

ASX Release

24 April 2018

Westpac Group 2018 Interim Financial Results Template

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

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

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

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

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

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

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

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

Ends.

For Further Information

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Appendix 1

Changes to the presentation of divisional financial information:

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

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

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

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

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

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

Two changes have been implemented:

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

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

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

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

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

Appendix 2:

Divisional cash earnings summary

Revised disclosure of 1H17 results

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

Previously disclosed 1H17 results

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

Revised disclosure of 2H17 results

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

Previously disclosed 2H17 results

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

Section 2.2.1 Net interest income

Revised disclosure

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

Previously disclosed

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

Section 2.2.6 Total Group Funds

Revised disclosure

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

Previously disclosed

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

Section 2.4 Funding and liquidity risk management

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



2018 Interim Financial Results Template

1.1 Reported results

				% Mov't	% Mov't
\$m	Half Year March 18	Half Year Sept 17	Half Year March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
Net interest income		7,903	7,613		
Non-interest income		3,130	3,156		
Net operating income before operating expenses and impairment charges		11,033	10,769		
Operating expenses		(4,801)	(4,633)		
Net profit before impairment charges and income tax expense		6,232	6,136		
Impairment charges		(360)	(493)		
Profit before income tax		5,872	5,643		
Income tax expense		(1,787)	(1,731)		
Net profit for the period		4,085	3,912		
Net profit attributable to non-controlling interests		(2)	(5)		
Net profit attributable to owners of Westpac Banking Corporation		4,083	3,907		

1.2 Key financial information

	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Shareholder value					
Earnings per ordinary share (cents)		121.2	116.8		
Weighted average ordinary shares (millions)		3,366	3,344		
Fully franked dividends per ordinary share (cents)		94	94		
Return on average ordinary equity		13.72%	13.57%		
Average ordinary equity (\$m)		59,364	57,744		
Average total equity (\$m)		59,380	57,768		
Net tangible asset per ordinary share (\$)		14.66	14.24		
Business performance					
Interest spread		1.90%	1.88%		
Benefit of net non-interest bearing assets, liabilities and equity		0.17%	0.17%		
Net interest margin		2.07%	2.05%		
Average interest-earning assets (\$m)		759,764	744,783		
Expense to income ratio		43.51%	43.02%		
Capital, funding and liquidity					
Common equity Tier 1 capital ratio					
- APRA Basel III		10.56%	9.97%		
- Internationally comparable		16.20%	15.34%		
Credit risk weighted assets (credit RWA) (\$m)		349,258	352,713		
Total risk weighted assets (RWA) (\$m)		404,235	404,382		
Liquidity coverage ratio (LCR)		124%	125%		
Net stable funding ratio (NSFR)		109%	108%		
Asset quality					
Gross impaired assets to gross loans		0.22%	0.30%		
Gross impaired assets to equity and total provisions		2.39%	3.15%		
Gross impaired asset provisions to gross impaired assets		46.30%	52.07%		
Total committed exposures (TCE) (\$m)		1,005,882	984,794		
Total stressed exposures as a % of TCE		1.05%	1.14%		
Total provisions to gross loans		45bps	52bps		
Mortgage 90+ day delinquencies		0.62%	0.63%		
Other consumer loans 90+ day delinquencies		1.57%	1.55%		
Collectively assessed provisions to credit RWA		76bps	77bps		
Balance sheet (\$m)					
Loans		684,919	666,946		
Total assets		851,875	839,993		
Deposits and other borrowings		533,591	522,513		
Total liabilities		790,533	780,621		
Total equity		61,342	59,372		
Wealth Management					
Average Group Funds (\$bn)		213.9	203.2		
Life insurance in-force premiums (Australia)		1,068	1,030		
General insurance gross written premiums (Australia)		258	250		

