CAPITAL - THE NEXT CHAPTER

PETER KING, CFO WESTPAC GROUP

TRANS-TASMAN BUSINESS CIRCLE
3 SEPTEMBER 2015

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Westpac's Capital & Liabilities

Highest

Order of Priority

Lowest

Category of liability	Billions($)	
	Mar-08	Mar-15
Customer deposits with Financial Claims Scheme protection	NA	149.2
Other customer deposits	155.6	271.1
Derivatives, covered bonds and other liabilities	127.9	176.7
Debt issues[1]	92.4	136.8
Subordinated unsecured debt	6.1	6.5
Hybrid securities	2.5	5.4
Shareholder equity	17.2	50.3
	401.7	**796.0**

1

- Deposits now bifurcated into guaranteed and unguaranteed

2

- Support progressing slowly on bail-in response
- Australia has a creditor hierarchy

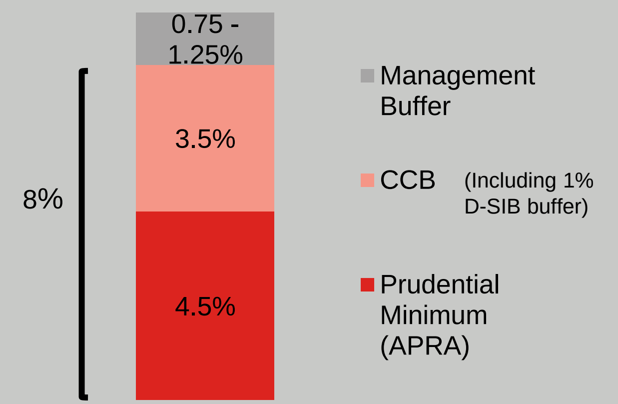
3

- New Securities can convert to equity

4

- Target operating above 8% CET1 ratio for majority of cycle

CET 1 Capital Ratio (Capital/RWA)



1 Excludes covered bonds

This table is provided for illustrative purposes only

Institute of International Finance – Comparison of sub-prime mortgage

Assumptions		Sub-prime Mortgage
Risk Variable	Exposure of default (EAD)	$300 000
	Probability of Default (PD)	3.0%
	Loss Given Default (LGD)	40.0%
	Expected Loss (EL) = PD X LGD	1.200%
Market spreads (over funding costs)		260bp
Advanced IRB Approach	Risk weight	107.5%
	RWA	$322,524
	Return on capital	**4.6%**
Standardized Approach	Risk weight	35.0%
	RWA	$105,000
	Return on capital	**14.0%**

Source: Institute of International Finance, *Risk Sensitivity: The important role of internal models,* September 2014.
Risk weights are approximate and indicative only.