Media Release

6 November 2017

Westpac delivers another solid result

Financial highlights Full Year 2017 compared to Full Year 2016[1]

- Statutory net profit $7,990 million, up 7%
- Cash earnings $8,062 million, up 3%
- Cash earnings per share 239.7 cents, up 2%
- Cash return on equity (ROE) 13.8%, within target range
- Unchanged final fully franked dividend of 94 cents per share (Full year dividend of 188 cents per share, unchanged)
- Common equity Tier 1 capital ratio 10.6%
- Bank levy $95 million (pre-tax)

Westpac Group CEO, Mr Brian Hartzer said: “This is another solid result. We have continued to successfully navigate a challenging environment while our strategy builds momentum.

“Our primary goal in 2017 was to carefully balance growth and returns, while meeting all of our new macro-prudential regulatory requirements. We achieved the required macro-prudential targets for home lending. The credit quality of our loan portfolio is in great shape with stressed assets reducing during the year.

“Our balance sheet strength is a particular highlight: with our CET1 capital ratio of 10.6% we are already above APRA’s ‘unquestionably strong’ benchmark of 10.5%, well in advance of the January 2020 deadline. We also met the new standard for the Net Stable Funding Ratio (NSFR), ahead of the January 2018 deadline.

“Our portfolio of businesses continues to perform well. WIB was the standout, with a particularly strong first half, and our Consumer and Business Banks continue to deliver good earnings growth. New Zealand also performed well, benefitting from improved credit quality. BT Financial Group had a softer year – while the underlying business continued to grow, results were impacted by some infrequent items and higher claims.”

Mr Hartzer said the Group result also included a provision for customer payments to address legacy issues.

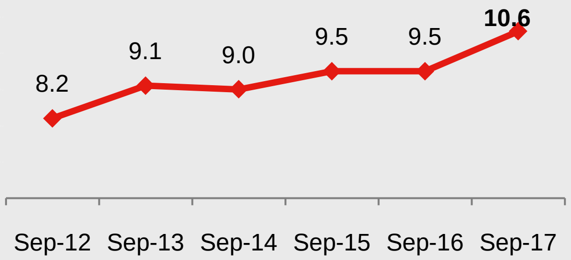
“As part of our ‘*get it right, put it right*’ program we’ve been reviewing our products and services and the way we have engaged with our customers. Where we have found issues that we need to put right, we ensure that no customer has been disadvantaged from those past practices. For example, a review into our superannuation disclosure is resulting in payments to some customers with pre-existing conditions who did not have the benefit of our improved disclosure practices and who previously had their claims denied. We are also refunding customers who were entitled to certain product discounts, but may not have been aware that they needed to specifically request them. The cash earnings impact of these changes was $118 million this year, equivalent to 1.5% of earnings.

[1] Reported on a cash earnings basis unless otherwise stated. For an explanation of cash earnings and reconciliation to reported results refer to pages 6, 7 and 116-119 of the Group’s 2017 Full Year Financial Results Announcement.

"Despite these challenges, our business is in excellent shape: customer satisfaction has risen, employee engagement is above the global high performing benchmark, and we have achieved our goal of welcoming one million new customers since 2015. We've continued to improve the functionality and convenience of our digital channels, our wealth system Panorama added around $4bn funds under administration in FY17, and we've originated our first mortgages using our new customer service hub – an important milestone in the modernisation of our technology infrastructure. At a time of substantial change in our industry, we've got a clear strategic agenda that is delivering for both customers and shareholders."

Materially strengthened balance sheet

CET1 capital ratio (%)

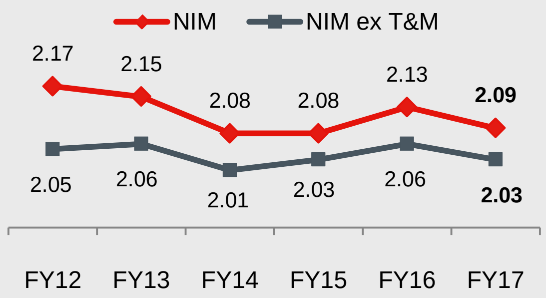


Conservative balance sheet

- 10.6% CET1 capital ratio is already ahead of APRA's 'unquestionably strong' benchmark
- CET1 internationally comparable ratio of 16.20% - top quartile of banks globally
- Liquidity ratios well above 100% regulatory requirements
  - LCR 124%
  - NSFR 109%

Margins well-managed

Net interest margin (NIM) (%)



Net interest margin 4bps lower

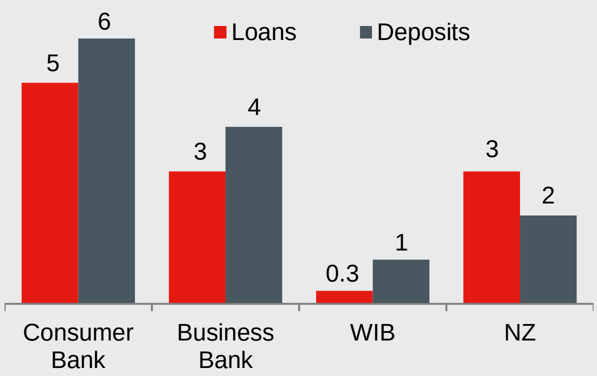
- Margins 4bps lower than 12 months ago; excluding Treasury and Markets NIM is down 3 basis points
- Margins ex-markets decline due to:
  - Deposit competition and higher wholesale funding costs
  - Introduction of bank levy
  - Impact of increasing liquidity balances and lower interest rates
- Some asset repricing contributed to rise in margins in the second half