1.3 Cash earnings results

				% Mov't	% Mov't
\$m	Half Year March 18	Half Year Sept 17	Half Year March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
Net interest income		8,011	7,693		
Non-interest income		2,784	3,068		
Net operating income		10,795	10,761		
Operating expenses		(4,604)	(4,501)		
Core earnings		6,191	6,260		
Impairment charges		(360)	(493)		
Operating profit before income tax		5,831	5,767		
Income tax expense		(1,784)	(1,745)		
Net profit		4,047	4,022		
Net profit attributable to non-controlling interests		(2)	(5)		
Cash earnings		4,045	4,017		

1.3.1 Key financial information - cash earnings basis

				% Mov't	% Mov't
\$m	Half Year March 18	Half Year Sept 17	Half Year March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
Shareholder value					
Cash earnings per ordinary share (cents)		119.9	119.8		
Economic profit (\$m)		1,864	1,910		
Weighted average ordinary shares (millions)		3,375	3,352		
Dividend payout ratio		78.86%	78.57%		
Cash earnings on average ordinary equity (ROE)		13.59%	13.95%		
Cash earnings on average tangible ordinary equity (ROTE)		16.27%	16.83%		
Average ordinary equity (\$m)		59,364	57,744		
Average tangible ordinary equity (\$m)		49,582	47,863		
Business performance					
Interest spread		1.92%	1.90%		
Benefit of net non-interest bearing assets, liabilities and equity		0.18%	0.17%		
Net interest margin		2.10%	2.07%		
Average interest-earning assets (\$m)		759,764	744,783		
Expense to income ratio		42.65%	41.83%		
Full time equivalent employees (FTE)		35,096	35,290		
Revenue per FTE (\$ '000's)		307	306		
Effective tax rate		30.60%	30.26%		
Impairment charges					
Impairment charges to average loans annualised		11bps	15bps		
Net write-offs to average loans annualised		25bps	19bps		

2.2.1 Net interest income

	As at 31 March 2018	As at 30 Sept 2017	As at 31 March 2017	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Net interest income					
Net interest income excluding Treasury & Markets		7,698	7,283		
Treasury net interest income		266	386		
Market net interest income		47	24		
Net interest income		8,011	7,693		
Average interest-earning assets					
Loans		640,339	627,267		
Third party liquid assets		96,262	93,798		
Other interest-earning assets		23,163	23,718		
Average interest-earning assets		759,764	744,783		
Net interest margin					
Group net interest margin		2.10%	2.07%		
Group net interest margin excluding Treasury & Markets		2.02%	1.96%		

2.2.3 Deposits and other borrowings

\$m	As at 31 March 2018	As at 30 Sept 2017	As at 31 March 2017	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
Customer deposits					
Australia		420,841	414,706		
At call		224,268	217,492		
Term		156,249	157,730		
Non-interest bearing		40,324	39,484		
New Zealand (A\$)		53,746	51,942		
New Zealand (NZ\$)		58,405	56,812		
At call		23,117	23,894		
Term		30,014	27,837		
Non-interest bearing		5,274	5,081		
Other overseas (A\$)		12,083	12,012		
Total customer deposits		486,670	478,660		
Certificates of deposit		46,921	43,853		
Australia		37,515	31,011		
New Zealand (A\$)		546	1,478		
Other overseas (A\$)		8,860	11,364		
Total deposits and other borrowings		533,591	522,513		

2.2.6 Group funds

	As at 31 March 2018	As at 30 Sept 2017	As at 31 March 2017	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$bn					
Superannuation		36.2	35.8		
Platforms		115.3	113.3		
Packaged Funds		36.4	38.4		
Other		3.5	4.0		
Westpac Institutional Bank		12.5	11.3		
New Zealand (A\$)		9.3	8.9		
Total Group Funds		213.2	211.7		
Average Group Funds		213.9	203.2		

