

# ASX Release

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15 April 2019

## Westpac Group 2019 Interim Financial Results Template

The Westpac Group has today released the template for its 2019 Interim Financial Results. The Excel template outlines the changes that are expected to be made in the presentation of Westpac's Interim Financial Results and details how key information will be presented (including providing updated comparative data).<sup>1</sup> The template is available on the Westpac website at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre).

The changes can be summarised as:

1. Changes associated with the adoption of new accounting standards;
2. Changes to the income statement and balance sheet to improve how information is presented; and
3. Changes across divisional earnings and divisional balance sheets (which have no impact on the Group result).

The changes have no impact on the Group's cash earnings, reported net profit or total assets/liabilities in prior periods but do impact profit and loss (P&L) line items and components of the balance sheet. To improve comparability, as the accounting standard changes apply prospectively from 1H19, Westpac is providing proforma cash earnings for FY18 comparatives. These proforma changes appear in the template.

Appendices 1 and 2 provide details of these changes as well as providing additional background on how the calculation of impairment charges and provisions have changed. Tables showing selected updated disclosures are provided in Appendix 3.

It is important to note that these changes do not reflect the recent update to the Group's organisational structure announced on 19 March 2019. This was effective on 1 April 2019 and will be reflected in the Group's Full Year 2019 results.

The Westpac Group is scheduled to announce its 2019 Interim Financial Results on Monday, 6 May 2019. An Excel spreadsheet of the Interim Financial Results will also be published on the Westpac website on that date.

Ends.

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<sup>1</sup> Some of these changes are subject to review and may change in our 2019 Interim Financial Results

## Appendix 1

For financial year 2019, Westpac adopted new accounting standards (AASB 9 and AASB 15). In addition, the Group has elected to make certain presentation changes to the balance sheet and income statement to improve consistency and relevance to users. A summary of key changes follows:

1. AASB 15 has provided more precise guidance around netting of income and expenses. Certain items previously netted will now be presented on a gross basis. This includes support payments from credit card scheme providers which were previously netted against related expenditures such as marketing, product development, and IT development. The gross amount received and the expenses incurred are now reflected in fee income and operating expenses respectively;
2. New accounting standards have defined 'interest' income more precisely. As a result, Business Bank line fees are now treated as net interest income;
3. Costs related to redeeming credit card loyalty points were previously in operating expenses but are now in fee income, alongside card related income linked to the loyalty program. Both these items are recognised as points are redeemed;
4. Westpac adopted AASB 9 from 1 October 2018. This means impairment charges have moved to an expected loss model. This impacts the calculation of impairment charges (P&L) and impairment provisions (balance sheet). These changes have not been applied to prior periods;
5. As previously advised, on transition to AASB 9 the treatment of the interest carrying adjustment has changed. This increases both the impairment charge and net interest income.<sup>2</sup>
6. Changes have been made to the classification and presentation of certain balance sheet items. Some balance sheet items had been classified by the nature of the counterparty (for example regulatory deposits with central banks and balances due to/from financial institutions). These items will now be classified based on the nature of the item. This has no impact on total loans, total assets, total deposits or total liabilities. These changes will be presented in Westpac's 2019 Interim Financial Results announcement, and have not been included in the template;
7. We have realigned divisional earnings and balance sheet disclosures where the management of certain customers or customer groups belong to a different division:
  - Certain commercial customers, previously managed in Business Bank have been migrated to Westpac Institutional Bank (WIB). The lending, deposits and revenues associated with these customers are now reported in WIB; and
  - Following a review, some revenue recognised in Consumer Bank related to Business Bank and BT Financial Group customers. This revenue has now been allocated to the appropriate division;
8. 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; and
9. Following a review, the allocation of total committed exposures has been refined. Treasury exposures (related to balance sheet management and liquidity) were previously reflected in WIB. These are now included in Group Businesses. In addition, the total committed exposures relating to certain small business customers have now been allocated to Consumer Bank from Business Bank. These changes also impact certain credit metrics in Consumer Bank, Business Bank and WIB.

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<sup>2</sup> This is because the interest carrying adjustment now only applies to Stage 3 loans (impaired and 90+ day past due and not impaired).

Appendix 2

# Explanatory slides on impact of changes in accounting standards for Westpac

15 April 2019



Westpac Banking Corporation | ABN 33 007 457 141

Financial results based on cash earnings unless otherwise stated. Refer to the 2018 Full Year Investor Discussion Pack for definition.

In FY19, Westpac has implemented new accounting standards and revised certain disclosures. This has a number of implications on the way the Group's financial statements will be presented and how impairment charges are determined. This pack, together with the results template, explain the changes that have been implemented in 1H19.

## No change to FY18 cash earnings of \$8,065m

- Changes have no impact on cash earnings or reported net profit for prior periods
- However certain line items within cash earnings have changed and therefore some performance metrics are impacted

## Proforma FY18 cash earnings line item comparatives provided

- Prior period line items have been prepared on a proforma basis
- Statutory accounting changes apply prospectively to reported net profit from 1 October 2018

## Major line item presentational changes

- AASB 15 has provided more precise guidance around netting. Certain income and expenses previously reported on a net basis are now presented on a gross basis
- All Business Bank line fees are now included in interest income (some were previously in fee income)
- Costs related to redeeming credit card loyalty points are now in fee income, alongside card related income linked to the loyalty program
- As advised in our FY18 results, the treatment of the interest carrying adjustment has changed, increasing both net interest income and impairment charges<sup>1</sup>

## Adoption of AASB 9 at 1 October 2018

- On adoption, impairment charges moved to an expected loss model. As previously advised, this impacted the calculation of impairment charges (P&L) and impairment provisions (balance sheet). These changes have not been applied to prior periods

Statutory net profit (\$m)	FY18 as reported	FY18 (updated disclosure)	
Reported net profit	8,095	8,095	
Cash earnings (\$m)	FY18 as reported	Changes	FY18 Proforma
Net interest income	16,339	848	17,187
Non-interest income	5,612	(634)	4,978
<b>Net operating income</b>	<b>21,951</b>	<b>214</b>	<b>22,165</b>
Operating expenses	(9,586)	(112)	(9,698)
Impairment charges	(710)	(102)	(812)
<b>Cash earnings</b>	<b>8,065</b>	<b>-</b>	<b>8,065</b>
Net interest margin (%)	2.11%	11bps	2.22%
Impairment charges to average loans (bps)	10bps	2bps	12bps
Expense to income ratio (%)	43.67%	8bps	43.75%

<sup>1</sup> See slide 3 for further details.

