

ASX ANNOUNCEMENT

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14 October 2015

Westpac announces a \$3.5 billion Share Entitlement Offer and Preliminary Full Year 2015 Result

Westpac Banking Corporation (“Westpac”) today announced it was undertaking a fully underwritten, pro rata accelerated renounceable entitlement offer (“Entitlement Offer”) to raise approximately \$3.5 billion of ordinary equity. The price of the offer has been set at \$25.50 which is a discount of 13.1% on the dividend adjusted Theoretical Ex-Rights Price (“TERP”) ^{1,2}. Compared to the 13 October 2015 dividend adjusted closing price of \$29.50, the discount is 13.6% ².

Westpac’s shares have been placed in a trading halt to enable the institutional component of the Entitlement Offer to be completed, with trading expected to recommence on 19 October 2015.

The equity raised will add approximately 100 basis points to Westpac’s Common equity tier 1 (“CET1”) capital ratio and places Westpac’s CET1 capital ratio within the top quartile of banks globally, with a CET1 capital ratio of over 14% on an internationally comparable basis ³.

Capital raised responds to changes in mortgage risk weights that will increase the amount of capital required to be held against mortgages by more than 50%, with the increased regulatory requirement to be applied from 1 July 2016. As a result, Westpac has also announced an increase in its variable home loan (owner occupied) and residential investment property loan rates by 20 basis points. The new rates take effect from 20 November 2015.

Preliminary Full Year 2015 Result Highlights ⁴

To support the offer, Westpac also announced its unaudited preliminary Full Year 2015 Result. Highlights of the unaudited preliminary result for Full Year 2015 compared to Full Year 2014 include:

- Statutory net profit of \$8,012 million, up 6%
- Cash earnings ⁵ of \$7,820 million, up 3%
- Cash earnings per share of 249.5 cents, up 2%
- Cash return on equity of 15.8%, down 57 basis points

Westpac also expects to determine a 2015 final, fully franked dividend of 94 cents per share, up 2 cents on the 2014 Final Dividend. New shares issued under the Entitlement Offer are not entitled to the 2015 Final Dividend. The Dividend Reinvestment Plan (“DRP”) will continue to operate for the 2015 Final Dividend, with shares issued at no discount. The DRP will not be underwritten.

Westpac Chief Executive Officer, Brian Hartzer, said the result was driven by a solid operating performance, supported by strong gains in customer numbers.

¹ TERP is the theoretical price at which Westpac shares should trade immediately after the ex-date for the Entitlement Offer. TERP is calculated by reference to Westpac’s closing price on 13 October 2015.

² TERP and the last closing price is adjusted by subtracting the expected 2015 Final Dividend of 94 cents per share.

³ The basis of the internationally comparable CET1 capital ratio aligns with the APRA study titled “International capital comparison study” dated 13 July 2015.

⁴ All results relating to Full Year 2015 are on an unaudited preliminary basis. Components in the determination of regulatory capital are estimates and may change. These will be finalised in Westpac’s Full Year 2015 results on 2 November 2015.

⁵ For an explanation of cash earnings and reconciliation to statutory net profit refer to slide 8 of the Entitlement Offer and Unaudited Preliminary Full Year 2015 Result Presentation.

Australian banking, including Westpac and St.George, increased cash earnings by 8%.

The New Zealand division reported a 6% increase in cash earnings (in NZ\$).

BT Financial Group's cash earnings were flat, with good operating performance offset by higher insurance claims, the partial sale of BT Investment Management (BTIM), and lower performance fees.

Westpac Institutional Bank's cash earnings were 12% lower, reflecting the \$122 million impact of a change in the methodology for calculating derivative valuation adjustments booked in the First Half of 2015, lower margins, and a reduction in provision write-backs.

Lending for the Group was up 7% and customer deposits rose 4%, with the result also supported by good margin management. Net interest margin of 2.08% was unchanged over the year.

Non-interest income was little changed over the year, with growth in FUM, FUA and insurance premiums offset by lower trading income, mostly due to a change in accounting for derivative valuation adjustments of \$122 million, higher insurance claims from severe weather events, the partial sale of shares in BTIM, and lower performance fees.

Expenses increased 5% over the year. The Group's expense to income ratio was 42.0%.

