PILLAR 3 & CAPITAL UPDATE

FOR 31 DECEMBER 2012

25 FEBRUARY 2013

This document should be read in conjunction with Westpac's Pillar 3 Report for December 2012, incorporating the requirements of APS 330

Westpac Banking Corporation ABN 33 007 457 141

Pillar 3 highlights – capital[1] position further strengthened

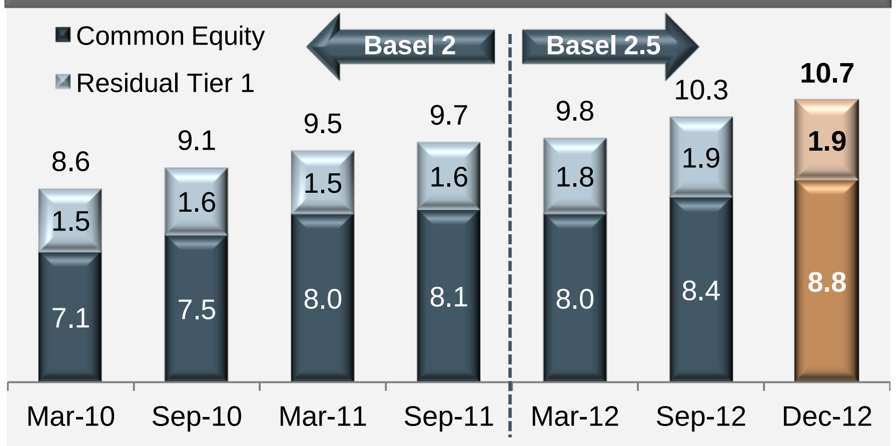
- Reported Common equity ratio on a Basel 2.5 basis up 45bps to 8.8% in 1Q13, supported by good organic capital growth, lower capital deductions and a decline in risk weighted assets (RWA)
- Decline in RWA mainly due to:
  - Reduced market risk RWA
  - Lower credit RWA from risk optimisation and from reduced corporate off-balance sheet exposures and improved asset quality in business exposures
- Lower capital deductions due principally to a fall in regulatory expected loss and a decline in deferred tax assets (related to previously disclosed St.George Bank tax consolidation)
- APRA Basel III Common equity ratio up 14bps to 8.3%, with capital generation and lower RWA more than offsetting the impact of the 2H12 dividend payment

Capital ratios (%)	1H12	2H12	1Q13
Basel 2.5			
Common equity ratio	8.0	8.4	**8.8**
Tier 1 ratio	9.8	10.3	**10.7**
Total capital ratio	10.8	11.7	**12.1**
Risk weighted assets	$300bn	$298bn	$294bn
Basel III			
Common equity ratio (APRA[2])	7.7	8.2	**8.3**
Common equity ratio (BCBS[3])	10.3	10.6	**10.7**

Risk and provisioning highlights

- Asset quality continued to improve in 1Q13
- Impaired loans down $260m, with new and increased impaireds more than fully offset by write-offs and companies being worked out. Impairment provisions little changed
- Actual losses of $256m for 1Q13, below quarterly average in 2H12 of $431m
- Total provisions of $4,237m little changed over quarter (down $4m). No change to economic overlays
- General reserve for credit loss (GRCL) adjustment at $196m ($9m higher than September 2012)
- Regulatory expected loss down $157m over the quarter

Tier 1 ratio Basel 2.5 (%)

