Westpac GROUP

2019 Full Year Financial Results

Incorporating the requirements of Appendix 4E

ASX Appendix 4E

Results for announcement to the market[1]

Report for the full year ended 30 September 2019[2]

Revenue from ordinary activities[3,4] ($m)	down	6%	to	$20,649
Profit from ordinary activities after tax attributable to equity holders[4] ($m)	down	16%	to	$6,784
Net profit for the period attributable to equity holders[4] ($m)	down	16%	to	$6,784

Dividend Distributions (cents per ordinary share)	Amount per security	Franked amount per security
Final Dividend	80	80
Interim Dividend	94	94
Record date for determining entitlements to the dividend	13 November 2019 (Sydney) 12 November 2019 (New York)	

[1] *This document comprises the Westpac Group 2019 Full Year Financial Results, and is provided to the Australian Securities Exchange under Listing Rule 4.3A.*

[2] *This report should be read in conjunction with the 2019 Westpac Group Annual Report and any public announcements made in the period by the Westpac Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.*

[3] *Comprises reported interest income, interest expense and non-interest income.*

[4] *All comparisons are with the reported results for the twelve months ended 30 September 2018.*

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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.

All references to $ in this document are to Australian dollars unless otherwise stated.

Financial calendar

Final results announcement	4 November 2019
Ex-dividend date for final dividend	12 November 2019
Record date for final dividend (Sydney)	13 November 2019
Annual General Meeting	12 December 2019
Final dividend payable	20 December 2019

1.0 Group results

1.1 Reported results[1]

Reported net profit attributable to owners of Westpac Banking Corporation is prepared in accordance with the requirements of the Australian Accounting Standards (AAS) and regulations applicable to Australian Authorised Deposit-taking Institutions (ADIs). During Full Year 2019, Westpac adopted AASB 9 Financial Instruments (AASB 9) and AASB 15 Revenue from Contracts with Customers (AASB 15). As the Group applied the standards prospectively, comparatives have not been restated.

Adopting the new standards has resulted in measurement and classification differences between Full Year 2019 and prior periods. The significant differences are:

- the measurement of credit loss provisions and impairment charges are now on an expected loss basis;
- line fees (mainly in Business) are now recognised in net interest income, previously most was recognised in net fee income;
- interest on performing loans is now measured on the gross loan value. Previously, interest was recognised on the loan balance net of impairment provision; and
- certain items previously netted are now presented on a gross basis, including payments from credit card schemes which were previously netted against related expenditure.

The changes have little impact on net profit but have a more significant impact on individual line items. As these changes have only been applied from 1 October 2018, it is difficult to compare some line items across periods. These changes are discussed further in the 2019 Interim Financial Report and Section 3, Note 1 of the 2019 Annual Report.

$m	Half Year Sept 19	Half Year March 19	*% Mov't[2] Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't[2] Sept 19 - Sept 18*
Net interest income	8,644	8,263	*5*	16,907	16,505	*2*
Net fee income	829	826	*-*	1,655	2,424	*(32)*
Net wealth management and insurance income	703	326	*116*	1,029	2,061	*(50)*
Trading income	492	437	*13*	929	945	*(2)*
Other income	2	127	*(98)*	129	72	*79*
Net operating income before operating expenses and impairment charges	**10,670**	**9,979**	***7***	**20,649**	**22,007**	***(6)***
Operating expenses	(5,015)	(5,091)	*(1)*	(10,106)	(9,566)	*6*
Net profit before impairment charges and income tax expense	**5,655**	**4,888**	***16***	**10,543**	**12,441**	***(15)***
Impairment charges	(461)	(333)	*38*	(794)	(710)	*12*
Profit before income tax	**5,194**	**4,555**	***14***	**9,749**	**11,731**	***(17)***
Income tax expense	(1,580)	(1,379)	*15*	(2,959)	(3,632)	*(19)*
Net profit for the period	**3,614**	**3,176**	***14***	**6,790**	**8,099**	***(16)***
Net profit attributable to non-controlling interests	(3)	(3)	*-*	(6)	(4)	*50*
Net profit attributable to owners of Westpac Banking Corporation	**3,611**	**3,173**	***14***	**6,784**	**8,095**	***(16)***

Net profit attributable to owners of Westpac Banking Corporation for Full Year 2019 was $6,784 million, a decrease of $1,311 million or 16% compared to Full Year 2018. Full Year 2019 included significant increases in provisions for estimated customer refunds, payments, associated costs, and litigation, along with costs associated with restructuring of the wealth business, which together reduced net profit after tax by $1,130 million. These items are discussed further in Section 1.3.2 and Section 2.1 and Note 14 in Section 4.7. A summary of the impact of provisions for estimated customer refunds, payments, associated costs, and litigation and wealth restructuring costs split across income statement line items is set out in Section 1.3.2.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Percentage movement represents an increase/(decrease) to the relevant comparative period.*

Net interest income increased $402 million or 2% compared to Full Year 2018 driven by an increase of $686 million due to the reclassification of line fees from net fee income to interest income, partly offset by $239 million increase in provisions for estimated customer refunds, payments, associated costs, and litigation. Excluding the impact of these items, net interest income was flat compared to 2018. Average interest earning assets grew 3% primarily from Australian and New Zealand housing, broadly offset by a lower margin. Reported net interest margin decreased 1 basis point to 2.12%.

Net interest income, loans, deposits and other borrowings and net interest margins are discussed further in Sections 2.2.1 to 2.2.4

Net fee income decreased $769 million or 32% compared to Full Year 2018 primarily due to reclassification of line fees to net interest income ($667 million in 2018) and $126 million increase in provisions for estimated customer refunds, payments, associated costs, and litigation.

Net wealth management and insurance income decreased $1,032 million or 50% compared to Full Year 2018 primarily due to additional provisions for estimated customer refunds, payments, associated costs, and litigation of $531 million, higher general insurance claims from severe weather events, cessation of grandfathered advice commissions $42 million, lower wealth management income due to changes in platform pricing structures, and exit of the Hastings business in Full Year 2018.

Trading income decreased $16 million or 2% compared to Full Year 2018. The decline mainly relates to a change in methodology in derivative valuation adjustments partially offset by higher non-customer income.

Other income is up $57 million or 79% compared to Full Year 2018, primarily due to the non-repeat of a 2018 impairment charge on an equity holding of $104 million;

Net fee income, net wealth management and insurance income, trading income and other income are discussed further in Section 2.2.5.

Operating expenses increased $540 million or 6% compared to Full Year 2018. The increase was mainly due to a $349 million increase in provisions for estimated customer refunds, payments, associated costs, and litigation, higher technology expenses of $174 million, a rise in regulatory, compliance and investment related spend of $171 million, partially offset by the exit of the Hastings business in 2018 of $158 million and a net productivity benefit.

Operating expenses are discussed further in Section 2.2.8.

Impairment charges were $84 million or 12% higher compared to Full Year 2018. Asset quality remained sound, with stressed exposures as a percentage of total committed exposures at 1.20%, up 12 basis points over the year. Impairment charges are discussed further in Section 2.2.9.

The effective tax rate of 30.4% in 2019 was lower than the 2018 effective tax rate of 31.0%. The lower effective tax rate in 2019 reflects a decrease in non-deductible expenses from the non-repeat of the 2018 goodwill write-off associated with the exit of Hastings. Income tax expense is discussed further in Section 2.2.10.

1.2 Key financial information[1]

	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Shareholder value						
Earnings per ordinary share (cents)	104.1	92.3	*13*	196.5	237.5	*(17)*
Weighted average ordinary shares (millions)[2]	3,464	3,436	*1*	3,450	3,406	*1*
Fully franked dividends per ordinary share (cents)	80	94	*(15)*	174	188	*(7)*
Dividend payout ratio	77.26%	102.00%	*large*	88.83%	79.52%	*large*
Return on average ordinary equity	11.24%	10.05%	*119bps*	10.65%	13.05%	*(240bps)*
Average ordinary equity ($m)	64,078	63,348	*1*	63,714	62,017	*3*
Average total equity ($m)	64,126	63,400	*1*	63,764	62,048	*3*
Net tangible asset per ordinary share ($)	15.36	15.12	*2*	15.36	15.39	-
Business performance						
Interest spread	1.99%	1.89%	*10bps*	1.94%	1.95%	*(1bps)*
Benefit of net non-interest bearing assets, liabilities and equity	0.16%	0.20%	*(4bps)*	0.18%	0.18%	-
Net interest margin	2.15%	2.09%	*6bps*	2.12%	2.13%	*(1bps)*
Average interest-earning assets ($m)	803,165	794,660	*1*	798,924	774,944	*3*
Expense to income ratio	47.00%	51.02%	*large*	48.94%	43.47%	*large*
Capital, funding and liquidity						
Common equity Tier 1 capital ratio						
- APRA Basel III	10.67%	10.64%	*3bps*	10.67%	10.63%	*4bps*
- Internationally comparable[3]	15.85%	16.17%	*(32bps)*	15.85%	16.14%	*(29bps)*
Credit risk weighted assets (credit RWA) ($m)	367,864	362,762	*1*	367,864	362,749	*1*
Total risk weighted assets (RWA) ($m)	428,794	419,819	*2*	428,794	425,384	*1*
Liquidity coverage ratio (LCR)	127%	138%	*large*	127%	133%	*large*
Net stable funding ratio (NSFR)	112%	113%	*(146bps)*	112%	114%	*(200bps)*
Asset quality						
Gross impaired exposure to gross loans	0.25%	0.24%	*1bps*	0.25%	0.20%	*5bps*
Gross impaired exposure to equity and total provisions	2.54%	2.57%	*(3bps)*	2.54%	2.09%	*45bps*
Gross impaired exposure provisions to gross impaired exposure	44.92%	45.74%	*(82bps)*	44.92%	46.12%	*(120bps)*
Total committed exposures (TCE) ($bn)	1,050	1,047	-	1,050	1,038	*1*
Total stressed exposures as a % of TCE	1.20%	1.10%	*10bps*	1.20%	1.08%	*12bps*
Total provisions to gross loans	54bps	56bps	*(2bps)*	54bps	43bps	*11bps*
Mortgages 90+ day delinquencies	0.82%	0.75%	*7bps*	0.82%	0.67%	*15bps*
Other consumer loans 90+ day delinquencies	1.69%	1.80%	*(11bps)*	1.69%	1.64%	*5bps*
Collectively assessed provisions to credit RWA	95bps	98bps	*(3bps)*	95bps	73bps	*22bps*
Balance sheet ($m)[4]						
Loans	714,770	714,297	-	714,770	709,690	*1*
Total assets	906,626	891,062	*2*	906,626	879,592	*3*
Deposits and other borrowings	563,247	555,007	*1*	563,247	559,285	*1*
Total liabilities	841,119	827,127	*2*	841,119	815,019	*3*
Total equity	65,507	63,935	*2*	65,507	64,573	*1*
Wealth Management ($bn)						
Average Group funds ($bn)[5]	221.8	207.3	*7*	214.6	217.3	*(1)*
Life insurance in-force premiums (Australia) ($m)	1,212	1,259	*(4)*	1,212	1,277	*(5)*
General insurance gross written premiums (Australia) ($m)	279	259	*8*	538	503	*7*

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less average Westpac shares held by the Group ("Treasury shares").*

[3] *Refer to Glossary for the definition.*

[4] *Spot balances.*

[5] *Averages are based on six months for the halves and twelve months for the full year.*

1.3 Cash earnings results[1]

Throughout this results announcement, reporting and commentary of financial performance will refer to 'cash earnings results', unless otherwise stated. Section 4 is prepared on a reported basis. A reconciliation of cash earnings to reported results is set out in Section 5, Note 8.

Section 1.3.4 describes cash earnings in detail including cash earnings adjustments and revisions to comparative data for accounting standard and presentation changes.

Certain commentary throughout this Results Announcement refers to performance excluding 'notable items'. Details on notable items are discussed in Section 1.3.2.

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Net interest income	8,564	8,389	*2*	16,953	17,187	*(1)*
Non-interest income	1,988	1,714	*16*	3,702	4,978	*(26)*
Net operating income	10,552	10,103	*4*	20,655	22,165	*(7)*
Operating expenses	(4,990)	(5,041)	*(1)*	(10,031)	(9,698)	*3*
Core earnings	**5,562**	**5,062**	***10***	**10,624**	**12,467**	***(15)***
Impairment charges	(461)	(333)	*38*	(794)	(812)	*(2)*
Operating profit before income tax	**5,101**	**4,729**	***8***	**9,830**	**11,655**	***(16)***
Income tax expense	(1,545)	(1,430)	*8*	(2,975)	(3,586)	*(17)*
Net profit	**3,556**	**3,299**	***8***	**6,855**	**8,069**	***(15)***
Net profit attributable to non-controlling interests	(3)	(3)	-	(6)	(4)	*50*
Cash earnings	**3,553**	**3,296**	***8***	**6,849**	**8,065**	***(15)***
Add back notable items	377	753	*(50)*	1,130	281	*large*
Cash earnings excluding notable items	**3,930**	**4,049**	***(3)***	**7,979**	**8,346**	***(4)***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

1.3.1 Key financial information – cash earnings basis[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Shareholder value						
Cash earnings per ordinary share (cents)	102.4	95.8	*7*	198.2	236.2	*(16)*
Economic profit ($m)[2]	959	660	*45*	1,619	3,444	*(53)*
Weighted average ordinary shares (millions)[3]	3,470	3,442	*1*	3,456	3,414	*1*
Dividend payout ratio	78.58%	98.33%	*large*	88.09%	79.94%	*large*
Cash earnings on average ordinary equity (ROE)	11.06%	10.43%	*63bps*	10.75%	13.00%	*(225bps)*
Cash earnings on average tangible ordinary equity (ROTE)	13.01%	12.30%	*71bps*	12.66%	15.41%	*(275bps)*
Average ordinary equity ($m)	64,078	63,348	*1*	63,714	62,017	*3*
Average tangible ordinary equity ($m)[4]	54,478	53,748	*1*	54,114	52,338	*3*
Business performance						
Interest spread	1.96%	1.92%	*4bps*	1.94%	2.04%	*(10bps)*
Benefit of net non-interest bearing assets, liabilities and equity	0.17%	0.20%	*(3bps)*	0.18%	0.18%	-
Net interest margin	2.13%	2.12%	*1bps*	2.12%	2.22%	*(10bps)*
Average interest-earning assets ($m)	803,165	794,660	*1*	798,924	774,944	*3*
Expense to income ratio	47.29%	49.90%	*(261bps)*	48.56%	43.75%	*large*
Full time equivalent employees (FTE)	33,288	34,241	*(3)*	33,288	35,029	*(5)*
Revenue per FTE ($ '000's)	314	294	*7*	608	626	*(3)*
Effective tax rate	30.29%	30.24%	*5bps*	30.26%	30.77%	*(51bps)*
Impairment charges						
Impairment charges to average loans annualised	13bps	9bps	*4bps*	11bps	12bps	*(1bps)*
Net write-offs to average loans annualised	15bps	12bps	*3bps*	14bps	14bps	-

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Refer to Section 5, Note 9 for further details.*

[3] *Weighted average ordinary shares – cash earnings: represents the weighted average number of fully paid ordinary shares listed on the ASX for the relevant period.*

[4] *Average tangible ordinary equity is calculated as average ordinary equity less goodwill and other intangible assets (excluding capitalised software).*

1.3.2 Impact of notable items

The table below summarises the impact of notable items for each period of the Full Year 2019 financial results. Individual line items were impacted by:

- Estimated customer refunds, payments, associated costs, and litigation of $958 million (after tax); and
- Costs associated with restructuring of the Wealth business of $172 million (after tax).

These costs are referred to as 'notable items' through the document.

	Full Year Sept 19			Full Year Sept 18		
$m	**Estimated customer refunds, associated costs, and litigation**	**Wealth restructuring**	**Total**	**Estimated customer refunds, associated costs, and litigation**	**Wealth restructuring**	**Total**
Net interest income	(344)	-	(344)	(105)	-	(105)
Net fee income	(283)	-	(283)	(157)	-	(157)
Net wealth management and insurance income	(537)	-	(537)	(6)	-	(6)
Non-interest income	(820)	-	(820)	(163)	-	(163)
Net operating income	**(1,164)**	**-**	**(1,164)**	**(268)**	**-**	**(268)**
Staff expenses	(99)	(169)	(268)	(37)	-	(37)
Technology expenses	(11)	(24)	(35)	-	-	-
Other expenses	(110)	(48)	(158)	(75)	-	(75)
Operating expenses	(220)	(241)	(461)	(112)	-	(112)
Operating profit before tax	**(1,384)**	**(241)**	**(1,625)**	**(380)**	**-**	**(380)**
Income tax expense	426	69	495	99	-	99
Cash earnings	**(958)**	**(172)**	**(1,130)**	**(281)**	**-**	**(281)**

	Half Year Sept 19			Half Year March 19		
$m	**Estimated customer refunds, associated costs, and litigation**	**Wealth restructuring**	**Total**	**Estimated customer refunds, associated costs, and litigation**	**Wealth restructuring**	**Total**
Net interest income	(132)	-	(132)	(212)	-	(212)
Net fee income	(118)	-	(118)	(165)	-	(165)
Net wealth management and insurance income	(102)	-	(102)	(435)	-	(435)
Non-interest income	(220)	-	(220)	(600)	-	(600)
Net operating income	**(352)**	**-**	**(352)**	**(812)**	**-**	**(812)**
Staff expenses	(33)	(27)	(60)	(66)	(142)	(208)
Technology expenses	(2)	(13)	(15)	(9)	(11)	(20)
Other expenses	(101)	(11)	(112)	(9)	(37)	(46)
Operating expenses	(136)	(51)	(187)	(84)	(190)	(274)
Operating profit before tax	**(488)**	**(51)**	**(539)**	**(896)**	**(190)**	**(1,086)**
Income tax expense	147	15	162	279	54	333
Cash earnings	**(341)**	**(36)**	**(377)**	**(617)**	**(136)**	**(753)**

1.3.3 Key financial information – cash earnings basis excluding the impact of notable items

	Half Year Sept 19	**Half Year March 19**	***% Mov't* Sept 19 - Mar 19**	**Full Year Sept 19**	**Full Year Sept 18**	***% Mov't* Sept 19 - Sept 18**
Cash earnings per ordinary share (cents)[1]	113.3	117.6	*(4)*	230.9	244.5	*(6)*
Cash earnings on average ordinary equity (ROE)[1]	12.23%	12.82%	*(59bps)*	12.52%	13.46%	*(94bps)*
Net interest margin[1]	2.16%	2.17%	*(1bps)*	2.16%	2.23%	*(7bps)*
Expense to income ratio[1]	44.05%	43.67%	*38bps*	43.86%	42.73%	*113bps*

[1] *Calculated using cash earnings adjusted for the impact of notable items.*

1.3.4 Cash earnings policy

In assessing financial performance, including divisional results, Westpac Group uses a measure of performance referred to as 'cash earnings'. Cash earnings is viewed as a measure of profit that is generated by ongoing operations and is therefore considered in assessing distributions, including dividends. Cash earnings is neither a measure of cash flow nor net profit determined on a cash accounting basis, as it includes both cash and non-cash adjustments to statutory net profit.

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.

To determine cash earnings, three categories of adjustments are made to reported results:

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

A full reconciliation of reported results to cash earnings is set out in Section 5, Note 8.

Reconciliation of reported results to cash earnings and cash earnings excluding notable items.

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
NET PROFIT ATTRIBUTABLE TO OWNERS OF WESTPAC BANKING CORPORATION	**3,611**	**3,173**	***14***	**6,784**	**8,095**	***(16)***
Amortisation of intangible assets	-	-	-	-	17	*(100)*
Fair value (gain)/loss on economic hedges	(90)	125	*large*	35	(126)	*large*
Ineffective hedges	(15)	(5)	*200*	(20)	13	*large*
Adjustments related to Pendal (previously BTIM)	40	5	*large*	45	73	*(38)*
Treasury shares	7	(2)	*large*	5	(7)	*large*
Total cash earnings adjustments (post-tax)	**(58)**	**123**	***large***	**65**	**(30)**	***large***
Cash earnings	**3,553**	**3,296**	***8***	**6,849**	**8,065**	***(15)***
Add back notable items	377	753	*(50)*	1,130	281	*large*
Cash earnings excluding notable items	**3,930**	**4,049**	***(3)***	**7,979**	**8,346**	***(4)***

Outlined below are the cash earnings adjustments to the reported result:

- Amortisation of intangible assets: Identifiable intangible assets arising from business acquisitions are amortised over their useful lives, ranging between four and twenty years. This amortisation (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. The last of these intangible assets were fully amortised in December 2017;
- Fair value on economic hedges (which do not qualify for hedge accounting under AAS) comprise:
  - 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 results but do not affect the Group's cash earnings over 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 results but do not affect the Group's cash earnings over the life of the hedge.
- Ineffective hedges: The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings 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;

- Adjustments related to Westpac's shareholding in Pendal (previously BTIM): Consistent with prior periods' treatment, this item has been treated as a cash earnings adjustment given its size and that it does not reflect ongoing operations. The Group has indicated that it may sell the remaining 10% shareholding in Pendal at some future date. From September 2018, this adjustment relates to the mark to market of the shares held and separation costs related to the original sell down. Any future gain or loss on this shareholding will similarly be excluded from the calculation of cash earnings;
- Treasury shares: Under AAS, Westpac shares held by the Group in the managed funds and life businesses are deemed to be Treasury shares and the results of holding these shares cannot be recognised 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; and
- Accounting reclassifications between individual line items that do not impact reported results comprise:
  - Policyholder tax recoveries: Income and tax amounts that are grossed up to comply with the AAS covering Life Insurance Business (policyholder tax recoveries) are reversed in deriving income and taxation expense on a cash earnings basis; and
  - Operating leases: Under AAS rental income on operating leases is presented gross of the depreciation of the assets subject to the lease. These amounts are offset in deriving non-interest income and operating expenses on a cash earnings basis.
- For Westpac, AASB 9 and AASB 15 were adopted on 1 October 2018 and as comparatives were not restated, line item movements in our reported results are not directly comparable across periods. In order to provide the operational trends in the business, 2018 cash earnings comparatives have been restated as if the standards were applied from 1 October 2017, except for expected credit loss provisioning which is not feasible. These adjustments do not impact Full Year 2018 cash earnings but affect individual line items. These adjustments are detailed in Note 8 in Section 5. These adjustments include:
  - Line fees: The Group has reclassified line fees (mostly in the Business division) from non-interest income to net interest income to more appropriately reflect the relationship with drawn lines of credit;
  - Card scheme: Support payments received from Mastercard and Visa have been reclassified to non-interest income and related expenses have been reclassified to operating expenses;
  - Interest carrying adjustment: Interest on performing loans (stage 1 and stage 2 loans) is now measured on the gross loan value. Previously, interest on performing loans was recognised on the loan balance net of provisions. This adjustment increases interest income and impairment charges.
  - Other fees and expenses: The Group has restated the classification of a number of fees and expenses. This has resulted in the grossing up of net interest income, non-interest income, impairment charges and operating expenses; and
  - Merchant terminal costs: Some variable costs related to Westpac's merchant terminal business have been reclassified between non-interest income and operating expenses.