Asset quality continues to be a strength, with stressed assets declining and Australian mortgage 90+ day delinquencies remaining at the low levels of 0.45%.

Westpac is scheduled to announce its Full Year 2015 Result on 2 November 2015.

Details of the Entitlement Offer

Westpac will offer entitlements to purchase Westpac ordinary shares to all eligible shareholders.

The record date for the entitlements is 19 October 2015.

The entitlements can be exercised to buy 1 new share for every 23 Westpac ordinary shares held, at an Offer Price of \$25.50 per new share.

The Entitlement Offer comprises:

- **An Institutional Entitlement Offer:** Eligible institutional shareholders will be invited to purchase a pro rata number of new shares. Institutional entitlements not exercised, along with entitlements of ineligible institutional shareholders, will be sold under the institutional shortfall bookbuild to be conducted on 16 October 2015 and the proceeds, if any, will be paid to relevant shareholders.
- **A Retail Entitlement Offer:** Eligible retail shareholders will be invited to purchase a pro rata number of new shares. Eligible retail shareholders may also sell their entitlements on the ASX, with trading to commence on 19 October 2015 and conclude on 4 November 2015. Entitlements not taken up, along with entitlements of ineligible retail shareholders, will be sold under the retail shortfall bookbuild to be conducted on or about 16 November 2015 and the proceeds, if any, will be paid to relevant shareholders.

Retail shareholders will be notified by either email or by a postcard of the Retail Entitlement Offer. In addition, eligible retail shareholders will receive a detailed information booklet and a personalised entitlement and acceptance form. The booklet and any other relevant information related to the Entitlement Offer (including this release and a presentation) will be available on the Offer Website which can be accessed via www.westpac.com.au/investorcentre.

Westpac ADR Holders

Holders of Westpac American Depositary Receipts (“ADRs”) are not eligible to participate in the Entitlement Offer, but may be entitled to a cash distribution from the sale of the entitlements relating to the ordinary shares underlying the ADRs. Westpac expects that the ADR depository will notify holders of the record date for any such distribution in due course. The ADR program will be closed to issuance and deposits, until such record date.

Key Dates

Trading halt and Announcement of the Entitlement Offer	14 October 2015
Institutional Entitlement Offer	14 - 15 October 2015
Institutional Shortfall Bookbuild	16 October 2015
Existing shares recommence trading on ASX	19 October 2015
Retail Entitlements commence trading on ASX on deferred settlement basis	19 October 2015
Record Date for the Entitlement Offer (7.00pm, Sydney time)	19 October 2015
Retail Entitlement Offer opens	23 October 2015
Retail Entitlement Offer Booklet despatched and Retail Entitlements allotted	26 October 2015
Retail Entitlements commence trading on ASX on normal settlement basis	27 October 2015
Settlement of the Institutional Entitlement Offer	28 October 2015
Issue and quotation of New Shares under the Institutional Entitlement Offer New Shares will trade under a separate ASX code ('WBCN') until the ex-dividend date for the 2015 Final Dividend	29 October 2015
Retail Entitlements trading on ASX ends	4 November 2015
Retail Entitlement Offer closes (5.00pm, Sydney time)	11 November 2015
Ex-dividend date for 2015 Final Dividend	11 November 2015
Expected Retail Shortfall Bookbuild date	16 November 2015
Settlement of the Retail Entitlement Offer	19 November 2015
Issue of New Shares under the Retail Entitlement Offer	20 November 2015
New Shares under the Retail Entitlement Offer commence trading on ASX and NZX on a normal settlement basis	23 November 2015
Despatch of Holding Statements for New Shares under the Retail Entitlement Offer and payment of Retail Sale Proceeds (if any)	24 November 2015

These dates are indicative only and may change without notice.

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This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to persons acting for the account or benefit of persons in the United States. Neither the entitlements nor the new shares have been, or will be, registered under the U.S. Securities Act of 1933 (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements and the new shares may not be offered or sold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

For media enquiries, please contact:

David Lording
Westpac Media Relations
Ph: 02 8219 8512
Mob: 0419 683 411

Investor Relations, please contact:

Andrew Bowden
Westpac Investor Relations
Ph: 02 8253 4008
Mob: 0438 284 863