# Presentational changes

FY18 Cash earnings (\$m)	Line fees	Card scheme support and card related expenditure	Card loyalty redemption costs	Interest carrying adjustment	Other	Proforma impact
Net interest	667	-	-	115	66	<b>848</b>
Non-interest Expenses	(667)	190	(126)	-	(31)	<b>(634)</b>
Impairments	-	(190)	126	-	(48)	<b>(112)</b>
Total	-	-	-	(115)	13	<b>(102)</b>
Total	0	0	0	0	0	<b>0</b>

**How changes will be reflected in Westpac's accounts** (✓ = updated for changes, ✗ = no change)

**Cash earnings** – will be presented on a proforma basis to assist comparability<sup>1</sup>

FY18 proforma	✓	✓	✓	✓	✓
FY19	✓	✓	✓	✓	✓

**Reported net profit** – Majority of changes apply prospectively from 1H19 so comparisons between FY19 and FY18 will be difficult

FY18	✗	✗	✓	✗	✗
FY19	✓	✓	✓	✓	✓

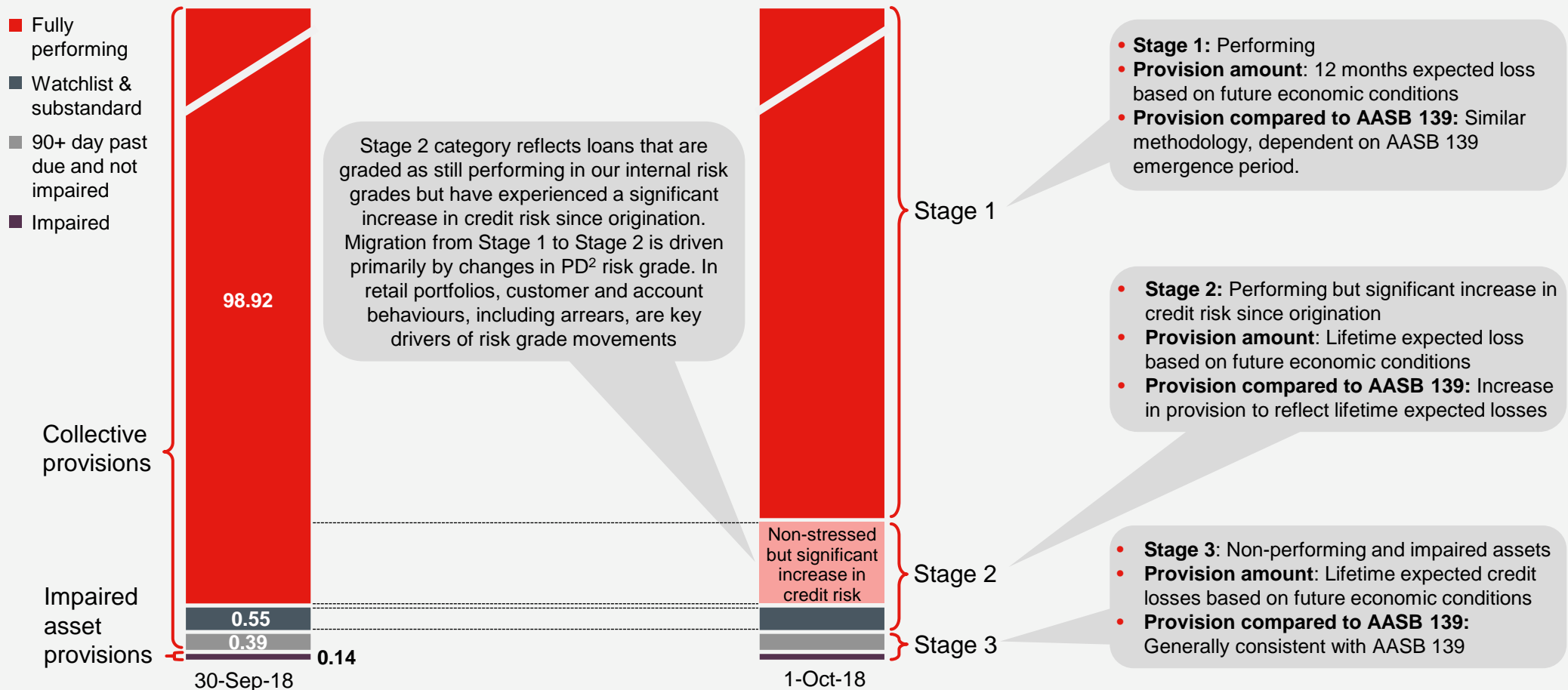
- Accounting standards have defined 'interest' income more precisely. As a result Business Bank line fees are now treated as net interest income
- Certain items previously netted are now presented on a gross basis. This includes support payments from credit card scheme providers which were netted against related expenditure<sup>2</sup>. The gross amount received and expenses incurred are now reflected in fee income, and operating expenses respectively
- Costs related to redeeming credit card loyalty points were previously in operating expenses but are now in fee income, alongside card related income linked to the loyalty program. Both these items are recognised as points are redeemed
- As previously advised, on transition to AASB 9 the treatment of the interest carrying adjustment changes. This increases both impairment charges and net interest income<sup>3</sup>
- Variety of smaller, non-volume related charges now in operating expenses, as opposed to being netted against revenue
- Cost of debt recoveries were previously netted in impairment charges, now in expenses

<sup>1</sup> All on a proforma basis except card loyalty redemptions which are restated in reported net profit. <sup>2</sup> Expenditure includes marketing, product development and IT system development costs. <sup>3</sup> This is because the interest carrying adjustment now only applies to Stage 3 loans (Impaired and 90+ day past due and not impaired).

# AASB 9 : Changes to calculation of impairment charges

## Conceptual comparison of prior disclosure with new disclosure<sup>1</sup>

### Exposures as a % of TCE (not to scale)



<sup>1</sup> Diagram is not to scale for comparability purposes. <sup>2</sup> Probability of default.



# **2019 Interim Financial Results Template**

## 1.1 Reported results

<b>\$m</b>	<b>Half Year March 19</b>	<b>Half Year Sept 18</b>	<b>Half Year March 18</b>	<b>% Mov't Mar 19 - Sept 18</b>	<b>% Mov't Mar 19 - Mar 18</b>
Net interest income		8,227	8,278		
Net fee income		1,146	1,278		
Net wealth management and insurance income		1,110	951		
Trading income		458	487		
Other income		(17)	89		
<b>Net operating income before operating expenses and impairment charges</b>		<b>10,924</b>	<b>11,083</b>		
Operating expenses		(4,911)	(4,655)		
<b>Net profit before impairment charges and income tax expense</b>		<b>6,013</b>	<b>6,428</b>		
Impairment charges		(317)	(393)		
<b>Profit before income tax</b>		<b>5,696</b>	<b>6,035</b>		
Income tax expense		(1,797)	(1,835)		
<b>Net profit for the period</b>		<b>3,899</b>	<b>4,200</b>		
Net profit attributable to non-controlling interests		(2)	(2)		
<b>Net profit attributable to owners of Westpac Banking Corporation</b>		<b>3,897</b>	<b>4,198</b>		



