

# 2018 Interim Results

For the six months ended 31 March 2018

## Presentation and Investor Discussion Pack

Westpac Banking Corporation | ABN 33 007 457 141

# Westpac 2018 Interim Results index

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## Image on front

The Westpac Rescue Helicopter  
Service in action

## Image on right

Westpac head office, 275 Kent Street,  
Sydney





# Brian Hartzler Chief Executive Officer

Financial results based on cash earnings unless otherwise stated  
Refer page 36 for definition. Results principally cover the 1H18, 2H17 and 1H17 periods  
Comparison of 1H18 versus 2H17 (unless otherwise stated)

# Consistency delivers

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- Cash earnings up 5% on 2H17 and 6% on 1H17
- Operating divisions performing well – all increased core earnings
- Maintained discipline – prioritised return over growth
- Increasing traction on efficiency
- Continuing to build long-term franchise value
- Well positioned for the changing landscape
- Remain positive on the economic outlook

# Headline results

	1H18	Change 1H18 – 2H17	Change 1H18 – 1H17
Reported net profit after tax	\$4,198m	3%	7%
Cash earnings	\$4,251m	5%	6%
Cash EPS <sup>1</sup>	125.0c	4%	4%
Common equity Tier 1 capital ratio <sup>2</sup>	10.5%	(6bps)	53bps
Return on equity (ROE) <sup>3</sup>	14.0%	37bps	1bp
Net tangible assets per share	\$15.00	2%	5%
Margin (excl. Treasury & Markets) <sup>4</sup>	2.05%	3bps	9bps
Expense to income ratio <sup>4</sup>	41.7%	(91bps)	(9bps)
Impairment charge to average loans	11bps	-	(4bps)
Interim dividend <sup>5</sup> (fully franked)	94c	-	-

1 Cash EPS is cash earnings divided by the weighted average ordinary shares. 2 Common equity Tier 1 capital ratio on an APRA Basel III basis. 3 Return on equity is cash earnings divided by average ordinary equity. 4 Cash earnings basis. 5 Cents per share.

# Delivering for all stakeholders

 Customers	<b>14.0m</b> Customers	 <b>Supporting customers' financial goals<sup>2</sup></b>	 <b>Being there when it matters most to customers</b>
 Employees	<b>39,574</b> Employees	<ul style="list-style-type: none"> <li>• 126,000 new home loans</li> </ul>	<ul style="list-style-type: none"> <li>• Helped 19,473 customers with financial assistance packages</li> </ul>
 Community	<b>\$164m</b> 2017 Community contribution <sup>1</sup>	<ul style="list-style-type: none"> <li>• \$11bn in new lending to businesses<sup>3</sup></li> </ul>	<ul style="list-style-type: none"> <li>• 65 relief packages for customers impacted by natural disasters</li> </ul>
 Economy	<b>\$1.9bn</b> Income tax in 1H18	<ul style="list-style-type: none"> <li>• Paid \$200m in Life insurance claims</li> </ul>	<ul style="list-style-type: none"> <li>• Further roll out of dementia-friendly banking</li> </ul>
 Environment	<b>\$8.5bn</b> Committed exposure to climate change and environmental solutions	<ul style="list-style-type: none"> <li>• Paid \$125m in General insurance claims</li> </ul>	<ul style="list-style-type: none"> <li>• Westpac SmartPlan launched – online tool to help manage credit card balances</li> </ul>

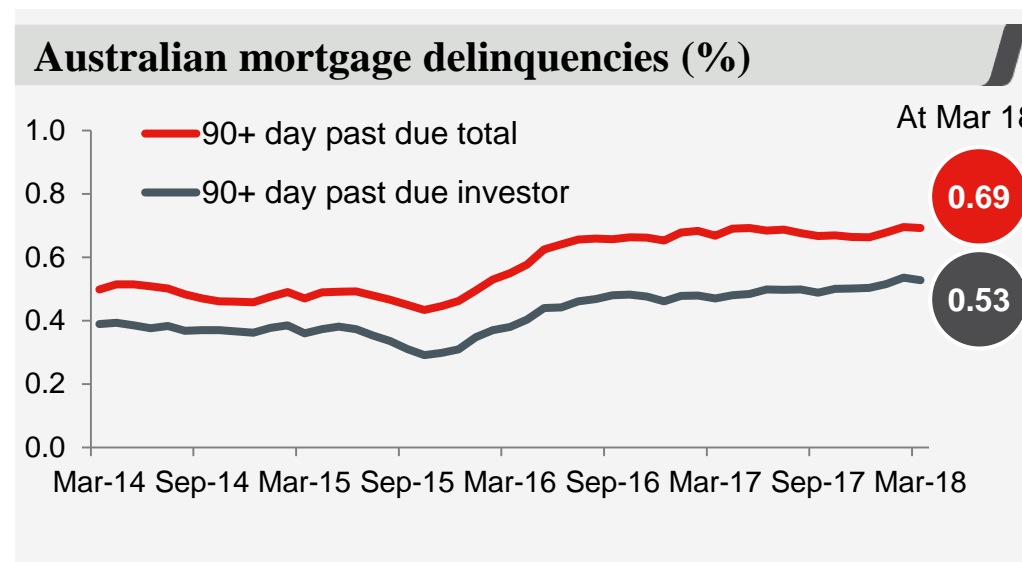
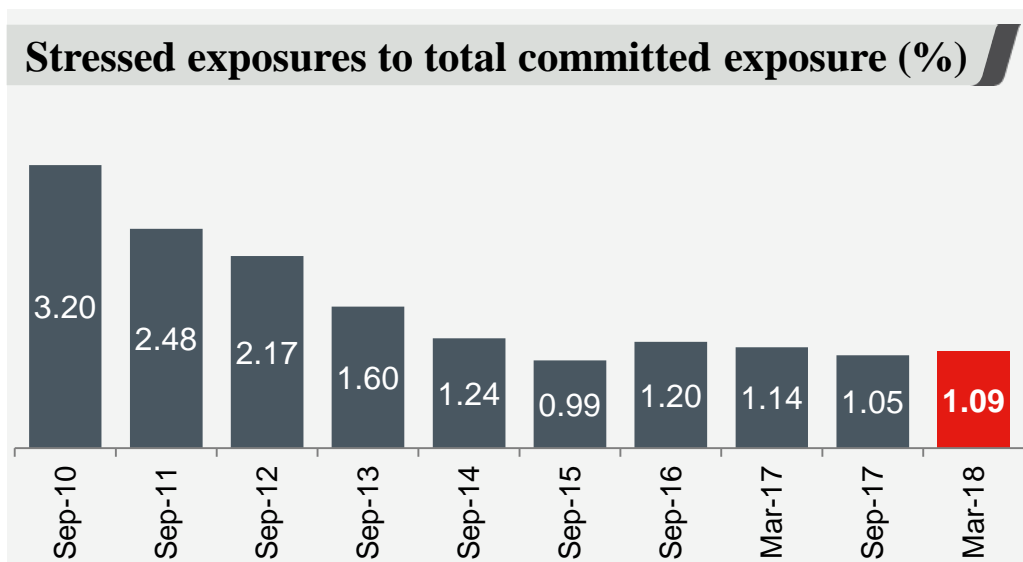
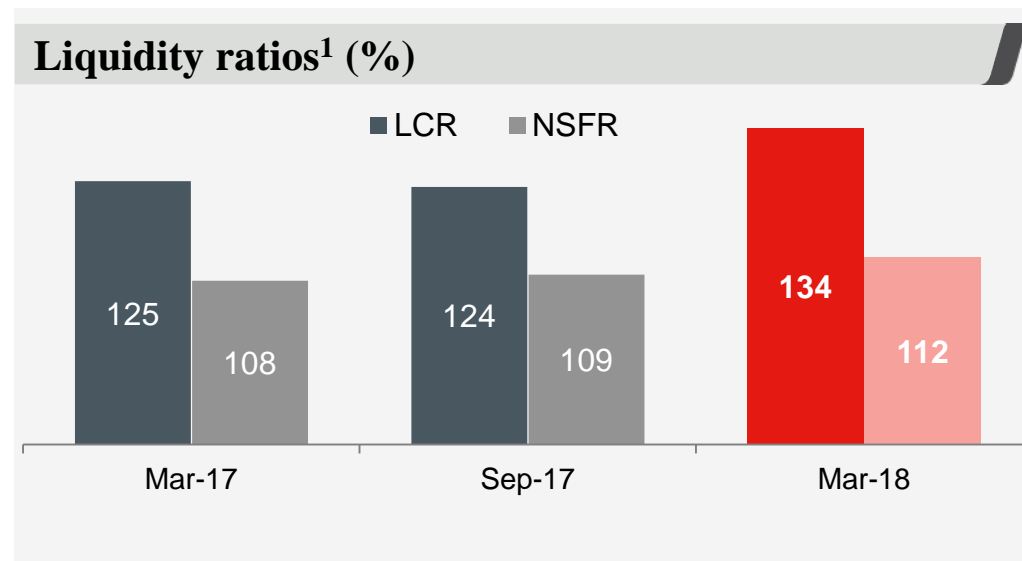
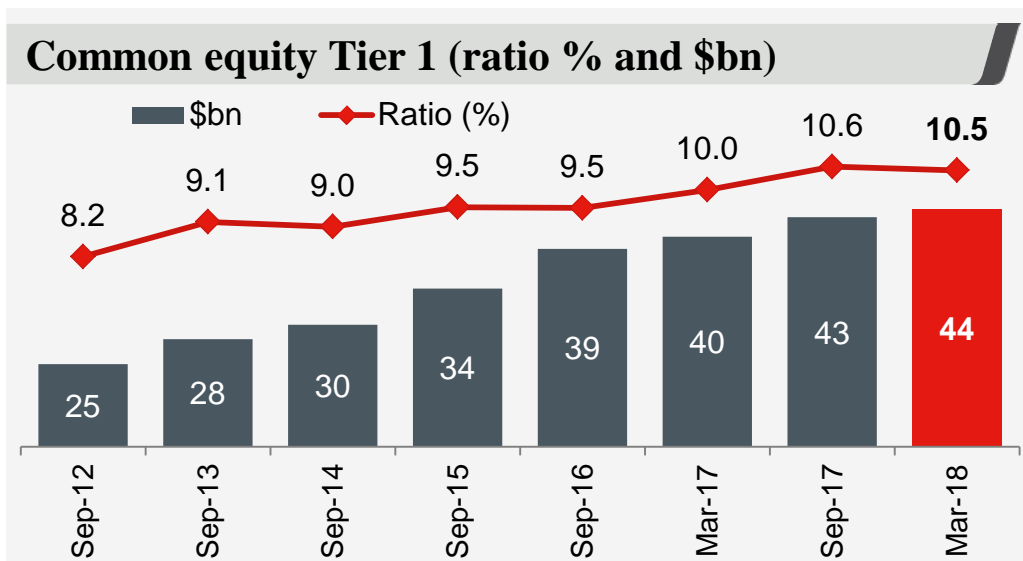
Global banking leader in the Dow Jones Sustainability Index in 2017, the fourth year in a row

Data for 1H18 or at 31 March 2018 unless otherwise stated. 1 FY17 for detail see Westpac Group 2017 Sustainability Performance Report page 84. 2 Australia data only. 3 Excludes institutional lending.

# Core earnings up across operating divisions

Division	1H18-2H17 (% earnings change)		Comments 1H18 – 2H17
	Cash	Core	
Consumer Bank	6	3	<ul style="list-style-type: none"> <li>• Disciplined growth, improved margins, flat costs, lower impairments</li> </ul>
Business Bank	3	3	<ul style="list-style-type: none"> <li>• Lending up 2% with growth across SME and commercial</li> <li>• Improved margins; Impairments little changed</li> </ul>
BT Financial Group	13	13	<ul style="list-style-type: none"> <li>• Private Wealth, higher insurance premiums and non repeat of customer refunds and payments</li> <li>• Partly offset by higher seasonal weather claims</li> </ul>
Westpac Institutional Bank	4	1	<ul style="list-style-type: none"> <li>• Relatively flat outcome across key earnings line items</li> <li>• Higher impairment benefit led to lift in cash earnings</li> </ul>
New Zealand (NZ\$)	(5)	3	<ul style="list-style-type: none"> <li>• Sound growth across mortgages and business, strong deposit growth, margins higher, costs lower</li> <li>• Impairments moved from a benefit to a small charge contributing to the decline in cash earnings</li> </ul>

# Balance sheet **remains strong**



<sup>1</sup> LCR is Liquidity coverage ratio, NSFR is Net stable funding ratio.



# Managing growth and return

## 1H18 outcomes

**14%**

ROE at the upper end of 13-14% range the Group is seeking to achieve

**0.9x**

Australian system mortgage growth

**3bps**

Margins<sup>1</sup> up from higher deposit and loan spreads

## Enhanced discipline and accountability

### A more granular operating structure

**1**

Group

**6**

Divisions

**27**

Business units

**\$6<sup>bn</sup>**

Additional capital allocated to divisions

**\$186m**

Capital released from BTFG subsidiaries restructure

<sup>1</sup> Margins excluding Treasury & Markets.

# Increasing traction on efficiency

## Sources of productivity (\$m)

	1H15 – 1H18 <sup>1</sup>	1H18
Simplify operating models	389	69
Network efficiency/digitisation	251	30
Infrastructure, contracts and other	254	32
<b>Total</b>	<b>894</b>	<b>131</b>

- Targeting a sub 40% cost to income ratio
- Making progress on medium term structural productivity gains
  - Halved products for sale in Consumer Bank to 60
  - Panorama installed – migration to commence in 2019
  - Customer service hub – Westpac mortgages go live by end of year

<sup>1</sup> Oct 14 – Mar 18.

# Building long term franchise value

	1H16	1H18	Change	
<b>Strong Balance sheet</b>	CET1 capital (\$bn)	38	44	16%
	Impaired assets (\$bn)	2.49	1.54	(40%)
	NTA per share (\$)	13.74	15.00	9%
<b>Customer No.s &amp; relationship depth</b>	Customer numbers (#m)	13.2	14.0	+800k
	Customer deposits (\$bn)	442	502	14%
	Digital sales <sup>1</sup> (% of total sales)	22	29	7ppts
<b>Drive efficiency via digital</b>	Expense to income ratio (%)	41.6	41.7	13bps
	Productivity savings (\$m)	116	131	13%
	Customers with e-statements (%)	28	45	17ppts
<b>Highly engaged, innovative culture</b>	Employee engagement (Index)	69	79	10ppts
	Reinventure commitment (\$m)	50	100	2x
	Women in Leadership <sup>2</sup> (%)	46	50	4ppts

<sup>1</sup> Digital sales is Consumer Bank only. Sales included if a deposit is completed or an account is activated. <sup>2</sup> Refer to slide 136 for metric definition.

# Positioning for **changing landscape**

## Upgrading infrastructure



- Customer service hub
- Big data platform
- Panorama
- Hybrid cloud
- API platform
- Cyber and other upgrades

## Harnessing data



- Reinventure
- AI, robotic process automation
- Open data & CCR<sup>1</sup>
- New payments channels
- Customer insights

## Innovating for customers



- Presto Smart<sup>2</sup>
- BT Super Invest<sup>2</sup>
- Institutional loan portal
- Customer insight reporting

## Culture & Compliance



- Remuneration & “Motivate”
- BEAR – enhanced accountability
- Training & accreditation
- New banking code of practice
- Get it right – Put it right initiative
- Product reviews
- Flexible & agile working

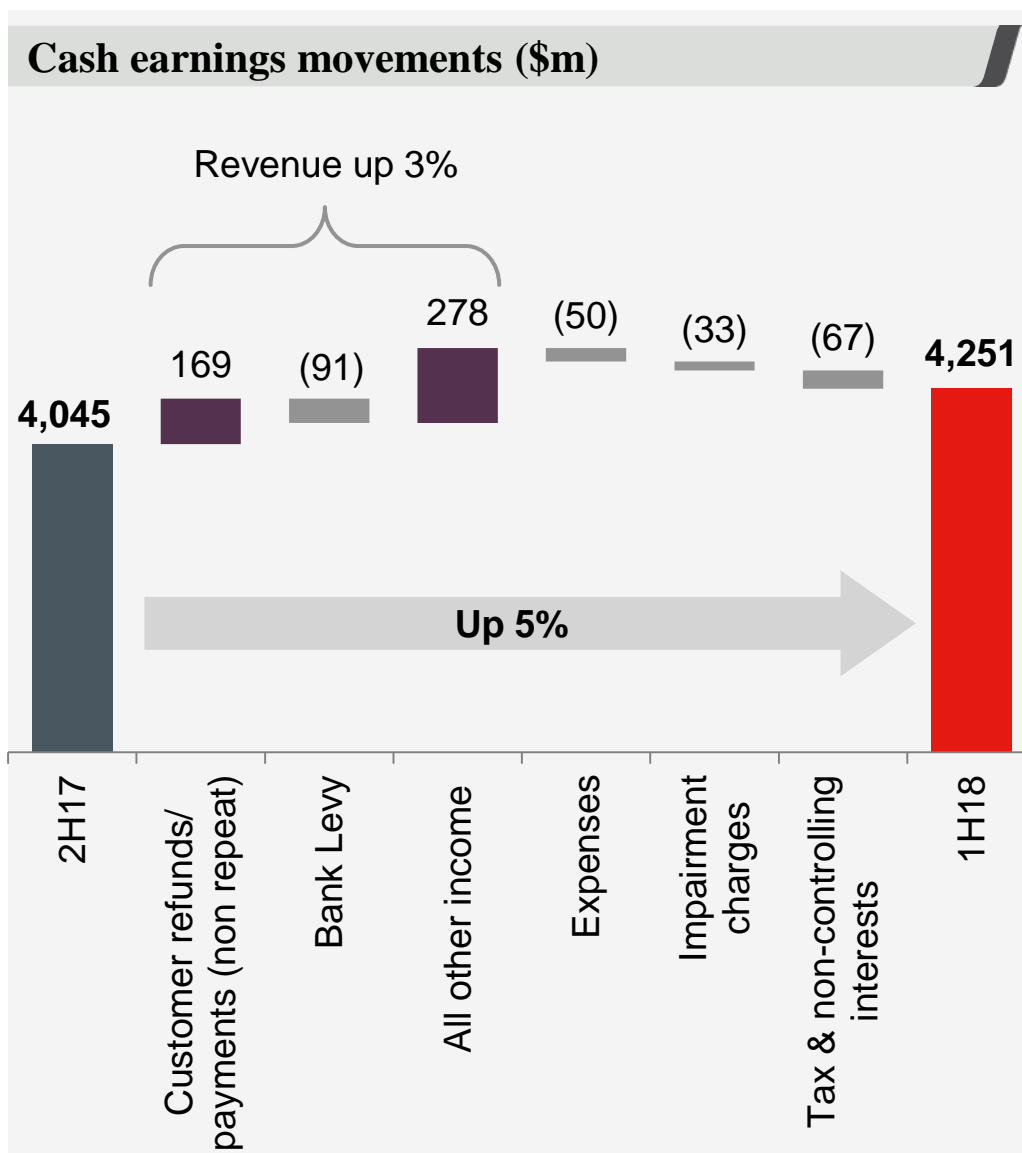
<sup>1</sup> Comprehensive credit reporting. <sup>2</sup> Presto Smart is a new system for linking merchant terminal with point of sale systems. BT Super Invest a new flexible superannuation product that gives customers choice in how their funds are invested.



# Peter King Chief Financial Officer

Financial results based on cash earnings unless otherwise stated  
Refer page 36 for definition. Results principally cover the 1H18, 2H17 and 1H17 periods  
Comparison of 1H18 versus 2H17 (unless otherwise stated)

# Results at a glance



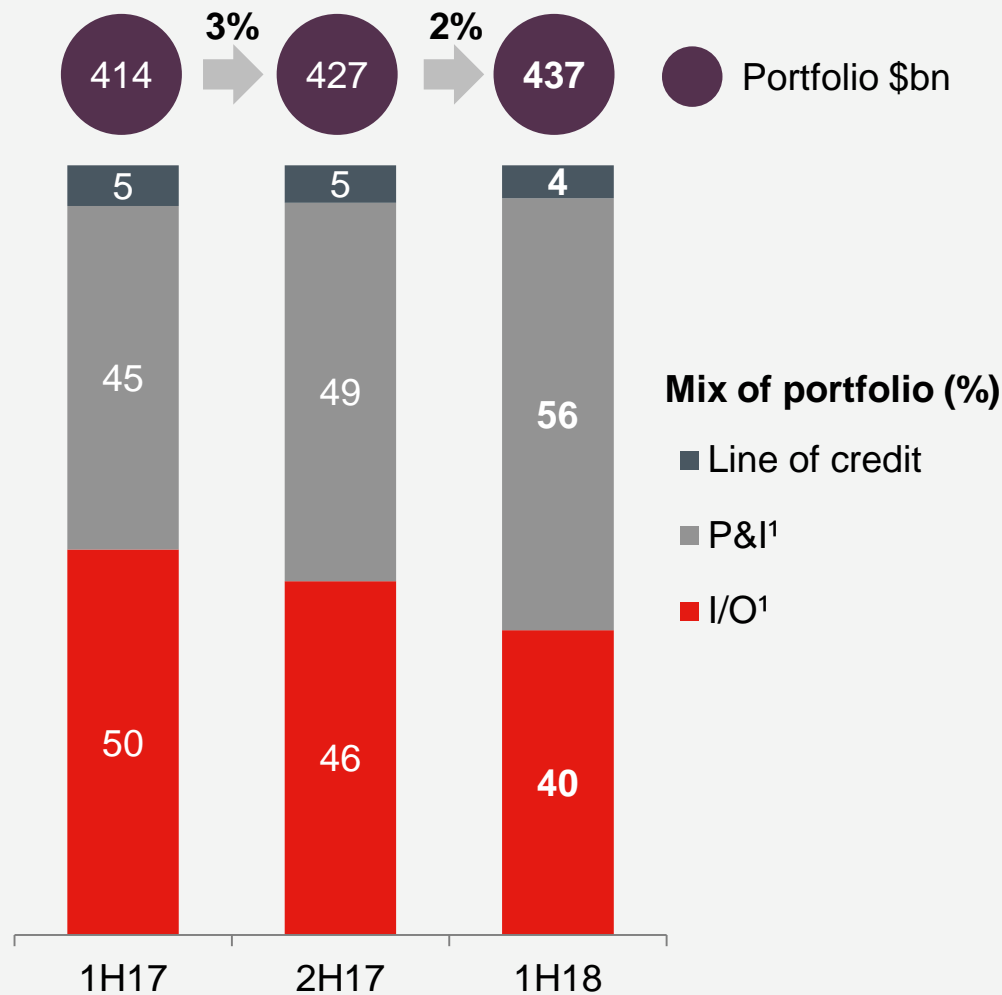
**Infrequent/volatile items (\$m after tax)**

	2H16	1H17	2H17	1H18
Asset sales	(4)	4	-	(7)
Performance fees/ fund manager revaluations	22	-	(3)	-
Group CVA <sup>1</sup>	3	15	20	(1)
Provision for customer refunds/payments	-	-	(118)	-
<b>Total cash earnings impact</b>	<b>21</b>	<b>19</b>	<b>(101)</b>	<b>(8)</b>
Bank Levy - (pre tax)	-	-	(95)	(186)
- (post tax)	-	-	(66)	(130)

<sup>1</sup> CVA is credit valuation adjustment.

# Australian mortgage growth 2%

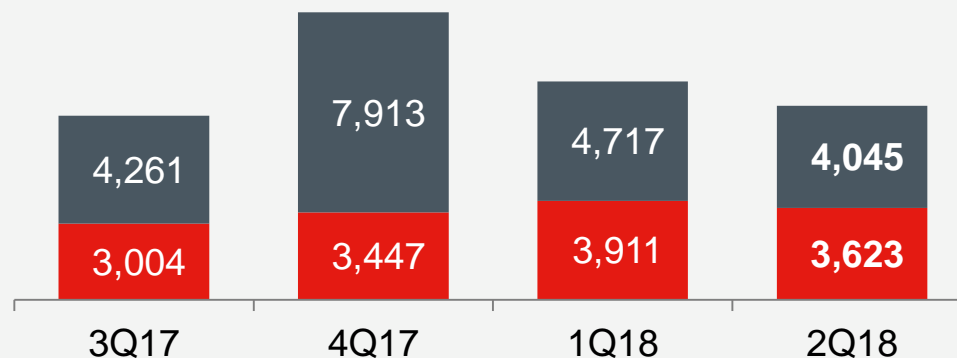
## Australian mortgage portfolio growth (\$bn) and mix (%)



<sup>1</sup> I/O is interest only mortgage lending. P&I is principal and interest mortgage lending.

## Switching from I/O to P&I (\$m)

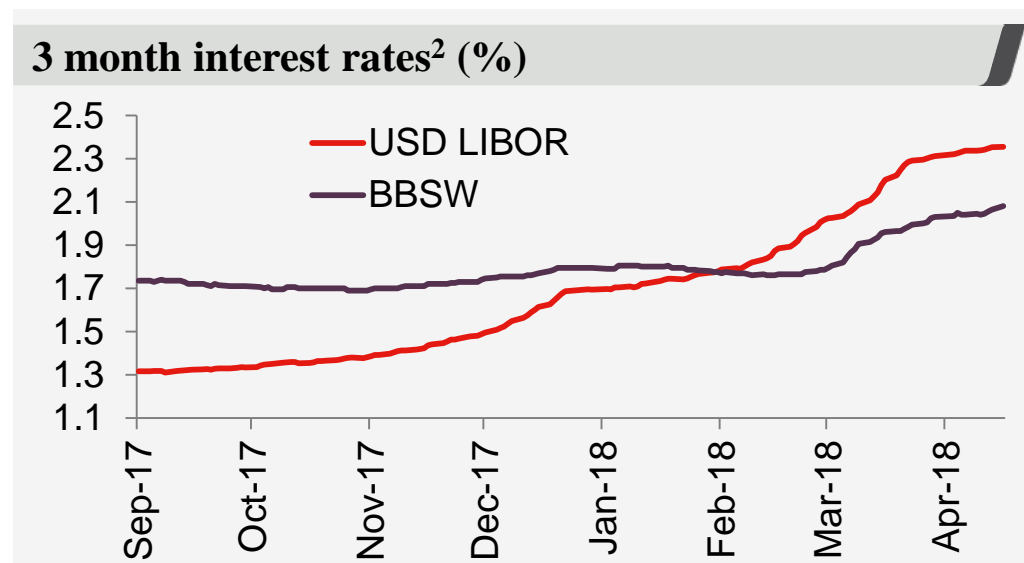
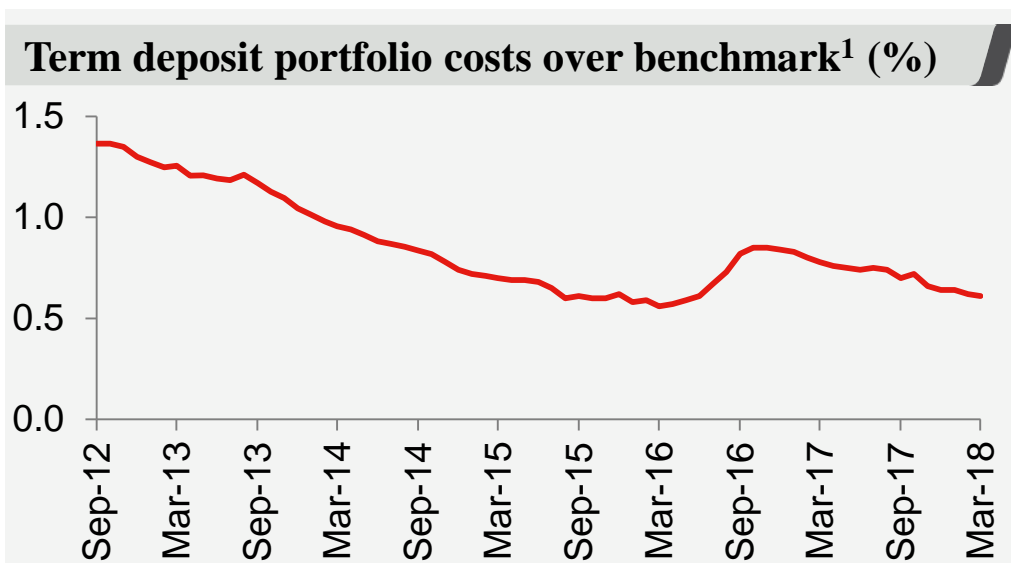
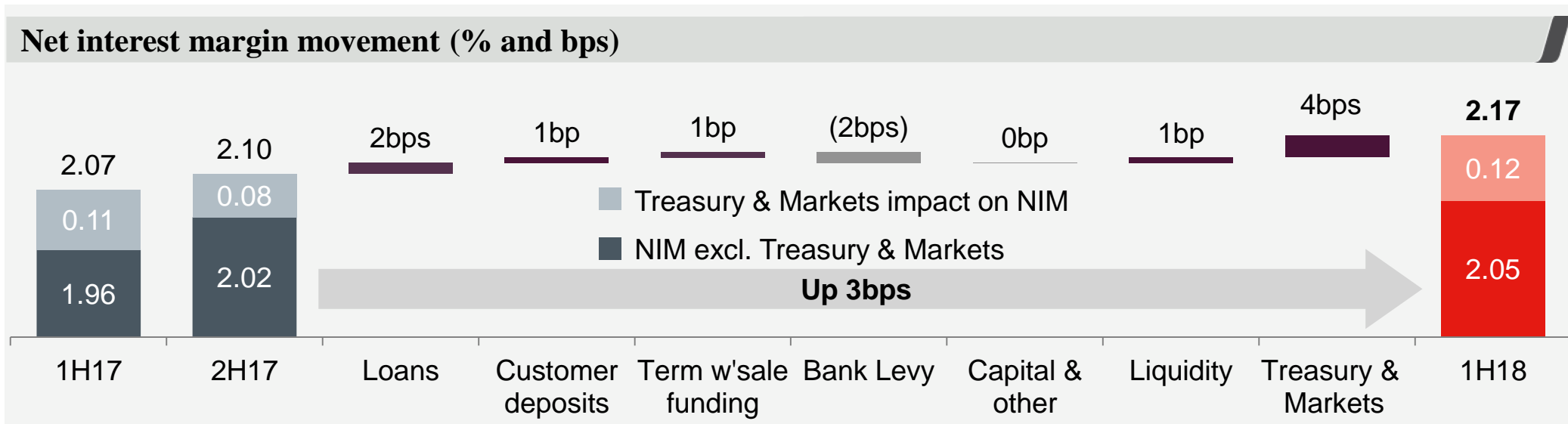
■ Reached end of I/O period ■ Customer initiated



## Mortgage portfolio (\$bn)

	1H17	2H17	1H18
New lending	37.0	40.4	38.4
Run-off	(27.3)	(27.2)	(28.3)
Net flows	9.7	13.2	10.1
Mortgage offset accounts (balance growth hoh)	4%	4%	3%

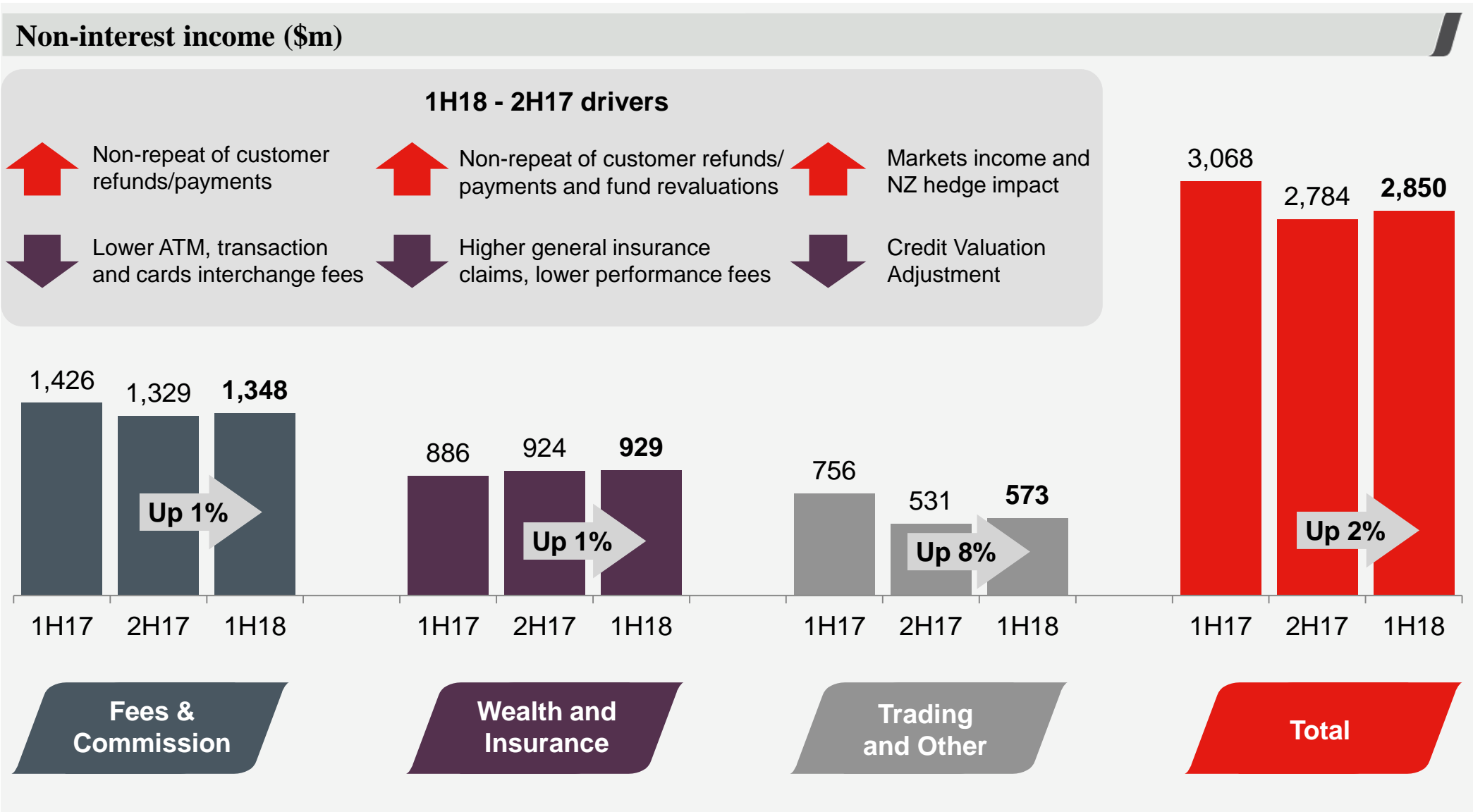
# Margins ex Treasury & Markets up 3bps



<sup>1</sup> Benchmark is based on market rates with terms consistent with the duration of the term deposits. <sup>2</sup> Source: Bloomberg.

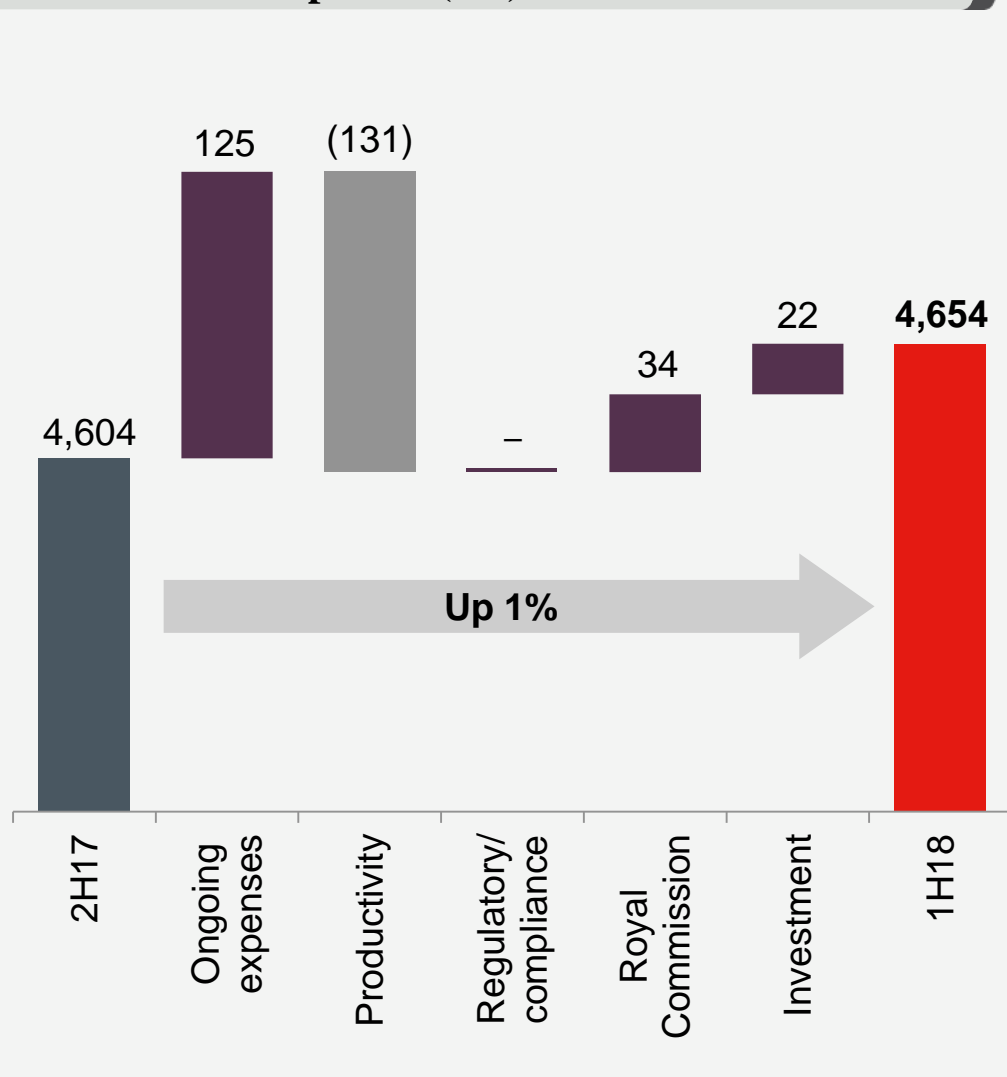


# Non-interest income



# Expenses well managed

## Movement in expenses (\$m)

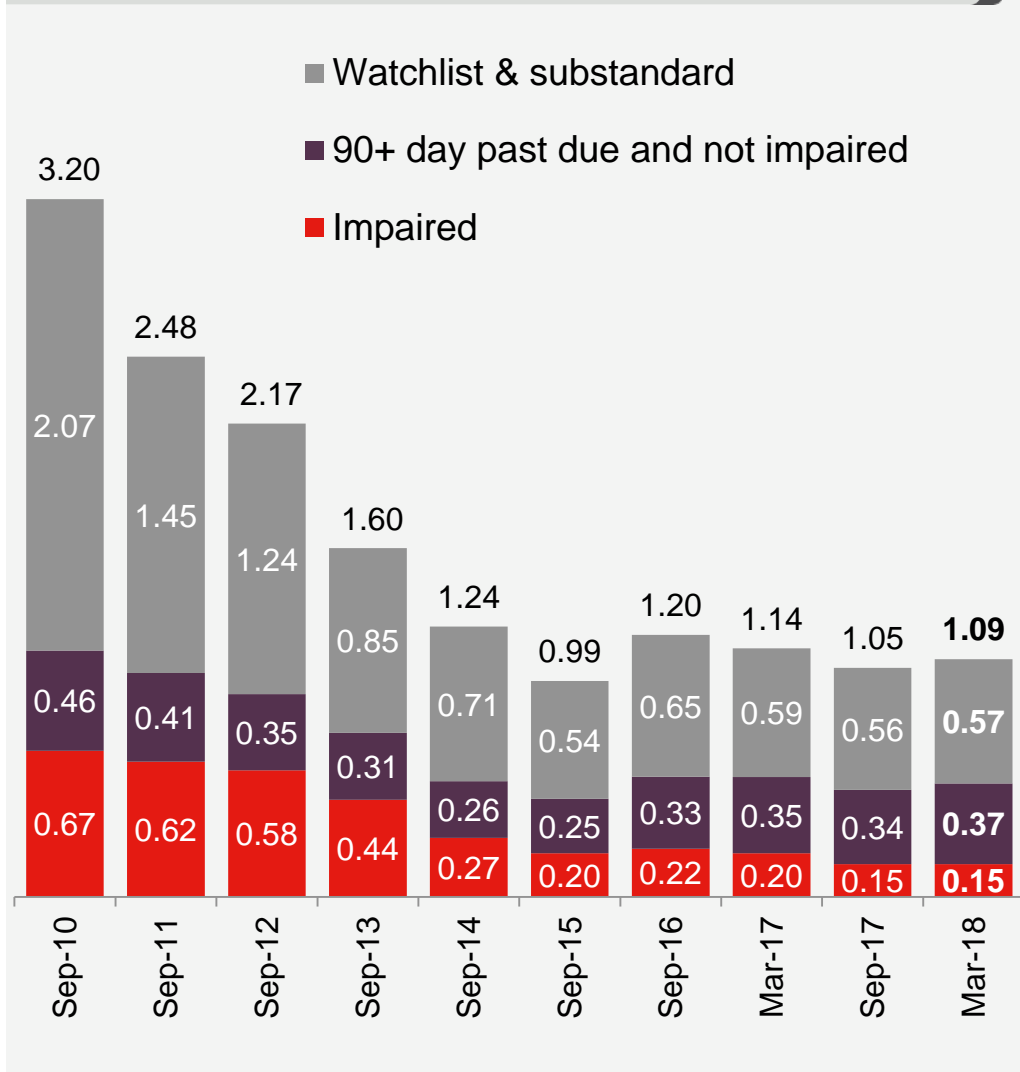


## Divisional expense growth 1H18 – 2H17

	\$m	%
Consumer Bank	3	flat
Business Bank	9	1%
BT Financial Group	(9)	(1%)
Westpac Institutional Bank	(5)	(1%)
New Zealand (in NZ\$)	(7)	(1%)
Group Businesses (includes Royal Commission costs)	65	large

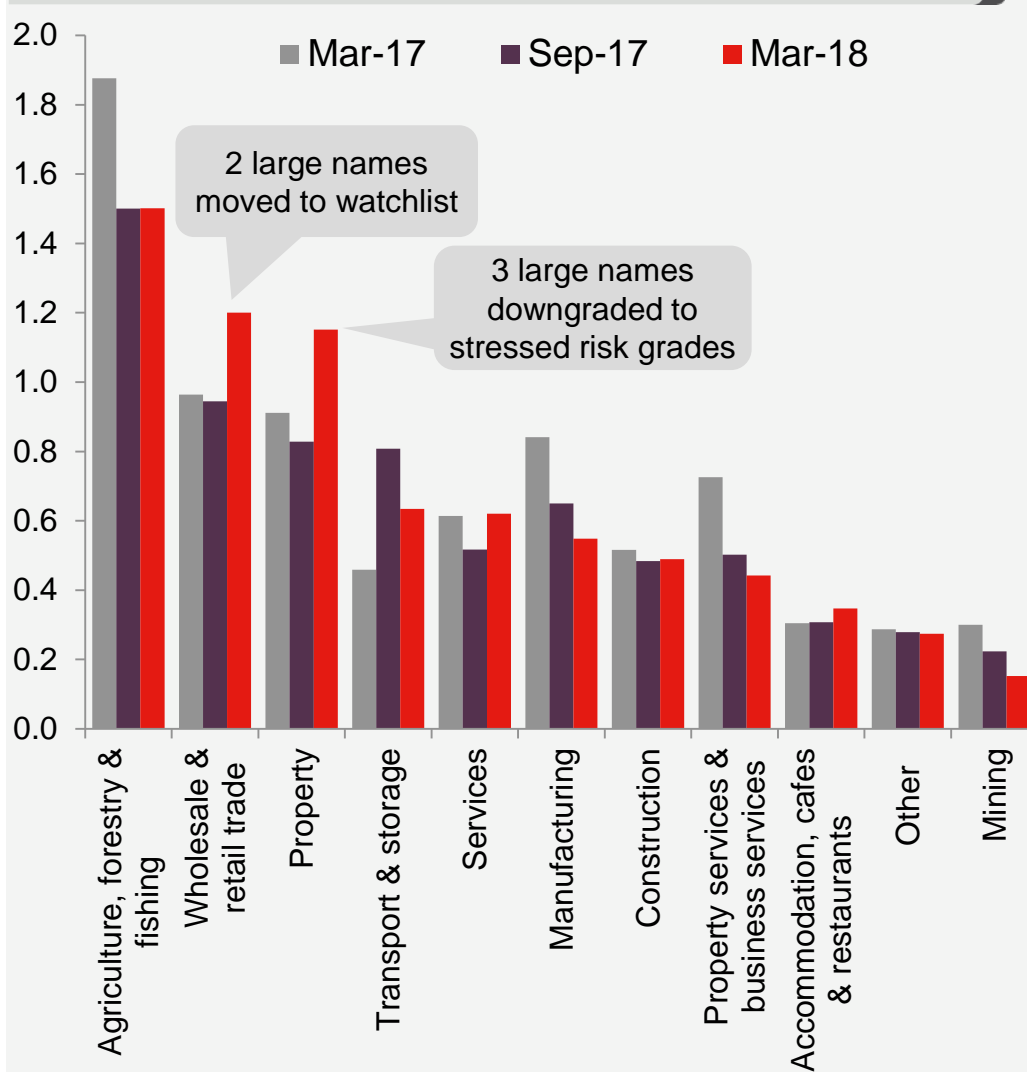
# Asset quality **sound**

## Stressed assets as a % of TCE<sup>1</sup>



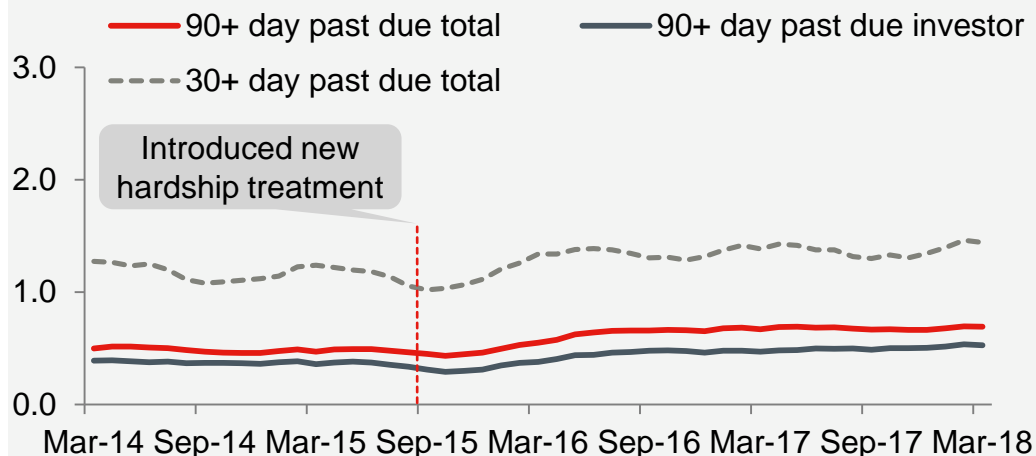
<sup>1</sup> TCE is total committed exposure.

## Corporate/business stressed exposure by sector (\$bn)



# Australian mortgages performing well

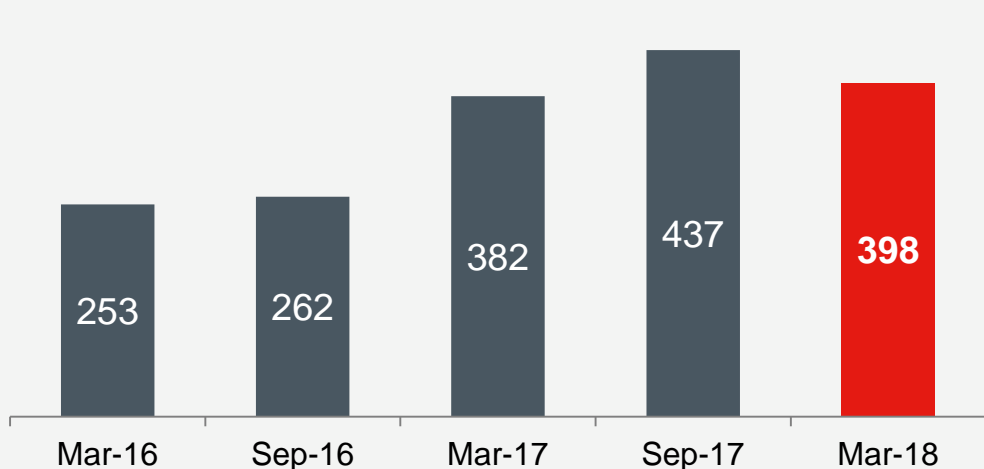
## Australian mortgage portfolio delinquencies (%)



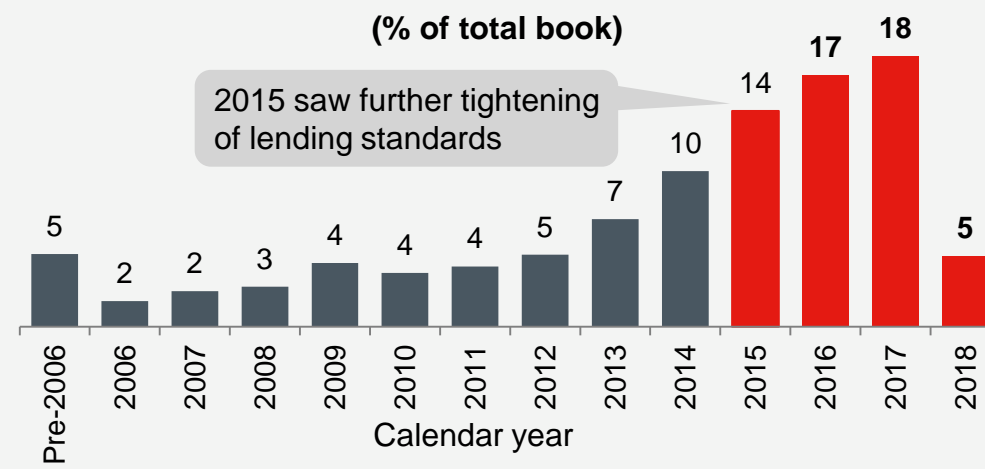
## Australian mortgage portfolio characteristics

30+ day delinquencies	144bps
90+ day delinquencies	69bps
Customers ahead of repayments <sup>1</sup>	68%
Loan to income <sup>2</sup> >6 times	8%
Dynamic LVR (weighted average)	52%

## Property in possession (number)



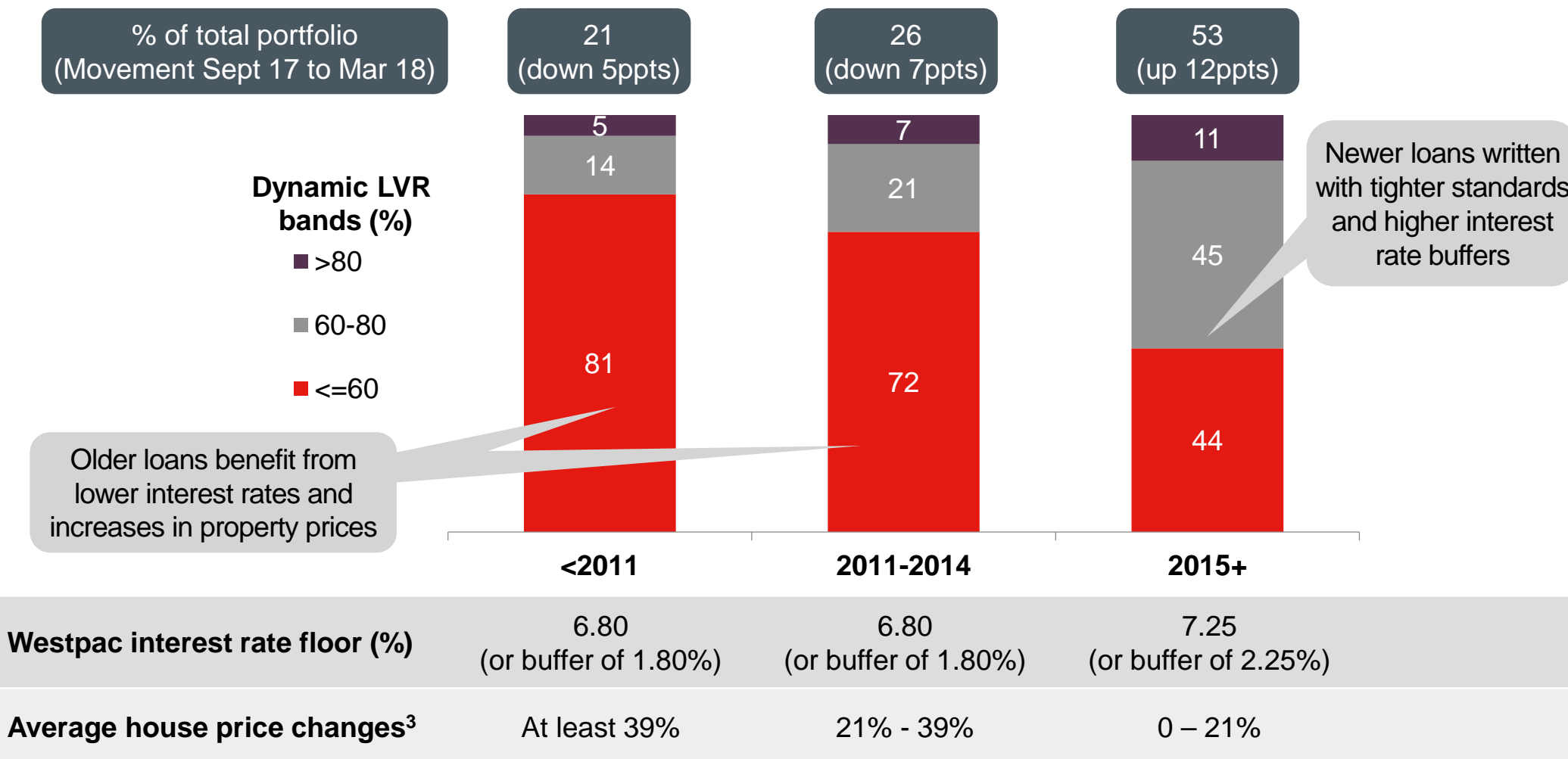
## Australian mortgage portfolio (year of origination)



<sup>1</sup> Including offset balances, excludes RAMS in 1H17 and 2H17. <sup>2</sup> Based on current loan application to gross income.

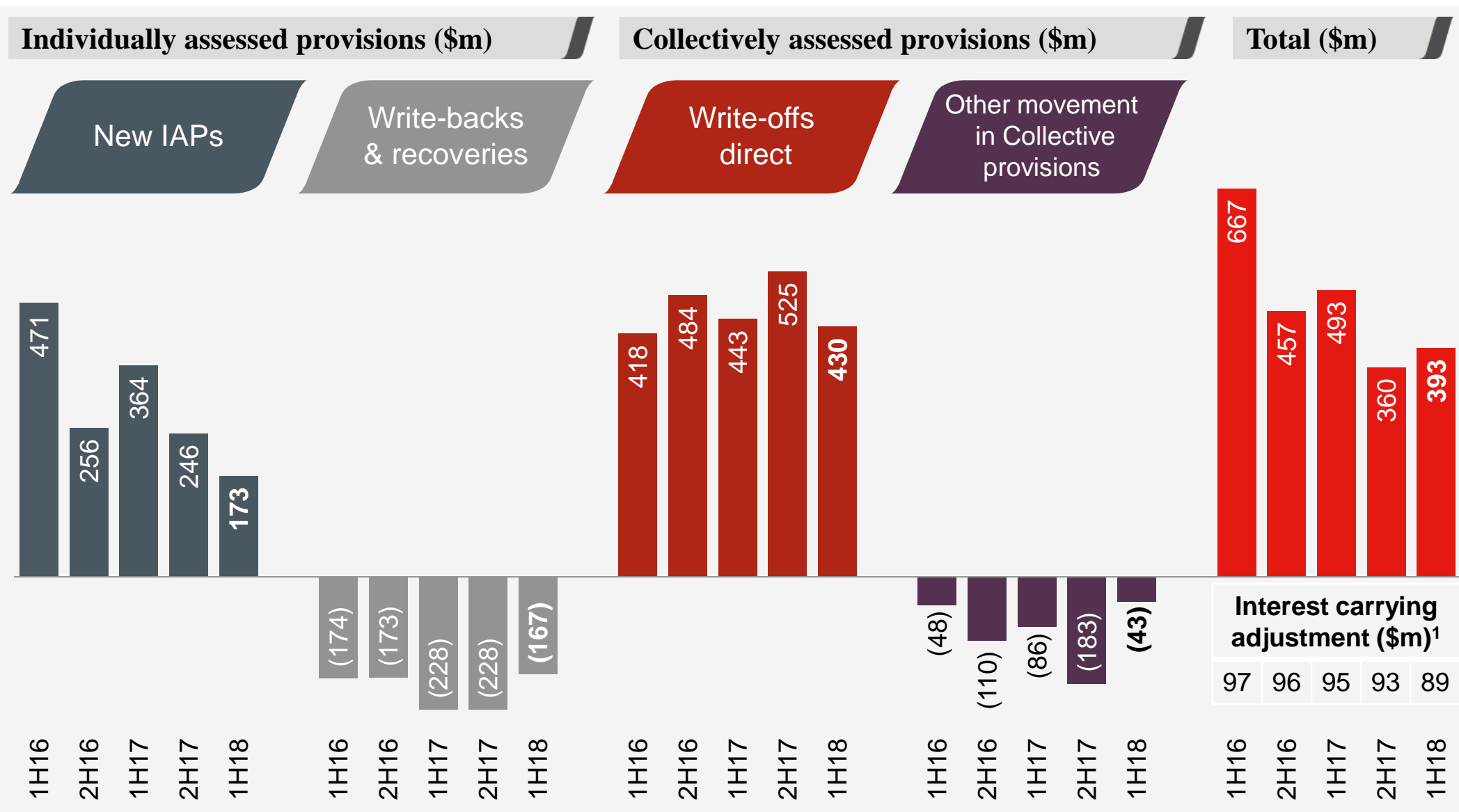
# Substantial equity backs pre 2015 originations

## Australian mortgage lending<sup>1</sup> by origination date and dynamic LVR<sup>2</sup> (%)



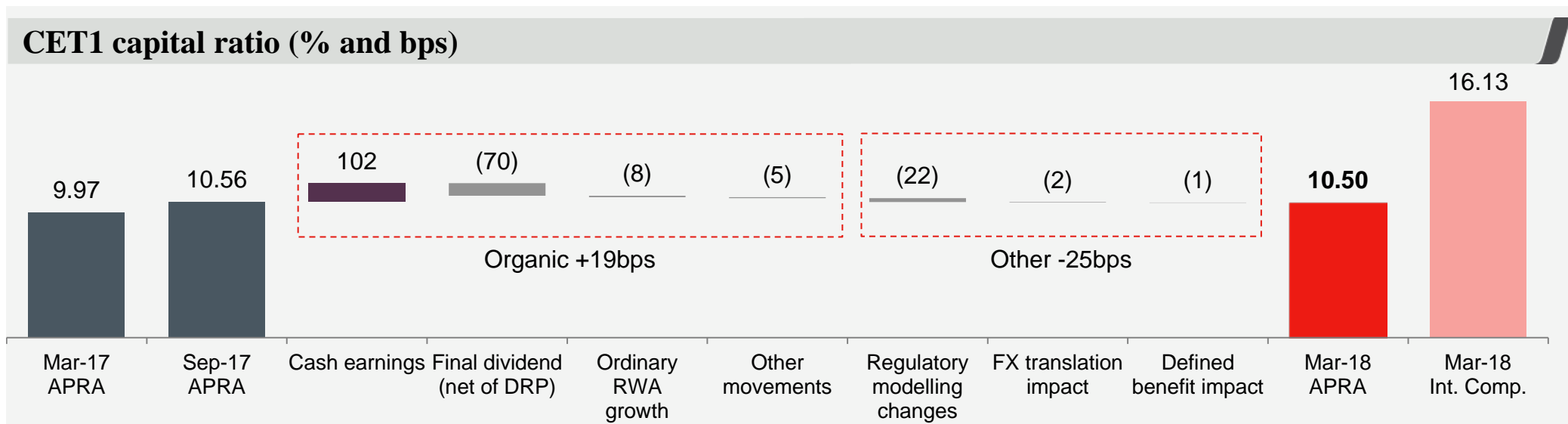
<sup>1</sup> Analysis based on a portfolio of residential mortgages. Some mortgages not included as they were originated on different systems and have some data differences i.e. RAMS, certain business mortgages (including construction) and SMSF loans.  
<sup>2</sup> Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. <sup>3</sup> Changes in house prices based on house price indexes (and average not separate valuations) Source: Westpac Economics, CoreLogic. All dwellings Australia - average 8 major capital cities. Prices to March 2018.

# Impairment charge **low at 11bps**

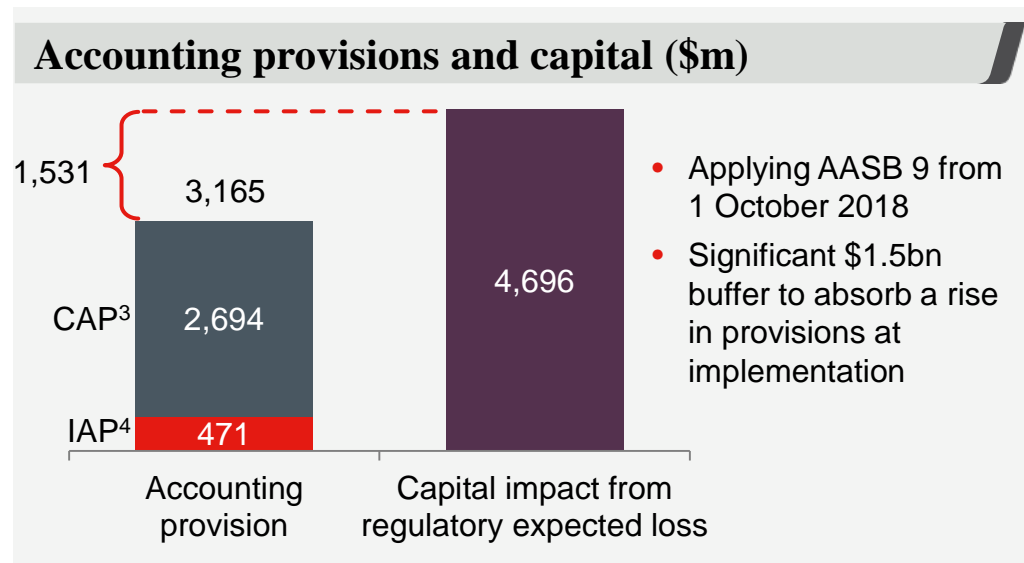


<sup>1</sup> Interest carrying adjustment is reported in net interest income and not in the impairment charge.

