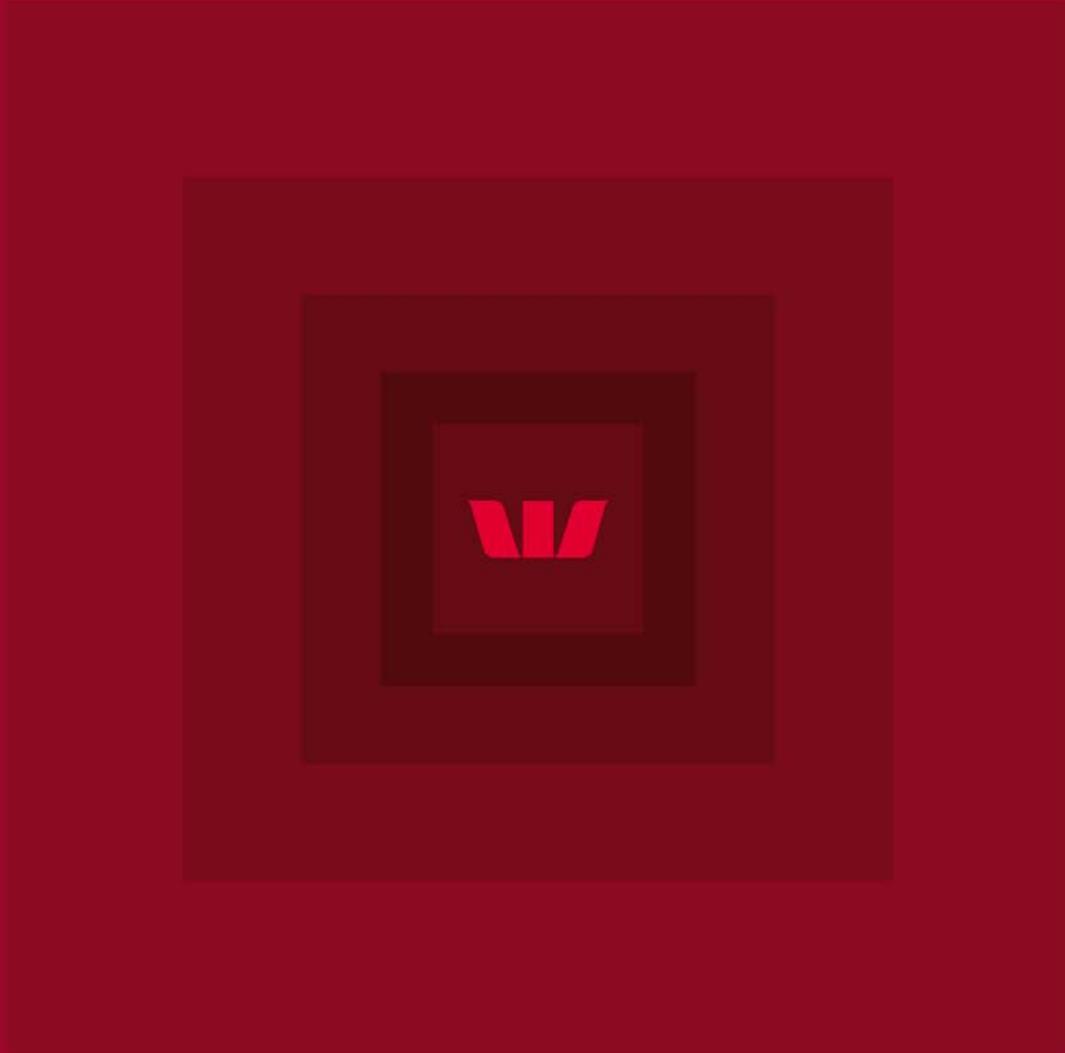


Westpac Banking Corporation

Pillar 3 Report - June 2017

Mumbai Branch



**Incorporating the requirements of the
Reserve Bank of India**

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In this report references to 'Westpac', 'Westpac Group', 'the Group', 'we', 'us' and 'our' are to Westpac Banking Corporation and its controlled entities (unless the context indicates otherwise). Any references to the Branch are to Mumbai Branch.

In this report, unless otherwise stated or the context otherwise requires, references to are to Indian Rupees.

Any discrepancies between totals and sums of components in tables contained in this report are due to rounding.

