

ASX RELEASE

31 October 2012

Westpac Group 2012 Full Year Profit Announcement Template

The Westpac Group has today released the template for its 2012 Full Year Profit Announcement.

This release provides:

- Details of changes to Cash Earnings adjustments that will be made in the Group's 2012 Full Year Results (Appendix 1, section 1);
- A summary of changes to the presentation of the Westpac Group's results (Appendix 1, section 2). This follows changes in the Group's transfer pricing and economic capital allocation approach; and
- A results announcement template (the 'Template') in Appendix 2, providing the structure of how information in the 2012 Full Year Results Announcement will be presented. There are only minor changes in the structure of how information is presented although the changes to transfer pricing and capital allocation impacts prior period divisional results. These changes do not affect results for the Group.

The Template for the Westpac Group's 2012 Annual Results Announcement will also be available on the Westpac website at www.westpac.com.au/investorcentre.

The Westpac Group is scheduled to announce its 2012 Annual Results on Monday, 5 November 2012.

Ends.

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Appendix 1

1. Cash Earnings Adjustments

TOFA tax consolidation adjustment

As disclosed to the ASX on 27 June 2012, the Group will reflect additional income tax expense of \$165 million for the 2012 financial year, related to new legislation that included retrospective amendments to the income tax law as it applies to the Taxation of Financial Arrangements (TOFA) and tax consolidated groups. These changes were introduced in the 2012 financial year.

The amendments have an adverse application to certain liabilities that were consolidated as part of the merger with St.George. Consistent with other tax adjustments relating to the merger with St.George, this adjustment will be treated as a Cash Earnings adjustment due to its size and because it does not reflect ongoing operations.

Litigation provision

The Group will increase its provision held with respect to long-standing legal proceedings. Consistent with the previous treatment of these proceedings, the change will be treated as a Cash Earnings adjustment due to its size and the historical nature of the proceedings, and as it does not reflect ongoing operations.

2. Comparative adjustments and enhancement to disclosures

Changes in Westpac's economic capital allocation approach and transfer pricing methodology.

The global financial crisis has led to material changes in the financial and operating environment for banks globally including:

- The requirement to hold significantly more capital, particularly common equity;
- Changes in the relative pricing of wholesale funding and deposits; and
- The requirement to hold significantly higher levels of liquid assets.

These changes have significant impacts on how capital is allocated and how transfer pricing is best determined. Since the GFC, the Group has gradually adjusted its approach to account for these changes and commenced development of new models to embed these changes into the bank's systems.

These new models have been designed to better align the Group's economic capital and pricing approaches to the operating environment and ensure that Westpac optimises its return on capital and funds deployed.

In the second half of 2012, Westpac completed the implementation of these models.

While these changes have no impact on the Group's reported or cash earnings, they do have an impact on divisional results.

Second Half 2012 results (and Full Year 2012 results) reflect these changes and comparative divisional results for First Half 2012, Second Half 2011, First Half 2011 and Full Year 2011 have been restated to reflect these changes.

The following provides more detail on the changes:

Economic Capital allocation

The need to hold higher and better quality capital levels under Basel III has led to a divergence between the economic capital allocated to divisions and the total capital held by the Westpac Group to meet regulatory requirements. This additional capital was previously treated as a residual and held within the Group Businesses. To ensure the Group achieves an appropriate return on capital employed, the additional capital is now formally allocated to divisions, better aligning divisional capital levels to Group Tangible Equity.

The changes reflect a thorough review of risk and return characteristics across the portfolio, including the experience of the global financial crisis.

Key changes in the approach include:

- Capital allocated to divisions has been calibrated to Group Tangible Equity; and
- Certain portfolios, where regulatory capital is higher than economic capital, now receive an additional regulatory capital loading. These portfolios include: residential mortgages; commercial property lending; structured credit (including securitisation) and wealth management.

Changes in capital allocated to divisions principally impacts economic profit and net interest income as operating divisions effectively earn more on the higher capital balances while the Group Businesses earns less. This change also impacts divisional margins; revenues and tax. As part of the changes, divisional net interest margins are now calculated inclusive of the earnings on capital allocated to divisions.

The capital allocation methodology is continually reviewed for changing circumstances and may see allocations to divisions change over time. However, future changes are not expected to be as material.

Transfer pricing changes

Changes in funding and liquidity through the global financial crisis have necessitated some changes in how funding and liquidity costs are allocated to products. The prior approach was principally based on average funding costs with overlays applied to reflect the more rapid changes in marginal funding costs. The new approach embeds a marginal cost approach into the funding cost model.