# Unquestionably strong capital



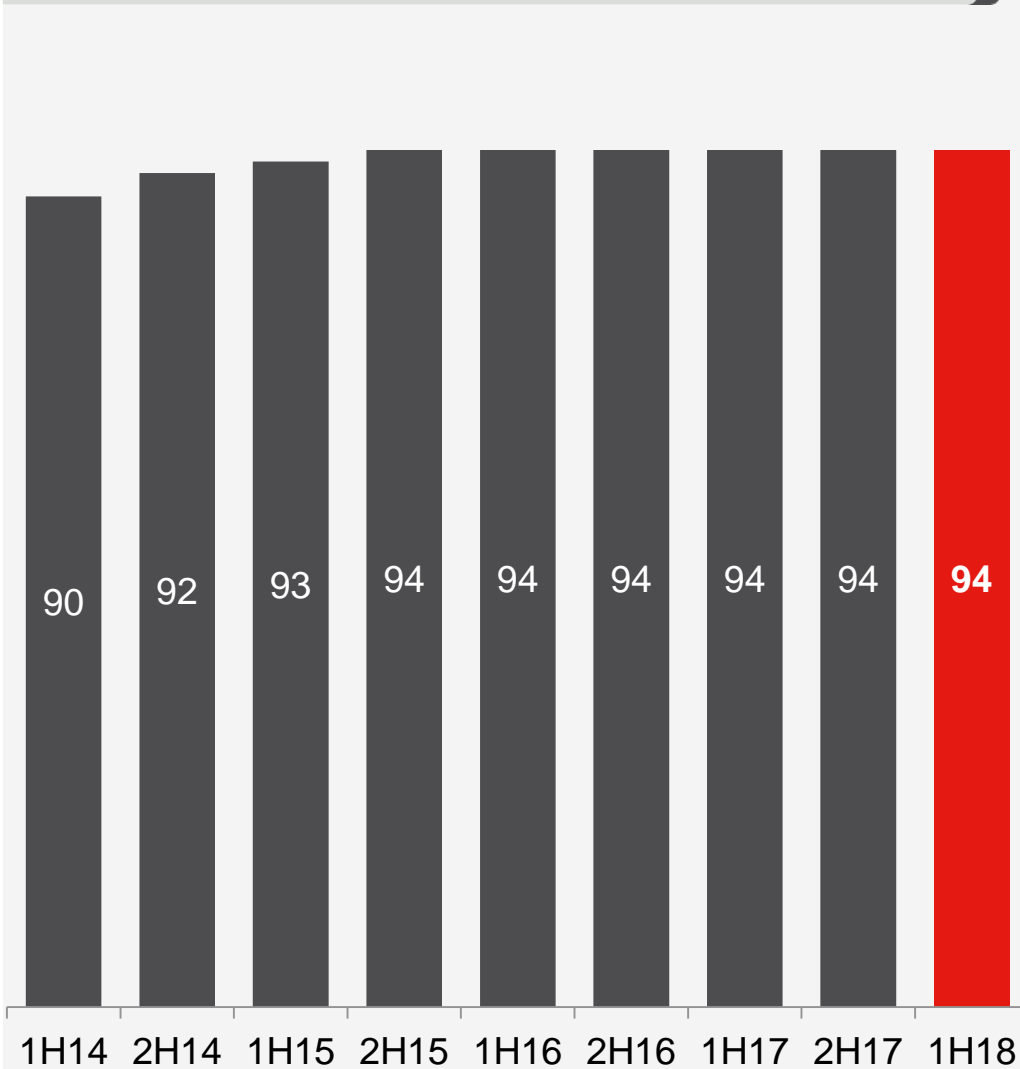
- ### 2H18 developments
- \$566m in additional capital (14 bps) from conversion of CPS<sup>1</sup> to 19.2m ordinary shares (April 18)
  - Estimated impact of model changes
    - Operational risk – model overlay approximates standardised approach, \$7.5bn RWA (20bps)
    - Updates to mortgage PD<sup>2</sup> models, approx \$4bn RWA (10 bps)



1 Convertible preference shares. 2 Probability of default. 3 Collectively assessed provisions. 4 Individually assessed provisions.

# Payout ratio down to 75.3%

## Dividends per ordinary share (cents)

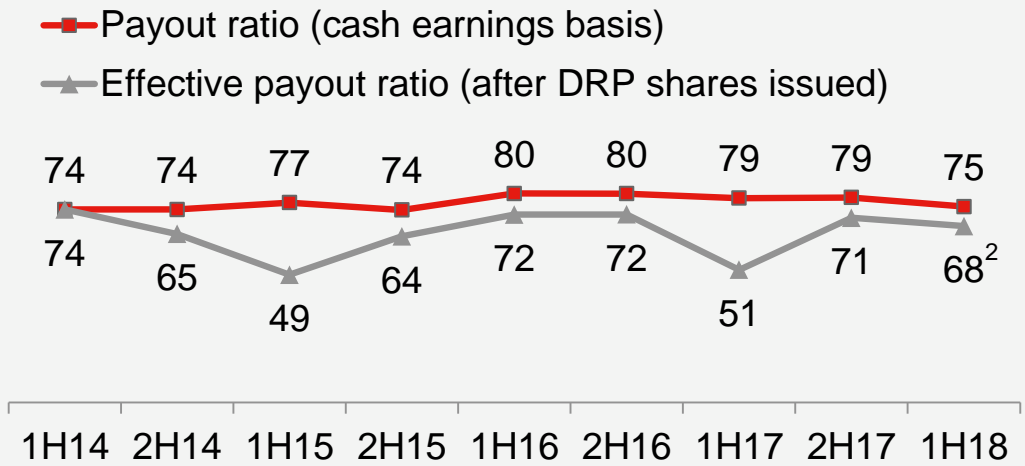


1 In 1H18. 2 1H18 assumes DRP participation rate of 10%.

## Dividend considerations

- Sustainability of the payout ratio over the medium term
- CET1 capital ratio = unquestionably strong benchmark
- Surplus franking credits
- Bank Levy equivalent to 4 cents per share<sup>1</sup>

## Dividend payout ratio (%)





# Considerations for 2H18

---

- Remaining disciplined on growth/return
- Expect system lending growth to further moderate
- Margins: further mortgage switching and higher funding costs
- Hastings exit: small cash earnings impact, will lift revenue and expenses
- Targeting similar productivity savings as 1H18. Excluding Hastings impact, expected cost growth for FY18 to be in the range of 2-3%
- Capital: \$566m of CPS converted to equity, RWA model changes in 4Q18
- Asset quality expected to remain in good shape



# Brian Hartzer Chief Executive Officer

Westpac Banking Corporation | ABN 33 007 457 141



- Global growth trending higher despite some uncertainties
- Australia/NZ continue to generate low risk growth
  - Economic fundamentals sound
  - Opportunity for upside from investment
  - Orderly slow-down in housing likely to continue
  - Credit growth expected to moderate
- Scrutiny on sector likely to continue
- Westpac remains well positioned with good momentum on strategy



# Investor Discussion Pack

Financial results based on cash earnings unless otherwise stated  
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Comparison of 1H18 versus 2H17 (unless otherwise stated)

# Strategy



# Westpac Group at a glance: Australia's First Bank

WBC  
listed on  
ASX & NZX

WBK  
LISTED  
NYSE

Strategy | 30

- In its 201<sup>st</sup> year, Australia's first bank and first company, opened 1817
- Australia's 2nd largest bank and 21st largest bank in the world; ranked by market capitalisation<sup>1</sup>
- Well positioned across key markets with a service-led strategy focused on customers
- Supporting consumers and businesses in Australia and New Zealand and customers with ties to these markets
- Unique portfolio of brands providing a full range of financial services including consumer, business and institutional banking, and wealth administration
- One of the most efficient banks globally<sup>2</sup>
- Consistent earnings profile over time
- Capital ratios are in the top quartile globally, with sound asset quality
- Credit ratings<sup>3</sup> AA- / Aa3 / AA-
- Leader in sustainability<sup>4</sup>

## Consumer Bank



## Business Bank



## BT Financial Group



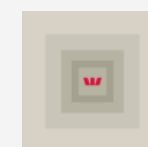
ADVANCE



Licensee Select



## Institutional Bank



Pacific

## Westpac New Zealand



### Key statistics at 31 March 2018






Customers	14.0m
Australian household deposit market share <sup>5</sup>	23%
Australian mortgage market share <sup>6</sup>	23%
Australian business credit market share <sup>6</sup>	19%
New Zealand deposit market share <sup>7</sup>	19%
New Zealand consumer lending market share <sup>7</sup>	19%
Australian wealth platforms market share <sup>8</sup>	18%

### Key financial data for First Half 2018

Reported net profit after tax	\$4,198m
Cash earnings	\$4,251m
Expense to income ratio <sup>9</sup>	41.7%
Common equity Tier 1 capital ratio (APRA basis)	10.5%
Return on equity <sup>9</sup>	14.0%
Total assets	\$872bn
Market capitalisation <sup>10</sup>	\$97bn

1 31 Mar 18 Source: S&P Capital IQ, based in US\$. 2 Credit Suisse analysis of expense to income ratio of world's largest banks Apr 18. 3 S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. S&P Global Ratings has Westpac on a negative outlook, Moody's Investor Services and Fitch Ratings have Westpac on a stable outlook. 4. Most sustainable bank globally in the 2017 Dow Jones Sustainability Index . 5 APRA Banking Statistics, Mar 18 6 RBA Financial Aggregates, Mar 18. 7 RBNZ, Mar 18. 8 Strategic Insights Dec 17, All Master Funds Admin. 9 Cash earnings basis. 10 Based on share price at 29 Mar 18 of \$28.62.

**Our Vision:** To be one of the world's great service companies, helping our customers, communities and people to prosper and grow

Strategic Priorities	 <b>Service Leadership</b>	 <b>Performance Discipline</b>	 <b>Digital Transformation</b>	 <b>Targeted Growth</b>	 <b>Workforce Revolution</b>
Measures	Grow customer base and deepen relationships	Seeking to achieve 13-14% ROE (medium-term)	Cost growth 2-3% per annum and expense to income ratio below 40%	Stronger growth in wealth and SME	Employee engagement in top quartile of high performing norms, women in leadership <sup>1</sup> 50%
Progress 1H18- 2H17	Customer numbers up 1.2m since October 2014 ✓ Customers with a wealth product ✗	ROE 14.0% ✓ Up 37bps ✓	Expenses up 1% ✓ Expense to income ratio 41.7% ✗	Funds flat ✗ SME lending up 2% ✓	Women in Leadership 50% ✓ Employee engagement 79% ✓

<sup>1</sup> Refer page 136 for metric definition.

## Strong strategic position – consistent strategy

- No. 1 or 2 position across key markets – all divisions well placed
- Unique portfolio of brands, reaching more customers
- Strong strategic position in wealth with a comparative advantage in platforms
- No material non-core businesses
- Highly experienced executive team

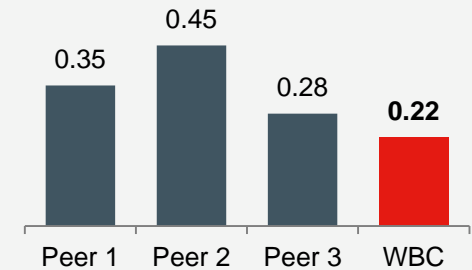
## Sustainability leadership

- Australia's first bank and first company, opened 1817
- First Australian bank to:
  - Sign Equator Principles 2003
  - Commit to 2 degree economy 2014
  - Public support of TCFD recommendations 2017
  - Foundation member of UNEP FI 's Principles for responsible banking 2018
- Global banking leader in Dow Jones Sustainability Index since 2002, sector leader 10 times, including 2017

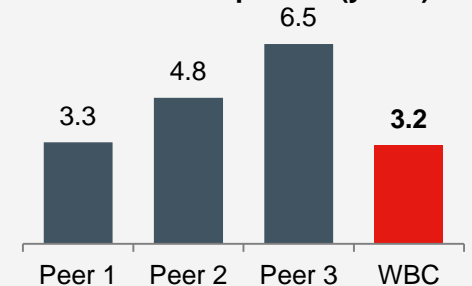
## Conservative balance sheet

- Strong asset quality with lowest impaired assets of peers
- Provision cover at upper end of peers
- Balance sheet weighted to mortgages
- Capital ratios at top end of banks globally
- Write-off capitalised software one third faster than the peer average
- Only Australian Bank SEC registered – Sarbanes Oxley certification

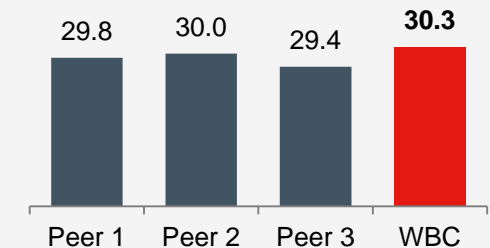
Impaired assets to gross loans<sup>1</sup> (%)



Capitalised software average amortisation period<sup>1</sup> (years)



Effective tax rate<sup>1</sup> (%)

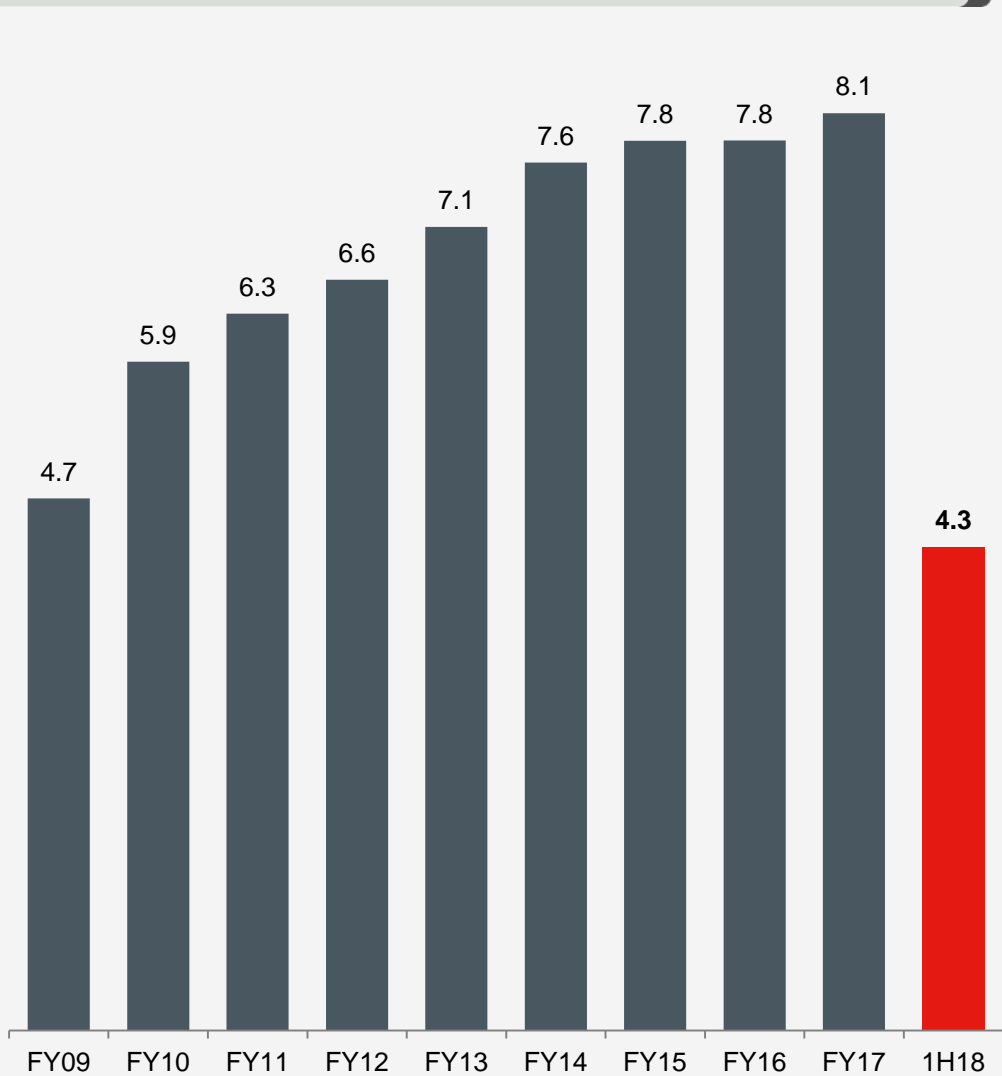


<sup>1</sup> Peer 1 and 2 are on continuing operations basis, Peer 3 excludes restructuring expenses. Peers based on 1H18 results.

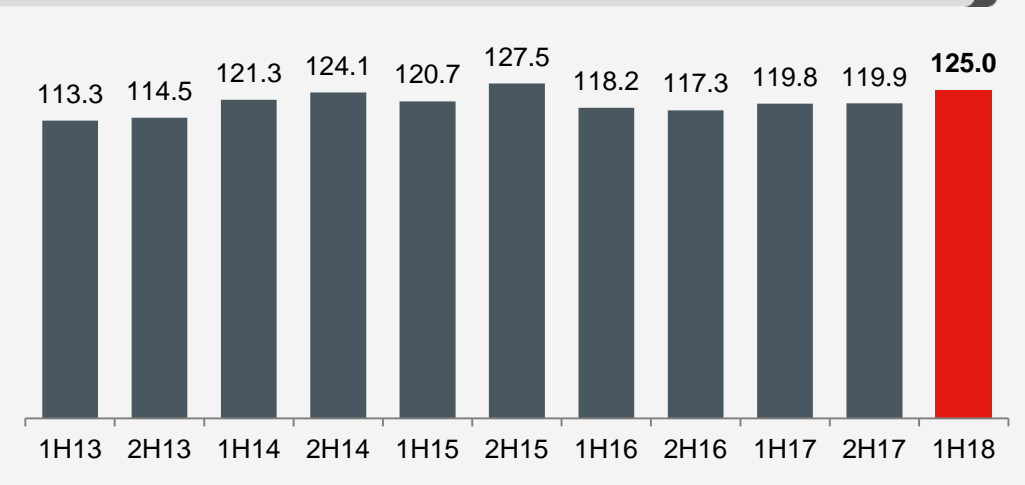


# Consistent performer over the long term

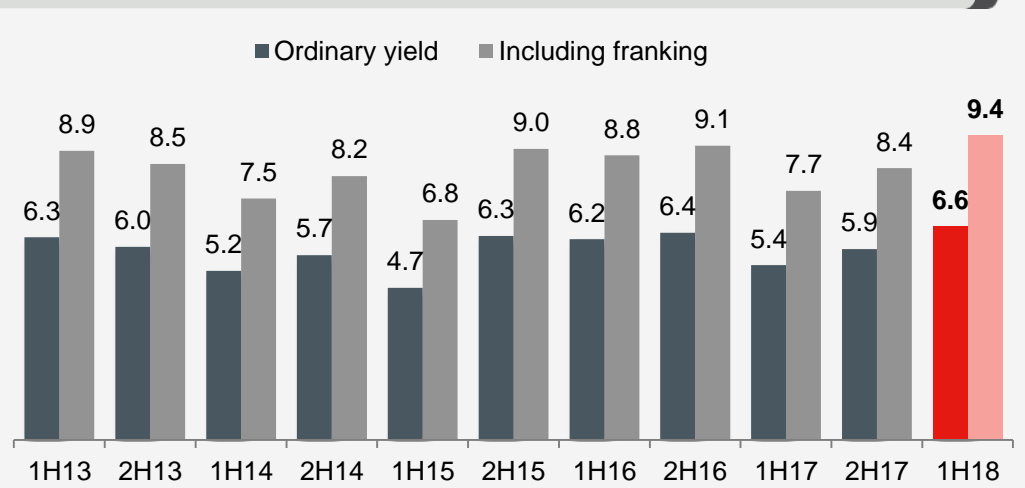
Cash earnings (\$bn)



Cash earnings per share (cents)



Ordinary dividend yield (%)



## Completed ABA<sup>1</sup> six point plan

### 1. Reviewing product sales and commissions

- Sales incentives removed for tellers
- Removed product sales targets for personal bankers

### 2. Making it easier for customers when things go wrong

- Customer advocate appointed (Nov 16)
- Prioritising long-dated complaints
- Updated customer remediation policy and governance

### 3. Reaffirming support for whistleblowers

- Revised whistleblowing policy (Mar 17)

### 4. Removing individuals from the industry for poor conduct

- Implemented Conduct Background Checking Protocol

### 5. Strengthen commitment to customers in the Banking Code of Practice

- Revised Banking Code of Practice submitted to ASIC for approval in Dec 17
- Committed to implementing within 12 months of approval

### 6. Supporting ASIC as a strong regulator

- New funding model in place

## Get it Right. Put it Right

- Dedicated initiative to identify where we may not have got it right and where problems are identified we are committed to fixing them
- Empowering employees to fix issues directly
- Progressing a number of programs to improve products, policies, procedures and practices for customers
- Reviewed 320 products, changed over 150 products
  - Simplified and lowered transaction fees for 1.3m personal transaction accounts
  - Introduced simplified mortgage package product
  - Expanded the BT Approved Product List to provide wider choice
  - New, shorter, plain-English loan documents and strengthened protections under small business contracts to make them more favourable for customers
  - Reduced FX fees for online payments
- Provision of \$169m for customer refunds and payments in 2H17 where prior practices were not in line with current community standards

## Delivering for customers

- Helping customers manage their finances
  - Ability to reduce credit card limit online
  - Enabling alerts via SMS or email 5 days before monthly credit card repayment is due
  - Ability to restrict debit transactions on credit cards
  - Introduced Westpac SmartPlan, a structured repayment plan, enabling customers to break down large items on their credit card into regular monthly instalments
  - Westpac Lite a “no frills” credit card
- Helping customers develop savings habits
  - New accounts - Westpac Bump & Westpac Life to improve savings habits
- Helping customers in times of need
  - 19,473 customers supported with financial assistance packages
  - Dementia-Friendly Banking program in partnership with Alzheimer’s Australia
  - Fraud guarantee; monitor fraud and fix it when retail customers lose money through no fault of their own (Mar 18)
  - Committed \$1m to establishment of a Debt Repayment Service to assist customers with multiple creditors

<sup>1</sup> Australian Banking Association.

# Overview



# Cash earnings and reported net profit reconciliation

## Cash earnings<sup>1</sup> policy

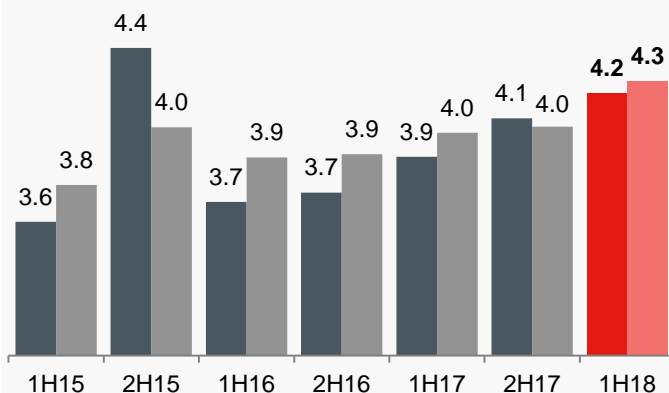
- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- This measure has been used in the Australian banking market for over 15 years and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for:
  - Material items that key decision makers at Westpac Group believe do not reflect ongoing operations
  - Items that are not considered when dividends are recommended, such as the amortisation of intangibles, impact of treasury shares and economic hedging impacts
  - Accounting reclassifications between individual line items that do not impact reported results

## Reported net profit and cash earnings adjustments (\$m)

	2H17	1H18
<b>Reported net profit</b>	4,083	<b>4,198</b>
Amortisation of intangible assets	64	<b>17</b>
Fair value (gain)/ loss on economic hedges	62	<b>37</b>
Ineffective hedges	20	<b>9</b>
Partial sale of BTIM	(171)	-
Treasury shares	(13)	<b>(10)</b>
<b>Cash earnings</b>	4,045	<b>4,251</b>

## Reported net profit and cash earnings (\$bn)

■ Reported profit ■ Cash earnings



	1H18 (\$m)	% chg 1H18-2H17	% chg 1H18-1H17
Cash earnings	<b>4,251</b>	5%	<b>6%</b>
Cash EPS (cents)	<b>125.0</b>	4%	<b>4%</b>
Reported net profit	<b>4,198</b>	3%	<b>7%</b>

<sup>1</sup> Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax. For further details refer to page 131.

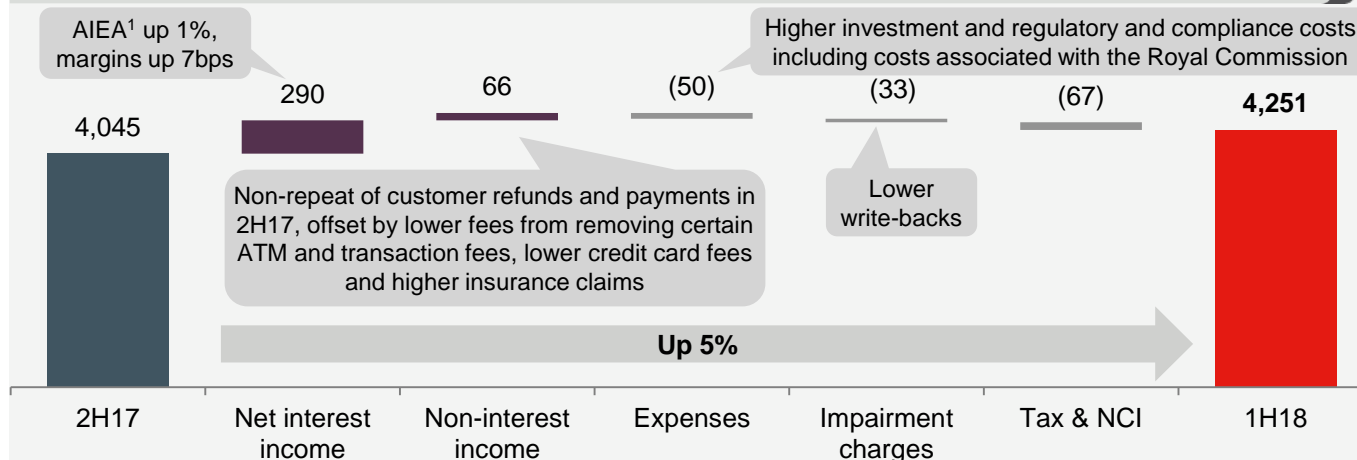
	1H18	Change 1H18 – 2H17	Change 1H18 – 1H17		1H18	Change 1H18 – 2H17	Change 1H18 – 1H17
<b>Earnings<sup>1</sup></b>				<b>Balance sheet</b>			
Earnings per share (cents)	125.0	4%	4%	Total assets (\$bn)	871.9	2%	4%
Core earnings (\$m)	6,497	5%	4%	Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)	10.50	(6bps)	53bps
Cash earnings (\$m)	4,251	5%	6%	CET1 capital ratio (Internationally comparable) (%)	16.13	(7bps)	79bps
Return on equity (%)	14.0	37bps	1bp	CET1 capital (\$bn)	43.6	2%	8%
Dividend (cents per share)	94	-	-	Risk weighted assets (\$bn)	415.7	3%	3%
Expense to income ratio (%)	41.7	(91bps)	(9bps)	Loans (\$bn)	701.4	2%	5%
Net interest margin (%)	2.17	7bps	10bps	Customer deposits (\$bn)	502.1	3%	5%
<b>Credit quality</b>				<b>Funding and liquidity</b>			
Impairment charges to average gross loans (bps)	11	-	(4bps)	Customer deposit to loan ratio (%)	71.6	52bps	(19bps)
Impaired assets to gross loans (bps)	22	-	(8bps)	Net stable funding ratio (%)	112	3ppts	4ppts
Impaired provisions to impaired assets (%)	45.5	(76bps)	(653bps)	Liquidity coverage ratio (%)	134	10ppts	9ppts
				Total liquid assets <sup>2</sup> (\$bn)	147.6	7%	7%

1 All measures on a cash earnings basis. 2 Total liquid assets represent cash, interbank deposits and assets eligible for existing repurchase agreements with a central bank.

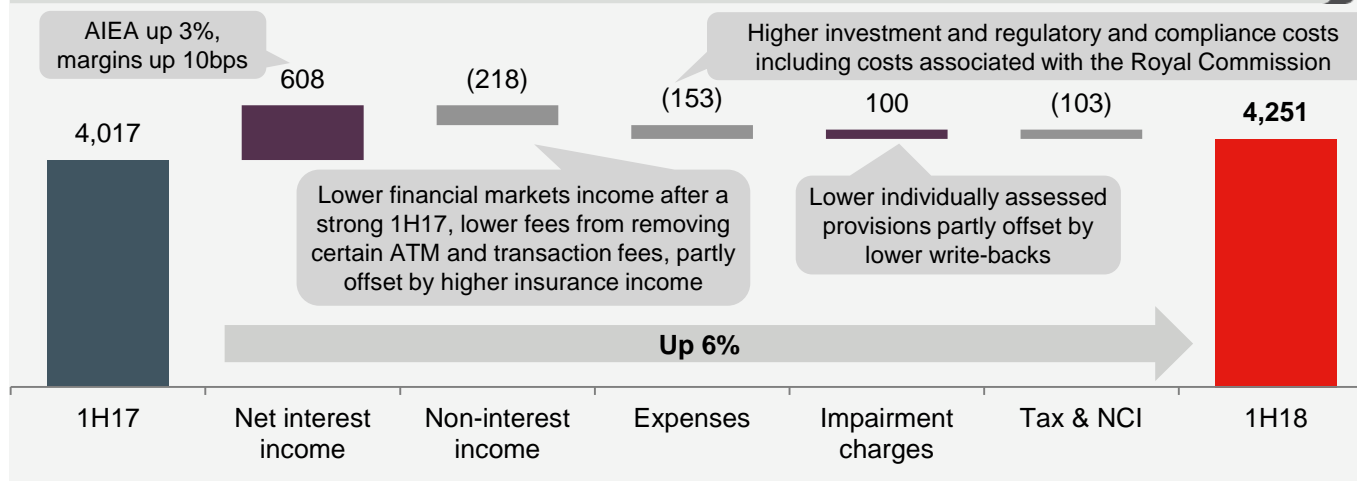
# Cash earnings up 6% over the year and 5% on prior half

	1H18 (\$m)	% chg 1H18- 2H17	% chg 1H18 - 1H17
Net interest income	8,301	4	8
Non-interest income	2,850	2	(7)
Expenses	(4,654)	1	3
Core earnings	6,497	5	4
Impairment charges	(393)	9	(20)
Tax and non-controlling interests	(1,853)	4	6
<b>Cash earnings</b>	<b>4,251</b>	<b>5</b>	<b>6</b>
<b>Reported net profit</b>	<b>4,198</b>	<b>3</b>	<b>7</b>

## Cash earnings features of 1H18 – 2H17 (\$m)

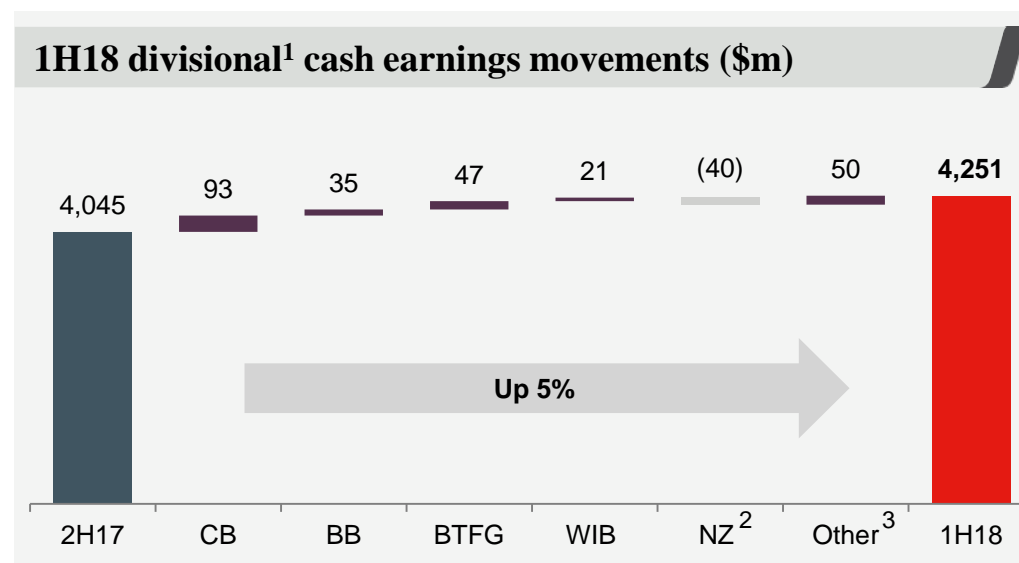
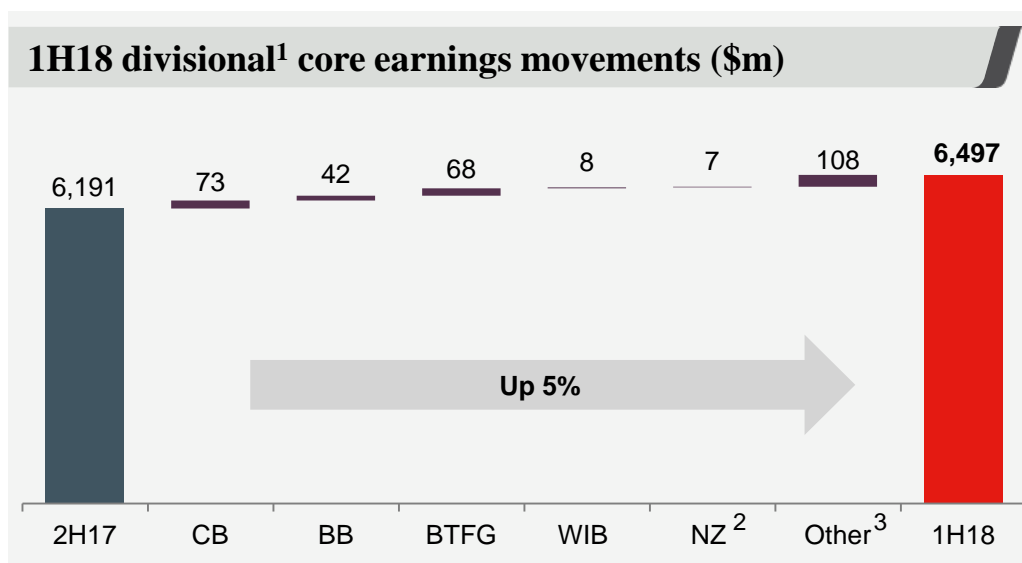


## Cash earnings features of 1H18 – 1H17 (\$m)



1 Average interest-earning assets.

# All divisions contributing to core earnings growth



1H18 (\$m)	CB	BB	BTFG	WIB	NZ <sup>2</sup>	Other <sup>3</sup>	Group
Operating income	4,417	2,610	1,183	1,424	1,067	450	11,151
Expenses	(1,730)	(930)	(601)	(675)	(429)	(289)	(4,654)
Core earnings	2,687	1,680	582	749	638	161	6,497
Impairment (charges)/benefits	(233)	(137)	(3)	17	(24)	(13)	(393)
Tax & non-controlling interests	(737)	(463)	(175)	(215)	(173)	(90)	(1,853)
<b>Cash earnings</b>	<b>1,717</b>	<b>1,080</b>	<b>404</b>	<b>551</b>	<b>441</b>	<b>58</b>	<b>4,251</b>
<b>% of Group cash earnings</b>	<b>40</b>	<b>26</b>	<b>10</b>	<b>13</b>	<b>10</b>	<b>1</b>	

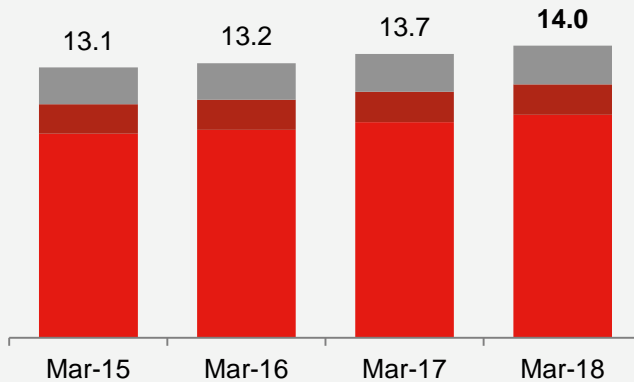
1 Refer to division definitions, page 134. 2 In A\$. 3 Other is Group Businesses (including Treasury).

# More customers, deeper relationships and strengthening of the balance sheet

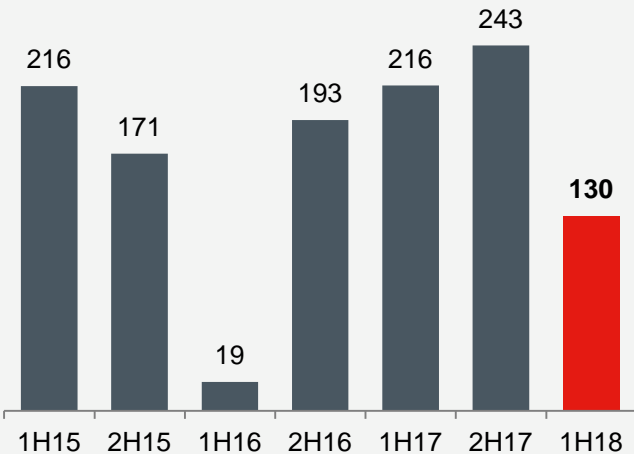
## Grow customers

Customer numbers (#m)

■ Australian banking<sup>1</sup> ■ New Zealand ■ Other<sup>2</sup>



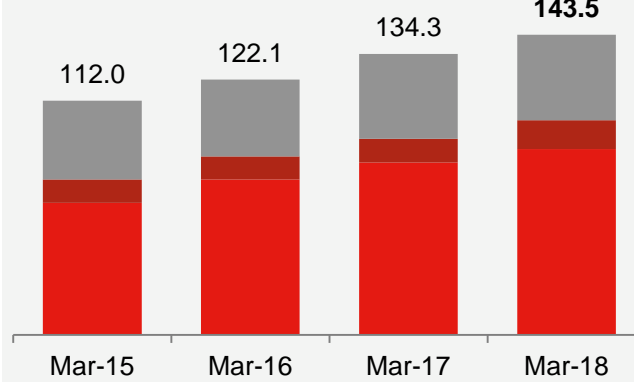
Increase in customer numbers (#'000's)



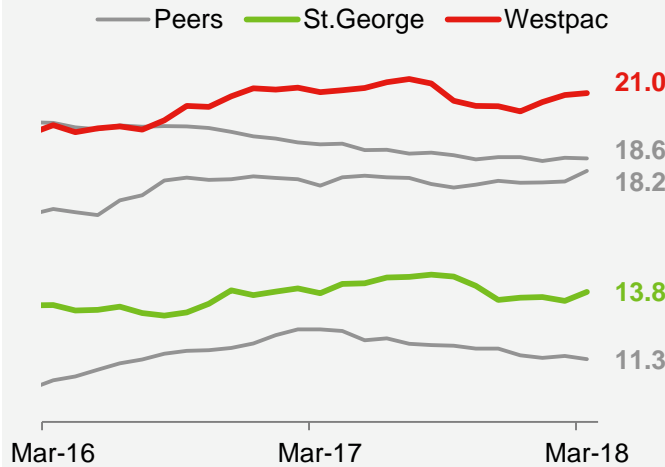
## Deepen relationships

Transaction account balances (\$bn)

■ Australian retail<sup>3</sup> ■ New Zealand<sup>4</sup> ■ Other<sup>2</sup>

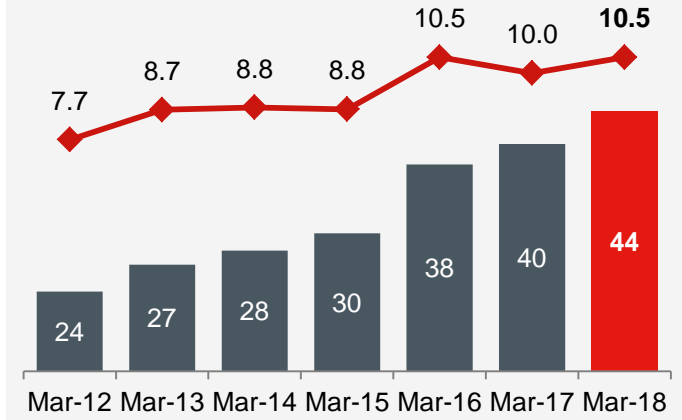


Australian customers with a wealth product<sup>5</sup> (%)

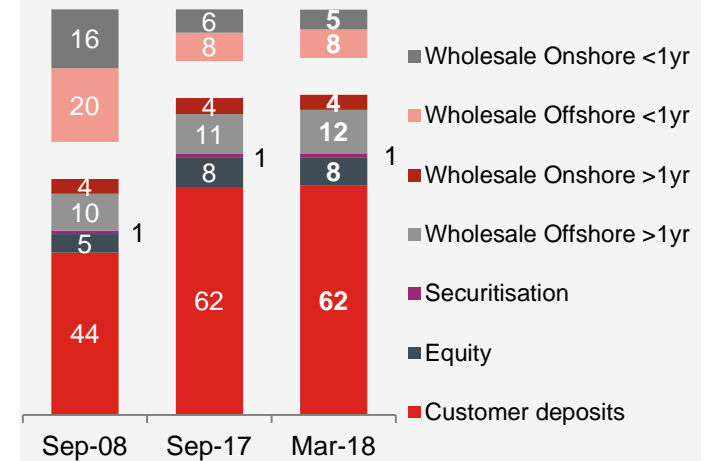


## Strengthened balance sheet

CET capital ratio (%) and capital (\$bn)



Funding composition by residual maturity (%)

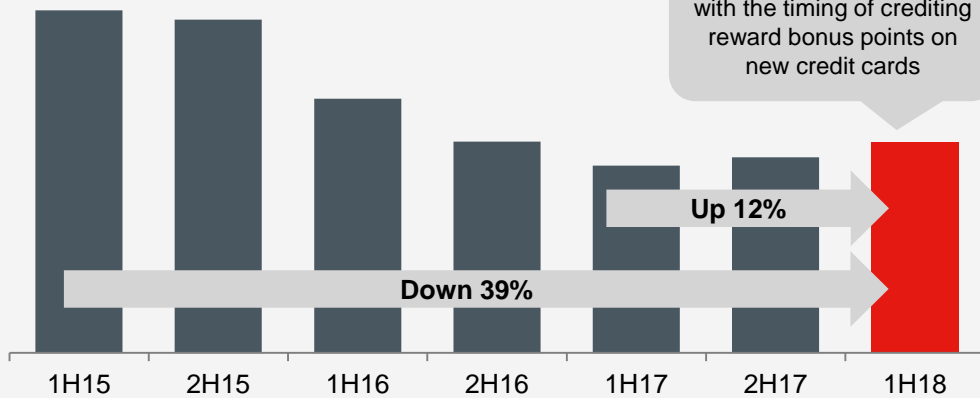


1 Australian banking refers to Consumer Bank and Business Bank. 2 Other includes BTFG and WIB. 3 Australian retail refers to Consumer Bank, Business Bank and Private Wealth. 4 In A\$. 5 Refer to page 137 for details of metric provider.

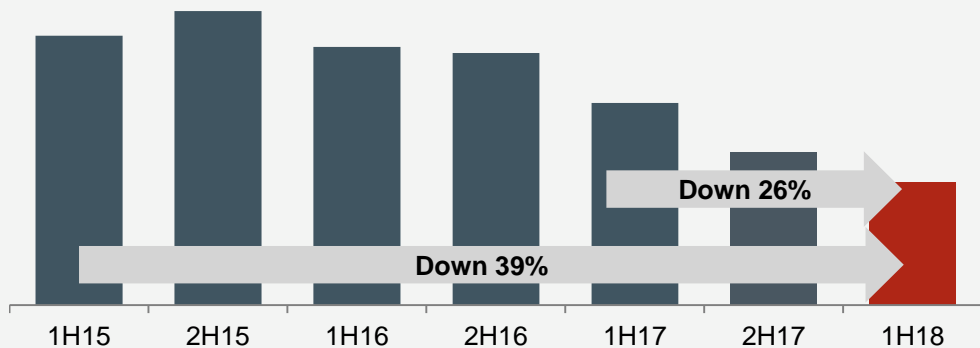


## Customer complaints (#)

### Australian retail (CB, BB and BT)

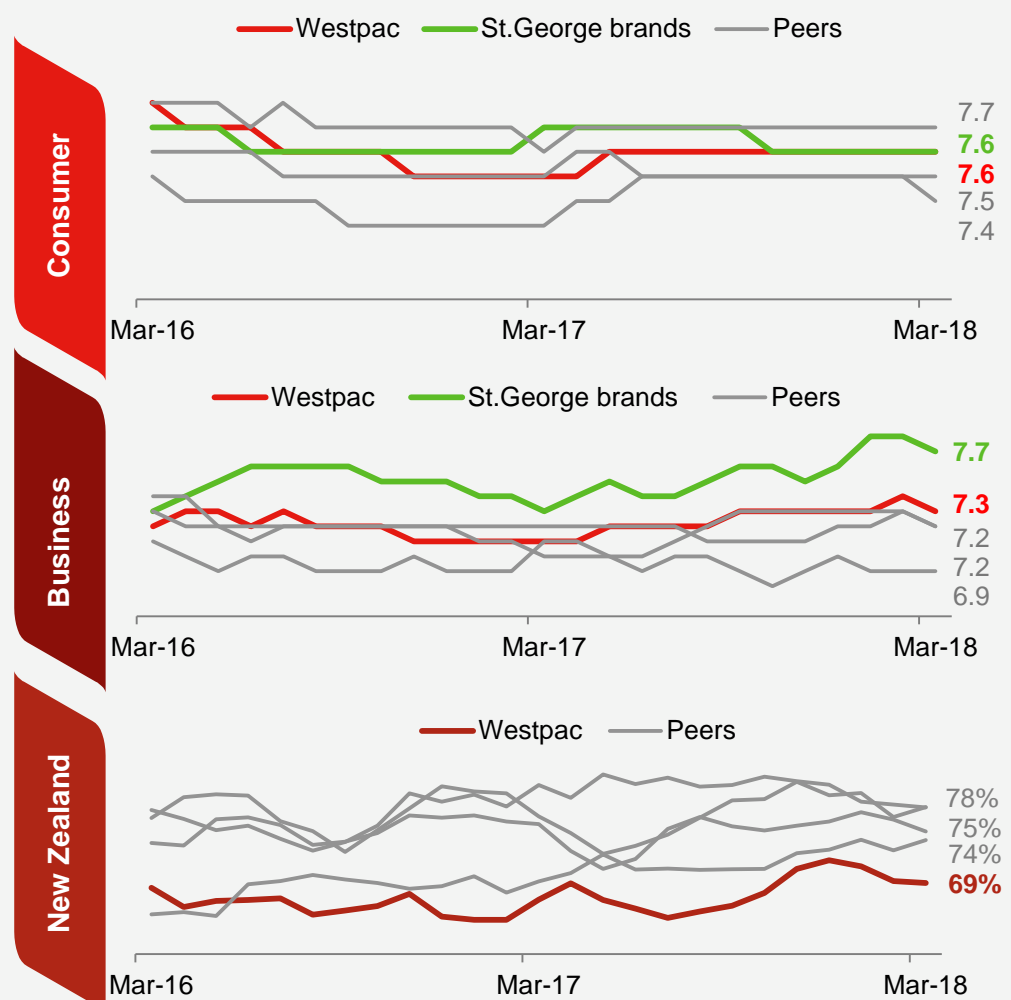


### New Zealand retail



## Customer satisfaction<sup>1</sup>

### Consumer and Business (mean) New Zealand (%)



<sup>1</sup> Refer page 137 for metric definition and details of provider.

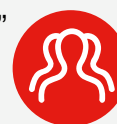
## Service leadership and culture

- All teller incentives now based 100% on customer advocacy
- Consumer Bank performance frameworks and scorecards for FY18 now 50% customer measures / 50% financial metrics for Personal Bankers
- Elevated 'Integrity' to our first value
- Rolled out new values training to all employees



## Learning and development

- Over 1,400 leaders have participated in leadership development programs since October 2016, with a further 1,200 enrolled in 2018. Two of the key programs designed in partnership with the AGSM
- LearningBank, our online learning platform, had over 50,000 learning modules accessed by employees in 1H18
- New 'behaviours-first' approach to performance management "Motivate" covers all employees

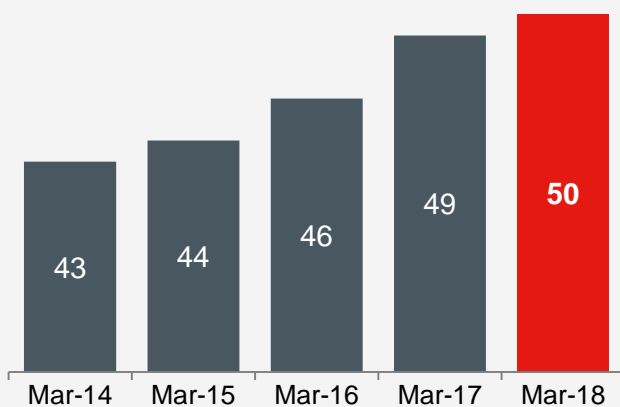


## Simplification

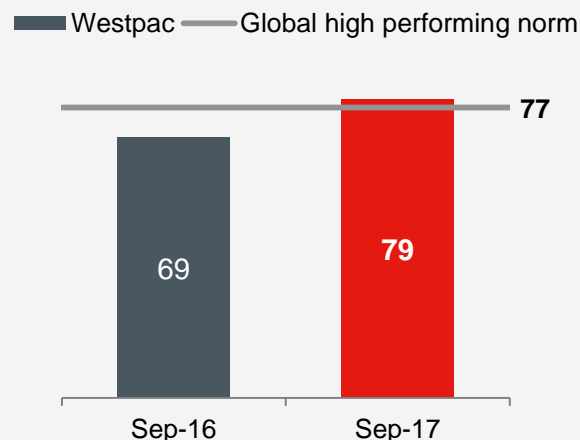
- Digitised HR policies with embedded AI. Has improved search functionality for employees and driven a 21% reduction in policy questions to our HR service centre
- New digital process for new employees
- Further automation of reporting for people leaders



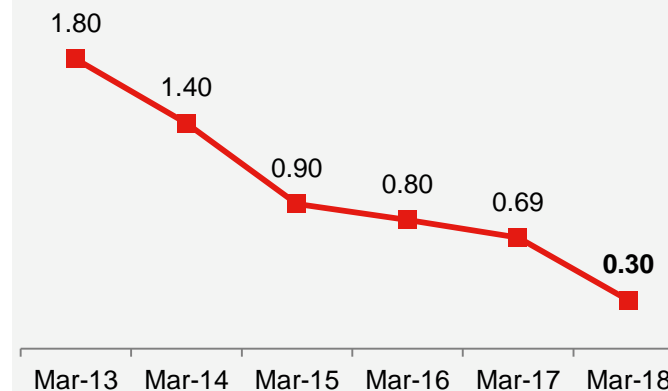
## Women in Leadership positions<sup>1</sup> (%)



## Employee engagement<sup>2</sup> (%)



## LTIFR<sup>3</sup> (rolling 12 months) (#)



1 Spot number at 31 March for each period. 2 Global high performing norm reflects the benchmark score for high performance organisations in the IBM engagement database. 3 Lost time injury frequency rate.

**Westpac is actively positioning for digital opportunities, responding to digital disruption and supporting digital innovation through its venture capital funds, partnerships and direct investments. Through this process Westpac is building capability and gaining access to emerging fintech opportunities**

## Reinventure

Westpac has committed \$100m to Reinventure, a fintech venture capital fund, which invests in a range of fintech businesses. This enables Westpac access to insights and adjacent business opportunities. The model also helps Westpac assess different ways of working to be more innovative and deliver faster

20 investments<sup>2</sup> to date covering areas such as:

- Distributed ledger
- Payments
- Big data
- Social networks
- Digital processes
- Digital currencies
- Peer to peer lending
- Data analytics
- B2B networks

## Direct investment/partnering



Uno is a disruptor online mortgage broker. Enabling consumers to search, compare and apply for a home loan, from a choice of 20 lenders



LanternPay is a scalable, cloud based claims and payments platform for use in consumer directed care programs such as the NDIS, aged / home care and Government insurance schemes



Surgical Partners helps medical practices improve efficiency by connecting practice management software to cloud based accounting software



Offers point-of-sale credit and digital payment services to the retail, health, travel and education sectors. It also owns Pocketbook, a personal financial management app



Assembly Payments is a payments platform that helps marketplaces, merchants, and their customers transact simply and securely



FUELD is a data accelerator, which aims to bring together businesses with data-based companies to solve real world problems



QuintessenceLabs (Qlabs) creates opportunities with quantum technology that encrypts confidential data

## Example of how a Reinventure investment delivered a commercial solution for customers

### Investment in Assembly (June 2015)

Westpac invested in Assembly via Reinventure



### Partnership with Assembly (June 2017)

Westpac partnered with Assembly to develop a new capability for customers  
Westpac made a direct investment in Assembly



### Deliver Presto Smart for Westpac customers (April 2018)

Launched software built by Assembly that enables a businesses merchant terminal to connect with a range of point-of-sale systems

<sup>1</sup> Logos are of the respective companies. <sup>2</sup> For further details on these investments see page 44.

Westpac has committed up to \$100m to Reinventure, an independent early stage venture capital fund. The operation allows Westpac to gain access to emerging fintech business models, adjacent business opportunities and entrepreneurial ways to execute at speed

## New business models, market places and customer experiences



SocietyOne is Australia's leading peer-to-peer (P2P) online lending platform connecting borrowers and investors in a secure, safe, professional online environment



Connects ordering apps, payment devices, loyalty and reservations platforms to any point of sale



Assembly Payments is a full stack payments platform that helps marketplaces, merchants, and their customers transact simply and securely online



OpenAgent helps home sellers make decisions about who they choose to sell their property



Flare HR provides a comprehensive cloud-based human resources and employee benefits platform to streamline HR processes



BRICKX enables the purchase of residential property, one 'brick' at a time



A business loan marketplace that matches SMEs to the best lender based on their characteristics and needs



An app to revolutionise the payment process for customers when dining out or grabbing a coffee on the go

## New innovative capabilities



Open Banking API platform that provides connectivity to over 100 financial sources across Australia and NZ



CodeLingo enables software development teams to scale the processes they use to improve code quality, such as code reviews and debugging



Standardises mobile forms into a format you can easily read and fill at the tap of a button



Kasada is an enterprise cyber security company that protects businesses from malicious bot attacks



A bitcoin wallet and platform where merchants and consumers can transact the digital currency, bitcoin



Indebted provides new ways for businesses to collect outstanding debts. Leveraging modern communications, automation and machine learning, the system can be used by businesses of all sizes

## Data and analytics



A natural language AI system for data analysis targeting relatively simple business queries that comprise 70% of an analyst's work in a large organisation



A trust framework and secure platform that allows users to exchange data safely and securely



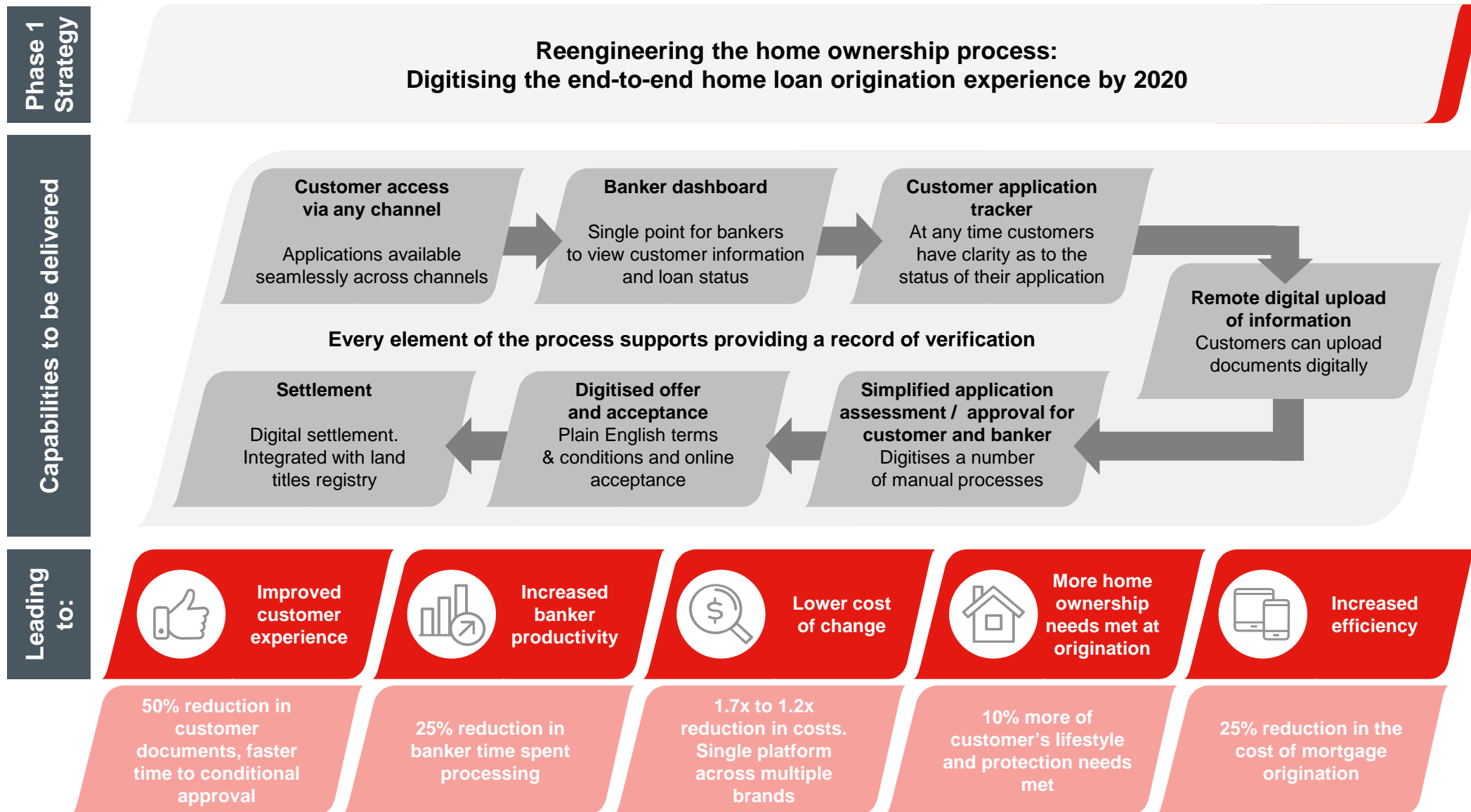
Everproof provides a single platform for verifying and digitising employee certifications, accreditations and qualifications



A global big data, business intelligence and enterprise data warehousing company

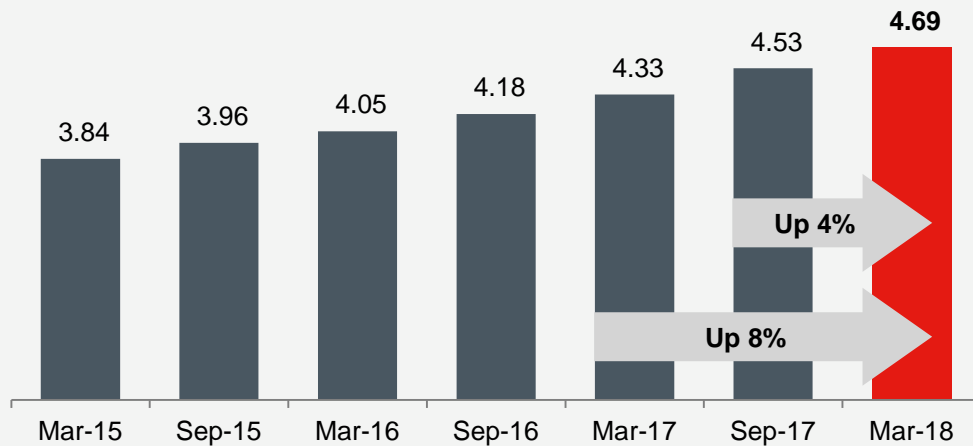
<sup>1</sup> Logos are of the respective companies.

# Customer Service Hub: Commencing with a new mortgage experience

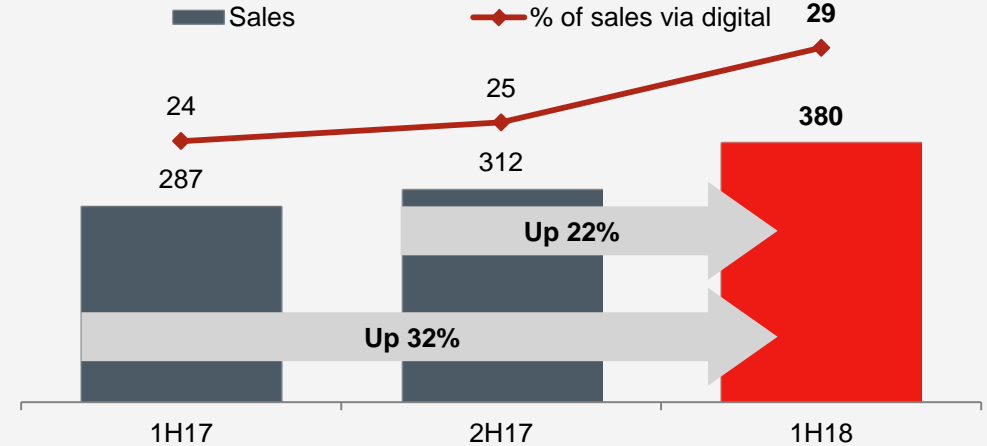


# Customers increasingly choosing digital channels

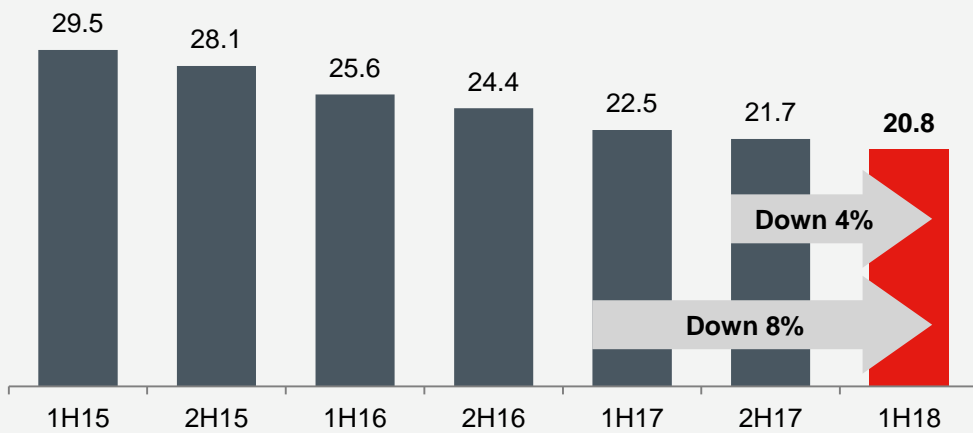
Digitally active customers<sup>1</sup> (#m)



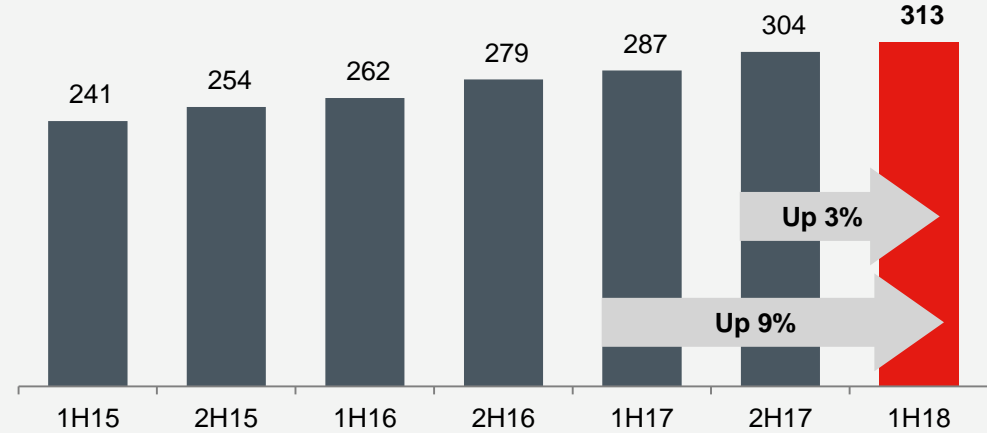
Quality digital sales (#000) and % of sales via digital<sup>2,3</sup>



Branch transactions<sup>4</sup> (#m)



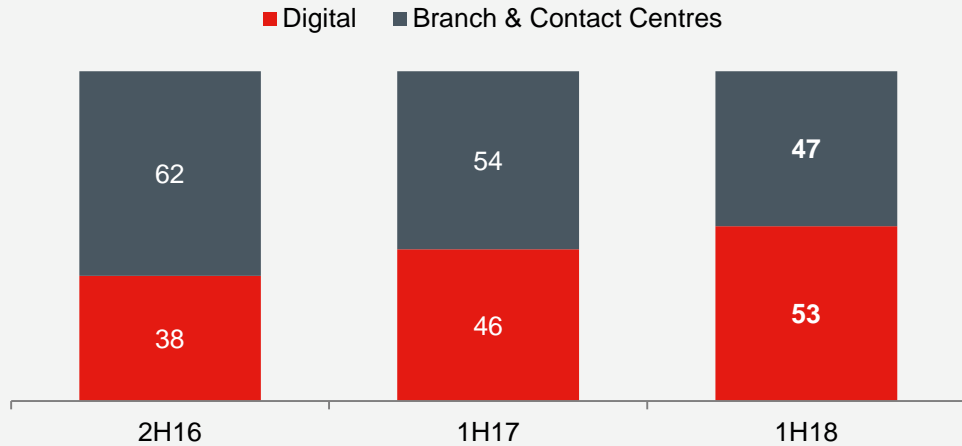
Digital transactions<sup>5</sup> (#m)



1 Australian consumer and business customers who have had an authenticated session (including Quickzone) on Westpac Group digital banking platforms in the prior 90 days. 2 Sales refers to digital sales of Consumer core products only. Sales with a completed deposit or activation constitute a quality sale. Prior periods have been restated on the same basis to enable comparability with 1H18. 3 Includes new American Express credit card sales to existing customers. 4 Branch transactions are typically withdrawals, deposits, transfers and payments. 5 Digital transactions are typically payments and transfers.

