THE Westpac GROUP

Media Release

3 November 2010

A strengthened Westpac Group delivers a robust result

Key financial highlights (comparisons are with prior year)[1]:

- Cash earnings per share of 197.8 cents, up 21%
- Final dividend of 74 cents, bringing fully franked total dividend to 139 cents, up 20%
- Impairment charges of $1,456 million, down 56%
- Statutory net profit of $6,346 million, up 84%
- Cash earnings of $5,879 million, up 26%
- Core earnings of $9,938 million, down 1%
- Cash return on equity of 16.1%, up 210 bps

Profit Result

The Westpac Group today announced another robust earnings result, showing the strength, resilience and quality of its businesses.

Westpac reported cash earnings per share of 197.8 cents for the 2010 financial year[2], up a strong 21% compared to the full year 2009.

Westpac declared a fully franked final dividend of 74 cents, up 23% over the prior corresponding period. Total dividends for the year were 139 cents up 20% over the prior year. The rise in dividends was consistent with the increase in cash earnings per share and represented a pay-out ratio of 71%.

This result reflected cash earnings of $5,879 million and statutory net profit of $6,346 million for the full year 2010.

Westpac's Chief Executive Officer, Gail Kelly, said: “Westpac has nearly three billion shares on issue and over 560,000 shareholders. We are very conscious of the role we play in the secure and stable national banking system that underpinned Australia's strong performance through and after the global financial crisis. We also know the important contribution our shares, and particularly our dividends, make to the retirement savings of so many Australians.

“It is in that context that I am very pleased with this year's result, demonstrating further improvement in the Group's businesses as we move into the third year of implementing our customer centric, multi-brand strategy.

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[1] For illustrative purposes to facilitate comparisons with the year ended 30 September 2010, cash earnings results for the year ended 30 September 2009 have been adjusted and prepared on the basis as if the St.George merger was completed on 1 October 2008 with the exception of the impact of the allocation of purchase consideration, associated fair value adjustments and accounting policy adjustments which were only incorporated from and including 18 November 2008 being the accounting consolidation date.

[2] Unless otherwise indicated, all references to year in this media release are to The Westpac Group's financial year ended 30 September 2010 and references to the 'prior year' are to the financial year ended 30 September 2009.

Westpac Banking Corporation
ABN 33007457141

"We began 2010 knowing our challenge was to further improve earnings sustainability in an environment where funding costs would be materially higher than those applying before the global financial crisis, where fee income would be lower because of our decision to reduce customer fees and where Markets and Treasury income would revert to more normal levels.

"During 2010 we delivered robust earnings growth, actively managed and strengthened our balance sheet and capital position, lengthened our funding profile and we've seen improvement in the quality of the Group's credit portfolios. In particular, we have maintained our sector leading credit risk quality and provisioning coverage.

"We have also made real headway in our strategic initiatives, including successfully completing key integration milestones in the St.George merger. We are also implementing our technology Strategic Investment Priorities and major productivity enhancing programs to improve our operational efficiency and our service delivery to customers.

"The Group has continued to grow mortgage market share, building on the gains hard won over the past two years, and improved the proportion of new business coming through our own frontline distribution teams. Deposit market share of Australian households has continued to improve.

"This has been a stretching agenda and I am very pleased with the progress we've made.

"In summary, we began the year in strong shape and finished it even stronger. We are well positioned to meet the challenges in an operating environment, which although improving, remains uncertain," Mrs Kelly said.