## 1.2 Key financial information

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Shareholder value</b>					
Earnings per ordinary share (cents)		113.8	123.7		
Weighted average ordinary shares (millions)		3,421	3,392		
Fully franked dividends per ordinary share (cents)		94	94		
Return on average ordinary equity		12.34%	13.79%		
Average ordinary equity (\$m)		62,978	61,051		
Average total equity (\$m)		63,026	61,065		
Net tangible asset per ordinary share (\$)		15.39	15.00		
<b>Business performance</b>					
Interest spread		1.92%	2.00%		
Benefit of net non-interest bearing assets, liabilities and equity		0.18%	0.16%		
Net interest margin		2.10%	2.16%		
Average interest-earning assets (\$m)		782,834	767,011		
Expense to income ratio		44.96%	42.00%		
<b>Capital, funding and liquidity</b>					
Common equity Tier 1 capital ratio					
- APRA Basel III		10.63%	10.50%		
- Internationally comparable		16.14%	16.13%		
Credit risk weighted assets (credit RWA) (\$m)		362,749	361,391		
Total risk weighted assets (RWA) (\$m)		425,384	415,744		
Liquidity coverage ratio (LCR)		133%	134%		
Net stable funding ratio (NSFR)		114%	112%		
<b>Asset quality</b>					
Gross impaired assets to gross loans		0.20%	0.22%		
Gross impaired assets to equity and total provisions		2.09%	2.33%		
Gross impaired asset provisions to gross impaired assets		46.12%	45.54%		
Total committed exposures (TCE) (\$m)		1,038,006	1,023,017		
Total stressed exposures as a % of TCE		1.08%	1.09%		
Total loan provisions to gross loans		43bps	45bps		
Mortgage 90+ day delinquencies		0.67%	0.65%		
Other consumer loans 90+ day delinquencies		1.64%	1.64%		
Collectively assessed provisions to credit RWA		73bps	75bps		
<b>Balance sheet (\$m)</b>					
Loans		709,690	701,393		
Total assets		879,592	871,855		
Deposits and other borrowings		559,285	547,736		
Total liabilities		815,019	809,190		
Total equity		64,573	62,665		
<b>Wealth Management</b>					
Average Group Funds (\$bn)		217.3	217.3		
Life insurance in-force premiums (Australia) (\$m)		1,277	1,276		
General insurance gross written premiums (Australia) (\$m)		252	251		

### 1.3 Cash earnings results

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		8,470	8,717		
Non-interest income		2,456	2,522		
Net operating income		10,926	11,239		
Operating expenses		(5,007)	(4,691)		
<b>Core earnings</b>		<b>5,919</b>	<b>6,548</b>		
Impairment charges		(368)	(444)		
<b>Operating profit before income tax</b>		<b>5,551</b>	<b>6,104</b>		
Income tax expense		(1,735)	(1,851)		
<b>Net profit</b>		<b>3,816</b>	<b>4,253</b>		
Net profit attributable to non-controlling interests		(2)	(2)		
<b>Cash earnings</b>		<b>3,814</b>	<b>4,251</b>		

#### 1.3.1 Key financial information - cash earnings basis

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Shareholder value</b>					
Cash earnings per ordinary share (cents)		111.2	125.0		
Economic profit (\$m)		1,395	2,049		
Weighted average ordinary shares (millions)		3,429	3,400		
Dividend payout ratio		84.66%	75.28%		
Cash earnings on average ordinary equity (ROE)		12.08%	13.96%		
Cash earnings on average tangible ordinary equity (ROTE)		14.27%	16.60%		
Average ordinary equity (\$m)		62,978	61,051		
Average tangible ordinary equity (\$m)		53,327	51,344		
<b>Business performance</b>					
Interest spread		1.98%	2.11%		
Benefit of net non-interest bearing assets, liabilities and equity		0.18%	0.17%		
Net interest margin		2.16%	2.28%		
Average interest-earning assets (\$m)		782,834	767,011		
Expense to income ratio		45.83%	41.74%		
Full time equivalent employees (FTE)		35,029	35,720		
Revenue per FTE (\$ '000's)		309	317		
Effective tax rate		31.26%	30.32%		
<b>Impairment charges</b>					
Loan impairment charges to average loans annualised		10bps	13bps		
Net write-offs to average customer loans annualised		14bps	13bps		

### 1.3.1 Reconciliation of reported results to cash earnings

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 19	Sept 18	March 18	Mar 19 - Sept 18	Mar 19 - Mar 18
<b>NET PROFIT ATTRIBUTABLE TO OWNERS OF WESTPAC BANKING CORPORATION</b>		3,897	4,198		
Amortisation of intangible assets		-	17		
Fair value (gain)/loss on economic hedges		(163)	37		
Ineffective hedges		4	9		
Adjustments related to Pandal (previously BTIM)		73	-		
Treasury shares		3	(10)		
<b>Total cash earnings adjustments (post-tax)</b>		<b>(83)</b>	<b>53</b>		
<b>Cash earnings</b>		<b>3,814</b>	<b>4,251</b>		

## 2.1 Divisional cash earnings summary

Half Year March 19		BT Financial		Westpac	Westpac		
	Consumer	Business	Group	Institutional	New Zealand	Group	
\$m	Bank	Bank	(Australia)	Bank	(A\$)	Businesses	Group
Net interest income							
Non-interest income							
Net operating income							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Non-controlling interests							
<b>Cash earnings</b>							
<hr/>							
Half Year Sept 18		BT Financial		Westpac	Westpac		
	Consumer	Business	Group	Institutional	New Zealand	Group	
\$m	Bank	Bank	(Australia)	Bank	(A\$)	Businesses	Group
Net interest income	3,760	2,362	302	754	917	375	8,470
Non-interest income	392	315	735	812	181	21	2,456
Net operating income	4,152	2,677	1,037	1,566	1,098	396	10,926
Operating expenses	(1,883)	(967)	(682)	(771)	(429)	(275)	(5,007)
<b>Core earnings</b>	<b>2,269</b>	<b>1,710</b>	<b>355</b>	<b>795</b>	<b>669</b>	<b>121</b>	<b>5,919</b>
Impairment (charges) / benefits	(236)	(164)	(4)	9	13	14	(368)
<b>Operating profit before income tax</b>	<b>2,033</b>	<b>1,546</b>	<b>351</b>	<b>804</b>	<b>682</b>	<b>135</b>	<b>5,551</b>
Income tax expense	(620)	(466)	(110)	(264)	(188)	(87)	(1,735)
<b>Net profit</b>	<b>1,413</b>	<b>1,080</b>	<b>241</b>	<b>540</b>	<b>494</b>	<b>48</b>	<b>3,816</b>
Non-controlling interests	-	-	-	(2)	-	-	(2)
<b>Cash earnings</b>	<b>1,413</b>	<b>1,080</b>	<b>241</b>	<b>538</b>	<b>494</b>	<b>48</b>	<b>3,814</b>
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Mov't Mar 19 - Sept 18		BT Financial		Westpac	Westpac		
%	Consumer	Business	Group	Institutional	New Zealand	Group	
	Bank	Bank	(Australia)	Bank	(A\$)	Businesses	Group
Net interest income							
Non-interest income							
Net operating income							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Non-controlling interests							
<b>Cash earnings</b>							

