

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER THE
SECURITIES EXCHANGE ACT OF 1934

May 8, 2013

Commission File Number 1-10167

WESTPAC BANKING CORPORATION
(Translation of registrant's name into English)

275 KENT STREET, SYDNEY, NEW SOUTH WALES 2000, AUSTRALIA
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports
under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper
as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper
as permitted by Regulation S-T Rule 101(b)(7):

Indicate by check mark whether the registrant by furnishing the information contained in
this form is also thereby furnishing the information to the Commission pursuant to
Rule 12g3-2(b) under the Securities Act of 1934.

Yes No

If "Yes" is marked, indicate the file number assigned to the registrant in connection with
Rule 12g3-2(b):82- ____

Index to Exhibits

The information contained in Exhibit 1 to this Report on Form 6-K shall be incorporated by reference in the prospectuses relating to the Registrant's debt securities contained in the Registrant's Registration Statements on Form F-3 (File Nos. 333-185478 and 333-172579), as such prospectuses may be amended or supplemented from time to time.

Index to Exhibits

**Exhibit
No.**

Description

1	Profit announcement for the six months ended March 31, 2013, prepared for distribution in the United States
---	-------------------------------------------------------------------------------------------------------------

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTPAC BANKING CORPORATION
(Registrant)

Date: May 8, 2013

By: /s/ Sean Crellin
Sean Crellin
Director, Legal

WESTPAC
GROUP

INTERIM RESULTS 2013

THE INTERIM PROFIT ANNOUNCEMENT HAS BEEN PREPARED FOR DISTRIBUTION
IN THE UNITED STATES OF AMERICA



Westpac Banking Corporation ABN 33 007 457 141.

RESULTS ANNOUNCEMENT TO THE MARKET

INTERIM 2013 RESULT

01	INTRODUCTION	iii
02	REPORTED RESULTS	1
2.1	Reported Results	1
2.2	Reported Balance Sheet	2
2.3	Key Financial Data	3
2.4	Market Share and System Multiple Metrics	5
2.5	Risk Factors	7
03	REVIEW OF GROUP OPERATIONS	13
3.1	Reported Results Summary	13
3.2	Review of Reported Results	18
3.3	Credit Quality	33
3.4	Balance Sheet and Funding	36
3.5	Capital and Dividends	41
3.6	Other Significant Developments	46
04	DIVISIONAL RESULTS	52
4.0	Divisional Results	52
4.1	Australian Financial Services (AFS)	53
4.1.1	Westpac Retail and Business Banking	54
4.1.2	St.George Banking Group	57
4.1.3	BT Financial Group (Australia)	60
4.2	Westpac Institutional Bank	63
4.3	Westpac New Zealand	66
4.4	Pacific Banking	70
4.5	Group Businesses	72
05	INTERIM 2013 REPORTED FINANCIAL INFORMATION	74
5.1	Consolidated Income Statement (unaudited)	75
5.2	Consolidated Balance Sheet (unaudited)	76
5.3	Consolidated Cash Flow Statement (unaudited)	77
5.4	Consolidated Statement of Comprehensive Income (unaudited)	78
5.5	Consolidated Statement of Changes in Equity (unaudited)	79
5.6	Notes to Interim 2013 Reported Financial Information (unaudited)	80
06	OTHER INFORMATION	108
6.1	Exchange Rates	108
6.2	Financial Calendar	109
07	SEGMENT RESULT	111
7.1	Half Year Segment Reported Results	111
7.2	Cash Earnings Adjustments	114
08	GLOSSARY	116

In this announcement references to 'Westpac', 'WBC', 'Westpac Group', 'the Group', 'we', 'us' and 'our' are to Westpac Banking Corporation and its controlled entities unless it clearly means just Westpac Banking Corporation.

1. Introduction

This Interim Profit Announcement has been prepared for distribution in the United States.

Our interim period refers to the six months ended 31 March 2013 (First Half 2013). Throughout this profit announcement we also refer to the six months ended 31 March 2012 (First Half 2012) and the six months ended 30 September 2012 (Second Half 2012).

The selected financial information for First Half 2013, First Half 2012 and Second Half 2012 contained in this Interim Profit Announcement is based on the financial statements contained in the unaudited consolidated Interim Financial Report for Westpac Banking Corporation (Westpac) and its controlled entities (Group) for the six months ended 31 March 2013. The Interim Financial Report has been prepared and presented in accordance with Australian Accounting Standards (A-IFRS) as they relate to interim financial reports. The Interim Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

All dollar values in this announcement are in Australian dollars unless otherwise noted. References to 'dollars' 'dollar amounts', '\$', 'AUD' or 'A\$' are to Australian dollars, references to 'US\$', 'USD' or 'US dollars' are to United States dollars and references to 'NZ\$', 'NZD' or 'NZ dollars' are to New Zealand dollars. Solely for the convenience of the reader, certain Australian dollar amounts have been translated into US dollars at a specified rate. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or have been or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translation of Australian dollar amounts into US dollar amounts has been made at the rate of A\$1 = US\$1.0409, the noon buying rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the 'noon buying rate') on 29 March 2013. Refer to Section 6.1 'Exchange Rates' for information regarding the rates of exchange between the Australian dollar and the US dollar applied by the Group as part of its operating activities for First Half 2013, Second Half 2012 and First Half 2012.

In addition to discussing the A-IFRS financial information in this announcement, we also discuss the following non-A-IFRS financial information:

Cash Earnings

The accounting standard AASB 8 *Operating Segments* requires segment results to be presented on a basis that is consistent with information provided internally to Westpac's key decision makers. In assessing its financial performance, including divisional results, the Westpac Group uses a measure of performance referred to as "Cash Earnings". Cash Earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with A-IFRS. The specific adjustments outlined below include both cash and non-cash items. Cash Earnings, as calculated by Westpac, is viewed as a measure of the level of profit that is generated by ongoing operations and is expected to be available over the long term for distributions to shareholders.

A reconciliation of Cash Earnings to net profit attributable to owners of Westpac Banking Corporation for each business division is set forth in Section 7. To calculate Cash Earnings, Westpac adjusts Net profit attributable to owners of Westpac Banking Corporation for the items outlined below. Management believes this allows the Group to more effectively assess performance for the current period against prior periods and to compare performance across business divisions and across peer companies.

Three categories of adjustments are made to reported results to determine Cash Earnings:

- Material items that key decision makers at the Westpac Group believe do not reflect ongoing operations;
- Items that are not considered when dividends are recommended, such as the amortisation of intangibles, impact of Treasury shares and economic hedging impacts; and
- Accounting reclassifications between individual line items that do not impact reported results, such as policyholder tax recoveries¹.

Outlined below are the Cash Earnings adjustments to the reported result:

- TPS revaluations – Adjustment for movements in economic hedges, including associated tax effects impacting the Foreign Currency Translation Reserve, relating to hybrid instruments classified as non-controlling interests. The adjustment is required as these hybrid instruments are not fair valued, however, the hedges are

¹ Policyholder tax recoveries – Income and tax amounts that are grossed up to comply with the A-IFRS accounting standard covering Life Insurance Business (policyholders tax recoveries) are reversed in deriving income and taxation expense on a Cash Earnings basis.

RESULTS ANNOUNCEMENT TO THE MARKET

INTRODUCTION

fair valued and therefore there is a mismatch in the timing of income recognition in the reported results. The mismatch is added back to reported results in deriving Cash Earnings as it does not affect the Group's profits over time;

- Treasury shares – Under A-IFRS, Westpac shares held by the Group in the managed funds and life business are deemed to be Treasury shares and the results of holding these shares are not permitted to be recognised as income in the reported results. In deriving Cash Earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income;
- Ineffective hedges – The gain/(loss) on ineffective hedges is reversed in deriving Cash Earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time;
- Fair value gain/(loss) on economic hedges (which do not qualify for hedge accounting under A-IFRS) comprises:
 - The unrealised fair value gain/(loss) on foreign exchange hedges of future New Zealand earnings impacting non-interest income is reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group's Cash Earnings during the life of the hedge;
 - The unrealised fair value gain/(loss) on foreign exchange hedges of fees payable for the use of the Government guarantee on foreign denominated wholesale funding is reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group's Cash Earnings during the life of the hedge; and
 - The unrealised fair value gain/(loss) on hedges of accrual accounted term funding transactions are reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group's Cash Earnings during the life of the hedge;
- Gain/(loss) on buyback of Government guaranteed debt – The Group has bought back certain Government guaranteed debt issues which reduces Government guarantee fees (70 basis points) paid. In undertaking the buybacks, a cost was incurred reflecting the difference between current interest rates and the rate at which the debt was initially issued. In the reported result the cost incurred is recognised at the time of the buyback. In Cash Earnings, the cost incurred is being amortised over the original term of the debt that was bought back consistent with a 70 basis point saving being effectively spread over the remaining life of the issue. The Cash Earnings adjustment gives effect to the timing difference between Reported Earnings and Cash Earnings;
- The accounting for the merger with St.George resulted in the recognition of fair value adjustments on the St.George retail bank loans, deposits, wholesale funding and associated hedges, with these fair value adjustments being amortised over the life of the underlying transactions. The amortisation of these adjustments is considered to be a timing difference relating to non-cash flow items that do not affect cash distributions available to shareholders and therefore, have been treated as a Cash Earnings adjustment;
- Amortisation of intangible assets comprises:
 - The acquisition of J O Hambro Capital Management (JOHCM) by BT Investment Management (BTIM) during First Half 2012 resulted in the recognition of management contract intangible assets. These intangible items are amortised over their useful lives, ranging between five and twenty years. The amortisation of intangible assets (excluding capitalised software) is a Cash Earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders; and
 - The merger with St.George resulted in the recognition of core deposit intangibles and customer relationships intangible assets that are amortised over their useful lives, ranging between five and nine years. The amortisation of intangible assets (excluding capitalised software) is a Cash Earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders;
- Supplier program – During the year ended 30 September 2012, the Group incurred and provisioned for non-recurring expenses as part of its program to increase the use of global specialists in certain technology and back office operations. These expenses included costs associated with streamlining and better documenting systems and processes, technology costs to enable infrastructure and enhance interaction with suppliers, and costs associated with restructuring the workforce. Given these significant expenses are not considered in determining dividends they were treated as Cash Earnings adjustments;
- Litigation provision – During the year ended 30 September 2012 the Group recognised a provision of \$111 million (\$78 million after tax) with respect to the Bell litigation. This has been treated as a Cash Earnings adjustment due to its size, the historical nature of the proceedings and as it does not reflect ongoing operations; and

RESULTS ANNOUNCEMENT TO THE MARKET

INTRODUCTION

- Tax on Financial Arrangements (TOFA) tax consolidation adjustment – During the year ended 30 September 2012, new taxation legislation was introduced that included retrospective amendments to the income tax law as it applies to TOFA and tax consolidated groups. The amendments had an adverse application to certain liabilities that were consolidated as part of the merger with St.George. This gave rise to an additional income tax expense of \$165 million for the 2012 financial year. Consistent with other tax adjustments relating to the merger with St.George this adjustment has been treated as a Cash Earnings adjustment due to its size and because it does not reflect ongoing operations.

Policyholder Tax Recoveries

The Life Insurance Contracts standard AASB 1038 requires the grossing up of tax expense and income for the tax on earnings applicable to holders of life policies (policyholders tax recoveries). Westpac reverses the impact of this gross-up to provide comparability across reporting periods.

Average Ordinary Equity

Average ordinary equity is calculated as the daily average of total equity less average non-controlling interests. Management believes this measure of average ordinary equity is useful in the calculation of return on equity as it removes the impact of equity attributable to non-controlling interests.

Other companies may use different methodologies to calculate average ordinary equity or similar non-A-IFRS financial measures.

Disclosure Regarding Forward-Looking Statements

This Interim Profit Announcement contains statements that constitute 'forward-looking statements' within the meaning of Section 21E of the US Securities Exchange Act of 1934.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Interim Profit Announcement and include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. We use words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk' or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors, including, but not limited to:

- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements;
- the stability of Australian and international financial systems and disruptions to financial markets and any losses or business impacts Westpac or its customers or counterparties may experience as a result;
- market volatility, including uncertain conditions in funding, equity and asset markets;
- adverse asset, credit or capital market conditions;
- changes to our credit ratings;
- levels of inflation, interest rates, exchange rates and market and monetary fluctuations;
- market liquidity and investor confidence;
- changes in economic conditions, consumer spending, saving and borrowing habits in Australia, New Zealand and in other countries in which Westpac or its customers or counterparties conduct their operations and our ability to maintain or to increase market share and control expenses;
- the effects of competition in the geographic and business areas in which Westpac conducts its operations;
- reliability and security of Westpac's technology and risks associated with changes to technology systems;
- the timely development and acceptance of new products and services and the perceived overall value of these products and services by customers;
- the effectiveness of our risk management policies, including our internal processes, systems and employees;
- the occurrence of environmental change or external events in countries in which Westpac or its customers or counterparties conduct their operations;

RESULTS ANNOUNCEMENT TO THE MARKET

INTRODUCTION

- internal and external events which may adversely impact our reputation;
- changes in political, social or economic conditions in any of the major markets in which Westpac or its customers or counterparties operate;
- the success of strategic decisions involving business expansion and integration of new businesses; and
- various other factors beyond Westpac's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by us, refer to the section 2.5 'Risk factors'. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider the foregoing factors and other uncertainties and events.

Westpac is under no obligation, and does not intend, to update any forward-looking statements contained in this report, whether as a result of new information, future events or otherwise, after the date of this Interim Profit Announcement.

Web sites

Information contained in or accessible through the websites mentioned in this Interim Profit Announcement does not form part of this report unless we specifically state that it is incorporated by reference and forms part of this report. All references in this report to websites are inactive textual references and are for information only.



INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

2.1 REPORTED RESULTS

2.1.1 Reported Results

Reported net profit attributable to owners of Westpac is prepared in accordance with the requirements of Australian Accounting Standards (A-IFRS) and regulations applicable to Australian Authorised Deposit-taking Institutions (ADIs).

\$m	Half Year	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 13 US\$	March 13 A\$	Sept 12 A\$	March 12 A\$	Mar 13 - Sept 12	Mar 13 - Mar 12
Net interest income	6,549	6,292	6,317	6,185	-	2
Non-interest income	2,996	2,878	2,834	2,647	2	9
Net operating income before operating expenses and impairment charges	9,545	9,170	9,151	8,832	-	4
Operating expenses	(4,069)	(3,909)	(4,013)	(3,896)	3	-
Impairment charges	(456)	(438)	(604)	(608)	27	28
Profit before income tax	5,020	4,823	4,534	4,328	6	11
Income tax expense	(1,544)	(1,484)	(1,499)	(1,327)	1	(12)
Profit for the period	3,476	3,339	3,035	3,001	10	11
Profit attributable to non-controlling interests	(37)	(35)	(32)	(34)	(9)	(3)
Net profit attributable to owners of Westpac Banking Corporation	3,439	3,304	3,003	2,967	10	11
<i>Effective tax rate</i>	<i>30.8%</i>	<i>30.8%</i>	<i>33.1%</i>	<i>30.7%</i>	<i>230bps</i>	<i>(10bps)</i>

Net profit attributable to owners of Westpac Banking Corporation for First Half 2013 was \$3,304 million, an increase of \$337 million or 11% compared to First Half 2012. Key drivers of this result were a 4% increase in Net operating income before operating expenses and impairment charges, and a 28% decrease in Impairment charges.

Net interest income increased \$107 million or 2% reflecting growth in customer loans and deposits offset by some margin contraction. This is discussed further in Section 3.2.1.

Non-interest income increased \$231 million, or 9%, reflecting growth in Wealth, Insurance and Markets businesses. This is discussed further in Section 3.2.2.

Operating expenses increased \$13 million reflecting disciplined expense management. Increases in salaries and wages and software amortisation expenses were partially offset by lower restructuring costs. Operating expenses are discussed further in Section 3.2.3.

Impairment charges decreased 28% reflecting improvements in asset quality and a reduction in stressed assets. Continuing improvement in loss experience provided a benefit to impairment charges which was partially offset by an increase in the impairment provisions for sectors in the economy impacted by structural change. Impairment charges are discussed further in Section 3.2.4.

The effective tax rate was 30.8% in First Half 2013 compared to 30.7% in First Half 2012 reflecting an increase in non-deductible hybrid distributions.

INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

2.2 REPORTED BALANCE SHEET

2.2.1 Summary Balance Sheet

	As at 31 March 2013 US\$	As at 31 March 2013 A\$	As at 30 Sept 2012 A\$	As at 31 March 2012 A\$	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m						
Assets						
Cash and balances with central banks	6,870	6,600	12,523	11,462	(47)	(42)
Receivables due from other financial institutions	13,095	12,580	10,228	6,662	23	89
Trading securities, other financial assets designated at fair value and available-for-sale securities ¹	79,800	76,664	71,739	69,175	7	11
Derivative financial instruments	30,522	29,323	35,489	30,641	(17)	(4)
Loans ²	542,444	521,130	514,445	506,124	1	3
Life insurance assets	8,856	8,508	8,240	8,147	3	4
Other assets ³	23,632	22,704	22,301	21,721	2	5
Total assets	705,219	677,509	674,965	653,932	-	4
Liabilities						
Payables due to other financial institutions	8,372	8,043	7,564	9,019	6	(11)
Deposits	419,905	403,406	394,991	377,458	2	7
Trading liabilities and other financial liabilities designated at fair value	9,194	8,833	9,964	6,205	(11)	42
Derivative financial instruments	35,475	34,081	38,935	31,358	(12)	9
Debt issues and acceptances	150,205	144,303	147,847	157,576	(2)	(8)
Life insurance liabilities	7,710	7,407	7,208	7,196	3	3
Loan capital	11,325	10,880	9,537	8,356	14	30
Other liabilities ⁴	13,909	13,362	12,700	11,889	5	12
Total liabilities	656,095	630,315	628,746	609,057	-	3
Equity						
Total equity attributable to owners of Westpac Banking Corporation	47,066	45,217	44,249	42,898	2	5
Non-controlling interests ⁵	2,058	1,977	1,970	1,977	-	-
Total equity	49,124	47,194	46,219	44,875	2	5

	Half Year 31 March 2013 US\$	Half Year 31 March 2013 A\$	Half Year 30 Sept 2012 A\$	Half Year 31 March 2012 A\$	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m						
Average balances						
Total assets	700,573	673,045	666,482	657,792	1	2
Loans and other receivables	529,699	508,886	504,438	497,798	1	2
Total equity	47,672	45,799	44,887	44,251	2	3

¹ Trading securities include debt and equity instruments which are actively traded. Other financial assets include equity related instruments, warrants and non-trading bonds and notes. Available-for-sale securities include public and other debt and equity securities.

² Includes loans, advances, other receivables and acceptances of customers.

³ Includes intangible assets, fixed assets, deferred tax assets and regulatory deposits with central banks overseas.

⁴ Includes provisions and tax liabilities.

⁵ Includes 2003 Trusted Preferred Securities (TPS) and 2006 TPS hybrid capital instruments.

INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

2.3 KEY FINANCIAL DATA

	Half Year March 13 US\$	Half Year March 13 A\$	Half Year Sept 12 A\$	Half Year March 12 A\$	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Shareholder Value						
Earnings per ordinary share (cents) ¹	111.4	107.0	98.1	97.8	9	9
Weighted average ordinary shares (millions)	3,083	3,083	3,054	3,031	1	2
Fully franked dividends per ordinary share (cents)	90	86	84	82	2	5
Fully franked special dividend per ordinary share (cents)	10	10	-	-	n/a	n/a
Return on average ordinary equity ²	15.12%	15.12%	13.99%	14.04%	113bps	108bps
Average ordinary equity (\$m) ³	45,624	43,831	42,932	42,278	2	4
Average total equity (\$m) ⁴	47,672	45,799	44,887	44,251	2	3
Net tangible assets per ordinary share (\$) ⁵	11.15	10.71	10.47	10.12	2	6
Productivity and efficiency						
Expense to income ratio ⁶	42.6%	42.6%	43.9%	44.1%	122bps	148bps
Business performance						
Interest spread ⁷	1.88%	1.88%	1.89%	1.86%	(1bps)	2bps
Benefit of net non-interest bearing assets, liabilities and equity ⁸	0.25%	0.25%	0.28%	0.30%	(3bps)	(5bps)
Net interest margin ⁹	2.13%	2.13%	2.17%	2.16%	(4bps)	(3bps)
Average interest earning assets (\$m)	615,733	591,539	581,846	573,644	2	3
Capital adequacy						
Common equity Tier 1						
- APRA Basel II	n/a	n/a	8.38%	7.96%	n/a	n/a
- APRA Basel III ¹⁰	8.74%	8.74%	8.16%	n/a	58bps	n/a
- Internationally fully harmonised Basel III	11.40%	11.40%	10.63%	n/a	77bps	n/a
Credit risk weighted assets (RWA) (\$b)	264.1	253.7	245.1	238.8	4	6
Total RWA(\$b)	320.6	308.0	297.9	300.0	3	3
Asset quality						
Total impaired assets to gross loans		0.82%	0.85%	0.88%	3bps	6bps
Total impaired assets to equity and total provisions		8.3%	8.7%	9.1%	40bps	80bps
Total impairment provisions to total impaired assets ¹¹		40.2%	37.4%	37.8%	280bps	240bps
Total stressed exposures as a % of total committed exposures		1.94%	2.17%	2.26%	23bps	32bps
Total provisions to gross loans		80bps	82bps	86bps	(2bps)	(6bps)
Collectively assessed provisions to performing non-housing loans ¹²		151bps	155bps	164bps	(4bps)	(13bps)
Mortgages 90 days past due		0.57%	0.51%	0.55%	(6bps)	(2bps)
Other consumer loans 90 days past due		1.30%	1.11%	1.33%	(19bps)	3bps
Collectively assessed provisions to credit RWA ¹⁰		106bps	108bps	116bps	(2bps)	(10bps)

For explanation of the above footnotes please see the following page.

INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

Notes to Section 2.3:

- ¹ Based on the average number of fully paid ordinary shares outstanding for the relevant six month period. Earnings are calculated as net profit attributable to owners of WBC.
- ² Calculated as net profit attributable to owners of WBC divided by average ordinary equity (annualised).
- ³ Calculated as average total equity less average non-controlling interests.
- ⁴ Average total equity is the average balance of shareholders' equity, including non-controlling interests.
- ⁵ Total equity attributable to owners of Westpac Banking Corporation after deducting goodwill and other intangible assets divided by the number of ordinary shares outstanding, less treasury shares held.
- ⁶ Calculated as Group operating expenses excluding impairment charges divided by Group Net operating income before operating expenses and impairment charges.
- ⁷ Calculated as the difference between the average yield on all interest earning assets and the average rate paid on all interest bearing liabilities.
- ⁸ Determined by applying the average rate of interest paid on all interest bearing liabilities to the average level of net non-interest bearing funds, including total equity as a percentage of average interest earning assets.
- ⁹ Calculated by dividing Net interest income by average interest earning assets (annualised).
- ¹⁰ Prior periods have been restated on a pro forma APRA Basel III basis.
- ¹¹ Impairment provisions relating to impaired loans include individually assessed provisions plus the proportion of the collectively assessed provisions that relate to impaired loans.
- ¹² Non-housing loans have been determined on a loan purpose basis.

INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

2.4 MARKET SHARE AND SYSTEM MULTIPLE METRICS

2.4.1 Market Share

	Half Year March 13	Half Year Sept 12	Half Year March 12
Australia			
Banking System (APRA)¹			
Housing credit ²	25%	25%	25%
Cards	22%	22%	22%
Household deposits	23%	23%	22%
Business deposits	21%	21%	21%
Financial System (RBA)³			
Housing credit ²	23%	24%	24%
Business credit	18%	18%	19%
Retail deposits ⁴	22%	21%	21%
New Zealand^{5,6}			
Consumer lending	20%	20%	20%
Deposits	21%	21%	21%
Business lending	17%	17%	17%
Australian Wealth Management⁷			
Platforms (includes Wrap and Corporate Super)	20%	21%	21%
Retail (excludes Cash)	19%	19%	20%
Corporate Super	14%	14%	13%
Funds Management - BTIM	5%	5%	5%
Wholesale - BTIM/Advance Asset Management	2%	2%	2%
Australian Life Insurance⁸			
Life Insurance - inflows	8%	8%	7%
Life Insurance - new business	10%	9%	8%

¹ Source: Australian Prudential Regulation Authority (APRA).

² Includes securitised loans.

³ Source: Reserve Bank of Australia (RBA).

⁴ Retail deposits as measured by the RBA financial system include financial corporations deposits.

⁵ New Zealand comprises New Zealand banking operations.

⁶ Source: Reserve Bank of New Zealand (RBNZ).

⁷ Market Share Funds under Management/Funds under Administration based on published market share statistics from Plan for Life and Morningstar as at 31 December 2012 (for First Half 2013), as at 30 June 2012 (for Second Half 2012), and as at 31 December 2011 (for First Half 2012) and represents the addition of St. George Wealth and BT Wealth business market share at these times.

⁸ Source: Life Insurance – Plan for Life 31 December 2012 (for First Half 2013), 30 June 2012 (for Second Half 2012) and 31 December 2011 (for First Half 2012).

INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

2.4.2 System Multiples

System refers to the overall market growth across financial institutions for a product or group of products in the relevant geographic location.

Australia	Half Year March 13	Half Year Sept 12	Half Year March 12
Banking System (APRA)¹			
Housing credit ²	0.7	0.7	0.7
Cards ³	0.6	n/a	1.2
Household deposits	1.2	1.2	1.1
Business deposits ³	n/a	1.3	4.2
Financial System (RBA)⁴			
Housing credit ²	0.8	0.8	0.8
Business credit ³	n/a	0.3	1.4
Retail deposits ⁵	1.1	1.2	1.6
New Zealand^{6,7,8}	Half Year March 13	Half Year Sept 12	Half Year March 12
Consumer lending	0.6	0.6	1.9
Deposits	1.2	1.7	0.8

¹ Source: APRA.

² Includes securitised loans.

³ n/a indicates that system growth or Westpac growth was negative, and as such system growth multiples cannot be calculated.

⁴ Source: RBA.

⁵ Retail deposits as measured by the RBA financial system includes financial corporations deposits.

⁶ New Zealand comprises New Zealand banking operations.

⁷ Source: RBNZ.

⁸ System multiple calculated as a six month rolling average.

2.5. Risk Factors

Our business is subject to risks that can adversely impact our business, results of operations, financial condition and future performance. If any of the following risks occur, our business, results of operations, financial condition or future performance could be materially adversely affected, with the result that the trading price of our securities could decline and as a securityholder you could lose all, or part, of your investment. You should carefully consider the risks described and the other information in this Interim Profit Announcement and our 2012 Annual Report on Form 20-F ("2012 Annual Report") before investing in our securities. The risks and uncertainties described below are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently deem to be immaterial, may also become important factors that affect us.

Risks relating to our business

Our businesses are highly regulated and we could be adversely affected by failing to comply with existing laws and regulations or by changes in laws and regulations and regulatory policy

As a financial institution, we are subject to detailed laws and regulations in each of the jurisdictions in which we operate or obtain funding, including Australia, New Zealand and the United States. We are also supervised by a number of different regulatory and supervisory authorities which have broad administrative power over our businesses. In Australia, the relevant regulatory authorities include the Australian Prudential Regulation Authority (APRA), Reserve Bank of Australia (RBA), Australian Securities and Investments Commission (ASIC), the Treasury, Australian Securities Exchange (ASX), Australian Competition and Consumer Commission (ACCC) and Australian Transaction Reports and Analysis Centre (AUSTRAC). The Reserve Bank of New Zealand (RBNZ) has supervisory oversight of our New Zealand operations. In the United States we are subject to supervision and regulation by the US Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission (CFTC) and the U.S. Securities and Exchange Commission (SEC). In other jurisdictions in which we operate, including the United Kingdom, Asia and the Pacific, we are also required to comply with relevant requirements of the local regulatory bodies.

We are responsible for ensuring that we comply with all applicable legal and regulatory requirements (including accounting standards) and industry codes of practice in the jurisdictions in which we operate or obtain funding, as well as meeting our ethical standards.

Compliance risk arises from these legal and regulatory requirements. If we fail to comply with applicable laws and regulations, we may be subject to fines, penalties or restrictions on our ability to do business. An example of the broad administrative power available to regulatory authorities is the power available to APRA under the Banking Act in certain circumstances to investigate our affairs and/or issue a direction to us (such as a direction to comply with a prudential requirement, to conduct an audit, to remove a Director, executive officer or employee or not to undertake transactions). Any such costs and restrictions could adversely affect our business, reputation, prospects, financial performance or financial condition.

As with other financial services providers, we face increasing supervision and regulation in most of the jurisdictions in which we operate or obtain funding, particularly in the areas of funding, liquidity, capital adequacy and prudential regulation. For example in December 2010 the Basel Committee on Banking Supervision (BCBS) announced a revised global regulatory framework known as Basel III. Basel III, among other things, increases the required quality and quantity of capital held by banks and introduces new minimum standards for the management of liquidity risk. APRA has announced that it supports the Basel III framework and it will incorporate the framework into its prudential standards. The Basel III capital framework came into effect from 1 January 2013, subject to various transitional arrangements. Further details on the Basel III framework are set out in Section 3.6 'Other Significant Developments' in this Interim Profit Announcement and Section 1 of our 2012 Annual Report.

During the half year ended 31 March 2013 there were also a series of other regulatory releases from authorities in the various jurisdictions in which we operate or obtain funding proposing significant regulatory change for financial institutions. This includes global OTC derivatives reform as well as other components of the US Dodd-Frank legislation which is designed to reform the entire system for the supervision and regulation of financial firms that operate in or have a connection with the US, including foreign banks like Westpac. Other areas of potential change that could impact us include changes to accounting and reporting requirements, tax legislation, regulation relating to remuneration, consumer protection and competition legislation and bribery, anti-money laundering and counter-terrorism financing laws. In addition, further changes may occur driven by policy, prudential or political factors.

Regulation is becoming increasingly extensive and complex. Some areas of potential regulatory change involve multiple jurisdictions seeking to adopt a coordinated approach. This may result in conflicts with specific requirements of the jurisdictions in which we operate and, in addition, such changes may be inconsistently introduced across jurisdictions.

INTERIM RESULTS 2013
GROUP RESULTS
REPORTED RESULTS

Changes may also occur in the oversight approach of regulators. It is possible that governments in jurisdictions in which we operate or obtain funding might revise their application of existing regulatory policies that apply to, or impact, Westpac's business, including for reasons relating to national interest and/or systemic stability.

Regulatory changes and the timing of their introduction continue to evolve and we currently manage our businesses in the context of regulatory uncertainty. The nature and impact of future changes are not predictable and are beyond our control. Regulatory compliance and the management of regulatory change is an increasingly important part of our strategic planning. We expect that we will be required to continue to invest significantly in compliance and the management and implementation of regulatory change and, at the same time, significant management attention and resources will be required to update existing or implement new processes to comply with the new regulations.

Regulatory change may also impact our operations by requiring us to have increased levels of liquidity and higher levels of, and better quality, capital as well as place restrictions on the businesses we conduct or require us to alter our product and service offerings. If regulatory change has any such effect, it could adversely affect one or more of our businesses, restrict our flexibility, require us to incur substantial costs and impact the profitability of one or more of our business lines. Any such costs or restrictions could adversely affect our business, prospects, financial performance or financial condition.

For further information refer to Section 3.6 'Other Significant Developments' in this Interim Profit Announcement and our 2012 Annual Report, specifically 'Significant developments' in Section 1 and the sections 'Critical accounting assumptions and estimates' and 'Future developments in accounting policies' in Note 1 to the financial statements.

Adverse credit and capital market conditions may significantly affect our ability to meet funding and liquidity needs and may increase our cost of funding

We rely on credit and capital markets to fund our business and as a source of liquidity. Our liquidity and costs of obtaining funding are related to credit and capital market conditions.

Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity in recent years. While there have been periods of stability in these markets, the environment has become more volatile and unpredictable. This has been exacerbated by the potential for sovereign debt defaults and/or banking failures in Europe which has contributed to volatility in stock prices and credit spreads. Adding to the uncertainty has been a slowing in the economic outlook for a number of countries, including China and the uncertain recovery of the US economy. Our direct exposure to the affected European countries is immaterial, with the main risks we face being damage to market confidence, changes to the access and cost of funding and a slowing in global activity or through other impacts on entities with whom we do business.

As of 31 March 2013, approximately 34% of our total net funding originated from domestic and international wholesale markets, of this around 58% was sourced outside Australia and New Zealand.

A shift in investment preferences of businesses and consumers away from bank deposits toward other asset or investment classes would increase our need for funding from relatively less stable or more expensive forms of funding.

If market conditions deteriorate due to economic, financial, political or other reasons, our funding costs may be adversely affected and our liquidity and our funding and lending activities may be constrained.

If our current sources of funding prove to be insufficient, we may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, our credit ratings and credit market capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect our results of operations, liquidity, capital resources and financial condition. There is no assurance that we will be able to obtain adequate funding and do so at acceptable prices, nor that we will be able to recover any additional costs.

If Westpac is unable to source appropriate funding, we may also be forced to reduce our lending or begin to sell liquid securities. Such actions may adversely impact our business, prospects, liquidity, capital resources, financial performance or financial condition.

Westpac enters into collateralised derivative obligations, which may require Westpac to post additional collateral based on movements in market rates, which have the potential to adversely affect Westpac's liquidity.

For a more detailed description of liquidity risk, refer to the section 'Liquidity Risk' and Note 27 to the financial statements in our 2012 Annual Report.

Failure to maintain credit ratings could adversely affect our cost of funds, liquidity, competitive position and access to capital markets

Credit ratings are independent opinions on our creditworthiness. Our credit ratings affect the cost and availability of our funding from capital markets and other funding sources and they may be important to customers or counterparties when evaluating our products and services. Therefore, maintaining high quality credit ratings is important.

The credit ratings assigned to us by rating agencies are based on an evaluation of a number of factors, including our financial strength, structural considerations regarding the Australian financial system and the credit rating of the Australian Federal Government. A credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events including changes to the methodologies used by the rating agencies to determine ratings.

Failure to maintain our current credit ratings could adversely affect our cost of funds and related margins, collateral requirements, liquidity, competitive position and our access to capital markets. The extent and nature of these impacts would depend on various factors, including the extent of any ratings change, whether our ratings differ among agencies (split ratings) and whether any ratings changes also impact our peers or the sector.