Scope of Application

The Basel III Pillar 3 disclosures contained herein relate to Westpac Banking Corporation, Mumbai Branch (“the Branch”) for the quarter ended 30 June 2017. The Branch operates in India as a branch of Westpac, Sydney under the licence granted by Reserve Bank of India (RBI). The Branch has no subsidiary or joint venture to be consolidated in line with requirement of Accounting Standard (AS) 21 (consolidated financial statements) and AS 27 (financial reporting of interest in joint ventures). The Branch does not have any interest in insurance companies in India.

The Pillar 3 disclosures are compliant with Reserve Bank of India (the “RBI”) Master Circular DBR. No. BP.BC. 6/21.06.201/2015-16 dated 1 July 2015 on BASEL III Capital Regulations hereinafter referred to as “Basel III guidelines”

The Branch operates as a scheduled commercial bank and is required to maintain capital ratios as prescribed by Basel III guidelines issued by RBI. The Branch is also required to comply with all applicable laws and regulations in India including guidelines issued by RBI and other relevant regulatory bodies.

Capital structure

Tier 1 capital of the Branch comprises of interest-free funds from Head Office kept in a separate account in Indian books and statutory reserves. Deferred tax assets and Intangible assets have been deducted to arrive at Tier 1 capital.

Tier 2 capital comprises of general provision on standard assets and provision for country risk exposure. The Branch has not issued subordinated debt instruments or any other Tier 2 capital instruments.

The table below shows the Branch's capital resources as at 30 June 2017.

₹ in '000	30 June 2017	31 March 2017
Tier 1 capital		
Interest free funds from Head Office	8,087,300	8,087,300
Statutory reserves	318,009	318,009
Innovative instruments	-	-
Other capital instruments	-	-
Amount deducted from Tier 1 capital	(26,432)	(25,961)
Total Tier 1 capital	8,378,877	8,379,348
Tier 2 capital		
General Provision for Standard Advances	77,488	76,922
Provision for country risk	4,963	6,619
Total Tier 2 capital	82,451	83,541
Total Eligible Capital	8,461,328	8,462,889

Capital adequacy

The Branch aims to hold sufficient capital to meet the minimum regulatory requirements on an ongoing basis. The Branch's capital management strategy is:

- To comply with the Basel III Regulatory Capital requirements set out by RBI; and
- To minimise the possibility of the Branch's capital falling below the minimum regulatory requirement by maintaining a capital buffer (in excess of the Basel III minimum requirements) sufficient to cover Pillar 2 risks and the capital impact of stress scenarios.

The Branch's capital management is mainly guided by its current capital position, current and future business needs, regulatory environment including Basel III and strategic business planning. The Branch continuously focuses on effective management of risk and corresponding capital to support the risk.

As per Basel III guidelines, currently the Branch has adopted the Standardised Approach (SA) for credit risk, the Basic Indicator Approach (BIA) for operational risk and the Standardised Duration Approach (SDA) for market risk. Under the BIA, the Branch holds capital for operational risk equal to 15% of average of positive gross annual income over the previous three years. As at 30 June 2017 the Branch's Capital to Risk Weighted Assets Ratio (CRAR) stood at 53.82% as per Basel III. The Branch is adequately capitalised.

Capital adequacy ratios

Common Equity Tier 1 (CET1), Tier 1 and Total capital ratios (computed as per Basel III capital regulations)

The minimum capital requirements under Basel III will be phased-in as per the guidelines prescribed by RBI. Accordingly, the Branch is required to maintain minimum common equity Tier 1 (CET1) of 5.5%, minimum Tier 1 capital ratio of 7 %, capital conservation buffer (CCB) of 1.625% and a minimum total capital ratio of 9.0% as at 30 June 2017. Minimum total capital requirement including CCB is 10.875% as at 30 June 2017. The Branch's position in this regard is as follows:

%	30 June 2017	31 March 2017
Common Equity Tier-I Capital Ratio	53.30	53.23
Additional Tier-1 Capital	-	-
Tier 1 capital ratio	53.30	53.23
Tier 2 capital ratio	0.52	0.53
Total regulatory capital ratio	53.82	53.76

Capital Requirements

This table shows risk weighted assets and associated capital requirements for each risk type included in the regulatory assessment of the Branch's capital adequacy. The Branch's approach to managing these risks, and more detailed disclosures on the prudential assessment of capital requirements, are presented in the following sections of this report.

