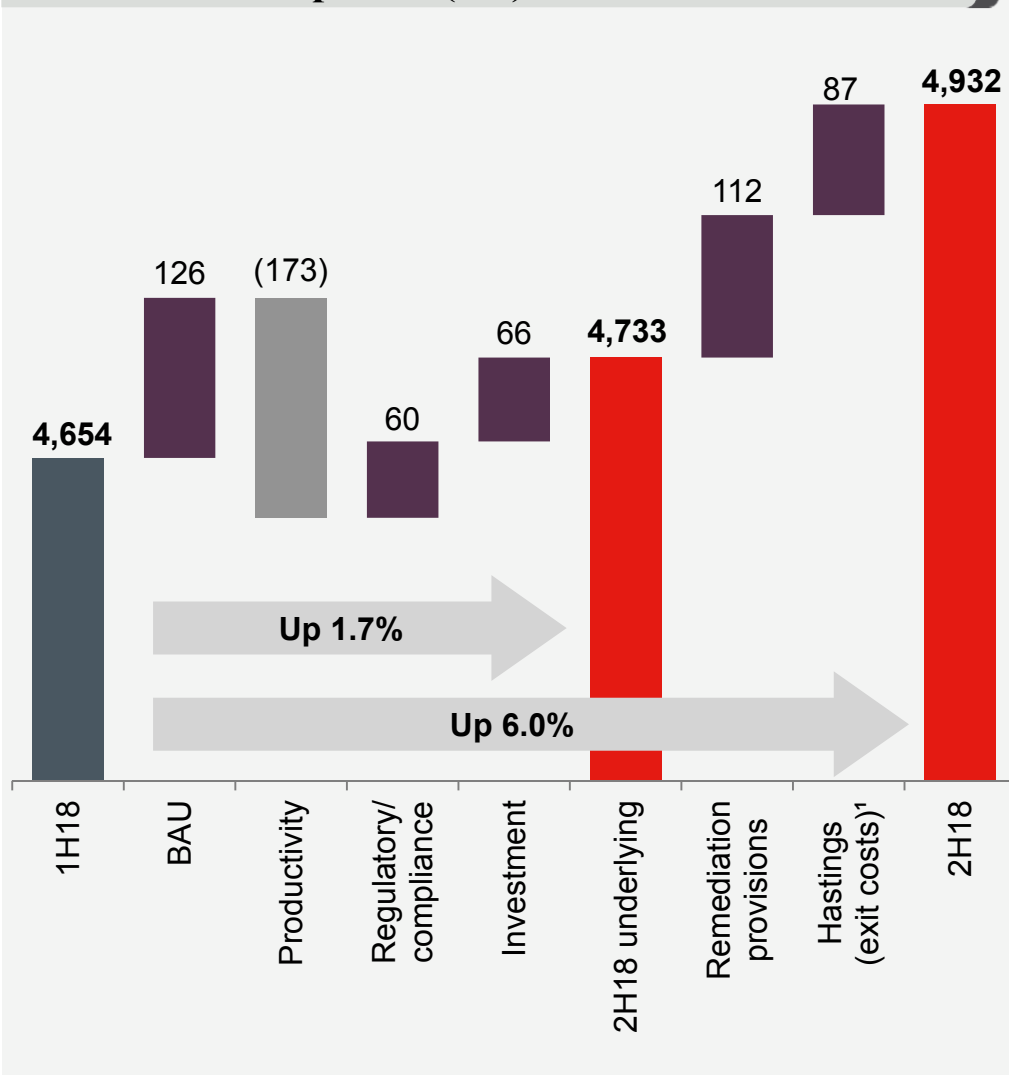
# Non-interest income down from trading



[ ] Infrequent items 1 Customer refunds and payments. 2 Fees earned associated with Hastings exit.

# Expenses **higher** from infrequent items

## Movement in expenses (\$m)

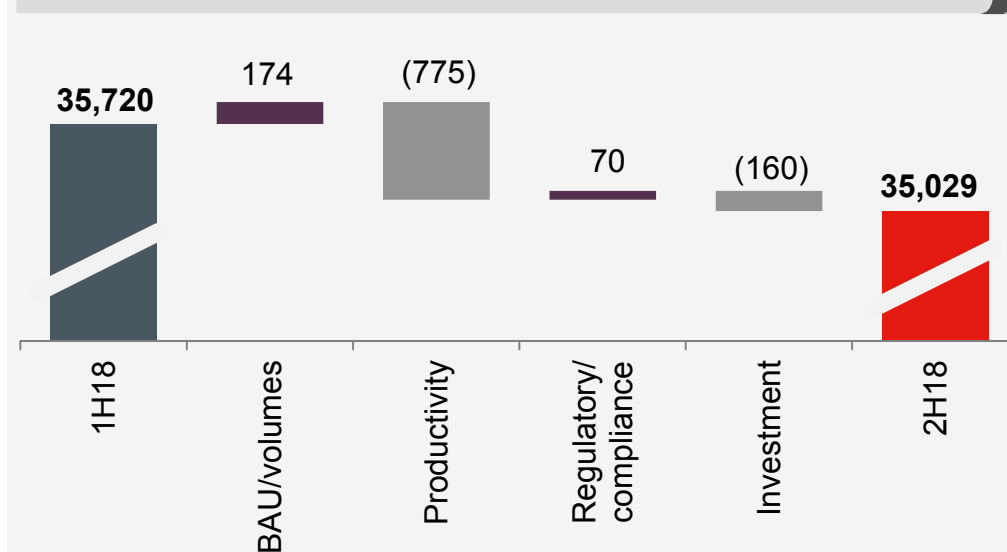


<sup>1</sup> Hasting exit costs \$17m 1H18, \$104m 2H18.

## 2H18 cost drivers

|                                     |                                                                  |
|-------------------------------------|------------------------------------------------------------------|
| <b>Platforms</b>                    | New Payments Platform, Customer Service Hub and Panorama         |
| <b>Strengthening infrastructure</b> | Cyber security, network and system refresh, private cloud        |
| <b>Reg/Compliance</b>               | BEAR, regulatory and compliance costs and remediation resourcing |

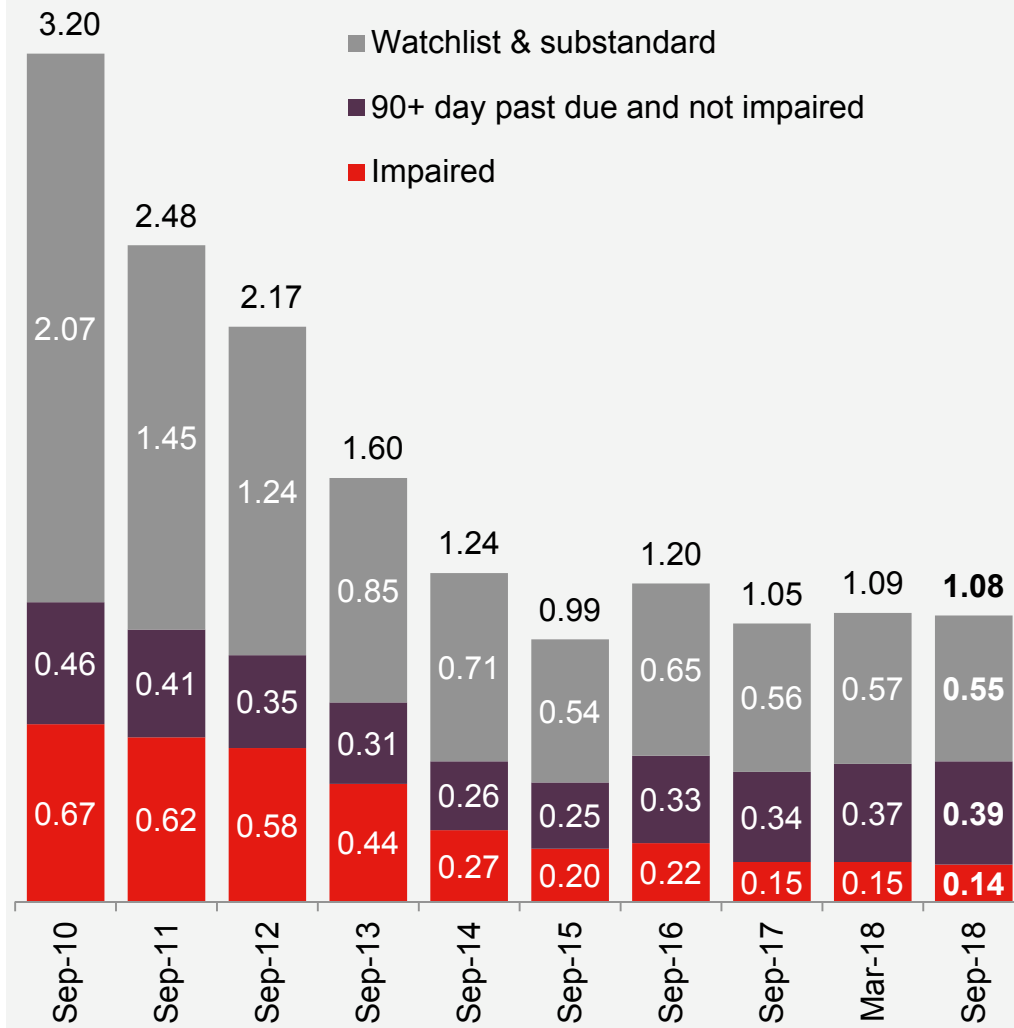
## FTE movements





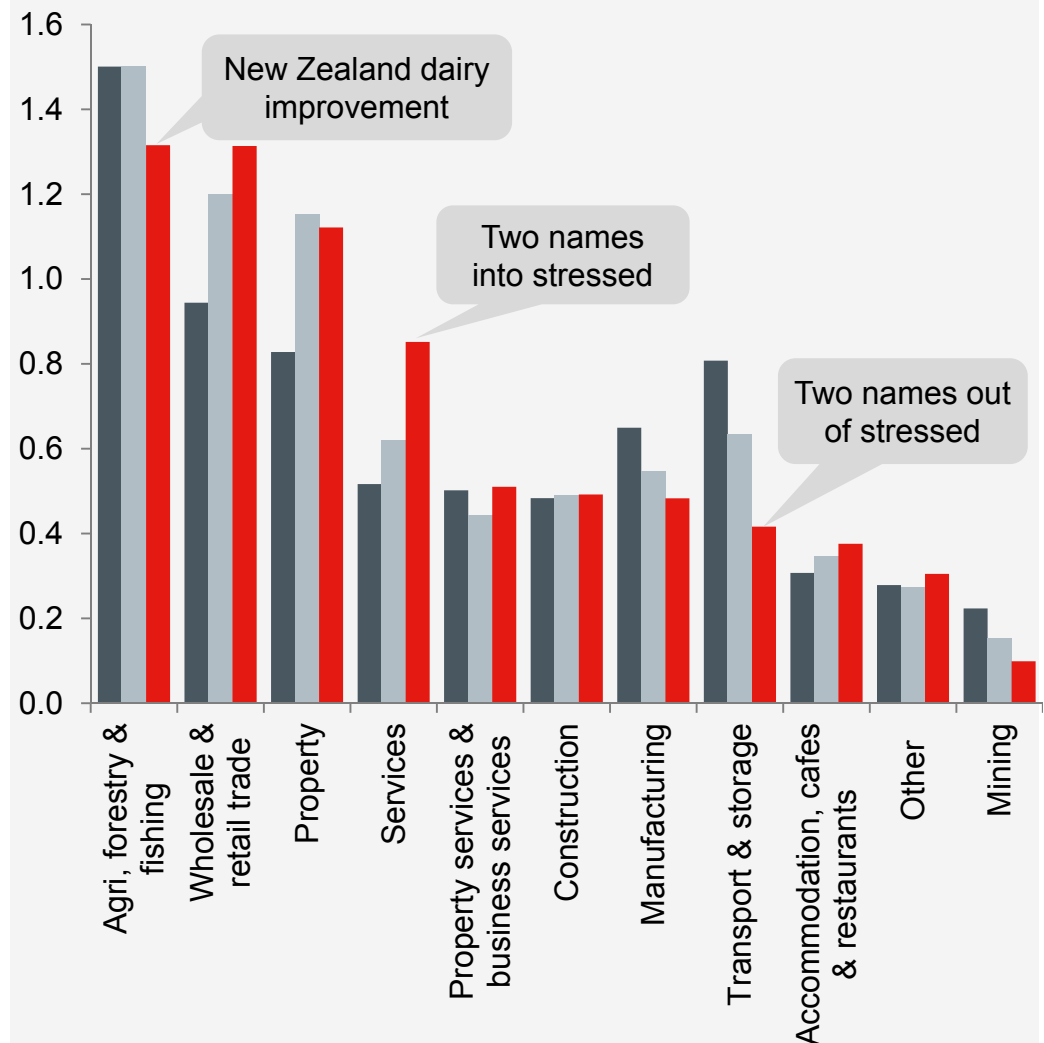
# Credit quality **sound**

## Stressed assets as a % of TCE<sup>1</sup>



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

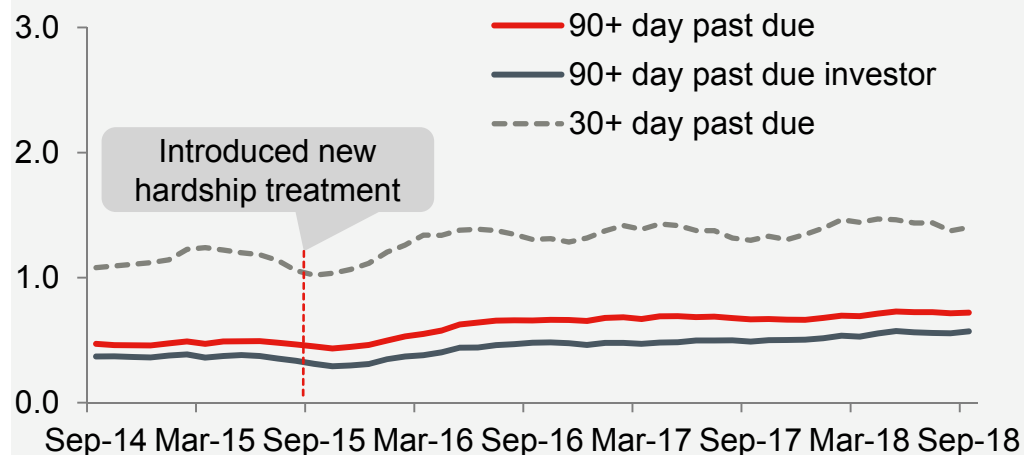
## Corporate/business stressed exposure by sector (\$bn)



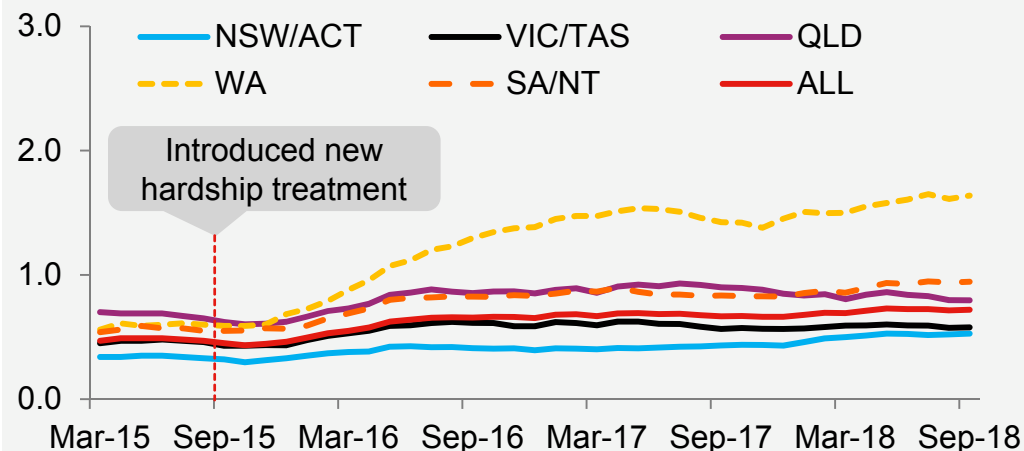
# Australian mortgages performing well

24

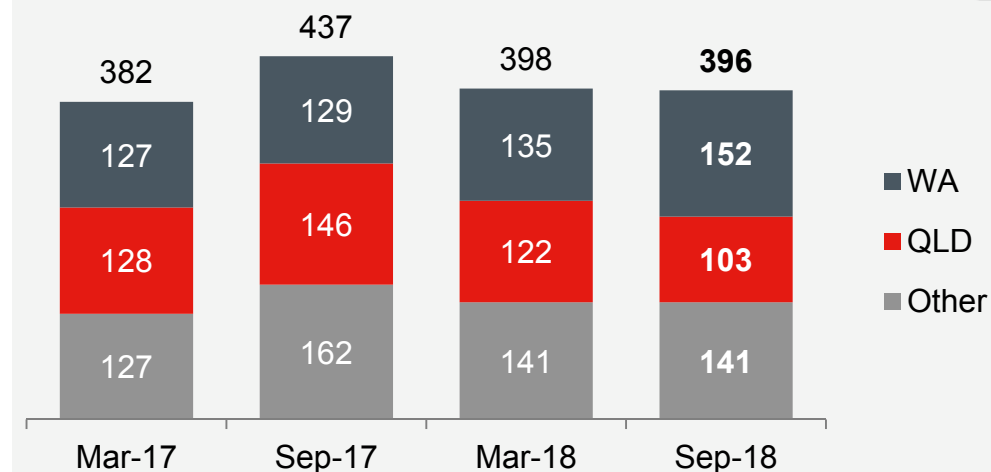
## Australian mortgage portfolio delinquencies (%)



## Australian mortgages 90+ day delinquencies by State (%)



## Property in possession (number)



<sup>1</sup> Including offset balances.

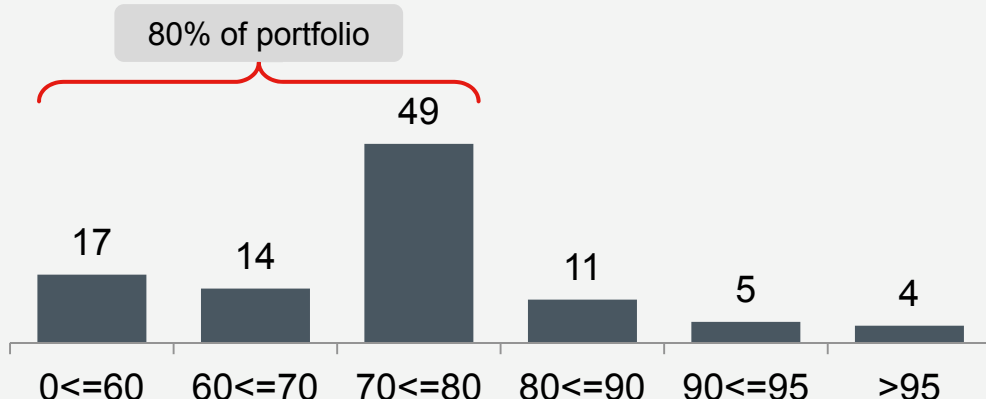
## Australian mortgage portfolio characteristics

|                                            | Sep-17 | Mar-18 | Sep-18 |
|--------------------------------------------|--------|--------|--------|
| 30+ day delinquencies                      | 130bps | 144bps | 140bps |
| 90+ day delinquencies                      | 67bps  | 69bps  | 72bps  |
| Customers ahead of repayments <sup>1</sup> | 70%    | 68%    | 69%    |
| Dynamic LVR (weighted average)             | 52%    | 52%    | 54%    |

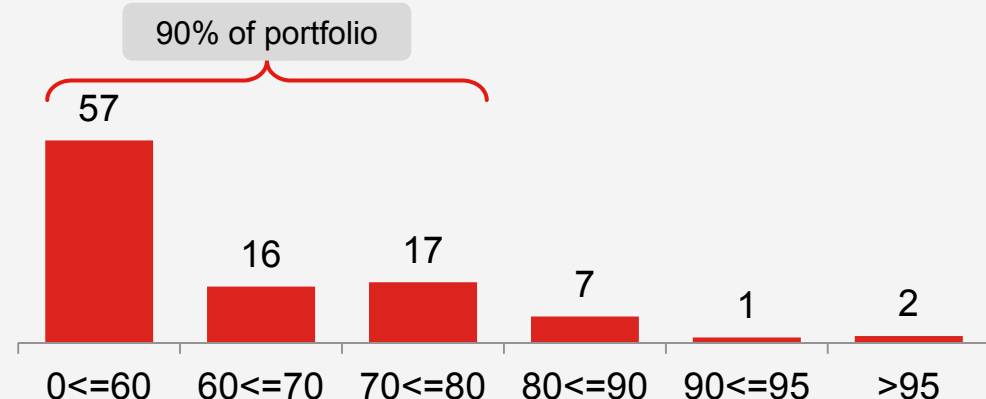
# Well collateralised mortgage portfolio

## Australian housing LVRs (%)

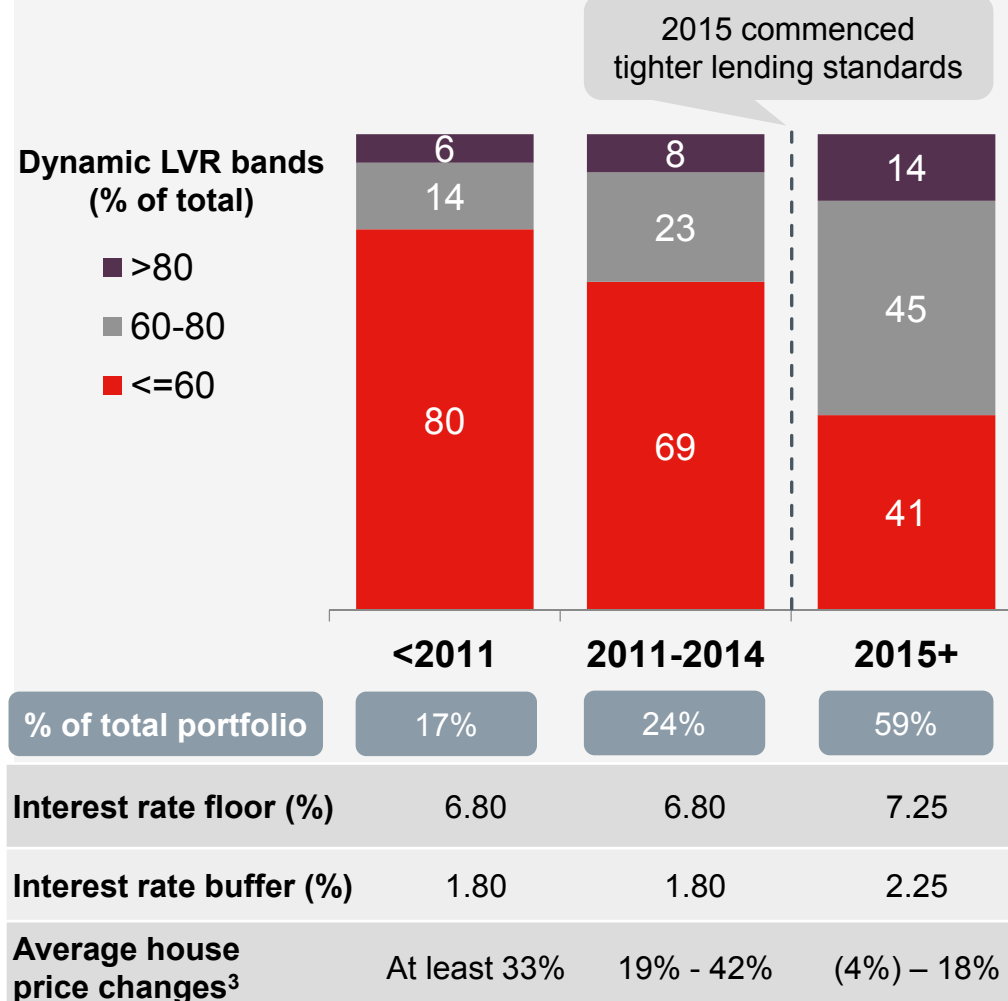
### Portfolio LVR at origination



### Portfolio dynamic LVR



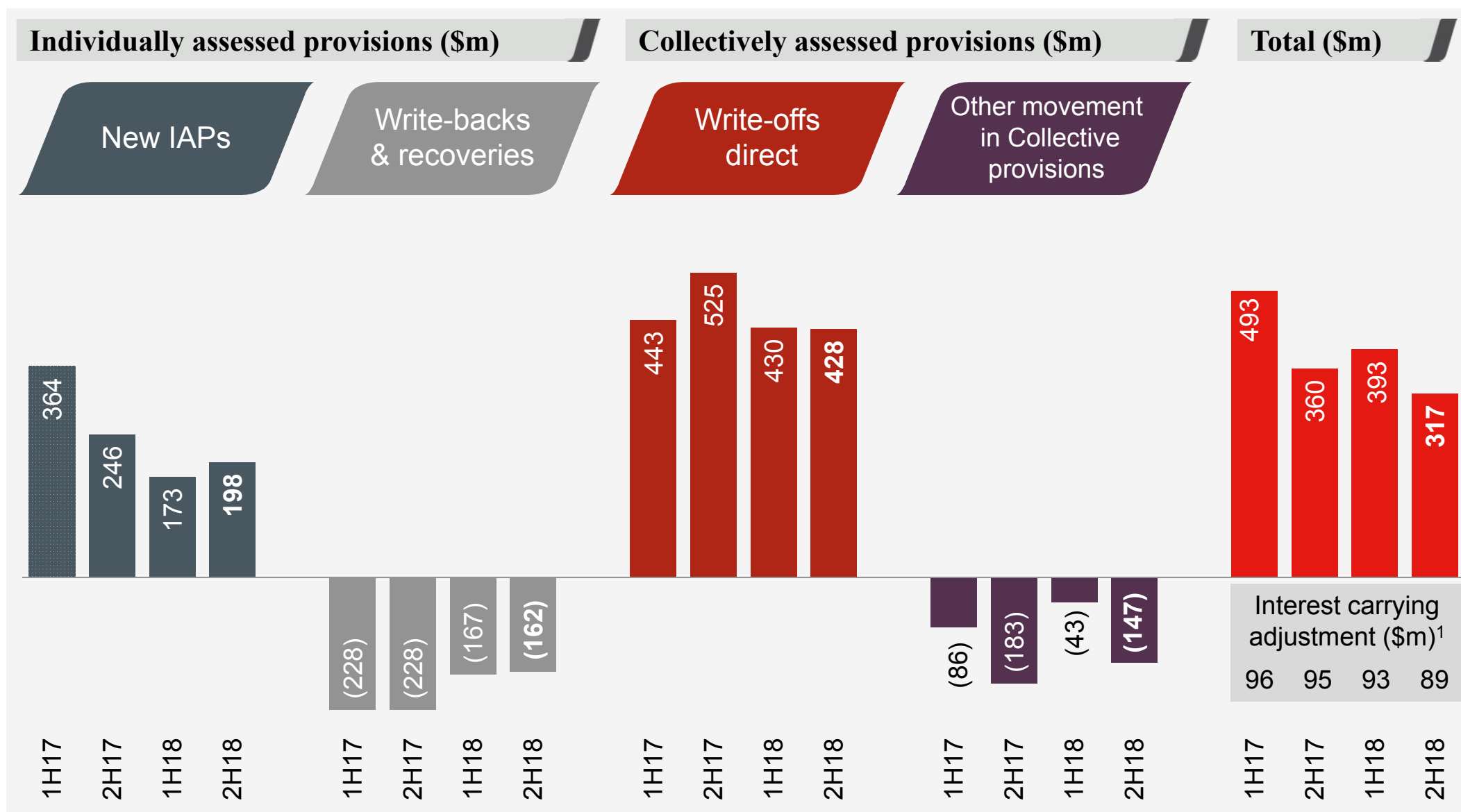
## Australian mortgages<sup>1</sup> by origination date and dynamic LVR<sup>2</sup> (%)



<sup>1</sup> Analysis based on a portfolio of residential mortgages. Some mortgages not included as they were originated on different systems and have some data differences i.e. RAMS, certain business mortgages (including construction) and SMSF loans.

<sup>2</sup> Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, estimated changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. <sup>3</sup> Changes in house prices based on house price indices (and average not separate valuations) Source: Westpac Economics, CoreLogic. All dwellings Australia - average 8 major capital cities. Prices to September 2018.

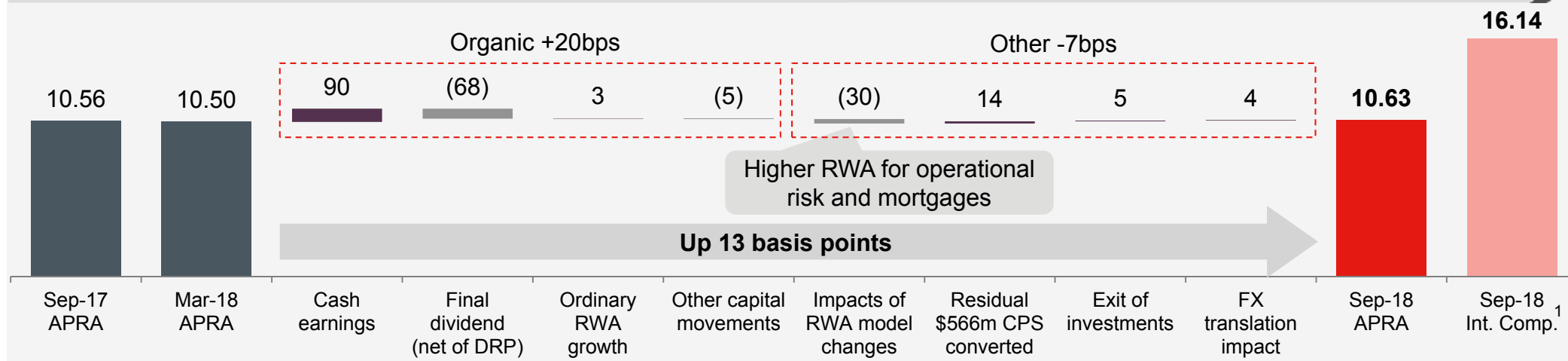
# Impairment charge **low at 9bps**



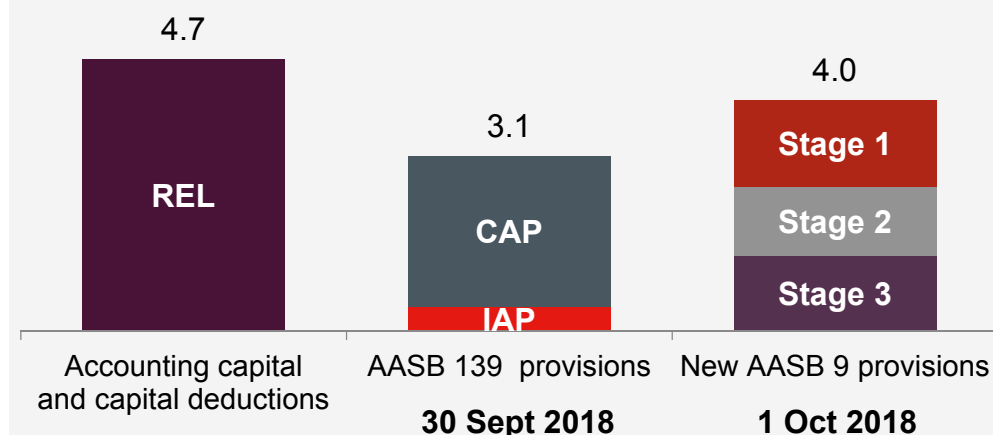
<sup>1</sup> Interest carrying adjustment is reported in net interest income and not in the impairment charge.

# CET1 ratio 10.6%

## CET1 capital ratio (% and bps)



## Impact of AASB 9 on capital



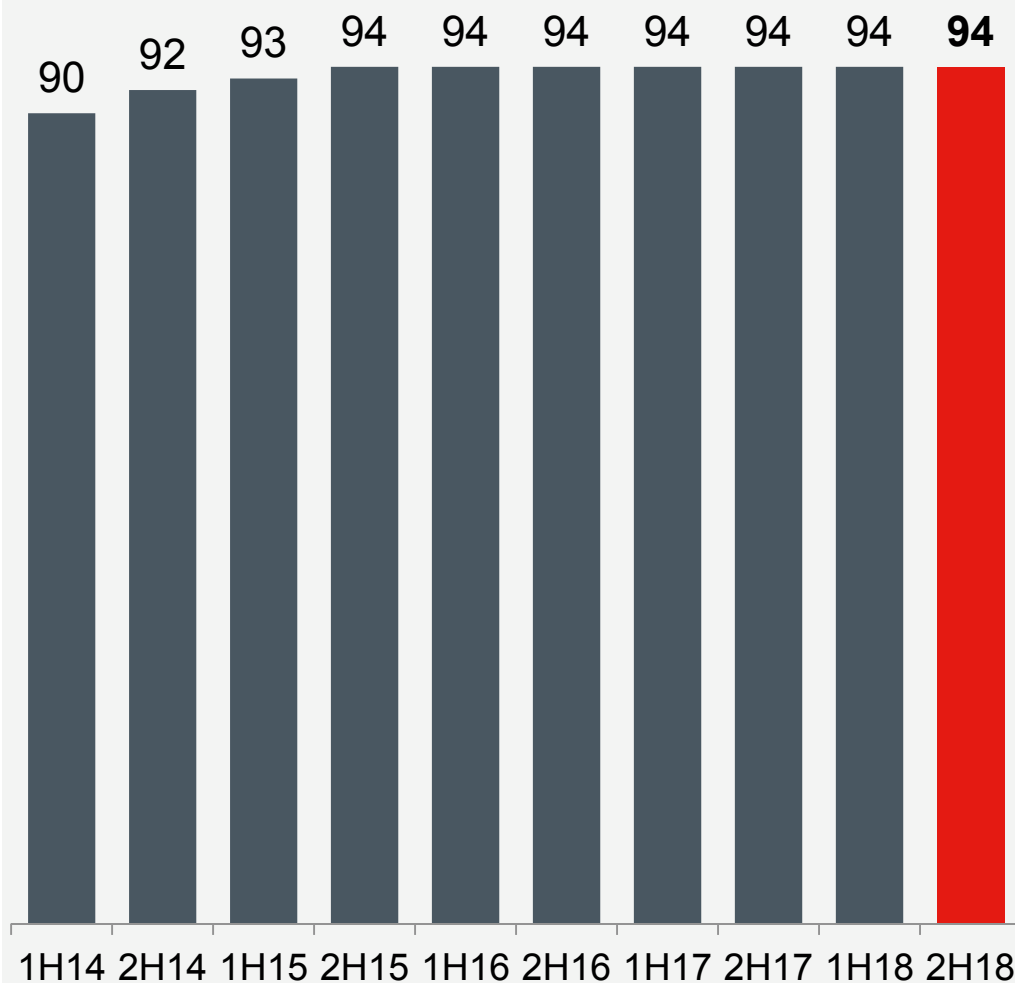
- Minimal (<1bps) impact on capital from AASB 9 introduction
- Expect ~\$974m lift in accounting provisions
- New provisions below current capital deductions related to credit of \$1.65bn
- Proforma CAP<sup>2</sup> to Credit RWA rises to 99bps (from 73bps)

<sup>1</sup> Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. <sup>2</sup> Collectively assessed provision balance.



# Unchanged dividend

## Dividends per ordinary share (cents)

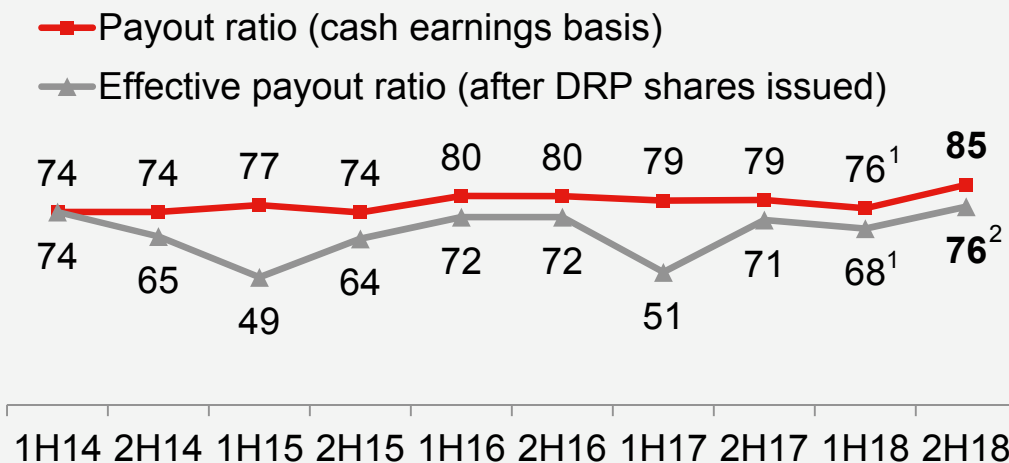


1 Includes conversion of CPS to ordinary shares. 2 2H18 assumes DRP participation rate of 10%.

## Dividend considerations

- Sustainability of the payout ratio over the medium term
- CET1 capital ratio = unquestionably strong benchmark
- Surplus franking credits
- FY18 Bank Levy equivalent to 8 cents per share

## Dividend payout ratio (%)



# Considerations for FY19

---

- Expect system credit growth to moderate
- Continued focus on return
- Margin: recent mortgage repricing to flow through, expect continued price competition and industry changes to calculation of credit card interest rates
- Non-interest income: will reflect previously announced impacts of repositioning wealth
- Expenses targeting 1% reduction on FY18<sup>1</sup>
  - ~\$400m of productivity savings
- Credit quality: expected to remain in good shape
- Capital: well placed for unquestionably strong

<sup>1</sup> FY18 cost base includes Hastings costs of \$158m and remediation/litigation costs of \$112. For FY19, the 1% reduction we are seeking to achieve excludes any potential remediation related costs/litigation and the impact of new accounting standards.



**Brian Hartzler**  
Chief Executive Officer

1

## Deal with outstanding issues

- 'Get it right, put it right' initiative
- Customer remediation programs
- Royal Commission response
- Advice model

2

## Momentum in customer franchise

- Roll out of Customer Service Hub
- Accelerate growth in Panorama
- Continue migration to digital sales and service

3

## Structural cost reduction

- Lift productivity to ~\$400m
- Targeting 1% cost reduction on FY18<sup>1</sup>

<sup>1</sup> FY18 cost base includes Hastings costs of \$158m and remediation/litigation costs of \$112. For FY19, the 1% reduction we are seeking to achieve excludes any potential remediation related costs/litigation and the impact of new accounting standards.



# Investor Discussion Pack

**Proudly  
Supporting  
Australia**

**Westpac Banking Corporation**  
ABN 33 007 457 141

Financial results throughout this Investor Discussion Pack are in Australian dollars and based on cash earnings unless otherwise stated  
Refer page 41 for definition. Results principally cover the FY18, FY17 and 2H18 and 1H18 periods. Comparison of 2H18 versus 1H18 (unless otherwise stated)





# Strategy



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

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

**WBK**  
LISTED  
**NYSE**

Strategy | 34

- In its 202<sup>nd</sup> year, Australia's first bank and first company, opened 1817
- Australia's 2nd largest bank and 20<sup>th</sup> largest bank in the world; ranked by market capitalisation<sup>1</sup>
- Well positioned across key markets with a service-led strategy focused on customers
- Supporting consumers and businesses in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range of financial services including consumer, business and institutional banking, and wealth administration
- One of the most efficient banks globally<sup>2</sup>
- Consistent earnings profile over time
- Capital ratios are in the top quartile globally, with sound credit quality
- Credit ratings<sup>3</sup> AA- / Aa3 / AA-
- Leader in sustainability<sup>4</sup>

## Consumer Bank



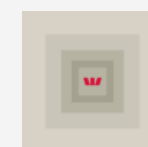
## Business Bank



## BT Financial Group



## Institutional Bank



## Westpac New Zealand



## Key statistics at 30 September 2018

|                                                        |       |
|--------------------------------------------------------|-------|
| Customers                                              | 14.2m |
| Australian household deposit market share <sup>5</sup> | 23%   |
| Australian mortgage market share <sup>6</sup>          | 23%   |
| Australian business credit market share <sup>6</sup>   | 19%   |
| New Zealand deposit market share <sup>7</sup>          | 18%   |
| New Zealand consumer lending market share <sup>7</sup> | 19%   |
| Australian wealth platforms market share <sup>8</sup>  | 19%   |

## Key financial data for Full Year 2018

|                                                 |          |
|-------------------------------------------------|----------|
| Reported net profit after tax                   | \$8,095m |
| Cash earnings                                   | \$8,065m |
| Expense to income ratio <sup>9</sup>            | 43.7%    |
| Common equity Tier 1 capital ratio (APRA basis) | 10.6%    |
| Return on equity <sup>9</sup>                   | 13.0%    |
| Total assets                                    | \$880bn  |
| Market capitalisation <sup>10</sup>             | \$96bn   |

1 30 September 2018 Source: S&P Capital IQ, based in US\$. 2 Credit Suisse analysis of expense to income ratio of world's largest banks October 2018. 3 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings has Westpac on a negative outlook, Moody's Investor Services and Fitch Ratings have Westpac on a stable outlook. 4 A member of banking sector leadership group DJSI World, since 2002. Ranked leader in Sustainability ESG Rating. 5 APRA Banking Statistics, September 2018. 6 RBA Financial Aggregates, September 18. 7 RBNZ, September 2018. 8 Strategic Insights June 2018, All Master Funds Admin. 9 Cash earnings basis. 10 Based on share price at 28 September 2018 of \$27.93.

# Progress on our strategic agenda

**Our Vision:** To be one of the world's great service companies, helping our customers, communities and people to prosper and grow

| Strategic Priorities | <br><b>Service Leadership</b> | <br><b>Performance Discipline</b> | <br><b>Digital Transformation</b>       | <br><b>Targeted Growth</b> | <br><b>Workforce Revolution</b> |
|----------------------|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| Measures             | Grow customer base and deepen relationships                                                                    | Seeking to achieve 13-14% ROE (medium-term)                                                                         | Cost growth 2-3% per annum and expense to income ratio below 40%<br>In FY19, aiming for 1% reduction in costs <sup>2</sup> | Stronger growth in wealth and SME                                                                             | Employee engagement in top quartile of high performing norms, women in leadership <sup>1</sup> 50%                 |
| Progress FY18        | Customer numbers up 2% ✓<br>Customers with a wealth product <sup>1</sup> down 1ppt ✗                           | ROE 13.0% ✓<br>Down 77bps                                                                                           | Expenses up 5% ✗<br>(3% excluding infrequent items <sup>3</sup> ) ✓<br>Expense to income ratio 43.7% ✗                     | Funds up 7% ✓<br>(continuing businesses) ✓<br>SME lending up 3%                                               | Women in Leadership 50% ✓<br>Employee sentiment 73% <sup>3</sup> ✓                                                 |

1 Refer pages 148 & 149 for metric definitions. 2 Excluding changes in remediation related costs and the impact of new accounting standards. 3 Infrequent items include Hastings exit costs and provisions for estimated costs associated with customer payments and refunds and litigation settlements. 3 Employee engagement is surveyed every two years. In 2017, employee engagement was 79%. Employee sentiment survey conducted monthly. The six month rolling average of sentiment has been stable at 73% through the year.

## Completed ABA<sup>1</sup> six point plan

- 1. Reviewing product sales and commissions for bank staff**
  - Sales incentives removed for tellers
  - Removed product sales targets for personal bankers
- 2. Making it easier for customers when things go wrong**
  - Created a new division, Customer and Corporate Relations (Jul 18). To centralise and improve complaints management processes, solve issues faster, and better identify root-causes
  - Customer advocate appointed (Nov 16)
  - Prioritising long-dated complaints
  - Updated customer remediation policy and governance
- 3. Reaffirming support for whistleblowers**
  - Updated whistleblowing policy (Nov 18)
- 4. Removing individuals from the industry for poor conduct**
  - Implemented Conduct Background Checking Protocol, and consequence management framework
- 5. Strengthen commitment to customers in the Banking Code of Practice**
  - Revised Banking Code of Practice approved July 2018
  - Committed to implementing within 12 months of approval
- 6. Supporting ASIC as a strong regulator**
  - New funding model in place

## Get it Right. Put it Right

- Dedicated initiative to identify where we may not have got it right, and where problems are identified we fix them
- Empowering employees to fix issues directly
- Progressing a number of programs to improve products, policies, and procedures for customers. Changes implemented include:
  - Simplified and lowered fees for personal transaction accounts
  - Introduced simplified mortgage package product
  - Reduced FX fees for online payments
  - Updated credit policies around living expenses and commitments
  - New, shorter, plain-English loan documents and strengthened protections under small business contracts
  - Introduced least-cost routing on payment terminals for business customers
  - Removal of grandfathered commissions payments to salaried financial planners
  - Introduced simplified and lower pricing schedule for Panorama (funds administration platform)
  - Pricing and underwriting changes to life insurance, including applying minimum medical definitions to all products, including those no longer on sale

## Delivering for customers

- Helping customers manage their finances
  - Ability to reduce credit card limit online
  - Enabling alerts via SMS or email 5 days before monthly credit card repayment is due
  - Ability to restrict debit transactions on credit cards and block transactions to gambling firms
  - Introduced Westpac SmartPlan, a structured repayment plan, enabling customers to break down large items on their credit card into regular monthly instalments
  - Westpac Lite a “no frills” credit card
- Helping customers in times of need
  - Over 37,000 customers in hardship supported with financial assistance packages
  - Introduced dementia-friendly banking in partnership with Alzheimer’s Australia
  - Fraud guarantee; monitor fraud and fix it when retail customers lose money through no fault of their own
  - \$100m Drought Assistance Package to support lending to farmer and agribusiness customers
- Enhancing complaints management
  - Centralising complaints resources
  - Strengthening policy and process around complaints handling
  - Reducing long-standing matters
  - Complementing the work of Customer Advocate

<sup>1</sup> Australian Banking Association.

## Targeted growth

### Australia

- # 2 in mortgage market share<sup>1</sup> (23%)
- # 2 in credit card market share<sup>2</sup> (23%)
- # 2 in household deposit market share<sup>2</sup> (23%)
- #2 MFI consumer market share<sup>3</sup> (17%)
- #2 MFI SME market share<sup>3</sup> (21%)
- #2 MFI commercial market share<sup>3</sup> (25%)
- #1 in platform new flow<sup>4</sup> (20%)
- #1 in platform funds under administration<sup>4</sup> (19%)

### New Zealand

- # 3 in home loan market share<sup>5</sup> (19%)
- # 2 in deposits<sup>5</sup> (18%)

## Supporting customers via digital

### Australia

- 4.8m active digital customers
- 3.5m active mobile users
- 3.8m daily mobile app logins
- 9.4m accounts on digital mail
- 1.8m digital transactions daily
- Australia first to enable Siri voice banking including payment
- Australia first to enable mobile cheque deposit

### New Zealand

- 0.8m active digital customers
- 0.6m active mobile users
- 0.5m daily mobile app logins
- # 1 Canstar's 2018 Bank of the Year for Everyday Banking (third year in a row)

## Strong balance sheet

- APRA
  - 10.6% CET1 capital ratio
  - 5.8% leverage ratio
- Internationally comparable
  - 16.1% CET1 capital ratio
  - 6.5% leverage ratio
- 63% deposit funded
- 133% LCR and 114% NSFR
- 6.5 years weighted average maturity for new issuance
- SEC registered
- AA-/Aa3/AA- credit rating<sup>6</sup>

1 RBA Financial Aggregates, September 18. 2 APRA Banking Statistics, September 2018. 3 Refer page s 148 & 149 for metric definitions and details of metric provider. 4 Strategic Insights June 2018, All Master Funds Admin 5 RBNZ, September 2018. 6 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings has Westpac on a negative outlook, Moody's Investor Services and Fitch Ratings have Westpac on a stable outlook.



## Strong strategic position – consistent strategy

- No. 1 or 2 position across key markets – all divisions well placed
- Unique portfolio of brands, reaching more customers
- Strategic position in wealth with a comparative advantage in platforms
- No material non-core businesses
- Highly experienced executive team

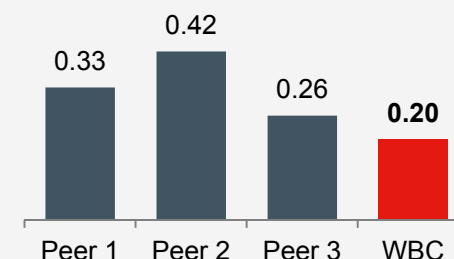
## Sustainability leadership

- Australia's first bank and first company, opened 1817
- First Australian bank to:
  - Sign Equator Principles 2003
  - Commit to 2 degree economy 2014
  - Publicly support TCFD recommendations 2017
- Foundation member of UNEP FI's Principles for responsible banking 2018
- Member of global banking leadership group in Dow Jones Sustainability Index since 2002, sector leader 10 times, ranked #17 in 2018

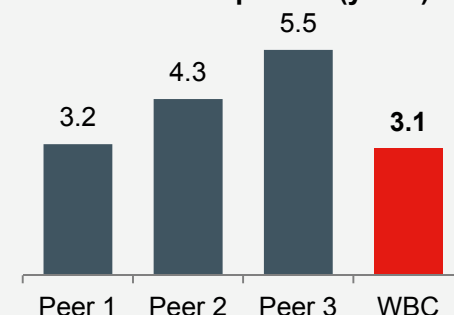
## Conservative balance sheet

- Strong credit quality with lowest impaired assets of peers
- Provision cover at upper end of peers
- Balance sheet weighted to mortgages
- Capital ratios at top end of banks globally
- Disciplined amortisation of capitalised software
- Only Australian Bank SEC registered – Sarbanes Oxley certification

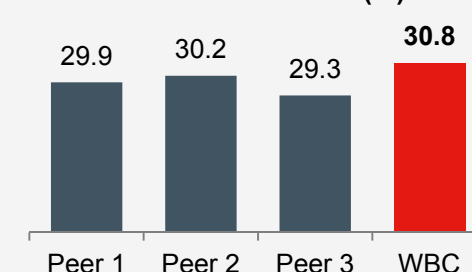
### Impaired assets to gross loans<sup>1</sup> (%)



### Capitalised software average amortisation period<sup>1</sup> (years)



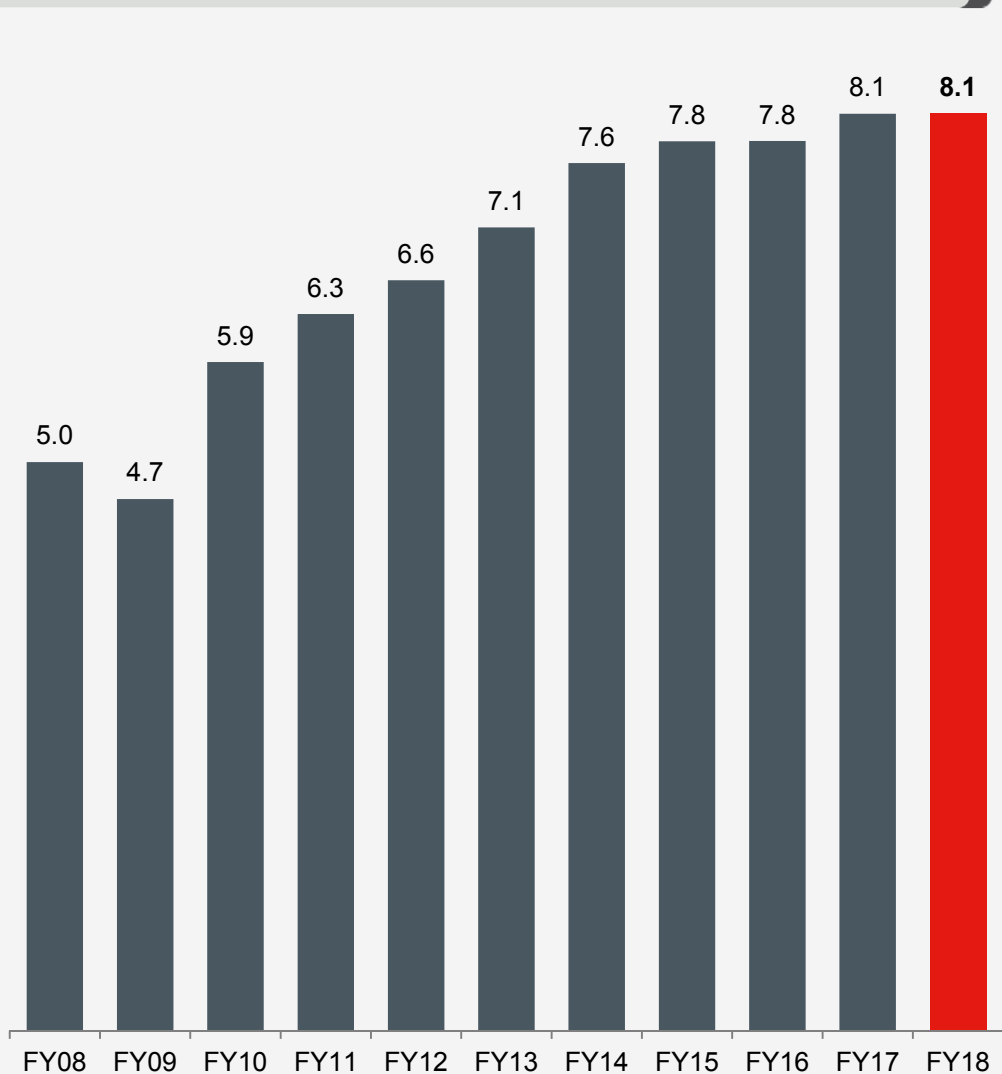
### Effective tax rate<sup>1</sup> (%)



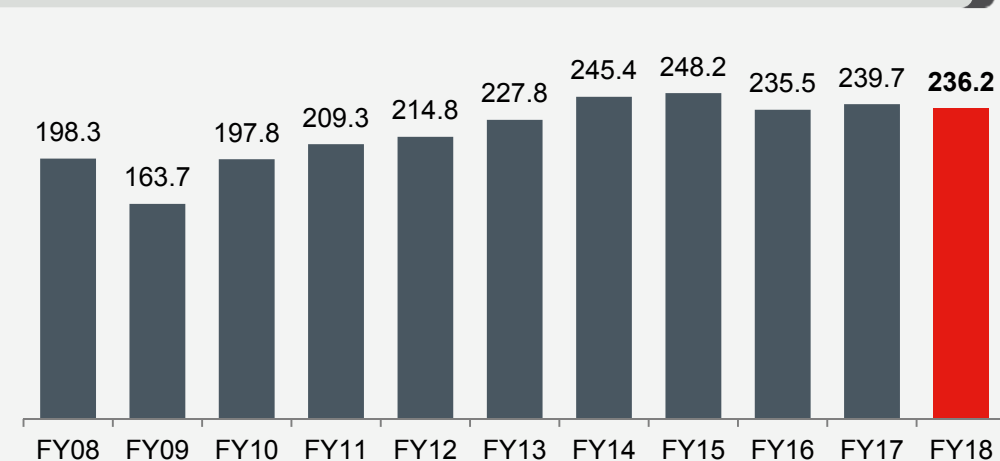
<sup>1</sup> Peer 1 and 2 are on continuing operations basis, Peer 3 excludes restructuring expenses. Peers based on FY18 results as reported.

# Consistent performer over the long term

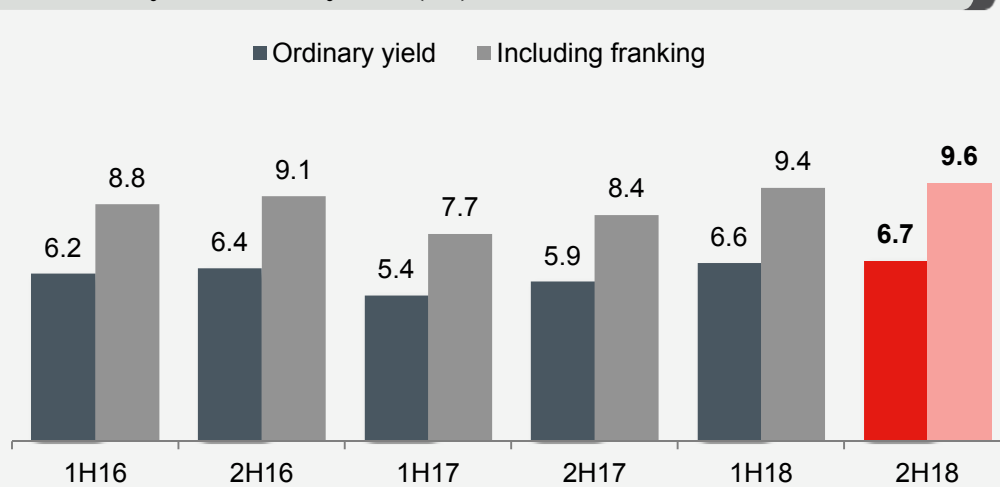
Cash earnings (\$bn)



Cash earnings per share (cents)



Ordinary dividend yield (%)





# Overview



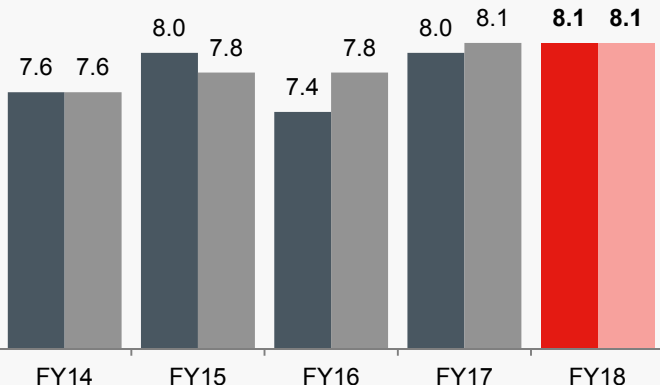
# Cash earnings and reported net profit reconciliation

## Cash earnings<sup>1</sup> policy

- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- This measure has been used in the Australian banking market for over 15 years and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for:
  - Material items that key decision makers at 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

## Reported net profit and cash earnings (\$bn)

■ Reported profit ■ Cash earnings



|                      | FY18<br>(\$m) | %<br>chg<br>FY18-<br>FY17 | % chg<br>2H18-<br>1H18 |
|----------------------|---------------|---------------------------|------------------------|
| Cash earnings        | 8,065         | -                         | (10%)                  |
| Cash EPS (cents)     | 236.2         | (1%)                      | (11%)                  |
| Reported net profit  | 8,095         | 1%                        | (7%)                   |
| Reported EPS (cents) | 237.5         | -                         | (8%)                   |

## Reported net profit and cash earnings adjustments (\$m)

|                                                     | FY17  | FY18  |
|-----------------------------------------------------|-------|-------|
| Reported net profit                                 | 7,990 | 8,095 |
| Amortisation of intangible assets                   | 137   | 17    |
| Fair value (gain)/loss on economic hedges           | 69    | (126) |
| Ineffective hedges                                  | 16    | 13    |
| Adjustments related to Pandal Group (formerly BTIM) | (171) | 73    |
| Treasury shares                                     | 21    | (7)   |
| Cash earnings                                       | 8,062 | 8,065 |

<sup>1</sup> Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax. For further details refer to page 142.



|                                                 | FY18   | Change<br>FY18 – FY17 | Change<br>2H18 – 1H18 |
|-------------------------------------------------|--------|-----------------------|-----------------------|
| <b>Earnings<sup>1</sup></b>                     |        |                       |                       |
| Earnings per share (cents)                      | 236.2  | (1%)                  | (11%)                 |
| Core earnings (\$m)                             | 12,365 | (1%)                  | (10%)                 |
| Cash earnings (\$m)                             | 8,065  | -                     | (10%)                 |
| Return on equity (%)                            | 13.0   | (77bps)               | (188bps)              |
| Dividend (cents per share)                      | 94     | -                     | -                     |
| Expense to income ratio (%)                     | 43.7   | 143bps                | 393bps                |
| Net interest margin (%)                         | 2.11   | 2bps                  | (12bps)               |
| <b>Credit quality</b>                           |        |                       |                       |
| Impairment charges to average gross loans (bps) | 10     | (3bps)                | (2bps)                |
| Impaired assets to gross loans (bps)            | 20     | (2bps)                | (2bps)                |
| Impaired provisions to impaired assets (%)      | 46.1   | (18bps)               | 58bps                 |

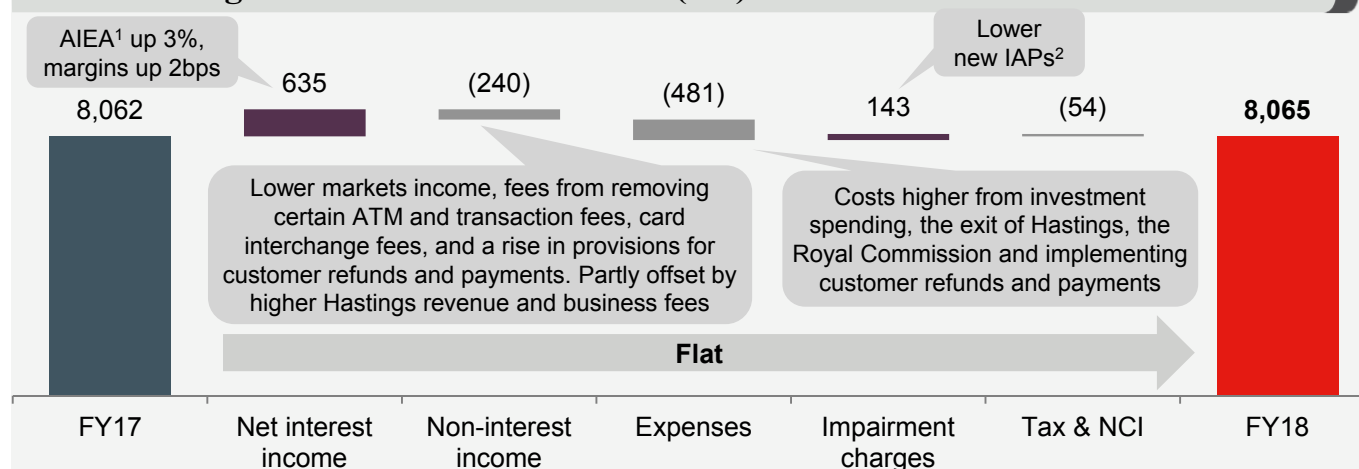
|                                                                   | FY18  | Change<br>FY18 – FY17 | Change<br>2H18 – 1H18 |
|-------------------------------------------------------------------|-------|-----------------------|-----------------------|
| <b>Balance sheet</b>                                              |       |                       |                       |
| Total assets (\$bn)                                               | 879.6 | 3%                    | 1%                    |
| Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)        | 10.63 | 7bps                  | 13bps                 |
| CET1 capital ratio (Internationally comparable <sup>2</sup> ) (%) | 16.14 | (6bps)                | 1bp                   |
| CET1 capital (\$bn)                                               | 45.2  | 6%                    | 4%                    |
| Risk weighted assets (\$bn)                                       | 425   | 5%                    | 2%                    |
| Loans (\$bn)                                                      | 709.7 | 4%                    | 1%                    |
| Customer deposits (\$bn)                                          | 517.8 | 6%                    | 3%                    |
| Net tangible assets per share (\$)                                | 15.39 | 5%                    | 3%                    |
| <b>Funding and liquidity</b>                                      |       |                       |                       |
| Customer deposit to loan ratio (%)                                | 73.0  | 190bps                | 137bps                |
| Net stable funding ratio (%)                                      | 114   | 5ppts                 | 2ppts                 |
| Liquidity coverage ratio (%)                                      | 133   | 9ppts                 | (1ppt)                |
| Total liquid assets <sup>3</sup> (\$bn)                           | 153.7 | 12%                   | 4%                    |

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

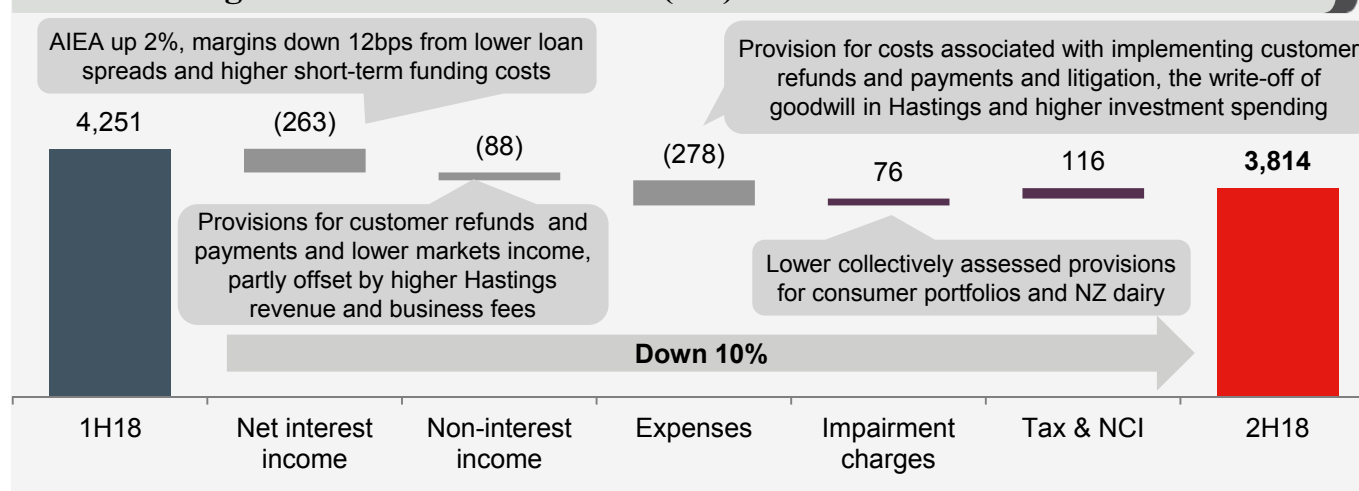
# Cash earnings impacted by infrequent items of \$281m in 2H18

|                                   | FY18<br>\$m  | % Change<br>FY18 –<br>FY17 | % Change<br>2H18 –<br>1H18 |
|-----------------------------------|--------------|----------------------------|----------------------------|
| Net interest income               | 16,339       | 4                          | (3)                        |
| Non-interest income               | 5,612        | (4)                        | (3)                        |
| Expenses                          | (9,586)      | 5                          | 6                          |
| Core earnings                     | 12,365       | (1)                        | (10)                       |
| Impairment charges                | (710)        | (17)                       | (19)                       |
| Tax and non-controlling interests | (3,590)      | 2                          | (6)                        |
| <b>Cash earnings</b>              | <b>8,065</b> | <b>-</b>                   | <b>(10)</b>                |
| <b>Reported net profit</b>        | <b>8,095</b> | <b>1</b>                   | <b>(7)</b>                 |

## Cash earnings features of FY18 – FY17 (\$m)

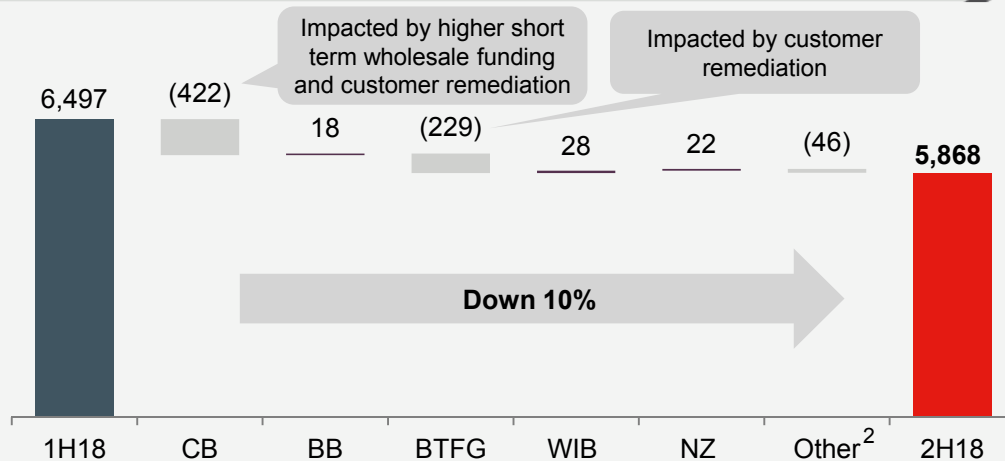


## Cash earnings features of 2H18 – 1H18 (\$m)

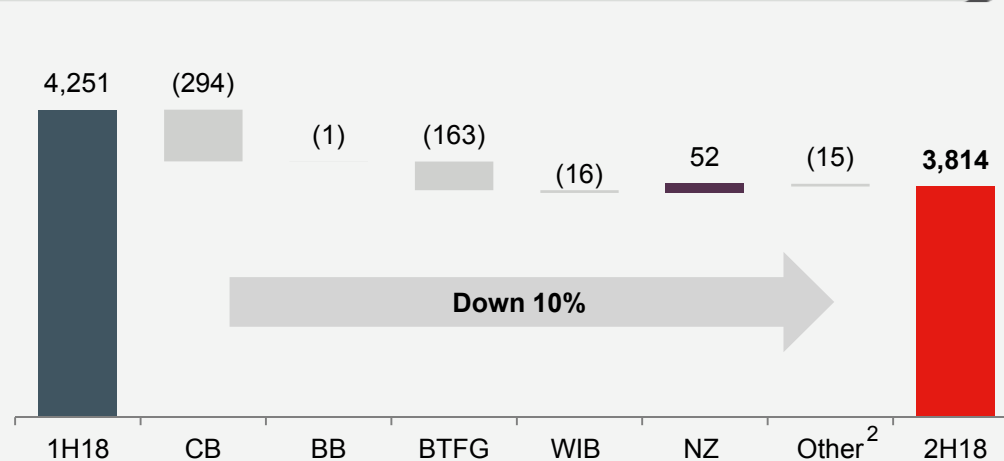


1 Average interest-earning assets. 2 Individually assessed provisions.

## 2H18 divisional<sup>1</sup> core earnings movements (\$m)



## 2H18 divisional<sup>1</sup> cash earnings movements (\$m)



| 2H18 (\$m)                      | CB           | BB           | BTFG       | WIB        | NZ         | Other <sup>2</sup> | Group        |
|---------------------------------|--------------|--------------|------------|------------|------------|--------------------|--------------|
| Operating income                | 4,077        | 2,644        | 1,043      | 1,548      | 1,091      | 397                | 10,800       |
| Expenses                        | (1,812)      | (946)        | (690)      | (771)      | (431)      | (282)              | (4,932)      |
| Core earnings                   | 2,265        | 1,698        | 353        | 777        | 660        | 115                | 5,868        |
| Impairment (charges)/benefits   | (218)        | (154)        | (3)        | 21         | 22         | 15                 | (317)        |
| Tax & non-controlling interests | (624)        | (465)        | (109)      | (263)      | (189)      | (87)               | (1,737)      |
| <b>Cash earnings</b>            | <b>1,423</b> | <b>1,079</b> | <b>241</b> | <b>535</b> | <b>493</b> | <b>43</b>          | <b>3,814</b> |
| <b>% of Group cash earnings</b> | <b>37</b>    | <b>28</b>    | <b>6</b>   | <b>14</b>  | <b>13</b>  | <b>2</b>           |              |

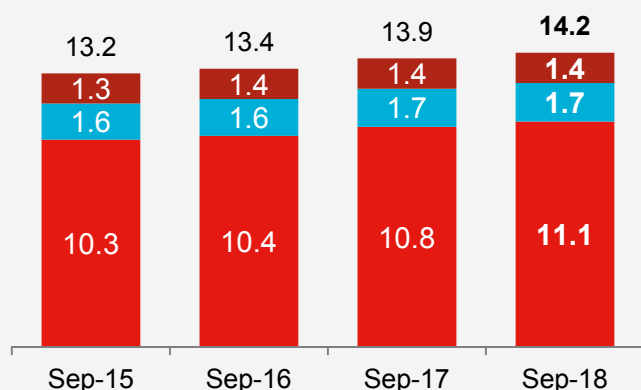
1 Refer to division definitions, page 145. 2 Other is Group Businesses (including Treasury).

