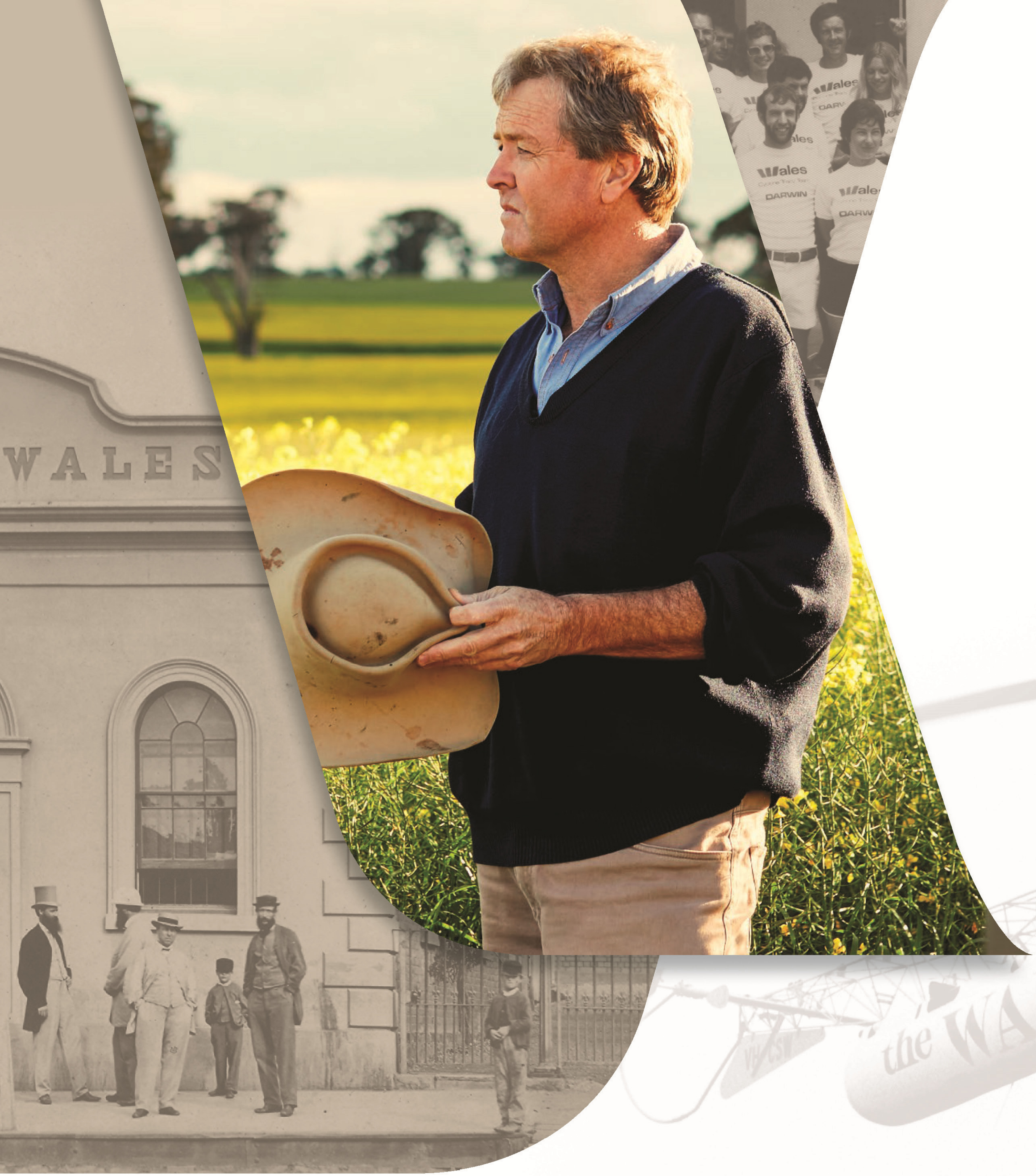
2017
INTERIM
FINANCIAL
RESULTS

200 years proudly supporting Australia



Westpac 1H17 Debt Investor Update May 2017

Westpac Banking Corporation
ABN 33 007 457 141

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Financial information in this presentation may be presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's Interim 2017 Financial Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2017 available at www.westpac.com.au for details of the basis of preparation of cash earnings. Refer to Appendix 2 for a reconciliation of reported net profit to cash earnings. Comparisons of 1H17 financial results are to 2H16 unless otherwise stated.

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This presentation contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. 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.

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FRONT COVER: From left: Bank of New South Wales Maldon Branch, Victoria, 1870. Bob MacSmith, fifth generation farmer and Westpac customer, 2016. Employees of the Bank of New South Wales Darwin branch, Northern Territory, 1974. 'The Wales' rescue helicopter, 1973.

Celebrating 200 years.

AS AUSTRALIA'S FIRST BANK

and oldest company, the Westpac Group – which started life as the Bank of New South Wales in 1817 – represents a central, unbroken thread that runs through Australian history.

It has survived and thrived because it has been guided by the same purpose over its first 200 years: to provide stability, to support customers and communities, and to help grow the economy.

Westpac highlights – prioritising strength while managing returns

Strength

- CET1 capital ratio 10.0% (APRA)
- CET1 capital ratio 15.3% (internationally comparable)
- LCR 125% & estimated NSFR 108% comfortably above minimums
- Asset quality sound, stressed assets lower

Return

- ROE 14.0%, up 11bps
- Risk weighted assets down 1%
- Reduced low return assets in property and Institutional
- Margins down 4bps

Growth

- 1H17 growth focused on
  - Customer deposits (up 3%)
  - Mortgages (up 2%)
  - SME (up 3%)
- Wealth/insurance well positioned although sales lower

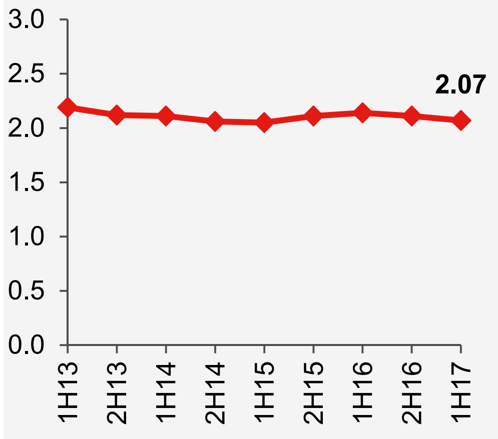
Productivity

- Expense to income ratio 41.7%, down 59bps
- $118 million in productivity savings; business model changes, property and digitising manual processes
- Regulatory/compliance spend remains high

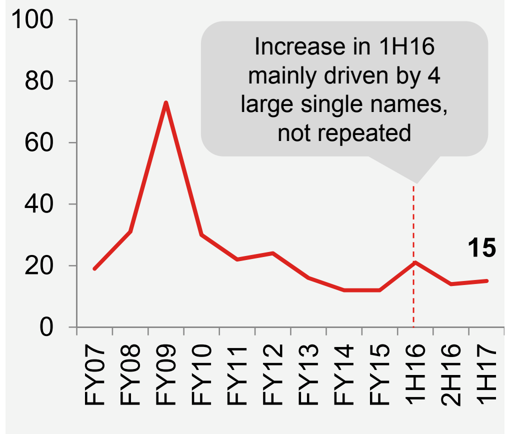
First Half 2017 financial performance: a solid start

1H17 Cash Earnings[1] Results	1H17	% Change 1H17-2H16
Financial results (A$m)		
Net operating income	**10,743**	*2*
Expenses	**(4,483)**	*-*
Core earnings	**6,260**	*3*
Impairment charges	**(493)**	*8*
Cash earnings	**4,017**	*3*
Reported net profit after tax	**3,907**	*4*
Financial metrics (cash earnings basis)		
Return on average ordinary equity	**14.0%**	*11bps*
Earnings per share	**119.8c**	*2*
Net interest margin	**2.07%**	*(4bps)*
Expense to income ratio	**41.7%**	*(59bps)*
Impairment charges to average gross loans	**15bps**	*1bp*
Balance sheet and asset quality		
Total committed exposure (TCE)	**$985bn**	*1*
Loans	**$667bn**	*1*
Customer deposits	**$479bn**	*3*
Total impaired loans to total loans	**0.30%**	*(2bps)*

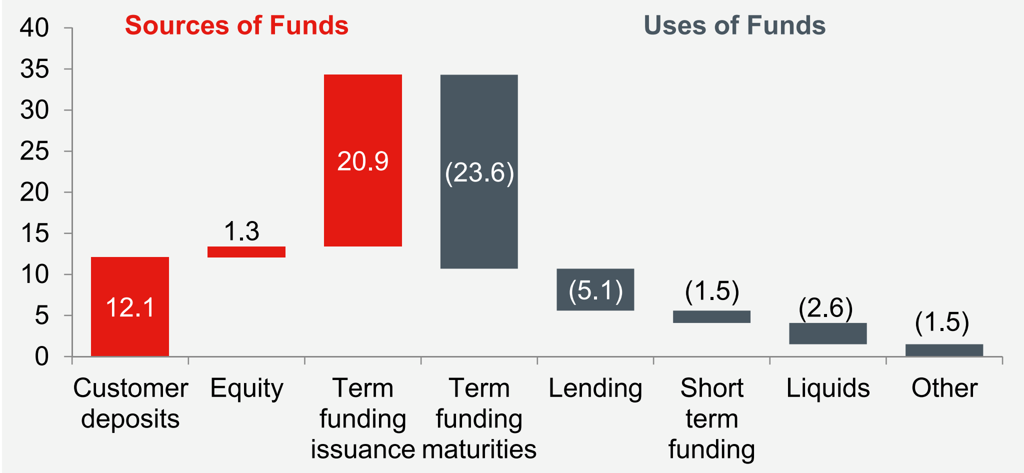
Net interest margin (%)



Impairment charges to average gross loans[2] (bps)



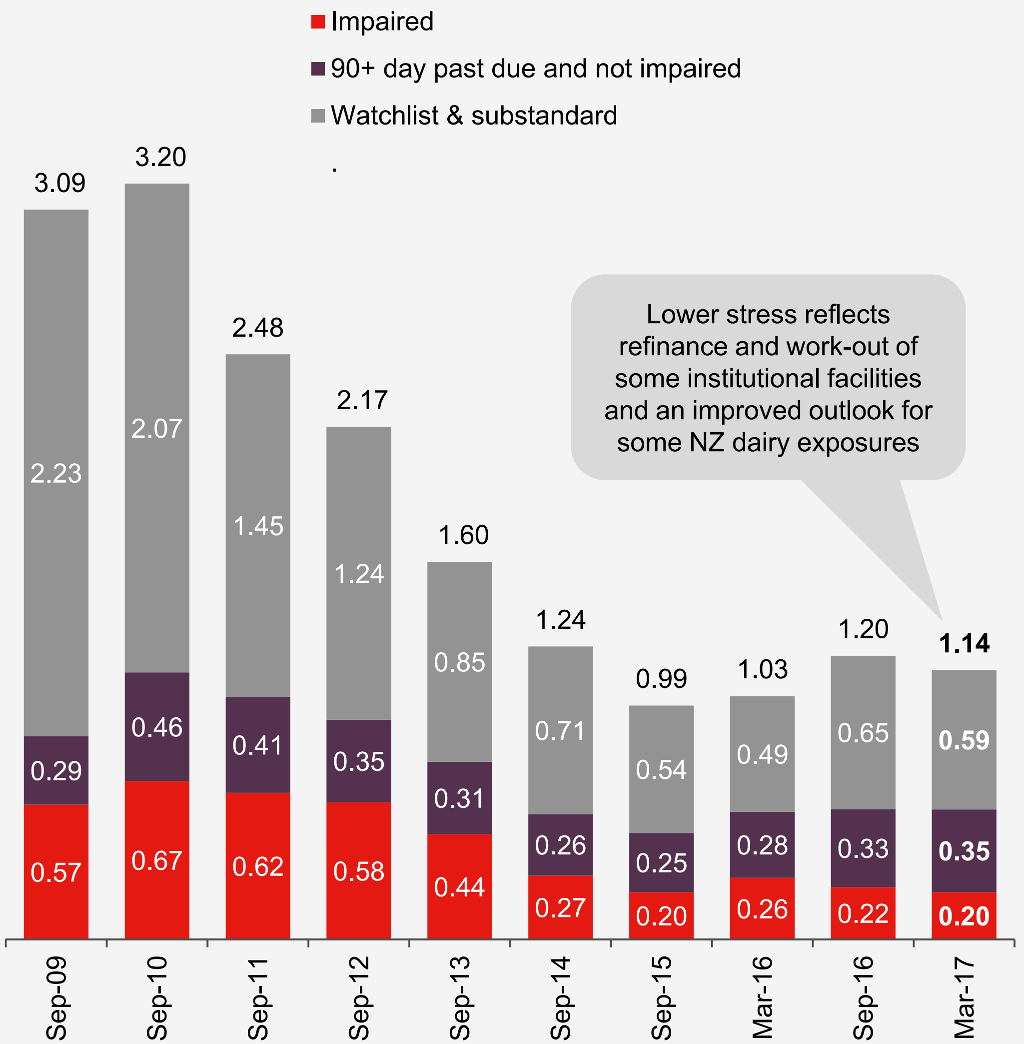
Balance sheet sources and uses of funds 1H17 – 2H16



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

Asset quality sound
Impaired assets and stressed assets lower

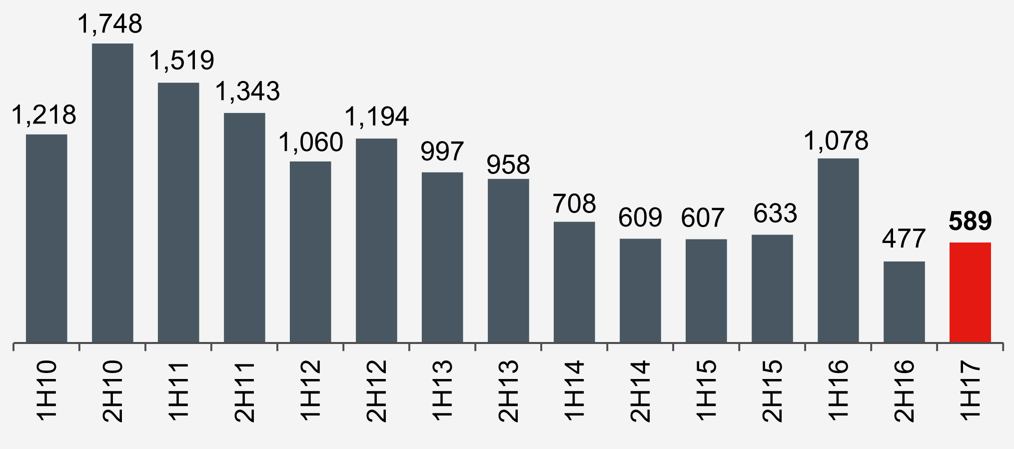
Stressed exposures as a % of TCE (%)



Provisions

	1H16	2H16	1H17
Total provisions to gross loans (bps)	57	54	**52**
Impaired asset provisions to impaired assets (%)	48	49	**52**
Collectively assessed provisions to credit RWA (bps)	87	76[1]	**77**
Economic overlay ($m)	393	389	**378**

New and increased gross impaired assets ($m)



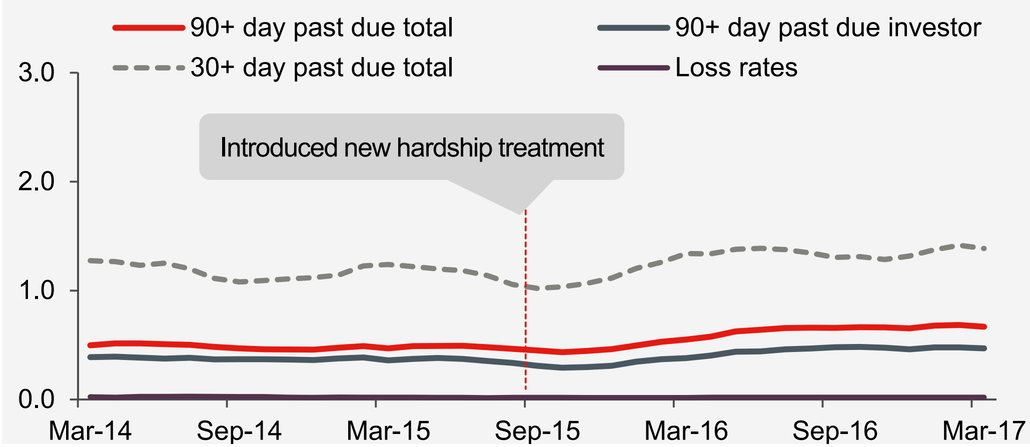
Australian mortgage delinquencies remain low

Australian mortgage portfolio

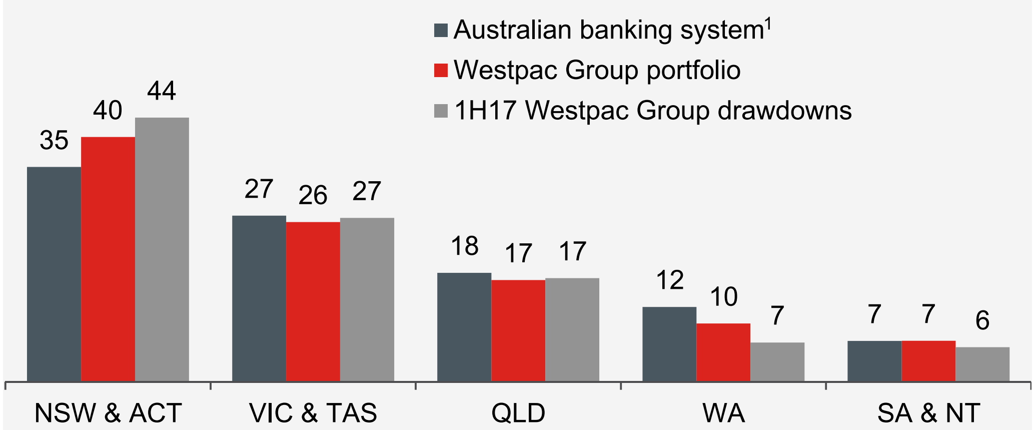
	Mar-16	Sep-16	Mar-17
30+ day delinquencies (bps)	134	130	**139**
90+ day delinquencies (bps) *(includes impaired mortgages)*	55	66	**67**
Estimated cumulative impact of changes to hardship treatment (bps)	*4*	*13*	***13***
Consumer properties in possession	253	262	**382**

- Increase in 1H17 mainly due to rise in WA and QLD reflecting weaker economic conditions in those states

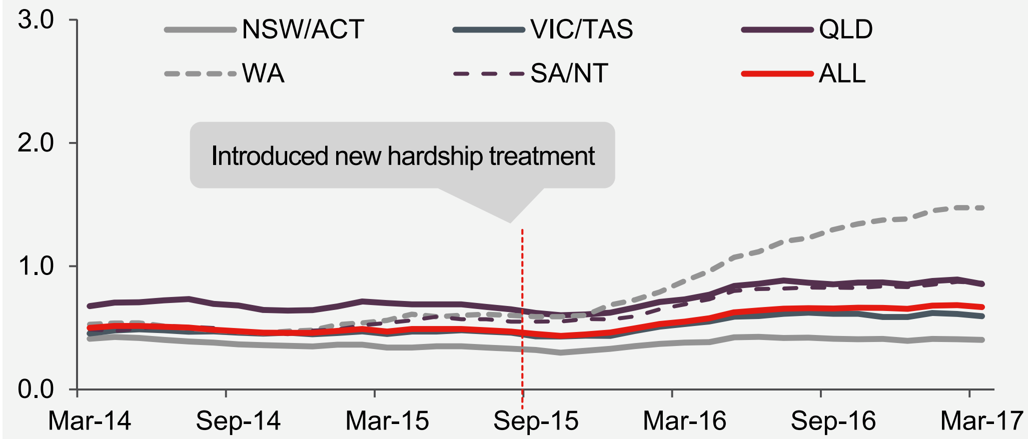
Australian mortgages delinquencies (%)



Westpac Australian housing portfolio and banking system by State (%)



Australian mortgages 90+ day delinquencies by state (%)



1 Source ABA Cannex February 2017.

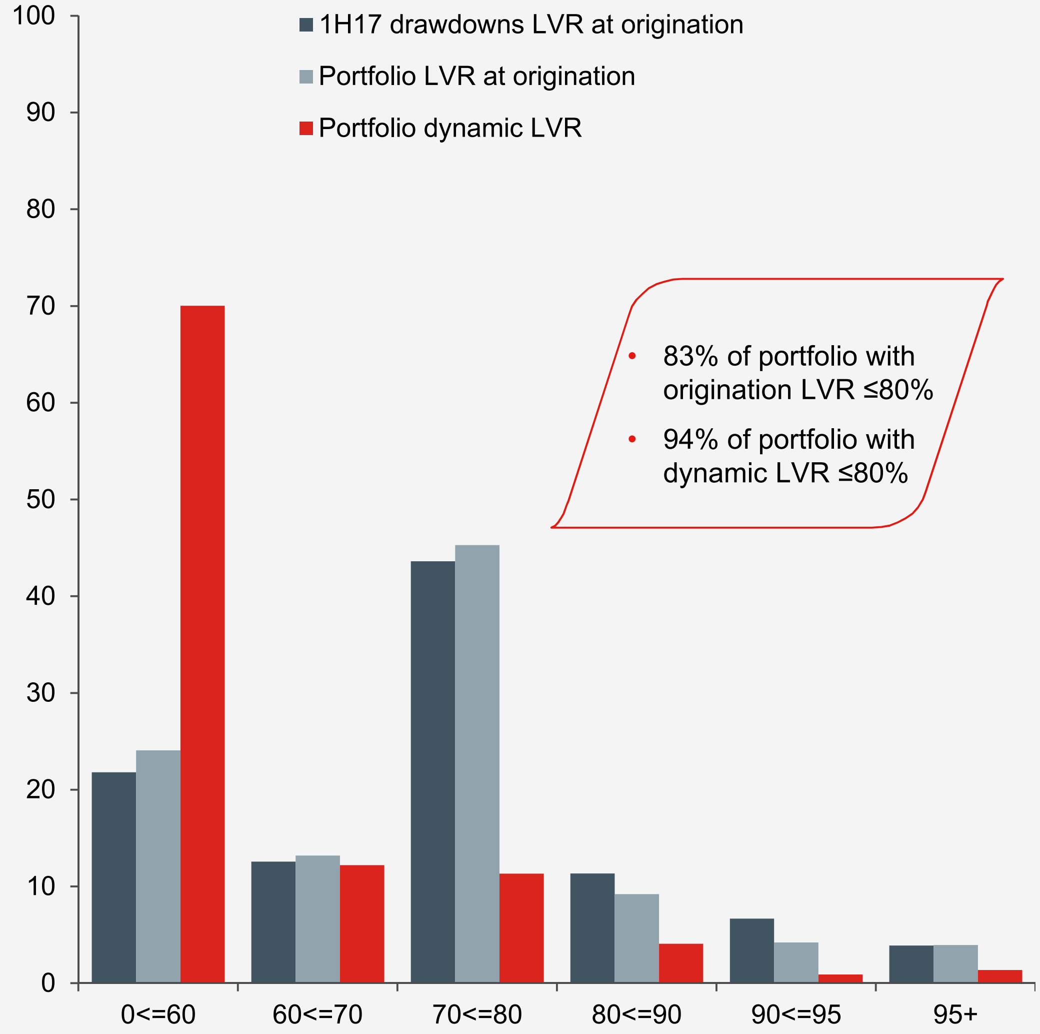
High levels of borrower equity in the Australian mortgage portfolio

Australian housing portfolio

	Mar-16 balance	Sep-16 balance	Mar-17 balance	1H17 flow[1]
Total portfolio ($bn)	390.8	404.2	**413.9**	**38.4**
Owner occupied (%)	54.3	55.0	**55.3**	**55.1**
Investment property loans (%)	39.5	39.3	**39.5**	**43.5**
Portfolio loan/line of credit (%)	6.2	5.7	**5.3**	**1.4**
Variable rate / Fixed rate (%)	83 / 17	83 / 17	**82 / 18**	**77 / 23**
Low Doc (%)	2.7	2.4	**2.2**	**0.4**
Proprietary channel (%)	58.2	57.9	**57.7**	**56.7**
First Home Buyer (%)	8.9	8.6	**8.4**	**7.9**
Mortgage insured (%)	18.8	18.4	**18.1**	**14.1**

	Mar-16	Sep-16	Mar-17
Average LVR at origination[2] (%)	70	70	**70**
Average dynamic LVR[2,3] (%)	43	43	**42**
Average LVR of new loans[2,4] (%)	70	70	**68**
Average loan size[5] ($'000)	249	254	**259**
Customers ahead on repayments including offset accts[2,6] (%)	72	72	**71**
Actual mortgage losses net of insurance[7] ($m)	35	31	**36**
Actual mortgage loss rate annualised (bps)	2	2	**2**

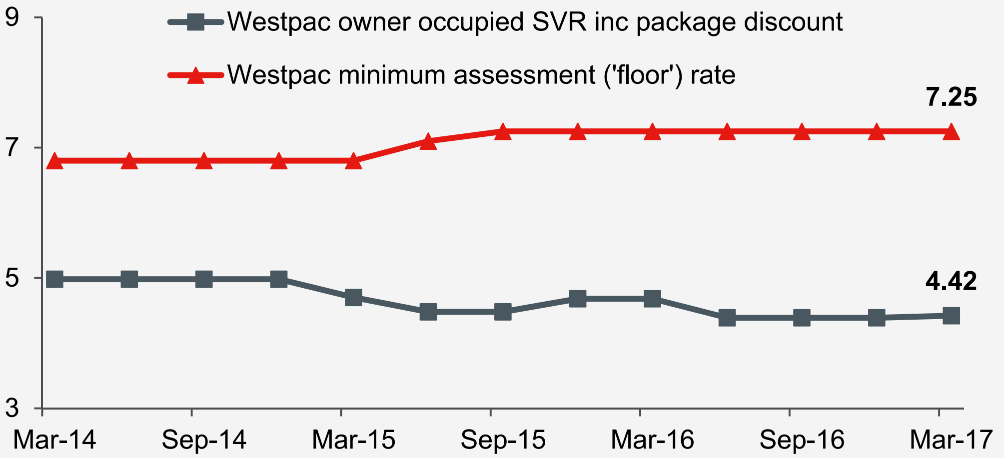
Australian housing loan-to-value ratios (LVRs)[2,3] (%)



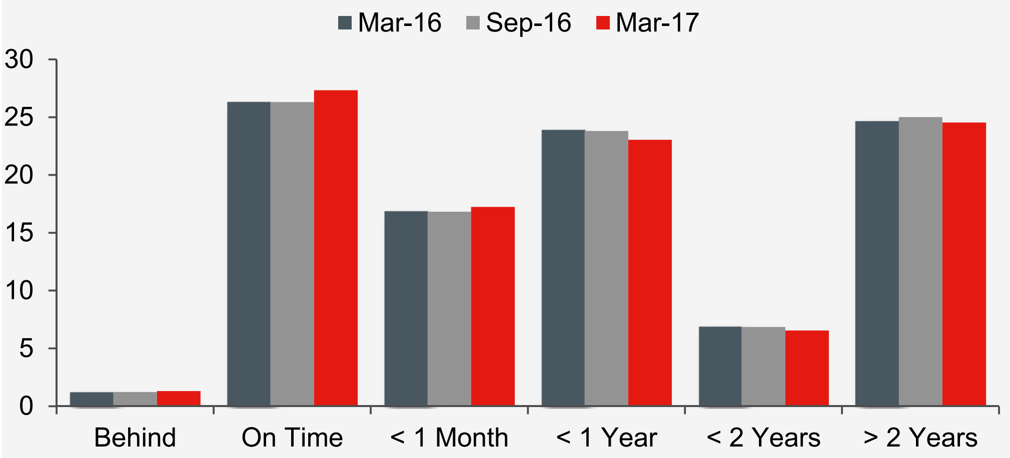
1 Flow is all new mortgage originations settled during the 6 month period ended 31 March 2017 and includes RAMS. 2 Excludes RAMS. 3 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 4 Average LVR of new loans is based on rolling 6 month window. 5 Includes amortisation. 6 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset account balances. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. 7 Mortgage insurance claims 1H17 $3m (2H16 $7m, 1H16 $4m).