The new approach also better aligns to emerging regulatory liquidity requirements including APRA's APS210 regulatory standard.

The following tables show the net impact of the changes to the divisional results.

2 Comparative adjustments and enhancement to disclosures (continued)

Restated Divisional Results

As reported in Interim 2012 ASX - Extract of First Half 2012 Divisional Results

Six months to 31 March 2012	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Net interest income	2,687	1,438	198	4,323	781	587	72	460	6,223
Income tax expense	(452)	(246)	(125)	(823)	(276)	(97)	(31)	(166)	(1,393)
Cash Earnings	1,049	569	294	1,912	663	257	55	308	3,195
Expense to income ratio	47.4%	38.6%	56.0%	46.3%	32.3%	42.7%	32.2%	9.1%	41.1%

Restated First Half 2012 Divisional Results

Six months to 31 March 2012	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Net interest income	2,617	1,444	209	4,270	881	601	72	399	6,223
Income tax expense	(430)	(247)	(129)	(806)	(305)	(101)	(31)	(150)	(1,393)
Cash Earnings	1,001	574	301	1,876	734	267	55	263	3,195
Expense to income ratio	48.4%	38.5%	55.3%	46.7%	30.3%	41.9%	32.2%	10.2%	41.1%

As reported in Interim 2012 ASX - Extract of Second Half 2011 Divisional Results

Six months to 30 September 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Net interest income	2,684	1,479	226	4,389	782	573	64	397	6,205
Income tax expense	(401)	(263)	(158)	(822)	(281)	(98)	(19)	(101)	(1,321)
Cash Earnings	994	615	363	1,972	661	222	37	241	3,133
Expense to income ratio	48.3%	38.1%	49.7%	45.6%	35.2%	44.3%	37.4%	4.0%	41.8%

Restated Second Half 2011 Divisional Results

Six months to 30 September 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Net interest income	2,634	1,490	240	4,364	876	585	64	316	6,205
Income tax expense	(385)	(267)	(162)	(814)	(308)	(101)	(19)	(79)	(1,321)
Cash Earnings	960	622	373	1,955	728	231	37	182	3,133
Expense to income ratio	49.1%	37.8%	49.1%	45.8%	32.9%	43.6%	37.4%	5.0%	41.8%

2 Comparative adjustments and enhancement to disclosures (continued)

As reported in Interim 2012 ASX - Extract of First Half 2011 Divisional Results

Six months to 31 March 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Net interest income	2,575	1,427	177	4,179	761	544	58	422	5,964
Income tax expense	(400)	(259)	(145)	(804)	(280)	(81)	(17)	(152)	(1,334)
Cash Earnings	921	602	342	1,865	655	205	40	403	3,168
Expense to income ratio	48.9%	38.5%	50.0%	46.0%	33.6%	43.9%	36.8%	4.8%	41.2%

Restated First Half 2011 Divisional Results

Six months to 31 March 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking	Group Businesses	Group
Net interest income	2,532	1,440	198	4,170	824	552	57	361	5,964
Income tax expense	(388)	(263)	(152)	(803)	(299)	(83)	(17)	(132)	(1,334)
Cash Earnings	890	611	356	1,857	699	211	39	362	3,168
Expense to income ratio	49.6%	38.2%	48.9%	46.1%	32.2%	43.4%	37.1%	5.4%	41.2%

Full year 2011 restated divisional results are included in the template.

2 Comparative adjustments and enhancement to disclosures (continued)

As Reported in Interim 2012 ASX – First Half 2012 Economic Profit

Six months to 31 March 2012	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking
\$m							
Cash Earnings	1,049	569	294	1,912	663	257	55
Franking benefit	316	172	86	574	182	-	-
Adjusted Cash Earnings	1,365	741	380	2,486	845	257	55
Average ordinary equity	6,721	5,603	3,486	15,810	6,277	2,439	251
Equity charge	(370)	(308)	(192)	(870)	(345)	(134)	(14)
Economic profit	995	433	188	1,616	500	123	41

Restated First Half 2012 Economic Profit

Six months to 31 March 2012	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking
\$m							
Cash Earnings	1,001	574	301	1,876	734	267	55
Franking benefit	301	173	89	563	203	-	-
Adjusted Cash Earnings	1,302	747	390	2,439	937	267	55
Average ordinary equity	7,896	5,803	2,839	16,538	7,615	2,659	266
Equity charge	(435)	(319)	(156)	(910)	(419)	(146)	(15)
Economic profit	867	428	234	1,529	518	121	40