The guidance provided in Australian Securities and Investments Commission (ASIC) Regulatory Guide 230 has been followed when presenting this information.

This Results Announcement is unaudited

PricewaterhouseCoopers have audited the financial statements contained within the 2019 Westpac Group Annual Report and have issued an unmodified audit report. This 2019 Full Year Results Announcement has not been subject to audit by PricewaterhouseCoopers. The financial information contained in this Results Announcement includes information extracted from the audited financial statements together with information that has not been audited. The cash earnings disclosed as part of this Results Announcement have not been separately audited by PricewaterhouseCoopers.

1.4 Market share and system multiple metrics

1.4.1 Market share

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
Australia				
Banking system (APRA)[1]				
Housing credit[2]	24%	24%	24%	25%
Cards	23%	23%	23%	23%
Household deposits	22%	23%	23%	23%
Business deposits	20%	20%	20%	20%
Financial system (RBA)[1,3]				
Housing credit[2]	23%	23%	23%	23%
Business credit	17%	18%	19%	19%
Retail deposits[4]	22%	21%	22%	21%
New Zealand (RBNZ)[5,6]				
Consumer lending	18%	18%	19%	19%
Deposits	18%	19%	18%	19%
Business lending	16%	17%	16%	16%
Australian Wealth Management[7]				
Platforms (includes Wrap and Corporate Super)	18%	18%	19%	18%
Retail (excludes Cash)	17%	17%	18%	18%
Corporate Super	14%	13%	13%	13%

1.4.2 System multiples

	Half Year Sept 19	Half Year March 19	Half Year Sept 18	Half Year March 18
Australia				
Banking system (APRA)[1]				
Housing credit[2]	0.6	0.5	0.9	1.0
Cards[8]	n/a	n/a	n/a	n/a
Household deposits	0.6	0.1	1.1	0.8
Business deposits	2.6	0.1	n/a	0.9
Financial system (RBA)[1,3]				
Housing credit[2]	0.6	0.5	0.8	0.9
Business credit[8]	n/a	n/a	0.6	0.9
Retail deposits[4,8]	0.7	n/a	1.3	0.6
New Zealand (RBNZ)[5,6]				
Consumer lending	1.1	0.4	0.6	0.7
Deposits	0.2	1.4	0.1	1.2

[1] *From March 2019 certain statistical data has been restated as a result of APRA's implementation of new Economic and Financial Statistics (EFS) collection requirements. APRA's EFS collection requirements have clarified and revised a number of key reporting definitions including residency, industry sectors, and loan purpose. In addition, the EFS collection coverage has been expanded to include credit unions and building societies. The restated balances are reported in APRA's new Monthly Authorised Deposit-taking Institutions Statistics (MADIS) publication, which replaces APRA's Monthly Banking Statistics (MBS) publication. Westpac's market share and growth multiples for the six months to September 2019 have been calculated based on APRA's new MADIS publication, with prior period comparative balances prepared on the previous MBS publication approach. As a result of this change, market share and system multiples are not comparable to previous reporting periods.*
[2] *Includes securitised loans.*
[3] *Source: Reserve Bank of Australia (RBA).*
[4] *Retail deposits as measured by the RBA, financial system includes financial corporations' deposits.*
[5] *New Zealand comprises New Zealand banking operations.*
[6] *Source: Reserve Bank of New Zealand (RBNZ).*
[7] *Market Share Australian Wealth Management based on market share statistics from Strategic Insight at 30 June 2019 (for Full Year 2019), at 31 December 2018 (for First Half 2019), at 30 June 2018 (for Full Year 2018) and at 31 December 2017 (for First Half 2018).*
[8] *n/a indicates that system growth or Westpac growth was negative.*

2.0 Review of Group operations

Divisional cash earnings summary[1]

Half Year Sept 19 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[2] (A$)	Group Businesses	Group
Net interest income	4,059	2,573	700	915	317	8,564
Non-interest income	585	720	610	189	(116)	1,988
Net operating income	4,644	3,293	1,310	1,104	201	10,552
Operating expenses	(1,931)	(1,430)	(631)	(486)	(512)	(4,990)
Core earnings	**2,713**	**1,863**	**679**	**618**	**(311)**	**5,562**
Impairment (charges) / benefits	(313)	(198)	(31)	24	57	(461)
Operating profit before income tax	**2,400**	**1,665**	**648**	**642**	**(254)**	**5,101**
Income tax expense	(719)	(501)	(176)	(181)	32	(1,545)
Net profit	**1,681**	**1,164**	**472**	**461**	**(222)**	**3,556**
Non-controlling interests	-	-	(2)	-	(1)	(3)
Cash earnings	**1,681**	**1,164**	**470**	**461**	**(223)**	**3,553**
Add back notable items	31	119	-	23	204	377
Cash earnings excluding notable items	**1,712**	**1,283**	**470**	**484**	**(19)**	**3,930**

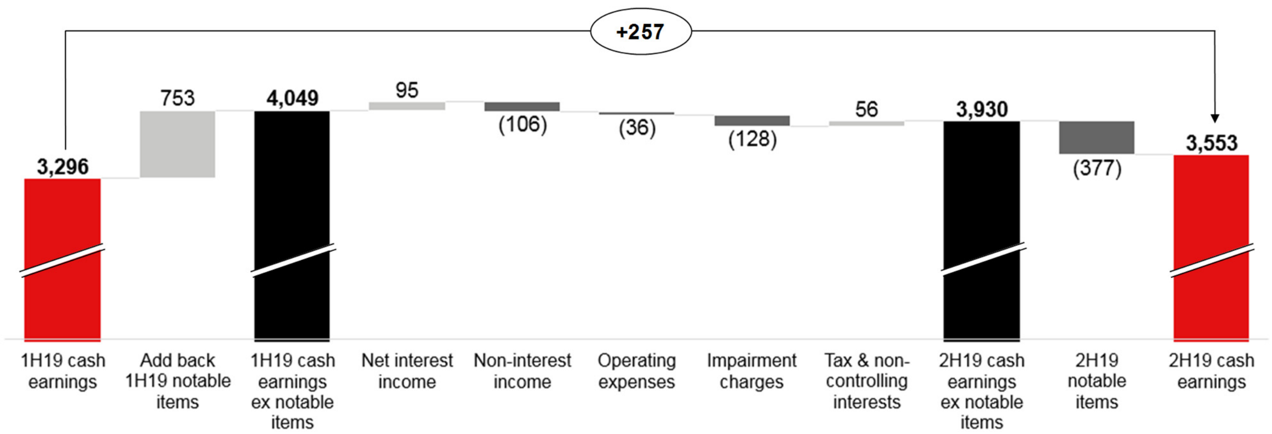
Half Year March 19 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[2] (A$)	Group Businesses	Group
Net interest income	3,883	2,519	743	945	299	8,389
Non-interest income	556	744	682	234	(502)	1,714
Net operating income	4,439	3,263	1,425	1,179	(203)	10,103
Operating expenses	(1,886)	(1,375)	(653)	(453)	(674)	(5,041)
Core earnings	**2,553**	**1,888**	**772**	**726**	**(877)**	**5,062**
Impairment (charges) / benefits	(268)	(74)	(15)	(14)	38	(333)
Operating profit before income tax	**2,285**	**1,814**	**757**	**712**	**(839)**	**4,729**
Income tax expense	(678)	(547)	(210)	(188)	193	(1,430)
Net profit	**1,607**	**1,267**	**547**	**524**	**(646)**	**3,299**
Non-controlling interests	-	-	(3)	-	-	(3)
Cash earnings	**1,607**	**1,267**	**544**	**524**	**(646)**	**3,296**
Add back notable items	2	151	-	-	600	753
Cash earnings excluding notable items	**1,609**	**1,418**	**544**	**524**	**(46)**	**4,049**

Mov't Sept 19 - Mar 19 %	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[2] (A$)	Group Businesses	Group
Net interest income	*5%*	*2%*	*(6%)*	*(3%)*	*6%*	*2%*
Non-interest income	*5%*	*(3%)*	*(11%)*	*(19%)*	*(77%)*	*16%*
Net operating income	*5%*	*1%*	*(8%)*	*(6%)*	*large*	*4%*
Operating expenses	*2%*	*4%*	*(3%)*	*7%*	*(24%)*	*(1%)*
Core earnings	***6%***	***(1%)***	***(12%)***	***(15%)***	***(65%)***	***10%***
Impairment (charges) / benefits	*17%*	*168%*	*107%*	*large*	*50%*	*38%*
Operating profit before income tax	***5%***	***(8%)***	***(14%)***	***(10%)***	***(70%)***	***8%***
Income tax expense	*6%*	*(8%)*	*(16%)*	*(4%)*	*(83%)*	*8%*
Net profit	***5%***	***(8%)***	***(14%)***	***(12%)***	***(66%)***	***8%***
Non-controlling interests	-	-	*(33%)*	-	-	-
Cash earnings	***5%***	***(8%)***	***(14%)***	***(12%)***	***(65%)***	***8%***
Add back notable items	*large*	*(21%)*	-	-	*(66%)*	*(50%)*
Cash earnings excluding notable items	***6%***	***(10%)***	***(14%)***	***(8%)***	***(59%)***	***(3%)***

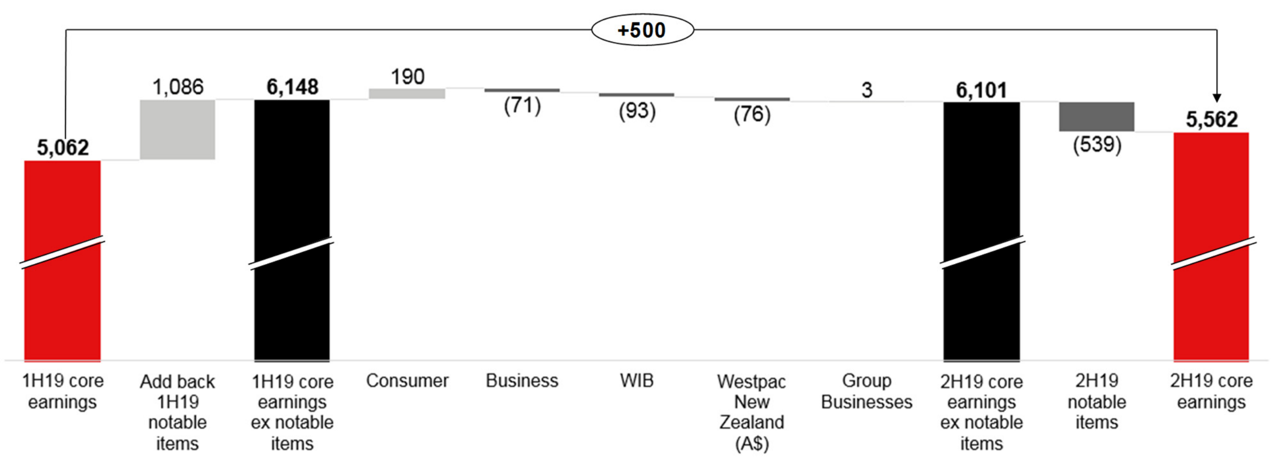
1 *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

2 *Refer to Section 3.4 for the Westpac New Zealand NZ$ divisional result.*

Movement in cash earnings ($m)
Second Half 2019 – First Half 2019



Movement in core earnings by division ($m)
Second Half 2019 – First Half 2019



Divisional cash earnings summary[1] (continued)

Full Year Sept 19 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[2] (A$)	Group Businesses	Group
Net interest income	7,942	5,092	1,443	1,860	616	16,953
Non-interest income	1,141	1,464	1,292	423	(618)	3,702
Net operating income	9,083	6,556	2,735	2,283	(2)	20,655
Operating expenses	(3,817)	(2,805)	(1,284)	(939)	(1,186)	(10,031)
Core earnings	**5,266**	**3,751**	**1,451**	**1,344**	**(1,188)**	**10,624**
Impairment (charges) / benefits	(581)	(272)	(46)	10	95	(794)
Operating profit before income tax	**4,685**	**3,479**	**1,405**	**1,354**	**(1,093)**	**9,830**
Income tax expense	(1,397)	(1,048)	(386)	(369)	225	(2,975)
Net profit	**3,288**	**2,431**	**1,019**	**985**	**(868)**	**6,855**
Non-controlling interests	-	-	(5)	-	(1)	(6)
Cash earnings	**3,288**	**2,431**	**1,014**	**985**	**(869)**	**6,849**
Add back notable items	33	270	-	23	804	1,130
Cash earnings excluding notable items	**3,321**	**2,701**	**1,014**	**1,008**	**(65)**	**7,979**

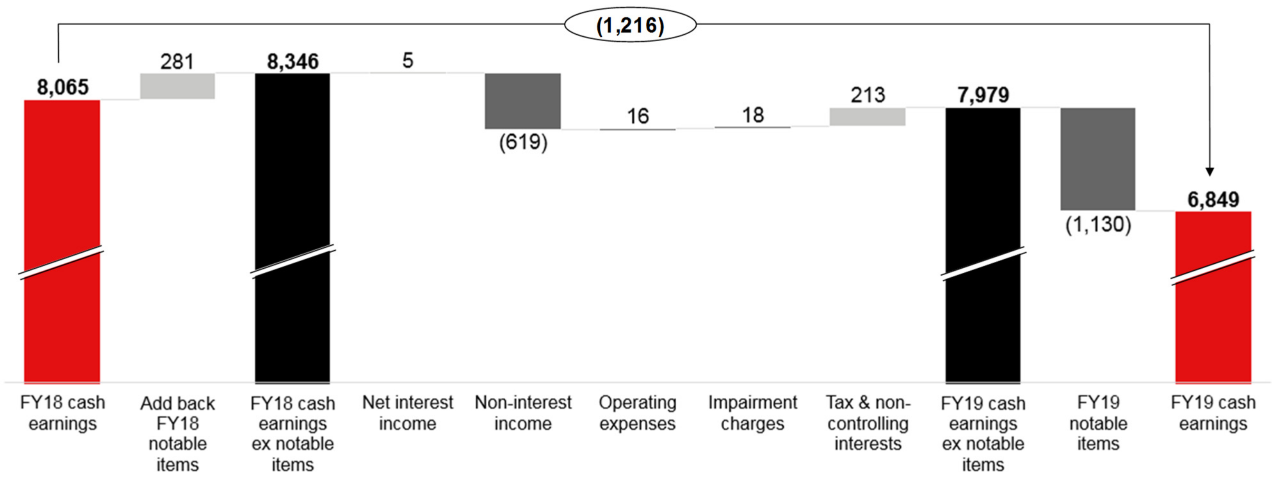
Full Year Sept 18 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[2] (A$)	Group Businesses	Group
Net interest income	7,850	5,284	1,442	1,799	812	17,187
Non-interest income	1,311	1,640	1,565	373	89	4,978
Net operating income	9,161	6,924	3,007	2,172	901	22,165
Operating expenses	(3,774)	(2,651)	(1,449)	(855)	(969)	(9,698)
Core earnings	**5,387**	**4,273**	**1,558**	**1,317**	**(68)**	**12,467**
Impairment (charges) / benefits	(486)	(321)	16	(22)	1	(812)
Operating profit before income tax	**4,901**	**3,952**	**1,574**	**1,295**	**(67)**	**11,655**
Income tax expense	(1,478)	(1,196)	(476)	(361)	(75)	(3,586)
Net profit	**3,423**	**2,756**	**1,098**	**934**	**(142)**	**8,069**
Non-controlling interests	-	-	(5)	-	1	(4)
Cash earnings	**3,423**	**2,756**	**1,093**	**934**	**(141)**	**8,065**
Add back notable items	114	5	-	12	150	281
Cash earnings excluding notable items	**3,537**	**2,761**	**1,093**	**946**	**9**	**8,346**

Mov't Sept 19 - Sept 18 %	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[2] (A$)	Group Businesses	Group
Net interest income	*1%*	*(4%)*	-	*3%*	*(24%)*	*(1%)*
Non-interest income	*(13%)*	*(11%)*	*(17%)*	*13%*	*large*	*(26%)*
Net operating income	*(1%)*	*(5%)*	*(9%)*	*5%*	*large*	*(7%)*
Operating expenses	*1%*	*6%*	*(11%)*	*10%*	*22%*	*3%*
Core earnings	***(2%)***	***(12%)***	***(7%)***	***2%***	***large***	***(15%)***
Impairment (charges) / benefits	*20%*	*(15%)*	*large*	*large*	*large*	*(2%)*
Operating profit before income tax	***(4%)***	***(12%)***	***(11%)***	***5%***	***large***	***(16%)***
Income tax expense	*(5%)*	*(12%)*	*(19%)*	*2%*	*large*	*(17%)*
Net profit	***(4%)***	***(12%)***	***(7%)***	***5%***	***large***	***(15%)***
Non-controlling interests	-	-	-	-	*large*	*50%*
Cash earnings	***(4%)***	***(12%)***	***(7%)***	***5%***	***large***	***(15%)***
Add back notable items	*(71%)*	*large*	-	*92%*	*large*	*large*
Cash earnings excluding notable items	***(6%)***	***(2%)***	***(7%)***	***7%***	***large***	***(4%)***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Refer to Section 3.4 for the Westpac New Zealand NZ$ divisional result.*

Movement in cash earnings ($m)
Full Year 2019 – Full Year 2018



Movement in core earnings by division ($m)
Full Year 2019 – Full Year 2018

2.1 Performance overview

Overview

Full Year 2019 has been another challenging period for financial services companies, including Westpac. In particular, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission), combined with self-assessments into governance, culture and accountability conducted across the industry have brought to light examples of poor behaviour affecting customers, shortcomings in the management of non-financial risks, and cultures that were too accepting of certain risks. These have added to the erosion of public sentiment and trust in the financial services industry. Westpac has taken these developments seriously and been responding to the findings of the Royal Commission's final report (released 4 February 2019) and its own Culture Governance and Accountability Self-Assessment (CGA self-assessment). At the same time, the Group continued to focus on identifying where we got it wrong for customers and putting things right. These efforts aim to strengthen the Group’s focus on leadership, governance and culture, and create better outcomes for customers and shareholders. How Westpac is responding to these developments is summarised later in this overview.

These issues for Westpac, and the sector, have been accompanied by slowing GDP growth, continued weak wages growth and subdued business and consumer sentiment. At the same time, interest rates have fallen to unprecedented lows. For financial services companies, these economic conditions have contributed to more cautious demand for lending, a deterioration in housing markets, and structural pressures on net interest margins. While credit growth has slowed, competition has remained intense across the sector including from domestic and international banks, and from non-banks.

Financial performance summary

With this backdrop, Westpac reported cash earnings of $6,849 million in Full Year 2019, a reduction of $1,216 million (or 15%) compared to Full Year 2018. The Group's performance was impacted by notable items of $1,130 million in Full Year 2019 (after tax) which were up $849 million over the year and accounted for the majority of the decline in cash earnings. In Full Year 2019 notable items included provisions for estimated customer refunds and payments, associated costs, and litigation of $958 million (after tax), and provisions for costs associated with the reset of Westpac's wealth strategy (announced on 19 March 2019) of $172 million (after tax). Notable items in Full Year 2018 were $281 million (after tax). These notable items are explained later in this overview and more information is available in Section 1.3.2 and Section 4.7, Note 14.

Excluding movements in notable items, Westpac's cash earnings in Full Year 2019 were $367 million lower, down 4% compared to Full Year 2018. This decline in cash earnings was mostly due to lower net interest margins (including from competition and a lower Treasury contribution), a reduction in wealth income (the exit of the advice business and lower platform and superannuation margins), a decline in insurance income (mostly from higher claims), and a $78 million negative movement in the derivative valuation adjustment. Expenses (excluding notable items) were well managed over the year and were little changed supported by $405 million in productivity savings. Impairment charges declined 2% over the year and remained relatively low representing 11 basis points of gross loans.

Reviewing half on half movements, in Second Half 2019 cash earnings were $3,553 million, an 8% rise over First Half 2019. Most of this increase was due to lower notable items. Excluding notable items, Second Half 2019 cash earnings were 3% lower than First Half 2019 cash earnings.

Across divisions, Westpac New Zealand increased cash earnings while all other divisions saw cash earnings lower over the year. In Full Year 2019, most notable items were in the Business and Group Businesses divisions while in Full Year 2018, notable items were most prevalent in the Consumer and Group Businesses divisions.

Westpac's reported net profit for Full Year 2019 was $6,784 million; a $1,311 million (or 16%) decline on Full Year 2018. In addition to the other items mentioned above (notable items and other movements in cash earnings), reported net profit was also impacted by a negative movement in the fair value gain/losses on economic hedges of $161 million (a $35 million charge in Full Year 2019 compared to a $126 million benefit in Full Year 2018).

On the balance sheet, Westpac's common equity tier 1 ratio (CET1 ratio) was 10.67% at 30 September 2019, customer deposits fully funded lending over the year (lifting the deposit to loan ratio by 43 basis points to 73.4%) and liquidity ratios remained comfortably above regulatory minimums. The liquidity coverage ratio (LCR) was 127% while the net stable funding ratio was 112%.

Despite these strengths, the Group’s lower cash earnings, new operational risk capital overlays and changes in the calculation of risk weighted assets has meant that, absent any action, Westpac would not have had a sufficient buffer above APRA’s unquestionably strong benchmark of a CET1 capital ratio of 10.5%. As a result, Westpac has decided to raise around $2.5 billion in capital through an institutional placement and a share purchase plan.