# Customers shifting to digital and self-serve channels

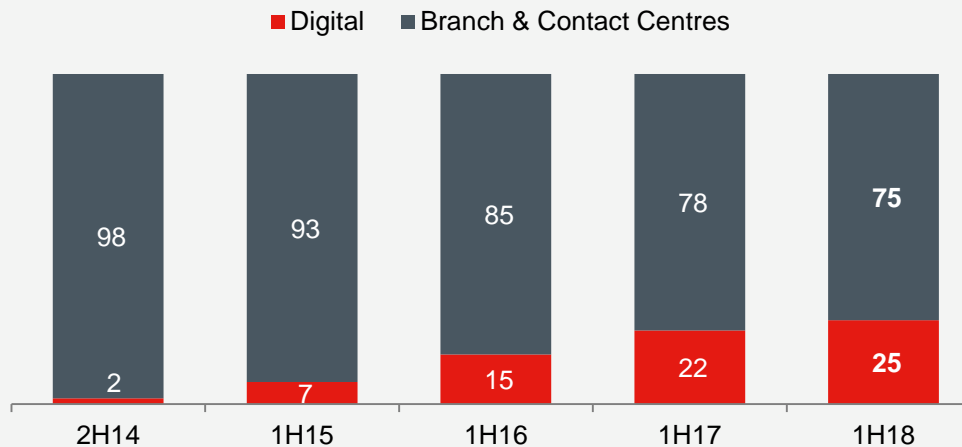
### Proof of balance – Westpac brand (%)



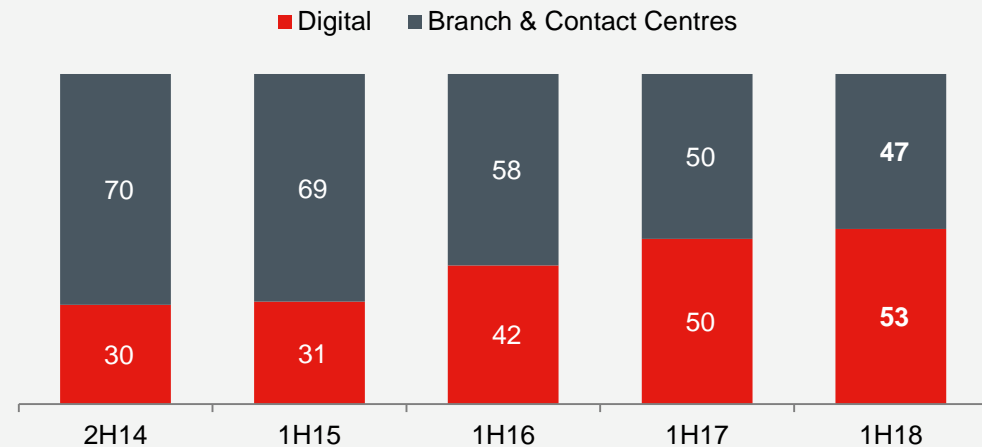
### Accounts with e-statements (%)



### Lost and stolen card notification – Westpac brand (%)

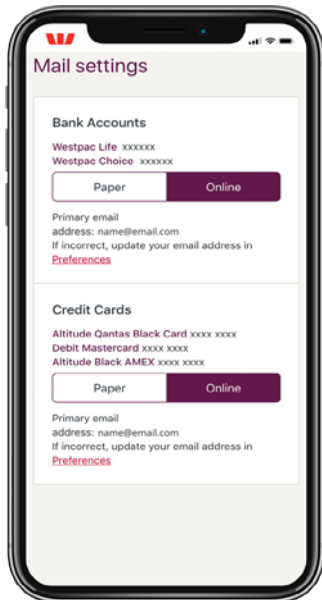


### Card activation – Westpac brand (%)



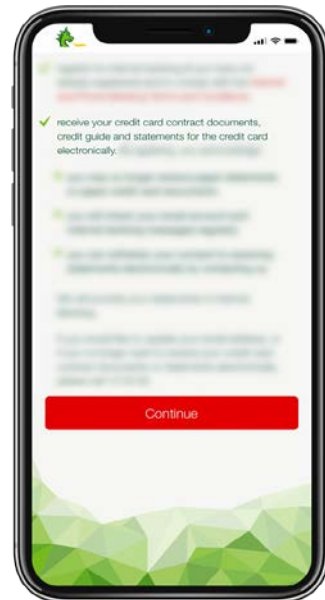
# New digital services launched over the last 6 months

## Electronic correspondence



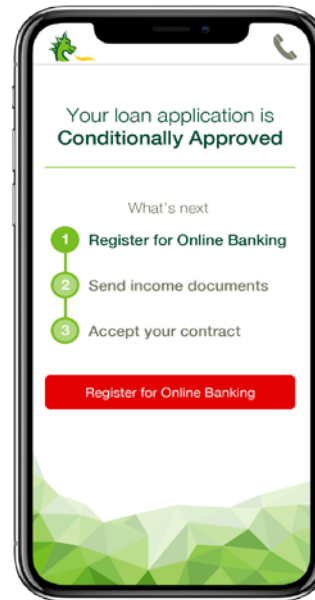
Through the creation of a digital inbox, customers can choose to receive certain correspondence electronically

## Automatic e-statement registrations



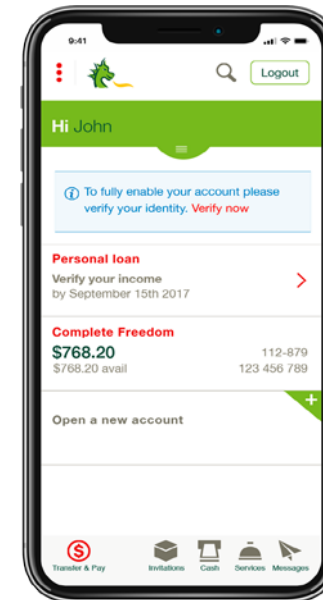
Credit cards are one of the biggest product groups with paper statements. The creation of automatic e-statement registration for credit cards and personal loans has been introduced

## Automatic online registrations



Many credit card customers are digitally inactive. New and existing credit card and personal loan customers are now automatically registered for internet and mobile banking

## Application status and next steps



Customers can monitor the status and next steps of their application for unsecured finance products

## New ways of connecting via Alexa<sup>1</sup>

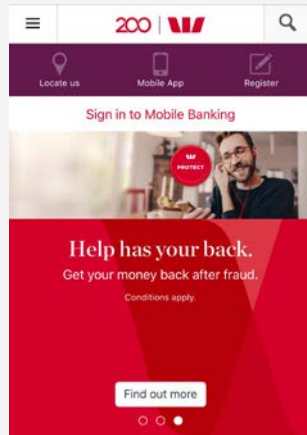


Customers can query their account balance, recent spending history and reward points status by talking to Amazon's virtual assistant, Alexa

<sup>1</sup> Alexa is a virtual assistant developed by Amazon.



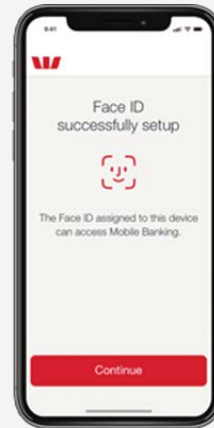
## Awareness



### Enhancing security awareness for customers by providing information on:

- How we protect you
- How to protect yourself
- Being aware of fraud and common scams

## Prevention



### Using a variety of security features to protect customers:

- **Biometric login:** Face ID or fingerprint to logon to banking
- **Card lock and unlock:** Enabling customers to lock and unlock their card if lost or stolen
- **Travel notifications:** Encouraging customers to notify us of their travel plans to prevent unauthorised overseas transactions
- **Malware indicator:** Inspecting online banking activities to identify if malicious software is present on a customer's device











## Detection and remediation



### Identifying fraudulent/ suspicious behaviour quickly by implementing security solutions such as:

- **Real-time monitoring tools and Proactive Risk Manager:** Monitoring transactions real-time & identifying suspicious transactions in milliseconds so they can be held, declined or an alert raised for investigation. Customers are then notified and prompted for additional validation
- **Device ID:** Inspecting transaction devices to determine whether the customer is using a known device. Real time monitoring tools provide further validation if required
- **Remediation:** Westpac will repay any missing funds as a result of internet fraud<sup>1</sup>

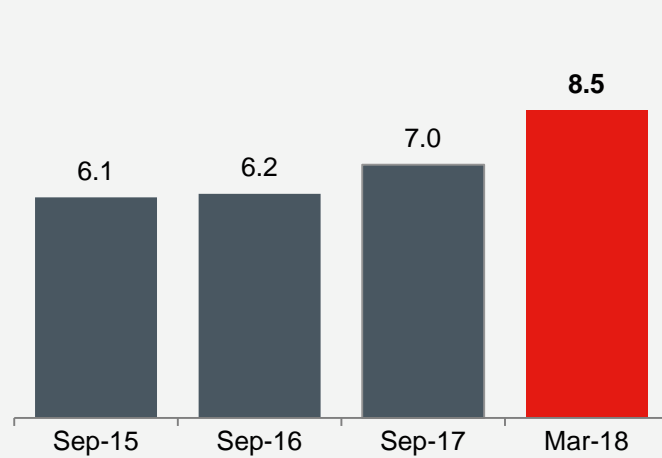
<sup>1</sup> Subject to Terms and Conditions.

United Nations Sustainable Development Goals alignment	Westpac's sustainability priority areas	First Half 2018 performance outcomes
	 <p><b>Helping people make better financial decisions</b></p>	<ul style="list-style-type: none"> <li>Financial literacy programs through Davidson Institute and Managing Your Money</li> <li>Improving financial literacy in target segments with specific programs:                             <ul style="list-style-type: none"> <li>Youth supported through Year 13 partnerships and Mathspace</li> <li>Young adults and women through The Cusp and Ruby Connection</li> <li>Older Australians through Starts at 60</li> </ul> </li> </ul>
	 <p><b>Helping people by being there when it matters most to them</b></p>	<ul style="list-style-type: none"> <li>Over 19,000 customers received hardship assistance via Westpac Group Assist</li> <li>1<sup>st</sup> Australian bank accredited as dementia friendly<sup>1</sup></li> <li>Continued to roll out dementia-friendly banking across brands</li> </ul>
	 <p><b>Helping people create a prosperous nation</b></p>	<ul style="list-style-type: none"> <li>134 microenterprises have been provided finance, including 39 Indigenous businesses, through our Many Rivers partnership, helping to create 1,681 jobs</li> <li>At 31 March 2018, 25 start-ups supported, including 20 through Reinventure</li> <li>Total committed exposure of \$8.5bn to climate change solutions and environmental services at 31 March 2018</li> </ul>
	 <p><b>A culture of doing the right thing</b></p>	<ul style="list-style-type: none"> <li>Maintained Indigenous employment parity</li> <li>Launched a neurodiversity internship program to support people on the Autism spectrum build a career in the Group</li> <li>Launched the Inclusion and Diversity strategy for 2018 to 2020</li> </ul>
	 <p><b>The fundamentals – sustainability policies, action plans and frameworks</b></p>	<ul style="list-style-type: none"> <li>Maintained carbon neutral status</li> <li>\$2.6m sourced from diverse suppliers, including \$1.7m from Indigenous suppliers</li> <li>Refer Appendix 2 page 132 for details of sustainability awards, indexes, recognition, key commitments and partnerships</li> </ul>

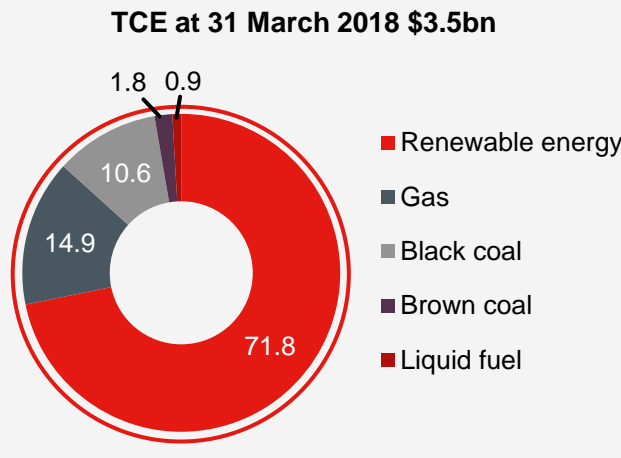
Further information on Westpac's Sustainability and progress on our strategic priorities is available at [www.westpac.com.au/sustainability](http://www.westpac.com.au/sustainability)

<sup>1</sup> Alzheimer's Australia September 2017, acknowledged St.George Bank as Australia's first dementia friendly bank.

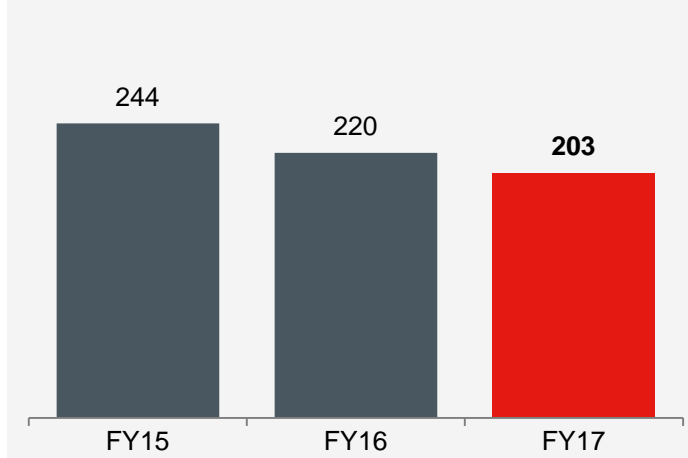
## Climate change solutions exposure (\$bn)



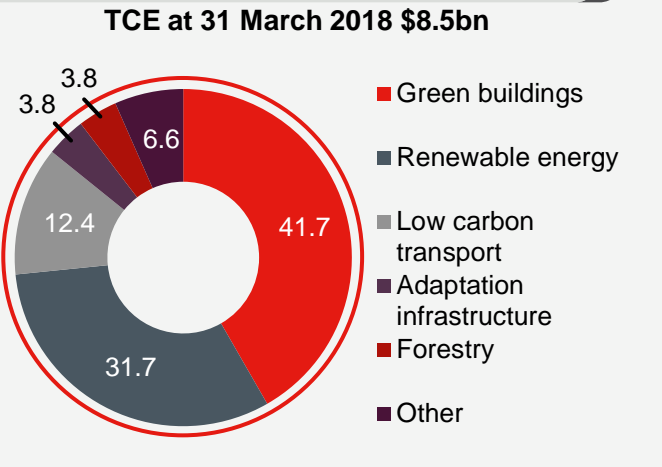
## Electricity generation exposure (% of TCE)<sup>1</sup>



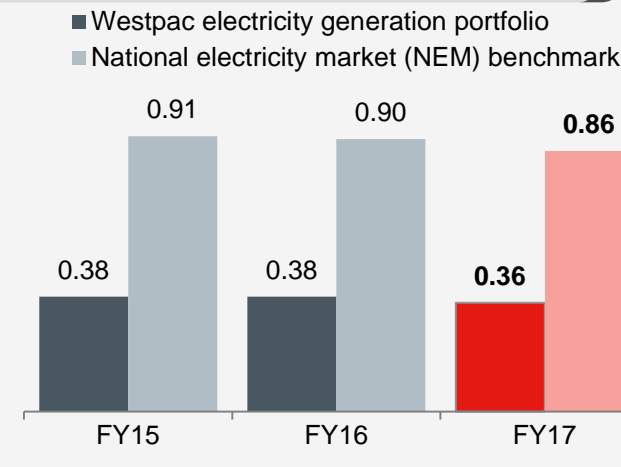
## Total scope 1, 2 and 3 emissions (tCO<sub>2</sub>e, 000s)<sup>3</sup>



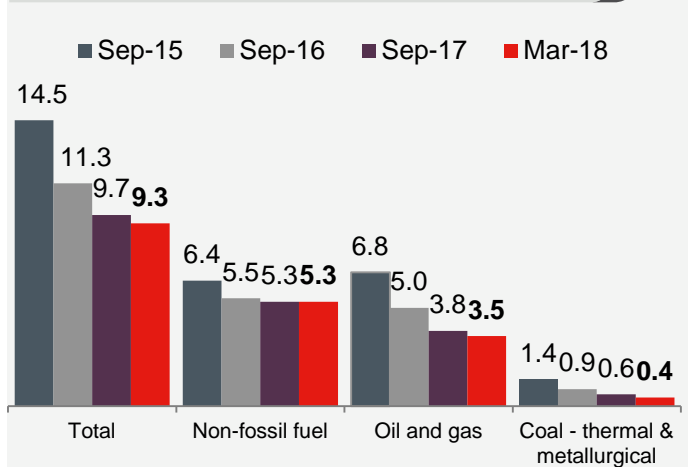
## Climate change solutions exposure (% of TCE)



## Emissions intensity (tCO<sub>2</sub>-e/MWh)<sup>2,3</sup>










## Mining exposure (\$bn)



1 Exposures in WIB only. 2 Australia only. NEM benchmark is sourced from Australian Energy Market Operator. 3 Data reported annually.

# Delivering sustainable value for all stakeholders<sup>1</sup>

 Customers	 Employees	 Community	 Suppliers	 Investors	 Economy	 Environment
<b>14.0m</b> Customers	<b>39,574</b> Employees	<b>40+ years</b> Sponsorship of Westpac Rescue Helicopter Service	<b>\$2.4bn</b> Spent with suppliers in Australia	<b>14.0%</b> Cash return on equity	<b>\$1.9bn</b> Income tax 1H18	<b>\$8.5bn</b> Committed exposure to climate change and environmental solutions
Provided <b>126,000</b> New home loans in Australia	<b>50%</b> Target reached for Women in Leadership positions	<b>\$1.3bn</b> Committed exposure to social and affordable housing sector	<b>\$1.7m</b> Spent with Indigenous Australian suppliers	<b>\$3.2bn</b> In dividends to shareholders	<b>30.3%</b> Effective tax rate	<b>\$1.7bn</b> Climate related bond issuance
Provided <b>\$11bn</b> New business lending in Australia (excludes Institutional)	<b>74%</b> Employees with flexible working arrangements <sup>2</sup>	<b>200</b> 200 education scholarships <sup>3</sup> , 200 community grants <sup>4</sup> and 200 Businesses of Tomorrow in our 200 <sup>th</sup> year		<b>630K</b> shareholders and more via super funds	<b>2<sup>nd</sup></b> Largest tax payer in Australia <sup>5</sup>	<b>10<sup>th</sup> time</b> In 2017, Westpac achieved the global banking leadership position in the Dow Jones Sustainability index for the 10 <sup>th</sup> time
<b>19,473</b> Customers supported through Westpac Group Assist	<b>\$2.4bn</b> Paid to employees			<b>\$1.25</b> Cash earnings per ordinary share (cents)	<b>\$0.4bn</b> In other taxes paid including Bank Levy \$0.2bn <sup>6</sup>	

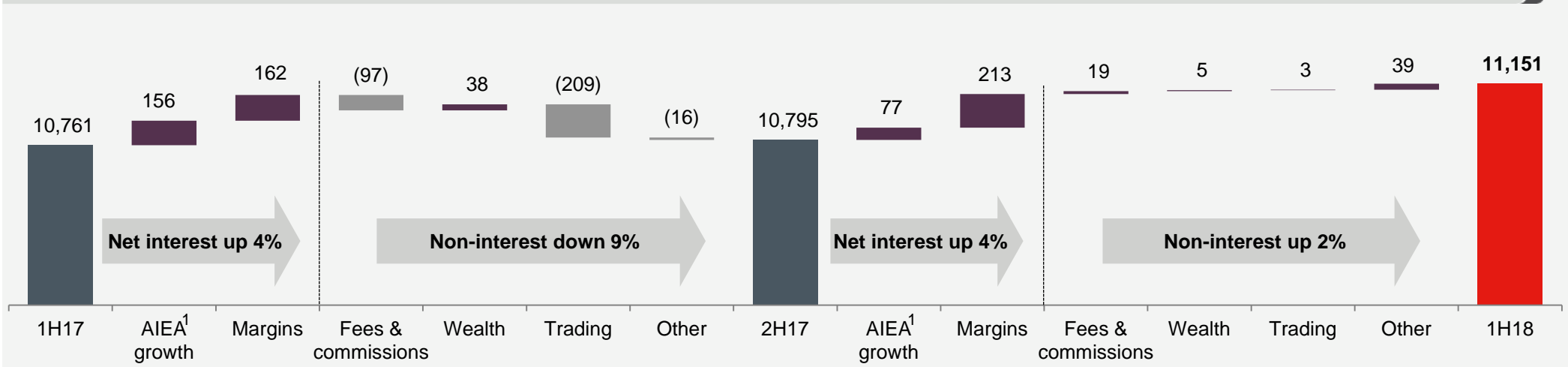
<sup>1</sup> Data for 1H18 or as at 31 March 2018 unless otherwise stated. <sup>2</sup> As at 30 September 2017. <sup>3</sup> Through Westpac Bicentennial Foundation. <sup>4</sup> Through Westpac Foundation. <sup>5</sup> Source: Corporate Tax Transparency Report 2015 - 2016, published December 2017. <sup>6</sup> Australia only.

# Earnings Drivers

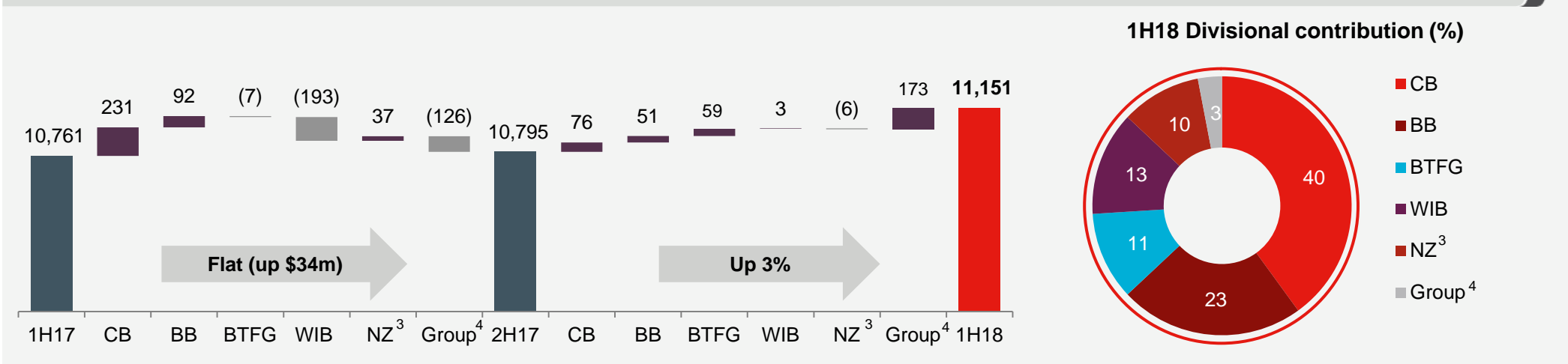


# Net operating income up 3% over the half

## Net operating income movement (\$m)



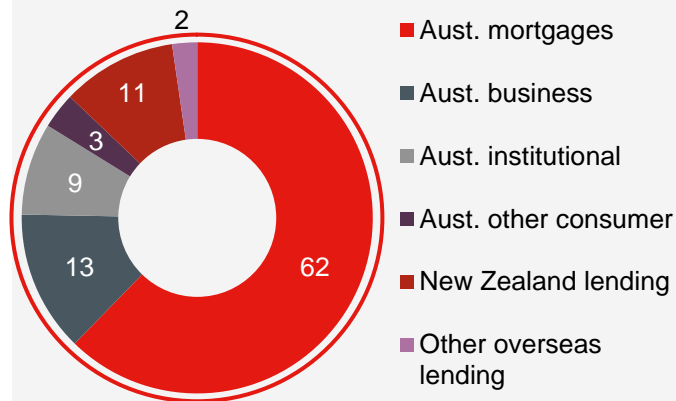
## Net operating income by division<sup>2</sup> (\$m)



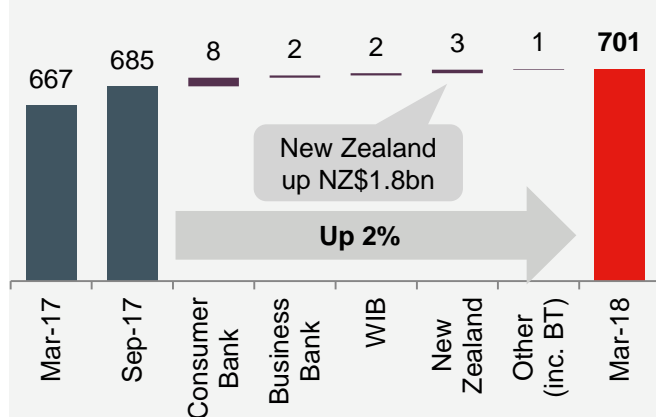
1 AIEA is average interest-earning assets. 2 Divisional movements from 1H17 to 2H17 have been restated to reflect restatements that occurred in 1H18. 3 The New Zealand contribution in A\$. 4 Group Businesses.

# Composition of lending and deposits

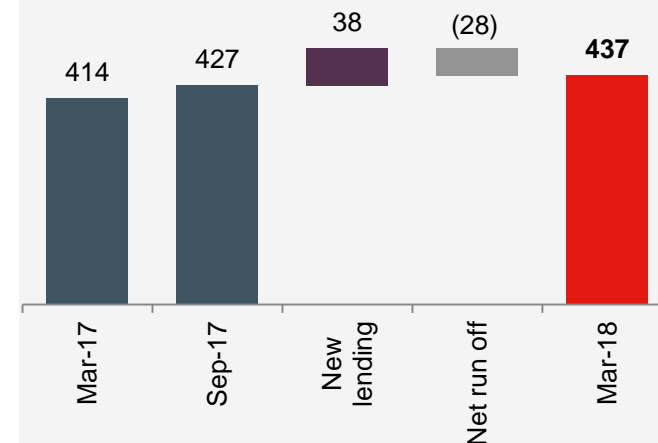
### Composition of lending (% of total)



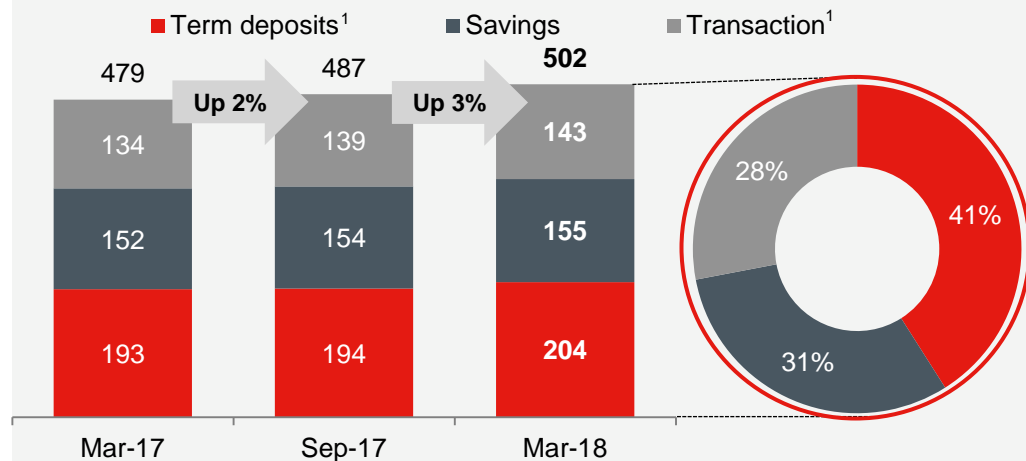
### Net loans (\$bn)



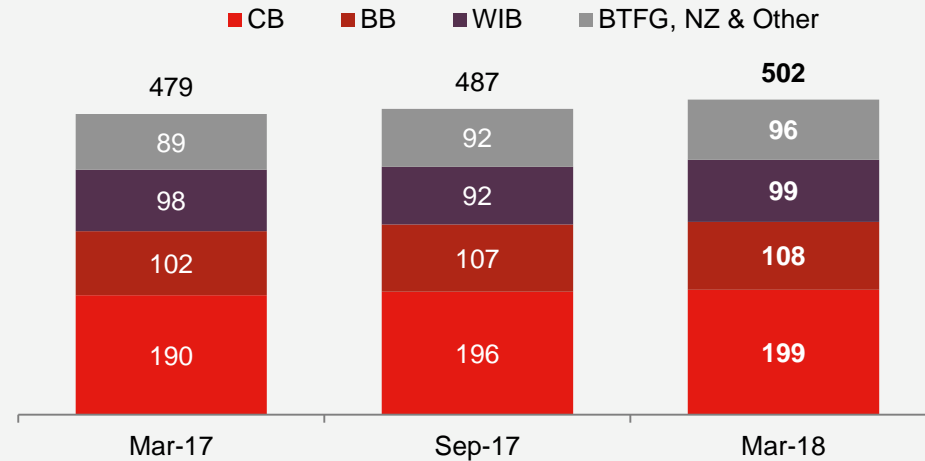
### Australian mortgage lending (\$bn)



### Customer deposit mix (\$bn) and % of total

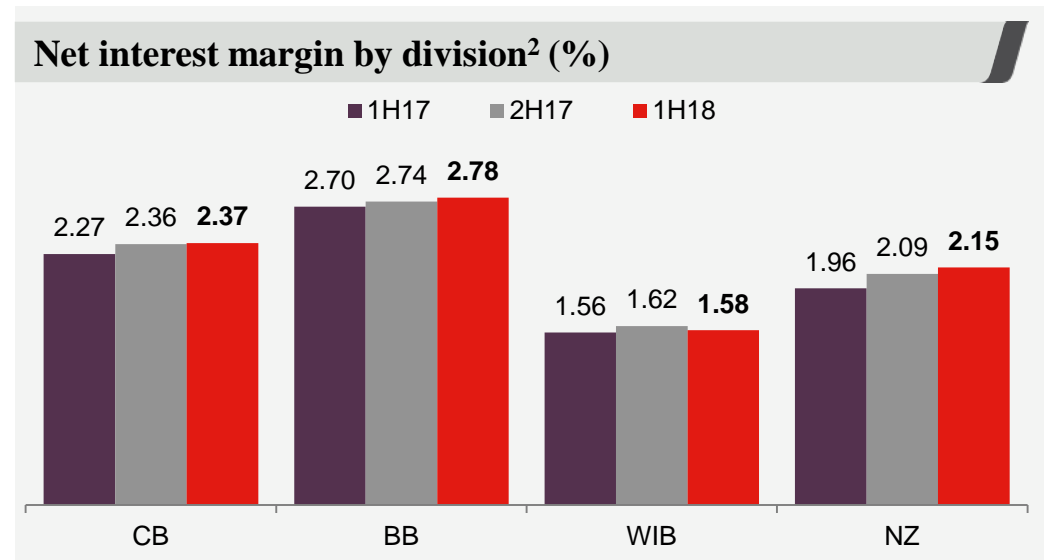
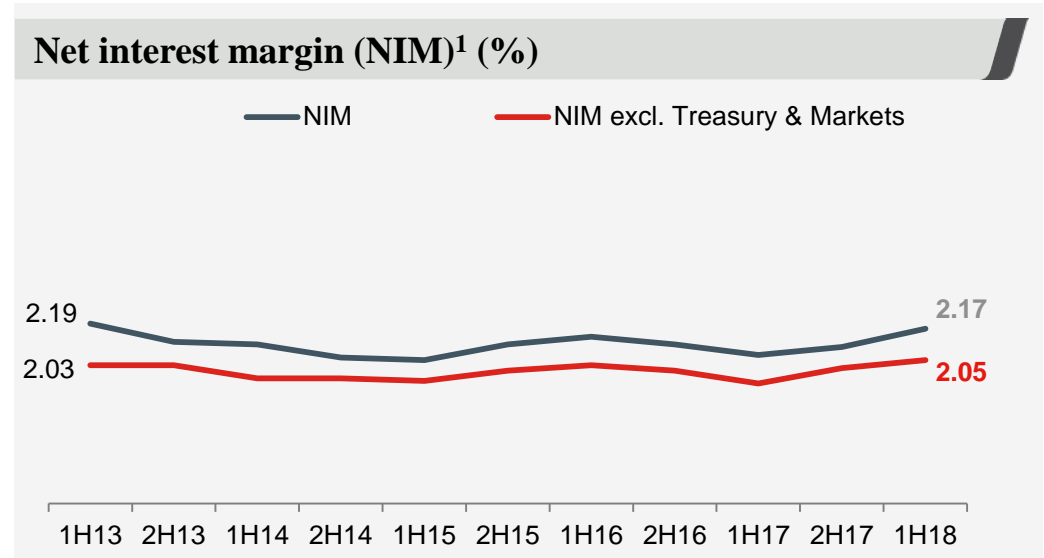
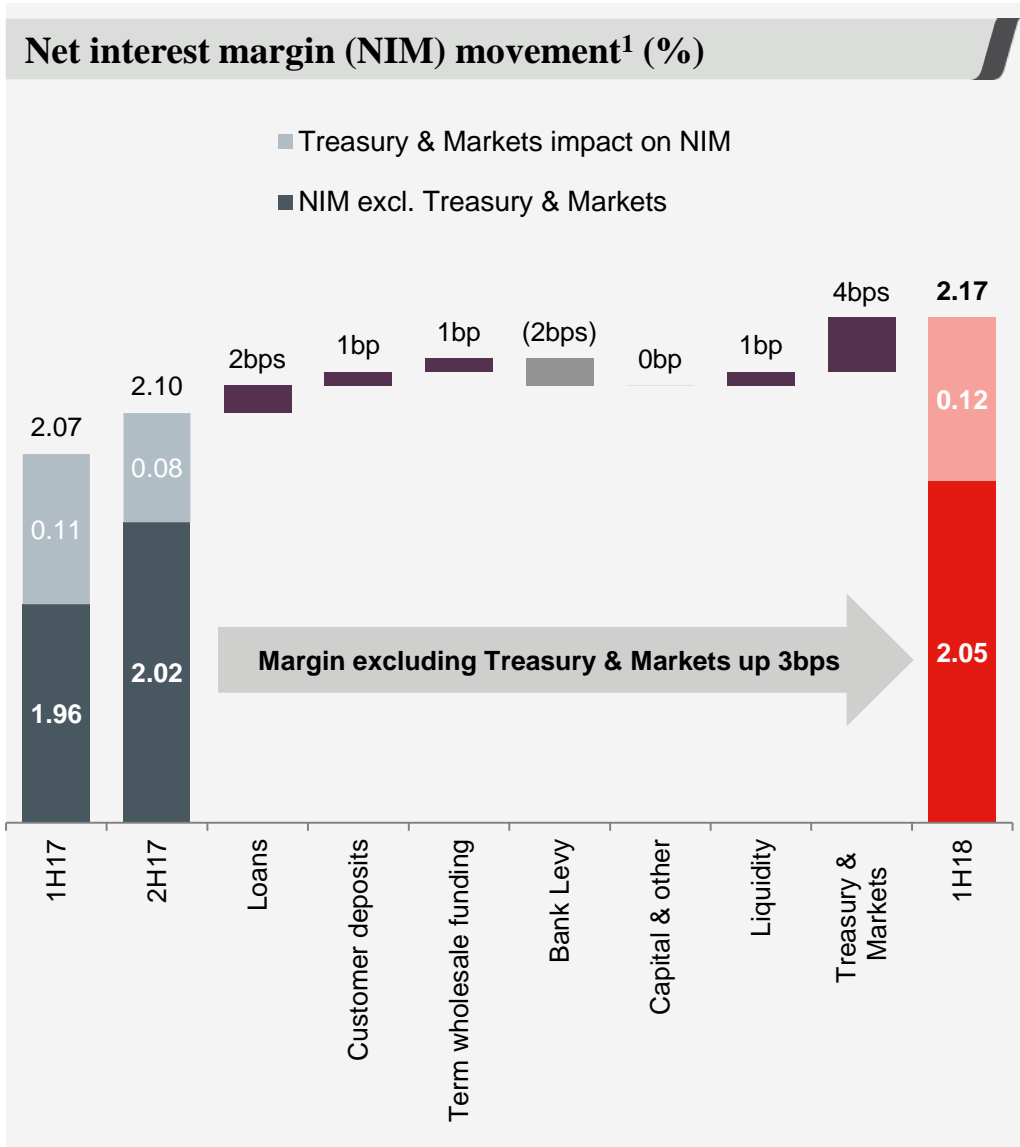


### Customer deposit composition (\$bn)



<sup>1</sup> In 1H18, \$4.1bn of structured deposits were reclassified as term deposits, previously they had been reported as transaction. Prior periods have been adjusted for comparability.

# Net interest margin excluding Treasury & Markets up 3bps

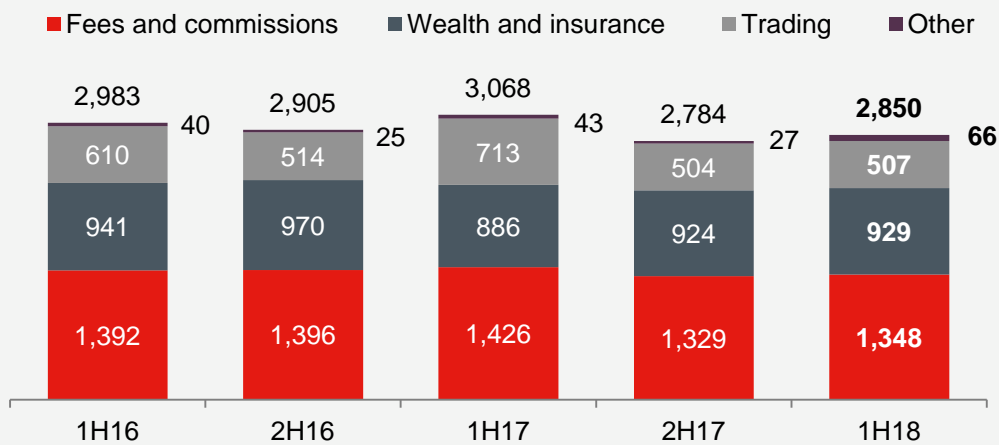


1 NIM excluding Treasury & Markets has been restated on the same basis as 1H18. 2 Divisional NIM has been restated on the same basis as 1H18.

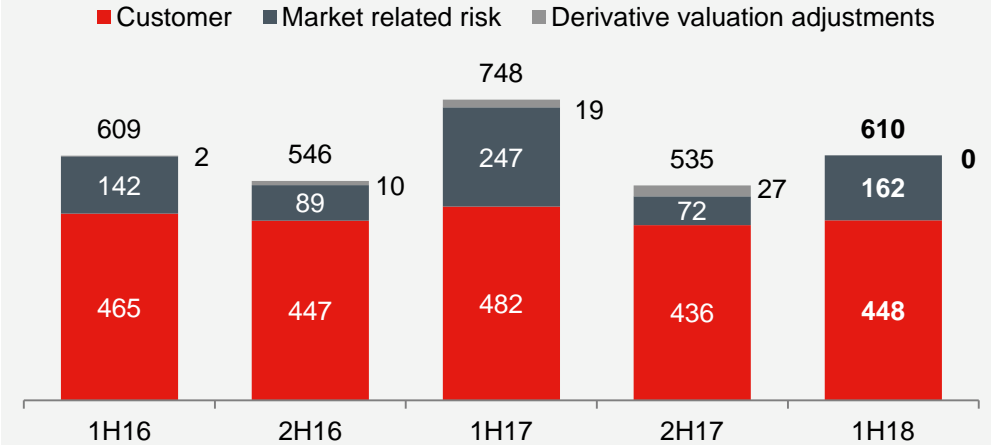


# Non-interest income up 2%

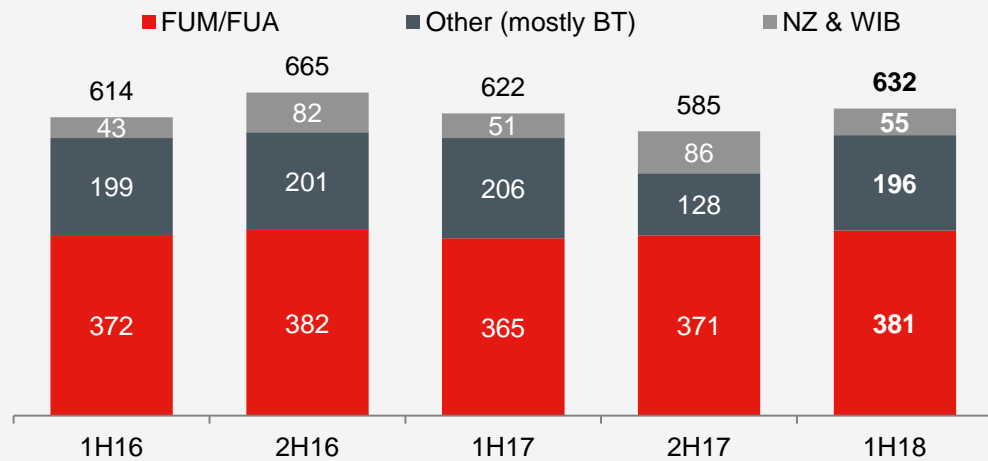
## Non-interest income contributors (\$m)



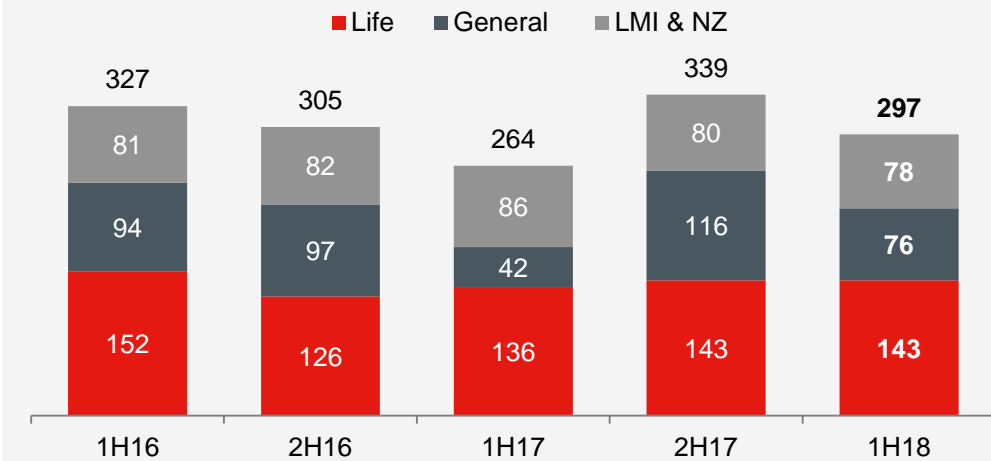
## Markets income by activity (\$m)



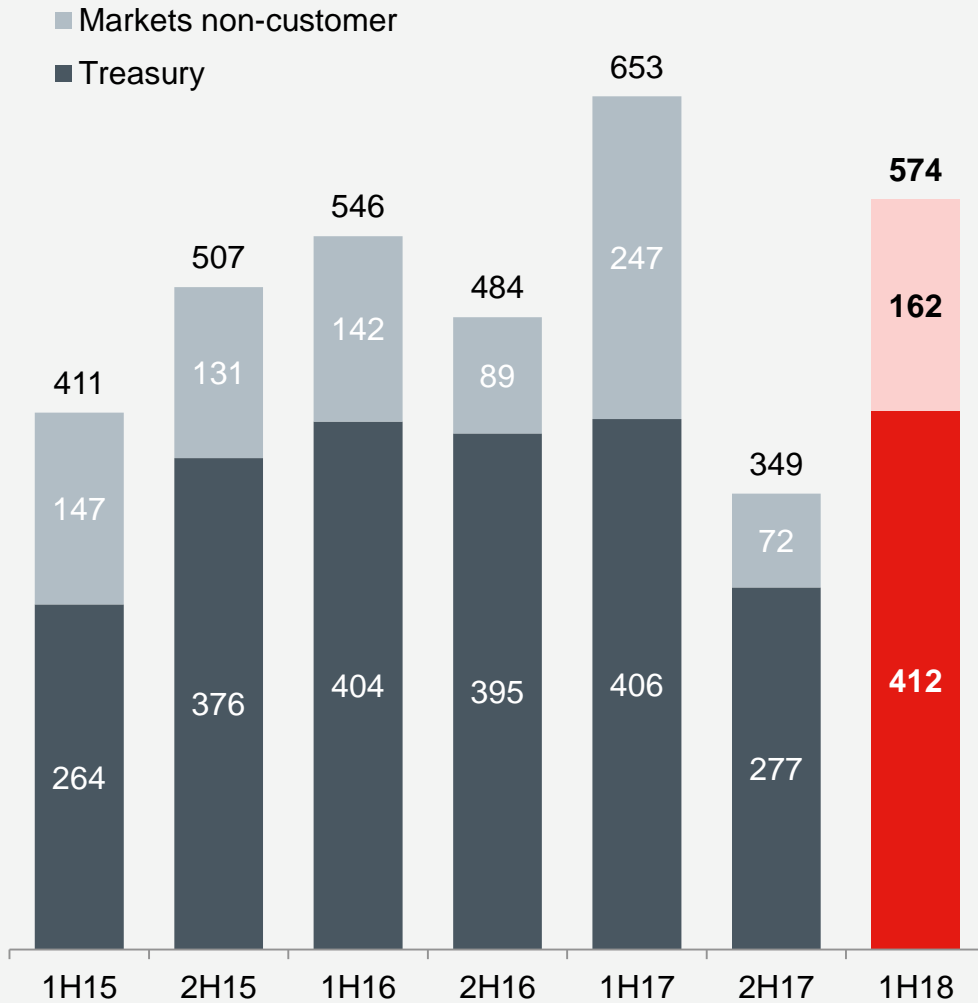
## Wealth management income (\$m)



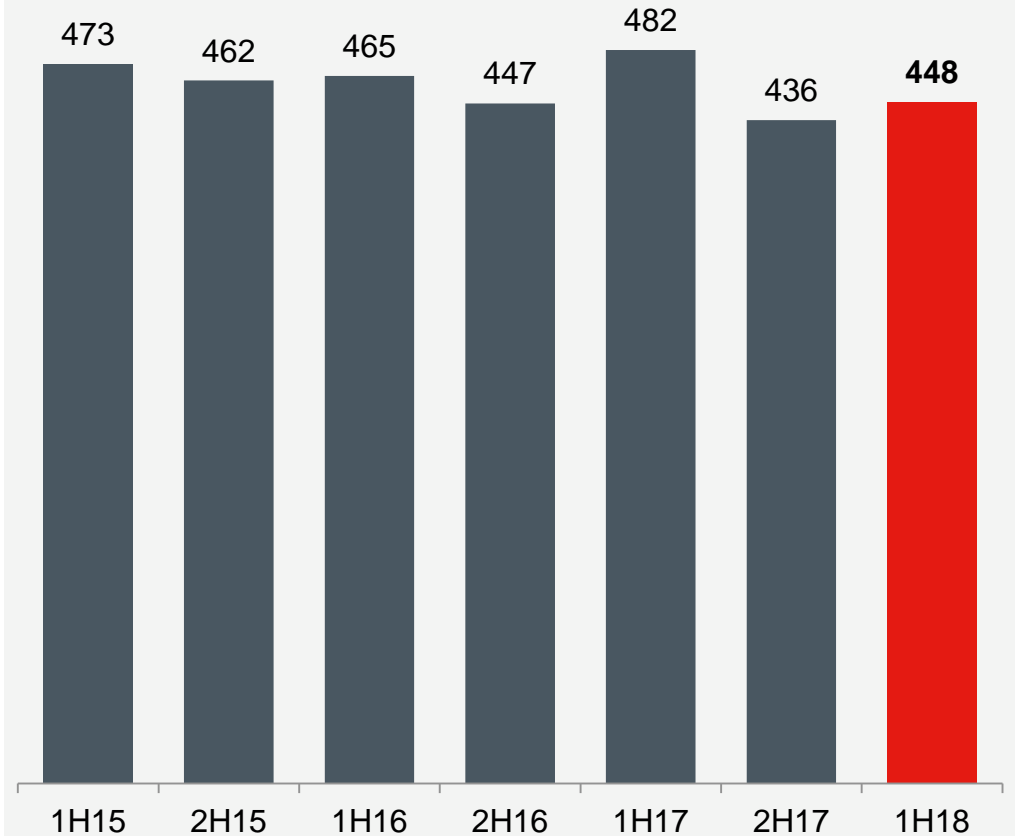
## Insurance income (\$m)



## Markets non-customer and Treasury income (\$m)

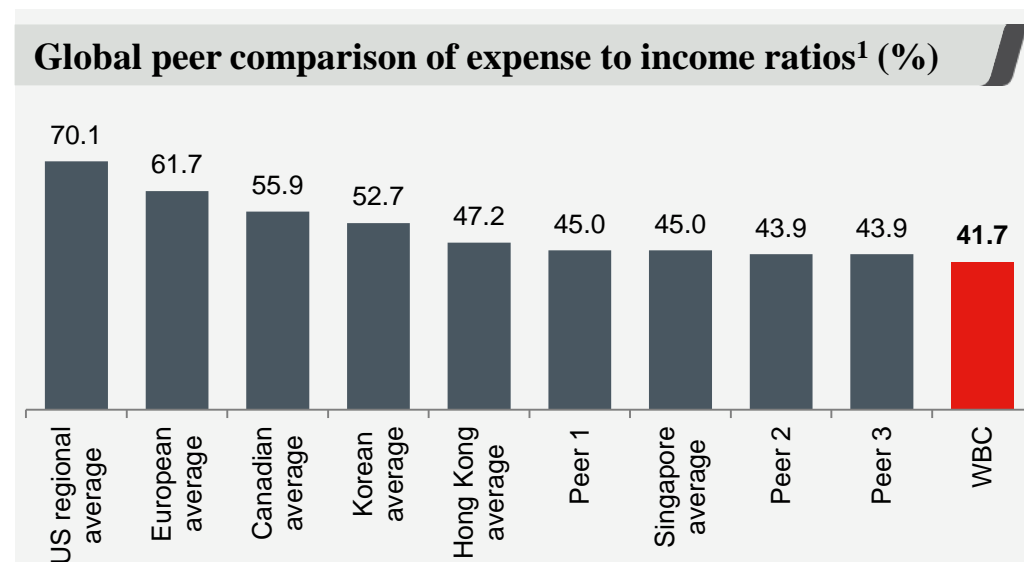
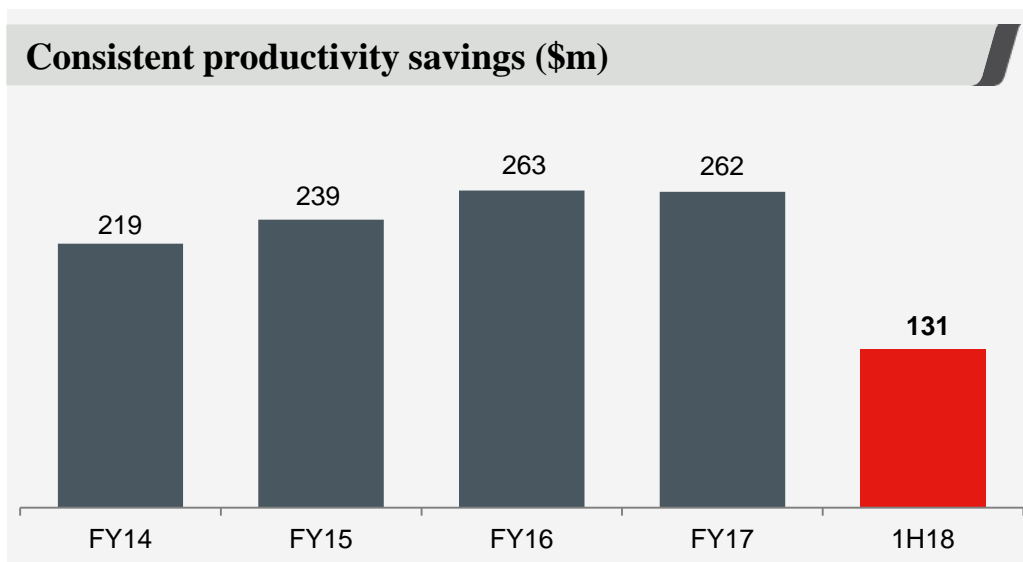
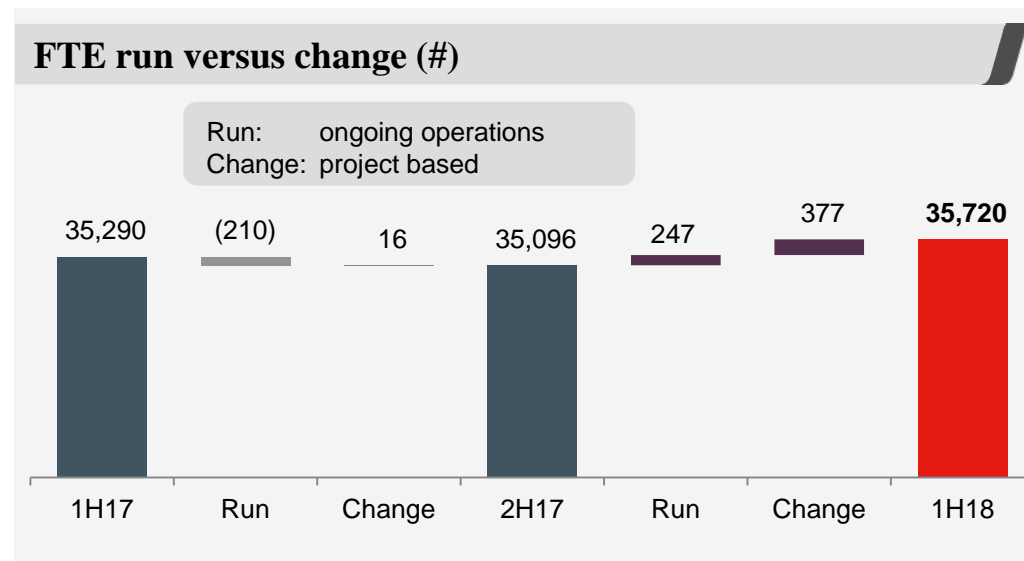
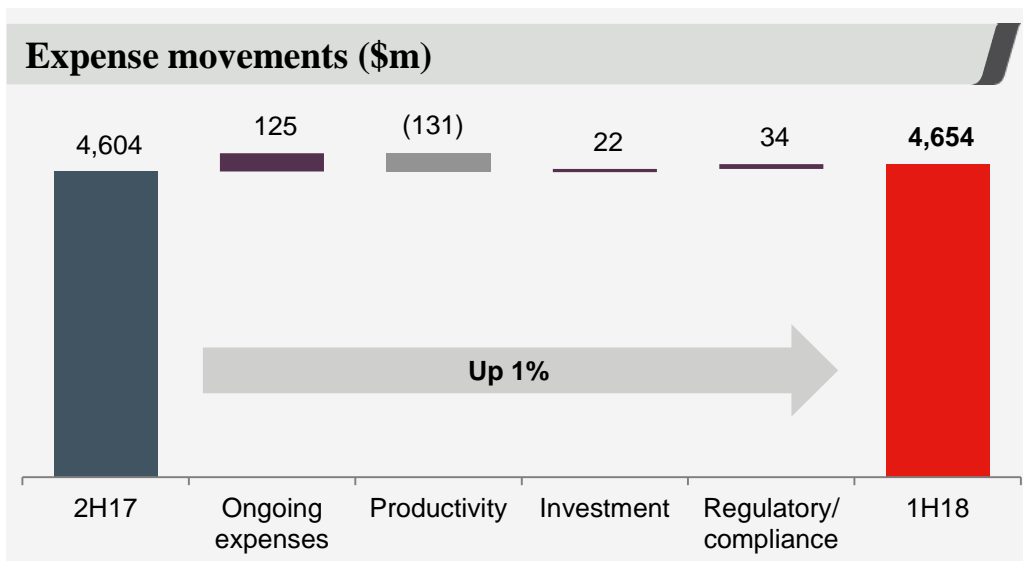


## Markets customer income (\$m)



1. Includes net interest income and non-interest income but excludes derivative valuation adjustments.

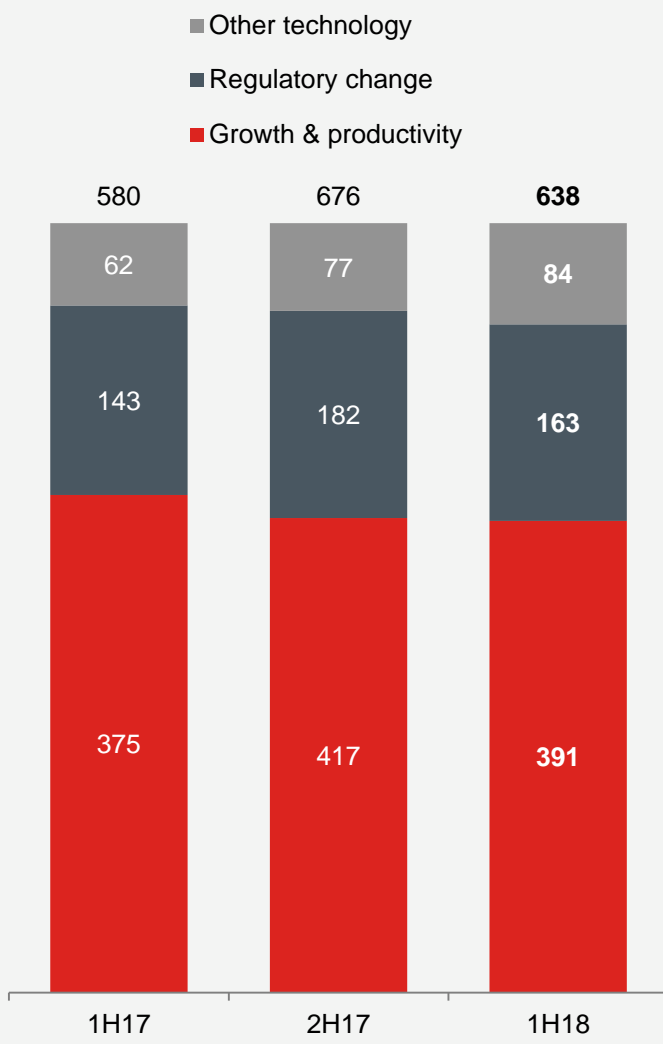
# Expenses up 1% from investments and increased regulatory and compliance costs including the Royal Commission



<sup>1</sup> Company data, Credit Suisse. Expense to income ratio average for Peer 1, 2 and 3 based on 1H18 results, all others based on FY17. Peer 1 and 2 are presented on a continuing operations basis. Peer 3 excludes restructuring costs. European average excludes Deutsche Bank.

# Investment spend focused on growth and productivity

## Investment spend mix (\$m)



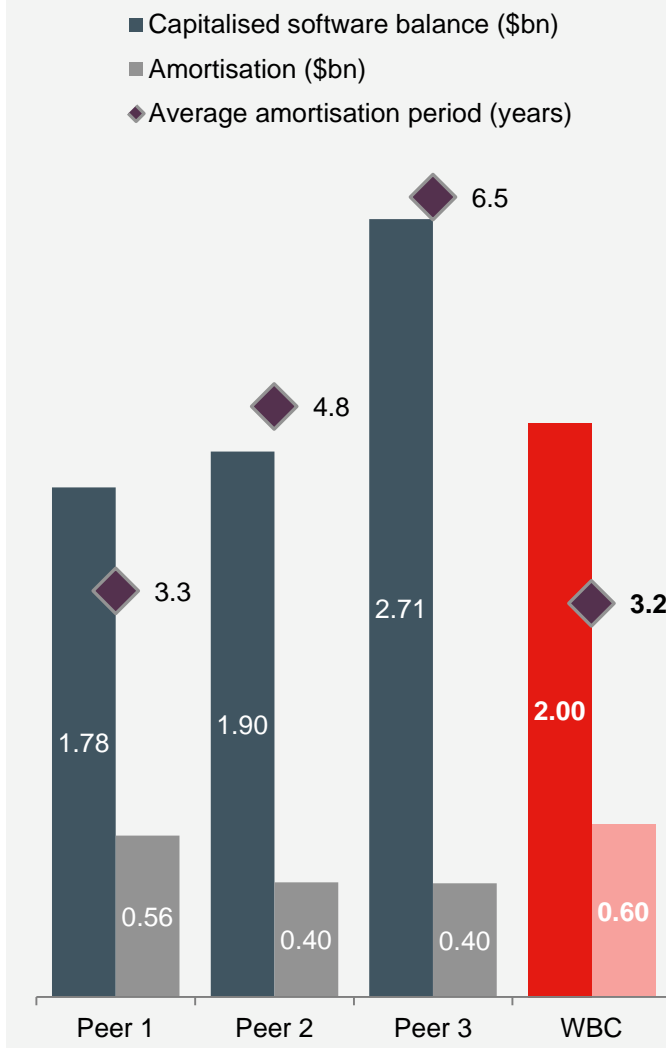
## Investment spend (\$m)

	1H17	2H17	1H18
Expensed	236	243	251
Capitalised	344	433	387
Total investment spend	580	676	638
Investment spend expensed	41%	36%	39%

## Capitalised software

Opening balance	1,781	1,814	1,916
Additions	344	422	389
Amortisation	(303)	(311)	(301)
Other <sup>1</sup>	(8)	(9)	1
<b>Closing balance</b>	<b>1,814</b>	<b>1,916</b>	<b>2,005</b>
Average amortisation period	2.9yrs	2.9yrs	3.2yrs
<b>Other deferred expenses</b>			
Deferred acquisition costs	91	86	80
Other deferred expenses	56	28	30

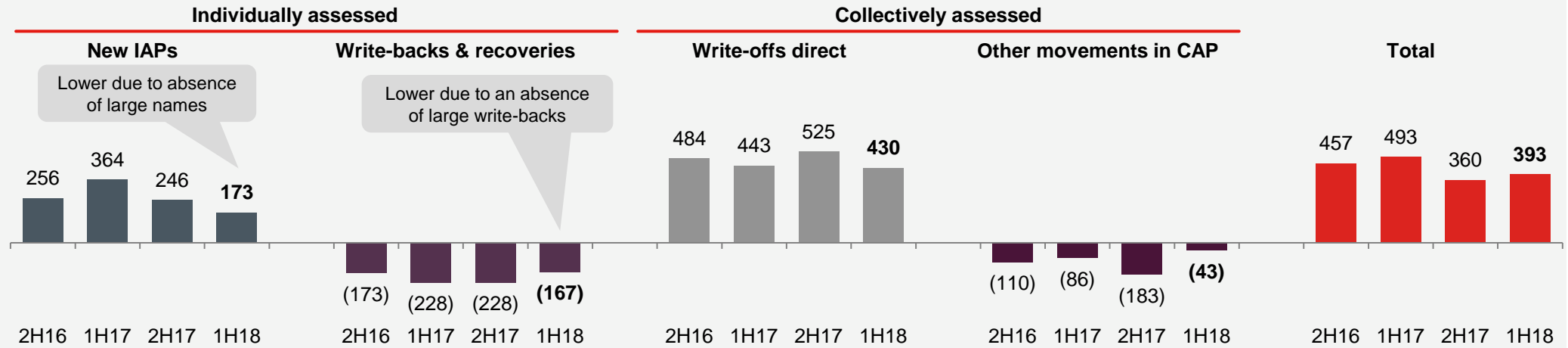
## Capitalised software<sup>2</sup>



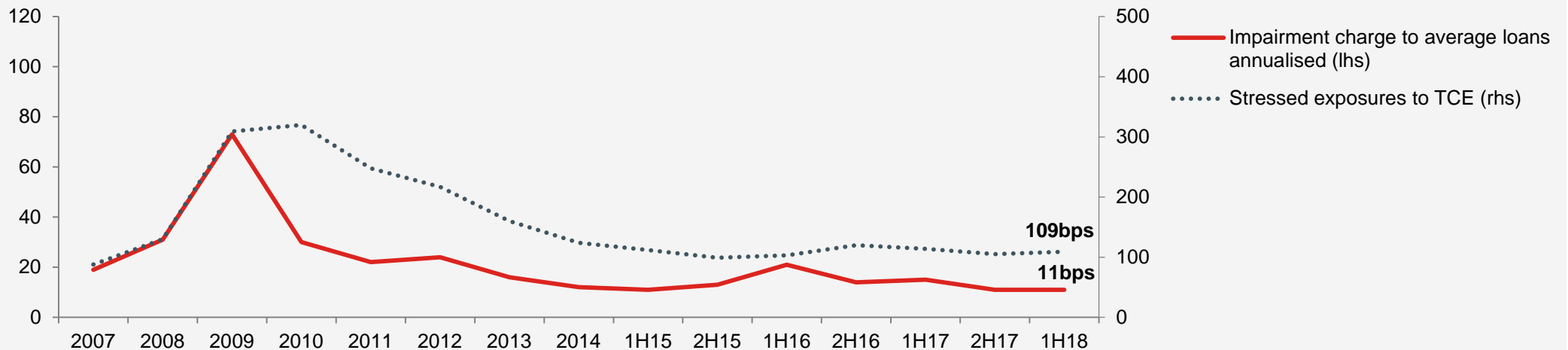
1 Other includes write-offs, impairments and foreign exchange translation. 2 Based on 1H18 results. Software amortisation has been annualised. Peer 1 and 2 are reported on a continuing operations basis.

