

# ASX Release

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18 April 2016

## Westpac Group 2016 Interim Financial Results Announcement Template

The Westpac Group has today released the template for its 2016 Interim Financial Results Announcement (1H16). The template sets out the structure of Westpac's 1H16 results announcement, as well as providing comparative financial information following changes in our organisational structure and transfer pricing approaches.

More specifically, this release:

- Sets out details of comparative restatements of earnings per share following the completion of the Share Entitlement Offer to raise \$3.5 billion. This change is in accordance with accounting standards and consistent with market practice (Appendix 1); and
- Outlines changes to the comparative divisional financial results. In June 2015, Westpac announced the creation of two new divisions, Consumer Bank and Business Bank which effectively replaced the previous divisions of Westpac Retail & Business Banking and the St. George Banking Group. 1H16 is the first time the Group will report under this new structure. In addition, the Group has adjusted certain expense allocations, income allocations and cost of funds transfer pricing to improve divisional accountability. Details of these changes are in Appendix 2. These changes impact divisional results but have no impact on the Group's reported results or cash earnings.

An Excel template of how key information in the 2016 Interim Financial Results Announcement will be presented is available on the Westpac website at [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre).

The Westpac Group is scheduled to announce its 2016 Interim Financial Results on Monday, 2 May 2016. An Excel spreadsheet of the results will also be published on the Westpac website.

Ends.

### For Further Information

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## Appendix 1

### 1.1 Comparative restatement of Earnings per share

In November 2015 the Group completed a Share Entitlement Offer to raise \$3.5 billion of ordinary equity. The price of the offer was set at \$25.50, a discount of 13.1% on the dividend adjusted Theoretical Ex-Rights Price. In accordance with AASB 133 – *Earnings per Share* the calculation of earnings per share for all periods presented has been adjusted retrospectively to incorporate the effective bonus element<sup>1</sup> of the shares issued relating to the 13.1% discount.

#### Section 1.2 Key financial data [Reported results]

	Revised disclosure		Previous disclosure	
	Half Year Sept 15	Half Year March 15	Half Year Sept 15	Half Year March 15
<b>Shareholder value</b>				
Earnings per ordinary share (cents)	139.4	115.5	140.1	116.1
Weighted average ordinary shares (millions)	3,157	3,122	3,141	3,106

#### Section 1.3.1 Key financial data [Cash earnings results]

	Revised disclosure		Previous disclosure	
	Half Year Sept 15	Half Year March 15	Half Year Sept 15	Half Year March 15
<b>Shareholder value</b>				
Cash earnings per ordinary share (cents)	127.5	120.7	128.2	121.3
Weighted average ordinary shares (millions)	3,168	3,131	3,152	3,115

<sup>1</sup> The effective bonus element calculated as 16 million shares.

## Appendix 2

### 2.1 Comparative restatements impacting divisional results

The following comparative restatements impact divisional results but have no impact on the Group's reported results or cash earnings.

#### **New operating model**

On 10 June 2015 Westpac announced a new operating structure to better align the Group's divisional structure to customer segments. This change has seen the Group's Australian retail and business banking operations reorganised under two divisions, the Consumer Bank and the Business Bank. A key rationale for the change has been to improve accountability for the end-to-end customer experience while maintaining the Group's unique portfolio of brands.

In 2015, Westpac also commenced the sale of certain Pacific Island operations. In light of this change, Westpac Pacific will no longer be reported separately. Its results are now included under Westpac Institutional Bank consistent with its line of reporting.

#### **Revisions to expense allocations and cost of funds transfer pricing**

Consistent with Westpac's objective of improving divisional accountability, the Group has also adjusted its expense allocation methodology and cost of funds transfer pricing as outlined below:

##### *Expense allocations*

Internal expense allocation methodologies have been adjusted to increase the responsibility of the Group's divisions for expenses that they control. This will see changes to some cost allocations (particularly related to resource usage and investment) and it will also see a higher portion of Group costs (mostly relating to finance, HR and risk functions) retained in the Group Businesses division.