Result Highlights

Highlights for the year included:

- Impairment charges more than halved with a $1,836 million reduction to $1,456 million. The primary focus in 2010 was the management of existing financially stressed exposures with new impaired assets greatly reduced from full year 2009. Our impairment charges as a percentage of the Group's lending assets stand at a sector leading 0.30%;
- Westpac Institutional Bank increased its cash earnings by $1.2 billion. It consolidated its position as the clear number one wholesale bank in Australia[3] with deep relationships across key industry sectors and strong customer advocacy;
- A strong rebound in BT Financial Group's financial performance, with good flows and improving markets. Active advisors using BTFG's wrap platforms grew by 8.2%;
- We completed major milestones associated with the St.George merger; including expanding the wealth, insurance and credit card offerings, moving The Westpac Group to a single Authorised Deposit-taking Institution and gaining approval for the St.George business to operate under the advanced methodologies for Basel II. During the year St.George has further grown its customer numbers and retained its leadership in customer advocacy in consumer[4] and business[5] amongst the top five banks;
- Westpac Retail and Business Banking (Westpac RBB) completed the first phase of its Westpac Local program, with 630 bank managers and 430 local business bankers, which has assisted the business in achieving above system growth in mortgages (growing at 1.4 times banking system). Customer retention has been excellent and higher this year than in previous years.

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[3] Based on comparisons of Peter Lee Large Corporate and Institutional Relationship Banking survey results Australia, 2009-10.

[4] Source for Consumer NPS: Roy Morgan Research. Metric based on the six month rolling average. Net Promoter Score^{SM} and NPS^{SM} is a service mark of Bain & Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. St.George – includes St.George Bank, BankSA, Asgard, dragondirect and SEALCORP. Peer group includes Westpac, ANZ, CBA and NAB.

[5] Source for Business NPS: TNS Business Finance Monitor. Net Promoter Score^{SM} and NPS^{SM} is a service mark of Bain & Company, Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld.

The Group's balance sheet growth has reflected our customer segment and proprietary channel focus. Lending increased 3% during the year with the key feature being a 12% growth in Australian housing loans. The Group also significantly increased the proportion of loans originated through its owned channels with the proportion of broker originated loans declining through the year by around 10 percentage points.

Customer deposits increased 5% with term deposits increasing 11% or $10.7 billion as a result of more attractive customer interest rates. Household deposit growth of 9.8% represented 1.1 times banking system[6].

Net interest margins declined 11 basis points to 2.22%. In the second half 2010 margins declined 9 basis points with some stabilisation occurring in the fourth quarter. The margin decline is a consequence of higher wholesale and retail deposit funding costs resulting from the global financial crisis and increased competition for deposits and from lower Treasury earnings.

While net interest income was up 1%, the decision to significantly reduce consumer and business customer fees from 1 October 2009 contributed to flat non-interest income. This reduced income by $298 million in 2010 compared to 2009 and was partly offset by higher wealth and other income.

The continuing expansion of the distribution network along with higher investment spending on technology stability and compliance initiatives contributed to a 3% increase in expenses. The Westpac Group further enhanced its balance sheet strength in 2010. The Tier 1 Capital ratio increased by 98 basis points to 9.09%. The Group also improved its funding profile, with the Stable Funding Ratio increasing to 80% and liquid assets rising to $82 billion.

Business Unit Performance

	Cash Earnings $A millions					
Divisions	Half Year Sept 2010	Half Year March 2010	Full Year Sept 2010	Full Year Sept 2009	Half Year Sept 2010 % Change	Full Year Sept 2010 % Change
Westpac Retail and Business Banking	883	873	1,756	1,908	*1*	*(8)*
Westpac Institutional Bank	707	807	1,514	361	*(12)*	*large*
St.George Bank	569	472	1,041	1,043	*21*	-
BT Financial Group	294	301	595	493	*(2)*	*21*
Westpac New Zealand (NZD)	197	125	322	236	*58*	*36*

Westpac Retail and Business Banking (Westpac RBB) – 2010 has been a year in which income in this division was rebased. This has been driven by our strategic decision to significantly reduce customer fees and from the higher funding cost environment. Underlying momentum however is pleasing with lending and deposit growth strong.

Importantly, RBB has also materially grown its customer numbers with excellent retention rates and strengthened its products per customer (with 30% of customers holding four or more products).

Westpac Institutional Bank (WIB) – Cash earnings increased significantly to $1,514 million, rebounding strongly from 2009 with revenue growth of 7% and core earnings up 10%. Impairment charges fell from $1,528 million to $123 million. WIB's continued leadership reflects a culture built over many years to grow and sustain deep, enduring customer relationships.