	30 June 2017		31 March 2017	
	Total Capital Required	Total Risk Weighted Assets	Total Capital Required	Weighted Assets
₹ in '000				
Credit Risk				
Portfolios subject to standardised approach	747,554	8,306,153	797,221	8,858,011
Securitisation exposures	-	-	-	-
Total	747,554	8,306,153	797,221	8,858,011
Market risk				
Interest rate risk	274,701	3,433,759	249,901	3,123,758
Foreign exchange risk (including gold)	160,000	2,000,000	160,000	2,000,000
Equity risk	-	-	-	-
Total	434,701	5,433,759	409,901	5,123,758
Operational risk	158,464	1,980,803	140,866	1,760,830
Total	1,340,719	15,720,716	1,347,989	15,742,599

Credit risk is the potential for financial loss where a customer or counterparty fails to meet their financial obligations to Westpac. Westpac maintains a credit risk management framework and a number of supporting policies, processes and controls governing the assessment, approval and management of customer and counterparty credit risk. These incorporate the assignment of risk grades, the quantification of loss estimates in the event of default, and the segmentation of credit exposures.

Structure and organisation

The Chief Risk Officer (CRO) is responsible for the effectiveness of overall risk management throughout Westpac, including credit risk. Authorised officers have delegated authority to approve credit risk exposures, including customer risk grades, other credit parameters and their ongoing review. A portion of consumer lending is subject to automated scorecard-based approval. Our largest exposures are approved by our most experienced credit officers. Line business management is responsible for managing credit risks accepted in their business and for maximising risk-adjusted returns from their business credit portfolios, within the approved risk appetite, risk management framework and policies.

The Country Risk and Compliance Committee – India (CRCC-I) has oversight of credit risk management within the Branch and includes the Branch CEO, representatives from the business and risk functions. It is responsible for the review and oversight of credit risk in line with the Westpac Group credit risk management framework and policies.

Credit risk management framework and policies

Westpac maintains a credit risk management framework and supporting policies that are designed to clearly define roles and responsibilities, acceptable practices, limits and key controls.

The Credit Risk Management Framework describes the principles, methodologies, systems, roles and responsibilities, reports and controls that exist for managing credit risk in Westpac. The Credit Risk Rating System policy describes the credit risk rating system philosophy, design, key features and uses of rating outcomes.

Concentration risk policies cover individual counterparties, specific industries (e.g. property) and individual countries. In addition there are policies covering risk appetite statements, Environmental, Social and Governance (ESG) credit risks and the delegation of credit approval authorities.

At the divisional level, credit manuals embed the Group's framework requirements for application in line businesses. These manuals include policies covering the origination, evaluation, approval, documentation, settlement and on-going management of credit risks, and sector policies to guide the extension of credit where industry-specific guidelines are considered necessary.

Credit approval limits govern the extension of credit and represent the formal delegation of credit approval authority to responsible individuals throughout the organisation

Summary credit risk disclosure

₹ in '000	30 June 2017	31 March 2017
Fund Based ¹	24,656,622	20,520,329
Non Fund Based ²		
Non-Market related Off Balance sheet items	312,362	164,277
Market Related	12,911,168	13,752,929
Total	37,880,152	34,437,535

Portfolio by geography

All the exposures provided under the summary credit risk disclosure (gross credit risk exposure) above are domestic.

Portfolio by industry classification

₹ in '000	30 June 2017			31 March 2017		
	Fund based	Non-fund based	Total	Fund based	Non-fund based	Total
Food Processing	-	20,698	20,698	-	-	-
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	811,184	811,184	-	815,359	815,359
Basic Metal and Metal Products	-	4,722	4,722	-	18,793	18,793
Infrastructure - Communication	-	231,739	231,739	-	148,465	148,465
Other Industries	1,000,000	283,310	1,283,310	1,000,000	202,629	1,202,629
Residuary other advances (to tally with total exposure) ³	23,656,622	11,871,877	35,528,499	8,095,137	12,731,960	20,827,097
Total	24,656,622	13,223,530	37,880,152	20,520,329	13,917,206	34,437,535

