ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

2 November 2020

Westpac 2020 Full Year Result – Media Release

Westpac Banking Corporation (“Westpac”) today provides the attached Media Release - Westpac 2020 Full Year Result.

For further information:

David Lording
Group Head of Media Relations
0419 683 411

Andrew Bowden
Head of Investor Relations
0438 284 863

This document has been authorised for release by Tim Hartin, General Manager & Company Secretary.

Westpac 2020 Full Year Result

Westpac GROUP

MEDIA RELEASE

2 NOVEMBER 2020

FINANCIAL RESULTS SNAPSHOT[1]

- Statutory net profit $2,290m, down 66%
- Cash earnings $2,608m, down 62%
- Cash EPS 72.5c, down 63%
- NIM 2.08%, down 4 bps
- ROE 3.83%
- CET1 capital ratio 11.13%
- Excluding notable items[2], cash earnings, $5,227m, down 34%
- Excluding notable items[2], ROE 7.69%
- Fully franked final dividend, 31cps

COVID-19 DEFERRAL SUPPORT[3]

- $16.6bn in Australian home loans in deferral (41,000 mortgage accounts)
- Reduced from $54.7bn provided (146,000 mortgage accounts)

- $1.0bn[4] in Australian small business loans in deferral (4,300 small business customers)
- Reduced from $10.1bn provided (32,900 small business customers)

THE RESULT

Westpac Group CEO, Peter King, said: "2020 has been a particularly challenging year and our financial result is disappointing. Our earnings have been significantly impacted by higher impairment charges, increased notable items and the sharp decline in economic activity. At the same time, we have incurred higher expenses due to increased resourcing to handle unprecedented COVID-19 demands and fixing our compliance issues.

"We have, however, continued to maintain the strength of Westpac's balance sheet. Our Common Equity Tier 1 capital ratio is at 11.13%. Customer deposits were up 6% over the year, with the deposit to loan ratio now more than 80%.

"While stressed exposures as a percentage of total committed exposures are higher at 1.91%, up 71 basis points compared to 2019, prudence has been maintained with impairment provisions boosted by $2.2 billion to $6.2 billion.

"Excluding notable items, expenses were up 6% this year. This reflected our focus on fixing risk and compliance issues and responding to COVID-19, which involved higher call and processing centre volumes, returning activities to Australia and increased employee and customer safety measures. The increase in expenses was partly offset by productivity savings of more than $400 million."

[1] Full Year 2020 compared to Full Year 2019. Reported on a cash earnings basis unless otherwise stated. For a reconciliation of cash earnings to reported results, refer to Section 5, Note 8 of Westpac Group 2020 Full Year Results Announcement. For an explanation of cash earnings, refer to Section 1.3.3.

[2] References to notable items in this release include (after tax) provisions and costs for the AUSTRAC proceedings; provisions for estimated refunds, payments, costs and litigation; write-down of intangible items; and asset sales and revaluations.

[3] Figures current as at 28 October 2020.

[4] Business packages outstanding represents customers on deferral who are yet to end their 6-month deferral package of the original $10.1bn provided. Check-ins on business customers granted packages are underway.

Mr King said this year Westpac had made significant progress on becoming a simpler, stronger bank.

“While this year has had its challenges, we have made important changes to the business, including introducing a new operating model, progressing the exit of several businesses, adding more than 400 people to our risk, compliance and financial crime team, and completing the appointments in my executive team.

“Our three key priorities – fix, simplify, perform – recognise our immediate need to address our shortcomings, reshape the business to concentrate on our core businesses and markets, and improve performance,” he said.

Fix

“AUSTRAC’s proceedings had a major impact this year and the agreement to pay a $1.3 billion penalty to settle the matter is an important step forward,” Mr King said.

“We have taken accountability for our mistakes and commenced a process of fundamental change, which has included refreshing the Board and management and elevating oversight of financial crime, compliance and conduct.

“We have started a comprehensive, multi-year program to strengthen our risk culture and how we manage risk across the Group. This includes a significant investment in training, through our Customer Outcomes and Risk Excellence program, to support our people to speak up and respond quickly to emerging risks.

“We are also focused on reducing customer pain points, completing customer remediation as quickly as possible and reducing IT complexity. While we have made progress in these areas, there is more to be done.”

During the year Westpac made $280 million in payments to customers as part of its customer remediation program.

Simplify

Mr King said reducing our portfolio of businesses was the driver of many of the changes.

“We are moving back to core banking with a sharper focus on Australia and New Zealand,” he said.

“We have enhanced our operating model to align our businesses to our major customer offerings, such as mortgages, everyday banking and business lending. This new model will improve decision making and accountability, with one individual now responsible for the financial performance, risk management and customer outcomes for each line of business.

“We have also made progress in our review of specialist businesses. We have entered into an agreement to sell our vendor finance business and are consolidating our international operations into London, New York and Singapore,” he said.

“Modernising and simplifying our technology and using digital to create better customer experiences remains a priority. We have rolled out our new mobile banking app to 240,000 customers and it will be further enhanced before being rolled out to our entire customer base.

“In addition, our Customer Service Hub continues to simplify, standardise and digitise the way we connect with our customers as one bank with multiple brands.”