Tight cost control

Expenses managed tightly; lower end of 2-3% target range

- Expenses up 2% over the year
- Expense to income ratio 42%
- Cost to assets improved 3bps over the year
- Productivity savings of $262 million offset business as usual expense growth
- Most of the cost increase due to investment and regulatory and compliance costs

Disciplined balance sheet growth (%) over FY17

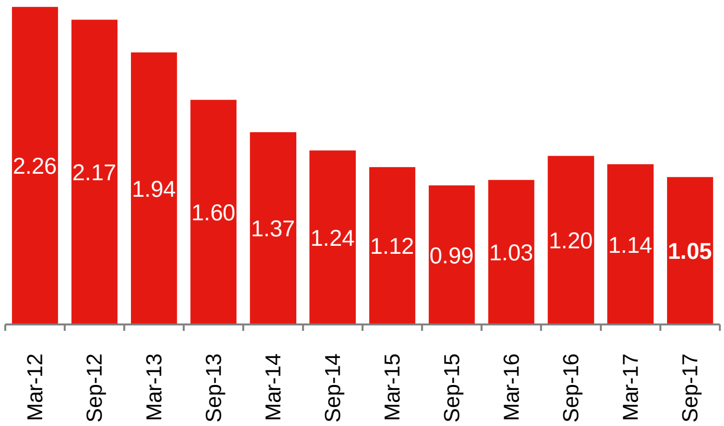


Credit quality remains sound

Stressed assets to total committed exposures (TCE) lower over year

- Conservative impaired asset provision coverage at 46%
- Lower impaired assets to gross loans ratio – down 10bps over the year to 0.22%
- Impairment charges (13bps of average loans annualised) down 24% over year to $853 million

Stressed assets (% TCE)



Divisional performance – cash earnings

Division	FY17 ($m)	% change FY16	% change 2H17 vs 1H17	Highlights (FY17 – FY16)
Consumer Bank	3,104	4	5	Good balance sheet growth (loans up 5%, deposits up 6%), improved productivity with expense growth of 2% versus revenue growth of 4%
Business Bank	2,099	6	8	Disciplined growth (loans to small and medium enterprises up 6% and deposits up 4%). Improved fee income. Expense to income ratio 35%
BT Financial Group	771	(11)	(6)	Positive trends in FUM and FUA – up 10% and 6% respectively – as well as in life insurance in-force premiums (+10%) Earnings lower from infrequent items including customer refund payments, higher general insurance claims (Cyclone Debbie), lower Advice income, margin impact of migrating to MySuper products, and higher regulatory/compliance costs
Westpac Institutional Bank	1,304	18	(14)	Strong result supported by higher markets income and improved asset quality. Disciplined on growth, saw margins increasing. Costs down 2% reflecting business model change in 2016. Markets income down in second half, impacting full year result
Westpac New Zealand ($NZ)	970	9	10	Higher result supported by impairment benefit of $76 million from improved asset quality. Margins lower from intense deposit competition

Dividends

The Westpac Group Board has determined an unchanged final, fully franked dividend of 94 cents per share to be paid on 22 December 2017. The final dividend represents a payout ratio of 78.7% of cash earnings.

The bank levy cost $95 million for the full year. The Board considered a range of factors including the impact of the bank levy in determining the dividend. The levy will be paid out of retained earnings and is equivalent to two cents per share.

The dividend reinvestment plan (DRP) will continue to apply and there will be no discount to the market price. Shares will be issued to satisfy the DRP.

Outlook

Mr Hartzer said the outlook for Australia remains positive overall, with GDP growth expected to be slightly above trend at around 2.5% in 2018. However, the growth outlook will remain mixed across the country. He said global growth is expected to consolidate around 3.5%.

“Economic growth is picking up around the world – most major markets are now growing, which is something we haven't seen for a while. In the US, in France, and in other markets around the world governments are cutting taxes, cutting red tape, and investing in infrastructure. It's a good reminder that policy certainty is a great spur to business investment.

“Business in Australia is ready to invest, however many of our customers are holding back because of policy uncertainty. Whether it's on energy policy, transport infrastructure, or fixing up the tax arrangements between the states, Governments at all levels need to come together with business for a common purpose to provide the certainty that's needed to drive confidence.”

Mr Hartzer said Westpac’s consistent focus on Australia and New Zealand over a long period means its high quality portfolio was strongly positioned.

“We remain positive about the Australian housing market, although we expect price growth to moderate through 2018. 90+ day delinquencies remain low by historical measures and our home loan customers continue to take advantage of low interest rates with more than 70% of customers ahead on their repayments[2].

“We have a strong customer franchise which continues to grow, we are taking advantage of the opportunities created by a digital world, and we are well-positioned in the faster growing parts of our economy. These factors, plus a highly-engaged culture that continues to attract great people, gives me confidence about Westpac’s outlook and our ability to outperform over the long term.”

For Further Information

David Lording
Head of Media Relations
M. 0419 683 411

Andrew Bowden
Head of Investor Relations
T. 02 8253 4008
M. 0438 284 863

[2] *Loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset balances.*