2 Comparative adjustments and enhancement to disclosures (continued)

As Reported in Interim 2012 ASX - Second Half 2011 Economic Profit

Six months to 30 September 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking
\$m							
Cash Earnings	994	615	363	1,972	661	222	37
Franking benefit	281	184	110	575	184	-	-
Adjusted Cash Earnings	1,275	799	473	2,547	845	222	37
Average ordinary equity	6,341	5,515	3,181	15,037	5,657	2,470	222
Equity charge	(349)	(304)	(175)	(828)	(312)	(136)	(13)
Economic profit	926	495	298	1,719	533	86	24

Restated Second Half 2011 Economic Profit

Six months to 30 September 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking
\$m							
Cash Earnings	960	622	373	1,955	728	231	37
Franking benefit	270	187	114	571	203	-	-
Adjusted Cash Earnings	1,230	809	487	2,526	931	231	37
Average ordinary equity	7,433	5,586	2,702	15,721	6,900	2,657	219
Equity charge	(409)	(307)	(149)	(865)	(379)	(146)	(12)
Economic profit	821	502	338	1,661	552	85	25

2 Comparative adjustments and enhancement to disclosures (continued)

As Reported in Interim 2012 ASX – First Half 2011 Economic Profit

Six months to 31 March 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking
Cash Earnings	921	602	342	1,865	655	205	40
Franking benefit	280	181	102	563	193	-	-
Adjusted Cash Earnings	1,201	783	444	2,428	848	205	40
Average ordinary equity	6,195	5,510	3,259	14,964	6,093	2,511	208
Equity charge	(340)	(302)	(179)	(821)	(334)	(138)	(11)
Economic profit	861	481	265	1,607	514	67	29

Restated First Half 2011 Economic Profit

Six months to 31 March 2011	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand	Pacific Banking
Cash Earnings	890	611	356	1,857	699	211	39
Franking benefit	271	184	106	561	206	-	-
Adjusted Cash Earnings	1,161	795	462	2,418	905	211	39
Average ordinary equity	6,719	5,081	2,706	14,506	7,121	2,353	197
Equity charge	(370)	(279)	(149)	(798)	(392)	(129)	(11)
Economic profit	791	516	313	1,620	513	82	28

Full year 2011 restated divisional results are included in the template.

2 Comparative adjustments and enhancement to disclosures (continued)

Net interest margin has been restated to reflect the new transfer pricing approach and now includes earnings on allocated capital. The impact to divisional margin is shown in the table below.

	<i>As reported in Interim 2012 - ASX</i>			<i>Restated</i>		
	<i>(Excluding Capital benefit)</i>			<i>(Including Capital benefit)</i>		
Interest spread and margin analysis	Half Year March 12	Half Year Sept 11	Half Year March 11	Half Year March 12	Half Year Sept 11	Half Year March 11
Group						
Average external interest earning assets (\$m)	573,644	555,187	541,217	573,644	555,187	541,217
Net interest income (\$m)	6,223	6,205	5,964	6,223	6,205	5,964
Net interest spread	1.87%	1.93%	1.87%	1.87%	1.93%	1.87%
Benefit of net non-interest bearing assets, liabilities and equity	0.30%	0.30%	0.34%	0.30%	0.30%	0.34%
Net interest margin	2.17%	2.23%	2.21%	2.17%	2.23%	2.21%
Analysis by division						
Average external interest earning assets (\$m)						
Australian Financial Services	390,027	383,286	375,133	390,027	383,286	375,133
Westpac Retail & Business Banking	236,817	231,519	224,748	236,817	231,519	224,748
St. George Banking Group	139,116	137,266	135,746	139,116	137,266	135,746
BT Financial Group	14,094	14,501	14,639	14,094	14,501	14,639
Westpac Institutional Bank	67,992	66,444	64,352	67,992	66,444	64,352
New Zealand (\$A)	44,386	43,872	42,705	44,386	43,872	42,705
Pacific Banking	2,636	2,357	2,150	2,636	2,357	2,150
Group Businesses	68,603	59,228	56,877	68,603	59,228	56,877
Group total	573,644	555,187	541,217	573,644	555,187	541,217
<i>New Zealand (\$NZ)</i>	57,537	56,664	55,975	57,537	56,664	55,975
Net interest income (\$m)						
Australian Financial Services	3,938	4,002	3,778	4,270	4,364	4,170
Westpac Retail & Business Banking	2,523	2,519	2,407	2,617	2,634	2,532
St. George Banking Group	1,301	1,338	1,279	1,444	1,490	1,440
BT Financial Group	114	145	92	209	240	198
Westpac Institutional Bank	626	638	595	881	876	824
New Zealand (\$A)	538	516	481	601	585	552
Pacific Banking	65	59	52	72	64	57
Group Businesses	1,056	990	1,058	399	316	361
Group total	6,223	6,205	5,964	6,223	6,205	5,964
<i>New Zealand (\$NZ)</i>	698	672	633	779	761	725
Interest margin						
Australian Financial Services	2.02%	2.08%	2.02%	2.19%	2.27%	2.23%
Westpac Retail & Business Banking	2.13%	2.17%	2.15%	2.21%	2.27%	2.26%
St. George Banking Group	1.87%	1.94%	1.89%	2.08%	2.17%	2.13%
BT Financial Group	1.62%	1.99%	1.26%	2.97%	3.30%	2.71%
Westpac Institutional Bank	1.84%	1.92%	1.85%	2.59%	2.63%	2.57%
New Zealand (\$A)	2.42%	2.35%	2.26%	2.71%	2.66%	2.59%
Pacific Banking	4.93%	4.99%	4.85%	5.46%	5.42%	5.32%
Group Businesses	3.08%	3.33%	3.73%	1.16%	1.06%	1.27%
<i>New Zealand (\$NZ)</i>	2.43%	2.37%	2.27%	2.71%	2.68%	2.60%

