

Media Release

26 October 2010

2010 Full Year Results Announcement Template

The Westpac Group has today released the template for its 2010 Full Year Results Announcement.

This release provides:

- Details of additional cash earnings adjustments that will be made in the Full Year 2010 (Appendix 1);
- A summary of changes to the presentation of The Westpac Group's results in Appendices 2 and 3, to enhance disclosure and outline some revisions to prior period comparatives; and
- A results announcement template (the 'Template') in Appendix 4, detailing the structure of how information in the 2010 Full Year Results Announcement will be presented, including the changes outlined above.

The Template for The Westpac Group's 2010 Full Year Results Announcement will be available on the Westpac website at www.westpac.com.au/investorcentre

The Westpac Group is scheduled to announce its 2010 Full Year Results on Wednesday, 3 November 2010.

Ends.

For further information

David Lording
Media Relations
Ph: +61 2 8253 3510
Mob: 0419 683 411

Andrew Bowden
Investor Relations
Ph: +61 2 8253 4008
Mob: 0438 284 863

Appendix 1

1. Cash Earnings Adjustments

1.1 St.George merger related fair value amortisation of financial instruments:

Following the merger with St.George Bank, Westpac was required to revalue certain assets and liabilities to their fair value. The fair value revaluation impacts are amortised through net interest income over their useful lives.

In the Full Year 2009, Westpac made a cash earnings adjustment (excluding this item from Cash Earnings) for the amortisation of the fair value of short-term wholesale funding and deposits. This fair value revaluation was fully amortised in 2009 and added \$223 million to statutory net interest income. A cash earnings adjustment was made because it was a non-cash item and because of its significant size.

In the Second Half 2010, the Group has revised cash earnings adjustments to also include the amortisation of all merger related retail bank fair value revaluations.

Fair value revaluations were made to retail bank loans, deposits, wholesale funding and associated hedges.

The amortisation of other revaluations were not previously excluded from Cash Earnings because the annual impact on cash earnings was small and distributed over a relatively long period.

Subsequently, it has become apparent that while the annual impact of this amortisation is small, the volatility in the half on half movements will create larger movements in key metrics. This makes comparisons, particularly in net interest margins, more difficult and distorts underlying trends.

Accordingly, the Group has decided to now adjust for these items in cash earnings as they are a timing difference relating to non-cash flow items that do not affect cash distributions available to shareholders.

In introducing this change, it has been necessary to make some comparative adjustments to Cash Earnings in prior periods. The comparative adjustments result in a revised cash earnings adjustment of \$34 million (\$48 million before tax) in First Half 2010 and \$48 million (\$68 million before tax) for Full Year 2009. Comparative performance measures utilising the revised Cash Earnings will be made in the Full Year 2010 release.

These revisions are depicted in the tables on page 3 for both First Half and Second Half 2009 and First Half 2010. In addition, a full amortisation profile has been included to reflect the future impacts on cash earnings including details for each half for Full Year 2009 and Full Year 2010, and is depicted in the table on page 4. The aggregate amount of the total adjustment will be a cash earnings benefit of \$43 million (\$62 million before tax) to net interest income, and the amortisation is over a period of 6 years.

\$m	Cash Earnings As Reported	Fair Value Amortisation of Financial Instruments	Cash Earnings Restated
	First Half 2010		First Half 2010
Net interest income	6,043	(48)	5,995
Non-interest income	2,578	-	2,578
Net operating income	8,621	(48)	8,573
Operating expenses	(3,438)	-	(3,438)
Core earnings	5,183	(48)	5,135
Impairment charges	(879)	-	(879)
Operating profit before income tax	4,304	(48)	4,256
Income tax expense	(1,289)	14	(1,275)
Net profit	3,015	(34)	2,981
Net profit attributable to non-controlling interests	(32)	-	(32)
Cash Earnings	2,983	(34)	2,949
<i>Effective tax rate</i>	29.9%	30.0%	30.0%

\$m	Proforma Cash Earnings As Reported	Fair Value Amortisation of Financial Instruments	Proforma Cash Earnings Restated
	Second Half 2009		Second Half 2009
Net interest income	6,043	26	6,069
Non-interest income	2,405	-	2,405
Net operating income	8,448	26	8,474
Operating expenses	(3,385)	-	(3,385)
Core earnings	5,063	26	5,089
Impairment charges	(1,681)	-	(1,681)
Operating profit before income tax	3,382	26	3,408
Income tax expense	(1,020)	(8)	(1,028)
Net profit	2,362	18	2,380
Net profit attributable to non-controlling interests	(30)	-	(30)
Cash Earnings	2,332	18	2,350
<i>Effective tax rate</i>	30.2%	30.0%	30.2%