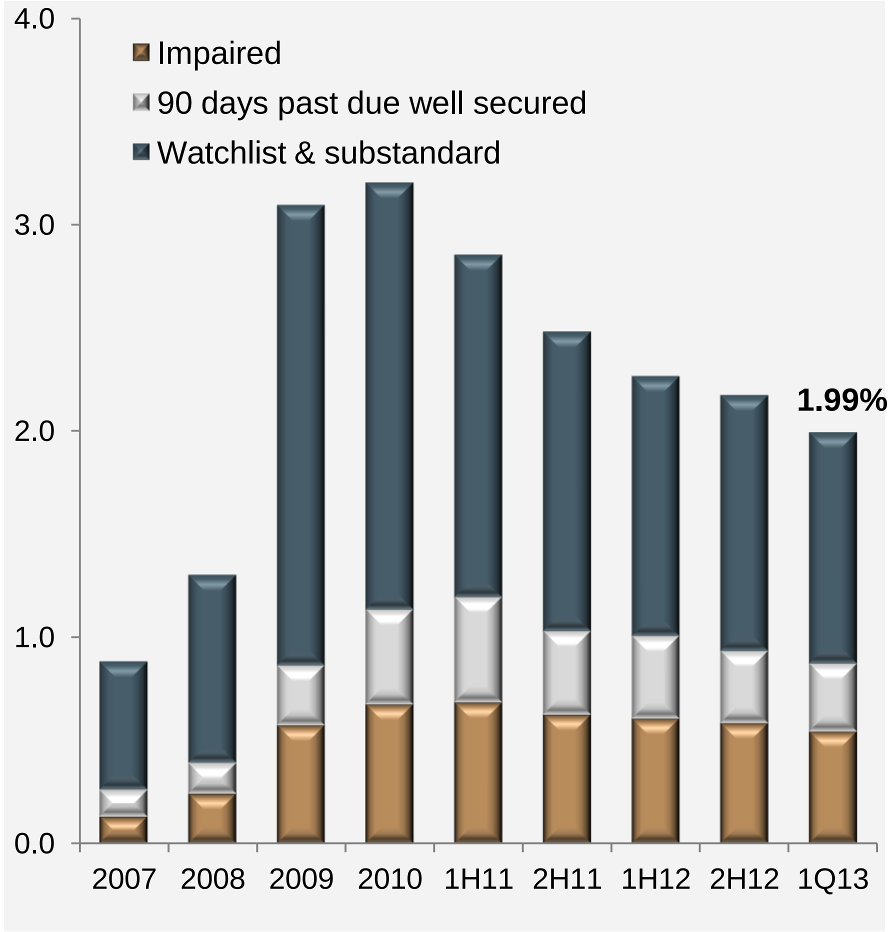


1 All capital ratios and risk weighted assets disclosed in this presentation are calculated on a Westpac Level 2 consolidated basis (see Westpac's Pillar 3.Report, December 2012 for more detail). 2 Estimate based on APRA"s Basel III prudential standards (unaudited). 3 Basel Committee on Banking Supervision.

Asset quality continues to improve

- Stressed assets to TCE[1] down 18bps at December 2012, to 1.99%
  - Decreases across all categories; Impaired, 90 days past due well secured and Watchlist & substandard
  - Dollar value of stressed exposures down $1.3bn
- Impaired assets to TCE has reduced (down 4bps from September 2012 to 54bps). The rate of companies moving to Impaired from Watchlist & substandard has been more than matched by write-offs and workouts
- Gross New and increased impaired assets in 1Q13, of $427m, is the lowest since the onset of the global financial crisis
- Write-offs of individually assessed provisions of $106m for the quarter
- Stressed assets in the commercial property portfolio exhibited the largest improvement; all other business lending sectors also experienced modest improvements since September 2012.
- Commercial property exposures reduced by $1bn over 1Q13 to 6.6% of TCE (down from peak of 9.6% in 2009). Around half the fall in 1Q13 due to a reduction in stressed assets
- Consumer asset quality continues to perform well

Stressed exposures as a % of TCE[1]

