Westpac 2017
Full Year Results

6 November 2017

Shareholder Update

Financial highlights Full Year 2017 (FY17) compared to Full Year 2016 (FY16)[1,2]

- Statutory net profit $7,990 million, up 7%
- Cash earnings $8,062 million, up 3%
- 94 cents per share, final fully franked dividend, unchanged
- Cash earnings per share 239.7 cents, up 2%
- Cash return on equity (ROE) 13.8%, within target range
- Common equity Tier 1 (CET1) capital ratio of 10.6%
- Lending and customer deposit growth of 3% and 4%, respectively
- Bank levy $95 million, $66 million impact on cash earnings

Westpac announced a reported profit of $7,990 million for FY17. Cash earnings, the Group's preferred measure of earnings, was up 3%, with sound growth in the balance sheet and improved asset quality contributing to a 24% reduction in loan impairment charges.

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 regulatory requirements. As a result we materially lifted our capital ratio; met new liquidity requirements; and operated well-within the required macro-prudential targets for home lending. Asset quality is in great shape, with stressed assets reducing during the year.

"Balance sheet strength has been 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.

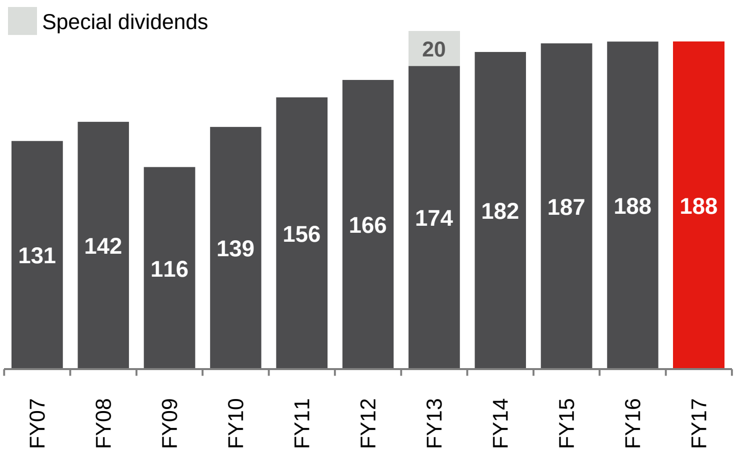
"Our portfolio of businesses has performed well with our banking businesses all increasing their contribution, while BT Financial Group's results were lower given some of the industry headwinds."

"At a time of substantial change in our industry, we've got a clear strategic agenda that is delivering for both customers and shareholders." Mr Hartzer said.

Dividend

- A final dividend of 94 cents per ordinary share, fully franked, was determined, which represents a payout ratio of 79% and a dividend yield of 5.9%.
- This dividend will be paid on 22 December 2017 to shareholders on the register at the record date of 14 November 2017.
- The dividend reinvestment plan (DRP) continues to apply with no discount to the market price.
- Shares will be issued to satisfy the DRP.
- Shareholders wishing to update their DRP election must do so before 5.00pm (AEST) on 15 November 2017 for any change to be reflected in how they receive dividends.

Dividends (cents per share)



Further details around the DRP terms and conditions and updating your election can be found at our Investor Centre website.

Where our revenue* goes

Sharing returns

$6.3bn Dividends – paid to our 630,000 shareholders
Around 80% of dividends are paid to Australians through retail and industry super funds, institutional investors and individual investors including self-managed super funds
29%

$4.7bn Salaries – paid to our 39,000 employees
Through employee salaries, superannuation and other benefits
22%

$4.4bn Expenses – paid mainly to our suppliers
Businesses and individuals, mostly based in Australia and New Zealand
20%

$3.5bn Tax – capable of funding federal hospitals for almost two years
With a tax rate of 30.4% Westpac is Australia's second largest tax payer
16%

$0.9bn Loan impairments – to cover bad debts
4%

$1.8bn Reinvested – to fund future growth
Supporting future lending
9%

$21.6bn
2017 REVENUE

**Revenue is net operating income and comprises net interest income and non-interest income on a cash earnings basis. This is before expenses, impairments and tax.*

Results detail

Westpac Group generated cash earnings of $8,062 million in FY17, 3% higher than FY16. The rise in cash earnings was supported by good growth in both lending and deposits, and a 24% reduction in impairment charges (or bad debts).

Net interest income was 4% higher over the year, with a 3% increase in lending and a 4% rise in deposits partially offset by a 4 basis point decline in net interest margin to 2.09%. Loan growth was strongest in Australian mortgages and SME lending, while the Group reduced its exposure to certain low returning segments, including commercial property.

Non-interest income was down 1% from lower fees and commissions and a reduction in wealth and insurance income. This was partially offset by higher markets income.

Expenses were managed tightly with growth at the lower end of the 2-3% range the Group is targeting. Most of the increase was due to a rise in investment spending and higher regulatory and compliance costs.

Asset quality remained sound, with the ratio of stressed assets to total committed exposures down 15bps over the year. Much of the decline was due to lower impaired assets following the work-out of some larger facilities. The improvement in asset quality contributed to the fall in impairment charges.

Higher earnings for 2017 were accompanied by a further strengthening of the balance sheet. The CET1 capital ratio increased by over a full percentage point to 10.56%; liquidity remained sound, finishing the year with a liquidity coverage ratio of 124% and an NSFR of 109%.

Mr Hartzer said the outlook for Australia remains positive overall, with GDP expected to grow by 2.5% by the end of 2018. However, the growth outlook will remain mixed across the country.

He also added, "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."

Full result details

Full details of our result including the webcast of the briefing by our Chief Executive Officer, Brian Hartzer, and Chief Financial Officer, Peter King, can be found on our Investor Centre and can be viewed live from 10am AEST today or on-demand afterwards.

Need more information

If you have any questions regarding your dividend or management of your shareholding, please contact Link either by email: **Westpac@linkmarketservices.com.au** or by telephone on +61 1800 804 255.

Yours sincerely,

Westpac Investor Relations

1. Reported on a cash earnings basis unless otherwise stated. For an explanation of cash earnings, refer to Westpac's 2017 Full Year Results Announcement.

2. All comparisons are against prior reported period results (12 months ended 30 September 2017).

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