A systemic shock in relation to the Australian, New Zealand or other financial systems could have adverse consequences for Westpac or its customers or counterparties that would be difficult to predict and respond to

There is a risk that a major systemic shock could occur that causes an adverse impact on the Australian, New Zealand or other financial systems.

As outlined above, the financial services industry and capital markets have been, and may continue to be, adversely affected by continuing market volatility and the negative outlook for global economic conditions. There is an increased focus on the potential for sovereign debt defaults and/or significant bank failures in the 17 countries comprising the Eurozone which exacerbated these conditions. There can be no certainty that the market disruptions in the Eurozone, including the increased cost of funding for certain Eurozone governments, will not spread, nor can there be any assurance that future assistance packages will be available or sufficiently robust to address any further market contagion in the Eurozone or elsewhere. If the situation in the Eurozone worsens, there could be serious implications for the European Union and the euro, which, if destabilised, could result in currency fluctuations and operational disruptions that negatively impact the Group.

Any such market and economic disruptions could adversely affect financial institutions such as Westpac because consumer and business spending may decrease, unemployment may rise and demand for the products and services we provide may decline, thereby reducing our earnings. These conditions may also affect the ability of our borrowers to repay their loans or our counterparties to meet their obligations, causing us to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity and impairing our access to funding and impairing our customers and counterparties and their businesses. If this were to occur, our business, prospects, financial performance or financial condition could be adversely affected.

The nature and consequences of any such event are difficult to predict and there can be no certainty that we could respond effectively to any such event.

Declines in asset markets could adversely affect our operations or profitability

Declines in Australian, New Zealand or other asset markets, including equity, residential and commercial property and other asset markets, could adversely affect our operations and profitability.

Declining asset prices impact our wealth management business. Earnings in our wealth management business are, in part, dependent on asset values because we receive fees based on the value of securities and/or assets held or managed. A decline in asset prices could negatively impact the earnings of this business.

Declining asset prices could also impact customers and counterparties and the value of security we hold against loans and derivatives which may impact our ability to recover amounts owing to us if customers or counterparties were to default. It may also affect our level of provisioning which in turn impacts profitability.

Our business is substantially dependent on the Australian and New Zealand economies

Our revenues and earnings are dependent on economic activity and the level of financial services our customers require. In particular, lending is dependent on various factors including economic growth, business investment, levels of employment, interest rates and trade flows in the countries in which we operate.

We currently conduct the majority of our business in Australia and New Zealand and, consequently, our performance is influenced by the level and cyclical nature of lending in these countries. These factors are in turn impacted by both domestic and international economic conditions, natural disasters and political events. A

significant decrease in the Australian and New Zealand housing markets or property valuations could adversely impact our home lending activities because the ability of our borrowers to repay their loans or counterparties to honour their obligations may be affected, causing us to incur higher credit losses, or the demand for our home lending products may decline.

Adverse changes to the economic and business conditions in Australia and New Zealand and other countries such as China, India and Japan, could also adversely affect the Australian economy and customers. In particular, due to the current relationship between Australia and China, particularly in the mining and resources sectors, a slowdown in China's economic growth could negatively impact the Australian economy. Changes in economic conditions could in turn result in reduced demand for our products and services and affect the ability of our borrowers to repay their loans. If this were to occur, it could negatively impact our business, prospects, financial performance or financial condition.

An increase in defaults in credit exposures could adversely affect our liquidity, capital resources, financial performance or financial condition

Credit risk is a significant risk and arises primarily from our lending activities. The risk arises from the possibility that some customers and counterparties will be unable to honour their obligations to us, including the repayment of loans and interest. We hold collective and individually assessed provisions for these credit exposures. If economic conditions deteriorate, some customers and/or counterparties could experience higher levels of financial stress and we may experience a significant increase in defaults and write-offs, and be required to increase our provisioning. Such events would diminish available capital and could adversely affect our liquidity, capital resources, financial performance or financial condition.

Credit risk also arises from certain derivative contracts we enter into and from our dealings with, and holdings of, debt securities issued by other banks, financial institutions, companies, governments and government bodies the financial conditions of which may be impacted to varying degrees by economic conditions in global financial markets.

For a discussion of our risk management procedures, including the management of credit risk, refer to the 'Risk management' section and Note 27 to the financial statements in our 2012 Annual Report.

We face intense competition in all aspects of our business

The financial services industry is highly competitive. We compete, both domestically and internationally, with retail and commercial banks, asset managers, investment banking firms, brokerage firms, other financial service firms and businesses in other industries with emerging financial services aspirations. This includes specialist competitors that may not be subject to the same capital and regulatory requirements and therefore may be able to operate more efficiently.

If we are unable to compete effectively in our various businesses and markets, our market share may decline. Increased competition may also adversely affect us by diverting business to our competitors or creating pressure to lower margins.

Increased competition for deposits could also increase our cost of funding and lead us to access other types of funding. We rely on bank deposits to fund a significant portion of our balance sheet and deposits have been a relatively stable source of funding. We compete with banks and other financial services firms for such deposits. To the extent that we are not able to successfully compete for deposits, we would be forced to rely more heavily on more expensive or less stable forms of funding, or reduce lending.

We are also dependent on our ability to offer products and services that match evolving customer preferences. If we are not successful in developing or introducing new products and services or responding or adapting to changes in customer preferences and habits, we may lose customers to our competitors. This could adversely affect our business, prospects, financial performance or financial condition.

For more detail on how we address competitive pressures refer to the section 'Competition' in Section 1 in our 2012 Annual Report.

We could suffer losses due to market volatility

We are exposed to market risk as a consequence of our trading activities in financial markets and through the asset and liability management of our financial position. In our financial markets trading business, we are exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, commodity prices, credit prices and equity prices. If we were to suffer substantial losses due to any market volatility it may adversely affect our business, prospects, liquidity, capital resources, financial performance or financial condition. For a discussion of our risk management procedures, including the management of market risk, refer to the 'Risk management' section in our 2012 Annual Report.

We could suffer losses due to technology failures

The reliability and security of our information and technology infrastructure and our customer databases are crucial in maintaining our banking applications and processes. There is a risk that these information and technology systems might fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control. As a major financial institution, Westpac is subject to the threat of cyberattacks by third parties which are intended to interrupt service to clients and customers or to obtain unauthorised access to customer data. While Westpac has systems and procedures in place to detect and respond to these instances, there is a risk that our security measures may prove inadequate or ineffective. Any failure of these systems could result in business interruption, loss of customers, theft of intellectual property and customer data, reputational damage and claims for compensation and regulatory investigations and penalties, which could adversely affect our business, prospects, financial performance, or financial condition.

Further, our ability to develop and deliver products and services to customers is dependent upon technology that requires periodic renewal. We are constantly managing technology projects including projects to consolidate duplicate technology platforms, simplify and enhance our technology and operations environment, improve productivity and provide for a better customer experience. This includes our current Strategic Investment Priorities (SIPs) program. Failure to implement these projects or manage associated change effectively could result in cost overruns, a failure to achieve anticipated productivity, operational instability, reputational damage or operating technology that could place us at a competitive disadvantage and may adversely affect our financial performance.

We could suffer losses due to operational risks

Operational risk is the risk of loss resulting from technology failure, inadequate or failed internal processes, people, systems or from external events. As a financial services organisation we are exposed to a variety of operational risks.

Our operations rely on the secure processing, storage and transmission of confidential and other information on our computer systems and networks, and the systems and networks of external suppliers. Although we implement significant measures to protect the security and confidentiality of our information, there is a risk that the computer systems, software and networks on which we rely may be subject to security breaches, unauthorised access, computer viruses, external attacks or internal breaches that could have an adverse security impact and compromise our confidential information or that of our customers and counterparts. Any such security breach could result in regulatory enforcement actions, reputational damage and reduced operational effectiveness. Such events could subsequently adversely affect our business, prospects, financial performance or financial condition.

We are also highly dependent on the conduct of our employees. We could, for example, be adversely affected in the event of human error, inadequate or failed processes or if an employee engages in fraudulent conduct. While we have policies and processes to minimise the risk of human error and employee misconduct, these policies and processes may not always be effective.

Fraudulent conduct can also emerge from external parties seeking to access the bank's systems and customers' accounts. If systems, procedures and protocols for managing and minimising fraud fail, or are ineffective, they could lead to loss which could adversely affect our business, prospects, reputation, financial performance, or financial condition.

Westpac relies on a number of suppliers, both in Australia and overseas, to provide services to it and its customers. Failure by these suppliers to deliver services as required could disrupt services and adversely impact Westpac's operations, profitability or reputation.

Operational risks could impact on our operations or adversely affect demand for our products and services. Operational risks can directly impact our reputation and result in financial losses which would adversely affect our financial performance or financial condition.

For a discussion of our risk management procedures, including the management of operational risk, refer to the 'Risk management' section in our 2012 Annual Report.

We could suffer losses due to failures in risk management strategies

We have implemented risk management strategies and internal controls involving processes and procedures intended to identify, monitor and mitigate the risks to which we are subject, including liquidity risk, credit risk, market risk (including interest rate, foreign exchange and equity risk), compliance risk, conduct risk and operational risk; all of which comprise important elements of the Group's reputational risk.

However, there are inherent limitations with any risk management framework as there may exist, or emerge in the future, risks that we have not anticipated or identified.

If any of our risk management processes and procedures prove ineffective or inadequate or are otherwise not appropriately implemented, we could suffer unexpected losses and reputational damage which could adversely affect our business, prospects, financial performance or financial condition.

For a discussion of our risk management procedures, refer to the 'Risk management' section in our 2012 Annual Report.

We could suffer losses due to environmental factors

We and our customers operate businesses and hold assets in a diverse range of geographical locations. Any significant environmental change or external event (including fire, storm, flood, earthquake or pandemic) in any of these locations has the potential to disrupt business activities, impact on our operations, damage property and otherwise affect the value of assets held in the affected locations and our ability to recover amounts owing to us. In addition, such an event could have an adverse impact on economic activity, consumer and investor confidence, or the levels of volatility in financial markets.

This risk of losses due to environmental factors is also relevant to our insurance business. The frequency and severity of external events such as natural disasters is difficult to predict and it is possible that the amounts we reserve for such events may not be adequate to cover actual claims that may arise, which could adversely affect our business, prospects, financial performance or financial condition.

Reputational damage could harm our business and prospects

Our ability to attract and retain customers and our prospects could be adversely affected if our reputation is damaged.

There are various potential sources of reputational damage including potential conflicts of interest, pricing policies, failing to comply with legal and regulatory requirements, ethical issues, engagements and conduct of external suppliers, failing to comply with money laundering laws, trade sanctions and counter-terrorism finance legislation or privacy laws, litigation, information security policies, improper sales and trading practices, failing to comply with personnel and supplier policies, improper conduct of companies in which we hold strategic investments, technology failures, security breaches and risk management failures. Our reputation could also be adversely affected by the actions of the financial services industry in general or from the actions of customers and counterparties.

Failure to appropriately address issues that could or do give rise to reputational risk could also impact the regulatory change agenda, give rise to additional legal risk, subject us to regulatory enforcement actions, fines and penalties, or remediation costs, or harm our reputation among customers, investors and the marketplace. This could lead to loss of business which could adversely affect our business, prospects, financial performance or financial condition.

We could suffer losses if we fail to syndicate or sell down underwritten securities

As a financial intermediary we underwrite listed and unlisted debt and equity securities. Underwriting activities include the development of solutions for corporate and institutional customers who need capital and investor customers who have an appetite for certain investment products. We may guarantee the pricing and placement of these facilities. We could suffer losses if we fail to syndicate or sell down our risk to other market participants. This risk is more pronounced in times of market volatility.

Certain strategic decisions may have adverse effects on our business

Westpac, at times, evaluates and may undertake strategic decisions which may include business expansion. The expansion, or integration of a new business, can be complex and costly and may require Westpac to comply with additional local or foreign regulatory requirements which may carry additional risks. These decisions may, for a variety of reasons, not deliver the anticipated positive business results and could have a negative impact on our business, prospects, engagement with regulators, financial performance or financial condition.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.0 REVIEW OF GROUP OPERATIONS

Section 3 Review of Group Operations focuses on our Group results and key drivers for movements, with reference to our significant divisions. For more detailed commentary at the division level, refer to Section 4 Divisional Results.

3.1 Reported Results Summary

\$m	Half Year	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 13	March 13	Sept 12	March 12	Mar 13 -	Mar 13 -
	US\$	A\$	A\$	A\$	Sept 12	Mar 12
Net interest income	6,549	6,292	6,317	6,185	-	2
Non-interest income	2,996	2,878	2,834	2,647	2	9
Net operating income before operating expenses and impairment charges	9,545	9,170	9,151	8,832	-	4
Operating expenses	(4,069)	(3,909)	(4,013)	(3,896)	3	-
Profit before impairment charges and income tax expense	5,476	5,261	5,138	4,936	2	7
Impairment charges	(456)	(438)	(604)	(608)	27	28
Profit before income tax	5,020	4,823	4,534	4,328	6	11
Income tax expense	(1,544)	(1,484)	(1,499)	(1,327)	1	(12)
Profit for the period	3,476	3,339	3,035	3,001	10	11
Profit attributable to non-controlling interests	(37)	(35)	(32)	(34)	(9)	(3)
Net profit attributable to owners of Westpac Banking Corporation	3,439	3,304	3,003	2,967	10	11

Overview

The Westpac Group has built on its 2012 performance with First Half 2013 Net profit attributable to owners of Westpac Banking Corporation of \$3,304 million, a 11% rise on First Half 2012 and a 10% rise over Second Half 2012. The result was driven by revenue growth, well managed expenses and an improvement in asset quality that contributed to a significant decline in impairment charges.

Net profit attributable to owners of Westpac Banking Corporation of \$3,304 million for First Half 2013 translated to Earnings per share of 107.0 cents, up 9% compared to First Half 2012 and Second Half 2012. The return on average ordinary equity for First Half 2013 was 15.12%, an increase of 108 basis points on First Half 2012.

Strength

Westpac's financial performance for First Half 2013 has been achieved while continuing to strengthen the balance sheet across all dimensions. In regard to Capital, the Group is now fully reporting under APRA's Basel III capital adequacy framework, with our common equity ratio increasing by 58 basis points to 8.74% from the pro forma APRA Basel III ratio at 30 September 2012. This level is above the Group's preferred range of 8.0% to 8.5%.

Asset quality continued to improve over First Half 2013 with stressed assets to total committed exposures declining a further 23 basis points. Improved asset quality, combined with an increase in provision benefits, contributed to a decline in impairment charges for First Half 2013.

The Group's funding mix has also improved with a further 1.4 percentage points added to the Group's deposit to loan ratio which has reached 69.0%. New wholesale term borrowing had an average maturity of 4.5 years.

Return

The management of margins is important in a low growth environment. In First Half 2013 the net interest margin of 2.13% was lower compared to both First Half 2012 and Second Half 2012. The decline in margins reflected asset repricing not being sufficient to cover higher funding costs arising from the strengthening of the composition of Westpac's funding base, continuing rise in deposit costs relative to market and costs related to the early redemption of government guaranteed debt.

Across other areas of the business, the Group benefited from some repricing across both general and life insurance. A small decline in Funds Under Management (FUM) margins occurred, and although competition has increased across platforms, Funds Under Administration (FUA) margins overall were little changed.

To further embed Westpac's customer focused strategy, and improve returns, the Group is progressively embedding the MyBank approach across brands. Already proven successful in New Zealand, the MyBank model



INTERIM RESULTS 2013

REVIEW OF GROUP OPERATIONS

seeks to increase the number of customers who hold a number of products with the bank including an active transaction account as well as having at least two other financial services needs met.

Growth

The Group's focus on customer deposits has seen household deposit balances continue to grow above system and fully fund loan growth. Customer deposits increased 12% since March 2012 and 3% since September 2012. Deposit growth was strongest in the household segment while product preferences shifted over the period with more funds directed to at call savings accounts with term deposit balances declining. Low system growth combined with a disciplined approach to loan pricing and run-off of stressed business loans has led to relatively modest loan growth in First Half 2013. Lending at 31 March 2013 was 3% higher than March 2012 and up 1% since September 2012.

Growth in consumer lending (including mortgages) has been sound, whilst soft demand and the run-down in stressed facilities has seen business lending lower. While overall loan growth has been modest, the Group has achieved solid increases in target segments including Asian trade finance and natural resource lending.

A key feature of the Group's First Half 2013 performance has been the strong coordination across the Group that has contributed to robust benchmarking and best practice sharing as well as optimised portfolio management. This is particularly true in Australian Financial Services (AFS) where Westpac RBB, St.George and BT Financial Group (BTFG) are collectively delivering better outcomes than the businesses could achieve independently. This is clearly evident in wealth management with the Group further extending its lead in banking and wealth integration with wealth penetration rising a further 95 basis points from First Half 2012. The Group's strong cross-sell has continued to drive healthy funds flows and combined with improved markets has led to an uplift in FUM and FUA balances. Good increases in both life and general insurance gross written premiums have also been achieved.

Coordination between AFS and Westpac Institutional Bank (WIB) has also been helping to improve the sale of financial risk management products, including to businesses looking to lock in lower interest rates. Credit card related income was also solid over First Half 2013.

From an investment perspective, Westpac has continued to invest in selected growth areas including:

- Launch of a new small business banking model 'Business Connect' in St.George to capture the needs of SME customers looking for a more convenient banking alternative;
- Continuing to invest in the Bank of Melbourne growth agenda opening 9 branches in First Half 2013 and achieving key project milestones including deposit growth of 12% and mortgage growth of 9%;
- Further investment in Asia including opening a branch in Mumbai, and adding around 70 FTE to our Asian operations in First Half 2013. The Group also recently gained a licence to act as a market maker for direct trading of Australian dollar/Chinese yuan on the Chinese Foreign Exchange Trading System, reflecting our strong capability and commitment to the region; and
- Commenced the development of a new Wealth technology platform to extend the Group's lead in wealth management and further integrate banking and wealth.

Productivity

Productivity has remained a key focus for the Group and \$121 million in new efficiency savings were realised in First Half 2013. These efficiency gains have been principally due to the Group's previously announced supplier program and ongoing productivity programs across our businesses. The Group's expense to income ratio has remained low at 42.6% in First Half 2013 and remains significantly better than Australian peers.

Efficiency gains have enabled the Group to maintain its investment program which includes upgrading Westpac's online and mobile banking infrastructure, migrating our data and technology into our new data centre and the development of an upgraded wealth platform to further extend the Group's comparative advantage in this space.

Key productivity achievements over First Half 2013 included:

- Delivery of \$82 million in productivity and cost management savings from the Group's broader productivity and simplification programs;
- Realising a further \$16 million in savings from the creation of AFS and Group Services;
- Nearing completion of a new supplier model improving both the quality and efficiency of managing certain processes and systems, and delivering over \$23 million in efficiency gains;
- Simplifying product offerings with an 8% decline in the number of business banking products for sale;
- Maintaining leadership in online and mobile banking customer experience with the introduction of a range of new and unique mobile applications including St.George's Money Meter and the first Australian banking application on

INTERIM RESULTS 2013

REVIEW OF GROUP OPERATIONS

the Windows 8 platform. Upgrades to various mobile banking applications were also launched, increasing the ability to open accounts on mobile devices; and

- Extending the rollout of new branch layouts in Westpac RBB and St.George, leveraging our successes and experiences in Westpac New Zealand and in Bank of Melbourne.

Dividends

Given the quality of the Group's performance, the Board has declared an interim dividend of 86 cents, fully franked, up 4 cents or 5% on the First Half 2012 interim dividend and 2 cents higher than the Second Half 2012 dividend. Dividends for the First Half 2013 represent a payout ratio of 80.4%.

The strength of the Group's capital position has also enabled the Board to declare a fully franked special dividend of 10 cents per share.

Following payment of the interim and special dividends, the Group's franking credit balance remains a strong \$590 million.

Asset Quality

Asset quality has continued to improve in First Half 2013 with stressed assets to total committed exposures declining 23 basis points to 1.94%. Stressed assets are now 39% lower than their peak in 2010. The decline has been due to the continued work-out and refinance of stressed facilities combined with a reduction in the emergence of new stressed assets. Impaired assets have also declined with new and increased impaired assets in the half 16% lower.

Consumer asset quality continued to be sound with both mortgage and personal lending delinquencies remaining low. Some rise in delinquencies was experienced in First Half 2013 with mortgage 90+ day delinquencies up 6 basis points since 30 September 2012 although this is consistent with normal seasonal trends. Australian mortgage properties in possession as at 31 March 2013 were 248, 14% lower compared to 30 September 2012.

Provisioning cover has remained strong with individually assessed provisions to impaired assets at 40% up from 37% at 30 September 2012. Improving asset quality has contributed to a reduction in collective provision balances in First Half 2013, principally from a reduction in assets considered 'stressed' but continuing to perform. Despite this decline in stress, some sectors of the economy remain more vulnerable to changing conditions which require a further top up to the Group's economic overlay of a net \$28 million in the half.

Capital, funding and liquidity

From January 2013 Westpac is reporting under APRA's Basel III methodology and all ratios have been calculated on that basis.

The Group's Tier 1 capital ratio was 10.8% as at 31 March 2013, 103 basis points above the pro forma Basel III level as at 30 September 2012¹ and 144 basis points above the level recorded as at 31 March 2012¹. The ratio was boosted by good organic capital growth, mostly current period earnings, the issuance of Westpac Capital Notes (which qualify as additional Tier 1 Capital) and a decrease in risk weighted assets.

The Group's common equity Tier 1 ratio was 8.7%, which is comfortably above the Group's preferred range of 8.0% to 8.5%. Given the strength of the Group's capital position, the Group has commenced purchasing shares in relation to employee incentives and also expects to satisfy the dividend reinvestment plan in full, by arranging for the purchase of shares.

In First Half 2013, the Group raised \$13 billion in term wholesale funding with an average duration of 4.5 years. Given the continuing strength of customer deposit growth, term funding raised was principally directed to funding maturities and to repurchase certain expensive Government Guaranteed funding maturing in 2014. Around \$3.4 billion was bought back and cancelled in First Half 2013 reducing the Group's 2014 funding requirement.

Given the above, the Group's stable funding ratio remained at 83%.

Liquid assets were \$111 billion and are sufficient to cover all outstanding short term debt.

Financial Performance Summary

Second Half 2012 – First Half 2013

Net profit attributable to owners of Westpac Banking Corporation in First Half 2013 of \$3,304 million was 10% higher compared to Second Half 2012. The increase was due to a 2% increase in Net profit before impairment

¹ Based on pro forma APRA Basel III Tier 1 capital ratio.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

charges and income tax expense and a 27% decrease in Impairment charges. The increase in Net profit before impairment charges and income tax expense was primarily due to a 2% rise in Non-interest income.

Net interest income remained flat with average interest-earning assets rising 2% and net interest margins decreasing 4 basis points to 2.13%. The decrease in net interest margins reflects asset repricing not being sufficient to cover higher funding costs from continuing competition, growth in high interest deposit accounts, early redemption of government guaranteed debt and strengthening of the Group's funding position.

Loan growth of 1% was mainly due to an increase in Australian housing lending and a further pick-up in trade finance, particularly in Asia. Australian business lending was lower due to a decrease in commercial loans partially offset by growth in institutional lending. Much of the decrease in commercial lending was in stressed categories, which have been worked out or refinanced. New Zealand lending was little changed over First Half 2013. Australian customer deposit growth was solid in First Half 2013 rising 3%. The \$11.9 billion rise in customer deposits more than fully covered the \$6.7 billion rise in lending. As a result, the Group customer deposit to loan ratio increased a further 1.4 percentage points over first Half 2013 to 69.0%.

Non-interest income reflected improved cards income, good customer flows lifting trading income, and continued improvement in wealth and insurance cross sell. These gains were partially offset by seasonally higher insurance claims and a \$66 million reduction in revenue associated with the exit of one of the listed Hastings funds.

Operating expenses continued to be well managed compared to Second Half 2012 declining 3%, \$121 million in productivity savings assisted to offset increased investment costs including higher software amortisation, the expansion of the Bank of Melbourne network, increased investment in mobile technologies and expansion in Asia. The provision for long standing litigation raised in Second Half 2012 was also not repeated.

A further improvement in asset quality contributed to a \$166 million reduction in impairment charges. The decline was driven by a reduction in overall stressed assets, a decline in new and increased impaired assets and the benefit from our reduced loss experience in the portfolios.

The effective tax rate was lower at 30.8% down from 33.1%.

First Half 2012 – First Half 2013

Net profit attributable to owners of Westpac Banking Corporation in First Half 2013 were \$337 million higher than First Half 2012, a rise of 11%. The increase was due to Profit before impairment charges and income tax expense growth of 7% combined with a 28% reduction in impairment charges.

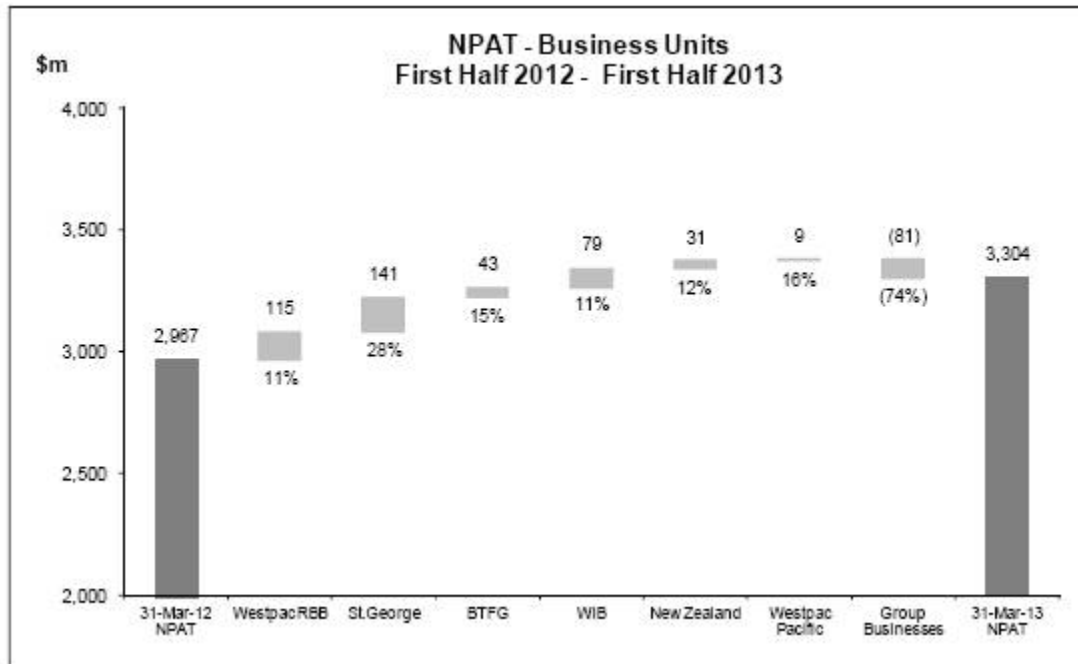
Net interest income was 2% higher than First Half 2012 due to a 3% rise in average interest-earning assets partially offset by a 3 basis points decline in margins. The decrease in net interest margins reflects asset repricing not being sufficient to cover higher funding costs from continuing competition, growth in high interest deposit accounts, early redemption of government guaranteed debt and strengthening of the Group's funding position.

Lending increased 3% over the year with Australian mortgages continuing to be the main source of growth. Australian business lending was flat and overseas lending was boosted by Asian trade finance. Customer deposits rose a strong \$39.7 billion over the past year, more than two and half times the \$15.0 billion rise in lending; this boosted the deposit to loan ratio by 5.8 percentage points.

Non-interest income increased in First Half 2013 due to higher wealth and insurance earnings and increased trading income from improved customer flows.

A further improvement in asset quality has contributed to a \$170 million reduction in impairment charges with the largest reductions recorded in St.George and WIB.

Divisional Net Profit after Tax (NPAT) Summary¹



Summary of business units

Westpac Retail and Business Banking NPAT increased \$115 million (11%) due to higher revenue growth, partially offset by increases in operating expenses and impairment charges.

St. George Banking Group NPAT increased \$141 million (28%) due to higher revenue growth and lower impairment charges, partially offset by increased operating expenses.

BT Financial Group (Australia) NPAT increased \$43 million (15%) due to increased contribution from the Funds Management and Insurance businesses.

Westpac Institutional Bank NPAT increased \$79 million (11%) due to higher income and lower impairment charges, partially offset by higher operating expense and income tax expenses.

Westpac New Zealand NPAT increased \$31 million (12%) primarily due to lower impairment charges due to improvements in asset quality.

Westpac Pacific NPAT increased \$9 million (16%) primarily due to lower impairment charges partially offset by lower non-interest income and increased operating expenses.

Group Businesses NPAT decreased \$81 million (74%) reflecting lower returns on capital, no profit on sale of assets and an increase to the centrally held economic overlay impairment provision.

¹ The NPAT graph illustrates the movements in NPAT for each division in both \$ value and %.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.2 Review of Reported Results

3.2.1 Net Interest Income

First Half 2013 - Second Half 2012

Net interest income decreased by \$25 million compared to Second Half 2012. This was driven by a 4 basis point contraction in net interest margins, compared to Second Half 2012, which was partially offset by a \$9.7 billion, or 2% increase in average interest earning assets. The majority of average interest earning asset growth reflected loan growth, with growth in liquid assets also contributing.

First Half 2013 – First Half 2012

Net interest income increased by \$107 million, or 2% compared to First Half 2012. The increase was due to a \$17.9 billion or 3% increase in average interest earning assets, partially offset by a 3 basis point contraction in net interest margins. Growth in liquid assets portfolio contributed 0.5% of the 3% growth in average interest earning assets.

Loans¹

	As at	As at	As at	% Mov't	% Mov't
\$m	31 March	30 Sept	31 March	Mar 13 -	Mar 13 -
	2013	2012	2012	Sept 12	Mar 12
Australia	464,681	459,762	453,195	1	3
Housing	321,938	316,342	310,127	2	4
Personal (loans and cards)	17,011	16,390	16,234	4	5
Business	126,718	127,907	127,432	(1)	(1)
Margin lending	2,168	2,279	2,667	(5)	(19)
Other (including provisions)	(3,154)	(3,156)	(3,265)	-	3
New Zealand (NZ\$)²	60,371	59,902	58,689	1	3
Housing	36,552	35,977	35,543	2	3
Personal (loans and cards)	1,709	1,666	1,666	3	3
Business	22,614	22,728	22,014	(1)	3
Other (including provisions)	(504)	(469)	(534)	(7)	6
Other overseas	8,006	6,924	6,693	16	20
Total loans	521,130	514,445	506,124	1	3

First Half 2013 – Second Half 2012

Total loans as at 31 March 2013 were \$6.7 billion or 1% higher than at 30 September 2012.

Key features of total loan growth were:

- Australian housing loans increased \$5.6 billion or 2%. Growth was strongest in the St.George brands, with momentum in the Westpac brand improving towards the end of the half;
- Australian personal loans and cards increased \$0.6 billion or 4% reflecting growth in the personal loans and the St.George Auto Finance portfolio;
- The Australian business loan book was lower in First Half 2013, in part due to the work out or refinancing of stressed exposures. Demand for credit by Australian businesses also remained subdued;
- Increased trade finance lending in Asia drove the increase in other overseas loans of \$1.1 billion; and
- Modest growth in New Zealand loans, reflecting continued subdued credit growth in the New Zealand economy.

¹ Period end loan balances.

² New Zealand comprises WIB New Zealand, Treasury and our New Zealand retail banking operations and wealth management business.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

First Half 2013 – First Half 2012

Total loans as at 31 March 2013 were \$15.0 billion or 3% higher than at 31 March 2012. Australian housing loans were the main driver of growth, increasing \$11.8 billion or 4%.

Key features of total loan growth were:

- Australian housing loans grew most strongly in the St.George brands, reflecting the success of campaigns;
- Australian personal loans and cards increased \$0.8 billion or 5% mainly reflecting growth in the St.George Auto Finance portfolio;
- A small decline in Australian business loans. Demand for credit by Australian businesses has been subdued;
- Increased trade finance lending in Asia, which drove the increase in other overseas loans of \$1.3 billion; and
- Modest New Zealand loan growth of NZ\$1.7 billion or 3%, reflecting subdued demand for credit and a focus on growth in less than 80% LVR mortgages.

Deposits¹

\$m	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Australia	340,039	335,953	318,544	1	7
At call	160,885	147,038	134,306	9	20
Term	132,768	139,351	130,172	(5)	2
Certificates of deposit	28,029	32,905	39,212	(15)	(29)
Non-interest bearing	18,357	16,659	14,854	10	24
New Zealand (NZ\$)²	46,068	43,390	40,836	6	13
At call	17,440	15,930	15,543	9	12
Term	24,335	23,068	20,944	5	16
Certificates of deposit	1,036	1,423	1,412	(27)	(27)
Non-interest bearing	3,257	2,969	2,937	10	11
Other overseas	26,394	24,442	26,737	8	(1)
Total deposits	403,406	394,991	377,458	2	7

¹ Period end deposit balances.

² New Zealand comprises WIB New Zealand, Treasury and our New Zealand retail banking operations and wealth management business.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Customer and Treasury Deposits¹

\$m	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Total Customer Deposits	359,610	347,722	319,916	3	12
Australia	312,010	303,048	279,332	3	12
New Zealand (A\$) ²	36,142	33,462	31,064	8	16
Other	11,458	11,212	9,520	2	20
Treasury deposits	43,796	47,269	57,542	(7)	(24)
Total	403,406	394,991	377,458	2	7

First Half 2013 – Second Half 2012

Total deposits as at 31 March 2013 were \$8.4 billion or 2% higher than 30 September 2012.

Growth in total customer deposits of \$11.9 billion significantly exceeded total loan growth of \$6.7 billion over the same period. This saw the proportion of total loans funded by customer deposits continue to increase with the deposit to loan ratio increasing to 69.0% as at 31 March 2013. The growth has seen the Group increase its market share of Australian household deposits.

Treasury deposits were \$3.5 billion or 7% lower, reflecting a reduction in short term wholesale funding raised in the form of Certificates of Deposit.

Key features of total deposit growth were:

- The Group's increasing share in Australian household deposits, which supported total Australian customer deposit growth of \$9.0 billion or 3%. Changing preferences have seen customers switch out of term deposits into savings and at call accounts, often with conditional bonus rates of interest;
- Higher balances in mortgage offset accounts drove growth in Australian non-interest bearing deposits;
- Being more selective in competing for business deposits, choosing not to match competitor pricing for some large corporate deposits during the half; and
- Excluding Certificates of Deposit, New Zealand deposits grew NZ\$3.1 billion, and more than exceeded New Zealand loan growth during the half. Within total deposits, retail deposits growth was 1.2³ times system.