# More customers, deeper relationships and strong balance sheet

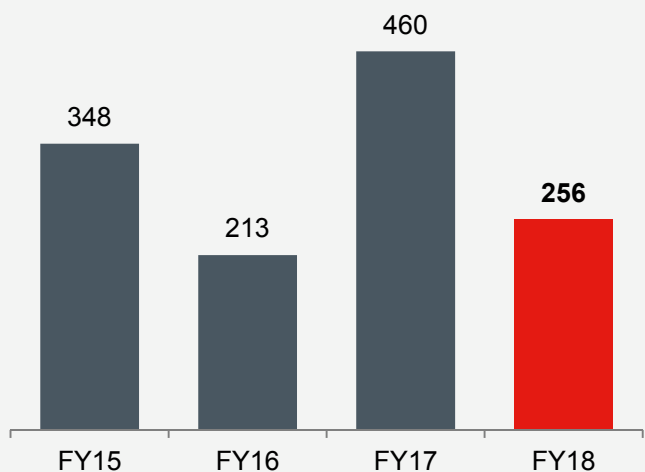
## Grow customers

### Customer numbers (#m)

■ Australian banking<sup>1</sup> ■ BT and WIB ■ New Zealand



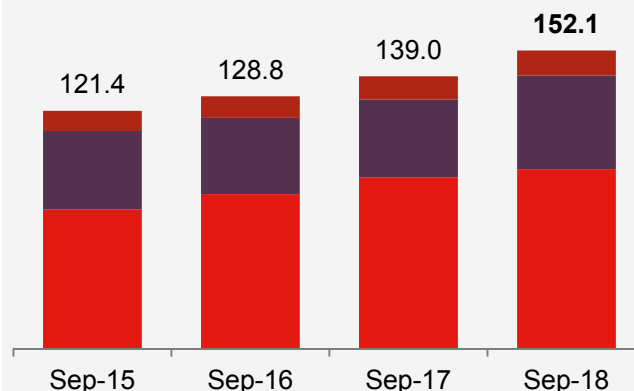
### Increase in customer numbers (#'000's)



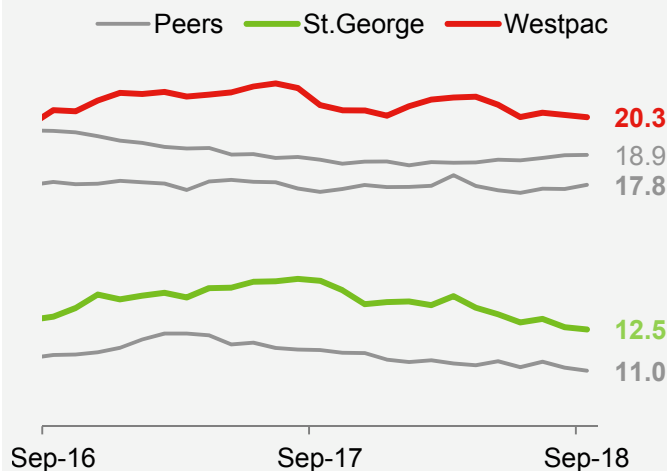
## Deepen relationships

### Transaction account balances (\$bn)

■ Australian retail<sup>2</sup> ■ WIB<sup>3</sup> ■ New Zealand<sup>4</sup>

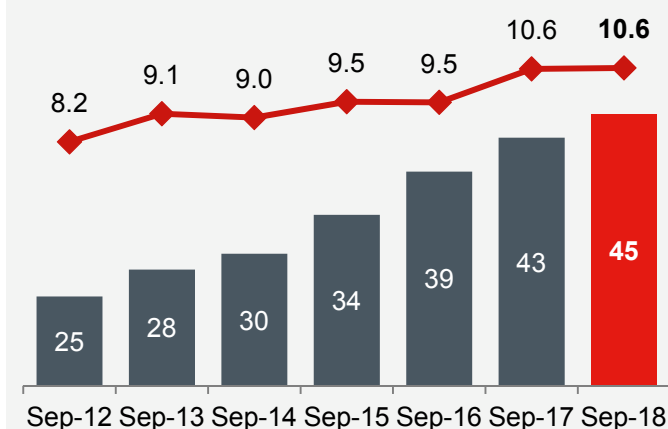


### Australian customers with a wealth product<sup>5</sup> (%)

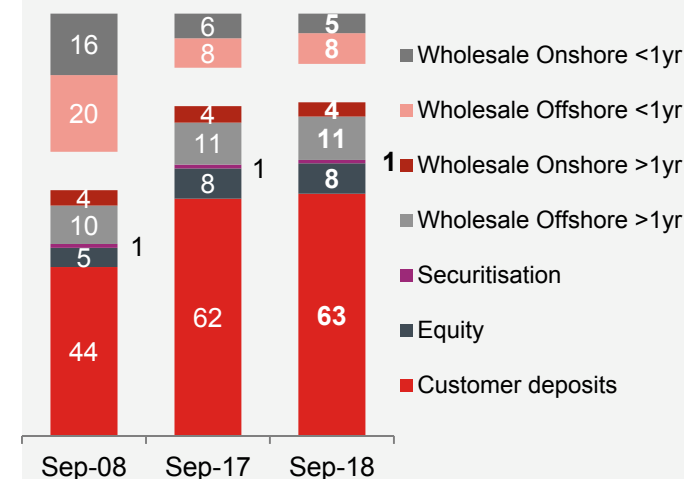


## Maintain balance sheet strength

### CET1 capital ratio (%) and capital (\$bn)



### Funding composition by residual maturity (%)

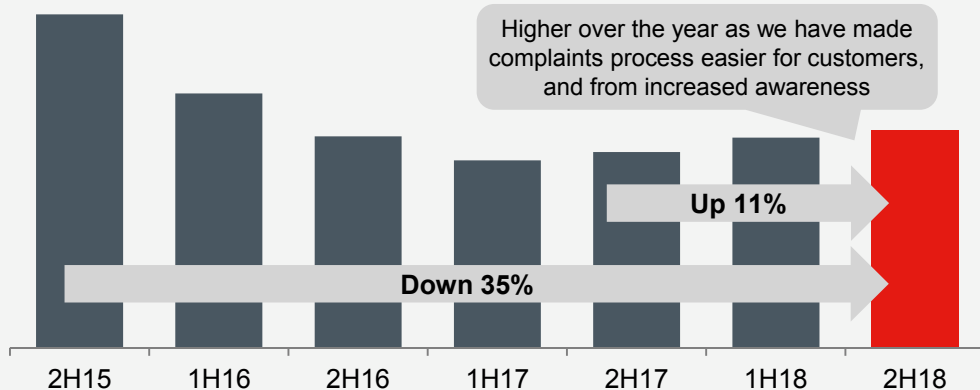


1 Australian banking refers to Consumer Bank and Business Bank. 2 Australian retail refers to Consumer Bank, Business Bank and Private Wealth. 3 WIB includes Group Businesses. 4 In A\$. 5 Refer to page 148 for details of metric provider.

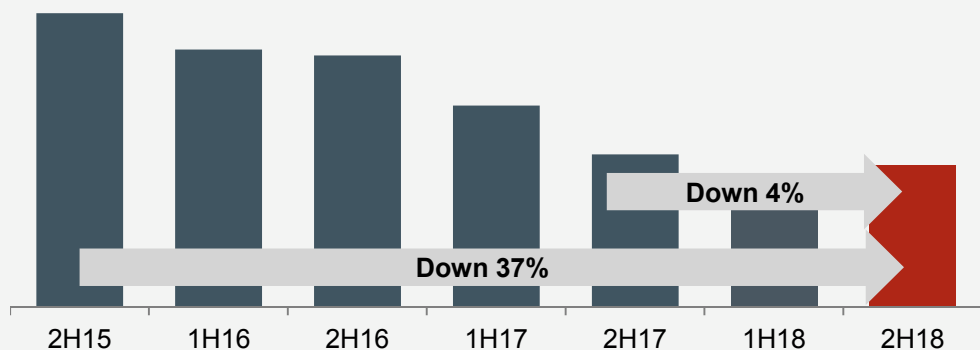


## Customer complaints (#)

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

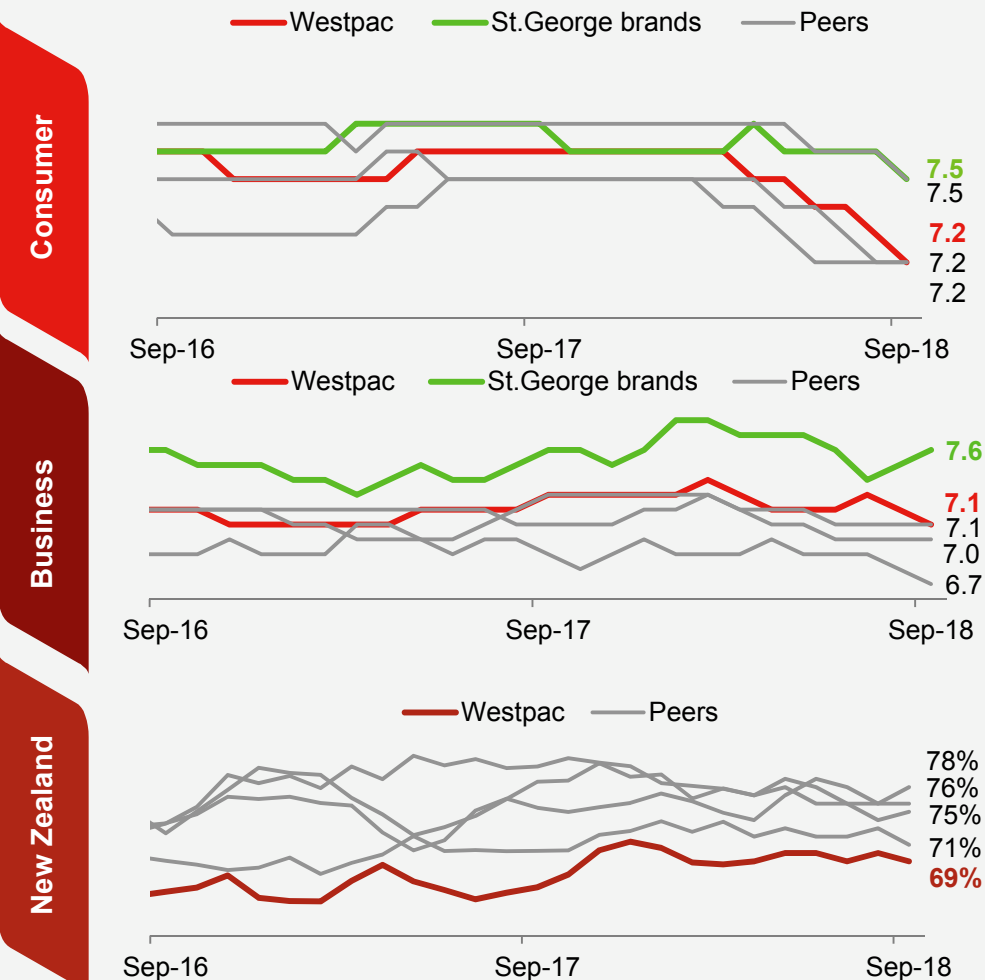


### New Zealand retail



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

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



<sup>1</sup> Refer page 148 for metric definition and details of provider.

## Service leadership - Navigate

- The majority of Australian employees have participated in the **Navigate** program. Bringing together our vision, values, service standards, and code of conduct. The program sought to improve clarity around ethical behaviour and treatment of customers
- Introduced 'Our Compass' providing our people with a consistent understanding of expectations covering our code of conduct, values, service promise and vision



## Learning and development

- Over 1,240 leaders have participated in leadership development programs during 2018, with 853 leaders now qualified for the Certificate of Executive Leadership through the AGSM
- During 2018, 116,000 courses have been completed by employees via LearningBank, our online learning platform. The mix of learning modes is rapidly changing, combining classroom, online, mobile, and on-the-job experiences
- New 'behaviours-first' approach to performance management called "Motivate" now covers all employees



## Simplification

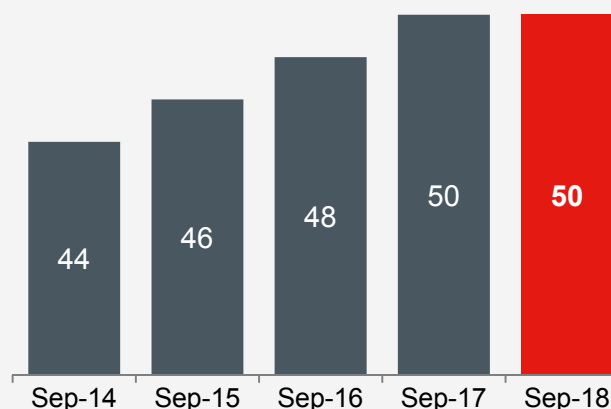
- Enhanced controls and streamlined critical risk and culture checks for all new employees
- Digitised the onboarding experience for new employees, reducing the time for new employees to become fully productive and saving time for people leaders. New employee satisfaction with induction experience is now 97%



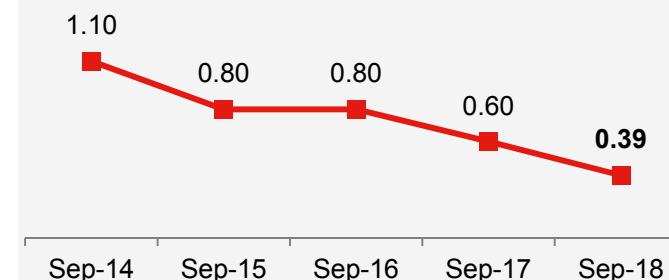
## Employee culture and engagement

- Employee engagement is surveyed every two years. In 2017, employee engagement was 79%
- Monthly survey of employees conducted
  - The six month rolling average of sentiment has been stable at 73% through the year
  - Culture Index<sup>1</sup>, with the index six month rolling average stable at 73%. Results suggest confidence in employees feeling safe to speak up and that action will be taken if an issue or risk is raised
- A culture assessment against our values, is now mandatory in recruitment process

## Women in Leadership positions<sup>2</sup>(%)



## LTIFR<sup>3</sup> (rolling 12 months) (#)



<sup>1</sup> The Culture Index measures four elements: trust and care, service orientation, agility and innovation, and risk culture. <sup>2</sup> Spot number at 30 September for each period. Refer page 149 for metric definition. <sup>3</sup> Lost time injury frequency rate.

**Westpac has increased its commitment to fintech venture capital fund, Reinventure, to \$150m<sup>2</sup>. Reinventure enables Westpac to access insights and adjacent business opportunities. The model also helps Westpac to source commercial partnerships that create value for customers**

## New business models

### SocietyOne

Peer-to-peer (P2P) online lending platform connecting borrowers and investors



Provides a comprehensive cloud-based human resources and employee benefits platform to streamline HR processes



Helps home sellers make decisions about who they choose to sell their property



BRICKX enables the purchase of residential property, one 'brick' at a time



Full stack payments platform



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



Uses data to shed light on high volume crimes, improving prevention and detection



A payment app for customers when dining out or grabbing a coffee on the go



A bitcoin wallet and platform

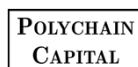
## New technology capabilities



Enterprise cyber security company that protects businesses from malicious bot attacks



Enabling software development teams to scale processes and improve code quality



A fund of funds for cryptocurrency and blockchain technology



Connects ordering apps, payment devices, loyalty and reservations platforms to any point of sale



Digitised debt collection, leveraging modern communications, automation and machine learning



Smart receipts that automatically link purchase receipts to customers' bank accounts

## Data, AI and analytics



A natural language AI system for data analysis targeting relatively simple business queries that comprise 70% of an analyst's work in a large organisation



Open Banking API platform that provides connectivity to over 100 financial sources across Australia and NZ



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



A single platform for verifying and digitising employee certifications, accreditations and qualifications



AI company that integrates neuroscience into their platform creating capability that not only manages complex problems but is able to form intrinsic relationships with humans



A global big data, business intelligence and enterprise data warehousing company



Standardises mobile forms into an easily readable format and fillable at the tap of a button

<sup>1</sup> Logos are of the respective companies. <sup>2</sup> Increase of \$50m in FY18.

## Examples of how Westpac and Reinventure's investments are delivering

### Investing in merchant propositions



### Delivered Presto Smart for Westpac customers

- Based on software built by Assembly, Presto Smart enables a business merchant terminal to connect with a range of point-of-sale systems

### Investing in the home ownership ecosystem



### Strategic investment in OpenAgent

- Bringing new capability to Australian property buyers, sellers and investors

### Investing in data, AI and analytics



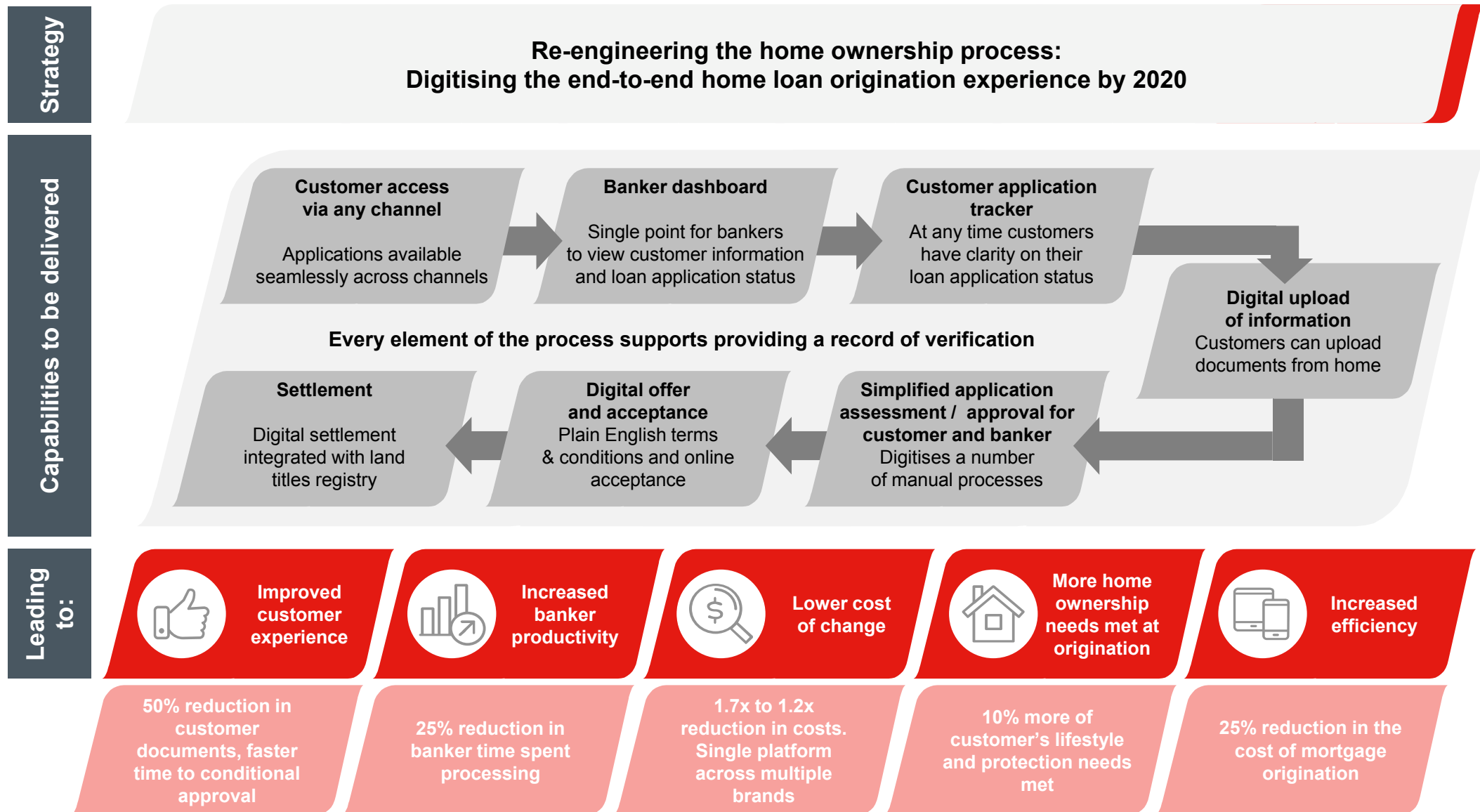
### Leveraging Data Republic to accelerate data sharing opportunity and manage risk

- Powered 12 new data partnerships, developed 15 data products and launched 8 new start-ups via the FUELD accelerator

<sup>1</sup> Logos are of the respective companies. <sup>2</sup> Zip offers point-of-sale credit and digital payment services. <sup>3</sup> Uno is an online mortgage broker. <sup>4</sup> Discovery Ag is an agribusiness focused on optimising on-farm efficiencies. <sup>5</sup> Quintessence Labs creates opportunities with quantum technology that encrypts confidential data. <sup>6</sup> FUELD is a data accelerator which aims to bring together businesses with data-based companies to solve real world problems.

# Customer Service Hub

## Starting with a new mortgage experience

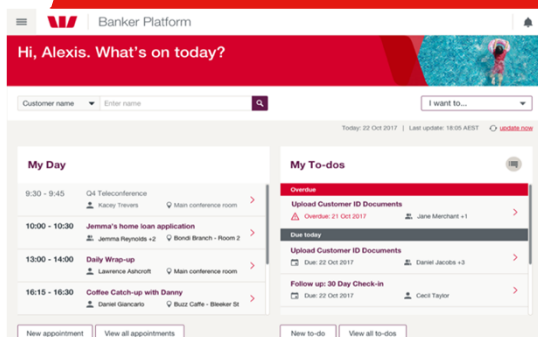




# Customer Service Hub pilot now, roll out 2019

Digital transformation | 51

## Improved banker experience



### One location for everything

- Dashboard currently in use to bring together tasks, applications, opportunities and customer information into one location
- As a result, bankers spend less time searching for information

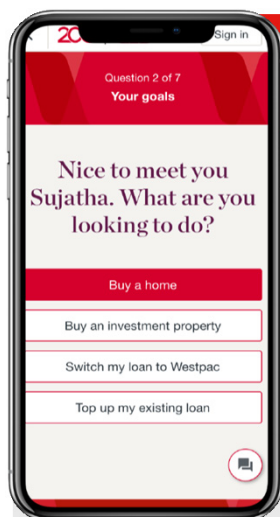
### Better customer conversations

- Customer conversations made easier with single view of application status; automatic data population across systems; a combined credit and verification decision resulting in quicker and consistent decisions

### Application tracking process

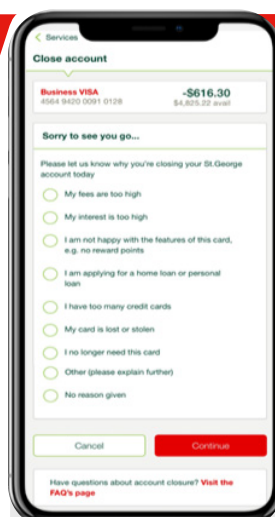
- Greater visibility on how applications are progressing; 70% fewer manual tools

## Enhanced customer experience



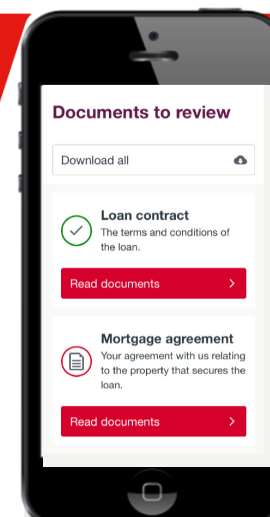
### Customer access via any channel

- An integrated customer experience in branch, online or by phone
- Application can be started in any channel and picked up and continued in any other channel
- Information only provided once
- For existing customers, pre-population of personal information



### Customer application and settlement tracker

- A transparent customer experience
- Customers can track an application 24/7
- Simple step-by-step processes to complete application
- Personalised alerts and notifications
- Automated, trackable settlement process

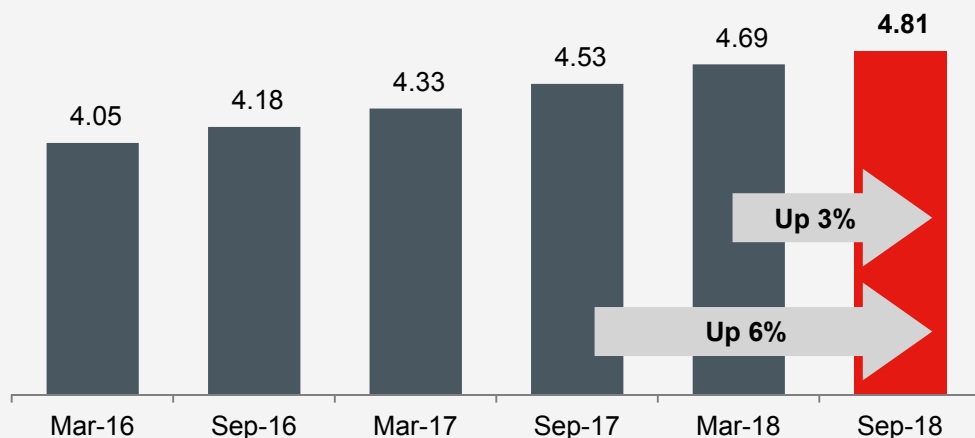


### Digitising the process for customers

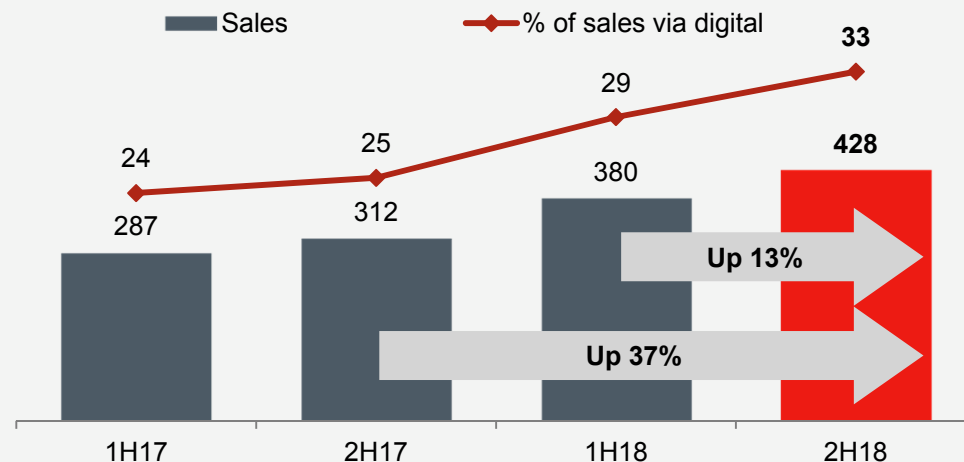
- Meeting today's customers' expectations
- Automatically generated loan documents
- Loan offer review and accept online
- Upload verification documents anywhere, anytime from any device
- Simplified documents in plain-English

# Customers shifting to digital channels<sup>1</sup>

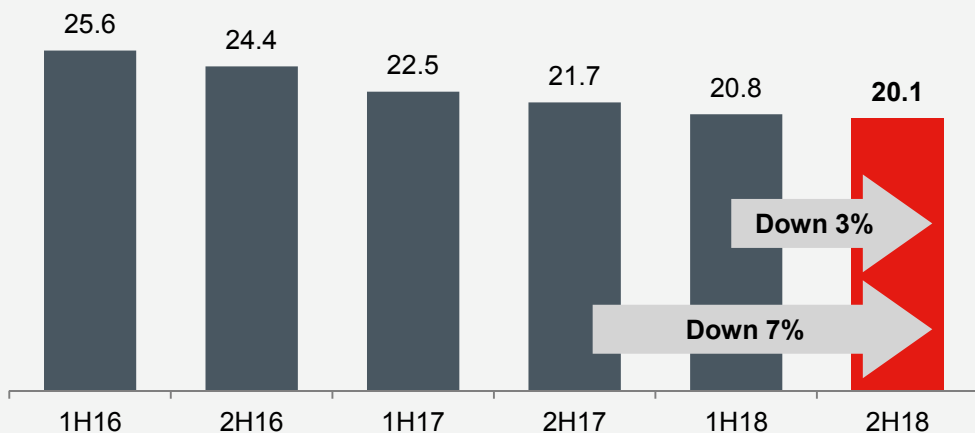
**Digitally active customers (#m)**



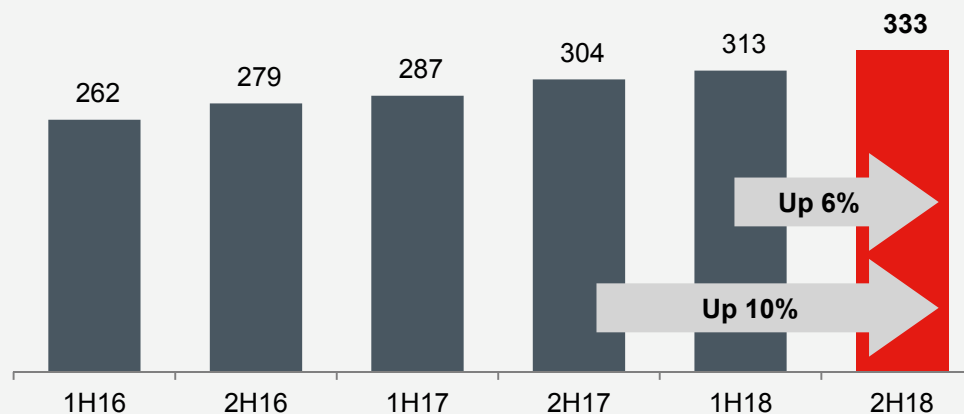
**Quality digital sales (#000's) and % of sales via digital**



**Branch transactions (#m)**



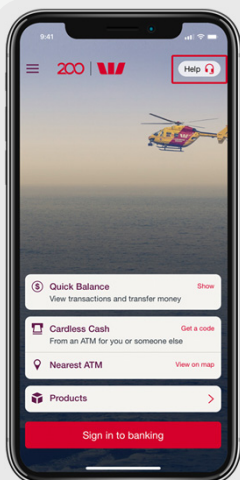
**Digital transactions (#m)**



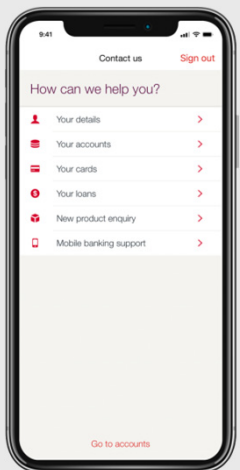
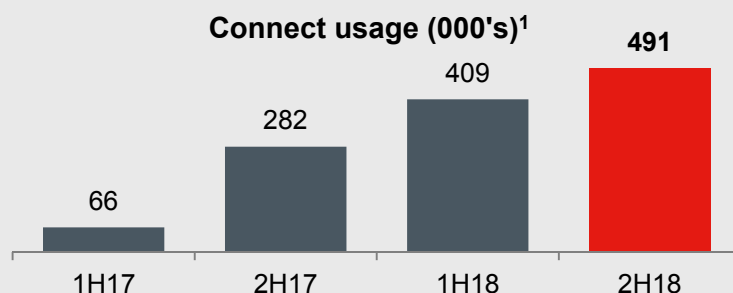
<sup>1</sup> Refer page 148 for definitions.

## Calls reduced and time saved

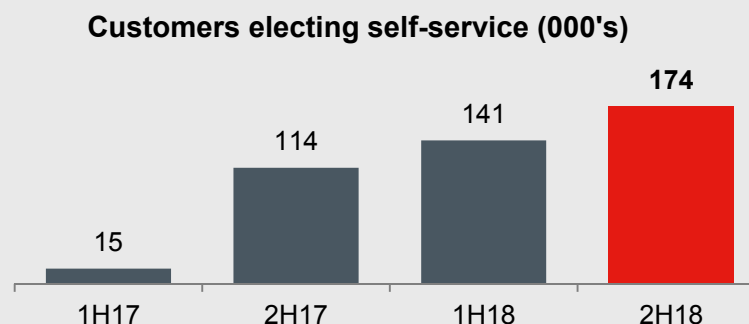
### Calling through our 'Connect' feature



- More customers are initiating calls as authenticated customers through 'Connect' in the mobile app. Results in a saving of ~60-90 seconds per call



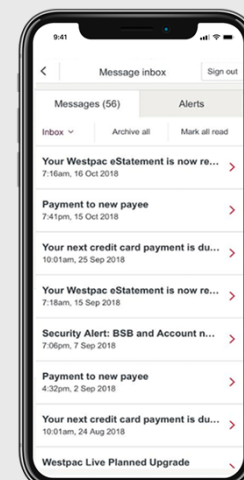
- When a digital self-service feature is available 35% of customers elect to self-service<sup>2</sup>



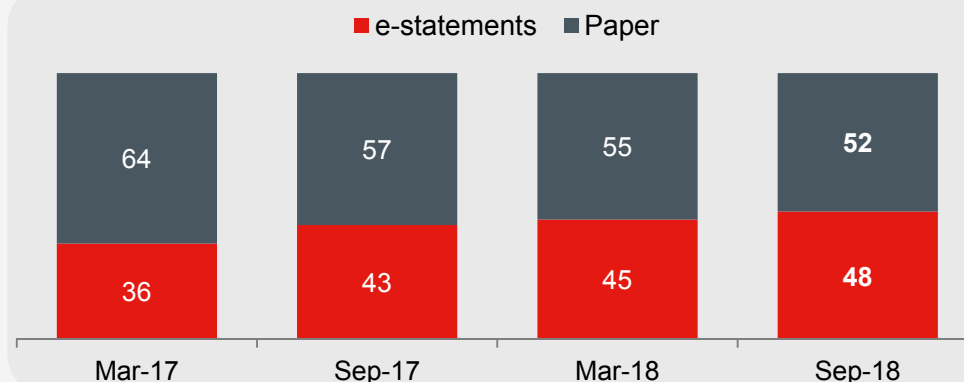
## Paper and postage saved

### Digital Mail

- Customers can receive their documents faster, and access them anywhere, anytime
- Also reduces postage and paper usage, and provides a record of customer communication
- 9.4m** accounts have switched to Digital Mail since launch in 2018<sup>3</sup>

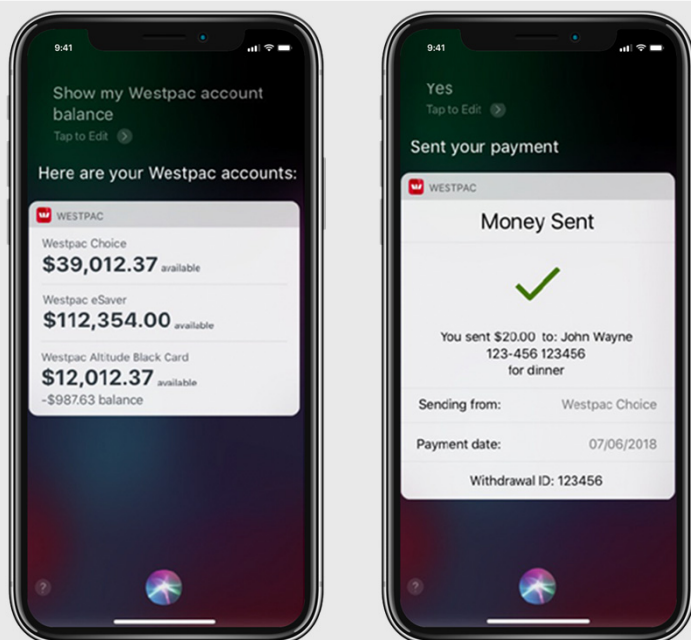


### Accounts with e-statements (%)



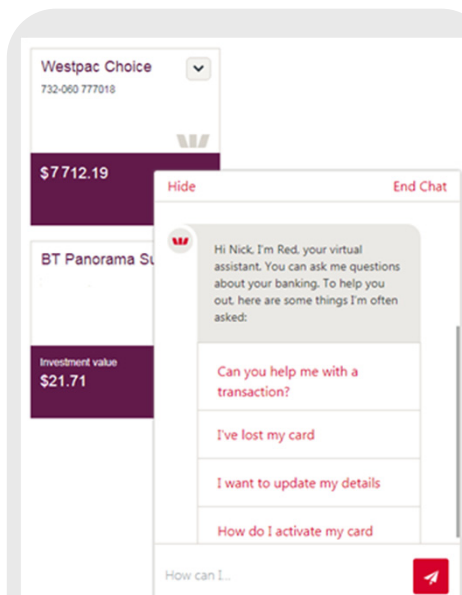
1 Connect usage for 1H17 is St.George only. 2 Self-service usage for 2H18. 3 Digital Mail launched in March 2018 for St.George, April 2018 for Westpac.

## Make payments and check account balance by voice



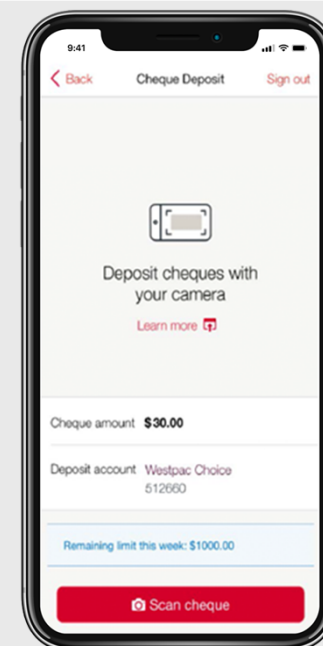
- Siri banking is an Australian first that allows eligible Westpac customers to use Siri to make payments and also ask account enquiry questions
- Customers can also use their virtual assistant (Google Assistant and Amazon Alexa) to make enquiries about their account balance, transaction history and reward points

## Supporting customers anywhere anytime



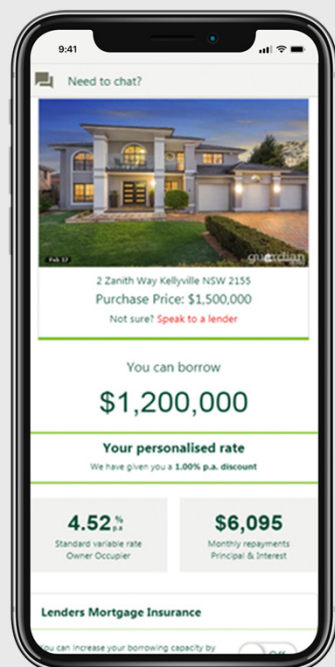
- Customers on Westpac desktop can contact Westpac via secure messaging anywhere, anytime

## Deposit a cheque with a photo



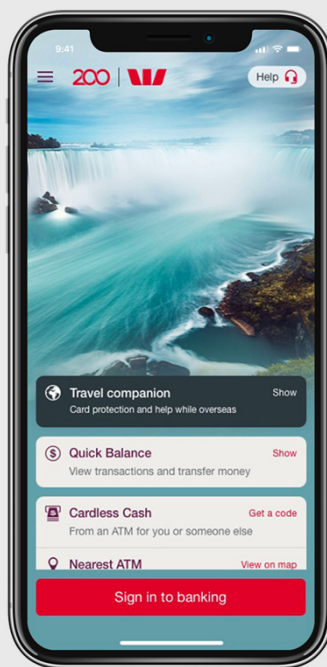
- Mobile cheque deposit allows customers to deposit cheques via the mobile app by taking a photo of the cheque
- Removes a typical branch transaction to digital

## Apply for a home loan online (St.George brands only)



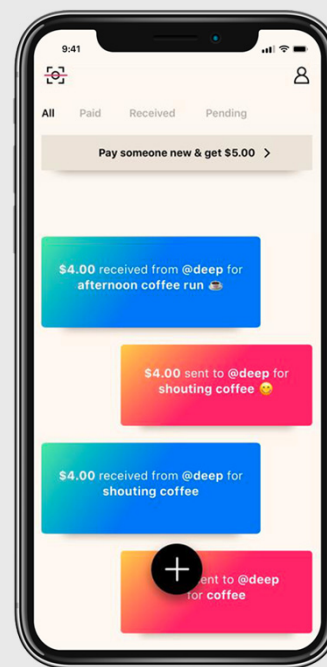
- Applications can be completed online or via mobile with specialist support available via live chat
- Personalised pricing and valuations available
- Customers can stop and re-start the process at any time

## Support customers overseas



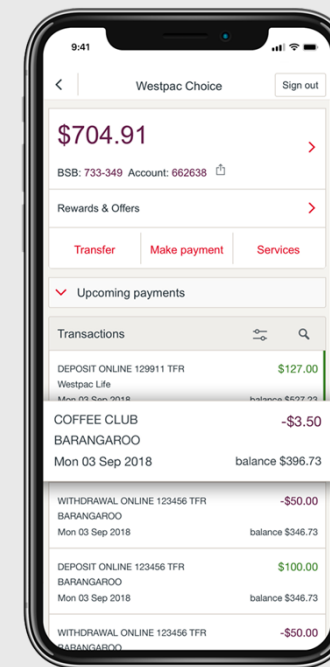
- App to support customers travelling overseas including a currency converter, access to emergency contacts and information on our global ATM alliance

## Making payment easier



- Just *Beem It!* Westpac collaboration with two other major banks on a mobile payment app
- Allows any customer with a debit card (regardless of their bank) to pay and get paid securely, in real-time

## See transactions in real time



- Customers with a Handycard or Debit MasterCard can see merchant transaction details immediately



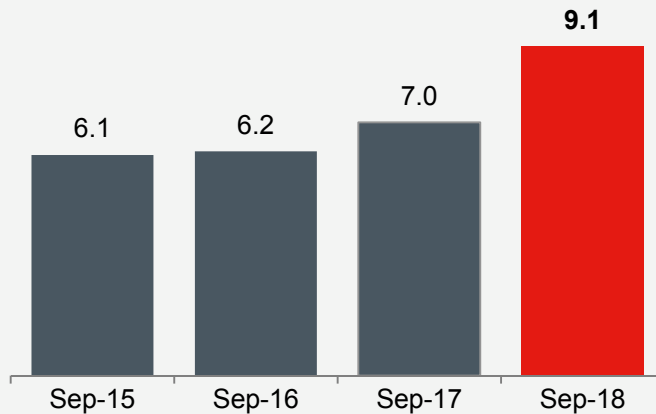
| United Nations Sustainable Development Goals alignment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Westpac's sustainability priority areas                                                                                                                            | 2018 outcomes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                                                                                                                                |  <p>Helping people make better financial decisions</p>                            | <ul style="list-style-type: none"> <li>Improving financial literacy in target segments with specific programs: <ul style="list-style-type: none"> <li>Youth supported through Mathspace and Year 13 partnerships</li> <li>Young adults and women through The Cusp and Ruby Connection</li> <li>Older Australians through Starts at 60</li> </ul> </li> <li>Introduced a range of products and services to put customers in control of their finances, including Westpac SmartPlan, an online tool to help customers manage their credit card balance and Westpac Life, a savings product that supports customers' savings goals</li> </ul> |
|                                                                                                                                                                                                                                                                                                                                                                                                                                 |  <p>Helping people by being there when it matters most to them</p>                | <ul style="list-style-type: none"> <li>Over 37,000 customers experiencing financial hardship supported via Customer Assist</li> <li>\$100 million Drought Assistance Package to support lending to farmers and agribusiness customers</li> <li>Developed 'Loss of a loved one', which provides tools and resources to help customers and their family with the financial aspects of losing a loved one</li> <li>Credit card holders can block transactions from gambling merchants</li> </ul>                                                                                                                                              |
|         |  <p>Helping people create a prosperous nation</p>                                 | <ul style="list-style-type: none"> <li>Westpac Bicentennial Foundation added another 100 scholars, bringing the total to 330 and \$3.7 million paid out in educational scholarships</li> <li>Westpac Foundation Social Scale-up Grants supported social enterprises, creating 513 jobs for vulnerable Australians</li> <li>\$9.1bn lending to climate change solutions at 30 September 2018</li> </ul>                                                                                                                                                                                                                                     |
|                                                                                                                                                                                                                                                                                                                                                                                                                           |  <p>A culture of doing the right thing</p>                                      | <ul style="list-style-type: none"> <li>Established the Customer and Corporate Relations Division, bringing together customer complaints teams from across the Group and complementing the role of the Customer Advocate</li> <li>Named as Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the 8th consecutive year</li> </ul>                                                                                                                                                                                                                                                                           |
|                                                                                                                                                                                                                                                                                                                                        |  <p>The fundamentals – sustainability policies, action plans and frameworks</p> | <ul style="list-style-type: none"> <li>Sustainable Investment Approach was released, which sets out how ESG issues are addressed in funds managed by BTFG, including superannuation funds</li> <li>Achieved a 4% reduction in GHG emissions compared to FY17</li> </ul>                                                                                                                                                                                                                                                                                                                                                                    |
| Further information on Westpac's Sustainability strategy and progress on strategic priorities is available at <a href="http://www.westpac.com.au/sustainability">www.westpac.com.au/sustainability</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

# Delivering sustainable value for all stakeholders<sup>1</sup>

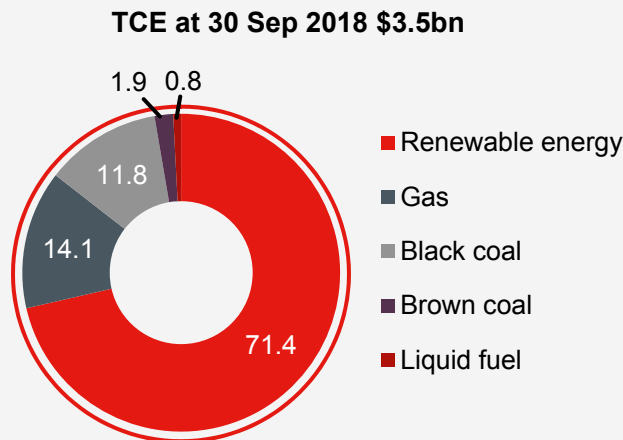
| <br>Customers | <br>Employees      | <br>Community      | <br>Suppliers | <br>Investors | <br>Economy | <br>Environment                     |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>14.2m</b><br>Customers                                                                      | <b>38,522</b><br>Employees                                                                          | <b>\$100m</b><br>Drought Assistance Package to support lending to farmer and agribusiness customers | <b>\$5.4bn</b><br>Spent with suppliers in Australia                                              | <b>13.0%</b><br>Cash return on equity                                                            | <b>\$3.6bn</b><br>Income tax FY18                                                              | <b>\$9.1bn</b><br>Committed exposure to climate change solutions                                                       |
| Provided<br><b>\$75bn</b><br>New home loans in Australia                                       | <b>50%</b><br>Women in Leadership positions                                                         | <b>\$1.4bn</b><br>Committed exposure to social and affordable housing sector                        | <b>\$3.8m</b><br>Spent with Indigenous Australian suppliers                                      | <b>\$6.4bn</b><br>In dividends to shareholders                                                   | <b>30.8%</b><br>Effective tax rate                                                             | <b>\$1.7bn</b><br>To facilitate climate solutions                                                                      |
| Provided<br><b>\$22bn</b><br>New business lending in Australia (excludes Institutional)        | <b>\$4.9bn</b><br>Paid to employees                                                                 | <b>\$2m</b><br>In community grants for 200 not for profit organisations <sup>2</sup>                | <b>\$17.7m</b><br>Spent with diverse Australian suppliers <sup>3</sup>                           | <b>620k</b><br>shareholders and more via super funds                                             | <b>2<sup>nd</sup></b><br>Largest tax payer in Australia <sup>4</sup>                           | <b>17 years</b><br>Recognised as a global banking leader in the Dow Jones Sustainability Indices for 17 years in a row |
| Over<br><b>37,000</b><br>Customers supported through Westpac Group Assist                      | <b>90%</b><br>Of employees <sup>5</sup> endorsed new Enterprise Agreement. Effective 1 January 2019 | <b>\$131m</b><br>In community contributions                                                         |                                                                                                  | <b>236.2</b><br>Cash earnings per ordinary share (cents)                                         | <b>\$378m</b><br>Bank Levy                                                                     | <b>34.0%</b><br>Effective tax rate including the Bank Levy                                                             |

<sup>1</sup> Data for FY18 or as at 30 September 2018 unless otherwise stated. <sup>2</sup> Through Westpac Foundation. <sup>3</sup> Diverse suppliers includes businesses at least 51% owned and controlled by indigenous Australians or women. Also includes Australian Disability Enterprises and social enterprises. <sup>4</sup> Source: Corporate Tax Transparency Report 2015 - 2016, published December 2017. <sup>5</sup> Represents percentage of employees that voted.

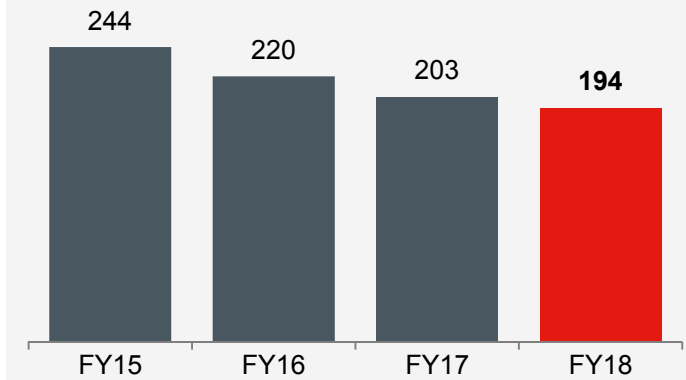
## Climate change solutions exposure (\$bn)



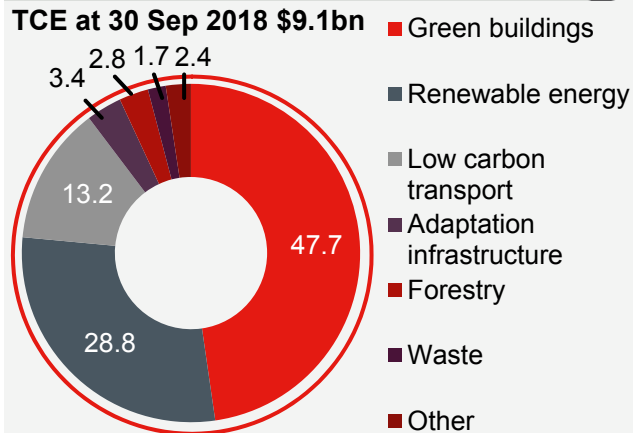
## Electricity generation exposure (% of TCE)<sup>1</sup>



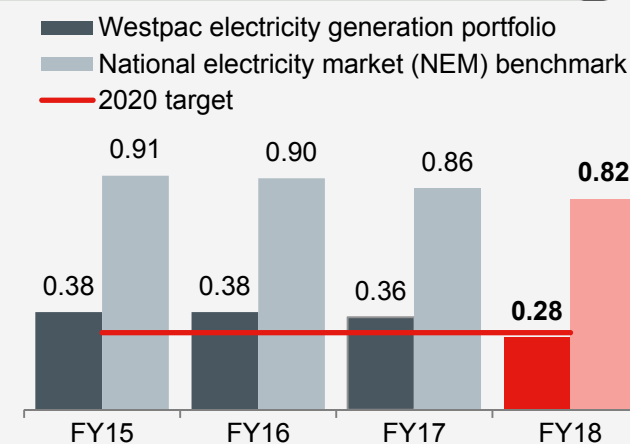
## Total scope 1, 2 and 3 emissions (tCO<sub>2</sub>-e, 000s)



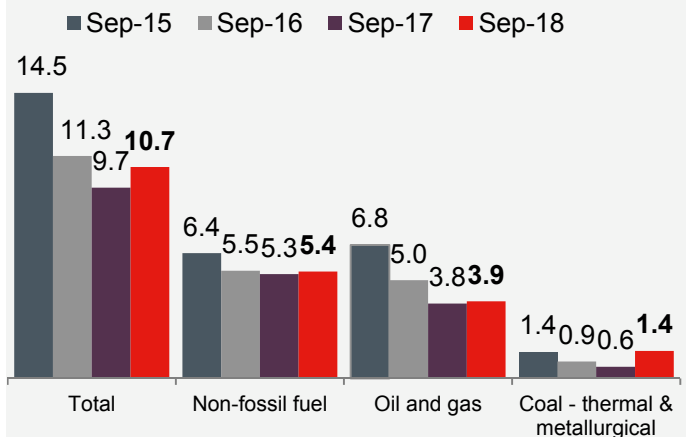
## Climate change solutions exposure (% of TCE)



## Emissions intensity (tCO<sub>2</sub>-e/MWh)<sup>2</sup>

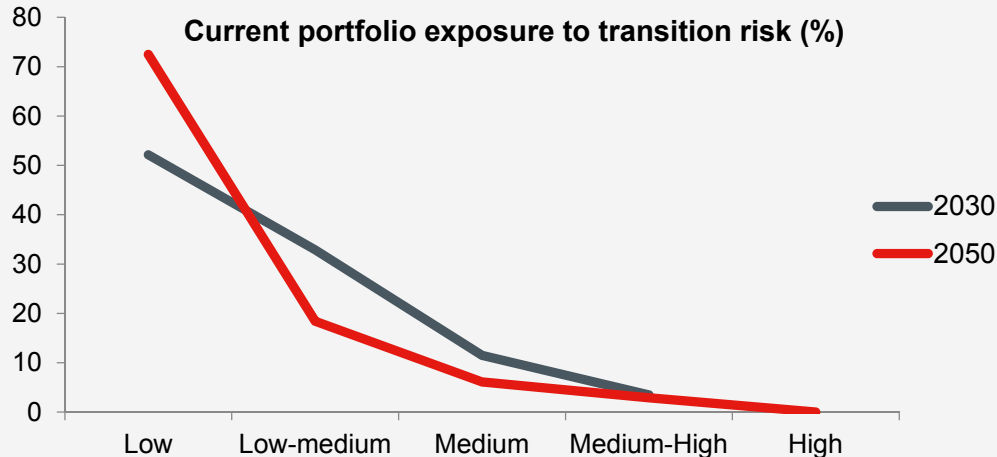


## Mining exposure (\$bn)



<sup>1</sup> Exposures in WIB only. TCE is total committed exposure. <sup>2</sup> Australia only. NEM benchmark is sourced from Australian Energy Market Operator.

## Portfolio transition risk – 2 degree scenario

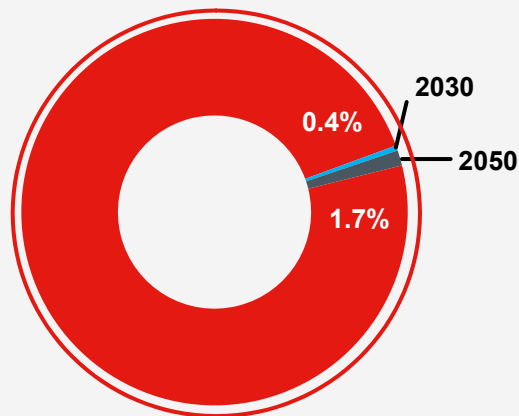


## Transition risk – key points

- Westpac assessed the potential transition risks (policy, legal, technology and market changes related to climate change)
- Analysis focused on the Group's current Australian Business and Institutional lending<sup>1</sup> and exposure to sectors that may face growth constraints under a range of 2 degree scenarios
- Approximately 4% of the portfolio is exposed to sectors that may experience higher risk in a transition to a 2 degree economy
- Data presented shows the distribution of current exposure to sectors that may experience higher transition risks at intervals of 2030 and 2050 under Westpac's Global Cooperation Scenario<sup>2</sup>.

## Portfolio physical risk – 4 degree scenario

### Share of current portfolio exposed to higher physical risk (%)



## Physical risk – key points

- Westpac assessed the potential physical risks<sup>3</sup> (financial impacts of changes in climate patterns and extreme weather events)
- Analysis focused on the Australian mortgage portfolio and exposure to postcodes that may face increased physical risk under a 4 degree scenario
- Approximately 1.7% of the portfolio is exposed to postcodes that may experience higher physical risk by 2050 under a 4 degree scenario
- Data presented shows the share of current exposure to postcodes that may experience higher physical risk at intervals of 2030 and 2050 under our IPCC RCP 8.5 Scenario<sup>4</sup>

<sup>1</sup> Australian Business and Institutional lending, excludes retail, sovereign, and bank exposures. <sup>2</sup> Global Cooperation Scenario – where coordinated global action results in a smooth transition to a low carbon economy. For details see page 52 – Westpac 2016 Sustainability Performance report. <sup>3</sup> Five natural perils were assessed: inundation, soil contraction, floods, wind and cyclones, and bushfires. <sup>4</sup> For further information – see Westpac's 2018 Sustainability Performance Report.





