Media Release

4 November 2009

The Westpac Group delivers sound result with strong momentum

Key financial highlights:[1] (Comparisons are with prior year[2])

- Statutory net profit of $3,446 million, down 11%
- Pro forma cash earnings of $4,627 million, down 8%
- Pro forma core earnings[3] of $10,015 million, up 19%
- Pro forma cash earnings per share 162 cents, down 18%
- Final dividend of 60 cents bringing fully franked total dividend to 116 cents, down 18%
- Economic Profit of $2,094 million, down 25%

Full Year Profit Result

The Westpac Group today announced pro forma cash earnings of $4,627 million, down 8% for the year ended 30 September 2009. Statutory net profit after tax was down 11% to $3,446 million for the year.

Pro forma cash earnings per share of 162 cents for the year ended 30 September 2009 was 18% lower than cash earnings per share for the prior year.

Westpac Chief Executive Officer, Gail Kelly, said The Westpac Group had achieved a sound financial performance in what has been a very challenging year for banks around the world.

“We have remained strong in uncertain times by being well capitalised, well funded and well provisioned,” Mrs Kelly said.

Westpac declared a final dividend of 60 cents, fully franked. Total dividends for the year were 116 cents, down 18% over the prior year. The decline in dividends was consistent with the fall in earnings per share and represented a pay-out ratio of 73% slightly higher than the company’s long term pay-out ratio of around 70%.

Mrs Kelly said that The Westpac Group has made strong progress in key priority areas over 2009.

“This has been a momentous year for The Westpac Group. At the outset of the year we had three priority areas; first, against the backdrop of the Global Financial Crisis, ensuring the Group was strongly positioned throughout the year and well placed to support

[1] Following Westpac’s merger with St.George on 1 December 2008 (for consolidation purposes from and including 18 November 2008), the results have been prepared on a “pro forma” basis. For details of the pro forma adjustments and details of statutory results, refer to the ASX Announcement and statutory financial reports released by Westpac today.

[2] Changes in pro forma economic profit and pro forma cash earnings per share are based on comparison of 2009 pro forma result with the 2008 actual result for Westpac. Other comparisons of 2009 pro forma results in the table are with 2008 pro forma result.

[3] Core earnings is operating profit (on a cash basis) before income tax and impairment charges.

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customers; second, delivering on our customer-centred vision and strategy, and third, successfully managing the merger with St.George.

"I am very pleased that we have performed well in all these areas. We finished the year with a significantly stronger balance sheet and funding profile, a set of clearly positioned and strong brands and an improving reputation with customers. The St.George integration has also progressed very smoothly, adding strength and capability to the Group overall," Mrs Kelly said.

Result Highlights

Pro-forma revenue of $16,755 million was up 13%.

Revenue growth was a highlight, driven by strong, above system customer deposit growth of 17% and Australian mortgage growth of 17%, highlighting the strength of our retail franchise. Market related activities and Treasury management of balance sheet risk also generated positive revenue growth.

Customer net interest margins for the year increased 7 basis points, but were flat over the second half, as improved asset spreads were partly offset by declining deposit spreads. Treasury balance sheet management added a further 14 basis points to net interest margins, contributing to the overall Group margin for the year of 2.32%.

Expense growth moderated over the year to 5%, due to the scale benefits from the merger and implementation of efficiency initiatives, contributing to the achievement of a 40% cost to income ratio for the Group. Importantly, this result was achieved while investing significantly in the Group's customer-focussed strategy, including putting many more bankers onto the front line.

Impairment charges were $2,087 million higher during the year at $3,292 million, reflecting deterioration in asset quality and The Westpac Group's prudent provisioning approach in light of the weakened economic environment.

Uncertainty around the economic environment led The Westpac Group to significantly increase the strength of its balance sheet. Westpac has continued to increase its provisioning through 2009, with total provisions of $4.7 billion, including our economic overlay of $502 million. Collective provisions to credit risk weighted assets increased by 37 bps to 142 bps, a sector leading coverage ratio. The credit health of the portfolio has begun to stabilise over the fourth quarter, and consumer delinquencies have improved over the last six months.

In addition, Tier 1 capital increased over the period from 7.8% to 8.1%, which is well above the Group's target range. The Group also significantly improved its funding profile, increasing the proportion of funding from customer deposits by around 10 percentage points to 62% over the year.

Merger Progress

Nearing the first anniversary of Westpac's merger with St.George, the integration of the two companies is proceeding well.

"Pleasingly, customer numbers have grown for both St.George and Westpac since the merger, reflecting the strength of our multi-brand strategy, the high levels of engagement of our staff and our commitment to putting our customers at the centre," Mrs Kelly said.

The multi-brand model has also underpinned strong revenue growth, through expanding the distribution channels and product offerings across the Group.

"Our multi-brand flexibility has enabled dedicated focus on different market segments including first home buyers, the self-employed and small business owners. By being able to support these different customer segments, we've been able to achieve above system growth against the backdrop of a slowing economy," Mrs Kelly said.

Merger synergies of $143 million have also been achieved, 19% ahead of schedule.