First Half 2013 – First Half 2012

Total deposits as at 31 March 2013 were \$25.9 billion or 7% higher than 31 March 2012.

Total customer deposits were \$39.7 billion or 12% higher than at 31 March 2012. This increase reflects the Group's objective of enhancing its funding mix and increasing the proportion of lending funded by customer deposits. The Group's deposit to loan ratio increased from 63.2% as at 31 March 2012 to 69.0% as at 31 March 2013.

Treasury deposits were \$13.7 billion or 24% lower due to the Group's decision to reduce reliance on short term wholesale funding.

Key features of the growth were:

- Increased market share of total Australian bank deposits, with Australian household deposit share particularly strong;
- Australian term deposits increased modestly, with the majority of growth occurring in savings and at call accounts (which increased 20%) reflecting changing customer preferences; and
- Excluding Certificates of Deposit, New Zealand deposits grew NZ\$5.6 billion, and more than exceeded New Zealand loan growth over the last 12 months. Within total deposits, retail deposits growth was 1.4³ times system.

¹ Period end deposit balances.

² New Zealand comprises WIB New Zealand, Treasury and our New Zealand retail banking operations and wealth management business.

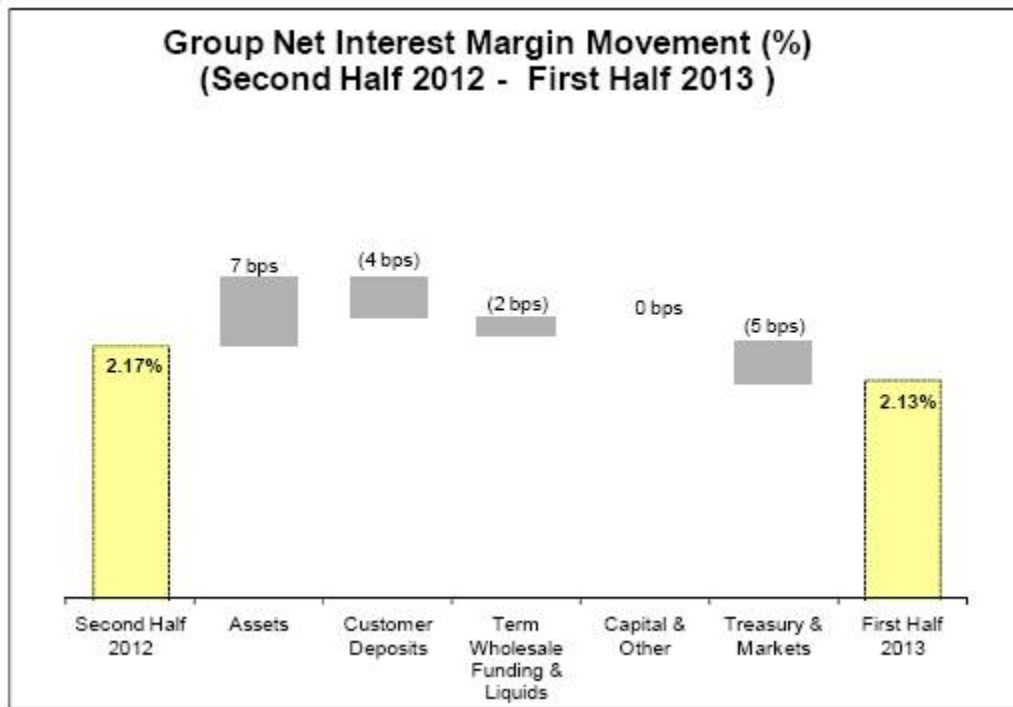
³ Source: Reserve Bank of New Zealand (RBNZ).

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Margins

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Net interest income	6,292	6,317	6,185	-	2
Average interest-earning assets	591,539	581,846	573,644	2	3
Group net interest margin	2.13%	2.17%	2.16%	(4bps)	(3bps)

First Half 2013 – Second Half 2012

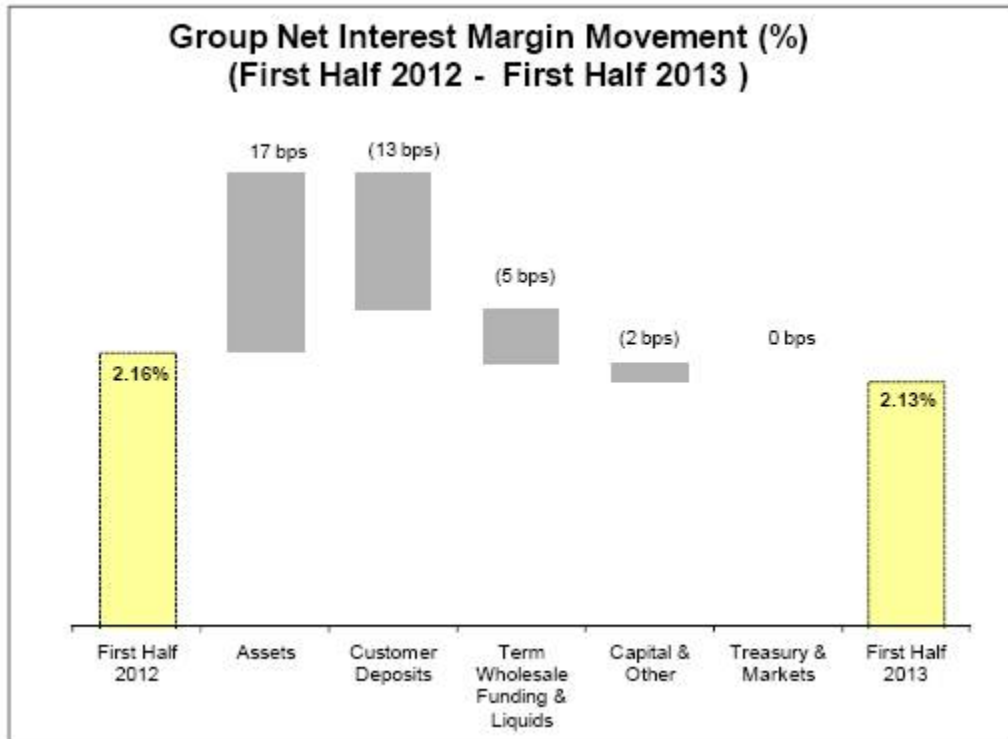


Group net interest margin was 2.13% for First Half 2013, a 4 basis point decrease from Second Half 2012.

The components of the 4 basis point decline were:

- 7 basis point increase from asset spreads. The increase was attributable to repricing across lending portfolios, mostly mortgages and also business lending;
- 4 basis point decline from deposit impacts, reflecting the increase in competition for online and savings products during the half. The 4 basis point decline also included a lower hedging benefit on low interest deposit accounts of 2 basis points;
- 2 basis point decline from higher Wholesale funding and liquidity costs due to the buy back of certain government guaranteed debt. In undertaking the buy back a cost was incurred reflecting the difference between current interest rates and the rate at which the debt was initially incurred; and
- 5 basis point decline from lower Treasury and Markets income.

First Half 2013 – First Half 2012



Group net interest margin was 2.13% for First Half 2013, a 3 basis point decline from First Half 2012.

The components of the decline in the margin were:

- 17 basis point increase from assets due to repricing across lending portfolios, particularly mortgages, and also business lending;
- 13 basis point decline from customer deposits; of this 10 basis points reflected the impact from continued intense competition for term, online and saving deposits and the impact of replacing short term wholesale funding with deposits. The remaining 3 basis point decline was driven by a reduction in the benefit of hedging low interest accounts;
- 5 basis point decline from higher wholesale funding costs. This reflected the full period impact of new subordinated debt and hybrid issuances. In addition to this, the First Half 2013 costs included the buy-back of certain government guaranteed debt. In undertaking the buy back a cost was incurred reflecting the difference between current interest rates and the rate at which the debt was initially incurred. While average funded liquid assets were slightly higher compared to First Half 2012, the impact on margins was small; and
- 2 basis point decline from lower returns on capital balances as interest rates reduced over the half.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.2.2 Non-Interest Income

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Fees and commissions	1,330	1,321	1,309	1	2
Wealth management and insurance income	918	994	797	(8)	15
Trading income	517	444	406	16	27
Other income	113	75	135	51	(16)
Total Non-interest income	2,878	2,834	2,647	2	9

First Half 2013 – Second Half 2012

Non-interest income increased \$44 million or 2% compared to Second Half 2012.

Fees and commissions

The \$9 million increase in fees and commissions was driven by higher facility fees of \$12 million across business and commercial lending fees, and higher cards interchange fee income reflecting increased consumer spending, partially offset by lower deposit accounts, and mortgage fees.

Wealth management and insurance income¹

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$bn					
Funds Under Management (FUM)					
BT ¹	57.2	49.5	48.4	16	18
Advance Asset Management	8.5	7.0	7.2	21	18
Westpac Institutional Bank	7.4	8.2	6.9	(10)	7
New Zealand	3.3	2.9	2.5	14	32
Group FUM	76.4	67.6	65.0	13	18
Funds Under Administration (FUA)					
BT	62.7	56.8	54.8	10	14
Asgard	32.8	31.1	30.8	5	6
New Zealand	1.0	1.0	1.0	-	-
Group FUA	96.5	88.9	86.6	9	11
Total FUM/FUA	172.9	156.5	151.6	11	14

Wealth management and insurance income decreased \$76 million or 8% compared to Second Half 2012 mainly due to lower insurance income including impact of seasonally higher insurance claims, and lower performance fee income.

Major factors impacting the lower wealth management and insurance income were:

- General Insurance income decreased \$21 million reflecting higher catastrophe claims costs (\$26 million) mostly related to cyclone Oswald;
- Lower performance fees of \$70 million, with the Second Half of 2012 benefitting from corporate activity in Hastings listed funds;
- Lenders Mortgage Insurance (LMI) income decreased \$10 million as a result of lower credit demand and the Group's decision to reduce underwriting risk in the portfolio;
- FUM/FUA related income increased \$32 million or 8% with the benefit from positive net flows and improved investment markets, partially offset by margin compression in Asgard and BT Wrap platforms;
 - Average Group FUM increased \$7.7 billion, or 12%, reflecting positive inflows in the BT Wholesale portfolios, and strong investment markets;
 - Average Group FUA increased \$6.1 billion, or 7%, including positive inflows to the Wrap Platforms and Corporate Super portfolios and strong investment markets; and

¹ Increase in BT FUM balance includes \$3.1 billion from the transfer of Westpac Staff Superannuation Fund during First Half 2013.

INTERIM RESULTS 2013

REVIEW OF GROUP OPERATIONS

- Life insurance income was unchanged as premium income growth of 7% was offset by commission payments and higher claims;

Trading income

Trading income increased \$73 million or 16% compared to Second Half 2012 reflecting improved income in Debt Markets. Credit Valuation Adjustment (CVA) in First Half 2013 was a benefit of \$21 million compared to a charge of \$3 million in Second Half 2012.

Other income

Other income increased \$38 million or 51% compared to Second Half 2012, reflecting the realisation of gains on investments in Hastings listed funds.

First Half 2013 – First Half 2012

Non-interest income was \$231 million or 9% higher than First Half 2012 reflecting improved wealth management and insurance income, and higher trading income.

Fees and commissions

The \$21 million, or 2% increase in fees and commissions was driven by higher business and commercial lending fees, partly offset by lower mortgage fees.

Wealth management and insurance income

Wealth management and insurance income increased \$121 million or 15% compared with First Half 2012. The major factors were;

- General Insurance income increased \$44 million as a result of the repricing of premiums and lower catastrophe claims;
- Increase in FUM/FUA related income of \$41 million due to improved investment markets, and positive net inflows;
 - Average Group FUM increased \$11.2 billion, or 18%, due to strong markets and positive inflows in the BT wholesale portfolios
 - Average Group FUA increased \$9.1 billion, or 11%, due to strong inflows in the Wrap and corporate super Platforms, and strong markets, including the S&P ASX 200 average up 12%;
- Higher performance fees from JOHCM investment of \$29 million;
- Higher Advice income of \$16 million reflecting increased planner sales;
- Life Insurance income increased \$14 million driven by new business sales, with premium income (up 19%); and
- LMI income decreased \$8 million reflecting lower net earned premiums as a result of the Group's decision to not take the underwriting risk on the mortgage insurance on loans with LVR greater than 90%, and lower investment return.

Trading income

Trading income was \$111 million or 27% higher than First Half 2012, reflecting growth in market sales and trading performance in Debt markets (\$43 million), particularly in customer interest rate hedging. CVA in First Half 2013 was a benefit of \$21 million compared to a charge of \$36 million in First Half 2012.

Other income

Other income decreased \$22 million or 16% as a result of lower gains on realisation of investments compared to First Half 2012.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.2.3 Operating Expenses

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 13	Sept 12	March 12	Mar 13 - Sept 12	Mar 13 - Mar 12
Salaries and other staff expenses	(2,136)	(2,087)	(2,171)	(2)	2
Equipment and occupancy expenses	(660)	(664)	(614)	1	(7)
Other expenses	(1,113)	(1,262)	(1,111)	12	-
Total Operating expenses	(3,909)	(4,013)	(3,896)	3	-

First Half 2013 – Second Half 2012

Operating expenses decreased \$104 million or 3% compared with Second Half 2012.

Salaries and other staff expenses

Salaries and other staff expenses increased \$49 million or 2% compared to Second Half 2012 reflecting;

- The impact of 3% average salary increase applied from January 2013;
- Higher employee costs related to performance bonuses of \$29 million in Wealth and WIB businesses;
- The impact of additional FTE to support investments (mainly expansion relating to Bank of Melbourne, growth in financial planners, and the Group's investment in Asia);
- These increases have been partly offset by \$37 million of expenses for the supplier program incurred in Second Half 2012 which were not repeated and the delivery of productivity programs in First Half 2013.

Equipment and occupancy expenses

Equipment and occupancy costs were \$4 million lower compared to Second Half 2012 driven by:

- Reduced software impairments of \$20 million;
- This was partially offset by increases in rental costs and other occupancy costs of \$11 million. Rental increases were associated with investment in Bank of Melbourne branches and the new Western Sydney data centre; and
- Higher software amortisation and IT depreciation of \$7 million.

Other expenses

Total other expenses reduced \$149 million or 12% compared to Second Half 2012 mostly reflecting \$111 million provision relating to a long standing legal proceeding and costs of \$29 million relating to the Group's supplier program were incurred during Second Half 2012 which were not repeated in First Half 2013.

First Half 2013 – First Half 2012

Operating expenses were relatively flat compared to First Half 2012.

Salaries and other staff expenses

Salaries and other staff expenses decreased \$35 million or 2% compared to First Half 2012 reflecting;

- Personnel expenses incurred for the supplier program in First Half 2012 were not repeated in First Half 2013;
- Lower restructuring costs in First Half 2013, as costs associated with the creation of Australian Financial Services and Group Services were incurred in First Half 2012;
- The delivery of expense benefits from various cost management initiatives, partially offset by;
- Increases relating to the impact of 3% average salary increase, higher variable reward costs including performance bonuses in Wealth and WIB businesses; and
- The impact of additional FTE to support investments (mainly expansion relating to Bank of Melbourne, growth in financial planners, and expansion in Asia).

Equipment and occupancy expenses

Equipment and occupancy costs increased \$46 million, or 7%, compared to First Half 2012:

- This was driven by increased software amortisation and impairments (\$33 million); and
- An increase in rental and other property related costs (\$13 million), including the impact of an additional 16 Bank of Melbourne branches and the new Western Sydney data centre.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Other expenses

Other expenses were relatively flat compared to First Half 2012, reflecting lower supplier program spend and tight management of other operating expenses which largely offset higher technology licensing and maintenance costs and increases in marketing spend associated with AFS and NZ campaigns.



INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Full Time Equivalent Employees (FTE)

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Analysis of movement in FTE					
Permanent employees	33,391	33,418	33,756	-	(1)
Temporary employees	2,609	2,257	2,651	16	(2)
Total employees	36,000	35,675	36,407	1	(1)

First Half 2013 – Second Half 2012

FTE increased 325 or 1% compared to Second Half 2012 largely due to the impact of our investments.

- Recent investments have involved a change in the nature of spend with a higher proportion of spend on personnel and lower spend on non-personnel costs. The FTE increases relate to regulatory change and compliance programs (273 FTE), the establishment of a broader Asian footprint (132 FTE), Wealth investments (85 FTE) and the continued increase of Bank of Melbourne's distribution footprint (79 FTE).
- Mitigating these increases were FTE reductions of (296 FTE) from delivery of productivity programs in First Half 2013.

First Half 2013 – First Half 2012

FTE decreased 407 or 1% compared to First Half 2012.

- This is a result of productivity initiatives delivered across the Group reducing 1,419 FTE which more than offset additional FTE required for investment programs.
- Additional FTE related to investments including additional Wealth planners and increased volumes (307 FTE), regulatory change and compliance programs (274 FTE), the establishment of a broader Asian footprint (213 FTE) and the continued increase of Bank of Melbourne's distribution footprint (144 FTE).



INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Investments

Strategic Investment Priorities (SIPs)

The Westpac Group remains focused on delivering its Strategic Investment Priorities (SIPs) program, a suite of major investments designed to enhance Westpac's front end and product systems and strengthen the Group's technology infrastructure.

The SIPs program involves a number of interrelated programs, which are managed individually but controlled centrally. The SIPs programs have also been designed to be modular and of a size that can be managed while generating improved capability and capacity, and delivering clear efficiency and revenue benefits.

The program remains on track to deliver to targeted outcomes.

In First Half 2013, \$105 million was expensed (including \$72 million in amortisation of capitalised expenditure), while \$71 million in spend was capitalised. Amortisation of capitalised expenditure typically commences once capabilities have been delivered and are ready for use by the business. As a result, amortisation expenses will steadily rise over the next few years. Projects will typically be amortised over periods between five and eight years.

Investment spend \$m	Half Year March 13	Half Year Sept 12	Half Year March 12	Half Year Sept 11	Half Year March 11	Half Year Sept 10	Half Year Mar 10	Total to date
Expensed	20	25	39	59	58	77	100	378
Capitalised software and fixed assets	71	91	148	220	230	248	82	1,090
Total	91	116	187	279	288	325	182	1,468

Impact on expenses \$m	Half Year March 13	Half Year Sept 12	Half Year March 12	Half Year Sept 11	Half Year March 11	Half Year Sept 10	Half Year Mar 10	Total to date
Direct expenses - investment	20	25	39	59	58	77	100	378
Operating expenses (net of benefits)	13	5	9	10	9	-	-	46
Amortisation and depreciation	72	65	40	24	11	-	-	212
Total	105	95	88	93	78	77	100	636

Significant benefits and capabilities delivered in First Half 2013 include:

- New online platform:
 - The first two of six releases of the new online platform were delivered, focusing on infrastructure and the connection and integration of a number of back-end services. Pilot users commenced using the system in November 2012, with new functionality allowing them to make payments, authenticate, view account summaries and transaction details as well as change passwords online.
- Payments:
 - The program delivered a number of capabilities through enhancements to our low value domestic payments systems. These have enabled the processing of payments files more frequently throughout the day, providing our customers with quicker processing times, quicker responses to issues in processing and better transparency of the status of payments processing.
 - Enhancements were made to our customer facing payments application (Quickservice portal), replacing manual processing of application requests with pre-populated electronic forms. Upgrading from manually intense application processing to electronic application and workflow has significantly reduced the time to meet customer requests from 5-7 days down to 2 days.
- Infrastructure:
 - Completed the final migration of the St.George Disaster Recovery data centre to the Western Sydney Data Centre and migration of the Westpac Disaster Recovery mainframe from East Chatswood to Western Sydney. The project received external recognition from the Chartered Institute for IT in recognition of Westpac's commitment to data centre efficiency.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Compliance program

In First Half 2013, \$128 million was spent on projects relating to regulatory change. In the wake of the Global Financial Crisis, a significant number of regulatory changes have been proposed by governments and regulators globally. These changes target objectives including prudential regulation or financial stability, consumer protection and competition, as well as broader public policy aims.

A number of the projects delivering these changes have moved to implementation phase over the past 12 months, including Cooper Superannuation Reforms, Future of Financial Advice Reforms (FoFA), APRA's Basel III and elements of US Dodd Frank legislation including clearing of OTC derivatives. The current stages of regulatory change projects have resulted in \$69 million of project spend being expensed and \$59 million being capitalised in First Half 2013.

Investment spend \$m	Half Year March 13	Half Year Sept 12	Half Year March 12
Expensed	69	60	46
Capitalised software and fixed assets	59	58	46
Total	128	118	92

Significant capabilities delivered in First Half 2013 include:

- Risk-based compliance processes to enable changes to the National Consumer Credit Enhancements Act around collections, reverse mortgages and hardship were implemented prior to the 1 March 2013 compliance date;
- The ePayments code changes, dealing primarily with mistaken internet payments in and out of customer accounts, were successfully implemented in March 2013, enabling the Group to subscribe to the voluntary ePayments code by the 20 March 2013 compliance date;
- Upgrade of WIB's credit risk analytics engine delivering operational and risk modelling benefits; and
- Completed standardised, simplified and strengthened customer establishment processes to deliver an enhanced customer identification and risk assessment control environment within Westpac.

Capitalised Software

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12
Capitalised Software opening balance	1,551	1,435	1,303
Projects contributing to capitalised software:			
SIPs	69	90	130
Banking infrastructure	42	39	61
Compliance	57	58	40
Asia investments	11	17	4
Wealth platform	24	7	-
Other projects	83	105	52
Total Additions	286	316	287
Amortisation expense	(182)	(177)	(152)
Software impairment expense	(3)	(23)	-
Other (including impact of FX translation)	(1)	-	(3)
Closing Balance	1,651	1,551	1,435

Capitalised software balances reflect the changing nature of investment spending by the Group.

- The spend on SIPs program is moderating as the program moves towards completion;
- Investment in compliance programs continued, reflecting the significant volume of regulatory changes; and
- Increasing investment in strategic growth areas and continued investment in banking infrastructure.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.2.4 Impairment Charges

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Individually assessed provisions (IAPs)					
New IAPs	(557)	(727)	(715)	23	22
Write-backs	225	208	260	8	(13)
Recoveries	41	61	43	(33)	(5)
Total IAPs, write-backs and recoveries	(291)	(458)	(412)	36	29
Collectively assessed provisions (CAPs)					
Write-offs	(326)	(397)	(359)	18	9
Other changes in CAPs	179	251	163	(29)	10
Total new CAPs	(147)	(146)	(196)	(1)	25
Total impairment charges	(438)	(604)	(608)	27	28

Asset quality has continued to improve over First Half 2013 contributing to a material reduction of \$166 million in impairment charges compared to Second Half 2012. The driver of this reduction was a \$167 million reduction in new individually assessed provisions net of write-backs and recoveries, mostly in the WIB and St.George portfolios. Economic overlays increased by a net \$28 million in First Half 2013 while in Second Half 2012 economic overlay provisions increased a net \$18 million.

New individually assessed provisions were 23% lower as fewer companies were downgraded from watchlist and substandard categories of stress into impaired and there was a reduction in top-ups to existing impaired asset provisions as security values have been more stable.

First Half 2013 – Second Half 2012

Impairment charges for First Half 2013 were \$438 million, down \$166 million or 27% compared to Second Half 2012 and represented 17 basis points of average gross loans.

Key movements included:

- New individually assessed provisions less write-backs and recoveries were \$291 million in First Half 2013, \$167 million lower compared to Second Half 2012 principally due to:
 - WIB having lower new and increased individually assessed provisions as well as larger write-backs. These write-backs were from work-outs of impaired facilities and from the refinancing of some facilities to other parties;
 - Westpac New Zealand new individually assessed provisions of \$58 million in First Half 2013 were lower from a reduction in new impaired assets and a fall in provision top-ups which was a feature of Second Half 2012; and
 - In both Westpac RBB and St.George new individually assessed provisions were lower in First Half 2013 compared to Second Half 2012, particularly in St.George as the level of stressed assets migrating to impaired and the top-up of existing provisions from valuation updates was lower.
- New collectively assessed provisions resulted in a charge of \$147 million in First Half 2013, \$1 million higher than Second Half 2012 principally due to the following:
 - WIB continued to record a benefit for collectively assessed provisions given improvements in the quality of the portfolio from upgrades and refinancing which reduced required provisions. This benefit was \$45 million larger in First Half 2013 compared to Second Half 2012;
 - Asset quality in the New Zealand business and consumer segments continued to improve and this has also been reflected in a reduction in the rate of companies migrating into impaired. As a result, there were fewer transfers of collectively assessed provisions into individually assessed provisions over First Half 2013 leading to lower individually assessed provisions and a collectively assessed charge of \$31 million compared to a benefit of \$34 million in Second Half 2012;
 - Personal lending delinquencies in First Half 2013 increased seasonally in both Westpac RBB and St. George leading to a higher collectively assessed provisioning charge, however, lower direct write-offs particularly in the credit card portfolio partially offset this increase. New collectively assessed provisions were lower in both Westpac RBB and St.George business portfolios reflected the continued improvement in asset quality, and a better loss experience than had been initially estimated in these portfolios; and

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

- The \$28 million net increase in the economic overlay in First Half 2013 was due to increases for sectors impacted by structural changes and the high \$A partially offset by a decrease in overlay provisions in the commercial property segment, from lower stressed assets. Economic overlay was \$391 million at 31 March 2013.

First Half 2013 – First Half 2012

The impairment charge for First Half 2013 was \$438 million, down 28% compared to First Half 2012. The decrease was primarily due to lower individually assessed provisions as fewer assets were downgraded to impaired and asset values stabilised requiring fewer top-ups to individually assessed provisions. The First Half 2013 also included a \$28 million increase in the economic overlay provisions while there was a small release (\$1 million) in the economic overlay in First Half 2012.

Key movements included:

- New individually assessed provisions less write-backs and recoveries were \$121 million lower compared to First Half 2012 principally due to fewer new impaired assets, particularly in WIB and St.George;
- New collectively assessed provisions were \$49 million lower compared to First Half 2012 as benefits from improving asset quality and reductions in the stressed portfolio were recognised, particularly in the St.George business and WIB portfolios; and
- The consumer portfolio in Westpac RBB saw an increase in collective provisions in First Half 2013 compared to First Half 2012 from the small rise in delinquencies. In St.George the collective provisioning charge was lower. In Westpac New Zealand the benefit was lower.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.2.5 Income Tax Expense

	Half Year March 13 A\$	Half Year Sept 12 A\$	Half Year March 12 A\$	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Income tax expense	(1,484)	(1,499)	(1,327)	1	(12)
Effective tax rate	30.8%	33.1%	30.7%	230bps	(10bps)

First Half 2013 – Second Half 2012

The effective tax rate of 30.8% in First Half 2013 decreased compared to Second Half 2012 effective tax rate of 33.1%. The effective tax rate decreased as Second Half 2012 tax expense included a tax charge of \$165 million relating to the respective impact of new Taxation of Financial Arrangements (TOFA) legislation and its application to the merger with St.George.

Excluding the TOFA adjustment the effective tax rate for Second Half 2012 would have been 29.4%.

First Half 2013 – First Half 2012

The effective tax rate was 30.7% in First Half 2012. The increase to 30.8% in First Half 2013 is largely due to the impact of non deductible distributions on Westpac CPS in First Half 2013.

3.2.6 Non-Controlling Interests

The non-controlling interests primarily represent distributions on hybrid equity instruments 2003 TPS¹ and 2006 TPS¹, as well as other non-controlling interests, including the 37% portion of BTIM that Westpac does not own.

The profit attributable to non-controlling interests of \$35 million for First Half 2013 were \$3 million higher than Second Half 2012 and \$1 million higher than First Half 2012.

¹ Non-controlling interests include distributions on 2003 Trust Preferred Securities (TPS) and 2006 TPS:

- There are 750,000 2003 TPS issued in the United States of America at US\$1,000 each on 13 August 2003, with non-cumulative semi-annual distributions (31 March and 30 September) in arrears at the annual rate of 5.819% up to but excluding 30 September 2013. From, and including, 30 September 2013 the 2003 TPS will pay non-cumulative quarterly distributions (31 December, 31 March, 30 June and 30 September) payable in arrears at a floating rate of LIBOR plus 2.05% per year; and
- Westpac TPS Trust issued 7,627,375 2006 TPS in Australia at \$100 each on 21 June 2006. The 2006 TPS are preferred units in the Westpac TPS Trust, with non-cumulative floating rate distributions which are expected to be fully franked. Westpac TPS Trust also issued one ordinary unit with an issue price of \$100 to Westpac. Westpac, as holder of the ordinary unit, is entitled to any residual income or assets of the Westpac TPS Trust not distributed to holders of 2006 TPS. The 2006 TPS are scheduled to pay quarterly distributions (30 September, 31 December, 31 March and 30 June) in arrears, subject to certain conditions being satisfied. The distribution rate on 2006 TPS, until 30 June 2016 (the step-up date) is calculated as the Australian 90 day bank bill rate plus 1% per annum (the initial margin), together multiplied by one minus the Australian corporate tax rate (30% during all periods.) After the step-up date, the initial margin will increase by a one time step-up of 1% per annum.

3.3 Credit Quality

Asset quality has improved further over First Half 2013, with a reduction in stressed assets, a decline in the emergence of new problem facilities, and the additional resolution and work-out of impaired facilities.

Stressed assets as a proportion of total committed exposures were 1.94% at 31 March 2013, down from 2.17% at 30 September 2012 and 2.26% at 31 March 2012. The level of stressed assets is now substantially below the peak of 3.2% recorded in 2010. The 23 basis point improvement in the proportion of stressed assets has been principally due to a fall in watchlist and substandard facilities with that ratio declining 21 basis points to 1.03% (see 3.3.1 Credit Quality Key Metrics) with the remaining 2 basis points due to falling impaired assets.

The reduction in impaired assets reflects a declining trend in the emergence of new and increased impaired assets.

The improvement in asset quality has been most prevalent in the small business, commercial and institutional portfolios, a combination of businesses maintaining conservative balance sheets and the active work-out of stressed assets.

The consumer portfolio also remains sound with low unemployment and interest rates contributing to the performance of the portfolio. While overall quality remains sound there has been an increase in consumer delinquencies over Second Half 2012 consistent with normal seasonal trends.

Portfolio segments

The institutional and commercial segment continues to perform well as customers remain cautious and continue to improve their balance sheets. Stressed assets reduced further, with the work-out of a number of impaired facilities, while watchlist assets also fell as a number of facilities were refinanced or upgraded out of stress.

The commercial property segment continues to be the sector under the most stress although the trends in the portfolio remain positive. In particular, the proportion of the property portfolio identified as stressed has declined from 7.7% at 30 September 2012 to 6.4% at 31 March 2013. The improvement in the portfolio in part reflects some liquidity returning to the property market which has supported property sales and assisted in the work out of existing stressed facilities. Asset sales combined with sound cash flows has led to some upgrades and reduced the incidence of new property stress. Consistent with the increased market liquidity, property valuations have also stabilised reducing the need for individual provision top-ups for existing stressed facilities.

Within the institutional portfolio there was only one new large (>\$50 million) problem facility that emerged during First Half 2013.

The small and medium business portfolio has performed well and the number of facilities in work-out has reduced over the last six months. Nevertheless, some stress is emerging in sectors impacted by the high Australian dollar and weak consumer spending along with sectors undergoing structural change such as the retail, trade and manufacturing segments.

In the consumer sector, 90+ day mortgage delinquencies increased 6 basis points since 30 September 2012 to 0.57% which is 2 basis points higher compared to 31 March 2012. Much of this increase is consistent with normal seasonal trends as delinquencies rise following the increase in pre-Christmas spending. Early cycle delinquencies were also impacted by timing which saw 31 March 2013 fall in the middle of the Easter holidays. This occurrence reduced the number of usual month end payments being processed prior to the closing of the Group's accounts.

In Australia, areas that are being closely monitored include:

- The seasoning of the larger volumes of mortgages written in 2007, 2008 and 2009 which are approaching their peak delinquency ageing. All portfolio vintages are performing in line with historical trends; and
- Higher delinquencies recorded in Queensland and low doc lending.

Low doc lending represents around 5% of the portfolio and has a much higher delinquency profile, with delinquencies two to three times the portfolio average. However, because of the more conservative underwriting standards, including not writing loans with an LVR greater than 80%, realised low doc losses are consistent with the rest of the portfolio.

Queensland delinquencies continue to be around 58% higher than the portfolio average reflecting the more challenging conditions in that State.

Australian properties in possession were modest at 248. The level has fallen over First Half 2013 as clearance rates improved and properties moving into possession slowed. Realised mortgage losses were \$52 million for First Half 2013 equivalent to 3 basis points.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Asset quality in New Zealand has also improved with similar trends to Australia although the recovery in the Auckland housing market has been stronger than that experienced over much of Australia and this has supported the performance of the mortgage portfolio. As a result, mortgage 90+ day delinquencies have improved 1 basis point over the six months to 31 March 2013, against the normal seasonal trend. Other consumer delinquencies in New Zealand were up 13 basis points since 30 September 2012 in line with normal seasonal trends.

Provisioning

Westpac has maintained strong provisioning coverage with:

- The ratio of impaired asset provisions to total impaired assets at 40%; and
- The ratio of collectively assessed provisions to credit risk weighted assets at 1.06%. This ratio has eased from 1.08% at 30 September 2012 but remains strong as provisions have moderated in line with reducing stress.

Total impairment provisions were \$4,199 million with individually assessed provisions of \$1,505 million and collectively assessed provisions of \$2,694 million. Individually assessed provisions were slightly higher in First Half 2013, as the new individually assessed provisions were higher than the write-offs and write-backs to provisions as facilities were worked out.