The capital being raised is a prudent decision that is expected to lift the Group’s capital ratios by around 58 basis points (Based on risk weighted assets at 30 September 2019). This assists in supporting customer growth and provides a buffer for any additional factors that may impact capital in the period ahead, including regulatory actions, litigation, changes in APRA or RBNZ capital rules.

Credit quality was little changed, with stressed exposures to total committed exposures up 10 basis points over the last six months and up 12 basis points over the last year. The ratio was 1.20% at September 2019. Within this measure, impaired assets were unchanged while mortgage delinquencies were higher, consistent with slower economic activity and the softness in housing markets. While delinquencies, along with properties in possession, have been rising over recent halves, there have been early signs of a stabilisation of property markets in the final quarter of the year with improved property prices and higher clearance rates of properties for auction, and this is beginning to be reflected in these metrics.

Dividends

The Board has determined a final ordinary dividend of 80 cents per share, fully franked. The dividend was 14 cents lower than both the interim dividend and the 2018 final dividend. The decision to reduce the dividend reflects a desire to bring the dividend payout ratio closer to a more sustainable medium term range (of 70-75%), particularly given the increase in shares on issue following the capital raising and the softer outlook.

The final ordinary dividend represents a cash earnings payout ratio of 79% while excluding notables the payout ratio is 71%. The 80 cent dividend translates to a dividend yield of 5.5%[1]. The Board has determined to issue shares to satisfy the dividend reinvestment plan (DRP) for the final 2019 dividend. No discount will be applied to the market price used to determine the number of shares issued under the DRP. The market price used to determine the number of shares issued under the DRP will be set over the 10 trading days commencing 18 November 2019. The final ordinary dividend will be paid on 20 December 2019 with the record date of 13 November 2019[2]. After allowing for the final dividend, the Group's adjusted franking account balance was $1,558 million.

The Government's Bank Levy cost $391 million in Full Year 2019, up from $378 million in Full Year 2018. Despite the decline in Westpac's cash earnings, the Levy increased as it is based on applicable liabilities which were higher over the period. The Bank Levy in Full Year 2019 is equivalent to 8 cents per share and is included in net interest income where it reduced net interest margin by 5 basis points.

2019 priorities

In the Group's Full Year 2018 Results, Westpac reiterated that its service strategy continues to be central to its future. In implementing its strategy and given the environment, the Group highlighted that in 2019 it would focus on three priorities. These were: 1. Deal with outstanding issues, 2. Build momentum in the customer franchise and 3. Structural cost reduction. Discussion in this Performance Overview is structured in line with these priorities.

Dealing with outstanding issues

Over recent years, the Group has conducted extensive work across the organisation to review its products and operations, improve the handling of customer complaints, assess culture, and strengthen governance. This has included: dimensioning the quantum of customer remediation, completing its detailed CGA self-assessment, resetting the Group's wealth operations, exiting the financial advice business, working to close-out legacy regulatory and compliance matters, reshaping how we identify and respond to complaints, and implementing the recommendations from the Royal Commission's Final Report. The Group is now implementing the changes needed to address the issues identified and accelerating the process of customer remediation.

Progress over the year has included:

- Of the 49 Royal Commission recommendations relevant to Westpac, 11 are implemented, 11 are underway, and a further 27 are awaiting further regulatory clarity before further progress can be made;
- Commencing implementation of the recommendations from Westpac's CGA self-assessment; 40% of the recommendations are now complete;
- Following extensive changes to how complaints are identified, managed and reported, the Group reduced the average time to resolve complaints from 13 days to 7 days with 72% being solved in 5 days;
- Implementing major changes in how the Group better identifies and supports customers experiencing vulnerability;
- Establishing a remediation hub to centralise the management of key customer remediation programs and improve the process of refunding customers with over 600,000 customers have now received over $350 million in refunds;
- Exiting the provision of personal financial advice across salaried financial advisors and authorised representatives and moved to a referral model to support customers with their financial advice needs; and
- Completing the sale of Ascalon.

[1] *Based on the closing share price as at 30 September 2019 of $29.64.*
[2] *Record date for 2019 final dividend in New York is 12 November 2019.*

Get it right, put it right

Through the Group's 'get it right, put it right' initiative, products, processes and policies have continued to be reviewed to identify where we may not have got it right for customers. Where problems have been identified, the Group has committed to fix them and refund customers. These initiatives identified a number of issues that have required remediation. The Group booked an after tax cost of $958 million for provisions for estimated customer refunds and payments, associated costs, and litigation in Full Year 2019 with the major items relating to:

- Estimated customer refunds of ongoing advice service fees associated with the Group's salaried financial planners and the Group's authorised representatives that provided financial planning services under the Magnitude and Securitor brands. Provisions for these items also include implementation costs and interest costs for the time value of money;
- Refunds for certain consumer and business customers that had interest only loans that did not automatically switch, when required, to principal and interest loans; and
- Refunds to certain business customers who were provided with business loans where they should have been provided with loans covered by the National Consumer Credit Protection Act 2009 (Cth).

Resetting Wealth

In March 2019, in addition to exiting the provision of personal financial advice, the Group announced an organisational realignment of the previous BT Financial Group businesses. This change saw the Private Wealth, Platforms, Investments and Superannuation businesses move to an expanded Business division, while the Insurance business moved to an expanded Consumer division.

As a result of these changes, the Group incurred a provision for exit and transition costs of $241 million ($172 million after tax). As the Group's advice business was loss making, the exit is expected to be EPS accretive (excluding remediation provisions) for Westpac in 2020. The exit of the advice business and resetting the Group's wealth operations is expected to reduce costs by around $245 million per annum by 2020.

Momentum in customer franchise

The Group has continued to grow its customer franchise over the year by increasing customer numbers, deepening relationships and improving services via digital. Developments over the year included:

- Increased customer numbers by 1% to 14.2 million;
- Launched a range of new digital features to better support customers including:
  - a new end-to-end digital mortgage in St.George;
  - a new chat-bot called ‘Red’. Based on IBM’s Watson artificial intelligence, Red is streamlining the process for handling online customer queries;
  - a pricing tool for term deposits that considers a customer’s unique circumstances and enables them to get the best rate for the roll-over of their term deposit; and
  - a new Digital Institutional Bank platform to simplify and enhance the way institutional and government customers manage their finances;
- Given the above, and a range of other improvements to the useability of online services, the number of digitally active customers increased 4% over the year while around 40% of sales are now completed online up from around 37% over 2018;
- Continued the roll-out of the Group's Customer Service Hub (CSH) which provides a simplified home loan process for both bankers and customers. The system commenced with Westpac first party mortgages and will be gradually rolled out to other brands and then to other products;
- Completed an extensive roll-out of the New Payments Platform (NPP). Westpac currently processes over 40% of all NPP payments (by value);
- Panorama, the Group’s main wealth administration platform, increased its funds under administration by around $1 billion per month contributing to funds on the platform increasing to over $23 billion;
- Rated Australia’s most sustainable bank in the Dow Jones Sustainability Index and ninth most sustainable bank globally. Through the year the Group continued to expand its sustainability products with the first NZ Green bond, green structured deposits, and sustainability-linked loans;
- Continued to strengthen community engagement through: Westpac Foundation job creation grants for social enterprises; the Westpac Scholars Foundation awarded another 102 Westpac scholarships (416 in total), celebrated the Group’s 900th Jawun secondment, and supported indigenous businesses through Many Rivers and a dedicated Indigenous Banking team and call centre; and
- Expanded the roll-out of the Group's "Life Moments" program to help customers when they need it most. Programs launched over the year included resources to help customers manage their finances after a break-up or separation, and to help customers start a business, particularly migrants. This builds on enhanced support for people who have lost a loved one, are having a baby or have been involved in a natural disaster.

Structural cost reduction

In 2019, the Group delivered $405 million in structural productivity savings, up from $304 million in productivity savings achieved in 2018. Efficiency initiatives completed over the year included:

- Completed wealth reset which reduced operating divisions from 5 to 4, including the exit of the Advice business (which was a high cost, loss making business). Cost savings in the Full Year 2019 were relatively modest $45 million with a further $200 million in Full Year 2020;
- Continued restructuring of the Group's distribution network including:
  - Net reduction of 61 branches;
  - Removed 375 ATMs;
  - Entered into an agreement to sell most of the Group's offsite ATMs to Prosegur. The transaction will reduce the Group's investment in fixed infrastructure. Completion of the transaction is not expected until 2020;
  - Introduced a new State management structure aligned to customer segments rather than brands; and
  - Improved cash handling, removing over $1.9 billion of cash turnover from the network, enhancing both security and cash handling costs.
- Implemented a new Group-wide HR management system to improve the way resources are managed;
- Strengthened the Group's technology infrastructure, including: reducing the complexity of core networks, migration of the Group's data platform to the cloud, migration of 350+ applications to a hybrid on/off-premise cloud solution, and installing more reliable technology for front line employees. In addition to cost savings, these changes have contributed to a much faster system environment for employees and improved technology stability, with no Severity 1 outages in over 560 days;
- Renegotiated a number of major contracts, expected to contribute savings in operating and project expenses;
- In New Zealand, expanded the use of agile management techniques to improve efficiency and accelerate change. Lessons from New Zealand are being used to increase the use of agile in Australia; and
- Completed various organisational reviews of head office and support roles. This, and some of the initiatives outlined above has contributed to a 5% reduction in FTE over the year. The decline in FTE was achieved despite absorbing around 300 new FTE to support regulatory and compliance programs.

Financial Performance Summary Full Year 2019 - Full Year 2018

Westpac's cash earnings of $6,849 million in Full Year 2019 was $1,216 million (or 15%) lower than Full Year 2018.

The reduction in cash earnings, combined with a 1% increase in the weighted average shares on issue, led to a 16% decline in cash earnings per share (EPS) to 198.2 cents in Full Year 2019. Average ordinary equity increased 3% which in turn contributed to the Group's return on equity (ROE) falling to 10.75%, down 225 basis points.

Notable items

To help explain Westpac's performance, two major items in this result are described as 'notable items':

- provisions for estimated customer refunds and payments, associated costs, and litigation; and
- exit and restructuring costs associated with the reset of Westpac's wealth strategy.

Throughout this Results Announcement, the term 'notable items' refers only to these items. Notable items are also discussed further in Section 1.3.2.

Notable items impact cash earnings, the major income statement line items and certain performance metrics. The following tables present the quantum of these items and their impact on movements in the income statement (Table 1) and certain performance metrics (Table 2) over Full Year 2019 and Full Year 2018.

Financial performance summary Full Year 2019 – Full Year 2018 (continued)[1]

Table 1. Cash earnings impact from notable items and impact on movements in key line items

	Size of notable items ($m)		Growth FY19 – FY18 (%)	
	FY19	**FY18**	*As reported*	*Ex notable items*
Net interest income	(344)	(105)	*(1)*	-
Non-interest income	(820)	(163)	*(26)*	*(12)*
Operating expenses	(461)	(112)	*3*	-
Core earnings	**(1,625)**	**(380)**	***(15)***	***(5)***
Impairment charges	-	-	*(2)*	*(2)*
Tax	495	99	*(17)*	*(6)*
Cash earnings	**(1,130)**	**(281)**	***(15)***	***(4)***

	Size of notable items ($m)		Growth 2H19 – 1H19 (%)	
	2H19	**1H19**	*As reported*	*Ex notable items*
Net interest income	(132)	(212)	*2*	*1*
Non-interest income	(220)	(600)	*16*	*(5)*
Operating expenses	(187)	(274)	*(1)*	*1*
Core earnings	**(539)**	**(1,086)**	***10***	***(1)***
Impairment charges	-	-	*38*	*38*
Tax	162	333	*8*	*(3)*
Cash earnings	**(377)**	**(753)**	***8***	***(3)***

Table 2. Certain cash earnings performance metrics including and excluding notable items.

	2H19		1H19		FY19		FY18	
	Cash earnings	Cash earnings ex notable items	Cash earnings	Cash earnings ex notable items	Cash earnings	Cash earnings ex notable items	Cash earnings	Cash earnings ex notable items
Return on equity (%)	11.06	12.23	10.43	12.82	10.75	12.52	13.00	13.46
Net interest margin (%)	2.13	2.16	2.12	2.17	2.12	2.16	2.22	2.23
Expense to income ratio (%)	47.29	44.05	49.90	43.67	48.56	43.86	43.75	42.73

Full Year 2019 cash earnings, excluding notable items were $367 million lower than Full Year 2018 (down 4%).

Excluding notable items the ROE was 12.5%. Net tangible assets per share, which was also impacted by the adoption of AASB 9, ended the year at $15.36.

While the Australian economy has continued to grow in 2019, activity has slowed with GDP of 1.4% for the year to June 2019 down from over 3.0% for the year to June 2018. Growth over the year has been principally due to government spending and exports while private spending has declined, building activity has contracted and wage growth remained low. A slowdown in the global economy has also contributed to weak business confidence and investment plans. House prices also eased through the year although there are early signs of some stabilisation in the last quarter of the year. At the same time, increased data and verification requirements have made the process of borrowing slower and more onerous for many customers, particularly smaller businesses.

These conditions have contributed to a slowing in system credit growth in Australia to around 2.5% from almost 4.5% a year earlier with both housing and business loan growth moderating while other personal lending contracted. In New Zealand, private sector credit has been a little stronger, growing at around 6% over the year up from approximately 5.5% a year earlier.

For Westpac, total lending increased $5.1 billion or 1% over the 12 months to September 2019. Growth over the year was concentrated in New Zealand and in Australian owner-occupied mortgages with Australian business lending relatively flat. Other personal lending (mostly credit cards and personal loans) and institutional lending both declined over the year. Customer deposits increased $6.8 billion, or 1%, more than fully funding the rise in lending. Deposit growth was broadly sourced across consumer and business segments in both Australia and New Zealand while institutional deposits were lower.

Net interest margin of 2.12% was down 10 basis points over the year. Of the decline, 3 basis points was due to notable items which had a larger impact on net interest income in Full Year 2019 relative to Full Year 2018. Excluding notable items, the net interest margin declined 7 basis points with the fall due to deposit spreads, increased liquid asset holdings, and a lower Treasury and markets contribution. Mortgage repricing late in the 2018 supported lending spreads although these gains were offset by lower rates on new lending, more customers switching to lower rate products (including principal and interest loans) and a rise in refinancing activity.

[1] *Unless otherwise stated.*

Given the modest growth in lending and the decline in margins, net interest income was 1% lower over the year. Excluding notables net interest income was relatively flat.

Non-interest income was down 26% over the year with much of the decline due to a $657 million increase in notable items and the non-repeat of Hastings income ($203 million). Westpac finalised the exit of its infrastructure funds business 'Hastings' in Second Half 2018. The exit had a small impact on cash earnings but had a more significant impact on non-interest income (including from large exit related fees) and costs (from the write-down of goodwill).

Excluding these items (notable items and Hastings) non-interest income was down $416 million or 8%, with the decline mostly due to lower insurance income including from higher insurance claims ($69 million) including for major weather events (Queensland floods and NSW hailstorms), lower wealth fees following decisions to reduce platform pricing, eliminate grandfathered commission payments, and from a $78 million negative movement in derivative valuation adjustments. Partly offsetting these was higher trading income of $59 million along with gains on asset sales (mostly a CBD branch in Sydney) and disposal of an associate (Paymark in New Zealand).

In aggregate, the 1% decline in net interest income and the 26% decline in non-interest income led to total operating income declining 7%. Excluding notable items, operating income was 3% lower over the Full Year 2019.

Expenses increased 3% or $333 million in Full Year 2019 compared to Full Year 2018. Expense growth was also impacted by notable items which were $349 million higher in Full Year 2019. Expenses excluding notable items were down $16 million (flat), but taking into account foreign currency movements expenses were 1% lower.

As mentioned earlier, the Group delivered $405 million in productivity savings through the year, expenses also benefited from the absence of $158 million of Hastings costs in 2018. These savings were largely offset by a rise in business as usual expenses, higher amortisation of capitalised investments and a significant lift in regulatory, risk and compliance costs.

Within business as usual costs, salary costs were higher following annual salary increases from January 2019, along with mix impacts from employing more highly qualified individuals these were partially offset by a significant reduction in the Group’s short term incentive pool. Occupancy costs were higher from annual rent increases and costs linked to the closure of branches. Technology costs were also higher mostly associated with investment in the Group's infrastructure, including enhancements to cybersecurity, Panorama and launching the Customer Service Hub.

Given the notable items (higher expenses and reduced revenues) the expense to income ratio increased almost 5 percentage points to 48.6% for Full Year 2019. Excluding notable items, the expense to income ratio was 43.9%, around 1 percentage point higher compared to Full Year 2018.

As mentioned earlier, credit quality was sound leading to impairment charges of $794 million for Full Year 2019, (down 2%) representing 11 basis points to average gross loans. The $18 million decline was due to lower new individually assessed provisions particularly in Business and in New Zealand along with lower collective provisions with a reduction in the overlay related to mining partially offset by higher provisions for the increase in mortgage delinquencies.

Following the adoption of AASB 9, overall provision levels have increased, mostly associated with facilities that are still performing but have experienced a significant increase in credit risk (called Stage 2 facilities). As a result, total provisions were $3,913 million at September 2019, up from $3,053 million at September 2018.

The ratio of impaired exposure provisions to total impaired exposures was 45% at September 2019, which was little changed compared to September 2018. Collectively assessed provisions to credit risk weighted assets were 95 basis points, up from 73 basis points at September 2018.

The effective tax rate was 30.3% for Full Year 2019. This is above the corporate tax rate due to the non-deductibility of certain expenses, including hybrid distributions.

Financial performance summary Second Half 2019 – First Half 2019

Cash earnings of $3,553 million were up 8% with core earnings up 10%, while impairment charges increased 38%.

Net interest income rose 2% from a 1 basis point increase in margins and a 1% rise in average interest-earning assets. Margins excluding Treasury and Markets were little changed from First Half 2019, with the benefit of lower notable items (2 basis points) offset by increased holdings of liquid assets, lower deposit spreads lower interest rates which impacted returns on capital and some deposits.

Total loans were little changed over the half (up $0.5 billion), with growth in Australian mortgage lending (up $2.0 billion) largely offset by a decline in Australian personal lending and exchange rate impacts on New Zealand lending. Australian business and institutional lending was little changed compared to First Half 2019 with subdued demand and lower property lending. Australian personal lending was lower, mostly reflecting lower demand across cards, personal loans and auto lending. New Zealand lending was up 3% (but down 1% in A$ terms) from growth in both mortgages and business lending.

Customer deposits grew 3% compared to First Half 2019. Most of the growth was in Australian savings accounts partially offset by lower Australian term deposits and a decline in New Zealand deposits, mostly from exchange rate movements. Customer deposits more than fully funded loan growth in Second Half 2019.

Non-interest income was up 16%, principally due to a decrease in notable items of $380 million. Excluding these, non-interest income was down 5% mostly from a decline in financial markets income (from derivative valuation adjustments), a charge related to financial instruments at fair value, lower fee income, a reduction in institutional bank lending fees and lower life insurance income. These declines were partly offset by lower insurance claims for major weather events ($94 million).

Expenses were 1% lower, from an $87 million decrease in notable items. Excluding notable items, expenses were $36 million higher. Most of this growth was due to higher investment and an increase in regulatory and compliance costs. The Group generated $259 million of structural productivity savings in the half more than offsetting ordinary cost growth.

Impairment charges were $128 million (or 38%) higher than First Half 2019. Most of the rise was in new collectively assessed provisions from higher write-offs consistent with seasonal trends from a rise in business stress. These increases were partly offset by lower new impaired assets and a reduction in the overlay linked to the mining sector.

Divisional performance summary

The performance of each division based on performance in Full Year 2019 compared to Full Year 2018 is discussed below.

Consumer

Consumer cash earnings of $3,288 million was $135 million lower (down 4%) than the Full Year 2018. Excluding notable items, cash earnings were $216 million lower, (down 6%). The fall was due to a 1% decline in operating income, a 1% increase in expenses and a 20% lift in impairment charges. Within operating income, net interest income grew 1%, from an increase in average interest-earning assets, partly offset by a 3 basis point reduction in margins. Margins were down mostly from lower mortgage spreads from competition and changes to the mortgage mix with more customers moving to lower spread principal and interest loans. Non-interest income fell 13%, largely due to higher insurance claims, including from several major weather events early in calendar year 2019. Expenses were higher (up 3% excluding notables), mostly from higher investment and regulatory change costs. These were partially offset by structural productivity gains of $125 million, from organisational redesign, rationalisation of the distribution network and further use of digital channels. The $95 million increase in impairment charges was mostly due to higher consumer delinquencies reflecting a rise in hardship and an increase in time taken to sell a property. The introduction of the new AASB 9 standard also impacted the outcome.

Business

Business delivered cash earnings of $2,431 million, a 12% decrease; excluding notable items, cash earnings were down 2%. Lending was slightly lower, with lower SME balances and subdued demand across auto lending. Deposits rose 3% over the year, with growth across transaction and at call balances, partly offset by 4% decline in term deposits. The net interest margin was down 12 basis points but before notable items was up 3 basis points, mostly from loan repricing late in the 2018 financial year. Non-interest income was down 11% ($176 million) with $55 million of the fall due to notable items. The remaining decline was mostly due to lower merchant income, and lower wealth income from new platform pricing and product mix changes. Expenses were 6% higher, primarily from notable items and increased regulatory and compliance costs. Business as usual costs were largely offset by productivity initiatives including operating model changes and continued digitisation and product simplification. Credit quality was sound, with the level of stressed exposures to TCE relatively flat over the year. Impairment charges were lower mostly due to a low individual provisions and lower auto delinquencies as the size of the auto book declined.

Westpac Institutional Bank

Westpac Institutional Bank (WIB) delivered cash earnings of $1,014 million, $79 million, or 7%, lower compared to Full Year 2018. This was primarily from a $78 million negative movement in derivative valuation adjustments, and a $62 million increase in impairment charges (a $46 million impairment charge in Full Year 2019 compared to a $16 million impairment benefit in Full Year 2018). The exit of the Hastings business in 2018 had negative impact on cash earnings (the loss of $17 million in Hastings cash earnings) but had a more significant impact on the movements in individual line items. In Full Year 2018 Hastings contributed $203 million to non-interest income, $158 million to expenses and $29 million to tax. Net interest income was little changed over the year (up $1 million). Non-interest income was 17% lower, (5% down excluding Hastings), from a negative movement in derivative valuation adjustments. Expenses were down 11% but excluding Hastings were little changed (down $7 million). The impairment charge of $46 million in Full Year 2019 was due to the migration of two facilities to impaired and lower write-backs.

