Media Release

8 May 2017

Westpac delivers solid result

Financial highlights 1H17 compared to 1H16[1]

- Statutory net profit $3,907 million, up 6%
- Cash earnings $4,017 million, up 3%
- Cash earnings per share 119.8 cents, up 1%
- Cash return on equity (ROE) 14%, at the upper end of 13-14% range
- 94 cents per share interim, fully franked dividend, unchanged
- Common equity Tier 1 capital ratio of 10.0%

Westpac Group CEO, Mr Brian Hartzer said: "This is a solid result given the current complex operating environment.

"We have been disciplined in balancing growth and returns, with cash earnings up 3% over both the previous half and the same period last year. At 14%, our return on equity is at the upper end of the range we are seeking to achieve, and we held costs flat over the last 6 months.

"We continue to strengthen our balance sheet, with our CET1 capital ratio now at 10.0% and with customer deposit growth well above loan growth.

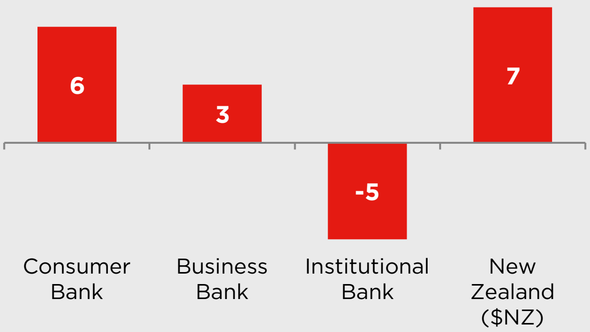
"Our portfolio of businesses has performed well. The Institutional Bank is the standout, benefitting from improved credit quality, increased customer transactions, and a strong result from our markets business. Our Consumer and Business Banks continued to grow in targeted areas but margins were affected by higher funding costs.

"The benefits of our strategy are also clear in this result. We've digitised more processes, which is improving service for customers while also bringing costs down. We've launched a number of new systems including Samsung Pay, SuperCheck, and our new wealth system Panorama; and we've added around 100 new online features to assist customers."

[1] Reported on a cash earnings basis unless otherwise stated. For an explanation of cash earnings and reconciliation to reported results refer to pages 5, 6 and 122-124 of the Group's 2017 Interim Financial Results Announcement.

Targeted Growth

Growth in key loan segments (% 1H17 - 1H16)



Balance sheet managed well with deposit to loan ratio up to 72%

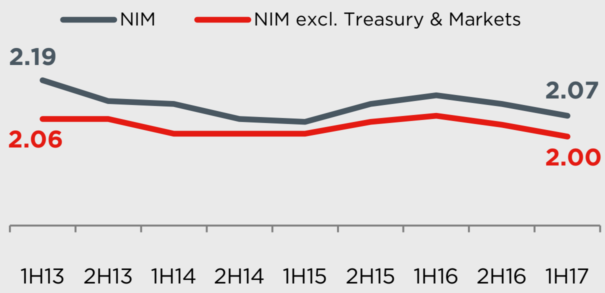
- Australian total lending up 4%, with mortgages up 6% (APRA-defined investor growth was 6.4%)
- Runoff in low return assets saw Australian business lending down 1%

BTFG well positioned with good customer flows

- FUM and FUA up 19% and 11% respectively
- Life insurance in-force premiums up 11%; general insurance GWP up 2%

Margins

Net interest margin (NIM) (%)



Net interest margin reduced as cost of funds rose sharply

- Margins 7bps lower than 12 months ago, having declined by 4bps in 1H17
- Higher cost of funds from:
  - Term deposit competition
  - Recent Tier 1 and Tier 2 issuance and lengthening duration of wholesale funding portfolio
- Responded with selective asset repricing late in the half

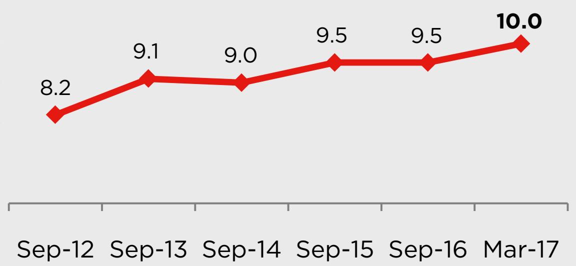
Costs flat

Expenses managed tightly for the environment; below our goal of 2-3%

- Expenses up 1% over the year, flat (up $4 million) over the prior half
- Expense to income ratio 41.7%
- Productivity savings $118 million
  - Further digitisation of manual processes
  - Business model changes in the Institutional Bank and Business Bank
  - Greater digital self-serve adoption

