



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

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Full Year 2014

Highlights

All comparisons to Full Year 2013 unless otherwise stated.

Highlights

- Rated AA- / Aa2 / AA- with a Stable outlook
- Operating environment has remained supportive
- Strong performance from Australian Financial Services
- Asset quality a highlight

Financials

- Full Year 2014 cash earnings \$7.6bn, up 8%
- Return on average ordinary equity 16.4%, up 48bps
- Earnings per share 245.4cents, up 8%
- Impairment charge \$650m or 12bps of average gross loans

Balance sheet

- Gross impaired assets \$2.3bn, 35% lower
- Total regulatory capital ratio 17.2% Basel III internationally comparable basis¹ (12.3% APRA Basel III basis)
- CET1 ratio 13.1% Basel III internationally comparable basis¹ (9.0% APRA Basel III basis)
- Stable funding ratio² 83%
- Liquid assets \$134bn

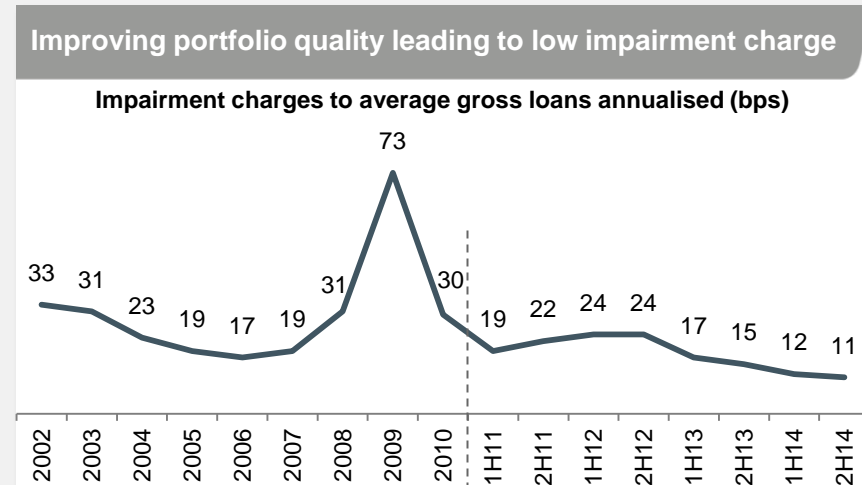
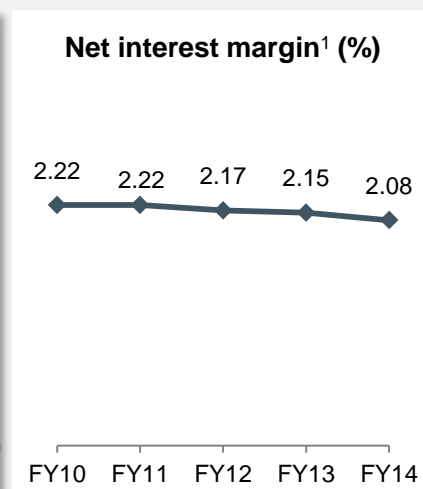
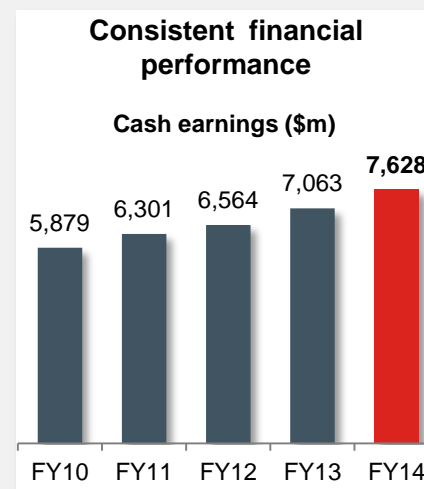
Regulation

- On track for LCR implementation on 1 January 2015 – above 100% (pro-forma at September 2014)
- Capital ahead of regulatory minimums effective January 2016
- Financial System Inquiry final report expected November 2014

¹ Based on PwC report. Refer Appendix 3 for definition of internationally comparable. ² 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.

Consistent, high quality financial performance in Full Year 2014

FY14 Financial Results	FY14	% Change FY14 – FY13
Financial results (A\$m)		
Net profit after tax	7,561	12
Cash earnings ¹	7,628	8
Net operating income ¹	19,820	5
Expenses ¹	8,246	6
Impairment charges	650	(23)
Financial metrics		
Return on average ordinary equity ¹	16.4%	48bps
Earnings per share ¹	245.4c	8
Net interest margin ¹	2.08%	(7bps)
Expense to income ratio ¹	41.6%	40bps
Balance sheet and asset quality		
Net loans	\$580bn	8
Customer deposits	\$409bn	7
Total impaired loans to total loans	0.40%	(27bps)
Net write-offs to average loans annualised	23bps	(2bps)



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

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

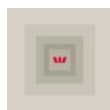
BT Financial Group

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

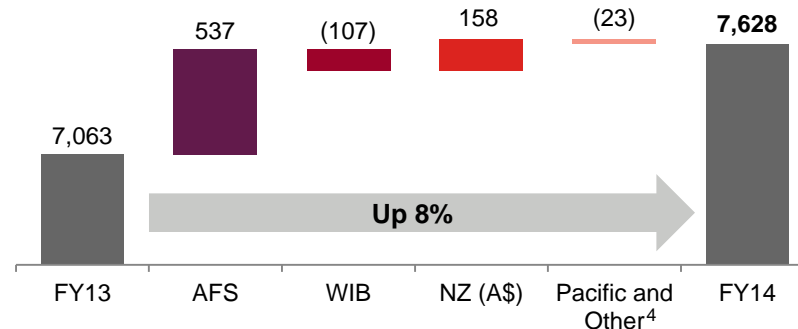
Banking and wealth services to consumers, businesses and institutions in New Zealand



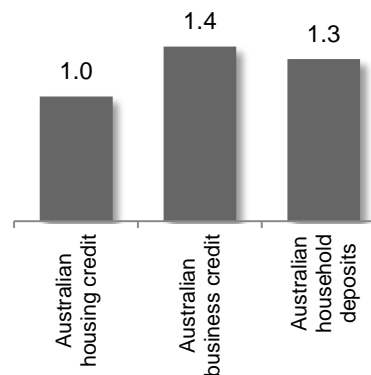
Division	FY14 cash earnings ¹ (\$m)	% Mov't FY14-FY13	% of FY14 Group cash earnings ¹
Westpac R&BB	2,582	10	34
St. George	1,580	14	21
BT Financial Group	895	16	12
WIB	1,468	(7)	19
New Zealand (NZ\$)	864	13	10
Pacific and Other ³	313	(7)	4

Strong contribution from Australian retail banking and wealth businesses

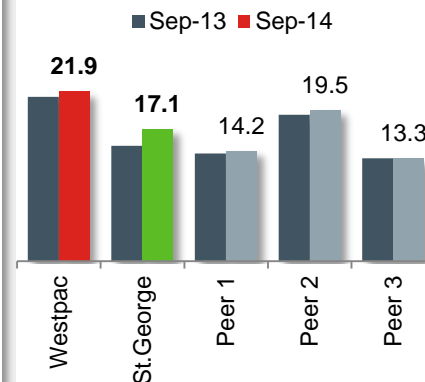
Cash earnings¹ (\$m)



Westpac vs system growth² 2H14 (multiple)



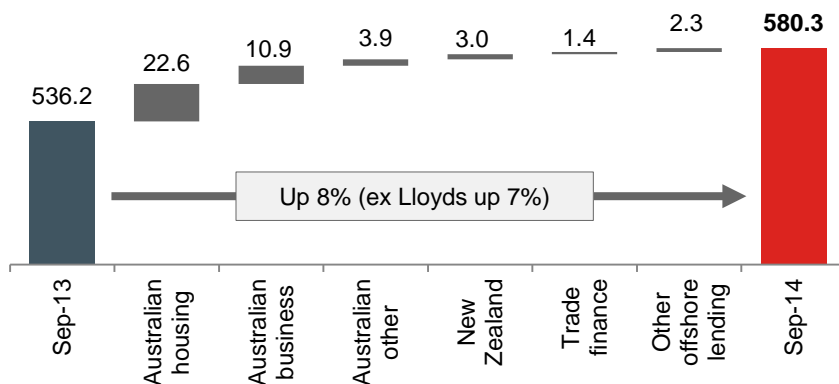
Banking customers with a wealth product³ (%)



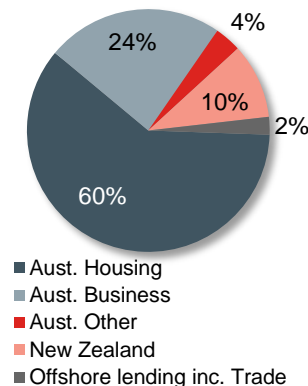
¹ Cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Appendix 1 for a reconciliation of reported net profit to cash earnings. ² Sources: APRA Banking Statistics. Reserve Bank of Australia. ³ See Appendix 4 for Wealth metric definition and provider details. ⁴ Other includes Group Businesses,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

Improved balance sheet growth

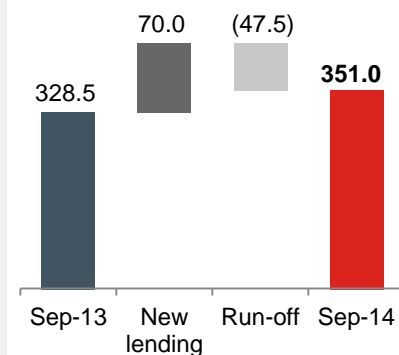
Net loans (\$bn)



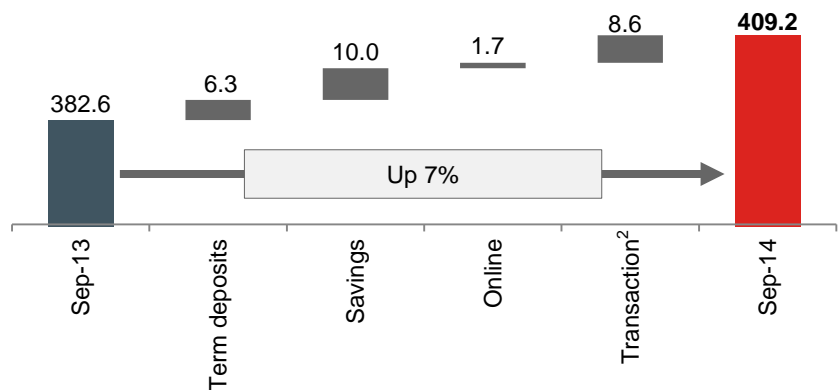
Total loan composition (%)



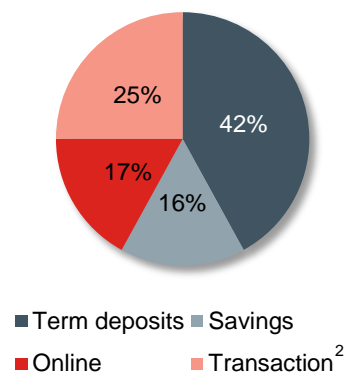
Australian mortgage lending (\$bn)



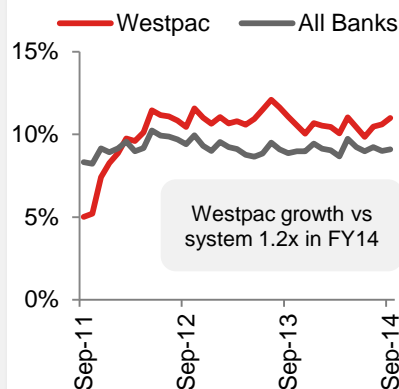
Customer deposits (\$bn)



Customer deposit composition (%)



Australian household deposits annual growth¹ (%)

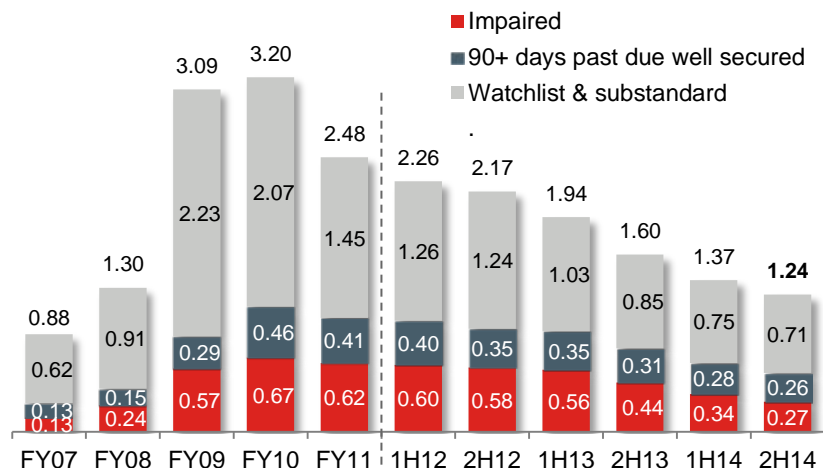


¹ APRA Banking Statistics, September 2014. ² Mortgage offset accounts are included in transaction accounts.

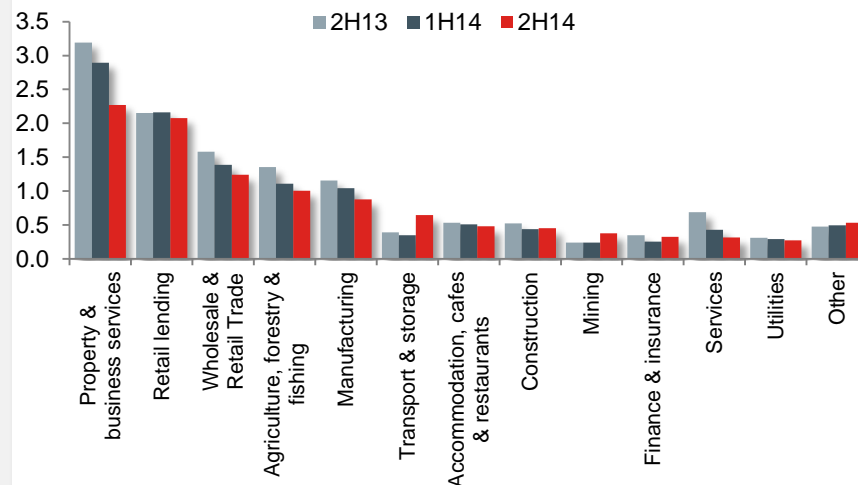
Asset quality a highlight

Stress reducing across most sectors

Stressed exposures as a % of TCE and provisions¹ (\$m)



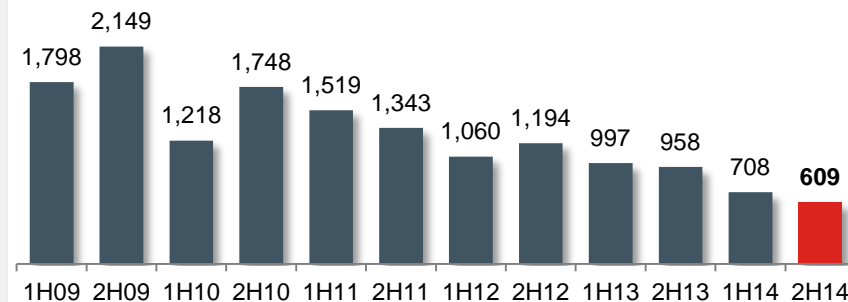
Stressed exposures by industry (\$bn)



Provisioning coverage ratios

	2H13	1H14	2H14
Collectively assessed provisions to credit risk weighted assets	99bps	97bps	93bps
Collectively assessed provisions to performing non-housing loans	142bps	134bps	129bps
Total impairment provisions for impaired loans to total impaired loans	43%	46%	45%
Total provisions for impairment on loans and credit commitments to total loans	73bps	67bps	60bps

New and increased gross impaired assets (\$m)



¹ TCE is Total Committed Exposures. FY07 and FY08 do not include St.George.

Australian mortgage portfolio performing well

High levels of borrower equity

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

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).

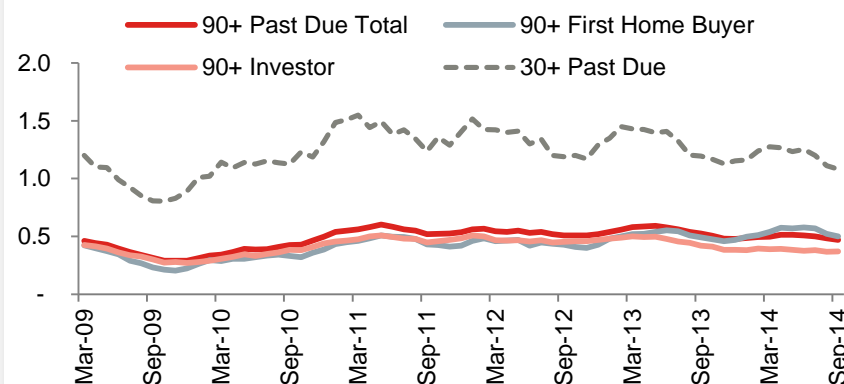
Delinquencies

- 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 (%)



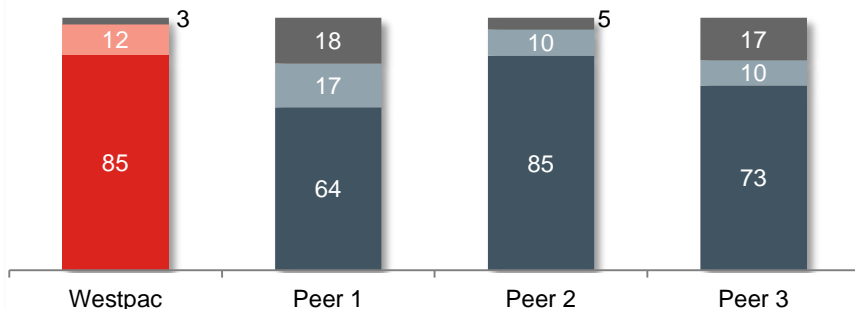
A high quality credit

Domestic focus, balance sheet strength, consistent returns

Clear focus on Australia and New Zealand

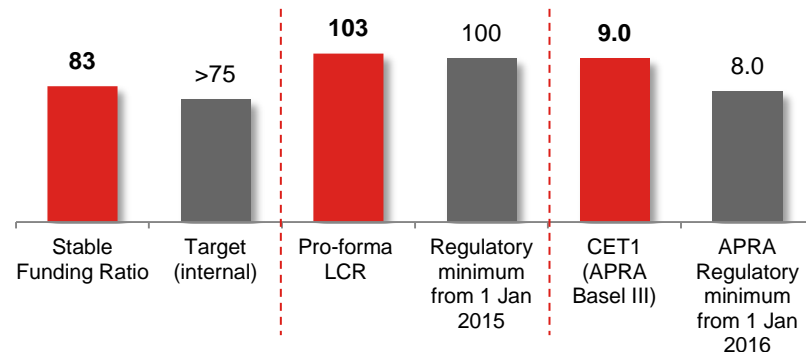
Total income by geography¹ (%)

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



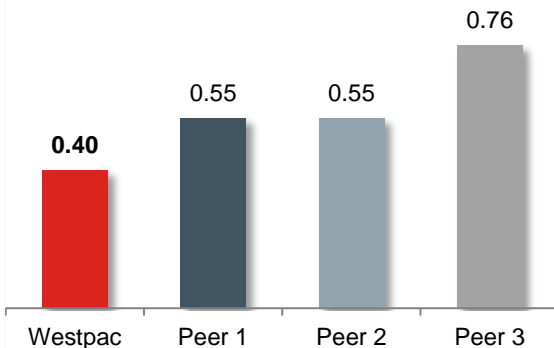
Maintaining a strong balance sheet

Westpac key balance sheet ratios at 30 September 2014 (%)



Risk management a competitive advantage

Total impaired loans to total loans² (%)