Westpac New Zealand

Westpac New Zealand delivered cash earnings of NZ$1,042 million, up 3% over the year. Excluding notable items, cash earnings increased 4%, supported by a NZ$40 million gain on the sale of Paymark, and a NZ$10 million impairment benefit. Net operating income was 2% higher over the year, with most of the rise due to the gain on the sale of Paymark. Lending increased 5% over the year while deposits grew 4%. Balance sheet growth was partially offset by an 8 basis point decline in margins leading to a $9 million increase in net interest income. Expenses were 7% higher, mostly from further investment in risk management and regulatory programs. The division delivered an impairment benefit of $10 million from lower collective provisions.

Group Businesses

Group Businesses recorded a loss of $869 million in Full Year 2019 with most of the loss due to notable items ($804 million). Excluding notable items, cash earnings for Full Year 2019 were a loss of $65 million compared to a cash earnings profit of $9 million in Full Year 2018. The decrease was mostly due to a lower Treasury contribution (from interest rate risk management) and reduction in advice revenue (following the decision to exit the advice business during the year). This decline was partially offset by a higher impairment benefit. The impairment benefit was $94 million higher, mostly due to movements in centrally held overlays.

2.2 Review of earnings

2.2.1 Net interest income[1,2]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net interest income						
Net interest income excluding Treasury & Markets	8,210	8,081	*2*	16,291	16,340	-
Treasury net interest income[3]	273	240	*14*	513	718	*(29)*
Markets net interest income	81	68	*19*	149	129	*16*
Net interest income	8,564	8,389	*2*	16,953	17,187	*(1)*
Add back notable items	132	212	*(38)*	344	105	*large*
Net interest income excluding notable items	8,696	8,601	*1*	17,297	17,292	-
Average interest-earning assets						
Loans[4]	675,756	674,159	-	674,960	658,603	*2*
Third party liquid assets[5]	107,786	97,222	*11*	102,519	95,639	*7*
Other interest-earning assets[4]	19,623	23,279	*(16)*	21,445	20,702	*4*
Average interest-earning assets	803,165	794,660	*1*	798,924	774,944	*3*
Net interest margin						
Group net interest margin	2.13%	2.12%	*1bps*	2.12%	2.22%	*(10bps)*
Group net interest margin excluding Treasury & Markets[6]	2.04%	2.04%	-	2.04%	2.11%	*(7bps)*
Excluding notable items						
Group net interest margin	2.16%	2.17%	*(1bps)*	2.16%	2.23%	*(7bps)*
Group net interest margin excluding Treasury & Markets[6]	2.07%	2.09%	*(2bps)*	2.08%	2.12%	*(4bps)*

Second Half 2019 – First Half 2019

Net interest income increased $175 million or 2% compared to First Half 2019. Key features include:

- A 1% increase in average interest-earning assets largely from Australian and New Zealand housing lending and higher third party liquid assets;
- Group net interest margin excluding Treasury and Markets, and provisions for estimated refunds, payments, associated costs, and litigation (notable items), decreased 2 basis points. Refer to section 2.2.4 for further details on net interest margin; and
- Treasury and Markets net interest income increased $46 million or 15%, with higher Treasury revenue related to interest rate risk management.

Full Year 2019 – Full Year 2018

Net interest income decreased $234 million or 1% compared to Full Year 2018. Key features include:

- 3% growth in average interest-earning assets, primarily from Australian and New Zealand housing and higher third party liquid assets;
- Group net interest margin excluding Treasury and Markets decreased 7 basis points primarily due to a 3 basis point net impact from notable items, higher holdings of liquid assets and lower deposit spreads. Mortgage spreads were largely flat from competition, retention pricing and changes in the mix of the mortgage portfolio with customer switching from interest only to principal and interest. This was partly offset by changes to pricing of Australian variable mortgages; and
- In aggregate, the contribution from Treasury and Markets was down $185 million or 22%, primarily from lower Treasury income related to interest rate risk management.

1 Refer to Section 4, Note 3 for reported results breakdown. Refer to Section 5, Note 3 for cash earnings results breakdown. As discussed in Section 1.3, commentary is reflected on a cash earnings basis.
2 The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement. Both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Annual Report for further detail.
3 Treasury net interest income excludes capital benefit.
4 First Half 2019 comparative has been revised for consistency.
5 Refer Glossary for definition.
6 Calculated by dividing net interest income excluding Treasury and Markets by total average interest earning assets.

2.2.2 Loans[1,2]

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Australia	**619,564**	**618,811**	**619,630**	**-**	**-**
Housing	449,201	447,164	444,741	-	*1*
Personal	21,247	22,463	22,997	*(5)*	*(8)*
Business	152,360	152,424	154,347	-	*(1)*
Provisions	(3,244)	(3,240)	(2,455)	-	*32*
New Zealand (A$)	**78,428**	**79,000**	**74,045**	***(1)***	***6***
New Zealand (NZ$)	84,626	82,470	80,860	*3*	*5*
Housing	51,504	49,584	48,893	*4*	*5*
Personal	1,844	1,937	2,040	*(5)*	*(10)*
Business	31,599	31,308	30,251	*1*	*4*
Provisions	(321)	(359)	(324)	*(11)*	*(1)*
Other overseas (A$)	**16,778**	**16,486**	**16,015**	***2***	***5***
Total loans	**714,770**	**714,297**	**709,690**	**-**	***1***

Second Half 2019 – First Half 2019

Total loans increased $0.5 billion compared to First Half 2019. Excluding foreign currency translation impacts, total loans increased $2.2 billion.

Key features of total loan growth were:

- Australian housing loans increased $2.0 billion with $30.6 billion of new lending partially offset by $28.6 billion of run off. Owner occupied balances grew 2% and comprised 58% of the portfolio (31 March 2019: 57%), while investor property lending decreased 1%. The interest only portfolio reduced 12% and comprised 27% of the portfolio;
- Australian personal loans decreased $1.2 billion or 5% across personal lending, credit cards and auto finance. Demand for unsecured lending continued to decline in Second Half 2019 with our experience in line with the market; and
- New Zealand loans increased NZ$2.2 billion or 3%, due to housing loans growth of 4% mostly in fixed rate products.

Full Year 2019 - Full Year 2018

Total loans increased $5.1 billion or 1% compared to Full Year 2018. Excluding foreign currency translation impacts, total loans increased $2.9 billion.

Key features of total loan growth were:

- Australian housing loans increased $4.5 billion or 1% with $60.6 billion of new lending partially offset by $56.1 billion of run off. Owner occupied balances grew 3%, while investor property lending decreased 1%;
- Australian personal loans decreased $1.8 billion or 8%, across personal lending, credit card and auto finance. Demand for unsecured lending continued to decline in 2019 with our experience in line with the market;
- Australian business and institutional loans decreased $2.0 billion or 1%, mostly due to lower institutional property lending as divisions prioritised returns over growth, partially offset by growth in agricultural lending;
- Australian provision balances increased $0.8 billion or 32% at the start of the year mostly from the implementation of AASB 9 on 1 October 2018, which calculates credit loss provisioning on an expected loss basis; and
- New Zealand lending increased NZ$3.8 billion or 5%. Housing loans grew 5%, mostly in fixed rate products and business lending increased 4%, supported by growth in agricultural, and property lending. This was partially offset by a decline in personal lending and credit cards.

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1 *Spot loan balances.*
2 *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement. Both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Annual Report for further detail.*

2.2.3 Deposits and other borrowings[1]

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Customer deposits					
Australia	**449,066**	**433,736**	**446,667**	***4***	***1***
At call	247,161	222,733	233,052	*11*	*6*
Term	158,564	168,313	171,832	*(6)*	*(8)*
Non-interest bearing[2]	43,341	42,690	41,783	*2*	*4*
New Zealand (A$)	**59,743**	**61,516**	**56,671**	***(3)***	***5***
New Zealand (NZ$)	64,464	64,218	61,887	-	*4*
At call	24,053	24,520	23,339	*(2)*	*3*
Term	33,540	33,320	32,645	*1*	*3*
Non-interest bearing[2]	6,871	6,378	5,903	*8*	*16*
Other overseas (A$)	**15,707**	**16,391**	**14,413**	***(4)***	***9***
Total customer deposits	**524,516**	**511,643**	**517,751**	***3***	***1***
Certificates of deposit	**38,731**	**43,364**	**41,534**	***(11)***	***(7)***
Australia	26,259	31,123	28,746	*(16)*	*(9)*
New Zealand (A$)	1,058	858	1,116	*23*	*(5)*
Other overseas (A$)	11,414	11,383	11,672	-	*(2)*
Total deposits and other borrowings	**563,247**	**555,007**	**559,285**	***1***	***1***

Second Half 2019 – First Half 2019

Total customer deposits increased $12.9 billion or 3% compared to First Half 2019. Excluding foreign currency translation impacts, total customer deposits increased $13.9 billion.

Key features of total customer deposits growth were:

- Australian customer deposits increased $15.3 billion or 4%, mostly from higher government, institutional, and retail savings and transactional deposits. This was partially offset by a reduction in term deposits as customers moved balances into at-call products. Non-interest bearing deposits were up 2% from increased mortgage offset balances;
- New Zealand customer deposits in NZ$ were little changed, with growth primarily in consumer deposits offset by a reduction in business deposits. Non-interest bearing deposits were up 8% from growth in business and consumer transactional deposits; and
- Other overseas deposits decreased $0.7 billion or 4% due to lower term deposits in Asia.

Certificates of deposit decreased $4.6 billion or 11%, reflecting reduced short-term wholesale funding issuance in this form.

Full Year 2019 – Full Year 2018

Total customer deposits increased $6.8 billion or 1% compared to Full Year 2018. Excluding foreign currency translation impacts, customer deposits increased $4.7 billion.

Key features of total customer deposits growth were:

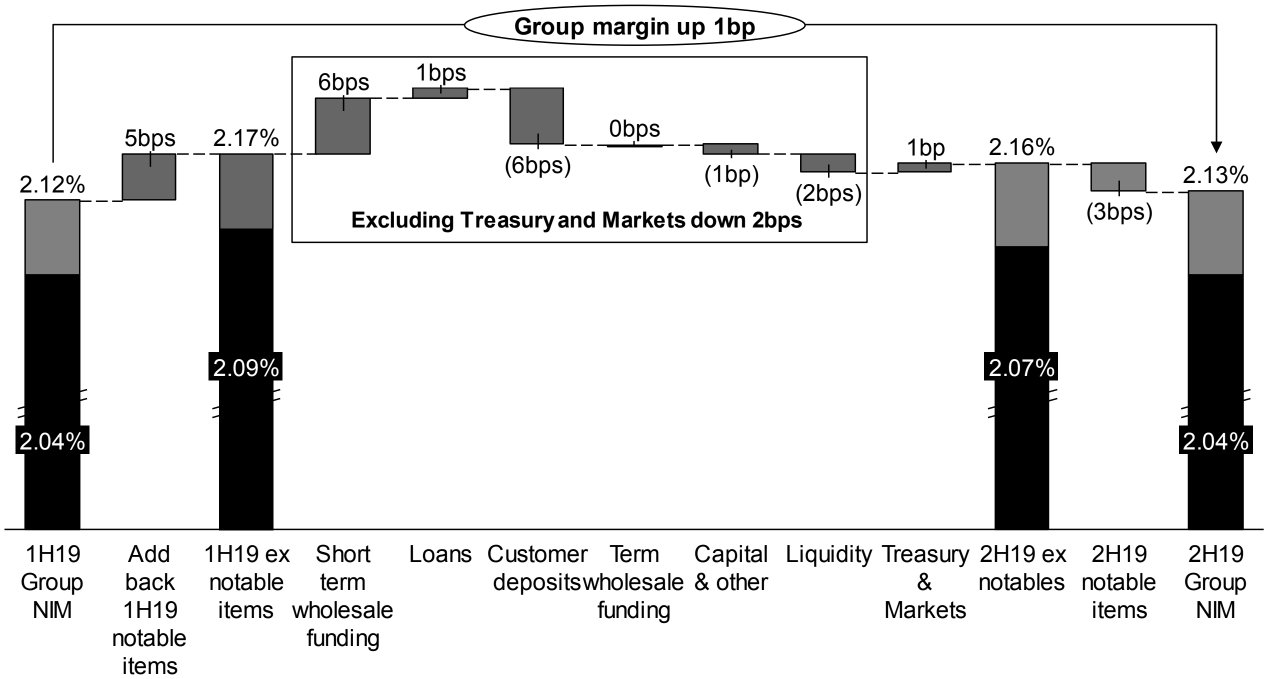
- Australian customer deposits increased $2.4 billion or 1%, mostly from an increase in savings and transactional deposits, partially offset by a reduction in term deposits. Non-interest bearing deposits were up 4% from increased mortgage offset balances; and
- New Zealand customer deposits increased NZ$2.6 billion or 4%, with term deposits up 3% and interest bearing transactional deposits up 10%. Non-interest bearing deposits increased 16%, from growth in business and consumer transactional deposits.

Certificates of deposit decreased $2.8 billion or 7%, reflecting reduced short-term wholesale funding issuance in this form.

[1] *Spot deposit balances.*
[2] *Non-interest bearing relates to instruments which do not carry a rate of interest.*

2.2.4 Net interest margin

Group net interest margin movement (%)
Second Half 2019 – First Half 2019

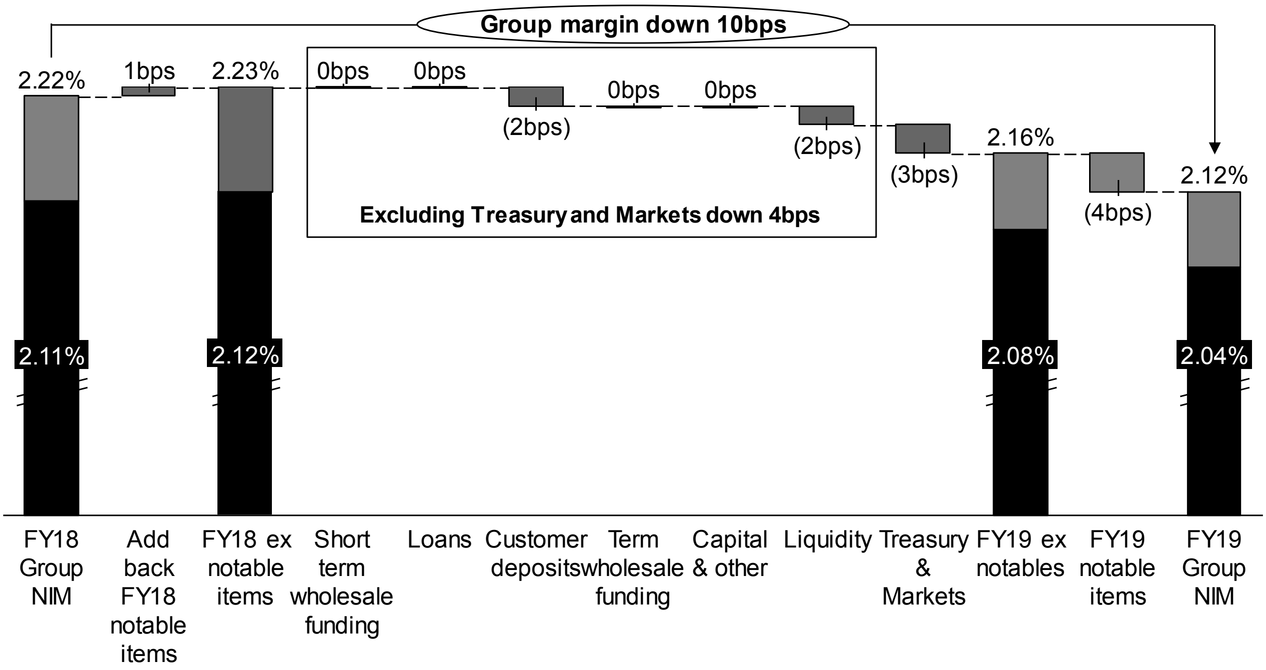


Second Half 2019 – First Half 2019

Group net interest margin of 2.13% increased 1 basis point from First Half 2019. Notable items impacted margin by 2 basis points, as notable items were lower in the Second Half.

- Group net interest margin excluding Treasury and Markets, and notable items decreased 2 basis points to 2.07% with key features including:
  - 6 basis point increase from lower short term wholesale funding costs from the impact of the bank bill swap rate (BBSW) reducing over Second Half 2019;
  - 1 basis point increase from loan spreads primarily following pricing changes to certain Australian mortgages types and business loans. This was partly offset by competition, retention pricing and changes in the mix of the mortgage portfolio with customers switching from interest only lending to principal and interest facilities;
  - 6 basis point decrease from lower customer deposit spreads, primarily due to competition driving elevated pricing for term deposits, the impact from lower interest rates on savings and online account spreads, and our inability or commercial appetite to lower interest rates on some at call deposits;
  - Capital and other decreased 1 basis point primarily due to lower income earned on capital balances from lower interest rates; and
  - 2 basis point reduction from liquidity due to higher balances of third party liquid assets.
- The contribution from Treasury and Markets increased 1 basis point.

Group net interest margin movement (%)
Full Year 2019 – Full Year 2018



Full Year 2019 – Full Year 2018

Group net interest margin of 2.12% decreased 10 basis points from Full Year 2018. Higher notable items contributed 3 basis points to the reduction in margins.

- Group net interest margin excluding Treasury and Markets, and notable items decreased 4 basis points to 2.08% with key features including:
  - Changes in short term wholesale funding rates had little impact with the average cost being similar in Full Year 2018 and Full Year 2019 despite the sharp reduction in BBSW in Second Half 2019;
  - Loan spreads were little changed, with the impact from changes to pricing of Australian variable mortgages being offset by competition, retention pricing and changes in the mix of the mortgage portfolio with customers switching from interest only to principal and interest;
  - 2 basis point decrease from lower customer deposit spreads due to broad based competition, the impact from lower interest rates, and our inability or commercial appetite to lower interest rates on some at call deposits, particularly in the Second Half 2019; and
  - 2 basis point decrease from liquidity primarily due to increased balances of third party liquid assets.
- Treasury and Markets contribution decreased 3 basis point due to lower Treasury revenue from interest rate risk management.

2.2.5 Non-interest income[1,2]

$m	Half Year Sept 19	Half Year Mar 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net fee income	829	826	-	1,655	1,910	*(13)*
Net wealth management and insurance income	700	323	*117*	1,023	2,017	*(49)*
Trading income	443	464	*(5)*	907	926	*(2)*
Other income	16	101	*(84)*	117	125	*(6)*
Non-interest income	**1,988**	**1,714**	*16*	**3,702**	**4,978**	*(26)*
Add back notable items	220	600	*(63)*	820	163	*large*
Non-interest income excluding notable items	**2,208**	**2,314**	*(5)*	**4,522**	**5,141**	*(12)*

Second Half 2019 – First Half 2019

Non-interest income increased $274 million or 16% compared to First Half 2019, including a net reduction of $380 million for provisions for estimated customer refunds, payments, associated costs and litigation (notable items). Excluding notable items, non-interest income was down $106 million or 5% mostly due to lower net fee income (down $44 million) and reduced trading income (down $21 million) from a derivative valuation adjustment methodology change.

Net fee income

Net fee income increased $3 million compared to First Half 2019. This included a net decrease in notable items of $47 million mostly related to financial planning. Excluding notable items, net fee income decreased by $44 million or 4%, largely impacted by:

- Lower advice income following the exit of financial planning (down $24 million);
- Corporate and institutional lending fees decreased $19 million, with First Half 2019 supported by higher syndication fees from a number of large transactions; and
- A decrease in Australian credit card income (down $12 million) primarily from lower revenue associated with rewards programs and reduced card interchange income.

Net wealth management and insurance income

Net wealth management and insurance income increased $377 million or 117% compared to First Half 2019. This included a decrease in notable items, mostly related to financial planning, of $333 million. Excluding notable items, net wealth management and insurance income increased $44 million or 6% due to:

- Higher general insurance income (up $94 million) from a seasonal reduction in claims, with First Half 2019 impacted by New South Wales hailstorms and Queensland flood claims. Net earned premiums were up 1% during the half; partly offset by
- Lower life insurance income (down $55 million) following implementation of regulatory reforms ("Protecting Your Super") and higher claims; and
- Platforms and Superannuation income was little changed reflecting margin compression from platforms repricing, implementation of regulatory reforms ('Protecting Your Super') and product mix changes. These impacts were partly offset by a 7% increase in average funds from higher asset markets. Panorama funds grew 37% in Second Half 2019 to $23 billion which partly offset the outflows in legacy portfolios.

Trading income

Trading income decreased $21 million or 5% compared to First Half 2019 with Second Half 2019 seeing a new derivative valuation methodology adopted which resulted in a charge of $41 million. Refer to Section 2.2.7 for further detail on Markets related income.

Other income

Other income decreased $85 million in the half mostly reflecting mark-to-market impacts of financial instruments measured at fair value and the revaluation of a Fintech investment in First Half 2019.

[1] Refer to Section 4, Note 4 for reported results breakdown. Refer to Section 5, Note 4 for cash earnings results breakdown. As discussed in Section 1.3, commentary is on a cash earnings basis.

[2] The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.

Full Year 2019 – Full Year 2018

Non-interest income decreased $1,276 million or 26% compared to Full Year 2018, with a net increase in notable items of $657 million. Excluding notable items, non-interest income decreased $619 million or 12% due to the exit of the Hastings business, reduced net wealth management and insurance income and lower trading income.

Net fee income

Net fee income decreased $255 million or 13% over the year, including $126 million additional notable items mostly related to financial planning. Excluding notable items, net fee income reduced $129 million or 6% mainly from:

- Lower advice income following the exit of financial planning (down $76 million);
- Lower revenue from payments and transaction fees (down $34 million) driven by increased merchant costs and lower account based fees in New Zealand following the decision to simplify certain consumer fees; and
- A decrease in business lending and mortgage fees largely due to reduced new lending volumes (down $27 million); partly offset by
- Higher corporate and institutional lending fees largely from syndication fees generated in First Half 2019 (up $10 million).

