



# Westpac Fixed Income Investor Presentation

FINANCIAL DATA AS AT AND FOR THE YEAR ENDED 30 SEPTEMBER 2014 UNLESS OTHERWISE STATED

**Westpac** GROUP  
EST. 1817

**WESTPAC BANKING CORPORATION**  
ABN 33 007 457 141



# Westpac Fixed Income Investor Presentation

FINANCIAL DATA AS AT AND FOR THE YEAR ENDED 30 SEPTEMBER 2014 UNLESS OTHERWISE STATED

**Westpac** GROUP  
EST. 1817

**WESTPAC BANKING CORPORATION**  
ABN 33 007 457 141



# Westpac Fixed Income Investor Presentation

FINANCIAL DATA AS AT AND FOR THE YEAR ENDED 30 SEPTEMBER 2014 UNLESS OTHERWISE STATED

**Westpac** GROUP  
EST. 1817

**WESTPAC BANKING CORPORATION**  
ABN 33 007 457 141

# Westpac Fixed Income Investor Presentation

FINANCIAL DATA AS AT AND FOR THE YEAR ENDED 30 SEPTEMBER 2014 UNLESS OTHERWISE STATED

**WESTPAC GROUP**

EST. 1817

**WESTPAC BANKING CORPORATION**

ABN 33 007 457 141

# Disclaimer

---

The material contained in this presentation is intended to be general background information on Westpac Banking Corporation ("Westpac") and its activities. It does not constitute a prospectus, offering memorandum or offer of securities. It should not be reproduced, distributed or transmitted to any person without the consent of Westpac and is not intended for distribution in any jurisdiction in which such distribution would be contrary to local law or regulation.

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

All amounts are in Australian dollars unless otherwise indicated.

Financial information in this presentation may be presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's Full Year 2014 Financial Results (incorporating the requirements of Appendix 4E) for the year ended 30 September 2014 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of cash earnings. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings.

Information contained in or otherwise accessible through the websites mentioned in this presentation does not form part of the presentation unless we specifically state that the information is incorporated by reference thereby forming part of the presentation. All references in this presentation to websites are inactive textual references and are for information only.

## **Disclosure regarding forward-looking statements**

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

We use words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results could differ materially from the expectations described in this presentation. Factors that may impact on the forward-looking statements made include, but are not limited to, those described in the section entitled 'Risk factors' in Westpac's 2014 Annual Report available at [www.westpac.com.au](http://www.westpac.com.au). When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation, and do not intend, to update any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise, after the date of this presentation.

# ディスクレイマー

本資料はウエストパック・バンキング・コーポレーション(以下「ウエストパック」という)の一般的背景や業務についての記載を意図しております。目論見書、募集要項または有価証券の勧誘として作成されておりません。本資料はウエストパックの同意なしでの再作成、配布または送付を禁止しており、また配布を行うことが現地法や現地規制に反するような管轄区域での配布は意図しておりません。

要約形式の記載のため、完全な情報の提供を目的とした資料ではございません。また本資料は投資家又は潜在的投資家の投資判断を支援するものではなく、投資目標、財務状況または特定のニーズに合わせて専門的なアドバイスを求めることを検討してください。本資料に記載されている情報については、個別に検証されていない公開情報も含まれている可能性があります。これら情報についての正確性、完全性または信頼性について、何ら保証はされておられません。

特に注記がある場合を除いて、金額は豪ドルでの表記になります。

財務情報の中には、現金収入ベースで記載されている場合がございます。現金収入はGAAP基準ではありません。現金収入ベースの詳細については、[www.westpac.com.au](http://www.westpac.com.au)から取得できるウエストパックの2014年9月30日時点のFull Year 2014 Financial Results (Appendix 4Eの前提条件も合わせて)をご参照ください。純利益および現金収入の調整についてはAppendix 1をご参照ください。

本資料でウェブサイト上に記載されているたはウェブサイトを通じて入手できる情報については、参考として本資料に組み込まれるとの記載がない限り、本資料を構成するものではありません。ウェブサイトから参照された情報については、参考までの情報提供のみであります。

## 将来に関する見通しの記述に関するディスクレイマー

本資料には1934年米証券取引所法の21E条に沿った“将来に関する見通しの記述”を構成する記述が含まれております。将来に関する見通しの記述は過去の事実に基づいた記述ではありません。将来に関する見通しの記述は本資料の様々な箇所に記載されており、これらは制限なく将来に関する貸倒引当金、特定の借手に対する財務支援、特定要因、経済指標予想および評価測定の結果を含む、現在の事業内容、市場環境、業績および財務内容に関して我々の意図、信念および現在の予想を含んでおります。

本資料では将来に関する見通しの記述を特定するために、“～になる”、“～の可能性がある”、“予期”、“暫定的な”、“意図”、“努める”、“～になった”、“～のはず”、“できる”、“続ける”、“予定する”、“計画”、“可能性”、“リスク”、“予報”、“可能性が高い”、“予想”、“予測する”、“確信”などといった表現を使用しております。これらの将来に関する見通しの記述は、将来起こり得る事象や影響を我々の上層部の現時点での将来のイベントに関する予想を反映したものであり、これらはほとんどの場合我々の関与が及ばない変化、特定のリスク、不確実性の影響により変更される場合があります。将来起こり得る事象が我々の予期した通りまたその影響が我々の予測通りになる保証はありません。リスクまたは不確実性が一つないしはそれ以上実現した場合、または予測が外れた場合、本資料で記載されている予想の数値と大きく変わる可能性があります。将来に関する見通しの記述に影響を与える可能性がある要素については[www.westpac.com.au](http://www.westpac.com.au)から入手できるウエストパックの2014 Annual Reportの“リスクファクター”に記載されています。将来に関する見通しの記述を頼りに我々に関する判断を下す場合、投資家等は上記のような要素、その他不確実性およびイベントを考慮に入れた上で検討下さい。このプレゼンテーションの日付以降新しい情報や将来の事象等が行った場合でも、我々は本資料の将来に関する見通しの記述について更新する義務、意図はありません。

**本資料の英文版が原本となります。本資料の和訳版は、投資家様の便宜のため作成したものであり、その英文版との整合性が保証されているわけではありません。**

# Contents

---

<b>Highlights</b>	<b>4</b>
<i>Highlights of Westpac's Financial Year 2014</i>	
<b>Australian Home Lending</b>	<b>16</b>
<i>Westpac's Australian mortgage portfolio statistics and performance</i>	
<i>Economic data on the Australian home lending market</i>	
<b>Economics</b>	<b>28</b>
<i>Key forecasts and economic data on the Australian, New Zealand and Chinese economies</i>	
<b>Secured Funding</b>	<b>38</b>
<i>Westpac's covered bond and securitisation programmes</i>	
<b>Additional Information</b>	<b>51</b>
<i>Includes additional information on Westpac's capital and asset quality</i>	
<b>Appendices</b>	<b>62</b>
<i>Earnings and capital reconciliations and relevant definitions</i>	



# 目次

---

<b>ハイライト</b>	<b>4</b>
ウエストパックスの2014年度業績ハイライト	
<b>オーストラリアの住宅貸付</b>	<b>16</b>
ウエストパックスのオーストラリア州住宅貸付ポートフォリオ・ステータスおよびパフォーマンス	
オーストラリア住宅貸付市場の経済データ	
<b>経済</b>	<b>28</b>
オーストラリア、ニュージーランドおよび中国の主要経済指標データ	
<b>担保付資金調達</b>	<b>38</b>
ウエストパックスのカバード・ボンドおよび証券化プログラム	
<b>その他</b>	<b>51</b>
ウエストパックスの資本および資産内容に関する追加情報等	
<b>ご参考資料</b>	<b>62</b>
収益および資本調整、語句の定義	

# Westpac Banking Corporation

## Agenda

---

### Highlights

- Rated AA- / Aa2 / AA- with a Stable outlook
- Capital levels ahead of APRA regulatory minimums effective January 2016
- Strong and consistent earnings, with return on average ordinary equity 16.4% at FY14
- Asset quality a highlight

### Balance sheet

- Total assets of \$771bn at FY14
- Stressed exposures to total committed exposures 1.14% at 1Q15
- Stable funding ratio<sup>2</sup> 83% at 1Q15
- A\$14.2bn in term wholesale funding raised year to date

### Regulatory Metrics

- Total regulatory capital ratio 16.4% at 1Q15 on a Basel III internationally comparable basis<sup>1</sup> (11.6% APRA Basel III basis)
- CET1 ratio 12.4% at 1Q15 on a Basel III internationally comparable basis<sup>1</sup> (8.4% APRA Basel III basis)
- Liquidity Coverage Ratio (LCR) 112% at 1Q15

### Economic conditions

- Westpac Economics forecast GDP 2.7% in 2015
- Terms of trade has declined as commodity prices have fallen
- Lower AUD providing some offset
- Consumers and businesses remain cautious despite record low interest rates, solid increases in house prices and strengthening balance sheets

<sup>1</sup> Based on PwC report. Refer Appendix 3 for definition of internationally comparable. <sup>2</sup> Stable Funding Ratio is calculated on the basis of customer deposits plus wholesale funding with residual maturity greater than 12 months plus equity plus securitisation, as a proportion of total funding.

# ウエストパック・バンキング・コーポレーション

## 概要

### ハイライト

- AA- / Aa2 / AA- の信用格付を付与されており、見通しは「安定的」
- 資本レベルは2016年より実施されるAPRAの最低基準を上回っている
- 強固および安定した収益。2014年度の平均自己資本利益率は16.4%
- 資産内容は非常に良好な状態

### バランス・シート

- 2014年度終了時の総資産は7,710億ドル
- 2015年度第一四半期のエクスポージャーに対するストレス・エクスポージャーの比率は1.14%
- 2015年度第一四半期の安定資金調達比率<sup>2</sup> 83%
- 年初来から発行されたホールセール・ターム・ファンディングは142億豪ドル

### 規制基準

- 2015年度第一四半期のバーゼル III 国際基準<sup>1</sup>総規制資本比率16.4%(バーゼルIII APRA基準では11.6%)
- 2015年度第一四半期のバーゼル III 国際基準<sup>1</sup>CET1 比率12.4% (バーゼルIII APRA基準では8.4%)
- 2015年度第一四半期の流動性カバレッジ比率 (LCR) 112%

### 経済状況

- ウエストパックによる2015年経済予想はGDP成長率2.7%
- 商品価値の低下により交易条件が悪化
- 豪ドル安により一部相殺
- 歴史的に低金利、住宅価格の上昇、バランスシートの強化にも関わらず、消費者および事業会社は引き続き慎重である

<sup>1</sup> Based on PwC report. Refer Appendix 3 for definition of internationally comparable. <sup>2</sup> Stable Funding Ratio is calculated on the basis of customer deposits plus wholesale funding with residual maturity greater than 12 months plus equity plus securitisation, as a proportion of total funding.

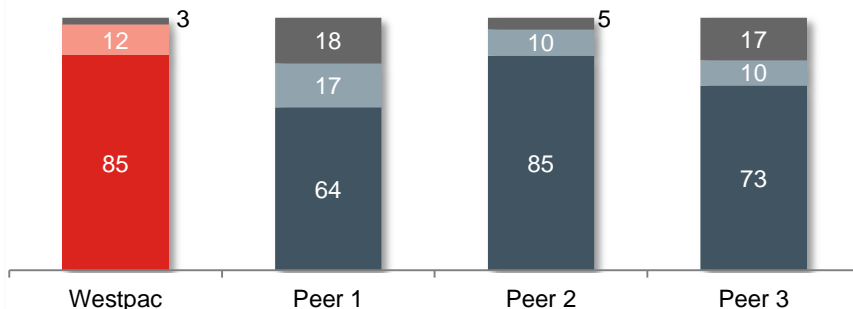
# A high quality credit

## Domestic focus, balance sheet strength, consistent returns

### Clear focus on Australia and New Zealand

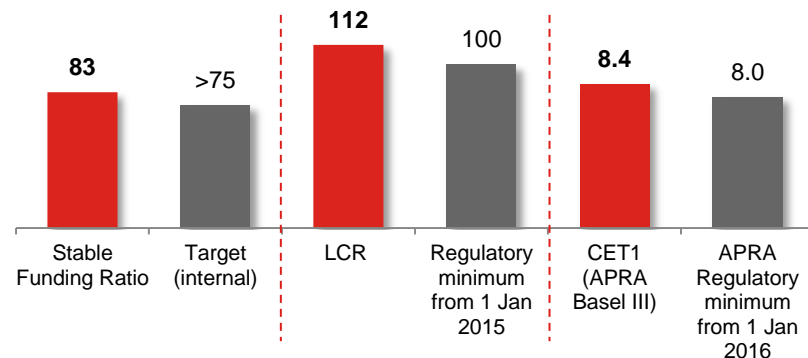
#### Total income by geography<sup>1</sup> (%)

■ Australia ■ New Zealand ■ Asia, Pacific, Europe & Americas



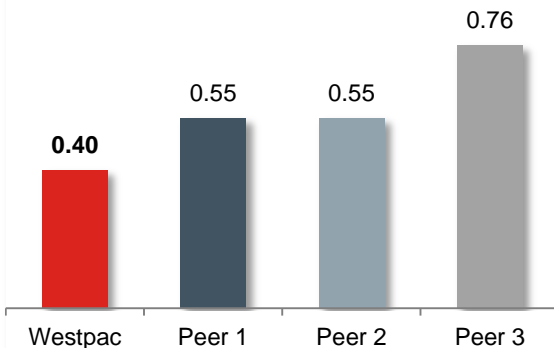
### Maintaining a strong balance sheet

#### Westpac key balance sheet ratios at 31 December 2014 (%)



### Risk management a competitive advantage

#### Total impaired loans to total loans<sup>1</sup> (%)

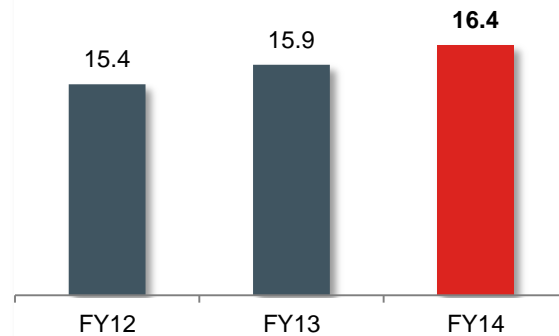


### Brands supporting targeted growth



### Consistent returns

#### Westpac return on average ordinary equity (cash earnings basis) (%)



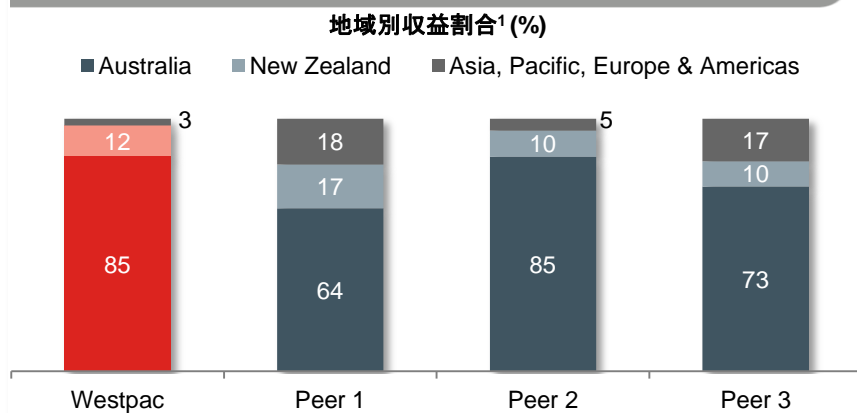
<sup>1</sup> Source: Company Annual Reports. Westpac, Peer 1 and Peer 3 as at 30 September 2014. Peer 2 as at 30 June 2014.



# 高くオリティ・クレジット

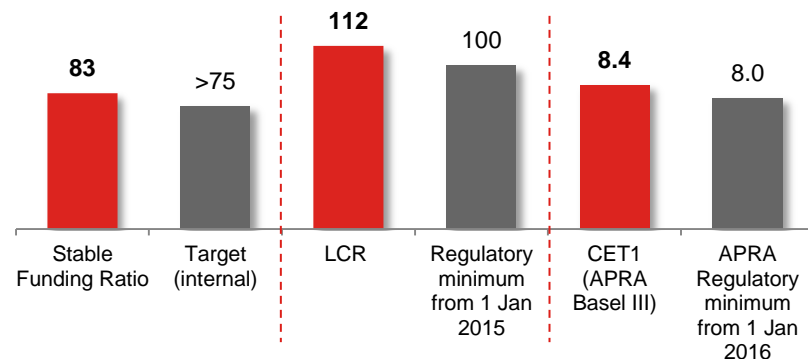
## 国内中心の事業、バランス・シートの強さ、安定期な利益

### オーストラリアおよびニュージーランド中心のビジネス

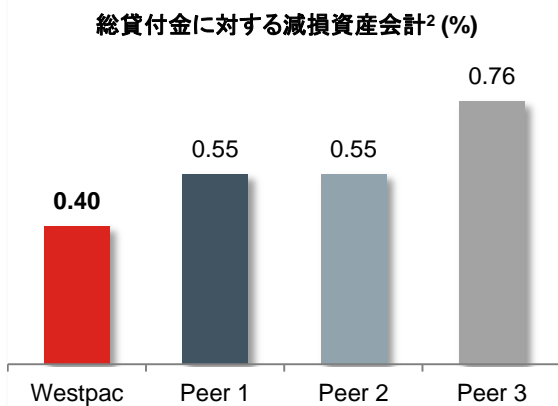


### 強固なバランス・シートを保持

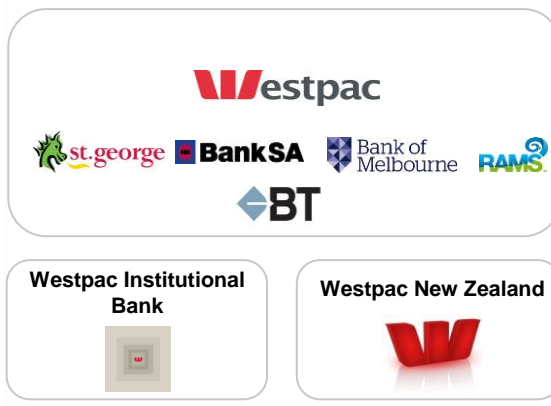
#### ウエストパック主要バランスシート・レシオ (%) 2014年12月31日時点



### リスク・マネジメントは競合他社対比、有利なアドバンテージ

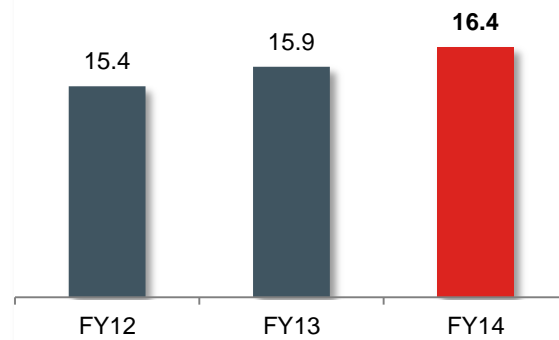


### 様々なブランドによる目標達成の支援



### 安定的な利益

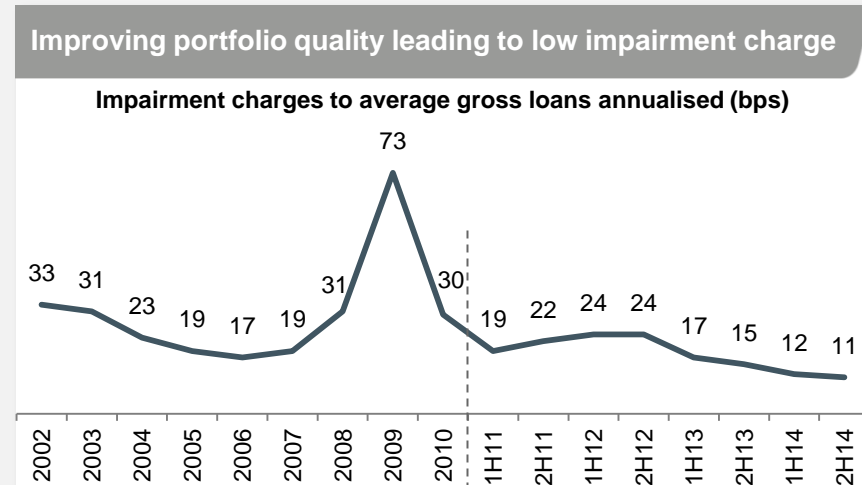
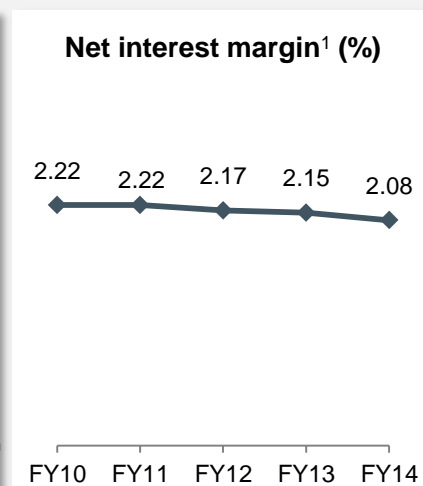
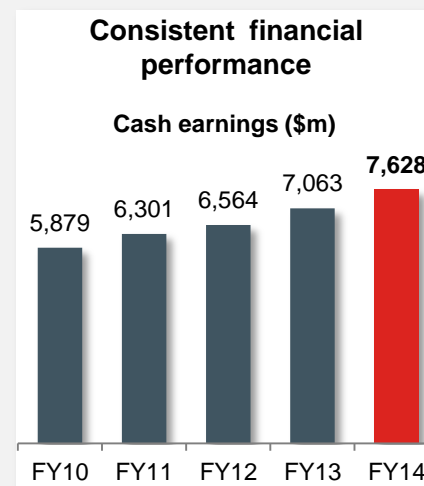
#### ウエストパック平均資本利益率 (現金収入ベース) (%)



<sup>1</sup> Source: Company Annual Reports. Westpac, Peer 1 and Peer 3 as at 30 September 2014. Peer 2 as at 30 June 2014. <sup>2</sup> Source: Company Annual Reports. Westpac, Peer 1 and Peer 3 as at 30 September 2014. Peer 2 as at 30 June 2014.

# Consistent, high quality financial performance in Full Year 2014

FY14 Financial Results	FY14	% Change FY14 – FY13
<b>Financial results (A\$m)</b>		
Net profit after tax	7,561	12
Cash earnings <sup>1</sup>	7,628	8
Net operating income <sup>1</sup>	19,820	5
Expenses <sup>1</sup>	8,246	6
Impairment charges	650	(23)
<b>Financial metrics</b>		
Return on average ordinary equity <sup>1</sup>	16.4%	48bps
Earnings per share <sup>1</sup>	245.4c	8
Net interest margin <sup>1</sup>	2.08%	(7bps)
Expense to income ratio <sup>1</sup>	41.6%	40bps
<b>Balance sheet and asset quality</b>		
Net loans	\$580bn	8
Customer deposits	\$409bn	7
Net write-offs to average loans annualised	23bps	(2bps)



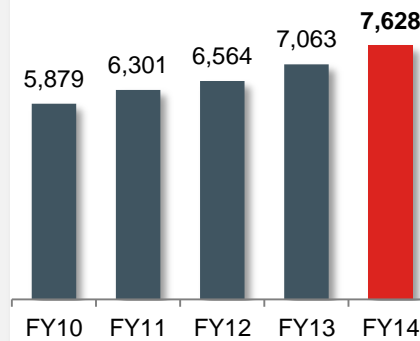
<sup>1</sup> Cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings.

# 安定的、高クオリティ 2014年度業績

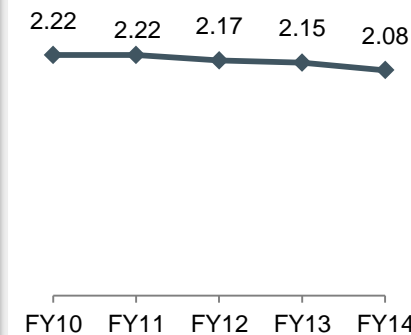
FY14 業績	FY14	% 変動率 FY14 – FY13
<b>業績 (100万豪ドル)</b>		
税引後純利益	7,561	12
現金利益 <sup>1</sup>	7,628	8
純業務利益 <sup>1</sup>	19,820	5
費用 <sup>1</sup>	8,246	6
減損費用	650	(23)
<b>評価基準</b>		
平均自己資本利益率 <sup>1</sup>	16.4%	48bps
一株当たり利益 <sup>1</sup>	245.4c	8
純利鞘 <sup>1</sup>	2.08%	(7bps)
費用収益率 <sup>1</sup>	41.6%	40bps
<b>バランスシートおよび資産の質</b>		
純貸出	5,800 億ドル	8
顧客預金	4,090 億ドル	7
年換算平均貸付に対する賞味貸倒償却費の比率	23bps	(2bps)

## 安定した業績

### 現金収益 (百万ドル)

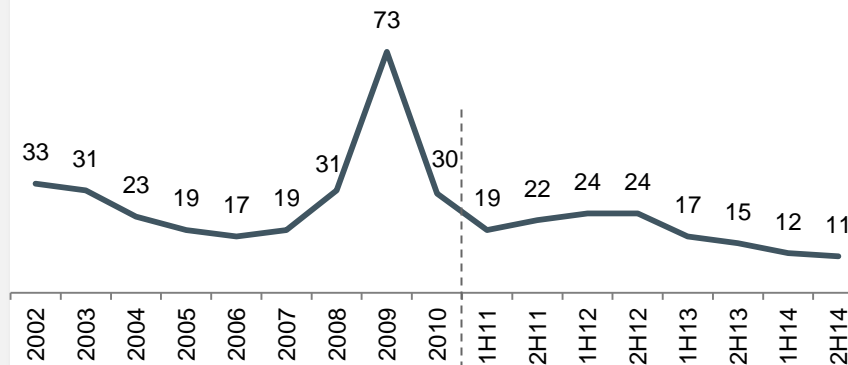


## 純利鞘<sup>1</sup> (%)



## ポートフォリオの質の向上により減損費用も低下

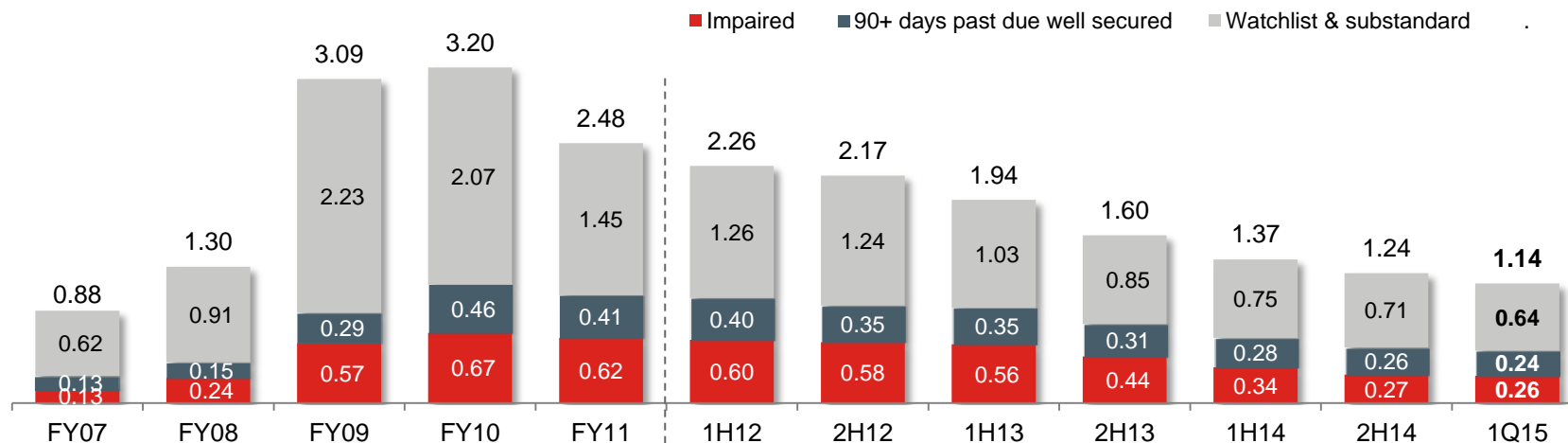
### 年換算総貸付に対する減損費(bps)



<sup>1</sup> Cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings.

# Asset quality a highlight

Stressed exposures as a % of TCE and provisions<sup>1</sup> (\$m)

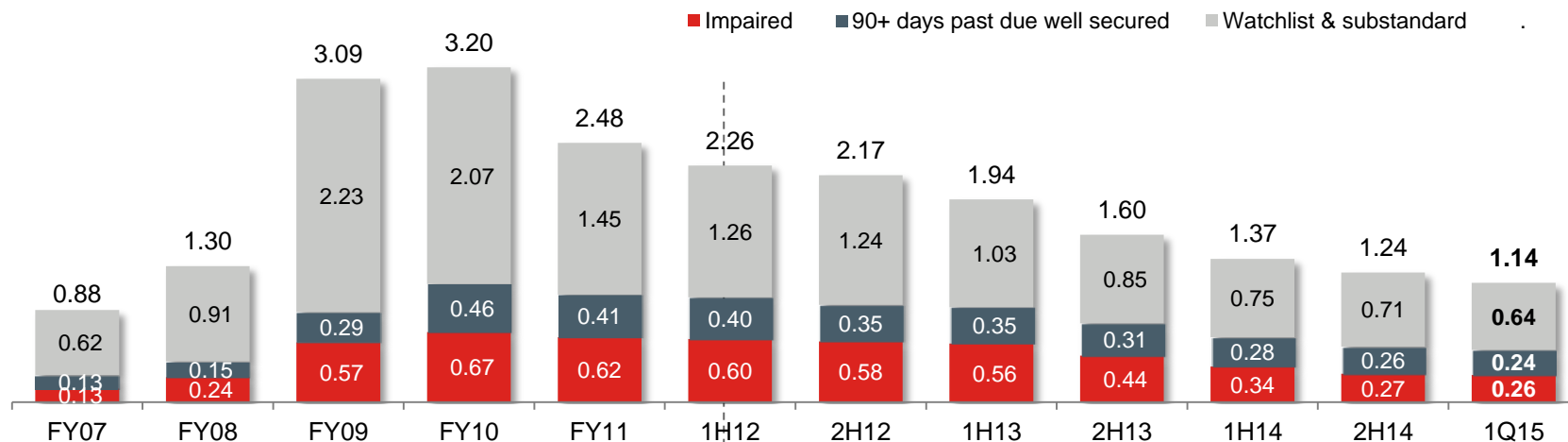


Provisioning coverage ratios	2H13	1H14	2H14	1Q15
Collectively assessed provisions to credit risk weighted assets	99bps	97bps	93bps	<b>90bps</b>
Collectively assessed provisions to performing non-housing loans	142bps	134bps	129bps	<b>129bps</b>
Impairment provisions to impaired assets	43%	46%	45%	<b>44%</b>
Total provisions to gross loans	73bps	67bps	60bps	<b>59bps</b>

<sup>1</sup> TCE is Total Committed Exposures. FY07 and FY08 do not include St.George.

