Westpac GROUP
EST. 1817

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

WESTPAC
FULL YEAR 2013 INVESTOR UPDATE

FIXED INCOME INVESTOR PRESENTATION
FOR THE YEAR ENDED 30 SEPTEMBER 2013

FEBRUARY 2014

STRENGTH | RETURN | GROWTH | PRODUCTIVITY

Westpac | BankSA | st.george | BT Financial Group | RAMS | Bank of Melbourne

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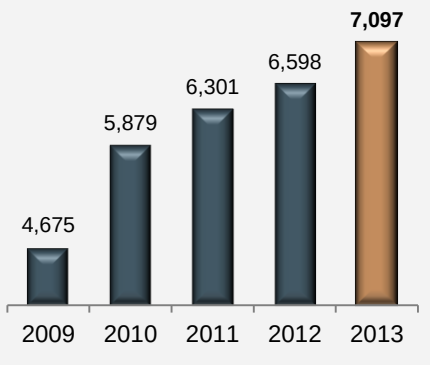
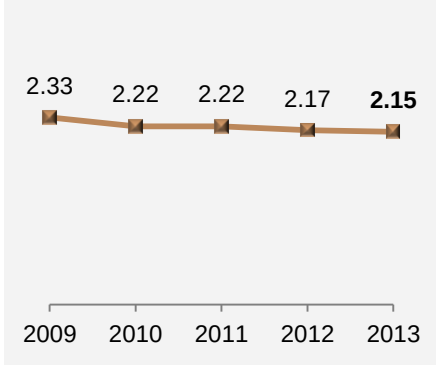
FY13 highlights: higher earnings and a stronger balance sheet

FY13 Cash earnings results	FY13	*% Change FY13 – FY12*
Financial results		
Cash earnings	**$7,097m**	*8*
Statutory net profit	**$6,816m**	*14*
Net operating income	**$18,833m**	*4*
Expenses	**$7,710m**	*4*
Impairment charges	**$847m**	*(30)*
Financial metrics		
Earnings per share	**228.9c**	*6*
Net interest margin	**2.15%**	*(2bps)*
Expense to income ratio	**40.9%**	*12bps*
Cash earnings return on equity	**16.0%**	*51bps*
Asset Quality		
Net write-offs to avg loans annualised	**25bps**	*(7bps)*
Total impaired assets to gross loans	**67bps**	*(18bps)*
Total provisions to gross loans	**73bps**	*(9bps)*
Impairment provisions to impaired assets	**43.2%**	*large*

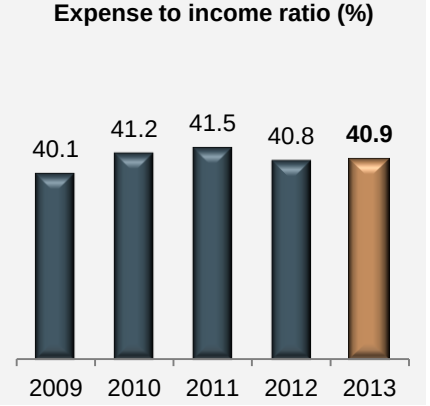
Strong financial performance



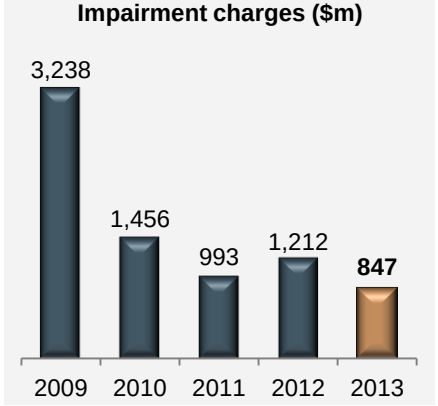
Disciplined margin management



Efficiency improving further



High asset quality

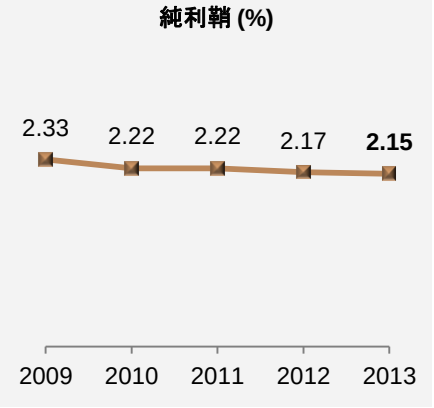


2013年度ハイライト：収益の増加及びより堅固なバランスシート

2013年度現金収益	2013年度	*前年度比*(%)
業績		
現金利益	**$7,097m**	*8*
法定利益	**$6,816m**	*14*
純業務収益	**$18,833m**	*4*
営業経費	**$7,710m**	*4*
減損費用	**$847m**	*(30)*
評価基準		
一株あたり利益	**228.9c**	*6*
純利鞘	**2.15%**	*(2bps)*
費用収益率	**40.9%**	*12bps*
現金収益ROE	**16.0%**	*51bps*
資産の質		
年換算平均貸付金に対する正味貸倒償却費の比率	**25bps**	*(7bps)*
総貸付金に対する減損資産合計の比率	**67bps**	*(18bps)*
総貸付金に対する総引当金の比率	**73bps**	*(9bps)*
減損資産に対する減損引当金の比率	**43.2%**	*large*

好調な業績

厳密なマージン管理



効率はさらに改善

高い資産の質

Westpac continues to deliver on key measures

Strong capital generation

Common equity tier 1 ratio 11.6%[1]

FY13 ROE above 15%

Strong franchise

≥20% market share in home lending, deposits and wealth segments[2] in Australia and New Zealand

Asset quality a strength

Stressed assets to TCE[3] halved from peak Financial Crisis level

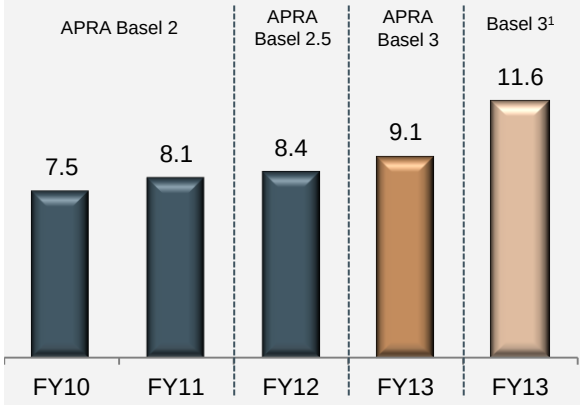
Improved funding

Stable funding ratio[4] 84%

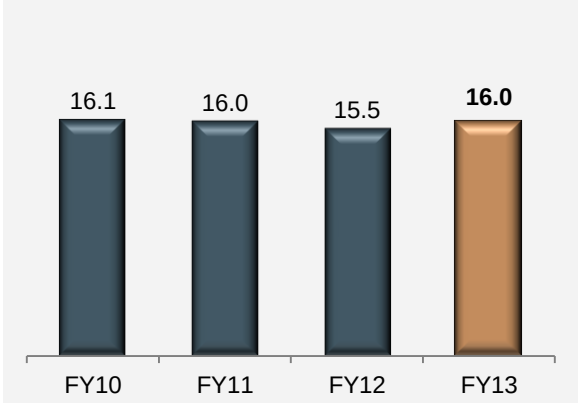
A$102bn market cap

The world's 11th largest bank by market cap[5]

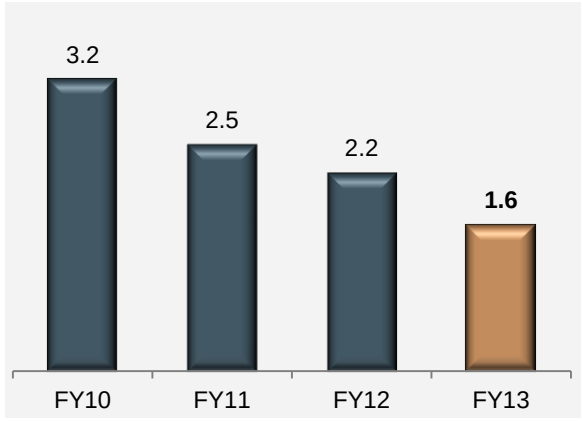
Common equity tier 1 ratio (%)



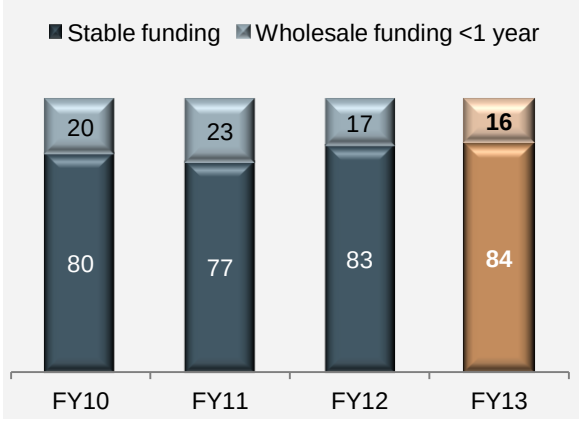
Return on equity (%)



Stressed assets to TCE (%)



Total funding composition (%)



1. Calculated on a BCBS Basel III fully harmonised basis. See Appendix 3 for more information. 2. Sources: APRA Banking Statistics September 2013, Plan for Life June 2013, All Master Funds Admin; RBNZ September 2013. 3. TCE is Total Committed Exposures. 4. SFR is the stable funding ratio calculated on the basis of customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 5 Source: IRESS, CapitalIQ and www.xe.com based in US dollars. As at 30 September 2013.

ウエストパックは主要基準で継続的に成果を上げている

堅固な資本形成

普通株等Tier1資本比率11.6%[1]

2013年度の ROEは15%以上

健全なフランチャイズ

オーストラリア、ニュージーランドにおける住宅ローン、預金、資産管理部門のマーケットシェアは20%以上[2]

資産の質は強み

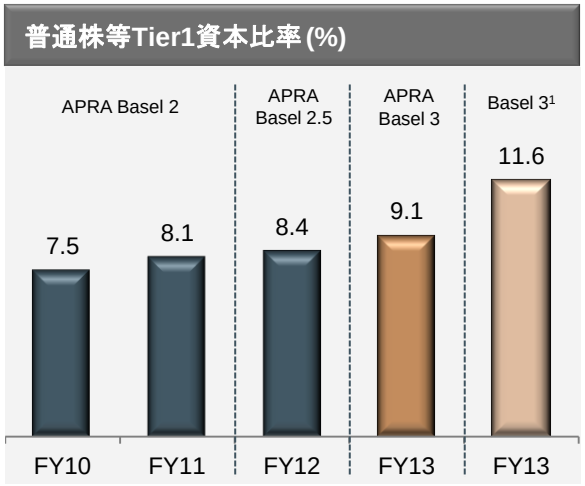
TCEに対するストレスアセットは金融危機のピーク時から半減[3]

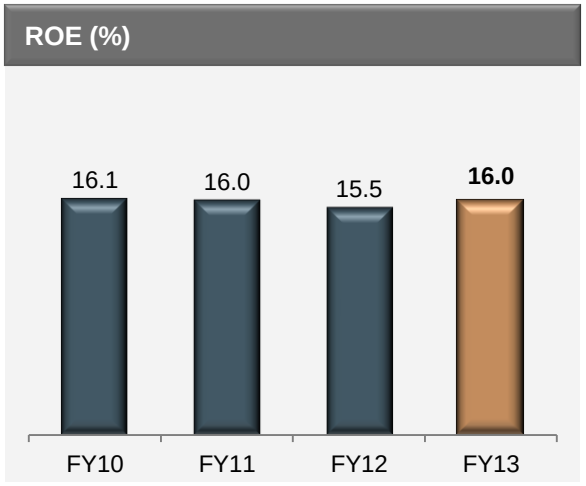
資金調達の改善

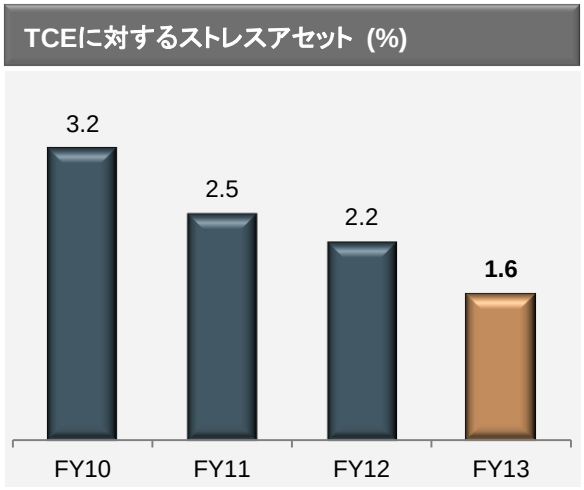
安定調達比率[4] 84%

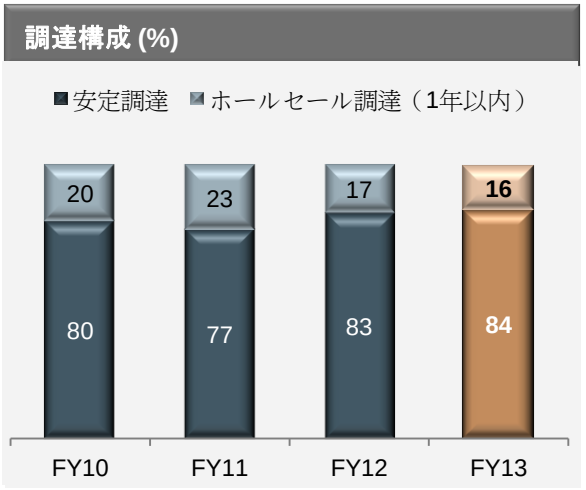
時価総額1,020億豪ドル

時価総額では世界第11位[5] の銀行









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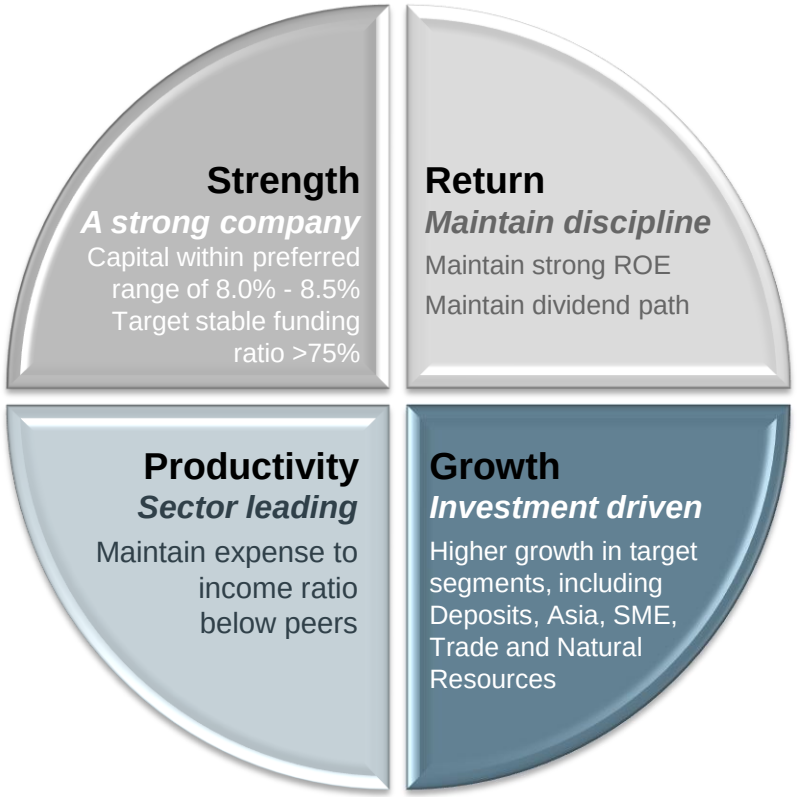
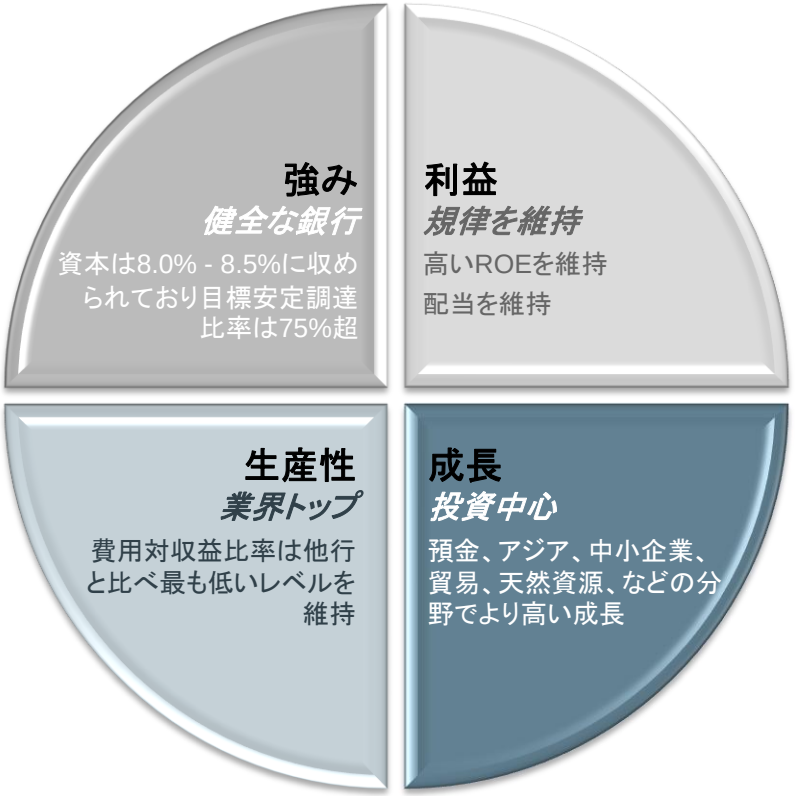
Clear strategic priorities managed in a balanced way

1. Remain strong
2. Targeted growth
3. Customer relationships
4. Materially simplify
5. One team



明確な戦略上のプライオリティ

1. 引き続き健全な銀行
2. 目標とする成長率
3. 顧客との関係性
4. 簡素化
5. ワン・チーム



All divisions and brands contributing to growth

Australian Financial Services

Westpac Retail & Business Banking
Australian retail and business banking for consumers, SMEs and commercial customers under the Westpac brand

- **FY13 cash earnings $2.3bn**
- Up 9% on FY12
- Strong franchise continuing to deliver; customers increasing

St.George Banking Group
Australian retail and business banking under the St.George, BankSA, Bank of Melbourne and RAMS brands

- **FY13 cash earnings $1.4bn**
- Up 17% on FY12
- All brands contributing positively; improvement in portfolio quality

BT Financial Group
Wealth division with $76bn funds under management and $103bn funds under administration at 30 September 2013

- **FY13 cash earnings $737m**
- Up 13% on FY12
- Strong performance from asset management, advice and insurance; continuing good inflows onto platforms

Institutional

Westpac Institutional Bank
Leading Australasian wholesale bank, with branches and representative offices in Australia, NZ, US, UK and Asia

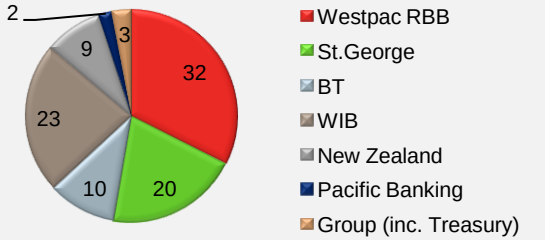
- **FY13 cash earnings $1.6bn**
- Up 11% on FY12
- Strong customer flows particularly in Debt Markets, significant improvement in portfolio quality

NZ

Westpac New Zealand
One of New Zealand's largest banks, providing banking and wealth services to consumers, businesses and institutions

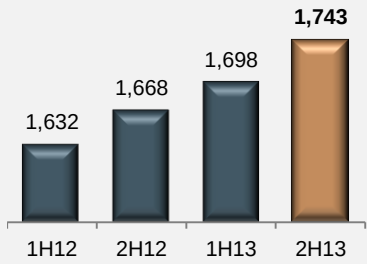
- **FY13 cash earnings NZ$770m**
- Up 9% on FY12
- Strong franchise delivering, improvement in portfolio quality

FY13 Cash earnings by division (%)

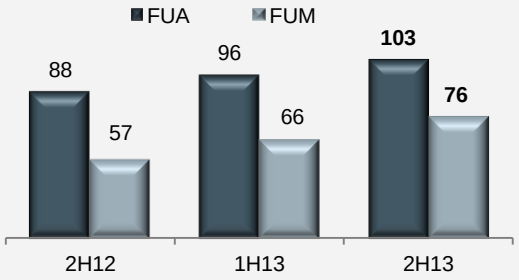


AFS MyBank customer numbers ('000)

MyBank customers have their key transaction account with the Westpac Group, are frequent transactors and have 2 or more other key financial needs met



BT FUM and FUA[1] ($bn)



1. FUM is Funds Under Management and FUA is Funds Under Administration.

全ての部署とブランドが成長に寄与

Australian Financial Services

ウエストパック・リテール及びビジネスバンキング：
オーストラリアの消費者顧客、中小企業顧客、商業顧客向けのリテール及びビジネスバンキング

- **2013年度の現金利益は23億豪ドル**
- 前年度比 9%増
- フランチャイズが強く顧客が増加

セントジョージ・バンキング・グループ：
セントジョージ、バンクSA、バンクオブメルボルン、RAMSブランド下のオーストラリアのリテール及びビジネスバンキング

- **2013年度の現金利益は14億豪ドル**
- 前年度比17%増
- 全てのブランドがプラスに貢献し、ポートフォリオの質を改善

BTファイナンシャル・グループ：
ウエストパックのオーストラリア資産運用部門は2013年9月末現在、運用資産が760億豪ドル、管理資産が1,030億豪ドル

- **2013年度の現金利益は737百万豪ドル**
- 前年度比13%増
- 資産管理及び保険販売で好成績。プラットフォームへのよい流れを維持

Institutional

ウエストパック・インスティテューショナル・バンク：
オーストラリア最大級のホールセールバンクで、オーストラリア、ニュージーランド、アメリカ、イギリス、アジア諸国に支店、代理店を構える

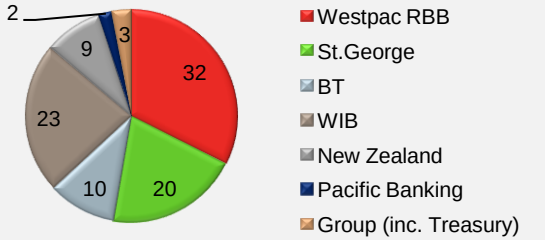
- **2013年度の現金利益は16億豪ドル**
- 前年度比11%増
- 特に債券市場への顧客の流入があり、ポートフォリオの質を大幅に改善

NZ

ウエストパック・ニュージーランド：
ニュージーランド最大規模。消費者顧客、法人顧客に対しバンキング、資産運用サービスを提供

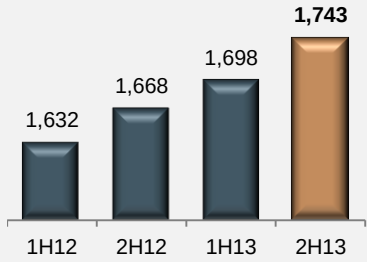
- **2013年度の現金利益は770百万ニュージーランドドル**
- 前年度比 9%増
- フランチャイズが強くポートフォリオの質を向上

2013年度部門別現金収益 (%)

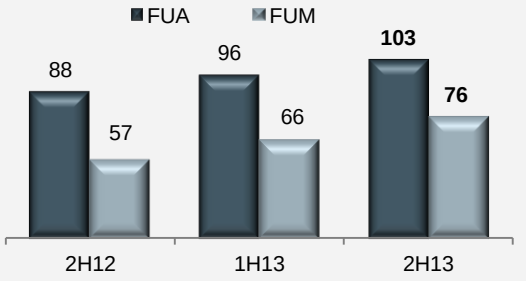


AFS MyBank利用顧客数 ('000)

MyBankの顧客はメインの口座をウエストパックで開き、取引が頻繁である



BT 運用資産及び管理資産[1] (10億豪ドル)

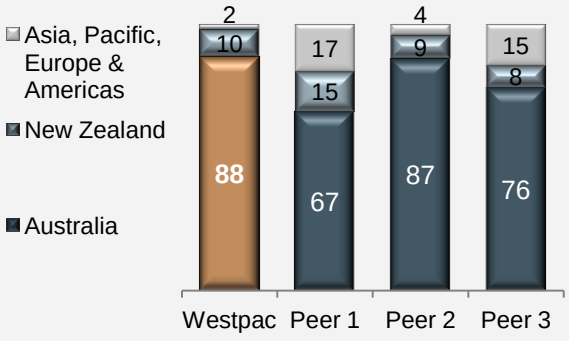


1. FUM is Funds Under Management and FUA is Funds Under Administration.

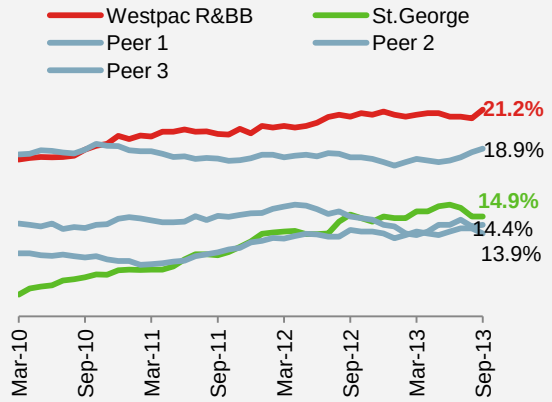
Setting Westpac apart – Domestic customer focus, efficiency and balance sheet strength

Clear focus on Australia and New Zealand

Total income by geography[1] (%)

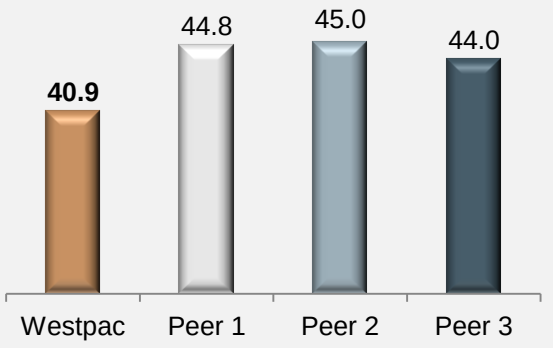


Wealth penetration[2] leads sector (%)



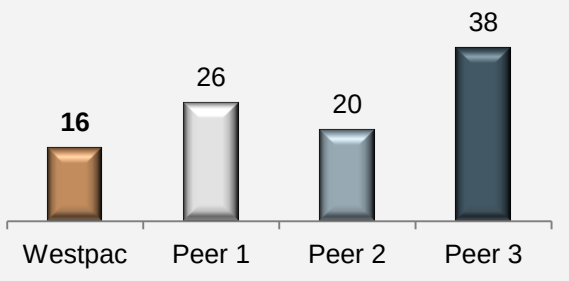
Leader in efficiency

Expense to income ratio[1] (%)



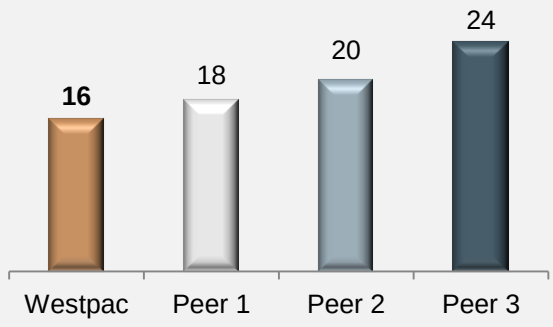
Risk management a competitive advantage

Impairment charges to average loans annualised[1] (bps)



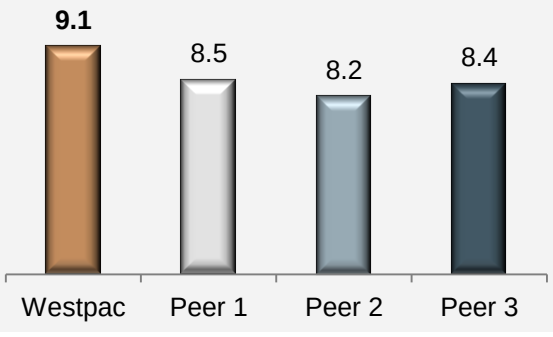
Lowest short term funding of peers

Short term funding to total funding including equity[1,3] (%)



Capital levels ahead of peers

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

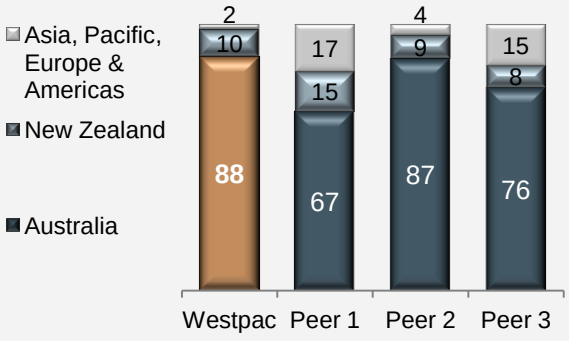


1 Source: Company Reports. Westpac, Peer 1 and Peer 3 as at 30 September 2013. Peer 2 as at 30 June 2013. 2 See Appendix 4 for Wealth penetration metrics provider details 3 Short term funding includes Central Bank deposits and long term wholesale funding with a residual maturity less than 1 year.

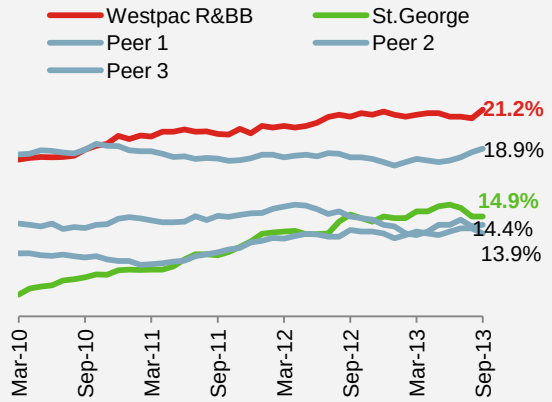
ウエストパックを際立たせる
国内顧客への注力、効率、バランスシートの強さ

オーストラリア及びニュージーランドに注力

地域別収益[1] (%)

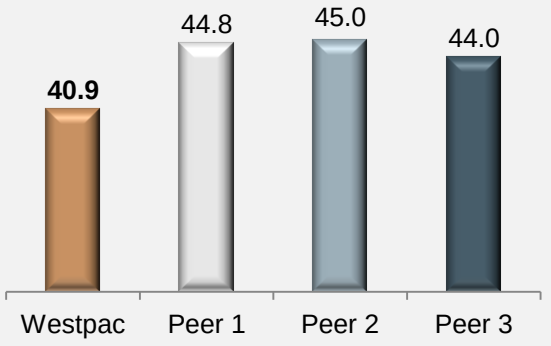


資産管理部門のマーケットシェア1位[2] (%)



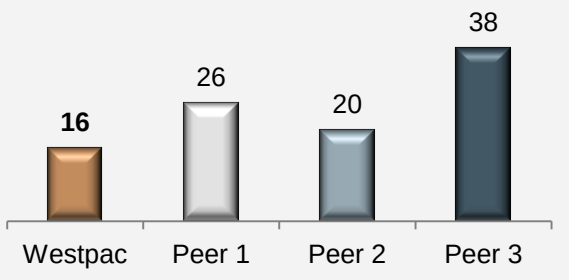
効率面で業界トップ

費用収益率[1] (%)



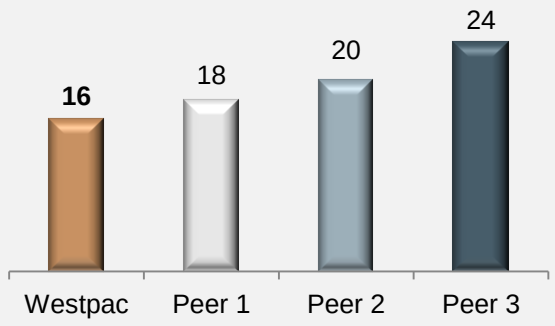
リスクマネジメント能力は競争力 に

年間平均総貸付金に対する減損費用の比率[1] (bps)



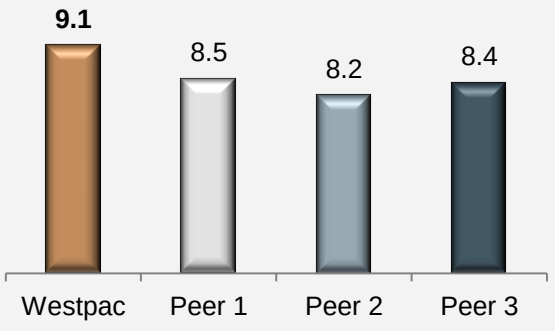
短期資金調達の割合は他行より低い

株式を含む総調達に対する短期調達比率[1,3] (%)



資本レベルは他行を上回る

普通株資本比率[1] (APRA バーゼル III) (%)



1 Source: Company Reports. Westpac, Peer 1 and Peer 3 as at 30 September 2013. Peer 2 as at 30 June 2013. 2 See Appendix 4 for Wealth penetration metrics provider details 3 Short term funding includes Central Bank deposits and long term wholesale funding with a residual maturity less than 1 year.