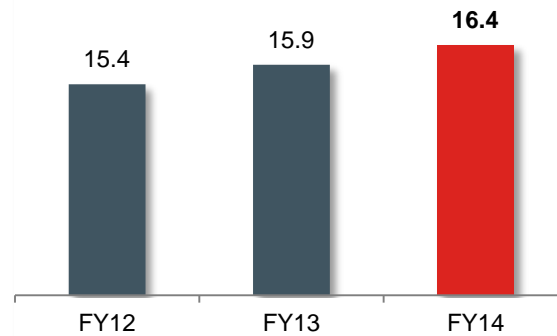


Brands supporting targeted growth



Consistent returns

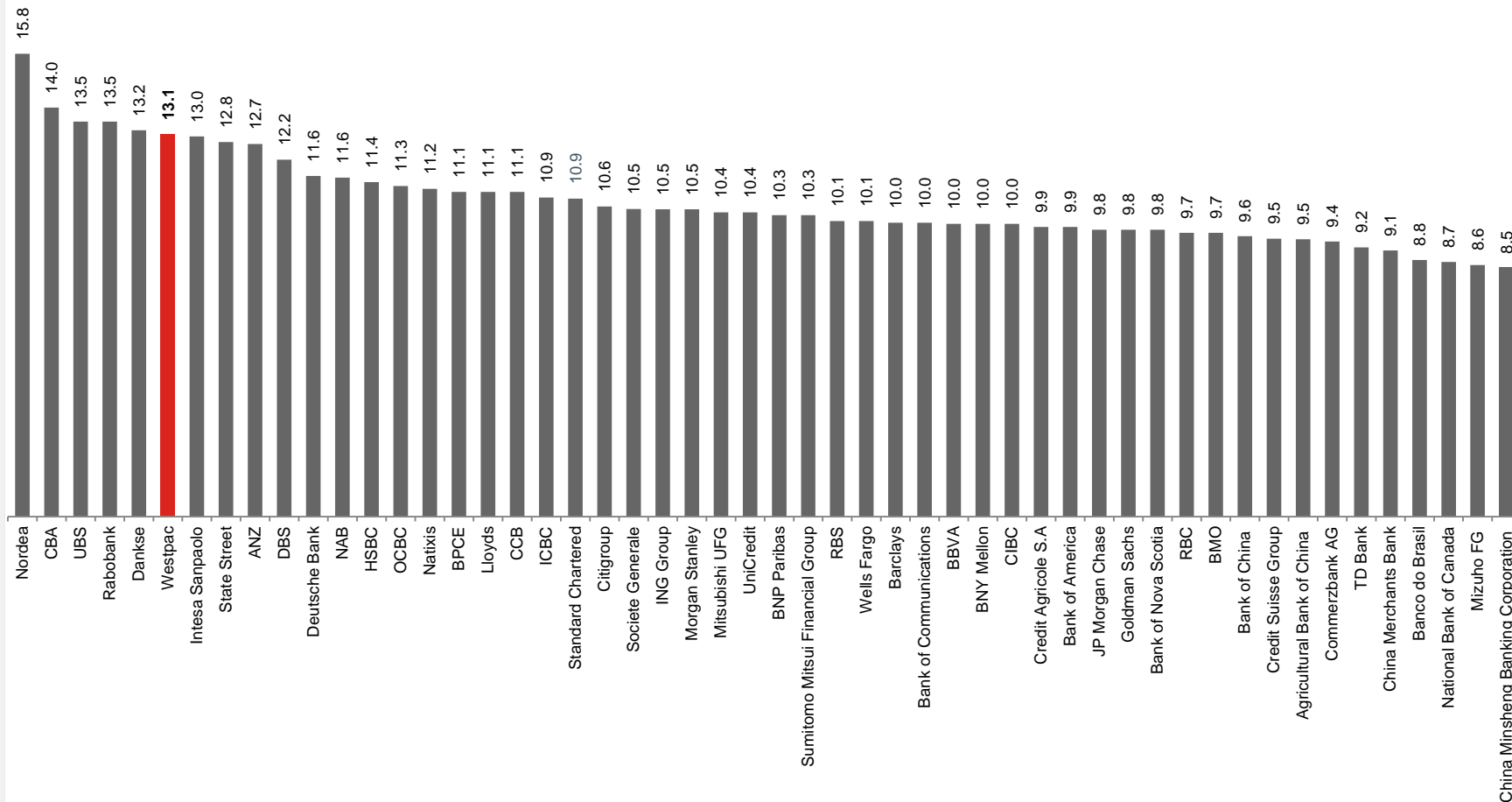
Westpac return on average ordinary equity (cash earnings basis) (%)



¹ Source: Company Annual Reports. Westpac, Peer 1 and Peer 3 as at 30 September 2014. Peer 2 as at 30 June 2014. ² Source: Company reports. Westpac, Peer 1 and Peer 3 as at 30 September 2014. Peer 2 as at 30 June 2014.

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

Global peer comparison of Basel III pro-forma CET1 capital ratios¹ (%)

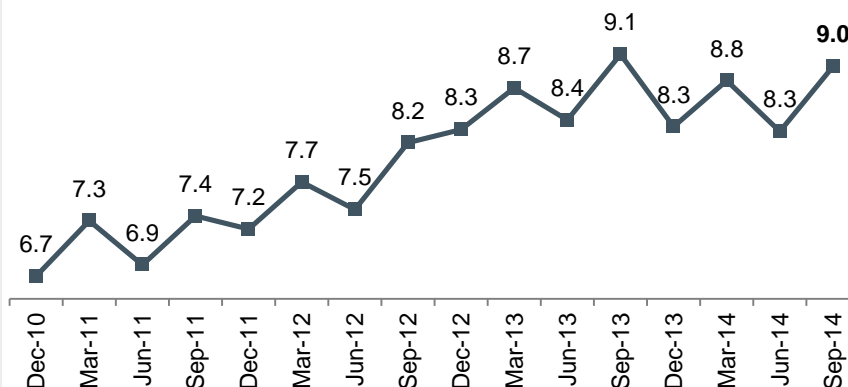


¹ Based on PwC report. Refer Appendix 3 for definition of internationally comparable. Rabobank, Morgan Stanley and Goldman Sachs calculated as at 31 December 2013. CCB, ICBC, Mitsubishi UFJ, Sumitomo Mitsui, Bank of Communications, Bank of China, Agricultural Bank of China, China Merchants Bank, Mizuho 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 levels using APRA and internationally comparable measures

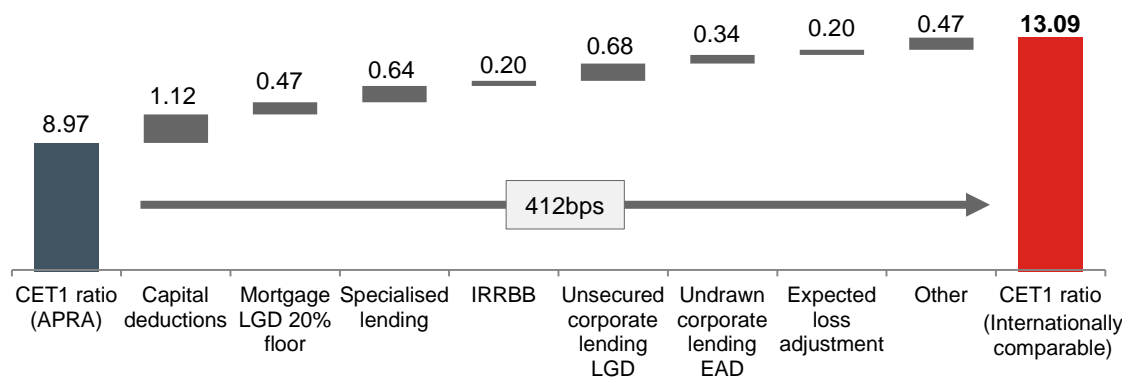
Key capital ratios ¹ (%)	Sep-13	Mar-14	Sep-14
Common equity tier 1 capital ratio	9.1	8.8	9.0
Additional tier 1 capital	1.6	1.5	1.6
Tier 1 capital ratio	10.7	10.3	10.6
Tier 2 capital	1.6	1.8	1.7
Total regulatory capital ratio	12.3	12.1	12.3
Risk weighted assets (\$bn)	307.4	322.5	331.4
Common equity tier 1 capital ratio (Internationally comparable ²)	13.3	13.1	13.1

Common equity tier 1 capital ratio³ (APRA Basel III basis) (%)



- Westpac's CET1 ratio under APRA Basel III measure is above regulatory minimums effective Jan 2016
- APRA has maintained its conservative stance, resulting in a significant variance between capital measured under APRA and the Basel III Framework
- CET1 ratio using internationally comparable methodology – based on Basel Committee for Banking Supervision's March 2014 report and report prepared by PwC in August 2014 – is significantly higher

Common equity tier 1 capital ratio^{2,4} (%)



¹ All capital ratios and risk weighted assets disclosed in this presentation are calculated on a Westpac Level 2 consolidated basis. ² For a full reconciliation of Westpac's APRA Basel III common equity tier 1 capital to internationally comparable Basel III, please refer Appendix 3. ³ All numbers prior to March 2013 on a pro-forma Basel III basis. ⁴ LGD is Loss Given Default. EAD is Exposure at Default. IRRBB is Interest Rate Risk in the Banking Book.

Strong capital structure

Ahead of regulatory minimums

Developments in FY14

D-SIB – In December 2013, APRA announced the 4 major Australian banks as D-SIBs. D-SIBs are required to hold an additional 1% of common equity tier 1 capital. D-SIB buffer effective from 1 January 2016.

Level 3 reforms – In May 2014 APRA clarified the treatment of external debt held in intermediate holding companies. In most instances this will be a deduction from CET1. Westpac had no such arrangements and is not impacted. Transition arrangements apply for other majors.

Preferred Capital Range – Westpac has revised its preferred capital range to 8.75% - 9.25%.

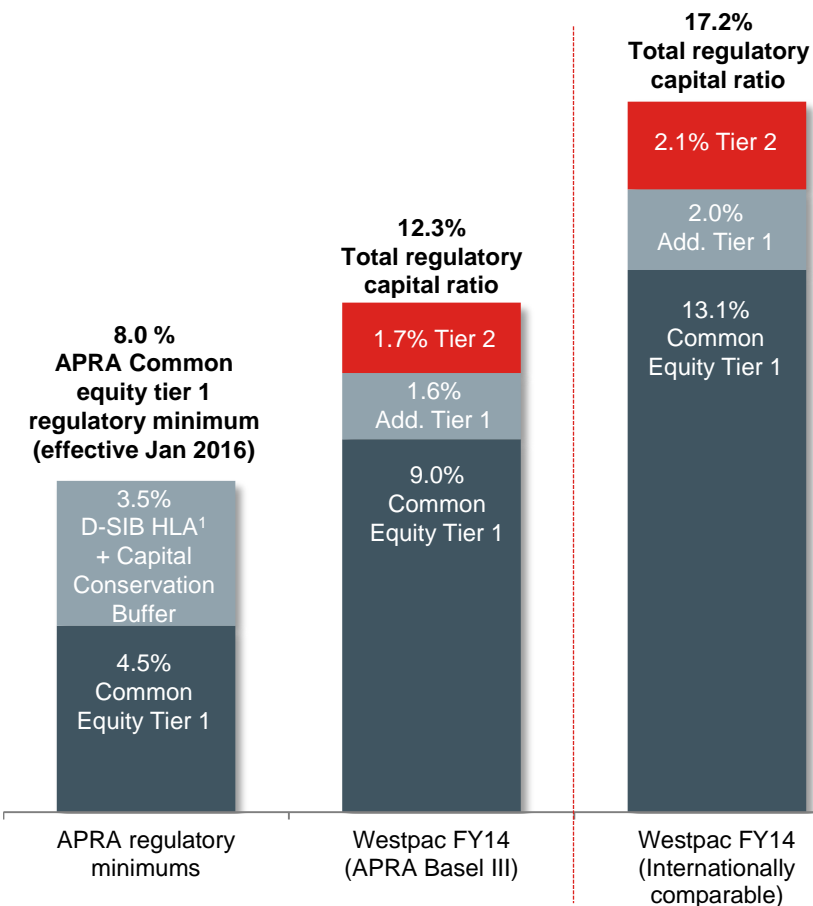
Future considerations

Financial System Inquiry – The Inquiry is expected to release its final report to the Australian Federal Treasurer in November 2014. The Government may further consult with industry in considering the Inquiry's recommendations.

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 ¹ 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

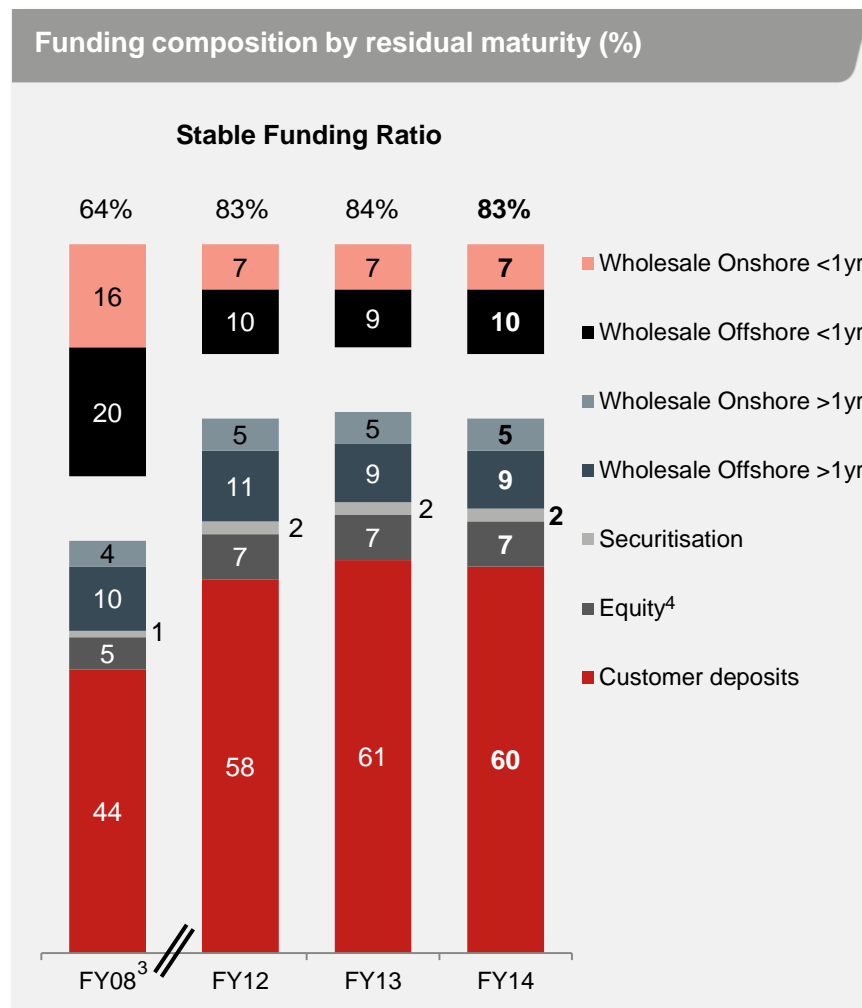
¹ HLA is Higher Loss Absorbency.

Westpac's capital base



Stable Funding Ratio 83%

- Stable Funding Ratio 83% down 73bps FY14/FY13
 - Asset growth over the year, including the acquisition of the Lloyds business in December 2013 was funded primarily through customer deposits and new term wholesale funding. An increase in short term funding was used to fund growth in short term assets
- Customer deposits increased by \$27bn over FY14, with a focus on deposit quality
 - Household deposits growth 1.2x system¹
- Term wholesale funding increased by \$8bn
 - Term funding raised in FY14 (\$33bn) had a weighted average tenor of 4.7 years², providing a stable source of funds for the bank
- Short term funding increased by \$13bn over FY14, supporting an increase in short dated assets, mainly growth in trade finance in Asia and Australia
 - Weighted average maturity of short term funding portfolio little changed at 144 days



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.

Strong liquidity position

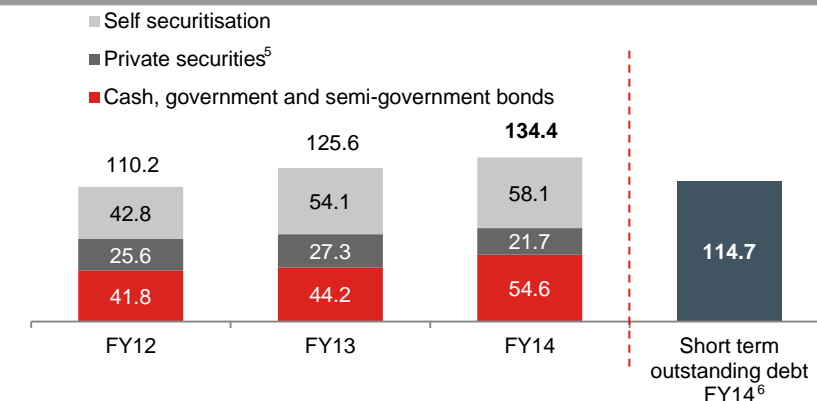
On track for introduction of LCR

- Westpac is well positioned for the introduction of the Liquidity Coverage Ratio (LCR)
 - Westpac Group pro-forma LCR¹ 103% at 30 September 2014
 - As the Group transitions towards LCR implementation, further initiatives planned to deliver a suitable buffer above 100%
- The LCR requires banks to hold 100% of their net cash outflows over a 30-day stressed scenario in qualifying liquid assets
 - Westpac held \$59bn of High Quality Liquid Assets (HQLA) at 30 September 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
- LCR rules apply for Australian banks from 1 January 2015, with no transition arrangements
 - Formal 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

Group pro-forma Liquidity Coverage Ratio¹ (\$bn)

High Quality Liquid Assets ² (HQLA)	59
Committed Liquidity Facility ³ (CLF)	66
Total LCR liquid assets	125
Customer deposits	75
Wholesale funding	20
Other flows ⁴	26
Total cash outflows	121
Pro-forma LCR¹	103%

Liquid assets (\$bn)

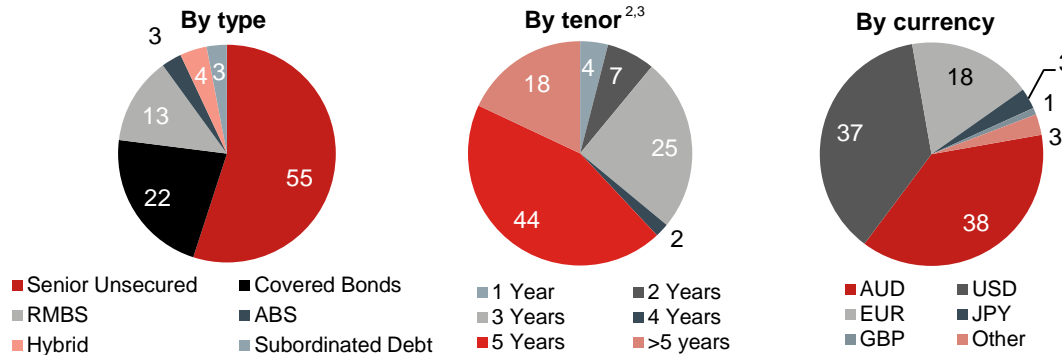


¹ Calculated on a spot basis as at 30 September 2014, including the CLF approved by APRA of \$66bn for calendar year 2015. ² HQLA of \$59bn includes cash at hand (including ATMs) and other LCR qualifying liquid assets including BS-13 qualifying liquids, less RBA open repos funding end of day ESA balances with the RBA. ³ Includes RBA open repos funding end of day ESA balances with the RBA. ⁴ Other flows includes credit and liquidity facilities, collateral outflows and inflows from customers. ⁵ Private securities include Bank paper, RMBS, and Supra-nationals. ⁶ Includes long term wholesale funding with a residual maturity less than 1 year.