Customer initiatives

Mrs Kelly said that The Westpac Group had made significant progress on its customer-centric strategy, including through a number of customer initiatives implemented during the financial year:

- Westpac Local – a significant investment in grassroots banking, including bringing back the local Bank Manager and empowering local branches to better support local communities. The 18-month program is well progressed in hiring over 1,500 roles which include 669 new Bank Managers and 59 regional managers. In addition, Westpac has opened a number of new branches over the last 12 months.

- St.George management restructure – the implementation of a geographically based management team with Managing Directors appointed to each State. This re-design supports St.George's strategy of providing more responsive, tailored and personalised service to its customers and the communities it serves.

- Exception fee reductions – The Westpac Group reduced all exception fees to $9 from October 1 across both personal and business customers. This is the most comprehensive measure announced in the industry and follows an extensive review of customer feedback on these fees.

- Westpac Assist and St.George Assist – additional resources have been directed to supporting customers during the economic downturn, including expanding Westpac Assist across Westpac small business customers and establishing St.George Assist. These programs provide tailored solutions to help customers experiencing financial difficulties. Over the past financial year, the programs have directly supported up to 59,000 customers with balances in facilities totalling up to $3.9 billion.

- Funding for Financial Counsellors - provided support to the Not-For-Profit sector to assist financial counselling organisations to provide additional training, additional counsellors and education support to meet an increasing demand for these services from bank customers.

"We've taken a number of steps to better understand and assist our customers in financial hardship as well as providing continued education and support to help ensure they have the right bank products for their individual circumstances," Mrs Kelly said.

"I am very pleased that our strong financial position has enabled us to support our customers through all circumstances this past year, including through providing $30 billion in new lending to our customers."

Business Unit Performance

Business Unit	Cash Earnings Full Year 2009 ($A million)	% Change on 2008	Core Earnings Full Year 2009 ($A million)	% Change on 2008
Westpac Retail and Business Banking	1,908	9	3,274	15
Westpac Institutional Bank[4]	361	(58)	2,044	29
St.George Bank[4]	1,043	(5)	2,085	16
BT Financial Group[4]	493	(8)	729	(4)
Westpac New Zealand ($NZ)	236	(50)	901	4

WBC Retail & Business Banking (Westpac RBB) – Cash earnings grew by 9% with the strong result driven by good revenue growth underpinned by above system growth in mortgages (19%) and deposits (19%). This offset significantly higher impairment charges of $551 million primarily related to increased stress among small and medium sized businesses. The RAMS franchise business has materially lifted Westpac's distribution reach contributing 21% of new mortgage growth as it benefited from increased first home buyer demand.

Westpac Institutional Bank (WIB) – Westpac's 'number one lead bank' position supported core earnings growth of 29% with particularly strong customer flows and risk management activities in Foreign Exchange and Debt Markets. This was totally offset by a $1.1 billion rise in impairment charges, predominantly related to three large corporate exposures booked in the first half followed by more broad-based financial stress across commercial customers, resulting in a 58% decline in cash earnings.

St.George Bank – Market share gains and improved momentum saw strong core earnings growth of 16% driven by 10% growth in lending and 13% growth in deposits. This was offset by a $371 million increase in impairment charges for the period, primarily in the commercial property sector, which resulted in cash earnings falling 5%.

BT Financial Group (BTFG) – Weaker equity markets led to lower average funds under management and administration resulting in reduced fees which caused an 8% decline in cash earnings. However, there was a sound recovery in funds management earnings in the second half of 2009 with stronger asset markets. Insurance had a strong performance with cash earnings up 20% over the year.

Westpac New Zealand – Cash earnings declined 50% due to modest core earnings growth of 4% and a NZ$402 million increase in impairment charges mostly related to commercial property exposures. The New Zealand division has had a challenging and disappointing year given the weak economic environment.

Outlook

The 2009 year has been a period of significant change, from the escalation of the global financial crisis and the threat of recession at the outset of the year, to a period of stabilisation and improving confidence as co-ordinated Government policy initiatives have begun to take effect. While the operating environment has improved, there is continued uncertainty in global markets and recovery is likely to be gradual.

From a sector perspective, credit growth is expected to remain relatively subdued as the impacts from the financial crisis continue. Average funding costs are expected to continue

[4] On a pro forma basis

to increase as the intense competition for retail deposits remains, and as wholesale funding is sourced at a cost well above pre-crisis levels.

In addition, as Government fiscal support begins to be scaled back and interest rates move upwards from their very low emergency settings, ongoing caution is likely to be applied to consumer and business budgets.

Against this backdrop, however, The Westpac Group enters the 2010 financial year with solid business momentum, with a strengthened balance sheet and excellent provisioning cover. The Group has a clear customer-focussed strategy, the implementation of which is well underway.

"Westpac has delivered a sound financial result during a tumultuous year. The Group has successfully expanded its customer base and distribution capability, providing a solid foundation for healthy returns for shareholders, and better service and product offerings for our customers," Mrs Kelly concluded.

Ends.

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