MEDIA RELEASE

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SOUND RESULT WITH CUSTOMER STRATEGY DELIVERING

Financial Highlights – Full Year 2011 compared to Full Year 2010

- Cash earnings per share of 209.3 cents, up 6%
- Final fully franked dividend of 80 cents per share, up 8%
- Cash earnings of $6,301 million, up 7%
- Core earnings[1] up 1%, with operating income up 1% and expenses up 2%
- Statutory net profit of $6,991 million, up 10%
- Net interest margin unchanged at 2.22%
- Cash return on equity of 16%
- Strengthened balance sheet, with Tier 1 capital up 59 bps to 9.7%
- Sector leading expense:income ratio of 41.5%

Business Highlights

- Retail and wealth divisions a key driver of cash earnings:
  - Westpac RBB up 11%, St.George up 12%, Westpac New Zealand up 41%
  - BT cash earnings up 9% boosted by strong cross sell
- Successful launch of Bank of Melbourne
- Good returns from Institutional customer flows though trading income down

[1] *Core earnings is operating profit before income taxes and impairment charges*

Westpac Group today announced a sound financial result, with a 6% increase in cash earnings per share reflecting good results from its retail and wealth divisions.

Westpac Group CEO, Gail Kelly said: "It is pleasing to see evidence of our strategy delivering tangible benefits. Deeper customer relationships, measured by customers with four or more products, are a real strength at a time of more subdued economic growth. We are also growing overall customer numbers in each of our major brands. In addition, our customer experience is continuing to improve, aided by our investment in people, in technology and in simplified processes.

"We have continued to strengthen our balance sheet over the year. Our capital ratios are at the upper end of the banking sector globally and our funding position is materially enhanced, supported by customer deposit growth exceeding lending growth by $11 billion over the year. Our credit quality is better than that of our Australian peers."

For the Full Year 2011, cash earnings increased 7% to $6.3 billion. Statutory net profit increased 10% to $6,991 million, reflecting the previously announced impact of the tax consolidation adjustment from the St.George merger. This one-off adjustment was excluded from cash earnings.

Westpac declared a record fully franked final dividend of 80 cents per share, up 4 cents, or 5% over First Half 2011. Total dividends for the year were 156 cents, up 12% over the prior year, and represented a pay-out ratio of 75%.

Mrs. Kelly said: “The performance of Westpac Retail & Business Banking and New Zealand was particularly strong with the benefits of our Westpac Local investment clearly emerging, while cash earnings growth of 12% at St.George demonstrates restored momentum following the repositioning of the division in 2010 and 2011.

“A particular highlight for the Group has been the strong uplift in cross sell of wealth and insurance products which contributed to a 9% increase in cash earnings for BT Financial Group. The division welcomed over 70,000 new customers onto the BT Super for Life platform over the year and our insurance cross sell has continued to increase from already high levels.

“The Institutional business delivered strong returns from customer activity, and showed real strength in its asset quality. However, overall cash earnings were 2% lower due to the impact of volatility in global markets on trading income.

“In summary, strong core earnings growth across our brands, supported by sector leading cost and risk management, is enabling us to invest in targeted growth opportunities and more responsive and stable technology, and to materially strengthen our balance sheet.”

Speaking about economic conditions, Mrs. Kelly said: “The global operating environment is clearly evidencing weakness with sovereign debt issues across the Euro zone and weak growth in the US. International events have weighed heavily on consumer and business confidence in Australia and are contributing to a softer outlook. Nevertheless, Australia remains well placed to continue to grow and has the policy flexibility to respond to global conditions as required.”

Mrs. Kelly added: “We are seeing our customers respond appropriately to increased uncertainty by increasing debt repayments and by saving more. This supported an 11% increase in our customer deposits.”

Westpac’s focus on sustainable operations was recognised in 2011 when Westpac was rated the number one bank in the world for sustainability, according to the Dow Jones Sustainability Index which rates 190 banks globally. During the year, the Westpac Group contributed $135 million to communities in Australia and New Zealand, primarily through community partnerships, support for not-for-profit organisations, forgoing fee revenue and matching the charity giving of employees.

