

ASX Release

24 April 2018

Westpac Group 2018 Interim Financial Results Template

The Westpac Group has today released the template for its 2018 Interim Financial Results. It outlines the changes that will be made in the presentation of Westpac's interim results. An Excel template detailing how key information in the 2018 Interim Financial Results will be presented (including providing updated comparative data) is available on the Westpac website at www.westpac.com.au/investorcentre.

In First Half 2018, Westpac implemented a number of changes to the presentation of its divisional financial information. These changes have no impact on the Group's overall results or balance sheet. Comparative divisional financial information has been restated for these changes.

The changes include updates to the methodologies used to allocate certain costs, revenues and capital to divisions. These changes can be summarised in four areas:

1. Allocating additional capital from Group Businesses to operating divisions, following greater clarity from APRA on updates to its capital framework;
2. Updating the Group's cost of funds transfer pricing methodology, including the allocation of revenue from balance sheet management activities;
3. Realigning divisional earnings and balance sheet disclosures for recent customer transfers; and
4. Refining expense allocations to improve the allocation of support costs to divisions.

Other disclosure changes in Westpac's 2018 Interim Financial Results include:

- Reporting the net stable funding ratio which became effective from 1 January 2018; and
- Revisions to the disclosure of funds under management and funds under administration.

Further details on these changes are provided in Appendix 1. Tables showing updated disclosures and restated prior periods are provided in Appendix 2.

The Westpac Group is scheduled to announce its 2018 Interim Financial Results on Monday, 7 May 2018. An Excel spreadsheet of the interim financial results will also be published on the Westpac website on that date.

Ends.

For Further Information

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Appendix 1

Changes to the presentation of divisional financial information:

1. *Allocating additional capital from Group Businesses to operating divisions, following greater clarity from APRA on updates to its capital framework.*

In 2017, APRA provided additional guidance on the level of capital the Australian major banks need to be considered “unquestionably strong”. Westpac has been building capital in anticipation of this change, and had been retaining this additional capital in Group Businesses. While APRA’s capital framework is still to be finalised, more recent updates have provided sufficient clarity to allocate this capital to divisions. Consumer Bank and Business Bank now hold more capital (principally due to more capital being allocated to mortgages) and Westpac Institutional Bank sees a small reduction (relating to lower risk weightings for certain corporate exposures). These changes impact the disclosure of economic profit and the return on equity by division.

2. *Updating the Group’s cost of funds transfer pricing methodology, including the allocation of revenue from balance sheet management activities.*

Westpac’s cost of funds transfer pricing has been updated to better reflect the liquidity value of deposits within divisions. These changes have principally seen more income recorded in Consumer Bank and less in Westpac Institutional Bank.

Treasury is responsible for the overall management of the balance sheet and interest rate risk for the Group. The allocation of revenue from these activities has been revised to better reflect the drivers of revenue. This has principally resulted in a shift in revenue from Consumer Bank to Treasury (which is reported in Group Businesses). This change also sees a restatement in the key metric “Group net interest margin excluding Treasury & Markets”.

3. *Realigning divisional earnings and balance sheet disclosures for recent customer transfers.*

Two changes have been implemented:

- Some small/micro business customers will now have their lending, deposits and revenues managed and reported in Consumer Bank rather than in Business Bank. These customers do not have dedicated business bankers, and are managed through the Consumer Bank channels; and
- Certain deposit portfolios previously held in Business Bank have been moved to Westpac Institutional Bank (some larger institutional customers) and to BT Financial Group (mostly related to deposits held on platforms).

4. *Refining expense allocations to improve the allocation of support costs to divisions.*

The Group’s expense allocation methodology has been refined to improve the allocation of support costs to divisions. This will see a greater proportion of strategy, human resources, finance and risk management costs allocated to divisions from Group Businesses.