# 資産内容のハイライト

TCEおよび引当金<sup>1</sup> (百万豪ドル)のストレス・エクスポージャー (%)

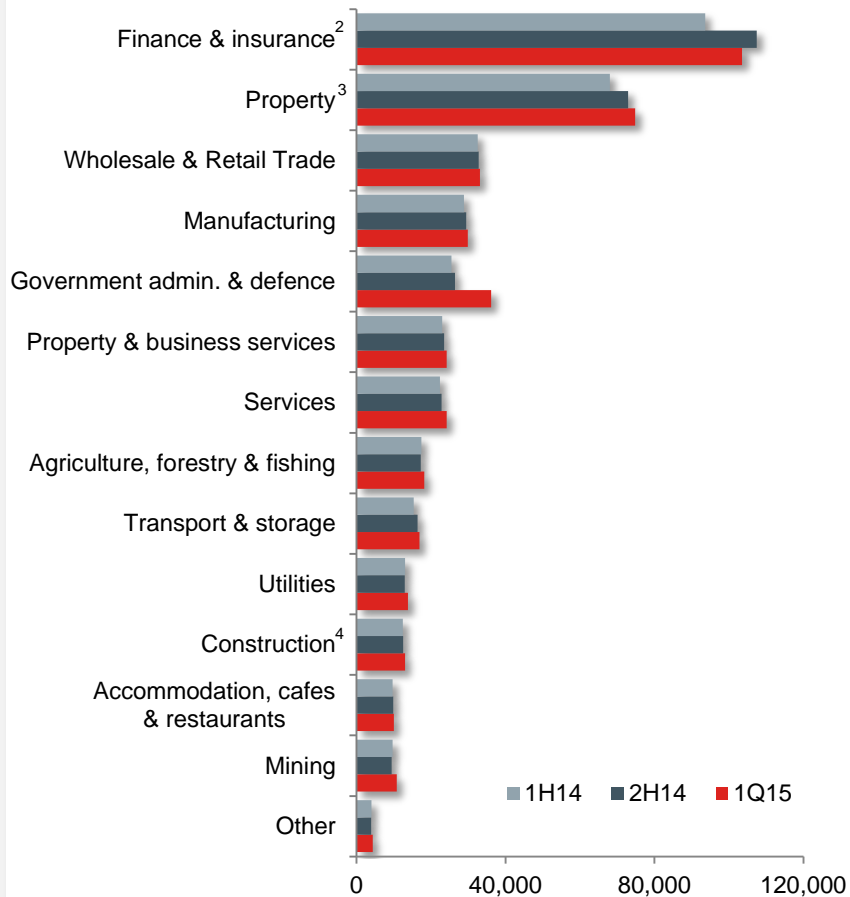


引当金カバレッジ比率	2H13	1H14	2H14	1Q15
リスク加重資産に対する集合評価引当金の比率	99bps	97bps	93bps	<b>90bps</b>
非住宅貸付に対する集合評価引当金の比率	142bps	134bps	129bps	<b>129bps</b>
減損資産に対する減損引当金の比率	43%	46%	45%	<b>44%</b>
総貸付に対する総引当金の比率	73bps	67bps	60bps	<b>59bps</b>

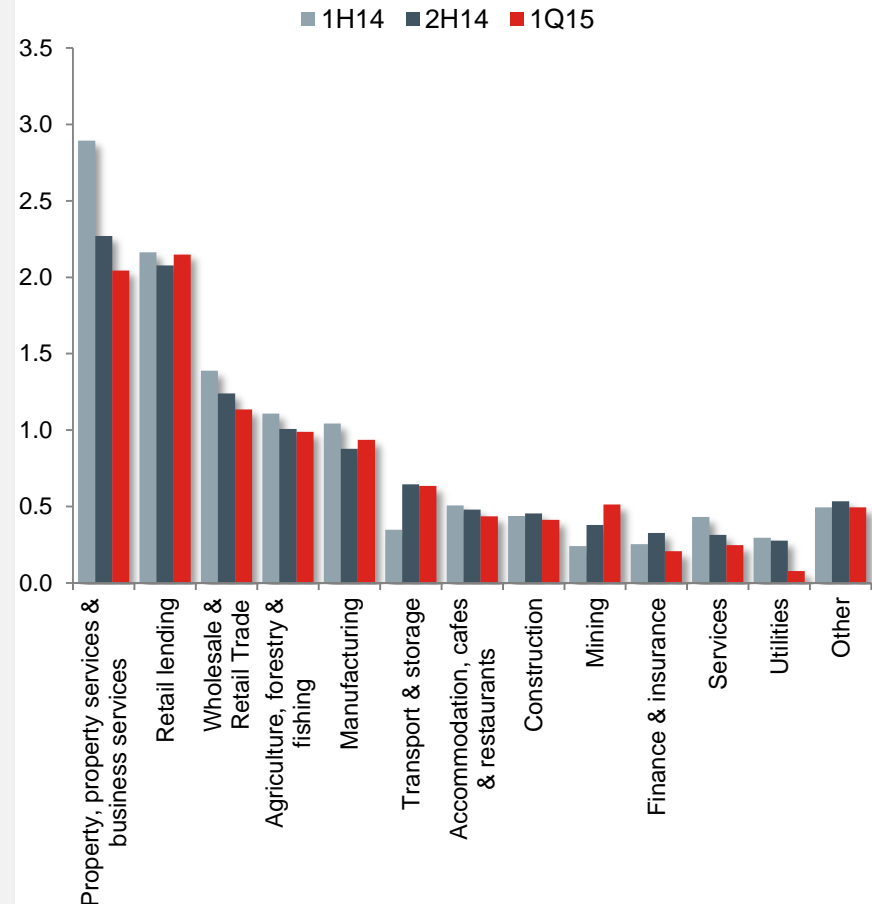
<sup>1</sup> TCE is Total Committed Exposures. FY07 and FY08 do not include St.George.

# A well diversified portfolio across industries

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



Stressed exposures by industry (\$bn)

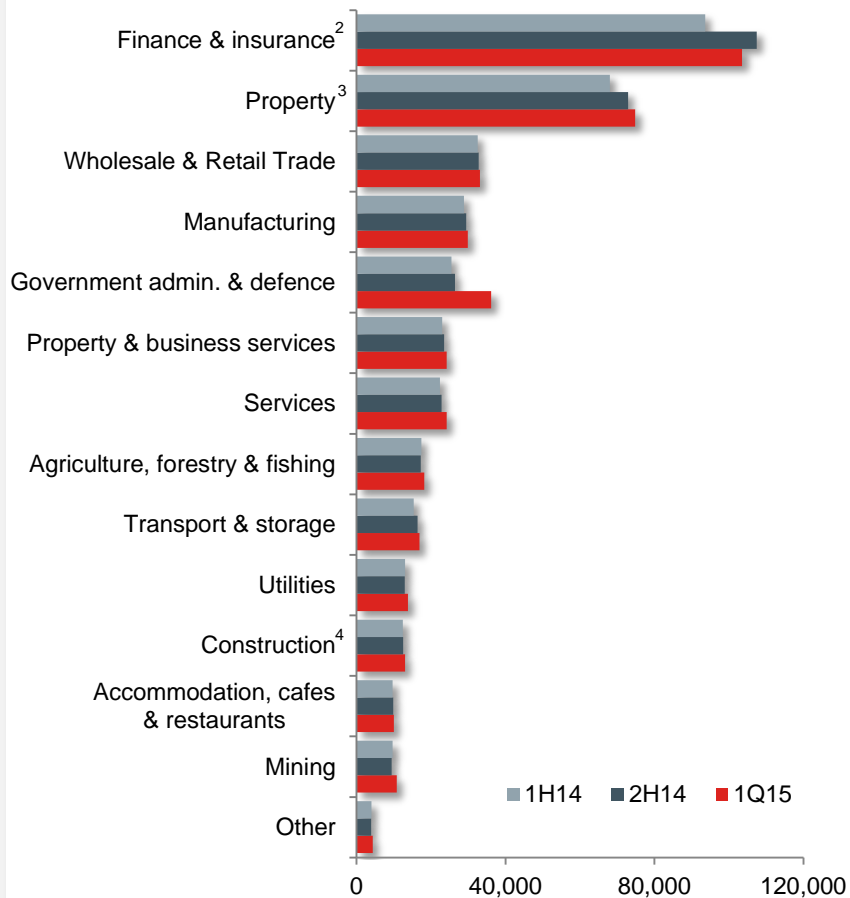


<sup>1</sup> Exposures at default represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. Chart excludes consumer lending. <sup>2</sup> Finance and insurance includes banks, non-banks, insurance companies and other firms providing services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

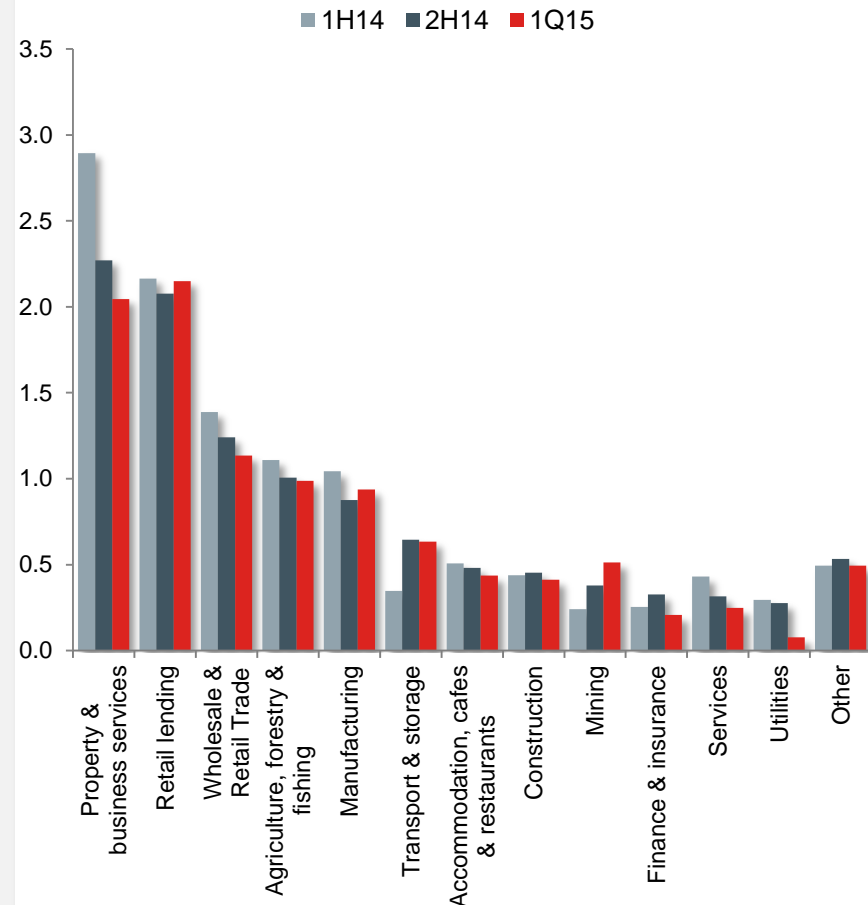


# 多様化されたポートフォリオ セクター別

セクター別デフォルト時エクスポージャー<sup>1</sup> (百万ドル)



産業別ストレス・エクスポージャー (十億ドル)



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

# Australian mortgage portfolio performing well

## High levels of borrower equity

Westpac Group Australian housing portfolio	2H13 Balance	1H14 Balance	2H14 Balance	2H14 Flow <sup>1</sup>
Total portfolio (\$bn)	328.5	338.0	<b>351.0</b>	<b>36.9</b>
Owner-occupied (%)	47.9	47.6	<b>47.1</b>	<b>45.9</b>
Investment property loans (%)	43.1	44.0	<b>45.2</b>	<b>51.2</b>
Portfolio loan/line of credit (%)	9.0	8.4	<b>7.7</b>	<b>2.9</b>
Variable rate / Fixed rate (%)	81 / 19	81 / 19	<b>78 / 22</b>	<b>80 / 20</b>
Low Doc (%)	4.7	4.2	<b>3.8</b>	<b>1.1</b>
Proprietary channel (%)	58.0	57.5	<b>56.6</b>	<b>53.4</b>
First Home Buyer (%)	11.4	10.9	<b>10.3</b>	<b>6.6</b>
Mortgage insured (%)	23.3	22.2	<b>21.3</b>	<b>12.2</b>
	2H13	1H14	2H14	
Average LVR at origination <sup>2</sup> (%)	69	69	<b>70</b>	
Average dynamic <sup>2,3,4</sup> LVR (%)	46	47	<b>44</b>	
Average LVR of new loans <sup>2,5</sup> (%)	72	72	<b>71</b>	
Average loan size (\$'000)	221	223	<b>229</b>	
Customers ahead on repayments, including offset accounts <sup>2,6</sup> (%)	71	73	<b>73</b>	
Actual mortgage losses (net of insurance) <sup>7</sup> (\$m)	43	45	<b>55</b>	
Actual mortgage loss rate annualised (bps)	3	2	<b>3</b>	

1 Flow is all new mortgage originations total settled amount originated during the 6 month period ended 30 September 2014 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. 6 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled payments. 7 Mortgage insurance claims 2H14 \$6m (1H14 \$3m, 2H13 \$14m).

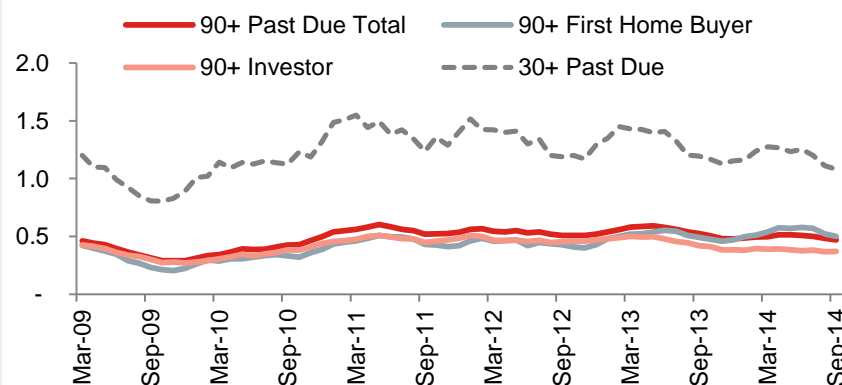
### Delinquencies

- Sustained period of low interest rates and a continued conservative approach to debt by borrowers has supported very strong credit quality
- 90+ days delinquencies remain low at 47bps down 6bps FY14/FY13 (down 3bps 2H14/1H14)
- 30+ days delinquencies 108bps down 12bps FY14/FY13 (down 20bps 2H14/1H14)
- Investment property loans 90+ days delinquencies 37bps compared to 47bps for total portfolio

### Properties in possession

- Properties in possession of 194 at September 2014, up from 189 at March 2014 (353 at 30 September 2013). Represents <2bps of the portfolio

### Australian mortgages delinquencies (%)



# オーストラリアの住宅ローンポートフォリオの好成績

## 借主の高い持分比率

ウェストパックグループの住宅 ローンポートフォリオ (オーストラリア)	2H13 Balance	1H14 Balance	2H14 Balance	2H14 Flow <sup>1</sup>
ポートフォリオ全体(十億ドル)	328.5	338.0	<b>351.0</b>	<b>36.9</b>
所有者居住用ローン (%)	47.9	47.6	<b>47.1</b>	<b>45.9</b>
投資用不動産向けローン(%)	43.1	44.0	<b>45.2</b>	<b>51.2</b>
ポートフォリオローン/クレッジ・ ライン (%)	9.0	8.4	<b>7.7</b>	<b>2.9</b>
変動金利/ 固定金利(%)	81 / 19	81 / 19	<b>78 / 22</b>	<b>80 / 20</b>
Low Doc (%)	4.7	4.2	<b>3.8</b>	<b>1.1</b>
所有権取得目的(%)	58.0	57.5	<b>56.6</b>	<b>53.4</b>
初回住宅購入者向けローン(%)	11.4	10.9	<b>10.3</b>	<b>6.6</b>
保証付き住宅ローン(%)	23.3	22.2	<b>21.3</b>	<b>12.2</b>
	2H13	1H14	2H14	
オリジネーション時平均 LVR <sup>2</sup> (%)	69	69	<b>70</b>	
平均ダイナミック <sup>2,3,4</sup> LVR (%)	46	47	<b>44</b>	
新期ローンの平均LVR <sup>2,5</sup> (%)	72	72	<b>71</b>	
平均ローンサイズ(\$'000)	221	223	<b>229</b>	
前払いの顧客 (差引口座を含む <sup>2,6</sup> (%))	71	73	<b>73</b>	
住宅ローン実現損失(保険回収後) <sup>7</sup> (百万ドル)	43	45	<b>55</b>	
年率住宅ローン実現損失率(bps)	3	2	<b>3</b>	

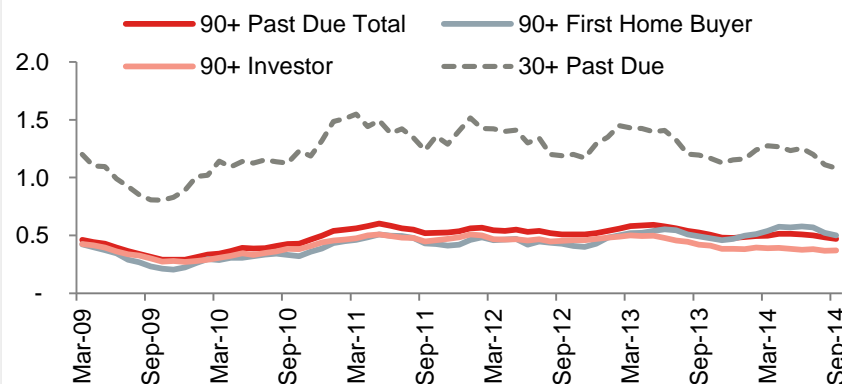
### 住宅ローンの延滞

- 低金利の長期化と借主の債務を負うことに対する保守的な姿勢の継続により信用の質が大変強固になっている
- 90日間以上の延滞率は2014年度は2013年度から6bps低下し、47bpsの低い数値を保っている (2014年下期は上期から3bps 低下)
- 30日間以上の延滞率は2014年度は2013年度から12bps低下し、108bps (2014年下期は上期から20bps 低下)
- 投資用不動産向けローンにおける90日間以上の延滞率は37bps、ポートフォリオ全体では47bps

### 所有財産

- 2014年9月時点での所有財産は194、2014年3月時点の189から増加 (2013年9月30日時点では353)。ポートフォリオ全体に占める割合は2bps未満

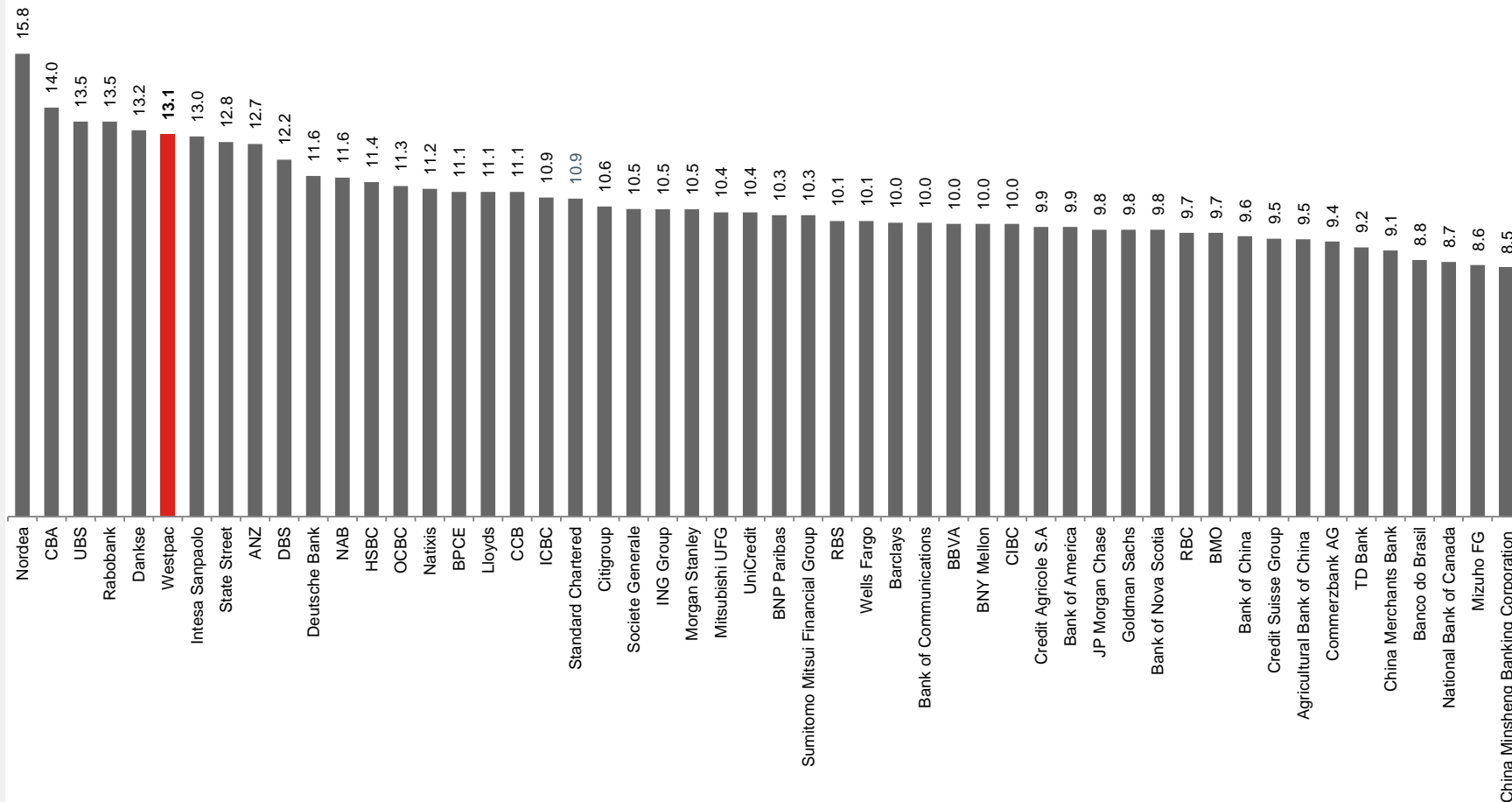
### オーストラリアにおける住宅ローンの延滞率(%)



1 Flow is all new mortgage originations total settled amount originated during the 6 month period ended 30 September 2014 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. 6 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled payments. 7 Mortgage insurance claims 2H14 \$6m (1H14 \$3m, 2H13 \$14m).

# Internationally comparable CET1 capital ratio at upper end of top quartile of global peers

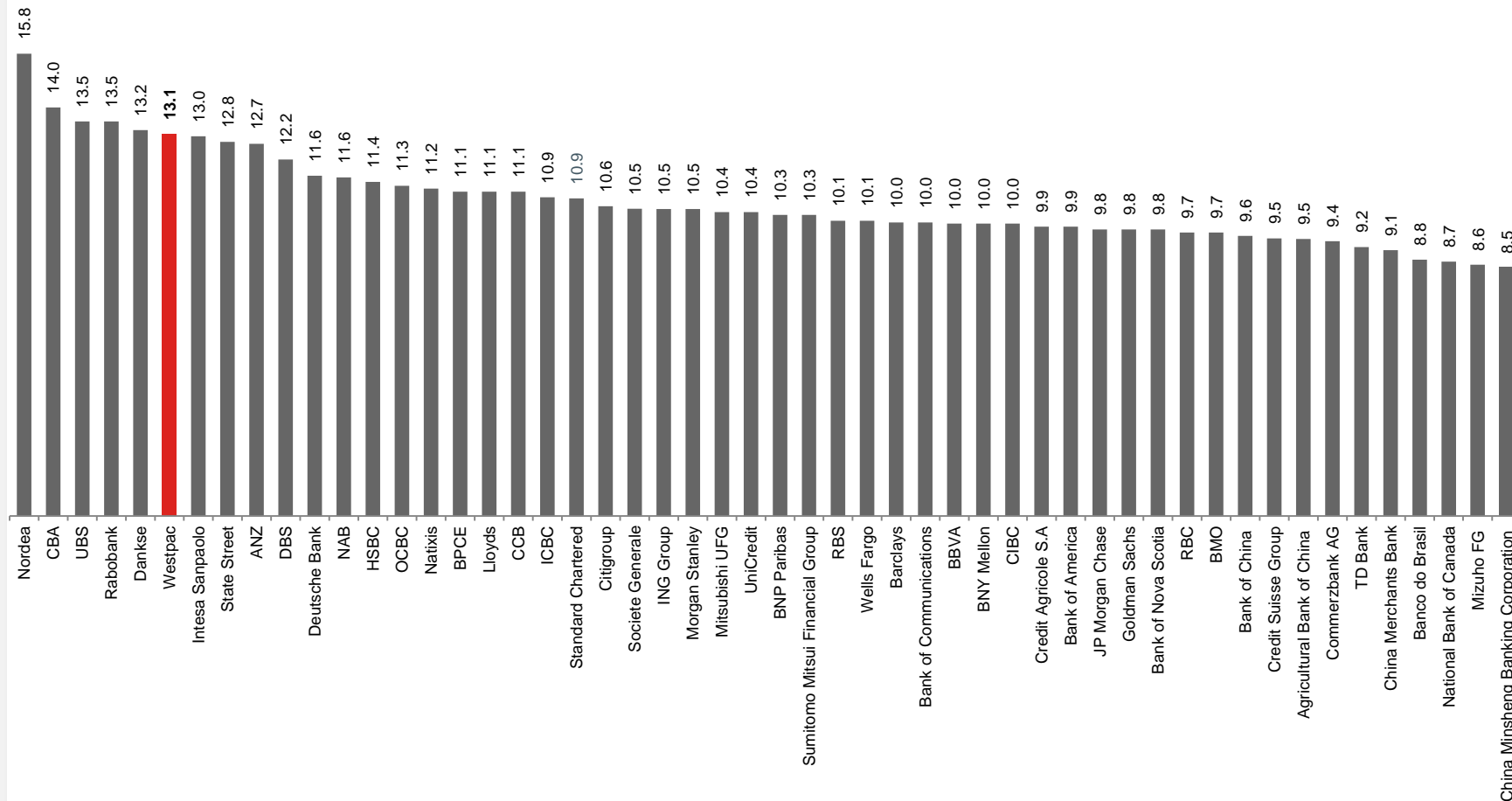
Global peer comparison of Basel III pro-forma CET1 capital ratios<sup>1</sup> (%)



<sup>1</sup> Based on PwC report. Refer Appendix 3 for definition of internationally comparable. Rabobank, Morgan Stanley and Goldman Sachs calculated as at 31 December 2013. CCB, ICBC, Mitsubishi UFJ, Sumitomo Mitsui, Bank of Communications, Bank of China, Agricultural Bank of China, China Merchants Bank, Mizuho FG and China Minsheng Banking Corporation calculated as at 31 March 2014. CIBC, Bank of Nova Scotia, RBC, BMO and TD Bank calculated as at 30 April 2014. Westpac, ANZ and NAB calculated as at 30 September 2014. All other bank capital ratios calculated as at 30 June 2014.

# 国際基準の普通株等Tier1資本比率 グローバル対比トップクラス

プロフォーマベースのパーゼル3 普通株等Tier1資本比率<sup>1</sup> (%)



<sup>1</sup> Based on PwC report. Refer Appendix 3 for definition of internationally comparable. Rabobank, Morgan Stanley and Goldman Sachs calculated as at 31 December 2013. CCB, ICBC, Mitsubishi UFJ, Sumitomo Mitsui, Bank of Communications, Bank of China, Agricultural Bank of China, China Merchants Bank, Mizuho FG and China Minsheng Banking Corporation calculated as at 31 March 2014. CIBC, Bank of Nova Scotia, RBC, BMO and TD Bank calculated as at 30 April 2014. Westpac, ANZ and NAB calculated as at 30 September 2014. All other bank capital ratios calculated as at 30 June 2014.

# Strong capital structure

## Ahead of regulatory minimums

Capital Requirement	Common Equity	Tier 1	Total Capital	APRA Implementation
Minimum	4.5%	6.0%	8.0%	1 Jan 2013
Capital Conservation Buffer (CCB)	2.5%			1 Jan 2016
D-SIB HLA <sup>1</sup> requirement	1.0%			1 Jan 2016
Countercyclical Buffer	0% - 2.5%			1 Jan 2016
Total Capital Requirement	8.0%-10.5%	9.5%-12.0%	11.5%-14.0%	1 Jan 2016
Leverage Ratio		3%		1 Jan 2018

### Future capital considerations

**Financial System Inquiry (FSI)** – Final Report released to the Australian Federal Treasurer in December 2014. The Government is consulting with industry and considering the Inquiry's recommendations

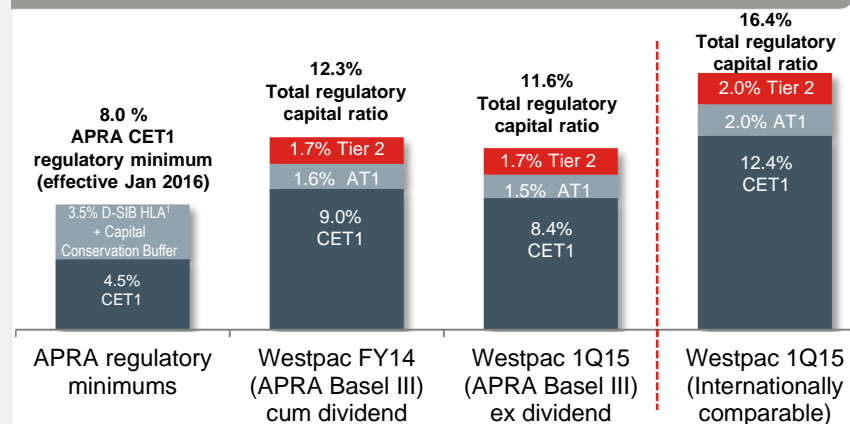
**'Basel IV'** – Consultation papers released December 2014. Consultation process to continue through 2015

**Leverage** – Draft prudential standard released by APRA December 2014. Disclosure requirements will not take effect until 1 April 2015 at the earliest

**TLAC** – FSI Final Report recommended the implementation of "a framework for minimum loss absorbing and recapitalisation capacity in line with emerging international practice" for Australian ADIs. No further steps undertaken to date

Key capital ratios <sup>1</sup> (%)	Mar-14	Sep-14	Dec-14
Common equity tier 1 capital ratio	8.8	9.0	8.4
Additional tier 1 capital	1.5	1.6	1.5
Tier 1 capital ratio	10.3	10.6	9.9
Tier 2 capital	1.8	1.7	1.7
<b>Total regulatory capital ratio</b>	<b>12.1</b>	<b>12.3</b>	<b>11.6</b>
Risk weighted assets (\$bn)	322.5	331.4	344.5
Common equity tier 1 capital ratio (Internationally comparable <sup>2</sup> )	13.1	13.1	12.4

### Westpac's capital base



<sup>1</sup> HLA is Higher Loss Absorbency.