Australian mortgage serviceability supporting payments ahead

Mortgage interest rate buffers (%)



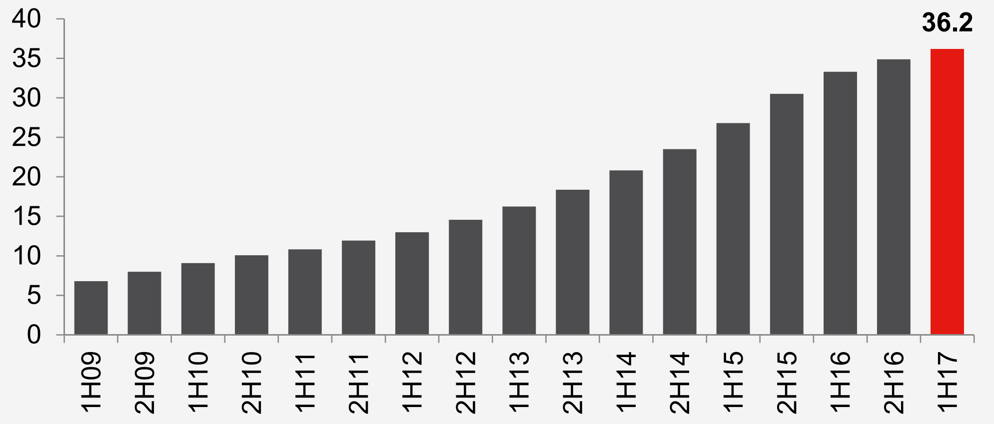
Australian home loan customers ahead on repayments[2] (%)



Key serviceability requirements

Income	Discounts of 20% apply to less certain income sources such as rental income/bonuses/pensions
Expenses	Higher of declared expenses or HEM[1] adjusted by income and geography
Interest rate buffer	Higher of customer rate plus 2.25% or the minimum assessment ('floor') rate of 7.25% applied
Restrictions	• LVR restrictions apply to single-industry towns and higher-risk postcodes • LVR restrictions to Australian and NZ citizens and permanent visa holders using foreign income • Loans to non-residents not offered since April 2016 (limited exceptions) • Minimum property size and location restrictions apply

Australian offset account balances ($bn)



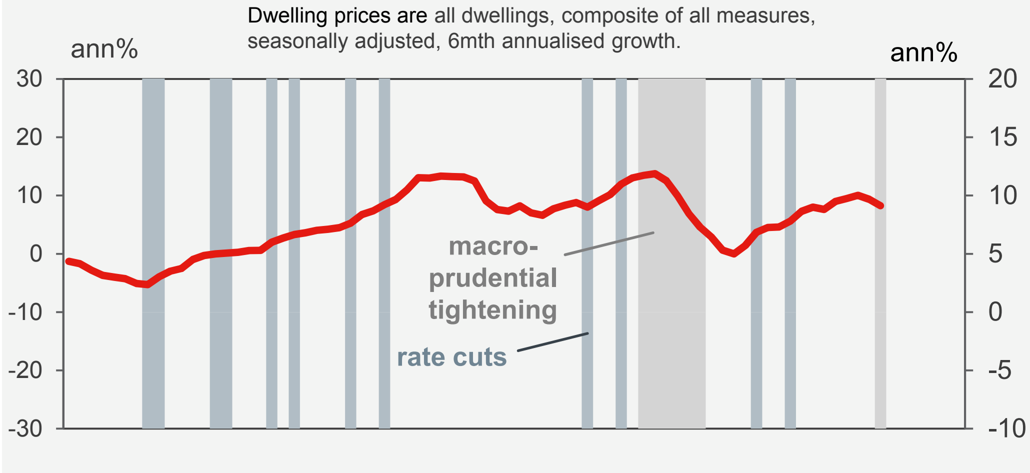
1 HEM is the Household Expenditure Measure, produced by the University of Melbourne. 2 Excludes RAMS. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset account balances. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. Calculated by loan balance.

Macro prudential measures
Reinforcing sound lending practice, building resilience

Macro prudential measures in Australia

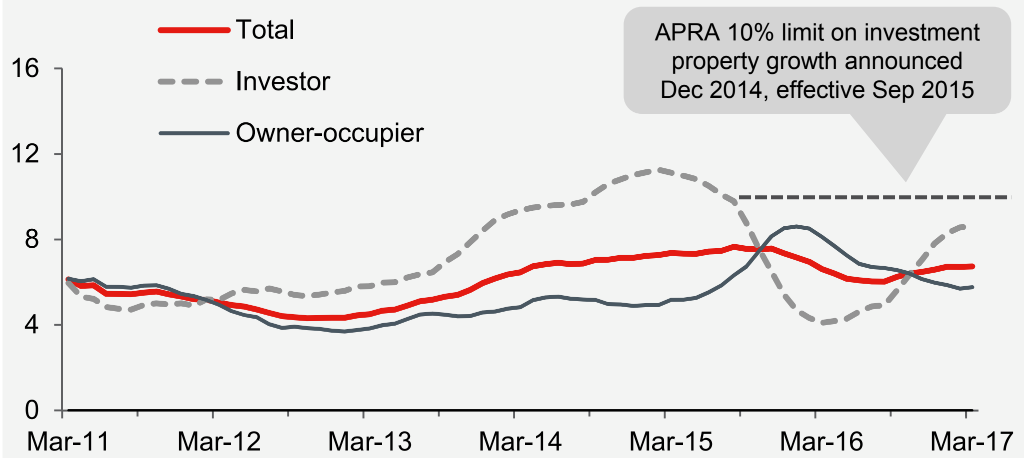
2013	• More detailed collection from the larger ADIs on a range of housing loan risk metrics
2014	• 10% limit on investment property lending growth announced • Stricter loan affordability tests for new borrowers – Increase in floor lending rate to 7.25% (from 6.80% for Westpac) – Increase in serviceability assessment buffers to 2.25% • Tightened assessment of living expenses • Stress-testing the 13 largest ADIs against a significant housing market downturn
2015/ 2016	• Close monitoring of Australian bank lending portfolios, including against benchmarks introduced in 2014 • Regulatory reviews resulting in a reduction in borrower capacity and greater alignment of underwriting standards across the industry
2017	• 30% limit on interest-only lending originations • Tighter limits on interest-only lending >80% LVR • Re-affirmation of 10% limit on investment property lending growth • Heightened supervision of growth in mortgage lending warehouses

Change in Australian dwelling prices (% ann)



Sources: ABS, CoreLogic, APM, Residex, RBA, Westpac Economics.

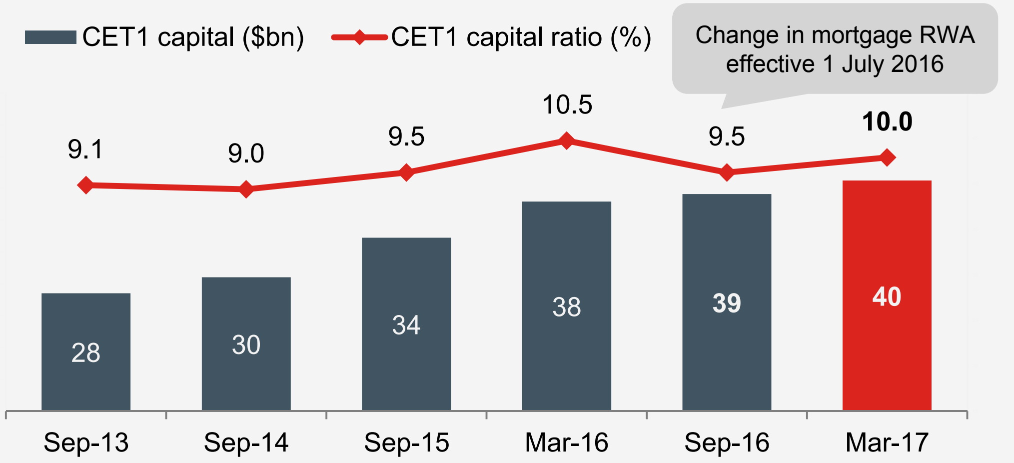
Australian housing credit growth (% ann)



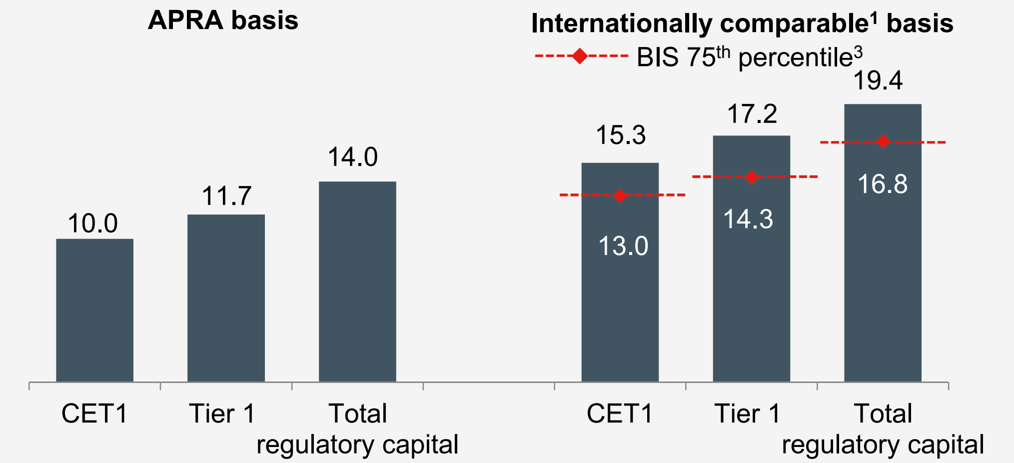
Sources: RBA, Westpac Economics. Housing credit in 6 month % change annualised.

Capital ratios well above preferred range

CET1 capital ratio and CET1 capital (APRA)



Westpac capital ratios as at 31 March 2017 (%)



Key capital ratios (%)

	Mar-16	Sep-16	Mar-17
Common equity Tier 1 (CET1) capital ratio	10.5	9.5	**10.0**
Additional Tier 1 capital	1.6	1.7	**1.7**
Tier 1 capital ratio	12.1	11.2	**11.7**
Tier 2 capital	1.9	1.9	**2.3**
Total regulatory capital ratio	14.0	13.1	**14.0**
Internationally comparable CET1 capital ratio[1]	14.7	14.4	**15.3**
Risk weighted assets (RWA) ($bn)	363	410[2]	**404**

Capital highlights

CET1	• CET1 ratio above our preferred range of 8.75% to 9.25% • Well placed to respond to future APRA changes
Leverage ratio	• 5.3% (APRA basis); 6.0% (internationally comparable[1]) • Well above the 3.0% Basel minimum
Internationally comparable ratios	• Top quartile for CET1 capital ratio • Leverage ratio well positioned against international peers
Rating agency capital benchmarks	• Estimated S&P risk adjusted capital (RAC) ratio of 9.9%[4] • Near S&P's "strong" assessment of 10%
Risk weighted assets	• Reduced by 1% due to discipline in RWA management, both on and off balance sheet, and improved asset quality

1 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' of 13 July 2015. For a reconciliation refer to Appendix 1. 2 APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016 increased RWA by $43bn (reduced CET1 capital ratio by 110bps). 3 Group 1 banks BIS 75th percentile fully phased-in Basel III capital ratios from BIS monitoring report released 28 February 2017. 4 Westpac's estimate of RAC ratio based on current S&P RAC Framework.

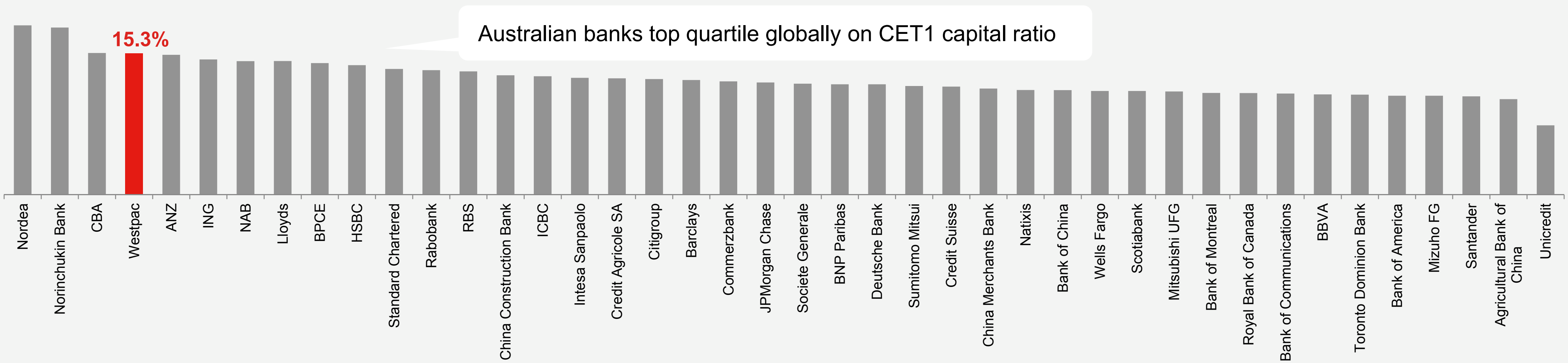
APRA remains focused on 'unquestionably strong'

- APRA has applied new regulation early and conservatively for Australian banks
- APRA maintains the view that the Australian financial system has benefited over the long run from operating with conservative policy and financial settings

- LCR introduced 1 January 2015 with no transition
- Australian residential mortgage risk weights increased from 16% to 25% effective 1 July 2016
- NSFR regulation in final draft. Comes into effect with no transition on 1 January 2018

- 2017 main policy item is setting capital standards so that Australian banks are 'unquestionably strong'
- Goal is to deliver improved safety and stability within the financial system
- APRA plan to issue an information paper in the middle of the year
- TLAC remains some way off

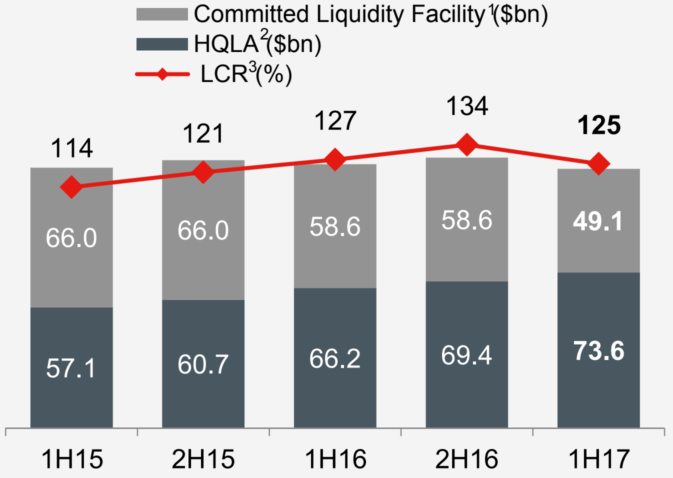
Basel III CET1 capital ratios global comparison[1]



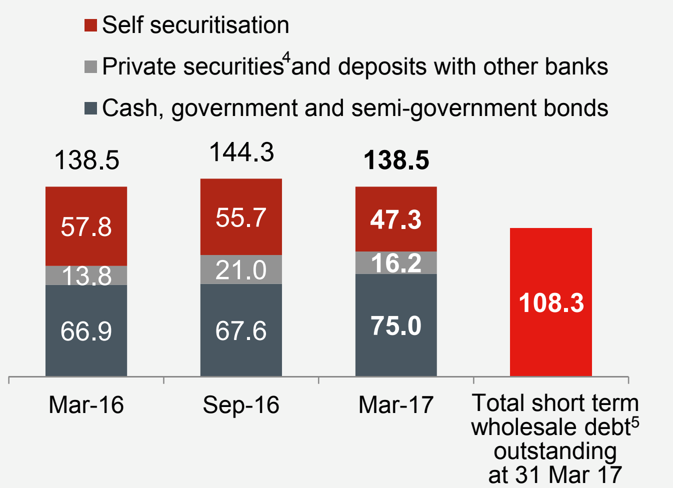
1 Peer group comprises listed commercial banks with total assets in excess of A$700 billion and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure for an estimate. Based on company reports and investor presentations. Based on CET1 capital ratios and leverage ratios as at 31 December 2016, except for Westpac, ANZ, NAB, which are as at 31 March 2017, and Scotiabank, Bank of Montreal, Royal Bank of Canada and Toronto Dominion which are as at 31 January 2017, assuming Basel III capital reforms fully implemented. For those banks where accrued expected dividends have been deducted, these have been added back for comparability.

Maintained strong funding and liquidity profile

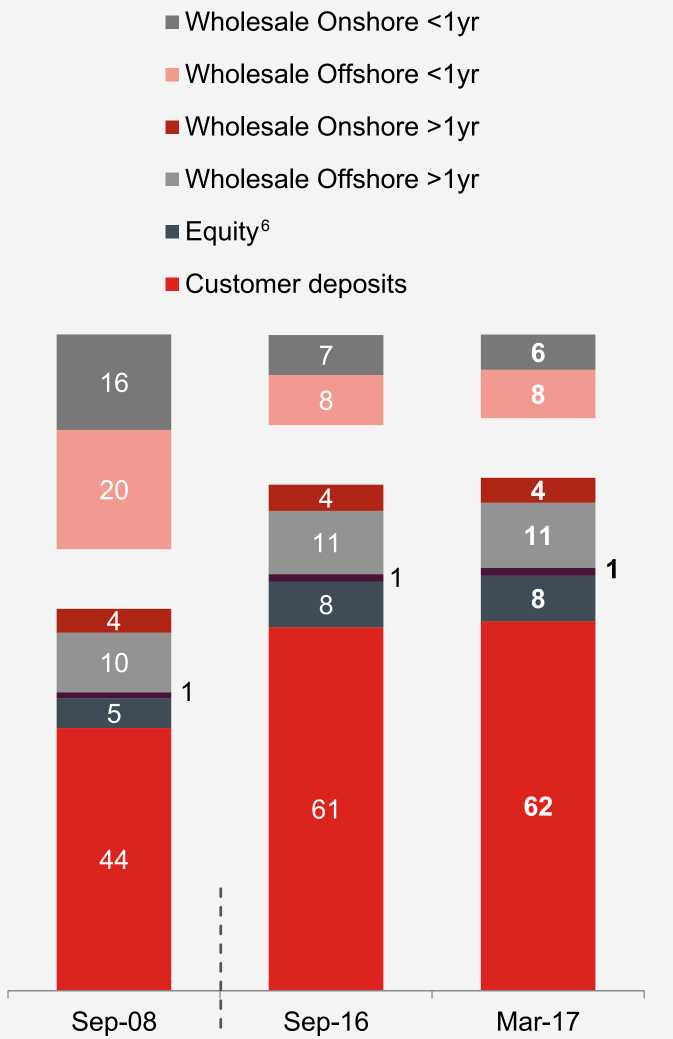
Liquidity Coverage Ratio (LCR)



Unencumbered liquid assets ($bn)



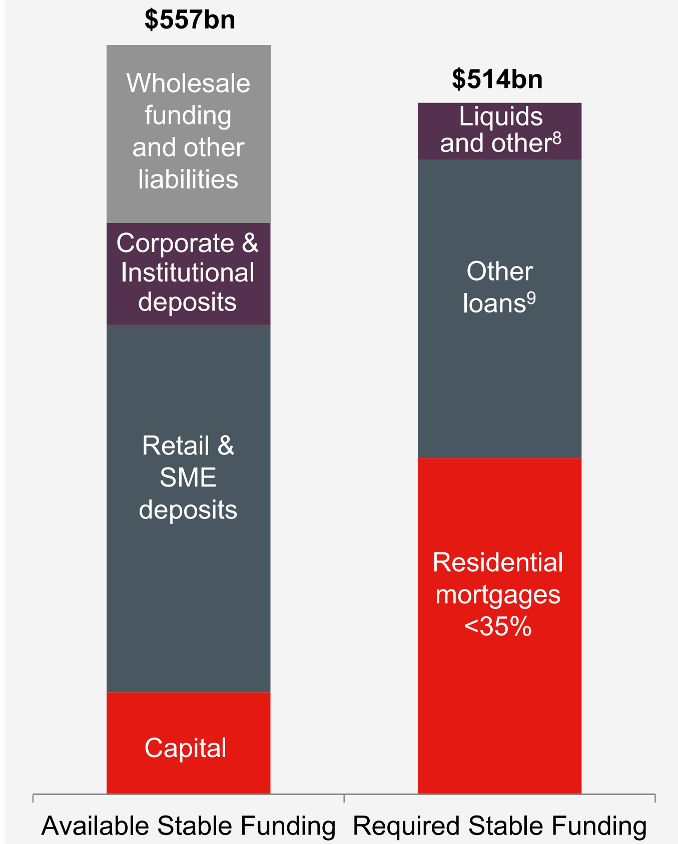
Funding composition by residual maturity (%)



Net Stable Funding Ratio (NSFR)

	Sep-16	Mar-17
Estimated NSFR	>100%	108%

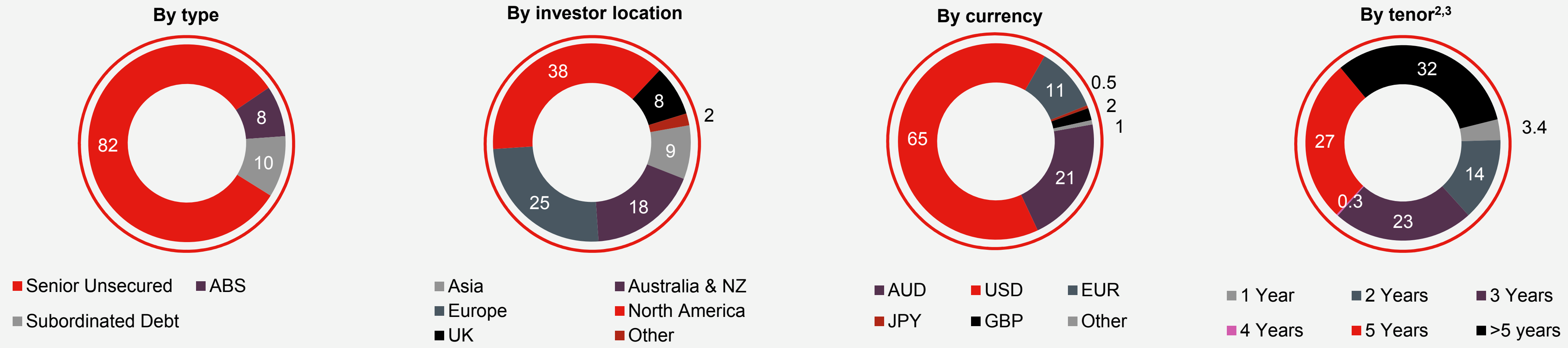
NSFR composition[7] ($bn)



1 The RBA makes available to Australian Authorised Deposit-taking Institutions a committed liquidity facility (CLF) that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. 2 Includes HQLA as defined in APS 210, RBNZ eligible liquids, less RBA open repos funding end of day ESA balances with the RBA. 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. 4 Private securities include Bank paper, RMBS, and Supra-nationals. 5 Includes long term wholesale funding with a residual maturity less than or equal to 1 year. 6 Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. 7 All figures shown on a Level 2 basis and based on current estimates. 8 Other includes derivatives and other assets. 9 Other loans includes off balance sheet exposures and residential mortgages >35% risk weight.

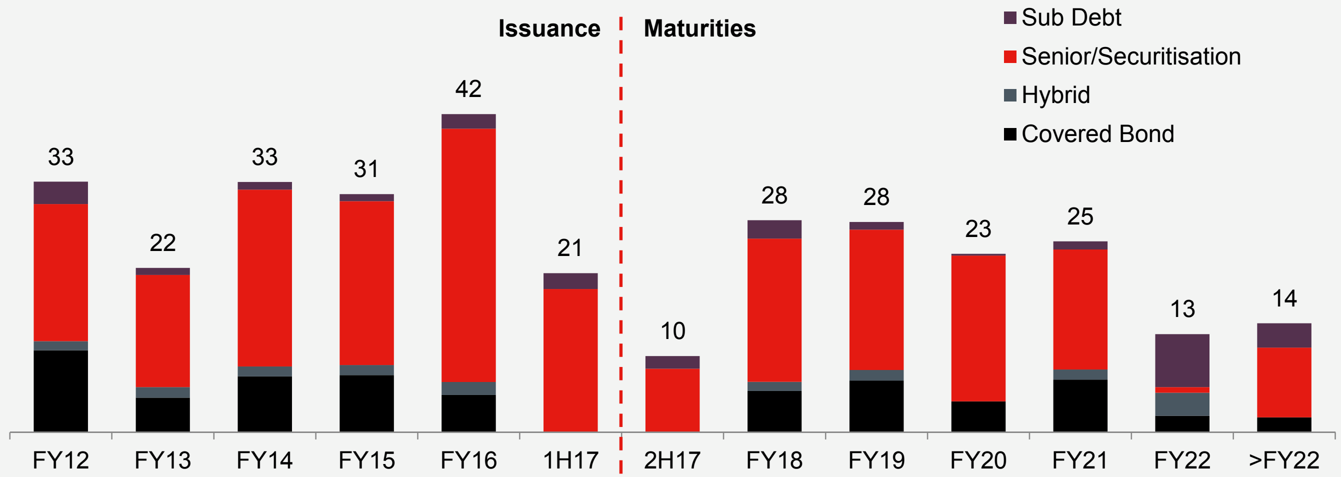
New term issuance reflects investor preferences

1H17 new term issuance composition[1] (%)

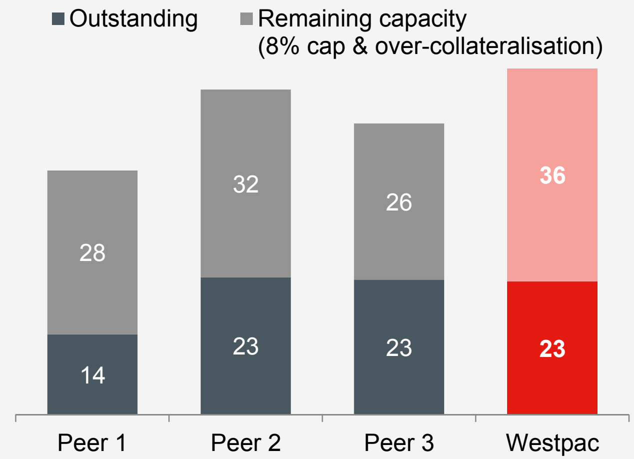


Charts may not add to 100 due to rounding.

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



Australian covered bond issuance[5] ($bn)



1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 370 days excluding US Commercial Paper and Yankee Certificates of Deposit.
2 Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 3 Tenor excludes RMBS and ABS. 4 Perpetual sub-debt has been included in >FY22 maturity bucket. Maturities exclude securitisation amortisation. 5 Sources: Westpac, APRA Banking Statistics March 2017.

Westpac covered bonds offer diversification to a highly rated issuer

Key features

- AAA rated
- Highly rated[1] issuer Westpac AA- / Aa2 / AA-
- Issuer can go to BBB+/A3(cr) (Fitch/Moody's) and covered bonds will retain AAA rating
- Sovereign rated AAA
- Meet ICMA standard; Level 2 asset
- Maximum value applied 80% LTV to Asset Coverage Test
- Current AP / overcollateralisation sufficient to cover 30% reduction in property value
- LTV indexed (85% of upside; 100% of downside)

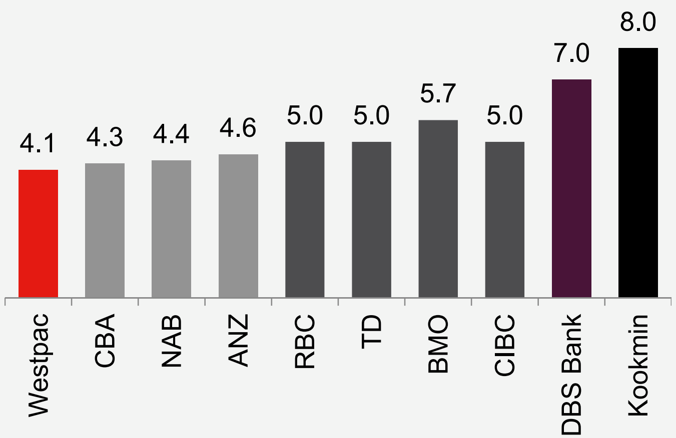
Westpac issuance profile

- Well managed maturity profile
- Covered bond issuance capped at 8% of Australian assets
- A$22.6bn of covered bonds outstanding, with benchmark trades in Euro, USD and AUD
- 39% of Westpac's covered bond capacity utilised (including over-collateralisation)

Covered bond pool at 31 March 2017

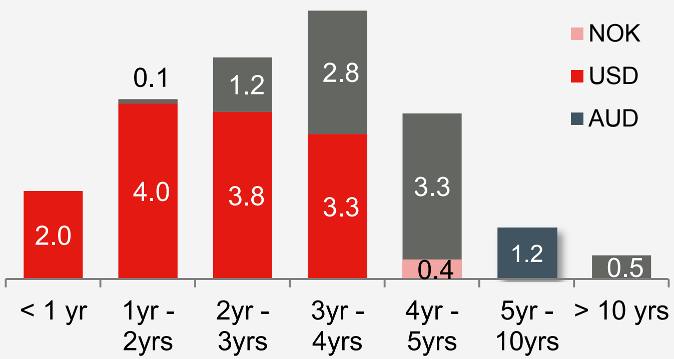
Total pool loan balance	A$24,514,456,229
Average loan size	A$260,418
Weighted average current LVR (unindexed/indexed)	60.45% / 51.58%
Weighted average seasoning	58 months
Owner occupied security	73.78%
Interest only loans	29.6%

Moody's collateral score[2]



Covered bond maturity profile

As at 31 March 2017



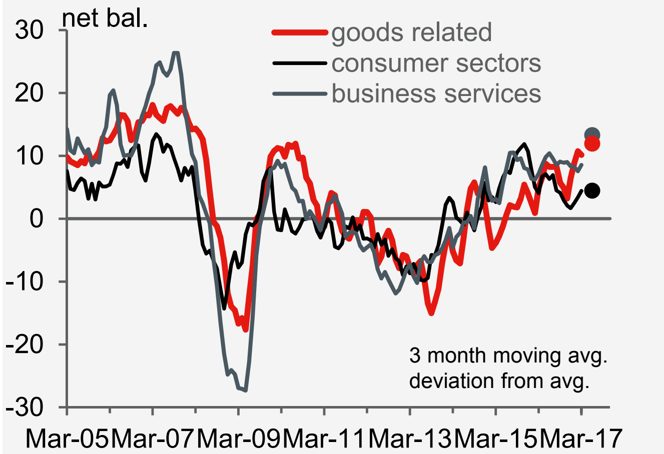
1 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings and Moody's Investors Services have Westpac on a negative outlook, Fitch Ratings has Westpac on a stable outlook.
2 The collateral score is Moody's opinion of how much credit enhancement is needed to protect investors from the credit deterioration of assets in a cover pool in order to reach a theoretical Aaa expected loss, assuming those assets are otherwise unsupported. The higher the credit quality of the cover pool, the lower the collateral score. Source: Moody's. Last updated April 2017.