Other disclosure changes in Westpac’s 2018 Interim Financial Results include:

Reporting of the NSFR	Section 2.4, reports available and required stable funding
Revisions to the disclosure of FUM & FUA	Section 2.2.6, better aligns reporting of FUM/FUA information with how the business is managed.

Appendix 2:

Divisional cash earnings summary

Revised disclosure of 1H17 results

\$m	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
Net interest income	3,677	1,910	237	656	791	422	7,693
Non-interest income	433	557	894	958	245	(19)	3,068
Net operating income	4,110	2,467	1,131	1,614	1,036	403	10,761
Operating expenses	(1,651)	(897)	(589)	(671)	(461)	(232)	(4,501)
Core earnings	2,459	1,570	542	943	575	171	6,260
Impairment charges	(272)	(200)	(3)	(64)	35	11	(493)
Operating profit before tax	2,187	1,370	539	879	610	182	5,767
Income tax expense	(656)	(412)	(160)	(246)	(174)	(97)	(1,745)
Non-controlling interests	-	-	-	(4)	-	(1)	(5)
Cash earnings	1,531	958	379	629	436	84	4,017
Economic Profit	1,216	594	298	267	183		1,910
Expense to income ratio	40.17%	36.36%	52.08%	41.57%	44.35%		41.83%
Net interest margin	2.27%	2.70%	2.78%	1.56%	1.96%		2.07%
\$bn							
Total net loans	360.0	146.4	19.3	71.6	70.0		
Total deposits	189.9	102.3	29.7	98.5	51.9		

Previously disclosed 1H17 results

\$m	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
Net interest income	3,631	1,990	251	743	790	288	7,693
Non-interest income	424	567	894	957	245	(19)	3,068
Net operating income	4,055	2,557	1,145	1,700	1,035	269	10,761
Operating expenses	(1,629)	(911)	(578)	(657)	(461)	(265)	(4,501)
Core earnings	2,426	1,646	567	1,043	574	4	6,260
Impairment charges	(267)	(205)	(3)	(64)	35	11	(493)
Operating profit before tax	2,159	1,441	564	979	609	15	5,767
Income tax expense	(648)	(433)	(167)	(275)	(174)	(48)	(1,745)
Non-controlling interests	-	-	-	(4)	-	(1)	(5)
Cash earnings	1,511	1,008	397	700	435	(34)	4,017
Economic Profit	1,278	661	325	348	185		1,910
Expense to income ratio	40.17%	35.63%	50.48%	38.65%	44.39%		41.83%
Net interest margin	2.28%	2.70%	2.94%	1.77%	1.96%		2.07%
\$bn							
Total net loans	352.2	154.3	19.3	71.5	70.0		
Total deposits	185.9	112.0	28.6	93.8	51.9		

Revised disclosure of 2H17 results

\$m	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
Net interest income	3,961	1,975	274	672	838	291	8,011
Non-interest income	380	584	850	749	235	(14)	2,784
Net operating income	4,341	2,559	1,124	1,421	1,073	277	10,795
Operating expenses	(1,727)	(921)	(610)	(680)	(442)	(224)	(4,604)
Core earnings	2,614	1,638	514	741	631	53	6,191
Impairment charges	(293)	(143)	(1)	8	37	32	(360)
Operating profit before tax	2,321	1,495	513	749	668	85	5,831
Income tax expense	(697)	(450)	(156)	(216)	(187)	(78)	(1,784)
Non-controlling interests	-	-	-	(3)	-	1	(2)
Cash earnings	1,624	1,045	357	530	481	8	4,045
Economic Profit	1,204	706	267	200	227		1,864
Expense to income ratio	39.78%	35.99%	54.27%	47.85%	41.27%		42.65%
Net interest margin	2.36%	2.74%	3.03%	1.62%	2.09%		2.10%
\$bn							
Total net loans	370.4	149.4	20.1	74.1	71.1		
Total deposits	196.5	107.0	30.7	92.1	53.7		