Perform

“We are addressing the issues that have impacted performance in our mortgage book and expect to see improvement start to flow in 2021,” Mr King said.

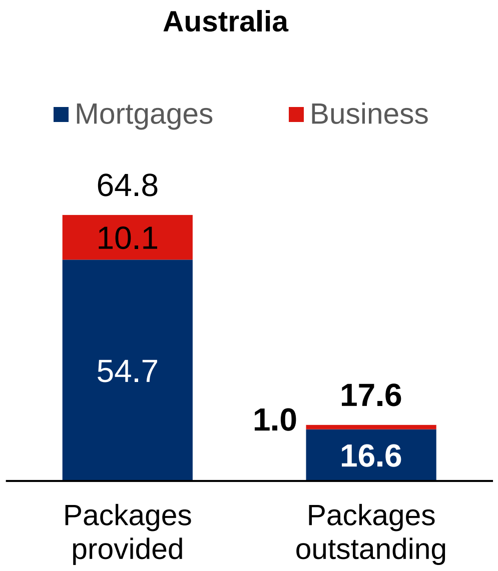
“The simplification of our business will support improved returns and help pave the way for a re-set of our cost base.”

Mr King said a critical part of performing was supporting customers in need.

“We are continuing to assist customers affected by COVID-19. It has been pleasing to see a reduction in the number of our customers on loan deferral packages. More than two thirds of Westpac’s mortgage customers who deferred repayments have now re-commenced repayments.

“We do recognise, though, that for some customers the pandemic will have a longer-term effect on their circumstances, and we are committed to supporting them as much as possible,” he said.

OUTSTANDING DEFERRAL PACKAGES AT 28 OCTOBER 2020[4] ($bn)



More than two thirds of Westpac’s home loan customers on deferral packages have started making repayments again.

Peter King, Westpac Group CEO

4 Business packages outstanding represents customers on deferral who are yet to end their 6-month deferral package of the original $10.1bn provided. Check-ins on business customers granted packages are underway.

DIVIDENDS

The Board has determined a final, fully franked dividend of 31 cents per share to be paid on 18 December 2020.

Total dividends for 2020 were 31 cents per share representing a 49% payout of our full year statutory result, which is the maximum dividend Westpac could pay under current APRA guidance.

DIVISIONAL PERFORMANCE

Division	FY20 cash earnings ($m)	% change FY20-FY19	% change 2H20-1H20	Commentary (FY20-FY19)
Consumer	2,746	(12)	(13)	Cash earnings were 12% lower from higher impairment charges, higher expenses and lower non-interest income. Mortgage lending was down 2%, while deposits increased 6%.
Business	734	(62)	(46)	Cash earnings were 62% lower mostly from an increase in impairment charges and a decline in net interest margin. Deposits were 7% higher with a 33% rise in transaction balances and 20% increase in savings and online balances.
Westpac Institutional Bank	332	(64)	26	Cash earnings were 64% lower primarily driven by higher impairment charges and a 26% decline in core earnings. Expenses were higher from a rise in risk management and compliance costs, including in relation to financial crime.
Westpac New Zealand (NZ$)	649	(38)	20	Cash earnings were 38% lower primarily driven by higher impairment charges. Core earnings were 14% lower mostly from a 24% decline in non-interest income and a 7% increase in expenses.
Specialist Businesses	(506)	Large	Large	The division recorded a cash earnings loss of $506 million compared to a profit of $712 million in Full Year 2019. During Full Year 2020 the business incurred $922 million (after tax) of notable items, compared to $47 million (after tax) in Full Year 2019.

OUTLOOK

Mr King said that COVID-19 was a once in a 100-year health and economic crisis and the near-term economic outlook would remain uncertain.

“The impacts are profound across communities, workplaces and on individuals. Westpac fully supports the range of initiatives undertaken by the Federal Government to protect Australians from both the virus and the economic fall-out.

“I am very proud of how our people stepped up to support customers in a year which has seen not only the pandemic, but also bushfires and floods. We worked hard to support customers through this time, changing our operations to remain open, diverting resources to areas of most need and providing a range of tailored support packages.

“For customers, we have provided certain special interest rates, fee waivers and temporary loans, while supporting around 215,000 consumer and business customers across Australia and New Zealand with repayment deferrals.

“While there were a few issues through the year, such as increased wait times and delays to loan processing, we have – and will continue to – support customers through this uncertain time,” he said.

Mr King said that while Westpac expected economic growth to improve through 2021 and 2022, unemployment would remain elevated for some time.

“We remain in an uncertain economic environment, however the recent budget has provided significant stimulus to businesses and households. Our economists expect at least half the personal tax cuts will be spent and businesses will respond to the generous depreciation allowances.”

Mr King said that despite the tough operating environment, Westpac remained well capitalised with a strong balance sheet and ample liquidity to continue to support its customers.

“Importantly, while economic conditions will still be challenging, Westpac is well placed to continue to support customers through this difficult time.

“With our three priorities of fix, simplify and perform, we are becoming a simpler and stronger bank with a renewed focus on a culture to execute and improve performance,” Mr King said.

Video interviews with Mr King and Chief Financial Officer, Michael Rowland, on FY20 results, are available on the Westpac Wire website – www.westpacwire.com.au

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