Reflecting the improvement in asset quality, collectively assessed provision balances were a little lower in First Half 2013. Movements in the collectively assessed provision can principally be traced back to:

- The reduction in watchlist and substandard exposures. Although continuing to perform, these exposures carry materially higher provision levels than other performing exposures as their probability of default is much higher;
- The loss experience in the portfolio over time has been less than originally modelled, particularly in commercial and institutional portfolios. This improved experience led to a reduction in provisions required for existing portfolios with the decrease partially offset by a rise in provisions associated with increased consumer portfolio delinquencies. The net decrease was \$71 million; and
- A net \$28 million increase in the economic overlay of \$391 million. In First Half 2013, the composition of the overlay changed with further reduction of provisions in the commercial property segment offset by increases in the economic overlay for some sectors of the economy seeing emerging signs of stress. These sectors are being impacted by structural changes in the economy and the high A\$.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.3.1 Credit Quality Key Metrics

	Half Year March 13	Half Year Sept 12	Half Year March 12
Stressed Exposures by Credit Grade as a % of total committed exposures			
Impaired	0.56%	0.58%	0.60%
90 days past due, well secured	0.35%	0.35%	0.40%
Watchlist and substandard	1.03%	1.24%	1.26%
Total Stressed Exposures	1.94%	2.17%	2.26%
Business and Institutional Impaired Assets to total committed exposures			
Business impaired assets to business total committed exposures:			
Business Australia	2.13%	2.09%	2.24%
Business New Zealand	2.62%	3.17%	3.33%
Institutional	0.43%	0.45%	0.39%
Other consumer loans 90 days past due			
90 days past due:			
Group	1.30%	1.11%	1.33%
Australia	1.32%	1.13%	1.35%
New Zealand	0.96%	0.83%	0.99%
Mortgages 90 days past due			
90 days past due:			
Group	0.57%	0.51%	0.55%
Australia	0.58%	0.52%	0.54%
New Zealand	0.39%	0.40%	0.55%
Other			
Total impaired assets to gross loans	0.82%	0.85%	0.88%
Total impaired asset provisions to total impaired assets	40.2%	37.4%	37.8%
Total provisions to gross loans	80bps	82bps	86bps
Collectively assessed provisions to performing non-housing loans ¹	151bps	155bps	164bps
Collectively assessed provisions to RWA ²	87bps	90bps	94bps
Collectively assessed provisions to credit RWA ²	106bps	108bps	116bps
Other			
Impairment charges to average loans annualised	17bps	24bps	24bps
Net write-offs to average loans annualised	21bps	34bps	29bps

¹ Non-housing loans have been determined on a loan purpose basis.

² Prior periods have been restated on a pro forma APRA Basel III basis.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.4 Balance Sheet and Funding

3.4.1 Balance Sheet

\$m	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Assets					
Cash and balances with central banks	6,600	12,523	11,462	(47)	(42)
Receivables due from other financial institutions	12,580	10,228	6,662	23	89
Trading securities, other financial assets designated at fair value and available-for-sale securities	76,664	71,739	69,175	7	11
Derivative financial instruments	29,323	35,489	30,641	(17)	(4)
Loans	521,130	514,445	506,124	1	3
Life insurance assets	8,508	8,240	8,147	3	4
Other assets	22,704	22,301	21,721	2	5
Total assets	677,509	674,965	653,932	-	4
Liabilities					
Payables due to other financial institutions	8,043	7,564	9,019	6	(11)
Deposits	403,406	394,991	377,458	2	7
Trading liabilities and other financial liabilities designated at fair value	8,833	9,964	6,205	(11)	42
Derivative financial instruments	34,081	38,935	31,358	(12)	9
Debt issues and acceptances	144,303	147,847	157,576	(2)	(8)
Life insurance liabilities	7,407	7,208	7,196	3	3
Loan capital	10,880	9,537	8,356	14	30
Other liabilities	13,362	12,700	11,889	5	12
Total liabilities	630,315	628,746	609,057	-	3
Equity					
Total equity attributable to owners of Westpac Banking Corporation	45,217	44,249	42,898	2	5
Non-controlling interests	1,977	1,970	1,977	-	-
Total equity	47,194	46,219	44,875	2	5

First Half 2013 – Second Half 2012

Significant movements during the half included:

Assets

- Cash and balances with central banks decreased \$5.9 billion primarily due to less liquid assets held in this form;
- Receivables due from other financial institutions increased \$2.4 billion mainly due to higher collateral posted with counterparties as a result of derivative movements;
- Trading securities, other financial assets designated at fair value and available-for-sale securities increased \$4.9 billion primarily reflecting higher liquid assets of \$4.5 billion;
- Derivative assets decreased \$6.2 billion primarily due to movements in interest rates during First Half 2013; and
- Loans grew \$6.7 billion or 1%, with the majority of the increase being in Australian housing loans. Refer to Section 3.2.1 Loans for further information on movements.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Liabilities

- Deposits increased \$8.4 billion. Refer to Section 3.2.1 Deposits for further information on movements;
- Trading liabilities and other financial liabilities designated at fair value decreased \$1.1 billion due to lower market inventory in WIB;
- Derivative liabilities decreased \$4.9 billion primarily due to movements in interest rates during the half;
- Debt issues and acceptances declined \$3.5 billion reflecting lower reliance on wholesale funding; and
- Loan capital increased \$1.3 billion due to the issuance of Westpac Capital Notes (\$1.4 billion) on 8 March 2013.

Equity

The \$1.0 billion increase in equity was primarily due to an increase in retained profits net of the payment of the 2012 final dividend and shares issued to satisfy the DRP.

First Half 2013 – First Half 2012

Significant movements during the year included:

Assets

- Cash and balances with central banks decreased \$4.9 billion due to less liquid assets held in this form;
- Receivables due from other financial institutions increased \$5.9 billion mainly due to higher collateral posted with counterparties;
- Trading securities, other financial assets designated at fair value and available-for-sale securities increased \$7.5 billion reflecting higher liquid assets (\$3.8 billion) and increased market inventory in WIB (\$3.7 billion);
- Derivative assets decreased \$1.3 billion, primarily due to movements in Australian interest rates; and
- Loans grew \$15.0 billion or 3%, with the majority of the increase being in Australian housing loans. Refer to Section 3.2.1 Loans for further information on movements.

Liabilities

- Deposits increased \$25.9 billion. Refer to Section 3.2.1 Deposits for further information on movements;
- Trading liabilities and other financial liabilities designated at fair value increased \$2.6 billion primarily due to increased market inventory in WIB;
- Derivative liabilities increased \$2.7 billion primarily due to foreign exchange and interest rate movements;
- Debt issues and acceptances decreased \$13.3 billion primarily due to a reduction in short term wholesale funding outstandings and the impact of the appreciation in the Australian dollar; and
- Loan capital increased \$2.5 billion due to the issuance of Westpac Capital Notes (\$1.4 billion) on 8 March 2013 and issuance of subordinated debt during Second Half 2012.

Equity

The \$2.3 billion increase in equity was due to an increase in retained profits net of the payment of dividends and shares issued to satisfy the DRP.

3.4.2 Funding and Liquidity Risk Management

The Group has a robust liquidity risk management framework to ensure its ability to meet cash flow obligations under a wide range of market conditions, including name-specific and market-wide stress scenarios.

Liquidity risk is the risk that the Group is not able to fund increases in assets or meet its payment obligations as they become due, without incurring unacceptable losses. This could potentially arise as a result of mismatched cash flows generated by the Group's banking business. This risk is not specific to the Westpac Group, but inherent in all banks through their role as intermediaries between depositors and borrowers.

The regulatory environment for funding and liquidity risk management is changing in response to the global financial crisis and reform measures announced by the members of the Basel Committee on Banking Supervision (BCBS) in 2010. A description of the BCBS liquidity reforms, and the status of APRA's proposals for implementation of the Basel III liquidity framework in Australia, is set out in section 3.6

Westpac's liquid asset portfolio provides a source of reserve liquidity as eligible collateral under the Central Bank repurchase agreement facility and proposed CLF. Unencumbered liquid assets of \$111 billion at 31 March 2013 were comprised of:

- \$36 billion of cash and balances on deposit at Central Banks, along with Government and semi-Government bonds;
- \$30 billion of repo-eligible private securities and Government guaranteed bonds; and
- \$45 billion of self-originated AAA rated mortgage backed securities, which in extraordinary circumstances are eligible for repurchase with the RBA or the RBNZ.

As at 31 March 2013, the Group held sufficient liquid assets to cover all wholesale debt maturities within the next 16 months, excluding expected amortisation.

The Group monitors the composition and stability of its funding base to ensure it remains appropriately within the Group's funding risk appetite. This includes a target stable funding ratio (SFR)¹ greater than 75%. Stable funding includes customer deposits, wholesale term funding (including securitisation) with residual contractual maturity greater than 12 months, and equity. Westpac's funding strategy aims to fund all new lending through these stable funding sources.

The Group maintained its strong funding profile in First Half 2013, with customer deposit growth funding lending growth and buy back of Government guaranteed debt. Long term wholesale debt was issued to refinance maturities. As a result, the Group's SFR at 31 March 2013 was unchanged from 30 September 2012 at 83%.

The majority of the Group's funding comes from customer deposits, which increased 123 basis points to 59% of total funding. A continued focus on customer deposit gathering across the organisation has seen the Group's deposit to loan ratio improve significantly over recent periods and over the six months to 31 March 2013, this ratio increased a further 142 basis points to 69%.

Stable sources make up an additional 24% of the Group's funding, comprising wholesale funding with a residual maturity greater than 12 months (15%), securitisation (2%) and equity (7%).

Short term wholesale funding represents 17% of the Group's total funding, comprising short-term debt with a residual maturity less than 12 months (13%) and long term debt with a residual maturity less than 12 months (4%).

The first half of the year saw a significant improvement in wholesale market conditions and credit spreads, due in part to improved market sentiment and quantitative easing undertaken by central banks, most recently in Japan, leading to increased liquidity in financial markets. The Group responded to these conditions by issuing \$12.5 billion in long term wholesale debt in a range of currencies, tenors and markets, across senior unsecured, secured and covered bond formats and including \$1.4 billion in Tier 1 hybrid capital issued in the domestic market in March 2013. New long term issuance, excluding securitisation, had a weighted average maturity of 4.5 years.

¹ Stable funding ratio is total stable funding divided by total funding. Total funding includes customer deposits, total wholesale funding (short and long term) and equity.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Term debt issued in the half included \$2.1 billion in residential mortgage-backed securities (RMBS) and \$1.2 billion in auto-backed securities (Auto ABS). The Auto ABS, issued in December 2012, was a first for a major Australian bank. The previous Auto ABS transaction issued in 2008 was sponsored by St. George prior to the merger with Westpac. These transactions provide important additional diversity to Westpac's funding and investor base and recognise the quality of the underlying assets.

The Group also took advantage of improved conditions in First Half 2013 to buy-back approximately \$3.4 billion in Government-guaranteed debt, reducing its 2014 refinancing requirements.

The Group is well positioned, having raised a further \$1.4 billion since 31 March 2013 and has approximately \$13 billion in term maturities for the remainder of the 2013 financial year.

The table below illustrates the Group's funding on a residual maturity basis. Further analysis of the funding view of the balance sheet is provided in Section 5 Note 22.

Funding by residual maturity

	As at 31 March 2013		As at 30 Sept 2012		As at 31 March 2012	
	\$m	Ratio %	\$m	Ratio %	\$m	Ratio %
Customer Deposits	359,610	59	347,722	58	319,916	54
Wholesale funding - residual maturity						
Securitisation	11,470	2	10,079	2	10,489	2
Greater than 12 months	90,726	15	97,212	16	96,997	16
Equity¹	45,428	7	44,081	7	42,986	7
Stable Funding Ratio (SFR)	507,234	83	499,094	83	470,388	79
Less than 6 months	64,241	11	67,810	11	86,008	15
6 to 12 months	15,281	2	13,991	2	13,254	2
Long term to short term scroll ²	23,111	4	21,333	4	23,755	4
Short term wholesale funding	102,633	17	103,134	17	123,017	21
Total funding³	609,867	100	602,228	100	593,405	100

Deposits to Net Loans Ratio

	As at 31 March 2013		As at 30 Sept 2012		As at 31 March 2012	
	\$m	Ratio %	\$m	Ratio %	\$m	Ratio %
Customer deposits	359,610		347,722		319,916	
Net loans	521,130	69.0	514,445	67.6	506,124	63.2

¹ Equity less FX translation, Available-for-Sale Securities and Cash Flow Hedging Reserves.

² Scroll represents wholesale funding with an original maturity greater than 12 months that now has a residual maturity less than 12 months.

³ Including Equity as described in footnote 1. Hybrids in the amount of \$1.4 billion have been included in wholesale funding.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Funding view of the balance sheet¹

\$m	As at 31 March 2013					Total
	Liquid Assets	Customer Deposits	Wholesale Funding	Customer Franchise	Market Inventory	
Total assets	111,073	-	-	495,177	71,259	677,509
Total liabilities	-	(359,610)	(202,853)	-	(67,852)	(630,315)
Total equity	-	-	(1,977)	(45,428)	211	(47,194)
Total	111,073	(359,610)	(204,830)	449,749	3,618	-
Net loans ²	45,500	-	-	475,630	-	521,130

\$m	As at 30 September 2012					Total
	Liquid Assets	Customer Deposits	Wholesale Funding	Customer Franchise	Market Inventory	
Total assets	110,174	-	-	490,618	74,173	674,965
Total liabilities	-	(347,722)	(208,455)	-	(72,569)	(628,746)
Total equity	-	-	(1,970)	(44,081)	(168)	(46,219)
Total	110,174	(347,722)	(210,425)	446,537	1,436	-
Net loans ²	43,108	-	-	471,337	-	514,445

\$m	As at 31 March 2012					Total
	Liquid Assets	Customer Deposits	Wholesale Funding	Customer Franchise	Market Inventory	
Total assets	101,255	-	-	489,309	63,368	653,932
Total liabilities	(236)	(319,916)	(228,526)	-	(60,379)	(609,057)
Total equity	-	-	(1,977)	(42,986)	88	(44,875)
Total	101,019	(319,916)	(230,503)	446,323	3,077	-
Net loans ²	35,557	-	-	470,567	-	506,124

¹ Refer to Section 5, Note 22 for a detailed analysis of the funding view of the balance sheet. Liquid assets are defined as assets that are eligible for re-purchase agreements with the Reserve Bank of Australia and the Reserve Bank of New Zealand.

² Liquid assets in net loans include internally securitised assets that are eligible for re-purchase agreements with the Reserve Bank of Australia and the Reserve Bank of New Zealand.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

3.5 Capital and Dividends

	Basel III		Basel 2.5	
	Preferred Ranges	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
Regulatory Capital Structure				
Common equity capital ratio (CET1)	8.0% - 8.5%	8.7%	8.4%	8.0%
Additional Tier 1 capital		2.1%	1.9%	1.8%
Tier 2 capital		1.7%	1.4%	1.0%
Total regulatory capital ratio	11.5% - 12.0%	12.5%	11.7%	10.8%
Risk weighted assets (RWA) \$m		307,976	297,901	300,046

Basel III

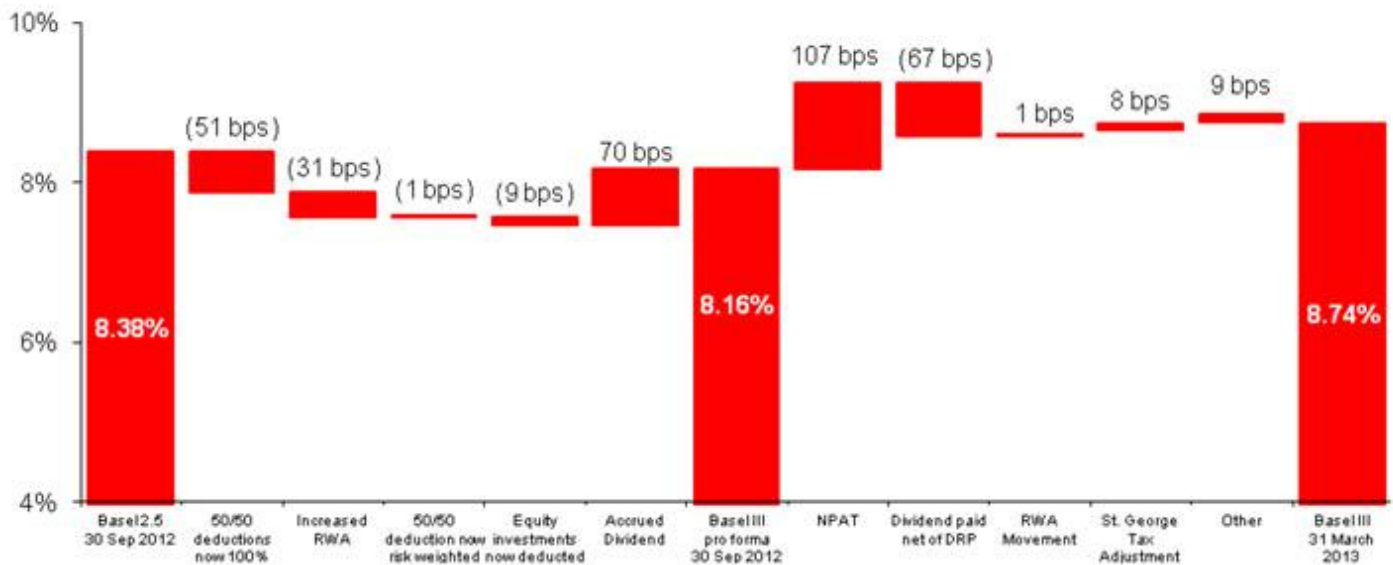
On 1 January 2013, APRA's new prudential standards for capital came into effect. These standards adopt the BCBS reforms, commonly known as Basel III, to the Australian financial system. APRA has applied national discretions under the framework and, as such, capital ratios calculated under APRA's standards are not directly comparable to those calculated under BCBS standards.

In transitioning to APRA's Basel III standards the following significant changes to the calculation of capital ratios have occurred:

- Investments in wealth and insurance subsidiaries, and regulatory expected loss adjustments, both previously deducted from Tier 1 and Tier 2 capital on a 50/50 basis; and equity investments, previously subject to thresholds, are now 100% deductions against common equity;
- Two changes to the measurement of RWA were implemented: a new charge for the risk of mark-to-market losses when the credit quality of a derivative counterparty is downgraded; and an increased RWA factor for exposure to financial institutions reflecting a changed regulatory view on the degree of correlation among these exposures under stressed conditions;
- Future expected dividend payments, previously deducted from capital on an accrual basis, are now deducted when declared; and
- New qualifying criteria for Tier 1 and Tier 2 capital instruments have been introduced. Instruments issued before 1 January 2013 are subject to a transitional arrangement that progressively reduces their contribution to regulatory capital over time.

The chart below outlines the impact on the Common Equity Tier 1 ratio of the changes from 30 September 2012, along with other factors impacting capital levels over the 6 months to 31 March 2013.

Common Equity Tier 1 Ratio Movement for First Half 2013



INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Common Equity Tier 1 Capital Ratio Movement for the First Half 2013

The APRA Basel III Common Equity Tier 1 capital ratio of 8.74% at 31 March 2013 is 58 basis points higher than the 30 September 2012 pro forma APRA Basel III Common Equity Tier 1 capital ratio.

The key drivers of the increase in the Common Equity Tier 1 ratio over the period included:

- First Half 2013 NPAT of \$3.3 billion (107 basis point increase);
- Dividends paid, net of DRP for the 2012 final dividend (67 basis point decrease); and
- The recognition of the 2013 net component of St George merger tax adjustments (8 basis point increase).

Excluding the impact of APRA Basel III transition, RWA movements had little impact on the ratio because RWA increases from interest rate risk in the banking book (IRRBB) and other assets were offset by decreases in credit and market risk RWA.

Tier 1 and Total Regulatory Capital Movement for the First Half 2013

Compared to 30 September 2012 Basel 2.5 ratios, both Tier 1 and Tier 2 capital were higher as new issuance was partly offset by the impact of increased RWA on transition to Basel III and from the impact of transitional adjustments to the Tier 1 and Tier 2 capital base. Key movements in Tier 1 and Tier 2 capital were:

- The issuance of \$1.4 billion of Tier 1 capital (44 basis point increase in Tier 1) in the form of Westpac Capital Notes; and
- Transitional adjustments applied to capital instruments issued before 1 January 2013 decreased Tier 1 Capital by \$0.6 billion and Total Regulatory Capital by \$1.1 billion.

Risk-Weighted Assets

	Loans (per Section 5)			Basel III	RWA Basel 2.5	
	As at 31 March 2013	As at 30 Sept 2012	% Mov't Mar 13 - Sept 12	As at 31 March 2013	As at 30 Sept 2012	% Mov't Mar 13 - Sept 12
\$m						
Business purposes						
On balance sheet	152,001	152,021	-	113,500	115,697	(2)
Off-balance sheet	-	-	-	54,494	55,574	(2)
Mark-to-market related credit risk	-	-	-	8,475	-	large
Total business purposes	152,001	152,021	-	176,469	171,271	3
Consumer purposes						
On balance sheet ¹	372,984	366,258	2	69,680	67,134	4
Off-balance sheet ¹	-	-	-	7,585	6,694	13
Total consumer purposes	372,984	366,258	2	77,265	73,828	5
Provision for impairment	(3,855)	(3,834)	(1)	-	-	-
Total credit risk	521,130	514,445	1	253,734	245,099	4
(% of total RWA)				82%	82%	
Total on balance sheet credit risk				183,180	182,831	-
Total off-balance sheet credit risk				70,554	62,268	13
Equity risk				-	1,263	(100)
Market risk				10,555	12,087	(13)
Operational risk				26,761	26,757	-
IRRBB				13,744	10,234	34
Other assets				3,182	2,461	29
Total non-credit				54,242	52,802	3
(% of total RWA)				18%	18%	
Total	521,130	514,445	1	307,976	297,901	3

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

APRA Basel III pro forma adjustments added \$10.7 billion to reported RWA for 30 September 2012, with a \$12.0 billion increase in credit RWA offsetting the removal of \$1.3 billion RWA for equity risk since equity investments are now treated as a 100% deduction from capital. Following this adjustment, Westpac's risk weighted assets have remained relatively flat between 30 September 2012 (\$308.6 billion) and 31 March 2013 (\$308.0 billion).

Excluding the APRA Basel III transitional impact, movements in RWA included:

- Credit risk RWA declined 1% or \$3.3 billion. Lower business lending RWA mostly reflecting the benefit of reduced stressed assets, more than offset growth in RWA in Australian mortgages;
- IRRBB increased \$3.5 billion reflecting a smaller embedded gain and slightly increased risk exposure;
- Lower market risk RWA of \$1.5 billion from a reduced exposure to interest rate risk; and
- Other assets increased RWA \$0.7 billion.

Westpac Preferred Range

Westpac's preferred range for the Common Equity Tier 1 capital ratio calculated according to APRA's Basel III prudential standards is 8.0% - 8.5%. This range takes the following into consideration:

- Regulatory minimums and capital conservation buffer;
- Stress testing to maintain an appropriate buffer in a downturn; and
- Quarterly volatility of capital ratios under Basel III associated with dividend payments.

At 31 March 2013 the Group's Common Equity Tier 1 capital ratio of 8.74% was above its preferred range.



INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Capital Deduction for Regulatory Expected Credit Loss

For capital adequacy purposes APRA requires the amount of regulatory expected credit losses in excess of eligible provisions to be deducted from capital. The following table shows how the deduction is calculated from 1 January 2013. Under APRA Basel III, there are two changes. The deferred tax assets associated with certain provisions are no longer required to be considered when calculating the deduction for regulatory expected loss; and the capital deduction is 100% from Tier 1 Capital, previously it was 50% deducted from Tier 1 capital and 50% deducted from Tier 2 capital.

	Basel III	Basel 2.5	
	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
\$m			
Provisions associated with eligible portfolios			
Total provisions for impairment charges (Section 5 Note 11)	4,199	4,241	4,391
plus general reserve for credit losses adjustment	83	131	119
plus provisions associated with partial write-offs	622	706	699
less ineligible provisions ¹	(139)	(150)	(152)
less certain deferred tax assets ²	-	(708)	(731)
Total eligible provisions	4,765	4,220	4,326
Regulatory expected downturn loss³	5,617	5,758	5,944
Capital deduction in provisions for regulatory expected downturn loss	(852)	(1,538)	(1,618)
Deducted from Capital as follows:			
Tier 1 reduction	(852)	(769)	(809)
Tier 2 reduction	-	(769)	(809)

After adjusting for the change in treatment of certain deferred tax assets, the capital deduction for regulatory expected downturn loss has decreased marginally as the reduction in total eligible provisions of \$132 million was only slightly less than the reduction in regulatory expected loss of \$141 million.

- The reduction in total eligible provisions was from improving asset quality reducing total provisions for impairment charges and the general reserve for credit losses adjustment.
- The reduction in regulatory expected loss was also reduced by the improving asset quality, partially offset by higher early cycle delinquencies in the secured and unsecured consumer portfolios.

1 Provisions associated with portfolios subject to the Basel standardised approach to credit risk are not eligible.

2 Under APRA Basel III now grouped with other deferred tax assets and deducted from common equity Tier 1 capital.

3 Regulatory expected loss is calculated for portfolios subject to the Basel advanced IRB approach to credit risk. The comparison between regulatory expected loss and eligible provisions is performed separately for defaulted and non-defaulted exposures.

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

Dividends

Dividend per ordinary share (cents per share)	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
Interim (fully franked)	86	-	82
Special (fully franked)	10	-	-
Final (fully franked)	-	84	-
Total ordinary and special dividends	96	84	82

The Directors have determined a fully franked interim dividend of 86 cents per share, an increase of 2 cents per share or 2% over the 2012 final dividend. The interim dividend represents a payout ratio of 80.4%.

In addition to the interim dividend, the directors have determined a fully franked special dividend of 10 cents per share.

The Group's ability to continue to frank dividends remains very strong, with our adjusted franking account balance after allowing for the reduction in franking credits for the 2013 interim and special dividends, at \$590 million as at 31 March 2013.

The Group has continued to apply New Zealand imputation credits to the interim dividend of 8 cents (NZ) per share. The special dividend will have NZ imputation credits attached of approximately 0.9 cents (NZ) per share. New Zealand imputation credits can be utilised by shareholders that are New Zealand tax payers.

Dividend Reinvestment Plan (DRP)

The Group expects to satisfy the DRP for the 2013 interim and special dividends in full, by arranging for the purchase of shares. The Market Price will be set over the 20 trading days commencing 21 May 2013 and will not include a discount.

Common Equity Capital Activity during First Half 2013

Westpac issued ordinary shares to satisfy the DRP for 2012 final dividend and for some employee share plans.

Additional Tier 1 Capital

As at 31 March 2013, Westpac had \$6.4 billion of Additional Tier 1 capital instruments on issue.

In March 2013, Westpac raised \$1.4 billion of hybrid Tier 1 capital through the issue of 13,835,690 Westpac Capital Notes at \$100 each. The issue contributed 44 basis points to Westpac's Tier 1 ratio as at 31 March 2013.

There were no redemptions of Tier 1 capital instruments during the period.

Exchange Rate Risk on Future NZ\$ Earnings

Westpac's policy in relation to the hedging of the future earnings of our New Zealand retail business is to manage the economic risk where Westpac believes there is a strong likelihood of significant adverse movements to the A\$/NZ\$ exchange rate. Westpac manages these flows over a time horizon under which up to 100% of the expected earnings for the following twelve months and 50% of the expected earnings for the subsequent twelve months can be hedged. Westpac has hedges in place for forecast 2013 NZ earnings for the remainder of 2013 at an average rate of \$1.24.



3.6 Other Significant Developments

Corporate significant developments

Westpac Capital Notes

On 8 March 2013, Westpac issued approximately \$1.4 billion of new Tier 1 hybrid securities known as Westpac Capital Notes, which qualify as Additional Tier 1 Capital of Westpac under APRA's Basel III capital adequacy framework.

Litigation

- Exception fees – Westpac has been served with two separate class action proceedings in Australia by customers seeking to recover exception fees paid by those customers. The first set of proceedings was commenced by customers of the Westpac brand; the second by customers of the St. George Bank and BankSA brands. Westpac has agreed with the plaintiffs to put the proceedings against Westpac, St. George and BankSA on hold until at least June 2013, pending further developments in similar litigation commenced against another Australian bank.
- Bell litigation – Westpac was one of 20 defendant banks named in proceedings concerning the Bell Group of companies. The proceedings were brought by the liquidators of several Bell Group companies who challenged the defendant banks' entitlement to receive the proceeds of realisation of Bell Group assets in the early 1990s. Judgment was delivered on 28 October 2008 and final orders were handed down on 30 April 2009.

Westpac, along with the other defendant banks, was found liable to repay its share of the monies received from the Bell Group plus interest. The defendant banks appealed the decision. Judgment was handed down by the Court of Appeal of the Supreme Court of Western Australia on 17 August 2012. By a majority decision, the defendant banks were unsuccessful in the appeal and the amount of interest payable was increased. Westpac considers that appropriate provisioning has been made for this matter. The defendant banks have been granted special leave to appeal to the High Court of Australia, however, the outcome and timing of the appeal are uncertain. Westpac is also entitled to lodge a claim as an unsecured creditor in the liquidation of the Bell Group.

Tax developments

On 14 November 2012 in *Mills v Commissioner of Taxation* [2012] HCA 51, the High Court unanimously upheld a taxpayer's appeal against a decision of the Full Federal Court which had held that a hybrid stapled security that was part of a funding transaction, was subject to the Australian tax anti-avoidance rules. The High Court concluded that the purpose of issuing the hybrids was to raise Tier 1 Capital, and whilst the instruments were structured in a way to deliver franking credits to investors, that purpose was merely incidental to the purpose of raising Tier 1 Capital. Westpac is considering the impact this decision may have on potential future hybrid transactions.

Changes to accounting standards

In a continuing response to the global financial crisis, governments, regulators and accounting standard setters are working to revise certain accounting standards. The objective is to achieve convergence towards a single set of high-quality, global and independent accounting standards. The specific areas that have been targeted include accounting for financial instruments, provisioning for loan impairment charges, off-balance sheet exposures, the impairment and valuation of financial assets, consolidation and lease accounting. The Group expects that there will be a number of new standards issued in coming years that will require changes to our current accounting approaches.

Other significant developments

Basel Committee on Banking Supervision

Regulatory reforms and significant developments arising in relation to changes initiated by the Basel Committee on Banking Supervision (BCBS) include:

Liquidity

On 16 December 2010, the BCBS released the final text of the Basel III liquidity framework. The framework introduces two new liquidity measures: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

The LCR requires banks to hold sufficient high-quality liquid assets, as defined, to withstand 30 days under an acute stress scenario. Since there are insufficient Government bonds available in the Australian marketplace to allow institutions to meet the LCR, the Reserve Bank of Australia (RBA) has announced, jointly with the Australian

INTERIM RESULTS 2013

REVIEW OF GROUP OPERATIONS

Prudential Regulation Authority (APRA), that it will make available to Australian institutions a Committed Liquidity Facility (CLF) that can be accessed to meet the LCR requirement.

The timetable for implementing the liquidity standard schedules the LCR to be introduced from 1 January 2015 and the NSFR from 1 January 2018. Both liquidity measures are subject to an observation and review period prior to implementation and as such are potentially subject to modification.

In response to its observation and review process, the BCBS issued a revised framework for the LCR and liquidity risk monitoring in January 2013, including proposed recalibration of certain elements and phase-in arrangements over 4 years for the LCR from January 2015.

On 6 May 2013 APRA released a consultation package on Basel III liquidity reforms, including a proposed new draft liquidity standard (APS210). APRA adopted the majority of the revisions to the LCR announced by the BCBS in January 2013, with the key exception being that APRA have not adopted the proposed phase-in of the LCR and have retained the requirement for a minimum LCR of 100% from 1 January 2015.

The draft APS210 is subject to a consultation period and the standard is expected to be finalised by mid 2013. Until the standard is finalised, and details regarding access to the CLF are clarified through engagement with APRA, the full extent of the impact on the Westpac Group is uncertain.

Capital

On 16 December 2010, the BCBS released the final text of the Basel III capital framework. The framework was revised in June 2011 and incorporates higher global minimum capital requirements and the introduction of two new capital buffers. The framework includes:

- an increase in the minimum common equity requirement from 2.0% to 4.5%;
- an increase in the minimum Tier 1 capital requirement from 4.0% to 6.0%;
- a capital conservation buffer at 2.5%, to be met with common equity; and
- a countercyclical buffer of between 0% to 2.5% to be met with common equity or other fully loss absorbing capital (subject to further BCBS guidance). The buffer is intended to be applied during times of excess credit growth.

The framework includes a compliance timetable, with phase-in arrangements starting from 1 January 2013 and some elements not becoming fully effective until 1 January 2019.

On 28 September 2012, APRA released the four final capital adequacy standards that will govern the implementation of the Basel III capital framework in Australia. On 13 November 2012 APRA released updated prudential standards which incorporated the Basel III requirements for counterparty credit risk. This release represented the latest measures to implement the Basel III capital reforms in Australia. APRA has required Australian Authorised Deposit-taking Institutions (ADIs) to meet the new minimum capital requirements from 1 January 2013 and has proposed that the capital conservation buffer apply in full from its introduction date of 1 January 2016.

Westpac is currently complying with the Basel III capital standards as implemented in Australia and current capital levels are above the minimum that will apply from 1 January 2016.

Other Basel Accord Reforms

The Basel III capital framework also introduced a leverage ratio requirement. The BCBS proposes that introducing a simple, non-risk based leverage ratio requirement would act as a credible supplementary measure to the risk-based capital requirements. The BCBS is developing the specifications and associated disclosure requirements for the leverage ratio. The proposed timetable for the leverage ratio provides for testing and recalibration to occur until 2017, with public disclosure to commence from January 2015 and migration of the final standard to a Pillar 1 requirement from January 2018.

In March 2013 the BCBS issued a consultation paper on measuring and controlling large exposures. The existing large exposures framework was established in 1991 and the proposed updated framework is intended to achieve greater consistency among and between jurisdictions in the way banks and supervisors measure, aggregate and control exposures to single counterparties. The final framework is proposed to be in place by January 2019.

The BCBS is also currently conducting analysis on risk-weighted assets, which forms the denominator of the capital ratios. The BCBS has indicated that this work is intended to examine the consistency in the determination of risk-weighted assets across jurisdictions and will determine the direction of future work in this area which will ultimately allow the BCBS to consider potential policy options.

Each of these measures are in different stages of development and, following release of the respective regulations by the BCBS, APRA will consult on and develop the regulations to apply in Australia. Until APRA develops the final rules for implementing these measures in Australia, the impact on Westpac cannot be determined.

Systemically Important Financial Institutions (SIFIs)

In November 2011, the BCBS published 'Global systemically important banks: Assessment methodology and the additional loss absorbency requirement'. This document announced the final methodology for determining Global Systemically Important Banks (G-SIBs), and the Financial Stability Board (FSB) named 29 G-SIBs that would be subject to higher capital requirements and greater oversight. The list of G-SIBs is subject to annual review and in November 2012 the FSB issued an updated list of 28 G-SIBs as well as specifying the higher capital requirements proposed for each. These increased capital requirements will be phased in from January 2016. Westpac has not been named as a G-SIB.