# Continued low impairment charge reflects **sound asset quality**

## Impairment charges (\$m)



## Impairment charges and stressed exposures<sup>1</sup> (bps)



<sup>1</sup> Pre-2008 does not include St. George. 2008 and 2009 are pro forma including St. George for the entire period with 1H09 ASX Profit Announcement providing details of pro forma adjustments.

# Credit Quality

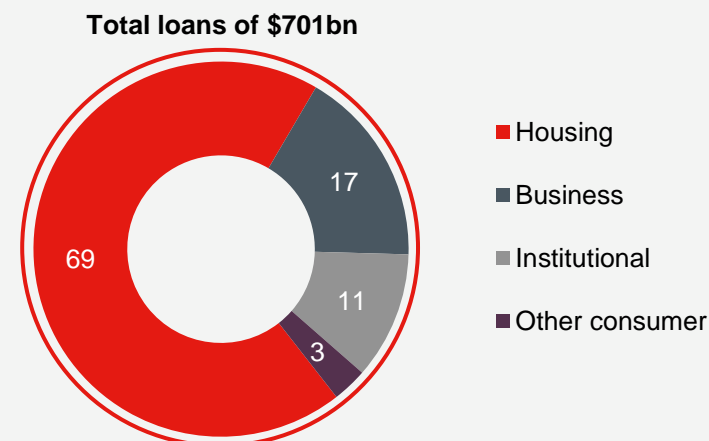


# High quality portfolio with bias to mortgage lending

## Asset composition (%)

Total assets (\$872bn)	1H17	2H17	1H18
Loans	80	81	<b>80</b>
Trading securities, financial assets at fair value and available-for-sale securities	11	10	<b>10</b>
Derivative financial instruments	3	3	<b>3</b>
Cash and balances with central banks	2	2	<b>3</b>
Life insurance assets	1	1	<b>1</b>
Goodwill	1	1	<b>1</b>
Receivables due from other financial institutions	1	1	<b>1</b>
Other assets	1	1	<b>1</b>

## Lending composition at 31 March 2018 (% of total)

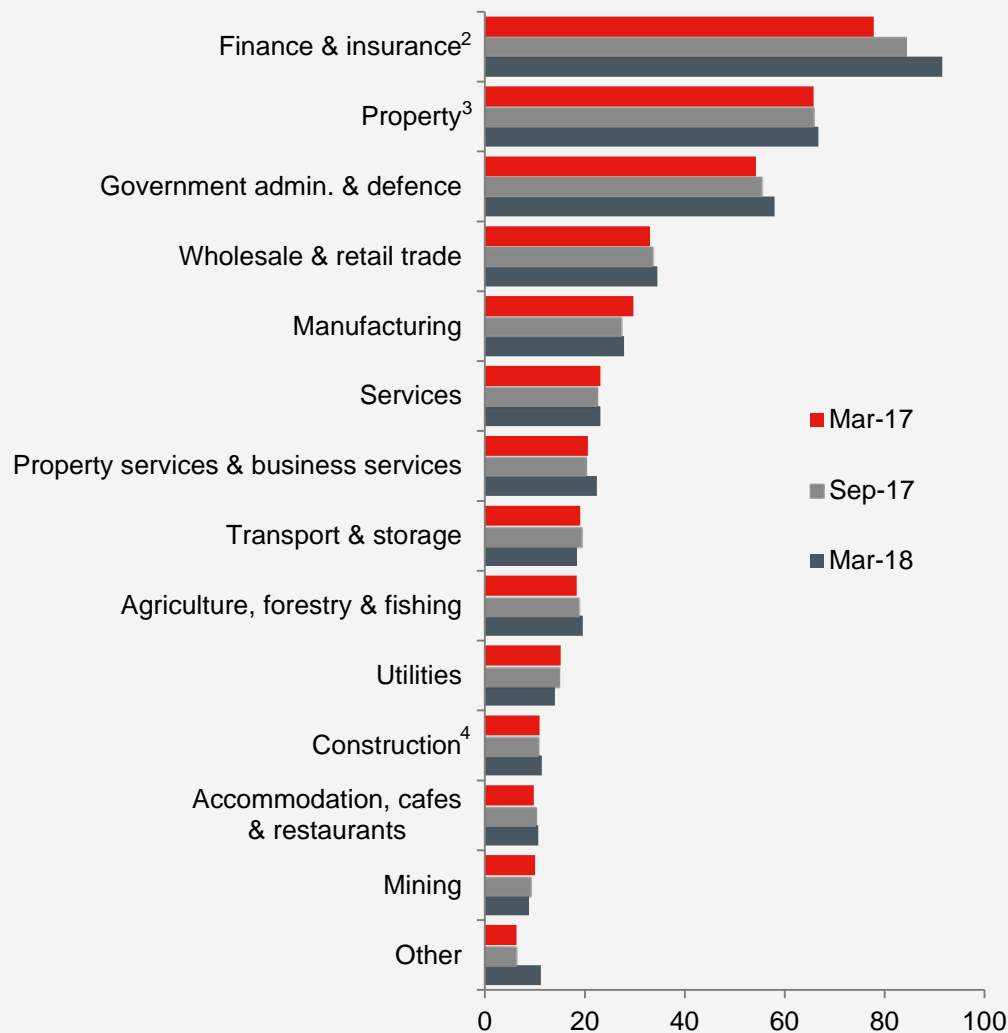


## Exposure by risk grade at 31 March 2018 (\$m)

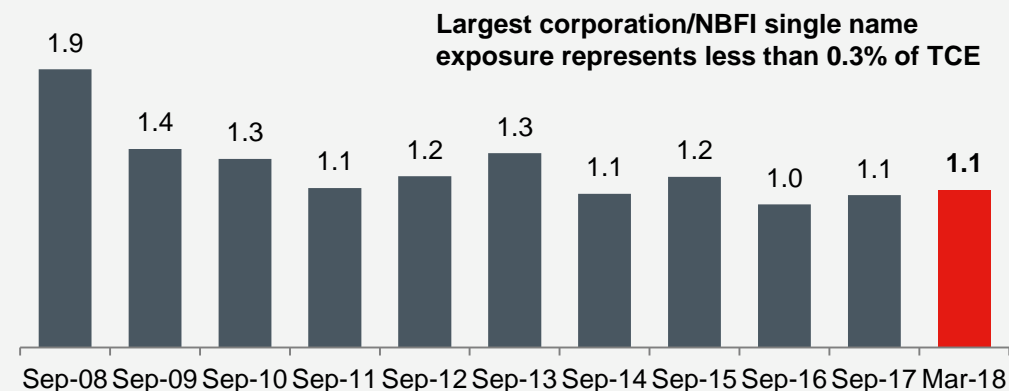
Standard and Poor's Risk Grade <sup>1</sup>	Australia	NZ / Pacific	Asia	Americas	Europe	Group	% of Total
AAA to AA-	93,873	8,940	2,096	10,668	462	<b>116,039</b>	11%
A+ to A-	32,577	6,243	7,084	5,206	2,801	<b>53,911</b>	5%
BBB+ to BBB-	55,783	11,563	8,986	2,298	1,572	<b>80,202</b>	8%
BB+ to BB	73,307	11,564	1,755	393	258	<b>87,277</b>	9%
BB- to B+	62,373	9,655	96	15	11	<b>72,150</b>	7%
<B+	5,612	2,580	-	-	-	<b>8,192</b>	1%
Mortgages	500,981	54,062	396	-	-	<b>555,439</b>	54%
Other consumer products	44,634	5,165	8	-	-	<b>49,807</b>	5%
<b>Total committed exposures (TCE)</b>	<b>869,140</b>	<b>109,772</b>	<b>20,421</b>	<b>18,580</b>	<b>5,104</b>	<b>1,023,017</b>	
<b>Exposure by region<sup>2</sup> (%)</b>	<b>85%</b>	<b>11%</b>	<b>2%</b>	<b>2%</b>	<b>&lt;1%</b>		<b>100%</b>

1 Risk grade equivalent. 2 Exposure by booking office.

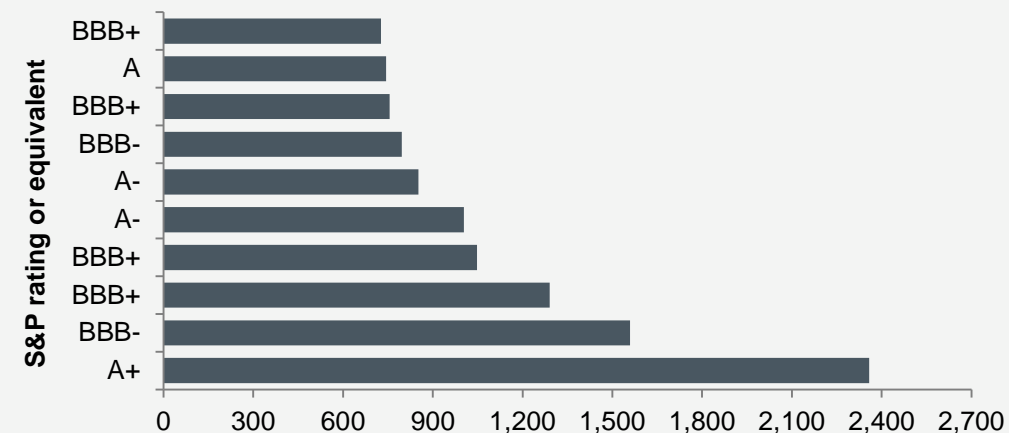
## Exposures at default<sup>1</sup> by sector (\$bn)



## Top 10 exposures to corporations and NBFIs<sup>5</sup> (% of TCE)



## Top 10 exposures to corporations & NBFIs<sup>5</sup> at 31 March 2018 (\$m)



1 Exposures at default is an estimate of the committed exposure expected to be drawn by a customer at the time of default. 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 NBFI is non-bank financial institutions.

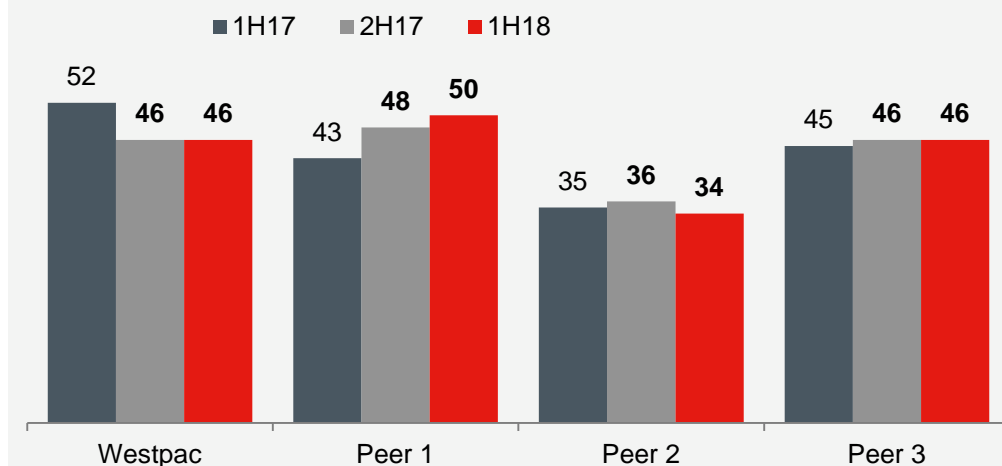


# Well provisioned, sound asset quality

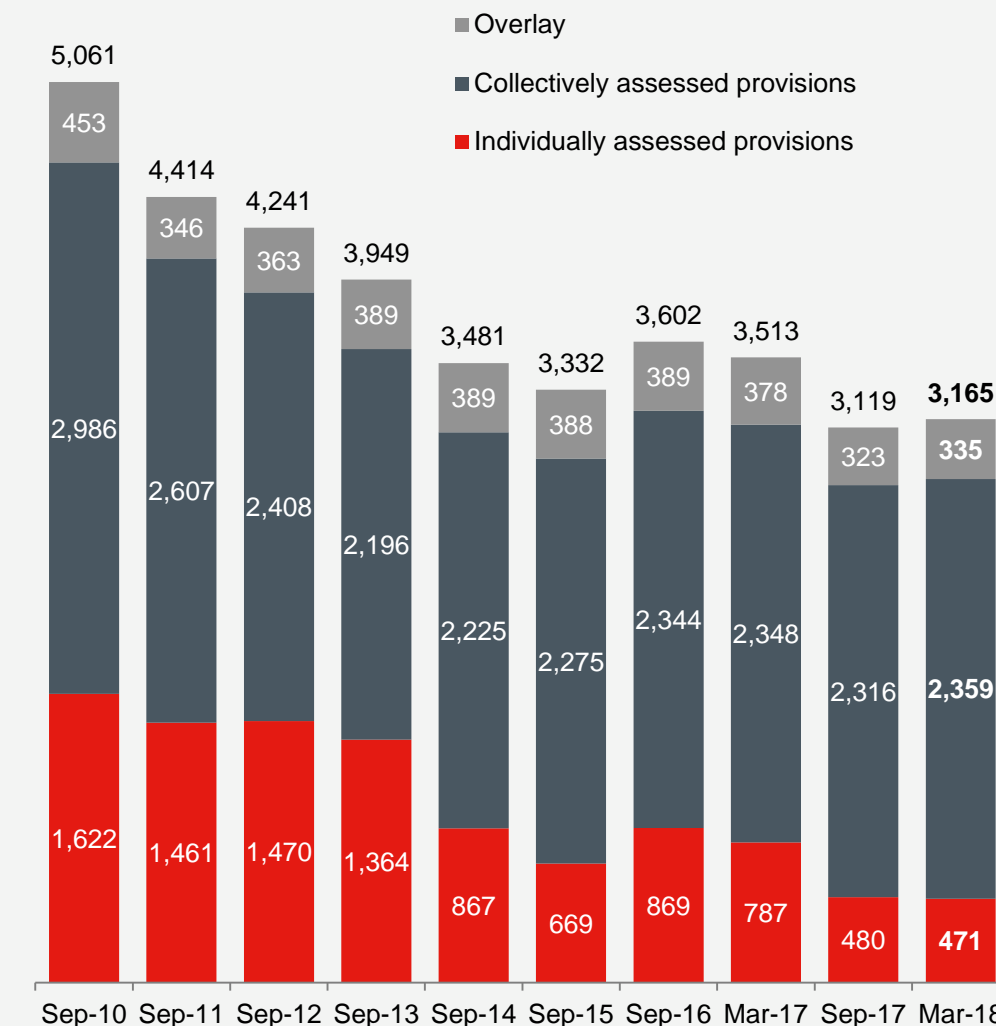
## Provisions for impairments

	1H17	2H17	1H18
Total provisions to gross loans (bps)	52	45	<b>45</b>
Impaired asset provisions to impaired assets (%)	52	46	<b>46</b>
Collectively assessed provisions to credit RWA (bps)	77	76	<b>75</b>
Overlay (\$m)	378	323	<b>335</b>

## Impaired asset provisions to impaired assets (%)

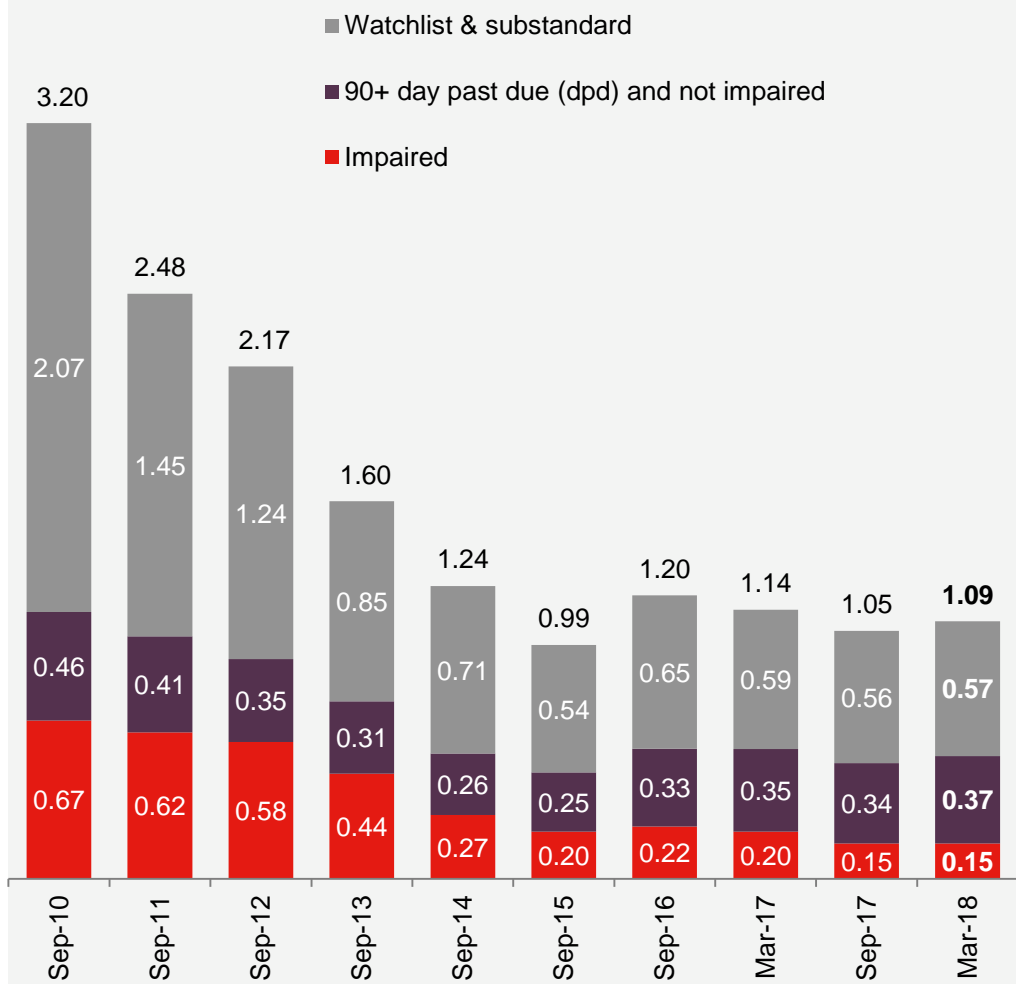


## Total impairment provisions (\$m)

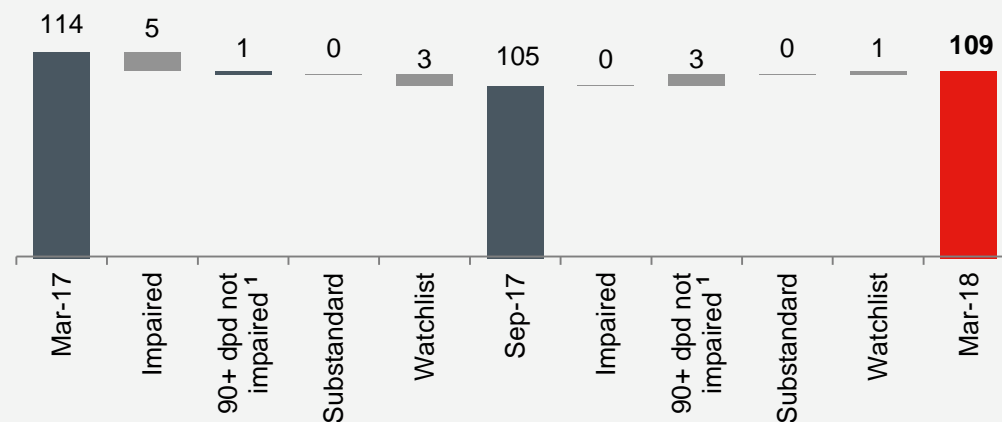


# Stressed exposures little changed

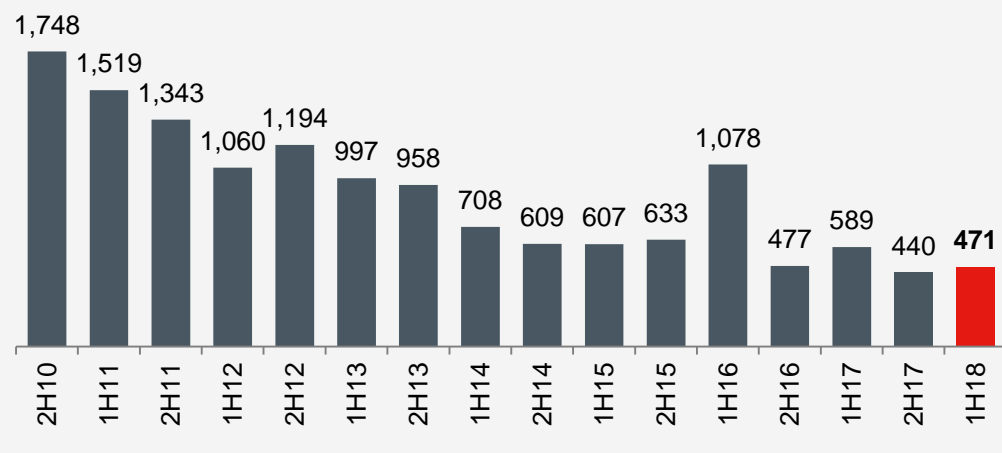
## Stressed exposures as a % of TCE



## Movement in stress categories (bps)

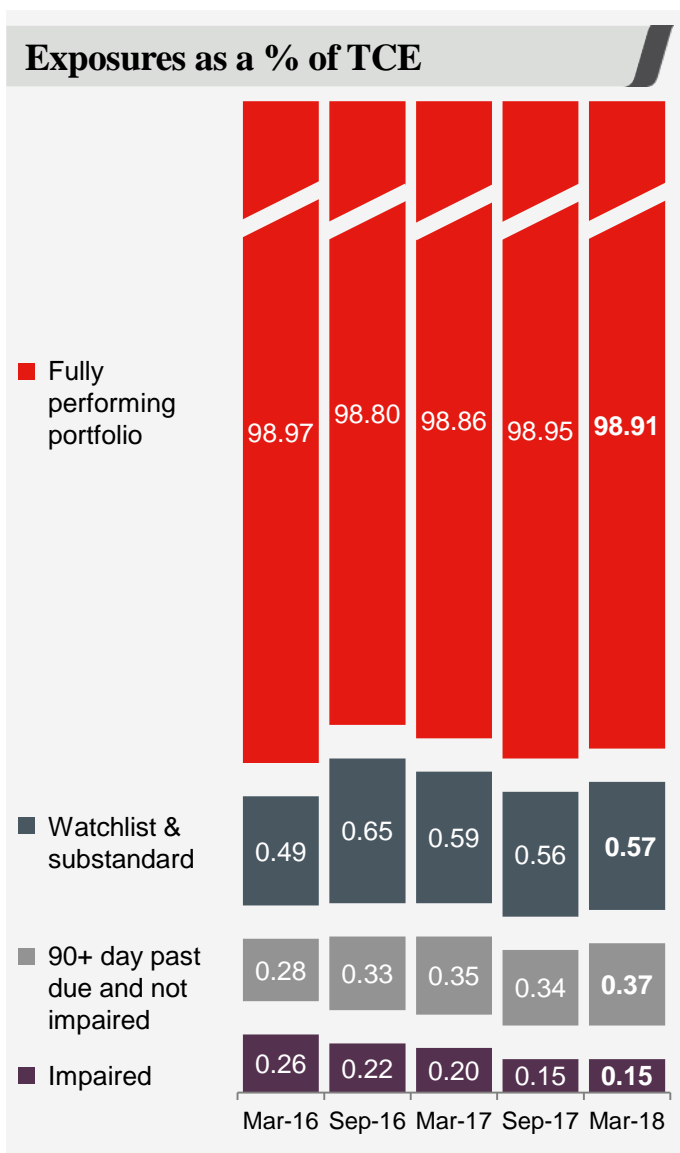


## New and increased gross impaired assets (\$m)



<sup>1</sup> Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes.

# Provision cover by portfolio category



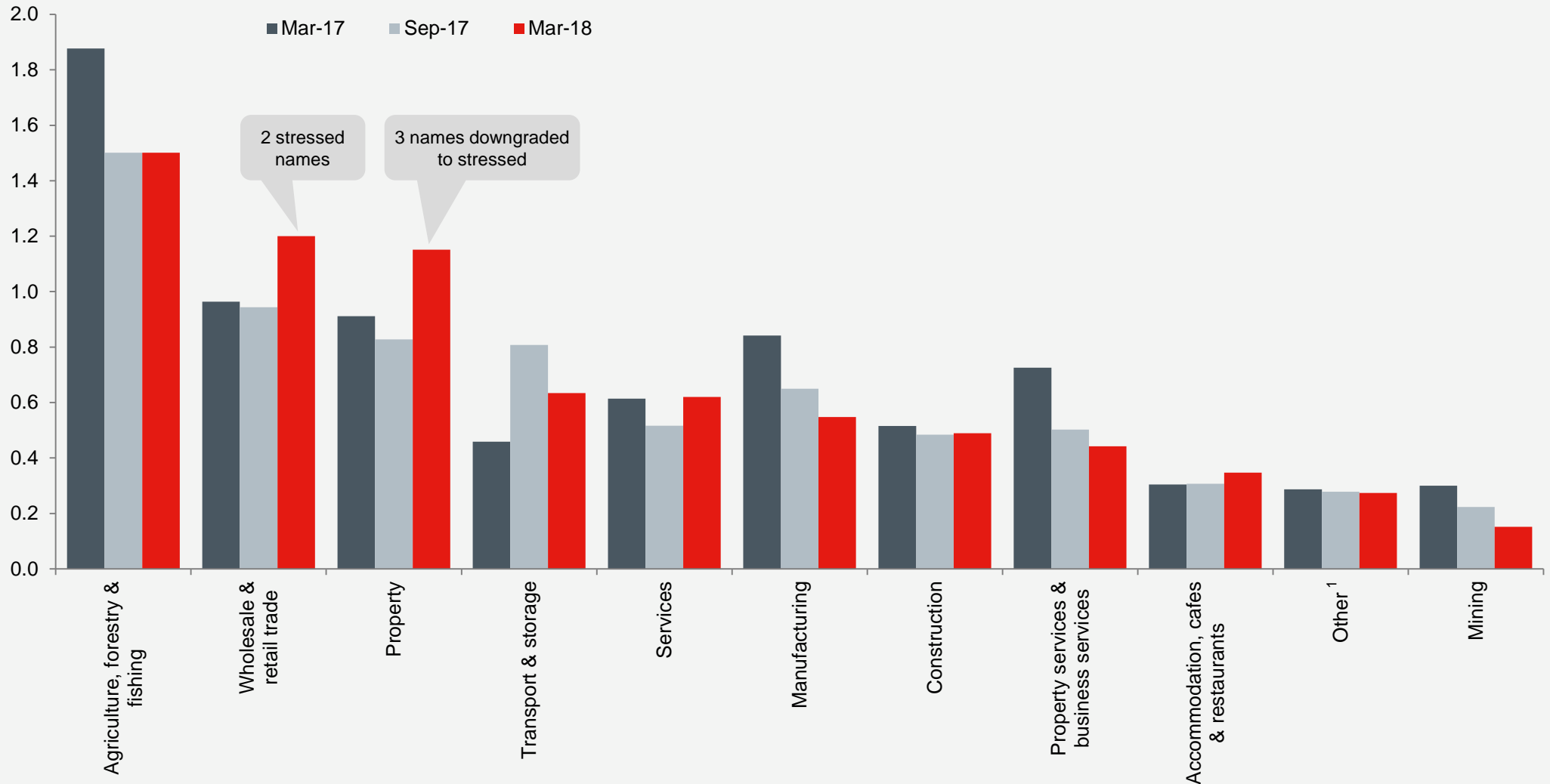
Collective provisions

Impaired asset provisions

	Provisioning to TCE (%)			
	Sep-16	Mar-17	Sep-17	Mar-18
<b>Fully performing portfolio</b>				
<ul style="list-style-type: none"> <li>• Small cover as low probability of default (PD)</li> <li>• Includes overlay</li> </ul>	0.22	0.21	0.20	<b>0.20</b>
<b>Watchlist &amp; substandard</b>				
<ul style="list-style-type: none"> <li>• Still performing but higher cover reflects deterioration</li> </ul>	4.51	4.52	4.76	<b>4.71</b>
<b>90+ day past due and not impaired</b>				
<ul style="list-style-type: none"> <li>• In default but strong security</li> </ul>	4.57	5.04	5.08	<b>5.03</b>
<b>Impaired assets</b>				
<ul style="list-style-type: none"> <li>• In default. High provision cover reflects expected recovery</li> </ul>	49.44	52.07	46.30	<b>45.54</b>

# Stressed exposures increased in retail trade and property

Corporate and business portfolio stressed exposures by industry (\$bn)



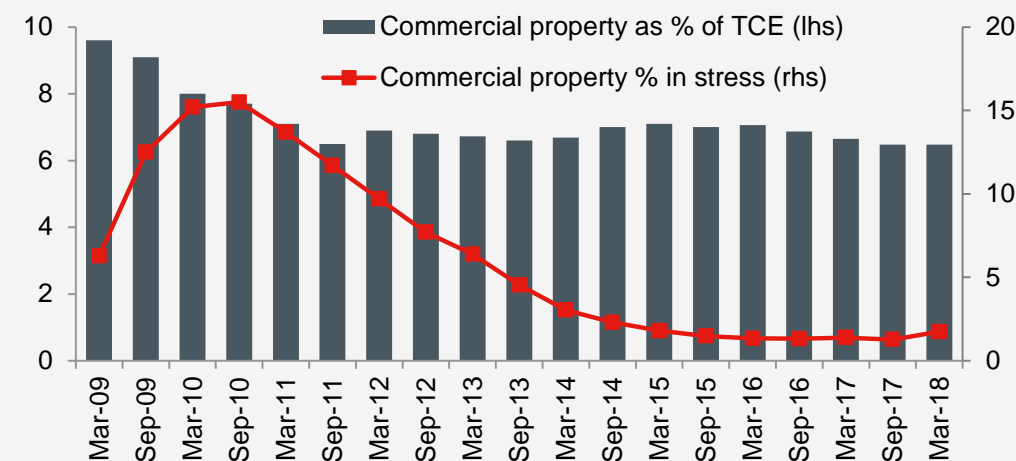
<sup>1</sup> Includes Finance & insurance, Utilities, Government admin. & defence.

# Areas of interest: Commercial property

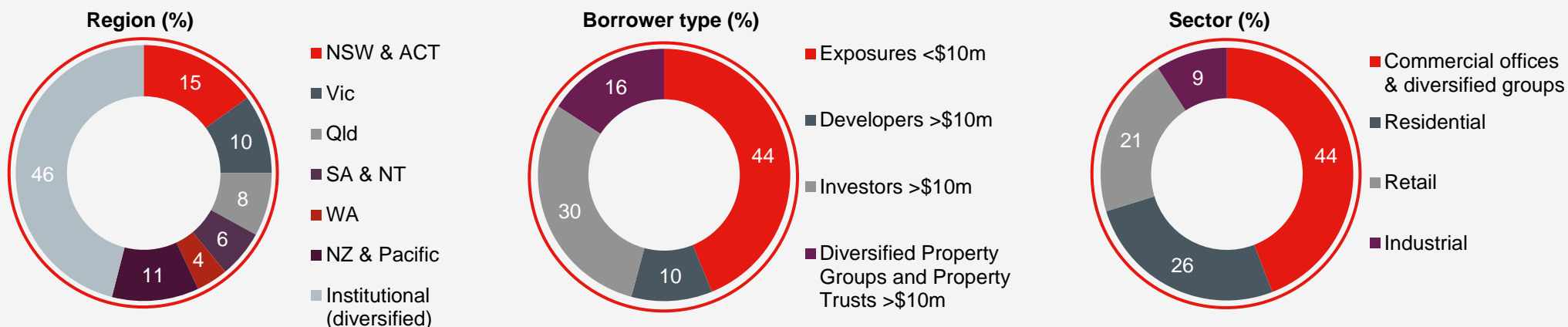
## Commercial property portfolio

	Sep-17	Mar-18
Total committed exposures (TCE)	\$65.2bn	\$66.3bn
Lending	\$49.6bn	\$51.1bn
Commercial property as a % of Group TCE	6.48	6.48
Median risk grade	BB equivalent	BB equivalent
% of portfolio graded as stressed <sup>1,2</sup>	1.27	1.74
% of portfolio in impaired <sup>2</sup>	0.38	0.28

## Commercial property exposures % of TCE and % in stress



## Commercial property portfolio composition (%)



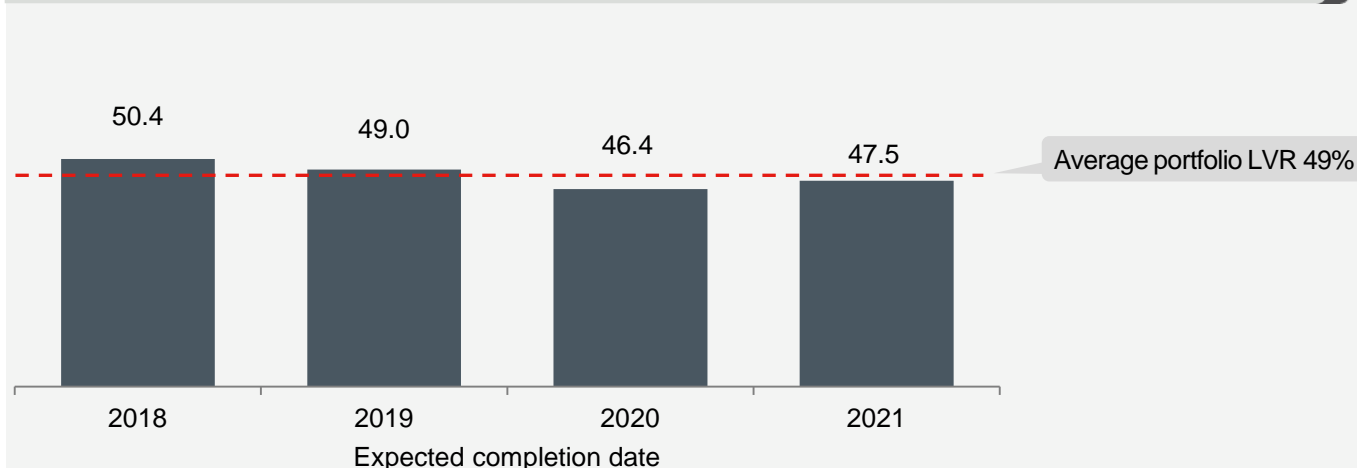
1 Includes impaired exposures. 2 Percentage of commercial property portfolio TCE.

# Areas of interest: Inner city apartments

## Commercial property portfolio TCE (\$bn)

	Mar-17	Sep-17	Mar-18	TCE % <sup>1</sup>	
Residential apartment development >\$20m	4.1	4.2	<b>4.0</b>	6.0%	<ul style="list-style-type: none"> <li>Market activity is slowing as demand eases and pre-sales slow</li> <li>Still a high level of construction to complete. Our tightened risk appetite in areas of higher concern (progressively introduced since 2012) remains in place</li> </ul>
Residential apartment development >\$20m in major markets, shown below	2.8	2.7	<b>2.7</b>	4.1%	<ul style="list-style-type: none"> <li>Settlements remain slightly slower, but Westpac's debt has been repaid in full given low loan to value ratios (LVRs)</li> </ul>
Sydney major markets	1.3	1.5	<b>1.9</b>	2.9%	<ul style="list-style-type: none"> <li>Still active in key markets. 1H18 new lending LVR 47.5%</li> </ul>
Inner Melbourne	1.0	0.7	<b>0.6</b>	0.9%	<ul style="list-style-type: none"> <li>1H18 new lending LVR 48%</li> </ul>
Inner Brisbane	0.2	0.4	<b>0.2</b>	0.3%	<ul style="list-style-type: none"> <li>Slow market. Exposure low, new lending at 47% LVR</li> </ul>
Perth metro	0.2	0.0	<b>0.0</b>	-	
Adelaide CBD	0.1	0.1	<b>0.0</b>	-	<ul style="list-style-type: none"> <li>Project completed</li> </ul>

## Residential apartment development >\$20m weighted average LVR (%)



<sup>1</sup> Percentage of commercial property TCE.

## Consumer mortgages

Consumer mortgages where security is within an inner city residential apartment development

	Sep-17	Mar-18
Total loans	\$14.1bn	<b>\$14.7bn</b>
Average LVR at origination	70%	<b>73%</b>
Average dynamic LVR	53%	<b>56%</b>
Dynamic LVR >90% (% of portfolio)	1.94%	<b>2.65%</b>
90+ day delinquencies	36bps	<b>40bps</b>

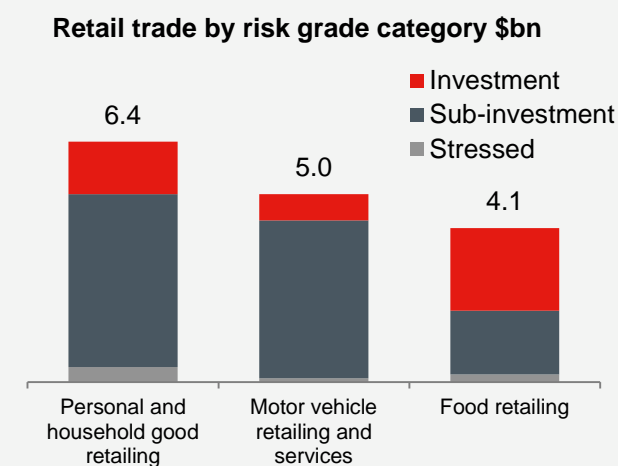
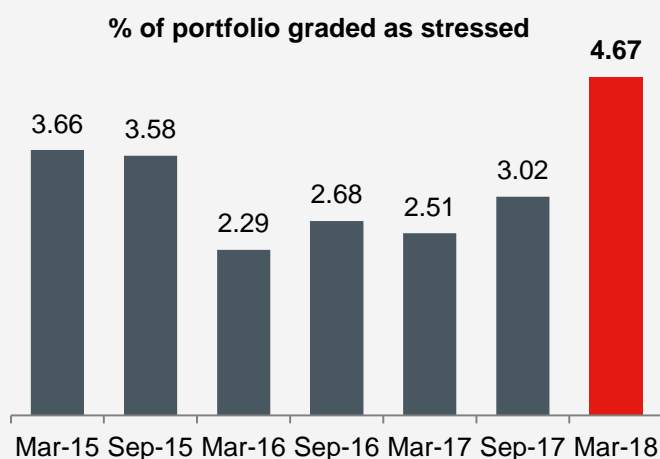
## Overview

- The retail sector continues to be challenged by subdued consumer demand and growth in domestic and international online channels
- These changes have been emerging for a number of years and businesses continue to adapt
- Stress increased over the half principally from the downgrade of two institutional customers
- The portfolio is diversified and the asset quality remains sound

## Retail trade portfolio

	Sep-17	Mar-18
Total committed exposures (TCE)	\$15.4bn	<b>\$15.5bn</b>
Lending	\$11.5bn	<b>\$11.3bn</b>
Retail trade as a % of Group TCE	1.53	<b>1.51</b>
Median risk grade	BB equivalent	<b>BB equivalent</b>
% of portfolio graded as stressed <sup>1,2</sup>	3.02	<b>4.67</b>
% of portfolio in impaired <sup>2</sup>	0.31	<b>0.48</b>

## Retail trade portfolio composition

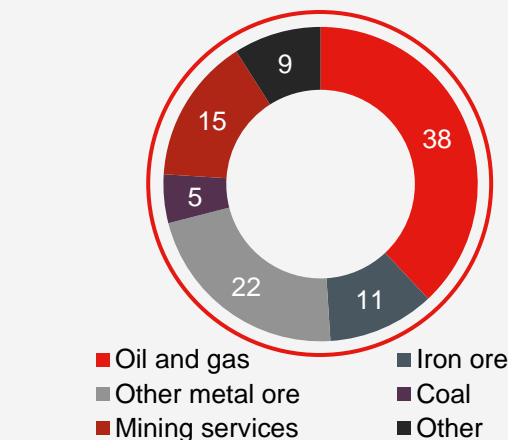


1 Includes impaired exposures. 2 Percentage of retail trade portfolio TCE.

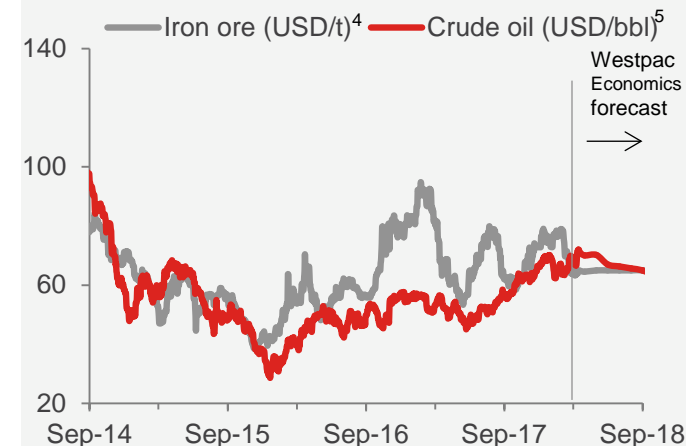
## Mining (inc. oil and gas) portfolio

	Sep-17	Mar-18
Total committed exposures (TCE)	\$9.7bn	<b>\$9.3bn</b>
Lending	\$5.1bn	<b>\$5.1bn</b>
% of Group TCE	0.96	<b>0.91</b>
% of portfolio graded as stressed <sup>1,2</sup>	2.33	<b>1.72</b>
% of portfolio in impaired <sup>2</sup>	0.44	<b>0.31</b>

## Mining portfolio (TCE) by sector (%)



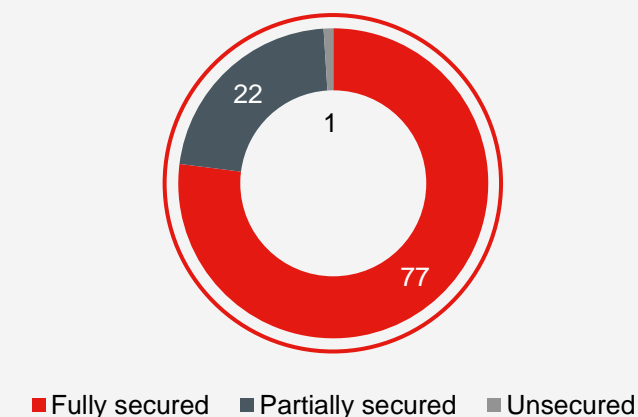
## Iron Ore and Oil prices (\$)<sup>3</sup>



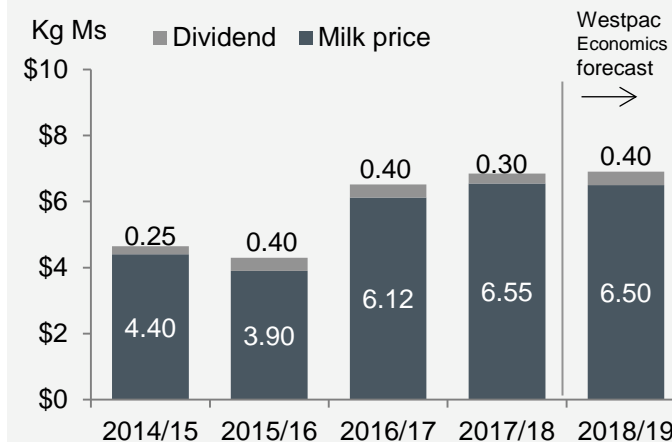
## New Zealand dairy portfolio

	Sep-17	Mar-18
Total committed exposure (TCE)	NZ\$6.0bn	<b>NZ\$6.1bn</b>
Lending	NZ\$5.8bn	<b>NZ\$5.8bn</b>
% of Group TCE	0.55	<b>0.55</b>
% of portfolio graded as stressed <sup>1,2</sup>	17.02	<b>14.94</b>
% of portfolio in impaired <sup>2</sup>	0.34	<b>0.47</b>

## NZ dairy portfolio (TCE) by security (%)



## Milk price & Fonterra dividend<sup>6</sup> (NZ\$)



1 Includes impaired exposures. 2 Percentage of portfolio TCE. 3 Sourced from Westpac Economics and Bloomberg. 4 The steel index 62% Fe fines benchmark. 5 Brent oil price. 6 Source Fonterra.



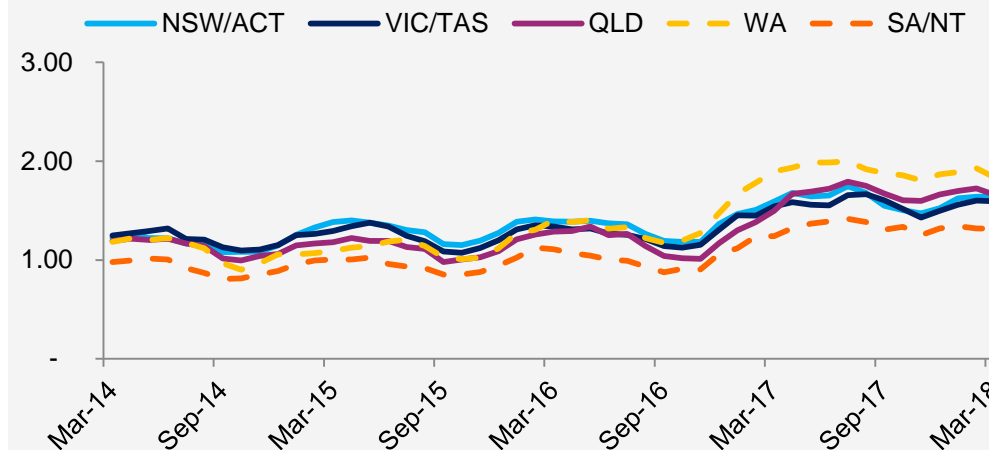
# Australian consumer unsecured lending, 3% of Group loans

## Australian consumer unsecured lending portfolio

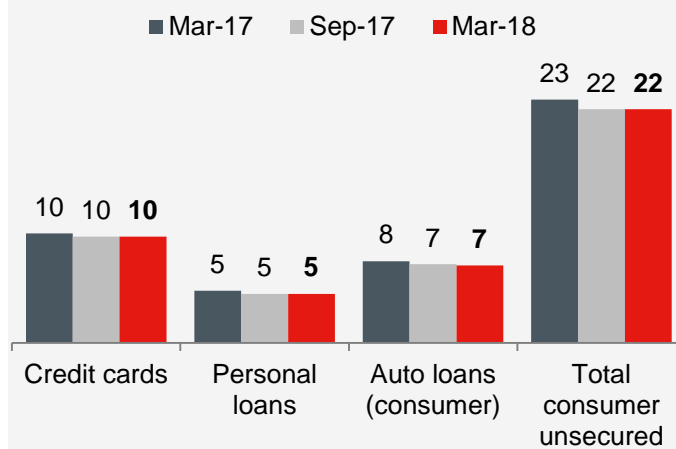
	Mar-17	Sep-17	Mar-18
30+ day delinquencies (%)	3.99	3.60	<b>3.95</b>
90+ day delinquencies (%)	1.63	1.66	<b>1.71</b>
<i>Estimated impact of changes to hardship treatment for 90+ day delinquencies (bps)</i>	<i>28bps</i>	<i>56bps</i>	<b>52ps</b>

- APRA hardship policy adopted across Westpac's Australian unsecured portfolios in FY17
- March 2018 unsecured consumer delinquencies, excluding hardship reporting changes are 9bps higher than September 2017, and 16bps lower than March 2017

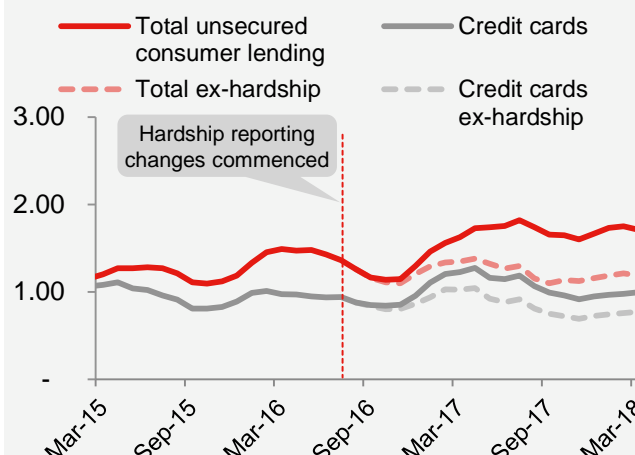
## 90+ day delinquencies (%) by State



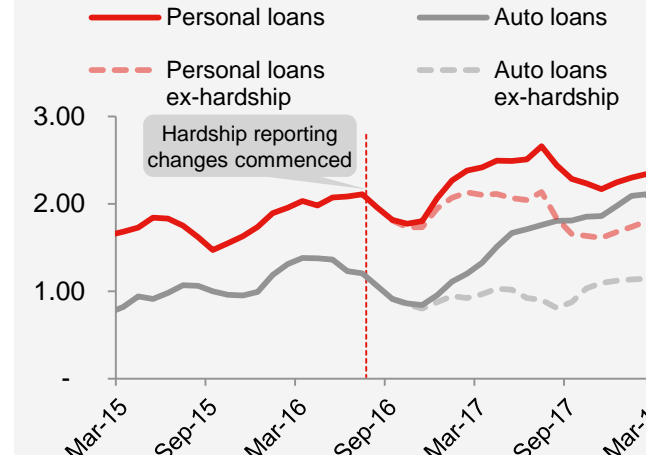
## Australian unsecured portfolio (\$bn)



## 90+ day delinquencies (%)



## 90+ day delinquencies (%)



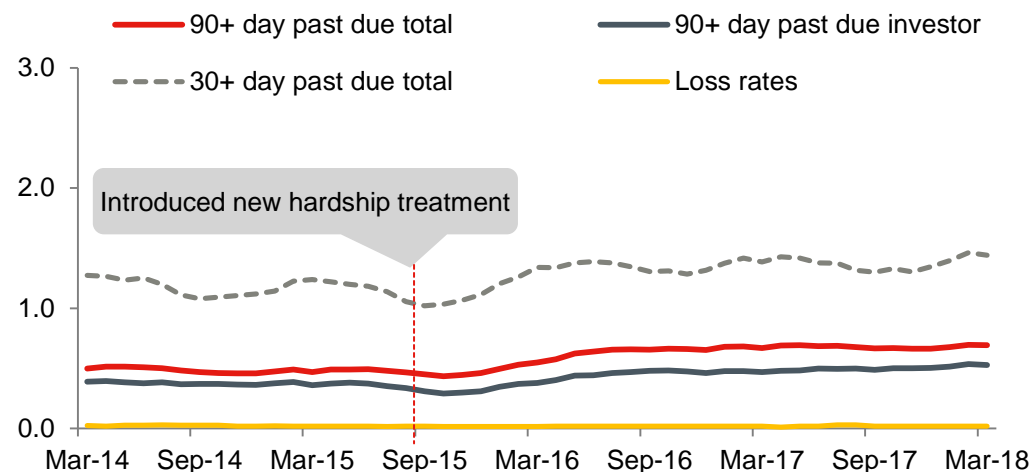
# Australian mortgage portfolio continues to perform well

## Australian mortgage delinquencies and properties in possession (PIPs)

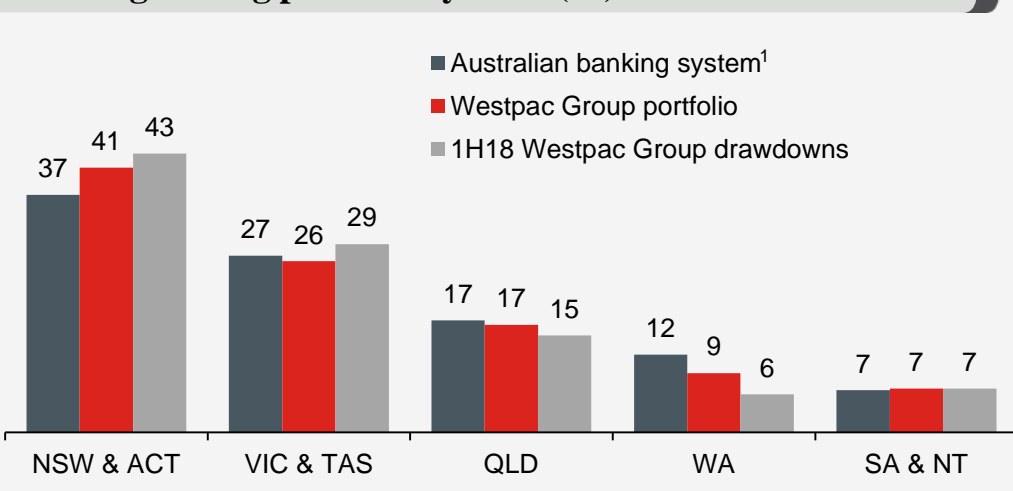
	Mar-17	Sep-17	Mar-18
30+ day delinquencies (bps)	139	130	<b>144</b>
90+ day delinquencies (bps) <i>(includes impaired mortgages)</i>	67	67	<b>69</b>
Consumer PIPs	382	437	<b>398</b>

Properties in possession continue to be mostly in WA and Qld reflecting weaker economic conditions in those states. Targeted collections strategies in those states have contributed to lower PIPs in 1H18 and improved customer outcomes

## Australian mortgage portfolio delinquencies (%)

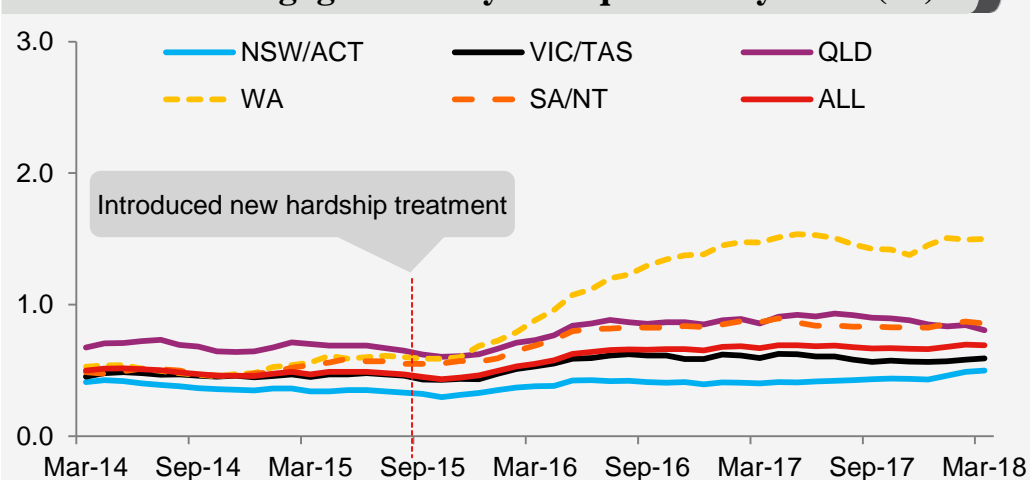


## Housing lending portfolio by State (%)



<sup>1</sup> Source ABA Cannex February 2018.

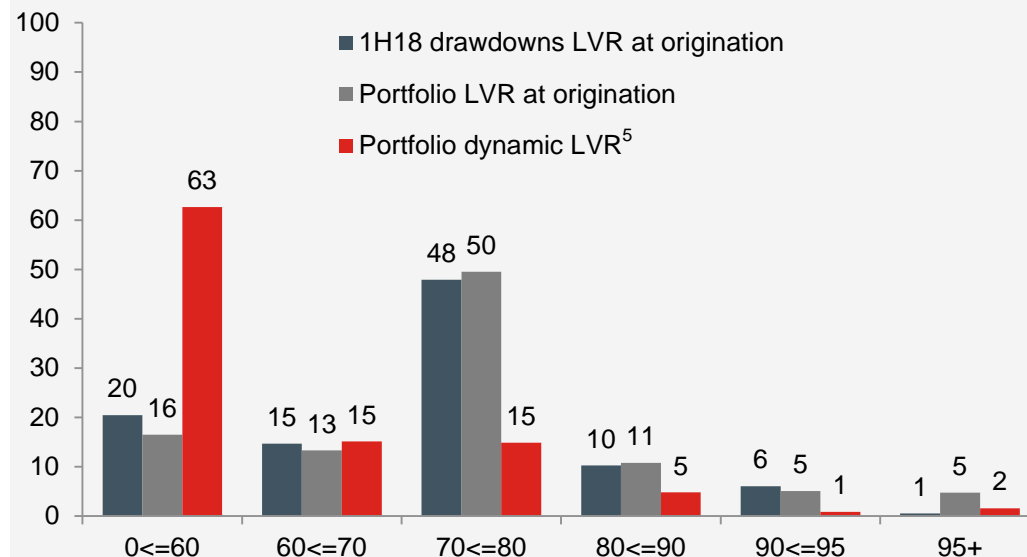
## Australian mortgages 90+ day delinquencies by State (%)



# Australian mortgage portfolio well collateralised

Australian mortgage portfolio	Mar-17 balance	Sep-17 balance	Mar-18 balance	1H18 flow <sup>1</sup>
Total portfolio (\$bn)	413.9	427.2	<b>437.2</b>	<b>38.4</b>
Owner occupied (%)	55.3	55.5	<b>56.0</b>	<b>57.2</b>
Investment property loans (%)	39.5	39.8	<b>39.5</b>	<b>42.4</b>
Portfolio loan/line of credit (%)	5.3	4.8	<b>4.5</b>	<b>0.4</b>
Variable rate / Fixed rate (%)	82 / 18	79 / 21	<b>77 / 23</b>	<b>70 / 30</b>
Interest only (%)	50.1	45.5	<b>39.6</b>	<b>22.6</b>
Proprietary channel (%)	57.7	57.3	<b>56.5</b>	<b>52.0</b>
First home buyer (%)	8.4	8.1	<b>7.9</b>	<b>6.9</b>
Mortgage insured (%)	18.1	17.5	<b>16.9</b>	<b>11.1</b>
	<b>Mar-17</b>	<b>Sep-17</b>	<b>Mar-18</b>	
Average loan size <sup>2</sup> (\$'000)	259	264	<b>270</b>	
Customers ahead on repayments including offset account balances <sup>3</sup> (%)	71	70	<b>68</b>	
Actual mortgage losses net of insurance <sup>4</sup> (\$m)	36	48	<b>48</b>	
Actual mortgage loss rate annualised (bps)	2	2	<b>2</b>	

## Australian housing loan-to-value ratios (LVRs) (%)



Australian mortgage portfolio LVRs		Mar-17 balance	Sep-17 balance	Mar-18 balance
Simple averages	LVR at origination <sup>6</sup> (%)	70	70	<b>70</b>
	Dynamic LVR <sup>5,6,7</sup> (%)	42	42	<b>41</b>
	LVR of new loans <sup>6,8</sup> (%)	68	67	<b>69</b>
Weighted averages	LVR at origination <sup>9</sup> (%)	74	74	<b>74</b>
	Dynamic LVR <sup>5,7,9</sup> (%)	50	52	<b>52</b>
	LVR of new loans <sup>8,9</sup> (%)	73	73	<b>71</b>

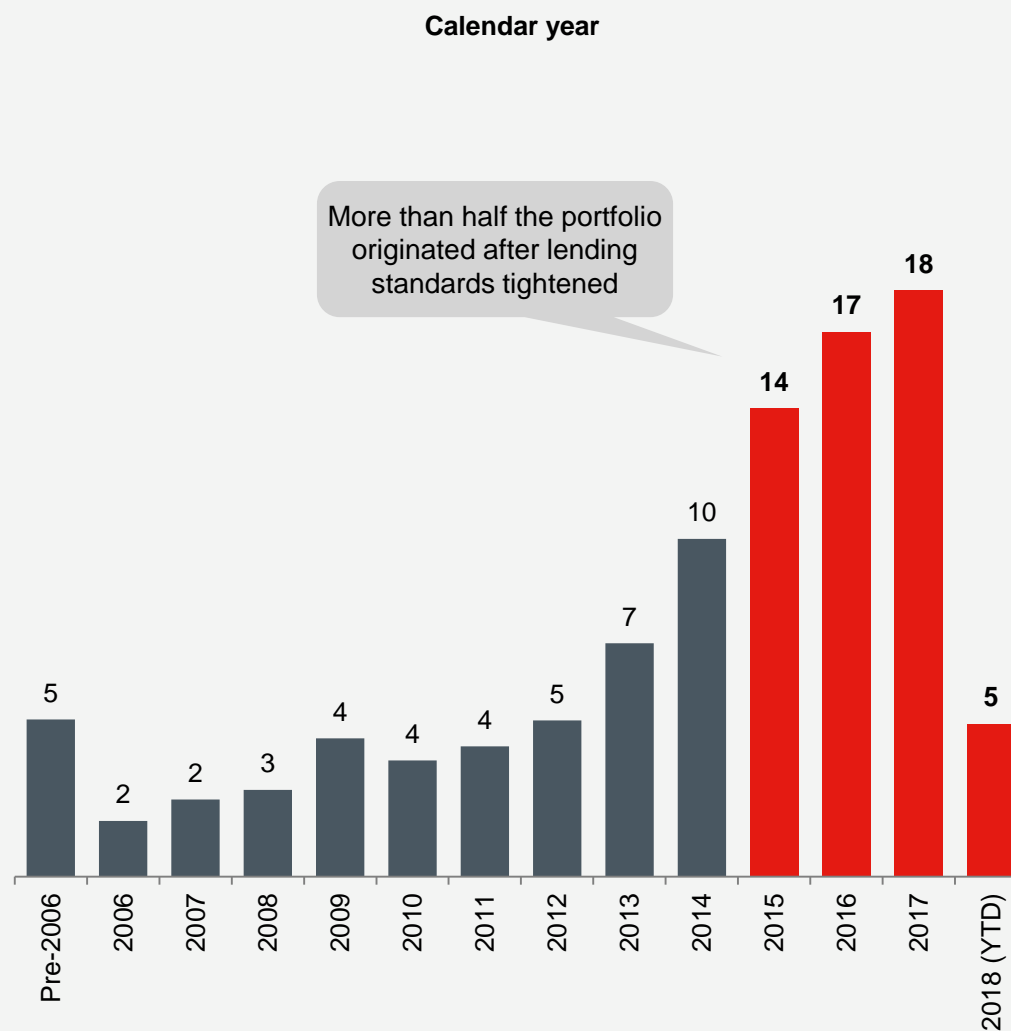
<sup>1</sup> Flow is new mortgages settled in the 6 months ended 31 March 2018 and includes RAMS. <sup>2</sup> Includes amortisation. <sup>3</sup> Excludes RAMS in 1H17 and 2H17. Includes RAMS in 1H18. Loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. <sup>4</sup> Mortgage insurance claims 1H18 \$6m (2H17 \$9m; 1H17 \$3m). <sup>5</sup> Excludes RAMS. <sup>6</sup> LVR calculated as simple average by balances. <sup>7</sup> Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. <sup>8</sup> Average LVR of new loans is on rolling 6 months. <sup>9</sup> Weighted average LVR calculation considers size of outstanding balances.