Net wealth management and insurance income

Net wealth management and insurance income decreased $994 million or 49% compared to Full Year 2018, impacted by additional provisions for notable items (mostly related to financial planning) of $531 million. Excluding notable items, net wealth management and insurance income was down $463 million or 23% mainly due to:

- No contribution from Hastings, following the exit of the business in Full Year 2018 (down $203 million);
- Insurance income decreased $116 million from:
  - A reduction in general insurance income (down $69 million) from higher claims, including the New South Wales hailstorm and Queensland floods;
  - A reduction in life insurance income (down $39 million) following the implementation of regulatory reforms ("Protecting Your Super") and higher claims; and
  - Lower LMI income (down $8 million) primarily from a reduction in loans written at higher LVR bands.
- Lower Platforms and Superannuation income (down $98 million) primarily driven by margin compression from Full Year impact of platform repricing, implementation of regulatory reforms ('Protecting Your Super'), product mix changes and outflows in legacy platforms. This has been partly offset by an 89% increase in BT Panorama funds to $23 billion due to inflows and higher asset markets; and
- Cessation of grandfathered commission payments (down $42 million).

Trading income

Trading income decreased $19 million or 2% compared to Full Year 2018, primarily driven by the derivative valuation adjustment (down $78 million) partially offset by higher non-customer income. Refer to Section 2.2.7 for further detail on Markets related income.

Other income

Other income decreased $8 million or 6% compared to Full Year 2018, mostly reflecting the impact of hedging New Zealand earnings, partly offset by higher gains from asset sales and revaluation of a fintech investment in Full Year 2019.

2.2.6 Group funds

$bn	As at 30 Sept 2019	Inflows	Outflows	Net flows	Other Mov't	As at 30 Sept 2018	% Mov't Sept 19 - Sept 18	As at 31 March 2019	% Mov't Sept 19 - Mar 19
Superannuation	40.6	3.9	(4.4)	(0.5)	1.8	39.3	*3*	38.9	*4*
Platforms	126.5	33.0	(36.3)	(3.3)	6.9	122.9	*3*	120.8	*5*
Packaged funds	43.6	9.0	(6.7)	2.3	1.7	39.6	*10*	39.8	*10*
Other	4.7	-	-	-	0.9	3.8	*24*	3.6	*31*
Total Australia funds	**215.4**	**45.9**	**(47.4)**	**(1.5)**	**11.3**	**205.6**	***5***	**203.1**	***6***
Total NZ funds (A$)	10.7	2.3	(2.2)	0.1	0.8	9.8	*9*	10.4	*3*
Total Group funds	**226.1**	**48.2**	**(49.6)**	**(1.4)**	**12.1**	**215.4**	***5***	**213.5**	***6***
Total NZ funds (NZ$)	11.5	2.5	(2.4)	0.1	0.7	10.7	*7*	10.9	*6*

$bn	Half year Sept 19	Half year Mar 19	% Mov't Sept 19 - Mar 19	Full year Sept 19	Full year Sept 18	% Mov't Sept 19 - Sept 18
Average funds for the Group (excluding Westpac Institutional Bank)	**221.8**	**207.3**	***7***	**214.6**	**211.3**	***2***
Westpac Institutional Bank	-	-	-	-	6.0	*(100)*
Average funds for the Group[1]	**221.8**	**207.3**	***7***	**214.6**	**217.3**	***(1)***

[1] *Averages are based over a six month period.*

2.2.7 Markets related income[1]

$m	Half Year Sept 19	Half Year Mar 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net interest income	81	68	*19*	149	129	*16*
Non-interest income	435	486	*(10)*	921	1,003	*(8)*
Total Markets income	**516**	**554**	***(7)***	**1,070**	**1,132**	***(5)***
Customer income	455	438	*4*	893	896	*-*
Non-customer income	114	127	*(10)*	241	222	*9*
Derivative valuation adjustments	(53)	(11)	*large*	(64)	14	*large*
Total Markets income	**516**	**554**	***(7)***	**1,070**	**1,132**	***(5)***

Markets income comprises sales and risk management revenue derived from the creation, pricing and distribution of risk management products to the Group's consumer, business, corporate and institutional customers. Dedicated relationship specialists provide product solutions to these customers to help manage their interest rate, foreign exchange, commodity, credit and structured products risk exposures.

Second Half 2019 - First Half 2019

Total markets income decreased $38 million, or 7%, compared to First Half 2019, with derivative valuation adjustments increasing $42 million following the implementation of new methodologies.

Customer income increased 4% in the half from higher fixed income and foreign exchange revenue.

Non-customer income decreased $13 million, or 10%, compared to First Half 2019, due to lower foreign exchange and commodities income.

Full Year 2019 – Full Year 2018

Total markets income decreased by $62 million, or 5%, compared to Full Year 2018 primarily from a $78 million movement in derivative valuation adjustments, partly offset by higher non-customer income.

Customer income was little changed over the year, with growth in fixed income sales offset by lower foreign exchange revenue.

Non-customer income increased $19 million or 9% compared to Full Year 2018 due to a higher fixed income trading result, partly offset by lower foreign exchange and commodities income.

Markets Value at Risk (VaR)[2]

$m	Average	High	Low
Six months ended 30 September 2019	**9.0**	**43.0**	**3.3**
Six months ended 31 March 2019	9.6	17.5	6.3
Six months ended 30 September 2018	10.8	27.1	7.0

The Components of Markets VaR are as follows:

Average $m	Half Year Sept 19	Half Year March 19	Half Year Sept 18
Interest rate risk	2.8	3.2	2.7
Foreign exchange risk	1.5	2.0	2.4
Equity risk	0.1	-	-
Commodity risk[3]	8.2	8.1	6.6
Credit and other market risks[4]	2.3	2.8	4.4
Diversification benefit	(5.9)	(6.5)	(5.3)
Net market risk	**9.0**	**9.6**	**10.8**

[1] *Markets income includes WIB Markets, Business division, Consumer division, and Westpac New Zealand markets.*
[2] *The daily VaR presented above reflects a WIB divisional view of VaR. It varies from presentations of VaR in the 2019 Westpac Group Annual Report and Australian Prudential Standard (APS) 330 Prudential Disclosure under Basel III where market risk disclosures are segregated into trading and banking book. VaR measures the potential for loss using a history of price volatility.*
[3] *Includes electricity risk.*
[4] *Includes prepayment risk and credit spread risk (exposures to generic credit rating bonds).*

2.2.8 Operating expenses[1,2]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Staff expenses	(2,393)	(2,624)	*(9)*	(5,017)	(4,937)	*2*
Occupancy expenses	(472)	(497)	*(5)*	(969)	(952)	*2*
Technology expenses	(1,180)	(1,139)	*4*	(2,319)	(2,144)	*8*
Other expenses	(945)	(781)	*21*	(1,726)	(1,665)	*4*
Total operating expenses	**(4,990)**	**(5,041)**	***(1)***	**(10,031)**	**(9,698)**	***3***
Add back notable items	187	274	*(32)*	461	112	*large*
Total operating expenses excluding notable items	**(4,803)**	**(4,767)**	***1***	**(9,570)**	**(9,586)**	***-***

Second Half 2019 – First Half 2019

Operating expenses decreased $51 million or 1% compared to First Half 2019. Excluding notable items of $87 million and the impact of foreign exchange movements, operating expenses increased $33 million or 1% mostly from higher regulatory, compliance spend and restructuring costs.

Staff expenses decreased $231 million or 9% during the half. Excluding notable items ($148 million lower), staff costs were $83 million lower primarily due to a decrease in FTE from productivity initiatives related to organisation simplification and channel optimisation and lower variable reward. This was partly offset by the full period effect of annual salary increases effective from January 2019 and higher restructuring costs.

Occupancy expenses decreased $25 million or 5% compared to First Half 2019, primarily due to productivity benefits from lower branch numbers (down 23) and lower costs associated with branch closures.

Technology expenses increased $41 million or 4% compared to First Half 2019. Excluding notable items ($5 million lower), technology expenses increased $46 million, from higher amortisation of software assets as key platforms became operational, including the Customer Service Hub and New Payments Platform partly offset by lower telecommunication costs ($11 million).

Other expenses increased $164 million or 21% compared to First Half 2019. Excluding notable items ($66 million higher), other expenses increased $98 million primarily from higher professional services related to regulatory and compliance spend on financial crime, data privacy, product and system simplification and risk management.

Full Year 2019 – Full Year 2018

Operating expenses increased $333 million or 3% compared to Full Year 2018. Excluding notable items of $349 million and the impact of foreign exchange movements, operating expenses were $53 million or 1% lower. Productivity benefits of $405 million, the exit of the Hastings business ($158 million) and lower variable reward more than offset higher regulatory and compliance costs ($99 million), higher investment related spend ($71 million) and operating cost growth ($340 million).

Staff expenses increased $80 million or 2% compared to Full Year 2018. Excluding notable items ($231 million higher), staff expenses decreased $151 million primarily due to a 5% decrease in FTE from productivity initiatives related to organisation simplification and channel optimisation along with lower variable reward. This was partly offset by annual salary increases and the Group's investment programs having a higher proportion of spend expensed during the year.

Occupancy expenses increased $17 million or 2% compared to Full Year 2018, primarily due to annual rental increases and costs associated with branch and ATM rationalisation. This was partly offset by benefits from the reduction in branch numbers (down 61), the exit of 4 corporate sites and the removal of 375 ATMs.

Technology expenses increased $175 million or 8%. Excluding notable items ($35 million higher), technology expenses increased $140 million or 7% largely due to higher amortisation of software assets ($91 million higher) as key platforms became operational, including the Customer Service Hub, New Payments Platform and Panorama.

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[1] *Refer to Section 4, Note 5 for reported results breakdown. Refer to Section 5, Note 5 for cash earnings breakdown. As discussed in Section 1.3, commentary is on a cash earnings basis.*

[2] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Other expenses increased $61 million or 4%. Excluding notable items ($83 million higher), other expenses decreased $22 million from lower costs associated with the exit of the Hastings business ($111 million lower) and the Royal Commission. This was partly offset by increased professional services costs primarily related to regulatory and compliance activity on financial crime, data privacy, product and system simplification and risk management and higher marketing expenses.

Full Time Equivalent (FTE) employees

Number of FTE	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
Permanent employees	30,326	31,007	31,672	*(2)*	*(4)*
Temporary employees	2,962	3,234	3,357	*(8)*	*(12)*
FTE	**33,288**	**34,241**	**35,029**	***(3)***	***(5)***
Average FTE[1]	**33,648**	**34,344**	**35,362**	***(2)***	***(5)***

Second Half 2019 – First Half 2019

FTE decreased 953 or 3% in the half from delivery of productivity initiatives across the Group, including organisation simplification and channel optimisation, the exit of the Advice business more than offset additional resources required for regulatory, compliance and customer remediation related activities.

Full Year 2019 – Full Year 2018

FTE decreased 1,741 or 5% compared to Full Year 2018. Delivery of productivity initiatives including organisation simplification and channel optimisation, the exit of the Advice business more than offset additional resources required for regulatory, compliance and customer remediation related activities.

Investment spend

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Expensed[2]	277	331	*(16)*	608	583	*4*
Capitalised software and fixed assets	506	392	*29*	898	881	*2*
Total	**783**	**723**	***8***	**1,506**	**1,464**	***3***
Growth and productivity	383	401	*(4)*	784	890	*(12)*
Regulatory change	308	195	*58*	503	377	*33*
Other technology	92	127	*(28)*	219	197	*11*
Total	**783**	**723**	***8***	**1,506**	**1,464**	***3***

In Full Year 2019, the Group invested $1.5 billion (up 3%), with 52% directed to growth and productivity initiatives, 33% to regulatory change and control strengthening projects, and 15% to other technology programs. The mix of project spend changed over the year with higher regulatory change and lower growth and productivity investment.

Investment over the year was skewed to the Second Half (consistent with patterns over recent years) with Second Half 2019 spending was up 8% over First Half 2019.

Across major investment categories the following progress was achieved in Second Half 2019:

Growth and Productivity

- Platform modernisation
  - Customer Service Hub (CSH) is a major Group program creating a one-bank, multi-brand operating system. The system will ultimately provide a major improvement in functionality and productivity and create a better experience for both customers and bankers. The system went live for mortgages in First Half 2019 and the rollout to Westpac Home Finance Managers has commenced. In addition to digitising the home loan process, the system allows customers and bankers to track the progress of each loan. The system has already reduced the average time to 'yes' for a standard home loan (from 10 to 7 days). Regional brands and broker home loan applications will begin to be originated on CSH in 2020;
  - Real time payments on the New Payment Platform (NPP) were enabled for the majority of Westpac Group customers, over 7 million accounts now channel payments through the platform. In 2019, the Group processed over 48 million payments with a value of $40 billion, a share of over 40% of all NPP payments by value; and

[1] *Averages are based on a six month period.*
[2] *Comparatives have been restated.*

  - Additional Panorama capabilities were delivered, including an application that helps customers set up Self-Managed Super Funds (SMSF) and a digital opt-in solution for Insurance. In addition, the process of migrating customers from heritage platforms onto Panorama commenced. Panorama now has $23 billion in assets and 44,314 investors on the platform.
- Digitising the company
  - Expanded the features available online including enabling St.George customers to change third party payee limits, enhanced viewing of recurring direct debit and card payments, use of SMS notifications for mobile registration to enhance security, and allowing new card customers to more easily switch to e-Statements:
  - Enhanced features for Business customers includes resetting passwords online, add / update ABNs, and downloading e-Statements and tax invoices;
  - Launched Deposit Rate Finder, a new tool for bankers providing improved pricing for term deposits and eSaver accounts. Bankers can offer customers a rate that takes into account a customer's relationship without the need for additional approvals. The system results in faster decisions for customers and has led to a 60% reduction in the number of pricing requests requiring escalation;
  - Launched a dashboard enabling Corporate and Government customers to better manage their liquidity; and
  - Launched Samsung Pay for St.George, a mobile wallet allowing contactless credit card payments.
- Reducing complexity
  - Removed 12 home loan products for sale and simplified 7 home loan features; and
  - Simplified 10 credit cards on issue and introduced 9 new MasterCard credit cards. 40,000 customers have been migrated to the new MasterCard credit card suite.

Regulatory Change

Major developments over the half included:

- Delivered a number of regulatory requirements including:
  - new and updated APRA Prudential Standards reporting (APS180, CPS226, economic and financial statistics);
  - compliance with a range of changes to superannuation regulation, including limits on management fees and the ability to opt-in for insurance; and
  - enhancements to anti-money laundering / counter-terrorism financing, and economic and trade sanction systems.
- Delivered first phase of Open Banking, with information on deposits and transactions, credit and debit card products;
- Updated systems and processes to comply with a number of new derivative compliance obligations including ASIC Retail Derivatives Trade Reporting (Lifecycle reporting for CFDs, Margin FX and Equity Derivatives); and
- Further system updates to meet changes in industry codes including Life Insurance Code of Practice and Banking Code of Practice.

Other technology

Major initiatives under this category included upgrades to the Group's infrastructure improving efficiency and speed of change. These included the implementation of an offsite private cloud, reducing cybersecurity risks and the rollout of new desktop and work collaboration tools.

Capitalised software[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Opening balance	**2,244**	**2,177**	***3***	**2,177**	**1,916**	***14***
Total additions[1]	511	395	*29*	906	882	*3*
Amortisation expense	(376)	(318)	*18*	(694)	(618)	*12*
Impairment expense	(9)	(16)	*(44)*	(25)	(2)	*large*
Foreign exchange translation	(5)	6	*large*	1	(1)	*large*
Closing balance	**2,365**	**2,244**	***5***	**2,365**	**2,177**	***9***

Capitalised software increased 5% during the half and 9% compared to September 2018. Second Half 2019 additions increased $116 million (or 29%) compared to First Half 2019 from higher investment spend (up 8%) and a higher capitalisation rate relative to the first half (63% vs 54%). Full Year 2019 additions increased 3% compared to Full Year 2018.

Software amortisation expense increased $58 million (or 18%) compared to First Half 2019 as major investments became operational. Full Year 2019 amortisation was $76 million (or 12%) higher compared to Full Year 2018. As part of the Group's regular asset review, $25 million of capitalised software was impaired.

In aggregate, the average amortisation period for our capitalised software assets is 3.1 years.

[1] *Includes capitalised borrowing costs and card scheme following AASB 15 adoption.*

2.2.9 Impairment charges[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Individually assessed provisions (IAPs)						
New IAPs	(170)	(173)	*(2)*	(343)	(371)	*(8)*
Write-backs	69	79	*(13)*	148	150	*(1)*
Recoveries	101	71	*42*	172	192	*(10)*
Total IAPs, write-backs and recoveries	**-**	**(23)**	***(100)***	**(23)**	**(29)**	***(21)***
Collectively assessed provisions (CAPs)						
Write-offs	(535)	(418)	*28*	(953)	(858)	*11*
Other changes in CAPs	74	108	*(31)*	182	75	*143*
Total new CAPs	**(461)**	**(310)**	***49***	**(771)**	**(783)**	***(2)***
Total impairment charges	**(461)**	**(333)**	***38***	**(794)**	**(812)**	***(2)***

Asset quality remained sound through Full Year 2019 with stressed exposures to total committed exposures (TCE) increasing 12 basis points to 1.20%. The increase in stressed exposures was due to higher impaired and higher 90+ days but not impaired facilities. Emerging stress is mostly from an increase in mortgage delinquencies due to the softening of economic activity and falling house prices.

Given modest change in asset quality, impairment charges have remained low at $794 million in Full Year 2019, equal to 11 basis points of gross loans.

Second Half 2019 – First Half 2019

Impairment charges for Second Half 2019 were $461 million, $128 million higher than First Half 2019. The increase was mostly due to higher total new CAPs from higher write-offs in the consumer portfolios and higher stress in the Business division. These were partially offset by improvements in New Zealand and consumer portfolios and a reduction in centrally held overlays.

Key movements included:

- Total IAPs, write-backs and recoveries were zero, with new IAP's offset by write-backs and recoveries, this was $23 million less than First Half 2019 principally due to:
  - New IAPs were $3 million lower compared to First Half 2019 mostly lower new impaired exposures over the period in WIB; and
  - Write-backs and recoveries were $20 million higher over the half principally from higher recoveries in the Australian unsecured portfolio and in New Zealand.
- Total new CAPs were $151 million higher than First Half 2019. Key movements included:
  - Write-offs were $117 million higher in Second Half 2019, consistent with normal seasonal patterns in the unsecured personal lending portfolios. The Auto finance portfolio write-offs were also higher with the resolution of the operational issues experienced in Full Year 2018;
  - Benefits from other changes in CAPs were $34 million lower:
    - Higher new stress in the Australia Business portfolio from the softening economic conditions and in WIB where the benefit seen in First Half 2019 turned to a small charge in Second Half 2019; partly offset by
    - Lower charges for the Australian mortgage portfolio as the rate of increase of 90+ day delinquencies slowed;
    - Higher benefits in the NZ consumer portfolio from improving delinquencies and portfolio run off; and
    - The overlay provision was reduced by a net $58 million in Second Half 2019 compared to a decrease of $38 million in First Half 2019. The reduction in Second Half 2019 was mostly due to provisions utilised or no longer required for mining related segments. The overlay was increased for areas of Australia impacted by persistent drought.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Full Year 2019 – Full Year 2018

Impairment charges of $794 million were down $18 million when compared to Full Year 2018.

Key movements included:

- Total new IAPs, write-backs and recoveries were $6 million lower than Full Year 2018. This was due to lower new IAPs in the Business division and New Zealand, partially offset by an increase in WIB. Recoveries were also lower principally in the Australian unsecured portfolios; and
- Total new CAPs were $12 million lower due to a $107 million reduction from other changes in CAPs partly offset by a $95 million increase in write-offs. Within other changes in CAPs, the overlay provision was reduced $96 million in Full Year 2019 compared to a $22 million reduction in Full Year 2018. Write-offs were higher principally in Australian unsecured lending portfolios including Auto finance and from increases in customers utilising hardship.

2.2.10 Income tax expense

Second Half 2019 – First Half 2019

The effective tax rate of 30.3% in Second Half 2019 was slightly higher than the First Half 2019 effective tax rate of 30.2%. The effective tax rate is above the Australian corporate tax rate of 30% and reflects several Tier 1 Instruments whose distributions are not deductible for Australian taxation purposes.

Full Year 2019 – Full Year 2018

The effective tax rate of 30.3% in Full Year 2019 was lower than the Full Year 2018 effective tax rate of 30.8%. The lower effective tax rate in 2019 reflects a reduction in non-deductible of expenses. Non-deductible expenses were high in 2018 as goodwill relates to the Hastings exit was non-deductible.

2.2.11 Non-controlling interests

Non-controlling interests represent results of non-wholly owned subsidiaries attributable to shareholders other than Westpac. These include profits attributable to the 10.1% shareholding in Westpac Bank-PNG-Limited and the 25% shareholding in St.George Motor Finance Limited that are not owned by Westpac.

2.3 Credit quality

Credit quality remained sound over Full Year 2019 with total stressed exposures to TCE increasing modestly consistent with the softening economy. Stressed exposures to TCE were 1.20%, 12 basis points higher than Full Year 2018 and 10 basis point higher compared to First Half 2019 (see 2.3.1 Credit quality key metrics).

The 12 basis point rise in stressed exposures relates to increases in both 90 days past due and not impaired (9 basis points) and to impaired exposures (3 basis points). The increase in 90 day past due and not impaired was due mainly to an increase in mortgage 90+ day delinquencies and a small increase in well secured business facilities migrating to this category of stress. The increase in impaired exposures was mostly from the deterioration of companies already in the watchlist and substandard category which contributed to a rise in the ratio of gross impaired exposures to gross loans by 5 basis points to 0.25% compared to September 2018.

Provisioning levels increased $989 million following the introduction of AASB 9, and on 1 October 2018 were $4,042 million. Over Full Year 2019, total provisions were $120 million lower ending the period at $3,922 million. At 30 September 2019, the ratio of gross impaired asset provisions to gross impaired exposures was 44.92% while the ratio of collectively assessed provisions to credit risk weighted assets increased to 95 basis points with the rise due to the introduction of AASB 9.