The G20 also directed the FSB to consider how to extend the framework to a broader set of SIFIs, including Domestic Systemically Important Banks (D-SIBs), and to make recommendations to the G20. On 12 October 2012, the BCBS issued the paper 'A framework for dealing with domestic systemically important banks'. The paper sets out a principles based framework for regulating D-SIBs. However, until APRA develops the rules for implementing the framework in Australia, any impact on Westpac cannot be determined.

Recovery and resolution planning

In November 2011, the FSB finalised a comprehensive package of policy measures to improve the capacity of authorities to resolve failing SIFIs, without systemic disruption and without exposing taxpayers to risk of loss. As part of the package, a Recovery and Resolution Plan is required for any firm deemed by its home authority to have systemic importance to the domestic economy. In addition, SIFIs will be subject to resolvability assessments to ensure they may be resolved without severe systemic disruption and taxpayer loss while at the same time protecting systemically important functions. APRA has undertaken a pilot Recovery Planning project applying to Australia's largest banks, with final plans delivered to APRA in mid-2012. APRA has indicated that it intends to extend its recovery planning program once the results of the pilot program have been analysed. The final form of any resulting requirements, the implications, and the timing for Westpac are at this stage unknown.

Australia

The Australian Federal Government has embarked on a program of regulatory reform which will affect Westpac. This includes:

OTC derivatives reform

The over-the-counter (OTC) derivatives market is undergoing significant regulatory reform globally. The reforms aim to improve transparency, mitigate systemic risk and protect against market abuse in the OTC derivatives market by encouraging clearing through central counterparties, reporting to trade repositories, exchange trading where appropriate, and imposing higher capital requirements on non-centrally cleared contracts.

Locally, the Council of Financial Regulators (APRA, ASIC, RBA and the Australian Treasury) issued a report on OTC Derivatives Market Reform Considerations in March 2012, which was followed by the release of a joint report on the Australian OTC Derivatives Market by APRA, ASIC and the RBA in October 2012. In December 2012 the Federal Treasury released a proposals paper which included a recommendation that Australia introduce a mandatory OTC derivative trade reporting requirement.

In April 2013 ASIC released a consultation paper incorporating the proposals for implementing the mandatory trade reporting requirement in Australia. It is proposed that the requirement will be progressively introduced from 31 December 2013.

In addition, the Federal Parliament of Australia passed the *Corporations Legislation Amendment (Derivatives Transactions) Bill 2012*, which creates a framework to allow the Minister for Financial Services and Superannuation to determine that mandatory obligations should apply to certain classes of OTC derivatives, requiring those classes to be reported, centrally cleared and traded on suitable trading platforms.

Westpac is also closely monitoring the international OTC derivatives reforms including regulatory changes being implemented by the US Commodity Futures Trading Commission (CFTC) under the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act). Westpac registered as a swap dealer with the CFTC on 31 December 2012.

Westpac continues to actively engage with regulators, trade associations, banks and clearing houses in regard to the regulatory developments and requirements. Westpac is developing clearing, reporting and trade processing solutions to ensure that it is compliant with applicable global regulations within the required timeframes. As both the international and local reforms are yet to be finalised, the full extent of the impact on the Westpac Group's operations remains unclear.

INTERIM RESULTS 2013

REVIEW OF GROUP OPERATIONS

Superannuation changes

From 1 July 2013, superannuation funds are able to offer MySuper products if licensed by APRA. From 1 January 2014, generally employers can only make super guarantee contributions to a default super fund which offers a MySuper product. MySuper is part of the Government's response to the Super System (Cooper) Review and is a low cost, simple superannuation product. A MySuper product will be the default investment option where investment choice is not elected by the member. Other legislative changes include enhanced trustee and director obligations as well as 'SuperStream', a measure to improve the efficiency of processing superannuation transactions through the use of technology. An established project team continues to assess and implement changes to our existing superannuation products to ensure compliance with the new requirements.

Financial advice changes

On 27 June 2012 the Government's Future of Financial Advice (FOFA) reforms became law. Regulations were registered on 12 July, 2 October and 26 November 2012, and further regulations and legislation are still expected. The FOFA reforms are aimed at improving consumer trust and confidence in, and the quality of, financial advice. The FOFA reforms include a ban on certain conflicted payments and soft dollar benefits, a ban on volume-based shelf space fees, a ban on the charging of asset-based fees on borrowed funds, a statutory best interests duty so that financial advisers must act in the best interests of their clients, and an 'adviser charging regime' where the investor will be required to opt-in every two years to receive ongoing advice and where advisers will be required to give annual disclosure of ongoing fees and services to investors. The majority of the proposed reforms will commence for the Westpac Group on 1 July 2013. Certain aspects of the reforms, including an anti-avoidance provision and increased ASIC powers, commenced on 1 July 2012.

Privacy law reform

The *Privacy Amendment (Enhancing Privacy Protection) Act 2012* (Cth) received royal assent on 12 December 2012 and will commence on 12 March 2014. It amends the *Privacy Act 1988* (Cth) to replace the National Privacy Principles with new Australian Privacy Principles and introduce a new, more comprehensive, credit reporting system. In addition, significant new powers are provided to the Privacy Commissioner to enforce the revised law. These privacy reforms will require review and amendment of a wide range of Westpac Group documents, systems and procedures in relation to the management of personal information.

Westpac continues to review these developments, engage with Government, regulators and industry bodies as appropriate, and amend its systems, processes and operations to align with regulatory changes as they occur.

United States

There are a number of significant regulatory reforms currently occurring in the United States (US). These include:

Dodd-Frank Act

Legislation designed to reform the system for supervision and regulation of financial firms in the US was signed into law on 21 July 2010. The Dodd-Frank Act contains a wide range of provisions that will affect financial institutions operating in the US, including foreign banks like Westpac. Included among its provisions are reforms designed to reduce systemic risk presented by very large financial institutions, promote enhanced supervision, regulation, and prudential standards for financial institutions, establish comprehensive supervision of financial markets, impose new limits on permissible financial institution activities and investments, expand regulation of the derivatives markets, protect consumers and investors from financial abuse, and provide the US Government with the tools needed to manage a financial crisis. Many of the provisions of the Dodd-Frank Act require extensive rulemaking by US regulatory agencies before the provisions become effective. The issuance of final rules under the Dodd-Frank Act remains far from complete, with the process continuing. Aside from the observations regarding OTC derivatives reform above, until there is greater clarity regarding the final forms of the rules and their extra-territorial application, it is not possible to assess the full impact of the law and the regulations on our operations. However in the event that some of the rules are implemented in or close to the current draft, significant investment in compliance and reporting programs and changes to business activities are likely to be required.

Foreign Account Tax Compliance Act (FATCA)

Legislation incorporating provisions referred to as FATCA was passed in the US on 18 March 2010. Regulations were published by the US Treasury on 28 January 2013 that provide detail on how the FATCA provisions should be implemented. The legislation and subsequent regulations require Foreign Financial Institutions (FFIs) such as Westpac to enter into an FFI agreement (if they are not subject to the provisions of an Intergovernmental Agreement (IGA), which is discussed below) under which they agree to identify and provide the US Internal Revenue Service (IRS) with information on accounts held by US persons and certain US owned foreign entities, or otherwise face 30% withholding tax on certain payments made to the FFI. In addition, FFIs that have entered into an FFI agreement will be required to withhold on certain payments made to FFIs that have not entered into an FFI agreement (and are not otherwise subject to an IGA) and account holders who do not respond to requests to

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

confirm their US person status and/or do not agree to the FFI reporting certain account related information to the IRS. Substantial investment will be required to ensure that Westpac will be able to adhere to the FATCA requirements from a compliance and reporting perspective across all jurisdictions in which Westpac operates.

The IRS has also published a Model IGA in connection with the implementation of FATCA. The Australian and New Zealand Governments are each currently in the process of negotiating the terms and conditions of an IGA with the US. Once concluded, these IGAs will likely enable Westpac to report the required information relating to its Australian and New Zealand businesses to the Australian Taxation Office (ATO) and the New Zealand Inland Revenue Department (IRD) respectively, which would provide such information to the IRS under existing Exchange of Information protocols. Further, Westpac would be relieved of the requirements to enter into an FFI agreement in relation to its Australian and New Zealand businesses with the IRS and to withhold from payments to, or close the accounts of, certain account holders, but will still be required to identify certain US accounts. While it is anticipated that these IGAs would reduce the compliance costs and operational burdens of FATCA (as compared to the costs and burdens resulting from an FFI agreement), Westpac currently expects (subject to any restrictions under local law), that it will enter into an FFI agreement with respect to its branches and affiliated FFIs not located in Australia, New Zealand or another country that has entered into an IGA.

New Zealand

Regulatory reforms and significant developments in New Zealand include:

Open Bank Resolution (OBR)

The Reserve Bank of New Zealand (RBNZ) intends to implement its OBR policy on 30 June 2013. OBR contemplates a bank being open for business on the next business day following a bank failure event and the bank being put into statutory management. All locally incorporated registered banks with retail deposits over NZ\$1 billion must be pre-positioned for OBR. The policy therefore applies to Westpac New Zealand Limited (WNZL). In the event of failure, a bank must be able to achieve certain outcomes which include being able to freeze accounts and process pending payments, determine customers' account balances on a per account basis, set aside a proportion of account balances that have been frozen, and resume customers' access to their transaction and other accounts on the next business day following the bank's closure. Notwithstanding the pre-positioning requirement, there is no obligation on the part of the New Zealand government to use OBR in the event of a bank failure. A new condition of registration to formally impose the OBR requirements will need to be in place by the implementation date.

Basel III

The RBNZ has adopted the core Basel III capital measures relating to new capital ratios and most of the recommendations relating to the definition of capital. From 1 January 2013, the requirements for Total Tier 1 capital increased to 6.0% and must include common equity of 4.5%. The conservation buffer will be implemented in full from 1 January 2014 at which time Total Tier 1 capital will increase to 8.5% and will need to include 7% common equity. The countercyclical capital buffer will also be able to be deployed from 1 January 2014. The RBNZ is not specifying any upper limit on the countercyclical buffer. The RBNZ has not adopted the leverage ratio.

Financial Markets Conduct Bill (FMCB)

The FMCB is expected to be passed in the first half of calendar year 2013. The FMCB represents an overhaul of the existing securities law regime in New Zealand and will impact various aspects of the wider Westpac New Zealand business. It introduces changes to product disclosure and governance, and introduces new licensing and registration requirements. The new regime will do away with the existing prospectus/investment statement dual disclosure model and introduce a single product disclosure statement, supported by an online register of other material documentation. Much of the detail from the FMCB has been left to be prescribed in regulations.

Credit law reform/responsible lending

The Credit Contracts and Financial Services Law Reform Bill was introduced into the House in April 2013. The bill reforms the entire suite of legislation that governs consumer credit contracts. The *Credit Contracts and Consumer Finance Act 2003* (CCCFA) is being amended to provide for a regulatory responsible lending code. In addition, existing consumer protections are being strengthened by changing current CCCFA provisions on disclosure, fees, hardship and 'oppressive contracts'.

Reserve Bank of New Zealand (Covered Bonds) Amendment Bill

A bill that provides a legislative framework for the issuance of covered bonds by New Zealand registered banks is expected to be passed in the first half of 2013. New Zealand registered banks are currently permitted by the RBNZ to issue covered bonds and it is a condition of registration that a covered bond issuance cannot exceed 10% of total assets. However, the legislation will provide certainty for investors that the cover pool assets will be disgorged

INTERIM RESULTS 2013
REVIEW OF GROUP
OPERATIONS

from statutory management and liquidation regimes. The bill will require the registration of covered bond programs and provides for a transition period for the registration of existing programs.

RBNZ – macro-prudential policy

In March 2013 the RBNZ released a consultation paper on its proposed macro-prudential policy and framework. The policy aims to promote greater financial system stability by building additional resilience in the financial system during periods of rapid credit growth and rising leverage or abundant liquidity, and dampening excessive growth in credit and asset prices. The policy will apply only to registered banks initially and involves the following four instruments: sectoral capital requirements, restrictions on high loan to value ratio lending, adjustments to the core funding ratio and the countercyclical capital buffer. The latter already forms part of the Basel III reforms so is not part of the consultation. A memorandum of understanding between the Minister of Finance and the RBNZ is scheduled to be signed by the middle of the year. Further consultation on some of the detail is expected to occur later in the year.

RBNZ – Review of bank capital adequacy requirements for housing loans

The RBNZ is undertaking a staged review of bank capital adequacy requirements for residential mortgage loans (housing loans). A consultation paper on the first stage of the review was released in March 2013 and requested submissions on a proposal to increase the correlation factor for high loan-to-value ratio loans for banks such as WNZL that use internal models to calculate their capital requirements. The RBNZ subsequently consulted on a change to banks' conditions of registration to implement the new requirements. The RBNZ is proposing that the changes take effect from 30 September 2013. The changes will result in an increase to the capital adequacy requirements for high loan-to-value ratio loans for the affected banks. The next stage of the RBNZ's review will include consideration of the overall calibration of banks' models, potentially including the calibration of their probability of default and loss given default estimates.

INTERIM RESULTS 2013

DIVISIONAL RESULTS

4.0 DIVISIONAL RESULTS

Divisional results are presented on a management reporting basis. The accounting standard AASB 8 *Operating Segments* requires segment results to be presented on a basis that is consistent with information provided internally to Westpac's key decision makers. In assessing its financial performance, including divisional results, the Westpac Group uses a measure of performance referred to as "Cash Earnings". Cash Earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with A-IFRS. The specific adjustments outlined below include both cash and non-cash items. Cash Earnings, as calculated by Westpac, is viewed as a measure of the level of profit that is generated by ongoing operations and is expected to be available over the long term for distributions to shareholders.

A reconciliation of Cash Earnings to net profit attributable to owners of Westpac Banking Corporation for each business division is set forth in Section 7. To calculate Cash Earnings, Westpac adjusts Net profit attributable to owners of Westpac Banking Corporation for the items outlined below. Management believes this allows the Group to more effectively assess performance for the current period against prior periods and to compare performance across business divisions and across peer companies.

Refer to the Introduction on page iii and to Section 7.2 for a more detailed explanation of Cash Earnings adjustments.

Three categories of adjustments are made to reported results to determine Cash Earnings:

- material items that key decision makers at the Westpac Group believe do not reflect ongoing operations;
- items that are not considered when dividends are recommended, such as the amortisation of intangibles, impact of Treasury shares and economic hedging impacts; and
- accounting reclassifications between individual line items that do not impact reported results, such as policy holder tax recoveries².

Internal charges and transfer pricing adjustments are included in the performance of each business reflecting the management rather than the legal structure (these results cannot be compared to results for individual legal entities). Where management reporting structures or accounting classifications have changed, comparatives have been revised and may differ from results previously reported.

Our internal transfer pricing framework attributes value between divisions. Its primary attributes are:

- Treasury funding product balances are fully transfer priced at inter-bank rates according to the tenor of the underlying transactions; and
- overhead costs are allocated to revenue generating businesses, and capital is allocated to business groups using designated risk factors.

The discussion of our divisional results and certain data in Sections 4 and 7 are presented on a Cash Earnings basis, unless otherwise stated. Cash Earnings are not directly comparable to statutory results presented in other parts of this Interim Profit Announcement.

¹ Cash Earnings adjustments are explained on pages 114 and 115.

² Policy holder tax recoveries – Income and tax amounts that are grossed up to comply with the A-IFRS accounting standard covering Life Insurance Business (policy holder tax recoveries) are reversed in deriving income and taxation expense on a Cash Earnings basis.

INTERIM RESULTS 2013

**DIVISIONAL
RESULTS**

4.1 Australian Financial Services

Australian Financial Services (AFS) is responsible for the Westpac Group's Australian retail banking, business banking and wealth operations. It incorporates the operations of Westpac Retail & Business Banking (Westpac RBB), St. George Banking Group (St. George) and BT Financial Group (Australia) (BTFG). AFS also includes the product and risk responsibilities for Australian Banking.

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Net interest income	4,565	4,424	4,270	3	7
Non-interest income	1,786	1,762	1,637	1	9
Net operating income before operating expenses and impairment charges	6,351	6,186	5,907	3	8
Operating expenses	(2,862)	(2,796)	(2,757)	(2)	(4)
Profit before impairment charges and income tax expense	3,489	3,390	3,150	3	11
Impairment charges	(366)	(399)	(464)	8	21
Operating profit before tax	3,123	2,991	2,686	4	16
Tax and non-controlling interests	(947)	(869)	(810)	(9)	(17)
Cash Earnings	2,176	2,122	1,876	3	16
Less: Cash Earnings adjustments	(75)	(77)	(74)	3	(1)
Net profit after tax	2,101	2,045	1,802	3	17
Operating expenses to Net operating income ratio (Cash Earnings basis)	45.1%	45.2%	46.7%	14bps	161bps

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$bn					
Deposits					
Term deposits	106.6	113.7	111.3	(6)	(4)
Other	140.3	125.6	114.4	12	23
Total deposits	246.9	239.3	225.7	3	9
Net loans					
Mortgages	321.5	315.9	309.6	2	4
Business	75.7	77.9	76.6	(3)	(1)
Other	18.6	18.2	18.2	2	2
Total net loans	415.8	412.0	404.4	1	3
Total assets	441.7	436.8	429.2	1	3

INTERIM RESULTS 2013

**DIVISIONAL
RESULTS**

4.1.1 Westpac Retail & Business Banking

Westpac Retail & Business Banking (Westpac RBB) is responsible for sales and service for our consumer, small-to-medium enterprise customers and commercial and agribusiness customers (typically with turnover of up to \$100 million) in Australia under the Westpac brand.

Activities are conducted through Westpac RBB's network of branches and business banking centres and specialised consumer and business relationship managers, with the support of cash flow, financial markets and wealth specialists, customer service centres, automatic teller machines (ATMs) and internet and mobile channels. The majority of revenue from wealth products sold to Westpac RBB customers is included in BTFG's financial results.

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Net interest income	2,783	2,687	2,617	4	6
Non-interest income	618	603	581	2	6
Net operating income before operating expenses and impairment charges	3,401	3,290	3,198	3	6
Operating expenses	(1,565)	(1,530)	(1,549)	(2)	(1)
Profit before impairment charges and income tax expense	1,836	1,760	1,649	4	11
Impairment charges	(244)	(211)	(218)	(16)	(12)
Operating profit before tax	1,592	1,549	1,431	3	11
Tax and non-controlling interests	(476)	(436)	(430)	(9)	(11)
Cash Earnings	1,116	1,113	1,001	-	11
Less: Cash Earnings adjustments	-	-	-	-	-
Net profit after tax	1,116	1,113	1,001	-	11
Operating expenses to Net operating income ratio (Cash Earnings basis)	46.0%	46.5%	48.4%	48bps	242bps

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$bn					
Deposits					
Term deposits	54.2	59.1	58.9	(8)	(8)
Other	88.0	79.4	72.9	11	21
Total deposits	142.2	138.5	131.8	3	8
Net loans					
Mortgages	197.4	195.3	192.6	1	2
Business	45.6	46.1	44.8	(1)	2
Other	9.1	8.9	9.0	2	1
Total net loans	252.1	250.3	246.4	1	2
Total assets	257.5	255.3	251.6	1	2

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

Financial Performance

First Half 2013 — Second Half 2012

Westpac RBB Cash Earnings were \$1,116 million in First Half 2013 an increase of \$3 million compared to Second Half 2012.

Net interest income increased \$96 million or 4% driven by an increase in average interest-earning assets and higher margins. Features of this result include:

- net interest margin increased 6 basis points to 2.31%, primarily due to:
 - an increase in lending spreads (14 basis points) from the repricing of mortgages and business loans; partially offset by
 - a decrease in deposit spreads (6 basis points) due to competitive pricing particularly in at call savings accounts and term deposits.
- total net loans increased \$1.8 billion or 1%, primarily due to:
 - an increase in mortgages of \$2.1 billion or 1%. While new lending growth was little changed over the half, customer conservatism combined with lower interest rates has seen a further rise in principal repayments and mortgage offset account balances;
 - a decrease in business lending of \$0.5 billion or 1% driven by both higher run off and low demand for new lending; and
 - an increase in other lending of \$0.2 billion or 2% due to increased personal lending.
- total deposits increased \$3.7 billion or 3% due to growth in at call reward saver accounts, transaction accounts, mortgage offset accounts and business savings accounts.

Non-interest income increased \$15 million or 2%, primarily due to:

- an increase in business line fees from repricing of commercial bill facilities; and
- an increase in cards income including higher interchange fees, an increase in new accounts, seasonal rise in merchant fees and an increase in income associated with loyalty point redemptions.

Operating expenses increased \$35 million or 2%, primarily due to:

- an increase in annual salaries and an increase in credit card redemption costs due to seasonally higher points redemption;
- an increase in marketing costs associated with the new brand launch;
- an increase in costs associated with compliance and investment; partially offset by
- a decrease in discretionary spending and improved productivity leading to a 2% reduction in FTE.

Impairment charges increased \$33 million or 16% due to:

- an increase in consumer impairment charges of \$76 million due to a rise in delinquencies consistent with seasonal trends. Second Half 2012 also benefited from a more rapid improvement in asset quality; partially offset by
- a decrease in business impairment charges of \$43 million from improved credit quality.

The effective tax rate was 30% in First Half 2013 up 180 basis points. This increase principally reflects a review of the timing of certain leasehold deductions in Second Half 2012 which led to a tax benefit in that half.

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

First Half 2013 - First Half 2012

Westpac RBB Cash Earnings were \$1,116 million in First Half 2013, an increase of \$115 million or 11% compared to First Half 2012.

Net interest income increased \$166 million or 6% driven by an increase in average interest-earning assets and higher margins:

- net interest margins increased 10 basis points to 2.31%, primarily due to:
 - an increase in lending spreads (33 basis points) from the repricing of mortgages and business loans; partially offset by
 - an increase in the cost of deposits (17 basis points) due to competitive pricing offset by product mix impacts with growth occurring in reward saver and transaction accounts while lower spread term deposit balances declined.
- total net loans increased \$5.7 billion or 2%, primarily due to:
 - an increase in mortgages of \$4.8 billion or 2%. While new lending has remained strong, customer conservatism combined with lower interest rates has seen a further rise in principal repayments;
 - an increase in other consumer lending of 1% with growth in personal lending offsetting a decline in cards; and
 - an increase in business lending of 2% reflecting growth in term lending partially offset by lower short-term lending and working capital balances.
- total deposits increased \$10.4 billion or 8%, primarily due to:
 - an increase of \$15.1 billion in at call deposits driven primarily by growth in consumer accounts (reward saver deposits and mortgage offset accounts) and a small increase in business deposits; partially offset by
 - a decrease in term deposits of 8% as customers chose to hold funds in at call accounts.

Non-interest income increased \$37 million or 6%, primarily due to:

- an increase in business lending fees, which have continued to be repriced to more appropriately reflect the cost of providing business facilities; and
- an increase in cards income due to an increase in the use of premium rewards cards.

Operating expenses increased \$16 million or 1%, primarily due to:

- an increase in investment related spending, particularly amortisation of technology investments, and advertising; partially offset by
- a decrease in salaries and wages from productivity gains offset by annual salary increases; and
- a decrease in other expenses from control of other discretionary spending.

Impairment charges increased \$26 million or 12%, primarily due to:

- an increase in consumer impairment charges from higher mortgage delinquencies. First Half 2012 also benefited from a more rapid improvement in asset quality; partially offset by
- a decrease in business impairment charges from improved asset quality.

INTERIM RESULTS 2013

DIVISIONAL RESULTS

4.1.2 St.George Banking Group

St.George Banking Group (St.George) is responsible for sales and service for consumer, business and corporate customers in Australia under the St.George, BankSA, Bank of Melbourne and RAMS brands. RAMS is a financial services group specialising in mortgages and online deposits.

Consumer activities are conducted through a network of branches, third party distributors, call centres, ATMs, EFTPOS terminals and internet banking services.

Business and corporate customers (businesses with facilities typically up to \$150 million) are provided with a wide range of banking and financial products and services including specialist advice for cash flow finance, trade finance, automotive and equipment finance, property finance, transaction banking and treasury services. Sales and service activities for business and corporate customers are conducted by relationship managers via business banking centres, internet and customer service centre channels. The majority of revenue from wealth products sold to St.George customers is included in BTFG's financial results.

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Net interest income	1,577	1,522	1,444	4	9
Non-interest income	268	285	280	(6)	(4)
Net operating income before operating expenses and impairment charges	1,845	1,807	1,724	2	7
Operating expenses	(699)	(678)	(663)	(3)	(5)
Profit before impairment charges and income tax expense	1,146	1,129	1,061	2	8
Impairment charges	(122)	(193)	(240)	37	49
Operating profit before tax	1,024	936	821	9	25
Tax and non-controlling interests	(309)	(279)	(247)	(11)	(25)
Cash Earnings	715	657	574	9	25
Less: Cash Earnings adjustments	(64)	(65)	(64)	2	-
Net profit after tax	651	592	510	10	28
Operating expenses to Net operating income ratio (Cash Earnings basis)	37.9%	37.5%	38.5%	(37bps)	57bps

\$bn	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Deposits					
Term deposits	39.7	40.4	38.4	(2)	3
Other	44.5	40.5	36.0	10	24
Total deposits	84.2	80.9	74.4	4	13
Net loans					
Mortgages	113.4	110.2	106.8	3	6
Business	28.9	30.5	30.5	(5)	(5)
Other	7.2	6.9	6.5	4	11
Total net loans	149.5	147.6	143.8	1	4
Total assets	156.9	154.6	150.9	1	4

Financial Performance

First Half 2013 – Second Half 2012

St. George Cash Earnings were \$715 million in First Half 2013, an increase of \$58 million, or 9% compared to Second Half 2012.

Net interest income increased \$55 million or 4% driven by an increase in average interest-earning assets and higher margins:

- net interest margin increased 4 basis points to 2.20% primarily due to:
 - an increase in lending spreads (13 basis points) from the repricing of mortgages and improved business lending spreads; partially offset by
 - a decrease of 7 basis points due to deposits reflecting increased competition on savings accounts.
- total net loans increased \$1.9 billion or 1%, primarily due to:
 - an increase in mortgages of \$3.2 billion or 3%; and
 - an increase in other consumer lending of \$0.3 billion or 4%; partially offset by
 - a decrease in business lending of \$1.6 billion or 5% reflecting lower commercial property lending and run-down/work out of stressed assets.
- total deposits increased \$3.3 billion or 4%, primarily due to:
 - an increase in savings deposits of \$2.7 billion, particularly Maxi Saver (up \$2.7 billion) and RAMS online accounts (up \$0.6 billion); partially offset by
 - a decrease in term deposits following the easing of interest rates and an increased customer preference to hold balances in at call accounts.

Non-interest income decreased \$17 million or 6%, primarily due to:

- lower financial markets income, card interchange and mortgage related fees; partially offset by
- an increase in business lending fees reflecting repricing and an increase in Auto Finance activities.

Operating expenses increased \$21 million or 3%, primarily due to:

- an increase in expenses associated with the expansion of Bank of Melbourne and the launch of the new 'Business Connect' model for serving small and medium customers;
- an increase in technology related costs including project amortisation; and
- an increase in employee expenses contained to front-line staff in growth areas including Bank of Melbourne; partially offset by
- a decrease in restructuring costs.

Impairment charges decreased \$71 million or 37% reflecting improved asset quality, particularly in the business portfolio, offset by higher consumer impairment charges due to the seasonal rise in consumer delinquencies.

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

First Half 2013 - First Half 2012

St. George Cash Earnings were \$715 million in First Half 2013, an increase of \$141 million or 25% compared to First Half 2012.

Net interest income increased \$133 million or 9% driven by an increase in average interest-earning assets and higher margins:

- net interest margin increased due to:
 - an increase in lending spreads (28 basis points) from the repricing of mortgages and business loans; partially offset by
 - a decrease in deposit spreads (19 basis points) reflecting increased competition.
- total net loans increased \$5.7 billion or 4%, primarily due to:
 - an increase in mortgages of \$6.6 billion or 6%; partially offset by
 - a decrease in business lending of 5% from lower commercial property lending including a reduction in stressed assets from refinancing.
- total deposits increased \$9.8 billion reflecting an increase in at call accounts with RAMS deposits contributing \$1.7 billion and Term deposits \$1.3 billion.

Non-interest income decreased \$12 million or 4%, primarily due to:

- lower financial markets; partially offset by
- higher cards income and a rise in business lending fees.

Operating expenses increased \$36 million or 5%, primarily due to:

- an increase in expenses associated with the expansion of Bank of Melbourne (\$18 million) including new branches, increased employees, higher advertising and depreciation; partially offset by
- a decrease in discretionary expenses from productivity savings.

Impairment charges decreased \$118 million or 49% reflecting lower consumer and business impairment charges:

- business impairment charges decreased \$96 million due to improvements in asset quality and lower levels of business stress; and
- consumer impairment charges were lower down \$22 million mostly from a reduction in personal loan and credit card write-offs.

INTERIM RESULTS 2013

DIVISIONAL RESULTS

4.1.3 BT Financial Group (Australia)

BT Financial Group (Australia) (BTFG) is Westpac's Australian wealth division.

BTFG's funds management operations include the manufacturing and distribution of investment, superannuation and retirement products, investment platforms such as Wrap and Master Trusts, private banking, financial planning as well as margin lending and broking. BTFG's insurance solutions cover the manufacturing and distribution of life, general and lenders mortgage insurance.

BTFG's brands include Advance Asset Management, Ascalon, Asgard, BT, BT Investment Management Ltd (63.0% owned by the Westpac Group and consolidated in BTFG's Funds Management business), Licensee Select, BT Select, Securitor, and the Advice, Private Banking and Insurance operations of Bank of Melbourne, BankSA, St.George, and Westpac.

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Net interest income	205	215	209	(5)	(2)
Non-interest income	900	874	776	3	16
Net operating income before operating expenses and impairment charges	1,105	1,089	985	1	12
Operating expenses	(598)	(588)	(545)	(2)	(10)
Profit before impairment charges and income tax expense	507	501	440	1	15
Impairment charges	-	5	(6)	(100)	100
Operating profit before tax	507	506	434	-	17
Tax and non-controlling interests	(162)	(154)	(133)	(5)	(22)
Cash Earnings	345	352	301	(2)	15
Less: Cash Earnings adjustments	(11)	(12)	(10)	8	(10)
Net profit after tax	334	340	291	(2)	15
Operating expenses to Net operating income ratio (Cash Earnings basis)	54.1%	54.0%	55.3%	(13bps)	121bps

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$bn					
Total assets	27.3	26.9	26.7	1	2
Funds under management	65.7	56.5	55.6	16	18
Funds under administration	95.5	87.9	85.6	9	12

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

Financial Performance

First Half 2013 – Second Half 2012

BTFG Cash earnings were \$345 million in First Half 2013, a decrease of \$7 million or 2% compared to Second Half 2012.

Net interest income decreased \$10 million or 5%, primarily due to:

- a decrease in margin lending of 10%, as customers continue to maintain a low risk profile and reduce their exposure to geared equities; partially offset by
- improved margins in private wealth, predominantly due to the repricing of mortgages.

Non-interest income increased \$26 million or 3%, primarily due to:

- an increase in fund management income reflecting average FUM increase of 14% offset by lower margins;
- an increase in asset management performance fees in JOHCM. The business outperformed benchmarks in a number of key portfolios;
- an increase in FUA income driven by inflows onto the BT Wrap and Asgard platforms and improved markets (with the ASX 200 up 11%);
- an increase in equities income from higher broking volumes; and
- revaluations of investments in Ascalon funds and dividends received of \$7 million, partially offset by
- a decrease in general insurance revenue due to a rise in claims associated with the severe floods experienced across Queensland and Northern NSW partially offset by higher premiums from repricing; and
- a decrease in LMI due to slower mortgage growth and a reduction of risk in the portfolio implemented in 2009. Claims were also lower as the number of loans in respect of which the Group retains some risk has declined.

Operating expenses increased \$10 million or 2%, primarily due to:

- an increase in bonuses associated with BTIM and JOHCM performance fees; and
- higher investment expenses including expansion of the distribution network and project costs associated with the upgrade of the division's wealth platform.

Impairment charges increased \$5 million due to a benefit recognised in Second Half 2012.

INTERIM RESULTS 2013

DIVISIONAL RESULTS

First Half 2013 – First Half 2012

BTFG Cash earnings were \$345 million in First Half 2013, an increase of \$44 million or 15% compared to First Half 2012.

Net interest income decreased \$4 million or 2%, primarily due to:

- lower margin lending balances partially offset by improved volumes and stronger margins in private wealth related to mortgages.

Non-interest income increased \$124 million or 16%, primarily due to:

- an increase in funds management income reflecting average FUM increase of 19% offset by lower margins;
- an increase in asset management performance fees in BTIM and JOHCM;
- an increase in FUA income due to higher average FUA due to inflows and improved markets offset by lower margins from increased competition;
- an increase in advice income from new business revenue generated by an expanded planner network;
- an increased life insurance revenue with net earned premiums rising 19%, reflecting new business following the expansion of distribution to the Independent Financial Advisor market, partially offset by margin compression and an increase in claims consistent with the larger portfolio;
- an increase in general insurance revenue from annual pricing reviews and cross sell across the banking brands; and
- a decrease in general insurance catastrophe claims; partially offset by
- a decrease in LMI revenue of \$8 million from a reduction in risk in the portfolio and mortgage growth remaining modest.

Operating expenses increased \$53 million or 10%, primarily due to:

- higher investment related expenses;
- bonuses associated with BTIM and JOHCM performance fees; and
- costs associated with regulatory change.

INTERIM RESULTS 2013

DIVISIONAL RESULTS

4.2 Westpac Institutional Bank

Westpac Institutional Bank (WIB) delivers a broad range of financial services to commercial, corporate, institutional and Government customers with connections to Australia and New Zealand.

WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in transactional banking, financial and debt capital markets, specialised capital, and alternative investment solutions.

Customers are supported through branches and subsidiaries located in Australia, New Zealand, US, UK and Asia.