##### *Cost of funds transfer pricing changes*

Following implementation of the Liquidity Coverage Ratio and other changes to the management of the balance sheet, the Group has adjusted its cost of funds transfer pricing. The changes include:

- Improved allocation of liquidity costs to better reflect the funding mix and deposit quality of divisions; and
- Changes to the allocation of wholesale funding costs to divisions, including incorporating the credit costs associated with Tier 1 and Tier 2 capital instruments.

The net impact of expense and cost of funds transfer pricing changes has led to a smaller contribution from the Group Businesses division and Westpac Institutional Bank and larger contributions from the Consumer Bank and the Business Bank.

#### **Change in reporting of loans**

The presentation of loan balances in section 2.2.1 'Loans' has been amended to separately identify loan impairment provision balances. The presentation of Loans within each division's report in section 3 has also been updated for this change.

The following tables summarise how these changes have impacted divisional results with full detail provided in the template.

## 2.2 Section 2 Divisional cash earnings summary

Comparative restated divisional cash earnings summary for illustration purposes

### Previous disclosure – Full Year 2015

Twelve months to 30 September 2015	Westpac Retail & Business Banking	St. George Banking Group	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Westpac Pacific	Group Businesses	Group
\$m								
Net interest income	6,395	3,768	448	1,645	1,590	166	227	14,239
Non-interest income	1,457	555	2,192	1,458	457	116	66	6,301
Net operating income	7,852	4,323	2,640	3,103	2,047	282	293	20,540
Operating expenses	(3,397)	(1,629)	(1,304)	(1,289)	(832)	(108)	(76)	(8,635)
<b>Core earnings</b>	<b>4,455</b>	<b>2,694</b>	<b>1,336</b>	<b>1,814</b>	<b>1,215</b>	<b>174</b>	<b>217</b>	<b>11,905</b>
Impairment (charges)/ benefits	(471)	(280)	4	39	(44)	(1)	-	(753)
<b>Operating profit before tax</b>	<b>3,984</b>	<b>2,414</b>	<b>1,340</b>	<b>1,853</b>	<b>1,171</b>	<b>173</b>	<b>217</b>	<b>11,152</b>
Income tax expense	(1,196)	(726)	(404)	(567)	(317)	(45)	(19)	(3,274)
<b>Net Profit</b>	<b>2,788</b>	<b>1,688</b>	<b>936</b>	<b>1,286</b>	<b>854</b>	<b>128</b>	<b>198</b>	<b>7,878</b>
Non-controlling interests	-	-	(32)	-	(3)	(8)	(15)	(58)
<b>Cash earnings</b>	<b>2,788</b>	<b>1,688</b>	<b>904</b>	<b>1,286</b>	<b>851</b>	<b>120</b>	<b>183</b>	<b>7,820</b>

### Revised disclosure – Full Year 2015

Twelve months to 30 September 2015	Consumer Bank	Business Bank	BT Financial Group (Australia)	Westpac Institutional Bank	Westpac New Zealand (A\$)	Group Businesses	Group
\$m							
Net interest income	6,396	3,767	445	1,638	1,552	441	14,239
Non-interest income	940	1,068	2,192	1,578	457	66	6,301
Net operating income	7,336	4,835	2,637	3,216	2,009	507	20,540
Operating expenses	(3,113)	(1,731)	(1,286)	(1,319)	(808)	(378)	(8,635)
<b>Core earnings</b>	<b>4,223</b>	<b>3,104</b>	<b>1,351</b>	<b>1,897</b>	<b>1,201</b>	<b>129</b>	<b>11,905</b>
Impairment (charges)/ benefits	(478)	(273)	4	38	(44)	-	(753)
<b>Operating profit before income tax</b>	<b>3,745</b>	<b>2,831</b>	<b>1,355</b>	<b>1,935</b>	<b>1,157</b>	<b>129</b>	<b>11,152</b>
Income tax expense	(1,125)	(852)	(409)	(584)	(313)	9	(3,274)
<b>Net Profit</b>	<b>2,620</b>	<b>1,979</b>	<b>946</b>	<b>1,351</b>	<b>844</b>	<b>138</b>	<b>7,878</b>
Non-controlling interests	-	-	(32)	(8)	(3)	(15)	(58)
<b>Cash earnings</b>	<b>2,620</b>	<b>1,979</b>	<b>914</b>	<b>1,343</b>	<b>841</b>	<b>123</b>	<b>7,820</b>

## 2.3 Section 3.1 Consumer Bank and Business Bank

Consumer Bank and Business Bank will be disclosed as separate divisions. Westpac Retail & Business Banking and St. George Banking Group were previously disclosed as separate divisions.