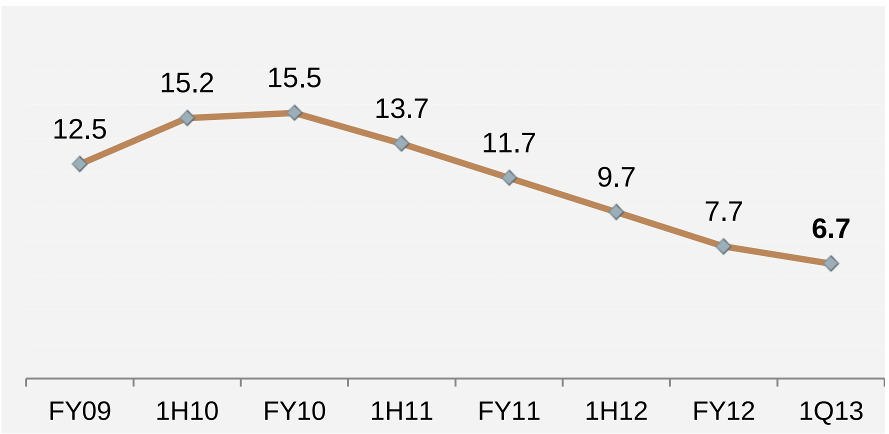


1 TCE is Total Committed Exposure.

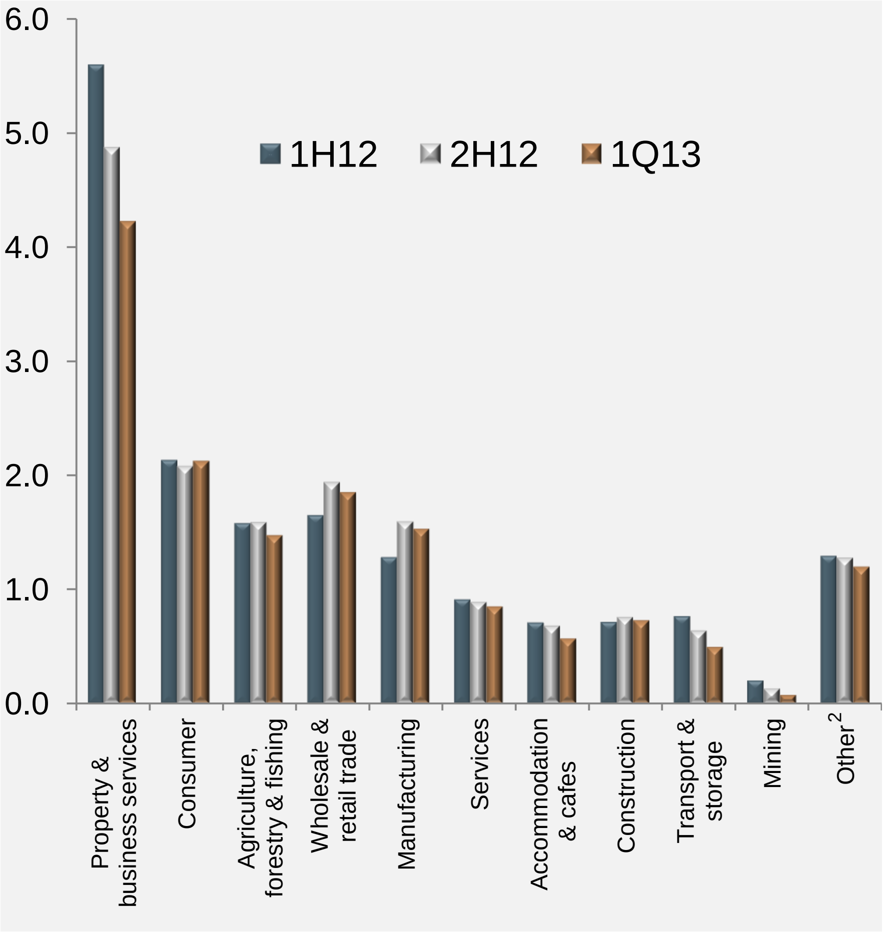
Stressed exposures falling; provisioning remains strong

Provisioning coverage ratios	2H11	1H12	2H12	1Q13
Collectively assessed provisions to credit RWA	126bps	122bps	113bps	**114bps**
Collectively assessed provisions to performing non-housing loans	169bps	164bps	155bps	**155bps**
Impairment provisions to impaired assets	36%	38%	37%	**40%**
Total provisions to gross loans	88bps	86bps	82bps	**81bps**

Commercial property, % of portfolio stressed exposures[1]



Stressed exposures[1] by industry ($bn)