A positive start to 2017 for the Australian economy

Australian economy key statistics (latest available as at May 2017)

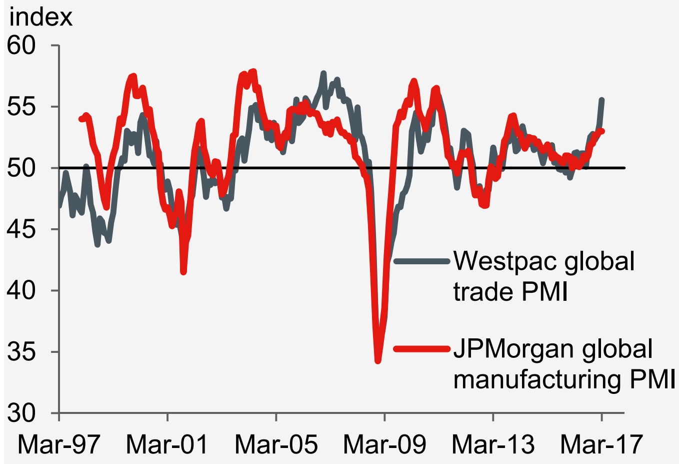
GDP	**2.4%**
Westpac Forecast (end 2017)	3.0%
Unemployment Rate	**5.9%**
Westpac Forecast (end 2017)	6.3%
Inflation	**2.1%**
Westpac Forecast (end 2017)	2.0%
Cash Rate	**1.50%**
Westpac Forecast (June 2018)	1.50%
AUD/USD	**US$0.76**
Westpac Forecast (June 2018)	US$0.70

Business conditions trending higher



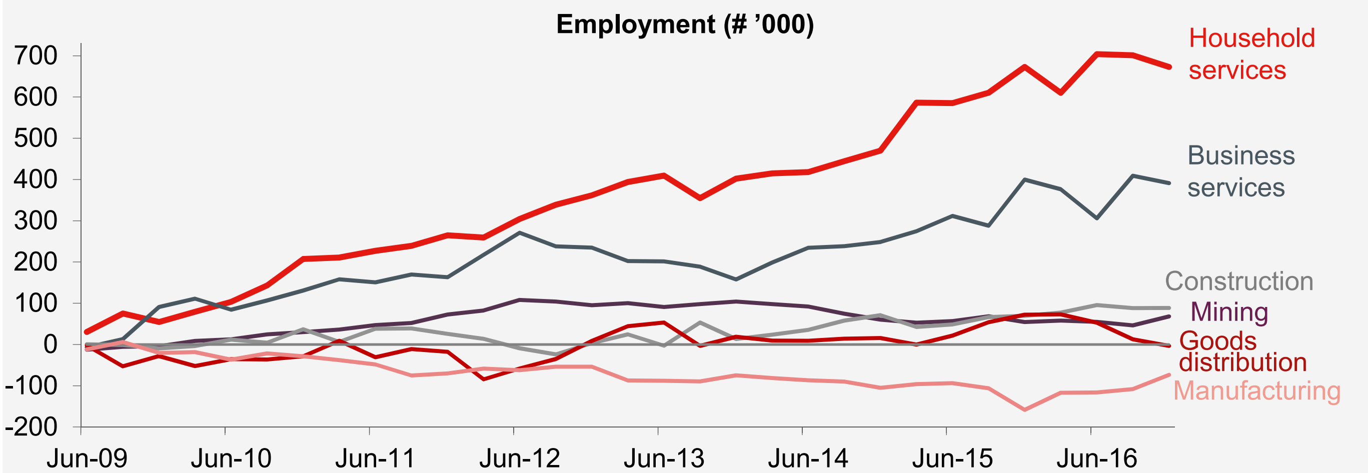
Sources: NAB survey, Westpac Economics.

Global lead indicators have turned



Sources: Reuters, Westpac Economics

Service sector strength driving job gains



Sources: ABS, Westpac Economics.

200 years proudly supporting Australia

Economics

Australian and New Zealand economic forecasts

KEY ECONOMIC INDICATORS[1] (%) AS AT MAY 2017		CALENDAR YEAR 2015	2016	2017F
World	**GDP**	**3.1**	**3.3**	**3.5**
Australia	**GDP**	**2.4**	**2.5**	**2.6**
	Private consumption	2.7	2.7	2.7
	Business investment[2,3]	-8.6	-8.8	-1.7
	Unemployment – end period	5.8	5.7	6.3
	CPI headline – year end	1.7	1.5	2.2
	Interest rates – cash rate	2.00	1.50	1.50
	Credit growth, Total – year end	6.6	5.6	5.0
	Credit growth, Housing – year end	7.4	6.3	5.8
	Credit growth, Business – year end	6.4	5.5	4.7
New Zealand	**GDP**	**2.5**	**3.1**	**3.2**
	Unemployment – end period	4.9	5.2	4.6
	Consumer prices	0.1	1.3	2.0
	Interest rates – official cash rate	2.5	1.8	1.8
	Credit growth – Total	6.1	7.5	6.8
	Credit growth – Housing	5.8	8.6	7.7
	Credit growth – Business	6.5	6.5	5.8

1 Source: Westpac Economics. 2 GDP and components show year average growth rates. 3 Business investment adjusted to exclude the effect of private sector purchases of public assets.

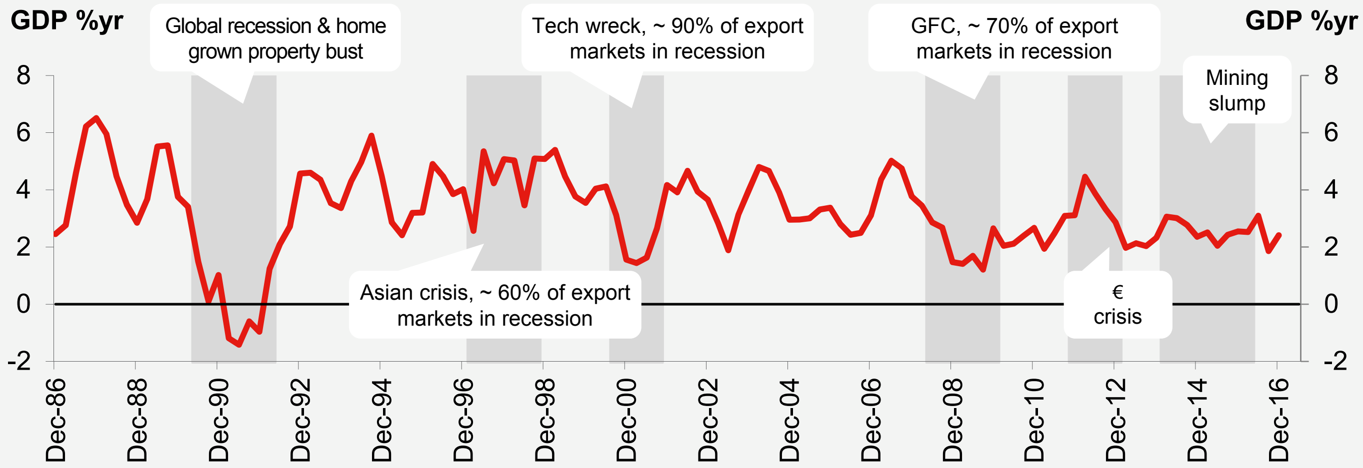
Australia benefits from being a small, nimble, open economy

Australia is now in its 26th year of consecutive growth and is the only major developed economy to have recorded no recessions since 1992

Structural reasons:

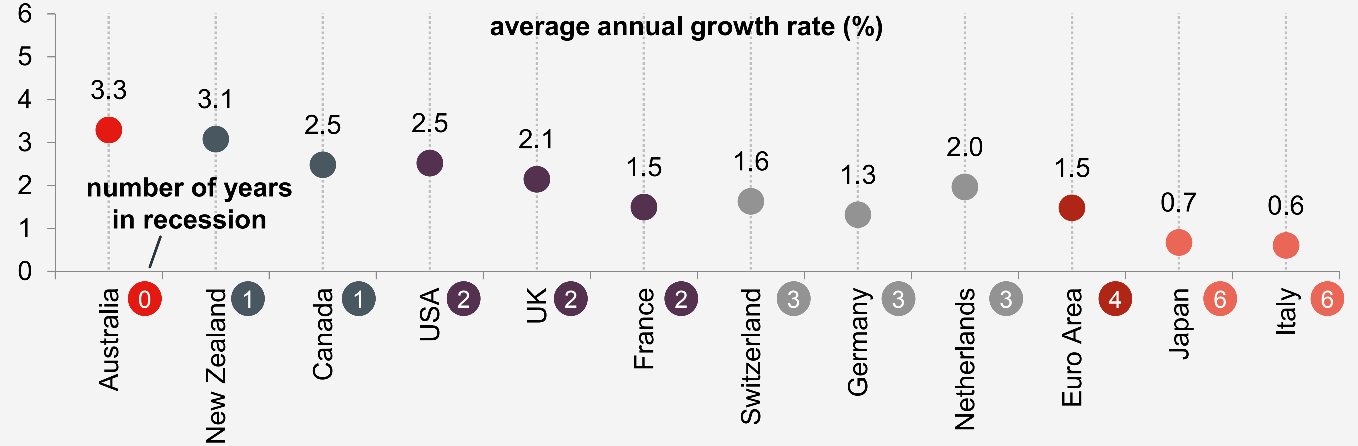
- Floating currency acts as a buffer to external shocks
- Currency denomination of exposures mainly hedged
- Role in global trade – benefit of natural resources, proximity to Asia, mining sector best-in-class productivity
- Flexible labour market
- Well diversified economy – sufficiently diversified to take advantage of changing conditions
- Strong population growth, supported by high immigration
- High productivity levels, with 15 out of 20 industries rating above the global average
- Fiscal and policy discipline, including monetary policy
- Effective monetary policy transmission mechanism through largely variable rate, full recourse mortgage market
- Strong, well regulated financial institutions

Australian economic growth and external shocks



Sources: ABS, Westpac Economics.

Economic resilience – real GDP growth 1992-2016

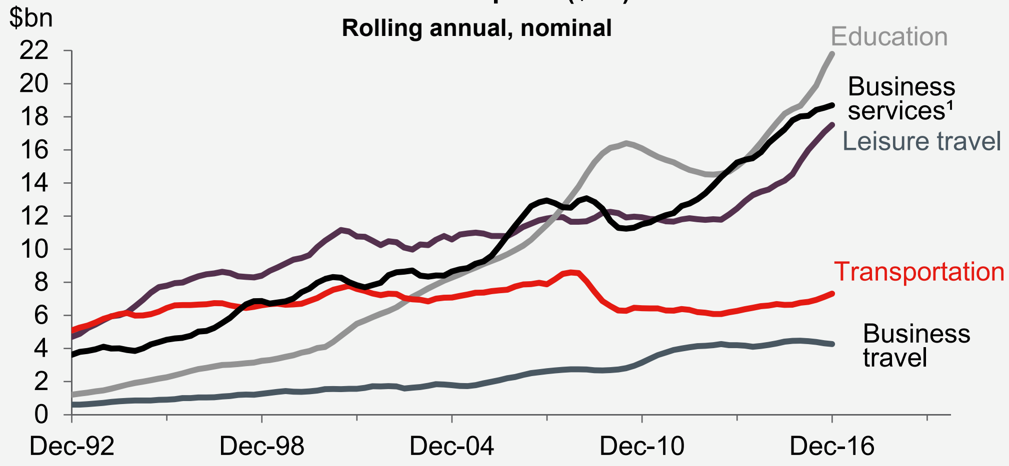


Sources: International Monetary Fund, World Economic Outlook Database, October 2016, Austrade.

Emerging growth drivers for Australia

Services

Service exports ($bn)
Rolling annual, nominal



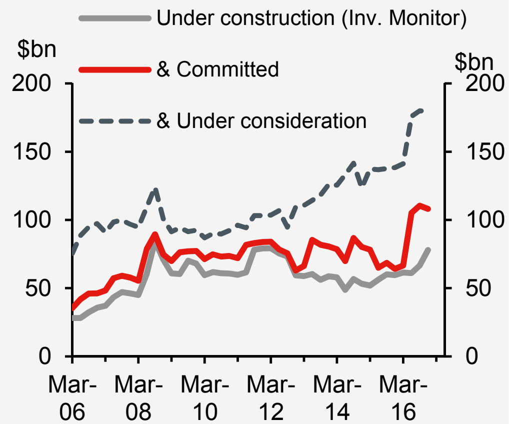
Sources: ABS, Westpac Economics

- International trade in services is contributing to the rebalancing of growth in Australia
- Service exports represent 4% of GDP and given the labour intensive nature of these activities, have a significant spill-over effect
- Service exports 3-year growth is the fastest since 2001, boosted by the lower Australian dollar and supported by consumer demand from China
- NSW and Victoria are benefitting, attracting international visitors and foreign students
- NSW accounts for 42% of total service exports, 10ppts above its share of the national economy

Infrastructure

- While the mining investment cycle remains the dominant driver of Australia's investment project pipeline, an upswing in public transport projects is an emerging positive
- Definite public transport projects are now valued at $108bn. This represents a sharp increase on a year ago, up $44bn
- NSW and Vic lead with $47bn worth of projects already under construction over the two states, a further $28bn at the committed stage and $37bn under consideration including a second airport in Sydney and a freight rail line between Melbourne and Brisbane

Australia's project pipeline: transport

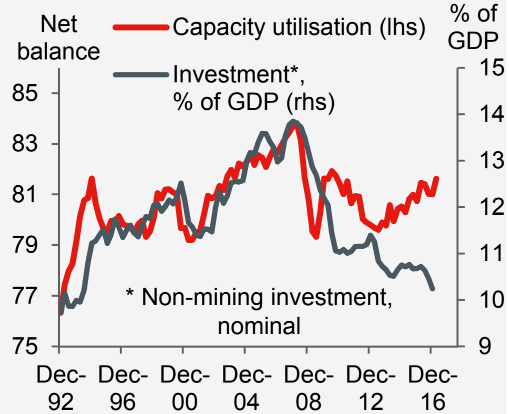


Sources: ABS, Deloitte Access Economics Investment Monitor, Westpac Economics

Capacity utilisation: reduction in spare capacity

- A wider pick up in non-mining business investment may become a potential driver further out
- Investment has been very low in recent years both by historical standards and compared to firm levels of capacity utilisation
- While confidence has not been sufficiently strong to driver a broad based upturn, non-mining investment has picked up in NSW and Vic in recent years.

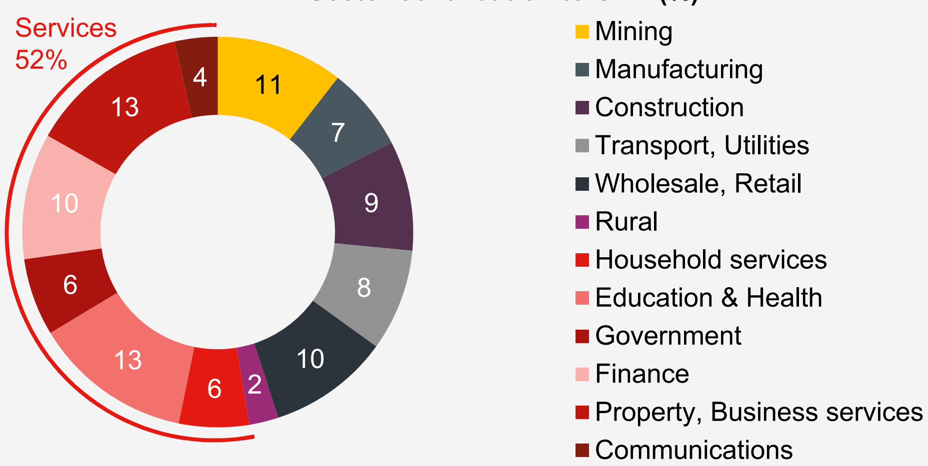
Capacity utilisation vs investment

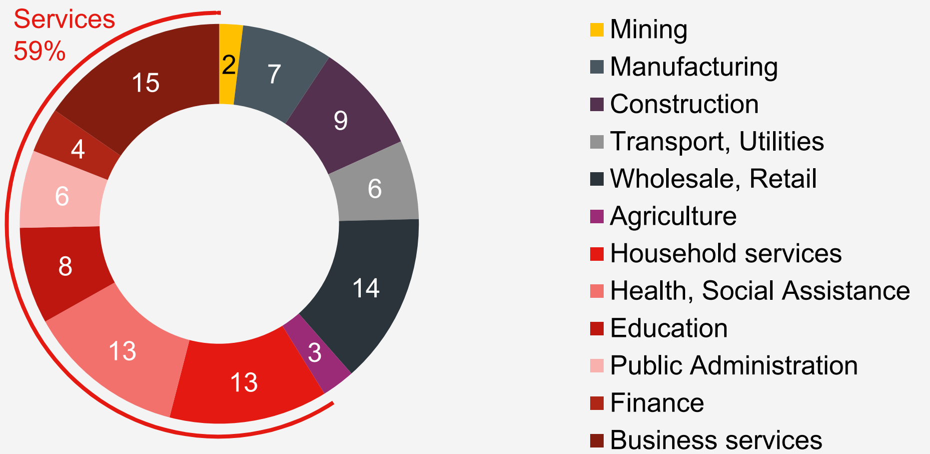


Sources: ABS, NAB, Westpac Economics

Jobs are being created, although wage growth is low

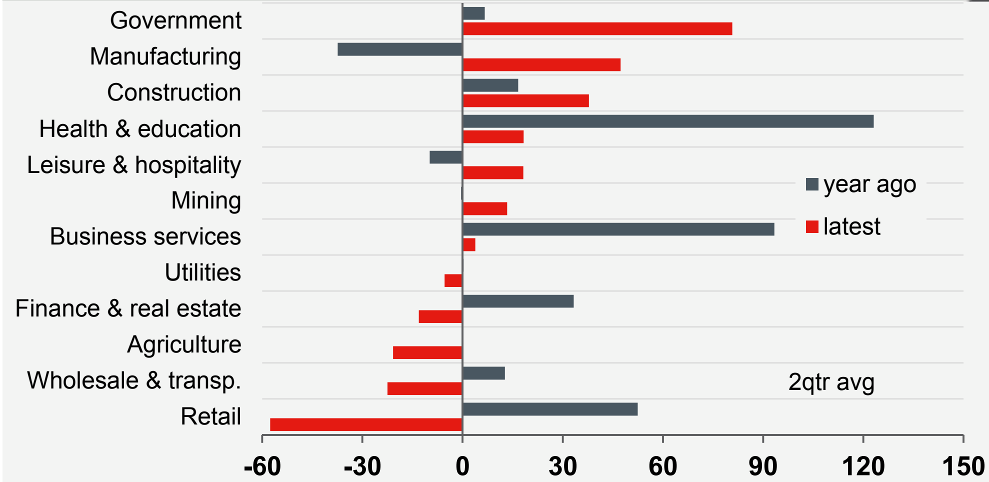
Services employ a large part of the Australian workforce





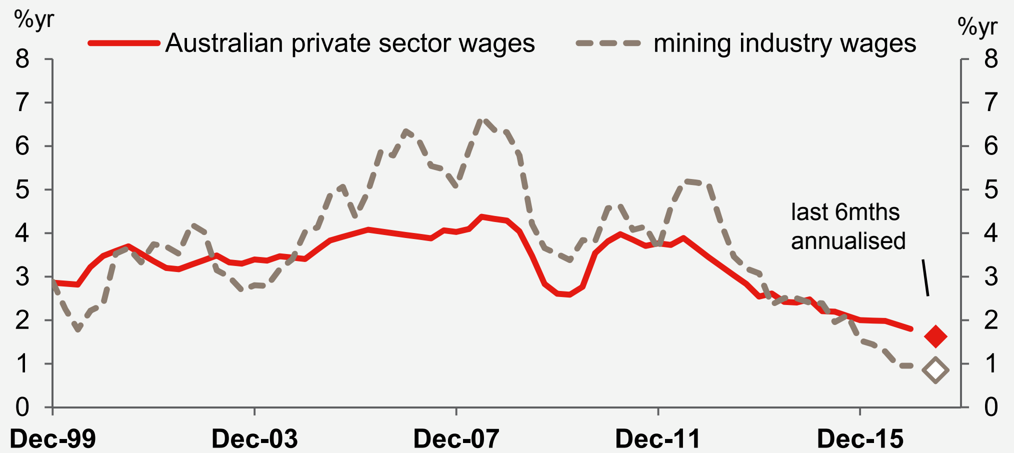
Sources: ABS, Westpac Economics. 1 Excludes ownership of dwellings and taxes less subsidies.

Australian employment by sector (annual change, '000)



Sources: ABS, Westpac Economics. Represents 6 month average level compared to 6 month average level a year ago

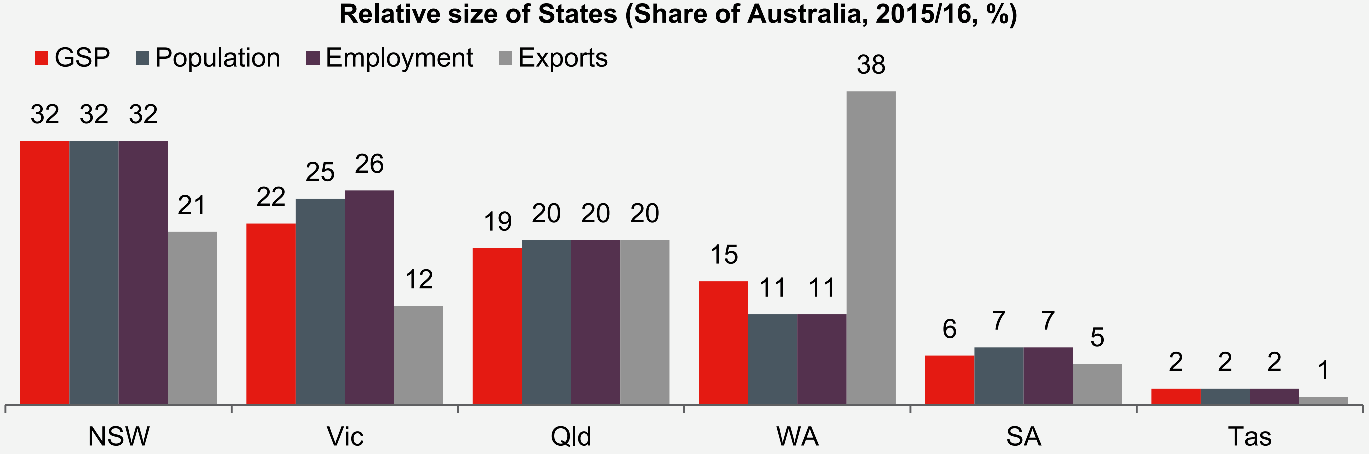
Australian wage inflation (%, yr)



Sources: ABS, Westpac Economics.

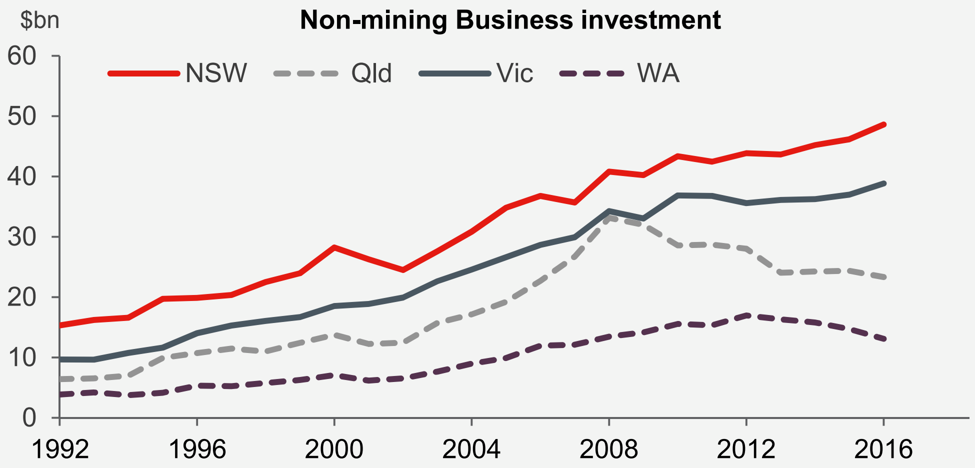
State differences across Australia are key to understanding trends

NSW and Victoria 57% of population, 58% of employment



Sources: ABS, Westpac Economics

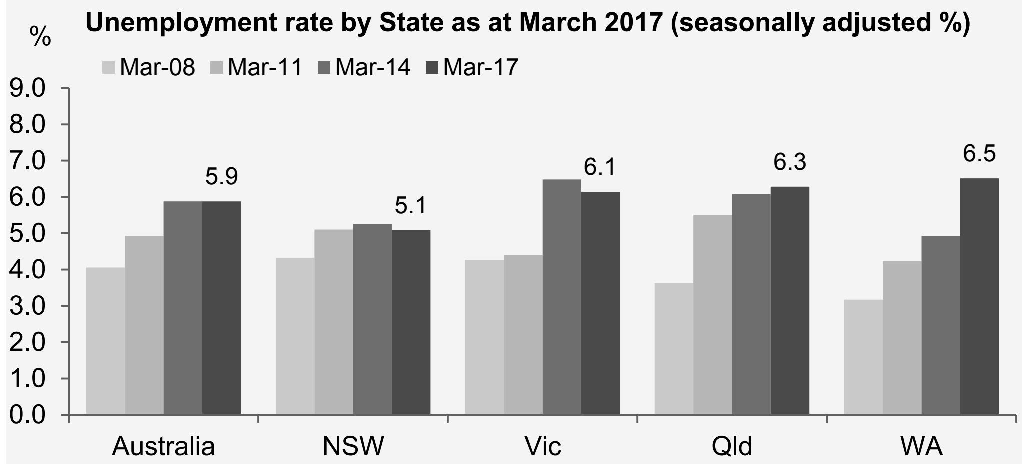
Activity picking up in NSW and Victoria[1]



Sources: ABS, Westpac Economics

1. Real, financial years, experimental estimates

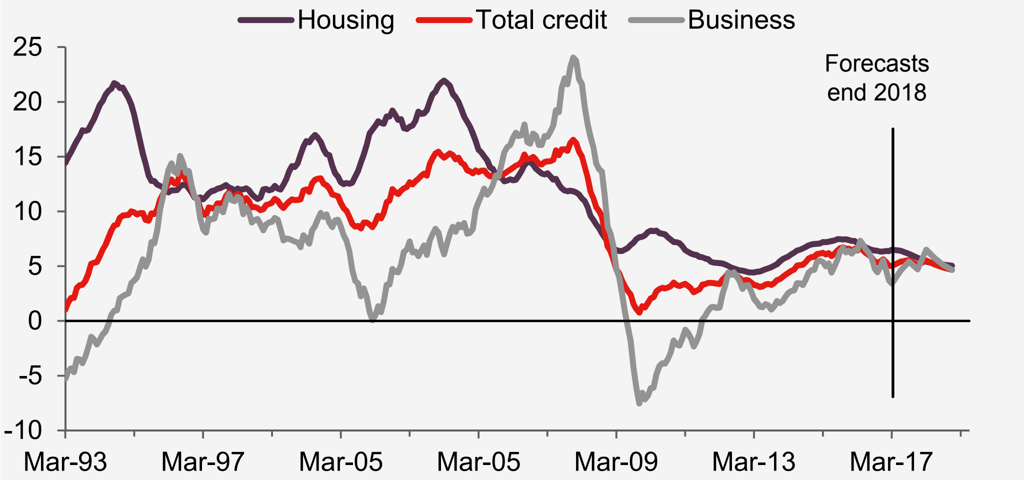
Lowest jobless rate in NSW



Sources: ABS, Westpac Economics

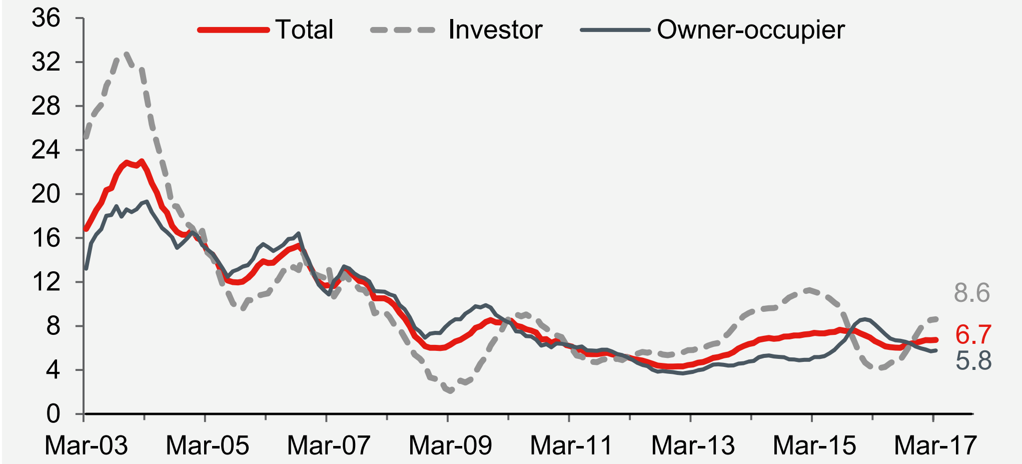
Credit growth expanding at a modest pace

Australian private sector credit growth (% ann)



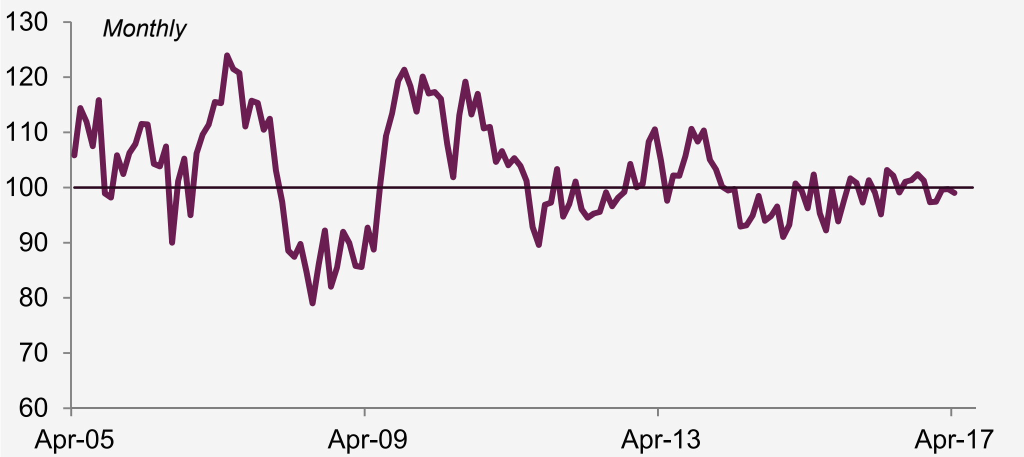
Sources: RBA, Westpac Economics.