Completed acquisition of Lloyds Banking Group's Australian businesses

- On 11 October 2013 Westpac entered into an agreement to acquire Lloyds Banking Group's Australian business for $1.45bn. The acquisition was completed on 31 December 2013 (no impact on FY13 results)
- $8.4bn asset base, risk weighted assets of $9.1bn
- Assets represent 1.2% of Westpac's asset base, lifting Westpac Group's Australian business portfolio by around 7%
- Given the Group's strong capital and funding position, the transaction was financed from internal resources and within existing funding plans (approximately $8bn)

Transaction is value enhancing to Westpac

- Price of $1.45bn includes approximately $260m of goodwill
- Price to NTA 1.22x
- Including synergies, businesses are expected to add at least $100m to Westpac's FY15 Cash Earnings
- Businesses (including goodwill) expected to generate an ROE ahead of the Group's 11% cost of capital and so adds to shareholder value
- Expected to be EPS positive by the end of FY14

Excellent strategic fit

- Assets clearly aligned to target segments of SME and Corporate
- Grows customer base and enhances ability to deepen existing relationships through expanded operating lease capability
- Asset quality considered to be in line with similar Westpac assets
- Strong cultural alignment between Lloyds and WIB/ St.George teams
- Clear integration plan in place

Summary of businesses acquired

Equipment finance	• $2.9bn in lease receivables – $1.9bn SME (to be managed within St.George) – $1.0bn corporate (will be managed within WIB) • 62,000 corporate/business customers • Low risk motor vehicle and machinery assets associated with waste management, mining and transport industries • Adds operating lease capability to WIB
Motor Vehicle Finance	• $3.9bn in assets – $0.7bn dealer finance – $3.2bn personal car finance • 343 motor dealerships • 151,000 consumer customers • Complementary to existing St.George auto finance portfolio, providing geographic diversity with more business in rural/regional areas
Corporate loan portfolio	• $1.6bn in high quality corporate loans. Additional $1.1bn in undrawn facilities • 28 high quality corporates, with stressed assets previously sold • Assets transferred to WIB, with Westpac having a relationship with approximately 80% of customers • Portfolio expected to run-down over next 3 years

ロイズバンキンググループのオーストラリア事業を取得

- 2013年10月11日、ウエストパックはロイズバンキンググループのオーストラリア事業を14.5億豪ドルで取得することに合意し、2013年12月31日に買収は完了（2013年度の業績への影響はなし）
- 84億豪ドルの資産ベースでリスク加重資産は91億豪ドル
- 資産はウエストパックの資産ベースの1.2%を占め、ウエストパックグループのオーストラリア事業のポートフォリオを約7%押し上げた
- グループのキャピタルポジション、ファンディングポジションが強いため、この取得の資金調達は内部のリソースでまかなわれ、既存のファンディングプラン内で行った（約80億豪ドル）

ウエストパックに対して価値ある案件

- 取得額の14.5億豪ドルには、約2.6億豪ドルののれん代も含む
- 価格はNTAの1.22倍
- シナジー効果も含めると、2015年度の現金収益は各事業合計で1億豪ドル以上増加の見通し。
- のれん代も含め、事業全体でグループの調達コスト11%を上回るROEを達成し、株主価値も上昇すると思われる
- 2014年度までにはEPSはプラスになる見込み

戦略的適合

- 資産はターゲットとする中小企業及び法人セグメントに合致
- 顧客ベースを拡大し、オペレーティングリース能力が強化されることで既存の顧客関係もより深まる
- 資産の質はウエストパックと同等と思われる
- ロイズ及びウエストパックIB、セントジョージチームの文化的協力
- 明確な統合プランの実施

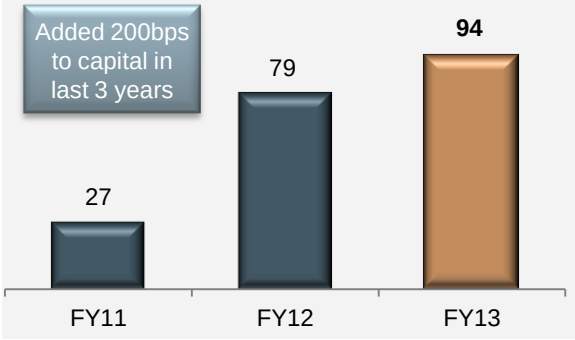
取得した事業の概要

設備融資事業	• 資産29億豪ドル – 中小企業19億豪ドル（セントジョージが管理） – 法人10億豪ドル（ウエストパックIBが管理） • 62,000名の個人及び商業顧客 • 廃棄物管理、鉱業、輸送産業に関連した自動車及び機械類の資産は低リスク • **ウエストパックIBのオペレーティングリース能力を拡大**
自動車融資事業	• 資産39億豪ドル – ディーラー融資に7億豪ドル – 自動車融資に32億豪ドル • 343 件の自動車ディーラー • 151,000名の個人及び商業顧客 • 既存のセントジョージの自動車融資事業を補助するため、拠点を増やし地理的な面での多様性を付加する
法人融資ポートフォリオ	• 質の高い法人融資額が16億豪ドル。11億豪ドルは 未使用枠 • ストレスアセットを売却した28件の法人顧客 • 資産はウエストパックIBに移管し、ウエストパックは約8割の顧客を引き継ぐ • ポートフォリオは今後3年以内に縮小する見込み

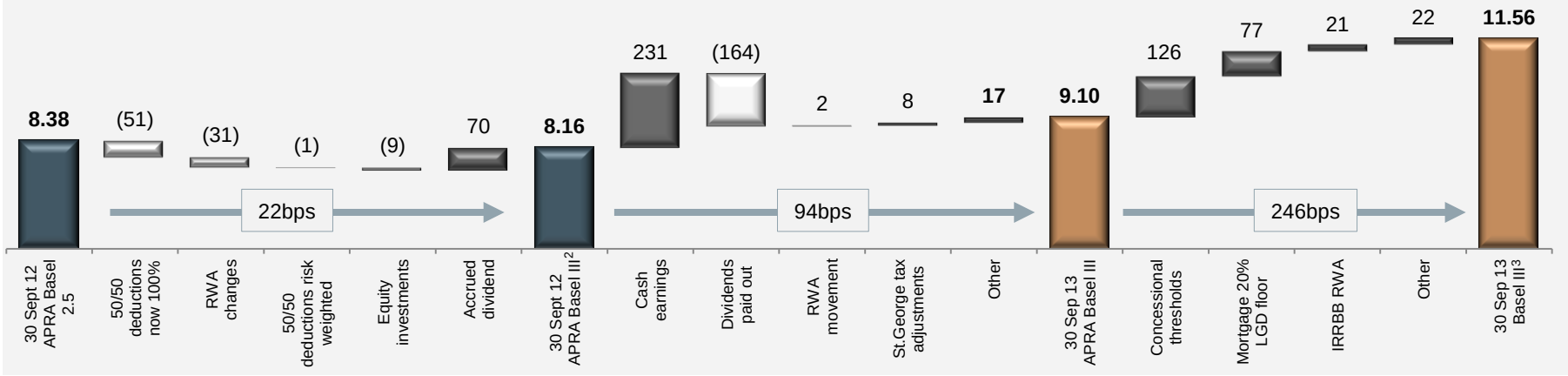
Strong capital generation in FY13

Key capital ratios (%)	FY12	FY13	Preferred range
	APRA Basel 2.5	APRA Basel III	
Common equity tier 1 ratio	8.4	**9.1**	8.0% - 8.5%
Additional tier 1 capital	1.9	**1.6**	
Tier 2 capital	1.4	**1.6**	
Total regulatory capital ratio	11.7	**12.3**	11.5% - 12.0%
Risk weighted assets	$298bn	**$307bn**	
	FY12	FY13	
Common equity tier 1 ratio (BCBS[1] Basel III)	10.6	**11.6**	

Increase in common equity tier 1 ratio[2] (bps)



Common equity tier 1 capital ratio (% and bps)

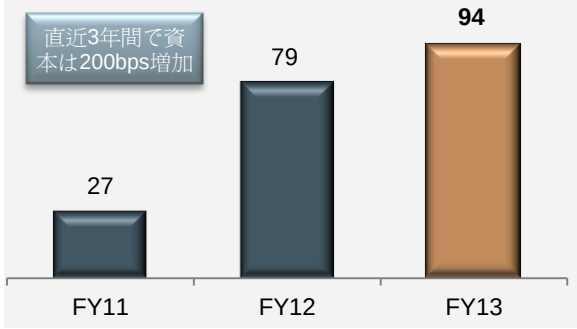


1 Basel Committee on Banking Supervision. 2 Recalculated on an APRA Basel III basis. 3 Recalculated on a full harmonised Basel III basis.

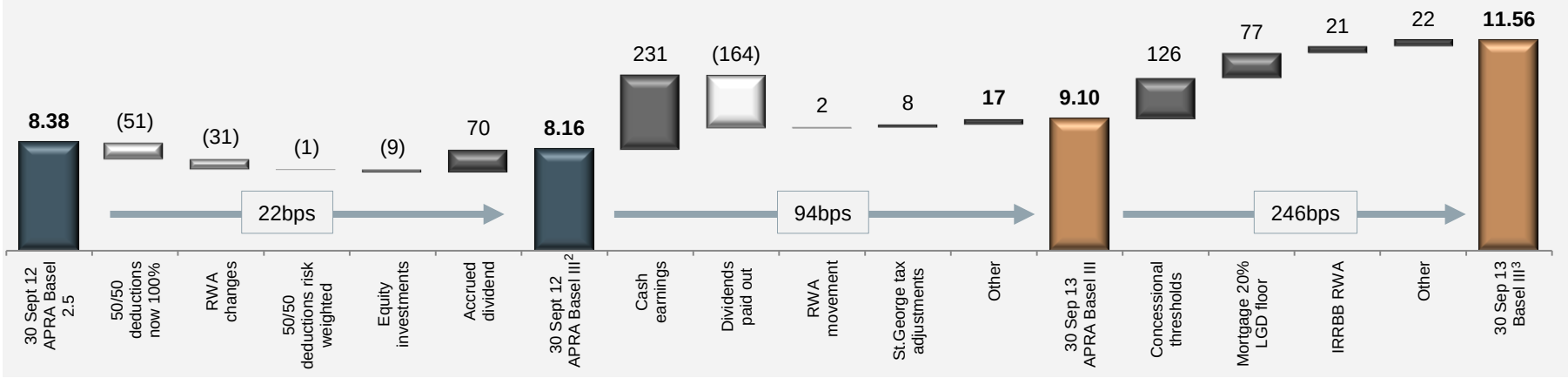
2013年度の強固な資本基盤

主要資本比率(%)	FY12	FY13	望ましいレンジ
	APRA Basel 2.5	APRA Basel III	
普通株等Tier1資本比率	8.4	**9.1**	8.0% - 8.5%
追加的な Tier 1 資本	1.9	**1.6**	
Tier 2 資本	1.4	**1.6**	
自己資本比率	11.7	**12.3**	11.5% - 12.0%
リスク加重資産	$298bn	**$307bn**	
	FY12	**FY13**	
普通株等Tier1資本比率 (BCBS[1] Basel III)	10.6	**11.6**	

普通株等Tier1資本比率の増加[2] (bps)



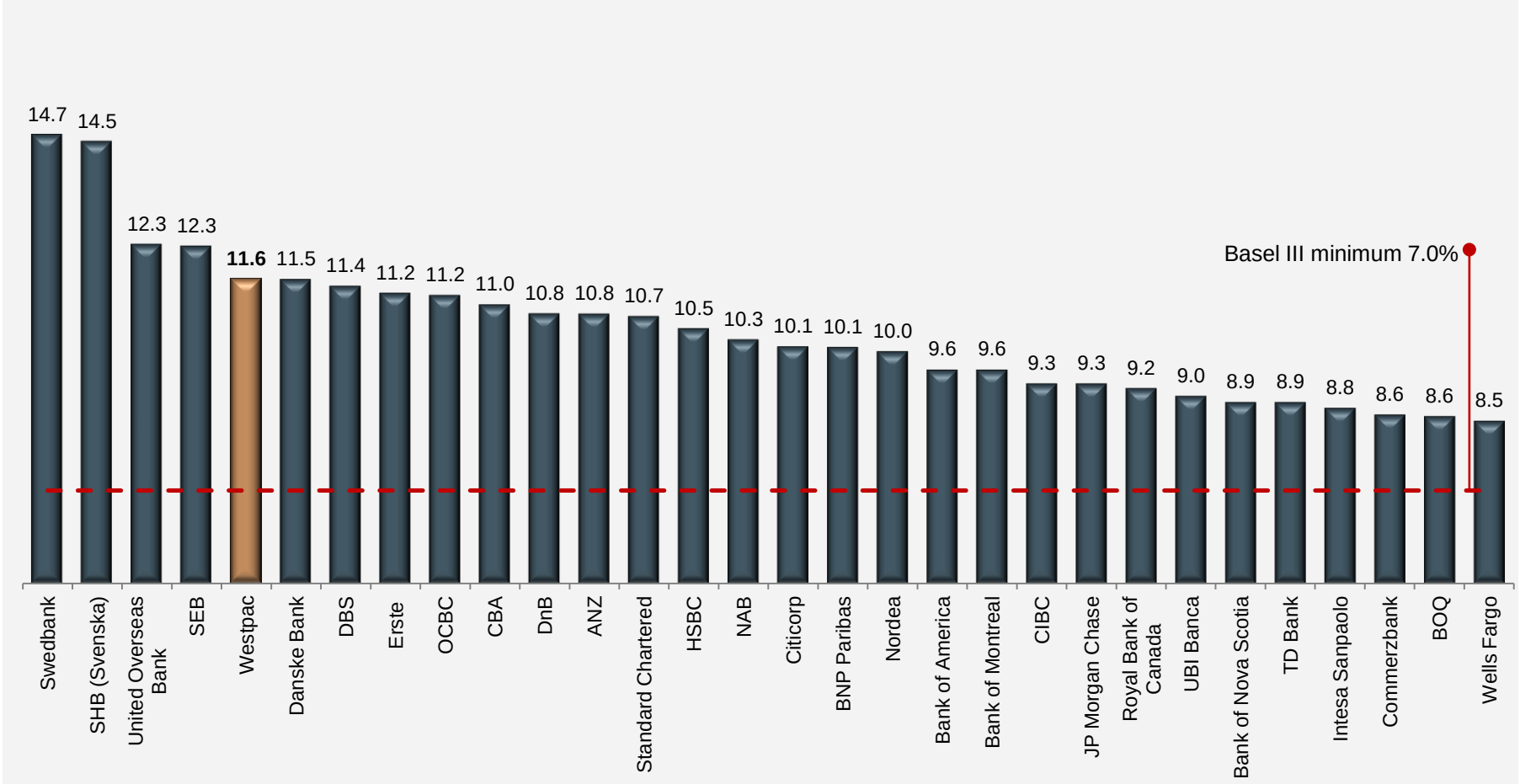
普通株等Tier1資本比率 (% 及び bps)



1 Basel Committee on Banking Supervision. 2 Recalculated on an APRA Basel III basis. 3 Recalculated on a full harmonised Basel III basis.

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

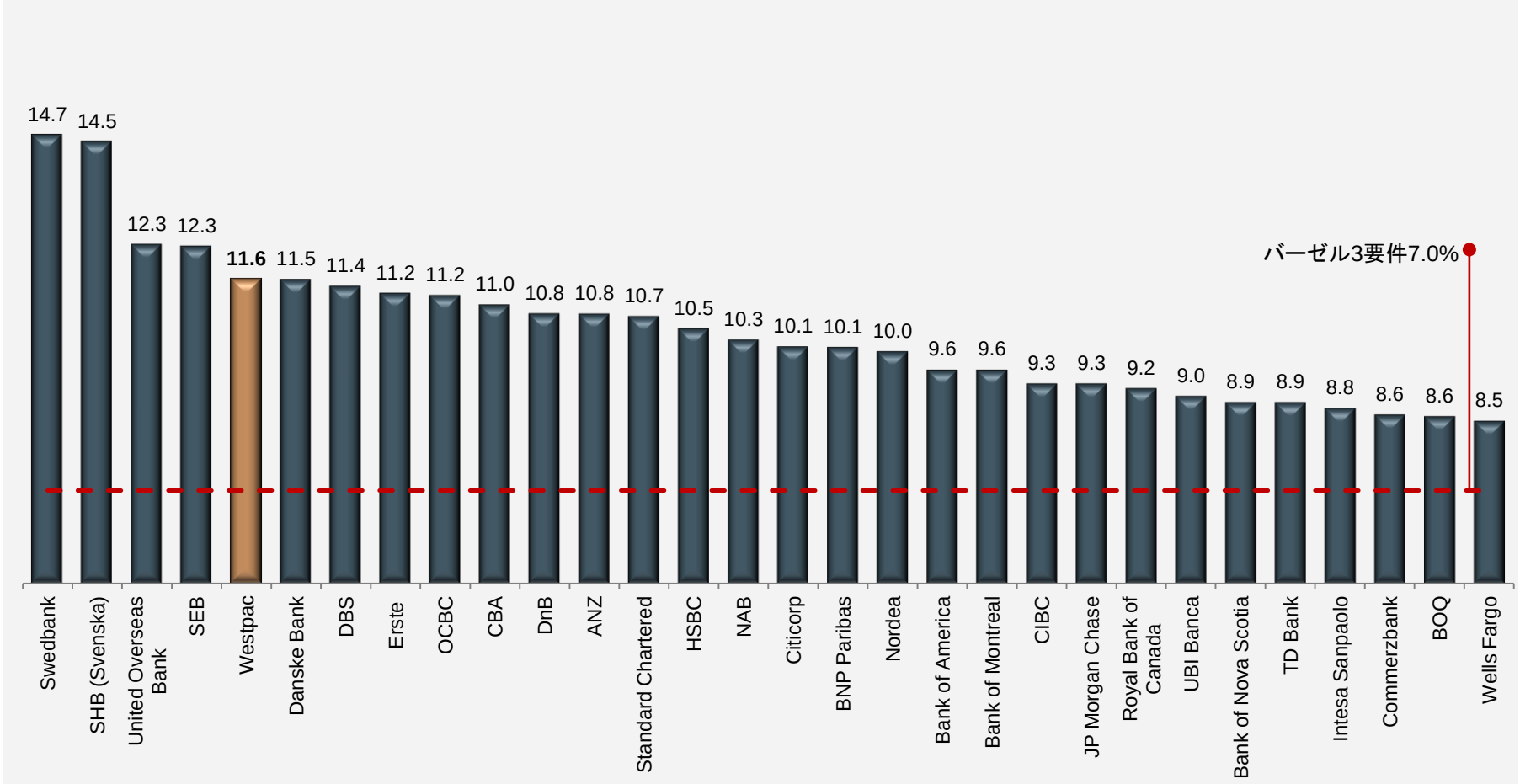
Global peer comparison of Basel III pro-forma common equity tier 1 ratios[1] (%)



1. Source: Company data, Credit Suisse estimates based on latest reported data as at October 2013. Australian major banks based on last reporting date.

バーゼル3完全移行後の普通株等Tier1資本比率は国内トップ、全世界でもトップレベル

プロフォーマベースのバーゼル3 普通株等Tier1資本比率[1] (%)

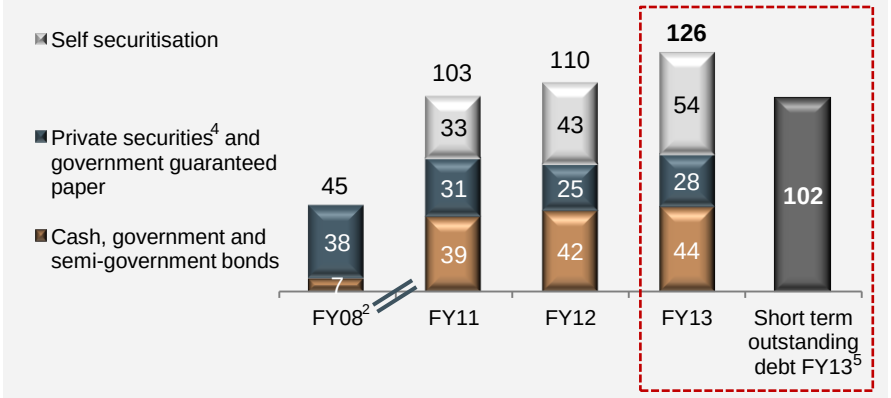


1. Source: Company data, Credit Suisse estimates based on latest reported data as at October 2013. Australian major banks based on last reporting date.

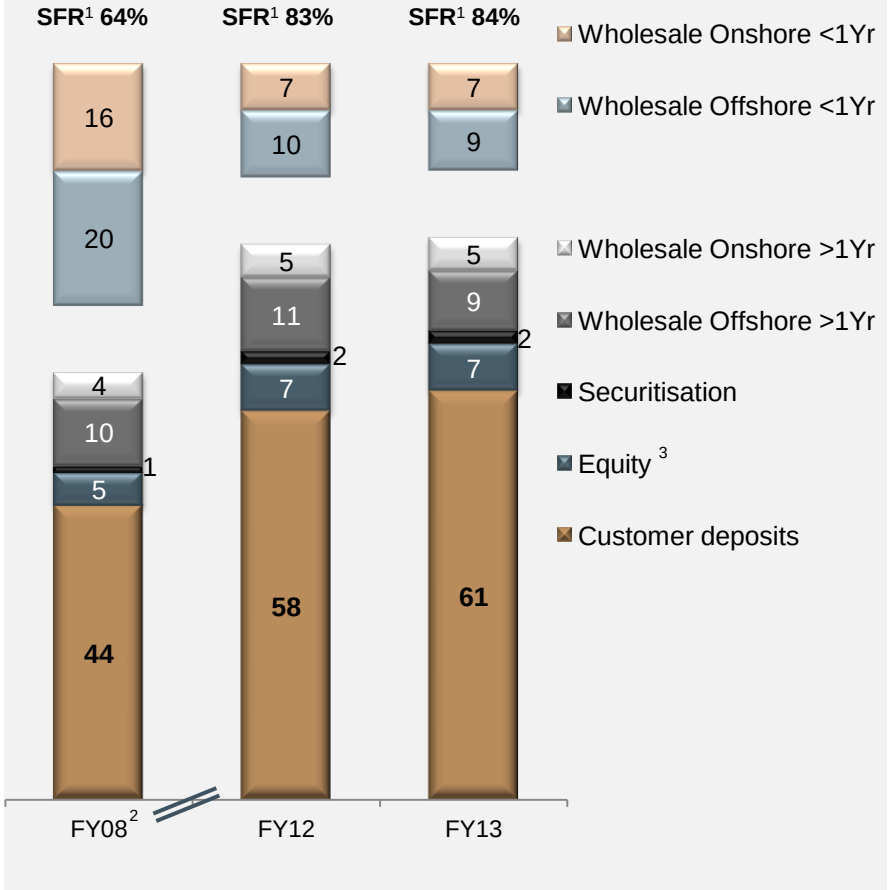
Westpac has built a strong and sustainable funding profile

- Stable funding ratio[1] (SFR) 84%, up 99bps
- Customer deposits 61% of total funding, up 290bps
- Continued strong growth in customer deposits, up $35bn over the year, enabled the Group to:
  - Fully fund loan growth over the year – 377bps improvement in customer deposit to loan ratio to 71.4%
  - Buy back $8bn in Government-guaranteed term debt
  - Limit wholesale funding issuance
  - Increase funded liquid assets
- The Group's liquidity position has also been supported by an $11bn increase in self-securitised assets

Liquid assets ($bn)



Funding composition by residual maturity (%)

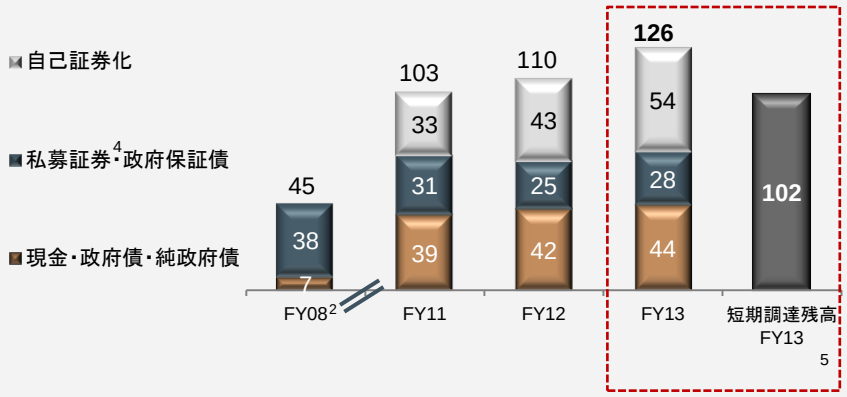


1 SFR is the stable funding ratio calculated on the basis of customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 2 2008 does not include St.George. 3. Equity excludes FX translation, Available for Sale Securities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

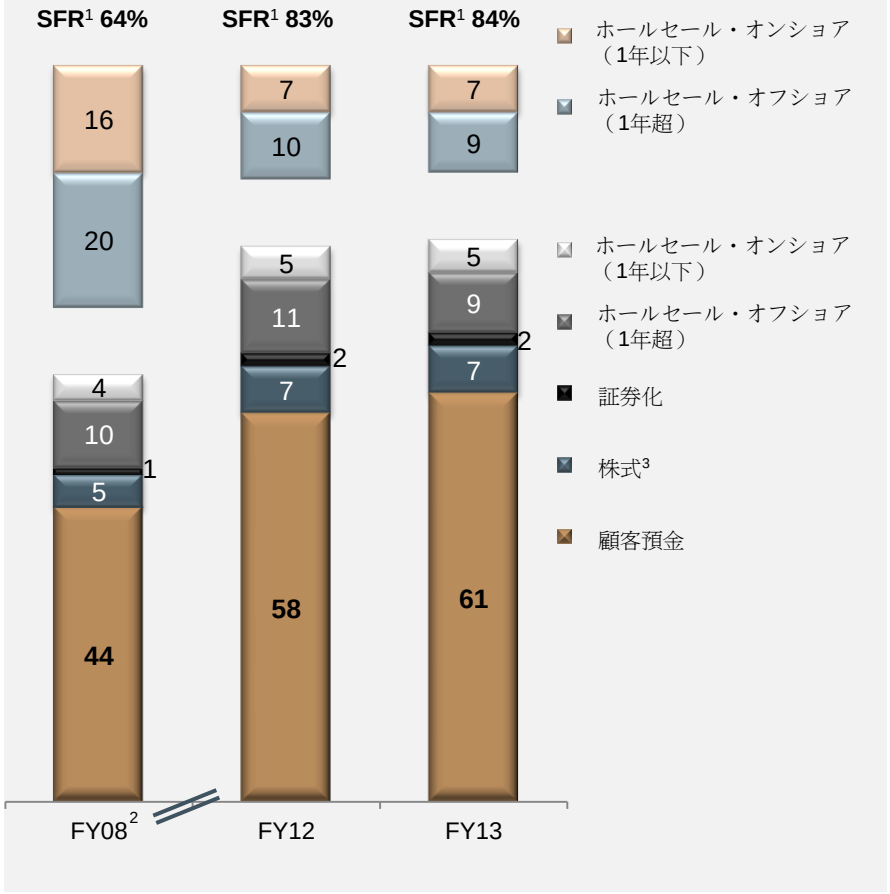
持続可能な資金調達プロファイルを構築

- 安定調達比率[1] (SFR)は99bps 増加して84%
- 顧客預金は290bps増加して調達額全体の61%
- 顧客預金は年間で350億豪ドル増と伸び続けており、グループに以下をもたらした:
  - 年間のファンドローンの伸びは377bpsとなり、顧客の預貸率が71.4%に改善
  - 政府保証付タームデットで80億豪ドル分の買戻し
  - ホールセール発行を制限
  - 流動性資産の増加
- 自己証券化資産が110億豪ドル増加したことも、グループの流動性ポジションを支えた

流動性資産 (10億豪ドル)



残存期間別の資金調達内訳 (%)

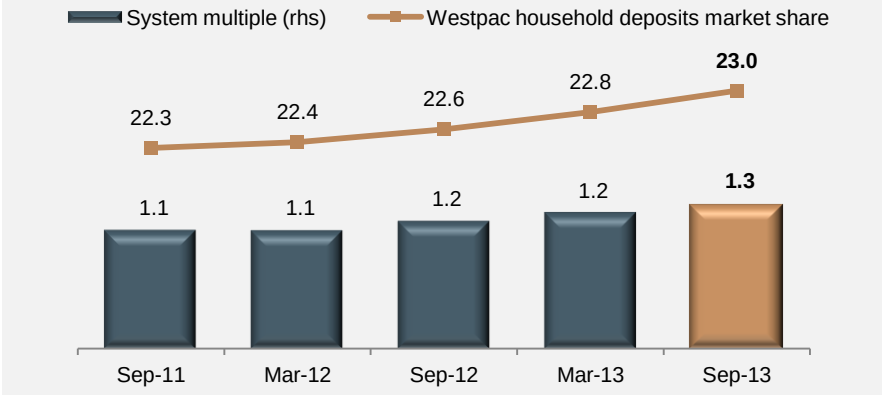


1 SFR is the stable funding ratio calculated on the basis of customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding. 2 2008 does not include St.George. 3. Equity excludes FX translation, Available for Sale Securities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

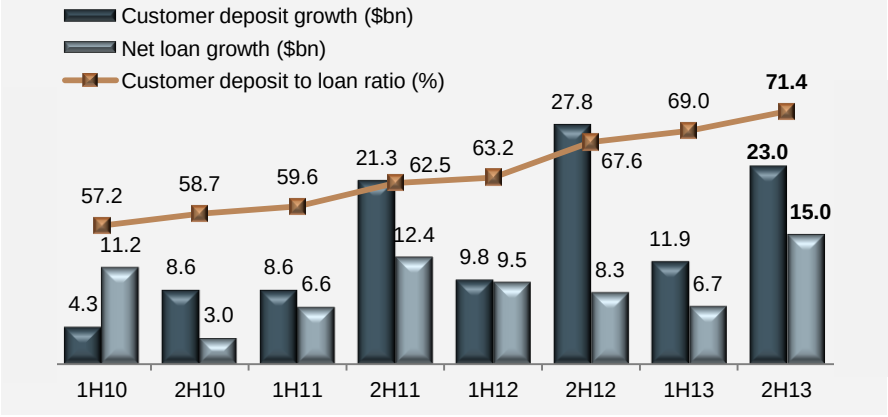
Above system growth in customer deposits

