

# SHAREHOLDER NEWSLETTER JULY 2014

**Our strategy of deepening customer relationships is creating value for customers and shareholders alike.**

*Westpac Group Chairman Lindsay Maxsted and Chief Executive Officer Gail Kelly.*



## Dear shareholder

**We are pleased to report that the Westpac Group has delivered another high quality result for the half year to 31 March 2014. The strong operating performance of all our divisions, growth in core earnings and further improvement of asset quality contributed to our performance.**

Over the half, cash earnings<sup>1</sup> increased 8% to \$3,772 million, compared to first half 2013, demonstrating that our strategy of deepening customer relationships is creating value for customers and shareholders alike. Earnings per share increased 7% over the same period.

Our reported profit increased to \$3,622 million up 10% on first half 2013.

Underpinning our result, loans increased 8% and margins were well managed, down just 8 basis points. Impairment charges decreased 22% – a strong indicator of the quality of our customer and business assets. And we remained the most efficient of the Australian banks, with a cost to income ratio of 41.2%.

Our common equity tier 1 capital ratio of 8.82% puts us ahead of peers and allows us to provide additional value to shareholders while at the same time investing in future growth.

A highlight in the half was the successful completion of the acquisition of select businesses from Lloyds Banking Group Australia on 31 December 2013. The businesses are performing well and contributed \$20 million to cash earnings in the first three months.

## A consistent dividend path

The Westpac Board announced a fully franked interim ordinary dividend of 90 cents per share, up 4 cents on first half 2013 and 2 cents on second half 2013 – maintaining our consistent pattern of dividend increases over recent halves. Our payout ratio of 74% reflects our commitment to return a high proportion of our earnings to our 585,000 shareholders.

The 2014 interim dividend will be paid on 2 July 2014.

## Strong divisional contribution

A feature of the half was the performance and continued momentum across all our divisions.

Deeper customer relationships are at the centre of our strategy. **Australian Financial Services (AFS)** is making it easier for customers by simplifying products and processes and strengthening the connections between

our businesses. AFS cash earnings increased 12% on first half 2013, supported by improved loan growth, solid margins, lower impairment charges and disciplined expense control.

AFS highlights include (comparisons against first half 2013):

- **Westpac Retail & Business Banking** cash earnings increased 10% driven by a pickup in home lending and a 6 basis point uplift in margins.
- **St. George Banking Group** cash earnings increased 12% with a positive contribution from all of the division's brands – St. George, BankSA, Bank of Melbourne and RAMS.
- **BT Financial Group's** performance was a standout with cash earnings up 21% due to increased revenue from our wealth administration platforms, increased funds under management and growth in life and general insurance. Nearly 20% of banking customers also hold a wealth product.

**Westpac Institutional Bank** cash earnings were down 4% on first half 2013, mainly due to the impact of infrequent items which had boosted first half 2013 earnings. Without this impact, the division's cash earnings increased by 3% on first half 2013, driven by higher customer revenue.

**Westpac New Zealand** cash earnings increased 17% on first half 2013. The division grew above market in both lending and deposits, although intense competition led to margin pressure. Asset quality also improved, leading to a material fall in impairment charges.

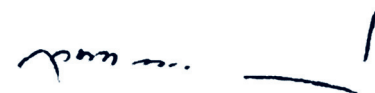
Across our divisions we are making great strides in improving the customer experience through digitisation, simplification and building new capabilities. Initiatives underway include:

- Commencing the roll out of our new on-line banking system in Westpac, providing a simpler, more convenient way for customers to manage their finances;
- The delivery of the first phase of BT's new wealth platform, called Panorama. This will transform how customers build, manage and protect their wealth;
- Ongoing investment in convenient banking, including refreshing the layout of many branches across all brands;
- Despatching individually tailored advice and service messages to customers – we delivered 16 million over the last three months; and
- Further innovation in contactless payments and the use of smart technology.

## Outlook

Looking ahead, while consumers and businesses are still cautious we are seeing signs of increased activity and expect the economy to gradually improve throughout the remainder of 2014. Our focus into the second half continues to be to tilt the Group towards growth through the disciplined delivery of our strategy.

Our dedicated team, high quality franchise and commitment to helping our customers prosper and grow will underpin continued returns for customers and shareholders. Thank you for your ongoing support.



Lindsay Maxsted  
Chairman



Gail Kelly  
Chief Executive Officer

## 1H14 PERFORMANCE HIGHLIGHTS

### DIVIDENDS PER SHARE (¢)

1H14	90
2H13	88 <sup>10<sup>2</sup></sup>
1H13	86 <sup>10<sup>2</sup></sup>
2H12	84
1H12	82

### RETURN ON EQUITY (%)

1H14	16.5
2H13	15.8
1H13	16.1
2H12	15.9
1H12	15.1

### CASH EARNING PER SHARE (¢)

1H14	121.3
2H13	114.5
1H13	113.3
2H12	110.4
1H12	104.4

1. Cash earnings is a measure that makes adjustments to our reported results which we consider provides a better measure of profit generated by ongoing operations. For an explanation of cash earnings and reconciliation to our reported results see page 5 of the Group's Interim Result Announcement for the Half Year ended 31 March 2014.

2. Special dividends.

## 2014 financial calendar Westpac Ordinary Shares

Ex-dividend date for interim dividend	14 May 2014
Record date for interim dividend	16 May 2014 <sup>3</sup>
Interim dividend payable	2 July 2014
Financial Year end	30 September 2014
Final results and dividend announcement	3 November 2014
Ex-dividend date for final dividend	10 November 2014
Record date for final dividend	12 November 2014 <sup>4,5</sup>
Annual General Meeting	12 December 2014 <sup>6</sup>
Final dividend payable	19 December 2014 <sup>4</sup>

3. Record date for 2014 interim dividend in New York – 15 May 2014.

4. Dates will be confirmed at the time of announcing the 2014 final results.

5. Record date for 2014 final dividend in New York – 11 November 2014.

6. Details regarding the location of this meeting and the business to be dealt with will be contained in the separate Notice of Meeting sent to shareholders in November 2014.

## Managing your shareholding

### Dividend payment options

Dividend payments to residents of Australia, New Zealand and the United Kingdom are only made by direct credit or via the Dividend Reinvestment Plan (available in Australia and New Zealand). No cheque payments will be made. Please ensure your direct credit details are up-to-date.

### Share registrar contact details

To manage your shareholding, contact Link (our share registrar) and have your holder number (HIN or SRN) handy:

Link Market Services Limited  
Tel: + 61 1800 804 255 (toll free within Australia)  
Email: [westpac@linkmarketservices.com.au](mailto:westpac@linkmarketservices.com.au)  
Mail: Locked Bag A6015, Sydney South, NSW 1235

Online: View your holding details and amend your instructions (for holdings worth less than \$50,000) online at Link's website [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

Shareholders on the New Zealand sub-register please visit [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)