Australian housing credit growth (% ann)



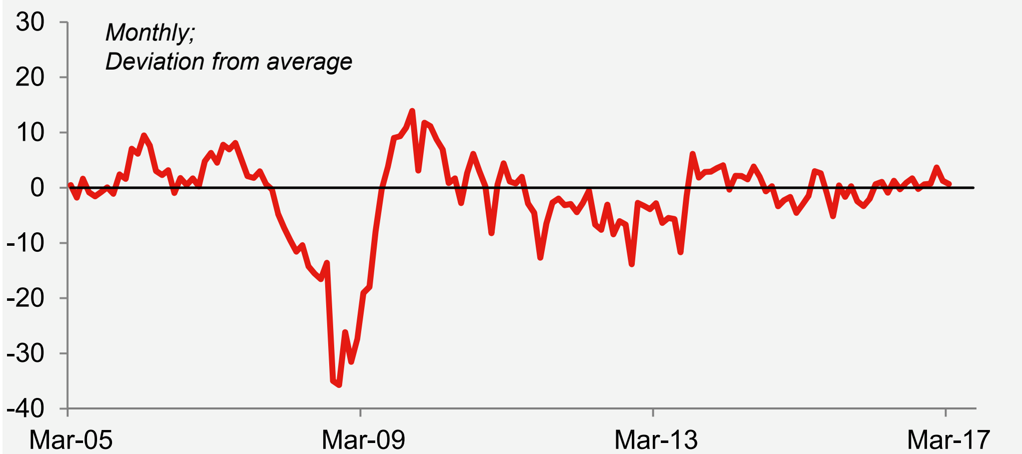
Sources: RBA, Westpac Economics. Housing credit in 6 month % change annualised.

Consumer confidence (net balance)



Sources: Westpac MI, Westpac Economics.

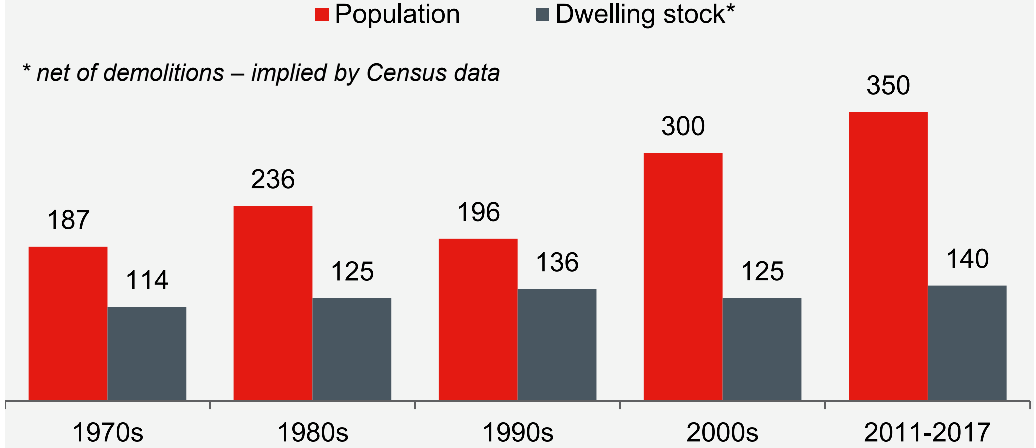
Business confidence (net balance)



Sources: NAB, Westpac Economics.

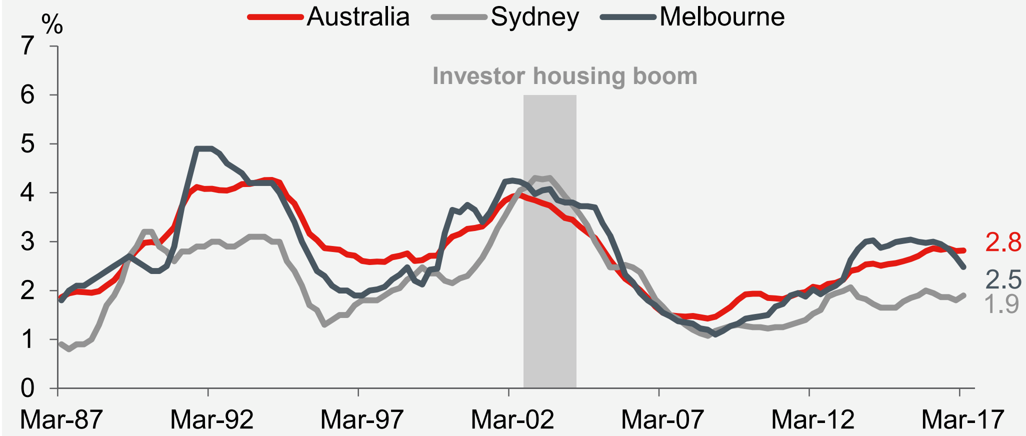
Population growth and dwelling supply/demand balance remain supportive

Population versus dwelling stock (annual average change '000)



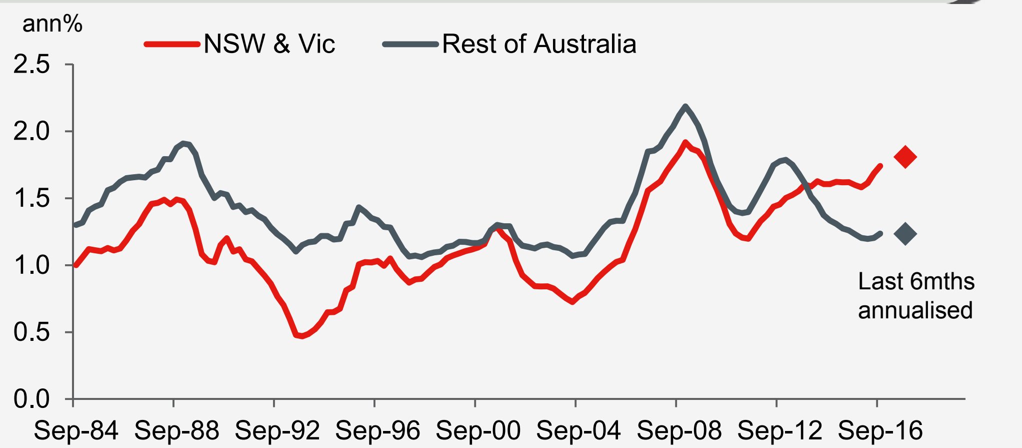
Sources: REIA, Westpac Economics.

Residential rental vacancy rates (%)



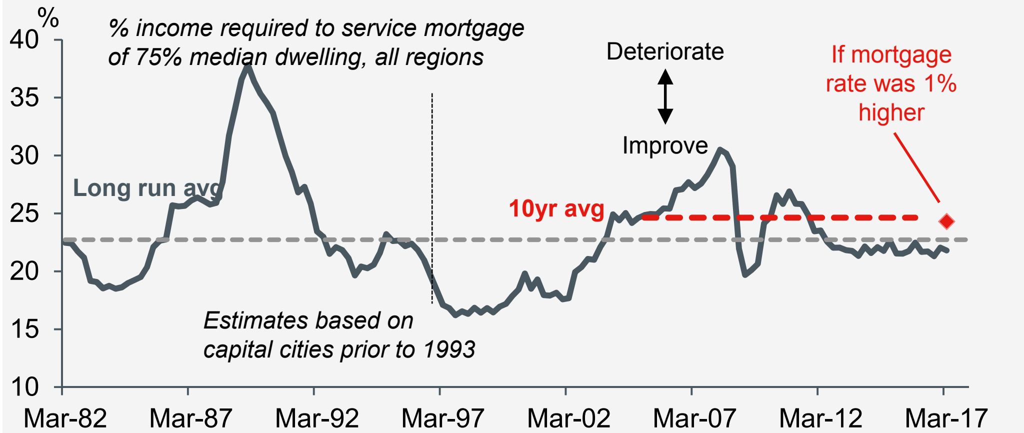
Sources: ABS, Westpac Economics.

Population growth now strongest in NSW and Victoria



Sources: ABS, Westpac Economics

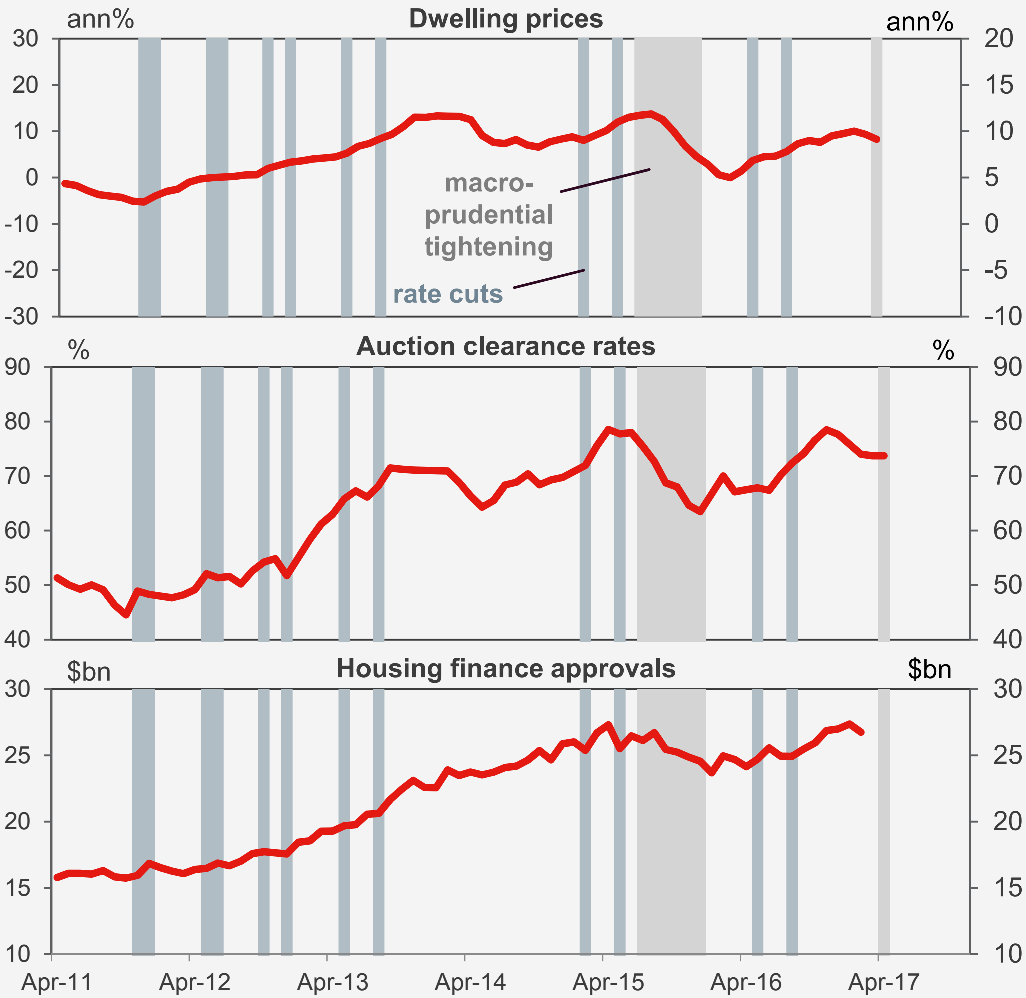
Housing affordability: all dwellings



Sources: CoreLogic, RBA, Residex, Westpac Economics.

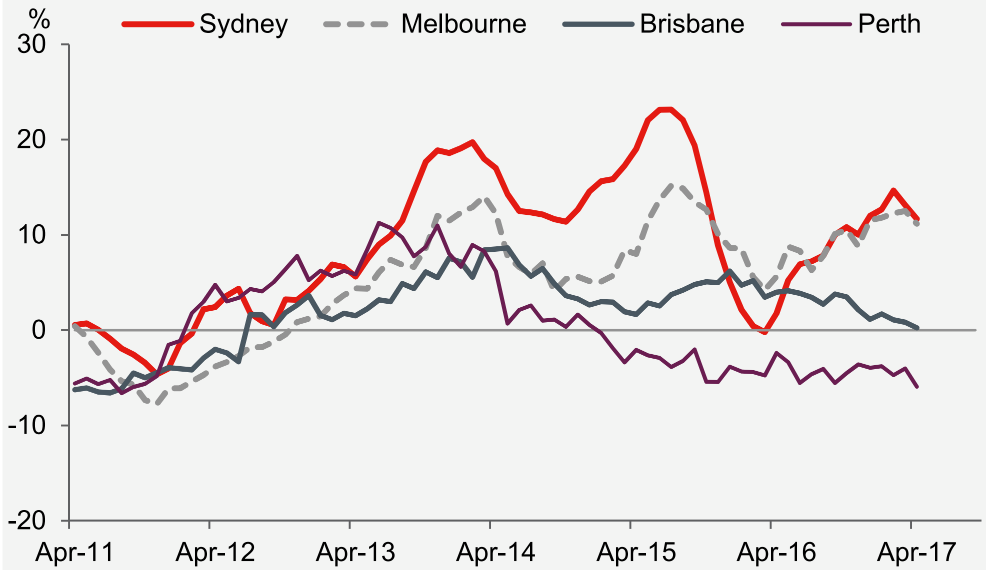
Housing market responds to both macro prudential measures and rates

Australian housing market indicators



Sources: ABS, CoreLogic, APM, Residex, RBA, Westpac Economics. Dwelling prices are all dwellings, composite of all measures, seasonally adjusted, 6mth annualised growth.

Change in Australian dwelling prices by capital city (annual %)



Sources: ABS, CoreLogic, APM, Residex, Westpac Economics. Dwelling prices are all dwellings, composite of all measures, seasonally adjusted, 6mth annualised growth.

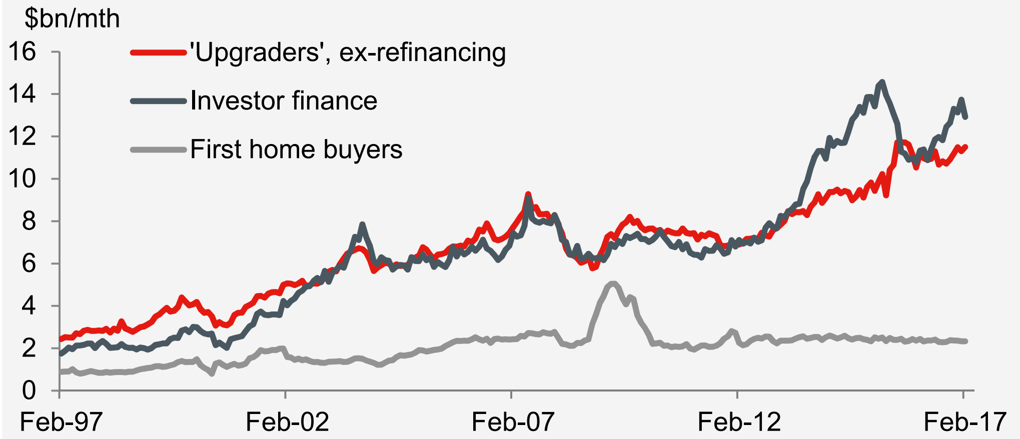
Capital city	Pop'n	% Change YoY (Apr-17)	Avg since 2007
Sydney	4.9m	Up 16.1%	Up 7.6%
Melbourne	4.9m	Up 15.3%	Up 6.6%
Brisbane	2.3m	Up 2.1%	Up 1.4%
Perth	2.0m	Down 6.0%	Down 0.2%
Adelaide	1.3m	Up 2.1%	Up 2.0%

Sources: ABS, CoreLogic, Westpac Economics.

Drivers of investor property lending

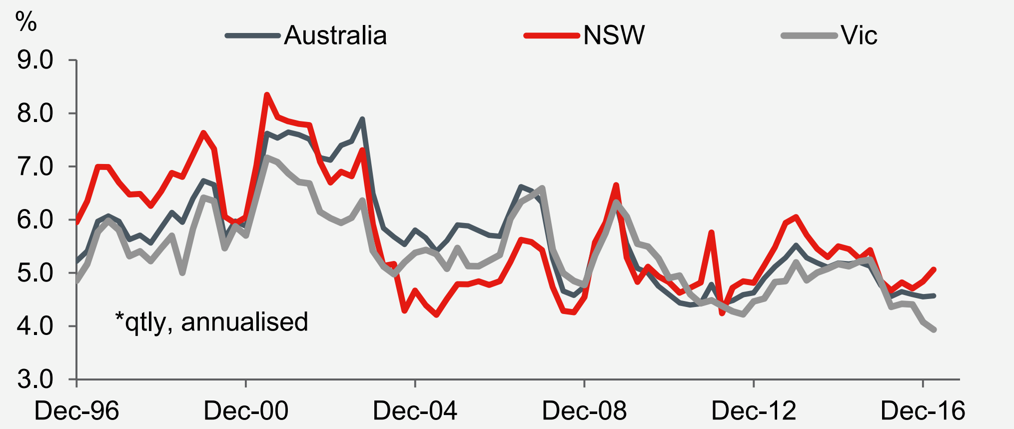
- Investor activity has been a key driver of Australia's housing markets in recent years
- Demand from investors tends to be less sensitive to affordability considerations with price expectations and yields more important factors
  - Both remain supportive for demand with surveyed price expectations positive and gross rental yields similar to the dividend yield on Australian shares and well above returns on term deposits
- Investor activity can also be more volatile and susceptible to riskier 'speculative' behaviour. However, the latter does not appear to be a significant factor at the moment. In particular, the proportion of 'short term' transactional buying appears to be low: turnover in Australia's housing markets is low by historical standards, even in the stronger Sydney and Melbourne markets

Housing finance approvals: value of housing finance ($bn/mth)



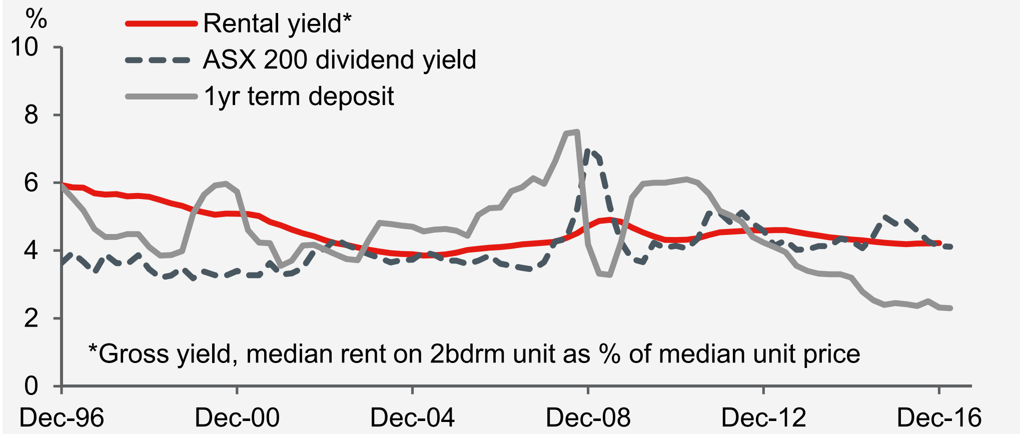
Sources: ABS, Westpac Economics.

Dwelling turnover (% total stock)



Sources: CoreLogic, ABS, Westpac Economics

Investor housing yields vs shares, deposits (% p.a.)

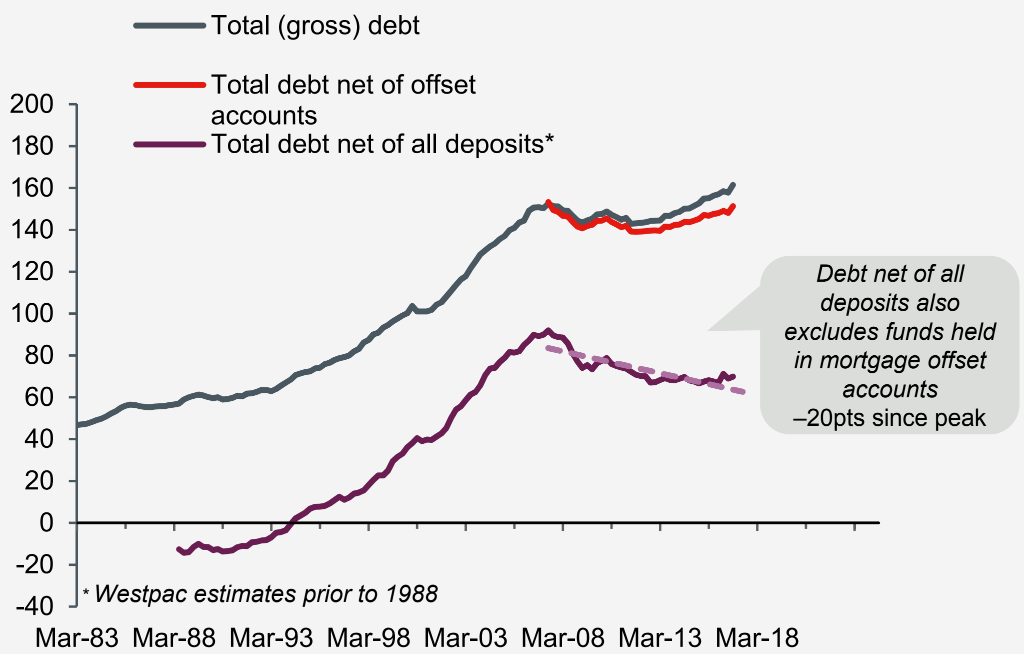


Sources: CoreLogic, REIA, RBA, Westpac Economics.

Australian household sector

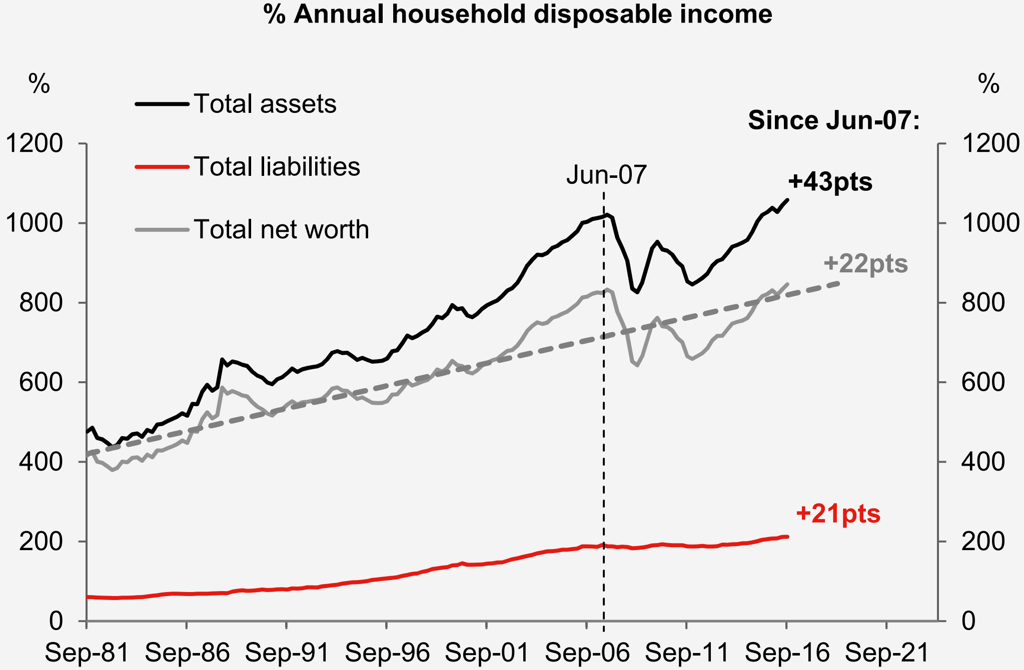
- Conditions remain mixed across Australia's household sector
- After a period of balance sheet consolidation, debt is now rising again. With income growth subdued, aggregate measures of leverage are at or slightly above previous peaks. Debt servicing costs have also risen although they remain well below the 'stressed' peaks in 2011 and 2007
- Gains in household assets have also significantly outstripped the rise in debt, producing strong increases in net worth
- However, conditions vary markedly by state reflecting both the divergent performance of housing markets and household incomes

Australian households debt to income ratio (%)



Sources: ABS, RBA, Westpac Economics

Australian household balance sheets

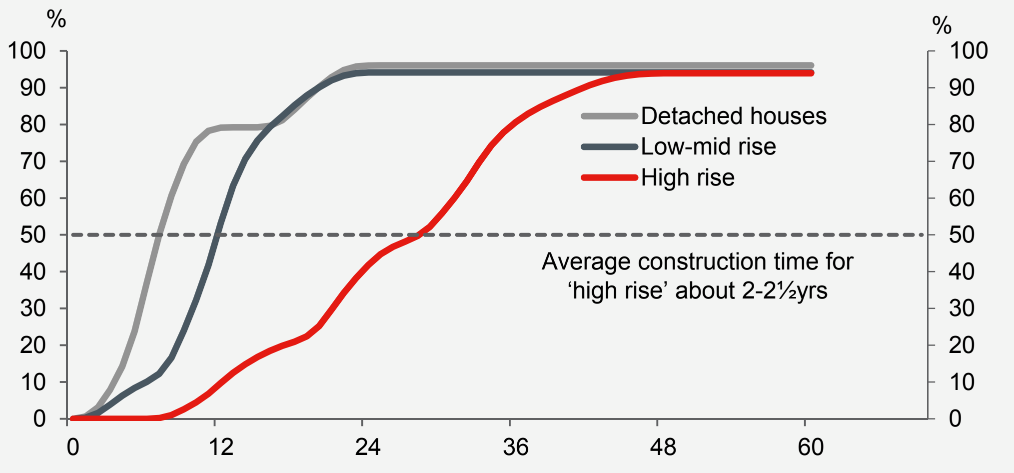


Sources: ABS, RBA, Westpac Economics.

