200 | Westpac GROUP

Group Secretariat
Level 18, 275 Kent Street
Sydney NSW 2000 Australia
T: +61 2 9155 7713
F: +61 2 8253 1215
www.westpac.com.au

6 May 2019

Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Westpac 2019 Interim Financial Results Announcement – Updated Media Release

I have attached the media release which was included in our 2019 Interim Financial Results Announcement, provided to the ASX earlier this morning. This version of the media release includes the full commentary relating to BT Financial Group on page v of the 2019 Interim Financial Results Announcement.

Yours sincerely,

Tim Hartin
Company Secretary

Media Release

6 May 2019

Westpac announces 2019 Half Year Result

Financial highlights First Half 2019 compared to First Half 2018[1]

- Statutory net profit $3,173 million, down 24%
- Cash earnings $3,296 million, down 22%
- Cash earnings per share, 96 cents, down 23%
- Return on equity (ROE) 10.4%, down 3.5 percentage points
- Interim fully franked dividend of 94 cents per share, unchanged
- Common equity Tier 1 capital ratio of 10.64%, above APRA's unquestionably strong benchmark
- Cash earnings, excluding major remediation and restructuring items[2] of $753 million (after tax), down 5%
- ROE, excluding major remediation and restructuring items[2], 12.8%

Westpac Group CEO, Mr Brian Hartzer said: "This is a disappointing result reflecting weaker business conditions and the bank dealing decisively with outstanding issues, including remediation and resetting our wealth strategy.

"The past six months has been a turning point for the bank. We are proactively addressing legacy issues while improving our products and services to ensure they deliver the right customer outcomes. We're exiting personal financial advice to focus on the parts of our wealth business where we have a competitive advantage, and we are delivering significant cost savings by simplifying our business.

"Despite the challenges of this transition period, we have managed our margins[3] well this half while we navigate a very competitive, low growth environment."

Mr Hartzer said productivity remains a top priority, with around $146 million in cost savings delivered over the half. With further cost initiatives underway, the bank is on track to deliver its target of $400 million in productivity savings over the full year. We have reduced full time equivalent staff by 788 this half, and expenses excluding major remediation and restructuring items[2] were down 3%.

"The result confirms the strength of our balance sheet. Our 10.64% common equity Tier 1 capital ratio remained strong in a low growth environment, allowing us to absorb the significant impact of customer remediation provisions and the costs of our wealth reset. Meanwhile, our liquidity and funding metrics are above regulatory requirements.

"The credit quality of our loan book is sound, with the proportion of stressed exposures up one basis point on the year. Impairments remain at cyclical lows and 69% of Australian mortgage customers are ahead on their repayments[4]."

[1] Reported on a cash earnings basis unless otherwise stated. For an explanation of cash earnings and reconciliation to reported results refer to Section 1.3 and Section 5, Note 8 of Westpac Group's 2019 Interim Financial Results Announcement.

[2] References to major remediation and restructuring items in this release include provisions for estimated customer refunds, payments and associated costs ($617 million after tax), and costs associated with the restructuring of the Wealth business ($136 million after tax).

[3] Refers to net interest margins excluding Treasury & Markets.

[4] Mortgages ahead on repayments exclude equity/line of credit products as there are no scheduled principal payments. Includes offset accounts.

Mr Hartzer said restoring customer trust remained a priority for the Group.

“Despite our 202 year history, we know we still have to win back customers’ trust. We have improved complaints handling, removed all teller incentives, and introduced new digital initiatives including a virtual chat assistant for Westpac and digital mortgage applications for St.George, BankSA, and Bank of Melbourne.

“Our Customer Service Hub is now live and the first mortgages have been originated on the platform. This platform will significantly improve the experience of getting a home loan, free up banker time, and help to reduce the costs and time of loan origination.

“This half, we also reset our wealth strategy to ensure we can efficiently and sustainably serve our customers’ financial needs. By realigning BT’s wealth and insurance businesses into our Consumer and Business divisions and introducing a new referral model for personal advice, we are building a stronger and more efficient bank. This change supports our service strategy and our commitment to helping customers throughout their financial lives. While we will incur some one-off costs this year, the changes are expected to be EPS accretive next financial year through exiting a high cost, loss making financial advice business.