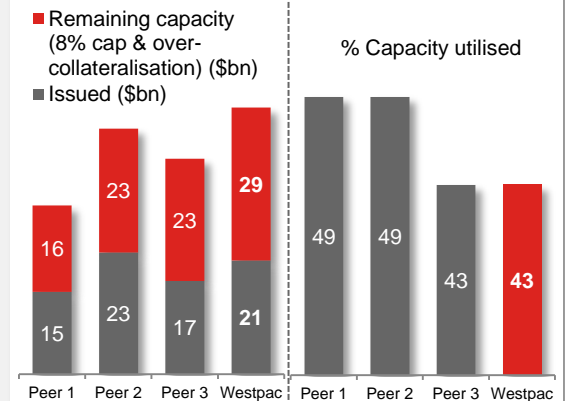
FY14 term issuance well diversified

Benefit from broad product capabilities

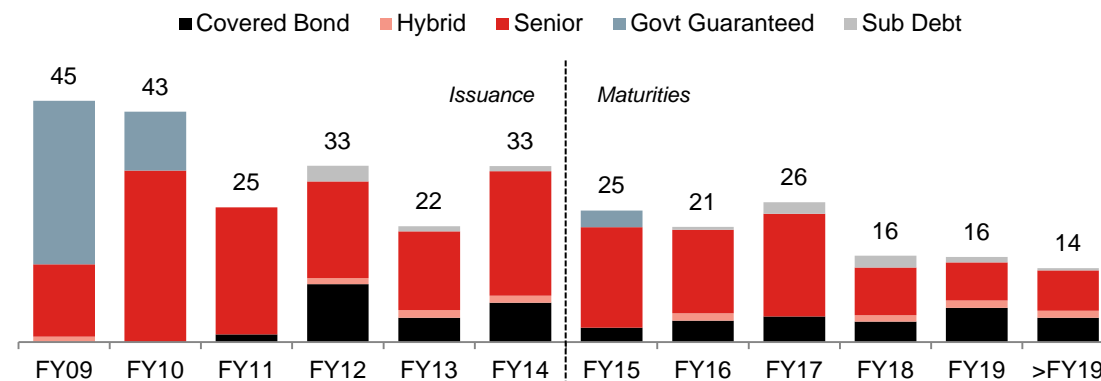
FY14 new term issuance composition¹ (%)



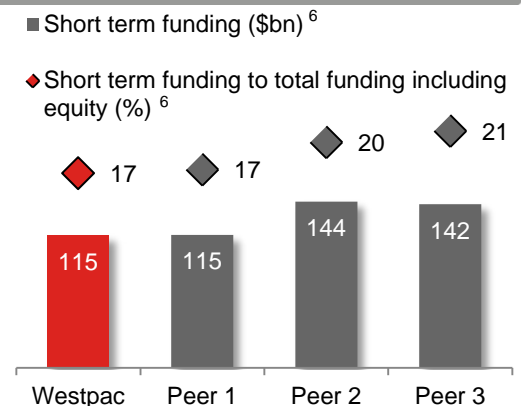
Australian covered bond issuance⁵



FY14 term debt issuance and maturity profile^{1,2,4} (\$bn)



Low level of short term funding



¹ Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months, excluding US Commercial Paper. ² Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. ³ Tenor excludes RMBS and ABS. ⁴ Perpetual sub-debt has been included in >FY19 maturity bucket. Maturities exclude securitisation amortisation. ⁵ Sources: Westpac, APRA Banking Statistics August 2014. ⁶ Short term funding includes Central Bank deposits and long term wholesale funding with a residual maturity less than 1 year. Source: Westpac, Company reports. Westpac, Peer 1 and Peer 3 as at 30 September 2014, Peer 2 as at 30 June 2014.

Economic snapshot

Areas of interest

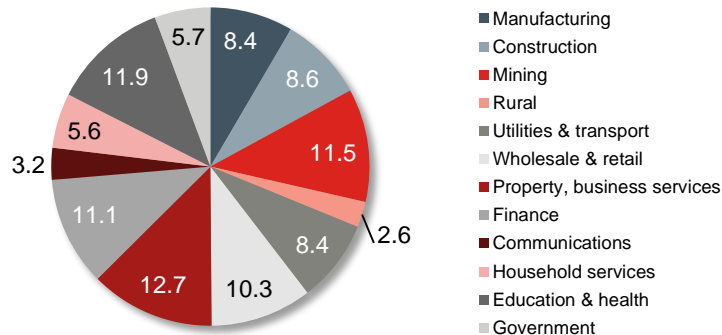
Key economic indicators (%) as at October 2014

Calendar year		2014f	2015f
World	GDP	2.9	3.7
Australia	GDP	3.2	3.2
	CPI headline – year end	2.2	2.8
	Interest rates – cash rate	2.5	3.0
	Credit growth, Total – year end	5.2	6.7
New Zealand	GDP	3.6	3.2
	Interest rates – official cash rate	3.5	4.0
China	GDP	7.4	7.5

Source: Westpac Economics.

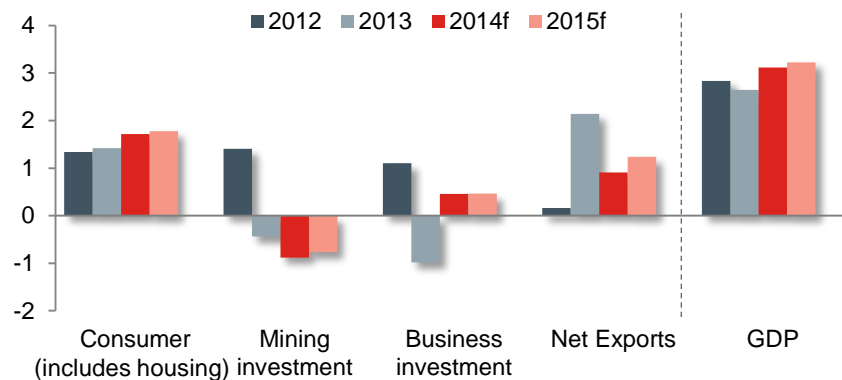
Australia's economy: diversified and flexible

Sector contribution to GDP (%)¹



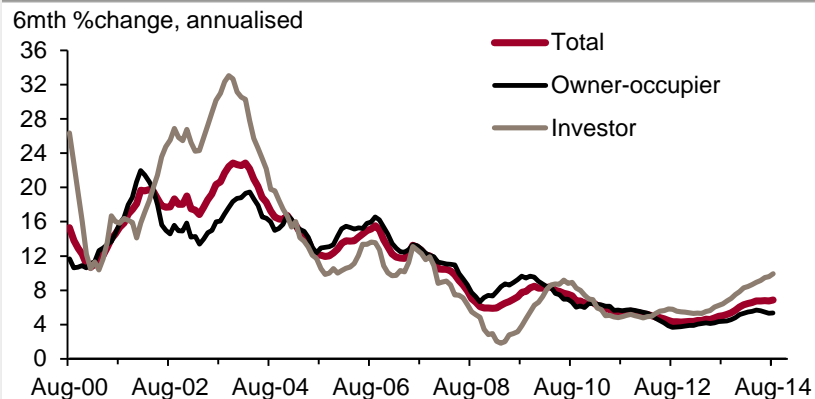
Sources: ABS, Westpac Economics. 1 Excludes ownership of dwellings and taxes less subsidies.

Australian growth mix: Contributions to GDP growth (%)



Sources: ABS, Westpac Economics.

Housing credit momentum



Sources: RBA, Westpac Economics.

Full Year 2014

Summary

- ▶ Operating environment remains supportive
- ▶ Consistent, high quality financial performance
- ▶ Strong performance from Australian Financial Services
- ▶ Asset quality a highlight
- ▶ Capital strength maintained; ahead of regulatory minimums effective January 2016
- ▶ On track for LCR implementation on 1 January 2015 – above 100%
- ▶ Wholesale funding focused on diversity, flexibility and sound execution



AUSTRALIAN HOME LENDING

Westpac

st.george

bankSA

**Bank of
Melbourne**

RAMS

BT Financial Group

WESTPAC BANKING CORPORATION

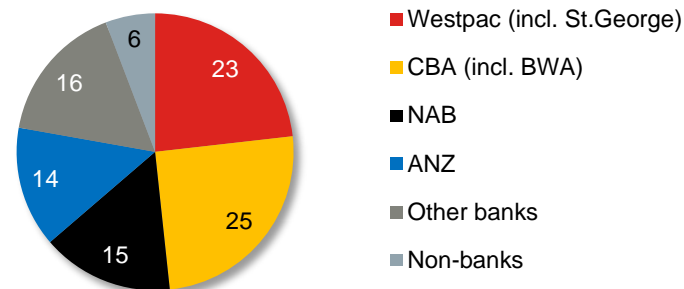
ABN 33 007 457 141

Australian mortgage market features underpin asset quality

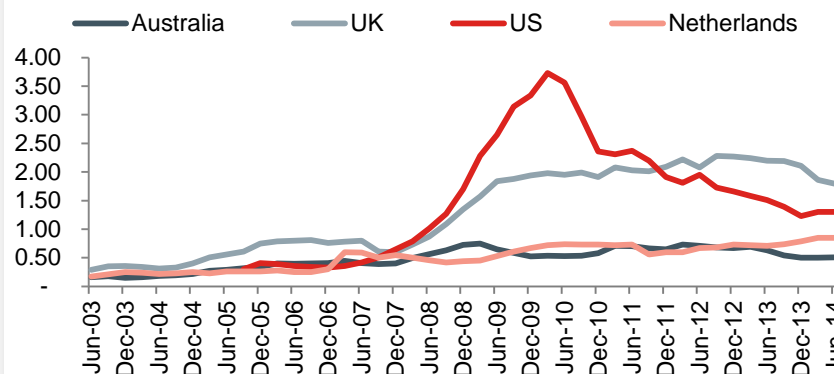
Australian mortgage market

Bank market share	<ul style="list-style-type: none"> 4 major banks have 77% share of housing credit¹ Major banks have a lower share of low doc market, with low flow in this segment over recent years
Lenders recourse	<ul style="list-style-type: none"> Banks in Australia have full recourse to the borrower's mortgaged property, other assets and future earnings Banks can and do pursue defaulting borrowers for losses Reduces speculative buying behaviour
Products	<ul style="list-style-type: none"> Majority of housing loans are variable rate Fixed rate loans for short periods of time – in most cases customers opt for 3 to 5 years Fixed rate borrowers generally incur a break fee if they choose to refinance within the fixed period Interest rate buffers built into loan serviceability tests at application; Interest-only loans assessed on a full Principal & Interest basis Interest payments on primary residence are not tax deductible, provides incentive to pay off mortgage
Regulation	<ul style="list-style-type: none"> For mortgage insured loans, mortgage insurance covers the entire loan Strict prudential supervision provided by one national regulator, APRA 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
Performance	<ul style="list-style-type: none"> Australian 90+ day prime arrears at low levels - absolutely and relative to other major economies

Australian housing credit market share¹ (% of financial system)



90+ day prime arrears by country² (%)

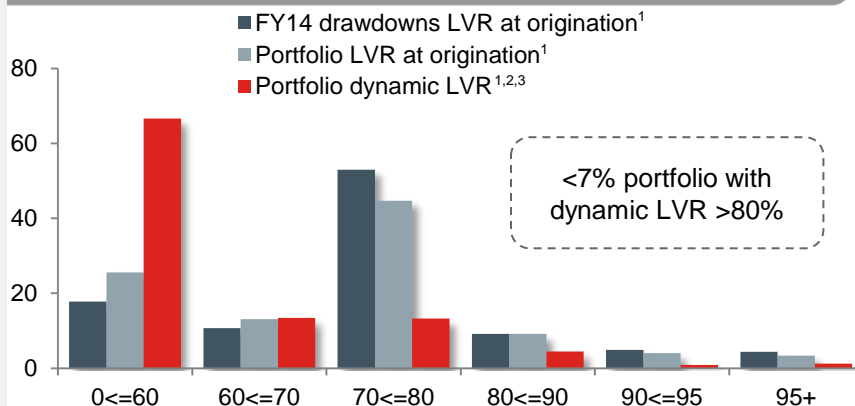


¹ Source: APRA Banking Statistics August 2014. ² Source: S&P and Bloomberg.

Westpac's Australian mortgage portfolio

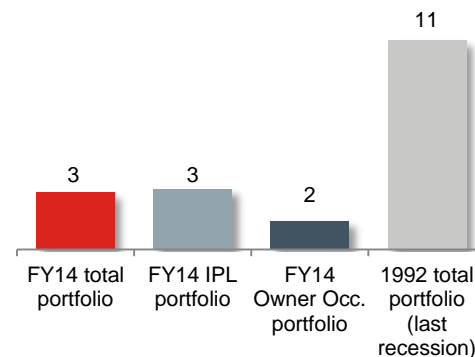
high levels of borrower equity

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

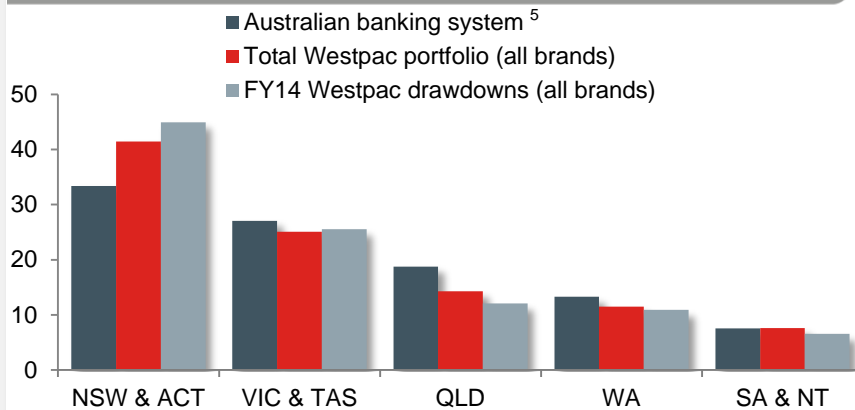


Australian mortgage loss rates (bps)

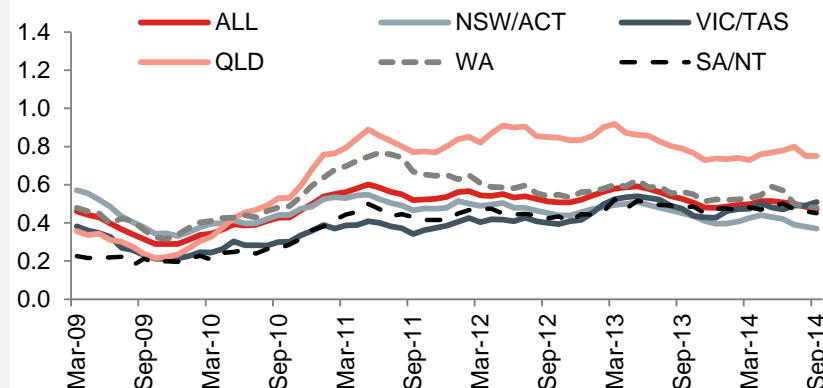
- Portfolio losses of \$100m represent an annualised loss rate of 3bps (net of insurance claims⁴)
- Loss rates remain very low by international standards due to supportive economic environment, sound underwriting standards, high levels of borrower equity, mortgage insurance and active collections strategies



Australian housing portfolio by State (%)



Australian mortgages delinquencies by state (%)

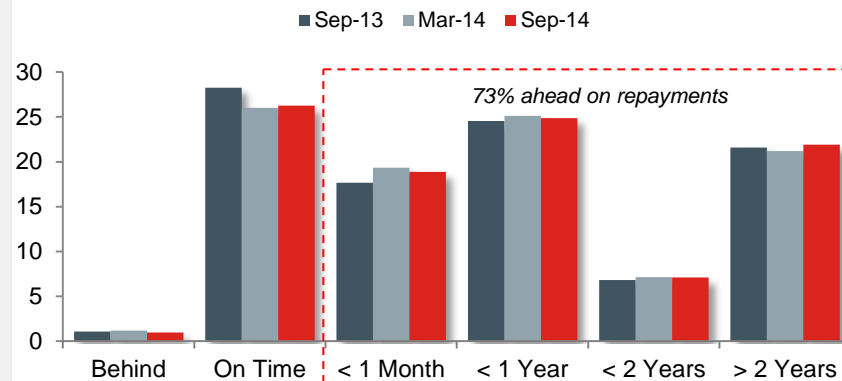


¹ Excludes RAMS. ² Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. ³ Property valuation source Australian Property Monitors. ⁴ Mortgage insurance claims 2H14 \$6m (1H14 \$3m, 2H13 \$14m). ⁵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

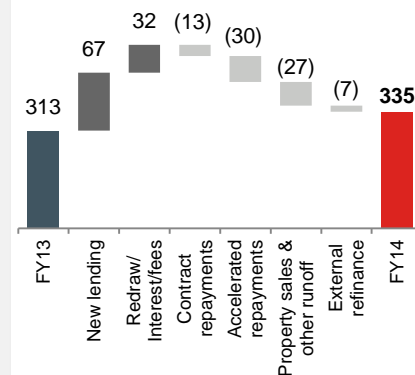
Mortgage customers continuing to repay ahead of schedule

- 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

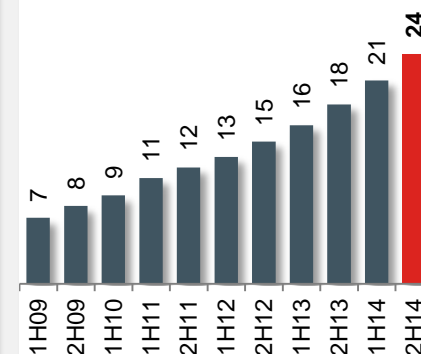
Australian home loan customers ahead on repayments^{1,2} (%)



Australian mortgage¹ 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

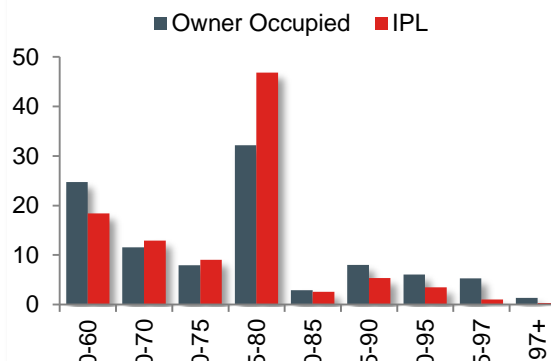
Strong origination standards

- 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

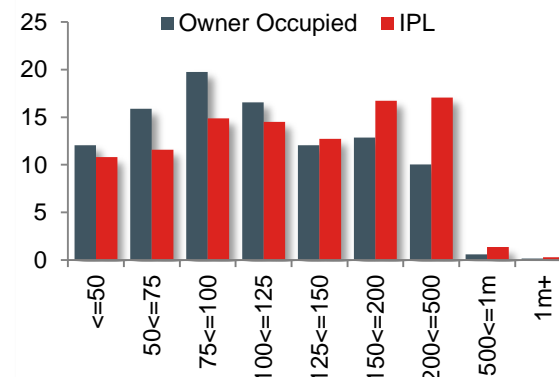
High levels of equity in the portfolio

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

Loan-to-value ratio at origination¹ (%)



Applicants by gross income band¹ (%)

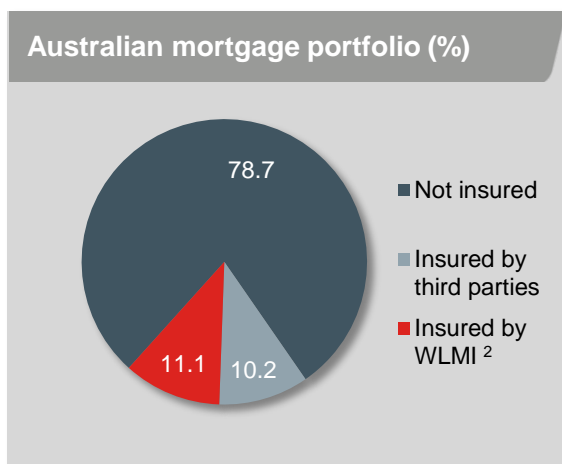


1 Excludes RAMS. 2 Dynamic LVR represents the loan-to-value ratio taking into account the current outstanding loan balance, changes in security value and other loan adjustments. 3 Property valuation source Australian Property Monitors. 4 Average LVR of new loans is based on rolling 12 month window