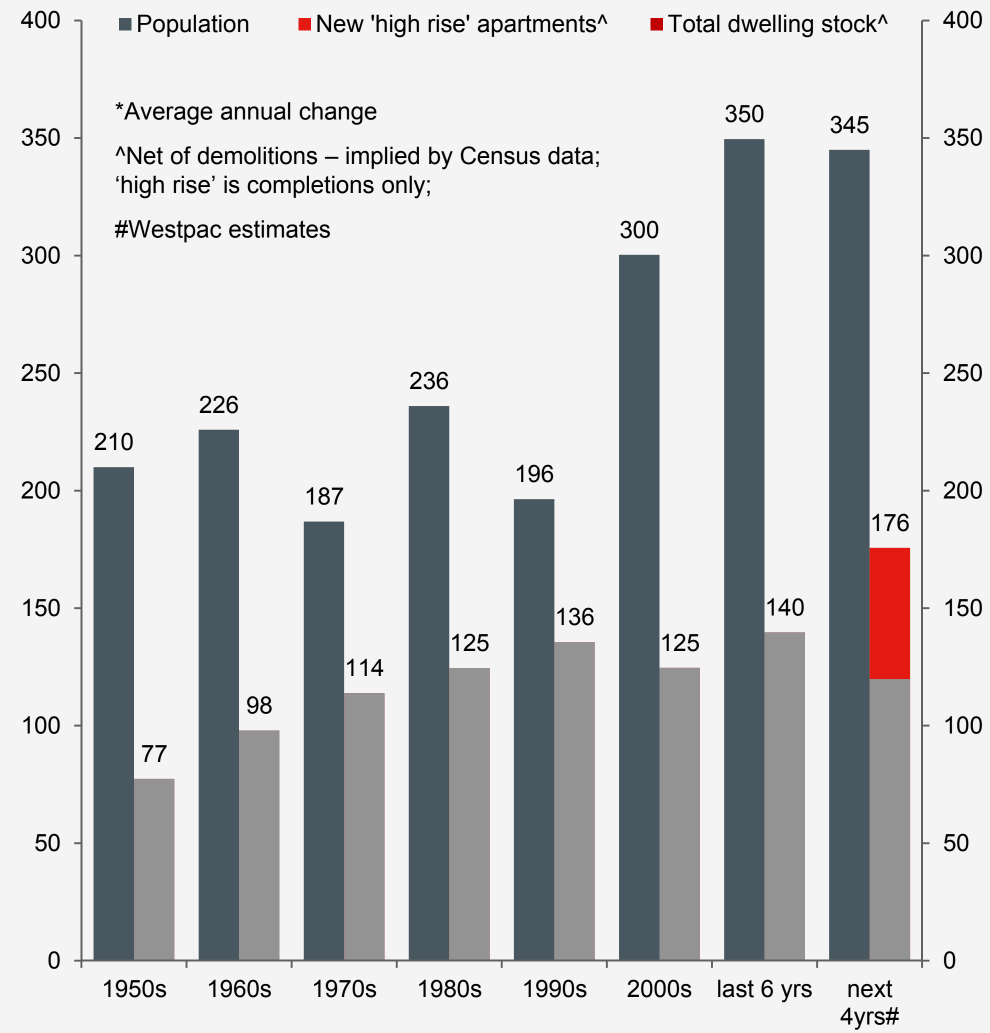
Australia’s high rise apartment market

- Construction in Australia has responded to low rates and the end of the mining boom
- A surge in apartment construction in recent years saw a rise in the number of completions in 2016 that will continue into 2017 and 2018
- Sydney is expected to see 50,000 apartment completions over the two years with 34,000 in Melbourne and 18,000 in Brisbane. New supply is more heavily concentrated in inner city areas in Melbourne (18,000 completions) and Brisbane (7,000) than in Sydney (7,500)
- New completions will start to address the large structural deficit that accumulated over the past decade as strong migration-led population growth combined with sustained low levels of building
- Market-wide oversupply is not likely but pockets of oversupply may emerge over the short to medium term as new supply is absorbed

Dwelling construction: indicative completion times[2]



Population versus dwelling stock (annual average change ‘000)



1 Source: RBA, CoreLogic. 2 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.

New Zealand economy

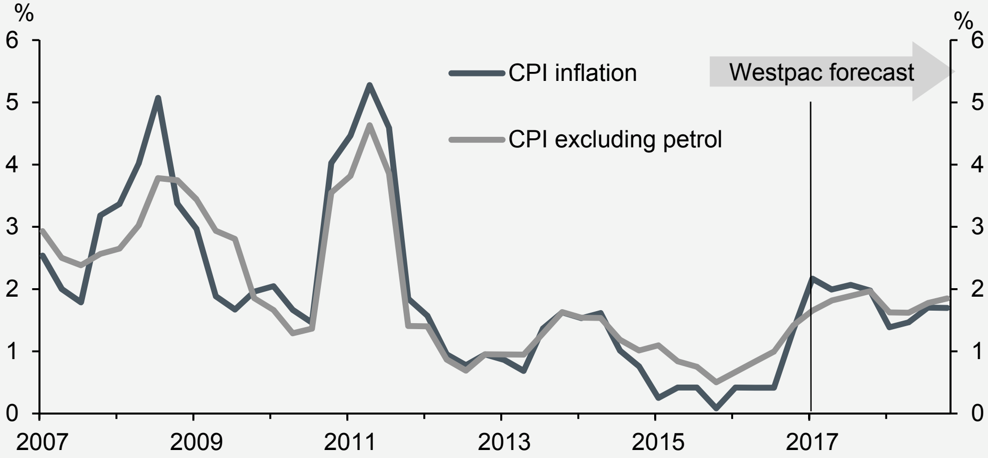
Key economic statistics

	FY16	FY17f	Change
GDP annual average growth	2.9%	2.9%	(0 bps)
Inflation rate	0.4%	2.1%	(+170 bps)
Official cash rate (OCR)	1.75%	1.75%	(0 bps)
Unemployment rate	4.9%	4.5%	(-20 bps)
Dairy payout (ex dividend)[1]	$6.00	$6.10	(+$0.10)

Source: RBNZ, Westpac Economics

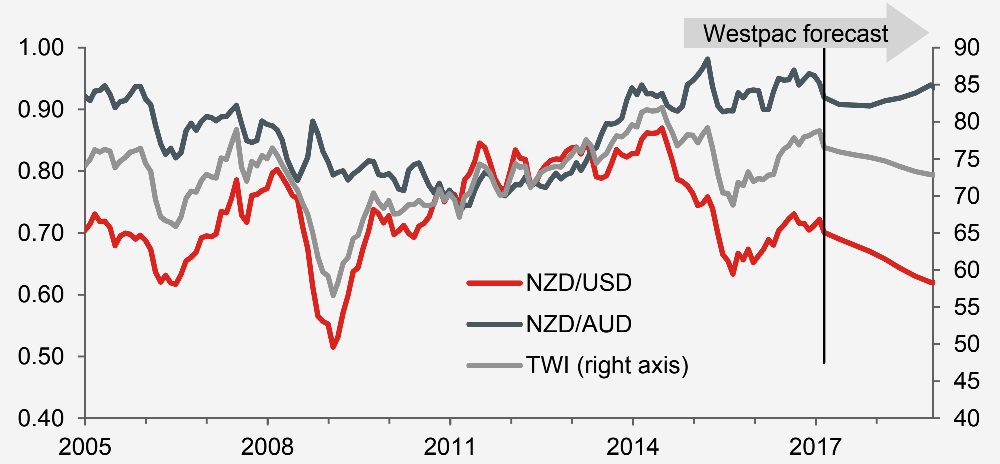
- Inflation rebounded to 2.2% in early 2017, boosted by gains in fuel and food prices
  - Core inflation, while still below 2%, has also lifted
  - Annual inflation is expected to remain around 2% through 2017 – higher than the RBNZ was expecting in February when it released its most recent projections
- Westpac Economics still expects that the OCR will be adjusted at a fairly gradual pace
  - Much of the recent pickup in inflation has been due to temporary factors - food and fuel. To ensure inflation remains around 2% beyond 2017, the economy will need to continue growing at strong pace, and this will require interest rates to remain low for some time yet
- Potential changes to the monetary policy framework have been mooted by the NZ Government. These include a possible move from a single decision-maker model to a formal voting committee. The main opposition has also proposed the addition of a 'full employment' goal. It is not clear that either change would result in materially different policy settings

Inflation



Source: Statistics NZ, Westpac Economics

NZD/USD, NZD/AUD and TWI



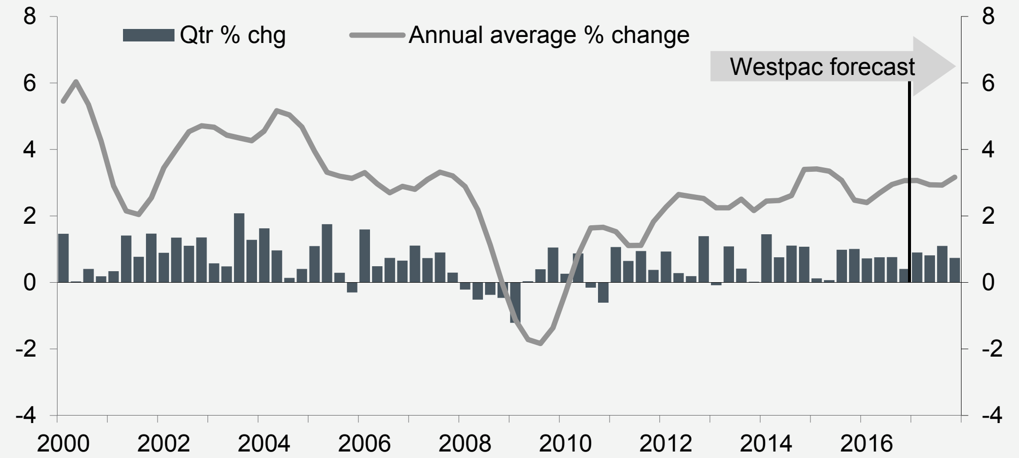
Source: Statistics NZ, Westpac Economics

1 Seasons ended May.

New Zealand economy
Solid growth outlook, low interest rates a key support

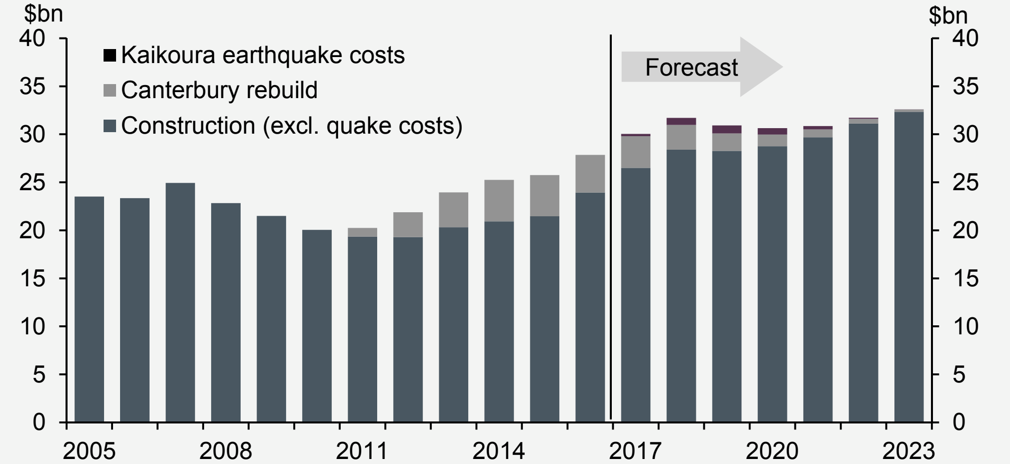
- The New Zealand economy is expected to continue growing at around 3% per annum over the next few years
- Growth is being supported by very strong population of around 2% per annum.
  - This is a result of record levels of net migration with a net inflow of 72,000 people over the past year
  - Recently announced policy changes are expected to have only a limited impact on migration inflows
- There is a very strong outlook for residential construction centred on Auckland, and a large pipeline of non-residential construction work, including infrastructure spending
- Planned spending on the Canterbury rebuild (equal to around 15% of annual GDP) is around two-thirds complete and has started to wind down
- Areas that are expected to receive considerable focus ahead of the general election in September include migration, housing , and taxation

GDP growth (%)



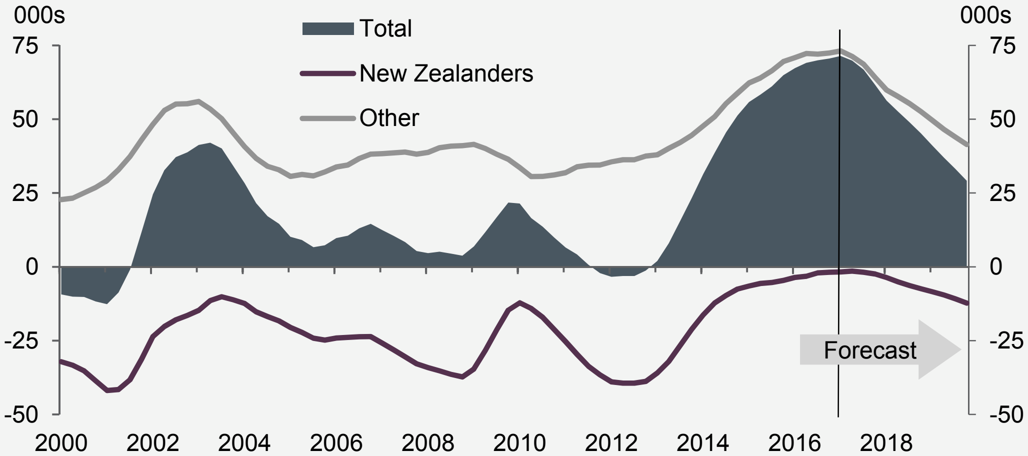
Sources: Stats NZ, Westpac economics

Construction spending (annual)



Source: Stats NZ, Westpac economics

Net migration (annual)

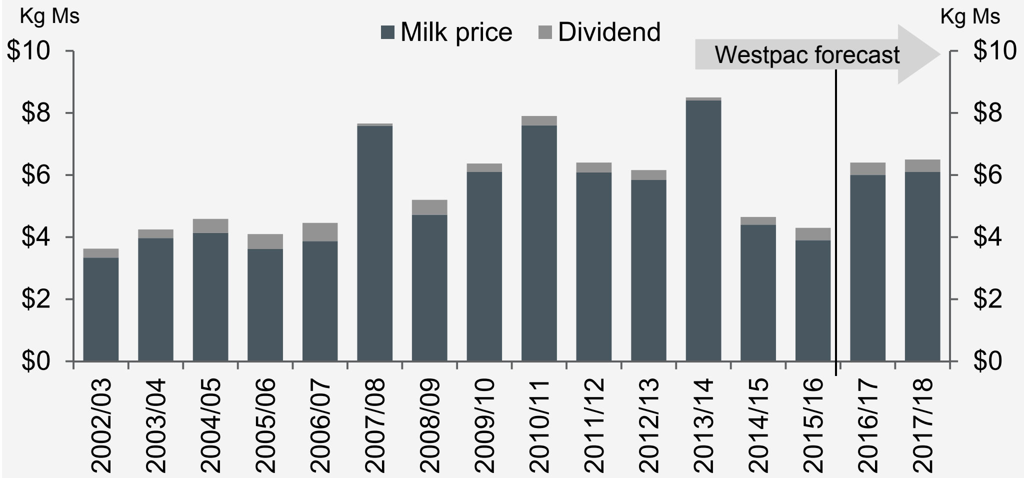


Sources: Stats NZ, Westpac economics

New Zealand economy
Conditions are improving for the dairy sector

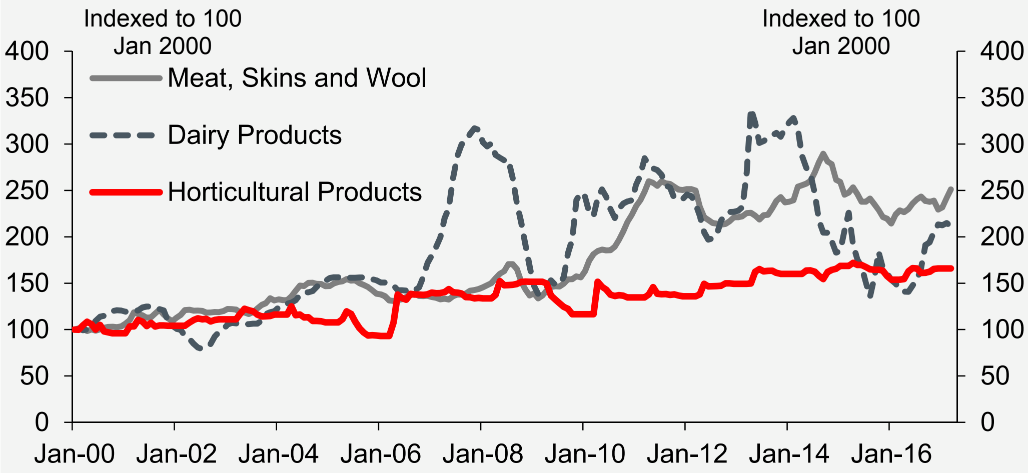
- The outlook for the dairy sector has improved significantly over the past year. Despite some pull-back this year, global dairy prices are nearly 50% higher than mid-2016
- A contraction in milk production from key exporting regions, including Europe and New Zealand, was a key catalyst for the turnaround in prices in H2 2016. But milk production trends have firmed in recent months, as farmers respond to higher prices. Rising supply is expected to limit further upside in prices this year
- At the same time, demand has firmed, particularly out of China and some other parts of Asia
- Westpac Economics is forecasting a farm gate milk price of $6 for the current 2016/17 season, and a similar $6.10 for next season. Although that's above breakeven for most in the industry, it will take some time for farmers to repair balance sheets following two seasons of poor prices

Dairy payout and dividend[1]



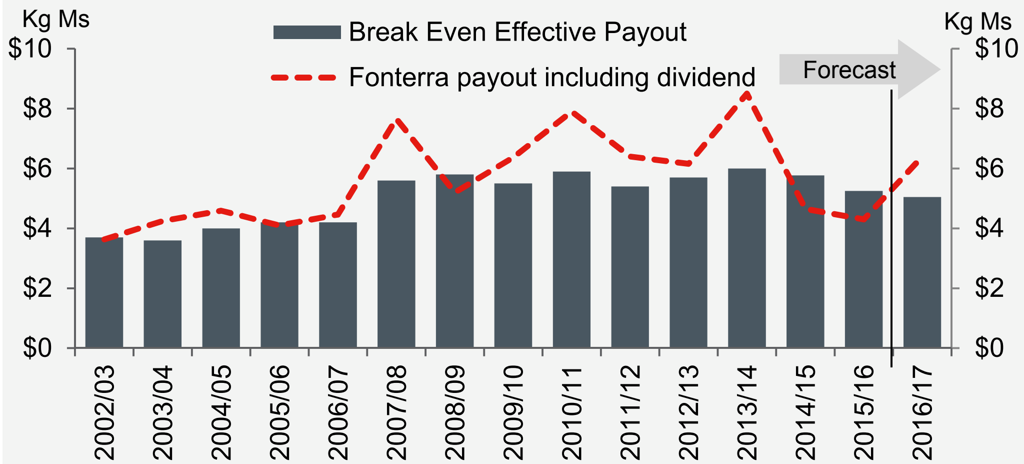
Source: Fonterra, Westpac Economics

NZ export commodity price index (NZD)



Source: ANZ, Westpac

Break-even dairy payout

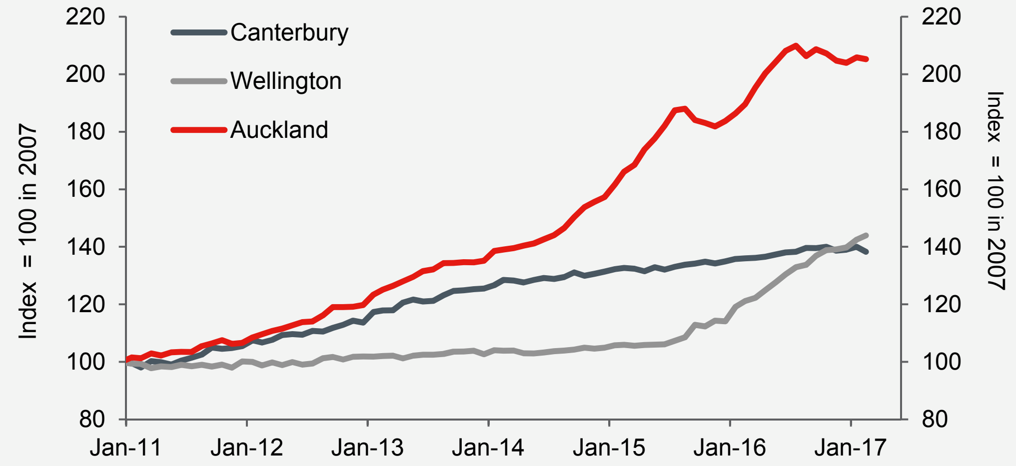


Source: RBNZ, DairyNZ, Westpac, Fonterra

New Zealand economy
Housing market conditions evolving, stability concerns persist

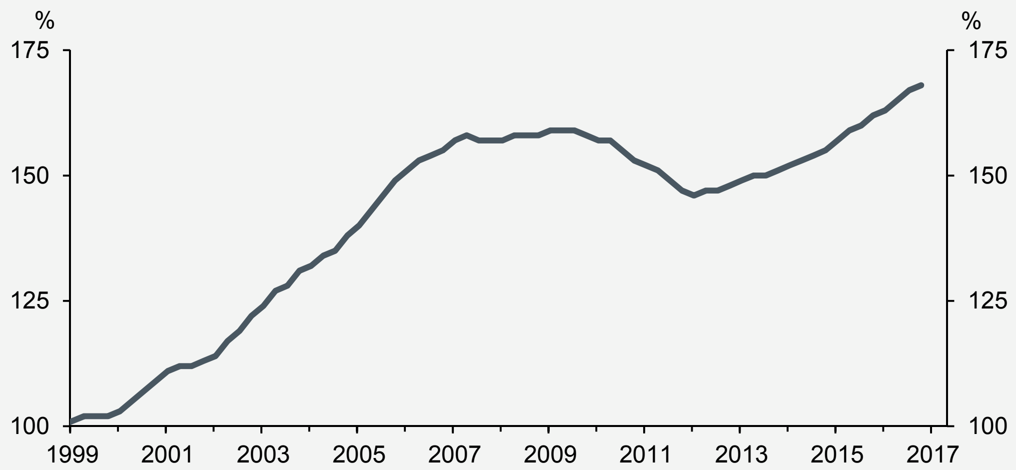
- House price inflation has cooled substantially in recent months
- In Auckland prices have been effectively flat since last August (though tightness in supply is limiting the downside for prices in Auckland)
- Previous hotspots such as Hamilton and Tauranga have also slowed. Prices are still rising at a moderate pace in many of the smaller regions
- Sales level are down around 20% from the peak in 2016
- The tightening of loan-to-value restrictions for investors last July has contributed to the slowdown in the housing market. More significantly, mortgage rates have risen since late last year. Westpac Economics expects this factor to have a more sustained impact on house price growth, with further rises in borrowing rates expected this year

New Zealand house prices by region (index)



Sources: REINZ, Westpac Economics

Household debt, share of disposable income (%)



Source: RBNZ

House sales (monthly)

Sources: REINZ

200 years proudly supporting Australia

Secured Funding

Westpac's Australian Covered Bond Program

AAA rated

AA- rated issuer

4.1% collateral score[1]

A$23bn outstanding

Issuer	Westpac Banking Corporation
Issuer rating[2]	AA-/Aa2/AA- by S&P / Moody's / Fitch
Format	Legislative Covered Bond
Covered Bond rating	Aaa / AAA by Moody's / Fitch
Program size	US$40 billion
Maturity options	Program allows for issuance of Soft and Hard Bullet Covered Bonds. The current issuance strategy is to issue Soft Bullet only.
Covered Bond Guarantor	Westpac Covered Bond Trust, a special purpose vehicle (trust)
Covered Bond Guarantee	Covered Bond Guarantor has guaranteed payments of interest and principal under the Covered Bonds secured over the Mortgage Loans and its other assets (limited in recourse to its assets)
LVR cap in asset coverage test	80% (subject to indexation)
Asset percentage	Subject to rating agency requirements, program maximum 95%
Collateral	Prime Australian residential mortgages
Listing	London Stock Exchange

1 The collateral score is Moody's opinion of how much credit enhancement is needed to protect investors from the credit deterioration of assets in a cover pool in order to reach a theoretical Aaa expected loss, assuming those assets are otherwise unsupported. The higher the credit quality of the cover pool, the lower the collateral score. Source: Moody's. Last updated April 2017. 2 S&P Global Ratings and Moody's Investors Service have Westpac on a negative outlook, Fitch Ratings has Westpac on a stable outlook.

Covered Bond Program key features

Structure

- Covered Bonds are issued by Westpac, backed by an unconditional and irrevocable guarantee by the Covered Bond Guarantor (the "***CBT Guarantor***"), which is limited in recourse to the assets in the Westpac Covered Bond Trust

Security

- Security comprises a pool of Australian residential mortgages which meet the eligibility criteria (the "*cover pool*"). It also includes certain other assets such as cash and investments (subject to legislative and rating agency limits). Mortgages in the cover pool have been sold to the CBT Guarantor to ensure that covered bondholders have a priority claim over the cover pool in the event of Issuer insolvency

Overcollateralisation

- Prior to service of a Notice to Pay on the CBT Guarantor, an Asset Coverage Test will be run monthly to ensure the CBT Guarantor has sufficient assets to support the outstanding covered bonds. Defaulted loans will have nil value applied to them and remaining loans adjusted by the Asset Percentage. The Asset Percentage is confirmed by the rating agencies quarterly and is subject to a maximum of 95%, which represents a minimum level of overcollateralisation of just over 5%.
- Following service of a Notice to Pay on the CBT Guarantor, an Amortisation Test is run monthly to ensure the CBT Guarantor has sufficient assets to meet the covered bond obligations

Asset Monitor

- PricewaterhouseCoopers monitors the calculation of the Asset Coverage Test and the Amortisation Test on at least an annual basis.
- They also provide the asset monitor reporting requirements in relation to the legislation on at least a six monthly basis. This includes verification of the asset register and provision of any other information APRA requires

Hedging

- The Interest Rate Swap and Covered Bond Swap are used to hedge any exposure of the CBT Guarantor to interest rate and currency risks

Australian covered bond legislation

Timing

- Legislation was passed in October 2011 to amend Banking Act and enable Australian banks to issue covered bonds
- Covered bond issuances previously prohibited by Banking Act and Regulator

Structure

- Covered bond issuance only permitted in accordance with the legislative framework
- Segregation of cover assets to be achieved via sale into an insolvency remote special purpose vehicle
- Legal certainty for the segregation of the cover pool in the event of bankruptcy of the issuing ADI

Priority

- Bondholders have priority against a cover pool of financial assets
- APRA has no direction making powers over assets held by the SPV for the benefit of covered bondholders and service providers

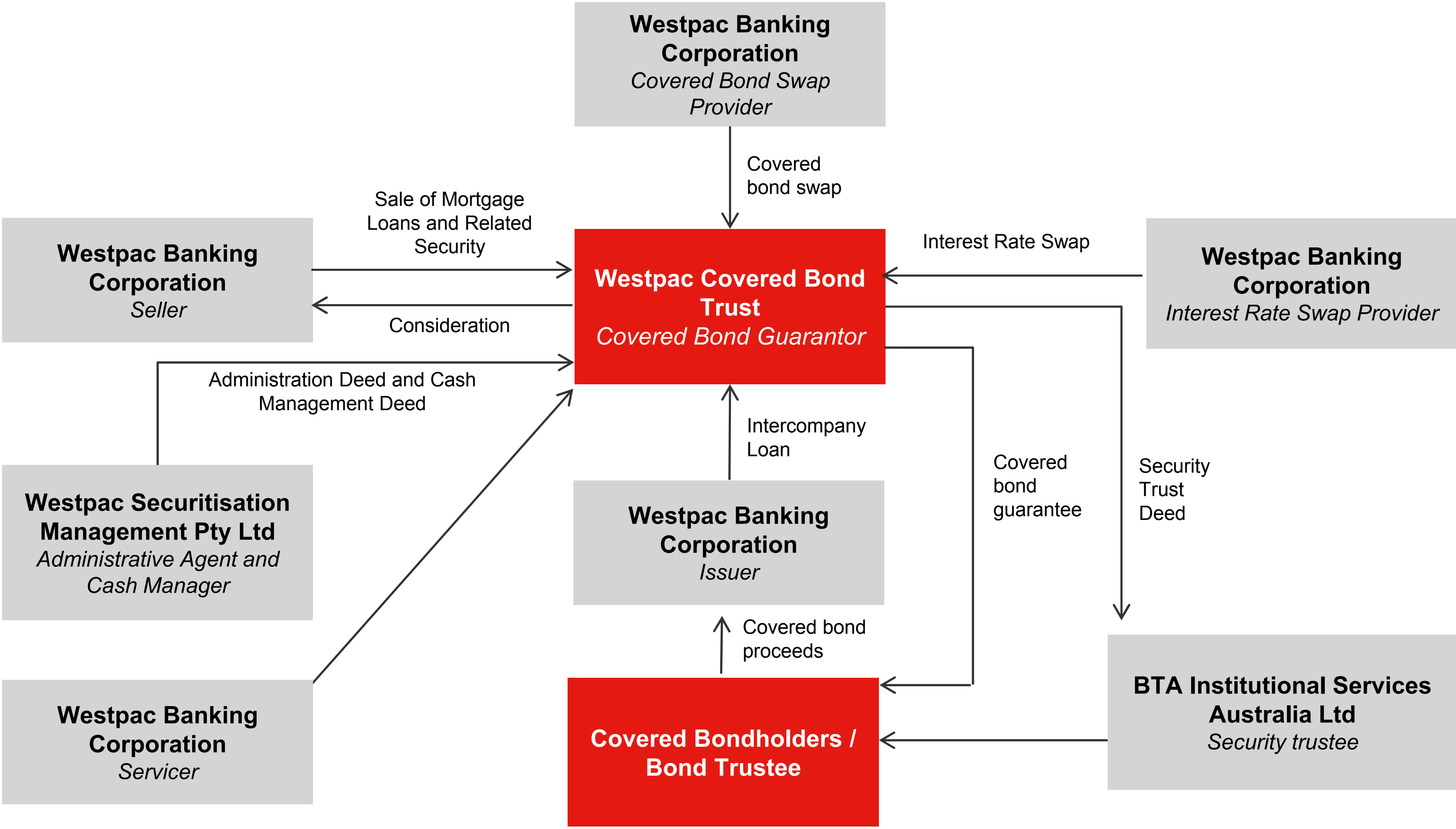
Cover Pool

- Eligible cover assets include cash equivalents, bank bills and certificate of deposits with maturity less than 100 days (limited to 15%), Australian government or semi-government bonds, residential or commercial mortgage loans (separate programs expected for each loan class), and derivatives
- Minimum level of over-collateralisation of 3% (programs also to include an asset coverage test)
- Value only provided up to 80% LVR for residential loans and 60% for commercial loans

Issuance Limits

- Covered bond issuance not permitted if cover assets exceeds 8% of ADI's Australian assets
- Capital neutral for ADI if the cover pool is less than 8% of ADI's Australian assets
- Implies potential combined covered bond issuance capacity of circa A$200bn by four major ADIs
- Implies potential covered bond issuance capacity of A$59bn by Westpac as at 31 March 2017

Covered bond structure



Structural enhancements

Interest rate swap

- The Interest Rate Swap provides a minimum yield on the Cover Pool by swapping:
  - The amount of interest received from the residential mortgage loans and other assets of the CBT Guarantor, in exchange for
  - An amount sufficient to pay expenses and the interest on the Intercompany Loan, or the Covered Bond noteholders after a Notice to Pay
- WBC is the initial interest rate swap provider. If the interest rate swap provider is downgraded below the (A2 & P1 (Moody's) or A & F1 (Fitch)) triggers it will need to post collateral and/or be replaced
- If the Interest Rate Swap cannot be replaced and terminates, the Threshold Rate mechanism is activated. This means that the Servicer, once notified, must commence the process to change the interest rate on the variable rate loans so as to ensure that the weighted average interest rate payable on the variable rate loans is sufficient for the CBT Guarantor to meet its obligations

Covered bond swap

- Only after a Notice to Pay, the CBT Guarantor and covered bond swap providers will swap
  - AUD floating rate amounts, in exchange for
  - Foreign currency amounts reflecting the obligations payable under the relevant tranche of Covered Bonds
- WBC is the initial covered bond swap provider. If the covered bond swap provider is downgraded below the (A2 & P1 (Moody's) or A & F1 (Fitch)) rating triggers it will need to post collateral and/or be replaced