# 強固な資本構造

## 資本規制の最低所要水準の前倒し

資本要件	普通株	Tier 1	総資本	APRA 導入
最低要件	4.5%	6.0%	8.0%	1 Jan 2013
資本保全バッファ (CCB)	2.5%			1 Jan 2016
D-SIBに対するHLA <sup>1</sup>	1.0%			1 Jan 2016
カウンターシクリカルな資本バッファ	0% - 2.5%			1 Jan 2016
総資本要件	8.0%-10.5%	9.5%-12.0%	11.5%-14.0%	1 Jan 2016
レバレッジ比率		3%		1 Jan 2018

### 将来の資本考察

**金融制度審議会(FSI)** – 2014年12月にオーストラリア財務大臣宛てに提出された最終報告書。政府は業界の意見を聞き、業界の助言を検討している

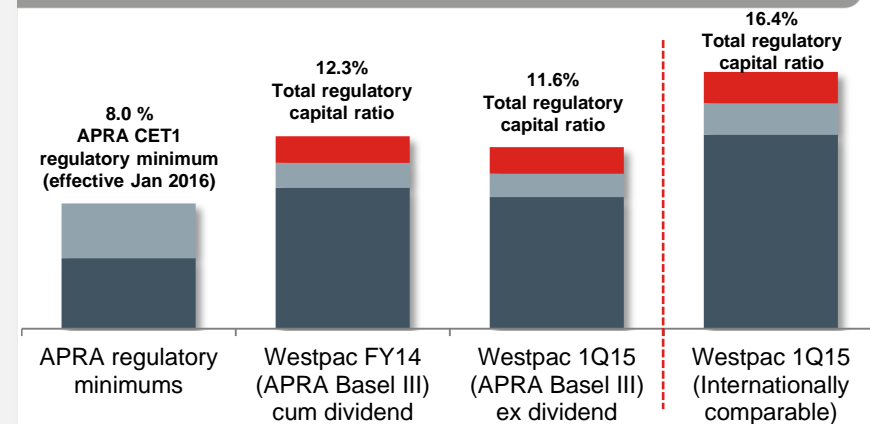
**'Basel IV'** – 2014年12月に提出された諮問書。2015年を通じて行われる協議プロセス

**レバレッジ** – 2014年12月にAPRAによって提出された健全性基準のドラフト。開示要件は最速2015年4月までは実施されない

**TLAC** – FSI最終報告書によると、「新たな国際慣行に沿った、最小限の損失吸収と資本再編についての枠組み」の導入がオーストラリアの預金受入機関 (ADIs) に対しては推奨されている。現時点までさらなる対応も取られていない

主要資本比率 <sup>1</sup> (%)	Mar-14	Sep-14	Dec-14
普通株等Tier1資本比率	8.8	9.0	8.4
追加Tier1資本	1.5	1.6	1.5
Tier1資本比率	10.3	10.6	9.9
Tier 2 資本	1.8	1.7	1.7
<b>総自己資本規制比率</b>	<b>12.1</b>	<b>12.3</b>	<b>11.6</b>
リスク加重資産(十億ドル)	322.5	331.4	344.5
普通株等Tier1資本比率 (国際基準 <sup>2</sup> )	13.1	13.1	12.4

### ウェストパックスの資本金ベース



<sup>1</sup> HLA is Higher Loss Absorbency.

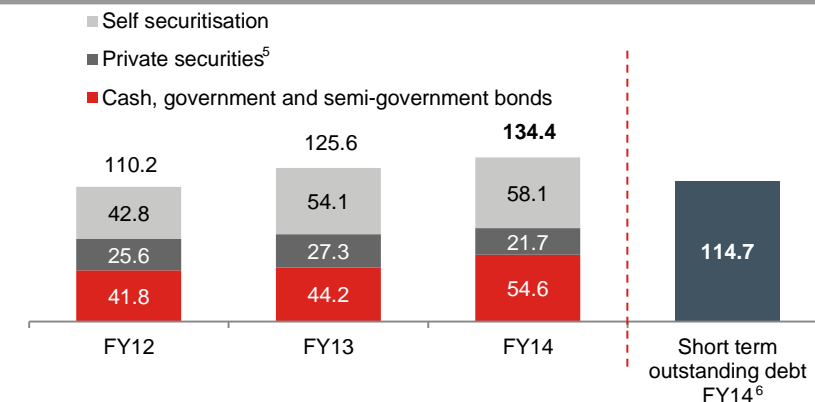
# Strong liquidity position

- Westpac Liquidity Coverage Ratio (LCR) 112% at 31 December 2014
- The LCR requires banks to hold 100% of their net cash outflows over a 30-day stressed scenario in qualifying liquid assets
  - Westpac held \$63bn of High Quality Liquid Assets (HQLA) at 31 December 2014
  - In addition, APRA has approved access to the Committed Liquidity Facility (CLF) for \$66bn for calendar year 2015
  - CLF provides access to the approved amount of liquidity through repo arrangements with the RBA, for a 15bps fee per annum (equates to \$74m in FY15)
  - For draws on the CLF, an additional 25bps fee is charged above the RBA's target cash rate
- Formal LCR disclosure commences 1H15
- \$134.4bn in unencumbered liquid assets held at 30 September 2014
  - Securities are eligible for repo with a central bank
  - Sufficient to cover all short term debt outstanding (including long term debt with a residual maturity less than one year)
  - Differs from LCR qualifying liquid assets due to applicable haircuts and eligibility criteria

## Liquidity Coverage Ratio<sup>1</sup> 1Q15 (\$bn)

High Quality Liquid Assets <sup>2</sup> (HQLA)	63
Committed Liquidity Facility <sup>3</sup> (CLF)	66
<b>Total LCR liquid assets</b>	<b>129</b>
Customer deposits	70
Wholesale funding	20
Other flows <sup>4</sup>	26
<b>Total cash outflows</b>	<b>116</b>
<b>LCR<sup>1</sup></b>	<b>112%</b>

## Liquid assets (\$bn)



<sup>1</sup> Calculated on a spot basis as at 31 December 2014, including the CLF approved by APRA of \$66bn for calendar year 2015. It is important to note that in future periods, the LCR will be reported as an average over the period, rather than on a spot basis. <sup>2</sup> HQLA of \$63bn includes cash at hand (including ATMs) and other LCR qualifying liquid assets including BS-13 qualifying liquids, less RBA open repos funding end of day ESA balances with the RBA. <sup>3</sup> Includes RBA open repos funding end of day ESA balances with the RBA. <sup>4</sup> Other flows includes credit and liquidity facilities, collateral outflows and inflows from customers. <sup>5</sup> Private securities include Bank paper, RMBS, and Supra-nationals. <sup>6</sup> Includes long term wholesale funding with a residual maturity less than 1 year.

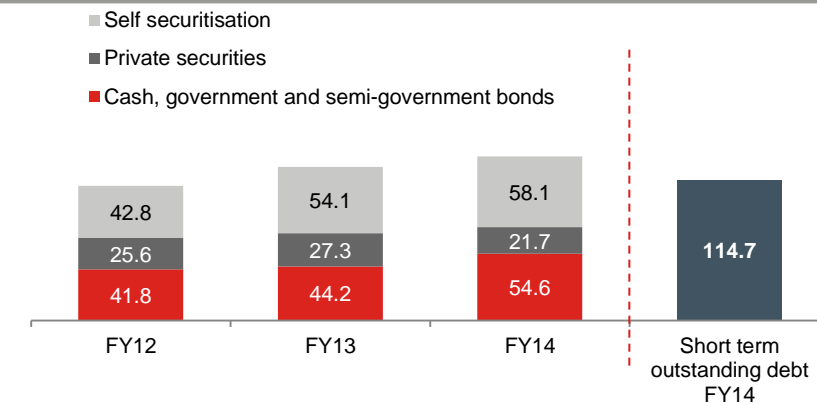
# 強固な流動性ポジション

- 2014年12月31日現在、ウェストパックの流動性カバレッジ比率(LCR)は112%
- LCR は銀行に、流動性ストレスの状況を想定した30日間のネット・キャッシュ・アウトフロー合計額以上の適格流動性資産の維持を求める
  - ウェストパックは2014年12月31日現在、630億ドル の適格流動性資産 (HQLA)を有する
  - 加えて、APRAは2015年を通じて660億ドルの流動性供給枠 (CLF) へのアクセスを認めている
  - CLF はRBAとのレポ取引を通じて、年間15bps(2015年度においては7,400万ドル 相当額)の手数料で承認額まで流動性を供給する
  - CLFの引出しにはRBAのターゲット・キャッシュ・レートに追加して 25bpsの手数料が上乗せされる
- 正式なLCR開示は2015年上期から開始
- 2014年9月30日時点で処分制約のない資産が\$134.4bn
  - 中央銀行とのレポ取引にとってふさわしい有価証券
  - 短期借入金残高をカバーするのに十分 (残存期間1年未満の長期借入金を含む)
  - ヘアカットの適用、適格条件次第でLCR 適格流動性資産と異なる

## グループの流動性カバレッジ比率<sup>1</sup> (十億ドル)

適格流動性資産 <sup>2</sup> (HQLA)	63
流動性供給枠 <sup>3</sup> (CLF)	66
<b>LCR 流動資産総額</b>	<b>129</b>
顧客預金	70
ホールセール調達	20
その他調達 <sup>4</sup>	26
<b>キャッシュ・アウトフロー合計</b>	<b>116</b>
<b>LCR<sup>1</sup></b>	<b>112%</b>

## 流動性資産(十億ドル)

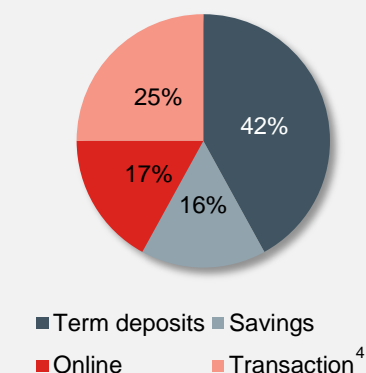


<sup>1</sup> Calculated on a spot basis as at 31 December 2014, including the CLF approved by APRA of \$66bn for calendar year 2015. It is important to note that in future periods, the LCR will be reported as an average over the period, rather than on a spot basis. <sup>2</sup> HQLA of \$63bn includes cash at hand (including ATMs) and other LCR qualifying liquid assets including BS-13 qualifying liquids, less RBA open repos funding end of day ESA balances with the RBA. <sup>3</sup> Includes RBA open repos funding end of day ESA balances with the RBA. <sup>4</sup> Other flows includes credit and liquidity facilities, collateral outflows and inflows from customers. <sup>5</sup> Private securities include Bank paper, RMBS, and Supra-nationals. <sup>6</sup> Includes long term wholesale funding with a residual maturity less than 1 year.

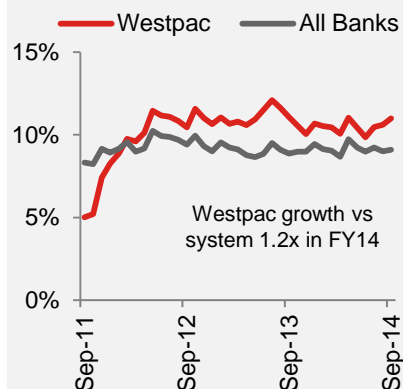
# Stable Funding Ratio 83%

- Stable Funding Ratio consistent at or around 83% as the Group focuses on funding growth through stable funding sources
- Focus on deposit quality and growth in household deposits
- \$14.2bn of term wholesale funding raised year to date with a weighted average term to maturity of 4.1 years<sup>1</sup>, providing a stable source of funds for the Group. Term funding includes some short term funding (mainly YCDs) with a tenor >1 year
- Short term funding has supported an increase in short dated assets in FY14, mainly growth in trade finance in Asia and Australia
  - Weighted average maturity of short term funding portfolio 132 days

Customer deposit composition at FY14 (%)



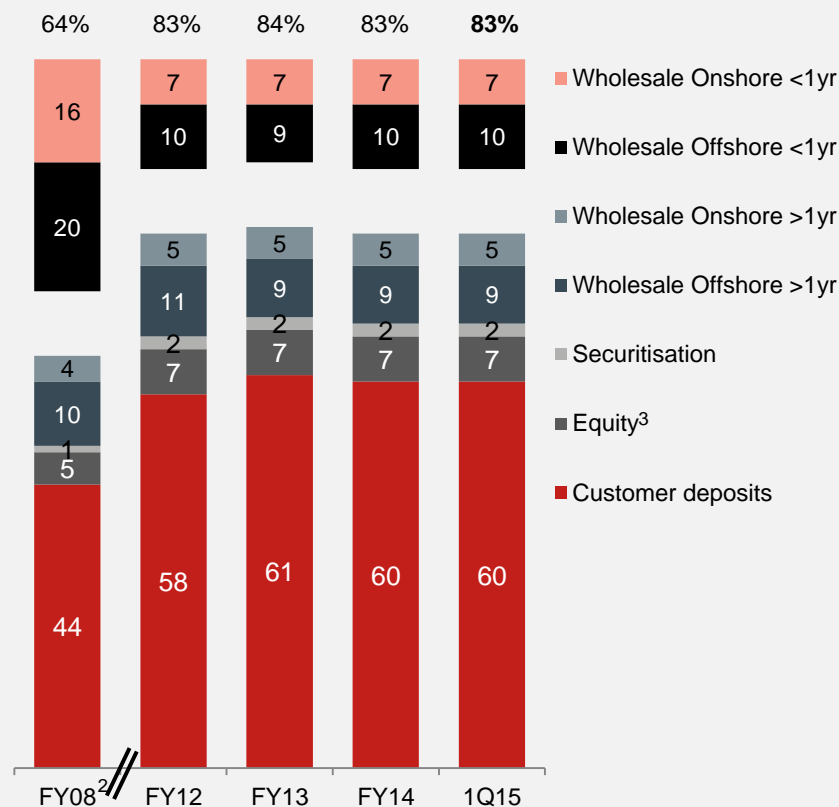
Australian household deposits annual growth<sup>5</sup> (%)



## Maintaining a stable funding profile

### Funding composition by residual maturity (%)

#### Stable Funding Ratio



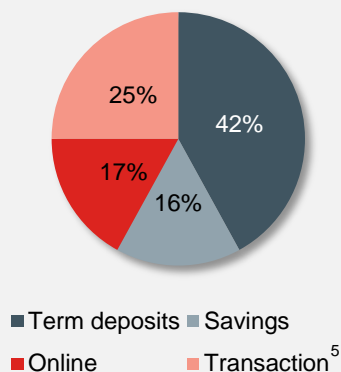
<sup>1</sup> Excluding securitisation. <sup>2</sup> FY08 does not include St.George. <sup>3</sup> Equity excludes FX translation, Available-for-Sale Securities and Cash Flow Hedging Reserves.

<sup>4</sup> Mortgage offset accounts are included in transaction accounts. <sup>5</sup> APRA Banking Statistics, September 2014.

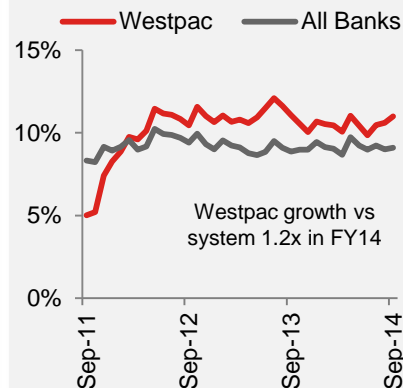
# 安定調達比率 83%

- 安定調達比率は約83%と安定しており、グループは安定資金調達源を通じて資金調達の拡大を目標としている
- 預金の質および家計預金の拡大に注力
- 年初来加重平均4.1年、142億ドルのホールセール・ターム・ファンディングを調達しており、グループにとって安定的な資金調達源となっている。ターム・ファンディングは年限1年未満(ほとんどがYCD)のものも含まれる
- 短期ターム・ファンディングは、アジアおよびオーストラリアにおいての貿易ファイナンスの成長を中心に、短期資産の増加を促した
  - 短期ターム・ファンディング・ポートフォリオは加重平均132日となっている

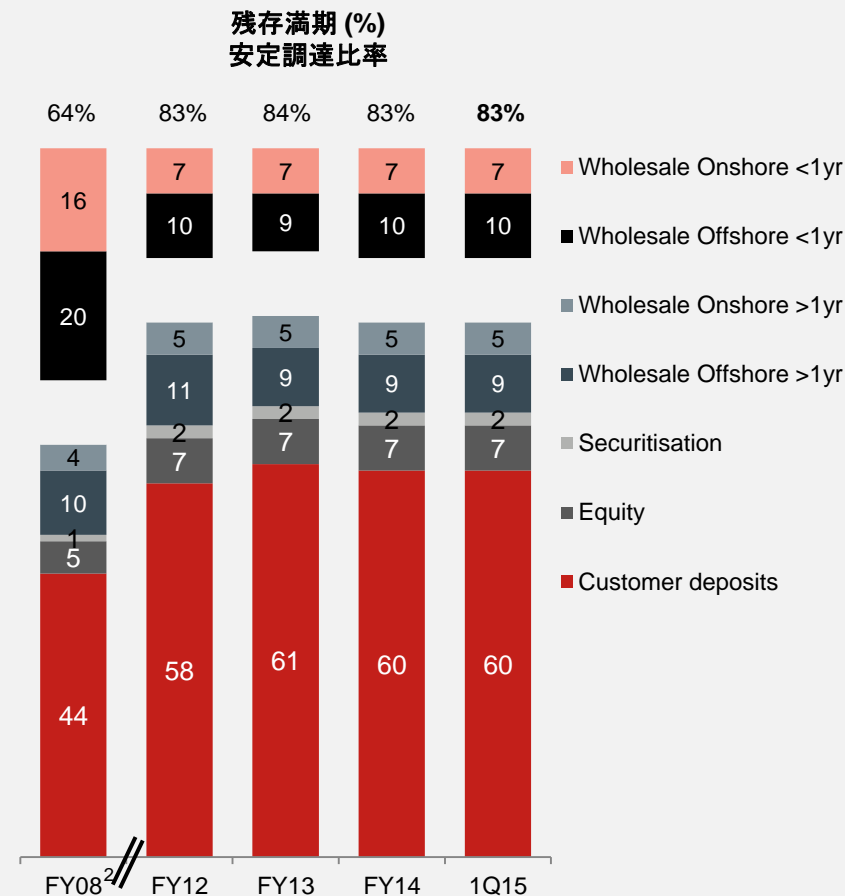
顧客預金の構成(%)



オーストラリアの家計預金の年間成長率<sup>6</sup> (%)



残存期間別の資金調達内訳(%)

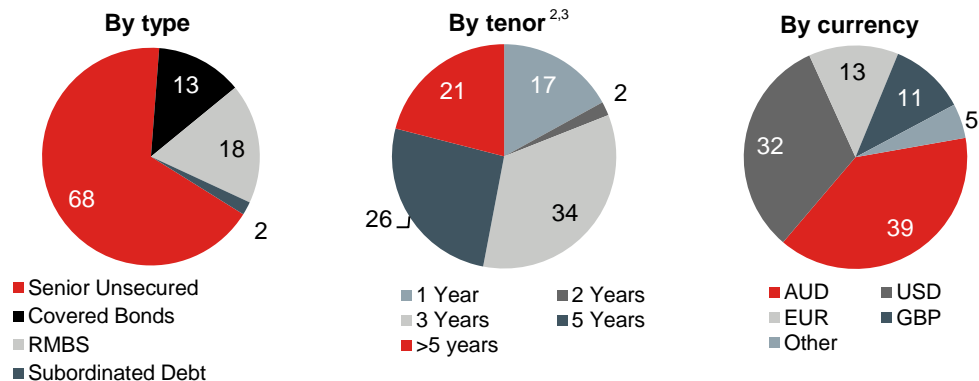


1 APRA Banking Statistics September 2014 2 Excluding securitisation. 3 FY08 does not include St.George. 4 Equity excludes FX translation, Available-for-Sale Securities and Cash Flow Hedging Reserves. 5 Mortgage offset accounts are included in transaction accounts. 6 APRA Banking Statistics, September 2014.

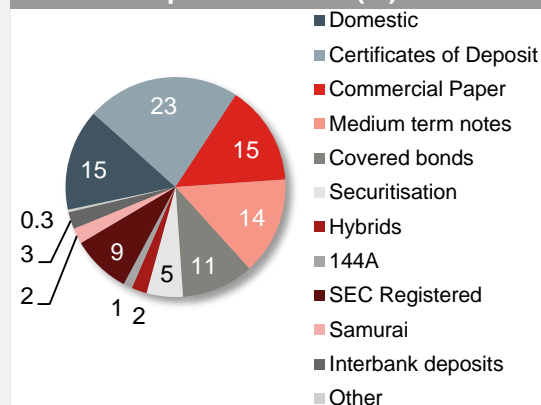
# Wholesale term issuance well diversified

## Benefit from broad product capabilities

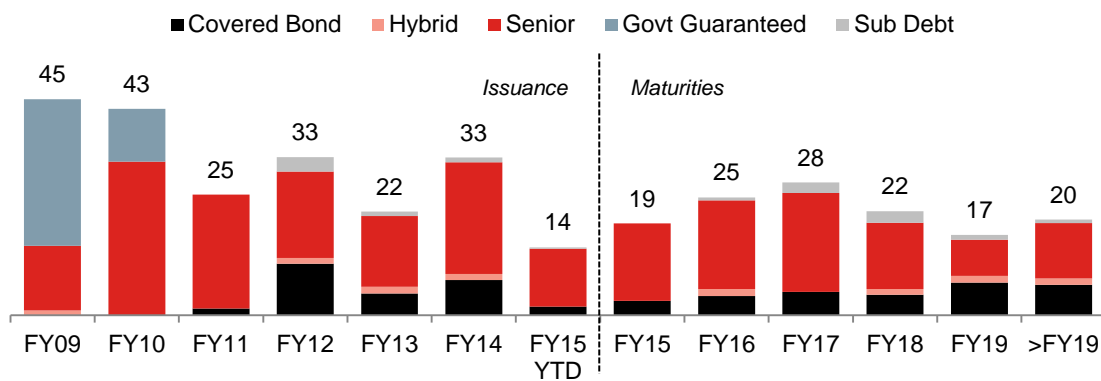
New term issuance composition<sup>1</sup> (year to date, %)



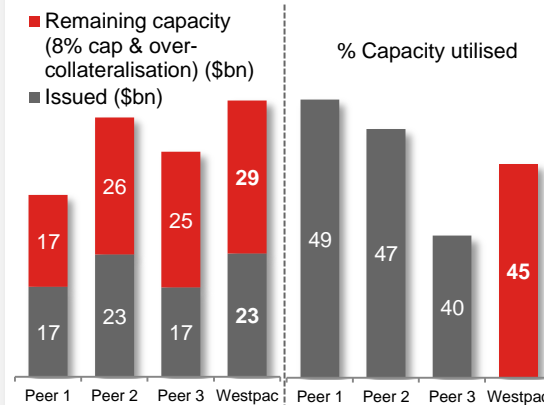
Wholesale funding composition<sup>6</sup> as at 30 September 2014 (%)



Term debt issuance and maturity profile<sup>1,2,4</sup> (as at 13 February 2015, \$bn)



Australian covered bond issuance<sup>5</sup>

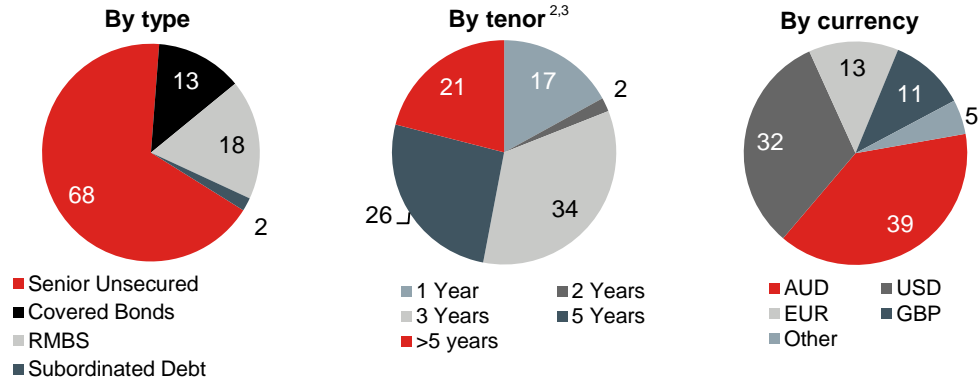


<sup>1</sup> Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. <sup>2</sup> Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. <sup>3</sup> Tenor excludes RMBS and ABS. <sup>4</sup> Perpetual sub-debt has been included in >FY19 maturity bucket. Maturities exclude securitisation amortisation. <sup>5</sup> Sources: Westpac, APRA Banking Statistics December 2014. <sup>6</sup> At FX spot currency translation.

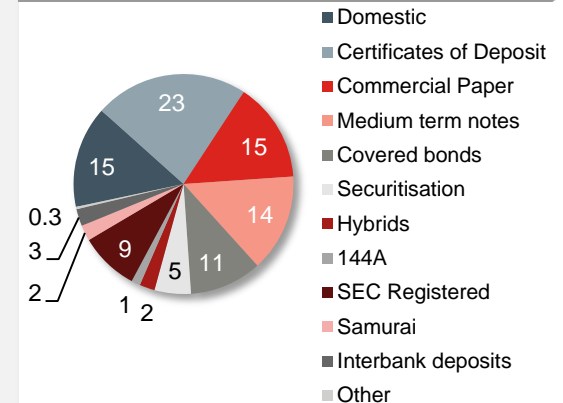


# ホールセールでの多様なタームファンディング 多様な商品供給能力による恩恵

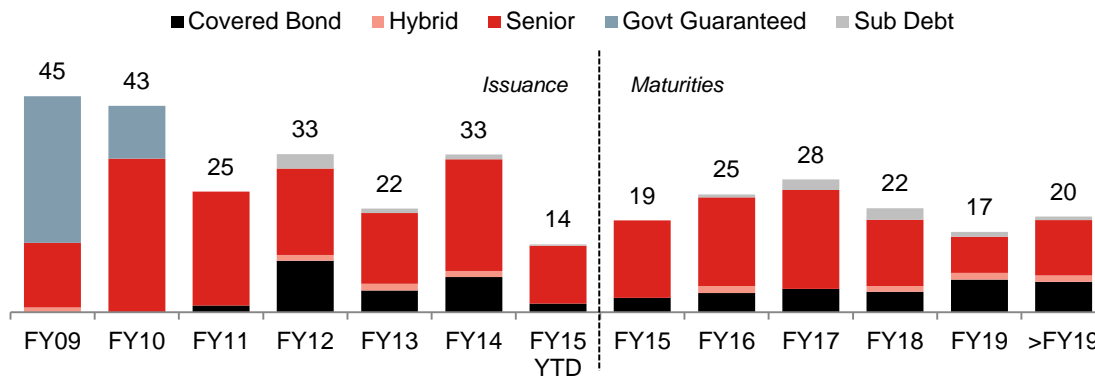
新規タームデット発行構成<sup>1</sup> (年初来、%)



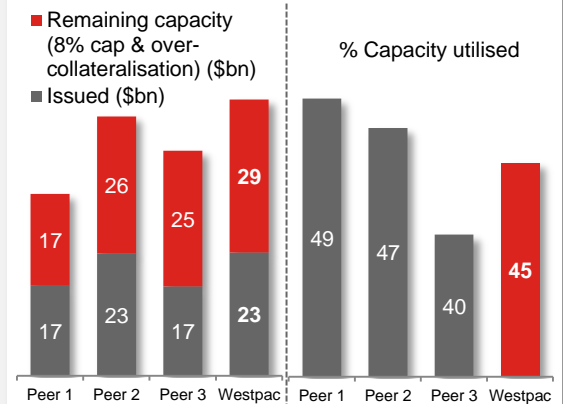
2014年9月30日現在にホールセール資金調達構成<sup>6</sup>



タームデット発行および償還プロフィール<sup>1,2,4</sup> (2015年2月13日、\$十億)



オーストラリアのカバード・ボンド発行<sup>5</sup>



<sup>1</sup> Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. <sup>2</sup> Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. <sup>3</sup> Tenor excludes RMBS and ABS. <sup>4</sup> Perpetual sub-debt has been included in >FY19 maturity bucket. Maturities exclude securitisation amortisation. <sup>5</sup> Sources: Westpac, APRA Banking Statistics December 2014. <sup>6</sup> At FX spot currency translation.