Composition of net operating income (on a cash earnings basis)

- Net interest income increased 3% to $12,169 million with a 2% rise in average interest earning assets and flat margins.
- Lending increased $19 billion or 4% over the year to 30 September 2011. Australian mortgages were the key contributor to the increase, rising $17 billion. Australian business lending remained subdued declining $2 billion with a small decline in institutional lending and modest growth in the SME segment.
- Customer deposits increased by a strong $30 billion for the year ended 30 September 2011, more than fully funding lending for the year. Deposit growth was particularly strong in second half 2011 as customers continued to strengthen their personal balance sheets, particularly through saving in term deposits.
- Total net interest margins were unchanged at 2.22% as improved margins on mortgage and business lending were offset by higher costs of deposits and lower Treasury net interest income.
- Non-interest income was down $101 million or 2% compared to Full Year 2010. A $239 million reduction in trading income offset a positive contribution from fees and commissions, and the benefit of improving cross sell and strong fund flows, which boosted wealth management and insurance income.
- Expenses were well managed over the year, rising just 2% as productivity initiatives offset the cost of new investments.

Limited exposure to European debt situation

Sovereign debt concerns in Europe have affected financial markets for much of the year with the impact more prevalent in the second half 2011. Westpac’s direct exposure to Europe (including the UK) is very small and holdings of sovereign debt of Euro zone countries are immaterial.

As a result, Westpac has not been directly affected by sovereign debt issues. All associated assets on the balance sheet are held at fair value.

Nevertheless, Westpac is not insulated from the flow-on consequences of issues in Europe, which include increased volatility in financial markets, a reduction in the risk appetite of investors globally and materially higher wholesale funding costs.

Sector leading expense to income ratio and further stepping up productivity drive

Given the slowing operating environment, a priority during the year has been to improve the productivity and efficiency of the organisation. In October 2010 the Group announced the first wave of a productivity program designed to simplify processes and make it easier for customers to do business with us. The program was initially focused on branch productivity, improving mortgage origination and business lending processes and simplifying head office support structures. That delivered over $289 million in efficiency gains in the year. In August 2011 the Group announced a step-up in its productivity plans which included the further streamlining and rationalisation of certain head office activities, including reducing the number of senior management roles. Westpac is also implementing a "best sourcing" strategy involving a combination of insourcing and outsourcing to local and global service providers. This strategy will drive more effective and efficient business outcomes and superior customer service.

The success of these productivity programs can be seen in low expense growth of 2% for the year despite salary increases of around 4%, higher restructuring charges, additional investment in the Bank of Melbourne and costs associated with BTIM's acquisition of J O Hambro. While total employee numbers have reduced by 767 since September 2010, the Group's productivity program has actually increased the time frontline staff spend with customers.

Delivering on our Investment

The Strategic Investment Priorities (SIPs) program has been a particular strength for the Group this year, delivering new functionality and productivity to our front line while improving the stability of our IT infrastructure. So far six programs of work have been launched successfully, including migrating all credit card customers into a new cards platform, upgrading transaction payment capabilities and installing a new call centre platform across Westpac. The Group is now directing resources to the remaining SIPs programs including the 2012 planned delivery of a new online and mobile banking platform, the rolling out of a new teller platform in Westpac branches, and consolidation of nine data centres into two.

Sector leading asset quality

Asset quality continued to improve over the year with the proportion of stressed loans to total committed exposures steadily declining. At 30 September 2011 the ratio had fallen to 2.48%, down 72 basis points over the year and is down 37 basis points since 31 March 2011.

Given the improvement in asset quality, impairment charges improved by 32% to $993 million

The ratio of impaired assets to total committed exposures declined 5 basis points over the year and was 0.62% at 30 September 2011. The work-out of existing problem facilities has continued to see some companies downgraded into impaired. Importantly, new impaired assets have consistently declined through the year.

Consumer asset quality has continued to be solid with actual losses remaining relatively small. Mortgage delinquencies greater than 90 days rose over the year to 55 basis points, up from 47 basis points. Most of that rise occurred in the first half of the year with delinquencies 4 basis points lower since 31 March 2011. The higher delinquencies over the year principally reflect the seasoning of loans written during 2007-2009 and heightened consumer financial stress, particularly in Queensland and Western Australia.

Provisioning cover remains very strong with total impairment provisions to impaired assets of 36% while the ratio of collectively assessed provisions to credit risk weighted assets remains high at 1.26%.

Balance sheet strength

Westpac further strengthened its balance sheet, with the Tier 1 ratio up 59 basis points on Full Year 2010 to 9.7%.

The Westpac Group's funding position also improved, with the customer deposit to loan ratio rising from 59% to 63%, following good growth in customer deposits of $30 billion (exceeding lending growth by $11 billion). The Group raised $25 billion in new term wholesale funding in Full Year 2011.

The Group remains very well positioned to transition to the new Basel III requirements.

Strong performance across retail and wealth divisions

In Full Year 2011 all retail and wealth banking divisions delivered positive core and cash earnings growth.