## 2.1 Divisional cash earnings summary

Half Year March 19		BT Financial		Westpac	Westpac		
	Consumer	Business	Group	Institutional	New Zealand	Group	
\$m	Bank	Bank	(Australia)	Bank	(A\$)	Businesses	Group
Net interest income							
Non-interest income							
Net operating income							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Non-controlling interests							
<b>Cash earnings</b>							
<hr/>							
Half Year March 18		BT Financial		Westpac	Westpac		
	Consumer	Business	Group	Institutional	New Zealand	Group	
\$m	Bank	Bank	(Australia)	Bank	(A\$)	Businesses	Group
Net interest income	4,089	2,328	294	688	882	436	8,717
Non-interest income	370	311	881	753	192	15	2,522
Net operating income	4,459	2,639	1,175	1,441	1,074	451	11,239
Operating expenses	(1,766)	(948)	(590)	(678)	(426)	(283)	(4,691)
<b>Core earnings</b>	<b>2,693</b>	<b>1,691</b>	<b>585</b>	<b>763</b>	<b>648</b>	<b>168</b>	<b>6,548</b>
Impairment (charges) / benefits	(250)	(148)	(4)	6	(35)	(13)	(444)
<b>Operating profit before income tax</b>	<b>2,443</b>	<b>1,543</b>	<b>581</b>	<b>769</b>	<b>613</b>	<b>155</b>	<b>6,104</b>
Income tax expense	(734)	(463)	(175)	(212)	(173)	(94)	(1,851)
<b>Net profit</b>	<b>1,709</b>	<b>1,080</b>	<b>406</b>	<b>557</b>	<b>440</b>	<b>61</b>	<b>4,253</b>
Non-controlling interests	-	-	-	(3)	-	1	(2)
<b>Cash earnings</b>	<b>1,709</b>	<b>1,080</b>	<b>406</b>	<b>554</b>	<b>440</b>	<b>62</b>	<b>4,251</b>
<hr/>							
Mov't Mar 19 - Mar 18		BT Financial		Westpac	Westpac		
%	Consumer	Business	Group	Institutional	New Zealand	Group	
	Bank	Bank	(Australia)	Bank	(A\$)	Businesses	Group
Net interest income							
Non-interest income							
Net operating income							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Non-controlling interests							
<b>Cash earnings</b>							

## 2.2.1 Net interest income

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Net interest income</b>					
Net interest income excluding Treasury & Markets		8,082	8,258		
Treasury net interest income		322	396		
Market net interest income		66	63		
Net interest income		8,470	8,717		
<b>Average interest-earning assets</b>					
Loans		665,227	651,943		
Third party liquid assets		97,909	93,357		
Other interest-earning assets		19,698	21,711		
Average interest-earning assets		782,834	767,011		
<b>Net interest margin</b>					
Group net interest margin		2.16%	2.28%		
Group net interest margin excluding Treasury & Markets		2.06%	2.16%		

## 2.2.2 Loans

\$m	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Australia</b>		<b>619,630</b>	<b>610,397</b>		
Housing		444,741	437,239		
Personal		22,997	23,752		
Business		154,347	151,904		
Provisions		(2,455)	(2,498)		
<b>New Zealand (A\$)</b>		<b>74,045</b>	<b>74,687</b>		
New Zealand (NZ\$)		80,860	79,557		
Housing		48,893	47,907		
Personal		2,040	2,128		
Business		30,251	29,898		
Provisions		(324)	(376)		
<b>Other overseas (A\$)</b>		<b>16,015</b>	<b>16,309</b>		
<b>Total loans</b>		<b>709,690</b>	<b>701,393</b>		

### 2.2.3 Deposits and other borrowings

\$m	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Customer deposits</b>					
<b>Australia</b>		<b>446,667</b>	<b>429,852</b>		
At call		233,052	227,021		
Term		171,832	161,864		
Non-interest bearing		41,783	40,967		
<b>New Zealand (A\$)</b>		<b>56,671</b>	<b>57,856</b>		
New Zealand (NZ\$)		61,887	61,628		
At call		23,339	24,164		
Term		32,645	31,595		
Non-interest bearing		5,903	5,869		
<b>Other overseas (A\$)</b>		<b>14,413</b>	<b>14,355</b>		
<b>Total customer deposits</b>		<b>517,751</b>	<b>502,063</b>		
<b>Certificates of deposit</b>		<b>41,534</b>	<b>45,673</b>		
Australia		28,746	30,387		
New Zealand (A\$)		1,116	521		
Other overseas (A\$)		11,672	14,765		
<b>Total deposits and other borrowings</b>		<b>559,285</b>	<b>547,736</b>		



## 2.2.5 Non-Interest Income

<b>\$m</b>	<b>Half Year March 19</b>	<b>Half Year Sept 18</b>	<b>Half Year March 18</b>	<b>% Mov't Mar 19 - Sept 18</b>	<b>% Mov't Mar 19 - Mar 18</b>
Net fee income		893	1,017		
Net wealth management and insurance income		1,088	929		
Trading income		419	507		
Other income		56	69		
<b>Non-interest income</b>		<b>2,456</b>	<b>2,522</b>		

## 2.2.8 Operating Expenses

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
Staff expenses		(2,518)	(2,419)		
Occupancy expenses		(477)	(475)		
Technology expenses		(1,086)	(1,058)		
Other expenses		(926)	(739)		
<b>Total operating expenses</b>		<b>(5,007)</b>	<b>(4,691)</b>		

## Investment Spend

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
Expensed		312	271		
Capitalised software and fixed assets		494	387		
<b>Total</b>		<b>806</b>	<b>658</b>		
Growth and productivity		479	411		
Regulatory change		214	163		
Other technology		113	84		
<b>Total</b>		<b>806</b>	<b>658</b>		

## 2.2.9 Impairment charges

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Individually assessed provisions (IAPs)</b>					
New IAPs		(198)	(173)		
Write-backs		83	67		
Recoveries		85	107		
<b>Total IAPS, writebacks and recoveries</b>		<b>(30)</b>	<b>1</b>		
<b>Collectively assessed provisions (CAPs)</b>					
Write-offs		(428)	(430)		
Other changes in CAPs		90	(15)		
<b>Total new CAPs</b>		<b>(338)</b>	<b>(445)</b>		
<b>Impairment charges</b>		<b>(368)</b>	<b>(444)</b>		

### 2.3.1 Credit Quality key metrics

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
<b>Stressed exposures by credit grade as a % of TCE:</b>			
Impaired		0.14%	0.15%
90 days past due and not impaired		0.39%	0.37%
Watchlist and substandard		0.55%	0.57%
<b>Total stressed exposures</b>		<b>1.08%</b>	<b>1.09%</b>
<b>Gross impaired assets to TCE for business and institutional:</b>			
Business Australia		0.54%	0.55%
Business New Zealand		0.50%	0.74%
Institutional		0.02%	0.04%
<b>Mortgage 90+ day delinquencies:</b>			
Group		0.67%	0.65%
Australia		0.72%	0.69%
New Zealand		0.11%	0.16%
<b>Other consumer loans 90+ day delinquencies:</b>			
Group		1.64%	1.64%
Australia		1.73%	1.71%
New Zealand		0.62%	0.86%
<b>Other:</b>			
Gross impaired assets to gross loans		0.20%	0.22%
Gross impaired asset provisions to gross impaired assets		46.12%	45.54%
Total loan provisions to gross loans		43bps	45bps
Collective assessed provisions to credit risk weighted assets		73bps	75bps
Total provisions to credit risk weighted assets		84bps	88bps
Loan impairment charges to average loans annualised		10bps	13bps
Net write-offs to average loans annualised		14bps	13bps

