

ASX RELEASE

29 April 2015

Westpac Group 2015 Interim Financial Results Announcement Template

The Westpac Group has today released the template for its 2015 Interim Financial Results Announcement.

This release provides:

- Details on derivative valuation adjustment methodology changes, which include the impact of the previously announced adoption of a Funding Valuation Adjustment (Appendix 1);
- Details of comparative restatements impacting divisional results (Appendix 2); and
- Changes to the presentation of the Westpac Group's results (Appendix 3). This includes merging the Interim Financial Report with the 2015 Interim Financial Results Announcement. As a consequence, there have been a number of changes to the presentation and location of information.

This half, an Excel template will detail the structure of how key information in the 2015 Interim Financial Results Announcement will be presented. This is now available on the Westpac website at www.westpac.com.au/investorcentre.

The Westpac Group is scheduled to announce its 2015 Interim Financial Results on Monday, 4 May 2015. In addition to the 2015 Interim Financial Results Announcement, an Excel template populated with the interim financial results will be published on the Westpac website.

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Appendix 1

1.1 Derivative Valuation Adjustments

The 2015 Interim Financial Results Announcement includes a number of methodology changes to derivative valuations. This includes introducing a Funding Valuation Adjustment to the fair value of derivatives that was first announced on 20 February 2015 in the ASX release associated with Westpac's December 2014 Pillar 3 Report. As disclosed in that release, it was initially estimated that the changes would result in a one-off negative impact of \$125 million (pre-tax) on First Half 2015 revenues. These changes have now been finalised, resulting in a \$122 million (pre-tax) reduction to non-interest income (within trading income), reflected in the results of Westpac Institutional Bank (WIB).

Appendix 2

2.1 Comparative restatements impacting divisional results

These changes have no impact on the Group's reported results or cash earnings, however they do have an impact on divisional results. The following table details how the changes have impacted divisional results and shows that the net impact is relatively small. While there have been some large movements in individual line items, restated divisional cash earnings have not moved by more \$2 million.

During First Half 2015, the Group restated comparative results for the following business structure transfers:

- Private Bank Asia operations undertaken in WIB to Westpac Retail & Business Banking (Westpac RBB);
- Relationship management of a number of clients from WIB to Westpac RBB; and
- BankSA general insurance activities from St.George to BT Financial Group (Australia).

Prior period results have been restated as if these changes took effect from 1 October 2013.

2.2 Restated divisional cash earnings summary

Previous Disclosure – Second Half 2014

Six months to 30 September 2014								
\$m	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	Westpac Institutional Bank	New Zealand (\$A)	Westpac Pacific	Group Businesses	Group
Net interest income	3,040	1,829	205	832	741	70	102	6,819
Non-interest income	712	266	1,128	748	221	65	2	3,142
Net operating income	3,752	2,095	1,333	1,580	962	135	104	9,961
Operating expenses	(1,638)	(813)	(652)	(617)	(391)	(47)	(23)	(4,181)
Core earnings	2,114	1,282	681	963	571	88	81	5,780
Impairment charges	(211)	(128)	(2)	46	(21)	(3)	10	(309)
Operating profit before income tax	1,903	1,154	679	1,009	550	85	91	5,471
Income tax expense	(572)	(346)	(208)	(293)	(151)	(24)	7	(1,587)
Net profit	1,331	808	471	716	399	61	98	3,884
Net profit attributable to non-controlling interests	-	-	(14)	-	(2)	(4)	(8)	(28)
Cash earnings	1,331	808	457	716	397	57	90	3,856
Economic Profit	1,185	629	436	472	188	35	n/a	2,241
Deposit (\$b)	163.3	93.5	22.4	77.3	44.1	2.7	n/a	409.2
Net Loans (\$b)	270.6	168.4	15.9	66.2	57.7	1.8	n/a	580.3
Average Interest-Earnings Assets (\$m)	252,433	158,323	15,302	83,674	65,323	2,769	81,179	659,003
Average Ordinary Equity (\$m)	9,897	7,630	2,850	8,127	3,778	393	n/a	47,044
Net Interest Margin	2.40%	2.30%	2.67%	1.98%	2.27%	5.04%	0.25%	2.06%

Revised Disclosure – Second Half 2014

Six months to 30 September 2014								
\$m	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	Westpac Institutional Bank	New Zealand (\$A)	Westpac Pacific	Group Businesses	Group
Net interest income	3,039	1,826	203	838	741	70	102	6,819
Non-interest income	730	264	1,135	725	221	65	2	3,142
Net operating income	3,769	2,090	1,338	1,563	962	135	104	9,961
Operating expenses	(1,656)	(812)	(653)	(599)	(391)	(47)	(23)	(4,181)
Core earnings	2,113	1,278	685	964	571	88	81	5,780
Impairment charges	(210)	(128)	(2)	45	(21)	(3)	10	(309)
Operating profit before income tax	1,903	1,150	683	1,009	550	85	91	5,471
Income tax expense	(573)	(344)	(210)	(292)	(151)	(24)	7	(1,587)
Net profit	1,330	806	473	717	399	61	98	3,884
Net profit attributable to non-controlling interests	-	-	(14)	-	(2)	(4)	(8)	(28)
Cash earnings	1,330	806	459	717	397	57	90	3,856
Economic Profit (\$m)	1,185	626	439	472	188	35	n/a	2,241
Deposit (\$b)	162.5	93.5	22.4	78.1	44.1	2.7	n/a	409.2
Net Loans (\$b)	270.7	168.3	15.9	66.2	57.7	1.8	n/a	580.3
Average Interest-Earnings Assets (\$m)	252,590	158,214	15,302	83,626	65,323	2,769	81,179	659,003
Average Ordinary Equity (\$m)	9,905	7,630	2,850	8,119	3,778	393	n/a	47,044
Net Interest Margin	2.40%	2.30%	2.65%	2.00%	2.27%	5.04%	0.25%	2.06%