2.4.1 Balance sheet

	As at 31 March 2018	As at 30 Sept 2017	As at 31 March 2017	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Assets					
Cash and balances with central banks		18,397	15,912		
Receivables due from other financial institutions		7,128	9,545		
Trading securities, other financial assets designated at fair value and available-for-sale securities		86,034	90,929		
Derivative financial instruments		24,033	24,619		
Loans		684,919	666,946		
Life insurance assets		10,643	10,934		
Other assets		20,721	21,108		
Total assets		851,875	839,993		
Liabilities					
Payables due to other financial institutions		21,907	21,390		
Deposits and other borrowings		533,591	522,513		
Other financial liabilities at fair value through income statement		4,056	4,894		
Derivative financial instruments		25,375	28,457		
Debt issues		168,356	167,306		
Life insurance liabilities		9,019	9,158		
Loan capital		17,666	17,106		
Other liabilities		10,563	9,797		
Total liabilities		790,533	780,621		
Equity					
Total equity attributable to owners of Westpac Banking Corporation		61,288	59,315		
Non-controlling interests		54	57		
Total equity		61,342	59,372		

3.1 Consumer Bank

	Half Year	Half Year	Half Year	% Mov't	% Mov't
\$m	March 18	Sept 17	March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
Net interest income		3,961	3,677		
Non-interest income		380	433		
Net operating income		4,341	4,110		
Operating expenses		(1,727)	(1,651)		
Core earnings		2,614	2,459		
Impairment charges		(293)	(272)		
Operating profit before tax		2,321	2,187		
Tax and non-controlling interests		(697)	(656)		
Cash earnings		1,624	1,531		
Economic profit		1,204	1,216		
Expense to income ratio		39.78%	40.17%		
Net interest margin		2.36%	2.27%		

	As at	As at	As at	% Mov't	% Mov't
\$bn	31 March 2018	30 Sept 2017	31 March 2017	Mar 18 - Sept 17	Mar 18 - Mar 17
Deposits					
Term deposits		57.9	56.3		
Other		138.6	133.6		
Total deposits		196.5	189.9		
Net loans					
Mortgages		357.4	346.4		
Other		13.9	14.6		
Provisions		(0.9)	(1.0)		
Total net loans		370.4	360.0		
Deposit to loan ratio		53.05%	52.75%		
Total assets		377.5	367.0		
TCE		432.3	421.4		
Average interest-earning assets		335.1	325.1		

	As at	As at	As at
	31 March 2018	30 Sept 2017	31 March 2017
Credit quality			
Impairment charges to average loans annualised		0.16%	0.15%
Mortgage 90+ day delinquencies		0.71%	0.72%
Other consumer loans 90+ day delinquencies		1.64%	1.86%
Total stressed assets to TCE		0.64%	0.66%

3.2 Business Bank

	Half Year	Half Year	Half Year	% Mov't	% Mov't
\$m	March 18	Sept 17	March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
Net interest income		1,975	1,910		
Non-interest income		584	557		
Net operating income		2,559	2,467		
Operating expenses		(921)	(897)		
Core earnings		1,638	1,570		
Impairment charges		(143)	(200)		
Operating profit before tax		1,495	1,370		
Tax and non-controlling interests		(450)	(412)		
Cash earnings		1,045	958		
Economic profit		706	594		
Expense to income ratio		35.99%	36.36%		
Net interest margin		2.74%	2.70%		

	As at	As at	As at	% Mov't	% Mov't
\$bn	31 March 2018	30 Sept 2017	31 March 2017	Mar 18 - Sept 17	Mar 18 - Mar 17
Deposits					
Term deposits		43.7	41.7		
Other		63.3	60.6		
Total deposits		107.0	102.3		
Net loans					
Mortgages		53.9	52.5		
Business		87.9	86.2		
Other		8.7	8.9		
Provisions		(1.1)	(1.2)		
Total net loans		149.4	146.4		
Deposit to loan ratio		71.62%	69.88%		
Total assets		153.1	149.9		
TCE		199.1	196.0		
Average interest-earning assets		143.9	141.6		