## Notable changes to Westpac mortgage lending standards

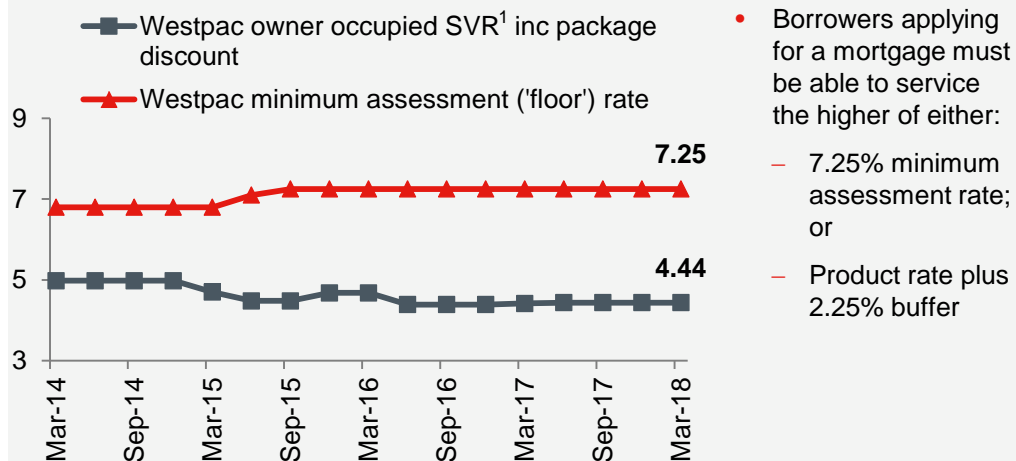
- |             |   |
|-------------|---|
| <b>2014</b> | <ul style="list-style-type: none"> <li>10% limit on investment property lending growth announced – implemented by 30 September 2015</li> </ul>  |
| <b>2015</b> | <ul style="list-style-type: none"> <li>Stricter loan affordability tests for new borrowers                             <ul style="list-style-type: none"> <li>– Increase in minimum assessment ('floor') rate to 7.25%</li> <li>– Increase in serviceability assessment buffer to 2.25%</li> </ul> </li> <li>Credit card repayments assessed at 3% of limit (previously 2%)</li> <li>Expenses benchmark (HEM) adjusted by income bands as well as post settlement postcode location, marital status and dependants</li> <li>Serviceability for loans with interest only terms assessed over the residual P&amp;I term, not full loan term</li> <li>Maximum I/O terms reduced – owner occupied reduced to 5 years</li> </ul> |
| <b>2016</b> | <ul style="list-style-type: none"> <li>Mandatory 20% minimum shading on all non base income (e.g. rental income, annuity income) – previously non base income discounted by varying amounts</li> <li>Stopped non-resident lending                             <ul style="list-style-type: none"> <li>– For Australian and NZ citizens and permanent visa holders using foreign income, tightened verification and LVR restricted to 70%</li> </ul> </li> <li>Maximum I/O terms for new IPLs reduced to 10 years</li> <li>Maximum LVRs restricted to include LMI capitalisation</li> </ul>   |
| <b>2017</b> | <ul style="list-style-type: none"> <li>30% limit on interest-only lending originations</li> <li>Tighter limits on interest-only lending &gt;80% LVR</li> <li>Heightened supervision of mortgage lending warehouses</li> <li>Strengthened pre settlement hind-sighting process with introduction of day 2 review team</li> </ul>   |
| <b>2018</b> | <ul style="list-style-type: none"> <li>More granular assessment of living expenses through the introduction of 13 categories to capture living expenses and other commitments<sup>1</sup></li> </ul>  |

1. Currently excludes RAMS. Additional expense categories expected to be implemented for RAMS in 2H18.

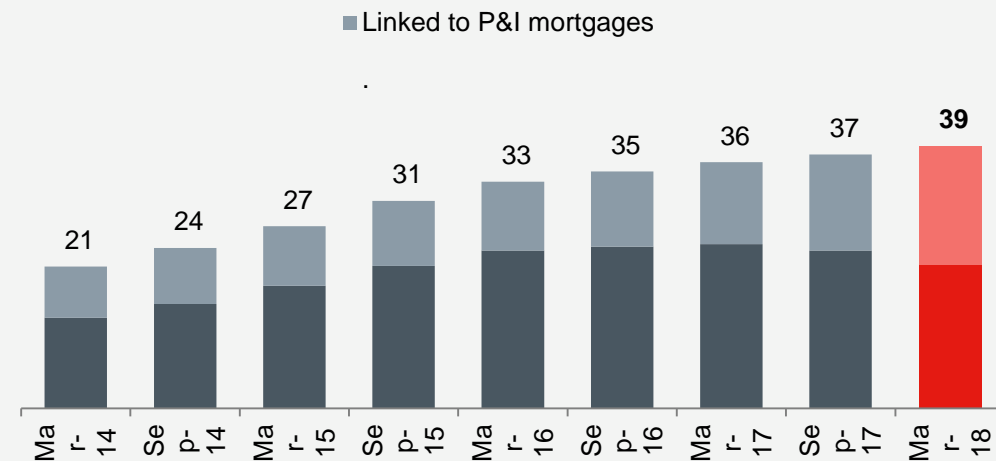
## Australian mortgage portfolio by year of origination (% of total book)



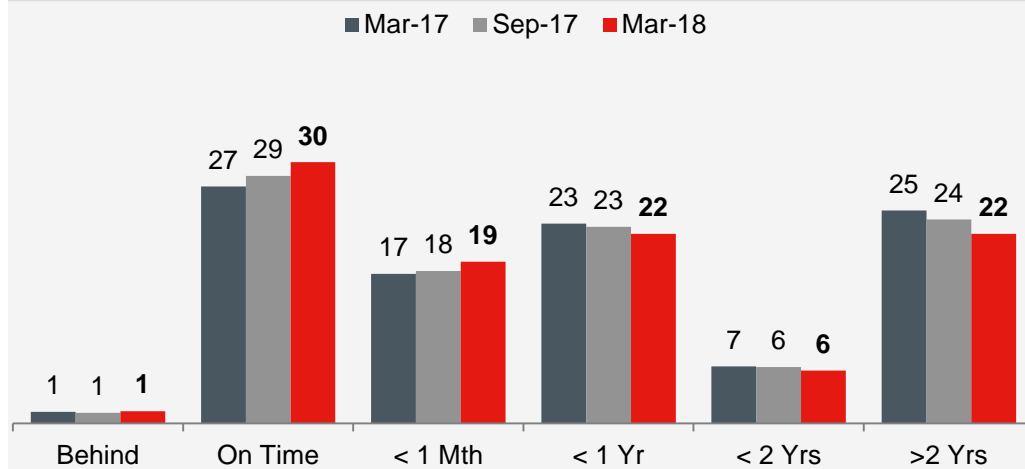
## Mortgage interest rate buffers (%)



## Westpac Australian offset account balances<sup>2</sup> (\$bn)

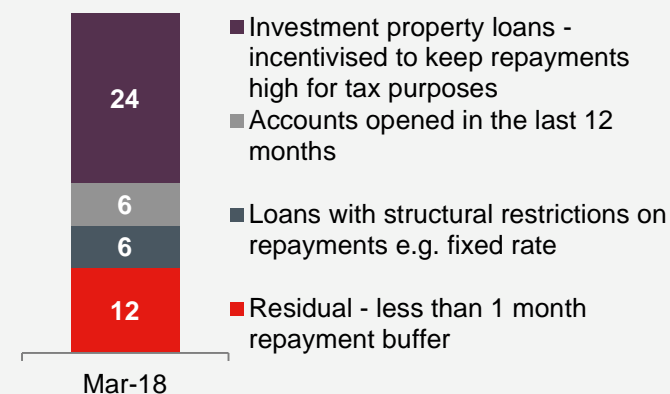


## Australian home loan customers ahead on repayments<sup>3</sup> (% by balances)



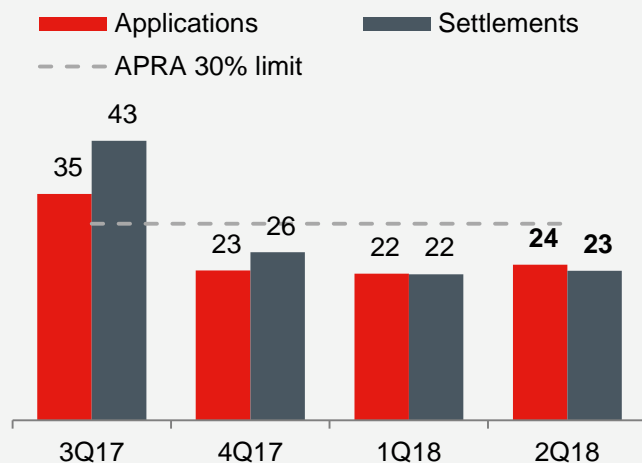
- 68.5% of Westpac borrowers are ahead on their mortgage repayments

## Loans 'on time' and <1 month ahead (% of balances)

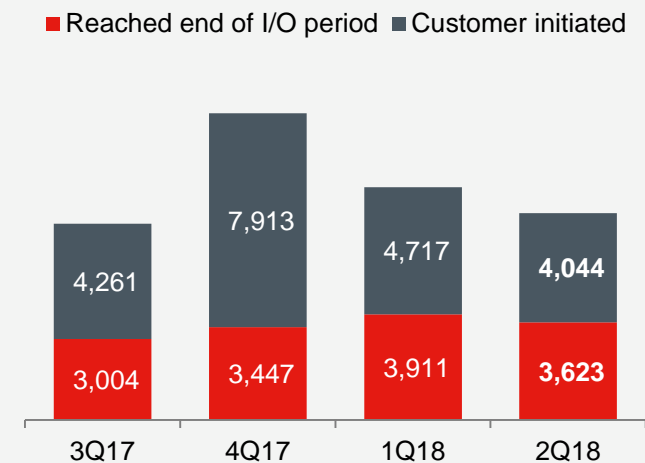


<sup>1</sup> SVR is the Standard Variable Rate for owner-occupied Westpac Rocket Repay Home Loan inclusive of Premier Advantage Package discount. <sup>2</sup> Excludes RAMS. <sup>3</sup> Includes RAMS in 1H18. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. Includes mortgage offset accounts.

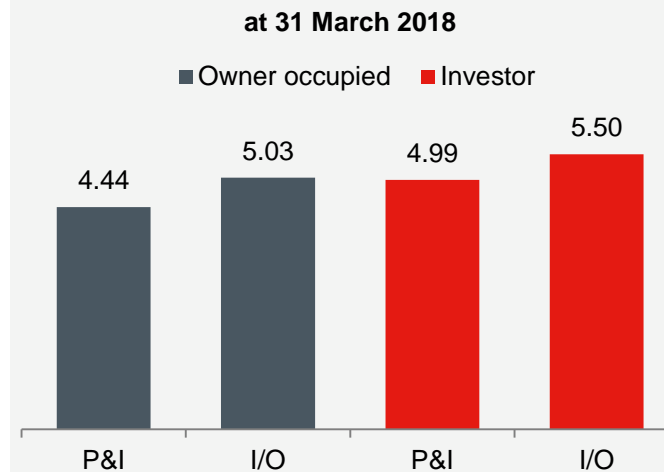
## I/O<sup>1</sup> flows (% of total)



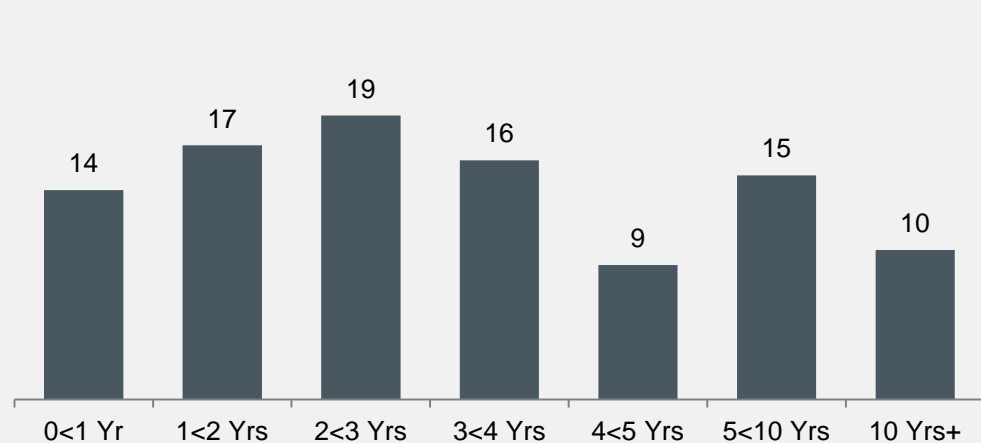
## Switching from I/O to P&I<sup>2</sup> (\$m)



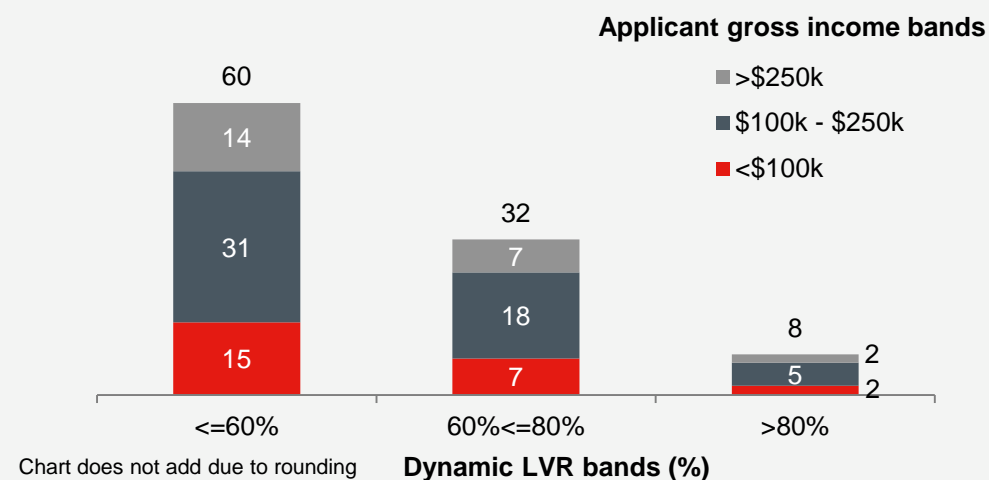
## Variable mortgage interest rates<sup>3</sup> (%)



## Scheduled I/O term expiry<sup>4</sup> (% of total I/O loans)



## Interest only lending by dynamic LVR<sup>5</sup> and income band (%)



1 Flow is based on APRA definition. 2 I/O is interest only mortgage lending. P&I is principal and interest mortgage lending. 3 Interest rates as at 7 March 2018 for Westpac Rocket Repay Home Loan inclusive of Premier Advantage Package discount assuming loan amount \$250,000 - \$499,999. 4 Excludes I/O loans that should have switched to P&I but for the previously announced mortgage processing error. 5 Excludes RAMS. Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors.

## Interest only lending

- Interest only (I/O) loans always assessed on a principal and interest basis
  - Loans originated prior to 2015 were assessed on a principal and interest basis over the full contractual term
  - Loans originated from 2015 were assessed on a principal and interest basis over the residual amortising term
- Current serviceability assessments also include an interest rate buffer (at least 2.25%), minimum assessment rate (7.25%) and a requirement to be in surplus<sup>1</sup>
- I/O loans are full recourse

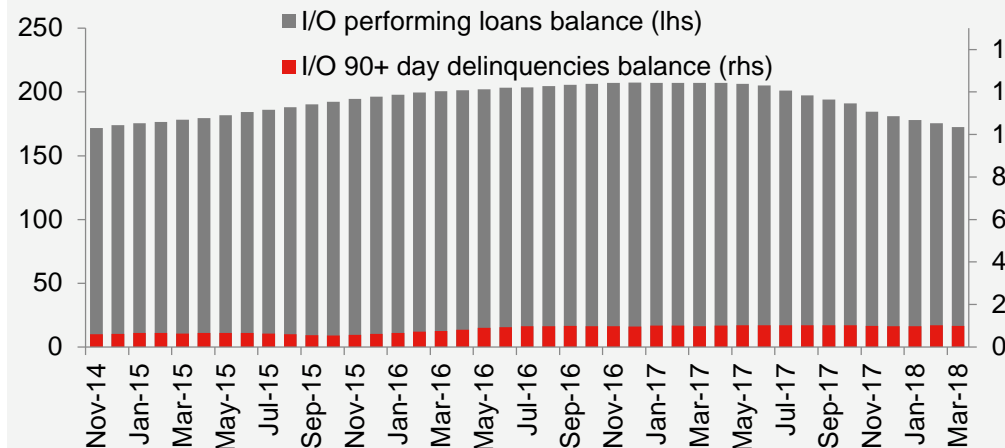
## Interest only portfolio statistics as at 31 March 2018

- 74% weighted average LVR of interest only loans at origination<sup>2</sup> (portfolio)
- 65% of customers ahead of repayments (including offset accounts)<sup>2,3</sup>
- Offset account balances attached to interest only loans represent 55% of offset account balances

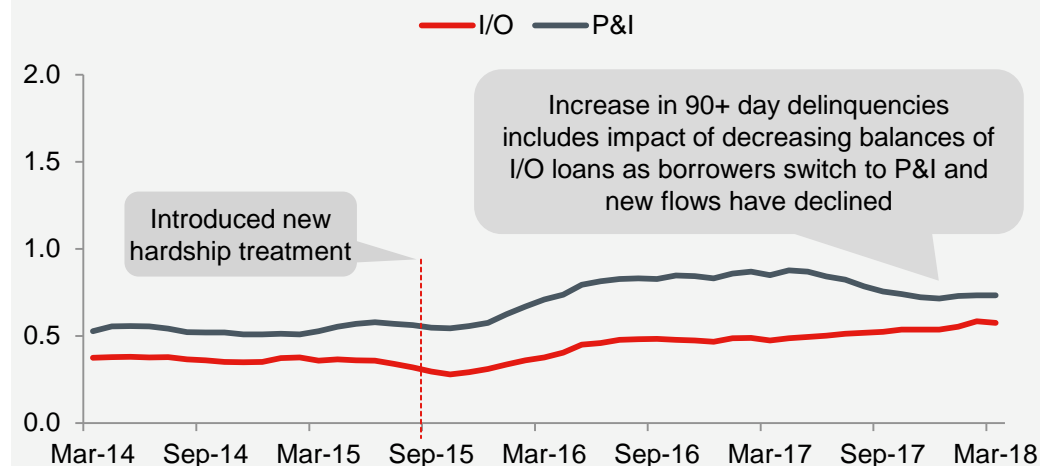
## Interest only portfolio performance as at 31 March 2018

- 90+ day delinquencies 58bps (compared to P&I portfolio 73bps)
- Annualised loss rate 2bps (net of insurance claims)

## Australian interest only loan portfolio balances (\$m)

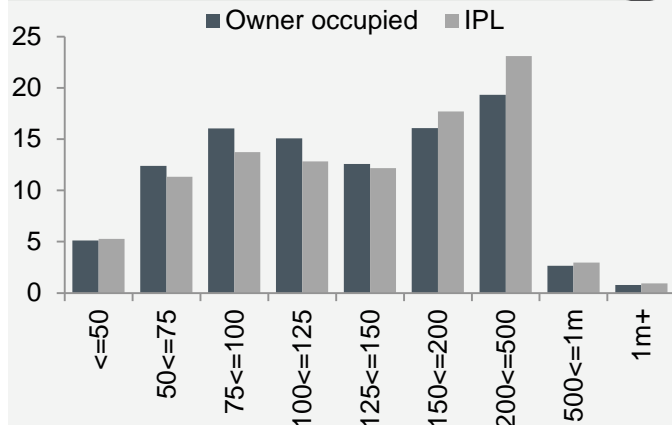


## Australian mortgage portfolio delinquencies (%)



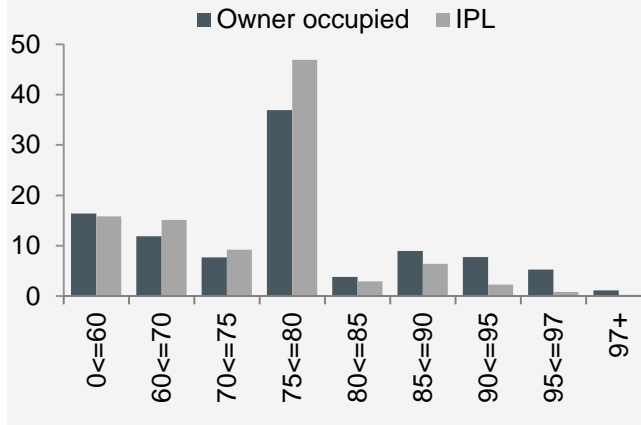
<sup>1</sup> A surplus requirement measures the extent to which a borrower's income exceeds loan repayments, expenses and other commitments, as assessed. <sup>2</sup> Weighted average LVR calculation takes into account size of outstanding balances. Excludes RAMS. <sup>3</sup> Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments.

## Mortgage applications by gross income band (%)



Australian mortgage portfolio at 31 March 2018

## LVR at origination (%)



Australian mortgage portfolio at 31 March 2018

## Investment property portfolio by number of properties per customer (%)

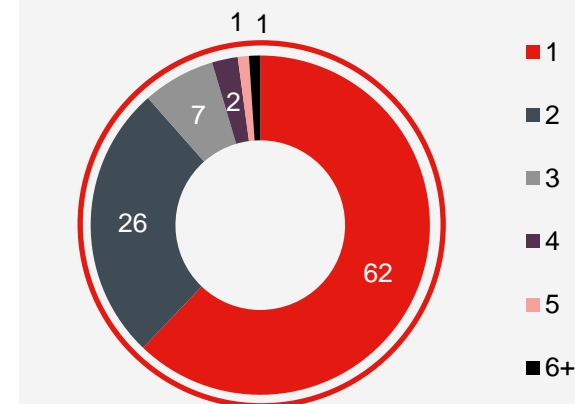


Chart does not add to 100 due to rounding

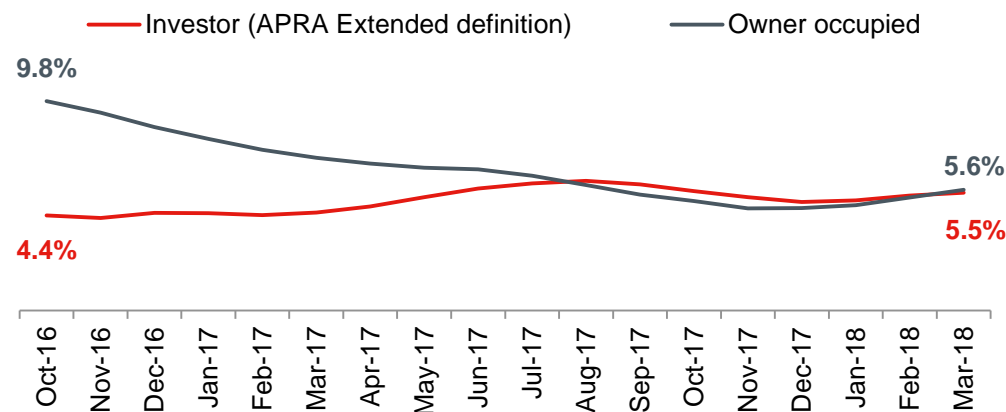
## Investment property lending (IPL) portfolio

Mar-17 Sep-17 Mar-18

Weighted averages	LVR of IPL loans at origination <sup>1</sup> (%)	73	73	<b>73</b>
	LVR of new IPL loans in the period <sup>1,2</sup> (%)	72	72	<b>71</b>
	Dynamic LVR <sup>1,3</sup> of IPL loans (%)	55	54	<b>54</b>
	Average loan size <sup>4</sup> (\$'000)	309	313	<b>318</b>
	Customers ahead on repayments including offset accounts <sup>1,5</sup> (%)	61	59	<b>58</b>
	90+ day delinquencies (bps)	47	49	<b>53</b>
	Annualised loss rate (net of insurance claims) (bps)	2	3	<b>2</b>

## Mortgage lending growth (%)

### Investor lending<sup>6</sup> growth remaining <10%

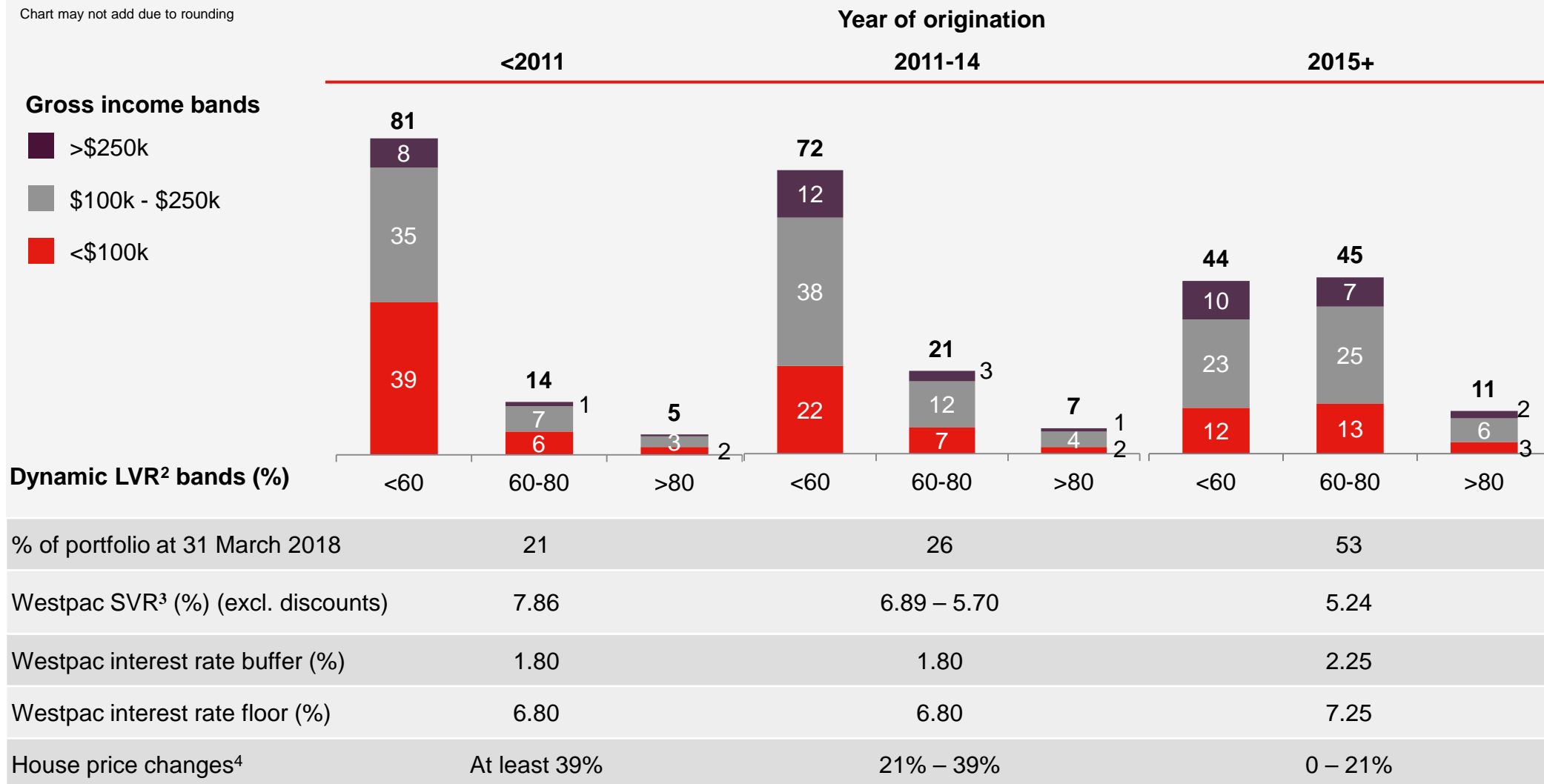


1 Weighted average LVR calculation takes into account size of outstanding balances. Excludes RAMS. 2 Average LVR of new loans is on rolling 6 month window. 3 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 4 Includes amortisation. 5 Includes RAMS in 1H18. Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. 6 Investor is as per APRA extended definition used for reporting against the 10% cap. 12 month rolling basis.



## Australian mortgage lending<sup>1</sup> by origination date, dynamic LVR<sup>2</sup> and income (%)

Chart may not add due to rounding

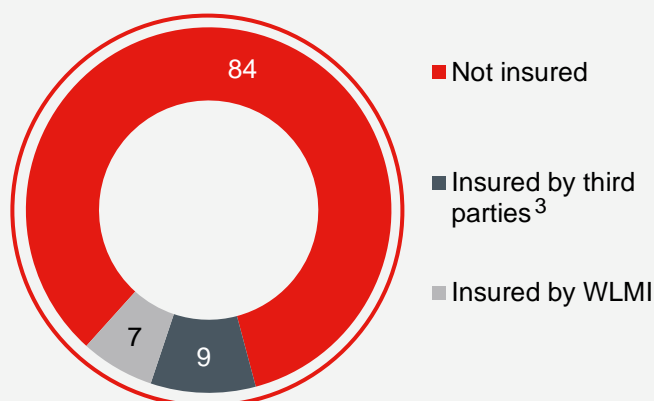


1 Portfolio comprised of residential mortgages, excluding RAMS, and business mortgages originated via a separate platform such as construction loans and loans to SMSFs. 2 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source Australian Property Monitors. 3 Based on a specific Rocket Repay rate offered during the period. Westpac Rocket Repay Home Loan exclusive of discounts assuming loan amount \$250,000 - \$499,999. 4 Source, Westpac Economics, CoreLogic. All dwellings Australia - average 8 major capital cities. Prices to March 2018.

## Lenders mortgage insurance

- Where mortgage insurance is required, mortgages are insured through Westpac's captive mortgage insurer, Westpac Lenders Mortgage Insurance<sup>1</sup> (WLMI), and reinsured through external LMI providers, based on risk profile
- WLMI is well capitalised (separate from bank capital) and subject to APRA regulation. WLMI targets a capitalisation ratio of 1.2x PCR<sup>2</sup> and has consistently been above this target
- Scenarios indicate sufficient capital to fund claims arising from events of severe stress – estimated losses for WLMI from a 1 in 200 year event are \$110m net of re-insurance recoveries (2H17: \$117m)

### Westpac's Australian mortgage portfolio at 31 March 2018 (%)



## Lenders mortgage insurance arrangements

### LVR Band

### Insurance

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>LVR ≤80%</li> <li>Low doc<sup>4</sup> LVR ≤60%</li> </ul>                         | <ul style="list-style-type: none"> <li>Not required</li> </ul>  |
| <ul style="list-style-type: none"> <li>LVR &gt;80% to ≤ 90%</li> <li>Low doc<sup>4</sup> LVR &gt;60% to ≤ 80%</li> </ul> | <ul style="list-style-type: none"> <li>Where insurance required, insured through captive insurer, WLMI</li> <li>LMI not required for certain borrower groups</li> <li>Reinsurance arrangements:                             <ul style="list-style-type: none"> <li>40% risk retained by WLMI</li> <li>60% risk transferred through quota share arrangements with Arch Reinsurance Limited, Tokio Millennium Re, Endurance Re, Everest Re, Trans Re, AWAC and Capita 2232</li> </ul> </li> </ul> |
| <ul style="list-style-type: none"> <li>LVR &gt;90%</li> </ul>  | <ul style="list-style-type: none"> <li>100% reinsurance through Arch Reinsurance Limited</li> <li>Reinsurance arrangements see loans with LVR &gt;90% insured through WLMI with 100% of risk subsequently transferred to Arch Reinsurance Limited</li> </ul>  |

## Insurance statistics

	1H17	2H17	1H18
Insurance claims (\$m)	3	9	6
WLMI claims ratio <sup>5</sup> (%)	7	27	20
WLMI gross written premiums <sup>6</sup> (\$m)	141	109	90

1 From 18 May 2015 WLMI underwrites all mortgage insurance, where required, on Westpac originated Mortgages. The in-force portfolio of loans includes mortgage insurance provided by external providers. 2 Prudential Capital Requirement (PCR) calculated in accordance with APRA standards. 3 Insured coverage is net of quota share. 4 Low doc loans no longer sold. Refers to arrangements in place for legacy products. 5 Loss ratio is claims over the total earned premium plus exchange commission. 6 LMI gross written premium includes loans >90% LVR reinsured with Arch Reinsurance Limited. 1H18 gross written premium includes \$62m from the arrangement (2H17: \$73m, 1H17: \$107m).

- 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 assumes 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
- In 1H18 the percentage decline of house prices has been increased in the economic scenario to better align with assumptions used across the industry
- 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 \$3.5bn over three years for the uninsured portfolio (FY17: \$2.9bn)
  - Cumulative claims on LMI, both WLMI and external insurers, of \$911m over the three years (FY17: \$762m)
  - Peak loss rate in year 2 has increased (48bps compared to 41bps at FY17) mainly due to the increase in the severity of house price decline through the severe scenario
  - WLMI separately conducts stress testing to test the sufficiency of its capital position to cover mortgage claims arising from a stressed mortgage environment
- Capital targets incorporate buffers at the Westpac Group level that also consider the combined impact on the mortgage portfolio and WLMI of severe stress scenarios

## Australian mortgage portfolio stress testing at 31 March 2018

Key assumptions	Current	Stressed scenario		
		Year 1	Year 2	Year 3
Portfolio size (\$bn)	437	421	413	410
Unemployment rate (%)	5.5	11.6	10.6	9.6
Interest rates (cash rate, %)	1.50	0.25	0.25	0.25
House prices (% change cumulative)	-	(18.5)	(29.7)	(35.2)
Annual GDP growth (%)	2.7	(3.9)	(0.2)	1.7
<b>Stressed loss outcomes (net of LMI recoveries)<sup>1</sup></b>				
\$ million	96 <sup>2</sup>	1,186	1,961	725
Basis points <sup>3</sup>	2	28	48	18

<sup>1</sup> Assumes 30% of LMI claims will be rejected in a stressed scenario. <sup>2</sup> Represents 1H18 actual losses of \$48m annualised. <sup>3</sup> Stressed loss rates are calculated as a percentage of mortgage gross loans.

# Capital, Funding and Liquidity



## Highlights

### 10.5% CET1 ratio

- CET1 capital ratio down 6bps from Sep 2017
- RWA increase from regulatory model changes and portfolio growth partly offset by organic capital generation

### RWA movements

- RWA increased 3% mostly in credit risk
- Credit RWA up 3% mostly from regulatory model changes

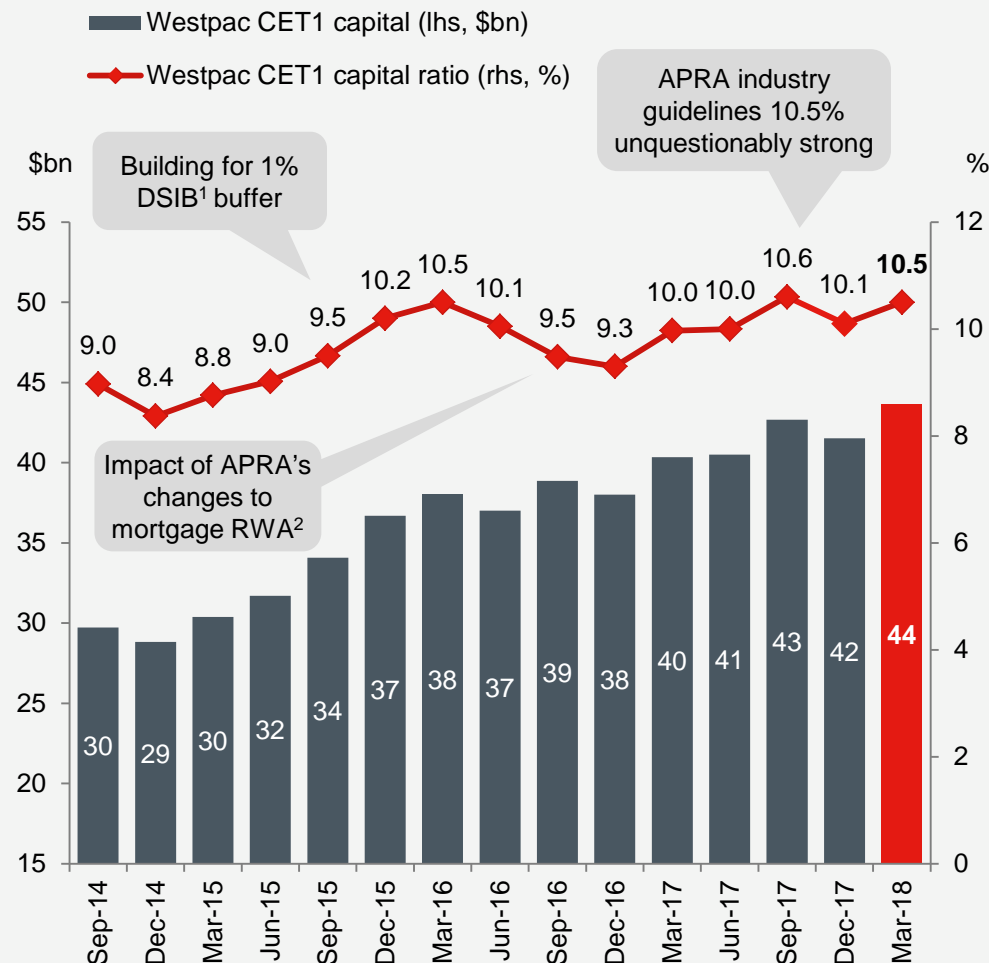
### Well placed for APRA's unquestionably strong benchmark

- 10.5% unquestionably strong benchmark
- Proposed changes to framework released Feb 2018
- Impact studies to be concluded over 2018 and 2019, finalisation in 2019

### 2H18 capital developments

- \$566m of preference share conversion to ordinary shares (~14bps increase)
- RWA headwinds ~30bps CET1 impact
  - Operational risk model overlay approximates standardised approach (~\$7.5bn RWA)
  - Modelling updates for mortgages (~\$4.0bn RWA)
- No material impact from transition to AASB 9

## CET1 capital ratio (%) and CET1 capital (\$bn) (APRA basis)



1 Domestic systemically important bank. 2 APRA's revision to the calculation of RWA for Australian residential mortgages, which came into effect on 1 July 2016.

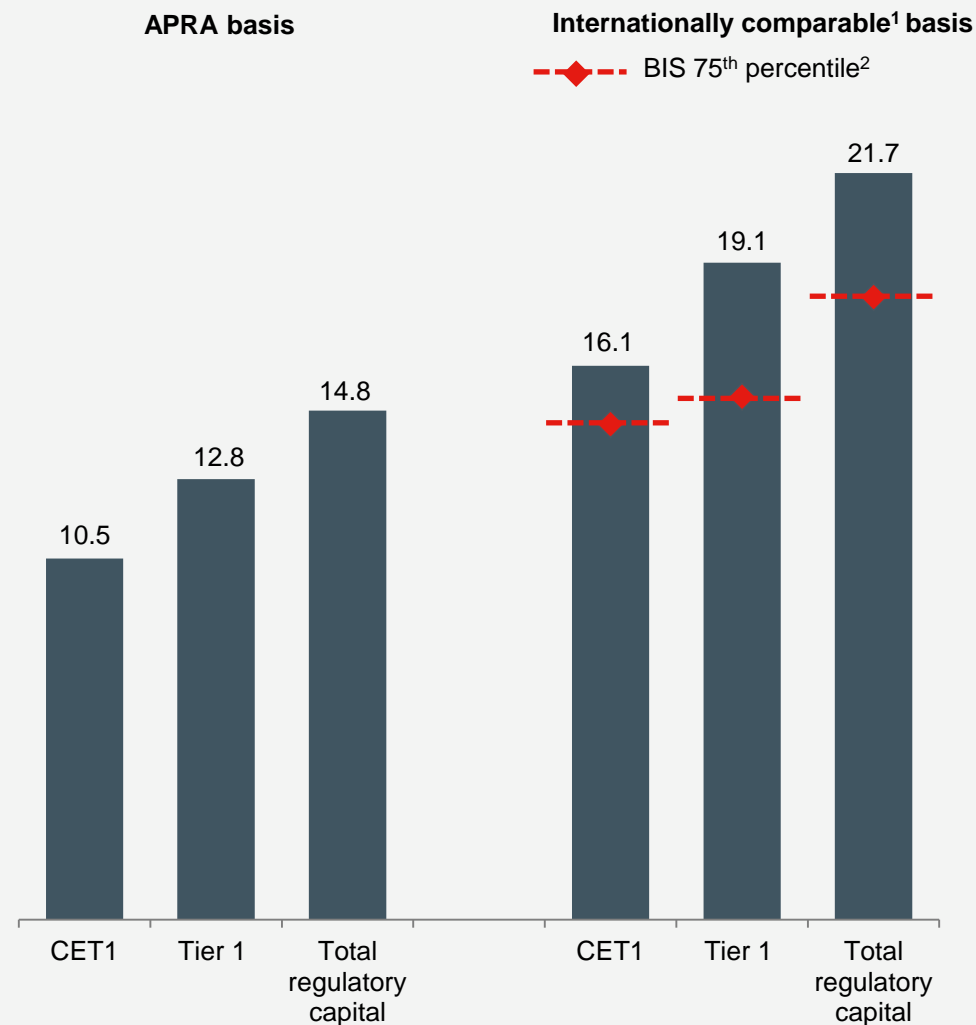
# Clarity on **changes to the capital framework** are expected to emerge over 2018-2019

	1H18	2H18	2019	2020	2021
<b>New Basel III framework</b>	Consult		Finalise		Implementation
<b>Counterparty credit risk</b>	Finalise		Implement – 1 July 2019		
<b>Leverage ratio</b>	Consult	Finalise	Implement – 1 July 2019		
<b>Standardised approach to credit risk</b>		Consult	Consult and finalise		Implementation
<b>Advanced approach to credit risk capital</b>		Consult	Consult and finalise		Implementation
<b>Measurement of capital</b>	Consult		Finalise		Implementation
<b>Related party exposures</b>	Consult		Finalise		Implementation
<b>Loss absorbing capacity</b>		Commence consult			

# CET1 capital ratio, **top quartile** globally

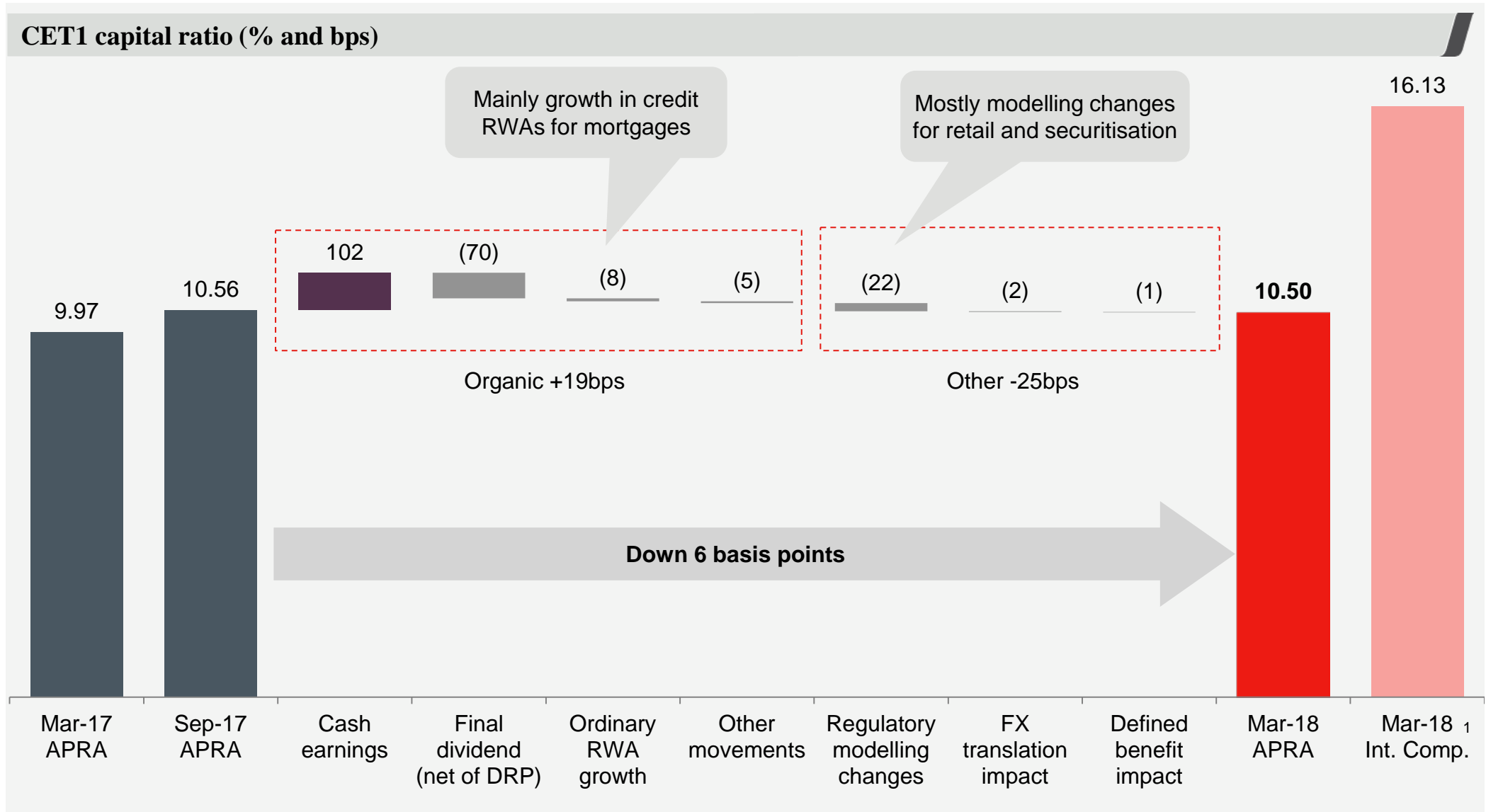
Capital ratios			
	Mar-17	Sep-17	Mar-18
CET1 capital ratio	10.0	10.6	<b>10.5</b>
Additional Tier 1 capital	1.7	2.1	<b>2.3</b>
Tier 1 capital ratio	11.7	12.7	<b>12.8</b>
Tier 2 capital	2.3	2.1	<b>2.0</b>
Total regulatory capital ratio	14.0	14.8	<b>14.8</b>
Risk weighted assets (RWA) (\$bn)	404	404	<b>416</b>
Leverage ratio	5.3	5.7	<b>5.8</b>
<b>Internationally comparable ratios<sup>1</sup></b>			
Leverage ratio (internationally comparable)	6.0	6.3	<b>6.4</b>
CET1 capital ratio (internationally comparable)	15.3	16.2	<b>16.1</b>

## Key capital ratios (%)



1 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. For more details on adjustments refer page 91. 2 Group 1 banks BIS 75<sup>th</sup> percentile fully phased-in Basel III capital ratios from BIS monitoring report released 6 March 2018.

# CET1 capital ratio movements

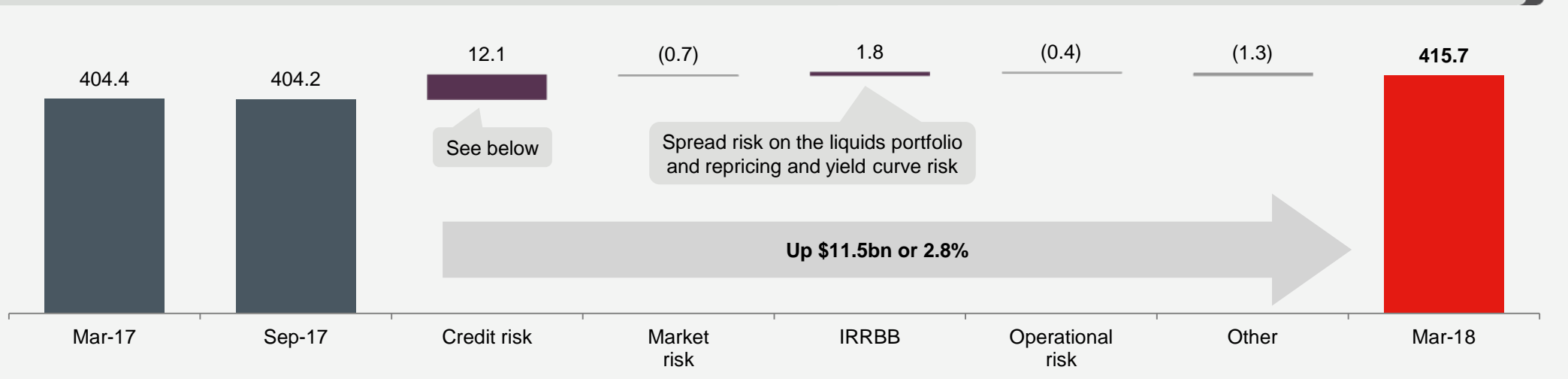


1 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

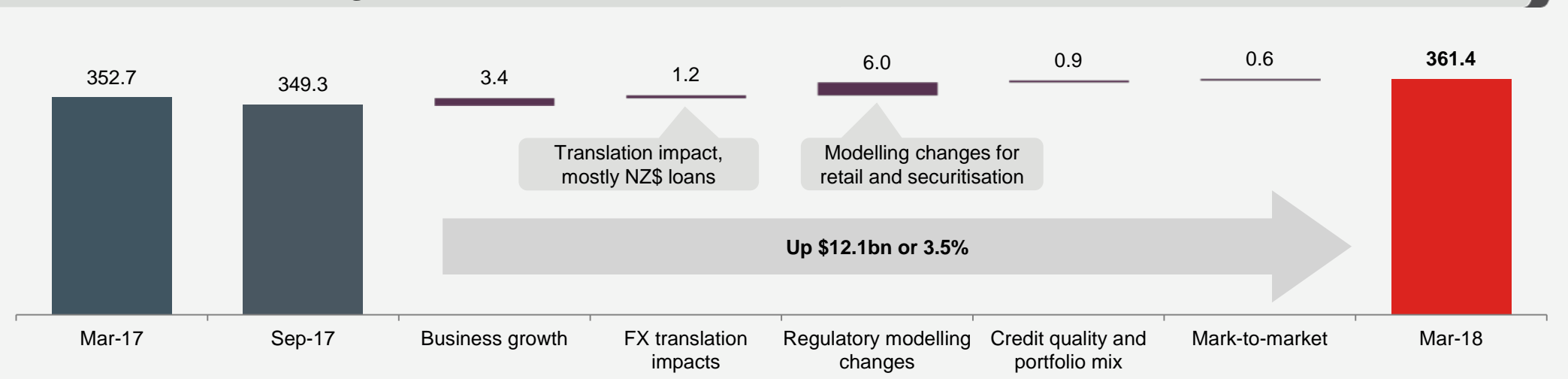


# RWA increased from modelling changes and portfolio growth

## Movement in risk weighted assets (\$bn)

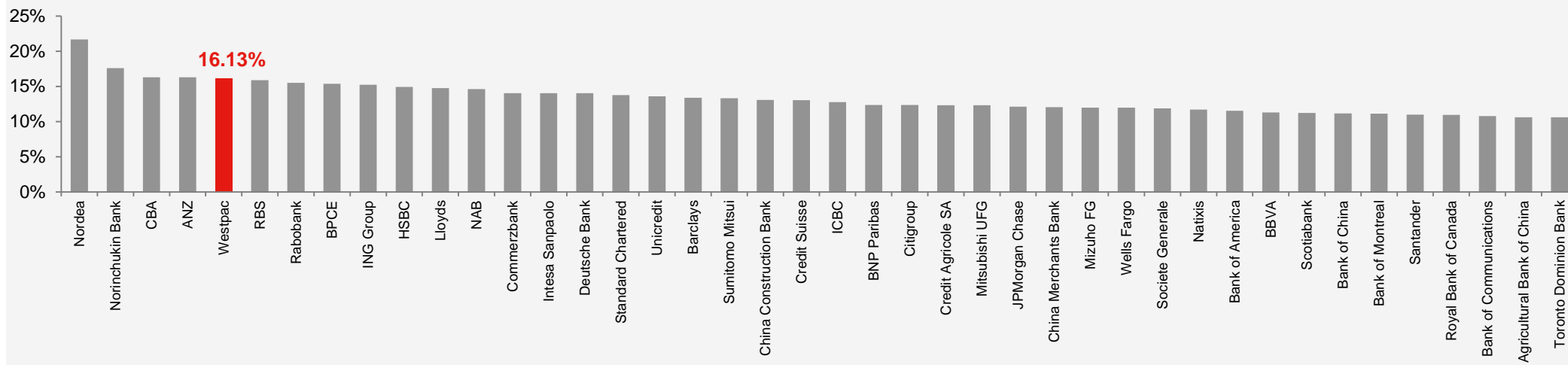


## Movement in credit risk weighted assets (\$bn)

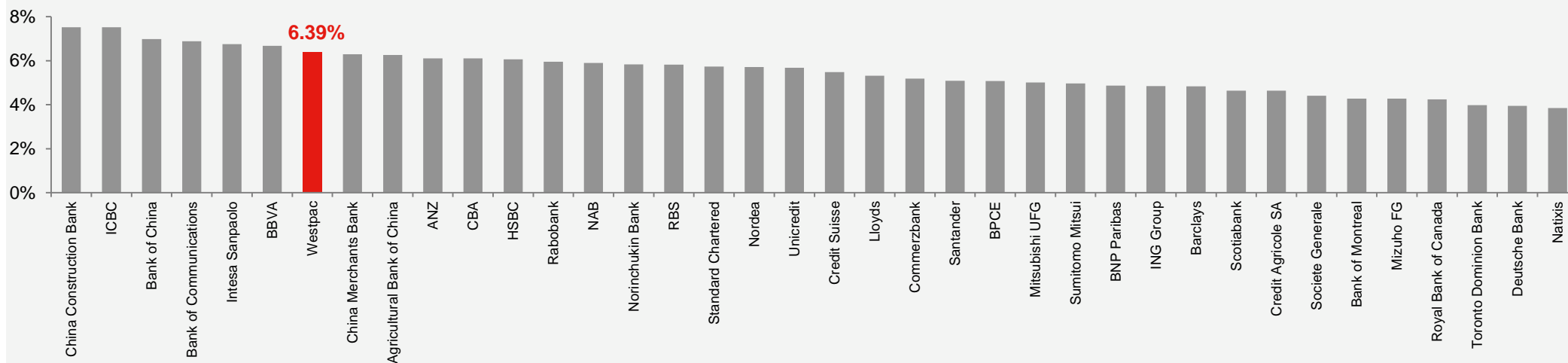


# Well placed on internationally comparable CET1 and leverage ratios

## Common equity Tier 1 ratio (%)



## Leverage ratio (%)



Peer group comprises listed commercial banks with assets in excess of A\$700bn and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure to estimate. Based on company reports/presentations. Ratios at 31 Dec 2017, except for Westpac and ANZ which are at 31 Mar 2018, while Scotiabank, Bank of Montreal, Royal Bank of Canada and Toronto Dominion are at 31 Jan 2018. NAB CET1 ratio at 31 Mar 2018 and leverage ratio at 30 Sept 2017. For CET1, assumes Basel III capital reforms fully implemented. Leverage ratio is on a transitional basis. Where accrued expected dividends have been deducted, these have been added back for comparability. US banks are excluded from leverage ratio analysis due to business model differences, for example from loans sold to US Government sponsored enterprises.

# Internationally comparable capital ratio reconciliation

APRA's Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios by Australian banks. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers<sup>1</sup>. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio

		(%)
<b>Westpac's CET1 capital ratio (APRA basis)</b>		<b>10.5</b>
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.5
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.3
Interest rate risk in the banking book (IRRBB)	APRA requires capital to be held for IRRBB. The BCBS does not have a Pillar 1 capital requirement for IRRBB	0.4
Residential mortgages	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements. APRA also applies a correlation factor for mortgages higher than the 15% factor prescribed in the Basel rules	1.8
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of internal-ratings based (IRB) probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factors	0.8
Currency conversion threshold	Increase in the A\$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.4
<b>Internationally comparable CET1 capital ratio</b>		<b>16.1</b>
<b>Internationally comparable Tier 1 capital ratio</b>		<b>19.1</b>
<b>Internationally comparable total regulatory capital ratio</b>		<b>21.7</b>

<sup>1</sup> Methodology aligns with the APRA study titled "International capital comparison study", dated 13 July 2015.

# Optimising returns by actively managing capital

## Return on equity (ROE) is important

- ROE is a key measure of performance for the Group and across divisions
- Westpac seeking to achieve a ROE of 13 - 14%
  - Incorporates a margin above the cost of capital
  - Generates sufficient capital for growth
- Group ROE 37bps higher compared to 2H17 with cash earnings up 5% and average equity up 3%
- Leverage lower from the increased average ordinary equity (AOE)
- Divisional capital allocation refined in 2018
  - \$6bn additional capital allocated to divisions
  - Prior periods restated to enable comparability to 1H18
- Key changes included:
  - Higher capital allocated to Consumer Bank and Business Bank, principally due to more capital being allocated to mortgages
  - A reduction in capital allocated to WIB from lower risk weights for certain corporate exposures

## Return on AIEA<sup>1</sup> (%)

	2007	1H17	2H17	1H18
Net interest margin	2.16	2.07	2.10	<b>2.17</b>
Non-interest income	1.29	0.82	0.73	<b>0.74</b>
Operating expenses	(1.55)	(1.21)	(1.21)	<b>(1.22)</b>
Impairment charges	(0.16)	(0.13)	(0.09)	<b>(0.10)</b>
Tax and non-controlling interests	(0.53)	(0.47)	(0.47)	<b>(0.48)</b>
Cash earnings (return on AIEA)	1.20	1.08	1.06	<b>1.11</b>
Leverage (AIEA/AOE)	19.9x	12.9x	12.8x	<b>12.6x</b>
Return on equity	23.84	13.95	13.59	<b>13.96</b>

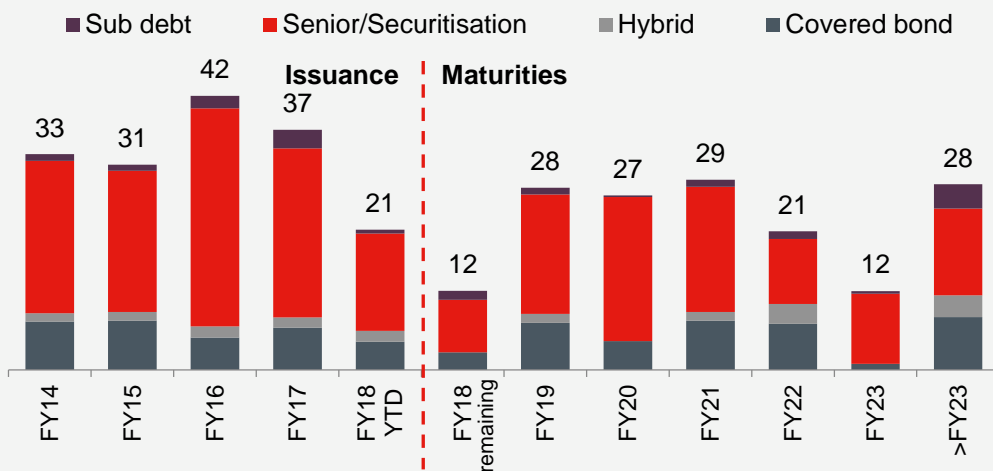
## Divisional capital and ROE<sup>2</sup>

Allocated capital (\$bn)	1H17	2H17	1H18
Total Group (including intangibles)	57.7	59.4	<b>61.1</b>
Consumer Bank	14.1	16.4	<b>17.6</b>
Business Bank	11.9	11.9	<b>12.5</b>
BTFG	3.5	3.6	<b>3.5</b>
WIB	9.2	8.4	<b>8.2</b>
Westpac NZ (A\$)	4.6	4.6	<b>4.6</b>
<b>Return on equity (%)</b>	<b>1H17</b>	<b>2H17</b>	<b>1H18</b>
Total Group	14.0	13.6	<b>14.0</b>
Consumer Bank	17.1	16.0	<b>16.1</b>
Business Bank	13.1	14.2	<b>14.1</b>
BTFG	13.6	12.5	<b>14.4</b>
WIB	12.9	11.7	<b>12.6</b>
Westpac NZ (A\$)	17.1	18.8	<b>17.4</b>

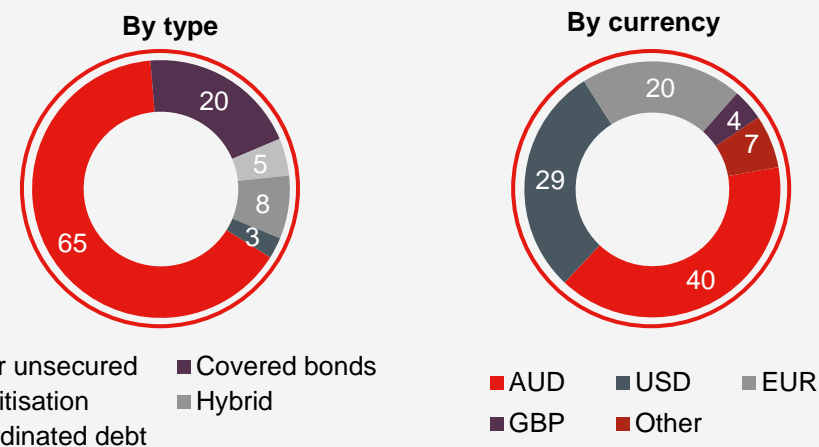
1 Average interest-earning assets. 2 Divisional capital and divisional ROE for 1H17 and 2H17 have been restated to enable comparability with 1H18.