“Overall the clarity of our strategy, the size and strength of our growing customer franchise, the quality of our people, and our strong balance sheet puts us in good stead to continue to navigate the challenges of this low growth environment.”

Customer remediation costs

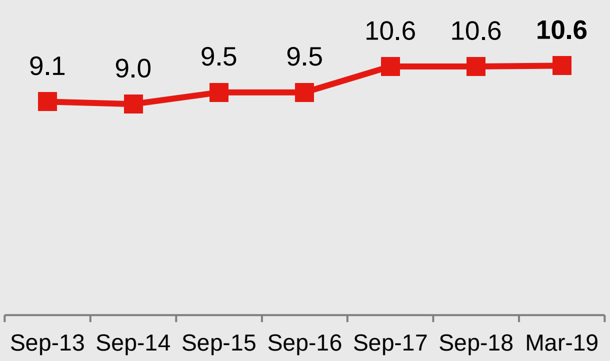
Westpac has provisioned $1,445 million pre-tax in total over the past three years to work on its customer remediation programs, including $1,249 million for customer refunds. $896 million pre-tax in provisions were made this half ($617 million post-tax).

“We are centralising oversight of all remediation programs and have more than 400 employees working directly on remediation projects to make refunds to customers as quickly as possible. Over the past 18 months, we have repaid around $200 million to customers and we expect to make good progress this year in resolving key issues.

“To safeguard against future issues, work is underway across the Group to strengthen governance, improve culture, and deliver more consistent customer outcomes. As part of our ‘get it right, put it right’ initiative we are determined to fix issues and stop these errors occurring again. We will continue to review our products and services to ensure they deliver the right outcomes for customers,” Mr Hartzer said.

Strong balance sheet

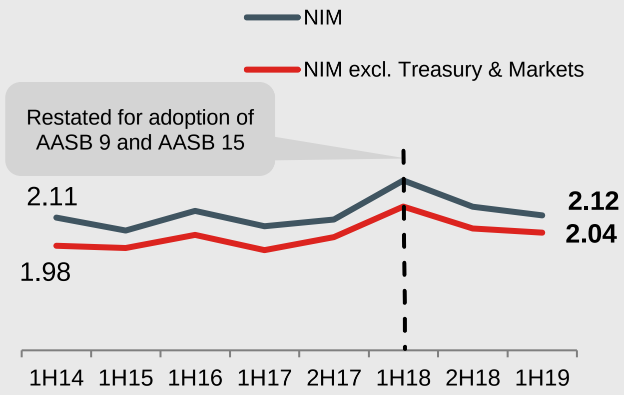
Common equity Tier 1 (CET1) capital ratio (%)



- CET1 capital ratio little changed. Capital generation offset remediation and wealth reset provisions.
- Liquidity ratios well above regulatory requirements of 100%:
  - Liquidity coverage ratio 138%.
  - Net stable funding ratio 113%.