Capital ratio further strengthened

CET1 capital ratio (%)



Well-positioned prior to APRA clarity on 'unquestionably strong'

- CET1 internationally comparable ratio of 15.3% - top quartile of banks globally

Divisional performance – cash earnings

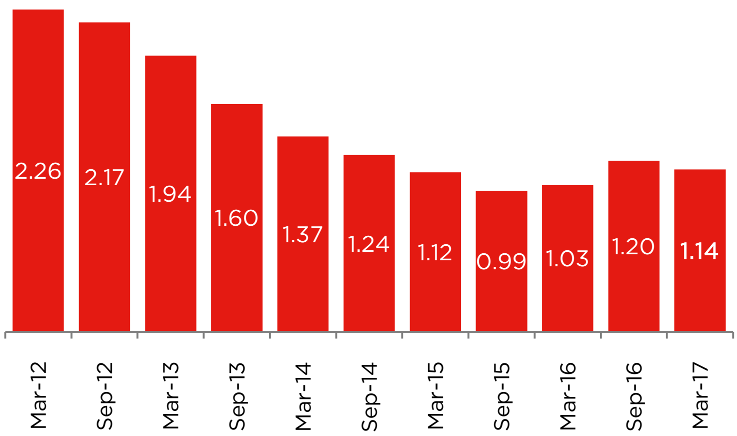
Division	1H17 ($m)	% change 1H16	% change 2H16	Highlights (1H17 – 1H16)
Consumer Bank	1,511	5	(2)	Good balance sheet growth (loans up 6%, deposits up 7%), margins lower from competition, improved productivity with expenses flat
Business Bank	1,008	3	1	Disciplined growth (loans to small and medium enterprises up 6% and deposits up 5%, runoff in low return segments). Improved fee income. Expense to income ratio 36%
BT Financial Group	397	(11)	(5)	Positive trends in FUM and FUA - up 19% and 11% respectively - as well as in insurance premiums Earnings lower from higher general insurance claims (Cyclone Debbie), lower Advice income, margin impact of migrating to MySuper products, and higher regulatory/compliance costs
Westpac Institutional Bank	700	34	20	Strong result with participation in a number of large transactions and improved markets income. Credit quality improvement leading to lower impairment charges. Costs down 2% from business model change in 2016
Westpac New Zealand ($NZ)	462	2	6	Higher result supported by impairment benefit of $36 million from write backs and recoveries Growth in lending, with mortgage and business lending up 6% and 8% respectively. Margins lower from intense competition for deposits

Credit quality remains sound

Stressed assets to total committed exposures (TCE) higher over year but lower than September 2016

- Conservative impaired asset provision coverage at 52.1%
- Lower impaired assets, mostly from workout of some larger facilities in the Institutional Bank and NZ
- Impairment charges (15bps of loans) down 26% over year to $493 million as 1H16 included additional provisions for a small number of larger names

Stressed assets (% TCE)



Dividends

The Westpac Group Board has determined an unchanged interim, fully franked dividend of 94 cents per share to be paid on 4 July 2017. The interim ordinary dividend represents a payout ratio of 79% of cash earnings. The dividend reinvestment plan (DRP) continues to apply with a 1.5% 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 3% in 2017. However, growth will remain mixed across the country.

He said global growth is expected to consolidate around 3.5% despite growth in China slowing a little, policy uncertainties in the US, and ongoing weakening demand in Europe.

“Westpac’s consistent focus on Australia and New Zealand over a long period means our high quality portfolio is strongly positioned.

“We remain positive about the Australian housing market, although we expect price growth to moderate through 2017. 90+ day delinquencies remain low by historical measures and our home loan book continues to perform well with more than 70% of customers ahead on their repayments[2].

“2017 financial system credit is expected to grow at around 5.5%. Housing credit growth is likely to ease a little as demand slows.

“The financial services industry continues to experience significant regulatory change. Given the strength of our business and our balance sheet, we are well placed to respond to any additional regulatory requirements.

“We have a well-balanced and diverse portfolio, and 40,000 people using technology to deliver great service to our customers. As a result, we’re confident in our ability to deliver our strategy.”

For Further Information

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