Divisional 2011 cash earnings Summary

	FY11 $ Million	2H11	1H11	% Change FY10-FY11
Westpac Retail & Business Banking	1,949	1,013	936	11
Westpac Institutional Bank	1,487	720	767	(2)
St.George Banking Group	1,167	585	582	12
BT Financial Group	649	340	309	9
Westpac New Zealand (NZ$)	454	244	210	41

Westpac Retail and Business Banking – Westpac Local strategy a competitive advantage

Westpac RBB performed strongly with cash earnings rising 11% compared to Full Year 2010 supported by a 7% rise in core earnings. The investment in Westpac Local is clearly delivering with sound lending growth driven by above system growth in mortgages and higher margins. Non-interest income increased a solid 8% principally from the repricing of business line fees to more appropriately reflect the management of these facilities. Expenses increased 2% with productivity initiatives implemented through the year partially offsetting annual salary increases.

Westpac Institutional Bank – Strong customer relationships deliver sound performance in challenging markets

Westpac Institutional Bank delivered $1,487 million in cash earnings in Full Year 2011 down 2% compared to the previous year. This was a good performance given Markets income was $174 million lower over the year and asset sales were reduced. Loans declined over the year as corporates continued to reduce their gearing although this was offset by stronger margins. WIB continued to benefit from its leading industry position with good customer flows over the year and another strong transactional banking performance. Lower core earnings were partially offset by very good asset quality which led to an impairment charge benefit of $96 million for the year.

St.George Banking Group – Regained momentum with all regional brands well positioned

The St.George Banking Group improved momentum through the year lifting cash earnings by a strong 12% compared to Full Year 2010. Core earnings increased 3% with growth in lending steadily improving through the year and margins rising 15 basis points. Growth has been achieved through depth of customer relationships, which is reflected in strong cross sell particularly in insurance and superannuation. Expenses increased 6% with much of that rise due to the Bank of Melbourne launch. The St.George brand has regained momentum, BankSA performed solidly and Bank of Melbourne is off to a good start.

BT Financial Group – Strong growth with sector leading platforms and strong sales

BTFG had a strong year increasing cash earnings 9% with improved funds management earnings and a stronger insurance result. This was an impressive performance given significantly higher disaster related claims in the first half of the year, weaker asset markets impacting FUM/FUA returns and a $13 million expense associated with the acquisition of J O Hambro by BTIM. A particular highlight was the growth in funds under administration, helped by growth in FUM of over $500 million for BT Super for Life.

New Zealand – Strong growth being driven by investment in Westpac Local

In New Zealand the significant front line investment made over recent years has resulted in a strong turnaround with cash earnings up 41% over Full Year 2010 to NZ$454 million and core earnings up 10%. The result was supported by above system growth in lending and deposits, improved margins and a 32% decline in impairment charges. Westpac New Zealand grew market share in all major business lines. It is also playing a prominent role in support for Christchurch following the devastating earthquakes, including the establishment of the Westpac Business and Community Hub to provide office space and support to small businesses.

Outlook

The Australian economy ended the 2011 banking financial year on a weaker note with growth easing on the back of lower consumer and business confidence.

Globally, economic conditions in Europe remain challenging with sovereign debt concerns leading to a slowing of activity and a weakening in the growth outlook. Associated disruption in financial markets has increased uncertainty and affected global and domestic confidence.

Asian growth is expected to remain robust as the major economies re-orientate themselves to domestic and intra-Asian demand and reduce their reliance on Europe and the U.S.

Australia's economic fundamentals remain sound with solid employment, well controlled inflation, a robust mining sector and the benefit of proximity to Asia. While Australia is better positioned than most other developed nations, the current consumer and business caution is likely to see credit growth remaining subdued for the medium term.

Westpac is well positioned to respond to this environment because of solid operating momentum across all divisions, combined with a very strong balance sheet.

In the 2012 Financial Year we are stepping up our strategy implementation work, building on the solid foundation laid in recent years. In this next phase we will be:

- Taking multi-brand to the next level, sharpening brand differentiation while leveraging the scale of shared technology and support platforms;
- Taking the next step in our productivity agenda, driving simplification and standardisation across our operations and implementing new sourcing arrangements;
- Using our relationship management strength to further deepen customer relationships with a primary focus on deposits, payments, trade and wealth;
- Continued strengthening of the balance sheet with a particular focus on improving the asset/liability mix.

This work will ensure Westpac is well placed to continue delivering sound, high quality returns for shareholders.

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