

# THE WESTPAC SHAREHOLDER NEWSLETTER

2 JULY 2013

Dear shareholder,

We are pleased to report that Westpac Group has had a strong start to our 2013 financial year, increasing cash earnings<sup>1</sup> by 10% for the six months to March 2013 compared to the same period last year.

This performance has allowed us to maintain our consistent dividend path, increasing the interim dividend to 86 cents. While a further strengthening of our balance sheet has allowed us to reward shareholders with a special dividend of 10 cents per share. Both of these dividends are fully franked and were paid on 2 July 2013.

Our cash earnings of \$3,525 million equates to cash earnings per share of 113.9 cents, up 8%, while our statutory net profit grew 11% to \$3,304 million.

The improvement in cash earnings was built on good revenue growth of 5%, as well as a 28% decline in impairment charges.

Our result reflects encouraging progress on the strategic priorities we outlined in our 2012 Annual Review. Some of the highlights of our performance include:

### BUILDING A STRONG COMPANY

Our number one priority over recent years has been strengthening our company across all dimensions. In first half 2013 we made further progress with increased capital levels, improved asset quality and a stronger funding profile.

“Our number one priority over recent years has been strengthening our company across all dimensions”

On the capital front, our Common Equity Tier 1 ratio under Basel III was up just over a percentage point and is at the upper end of peers both globally and internationally. At 8.7%, this ratio in fact sits above our preferred range of 8.0% to 8.5% and underpinned the Board's decision to distribute excess capital to shareholders with a special dividend.

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LINDSAY MAXSTED,  
CHAIRMAN

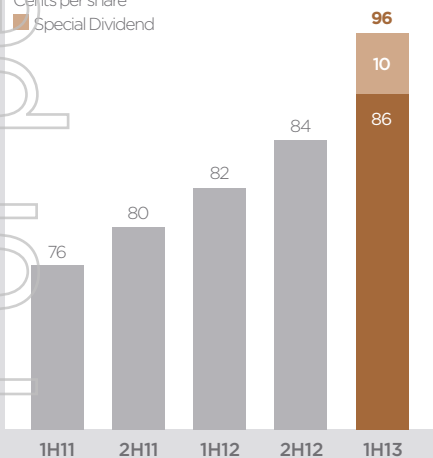


GAIL KELLY, CEO

## STRONG PERFORMANCE

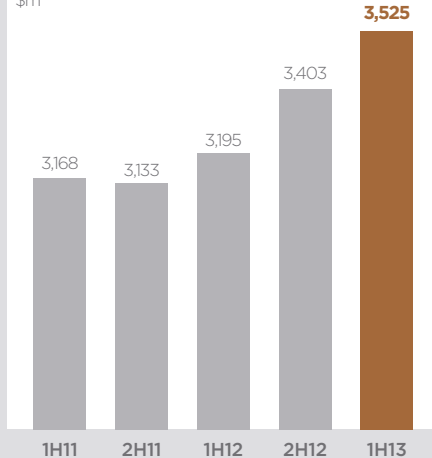
### Dividends

Cents per share  
■ Special Dividend



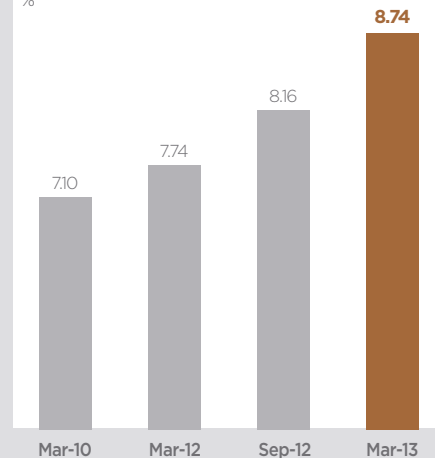
### Cash earnings

\$m



### Common Equity Tier 1 Ratio Basel III<sup>2</sup>

%



<sup>1</sup> 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 pages 5-6 of the Group's Interim Result Announcement for the Half Year ended 31 March 2013.