	As at	As at	As at
	31 March 2018	30 Sept 2017	31 March 2017
Credit quality			
Impairment charges to average loans annualised		0.19%	0.27%
Mortgage 90+ day delinquencies		0.60%	0.55%
Other consumer loans 90+ day delinquencies		1.68%	1.32%
Business: impaired assets to TCE		0.47%	0.63%
Total stressed assets to TCE		2.13%	2.29%

3.3 BT Financial Group (Australia)

				% Mov't	% Mov't
	Half Year	Half Year	Half Year	Mar 18 -	Mar 18 -
\$m	March 18	Sept 17	March 17	Sept 17	Mar 17
Net interest income		274	237		
Non-interest income		850	894		
Net operating income		1,124	1,131		
Operating expenses		(610)	(589)		
Core earnings		514	542		
Impairment charges		(1)	(3)		
Operating profit before tax		513	539		
Tax and non-controlling interests		(156)	(160)		
Cash earnings		357	379		
Economic profit		267	298		
Expense to income ratio		54.27%	52.08%		
Income on invested capital		30	36		

	As at	As at	As at	% Mov't	% Mov't
	31 March	30 Sept	31 March	Mar 18 -	Mar 18 -
\$bn	2018	2017	2017	Sept 17	Mar 17
Deposits		30.7	29.7		
Net loans					
Loans		20.1	19.3		
Provisions		-	-		
Total net loans		20.1	19.3		
Deposit to loan ratio		152.74%	153.89%		
Total Funds		191.4	191.5		
Average Funds		192.6	183.6		

				% Mov't	% Mov't
	Half Year	Half Year	Half Year	Mar 18 -	Mar 18 -
\$m	March 18	Sept 17	March 17	Sept 17	Mar 17
Funds management business		175	238		
Insurance		173	117		
Total funds management and insurance		348	355		
Capital and other		9	24		
Total cash earnings		357	379		

3.3.1 Funds Management business

	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Net interest income		268	228		
Non-interest income		537	646		
Net operating income		805	874		
Operating expenses		(549)	(535)		
Core earnings		256	339		
Impairment charges		(2)	(1)		
Operating profit before tax		254	338		
Tax and non-controlling interests		(79)	(100)		
Cash earnings		175	238		
Expense to income ratio		68.20%	61.21%		

Movement of FUM / FUA

	As at 31 March 2018	Inflows	Outflows	Net Flows	Other Mov't	As at 30 Sept 2017	As at 31 March 2017	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$bn									
Superannuation						36.2	35.8		
Platforms						115.3	113.3		
Packaged Funds						36.4	38.4		
Other						3.5	4.0		
Total Funds						191.4	191.5		

3.3.2 Insurance business

	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Net interest income		4	6		
Non-interest income		285	214		
Net operating income		289	220		
Operating expenses		(49)	(50)		
Core earnings		240	170		
Impairment (charges) / benefits		2	(2)		
Operating profit before tax		242	168		
Tax and non-controlling interests		(69)	(51)		
Cash earnings		173	117		
Expense to income ratio		16.96%	22.73%		

Cash earnings	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Life Insurance		84	76		
General Insurance		73	18		
Lenders Mortgage Insurance		16	23		
Total cash earnings		173	117		

Insurance key metrics

Life Insurance in-force premiums	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Life Insurance in-force premiums at start of period		1,030	973		
Sales / New Business		112	122		
Lapses		(74)	(65)		
Life Insurance in-force premiums at end of period		1,068	1,030		

Claims ratios for Insurance Business	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
(%)					
Life Insurance		35	38		
General Insurance		35	71		
Lenders Mortgage Insurance		27	7		

Gross written premiums	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
General Insurance gross written premium		258	250		
Lenders Mortgage Insurance gross written premium		109	141		