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 PCR¹
- 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"> • LVR ≤80% • Low Doc LVR ≤60% 	<ul style="list-style-type: none"> • LVR >80% to ≤ 90% • Low Doc LVR >60% to ≤ 80% 	<ul style="list-style-type: none"> • LVR >90%
Insurance	Not required	Generally insured through captive insurer, WLMI. LMI not required for certain approved borrower groups. LMI required by all Low Doc borrowers where LVR >60% to ≤ 80%	Insured externally. Westpac originated loans insured through QBE LMI; St.George and RAMS loans through Genworth Australia
Reinsurance	Not required	<ul style="list-style-type: none"> • 40% risk retained by WLMI. • 60% risk transferred through quota share with Genworth Australia, QBE LMI, Arch Re and Tokio Millennium 	Nil as Group retains no risk



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

¹ Prudential Capital Requirement (PCR) determined by APRA. ² Insured coverage is net of quota share. ³ 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
Key outcomes				
Stressed losses (bps) (net of LMI recoveries) ^{1,2}	3	26	32	7

¹ Assumes 30% of LMI claims will be rejected in a stressed scenario. ² 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

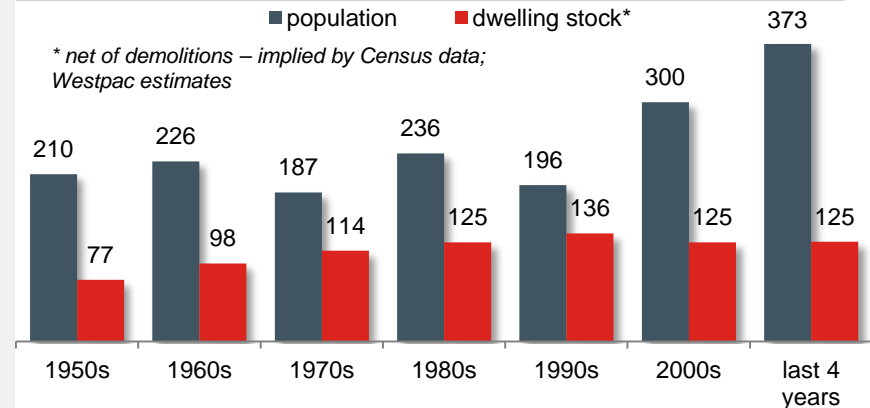
Full Valuation by Independent External Valuer	<ul style="list-style-type: none"> All higher risk transactions Including security types, locations, product type and loan purpose (e.g. large land areas, construction loans, serviced apartments) 	
Electronic Assessment	<ul style="list-style-type: none"> Electronic valuations are calculated using advanced statistical methods and property and location based information to estimate market value Restricted by LVR Restricted to land size 	<ul style="list-style-type: none"> Restricted to unit size Restricted by property type Restricted by variance to customer estimate or contract amount
Contract of Sale	<ul style="list-style-type: none"> For new purchases only Restricted by loan value Restricted to land size 	<ul style="list-style-type: none"> Restricted to unit size Fraud checking completed
Desktop Assessment	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Restricted by property type Restricted by postcode Restricted by loan value

Australian housing market

sound fundamentals

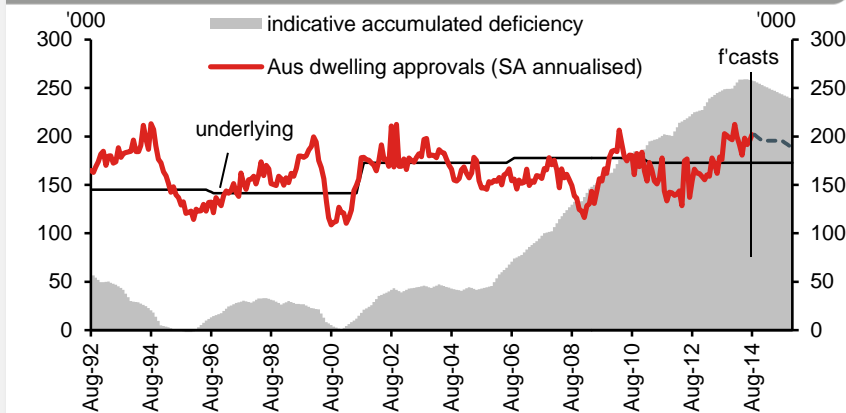
- Australian housing market continues to face a significant structural undersupply
- A persistently low level of new building over the last decade has combined with a strongly migration-led burst in population growth. While Australia's annual population increase has lifted from just under 200,000 a year 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)



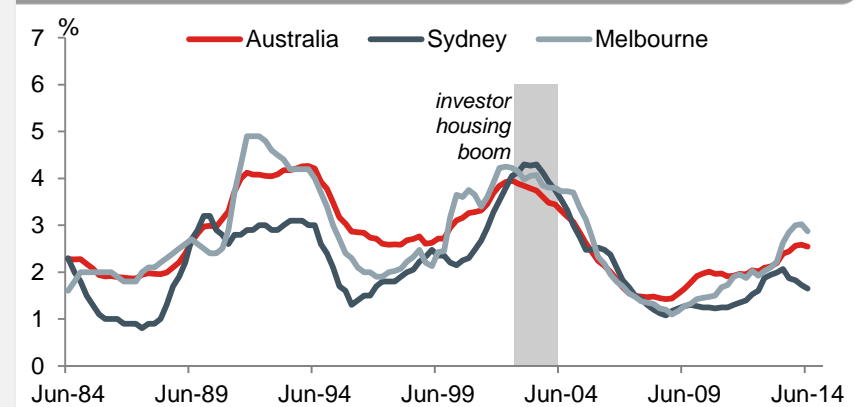
Sources: REIA, Westpac Economics.

Australia's housing stock deficiency



Sources: ABS, Westpac Economics.

Rental vacancy rates (%)



Sources: ABS, Westpac Economics.

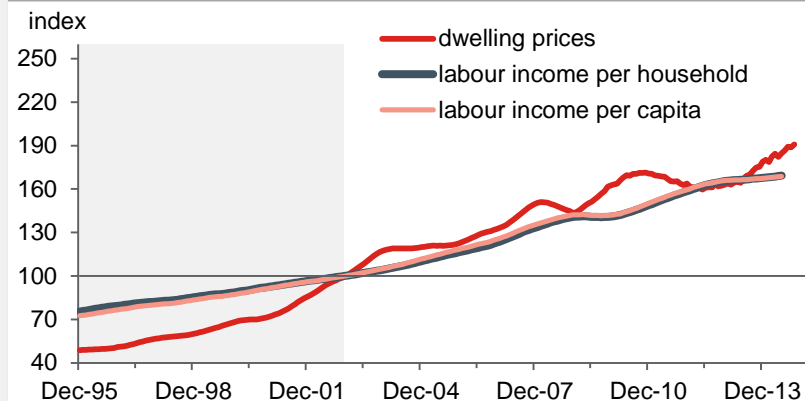
Price growth and activity

some moderation since the start of 2014

- Price growth and activity have moderated somewhat since the start of 2014
- Housing credit growth is currently tracking at 6.7%yr
- Price growth nationally has slowed from an annualised pace of 13.8% in second half 2013 to 9.1% in the year to October 2014
- Growth rates have varied significantly between capital cities
 - Sydney up 12.8%yr; average since 2007: 5.7%
 - Melbourne up 8.6%yr; average since 2007: 4.9%
 - Brisbane up 5.2%yr, average since 2007: 0.6%
- Repayment-based measures of affordability remain around their long run average levels only partly reflecting low interest rates

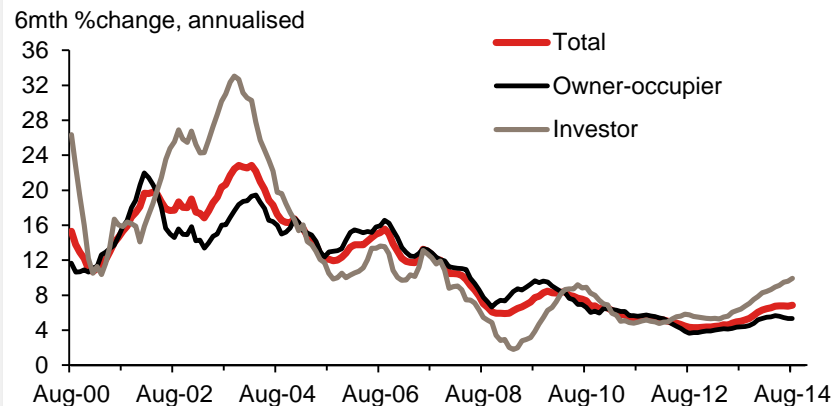
Sources: ABS, Westpac Economics.

Australia: dwelling prices vs labour incomes



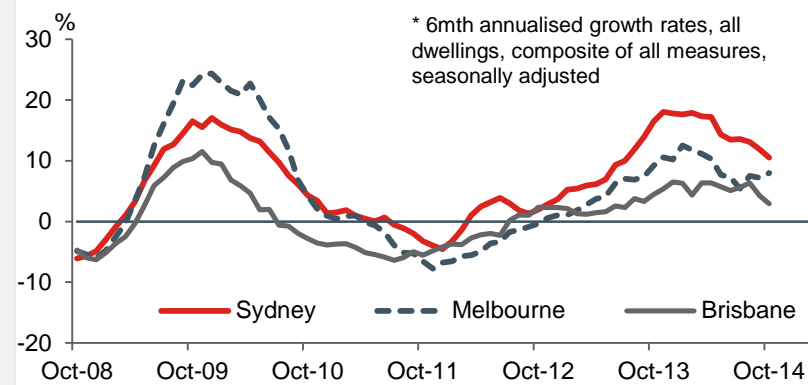
Sources: RP Data-Rismark, ABS, Westpac Economics.

Housing credit momentum



Sources: RBA, Westpac Economics.

Capital city dwelling prices



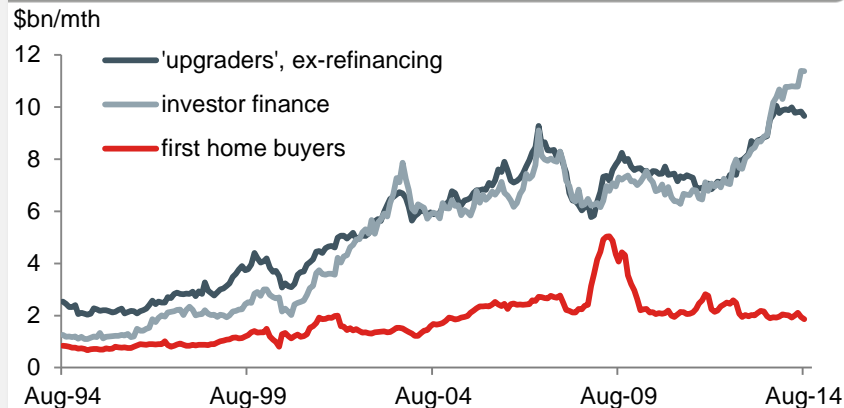
Sources: ABS, RP Data-Rismark, APM, Residex, Westpac Economics.

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

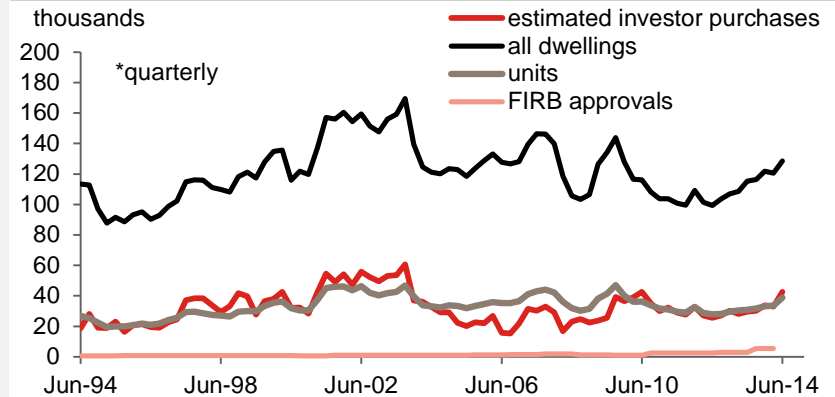
Sources: ABS, Westpac Economics.

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



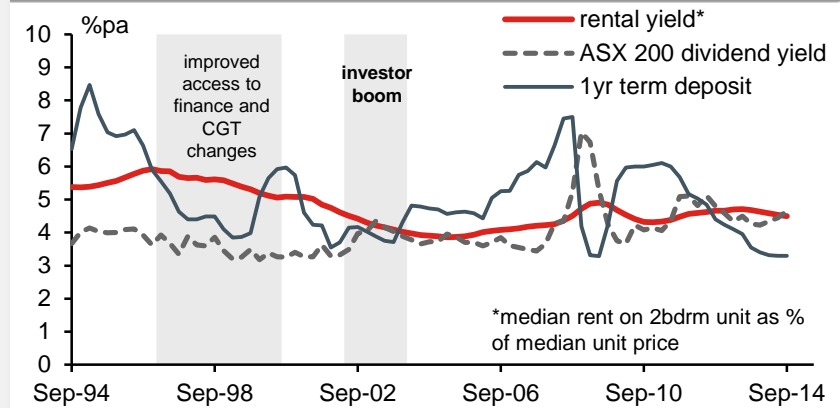
Sources: ABS, Westpac Economics.

Dwelling turnover



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

Investor housing yields vs shares, deposits

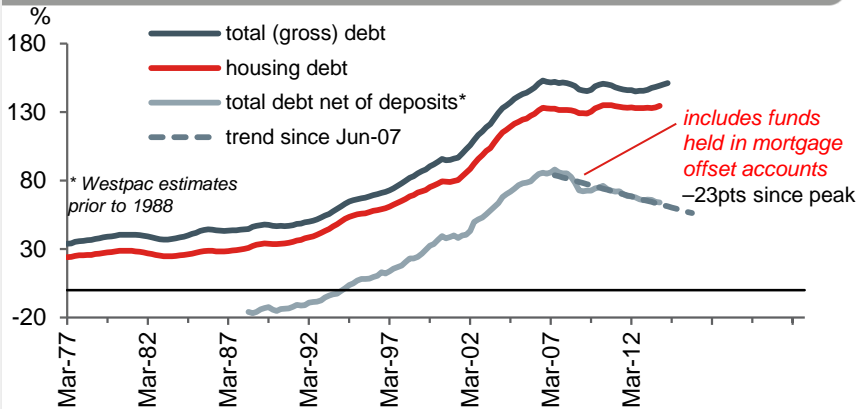


Sources: REIA, RBA, Westpac Economics.

Australian households

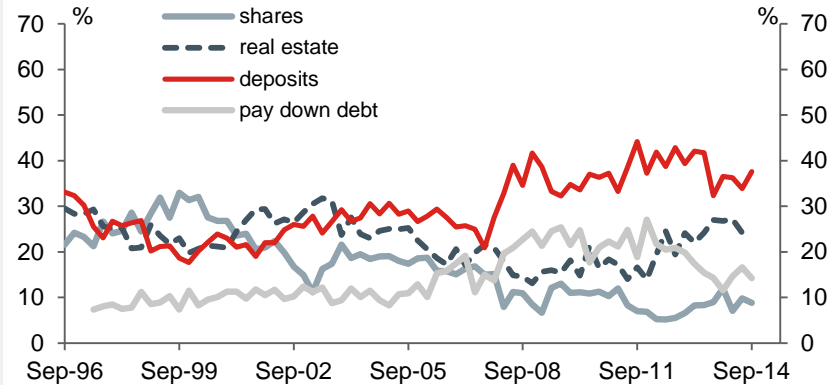
a cautious approach to household finances

Australian households: debt to income ratio (%)



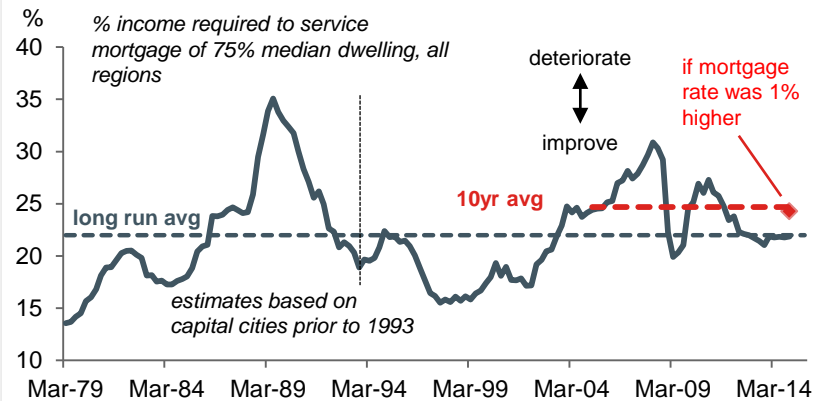
Sources: ABS, RBA, Westpac Economics.

Consumer survey: 'Wisest place for savings'



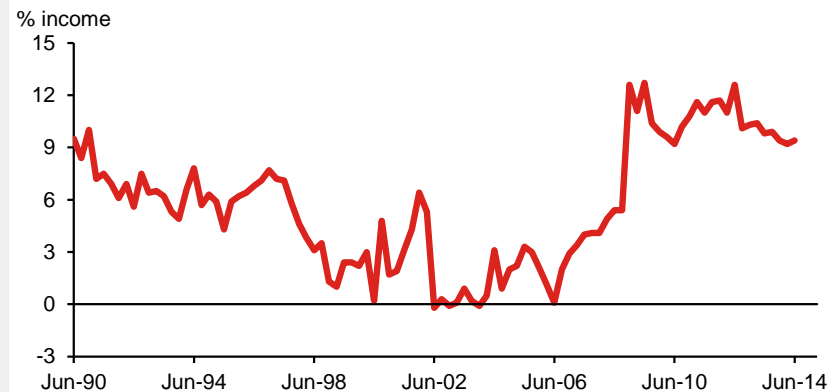
Sources: Melbourne Institute, Westpac Economics.

Housing affordability: all dwellings



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

Household savings rate (% income)



Sources: ABS, Westpac Economics.



ECONOMICS

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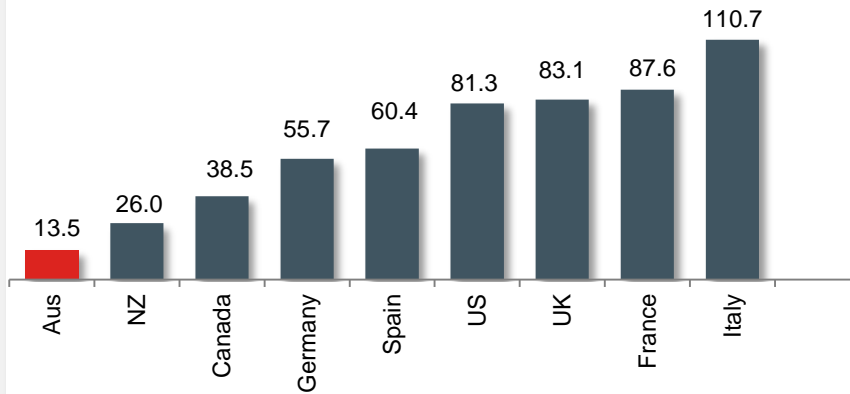
Australian and New Zealand economic forecasts

Key economic indicators ¹ (%) as at October 2014		Calendar year			
		2012	2013	2014f	2015f
World	GDP	3.4	3.3	2.9	3.7
Australia	GDP	3.6	2.3	3.2	3.2
	Private consumption	2.6	2.0	2.5	3.2
	Business investment ^{2,3}	16.4	-2.2	-4.0	-2.0
	Unemployment – end period	5.3	5.8	6.1	5.8
	CPI headline – year end	2.2	2.7	2.2	2.8
	Interest rates – cash rate	3.0	2.5	2.5	3.0
	Credit growth, Total – year end	3.6	3.8	5.2	6.7
	Credit growth, Housing – year end	4.5	5.4	6.7	7.5
	Credit growth, Business – year end	2.9	1.7	3.5	5.5
New Zealand	GDP	2.5	2.8	3.6	3.2
	Unemployment – end period	6.8	6.0	5.4	4.9
	Consumer prices	0.9	1.6	1.0	2.2
	Interest rates – official cash rate	2.5	2.5	3.5	4.0
	Credit growth – Total	3.6	4.8	4.5	4.9
	Credit growth – Housing	3.7	5.9	5.1	5.1
	Credit growth – Business	3.6	3.5	3.5	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.