# Economic snapshot

## Areas of interest

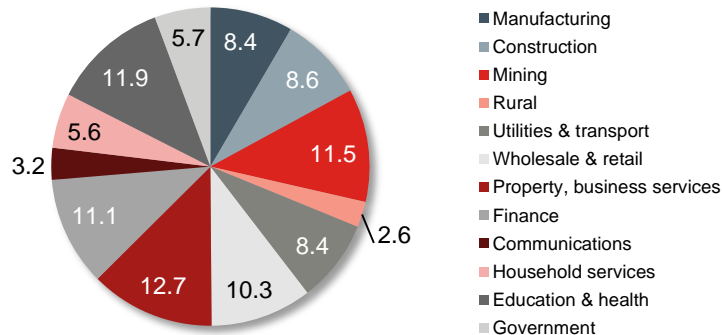
### Key economic indicators (%) as at October 2014

Calendar year		2014e	2015f
<b>World</b>	<b>GDP</b>	<b>3.2</b>	<b>3.7</b>
<b>Australia</b>	<b>GDP</b>	<b>2.7</b>	<b>2.7</b>
	CPI headline – year end	1.7	2.1
	Interest rates – cash rate	2.5	2.0
	Credit growth, Total – year end	5.7	6.0
<b>New Zealand</b>	<b>GDP</b>	<b>3.2</b>	<b>3.5</b>
	Interest rates – official cash rate	3.5	3.5
<b>China</b>	<b>GDP</b>	<b>7.4</b>	<b>7.5</b>

Source: Westpac Economics.

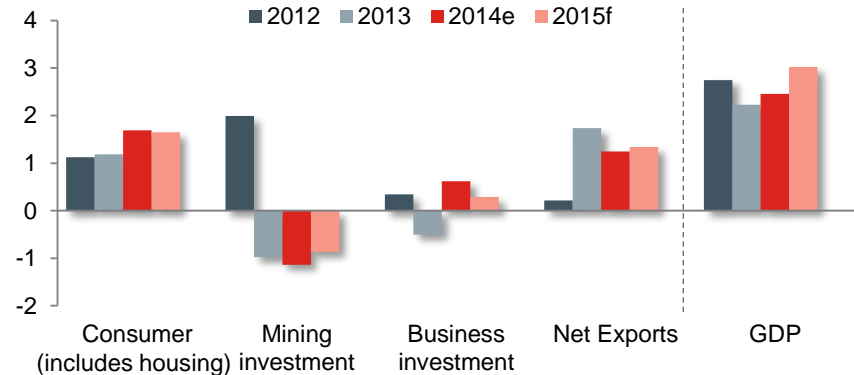
### Australia's economy: diversified and flexible

#### Sector contribution to GDP (%)<sup>1</sup>



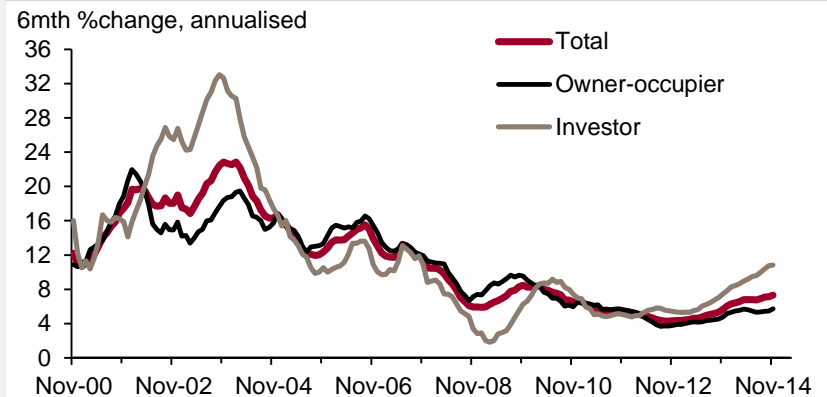
Sources: ABS, Westpac Economics. 1 Excludes ownership of dwellings and taxes less subsidies.

### Australian growth mix: Contributions to GDP growth (%)



Sources: ABS, Westpac Economics.

### Housing credit momentum



Sources: RBA, Westpac Economics.

# 経済スナップショット

## 関心事項

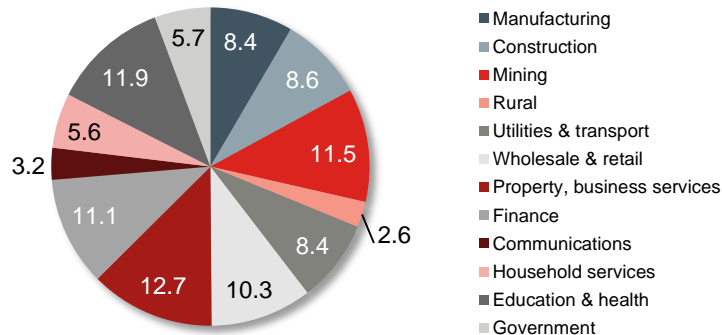
### 主要経済指標 (%) 2014年10月時点

歴年		2014年末	2015予想
世界	GDP	3.2	3.7
オーストラリア	GDP	2.7	2.7
	CPI 総合指数 – 期末	1.6	2.4
	金利 – 短期市場金利	2.5	2.0
	信用総額伸び率 – 期末	5.7	6.0
ニュージーランド	GDP	3.2	3.5
	金利 – オフィシャル・キャッシュ・レート	3.5	3.5
中国	GDP	7.4	7.5

Source: Westpac Economics.

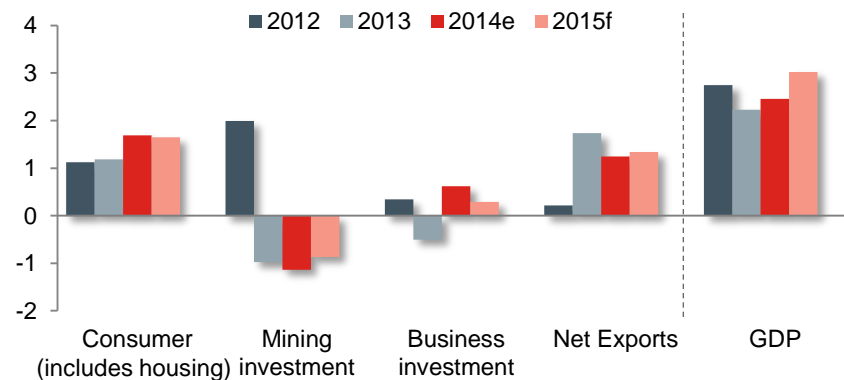
### オーストラリア経済: 多様性と適応性

#### GDPへのセクター別貢献度 (%)<sup>1</sup>



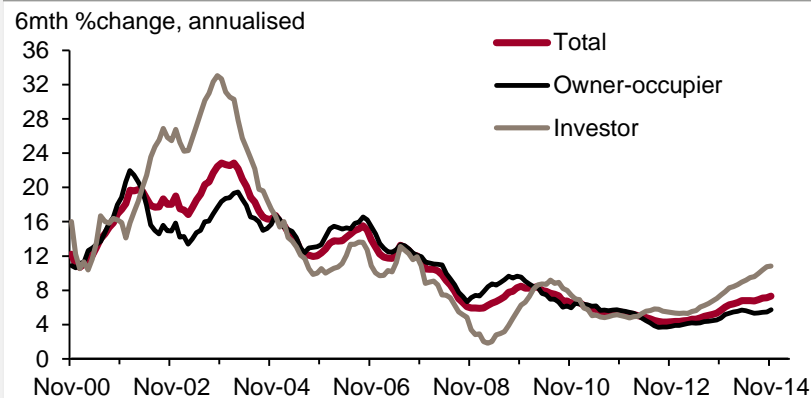
Sources: ABS, Westpac Economics. 1 Excludes ownership of dwellings and taxes less subsidies.

### オーストラリアの成長ミックス: GDP成長への貢献度 (%)



Sources: ABS, Westpac Economics.

### 住宅融資の動向



Sources: RBA, Westpac Economics.



# AUSTRALIAN HOME LENDING

**Westpac**

**st.george**

**bankSA**

**Bank of  
Melbourne**

**RAMS**

**BT Financial Group**

**WESTPAC BANKING CORPORATION**

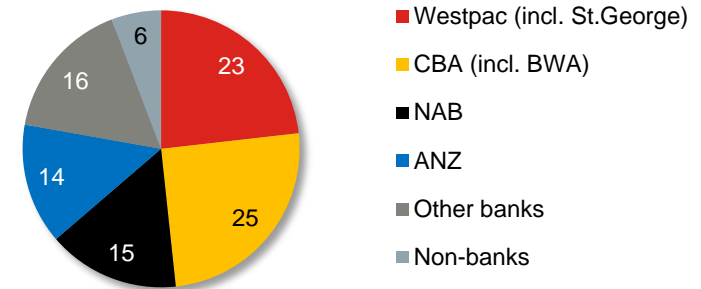
ABN 33 007 457 141

# Australian mortgage market features underpin asset quality

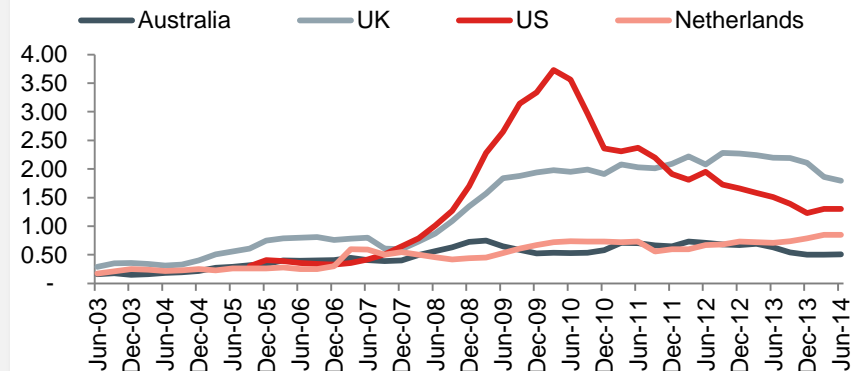
## Australian mortgage market

<b>Bank market share</b>	<ul style="list-style-type: none"> <li>4 major banks have 77% share of housing credit<sup>1</sup></li> <li>Major banks have a lower share of low doc market, with low flow in this segment over recent years</li> </ul>
<b>Lenders recourse</b>	<ul style="list-style-type: none"> <li>Banks in Australia have full recourse to the borrower's mortgaged property, other assets and future earnings</li> <li>Banks can and do pursue defaulting borrowers for losses</li> <li>Reduces speculative buying behaviour</li> </ul>
<b>Products</b>	<ul style="list-style-type: none"> <li>Majority of housing loans are variable rate</li> <li>Fixed rate loans for short periods of time – in most cases customers opt for 3 to 5 years</li> <li>Fixed rate borrowers generally incur a break fee if they choose to refinance within the fixed period</li> <li>Interest rate buffers built into loan serviceability tests at application; Interest-only loans assessed on a full Principal &amp; Interest basis</li> <li>Interest payments on primary residence are not tax deductible, provides incentive to pay off mortgage</li> </ul>
<b>Regulation</b>	<ul style="list-style-type: none"> <li>For mortgage insured loans, mortgage insurance covers the entire loan</li> <li>Strict prudential supervision provided by one national regulator, APRA</li> <li>Sound underwriting and origination requirements – National Consumer Protection Bill replaced the state-based Uniform Consumer Credit Code (UCCC) with an enhanced single Federal consumer credit regulation</li> </ul>
<b>Performance</b>	<ul style="list-style-type: none"> <li>Australian 90+ day prime arrears at low levels - absolutely and relative to other major economies</li> </ul>

## Australian housing credit market share<sup>1</sup> (% of financial system)



## 90+ day prime arrears by country<sup>2</sup> (%)

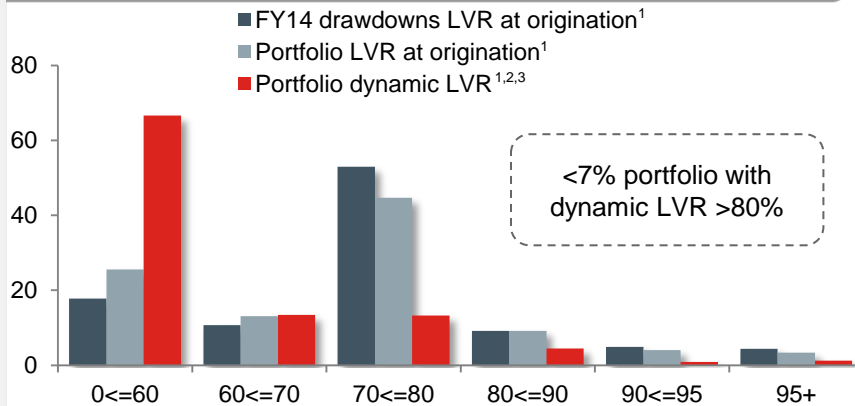


<sup>1</sup> Source: APRA Banking Statistics August 2014. <sup>2</sup> Source: S&P and Bloomberg.

# Westpac's Australian mortgage portfolio

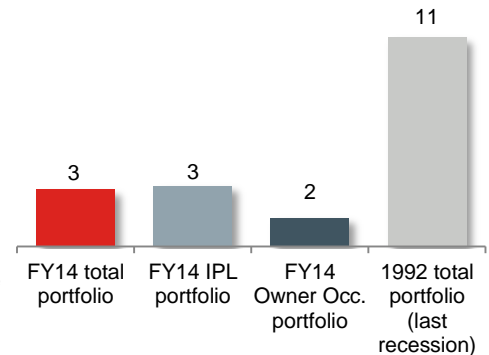
## high levels of borrower equity

Australian housing loan-to-value (LVR) ratios (%)

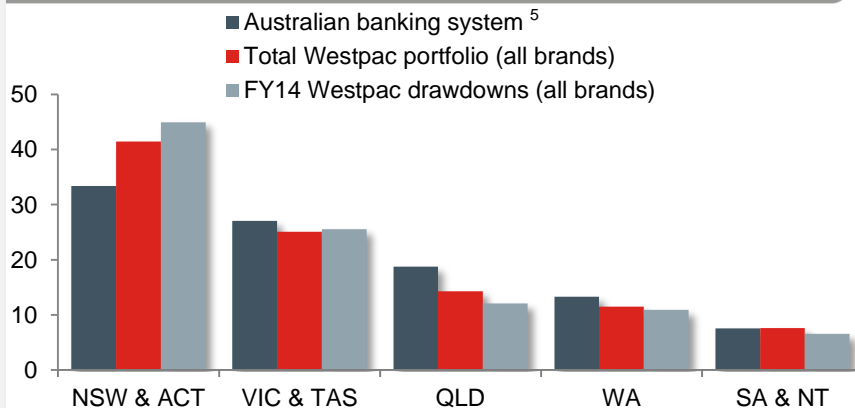


Australian mortgage loss rates (bps)

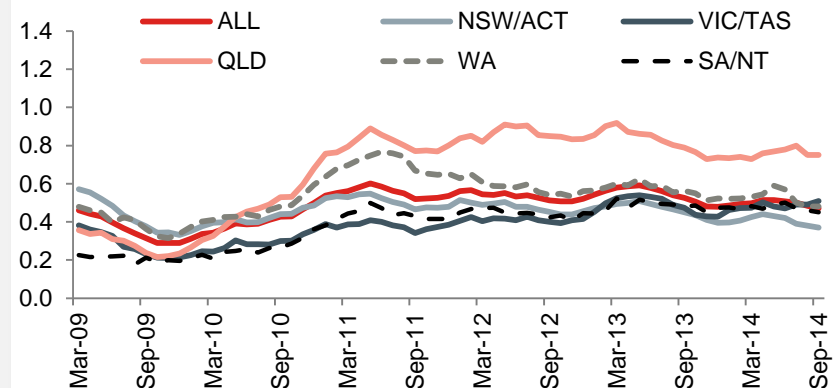
- Portfolio losses of \$100m represent an annualised loss rate of 3bps (net of insurance claims<sup>4</sup>)
- Loss rates remain very low by international standards due to supportive economic environment, sound underwriting standards, high levels of borrower equity, mortgage insurance and active collections strategies



Australian housing portfolio by State (%)



Australian mortgages delinquencies by state (%)



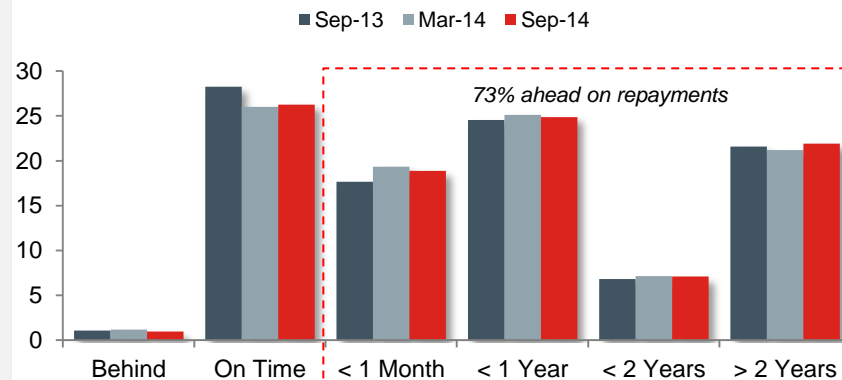
<sup>1</sup> Excludes RAMS. <sup>2</sup> Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. <sup>3</sup> Property valuation source Australian Property Monitors. <sup>4</sup> Mortgage insurance claims 2H14 \$6m (1H14 \$3m, 2H13 \$14m). <sup>5</sup> ABA Cannex August 2014



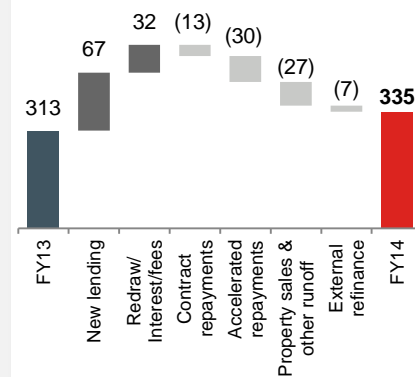
# Mortgage customers continuing to repay ahead of schedule

- 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, 73% of customers are ahead of scheduled payments, with 22% of these being more than 2 years ahead
- Sound underwriting criteria underpin the Westpac 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 at least 180bps higher than the standard lending rate

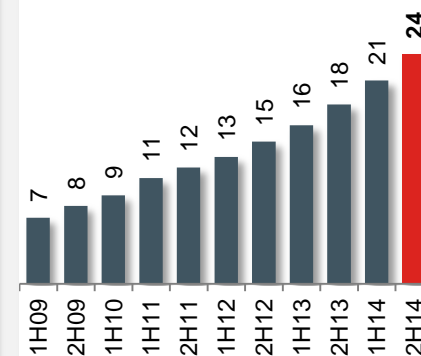
Australian home loan customers ahead on repayments<sup>1,2</sup> (%)



Australian mortgage<sup>1</sup> balance growth (\$bn)



Aust. mortgage offset account balances (\$bn)



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

# Australian investment property portfolio

## sound origination profile

- Investment property loans (IPLs) make up 45.2% of Westpac's Australian mortgage portfolio
- Compared to owner-occupied applicants, IPL applicants on average are older (75% over 35 years), have higher incomes and higher credit scores
- 87% of IPLs originated at or below 80% LVR, to maximise tax benefits and avoid mortgage insurance costs
- Majority of IPLs are interest-only, however the repayment profile closely tracks the profile of the principal and interest portfolio
  - 61% of interest-only IPL customers ahead on repayments
- Self-managed Super Fund balances are a very small part of the portfolio at <1% of Australian mortgage balances

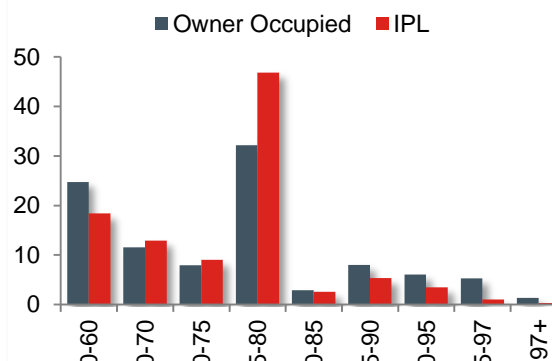
### Strong origination standards

- All IPLs are full recourse
- Loan serviceability assessments include an interest rate buffer, minimum assessment rate, adequate surplus test and discounts to certain forms of income (e.g. dividends, bonus or rental income)
- All IPLs are assessed on a Principal & Interest basis, including interest-only loans
- Specific credit policies apply to IPLs to assist risk mitigation, including
  - Holiday apartments subject to tighter acceptance requirements
  - Additional LVR restrictions apply to single industry towns
  - Minimum property size and location restrictions apply

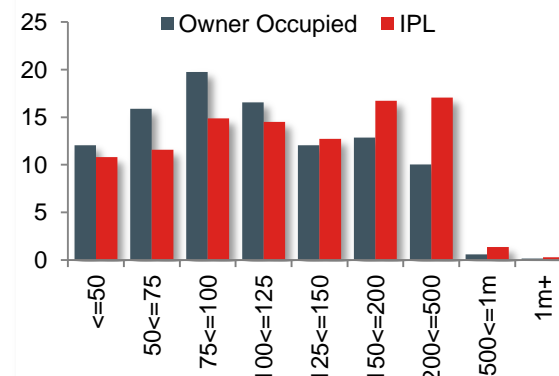
### High levels of equity in the portfolio

Australian IPL portfolio	FY14
Average LVR at origination <sup>1</sup> (%)	71
Average dynamic <sup>1,2,3</sup> LVR (%)	49
Average LVR of new loans <sup>1,4</sup> (%)	70
Average loan size (\$'000)	286
Customers ahead on repayments, including offset accounts <sup>1</sup> (%)	65

### Loan-to-value ratio at origination<sup>1</sup> (%)



### Applicants by gross income band<sup>1</sup> (%)

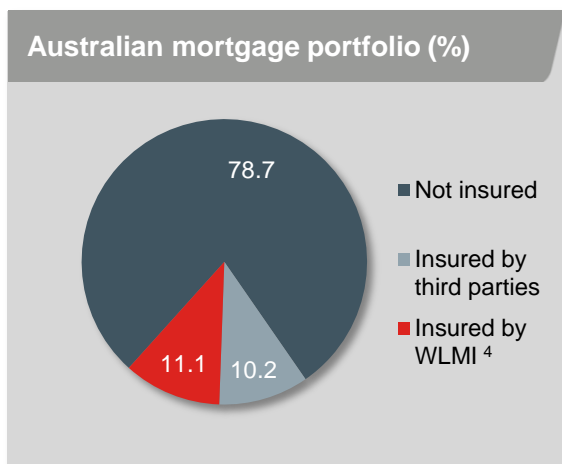


1 Excludes RAMS. 2 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. 3 Property valuation source Australian Property Monitors. 4 Average LVR of new loans is based on rolling 12 month window

# Lenders mortgage insurance

- Lenders mortgage insurance (LMI) provides 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 insurers
- Mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance (WLMI), and through external LMI providers, based on risk profile
- 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 1.40x PCR<sup>1</sup>
- 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 \$163m (net of re-insurance recoveries). This is lower compared to 1H14 in line with reductions in WLMI's portfolio

Lenders mortgage insurance			
LVR Band	<ul style="list-style-type: none"> <li>• LVR ≤80%</li> <li>• Low Doc LVR ≤60%</li> </ul>	<ul style="list-style-type: none"> <li>• LVR &gt;80% to ≤ 90%</li> <li>• Low Doc LVR &gt;60% to ≤ 80%</li> </ul>	<ul style="list-style-type: none"> <li>• LVR &gt;90%</li> </ul>
Insurance	Not required	Generally insured through captive insurer, WLMI. LMI not required for certain approved borrower groups. LMI required for all Low Doc borrowers where LVR >60% to ≤ 80% Reinsurance arrangements: <ul style="list-style-type: none"> <li>• 40% risk retained by WLMI</li> <li>• 60% risk transferred through quota share arrangements<sup>2</sup> with Arch Re, Tokio Millennium Re, Everest Re, Endurance Re, Trans Re and AWAC</li> </ul>	Insured externally through Arch Capital Limited <sup>3</sup>



Insurance statistics			
	2H13	1H14	2H14
Insurance claims (\$m)	14	3	6
WLMI loss ratio <sup>5</sup> (%)	39	10	27
Gross written premiums (\$m)	25	24	28

<sup>1</sup> Prudential Capital Requirement (PCR) determined by APRA. <sup>2</sup> For all new business effective from 1 October 2014. <sup>3</sup> For all new business effective from May 2015. Prior to that date external insurance provided by QBE (Westpac brand) and Genworth (St George and RAMS brands). Existing LMI policies remain in force. <sup>4</sup> Insured coverage is net of quota share. <sup>5</sup> Loss ratio is claims over the total of earned premium plus reinsurance plus exchange commission.

# Mortgage portfolio

## stress testing outcomes

- Westpac regularly conducts a range of portfolio stress tests as part of its regulatory and risk management activities
- The Australian mortgage portfolio stress testing scenario presented represents a severe recession and assumes that significant reductions in consumer spending and business investment lead to six consecutive quarters of negative GDP growth. This results in a material increase in unemployment and nationwide falls in property and other asset prices
- Estimated Australian housing portfolio losses under these stressed conditions are manageable and within the Group's risk appetite and capital base
  - Cumulative total losses of \$2.2bn over three years for the uninsured portfolio
  - Cumulative claims on LMI, both WLMI and external insurers, of \$793m over the three years
- WLMI separately conducts stress testing to ensure it is sufficiently capitalised to cover mortgage claims arising from a stressed mortgage environment
- Preferred capital ranges incorporate buffers at the Westpac Group level that consider the combined impact on the mortgage portfolio and WLMI of severe stress scenarios

### Australian mortgage portfolio stress testing as at 30 September 2014

Key assumptions	Stressed scenario			
	Current	Year 1	Year 2	Year 3
Portfolio size (\$bn)	351	339	332	330
Unemployment rate (%)	6.1	11.6	10.6	9.4
Interest rates (cash rate, %)	2.5	1.25	1.25	1.25
House prices (% change cumulative)	0.0	(13.0)	(22.4)	(26.2)
Annual GDP growth (%)	2.9	(3.9)	(0.2)	1.7
<b>Key outcomes</b>				
Stressed losses (bps) (net of LMI recoveries) <sup>1,2</sup>	3	26	32	7

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

# Westpac servicing and security assessment



## Servicing capacity

- Westpac adopts the Household Expenditure Measure (HEM) as its benchmark for measuring adequate surplus
- A buffer for interest rate increases is also applied. Equivalent to 192bps above the base interest rate for an amortising loan and applied to Westpac Total Approved Exposure. Applied to all Westpac debts and other external mortgage debts. Same buffer rate applied irrespective of variable or fixed rate, and irrespective of fixed term
- Interest Only loans are assessed at Principle & Interest over the full term

Weighted income after tax

Less: (Fixed debt repayments)

(This mortgage loan repayment)

(Household Expenditure Measure)

(Buffer for interest rate increases)

+/- (pass/fail)

## Security Assessment

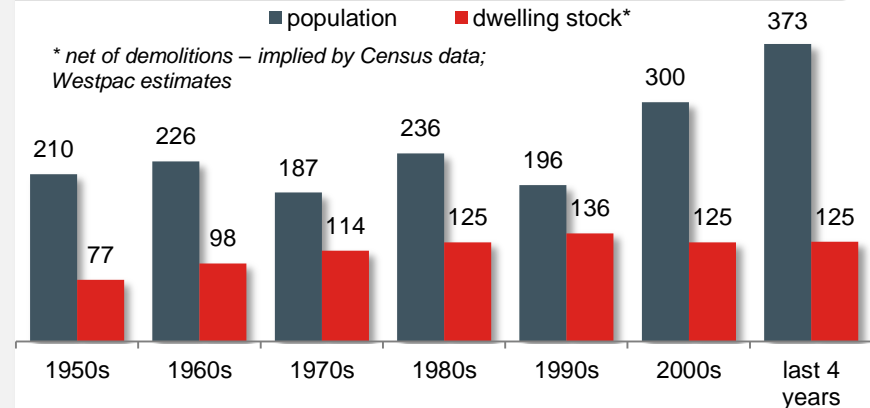
Full Valuation by Independent External Valuer	<ul style="list-style-type: none"> <li>• All higher risk transactions</li> <li>• Including security types, locations, product type and loan purpose (e.g. large land areas, construction loans, serviced apartments)</li> </ul>	
Electronic Assessment	<ul style="list-style-type: none"> <li>• Electronic valuations are calculated using advanced statistical methods and property and location based information to estimate market value</li> <li>• Restricted by LVR</li> <li>• Restricted to land size</li> </ul>	<ul style="list-style-type: none"> <li>• Restricted to unit size</li> <li>• Restricted by property type</li> <li>• Restricted by variance to customer estimate or contract amount</li> </ul>
Contract of Sale	<ul style="list-style-type: none"> <li>• For new purchases only</li> <li>• Restricted by loan value</li> <li>• Restricted to land size</li> </ul>	<ul style="list-style-type: none"> <li>• Restricted to unit size</li> <li>• Fraud checking completed</li> </ul>
Desktop Assessment	<ul style="list-style-type: none"> <li>• A report completed by a panel valuer using a range of property specific data and imagery which allows the assessment to be completed at the valuer's desktop</li> </ul>	<ul style="list-style-type: none"> <li>• Restricted by property type</li> <li>• Restricted by postcode</li> <li>• Restricted by loan value</li> </ul>

# Australian housing market

## sound fundamentals

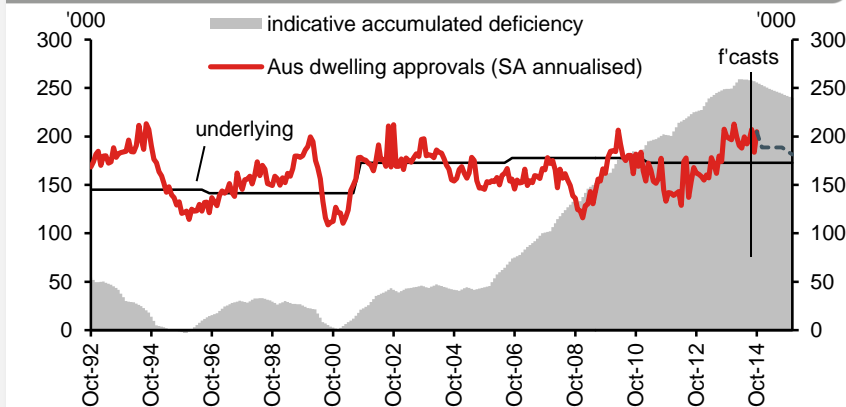
- Australian housing market continues to face a significant structural undersupply
- A persistently low level of new building over the last decade has combined with a strongly migration-led burst in population growth. While Australia's annual population increase has lifted from just under 200,000 a year to well over 300,000, construction has been adding about 125,000 new dwellings net of demolitions over the same time
- New construction has increased to a relatively high historical level over the last year and is expected to remain elevated in 2015 with around a net addition of around 150,000 new dwellings. While this may result in pockets of excess dwelling stock, it will only begin to address shortages across the broader market

### Population versus dwelling stock (annual average change '000)



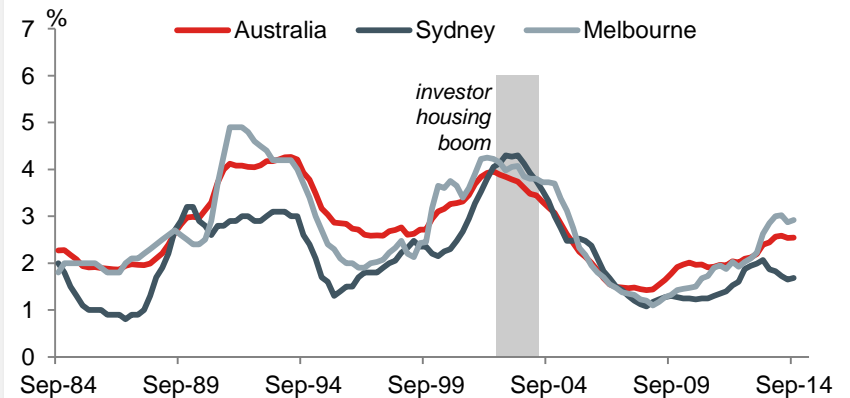
Sources: REIA, Westpac Economics.