\$m	Proforma Cash Earnings As Reported	Fair Value Amortisation of Financial Instruments	Proforma Cash Earnings Restated
	First Half 2009		First Half 2009
Net interest income	5,678	42	5,720
Non-interest income	2,629	-	2,629
Net operating income	8,307	42	8,349
Operating expenses	(3,355)	-	(3,355)
Core earnings	4,952	42	4,994
Impairment charges	(1,611)	-	(1,611)
Operating profit before income tax	3,341	42	3,383
Income tax expense	(1,005)	(12)	(1,017)
Net profit	2,336	30	2,366
Net profit attributable to non-controlling interests	(41)	-	(41)
Cash Earnings	2,295	30	2,325
<i>Effective tax rate</i>	30.1%	30.0%	30.1%

The following table reflects the FV amortisation including half on half details for FY 09 and FY10:

Financial Instruments Fair Value Adjustment (pre-tax) (\$ millions)	Statutory Amortisation of Fair Value (FV) Adjustments (pre-tax)						Total FV Adj	Half on Half Analysis for FY 2009 and FY 2010			
	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14		1HY09	2HY09	1HY10	2HY10
Assets											
Loans	(71)	(62)	(24)	1	-	-	(156)	(24)	(47)	(31)	(31)
Acceptances	118	140	65	-	-	-	323	50	68	70	70
Total Loans	47	78	41	1	-	-	167	26	21	39	39
Liabilities											
Short term wholesale funding and deposits ¹	223	-	-	-	-	-	223	168	55	-	-
Debt Issues	(189)	(217)	(192)	(58)	(51)	(1)	(708)	(81)	(108)	(108)	(109)
Loan capital	(21)	(26)	(26)	(26)	(26)	(15)	(140)	(7)	(14)	(13)	(13)
Total long term funding	(210)	(243)	(218)	(84)	(77)	(16)	(848)	(88)	(122)	(121)	(122)
Reserves											
Cash Flow Hedge Reserve	95	222	79	18	(18)	-	396	20	75	130	92
Total impact of amortisation of Fair Value Adjustments	155	57	(98)	(65)	(95)	(16)	(62)	126	29	48	9

¹ This item was previously excluded from Cash Earnings in Full Year 2009.

1.2 Impact of the tax consolidation of St.George Bank merger

The Westpac Group has finalised the impact of the tax consolidation, related to the merger with St.George Bank, for the 2009 and 2010 financial years. This has led to a \$685 million contribution to Westpac's Full Year 2010 statutory net profit.

Due to the size of this contribution, this item will be excluded from the Group's Cash Earnings in the Second Half 2010 and Full Year 2010 Results. The cash earnings adjustment will impact the tax line item in the income statement.

For further details please refer to the Group's announcement to the ASX on the 'impact of the tax consolidation of St.George Bank merger' released on 26 October 2010.

2 Comparative Adjustments

2.1 St.George Merger adjustments

As part of the merger with St.George, the Group has sought to align accounting methodologies and reporting approaches between Westpac and St.George. This has resulted in a number of changes in Second Half 2010.

2.1.1 Fees & commissions

Following the implementation of the single general ledger for the Group, a review of the appropriate line item disclosure of the Group's fees and commissions was completed. As a result, we have decided to improve comparability by restating some categories within transaction fees & commissions and other non-risk fee income for Full Year 2009. These are detailed below.

Refer to Sections:
6 Note 4 and 7
Note 5

Proforma Full Year 2009			
\$m	Fees & Commission		Revised
	Previously Reported	reclass	
Fees and commissions			
Banking and credit related fees	829	-	829
Transaction fees and commissions received	1,678	(25)	1,653
Service and management fees	5	-	5
Other non-risk fee income	203	25	228
Total fees and commissions	2,715	-	2,715

2.1.2 Life insurance and general insurance income reclassifications

Alignment of the accounting treatment between St.George and Westpac Banking Corporation has resulted in revisions to the classification of certain insurance income in First Half 2010. The net impact of this reclassification is to decrease 'Life insurance and funds management net operating income' by \$8 million for First Half 2010 with a corresponding increase in 'General insurance premiums less claims incurred' of \$8 million.