# Well progressed on FY18 term funding, \$21bn raised to date

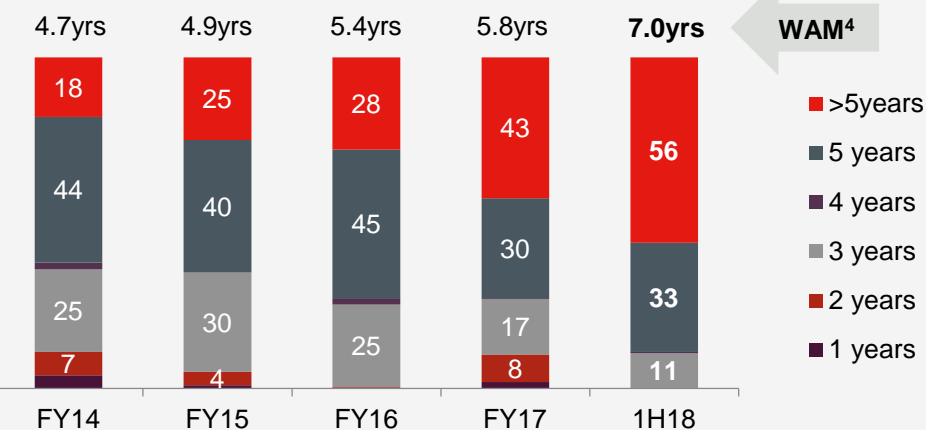
## Term debt issuance and maturity profile<sup>1,3,5</sup> (\$bn)



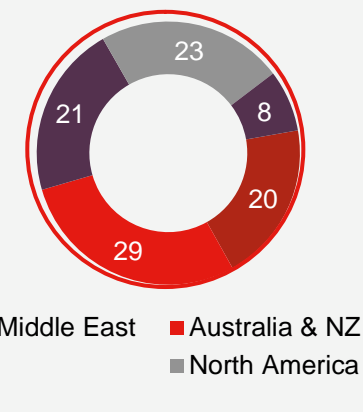
## New term issuance composition<sup>1</sup> (%)



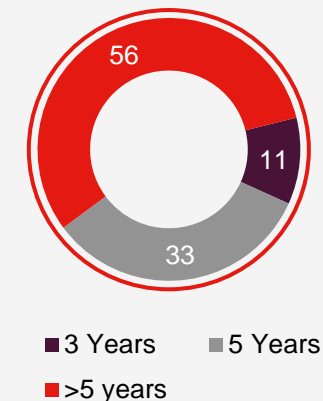
## New term issuance by tenor<sup>3,4</sup> (%)



## By investor location<sup>2</sup>



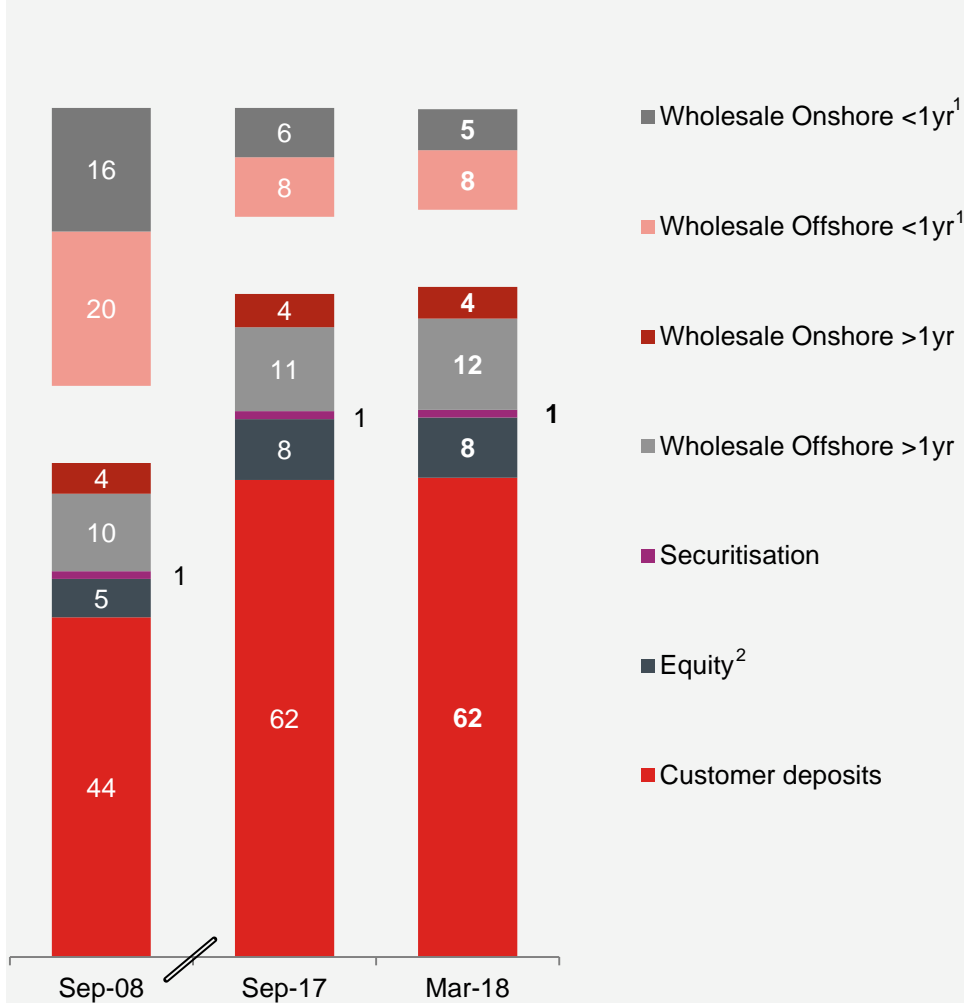
## By tenor<sup>3,4</sup>



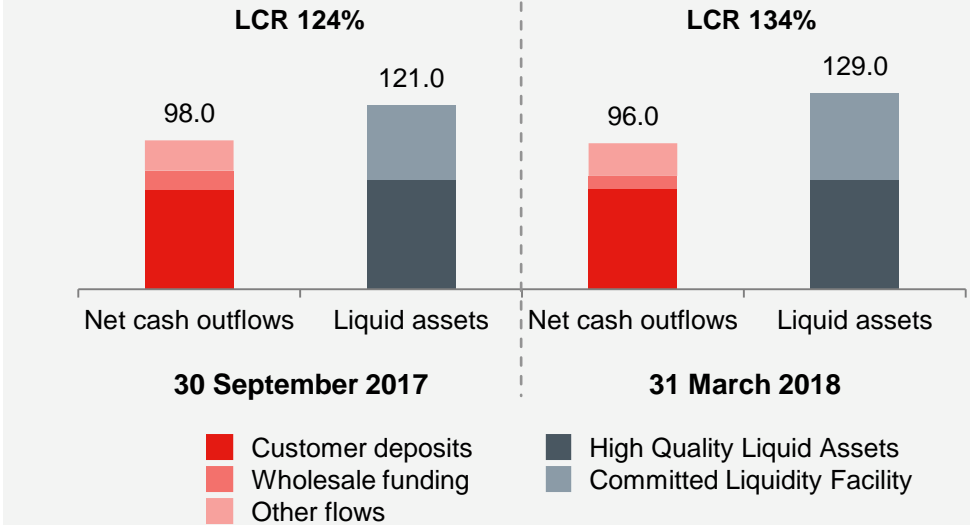
Charts may not add to 100 due to rounding.

<sup>1</sup> Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. <sup>2</sup> Westpac public benchmark transactions and excludes ASX-listed Additional Tier 1 transaction. <sup>3</sup> Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. <sup>4</sup> Tenor excludes RMBS and ABS. <sup>5</sup> Perpetual sub-debt has been included in >FY23 maturity bucket. Maturities exclude securitisation amortisation.

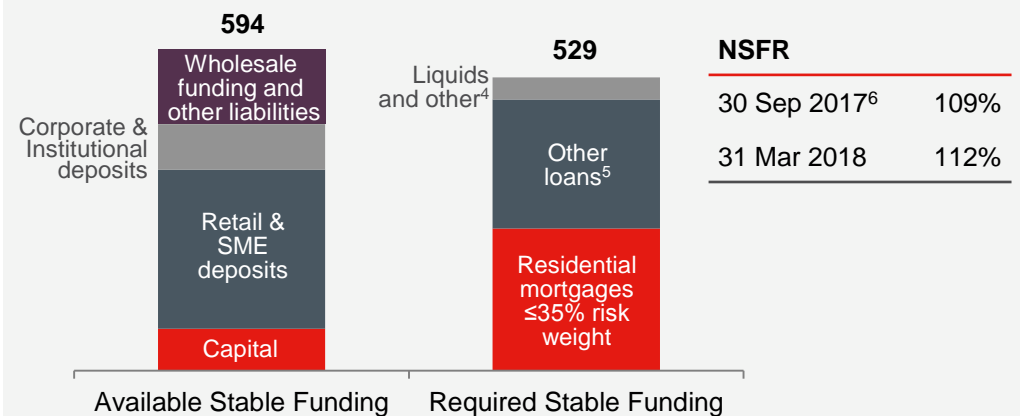
## Funding composition by residual maturity (%)



## Liquidity coverage ratio<sup>3</sup> (%)



## Net stable funding ratio at 31 March 2018 (NSFR, \$bn)



1 Includes long term wholesale funding with a residual maturity less than or equal to 1 year. 2 Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. 3 LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash outflows in a modelled 30 day defined stressed scenario. Calculated on a spot basis. HQLA includes HQLA as defined in APS 210, RBNZ eligible liquids, less RBA open repos funding end of day ESA balances with the RBA. Committed Liquidity Facility or CLF is made available to Australian Authorised Deposit-taking Institutions by the RBA that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. 4 Other includes derivatives and other assets. 5 Other loans includes off balance sheet exposures and residential mortgages >35% risk weight. 6 NSFR as at 30 September 2017 was estimated based on APRA guidelines. NSFR became effective in Australia on 1 January 2018.



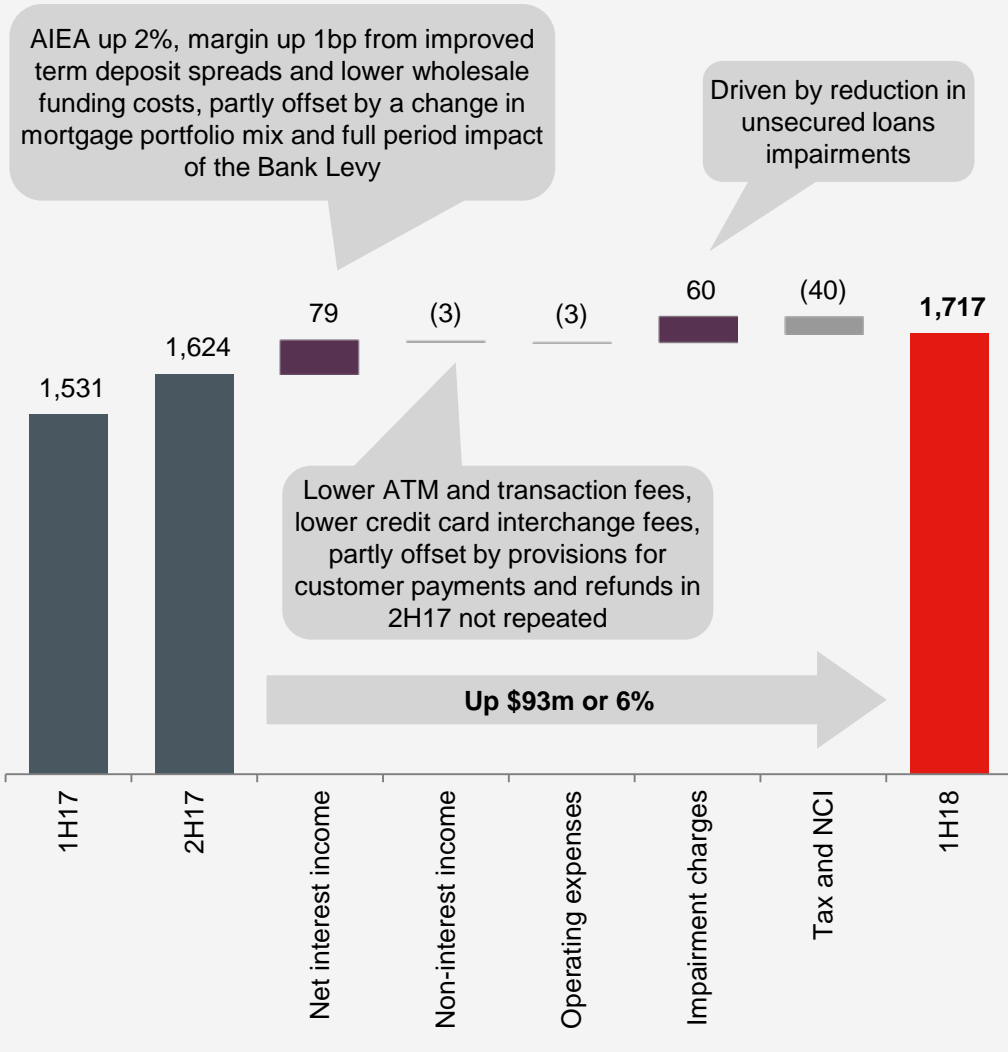
# Divisional Results

In the divisional results, prior periods financial results have been restated to ensure they are reported on the same basis as 1H18

# Consumer Bank – growing the franchise



## Cash earnings (\$m)



## Key financial metrics

	1H17	2H17	1H18	Change on 2H17
Revenue (\$m)	4,110	4,341	4,417	2%
Net interest margin (%)	2.27	2.36	2.37	1bp
Expense to income (%)	40.2	39.8	39.2	(61bps)
Customer deposit to loan ratio (%)	52.8	53.1	52.7	(40bps)
Stressed assets to TCE (%)	0.66	0.64	0.65	1bp

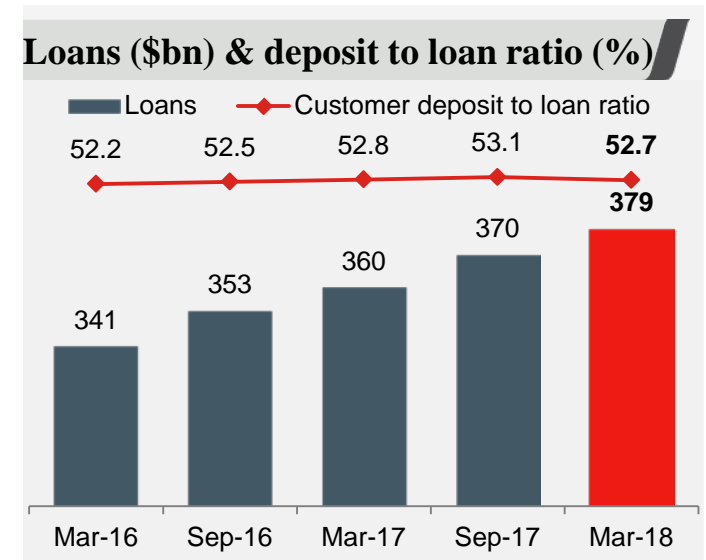
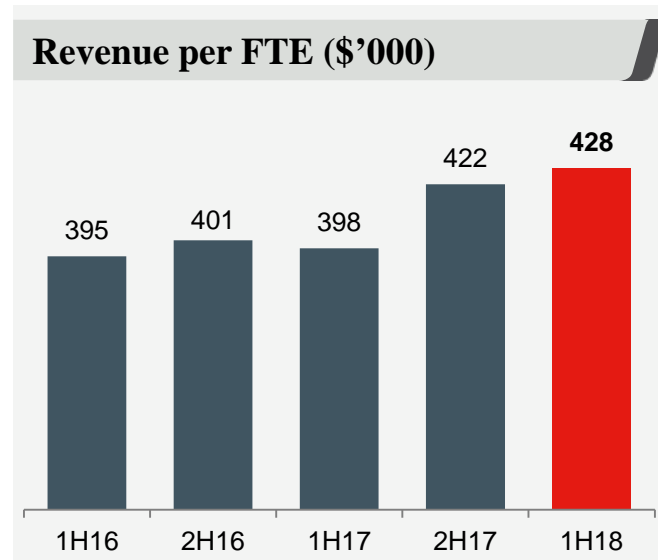
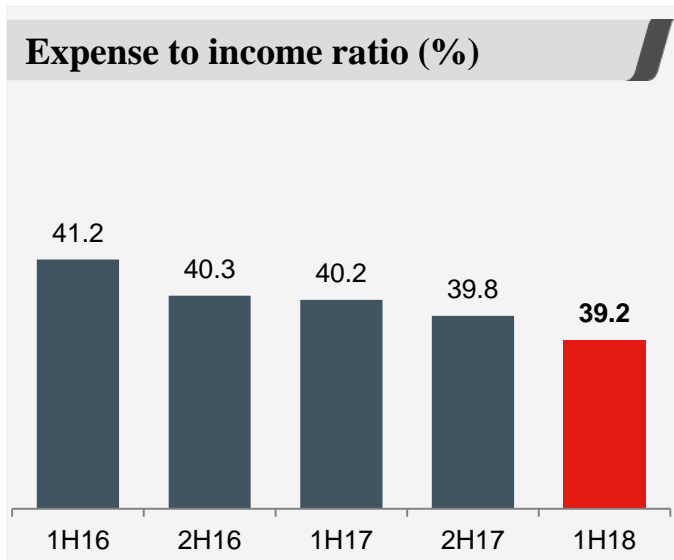
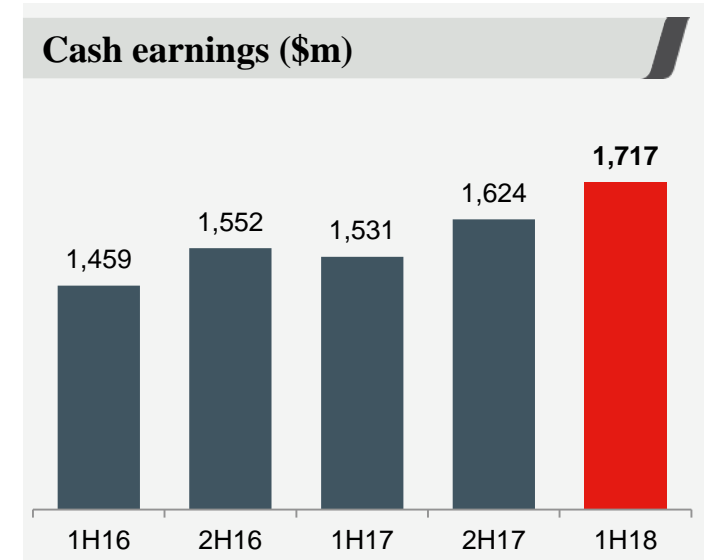
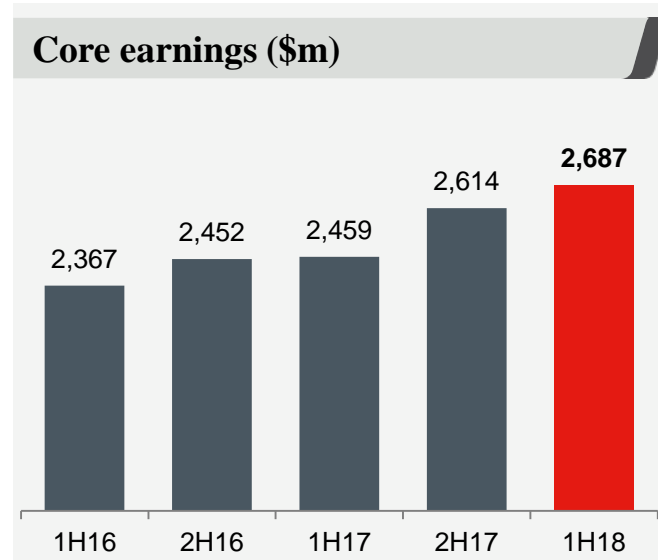
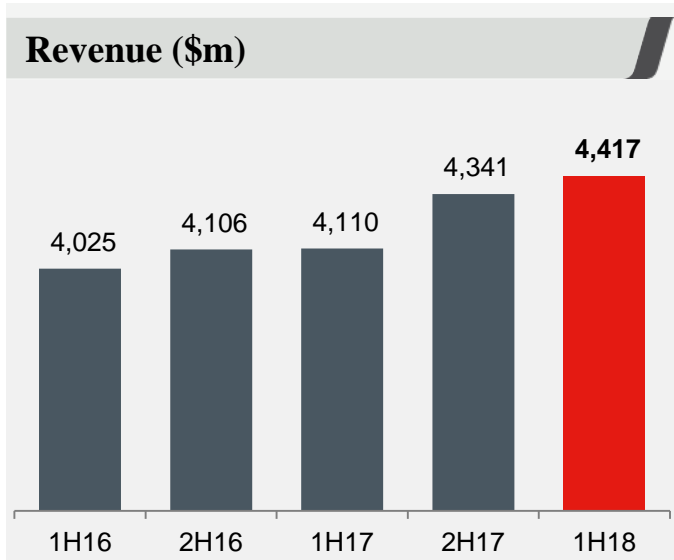
## Key operating metrics

	1H17	2H17	1H18	Change on 2H17
Total customers (#m)	9.0	9.2	9.3	1%
Active digital customers (#m)	3.8	4.0	4.1	3%
Total branches (#)	1,059	1,046	1,025	(21)
Customer satisfaction <sup>1</sup>	7.6 (=2 <sup>nd</sup> )	7.6 (=2 <sup>nd</sup> )	7.6 (=2 <sup>nd</sup> )	-
Net promoter score (NPS) <sup>1</sup> 6mma	-2.5 (3 <sup>rd</sup> )	0.9 (4 <sup>th</sup> )	0.3 (3 <sup>rd</sup> )	Up 1 place

<sup>1</sup> Refer page 137 for metric definition and details of provider.



# A disciplined 1H18 performance



## Rewarding customers



- Westpac Extras Rewards & Offers provides debit and credit card customers with merchant discounts and rewards, via Westpac Live
- Launched in March 2018, ~900k unique visits in first month
- Average \$7.5k per week in cashback offers redeemed by customers since launch

## Wearables

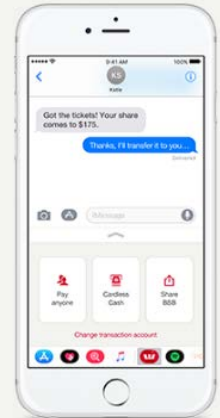
- Launched PayWear, a wearable, waterproof payments device providing a hands free way to pay without needing to carry a wallet or a phone. 45,000 on issue at March 2018



- **Fitbit** MasterCard launched Dec 2017

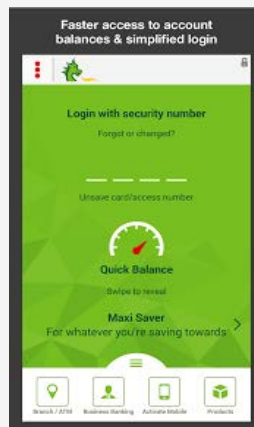
## Payments via Sharing

- **iMessaging** Make payments, obtain cardless cash code and share account details using iPhone iMessage app



## Making digital easier

- Enabling customers to use internet banking from day 1
- A further 500k accounts elected e-statements during 1H18
- Almost 800k St. George customers elected to receive correspondence electronically in 1H18



## Concierge tool

- A tablet based tool that allows bankers to identify and attend to customer needs while improving appointment workflow
- Supports the increased digitisation of the branch network and enables banker mobility
- Pilot underway, on track to commence roll out to St. George branches in Second Half 2018

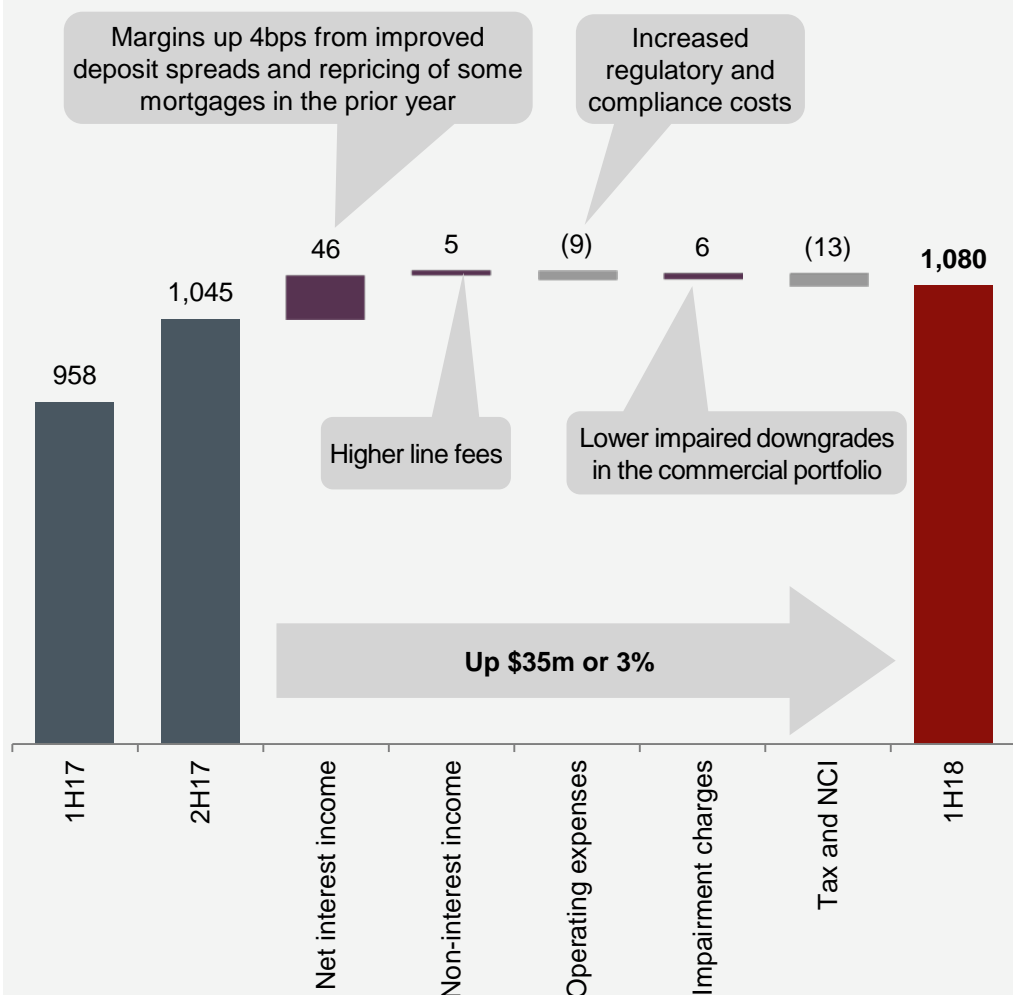
## New ways of connecting - Alexa

- Access account balance, recent spending history, and reward points status with Amazon's virtual assistant – Alexa
- Financial market updates available for customers to include in their daily news feed



# Business Bank, another solid result

## Cash earnings (\$m)



## Key financial metrics

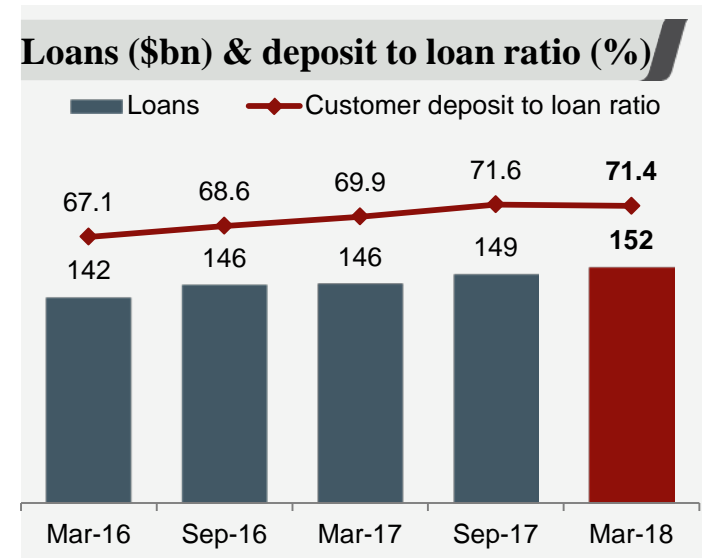
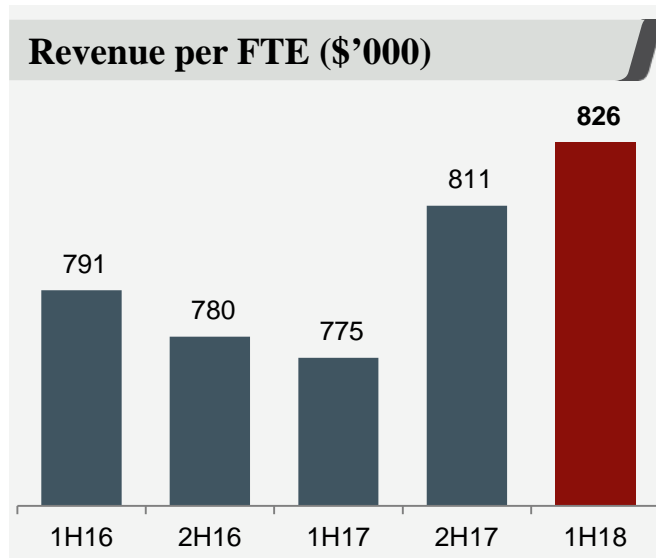
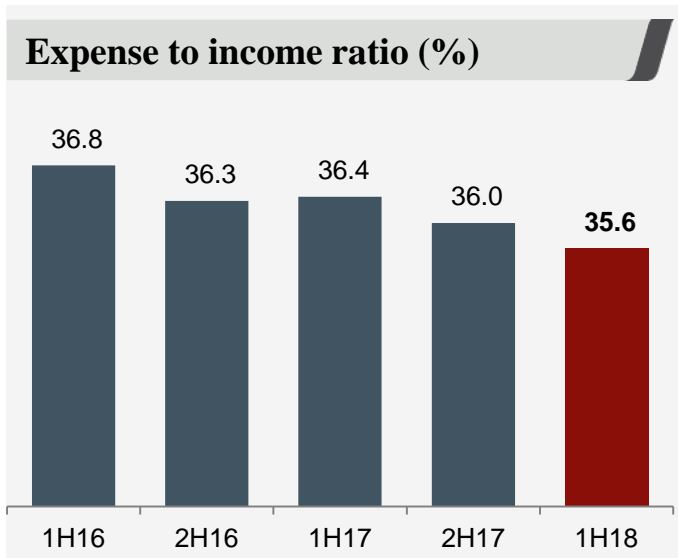
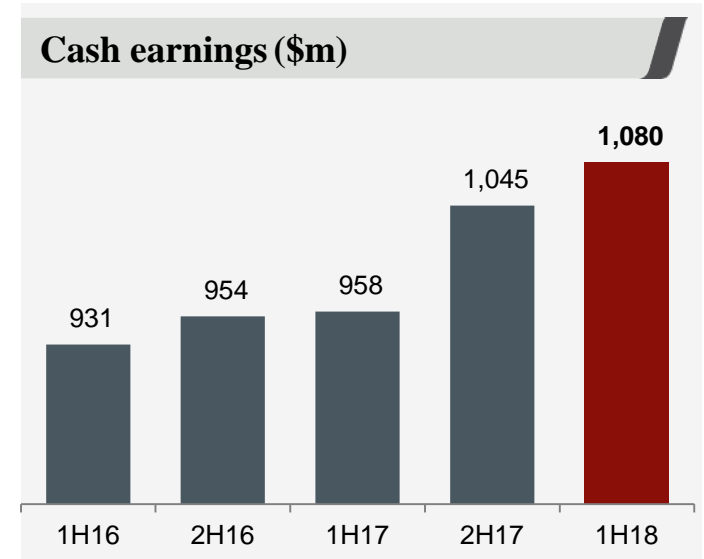
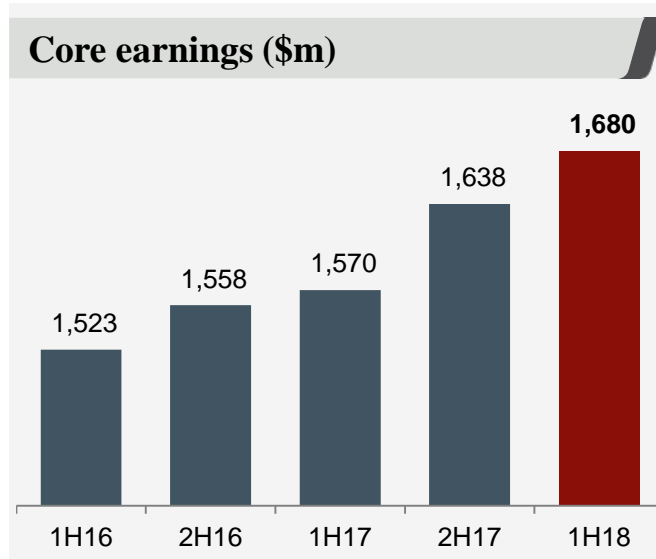
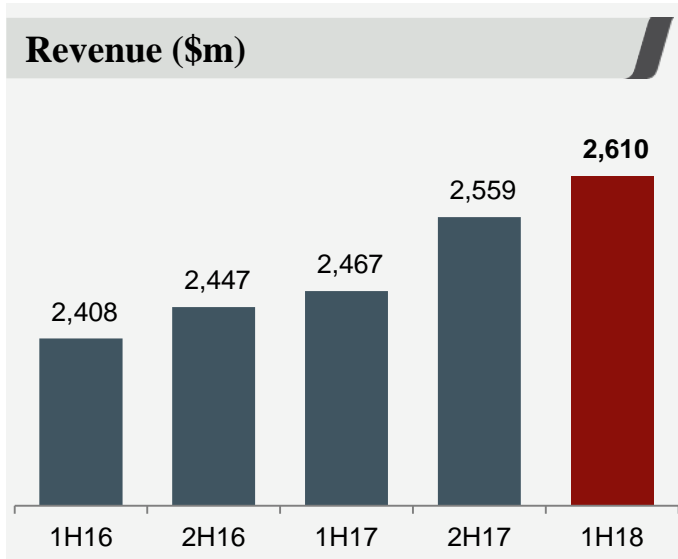
	1H17	2H17	1H18	Change on 2H17
Revenue (\$m)	2,467	2,559	2,610	2%
Net interest margin (%)	2.70	2.74	2.78	4bps
Expense to income (%)	36.4	36.0	35.6	(36bps)
Customer deposit to loan ratio (%)	69.9	71.6	71.4	(23bps)
Stressed assets to TCE (%)	2.29	2.13	2.48	35bps

## Key operating metrics

	1H17	2H17	1H18	Change on 2H17
Total business customers ('000's)	1,049	1,073	1,085	1%
Customer satisfaction <sup>1</sup> (rank)	=#1	#1	#1	-
Customer satisfaction - SME <sup>1</sup> (rank)	#2	#1	#1	-
Customers migrated to simplified products ('000's)	n/a	110	257	147

<sup>1</sup> Refer page 137 for metric definition and details of provider.

# A disciplined 1H18 performance



## Investing in bankers



Enabling bankers to build great customer relationships through industry insights, paperless processes, simplified products and innovative technologies



### eDocs for Westpac SME bankers

- Launched eDocs to reduce loan deal preparation time and accelerate customer acceptance, resulting in a faster time to cash

### Industry insights and risk grading

- Through Optimist, our credit risk management tool, bankers can prepare file reviews more efficiently, better assess customer financial needs and provide insights to customers based on industry benchmarks
- Currently providing this service for the legal sector and rolling out to further industries in 2H18

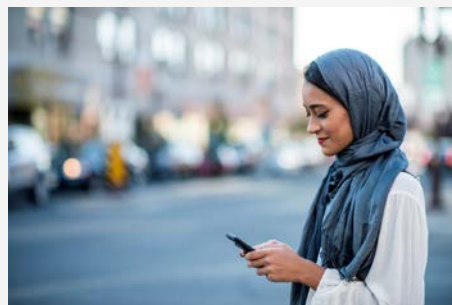
### LOLA for St.George

- Expanded the Group's online lending origination platform (LOLA) to St.George SME bankers
- The system simplifies and speeds up loan origination

## Digital for customers



Empowering more customers with online capabilities such as account opening, overdraft access and servicing



Investment in digital capabilities continues to support growth of digital channels

### New online capabilities include:

- Ability to open savings or transaction accounts online and unlock a debit card in less than 5 minutes for existing single director and sole trader customers in St.George
- Customers can maintain and update details and manage access to their accounts by third parties. Over 1,000 banker-intensive work requests have been automated

## Payment and transaction solutions



Helping customers take and make payments, meet cash flow shortfalls and manage payables and receivables



### Presto Smart

- An integrated payment solution enabling merchants to link payments from a range of sources to their payment terminal
- Removes the need for manual input and reconciliations and speeds up the sales process

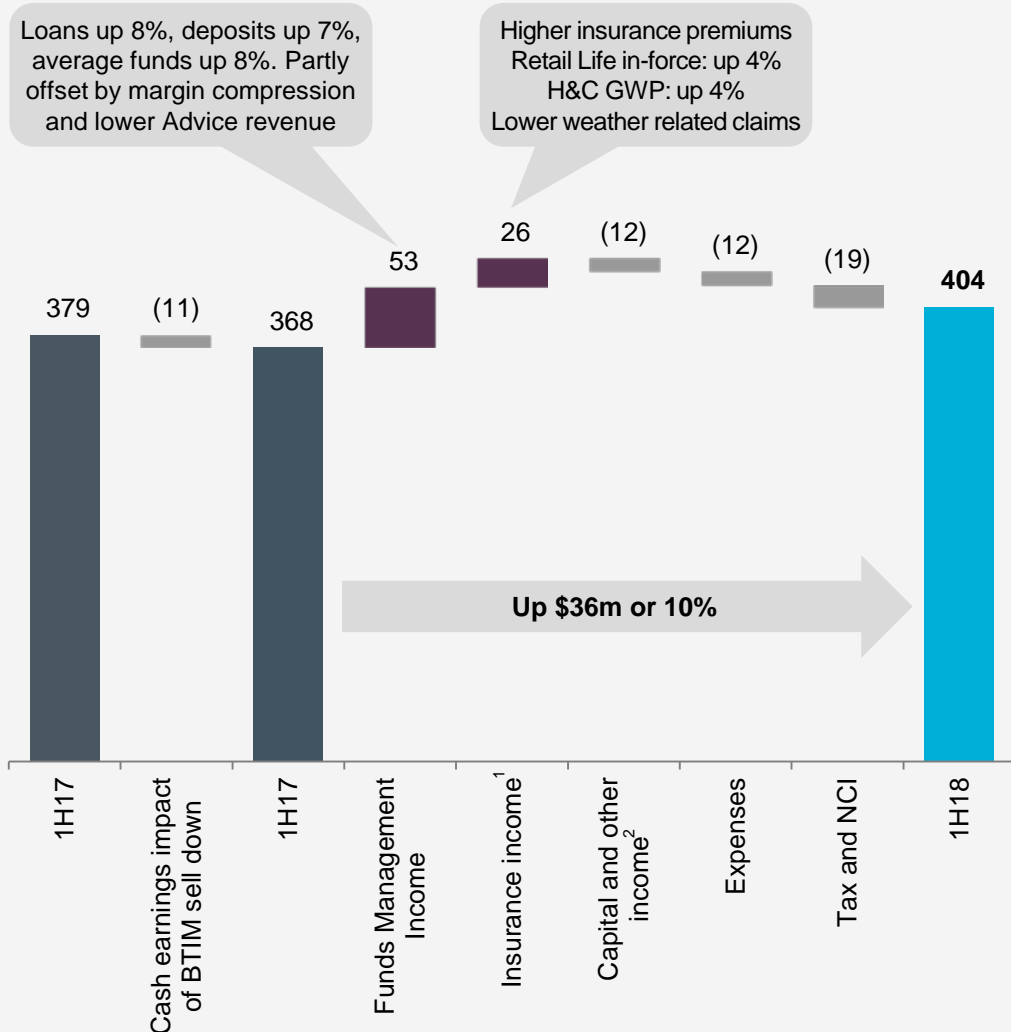
### Targeted product range

- Continue to streamline and simplify deposit products, making it easier for customers and bankers
- 147,000 customers moved to simpler deposit products in 1H18

### Simpler merchant pricing

- Launched a simpler pricing plan for St.George customers' merchant terminals

## Cash earnings (\$m)



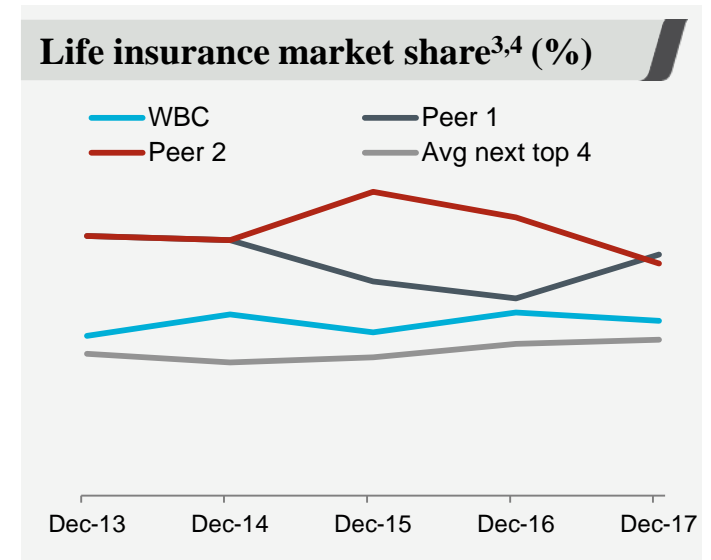
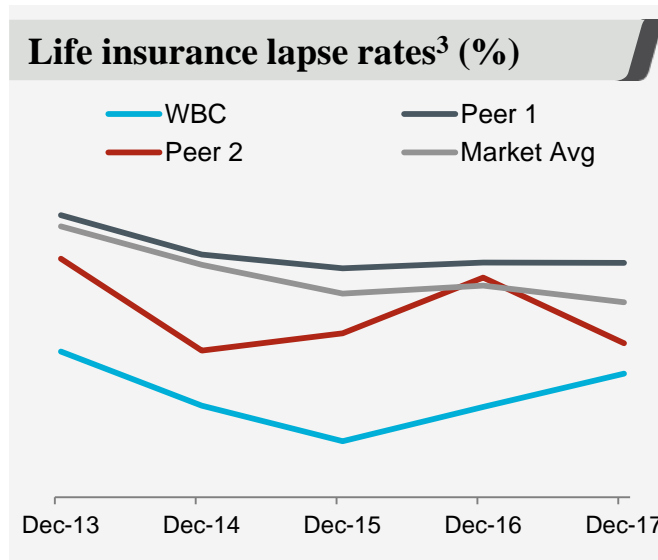
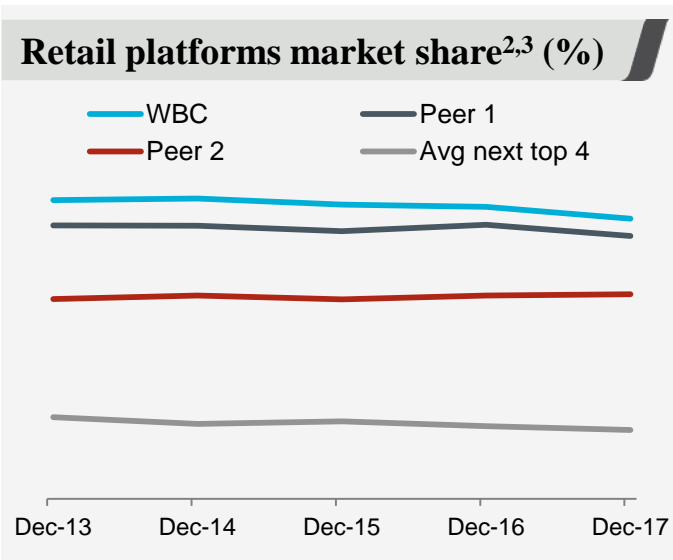
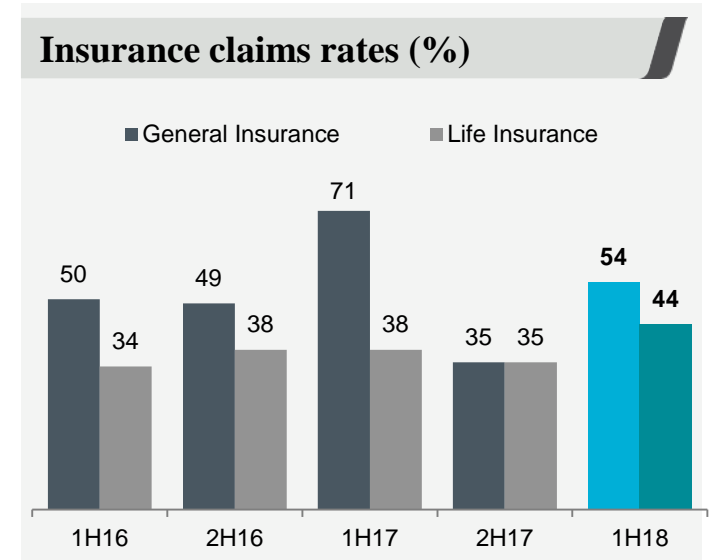
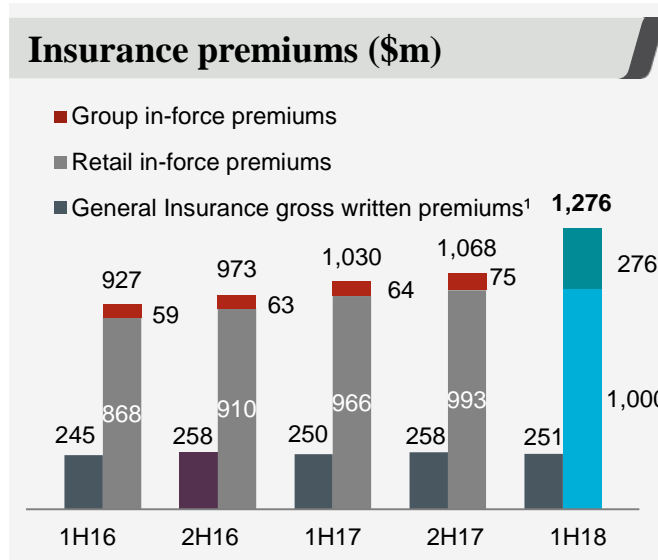
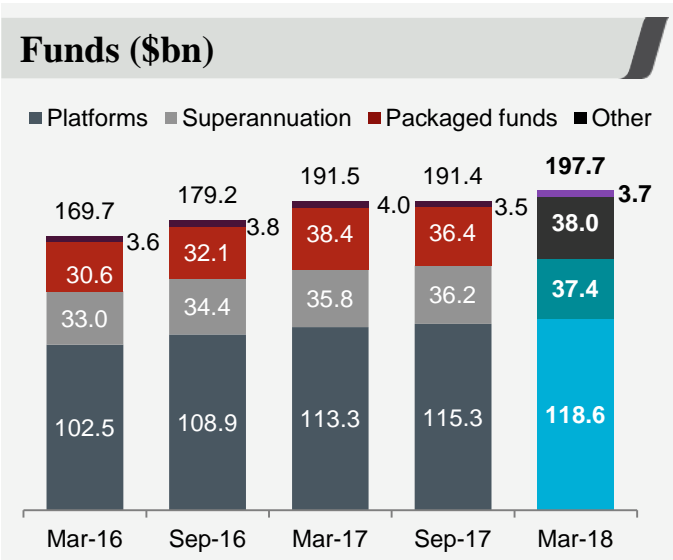
## Key financial metrics

	1H17	2H17	1H18	Change on 2H17
Revenue (\$m)	1,131	1,124	<b>1,183</b>	5%
Expense to income (%)	52.1%	54.3%	<b>50.8%</b>	Large
Total funds (\$bn) (spot)	191.5	191.4	<b>197.7</b>	3%
Loans (\$bn) (spot)	19.3	20.1	<b>20.8</b>	3%
Deposits (\$bn) (spot)	29.7	30.7	<b>31.7</b>	3%

## Key operating metrics (\$m)

	1H17	2H17	1H18	Change on 2H17
Customers with a wealth product <sup>3</sup> (%)	18	18	<b>18</b>	(4bps)
Planners (salaried & aligned) (#) (spot)	1,094	1,011	<b>939</b>	(7%)
Platform FUA market share <sup>4</sup> (inc. Corp Super) (%)	19	19	<b>18</b>	(50bps)
Platform gross flows market share <sup>4</sup> (inc. Corp Super) (%)	20	21	<b>21</b>	40bps
Life Insurance market share <sup>5</sup> (%)	12	12	<b>11</b>	(40bps)
Life Insurance in-force premiums <sup>6</sup> (\$m)	1,030	1,068	<b>1,276</b>	19%
H&C insurance market share <sup>7</sup> (%)	6	6	<b>6</b>	(20bps)
General Insurance gross written premiums (\$m)	250	258	<b>251</b>	(3%)

<sup>1</sup> Includes \$11m of revenue (\$4m cash earnings) from the management of Group Insurance for BTFG Corporate Super. <sup>2</sup> Represents income on invested capital required for regulatory purposes primarily for Life Insurance entities. <sup>3</sup> Refer page 137 for wealth metrics provider. <sup>4</sup> Strategic Insight, All Master Funds Admin at Dec 17 (for 1H18), at Jun 17 (for 2H17), at Dec 16 (for 1H17) and represents the BT market share at these times. <sup>5</sup> Strategic Insight (Individual Risk) rolling 12 month average. New sales includes sales, premium re-rates, age and CPI indexation Dec 17. <sup>6</sup> At 1 Jan 18, Westpac Life Insurance Services Limited became the preferred insurer for BTFG Corporate Super members. Life insurance in-force premium at Mar 18 consists \$1,000m retail, \$276m Group Life Insurance (2H17: \$993m retail, \$75m Group Life insurance; 1H17: \$966 m, \$64m Group Life insurance). <sup>7</sup> Internally calculated from APRA quarterly general insurance performance statistics, Dec 17.



<sup>1</sup> Includes CCI gross written premiums of \$16m in 1H18 (2H17:\$21m; 1H17:\$25m; 2H16:\$25m; 1H16:\$24m) <sup>2</sup> Retail Platforms market share sourced from Strategic Insight, All Master Funds Admin segment and represents the BT Wealth business market share disclosed in Strategic Insight as at December 2017. <sup>3</sup> Strategic Insights December 2017. <sup>4</sup> Market share is Retail life insurance new sales.

## Customer offering enhancements

**BT SuperCheck** allows customers to search for their **lost super in 60 seconds** with results straight to their phone



**\$267m**

Funds rolled over through SuperCheck in 1H18

**131**

Super Invest accounts active on Panorama since launch<sup>1</sup>

**BT Super Invest** is a direct superannuation product that launched on 13 March 2018 and allows customers to be more involved in managing their investments

**BT Assure** is a tool delivering advice digitally improving customer outcomes and advisor productivity

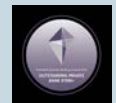


Statement of Advice (SOA) produced in

**5 days<sup>2</sup>**



**“Best HNW Private Banking Company – Australia & Excellence Award in Wealth”** – International Finance Awards



**“Outstanding Private Bank \$1M - \$10M plus – Westpac Private Bank”** – Australian Business Banking Awards



**“Heron Partnership - 5 Star Quality Rating”** – awarded to Asgard Elements, eWRAP and Infinity Super and Pension



## Digitising insurance

Home and contents (H&C) insurance policies are now accessible online providing customers access to **more sophisticated and tailored solutions**



**↑ 41%<sup>3</sup>**

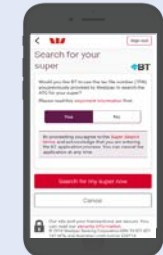
H&C online sales

**↑ 8%<sup>3</sup>**

Motor and travel online sales

**Tablet and mobile capability** launched in June 2017

**New claims & product admin platform;** new front end online service solutions for Life insurance products



Digital interface with medical professional; launch of **Medical e-Certificate – ‘e-Cert’**.

**Winner of the CANSTAR Innovation Excellence Award<sup>4</sup>**



**“World Finance Global Insurance Award”** – World Finance, 3<sup>rd</sup> year running



**“Life Insurance Company of the Year”**- Australian Insurance Awards

**“Best Claims Outcome & Customer Experience”** – Australian Insurance Awards



**“Underwriting team of the Year”** - AFA/Strategic Insights Awards

**“Best Application Process”** - AFA/Strategic Insights Awards




1 As at 26 April 2018. 2 For strategies covered under BT Assure. 3 Change is on 1H18 vs 1H17. 4 Canstar April 2018.





# Panorama: an innovative wealth management system for customers and advisors


**One Core operating system** One of the first platforms to support complex account types online, such as SMSFs

- \$9.4bn - FUA on the Panorama platform
- “Click to Chat” – enhancing digital capabilities

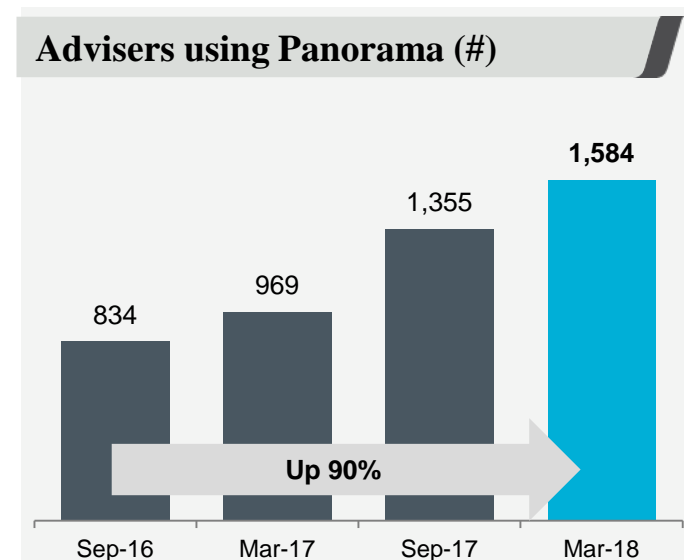
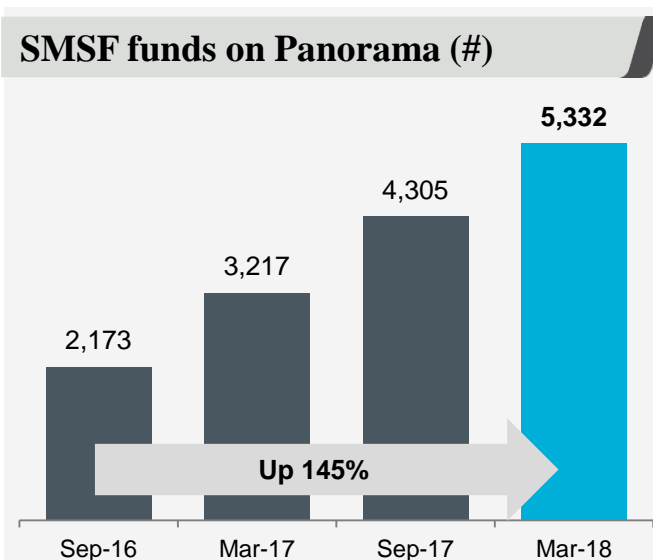
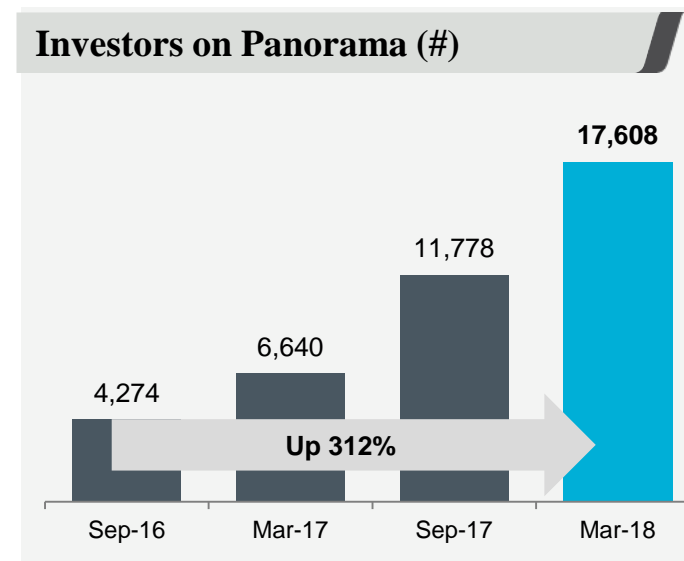
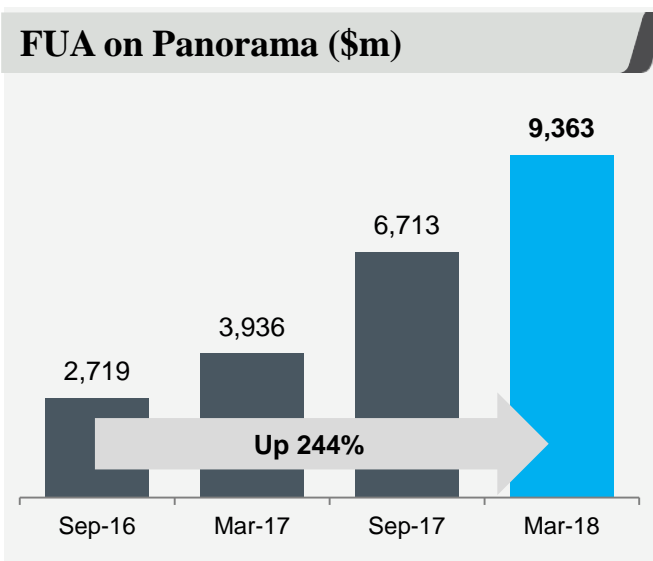
**Investments**  
 A direct investment offer, integrated with Westpac Live

**SMSFs**  
 Unique end-to-end solution from establishment, administration to reporting

**Super**  
 Personal Super for advised and direct customers

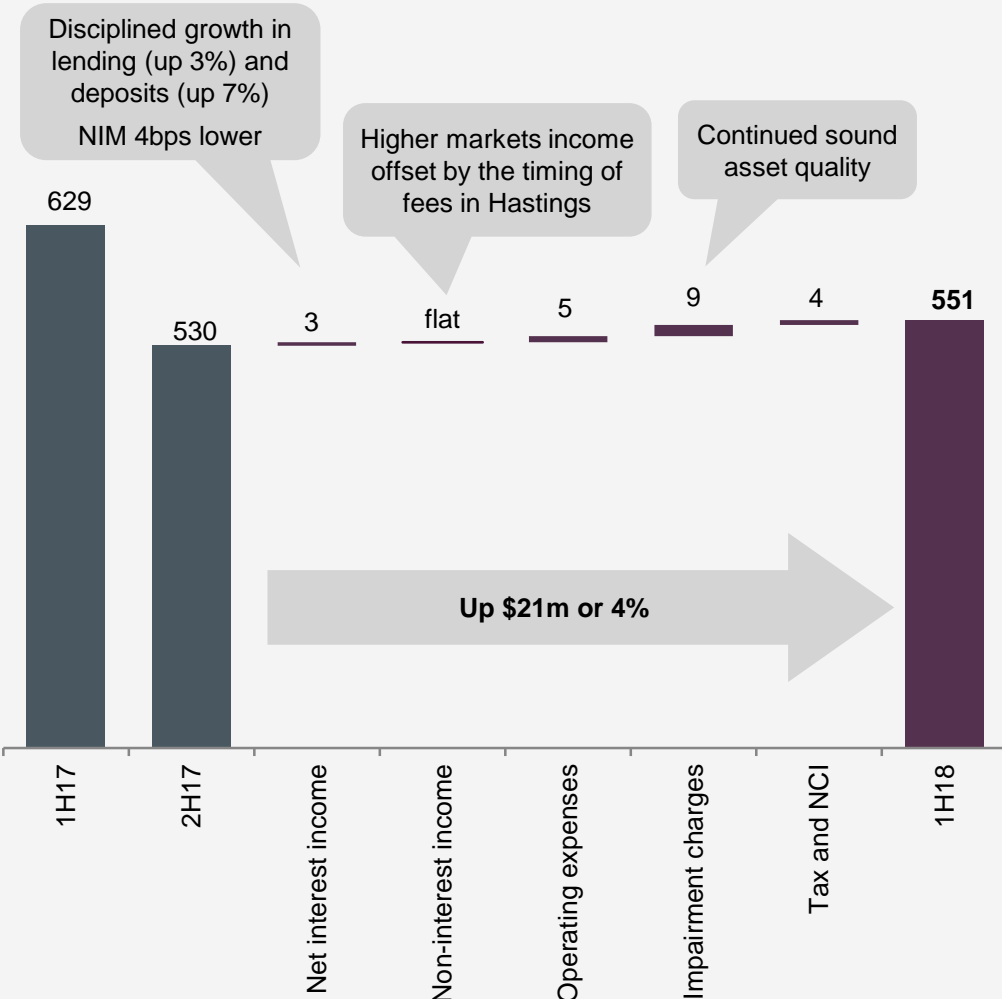
**Insurance**  
 Investment, superannuation and pension with integrated insurance

**“Best Technology Offering”**  
 2018 Conexus Financial Superannuation Awards



# WIB performance reflects continued disciplined execution

## Cash earnings (\$m)



## Key financial metrics

	1H17	2H17	1H18	Change on 2H17
Revenue (\$m)	1,614	1,421	<b>1,424</b>	-
Net interest margin (NIM) (%)	1.56	1.62	<b>1.58</b>	(4bps)
Expense to income ratio (%)	41.6	47.9	<b>47.4</b>	(45bps)
Customer deposit to loan ratio (%)	137.6	124.3	<b>130.0</b>	large
Stressed assets to TCE (%)	0.59	0.55	<b>0.52</b>	(3bps)

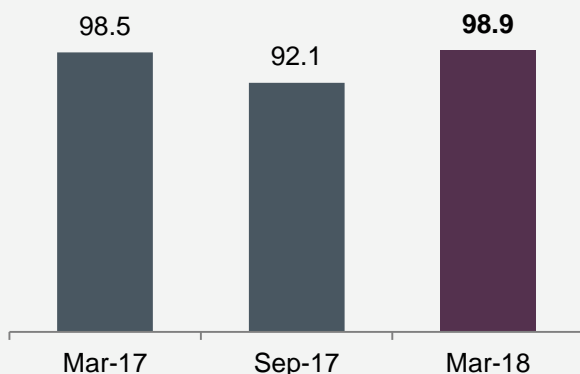
## Key operating metrics

	1H17	2H17	1H18	Change on 2H17
Customer revenue <sup>1</sup> / total revenue (%)	78.5	86.7	<b>87.1</b>	40bps
Trading revenue / total revenue (%)	15.2	5.0	<b>11.3</b>	large
Revenue per FTE (\$'000) <sup>2</sup>	888	791	<b>794</b>	-
Deposits (\$bn)	98.5	92.1	<b>98.9</b>	7%

<sup>1</sup> WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading, derivative valuation adjustments and Hastings. <sup>2</sup> Excludes Westpac Pacific revenue and FTE.