## 2.4.1 Balance sheet

\$m	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Assets</b>					
Cash and balances with central banks		26,788	21,932		
Collateral paid		4,787	3,835		
Trading securities and financial assets measured at fair value, available-for-sale securities and investment securities		84,251	86,450		
Derivative financial instruments		24,101	26,904		
Loans		709,690	701,393		
Life insurance assets		9,450	10,481		
Other assets		20,525	20,860		
<b>Total assets</b>		<b>879,592</b>	<b>871,855</b>		
<b>Liabilities</b>					
Collateral received		2,184	3,331		
Deposits and other borrowings		559,285	547,736		
Other financial liabilities		28,105	29,750		
Derivative financial instruments		24,407	24,066		
Debt issues		172,596	174,138		
Life insurance liabilities		7,597	8,763		
Loan capital		17,265	18,333		
Other liabilities		3,580	3,073		
<b>Total liabilities</b>		<b>815,019</b>	<b>809,190</b>		
<b>Equity</b>					
Total equity attributable to owners of Westpac Banking Corporation		64,521	62,615		
Non-controlling interests		52	50		
<b>Total equity</b>		<b>64,573</b>	<b>62,665</b>		

### 3.1 Consumer Bank

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		3,760	4,089		
Non-interest income		392	370		
Net operating income		4,152	4,459		
Operating expenses		(1,883)	(1,766)		
<b>Core earnings</b>		<b>2,269</b>	<b>2,693</b>		
Impairment charges		(236)	(250)		
<b>Operating profit before tax</b>		<b>2,033</b>	<b>2,443</b>		
Tax and non-controlling interests		(620)	(734)		
<b>Cash earnings</b>		<b>1,413</b>	<b>1,709</b>		
Economic profit		822	1,255		
Expense to income ratio		45.35%	39.61%		
Net interest margin		2.14%	2.40%		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$bn</b>					
<b>Deposits</b>					
Term deposits		63.9	58.1		
Other		142.3	141.3		
<b>Total deposits</b>		<b>206.2</b>	<b>199.4</b>		
<b>Net loans</b>					
Mortgages		373.0	366.0		
Other		13.3	13.6		
Provisions		(0.9)	(0.9)		
<b>Total net loans</b>		<b>385.4</b>	<b>378.7</b>		
Deposit to loan ratio		53.50%	52.65%		
<b>Total assets</b>		<b>392.5</b>	<b>386.0</b>		
TCE		452.7	445.7		
Average interest-earning assets		350.3	342.2		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
<b>Credit quality</b>			
Loan impairment charges to average loans annualised		0.12%	0.13%
Mortgage 90+ day delinquencies		0.74%	0.72%
Other consumer loans 90+ day delinquencies		1.50%	1.61%
Total stressed assets to TCE		0.65%	0.64%

### 3.2 Business Bank

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		2,362	2,328		
Non-interest income		315	311		
Net operating income		2,677	2,639		
Operating expenses		(967)	(948)		
<b>Core earnings</b>		<b>1,710</b>	<b>1,691</b>		
Impairment charges		(164)	(148)		
<b>Operating profit before tax</b>		<b>1,546</b>	<b>1,543</b>		
Tax and non-controlling interests		(466)	(463)		
<b>Cash earnings</b>		<b>1,080</b>	<b>1,080</b>		
Economic profit		711	717		
Expense to income ratio		36.12%	35.92%		
Net interest margin		3.17%	3.19%		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$bn</b>					
<b>Deposits</b>					
Term deposits		46.8	45.0		
Other		63.9	63.1		
<b>Total deposits</b>		<b>110.7</b>	<b>108.1</b>		
<b>Net loans</b>					
Mortgages		54.9	54.7		
Business		90.5	89.3		
Other		8.3	8.6		
Provisions		(1.1)	(1.1)		
<b>Total net loans</b>		<b>152.6</b>	<b>151.5</b>		
Deposit to loan ratio		72.54%	71.35%		
<b>Total assets</b>		<b>156.4</b>	<b>154.7</b>		
TCE		191.8	192.2		
Average interest-earning assets		148.4	146.3		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
<b>Credit quality</b>			
Loan impairment charges to average loans annualised		0.21%	0.20%
Mortgage 90+ day delinquencies		0.73%	0.66%
Other consumer loans 90+ day delinquencies		2.11%	1.90%
Business: impaired assets to TCE		0.55%	0.55%
Total stressed assets to TCE		2.79%	2.56%

### 3.3 BT Financial Group (Australia)

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		302	294		
Non-interest income		735	881		
Net operating income		1,037	1,175		
Operating expenses		(682)	(590)		
<b>Core earnings</b>		<b>355</b>	<b>585</b>		
Impairment charges		(4)	(4)		
<b>Operating profit before tax</b>		<b>351</b>	<b>581</b>		
Tax and non-controlling interests		(110)	(175)		
<b>Cash earnings</b>		<b>241</b>	<b>406</b>		
Economic profit		117	335		
Expense to income ratio		65.77%	50.21%		
Income on invested capital		33	25		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$bn</b>					
Deposits		33.0	31.7		
<b>Net loans</b>					
Loans		21.0	20.8		
Provisions		-	-		
<b>Total net loans</b>		<b>21.0</b>	<b>20.8</b>		
Deposit to loan ratio		157.14%	152.40%		
Total funds		205.6	197.7		
Average funds		205.2	198.2		

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Cash earnings</b>					
<b>\$m</b>					
Funds Management business		74	255		
Insurance		145	133		
Total Funds Management and Insurance		219	388		
Capital and other		22	18		
<b>Total cash earnings</b>		<b>241</b>	<b>406</b>		



### 3.3.1 Funds Management business

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		300	290		
Non-interest income		434	614		
Net operating income		734	904		
Operating expenses		(619)	(533)		
<b>Core earnings</b>		<b>115</b>	<b>371</b>		
Impairment charges		(4)	(5)		
<b>Operating profit before tax</b>		<b>111</b>	<b>366</b>		
Tax and non-controlling interests		(37)	(111)		
<b>Cash earnings</b>		<b>74</b>	<b>255</b>		
Expense to income ratio		84.33%	58.96%		

### Movement of Group Funds

	As at 31 March 2019	Inflows	Outflows	Net Flows	Other Mov't	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$bn</b>									
Superannuation						39.3	37.4		
Platforms						122.9	118.6		
Packaged Funds						39.6	38.0		
Other						3.8	3.7		
<b>Total Funds</b>						<b>205.6</b>	<b>197.7</b>		

### 3.3.2 Insurance business

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		2	3		
Non-interest income		269	243		
Net operating income		271	246		
Operating expenses		(60)	(55)		
<b>Core earnings</b>		<b>211</b>	<b>191</b>		
Impairment (charges) / benefits		-	-		
<b>Operating profit before tax</b>		<b>211</b>	<b>191</b>		
Tax and non-controlling interests		(66)	(58)		
<b>Cash earnings</b>		<b>145</b>	<b>133</b>		
Expense to income ratio		22.14%	22.36%		

### Cash earnings

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Life Insurance		71	75		
General Insurance		62	43		
Lenders Mortgage Insurance		12	15		
<b>Total cash earnings</b>		<b>145</b>	<b>133</b>		

### Insurance key metrics

Life Insurance in-force premiums	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Life Insurance in-force premiums at start of period		1,276	1,068		
Sales / New Business		80	283		
Lapses		(79)	(75)		
<b>Life Insurance in-force premiums at end of period</b>		<b>1,277</b>	<b>1,276</b>		