Reserve fund

- If the short term, unsecured, unsubordinated rating of WBC falls below F1+ or A by Fitch or P-1 by Moody's, then the reserve fund shall be funded with an amount equal to the (AUD equivalent) greater of:
  (i) one-quarter of annual interest payable; and
  (ii) actual interest payable in the forthcoming 3 months

  plus

  - one quarter of certain trust expenses
- The Reserve Fund will be
  - Funded via an advance under the Intercompany loan or Subordinated loan; or
  - Funded via interest collections before interest payments are made to WBC on the Intercompany loan

Servicer downgrade

- If WBC is downgraded below F1 or A (Fitch) or P-1 (Moody's), then it will be required to transfer all collections from the Cover Pool to the CBT Guarantor's account within 2 business days
- The Servicer may be replaced if it ceases to have the Required Servicer Rating (below BBB-/Baa3)

Asset Coverage Test

- Tested prior to the service of a Notice to Pay as of every Calculation Date (monthly)
- The Asset Coverage Test is designed to protect Covered Bondholders by ensuring that the value of mortgages, cash and substitution assets are greater than the outstanding principal of the Covered Bonds, plus a buffer set by the rating agencies. At all times, nil value is attributed to Defaulted Loans
- Failure of the Asset Coverage Test after the service of an Asset Coverage Test Breach Notice will constitute an Issuer Event of Default and prompt an acceleration of the Covered Bonds against the Issuer

Asset coverage test

=

Lower of:

For each Loan in the Portfolio, the lower of
- Outstanding Principal Balance of the Loan; and
- the indexed Valuation of each Property relating to the Loan, multiplied by
  - 0.80, for all Loans that are not Defaulted Loans,
  - 0, for all Loans that are Defaulted Loans

MINUS ANY LOANS IN BREACH OF REP AND WARRANTY

For each Loan in the Portfolio, the lower of
- Outstanding Principal Balance of the Loan; and
- the Valuation of each Property relating to the Loan, multiplied by
  - 1, for all Loans that are not Defaulted Loans
  - 0, for all Loans that are Defaulted Loans,

MINUS ANY LOANS IN BREACH OF REP AND WARRANTY

The result of which is multiplied by the Asset Percentage

+

Principal receipts
+
Unused intercompany loan advances and subordinated advances
+
Substitution assets and authorised investments

–

Weighted average remaining maturity of all Covered Bonds outstanding (yrs)

x

Principal Amount Outstanding of all Covered Bonds

x

Negative Carry Factor
(zero for so long as the interest rate swap is in effect)

≥

Covered bonds outstanding

Amortisation Test

- Tested as of every Calculation Date (monthly) after the service of a Notice to Pay
- The Amortisation Test is designed to ensure the CBT Guarantor has sufficient assets to meet its obligations under the Covered Bond Guarantee
- A failure of the Amortisation Test will constitute a CBT Guarantor Event of Default and prompt an acceleration of the Covered Bonds against the Covered Bond Guarantor

Amortisation test

=

For each Loan in the Portfolio, the lower of

- Outstanding Principal Balance of the Loan; and
- the indexed Valuation of each Property relating to the Loan, multiplied by
  - 0.80, for all Loans that are not Defaulted Loans,
  - 0, for all Loans that are Defaulted Loans

\+

Cash in the GI account and Authorised Investments
\+
Substitution assets

–

Weighted average remaining maturity of all Covered Bonds outstanding (yrs) x Principal Amount Outstanding of all Covered Bonds x Negative Carry Factor

≥

Covered bonds outstanding

Covered bond payments

Revenue priority of payments

- Accrued interest adjustment
- Taxes (CBT Guarantor only)
- Amounts due to CBT Guarantor / Bond Trustee / Security Trustee / Agents / Trust Expenses
- Amounts due to Servicer (if not WBC)
- Amounts due to any third party
- Amounts due to Servicer (if WBC) / Cash Manager / Account Bank / Asset Monitor / Administration Agent
- Amounts due to Interest Rate Swap Provider & Covered Bond Swap Provider (if required)
- Amounts to fund Reserve Fund (if required)
- Interest due on Demand Loan[1] / If the Pre Maturity Test has been breached: to Pre Maturity Liquidity Ledger
- Interest due on Guarantee Loan
- If a Servicer Termination Event has occurred: all remaining funds to be deposited into the GI account
- Excluded Swap Termination Amounts
- Interest due on Subordinated Loan
- Repayment of principal on Subordinated Loan
- Distribution to Residual Income Unitholder

Principal priority of payments

- If the Pre Maturity Test has been breached: to Pre Maturity Liquidity Ledger
- Repurchase price adjustment, if any / Principal payable on Demand Loan
- Acquisition of new Mortgages
- Credit to GI account to ensure the CBT Guarantor is in compliance with the Asset Coverage Test
- Repayment of Guarantee Loan
- Repayment of Subordinated Loan
- Credit to GI account

Guarantee priority of payments – following service of a Notice to Pay

- Accrued Interest Adjustment to Seller / Repurchase Price Adjustment to Seller
- Amounts due to Bond Trustee / Security Trustee / CBT Guarantor Fees / Agents / Trust Expenses
- Amounts due to Servicer (if not WBC)
- Amount to any third party
- Amounts due to Servicer (if WBC) / Cash Manager / Account Bank / Asset Monitor / Administration Agent
- Amounts due to Interest Rate Swap Provider
- Interest amounts due to Covered Bond Swap Provider / Interest on Covered Bonds / Interest and principal payable on the Demand Loan[1]
- Principal amounts due to Covered Bond Swap Provider / Covered Bondholders
- Principal payments to soft bullet Covered Bonds (during Extended Due for Payment period)
- All remaining funds to be deposited into the GI account until the Covered Bonds have been fully repaid
- Excluded Swap Termination Amounts
- Amounts due on Intercompany Loan
- Amounts due on Subordinated Loan
- Providing for current or future obligations
- Distribution to Residual Income Unitholder

1 Westpac may re-elect to increase the priority of this payment

Issuer Events of Default

Events of Default

- Issuer fails to pay when due
  - Any amount of Covered Bond principal within seven days of the due date
  - Any amount of Covered Bond interest within 14 days of the due date
- Issuer defaults in performance or obligations under the Transaction Documents and such default remains unremedied for a period of 30 days after written notice requiring such default to be remedied
- Order is made for the winding-up of the Issuer
- Issuer ceases to carry on all or substantially all of its business
- A receiver or statutory manager is appointed to the whole or substantial part of assets of the Issuer and not removed within 30 days
- Issuer unable to pay its debts as they fall due
- Asset Coverage Test Breach Notice has been served and not revoked by the next Test Date

Activation of the Covered Bond Guarantee

- Bond Trustee may accelerate the full outstanding amount of the Covered Bonds against the Issuer or may be required to, if requested by 25% or more of the covered bondholders
- If the Bond Trustee accelerates the Covered Bonds against the Issuer, the Bond Trustee must issue a Notice to Pay on the CBT Guarantor under the Covered Bond Guarantee
- Any amounts from the Issuer's insolvency (Excess Proceeds) are paid to the Bond Trustee and on to the CBT Guarantor (not the bondholders) and flow through the Guarantee Priority of Payments

Payments under the Covered Bond Guarantee

- Investors receive payment of interest and principal under the Covered Bond Guarantee according to the original payment schedule
- To the extent the Covered Bond Guarantor has insufficient funds to repay in full the Covered Bonds on the Maturity Date (other than for Hard Bullet Covered Bonds) the unpaid amount will be deferred and under the final terms shall be due and payable 12 months later (or earlier if the Covered Bond Guarantor has sufficient funds)

CBT Guarantor Events of Default

Events of Default

- CBT Guarantor fails to pay when due
  - Any amount of Covered Bond principal within seven days of the due date
  - Any amount of Covered Bond interest within 14 days of the due date
- CBT Guarantor defaults in performance of obligations under the Transaction Documents (other than the Asset Coverage Test) and such default remains unremedied for a period of 30 days after written notice requiring such default to be remedied
- An insolvency event has occurred in respect of CBT Guarantor
- A receiver / official manager is appointed to the whole or substantial part of assets of the CBT Guarantor and not removed within 30 days
- Covered Bond Guarantee ceases to be in full force and effect
- Amortisation Test is not satisfied on any Test Date following service of Notice to Pay

Enforcement

- Bond Trustee may direct Security Trustee to take proceedings to enforce the security against CBT Guarantor
- Claims against the CBT Guarantor are limited to the assets of CBT Guarantor
- Payments by the CBT Guarantor under the Covered Bond Guarantee do not reduce the amount accelerated against the Issuer (see Issuer Events of Default above)

Westpac's legislative covered bond program International comparisons

Terms	Westpac	UK	Sweden	Canada
Legislation	Amendment to the Banking Act 1959	UK Regulated Covered Bonds Regulations	Lag om Utgivning av Säkerställda Obligationer	National Housing Act
Asset allocation	All assets transferred to SPV	All assets transferred to SPV All assets on the cover register	All assets on the cover register	All assets transferred to SPV All assets on the cover register
Inclusion of hedge positions	Hedge positions are part of the structural enhancements intended to protect bondholders	Hedge positions are part of the structural enhancements intended to protect bondholders	Hedge positions can be included in the cover register	Hedge positions are part of the structural enhancements intended to protect bondholders
Substitute collateral	Up to 15%	Up to 10% /15%	Up to 20%	Up to 10%
Inclusion of commercial mortgages	100% residential Australian mortgage loans	100% residential mortgage loans in regulated programs	Commercial mortgage loans should not exceed 10% of total cover assets	Non-CMHC insured one to four unit Canadian residential mortgage loans
LTV barrier	Resi 80%	Resi 80%	Resi 75% CRE 60%	80%
Valuation check	Subject to internal bank procedures and indexed to house price index (APM)[1]	Indexed to house price index	Regular monitoring of property values	Indexed to house price index
Special supervision	Independent trustee and Cover Pool monitor	FCA, independent trustee and Cover Pool Monitor	Swedish FSA and independent inspector	CMHC under the OSFI, independent trustee and Cover Pool Monitor
Protection against credit risk	Yes, defined by asset coverage test	Yes, defined by asset coverage test	Issuer may replace non-performing loans	Yes, defined by asset coverage test
Mandatory over-collateralisation	Yes; 105% per the maximum asset percentage in the asset coverage test of 95%	Yes; subject to the asset percentage applied in the asset coverage test	No	Yes, subject to the asset percentage applied in the asset coverage test with minimum and maximum for each program
Bankruptcy remoteness of SPV	Yes, assets sold to SPV	Yes, assets sold to SPV	No but assets within the cover pool	No but all assets ring fenced in SPV
UCITS compliance	No - Not an EU issuer	Yes	Yes	No - Not an EU issuer
In the event of insolvency, first claim is on...	...all the payments received from SPV assets which are collected in GI account	...all the payments received from SPV assets which are collected in GI account	...all the payments received from the earmarked assets	...all the payments received from SPV assets which are collected in GI account
In the event of insufficient pool assets...	...investors rank pari passu with senior debt holders	...investors rank pari passu with senior debt holders	...investors rank pari passu with senior debt holders	...investors rank pari passu with senior debt holders

Westpac's high quality cover pool

Covered bond pool eligibility criteria

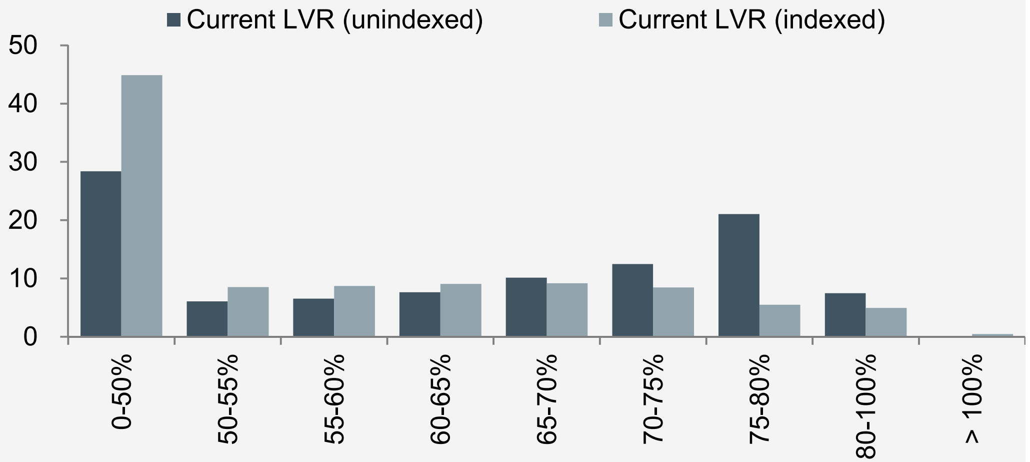
- **At the time of sale, each loan:**
  - Is denominated and payable only in A$ in Australia
  - Is secured by a mortgage that constitutes a first ranking Australian mortgage (second allowed as long as first held with the CBT Guarantor)
  - Is secured by a mortgage over a property which has erected on it a residential dwelling
  - Was approved and originated by the seller in the ordinary course of business
  - Is a loan under which the outstanding principal balance owed by the borrower is not more than A$2,000,000
  - Is a loan under which the relevant borrower is required to repay the loan within 30 years of the relevant cut-off date
  - Is not a delinquent loan or a defaulted loan and no legal demand has been served on the relevant borrower in respect of a payment on the loan
  - The sale of an interest in, or the sale of an interest in any related security, does not contravene or conflict with any law
  - The relevant borrower is a resident of Australia
  - Not a loan with a remaining interest only payment period of >10 years
  - The related mortgage has been or will be stamped
  - Where applicable, all progress drawings have been made by the borrower and the residential dwelling has been completed; and
  - The borrower has made at least one monthly payment or two fortnightly payments in respect of the loan

Covered pool loan statistics as at 31 March 2017

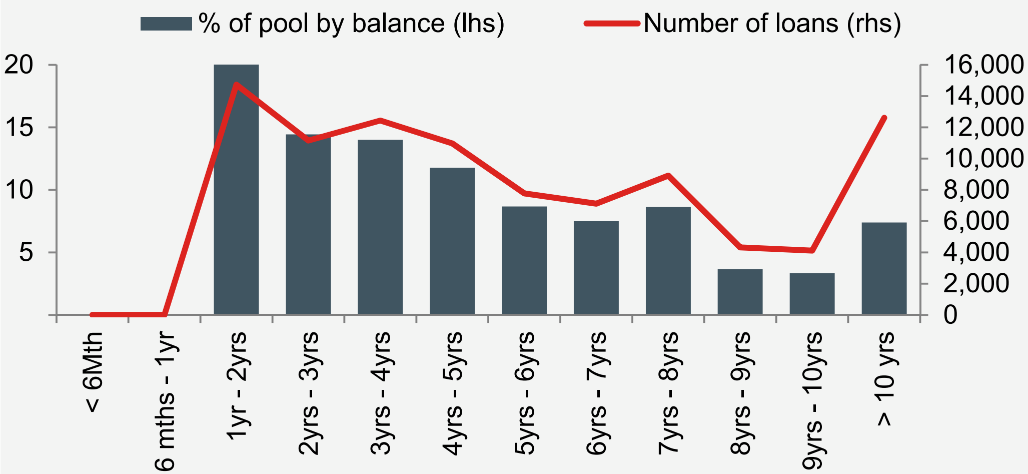
Total pool loan balance[1]	**A$24,514,456,229**
Number of loans	**94,135**
Average loan size	**A$260,418**
Max loan size	**A$2,000,000**
Weighted average current LVR (unindexed)	**60.5%**
Weighted average current LVR (indexed)	**51.6%**
90 day + arrears	**0.0%**
Weighted average seasoning	**58 months**
Weighted average remaining term to maturity	**283 months**
Weighted average interest rate	**4.5%**
Fixed / variable split (by bal)	**15.5% / 84.5%**
Interest only (by bal)	**29.6%**
Owner occupied security	**73.8%**

Cover pool statistics as at 31 Mar 2017

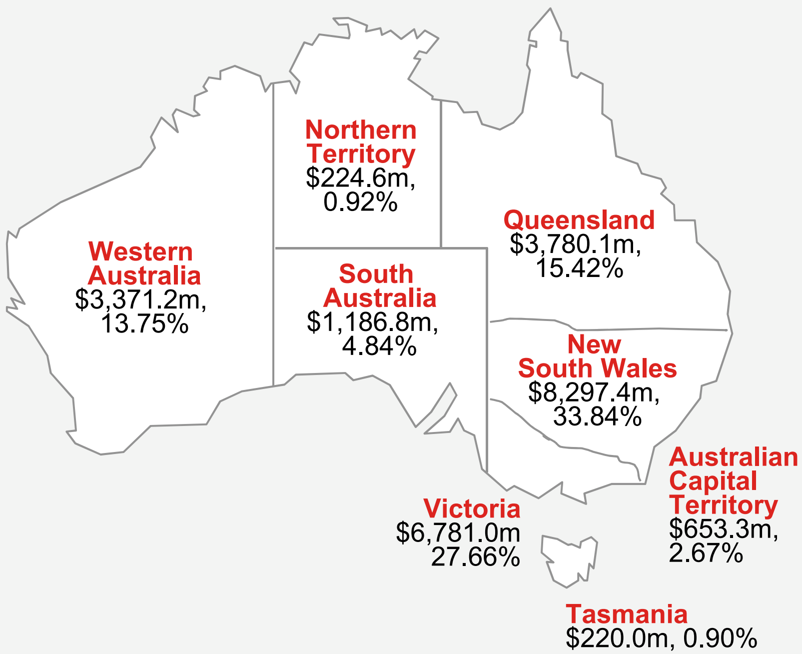
Loan to value ratio by balance (%)



Portfolio seasoning



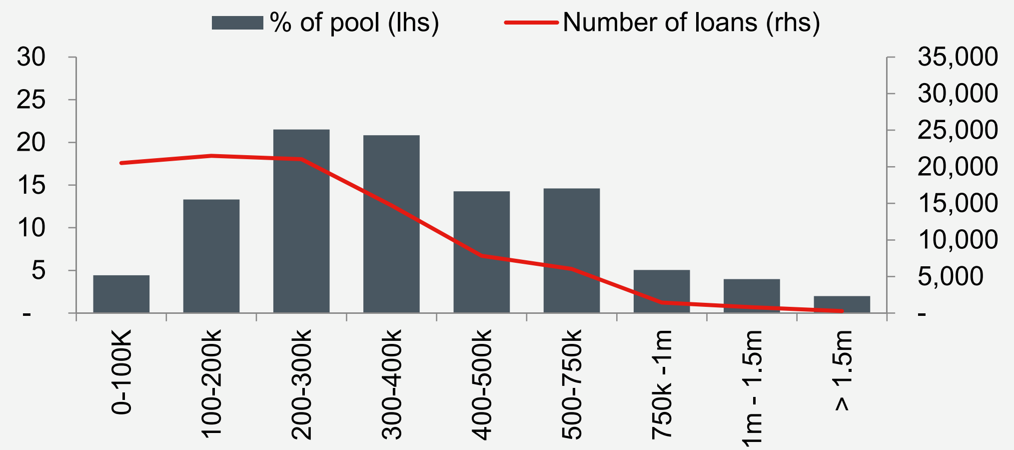
Geographic distribution by state



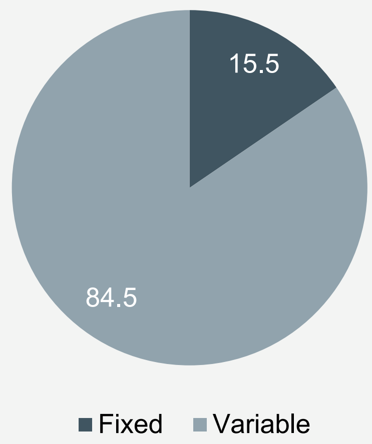
Distribution by region	Value of loans (A$m)	% of pool by value
Metropolitan	19,608	79.98%
Non-Metropolitan	4,907	20.02%

Cover pool statistics as at 31 Mar 2017 (cont.)

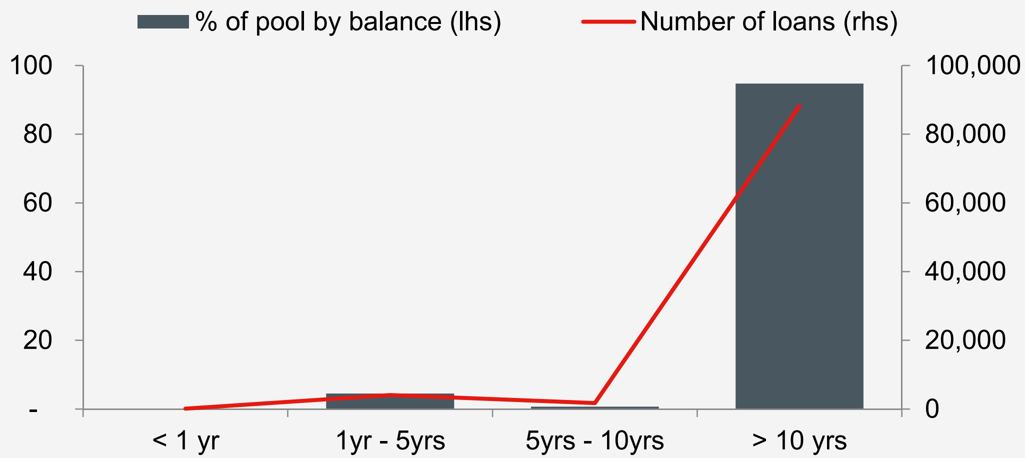
Mortgage principal balance distribution



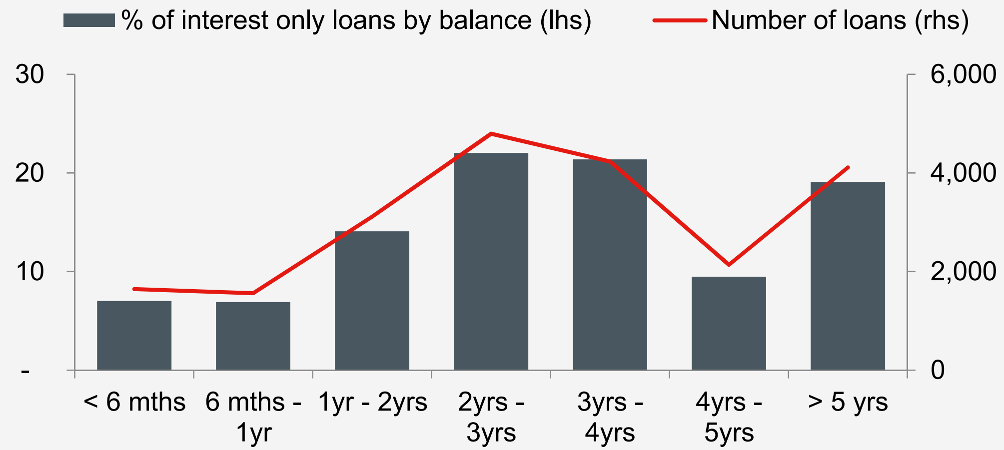
Interest rate split (%)



Years to maturity (legal)



Interest only expiry date remaining period



200 years proudly supporting Australia

Additional Information and Appendices

Westpac and Australian major bank ratings

Agency	Fitch Ratings Agency		Moody's Investors Service		S&P Global Ratings		
Westpac's ratings structure	Viability Rating	aa-	Macro score	Very Strong -	Anchor	BICRA 2	a-
	Support Rating	1	Solvency score	a1	Business position	Strong	+1
	Support Rating Floor	A	Liquidity score	baa1	Capital & earnings	Adequate	+0
			Financial profile	a2	Risk position	Adequate	+0
			Assigned adj. BCA	**a1**	Funding Liquidity	Average Adequate	+0
			LGF	0	**SACP**		**a**
			Government support	2	Sovereign support		+2
Westpac ratings[1]	Issuer default rating	**AA- / Stable**	Senior unsecured rating	**Aa2 / Negative**	Issuer credit rating		**AA- / Negative**

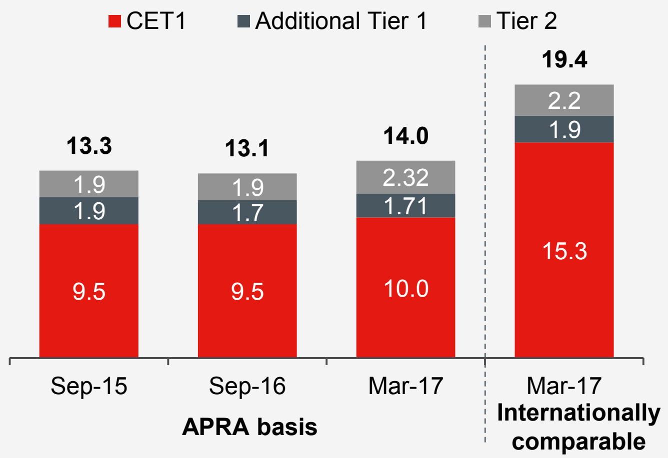
S&P Scenario Analysis for major Australian banks

Scenario Analysis	Economic Risk score	Government Supportive-ness	Sovereign LC Rating	Capital & Earnings assessment	SACP (Major Australian Bank)	ICR (Major Australian Bank)
Base Case	Unchanged	Unchanged	Unchanged	Unchanged	a	**AA-**
Scenario-1	Unchanged	Unchanged	Unchanged	Better	a+	**AA-**
Scenario-2	Unchanged	Unchanged	Worse	Unchanged	a	**A+**
Scenario-3	Unchanged	Worse	Unchanged	Unchanged	a	**A+**
Scenario-4	Worse	Unchanged	Unchanged	Unchanged	a-	**AA-**

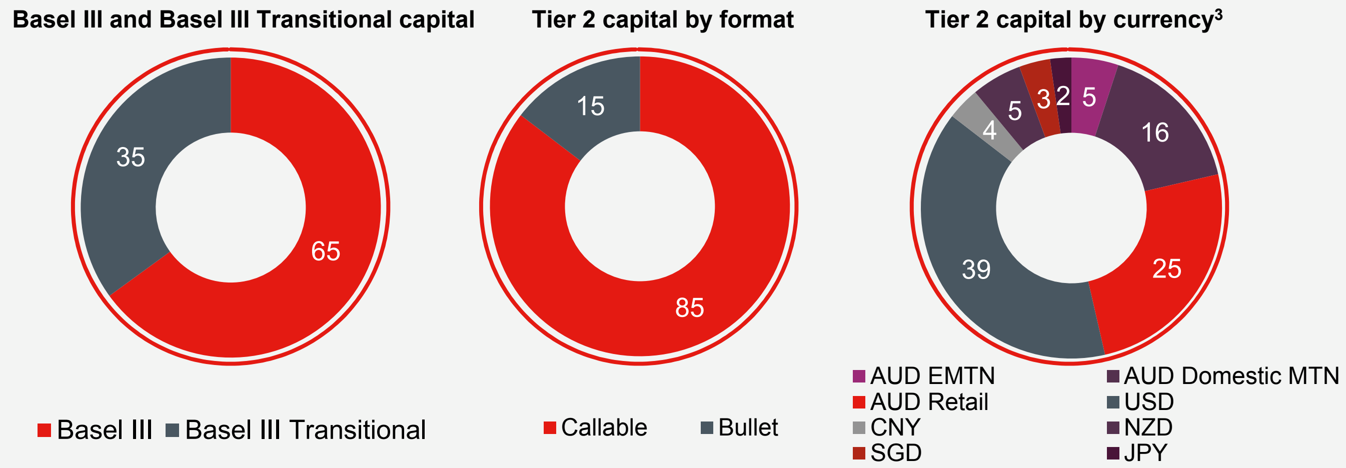
1 A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Westpac Tier 2 capital issuance profile

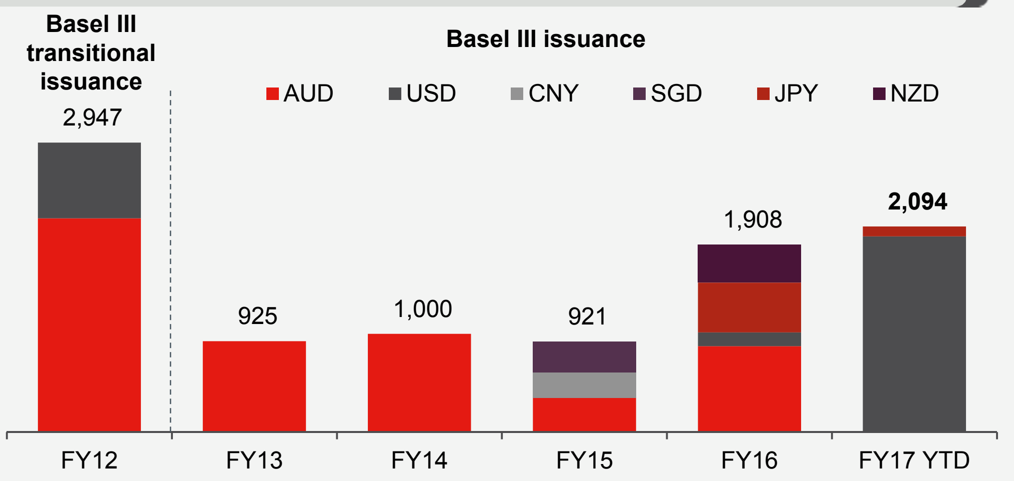
Westpac Total Regulatory Capital (%)



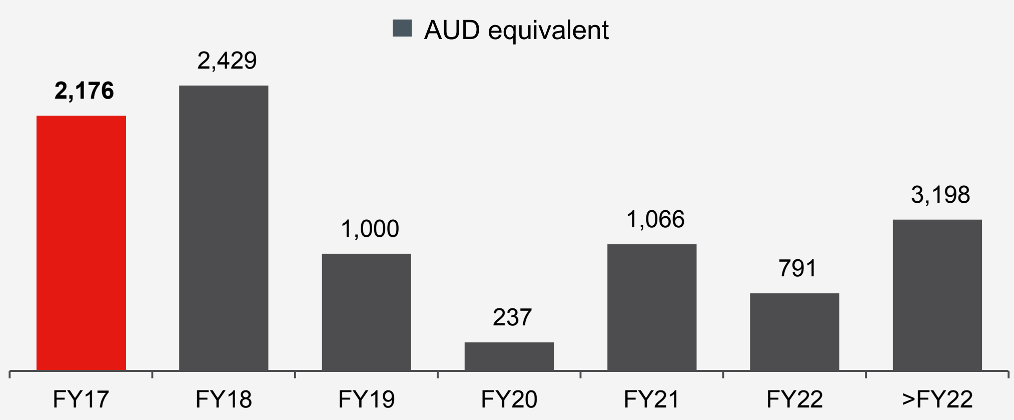
Westpac Tier 2 capital[2] as at 31 March 2017 (notional amount, %)



Westpac Tier 2 issuance[4] since 2012 (notional amount, $m)



Westpac Tier 2 calls/maturities[2,5] (notional amount, $m)



1 The basis of the internationally comparable CET1 capital ratio aligns with the APRA study titled "International capital comparison study", released 13 July 2015. For details on adjustments made refer to Appendix 1. 2 Represents A$ equivalent notional amount using spot FX translation at 31 May 2017. 3 Chart does not add to 100 due to rounding. 4 Represents A$ equivalent notional amount using spot FX translation at time of issuance. 5 Securities in callable format profiled to first call date. Securities in bullet format profiled to maturity date.