Portfolio segments

The institutional segment continued to perform well – with only one new large (greater than $50 million) facility downgraded to impaired during Full Year 2019. It has been two years since a facility of this size has migrated to impaired. This facility is within the retail segment and was downgraded from the watchlist and substandard category.

The quality of the commercial property sector has continued to improve as a result of decisions to tighten the standards on new lending over recent years. At 30 September 2019 the level of stressed commercial property exposures to TCE was 1.6% and remains well below long term averages with stress decreasing modestly (down from 1.7%) compared to Full Year 2018.

The small and medium business portfolio has seen stress emerge in a small number of companies in Second Half 2019. The increase in stress has been driven by the manufacturing, wholesale and retail trade (including motor vehicle retailers) sector along with the property and business services sectors.

The New Zealand business portfolio continues to perform well with stressed exposure ratios increasing over Second Half 2019 due to exposures that are well secured.

Australian mortgage 90+ day delinquencies were 0.88% at 30 September 2019, 16 basis points higher over the twelve months to 30 September 2019. The main driver of the increase has been the softening economic conditions, low wages growth, and falling house prices (particularly in Sydney and Melbourne). There has been an increase in customers utilising hardship while slower property market turnover has contributed to accounts remaining delinquent for longer periods as properties become more difficult to sell. Lower new mortgage growth and the compositional shift towards principal and interest mortgages (which have higher inherent delinquencies than interest only lending) has also contributed to higher delinquencies. The rise in delinquencies has been highest in WA and Qld while delinquencies in NSW and Vic have also risen although from a low base. NSW and Vic delinquencies remain below the portfolio average, however, as these states account for a large portion of the Group's portfolio, they had a larger impact on overall delinquencies.

Australian properties in possession increased over Full Year 2019 by 162 to 558 at 30 September 2019. Most of the rise was due to regions impacted by the slowing of the mining investment cycle. There has also been a small rise in NSW and Vic. The rise is consistent with the lower market turnover and the longer time it takes for properties in possession to be cleared. There has been some stabilisation in property markets in the final quarter of 2019 and this has been reflected in delinquencies and properties in possession later in the year.

Realised mortgage losses were $111 million for Full Year 2019, equivalent to 2 basis points. This compares to $89 million in Full Year 2018.

New Zealand mortgage 90+ day delinquencies increased 2 basis points to 0.13% compared to Full Year 2018 and were 1 basis point lower than First Half 2019. While delinquencies were higher, they remain at or near historical lows and reflect the more favourable economic conditions in New Zealand and prior macro-prudential rules that limited the amount of high loan to value ratio (>80%) lending.

Other consumer 90+ day delinquencies were 5 basis points higher than Full Year 2018 to 1.69% and were 11 basis points lower compared to First Half 2019. The contraction in the portfolio size contributed around 9 basis points of the rise. The underlying improvements in the delinquencies were in the personal loans and credit card portfolios. The decrease over the half was due to improvements in the Auto finance portfolio and seasonal trends, partly offset by portfolio run off.

Provisioning

Provisioning levels increased $989 million following the introduction of AASB 9 on 1 October 2019 to $4,042 million. Over the period provisions were $120 million lower to $3,922 million with:

- CAPs were $108 million lower at $3,510 million compared to 1 October 2018 from lower centrally held overlays and lower provisions in both WIB and the Business division from a reduction in stress. These declines were partially offset by higher provisions for delinquencies in Australian mortgages. Within collectively assessed provisions, the overlay reduced ($96 million) to $171 million at 30 September 2019. The reduction was mostly due to provisions utilised or no longer required for the mining related segments. This was partially offset as the overlay was increased for areas of Australia impacted by persistent drought.
- IAPs were $10 million lower at $412 million with partial write offs larger than the rise in new impaired provisions.

2.3.1 Credit quality key metrics[1]

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
Stressed exposures by credit grade as a % of TCE:				
Impaired	0.17%	0.17%	0.14%	0.15%
90 days past due and not impaired	0.48%	0.43%	0.39%	0.37%
Watchlist and substandard	0.55%	0.50%	0.55%	0.57%
Total stressed exposures	**1.20%**	**1.10%**	**1.08%**	**1.09%**
Gross impaired assets to TCE for business and institutional:				
Business Australia	0.61%	0.59%	0.54%	0.55%
Business New Zealand	0.23%	0.41%	0.50%	0.74%
Institutional	0.03%	0.05%	0.02%	0.04%
Mortgage 90+ day delinquencies:				
Group	0.82%	0.75%	0.67%	0.65%
Australia	0.88%	0.82%	0.72%	0.69%
New Zealand	0.13%	0.14%	0.11%	0.16%
Other consumer loans 90+ day delinquencies:				
Group	1.69%	1.80%	1.64%	1.64%
Australia	1.77%	1.87%	1.73%	1.71%
New Zealand	0.82%	1.02%	0.62%	0.86%
Other:				
Gross impaired exposures to gross loans	0.25%	0.24%	0.20%	0.22%
Gross impaired exposures provisions[2] to gross impaired exposures	44.92%	45.74%	46.12%	45.54%
Total provisions[2] to gross loans	54bps	56bps	43bps	45bps
Collective assessed provisions[2] to credit risk weighted assets	95bps	98bps	73bps	75bps
Total provisions[2] to credit risk weighted assets	107bps	110bps	84bps	88bps
Impairment charges to average gross loans annualised[3]	13bps	9bps	10bps	13bps
Net write-offs to average gross loans annualised[3]	15bps	12bps	14bps	13bps

[1] *Comparatives have been restated.*

[2] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[3] *Averages are daily averages over a six month period.*

2.3.2 Movement in gross impaired exposures

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
Opening balance	1,749	1,416	1,535	*24*	*14*
New and increased - individually managed	550	519	450	*6*	*22*
Write-offs	(655)	(499)	(593)	*31*	*10*
Returned to performing or repaid	(447)	(378)	(393)	*18*	*14*
Portfolio managed - new/increased/returned/repaid	565	701	413	*(19)*	*37*
Exchange rate and other adjustments	1	(10)	4	*large*	*(75)*
Balance as at period end	**1,763**	**1,749**	**1,416**	***1***	***25***

2.4 Balance sheet and funding

2.4.1 Balance sheet[1]

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Assets					
Cash and balances with central banks	20,059	19,486	26,788	*3*	*(25)*
Collateral paid	5,930	6,103	4,787	*(3)*	*24*
Trading securities and financial assets measured at fair value through income statement (FVIS), available-for-sale securities and investment securities	105,182	97,843	84,251	*8*	*25*
Derivative financial instruments	29,859	21,765	24,101	*37*	*24*
Loans	714,770	714,297	709,690	*-*	*1*
Life insurance assets	9,367	9,374	9,450	*-*	*(1)*
Other assets	21,459	22,194	20,525	*(3)*	*5*
Total assets	**906,626**	**891,062**	**879,592**	***2***	***3***
Liabilities					
Collateral received	3,287	1,889	2,184	*74*	*51*
Deposits and other borrowings	563,247	555,007	559,285	*1*	*1*
Other financial liabilities	29,215	29,013	28,105	*1*	*4*
Derivative financial instruments	29,096	23,384	24,407	*24*	*19*
Debt issues	181,457	188,759	172,596	*(4)*	*5*
Life insurance liabilities	7,377	7,503	7,597	*(2)*	*(3)*
Loan capital	21,826	16,736	17,265	*30*	*26*
Other liabilities	5,614	4,836	3,580	*16*	*57*
Total liabilities	**841,119**	**827,127**	**815,019**	***2***	***3***
Equity					
Total equity attributable to owners of Westpac Banking Corporation	65,454	63,884	64,521	*2*	*1*
Non-controlling interests	53	51	52	*4*	*2*
Total equity	**65,507**	**63,935**	**64,573**	***2***	***1***

Second Half 2019 – First Half 2019

Key movements during the half included:

Assets

- Cash and balances with central banks increased $0.6 billion or 3% reflecting higher liquid assets held in this form;
- Trading securities and financial assets measured at FVIS, available-for-sale securities and investment securities increased $7.3 billion or 8% reflecting higher liquid assets;
- Derivative assets increased $8.1 billion or 37% mainly driven by movements across cross currency swaps and interest rate swaps; and
- Loans grew $0.5 billion. Refer to Section 2.2.2 for further information.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Liabilities

- Collateral received increased $1.4 billion or 74% driven by an increase in collateralised derivatives assets resulting in higher collateral postings from derivative counterparties;
- Deposits and other borrowings increased $8.2 billion or 1%. Refer to Section 2.2.3 for further information;
- Derivative liabilities increased $5.7 billion or 24% mainly driven by movements in cross currency swaps, foreign currency forward contracts and interest rate swaps;
- Debt issues decreased $7.3 billion or 4% ($14.4 billion or 8% decrease excluding foreign currency translation impacts, fair value and hedge accounting adjustments). Refer to Section 2.4.2 Funding and liquidity risk management for further information; and
- Loan capital increased $5.1 billion or 30% mainly due to $4.2 billion issuance of Tier 2 capital instruments to meet APRA's Total Loss Absorbing Capital announcement and $0.8 billion impact of hedging and foreign currency translation.

Equity attributable to owners of Westpac Banking Corporation increased $1.6 billion or 2% mainly due to shares issued under the interim Dividend Reinvestment Plan (DRP), retained profits and net of dividends paid during the period.

Full Year 2019 – Full Year 2018

Key movements included:

Assets

- Cash and balances with central banks decreased $6.7 billion or 25% reflecting lower liquid assets held in this form;
- Collateral paid increased $1.1 billion or 24% mainly due to an increase in collateralised derivative liabilities;
- Trading securities and financial assets measured at fair value through income statement (FVIS), available-for-sale securities and investment securities increased $20.9 billion or 25% reflecting higher liquid assets held in this form;
- Derivative assets increased $5.8 billion or 24% mainly driven by movements in cross currency swaps, foreign currency forward contracts and interest rate swaps; and
- Loans grew $5.1 billion or 1%. Refer to Section 2.2.2 for further information.

Liabilities

- Collateral received increased $1.1 billion or 51% due to an increase in collateralised derivative assets;
- Deposits and other borrowings increased $4.0 billion or 1%. Refer to Section 2.2.3 Deposits and other borrowings for further information;
- Other financial liabilities increased $1.1 billion or 4% mainly driven by securities sold under agreements to repurchase and interbank deposits, partially offset by decreases in accrued interest payable and other financial liabilities;
- Derivative liabilities increased $4.7 billion or 19% driven by movements in cross currency swaps and interest rate swaps;
- Debt issues increased $8.9 billion or 5% ($1.8 billion or 1% decrease excluding foreign currency translation impacts, fair value and hedge accounting adjustments). Refer to Section 2.4.2 Funding and liquidity risk management for further information; and
- Loan capital increased $4.6 billion or 26% mainly due to $3.2 billion net issuance of Tier 2 capital instruments to meet APRA's Total Loss Absorbing Capital announcement and $1.3 billion impact of hedging and foreign currency translation.

Equity attributable to owners of Westpac Banking Corporation increased $0.9 billion or 1% reflecting retained profits and shares issued under the 2019 interim DRP and 2018 final DRP, partly offset by $0.7 billion opening retained earnings adjustment due to the adoption of new accounting standards and dividends paid during the period.

2.4.2 Funding and liquidity risk management

Liquidity risk is the risk that the Group will be unable to fund assets and meet obligations as they become due. This type of risk is inherent for all banks through their role as intermediaries between depositors and borrowers. The Group has a liquidity risk management framework which seeks to meet the objective of meeting cash flow obligations under a wide range of market conditions, including name specific and market-wide stress scenarios, as well as meeting the regulatory requirements of the LCR and NSFR[1].

In Full Year 2019 the Group maintained an appropriate funding and liquidity profile. Key measures of balance sheet strength and funding and liquidity metrics remained comfortably above regulatory minimums at 30 September 2019, including an LCR of 127% and an NSFR of 112%.

LCR

The LCR requires banks to hold sufficient High Quality Liquid Assets (HQLA), as defined, to withstand 30 days under a regulator-defined acute stress scenario. HQLA include cash, deposits with central banks, government securities and other high quality securities that are repo-eligible with the Reserve Bank of Australia (RBA).

The Group holds a portfolio of HQLA which it manages within the Group's risk appetite and within regulatory requirements. As at 30 September 2019, this portfolio was $89.9 billion (31 March 2019: $79.7 billion).

In addition to its portfolio of HQLA, the Group also has access to the Committed Liquidity Facility (CLF) in order to meet the requirements of the LCR. The RBA, jointly with APRA, makes the CLF available to ADIs due to the limited amount of government debt in Australia. In order to have access to a CLF, ADIs must satisfy qualifying conditions and are required to pay a fee to the RBA on the approved undrawn facility. In June 2019 the RBA assessed that the fee for access to the CLF should be increased from 15 basis points per annum to 20 basis points per annum. To minimise the effect on market functioning, the increase will occur in two stages, with the CLF fee rising to 17 basis points on 1 January 2020 and to 20 basis points on 1 January 2021.

Westpac's CLF allocation for the 2019 calendar year, as approved by APRA, was $54 billion (2018 calendar year: $57 billion). APRA has approved an allocation of $52 billion for the 2020 calendar year.

The Group's LCR for 30 September calculated on a spot basis was 127%, 11 percentage points lower than 31 March 2019 (138%). This movement reflects $16.3 billion increase in net cash outflows (NCO's) from growth in customer deposits, a higher proportion of at call deposits, higher wholesale funding outflows, as well as asset measurement changes; partially offset by higher HQLA ($10.2 billion).

NSFR

The Group is required to maintain a NSFR, designed to encourage longer-term funding resilience, of at least 100%. Westpac had a NSFR of 112% at 30 September 2019 (31 March 2019: 113%). The reduction in the Group's NSFR over the half mainly reflects changes in the treatment of certain loans which increased the Group's required stable funding.

Funding

The Group monitors the composition and stability of its funding so that it remains within the Group's funding risk appetite. This includes compliance with both the LCR and NSFR.

Customer deposits as a proportion of total funding increased by 95 basis points to 62.5% (31 March 2019: 61.6%). This reflects deposit growth across the Group's consumer, business and institutional businesses exceeding loan growth over the half.

Short term wholesale funding as a proportion of total funding decreased by 160 basis points to 12.1% (31 March 2019: 13.7%). This included a 29 basis point decrease in the amount of long term funding with less than one year residual maturity. Customer deposit growth exceeded loan growth over the half by $12.4 billion and enabled the Group to reduce short term funding. As at 30 September 2019, the Group's short term funding portfolio (including long term to short term scroll) was $101.2 billion (31 March 2019: $113.5 billion). The portfolio had a weighted average maturity of 135 days and was more than covered by the $169.9 billion of unencumbered repo-eligible liquid assets held by the Group (including LCR liquid assets, private securities and repo-eligible self-originated AAA rated mortgage backed securities).

Long term wholesale funding made up 16.6% of the Group's total funding as at 30 September 2019, up 72 basis points over the half. Securitisation made up a further 1.0% of the Group's total funding.

During the year to 30 September 2019, the Group raised $33.5 billion in new long term wholesale funding. This included $11.8 billion raised in the Second Half, of which $4.2 billion was in Tier 2 capital securities, as the Group made good progress towards the Total Loss Absorbing Capital (TLAC) requirements announced by APRA in July 2019.

[1] *Refer to Glossary for definition.*

Despite being more active in Tier 2 markets in Second Half 2019, the majority of Westpac's new issuance continued to be in the form of senior unsecured bonds (51%) and covered bonds (24%). New term issuance also included $1.4 billion of Additional Tier 1 capital securities and $2.8 billion in residential mortgage-backed securities. AUD issuance made up 46% of the Group's new long term wholesale funding over the year, followed by USD (27%) and Euro (21%), with the remainder in other currencies including NZD. Westpac continues to benefit from being the only major Australian bank able to issue SEC Registered bonds in the USD market, which delivers superior liquidity compared to non-SEC Registered bonds, amongst other benefits.

The weighted average maturity (excluding securitisation) of new term issuance in Full Year 2019 was 6.0 years, with 83% of new term issuance having an original tenor (or first call date) of 5 years or longer. This was slightly shorter compared to Full Year 2018 (6.5 years).

Liquidity coverage ratio

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
High Quality Liquid Assets (HQLA)[1]	89,883	79,701	76,482	*13*	*18*
Committed Liquidity Facility (CLF)[1]	54,000	54,000	57,000	-	*(5)*
Total LCR liquid assets	**143,883**	**133,701**	**133,482**	***8***	***8***
Cash outflows in a modelled 30-day APRA defined stressed scenario					
Customer deposits	74,860	65,819	70,348	*14*	*6*
Wholesale funding	14,544	11,741	9,570	*24*	*52*
Other flows[2]	23,986	19,482	20,476	*23*	*17*
Total	**113,390**	**97,042**	**100,394**	***17***	***13***
LCR[3]	**127%**	**138%**	**133%**	***large***	***large***

[1] *Refer to Glossary for definition.*
[2] *Other flows include credit and liquidity facilities, collateral outflows and inflows from customers.*
[3] *Calculated on a spot basis.*

Net stable funding ratio

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Available stable funding	606,774	606,217	601,184	-	*1*
Required stable funding	543,958	536,414	529,463	*1*	*3*
Net stable funding ratio	**112%**	**113%**	**114%**	***(146bps)***	***(200bps)***

Funding by residual maturity

	As at 30 Sept 2019		As at March 2019		As at 30 Sept 2018	
$m	$m	Ratio %	$m	Ratio %	$m	Ratio %
Wholesale funding						
Less than 6 months	45,334	5.4	58,244	7.0	53,649	6.5
6-12 months	25,566	3.1	22,860	2.8	18,537	2.3
Long term to short term scroll[1]	30,255	3.6	32,375	3.9	29,894	3.6
Wholesale funding - residual maturity less than 12 months	**101,155**	**12.1**	**113,479**	**13.7**	**102,080**	**12.4**
Securitisation	8,190	1.0	9,472	1.1	7,588	0.9
Greater than 12 months	139,328	16.6	132,089	15.9	128,276	15.7
Wholesale funding - residual maturity greater than 12 months	**147,518**	**17.6**	**141,561**	**17.0**	**135,864**	**16.6**
Customer deposits	**524,516**	**62.5**	**511,643**	**61.6**	**517,751**	**63.1**
Equity[2]	**65,785**	**7.8**	**64,347**	**7.7**	**64,978**	**7.9**
Total funding	**838,974**	**100.0**	**831,030**	**100.0**	**820,673**	**100.0**

Deposit to net loans ratio[3]

	As at 30 Sept 2019		As at March 2019		As at 30 Sept 2018	
$m	$m	Ratio %	$m	Ratio %	$m	Ratio %
Customer deposits	524,516	-	511,643	-	517,751	-
Net loans	714,770	73.4	714,297	71.6	709,690	73.0

[1] *Scroll represents wholesale funding with an original maturity greater than 12 months that now has a residual maturity less than 12 months.*
[2] *Includes total share capital, share based payments reserves and retained profits.*
[3] *Refer to Glossary for definition.*

Funding view of the balance sheet

$m	Total liquid assets[1]	Customer deposits	Wholesale funding	Customer franchise	Market inventory	Total
As at 30 Sept 2019						
Total assets	169,871	-	-	670,261	66,494	906,626
Total liabilities	-	(524,516)	(248,673)	-	(67,930)	(841,119)
Total equity	-	-	-	(65,785)	278	(65,507)
Total	**169,871**	**(524,516)**	**(248,673)**	**604,476**	**(1,158)**	**-**
Net loans[2]	59,278	-	-	655,492	-	714,770
As at 31 March 2019						
Total assets	151,588	-	-	679,713	59,761	891,062
Total liabilities	-	(511,643)	(255,040)	-	(60,444)	(827,127)
Total equity	-	-	-	(64,347)	412	(63,935)
Total	**151,588**	**(511,643)**	**(255,040)**	**615,366**	**(271)**	**-**
Net loans[2]	49,151	-	-	665,146	-	714,297
As at 30 Sept 2018						
Total assets	153,694	-	-	668,237	57,661	879,592
Total liabilities	-	(517,751)	(237,944)	-	(59,324)	(815,019)
Total equity	-	-	-	(64,978)	405	(64,573)
Total	**153,694**	**(517,751)**	**(237,944)**	**603,259**	**(1,258)**	**-**
Net loans[2]	55,500	-	-	654,190	-	709,690

[1] *Refer to Glossary for definition.*
[2] *Liquid assets in net loans include internally securitised assets that are eligible for repurchase agreements with the RBA / RBNZ.*

2.5 Capital and dividends

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Level 2 Regulatory capital structure					
Common equity Tier 1 capital after deductions ($m)	45,752	44,680	45,239	*2*	*1*
Risk weighted assets (RWA) ($m)	428,794	419,819	425,384	*2*	*1*
Common equity Tier 1 capital ratio (CET1)	10.67%	10.64%	10.63%	*3bps*	*4bps*
Additional Tier 1 capital ratio	2.17%	2.20%	2.15%	*(3bps)*	*2bps*
Tier 1 capital ratio	12.84%	12.84%	12.78%	-	*6bps*
Tier 2 capital ratio	2.79%	1.78%	1.96%	*101bps*	*83bps*
Total regulatory capital ratio	15.63%	14.62%	14.74%	*101bps*	*89bps*
APRA leverage ratio[1]	5.68%	5.72%	5.84%	*(4bps)*	*(16bps)*
Level 1 Regulatory capital structure					
Common equity Tier 1 capital after deductions ($m)	46,380	43,850	42,988	6	8
Risk weighted assets (RWA) ($m)	422,475	409,231	409,240	3	3
Level 1 Common equity Tier 1 capital ratio (CET1)	10.98%	10.72%	10.50%	*26bps*	*48bps*

Capital actions

While Westpac's CET1 capital ratio is above APRA's 'unquestionably strong' benchmark of 10.5%, the Group's lower cash earnings, new operational risk capital overlays and changes in the calculation of risk weighted assets has impacted the Group's capital generation over the year. Given our priority for balance sheet strength and our goal to support customer growth, we are seeking to raise approximately $2.5 billion in capital to provide an increased buffer above APRA's unquestionably strong benchmark. The raising also creates flexibility for changes in capital rules and potential litigation or regulatory action. The raising is expected to lift the Group's CET1 ratios by around 46-58[2] basis points.