3.4 Westpac Institutional Bank

	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Net interest income		672	656		
Non-interest income		749	958		
Net operating income		1,421	1,614		
Operating expenses		(680)	(671)		
Core earnings		741	943		
Impairment (charges) / benefits		8	(64)		
Operating profit before tax		749	879		
Tax and non-controlling interests		(219)	(250)		
Cash earnings		530	629		
Economic profit		200	267		
Expense to income ratio		47.85%	41.57%		
Net interest margin		1.62%	1.56%		

	As at 31 March 2018	As at 30 Sept 2017	As at 31 March 2017	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$bn					
Deposits		92.1	98.5		
Net loans					
Loans		74.4	72.1		
Provisions		(0.3)	(0.5)		
Total net loans		74.1	71.6		
Deposit to loan ratio		124.29%	137.57%		
Total assets		103.1	104.0		
TCE		249.1	245.2		
Average interest-earning assets		82.6	84.5		
Impairment charges to average loans annualised		(0.02%)	0.18%		
Impaired assets to TCE		0.07%	0.18%		
Total stressed assets to TCE		0.55%	0.59%		
Total Funds		12.5	11.3		

Revenue contribution

	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Lending and deposit revenue		785	764		
Markets, sales and fee income		447	504		
Total customer revenue		1,232	1,268		
Derivative valuation adjustments		27	19		
Trading revenue		71	246		
Hastings		63	30		
Other		28	51		
Total WIB revenue		1,421	1,614		

3.5 Westpac New Zealand

				% Mov't	% Mov't
	Half Year	Half Year	Half Year	Mar 18 -	Mar 18 -
NZ\$m	March 18	Sept 17	March 17	Sept 17	Mar 17
Net interest income		899	839		
Non-interest income		252	259		
Net operating income		1,151	1,098		
Operating expenses		(475)	(487)		
Core earnings		676	611		
Impairment (charges) / benefits		40	36		
Operating profit before tax		716	647		
Tax and non-controlling interests		(208)	(184)		
Cash earnings		508	463		
Economic profit		236	195		
Expense to income ratio		41.27%	44.35%		
Net interest margin		2.09%	1.96%		

	As at	As at	As at	% Mov't	% Mov't
	31 March	30 Sept	31 March	Mar 18 -	Mar 18 -
NZ\$bn	2018	2017	2017	Sept 17	Mar 17
Deposits					
Term deposits		30.0	27.8		
Other		28.4	29.0		
Total deposits		58.4	56.8		
Net loans					
Mortgages		46.9	46.2		
Business		28.6	28.6		
Other		2.2	2.1		
Provisions		(0.4)	(0.4)		
Total net loans		77.3	76.5		
Deposit to loan ratio		75.55%	74.25%		
Total assets		88.3	87.1		
TCE		108.8	107.0		
Third party liquid assets		8.7	8.4		
Average interest-earning assets		86.0	85.6		
Total Funds		10.1	9.7		

	As at	As at	As at
	31 March	30 Sept	31 March
	2018	2017	2017
Credit quality			
Impairment charges to average loans annualised		(0.10%)	(0.09%)
Mortgage 90+ day delinquencies		0.12%	0.14%
Other consumer loans 90+ day delinquencies		0.57%	0.58%
Impaired assets to TCE		0.18%	0.20%
Total stressed assets to TCE		2.06%	2.41%

3.6 Group Businesses

	Half Year March 18	Half Year Sept 17	Half Year March 17	% Mov't Mar 18 - Sept 17	% Mov't Mar 18 - Mar 17
\$m					
Net interest income		291	422		
Non-interest income		(14)	(19)		
Net operating income		277	403		
Operating expenses		(224)	(232)		
Core earnings		53	171		
Impairment benefits		32	11		
Operating profit before tax		85	182		
Tax and non-controlling interests		(77)	(98)		
Cash earnings		8	84		
Treasury					
\$m					
Net interest income		272	403		
Non-interest income		5	3		
Net operating income		277	406		
Cash earnings		172	264		