Westpac: clear domestic focus and a strong market position

Unique portfolio of national and regional brands

Australian retail banking and wealth

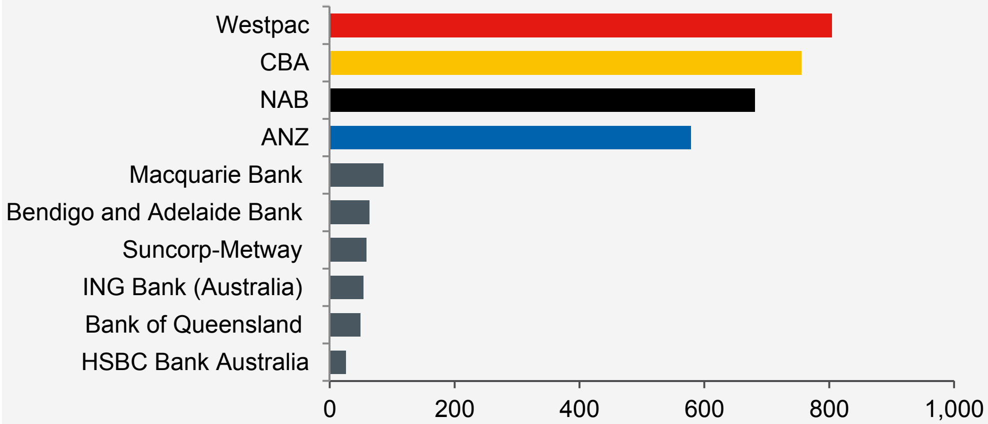
Westpac, BT, st.george, bankSA, Bank of Melbourne, RAMS

Westpac Institutional Bank

Westpac New Zealand

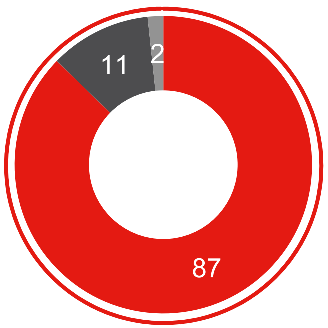
Large domestic presence

Top 10 banks in Australia by total resident assets[2] (A$bn)

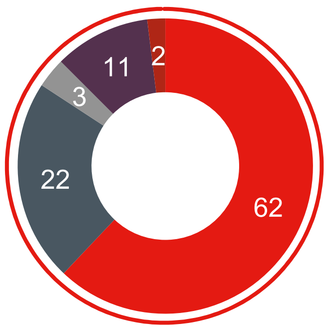


Clear focus on Australia and New Zealand

Revenue by geography[1] (%)



Net loans (%)



Strong market share positions

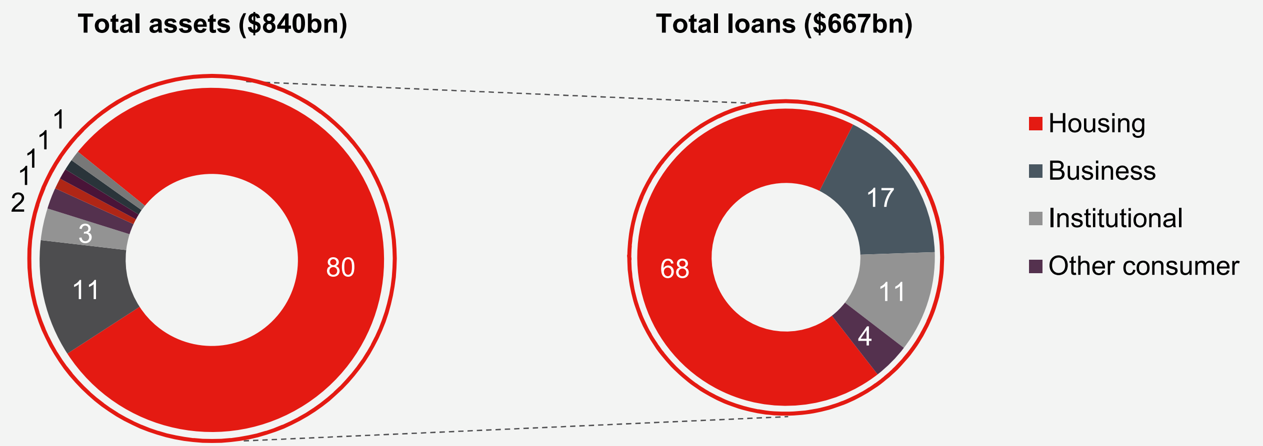
Customers	13.6m
Australian household deposit market share[3]	23%
Australian mortgage market share[4]	23%
Australian business market share[4]	19%
Australian wealth platforms market share[5]	19%
New Zealand deposit market share[6]	15%
New Zealand consumer lending market share[6]	19%

1 As at 30 September 2016. 2 Source: APRA Banking Statistics March 2017. Total resident assets refers to all assets on the banks' domestic books that are due from residents. 3 Source: APRA Banking Statistics March 2017. 4 Source: RBA Financial Aggregates, March 2017. 5 Source: Plan for Life, December 2016, All Master Funds Admin. 6 Source: RBNZ, March 2017.

High quality portfolio with bias to secured consumer lending

Asset composition as at 31 March 2017 (%)

- Loans
- Trading securities, financial assets at fair value and available-for-sale securities
- Derivative financial instruments
- Cash and balances with central banks
- Life insurance assets
- Goodwill
- Receivables due from other financial institutions
- Other assets



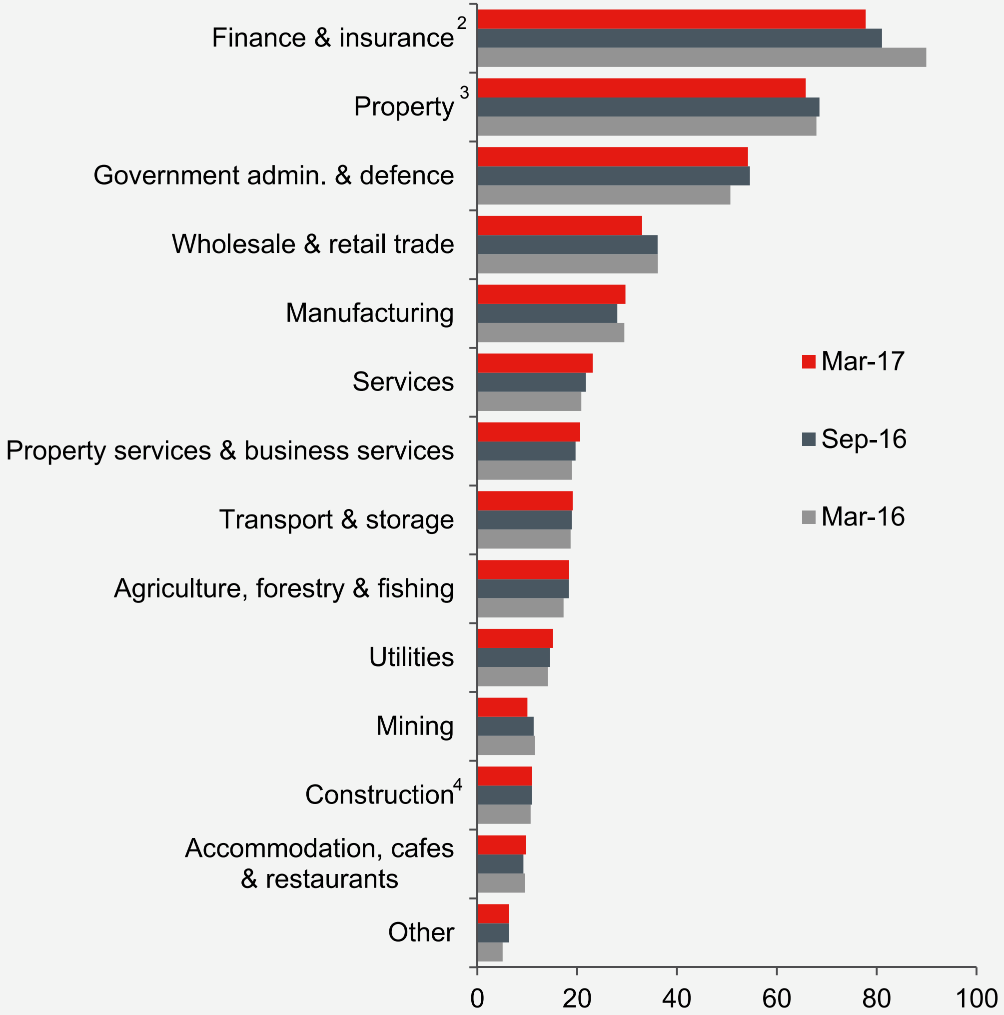
Exposure by risk grade as at 31 March 2017 ($m)

Standard and Poor's Risk Grade[1]	Australia	NZ / Pacific	Asia	Americas	Europe	Group	% of Total
AAA to AA-	97,865	6,877	1,938	4,676	528	**111,884**	11%
A+ to A-	28,016	4,783	4,650	5,310	2,956	**45,715**	5%
BBB+ to BBB-	59,898	10,205	7,417	1,915	1,950	**81,385**	8%
BB+ to BB	74,395	10,443	1,980	349	567	**87,734**	9%
BB- to B+	57,627	9,569	146	83	-	**67,425**	7%
<B+	5,529	3,244	-	-	16	**8,789**	1%
Secured consumer	479,665	50,689	579	-	-	**530,933**	54%
Unsecured consumer	45,719	5,209	-	-	-	**50,928**	5%
Total committed exposures (TCE)	**848,714**	**101,019**	**16,710**	**12,333**	**6,017**	**984,793**	
Exposure by region[2] (%)	86%	10%	2%	1%	1%		100%

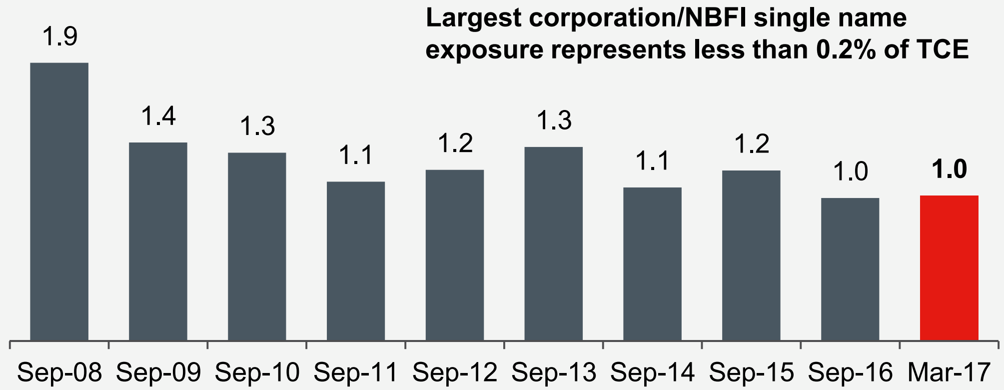
1 Risk grade equivalent. 2 Exposure by booking office.

A well diversified portfolio

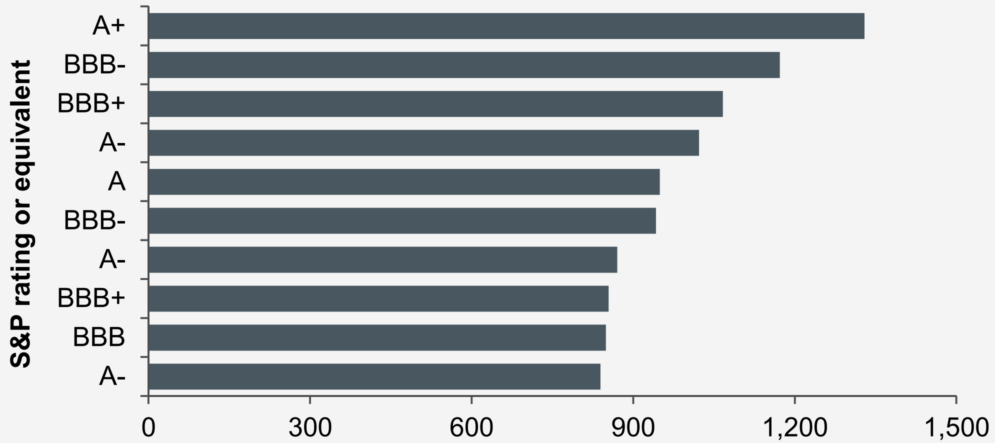
Exposures at default[1] by sector ($bn)



Top 10 exposures to corporations and NBFIs[5] as a % of TCE[6] (%)



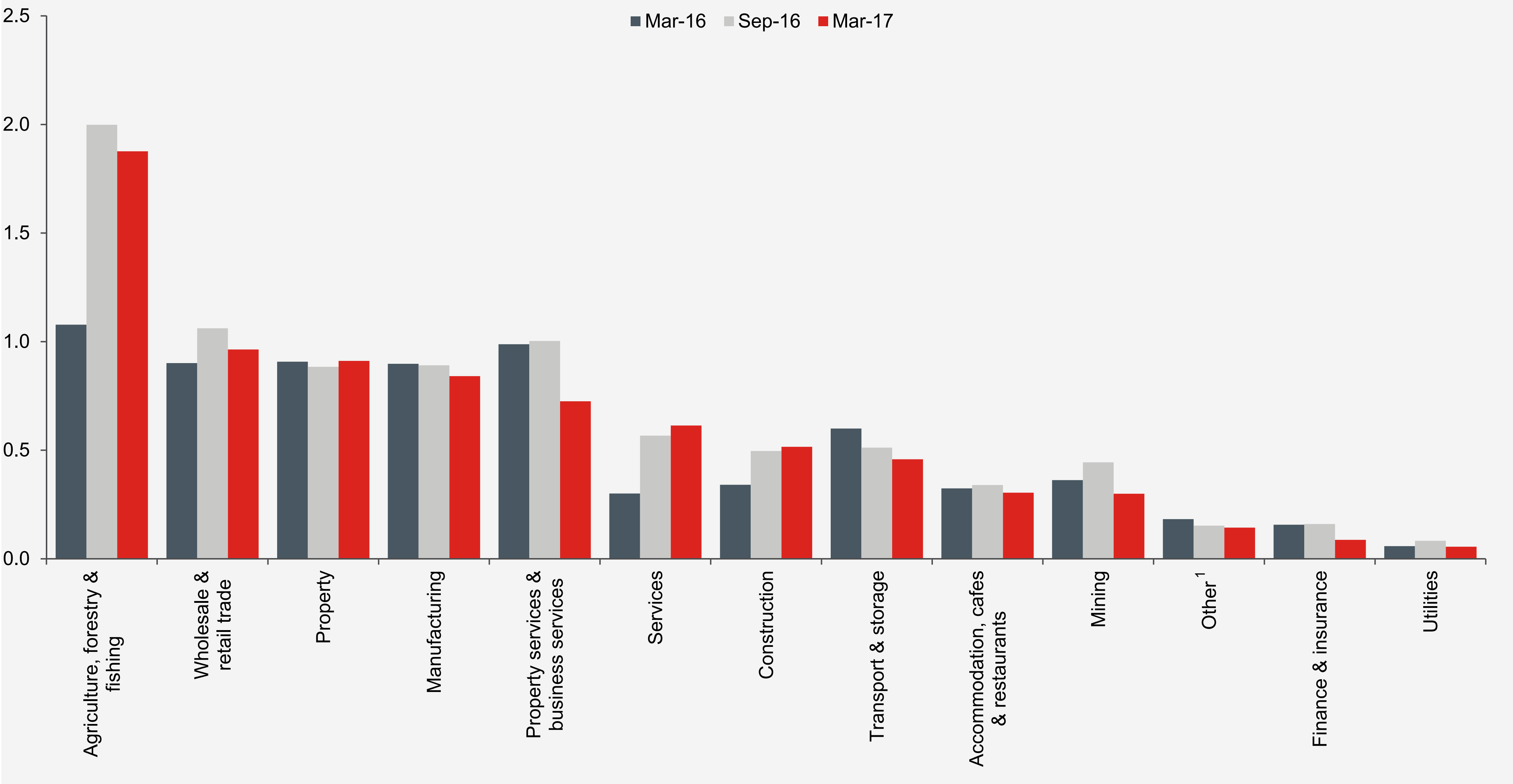
Top 10 exposures to corporations & NBFIs[5] as at 31 March 2017 ($m)



1 Exposures at default represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. Chart 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. 6 Includes St.George from 2009 onwards.

Stressed exposures lower across industries reflecting both workout and return to health of facilities

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



1 Includes Government admin. & defence

Asset quality areas of interest

Mining (inc. Oil and Gas) portfolio

	Sep-16	Mar-17
Total committed exposures (TCE)	$11.3bn	**$10.4bn**
Lending	$6.2bn	**$6.0bn**
% of Group TCE	1.16	**1.05**
% of portfolio graded as 'stressed'[1,2]	3.94	**2.90**
% of portfolio in impaired[2]	1.32	**1.15**

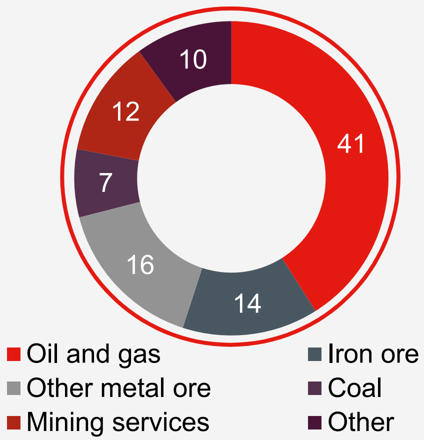
New Zealand dairy portfolio

	Sep-16	Mar-17
Total committed exposure (TCE)	NZ$5.9bn	**NZ$5.9bn**
Lending	NZ$5.7bn	**NZ$5.6bn**
% of Group TCE	0.58	**0.55**
% of portfolio graded as 'stressed'[1,2]	25.29	**21.70**
% of portfolio in impaired[2]	0.34	**0.34**

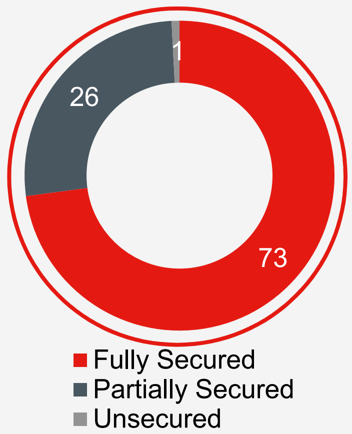
Retail trade portfolio

	Sep-16	Mar-17
Total committed exposures (TCE)	$16.3bn	**$15.3bn**
Lending	$12.1bn	**$11.3bn**
% of Group TCE	1.67	**1.55**
% of portfolio graded as 'stressed'[1,2]	2.68	**2.51**
% of portfolio in impaired[2]	0.34	**0.40**

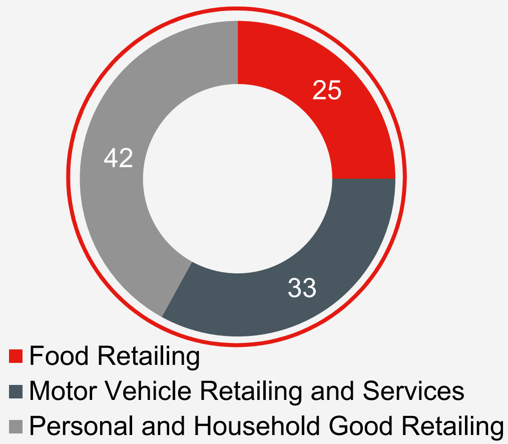
Mining portfolio (TCE) by sector (%)



NZ dairy portfolio (TCE) by security (%)



Retail portfolio (TCE) by sector (%)



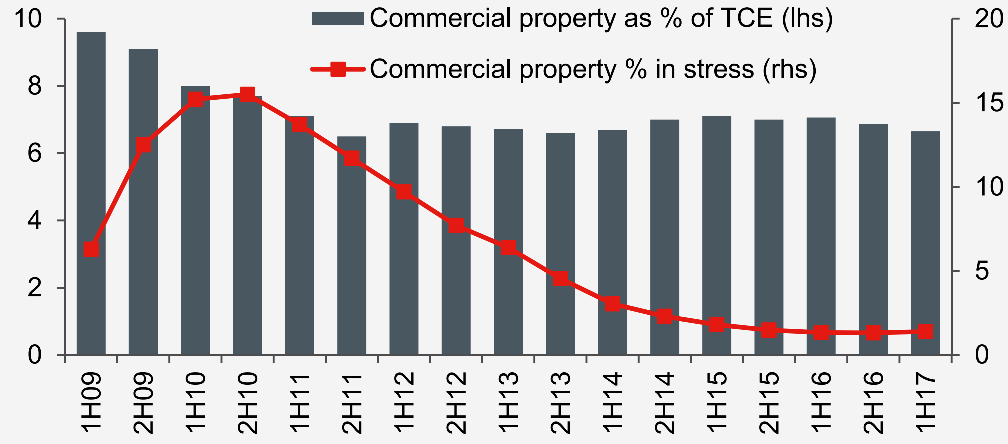
1 Includes impaired exposures. 2 Percentage of portfolio TCE.

Areas of interest: Commercial property

Commercial property portfolio

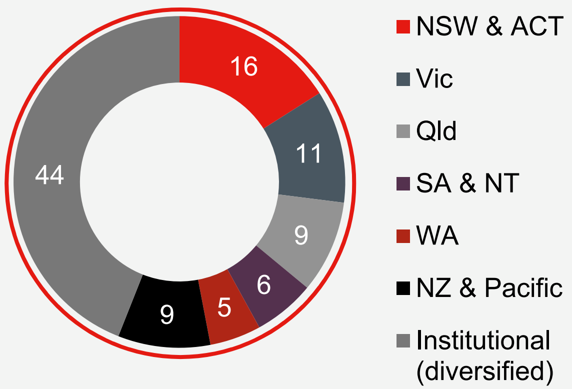
	Sep-16	Mar-17
Total committed exposures (TCE)	$67.1bn	**$65.5bn**
Lending	$52.6bn	**$51.4bn**
Commercial property as a % of Group TCE	6.87	**6.65**
Median risk grade[1]	BB equivalent	**BB equivalent**
% of portfolio graded as 'stressed'[1,2]	1.32	**1.39**
% of portfolio in impaired[2]	0.53	**0.46**

Commercial property exposures % of TCE and % in stress

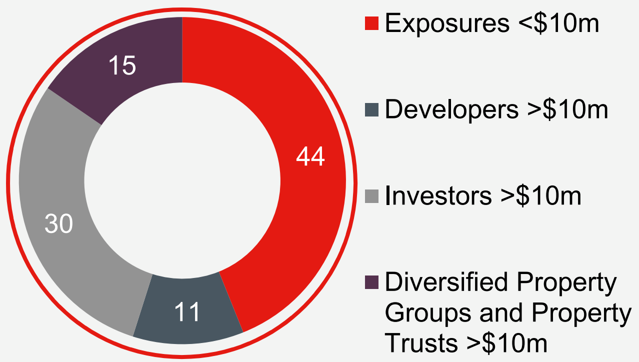


Commercial property portfolio composition (%)

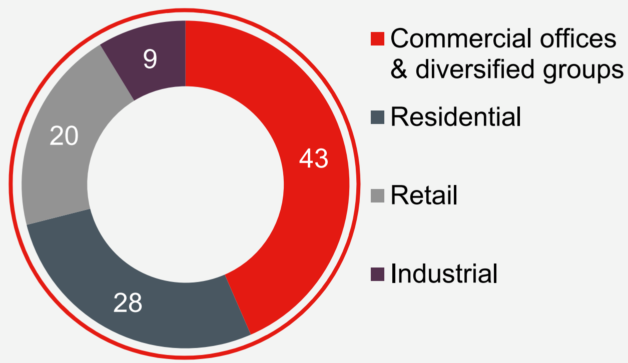
Region (%)



Borrower type (%)



Sector (%)



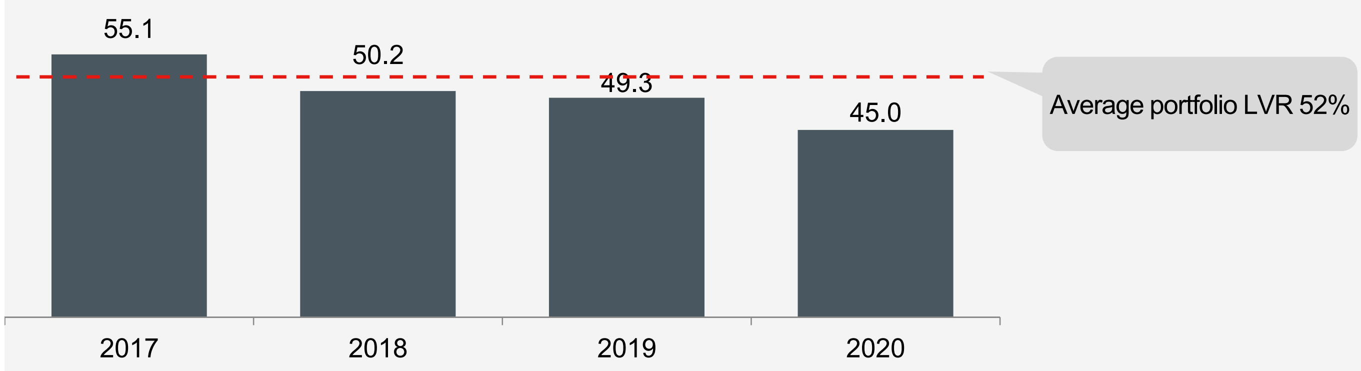
1 Includes impaired exposures. 2 Percentage of portfolio TCE.