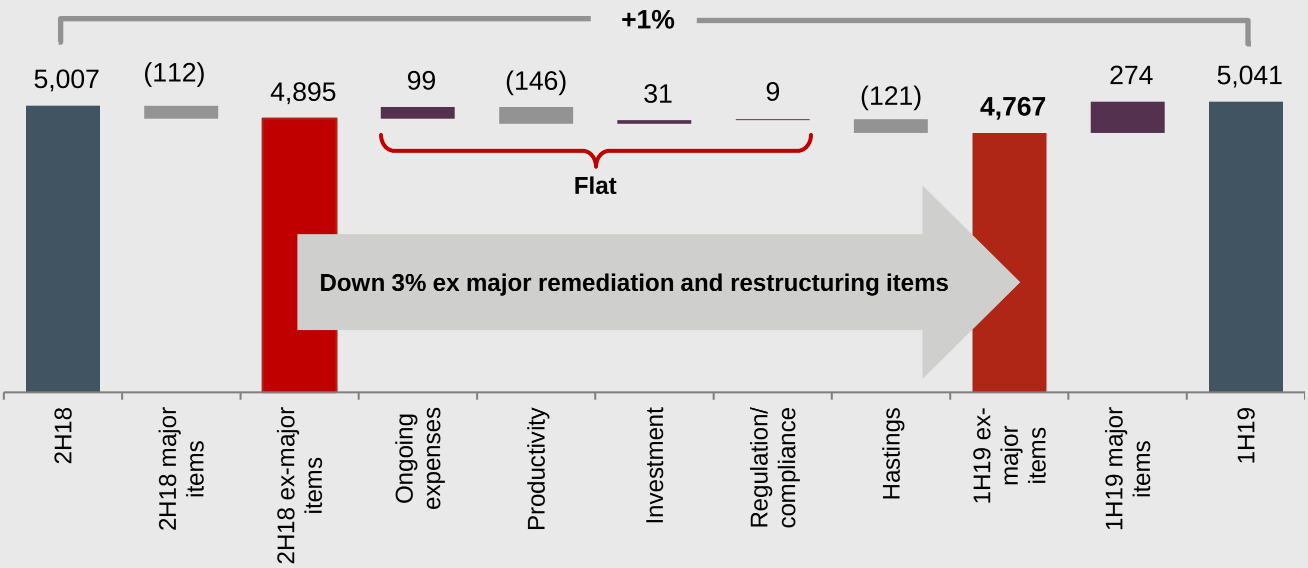
Margins well-managed

Net interest margin (NIM) (%)



- Net interest margin (excluding Treasury & Markets) down 12bps from prior corresponding period due to provisions for customer refunds and higher short-term funding costs.
- A 4bps decrease in Treasury & Markets primarily from Treasury interest rate risk management.

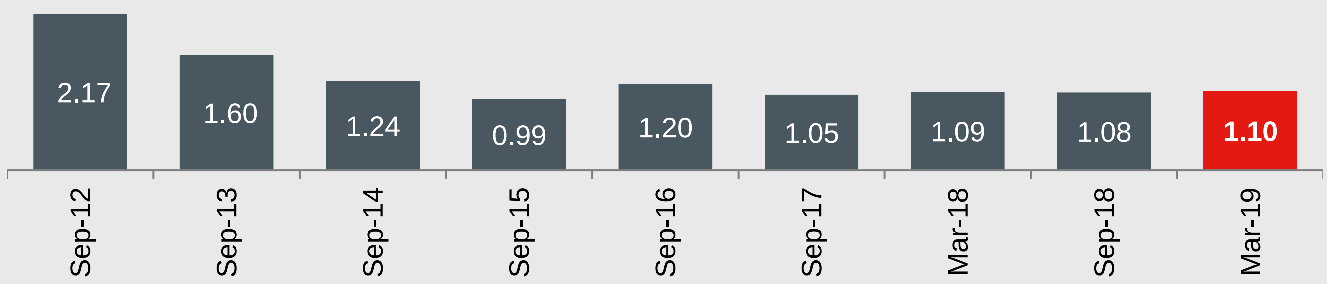
Expenses 2H18 to 1H19 ($m)



- Operating expenses increased 1% in the half, as major remediation and restructuring items increased by $162 million.
- Excluding major remediation and restructuring items, operating expenses declined 3%. This followed the exit of Hastings with operating cost increases offset by $146 million in productivity savings.
- Full time equivalent staff reduced 2% over the half.

Credit quality

Stressed exposures to total committed exposures (TCE) (%)

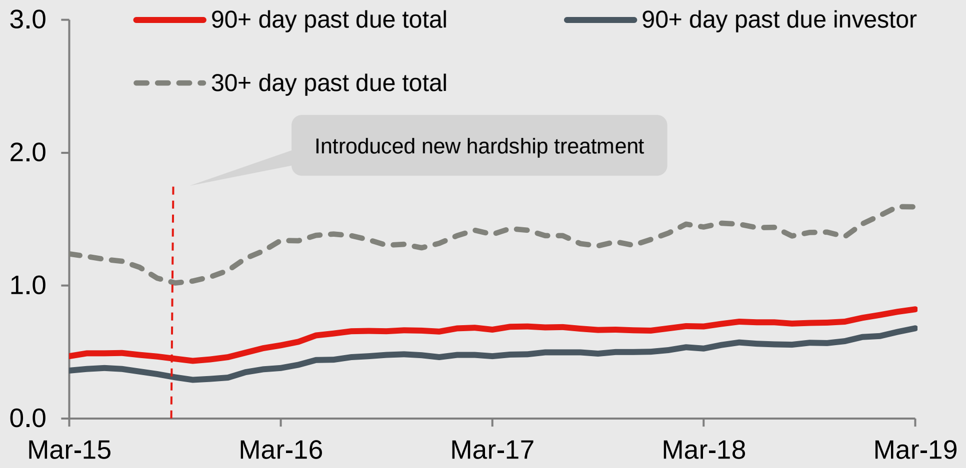


- Asset quality remains sound.
- Stressed exposures to TCE increased modestly by 1bp compared to March 2018.
- Impaired asset provision coverage steady at 46% over the half and the year.