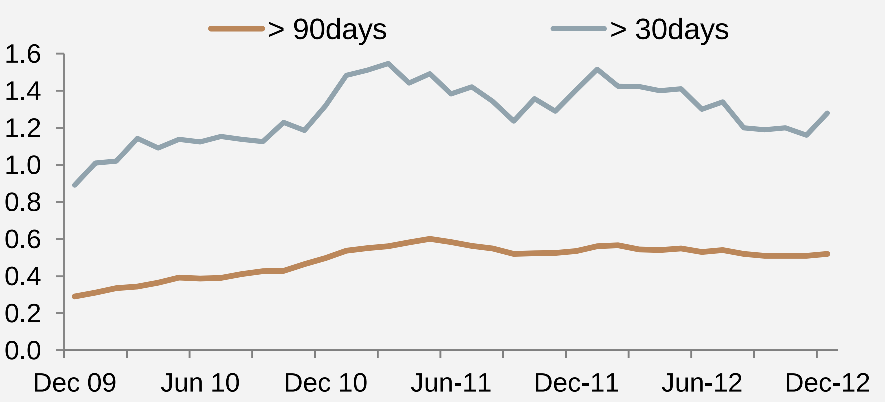


1 Exposure is Total Committed Exposure. 2 Other includes Government, administration and defence, mining and utilities sectors.

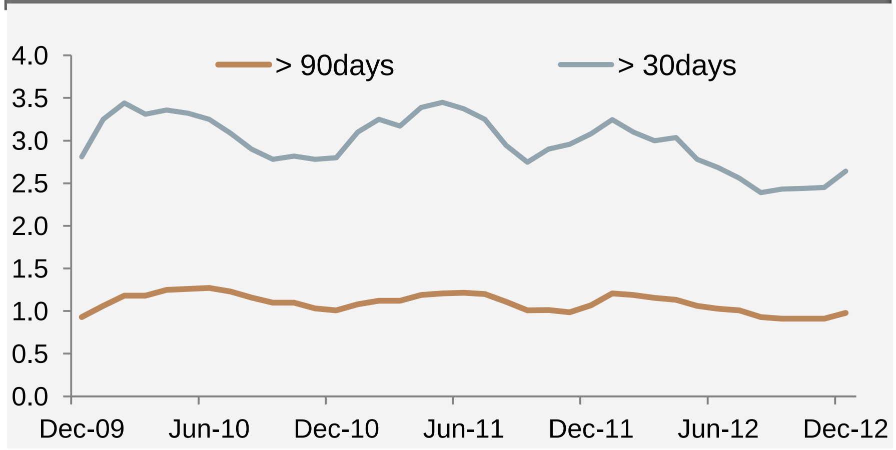
Consumer asset quality continues to perform well

- Consumer asset quality continues to perform well given the low levels of unemployment and ongoing cautious consumer behaviour
- Mortgage 90+ day delinquencies little changed from September 2012 to December 2012 (up 1bp to 52bps). Early cycle delinquencies higher, with 30+ day delinquencies up 9bps - consistent with seasonal factors although well below levels of a year earlier
- Delinquency trends consistent across all Australian States, with Queensland higher where the more challenging property market continues to impact
- Properties in possession down to 232, from 289 at September 2012, as the Group continues to actively manage its stressed portfolio
- Credit card delinquencies increased modestly from September 2012, in line with seasonal trends. Despite this increase, the delinquency levels represent the lowest December level for three years.

Australian mortgage delinquencies (%)