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Net interest income	821	825	881	-	(7)
Non-interest income	826	781	703	6	17
Net operating income before operating expenses and impairment charges	1,647	1,606	1,584	3	4
Operating expenses	(527)	(507)	(480)	(4)	(10)
Profit before impairment charges and income tax expense	1,120	1,099	1,104	2	1
Impairment charges	43	(62)	(65)	169	166
Operating profit before tax	1,163	1,037	1,039	12	12
Tax and non-controlling interests	(350)	(298)	(305)	(17)	(15)
Cash Earnings	813	739	734	10	11
Less: Cash Earnings adjustments	-	-	-	-	-
Net profit after tax	813	739	734	10	11
Operating expenses to Net operating income ratio (Cash Earnings basis)	32.00%	31.57%	30.30%	(43bps)	(170bps)

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$bn					
Deposits	66.3	64.5	52.4	3	27
Net loans	56.0	53.9	54.5	4	3
Total assets	95.5	97.8	89.6	(2)	7
Funds under management	7.4	8.2	6.9	(10)	7

 westpac GROUP

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

Financial Performance

First Half 2013 – Second Half 2012

WIB Cash Earnings were \$813 million in First Half 2013, an increase of \$74 million or 10% compared to Second Half 2012.

Net interest income decreased \$4 million with growth in lending offset by lower margins primarily due to:

- total net loans increased \$2.1 billion or 4%, due to a \$1.4 billion increase in Asian related lending (including trade finance), growth in securitisation, asset finance and lending to natural resources;
- total deposits increased \$1.8 billion or 3% due to growth in transactional accounts, partially offset by decline in term deposits; and
- margins were impacted by increased competition which led to lower lending spreads. This, combined with lower deposit spreads, particularly in the Global Transactional Service portfolio contributed to a 9 basis points decline in margin.

Non-interest income increased \$45 million or 6%, primarily due to:

- growth in Markets income, from increased customer flows, particularly in risk management products; and
- CVA benefit of \$20 million in First Half 2013 compared to a charge of \$17 million in Second Half 2012; partially offset by
- lower revenue from Hastings and energy trading.

Operating expenses increased \$20 million or 4%, primarily due to increased investment in targeted areas, including Asia, and performance-related payments associated with the revenue generated from Hastings.

Impairment charges decreased \$105 million or 169% due to higher write-backs from a reduction in stressed assets, combined with lower new impaired assets.

Tax expenses increased \$52 million with the effective tax rate at 30%.



INTERIM RESULTS 2013
DIVISIONAL
RESULTS

First Half 2013 - First Half 2012

WIB Cash Earnings were \$813 million in First Half 2013, an increase of \$79 million or 11% compared to First Half 2012.

Net interest income decreased \$60 million. The results reflected an increase in average interest-earning assets of 5% offset by a 29 basis point decline in margins primarily due to

- total net loans increased \$1.5 billion, primarily from trade finance;
- total deposits increased \$13.9 billion or 27% due to growth in transactional balances; and
- margins decreased 29 basis points to 2.30%. Much of this reduction was due to the accelerated recognition of establishment fees in First Half 2012 that was not repeated. Excluding this, margins were 17 basis points lower. Increased institutional competition has put pressure on both lending and deposit spreads over the year.

Non-interest income increased \$123 million or 17%, primarily due to:

- growth in Markets income of \$47 million or 14% due to improved customer flows, particularly in risk management products; and
- CVA benefit of \$20 million in First Half 2013 compared to a charge of \$41 million in First Half 2012.

Operating expenses increased \$47 million or 10%, primarily due to:

- higher FTE and increased technology costs associated with the business expansion in Asia and performance related payments in the Hasting business.

The improvement in asset quality on First Half 2013 resulted in an impairment benefit of \$43 million compared to a \$65 million charge in First Half 2012. Both individually assessed provisions and collectively assessed provisions lower.

INTERIM RESULTS 2013

DIVISIONAL RESULTS

4.3 Westpac New Zealand

Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumers, business and institutional customers in New Zealand.

Westpac conducts its New Zealand banking business through two banks in New Zealand: Westpac New Zealand Limited, which is incorporated in New Zealand and Westpac Banking Corporation (NZ Division), a branch of Westpac, which is incorporated in Australia.

The division operates via an extensive network of branches and ATMs across both the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. Banking products are provided under the Westpac and WIB brands while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also has its own infrastructure, including technology, operations and treasury. All figures are in New Zealand dollars (NZ\$).

NZ\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Net interest income	790	798	779	(1)	1
Non-interest income	223	220	215	1	4
Net operating income before operating expenses and impairment charges	1,013	1,018	994	-	2
Operating expenses	(431)	(424)	(417)	(2)	(3)
Profit before impairment charges and income tax expense	582	594	577	(2)	1
Impairment charges	(67)	(93)	(98)	28	32
Operating profit before tax	515	501	479	3	8
Tax and non-controlling interests	(145)	(140)	(133)	(4)	(9)
Cash Earnings	370	361	346	2	7
Less: Cash Earnings adjustments	-	-	-	-	-
Net profit after tax	370	361	346	2	7
Operating expenses to Net operating income ratio (Cash Earnings basis)	42.5%	41.7%	42.0%	(90bps)	(60bps)

NZ\$bn	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Deposits					
Term deposits	24.3	23.1	20.9	5	16
Other	20.7	18.9	18.5	10	12
Total deposits	45.0	42.0	39.4	7	14
Net loans					
Mortgages	36.4	35.9	35.4	1	3
Business	21.7	21.8	21.0	-	3
Other	1.8	1.7	1.8	6	-
Total net loans	59.9	59.4	58.2	1	3
Total assets	68.4	61.0	59.8	12	14
Funds under management	4.1	3.6	3.2	14	28
Funds under administration	1.3	1.2	1.2	8	8

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

Financial Performance (NZ\$)

First Half 2013 – Second Half 2012

Westpac New Zealand Cash Earnings were \$370 million in First Half 2013, an increase of \$9 million or 2% compared to Second Half 2012.

Net interest income decreased \$8 million or 1% with average interest-earning assets rising 14% and margins declining 35 basis points. The composition of net interest margin was impacted over the half by the inclusion of liquid assets in Westpac New Zealand's results. The inclusion of these assets has resulted in a 26 basis point reduction in margin as these assets substantially increased interest-earning assets but made little contribution to net interest income. Excluding these assets, margins declined 9 basis points while average interest-earning assets rose 1%:

- total net loans, in particular home mortgages, increased by 1%;
- total deposits increased \$3.0 billion or 7% driven by growth in term deposits of \$1.2 billion and other deposits of \$1.8 billion primarily in personal online savings and business savings accounts; and
- Margins excluding liquid assets were 9 basis points lower due to lower lending and deposit spreads from increased competition.

Non-interest income increased \$3 million or 1%, primarily due to:

- higher facility fees and an increase in wealth income supported by a 14% rise in average FUM; and
- additional insurance recoveries associated with the Christchurch earthquake; partially offset by
- lower insurance income as Second Half 2012 included a one-off insurance policy liability valuation gain.

Operating expenses increased \$7 million or 2%, primarily due to:

- salary increases, continued investment in technology and higher marketing spend, including the brand re-launch; and
- higher restructuring costs, partially offset by
- ongoing productivity initiatives.

Impairment charges decreased \$26 million or 28% due to improvement in asset quality arising from a reduction in business stressed assets and lower incidence of new impaired assets.

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

First Half 2013 – First Half 2012

Westpac New Zealand Cash Earnings were \$370 million in First Half 2013, an increase of \$24 million or 7% compared to First Half 2012.

Net interest income increased \$11 million or 1% with average interest earning assets increasing 15% and margins declining 33 basis points. Margins and average interest-earning assets were impacted by the inclusion of liquid assets noted earlier. Excluding these assets margins were 7 basis points lower and average interest-earning assets were 3% higher primarily due to:

- total net loans increased \$1.7 billion or 3%, primarily due to:
 - mortgages increased \$1.0 billion or 3%, predominantly in the targeted segment of loans with an LVR of less than 80%; and
 - business lending increased \$0.7 billion or 3% driven by term lending and an increase in institutional balances. Agricultural lending was up 8%;
- total deposits increased \$5.6 billion or 14% driven by growth in consumer online savings and business transaction accounts; and
- margins decreased 7 basis points reflecting lower lending and deposit spreads from increased competition.

Non-interest income increased \$8 million or 4%, primarily due to:

- an increase in wealth income supported by a 28% increase in average FUM; and
- an increase in insurance premium revenues combined with a decrease in insurance claims.

Operating expenses increased \$14 million or 3%, primarily due to:

- salary increases, increased equipment and occupancy expense associated with contractual rent increases higher marketing spend, including the brand re-launch; and
- higher restructuring costs, partially offset by
- ongoing productivity initiatives.

Impairment charges decreased \$31 million or 32% as asset quality improved from lower consumer delinquencies and lower incidence of new impaired assets.

INTERIM RESULTS 2013

**DIVISIONAL
RESULTS**

4.3.1 New Zealand Division Performance (A\$ equivalent)

Set forth below are the results for Westpac New Zealand for the First Half 2013, Second Half 2012, and First Half 2012 converted into Australian dollars (A\$) at the actual average exchange rates each month. The average rates for the reporting periods are: 1.2533, 1.2815 and 1.2967 respectively.

A\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Net interest income	633	623	601	2	5
Non-interest income	179	171	165	5	8
Net operating income before operating expenses and impairment charges	812	794	766	2	6
Operating expenses	(344)	(332)	(321)	(4)	(7)
Profit before impairment charges and income tax expense	468	462	445	1	5
Impairment charges	(54)	(72)	(76)	25	29
Operating profit before tax	414	390	369	6	12
Tax and non-controlling interests	(116)	(109)	(102)	(6)	(14)
Cash Earnings	298	281	267	6	12
Less: Cash Earnings adjustments	-	-	-	-	-
Net profit after tax	298	281	267	6	12
Operating expenses to Net operating income ratio (Cash Earnings basis)	42.4%	41.8%	41.9%	(55bps)	(45bps)

\$bn	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Deposits	37.0	33.5	31.1	10	19
Net loans	48.1	47.4	45.8	1	5
Total assets	54.9	48.6	47.1	13	17
Funds under management	3.3	2.9	2.5	14	32
Funds under administration	1.0	1.0	1.0	-	-



INTERIM RESULTS 2013
DIVISIONAL
RESULTS

4.4 Westpac Pacific

Westpac Pacific provides banking services for retail and business customers in seven Pacific Island Nations. Branches, ATMs, telephone banking and internet banking channels are used to deliver business activities in Fiji, Papua New Guinea (PNG), Vanuatu, Cook Islands, Tonga, Solomon Islands and Samoa.

Westpac Pacific's financial products include personal savings, business transactional accounts, personal and business lending products, business services and a range of international products.

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Net interest income	75	76	72	(1)	4
Non-interest income	70	74	77	(5)	(9)
Net operating income before operating expenses and impairment charges	145	150	149	(3)	(3)
Operating expenses	(48)	(45)	(48)	(7)	-
Profit before impairment charges and income tax expense	97	105	101	(8)	(4)
Impairment charges	(2)	(21)	(10)	90	80
Operating profit before tax	95	84	91	13	4
Tax and non-controlling interests	(31)	(32)	(36)	3	14
Cash Earnings	64	52	55	23	16
Less: Cash Earnings adjustments	-	-	-	-	-
Net profit after tax	64	52	55	23	16
Operating expenses to Net operating income ratio (Cash Earnings basis)	33.1%	30.0%	32.2%	(310bps)	(89bps)

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$bn					
Deposits	2.6	2.5	2.4	4	8
Total assets	3.1	3.0	3.0	3	3



INTERIM RESULTS 2013
DIVISIONAL
RESULTS

Financial Performance

First Half 2013 – Second Half 2012

Westpac Pacific Cash Earnings were \$64 million in First Half 2013, an increase of \$12 million or 23% compared to Second Half 2012.

Net interest income decreased \$1 million or 1%, primarily due to:

- decrease in margins from increased competition coupled with a reduction in yields on liquid asset holdings;
- lending was flat due principally to more subdued economic conditions; and
- total deposits increased 4% due to good levels of liquidity across the region.

Non-interest income decreased \$4 million or 5%, primarily due to:

- lower FX income as PNG capital investment flows moderated and an overall reduction in customer transaction activity.

Operating expenses increased \$3 million or 7%, primarily due to

- increase in employee expenses driven by salary increases in PNG; and
- increase in technology costs following further investment in network infrastructure to support customer growth.

Impairment charges decreased \$19 million due to more stable credit quality across the region. Second Half 2012 also included a single large provision top-up in Vanuatu.

First Half 2013 – First Half 2012

Westpac Pacific Cash Earnings were \$64 million in First Half 2013, an increase of \$9 million or 16% compared to First Half 2012.

Net interest income increased \$3 million or 4%, primarily due to:

- total net loans increased 7% with growth in the larger markets of Fiji and PNG;
- total deposits increased 8%, with growth in business term deposits; and
- lower margins due to increased competition in Fiji and PNG, partially offset by higher deposits spreads as a result of increased market liquidity.

Non-interest income decreased by \$7 million or 9%, due to lower markets income reflecting lower exporter activity.

Impairment charges decreased \$8 million due to more stable asset quality across the region.

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

4.5 Group Businesses

This segment comprises:

- Group items, including earnings on capital not allocated to divisions, accounting entries for certain intra-group transactions that facilitate the presentation of the performance of our operating segments earnings from non-core asset sales and certain other head office items such as centrally raised provisions;
- Group Services, which encompasses technology, banking operations, compliance, legal and property services;
- Treasury, the primary focus of which is the management of the Group's interest rate risk and funding requirements by managing the mismatch between Group assets and liabilities. Treasury's earnings are primarily impacted by the hedging decisions taken on behalf of the Group to manage net interest income outcomes and assist net interest income growth; and
- Core Support, which comprises certain functions performed centrally, including finance, risk and human resources.

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Net interest income	351	392	399	(10)	(12)
Non-interest income	49	62	81	(21)	(40)
Net operating income before operating expenses and impairment charges	400	454	480	(12)	(17)
Operating expenses	(19)	(44)	(49)	57	61
Profit before impairment charges and income tax expense	381	410	431	(7)	(12)
Impairment charges	(59)	(50)	7	(18)	large
Operating profit before tax	322	360	438	(11)	(26)
Tax and non-controlling interests	(148)	(151)	(175)	2	15
Cash Earnings	174	209	263	(17)	(34)
Less: Cash Earnings adjustments	(146)	(323)	(154)	55	5
Net profit after tax	28	(114)	109	125	(74)

Treasury comprises a significant portion of the Group Businesses segment. Its results are as follows:

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Treasury					
\$m					
Net interest income	362	407	311	(11)	16
Non-interest income	14	8	(6)	75	large
Net operating income before operating expenses and impairment charges	376	415	305	(9)	23
Cash Earnings	241	258	195	(7)	24
Less: Cash Earnings adjustments	(75)	(3)	8	large	large
Net profit after tax	166	255	203	(35)	(18)

INTERIM RESULTS 2013
DIVISIONAL
RESULTS

Financial Performance

First Half 2013 – Second Half 2012

Group Businesses Cash Earnings were \$174 million in First Half 2013, a decrease of \$35 million or 17% compared to Second Half 2012.

Net operating income before operating expenses and impairment charges decreased \$54 million or 12%, primarily due to:

- decreased Treasury revenue from lower returns from the management of the liquids portfolio; and
- decreased Research and development tax credits of \$17 million.

Operating expenses decreased \$25 million or 57% due to higher GST recoveries and reduced spend on centrally managed investment programs.

Impairment charges increased \$9 million or 18% due to an increase in centrally held economic overlay impairment provisions related to sectors undergoing structural change.

First Half 2013 – First Half 2012

Group Businesses Cash Earnings were \$174 million in First Half 2013, a decrease of \$89 million or 34% compared to First Half 2012.

Net interest income decreased \$48 million or 12% primarily due to lower earnings on surplus capital and additional costs from capital hedging, hybrids and subordinated debt funding, partially offset by increased Treasury income.

Non-interest income decreased \$32 million or 40% as profit from the sale of Visa in First Half 2012 was not repeated.

Operating expenses decreased \$30 million or 61% as employee provisions raised in First Half 2012 were not repeated, spend on centrally managed programs reduced and GST recoveries increased.

Impairments charges increased \$66 million due to the increases to the centrally held economic overlay impairment provisions.

The effective tax rate increased 4.9% reflecting the impact of distributions relating to recent Tier 1 hybrid issuances not being tax deductible.

Treasury Value at Risk (VaR)

Risk taking as measured by VaR reduced compared to Second Half 2012.

Average daily VaR for First Half 2013 was \$25.5 million compared to \$29.7 million for Second Half 2012 and \$33.4 million for First Half 2012.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

5.0 INTERIM 2013 REPORTED FINANCIAL INFORMATION

5.1 Consolidated Income Statement	75
5.2 Consolidated Balance Sheet	76
5.3 Consolidated Cash Flow Statement	77
5.4 Consolidated Statement Of Comprehensive Income	78
5.5 Consolidated Statement Of Changes In Equity	79
5.6 Notes To Interim 2013 Reported Financial Information	80
Note 1 Basis of preparation of financial information	80
Note 2 Average balance sheet and interest rates	81
Note 3 Net interest income	83
Note 4 Non-interest income	84
Note 5 Operating expenses	85
Note 6 Deferred expenses and capitalised software	86
Note 7 Income tax	87
Note 8 Dividends	88
Note 9 Earnings per ordinary share	89
Note 10 Loans	91
Note 11 Provisions for impairment charges	92
Note 12 Impaired loans	93
Note 13 Movement in gross impaired assets	94
Note 14 Items past 90 days but well secured	94
Note 15 Impaired assets and provisioning ratios	94
Note 16 Delinquencies (90 days past due loans)	94
Note 17 Deposits	95
Note 18 Capital adequacy – Basel III	96
Note 19 Derivative financial instruments	99
Note 20 Note to the cash flow statement	101
Note 21 Other Group investments and changes in control of Group entities	102
Note 22 Funding view of the balance sheet	104
Note 23 Contingent liabilities	107
Note 24 Events subsequent to balance date	107

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

5.1 Consolidated Income Statement (unaudited)

\$m	Note	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Interest income	3	16,864	17,925	18,948	(6)	(11)
Interest expense	3	(10,572)	(11,608)	(12,763)	9	17
Net interest income		6,292	6,317	6,185	-	2
Non-interest income	4	2,878	2,834	2,647	2	9
Net operating income before operating expenses and impairment charges		9,170	9,151	8,832	-	4
Operating expenses	5	(3,909)	(4,013)	(3,896)	3	-
Impairment charges	11	(438)	(604)	(608)	27	28
Profit before income tax		4,823	4,534	4,328	6	11
Income tax expense	7	(1,484)	(1,499)	(1,327)	1	(12)
Net profit for the period		3,339	3,035	3,001	10	11
Net profit attributable to non-controlling interests		(35)	(32)	(34)	(9)	(3)
Net profit attributable to owners of Westpac Banking Corporation		3,304	3,003	2,967	10	11

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

5.2 Consolidated Balance Sheet (unaudited)

\$m	Note	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Assets						
Cash and balances with central banks		6,600	12,523	11,462	(47)	(42)
Receivables due from other financial institutions		12,580	10,228	6,662	23	89
Derivative financial instruments	19	29,323	35,489	30,641	(17)	(4)
Trading securities		46,346	44,603	45,275	4	2
Other financial assets designated at fair value		2,543	2,664	2,815	(5)	(10)
Available-for-sale securities		27,775	24,472	21,085	13	32
Loans - housing and personal	10	371,880	365,221	358,453	2	4
Loans - business	10	149,250	149,224	147,671	-	1
Life insurance assets		8,508	8,240	8,147	3	4
Regulatory deposits with central banks overseas		1,529	1,893	1,477	(19)	4
Deferred tax assets		1,873	2,176	2,243	(14)	(16)
Goodwill and other intangible assets ¹		12,108	12,134	12,124	-	-
Property, plant and equipment		1,084	1,137	1,132	(5)	(4)
Other assets		6,110	4,961	4,745	23	29
Total assets		677,509	674,965	653,932	-	4
Liabilities						
Payables due to other financial institutions		8,043	7,564	9,019	6	(11)
Deposits	17	403,406	394,991	377,458	2	7
Derivative financial instruments	19	34,081	38,935	31,358	(12)	9
Trading liabilities and other financial liabilities designated at fair value		8,833	9,964	6,205	(11)	42
Debt issues		144,198	147,581	157,290	(2)	(8)
Acceptances		105	266	286	(61)	(63)
Current tax liabilities		523	1,022	486	(49)	8
Deferred tax liabilities		22	33	37	(33)	(41)
Life insurance liabilities		7,407	7,208	7,196	3	3
Provisions		1,391	1,935	1,557	(28)	(11)
Other liabilities		11,426	9,710	9,809	18	16
Total liabilities excluding loan capital		619,435	619,209	600,701	-	3
Loan capital						
Subordinated bonds		5,500	5,521	4,336	-	27
Subordinated perpetual notes		338	337	339	-	-
Trust Preferred Securities		562	568	573	(1)	(2)
Westpac CPS		1,176	1,175	1,175	-	-
Westpac SPS		1,034	1,033	1,031	-	-
Westpac SPS II		904	903	902	-	-
Westpac Capital Notes		1,366	-	-	<i>large</i>	<i>large</i>
Total loan capital		10,880	9,537	8,356	14	30
Total liabilities		630,315	628,746	609,057	-	3
Net assets		47,194	46,219	44,875	2	5
Shareholders' equity						
Share capital:						
Ordinary share capital		26,879	26,355	25,833	2	4
Treasury shares and RSP treasury shares		(254)	(192)	(178)	(32)	(43)
Reserves		657	958	641	(31)	2
Retained profits		17,935	17,128	16,602	5	8
Total equity attributable to owners of Westpac Banking Corporation		45,217	44,249	42,898	2	5
Non-controlling interests						
Trust preferred securities 2003 (TPS 2003)		1,137	1,137	1,137	-	-
Trust preferred securities 2006 (TPS 2006)		755	755	755	-	-
Other		85	78	85	9	-
Total non-controlling interests		1,977	1,970	1,977	-	-
Total shareholders' equity and non-controlling interests		47,194	46,219	44,875	2	5

¹ Goodwill and other intangible assets included \$1,651 million in capitalised software costs (\$1,551 million at 30 September 2012 and \$1,435 million at 31

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

5.3 Consolidated Cash Flow Statement (unaudited)

\$m	Note	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Cash flows from operating activities						
Interest received		16,738	18,111	18,855	(8)	(11)
Interest paid		(10,755)	(11,845)	(12,472)	9	14
Dividends received excluding life business		4	5	7	(20)	(43)
Other non-interest income received		3,388	515	3,188	<i>large</i>	6
Operating expenses paid		(3,062)	(2,724)	(2,922)	(12)	(5)
Net (purchases)/sales of trading and fair value assets		(941)	1,175	3,096	(180)	(130)
Net (sales)/purchases in trading and fair value liabilities		(1,135)	3,757	(3,602)	(130)	68
Net (payments)/receipts relating to derivative financial instruments		(1,314)	2,635	2,378	(150)	(155)
Income tax paid excluding life business		(1,509)	(902)	(995)	(67)	(52)
Life business:						
Receipts from policyholders and customers		850	1,029	760	(17)	12
Interest and other items of similar nature		22	21	20	5	10
Dividends received		109	218	169	(50)	(36)
Payments to policyholders and suppliers		(889)	(1,023)	(875)	13	(2)
Income tax paid		(37)	(24)	(71)	(54)	48
Net cash provided by/(used in) operating activities	20	1,469	10,948	7,536	(87)	(81)
Cash flows from investing activities						
Proceeds from sale/maturity of available-for-sale securities		3,035	1,843	1,808	65	68
Purchase of available-for-sale securities		(7,123)	(4,054)	(4,729)	(76)	(51)
Net (increase)/decrease in:						
Receivables due from other financial institutions		(2,364)	(3,801)	1,383	38	<i>large</i>
Loans		(6,874)	(8,381)	(10,512)	18	35
Life insurance assets and liabilities		(211)	(26)	(6)	<i>large</i>	<i>large</i>
Regulatory deposits with central banks overseas		369	(425)	162	187	128
Other assets		634	641	(473)	(1)	<i>large</i>
Purchase of intangible assets		(286)	(322)	(281)	11	(2)
Purchase of property, plant and equipment		(78)	(144)	(108)	46	28
Proceeds from disposal of property, plant and equipment		6	7	-	(14)	<i>large</i>
Purchase of controlled entity, net of cash acquired		-	-	(270)	-	100
Net cash used in investing activities		(12,892)	(14,662)	(13,026)	12	1
Cash flows from financing activities						
Issue of loan capital (net of issue costs)		1,366	2,449	1,675	(44)	(18)
Redemption of loan capital		-	(1,284)	(1,347)	100	100
Proceeds from exercise of employee options		50	16	9	<i>large</i>	<i>large</i>
Purchase of shares on exercise of employee options and rights		(60)	1	(1)	<i>large</i>	<i>large</i>
Net increase/(decrease) in:						
Payables due to other financial institutions		463	(1,551)	(5,256)	130	109
Deposits		8,162	17,213	9,168	(53)	(11)
Debt issues and acceptances		(992)	(9,518)	(437)	90	(127)
Other liabilities and provisions		(945)	(476)	(599)	(99)	(58)
Purchase of RSP treasury shares		(68)	(7)	(1)	<i>large</i>	<i>large</i>
Net sale/(purchase) of other treasury shares		6	(7)	10	186	(40)
Payment of dividends		(2,053)	(1,995)	(2,055)	(3)	-
Payment of distributions to non-controlling interests		(28)	(33)	(39)	15	28
Net cash provided by financing activities		5,901	4,808	1,127	23	<i>large</i>
Net (decrease)/increase in cash and cash equivalents		(5,522)	1,094	(4,363)	<i>large</i>	(27)
Effect of exchange rate changes on cash and cash equivalents		(401)	(33)	(433)	<i>large</i>	7
Cash and cash equivalents as at the beginning of the period		12,523	11,462	16,258	9	(23)
Cash and cash equivalents as at the end of the period		6,600	12,523	11,462	(47)	(42)

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

5.4 Consolidated Statement of Comprehensive Income (unaudited)

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Net profit for the period	3,339	3,035	3,001	10	11
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Gains/(losses) on available-for-sale securities:					
Recognised in equity	(40)	79	60	(151)	(167)
Transferred to income statement	(28)	(65)	(62)	57	55
Gains/(losses) on cash flow hedging instruments recognised in equity	(451)	344	175	large	large
Exchange differences on translation of foreign operations	(15)	(3)	(61)	large	75
Income tax on items taken directly to or transferred directly from equity:					
Available-for-sale securities reserve	22	(5)	4	large	large
Cash flow hedging reserve	136	(102)	(58)	large	large
Foreign currency translation reserve	-	-	4	-	(100)
Items that will not be reclassified subsequently to profit or loss					
Defined benefit obligation actuarial gains/(losses) recognised in equity (net of tax)	87	24	(1)	large	large
Other comprehensive income for the period (net of tax)	(289)	272	61	large	large
Total comprehensive income for the period	3,050	3,307	3,062	(8)	-
Attributable to:					
Owners of Westpac Banking Corporation	3,015	3,275	3,028	(8)	-
Non-controlling interests	35	32	34	9	3
Total comprehensive income for the period	3,050	3,307	3,062	(8)	-

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

5.5 Consolidated Statement of Changes in Equity (unaudited)

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Share capital					
Balance as at beginning of period	26,163	25,655	25,269	2	4
Shares issued:					
Dividend reinvestment plan	531	505	368	5	44
Option and share right schemes	50	17	9	194	large
Shares purchased for delivery upon exercise of options and share rights (net of tax)	(57)	-	-	large	large
Acquisition of RSP treasury shares	(68)	(7)	(1)	large	large
Disposal/(acquisition) of treasury shares	6	(7)	10	186	(40)
Balance as at period end	26,625	26,163	25,655	2	4
Available-for-sale securities reserve					
Balance as at beginning of period	44	33	31	33	42
Current period movement due to changes in other comprehensive income:					
Net gains/(losses) from changes in fair value	(40)	79	60	(151)	(167)
Exchange differences	-	2	-	(100)	-
Income tax effect	13	(27)	(12)	148	large
Transferred to income statements	(28)	(65)	(62)	57	55
Income tax effect	9	22	16	(59)	(44)
Balance as at period end	(2)	44	33	(105)	(106)
Share-based payment reserve					
Balance as at beginning of period	790	729	648	8	22
Current period movement due to transactions with employees	78	61	81	28	(4)
Balance as at period end	868	790	729	10	19
Cash flow hedging reserve					
Balance as at beginning of period	471	229	112	106	large
Current period movement due to changes in other comprehensive income:					
Net gains/(losses) from changes in fair value	(451)	344	175	large	large
Income tax effect	136	(102)	(58)	large	large
Balance as at period end	156	471	229	(67)	(32)
Foreign currency translation reserve					
Balance as at beginning of period	(354)	(351)	(294)	(1)	(20)
Current period movement due to changes in other comprehensive income:					
Exchange differences on translation of foreign operations	(15)	(3)	(61)	large	75
Tax on foreign currency translation adjustment	-	-	4	-	(100)
Balance as at period end	(369)	(354)	(351)	(4)	(5)
Other reserves					
Balance as at beginning of period	7	1	1	large	large
Transactions with owners:	(3)	6	-	(150)	large
Balance as at period end	4	7	1	(43)	large
Total reserves	657	958	641	(31)	2
Movements in retained profits were as follows					
Balance as at beginning of period	17,128	16,602	16,059	3	7
Current period movement due to changes in comprehensive income:					
Actuarial gains/(losses) on defined benefit obligations (net of tax)	87	24	(1)	large	large
Profit attributable to owners of Westpac Banking Corporation	3,304	3,003	2,967	10	11
Transactions with owners:					
Final dividend paid	(2,584)	-	(2,423)	large	(7)
Interim dividend paid	-	(2,501)	-	100	-
Balance as at period end	17,935	17,128	16,602	5	8
Total comprehensive income attributable to non-controlling interests	35	32	34	9	3
Total comprehensive income attributable to owners of Westpac Banking Corporation	3,015	3,275	3,028	(8)	-
Total comprehensive income for the period	3,050	3,307	3,062	(8)	-

5.6 Notes to First Half 2013 Reported Financial Information (unaudited)

Note 1. Basis of preparation of financial information

The accounting policies and methods of computation adopted in the preparation of the First Half 2013 Financial Information are the same as those in the previous financial year and corresponding interim reporting period, unless specifically noted and are in accordance with A-IFRS and International Financial Reporting Standards (IFRS) as issued by the IASB. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. All amounts have been rounded to the nearest million dollars unless otherwise stated.



INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 2. Average balance sheet and interest rates

	Half Year March 2013			Half Year September 2012			Half Year March 2012		
	Average Balance	Interest Income	Average Rate	Average Balance	Interest Income	Average Rate	Average Balance	Interest Income	Average Rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Assets									
Interest earning assets									
Receivables due from other financial institutions	9,060	61	1.4%	8,821	76	1.7%	7,919	112	2.8%
Trading securities	47,238	893	3.8%	44,857	966	4.3%	46,527	1,125	4.8%
Available-for-sale securities	23,108	602	5.2%	20,287	605	6.0%	17,885	511	5.7%
Other financial assets designated at fair value	1,723	42	4.9%	2,005	54	5.4%	2,033	54	5.3%
Regulatory deposits	1,524	11	1.4%	1,438	14	1.9%	1,482	10	1.3%
Loans and other receivables ¹	508,886	15,255	6.0%	504,438	16,210	6.4%	497,798	17,136	6.9%
Total interest earning assets and interest income	591,539	16,864	5.7%	581,846	17,925	6.2%	573,644	18,948	6.6%
Non-interest earning assets									
Cash, receivables due from other financial institutions and regulatory deposits	1,149			1,931			3,559		
Life insurance assets	8,373			8,103			7,951		
All other assets ²	71,984			74,602			72,638		
Total non-interest earning assets	81,506			84,636			84,148		
Total assets	673,045			666,482			657,792		

	Half Year March 2013			Half Year September 2012			Half Year March 2012		
	Average Balance	Interest Expense	Average Rate	Average Balance	Interest Expense	Average Rate	Average Balance	Interest Expense	Average Rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Liabilities									
Interest bearing liabilities									
Deposits	380,715	6,467	3.4%	366,503	7,140	3.9%	353,703	7,462	4.2%
Payables due to other financial institutions	7,574	86	2.3%	7,752	107	2.8%	10,738	137	2.6%
Loan capital	9,579	270	5.7%	7,909	240	6.1%	7,259	214	5.9%
Other interest bearing liabilities ³	154,179	3,749	4.9%	161,823	4,121	5.1%	165,367	4,950	6.0%
Total interest bearing liabilities and interest expense	552,047	10,572	3.8%	543,987	11,608	4.3%	537,067	12,763	4.8%
Non-interest bearing liabilities									
Deposits and payables due to other financial institutions	21,500			19,345			18,283		
Life insurance policy liabilities	7,247			6,912			6,926		
All other liabilities ⁴	46,452			51,351			51,265		
Total non-interest bearing liabilities	75,199			77,608			76,474		
Total liabilities	627,246			621,595			613,541		
Shareholders' equity	43,831			42,932			42,278		
Non-controlling interests	1,968			1,955			1,973		
Total equity	45,799			44,887			44,251		
Total liabilities and equity	673,045			666,482			657,792		

¹ Other receivables includes other assets, cash and balances held with central banks.

² Includes property, plant and equipment, goodwill and intangibles, other assets, deferred tax assets and non-interest bearing loans relating to mortgage offset accounts.

³ Includes net impact of Treasury balance sheet management activities.