1. Capital benefit represents the notional revenue earned on capital allocated to divisions under Westpac's economic capital framework.

2 Comparative adjustments and enhancement to disclosures (continued)

In addition to the revisions to the divisional net interest income and net interest margin as highlighted above, other areas impacted from the economic capital and transfer pricing changes include:

- The calculation of Group interest margin excluding treasury and markets in section 3.2.1. As additional funding costs have been reflected in treasury and WIB markets results this measure has been updated. In total, net interest income for these businesses has reduced by \$14 million in First Half 2012 and \$26 million in Full Year 2011. Therefore, the component of the Group's net interest margin relating to treasury and markets reduced by 1 basis point in Full Year 2011. (1 basis point in First Half 2011 and no impact to First Half 2012).
- Total markets income in section 3.2.2 has also been updated, as net interest income reduced by \$19 million in First Half 2012 and \$40 million in Full Year 2011. (\$20 million each in Second Half and First Half 2011)

Enhanced disclosure of Regulatory Expected Credit Loss

In previous disclosure of this table, ineligible provisions and partial write-offs were combined on one line item. In order to provide more transparency, ineligible provisions and partial write-offs will now be disclosed separately.

As reported in Interim 2012 ASX

\$m	As at 31 March 2012	As at 30 Sept 2011	As at 31 March 2011
Provisions associated with eligible portfolios			
Total provisions for impairment charges (section 5 Note 11)	4,391	4,414	4,968
plus general reserve for credit losses adjustment	119	38	26
less ineligible provisions	547	391	80
less certain deferred tax assets	(731)	(746)	(790)
Total eligible provisions	4,326	4,097	4,284
Regulatory expected downturn loss	5,944	5,877	6,268
Capital deduction in provisions for regulatory expected downturn loss	(1,618)	(1,780)	(1,984)
Deducted from Capital as follows:			
Tier 1 reduction	(809)	(890)	(992)
Tier 2 reduction	(809)	(890)	(992)

Enhanced disclosure

\$m	As at 31 March 2012	As at 30 Sept 2011	As at 31 March 2011
Provisions associated with eligible portfolios			
Total provisions for impairment charges (section 5 Note 11)	4,391	4,414	4,968
plus general reserve for credit losses adjustment	119	38	26
plus provisions associated with partial write-offs	699	559	243
less ineligible provisions	(152)	(168)	(163)
less certain deferred tax assets	(731)	(746)	(790)
Total eligible provisions	4,326	4,097	4,284
Regulatory expected downturn loss	5,944	5,877	6,268
Capital deduction in provisions for regulatory expected downturn loss	(1,618)	(1,780)	(1,984)
Deducted from Capital as follows:			
Tier 1 reduction	(809)	(890)	(992)
Tier 2 reduction	(809)	(890)	(992)

2.1 Other changes

New Zealand Market Share and system multiple changes

The Reserve Bank of New Zealand restated Market share information in late 2011. The First Half 2011 Business Lending Market Share and Consumer Lending System Multiples have been impacted by this, and have been restated in section 2.6.

Appendix 2

Key Tables for the 2012 Annual Results Announcement

31 October 2012

As referred to in the market release dated
31 October 2012