<sup>2</sup> All figures prior to March 2013 are proforma estimates.

## IMPROVED RETURNS ACROSS ALL DIVISIONS

All divisions contributed to our performance by recording increases in operating profit before impairment charges (or core earnings). Each division remains well placed in their chosen markets.

## SECTOR-LEADING PRODUCTIVITY

Productivity and disciplined cost management remain an important focus, allowing us to generate improved returns while investing in future growth. During the period, over \$200 million in new efficiency savings were realised helping to maintain our sector-leading expense to income ratio of 40.6%.

“An important element of our strategy has been an investment plan that is developing growth opportunities... while also improving our capability”

## INVESTING IN GROWTH

An important element of our strategy has been an investment plan that is developing growth opportunities across the Group while also improving our capability. These initiatives include:

- **Bank of Melbourne:** expansion of the franchise, opening nine branches over the half and achieving 12% deposit growth and 9% mortgage growth.

- **Asia:** further investment to build our capability in Asia, including opening a branch in Mumbai; and adding around 70 employees to our Asian operations. The Group also recently gained a licence to act as a market maker for the direct trading of Australian dollar / Chinese yuan on the Chinese Foreign Exchange Trading System, reflecting our capability in, and commitment to, the region.
- **New wealth platform:** commenced development to extend the Group's lead in wealth management and further integrate our banking and wealth operations.
- **Online and mobile:** launched a number of new mobile apps and we are well advanced in the development of a new online platform that will deliver improved online and mobile services to customers.
- **Business Connect:** launch of St.George's new small business banking model to provide customers with a more convenient banking alternative.

With these investments, our clear strategy, strong position and committed team we are confident we will continue to sustain good shareholder returns. Thank you for your support.

**Lindsay Maxsted**, Chairman

**Gail Kelly**, Chief Executive Officer

## RECEIVE SHAREHOLDER COMMUNICATIONS FASTER BY GOING ELECTRONIC

Westpac offers shareholders a range of communication options to best suit their needs. By electing electronic communications shareholders can receive:

- Information faster, including notification of important company announcements;
- More frequent updates; and
- Emails for company announcements, the annual report, notices of shareholder meetings, newsletters as well as dividend payment statements.

**To receive shareholder communications electronically, contact Westpac's share registrar, Link Market Services Limited (Link) - details on the back page. Or log onto Link's Investor Centre: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).**

## ECONOMIC OUTLOOK

By Bill Evans, Chief Economist

The Australian economy is facing a number of challenges over the next few years. The two key factors that supported Australia's growth in the years after the Global Financial Crisis - the mining boom and a strong boost to government spending - are now winding back. Major mining projects are moving nearer completion and new investment plans have been wound back. At the same time, government spending is unlikely to expand with the Federal Budget including a range of fiscal savings and both political parties appearing to be committed to improving the Government's net debt position.

Fortunately, interest rates have reduced steadily over the last 18 months. Average mortgage rates are near record lows and they are starting to support a solid recovery in the housing market with both prices and activity levels lifting. As is normal, there will be regional disparities across Australia. However we do expect this process to gradually build through the remainder of this year and into 2014.

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To date we remain disappointed with the slow response from business to lower interest rates. Businesses remain concerned about margins; regulation; the Australian dollar; the world economy; and the usual political uncertainty in an election year. Until businesses become more committed to raising employment and investment, Australia's growth prospects will be uncertain. We expect that there will be gradual progress in that regard.

Low interest rates will not only boost the interest rate sensitive parts of the economy including housing but, to a degree, consumer spending. That should boost business' expectations for their sales growth. Low rates will also put some welcome downward pressure on the Australian dollar further boosting business confidence. This process however will be gradual and we do not expect to see the unemployment rate peak until well into next year.