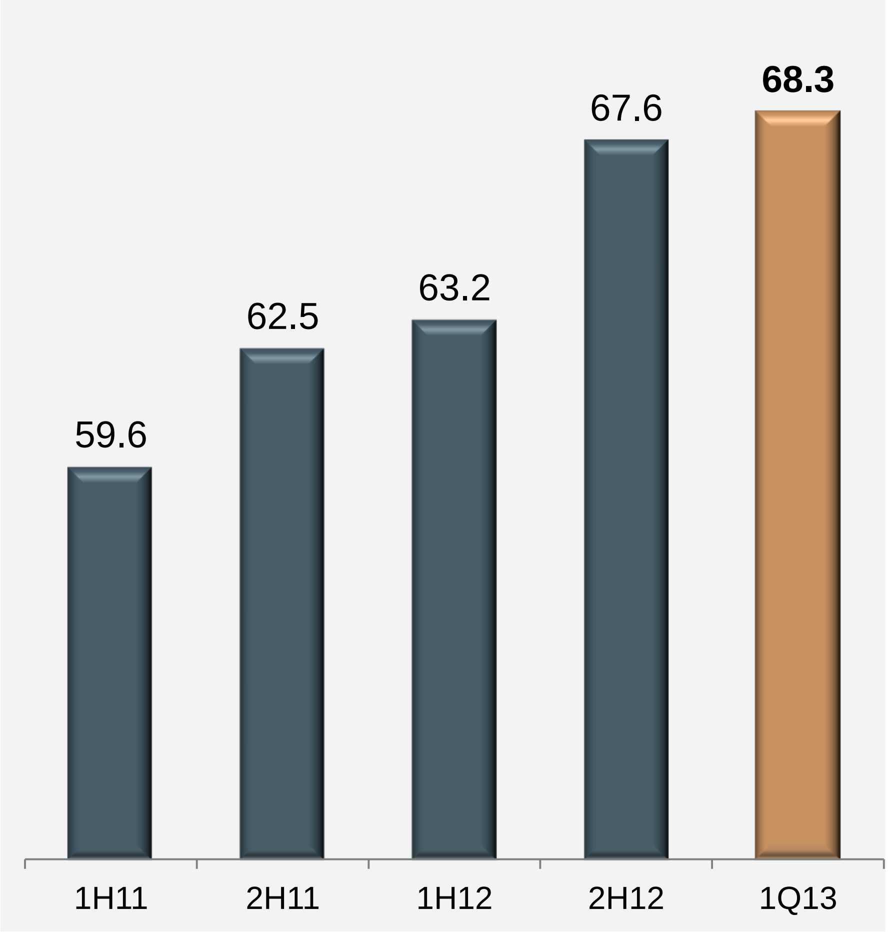
Australian credit card delinquencies (%)



Maintained solid funding position

- In 1Q13 continued to see lending growth fully funded by deposit growth, the customer deposit to loan ratio up 70bps to 68.3%
  - Household deposit growth particularly strong
- Actively managing maturities, with buy back of approximately $3.4bn in Government guaranteed paper maturing in 2014
- Total funding raised year to date of $12bn, with an average maturity of 4.5 years
- FY13 maturities relatively modest at $23bn
- Liquid asset balances little changed from FY12

Customer deposit to loan ratio (%)



Westpac GROUP

Investor Relations Team

Equity Investor Relations

Andrew Bowden
Head of Investor Relations
+61 2 8253 4008
andrewbowden@westpac.com.au

Leigh Short
Senior Manager
+61 2 8253 1667
lshort@westpac.com.au

Debt Investor Relations

Jacqueline Boddy
Senior Manager
+61 2 8253 3133
jboddy@westpac.com.au

Retail Shareholder Investor Relations

Hugh Devine
Senior Manager
+61 2 8253 1047
hdevine@westpac.com.au

or email: investorrelations@westpac.com.au

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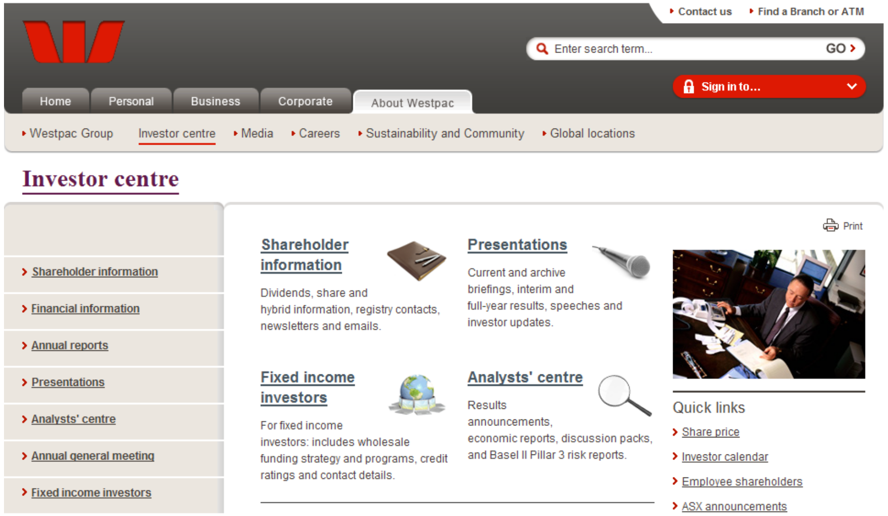

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