For illustrative purposes only

	Revised Disclosure			Previous Disclosure
	Consumer Bank	Business Bank	Total	Westpac Retail & Business Banking and St George Banking Group
	Full Year Sept 15			Full Year Sept 15
<b>\$m</b>				
Net interest income	6,396	3,767	10,163	10,163
Non-interest income	940	1,068	2,008	2,012
Net operating income	7,336	4,835	12,171	12,175
Operating expenses	(3,113)	(1,731)	(4,844)	(5,026)
<b>Core earnings</b>	<b>4,223</b>	<b>3,104</b>	<b>7,327</b>	<b>7,149</b>
Impairment charges	(478)	(273)	(751)	(751)
<b>Operating profit before tax</b>	<b>3,745</b>	<b>2,831</b>	<b>6,576</b>	<b>6,398</b>
Tax and non-controlling interests	(1,125)	(852)	(1,977)	(1,922)
<b>Cash earnings</b>	<b>2,620</b>	<b>1,979</b>	<b>4,599</b>	<b>4,476</b>
	As at 30 Sept 15			As at 30 Sept 15
<b>\$bn</b>				
<b>Deposits</b>				
Term deposits	42.6	40.9	83.5	83.5
Other	125.6	60.9	186.5	186.5
<b>Total deposits</b>	<b>168.2</b>	<b>101.8</b>	<b>270.0</b>	<b>270.0</b>
<b>Net loans</b>				
Mortgages	307.8	54.9	362.7	362.4
Business	-	83.3	83.3	82.9
Other	13.8	9.3	23.1	21.8
Provisions	(0.9)	(1.1)	(2.0)	-
<b>Total net loans</b>	<b>320.7</b>	<b>146.4</b>	<b>467.1</b>	<b>467.1</b>
Deposit to loan ratio	52.4%	69.5%	57.8%	57.8%
<b>Total assets</b>	<b>328.6</b>	<b>149.3</b>	<b>477.9</b>	<b>479.7</b>
Total committed exposure	377.9	192.4	570.3	570.3
Average interest-earning assets	287.0	136.7	423.7	425.3

## 2.4 Section 3.3 BT Financial Group (Australia)

	Revised Disclosure	Previous Disclosure
	Full Year Sept 15	Full Year Sept 15
<b>\$m</b>		
Net interest income	445	448
Non-interest income	2,192	2,192
Net operating income	2,637	2,640
Operating expenses	(1,286)	(1,304)
<b>Core earnings</b>	<b>1,351</b>	<b>1,336</b>
Impairment benefits	4	4
<b>Operating profit before tax</b>	<b>1,355</b>	<b>1,340</b>
Tax and non-controlling interests	(441)	(436)
<b>Cash earnings</b>	<b>914</b>	<b>904</b>
Economic profit	834	820
ROTE	28.6%	28.3%
Expense to income ratio	48.8%	49.4%
Income on invested capital	62	62
	As at 30 Sept 15	As at 30 Sept 15
<b>\$bn</b>		
Deposits	23.4	23.4
<b>Net Loans</b>		
Loans	17.2	17.2
Provisions	-	-
<b>Total net loans</b>	<b>17.2</b>	<b>17.2</b>
Deposit to loan ratio	136.0%	136.0%
Funds Under Management (FUM)	46.3	46.3
Funds Under Management (FUM) - Excl. BTIM	46.3	46.3
Average Funds Under Management	88.3	88.3
Average Funds Under Management - Excl. BTIM	46.8	46.8
Funds Under Administration (FUA)	121.9	121.9
Average Funds Under Administration	121.5	121.5
<b>Cash earnings</b>		
	Full Year Sept 15	Full Year Sept 15
<b>\$m</b>		
Funds management business	560	555
Insurance	291	282
Total funds management and insurance	851	837
Capital and other	63	67
<b>Total cash earnings</b>	<b>914</b>	<b>904</b>