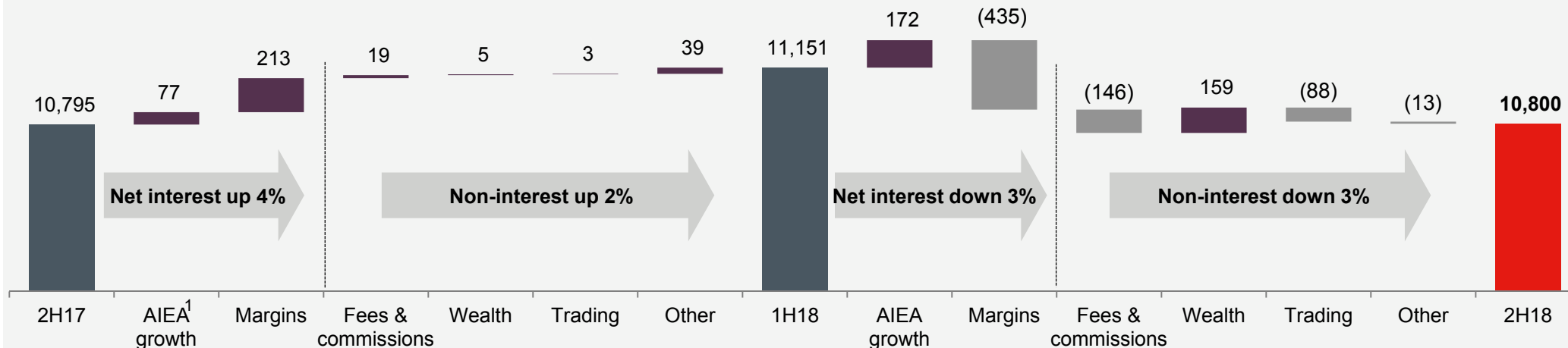
# Earnings



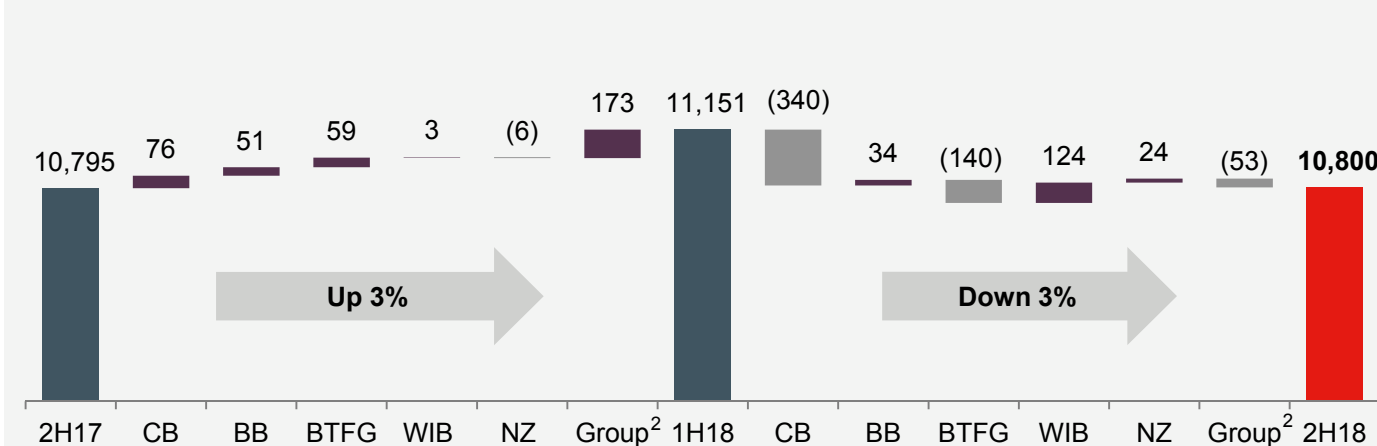
# Income **down 3% over the half**; mostly from margin decline and customer remediation

Revenue | 61

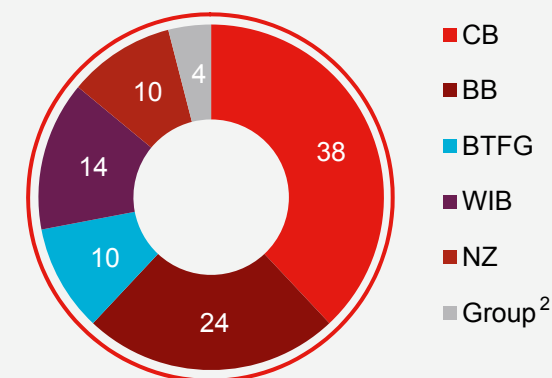
## Net operating income movement (\$m)



## Net operating income by division (\$m)



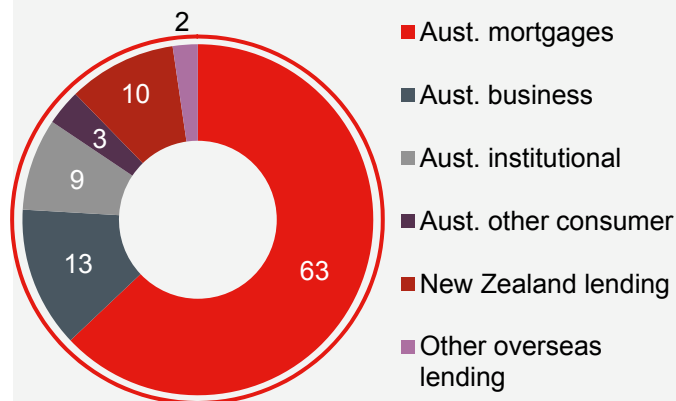
## 2H18 Divisional contribution (%)



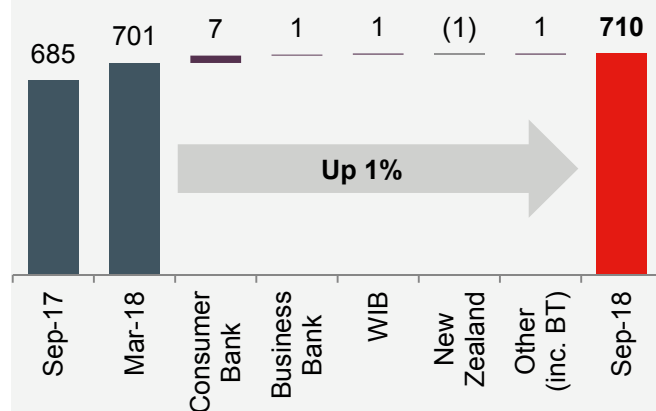
1 AIEA is average interest-earning assets. 2 Group Businesses.

# Composition of lending and deposits

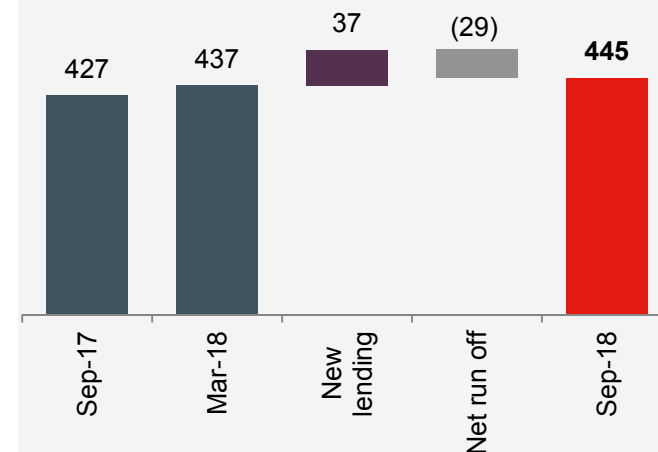
## Composition of lending (% of total)



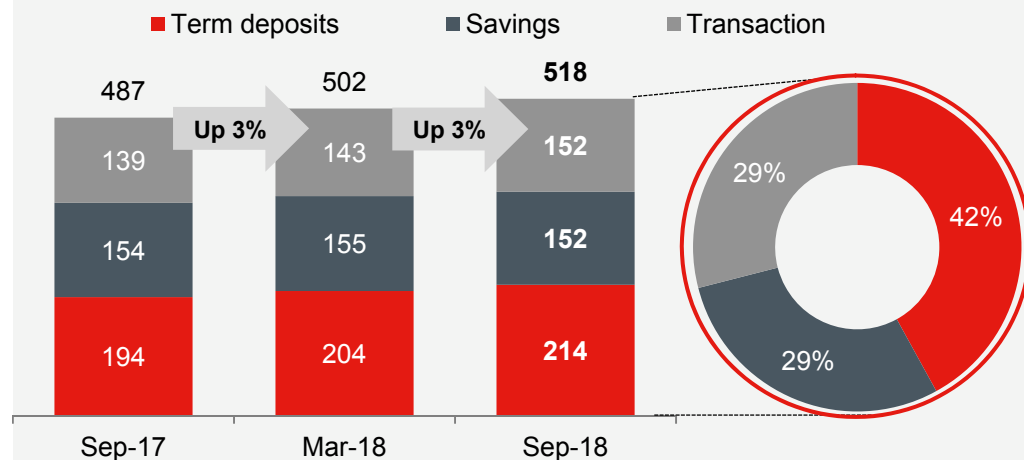
## Net loans (\$bn)



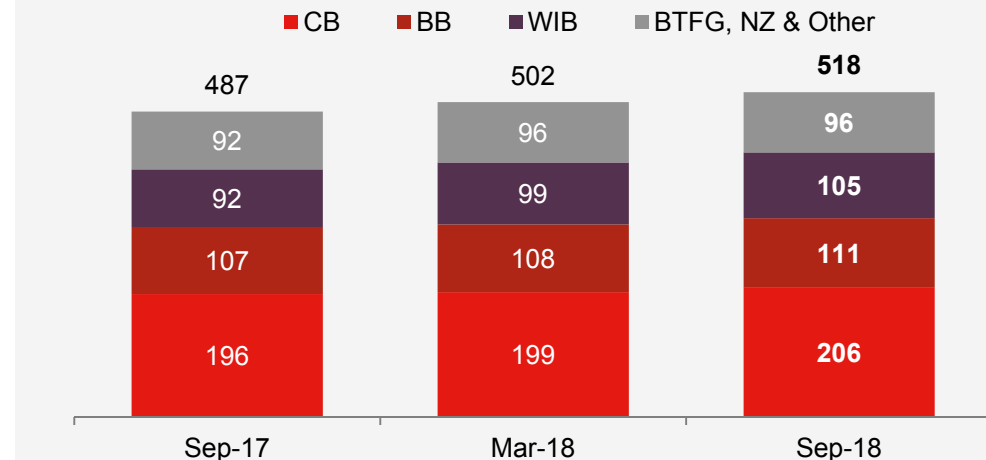
## Australian mortgage lending<sup>1</sup> (\$bn)



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



## Customer deposit composition (\$bn)

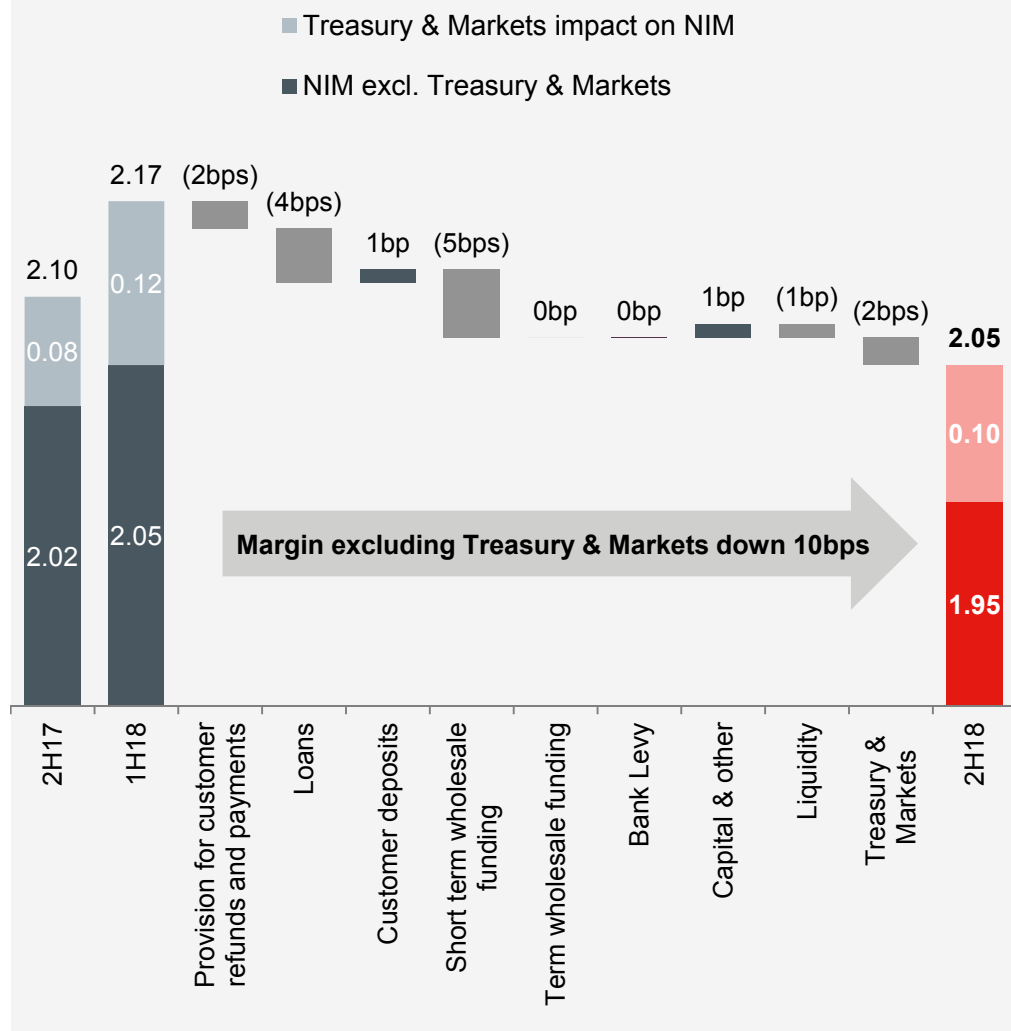


<sup>1</sup> Gross loans.

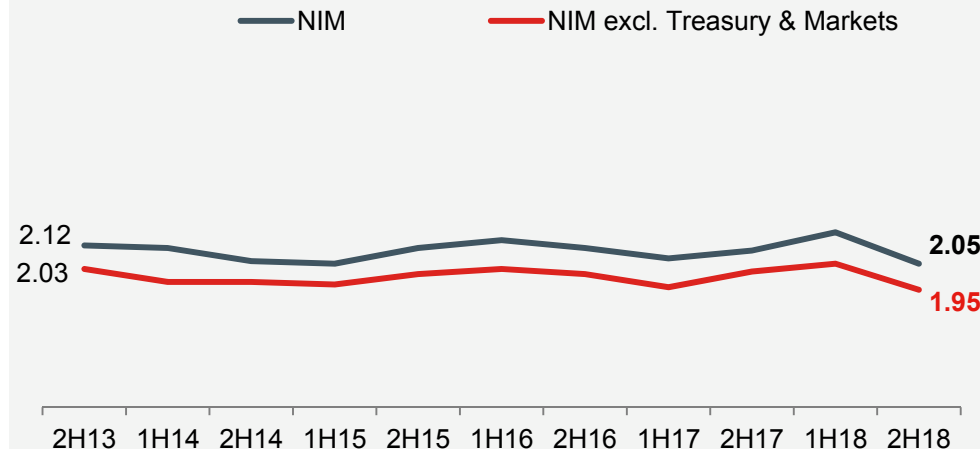
# Net interest margin excluding Treasury & Markets **down 10bps**

Revenue | 63

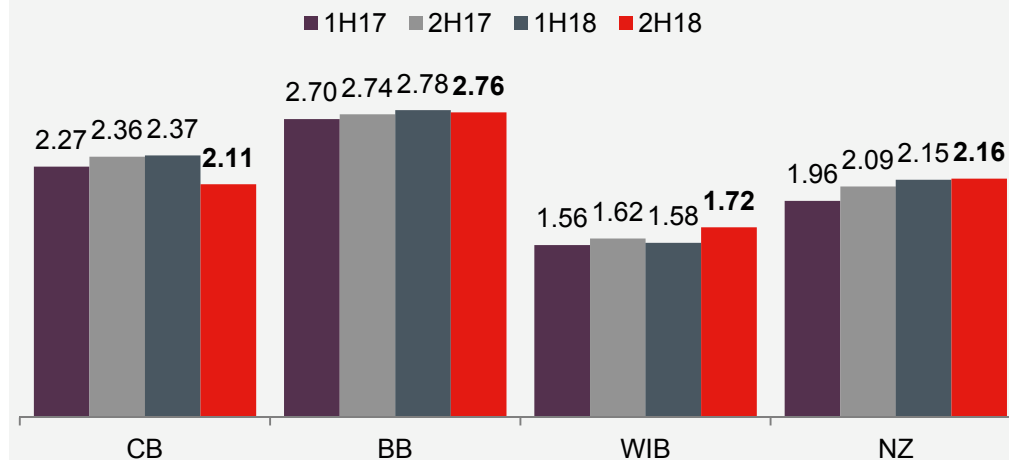
## Net interest margin (NIM) movement (%)



## Net interest margin (%)



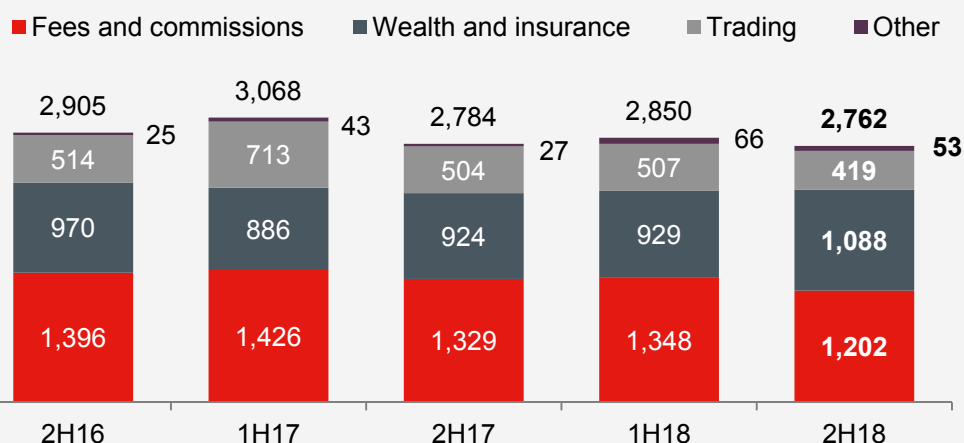
## Net interest margin by division (%)



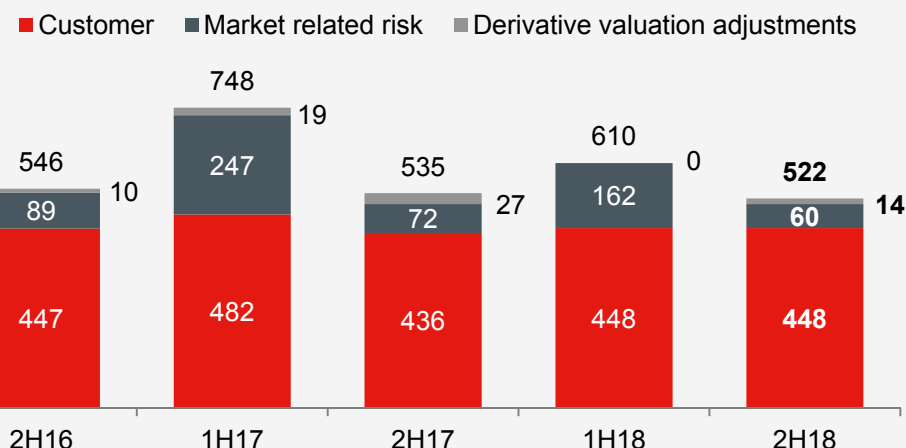
# Non-interest income **down 3%**

Revenue | 64

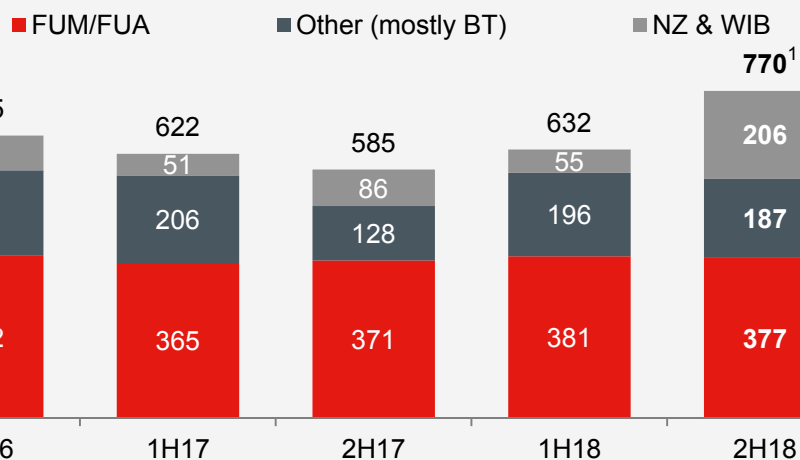
## Non-interest income contributors (\$m)



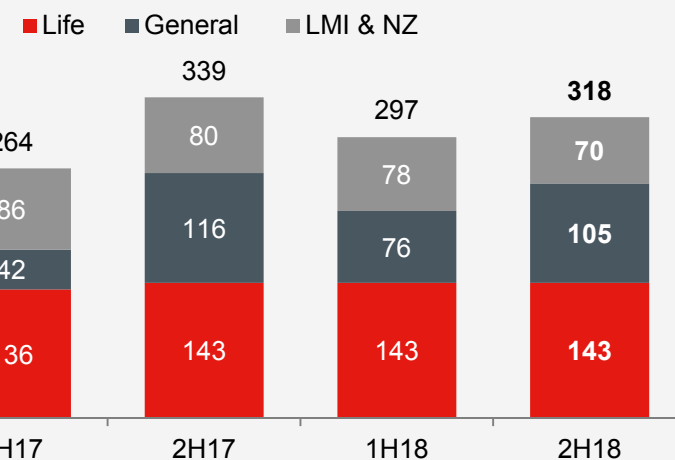
## Markets income by activity (\$m)



## Wealth management income (\$m)



## Insurance income (\$m)



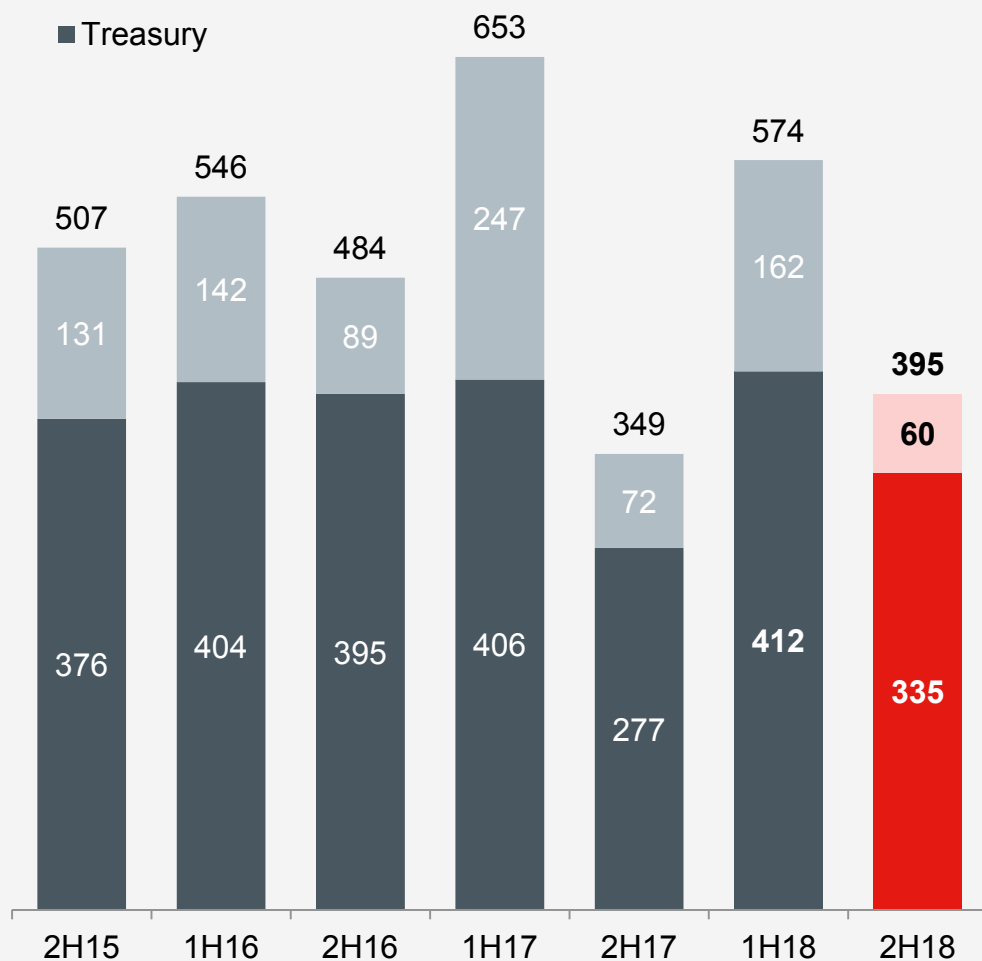
<sup>1</sup> 2H18 includes \$144m of fees associated with Hastings exit.

# Markets & Treasury<sup>1</sup> income

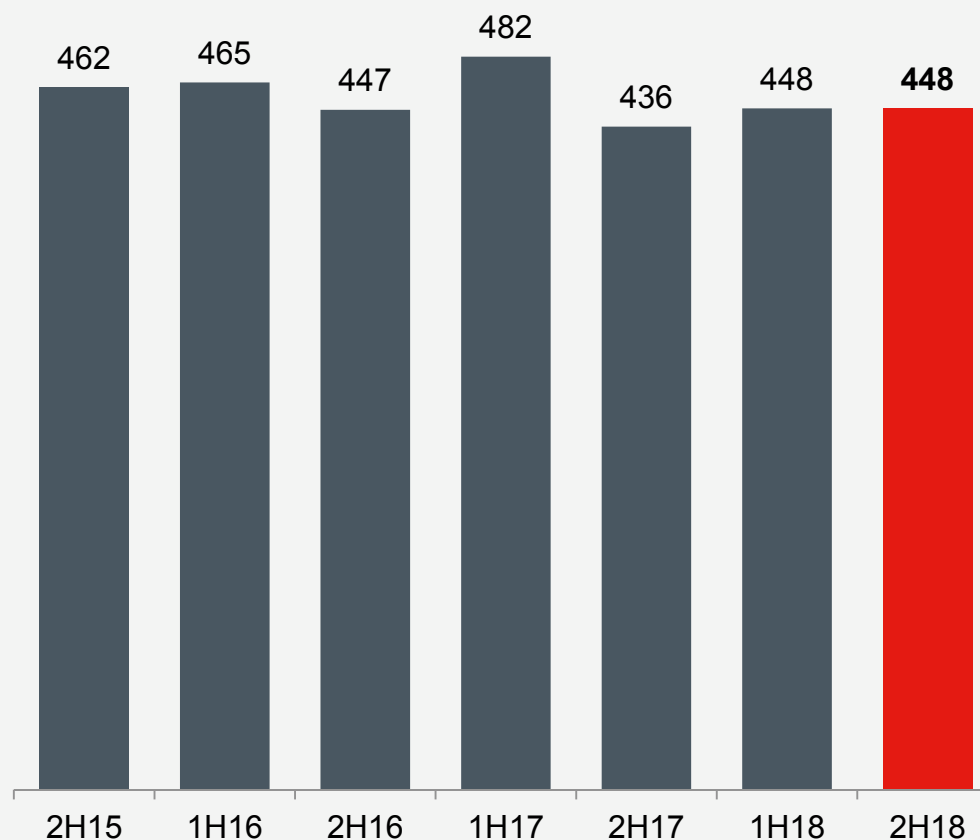
Revenue | 65

## Markets non-customer and Treasury income (\$m)

- Markets non-customer
- Treasury



## Markets customer income (\$m)

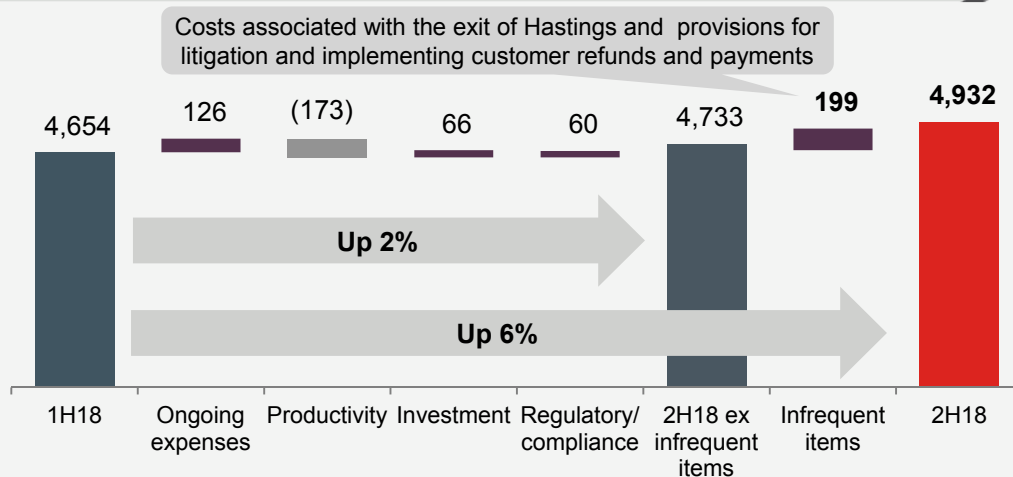


<sup>1</sup> Includes net interest income and non-interest income but excludes derivative valuation adjustments.

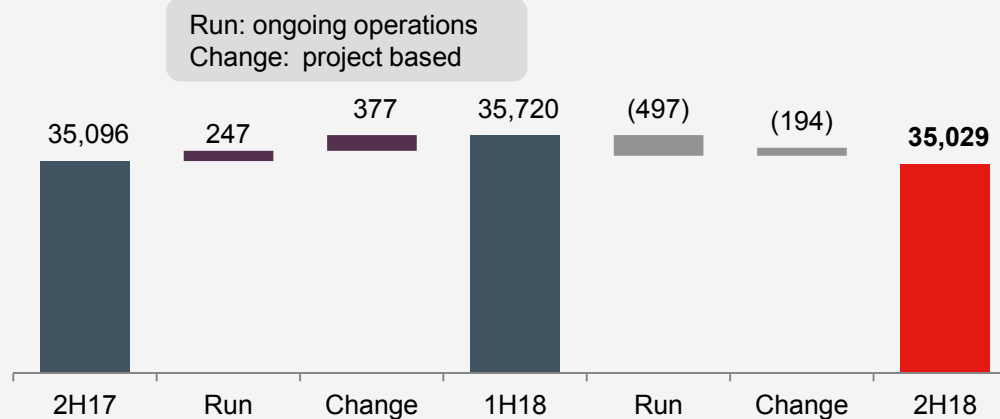


# Expenses up 6% from the impact of infrequent items, higher regulatory and compliance costs, and investment spend

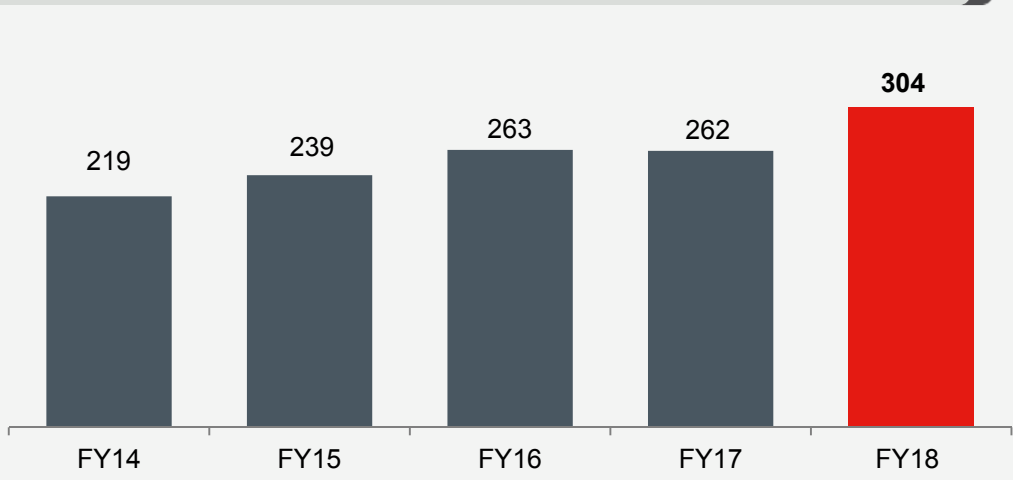
## Expense movements (\$m)



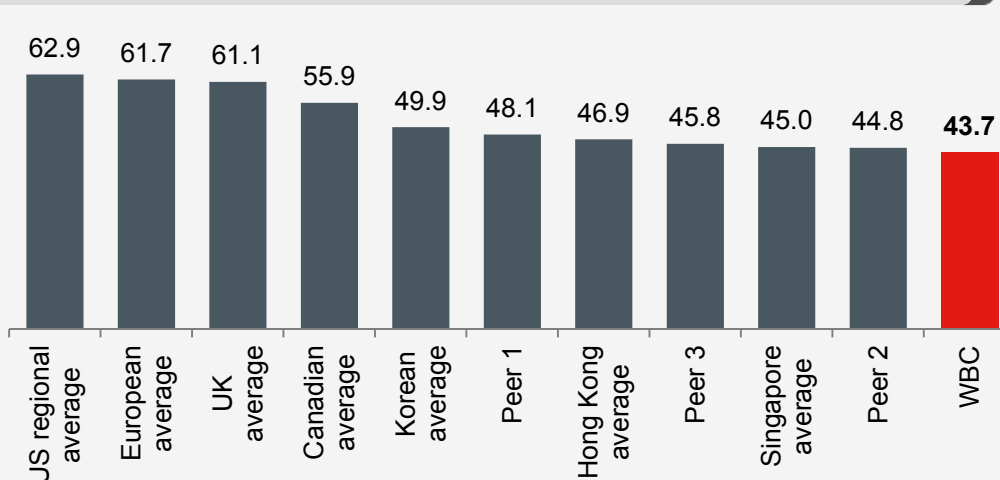
## FTE run versus change (#)



## Productivity savings (\$m)



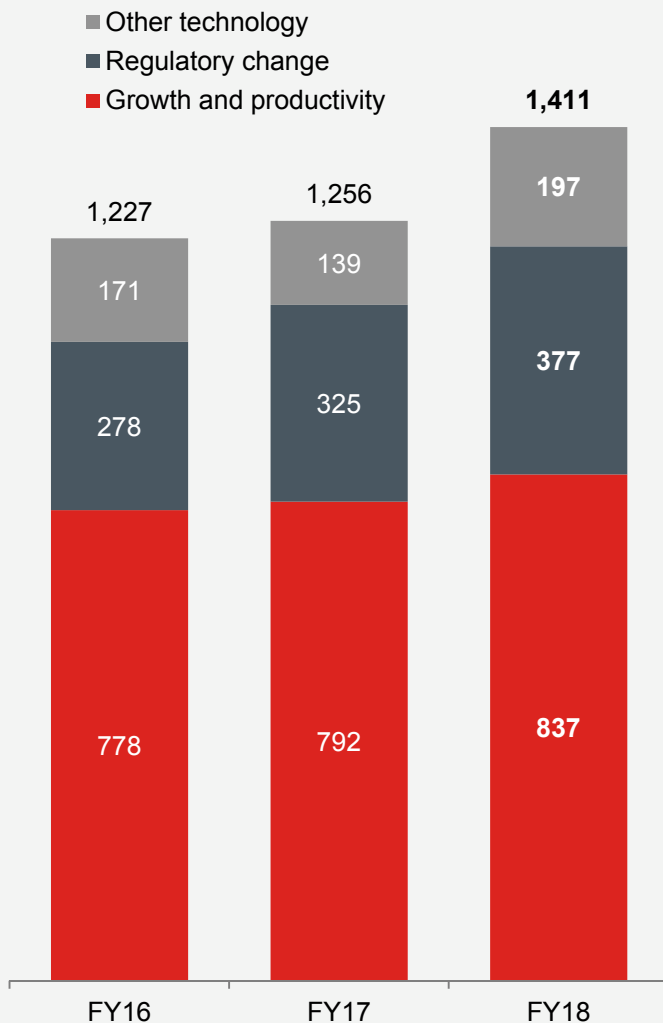
## Global peer comparison of expense to income ratios<sup>1</sup> (%)



<sup>1</sup> Company data, Credit Suisse. Expense to income ratio average for Peer 1, 2 and 3 based on FY18 results, all others based on FY17. Peer 1 and 2 are presented on a continuing operations basis. Peer 3 excludes restructuring costs. European average excludes Deutsche Bank.

# Investment spend focused on growth, productivity and compliance

## Investment spend mix (\$m)



## Investment spend (\$m)

|                               | FY16         | FY17         | FY18         |
|-------------------------------|--------------|--------------|--------------|
| Expensed                      | 517          | 479          | 530          |
| Capitalised                   | 710          | 777          | 881          |
| <b>Total investment spend</b> | <b>1,227</b> | <b>1,256</b> | <b>1,411</b> |
| Investment spend expensed     | 42%          | 38%          | 38%          |

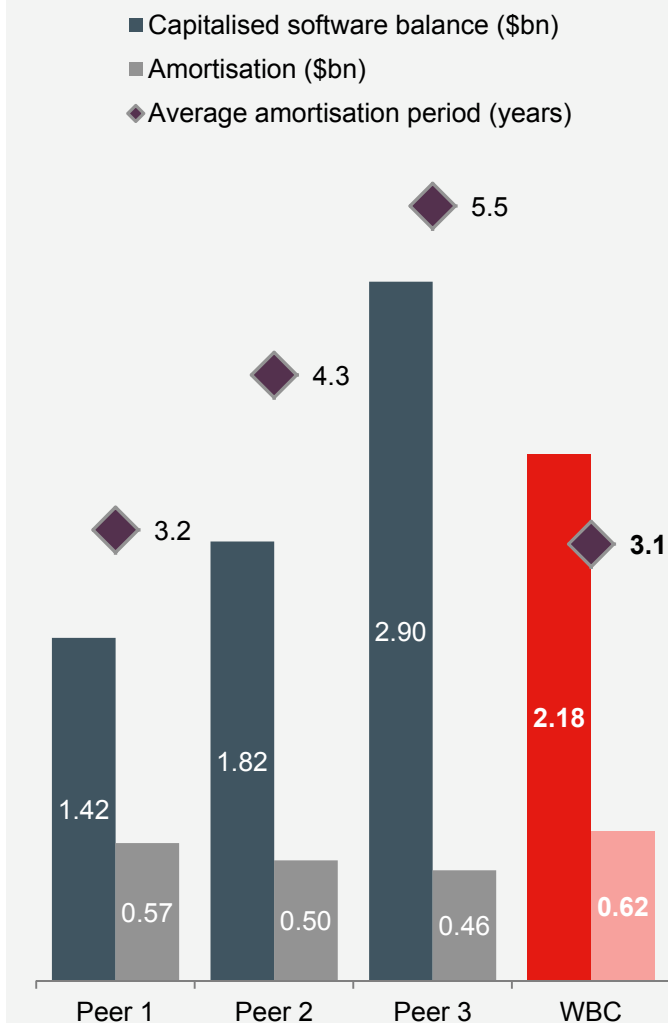
## Capitalised software

|                             |              |              |              |
|-----------------------------|--------------|--------------|--------------|
| Opening balance             | 1,654        | 1,781        | 1,916        |
| Additions                   | 696          | 766          | 882          |
| Amortisation                | (565)        | (614)        | (618)        |
| Other <sup>1</sup>          | 4            | (17)         | (3)          |
| <b>Closing balance</b>      | <b>1,781</b> | <b>1,916</b> | <b>2,177</b> |
| Average amortisation period | 2.9yrs       | 2.9yrs       | 3.1yrs       |

## Other deferred expenses

|                            |     |    |    |
|----------------------------|-----|----|----|
| Deferred acquisition costs | 101 | 86 | 71 |
| Other deferred expenses    | 45  | 28 | 29 |

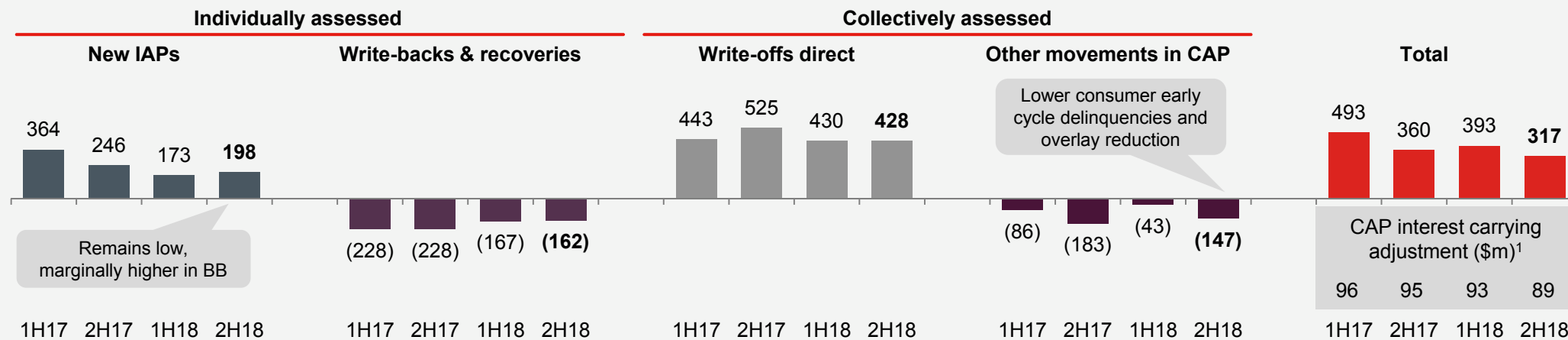
## Capitalised software<sup>2</sup>



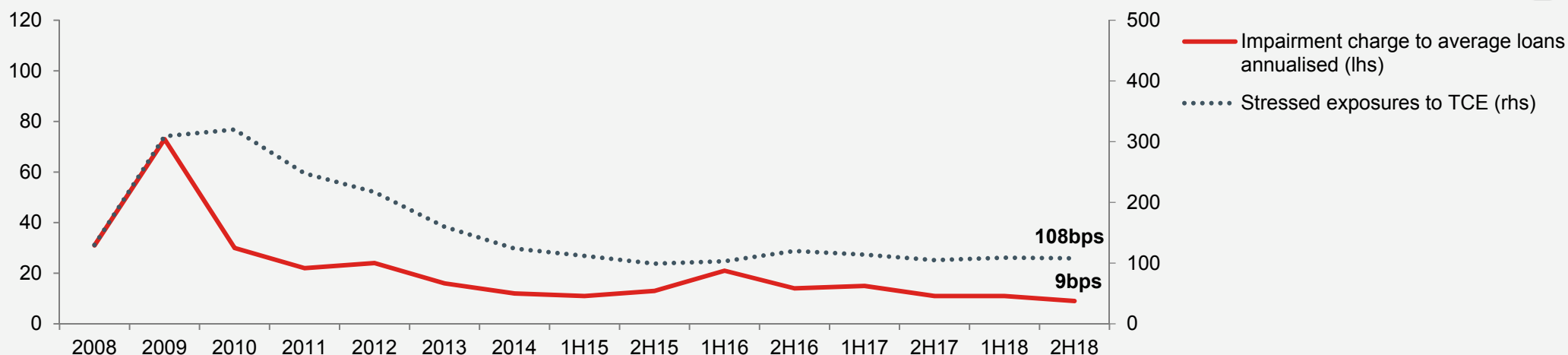
<sup>1</sup> Includes write-offs, impairments and foreign exchange translation. <sup>2</sup> Peer 1 and 2 are reported on a continuing operations basis. Based on FY18.

# Continued low impairment charge reflects **sound credit quality**

## Impairment charges (\$m)



## Impairment charges and stressed exposures<sup>2</sup> (bps)



<sup>1</sup> Interest carrying adjustment is reported as net interest income and not in impairment charges. <sup>2</sup> 2008 and 2009 are Pro forma including St.George for the entire period with 1H09 ASX Profit Announcement providing details of Pro forma adjustments.





# Credit Quality

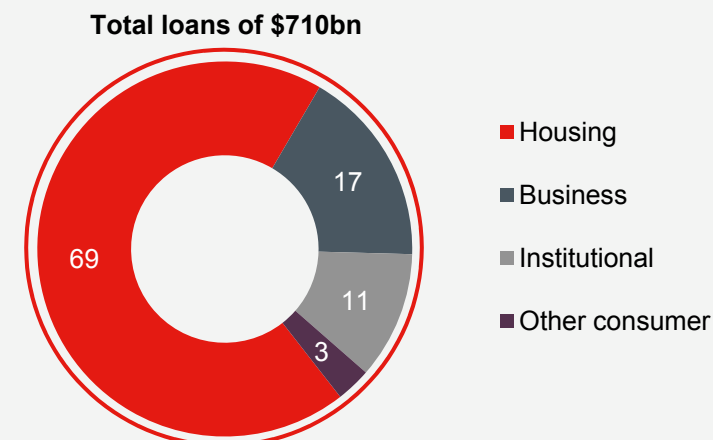
# High quality portfolio with bias to mortgage lending

Credit Quality | 70

## Asset composition (%)

| Total assets (\$880bn)                                                               | Sep-16 | Sep-17 | Sep-18 |
|--------------------------------------------------------------------------------------|--------|--------|--------|
| Loans                                                                                | 79     | 81     | 81     |
| Trading securities, financial assets at fair value and available-for-sale securities | 10     | 10     | 9      |
| Derivative financial instruments                                                     | 4      | 3      | 3      |
| Cash and balances with central banks                                                 | 2      | 2      | 3      |
| Life insurance assets                                                                | 2      | 1      | 1      |
| Goodwill                                                                             | 1      | 1      | 1      |
| Receivables due from other financial institutions                                    | 1      | 1      | 1      |
| Other assets                                                                         | 1      | 1      | 1      |

## Lending composition at 30 September 2018 (% of total)



## Exposure by risk grade at 30 September 2018 (\$m)

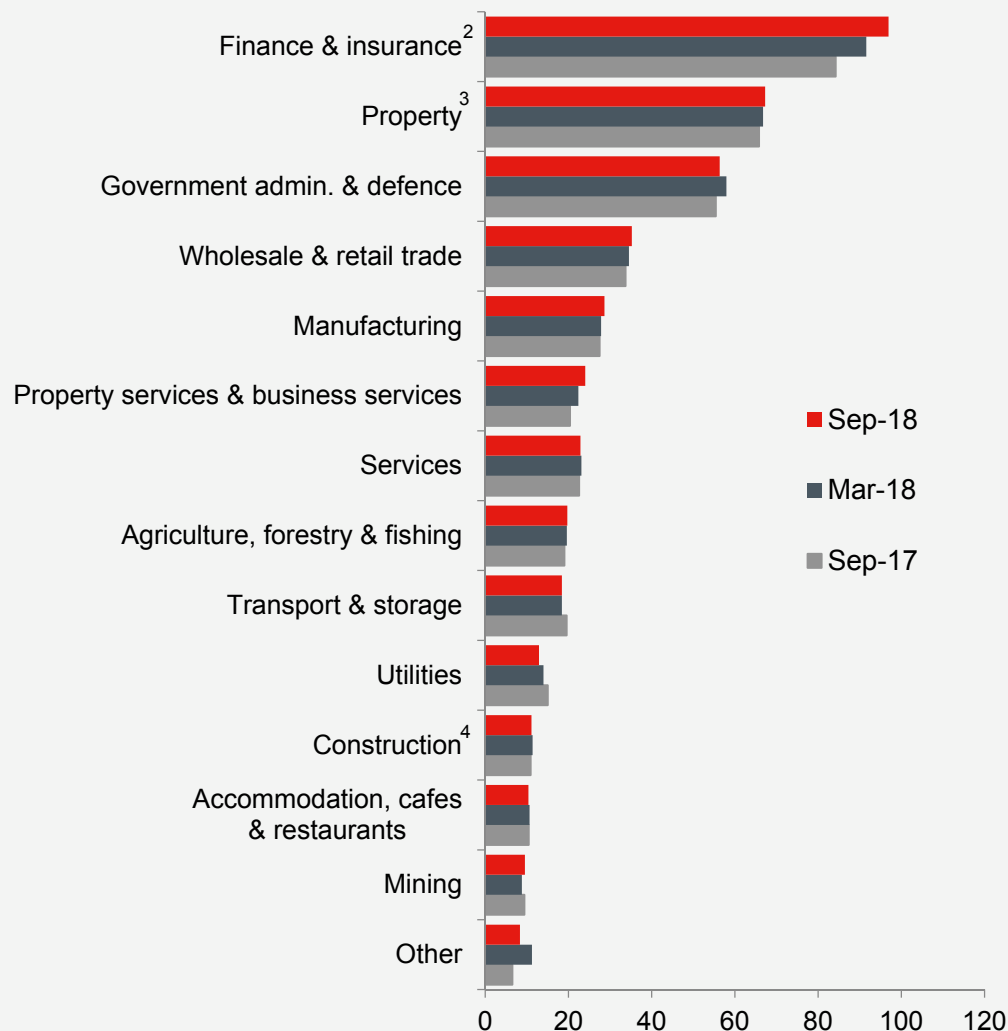
| Standard and Poor's Risk Grade <sup>1</sup> | Australia      | NZ / Pacific   | Asia          | Americas      | Europe       | Group            | % of Total  |
|---------------------------------------------|----------------|----------------|---------------|---------------|--------------|------------------|-------------|
| AAA to AA-                                  | 92,881         | 8,691          | 2,174         | 17,744        | 745          | 122,235          | 12%         |
| A+ to A-                                    | 34,948         | 4,645          | 7,763         | 5,191         | 3,501        | 56,048           | 5%          |
| BBB+ to BBB-                                | 56,281         | 11,585         | 9,687         | 2,600         | 1,412        | 81,565           | 8%          |
| BB+ to BB                                   | 72,064         | 11,900         | 1,487         | 383           | 108          | 85,942           | 8%          |
| BB- to B+                                   | 62,836         | 9,621          | 120           | 17            | 0            | 72,594           | 7%          |
| <B+                                         | 5,808          | 2,356          | 0             | 0             | 0            | 8,164            | 1%          |
| Mortgages                                   | 508,265        | 53,819         | 355           | 0             | 0            | 562,439          | 54%         |
| Other consumer products                     | 44,066         | 4,948          | 5             | 0             | 0            | 49,019           | 5%          |
| <b>Total committed exposures (TCE)</b>      | <b>877,149</b> | <b>107,565</b> | <b>21,591</b> | <b>25,935</b> | <b>5,766</b> | <b>1,038,006</b> |             |
| <b>Exposure by region<sup>2</sup> (%)</b>   | <b>85%</b>     | <b>10%</b>     | <b>2%</b>     | <b>2%</b>     | <b>1%</b>    |                  | <b>100%</b> |

1 Risk grade equivalent. 2 Exposure by booking office.

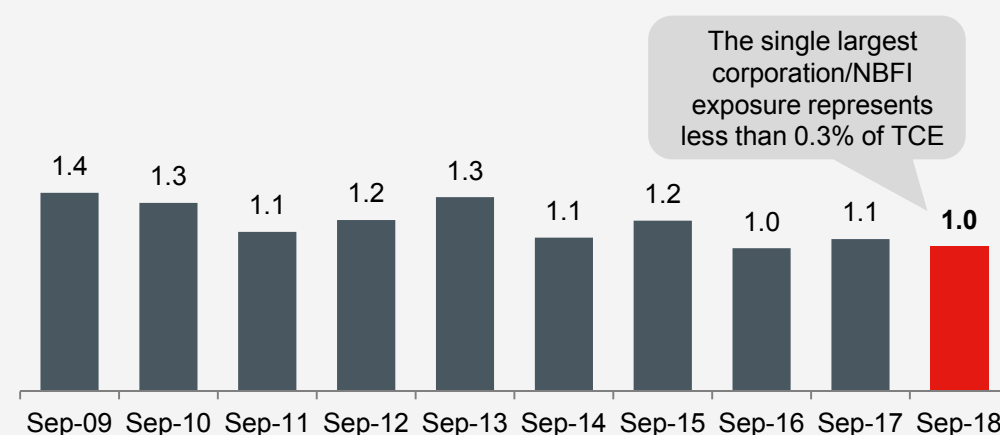


# A well diversified loan portfolio

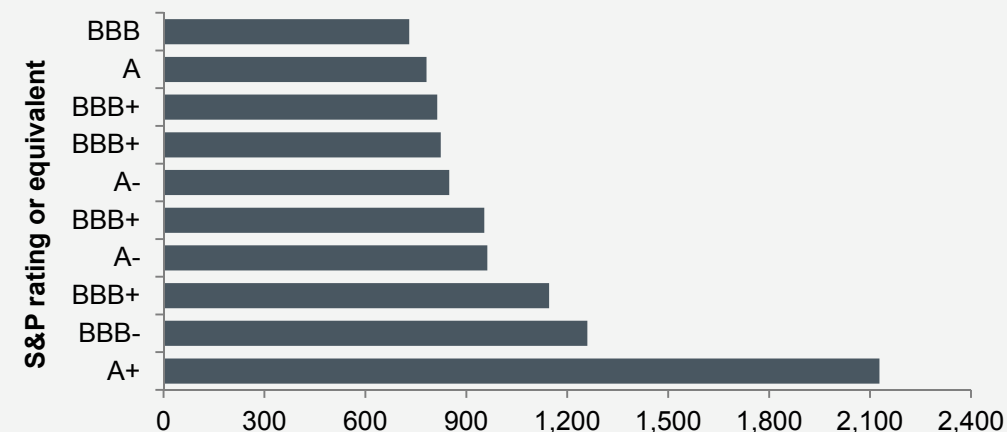
## Exposures at default<sup>1</sup> by sector (\$bn)



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



## Top 10 exposures to corporations & NBFIs at 30 September 2018 (\$m)



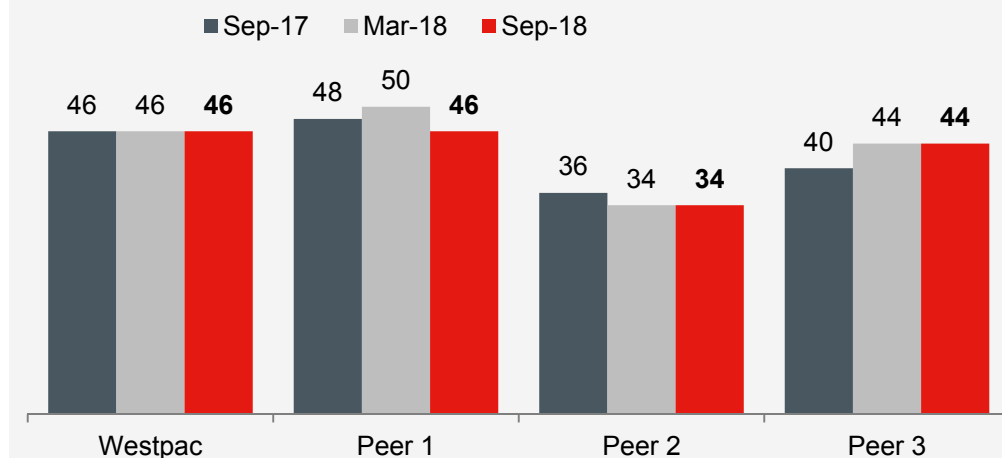
1 Exposures at default is an estimate of the committed exposure expected to be drawn by a customer at the time of default. Excludes consumer lending. 2 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. 3 Property 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 NBFI is non-bank financial institutions.