⁴ Includes provisions for current and deferred income tax and derivative financial instruments.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 2. Average balance sheet and interest rates (continued)

	Half Year March 2013			Half Year September 2012			Half Year March 2012		
	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %	Average Balance \$m	Interest \$m	Average Rate %
Loans and other receivables¹									
Australia	447,627	13,689	6.1%	443,074	14,619	6.6%	437,758	15,583	7.1%
New Zealand	48,603	1,430	5.9%	46,992	1,448	6.2%	45,840	1,422	6.2%
Other overseas	12,656	136	2.2%	14,372	143	2.0%	14,200	131	1.8%
Deposits									
Australia	322,114	5,785	3.6%	310,222	6,486	4.2%	294,602	6,815	4.6%
New Zealand	33,806	585	3.5%	31,069	547	3.5%	29,579	519	3.5%
Other overseas	24,795	97	0.8%	25,212	107	0.8%	29,522	128	0.9%

¹ Other receivables includes other assets, cash and balances held with central banks.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 3. Net interest income

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Interest income					
Cash	50	57	42	(12)	19
Receivables due from other financial institutions	61	76	112	(20)	(46)
Net ineffectiveness on qualifying hedges	39	(2)	10	large	large
Trading securities	893	966	1,125	(8)	(21)
Other financial assets designated at fair value	42	54	54	(22)	(22)
Available-for-sale securities	602	605	511	-	18
Loans	15,165	16,154	17,084	(6)	(11)
Regulatory deposits with central banks overseas	11	14	10	(21)	10
Other interest income	1	1	-	-	large
Total interest income	16,864	17,925	18,948	(6)	(11)
Interest expense					
Payables due to other financial institutions	(86)	(107)	(137)	20	37
Certificates of deposit	(566)	(759)	(860)	25	34
At call and term deposits	(5,901)	(6,381)	(6,602)	8	11
Trading liabilities	(1,704)	(1,858)	(2,642)	8	36
Other financial liabilities designated at fair value	(13)	(11)	(9)	(18)	(44)
Debt issues and acceptances	(1,976)	(2,189)	(2,199)	10	10
Loan capital	(270)	(240)	(214)	(13)	(26)
Other interest expense	(56)	(63)	(100)	11	44
Total interest expense	(10,572)	(11,608)	(12,763)	9	17
Net interest income	6,292	6,317	6,185	-	2

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 4. Non-interest income

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Fees and commissions					
Facility fees	608	596	583	2	4
Transaction fees and commissions	583	597	588	(2)	(1)
Other non-risk fee income	139	128	138	9	1
Total fees and commissions	1,330	1,321	1,309	1	2
Wealth management and insurance income					
Life insurance and funds management net operating income	834	869	744	(4)	12
General insurance and lenders mortgage insurance net operating income	84	125	53	(33)	58
Total wealth management and insurance income	918	994	797	(8)	15
Trading income¹					
Foreign exchange income	202	201	275	-	(27)
Other trading securities	315	243	131	30	140
Total trading income	517	444	406	16	27
Other income					
Dividends received	4	5	7	(20)	(43)
Rental income	-	-	1	-	(100)
Net gain/(loss) on ineffective hedges	(3)	(5)	8	40	(138)
Net gain on hedging overseas operations	19	33	45	(42)	(58)
Net gain/(loss) on derivatives held for risk management purposes ²	(15)	(6)	(30)	(150)	50
Net gain/(loss) on disposal of assets	36	-	46	large	(22)
Net gain/(loss) on financial instruments designated at fair value	23	14	13	64	77
Other	49	34	45	44	9
Total other income	113	75	135	51	(16)
Total non-interest income	2,878	2,834	2,647	2	9

¹ Trading income primarily includes earnings from our WIB markets, Westpac Pacific businesses and our Treasury foreign exchange operations in Australia and New Zealand.

² Income from derivatives held for risk management purposes primarily comprises net gains/losses on the hedge of our 2003 Trust Preferred Security.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 5. Operating expenses

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Salaries and other staff expenses					
Salaries and wages	1,614	1,551	1,562	(4)	(3)
Other staff expenses	504	497	489	(1)	(3)
Restructuring costs	18	39	120	54	85
Total salaries and other staff expenses	2,136	2,087	2,171	(2)	2
Equipment and occupancy expenses					
Operating lease rentals	279	266	269	(5)	(4)
Depreciation, amortisation and impairment:					
Premises	11	6	8	(83)	(38)
Leasehold improvements	48	54	52	11	8
Furniture and equipment	30	31	31	3	3
Technology	45	43	42	(5)	(7)
Software	185	200	152	8	(22)
Other	62	64	60	3	(3)
Total equipment and occupancy expenses	660	664	614	1	(7)
Other expenses					
Amortisation of deferred expenditure & intangible assets	111	120	111	8	-
Non-lending losses	27	145	27	81	-
Purchased services:					
Technology and information services	160	164	114	2	(40)
Legal	9	18	11	50	18
Other professional services	172	201	201	14	14
Credit card loyalty programs	70	61	72	(15)	3
Postage and stationery	108	117	112	8	4
Outsourcing costs	298	308	312	3	4
Insurance	10	7	9	(43)	(11)
Advertising	94	83	64	(13)	(47)
Training	9	12	8	25	(13)
Travel	30	33	33	9	9
Other expenses	15	(7)	37	large	59
Total other expenses	1,113	1,262	1,111	12	-
Total operating expenses	3,909	4,013	3,896	3	-

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 6. Deferred expenses and capitalised software

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Capitalised software	1,651	1,551	1,435	6	15
Deferred acquisition costs	139	143	142	(3)	(2)
Other	20	17	17	18	18



INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 7. Income tax

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
The income tax expense for the period is reconciled to the profit before income tax as follows					
Profit before income tax	4,823	4,534	4,328	6	11
Prima facie income tax based on the Australian company tax rate of 30%	1,447	1,361	1,298	(6)	(11)
The effect of amounts which are not deductible/(assessable) in calculating taxable income					
Change in tax rate ¹	-	-	1	-	100
Rebateable and exempt dividends	-	-	(1)	-	(100)
Life insurance:					
Tax adjustment on policy holders earnings ²	13	2	6	large	(117)
Adjustment for life business tax rates	(5)	(3)	(3)	67	67
Hybrid capital distributions	9	10	-	10	large
Other non-assessable items	(12)	(19)	(10)	(37)	20
Other non-deductible items	25	27	26	7	(4)
Adjustment for overseas tax rates	(5)	9	(6)	156	(17)
Income tax under/(over) provided in prior years	3	(5)	(5)	(160)	(160)
TOFA tax consolidation adjustment ³	-	165	-	100	-
Other items	9	(48)	21	(119)	57
Total income tax expense in the income statement	1,484	1,499	1,327	1	(12)
Average effective income tax rate	30.8%	33.1%	30.7%	230bps	(10bps)
Effective tax rate (excluding life company accounting)	30.5%	33.0%	30.5%	250bps	-

¹ During 2012 the company tax rates in the UK and Fiji reduced from 26% to 24%, and 28% to 20% respectively. The impact of these changes has been taken into account in the measurement of deferred tax at the end of the reporting period.

² In accordance with the requirements of AASB 1038, tax expense for First Half 2013 includes a \$19 million tax expense on policyholders' investment earnings (Second Half 2012: \$3 million tax expense, First Half 2012: \$9 million tax expense) of which \$6 million is a prima facie tax expense (Second Half 2012: \$1 million tax expense, First Half 2012: \$3 million tax expense) and the balance of \$13 million tax expense (Second Half 2012: \$2 million tax expense, First Half 2012: \$6 million tax expense) is shown here.

³ Legislation that included retrospective amendments to the income tax law as it applies to the TOFA and tax consolidated groups was introduced during the 2012 financial year. The amendments had an adverse application to certain liabilities that were consolidated as part of the St. George merger. This gave rise to an additional income tax expense of \$165 million for Second Half 2012.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 8. Dividends

	Half Year March 13	Half Year Sept 12	Half Year March 12
Dividends per ordinary share (cents per share)			
Interim (fully franked)	86	-	82
Special (fully franked)	10	-	-
Final (fully franked)	-	84	-
	96	84	82
Total dividends paid (\$m)			
Ordinary dividends paid	2,584	2,501	2,423
	2,584	2,501	2,423
Ordinary dividend payout ratio¹	80.4%	85.6%	83.8%

The Group operates a Dividend Reinvestment Plan (DRP), which is available to holders of fully paid ordinary shares who are resident in, or whose address on the register of shareholders is in Australia or New Zealand. Shares allocated under the DRP will rank equally with other ordinary shares on issue. As noted in Section 3.5, the Directors have made certain determinations in relation to the calculation of the Market Price that will apply to the DRP for the 2013 interim and special dividends only.

Shareholders who wish to commence participation in the DRP, or to vary their current participation election, must do so by 5.00pm (Sydney time) on 17 May 2013, which is the record date for the 2013 interim and special dividends. Shareholders can provide these instructions by:

- For shareholders with holdings that have a market value of less than AUD50,000, logging into the Westpac share registrar's website at www.linkmarketservices.com.au and electing into the DRP or amending their existing instructions online; or
- Completing and returning a DRP Application or Variation form to Westpac's share registry. Registry contact details are listed in Section 6.2.

¹ Excludes special dividend.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 9. Earnings per ordinary share

	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Earnings per ordinary share (cents)					
Basic	107.0	98.1	97.8	9	9
Fully diluted	104.7	95.5	94.5	10	11
Weighted average number of fully paid ordinary shares (millions)					
Basic	3,083	3,054	3,031	1	2
Fully diluted	3,221	3,224	3,206	-	-

	Half Year March 13	Half Year Sept 12	Half Year March 12
Reconciliation of ordinary shares on issue before the effect of own shares held (millions)			
Opening balance	3,080	3,054	3,030
Number of shares issued under the Dividend Reinvestment Plan (DRP)	22	25	18
Number of shares issued under the Employee Share Plan (ESP)	1	-	1
Number of shares issued under Restricted Share Plan (RSP), option and share right schemes	1	1	5
Closing balance	3,104	3,080	3,054

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 9. Earnings per ordinary share (continued)

	Half Year March 2013		Half Year Sept 2012		Half Year March 2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Reconciliation of earnings used in the calculation of earnings per ordinary share (\$m)						
Net profit attributable to owners of Westpac Banking Corporation	3,304	3,304	3,003	3,003	2,967	2,967
RSP treasury shares distributions ¹	(5)	-	(7)	-	(4)	-
2004 TPS distributions	-	9	-	9	-	9
2007 convertible notes distributions	-	-	-	2	-	15
Westpac SPS distributions	-	14	-	16	-	18
Westpac SPS II distributions	-	15	-	17	-	19
Westpac CPS dividends	-	27	-	32	-	1
Westpac Capital Notes dividends	-	4	-	-	-	-
Net profit attributable to owners of Westpac Banking Corporation adjusted for the effect of dilution	3,299	3,373	2,996	3,079	2,963	3,029
Weighted average number of ordinary shares (millions)						
Weighted average number of ordinary shares	3,096	3,096	3,067	3,067	3,044	3,044
Effect of own shares held	(13)	(13)	(13)	(13)	(13)	(13)
Potential dilutive adjustment:						
Exercise of options and share rights and vesting of restricted shares	-	13	-	13	-	7
Conversion of 2004 TPS	-	16	-	22	-	24
Conversion of 2007 convertible notes	-	-	-	4	-	49
Conversion of Westpac SPS	-	34	-	43	-	50
Conversion of Westpac SPS II	-	30	-	38	-	43
Conversion of Westpac CPS	-	39	-	50	-	2
Conversion of Westpac Capital Notes	-	6	-	-	-	-
Total weighted average number of ordinary shares	3,083	3,221	3,054	3,224	3,031	3,206
Earnings per ordinary share (cents)	107.0	104.7	98.1	95.5	97.8	94.5

¹ While the equity granted to employees remains unvested, Restricted Share Plan (RSP) treasury shares are deducted from ordinary shares on issue in arriving at the weighted average number of ordinary shares outstanding. Despite the shares being unvested, employees are entitled to dividends and voting rights on the shares. Consequently, a portion of the profit for the period is allocated to RSP treasury shares to arrive at earnings attributed to ordinary shareholders.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 10. Loans

\$m	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Loans are classified based on the location of the booking office:					
Australia					
Overdrafts	3,086	3,171	3,302	(3)	(7)
Credit card outstandings	9,788	9,675	9,807	1	-
Overnight and at call money market loans	73	136	45	(46)	62
Acceptance of finance	37,071	38,175	38,488	(3)	(4)
Term loans:					
Housing	290,811	283,703	276,204	3	5
Housing - line of credit	31,127	32,639	33,923	(5)	(8)
Total housing	321,938	316,342	310,127	2	4
Non-housing	85,482	84,244	82,350	1	4
Finance leases	5,462	5,997	6,202	(9)	(12)
Margin lending	2,168	2,279	2,667	(5)	(19)
Other	2,872	2,995	3,571	(4)	(20)
Total Australia	467,940	463,014	456,559	1	2
New Zealand					
Overdrafts	946	1,147	1,003	(18)	(6)
Credit card outstandings	1,073	1,045	1,040	3	3
Overnight and at call money market loans	1,203	1,215	1,113	(1)	8
Term loans:					
Housing	29,327	28,685	27,998	2	5
Non-housing	16,034	15,784	15,234	2	5
Other	360	369	385	(2)	(6)
Total New Zealand	48,943	48,245	46,773	1	5
Other Overseas					
Overdrafts	134	160	174	(16)	(23)
Term loans:					
Housing	911	961	981	(5)	(7)
Non-Housing	4,290	3,956	3,897	8	10
Finance leases	88	85	72	4	22
Other	2,679	1,858	1,688	44	59
Total Other Overseas	8,102	7,020	6,812	15	19
Total loans	524,985	518,279	510,144	1	3
Provision on loans	(3,855)	(3,834)	(4,020)	1	(4)
Total net loans¹	521,130	514,445	506,124	1	3

¹ Total net loans include securitised loans of \$11,785 million at 31 March 2013, (\$10,763 million at 30 September 2012 and \$11,193 million at 31 March 2012). The level of securitised loans excludes loans where Westpac is the holder of the related debt securities.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 11. Provisions for impairment charges

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12
Collectively assessed provisions			
Balance at beginning of the period	2,771	2,909	2,953
Provisions raised/(released)	147	146	196
Write-offs	(326)	(397)	(359)
Interest adjustment	100	111	118
Exchange rate and other adjustments	2	2	1
Closing balance	2,694	2,771	2,909
Individually assessed provisions			
Balance at beginning of the period	1,470	1,482	1,461
Provisions raised	557	727	715
Write-backs	(225)	(208)	(260)
Write-offs	(261)	(525)	(427)
Interest adjustment	(38)	(27)	(11)
Exchange rate and other adjustments	2	21	4
Closing balance	1,505	1,470	1,482
Total provisions for impairment charges on loans and credit commitments	4,199	4,241	4,391
Less: provisions for credit commitments	(344)	(407)	(371)
Total provisions for impairment charges on loans	3,855	3,834	4,020
Reconciliation of impairment charges			
\$m	Half Year March 13	Half Year Sept 12	Half Year March 12
Individually assessed provisions raised	557	727	715
Write-backs	(225)	(208)	(260)
Recoveries	(41)	(61)	(43)
Collectively assessed provisions raised/(released)	147	146	196
Impairment charges	438	604	608

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 12. Impaired loans

	Australia			New Zealand			Other Overseas			Total		
\$m	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
Non-Performing Loans:												
Gross amount	3,112	3,212	3,293	672	743	721	82	79	113	3,866	4,034	4,127
Impairment provision	(1,233)	(1,199)	(1,213)	(227)	(224)	(226)	(46)	(40)	(64)	(1,506)	(1,463)	(1,503)
Net	1,879	2,013	2,080	445	519	495	36	39	49	2,360	2,571	2,624
Restructured loans:												
Gross amount	63	43	23	-	-	-	111	110	102	174	153	125
Impairment provision	(33)	(19)	(10)	-	-	-	(24)	(25)	(24)	(57)	(44)	(34)
Net	30	24	13	-	-	-	87	85	78	117	109	91
Overdrafts, personal loans and revolving credit greater than 90 days:												
Gross amount	226	186	219	14	12	14	1	1	2	241	199	235
Impairment provision	(150)	(126)	(148)	(9)	(7)	(10)	(1)	(1)	(2)	(160)	(134)	(160)
Net	76	60	71	5	5	4	-	-	-	81	65	75
Total Impaired loans:												
Gross amount	3,401	3,441	3,535	686	755	735	194	190	217	4,281	4,386	4,487
Impairment provision	(1,416)	(1,344)	(1,371)	(236)	(231)	(236)	(71)	(66)	(90)	(1,723)	(1,641)	(1,697)
Net	1,985	2,097	2,164	450	524	499	123	124	127	2,558	2,745	2,790

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 13. Movement in gross impaired assets¹

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Balance as at beginning of period	4,386	4,487	4,616	2	5
New and increased	997	1,194	1,060	16	6
Write-offs	(587)	(922)	(786)	36	25
Returned to performing or repaid	(886)	(738)	(792)	20	12
Portfolio managed - new/increased/returned/repaid	368	360	395	(2)	7
Exchange rate and other adjustments	3	5	(6)	40	(150)
Balance as at period end	4,281	4,386	4,487	2	5

Note 14. Items past 90 days but well secured

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
\$m					
Australia					
Housing products	1,670	1,408	1,417	(19)	(18)
Other products	864	1,120	1,363	23	37
Total Australia	2,534	2,528	2,780	-	9
New Zealand					
Housing products	73	73	99	-	26
Other products	36	48	56	25	36
Other Overseas	25	37	47	32	47
Total Overseas	134	158	202	15	34
Total	2,668	2,686	2,982	1	11

Note 15. Impaired assets and provisioning ratios

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	Mov't Mar 13 - Sept 12	Mov't Mar 13 - Mar 12
Net impaired assets to equity and collectively assessed provisions	5.1%	5.6%	5.8%	50bps	70bps
Total impaired assets to gross loans	0.82%	0.85%	0.88%	3bps	6bps
Total impaired assets to equity and total provisions	8.3%	8.7%	9.1%	40bps	80bps
Total impaired provisions to total impaired assets	40.2%	37.4%	37.8%	280bps	240bps
Total provisions to gross loans	80bps	82bps	86bps	(2bps)	(6bps)
Collectively assessed provisions to performing non-housing loans ²	151bps	155bps	164bps	(4bps)	(13bps)
Collectively assessed provisions to RWA ³	87bps	90bps	94bps	(3bps)	(7bps)
Collectively assessed provisions to credit RWA ³	106bps	108bps	116bps	(2bps)	(10bps)
Total provisions to RWA ³	136bps	137bps	141bps	(1bps)	(5bps)

Note 16. Delinquencies (90 days past due loans)

	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	Mov't Mar 13 - Sept 12	Mov't Mar 13 - Mar 12
Mortgages	0.57%	0.51%	0.55%	(6bps)	(2bps)
Other personal lending	1.30%	1.11%	1.33%	(19bps)	3bps
Total personal lending	0.60%	0.54%	0.59%	(6bps)	(1bps)

¹ Movement represents a six month period.

² Non-housing loans have been determined on a loan purpose basis.

³ Prior periods restated on a pro forma APRA Basel III basis.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 17. Deposits

\$m	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Australia					
Certificates of deposit					
At fair value	27,902	32,786	39,084	(15)	(29)
At amortised cost	127	119	128	7	(1)
Total certificates of deposit	28,029	32,905	39,212	(15)	(29)
At call and term deposits					
Non-interest bearing, repayable at call	18,357	16,659	14,854	10	24
Other interest bearing:					
At call	160,885	147,038	134,306	9	20
Term	132,768	139,351	130,172	(5)	2
Total at call and term deposits	312,010	303,048	279,332	3	12
Total Australia	340,039	335,953	318,544	1	7
New Zealand					
Certificates of deposit					
At fair value	831	1,134	1,113	(27)	(25)
Total certificates of deposit	831	1,134	1,113	(27)	(25)
At call and term deposits					
Non-interest bearing, repayable at call	2,614	2,368	2,314	10	13
Other interest bearing:					
At call	13,997	12,702	12,247	10	14
Term	19,531	18,392	16,503	6	18
Total at call and term deposits	36,142	33,462	31,064	8	16
Total New Zealand	36,973	34,596	32,177	7	15
Other overseas					
Certificates of deposit					
At fair value	14,804	13,081	17,009	13	(13)
At amortised cost	132	149	208	(11)	(37)
Total certificates of deposit	14,936	13,230	17,217	13	(13)
At call and term deposits					
Non-interest bearing, repayable at call	735	732	631	-	16
Other interest bearing:					
At call	1,838	1,982	2,165	(7)	(15)
Term	8,885	8,498	6,724	5	32
Total at call and term deposits	11,458	11,212	9,520	2	20
Total other overseas	26,394	24,442	26,737	8	(1)
Total deposits	403,406	394,991	377,458	2	7
Total deposits at fair value	43,892	47,086	57,264	(7)	(23)
Total deposits at amortised cost	359,514	347,905	320,194	3	12
Total deposits	403,406	394,991	377,458	2	7

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 18. Capital adequacy – Basel III¹

	Basel III	Basel 2.5	
	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
\$m			
Tier 1 capital			
Common equity			
Paid up ordinary capital	26,879	26,355	25,833
Treasury shares	(182)	(114)	(110)
Equity based remuneration	804	727	673
Foreign currency translation reserve	(348)	(347)	(340)
Accumulated other comprehensive income	1	-	-
Non-controlling interests - other	51	49	46
Retained earnings	17,935	17,128	16,602
Less retained earnings in life and general insurance, funds management and securitisation entities	(929)	(922)	(937)
Dividends provided for capital adequacy purposes	-	(2,587)	(2,504)
Estimated reinvestment under dividend reinvestment plan	-	440	426
Deferred fees	122	144	130
Total common equity	44,333	40,873	39,819
Deductions from common equity			
Goodwill (excluding funds management entities)	(9,024)	(9,137)	(9,235)
Deferred tax assets	(1,783)	(1,365)	(1,422)
Goodwill in life and general insurance, funds management and securitisation entities	(1,290)	(1,280)	(1,283)
Capitalised expenditure	(692)	(652)	(588)
Capitalised software	(1,546)	(1,459)	(1,346)
Investments in subsidiaries not consolidated for regulatory purposes	(1,577)	(821)	(842)
Regulatory expected loss	(852)	(769)	(809)
General reserve for credit losses adjustment	(83)	(131)	(119)
Securitisation	(7)	(21)	(25)
Equity investments	(426)	(11)	(6)
Regulatory adjustments to fair value positions	(147)	(251)	(264)
Other Tier 1 deductions	(3)	(5)	(5)
Total deductions from common equity	(17,430)	(15,902)	(15,944)
Total common equity after deductions	26,903	24,971	23,875
Residual Tier 1 capital			
Westpac CPS	1,176	1,175	1,175
Westpac SPS	1,034	1,033	1,031
Westpac SPS II	904	903	902
Westpac Capital Notes	1,366	-	-
Trust preferred securities (2003 TPS)	1,137	1,137	1,137
Trust preferred securities (2004 TPS)	562	568	573
Trust preferred securities (2006 TPS)	755	755	755
Basel III transitional adjustment	(552)	-	-
Total residual Tier 1 capital	6,382	5,571	5,573
Net Tier 1 capital	33,285	30,542	29,448

¹ APRA's Basel III Capital adequacy framework.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 18. Capital adequacy – Basel III (continued)

	Basel III	Basel 2.5	
	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
\$m			
Tier 2 capital			
Upper Tier 2 capital			
Subordinated undated capital notes	338	337	339
Eligible subordinated bonds, notes and debentures	5,268	5,380	4,195
Eligible general reserve for credit loss	49	57	55
Revaluation reserve - available-for-sale securities	-	18	14
Basel III transitional adjustment	(539)	-	-
Total Tier 2 capital	5,116	5,792	4,603
Deductions from Tier 2 capital			
Investments in subsidiaries not consolidated for regulatory purposes	-	(821)	(842)
Regulatory expected loss	-	(769)	(809)
Securitisation	-	(21)	(25)
Equity investments	-	(11)	(6)
Total deductions from Tier 2 capital	-	(1,622)	(1,682)
Net Tier 2 capital	5,116	4,170	2,921
Total regulatory capital (Level 2 capital base)	38,401	34,712	32,369
Risk weighted assets	307,976	297,901	300,046
Common equity Tier 1 ratio	8.7%	8.4%	8.0%
Tier 1 capital ratio	2.1%	1.9%	1.8%
Tier 2 capital ratio	1.7%	1.4%	1.0%
Total regulatory capital ratio	12.5%	11.7%	10.8%

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 18. Capital adequacy – Basel III (continued)

\$m	Basel III	Basel 2.5	
	As at 31 March 2013	As at 30 Sept 2012	As at 31 March 2012
Credit risk - on-balance sheet			
Corporate ¹	32,558	34,079	33,514
Business lending ²	27,878	33,660	32,660
Sovereign ³	1,301	1,009	993
Bank ⁴	5,020	3,390	1,672
Residential mortgages	54,887	53,172	54,221
Australian credit cards	3,913	3,837	4,176
Other retail	8,369	7,427	7,327
Small business ⁵	5,492	3,212	3,312
Specialised lending: Property and project finance ⁶	35,495	35,297	36,363
Securitisation ⁷	2,926	2,341	2,329
Standardised	5,341	5,407	5,238
Total on-balance sheet assets - credit risk	183,180	182,831	181,805
Credit risk - off-balance sheet			
Corporate ¹	29,782	30,808	28,940
Business lending ²	6,730	7,197	6,854
Sovereign ³	417	528	414
Bank ⁴	4,236	4,793	3,942
Residential mortgages	4,998	4,146	4,017
Australian credit cards	1,296	1,200	1,153
Other retail	827	873	843
Small business ⁵	1,222	965	946
Specialised lending: Property and project finance ⁶	8,107	7,857	6,400
Securitisation ⁷	3,521	2,950	2,674
Standardised	943	951	841
Mark-to-market related credit risk	8,475	-	-
Total off-balance sheet assets - credit risk	70,554	62,268	57,024
Equity risk	-	1,263	1,385
Market risk	10,555	12,087	19,266
Operational risk ⁸	26,761	26,757	23,640
Interest rate risk in the banking book	13,744	10,234	13,208
Other assets	3,182	2,461	3,718
Total risk weighted assets	307,976	297,901	300,046

¹ Corporate – Typically includes exposure where the borrower has annual turnover greater than \$50 million, and other business exposures not captured under the definitions of either Business Lending or Small Business.

² Business Lending – Includes exposures where the borrower has annual turnover less than or equal to \$50 million and exposure greater than \$1 million.

³ Sovereign – Includes exposures to Governments themselves and other non-commercial enterprises that are owned or controlled by them.

⁴ Bank – Includes exposures to licensed banks and their owned or controlled subsidiaries, and overseas central banks.

⁵ Small Business – Includes exposures less than or equal to \$1 million.

⁶ Specialised Lending: Property & project finance – Includes exposures to entities created to finance and/or operate specific assets where, apart from the income received from the assets being financed, the borrower has little or no independent capacity to repay from other activities or assets.

⁷ Securitisation – Exposures reflect Westpac's involvement in activities ranging from originator to investor and include the provision of securitisation services for clients wishing to access capital markets.

⁸ Operational Risk – The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic or reputational risk.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 19. Derivative financial instruments

\$m	Notional Amount ¹	Fair Value Asset	Fair Value Liability
Held for trading			
Interest rate			
Futures	117,984	-	-
Forwards	154,234	23	(23)
Swaps	972,303	14,190	(13,921)
Options	51,634	170	(123)
Foreign exchange			
Forwards	446,155	3,632	(3,937)
Swaps	280,529	8,091	(4,460)
Options	28,074	320	(355)
Commodities			
	3,066	90	(101)
Equities			
	525	19	(12)
Credit			
	62,203	361	(385)
Total held for trading derivatives	2,116,707	26,896	(23,317)
Fair value hedges			
Interest rate			
Swaps	36,134	698	(2,101)
Foreign exchange			
Swaps	26,565	99	(4,977)
Total fair value hedging derivatives	62,699	797	(7,078)
Cash flow hedges			
Interest rate			
Swaps	96,925	1,604	(952)
Foreign exchange			
Swaps	10,143	-	(2,710)
Total cash flow hedging derivatives	107,068	1,604	(3,662)
Total net investment hedges	4,267	26	(24)
Total derivatives as at 31 March 2013	2,290,741	29,323	(34,081)
Total derivatives as at 30 September 2012	2,297,064	35,489	(38,935)
Total derivatives as at 31 March 2012	2,030,620	30,641	(31,358)

¹ Notional amount refers to the face value of the contract upon which cash flows are calculated.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 19. Derivative financial instruments (continued)

Value at Risk (VaR) is used as the primary method for measuring and monitoring market risk exposure against Board approved limits. VaR is an estimate of the worst case loss in the value of trading positions, to a 99% confidence level, assuming positions were held unchanged for one day. The types of market risk arising from trading activity include interest rate, foreign exchange, commodity, equity, credit spread and volatility risks. The table below depicts the aggregate Markets VaR for the last three half-years.

Markets - Daily Value at Risk (VaR)¹

\$m	High	Low	Average
Six months ended 31 March 2013	10.6	3.6	5.4
Six months ended 30 September 2012	10.2	3.1	5.3
Six months ended 31 March 2012	12.7	4.0	8.3

Average	Half Year 31 March 2013	Half Year 30 Sept 2012	Half Year 31 March 2012
\$m			
Interest rate risk	3.3	4.4	4.5
Foreign exchange risk	1.5	2.3	4.0
Equity risk	0.2	0.6	0.5
Commodity risk ²	2.1	1.7	3.2
Other market risks ³	2.8	2.1	3.2
Diversification benefit	(4.5)	(5.8)	(7.1)
Net market risk	5.4	5.3	8.3

Treasury's Traded Risk and Non-Traded Interest Rate Risk

\$m	High	Low	Average
Six months ended 31 March 2013	34.4	16.2	25.5
Six months ended 30 September 2012	40.0	14.9	29.7
Six months ended 31 March 2012	41.7	26.3	33.4

¹ The daily VaR presented in Note 19 above reflects a divisional view of VaR being the VaR for Markets and the VaR for Treasury's traded risk and non-traded interest rate risk. This presentation aligns with the presentation of Markets and Treasury, as referred to in Sections 3.2.2 and 4.5 respectively. It varies from the presentations of VaR in Westpac's 2012 Annual Report and Australian Prudential Standard (APS) 330 Prudential Disclosure under Basel II where market risk disclosures are segregated as trading and banking book. The different treatment reflects the aggregation of Treasury's trading activities with those of Markets in the trading VaR disclosure under the Basel II presentation whereas these activities are included in Treasury's traded risks and non-traded interest rate risk in the table above.

² Includes electricity risk.

³ Includes prepayment risk and credit spread risk (exposures to movements in generic credit rating bands).

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION

Note 20. Notes to the cash flow statement

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12	% Mov't Mar 13 - Sept 12	% Mov't Mar 13 - Mar 12
Reconciliation of net cash provided by/(used in) operating activities to net profit for the period					
Net profit for the period	3,339	3,035	3,001	10	11
Adjustments:					
Depreciation, amortisation and impairment	426	454	396	(6)	8
Increase/(decrease) in sundry provisions and other non-cash items	964	(1,243)	1,064	178	(9)
Impairment charges	479	665	651	(28)	(26)
(Increase)/decrease in trading and fair value assets	(941)	1,175	3,096	(180)	(130)
Increase/(decrease) in trading and fair value liabilities	(1,135)	3,757	(3,602)	(130)	68
(Increase)/decrease in derivative financial instruments	(1,314)	2,635	2,378	(150)	(155)
(Increase)/decrease in accrued interest receivable	(104)	134	-	(178)	large
Increase/(decrease) in accrued interest payable	(183)	(237)	291	23	(163)
Increase/(decrease) in current and deferred tax	(62)	573	261	(111)	(124)
Net cash (used in)/provided by operating activities	1,469	10,948	7,536	(87)	(81)
Details of assets and liabilities of controlled entities and businesses acquired					
Total assets (tangible and financial) excluding cash	-	-	73	-	(100)
Identifiable intangible assets	-	-	120	-	(100)
Total liabilities	-	-	(70)	-	100
Fair value of identifiable net assets acquired¹	-	-	123	-	(100)
Goodwill	-	-	214	-	(100)
Total	-	-	337	-	(100)
Consideration paid					
Debt and equity instruments issued	-	-	45	-	(100)
Cash paid	-	-	292	-	(100)
Total consideration transferred	-	-	337	-	(100)
Cash paid	-	-	292	-	(100)
Less cash acquired	-	-	(22)	-	100
Cash paid (net of cash acquired)	-	-	270	-	(100)

¹ On 1 October 2011 BT Investment Management Limited (an entity controlled by Westpac) acquired 100% of the share capital of JOHCM, a company incorporated in the United Kingdom.

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 21. Other group investments and changes in control of group entities

The Group had a significant non-controlling shareholding in the following entities as at 31 March 2013:

	Country where Business is Carried on	Beneficial Interest %	Nature of Business
Above The Index Asset Management Pty Limited	Australia	37.0	Funds management
Alleron Investment Management Limited	Australia	39.7	Funds management
Angusknight Pty Limited	Australia	50.0	Employment and training
Arkx Investment Management Pty Limited	Australia	28.0	Funds management
Athos Capital Limited	Hong Kong	35.0	Funds management
Boyd Cook Cove Unit Trust	Australia	50.0	Investment fund
Canning Park Capital Pte Limited	Singapore	30.0	Funds management
Cardlink Services Limited	Australia	25.0	Card clearing system
Cards NZ Limited	New Zealand	18.8	Credit card provider
Cash Services Australia Pty Limited	Australia	25.0	Cash logistics
Continuum Capital Management Limited	Australia	45.0	Funds management
Cook Cove Investment Pty Limited	Australia	50.0	Investment company
Cook Cove Investment Trust	Australia	50.0	Investment fund
Cook Cove Pty Limited and its controlled entities	Australia	50.0	Investment company
Exact Mining Group Pty Limited	Australia	25.5	Services to mining
H3 Global Advisors Pty Limited	Australia	43.9	Funds management
Helix Partners Limited	Australia	46.0	Funds management
Paymark Limited	New Zealand	25.0	Electronic payments processing
Regal Funds Management Asia Limited	Singapore	30.0	Funds management
Regal Funds Management Pty Limited	Australia	30.0	Funds management
RV Capital Pty Limited	Singapore	30.0	Funds management
St Hilliers Enhanced Property Fund No.2	Australia	15.0	Property fund
Sydney Harbour Bridge Holdings Pty Limited	Australia	49.0	Intellectual property
Vipro Pty Limited	Australia	33.3	Voucher processing
Westpac Employee Assistance Foundation Pty Limited	Australia	50.0	Corporate trustee
Westpac Essential Services Trust I and II and their controlled and non-controlled entities	Australia	36.8	Asset management

The total carrying amount of the Group's significant non-controlling shareholding was \$206 million (30 September 2012 \$208 million, 31 March 2012 \$217 million).

During the six months ended 31 March 2013 the Group acquired a non-controlling interest in the following entity:

- RV Capital Pte Limited (formed 22 March 2013).

During the six months ended 31 March 2013 the Group's interest in the following investment ceased:

- Westpac Staff Superannuation Plan Pty Limited (deregistered 28 November 2012).

During the six months ended 31 March 2013 the following entity changed its name:

- Rhodes Contracting Pty Limited to Exact Mining Group Pty Limited (changed 7 March 2013).

In terms of the contribution to the results of the Group, the above investments are not material either individually or in aggregate.