Portfolio by maturity breakdown

₹ in '000	30 June 2017	31 March 2017
Day - 1	11,012,262	12,468,874
2-7 Days	7,061,416	1,279,073
8-14 Days	45,456	307,152
15-30 Days	10,421,027	9,184,627
31 Days & upto 2 months	2,692	209,771
More than 2 months and upto 3 months	37,664	843,752
Over 3 Months and upto 6 months	754,094	918,707
Over 6 Months and upto 1 year	531,502	654,137
Over 1 Year and upto 3 years	717,509	1,143,683
Over 3 Year and upto 5 years	11,817	16,087
Over 5 years and upto 7 years	-	341,750
Over 7 years and up to 10 years	-	-
Over 10 year and up to 15 years	-	-
Over 15 years	-	-
Total	30,595,439	27,367,613

¹ Fund based exposures includes investments, claims on bank and other assets including fixed assets

² Non fund based exposures includes non-market related off-Balance sheet items (Contingent Credits and Exposures)

³ Includes includes Other Assets and Exposure to Banks, NBFC's and CCIL

Impaired and past due loans¹

The following disclose the crystallisation of credit risk as impairment and loss. Analysis of exposures 90 days past due not impaired, impaired loans, related provisions and actual losses are broken down by concentrations reflecting Westpac's asset categories, industry and geography.

Gross Impaired and past due loans:

There are no non-performing advances as at 30 June 2017 (nil as at 31 March 2017)

Net Impaired and past due loans:

There are no non-performing advances as at 30 June 2017 (nil as at 31 March 2017).

Impaired and past due loans ratios

There are no non-performing advances as at 30 June 2017 (nil as at 31 March 2017).

Movement in Impaired and past due loans

Since the non performing advances for the Branch are nil during the quarter, at the beginning and at the end of quarter, there is no movement to report (nil as at 31 March 2017).

Non Performing Investments

There are no non-performing investments as at 30 June 2017 (nil as at 31 March 2017).

Movement of provisions for depreciation on investments

₹ in '000	30 June 2017	31 March 2017
Opening Balance	854	-
Provisions made during the year	1,392	3,086
Write-off	(1,526)	(2,233)
Write-back of excess provisions	-	-
Closing Balance	719	854

Credit Risk: Disclosures for portfolios subject to the standardised approach

As at 30 June 2017 the Branch has not applied any ratings for the exposures under standardised approaches. All the exposures to scheduled commercial banks for the purpose of Pillar 1 calculation are risk weighted at 20% since these exposures are made to counterparty banks having capital adequacy ratio of 9% and above.

The Branch uses RBI guidelines with respect to usage of short term/long term issuer ratings set by the accredited rating agencies² for assigning risk weights for non-resident corporate entities and foreign banks, ratings issued by the international rating agencies such as S&P, Moody's and Fitch are used.

Portfolio by risk weight³

₹ in '000	30 June 2017	31 March 2017
Below 100% risk weight	34,910,078	31,607,112
100% risk weight	1,217,637	1,633,285
Above 100% risk weight	1,752,437	1,197,138
Deductions	-	-
Total	37,880,152	43,182,673

¹ Also known as Non-Performing Assets (NPA).

² Fitch, Credit Analysis and Research (CARE), Credit rating and information services of India limited (CRISIL), Investment Information and Credit Rating Agency (ICRA), SME Rating Agency of India (SMERA) and Brickworks.

³ Deductions represents amount deducted from Capital Funds.

Westpac Banking Corporation Mumbai Branch

Pillar 3 report

Leverage Ratio

As per RBI guideline DBR.No.BP.BC.58/21.06.201/2014-15 issued on January 8, 2015, Banks operating in India are required to make disclosure of the leverage ratio and its components from the date of publication of their first set of financial statements / results on or after April 1, 2015.

As per the instructions the disclosure is required to be made along with the Pillar 3 disclosures.

₹ in '000	30 June 2017	31 March 2017	31 December 2016	30 September 2016	30 June 2016
Tier 1 capital	8,378,877	8,379,348	8,268,221	8,252,183	8,252,607
Exposure Measure	38,354,462	34,858,496	30,810,007	43,105,919	46,922,057
Leverage	21.85%	24.04%	26.84%	19.14%	17.59%