Refer to Section:
6.6 Note 4 and
7.1 Note 5

2.1.3 Equipment and Occupancy

Following the implementation of the single general ledger, a review of the appropriate line item disclosure of the Group's equipment and occupancy costs was completed. As a result, we have decided to improve comparability by restating certain categories within equipment and occupancy expenses for Full Year 2009 and First Half 2010. These are detailed below.

\$m	First Half 2010		Proforma Full Year 2009			
	Previously Reported	Revised	Previously Reported	Revised	Revised	
Equipment and occupancy expenses						
Operating lease rentals	210	22	232	401	46	447
Depreciation, amortisation and impairment:						
Premises	10	-	10	20	-	20
Leasehold improvements	29	-	29	52	-	52
Furniture and equipment	30	-	30	65	-	65
Technology	32	-	32	65	-	65
Software	134	-	134	213	-	213
Equipment repairs and maintenance	33	5	38	74	5	79
Electricity, water and rates	5	-	5	11	-	11
Land tax	2	-	2	6	-	6
Other	28	(27)	1	52	(51)	1
Total equipment and occupancy expenses	513	-	513	959	-	959

2.1.4 BTFG Life Insurance In-force Premium

In aligning methodologies for in-force premiums relating to St. George consumer credit insurance to the Westpac approach, the Group reduced St. George related in-force premium balances. This will result in a drop in in-force premiums of \$42 million for both Full Year 2009 and First Half 2010. The tables below show the change in the positions for Full Year 2009 and First Half 2010.

Refer to Section:
5.4.2

Life Insurance in-force premiums			
\$m	As Reported Full Year 2009	Revision	Restated Full Year 2009
Life Insurance in-force premiums at start of period	401	(41)	360
Sales	98	(2)	96
Lapses	(49)	(9)	(58)
Net Inflows	49	(11)	38
Other Movements	(3)	10	7
Life Insurance in-force premiums at end of period	447	(42)	405

Life Insurance in-force premiums			
\$m	As Reported First Half 2010	Revision	Restated First Half 2010
Life Insurance in-force premiums at start of period	447	(42)	405
Sales	48	(0)	48
Lapses	(25)	(4)	(29)
Net Inflows	23	(4)	19
Other Movements	(4)	4	(0)
Life Insurance in-force premiums at end of period	466	(42)	424

2.2 Notes to the Income Statement, Balance Sheet and Cash flow statement

2.2.1 Prior Period - Reclassification of Certificates of Deposit between 'Receivables due from other Financial Institutions' to 'Trading securities' – impacting Full Year Average Balance Sheet only

At First Half 2010, The Westpac Group revised the classification of certain certificates of deposit (CD) held as assets on the balance sheet from 'Receivables due from other Financial Institutions' to 'Trading Securities'. All such CDs are now disclosed in 'Trading Securities'. The change to comparative amounts on the Balance Sheet for Full Year 2009 was \$8,335 million.

Refer to Sections:
6 Note 2 and 7.1
Note 3

This reclassification will also impact the Full Year 2009 Average Balance Sheet which was not disclosed in the 2010 Interim Results announcement. The impact on the Full Year 2009 Average Balance Sheet is \$15,033 million.

With this adjustment made at First Half 2010 there was an associated reclassification within Net Interest Income, between 'Receivables due from other Financial Institutions' and 'Trading Securities'. This revision increases 'Trading Securities' net interest income and reduces 'Receivables due from other Financial Institutions' net interest income by \$586 million for Full Year 2009.