Areas of interest: Inner city apartments

Commercial property portfolio TCE ($bn)

	Sep-16	Mar-17	TCE %[1]	
Residential apartment development >$20m	5.1	**4.1**	**6.3%**	• Progressively tightened risk appetite in areas of higher concern since 2012 • Actively monitoring settlements for >$20m residential development book • Settlements slightly slower; given low LVRs debt has been repaid in full
Residential apartment development >$20m in major markets, shown below	3.2	**2.8**	**4.3%**	
Sydney major markets	1.2	1.3	2.0%	• 1H17 new lending LVR 49.2%
Inner Melbourne	1.4	1.0	1.5%	• 1H17 new lending LVR 51.4%
Inner Brisbane	0.4	0.2	0.3%	• Exposure low and falling
Perth metro	0.2	0.2	0.3%	• Exposure low and falling
Adelaide CBD	0.1	0.1	0.2%	• One project

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



Consumer mortgages

Consumer mortgages where security is within a residential apartment development >$20m	Sep-16	Mar-17
Total consumer mortgage loans for inner city apartments	$13.0bn	**$13.5bn**
Average LVR at origination	69%	**71%**
Average Dynamic LVR	54%	**53%**
Dynamic LVR >90%	2.9%	**2.0%**
90+ day delinquencies	30bps	**37bps**

1 Percentage of commercial property portfolio TCE.

Sound underwriting supports quality across the mortgage book

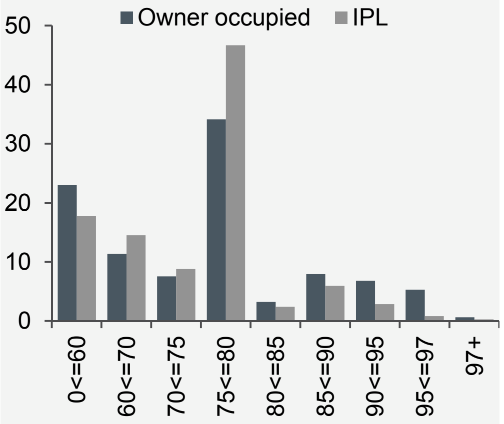
Investment property portfolio

	Mar-16	Sep-16	Mar-17
Average LVR of new IPL loans in the period[1,2] (%)	67	66	**65**
Average LVR of IPL loans at origination[1] (%)	72	72	**72**
% IPL loans originated at or below 80% LVR	87	88	**88**
Average dynamic LVR[1,3] (%)	48	48	**47**
Average loan size ($'000)	299	305	**309**
Customers ahead on repayments including offset accounts[1] (%)	62	62	**61**
90+ day delinquencies (bps)	38	48	**47**
Annualised loss rate (net of insurance claims) (bps)	2	2	**2**

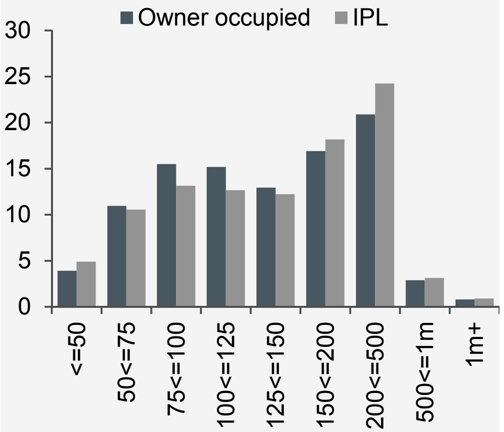
Interest-only portfolio

- Interest-only (IO) loans assessed on a principal and interest basis, now over the residual term. IO loans are full recourse
- Serviceability assessments include an interest rate buffer (at least 2.25%), minimum assessment rate (7.25%) and adequate surplus test[4]
- IO is 50% of the mortgage portfolio and 46% of flows in 1H17
- Portfolio statistics as at 31 March 2017
  - 67% average LVR of interest-only loans at origination[1]
  - 66% of customers ahead of repayments (including offset accounts)[1]
  - 90+ day delinquencies 48bps
  - Annualised loss rate 1bp (net of insurance claims)

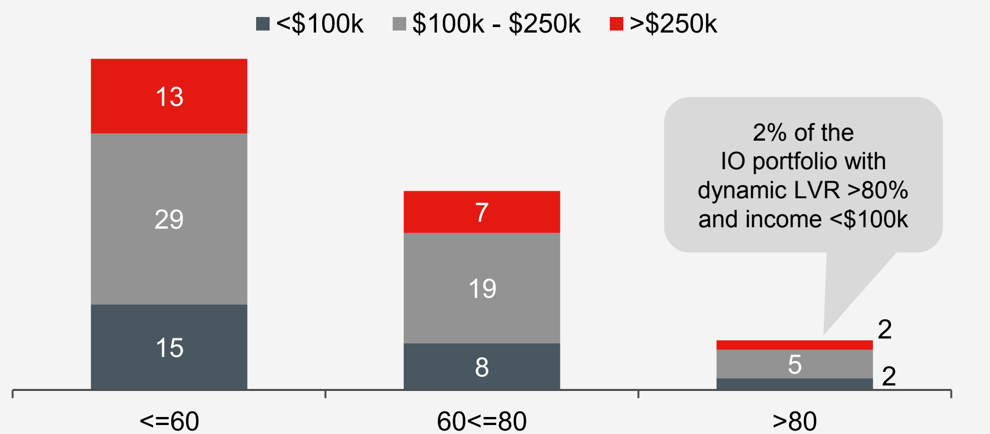
LVR at origination[1] (%)



Applicants by gross income band[1] (%)



Interest only portfolio by dynamic LVR[1,3] and applicant gross income band (%)



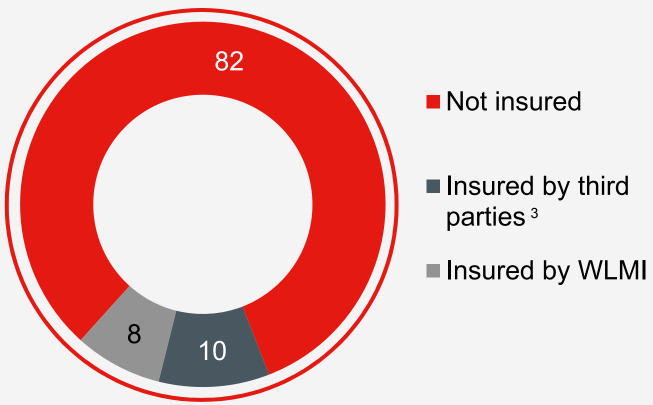
1 Excludes RAMS. 2 Average LVR of new loans is based on rolling 6 month window. 3 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 4 An adequate surplus test measures the extent to which a borrowers income exceeds loan repayments, expenses and other commitments, as assessed.

Lenders mortgage insurance

Lenders mortgage insurance

- Where mortgage insurance is required, mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), and 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 range of 1.25x PCR[1] and have 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 $130m net of re-insurance recoveries (2H16: $132m)

Australian mortgage portfolio (%)



Lenders mortgage insurance arrangements

LVR Band	Insurance
• LVR ≤80% • Low Doc LVR ≤60%	Not required
• LVR >80% to ≤ 90% • Low Doc LVR >60% to ≤ 80%	• Where insurance required, insured through captive insurer, WLMI • LMI not required for certain borrower groups. • Reinsurance arrangements: – 40% risk retained by WLMI – 60% risk transferred through quota share arrangements[2] with Arch Capital Group Limited, Tokio Millennium Re, Endurance Re, Everest Re, Trans Re and AWAC
• LVR >90%	• 100% reinsurance through Arch Capital Group Limited – Reinsurance arrangements see loans with LVR >90% insured through WLMI with 100% of risk subsequently transferred to Arch Capital Group Limited

Insurance statistics

	1H16	2H16	1H17
Insurance claims ($m)	4	7	**3**
WLMI claims ratio[4] (%)	10	17	**7**
WLMI gross written premiums[5] ($m)	133	154	**140**

1 Prudential Capital Requirement (PCR) calculated in accordance with APRA standards. 2 For all new business effective from 1 October 2014. 3 Insured coverage is net of quota share. 4 Claims ratio is claims over earned premium plus reinsurance rebate plus exchange commission. 5 WLMI gross written premiums includes loans >90% LVR reinsured with Arch Capital. 1H17 gross written premium includes $107m from the arrangement (2H16: $125m, 1H16: $102m).

Mortgage portfolio stress testing outcomes

- Westpac regularly conducts a range of portfolio stress tests as part of its regulatory and risk management activities
- The Australian mortgage portfolio stress testing scenario presented represents a severe recession and assumes that 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 $3bn over three years for the uninsured portfolio (September 2016: $2.9bn)
  - Cumulative claims on LMI, both WLMI and external insurers, of $903m over the three years (September 2016: $856m)
  - Cumulative loss rates have increased (74bps compared to 69bps at September 2016) mainly due to more conservative modelling assumptions, changes in portfolio quality, as well as changes in the non-delinquent portfolio
  - WLMI separately conducts stress testing to test the sufficiency of its capital position to cover mortgage claims arising from a stressed mortgage environment
- Preferred capital ranges 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 as at 31 March 2017

Key assumptions	Stressed scenario			
	Current	Year 1	Year 2	Year 3
Portfolio size ($bn)	413	398	390	388
Unemployment rate (%)	5.8	12.0	11.0	9.7
Interest rates (cash rate, %)	1.50	0.50	0.50	0.50
House prices (% change cumulative)	0.0	(13.0)	(22.4)	(26.2)
Annual GDP growth (%)	2.7	(3.9)	(0.2)	1.7
Stressed loss outcomes (net of LMI recoveries)[1]				
$ million	72[2]	1,084	1,646	486
Basis points[3]	2	24	38	12

1 Assumes 30% of LMI claims will be rejected in a stressed scenario. 2 Represents 1H17 actual losses of $36 annualised. 3 Stressed loss rates are calculated as a percentage of mortgage exposure at default.

Changes in the treatment of hardship now flowing through other consumer delinquencies

APRA is standardising the delinquency treatment 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.

Prior Westpac approach

- When an account entered hardship its delinquency status (30, 60, or 90 days etc.) was frozen until after hardship arrangements ended or the facility returned to performing (or not)

Current Westpac approach

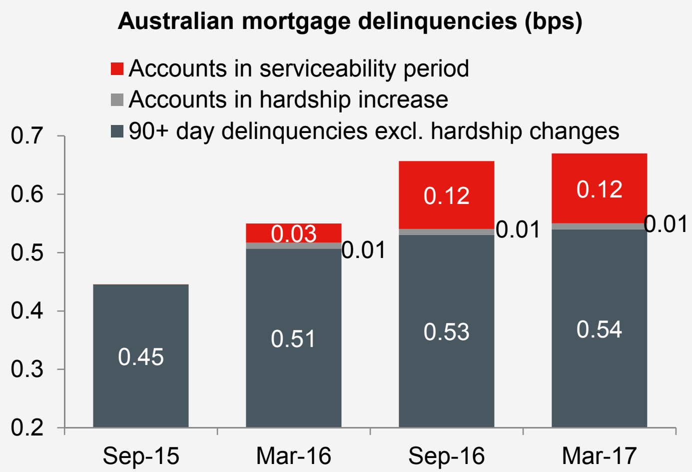
- An account in hardship continues to migrate through delinquency buckets until 90+ day
- Accounts reported as delinquent until repayments maintained for 6 months ('serviceability period')
- Average hardship period granted is 3-4 months
- Hardship plus serviceability period averages 10 months
- Changes have no impact on Westpac's risk profile

Industry comparability

- Westpac changed hardship treatment following guidance from APRA. Mortgages complete; NZ and consumer in progress
- Treatment across banks and non-banks, including serviceability period applied is not yet aligned. This makes comparability of 90+ day delinquencies more difficult

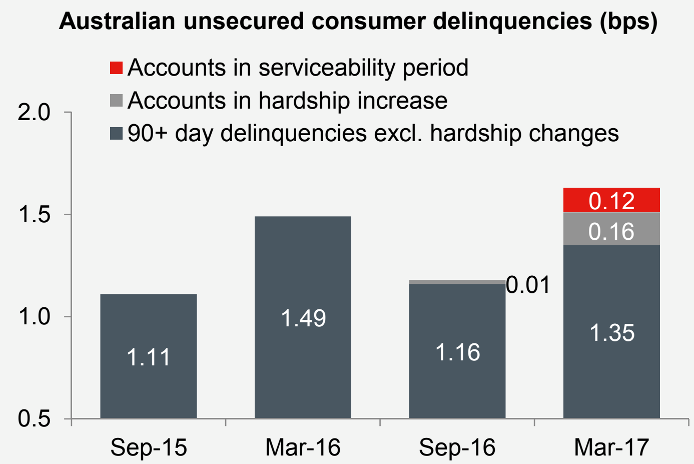
Impact on mortgages - completed

- Implemented in 1H16 and has now fully flowed through
- Increased mortgage 90+ day delinquencies by 13bps
- Increase to risk weighted assets offset by change to correlation factor in 1H17



Impact on unsecured consumer lending

- Portfolios impacted are credit cards, personal loans and auto
- Impact on 90+ day delinquencies in 1H17 was 28bps and will continue to rise in 2H17
- The change has yet to flow through to risk weighted assets
- Expected to result in higher write-offs and higher write-backs



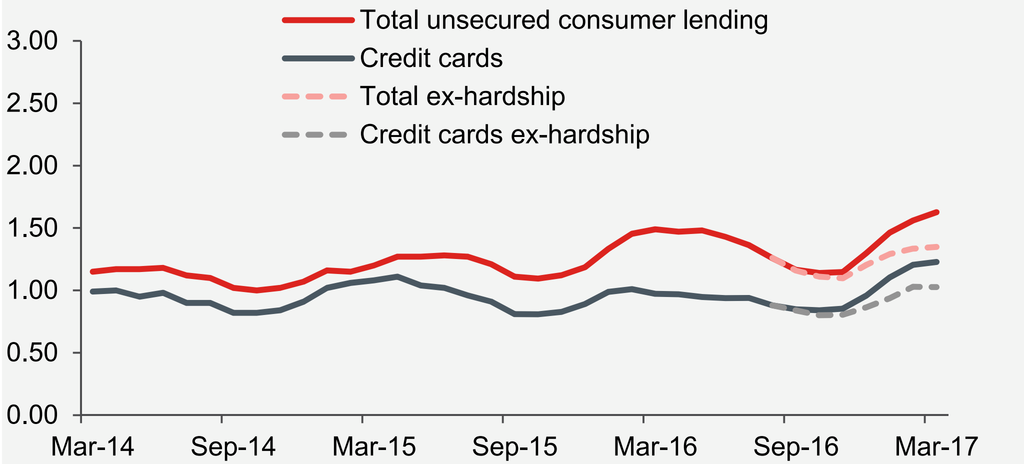
Australian consumer unsecured lending portfolio beginning to see impact from change in hardship treatment

Australian unsecured consumer portfolio

	Mar-16	Sep-16	Mar-17
30+ day delinquencies	3.88%	2.95%	**3.99%**
90+ day delinquencies	1.49%	1.17%	**1.63%**
Estimated impact of changes to hardship treatment for 90+ day delinquencies	-	*0.01%*	***0.28%***

- APRA hardship policy adopted across Westpac's Australian unsecured portfolios in 1H17
- March 2017 unsecured consumer delinquencies, excluding hardship reporting changes are 14 bps lower than March 2016

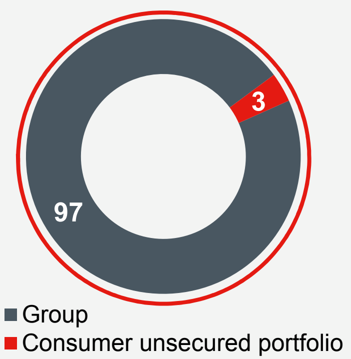
Australian unsecured lending 90+ day delinquencies (%)



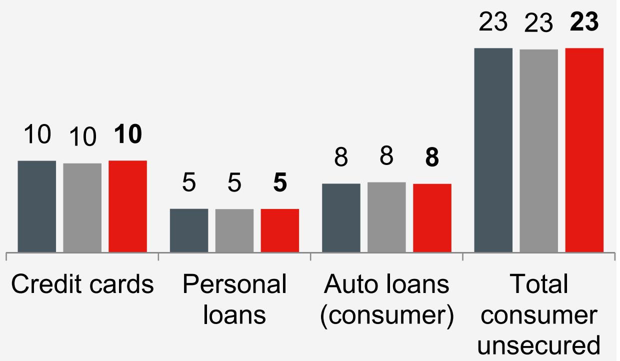
Australian consumer unsecured lending portfolio

Composition (%)

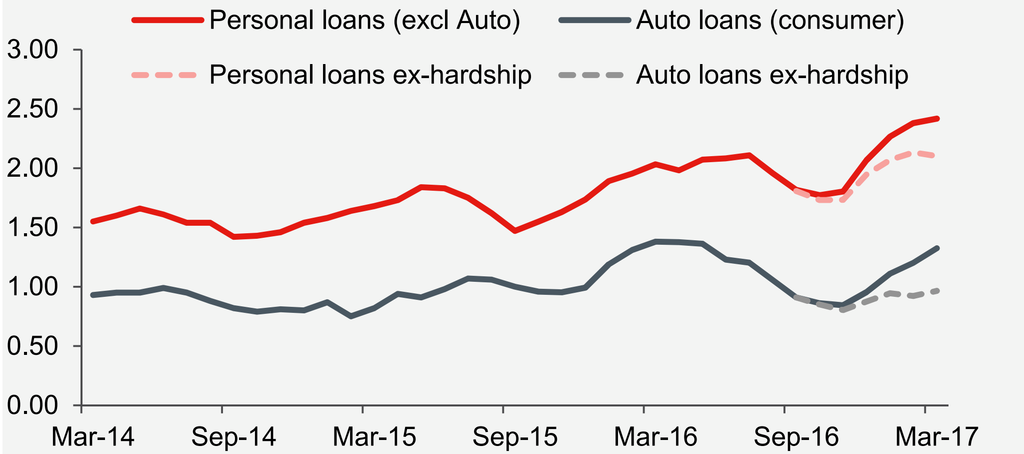
3.4% of Group lending



Portfolio ($bn)

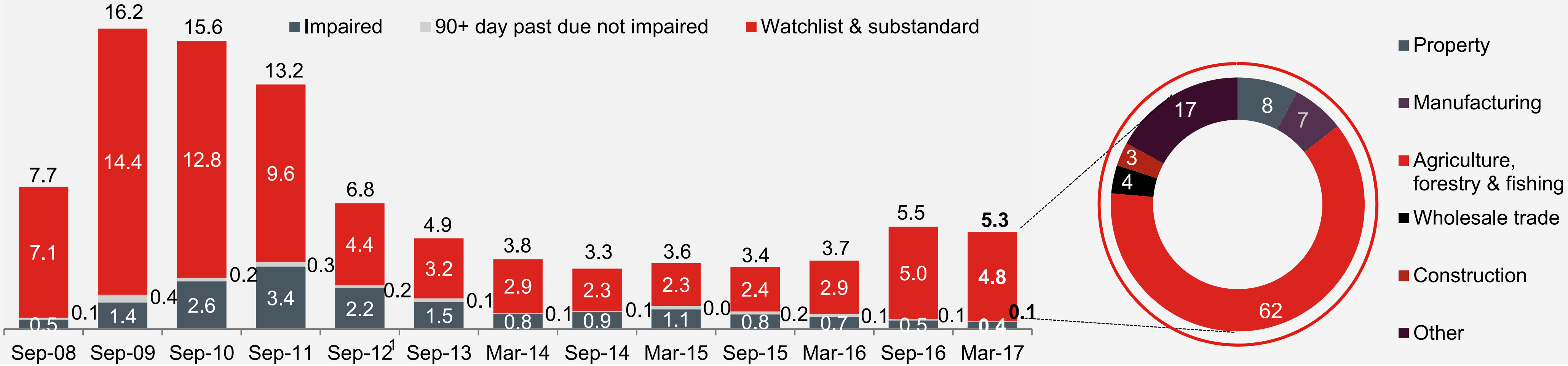


Australian unsecured lending 90+ day delinquencies (%)



New Zealand
Improvements in stressed exposures as dairy portfolio stabilises

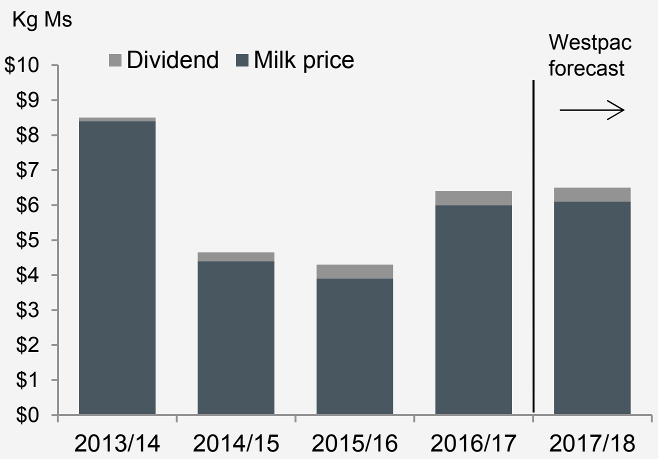
Business stressed exposures as a % of New Zealand business TCE



Agribusiness portfolio

	Mar-16	Sep-16	Mar-17
TCE (NZ$bn)	8.1	8.6	**8.6**
Agriculture as a % of total TCE	7.9	8.1	**8.0**
% of portfolio graded as 'stressed'[2]	7.8	18.6	**16.9**
% of portfolio in impaired	0.32	0.42	**0.44**

Dairy price and dividend (NZ$)



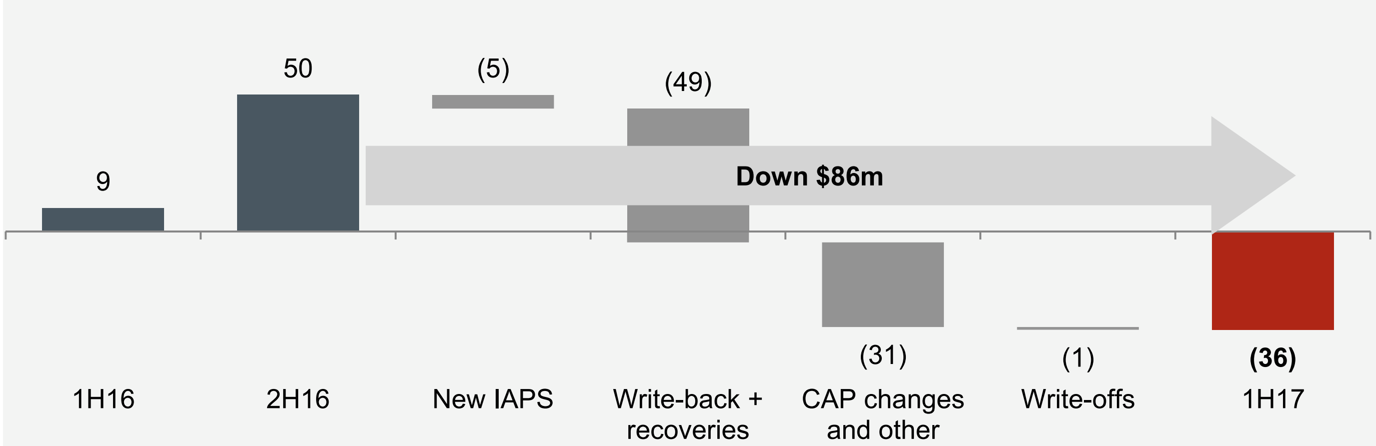
Key messages

- Dairy portfolio has stabilised and risk grade profile is improving following favourable commodity price movements
- Focus remains on supporting existing dairy customers with proven long-term financial viability

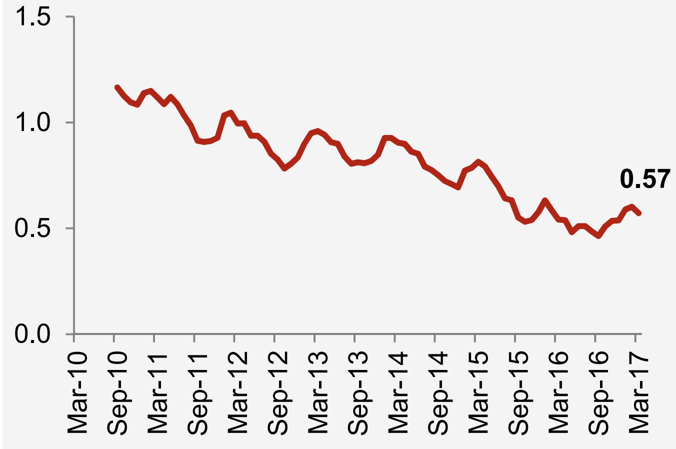
1 Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012. 2 Included impaired exposures.

New Zealand asset quality in good shape

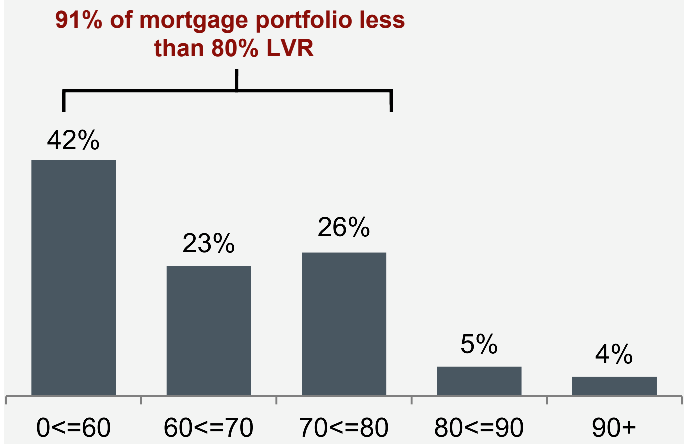
Movement in impairment charges (NZ$m)



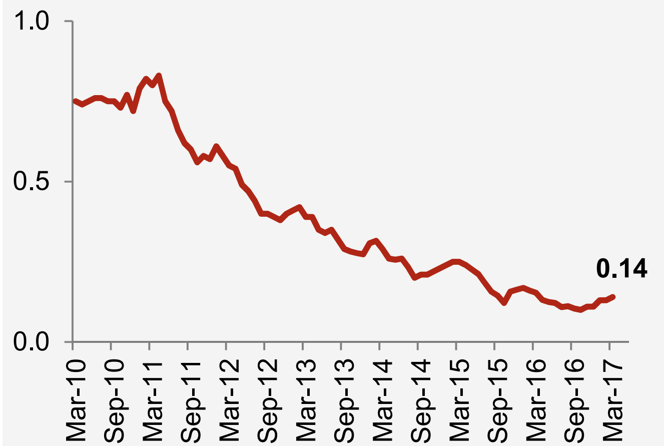
Unsecured consumer 90+ day delinquencies (%)



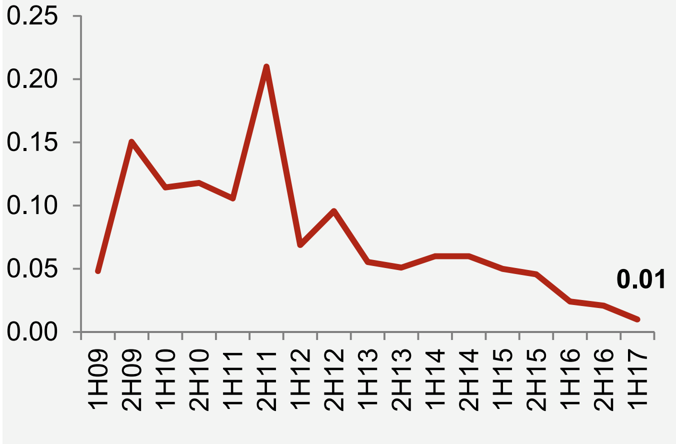
Mortgage portfolio LVR[1] (%) of portfolio



Mortgage 90+ day delinquencies (%)



Mortgage loss rates each half (%)



1 LVR based on current loan and property value at latest credit.

Appendix 1:
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[1]. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio

		(%)
Westpac's CET1 capital ratio (APRA basis)		**10.0**
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.5
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.3
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	0.3
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	1.7
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of 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	0.7
Currency conversion threshold	Increase in the A$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.4
Internationally comparable CET1 capital ratio		**15.3**
Internationally comparable Tier 1 capital ratio		**17.2**
Internationally comparable total regulatory capital ratio		**19.4**

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

Appendix 2: Cash earnings adjustments

Cash earnings adjustment	1H16 $m	2H16 $m	1H17 $m	Description
Reported net profit	3,701	3,744	**3,907**	Net profit attributable to owners of Westpac Banking Corporation
Amortisation of intangible assets	79	79	**73**	The merger with St. George and acquisition of Lloyds resulted in the recognition of identifiable intangible assets. Commencement of equity accounting for BTIM in 2015 also resulted in the recognition of notional identifiable intangible assets within the investments in associate's carrying value. The intangible assets recognised relate to core deposits, customer relationships, management contracts and distribution relationships. These intangible items are amortised over their useful lives, ranging between four and twenty years. The amortisation of these intangible assets (excluding capitalised software) is a cash earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders
Acquisition transaction and integration expenses	7	8	**-**	Costs associated with the acquisition of Lloyds were treated as a cash earnings adjustment as they do not reflect the earnings expected from the acquired businesses following the integration period
Fair value (gain)/loss on economic hedges	83	120	**7**	The unrealised fair value (gain)/loss on FX hedges of future NZ earnings and accrual accounted term funding transactions are reversed in deriving cash earnings as they may create a material timing difference on reported results but they do not affect the Group's cash earnings over the life of the hedge
Ineffective hedges	26	(35)	**(4)**	The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time
Treasury shares	8	2	**34**	Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares are not permitted to be recognised as income in the reported results. In deriving cash earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income
Cash earnings	**3,904**	**3,918**	**4,017**	

Appendix 3: Definitions

Capital ratios	As defined by APRA (unless stated otherwise)
Risk Weighted Assets or RWA	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non asset backed risks (i.e.. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5
Leverage ratio	As defined by APRA (unless state otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures
Internationally comparable	The internationally comparable common equity Tier 1 (CET1) capital ratio is an estimate of Westpac's CET1 ratio calculated on rules comparable with global peers. The ratio adjusts for differences between APRA's rules and those applied to global peers. The adjustments are applied to both the determination of regulatory CET1 and the determination of risk weighted assets. Methodology aligns with the APRA study titled "International capital comparison study" dated 13 July 2015
Liquidity coverage ratio (LCR)	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
High quality liquid assets (HQLA)	As defined by APRA in Australian Prudential Standard APS210 Liquidity, including BS-13 qualifying liquid assets, less RBA open repos funding end of day ESA balances with the RBA
Committed liquidity facility (CLF)	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

Net Stable Funding Ratio (NSFR)	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. When it is implemented by APRA from 1 January 2018, ADI's must maintain an NSFR of at least 100%
90 days past due and not impaired	Includes facilities where: 1. 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 from First Half 2016 accounts for customers who have been granted hardship assistance; or 2. 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 3. the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, or which are not secured but there is a reasonable expectation that full recovery or the amount due will be made and interest is being taken to profit on an accrual basis. These facilities, while in default, are not treated as impaired for accounting purposes
Collectively assessed provisions or CAPs	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience 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

Appendix 3: Definitions (continued)

Impaired assets	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: 1. facilities 90 days or more past due, and full recovery is not 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; 2. non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans; 3. 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; 4. 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 5. any other assets where the full collection of interest and principal is in doubt.
Individually assessed provisions or IAPs	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are individually significant. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the income statement
Stressed loans	Stressed loans are the total of watchlist and substandard, 90 days past due and not impaired and impaired assets
Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
Total committed exposures (TCE)	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

AIEA	Average interest-earning assets and is 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
Cash earnings	Is a measure of the level of profit that is generated by ongoing operation and is therefore available for distribution to shareholders. Three categories of adjustments are made to reported results to determine cash earnings: material items that key decision makers at Westpac believe do not reflect ongoing operations; items that are not considered when dividends are recommended; and accounting reclassifications that do not impact reported results. For details of these adjustments refer to slide xxx
Cash earnings per ordinary share	Cash earnings divided by the weighted average ordinary shares (cash earnings basis)
Core earnings	Net operating income less operating expenses
Full-time equivalent employees (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight
Net interest margin	Calculated by dividing net interest income by average interest-earning assets
Net tangible assets per ordinary share	Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported)
Weighted average ordinary shares (cash earnings)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period
Weighted average ordinary shares (reported)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less Westpac shares held by the Group ('Treasury shares')

More information
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