St.George Bank – Cash earnings were flat in 2010 due to the reduction in customer fees, with higher funding costs offsetting loan growth. Impairment charges were lower as the larger,

[6] APRA monthly banking statistics, 12 months to September 2010.

commercial property related charges in 2009 subsided. St.George employed 292 new customer-serving employees during the year and opened 9 new branches. Ten new branches will open in 2011.

BT Financial Group (BTFG) – Cash earnings increased strongly, up 21% to $595 million, driven by good funds inflow in BT platforms, combined with generally improved market conditions. The industry leading BT Super For Life product has passed the $1 billion funds under management mark. Insurance cross-sell was strong with a 25% increase in home and contents gross written premiums.

Westpac New Zealand – The New Zealand business has delivered a markedly stronger result notwithstanding a local economy that is only slowly recovering. The business delivered solid above system growth in both households and business. Cash earnings are up 36% to NZ$322 million and impairment charges declined by 39% to NZ$347 million.

Priority Focus Areas

The St.George Merger

2010 saw us largely complete the integration following the St.George merger, with all major milestones having been met or exceeded.

Cost synergies of $326 million were achieved in 2010 representing an increase of $183 million over the previous year. In addition, St.George product offerings continued to expand, leveraging the Group's capabilities, consistent with our multi-brand operating model. The Amplify rewards credit card became available through St.George Bank and additional wealth management and insurance products were also introduced.

Most importantly, St.George Bank customer numbers continued to grow and have done so since the merger contrary to most merger outcomes. This growth reflected the unique St.George brand position and its high customer advocacy scores.

Westpac Customer initiatives

The Westpac Local program is on track in relation to both its implementation schedule and benefits profile.

From a customer service perspective, operational response times and service levels, particularly in mortgages, have markedly improved. Some 96% of all customer enquiries to call centres are now resolved in the first call and system reliability has improved significantly. Account opening times have been reduced, the process for customers and staff simplified and customer complaints have reduced significantly from 2009 levels.

Technology Developments

As previously advised to the market, 2010 was the first year of Westpac's five year Strategic Investment Priorities in technology. This is a series of programs designed to address legacy technology issues, transform our technology infrastructure and support our customer-focused strategy.

Pleasingly, targeted investment in the stability and maintenance of our technology has led to significant improvements in reliability and stability, reducing severe outages by over 90%.

Community

During 2010, the Group further enhanced its strong commitment to the community. In addition to its partnership with indigenous communities in Cape York and continuing to support the Westpac Helicopter services, we provided an additional $20 million contribution to the Westpac Foundation and committed to $1million per annum to the St.George Foundation for the next six years. In addition, the Group made substantial donations to the relief appeals for the Christchurch earthquake and the Pakistan floods.

The Westpac Group was the only Australian bank recognised in the Global 100 Most Sustainable Corporations List 2010.[7]

Outlook

Mrs Kelly said that the Group was very well positioned for the future. 2010 has been an important year with 2011 also likely to be challenging.

"In the year ahead, economic activity is expected to improve further as business investment picks up and global growth trends improve. Nevertheless, we expect some legacies of the global financial crisis to remain, including cautious financial markets.

"Credit growth is likely to improve in 2011 with housing growth remaining around current levels and business lending expected to pick up after two years of de-leveraging. Funding costs are expected to remain high.

Mrs Kelly added: "We expect progress in the prudential and regulatory agenda, particularly in finalising adjustments to capital and liquidity requirements. However, the Group is well placed to deal with these regulatory changes.

"Beyond the immediate challenges, the medium term outlook is very positive. Australia is likely to be among the highest performing advanced economies over the next few years and will be one of the most stable and important economies in the Asian region. The significant programs of change we have underway across the Group are positioning us to be highly competitive in the coming environment.

"Having further strengthened the franchise during 2010, the Westpac Group is in good shape to continue supporting customers and improve returns to shareholders," Mrs Kelly concluded.

Ends.

For Further Information

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[7] Global 100 Most Sustainable Corporations List 2010, www.global100.org.