- Customer deposits grew strongly over the year, up $35bn or 10%
- Focus on growing deposits with higher LCR value
  - Particularly strong growth in Australian household deposits
    - 1.3x system[1]
    - Increased market share over the year by 45bps to 23%[1]
  - Launched Corporate Evergreen product in February 2013 – an investment account with a market-linked variable interest rate and residual maturity date
    - Over $1bn in deposits since launch
    - Winner 2013 Australian Business Award for Product Innovation
    - NoticeSaver, the commercial and SME version of Evergreen, made available through retail banking distribution channels in FY13

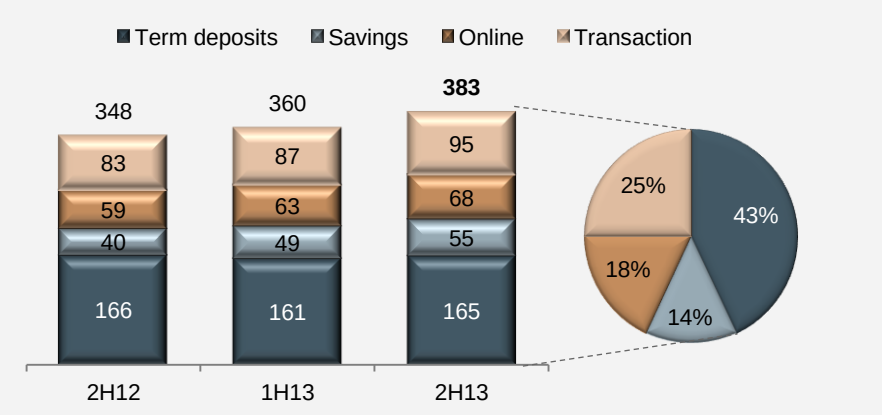
Australian household deposits market share[1] (%) and growth compared to system[1] (times)



Westpac deposit growth funding loan growth



Customer deposit composition[2] ($bn and %)

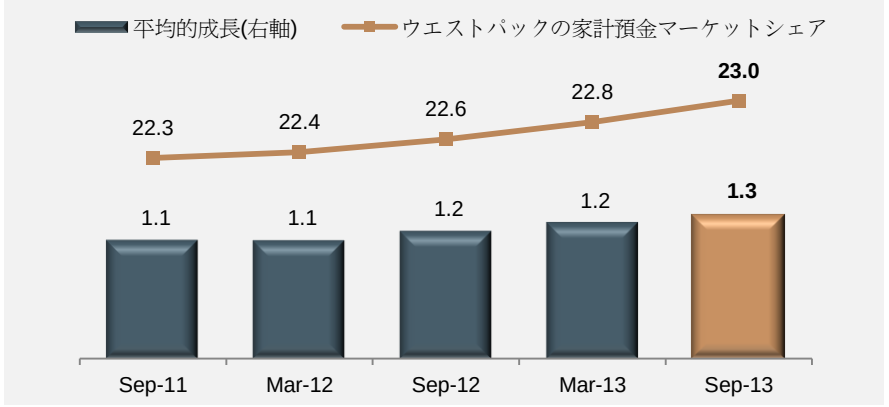


1 APRA Banking Statistics, September 2013 2 Mortgage offset accounts are included in transaction accounts.

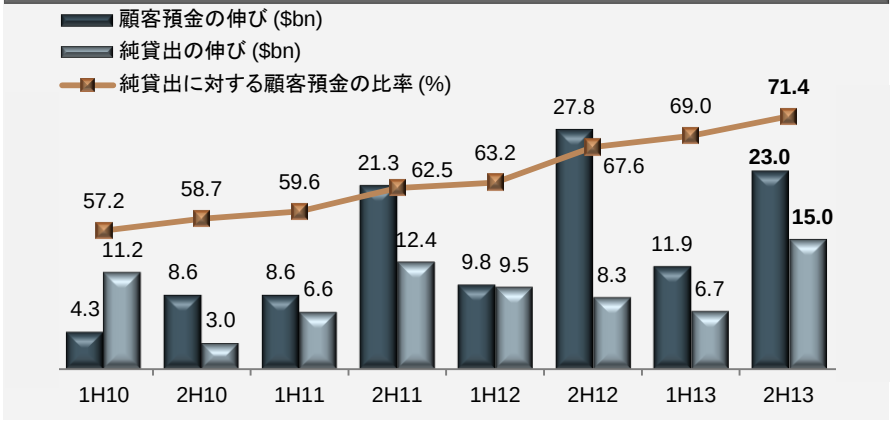
顧客預金は平均的成長を上回る

- 顧客預金は年間で大幅に拡大、10%増の350億豪ドル
- 流動性カバレッジ比率はより高くしつつ、預金拡大にフォーカス
  - オーストラリア家計預金に特に大きな伸び
    - 平均成長1.3倍の成長率[1]
    - マーケットシェアは1年で45bps 拡大し23%に[1]
  - 法人向けの投資用口座Evergreen を2013年2月に立ち上げ –市場連動型変動金利と満期日を設定した口座
    - 立ち上げ以降10億豪ドル以上の預金額
    - 2013年オーストラリアビジネスアワード、プロダクトイノベーション部門受賞
    - 上記口座の商業及び中小企業向け製品NoticeSaver が2013年度リテールバンキングを通じて立ち上げ

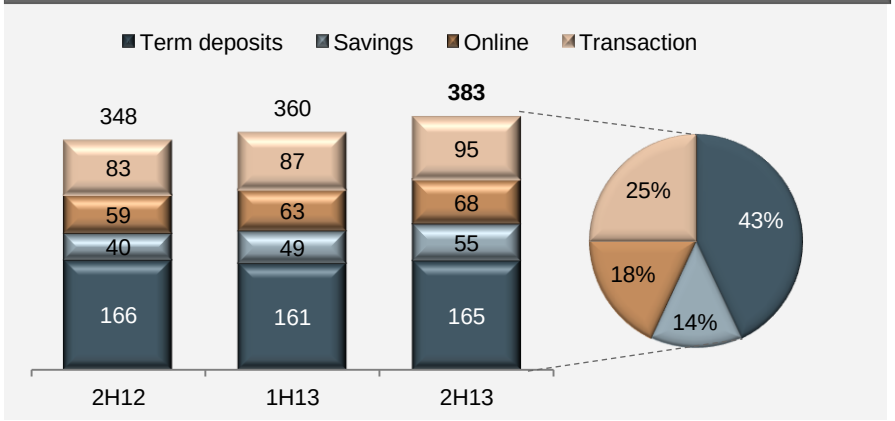
オーストラリアの家計預金マーケットシェア[1] (%) 及び平均的成長を上回る伸び[1] (倍)



ウエストパック 預金、貸出の伸び



顧客預金の内訳[2] (10億豪ドル、%)

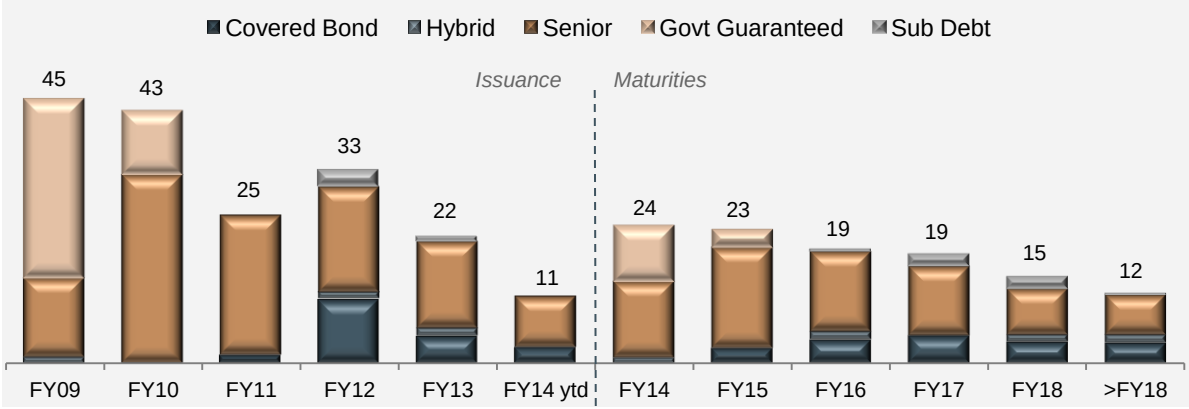


1 APRA Banking Statistics, September 2013 2 Mortgage offset accounts are included in transaction accounts.

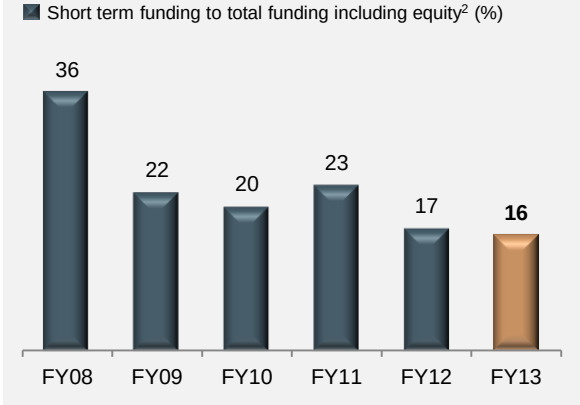
Wholesale funding significantly lower; provides capacity for growth

- $22bn term debt issued in FY13
- Includes $2.3bn in Tier 1 and Tier 2 capital securities
- Weighted average maturity of new issuance 4.8 years (4.3 years FY12)
- Well positioned for FY14
  - Maturities actively managed - $8 billion of AUD and USD Government-guaranteed debt bought back in FY13
  - Issued $11.5bn year-to-date 2014
  - Able to fund acquisition of Lloyds' Australian businesses from internal resources

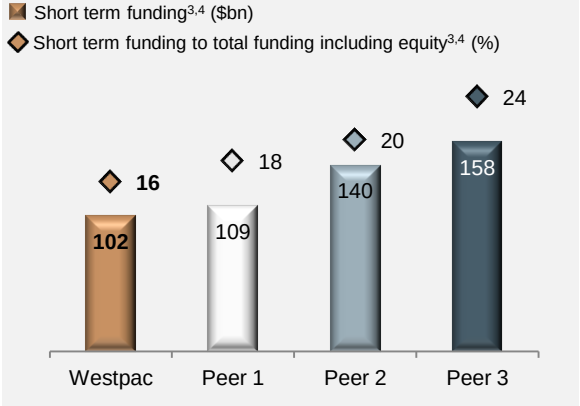
Term debt issuance and maturity profile[1] ($bn)



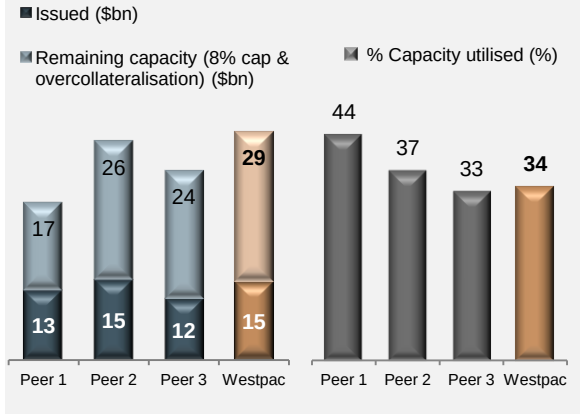
Less reliance on short term funding



Lowest short term funding of peers



Australian covered bond issuance[5]

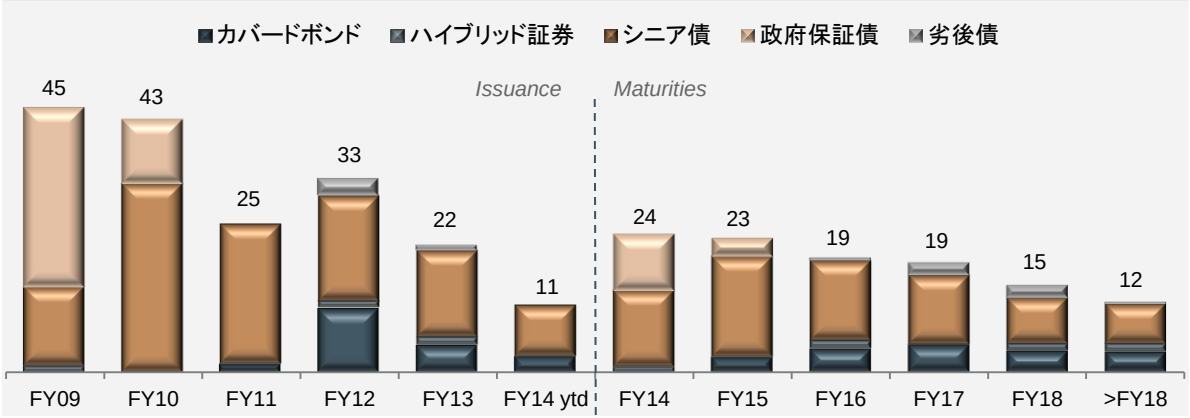


1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. Perpetual sub-debt has been included in >FY18 maturity bucket. Maturities exclude securitisation amortisation. 2 Includes long term wholesale funding with a residual maturity less than 1 year. 3. Short term funding includes Central Bank deposits and long term funding with a residual maturity less than 1 year. 4. Source: Westpac, Company reports. Peer 1 and Peer 2 as at 30 September 2013, Peer 2 as at 30 June 2013. 5 Sources: Westpac, APRA Banking Statistics September 2013

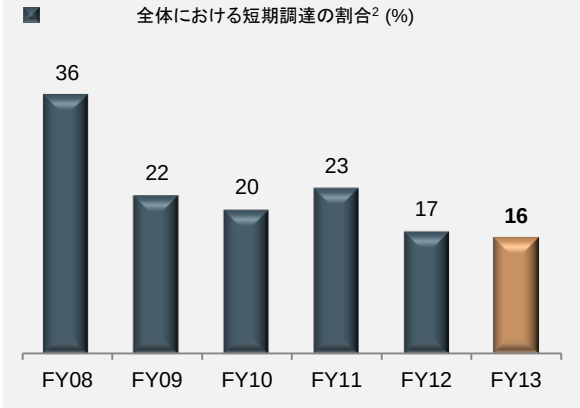
ホールセール調達は大幅に減少し成長に寄与

- 2013年度、220億豪ドルのタームデットを発行
- 上記には23億豪ドルのTier1及びTier2資本証券を含む
- 新発債の加重平均年限は4.8年（2012年度は4.3年）
- 2014年度に向け、状況は良好
  - アクティブな償還管理 - 2013年度、豪ドル建て及び米ドル建て政府保証債80億豪ドル相当を買い戻し
  - 2014年年初より115億豪ドルを発行
  - ロイズのオーストラリア事業取得に必要な資金を内部で調達可能

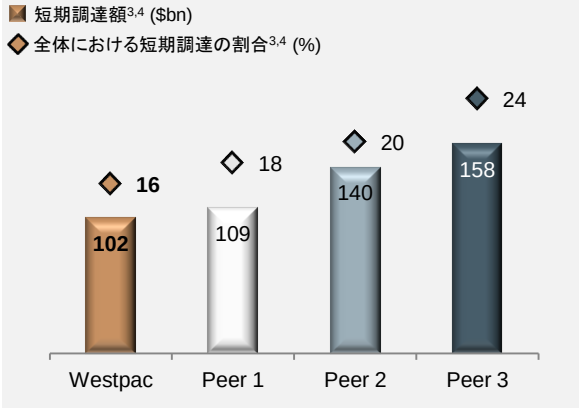
タームデット発行と償還プロファイル[1] (10億豪ドル)



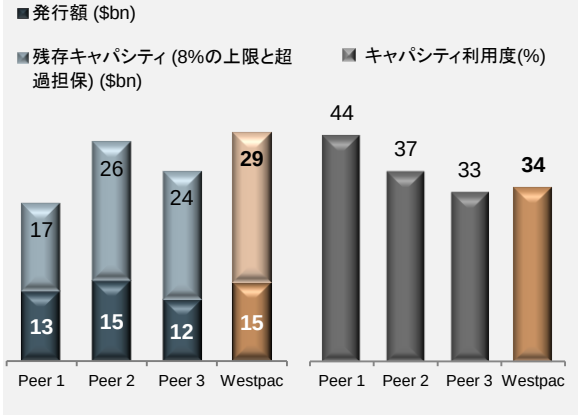
短期調達の減少



短期調達額は他行より小さい



豪州カバードボンド発行[5]



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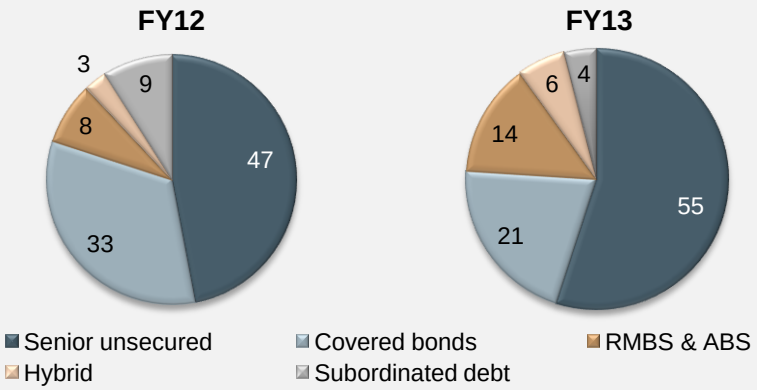
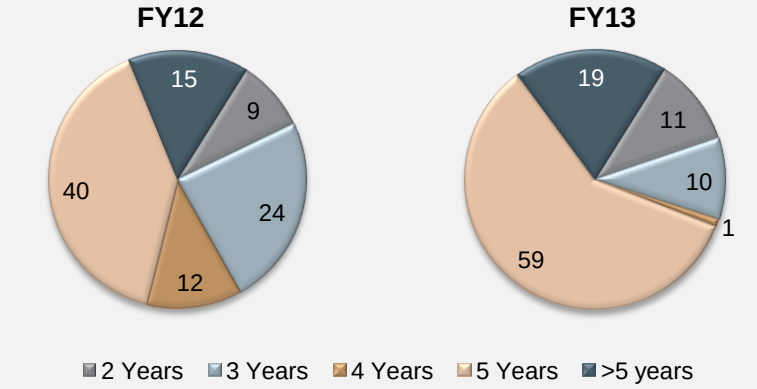
Issuance capabilities delivering diversity in new term funding

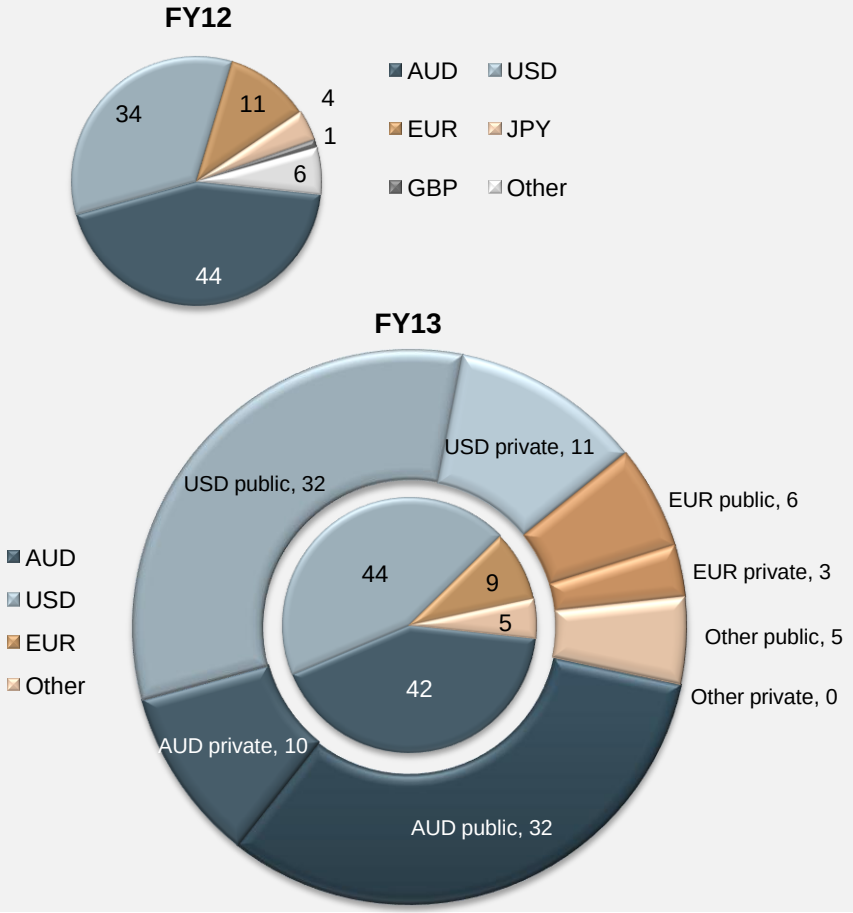
New term funding by type[1] (%)



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



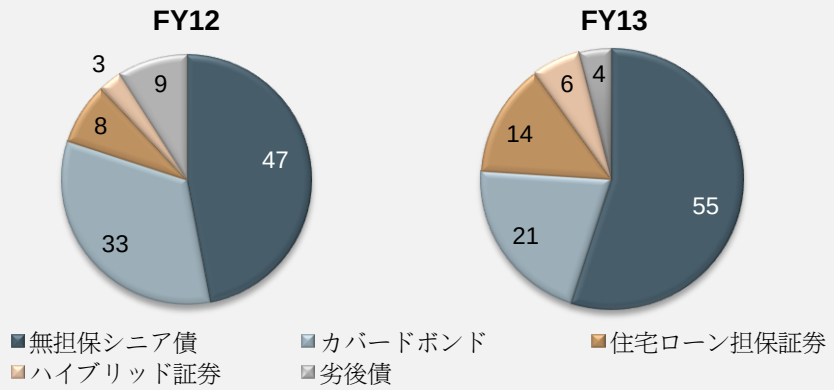
New term funding by currency[1] (%)



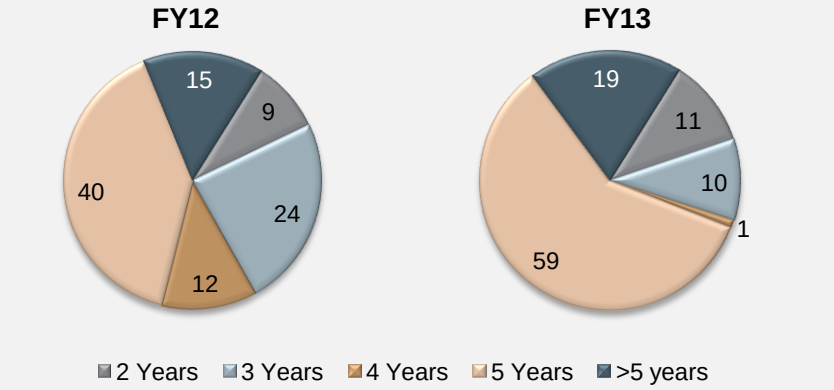
1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 2 Excludes securitisation.

発行能力が高く、新しいタームファンディングに多様化をもたらす

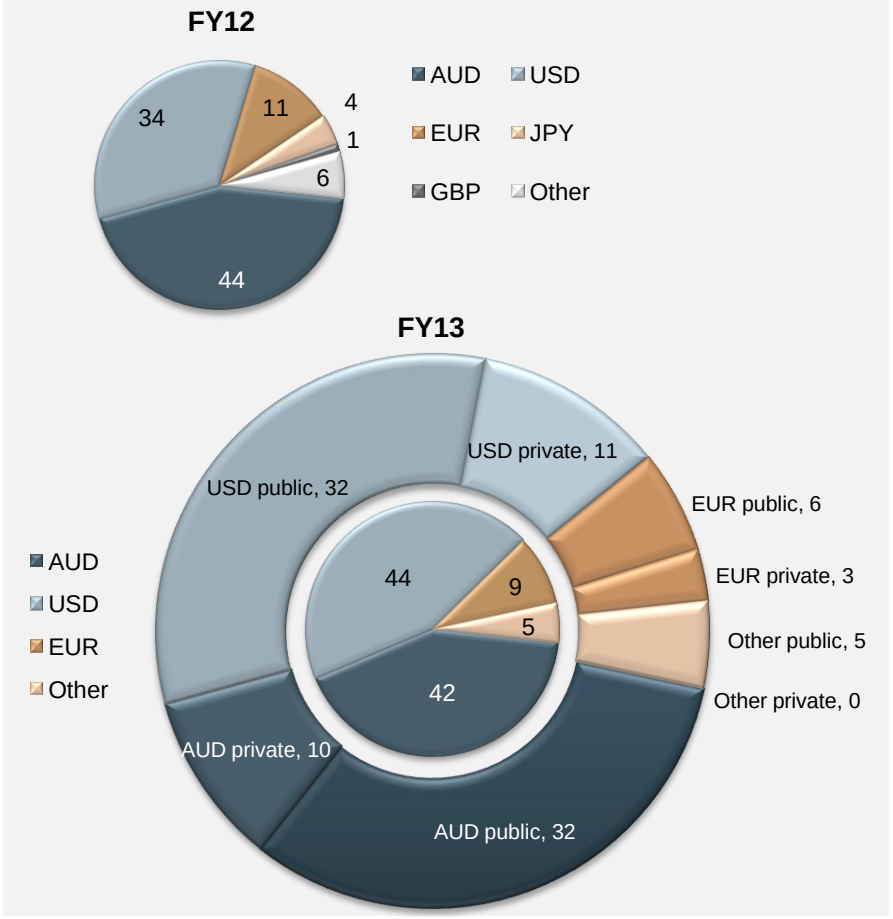
種類別タームデット新規発行[1] (%)



年限別タームデット新規発行[1,2] (%)



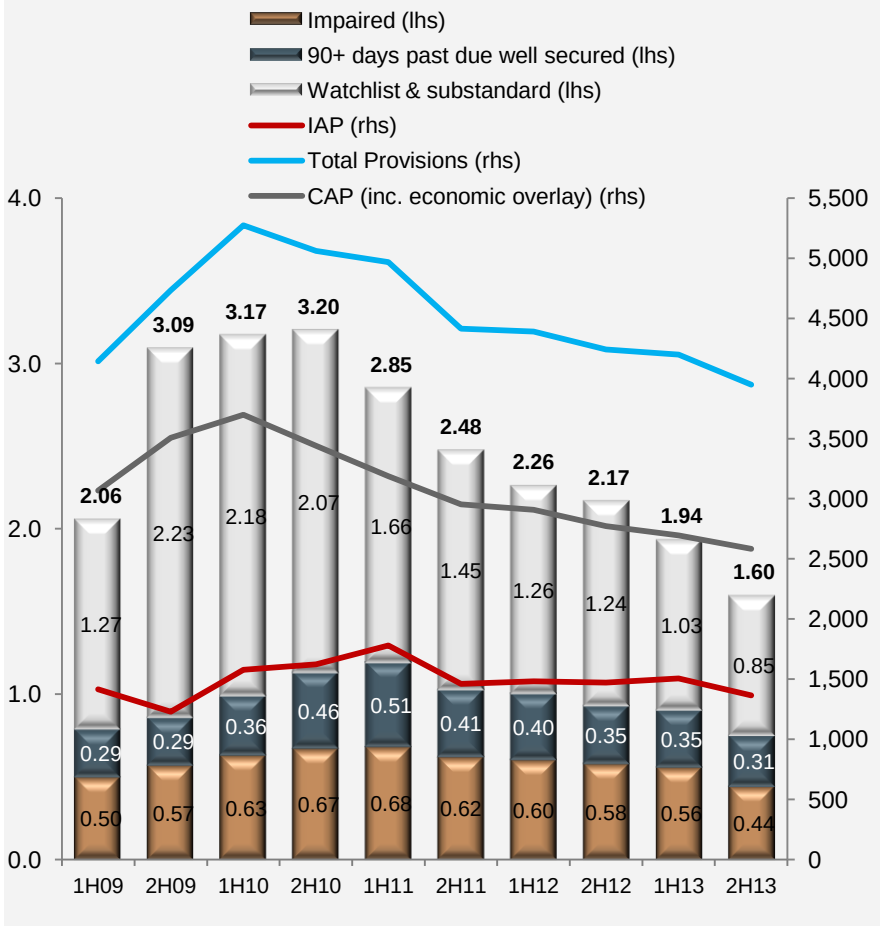
通貨別タームデット新規発行[1] (%)



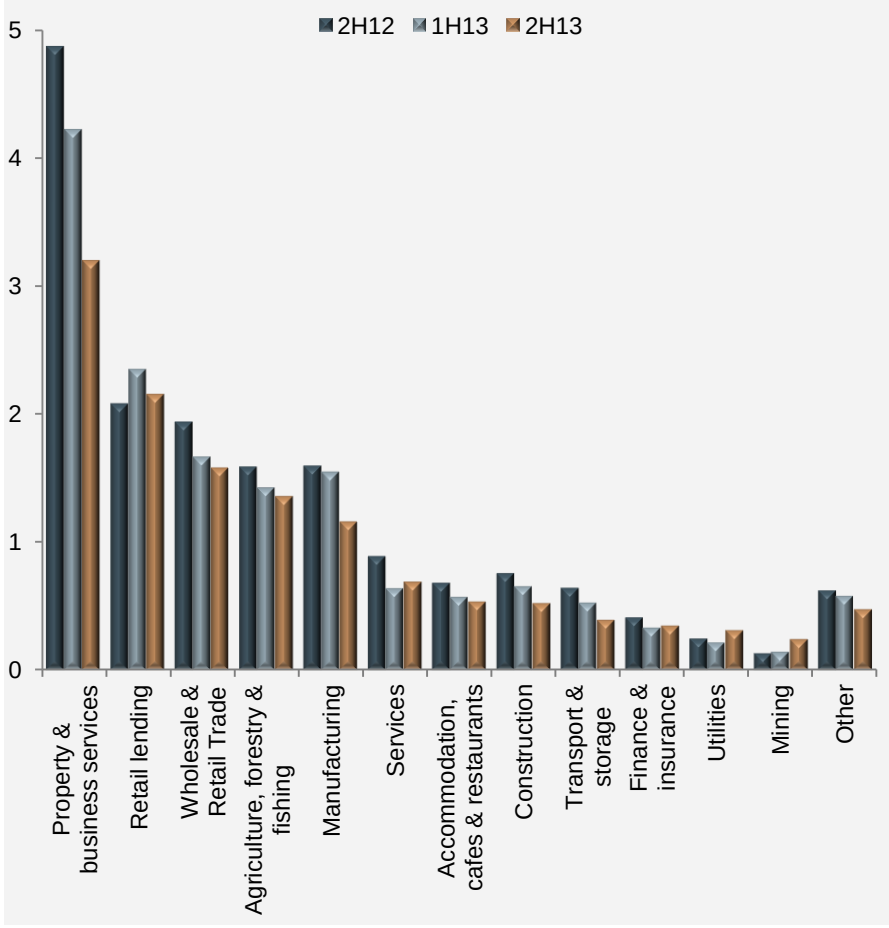
1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. 2 Excludes securitisation.