# Well provisioned, sound credit quality

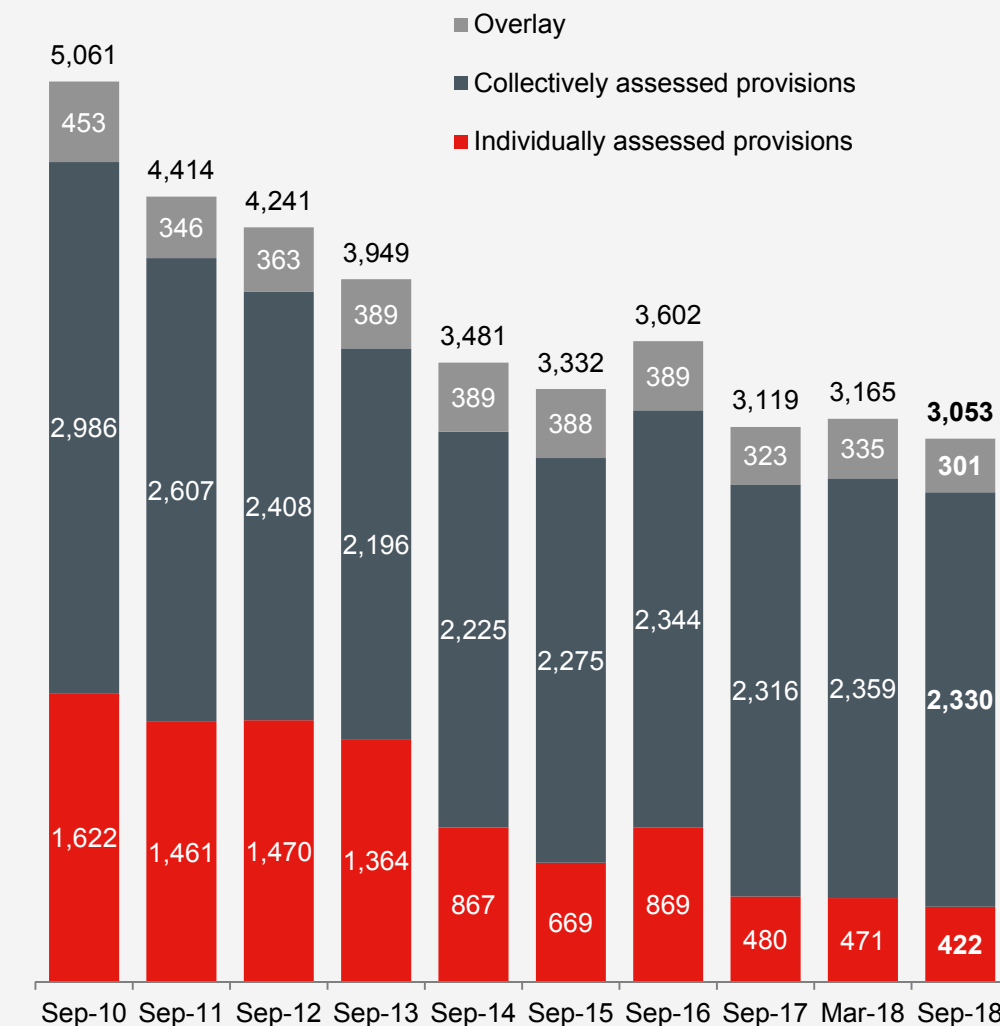
## Provisions for impairments

|                                                      | Sep-17 | Mar-18 | Sep-18     |
|------------------------------------------------------|--------|--------|------------|
| Total provisions to gross loans (bps)                | 45     | 45     | <b>43</b>  |
| Impaired asset provisions to impaired assets (%)     | 46     | 46     | <b>46</b>  |
| Collectively assessed provisions to credit RWA (bps) | 76     | 75     | <b>73</b>  |
| Overlay (\$m)                                        | 323    | 335    | <b>301</b> |

## Impaired asset provisions to impaired assets (%)

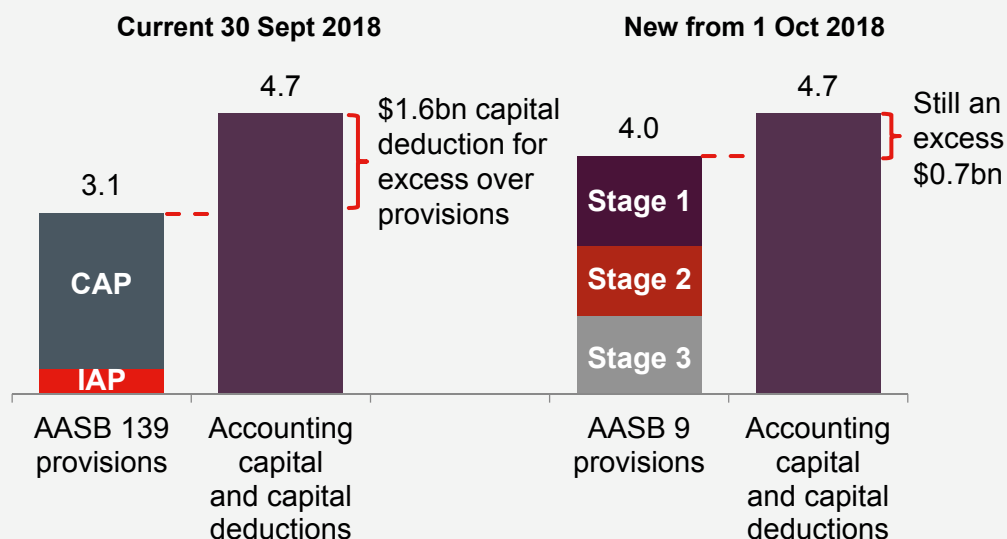


## Total impairment provisions (\$m)



## Approach to provisioning AASB 9

- The current requirement for provisioning (AASB 139) is based on an “incurred loss approach”, with the revised methodology (AASB 9) based on an “expected credit loss” (ECL) approach
- The key elements of provisioning are in three stages:
  - Stage 1 - a one year expected loss will be recognised from initial recognition of a financial instrument
  - Stage 2 - if the credit risk on that financial instrument has “increased significantly since initial recognition” then a lifetime ECL is recognised
  - Stage 3 - if the financial instrument is credit impaired (default) lifetime ECL is recognised (similar to existing treatment of impairment provision)
- Measurement of the lifetime expected loss needs to be an “unbiased and probability weighted outcome” taking into account past events, current conditions and future forecasts. This differs from the current AASB 139 requirements that do not consider future events



## Estimated transition impacts of AASB 9

- Impairment provisions higher
  - Estimated \$974m increase in impairment provisions due to forward-looking factors and lifetime expected credit losses on stage 2 loans
  - Collectively assessed provisions (CAP) to credit risk weighted assets increase to 99bps (from 73bps)
- Retained earnings lower
  - Increase in provisions will be taken through retained earnings with no impact on cash earnings
- CET1 capital ratio little change (~1bp)
  - Impacts will be largely netted off in regulatory capital, lower regulatory expected loss deduction vs higher provisions
- Full details will be provided in 1H19

## Interest adjustment AASB 9

- Under AASB 9 the interest carrying adjustment (ICA) will only apply where the asset is in stage 3. In FY18 the CAP component of the ICA was \$179m
- This will result in higher impairment charges and higher net interest income
- Will impact some metrics, such as net interest margin and expense to income ratio

## Impacts of AASB 15

- Not expected to have a material impact on earnings or capital
- Income and expenses will be higher from the grossing up of items previously netted
- Will impact some metrics, such as net interest margin and expense to income ratio
- More details will be provided in 1H19

# Provision cover by portfolio category



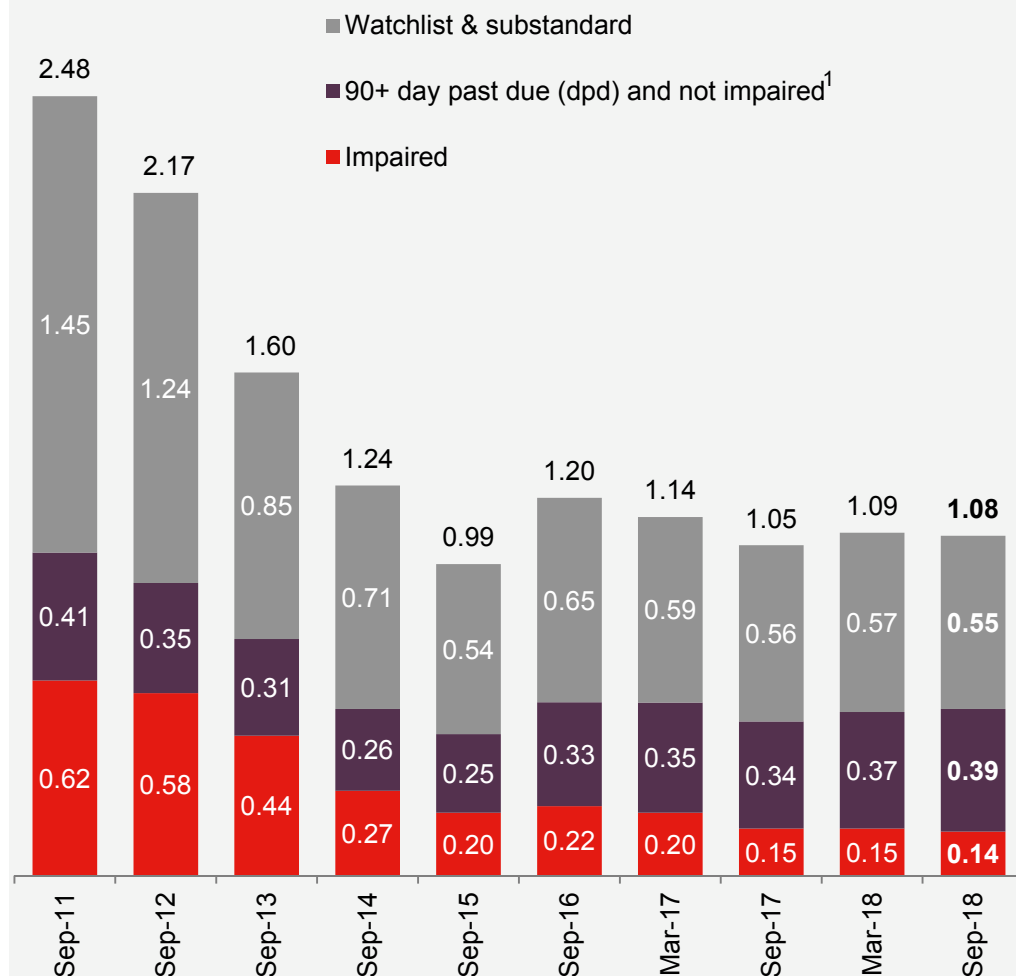
Collective provisions

Impaired asset provisions

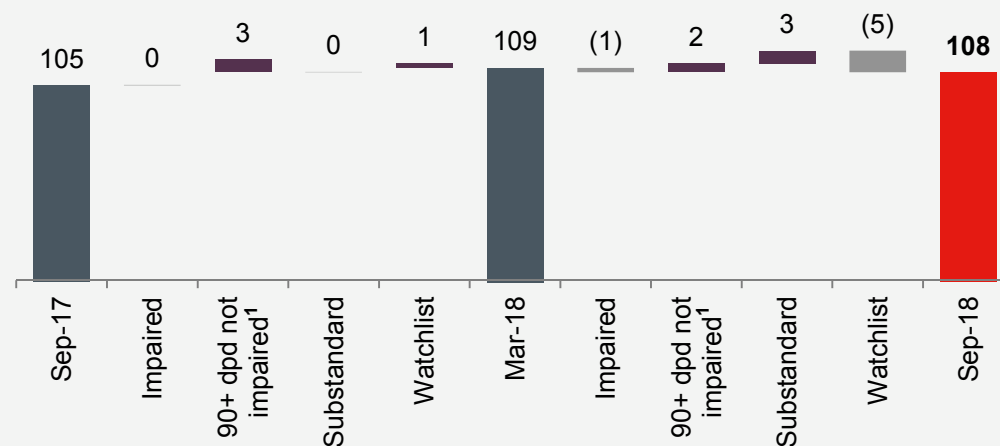
|                                                               | Provisioning to TCE (%) |        |        |        |
|---------------------------------------------------------------|-------------------------|--------|--------|--------|
|                                                               | Mar-17                  | Sep-17 | Mar-18 | Sep-18 |
| <b>Fully performing portfolio</b>                             |                         |        |        |        |
| • Small cover as low probability of default (PD)              | 0.21                    | 0.20   | 0.20   | 0.18   |
| • Includes overlay                                            |                         |        |        |        |
| <b>Watchlist &amp; substandard</b>                            |                         |        |        |        |
| • Still performing but higher cover reflects deterioration    | 4.52                    | 4.76   | 4.71   | 5.27   |
| <b>90+ day past due and not impaired</b>                      |                         |        |        |        |
| • In default but high level of security                       | 5.04                    | 5.08   | 5.03   | 5.11   |
| <b>Impaired assets</b>                                        |                         |        |        |        |
| • In default. High provision cover reflects expected recovery | 52.07                   | 46.30  | 45.54  | 46.12  |

# Stressed exposures little changed

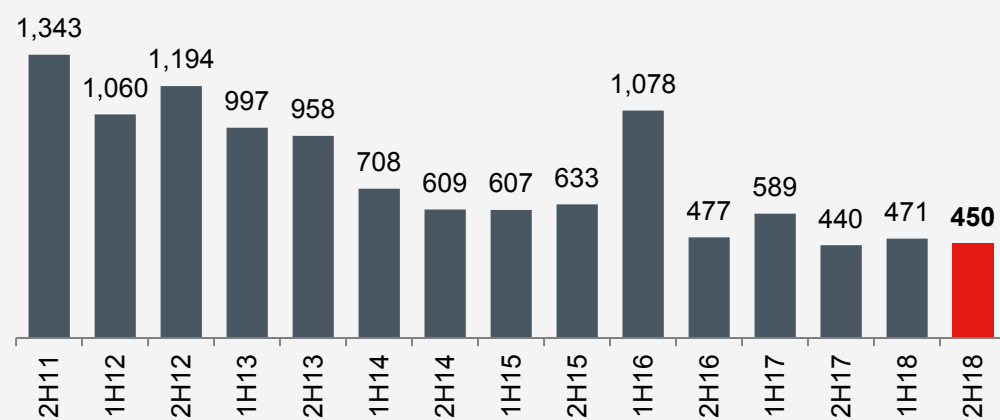
## Stressed exposures as a % of TCE



## Movement in stress categories (bps)



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

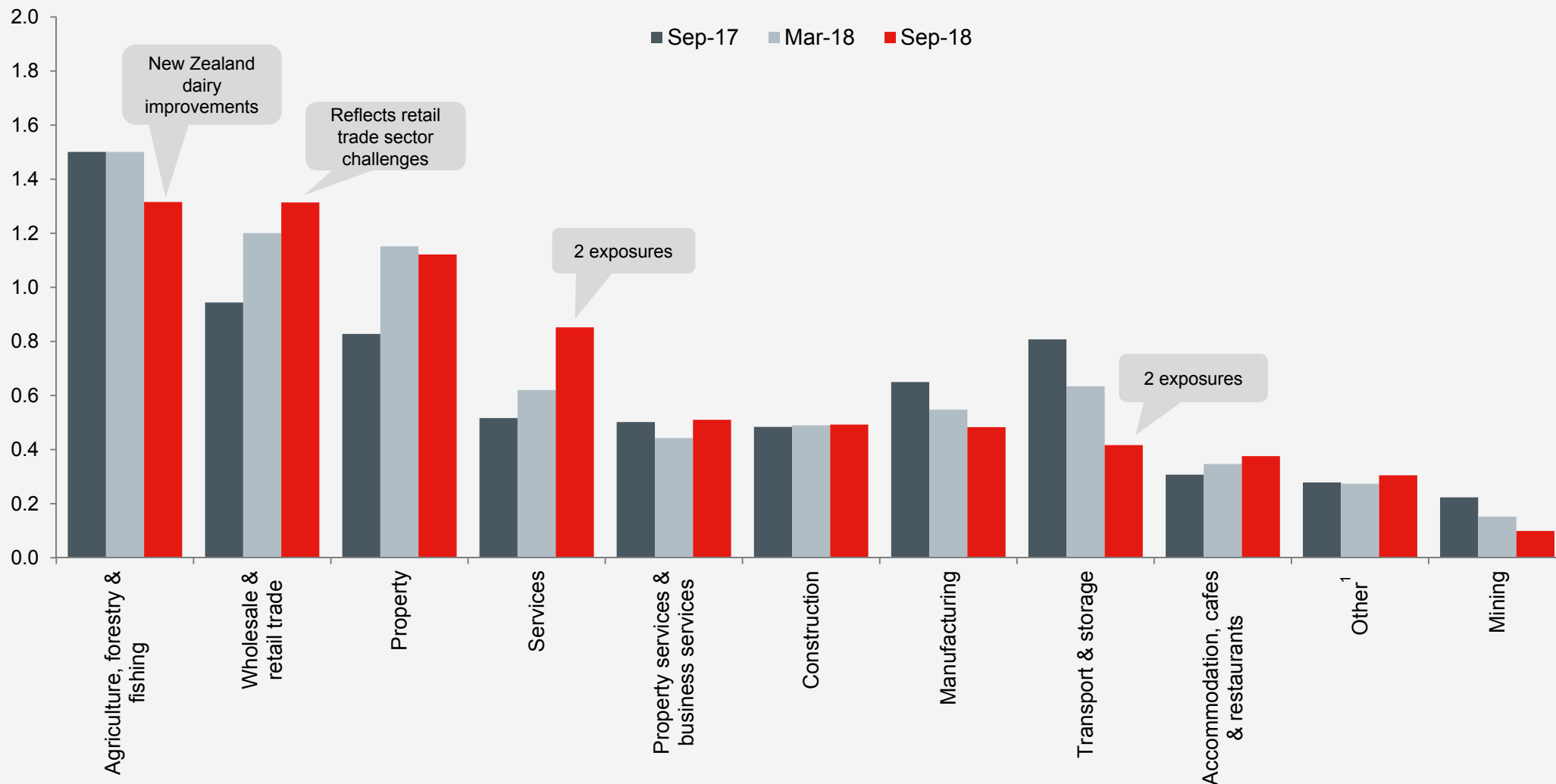


1 Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes.



# Overall stressed exposures little changed over 2H18

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



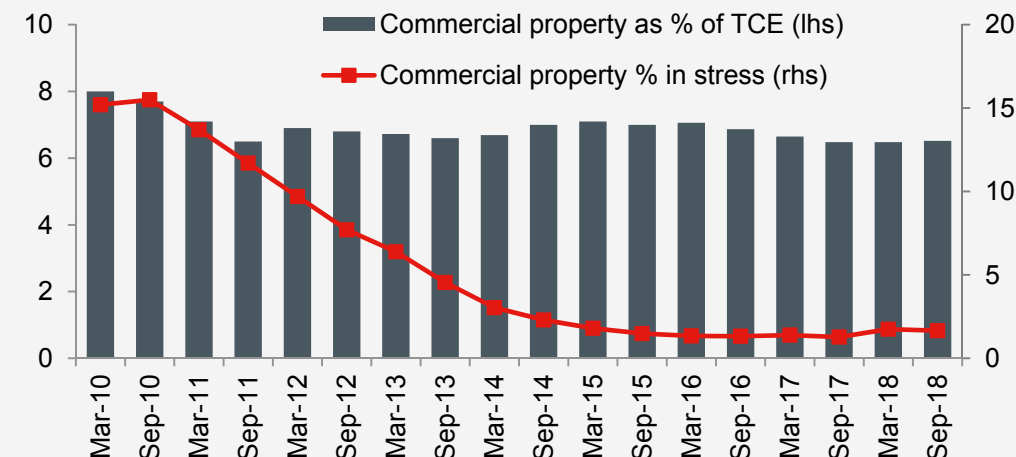
<sup>1</sup> Includes Finance & insurance, Utilities, Government admin. & defence.

# Areas of interest: Commercial property

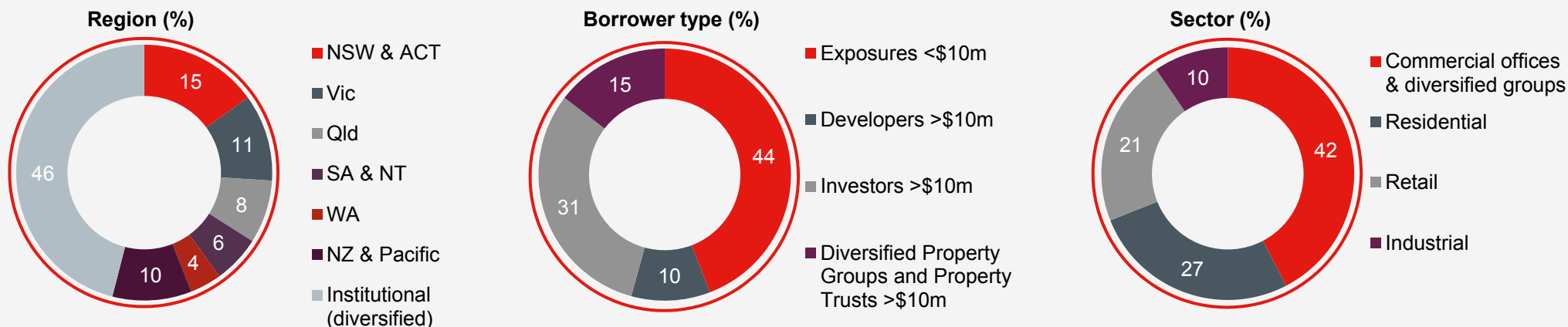
## Commercial property portfolio

|                                                  | Sep-17        | Mar-18        | Sep-18                |
|--------------------------------------------------|---------------|---------------|-----------------------|
| Total committed exposures (TCE)                  | \$65.2bn      | \$66.3bn      | <b>\$67.6bn</b>       |
| Lending                                          | \$49.6bn      | \$51.1bn      | <b>\$52.0bn</b>       |
| Commercial property as a % of Group TCE          | 6.48          | 6.48          | <b>6.51</b>           |
| Median risk grade                                | BB equivalent | BB equivalent | <b>BB+ equivalent</b> |
| % of portfolio graded as stressed <sup>1,2</sup> | 1.27          | 1.74          | <b>1.66</b>           |
| % of portfolio in impaired <sup>2</sup>          | 0.38          | 0.28          | <b>0.23</b>           |

## Commercial property exposures % of TCE and % in stress



## Commercial property portfolio composition (%)



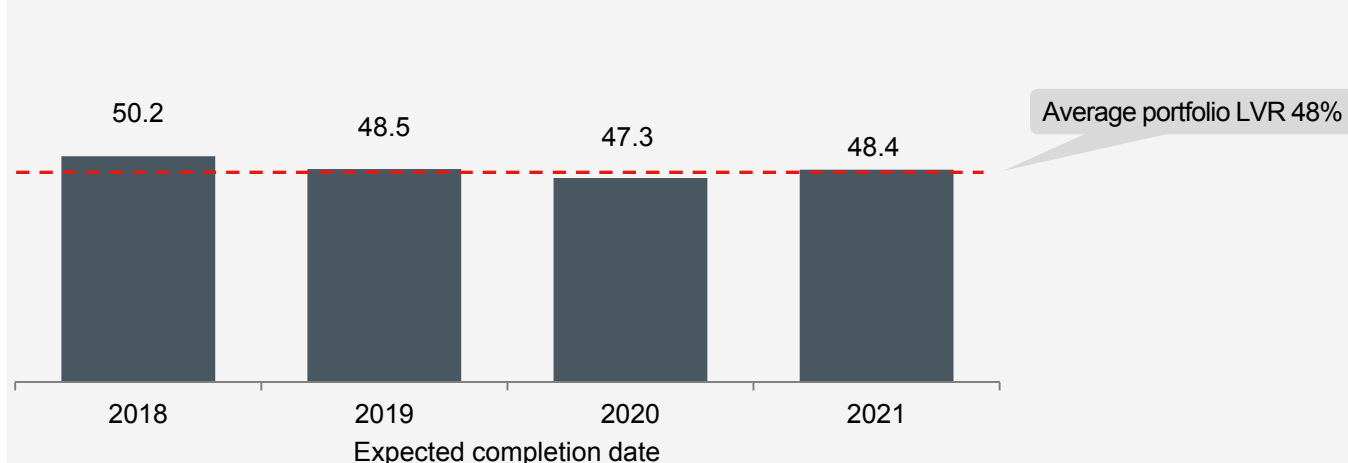
1 Includes impaired exposures. 2 Percentage of commercial property portfolio TCE.

# Areas of interest: Inner city apartments

## Commercial property portfolio TCE (\$bn)

|                                                                                  | Sep-17 | Mar-18 | Sep-18     | TCE <sup>1</sup> |                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------|--------|--------|------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Residential apartment development &gt;\$20m</b>                               | 4.2    | 4.0    | <b>4.1</b> | 6.1%             | <ul style="list-style-type: none"> <li>Market activity is slowing as demand eases and pre-sales and new developments start to slow. Sydney completions expected to peak in 2018, other cities peaked in 2017, still a lot of units to complete. Tightened risk appetite in areas of higher concern, which has been progressively introduced since 2012</li> </ul> |
| <b>Residential apartment development &gt;\$20m in major markets, shown below</b> | 2.7    | 2.7    | <b>2.6</b> | 3.8%             | <ul style="list-style-type: none"> <li>Settlements remain slightly slower, but Westpac's debt has been repaid in full given low LVRs</li> </ul>                                                                                                                                                                                                                   |
| Sydney major markets                                                             | 1.5    | 1.9    | <b>1.8</b> | 2.7%             | <ul style="list-style-type: none"> <li>Still active in key markets</li> </ul>                                                                                                                                                                                                                                                                                     |
| Inner Melbourne                                                                  | 0.7    | 0.6    | <b>0.6</b> | 0.9%             | <ul style="list-style-type: none"> <li>Weighted average LVR 47%</li> </ul>                                                                                                                                                                                                                                                                                        |
| Inner Brisbane                                                                   | 0.4    | 0.2    | <b>0.1</b> | 0.1%             | <ul style="list-style-type: none"> <li>Slow market. Exposure low</li> </ul>                                                                                                                                                                                                                                                                                       |
| Perth metro                                                                      | 0.0    | 0.0    | <b>0.1</b> | 0.1%             | <ul style="list-style-type: none"> <li>Activity slowly lifting. New loans at 46.3% weighted average LVR</li> </ul>                                                                                                                                                                                                                                                |
| Adelaide CBD                                                                     | 0.1    | 0.0    | <b>0.0</b> | -                | <ul style="list-style-type: none"> <li>Project completed</li> </ul>                                                                                                                                                                                                                                                                                               |

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



<sup>1</sup> Percentage of commercial property TCE.

## Consumer mortgages

Consumer mortgages where security is within an inner city residential apartment development

|                                   | Mar-18   | Sep-18   |
|-----------------------------------|----------|----------|
| Total loans                       | \$14.7bn | \$15.2bn |
| Average LVR at origination        | 73%      | 73%      |
| Average dynamic LVR               | 56%      | 57%      |
| Dynamic LVR >90% (% of portfolio) | 2.65%    | 2.48%    |
| 90+ day delinquencies             | 40bps    | 44bps    |

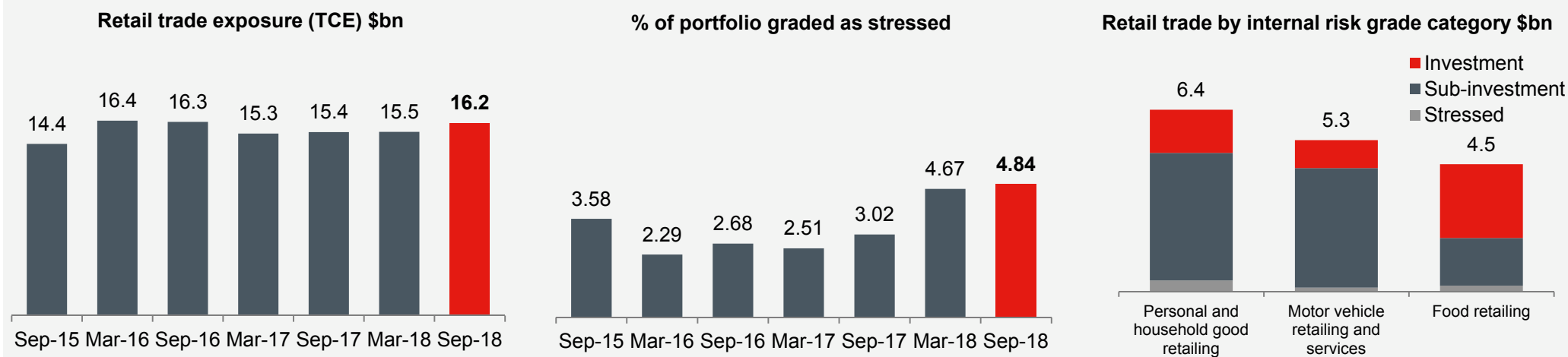
## Overview

- The retail sector continues to be challenged by subdued consumer demand and growth in domestic and international online channels
- These changes have been emerging for a number of years and businesses need to continue to adapt
- Whilst there has been a small increase in stress, the portfolio is diversified and the credit quality remains sound
- The increase in exposure over 2H18 was to high quality investment grade customers

## Retail trade portfolio

|                                                  | Sep-17        | Mar-18        | Sep-18               |
|--------------------------------------------------|---------------|---------------|----------------------|
| Total committed exposures (TCE)                  | \$15.4bn      | \$15.5bn      | <b>\$16.2bn</b>      |
| Lending                                          | \$11.5bn      | \$11.3bn      | <b>\$11.6bn</b>      |
| Retail trade as a % of Group TCE                 | 1.53          | 1.51          | <b>1.56</b>          |
| Median risk grade                                | BB equivalent | BB equivalent | <b>BB equivalent</b> |
| % of portfolio graded as stressed <sup>1,2</sup> | 3.02          | 4.67          | <b>4.84</b>          |
| % of portfolio in impaired <sup>2</sup>          | 0.31          | 0.48          | <b>0.41</b>          |

## Retail trade portfolio composition



1 Includes impaired exposures. 2 Percentage of retail trade portfolio TCE.

# Areas of interest: Aged Care sector

Credit Quality | 80

## Overview

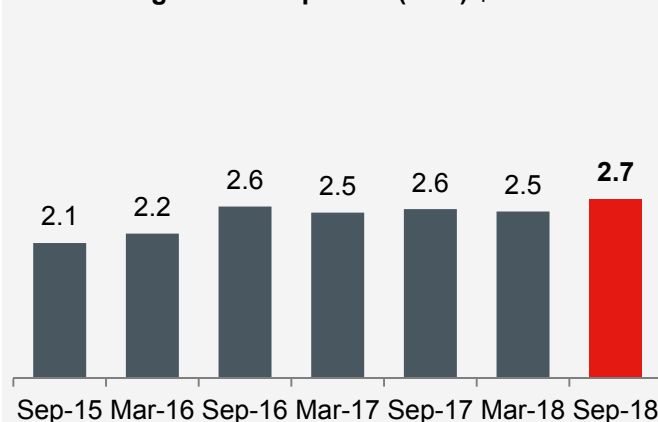
- Aged care sector is forecast to grow with significant investment required to meet demand from Australia's aging population
- The stress increase over the year has been driven by the downgrade of three exposures
- The portfolio more generally is diversified and credit quality remains sound. Westpac maintains a strong history of involvement in this sector
- On 16th September, a Royal Commission into Aged Care Quality and Safety was announced. The interim report is to be provided by 31 October 2019 with a final report no later than 30 April 2020

## Aged Care portfolio

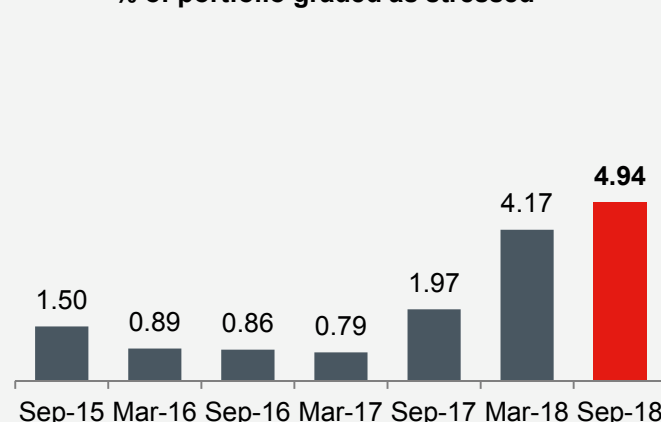
|                                                  | Sep-17         | Mar-18         | Sep-18                |
|--------------------------------------------------|----------------|----------------|-----------------------|
| Total committed exposures (TCE)                  | \$2.6bn        | \$2.5bn        | <b>\$2.7bn</b>        |
| Lending                                          | \$1.5bn        | \$1.5bn        | <b>\$1.6bn</b>        |
| Aged Care as a % of Group TCE                    | 0.26           | 0.24           | <b>0.26</b>           |
| Median risk grade                                | BB+ equivalent | BB+ equivalent | <b>BB+ equivalent</b> |
| % of portfolio graded as stressed <sup>1,2</sup> | 1.97           | 4.17           | <b>4.94</b>           |
| % of portfolio in impaired <sup>2</sup>          | 0.00           | 0.00           | <b>0.00</b>           |

## Aged Care portfolio composition

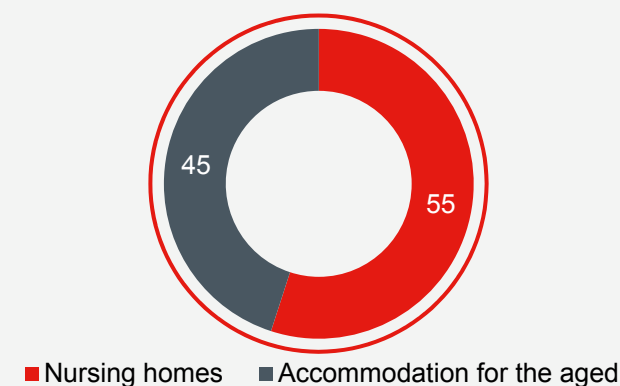
Aged Care exposure (TCE) \$bn



% of portfolio graded as stressed



Aged Care portfolio (TCE) by sector (%)



1 Includes impaired exposures. 2 Percentage of Aged Care portfolio TCE.



# Areas of interest: Areas experiencing drought conditions

Credit Quality | 81

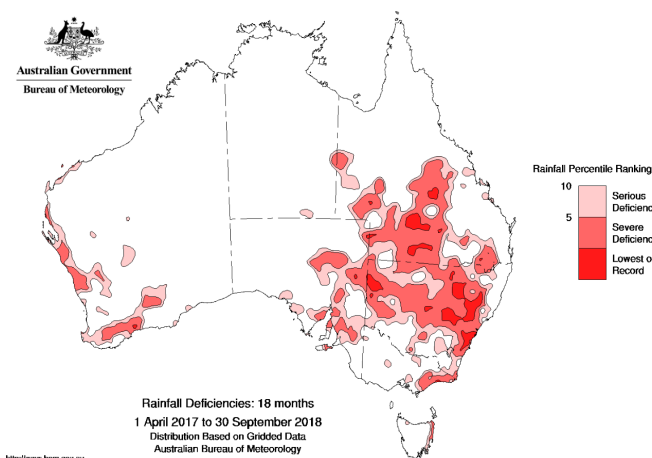
## Overview

- Many parts of Australia are currently affected by drought, in particular, NSW. Other areas such as WA are performing well. This is typical in Australia where conditions can vary across the country
- In response, Westpac extended its existing support to farmers and agribusiness customers in all states under a new \$100m Drought Assistance Package
- Past droughts have not impacted the long term health of the portfolio due to a considered approach and limited exposure to farming regions subject to poorer agricultural conditions and which have historically had lower levels of production
- Westpac has focused on building a customer base across reliable regions with higher rainfall and access to irrigation, close to a reliable workforce and markets
- Since May 2018, we have contacted all agribusiness customers across Western Queensland, NSW and Northern Victoria to assist managing through current conditions

## Australian Agribusiness<sup>1</sup> portfolio

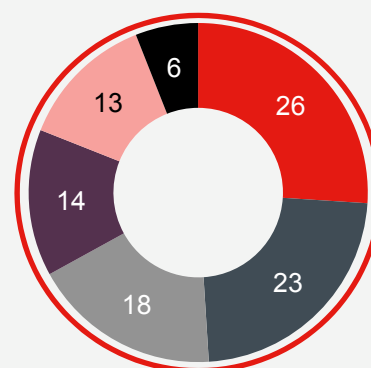
|                                                  | Sep-17        | Mar-18        | Sep-18               |
|--------------------------------------------------|---------------|---------------|----------------------|
| Total committed exposures (TCE)                  | \$10.3bn      | \$10.6bn      | <b>\$10.6bn</b>      |
| Lending                                          | \$8.1bn       | \$8.2bn       | <b>\$8.5bn</b>       |
| Australian Agribusiness as a % of Group TCE      | 1.02          | 1.04          | <b>1.02</b>          |
| Median risk grade                                | BB equivalent | BB equivalent | <b>BB equivalent</b> |
| % of portfolio graded as stressed <sup>2,3</sup> | 3.47          | 4.27          | <b>4.40</b>          |
| % of portfolio in impaired <sup>3</sup>          | 0.18          | 0.31          | <b>0.27</b>          |

## Areas of rainfall deficiencies last 18mts<sup>4</sup>

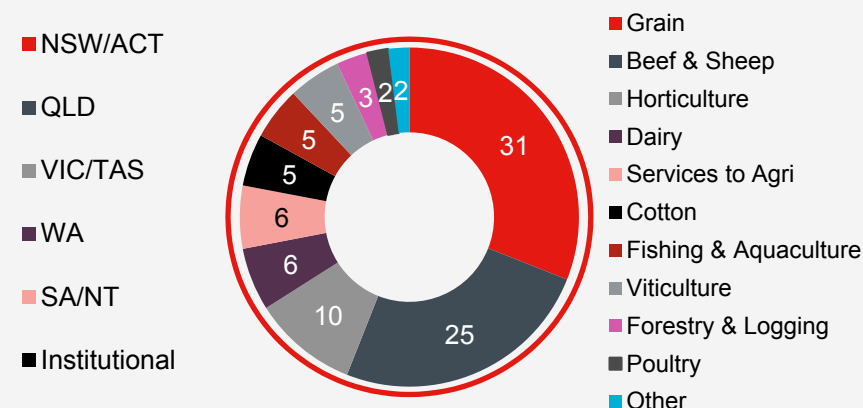


## Australian Agribusiness portfolio composition

### Agriculture, Forestry and Fishing portfolio by state



### Portfolio by industry



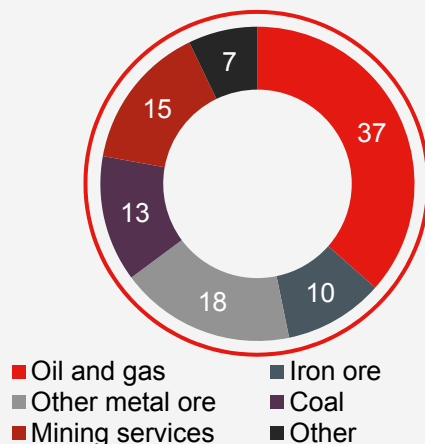
1 Agribusiness defined by ANZSICS in Pillar 3 industry Agriculture, fishing and forestry. 2 Includes impaired exposures. 3 Percentage of Australian Agribusiness portfolio TCE. 4 Source: Commonwealth of Australia 2018, Australian Bureau of Meteorology. Issued 7/10/2018.

# Areas of interest: Mining and NZ dairy

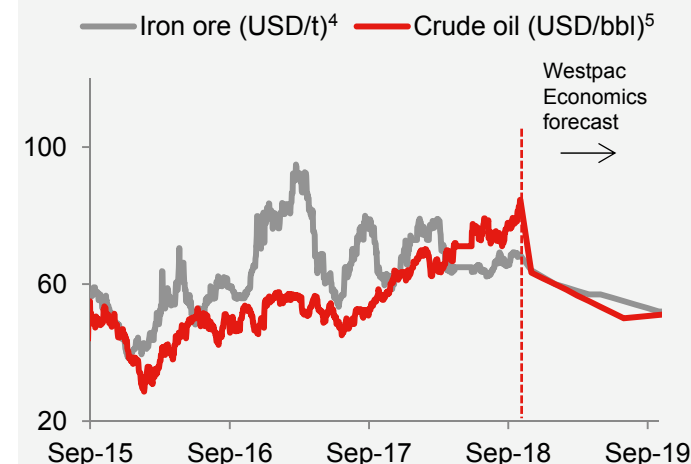
## Mining (inc. oil and gas) portfolio

|                                                  | Sep-17  | Mar-18  | Sep-18          |
|--------------------------------------------------|---------|---------|-----------------|
| Total committed exposure (TCE)                   | \$9.7bn | \$9.3bn | <b>\$10.7bn</b> |
| Lending                                          | \$5.1bn | \$5.1bn | <b>\$5.7bn</b>  |
| % of Group TCE                                   | 0.96    | 0.91    | <b>1.03</b>     |
| % of portfolio graded as stressed <sup>1,2</sup> | 2.33    | 1.72    | <b>0.99</b>     |
| % of portfolio in impaired <sup>2</sup>          | 0.44    | 0.31    | <b>0.17</b>     |

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



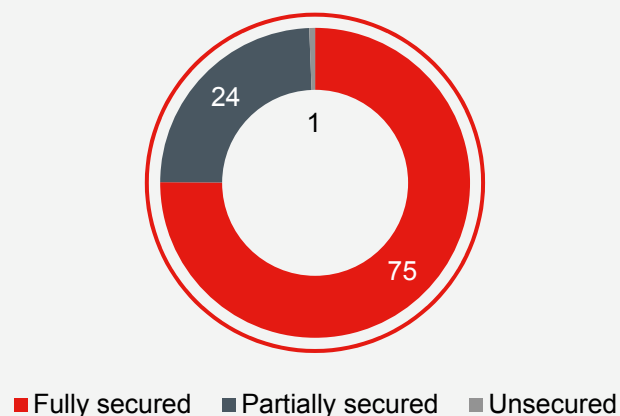
## Iron Ore and Oil prices (\$)<sup>3</sup>



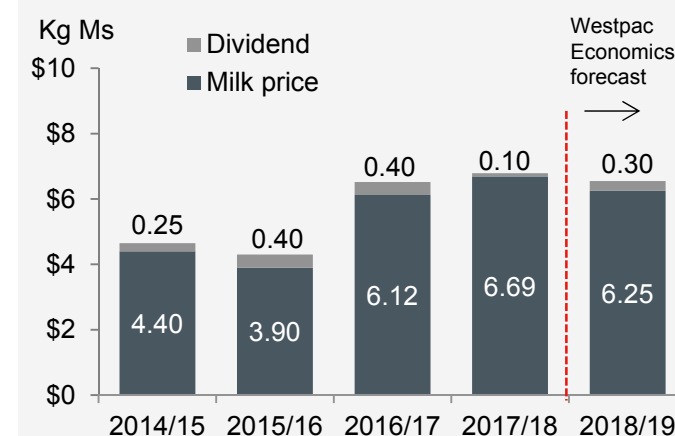
## New Zealand dairy portfolio

|                                                  | Sep-17  | Mar-18  | Sep-18         |
|--------------------------------------------------|---------|---------|----------------|
| Total committed exposure (TCE) (NZD)             | \$6.0bn | \$6.1bn | <b>\$6.3bn</b> |
| Lending (NZD)                                    | \$5.8bn | \$5.8bn | <b>\$6.0bn</b> |
| % of Group TCE                                   | 0.55    | 0.55    | <b>0.55</b>    |
| % of portfolio graded as stressed <sup>1,2</sup> | 17.02   | 14.94   | <b>11.90</b>   |
| % of portfolio in impaired <sup>2</sup>          | 0.34    | 0.47    | <b>0.36</b>    |

## NZ dairy portfolio (TCE) by security (%)



## Milk price & Fonterra dividend<sup>6</sup> (NZ\$)



1 Includes impaired exposures. 2 Percentage of portfolio TCE. 3 Sourced from Westpac Economics and Bloomberg. 4 The steel index 62% Fe fines benchmark. 5 Brent oil price. 6 Source Fonterra.

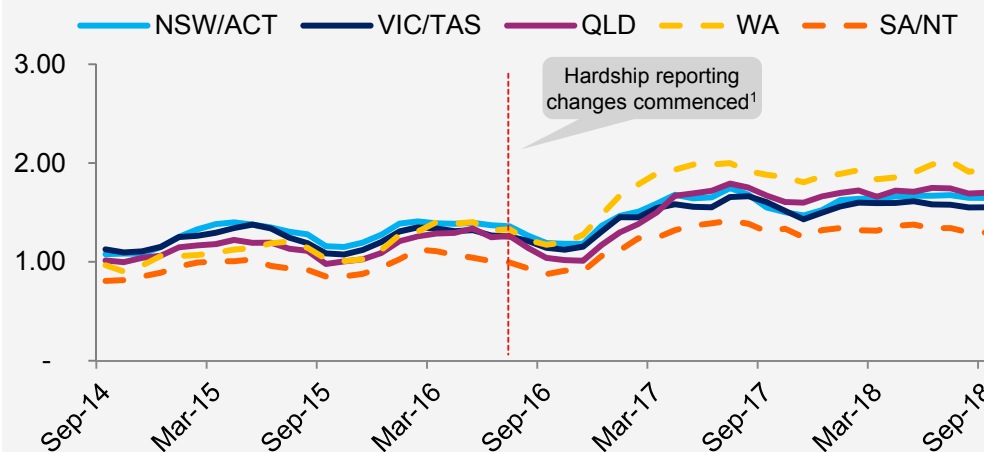
# Australian consumer unsecured lending, 3% of Group loans

## Australian consumer unsecured lending portfolio

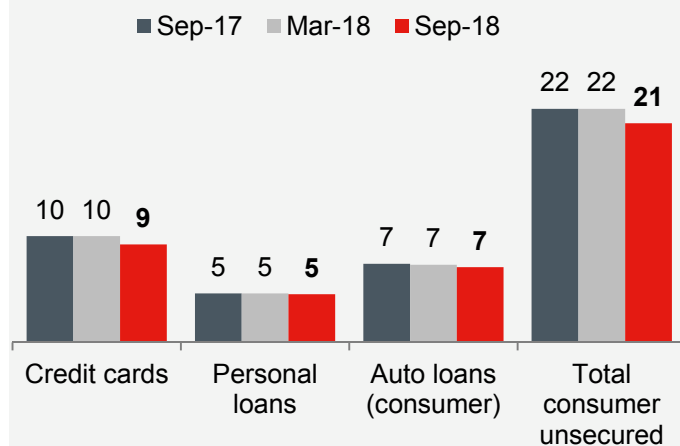
|                           | Sep-17   | Mar-18   | Sep-18          |
|---------------------------|----------|----------|-----------------|
| Lending                   | \$22.0bn | \$21.8bn | <b>\$21.1bn</b> |
| 30+ day delinquencies (%) | 3.60     | 3.95     | <b>3.65</b>     |
| 90+ day delinquencies (%) | 1.66     | 1.71     | <b>1.73</b>     |

The small increase in Australian unsecured lending portfolio 90+ day delinquencies over FY18 was driven by an operational issue in collections delaying the write-off of Auto Finance defaulted loans

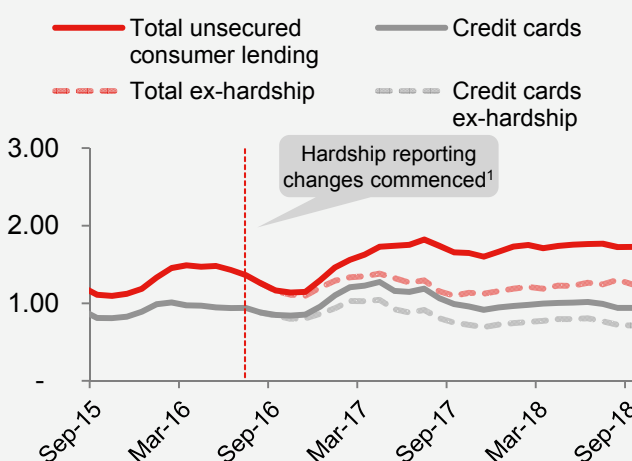
## 90+ day delinquencies (%) by State



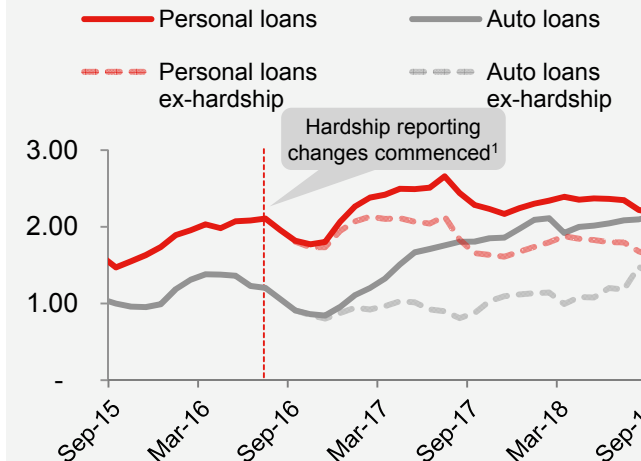
## Australian unsecured portfolio (\$bn)



## 90+ day delinquencies (%)



## 90+ day delinquencies (%)



<sup>1</sup> Westpac changed hardship treatment following guidance from APRA which is intended to standardise the industry treatment of delinquency classification of facilities in hardship. Hardship allows eligible customers to reduce or defer repayments in the short term to manage through a period of financial difficulty (e.g. unemployment, injury, natural disasters). Solutions are tailored to customer circumstances and may include extending the loan or restructuring.

# Australian mortgage portfolio performance

Credit quality | 84

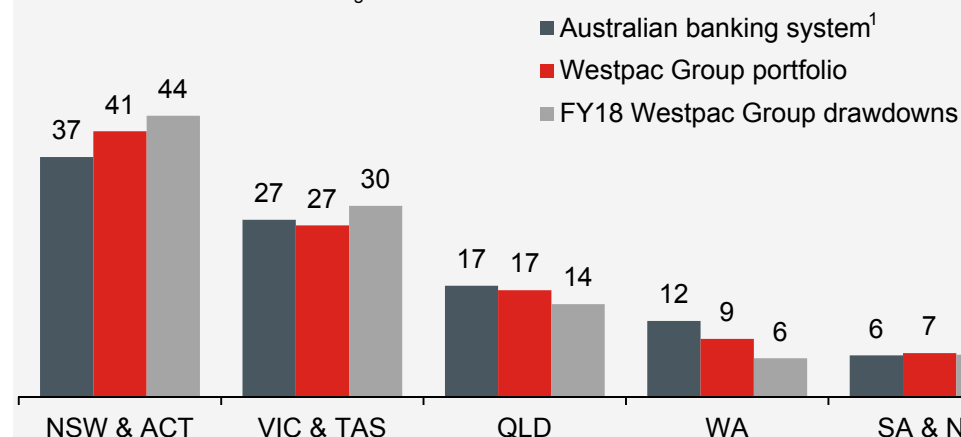
## Australian mortgage delinquencies and properties in possession (PIPs)

|                                                              | Sep-17 | Mar-18 | Sep-18     |
|--------------------------------------------------------------|--------|--------|------------|
| 30+ day delinquencies (bps)                                  | 130    | 144    | <b>140</b> |
| 90+ day delinquencies (bps)<br>(includes impaired mortgages) | 67     | 69     | <b>72</b>  |
| Consumer PIPs                                                | 437    | 398    | <b>396</b> |

Properties in possession continue to be mostly in WA and Qld however Qld properties reduced over the year, while WA increased. A targeted collections approach has improved customer outcomes, supporting customers through the foreclosure process

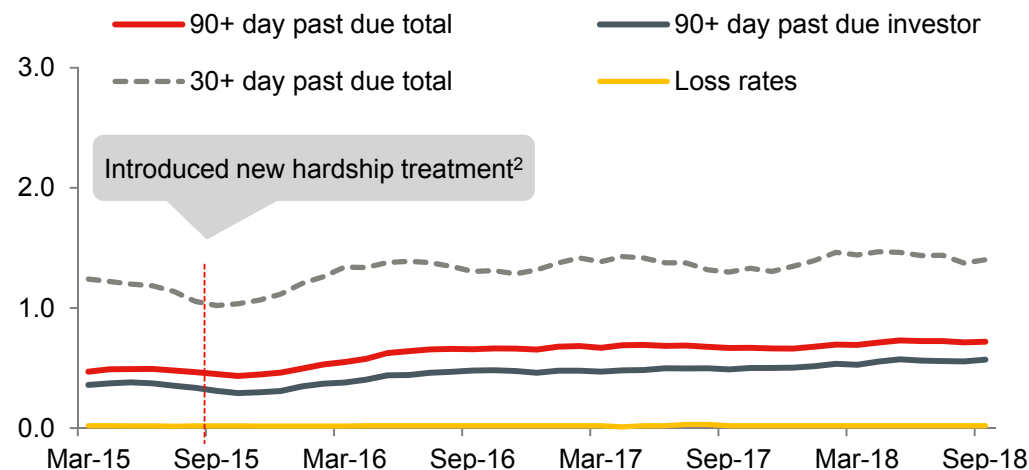
## Housing lending portfolio by State (%)

Chart does not add to 100 due to rounding

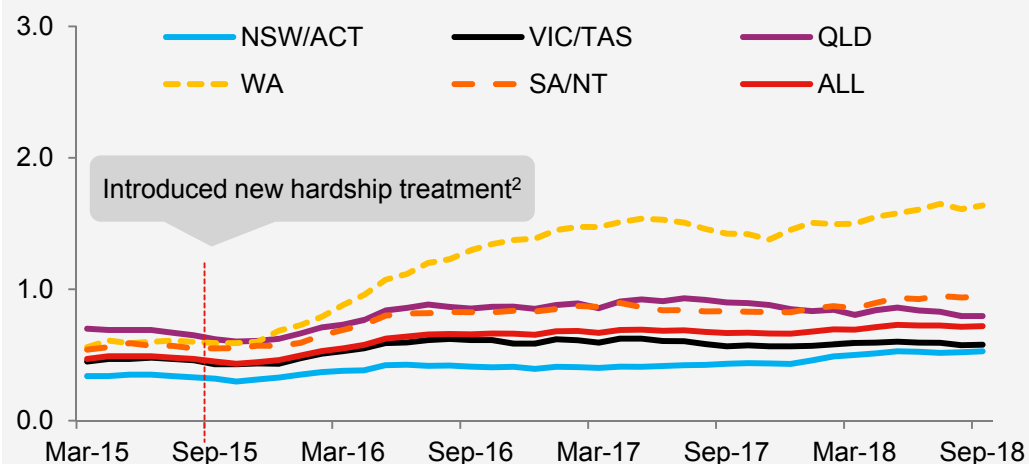


1 Source ABA Cannex August 2018. 2 Under the changes in hardship treatment, an account in hardship continues to migrate through delinquency buckets until 90+ days past due. Accounts are then reported as 90+ days past due until full repayments are maintained for 6 months.

## Australian mortgage portfolio delinquencies (%)



## Australian mortgages 90+ day delinquencies by State (%)



# Australian mortgage portfolio well collateralised

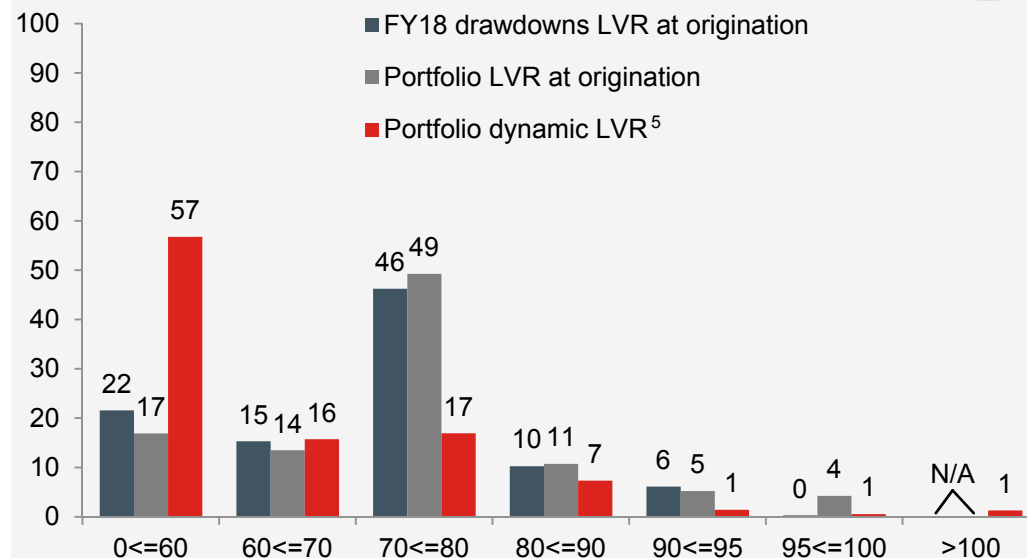
Credit quality | 85

| Australian mortgage portfolio     | Sep-17<br>balance | Mar-18<br>balance | Sep-18<br>balance | 2H18<br>flow <sup>1</sup> |
|-----------------------------------|-------------------|-------------------|-------------------|---------------------------|
| Total portfolio (\$bn)            | 427.2             | 437.2             | <b>444.7</b>      | <b>36.9</b>               |
| Owner occupied (%)                | 55.5              | 56.0              | <b>56.8</b>       | <b>62.0</b>               |
| Investment property loans (%)     | 39.8              | 39.5              | <b>39.1</b>       | <b>37.6</b>               |
| Portfolio loan/line of credit (%) | 4.7               | 4.5               | <b>4.1</b>        | <b>0.4</b>                |
| Variable rate / Fixed rate (%)    | 79 / 21           | 77 / 23           | <b>77 / 23</b>    | <b>78 / 22</b>            |
| Interest only (%)                 | 45.5              | 39.6              | <b>34.8</b>       | <b>23.1</b>               |
| Proprietary channel (%)           | 57.3              | 56.5              | <b>56.1</b>       | <b>51.6</b>               |
| First home buyer (%)              | 8.1               | 7.9               | <b>7.8</b>        | <b>8.2</b>                |
| Mortgage insured (%)              | 17.5              | 16.9              | <b>16.3</b>       | <b>11.1</b>               |

|                                                                                     | Sep-17 | Mar-18 | Sep-18     |
|-------------------------------------------------------------------------------------|--------|--------|------------|
| Average loan size <sup>2</sup> (\$'000)                                             | 264    | 270    | <b>273</b> |
| Customers ahead on repayments including offset account balances <sup>3</sup> (%)    | 70     | 68     | <b>69</b>  |
| Actual mortgage losses net of insurance <sup>4</sup> (\$m, for the 6 months ending) | 48     | 48     | <b>38</b>  |
| Actual mortgage loss rate annualised (bps, for the 6 months ending)                 | 2      | 2      | <b>2</b>   |

## Australian housing loan-to-value ratios (LVRs) (%)



| Australian mortgage portfolio LVRs |                                     | Sep-17<br>balance | Mar-18<br>balance | Sep-18<br>balance |
|------------------------------------|-------------------------------------|-------------------|-------------------|-------------------|
| Simple averages                    | LVR at origination <sup>6</sup> (%) | 70                | 70                | <b>70</b>         |
|                                    | Dynamic LVR <sup>5,6,7</sup> (%)    | 42                | 41                | <b>43</b>         |
|                                    | LVR of new loans <sup>6,8</sup> (%) | 67                | 69                | <b>69</b>         |
| Weighted averages                  | LVR at origination <sup>9</sup> (%) | 74                | 74                | <b>74</b>         |
|                                    | Dynamic LVR <sup>5,7,9</sup> (%)    | 52                | 52                | <b>54</b>         |
|                                    | LVR of new loans <sup>8,9</sup> (%) | 73                | 71                | <b>71</b>         |

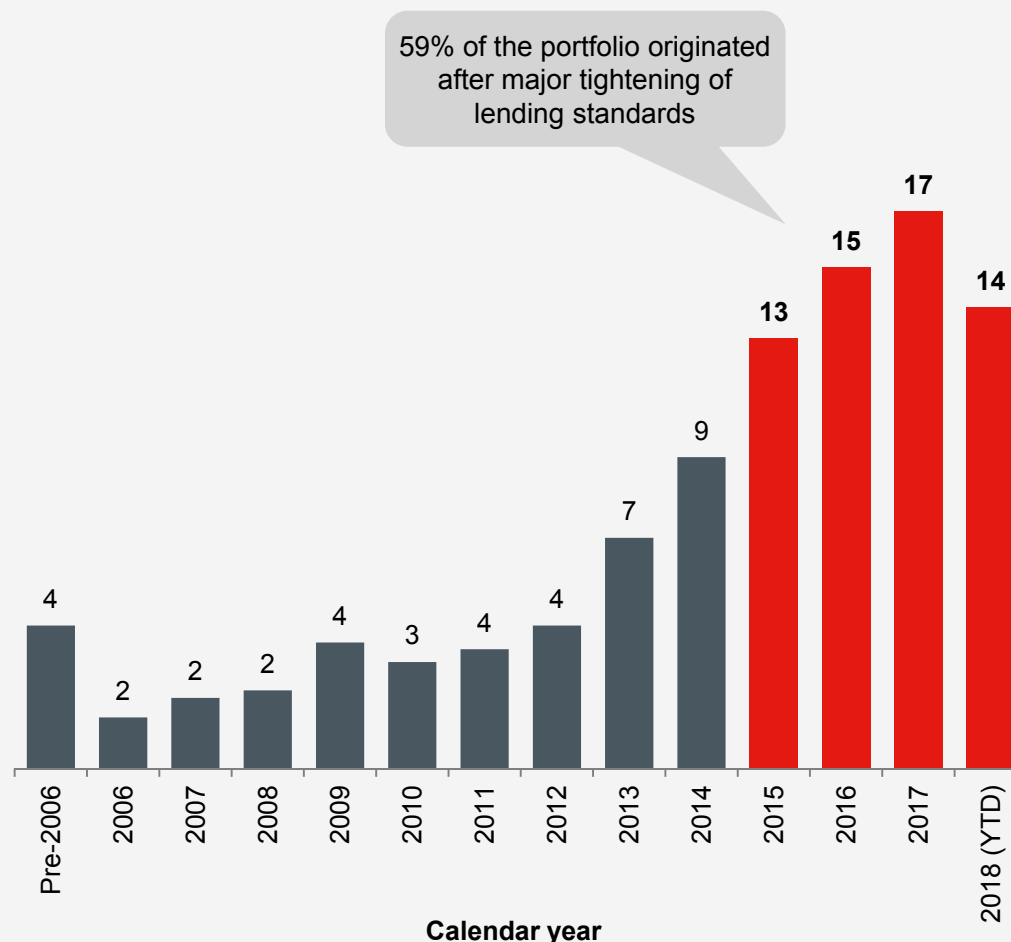
1 Flow is new mortgages settled in the 6 months ended 30 September 2018 and includes RAMS. 2 Includes amortisation. 3 Excludes RAMS in 2H17. Includes RAMS in 1H18 and 2H18. Loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. 4 Mortgage insurance claims 2H18 \$4m (1H18 \$6m; 2H17 \$9m). 5 Excludes RAMS in all periods. 6 LVR calculated as simple average by balances. 7 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 8 Average LVR of new loans is on rolling 6 months. 9 Weighted average LVR calculation considers size of outstanding balances.



## Notable changes to Westpac mortgage lending standards

- |             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2014</b> | <ul style="list-style-type: none"> <li>10% limit on investment property lending growth announced – implemented by 30 September 2015</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>2015</b> | <ul style="list-style-type: none"> <li>Stricter loan affordability tests for new borrowers                             <ul style="list-style-type: none"> <li>– Increase in minimum assessment ('floor') rate to 7.25%</li> <li>– Increase in serviceability assessment buffer to 2.25%</li> </ul> </li> <li>Credit card repayments assessed at 3% of limit (previously 2%)</li> <li>Expenses benchmark (HEM) adjusted by income bands as well as post settlement postcode location, marital status and dependants</li> <li>Serviceability for loans with interest only terms assessed over the residual P&amp;I term, not full loan term</li> <li>Maximum I/O terms reduced – owner occupied reduced to 5 years</li> </ul> |
| <b>2016</b> | <ul style="list-style-type: none"> <li>Mandatory 20% minimum shading on all non-base income (e.g. rental income, annuity income) – previously non-base income discounted by varying amounts</li> <li>Stopped non-resident lending                             <ul style="list-style-type: none"> <li>– For Australian and NZ citizens and permanent visa holders using foreign income, tightened verification and LVR restricted to 70%</li> </ul> </li> <li>Maximum I/O terms for new IPLs reduced to 10 years</li> <li>Maximum LVRs restricted to include LMI capitalisation</li> </ul>                                                                                                                                   |
| <b>2017</b> | <ul style="list-style-type: none"> <li>30% limit on new interest-only lending (based on % of limits)</li> <li>Tighter limits on interest-only lending &gt;80% LVR</li> <li>Heightened supervision of mortgage lending warehouses</li> <li>Strengthened pre settlement hind-sighting process of applications with introduction of day 2 review team</li> </ul>                                                                                                                                                                                                                                                                                                                                                               |
| <b>2018</b> | <ul style="list-style-type: none"> <li>More granular assessment of expenses through the introduction of 13 categories to capture living expenses and other commitments</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

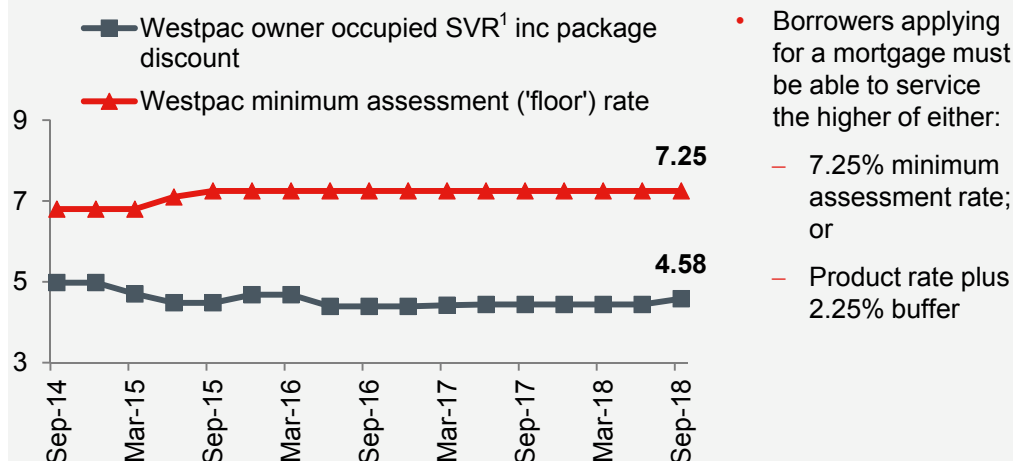
## Australian mortgage portfolio by calendar year of origination (% of total book)



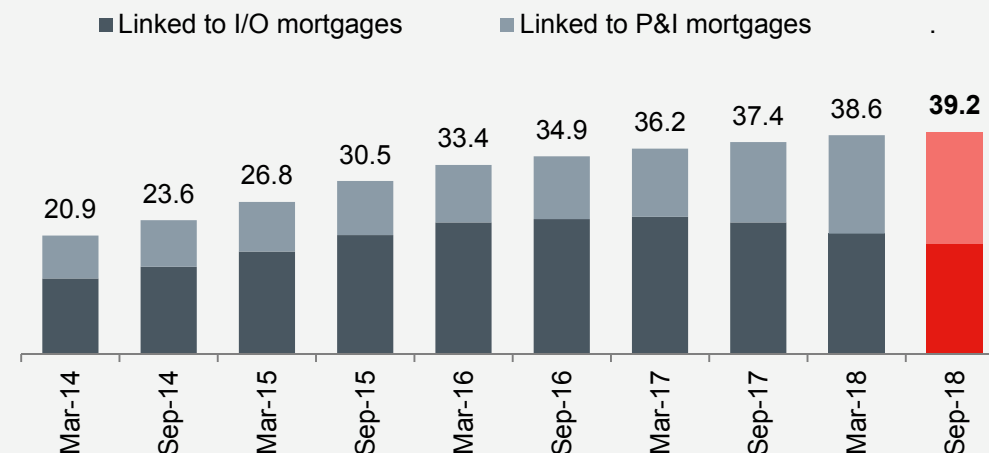
# Australian mortgage portfolio **repayment buffers**

Credit quality | 87

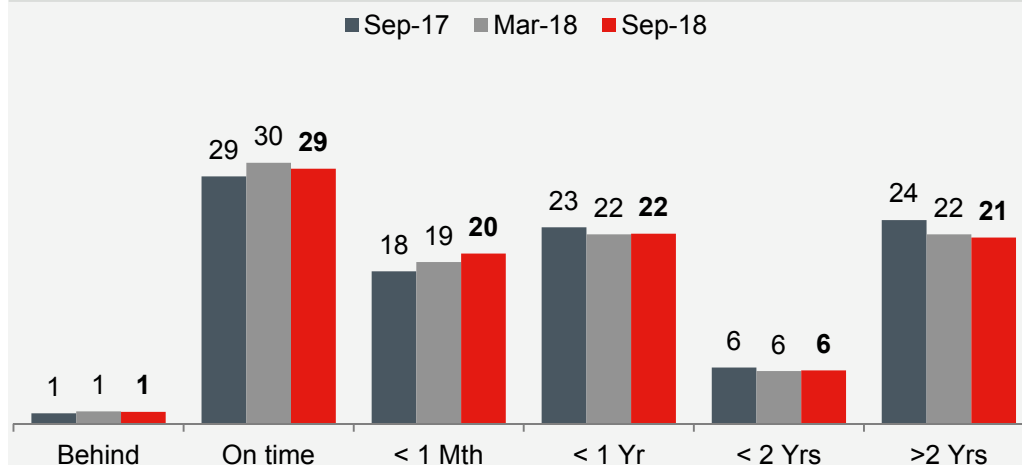
## Mortgage interest rate buffers (%)



## Westpac Australian offset account balances<sup>2</sup> (\$bn)

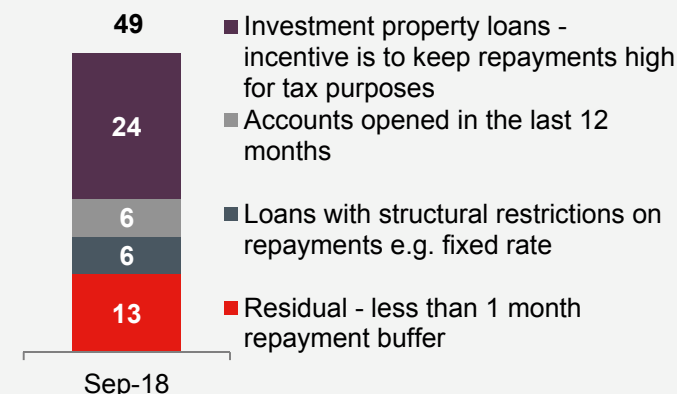


## Australian home loan customers ahead on repayments<sup>3</sup> (% by balances)



69.2% of Westpac borrowers are ahead on their mortgage repayments, including offset account balances

## Loans 'On time' and <1 mth ahead (% of balances)



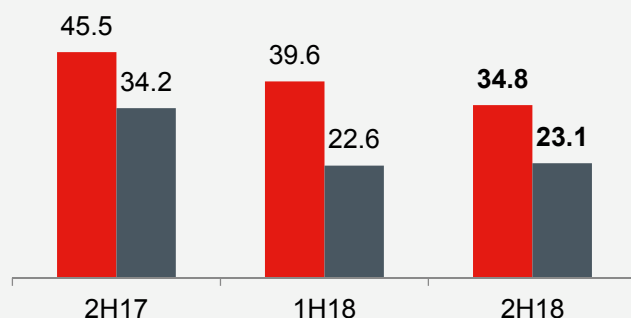
<sup>1</sup> SVR is the Standard Variable Rate for owner-occupied Westpac Rocket Repay Home Loan inclusive of Premier Advantage Package discount. <sup>2</sup> Excludes RAMS. <sup>3</sup> Includes RAMS in 1H18 and 2H18. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset accounts. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due.