Note 2. Segment reporting

Half Year March 18							
	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
\$m							
Net interest income							
Non-interest income							
Net operating income before operating expenses and impairment charges							
Operating expenses							
Impairment (charges) / benefits							
Profit before income tax							
Income tax expense							
Profit attributable to non-controlling interests							
Cash earnings for the period							
Net cash earnings adjustments							
Net profit for the period attributable to owners of Westpac Banking Corporation							
Total assets							
Total liabilities							

Half Year September 17							
	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
\$m							
Net interest income	3,961	1,975	274	672	838	291	8,011
Non-interest income	380	584	850	749	235	(14)	2,784
Net operating income before operating expenses and impairment charges	4,341	2,559	1,124	1,421	1,073	277	10,795
Operating expenses	(1,727)	(921)	(610)	(680)	(442)	(224)	(4,604)
Impairment (charges) / benefits	(293)	(143)	(1)	8	37	32	(360)
Profit before income tax	2,321	1,495	513	749	668	85	5,831
Income tax expense	(697)	(450)	(156)	(216)	(187)	(78)	(1,784)
Profit attributable to non-controlling interests	-	-	-	(3)	-	1	(2)
Cash earnings for the period	1,624	1,045	357	530	481	8	4,045
Net cash earnings adjustments	(58)	(5)	170	-	(7)	(62)	38
Net profit for the period attributable to owners of Westpac Banking Corporation	1,566	1,040	527	530	474	(54)	4,083
Total assets	377,457	153,078	35,237	103,080	81,285	101,738	851,875
Total liabilities	202,689	111,385	41,431	118,875	71,432	244,721	790,533

Half Year March 17							
	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
\$m							
Net interest income	3,677	1,910	237	656	791	422	7,693
Non-interest income	433	557	894	958	245	(19)	3,068
Net operating income before operating expenses and impairment charges	4,110	2,467	1,131	1,614	1,036	403	10,761
Operating expenses	(1,651)	(897)	(589)	(671)	(461)	(232)	(4,501)
Impairment (charges) / benefits	(272)	(200)	(3)	(64)	35	11	(493)
Profit before income tax	2,187	1,370	539	879	610	182	5,767
Income tax expense	(656)	(412)	(160)	(246)	(174)	(97)	(1,745)
Profit attributable to non-controlling interests	-	-	-	(4)	-	(1)	(5)
Cash earnings for the period	1,531	958	379	629	436	84	4,017
Net cash earnings adjustments	(58)	(5)	(10)	-	(7)	(30)	(110)
Net profit for the period attributable to owners of Westpac Banking Corporation	1,473	953	369	629	429	54	3,907
Total assets	367,008	149,947	35,279	103,959	79,605	104,195	839,993
Total liabilities	194,476	107,217	40,649	125,273	69,828	243,178	780,621

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

	Half Year March 18	Half Year Sept 17	Half Year March 17
Group			
Average interest-earning assets (\$m)		759,764	744,783
Net interest income (\$m)		8,011	7,693
Interest spread		1.92%	1.90%
Benefit of net non-interest bearing assets, liabilities and equity		0.18%	0.17%
Net interest margin		2.10%	2.07%
Analysis by division			
Average interest-earning assets (\$m)			
Consumer Bank		335,103	325,098
Business Bank		143,910	141,630
BT Financial Group		18,028	17,095
Westpac Institutional Bank		82,598	84,523
Westpac New Zealand (A\$)		80,142	80,864
Group Businesses		99,983	95,573
Group total		759,764	744,783
<i>Westpac New Zealand (NZ\$)</i>		85,988	85,647
Net interest income (\$m)			
Consumer Bank		3,961	3,677
Business Bank		1,975	1,910
BT Financial Group		274	237
Westpac Institutional Bank		672	656
Westpac New Zealand (A\$)		838	791
Group Businesses		291	422
Group total		8,011	7,693
<i>Westpac New Zealand (NZ\$)</i>		899	839
Interest margin			
Consumer Bank		2.36%	2.27%
Business Bank		2.74%	2.70%
BT Financial Group		3.03%	2.78%
Westpac Institutional Bank		1.62%	1.56%
Westpac New Zealand (NZ\$)		2.09%	1.96%
Group Businesses		0.58%	0.89%
Group total		2.10%	2.07%