Significant improvement in asset quality

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

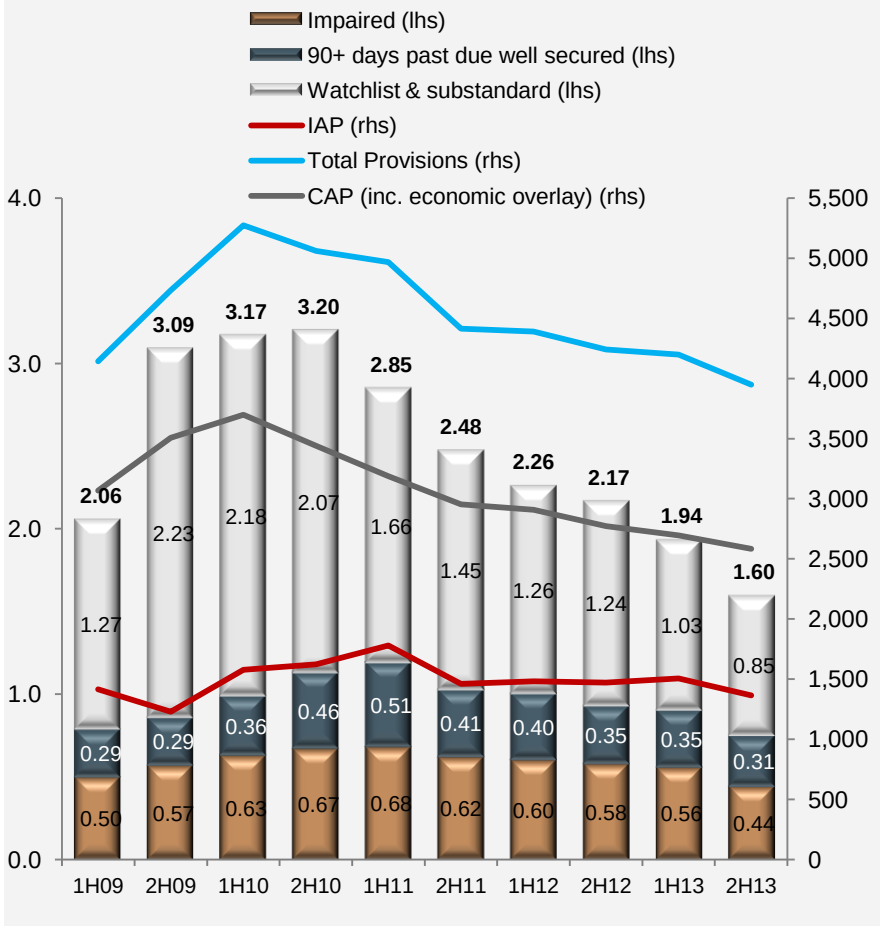


Stressed exposures by industry ($bn)

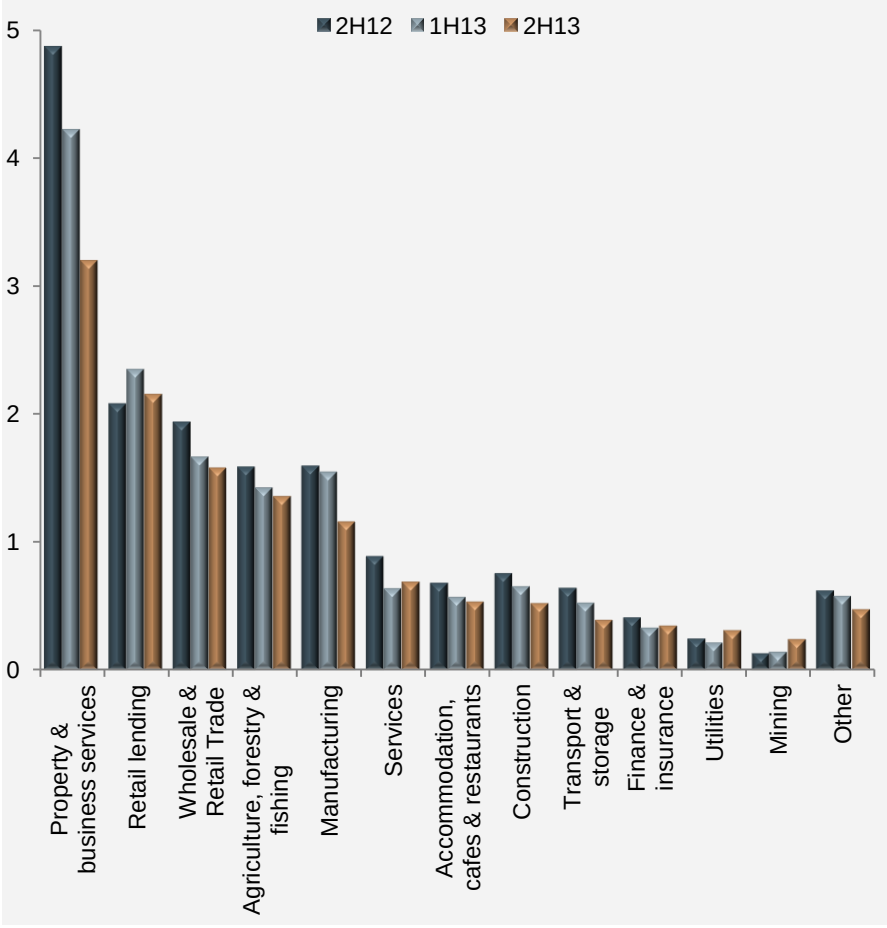


資産の質の大幅な改善

TCE[1] (%)及び引当金(100万豪ドル)のストレス・エクスポージャー



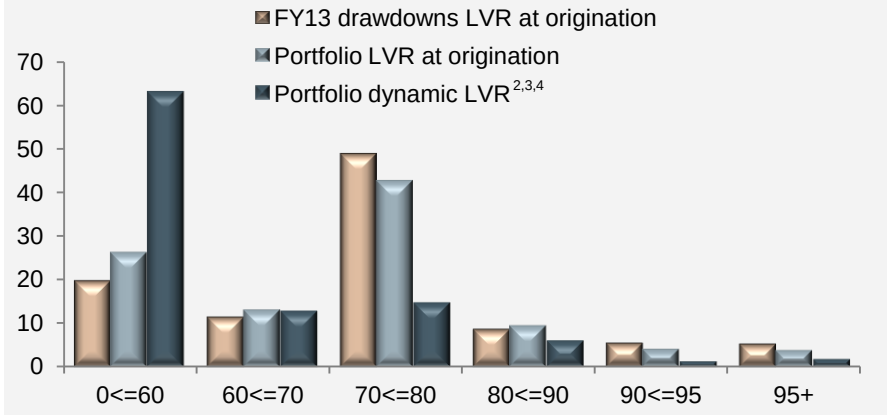
産業別ストレス・エクスポージャー (10億豪ドル)



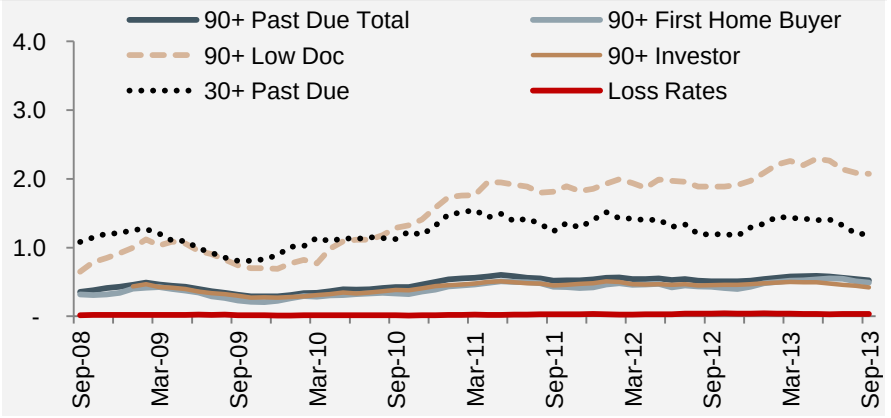
Maintaining mortgage portfolio quality

Westpac Australian housing portfolio	2H12 Balance	1H13 Balance	2H13 Balance	2H13 Flow[1]
Total portfolio ($bn)	316.3	321.9	**328.5**	**29.5**
Owner-occupied (%)	48.2	48.1	**47.9**	**48.4**
Investment property loans (%)	41.5	42.2	**43.1**	**47.8**
Portfolio loan/line of credit (%)	10.3	9.7	**9.0**	**3.8**
Variable rate / Fixed rate (%)	87 / 13	85 / 15	**81 / 19**	**71 / 29**
Low Doc (%)	5.7	5.2	**4.7**	**1.8**
Proprietary channel (%)	58.4	58.2	**58.0**	**57.0**
First Home Buyer (%)	11.8	11.7	**11.4**	**9.2**
Mortgage insured (%)	25.8	24.4	**23.3**	**16.8**
	2H12	**1H13**	**2H13**	
Average LVR at origination (%)	69	69	**69**	
Average dynamic[2,3,4] LVR (%)	48	48	**46**	
Average LVR of new loans[5] (%)	69	70	**72**	
Average loan size ($'000)	217	219	**221**	
Customers ahead on repayments, excl. offset accounts[2,6] (%)	59	56	**57**	
Properties in possession	289	248	**353**	
Actual mortgage losses (net of insurance)[7] ($m)	43	52	**43**	
Actual mortgage loss rate annualised (bps)	3	3	**3**	

Australian housing portfolio (%)



Australian mortgages delinquencies and loss rates (%)

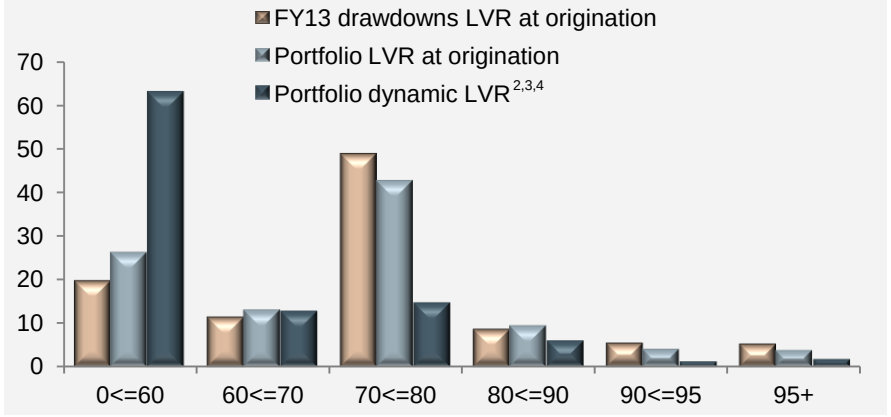


1 Flow is all new mortgage originations total settled amount originated during the 6 month period ended 30 September 2013 and includes RAMS. 2 Excludes RAMS. 3 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments.4 Property valuation source Australian Property Monitors. 5. Average LVR of new loans is based on rolling 12 month window for each year end period. 6 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled payments. 7 Mortgage insurance claims 2H13 $14m (1H13 $10m, 2H12 $17m and 1H12 $13m).

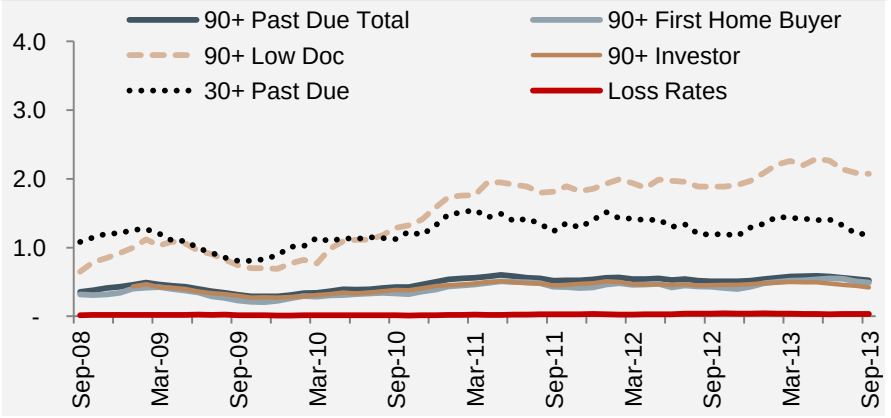
住宅ローンポートフォリオの質を維持

ウエストパックの住宅ローンポートフォリオ（オーストラリア）	2H12 Balance	1H13 Balance	2H13 Balance	2H13 Flow[1]
ポートフォリオ全体 (10億豪ドル)	316.3	321.9	**328.5**	**29.5**
所有者居住用ローン (%)	48.2	48.1	**47.9**	**48.4**
投資用不動産向けローン (%)	41.5	42.2	**43.1**	**47.8**
ポートフォリオローン／クレジット・ライン (%)	10.3	9.7	**9.0**	**3.8**
変動金利/ 固定金利ローン (%)	87 / 13	85 / 15	**81 / 19**	**71 / 29**
Low Doc ローンの割合(%)	5.7	5.2	**4.7**	**1.8**
所有権取得目的 (%)	58.4	58.2	**58.0**	**57.0**
初回住宅購入者向けローン(%)	11.8	11.7	**11.4**	**9.2**
保証付き住宅ローン (%)	25.8	24.4	**23.3**	**16.8**
	2H12	**1H13**	**2H13**	
オリジネーション時平均LVR (%)	69	69	**69**	
平均ダイナミック[2,3,4] LVR (%)	48	48	**46**	
新規ローンの平均LVR[5] (%)	69	70	**72**	
平均ローンサイズ (1,000豪ドル)	217	219	**221**	
前払いの顧客(差引口座を除く)[2,6] (%)	59	56	**57**	
差し押さえ件数	289	248	**353**	
住宅ローン実現損失（保険回収後）[7] (100万豪ドル)	43	52	**43**	
年率住宅ローン実現損失率 (bps)	3	3	**3**	

オーストラリア国内の住宅ローンポートフォリオ (%)



オーストラリアにおける住宅ローンの延滞率及び損失率 (%)



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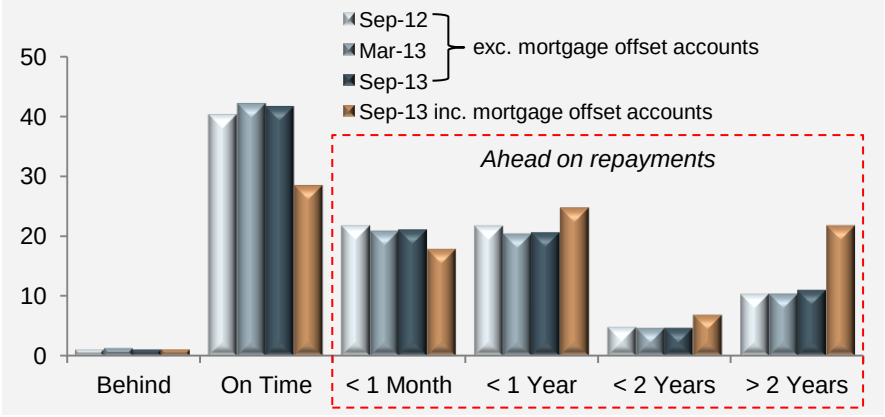
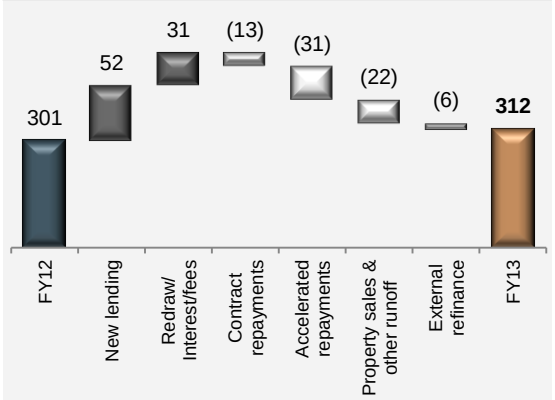
Mortgage customer behaviour remains cautious

- Australian mortgage customers continue to display a cautious approach to debt levels, taking advantage of historically low mortgage rates to pay down debt
  - Including mortgage offset account balances, 71% of customers are ahead of scheduled payments, with 22% of these being more than 2 years ahead
  - Excluding mortgage offset account balances, 57% of Australian mortgage customers are ahead of scheduled payments
  - Prepayment levels impacted by increased flows into fixed rate loans (where additional repayments are limited)
- Sound underwriting criteria underpin the Group's very low level of residential mortgage arrears and losses
- Credit policies are broadly aligned across brands and all credit decisions are made by the Westpac Group, regardless of the origination channel
- Loan serviceability assessments include an interest rate buffer, adequate surplus test and discounts to certain forms of income (e.g. dividends, bonus or rental income)
- Westpac has a minimum assessment rate, often referred to as a floor rate, currently set at 6.80% p.a. across all brands
- In the current interest rate environment, the minimum assessment rate is 181bps higher than the standard lending rate

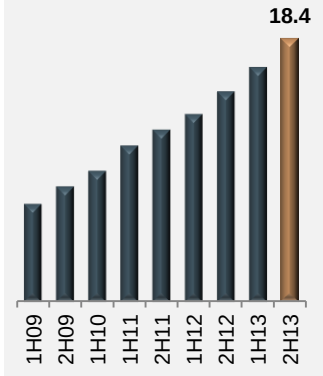
Australian home loan customers ahead on repayments[1,2] (%)



Australian mortgage[1] balance growth ($bn)



Aust.mortgage[1] offset account balances ($bn)

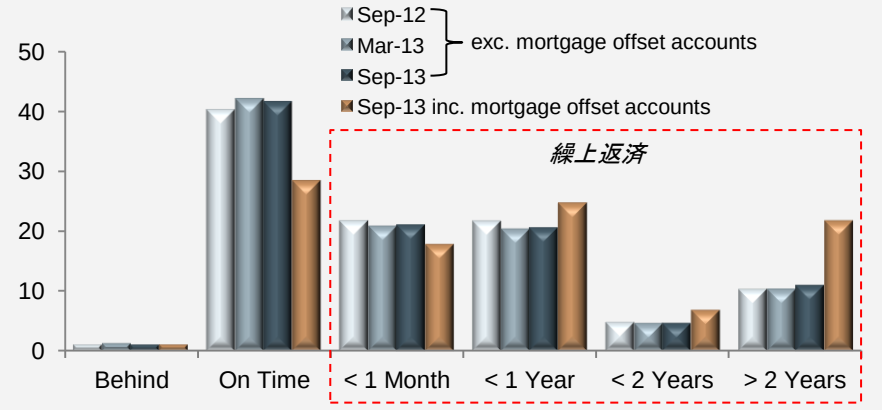


1 Excludes RAMS. 2 Customer loans ahead on payments exclude equity loans/line of credit products as there is no scheduled principal payments. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due.

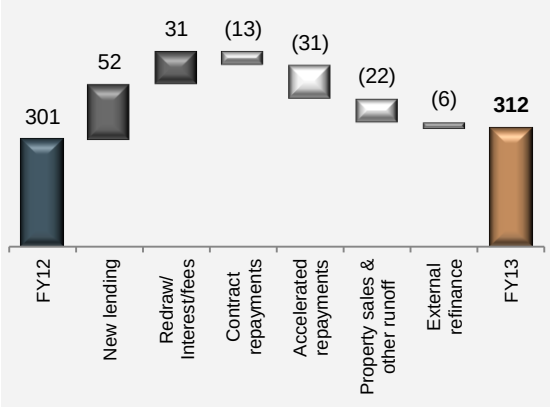
住宅ローンの顧客は依然として慎重

- オーストラリアの住宅ローン顧客は債務レベルに対し依然として慎重であり、かつてない住宅ローン利率の低さを利用して返済を続けている
  - 住宅ローン差引口座の残高を含むと、顧客の71%が返済を繰り上げており、うち22%は2年以上前倒している
  - 住宅ローン差引口座の残高を除くと、オーストラリアの住宅ローン顧客の57%が返済を繰り上げている
  - 追加の返済に制限がある固定金利ローンの顧客が増え、繰上返済のレベルに影響した
- 引受基準は健全であり、グループの住宅ローンに延滞や損失が非常に少ないことを裏付けている
- クレジットポリシーはブランド全体を通して揃えられており、ローン組成チャネルにかかわらず信用に係る決定は全てウエストパックグループで行われる
- 融資可否を決める査定は金利バッファ、余剰金テスト、一定の形式の収益（配当、ボーナス、レンタル収益など）を含む
- ウエストパックの査定レートは、フロアレートと呼ばれる最低限のものであり、現在は全てのブランドで年率6.80%である
- 昨今の金利環境では、最小の査定レートは通常の融資レートの181bps上である

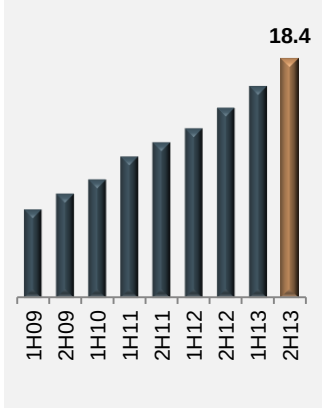
オーストラリアの住宅ローン顧客のうち前倒して返済している割合[1,2] (%)



豪州の住宅ローンの[1] 貸付金残高の伸び (10億豪ドル)



豪州の住宅ローン差引口座の残高(10億豪ドル)



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Westpac GROUP
EST. 1817

ECONOMICS

Australian and New Zealand economic forecasts

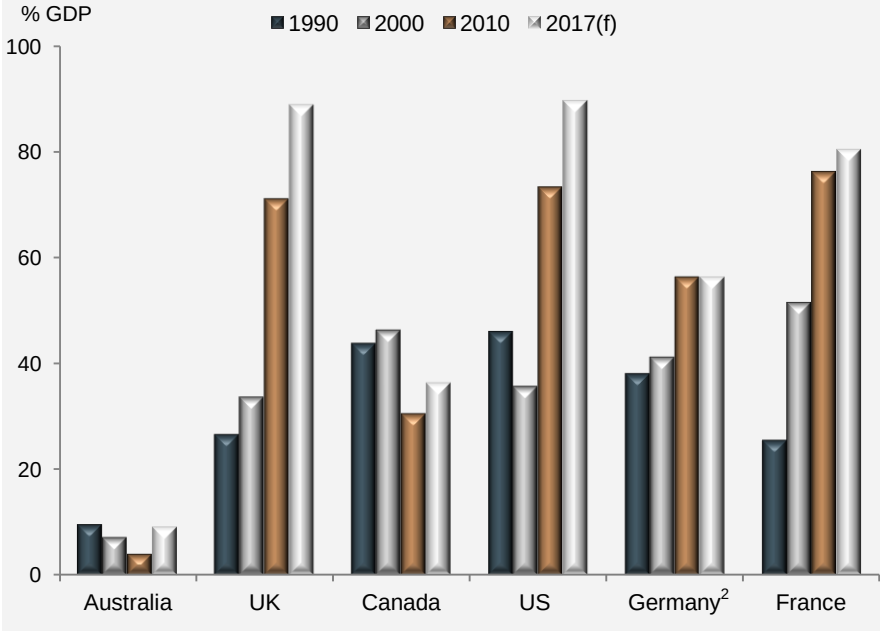
Key economic indicators[1] (%) as at January 2014		Calendar year			
		2011	2012	2013f	2014f
World	GDP	3.9	3.2	2.8	2.8
Australia	GDP	2.4	3.6	2.4	2.6
	Private consumption	3.1	2.5	1.8	2.8
	Business investment[2,3]	17.0	16.3	-2.0	-2.0
	Unemployment – end period	5.2	5.3	5.8	6.4
	CPI headline – year end	3.0	2.2	2.3	2.5
	Interest rates – cash rate	4.3	3.0	2.5	2.0
	Credit growth, Total – year end	3.5	3.6	3.7	5.0
	Credit growth, Housing – year end	5.4	4.5	5.0	5.8
	Credit growth, Business – year end	1.3	2.9	2.0	4.0
New Zealand	GDP	1.4	2.7	2.8	3.8
	Unemployment – end period	6.3	6.8	6.0	5.1
	Consumer prices	1.8	0.9	1.5	1.9
	Interest rates – official cash rate	2.5	2.5	2.5	3.75
	Credit growth – Total	0.9	3.6	4.7	5.0
	Credit growth – Housing	1.2	3.7	5.9	5.2
	Credit growth – Business	0.6	3.5	3.2	4.9

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

Australia's diverse and robust economy

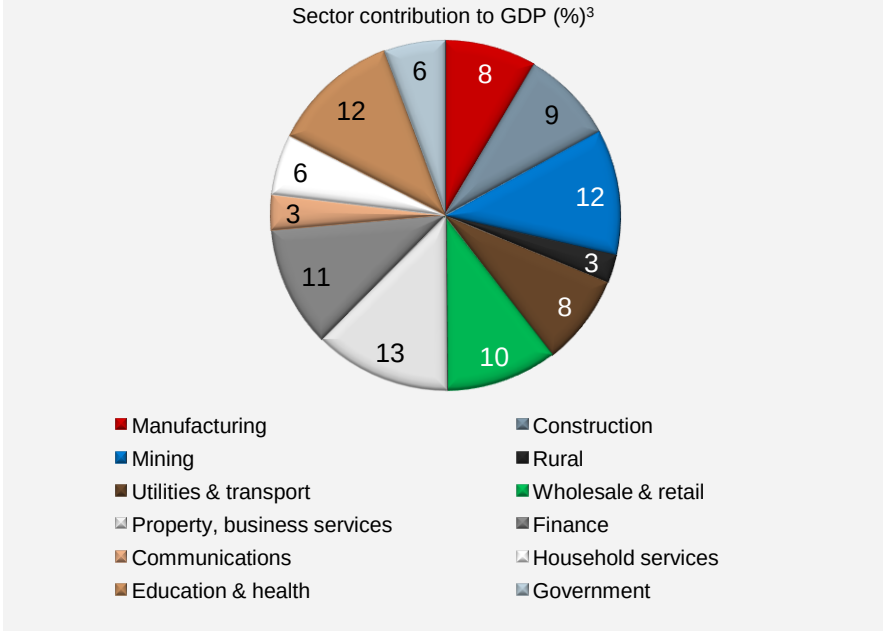
- Diverse economy that goes well beyond mining - more than 80% of the economy is services based
- 22 years of uninterrupted economic growth (1991 – 2012)
  - One of the few countries rated AAA/Aaa/AAA (S&P/Moody's/Fitch)
- Only economy to consistently rank in the world's top 5 most resilient economies since 2008[1]
- Strong fiscal position with Federal Government net public debt levels very low at 11% of GDP
  - While the Government is currently focused on fiscal consolidation there is scope for discretionary fiscal easing if needed

Net public debt levels as a % of GDP



Sources: Westpac Economics, IMF.

Australia's economy: diversified and flexible



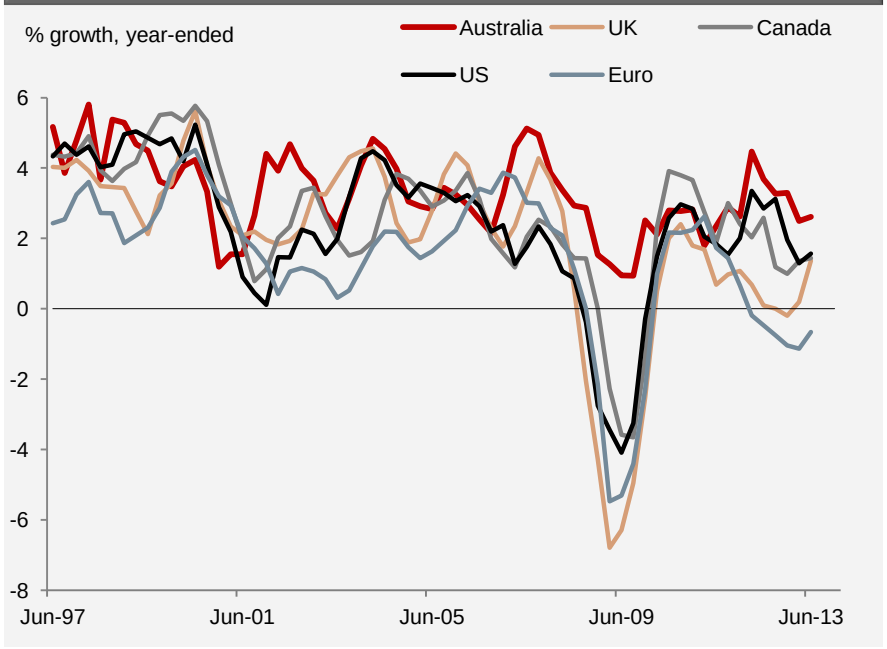
Sources: ABS, Westpac Economics.

1 Source: IMD World Competitiveness Yearbook. 2 German figure for 1990 is actually 1995 due to re-unification. 3 Excludes ownership of dwellings and taxes less subsidies.

Australia well-placed relative to developed economies

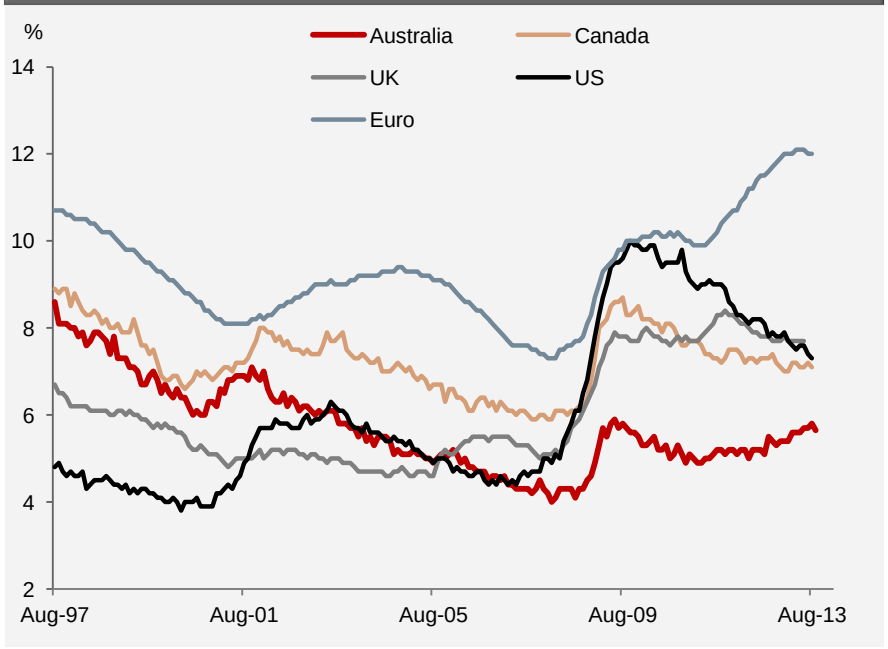
- Economy continues to perform well relative to other developed economies
- GDP is forecast to grow 2.4% in 2013 and 2.6% in 2014
  - Growth expected to be below trend as the economy adjusts to lower levels of mining investment and non-mining investment remains sluggish
  - Domestic growth is also expected to be constrained by continued weakness in the global economy
  - Below trend for Australia but above recent and forecast growth rates for the world's major advanced economies
- Unemployment rate remains low relative to other advanced economies, at 5.8% (at November 2013)
  - Employment growth is expected to be modest over the next few quarters, consistent with below-trend economic growth

Real GDP growth (%)



Sources: OECD, Westpac Economics.

Unemployment rate (%)

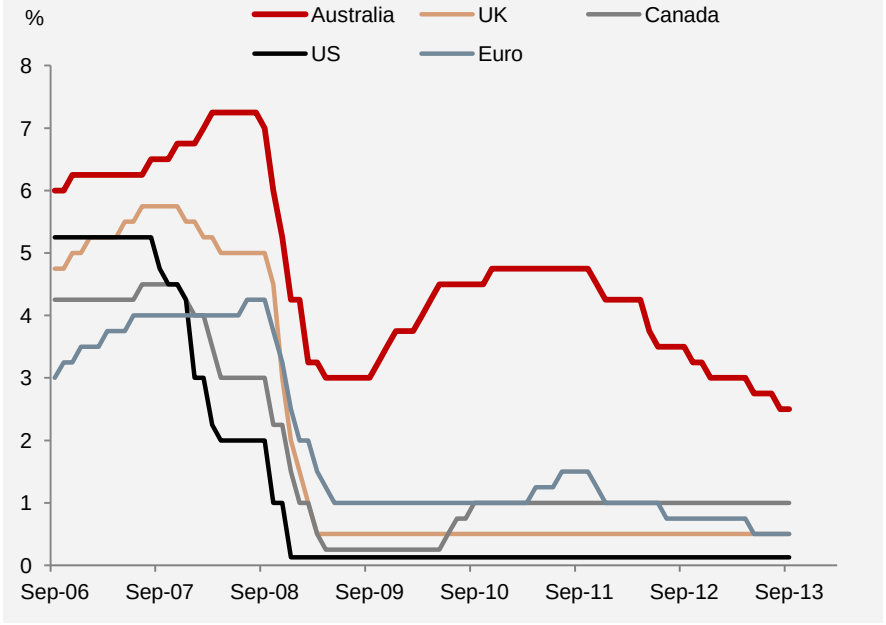


Sources: OECD, Westpac Economics.