# Interest only (I/O) portfolio

Credit quality | 88

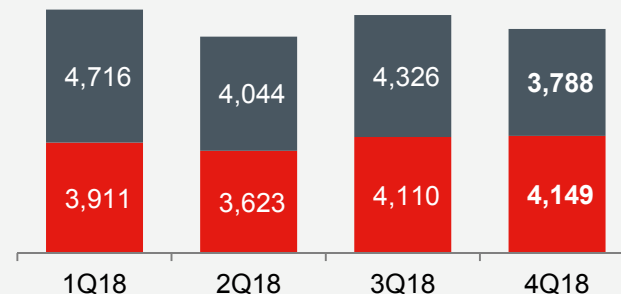
## I/O portfolio (%)

- % of total portfolio (at period end)
- % of all new flows by limit (6 mth)<sup>1</sup>



## Switching from I/O to P&I<sup>2</sup> (\$m)

- Reached end of I/O period
- Customer initiated

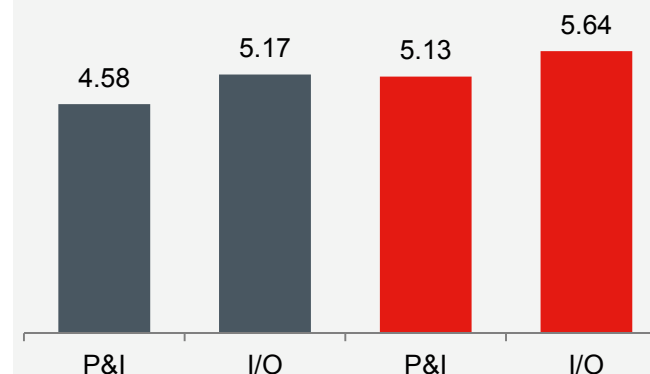


- In FY18 \$33bn (17%) of the I/O portfolio switched to P&I (52% proactively; 48% contractually)
- Total of \$51bn has switched to P&I in last 18mths

## Variable mortgage interest rates<sup>3</sup> (%)

at 17 October 2018

- Owner occupied
- Investor

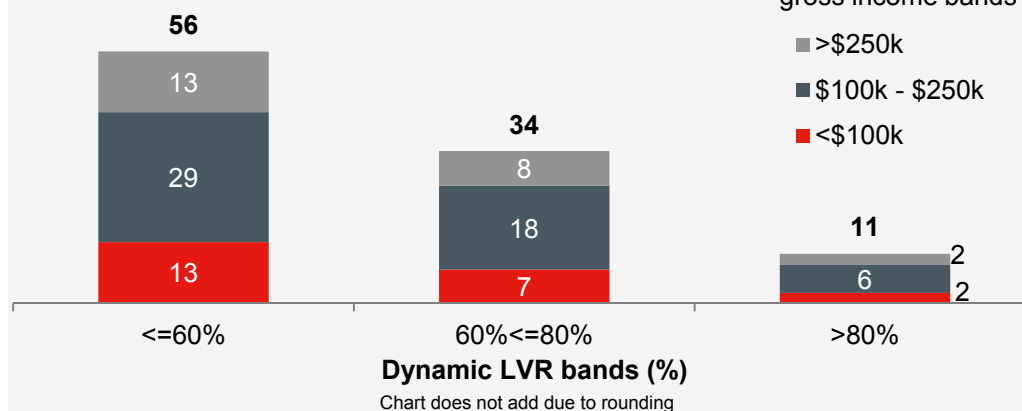


## I/O lending (%)

By dynamic LVR<sup>4</sup> and income band (%)

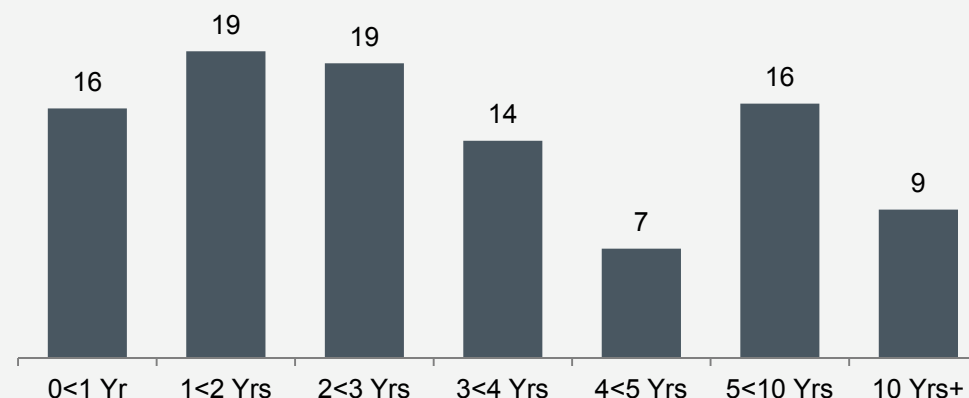
Applicant gross income bands

- >\$250k
- \$100k - \$250k
- <\$100k



## Scheduled I/O term expiry<sup>5</sup>

(% of total I/O loans)



<sup>1</sup> Flow is based on APRA definition. <sup>2</sup> I/O is interest only mortgage lending. P&I is principal and interest mortgage lending. <sup>3</sup> Interest rates as at 7 March 2018 for Westpac Rocket Repay Home Loan inclusive of Premier Advantage Package discount assuming loan amount \$250,000 - \$499,999. <sup>4</sup> Excludes RAMS. Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. <sup>5</sup> Excludes I/O loans that should have switched to P&I but for the previously announced mortgage processing error.

# Performance of interest only mortgages

## Interest only lending

- Interest only (I/O) loans assessed on a principal and interest basis
  - Loans originated prior to 2015 were assessed on a principal and interest basis over the full contractual term
  - Loans originated from 2015 were assessed on a principal and interest basis over the residual amortising term
- Current serviceability assessments also include an interest rate buffer (at least 2.25%), minimum assessment rate (7.25%) and a requirement to be in surplus<sup>1</sup>
- I/O loans are full recourse

## Interest only portfolio statistics as at 30 September 2018

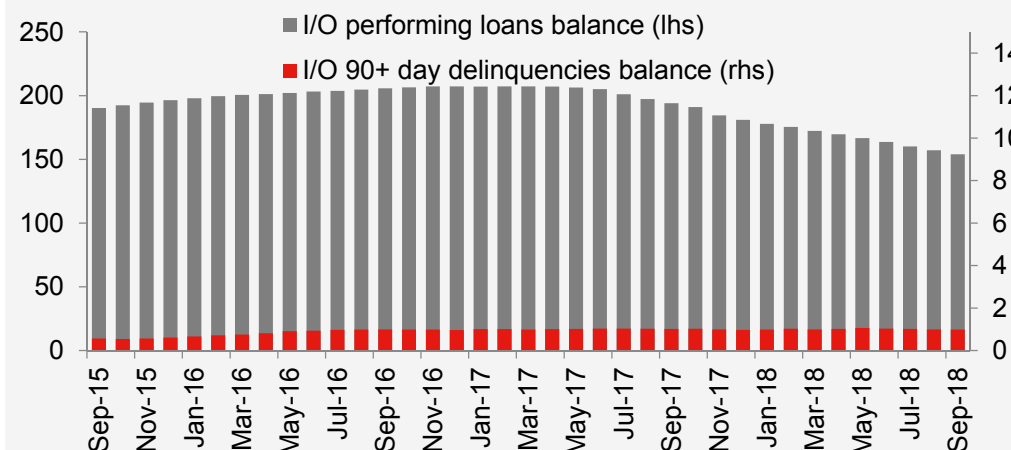
- 74% weighted average LVR of interest only loans at origination<sup>2</sup> (portfolio)
- 65% of customers ahead of repayments (including offset accounts)<sup>3</sup>
- Offset account balances attached to interest only loans represent 50% of offset account balances

## Interest only portfolio performance as at 30 September 2018

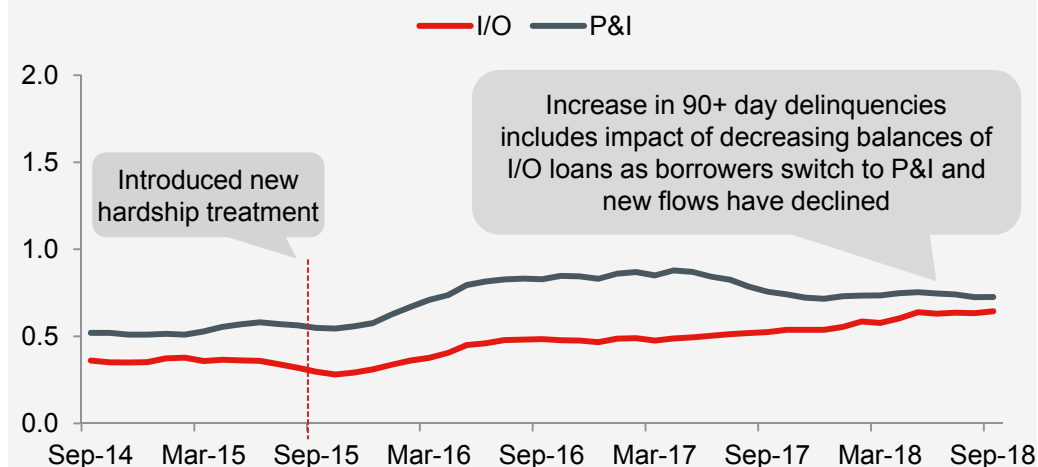
- 90+ day delinquencies 64bps (compared to P&I portfolio 73bps)
- Annualised loss rate 2bps (net of insurance claims)

<sup>1</sup> A surplus requirement measures the extent to which a borrower's income exceeds loan repayments, expenses and other commitments, as assessed. <sup>2</sup> Weighted average LVR calculation takes into account size of outstanding balances. <sup>3</sup> Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments.

## Australian interest only loan portfolio balances (\$bn)



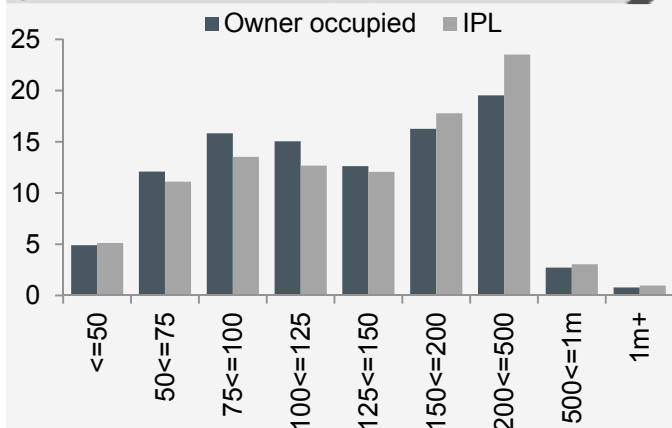
## Australian mortgage portfolio delinquencies (%)



# Investment property portfolio

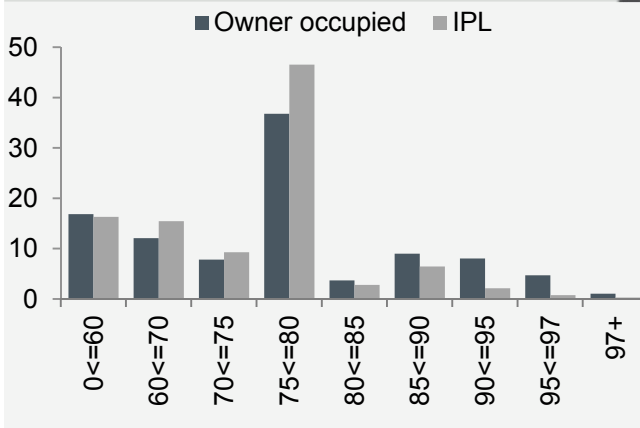
Credit quality | 90

## Mortgage applications by gross income band (%)



Australian mortgage portfolio at 30 September 2018

## LVR at origination (%)



Australian mortgage portfolio at 30 September 2018

## Investment property portfolio by number of properties per customer (%)

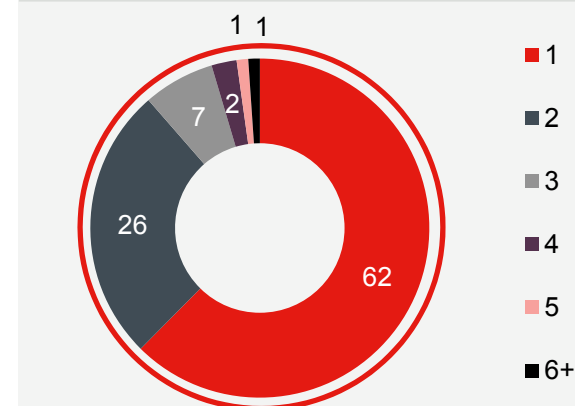


Chart does not add to 100 due to rounding

## Investment property lending (IPL) portfolio

|                                                                          |                                                       | Sep-17 | Mar-18 | Sep-18 |
|--------------------------------------------------------------------------|-------------------------------------------------------|--------|--------|--------|
| Weighted averages                                                        | LVR of IPL loans at origination <sup>1</sup> (%)      | 73     | 73     | 73     |
|                                                                          | LVR of new IPL loans in the period <sup>1,2</sup> (%) | 72     | 71     | 70     |
|                                                                          | Dynamic LVR <sup>1,3</sup> of IPL loans (%)           | 54     | 54     | 56     |
| Average loan size <sup>4</sup> (\$'000)                                  |                                                       | 313    | 318    | 321    |
| Customers ahead on repayments including offset accounts <sup>5</sup> (%) |                                                       | 59     | 58     | 58     |
| 90+ day delinquencies (bps)                                              |                                                       | 49     | 53     | 57     |
| Annualised loss rate (net of insurance claims) (bps)                     |                                                       | 3      | 2      | 3      |

<sup>1</sup> Weighted average LVR calculation takes into account size of outstanding balances. <sup>2</sup> Average LVR of new loans is on rolling 6 month window. <sup>3</sup> Excludes RAMS. <sup>4</sup> Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. <sup>5</sup> Property valuation source Australian Property Monitors. <sup>6</sup> Includes amortisation. <sup>7</sup> Includes RAMS in 1H18 and 2H18. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments.

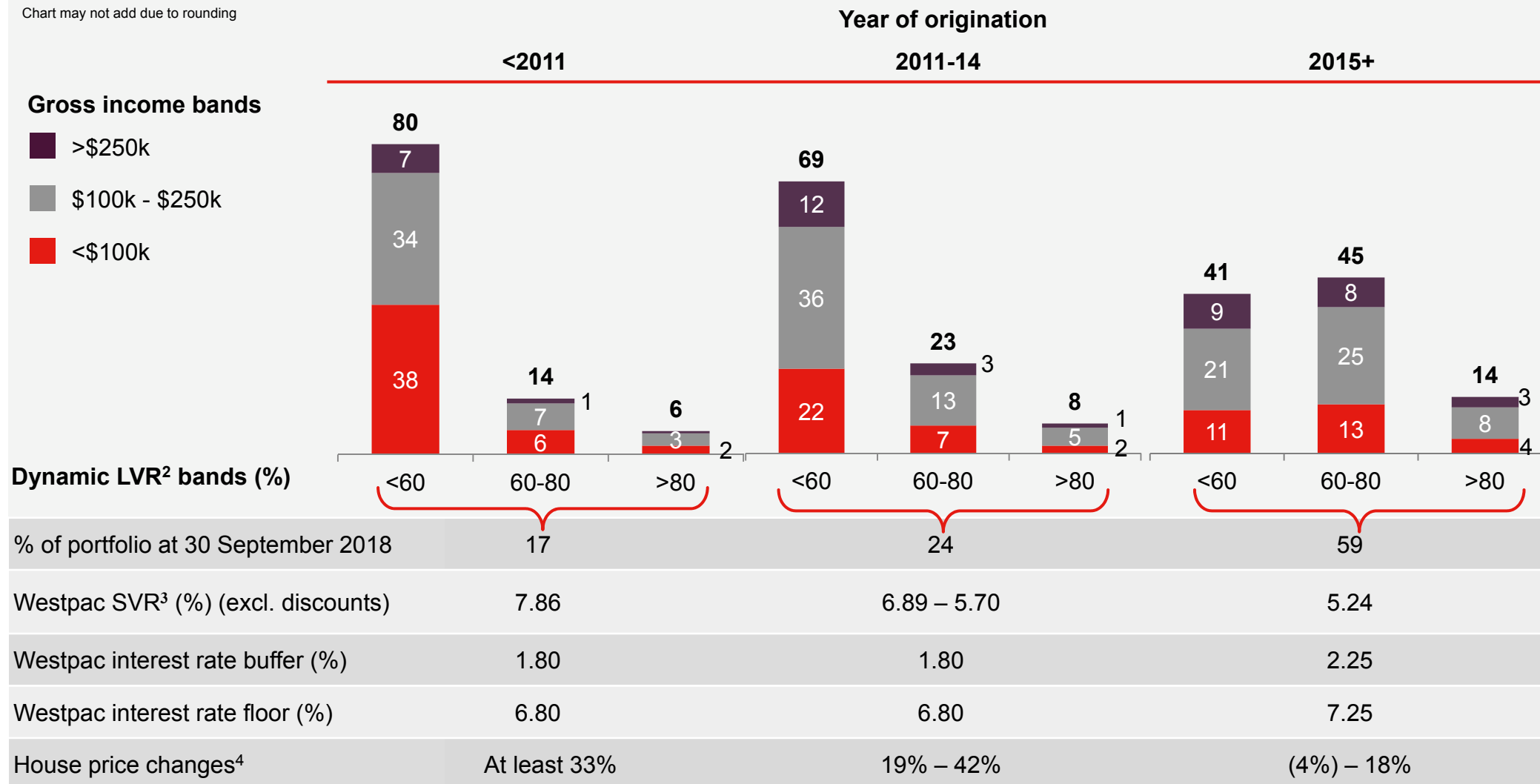


# Australian mortgage deep dive

Credit quality | 91

## Australian mortgage lending<sup>1</sup> by origination date, dynamic LVR<sup>2</sup> and income (%)

Chart may not add due to rounding

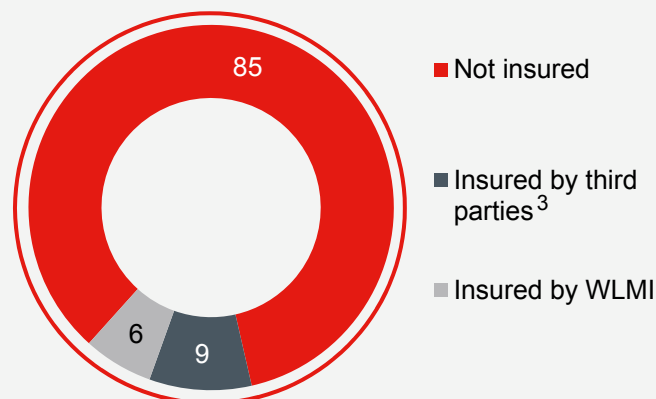


1 Portfolio comprised of residential mortgages, excluding RAMS, and business mortgages originated via a separate platform such as construction loans and loans to SMSFs. 2 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 3 Based on a specific Rocket Repay rate offered during the period. Westpac Rocket Repay Home Loan exclusive of discounts assuming loan amount \$250,000 - \$499,999. 4 Source, Westpac Economics, CoreLogic. All dwellings Australia - average 8 major capital cities. Prices to September 2018.

## Lenders mortgage insurance (LMI)

- Where mortgage insurance is required, mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance<sup>1</sup> (WLMI), and reinsured through external LMI providers, based on risk profile
- WLMI is well capitalised (separate from bank capital) and subject to APRA regulation. WLMI targets a capitalisation ratio of 1.2x PCR<sup>2</sup> and has consistently been above this target
- Scenarios indicate sufficient capital to fund claims arising from events of severe stress – estimated losses for WLMI from a 1 in 200 year event are \$105m net of re-insurance recoveries (1H18: \$110m)

### Westpac's Australian mortgage portfolio at 30 Sep 2018 (%)



## Lenders mortgage insurance arrangements

| LVR Band                                                                                                                 | Insurance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>LVR ≤80%</li> <li>Low doc<sup>4</sup> LVR ≤60%</li> </ul>                         | Not required                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <ul style="list-style-type: none"> <li>LVR &gt;80% to ≤ 90%</li> <li>Low doc<sup>4</sup> LVR &gt;60% to ≤ 80%</li> </ul> | <ul style="list-style-type: none"> <li>Where insurance required, insured through captive insurer, WLMI</li> <li>LMI not required for certain borrower groups</li> <li>Reinsurance arrangements:                             <ul style="list-style-type: none"> <li>40% risk retained by WLMI</li> <li>60% risk transferred through quota share arrangements with Arch Reinsurance Limited, Tokio Millennium Re, Endurance Re, Everest Re, Trans Re, AWAC and Capita 2232</li> </ul> </li> </ul> |
| <ul style="list-style-type: none"> <li>LVR &gt;90%</li> </ul>                                                            | <ul style="list-style-type: none"> <li>100% reinsurance through Arch Reinsurance Limited</li> <li>Reinsurance arrangements see loans with LVR &gt;90% insured through WLMI with 100% of risk subsequently transferred to Arch Reinsurance Limited</li> </ul>                                                                                                                                                                                                                                    |

## Insurance statistics

|                                                | 2H17 | 1H18 | 2H18 |
|------------------------------------------------|------|------|------|
| Insurance claims (\$m)                         | 9    | 6    | 4    |
| WLMI claims ratio <sup>5</sup> (%)             | 27   | 20   | 11   |
| WLMI gross written premiums <sup>6</sup> (\$m) | 109  | 90   | 90   |

1 Since 18 May 2015 WLMI has underwritten all mortgage insurance, where required, on Westpac originated Mortgages. The in-force portfolio of loans includes mortgage insurance provided by external providers. 2 Prudential Capital Requirement (PCR) calculated in accordance with APRA standards. 3 Insured coverage is net of quota share. 4 Low doc loans no longer sold. Refers to arrangements in place for legacy products. 5 Loss ratio is claims over the total earned premium plus exchange commission. 6 LMI gross written premium includes loans >90% LVR reinsured with Arch Reinsurance Limited. 2H18 gross written premium includes \$61m from the arrangement (1H18: \$62m and 2H17: \$73m)

# 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 assumes a severe recession in which significant reductions in consumer spending and business investment lead to six consecutive quarters of negative GDP growth. This results in a material increase in unemployment and nationwide falls in property and other asset prices
- Estimated Australian housing portfolio losses under these stressed conditions are manageable and within the Group's risk appetite and capital base
  - Cumulative total losses of \$3.9bn over three years for the uninsured portfolio (1H18: \$3.5bn)
  - Cumulative claims on LMI, both WLMI and external insurers, of \$911m over the three years (1H18: \$911m)
  - Peak loss rate in year 2 has increased to 52bps (1H18: 48bps) due to recent declines in house prices which leads to a higher dynamic LVR starting point for the portfolio. In addition, the unemployment rate for September of 5.0% creates a bigger peak to trough change compared to 1H18
  - WLMI separately conducts stress testing to test the sufficiency of its capital position to cover mortgage claims arising from a stressed mortgage environment
- Capital targets incorporate buffers at the Westpac Group level that also consider the combined impact on the mortgage portfolio and WLMI of severe stress scenarios

## Australian mortgage portfolio stress testing at 30 September 2018

| Key assumptions                                                   | Current | Stressed scenario |        |        |
|-------------------------------------------------------------------|---------|-------------------|--------|--------|
|                                                                   |         | Year 1            | Year 2 | Year 3 |
| Portfolio size (\$bn)                                             | 444     | 428               | 419    | 417    |
| Unemployment rate (%)                                             | 5.0     | 11.6              | 10.6   | 9.6    |
| Interest rates (cash rate, %)                                     | 1.50    | 0.25              | 0.25   | 0.25   |
| House prices (% change cumulative)                                | -       | (18.5)            | (29.7) | (35.2) |
| Annual GDP growth (%)                                             | 2.4     | (3.9)             | (0.2)  | 1.7    |
| <b>Stressed loss outcomes (net of LMI recoveries)<sup>1</sup></b> |         |                   |        |        |
| \$ million                                                        | 86      | 1,271             | 2,186  | 802    |
| Basis points <sup>2</sup>                                         | 2       | 30                | 52     | 19     |

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





# Capital, Funding and Liquidity

# Well positioned for “Unquestionably strong”

## Highlights

**CET1 ratio**  
10.6%

- CET1 ratio up 13bps from March 2018
- Organic capital growth and conversion of residual convertible preference shares (CPS) partially offset increases in RWA from regulatory measurement changes

**Impact of RWA measurement changes**

- RWA measurement changes ~30bps CET1 impact
  - Operational risk model overlay (~\$7.5bn RWAs)
  - Modelling updates for mortgages (~\$4.1bn RWA)

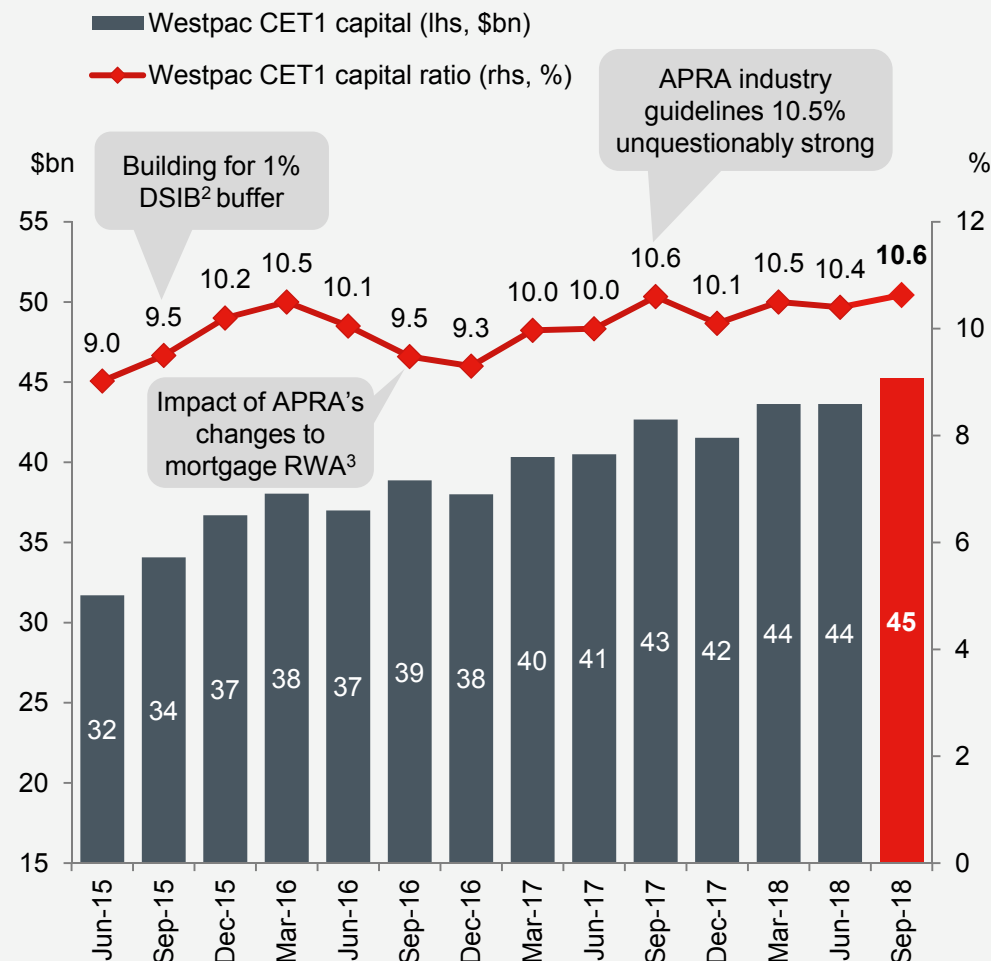
**Risk weighted assets**

- Excluding the impact of measurement changes, RWAs were broadly flat from disciplined RWA management and an improvement in credit quality

**Future developments**

- Further clarity on the revised capital framework expected over 2018/19
- Westpac is considering the offer of a new A\$ AT1 capital instrument. A transaction may follow, subject to market conditions<sup>1</sup>

## CET1 capital ratio (%) and CET1 capital (\$bn) (APRA basis)



<sup>1</sup> If the transaction proceeds, a disclosure document will be made available when the securities are offered. Any person who wants to acquire the securities will need to complete an application form that will accompany the disclosure document. <sup>2</sup> Domestic systemically important bank. <sup>3</sup> APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016.



Clarity on **changes to the capital framework** are expected to emerge over the 2018-2021 transitional period.

|                                                 | 2H18             | 2019                    | 2020 | 2021           |
|-------------------------------------------------|------------------|-------------------------|------|----------------|
| <b>New Basel III framework</b>                  | Consult          | Finalise                |      | Implementation |
| <b>Counterparty credit risk</b>                 |                  | Implement – 1 July 2019 |      |                |
| <b>Leverage ratio</b>                           | Finalise         | Implement – 1 July 2019 |      |                |
| <b>Standardised approach to credit risk</b>     | Consult          | Consult and finalise    |      | Implementation |
| <b>Advanced approach to credit risk capital</b> | Consult          | Consult and finalise    |      | Implementation |
| <b>Measurement of capital</b>                   | Consult          | Finalise                |      | Implementation |
| <b>Related party exposures</b>                  | Consult          | Finalise                |      | Implementation |
| <b>Loss absorbing capacity</b>                  | Commence consult |                         |      |                |

# CET1 capital ratio, **top quartile** globally

## Capital ratios

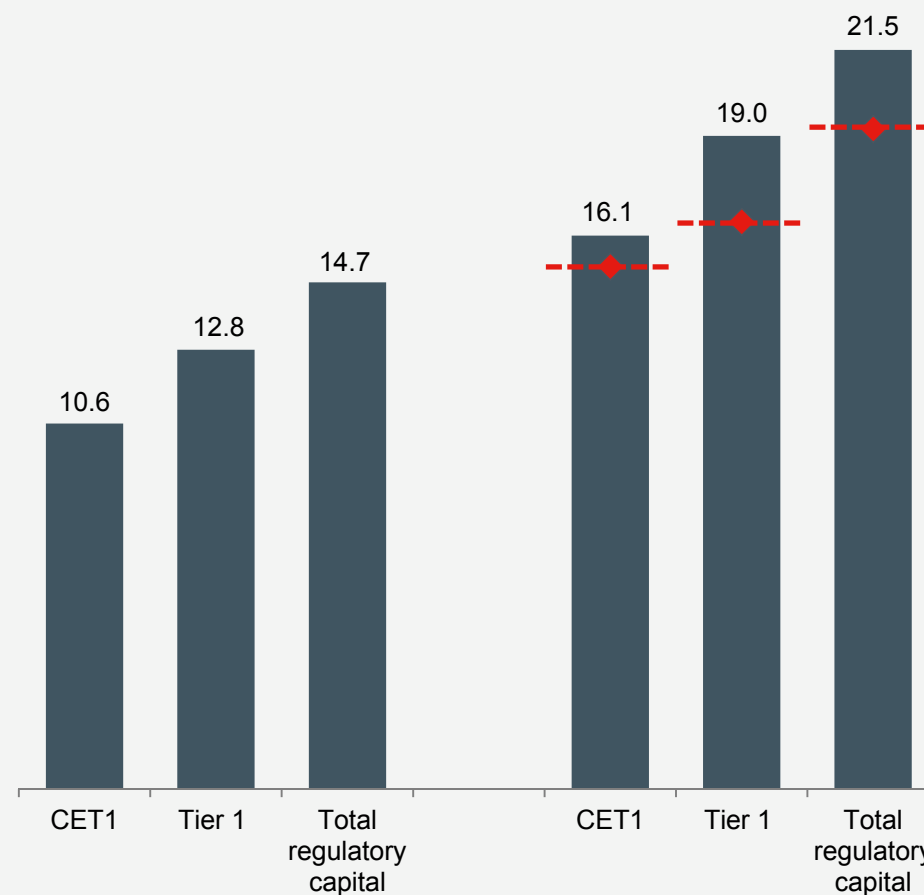
|                                                      | Sep-17 | Mar-18 | Sep-18      |
|------------------------------------------------------|--------|--------|-------------|
| CET1 capital ratio                                   | 10.6   | 10.5   | <b>10.6</b> |
| Additional Tier 1 capital                            | 2.1    | 2.3    | <b>2.2</b>  |
| Tier 1 capital ratio                                 | 12.7   | 12.8   | <b>12.8</b> |
| Tier 2 capital                                       | 2.1    | 2.0    | <b>1.9</b>  |
| Total regulatory capital ratio                       | 14.8   | 14.8   | <b>14.7</b> |
| Risk weighted assets (RWA) (\$bn)                    | 404    | 416    | <b>425</b>  |
| Leverage ratio                                       | 5.7    | 5.8    | <b>5.8</b>  |
| <b>Internationally comparable ratios<sup>1</sup></b> |        |        |             |
| Leverage ratio (internationally comparable)          | 6.3    | 6.4    | <b>6.5</b>  |
| CET1 capital ratio (internationally comparable)      | 16.2   | 16.1   | <b>16.1</b> |

## Key capital ratios (%)

### APRA basis

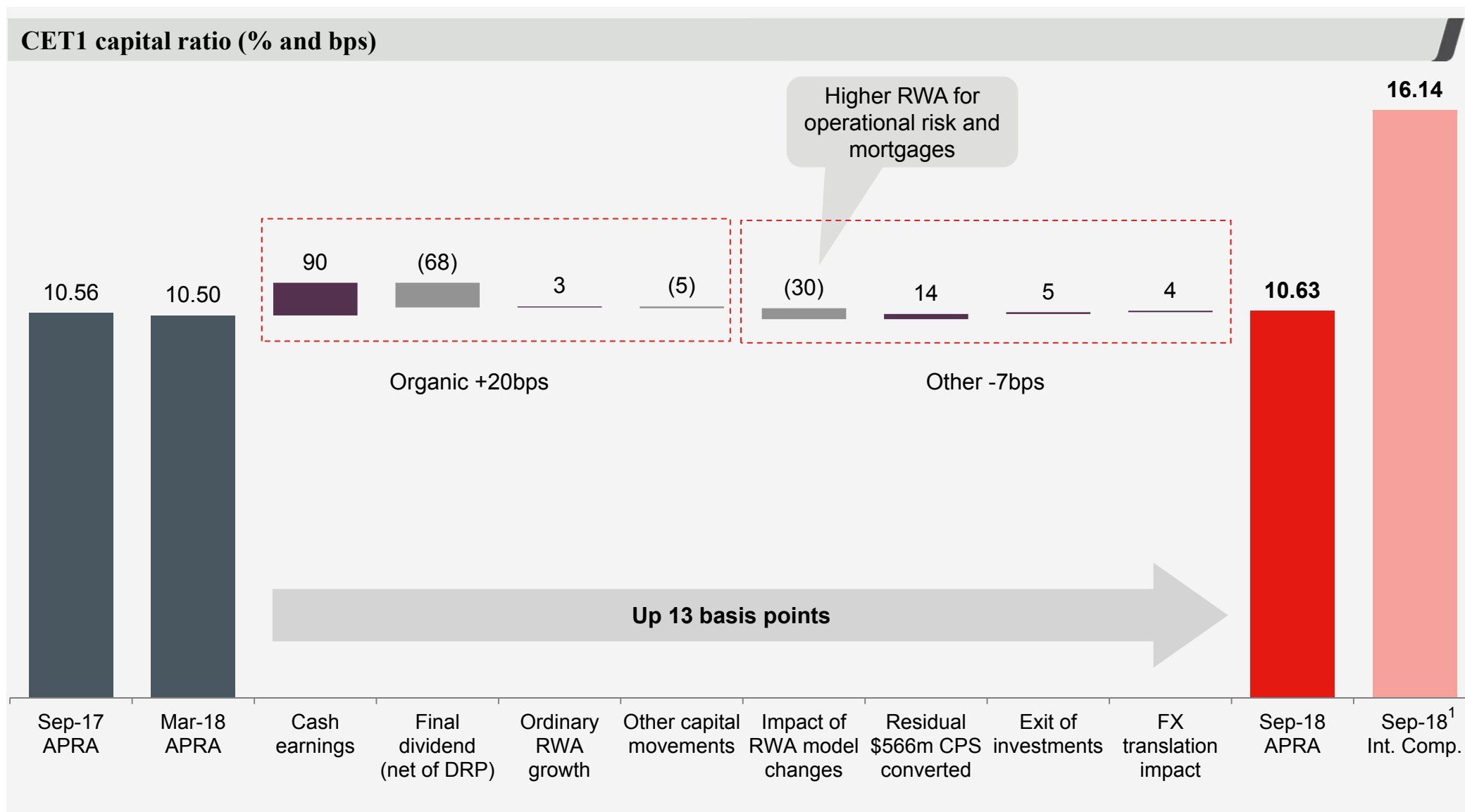
### Internationally comparable<sup>1</sup> basis

---◆--- BIS 75<sup>th</sup> percentile<sup>2</sup>



<sup>1</sup> Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. For more details on adjustments refer page 101. <sup>2</sup> Group 1 banks BIS 75<sup>th</sup> percentile fully phased-in Basel III capital ratios from BIS monitoring report released 4 October 2018.

# CET1 capital ratio **movements**



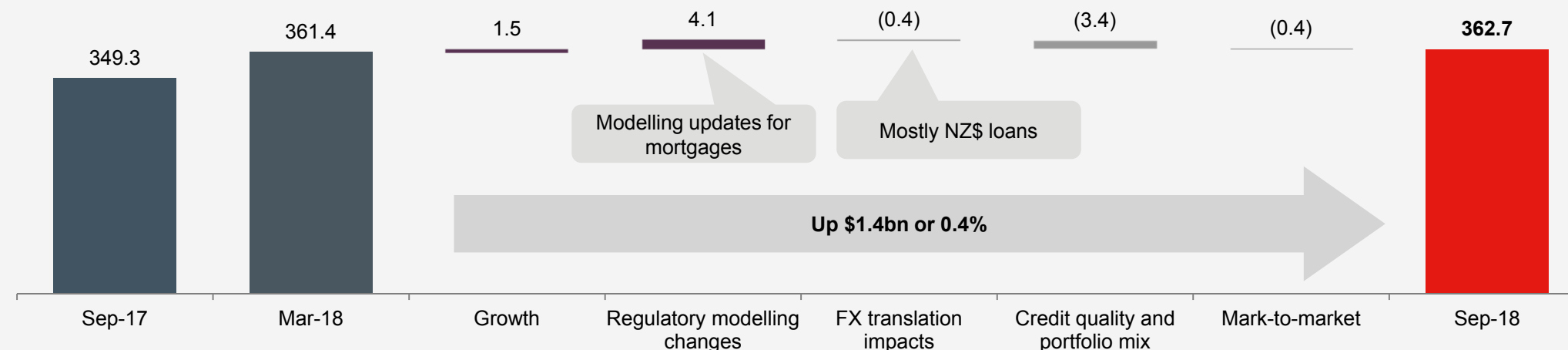
<sup>1</sup> Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

# RWA increased from measurement changes

## Movement in risk weighted assets (\$bn)<sup>1</sup>



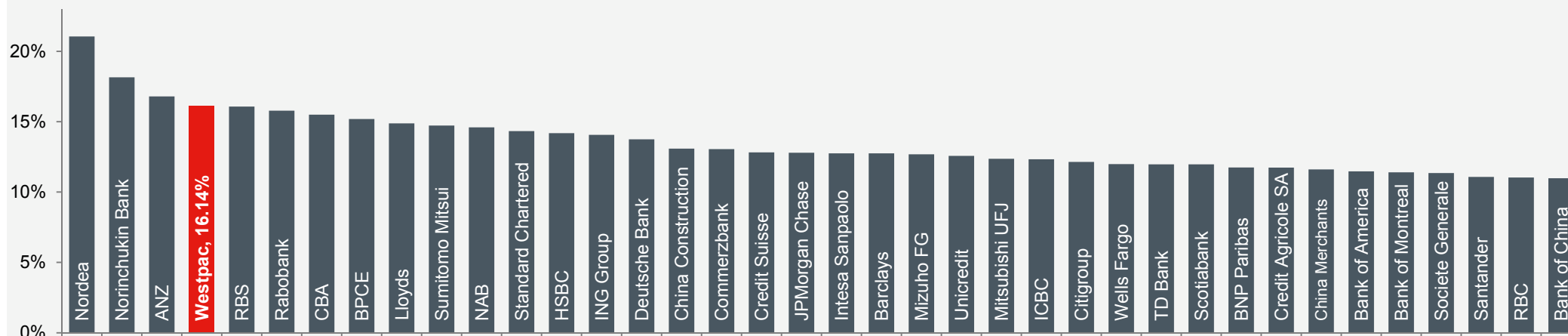
## Movement in credit risk weighted assets (\$bn)<sup>1</sup>



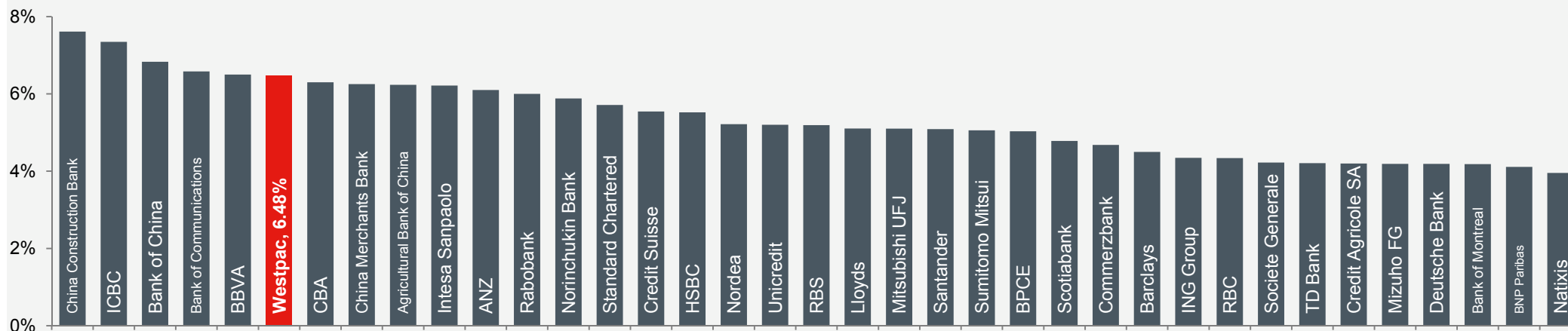
<sup>1</sup> Chart does not add due to rounding.

# Well placed on internationally comparable CET1 and leverage ratios

## Common equity Tier 1 ratio (%)



## Leverage ratio (%)



Peer group comprises listed commercial banks with assets in excess of A\$700bn and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure to estimate. Based on company reports/presentations. Ratios at 30 Jun 2018, except for Westpac and ANZ which are at 30 September 2018, while Bank of Montreal, Royal Bank of Canada and Toronto Dominion are at 31 Jul 2018. For CET1, assumes Basel III capital reforms fully implemented. Leverage ratio is on a transitional basis. Where accrued expected dividends have been deducted, these have been added back for comparability. US banks are excluded from leverage ratio analysis due to business model differences, for example loans sold to US Government sponsored enterprises. NAB's leverage ratio is as at 31 March 2018.



# Internationally comparable capital ratio reconciliation

APRA's Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios by Australian banks. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers<sup>1</sup>. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio

|                                                                  |                                                                                                                                                                                                                                                                                                                                    | (%)         |
|------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Westpac's CET1 capital ratio (APRA basis)</b>                 |                                                                                                                                                                                                                                                                                                                                    | <b>10.6</b> |
| Equity investments                                               | Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements                                                                                                                                                                                                                 | 0.4         |
| Deferred tax assets                                              | Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements                                                                                                                                                                                                                 | 0.3         |
| Interest rate risk in the banking book (IRRBB)                   | APRA requires capital to be held for IRRBB. The BCBS does not have a Pillar 1 capital requirement for IRRBB                                                                                                                                                                                                                        | 0.4         |
| Residential mortgages                                            | Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements. APRA also applies a correlation factor for mortgages higher than the 15% factor prescribed in the Basel rules                                                                                                                            | 1.8         |
| Unsecured non-retail exposures                                   | LGD of 45%, compared to the 60% or higher LGD under APRA's requirements                                                                                                                                                                                                                                                            | 0.7         |
| Non-retail undrawn commitments                                   | Credit conversion factor of 75%, compared to 100% under APRA's requirements                                                                                                                                                                                                                                                        | 0.5         |
| Specialised lending                                              | Use of internal-ratings based (IRB) probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factors | 0.8         |
| Currency conversion threshold                                    | Increase in the A\$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures                                                                                                                                                                                           | 0.2         |
| Capitalised expenses                                             | APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1                                                                                                                                                  | 0.4         |
| <b>Internationally comparable CET1 capital ratio</b>             |                                                                                                                                                                                                                                                                                                                                    | <b>16.1</b> |
| <b>Internationally comparable Tier 1 capital ratio</b>           |                                                                                                                                                                                                                                                                                                                                    | <b>19.0</b> |
| <b>Internationally comparable total regulatory capital ratio</b> |                                                                                                                                                                                                                                                                                                                                    | <b>21.5</b> |

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

# Optimising returns by actively managing capital

## Return on equity (ROE) is important

- ROE is a key measure of performance for the Group and across divisions
- Westpac seeking to achieve a ROE of 13 - 14%
  - Incorporates an appropriate margin above the cost of capital, given nature of banking
  - Generates sufficient capital for growth to support customers and the economy
- Group ROE 77bps lower compared to FY17 with cash earnings flat and average equity up 6%
- Leverage lower from the increased average ordinary equity (AOE)
- Divisional capital allocation refined in 2018 including \$6.0bn of capital to divisions from capital centrally held. Key changes included:
  - Higher capital allocated to Consumer Bank and Business Bank, principally due to higher RWA from mortgages
  - A reduction in capital allocated to WIB from lower risk weights for certain corporate exposures
- Residual capital held at Group for dividends and Group functions, including Treasury

## Return on AIEA<sup>1</sup> (%)

|                                   | 2007   | FY17   | FY18   | 2H18          |
|-----------------------------------|--------|--------|--------|---------------|
| Net interest margin               | 2.16   | 2.09   | 2.11   | <b>2.05</b>   |
| Non-interest income               | 1.29   | 0.78   | 0.72   | <b>0.70</b>   |
| Operating expenses                | (1.55) | (1.21) | (1.24) | <b>(1.26)</b> |
| Impairment charges                | (0.16) | (0.11) | (0.09) | <b>(0.08)</b> |
| Tax and non-controlling interests | (0.53) | (0.47) | (0.46) | <b>(0.44)</b> |
| Cash earnings (return on AIEA)    | 1.20   | 1.07   | 1.04   | <b>0.97</b>   |
| Leverage (AIEA/AOE)               | 19.9x  | 12.8x  | 12.5x  | <b>12.4x</b>  |
| Return on equity                  | 23.84  | 13.77  | 13.00  | <b>12.08</b>  |

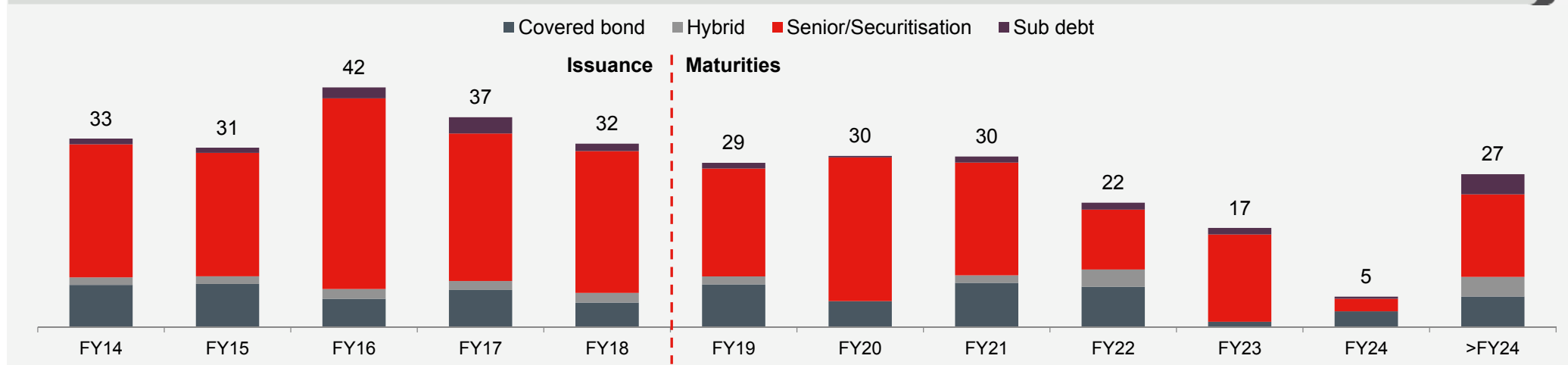
## Divisional capital and ROE

| Allocated capital (\$bn)            | FY17 | FY18 | 2H18        |
|-------------------------------------|------|------|-------------|
| Total Group (including intangibles) | 58.6 | 62.0 | <b>63.0</b> |
| Consumer Bank                       | 15.3 | 18.1 | <b>18.6</b> |
| Business Bank                       | 11.9 | 12.6 | <b>12.6</b> |
| BTFG                                | 3.6  | 3.6  | <b>3.6</b>  |
| WIB                                 | 8.8  | 8.0  | <b>7.9</b>  |
| Westpac NZ (A\$)                    | 4.6  | 4.7  | <b>4.7</b>  |
| Return on equity (%)                | FY17 | FY18 | 2H18        |
| Total Group                         | 13.8 | 13.0 | <b>12.1</b> |
| Consumer Bank                       | 16.5 | 14.4 | <b>12.7</b> |
| Business Bank                       | 13.6 | 14.1 | <b>14.0</b> |
| BTFG                                | 13.1 | 11.4 | <b>8.4</b>  |
| WIB                                 | 12.3 | 12.6 | <b>12.6</b> |
| Westpac NZ (A\$)                    | 18.0 | 18.2 | <b>18.9</b> |

<sup>1</sup> Average interest-earning assets.

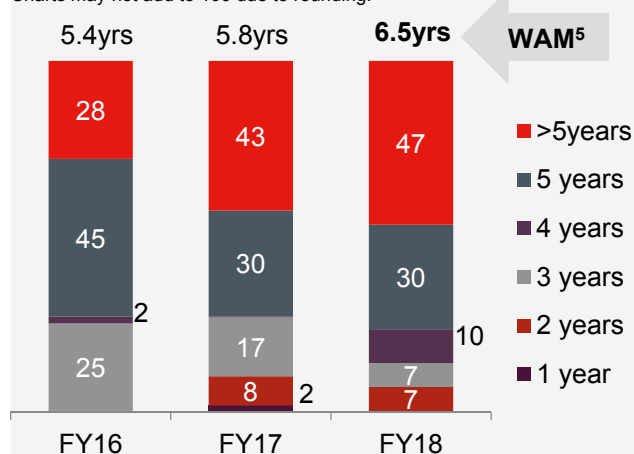
# A\$32bn new term funding raised in FY18

## Term debt issuance and maturity profile<sup>1,2,3</sup> (\$bn)



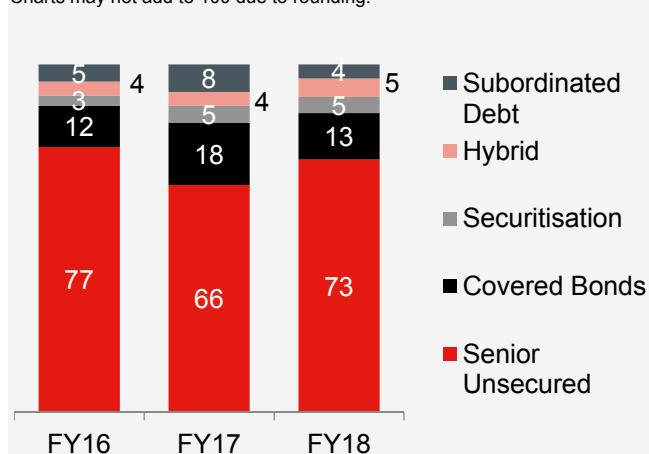
## New term issuance by tenor<sup>2,4</sup> (%)

Charts may not add to 100 due to rounding.



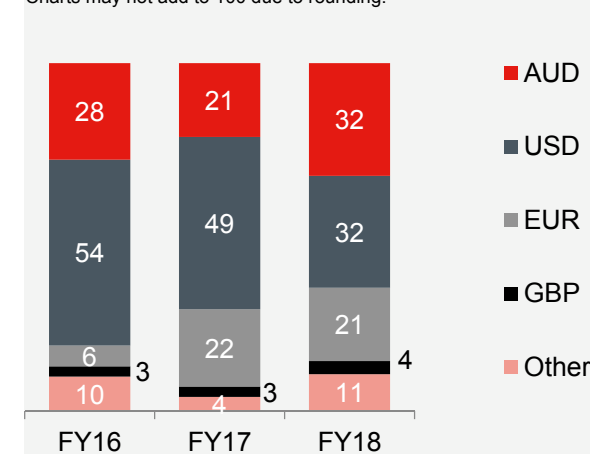
## New term issuance by type (%)

Charts may not add to 100 due to rounding.



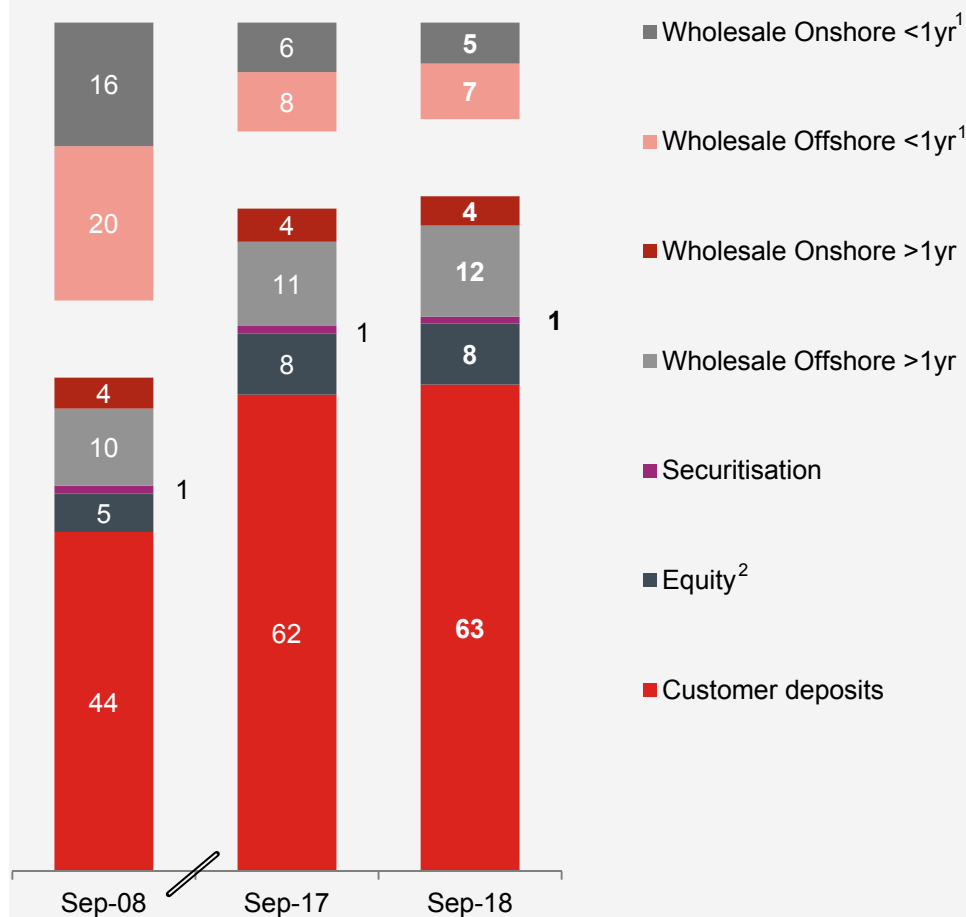
## New term issuance by currency (%)

Charts may not add to 100 due to rounding.

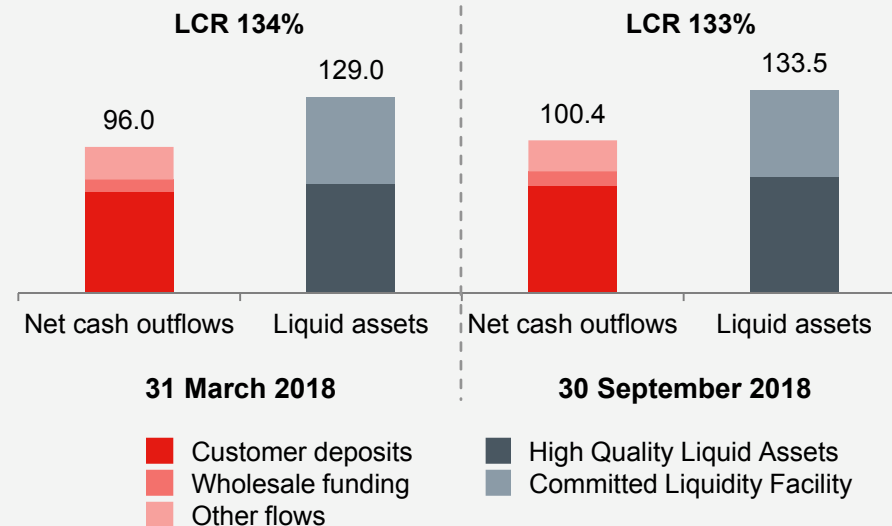


1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. 2 Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 3 Perpetual sub-debt has been included in >FY23 maturity bucket. Maturities exclude securitisation amortisation. 4 Tenor excludes RMBS and ABS. 5 WAM is weighted average maturity.

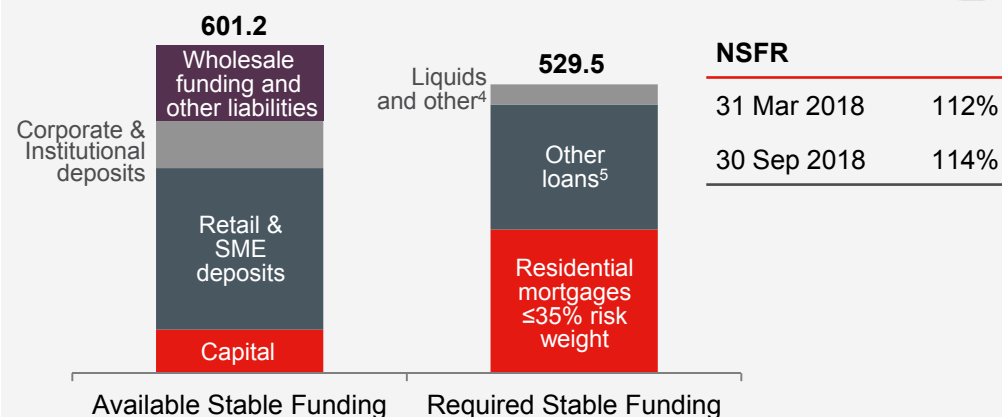
## Funding composition by residual maturity (%)



## Liquidity coverage ratio (LCR)<sup>3</sup> (%)



## Net stable funding ratio (NSFR) at 30 September 2018 (\$bn)



1. Includes long term wholesale funding with a residual maturity less than or equal to 1 year. 2. Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. 3. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash outflows in a modelled 30 day defined stressed scenario. Calculated on a spot basis. HQLA includes HQLA as defined in APS 210, RBNZ eligible liquids, less RBA open repos funding end of day ESA balances with the RBA. Committed Liquidity Facility or CLF is made available to Australian Authorised Deposit-taking Institutions by the RBA that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. 4. Other includes derivatives and other assets. 5. Other loans includes off balance sheet exposures and residential mortgages >35% risk weight.