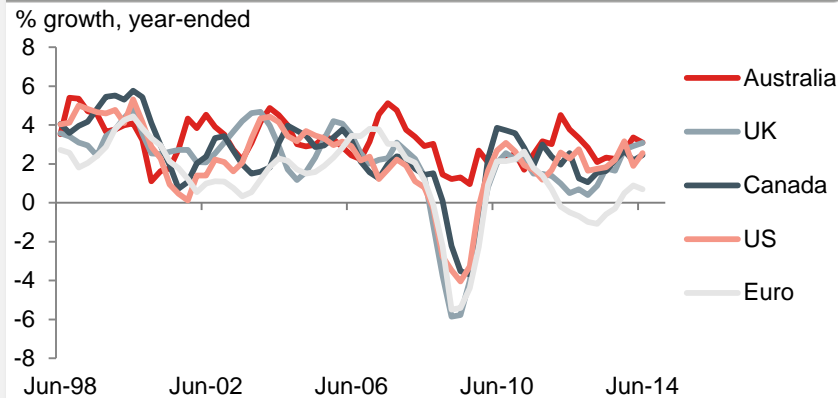
Australia remains well-placed relative to developed economies

Net public debt levels as a % of GDP 2013



Sources: IMF, Westpac Economics.

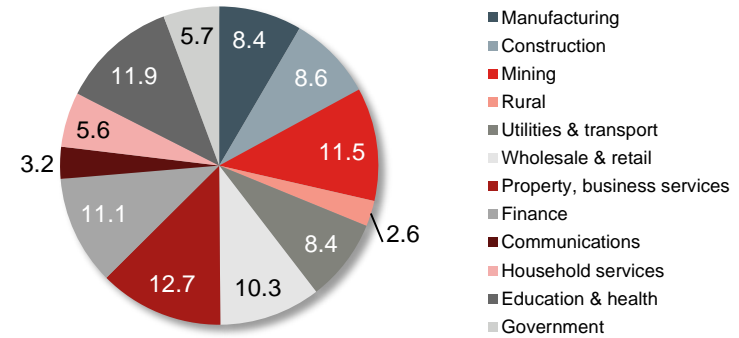
Real GDP growth (%)



Sources: OECD, Westpac Economics.

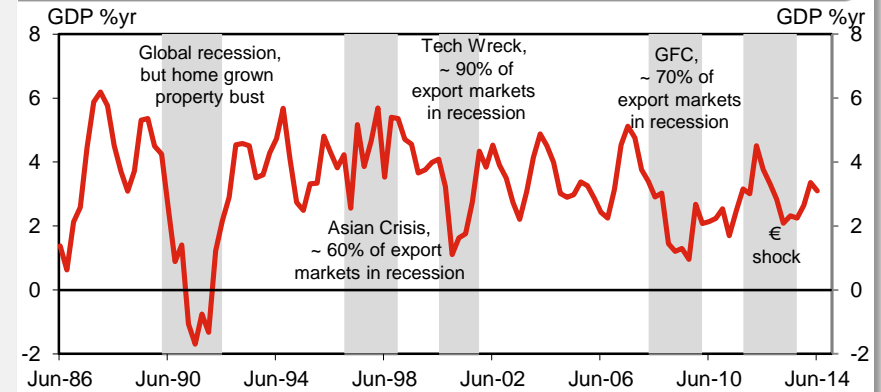
Australia's economy: diversified and flexible

Sector contribution to GDP (%)¹



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

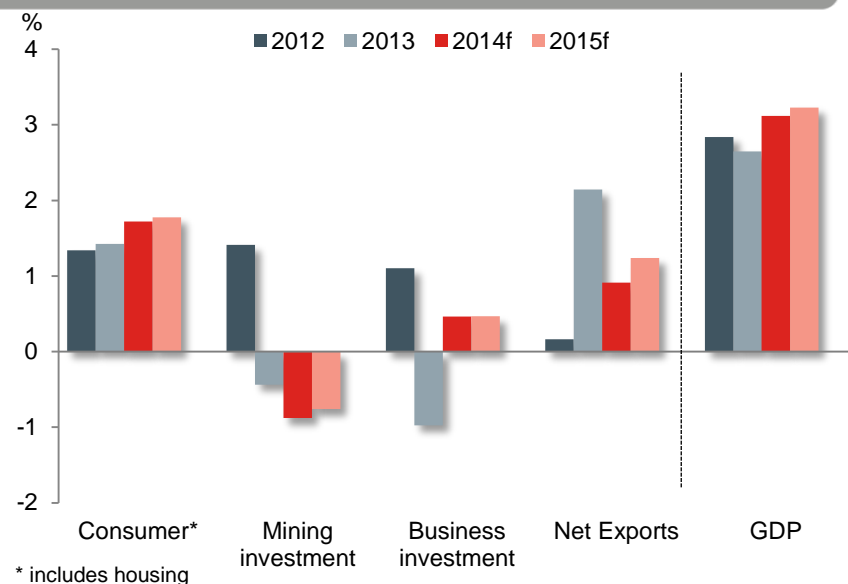
Australian economic growth and external shocks



Sources: ABS, Westpac Economics.

Australia's economic transition from mining to non-mining

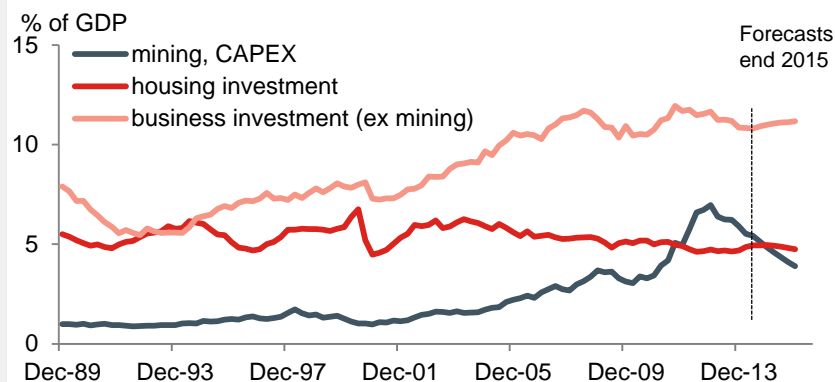
Australian growth mix: Contributions to GDP growth (%)



Sources: ABS, Westpac Economics.

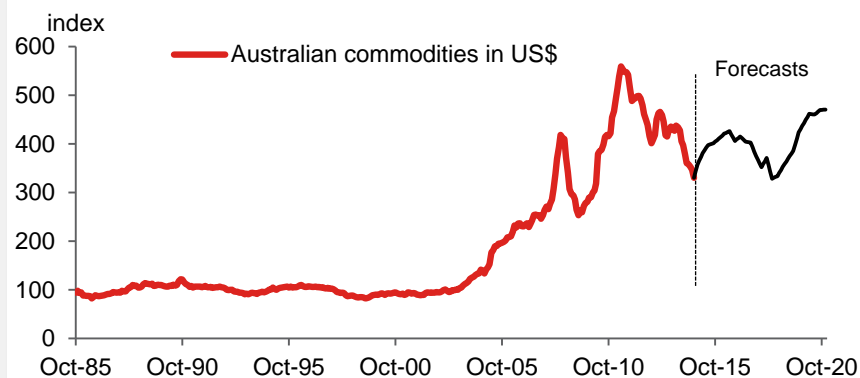
- The Australian economy is moving through a transition from mining to non-mining led growth. After a large, multi-year rise, mining investment peaked at 7% of GDP in 2012 and is now moving through a gradual but prolonged decline. Falling resource prices have added to this drag on national income but are expected to improve in 2015
- Surging export volumes and reduced imports have provided an important offset in 2013. Rising consumer and housing demand and a modest lift in non-mining business investment are expected to provide more support to growth in 2014 and 2015

Investment: share of Australian economy (% of GDP)



Sources: ABS, Westpac Economics.

Commodity prices: the long view

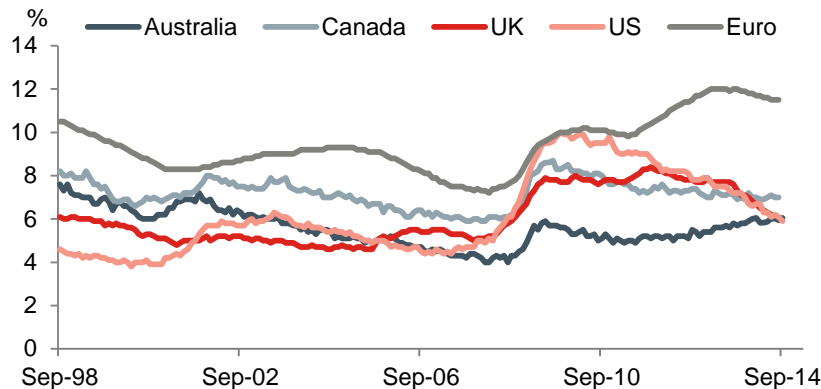


Sources: Westpac Economics, Bloomberg, ABS.

Labour market

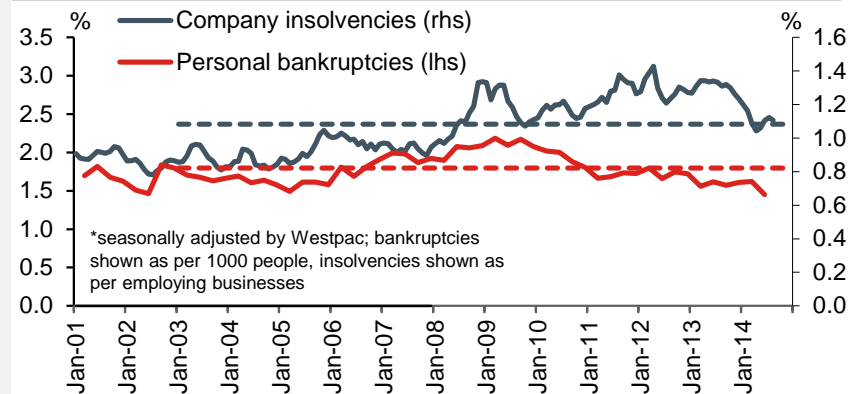
showing some signs of improvement

Unemployment rates (%)



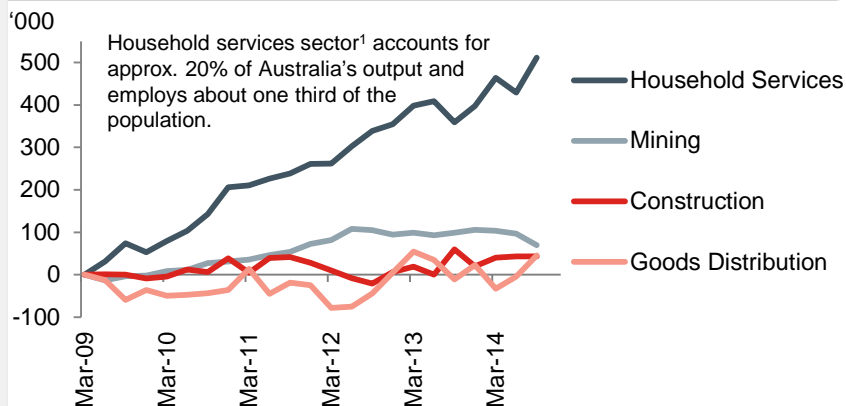
Sources: OECD, Westpac Economics.

Personal bankruptcies vs company insolvencies (%)



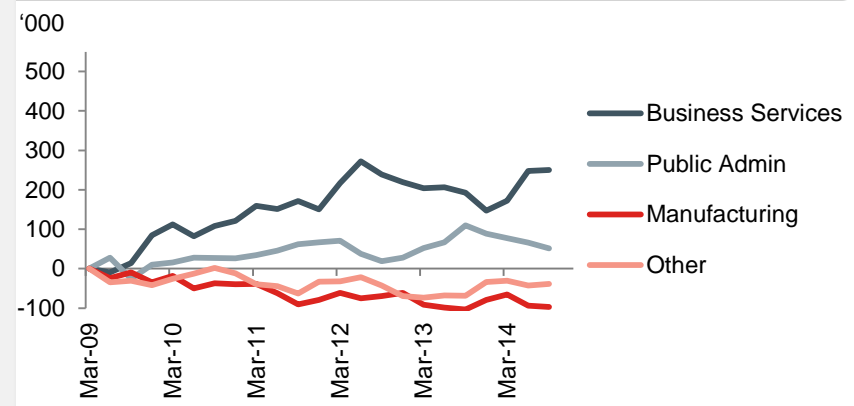
Sources: ASIC, ITSA, ABS, Westpac Economics.

Cumulative change in industry employment ('000)



Sources: ABS, Westpac Economics.

Cumulative change in industry employment ('000)



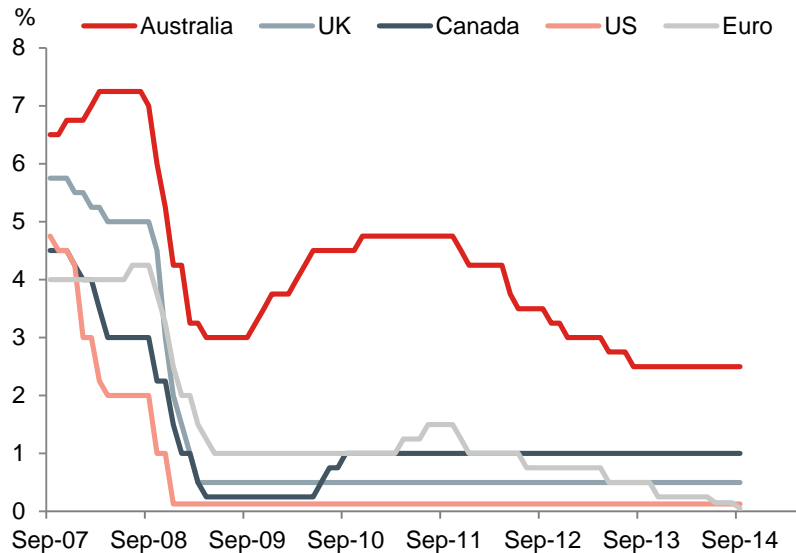
Sources: ABS, Westpac Economics.

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 remains high by historical standards

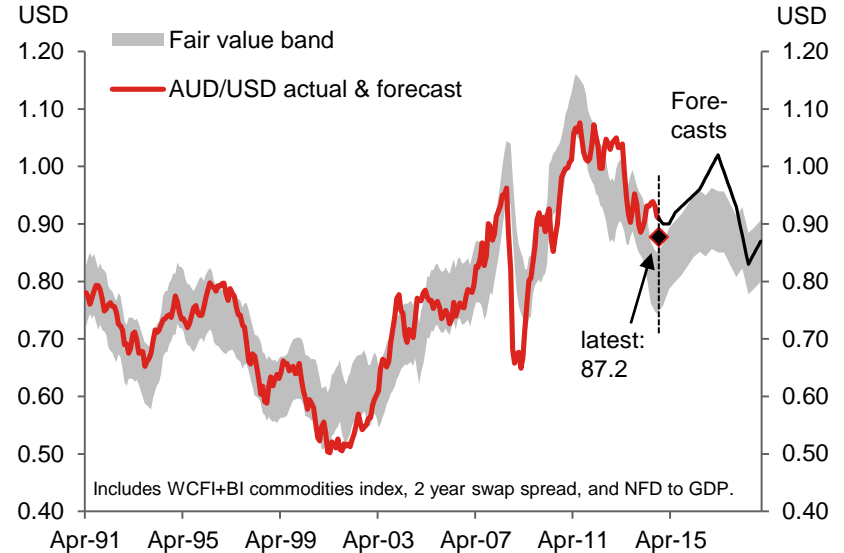
Major countries' policy rates (%)



Sources: RBA, OECD, Westpac Economics.

- We expect the growth mix to see the RBA maintain its current accommodative stance, holding the cash rate at 2.5%
- As conditions improve abroad and domestic demand shows signs of firming the Bank is expected to begin a gradual policy tightening with two 25bp interest rate rises in the second half of 2015
- Price pressures are expected to remain benign with core CPI inflation easing back towards 2.5% in 2015 and wages growth subdued. Labour markets are only expected to improve slowly

Australian dollar (AUD/USD)



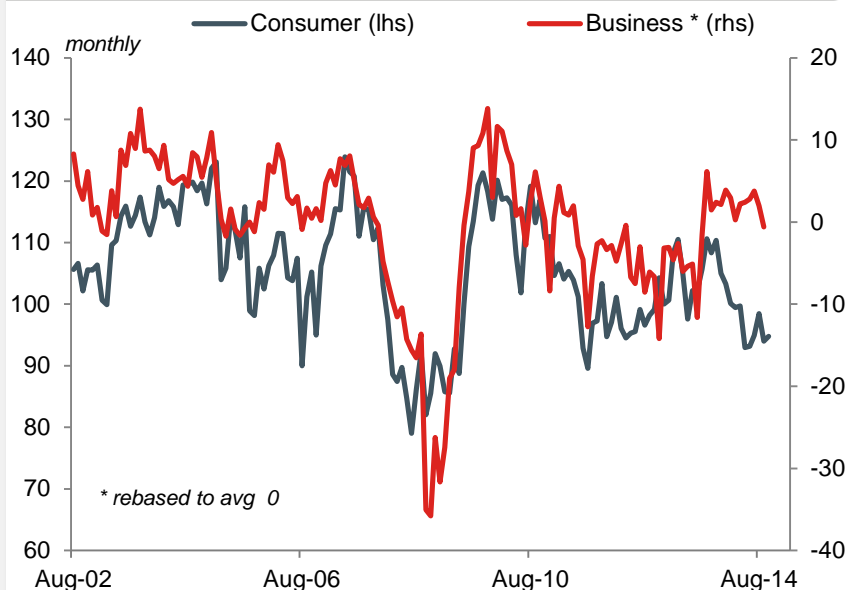
Sources: RBA, Westpac Economics.

- The high Australian dollar remains an additional headwind to growth, albeit a reduced one following significant falls in recent months
- The currency remains above 'fair value' based on long run fundamentals and is still relatively high by historical standards
- The AUD is also expected to lift again, rising back above 90c in 2015 as global conditions and an associated recovery in commodity prices provide support

Credit growth

picking up at a modest pace

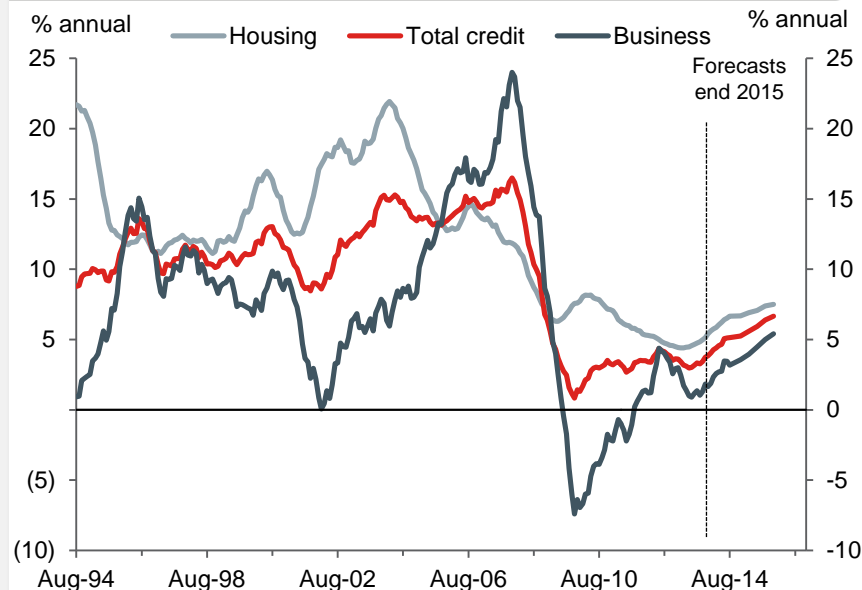
Business confidence and consumer confidence (net balance)



Sources: Westpac MI, NAB, Westpac Economics.