### Australia's housing stock deficiency



Sources: ABS, Westpac Economics.

### Rental vacancy rates (%)



Sources: ABS, Westpac Economics.

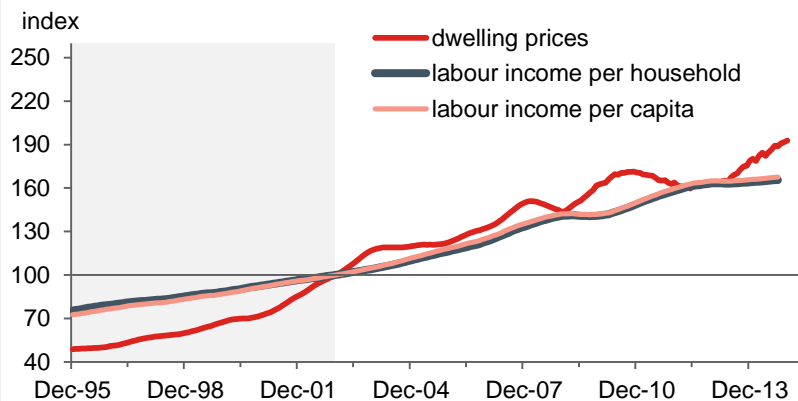
# Price growth and activity

## Some moderation

- Price growth and activity have moderated somewhat since the start of 2014
- Housing credit growth is currently tracking at 7.0%yr
- Price growth nationally has slowed from an annualised pace of 13.8% in second half 2013 to 8.3% in the year to November 2014
- Growth rates have varied significantly between capital cities
  - Sydney up 14.3%yr; average since 2007: 5.7%
  - Melbourne up 6.8%yr; average since 2007: 4.9%
  - Brisbane up 4.3%yr, average since 2007: 0.6%
- Repayment-based measures of affordability remain around their long run average levels only partly reflecting low interest rates

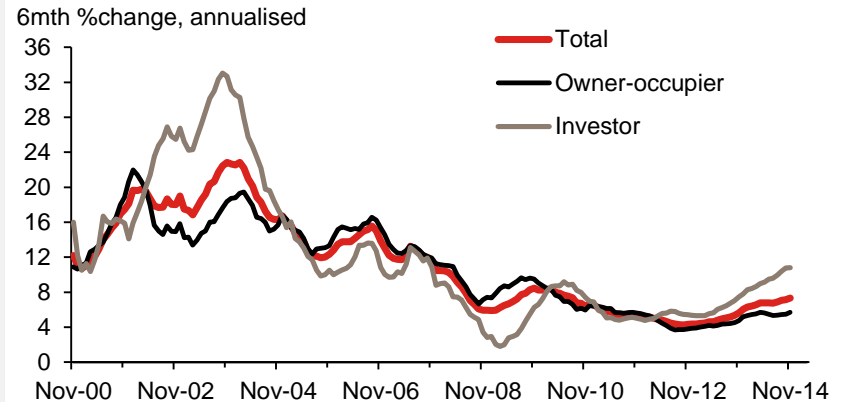
Sources: ABS, Westpac Economics.

### Australia: dwelling prices vs labour incomes



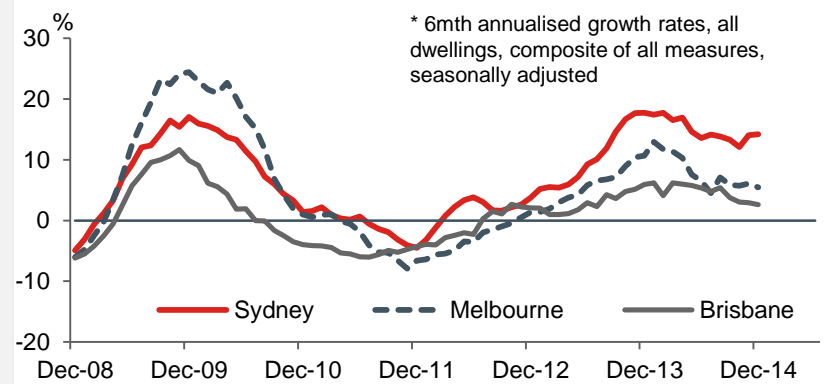
Sources: RP Data-Rismark, ABS, Westpac Economics.

### Housing credit momentum



Sources: RBA, Westpac Economics.

### Capital city dwelling prices



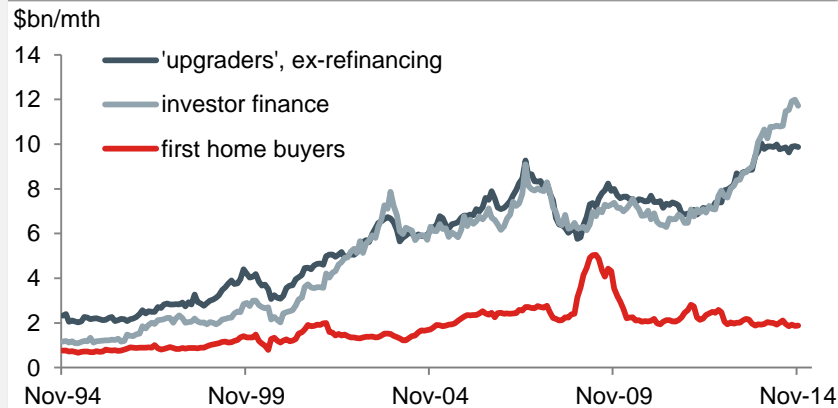
Sources: ABS, RP Data-Rismark, APM, Residex, Westpac Economics.

# Investment property lending remains buoyant

- Investor housing activity is buoyant, responding to low vacancy rates, solid rental yields, and low interest rates, including low fixed rates that also offer the opportunity to hedge interest rate risk. Rental yields are attractive compared to returns on other assets, many of which exhibit much greater volatility
- New investor loans currently account for almost 40% of the value of total housing loan approvals. While that is high and brings risks, activity is coming from a relatively low starting point and evidence suggests borrowing and lending decisions are conservative
- Notably, total market turnover remains below recent peaks and well below the levels seen in 2002-03, when activity was clearly overheating. High levels of turnover are often associated with increased speculative activity

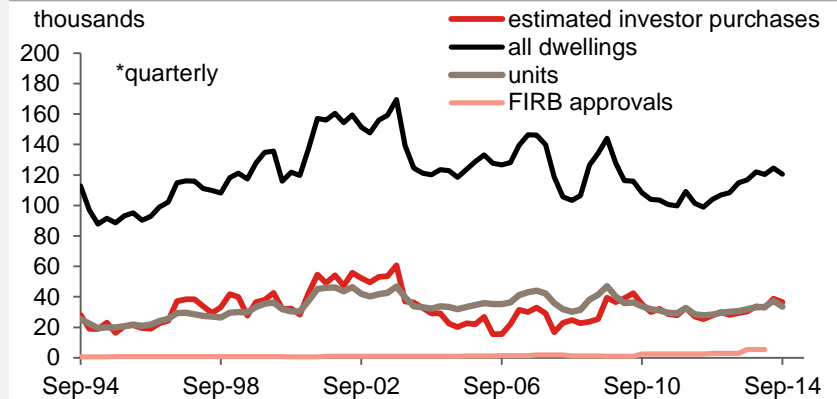
Sources: ABS, Westpac Economics.

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



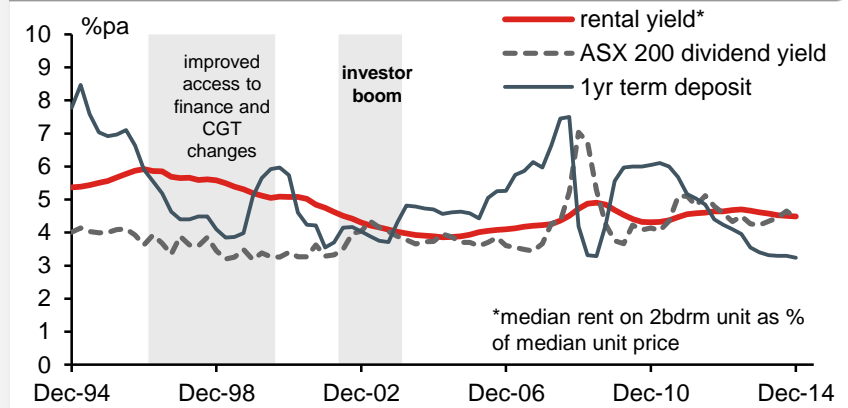
Sources: ABS, Westpac Economics.

## Dwelling turnover



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

## Investor housing yields vs shares, deposits



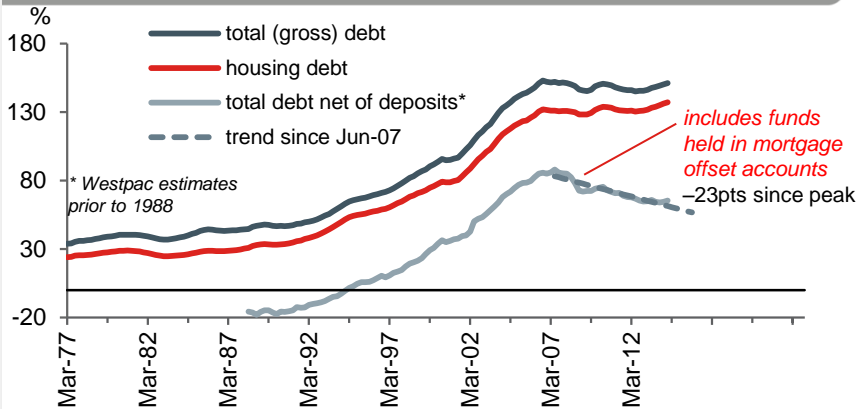
Sources: REIA, RBA, Westpac Economics.



# Australian households

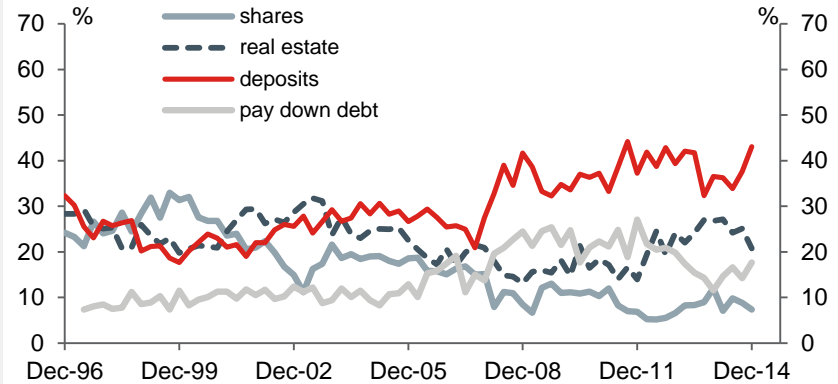
## a cautious approach to household finances

Australian households: debt to income ratio (%)



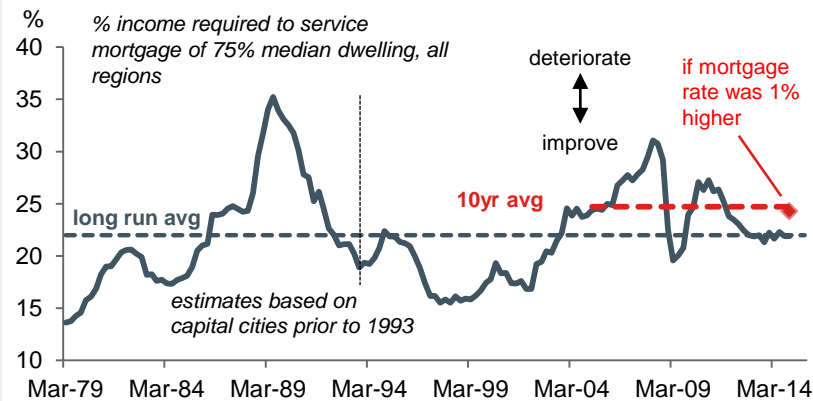
Sources: ABS, RBA, Westpac Economics.

Consumer survey: 'Wisest place for savings'



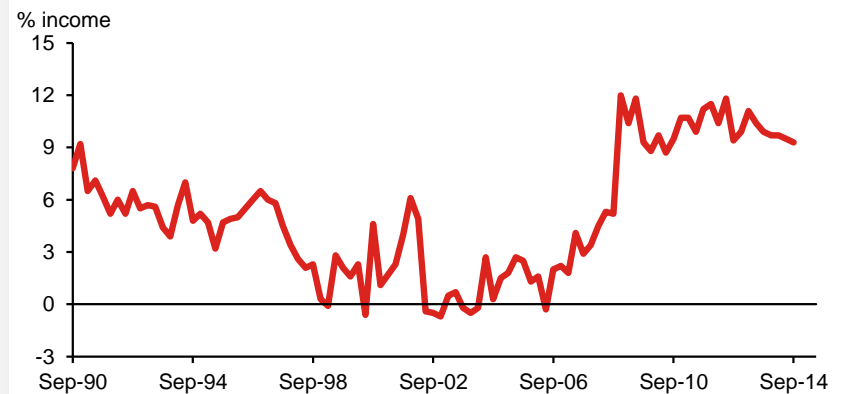
Sources: Melbourne Institute, Westpac Economics.

Housing affordability: all dwellings



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

Household savings rate (% income)



Sources: ABS, Westpac Economics.



# ECONOMICS

**Westpac**

**st.george**

**bankSA**

**Bank of  
Melbourne**

**RAMS**

**BT Financial Group**

**WESTPAC BANKING CORPORATION**

ABN 33 007 457 141

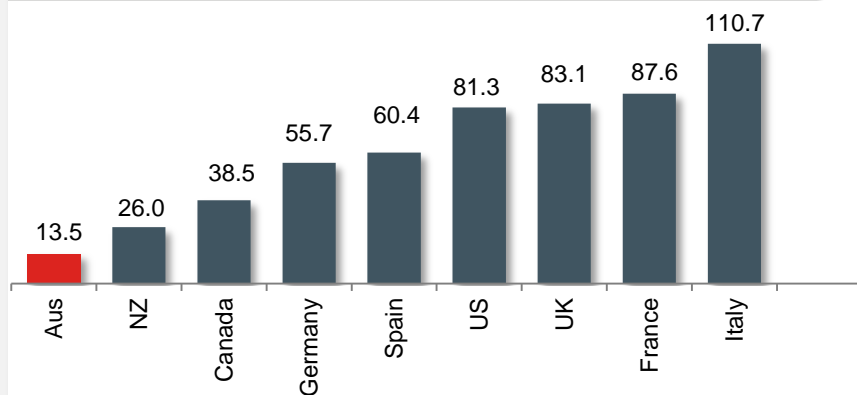
# Australian and New Zealand economic forecasts

Key economic indicators <sup>1</sup> (%)		Calendar year			
		2012	2013	2014f	2015f
<b>World</b>	<b>GDP</b>	<b>3.4</b>	<b>3.3</b>	<b>3.2</b>	<b>3.7</b>
<b>Australia</b>	<b>GDP</b>	<b>3.6</b>	<b>2.1</b>	<b>2.7</b>	<b>2.7</b>
	Private consumption	2.5	1.7	2.5	2.7
	Business investment <sup>2,3</sup>	17.7	-4.0	-4.2	-3.5
	Unemployment – end period	5.3	5.8	6.2	6.3
	CPI headline – year end	2.2	2.7	1.7	2.1
	Interest rates – cash rate	3.0	2.5	2.5	2.0
	Credit growth, Total – year end	3.6	3.8	5.7	6.0
	Credit growth, Housing – year end	4.5	5.4	7.0	7.5
	Credit growth, Business – year end	2.9	1.6	4.2	3.5
<b>New Zealand</b>	<b>GDP</b>	<b>2.4</b>	<b>2.2</b>	<b>3.2</b>	<b>3.5</b>
	Unemployment – end period	6.8	6.0	5.4	4.6
	Consumer prices	0.9	1.6	0.9	1.6
	Interest rates – official cash rate	2.5	2.5	3.5	3.5
	Credit growth – Total	3.6	4.8	4.7	4.9
	Credit growth – Housing	3.7	5.9	4.7	5.4
	Credit growth – Business	3.6	3.5	4.5	4.7

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.

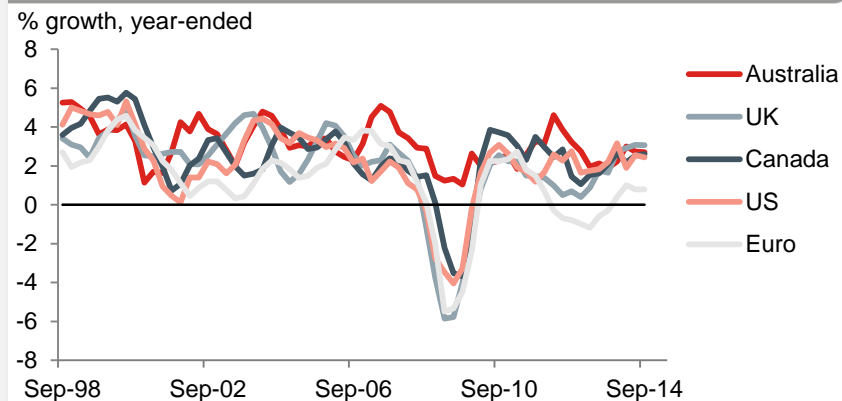
# Australia remains well-placed relative to developed economies

Net public debt levels as a % of GDP 2013



Sources: IMF, Westpac Economics.

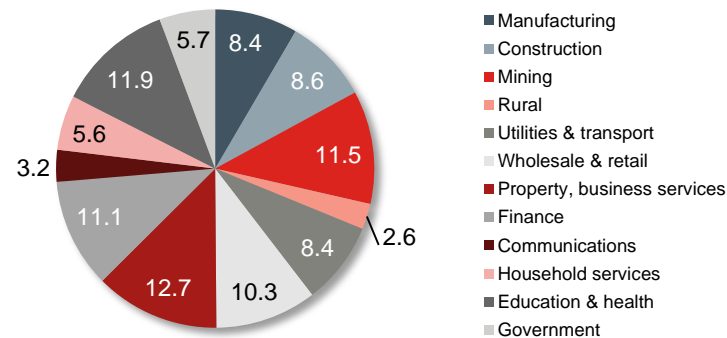
Real GDP growth (%)



Sources: OECD, Westpac Economics.

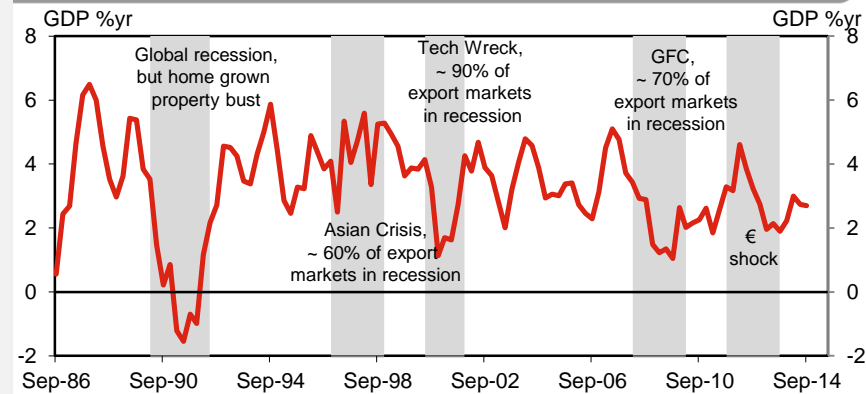
Australia's economy: diversified and flexible

Sector contribution to GDP (%)<sup>1</sup>



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

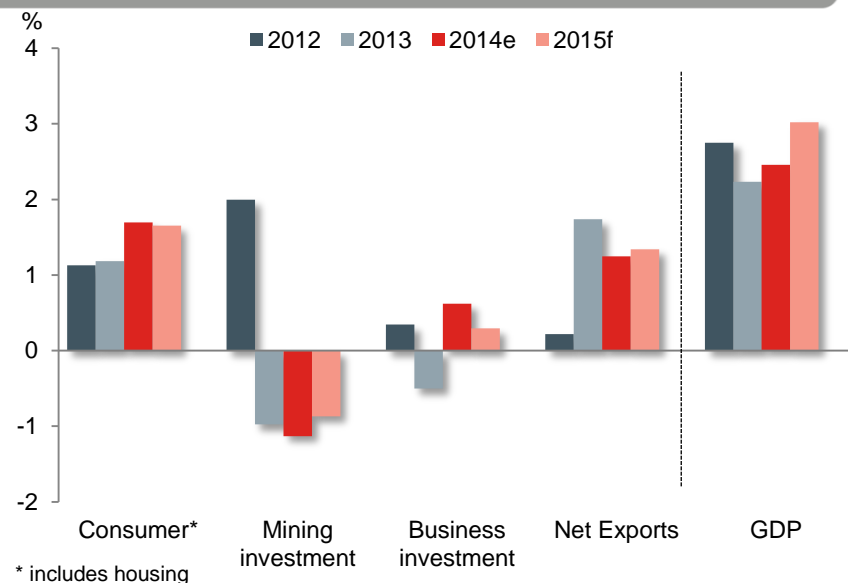
Australian economic growth and external shocks



Sources: ABS, Westpac Economics.

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

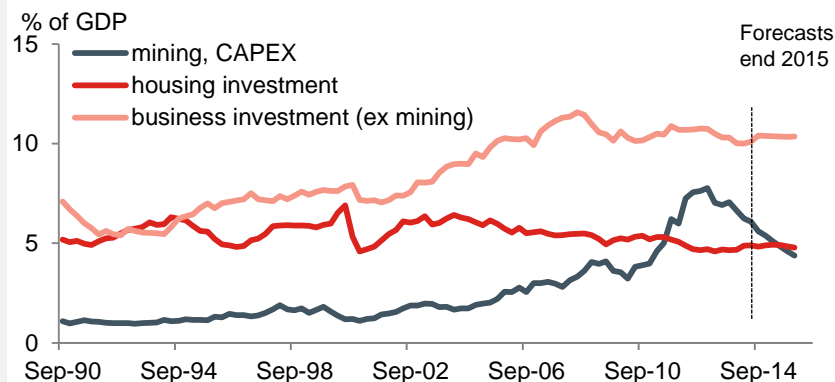
Australian growth mix: Contributions to GDP growth (%)



Sources: ABS, Westpac Economics.

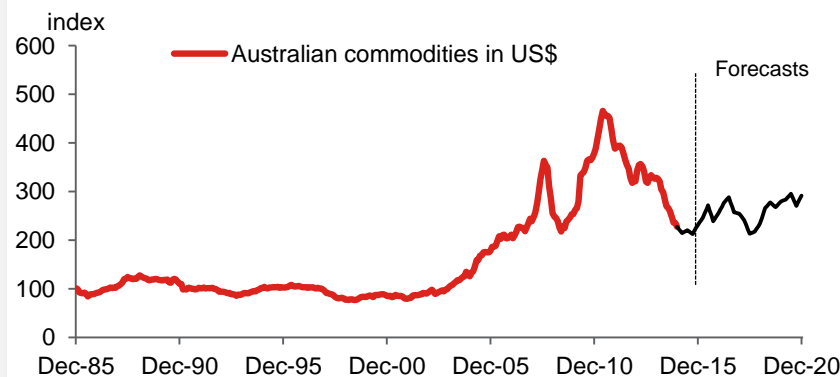
- The Australian economy is moving through a transition from mining to non-mining led growth. After a large, multi-year rise, mining investment peaked at 7.5% of GDP in 2012/13, moderating to 6.9% in 2013/14, the start of a prolonged decline. Falling resource prices added to this drag on national income in 2014 but are expected to stabilise in 2015
- Surging export volumes and reduced imports have provided an important offset in 2014. Rising consumer and housing demand and a modest lift in non-mining business investment are expected to provide more support to growth in 2015

Investment: share of Australian economy (% of GDP)



Sources: ABS, Westpac Economics.

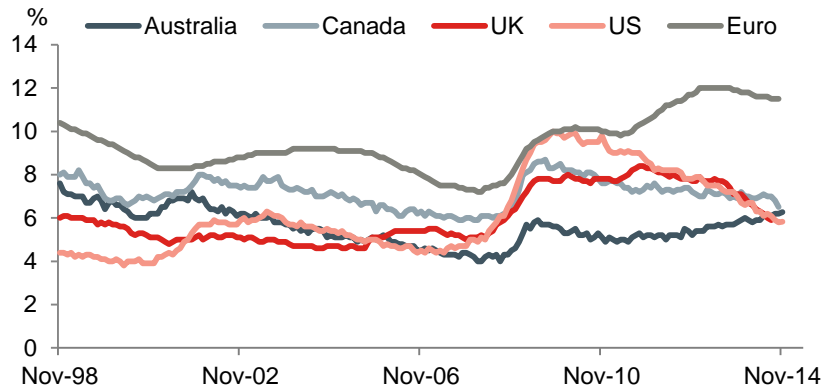
Commodity prices: the long view



Sources: Westpac Economics, Bloomberg, ABS.

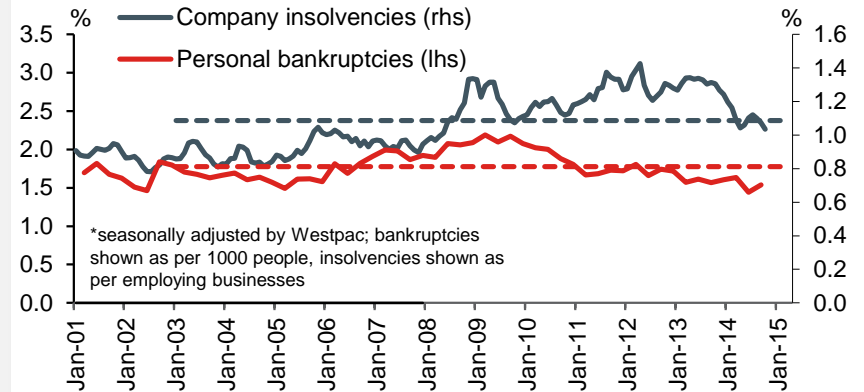
# Australian Labour market

## Unemployment rates (%)



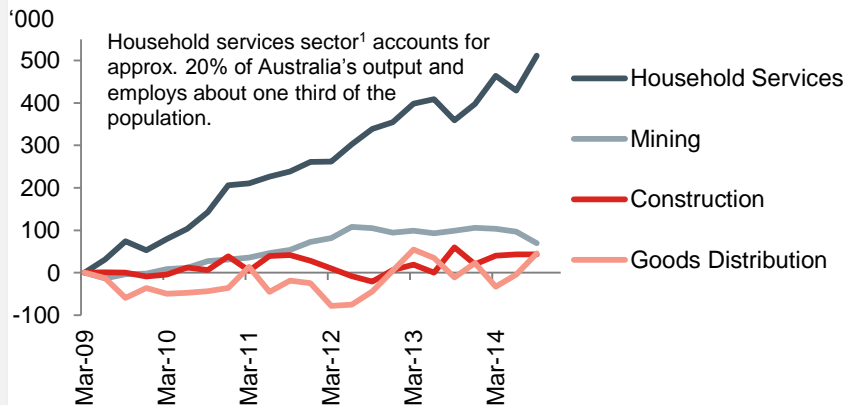
Sources: OECD, Westpac Economics.

## Personal bankruptcies vs company insolvencies (%)



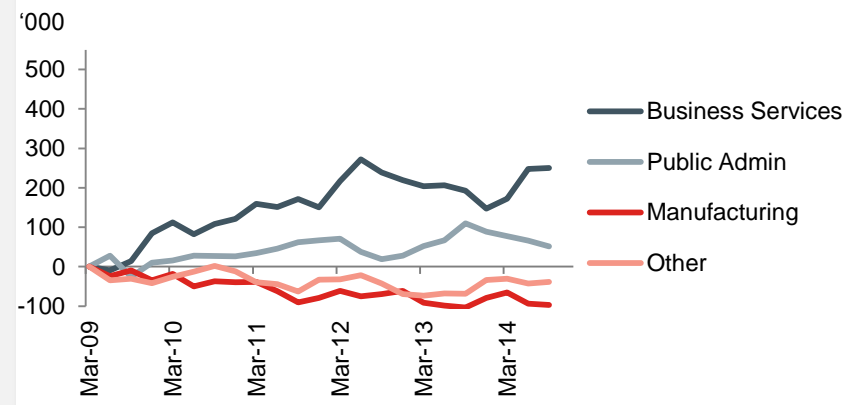
Sources: ASIC, ITSA, ABS, Westpac Economics.

## Cumulative change in industry employment ('000)



Sources: ABS, Westpac Economics.