Policy rate changes having desired effect

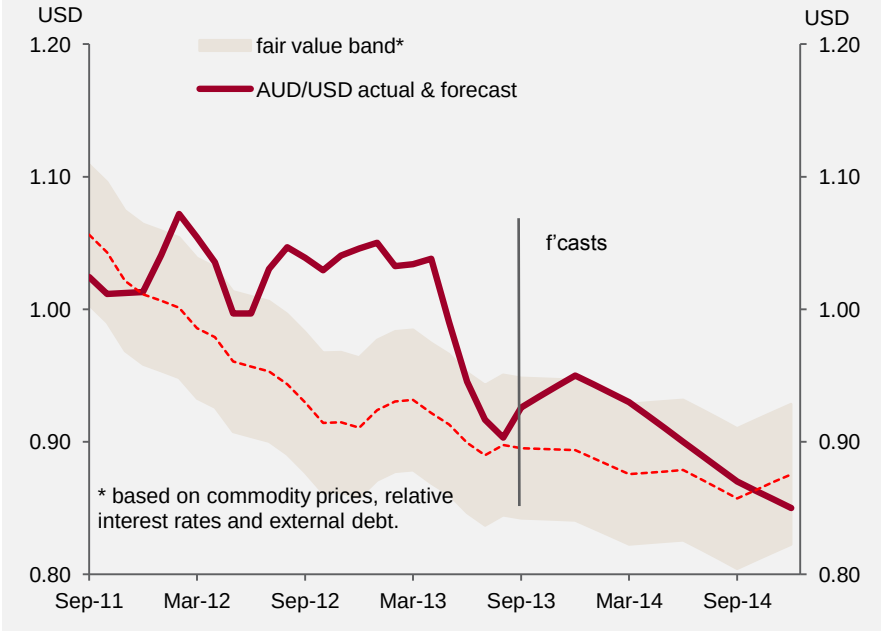
- Cash rate has been cut by 225bps since 2011
  - Currently 2.50% (February 2014)
  - Low by historical standards but still leaves scope for additional easing if required
- Policy changes are having an effect, with the clearest evidence in housing markets where a moderate housing market recovery is underway
  - Stimulus from lower interest rates to date more muted than previous easing cycles, although the full effects of the most recent rate cuts are still to be felt
- The AUD is expected to hold in the high 80¢ area in the short term, before moving towards 85¢ by the end of 2014

Major countries' policy rates (%)



Sources: RBA, OECD, Westpac Economics.

Australian dollar (AUD/USD)

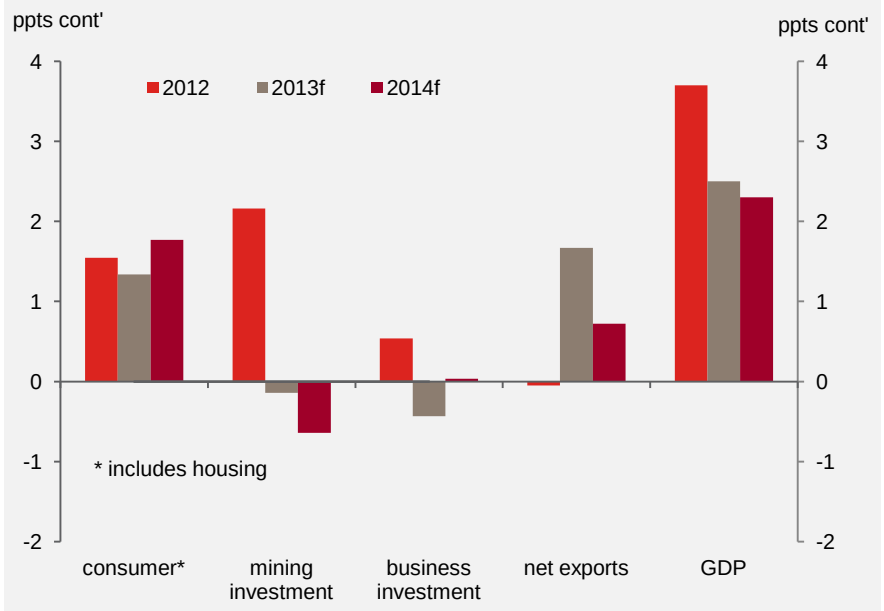


Sources: RBA, Westpac Economics.

Australia's economic transition: from mining to non-mining

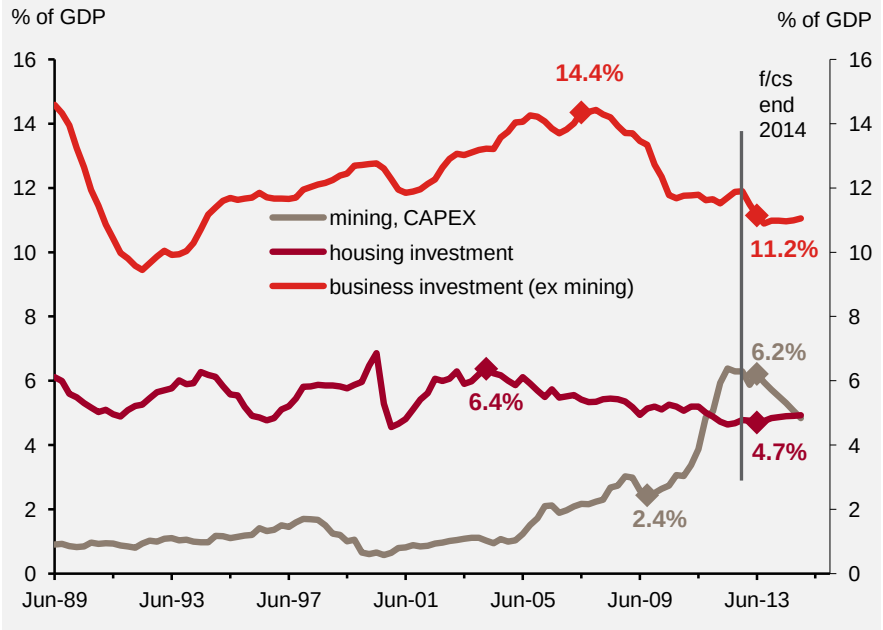
- Australia experiencing a rotation of economic growth from mining to non-mining activity
  - Mining investment is entering a sustained decline, after several years of strong rises, that will see it swing from being a significant growth driver to a drag over 2013-15
  - The mining drag will be partially offset by an improved net export contribution as resource projects become productive and capital imports decline
- A pick-up in non-mining sectors, interest rate sensitive sectors such as housing in particular, will be critical to maintaining growth
  - Complicating this transition is a soft global economy, consumer caution, a persistently high $A, and patchy business conditions
  - However, on the positive side, non-mining activity has been 'dormant' for several years, restrained by high interest rates and a high $A while the mining boom dominated. Investment in these sectors is near historical lows, providing scope for a pick-up and little risk of further declines.

Australian growth mix: Contributions to GDP growth (%)



Sources: ABS, Westpac Economics.

Investment: share of Australian economy (% of GDP)

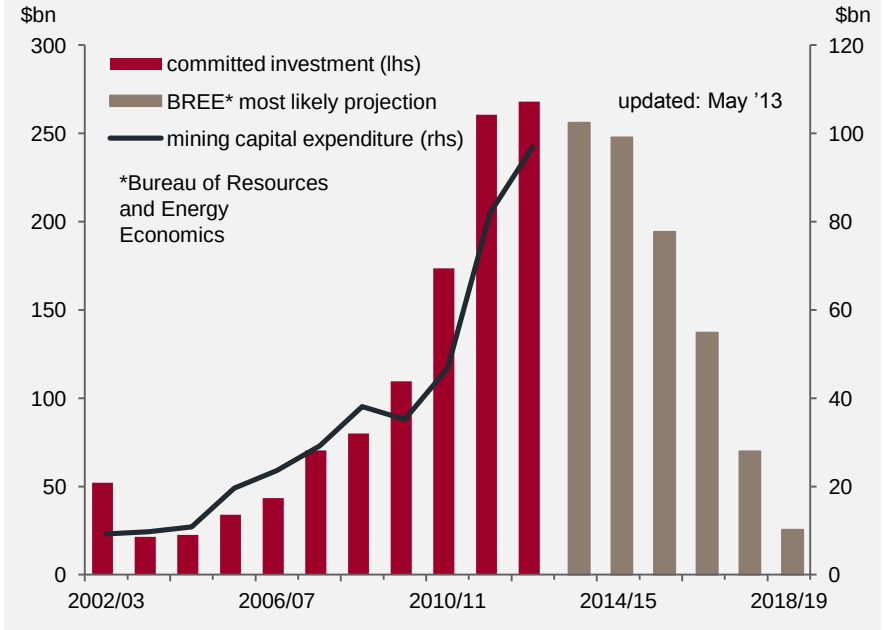


Sources: ABS, Westpac Economics.

Commodity cycle evolves

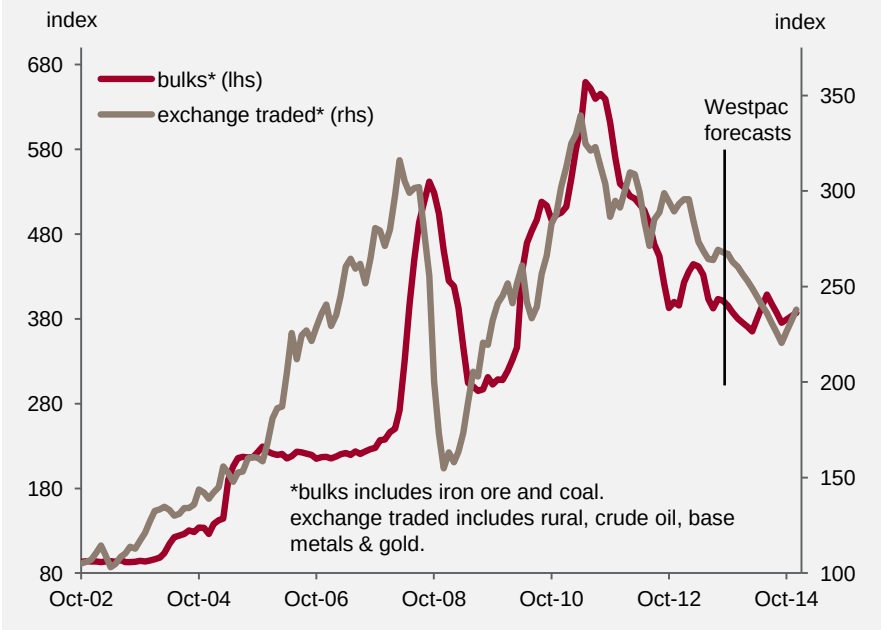
- Australia's mining boom is entering a new phase in which investment winds back from recent extreme highs but production and exports surge strongly as new projects become productive
- With commodity price declines acting as a drag on incomes near term, the mix will see mining activity as a whole detract from, rather than add to, growth nationally. The low labour requirement of the production stage compared to the investment stage also points to a significant drag on labour market conditions
- On the positive side, Chinese demand is continuing to grow, albeit more slowly, most commodity prices remain comfortably above both 'pre-boom' levels and 2008-09 lows and Australian producers also retain significant cost advantages in some areas, iron ore in particular
- On the downside, prices overall are expected to continue softening and there are unlikely to be any major new gas or coal investments in coming years

Committed projects and mining investment ($bn)



Sources: BREE, ABS, Westpac Economics.

Commodity prices (index)

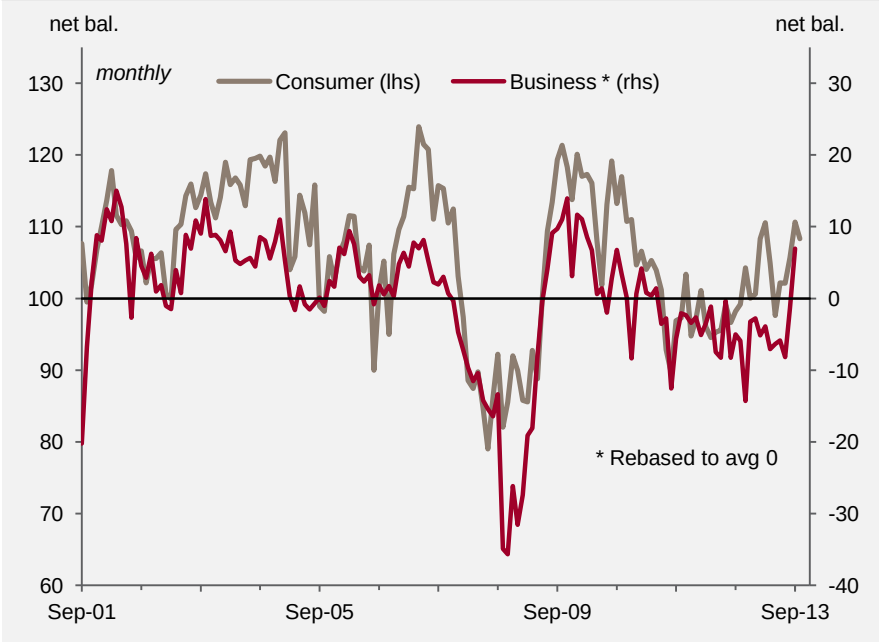


Sources: Westpac Economics, Bloomberg, ABS.

Credit growth expected to remain relatively subdued

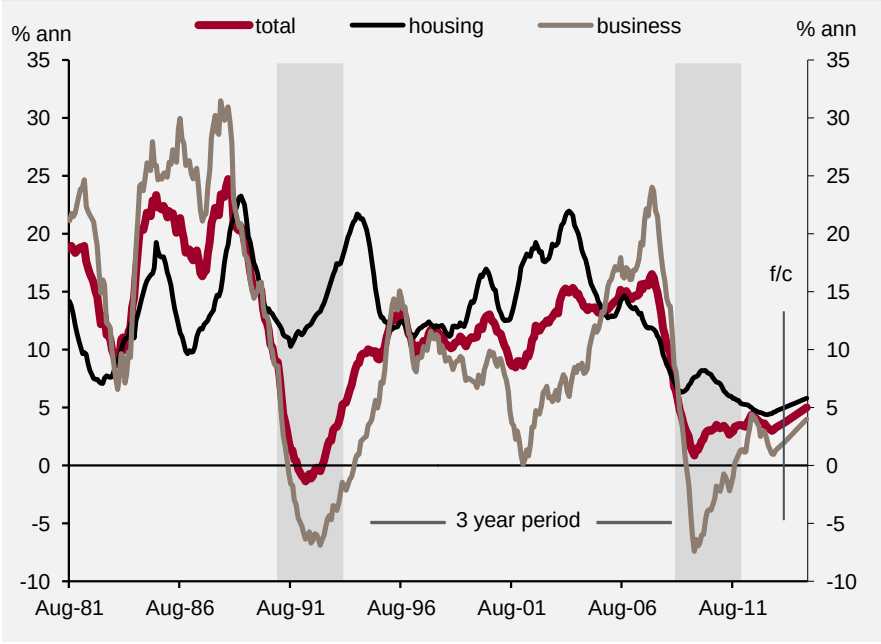
- Domestic business and household balance sheets remain in good shape
  - For businesses, pressure on incomes has been mitigated by low gearing levels
  - For households, efforts to increase savings and repayment buffers have bolstered balance sheets in recent years while interest rate reductions have seen arrears ease toward historical lows despite continued relatively high levels of gearing
- Ongoing business and consumer deleveraging has seen modest system credit growth over 2013, at around 3.8%yr, although more recently housing credit growth has edged up to 5.1%yr in response to lower interest rates, while business credit growth is around 1.9%yr.
- Until recently Australian business and consumer confidence has been subdued. Despite a recent election-related improvement in confidence, weak demand and spare capacity across businesses, and elevated job loss concerns amongst consumers will restrain the upturn in borrowing

Business confidence and consumer confidence (net balance)



Sources: Westpac MI, NAB, Westpac Economics.

Australian private sector credit growth (% ann)

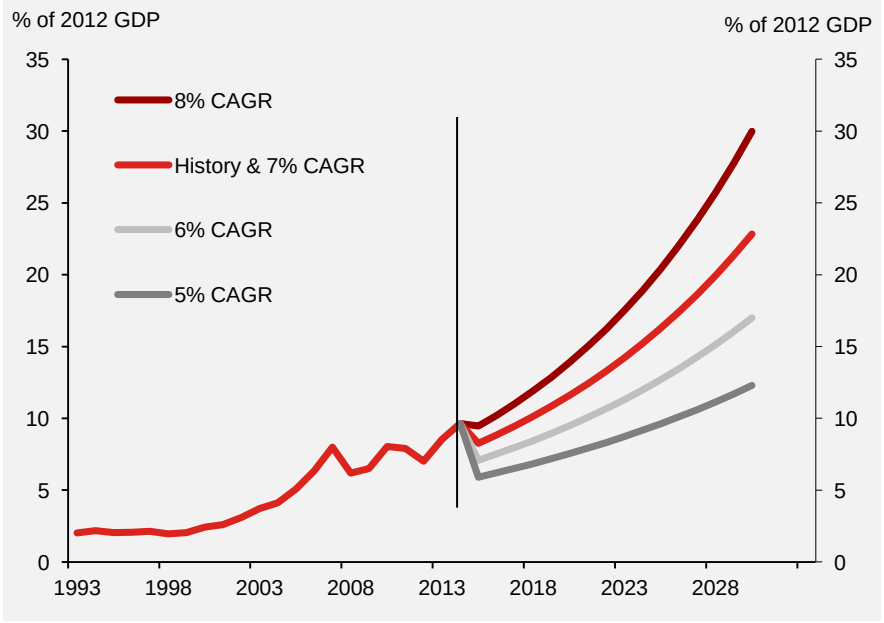


Sources: RBA, Westpac Economics

Chinese growth remains a positive for Australia

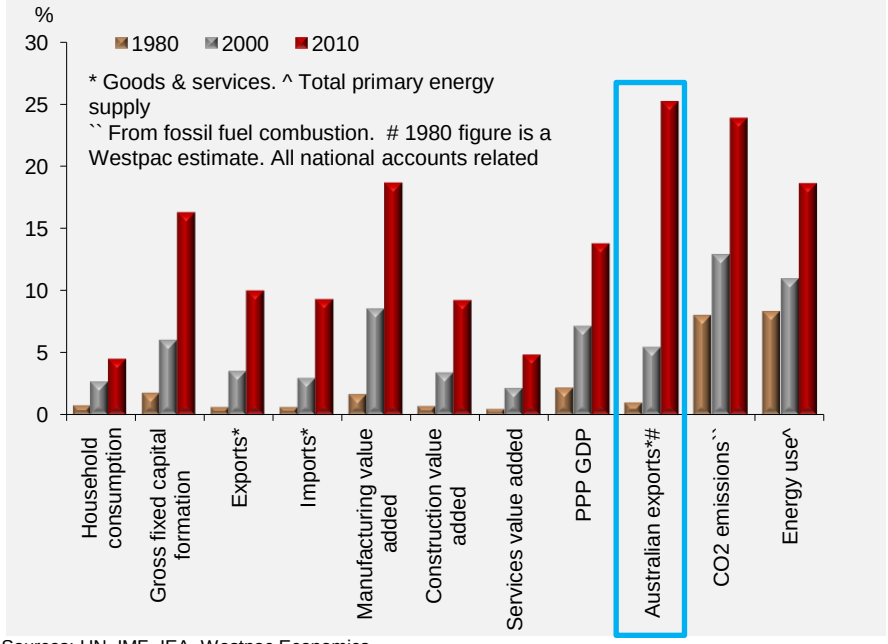
- As a $US7 trillion economy, China grew at 10%. As a $US10 trillion economy, we expect it to grow at 7%
- Represents an equivalent incremental contribution to global absorptive capacity, at higher levels of energy, protein, metal and consumer goods demand per head
- Were China to slow immediately to a 5% pace (a big downside shock that we do not envisage), it would still double its 2012 size by 2025
- Chinese authorities have shown a clear commitment to maintaining growth above 7% but will be less tolerant of strong credit driven expansions – the double digit growth rates that have featured regularly over the past 20 years are now unlikely to occur
- Australia's economic linkages with China continue to grow, led by trade
  - China now accounts for over 25% of Australia's exports
  - Investment, tourism and migration flows also significant (tourism arrivals from China are now 11% of all arrivals, up over 18% on a year ago)

Chinese real GDP increments: 4 scenarios (% of 2012 GDP)



Source: Westpac Economics.

China's share: world activity & Australian exports (%)

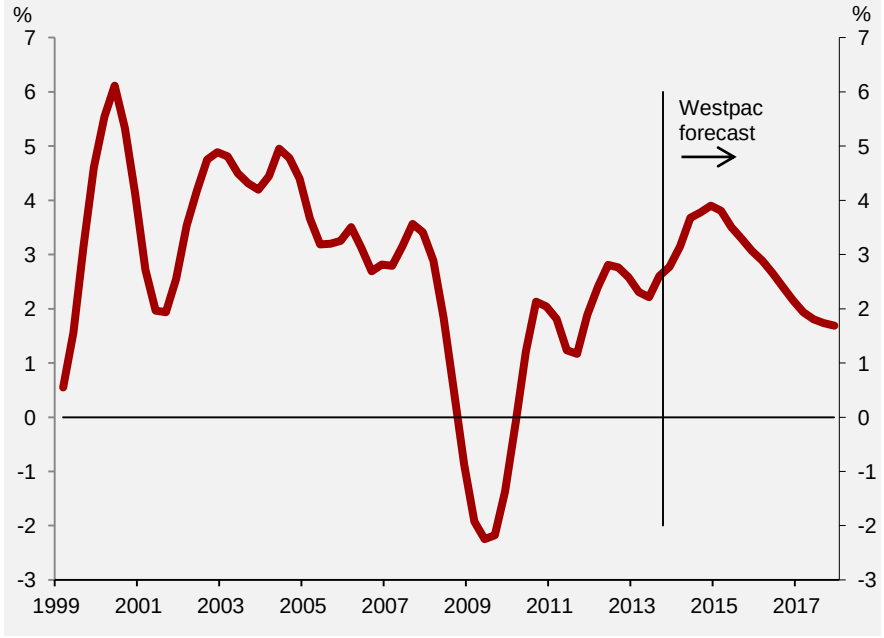


Sources: UN, IMF, IEA, Westpac Economics.

New Zealand – the economic cycle

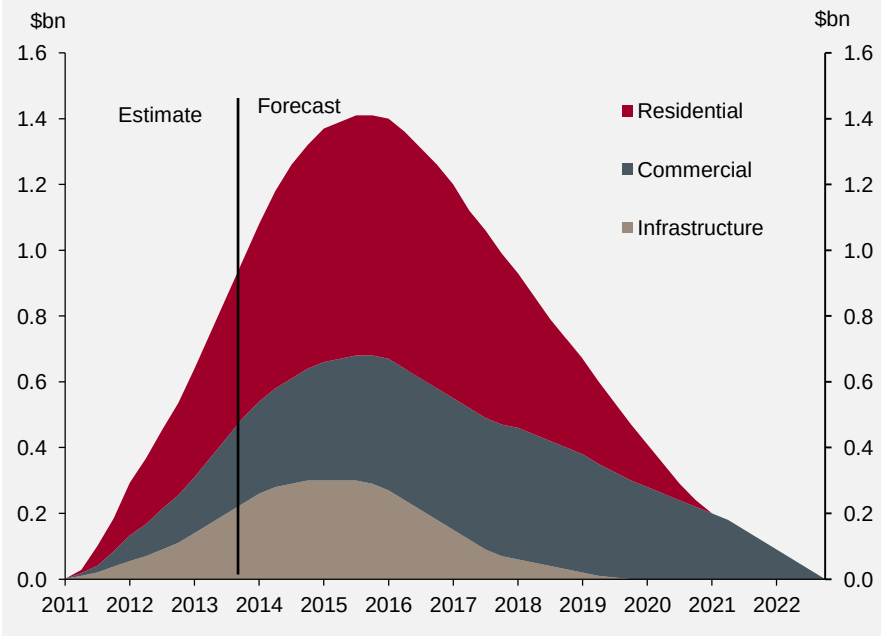
- The New Zealand economy is experiencing a strong upturn in domestic demand, driven by earthquake-related construction activity and rising house prices
- Economic growth for the year to Sept 2013 was 2.6%. GDP growth rebounded strongly in the September quarter as the agricultural sector recovered from drought. Economic growth is expected to rise to 3.9% in 2014
- The Canterbury region was struck by a series of damaging earthquakes in 2010 and 2011. Repair work has accelerated rapidly and is expected to double again by 2016. A slowdown in quake-related construction work in the second half of the decade is expected to slow economic growth
- New Zealand's terms of trade are at very high levels due to strong commodity export prices. Global milk prices in particular are currently extremely high.
- However, ongoing Government austerity is a drag on growth

New Zealand GDP growth and forecast (%)



Source: Statistics NZ, Westpac Economics

Earthquake-related construction activity in Christchurch ($bn)

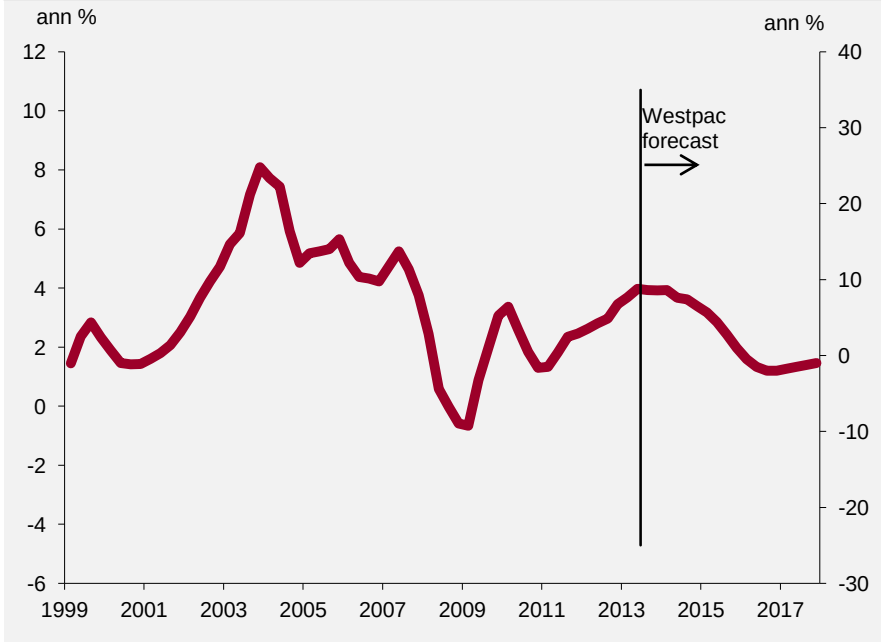


Source: Westpac Economics

New Zealand – the housing market

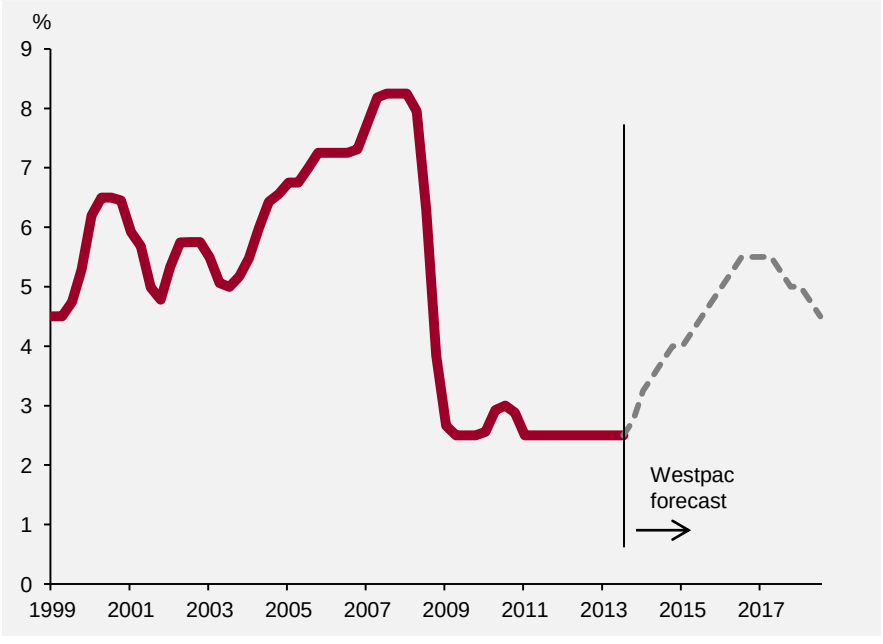
- House price inflation has accelerated to almost 10% on a nationwide basis, but there are wide regional differences – 17.9% in Auckland, low single digits in many other parts of New Zealand
- The main driver has been low interest rates – the Reserve Bank of New Zealand (RBNZ) has been required to keep the OCR low due to low inflation, itself a product of the high exchange rate. A shortage of housing stock is also playing a role.
- House price growth is forecast to be 6.5% in 2014. The Reserve Bank has recently required banks to limit high-LVR lending to just 10% of total new mortgage lending. Combined with a recent sharp increase in fixed mortgage rates, this is expected to cause the rate of house price inflation to slow in 2014. However, very strong net immigration will limit the fallout.

New Zealand house price inflation (annual %)



Source: QV, Statistics NZ, Westpac Economics

New Zealand Official Cash Rate (%)



Source: RBNZ, Westpac Economics

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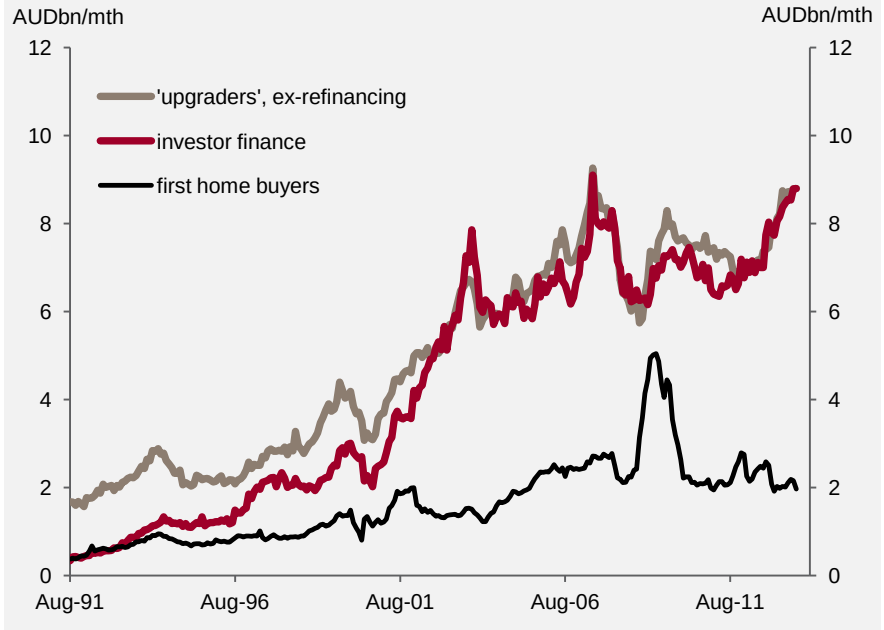
AUSTRALIAN HOME LENDING

Westpac BankSA st.george BT Financial Group RAMS Bank of Melbourne

Housing activity responding to monetary policy

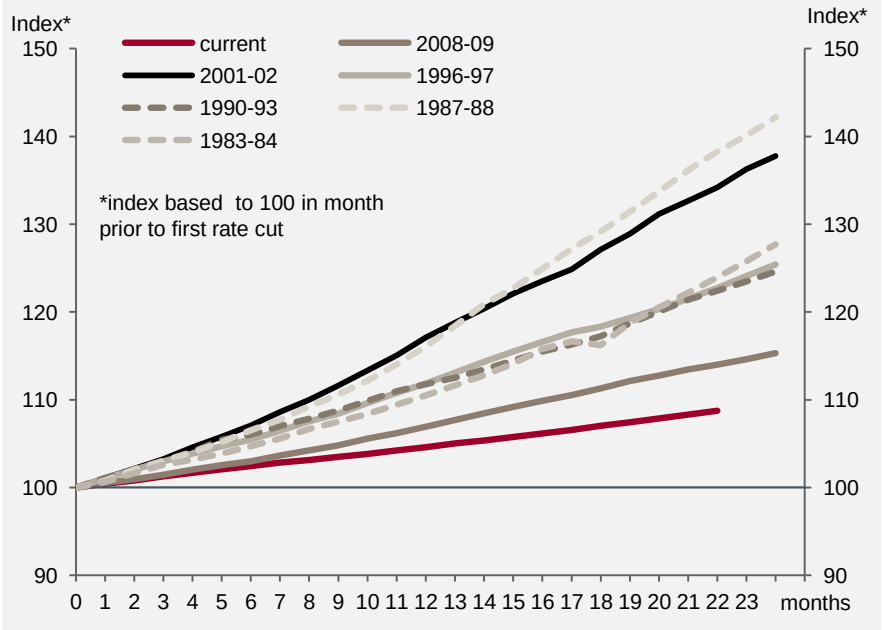
- Australia's housing sector is showing clear signs of a pick-up although the response to lower interest rates has been slower and more muted than in previous easing cycles and conditions remain uneven across segments and states
- The value of loan approvals is up 17%yr, led by strengthening investor and 'upgrader' demand but with weak first home buyer activity
  - Dwelling approvals showing similar gains
- Total number of approvals is still well below previous peaks
  - Total value of finance approvals is near its 2007 and 2009 peaks, although both prices and incomes have increased significantly since then
- By state, activity has been considerably stronger in NSW and WA, with conditions more mixed in Victoria, Queensland and SA

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



Sources: ABS, Westpac Economics.