- Confidence remains relatively subdued
- Despite a strong start to 2014, consumer sentiment has fallen over the course of the year as renewed job loss concerns have combined with concerns around a Budget tightening by the Government
- Business confidence has been more resilient but has slipped back towards long run average levels in recent months

Australian private sector credit growth (% ann)



Sources: RBA, Westpac Economics.

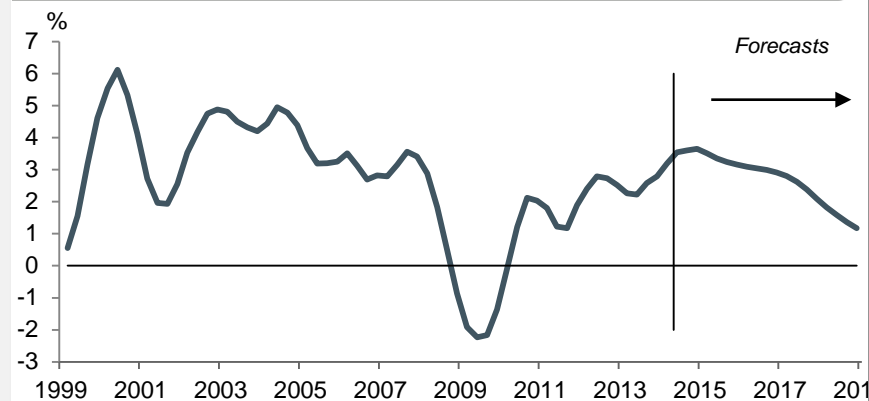
- Credit growth strengthened over the past year to around 5% annual from a little above 3% a year earlier, with a lift in both housing and business
- A further improvement is expected over the coming year supported by a period of stability in interest rates at record lows, investors continuing to move in to the housing market, and an improved international environment

New Zealand

a mixed economic picture

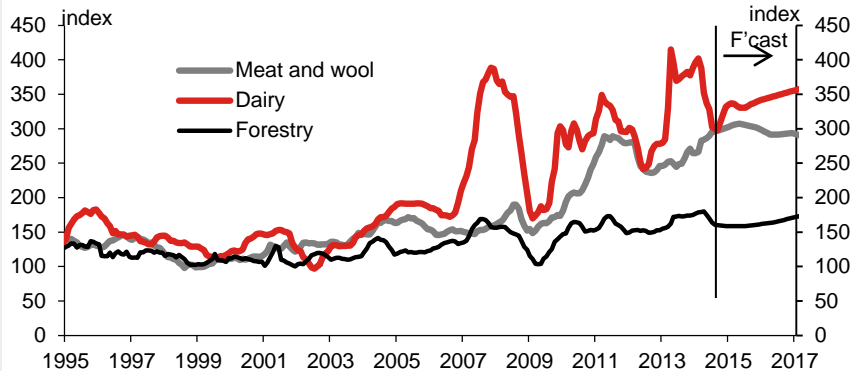
- New Zealand economic growth accelerated to around 3.5% per annum in response to post-earthquake reconstruction activity in Canterbury, strong net immigration, the lagged effect of rising house prices, and a four-decade high in the terms of trade
- The pace of growth has slowed since the peak, but remains reasonably robust. Conditions are now more mixed
- Dairy and forestry export prices have fallen very sharply, while other export industries including meat, horticulture, tourism and education are experiencing very strong conditions
- Domestic construction activity is booming, and is expected to accelerate further. However, the housing market is now cooler than it was last year, and this is restricting consumer spending
- The RBNZ increased the OCR from 2.5% to 3.5% earlier this year. However, outside of the construction sector inflation has proven weaker than expected. Consequently, the RBNZ has put its OCR hiking cycle on pause. The RBNZ is expected to resume OCR hikes from late-2015

New Zealand GDP growth and forecast (%)



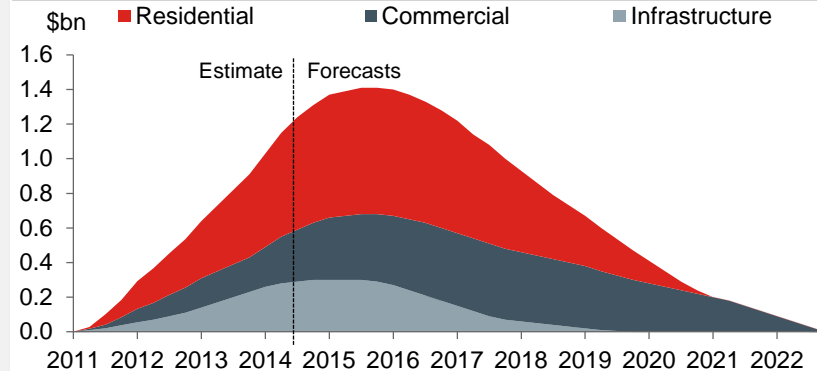
Source: Statistics NZ, Westpac Economics.

Selected NZ export commodity prices



Source: ANZ, Westpac Economics.

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

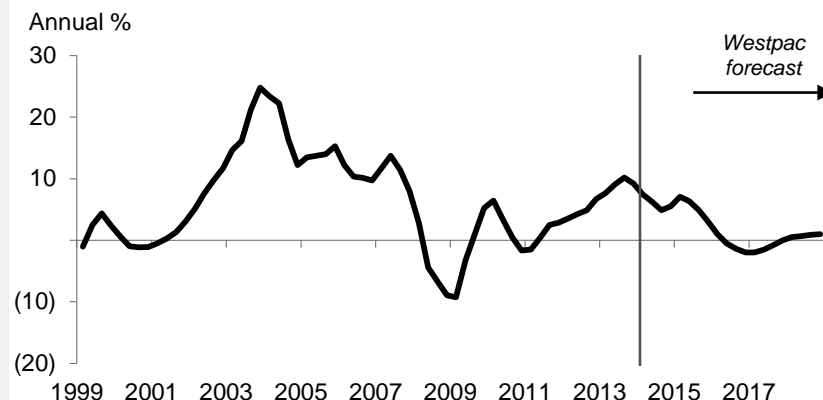


Source: Westpac Economics.

New Zealand housing market recovering, but expected to remain subdued

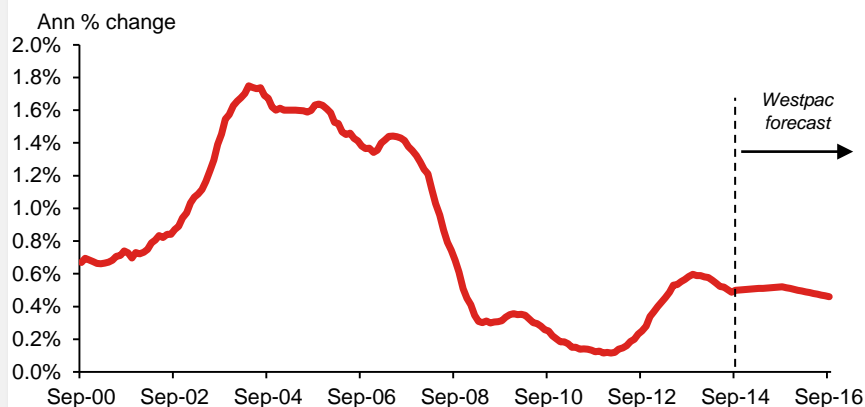
- House price inflation reached 10% per annum in 2013, with the strongest gains concentrated in the two biggest cities, Auckland and Christchurch
- In late 2013 the Reserve Bank implemented restrictions on high-LVR lending. At around the same time mortgage rates began to rise
- The housing market responded 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 subdue the housing market more comprehensively

New Zealand house price inflation (annual %)



Source: QV, Statistics NZ, Westpac Economics.

Annual growth in system housing lending (% annual change)



Source: RBNZ, Westpac Economics.

New Zealand Official Cash Rate (%)

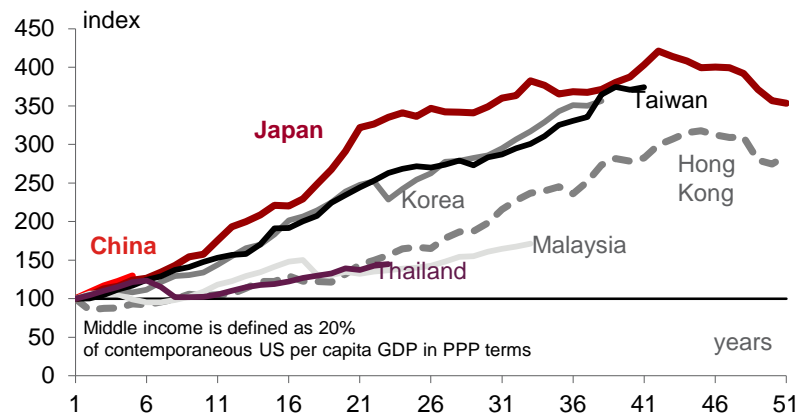


Source: RBNZ, Westpac Economics.

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

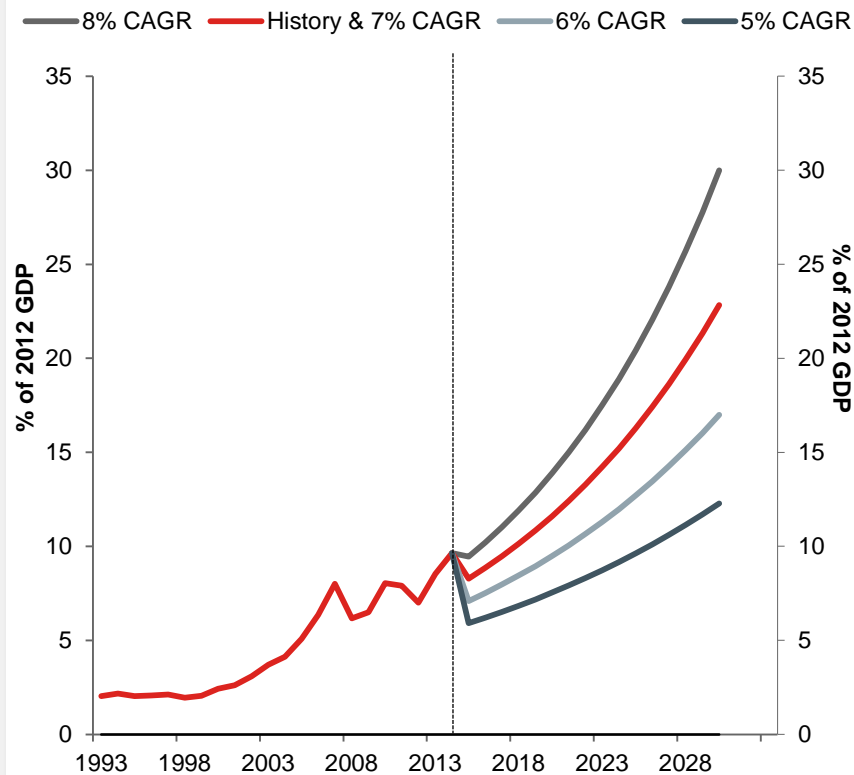
Per capita growth from middle income stage



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

Westpac's covered bond programme

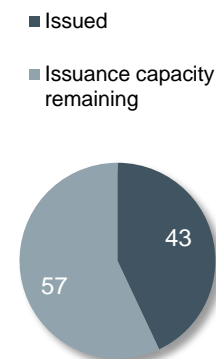
Providing valuable diversity for issuer and investor

- 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 30 September 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 30 September 2014
 - Weighted average tenor is 5.5 years for issuance since November 2011 to 30 September 2014 for the Australian covered bond programme

Westpac Australian covered pool highlights (as at 30 September 2014)

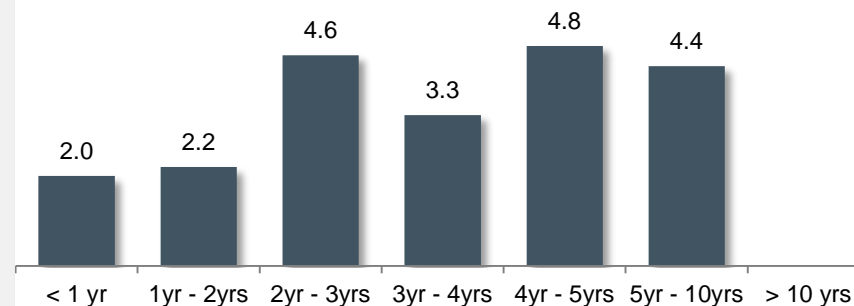
Total pool loan balance	A\$33,027,727,363
Average loan size	A\$244,946
Weighted average current LVR (unindexed/indexed)	61.1% / 54.8%
Weighted average seasoning	53 months
Owner occupied security	76.8%
Moody's collateral score ¹	6.0%
Moody's market risk / collateral risk ¹	10.9% / 4.0%
Min. overcollateralisation 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 30 September 2014 (A\$bn)

Maturity profile well managed, with view to maintaining capacity



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

Australian covered bond **legislation**

Timing	<ul style="list-style-type: none"> • Legislation was passed in October 2011 to amend Banking Act and enable Australian banks to issue covered bonds • Covered bond issuances previously prohibited by Banking Act and Regulator
Structure	<ul style="list-style-type: none"> • Covered bond issuance only permitted in accordance with the legislative framework • Segregation of cover assets to be achieved via sale into an insolvency remote special purpose vehicle • Legal certainty for the segregation of the cover pool in the event of bankruptcy of the issuing ADI
Priority	<ul style="list-style-type: none"> • Bondholders have priority against a cover pool of financial assets • APRA has no direction making powers over assets held by the SPV for the benefit of covered bondholders and service providers
Cover Pool	<ul style="list-style-type: none"> • 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 • Minimum level of over-collateralisation of 3% (programmes also to include an asset coverage test) • Value only provided up to 80% LVR for residential loans and 60% for commercial loans • Senior ranking voluntary overcollateralisation is excluded
Issuance limits	<ul style="list-style-type: none"> • Covered bond issuance not permitted if cover assets exceeds 8% of ADI's Australian assets • Capital neutral for ADI if the cover pool is less than 8% of ADI's Australian assets • Implies potential combined covered bond issuance capacity of circa A\$166bn by four major ADIs • Implies potential covered bond issuance capacity of circa A\$49bn by Westpac

Westpac's Australian Covered Bond Programme

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

Covered bond programme

Key features

Structure	Covered Bonds are issued by Westpac, backed by an unconditional and irrevocable guarantee by the Covered Bond Guarantor (the “CBT Guarantor”), which is limited in recourse to the assets in the Westpac Covered Bond Trust
Security	Security comprises a pool of Australian residential mortgages which meet the eligibility criteria (the “cover pool”). It also includes certain other assets such as cash and investments (subject to legislative and rating agency limits). Mortgages in the cover pool sold to the CBT Guarantor to ensure that covered bondholders have a priority claim over the cover pool in the event of Issuer insolvency
Overcollateralisation	<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>
Asset Monitor	<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>
Hedging	The Interest Rate Swap and Covered Bond Swap are used to hedge any exposure of the CBT Guarantor to interest rate and currency risks

Westpac's legislative covered bond programme

International comparisons

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

¹ 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

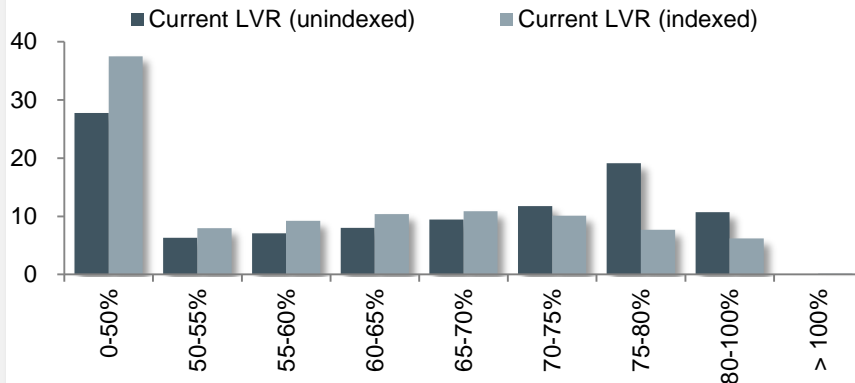
Covered pool loan statistics as at 30 September 2014

Total pool loan balance ¹	A\$33,027,727,363
Number of loans	134,837
Average loan size	A\$244,946
Max loan size	A\$2,000,000
Weighted average current LVR (unindexed)	61.1%
Weighted average current LVR (indexed)	54.8%
Mortgage Insured	13.5%
90 day + arrears	0.00%
Weighted average seasoning	53 months
Weighted average remaining term to maturity	277 months
Weighted average interest rate	5.21%
Fixed / variable split (by bal)	20.8% / 79.2%
Interest only (by bal)	27.6%
Owner occupied security	76.8%

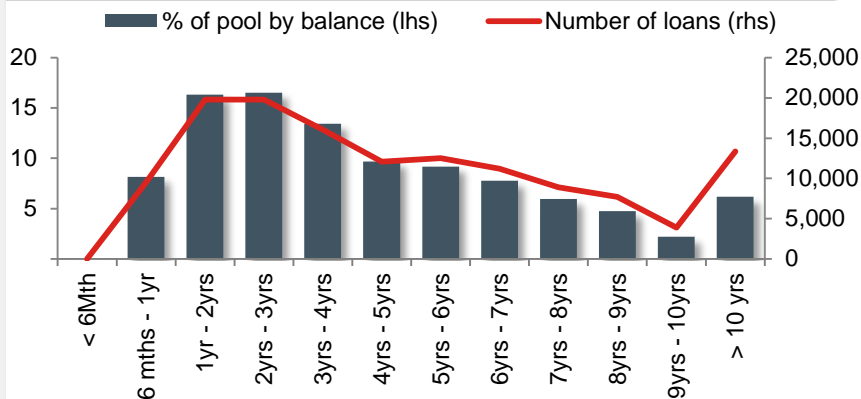
¹ Pool loan balance excludes cash balances of A\$1,972,272,637. Loans included in the cover pool are currently only originated by Westpac Retail and Business Banking.