3. Enhanced Disclosures

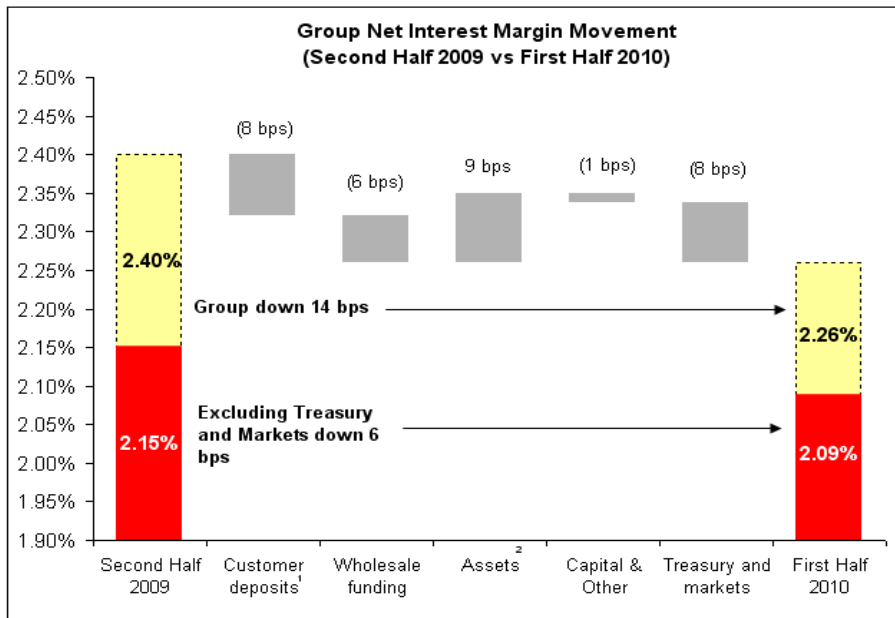
The following disclosure items will be included in our Full Year 2010 Results Announcement as the Group considers that they will enhance comparability of the Group's results between periods and provide additional clarity on performance.

3.1 Margin charts and table

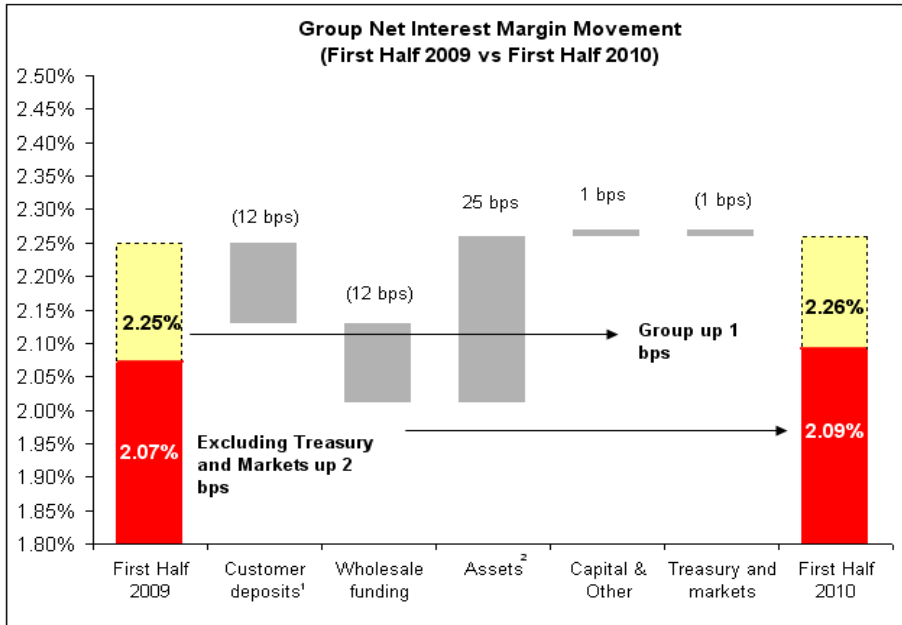
The Margin table and waterfall charts have been updated to enhance disclosures and provide a clearer picture of the impact on the drivers of Group margins. The key changes in presentation are:

- The wholesale funding costs have been disclosed as a separate category. These were previously included in the assets and liabilities spread movements;
- The customer deposit and asset movements in the graph represents the customer rate compared to the internal cost of funds³; and
- The Group margin excluding net interest income from Treasury and Markets has been identified. (This change has also been depicted in the new "Margins" table within Section 4.2.1.)

Comparatives have been updated to reflect these changes and the removal of the St.George merger fair value revaluations as shown in the charts below:



1. Customer Deposits category includes net interest income earned on deposits from Westpac RBB, St.George Bank, WIB, New Zealand and BT Private Bank
 2. Assets category includes net interest income earned on average interest earning assets across the Group excluding income from Treasury and Markets
 3. Assets and customer deposits are transfer priced at an appropriate wholesale interest rate. For fixed rate transactions this represents the relevant interbank swap rate for the term of the underlying asset or deposits, while for variable rate products an equivalent to the 90 day interbank swap rate is used.