### Claims ratios for Insurance Business

(%)	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
Life Insurance		42	44		
General Insurance		37	54		
Lenders Mortgage Insurance		11	20		

### Gross written premiums

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
General Insurance gross written premium		252	251		
Lenders Mortgage Insurance gross written premium		90	90		

### 3.4 Westpac Institutional Bank

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
Net interest income		754	688		
Non-interest income		812	753		
Net operating income		1,566	1,441		
Operating expenses		(771)	(678)		
<b>Core earnings</b>		<b>795</b>	<b>763</b>		
Impairment (charges) / benefits		9	6		
<b>Operating profit before tax</b>		<b>804</b>	<b>769</b>		
Tax and non-controlling interests		(266)	(215)		
<b>Cash earnings</b>		<b>538</b>	<b>554</b>		
Economic profit		259	227		
Expense to income ratio		49.23%	47.05%		
Net interest margin		1.74%	1.60%		

\$bn	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
Deposits		104.9	99.0		
<b>Net loans</b>					
Loans		77.7	76.6		
Provisions		(0.3)	(0.3)		
<b>Total net loans</b>		<b>77.4</b>	<b>76.3</b>		
Deposit to loan ratio		135.53%	129.75%		
Total assets		102.5	105.0		
TCE		173.2	167.5		
Average interest-earning assets		86.3	86.4		
Loan impairment charges/(benefits) to average loans annualised		(0.02%)	(0.02%)		
Impaired assets to TCE		0.03%	0.06%		
Total stressed assets to TCE		0.66%	0.78%		
Total Funds		-	6.6		

#### Revenue contribution

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
Lending and deposit revenue		862	807		
Markets, sales and fee income		439	451		
<b>Total customer revenue</b>		<b>1,301</b>	<b>1,258</b>		
Derivative valuation adjustments		14	-		
Trading revenue		60	161		
Hastings		180	23		
Other		11	(1)		
<b>Total WIB revenue</b>		<b>1,566</b>	<b>1,441</b>		

### 3.5 Westpac New Zealand

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>NZ\$m</b>					
Net interest income		994	964		
Non-interest income		196	210		
Net operating income		1,190	1,174		
Operating expenses		(464)	(466)		
<b>Core earnings</b>		<b>726</b>	<b>708</b>		
Impairment (charges) / benefits		13	(38)		
<b>Operating profit before tax</b>		<b>739</b>	<b>670</b>		
Tax and non-controlling interests		(205)	(188)		
<b>Cash earnings</b>		<b>534</b>	<b>482</b>		
Economic profit		252	207		
Expense to income ratio		38.99%	39.69%		
Net interest margin		2.25%	2.24%		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>NZ\$bn</b>					
<b>Customer Deposits</b>					
Term deposits		32.6	31.6		
Other		29.3	30.0		
<b>Total customer deposits</b>		<b>61.9</b>	<b>61.6</b>		
<b>Net loans</b>					
Mortgages		48.9	47.9		
Business		29.8	29.5		
Other		2.0	2.1		
Provisions		(0.3)	(0.4)		
<b>Total net loans</b>		<b>80.4</b>	<b>79.1</b>		
Deposit to loan ratio		76.99%	77.88%		
<b>Total assets</b>		<b>90.0</b>	<b>89.8</b>		
TCE		112.0	111.7		
Third party liquid assets		7.5	8.6		
Average interest-earning assets		88.1	86.3		
Total Funds		10.7	10.3		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
<b>Credit quality</b>			
Loan impairment charges/(benefits) to average loans annualised		(0.03%)	0.10%
Mortgage 90+ day delinquencies		0.11%	0.16%
Other consumer loans 90+ day delinquencies		0.62%	0.86%
Impaired assets to TCE		0.15%	0.21%
Total stressed assets to TCE		1.57%	1.86%

### 3.6 Group Businesses

	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 19	Sept 18	March 18	Mar 19 -	Mar 19 -
				Sept 18	Mar 18
<b>\$m</b>					
Net interest income		375	436		
Non-interest income		21	15		
Net operating income		396	451		
Operating expenses		(275)	(283)		
<b>Core earnings</b>		<b>121</b>	<b>168</b>		
Impairment (charges) / benefits		14	(13)		
<b>Operating profit before tax</b>		<b>135</b>	<b>155</b>		
Tax and non-controlling interests		(87)	(93)		
<b>Cash earnings</b>		<b>48</b>	<b>62</b>		
<b>Treasury</b>					
<b>\$m</b>					
Net interest income		331	406		
Non-interest income		4	6		
Net operating income		335	412		
<b>Cash earnings</b>		<b>211</b>	<b>269</b>		

**Note 1. Interest spread and margin analysis (cash earnings basis)**

	Half Year March 19	Half Year Sept 18	Half Year March 18
<b>Group</b>			
Average interest-earning assets (\$m)		782,834	767,011
Net interest income (\$m)		8,470	8,717
Interest spread		1.98%	2.11%
Benefit of net non-interest bearing assets, liabilities and equity		0.18%	0.17%
Net interest margin		2.16%	2.28%
<b>Analysis by division</b>			
<b>Average interest-earning assets (\$m)</b>			
Consumer Bank		350,332	342,168
Business Bank		148,434	146,252
BT Financial Group		18,950	18,388
Westpac Institutional Bank		86,250	86,380
Westpac New Zealand (A\$)		81,291	79,021
Group Businesses		97,577	94,802
<b>Group total</b>		<b>782,834</b>	<b>767,011</b>
Westpac New Zealand (NZ\$)		88,132	86,309
<b>Net interest income (\$m)</b>			
Consumer Bank		3,760	4,089
Business Bank		2,362	2,328
BT Financial Group		302	294
Westpac Institutional Bank		754	688
Westpac New Zealand (A\$)		917	882
Group Businesses		375	436
<b>Group total</b>		<b>8,470</b>	<b>8,717</b>
Westpac New Zealand (NZ\$)		994	964
<b>Interest margin</b>			
Consumer Bank		2.14%	2.40%
Business Bank		3.17%	3.19%
BT Financial Group		3.18%	3.21%
Westpac Institutional Bank		1.74%	1.60%
Westpac New Zealand (NZ\$)		2.25%	2.24%
Group Businesses		0.77%	0.92%
<b>Group total</b>		<b>2.16%</b>	<b>2.28%</b>

Note 2. Average balance sheet and interest rates (cash earnings basis)