## 2.5 Section 3.4 Westpac Institutional Bank (including Westpac Pacific)

	Revised Disclosure	Previous Disclosure		
	Westpac Institutional Bank	Westpac Institutional Bank	Westpac Pacific	Total
	Full Year Sept 15	Full Year Sept 15		
<b>\$m</b>				
Net interest income	1,638	1,645	166	1,811
Non-interest income	1,578	1,458	116	1,574
Net operating income	3,216	3,103	282	3,385
Operating expenses	(1,319)	(1,289)	(108)	(1,397)
<b>Core earnings</b>	<b>1,897</b>	<b>1,814</b>	<b>174</b>	<b>1,988</b>
Impairment (charges)/benefits	38	39	(1)	38
<b>Operating profit before tax</b>	<b>1,935</b>	<b>1,853</b>	<b>173</b>	<b>2,026</b>
Tax and non-controlling interests	(592)	(567)	(53)	(620)
<b>Cash earnings</b>	<b>1,343</b>	<b>1,286</b>	<b>120</b>	<b>1,406</b>
	As at 30 Sept 15	As at 30 Sept 15		
<b>\$bn</b>				
Deposits	80.3	77.4	2.9	80.3
<b>Net loans</b>				
Loans	76.7	74.4	1.9	76.3
Provisions	(0.4)	-	-	-
<b>Total net loans</b>	<b>76.3</b>	<b>74.4</b>	<b>1.9</b>	<b>76.3</b>
Deposit to loan ratio	105.2%	104.0%	152.6%	105.2%
Total assets	127.3	123.7	3.6	127.3
Total committed exposure	254.5	250.9	3.6	254.5
Average interest-earning assets	91.0	87.7	3.3	91.0

## 2.6 Section 3.5 Westpac New Zealand

	Revised Disclosure	Previous Disclosure
	Full Year Sept 15	Full Year Sept 15
<b>NZ\$m</b>		
Net interest income	1,670	1,712
Non-interest income	494	494
Net operating income	2,164	2,206
Operating expenses	(872)	(899)
<b>Core earnings</b>	<b>1,292</b>	<b>1,307</b>
Impairment charges	(47)	(47)
<b>Operating profit before tax</b>	<b>1,245</b>	<b>1,260</b>
Tax and non-controlling interests	(340)	(344)
<b>Cash earnings</b>	<b>905</b>	<b>916</b>
Economic profit	470	486
ROTE	22.8%	23.5%
Expense to income ratio	40.3%	40.8%
Net interest margin	2.25%	2.31%
	As at 30 Sept 15	As at 30 Sept 15
<b>NZ\$bn</b>		
<b>Deposits</b>		
Term deposits	24.0	24.0
Other	27.9	27.9
<b>Total deposits</b>	<b>51.9</b>	<b>51.9</b>
<b>Net loans</b>		
Mortgages	42.0	41.9
Business	25.3	25.1
Other	2.1	2.0
Provisions	(0.4)	-
<b>Total net loans</b>	<b>69.0</b>	<b>69.0</b>
Deposit to loan ratio	75.2%	75.2%
<b>Total assets</b>	<b>78.6</b>	<b>78.6</b>
Total committed exposure	98.8	98.8
Liquid assets	8.7	8.7
Average interest-earning assets	74.2	74.2
Funds under management	6.5	6.5
Funds under administration	2.0	2.0

## 2.7 Section 3.6 Group Businesses

	Revised Disclosure	Previous Disclosure
	Full Year Sept 15	Full Year Sept 15
<b>\$m</b>		
Net interest income	441	227
Non-interest income	66	66
Net operating income	507	293
Operating expenses	(378)	(76)
<b>Core earnings</b>	<b>129</b>	<b>217</b>
Impairment (charges)/benefits	-	-
<b>Operating profit before tax</b>	<b>129</b>	<b>217</b>
Tax and non-controlling interests	(6)	(34)
<b>Cash earnings</b>	<b>123</b>	<b>183</b>
<b>Treasury</b>		
<b>\$m</b>		
Net interest income	325	335
Non-interest income	25	24
Net operating income	350	359
<b>Cash earnings</b>	<b>205</b>	<b>216</b>