2.2 Restated divisional cash earnings summary (continued)

Previous Disclosure – First Half 2014

Six months to 31 March 2014								
\$m	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	Westpac Institutional Bank	New Zealand (\$A)	Westpac Pacific	Group Businesses	Group
Net interest income	2,918	1,708	205	811	714	70	251	6,677
Non-interest income	691	252	1,116	770	217	87	49	3,182
Net operating income	3,609	1,960	1,321	1,581	931	157	300	9,859
Operating expenses	(1,595)	(747)	(670)	(590)	(385)	(52)	(26)	(4,065)
Core earnings	2,014	1,213	651	991	546	105	274	5,794
Impairment charges	(226)	(108)	4	90	(3)	(6)	(92)	(341)
Operating profit before income tax	1,788	1,105	655	1,081	543	99	182	5,453
Income tax expense	(537)	(333)	(192)	(329)	(149)	(29)	(74)	(1,643)
Net profit	1,251	772	463	752	394	70	108	3,810
Net profit attributable to non-controlling interests	-	-	(25)	-	(1)	(5)	(7)	(38)
Cash earnings	1,251	772	438	752	393	65	101	3,772
Economic Profit	1,109	621	404	537	189	44	n/a	2,250
Deposit (\$b)	153.7	88.8	20.8	72.2	45.3	2.5	n/a	388.9
Net Loans (\$b)	262.1	162.5	15.4	64.0	59.2	1.6	n/a	564.6
Average Interest-Earnings Assets (\$m)	246,717	150,720	14,732	79,831	62,764	2,893	78,000	635,657
Average Ordinary Equity (\$m)	9,449	7,006	2,834	7,831	3,722	385	n/a	45,907
Net Interest Margin	2.37%	2.27%	2.79%	2.04%	2.28%	4.85%	0.65%	2.11%

Revised Disclosure – First Half 2014

Six months to 31 March 2014								
\$m	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	Westpac Institutional Bank	New Zealand (\$A)	Westpac Pacific	Group Businesses	Group
Net interest income	2,914	1,705	203	820	714	70	251	6,677
Non-interest income	711	251	1,122	745	217	87	49	3,182
Net operating income	3,625	1,956	1,325	1,565	931	157	300	9,859
Operating expenses	(1,610)	(747)	(670)	(575)	(385)	(52)	(26)	(4,065)
Core earnings	2,015	1,209	655	990	546	105	274	5,794
Impairment charges	(226)	(108)	4	90	(3)	(6)	(92)	(341)
Operating profit before income tax	1,789	1,101	659	1,080	543	99	182	5,453
Income tax expense	(536)	(332)	(193)	(330)	(149)	(29)	(74)	(1,643)
Net profit	1,253	769	466	750	394	70	108	3,810
Net profit attributable to non-controlling interests	-	-	(25)	-	(1)	(5)	(7)	(38)
Cash earnings	1,253	769	441	750	393	65	101	3,772
Economic Profit	1,109	617	408	537	189	44	n/a	2,250
Deposit (\$b)	153.1	88.8	20.8	72.8	45.3	2.5	n/a	388.9
Net Loans (\$b)	262.2	162.4	15.4	64.0	59.2	1.6	n/a	564.6
Average Interest-Earnings Assets (\$m)	246,794	150,605	14,732	79,869	62,764	2,893	78,000	635,657
Average Ordinary Equity (\$m)	9,459	7,006	2,834	7,821	3,722	385	n/a	45,907
Net Interest Margin	2.37%	2.27%	2.76%	2.06%	2.28%	4.85%	0.65%	2.11%

Appendix 3

3.1 Disclosure enhancements

Interim Financial Report

The Westpac Group has decided to merge the Interim Financial Report with the 2015 Interim Financial Results Announcement to simplify the presentation of the Group's results. The Group's financial results will now be presented in a single document, the 2015 Interim Financial Results Announcement.

Other enhancements

A number of other changes have been made to the 2015 Interim Financial Results Announcement to improve and/or simplify the document. These include:

- Changes to the disclosure of net interest income information in Section 2.2.1. Average interest-earnings assets will now be categorised into three lines: Loans, Third party liquid assets and Other interest-earnings assets (Appendix 3.2);
- The Liquidity Coverage Ratio (LCR) came into effect for Australian banks on 1 January 2015. The Westpac Group will be providing disclosure on the LCR in Section 2.4.2 (Appendix 3.3); and
- Divisional results disclosure on Australian Financial Services has been removed to align with the Group's current business structure. For more information about the Group's current business structure, see Westpac's ASX release on 2 February 2015.

3.2 Section 2.2.1 Net Interest Income

	Revised Disclosure		Previous Disclosure	
	Half Year Sept 14	Half Year March 14	Half Year Sept 14	Half Year March 14
\$m				
Average interest-earning assets				
Loans	548,700	528,896		
Third party liquid assets	77,133	75,579		
Other interest-earning assets	33,170	31,182		
Average interest-earning assets	659,003	635,657	659,003	635,657

3.3 Section 2.4.2 Funding and Liquidity Risk Management

Liquidity coverage ratio	Revised Disclosure	Previous Disclosure
	Pro forma as at 30 Sept 14	Pro forma as at 30 Sept 14
\$m		
High Quality Liquid Assets (HQLA)	58,900	
Committed Liquidity Facility (CLF)	66,000	
Total LCR liquid assets	124,900	
Cash outflows in a modelled 30-day APRA defined stressed scenario		
Customer deposits	74,552	
Wholesale funding	20,360	
Other flows	26,462	
Total	121,374	
LCR	103%	