	Half Year 31 March 2019			Half Year 30 September 2018			Half Year 31 March 2018		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
<b>Assets</b>									
<b>Interest earning assets</b>									
Collateral paid				8,242	74	1.8	7,927	55	1.4
Trading securities and other financial assets measured at fair value				23,591	281	2.4	24,648	283	2.3
Available-for-sale securities				62,054	984	3.2	61,023	930	3.1
Investment securities				-	-	-	-	-	-
Loans and other receivables				688,947	15,579	4.5	673,413	15,251	4.5
<b>Total interest earning assets and interest income</b>				<b>782,834</b>	<b>16,918</b>	<b>4.3</b>	<b>767,011</b>	<b>16,519</b>	<b>4.3</b>
<b>Non-interest earning assets</b>									
Derivative financial instruments				35,271			34,130		
Life insurance assets				10,575			10,753		
All other assets				64,525			64,102		
<b>Total non-interest earning assets</b>				<b>110,371</b>			<b>108,985</b>		
<b>Total assets</b>				<b>893,205</b>			<b>875,996</b>		
<b>Liabilities</b>									
<b>Interest bearing liabilities</b>									
Collateral received				3,035	27	1.8	2,782	18	1.3
Deposits and other borrowings				505,047	4,653	1.8	494,871	4,368	1.8
Loan capital				18,059	398	4.4	17,935	376	4.2
Other interest bearing liabilities				196,064	3,370	3.4	193,188	3,040	3.2
<b>Total interest bearing liabilities and interest expense</b>				<b>722,205</b>	<b>8,448</b>	<b>2.3</b>	<b>708,776</b>	<b>7,802</b>	<b>2.2</b>
<b>Non-interest bearing liabilities</b>									
Deposits and other borrowings				48,053			47,108		
Derivative financial instruments				38,089			36,916		
Life insurance policy liabilities				8,736			9,013		
All other liabilities				13,096			13,118		
<b>Total non-interest bearing liabilities</b>				<b>107,974</b>			<b>106,155</b>		
<b>Total liabilities</b>				<b>830,179</b>			<b>814,931</b>		
Shareholders' equity				62,978			61,051		
Non-controlling interests				48			14		
<b>Total equity</b>				<b>63,026</b>			<b>61,065</b>		
<b>Total liabilities and equity</b>				<b>893,205</b>			<b>875,996</b>		
<b>Loans and other receivables</b>									
Australia				583,743	13,339	4.6	573,588	13,149	4.6
New Zealand				74,892	1,815	4.8	72,907	1,776	4.9
Other overseas				30,312	425	2.8	26,918	326	2.4
<b>Deposits and other borrowings</b>									
Australia				424,214	3,728	1.8	419,786	3,580	1.7
New Zealand				52,458	619	2.4	50,272	577	2.3
Other overseas				28,375	306	2.2	24,813	211	1.7

**Note 3. Net interest income (cash earnings basis)**

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Interest income</b>					
Cash and balances with central banks		185	141		
Collateral paid		74	55		
Net ineffectiveness on qualifying hedges		-	-		
Trading securities and financial assets measured at FVIS		281	283		
Available-for-sale securities		984	930		
Investment securities		-	-		
Loans		15,375	15,094		
Other interest income		19	16		
<b>Total interest income</b>		<b>16,918</b>	<b>16,519</b>		
<b>Interest expense</b>					
Collateral received		(27)	(18)		
Deposits and other borrowings		(4,653)	(4,368)		
Trading liabilities		(579)	(564)		
Debt issues		(2,392)	(2,088)		
Loan capital		(398)	(376)		
Bank levy		(192)	(186)		
Other interest expense		(207)	(202)		
<b>Total interest expense</b>		<b>(8,448)</b>	<b>(7,802)</b>		
<b>Total net interest income</b>		<b>8,470</b>	<b>8,717</b>		

**Note 4. Non-interest income (cash earnings basis)**

				<i>% Mov't</i>	<i>% Mov't</i>
<b>\$m</b>	<b>Half Year March 19</b>	<b>Half Year Sept 18</b>	<b>Half Year March 18</b>	<b>Mar 19 - Sept 18</b>	<b>Mar 19 - Mar 18</b>
<b>Net fee income</b>					
Facility fees		387	405		
Transaction fees		644	624		
Other non-risk fee income		(32)	103		
<b>Fee income</b>		<b>999</b>	<b>1,132</b>		
Credit card loyalty programs		(56)	(70)		
Other transaction fees		(50)	(45)		
<b>Fee expenses</b>		<b>(106)</b>	<b>(115)</b>		
<b>Net fee income</b>		<b>893</b>	<b>1,017</b>		
<b>Net wealth management and insurance income</b>					
<b>Wealth management income</b>		<b>638</b>	<b>507</b>		
Life insurance premium income		758	652		
General and lenders mortgage insurance net premiums earned		232	240		
<b>Total insurance premiums</b>		<b>990</b>	<b>892</b>		
Life insurance commissions, investment income and other income		417	205		
General and lenders mortgage insurance commissions, investment and other income		22	28		
<b>Total insurance commissions, investment income and other income</b>		<b>439</b>	<b>233</b>		
Life insurance claims and changes in life insurance liabilities		(855)	(541)		
General and lenders mortgage insurance claims incurred, underwriting and commission expenses		(124)	(162)		
<b>Total insurance claims, changes in policy liabilities and commissions</b>		<b>(979)</b>	<b>(703)</b>		
<b>Net wealth management and insurance income</b>		<b>1,088</b>	<b>929</b>		
<b>Trading income</b>		<b>419</b>	<b>507</b>		
<b>Other operating income</b>					
Dividends received from other entities		2	1		
Net gain on sale of associates		-	-		
Net gain on disposal of assets		14	10		
Net gain/(loss) on derivatives held for risk management purposes		18	14		
Net gain/(loss) on financial instruments measured at fair value		12	26		
Gain/(loss) on disposal of controlled entities		-	(9)		
Rental income on operating leases		12	14		
Share of associates' net profit/(loss)		(7)	(3)		
Other		5	16		
<b>Total other operating income</b>		<b>56</b>	<b>69</b>		
<b>Total non-interest income</b>		<b>2,456</b>	<b>2,522</b>		

**Wealth management and insurance income reconciliation**

				<i>% Mov't</i>	<i>% Mov't</i>
<b>\$m</b>	<b>Half Year March 19</b>	<b>Half Year Sept 18</b>	<b>Half Year March 18</b>	<b>Mar 19 - Sept 18</b>	<b>Mar 19 - Mar 18</b>
BTFG non-interest income		735	881		
Net fee and banking income		101	(61)		
<b>BTFG net wealth management and insurance income</b>		<b>836</b>	<b>820</b>		
NZ net wealth management and insurance income		72	77		
WIB net wealth management income		180	32		
<b>Total net wealth management and insurance income</b>		<b>1,088</b>	<b>929</b>		



**Note 5. Operating expenses (cash earnings basis)**

\$m	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>Staff expenses</b>					
Employee remuneration, entitlements and on-costs		2,202	2,140		
Superannuation expense		189	197		
Share based payments		47	48		
Restructuring costs		80	34		
<b>Total staff expenses</b>		<b>2,518</b>	<b>2,419</b>		
<b>Occupancy expenses</b>					
Operating lease rentals		313	319		
Depreciation of property and equipment		79	85		
Other		85	71		
<b>Total occupancy expenses</b>		<b>477</b>	<b>475</b>		
<b>Technology expenses</b>					
Amortisation and impairment of software assets		317	303		
Depreciation and impairment of IT equipment		68	73		
Technology services		383	346		
Software and maintenance and licenses		169	193		
Telecommunications		110	105		
Data processing		39	38		
<b>Total technology expenses</b>		<b>1,086</b>	<b>1,058</b>		
<b>Other expenses</b>					
Professional and processing services		482	420		
Amortisation and impairment of intangible assets		95	18		
Postage and stationery		87	95		
Advertising		98	105		
Non-lending losses		93	40		
Other expenses		71	61		
<b>Total other expenses</b>		<b>926</b>	<b>739</b>		
<b>Operating expenses</b>		<b>5,007</b>	<b>4,691</b>		