## Cumulative change in industry employment ('000)



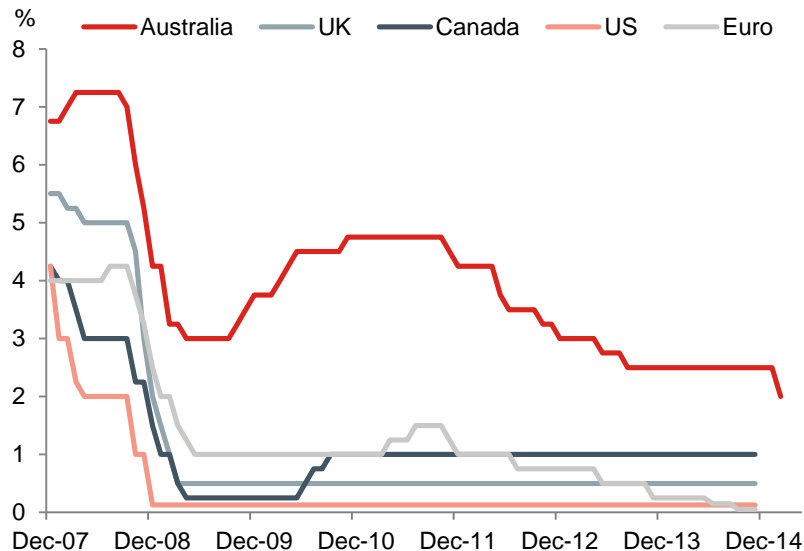
Sources: ABS, Westpac Economics.

1 The group of industries collectively called the household services sector includes those industries that provide services primarily to households, including health, education, hospitality, accommodation, food services and art and recreation.

# Interest rates to remain low

## AUD high relative to fundamentals

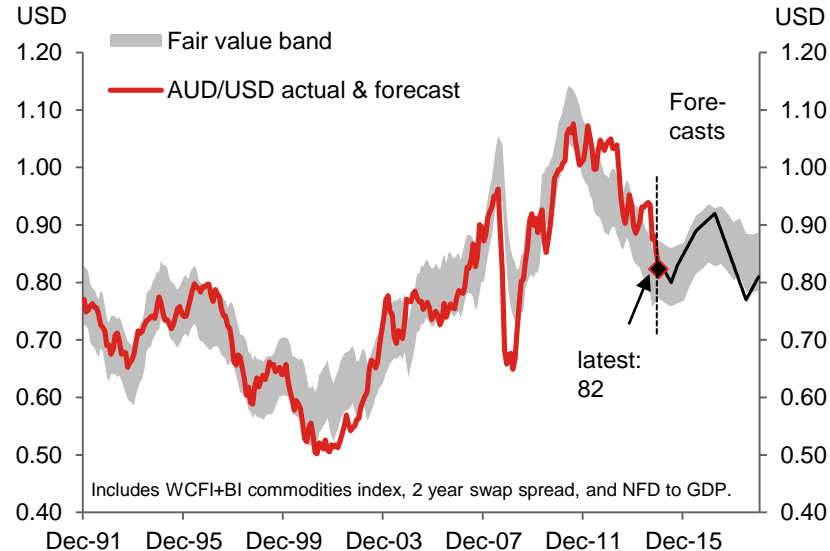
Major countries' policy rates (%)



Sources: RBA, OECD, Westpac Economics.

- We see scope for the Reserve Bank to lower interest rates further, expecting rates to decline from 2.50% to 2.00% in 1Q 2015
- The economy was hit by a negative income shock in the second half of 2014, with commodity prices falling sharply, particularly iron ore as global supply expands and China navigates a soft spot
- Price pressures are expected to remain benign with core CPI inflation forecast to be 2.8% in 2015 and wages growth subdued. Labour markets are only expected to improve slowly

Australian dollar (AUD/USD)



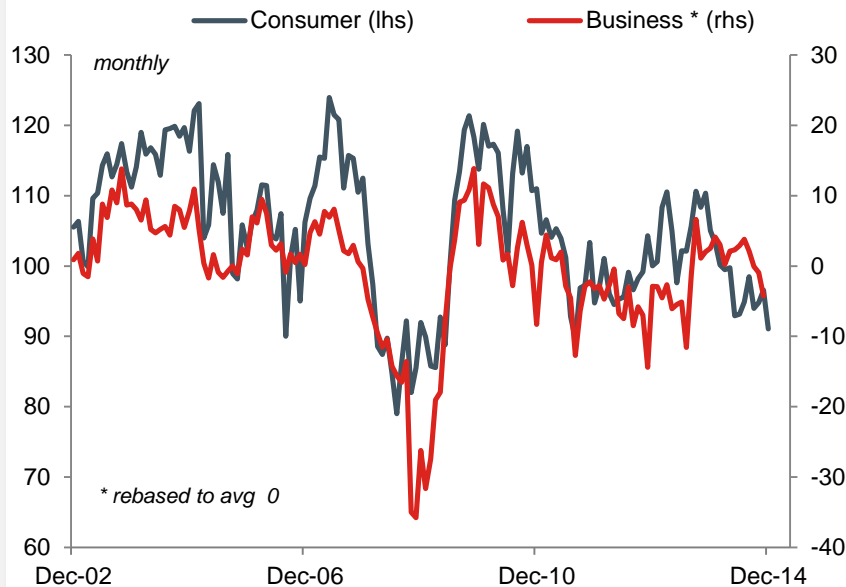
Sources: RBA, Westpac Economics.

- The Australian dollar has not fully adjusted to the sharp fall in commodity prices during 2014. The currency remains above 'fair value' based on long run fundamentals
- Commodity prices fell 25% in 2014, while the AUD depreciated by 9% against the USD and by only 3% on a TWI basis
- The AUD is expected to consolidate around US80-83¢ for much of 2015, before advancing to US85¢ and above into 2016 as world growth strengthens

# Credit growth

## picking up at a modest pace

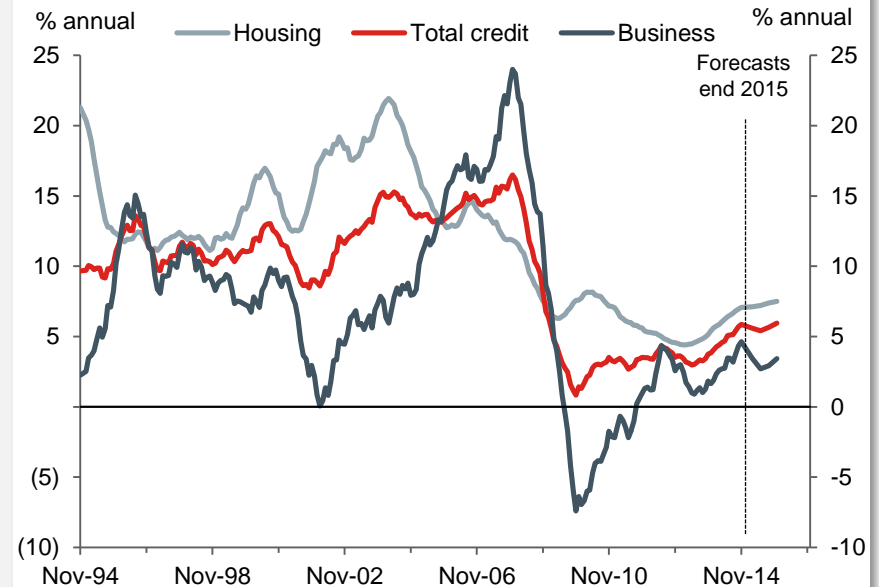
Business confidence and consumer confidence (net balance)



Sources: Westpac MI, NAB, Westpac Economics.

- Confidence remains relatively subdued
- Despite a strong start to 2014, consumer sentiment fell over the course of the year as renewed job loss concerns combined with concerns around a Budget tightening by the Federal Government
- Business confidence was more resilient for a time but has slipped back in recent months

Australian private sector credit growth (% ann)



Sources: RBA, Westpac Economics.

- Credit growth strengthened from 3.8% at the end of 2013 to over 5.5% during 2014, as both housing and business responded to declining interest rates in the second half of 2013
- A potential loss of momentum in business credit, following the recent dip in confidence, could see the 2015 year be one of consolidation ahead of an improvement in 2016, supported by record low interest rates, investors continuing to move in to the housing market, and an improved international environment



# New Zealand

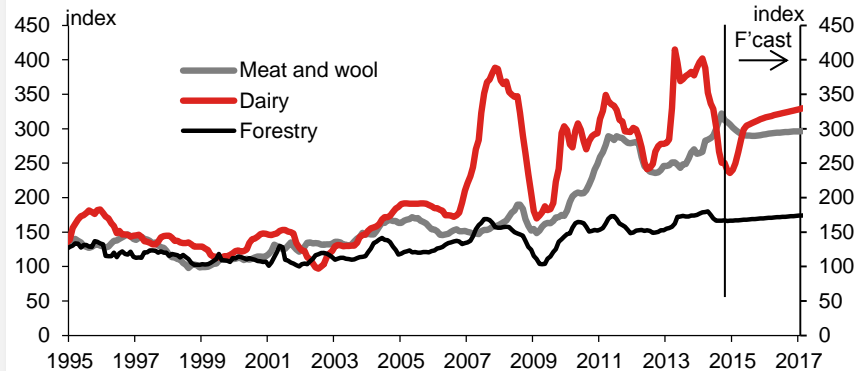
## domestic demand to underpin growth

- New Zealand's economic growth accelerated in recent years in response to post-earthquake reconstruction in Canterbury, strong net immigration, the lagged effect of rising house prices, and a four-decade high in the terms of trade
- Some of the momentum in growth has now moderated as a result of earlier policy tightening and declines in the prices of some commodity exports, particularly for dairy products
- Nevertheless, the outlook for growth remains robust. Domestic construction activity is booming, and is expected to accelerate further. In addition, the labour market has been strengthening
- The RBNZ increased the OCR from 2.5% to 3.5% in early-2014. However, inflation has proven weaker than expected, and declines in oil prices are likely to result in inflation remaining below the RBNZ's target band for most of 2015. Consequently, the OCR is now expected to remain on hold through 2015

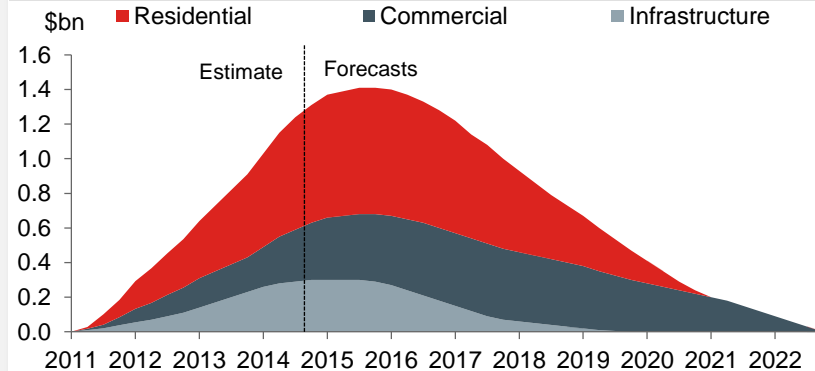
New Zealand GDP growth and forecast (%)



Selected NZ export commodity prices



Earthquake-related construction activity in Christchurch (\$bn)

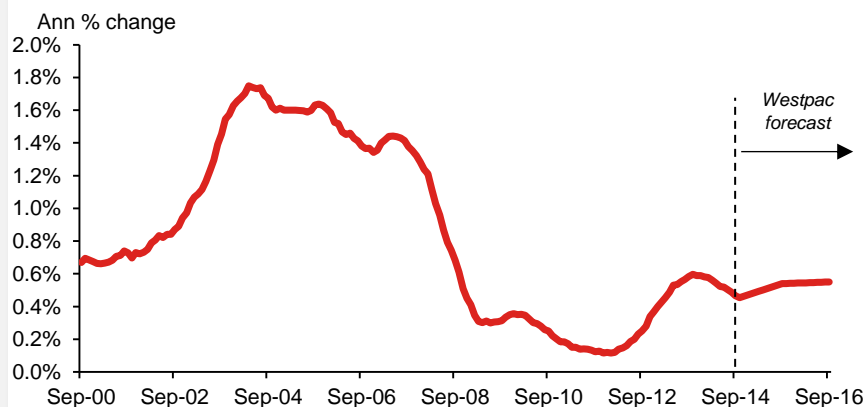


# New Zealand

## housing market recovering

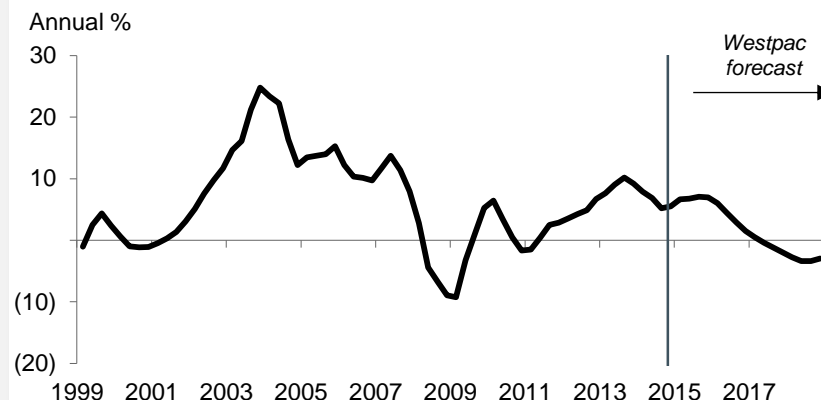
- House price inflation reached 10% per annum in 2013, with the strongest gains concentrated in the two biggest cities, Auckland and Christchurch
- In late 2013 the Reserve Bank implemented restrictions on high-LVR lending. At around the same time mortgage rates began to rise
- The housing market responded rapidly. House sales dropped 19% between September 2013 and April 2014, and house prices stagnated in the first three months of 2014. Investors gained prominence in the market, at the expense of first home buyers
- The market has subsequently recovered partially. House prices are rising again, and sales have lifted
- The market is expected to continue picking up in the near term, as fixed mortgage rates have recently fallen and net immigration is booming
- Further ahead, rising interest rates are expected to dampen housing market activity

### Annual growth in system housing lending (% annual change)



Source: RBNZ, Westpac Economics.

### New Zealand house price inflation (annual %)



Source: QV, Statistics NZ, Westpac Economics.

### New Zealand Official Cash Rate (%)

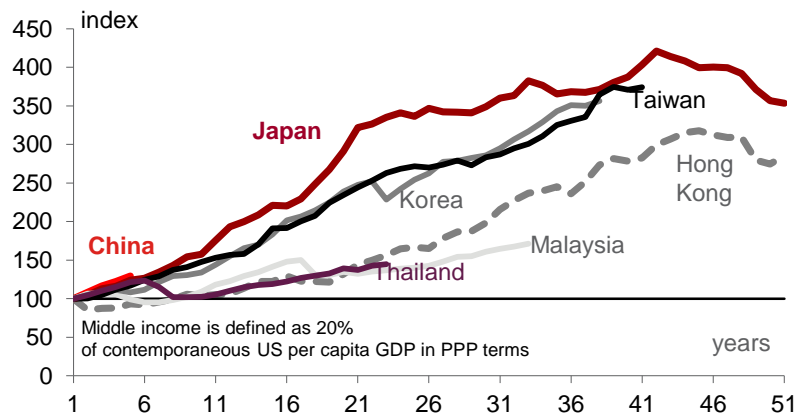


Source: RBNZ, Westpac Economics.

# Chinese growth remains a positive for Australia

- As a \$US7 trillion economy, China grew at 10%. As a \$US10 trillion economy, Westpac expects China 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 will continue to benefit as Chinese households progressively expand their living standards and their consumption basket

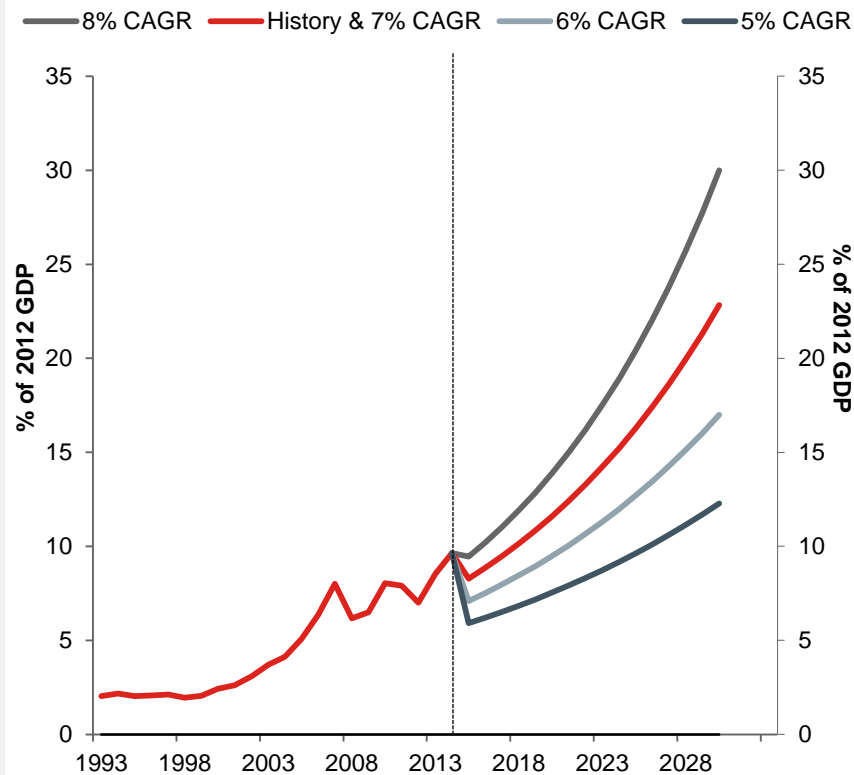
## Per capita growth from middle income stage



Sources: GGDC, Westpac Economics.

Real GDP % ann	2012	2013	2014f	2015f
China	7.7	7.7	7.4	7.5

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



Source: Westpac Economics.



# SECURED FUNDING

COVERED BONDS AND SECURITISATION

**Westpac**

**st.george**

**bankSA**

**Bank of  
Melbourne**

**RAMS**

**BT Financial Group**

**WESTPAC BANKING CORPORATION**

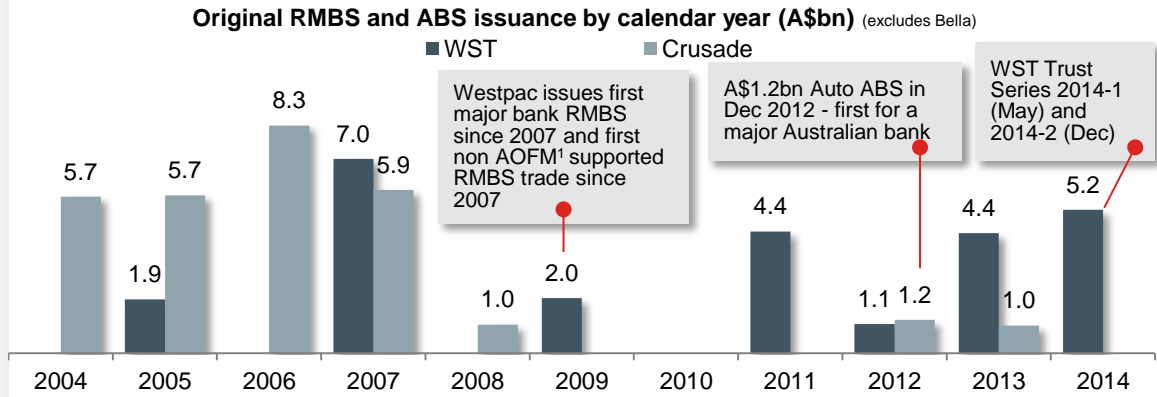
ABN 33 007 457 141

# Securitisation an important part of the Group's funding

## Active RMBS and ABS capabilities

- Outstanding securitisation issuance A\$12.8bn, represents 1.8% of the Group's total funding at 31 December 2014, mostly RMBS issuance
- Securitisation provides additional diversity to Westpac's funding and investor base
  - Only major Australian bank to have an active Auto ABS capability
  - Westpac's RMBS and Auto ABS transactions have been well supported by the Australian domestic market, as well as offshore investors
  - All A\$ Class A Notes from RMBS and ABS transactions are repo eligible securities with the Reserve Bank of Australia
- 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
- Bella securitisation programme acquired 31 December 2013

### Westpac is a consistent issuer of RMBS and ABS



#### Post St.George merger

- Securitisation management and execution integrated into one team
- Crusade RMBS Programme is currently in run off
- Crusade ABS platforms and infrastructure utilised for Auto ABS
- New securitisation RMBS pools currently sourced solely from Westpac brand originated mortgage pools

#### Post acquisition of 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, the only changes to the existing Bella securitisations have been:

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

<sup>1</sup> AOFM is The Australian Office of Financial Management.

# WST RMBS performance

## Key pool comparison statistics (issuance)

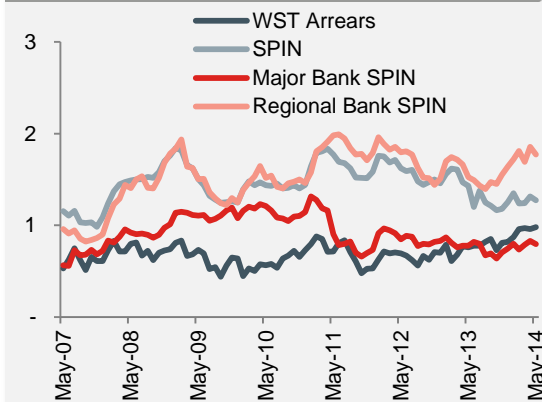
	WST 2014-2	WST 2014-1	WST 2013-2	WST 2013-1	WST 2012-1	WST 2011-3	WST 2011-2	WST 2011-1	WST 2009-1
<b>Pricing Date</b>	Dec-14	May-14	Sep-13	Feb-13	May-12	Oct-11	Jun-11	Feb-11	Dec-09
<b>Tranche</b>	A	A	A	A	A	A	A	A	A
<b>WAL (yrs)</b>	2.9	2.8	3.0	3.0	3.0	3.0	2.9	2.9	2.6
<b>Price (bps)</b>	75	78	85	85	140	125	100	100	130
<b>Notes Issued A\$m</b>	2,484	2,300	2,070	1,932	1,058	1,472	2,024	920	1,840
<b>Average Loan Size A\$'000</b>	265	261	256	245	211	251	243	270	198
<b>Wtd Avg LVR</b>	63%	62%	62%	61%	63%	63%	63%	64%	58%
<b>LVR &gt; 80%</b>	11.9%	11.1%	10.8%	6.4%	3.1%	1.9%	2.3%	1.4%	0.5%
<b>Max LVR</b>	95%	95%	95%	94.6%	94.4%	95%	95%	95%	93%
<b>Wtd Avg Seasoning mths</b>	36.0	37.1	37.1	45.4	42.0	37.0	35.8	30.2	39.7
<b>Low Doc Loans</b>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Interest Only Loans</b>	25%	25%	24%	10%	5%	6%	5%	4%	25%
<b>NSW &amp; ACT</b>	36%	36%	35%	36%	38%	40%	39%	43%	41%
<b>VIC</b>	28%	26%	27%	25%	26%	25%	25%	28%	24%
<b>Metro / Non-metro</b>	78%/ 22%	77%/ 23%	78%/ 22%	76%/ 24%	76%/ 24%	77%/ 23%	77%/ 23%	86%/ 14%	78%/ 22%
<b>LMI Coverage</b>	14%	13%	13%	16%	19%	14%	16%	5%	6%
<b>S&amp;P Credit Support Pre-LMI (Old Criteria)</b>				-	-	-	3.6%	3.7%	3.2%
<b>S&amp;P Credit Support Pre-LMI (New Criteria / RFC)</b>	5.3%	5.1%	5.0%	4.3%	4.3%	4.4%	7.2%	-	-
<b>Credit Support Provided</b>	8.0%	8.0%	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
- ✓ Consistently outperforms the Australian Prime SPIN Index
- ✓ Consistent pool characteristics and transaction structures
- ✓ Low LVRs
- ✓ Long seasoning
- ✓ Class A Notes ratings' independent of LMI providers

## Performance of Avg WST vs the Major Bank Prime SPIN



Source: Standard and Poor's

# ABS transaction comparison

- Crusade ABS – 100% auto receivables
- Granular portfolios comprising solely auto loans
- 12 month revolving period (the only Australian ABS programme to have this feature) to increase duration

- Credit enhancement in excess of minimum required by rating agencies
- High levels of subordination (15-16%) to AAA notes
- Low prepayment sensitivity
- Relatively high portfolio yield leading to high excess spread

Deal	Crusade ABS 2013-1	Crusade ABS 2012-1	SMART 2014-2E	Driver Australia One	REDS 2013-1 EHP
<b>(Issue Date)</b>	<b>(Dec 13)</b>	<b>(Dec 12)</b>	<b>(Jun 14)</b>	<b>(Nov 13)</b>	<b>(May 13)</b>
<b>Size</b>	\$1.0bn	\$1.2bn	\$1.02bn	\$500m	\$900m
<b>'AAA' Credit Enhancement</b>	16%	15%	14%	13%	20%
<b>Collateral</b>	Auto: 100%	Auto: 100%	Motor Vehicles: 90% Other: 10%	Auto: 100%	Cars, Trucks, Buses: 53% Other: 47%
<b>Number of Contracts</b>	52,309	59,609	33,216	16,499	16,199
<b>W.A. Yield</b>	11%	11%	6.8%	7.7%	8%
<b>W.A. Seasoning (mth)</b>	22	19	9	21	18
<b>W.A. Remaining term (mth)</b>	39	41	45	35	34
<b>W.A. Balloon</b>	8%	8%	17%	28%	13%
<b>% of Pool with Balloon</b>	31%	32%	56%	60%	40%
<b>New vs. Used</b>	New: 70%	New: 69%	New: 69%	New: 88%	New: 62%
	Used: 30%	Used: 31%	Used: 31%	Used: 12%	Used: 38%
<b>Average Loan Size A\$</b>	19,117	20,131	30,839	30,305	54,864
<b>Max Loan Size A\$</b>	240,946	262,970	514,495	350,555	867,594
<b>Receivable Contracts</b>	Finance Lease 12%	Finance Lease 12%	Finance Lease 19%	Goods Loan 30%	Finance Lease 7%
	Goods Loan 15%	Goods Loan 14%	Goods Loan 38%	Hire Purchase 18%	Hire Purchase 22%
	Hire Purchase 5%	Hire Purchase 8%	Hire Purchase 2%	Consumer Finance 51%	Specific Security Agreement 70%
	Consumer Finance 68%	Consumer Finance 66%	Consumer Loan / Lease 22%		
			Lease Gov Status 19%		
<b>Adverse Credit History</b>	0%	0%	0%	0%	0%
<b>Novated receivables</b>	12%	12%	37%	0%	0%

1 Denotes the split of new and used Cars and Light Commercial Vehicles only (57% of the collateral pool)



# Westpac's covered bond programme

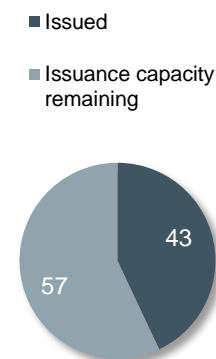
## Providing valuable diversity for issuer and investor

- Westpac issues covered bonds through its US\$40bn covered bond programme
  - Westpac also maintains RCB/N-bond capability
  - Westpac Securities New Zealand EUR5billion covered bond programme is separate, and guaranteed by Westpac New Zealand Limited as well as the covered bond guarantor
- At 31 December 2014, A\$21.2bn of covered bonds issued since November 2011, with benchmark transactions in USD, EUR and AUD
- In Australia, covered bond issuance is capped at 8% of Australian assets
  - Limits balance sheet encumbrance
  - 43% of Westpac's covered bond capacity utilised (including over-collateralisation) at 31 December 2014
  - Weighted average remaining tenor is 3.45 years for issuance since November 2011 to 31 December 2014 for the Australian covered bond programme

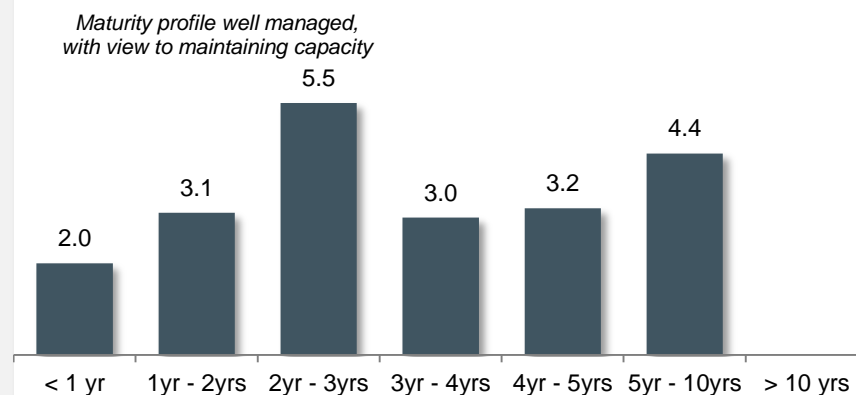
### Westpac Australian covered pool highlights (as at 31 December 2014)

Total pool loan balance	A\$31,092,755,308
Average loan size	A\$242,884
Weighted average current LVR (unindexed/indexed)	60.5% / 54.4%
Weighted average seasoning	56 months
Owner occupied security	76.9%
Moody's collateral score <sup>1</sup>	6.3%
Moody's market risk / collateral risk <sup>1</sup>	10.9% / 4.2%
Min. overcollateralisation required (Fitch/Moody's)	11.7% / 6.4%
Min. WBC rating to maintain AAA (Fitch/Moody's)	A+ / A3

### Westpac covered bond issuance (%)



### Westpac Australian covered bond maturity profile as at 31 December 2014 (A\$bn)



<sup>1</sup> The collateral score is Moody's opinion of how much credit enhancement is needed to protect investors from the credit deterioration of assets in a cover pool in order to reach a theoretical Aaa expected loss, assuming those assets are otherwise unsupported. The higher the credit quality of the cover pool, the lower the collateral score. Source: Moodys Covered Bond Programme Performance Overview