Housing credit: rate cut cycles compared (index)

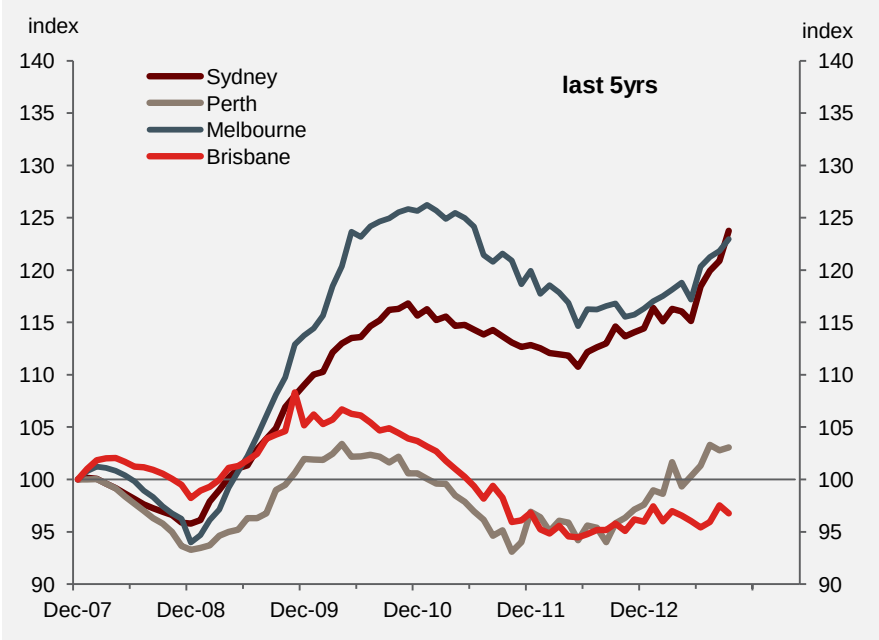


Sources: RP Data-Rismark, Westpac Economics.

Australian house prices recovering

- House prices are firming again, up 7.4% in the year to September nationally, after a moving through a mild correction in 2011-12
  - Conditions vary with gains ranging from around 8% in Sydney and Perth, to 5.5% in Melbourne and 1% in Brisbane and Adelaide
  - These gains have only just seen the level of prices nationally return to its 2010 peak, while average income has risen 10% since then
  - Recent strength in Sydney follows a significant underperformance over the last 10 years
- We expect housing recovery to continue to be a 'stop-start' and uneven one
  - Headwinds that are yet to fully impact with some markets facing increases in new dwelling supply (Vic, WA) and the mining downturn to play through fully to housing (WA, Qld)
  - Expect Australian households to continue to exercise balance sheet restraint, showing a reluctance to increase debt therefore limiting price growth

Dwelling prices: Australia capital cities (index)

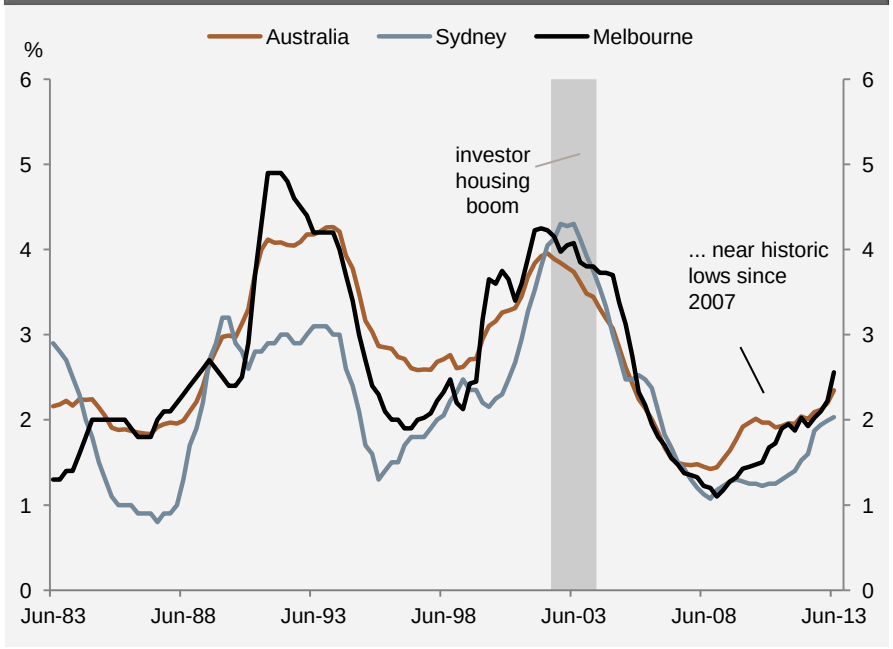


Sources: RP Data-Rismark, Westpac Economics.

Housing market fundamentals sound

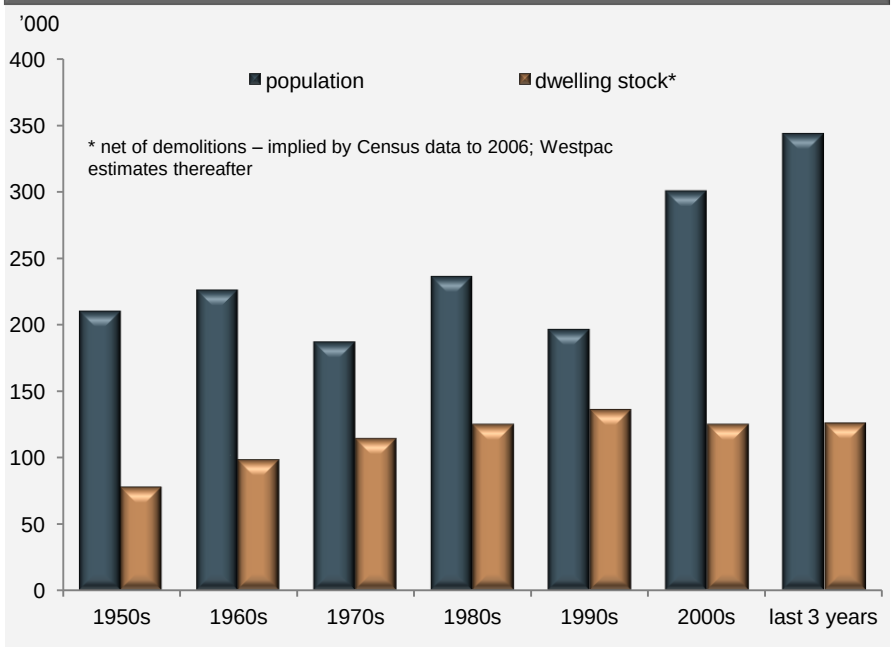
- Significant tightening in the supply-demand balance for housing over the last decade from a combination of strong migration-driven population growth and subdued new dwelling construction. Pressure is evident in
  - Rental markets where vacancy rates have been near historical lows over the last 5 years
  - Younger Australians delaying forming a new household, opting instead to stay longer in the family home
- Population has been rising at 300,000 a year over the last decade, compared to 200,000 a year in the 1990s, and migration inflows are expected to remain relatively strong
- New completions have been adding to the stock of dwellings at a slightly slower pace and despite recent gains and strong construction activity in specific markets, dwelling approvals nationally still point to completions tracking a similar rate to that averaged in the 1990s

Rental vacancy rates (%)



Sources: REIA, Westpac Economics.

Population versus dwelling stock (annual average change '000)

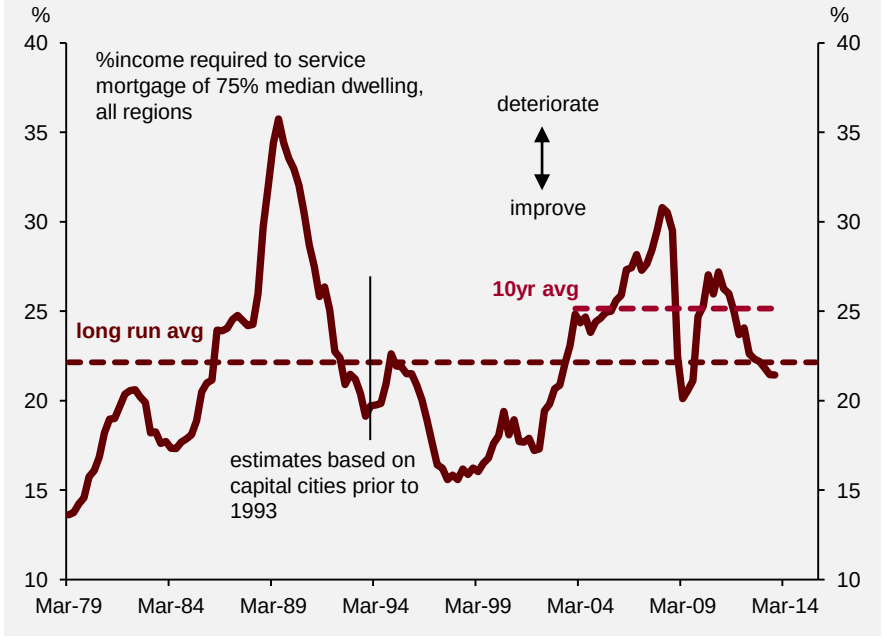


Sources: RP Data-Rismark, Residex, Westpac Economics.

Housing affordability much improved

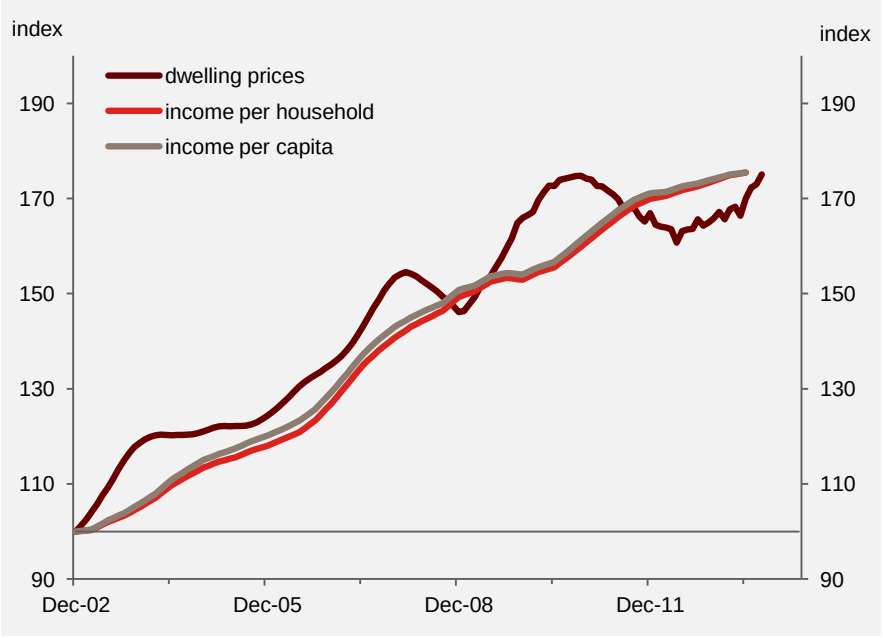
- Despite recent gains in house prices, affordability remains relatively good by historical standards
  - Measures based on the proportion of income required to service a mortgage on a median priced dwelling show, nationally, the best mix of prices, interest rates and incomes since 2009, and prior to that since 2003
- Improvements in affordability over the last 5 years assisted by
  - Historically low level of mortgage rates
  - Average household incomes rising faster than prices. Indeed, house prices nationally have tended to track average household income fairly closely over the last decade, the implication being that price to income ratios (an alternative metric of affordability) have been stable

House affordability: all dwellings (%)



Sources: RP Data-Rismark, Residex, Westpac.

Australia: dwelling prices versus incomes (index)

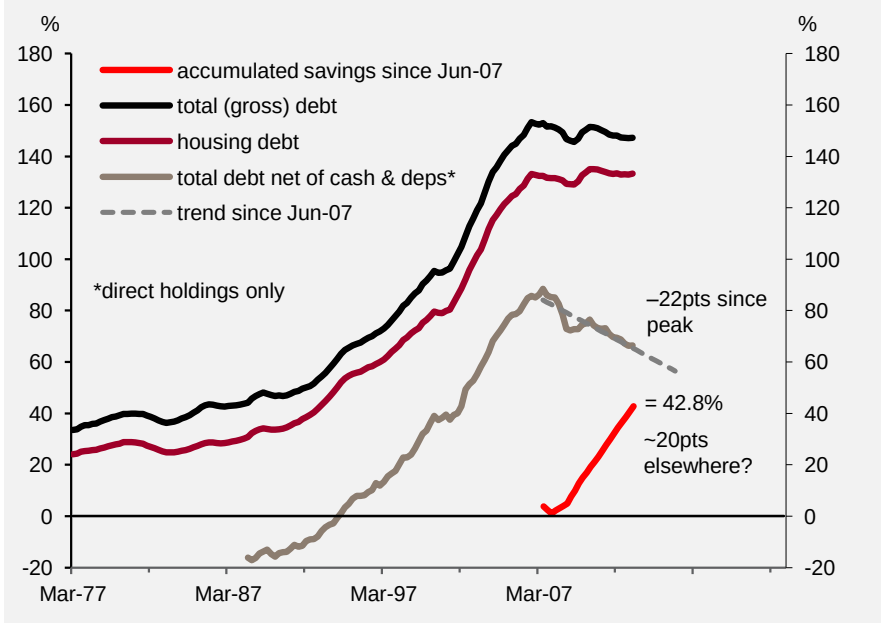


Sources: RP Data-Rismark, ABS, Westpac Economics.

Household leverage: a more cautious approach

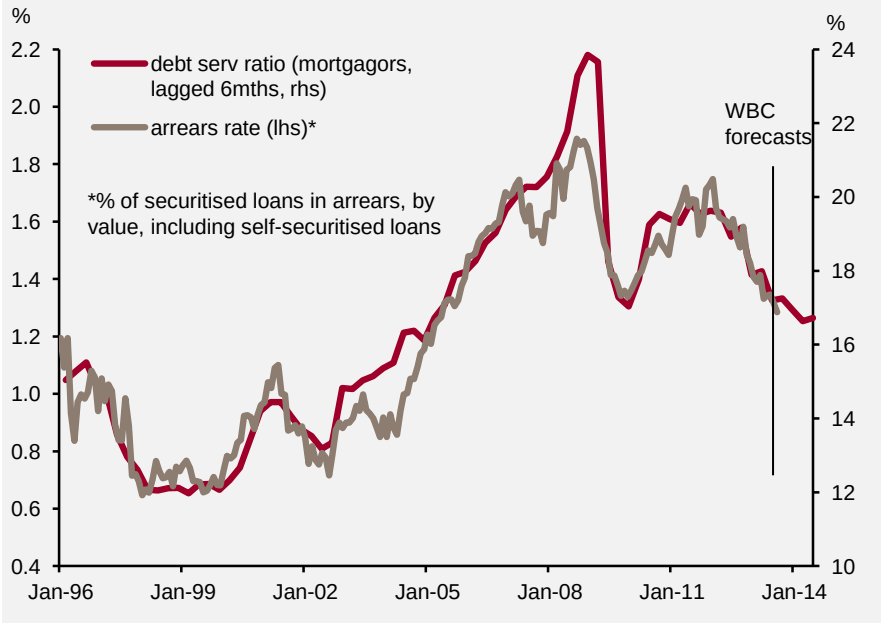
- The last five years have seen a significant shift in the behaviour of Australian households, resulting in a major shift in household leverage
- A more cautious attitude towards finances has seen a sharp and sustained rise in household savings rates, slower credit growth and faster prepayment rates on mortgages
- After a strong run-up over the previous 20 years, the aggregate household debt to income ratio has tracked broadly sideways since 2007 with minor fluctuations around the 150% level
- This understates the shift towards deleveraging. Mortgage prepayments are often made via the accumulation of funds in mortgage offset accounts, which are technically classified as deposits rather than a reduction in loan principal. Leverage ratios including households' direct holdings of cash and deposits show a more pronounced decline of 21points since 2007
- Households continue to perform well in servicing their debts with mortgage arrears at a 5 year low and very low by international standards

Australian households: debt to income ratio (%)



Sources: ABS, RBA, Westpac.

Pressure easing on existing borrowers (%)



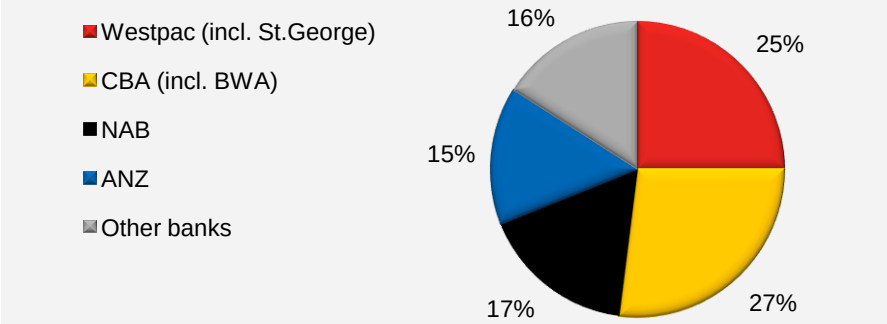
Sources: ABS, RBA, Standard & Poor's, Westpac Economics.

Australian mortgage market features underpin asset quality

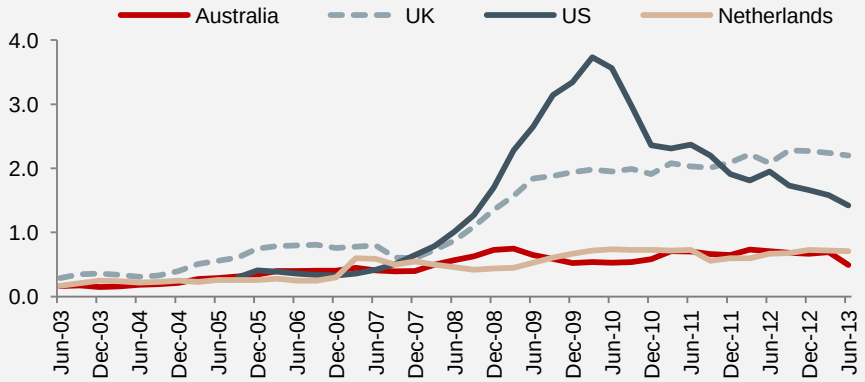
Australian mortgage market

Market share	• 4 major banks dominate - 83% share held • Major banks have a lower share of low doc market, with low flow in this segment over recent years
Lenders recourse	• Banks in Australia have full recourse to the borrower's mortgaged property and other assets and future earnings • Banks can and do pursue defaulting borrowers for losses • Reduces speculative buying behaviour
Products	• Majority of housing loans are variable rate (>85%) • Fixed rate loans for short periods of time (max. 12 years) – in most cases customer opt for 3 to 5 years • Fixed rate borrowers generally incur a break fee if they choose to refinance within the fixed period • Interest rate buffers built into loan serviceability tests at application; Interest only loans assessed on a full P&I basis • Interest payments on primary residence are not tax deductible, provides incentive to pay off mortgage
Regulation	• For mortgage insured loans, mortgage insurance covers the entire loan • Strict prudential supervision provided by one national regulator, APRA
Performance	• Australian 90+ day prime arrears at low levels - absolutely and relative to other major economies

Australian bank mortgage market share[1] (%)



90+ day prime arrears by country[2] (%)



1 Source: APRA Banking Statistics August 2013 2 Source: S&P and Bloomberg.

Australian housing portfolio delinquencies at low levels

Delinquencies

- Lower interest rates and a continued conservative approach to debt by borrowers have supported very strong credit quality
- 90+ days delinquencies remain low at 53bps, down 5bps (up 1bp FY12/FY13) with the impact of seasonal trends retracing in 2H13
- 30+ days delinquencies 119bps, down 22bps (unchanged FY12/FY13)

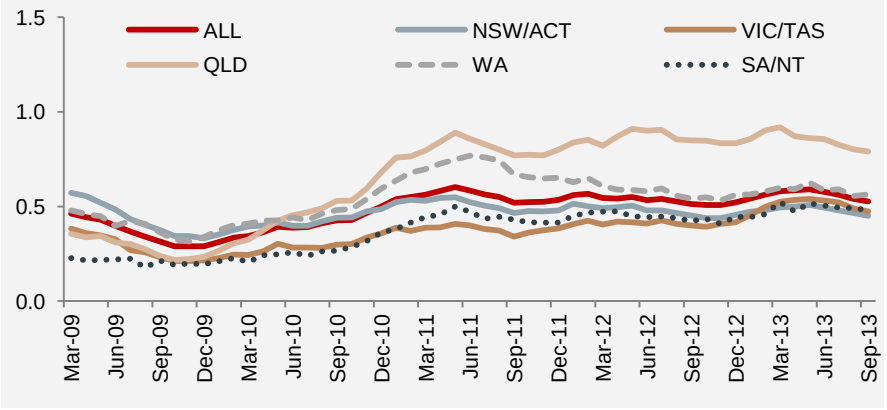
Properties in possession

- A more active approach to assisting customers in late cycle arrears has seen an increase in properties in possession to 353 at September 2013, up from 248 at March 2013 (289 at Sep 2012)

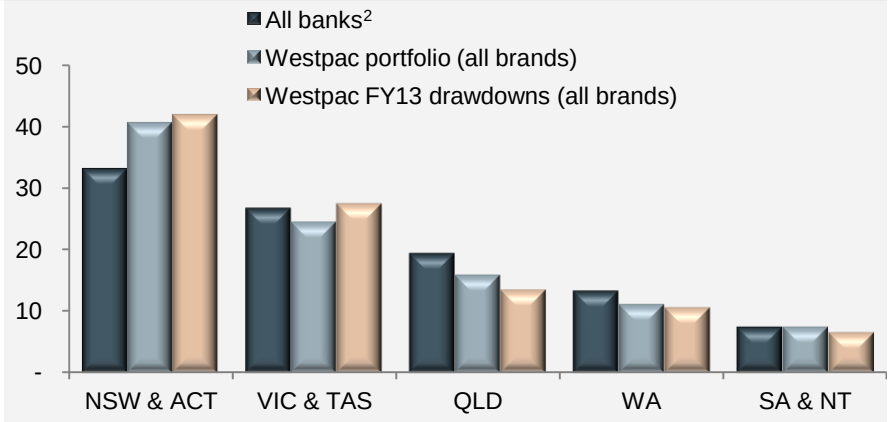
Loss rates

- Portfolio losses of $95m represent a loss rate of 3bps annualised (net of insurance claims[1]); loss rate unchanged from 1H13 (unchanged FY12/FY13)
- Loss rates remain very low by international standards – due to sound underwriting standards, high levels of borrower equity, mortgage insurance and active collections strategies

Australian mortgage 90+ days delinquencies (%)



Australian housing portfolio by State (%)

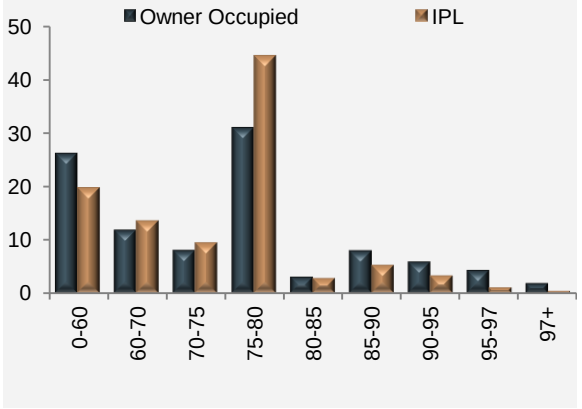


1 Mortgage insurance claims 2H13 $14m (1H13 $10m, 2H12 $17m and 1H12 $13m). 2. ABA Cannex July 2013

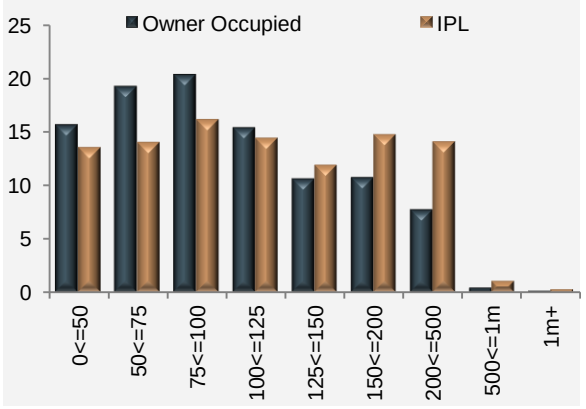
Australian investment property portfolio performing well

- Investment property loans (IPLs) make up 43.1% of Westpac's Australian mortgage portfolio
- 44% of IPL loans are originated at 75-80% LVR, to maximise tax benefits and avoid mortgage insurance costs
- While the majority of IPLs are interest-only, the realised amortisation profile closely tracks the principal and interest portfolio, with 41% of interest-only IPL customers ahead on repayments at FY13
- Compared to owner-occupied applicants, IPL applicants on average are older, have higher incomes and higher credit scores
- Specific credit policies apply to IPLs to assist risk mitigation, for example
  - Holiday apartments subject to tighter acceptance requirements
  - Additional LVR restrictions apply to single industry towns
- IPL delinquency performance has historically been better than the portfolio average
  - At FY13, IPL 90+ days delinquencies were 42bps compared to 53bps for the total portfolio
- IPL losses $44m[1] in FY13, representing 3.4bps of the total portfolio
- Self-managed Super Fund balances, mainly IPLs, a very small part of the portfolio, at <1% of Australian mortgage balances

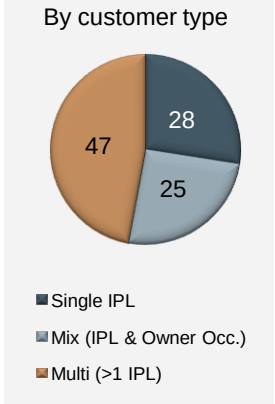
Australian mortgage[1] loan-to-value ratio at origination (%)



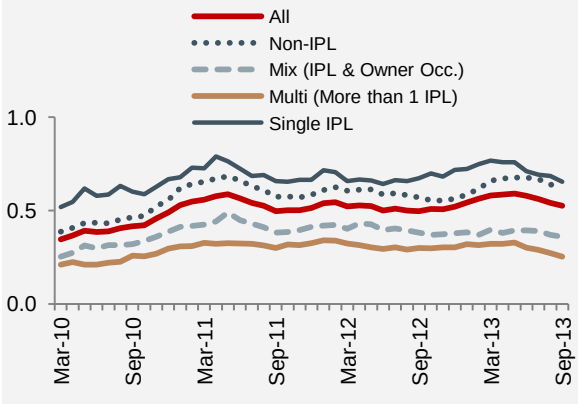
Australian mortgage[1] applicants by gross income band (%)



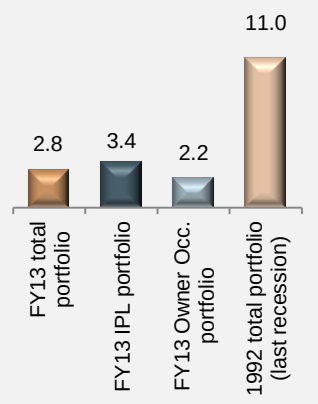
Australian IPL[1] portfolio (%)



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



Australian mortgage[1] loss rates (bps)

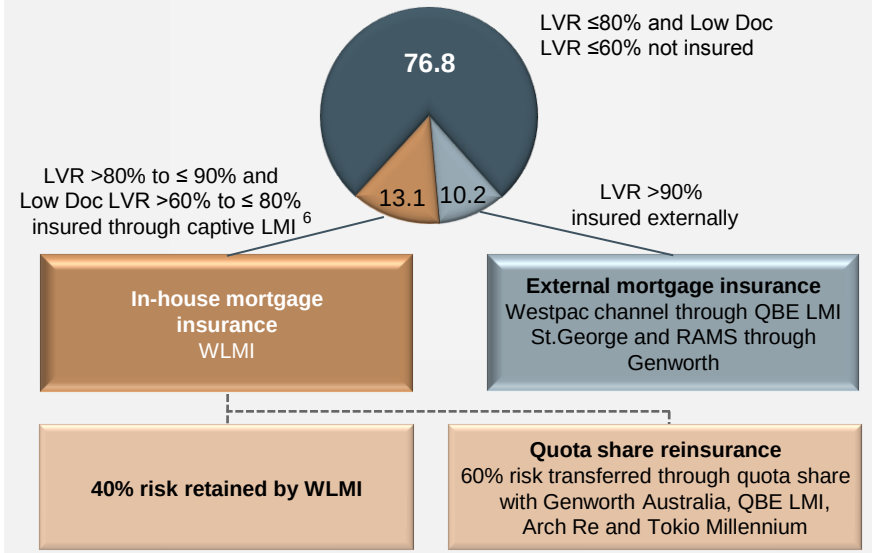


1 Excludes RAMS.

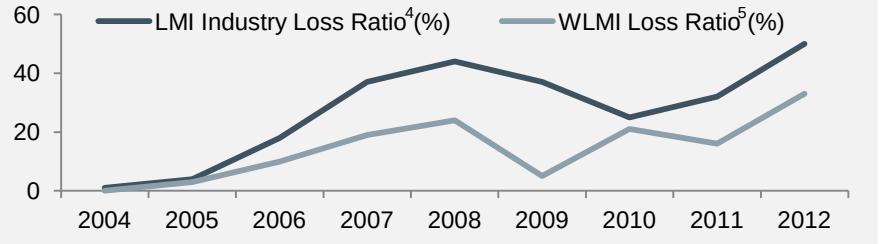
Lenders mortgage insurance managing risk transfer

- Lenders mortgage insurance provides the following benefits to the Westpac Group
  - Risk transfer / loss mitigation
  - Improvement in the quality of risk acceptance via the additional layer of independent review provided by the mortgage insurer
- New mortgages with origination LVR between 80-90% (or 60-80% for Low Doc)[1] are generally covered by Westpac Lenders Mortgage Insurance (WLMI), Westpac Group's captive lenders mortgage insurer, and are subsequently reinsured
- Reinsurance arrangements through four providers further reduces risk by not relying on a single supplier
- Mortgages with origination LVR >90% are insured with third parties (prior to 2009 insured through WLMI)
- WLMI provides the Westpac Group with an increased return on the mortgages it insures through the capture of underwriting profit
- WLMI is strongly capitalised (separate from bank capital) and subject to APRA regulation. Capitalised at 1.25x PCR[2]
- Scenarios confirm sufficient capital to fund claims arising from events of severe stress – estimated losses for WLMI from a 1 in 200 year event are $267m (net of re-insurance recoveries)

Lenders mortgage insurance (LMI) structure at 30 September 2013



WLMI underwriting performance has consistently outperformed industry[3]



	1H12	2H12	1H13	2H13
Insurance claims ($m)	13	17	10	**14**
WLMI loss ratio[5] (%)	30	35	30	**38**
Gross written premiums ($m)	32	23	25	**25**

1 Waivers of the LMI requirement are provided to certain approved borrowers. Waivers are not provided to Low Doc borrowers. 2. Prudential Capital Requirement (PCR) determined by APRA. 3 2013 industry data not available at 4 November 2013. 4 Source: Westpac. 5 Loss ratio is claims over the total of earned premium plus reinsurance rebate plus exchange commission. 6 Insured coverage is net of quota share.