Capital management strategy

In light of APRA's 'unquestionably strong' capital benchmarks, Westpac will seek to operate with a CET1 capital ratio above 10.5% in March and September as measured under the existing capital framework. Additional buffers may also be held to reflect challenging or uncertain environments. This also takes into consideration:

- Current regulatory capital minimums and the capital conservation buffer (CCB), which together are the total CET1 requirement. In line with the above, the total CET1 requirement for Westpac is at least 8.0%, based upon an industry minimum CET1 requirement of 4.5% plus a capital buffer of at least 3.5% applicable to domestic systemically important banks (D-SIBs)[3];
- Stress testing to calibrate an appropriate buffer against a downturn; and
- Quarterly volatility of capital ratios due to the half yearly cycle of ordinary dividend payments.

Should the CET1 capital ratio fall below the total CET1 requirement, restrictions on the distribution of earnings will apply. This includes restrictions on the amount of earnings that can be distributed through dividends, Additional Tier 1 capital distributions and discretionary staff bonuses.

Westpac will revise its target capital level once APRA finalises its review of the capital adequacy framework.

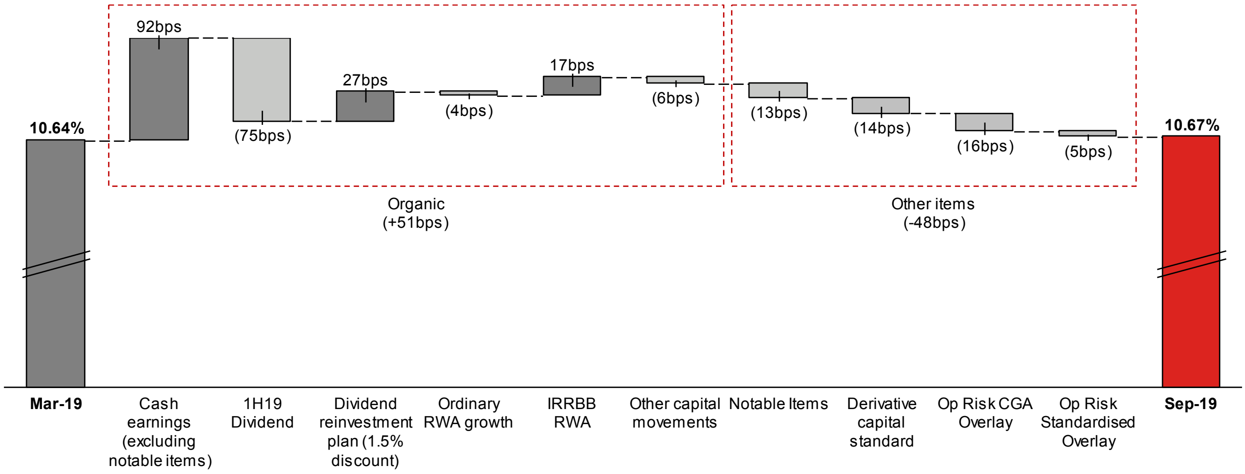
Total regulatory capital developments

On 9 July 2019 APRA announced that it will require the major banks (including Westpac) to lift Total Regulatory Capital by three percentage points of RWA by 1 January 2024 in order to boost loss absorbing capacity and support orderly resolution. APRA also confirmed that its overall long term target of an additional four to five percentage points of loss absorbing capacity remains unchanged, and that it will consider the most feasible alternative method of sourcing the remaining one to two percentage points, taking into account the particular characteristics of the Australian financial system.

Further details of APRA's regulatory changes are set out in the Significant Developments section of the 2019 Full Year Financial Results.

1 Refer to Glossary for definition.
2 Based on risk weighted assets at 30 September 2019. A 46 basis point increase reflects the impact of the placement only of $2 billion, while a 58 basis point increase reflects the impact of both the placement and the share purchase plan, assuming the share purchase plan raises $500 million (the basis point impacts are net of issue costs).
3 Noting that APRA may apply higher CET1 requirements for an individual ADI.

Common Equity Tier 1 capital ratio movement for Second Half 2019



Westpac's common equity Tier 1 (CET1) capital ratio was 10.67% at 30 September 2019, up 3 basis points from 31 March 2019, as organic capital generation was largely offset by other items.

The 51 basis point organic capital growth included:

- Second Half 2019 cash earnings, excluding notable items (92 basis points increase);
- The 2019 interim dividend payment, net of dividend reinvestment plan (DRP) share issuance (48 basis points decrease);
- Ordinary RWA (before regulatory measurement changes, and excluding IRRBB) grew slightly (4 basis points decrease), mainly driven by increases in credit RWA, and mark to market CVA;
- Reduction in interest rate risk in the banking book (IRRBB) RWA (17 basis points increase), driven by an increase in the embedded gain from falling interest rates; and,
- A 6 basis points reduction from other capital movements, largely driven by movements in regulatory deductions.

Other items reduced the CET1 capital ratio by 48 basis points, principally:

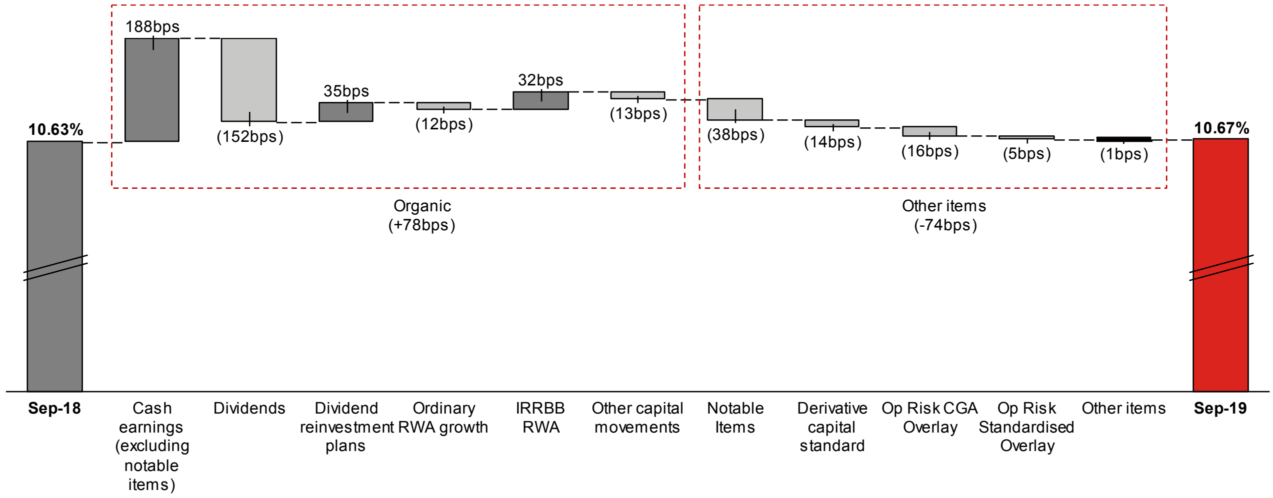
- Operational risk overlays comprising the Culture, Governance and Accountability (CGA) self-assessment overlay imposed by APRA (16 basis points reduction), and an increase in the overlay to better align Westpac to the standardised approach (5 basis points reduction);
- Implementation of APRA's new derivatives capital standard (14 basis points reduction)[1]; and
- Notable items (13 basis points reduction)[2].

Supplementary capital movement for Second Half 2019

During the half, Westpac issued $4.2 billion of Tier 2 capital instruments, increasing the total regulatory capital ratio by 99 basis points. The higher new issuance was in response to APRA's increased total capital requirements to be met by 1 January 2024.

[1] *APRA prudential standard APS180 Counterparty Credit Risk became effective on 1 July 2019 and implements the Standardised Approach to Counterparty Credit Risk (SA-CCR).*
[2] *The impact of notable items on the CET1 ratio includes the capital deduction for associated deferred tax assets.*

Common Equity Tier 1 movement for Full Year 2019



Westpac's common equity Tier 1 (CET1) capital ratio was 10.67% at 30 September 2019, up 4 basis points from 30 September 2018, as organic capital generation of 78 basis points was largely offset by other items (74 basis points). Other items mainly related to 'notable items', implementation of the new derivative capital standard[1], and operational risk overlays.

Leverage Ratio

The leverage ratio represents the amount of Tier 1 capital relative to exposure[2]. At 30 September 2019, Westpac's leverage ratio was 5.68%, down 4 basis points since 31 March 2019.

Internationally comparable capital ratios

The APRA Basel III capital adequacy requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios when compared to international peers. APRA conducted a study in July 2015 outlining its methodology for measuring international comparable capital ratios. For details on the adjustments refer to Westpac's 2019 Full Year Results Presentation and Investor Discussion Pack.

The table below calculates the Group's reported capital ratios consistent with this methodology.

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
Internationally comparable capital ratios					
Common equity Tier 1 capital ratio	15.85%	16.17%	16.14%	*(32bps)*	*(29bps)*
Tier 1 capital ratio	18.64%	19.07%	19.02%	*(43bps)*	*(38bps)*
Total regulatory capital ratio	22.08%	21.25%	21.50%	*83bps*	*58bps*
Leverage ratio	6.36%	6.39%	6.48%	*(3bps)*	*(12bps)*

[1] APRA prudential Standard APS180 Counterparty Credit Risk became effective on 1 July 2019 and implements the Standardised Approach to Counterparty Credit Risk (SA-CCR).
[2] As defined under Attachment D of APS110: Capital Adequacy.

Risk Weighted Assets (RWA)

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Corporate[1]	74,807	73,551	69,584	2	8
Business lending[2]	35,470	35,294	35,417	-	-
Sovereign[3]	2,068	1,653	1,644	25	26
Bank[4]	8,339	7,066	6,606	18	26
Residential mortgages	131,629	132,133	132,734	-	(1)
Australian credit cards	5,089	5,910	6,313	(14)	(19)
Other retail	12,395	13,082	13,777	(5)	(10)
Small business[5]	16,090	16,092	16,329	-	(1)
Specialised lending: Property and project finance[6]	55,262	54,833	57,043	1	(3)
Securitisation[7]	5,749	5,583	5,918	3	(3)
Standardised	9,653	10,455	10,778	(8)	(10)
Mark-to-market related credit risk	11,313	7,110	6,606	59	71
Credit risk	367,864	362,762	362,749	1	1
Market risk	9,350	8,338	6,723	12	39
Operational risk[8]	47,680	38,641	39,113	23	22
Interest rate risk in the banking book (IRRBB)	530	7,076	12,989	(93)	(96)
Other	3,370	3,002	3,810	12	(12)
Total	**428,794**	**419,819**	**425,384**	**2**	**1**

Second Half 2019 – First Half 2019

Total RWA increased $9.0 billion or 2.1% this half:

- Credit risk RWA increased $5.1 billion over the half. This included a $5.3 billion increase from implementation of APRA's new derivatives capital standard on 1 July 2019[9]. The remaining movements comprised:
  - An increase in mark-to-market related credit risk of $2.0 billion, mostly due to lower interest rates;
  - Changes to credit quality and portfolio mix, which reduced RWA by $2.3 billion;
  - Foreign currency translation impacts which reduced RWA by $0.7 billion; and
  - Business growth which increased RWA by $0.8 billion;
- Non-credit RWA increased $3.9 billion over the half, driven by:
  - An increase of $9.0 billion in operational risk RWA, mainly from operational risk overlays[10];
  - A decrease of $6.5 billion in interest rate risk in the banking book RWA, driven by an increase in the embedded gain from falling interest rates; and
  - An increase of $1.0 billion in market risk RWA and an increase of $0.4 billion in other assets RWA.

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[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 not captured elsewhere where the borrower has annual turnover less than or equal to $50 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 – program managed business lending exposures.

[6] Specialised lending – property and project finance – includes exposures to entities created to finance and / or operates 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.

[9] APRA prudential standard APS180 Counterparty Credit Risk became effective on 1 July 2019 and implements the Standardised Approach to Counterparty Credit Risk (SA-CCR).

[10] This includes the $500 million capital overlay applied by APRA in response to Westpac's Culture, Governance and Accountability (CGA) self-assessment, which translates to a $6.25 billion increase in RWA. This also includes a $165 million increase in the operational risk capital overlay to align Westpac's advance operational risk capital with the standardised approach, which translates to a $2.1 billion increase in RWA.

Full Year 2019 – Full Year 2018

Total RWA increased $3.4 billion or 0.8% over the year:

- Credit risk RWA increased $5.1 billion over the year, with key movements including:
  - A $5.3 billion increase from implementation of APRA's new derivatives capital standard on 1 July 2019[1];
  - An increase in mark-to-market related credit risk of $2.5 billion, mostly due to lower interest rates;
  - Foreign currency translation impacts which increased RWA by $1.5 billion; and
  - Business growth which increased RWA by $1.3 billion;

These were partly offset by:

  - Adoption of AASB 9 on 1 October 2018, which reduced RWA $3.9 billion;
  - Regulatory modelling updates for corporate and bank exposures reduced RWA by $1.0 billion; and
  - Changes to credit quality and portfolio mix, which reduced RWA by $0.6 billion;
- Non-credit RWA decreased by $1.7 billion over the year, driven by:
  - A decrease of $12.5 billion in interest rate risk in the banking book RWA, driven by an increase in the embedded gain from falling interest rates;
  - An increase of $8.6 billion in operational risk RWA, mainly from operational risk overlays[2];
  - An increase of $2.6 billion in market risk RWA, and a decrease of $0.4 billion in other assets RWA.

[1] *APRA prudential standard APS180 Counterparty Credit Risk became effective on 1 July 2019 and implements the Standardised Approach to Counterparty Credit Risk (SA-CCR).*

[2] *This includes the $500 million capital overlay applied by APRA in response to Westpac's Culture, Governance and Accountability (CGA) self-assessment, which translate to a $6.25 billion increase in RWA. This also includes a $165 million increase in the operational risk capital overlay to align Westpac's advance operational risk capital with the standardised approach, which translates to a $2.1 billion increase in RWA.*

Capital adequacy

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018
Tier 1 capital			
Common equity Tier 1 capital			
Paid up ordinary capital	37,508	36,351	36,054
Treasury shares	(575)	(571)	(507)
Equity based remuneration	1,548	1,527	1,441
Foreign currency translation reserve	(199)	(331)	(379)
Accumulated other comprehensive income	(68)	15	(11)
Non-controlling interests - other	58	54	55
Retained earnings	27,188	26,949	27,883
Less retained earnings in life and general insurance, funds management and securitisation entities	(1,407)	(1,289)	(1,218)
Deferred fees	267	234	258
Total common equity Tier 1 capital	**64,320**	**62,939**	**63,576**
Deductions from common equity Tier 1 capital			
Goodwill (excluding funds management entities)	(8,648)	(8,665)	(8,644)
Deferred tax assets	(2,034)	(1,710)	(1,169)
Goodwill in life and general insurance, funds management and securitisation entities	(940)	(941)	(942)
Capitalised expenditure	(1,719)	(1,778)	(1,838)
Capitalised software	(2,019)	(1,881)	(1,792)
Investments in subsidiaries not consolidated for regulatory purposes	(1,540)	(1,522)	(1,567)
Regulatory expected loss in excess of eligible provisions	(1,106)	(1,148)	(1,312)
General reserve for credit losses adjustment	-	-	(356)
Defined benefit superannuation fund surplus	(73)	(66)	(78)
Equity investments	(425)	(482)	(570)
Regulatory adjustments to fair value positions	(63)	(65)	(68)
Other Tier 1 deductions	(1)	(1)	(1)
Total deductions from common equity Tier 1 capital	**(18,568)**	**(18,259)**	**(18,337)**
Total common equity Tier 1 capital after deductions	**45,752**	**44,680**	**45,239**
Additional Tier 1 capital			
Basel III complying instruments	9,299	9,216	9,144
Total Additional Tier 1 capital	**9,299**	**9,216**	**9,144**
Net Tier 1 regulatory capital	**55,051**	**53,896**	**54,383**
Tier 2 capital			
Basel III complying instruments	11,645	7,143	8,025
Basel III transitional instruments	519	495	486
Eligible general reserve for credit loss	62	66	54
Total Tier 2 capital	**12,226**	**7,704**	**8,565**
Deductions from Tier 2 capital			
Investments in subsidiaries not consolidated for regulatory purposes	(140)	(140)	(140)
Holdings of own and other financial institutions Tier 2 capital instruments	(115)	(103)	(93)
Total deductions from Tier 2 capital	**(255)**	**(243)**	**(233)**
Net Tier 2 regulatory capital	**11,971**	**7,461**	**8,332**
Total regulatory capital	**67,022**	**61,357**	**62,715**
Risk weighted assets	**428,794**	**419,819**	**425,384**
Common equity Tier 1 capital ratio	10.67%	10.64%	10.63%
Additional Tier 1 capital ratio	2.17%	2.20%	2.15%
Tier 1 capital ratio	12.84%	12.84%	12.78%
Tier 2 capital ratio	2.79%	1.78%	1.96%
Total regulatory capital ratio	**15.63%**	**14.62%**	**14.74%**

Dividends

Ordinary dividend (cents per share)	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Interim (fully franked)	-	94	*(100)*	94	94	-
Final (fully franked)	80	-	*100*	80	94	*(15)*
Total ordinary dividend	**80**	**94**	***(15)***	**174**	**188**	***(7)***
Payout ratio (reported)	77.26%	102.00%	*large*	88.83%	79.52%	*large*
Payout ratio (cash earnings)	78.58%	98.33%	*large*	88.09%	79.94%	*large*
Adjusted franking credit balance ($m)	1,558	1,234	*26*	1,558	1,357	*15*
Imputation credit (cents per share - NZ)	7.0	7.0	-	14.0	14.0	-

The Board has determined a final fully franked dividend of 80 cents per share, to be paid on 20 December 2019, to shareholders on the register at the record date of 13 November 2019[1]. The final dividend represents a Second Half 2019 payout ratio on a cash earnings basis of 78.58%. In addition to being fully franked, the dividend will also carry NZ$0.07 in New Zealand imputation credits that may be used by New Zealand tax residents.

The Board has determined to issue shares to satisfy the DRP for the Final 2019 dividend. The market price used to determine the number of shares issued under the DRP will be set over the 10 trading days commencing 18 November 2019.

On 4 November 2019, Westpac announced that it will be undertaking an underwritten placement of fully paid ordinary shares in Westpac to institutional investors to raise $2 billion. As further announced, following the placement, Westpac will make a share purchase plan available to shareholders to raise approximately $500 million, subject to scaleback, and with the ability to raise less or more. The proceeds received under the placement and share purchase plan will be used to strengthen Westpac's regulatory capital position.

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 CET1 capital. The table below shows the calculation of this capital deduction.

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018
Provisions associated with eligible portfolios			
Total provisions and reserves for impairment charges (Section 4 Note 10)	3,924	3,997	3,053
plus general reserve for credit losses adjustment	-	-	356
plus provisions associated with partial write-offs	41	94	101
less ineligible provisions[2]	(89)	(79)	(80)
Total eligible provisions	**3,876**	**4,012**	**3,430**
Regulatory expected downturn loss	**4,982**	**5,160**	**4,742**
Shortfall in eligible provisions compared to regulatory expected downturn loss	**1,106**	**1,148**	**1,312**
Common equity Tier 1 capital deduction for regulatory expected downturn loss in excess of eligible provisions	**(1,106)**	**(1,148)**	**(1,312)**

[1] Record date in New York is 12 November 2019.
[2] Provisions associated with portfolios subject to the Basel standardised approach to credit risk are not eligible.

2.6 Sustainability performance

Westpac's approach to sustainability

The Group's approach to operating sustainably is designed to anticipate, respond to and shape the most pressing emerging topics (issues and opportunities) that have the potential to materially impact customers, employees, suppliers, shareholders and communities.

As one of Australia's largest companies, Westpac Group plays a role in helping to create positive social, economic and environmental impact, for the benefit of all.

Our approach to sustainability is embedded within the Group's business activities and aligns with the priorities set out in the Group's strategy. We are aligned with the Paris Climate Agreement and contribute to the United Nations Sustainable Development Goals.

Guiding our approach

Accountability for the Group's Sustainability Strategy starts with the Board, which has responsibility for considering the social, ethical and environmental impact of the Group's activities, setting standards and monitoring compliance with sustainability policies and practices. The Westpac Sustainability Council comprising senior leaders from across the business, meets at least four times a year and oversees strategic progress and guides the Group's approach.

Progress against the Sustainability Strategy is reported to and discussed with the Executive Team and Board twice each year, with other items discussed as needed.

Our approach is aligned to the widely accepted global standard for corporate responsibility and sustainable development, the AA1000 AccountAbility Principles Standard (2008), and its three key principles of Inclusivity, Materiality and Responsiveness.

Westpac's sustainability performance is regularly benchmarked by a number of third-party ratings and awards, including the Dow Jones Sustainability Indices (DJSI), where the Group has been recognised as a global leader as a member of DJSI World for 18 years in a row. In 2019, Westpac ranked number one in Australia and ninth globally.

Frameworks and policies

Westpac responds to enduring and emerging material topics through frameworks and policies that are complementary to its business strategy and form part of the Group's approach to governance and risk management. Collectively, they help to guide decisions, manage risks and drive actions. Key frameworks and policies include:

- Principles for Doing Business, which set out the behaviours the Group expects to be judged against in pursuit of its vision, and the framework to embed sustainable practices throughout the business in the areas of governance and ethics, customer practices, employee practices, care for the environment, community involvement and supply chain management;
- Sustainability Risk Management Framework, which sets out how the Group manages sustainability risks in operations, lending and investment decisions, and the supply chain, providing a guide for roles and responsibilities within the organisation, reflecting the Group's 'three lines of defence' risk management approach; and
- A suite of policies that embed the principles and management requirements in day-to-day operations, including our Code of Conduct, divisional ESG policies, and position statements on sensitive sectors and issues including climate change and human rights.

Material sustainability topics

Informed by engagement with internal and external stakeholders, including the Group's Stakeholder Advisory Council, review of policies, industry trends, peer analysis and regulatory and non-regulatory requirements, Westpac's materiality process is aligned with the Global Reporting Initiative Standards (2016) and the AA1000 AccountAbility Principles Standard (2008). Prioritisation of material topics is subject to annual independent external assurance. Westpac's top ten material topics are outlined below.