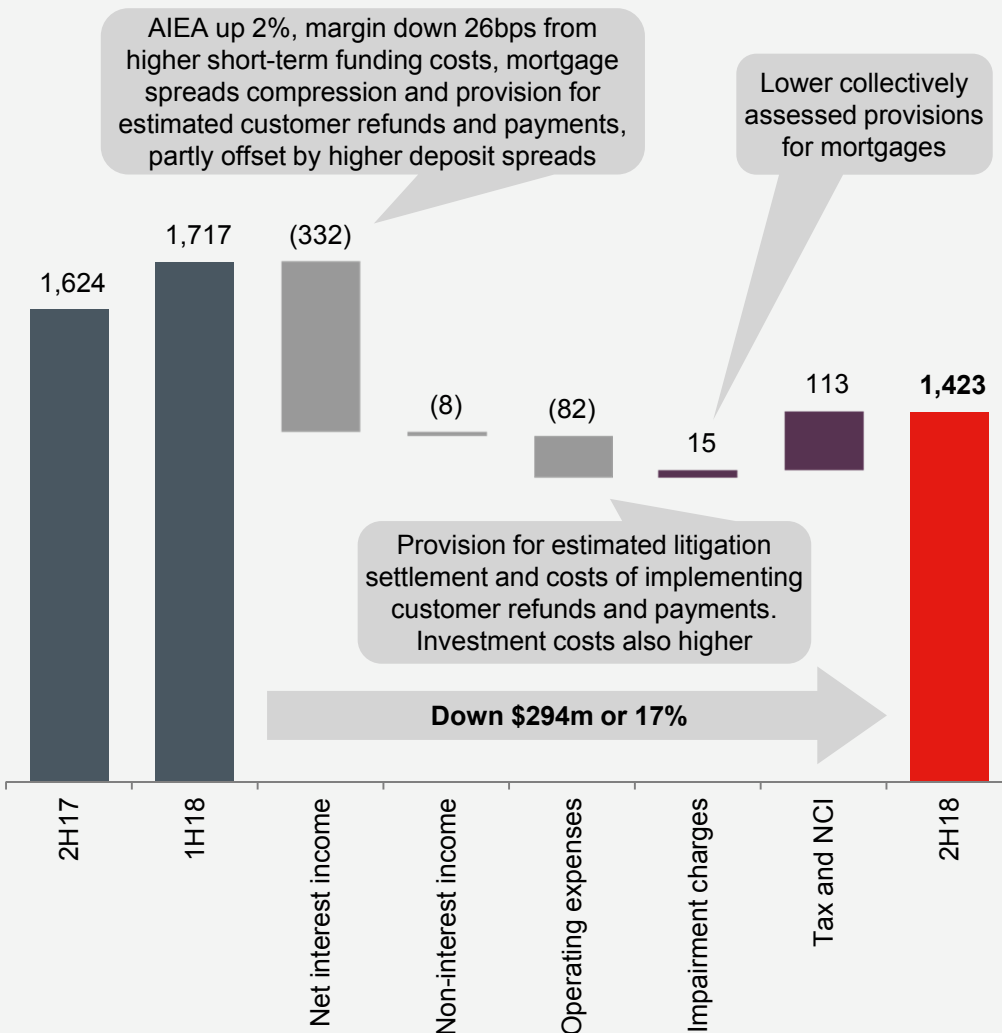
# Divisional Results



# Consumer Bank growing the franchise; earnings impacted by margin pressure and remediation

Consumer | 106

## Cash earnings (\$m)



## Key financial metrics

|                                    | 2H17  | 1H18  | 2H18  | Change on 1H18 |
|------------------------------------|-------|-------|-------|----------------|
| Revenue (\$m)                      | 4,341 | 4,417 | 4,077 | (8%)           |
| Net interest margin (%)            | 2.36  | 2.37  | 2.11  | (26bps)        |
| Expense to income (%)              | 39.8  | 39.2  | 44.4  | large          |
| Customer deposit to loan ratio (%) | 53.1  | 52.7  | 53.5  | 85bps          |
| Stressed assets to TCE (%)         | 0.64  | 0.65  | 0.66  | 1bp            |

## Key operating metrics

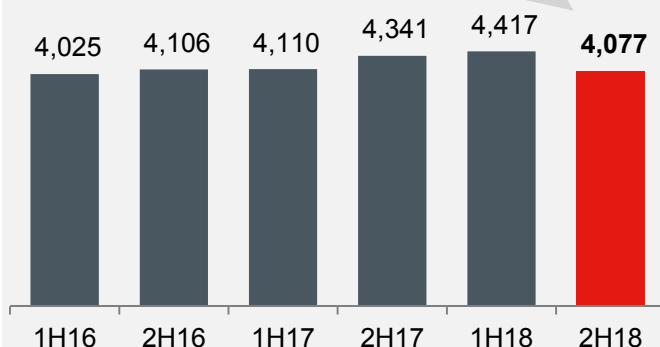
|                                              | 2H17                       | 1H18                       | 2H18                       | Change on 1H18 |
|----------------------------------------------|----------------------------|----------------------------|----------------------------|----------------|
| Total customers (#m)                         | 9.2                        | 9.3                        | 9.5                        | 2%             |
| Active digital customers (#m)                | 4.0                        | 4.1                        | 4.2                        | 3%             |
| Digital sales <sup>1</sup> (%)               | 25                         | 29                         | 33                         | 4ppts          |
| Total branches (#)                           | 1,046                      | 1,025                      | 1,006                      | (19)           |
| Total ATMs (#)                               | 2,916                      | 2,835                      | 2,542                      | (293)          |
| Customer satisfaction <sup>1</sup>           | 7.6<br>(=2 <sup>nd</sup> ) | 7.6<br>(=2 <sup>nd</sup> ) | 7.3<br>(2 <sup>nd</sup> )  | -              |
| Net promoter score (NPS) <sup>1,2</sup> 6mma | +0.9<br>(4 <sup>th</sup> ) | +0.3<br>(3 <sup>rd</sup> ) | -6.8<br>(2 <sup>nd</sup> ) | Up 1 place     |

1 Refer pages 148 & 149 for metric definitions and details of provider. 2 Westpac Group

# 2H18 performance – impacted by margin pressure and infrequent items

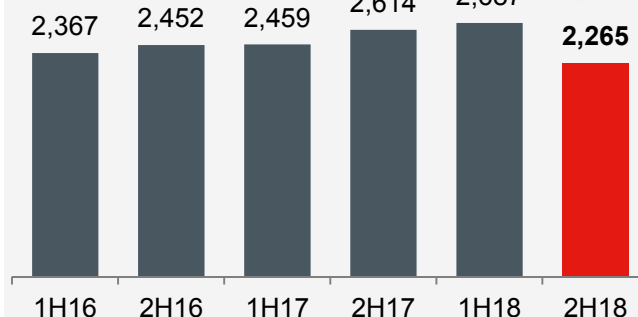
## Revenue (\$m)

Lower margin (down 26bps) from higher short-term funding costs, competition and provisions for estimated customer refunds and payments

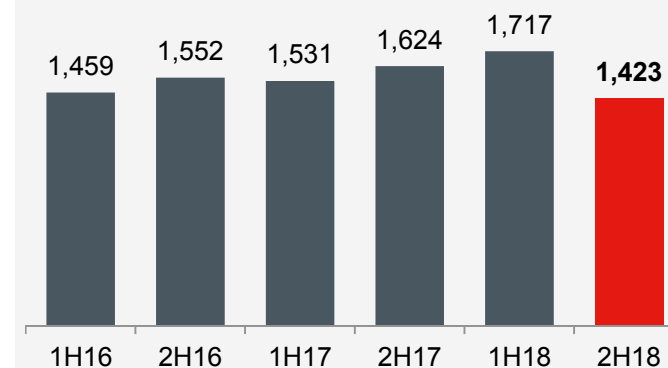


## Core earnings (\$m)

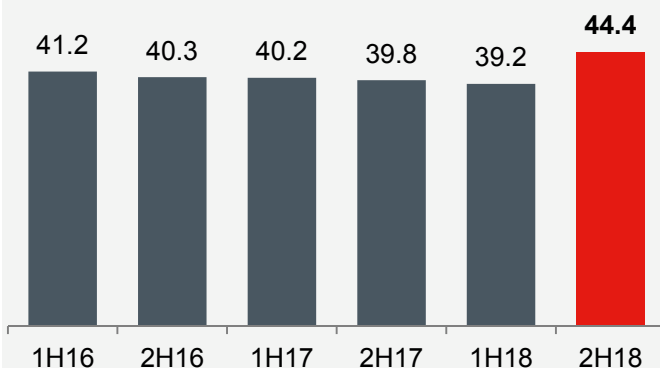
Lower margin and higher regulatory and compliance costs including provisions for litigation



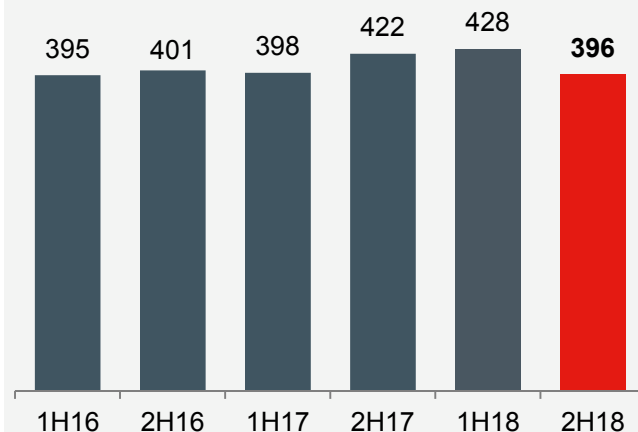
## Cash earnings (\$m)



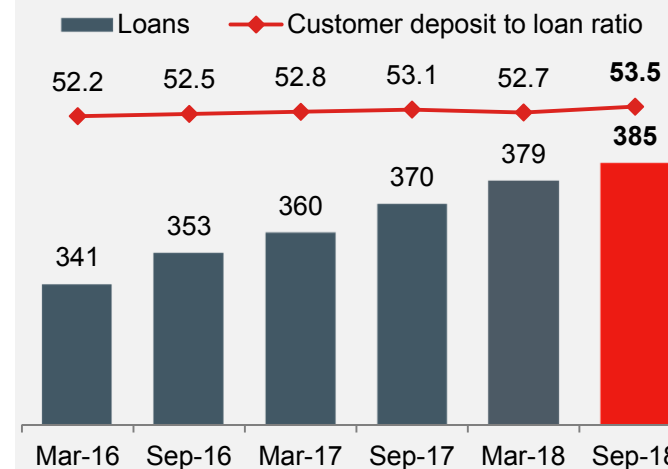
## Expense to income ratio (%)



## Revenue per FTE (\$'000)



## Loans (\$bn) & deposit to loan ratio (%)

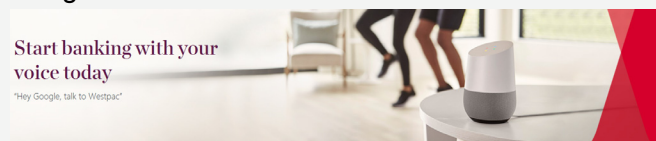


# Improving the customer experience through digital

## Innovation

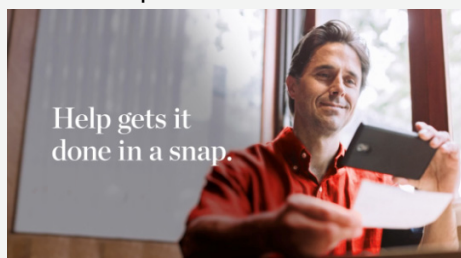
### Voice banking

Customers can access their accounts, make payments and check balances through simple voice commands with Apple's Siri, Amazon's Alexa and Google Assistant



### Mobile cheque capture

Customers can deposit cheques quickly and securely through Westpac's mobile app by taking a photo with their smartphone



### Wearables

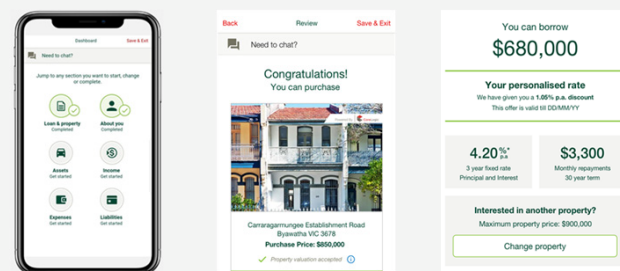
Enables customers to use their FitBit or Garmin smart watch to make secure, contactless payments with their Westpac debit or credit MasterCard



## Digitising

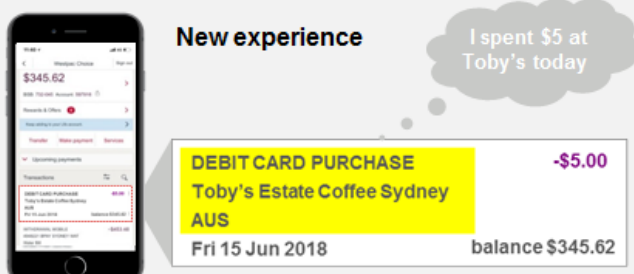
### St.George online home loan application

- Applications can be completed online or via mobile
- Documents can be uploaded remotely
- Specialist support available via live chat
- Personalised pricing and valuations available
- Customers can stop and re-start the process at any time
- Ability to sign mortgage documents electronically<sup>1</sup>



### Real time transactions

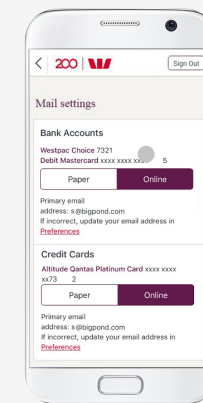
Merchant details of HandyCard or debit MasterCard transactions in real time, instead of 'transaction details available next business day'



## Making it easier to connect

### Digital Mail

- Customers can receive documents faster, and access them anywhere, anytime
- Reduces postage and paper usage, and provides a permanent record of customer communication
- **3.6m** customers have switched to Digital Mail since launch in 2018<sup>2</sup>



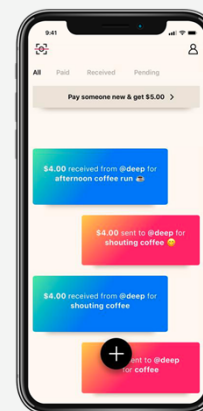
### Webchat

Customers on Westpac desktop can contact Westpac via secure messaging and Webchat anywhere, anytime



### Beem It

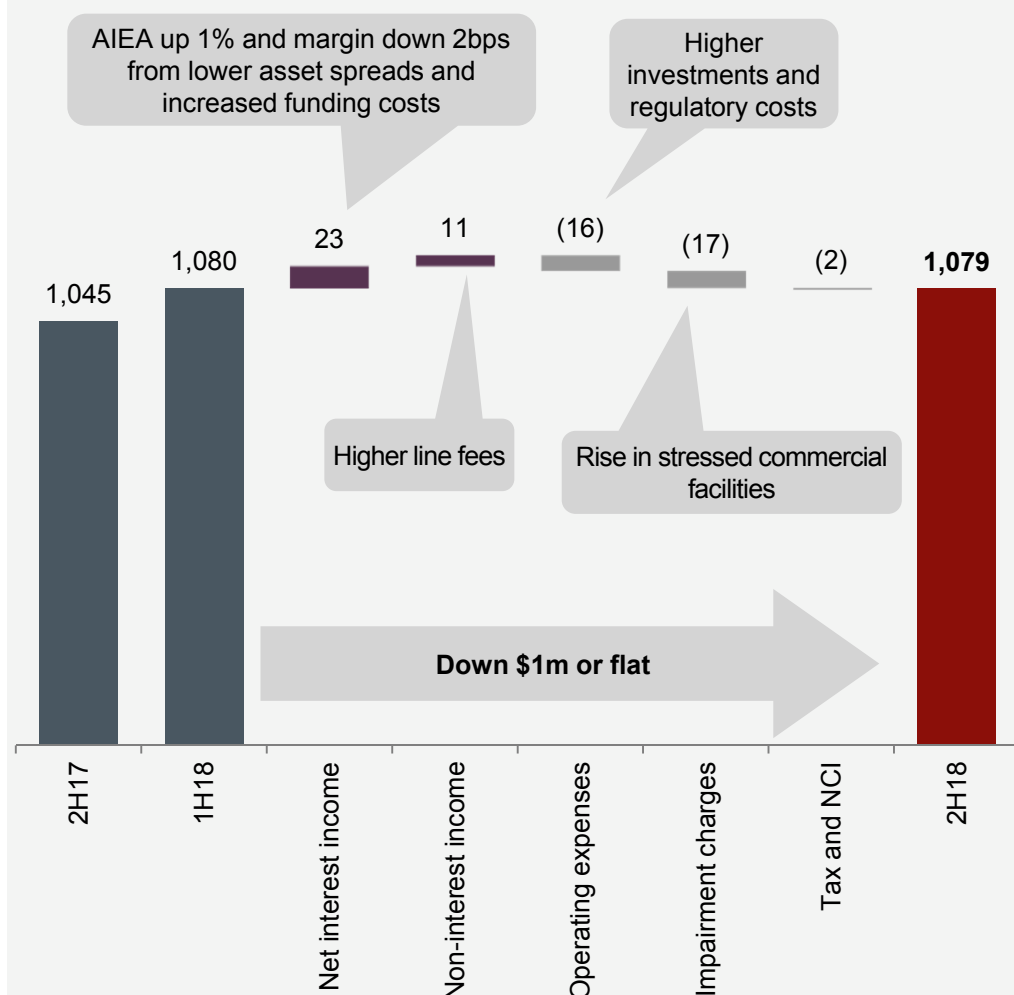
Just *Beem It!* Westpac collaboration with two other major banks on a mobile payment app that allows customers to pay and get paid securely in real-time with any bank



<sup>1</sup> This feature is currently only available to Bank of Melbourne customers. <sup>2</sup> Digital Mail launched in March 2018 for St.George, April 2018 for Westpac.

# Business Bank, another solid result

## Cash earnings (\$m)



1 Refer page 148 for metric definitions and details of provider.

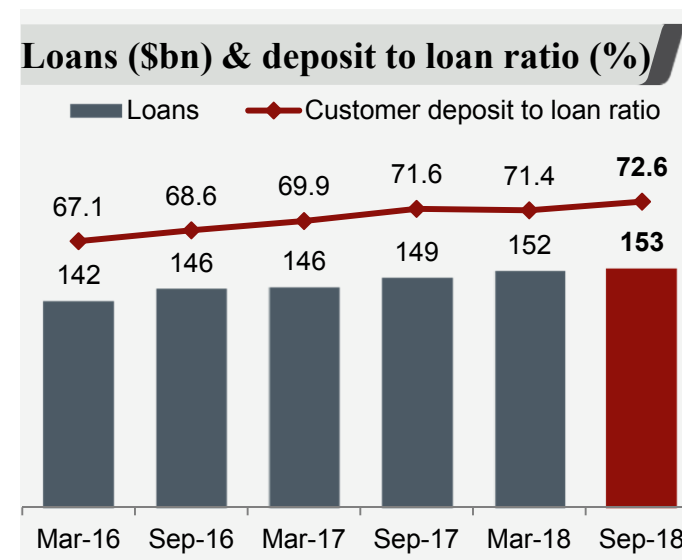
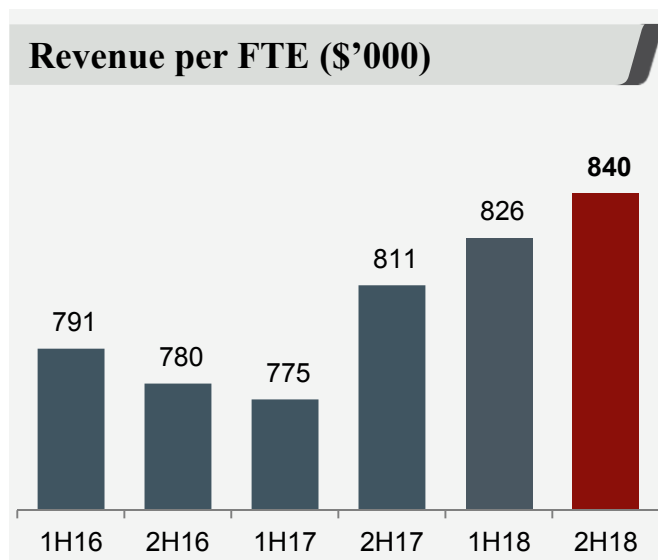
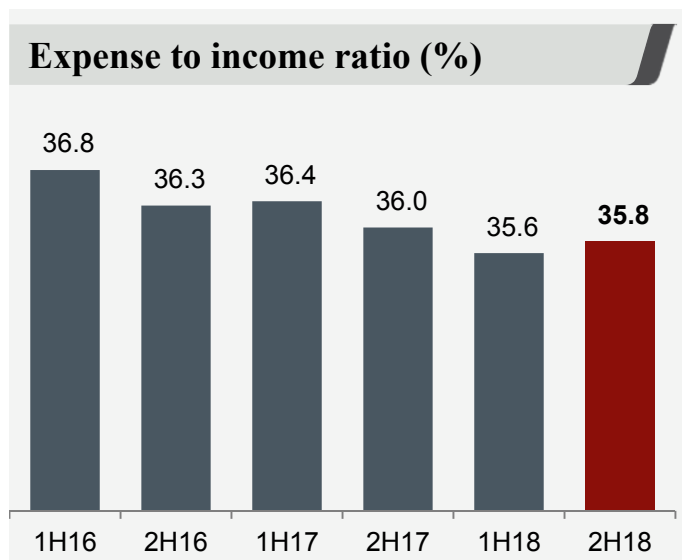
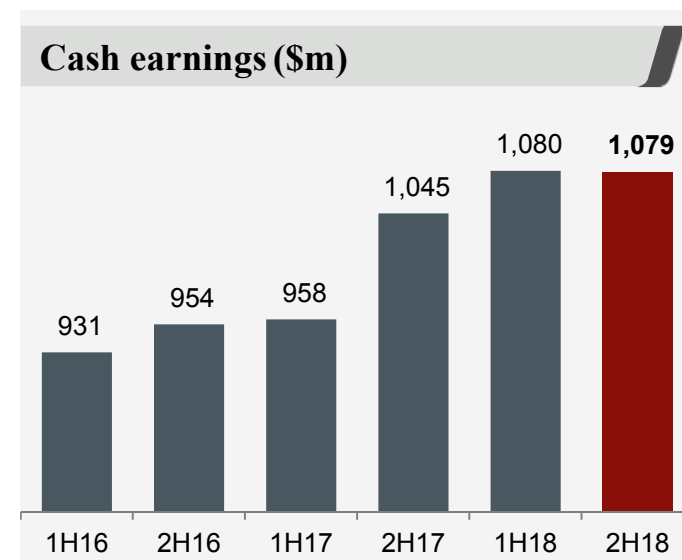
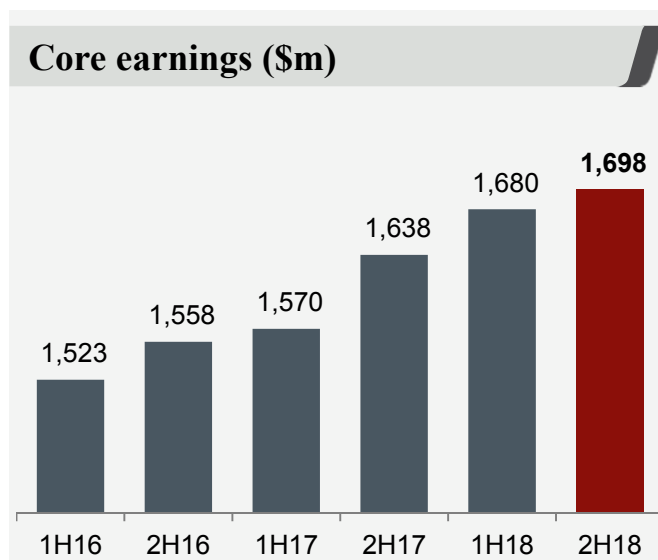
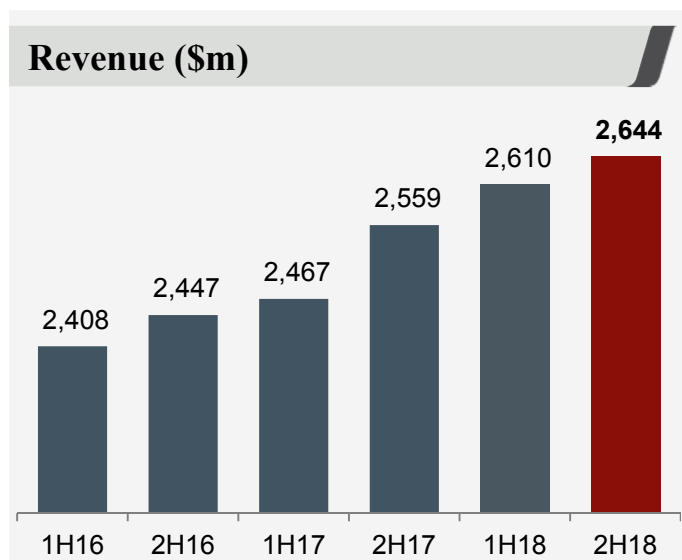
## Key financial metrics

|                                    | 2H17  | 1H18  | 2H18         | Change on 1H18 |
|------------------------------------|-------|-------|--------------|----------------|
| Revenue (\$m)                      | 2,559 | 2,610 | <b>2,644</b> | 1%             |
| Net interest margin (%)            | 2.74  | 2.78  | <b>2.76</b>  | (2bps)         |
| Expense to income (%)              | 36.0  | 35.6  | <b>35.8</b>  | 15bps          |
| Customer deposit to loan ratio (%) | 71.6  | 71.4  | <b>72.6</b>  | 117bps         |
| Stressed assets to TCE (%)         | 2.13  | 2.48  | <b>2.71</b>  | 23bps          |

## Key operating metrics

|                                                   | 2H17  | 1H18  | 2H18         | Change on 1H18 |
|---------------------------------------------------|-------|-------|--------------|----------------|
| Total business customers ('000's)                 | 1,073 | 1,085 | <b>1,079</b> | (1%)           |
| Customer satisfaction <sup>1</sup> (rank)         | #1    | #1    | <b>#1</b>    | -              |
| Customer satisfaction - SME <sup>1</sup> (rank)   | #1    | #1    | <b>#1</b>    | -              |
| Accounts migrated to simplified products ('000's) | 110   | 257   | <b>327</b>   | 70             |
| Digital sales <sup>1</sup> (%)                    | 11    | 13    | <b>15</b>    | 2ppts          |

# A disciplined 2H18 performance





## Investing in bankers



Enabling bankers to build great customer relationships through industry insights, paperless processes, simplified products and innovative technologies



### Transforming business lending

- New features in Optimist, our credit risk management tool, enables risk grading for all Commercial and SME customers. Enables a consistent approach for assessments for property lending and industry insights
- Launched Business Bank Bill Loan product to St.George customers

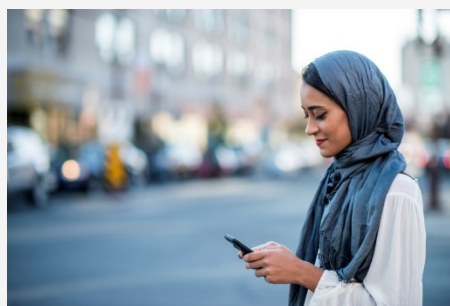
### LOLA for St.George

- Expanded the Group's online lending origination platform (LOLA) to St.George SME bankers and increased features and range of products that can be originated via LOLA. Saving bankers an average of 90 minutes per deal
- LOLA and Optimist have simplified processes, saving bankers 32,000 hours over the year

## Digital for customers



Empowering more customers with online capabilities such as account opening, overdraft access and servicing



### Improvements to Westpac Live includes:

- Removal of virtual keyboard login
- Simple navigation
- Easier payment search function
- Removal of fees to access online cheque/deposit images

### Increased digital sales

- Investment in digital capabilities continues to support growth of digital channels with digital sales now 15% of sales in 2H18, up from 11% in 2H17
- Over 50% of unsecured overdrafts are now originated online<sup>1</sup>

## Payment and transaction solutions



Helping customers take and make payments, meet cash flow shortfalls and manage payables and receivables



### Presto Smart

- An integrated payment solution enabling merchants to link payments from a range of sources to their payment terminal
- Removes the need for manual input and reconciliations and speeds up the sales process
- Presto Smart connects to 13 point-of-sale providers with more to be added

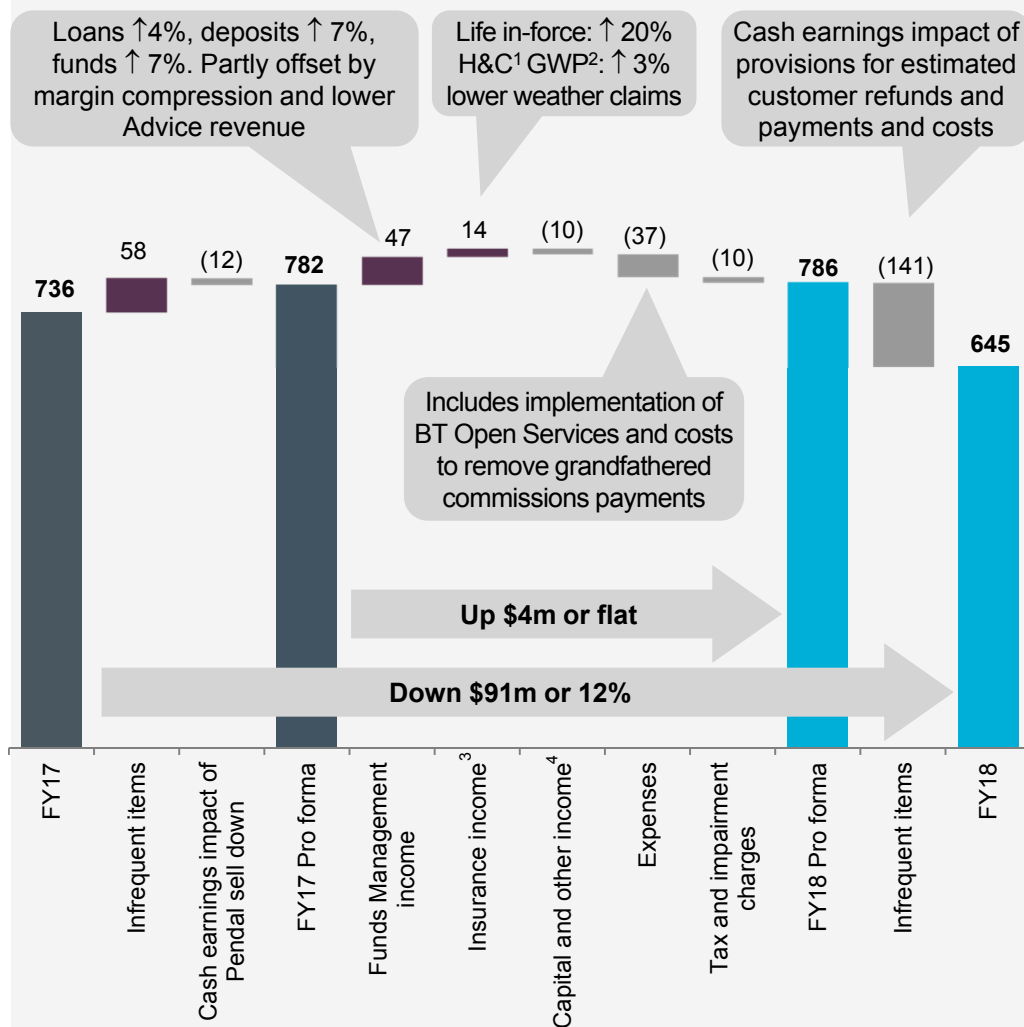
### Targeted product range

- Continue to streamline and simplify deposit products, making it easier for customers and bankers
- Migration is now complete for Westpac business deposit customers, with 27 products closed and more than 327,000 accounts transferred to the simpler product range

<sup>1</sup> Refers to Westpac only. Originated online but are completed through manual channels.

# BTFG, a leading wealth provider responding to industry change

## Cash earnings (\$m)



## Key financial metrics

|                                                     | FY16  | FY17  | FY18         | Change on FY17 |
|-----------------------------------------------------|-------|-------|--------------|----------------|
| Revenue (\$m)                                       | 2,368 | 2,255 | <b>2,226</b> | (1%)           |
| Expense to income (%)                               | 50.0  | 53.2  | <b>58.0</b>  | (5ppts)        |
| Total funds (\$bn) (spot)                           | 179.2 | 191.4 | <b>205.6</b> | 7%             |
| Loans (\$bn) (spot)                                 | 18.6  | 20.1  | <b>21.0</b>  | 4%             |
| Deposits (\$bn) (spot)                              | 26.6  | 30.7  | <b>33.0</b>  | 7%             |
| Life Insurance in-force premiums <sup>5</sup> (\$m) | 973   | 1,068 | <b>1,277</b> | 20%            |
| General Insurance GWP (\$m)                         | 503   | 508   | <b>503</b>   | (1%)           |

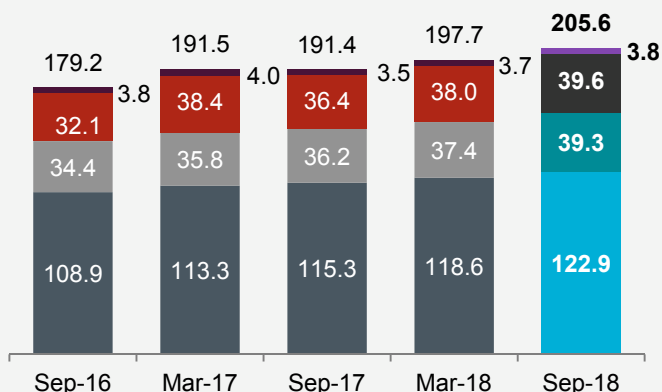
## Key operating metrics (\$m)

|                                                                      | FY16  | FY17  | FY18       | Change on FY17 |
|----------------------------------------------------------------------|-------|-------|------------|----------------|
| Customers with a wealth product <sup>6</sup> (%)                     | 17    | 18    | <b>17</b>  | (100bps)       |
| Planners (salaried & aligned) (#) (spot)                             | 1,134 | 1,011 | <b>803</b> | (21%)          |
| Platform FUA market share <sup>7</sup> (inc. Corp Super) (%)         | 19    | 19    | <b>19</b>  | (40bps)        |
| Platform gross flows market share <sup>7</sup> (inc. Corp Super) (%) | 21    | 21    | <b>20</b>  | (90bps)        |
| Life Insurance market share <sup>8</sup> (%)                         | 11    | 12    | <b>10</b>  | (150bps)       |
| H&C insurance market share <sup>9</sup> (%)                          | 6     | 6     | <b>6</b>   | (10bps)        |

<sup>1</sup> Home and Contents. <sup>2</sup> Gross Written Premiums. <sup>3</sup> Includes \$28m of revenue (\$15m cash earnings) from the management of Group Insurance for BTFG Corporate Super. <sup>4</sup> Represents income on invested capital required for regulatory purposes primarily for Life Insurance entities. <sup>5</sup> At 1 Jan 18, Westpac Life Insurance Services Limited became the preferred insurer for BTFG Corporate Super members. Life insurance in-force premium at Sep18 consist of \$994m retail, \$283m Group Life Insurance (1H18 consists \$1,000m retail, \$276m Group Life Insurance; 2H17: \$993m retail, \$75m Group Life Insurance; 1H17: \$966 m, \$64m Group Life Insurance). <sup>6</sup> Refer page 148 for wealth metrics provider. <sup>7</sup> Strategic Insight, All Master Funds Admin at Jun 18 (for 2H18), at Dec 17 (for 1H18), and at Jun 17 (for 2H17) and represents the BT market share at these times. <sup>8</sup> Strategic Insight (Individual Risk) rolling 12 month average. New sales includes sales, premium re-rates, age and CPI indexation Jun 18. <sup>9</sup> Internally calculated from APRA quarterly general insurance performance statistics, Jun 18.

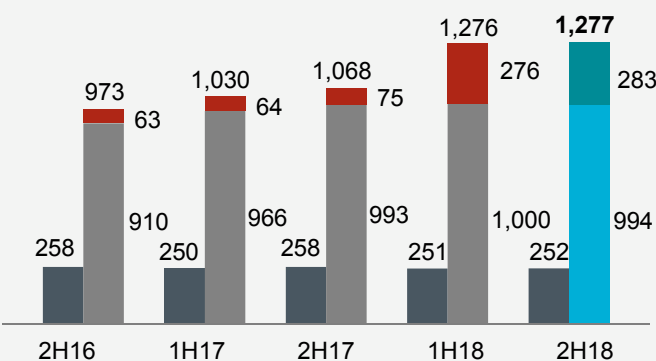
## Funds (\$bn)

■ Platforms ■ Superannuation ■ Packaged funds ■ Other



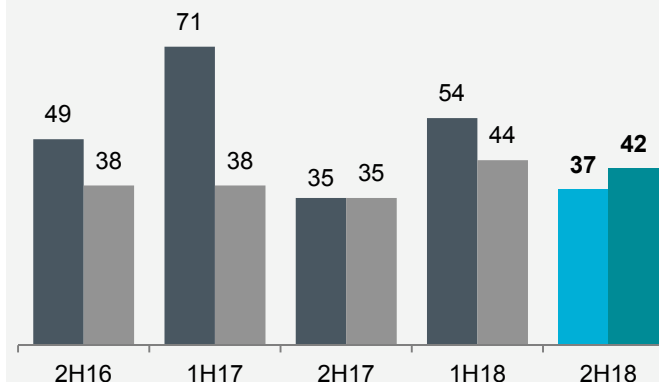
## Insurance premiums (\$m)

■ Group in-force premiums  
■ Retail in-force premiums  
■ General Insurance gross written premiums<sup>1</sup>



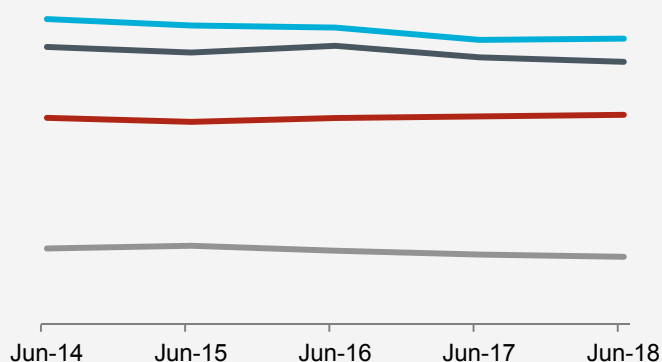
## Insurance claims rates (%)

■ General Insurance ■ Life Insurance



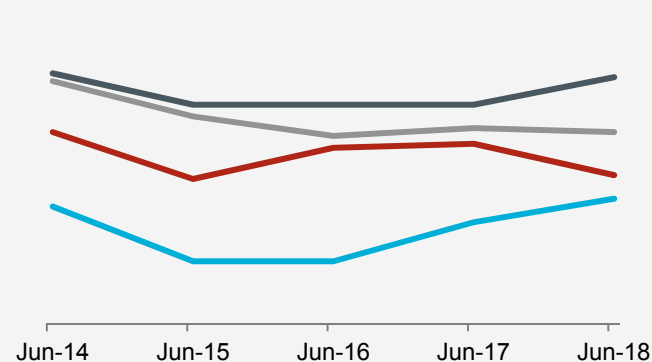
## Retail platforms market share<sup>2,3</sup> (%)

— WBC — Peer 1  
— Peer 2 — Avg next top 4



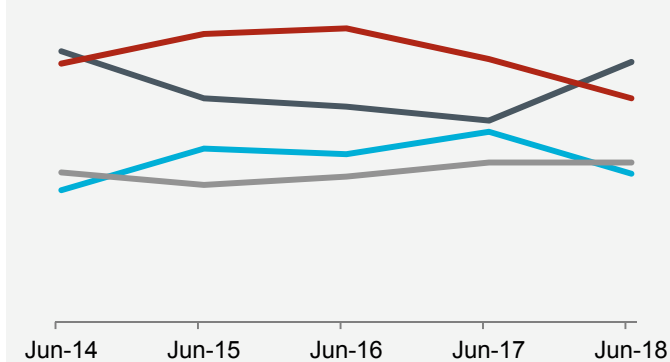
## Life insurance lapse rates<sup>3</sup> (%)

— WBC — Peer 1  
— Peer 2 — Market Avg



## Life insurance market share<sup>3,4</sup> (%)

— WBC — Peer 1  
— Peer 2 — Avg next top 4



<sup>1</sup> Includes CCI gross written premiums of \$13m in 2H18 (1H18: \$16m; 2H17:\$21m; 1H17:\$25m; 2H16:\$25m) <sup>2</sup> Retail Platforms market share sourced from Strategic Insight, All Master Funds Admin segment and represents the BT Wealth business market share disclosed in Strategic Insight as at June 2018. <sup>3</sup> Strategic Insights June 2018. <sup>4</sup> Market share is Retail life insurance new sales.

# Meeting customers' wealth needs via digital

## New and improved customer services

**BT Open Services<sup>1</sup>**, an online services hub, providing self-licensed advisers and dealer groups access to a range of services on a fee-for-service basis

### Continuous improvement to Panorama:

- Integrated Annuity offer and stand-alone Cash Management Account (CMA) solution
- Thumb print digital consent, supporting online transactions
- Managed portfolio solutions



**\$1.98bn**  
in Managed  
Accounts FUA,  
up 209% over last  
12 months

Launched<sup>2</sup> a **corporate super product** offered **digitally**, providing members a range of quality investments (44 investment options available)

**Website and online form improvements** giving customers better access to insurance, superannuation and investment solutions



**25%**  
growth in  
customers wealth  
needs met  
digitally

## Digitising insurance: improving customer experience

**Launch of near real-time (1hour) email** re-contacting customers after drop out from a digital Home and Contents (H&C) application form

Customers can access a **H&C quote in 2 minutes** online and access better pricing



**↑ 80%**  
growth in H&C  
needs met  
digitally

### Introduced a Cancer Assistance Program

which delivers proactive support to customers helping them get them back on track following a cancer diagnosis

**LifeCENTRAL+** updated to improve adviser efficiency allowing sharing of quotes within practices, a streamlined application process and improved navigation

**"Return to Work"  
Award Winner<sup>3</sup>**



**Real-time 24/7  
access to client  
and policy  
information**



**Award  
Winners**



**"Wealth Management Firm of the Year 2018 – Australia"**  
Acquisition International Finance Awards



**"Best Wealth & Money Management Company 2018"**  
APAC Australian Enterprise Awards



**"2018 The World's Best Private Banks"**  
Global Finance Awards



**"Net-worth-specific services: Super affluent clients (US\$1m-5m) Winner"**  
Euromoney Private Banking & Wealth Management Survey



**Underwriting Team of the Year, Client Service Team"**  
2018 AFA Strategic Insights Awards



**"Best Technology Offering, BT Panorama"**  
2018 Conexus Financial Superannuation Awards



**"SMSF Adviser Investment Platform choice – BT Panorama"**  
**"SMSF Member Investment Platform choice – BT Wrap"**  
CoreData Self-Managed Super Fund (SMSF) Service Provider

<sup>1</sup> Launch of BT Open Services on 1 November 2018. <sup>2</sup> Launched on 5 September 2018. <sup>3</sup> Awarded in September 2018 at Swiss Re/ALUCA Excellence & Innovation.

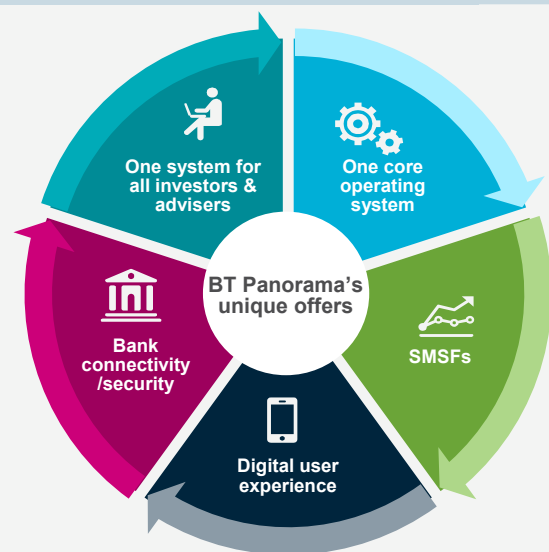
# Panorama: new, simple, transparent pricing on BT Panorama – a unique offer for advisers and investors

## New pricing structure:

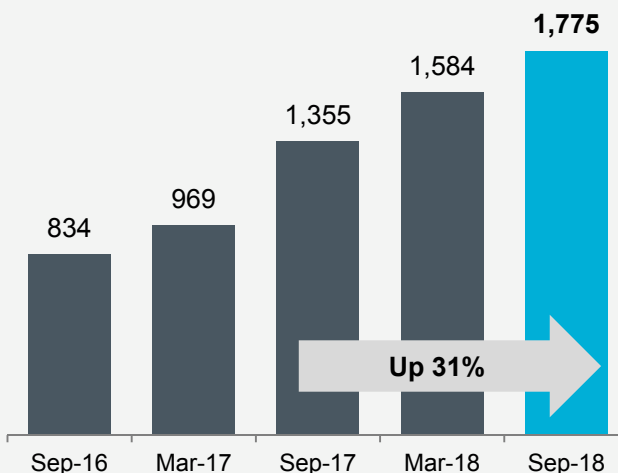
- Simple, transparent pricing structure with price alignment across all channels and advisers
- 0.15% p.a. admin fee, capped at \$1,500 p.a., with a flat account fee of \$540 p.a.
- Family account aggregation for up to four family accounts

## Panorama app

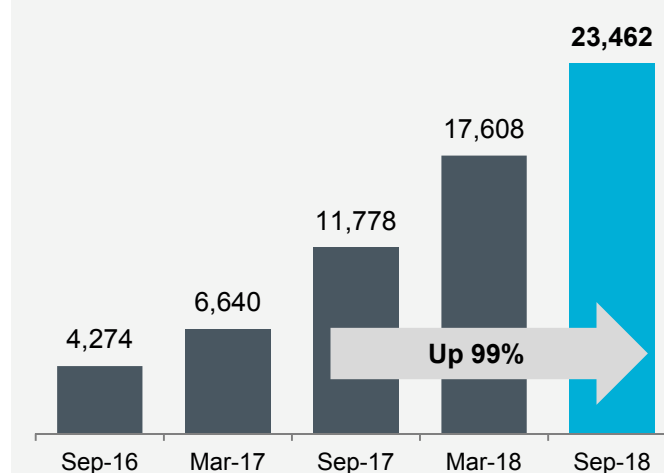
- BT Panorama is the highest rated platform app among financial advisers
- Winner of “Planner Satisfaction with Mobile Access and App” – Investment Trends, 2018 Planner Technology report
- >80% of investors logon via the app
- Over 43,000 app launches per month



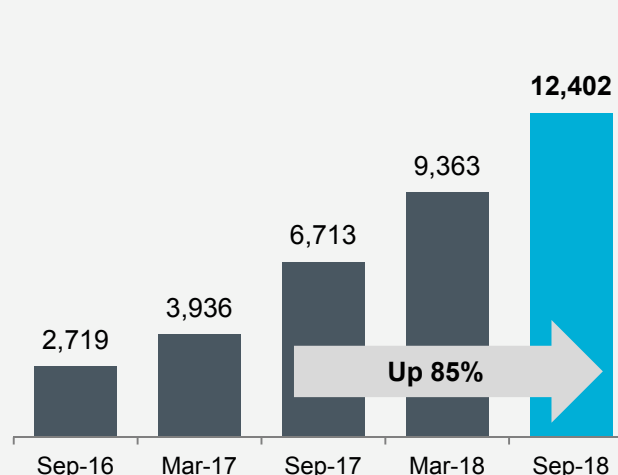
## Advisers using Panorama (#)



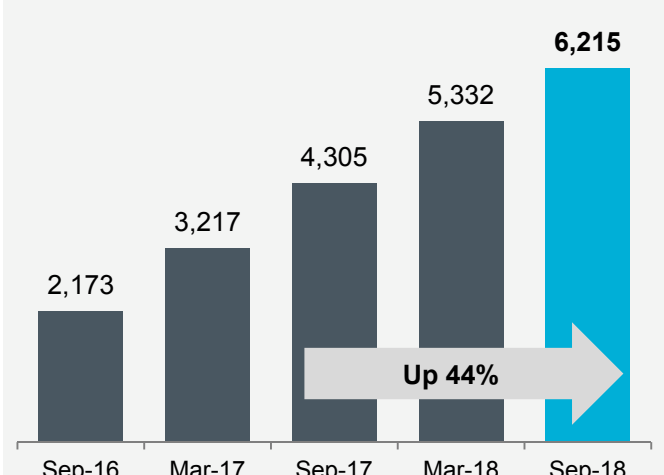
## Investors on Panorama (#)



## FUA on Panorama (\$m)



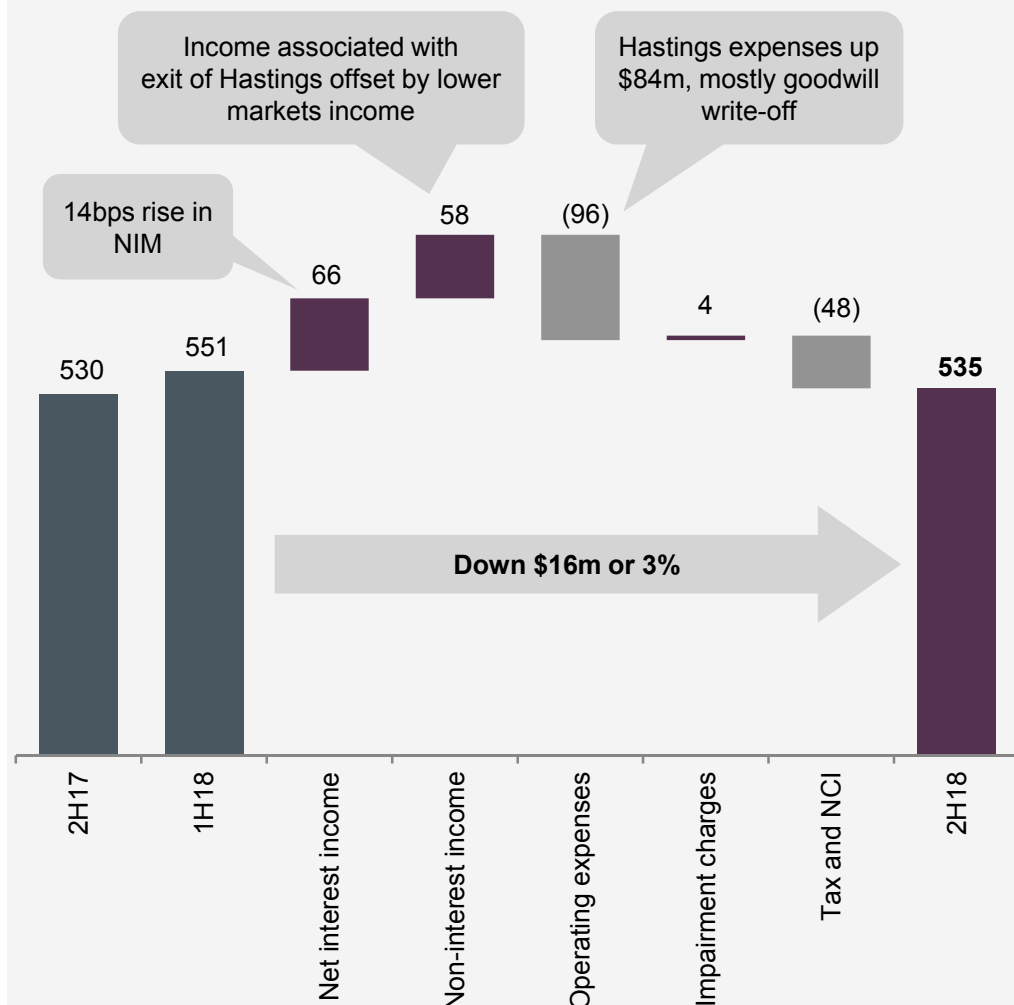
## SMSF funds on Panorama(#)





# WIB delivers a **disciplined** performance

## Cash earnings (\$m)



## Key financial metrics

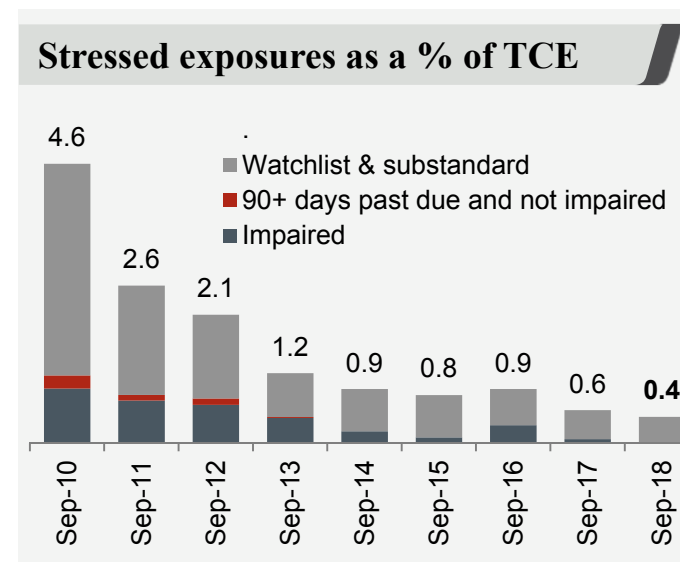
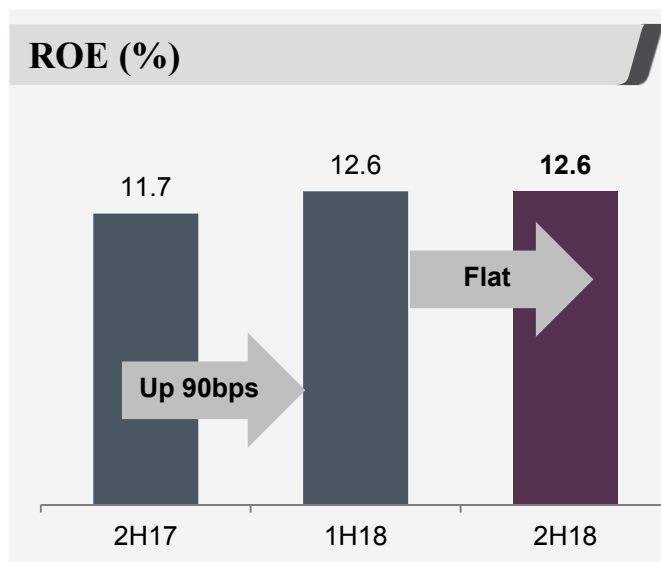
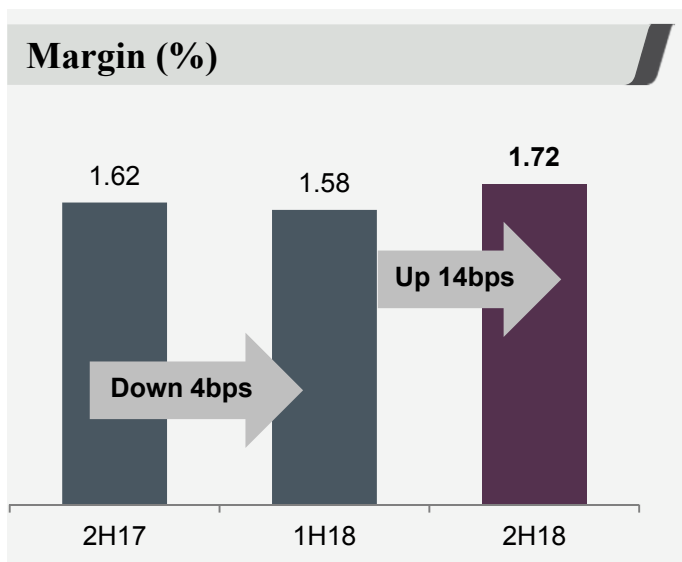
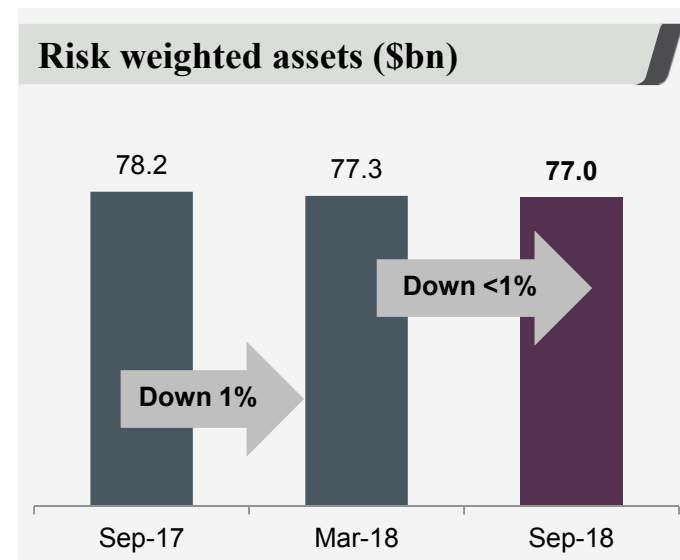
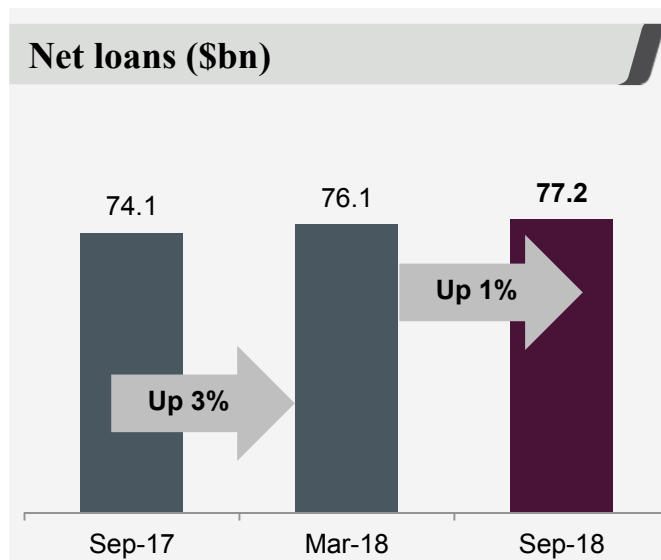
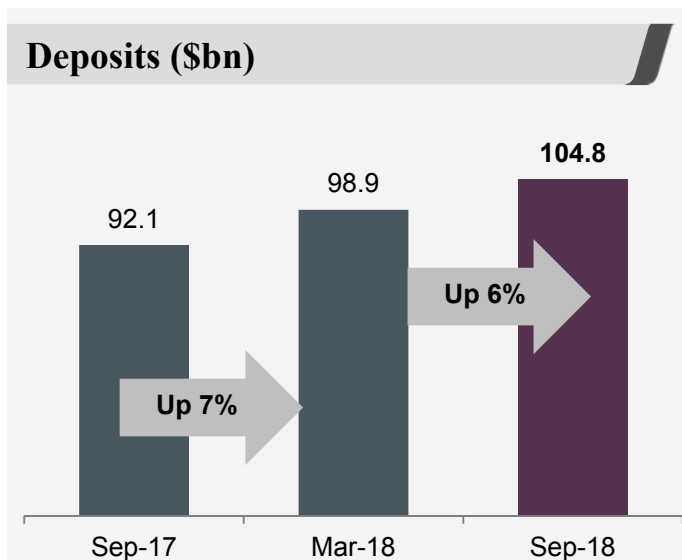
|                                    | 2H17  | 1H18  | 2H18         | Change on 1H18 |
|------------------------------------|-------|-------|--------------|----------------|
| Revenue (\$m)                      | 1,421 | 1,424 | <b>1,548</b> | 9%             |
| Net interest margin (NIM) (%)      | 1.62  | 1.58  | <b>1.72</b>  | 14bps          |
| Expense to income ratio (%)        | 47.9  | 47.4  | <b>49.8</b>  | 241bps         |
| Customer deposit to loan ratio (%) | 124.3 | 130.0 | <b>135.8</b> | large          |
| Stressed assets to TCE (%)         | 0.55  | 0.52  | <b>0.44</b>  | (8bps)         |

## Key operating metrics

|                                                   | 2H17 | 1H18 | 2H18         | Change on 1H18 |
|---------------------------------------------------|------|------|--------------|----------------|
| Customer revenue <sup>1</sup> / total revenue (%) | 86.7 | 87.1 | <b>82.9</b>  | (large)        |
| Trading revenue / total revenue (%)               | 5.0  | 11.3 | <b>3.9</b>   | (large)        |
| Revenue per FTE (\$'000) <sup>2</sup>             | 791  | 794  | <b>901</b>   | 13%            |
| Deposits (\$bn)                                   | 92.1 | 98.9 | <b>104.8</b> | 6%             |

1 WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings. 2 Excludes Westpac Pacific revenue and FTE.

# Balance sheet in good shape, maintaining focus on returns



# A strong franchise serving customers and delivering innovative solutions in key segments

## Franchise Strength

### Service



- ✓ Banker to 91% of the ASX top 100
- ✓ 99.7% transactional banking retention rate<sup>1</sup>
- ✓ 95 new to bank customers in FY18
- ✓ Largest banker to the Australian/NZ public sector, providing significant scale and ability to reinvest in capabilities

### Efficiency



- ✓ Developing solutions for customers to enhance data management capabilities and increase efficiency
- ✓ Digitising sales, service and back-office processes
- ✓ Market-leading straight through processing for FX transactions, with approx. 90% of FX flow now electronically executed

### Innovation



- ✓ Track record of delivering innovative industry and policy solutions
- ✓ Significant transactional banking investment
- ✓ Partnering with fintechs to deliver new technologies and increase delivery speed

## Financial Year 2018



### Renewables

In FY18, leading financier<sup>2</sup> to greenfield renewable energy projects in Australia providing more than \$425m of new financing to seven projects



### Public Sector

Both the Victorian and ACT Governments extended their banking contracts with Westpac in FY18



### Infrastructure

In FY18, more than \$1.2bn new funding commitments supporting over \$10.6bn in capital investment in Australian infrastructure and energy projects



### M&A Financing

Leverage depth of customer relationships and strength in underwriting and structuring for large syndicated transactions



### Liquidity and working capital management

First release of WIB's Digital Institutional Bank platform going live in November. Offers Corporate and Institutional customers real-time visibility of account balances, intraday balance movement and a single view of cash liquidity throughout their entire corporate structure



### Corporate Loan Portal

First to market with online portal providing customers with greater visibility and control over their loans. 150 customers in the pipeline



### Product innovation

In partnership with Assembly Payments, launching new digital wallet capabilities for B2B and B2C customer transaction experiences and established a strong pipeline of data analytics opportunities with both corporate and government customers



### Superannuation

First to market with innovative investment solutions and market leader in contributions via QuickSuper – WIB processes transactions for more than 162,000 Australian employers



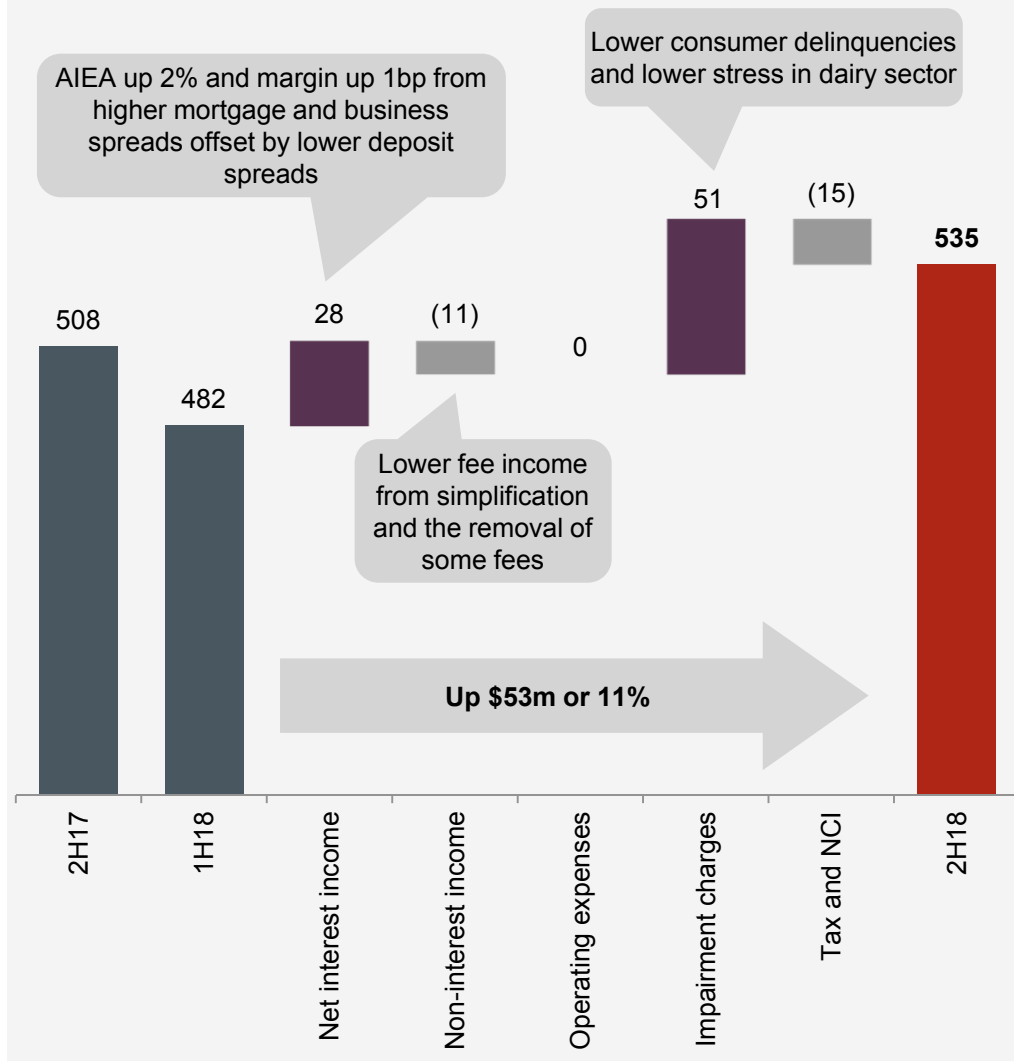
### Insights-driven analytics

Partnership with ICICI Bank to develop a new payment solution for migrant students, giving students lower fees and enabling Australian universities to automatically reconcile international tuition payments

<sup>1</sup> Transactional banking relationships retention rate defined as the percentage of transactional relationships at the start of 2H18 that were retained through to the end of the period.

<sup>2</sup> By new financing commitments. Source: IJGlobal data.