Mortgage portfolio stress testing outcomes

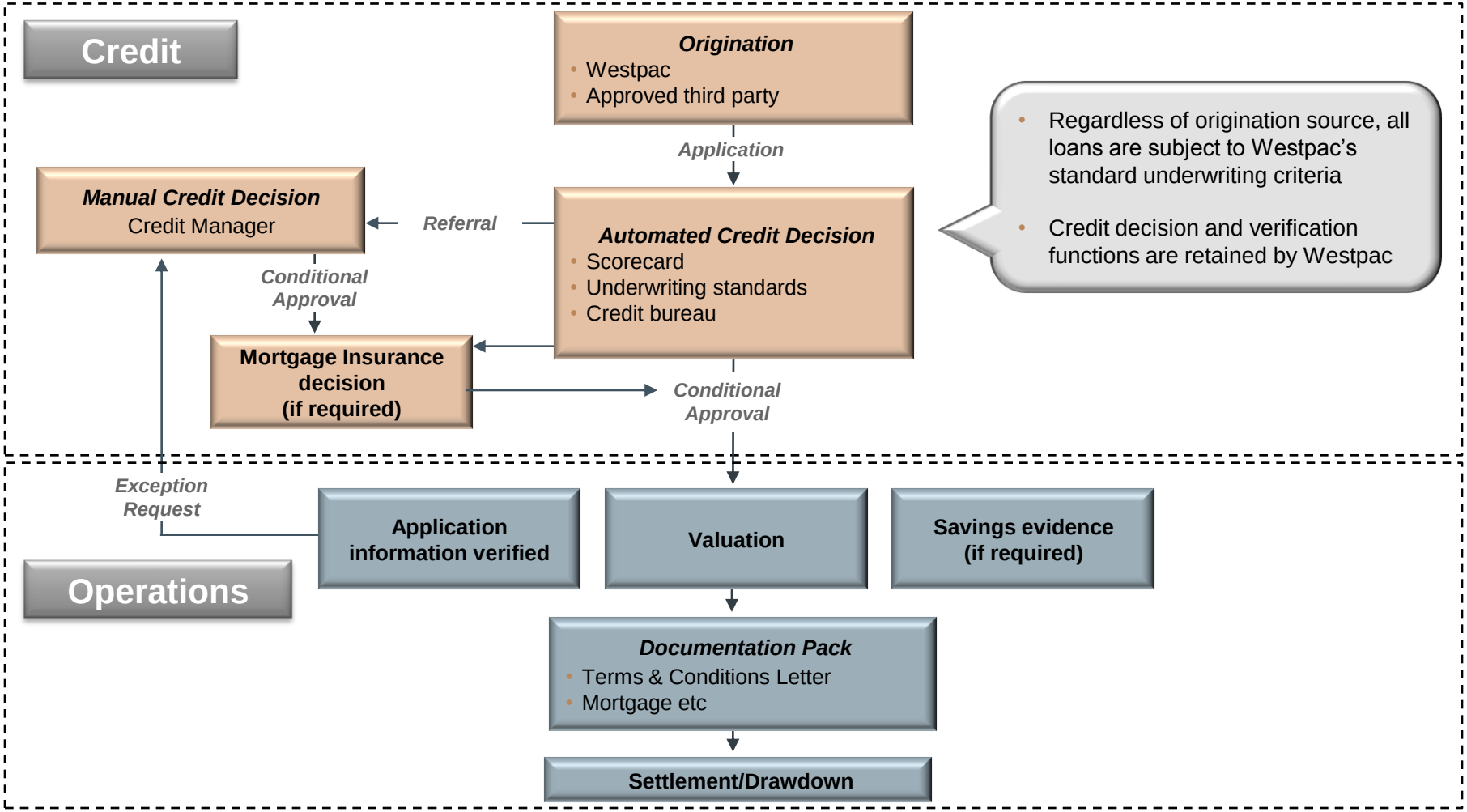
- Westpac regularly conducts a range of portfolio stress tests as part of its regulatory and risk management activities
- The Australian mortgage portfolio stress testing scenario presented represents a severe recession – significant reductions in consumer spending and business investment lead to six consecutive quarters of negative GDP growth, resulting in a material increase in unemployment and nationwide falls in property and other asset prices
- Estimated Australian housing portfolio losses under stress conditions are manageable within the Group's risk appetite and capital base
  - Yearly average losses over the stressed scenario $761m, representing 23bps of the portfolio
  - Cumulative net loss modelled over the three years is $2.3bn
  - WLMI and external LMI insurance claims would also be higher – an estimated additional $386m in total over the three years[1]
- Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), separately conducts stress testing to ensure it is sufficiently capitalised to cover mortgage claims arising from a stressed mortgage environment
- Target capital ratios at the Westpac Group level also consider the combined impact on the mortgage portfolio and WLMI of severe stress scenarios to provide appropriate capital buffers

Australian mortgage portfolio stress testing as at 30 September 2013

Key assumptions		Stressed scenario		
	Current	Year 1	Year 2	Year 3
Portfolio size ($bn)	335	323	318	319
Unemployment rate (%)	5.8	11.2	10.2	8.9
Interest rates (cash rate, %)	2.5	1.0	1.0	1.0
House prices (% change cumulative)	0.0	-13.0	-21.2	-23.4
Annual GDP growth (%)	2.3	-3.9	-0.2	1.7
Key outcomes[1]				
Stressed losses (net of LMI recoveries)	3bps	34bps	31bps	6bps

1 Australian mortgage stress testing model recalibrated in 2H13 to reflect a more severe loss experience in Years 1 and 2 and more conservative estimates of LMI losses over the 3 year period.

Home loan evaluation process - originations



Arrears management and collections

- Customer delinquency management is segmented by risk:
  - Risk is assessed based on historical loan and customer attributes
  - Higher risk customers are contacted earlier and more assertively, leaving lower risk customers to self-cure or be contacted later by collections
- Customers are contacted by SMS, letter and phone
- External property managers are used for the repossession and realisation process
- Properties are repossessed and then sold by the most expedient method
- Shortfall claims are submitted to insurer within 28 days from date of settlement
- Customers experiencing hardship are assessed and managed by Assist, a dedicated hardship team that is part of collections

Typical collections process (medium risk customer)	Days
SMS	3
Phone call	10
1st reminder letter + phone call	18
2nd reminder letter + phone call	22
Final letter + phone call	45
Default notice issued	65+
Letter of demand sent	95+
Legal judgement sought and notice to vacate issued	120+
Valuation conducted by a panel valuer and appraisal obtained	134+
Agent appointed and marketing campaign initiated	140+
Security sold and settlement effected, proceeds applied to debt and shortfall (if any) realised (or LMI claim made if insured)	240+

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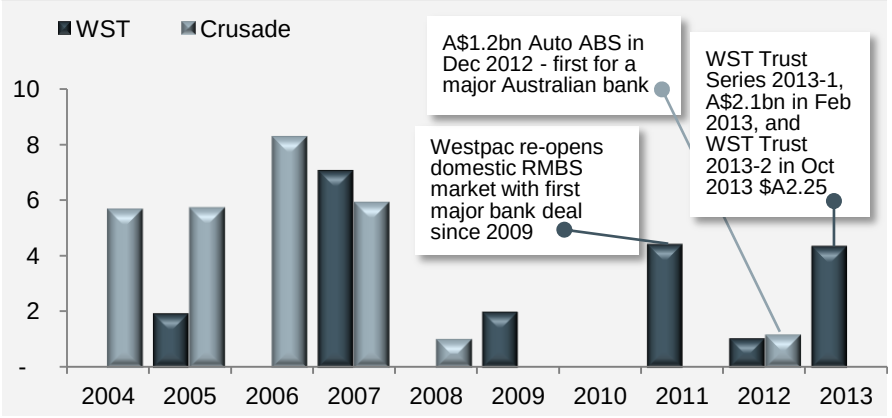
SECURITISATION

Securitisation an important part of the Group's funding

- Securitisation is an important part of the Group's funding
  - A$10bn in outstanding issuance, represents 2% of the Group's total funding at 30 September 2013, mostly RMBS issuance
  - Provides additional diversity to funding and investor base
- 3 transactions in FY13 in response to strong investor demand
  - $4.35bn across 2 RMBS transactions and $1.2bn through one Auto ABS transaction
  - Auto ABS, issued in Dec 2012, was a first for a major Australian bank. Previous Auto ABS issued in 2008 sponsored by St.George prior to the merger with Westpac
  - Transactions have been well supported by Australian domestic market, as well as offshore investors
- Westpac has outstanding securitisation transactions under both the WST and Crusade programmes
  - Westpac Securitisation Trust (WST) Programme is Westpac's programme for securitising Westpac-originated residential mortgages
  - Crusade Programme is Westpac's vehicle for securitising St.George originated residential mortgages and auto loans
- Following the merger with St.George
  - Securitisation management and execution integrated into one team
  - Crusade RMBS Programme is in run off
  - Crusade ABS platforms and infrastructure utilised for Auto ABS
  - New securitisation RMBS pools sourced solely from Westpac originated mortgage pools until the origination and servicing platforms are fully integrated

Original RMBS and ABS issuance by calendar year (A$bn)



Minimal changes to Lloyd's Bella securitisations

Following the completion of the acquisition of Capital Finance Australia Limited ("CFAL") and the Bella securitisations on 31 December 2013 as part of acquisition of Lloyds Banking Group's Australian business, it is intended that the only changes to the existing Bella securitisations will be:

- The interest rate swaps which have been novated to Westpac Banking Corporation
- The existing Trust Manager which have been replaced with Westpac Securitisation Management Limited ("WSM"). WSM is also the appointed Trust Manager for Westpac's WST RMBS programme, the Crusade ABS (auto) programme and Westpac's covered bond programme

WST RMBS performance

Key pool comparison statistics (issuance)

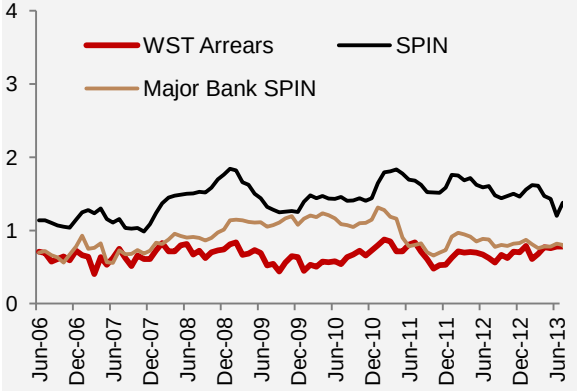
	WST 2013-2	WST 2013-1	WST 2012 - 1	WST 2011-3	WST 2011-2	WST 2011-1	WST 2009-1
Pricing Date	Sep-13	Feb-13	May-12	Oct-11	Jun-11	Feb-11	Dec-09
Tranche	A	A	A	A	A	A	A
WAL (yrs)	3.0	3.0	3.0	3.0	2.9	2.9	2.6
Price (bps)	85	85	140	125	100	100	130
Notes Issued A$m	2,070	1,932	1,058	1,472	2,024	920	1,840
Average Loan Size A$'000	256	245	211	251	243	270	198
Wtd Avg LVR	62%	61%	63%	63%	63%	64%	58%
LVR > 80%	10.8%	6.4%	3.1%	1.9%	2.3%	1.4%	0.5%
Max LVR	95%	94.6%	94.4%	95%	95%	95%	93%
Wtd Avg Seasoning mths	37.1	45.4	42.0	37.0	35.8	30.2	39.7
Low Doc Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Only Loans	24.3%	9.6%	5.1%	6%	5%	4%	25%
NSW & ACT	35.2%	36.2%	37.6%	40%	39%	43%	41%
VIC	26.6%	25.0%	25.5%	25%	25%	28%	24%
Metro / Non-metro	78%/22%	76%/24%	76% / 24%	76% / 24%	77% / 23%	86% / 14%	78% / 22%
LMI Coverage	13%	16%	19%	15%	16%	5%	6%
S&P Credit Support Pre-LMI (Old Criteria)		-	-	-	3.7%	3.7%	3.2%
S&P Credit Support Pre-LMI (New Criteria / *RFC*)	5.0%	4.3%	4.3%	4.4%	*6.2%*	-	-
Credit Support Provided	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Source: Presales, Bloomberg, Westpac ABS Strategy

High quality product

- All WST transactions backed by prime residential mortgages
- Consistent pool parameters and transaction structures
- Low LVRs
- Long seasoning
- Consistently outperforms SPIN and major bank SPIN

Performance of Avg WST vs the Major Bank Prime SPIN



Source: Standard and Poor's RMBS Performance Watch

Crusade ABS transaction comparison

- Crusade ABS – 100% auto receivables
- Long seasoning

- Credit enhancement in excess of minimum required by agencies
- 12 month revolving period

Deal	Crusade ABS 2012-1	SMART 2012-4	SMART 2012-2	REDS EHP	Bella 2012-1	SMART 2012-1
(Issue Date)	(Dec 12)	(Oct 12)	(Jun 12)	(May 2012)	(May 2012)	(Feb 2012)
Size	$1.2bn	$655m	$566m	$700m	$453m	$525m
'AAA' Credit Enhancement	15%	12%	12%	16%	23%	12%
Collateral	Auto: 100%	Auto: 100%	Cars: 79% Trucks: 19% Other: 2%	Cars: 62% Trucks/Bus: 38%	Cars: 56% Trucks: 7% Other: 37%	Cars 79% Trucks 19% Other 2%
Number of Contracts	59,609	39,840	16,518	13,904	13,048	24,897
W.A. Yield	11%	8%	9%	8%	9%	9%
W.A. Seasoning (mth)	19	8	6	24	15	5
W.A. Remaining term (mth)	41	42	43	29	37	43
W.A. Balloon	8%	32%	30%	18%	15%	30%
% of Pool with Balloon	32%		82%	37%	52%	83%
New vs. Used	New: 69%	New: 63%	New: 63%	New: 72%	New: 83%	New: 64%
	Used: 31%	Used: 37%	Used: 37%	Used: 28%	Used: 17%	Used: 36%
Average Loan Size A$	20,131	32,284	34,285	35,961	35,756	34,844
Max Loan Size A$	262,970	478,413	331,345	896,334	780,586	336,011
Receivable Contracts	Finance Lease 12%	Finance Lease 35%	Financial Lease 36%	Finance Lease 5%	Finance Lease 11%	Financial Lease 37%
	Goods Loan 14%	Goods Loan 23%	Goods Loan 18%	Goods Loan 52%	Goods Loan 43%	Goods Loan 18%
	Hire Purchase 8%	Hire Purchase 14%	Hire Purchase 17%	Hire Purchase 31%	Hire Purchase 35%	Hire Purchase 17%
	Consumer Finance 66%	Lease Gov Status 28%	Lease (Gov't) 29%	Bill of Sale 11%	Novated Lease 12%	Lease (Gov't) 28%
Adverse Credit History	0%	0%	0%	0%	0%	0%
Novated receivables	12%	62%	64%	0%	12%	64%

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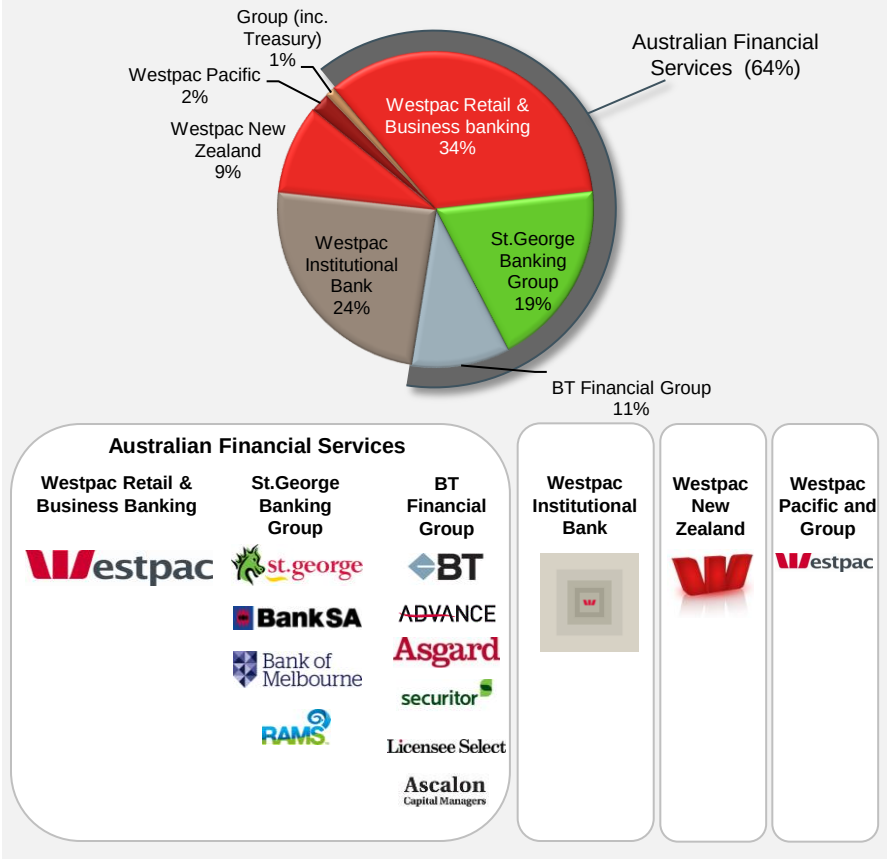
ADDITIONAL INFORMATION

Westpac BankSA st.george BT Financial Group RAMS Bank of Melbourne

Westpac Banking Corporation Overview as at 30 September 2013

Balance sheet	
Total assets	$696.6bn
Total loans	$536.2bn
Customer deposits	$382.6bn
Equity	$47.5bn
Market Share	
Australian household deposit market share[1]	23%
Australian housing market share[2]	23%
Australian business market share[2]	18%
New Zealand household deposit market share[3]	21%
New Zealand consumer lending market share[3]	20%
Australian wealth platforms market share[4]	20%

Westpac: Contribution to FY13 NPAT by division (%)



1 APRA Banking Statistics September 2013 2 RBA September 2013. 3 RBNZ March 2013 4. Plan for Life June 2013 All Master Funds Admin.

Tier 2 Capital comparison

Characteristic	Basel III compliant Tier 2	Old-style Tier 2 (specifically Lower Tier 2)
Absorb losses on a "gone concern" basis	✓ Gone concern capital	✓ Gone concern capital
Non-discretionary, cumulative payments	✓ Must pay securities subject to solvency tests; deferred payments accumulate with compounding	✓ Must pay securities subject to solvency tests; deferred payments accumulate with compounding
Minimum Term	✓ Minimum term of at least 5 years; straight line amortisation over final four years	✓ Minimum term of at least 5 years; straight line amortisation over final four years
Call Right	✓ Can call after a minimum of five years with APRA's approval	✓ Can call after a minimum of five years with APRA's approval
Incentive to redeem	✘ No step-ups or other incentives to redeem early	✓ Step-up in margin permitted
Ranking in a Winding Up	✓ Subordinated to claims of ordinary shareholders and Additional Tier 1 capital holders[1]	✓ Subordinated to claims of ordinary shareholders and hybrid Tier 1 capital holders
Conversion or Write-Off at Point of Non Viability (PONV)	✓ • Conversion or permanent write-off in contractual terms • Conversion or write-off only after Additional Tier 1 (some or all as necessary to return to viability) • Conversion is most likely principal loss absorption mechanism due to tax inefficiencies of write-off alternative • If Conversion is not possible, rights of Holders will be terminated	✘ Not applicable. However APRA has powers under the Banking Act to direct banks not to make payment on Lower Tier 2 instruments
PONV Trigger Event	✓ • APRA notifies Westpac that it believes conversion or write-off or a public sector injection of capital (or equivalent support), is necessary because, without it, Westpac would become non-viable • No explicit APRA guidance regarding likely triggers. Non viability could be expected to include serious impairment of financial position, insolvency, capital ratios and liquidity	✘ N/a

1. APRA requires that new Basel III compliant Tier 2 instruments must be the most subordinated claim in a winding-up after Common Equity Tier 1 and Additional Tier 1 instruments. As Westpac has old-style perpetual "Upper Tier 2" instruments on issue that rank behind "old style" lower tier 2 instruments, any new Basel III Tier 2 instruments must rank equally with "old-style" upper Tier 2 instruments. Once all "old style" lower Tier 2 instruments have been redeemed all Tier 2 instruments will rank equally.

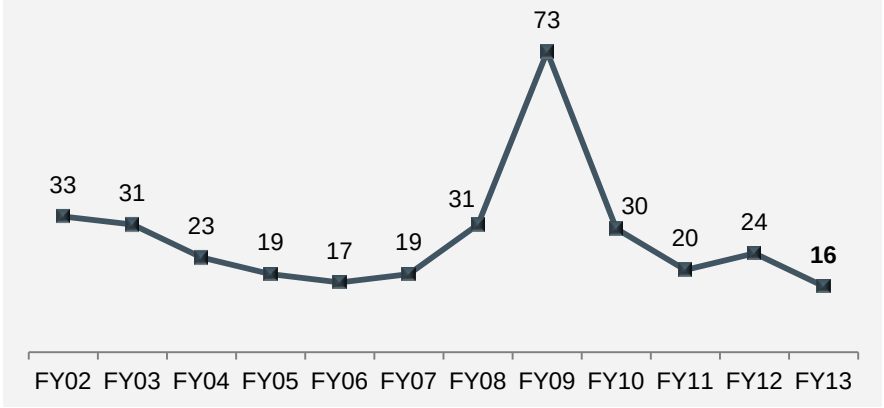
Tier 2 Capital comparison[1,2]

	US	Canada	UK	Scandinavia	Australia
Ranking	Senior to Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital
Step-ups	Not permitted	Not permitted	Not permitted	Not permitted	Not permitted
Capital amortisation	20% p.a. beginning 5 years prior to maturity (no credit in final year)	20% p.a. beginning 5 years prior to maturity (no credit in final year)	20% p.a. beginning 5 years prior to maturity (no credit in final year)	20% p.a. beginning 5 years prior to maturity (no credit in final year)	4 years prior to maturity on a straight-line amortised basis
Early redemption	Tax Event / Regulatory Event	Tax Event / Regulatory Event	Tax Event / Regulatory Event	Tax Event / Regulatory Event	Tax Event / Regulatory Event
Point of Non-Viability					
Definition	n.a.	Regulatory Discretion	Regulatory Discretion	Regulatory Discretion	Regulatory Discretion
Approach	n.a	Contractual	Statutory	Statutory	Contractual
Disclosure	n.a	Terms & Conditions	Risk factor	Risk factor	Terms & Conditions
Primary loss absorption mechanism	n.a	Conversion into ordinary shares	Write-down	Write-down	Conversion into ordinary shares

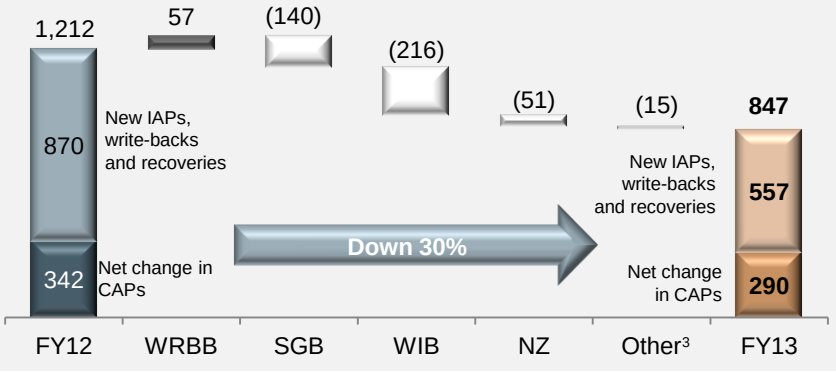
1. Source: UBS 2. For Westpac, the rating for a Basel III compliant Tier 2 instrument is anticipated to be A3 (Moody's)/BBB+ (S&P).

Risk management a key strength; Impairment charges 16bps of average gross loans

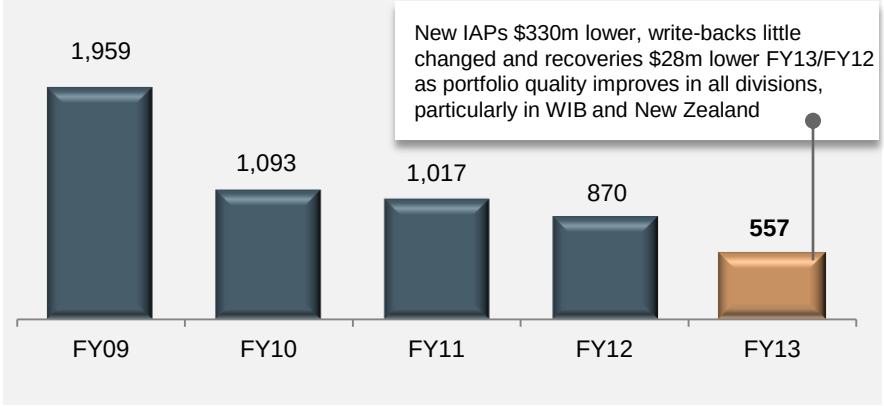
Impairment charges to average gross loans[1,2] (bps)



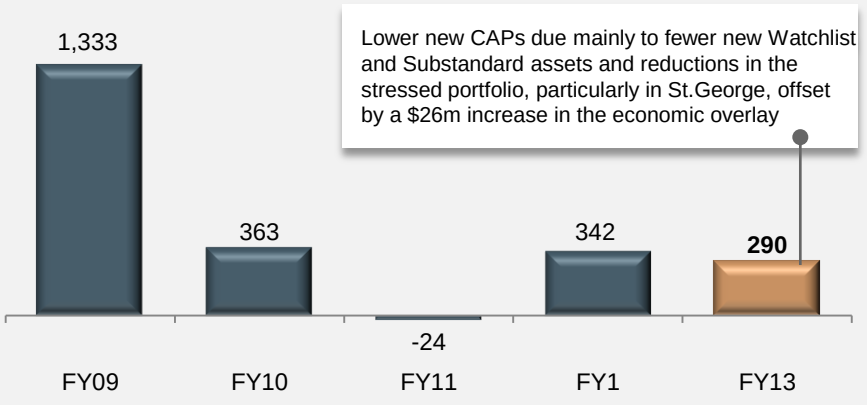
Impairment charge movements ($m)



New IAPs, write-backs and recoveries[2] ($m)



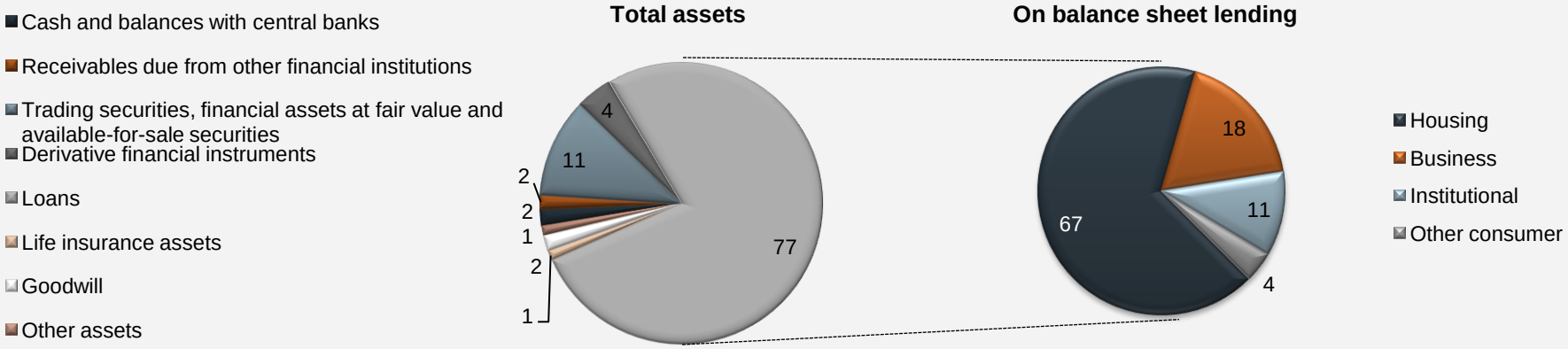
New CAPs[2] ($m)



1 2002-2005 reported under AGAAP; 2006 onwards reported on A-IFRS basis. Pre-2008 does not include St.George. 2 2008 and 2009 are pro forma including St.George for the entire period with 1H09 ASX Profit Announcement providing details of pro forma adjustments. 3 Other includes BT, Westpac Pacific and Group Businesses.