Cover pool statistics as at 30 September 2014

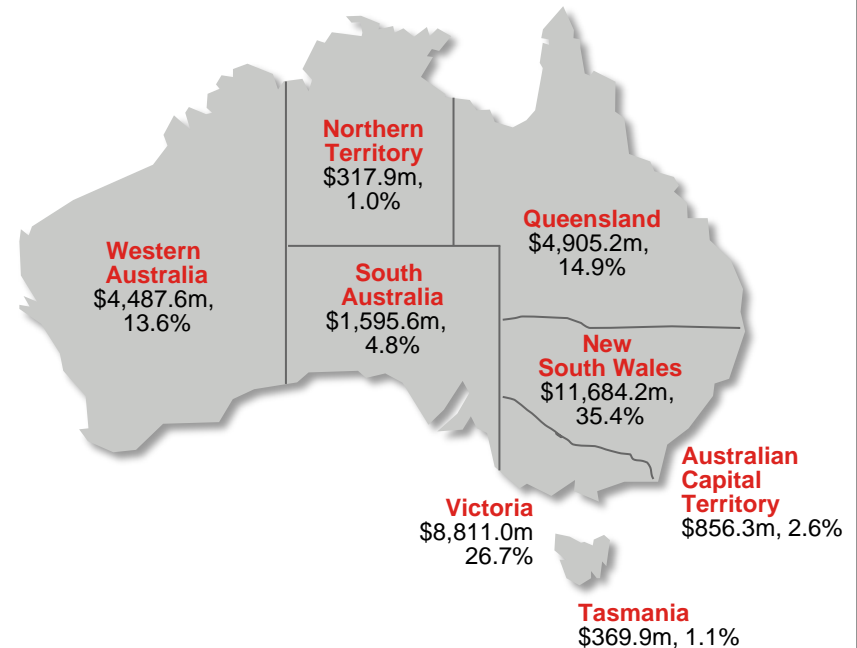
Loan to value ratio by balance (%)



Portfolio seasoning



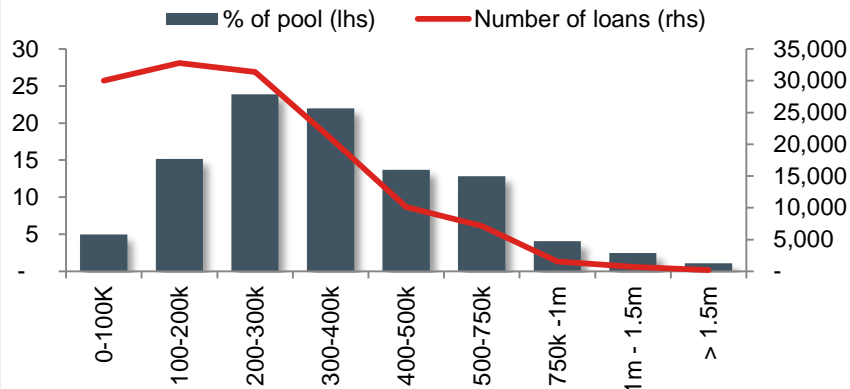
Geographic distribution by state



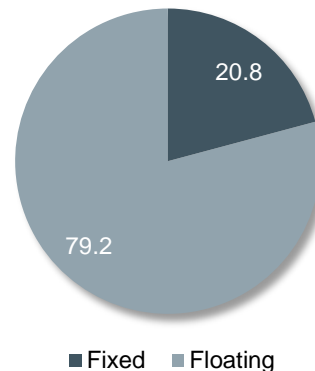
Distribution by region	Value of loans (A\$m)	% of pool by value
Metropolitan	25,861	78.3%
Non-Metropolitan	7,166	21.7%

Cover pool statistics as at 30 September 2014 (cont.)

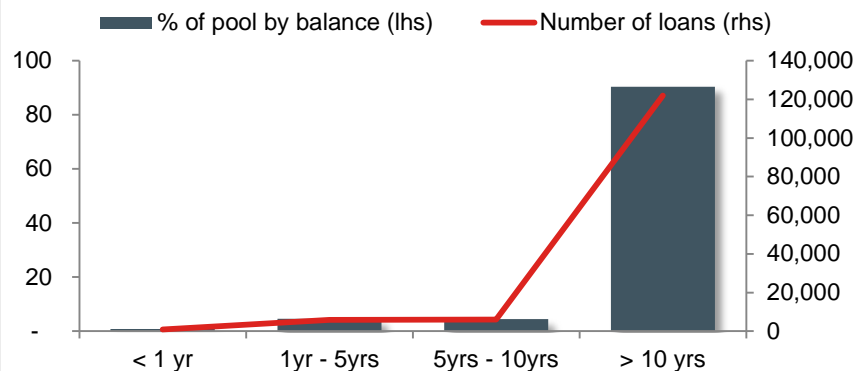
Mortgage principal balance distribution



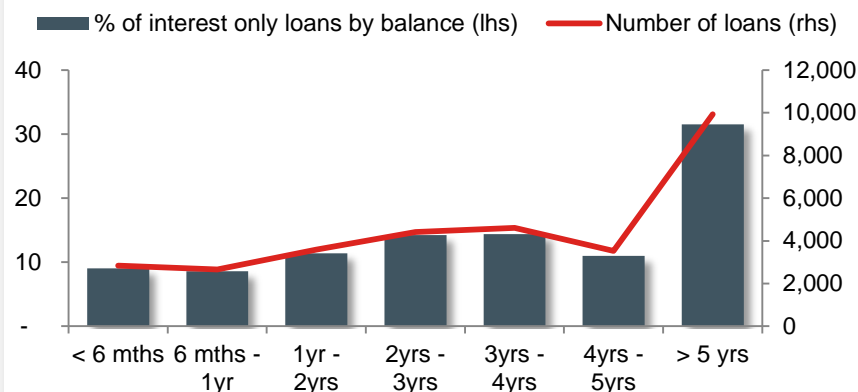
Interest rate split (%)



Years to maturity (legal)



Interest only expiry date remaining period

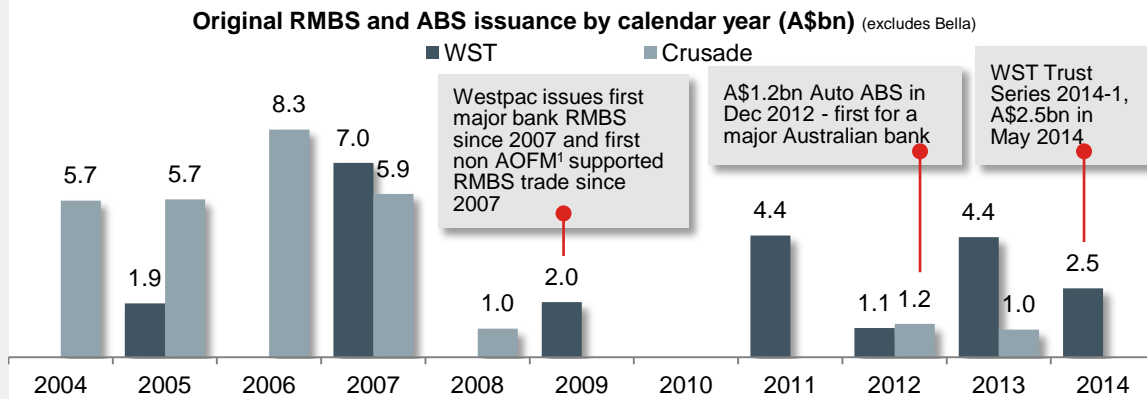


Securitisation an important part of the Group's funding

Active RMBS and ABS capabilities

- Outstanding securitisation issuance A\$11.3bn at 30 September 2014, represents 1.7% of the Group's total funding, 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

¹ AOFM is The Australian Office of Financial Management.

WST RMBS performance

Key pool comparison statistics (issuance)

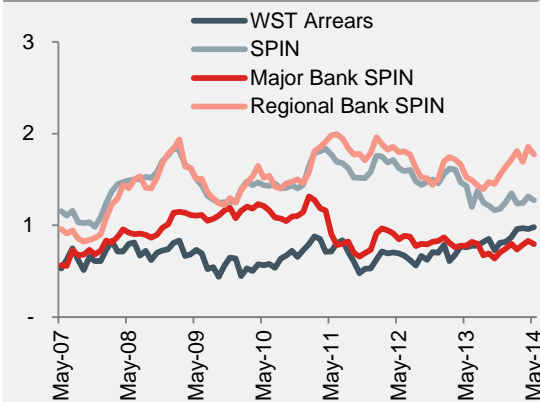
	WST 2014-1	WST 2013-2	WST 2013-1	WST 2012-1	WST 2011-3	WST 2011-2	WST 2011-1	WST 2009-1
Pricing Date	May-14	Sep-13	Feb-13	May-12	Oct-11	Jun-11	Feb-11	Dec-09
Tranche	A	A	A	A	A	A	A	A
WAL (yrs)	2.8	3.0	3.0	3.0	3.0	2.9	2.9	2.6
Price (bps)	78	85	85	140	125	100	100	130
Notes Issued A\$m	2,300	2,070	1,932	1,058	1,472	2,024	920	1,840
Average Loan Size A\$'000	261	256	245	211	251	243	270	198
Wtd Avg LVR	62%	62%	61%	63%	63%	63%	64%	58%
LVR > 80%	11.1%	10.8%	6.4%	3.1%	1.9%	2.3%	1.4%	0.5%
Max LVR	95%	95%	94.6%	94.4%	95%	95%	95%	93%
Wtd Avg Seasoning mths	37.1	37.1	45.4	42.0	37.0	35.8	30.2	39.7
Low Doc Loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Only Loans	25%	24%	10%	5%	6%	5%	4%	25%
NSW & ACT	36%	35%	36%	38%	40%	39%	43%	41%
VIC	26%	27%	25%	26%	25%	25%	28%	24%
Metro / Non-metro	77%/ 23%	78%/ 22%	76%/ 24%	76%/ 24%	77%/ 23%	77%/ 23%	86%/ 14%	78%/ 22%
LMI Coverage	13%	13%	16%	19%	14%	16%	5%	6%
S&P Credit Support Pre-LMI (Old Criteria)			-	-	-	3.6%	3.7%	3.2%
S&P Credit Support Pre-LMI (New Criteria / RFC)	5.1%	5.0%	4.3%	4.3%	4.4%	7.2%	-	-
Credit Support Provided	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
(Issue Date)	(Dec 13)	(Dec 12)	(Jun 14)	(Nov 13)	(May 13)
Size	\$1.0bn	\$1.2bn	\$1.02bn	\$500m	\$900m
'AAA' Credit Enhancement	16%	15%	14%	13%	20%
Collateral	Auto: 100%	Auto: 100%	Motor Vehicles: 90% Other: 10%	Auto: 100%	Cars, Trucks, Buses: 53% Other: 47%
Number of Contracts	52,309	59,609	33,216	16,499	16,199
W.A. Yield	11%	11%	6.8%	7.7%	8%
W.A. Seasoning (mth)	22	19	9	21	18
W.A. Remaining term (mth)	39	41	45	35	34
W.A. Balloon	8%	8%	17%	28%	13%
% of Pool with Balloon	31%	32%	56%	60%	40%
New vs. Used	New: 70%	New: 69%	New: 69%	New: 88%	New: 62%
	Used: 30%	Used: 31%	Used: 31%	Used: 12%	Used: 38%
Average Loan Size A\$	19,117	20,131	30,839	30,305	54,864
Max Loan Size A\$	240,946	262,970	514,495	350,555	867,594
Receivable Contracts	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%		
Adverse Credit History	0%	0%	0%	0%	0%
Novated receivables	12%	12%	37%	0%	0%

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



ADDITIONAL INFORMATION

Westpac

 **st.george**

bankSA

 **Bank of
Melbourne**

 **RAMS**

 **BT** Financial Group

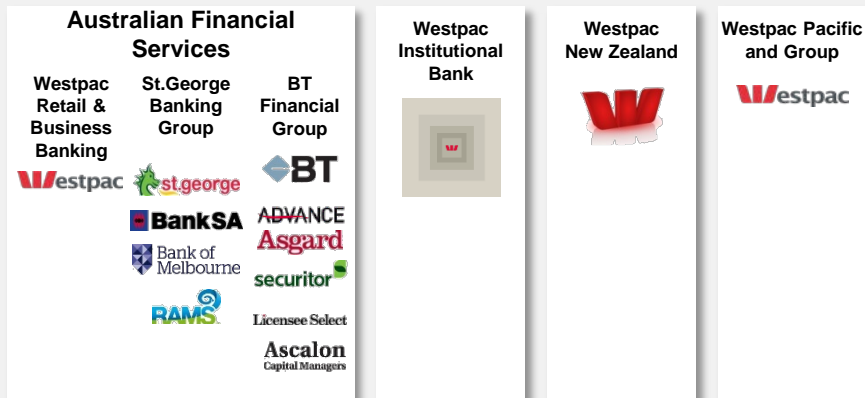
WESTPAC BANKING CORPORATION

ABN 33 007 457 141

Westpac

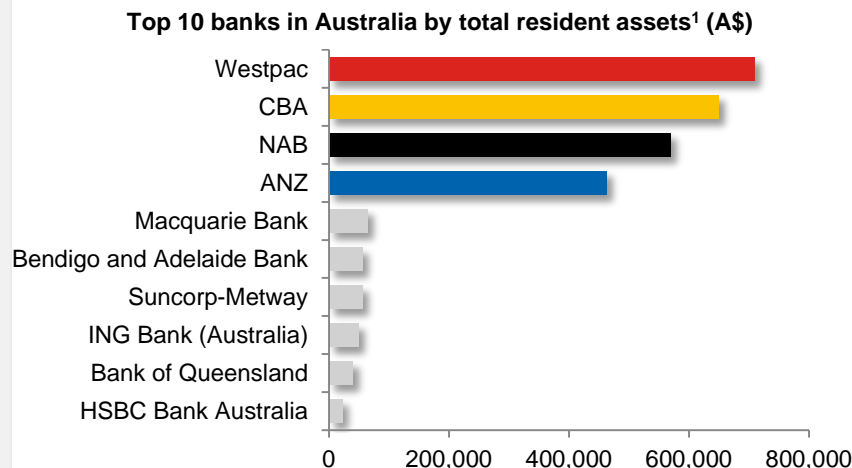
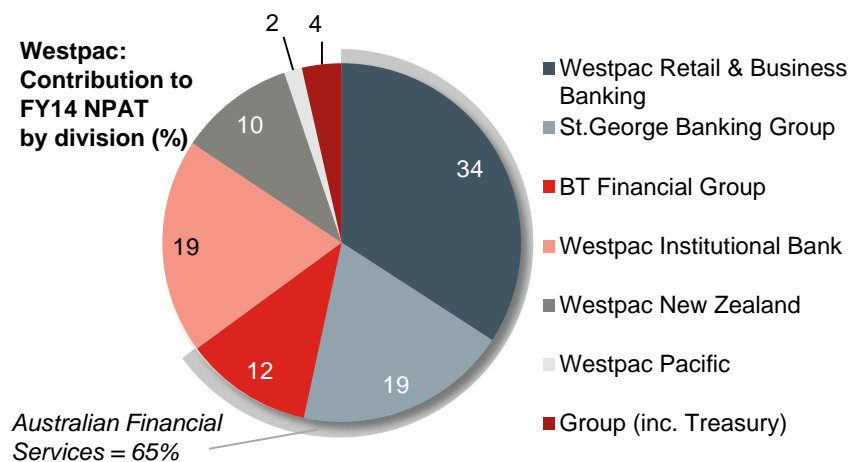
Australia's First Bank

Westpac's leading suite of brands and divisions



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

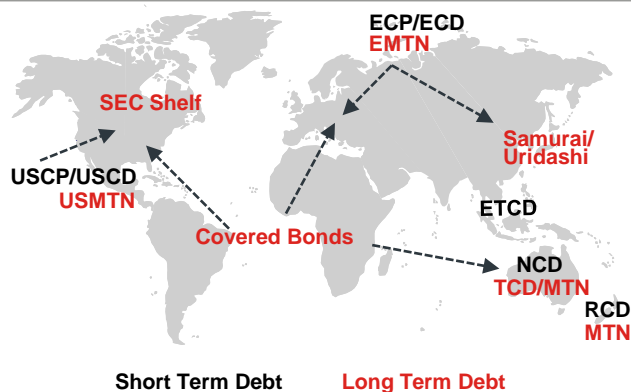
Total assets			\$770.8bn	
Net loans			\$580.3bn	
Customer deposits			\$409.2bn	
Equity			\$49.3bn	
Westpac credit ratings		Short term	Long term	Outlook
Fitch Ratings		F1+	AA-	Stable
Moody's Investors Service		P-1	Aa2	Stable
Standard and Poor's		A-1+	AA-	Stable



¹ APRA Banking Statistics August 2014. Total resident assets refers to all assets on the banks' domestic books that are due from residents.

Funding capabilities to meet investor preferences

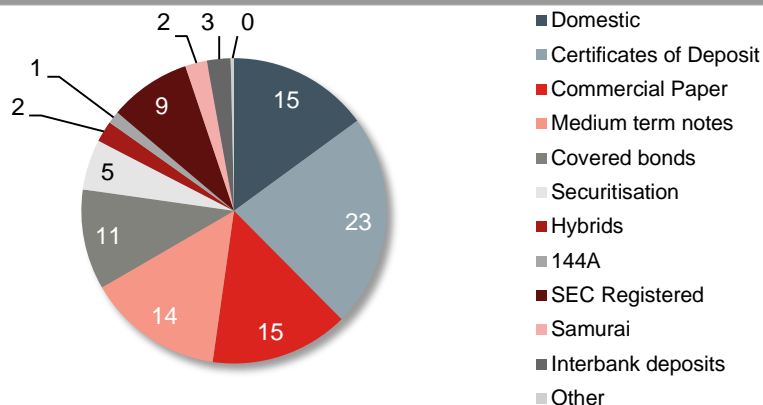
Diverse and flexible funding capabilities



Wholesale funding capabilities

- | | |
|----------------------------|---|
| Short term markets | <ul style="list-style-type: none"> Include Prime floaters, Federal Funds, Extendibles, Step-ups, Range accruals, CD, CP and Flippers |
| Term markets | <ul style="list-style-type: none"> Issuance in senior unsecured and covered bond format, as well as subordinated debt 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 Westpac also maintains its ability to issue in US 144A format |
| Issuance currencies | <ul style="list-style-type: none"> Include AUD, CAD, CHF, EUR, GBP, HKD, NOK, NZD, SGD and USD |

Wholesale funding composition¹ as at 30 September 2014 (%)



Selected debt programmes

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

1 At FX spot currency translation. 2 WSNZL London Branch.

Tier 2 Capital comparison

Characteristic	Basel III compliant Tier 2	Old-style Tier 2 (specifically Lower Tier 2)
Absorb losses on a "gone concern" basis	✓ Gone concern capital	✓ Gone concern capital
Non-discretionary, cumulative payments	✓ Must pay securities subject to solvency tests; deferred payments accumulate with compounding	✓ Must pay securities subject to solvency tests; deferred payments accumulate with compounding
Minimum Term	✓ Minimum term of at least 5 years; straight line amortisation over final four years	✓ Minimum term of at least 5 years; straight line amortisation over final four years
Call Right	✓ Can call after a minimum of five years with APRA's approval	✓ Can call after a minimum of five years with APRA's approval
Incentive to redeem	✗ No step-ups or other incentives to redeem early	✓ Step-up in margin permitted
Ranking in a Winding Up	✓ Rank ahead of claims of ordinary shareholders and Additional Tier 1 capital holders ¹	✓ Rank ahead of claims of ordinary shareholders and hybrid Tier 1 capital holders
Conversion or Write-Off at Point of Non Viability (PONV)	<ul style="list-style-type: none"> • Conversion or permanent write-off in contractual terms • Conversion or write-off only <u>after</u> Additional Tier 1 (some or all as necessary to return to viability) • Conversion is most likely principal loss absorption mechanism due to tax inefficiencies of write-off alternative • If Conversion is not possible, rights of Holders will be terminated 	✗ Not applicable. However APRA has powers under the Banking Act to direct banks not to make payment on Lower Tier 2 instruments
PONV Trigger Event	<ul style="list-style-type: none"> • APRA notifies Westpac that it believes conversion or write-off or a public sector injection of capital (or equivalent support), is necessary because, without it, Westpac would become non-viable • No explicit APRA guidance regarding likely triggers. Non viability could be expected to include serious impairment of financial position, insolvency, capital ratios and liquidity 	✗ N/a

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

Tier 2 Capital comparison^{1,2}

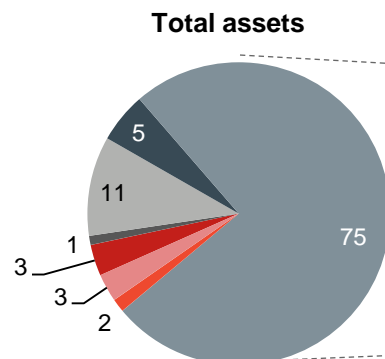
	US	Canada	UK	Scandinavia	Australia
Ranking	Senior to Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital	Senior to Additional Tier 1 Capital
Step-ups	Not permitted	Not permitted	Not permitted	Not permitted	Not permitted
Capital amortisation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