# Australian covered bond **legislation**

<b>Timing</b>	<ul style="list-style-type: none"><li>• Legislation was passed in October 2011 to amend Banking Act and enable Australian banks to issue covered bonds</li><li>• Covered bond issuances previously prohibited by Banking Act and Regulator</li></ul>
<b>Structure</b>	<ul style="list-style-type: none"><li>• Covered bond issuance only permitted in accordance with the legislative framework</li><li>• Segregation of cover assets to be achieved via sale into an insolvency remote special purpose vehicle</li><li>• Legal certainty for the segregation of the cover pool in the event of bankruptcy of the issuing ADI</li></ul>
<b>Priority</b>	<ul style="list-style-type: none"><li>• Bondholders have priority against a cover pool of financial assets</li><li>• APRA has no direction making powers over assets held by the SPV for the benefit of covered bondholders and service providers</li></ul>
<b>Cover Pool</b>	<ul style="list-style-type: none"><li>• Eligible cover assets include cash equivalents, bank bills and certificate of deposits with maturity less than 100 days (limited to 15%), Australian government or semi-government bonds, residential or commercial mortgage loans (separate programmes expected for each loan class), and derivatives</li><li>• Minimum level of over-collateralisation of 3% (programmes also to include an asset coverage test)</li><li>• Value only provided up to 80% LVR for residential loans and 60% for commercial loans</li><li>• Senior ranking voluntary overcollateralisation is excluded</li></ul>
<b>Issuance limits</b>	<ul style="list-style-type: none"><li>• Covered bond issuance not permitted if cover assets exceeds 8% of ADI's Australian assets</li><li>• Capital neutral for ADI if the cover pool is less than 8% of ADI's Australian assets</li><li>• Implies potential combined covered bond issuance capacity of circa A\$171bn by four major ADIs</li><li>• Implies potential covered bond issuance capacity of circa A\$50bn by Westpac</li></ul>

# Westpac's Australian Covered Bond Programme

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

# Covered bond programme

## Key features

<b>Structure</b>	Covered Bonds are issued by Westpac, backed by an unconditional and irrevocable guarantee by the Covered Bond Guarantor (the “CBT Guarantor”), which is limited in recourse to the assets in the Westpac Covered Bond Trust
<b>Security</b>	Security comprises a pool of Australian residential mortgages which meet the eligibility criteria (the “cover pool”). It also includes certain other assets such as cash and investments (subject to legislative and rating agency limits). Mortgages in the cover pool sold to the CBT Guarantor to ensure that covered bondholders have a priority claim over the cover pool in the event of Issuer insolvency
<b>Overcollateralisation</b>	<p>Prior to service of a Notice to Pay on the CBT Guarantor, an Asset Coverage Test will be run monthly to ensure the CBT Guarantor has sufficient assets to support the outstanding covered bonds. Defaulted loans will have nil value applied to them and remaining loans adjusted by the Asset Percentage. The Asset Percentage is confirmed by the rating agencies quarterly and is subject to a maximum of 95%, which represents a minimum level of overcollateralisation of just over 5%.</p> <p>Following service of a Notice to Pay on the CBT Guarantor, an Amortisation Test is run monthly to ensure the CBT Guarantor has sufficient assets to meet the covered bond obligations</p>
<b>Asset Monitor</b>	<p>PricewaterhouseCoopers monitors the calculation of the Asset Coverage Test and the Amortisation Test on at least an annual basis.</p> <p>They also provide the asset monitor reporting requirements in relation to the legislation on at least a six monthly basis. This includes verification of the asset register and provision of any other information APRA requires</p>
<b>Hedging</b>	The Interest Rate Swap and Covered Bond Swap are used to hedge any exposure of the CBT Guarantor to interest rate and currency risks

# Westpac's legislative covered bond programme

## International comparisons

Terms	Westpac	UK	Sweden	Canada
<b>Legislation</b>	Amendment to the Banking Act 1959	UK Regulated Covered Bonds Regulations	Lag om Utgivning av Säkerställda Obligationer	National Housing Act
<b>Asset allocation</b>	All assets transferred to SPV	All assets transferred to SPV All assets on the cover register	All assets on the cover register	All assets transferred to SPV All assets on the cover register
<b>Inclusion of hedge positions</b>	Hedge positions are part of the structural enhancements intended to protect bondholders	Hedge positions are part of the structural enhancements intended to protect bondholders	Hedge positions can be included in the cover register	Hedge positions are part of the structural enhancements intended to protect bondholders
<b>Substitute collateral</b>	Up to 15%	Up to 10% /15%	Up to 20%	Up to 10%
<b>Inclusion of commercial mortgages</b>	100% residential Australian mortgage loans	100% residential mortgage loans in regulated programmes	Commercial mortgage loans should not exceed 10% of total cover assets	Non-CMHC insured one to four unit Canadian residential mortgage loans
<b>LTV barrier</b>	Resi 80%	Resi 80%	Resi 75% CRE 60%	80%
<b>Valuation check</b>	Subject to internal bank procedures and indexed to house price index (APM) <sup>1</sup>	Indexed to house price index	Regular monitoring of property values	Indexed to house price index
<b>Special supervision</b>	Independent trustee and Cover Pool monitor	FCA, independent trustee and Cover Pool Monitor	Swedish FSA and independent inspector	CMHC under the OSFI, independent trustee and Cover Pool Monitor
<b>Protection against credit risk</b>	Yes, defined by asset coverage test	Yes, defined by asset coverage test	Issuer may replace non-performing loans	Yes, defined by asset coverage test
<b>Mandatory over-collateralisation</b>	Yes; 105% per the maximum asset percentage in the asset coverage test of 95%	Yes; subject to the asset percentage applied in the asset coverage test	No	Yes, subject to the asset percentage applied in the asset coverage test with minimum and maximum for each programme
<b>Bankruptcy remoteness of SPV</b>	Yes, assets sold to SPV	Yes, assets sold to SPV	No but assets within the cover pool	No but all assets ring fenced in SPV
<b>Compliance with Article 122a</b>	No - Not an EU issuer	Yes	Yes	No - Not an EU issuer
<b>In the event of insolvency, first claim is on...</b>	...all the payments received from SPV assets which are collected in GI account	...all the payments received from SPV assets which are collected in GI account	...all the payments received from the earmarked assets	...all the payments received from SPV assets which are collected in GI account
<b>In the event of insufficient pool assets...</b>	...investors rank pari passu with senior debt holders	...investors rank pari passu with senior debt holders	...investors rank pari passu with senior debt holders	...investors rank pari passu with senior debt holders

<sup>1</sup> Australian Property Monitor.

# Westpac's high quality cover pool

## Covered bond pool eligibility criteria

### At the time of sale, each loan:

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

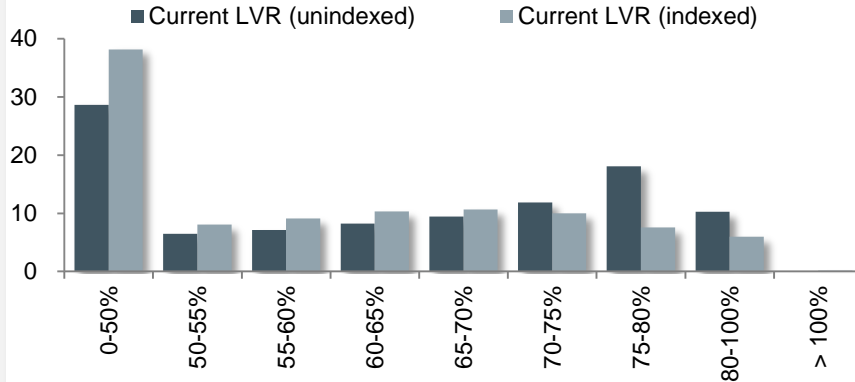
## Covered pool loan statistics as at 31 December 2014

Total pool loan balance <sup>1</sup>	<b>A\$31,092,755,308</b>
Number of loans	<b>128,015</b>
Average loan size	<b>A\$242,884</b>
Max loan size	<b>A\$2,000,000</b>
Weighted average current LVR (unindexed)	<b>60.5%</b>
Weighted average current LVR (indexed)	<b>54.4%</b>
Mortgage Insured	<b>13.39%</b>
90 day + arrears	<b>0.00%</b>
Weighted average seasoning	<b>56 months</b>
Weighted average remaining term to maturity	<b>275 months</b>
Weighted average interest rate	<b>5.19%</b>
Fixed / variable split (by bal)	<b>20.7% / 79.3%</b>
Interest only (by bal)	<b>27.7%</b>
Owner occupied security	<b>76.9%</b>

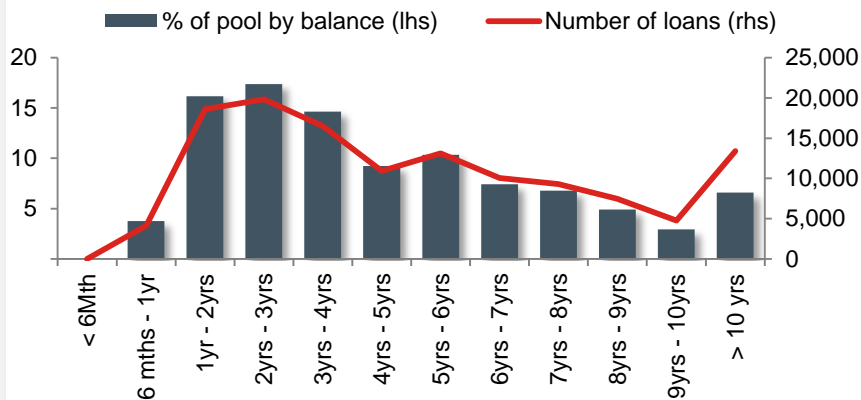
<sup>1</sup> Pool loan balance excludes cash balances of A\$3,907,244,692. Loans included in the cover pool are currently only originated by Westpac Retail and Business Banking.

# Cover pool statistics as at 31 December 2014

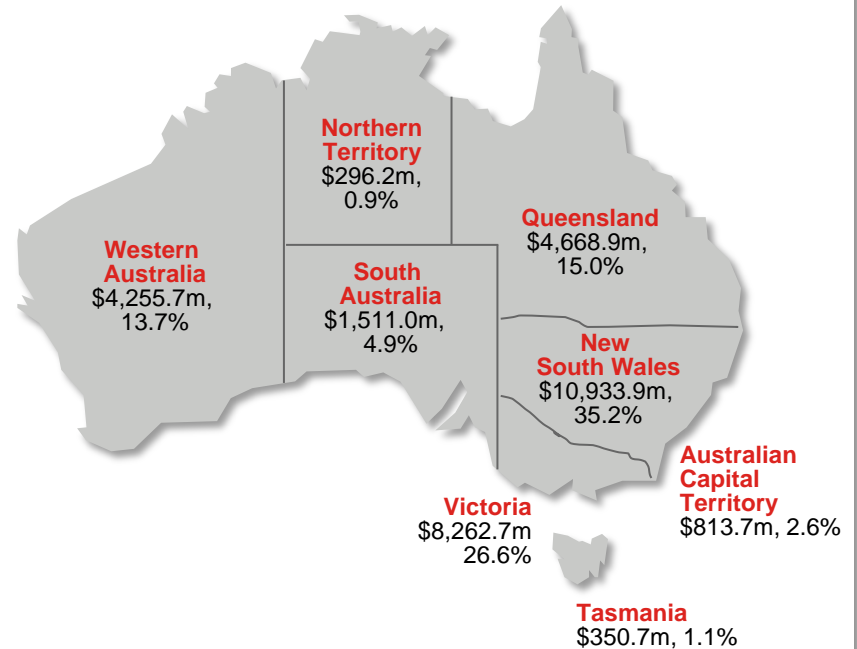
Loan to value ratio by balance (%)



Portfolio seasoning



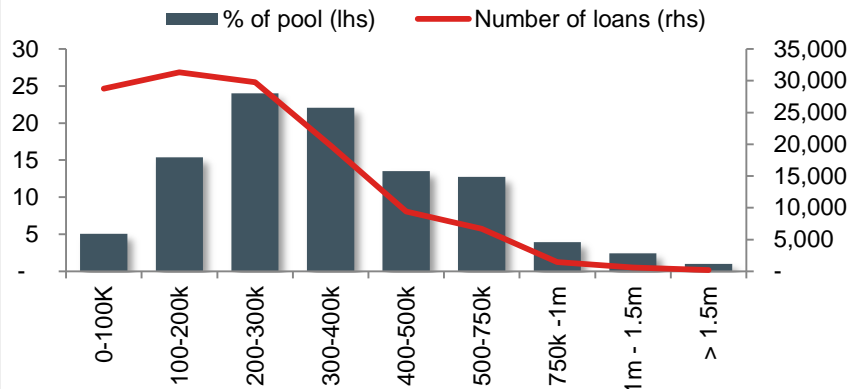
Geographic distribution by state



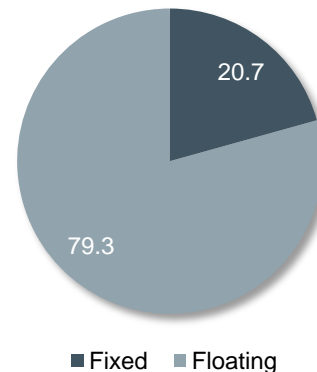
Distribution by region	Value of loans (A\$m)	% of pool by value
Metropolitan	24,273	78.1%
Non-Metropolitan	6,819	21.9%

# Cover pool statistics as at 31 December 2014 (cont.)

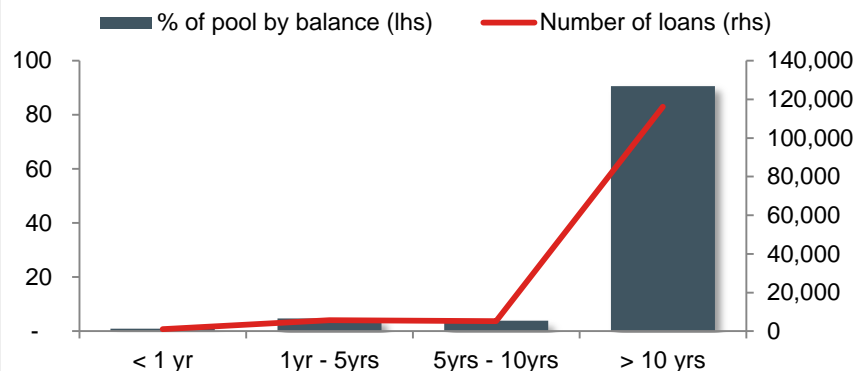
## Mortgage principal balance distribution



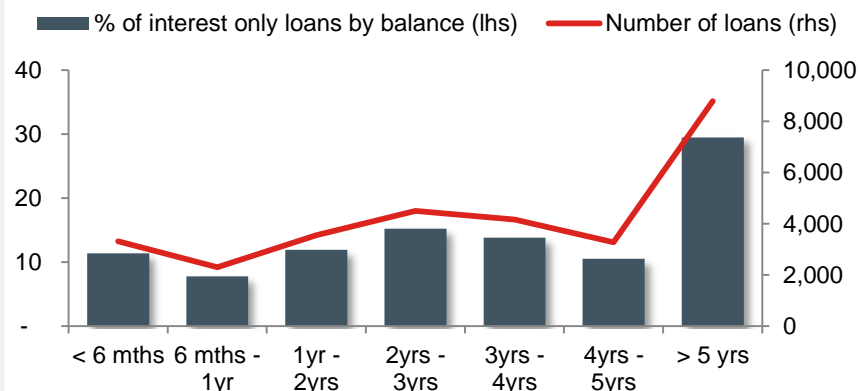
## Interest rate split (%)



## Years to maturity (legal)



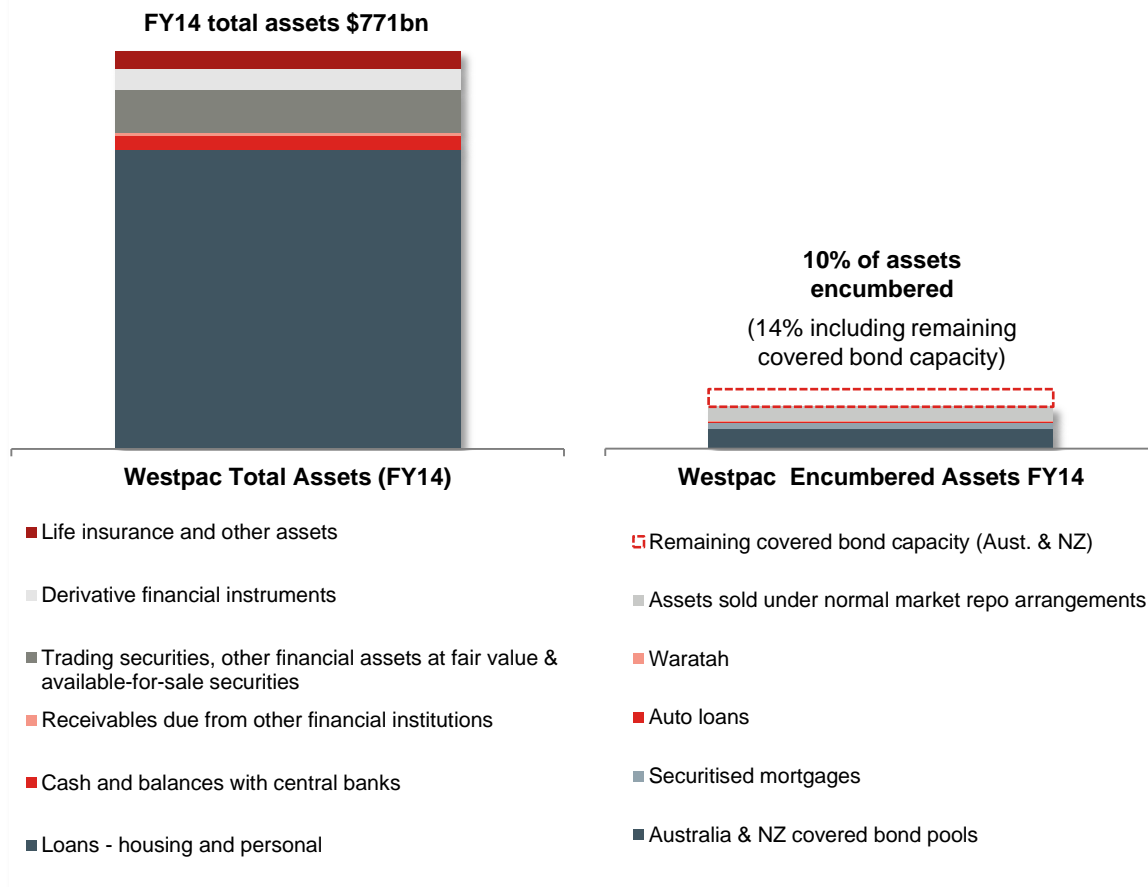
## Interest only expiry date remaining period



# Limited asset encumbrance

- Westpac has limited asset encumbrance
- Covered bond capacity has legislated cap in Australia and New Zealand
  - In Australia, capped at 8% of Australian assets, providing \$50bn total capacity (including overcollateralisation)
  - In NZ, capped at 10% of Westpac New Zealand Ltd assets, providing \$6bn total capacity
- RMBS and ABS are primarily issued at tenors that match the underlying assets (i.e. match funded)
- Covered bonds used mainly to access longer dated funding, with average issue tenor around 5 years

## Westpac's asset encumbrance







# ADDITIONAL INFORMATION

**Westpac**

**st.george**

**bankSA**

**Bank of  
Melbourne**

**RAMS**

**BT Financial Group**

**WESTPAC BANKING CORPORATION**

ABN 33 007 457 141

# Tier 2 Capital comparison

Characteristic	Basel III compliant Tier 2	Old-style Tier 2 (specifically Lower Tier 2)
<b>Absorb losses on a "gone concern" basis</b>	✓ Gone concern capital	✓ Gone concern capital
<b>Non-discretionary, cumulative payments</b>	✓ Must pay securities subject to solvency tests; deferred payments accumulate with compounding	✓ Must pay securities subject to solvency tests; deferred payments accumulate with compounding
<b>Minimum Term</b>	✓ 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
<b>Call Right</b>	✓ Can call after a minimum of five years with APRA's approval	✓ Can call after a minimum of five years with APRA's approval
<b>Incentive to redeem</b>	✗ No step-ups or other incentives to redeem early	✓ Step-up in margin permitted
<b>Ranking in a Winding Up</b>	✓ Rank ahead of claims of ordinary shareholders and Additional Tier 1 capital holders <sup>1</sup>	✓ Rank ahead of claims of ordinary shareholders and hybrid Tier 1 capital holders
<b>Conversion or Write-Off at Point of Non Viability (PONV)</b>	<ul style="list-style-type: none"> <li>• Conversion or permanent write-off in contractual terms</li> <li>• Conversion or write-off only <u>after</u> Additional Tier 1 (some or all as necessary to return to viability)</li> <li>• Conversion is most likely principal loss absorption mechanism due to tax inefficiencies of write-off alternative</li> <li>• If Conversion is not possible, rights of Holders will be terminated</li> </ul>	✗ Not applicable. However APRA has powers under the Banking Act to direct banks not to make payment on Lower Tier 2 instruments
<b>PONV Trigger Event</b>	<ul style="list-style-type: none"> <li>• 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</li> <li>• No explicit APRA guidance regarding likely triggers. Non viability could be expected to include serious impairment of financial position, insolvency, capital ratios and liquidity</li> </ul>	✗ N/a

<sup>1</sup> 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<sup>1,2</sup>

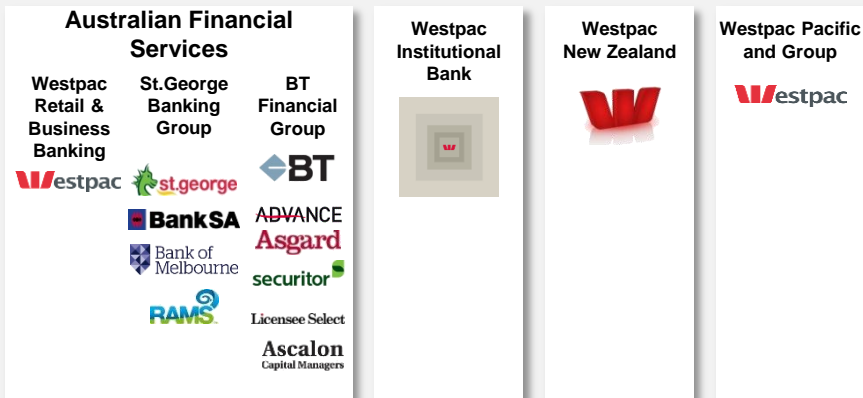
	US	Canada	UK	Scandinavia	Australia
<b>Ranking</b>	Senior to Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital
<b>Step-ups</b>	Not permitted	Not permitted	Not permitted	Not permitted	Not permitted
<b>Capital amortisation</b>	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
<b>Early redemption</b>	Tax Event / Regulatory Event	Tax Event / Regulatory Event	Tax Event / Regulatory Event	Tax Event / Regulatory Event	Tax Event / Regulatory Event
<b>Point of Non-Viability</b>					
<b>Definition</b>	n.a.	Regulatory Discretion	Regulatory Discretion	Regulatory Discretion	Regulatory Discretion
<b>Approach</b>	n.a.	Contractual	Statutory	Statutory	Contractual
<b>Disclosure</b>	n.a.	Terms & Conditions	Risk factor	Risk factor	Terms & Conditions
<b>Primary loss absorption mechanism</b>	n.a.	Conversion into ordinary shares	Write-down	Write-down	Conversion into ordinary shares

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

# Westpac

## Australia's First Bank

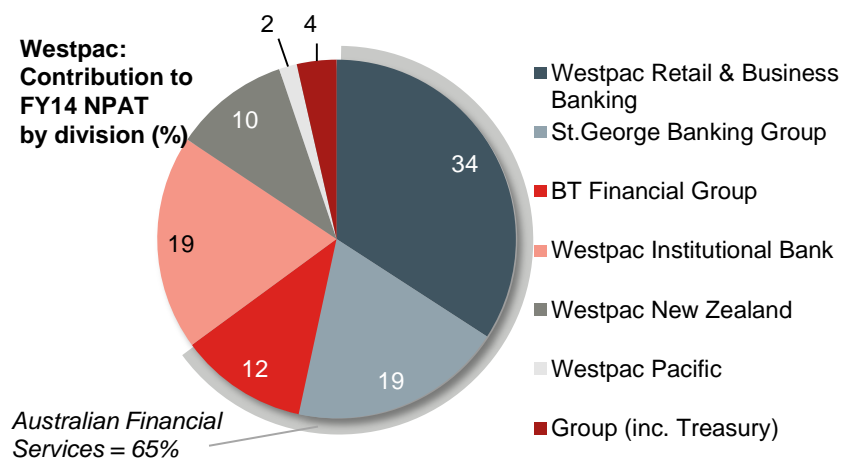
### Westpac's leading suite of brands and divisions



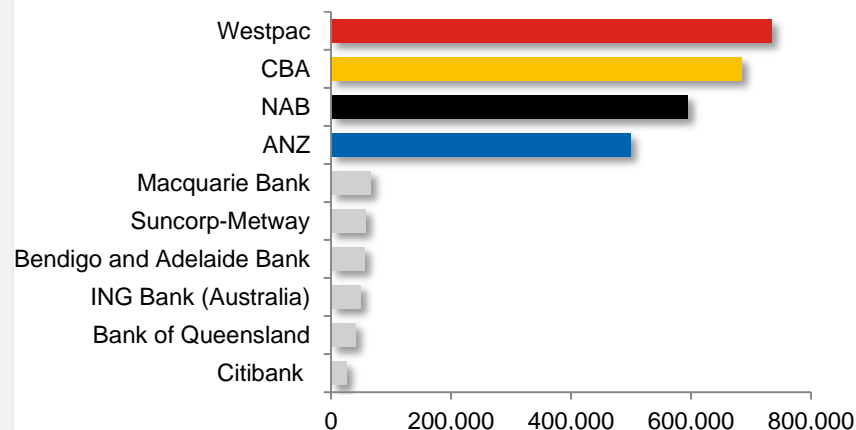
### Westpac balance sheet as at 30 September 2014 (A\$)

<b>Total assets</b>	\$770.8bn
<b>Net loans</b>	\$580.3bn
<b>Customer deposits</b>	\$409.2bn
<b>Equity</b>	\$49.3bn

Westpac credit ratings	Short term	Long term	Outlook
<b>Fitch Ratings</b>	F1+	AA-	Stable
<b>Moody's Investors Service</b>	P-1	Aa2	Stable
<b>Standard and Poor's</b>	A-1+	AA-	Stable



### Top 10 banks in Australia by total resident assets<sup>1</sup> (A\$bn)



<sup>1</sup> APRA Banking Statistics December 2014. Total resident assets refers to all assets on the banks' domestic books that are due from residents.

# Strong performance from Australian Financial Services

## Unique portfolio of brands

### Australian Financial Services (AFS)

#### Westpac Retail & Business Banking

Australian retail and business banking for consumers, SMEs and commercial customers under the Westpac brand



#### St. George Banking Group

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

#### BT Financial Group

Wealth division with \$89bn funds under management and \$113bn funds under administration at 30 September 2014

### WIB

#### Westpac Institutional Bank

Leading Australasian institutional bank, with branches and representative offices in Australia, New Zealand, US, UK and Asia



### New Zealand

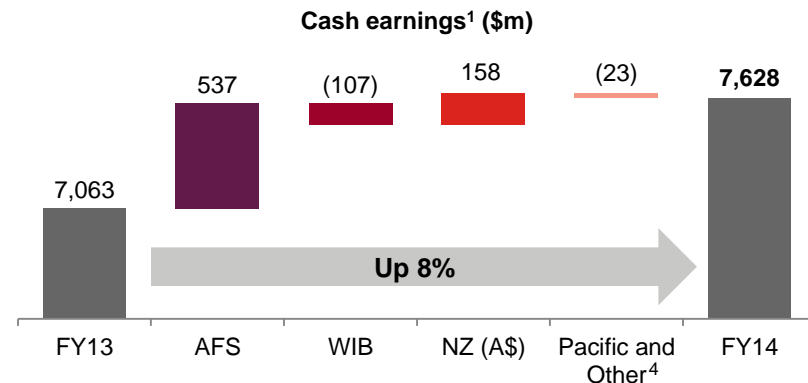
#### Westpac New Zealand

Banking and wealth services to consumers, businesses and institutions in New Zealand

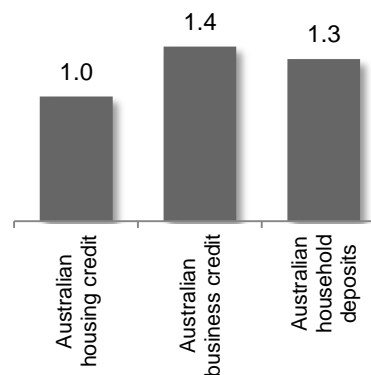


Division	FY14 cash earnings <sup>1</sup> (\$m)	% Mov't FY14-FY13	% of FY14 Group cash earnings <sup>1</sup>
Westpac R&BB	2,582	10	34
St. George	1,580	14	21
BT Financial Group	895	16	12
WIB	1,468	(7)	19
New Zealand (NZ\$)	864	13	10
Pacific and Other <sup>3</sup>	313	(7)	4

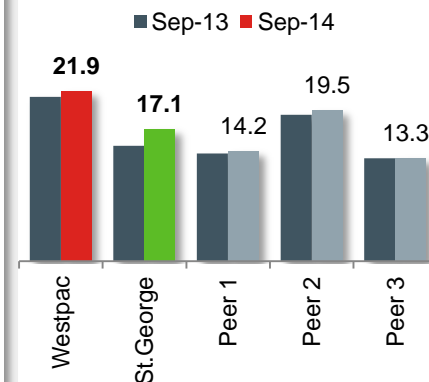
## Strong contribution from Australian retail banking and wealth businesses



## Westpac vs system growth<sup>2</sup> 2H14 (multiple)



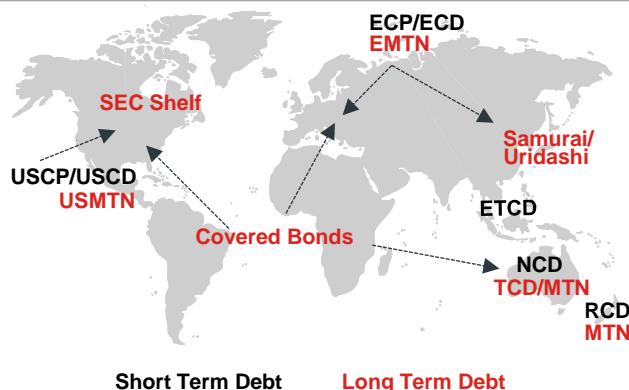
## Banking customers with a wealth product<sup>3</sup> (%)



<sup>1</sup> Cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings. <sup>2</sup> Sources: APRA Banking Statistics. Reserve Bank of Australia  
<sup>3</sup> See Appendix 4 for Wealth metric definition and provider details. <sup>4</sup> Other includes Group Businesses, including Treasury.