High quality portfolio with bias to secured consumer lending

Asset composition as at 30 September 2013 (%)



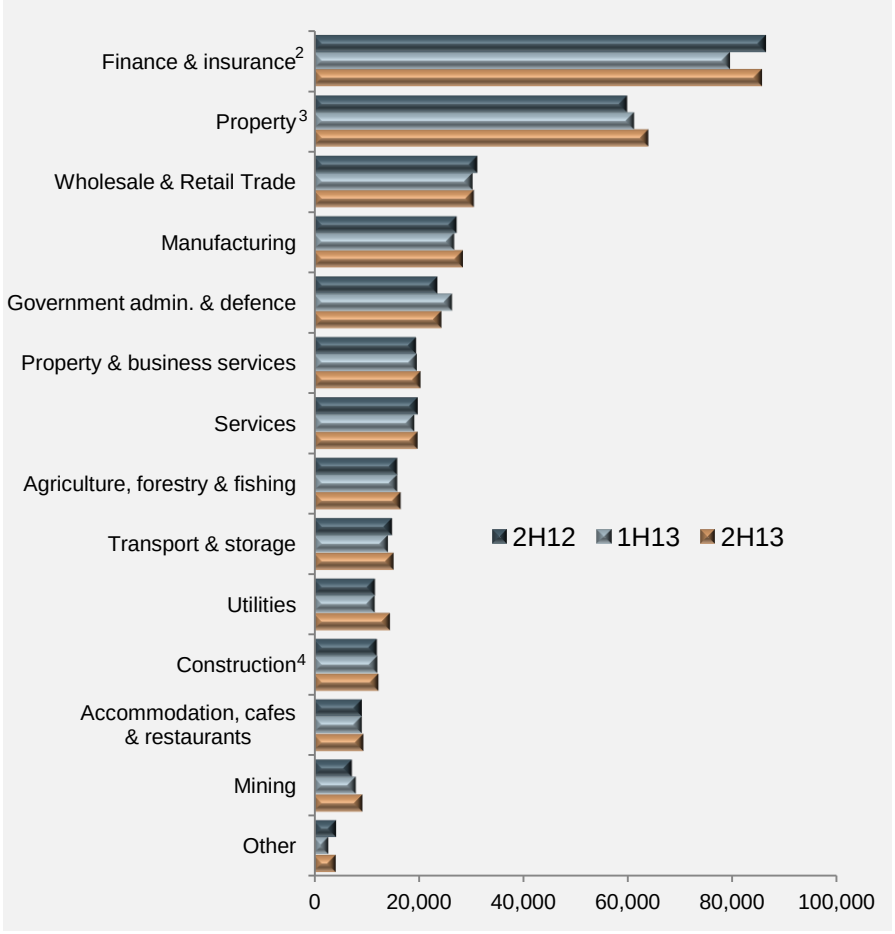
Exposure by risk grade as at 30 September 2013 ($m)

Standard and Poor's risk grade	Australia	NZ / Pacific	Americas	Europe	Asia	Group	% of Total
AAA to AA-	76,929	7,405	7,738	858	1,176	**94,106**	12%
A+ to A-	35,828	4,742	2,129	1,464	2,297	**46,460**	6%
BBB+ to BBB-	50,624	7,650	1,021	1,459	5,237	**65,991**	8%
BB+ to BB	57,678	7,907	351	142	1,112	**67,190**	8%
BB- to B+	56,150	8,386	42	-	-	**64,578**	8%
<B+	8,547	1,987	39	137	-	**10,710**	1%
Secured consumer	376,013	39,963	-	-	511	**416,487**	52%
Unsecured consumer	39,384	4,367	-	-	33	**43,784**	5%
Total Committed Exposures	**701,153**	**82,407**	**11,320**	**4,060**	**10,366**	**809,306**	
Exposure by region[1] (%)	**87%**	**10%**	**1%**	**<1%**	**1%**		**100%**

1 Exposure by booking office.

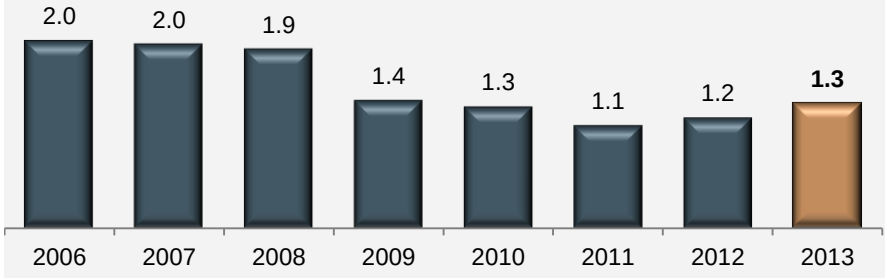
Diversification across industries and large exposures

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

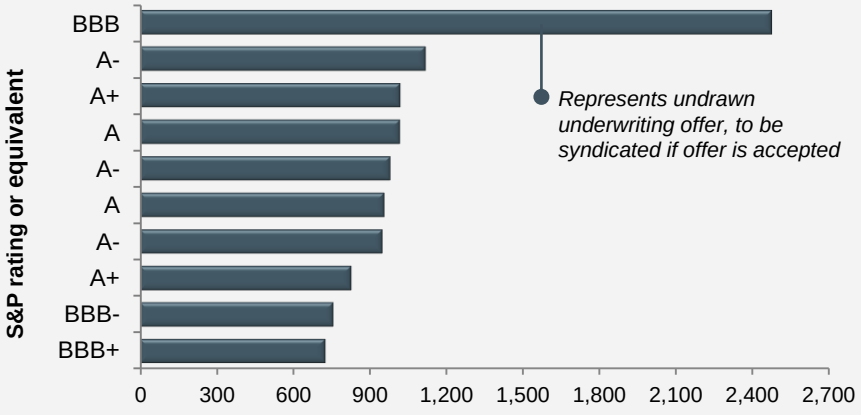


Top 10 exposures to corporations and NBFIs[6] as a % of TCE[5] (%)

- Top 10 single name exposures to corporations and non-bank financial institutions (NBFIs) continues to be below 2% of TCE
- Largest corporation/NBFI single name exposure represents 0.3% of TCE



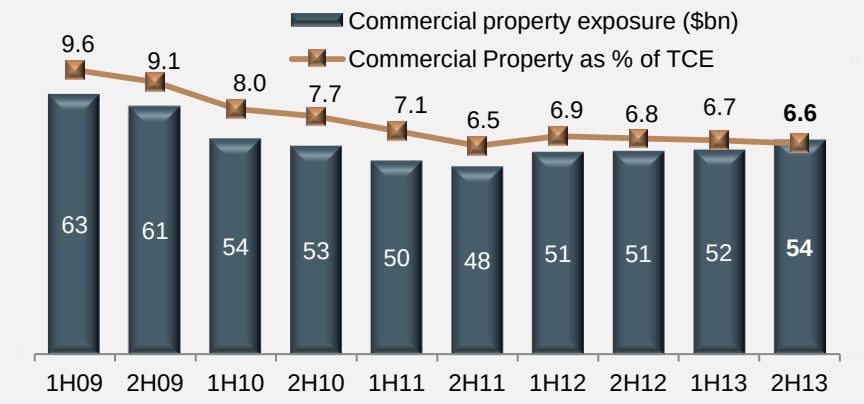
Top 10 exposures to corporations & NBFIs[6] as at 30 Sept 2013 ($m)



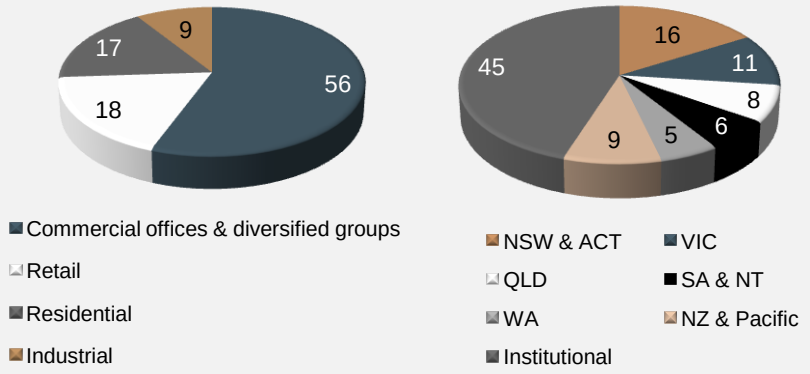
1 Exposures at default represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default and excludes consumer lending. 2 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. 3 Property includes both residential and non-residential property investors and developers, and excludes real estate agents. 4 Construction includes building and non-building construction, and industries serving the construction sector. 5 Includes St.George from 2009 onwards. 6. Non-Bank Financial Institutions

Commercial property portfolio comfortably within appetite

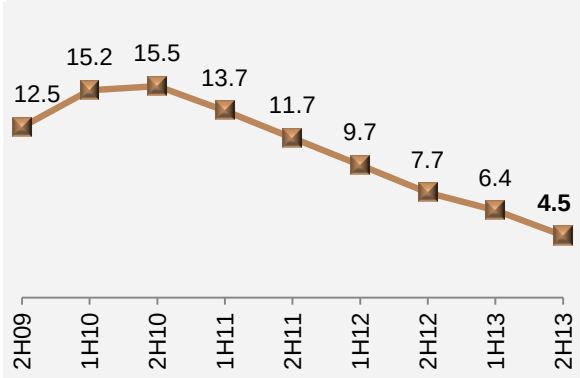
Commercial property exposures size ($bn) and % of TCE



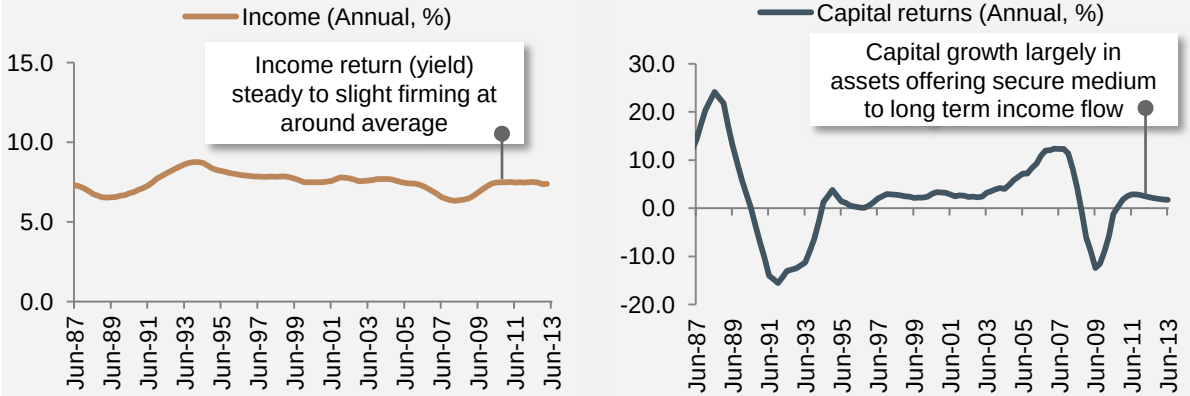
Commercial property portfolio by sector and region (%)



Commercial property portfolio TCE classified as stressed (%)



Market returns for commercial property stabilising[1]

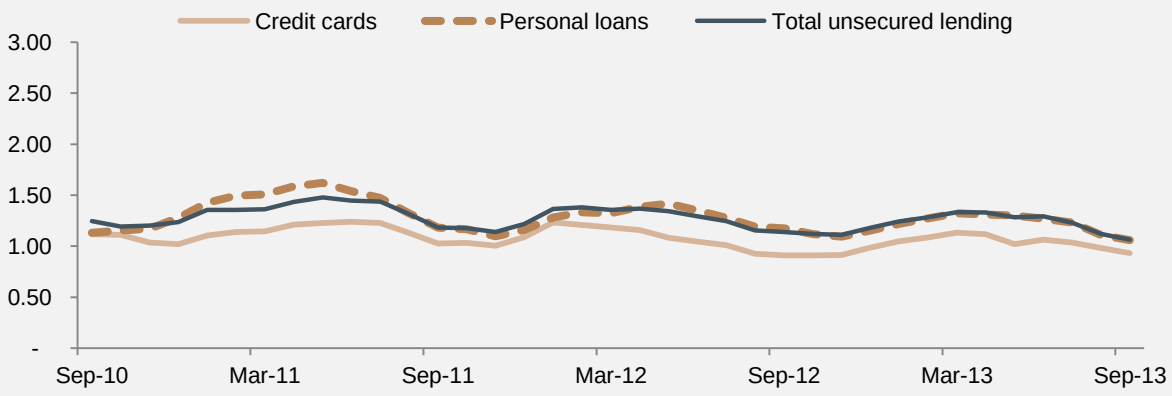


1 Source: IPD Investment performance index Q2 2013. Analysis Westpac Property.

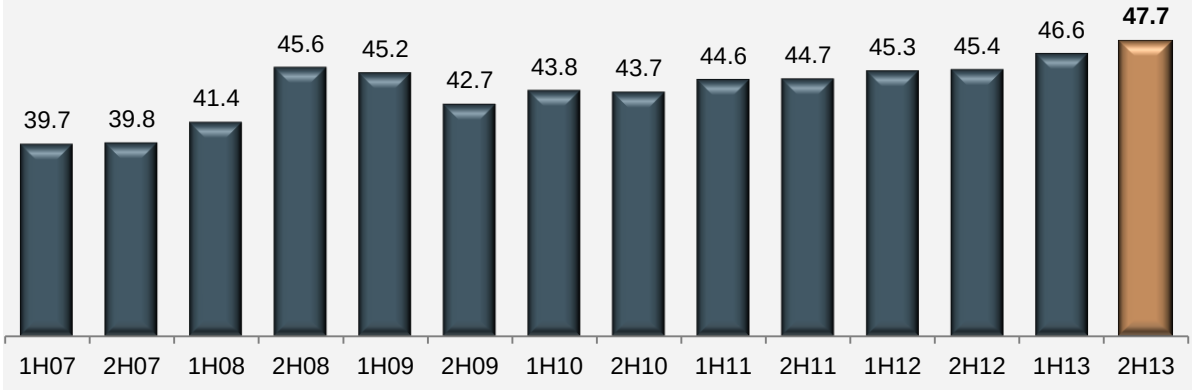
Australian unsecured lending portfolio performing well

- Unsecured consumer asset quality has remained strong, as further interest rate cuts have assisted debt serviceability and the Group maintains a sound approach to credit decisioning and underwriting
- Australian consumer unsecured delinquencies fell 26bps to 106bps (down 7bps FY12/FY13) assisted by seasonal trends and a strong focus on customer engagement
- Australian credit card 90+ days delinquencies were down 19bps to 93bps (up 1bp FY12/FY13)
  - The average payments to balance ratio continued to trend upwards, increasing 105bps to 47.7% (up 227bps FY12/FY13), reflecting ongoing consumer caution towards debt
- Australian personal loan 90+ days delinquencies were down 26bps to 106bps (down 12bps FY12/FY13)

Australian unsecured lending 90+ days delinquencies (%)



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

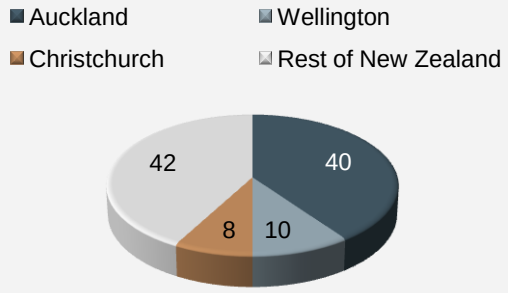


1 Cards average payments to balance ratio is calculated using the average payment received compared to the average statement balance at the end of the reporting month.

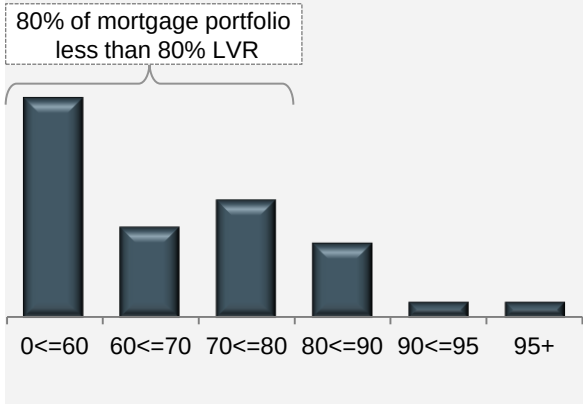
New Zealand mortgage portfolio

- Mortgage portfolio $37.5bn, up 4% FY12/FY13
- The distribution of the mortgage portfolio across regions is consistent with population concentrations of New Zealand
- The proportion of variable rate mortgages reduced to 37% at 2H13 (down from 43% at 1H13)
- Loan origination through proprietary channel decreased to 74% for 2H13 (down from 77% at 1H13)
- Quality of portfolio remains high and well secured, with 80% of the portfolio having a LVR less than 80%, up 125bps FY12/FY13
- Mortgage 90+ days delinquencies down 11bps FY12/FY13, reflecting improved origination and stable employment levels
- Mortgage losses of 0.05% of the portfolio, down 4bps FY12/FY13

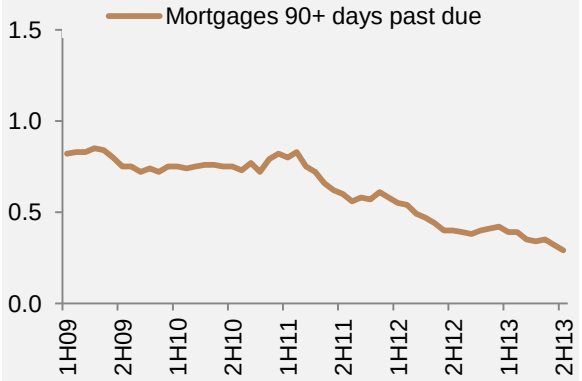
New Zealand mortgage portfolio by region (%)



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



Mortgage 90+ days delinquencies (%)



Mortgage loss rates (%)

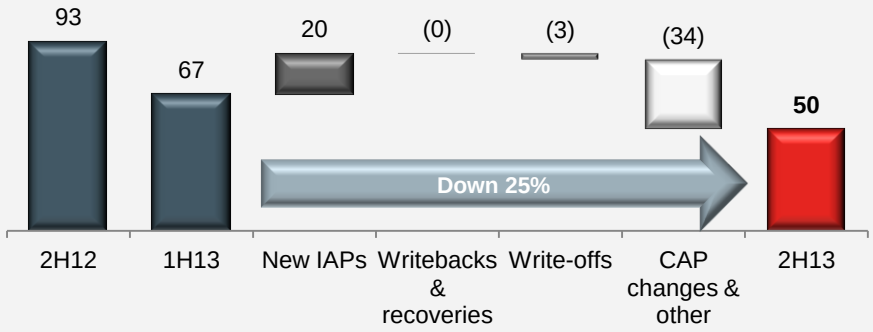
1 LVR based on current loan balance and current assessment of property value.

Improved asset quality in New Zealand business

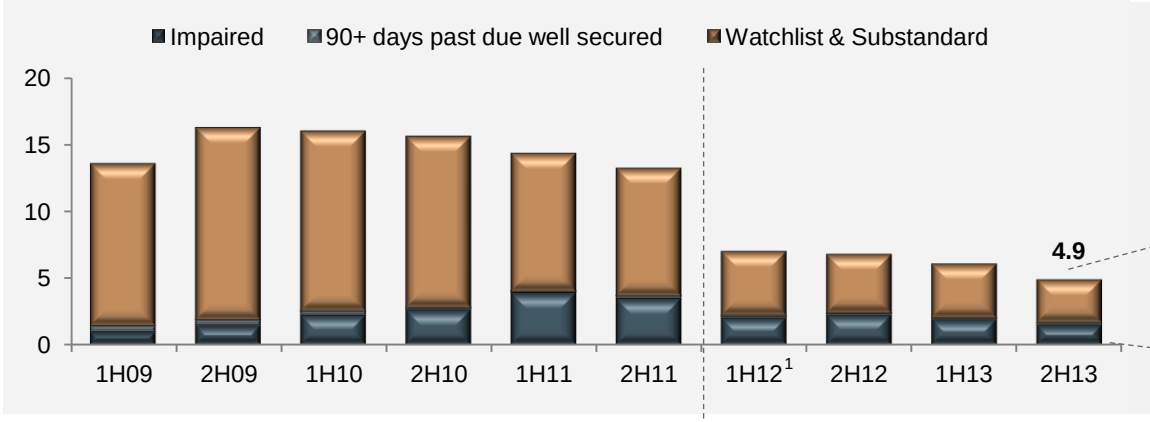
New Zealand

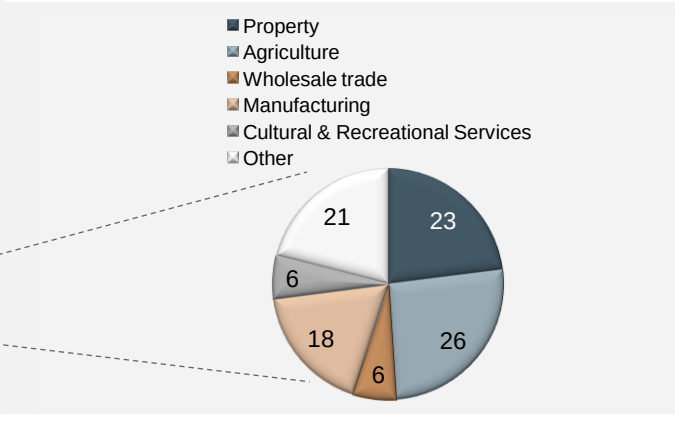
- Business stressed exposures down 190bps in FY13 to 4.9% of TCE
  - Down mostly across property, agriculture and manufacturing sectors
  - Excluding Institutional assets, business stressed exposures reduced to 7.2%, down 330bps FY12/FY13
- Business impaired exposures 1.5% of Total Committed Exposures driven by improvement in performance and settlement of one agri-business exposure
- Total provisions decreased, largely driven by transaction managed portfolio decreasing resulting from a $96m partial write-off in 2H13
- Impairment charges down 39% FY12/FY13
  - Asset quality has continued to improve, driven primarily by improvement in Institutional stressed exposures
  - Partially offset by Institutional provisions for a mining exposure

Movement in impairment charges (NZ$m)



Business stressed exposures as a % of New Zealand Business TCE (%)





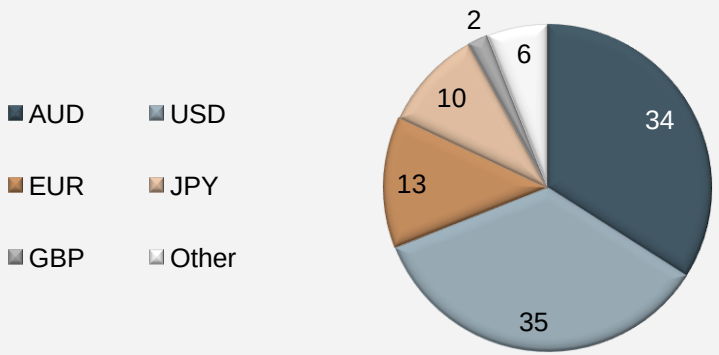
1 Large reduction in stressed exposures from 2H11 to 1H12 due primarily to transfer of WIB assets during 1H12.

Westpac GROUP

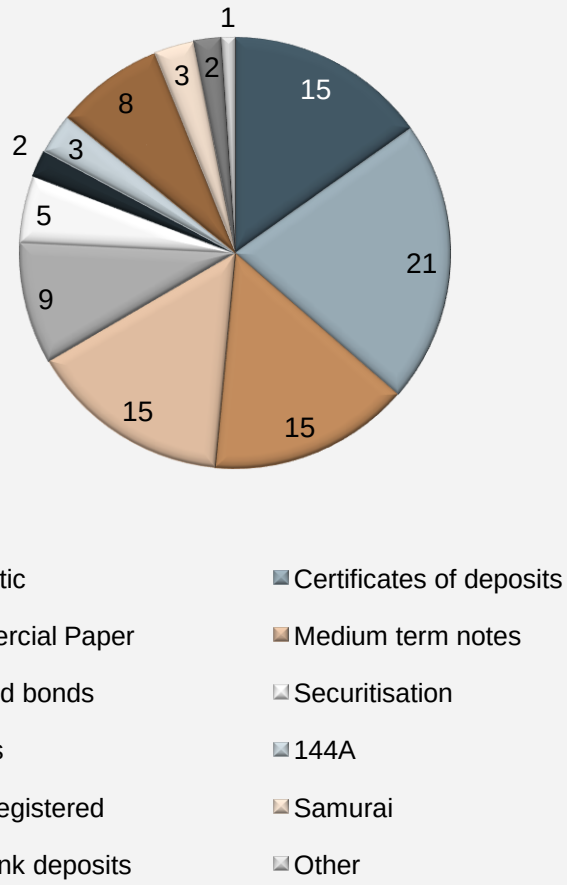
Wholesale funding portfolio

- Westpac's wholesale funding strategy is focused on diversity and flexibility
- Able to issue in a broad range of formats, tenors and currencies, including covered bonds
- Westpac is the only Australian bank that is SEC registered
  - A comparative advantage over peers
  - SEC registered deals are included in the index; have greater reach into investor base, including retail investors; deliver greater liquidity for investors and have a higher level of disclosure requirements
  - Westpac also maintains its ability to issue in US 144A format

Term wholesale funding by currency[2] as at 30 September 2013 (%)



Wholesale funding composition[1] as at 30 September 2013 (%)



1 At FX spot currency translation. 2 Based on spot FX currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. USD issuance includes issuance in the US, Asia and other regions where USD buyers are located.

Appendix 1: Cash earnings adjustments

Cash earnings adjustment (A$m)	FY13	FY12	2H13	1H13
Reported NPAT	**6,816**	**5,970**	**3,512**	**3,304**
TPS revaluations	9	27	1	8
Treasury shares	42	27	13	29
Ineffective hedges	(20)	(7)	3	(23)
Fair value gain/(loss) on economic hedges and own credit	(10)	7	(67)	57
Buyback of government guaranteed debt	43	(5)	-	43
Fair value amortisation of financial instruments	67	46	35	32
Amortisation of intangible assets[1]	150	151	75	75
Supplier program	-	139	-	-
Litigation provision	-	78	-	-
TOFA tax consolidation adjustment	-	165	-	-
Cash earnings	**7,097**	**6,598**	**3,572**	**3,525**

1. Amortisation of intangible assets reflects the amortisation of St.George intangible assets including the core deposit intangible and credit card and financial planner relationships as well as intangible assets (management contracts) related to the JOHCM acquisition

Appendix 2: Cash earnings adjustments by segment

FY13 Segment Results (A$m)	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Reported NPAT	**2,300**	**1,313**	**715**	**1,635**	**634**	**143**	**76**	**6,816**
TPS revaluations	-	-	-	-	-	-	9	9
Treasury shares	-	-	-	-	-	-	42	42
Ineffective hedges	-	-	-	-	-	-	(20)	(20)
Fair value gain/(loss) on economic hedges and own credit	-	-	-	-	-	-	(10)	(10)
Buyback of government guaranteed debt	-	-	-	-	-	-	43	43
Fair value amortisation of financial instruments[1]	-	-	-	-	-	-	67	67
Amortisation of intangible assets[2]	-	128	22	-	-	-	-	150
Supplier program	-	-	-	-	-	-	-	-
Litigation provision	-	-	-	-	-	-	-	-
TOFA tax consolidation adjustment	-	-	-	-	-	-	-	-
Cash earnings	**2,300**	**1,441**	**737**	**1,635**	**634**	**143**	**207**	**7,097**

1 Amortisation of fair value adjustments recognised on merger with St.George 2 Amortisation of intangible assets reflects the amortisation of St.George intangible assets including the core deposit intangible and credit card and financial planner relationships in as well as intangible assets (management contracts) related to the JOHCM acquisition

Appendix 3: APRA to BCBS Basel III reconciliation

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

Description	Common equity tier 1 ratio
Westpac's Common equity Tier 1 ratio under APRA Basel III	**9.10%**
Under BCBS, supervisors have the option of applying concessional thresholds when determining the capital requirements of deferred tax assets, investments in non-consolidated subsidiaries (NCS) and equity investments in commercial entities held in the banking book. Risk weighted asset treatments apply in lieu of common equity deductions if these items are individually less than 10% and together less than 15% of common equity. To the extent the amounts are greater than the concessional thresholds, common equity deductions apply APRA has chosen not to apply this concessional treatment and requires a 100% deduction from common equity for deferred tax assets, investments in non-consolidated financial institutions, NCS, equity investments, and all under-writing positions in financial and commercial institutions held for more than 5 business days Westpac's common equity tier 1 ratio would increase if APRA applied concessional thresholds	+126bps
Mortgage risk weights under APRA are based on a minimum loss given default (LGD) of 20% whereas BCBS sets a minimum LGD of 10%. The actual LGD used must be supported by historical data but APRA's higher minimum means that Australian mortgage risk weights are typically higher than those calculated using the lower BCBS LGD minimum	+77bps
APRA applies a risk weighted asset requirement to Interest rate risk in the banking book (IRRBB). This is not currently considered under BCBS standards	+21bps
Other differences, including treatment of specialised lending	+22bps
Westpac's fully harmonised Basel III Common equity Tier 1 ratio under BCBS	**11.56%**

Appendix 4: Definitions

Financial performance	
Core earnings	Operating profit before income tax and impairment charges
AIEA	Average interest earning assets
Net interest spread	The difference between the average yield on all interest bearing assets and the average rate paid on all interest bearing liabilities
Net interest margin	Net interest income divided by average interest earning assets
Full-time equivalent employees (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight
Wealth and Home and Contents Penetration Metrics	Data based on Roy Morgan Research, Respondents aged 14+. Wealth penetration is defined as the number of Australians who have Managed Investments, Superannuation or Insurance with each group and who also have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group as a proportion of the total number of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group. Home and Contents penetration is defined as the number of Australians who have Household Insurance (Building, contents and valuable items) within the Group and who also have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group as a proportion of the total number of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group. 12 month average to Sep 2013. WRBB includes Bank of Melbourne (until Jul 2011), BT, Challenge Bank, RAMS (until Dec 2011), Rothschild, and Westpac. St.George includes Advance Bank, Asgard, BankSA, Bank of Melbourne (from Aug 2011), Dragondirect, Sealcorp, St.George and RAMS (from Jan 2012). Westpac Group includes Bank of Melbourne, BT, Challenge Bank, RAMS, Rothschild, Westpac, Advance Bank, Asgard, BankSA, Barclays, Dragondirect, Sealcorp and St.George

Asset quality	
Stressed loans	Stressed loans are Watchlist and Substandard, 90 days past due well secured and impaired assets
Impaired assets	Impaired assets can be classified as 1. Non-accrual assets: Exposures with individually assessed impairment provisions held against them, excluding restructured loans 2. Restructured assets: exposures where the original contractual terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer 3. 90 days past due (and not well secured): exposures where contractual payments are 90 days or more in arrears and not well secured 4. other assets acquired through security enforcement 5. any other assets where the full collection of interest and principal is in doubt
90 days past due - well secured	A loan facility where payments of interest and/or principal are 90 or more calendar days past due and the value of the security is sufficient to cover the repayment of all principal and interest amounts due, and interest is being taken to profit on an accrual basis
Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
Individually assessed provisions or IAPs	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are individually significant. The estimated losses on these impaired loans will be based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the statement of financial performance
Collectively assessed provisions or CAPs	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience of assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data

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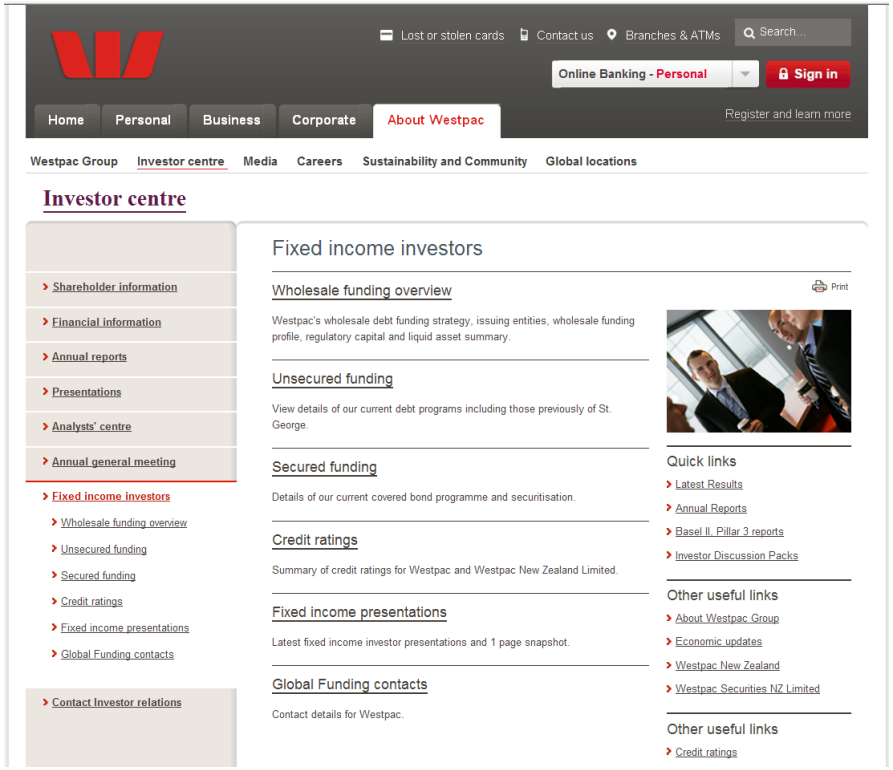
www.westpac.com.au/investorcentre

and click on 'Fixed income investors'

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