## Disciplined balance sheet management

### WIB deposits (\$bn)



### Deposits

- Deposits up 7% due to growth in Australian term deposits and offshore term deposits, supporting lending growth in Asia

### Net loans

- 3% increase in loans primarily reflects lending to support customers in Asia

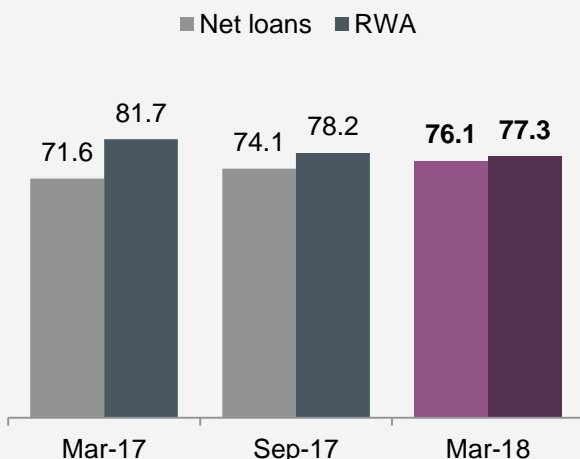
### Margin

- Net interest margin declined 4 basis points to 1.58% primarily from the full period impact of the Bank Levy (3 basis points)

### ROE

- Continued balance sheet and RWA discipline reflected in 1H18 return on average equity 12.6% (2H17: 11.7%)

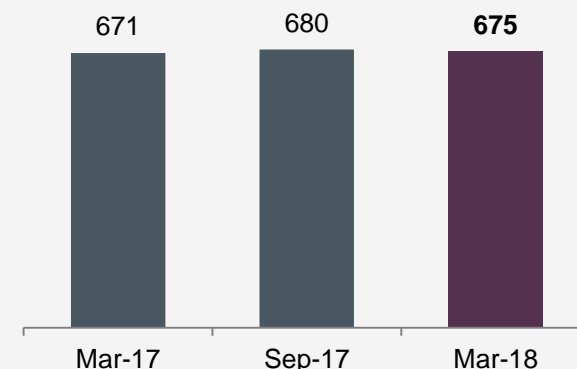
### WIB net loans and RWA (\$bn)



## Expense control

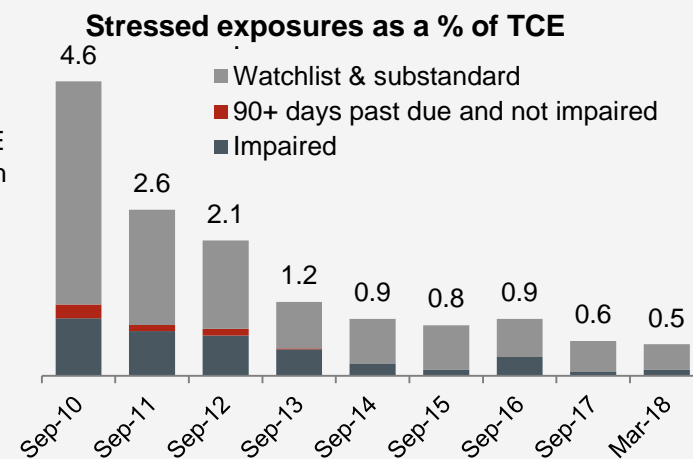
- Expenses down 1% reflecting both ongoing discipline and productivity initiatives, including refinement of the division's operating model

### WIB expenses (\$m)



## Portfolio stress remains at historically low levels

- WIB portfolio continues to see low levels of stress
- Impaired assets to TCE 0.04%, down 3bps, with no new large impaired assets emerging over 1H18
- Impairment provisions to impaired assets  
 Mar-18: 63.7%  
 Sep-17: 46.5%  
 Mar-17: 66.6%



# Building on the strength of our franchise with a focus on transactional banking and liquidity management

Franchise Strength

## Service



- ✓ Banker to 91% of the ASX top 100
- ✓ 99.8% transactional banking retention rate<sup>1</sup>
- ✓ Largest banker to the Australian/NZ public sector, providing significant scale and ability to reinvest in capabilities

## Efficiency



- ✓ Developing solutions for customers to enhance data management capabilities and increase efficiency
- ✓ Digitising sales, service, and back-office processes
- ✓ Market-leading straight through processing for FX transactions

## Innovation



- ✓ Track record of delivering innovative industry and policy solutions
- ✓ Significant transactional banking investment
- ✓ Partnering with fintechs to deliver new technologies and increase delivery speed

First Half 2018

### Retained Government contracts

- Victorian Government extended its banking contract with Westpac for a further 2 years

### Public infrastructure expertise

- Lead arranger and underwriter on Melbourne's \$6 billion Metro Tunnel Project PPP and lead arranger on the \$1.8 billion Western Roads Upgrade PPP

### Supporting infrastructure development

- More than \$1 billion new funding commitments supporting over \$9.5bn in capital investment in Australian infrastructure and energy projects

### Committed to clean energy targets

- Leading bank supporting new large scale renewable energy projects (by funding commitments)<sup>2</sup>
- Financed over 800MW of new renewable energy projects, which when complete, will generate electricity to power over 500,000 homes

### Enhanced liquidity and working capital management

- New digital liquidity management platform will make it easier for corporate and institutional customers to manage their liquidity and working capital
- Customers will have the capabilities of a bank "in-house", including account opening, liquidity transfers between subsidiaries and other legal entities, intra-day sweeps, payments and collections
- Will provide a single view of cash positions across the whole organisation
- Giving greater flexibility and control over banking through an intuitive, user-friendly interface

### First to market with Corporate Loan Portal

- Online portal providing customers with greater visibility and control over their loans, now with 150 customers in the pipeline

### Insights-driven analytics

- Westpac Institutional Data Analytics is partnering with State Governments, providing data science services to support transport infrastructure planning and the promotion of key industries including tourism
- 150 APIs developed through Qvalent in the last year to enable flexibility and customisation of payments, receivables, and reconciliation reporting

### New technologies

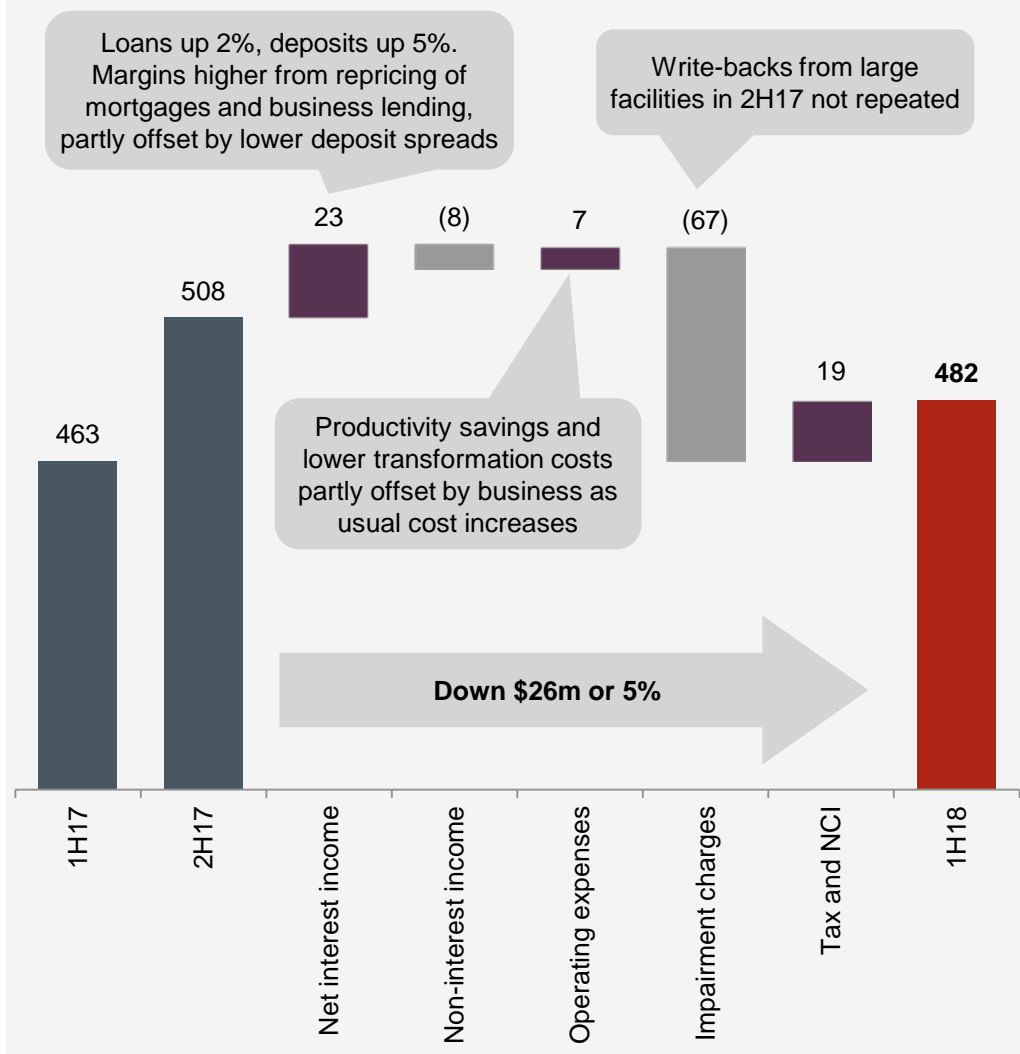
- Successful testing of bank guarantees using distributed ledger technology

### Payment solutions for Government and Education sectors

- Over 1 million online transactions processed for the NSW Department of Education in 2017, almost double 2016 volumes
- Enables parents in more than half of all NSW schools to make online payments, reducing cash in schools and cash handling costs

<sup>1</sup> Transactional banking relationships retention rate defined as the percentage of transactional relationships at the start of 1H18 that were retained through to the end of the period. <sup>2</sup> Source: IJ Global League Tables.

## Cash earnings (NZ\$m)



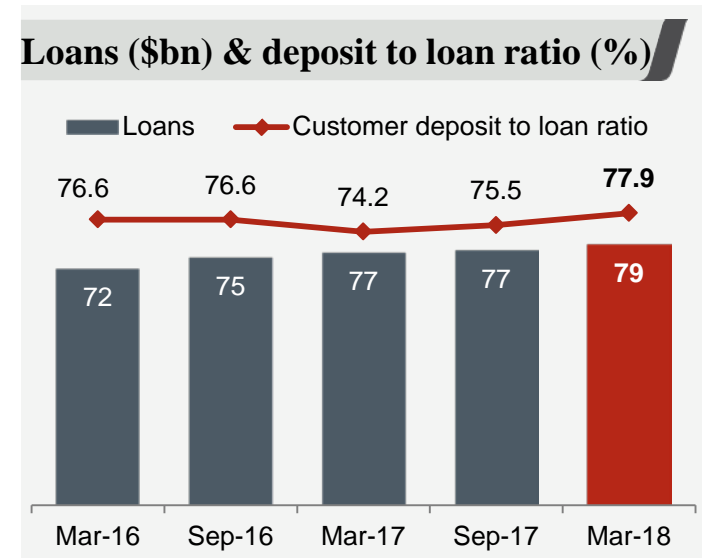
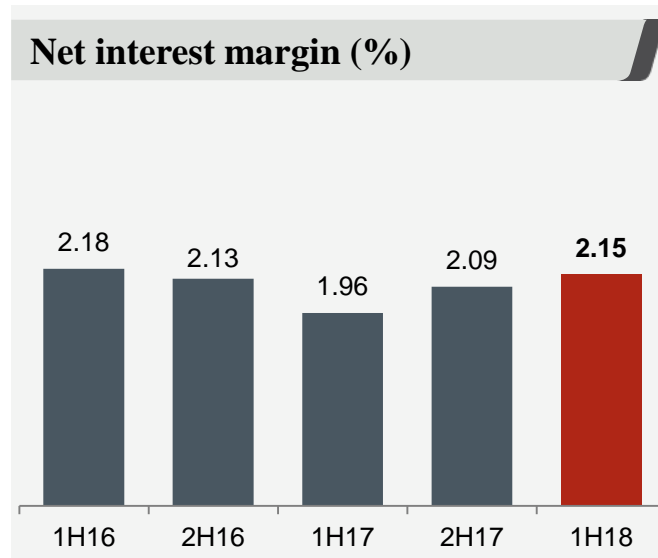
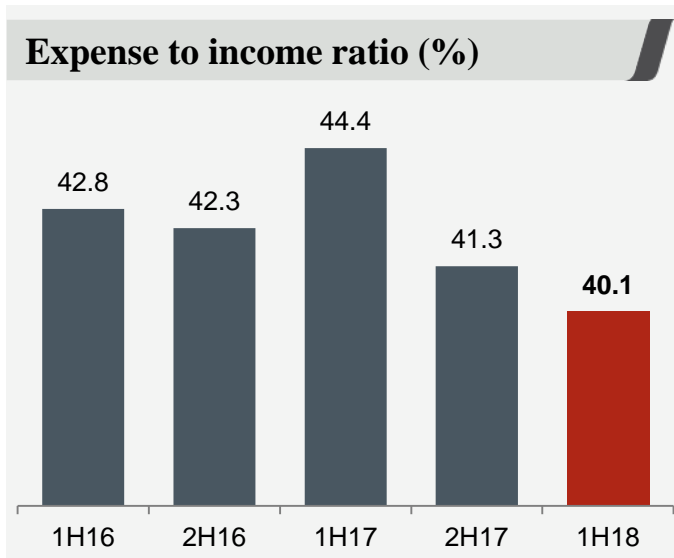
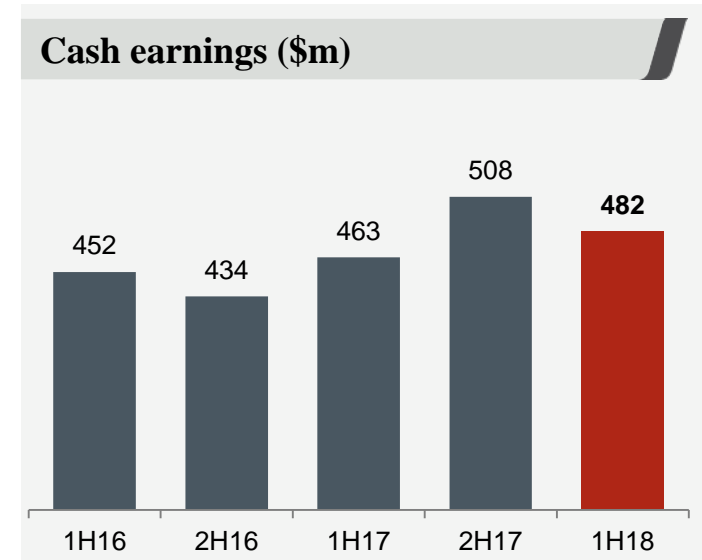
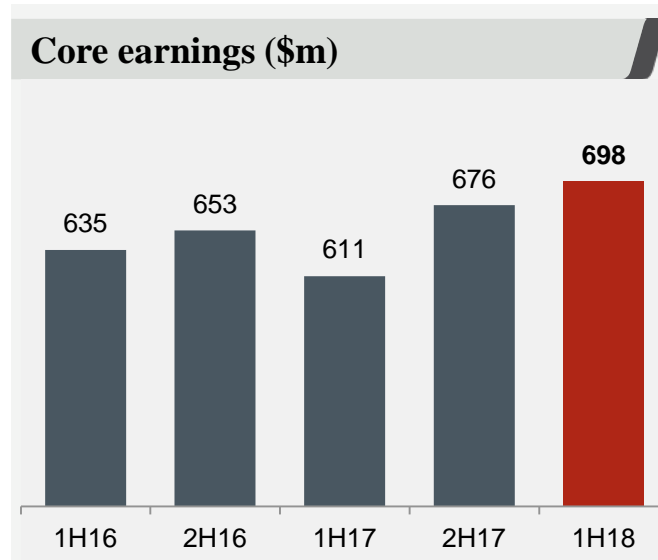
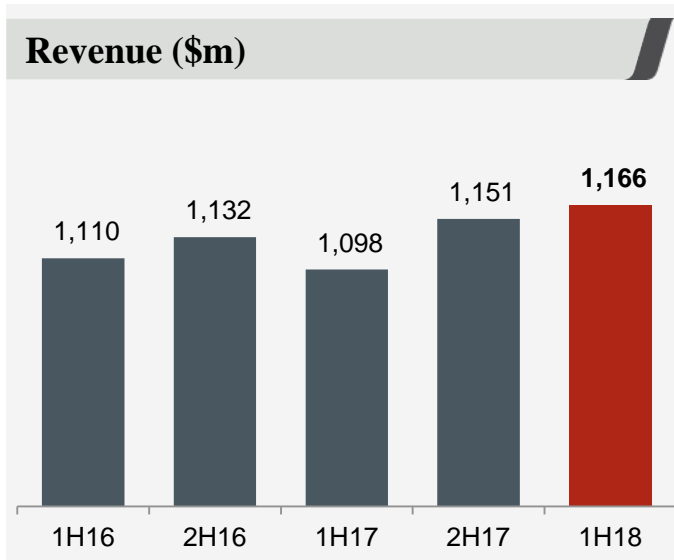
1 Refer page 137 for metric definition.

## Key financial metrics

	1H17	2H17	1H18	Change on 2H17
Revenue (NZ\$m)	1,098	1,151	1,166	1%
Net interest margin (%)	1.96	2.09	2.15	6bps
Expense to income (%)	44.4	41.3	40.1	(113bps)
Customer deposit to loan ratio (%)	74.2	75.5	77.9	233bps
Stressed assets to TCE (%)	2.41	2.06	1.86	(20bps)

## Key operating metrics

	1H17	2H17	1H18	Change on 2H17
Customers (#m)	1.36	1.35	1.36	0.01
Branches	170	169	164	(5)
Consumer NPS <sup>1</sup>	6	2	9	+7
Business NPS <sup>1</sup>	10	5	17	+12
Agri NPS <sup>1</sup>	43	54	52	(2)
FUM and FUA (NZ\$bn) (spot)	9.7	10.1	10.3	2%
Service quality – complaints (000's)	11.4	9.6	8.5	(11%)



<sup>1</sup> All figures in NZ\$ unless otherwise indicated.

## Business digital experience

- Single online business banking platform, Westpac One Business, developed. Pilot commenced in November 2017, with additional functionality to be rolled-out in 2H18
- Application programming interface (API) platforms enables business customers to complete customer initiated secure online payment transactions



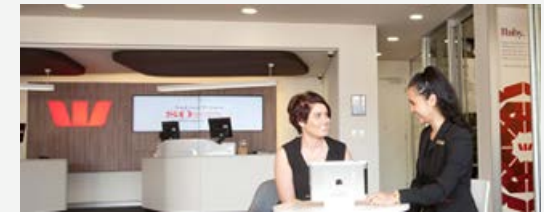
## Consumer digital experience

- Value Me program launched in 1H18, providing customers with personalised banking solutions and recommendations based on individual banking behaviour
- Launched Wes (our online chat-bot), in October 2017, which responds to customer questions in real-time. Personalised account query functionality is being developed

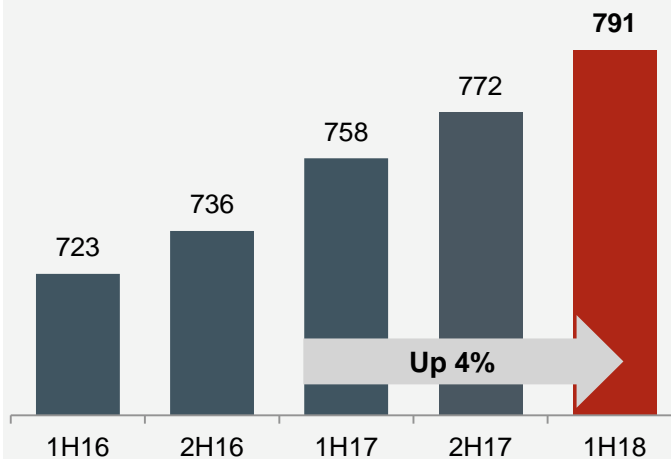


## Declining branch transactions

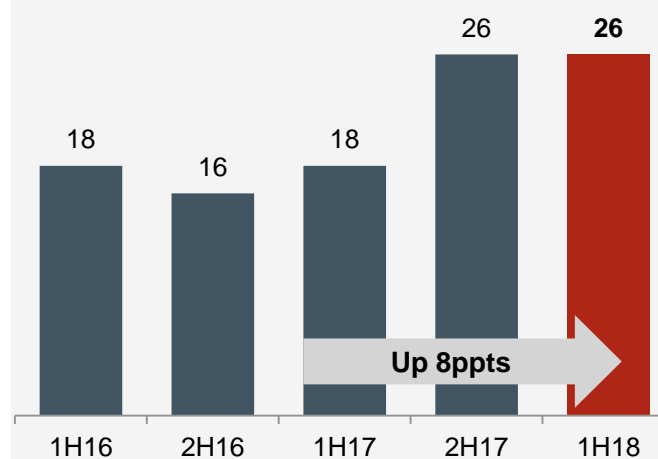
- 3.4% of financial transactions<sup>1</sup> for WNZL are completed via a branch, compared with NZ average of 4.1% and UK average 7.8%<sup>2</sup>
- Transformation supported by our people, customer education programs, digital ambassadors and learning tools



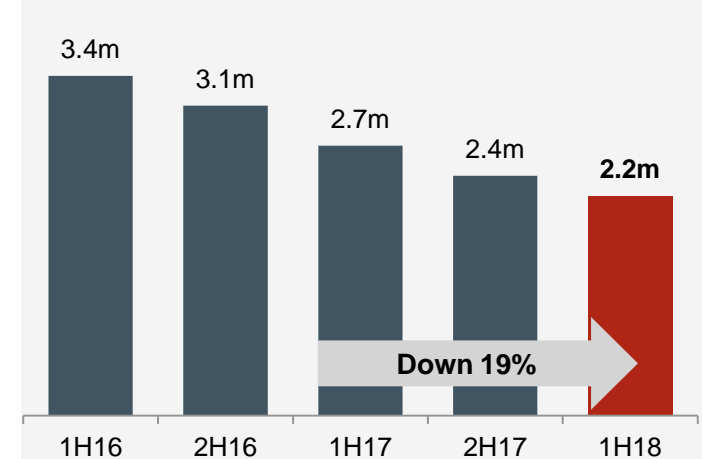
## Digitally active customers (#'000's)



## Digital sales<sup>3</sup> (% of total sales)



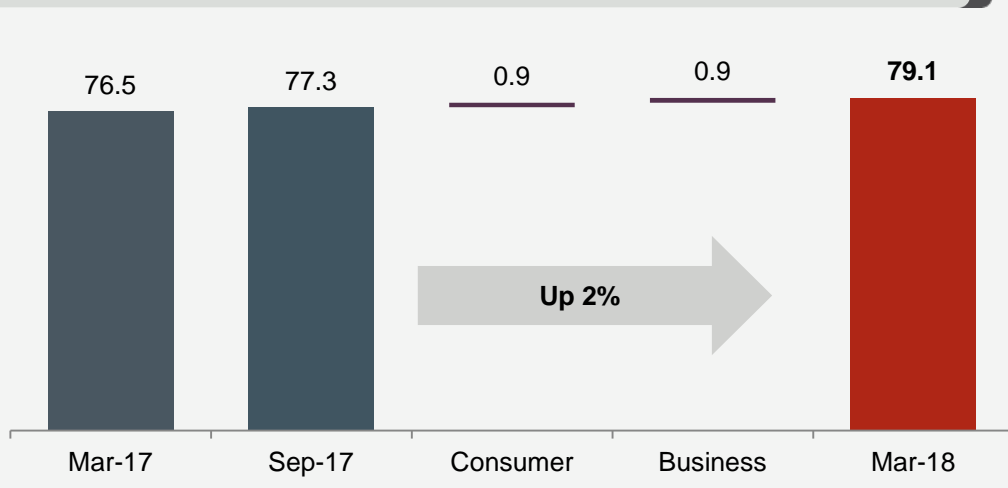
## OTC<sup>4</sup> transactions



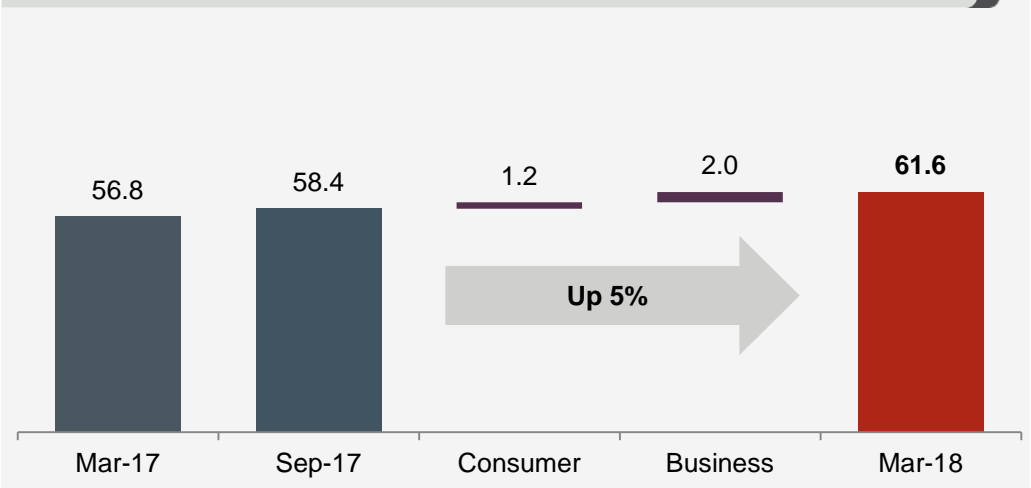
<sup>1</sup> Financial transactions refers to customer initiated withdrawals, deposits, transfers and payments across all channels. <sup>2</sup> Source: Finalta Sales Effectiveness Benchmark Study 2017. <sup>3</sup> Digital sales have been restated to reflect all consumer products including Wealth. <sup>4</sup> OTC is over-the-counter.

# Balance sheet drivers

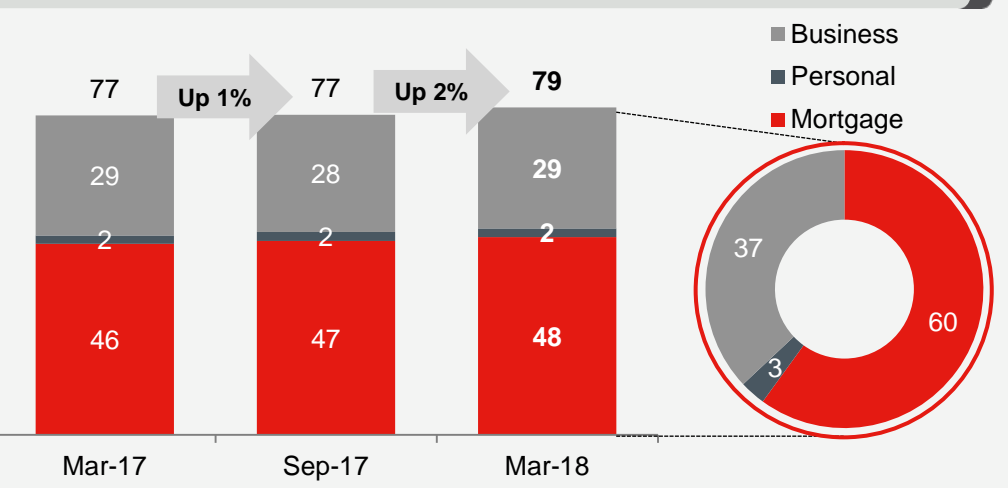
## New Zealand net loans (NZ\$b)



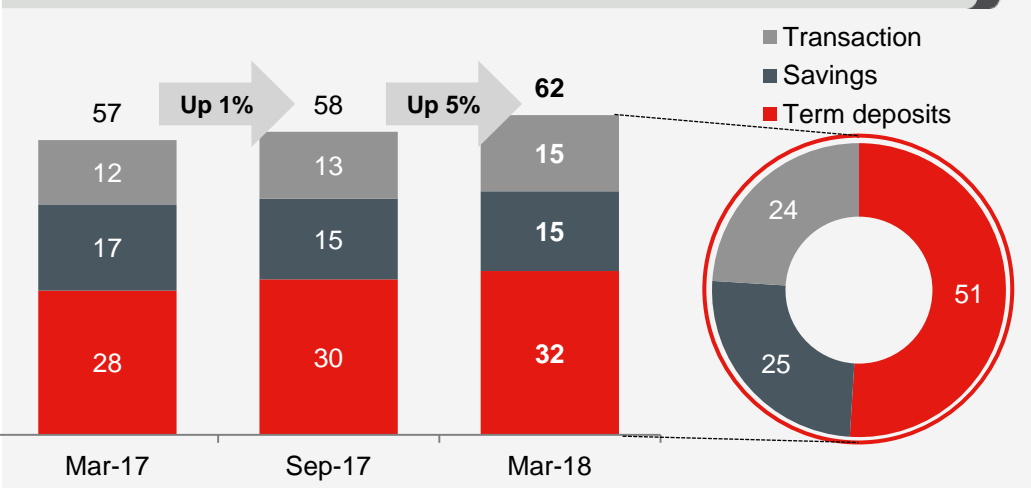
## New Zealand deposits (NZ\$b)



## New Zealand customer loans (NZ\$b) and % of total



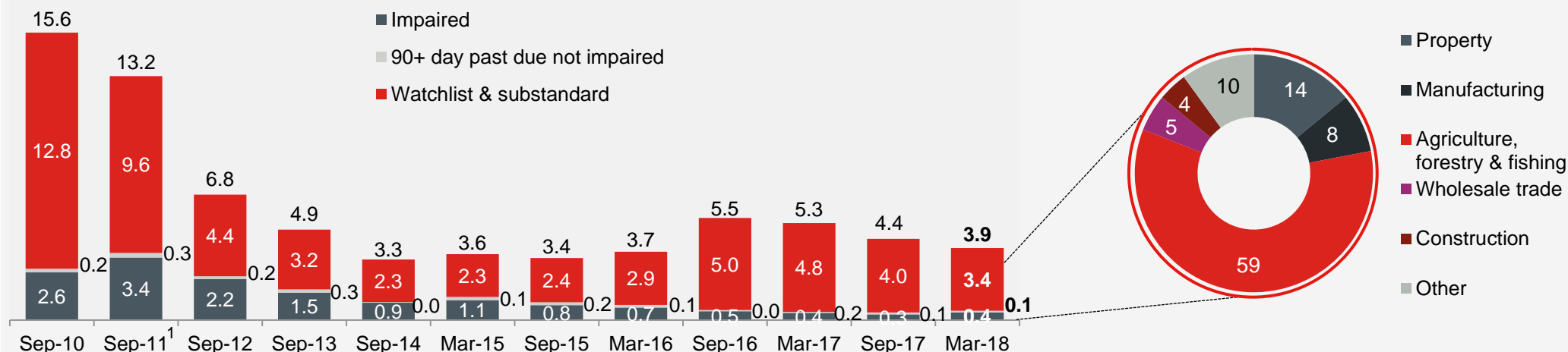
## New Zealand customer deposits (NZ\$b) and % of total





# Stressed exposures lower as dairy portfolio improves

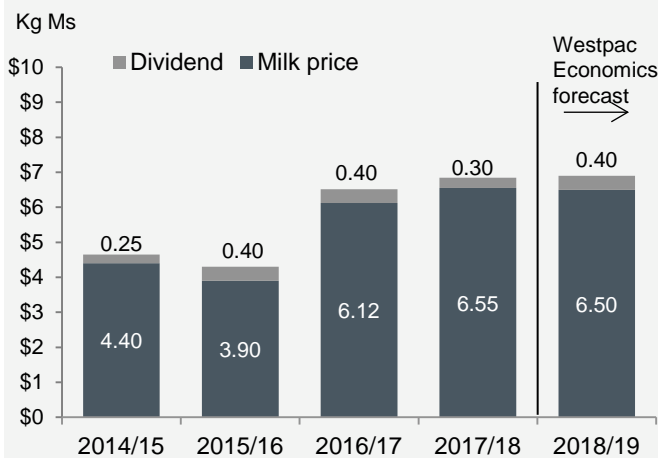
## Business stressed exposures as a % of New Zealand business TCE



## Agribusiness portfolio

	Mar-17	Sep-17	Mar-18
TCE (NZ\$bn)	8.6	8.9	<b>8.9</b>
Agriculture as a % of total TCE	8.0	8.2	<b>8.0</b>
% of portfolio graded as 'stressed' <sup>2</sup>	16.9	13.5	<b>12.1</b>
% of portfolio in impaired	0.44	0.41	<b>0.50</b>

## Milk price & Fonterra dividend<sup>3</sup> (NZ\$)



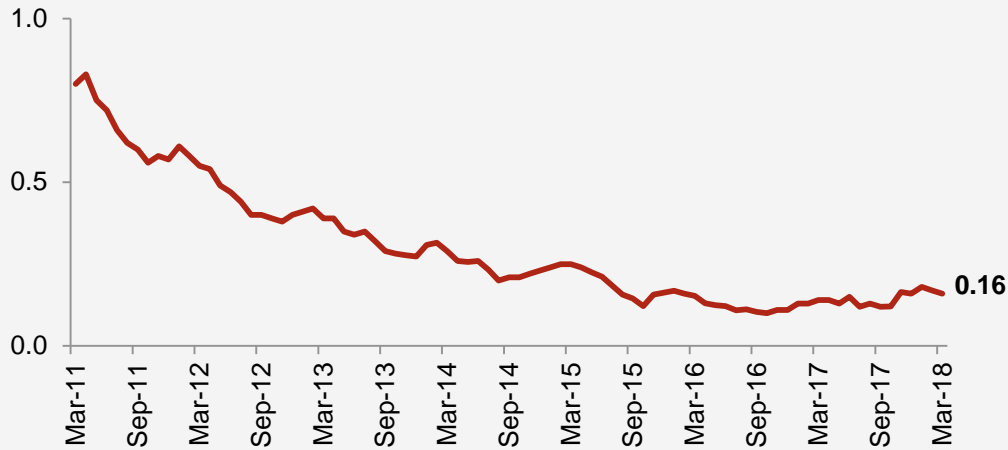
## Summary

- Dairy portfolio's risk grade profile is improving following favourable milk price movements
- Focus remains on supporting existing dairy customers with proven long-term financial viability
- Expect portfolio to continue improving as high milk price translates to cash flow although some land-price risks are evident

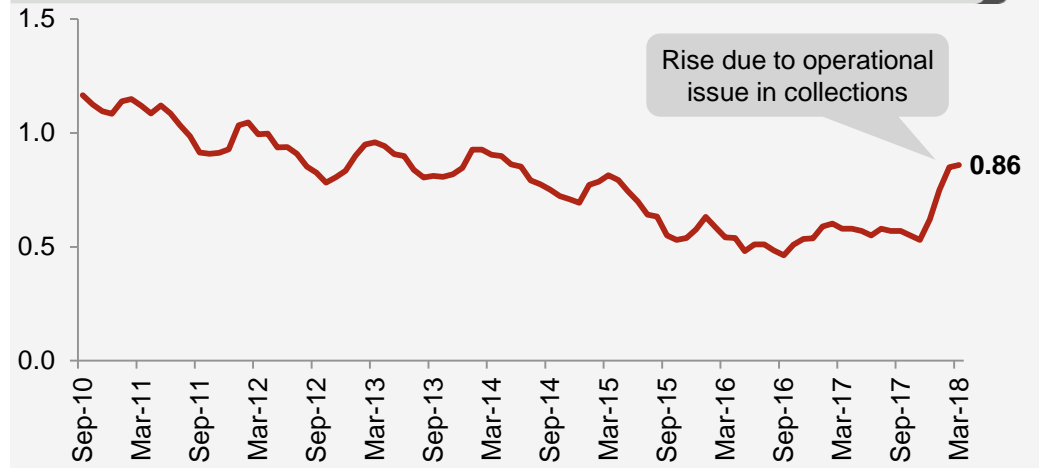
1 Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012. 2 Includes impaired exposures. 3 Source: Fonterra.

# Consumer asset quality in good shape

### Mortgages 90+ days past due

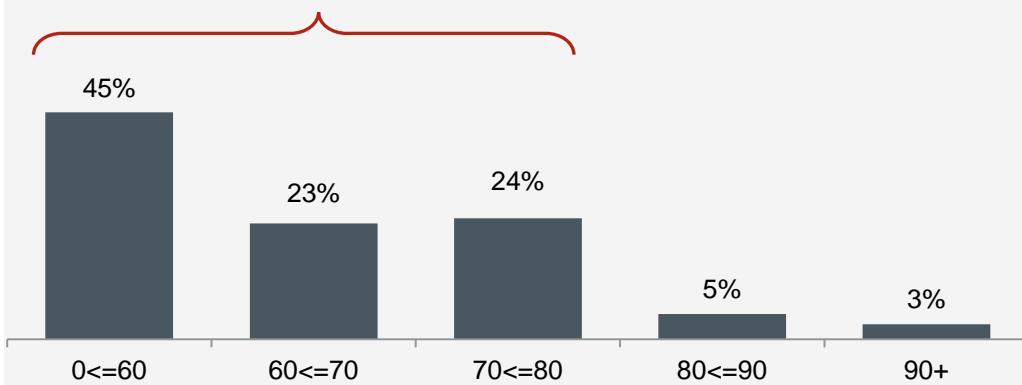


### Unsecured consumer 90+ day delinquencies (%)



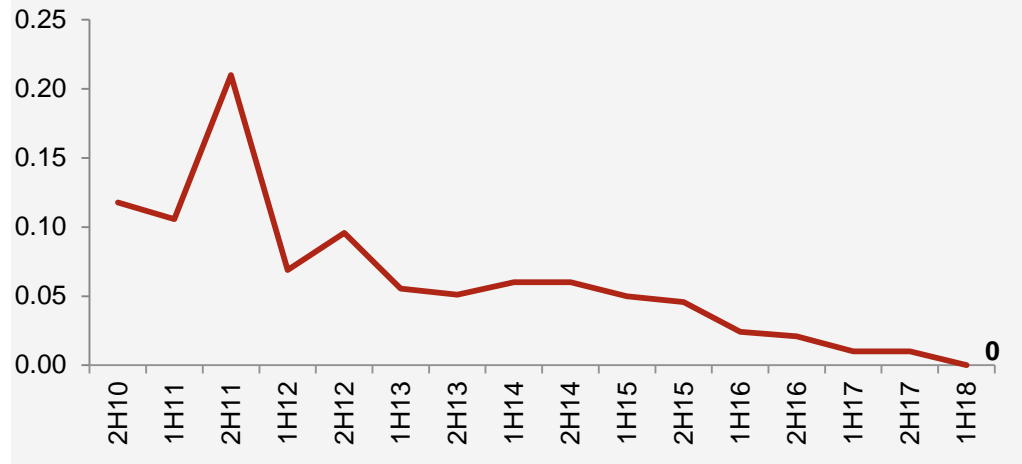
### Mortgage portfolio LVR<sup>1</sup> (%) of portfolio

92% of mortgage portfolio less than 80% LVR



<sup>1</sup> LVR based on current loan property value at latest credit event.

### Mortgage loss rates each half (%)



# Economics



## Australian economy key statistics (latest available as at April 2018)

**GDP** (end calendar 2017) **2.4%**

Westpac Economics Forecast (end calendar 2018) 2.7%

**Unemployment Rate** **5.5%**

Westpac Economics Forecast (end calendar 2018) 5.5%

**Inflation** **1.9%**

Westpac Economics Forecast (end calendar 2018) 2.1%

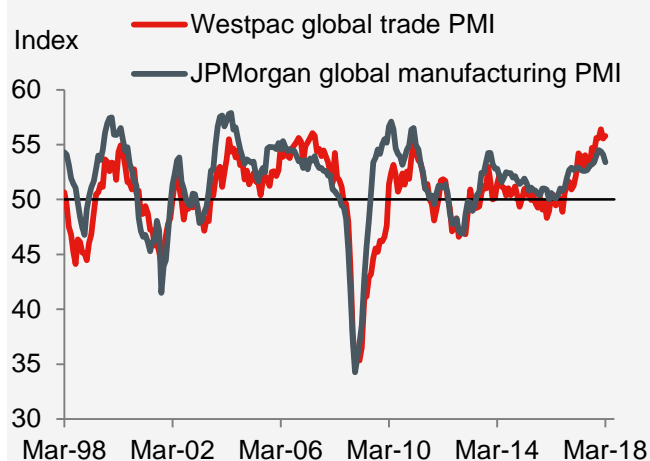
**Cash Rate** **1.50%**

Westpac Economics Forecast (end calendar 2018) 1.50%

**AUD/USD<sup>4</sup>** **US\$0.76**

Westpac Economics Forecast (end calendar 2018) US\$0.74

## Global backdrop mostly positive



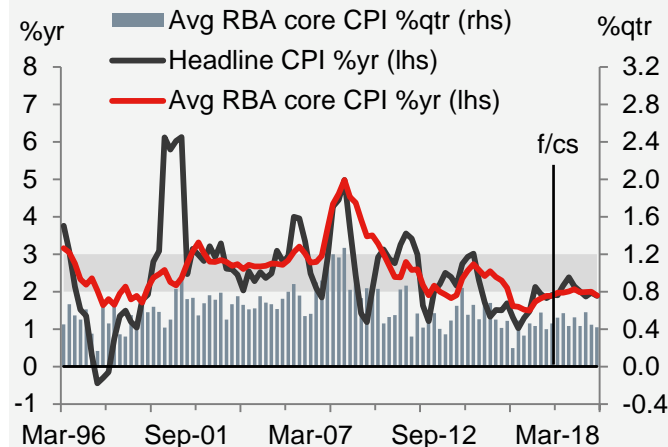
Sources: Reuters, Westpac Economics

## Australian investment cycles offsetting<sup>1</sup>



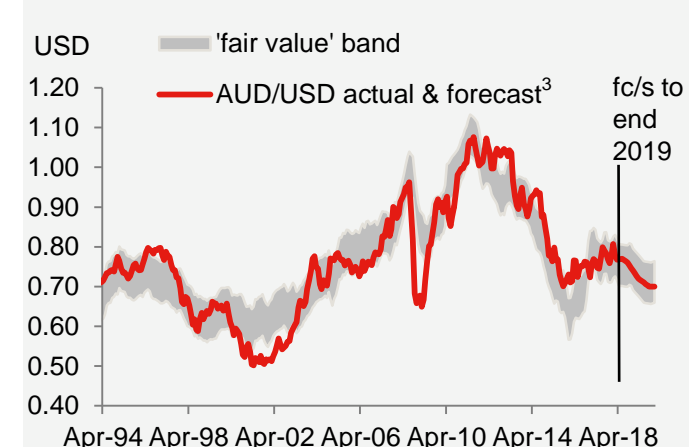
Sources: ABS, Westpac Economics

## Inflation remains subdued<sup>2</sup>



Sources: ABS, RBA, Westpac Economics.

## AUD forecast to move lower



Sources: RBA, Westpac Economics.

1 Non-residential building is both private and public. Infrastructure ex-mining is both private and public and excludes imports. Mining investment excludes imports. Westpac estimates. 2 Average RBA core CPI is average of seasonally adjusted trimmed mean & weighted median CPI ex tax changes & WBC estimate of carbon price impact. 3 Includes WCFI+BI commodities index, 2 year swap spread and NFD to GDP. 4. As at 27 April 2018.

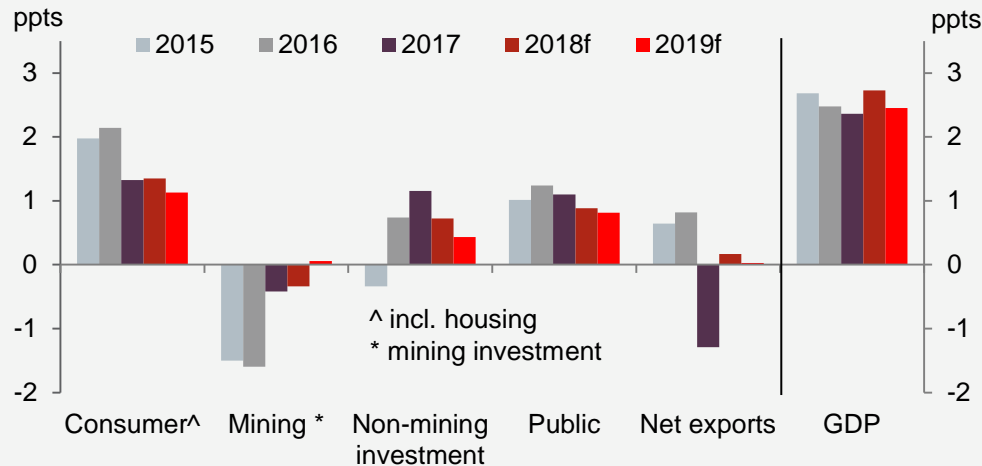
Key economic indicators (%) as at April 2018		Calendar year		
		2017	2018E	2019F
<b>World</b>	<b>GDP<sup>1</sup></b>	<b>3.8</b>	<b>3.9</b>	<b>3.7</b>
<b>Australia</b>	<b>GDP<sup>2</sup></b>	<b>2.4</b>	<b>2.7</b>	<b>2.5</b>
	Private consumption <sup>2</sup>	2.9	2.6	2.5
	Business investment <sup>2,3</sup>	5.8	3.0	3.5
	Unemployment – end period	5.5	5.5	5.6
	CPI headline – year end	1.9	2.1	1.9
	Interest rates – cash rate	1.50	1.50	1.50
	Credit growth, Total – year end	4.9	4.2	3.7
	Credit growth, Housing – year end	6.3	4.8	4.0
	Credit growth, Business – year end	3.2	4.0	4.0
<b>New Zealand</b>	<b>GDP<sup>2</sup></b>	<b>2.9</b>	<b>2.7</b>	<b>3.0</b>
	Unemployment – end period	4.5	4.5	4.7
	Consumer prices	1.6	1.7	1.5
	Interest rates – official cash rate	1.75	1.75	2.00
	Credit growth – Total <sup>4</sup>	6.5	4.9	4.2
	Credit growth – Housing <sup>4</sup>	7.4	5.2	3.6
	Credit growth – Business <sup>4</sup>	6.6	5.4	5.6

Source: Westpac Economics.

1 Year average growth rates. 2 Through the year growth rates. 3 Business investment adjusted to exclude the effect of public sector purchases of public assets.

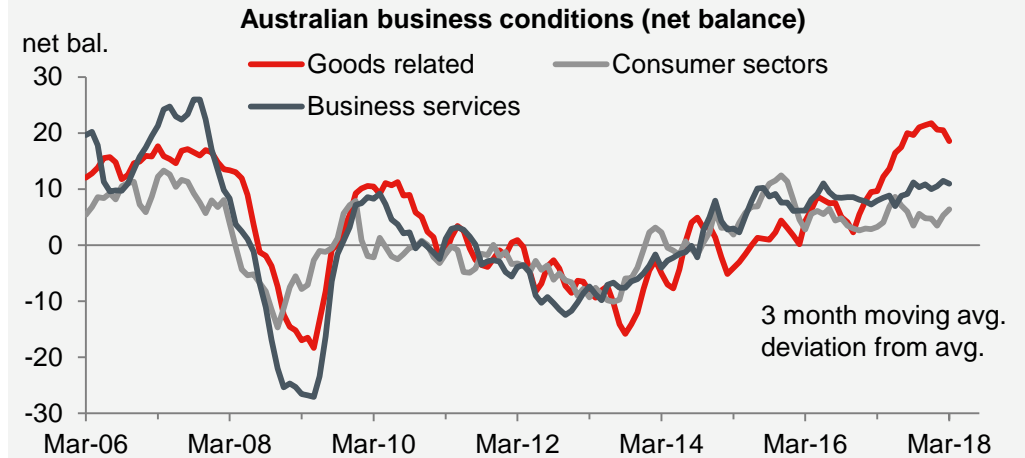
4 NZ credit forecasts are for growth over the calendar year.

## Contributions to GDP growth (ppts)



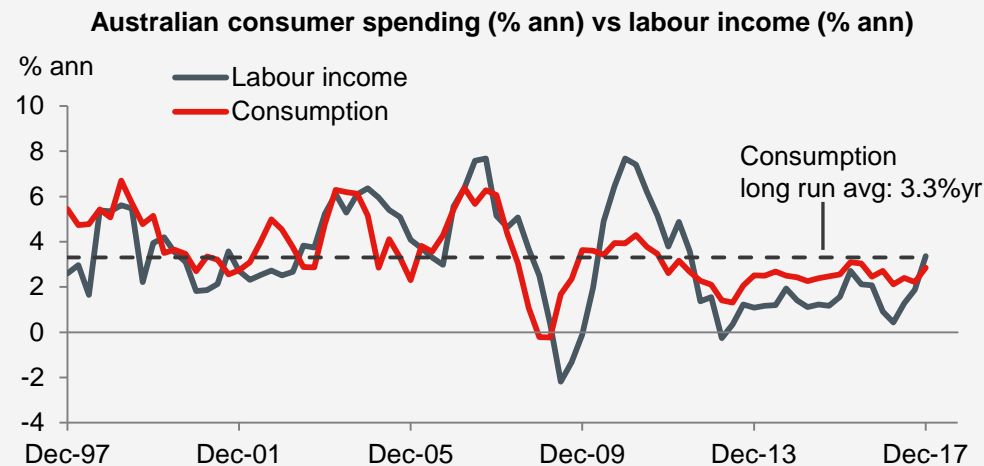
Sources: ABS, Westpac Economics.

## Positive but uneven business conditions



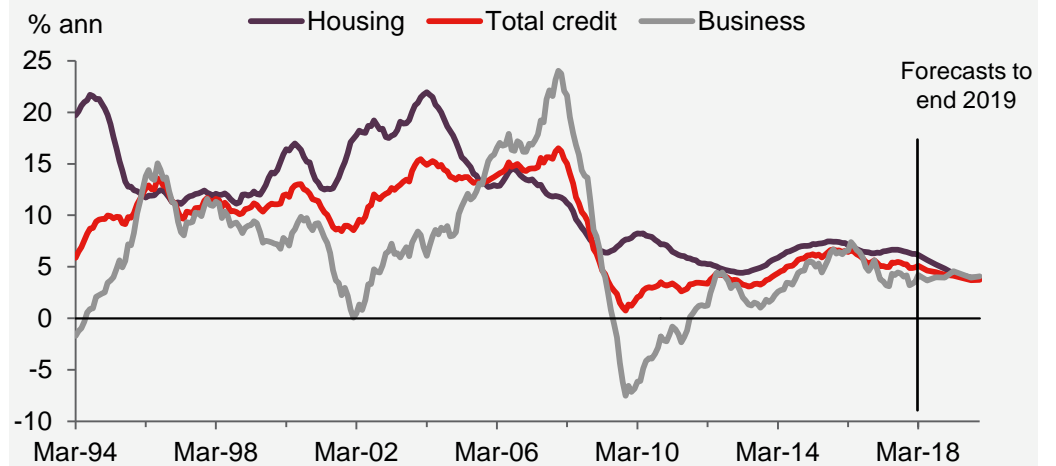
Sources: NAB survey, Westpac Economics.

## Consumer spending constrained by slow income growth



Sources: ABS, Westpac Economics.

## Australian private sector credit growth (% ann)



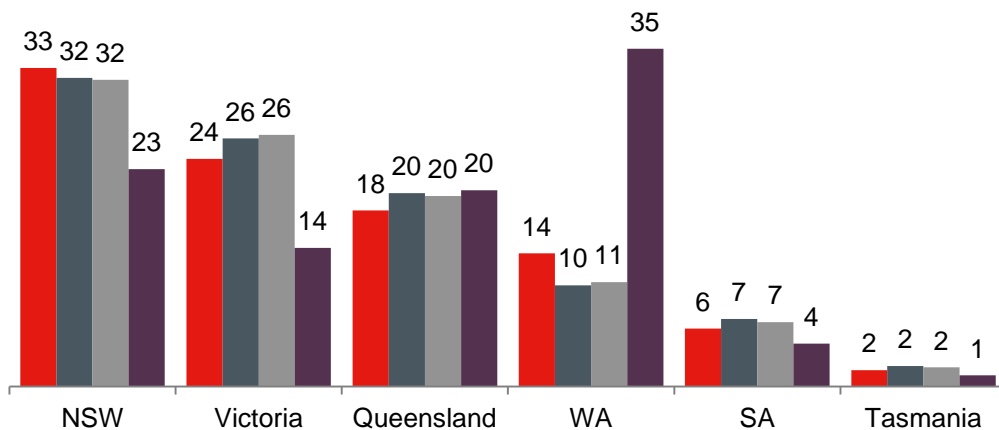
Sources: RBA, Westpac Economics.

## NSW and Victoria 58% of population and employment



### Relative size of States (Share of Australia, 2016/17, %)

■ GSP ■ Population ■ Employment ■ Exports

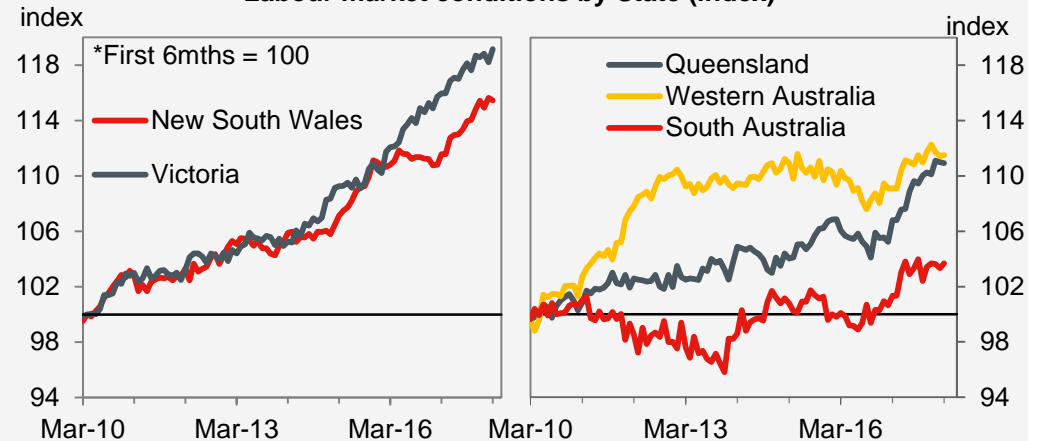


Sources: ABS, Westpac Economics

1. Real, financial years, experimental estimates

## Jobs growth strongest in NSW and Victoria

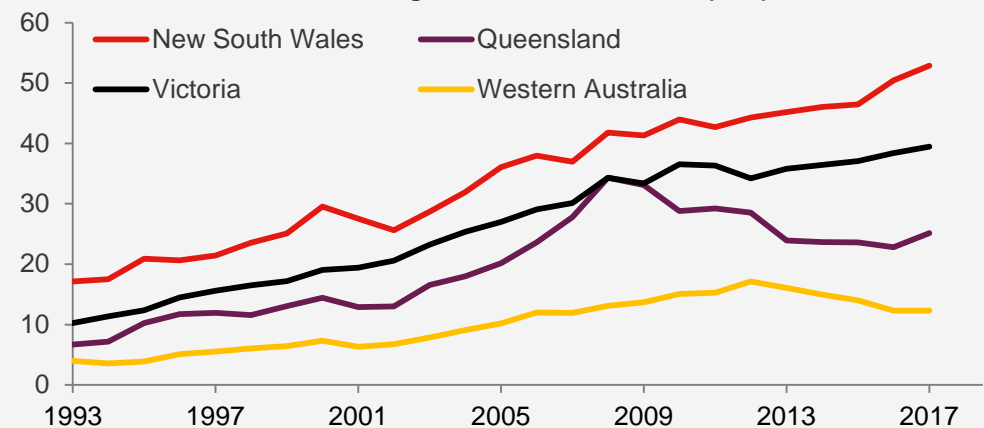
### Labour market conditions by State (index)



Sources: ABS, Westpac Economics

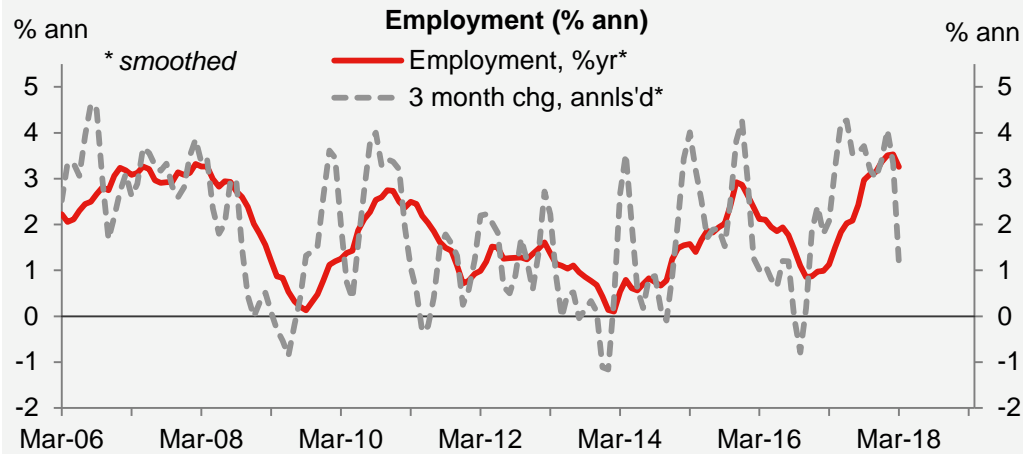
## Activity picking up in NSW and Victoria<sup>1</sup>

### Non-mining Business investment (\$bn)



Sources: ABS, Westpac Economics

## Jobs momentum slowing



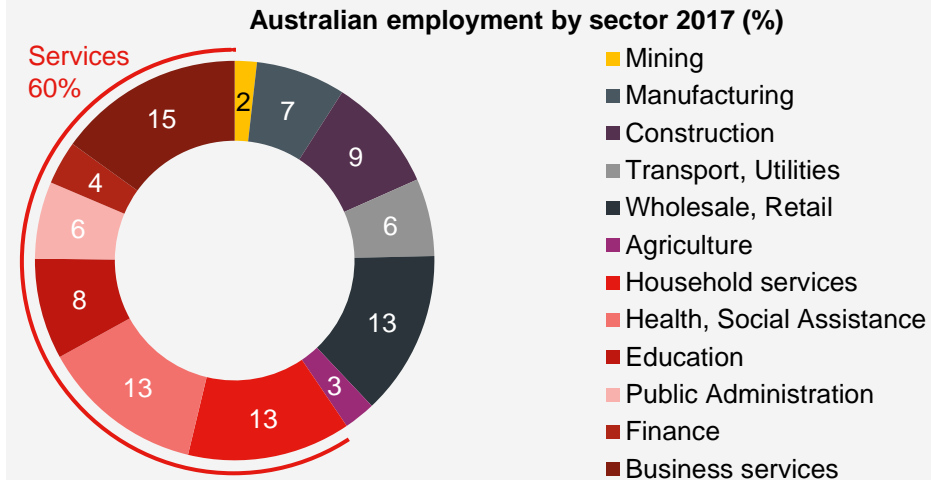
Sources: ABS, Westpac Economics.

## Australian wage inflation remains low



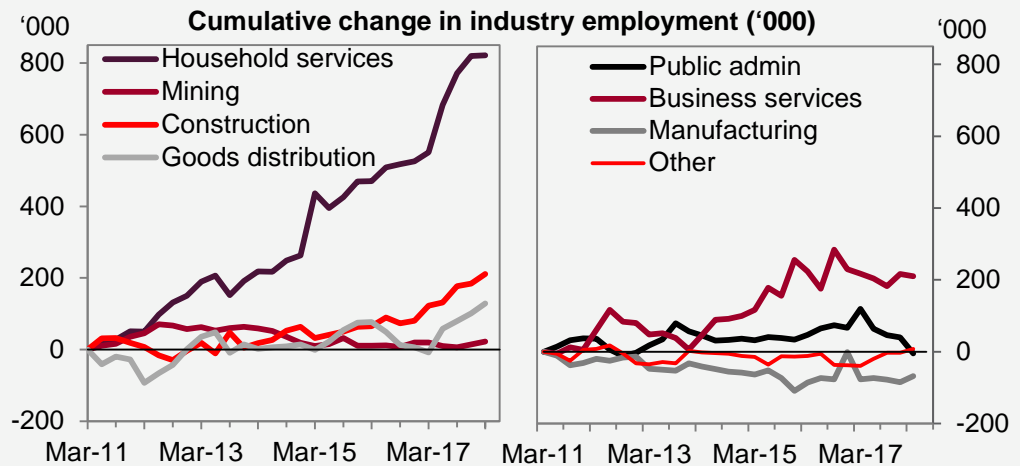
Sources: ABS, Westpac Economics.

## Services employ a large part of the Australian workforce



Sources: ABS, Westpac Economics.

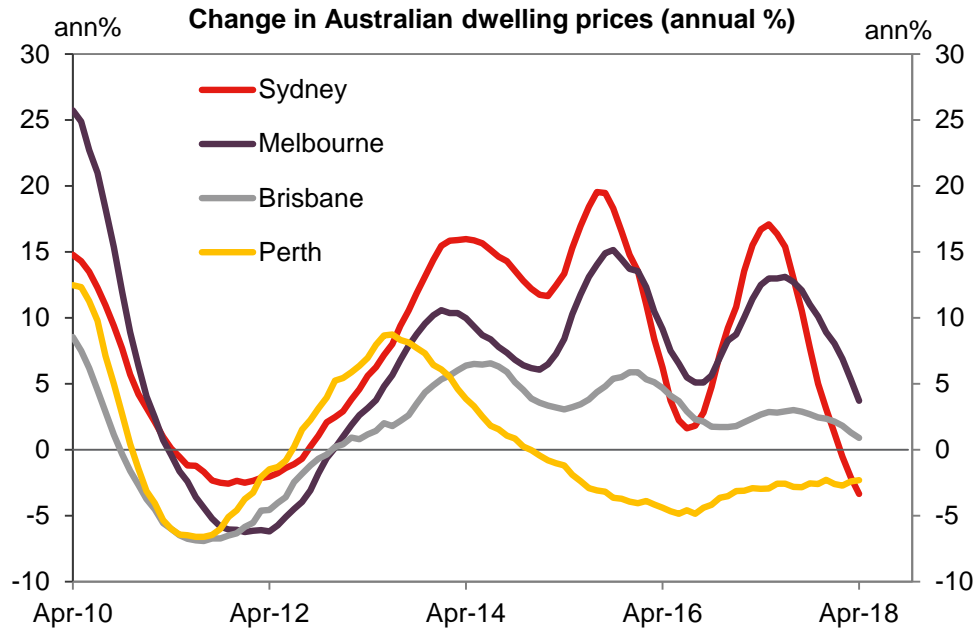
## Job gains in low wage sectors



Sources: ABS, Westpac Economics.



## Dwelling prices cooling

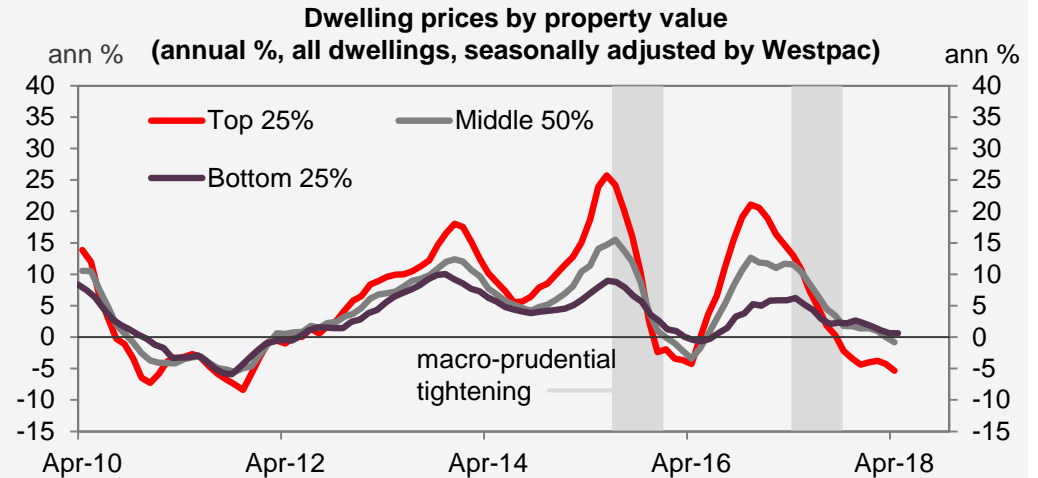


Sources: CoreLogic, Westpac Economics. Dwelling prices are all dwellings, 6mth annualised growth.

Capital city	Pop'n	dwelling prices		
		% Change last 3mths (Apr-18)	% Change YoY (Apr-18)	Avg since 2007
Sydney	4.8m	Down 1.2%	Down 3.4%	Up 5.7%
Melbourne	4.5m	Down 0.7%	Up 3.7%	Up 5.5%
Brisbane	2.3m	Down 0.1%	Up 0.9%	Up 1.1%
Perth	1.9m	Up 0.1%	Down 2.3%	Down 0.6%

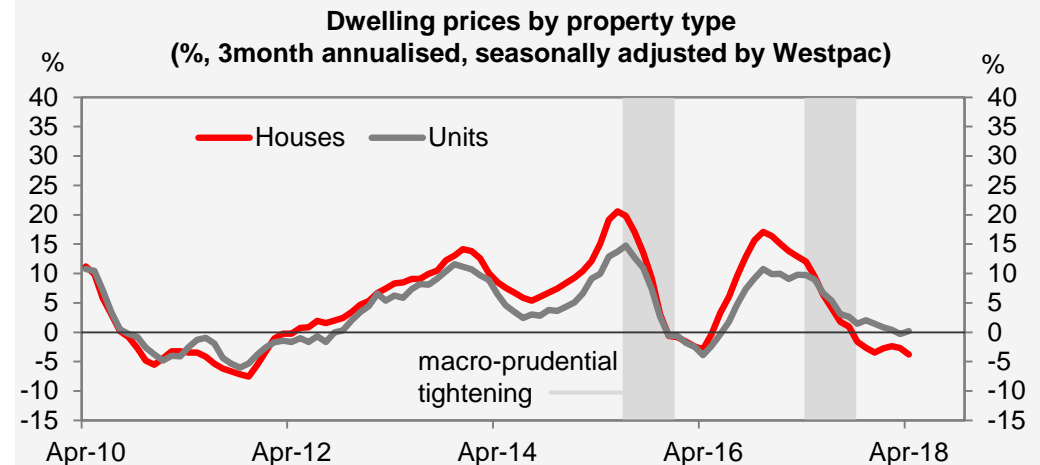
Sources: ABS, CoreLogic, Westpac Economics.

## Price decline felt most in the top 25% of house prices



Sources: CoreLogic, Westpac Economics.

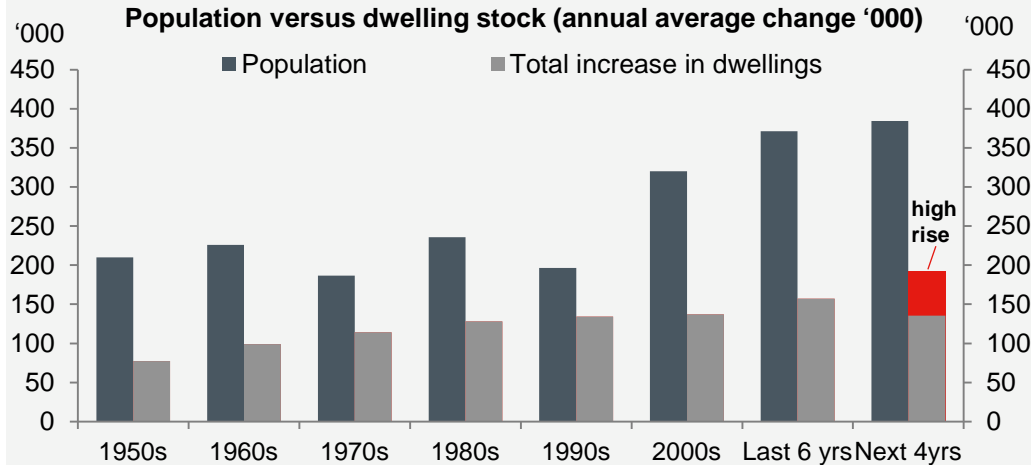
## Unit pricing outperforming detached houses



Sources: CoreLogic, Westpac Economics.