Mortgage quality

- Mortgage book fundamentally sound.
- 90+ day delinquencies up 10bps over the half.
- 482 properties in possession out of a portfolio of about 1.6 million loans.

Australian mortgage portfolio delinquencies (%)



Divisional performance – cash earnings

Division	1H19 ($m)	% change 1H18	% change 2H18	Highlights (1H19 – 1H18)
Consumer Bank	1,514	(11)	7	Cash earnings were 11% lower from a decline in net interest margin, due to higher wholesale funding costs and lower mortgage spreads. Expenses were up from a rise in regulatory and compliance costs and higher investment spending.
Business Bank	1,013	(6)	(6)	Cash earnings were impacted by provisions for estimated customer refunds, payments and associated costs ($131 million after tax). Excluding these items, cash earnings were $64 million or 6% higher from disciplined margin management and a 49% reduction in impairment charges.
BT Financial Group	(305)	large	large	BTFG reported a cash earnings loss of $305 million. Excluding major remediation and restructuring items ($620 million after tax[5]), cash earnings were $315 million, down 22% (or $91 million). This was primarily due to higher weather-related insurance claims and margin compression related to the removal of grandfathered payments and platforms repricing.
Westpac Institutional Bank	543	(2)	1	Lower cash earnings were primarily due to a reduction in financial markets revenue and a first half 2019 impairment charge compared to an impairment benefit in first half 2018. Net interest income was up 8% and net interest margin up 7bps reflecting disciplined balance sheet management.
Westpac New Zealand ($NZ)	555	15	4	Cash earnings growth was supported by sound balance sheet growth (loans and deposits both up 4%), resulting in higher operating income, which included the profit and sale of an associate. A $24 million reduction in impairment charges also supported growth.

[5] Major remediation and restructuring items for BTFG include provisions for estimated customer refunds, payments and associated costs ($484 million after tax), and costs associated with the restructuring of the Wealth business ($136 million after tax).

Dividends

The Westpac Group Board has determined an unchanged interim dividend of 94 cents per share to be paid on 24 June 2019.

The dividend reinvestment plan (DRP) will continue to operate and a 1.5% discount will apply to the market price. Shares will be issued to satisfy the DRP. The discount to the DRP market price has been applied to give the Group additional capital flexibility, including for regulatory changes to the measurement of capital and risk weighted assets likely to be announced in Second Half 2019.

The Federal Government bank levy cost Westpac $193 million pre-tax for the six months. The levy is equivalent to 4 cents per share.

Outlook

Mr Hartzer said the Australian economy will remain subdued with GDP growth this year expected to hold at around 2.2%.

He said consumers were being more cautious in the face of flat wages growth and a continuing soft housing market.

"The economy will continue to be supported by strong government investment and exports, in both resources and services. Employment growth is likely to slow while inflation is likely to remain low.

"The uncertain international backdrop is weighing on business investment decisions. Chinese authorities are addressing last year's sharp slowdown while markets are cautious about the outlook for the US. Europe's economy remains soft.

"House prices are likely to remain soft and home building is set to reduce through 2019 and into 2020.

"We expect system housing credit growth to slow to 3% in the current bank year and fall further next year to 2.5%.

"That would imply total credit growth slowing to 3% this year and 2.8% next year.

"We are dealing decisively with a difficult commercial environment for banks, delivering productivity savings while we continue to simplify our products, digitise our business, and modernise our platforms.

"We are implementing the recommendations of the Royal Commission and other industry initiatives while continuing to invest in technology and digital platforms. Although the second half will continue to be challenging, we believe our service-led strategy remains the best way to create value for our shareholders," Mr Hartzer said.

To view Mr Hartzer's 1H19 results video on Westpac Wire, please visit https://www.westpac.com.au/news/making-news/2019/05/hartzer-decisive-action-in-difficult-times/

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