Note 2. Average balance sheet (cash earnings basis)

	Half Year 31 March 2018			Half Year 30 September 2017			Half Year 31 March 2017		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Assets									
Interest earning assets									
Receivables due from other financial institutions				7,899	59	1.5	10,354	51	1.0
Trading securities and other financial assets designated at fair value				26,883	292	2.2	24,851	266	2.1
Available-for-sale securities				57,124	881	3.1	59,298	914	3.1
Regulatory deposits with central banks overseas				908	8	1.8	1,163	9	1.6
Loans and other receivables				666,950	14,627	4.4	649,117	14,147	4.4
Total interest earning assets and interest income				759,764	15,867	4.2	744,783	15,387	4.1
Non-interest earning assets									
Cash, receivables due from other financial institutions and regulatory deposits				1,792			2,209		
Derivative financial instruments				35,593			39,764		
Life insurance assets				10,965			13,937		
All other assets				59,245			60,982		
Total non-interest earning assets				107,595			116,892		
Total assets				867,359			861,675		
Liabilities									
Interest bearing liabilities									
Payables due to other financial institutions				19,166	145	1.5	18,498	134	1.5
Deposits and other borrowings				489,707	4,433	1.8	479,692	4,435	1.9
Loan capital				17,217	343	4.0	17,199	350	4.1
Other interest bearing liabilities				174,075	2,935	3.4	174,266	2,775	3.2
Total interest bearing liabilities and interest expense				700,165	7,856	2.2	689,655	7,694	2.2
Non-interest bearing liabilities									
Deposits and payables due to other financial institutions				47,028			45,165		
Derivative financial instruments				39,867			45,709		
Life insurance policy liabilities				9,148			11,980		
All other liabilities				11,771			11,398		
Total non-interest bearing liabilities				107,814			114,252		
Total liabilities				807,979			803,907		
Shareholders' equity				59,364			57,744		
Non-controlling interests				16			24		
Total equity				59,380			57,768		
Total liabilities and equity				867,359			861,675		
Loans and other receivables									
Australia				564,432	12,595	4.5	551,261	12,188	4.4
New Zealand				73,004	1,742	4.8	72,872	1,728	4.8
Other overseas				29,514	290	2.0	24,984	231	1.9
Deposits and other borrowings									
Australia				417,349	3,680	1.8	401,781	3,664	1.8
New Zealand				50,297	577	2.3	51,791	596	2.3
Other overseas				22,061	176	1.6	26,120	175	1.3

Note 3. Net interest income (cash earnings basis)

				<i>% Mov't</i>	<i>% Mov't</i>
	Half Year	Half Year	Half Year	Mar 18 -	Mar 18 -
\$m	March 18	Sept 17	March 17	Sept 17	Mar 17
Interest income					
Cash and balances with central banks		146	95		
Receivables due from other financial institutions		59	51		
Net ineffectiveness on qualifying hedges		-	-		
Trading securities and financial assets designated at fair value		292	266		
Available-for-sale securities		881	914		
Loans		14,467	14,037		
Regulatory deposits with central banks overseas		8	9		
Other interest income		14	15		
Total interest income		15,867	15,387		
Interest expense					
Payables due to other financial institutions		(145)	(134)		
Deposits and other borrowings		(4,433)	(4,435)		
Trading liabilities		(964)	(934)		
Debt issues		(1,811)	(1,774)		
Loan capital		(343)	(350)		
Bank levy		(95)	-		
Other interest expense		(65)	(67)		
Total interest expense		(7,856)	(7,694)		
Total net interest income		8,011	7,693		