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

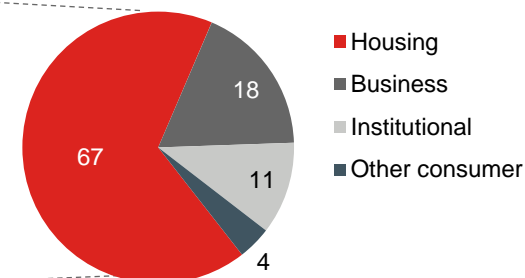
High quality portfolio with bias to secured consumer lending

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



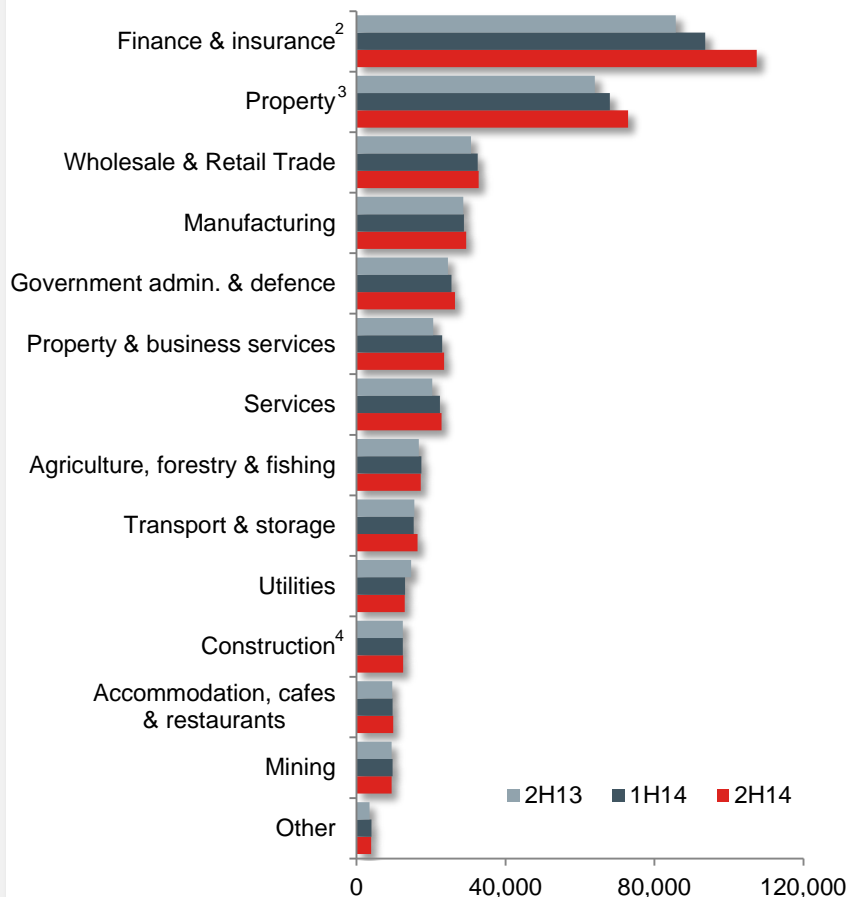
Exposure by risk grade as at 30 September 2014 (\$m)

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%
Total committed exposures	749,184	87,627	16,447	21,469	5,486	880,213	
Exposure by region¹ (%)	85%	10%	2%	2%	<1%		100%

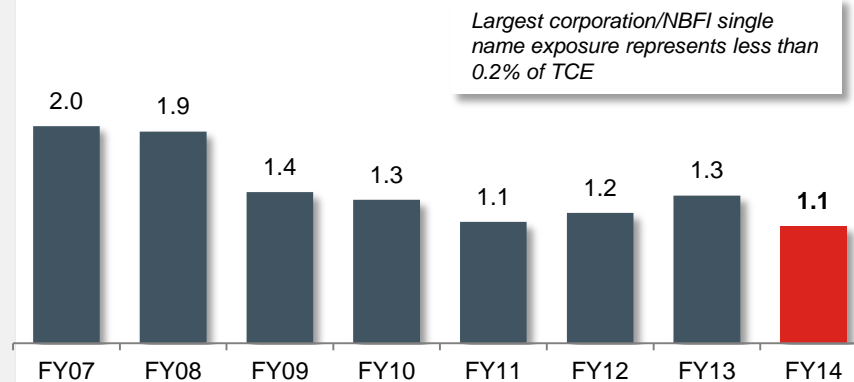
¹ Exposure by booking office.

A well diversified portfolio across industries and large exposures

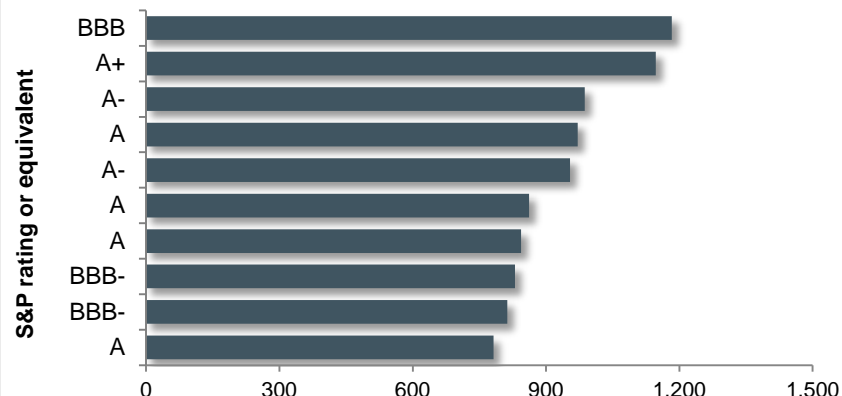
Exposures at default¹ by sector (\$m)



Top 10 exposures to corporations and NBFIs⁵ as a % of total committed exposures⁶ (%)



Top 10 exposures to corporations & NBFIs⁵ as at 30 September 2014 (\$m)

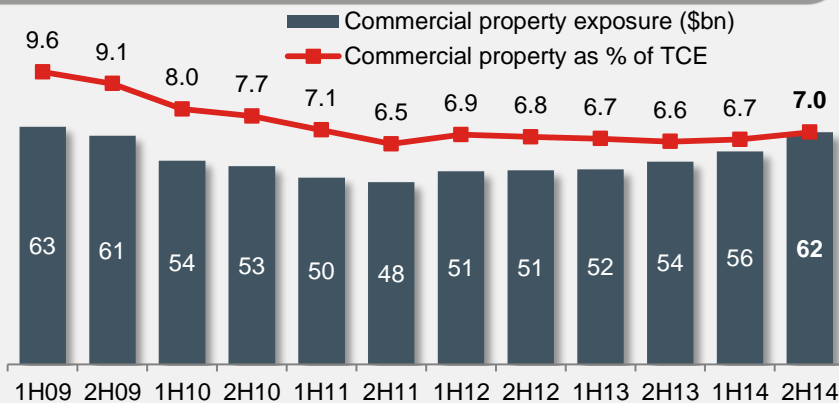


¹ Exposures at default represents an estimate of the amount of committed exposure expected to be drawn by the customer at the time of default. Chart excludes consumer lending. ² Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. ³ Property includes both residential and non-residential property investors and developers, and excludes real estate agents. ⁴ Construction includes building and non-building construction, and industries serving the construction sector. ⁵ Non-Bank Financial Institutions. ⁶ Includes St.George from FY09 onwards.

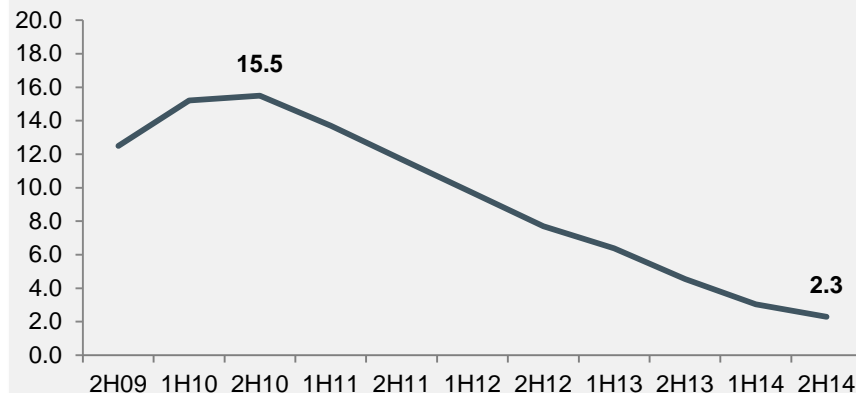
Commercial property portfolio

well diversified, low levels of stress

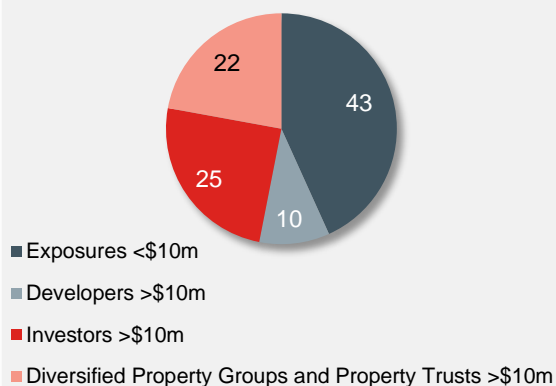
Commercial property exposures size (\$bn) and % of TCE



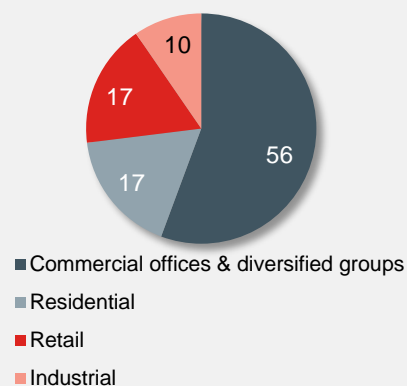
Commercial property portfolio (TCE) classified as stressed (%)



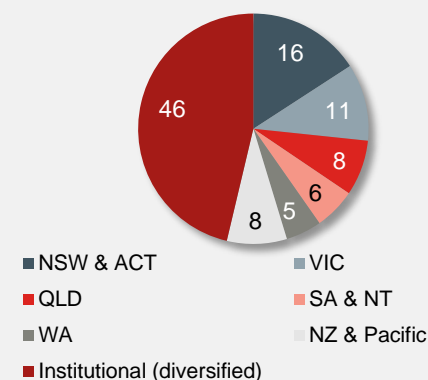
Commercial property by borrower type (%)



Commercial property by sector (%)



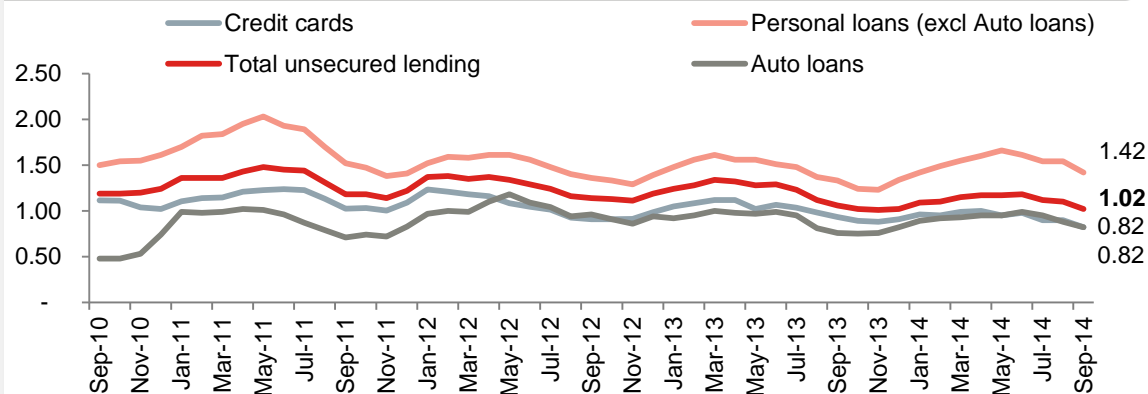
Commercial property by region (%)



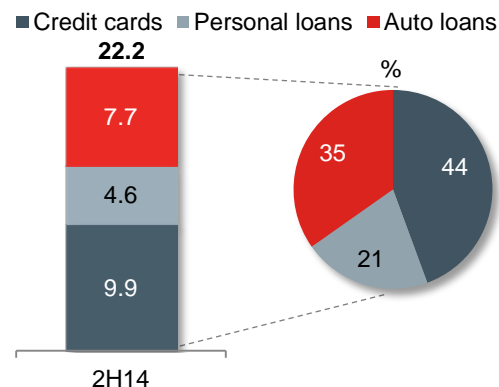
Australian unsecured lending portfolio continue to perform well

- 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)

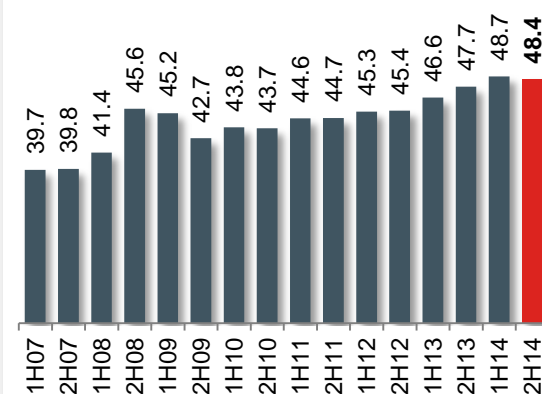
Australian unsecured lending 90+ days delinquencies (%)



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



Australian credit card average payments to balance ratio¹ (%)

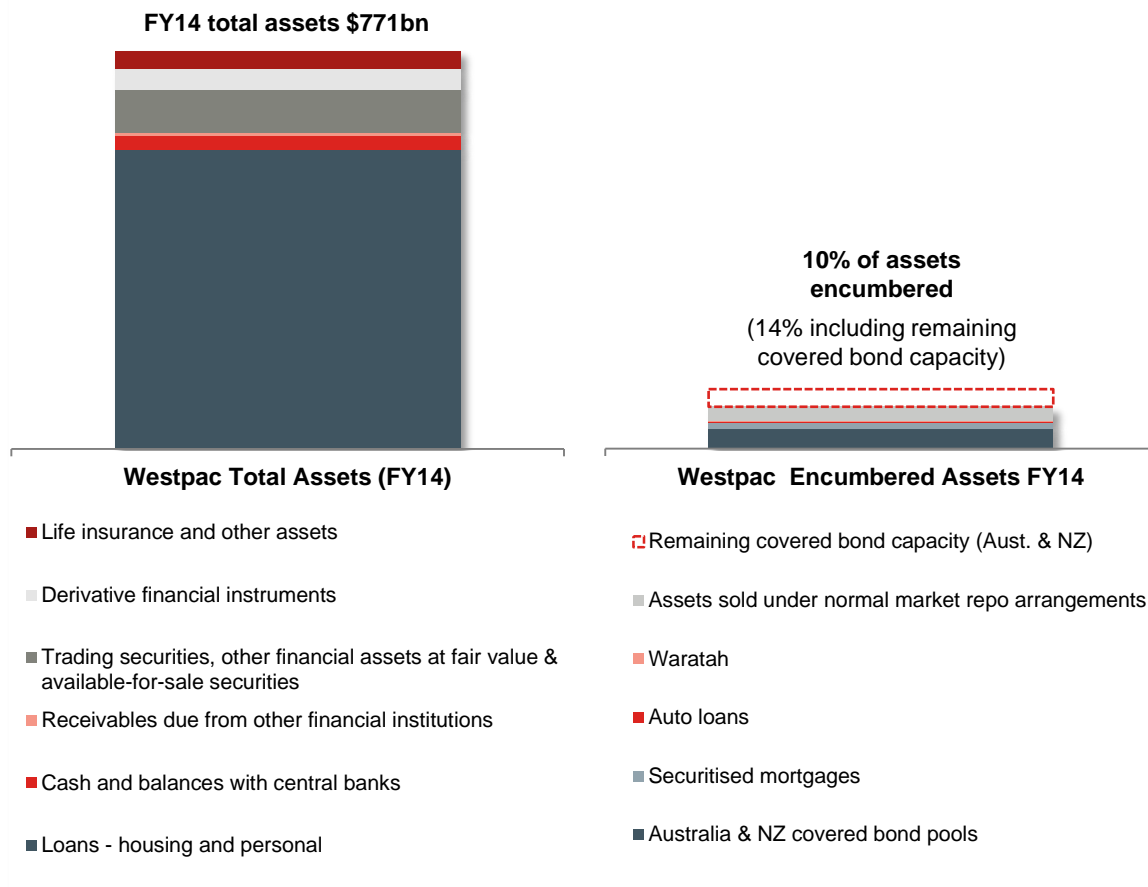


¹ Cards average payments to balance ratio is calculated using the average payment received compared to the average statement balance at the end of the reporting month.

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



Appendix 1:

Cash earnings adjustments

Cash earnings adjustment (A\$m)	FY14	FY13	2H14	1H14
Reported NPAT	7,561	6,751	3,939	3,622
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 ¹	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)	-
Cash earnings	7,628	7,063	3,856	3,772

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 ¹	BT Financial Group (Australia) ²	Westpac Institutional Bank	New Zealand (in A\$)	Westpac Pacific	Group Businesses	Group
Reported NPAT	2,582	1,455	873	1,468	790	122	271	7,561
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)
Cash earnings	2,582	1,580	895	1,468	790	122	191	7,628

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 30 September 2014 (APRA basis)

8.97%

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	112bps
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	47bps
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	64bps
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	20bps
Undrawn corporate lending EAD ¹	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	34bps
Unsecured corporate lending LGD ²	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	68bps
Expected loss adjustment	The amount of expected loss in excess of eligible provisions needs to be adjusted as a result of the RWA adjustments above	20bps
Other	Other minor items and interaction effects between capital and RWA adjustments	47bps
Internationally comparable CET1 ratio		13.09%

Appendix 4:

Definitions

Financial performance

Core earnings	Operating profit before income tax and impairment charges
AIEA	Average interest earning assets
Net interest spread	The difference between the average yield on all interest bearing assets and the average rate paid on all interest bearing liabilities
Net interest margin	Net interest income divided by average interest-earning assets
Full-time equivalent employees (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight
Internationally comparable	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 http://www.bankers.asn.au/FSL/Papers-and-Reports/Papers-and-Reports
Australian customers with wealth products metrics provider	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

Stressed loans	Stressed loans are the total of watchlist and substandard, 90 days past due well secured and impaired assets
Impaired assets	<p>Impaired assets can be classified as</p> <ol style="list-style-type: none"> 1. Non-accrual assets: Exposures with individually assessed impairment provisions held against them, excluding restructured loans 2. Restructured assets: exposures where the original contractual terms have been formally modified to provide concessions of interest or principal for reasons related to the financial difficulties of the customer 3. 90 days past due (and not well secured): exposures where contractual payments are 90 days or more in arrears and not well secured 4. other assets acquired through security enforcement 5. any other assets where the full collection of interest and principal is in doubt
90 days past due - well secured	A loan facility where payments of interest and/or principal are 90 or more calendar days past due and the value of the security is sufficient to cover the repayment of all principal and interest amounts due, and interest is being taken to profit on an accrual basis
Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal
Individually assessed provisions or IAPs	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are individually significant. The estimated losses on these impaired loans 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
Collectively assessed provisions or CAPs	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience of assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data

Information for investors

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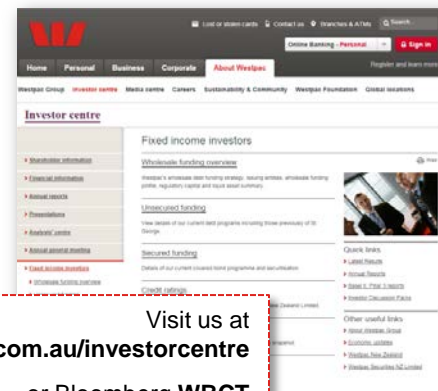
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