## Cash earnings (NZ\$m)



1 Refer page 149 for details of metric definition and provider.

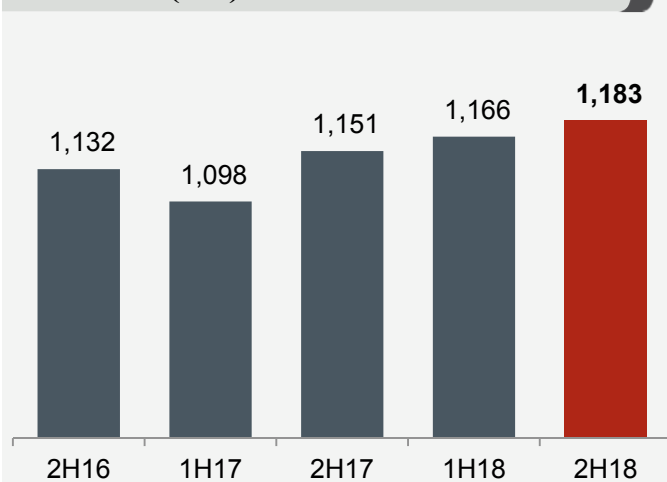
## Key financial metrics

|                                    | 2H17  | 1H18  | 2H18         | Change on 1H18 |
|------------------------------------|-------|-------|--------------|----------------|
| Revenue (NZ\$m)                    | 1,151 | 1,166 | <b>1,183</b> | 1%             |
| Net interest margin (%)            | 2.09  | 2.15  | <b>2.16</b>  | 1bp            |
| Expense to income (%)              | 41.3  | 40.1  | <b>39.6</b>  | (58bps)        |
| Customer deposit to loan ratio (%) | 75.5  | 77.9  | <b>77.0</b>  | (89bps)        |
| Stressed assets to TCE (%)         | 2.06  | 1.86  | <b>1.57</b>  | (29bps)        |

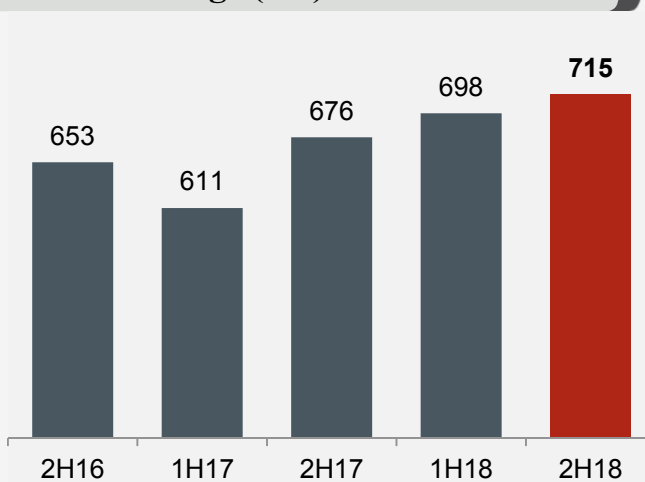
## Key operating metrics

|                                      | 2H17 | 1H18 | 2H18        | Change on 1H18 |
|--------------------------------------|------|------|-------------|----------------|
| Customers (#m)                       | 1.35 | 1.36 | <b>1.35</b> | (1%)           |
| Branches (#)                         | 169  | 164  | <b>163</b>  | (1)            |
| Consumer NPS <sup>1</sup>            | +2   | +9   | <b>+8</b>   | (1)            |
| Business NPS <sup>1</sup>            | +5   | +17  | <b>+0</b>   | (17)           |
| Agri NPS <sup>1</sup>                | +54  | +52  | <b>+17</b>  | (35)           |
| FUM and FUA (NZ\$bn) (spot)          | 10.1 | 10.3 | <b>10.7</b> | 4%             |
| Service quality – complaints (000's) | 9.6  | 8.5  | <b>9.2</b>  | 8%             |

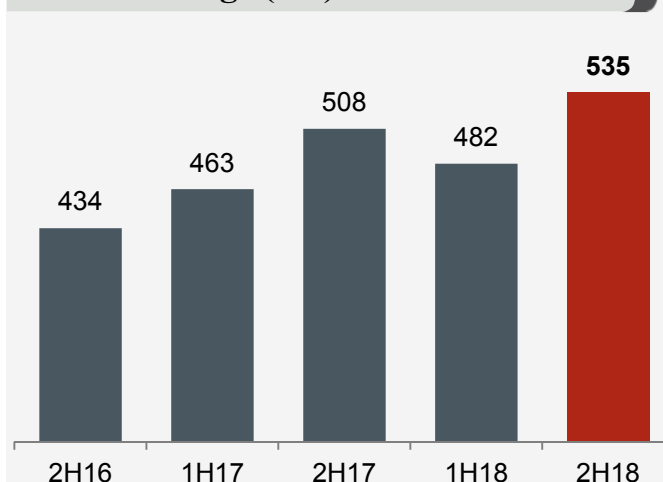
## Revenue (\$m)



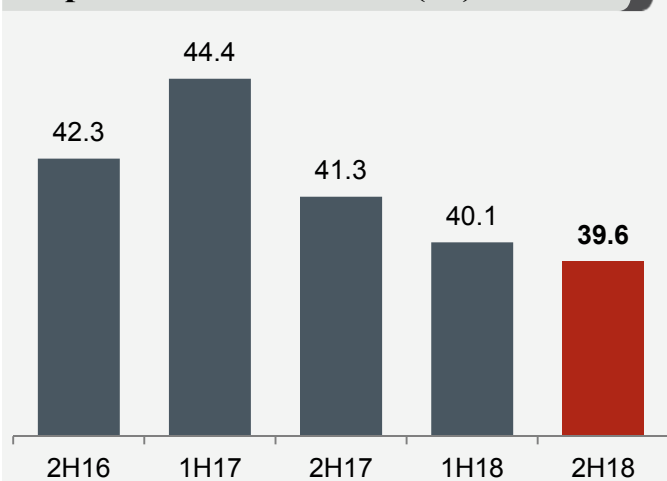
## Core earnings (\$m)



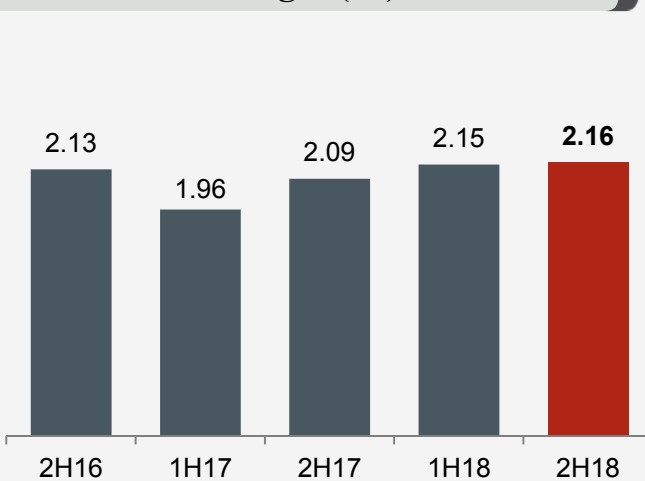
## Cash earnings (\$m)



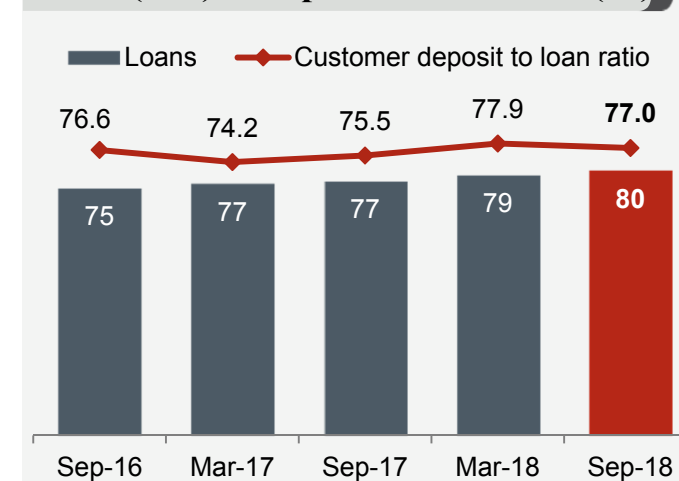
## Expense to income ratio (%)



## Net interest margin (%)



## Loans (\$bn) & deposit to loan ratio (%)

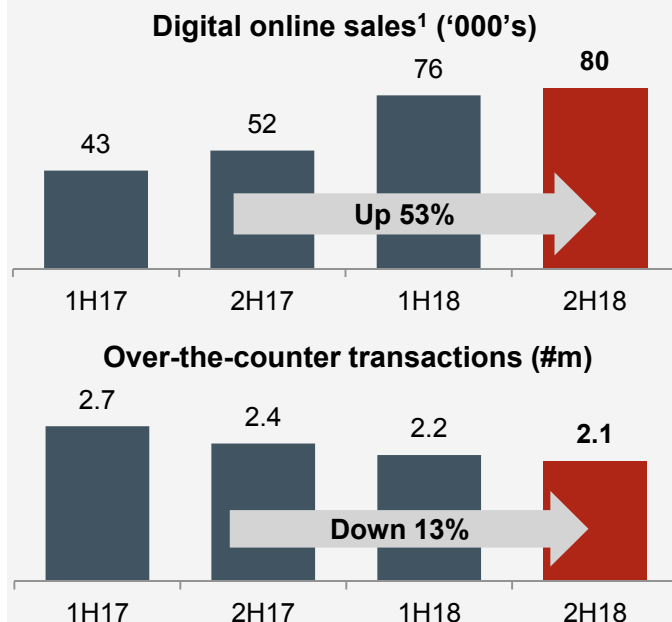


<sup>1</sup> All figures in NZ\$ unless otherwise indicated.



## Digital for customers

### Customers increasingly using digital



### Simple award winning digital banking solutions

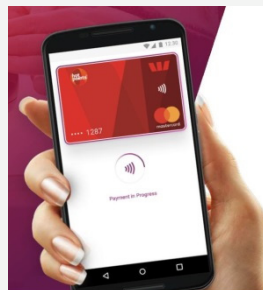
- Making banking solutions simple and easy for customers has seen Westpac win Canstar's Bank of the Year – Everyday Banking award for 2018 (third year running)



<sup>1</sup> Digital online sales includes fulfilment volumes.

## Making payments easier

- Westpac Pay**, launched in July 2018, allows customers to use their Android phone to make secure contactless payments with the ability to set the level of security and payment preferences
- Westpac Get Paid<sup>®</sup>** launched in July 2018, is a card reader and mobile app that gives businesses the ability to take payments, create and send quotes, invoices and receipts in real time in a way that's convenient for their customers



- Westpac Direct from Account<sup>®</sup>** is an online channel providing merchants with the ability to accept authenticated direct credit payments from their customers, without having to leave the merchants' website



## Deeper customer relationships

### Solutions based on customer goals

- Your Story** introduced in August 2018, is a live digital discovery tool, used in branches, to assist customers to identify what's important to them as well surface solutions to help them achieve their goals
- Since launch, 12,800 Your Story customer conversations have been completed



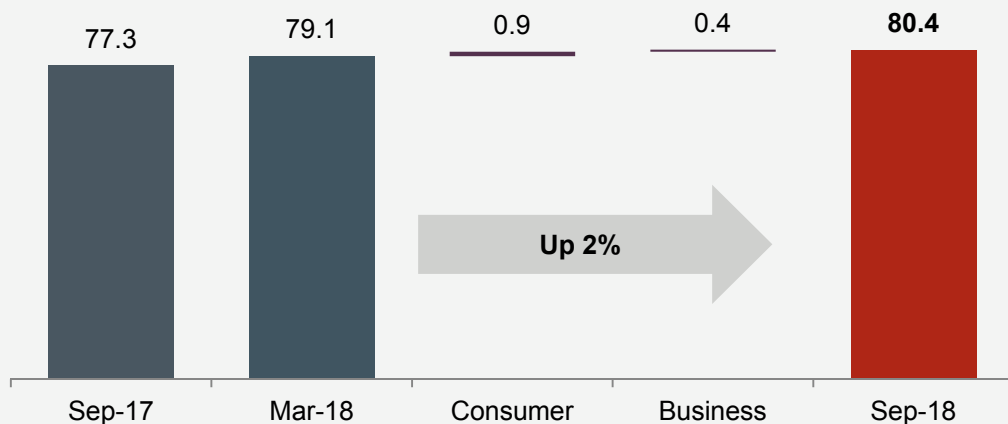
### Creating ongoing value for customers

- Value Me** program introduced September 2017, helps customers by identifying best products, services and banking solutions based on their behaviour, saving customers time and money
- 470,000 customers have been contacted since launch, with a 7% increase in customers likely to recommend Westpac

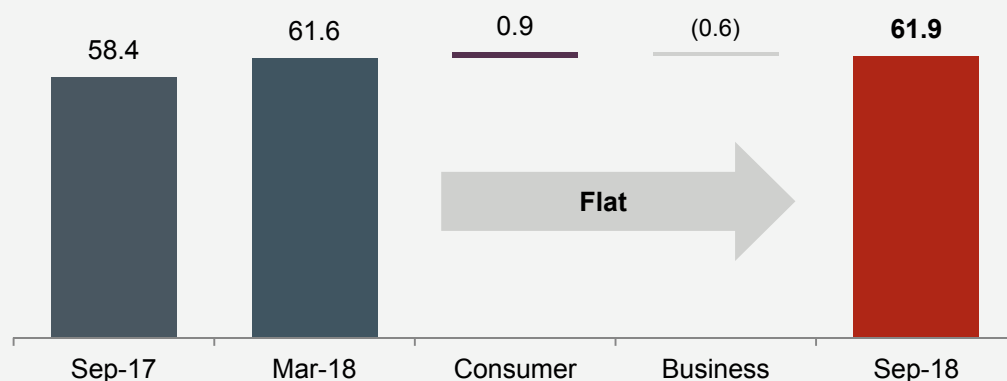


# Balance sheet drivers

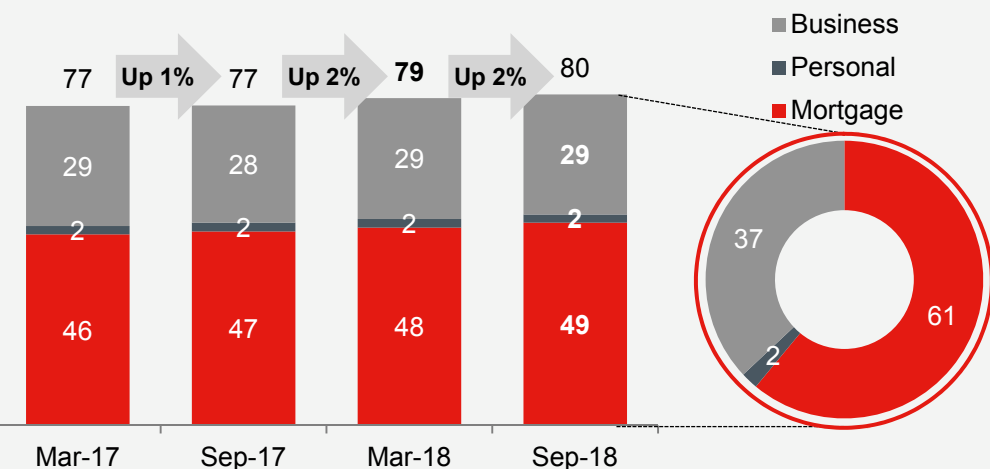
## New Zealand net loans (NZ\$b)



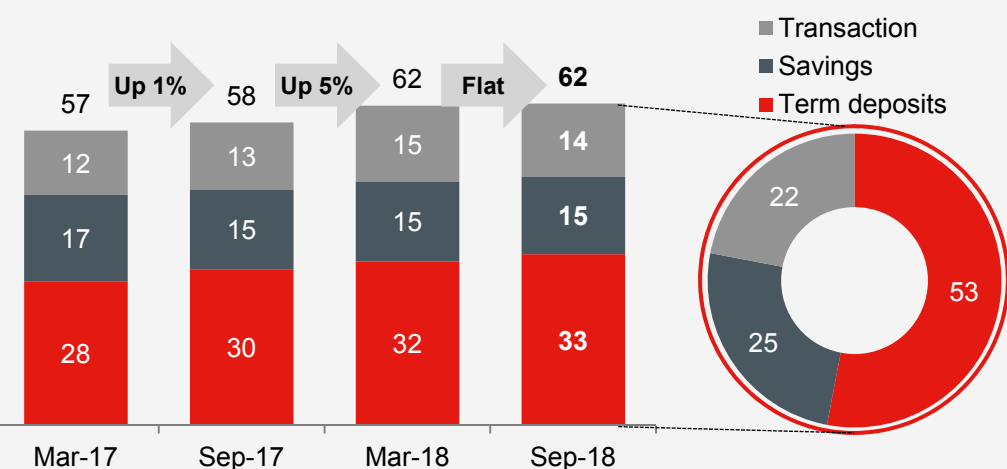
## New Zealand deposits (NZ\$b)



## New Zealand customer loans (NZ\$b) and % of total

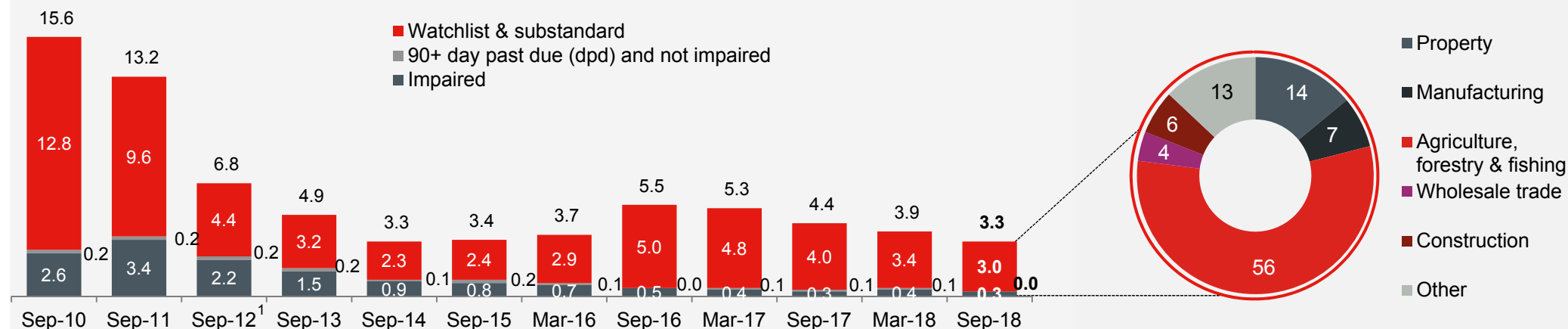


## New Zealand customer deposits (NZ\$b) and % of total



# Stressed exposures lower as dairy portfolio improves

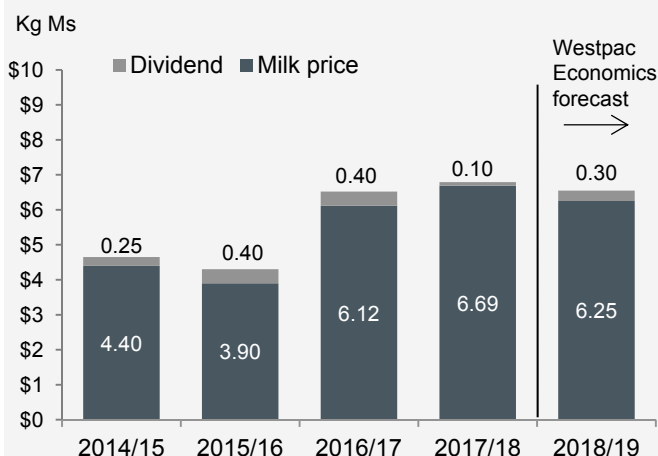
## Business stressed exposures as a % of New Zealand business TCE



## Agribusiness portfolio

|                                                  | Sep-17 | Mar-18 | Sep-18      |
|--------------------------------------------------|--------|--------|-------------|
| TCE (NZ\$bn)                                     | 8.9    | 8.9    | <b>9.2</b>  |
| Agriculture as a % of total TCE                  | 8.2    | 8.0    | <b>8.3</b>  |
| % of portfolio graded as 'stressed' <sup>2</sup> | 13.5   | 12.1   | <b>9.7</b>  |
| % of portfolio in impaired                       | 0.41   | 0.50   | <b>0.42</b> |

## Milk price & Fonterra dividend<sup>3</sup> (NZ\$)



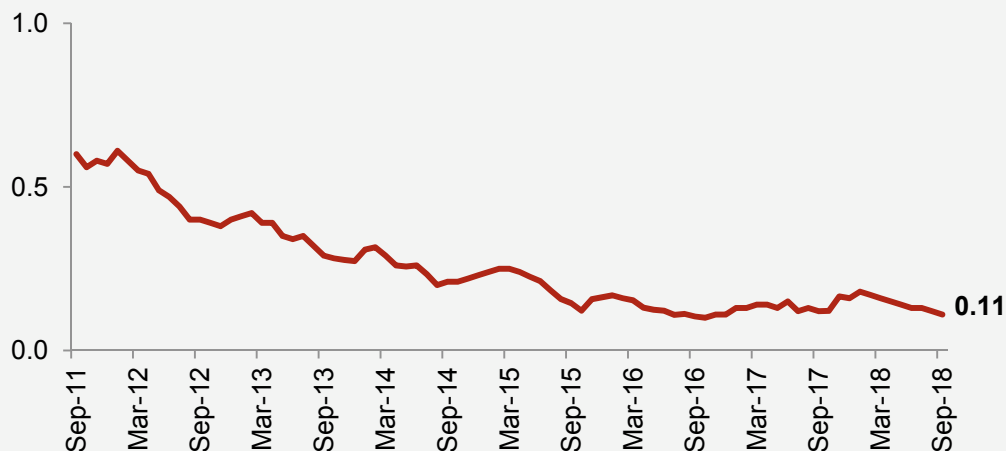
## Dairy portfolio summary

- Overall stress has declined and the portfolio's risk grade profile is stable following favourable milk prices over the last two seasons
- Focus remains on supporting existing dairy customers with proven long-term viability
- Some headwinds from global milk price volatility driven by increased global milk production and unfavourable exchange rate movements. Regulatory reform and disease issues (M. Bovis) continue to pose challenges

1 Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012. 2 Includes impaired exposures. 3 Source: Fonterra.

# Consumer credit quality in **good shape**

## Mortgages 90+ days past due (%)

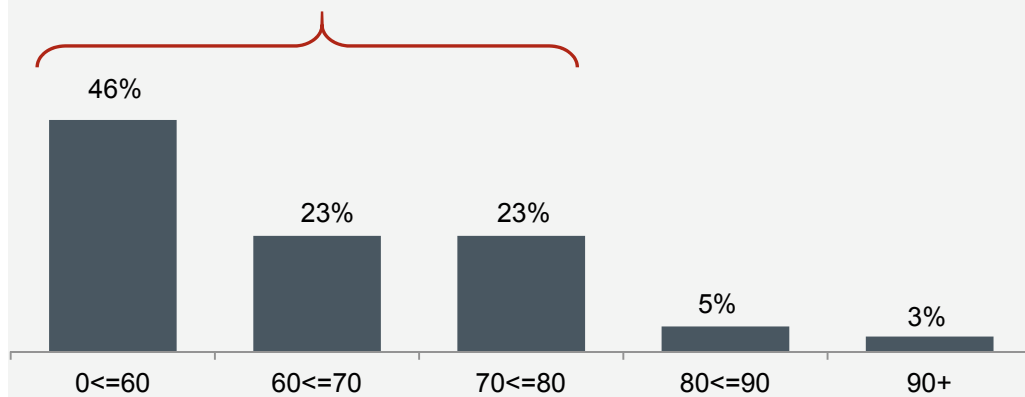


## Unsecured consumer 90+ day delinquencies (%)



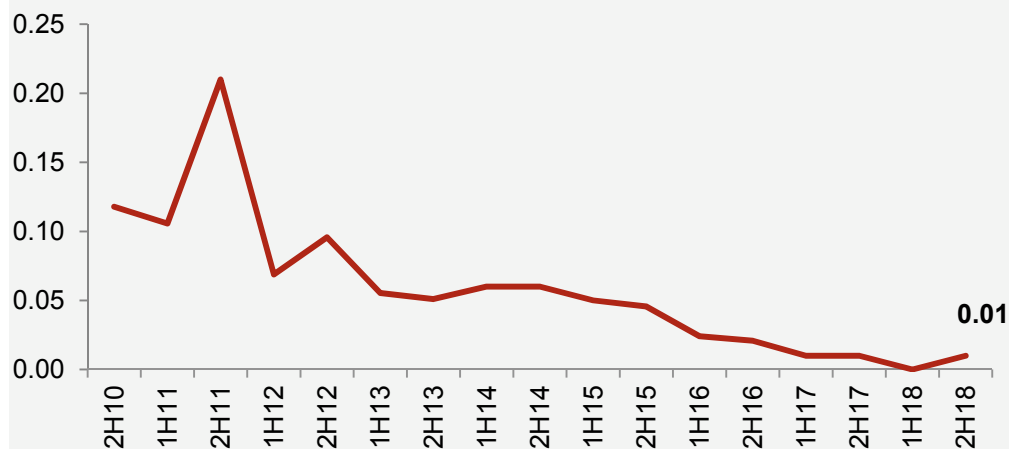
## Mortgage portfolio LVR<sup>1</sup> (%) of portfolio

92% of mortgage portfolio less than 80% LVR



<sup>1</sup> LVR based on current loan property value at latest credit event.

## Mortgage loss rates each half (%)







# Economics



# Australian economic snapshot – growth to moderate

| 126

## Australian economy key statistics (latest available as at October 2018)

**GDP** **3.4%**

Westpac Economics Forecast  
(end calendar 2019) 2.7%

**Unemployment Rate** **5.0%**

Westpac Economics Forecast  
(end calendar 2019) 5.0%

**Inflation** **1.9%**

Westpac Economics Forecast  
(end calendar 2019) 1.7%

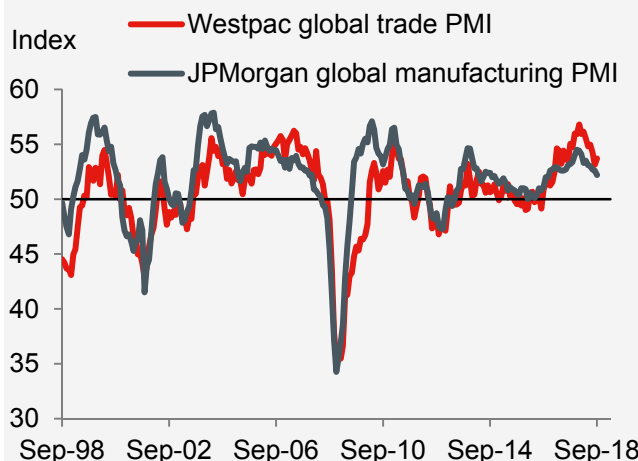
**Cash Rate** **1.50%**

Westpac Economics Forecast  
(end calendar 2019) 1.50%

**AUD/USD** **US\$0.71<sup>3</sup>**

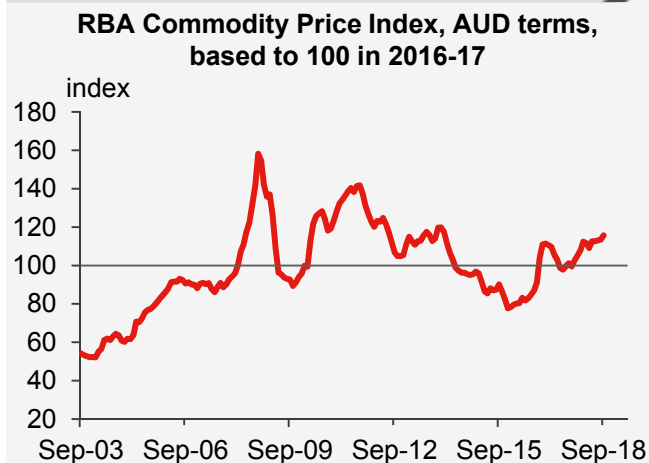
Westpac Economics Forecast  
(end calendar 2019) US\$0.72

## Global backdrop less positive



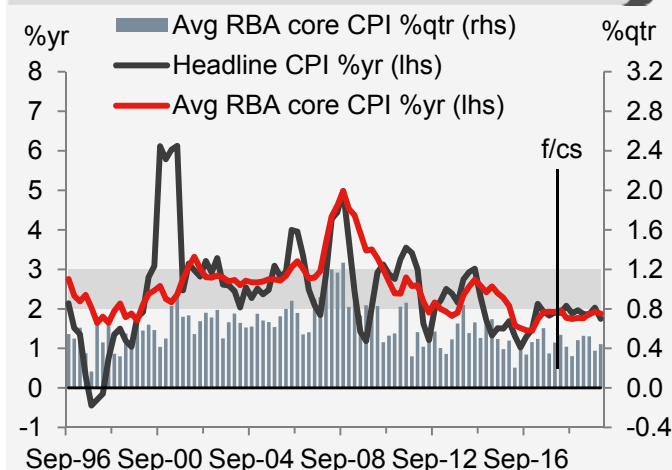
Sources: Reuters, Westpac Economics

## Commodity prices resilient in 2018



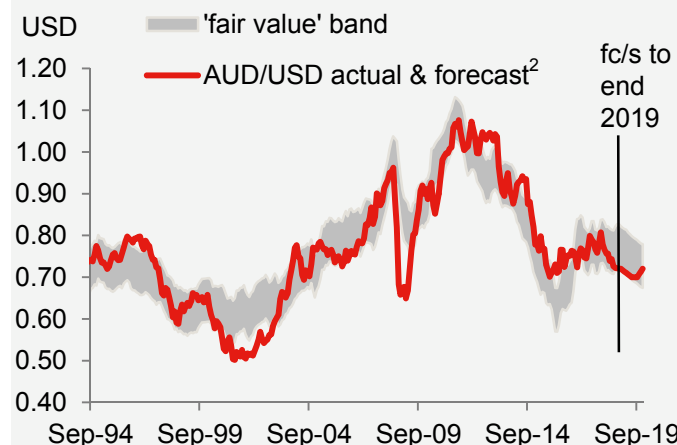
Sources: RBA, Westpac Economics.

## Inflation remains subdued<sup>1</sup>



Sources: ABS, RBA, Westpac Economics

## AUD has moved lower



Sources: RBA, Westpac Economics.

1 Average RBA core CPI is average of seasonally adjusted trimmed mean & weighted median CPI. 2 Includes WCFI+BI commodities index, 2 year swap spread and NFD to GDP. 3 Exchange rate at as 31 October 2018.

# Australian and New Zealand economic forecasts

| Key economic indicators (%) as at October 2018 |                                       | Calendar year |            |            |
|------------------------------------------------|---------------------------------------|---------------|------------|------------|
|                                                |                                       | 2017          | 2018F      | 2019F      |
| <b>World</b>                                   | <b>GDP<sup>1</sup></b>                | <b>3.8</b>    | <b>3.8</b> | <b>3.6</b> |
| <b>Australia</b>                               | <b>GDP<sup>2</sup></b>                | <b>2.4</b>    | <b>3.3</b> | <b>2.7</b> |
|                                                | Private consumption <sup>2</sup>      | 3.0           | 2.6        | 2.6        |
|                                                | Business investment <sup>2,3</sup>    | 6.9           | 1.1        | 2.5        |
|                                                | Unemployment – end period             | 5.5           | 5.1        | 5.0        |
|                                                | CPI headline – year end               | 1.9           | 2.0        | 1.7        |
|                                                | Interest rates – cash rate            | 1.50          | 1.50       | 1.50       |
|                                                | Credit growth, Total – year end       | 4.8           | 4.4        | 3.5        |
|                                                | Credit growth, Housing – year end     | 6.3           | 4.8        | 4.0        |
|                                                | Credit growth, Business – year end    | 3.1           | 4.4        | 3.5        |
| <b>New Zealand</b>                             | <b>GDP<sup>2</sup></b>                | <b>2.9</b>    | <b>3.0</b> | <b>3.1</b> |
|                                                | Unemployment – end period             | 4.5           | 4.6        | 4.6        |
|                                                | Consumer prices                       | 1.6           | 2.3        | 1.4        |
|                                                | Interest rates – official cash rate   | 1.75          | 1.75       | 1.75       |
|                                                | Credit growth – Total <sup>4</sup>    | 6.5           | 5.2        | 4.8        |
|                                                | Credit growth – Housing <sup>4</sup>  | 7.4           | 5.7        | 4.9        |
|                                                | Credit growth – Business <sup>4</sup> | 5.2           | 4.4        | 4.5        |

Source: Westpac Economics.

1 Year average growth rates. 2 Through the year growth rates. 3 Business investment adjusted to exclude the effect of public sector purchases of public assets.

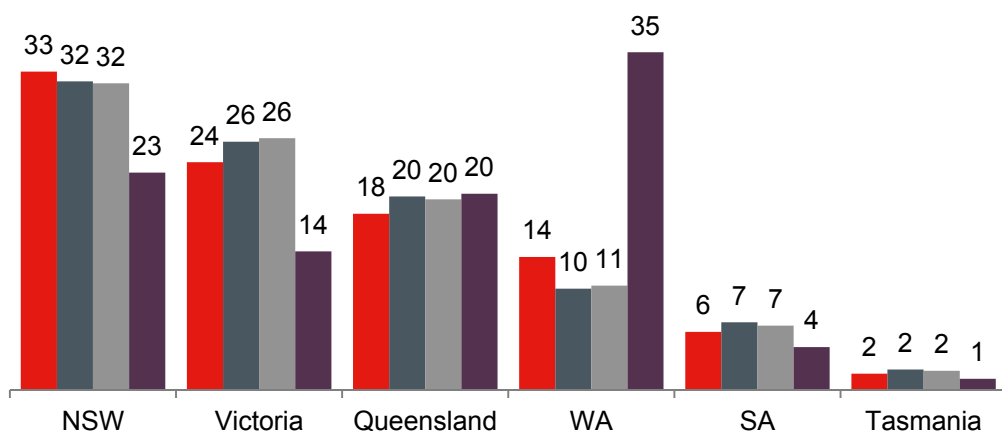
4 NZ credit forecasts are for growth over the calendar year.

## NSW and Victoria 58% of population and employment



### Relative size of States (Share of Australia, 2016/17, %)

■ GDP ■ Population ■ Employment ■ Exports

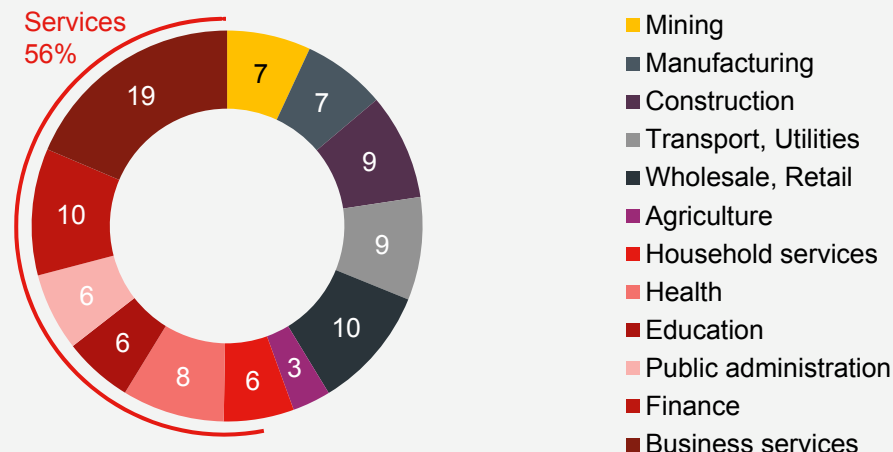


Sources: ABS, Westpac Economics

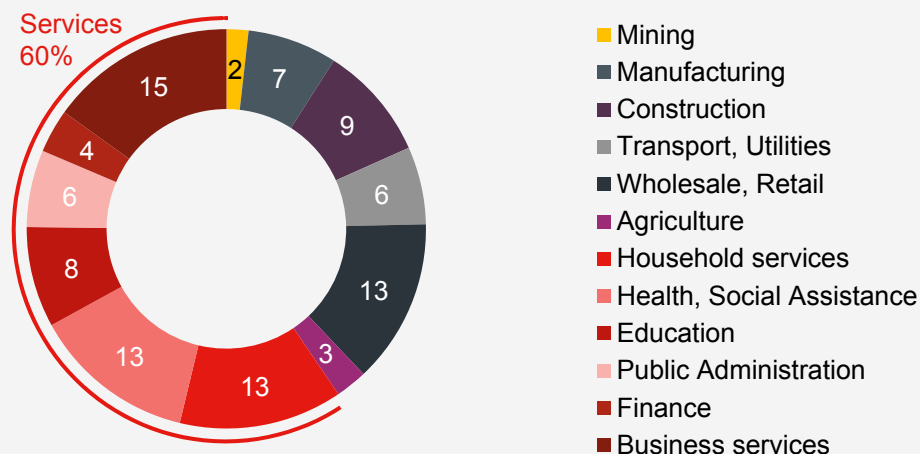
1. Real, financial years, experimental estimates

## Services employ a large part of the Australian workforce

### Output 2017 - sector contribution to GDP (%)<sup>1</sup>



### Australian employment by sector 2017 (%)

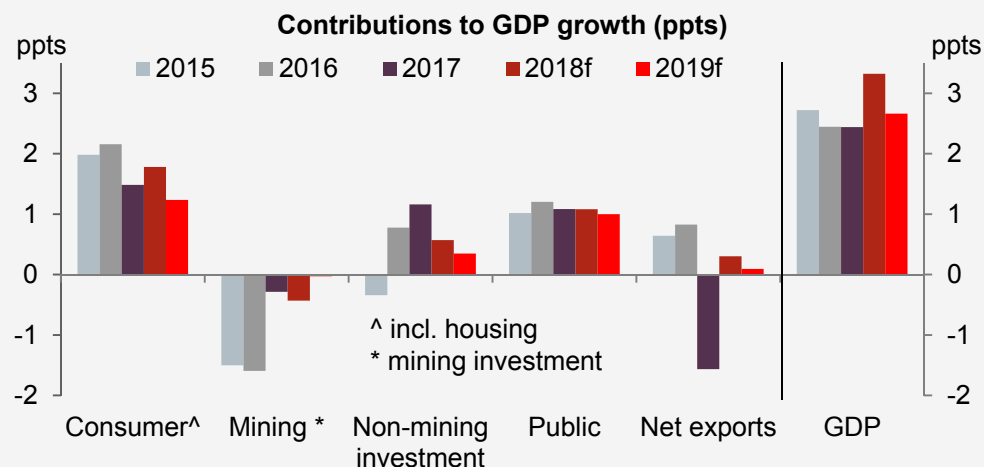


Sources: ABS, Westpac Economics. 1 Excludes ownership of dwellings and taxes less subsidies.

# Australian economic outlook: positive but uneven

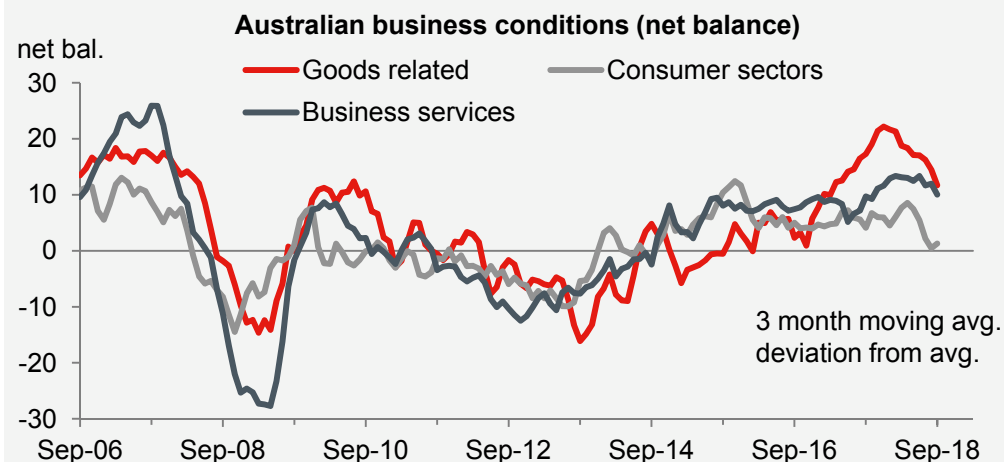
129

## Australian growth mix: shifting drivers



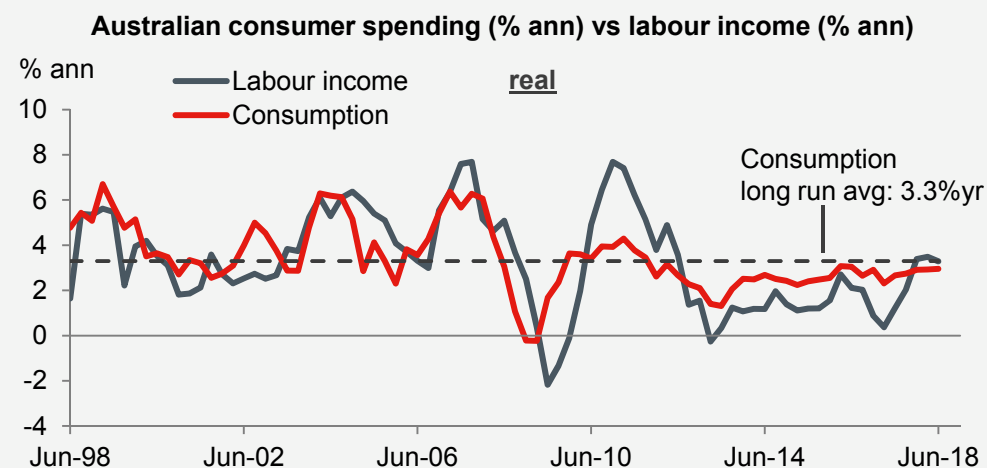
Sources: ABS, Westpac Economics.

## Positive but moderating business conditions



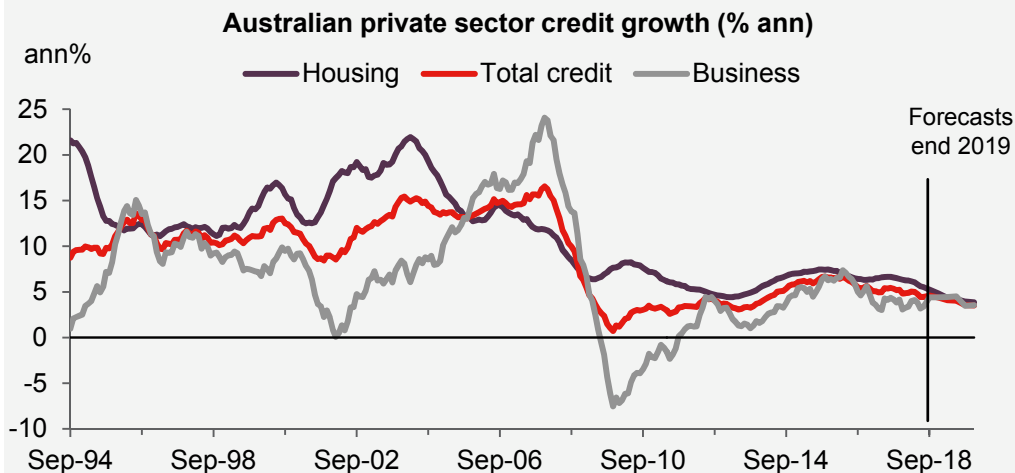
Sources: NAB survey, Westpac Economics.

## Consumer spending constrained by income growth



Sources: ABS, Westpac Economics.

## Australian private sector credit growth subdued



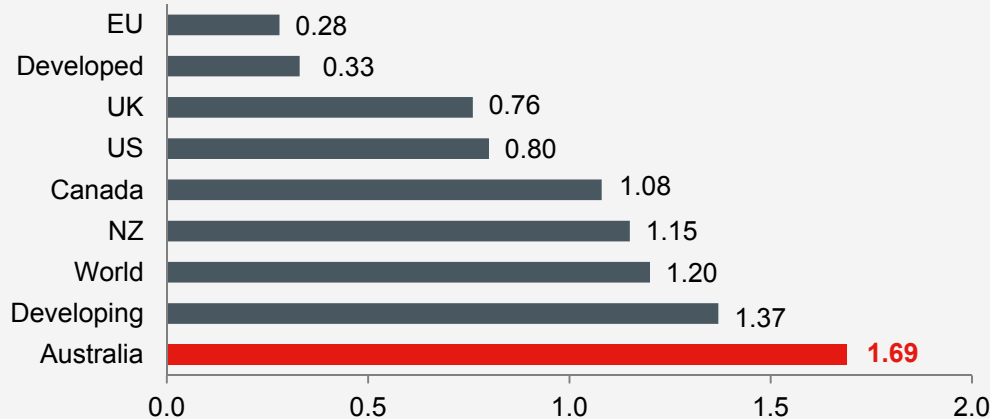
Sources: RBA, Westpac Economics.

# Population growth, public spending, lower AUD boosting activity

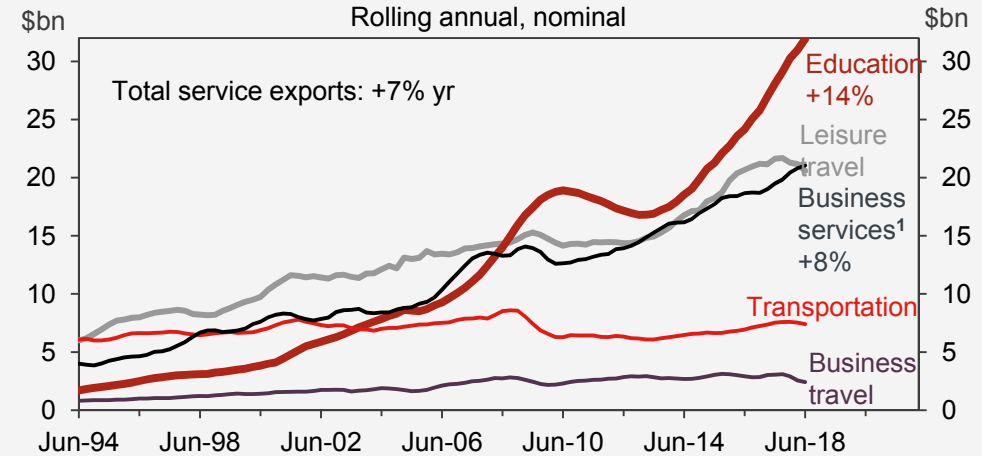
130

## Population growth remains high

Population growth 2006-2016 average (% ann)

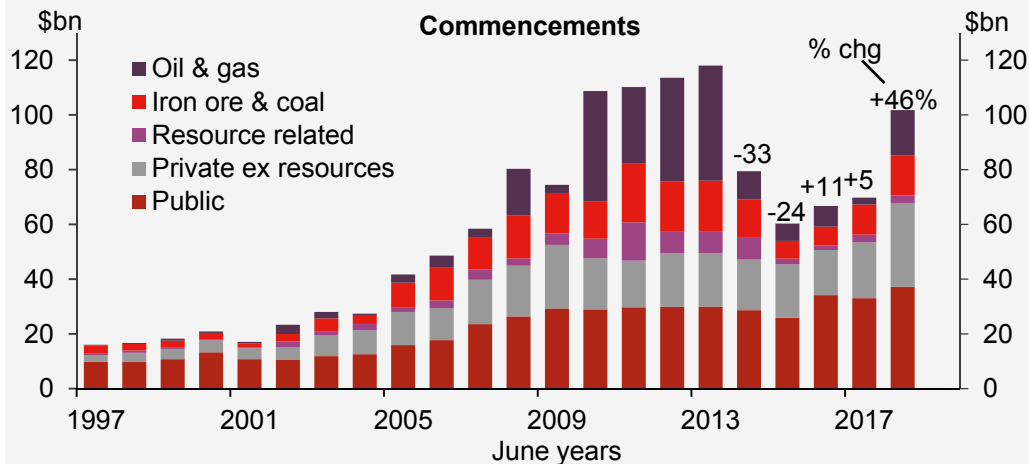


## Services exports remains strong



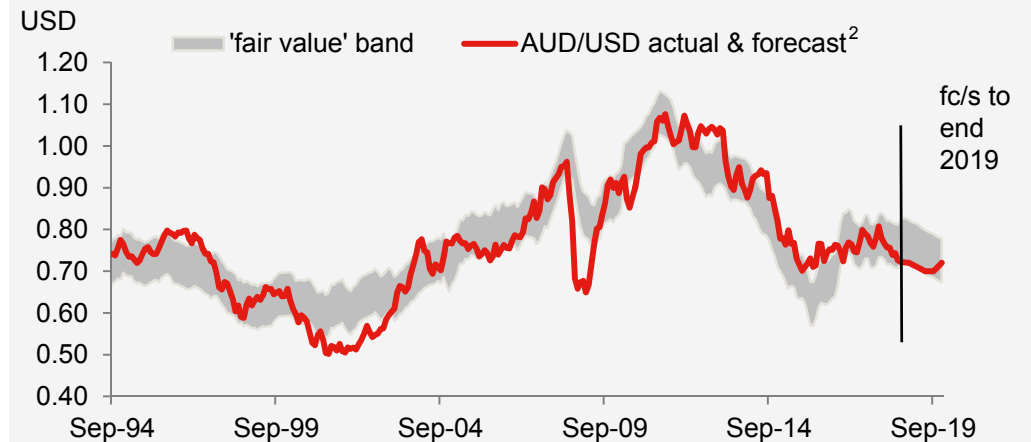
Sources: ABS, Westpac Economics

## Infrastructure starts returning to boom levels



Sources: ABS, Westpac Economics

## Lower AUD supports the local economy



Sources: RBA, Westpac Economics.

1 Business services: \$21bn, including: legal & professional services \$5.3bn, financial services \$4.3bn, IT & Telecomm \$3.8bn, Intellectual property rights \$1.1bn and other \$6.3bn. 2 Includes WCFI+BI commodities index, 2 year swap spread and NFD to GDP.

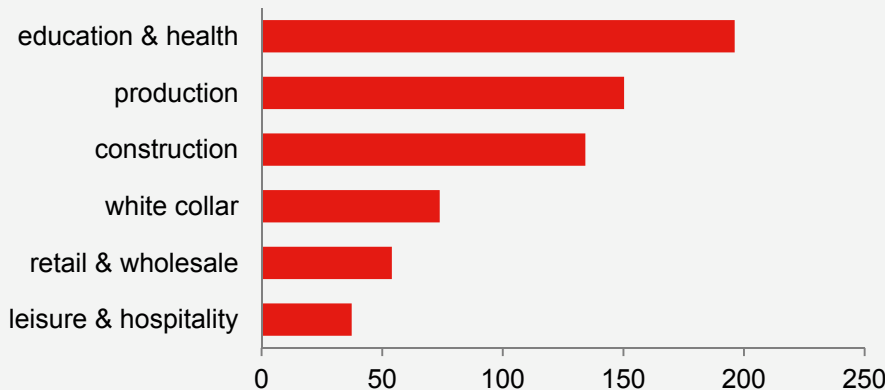


# Housing slowdown and wages are headwinds

131

## Jobs are being created...

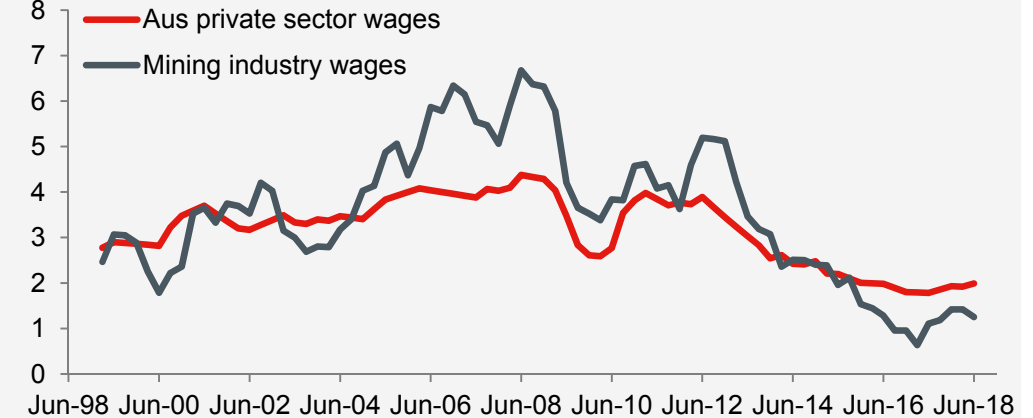
Employment by major sector: Australia  
(‘000 change in employment over the last 2 years)



Sources: ABS, Westpac Economics.

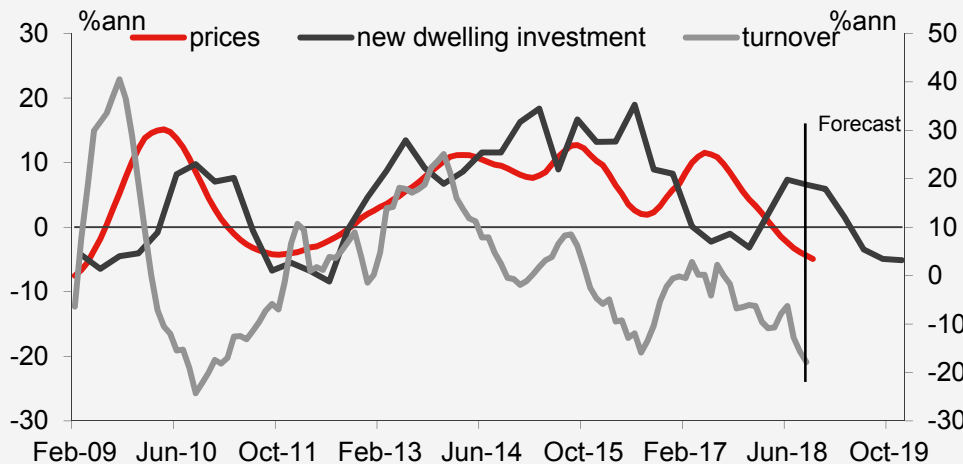
## ...but Australian wage inflation remains low

Australian wage inflation (% yr)



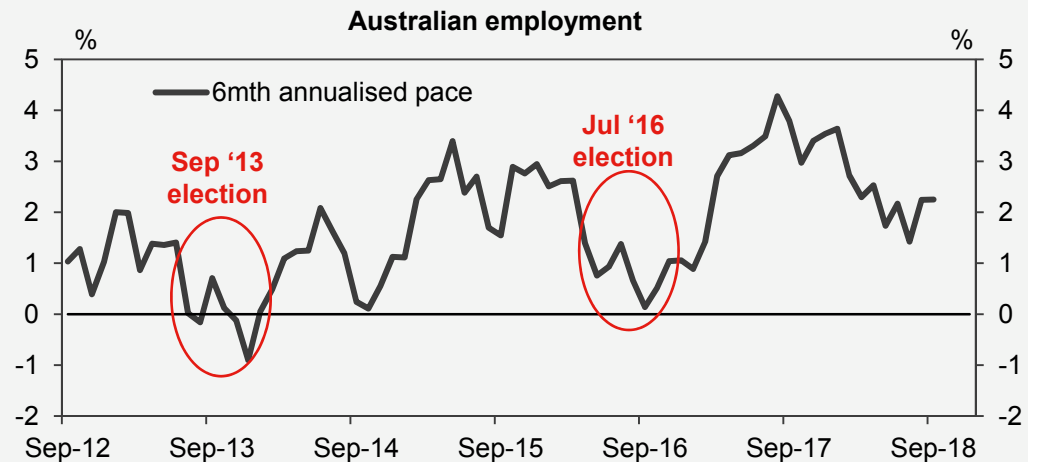
Sources: ABS, Westpac Economics.

## Cooling housing market



Sources: CoreLogic, ABS, Westpac Economics

## Election uncertainty

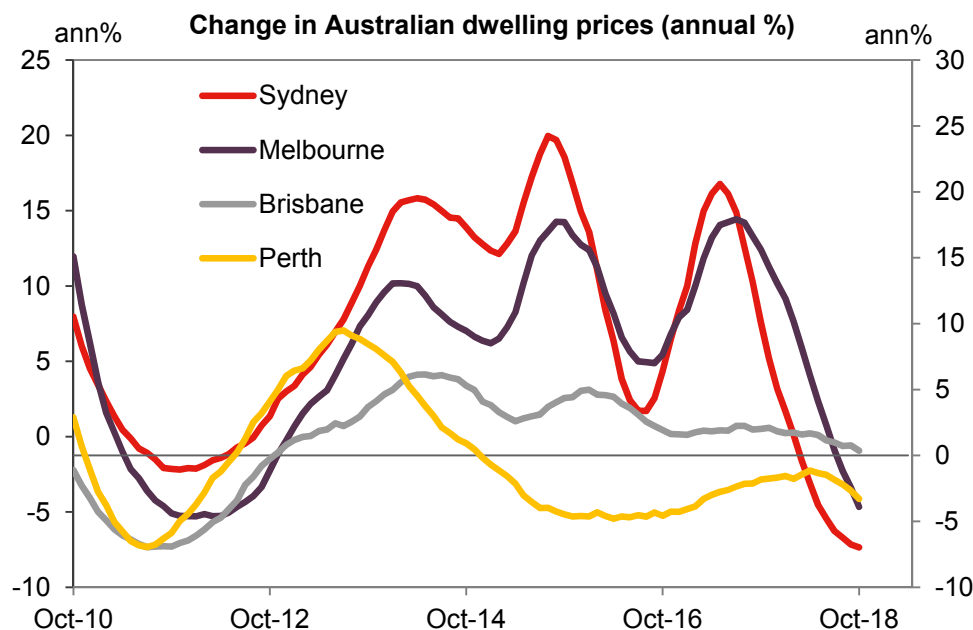


Sources: ABS, Westpac Economics.

# The Australian housing market has cooled

132

## Dwelling prices cooling

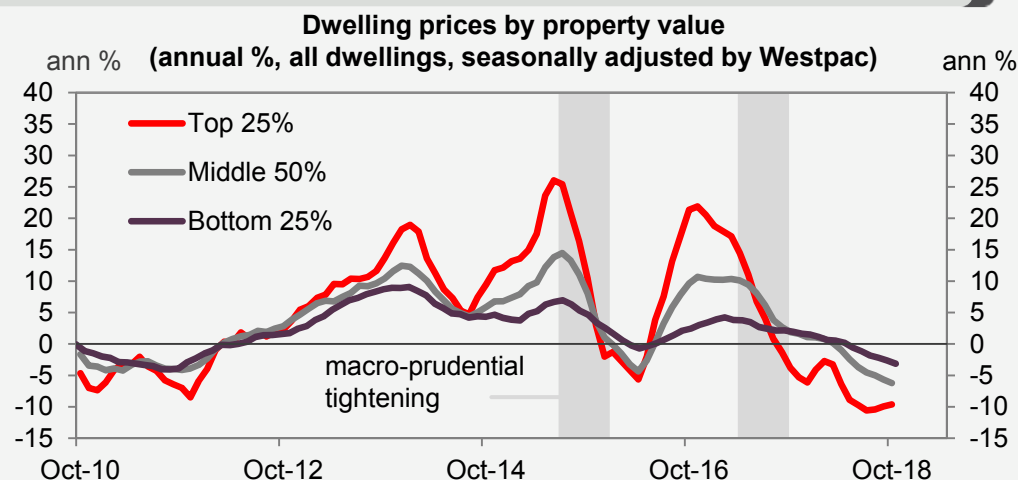


Sources: CoreLogic, Westpac Economics. Dwelling prices are all dwellings, 6mth annualised growth.

| Capital city | Pop'n | % Change last 3mths (Oct-18) | % Change YoY (Oct-18) | Avg since 2007 |
|--------------|-------|------------------------------|-----------------------|----------------|
| Sydney       | 4.8m  | Down 2.0%                    | Down 7.4%             | Up 5.1%        |
| Melbourne    | 4.5m  | Down 2.1%                    | Down 4.7%             | Up 4.8%        |
| Brisbane     | 2.3m  | Flat                         | Up 0.4%               | Up 0.9%        |
| Perth        | 1.9m  | Down 2.0%                    | Down 3.3%             | Down 0.8%      |

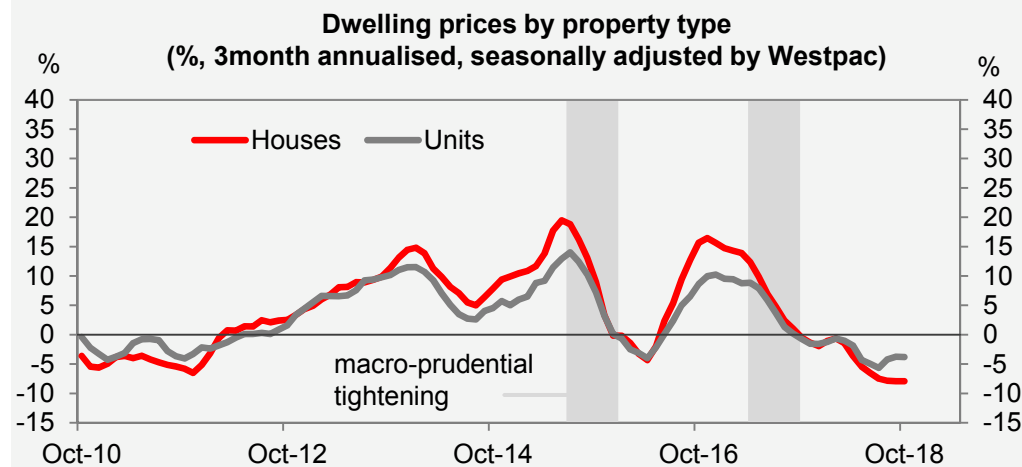
Sources: ABS, CoreLogic, Westpac Economics.

## Price decline felt most in the top 25% of house prices



Sources: CoreLogic, Westpac Economics.

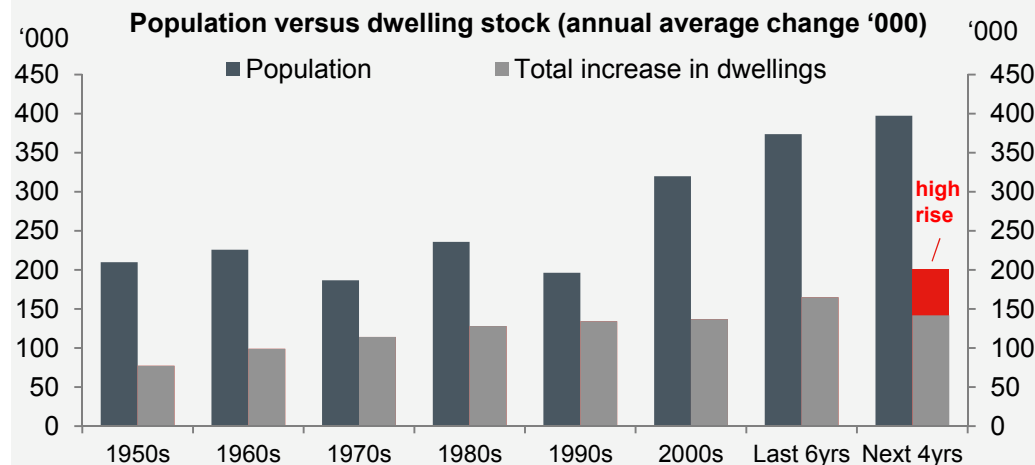
## Unit pricing vs. detached house pricing



Sources: CoreLogic, Westpac Economics.

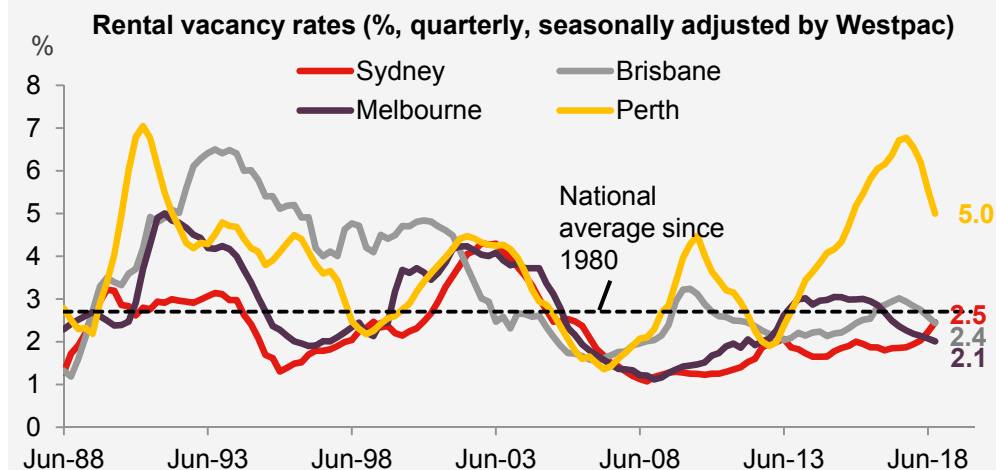
# Physical supply/demand fundamentals remain supportive across wider market | 133

## Dwelling supply has not kept pace with stronger demand



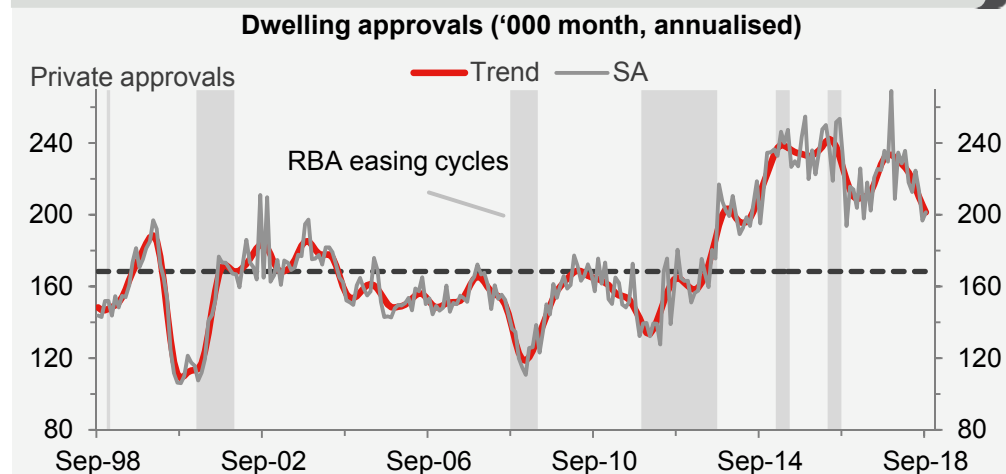
Sources: ABS, Westpac Economics. Dwelling stock is net of demolitions – implied by Census data.