During the six months ended 31 March 2013 the following controlled entities were incorporated, formed or acquired:

- Hastings Funds Management Asia Pte. Limited (incorporated 31 October 2012);
- Westpac NZ Securitisation No.2 Limited (incorporated 2 November 2012);
- Westpac Cash PIE Fund (formed 14 November 2012);
- BT Investment Management (Fund Services) Limited (incorporated 15 November 2012);

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

- Crusade ABS Series 2012-1 Trust (formed 6 December 2012);
- Series 2013-1 WST Trust (formed 18 February 2013); and
- JOHCM (USA) Inc (formed 28 March 2013).

During the six months ended 31 March 2013 the following controlled entities ceased to be controlled:

- Infrastructure Australia (No.3) Limited (deregistered 13 October 2012);
- Infrastructure Australia (No.4) Limited (deregistered 13 October 2012);
- St.George Insurance Australia Pty Limited (deregistered 31 October 2012);
- Tasman LLC (deregistered 13 November 2012);
- WFAL No 1 Loan Trust (terminated 22 November 2012);
- Australian Infrastructure Fund International 1 Pty Ltd (disposed 23 November 2012);
- Crusade Global Trust 1 of 2004 (terminated 4 December 2012);
- Crusade ABS Series 2008-2 Trust (terminated 11 February 2013);
- Crusade Euro Trust No.1E of 2004 (terminated 27 February 2013);
- Series 2005-1G WST Trust (terminated 22 March 2013);
- Orion Trust (terminated 25 March 2013);
- Phoenix Trust (terminated 25 March 2013);
- Gemini Trust (terminated 25 March 2013);
- Westpac Capital Corporation (deregistered 25 March 2013);
- Westpac Securities Inc (deregistered 25 March 2013); and
- Southern Cross Inc (deregistered 25 March 2013).

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 22. Funding view of the balance sheet

\$m	As at 31 March 2013					Total
	Liquid Assets	Customer Deposits	Wholesale Funding	Customer Franchise	Market Inventory	
Assets						
Cash	2,546	-	-	4,054	-	6,600
Receivables due from other financial institutions	2,806	-	-	2,301	7,473	12,580
Trading securities, other financial assets designated at fair value and available-for-sale securities	60,221	-	-	-	16,443	76,664
Derivative financial instruments	-	-	-	-	29,323	29,323
Loans	45,500	-	-	475,630	-	521,130
Life insurance assets	-	-	-	-	8,508	8,508
Goodwill and other intangibles	-	-	-	12,108	-	12,108
Fixed assets	-	-	-	1,084	-	1,084
Other assets	-	-	-	-	9,512	9,512
Total assets	111,073	-	-	495,177	71,259	677,509
Liabilities						
Payables due to other financial institutions	-	-	3,874	-	4,169	8,043
Deposits:						
At call	-	198,426	-	-	-	198,426
Term deposits	-	161,184	-	-	-	161,184
Medium term deposit notes	-	-	-	-	-	-
Certificates of deposit	-	-	43,796	-	-	43,796
Derivative financial instruments	-	-	-	-	34,081	34,081
Trading liabilities and other financial liabilities designated at fair value	-	-	-	-	8,833	8,833
Acceptances	-	-	105	-	-	105
Debt issues	-	-	144,198	-	-	144,198
Life insurance liabilities	-	-	-	-	7,407	7,407
Other liabilities	-	-	-	-	13,362	13,362
Loan capital	-	-	10,880	-	-	10,880
Total liabilities	-	359,610	202,853	-	67,852	630,315
Total equity	-	-	1,977	45,428	(211)	47,194
Total net	111,073	(359,610)	(204,830)	449,749	3,618	-

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 22. Funding view of the balance sheet (continued)

\$m	As at 30 September 2012					Total
	Liquid Assets	Customer Deposits	Wholesale Funding	Customer Franchise	Market Inventory	
Assets						
Cash	9,057	-	-	3,466	-	12,523
Receivables due from other financial institutions	2,026	-	-	2,544	5,658	10,228
Trading securities, other financial assets designated at fair value and available-for-sale securities	55,983	-	-	-	15,756	71,739
Derivative financial instruments	-	-	-	-	35,489	35,489
Loans	43,108	-	-	471,337	-	514,445
Life insurance assets	-	-	-	-	8,240	8,240
Goodwill and other intangibles	-	-	-	12,134	-	12,134
Fixed assets	-	-	-	1,137	-	1,137
Other assets	-	-	-	-	9,030	9,030
Total assets	110,174	-	-	490,618	74,173	674,965
Liabilities						
Payables due to other financial institutions	-	-	3,802	-	3,762	7,564
Deposits:						
At call	-	181,481	-	-	-	181,481
Term deposits	-	166,241	-	-	-	166,241
Medium term deposit notes	-	-	-	-	-	-
Certificates of deposit	-	-	47,269	-	-	47,269
Derivative financial instruments	-	-	-	-	38,935	38,935
Trading liabilities and other financial liabilities designated at fair value	-	-	-	-	9,964	9,964
Acceptances	-	-	266	-	-	266
Debt issues	-	-	147,581	-	-	147,581
Life insurance liabilities	-	-	-	-	7,208	7,208
Other liabilities	-	-	-	-	12,700	12,700
Loan capital	-	-	9,537	-	-	9,537
Total liabilities	-	347,722	208,455	-	72,569	628,746
Total equity	-	-	1,970	44,081	168	46,219
Total net	110,174	(347,722)	(210,425)	446,537	1,436	-

INTERIM RESULTS 2013
INTERIM 2013 REPORTED
FINANCIAL INFORMATION (UNAUDITED)

Note 22. Funding view of the balance sheet (continued)

\$m	As at 31 March 2012					Market Inventory	Total
	Liquid Assets	Customer Deposits	Wholesale Funding	Customer Franchise			
Assets							
Cash	8,112	-	-	3,350	-	-	11,462
Receivables due from other financial institutions	908	-	-	2,136	3,618	-	6,662
Trading securities, other financial assets designated at fair value and available-for-sale securities	56,678	-	-	-	12,497	-	69,175
Derivative financial instruments	-	-	-	-	30,641	-	30,641
Loans	35,557	-	-	470,567	-	-	506,124
Life insurance assets	-	-	-	-	8,147	-	8,147
Goodwill and other intangibles	-	-	-	12,124	-	-	12,124
Fixed assets	-	-	-	1,132	-	-	1,132
Other assets	-	-	-	-	8,465	-	8,465
Total assets	101,255	-	-	489,309	63,368	-	653,932
Liabilities							
Payables due to other financial institutions	-	-	5,052	-	3,967	-	9,019
Deposits:							
At call	-	166,517	-	-	-	-	166,517
Term deposits	-	153,399	-	-	-	-	153,399
Medium term deposit notes	-	-	-	-	-	-	-
Certificates of deposit	-	-	57,542	-	-	-	57,542
Derivative financial instruments	-	-	-	-	31,358	-	31,358
Trading liabilities and other financial liabilities designated at fair value	236	-	-	-	5,969	-	6,205
Acceptances	-	-	286	-	-	-	286
Debt issues	-	-	157,290	-	-	-	157,290
Life insurance liabilities	-	-	-	-	7,196	-	7,196
Other liabilities	-	-	-	-	11,889	-	11,889
Loan capital	-	-	8,356	-	-	-	8,356
Total liabilities	236	319,916	228,526	-	60,379	-	609,057
Total equity	-	-	1,977	42,986	(88)	-	44,875
Total net	101,019	(319,916)	(230,503)	446,323	3,077	-	-

Note 23. Contingent liabilities

Litigation

Contingent liabilities exist in respect of actual and potential claims and proceedings. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements and specific provisions have been made where appropriate.

- Westpac has been served with two separate class action proceedings by customers seeking to recover exception fees paid by those customers. The first set of proceedings was commenced by customers of the Westpac brand; the second by customers of the St.George Bank and BankSA brands. Westpac has agreed with the plaintiffs to put the proceedings against Westpac, St.George and BankSA on hold until at least June 2013, pending further developments in similar litigation commenced against another Australian bank.
- Westpac was one of 20 defendant banks named in proceedings concerning the Bell Group of companies. The proceedings were brought by the liquidators of several Bell Group companies who challenged the defendant banks' entitlement to receive the proceeds of realisation of Bell Group assets in the early 1990s. Judgment was delivered on 28 October 2008 and final orders were handed down on 30 April 2009.

Westpac, along with the other defendant banks, was found liable to repay its share of the monies received from the Bell Group plus interest. The defendant banks appealed the decision. Judgment was handed down by the Court of Appeal of the Supreme Court of Western Australia on 17 August 2012. By a majority decision, the defendant banks were unsuccessful in the appeal and the amount of interest payable was increased. Westpac considers that appropriate provisioning has been made for this matter. The defendant banks have been granted special leave to appeal to the High Court of Australia, however, the outcome and timing of the appeal are uncertain. Westpac is also entitled to lodge a claim as an unsecured creditor in the liquidation of the Bell Group.

Note 24. Events subsequent to balance date

No matter or circumstance has arisen since half year ended 31 March 2013 which is not otherwise dealt with in the interim financial report, that has significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of affairs of the Group in subsequent periods.

INTERIM RESULTS 2013
OTHER INFORMATION
FINANCIAL INFORMATION

6. Other Information

6.1 Exchange Rates

Six months to/as at Currency	31 March 2013		30 September 2012		31 March 2012	
	Average	Spot	Average	Spot	Average	Spot
US\$	1.0388	1.0430	1.0246	1.0468	1.0334	1.0413
GBP	0.6578	0.6859	0.6482	0.6434	0.6578	0.6512
NZ\$	1.2533	1.2460	1.2815	1.2542	1.2967	1.2691



INTERIM RESULTS 2013
INTERIM 2013 CASH EARNINGS
FINANCIAL INFORMATION

6.2 Financial Calendar

Westpac shares are listed on the securities exchanges in Australia (ASX) and New Zealand and as American Depositary Receipts in New York. Westpac Capital Notes, Westpac Convertible Preference Shares (Westpac CPS), Westpac Stapled Preferred Securities (Westpac SPS and Westpac SPS II) are listed on the ASX.

Important dates for shareholders to note over the following months are:

Ex-dividend date for interim and special dividends	13 May 2013
Record date for interim and special dividends (Sydney) ¹	17 May 2013
Record date for interim and special dividends (New York) ²	16 May 2013
Interim and special dividends payable	2 July 2013
Financial year end	30 September 2013
Final results and ordinary share dividend announcement	4 November 2013
Ex-dividend date for final dividend	8 November 2013
Record date for final dividend (Sydney) ^{1,3}	14 November 2013
Record date for final dividend (New York) ^{2,3}	13 November 2013
Annual General Meeting ⁴	13 December 2013
Final dividend payable ³	19 December 2013

Important dates for Westpac Capital Notes investors to note over the following months are:

Record date for June quarter distribution	31 May 2013
Payment date for June quarter distribution	11 June 2013
Record date for September quarter distribution	30 August 2013
Payment date for September quarter distribution	9 September 2013

Important dates for Westpac CPS investors to note over the following months are:

Record date for September semi-annual dividend	20 September 2013
Payment date for September semi-annual dividend	30 September 2013

Important dates for Westpac SPS investors to note over the following months are:

Record date for June quarter distribution	21 June 2013
Payment date for June quarter distribution	1 July 2013
Record date for September quarter distribution	18 September 2013
Payment date for September quarter distribution	26 September 2013
Initial mandatory conversion date	26 September 2013

Important dates for Westpac SPS II investors to note over the following months are:

Record date for June quarter distribution	21 June 2013
Payment date for June quarter distribution	1 July 2013
Record date for September quarter distribution	20 September 2013
Payment date for September quarter distribution	30 September 2013

¹ Final participation date for Dividend Reinvestment Plan (DRP).

² Dividends will be converted to local currency at the ruling rate on the day of record.

³ Dates will be confirmed at the time of announcing the 2013 final results.

⁴ Details regarding the date of this meeting and the business to be dealt with, will be contained in the separate Notice of Meeting sent to Shareholders in November 2013.

INTERIM RESULTS 2013
INTERIM 2013 CASH EARNINGS
FINANCIAL INFORMATION

Share Registries

Australia

Ordinary shares on the main register, Westpac Capital Notes, Westpac CPS, Westpac SPS and Westpac SPS II
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000 Australia
Postal Address: Locked Bag A6015,
Sydney South NSW 1235
Website: www.linkmarketservices.com.au
Telephone: 1800 804 255 (toll free in Australia)
International: +61 2 8280 7070

New York

Depository in USA for American Depositary Receipts (ADS)¹
Until 10 May 2013:
JP Morgan Chase Bank, NA
PO Box 64504
St Paul MN 55164-0504
USA
Website: www.adr.com
Email: jpmorgan.adr@wellsfargo.com
Telephone: +1 800 990 1135 (toll free in US and Canada)
International: + 1 651 453 2128

After 10 May 2013:

The Bank of New York Mellon
PO Box 358516
Pittsburgh PA 15252-8516
USA
Website: www.bnymellon.com/shareowner
Email: shrrelations@bnymellon.com
Telephone: +1 888 269 2377 (toll free in US)
International: +1 201 680 6825

New Zealand

Ordinary shares on the New Zealand branch register
Link Market Services Limited
Level 16, Brookfields House, 19 Victoria Street West
Auckland 1142 New Zealand
Postal Address: P.O. Box 91976, Auckland 1030,
New Zealand
Website: www.linkmarketservices.com
Telephone: 0800 002 727 (toll free in New Zealand)
International: +64 9 375 5998

For further information contact:

Media:
Paul Marriage, Head of Media Relations,
+61 2 8219 8512

Analysts and Investors:
Andrew Bowden, Head of Investor Relations,
+61 2 8253 4008

¹ Each ADS is comprised of five fully paid ordinary shares.

INTERIM RESULTS 2013
SEGMENT
RESULT

7.0 SEGMENT RESULT

7.1 Half Year Segment Reported Results

Six months to 31 March 2013									
\$m	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand ¹	Westpac Pacific	Group Businesses ²	Group
Net interest income	2,783	1,577	205	4,565	821	633	75	198	6,292
Non-interest income	618	268	900	1,786	826	179	70	17	2,878
Net operating income	3,401	1,845	1,105	6,351	1,647	812	145	215	9,170
Operating expenses	(1,565)	(791)	(615)	(2,971)	(527)	(344)	(48)	(19)	(3,909)
Impairment charges	(244)	(122)	-	(366)	43	(54)	(2)	(59)	(438)
Profit from ordinary activities before income tax expense	1,592	932	490	3,014	1,163	414	95	137	4,823
Tax expense	(476)	(281)	(149)	(906)	(350)	(115)	(26)	(87)	(1,484)
Net profit	1,116	651	341	2,108	813	299	69	50	3,339
Net profit attributable to non-controlling interests	-	-	(7)	(7)	-	(1)	(5)	(22)	(35)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	1,116	651	334	2,101	813	298	64	28	3,304
WBC Cash Earnings adjustments:									
TPS revaluations	-	-	-	-	-	-	-	8	8
Treasury shares	-	-	-	-	-	-	-	29	29
Ineffective hedges	-	-	-	-	-	-	-	(23)	(23)
Fair value (gain) / loss on economic hedges	-	-	-	-	-	-	-	57	57
Buyback of government guaranteed debt	-	-	-	-	-	-	-	43	43
Fair value amortisation of financial instruments ³	-	-	-	-	-	-	-	32	32
Amortisation of intangible assets ⁴	-	64	11	75	-	-	-	-	75
Supplier program	-	-	-	-	-	-	-	-	-
Litigation provision	-	-	-	-	-	-	-	-	-
TOFA tax consolidation adjustment	-	-	-	-	-	-	-	-	-
Cash Earnings	1,116	715	345	2,176	813	298	64	174	3,525

¹ New Zealand earnings are presented in Australian dollars (A\$), converted at the actual average A\$/NZ\$ exchange rate for First Half 2013 (1.2533)

² Group Businesses includes the following amounts associated with the requirements of AASB Life Insurance business (AASB 1038):

i) Non-interest income \$19 million credit

ii) Tax expense \$19 million debit

³ Amortisation of fair value adjustments recognised on merger with St.George.

⁴ Amortisation of intangible assets reflects the amortisation of St.George intangible assets including the core deposit intangible and credit card and financial planner relationships as well as intangible assets (management contracts) related to the JOHCM acquisition.

INTERIM RESULTS 2013
SEGMENT
RESULT

7.1. Half Year Segment Reported Results (continued)

Six months to 30 September 2012									
	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand ¹	Westpac Pacific	Group Businesses ²	Group
\$m									
Net interest income	2,687	1,522	215	4,424	825	623	76	369	6,317
Non-interest income	603	285	874	1,762	781	171	74	46	2,834
Net operating income	3,290	1,807	1,089	6,186	1,606	794	150	415	9,151
Operating expenses	(1,530)	(770)	(608)	(2,908)	(507)	(332)	(45)	(221)	(4,013)
Impairment charges	(211)	(193)	5	(399)	(62)	(72)	(21)	(50)	(604)
Profit from ordinary activities before income tax expense	1,549	844	486	2,879	1,037	390	84	144	4,534
Tax expense	(436)	(252)	(144)	(832)	(298)	(107)	(27)	(235)	(1,499)
Net profit	1,113	592	342	2,047	739	283	57	(91)	3,035
Net profit attributable to non-controlling interests	-	-	(2)	(2)	-	(2)	(5)	(23)	(32)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	1,113	592	340	2,045	739	281	52	(114)	3,003
WBC Cash Earnings adjustments:									
TPS revaluations	-	-	-	-	-	-	-	3	3
Treasury shares	-	-	-	-	-	-	-	15	15
Ineffective hedges	-	-	-	-	-	-	-	1	1
Fair value (gain) / loss on economic hedges	-	-	-	-	-	-	-	(13)	(13)
Buyback of government guaranteed debt	-	-	-	-	-	-	-	-	-
Fair value amortisation of financial instruments ³	-	-	-	-	-	-	-	28	28
Amortisation of intangible assets ⁴	-	65	12	77	-	-	-	-	77
Supplier program	-	-	-	-	-	-	-	46	46
Litigation provision	-	-	-	-	-	-	-	78	78
TOFA tax consolidation adjustment	-	-	-	-	-	-	-	165	165
Cash Earnings	1,113	657	352	2,122	739	281	52	209	3,403

¹ New Zealand earnings are presented in Australian dollars (A\$), converted at the actual average A\$/NZ\$ exchange rate for Second Half 2012 (1.2815).

² Group Businesses includes the following amounts associated with the requirements of AASB Life Insurance business (AASB 1038):

i) Non-interest income \$3 million credit

ii) Tax expense \$3 million debit

³ Amortisation of fair value adjustments recognised on merger with St.George.

⁴ Amortisation of intangible assets reflects the amortisation of St.George intangible assets including the core deposit intangible and credit card and financial planner relationships as well as intangible assets (management contracts) related to the JOHCM acquisition.

INTERIM RESULTS 2013

SEGMENT
RESULT

7.1. Half Year Segment Reported Results (continued)

Six months to 31 March 2012	Westpac Retail & Business Banking	St.George Banking Group	BT Financial Group (Australia)	AFS	Westpac Institutional Bank	New Zealand ¹	Westpac Pacific	Group Businesses ²	Group
\$m									
Net interest income	2,617	1,444	209	4,270	881	601	72	361	6,185
Non-interest income	581	280	776	1,637	703	165	77	65	2,647
Net operating income	3,198	1,724	985	5,907	1,584	766	149	426	8,832
Operating expenses	(1,549)	(755)	(561)	(2,865)	(480)	(321)	(48)	(182)	(3,896)
Impairment charges	(218)	(240)	(6)	(464)	(65)	(76)	(10)	7	(608)
Profit from ordinary activities before income tax expense	1,431	729	418	2,578	1,039	369	91	251	4,328
Tax expense	(430)	(219)	(124)	(773)	(305)	(101)	(31)	(117)	(1,327)
Net profit	1,001	510	294	1,805	734	268	60	134	3,001
Net profit attributable to non-controlling interests	-	-	(3)	(3)	-	(1)	(5)	(25)	(34)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	1,001	510	291	1,802	734	267	55	109	2,967
WBC Cash Earnings adjustments:									
TPS revaluations	-	-	-	-	-	-	-	24	24
Treasury shares	-	-	-	-	-	-	-	12	12
Ineffective hedges	-	-	-	-	-	-	-	(8)	(8)
Fair value (gain) / loss on economic hedges	-	-	-	-	-	-	-	20	20
Buyback of government guaranteed debt	-	-	-	-	-	-	-	(5)	(5)
Fair value amortisation of financial instruments ³	-	-	-	-	-	-	-	18	18
Amortisation of intangible assets ⁴	-	64	10	74	-	-	-	-	74
Supplier program	-	-	-	-	-	-	-	93	93
Litigation provision	-	-	-	-	-	-	-	-	-
TOFA tax consolidation adjustment	-	-	-	-	-	-	-	-	-
Cash Earnings	1,001	574	301	1,876	734	267	55	263	3,195

¹ New Zealand earnings are presented in Australian dollars (A\$), converted at the actual average A\$/NZ\$ exchange rate for First Half 2011 (1.2967).

² Group Businesses includes the following amounts associated with the requirements of AASB Life Insurance business (AASB 1038):

i) Non-interest income \$9 million credit

ii) Tax expense \$9 million debit

³ Amortisation of fair value adjustments recognised on merger with St. George.

⁴ Amortisation of intangible assets reflects the amortisation of St. George intangible assets including the core deposit intangible and credit card and financial planner relationships as well as intangible assets (management contracts) related to the JOHCM acquisition.

INTERIM RESULTS 2013

SEGMENT
RESULT

7.2 Cash Earnings Adjustments

\$m	Half Year March 13	Half Year Sept 12	Half Year March 12
Cash Earnings adjustments comprise:			
TPS revaluations ¹	8	3	24
Treasury shares ²	29	15	12
Ineffective hedges ³	(23)	1	(8)
Fair value (gain) / loss on economic hedges ⁴	57	(13)	20
Buyback of government guaranteed debt ⁵	43	-	(5)
Fair value amortisation of financial instruments ⁶	32	28	18
Amortisation of intangible assets ⁷	75	77	74
Supplier program ⁸	-	46	93
Litigation provision ⁹	-	78	-
TOFA tax consolidation adjustment ¹⁰	-	165	-
Total	221	400	228

Notes

Cash Earnings Adjustments

(1) *Hybrid revaluations*

TPS revaluations

Adjustment for movements in economic hedges, including associated tax effects impacting the Foreign Currency Translation Reserve, relating to hybrid instruments classified as non-controlling interests. The adjustment is required as these hybrid instruments are not fair valued, however, the hedges are fair valued and therefore there is a mismatch in the timing of income recognition in the reported results. The mismatch is added back to reported results in deriving Cash Earnings as it does not affect the Group's profits over time.

(2) *Treasury shares*

Under A-IFRS, Westpac shares held by the Group in the managed funds and life business are deemed to be Treasury shares and the results of holding these shares are not permitted to be recognised as income in the reported results. In deriving Cash Earnings, these results are included to ensure there is no asymmetrical impact on the Group's profits because the Treasury shares support policyholder liabilities and equity derivative transactions which are re-valued in determining income.

(3) *Ineffective hedges*

The gain/(loss) on ineffective hedges is reversed in deriving Cash Earnings for the period because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time.

(4) *Fair value gain/(loss) on other economic hedges (which do not qualify for hedge accounting under A-IFRS) comprises:*

- The unrealised fair value gain/(loss) on foreign exchange hedges of future New Zealand earnings impacting non-interest income is reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group's Cash Earnings during the life of the hedge;
- The unrealised fair value gain/(loss) on foreign exchange hedges of fees payable for the use of the Government guarantee on foreign denominated wholesale funding is reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group's Cash Earnings during the life of the hedge; and
- The unrealised fair value gain/(loss) on hedges of accrual accounted term funding transactions are reversed in deriving Cash Earnings as they may create a material timing difference on reported earnings but do not affect the Group's Cash Earnings during the life of the hedge.

(5) *Gain/(loss) on buyback of Government guaranteed debt*

The Group has bought back certain Government guaranteed debt issues which reduces Government guarantee fees (70 basis points) paid. In undertaking the buybacks, a cost was incurred reflecting the difference between current interest rates and the rate at which the debt was initially issued. In the reported result the cost incurred is recognised at the time of the buyback. In Cash Earnings, the cost incurred is being amortised over the original term of the debt that was bought back consistent with a 70 basis point saving being effectively spread over the remaining life of the issue. The Cash Earnings adjustment gives effect to the timing difference between Reported Earnings and Cash Earnings;

(6) *Fair value amortisation of financial instruments*

The accounting for the merger with St.George resulted in the recognition of fair value adjustments on the St.George retail bank loans, deposits, wholesale funding and associated hedges, with these fair value adjustments being amortised over the life of the underlying transactions. The amortisation of these adjustments is considered to be a timing difference relating to non-cash flow items that do not affect cash distributions available to shareholders and therefore, have been treated as a Cash Earnings adjustment;

(7) *Amortisation of intangible assets comprises*

- The acquisition of J O Hambro Capital Management (JOHCM) by BT Investment Management (BTIM) during First Half 2012 resulted in the recognition of management contract intangible assets. These intangible items are amortised over their useful lives, ranging between five and twenty years. The amortisation of intangible assets (excluding capitalised software) is a Cash Earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders; and
- Amortisation of intangible assets – The merger with St.George resulted in the recognition of core deposit intangibles and customer relationships intangible assets that are amortised over their useful lives, ranging between five and nine years. The amortisation of intangible assets (excluding capitalised software) is a Cash Earnings adjustment because it is a non-cash flow item and does not affect cash distributions available to shareholders.

(8) *Supplier Program*

During the year ended 30 September 2012, the Group incurred and provisioned for non-recurring expenses as part of its program to increase the use of global specialists in certain technology and back office operations. These expenses included costs associated with streamlining and better documenting systems and processes, technology costs to enable infrastructure and enhance interaction with suppliers, and costs associated with restructuring the workforce. Given these significant expenses are not considered in determining dividends they were treated as Cash Earnings adjustments.

(9) *Litigation provision*

During the year ended 30 September 2012 the Group recognised a provision of \$111 million (\$78 million after tax) with respect to the Bell litigation. This has been treated as a Cash Earnings adjustment due to its size, the historical nature of the proceedings and as it does not reflect ongoing operations.

(10) *TOFA tax consolidation adjustment*

During the year ended 30 September 2012, new taxation legislation was introduced that included retrospective amendments to the income tax law as it applies to TOFA and tax consolidated groups. The amendments had an adverse application to certain liabilities that were consolidated as part of the merger with St.George. This gave rise to an additional income tax expense of \$165 million for the 2012 financial year. Consistent with other tax adjustments relating to the merger with St.George this adjustment has been treated as a Cash Earnings adjustment due to its size and because it does not reflect ongoing operations.

8.0 GLOSSARY

Earnings	Cash Earnings	Net profit attributable to owners of WBC adjusted for the impact of the economic hedges related to TPS, earnings from Treasury shares, gains/losses on ineffective hedges, the impact of unrealised New Zealand earnings hedges gains/losses, and the impact of the amortisation of certain intangibles in relation to the merger with St.George, fair value gains/losses on economic hedges, buyback of Government guaranteed debt, costs associated with the supplier program, the amortisation of intangibles relating to the acquisition of JOHCM, TOFA tax consolidation adjustment and litigation provision.
	Earnings per ordinary share	Net profit attributable to the owners of WBC divided by the weighted average ordinary shares (statutory basis).
Shareholder Value	Cash Earnings per ordinary share	Cash Earnings divided by the weighted average ordinary shares (Cash Earnings basis).
	Weighted average ordinary shares (Cash Earnings)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period.
	Weighted average ordinary shares (reported)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less Westpac shares held by the Group ('Treasury shares').
	Fully franked dividends per ordinary shares (cents)	Dividends paid out of retained profits which carry a credit for Australian company income tax paid by Westpac.
	Dividend payout ratio – net profit	Ordinary dividend per share divided by net profit per share attributable to the owners of WBC.
	Dividend payout ratio – Cash Earnings	Ordinary dividend divided by Cash Earnings.
	Return on equity (ROE)	Net profit attributable to the owners of WBC divided by average ordinary equity.
	Cash ROE	Cash Earnings divided by average ordinary equity.
	Cash Earnings to average tangible equity	Cash Earnings divided by average tangible ordinary equity.
	Average ordinary equity	Average total equity less average non-controlling interests.
	Average tangible ordinary equity	Average ordinary equity less average goodwill and other intangible assets (excluding capitalised software).
	Net tangible assets per ordinary share	Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (statutory basis).
	Productivity and efficiency	Operating expenses
Expense to income ratio		Operating expenses divided by net operating income.
Total banking expense to income ratio		Total banking operating expenses divided by total banking operating revenue. Total banking business includes Westpac RBB, St.George Banking Group, WIB, Private Bank (part of BTFG), New Zealand banking operations, Westpac Pacific and the Group Businesses.
Full-time equivalent employees (FTE)		A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight.
Revenue per FTE		Total operating income divided by the average number of FTE for the period.
Deposit to loan ratio		Deposit to loan ratio (net of provisions).

INTERIM RESULTS 2013
GLOSSARY

Business Performance	Net interest spread	The difference between the average yield on all interest bearing assets and the average rate paid on interest bearing liabilities.
	Net interest margin	The net interest margin is calculated by dividing net interest income by average interest earning assets.
	Average interest-earning assets	The average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period.
	Average interest-bearing liabilities	The average balance of liabilities owed by the Group that incur an interest expense. Where possible, daily balances are used to calculate the average balance for the period.
	Divisional margin	Net interest income (excluding capital benefit) for a division as a percentage of the average interest earning assets for that division.
	Customer return on credit RWA	Total operating income less income from Treasury and non-customer trading income less total operating expenses divided by the average credit RWA for the period.
Capital Adequacy	Total regulatory capital ratio	Total regulatory capital as defined by APRA divided by risk-weighted assets.
	Tier 1 capital ratio	Total Tier 1 capital as defined by APRA divided by risk-weighted assets.
	Common equity Tier 1 capital ratio	Total common equity capital as defined by APRA divided by risk weighted assets.
	Risk weighted assets (RWA)	Assets (both on and off-balance sheet) of Westpac are assigned within a certain category, amounts included in these categories are multiplied by a risk weighting, and with the resulting weighted values added together to arrive at total risk weighted assets.
	Credit risk weighted assets	Credit risk weighted assets represent risk-weighted assets (on-balance sheet and off-balance sheet) that relate to credit exposures and therefore exclude equity risk, market risk, operational risk, interest rate risk in the banking book and other assets. Note 18 in Section 5 provides a breakdown of risk weighted assets between credit risk weighted assets and other risk weighted assets.
Asset quality	Individually assessed provisions (IAPs)	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are individually significant. The estimated losses on these impaired loans will be based on expected future cash flows discounted to their present value and as this discount unwinds, interest will be recognised in the income statement.
	Collectively assessed provisions (CAPs)	Loans not found to be individually impaired or significant will be collectively assessed in pools of similar assets with similar risk characteristics. The size of the provision is an estimate of the losses already incurred and will be estimated on the basis of historical loss experience for assets with credit characteristics similar to those in the collective pool. The historical loss experience will be adjusted based on current observable data.
	Impaired assets	<p>Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on a conservative assessment of the customer's outlook, cashflow, and the net realisation of value of assets to which recourse is held:</p> <ul style="list-style-type: none"> ■ facilities 90 days or more past due, and not well secured – exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days; ■ non-accrual assets – exposures with individually assessed impairment provisions held against them, excluding restructured loans; ■ restructured assets – exposures where the original contractual terms have been formally modified to provide for concessions of interest or principal for reasons related to the financial difficulties of the customer; ■ other assets acquired through security enforcement (includes other real estate owned) – includes the value of any other assets acquired as full or partial settlement of outstanding obligations through the enforcement of security arrangements; and ■ any other assets where the full collection of interest and principal is in doubt.

INTERIM RESULTS 2013
GLOSSARY

Asset quality (cont'd)	90 days past due – well secured	Includes facilities where: <ul style="list-style-type: none"> ■ contractual payments of interest and/or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days; or an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and ■ the estimated net realisable value of assets/security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, and interest is being taken to profit on an accrual basis. <p>These facilities, while in default, are not treated as impaired for accounting purposes.</p>
	Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal.
	Stressed assets	Stressed assets are Watchlist and Substandard, 90 days past due well secured and impaired assets.
	Total committed exposure (TCE)	Total committed exposure (TCE) represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk.
Other	Accounting reclassifications	Adjustments made for accounting treatments that have the effect of grossing up the income statement (primarily between income and tax expense/profits attributable to non-controlling interests). Key reclassifications include gross ups for policyholder tax recoveries and the impact of Treasury shares. These adjustments have no impact on Cash Earnings.
	First Half 2013	Six months ended 31 March 2013.
	Second Half 2012	Six months ended 30 September 2012.
	First Half 2012	Six months ended 31 March 2012.
	Prior comparative period	Refers to the six months ended 31 March 2012.
	Prior half / Prior period	Refers to the six months ended 30 September 2012.
	St.George	In this announcement references to 'St.George' refer to the division and its brands namely: 'St.George Bank', 'Bank of Melbourne', and 'BankSA', and RAMS unless it clearly means the St.George Bank brand.
	JOHCM	Refers to J O Hambro Capital Management, a company incorporated in the United Kingdom and acquired by BTIM in October 2011.
Wealth penetration metric	Data based on Roy Morgan Research, Respondents aged 14+. Wealth penetration is defined as the number of Australians who have Wealth Management or Insurance with each group and who also have Traditional Banking products with each group as a proportion of the number of Australians who have Traditional Banking products with each Group, calculated as the 12 month rolling average to Mar-13. Traditional Banking consists of Deposit or Transaction Accounts, Mortgages, Personal Lending or Major Cards. Wealth Management consists of Managed Investments or Superannuation. Insurance consists of Vehicle Insurance, Home Insurance (Building, Contents, Valuable Items), Life Insurance (Life Insurance, Disability Insurance, Income Protection or Replacement Insurance), Household and Property Insurance – Landlord, Business Insurance, Loan Insurance and Public Liability Insurance. WRBB includes Westpac, Bank of Melbourne (until Jul 2011), BT, Challenge Bank, RAMS (until Dec 2011) and Rothschild. SGBG includes St. George, Advance Bank, ASGARD, BankSA, Bank of Melbourne (from Aug 2011), Barclays, Dragondirect, Sealcorp and RAMS (from Jan 2012). WBC Group includes WRBB and SGBG.	