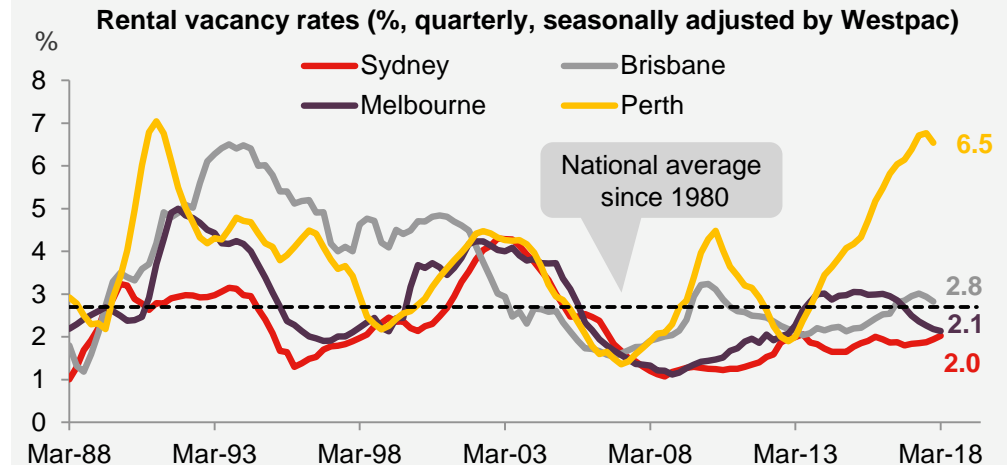
# Housing supply/demand fundamentals remain sound

## Aggregate supply/demand fundamentals remain positive



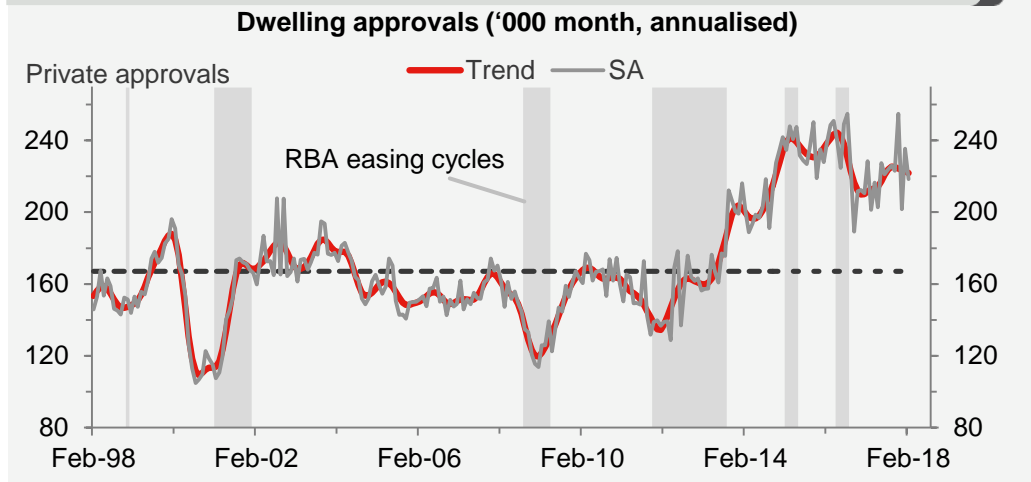
Sources: ABS, Westpac Economics. Dwelling stock is net of demolitions – implied by Census data.

## Rental vacancy rates remain tight in Sydney and Melbourne



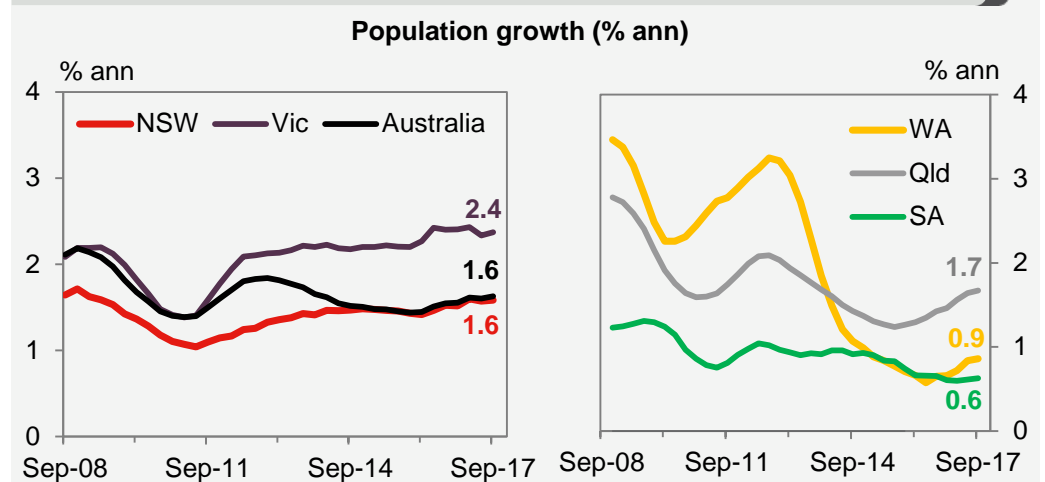
Sources: REIA, Westpac Economics

## Dwelling approvals down from 2016 highs



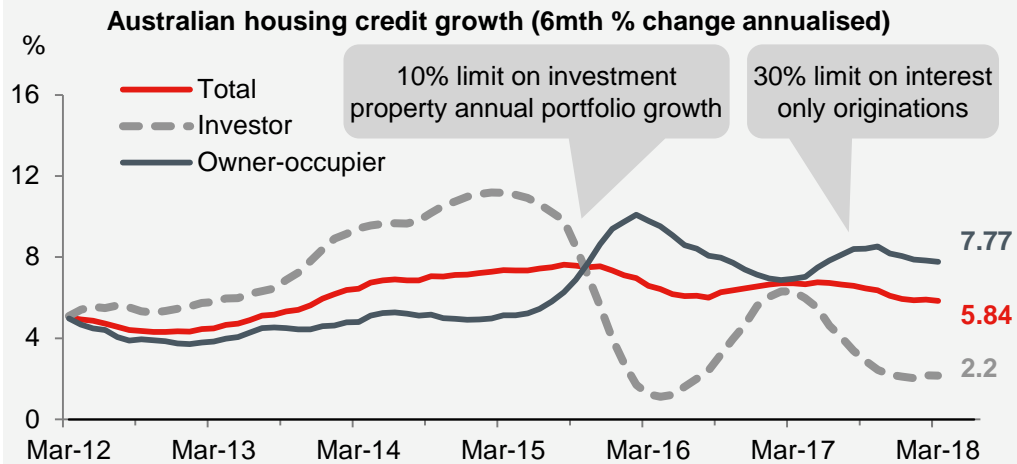
Sources: ABS, RBA, Westpac Economics.

## Population growth remains high in Australia



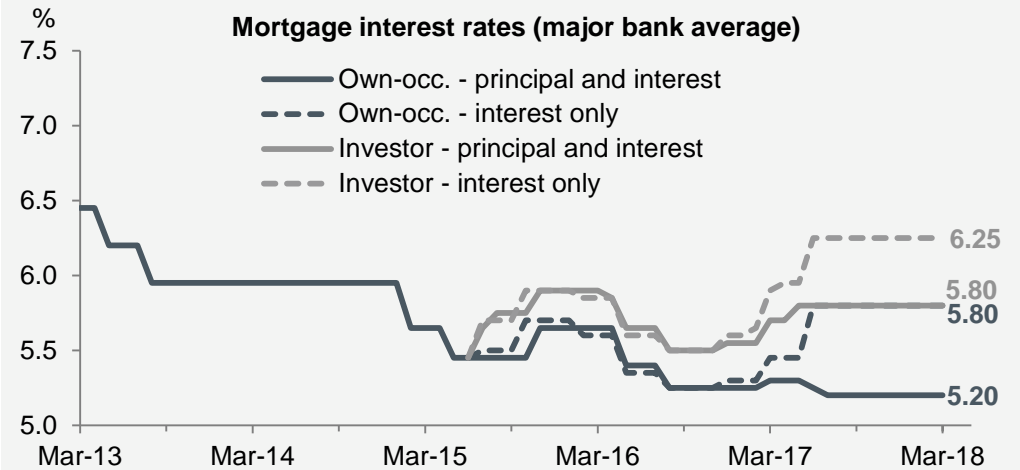
Sources: ABS, Westpac Economics

## Change in composition of housing credit



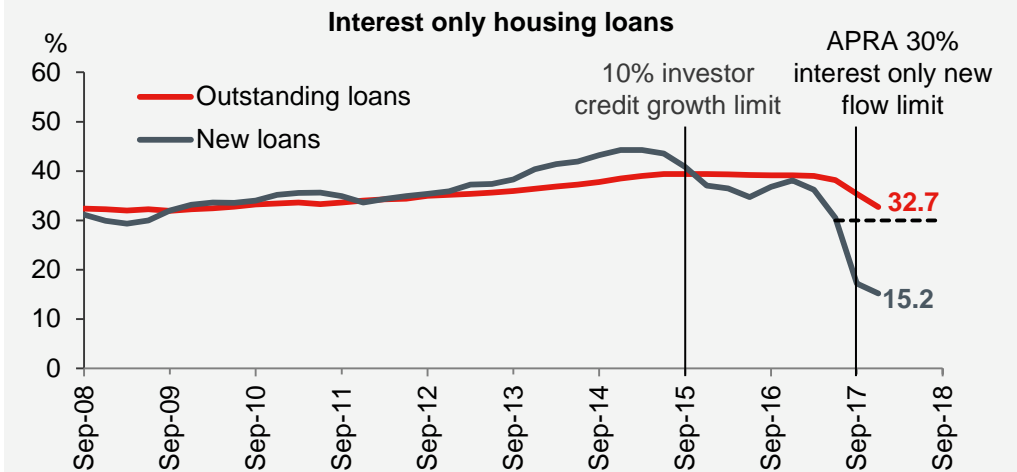
Sources: RBA, Westpac Economics.

## Introduction of differentiated mortgage pricing



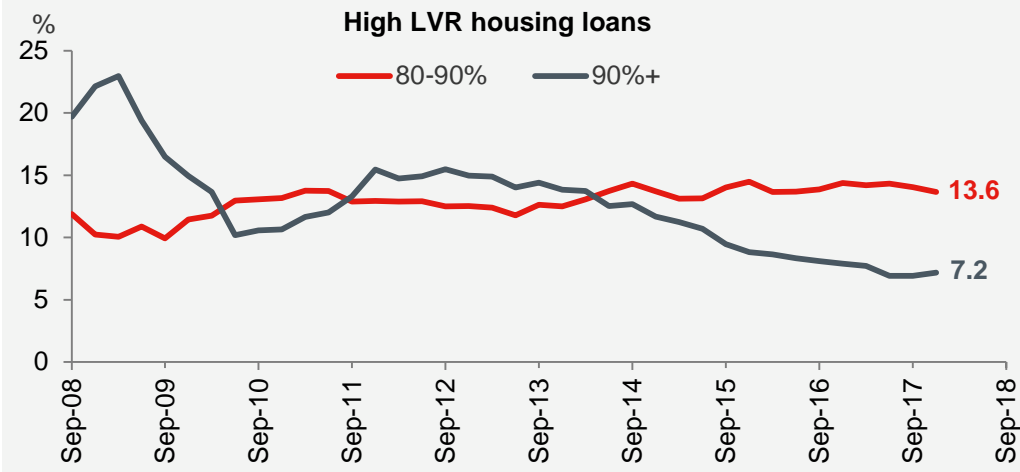
Source: APRA, RBA, Westpac Economics

## Lower new flow of interest only loans



Sources: ABS, APRA, RBA, Westpac Economics.

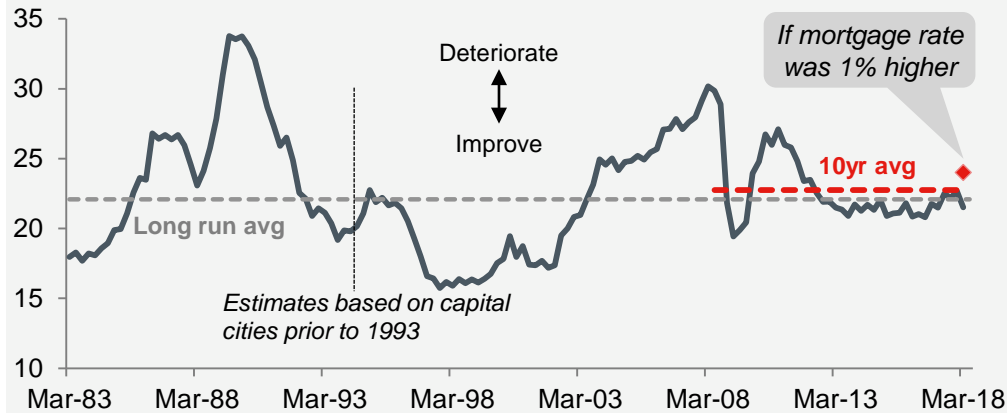
## Lower new flow of high LVR loans



Sources: ABS, APRA, RBA, Westpac Economics

## Housing affordability: all dwellings

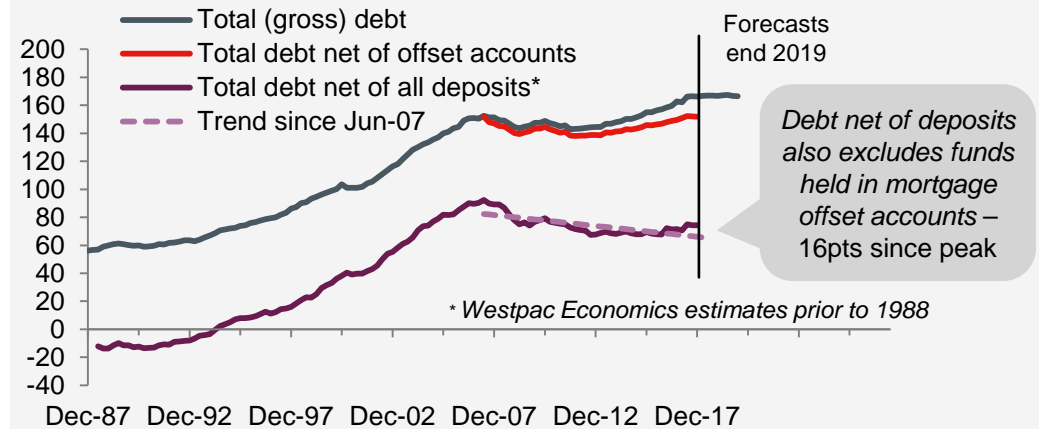
(% income required to service mortgage of 75% median dwelling, all regions)



Sources: RBA, Westpac Economics.

## Australian household debt to income ratio remains high

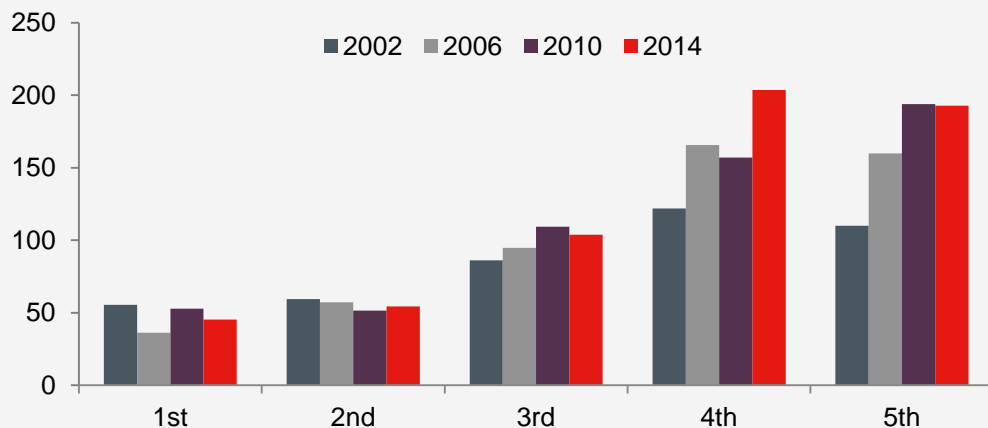
Australian households debt to income ratio (%)



Sources: ABS, RBA, Westpac Economics

## Higher income households have increased borrowings

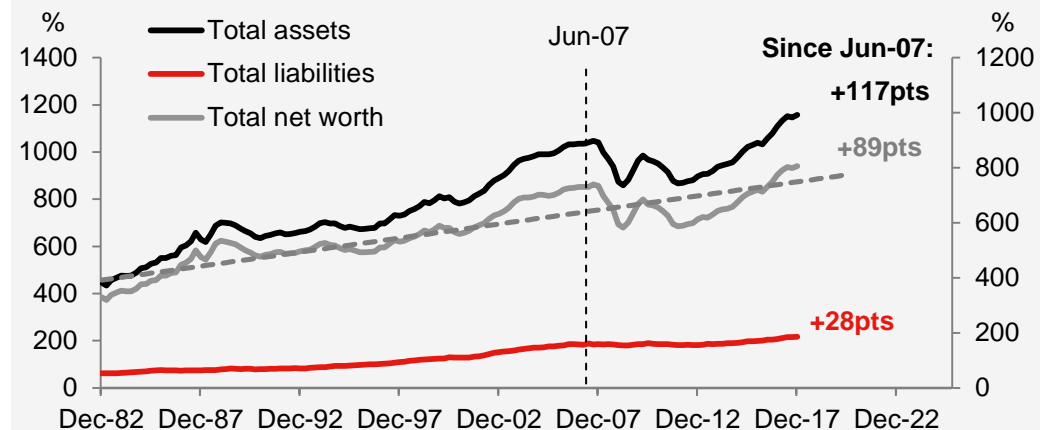
Australian household debt-to-income ratios by income quintile (%)



Sources: ABS, RBA, Westpac Economics.

## Australian household net wealth has also increased

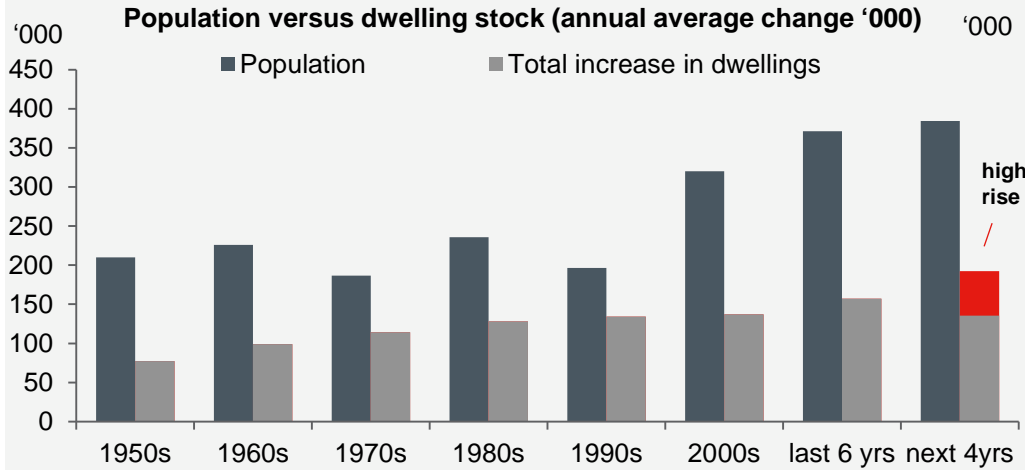
% Annual household disposable income



Sources: ABS, RBA, Westpac Economics.

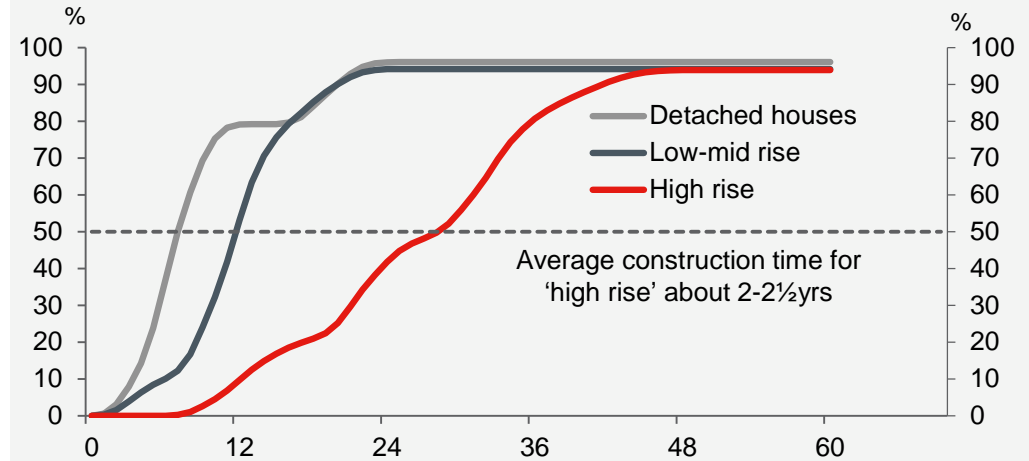
# Australia's high rise apartment market – past the peak although supply still coming online

## Aggregate supply/demand fundamentals remain positive



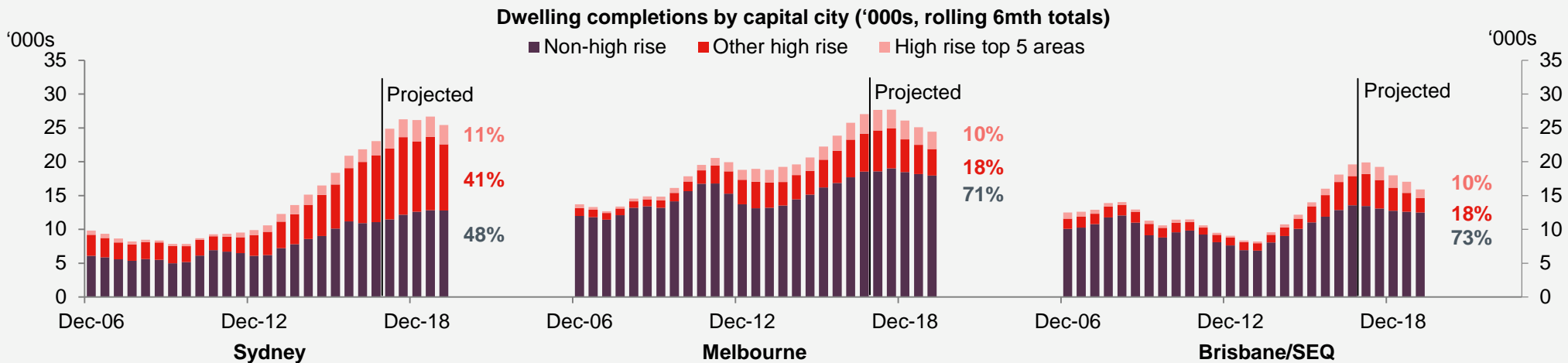
Sources: REIA, Westpac Economics. Dwelling stock is net of demolitions – implied by Census data.

## Dwelling construction: indicative completion times<sup>1</sup>



Source: RBA, CoreLogic.

## Projected dwelling completions, major metro areas



Sources: ABS, Westpac Economics

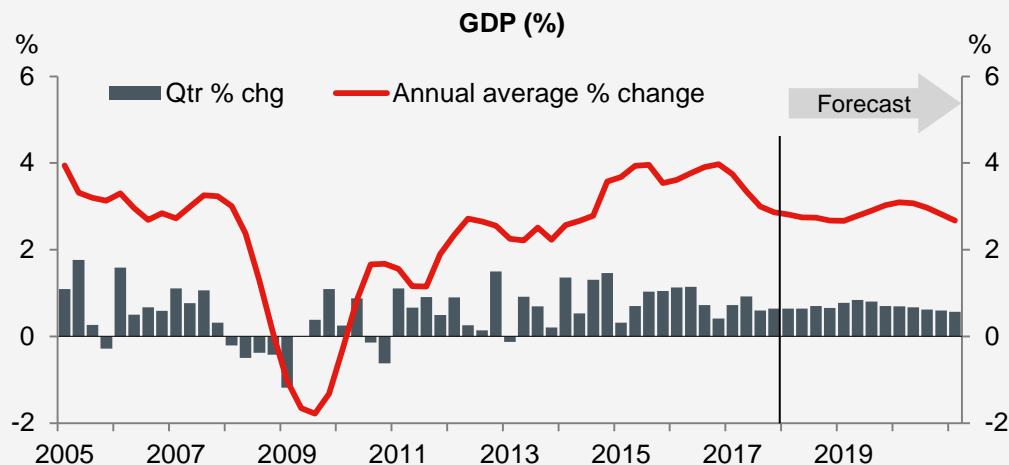
1 Estimated proportion of approved dwellings completed by months after approval. Note that not all approved dwellings are completed, reflecting both cancellations and reductions in project size. Also, 'high rise' projects often have significant delays between approval and commencement.

# New Zealand economic snapshot

Key economic statistics	FY17	FY18f	Change
GDP annual average growth <sup>1</sup>	3.0%	2.7%	(30bps)
Inflation rate	1.9%	1.6%	(30 bps)
Official cash rate (OCR)	1.75%	1.75%	-
Unemployment rate	4.6%	4.4%	(20 bps)
Dairy payout (ex dividend) <sup>2</sup>	\$6.12	\$6.55	\$0.43

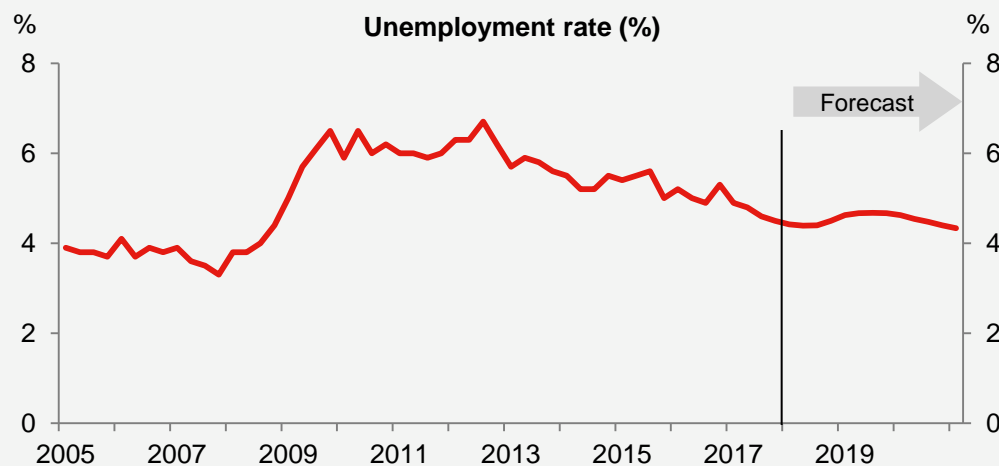
Source: RBNZ, Westpac Economics

## Firm growth in recent years, but momentum has faded



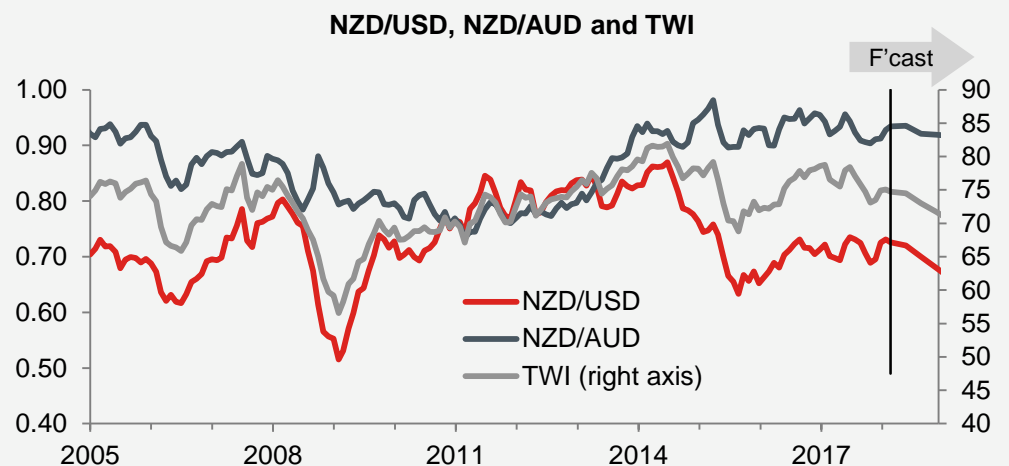
Source: Statistics NZ, Westpac Economics

## Unemployment has trends down to around neutral levels



Source: Statistics NZ, Westpac Economics

## Low rates keeping downward pressure on NZD



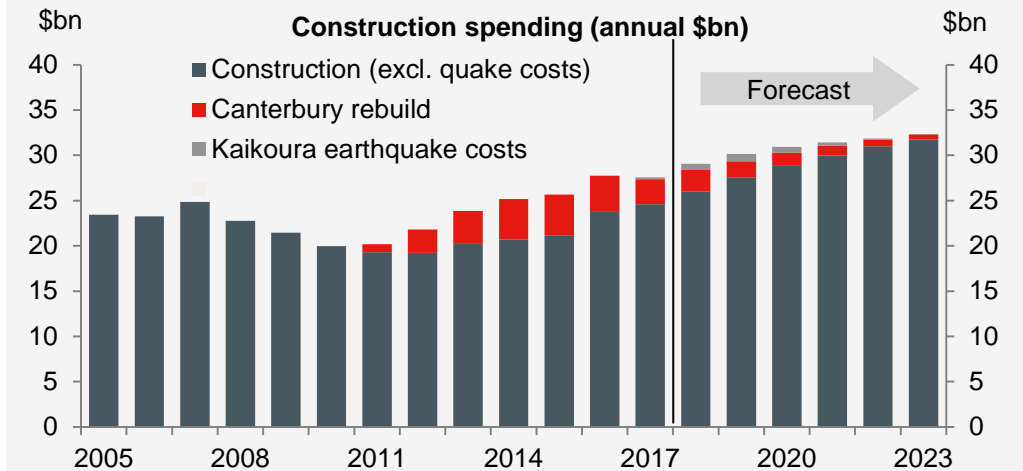
Source: Statistics NZ, Westpac Economics

1 For year to September. 2 Seasons ended May.

## Drivers of GDP growth in recent years are dissipating

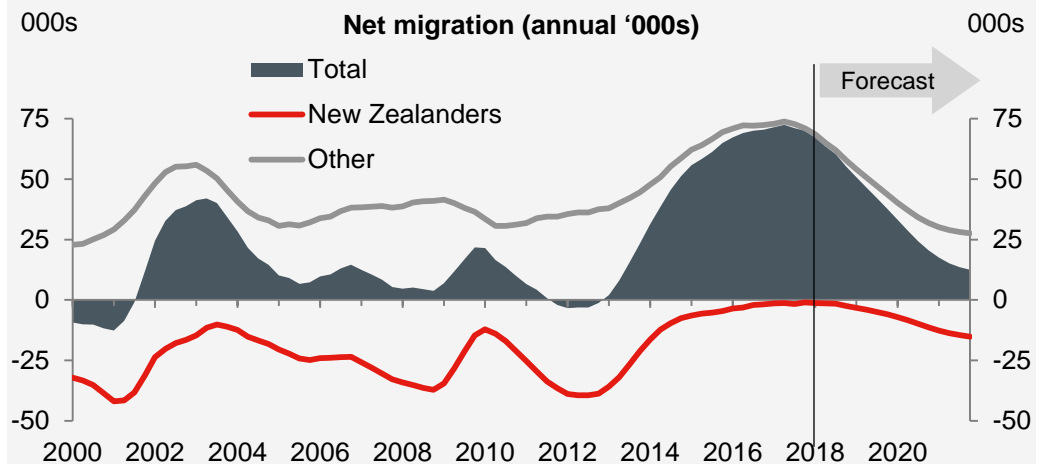
- After expanding at a firm pace in recent years, New Zealand GDP growth has cooled, and it is expected to soften further over the next few years
- The new Labour-led Government is planning an additional \$8.4bn of new operating spending over the next four years, the majority of which will be spent on health and education. This will require an additional \$7bn of net core Crown debt over the next four years
- The Government is also planning to introduce a range of regulatory changes targeting areas such as the housing and labour markets. These policies are likely to dampen economic activity, offsetting some of the boost from fiscal spending
- The Government is planning a suite of policy changes over the coming years aimed at cooling the housing market. This includes restrictions on foreign buyers, an extension of the 'bright line' test for capital gains, and the ring-fencing of losses on investment properties. These policies will weigh on house prices over the coming years, and will have a significant dampening effect on consumer spending
- Strong net migration has been a key driver of demand growth in recent years. Migration flows are still elevated, but have started to ease back. Net migration is set to fall further before the closer of the decade as earlier arrivals depart. Potential policy changes could reinforce this slowdown
- There is a large amount of residential and non-residential building work planned nationwide. However, construction activity has flattened off at a high level due to tighter credit conditions, limited availability of skilled labour and the softening housing market. The level of activity is expected to remain elevated for an extended period, but increases are expected to be gradual
- Post-earthquake reconstruction in the South Island is well advanced and has been gradually winding down
- There has been broad based strength in NZ's commodity prices. However, prices are expected to soften over the coming year. Tourist inflows remain strong
- Borrowing rates are expected to remain low for an extended period

## Large pipeline of construction work, increases to be gradual



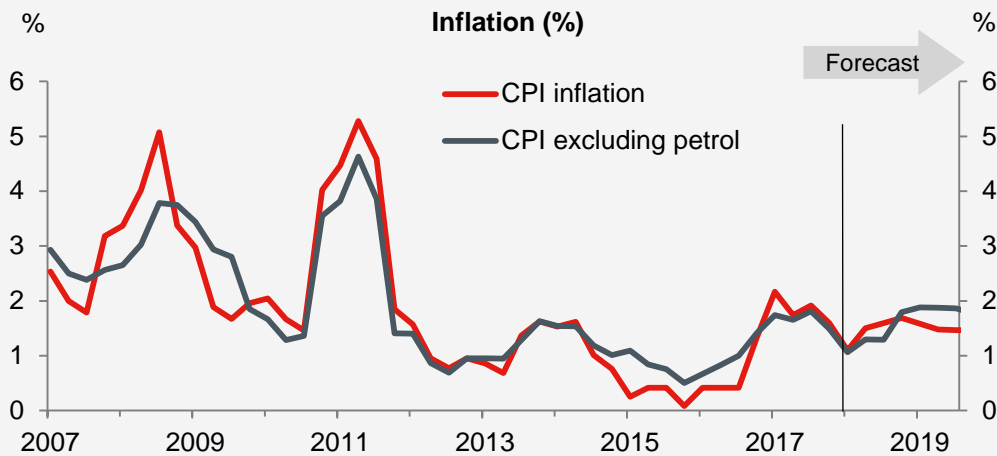
Source: Westpac Economics estimates

## Migration cycle has started to turn down



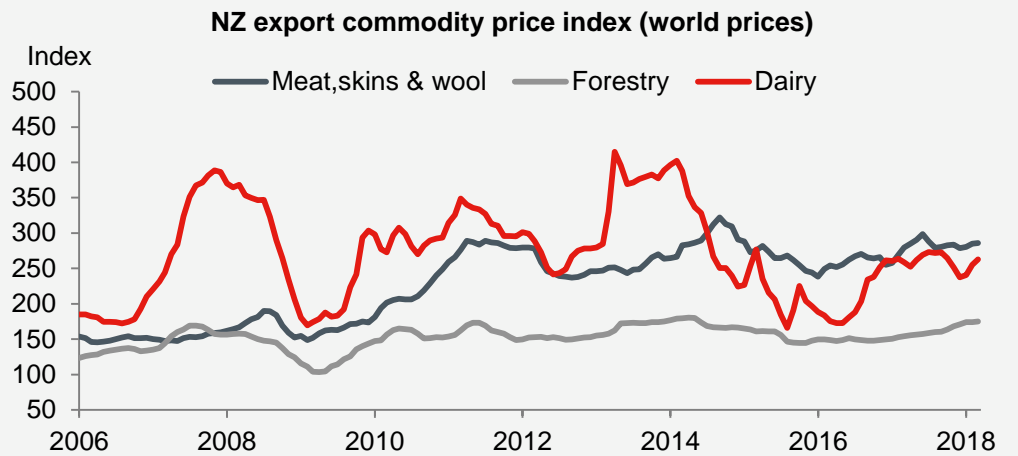
Source: Statistics NZ, Westpac Economics

## Inflation off its lows, sustained return to target elusive



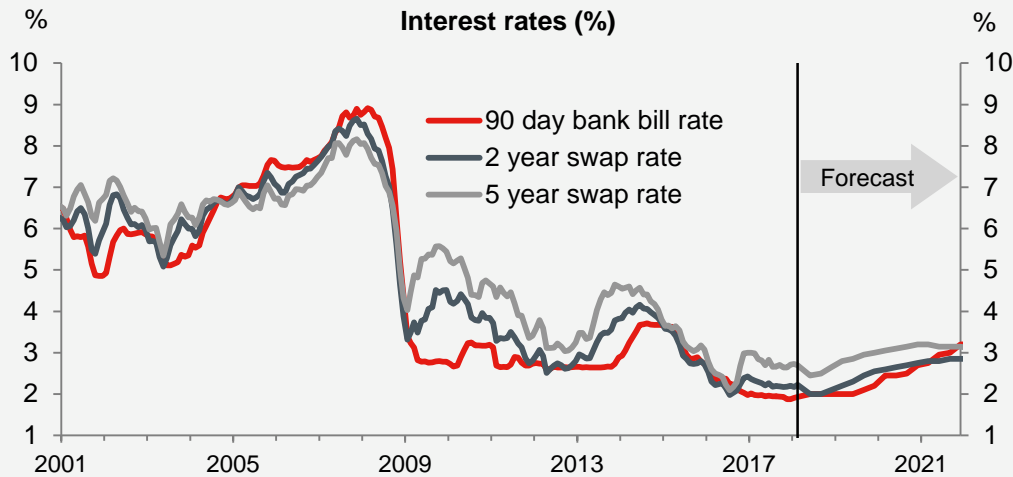
Source: Statistics NZ, Westpac Economics

## Commodity prices remain firm



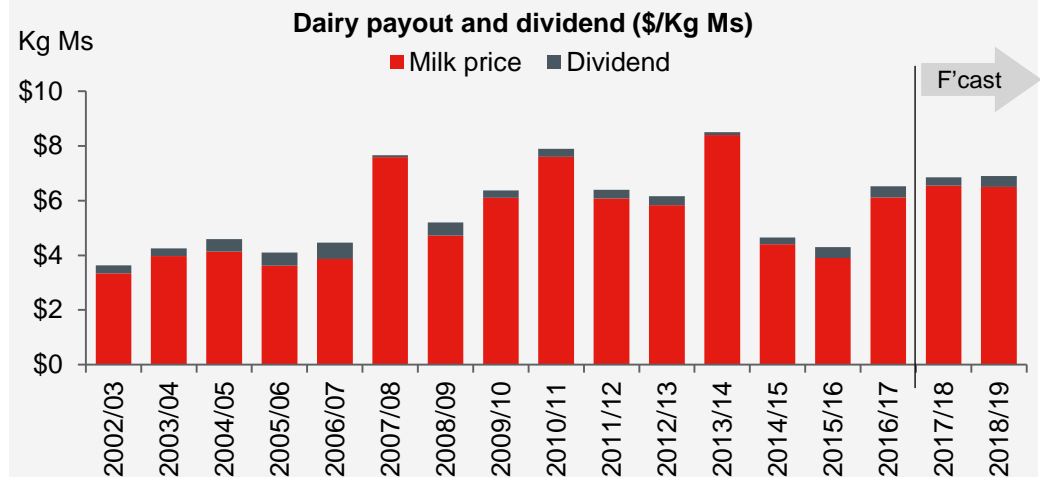
Source: ANZ, Westpac Economics

## RBNZ on hold, offshore factors pursuing rates higher



Source: RBNZ, Westpac Economics

## Milk price payout at average levels

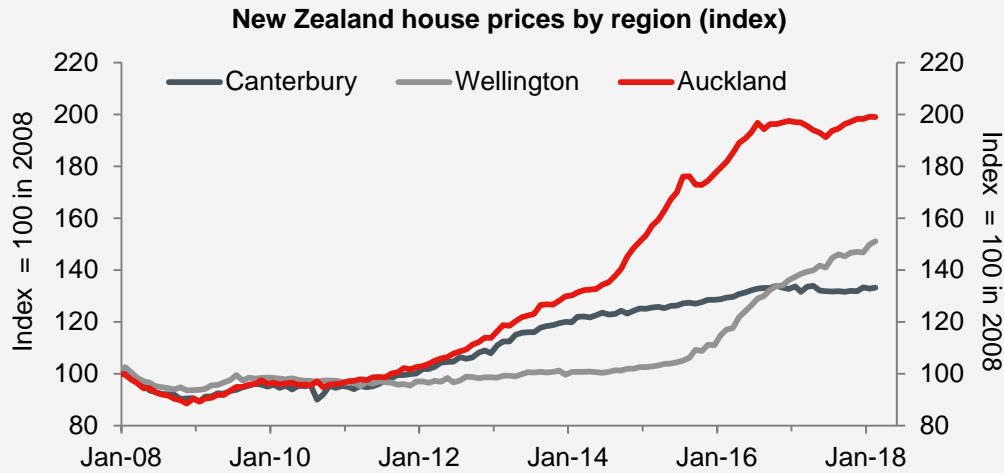


Source: Fonterra, Westpac Economics



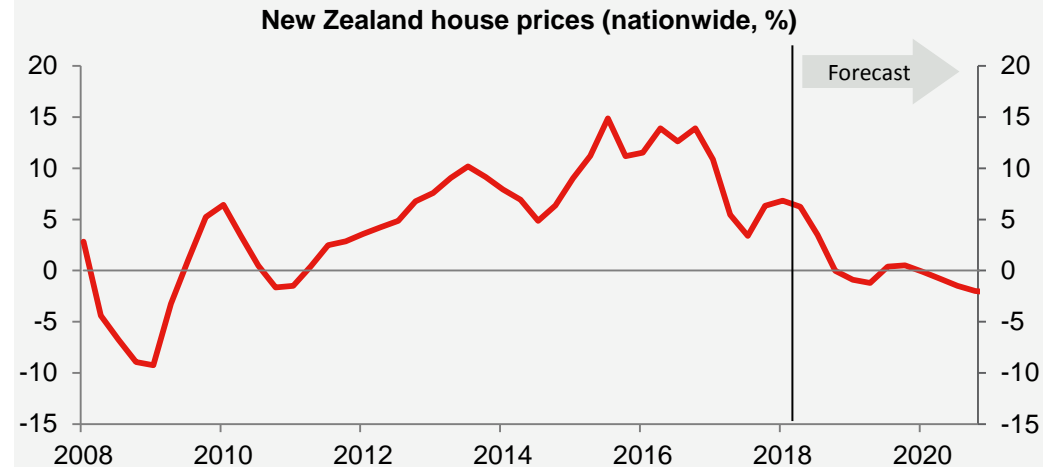
# New Zealand housing market to be dampened by policy changes

## Lower mortgage rates have boosted housing demand...



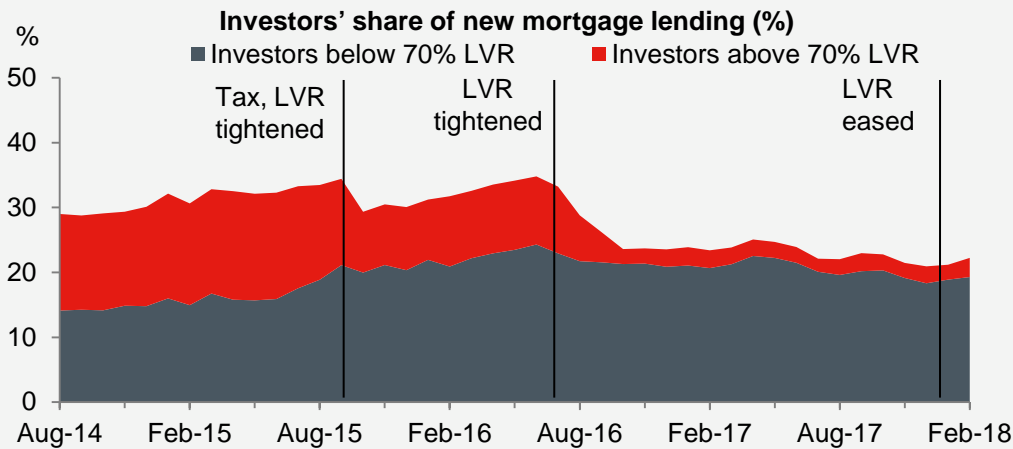
Source: REINZ

## ...but a period of softness is expected



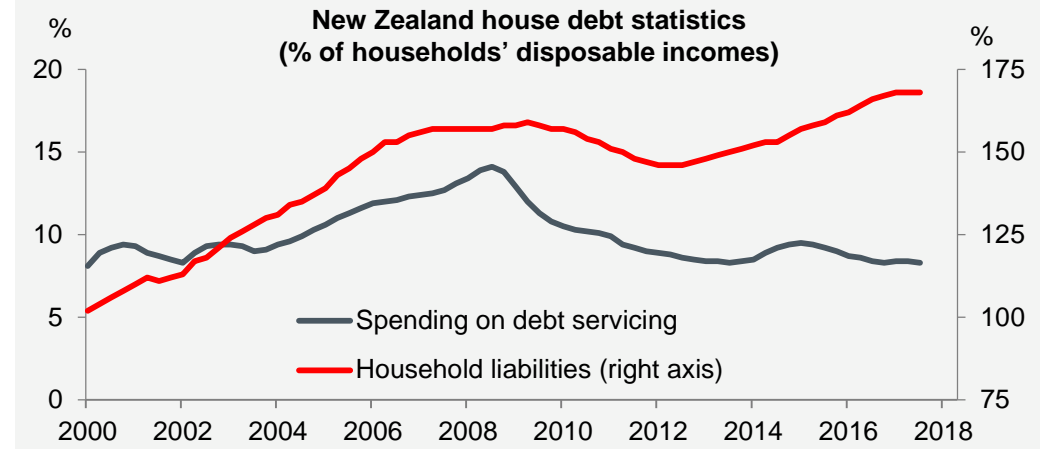
Source: REINZ

## Macroprudential policies have eased...



Source: RBNZ

## ...further easing likely if property market slows further



Source: REINZ, RBNZ, Westpac Economics

# Appendix and Disclaimer



# Appendix 1: Cash earnings adjustments

Cash earnings adjustment	1H17 \$m	2H17 \$m	1H18 \$m	Description
<b>Reported net profit</b>	3,907	4,083	4,198	Net profit attributable to owners of Westpac Banking Corporation
<b>Amortisation of intangible assets</b>	73	64	17	Identifiable intangible assets arising from business acquisitions are amortised over their useful lives, ranging between four and twenty years. This amortisation (excluding capitalised software) is a cash earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders. The last of these intangible assets were fully amortised in December 2017
<b>Fair value (gain)/loss on economic hedges</b>	7	62	37	The unrealised fair value (gain)/loss on FX hedges of future NZ earnings and accrual accounted term funding transactions are reversed in deriving cash earnings as they may create a material timing difference on reported results but they do not affect the Group's cash earnings over the life of the hedge
<b>Ineffective hedges</b>	(4)	20	9	The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time
<b>Partial Sale of BTIM shares</b>	-	(171)	-	During Second Half 2017 the Group recognised a gain, net of costs, associated with the partial sale of shares in BTIM. Consistent with the treatment of prior gains from sale, this gain has been treated as a cash earnings adjustment given its size and that it does not reflect ongoing operations. The Group has indicated that it may sell the remaining 10% shareholding in BTIM at some future date. Any future gain or loss on this shareholding will similarly be excluded from the calculation of cash earnings.
<b>Treasury shares</b>	34	(13)	(10)	Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares can not be recognised in the reported results. In deriving cash earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income
<b>Cash earnings</b>	<b>4,017</b>	<b>4,045</b>	<b>4,251</b>	

## Industry awards<sup>1</sup>



Awarded Gold Class ranking in RobecoSAM's 2018 Sustainability Yearbook



Achieved highest "Leading" rating for the tenth consecutive year for disclosure of sustainability risks in 2017



Recognised in the 2017 CDP to achieve Leadership level for our response to climate change, announced in October 2017



Reconfirmed as a constituent of the Ethibel Sustainability Index (ESI) Excellence Global, announced March 2018



Achieved a Prime status rating and identified as a leading performer of sustainability since 2014

## Sustainability indexes<sup>1</sup>



Number one bank globally in 2017, for the 4<sup>th</sup> year in a row and the 10<sup>th</sup> time since the index was established



Included in the 2016 Global 100 Most Sustainable Corporations in the World, January 2016



FTSE4Good

Member of the FTSE4Good Index, of which Westpac has been a member for over 10 years, announced in April 2017



Member of the MSCI Global ESG Leaders index



Member of the STOXX 2016/2017 Global ESG Leaders Indices for the fourth consecutive year

## Inclusion and diversity recognition<sup>1</sup>



Included in the 2018 Bloomberg Gender Equality Index



#1 Bank in Top 10 Australian Network on Disability's Inaugural Access and Inclusion Index



Employer of Choice by The Workplace Gender Equality Agency for the 8<sup>th</sup> consecutive year



Awarded Employer of the Year at the 2016 Women in Banking and Finance Awards



Named as Australia's 2016 Employer of the Year for LGBTI Inclusion in the Australian Workplace Equality Index Awards

<sup>1</sup> As at 31 December 2017.

## Key commitments and partnerships<sup>1</sup>



**The Equator Principles**  
Founding Adopter,  
First Australian Bank (2003)



**UN Environment Program  
Finance Initiative**  
Founding Member (1991)



**UN Sustainable Development Goals**  
CEO Statement of Commitment (2015)



**United Nations Global Compact**  
Signatory (2002), Global Compact  
Network Australia Founding Member



**Banking Environment Initiative**  
Founding signatory (2012)



**Principles for  
Responsible Investment**  
Signatory (2007)



**Global Investor Coalition  
Statement on Climate Change**  
Signatory (2014)



**The Montreal Carbon Pledge**  
Signatory (2014)



**Climate Bonds Initiative**  
Partner



**Carbon Markets Institute**  
Corporate Member



**We Mean Business Coalition**  
Signatory (2015)



**Climate Action 100+**  
Signatory (2018)



**Carbon Neutral Certification**  
Since 2012



**Supply Nation**  
(for Indigenous owned businesses)  
Founding member (2016)



**WeConnect International**  
(for women owned businesses)  
(2014)



**Social Traders**  
(for social enterprises)  
Member of Connect (2016)

<sup>1</sup> As at 31 December 2017.

## Consumer Bank

Consumer Bank (CB) is responsible for sales and service to consumer customers in Australia under the Westpac, St.George, BankSA, Bank of Melbourne and RAMS brands. Activities are conducted through a dedicated team of specialist consumer relationship managers along with an extensive network of branches, call centres and ATMs. Customers are also supported by a range of internet and mobile banking solutions. CB also works in an integrated way with Business Bank, BTFG and WIB in the sales and service of certain financial services and products including in wealth and foreign exchange. The revenue from these products is mostly retained by the product originator

## Business Bank

Business Bank (BB) is responsible for sales and service to micro, SME and commercial business customers in Australia for facilities up to approximately \$150 million. The division operates under the Westpac, St.George, BankSA and Bank of Melbourne brands. Customers are provided with a wide range of banking and financial products and services to support their borrowing, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance, property finance and treasury. The division is also responsible for consumer customers with auto finance loans. BB works in an integrated way with Consumer Bank, BTFG and WIB in the sales and service of select financial services and products including corporate superannuation, foreign exchange and interest rate hedging. The revenue from these products is mostly retained by the product originator

## WIB

Westpac Institutional Bank (WIB) delivers a broad range of financial products and services to commercial, corporate, institutional and government customers with connections to Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in financing, transactional banking, and financial and debt capital markets. Customers are supported throughout Australia as well as via branches and subsidiaries located in New Zealand, the US, UK and Asia. WIB is also responsible for Westpac Pacific currently providing a range of banking services in Fiji and PNG. WIB works in an integrated way with all the Group's divisions in the provision of more complex financial needs including across foreign exchange and fixed interest solutions

## BTFG

BT Financial Group (Australia) (BTFG) is the Australian wealth management and insurance arm of the Westpac Group providing a broad range of associated services. BTFG's funds management operations include the manufacturing and distribution of investment, superannuation and retirement products, wealth administration platforms, private wealth, margin lending and equities broking. BTFG's insurance business covers the manufacturing and distribution of life, general and lenders mortgage insurance. The division also uses third parties to manufacture certain general insurance products. In managing risk across all insurance classes the division reinsures certain risks using external providers. In addition to the BT brand, BTFG operates a range of financial service brands along with the banking brands of Westpac, St.George, Bank of Melbourne and BankSA for Private Wealth and Insurance.

## Westpac NZ

Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also maintains its own infrastructure, including technology, operations and treasury

## Group Businesses or GBU

This segment provides centralised Group functions including Treasury, Technology and Core Support (finance, human resources etc.). Costs are partially allocated to other divisions in the Group, with costs attributed to enterprise activity retained in Group Businesses. This segment also reflects Group items including: earnings on capital not allocated to divisions, earnings from non-core asset sales, earnings and costs associated with the Group's fintech investments and certain other head office items such as centrally raised provisions

<b>Capital ratios</b>	As defined by APRA (unless stated otherwise)	
<b>Risk weighted assets or RWA</b>	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non-asset-backed risks (ie. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5	<p><b>Net stable funding ratio (NSFR)</b></p> <p>The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADI's must maintain an NSFR of at least 100%</p>
<b>Leverage ratio</b>	As defined by APRA (unless stated otherwise). Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures	<p><b>90 days past due and not impaired</b></p> <p>Includes facilities where:</p> <ul style="list-style-type: none"> <li>contractual payments of interest and / or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days (including accounts for customers who have been granted hardship assistance); or</li> <li>an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and</li> <li>the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, or where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis.</li> </ul> <p>These facilities, while in default, are not treated as impaired for accounting purposes</p>
<b>Internationally comparable ratios</b>	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items. Analysis aligns with the APRA study titled "International capital comparison study" dated 13 July 2015	
<b>Liquidity coverage ratio (LCR)</b>	An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out-flows in a modelled 30 day defined stressed scenario	
<b>High quality liquid assets (HQLA)</b>	Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR	
<b>Committed liquidity facility (CLF)</b>	The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity	<p><b>Collectively assessed provisions or CAPs</b></p> <p>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 for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data. Included in the collectively assessed provision is an economic overlay provision which is calculated based on changes that occurred in sectors of the economy or in the economy as a whole</p>

<p><b>Impaired assets</b></p>	<p>Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cashflow, and the net realisation of value of assets to which recourse is held and includes:</p> <ul style="list-style-type: none"> <li>• facilities 90 days or more past due, and full recovery is in doubt: exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days;</li> <li>• non-accrual assets: exposures with individually assessed impairment provisions held against them, excluding restructured loans;</li> <li>• restructured assets: exposures where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer;</li> <li>• other assets acquired through security enforcement (includes other real estate owned): includes the value of any other assets acquired as full or partial settlement of outstanding obligations through the enforcement of security arrangements; and</li> <li>• any other assets where the full collection of interest and principal is in doubt</li> </ul>	<p><b>Total committed exposures (TCE)</b></p> <p>Represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk</p>
<p><b>Individually assessed provisions or IAPs</b></p>	<p>Provisions raised for losses that have already been incurred on loans that are known to be impaired and are assessed on an individual basis. 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 income statement</p>	<p><b>Average interest-earning assets (AIEA)</b></p> <p>The average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period</p>
<p><b>Stressed assets</b></p>	<p>Watchlist and substandard, 90 days past due and not impaired and impaired assets</p>	<p><b>Cash earnings per ordinary share</b></p> <p>Cash earnings divided by the weighted average ordinary shares (cash earnings basis)</p>
<p><b>Watchlist and substandard</b></p>	<p>Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal</p>	<p><b>Core earnings</b></p> <p>Net operating income less operating expenses</p>
		<p><b>Full-time equivalent employees (FTE)</b></p> <p>A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. The full-time equivalent of one FTE is 76 hours paid work per fortnight</p>
		<p><b>Net interest margin (NIM)</b></p> <p>Calculated by dividing net interest income by average interest-earning assets</p>
		<p><b>Net tangible assets per ordinary share</b></p> <p>Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (reported)</p>
		<p><b>Weighted average ordinary shares (cash earnings)</b></p> <p>Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period</p>
		<p><b>Women in Leadership</b></p> <p>Women in Leadership refers to the proportion of women (permanent and maximum term) in leadership roles across the Group. It includes the CEO, Group Executive, General Managers, senior leaders with significant influence on business outcomes, (direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below general manager, and Bank and Assistant Bank Managers</p>



<p><b>Australian customers with wealth products metrics provider</b></p>	<p>Data based on DBM Consultants, Respondents aged 18+ and 12 month rolling. Wealth penetration is defined as the proportion of Australians who have a Deposit Product, Lending Product or Credit/Debit Card with a Banking Group and also have Managed Funds, Superannuation or Insurance with the same Banking Group. Note: Westpac and St.George use Managed Funds, Superannuation or Insurance with Westpac Group.</p> <p><b>Westpac</b> includes Westpac and Challenge Bank. <b>St.George</b> includes St.George, BankSA, Bank of Melbourne, RAMS and Dragondirect. <b>Westpac Group</b> includes Westpac, Challenge Bank, St.George, BankSA, Bank of Melbourne, RAMS, Dragondirect, Advance Asset Management, Asgard, Bankers Trust, BT, Rothschild and Sealcorp. <b>Peers</b> includes: ANZ Group, CBA Group and NAB Group.</p>	<p><b>Net Promoter Score or NPS</b></p> <p>Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution. Net Promoter Score<sup>SM</sup> is a trademark of Bain &amp; Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters)</p>
<p><b>Customer satisfaction or CSat</b></p>	<p>The Customer Satisfaction score is an average of customer satisfaction ratings of the customer's main financial institution for business banking on a scale of 0 to 10 (0 means 'extremely dissatisfied' and 10 means 'extremely satisfied')</p>	<p><b>NPS – overall consumer</b></p> <p>Source: DBM Consultants Consumer Atlas, March 2016 – March 2018, 6MMA. MFI customers</p>
<p><b>CSat – overall consumer</b></p>	<p>Source: DBM Consultants Consumer Atlas, March 2016 – March 2018, 6MMA. MFI customers</p>	<p><b>NPS – overall business</b></p> <p>Source: DBM Consultants Business Financial Services Monitor, March 2016 – March 2018, 6MMA. MFI customers, all businesses</p>
<p><b>CSat – overall business</b></p>	<p>Source: DBM Consultants Business Financial Services Monitor, March 2016 – March 2018, 6MMA. MFI customers, all businesses</p>	<p><b>NPS – SME</b></p> <p>Source: DBM Consultants Business Financial Services Monitor, March 2016 – March 2018, 6MMA. MFI customers, SME businesses. SME businesses are those organisations with annual turnover under \$5 million (excluding Agribusinesses)</p>
<p><b>C Sat (Westpac NZ)</b></p>	<p>3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Main bank customers are asked to rate the overall level of service they receive from their main bank on a scale of 1 (poor) to 5 (excellent). Results represent the % of customers who rate the service as either 4 (very good) or 5 (excellent), excluding "don't know"</p>	<p><b>NPS Consumer (Westpac NZ)</b></p> <p>Source: 3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Respondents are asked about likelihood to recommend their main bank to family and friends on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)</p>
<p><b>Westpac Group rank</b></p>	<p>The ranking refers to Westpac Group's position relative to the other three major Australian banking groups (ANZ Group, CBA Group and NAB Group)</p>	<p><b>NPS Business (Westpac NZ)</b></p> <p>Source: 6 month rolling Business Finance Monitor data (survey conducted by Kantar TNS among businesses with an annual turnover of \$5 to \$150 million). Respondents are asked about likelihood to recommend their main business bank to business colleagues and associates on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)</p>
		<p><b>NPS Agri (Westpac NZ)</b></p> <p>6 month rolling Agri Market Monitor data (survey conducted by Key Research). Respondents are asked about likelihood to recommend their main business bank to business colleagues, friends or family on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)</p>

## Equity Investor Relations

### Andrew Bowden

Head of Investor Relations

+61 2 8253 4008

andrewbowden@westpac.com.au

### Nicole Mehalski

Director

+61 2 8253 1667

nicole.mehalski@westpac.com.au

## Debt Investor Relations

### Jacqueline Boddy

Director

+61 2 8253 3133

jboddy@westpac.com.au

### Louise Coughlan

Director (Rating Agencies)

+61 2 8254 0549

lcoughlan@westpac.com.au

## Retail Shareholder Investor Relations

### Danielle Stock

Senior Manager

+61 2 8253 0922

danielle.stock@westpac.com.au

### Jillian Maxwell

Senior Manager

+61 2 8253 6556

jillian.maxwell@westpac.com.au

Or email: [investorrelations@westpac.com.au](mailto:investorrelations@westpac.com.au)

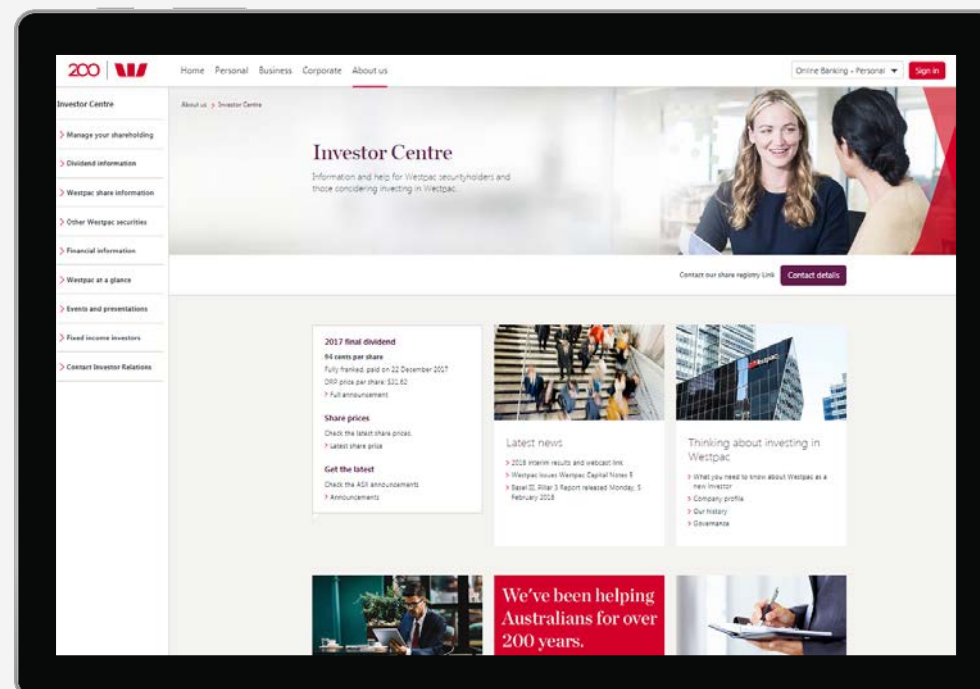
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The material contained in this presentation is intended to be general background information on Westpac Banking Corporation (Westpac) and its activities.

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Unless otherwise noted, financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's 2018 Interim Financial Results (incorporating the requirements of Appendix 4D) for the six months ended 31 March 2018 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of cash earnings. Refer to slide 36 for an explanation of cash earnings and Appendix 1 slide 131 for a reconciliation of reported net profit to cash earnings.

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