## Rental vacancy rates remain low in Sydney and Melbourne



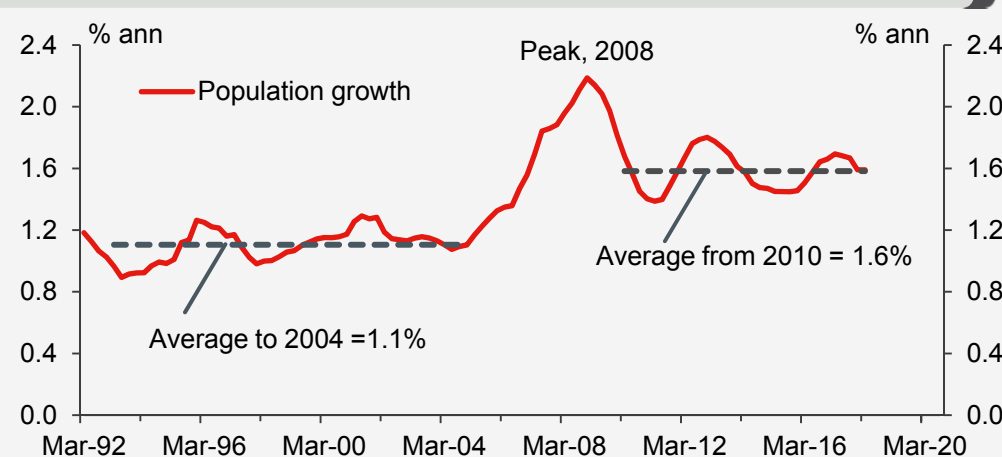
Sources: REIA, Westpac Economics

## Dwelling approvals down from 2016 highs



Sources: ABS, RBA, Westpac Economics.

## Population growth remains high in Australia

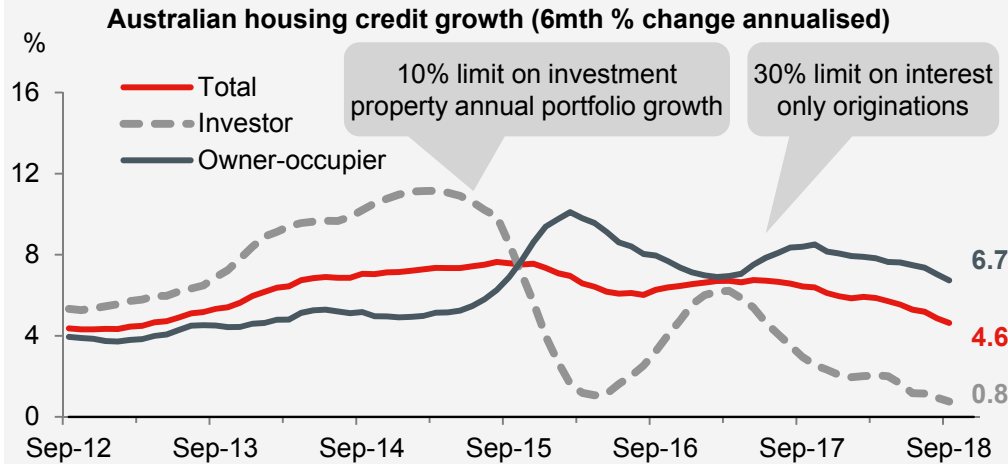


Source: ABS, Westpac Economics

# Impact of macro-prudential measures across Australian industry

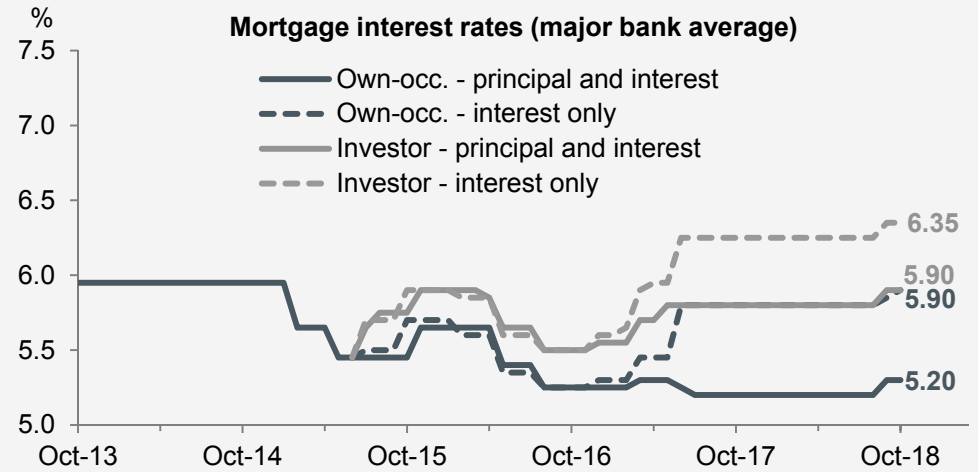
134

## Change in composition of housing credit



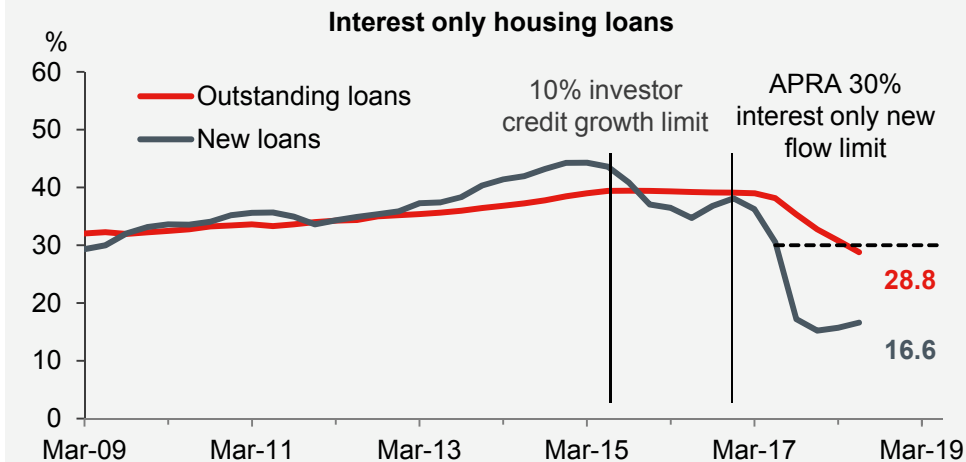
Sources: RBA, Westpac Economics.

## Introduction of differentiated mortgage pricing



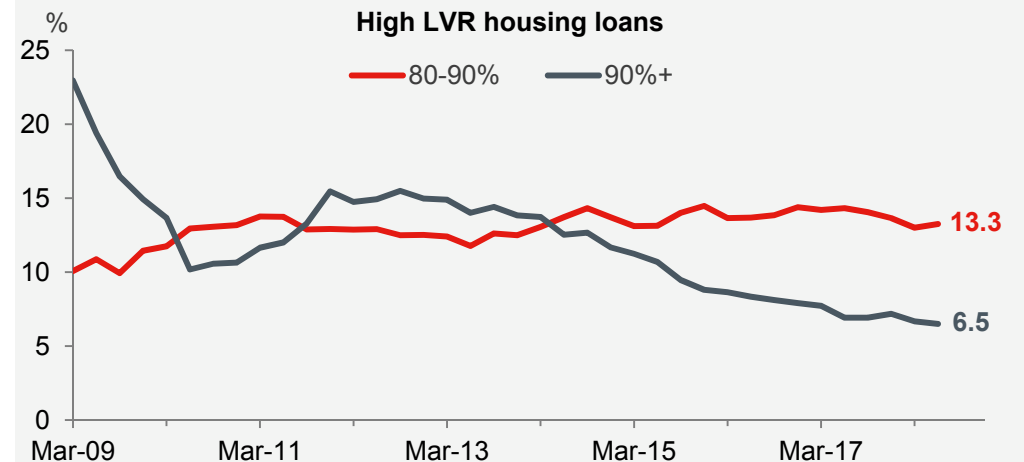
Source: APRA, RBA, Westpac Economics

## Lower flow of interest only loans



Sources: ABS, APRA, RBA, Westpac Economics.

## Lower new flow of 90%+ LVR loans

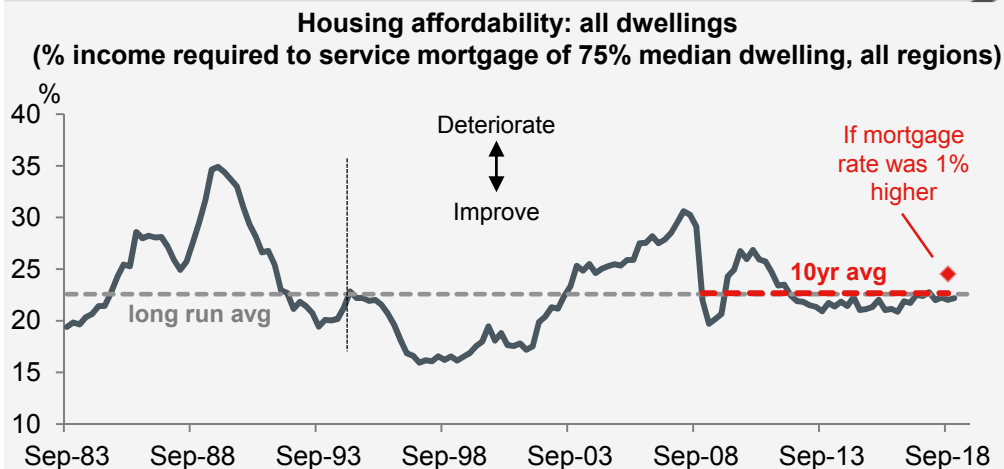


Sources: ABS, APRA, RBA, Westpac Economics

# Australian household balance sheets

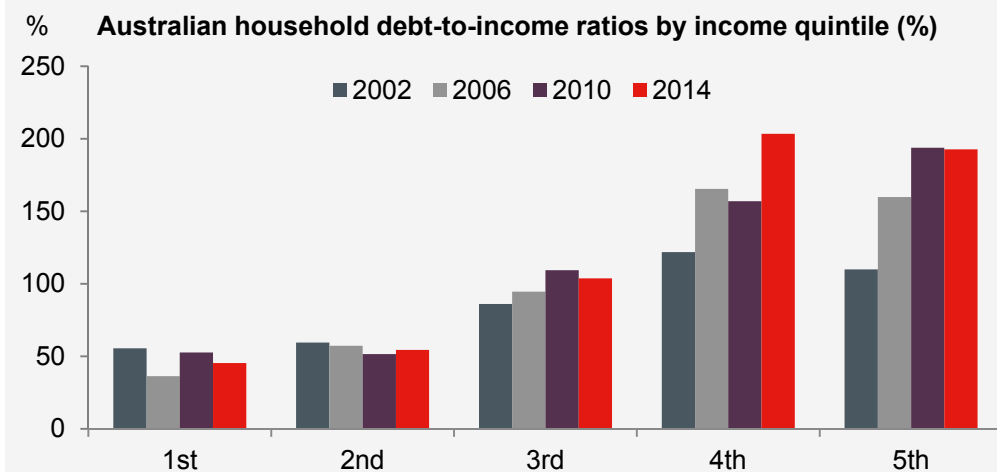
| 135

## Affordability on repayment basis around long run average



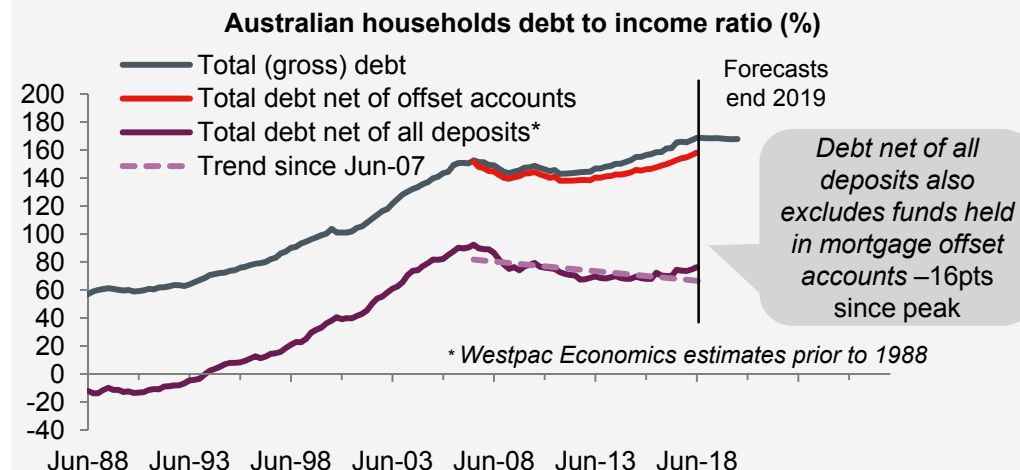
Sources: RBA, Westpac Economics. Housing credit in 6 month % change annualised.

## Higher income households have increased borrowings



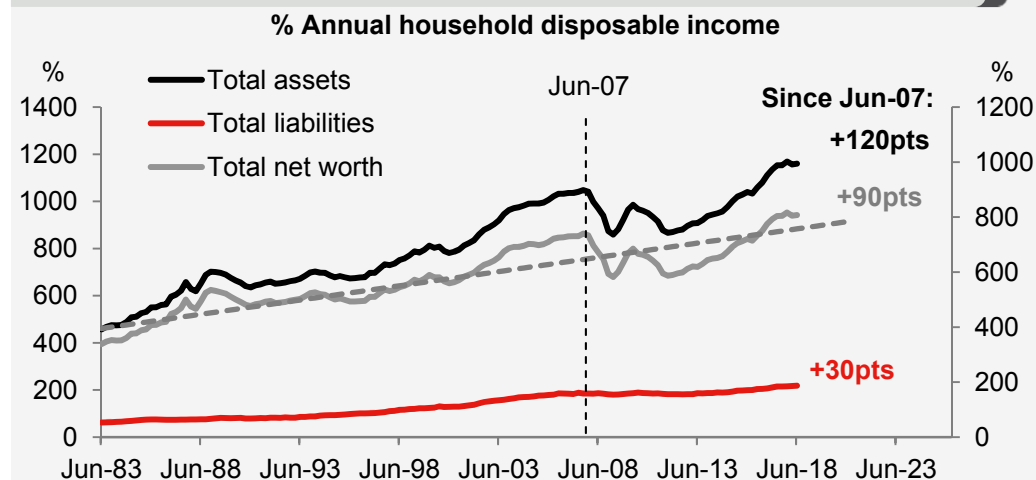
Sources: ABS, RBA, Westpac Economics.

## Australian households debt to income ratio remains high



Sources: ABS, RBA, Westpac Economics

## Australian household net wealth has also increased

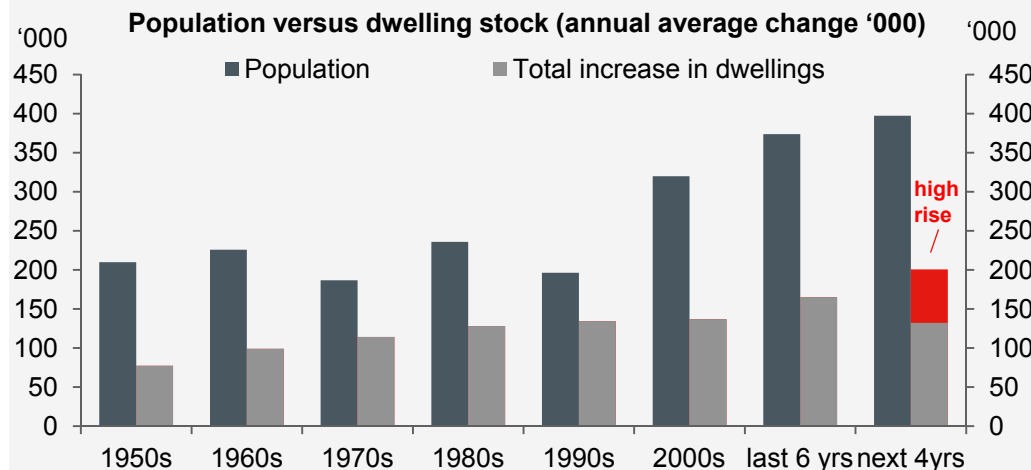


Sources: ABS, RBA, Westpac Economics.



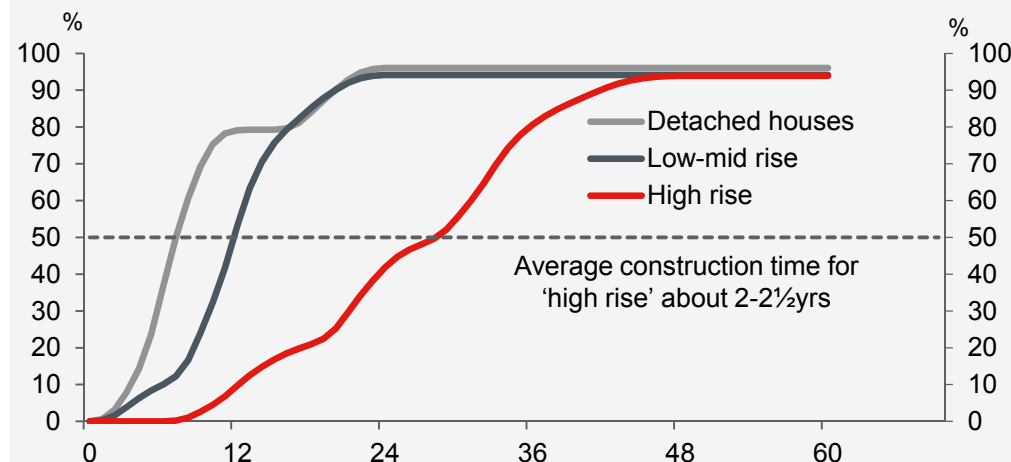
# Australia's high rise apartment market – past the peak although supply still coming online

## Aggregate supply/demand fundamentals remain positive



Sources: REIA, Westpac Economics. Dwelling stock is net of demolitions – implied by Census data.

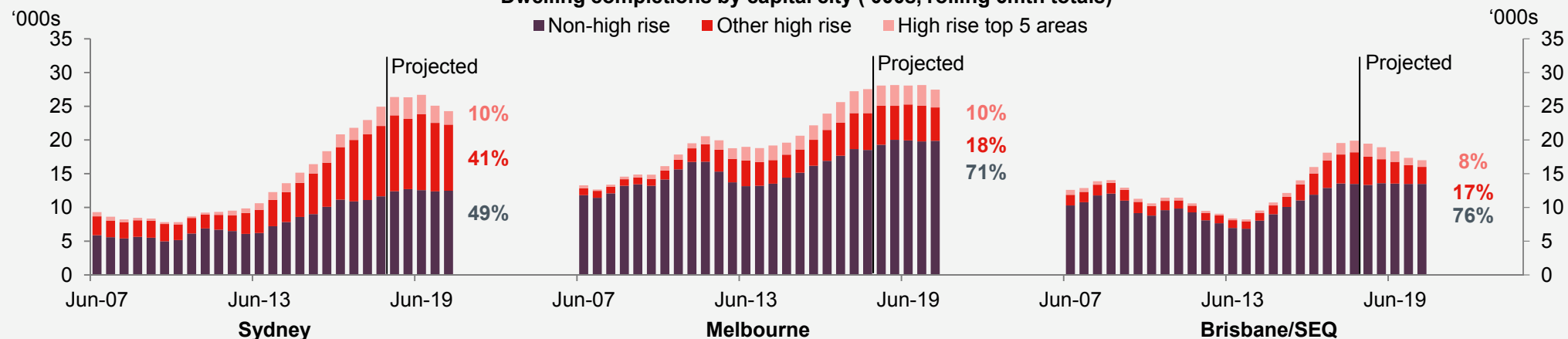
## Dwelling construction: indicative completion times<sup>1</sup>



Source: RBA, CoreLogic.

## Projected dwelling completions, major metro areas

### Dwelling completions by capital city ('000s, rolling 6mth totals)



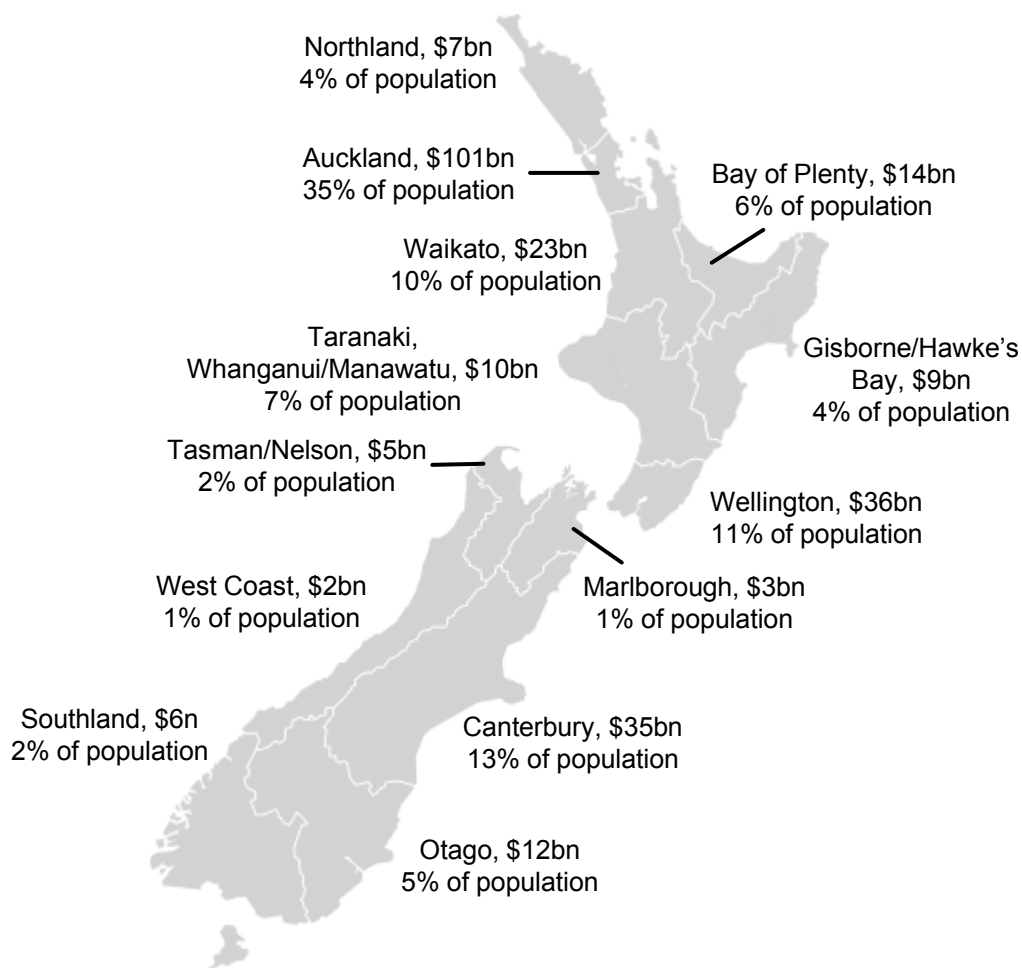
Sources: ABS, Westpac Economics

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

# The New Zealand economy

## Regional GDP - 2017, nominal \$NZ

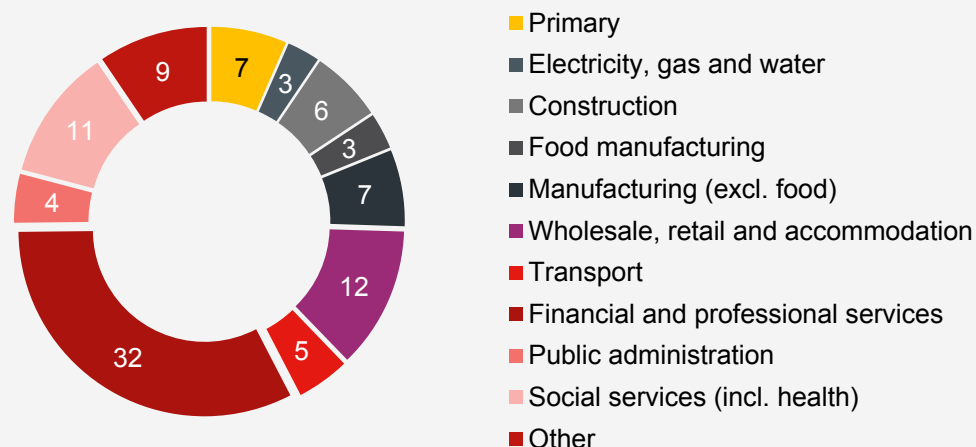
Total nominal GDP 2017: \$280bn  
Population 4.9 mil



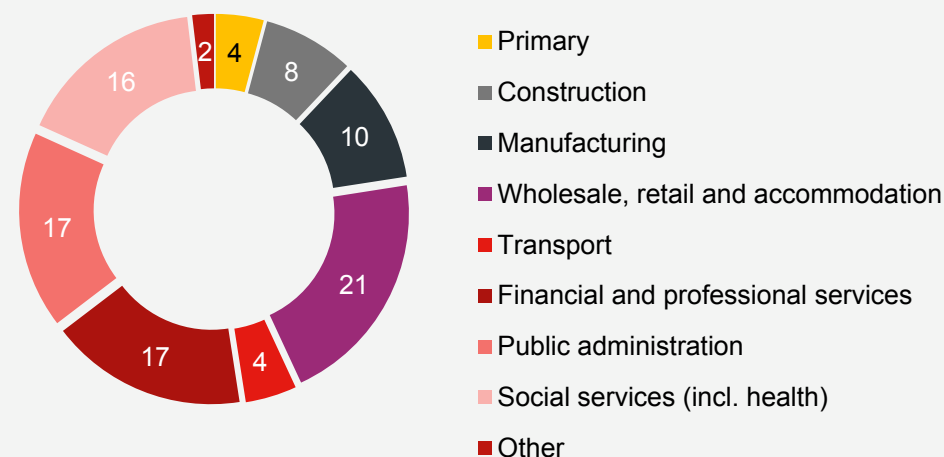
Sources: Stats NZ, Westpac Economics

## NZ output and employment

### Output 2018 - sector contribution to GDP (%)



### NZ employment by sector 2018 (%)



Sources: Stats NZ, Westpac Economics..

# New Zealand economic snapshot – growth has taken a step down

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## New Zealand economy key statistics (latest available as at October 2018)

**GDP** **2.7%**

Westpac Economics Forecast  
(end calendar 2019) **3.1%**

**Unemployment Rate** **4.5%**

Westpac Economics Forecast  
(end calendar 2019) **4.6%**

**Inflation** **1.9%**

Westpac Economics Forecast  
(end calendar 2019) **1.4%**

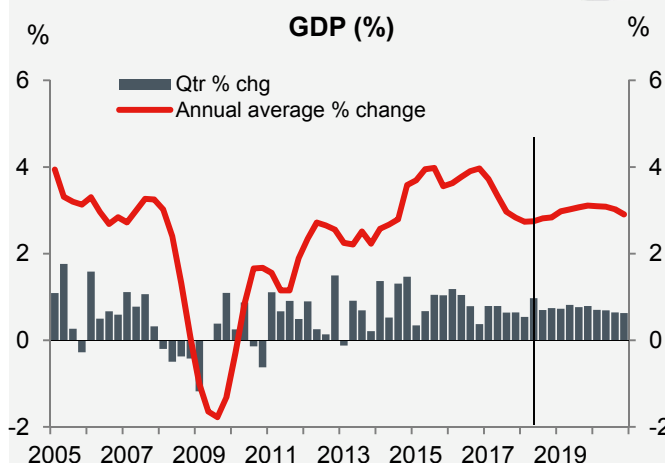
**Cash Rate** **1.75%**

Westpac Economics Forecast  
(end calendar 2019) **1.75%**

**NZD/USD** **US\$0.65<sup>1</sup>**

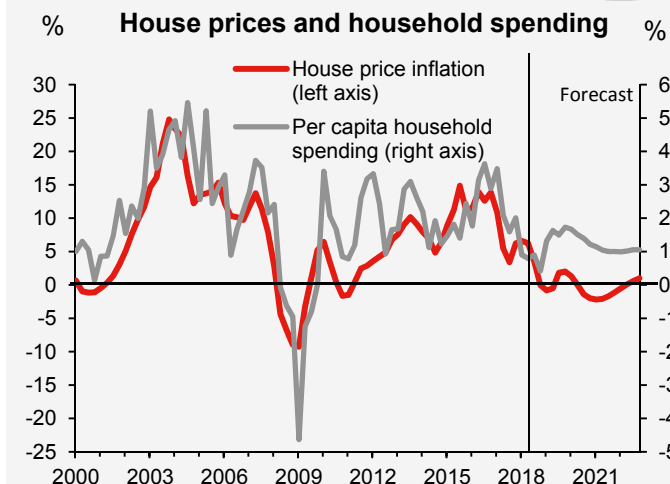
Westpac Economics Forecast  
(end calendar 2019) **US\$0.65**

## GDP holding firm



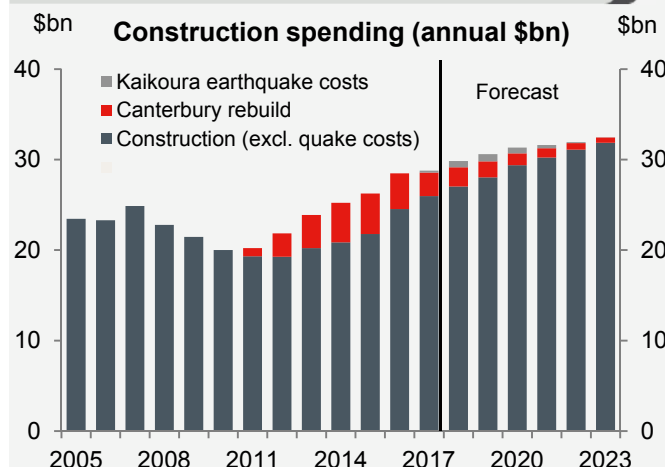
Source: Stats NZ, Westpac Economics

## Spending to slow as housing cools



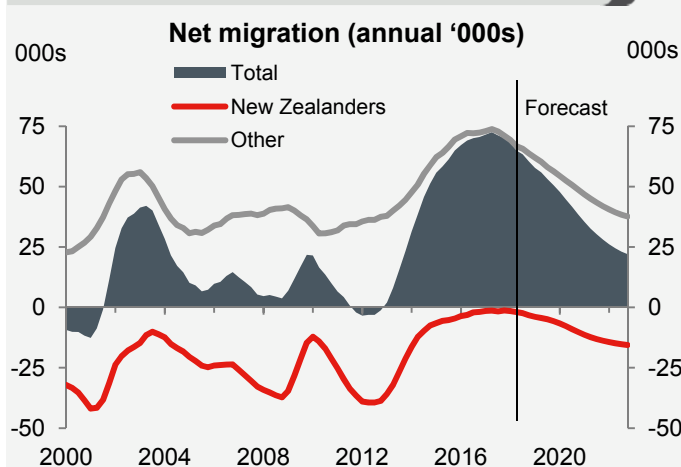
Source: Stats NZ, Westpac Economics

## Large pipeline of construction work



Source: Westpac Economics estimates

## Migration cycle has started to turn down



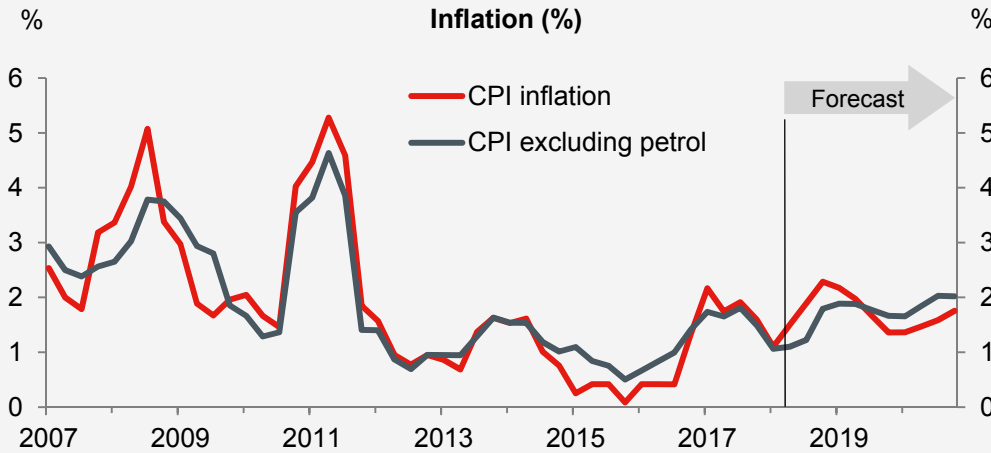
Source: Stats NZ, Westpac Economics

<sup>1</sup> Exchange rate as at 31 October 2018.

# New Zealand economic indicators

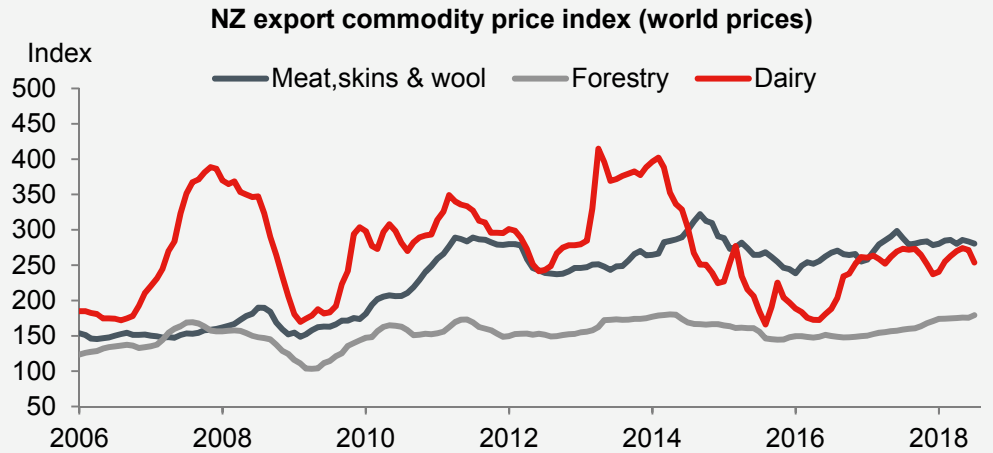
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## Inflation off its lows, boosted by oil prices



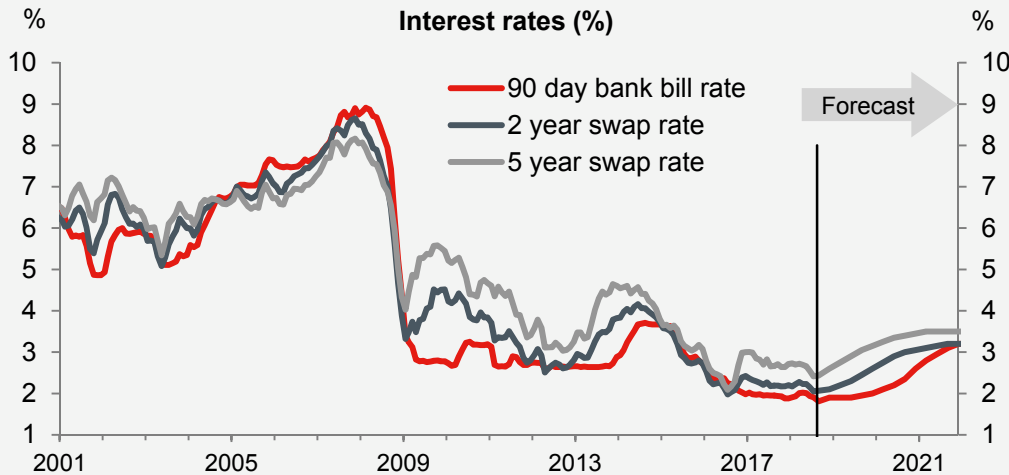
Source: Stats NZ, Westpac Economics

## Export prices remain favourable



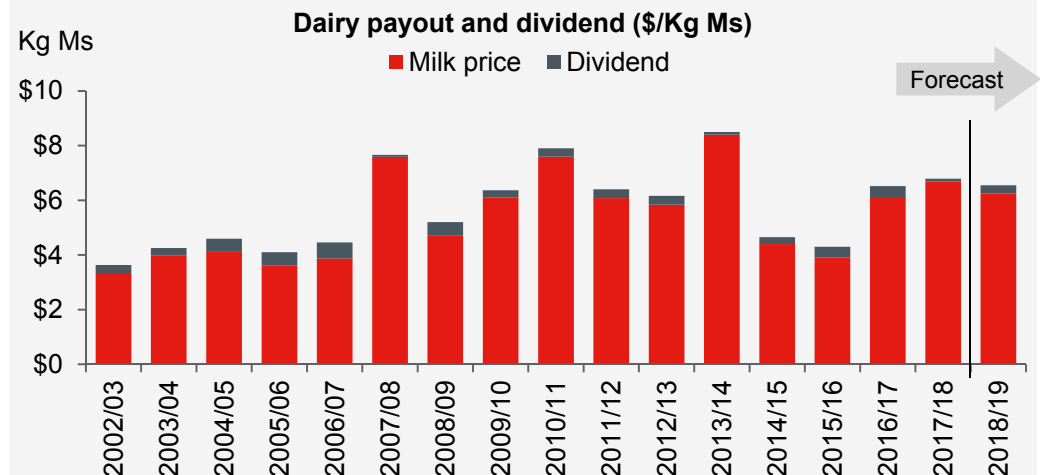
Source: ANZ, Westpac Economics

## RBNZ on hold, overseas trends to push term rates higher



Source: RBNZ, Westpac Economics

## Payout to dairy farmers at average levels

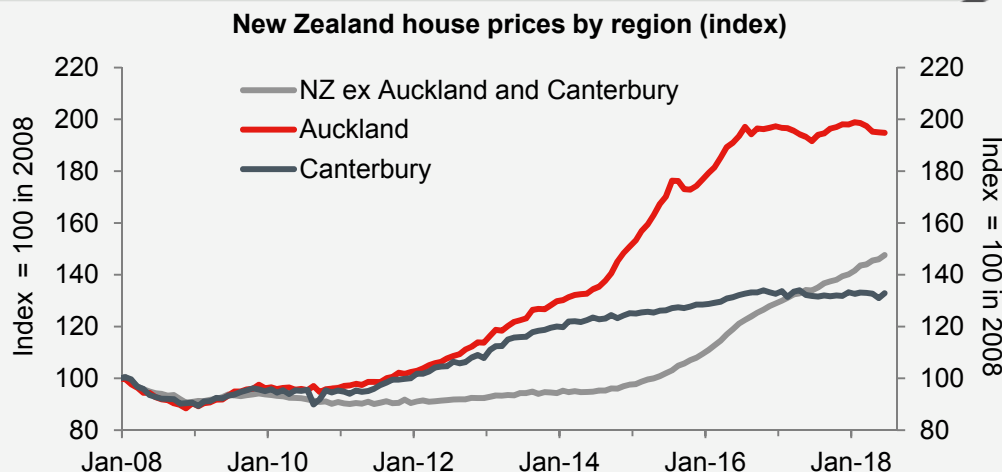


Source: Fonterra, Westpac Economics

# New Zealand housing market expected to be dampened by policy changes

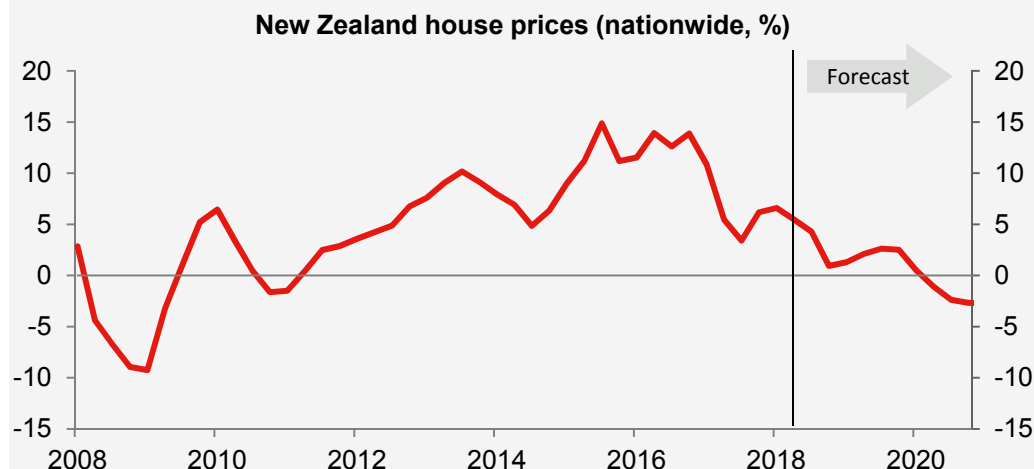
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## Policy changes have softened housing demand...



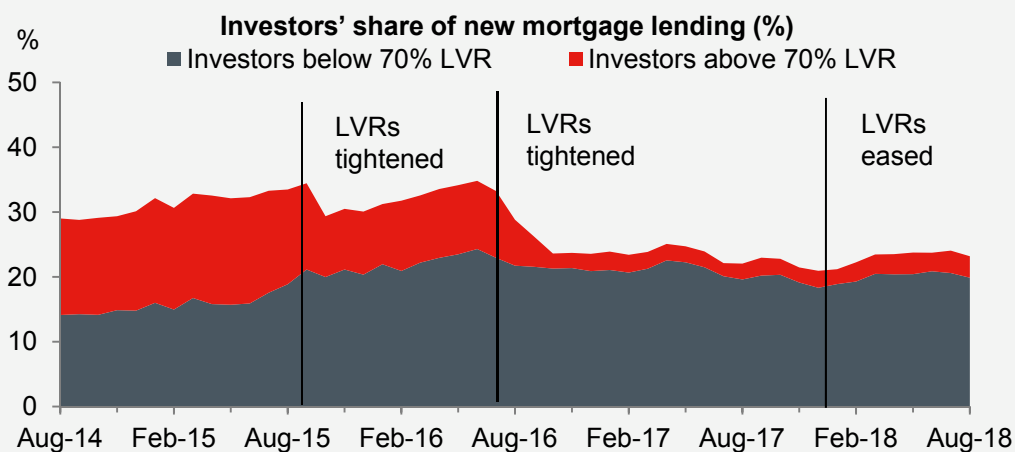
Source: REINZ

## ...and a period of subdued prices is expected



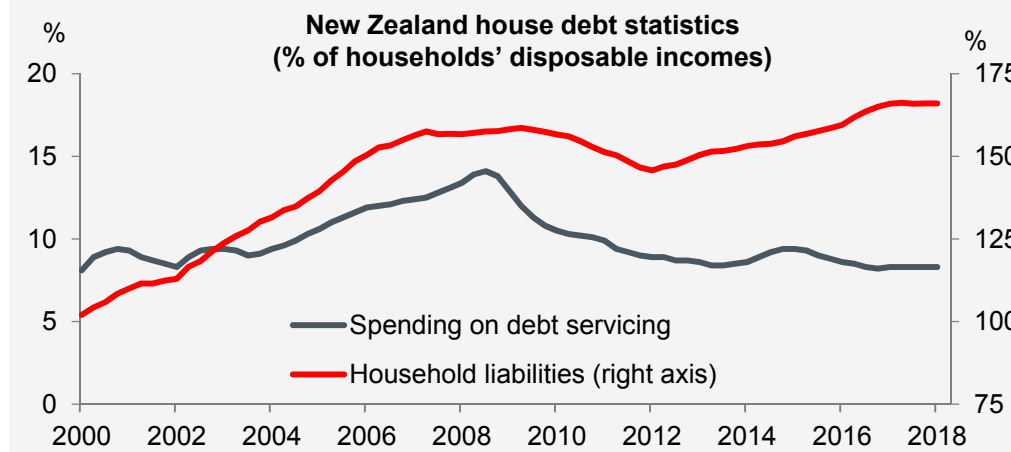
Source: REINZ

## Macroprudential policies have eased...



Source: RBNZ

## ...further easing likely if property market slows further



Source: REINZ, RBNZ, Westpac Economics





# Appendix and Disclaimer

# Appendix 1: Cash earnings adjustments

| Cash earnings adjustment                                   | 2H17<br>\$m  | 1H18<br>\$m  | 2H18<br>\$m  | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------|--------------|--------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Reported net profit</b>                                 | 4,083        | 4,198        | <b>3,897</b> | Net profit attributable to owners of Westpac Banking Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Amortisation of intangible assets</b>                   | 64           | 17           | -            | Identifiable intangible assets arising from business acquisitions are amortised over their useful lives, ranging between four and twenty years. This amortisation (excluding capitalised software) is a cash earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders. The last of these intangible assets were fully amortised in December 2017                                                                                                                                                                                                                                                                                                                                               |
| <b>Fair value (gain)/loss on economic hedges</b>           | 62           | 37           | <b>(163)</b> | Fair value on economic hedges (which do not qualify for hedge accounting under AAS) comprise: <ul style="list-style-type: none"> <li>The unrealised fair value (gain)/loss on foreign exchange hedges of future New Zealand earnings impacting non-interest income is reversed in deriving cash earnings as they may create a material timing difference on reported results but do not affect the Group's cash earnings over the life of the hedge; and</li> <li>The unrealised fair value (gain)/loss on hedges of accrual accounted term funding transactions are reversed in deriving cash earnings as they may create a material timing difference on reported results but do not affect the Group's cash earnings over the life of the hedge</li> </ul> |
| <b>Ineffective hedges</b>                                  | 20           | 9            | <b>4</b>     | The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Adjustments related to Pandal Group (formerly BTIM)</b> | (171)        | -            | <b>73</b>    | The Group recognised a gain, net of costs, associated with the partial sale of shares in Pandal Group Limited in Full Year 2017. In Full Year 2018, the Group marked to market its current holding of Pandal shares. Consistent with prior years these items have been treated as a cash earnings adjustment given its size and that it does not reflect ongoing operations. The Group has indicated that it may sell the remaining 10% shareholding in Pandal Group Limited at some future date. Any future gain or loss on this shareholding will similarly be excluded from the calculation of cash earnings                                                                                                                                               |
| <b>Treasury shares</b>                                     | (13)         | (10)         | <b>3</b>     | Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares can not be recognised in the reported results. In deriving cash earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income                                                                                                                                                                                                                                                                                 |
| <b>Cash earnings</b>                                       | <b>4,045</b> | <b>4,251</b> | <b>3,814</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |



## Industry awards<sup>1</sup>



Awarded Gold Class ranking in RobecoSAM's 2018 Sustainability Yearbook



Achieved highest "Leading" rating for the tenth consecutive year for disclosure of sustainability risks in 2017



Recognised in the 2017 CDP to achieve Leadership level for our response to climate change, announced in October 2017



Reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Global, announced September 2018



Achieved the highest QualityScore of 1 for the inaugural ESG survey by ISS in 2018

## Sustainability indexes<sup>1</sup>



A world leader and member of DJSI World, DJSI Asia Pacific, and DJSI Australia Indexes



Leader score among peer group<sup>2</sup>



FTSE4Good

Member of the FTSE4Good Index, of which Westpac has been a member for over 10 years, announced in August 2018



Member of the MSCI Global ESG Leaders index



Member of the STOXX 2017/2018 Global ESG Leaders Indices for the fifth consecutive year

## Inclusion and diversity recognition<sup>1</sup>



Included in the 2018 Bloomberg Gender Equality Index



#1 Bank in Top 10 Australian Network on Disability's Inaugural Access and Inclusion Index



Employer of Choice by The Workplace Gender Equality Agency for the 8<sup>th</sup> consecutive year



Awarded Employer of the Year at the 2017 Women in Finance Awards



Received highest accolade of Platinum status in the Australian Workplace Equality Index Awards in May 2018

<sup>1</sup> As at 30 September 2018. <sup>2</sup> Copyright ©2018 Sustainalytics

## Key commitments and partnerships<sup>1</sup>



**Principles for Responsible Banking**  
Part of core group of 28 banks developing the Draft Principles for Responsible Banking



**Paris Climate Agreement**  
Supporter (2015)



**Financial Stability Board's Task Force on Climate-related Financial Disclosures**  
Align with and support



**The Equator Principles**  
Founding Adopter,  
First Australian Bank (2003)



**UN Environment Program Finance Initiative**  
Founding Member (1991)



**UN Sustainable Development Goals**  
CEO Statement of Commitment (2015)



**United Nations Global Compact**  
Signatory (2002), Global Compact Network Australia Founding Member



**Banking Environment Initiative**  
Founding signatory (since 2012)



**Principles for Responsible Investment**  
Signatory (2007)



**Global Investor Coalition Statement on Climate Change**  
Signatory (2014)



**The Montreal Carbon Pledge**  
Signatory (2014)



**Climate Bonds Initiative**  
Partner



**Carbon Markets Institute**  
Corporate Member



**We Mean Business Coalition**  
Signatory (2015)



**Climate Action 100+**  
Signatory (2018)



**Carbon Neutral Certification**  
Since 2012



**Supply Nation**  
(for Indigenous owned businesses)  
Founding member (since 2016)



**WeConnect International**  
(for women owned businesses)  
(since 2014)



**Social Traders**  
(for social enterprises)  
Member of Connect (since 2016)

<sup>1</sup> As at 30 September 2018.

# Appendix 3: Definitions – Divisions

|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Consumer Bank</b> | Consumer Bank (CB) is responsible for sales and service to consumer customers in Australia under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands. Activities are conducted through a dedicated team of specialist consumer relationship managers along with an extensive network of branches, call centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. CB also works in an integrated way with Business Bank, BTFG and WIB in the sales and service of certain financial services and products including in wealth and foreign exchange. The revenue from these products is mostly retained by the product originator                                                                                                                                                                                                                                                  | <b>WIB</b>                     | Westpac Institutional Bank (WIB) delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in financing, transactional banking, and financial and debt capital markets. Customers are supported throughout Australia as well as via branches and subsidiaries located in New Zealand, the US, UK and Asia. WIB is also responsible for Westpac Pacific currently providing a range of banking services in Fiji and PNG. WIB works in an integrated way with all the Group's divisions in the provision of more complex financial needs including across foreign exchange and fixed interest solutions                                                                             |
| <b>Business Bank</b> | Business Bank (BB) is responsible for sales and service to SME and commercial business customers in Australia for facilities up to approximately \$150 million. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands. Customers are provided with a wide range of banking and financial products and services to support their borrowing, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance, and property finance. The division is also responsible for consumer customers with auto finance loans. BB works in an integrated way with Consumer Bank, BTFG and WIB in the sales and service of select financial services and products including corporate superannuation, foreign exchange and interest rate hedging. The revenue from these products is mostly retained by the product originator | <b>Westpac NZ</b>              | Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also maintains its own infrastructure, including technology, operations and treasury |
| <b>BTFG</b>          | BT Financial Group (Australia) (BTFG) is the Australian wealth management and insurance arm of the Westpac Group providing a broad range of associated services. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation and retirement products, wealth administration platforms, private wealth, margin lending and equities broking. BTFG's insurance business covers the manufacturing and distribution of life, general and lenders mortgage insurance. The division also uses third parties to manufacture certain general insurance products. In managing risk across all insurance classes the division reinsures certain risks using external providers. In addition to the BT brand, BTFG operates a range of financial service brands along with the banking brands of Westpac, St.George, Bank of Melbourne and BankSA for Private Wealth and Insurance.                 | <b>Group Businesses or GBU</b> | This segment provides centralised Group functions including Treasury, Technology and Core Support (finance, human resources etc.). Costs are partially allocated to other divisions in the Group, with costs attributed to enterprise activity retained in Group Businesses. This segment also reflects Group items including: earnings on capital not allocated to divisions, earnings from non-core asset sales, earnings and costs associated with the Group's fintech investments and certain other head office items such as centrally raised provisions                                                                                                                                                                                                                                                                                                                                              |

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>90 days past due and not impaired</b> | <p>Includes facilities where:</p> <ul style="list-style-type: none"> <li>contractual payments of interest and / or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days (including accounts for customers who have been granted hardship assistance); or</li> <li>an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and</li> <li>the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, or where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis.</li> </ul> <p>These facilities, while in default, are not treated as impaired for accounting purposes</p> |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Collectively assessed provisions (CAP)</b> | <p>Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data. Included in the collectively assessed provision is an economic overlay provision which is calculated based on changes that occurred in sectors of the economy or in the economy as a whole</p> |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                 |                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Individually assessed provisions or IAPs</b> | <p>Provisions raised for losses that have already been incurred on loans that are known to be impaired and are assessed on an individual basis. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and, as this discount unwinds, interest will be recognised in the income statement</p> |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impaired assets</b> | <p>Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cashflow, and the net realisation of value of assets to which recourse is held and includes:</p> <ul style="list-style-type: none"> <li>facilities 90 days or more past due, and full recovery is in doubt: exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days;</li> <li>non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans;</li> <li>restructured assets: exposures where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer;</li> <li>other assets acquired through security enforcement (includes other real estate owned): includes the value of any other assets acquired as full or partial settlement of outstanding obligations through the enforcement of security arrangements; and</li> <li>any other assets where the full collection of interest and principal is in doubt</li> </ul> |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                        |                                                                                         |
|------------------------|-----------------------------------------------------------------------------------------|
| <b>Stressed assets</b> | <p>Watchlist and substandard, 90 days past due and not impaired and impaired assets</p> |
|------------------------|-----------------------------------------------------------------------------------------|

|                                        |                                                                                                                                                                                                                                               |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Total committed exposures (TCE)</b> | <p>Represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk</p> |
|----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                  |                                                                                                                                                                 |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Watchlist and substandard</b> | <p>Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal</p> |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|



# Appendix 3:

## Definitions – Earnings, capital and liquidity

| Earnings Drivers                                        |                                                                                                                                                                                                                                                                                              |                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Average interest-earning assets (AIEA)</b>           | The average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period                                                                                                                       | <b>Leverage ratio</b>                     | As defined by APRA (unless stated otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures                                                                                                                                                                                            |
| <b>Cash earnings per ordinary share</b>                 | Cash earnings divided by the weighted average ordinary shares (cash earnings basis)                                                                                                                                                                                                          | <b>Risk weighted assets or RWA</b>        | Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non-asset-backed risks (ie. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5                                                                                                                                                     |
| <b>Core earnings</b>                                    | Net operating income less operating expenses                                                                                                                                                                                                                                                 |                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Full-time equivalent employees (FTE)</b>             | A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. The full-time equivalent of one FTE is 76 hours paid work per fortnight                                                                                                    | <b>Liquidity</b>                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Net interest margin (NIM)</b>                        | Calculated by dividing net interest income by average interest-earning assets                                                                                                                                                                                                                | <b>Committed liquidity facility (CLF)</b> | The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity                                                                                                                                                                                                                                                                                               |
| <b>Net tangible assets per ordinary share</b>           | Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported)                                                                                                                            | <b>High quality liquid assets (HQLA)</b>  | Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Weighted average ordinary shares (cash earnings)</b> | Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period                                                                                                                                                                                              | <b>Liquidity coverage ratio (LCR)</b>     | An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out-flows in a modelled 30 day defined stressed scenario                  |
| Capital                                                 |                                                                                                                                                                                                                                                                                              |                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Capital ratios</b>                                   | As defined by APRA (unless stated otherwise)                                                                                                                                                                                                                                                 | <b>Net stable funding ratio (NSFR)</b>    | The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADI's must maintain an NSFR of at least 100% |
| <b>Internationally comparable ratios</b>                | Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items. Analysis aligns with the APRA study titled "International capital comparison study" dated 13 July 2015 |                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

|                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                             |                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Australian customers with wealth products metrics provider</b> | <p>Data based on DBM Consultants, Respondents aged 18+ and 12 month rolling. Wealth penetration is defined as the proportion of Australians who have a Deposit Product, Lending Product or Credit/Debit Card with a Banking Group and also have Managed Funds, Superannuation or Insurance with the same Banking Group. Note: Westpac and St.George use Managed Funds, Superannuation or Insurance with Westpac Group.</p> <p><b>Westpac</b> includes Westpac and Challenge Bank. <b>St.George</b> includes St.George, BankSA, Bank of Melbourne, RAMS and Dragondirect. <b>Westpac Group</b> includes Westpac, Challenge Bank, St.George, BankSA, Bank of Melbourne, RAMS, Dragondirect, Advance Asset Management, Asgard, Bankers Trust, BT, Rothschild and Sealcorp. <b>Peers</b> includes: ANZ Group, CBA Group and NAB Group.</p> | <b>CSat (Westpac NZ)</b>    | 3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Main bank customers are asked to rate the overall level of service they receive from their main bank on a scale of 1 (poor) to 5 (excellent). Results represent the % of customers who rate the service as either 4 (very good) or 5 (excellent), excluding “don’t know” |
| <b>Branch transactions</b>                                        | Branch transactions are typically withdrawals, deposits, transfers and payments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Digitally active</b>     | Australian consumer and business customers who have had an authenticated session (including Quickzone) on Westpac Group digital banking platforms in the prior 90 days                                                                                                                                                                                      |
| <b>Customer satisfaction or CSat</b>                              | The Customer Satisfaction score is an average of customer satisfaction ratings of the customer’s main financial institution for consumer or business banking on a scale of 0 to 10 (0 means ‘extremely dissatisfied’ and 10 means ‘extremely satisfied’)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Digital sales</b>        | Sales refers to digital sales of consumer core products only. Sales with a completed deposit or activation constitute a quality sale. Includes new American Express credit card sales                                                                                                                                                                       |
| <b>CSat – overall business</b>                                    | Source: DBM Consultants Business Financial Services Monitor, September 2016 – September 2018, 6MMA. MFI customers, all businesses.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>Digital transactions</b> | Digital transactions are typically payments and transfers                                                                                                                                                                                                                                                                                                   |
| <b>CSat – overall consumer</b>                                    | Source: DBM Consultants Consumer Atlas, September 2016 – September 2018, 6MMA. MFI customers                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>MFI share</b>            | MFI share results are based on the number of customers who have a Main Financial Institution (MFI) relationship with an institution, as a proportion of the number of customers that have a MFI relationship with any institution                                                                                                                           |
| <b>CSat – SME</b>                                                 | Source: DBM Consultants Business Financial Services Monitor, September 2016 – September 2018, 6MMA. MFI customers, SME businesses. SME businesses are those organisations with annual turnover under \$5 million (excluding Agribusinesses)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <b>Consumer MFI share</b>   | Source: DBM Consultants Consumer Atlas, 6 months to September 2018, MFI customers                                                                                                                                                                                                                                                                           |

**SME MFI share** Source: DBM Consultants Business Financial Services Monitor, 12 months to September 2018, MFI customers, SME businesses. SME businesses are those organisations with annual turnover under \$5 million (excluding Agribusinesses)

**Commercial MFI share** Source: DBM Consultants Business Financial Services Monitor, 12 months to September 2018, MFI customers, Commercial businesses. Commercial businesses are those organisations with annual turnover \$5 million to \$100 million (excluding Agribusinesses)

**Net Promoter Score or NPS** Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution. Net Promoter Score<sup>SM</sup> is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters)

**NPS Agri (Westpac NZ)** 6 month rolling Agri Market Monitor data (survey conducted by Key Research). Respondents are asked about likelihood to recommend their main business bank to business colleagues, friends or family on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)

**NPS Business (Westpac NZ)** Source: 6 month rolling Business Finance Monitor data (survey conducted by Kantar TNS among businesses with an annual turnover of \$5 to \$150 million). Respondents are asked about likelihood to recommend their main business bank to business colleagues and associates on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)

**NPS Consumer (Westpac NZ)** Source: 3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Respondents are asked about likelihood to recommend their main bank to family and friends on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)

**NPS – overall consumer** Source: DBM Consultants Consumer Atlas, September 2016 – September 2018, 6MMA. MFI customers

**SGB Brand** SGB Brands (Consumer):  
St.George Bank, Bank of Melbourne, BankSA, RAMS, Dragondirect  
  
SGB Brands (Business):  
St.George Bank, Bank of Melbourne and BankSA

**Westpac Group rank** The ranking refers to Westpac Group's position relative to the other three major Australian banking groups (ANZ Group, CBA Group and NAB Group)

**Women in Leadership** Women in Leadership refers to the proportion of women (permanent and maximum term) in leadership roles across the Group. It includes the CEO, Group Executive, General Managers, senior leaders with significant influence on business outcomes, (direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below general manager, and Bank and Assistant Bank Managers

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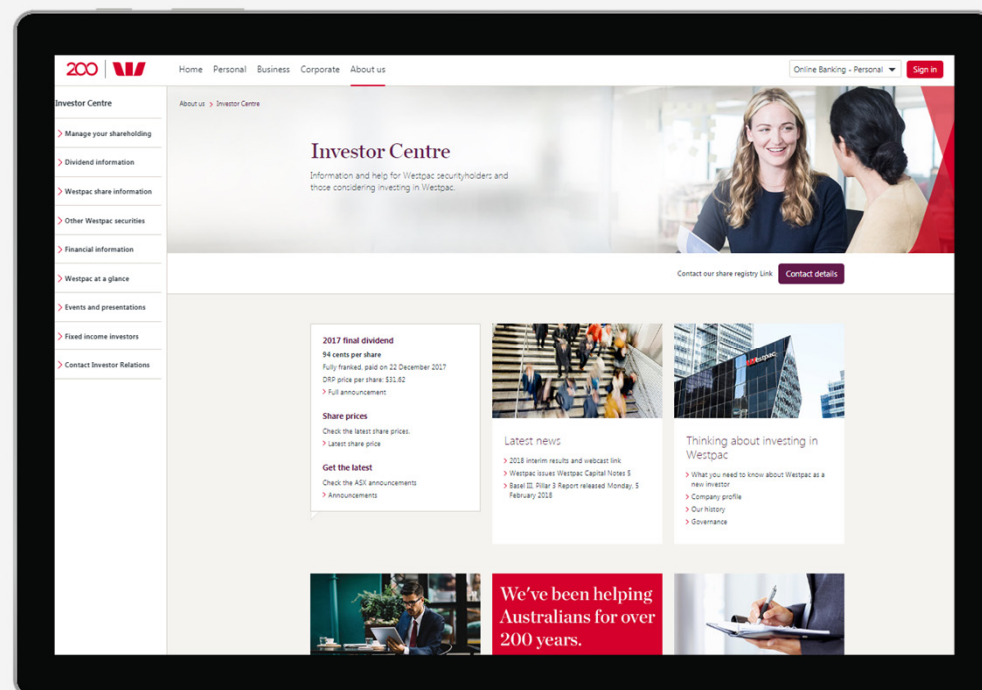
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5 year financial summary

Prior financial results



The material contained in this presentation is intended to be general background information on Westpac Banking Corporation (Westpac) and its activities.

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

All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's 2018 Full Year Financial Results (incorporating the requirements of Appendix 4E) for the twelve months ended 30 September 2018 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of cash earnings. Refer to page 41 for an explanation of cash earnings and Appendix 1 page 142 for a reconciliation of reported net profit to cash.

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

We use words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', 'aim', or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, those described in the section titled 'Risk factors' in Westpac's 2018 Full Year Financial Results (incorporating the requirements of Appendix 4E) for the twelve months ended 30 September 2018 (or Annual Report for the year ended 30 September 2017) available at [www.westpac.com.au](http://www.westpac.com.au). When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation to update any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise, after the date of this presentation.