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

				% Mov't	% Mov't
\$m	Half Year March 18	Half Year Sept 17	Half Year March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
Fees and commissions					
Facility fees		671	662		
Transaction fees and commissions received		580	613		
Other non-risk fee income		78	151		
Total fees and commissions		1,329	1,426		
Wealth management and insurance income					
Life insurance and funds management net operating income		794	806		
General insurance and lenders mortgage insurance net operating income		130	80		
Total wealth management and insurance income		924	886		
Trading income					
Foreign exchange income		401	474		
Other trading products		103	239		
Total trading income		504	713		
Other income					
Dividends received from other entities		1	1		
Net gain on disposal of assets		-	6		
Net gain/(loss) on hedging overseas operations		-	-		
Net gain/(loss) on derivatives held for risk management purposes		(7)	(23)		
Net gain/(loss) on financial instruments designated at fair value		5	6		
Gain on disposal of controlled entities		-	-		
Rental income on operating leases		15	17		
Share of associates net profit		4	26		
Other		9	10		
Total other income		27	43		
Total non-interest income		2,784	3,068		

Wealth management and insurance income reconciliation

				% Mov't	% Mov't
\$m	Half Year March 18	Half Year Sept 17	Half Year March 17	Mar 18 - Sept 17	Mar 18 - Mar 17
BTFG non-interest income		850	894		
Net commission, premium, fee and banking income		(38)	(109)		
BTFG wealth management and insurance income		812	785		
NZ wealth management and insurance income		77	71		
WIB wealth management income		63	30		
CB and BB wealth management and insurance income		(28)	-		
Total wealth management and insurance income		924	886		

Note 5. Operating expenses (cash earnings basis)

				% Mov't	% Mov't
	Half Year	Half Year	Half Year	Mar 18 -	Mar 18 -
\$m	March 18	Sept 17	March 17	Sept 17	Mar 17
Staff expenses					
Employee remuneration, entitlements and on-costs		2,076	2,022		
Superannuation expense		186	194		
Share based payments		48	65		
Restructuring costs		30	45		
Total staff expenses		2,340	2,326		
Occupancy expenses					
Operating lease rentals		325	324		
Depreciation of property and equipment		88	91		
Other		72	62		
Total occupancy expenses		485	477		
Technology expenses					
Amortisation and impairment of software assets		322	306		
Depreciation and impairment of IT equipment		82	76		
Technology services		299	340		
Software and maintenance and licenses		168	145		
Telecommunications		106	84		
Data processing		42	38		
Total technology expenses		1,019	989		
Other expenses					
Professional and processing services		417	338		
Amortisation and impairment of intangible assets		5	5		
Postage and stationery		109	108		
Advertising		80	75		
Credit card loyalty programs		68	84		
Non-lending losses		36	37		
Other expenses		45	62		
Total other expenses		760	709		
Operating expenses		4,604	4,501		

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

				% Mov't	% Mov't
	Half Year	Half Year	Half Year	Mar 18 -	Mar 18 -
\$m	March 18	Sept 17	March 17	Sept 17	Mar 17
Net interest income		838	791		
Non-interest income		235	245		
Net operating income		1,073	1,036		
Operating expenses		(442)	(461)		
Core earnings		631	575		
Impairment (charges) / benefits		37	35		
Operating profit before tax		668	610		
Tax and non-controlling interests		(187)	(174)		
Cash earnings		481	436		
Economic profit		227	183		
Expense to income ratio		41.27%	44.35%		
Net interest margin		2.09%	1.96%		

	As at	As at	As at	% Mov't	% Mov't
	31 March	30 Sept	31 March	Mar 18 -	Mar 18 -
\$bn	2018	2017	2017	Sept 17	Mar 17
Deposits		53.7	51.9		
Net loans		71.1	70.0		
Deposit to loan ratio		75.55%	74.25%		
Total assets		81.3	79.6		
TCE		100.1	97.9		
Third party liquid assets		8.0	7.6		
Average interest-earning assets		80.1	80.9		
Total Funds		9.3	8.9		