# Funding capabilities to meet investor preferences

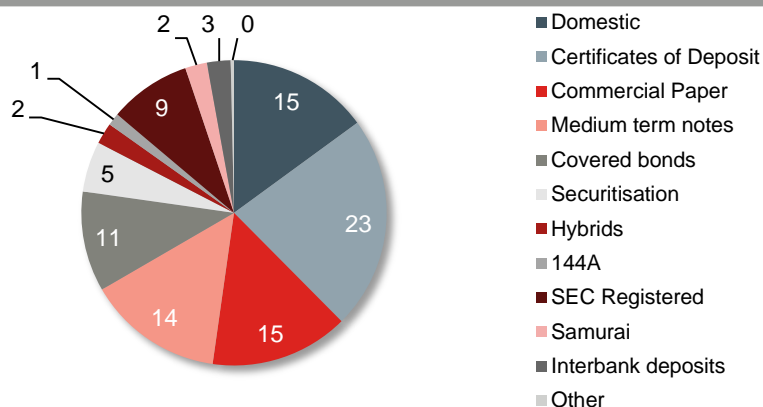
## Diverse and flexible funding capabilities



## Wholesale funding capabilities

- |                            |   |
|----------------------------|---|
| <b>Short term markets</b>  | <ul style="list-style-type: none"> <li>Include Prime floaters, Federal Funds, Extendibles, Step-ups, Range accruals, CD, CP and Flippers</li> </ul>   |
| <b>Term markets</b>        | <ul style="list-style-type: none"> <li>Issuance in senior unsecured and covered bond format, as well as subordinated debt</li> <li>Only major Australian bank to be SEC registered. SEC registered deals are included in the index, deliver greater liquidity for investors and have higher disclosure requirements</li> <li>Westpac also maintains its ability to issue in US 144A format</li> </ul> |
| <b>Issuance currencies</b> | <ul style="list-style-type: none"> <li>Include AUD, CAD, CHF, EUR, GBP, HKD, NOK, NZD, SGD and USD</li> </ul>   |

## Wholesale funding composition<sup>1</sup> as at 30 September 2014 (%)



## Selected debt programmes

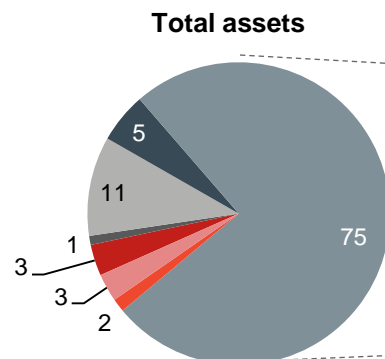
Issuer	Programme	Limit
WBC	Domestic CD	No limit
	ECP/CD	US\$20bn
	Yankee CD <sup>2</sup>	No limit
	USCP	US\$45bn
	144A	US\$35bn
WNZL	Domestic CD	No limit
WSNZL <sup>2</sup>	ECP/CD	US\$20bn
	USCP	US\$10bn
	144A	US\$10bn

<sup>1</sup> At FX spot currency translation. <sup>2</sup> WSNZL London Branch.

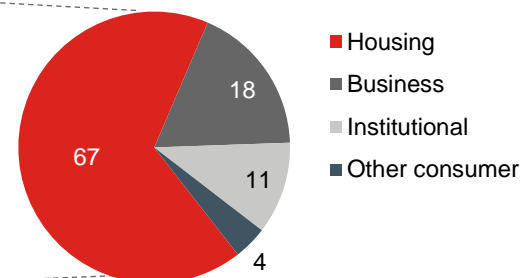
# High quality portfolio with bias to secured consumer lending

## Asset composition as at 30 September 2014 (%)

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



## On balance sheet lending



## Exposure by risk grade as at 30 September 2014 (\$m)

Standard and Poor's risk grade	Australia	NZ / Pacific	Asia	Americas	Europe	Group	% of Total
AAA to AA-	86,621	7,872	800	17,086	1,449	113,828	13%
A+ to A-	30,962	4,851	6,327	2,943	2,102	47,185	5%
BBB+ to BBB-	53,271	7,628	7,096	1,050	1,784	70,829	8%
BB+ to BB	63,627	9,700	1,482	327	62	75,198	8%
BB- to B+	57,925	8,819	-	8	6	66,758	8%
<B+	7,051	1,552	-	55	83	8,741	1%
Secured consumer	404,196	42,657	497	-	-	447,350	51%
Unsecured consumer	45,531	4,548	245	-	-	50,324	6%
<b>Total committed exposures</b>	<b>749,184</b>	<b>87,627</b>	<b>16,447</b>	<b>21,469</b>	<b>5,486</b>	<b>880,213</b>	
<b>Exposure by region<sup>1</sup> (%)</b>	<b>85%</b>	<b>10%</b>	<b>2%</b>	<b>2%</b>	<b>&lt;1%</b>		<b>100%</b>

<sup>1</sup> Exposure by booking office.

# Mining portfolio

## Strong diversification, performing well

### Exposure to energy and resources sector

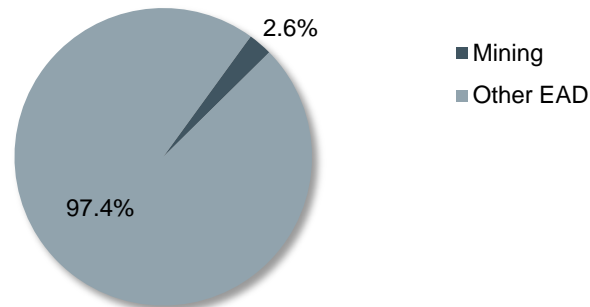
- Westpac's direct exposure to the energy and resources sector 2.6% of exposures at default (EAD) at 31 December 2014
- A high quality portfolio
  - Diversified by commodity, customers and region
  - Focused on quality operators with efficient, lower cost operating models
  - Well rated, with less than 2% of exposures in default
- Underwriting includes customer sensitivity to movements in commodity prices
- Provisioning levels remain sound, with specific provisions to impaired assets at 57%. Additional management overlay provision has been maintained given potential for volatility in energy and resource prices
- Trade finance portfolio supports customers primarily through export letter of credit
  - High quality counterparties and short tenors
  - Less than 20% of the trade portfolio has iron ore as the underlying commodity and less than 5% for coal

### Mining portfolio as at 31 December 2014

Exposure at default	\$10.8bn
On balance sheet lending	\$7.8bn
Average risk grade <sup>1</sup>	BBB equivalent
% of portfolio graded as 'stressed' <sup>1</sup>	4.75%
% of portfolio in impaired	1.06%

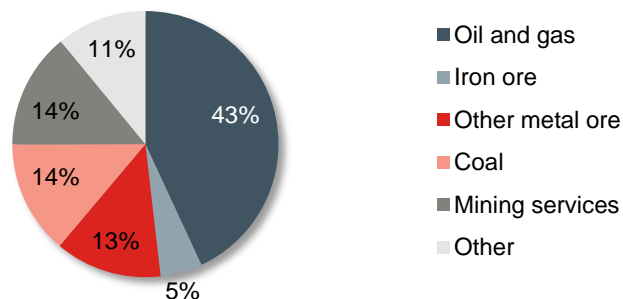
1. Includes impaired exposures in default.

### Exposure at default as at 31 December 2014



### Well diversified portfolio

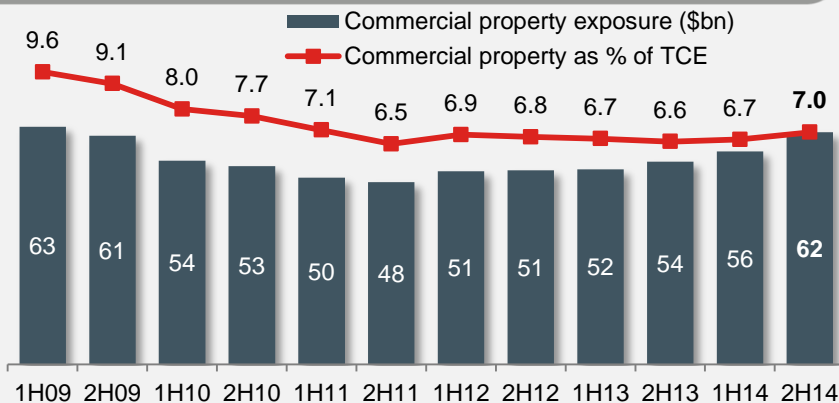
#### Mining portfolio (total committed exposure) by sector



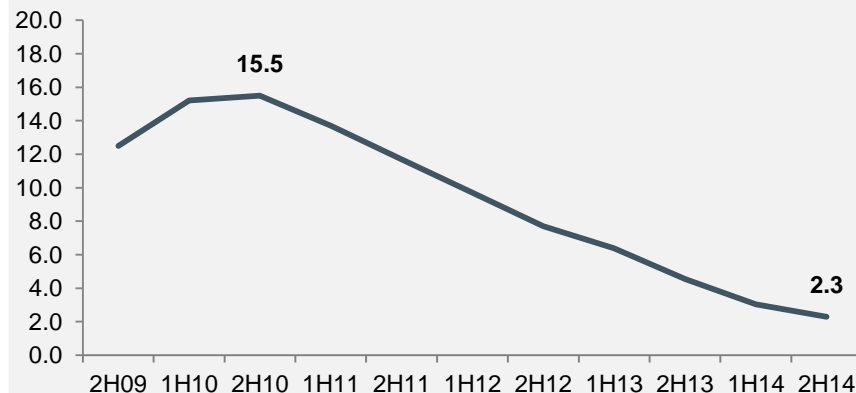


# Commercial property portfolio well diversified, low levels of stress

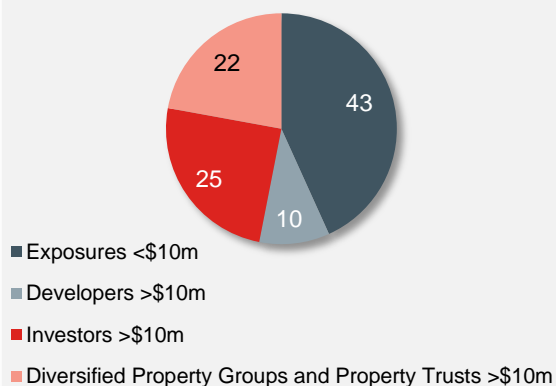
Commercial property exposures size (\$bn) and % of TCE



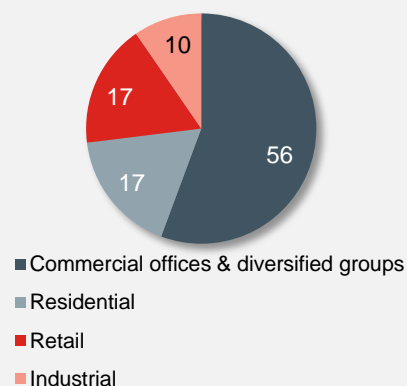
Commercial property portfolio (TCE) classified as stressed (%)



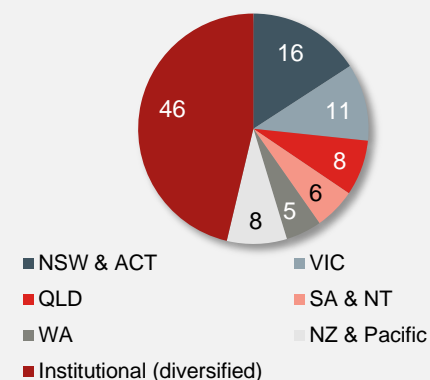
Commercial property by borrower type (%)



Commercial property by sector (%)

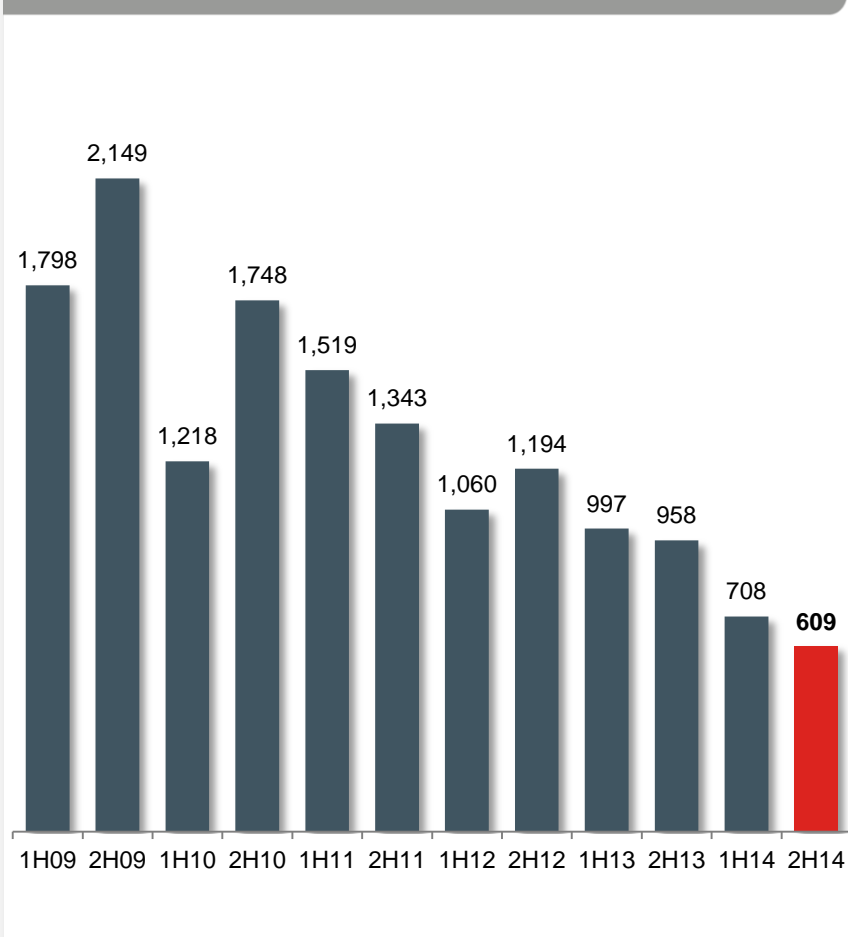


Commercial property by region (%)

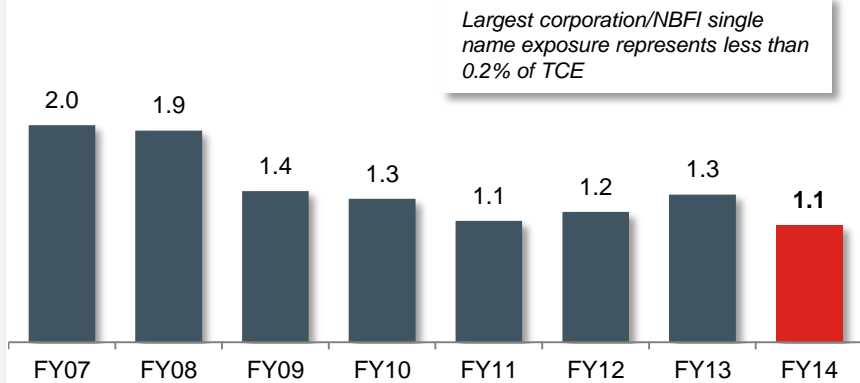


# A well diversified portfolio across industries and large exposures

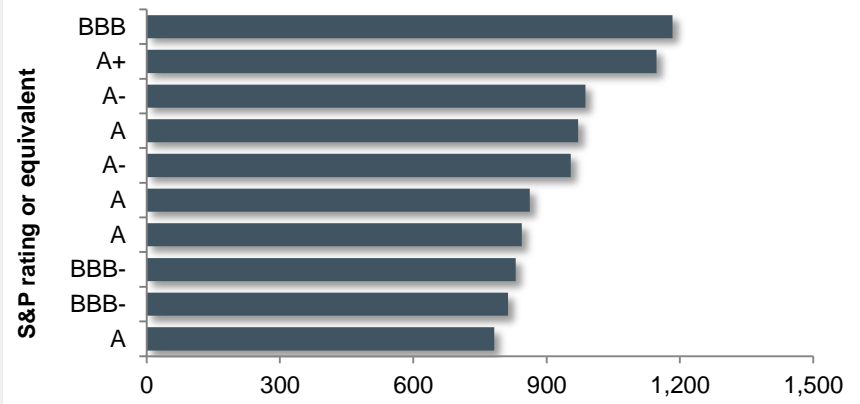
New and increased gross impaired assets (\$m)



Top 10 exposures to corporations and NBFIs<sup>1</sup>  
as a % of total committed exposures<sup>2</sup> (%)



Top 10 exposures to corporations & NBFIs<sup>1</sup>  
as at 30 September 2014 (\$m)

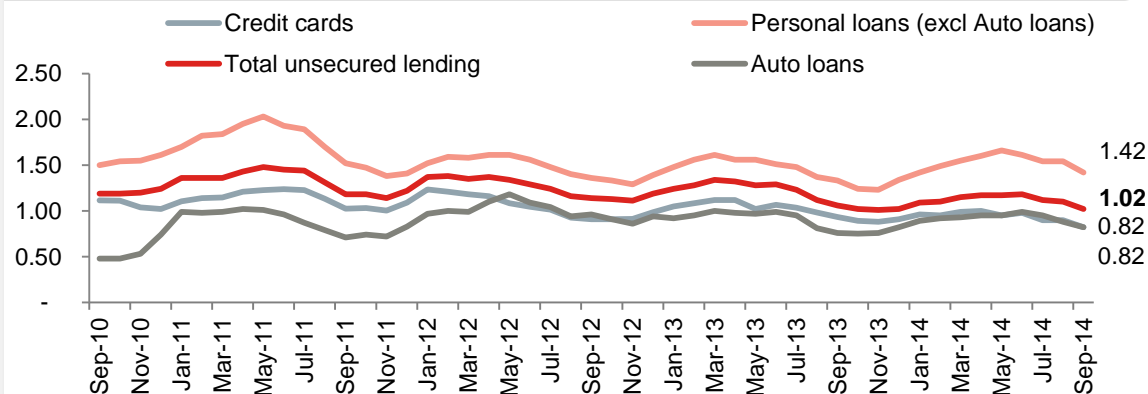


<sup>1</sup> Non-Bank Financial Institutions. <sup>2</sup> Includes St.George from FY09 onwards.

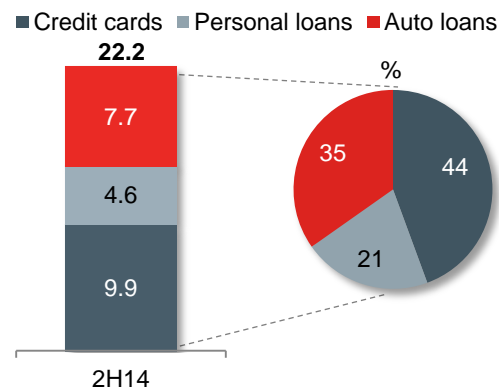
# Australian unsecured lending portfolio continue to perform well

- Unsecured consumer asset quality has remained strong as continuing low interest rates have assisted debt serviceability and the Group's sound approach to credit decisioning has been maintained
- Total Australian consumer unsecured delinquencies decreased 13bps to 102bps (down 4bps FY14/FY13)
- Changes in delinquencies in 2H14 reflect normal seasonal trends
- Australian credit card 90+ days delinquencies were down 17bps to 82bps (down 11bps FY14/FY13)
  - Average payments to balance ratio remains strong, however reduced 30bps to 48.4%
- Australian personal loan portfolio (including auto loans) 90+ days delinquencies were down 12bps to 105bps (down 1bp FY14/FY13)
  - Auto loan portfolio increased to \$7.7bn following acquisition of Lloyds in December 2013
  - Australian auto loan 90+ days delinquencies were down 11bps to 82bps (up 6bps FY14/FY13)

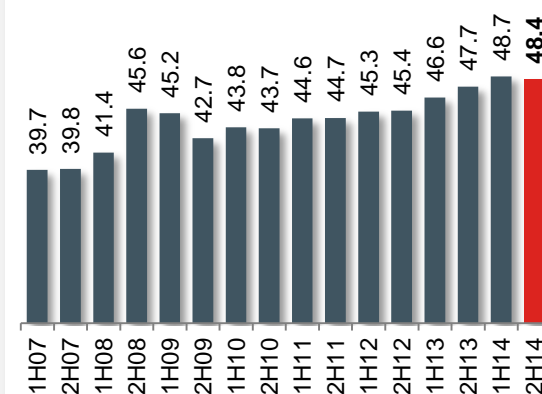
Australian unsecured lending 90+ days delinquencies (%)



Australian unsecured lending portfolio as at 30 September 2014 (\$bn and %)



Australian credit card average payments to balance ratio<sup>1</sup> (%)



<sup>1</sup> 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.

# Appendix 1:

## Cash earnings adjustments

Cash earnings adjustment (A\$m)	FY14	FY13	2H14	1H14
<b>Reported NPAT</b>	<b>7,561</b>	<b>6,751</b>	<b>3,939</b>	<b>3,622</b>
TPS revaluations	-	9	-	-
Treasury shares	7	42	(6)	13
Ineffective hedges	46	(20)	29	17
Fair value on economic hedges	(105)	21	(151)	46
Buyback of government guaranteed debt	(42)	43	(12)	(30)
Fair value amortisation of financial instruments	17	67	8	9
Amortisation of intangible assets <sup>1</sup>	147	150	77	70
Acquisition transaction and integration expenses	51	-	26	25
Bell litigation provision	(54)	-	(54)	-
Westpac Bicentennial Foundation	70	-	70	-
Prior period tax provisions	(70)	-	(70)	-
<b>Cash earnings</b>	<b>7,628</b>	<b>7,063</b>	<b>3,856</b>	<b>3,772</b>

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 and Lloyds acquisitions.

## Appendix 2:

### Cash earnings adjustments by segment

FY14 Segment Results (A\$m)	Westpac Retail & Business Banking	St.George Banking Group <sup>1</sup>	BT Financial Group (Australia) <sup>2</sup>	Westpac Institutional Bank	New Zealand (in A\$)	Westpac Pacific	Group Businesses	Group
<b>Reported NPAT</b>	<b>2,582</b>	<b>1,455</b>	<b>873</b>	<b>1,468</b>	<b>790</b>	<b>122</b>	<b>271</b>	<b>7,561</b>
TPS revaluations	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	7	7
Ineffective hedges	-	-	-	-	-	-	46	46
Fair value gain/(loss) on economic hedges and own credit	-	-	-	-	-	-	(105)	(105)
Buyback of government guaranteed debt	-	-	-	-	-	-	(42)	(42)
Fair value amortisation of financial instruments	-	-	-	-	-	-	17	17
Amortisation of intangible assets	-	125	22	-	-	-	-	147
Acquisition transaction and integration expenses	-	-	-	-	-	-	51	51
Litigation provision	-	-	-	-	-	-	(54)	(54)
Westpac Bicentennial Foundation	-	-	-	-	-	-	70	70
Tax provision	-	-	-	-	-	-	(70)	(70)
<b>Cash earnings</b>	<b>2,582</b>	<b>1,580</b>	<b>895</b>	<b>1,468</b>	<b>790</b>	<b>122</b>	<b>191</b>	<b>7,628</b>

1. Cash earnings adjustment relates to amortisation of intangible assets including the core deposit intangible and credit cards related to the merger with St.George, as well as intangible assets related to Lloyds acquisition. 2 Cash earnings adjustment reflects amortisation of intangible assets related to financial planner relationships following merger with St.George, as well as intangible assets from JOHCM acquisition.

# Appendix 3:

## Internationally comparable capital ratio

- APRA has maintained its conservative stance in setting capital standards, resulting in a significant variance between capital measured under APRA and the Basel III Framework
- In August 2014 the Australian Bankers Association released a report prepared by PwC titled “International comparability of capital ratios of Australia’s major banks”. This report sets out the basis for an internationally comparable CET1 ratio for the major Australian banks, using the findings from the Basel Committee for Banking Supervision’s March 2014 report on its assessment of Basel III regulations in Australia, and other items identified by PwC as areas where APRA’s implementation is different to other jurisdictions

Westpac’s CET1 ratio as at 31 December 2014 (APRA basis)		8.4%
Capital deductions	APRA requires 100% deductions from capital for DTA, intangibles relating to capitalised expenses and all investments (e.g. financial institutions, funds management and insurance subsidiaries). The Basel Framework allows a concessional threshold before these deductions apply. Assets below the threshold can be risk weighted	111bps
Mortgage loss given default (LGD) 20% floor	The Basel Framework imposes a 10% floor in downturn loss given default (LGD) models used for residential mortgages, whereas APRA imposes a 20% floor. A 15% flat LGD is has been assumed as a reasonable proxy	49bps
Specialised lending	APRA rules for “specialised lending” (corporate lending to project finance, certain real estate exposures, commodity finance, etc) are more conservative than those contained in the Basel Framework and / or which are applied by most other prominent jurisdictions	58bps
Interest rate risk in the banking book (IRRBB)	APRA’s rules require the inclusion of IRRBB within Pillar 1 risk weighted assets for banks using Advanced Internal Ratings Based (AIRB) approaches. IRRBB is not required to be assessed under Pillar 1 in the Basel Framework. It is highlighted as a risk that may be taken into account in assessing Pillar 2 capital ratios	14bps
Corporate lending	<p><i>Undrawn corporate lending EAD<sup>1</sup></i> – APRA’s rules typically require AIRB banks to risk weight 100% of undrawn commitments in the AIRB bank’s corporate loan book. It is considered reasonable to apply the Foundation Internal Ratings Based (FIRB) conversion factor of 75% to the undrawn commitments in the AIRB banks corporate loan books</p> <p><i>Unsecured corporate lending LGD<sup>2</sup></i> – It is considered reasonable to apply the FIRB assumption of 45% LGD to unsecured corporate lending, which is typically lower than the APRA-approved LGD. This brings Australian banks more in line with banks in other jurisdictions</p>	97bps
Other	Other minor items and interaction effects between capital and RWA adjustments	78bps
<b>Internationally comparable CET1 ratio</b>		<b>12.4%</b>

# Appendix 4:

## Definitions

### Financial performance

<b>Core earnings</b>	Operating profit before income tax and impairment charges
<b>AIEA</b>	Average interest earning assets
<b>Net interest spread</b>	The difference between the average yield on all interest bearing assets and the average rate paid on all interest bearing liabilities
<b>Net interest margin</b>	Net interest income divided by average interest-earning assets
<b>Full-time equivalent employees (FTE)</b>	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight
<b>Internationally comparable</b>	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items as identified in the August 2014 Australian Bankers Association's report titled "International comparability of capital ratios of Australia's major banks" prepared by Pricewaterhouse Coopers. This report is available at <a href="http://www.bankers.asn.au/FSL/Papers-and-Reports/Papers-and-Reports">http://www.bankers.asn.au/FSL/Papers-and-Reports/Papers-and-Reports</a>
<b>Australian customers with wealth products metrics provider</b>	Data based on Roy Morgan Research, Respondents aged 14+ and 12 month average to September 2014. Wealth penetration is defined as the proportion of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with a Banking Group and also have Managed Investments, Superannuation or Insurance with the same Banking Group. WRBB includes Bank of Melbourne (until Jul 2011), BT, Bankers Trust, BT Financial Group, 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, Bankers Trust, BT Financial Group, Challenge Bank, RAMS, Rothschild, Westpac, Advance Bank, Asgard, BankSA, Barclays, Dragondirect, Sealcorp and St.George. 'Majors includes: ANZ Group, CBA Group, NAB Group, WRBB and St. George'

### Asset quality

<b>Stressed loans</b>	Stressed loans are the total of watchlist and substandard, 90 days past due well secured and impaired assets
<b>Impaired assets</b>	<p>Impaired assets can be classified as</p> <ol style="list-style-type: none"> <li>1. Non-accrual assets: Exposures with individually assessed impairment provisions held against them, excluding restructured loans</li> <li>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</li> <li>3. 90 days past due (and not well secured): exposures where contractual payments are 90 days or more in arrears and not well secured</li> <li>4. other assets acquired through security enforcement</li> <li>5. any other assets where the full collection of interest and principal is in doubt</li> </ol>
<b>90 days past due - well secured</b>	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
<b>Watchlist and substandard</b>	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
<b>Individually assessed provisions or IAPs</b>	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are individually significant. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the statement of financial performance
<b>Collectively assessed provisions or CAPs</b>	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

# Information for investors

## Contact our global funding team

### Curt Zuber

Treasurer, Westpac Banking Corporation  
+61 2 8253 4230  
czuber@westpac.com.au

### Joanne Dawson

Deputy Treasurer, Westpac Banking Corporation  
+61 2 8204 2777  
joannedawson@westpac.com.au

### Alexander Bischoff

Director, Global Funding  
+61 2 8253 4314  
abischoff@westpac.com.au

### Guy Volpicella

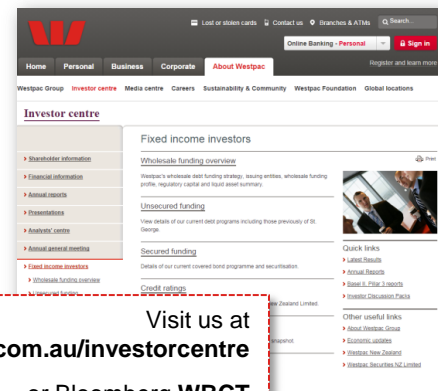
Executive Director, Structured Funding and Capital  
+61 2 8254 9261  
gvolpicella@westpac.com.au

### Richard Salmon

Associate Director, Global Funding  
+61 2 8253 4314  
rsalmon@westpac.com.au

### Jacqueline Boddy

Director, Debt Investor Relations  
+61 2 8253 3133  
jboddy@westpac.com.au



Visit us at  
[www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)  
or Bloomberg WBCT

## Investor reporting for covered bond investors

Investor reports available at  
[www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

### Go to Secured Funding

Reports are available in PDF and Excel format

## Westpac Banking Corporation

### Investor Reports

- November 2011
- December 2011
- January 2012
- February 2012
- March 2012
- April 2012
- May 2012
- June 2012
- July 2012
- January 2014
- February 2014
- March 2014
- April 2014
- May 2014
- June 2014
- July 2014
- August 2014