Financial markets will continue to challenge investors. Australian companies are generally in good shape - partly the result of their extreme caution over the last few years. But global markets will continue to be influential. In particular, the policies of the US Federal Reserve, which have been so important in boosting the US share market, will be key. We are optimistic that at least for 2013 and into 2014 those policies will remain supportive and markets should continue to do well.

Keep up-to-date with Bill Evans and his team's weekly market updates on Westpac's website: [www.westpac.com.au](http://www.westpac.com.au)

## GIVING AS LITTLE AS 1% OF YOUR DIVIDEND CAN HELP ACHIEVE A LOT

Thank you to the many shareholders who have generously donated a percentage of their dividend through our Dividend Donation Plan to support the Family of Giving. It is inspiring that so many of our shareholders support our vision of helping our communities to prosper and grow.

Donations can help transform the lives of people like Phoenix, a talented young artist from Brisbane. Six months ago, Phoenix was at risk of leaving school early. Through the Youth ArtWorks mentoring program run by Hands on Art, she has developed self-esteem and realistic goals for her future. Phoenix now sees a world of possibility.

The Family of Giving can help thousands of Australians like Phoenix reach their potential.

Every dollar donated goes direct to projects supported by the Family of Giving, comprising the Westpac Group's four charitable funds. Donations over \$2 are tax deductible and shareholders will retain any available franking credits, should they donate part of their dividend.

**To join the Family of Giving and help build a stronger Australia, phone our share registrar to make your election (contact details overleaf).**

**For more information about the Family of Giving, visit [www.westpac.com.au/familyofgiving](http://www.westpac.com.au/familyofgiving)**



Phoenix showcases her artwork as part of St. George's Extended Bench promotion in conjunction with Saia and Anthony Faingaa from the Queensland Reds rugby union team.

## FINANCIAL CALENDAR

### WESTPAC ORDINARY SHARES

Interim and special dividends paid .....	2 July 2013
Financial year end .....	30 September 2013
Final results and final dividend announcement .....	4 November 2013
Ex-dividend date for final dividend .....	8 November 2013
Record date for final dividend .....	14 November 2013 <sup>1,2</sup>
Annual General Meeting .....	13 December 2013 <sup>3</sup>
Final dividend payable .....	19 December 2013 <sup>1</sup>

1. Dates will be confirmed at the time of announcing the 2013 final results.

2. Record date for 2013 final ordinary share dividend in New York - 13 November 2013.

3. Details regarding the location of this meeting and the business to be dealt with will be contained in the separate Notice of Meeting to be sent to shareholders in November 2013.

### WESTPAC HYBRIDS AND NOTES

The financial calendars for Westpac SPS, Westpac SPS II, Westpac CPS, Westpac Capital Notes and Westpac Subordinated Notes are available online in our Investor Centre at:

[www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre) under 'Financial Calendar'.

### PAYMENT OPTIONS FOR DIVIDENDS

Dividend payments to residents of Australia, New Zealand and the United Kingdom will be made by direct credit or via the Dividend Reinvestment Plan (available in Australia and New Zealand). No cheque payments will be made.

If you have not provided your financial institution account details and your dividend(s) has been withheld, please contact our share registrar, Link Market Services Limited, on +61 1800 804 255, or by email to [westpac@linkmarketservices.com.au](mailto:westpac@linkmarketservices.com.au). Dividends will be deposited as soon as practicable after receipt of account details. Please note that interest does not accrue on dividends withheld.

## NEED MORE INFORMATION?

### Westpac shares or securities

Please contact our share registrar, Link Market Services Limited (Link) and have your holder number (HIN or SRN) handy. If you can't find it, Link can assist by sending out a replacement holding statement to the registered address for the holding.

### Link's contact details are:

#### Telephone:

+ 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 access:

Shareholders can view their holding details, and amend their 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 use the website [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz).

### About the Westpac Group

Visit our dedicated Investor Centre at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre).

The site has a wealth of information, including: annual reports, profit announcements, our detailed Investor Discussion Packs, dividend and DRP history, links to our share price and ASX announcements.