Previously disclosed 2H17 results

\$m	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
Net interest income	3,878	2,065	286	764	837	181	8,011
Non-interest income	378	586	850	749	234	(13)	2,784
Net operating income	4,256	2,651	1,136	1,513	1,071	168	10,795
Operating expenses	(1,708)	(928)	(598)	(666)	(442)	(262)	(4,604)
Core earnings	2,548	1,723	538	847	629	(94)	6,191
Impairment charges	(274)	(162)	(1)	8	37	32	(360)
Operating profit before tax	2,274	1,561	537	855	666	(62)	5,831
Income tax expense	(681)	(470)	(163)	(248)	(185)	(37)	(1,784)
Non-controlling interests	-	-	-	(3)	-	1	(2)
Cash earnings	1,593	1,091	374	604	481	(98)	4,045
Economic Profit	1,386	797	300	274	236		1,864
Expense to income ratio	40.13%	35.01%	52.64%	44.02%	41.39%		42.65%
Net interest margin	2.35%	2.74%	3.16%	1.85%	2.08%		2.10%
\$bn							
Total net loans	362.5	157.5	20.1	74.0	71.1		
Total deposits	191.8	115.3	29.7	89.4	53.7		

Section 2.2.1 Net interest income

Revised disclosure

\$m	Half year Sept 2017	Half year March 2017
Net interest income		
Net interest income excluding Treasury & Markets	7,698	7,283
Treasury net interest income	266	386
Market net interest income	47	24
Net interest income	8,011	7,693
Average interest-earning assets		
Loans	640,339	627,267
Third party liquid assets	96,262	93,798
Other interest-earning assets	23,163	23,718
Average interest-earning assets	759,764	744,783
Net interest margin		
Group net interest margin	2.10%	2.07%
Group net interest margin excluding Treasury & Markets	2.02%	1.96%

Previously disclosed

\$m	Half year Sept 2017	Half year March 2017
Net interest income		
Net interest income excluding Treasury & Markets	7,844	7,432
Treasury net interest income	120	237
Market net interest income	47	24
Net interest income	8,011	7,693
Average interest-earning assets		
Loans	640,339	627,267
Third party liquid assets	96,262	93,798
Other interest-earning assets	23,163	23,718
Average interest-earning assets	759,764	744,783
Net interest margin		
Group net interest margin	2.10%	2.07%
Group net interest margin excluding Treasury & Markets	2.06%	2.00%

Section 2.2.6 Total Group Funds

Revised disclosure

\$bn	Half year Sept 2017	Half year March 2017
Funds		
Superannuation	36.2	35.8
Platforms	115.3	113.3
Packaged Funds	36.4	38.4
Other	3.5	4.0
Westpac Institutional Bank	12.5	11.3
New Zealand (A\$)	9.3	8.9
Total Group Funds	213.2	211.7
	Half Year Sept 17	Half Year March 17
Average Funds for the Group	213.9	203.2

Previously disclosed

\$bn	Half year Sept 2017	Half year March 2017
Funds Under Management (FUM)		
BTFG	43.6	42.5
Advance Asset Management	9.5	12.6
Westpac Institutional Bank	12.5	11.3
New Zealand (A\$)	7.7	7.1
Group FUM	73.3	73.5
Funds Under Administration (FUA)		
BTFG	103.2	99.3
Asgard	35.1	37.1
New Zealand (A\$)	1.6	1.8
Group FUA	139.9	138.2
	Half Year Sept 17	Half Year March 17
Average FUM for the Group	73.7	68.3
Average FUA for the Group	140.2	134.9

Section 2.4 Funding and liquidity risk management

\$m	Pro-forma As at 30 Sept 2017	Pro-forma As at 30 Mar 2017
Available Stable Funding	566,304	557,489
Required Stable Funding	521,048	513,904
Net Stable Funding Ratio (NSFR)	109%	108%