3.2 BTFG recognition of Fund under Management (FUM)

Westpac has revised its methodology for reporting Funds under Administration (FUA) and FUM in order to better align with the business's revenue streams. This revision has resulted in the inclusion of FUM managed by BT/Asgard and held on the BT and Asgard Platforms (FUA) which was previously not included in FUM. As a result, Asgard and BT Investment Solutions FUM increased by \$4.5 billion and \$3.5 billion respectively at Full Year 2009, and \$5.4 billion and \$4.0 billion respectively at First Half 2010.

Refer to Sections 4.2.2 and Section 5.4.

\$bn	Reported Sept 2009	Adjustment	Restated Sept 2009
BT	31.7	3.5	35.2
Advance Asset Management	2.2	4.5	6.7
Westpac Institutional Bank	8.9		8.9
New Zealand	1.7		1.7
FUM	44.5	8.0	52.5

\$bn	Reported March 2010	Adjustment	Restated March 2010
BT	32.3	4.0	36.3
Advance Asset Management	1.4	5.4	6.8
Westpac Institutional Bank	9.0		9.0
New Zealand	1.7		1.7
FUM	44.4	9.4	53.8

In addition to the above tables, the adjustment will also impact the Average FUM balance disclosure.

1. Deposits category includes net interest income earned on deposits from Westpac RBB, St. George Bank, WIB, New Zealand and BT Private Bank
2. Assets category includes net interest income earned on average interest earning assets across the Group excluding income from Treasury and Markets

3.3 New Zealand (NZ) Market share metric

The NZ market share metric at First Half 2010 was inconsistently reported based on Westpac's total geographic position including loans in NZ managed under the WIB Balance Sheet. To ensure market share comparability, this market share metric has been revised from 21% previously reported under geographic position to 19% which reflects Westpac NZ market share.

Refer to Section:
3.3.1

3.4 Credit Quality Metrics: Premium Business Group (PBG) impairments reclassified from Institutional to Business segment

The Westpac Group credit quality metric for the Business segment has been amended to include PBG which was previously included in the Institutional segment. PBG results are reported in the Institutional division, however, as the PBG portfolio mostly comprises facilities to mid sized corporate customers it was felt that its credit quality was best reported under the Business segment. This was done to align with other external reporting and enhance comparable information. The tables below reflect these changes for First Half 2009, Second Half 2009 and First Half 2010.

Refer to Section:
4.3.1

Business and Institutional Impairments			
	As Reported Half Year March 2009	Revision	Restated Half Year March 2009
\$m			
Business impaired assets to divisional business total committed exposures:			
Business Australia	0.88%	0.11%	0.99%
Institutional	0.71%	(0.11%)	0.60%

Business and Institutional Impairments			
	As Reported Half Year Sept 2009	Revision	Restated Half Year Sept 2009
\$m			
Business impaired assets to divisional business total committed exposures:			
Business Australia	1.50%	0.18%	1.68%
Institutional	0.64%	(0.24%)	0.40%

Business and Institutional Impairments			
	As Reported Half Year March 2010	Revision	Restated Half Year March 2010
\$m			
Business impaired assets to divisional business total committed exposures:			
Business Australia	1.87%	0.18%	2.05%
Institutional	0.71%	(0.27%)	0.44%

3.5 Earnings on Invested Capital

Income on Invested Capital has been added into the BTFG Divisional results section to provide further insight into the composition of earnings.

Refer to Section:
5.4

3.6 Other enhancements

Other changes to the 2010 Full Year Results document include:

- Cash earnings adjustments previously disclosed in the Reported Results table (Section 2.1.1) have been removed and replaced with 'Reconciliation of Statutory Result and Cash Earnings' table in Section 3.1;
- The relocation of 'Annualised write-offs to average loans' from the Key Financial Data – Impairment changes table in Section 3.2.3. This data is disclosed in Section 4.3.1 Credit Quality Key Metrics;
- Replaced 'Divisional Cash Earnings summary' in Section 4.1 with Cash Earnings segment results for the current periods. In order to avoid duplication the Divisional summary results in Section 5.0 have been removed;
- Product spreads have been removed from the document as more relevant and enhanced disclosures are now disclosed in the Margins section (Section 4); and
- Removal of Note 2 Reported interest spread from the Reported Financial information section (Section 6) which is duplicated in Section 2 key financial data.

Appendix 4

Key Tables for the Full Year Results Announcement

26 October 2010

As referred to in the market release dated
26 October 2010