Six months to 30 September 2018							
	Operating leases	Policyholder tax recoveries	Line fees	Merchants and card schemes	Other fees and expenses	Interest carrying adjustment	Presentation Changes
<b>\$m</b>							
Net interest income	-	-	340	-	35	57	432
Non-interest income	(35)	(24)	(340)	113	(23)	-	(309)
Net operating income	(35)	(24)	-	113	12	57	123
Operating expenses	35	-	-	(113)	(18)	-	(96)
<b>Core earnings</b>	-	(24)	-	-	(6)	57	27
Impairment charges	-	-	-	-	6	(57)	(51)
<b>Operating profit before tax</b>	-	(24)	-	-	-	-	(24)
Income tax expense	-	24	-	-	-	-	24
<b>Net profit</b>	-	-	-	-	-	-	-
Net profit attributable to non-controlling interests	-	-	-	-	-	-	-
<b>NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC</b>	-	-	-	-	-	-	-

Six months to 31 March 2018								
	Reported results	Amortisation of intangible assets	Fair value (gain)/loss on economic hedges	Ineffective hedges	Adjustment related to Pandal	Treasury shares	Presentation changes	Cash earnings
<b>\$m</b>								
Net interest income	8,278	-	10	13	-	-	416	8,717
Non-interest income	2,805	-	43	-	-	(11)	(315)	2,522
Net operating income	11,083	-	53	13	-	(11)	101	11,239
Operating expenses	(4,655)	25	-	-	-	-	(61)	(4,691)
<b>Core earnings</b>	<b>6,428</b>	<b>25</b>	<b>53</b>	<b>13</b>	-	<b>(11)</b>	<b>40</b>	<b>6,548</b>
Impairment charges	(393)	-	-	-	-	-	(51)	(444)
<b>Operating profit before tax</b>	<b>6,035</b>	<b>25</b>	<b>53</b>	<b>13</b>	-	<b>(11)</b>	<b>(11)</b>	<b>6,104</b>
Income tax expense	(1,835)	(8)	(16)	(4)	-	1	11	(1,851)
<b>Net profit</b>	<b>4,200</b>	<b>17</b>	<b>37</b>	<b>9</b>	-	<b>(10)</b>	-	<b>4,253</b>
Net profit attributable to non-controlling interests	(2)	-	-	-	-	-	-	(2)
<b>NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC</b>	<b>4,198</b>	<b>17</b>	<b>37</b>	<b>9</b>	-	<b>(10)</b>	-	<b>4,251</b>
<b>WBC Cash Earnings adjustments:</b>								
Amortisation of intangible assets	17	(17)	-	-	-	-	-	-
Fair value (gain)/loss on economic hedges	37	-	(37)	-	-	-	-	-
Ineffective hedges	9	-	-	(9)	-	-	-	-
Adjustment related to Pandal	-	-	-	-	-	-	-	-
Treasury shares	(10)	-	-	-	-	10	-	-
<b>Cash earnings</b>	<b>4,251</b>	-	-	-	-	-	-	<b>4,251</b>

Six months to 31 March 2018							
	Operating leases	Policyholder tax recoveries	Line fees	Merchant and card schemes	Other fees and expenses	Interest carrying adjustment	Presentation changes
<b>\$m</b>							
Net interest income	-	-	327	-	31	58	416
Non-interest income	(46)	(11)	(327)	90	(21)	-	(315)
Net operating income	(46)	(11)	-	90	10	58	101
Operating expenses	46	-	-	(90)	(17)	-	(61)
<b>Core earnings</b>	-	(11)	-	-	(7)	58	40
Impairment charges	-	-	-	-	7	(58)	(51)
<b>Operating profit before tax</b>	-	(11)	-	-	-	-	(11)
Income tax expense	-	11	-	-	-	-	11
<b>Net profit</b>	-	-	-	-	-	-	-
Net profit attributable to non-controlling interests	-	-	-	-	-	-	-
<b>NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC</b>	-	-	-	-	-	-	-

Note 9. Divisional result and economic profit

Six months to 31 March 2019						
\$m	Group	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand
<b>Reported results</b>						
Cash earnings adjustments						
<b>Cash earnings</b>						
Franking benefit						
Adjusted cash earnings						
Average equity						
Capital charge						
<b>Economic profit</b>						
<b>Return on average equity (including intangibles)</b>						
Six months to September 2018						
\$m	Group	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand
<b>Reported results</b>	3,897	1,413	1,080	168	538	497
Cash earnings adjustments	(83)	-	-	73	-	(3)
<b>Cash earnings</b>	3,814	1,413	1,080	241	538	494
Franking benefit	1,054	434	326	77	156	-
Adjusted cash earnings	4,868	1,847	1,406	318	694	494
Average equity	62,978	18,595	12,607	3,641	7,895	4,708
Capital charge	(3,473)	(1,025)	(695)	(201)	(435)	(260)
<b>Economic profit</b>	1,395	822	711	117	259	234
<b>Return on average equity (including intangibles)</b>	12.1%	12.6%	14.0%	8.4%	12.7%	19.0%
Six months to 31 March 2018						
\$m	Group	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand
<b>Reported results</b>	4,198	1,694	1,078	406	554	450
Cash earnings adjustments	53	15	2	-	-	(10)
<b>Cash earnings</b>	4,251	1,709	1,080	406	554	440
Franking benefit	1,147	513	324	123	123	-
Adjusted cash earnings	5,398	2,222	1,404	529	677	440
Average equity	61,051	17,626	12,527	3,545	8,196	4,614
Capital charge	(3,349)	(967)	(687)	(194)	(450)	(253)
<b>Economic profit</b>	2,049	1,255	717	335	227	187
<b>Return on average equity (including intangibles)</b>	14.0%	16.0%	14.1%	14.5%	12.6%	17.3%

6.7.2 Westpac New Zealand division performance (A\$ Equivalent to Section 3.5)

	Half Year March 19	Half Year Sept 18	Half Year March 18	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$m</b>					
Net interest income		917	882		
Non-interest income		181	192		
Net operating income		1,098	1,074		
Operating expenses		(429)	(426)		
<b>Core earnings</b>		<b>669</b>	<b>648</b>		
Impairment (charges) / benefits		13	(35)		
<b>Operating profit before tax</b>		<b>682</b>	<b>613</b>		
Tax and non-controlling interests		(188)	(173)		
<b>Cash earnings</b>		<b>494</b>	<b>440</b>		
Economic profit		234	187		
Expense to income ratio		38.99%	39.69%		
Net interest margin		2.25%	2.24%		

	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018	% Mov't Mar 19 - Sept 18	% Mov't Mar 19 - Mar 18
<b>\$bn</b>					
Customer deposits		56.7	57.9		
Net loans		73.6	74.3		
Deposit to loan ratio		76.99%	77.88%		
Total assets		82.4	84.3		
TCE		102.5	104.9		
Third party liquid assets		6.9	8.1		
Average interest-earning assets		81.3	79.0		
Total funds		9.8	9.7		