Material sustainability topic

Conduct and culture	Instances of poor conduct have eroded public trust in the financial services sector, driving an increased focus on corporate culture and improved outcomes for customers	***Changing regulatory landscape***	Supervision and regulation in jurisdictions that the Group operates in continue to evolve, creating uncertainty in the operating environment
Customer satisfaction and experience	Customers' needs are becoming more complex, and at the same time their expectations around how they want to engage with us are evolving	***Digital product and service transformation***	Digitisation offers opportunities to improve efficiency and deliver new and better customer experiences when, how and where customers choose to engage with us
Governance and risk	Clear governance practices, active management of risk, commitment to compliance, and fair remuneration in our operations, supplier and partner relationships are critical to the longevity and financial wellbeing of the Group	***Customer vulnerability and hardship***	Our ability to support customers in times of financial hardship and anticipating times when they can become vulnerable allows us to help when it matters most
Information security and data privacy	Maintaining customer confidentiality and the security of our systems is paramount to maintaining trust and confidence	***Executive remuneration***	Appropriate remuneration structures align executive remuneration and accountability with stakeholder interests over the long term, and play an important role in effective corporate governance
Financial and economic performance	Maintaining a healthy financial performance and strong balance sheet is vital to the Group's long-term sustainability	***Climate change risks and opportunities***	As a major financial institution, we have an important role to play in managing the risks and opportunities of climate change, supporting collaborative efforts to limit global warming, while also taking steps to help the economy and communities become more resilient to the expected effects

For further detail, please see our Annual Review and Sustainability Report and Sustainability Performance Report at www.westpac.com.au/sustainability.

Sustainability goals

Westpac Group's 2018-2020 Sustainability Strategy outlines the Group's commitment to building a sustainable future. This includes taking action in the areas where the Group can have the greatest impact and create sustainable, long-term value for customers, communities and the nation by:

- helping people make better financial decisions;
- helping people by being there when it matters most to them; and
- helping people create a prosperous nation.

Underpinning these three priority areas is a commitment to fostering a culture of care and doing the right thing and continuing to lead on the sustainability fundamentals – policies, action plans, frameworks and metrics reporting. We continue to progress on our climate change, human rights and reconciliation action plans.

Westpac is committed to regular reporting to enable a comparison of performance over time. The table below summarises progress against the goals set out in the Group's Sustainability Strategy with a focus on activities in the past 12 months.

Performance against sustainability goals

Priority areas	Goals	Full Year 2019 performance
Helping people make better financial decisions	Help more people better understand their financial position, improving their financial confidence	• Continued to offer financial health check programs for superannuation members, including the digital Wealth Review tool and My Wellbeing online portal; • Delivered a range of financial literacy programs to individuals, businesses, not-for-profit organisations and community groups through Westpac's Davidson Institute in Australia and the Managing Your Money program in New Zealand; and • Delivered financial capability communications for different demographic segments including for young Australians, in partnership with 26 universities and TAFE NSW (900,000 interactions); women, via Ruby Connection (724,000 interactions); and older Australians, via Starts at 60 (over 3 million interactions).
Helping people by being there when it matters most to them	Help people recover from financial hardship	• Helped customers experiencing financial hardship, issuing over 52,000 financial assistance packages during the year.
	Help people lift out of a difficult time and recover stronger	• Extended the $100 million drought relief fund launched last year to support Australian farmers; • Committed $50 million to a flood relief fund dedicated to helping farmers in North Queensland; • Delivered a portable 'Bank in a Box' branch to Townsville to help those affected by floods; • Provided over 500 relief packages for customers impacted by natural disasters across Australia; • Donated $150,000 to the Salvation Army and a further $100,000 to the Foundation for Rural & Regional Renewal (FRRR) to support disaster recovery and programs to build local community resilience; • Joined the Government-led Drought Finance Taskforce to both share information with the government on the impact of drought on our customers and advise on measures to help alleviate the impact; and • Continued work with the Australian Business Roundtable for Disaster Resilience and Safer Communities to define approaches to assist government, business and communities mitigate and respond to natural disasters.
	Helping our most vulnerable customers	• Published the 2020 Customer Vulnerability Action Plan outlining the Group's principles for engaging with customers experiencing vulnerability, including providing guidance, help and support for customers experiencing domestic and family violence and financial abuse; • Assisted over 900 customers since launching the Priority Assist 1800 telephone line to support customers experiencing domestic and family violence and financial abuse; • Established specialist teams to support bankers with complex customer queries; • Established a dedicated 24/7 Scams Assist team to protect customers who may be victims of fraud or scams; • Launched a series of Life Moments tools and resources to assist customers and their families going through challenging circumstances such as the loss of a loved one, divorce or separation; and • Supported over 3,000 Indigenous Australians through a dedicated customer care team established this year to support remote Indigenous communities.

Priority areas	Goals	Full Year 2019 performance
Helping people create a prosperous nation	Build the workforce of the future	• Identified 10 core capabilities to enable our people to prepare for the future of work and built curricula to support their growth in these areas; and • Updated our Science, Technology, Engineering and Mathematics (STEM) Commitment, reflecting a wide range of interventions and initiatives to help build a STEM-confident nation that is diverse and future ready.
	Invest and back the people and ideas shaping Australia	• Awarded $4.3 million in educational scholarships, through Westpac Scholars Trust to the next 102 Westpac Scholars, bringing the total cohort to 416; • Helped to create over 700 jobs[1] for vulnerable Australians through Westpac Foundation job creation grants to social enterprises; • Westpac Foundation awarded 100 Community Grants to the total of $1.0 million, to support approximately 12,000 people; • Supported the establishment of 359 businesses through our Many Rivers partnership; the partnership has created jobs[1] for more than 2,300 people, with 829 identifying as Indigenous; • Maintained a portfolio of direct investment in nine early stage companies; and • Maintained our commitment to Reinventure - $150 million across three funds, supporting Reinventure's investment in 27 early stage companies.
	Back the growth of climate change solutions	• Increased lending to climate change solutions, taking total committed exposure to $9.3 billion, progressing towards our 2020 target of $10 billion; • Facilitated $3.6 billion in funding for climate change solutions, exceeding our 2020 target of $3 billion; and • Analysed climate change risks under 1.5, 2 and 4-degree scenarios.
	Back the growth of housing affordability solutions	• Undertook research with Indigenous consultancy firm Origin Communications to consider how Westpac can support more Indigenous Australians to own their own home – with insights informing further exploration, such as intergenerational home ownership; • Westpac New Zealand launched a dedicated home loan solution - 'Westpac Prebuilt' - offering a simple and streamlined process to help customers into prefabricated homes, the first bank in New Zealand to do so; and • Extended our support to Head Start Homes (HSH) – a charity that helps people move out of social housing into their own homes.
	Bring together partners and harness the Group's capacity to tackle pressing social issues that matter most to the nation	• A founding bank and signatory to the Principles for Responsible Banking, developed as an initiative of the United Nations Environment Programme Finance Initiative (UNEP FI); • Joined other Australian banks, insurers, super funds, investors and industry groups to form the Australian Sustainable Finance Initiative; and • Joined an Expert Advisory Council, through WEConnect International, focusing on best-in-class approaches to supply chain, supplier diversity and access to capital for women-owned businesses.
A culture that is caring, inclusive and innovative	A culture of doing the right thing	• Continued programs underway to rebuild trust, strengthen governance and deliver more consistent customer outcomes, including our Royal Commission response plan and our Culture, Governance, Accountability Self-Assessment action plan; • Maintained ongoing Navigate training to reinforce Our Compass – a framework which brings together our vision, service promise, values and Code of Conduct – with smaller sessions facilitated by team leaders to continue the conversation locally; and • Continued to assess employee performance through the 'Motivate' framework – a behaviours-first approach to people management.
	Promote an inclusive society, where our workforce reflects our customers	• Maintained 50% women in leadership[2] roles; • 36% women on the Westpac Board; • 161 new-to-bank Aboriginal or Torres Strait Islander hires; • Introduced a leadership shadowing program for culturally and linguistically diverse employees to build exposure to new networks and career pathways; and • Updated leave entitlements to include 20 days paid leave for employees undergoing a gender transition, three days Sorry Business leave for Aboriginal and Torres Strait Islander employees, increased paid leave for employees experiencing domestic and family violence to 20 days, and increased paid parental leave for support carers to three weeks.
	Increase channels where customers can provide feedback	• Established a new complaints strategy centred on customer connection, service excellence, priority support for vulnerable customers and root cause and complaints prevention; • Embedded a Customer Outcome Committee to work through complex cases; • Reduced non-external dispute resolution average time to close, for complaints from 13 days to seven days; • Commenced tracking customer satisfaction of the complaint resolution experience; • Launched our 'FAIRGO' decision principles that set out our approach to resolving complaints; • Launched the "Spot it, Log it, Own it" internal campaign, promoting an improved culture of complaints handling; and • 97% of Australian based employees completed the "Why Complaints Matter" training.

[1] *All results 30 September except jobs created through the Westpac Foundation job creation grants to social enterprises and Many Rivers job creation which are 30 June.*
[2] *Women in Leadership refers to the proportion of women (permanent and maximum term) in leadership roles across the Group. It includes the CEO, Group Executives, General Managers, senior leaders with significant influence on business outcomes (direct reports to General Managers and their direct reports) large (3+) team people leaders three levels below General Manager, and Bank and Assistant Bank Managers*

Priority areas	Goals	Full Year 2019 performance
Continuing to lead on the Sustainability fundamentals	Employees	• Implemented the recommendations of the Sedgwick Review for employees effective from 1 October 2018, two years ahead of schedule; • Embedded a Group Consequence Management Framework which sets out the standards expected of our employees and ensures greater consistency and transparency in the management of employee conduct matters; • Achieved total recordable injury frequency rate (TRIFR) of 3.1, a 20% reduction from Full Year 2018, and lost time injury frequency rate (LTIFR) of 0.4; • Improved Employee Assistance Program utilisation from 9.0% in Full Year 2018 to 10.2%; and • Continued commitment to supporting workplace wellbeing, appointing a Chief Mental Health Officer to drive a range of activities focused on improving the psychological health and safety of our workforce.
	Human rights	• Identified key categories of products and services that are supplied to the Group that have a higher likelihood of modern slavery risk; • Commenced work to meet the requirements of the Australian Modern Slavery Act (2018) ahead of our 2021 reporting obligations; • Became the first bank to be accredited as a Living Wage employer in New Zealand; and • The only Australian bank to contribute to the Liechtenstein Initiative for a Financial Sector Commission on Modern Slavery and Human Trafficking - a public-private partnership that aims to put the financial sector at the heart of global efforts to end modern slavery and human trafficking - with the outcomes now published as the Finance Against Slavery and Trafficking Blueprint.
	Sustainable lending and investment	• Launched the world's first Green Tailored Deposit to be certified by internationally recognised Climate Bonds Initiative (CBI); • Delivered several sustainability-linked loans designed to incentivise and reward customers for meeting pre-determined sustainability targets; • Undertook an extensive review of our Sustainability Risk Management Framework focusing on improvements to risk identification, governance and reporting; • Updated our position statement on Financing Agribusiness and continued our work to embed the management of key climate change and human rights-related risks across our business; and • Updated our BT climate-related financial disclosures (superannuation and investments), in line with the recommendations of the Task Force on Climate related Financial Disclosures (TCFD).
	Environment[1]	• Maintained carbon neutral status; • Achieved a 5.6% reduction in greenhouse gas emissions ('emissions') compared to 2018 and 17.9% compared to our 2016 baseline; • Achieved a 15.7% reduction in Group paper consumption compared to 2018 and 45.3% reduction against our 2016 baseline; • Achieved a 3.9% reduction in water consumption in our Australian workplaces[2] compared to 2018 and 23.7% reduction against our 2016 baseline; • Achieved a 75% diversion of waste from landfill in our main Australian offices[3]; and • Committed to source 100% of global electricity consumption through renewable energy sources by 2025 and joined RE100.
	Responsible sourcing	• Sourced $18.6 million from diverse suppliers, including $3.6 million from Indigenous suppliers; and • Joined 'Raising the Bar' as one of 16 inaugural signatories – a joint initiative of the Business Council of Australia and Indigenous business advocate Supply Nation, and committed to spend $21 million with Indigenous businesses by 2024.
	Community and social impact	• Contributed over $130 million to community investment excluding commercial sponsorships across the Group; and • 13% employees participated in our volunteering programs, with more than 550 Westpac employees contributing more than 24,000 hours of skilled volunteering support to community partners and social enterprises to build their financial sustainability and social impact.

[1] *All results are for the year ended 30 September except environmental footprint which is for the year ended 30 June.*
[2] *Australian workplaces include commercial offices, retail branches, data centres and subsidiaries sites.*
[3] *Our main Australian offices are Sydney based Westpac buildings located at Kent Street, Barangaroo and Kogarah.*

2.6.1 Climate-related financial disclosures

The Group has long recognised that climate change is one of the most significant issues that will impact the long-term prosperity of our economy and way of life. Westpac was the first Australian bank to recognise the importance of limiting global warming to less than two degrees and that to do this, global emissions need to reach net zero in the second half of this century.

Westpac continues to integrate the consideration of climate-related risks and opportunities into its business operations. This includes alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which the Group has publicly committed to support. Westpac Group's performance against the recommendations of the TCFD is summarised below.

Governance

The Board has oversight of Westpac Group's response to climate change. The Group's third Climate Change Position Statement and 2020 Action Plan (CCPS) was approved by the Executive Team and the Board in 2017. It covers the management of the Group's climate change risks and opportunities, including lending to climate solutions, the Group's approach to financing emissions-intensive sectors, commitment to reporting and transparency, direct carbon footprint management, and incorporation of climate change considerations into the Group's Sustainability Risk Management Framework[1] . The Board Risk and Compliance Committee reviews and approves updates to the Sustainability Risk Management Framework (which includes climate change risks) every two years.

Management of climate change at the Board level is cascaded to the Executive Team. The Sustainability Council (Council), formed in 2008 and sponsored by the Group Executive, Customer and Corporate Relations, brings together senior leaders from across the Group with the explicit responsibility for managing Westpac's sustainability agenda, including climate change. The Council meets at least quarterly and has climate change as a fixed agenda item. The Council reports to the Executive Team and Board through twice-yearly updates.

The Council has oversight of committees established to oversee aspects of the Group's CCPS. This includes:

- The Climate Change Solutions Committee which meets at least quarterly and oversees initiatives to achieve Westpac's targets for lending to and facilitating climate change solutions;
- The Climate Change Risk Committee which oversees initiatives to address credit, regulatory and legal risks of climate change, including scenario analysis. Reports on climate change-related risks are provided to the Council on a quarterly basis; and
- The Environment Management Committee which oversees strategies and initiatives to reduce the Group's direct environmental footprint, particularly targets around energy and emissions, and reports to the Council on a quarterly basis.

Strategy

The Group's 2018-2020 Sustainability Strategy and CCPS describe Westpac's climate change strategy. The strategy is underpinned by principles which recognise that:

- A transition to a net zero emissions economy is required;
- Economic growth and emissions reductions are complementary goals;
- Addressing climate change creates financial opportunities;
- Climate-related risk is a financial risk; and
- Transparency and disclosure matters.

To address climate change risk and opportunities the CCPS identifies five focus areas where the Group is expected to direct its attention over the short, medium and long term[2]:

- Provide finance to back climate change solutions;
- Support businesses that manage their climate-related risks;
- Help individual customers respond to climate change;
- Improve and disclose our climate change performance; and
- Advocate for policies that stimulate investment in climate change solutions.

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[1] *Westpac's Climate Change Position Statement and 2020 Action Plan does not apply to investments made where a Westpac Group entity is acting as a trustee (for example Responsible Super Entity licensee or Responsible Entity) or insurer. The governance and strategies for ESG risk in these portfolios (including climate change) are the responsibility of the relevant board and management of these entities.*

[2] *See: Westpac Group's Climate Change Position Statement and 2020 Action Plan.*

Westpac uses scenario analysis to guide its climate change strategy and to analyse the implications of climate-related factors to its business. Westpac expects to be well positioned to capitalise on opportunities arising out of growth in sectors benefiting from a transition to a low carbon economy over the short and medium term. The Group has lending targets to climate change solutions of $10 billion by 2020 and $25 billion by 2030.

Risk management and scenario analysis

Within the Group's Sustainability Risk Management Framework, climate change risks are managed in the same way as other transformational issues facing the economy. The Group examines the policy, regulatory, technology and market changes related to climate change ('transition risks'), and the impacts of changes in climate patterns and extreme weather events ('physical risks'). The Group seeks to understand the potential for these changes to impact its business, in particular the possible impact on credit risk, regulatory and reporting obligations, and its reputation.

Through its Climate Change Position Statement and 2020 Action Plan (CCPS), Westpac has an enhanced approach to lending to emissions-intensive sectors, supporting customers that are in or reliant on these sectors and who assess the financial implications of climate change on their business, including how their strategies are likely to perform under various forward-looking scenarios, and demonstrate a rigorous approach to governance, strategy setting, risk management and reporting.

Westpac uses scenario analysis to inform its assessment of climate-related risks over short, medium and long-term horizons. The findings from scenario analysis conducted in 2016 were reflected in Westpac's current CCPS which outlined enhanced lending standards for the thermal coal mining and energy sectors. These lending parameters have been included in the Group's risk framework and, where appropriate, are applied at the portfolio, customer and transaction level.

In 2019 the Group undertook scenario analysis to assess the resilience of Westpac's Australian Business and Institutional lending[1] to transition risks brought about by rapid decarbonisation of the Australian economy under a 1.5-degree scenario.

Westpac also continued to assess:

- The resilience of its Business and Institutional lending to transition risks under a 2-degree scenario (based on scenarios from work undertaken in 2018); and
- The potential impact of climate-related physical risks on the Australian mortgage portfolio[2] arising from global warming scenarios of both 2 and 4-degrees.

The approach and results are summarised below. Further detail can be found in the Westpac Sustainability Performance Report.

Scenario analysis - transition risk

Approach[3]

To assess the possible implications of climate-related transition risks, the Group used scenario analysis to study how the Australian economy, electricity market and other industry sectors might perform when carbon emissions are constrained in line with 2-degree and 1.5-degree transition pathways.

- The emission constraints used in the modelling were informed by the International Energy Agency's Sustainable Development Scenario, the International Renewable Energy Agency's Renewable Energy Roadmap and the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5 Degrees;
- Each sector's performance under the two pathways was analysed and categorised according to risk profile;
- Sectors whose medium (2030) and long-term (2050) performance under a scenario deviated significantly[4] from average GDP growth, were classified as 'higher risk'; and
- These results were applied to the Australian Business and Institutional lending portfolio to assess the extent of current exposure to these higher risk sectors.

Results

- 1.5-degrees: Westpac's current exposure to sectors that by 2030 may face growth constraints under a 1.5-degree scenario is approximately 2.5% of its Business and Institutional lending; and
- 2-degrees: Westpac's current exposure to sectors that by 2030 may face growth constraints under a 2-degree scenario is approximately 0.9% of its Business and Institutional lending.

1 *Excludes retail, sovereign and bank exposures.*
2 *Excludes RAMS.*
3 *Undated transition risk methodology applied from First Half 2019.*
4 *Greater than one standard deviation.*

Westpac continues to assess the resilience of its Business and Institutional lending portfolio to transition risks. Lending to higher risk sectors may be subject to enhanced due diligence or restrictions under the parameters laid out in the CCPS. The Group reviews its CCPS every three years.

Scenario analysis - physical risk

Approach

To assess the possible implications of climate-related physical risks, the Group studied the potential impact of natural perils on its Australian mortgage portfolio under a 4-degree scenario:

- The selected perils were inundation, soil contraction, floods, wind and cyclones, and bushfires;
- The core scenario is based on the IPCC's RCP8.5 scenario and a series of conservative assumptions about the vulnerability of Australian homes to natural perils;
- Changes under the scenario in average annual costs as a result of climate change were estimated to 2050;
- A set of 'higher risk' postcodes were defined where the net present value of changes in these costs was greater than an interest rate increase above a defined threshold - consistent with our typical stress testing parameters; and
- We applied these results to the Australian mortgage portfolio to assess the extent of the Group's current exposure to these postcodes.

Results

- 4-degrees: Approximately 1.6% of the Australian mortgage portfolio is exposed to postcodes that may experience higher physical risk at 2050.

Westpac continues to assess the resilience of its Australian mortgage portfolio to physical risks. The Group understands the importance of both climate mitigation and adaptation efforts, including government planning measures, and the benefits of climate-resilient building characteristics to reduce property damage and impacts on customers and communities. Along with the Group's broader commitment to the Paris Agreement, Westpac expects to continue to help individual customers respond to climate change, and to continue to advocate for more research and investment into helping communities adapt and become resilient to climate-related impacts.

Metrics and targets

Metrics	Performance
Support for climate solutions	
• Total committed exposure (TCE) to climate solutions • Facilitation of climate solutions	• \$9.3 billion vs 2020 target - \$10 billion • \$3.6 billion climate-related bonds vs 2020 target - \$3 billion
Energy generation	
• Emission intensity of electricity generation portfolio • Energy mix of electricity generation exposure (WIB only)	• 0.26 (tCO_2e/MWh) vs 2020 target 0.30 (tCO_2e/MWh) • 75% renewable versus 25% non-renewables.
Mining and coal exposure	
• Lending to all mining (TCE) • Lending to coal mining (metallurgical and thermal) (TCE) • Thermal coal mining portfolio quality thresholds	• \$10.5 billion mining exposure representing 1% of Group TCE • \$0.8 billion lending to coal mining representing 0.07% of Group TCE • Coal quality - Existing projects > 5,700 kCal/kg – Compliant - New projects > 6,300 kCal/Kg – Compliant
Direct footprint	
• Total Scope 1 & 2 emissions (tCO_2e) • Total Scope 3 emissions (tCO_2e) • Carbon neutral operations • Commitment to 100% renewable energy	• 121,168 tCO_2e[1] - an annual reduction of 5.6% towards 2020 target of 9% (2016 baseline) • 62,242 tCO_2e[2] • Carbon neutrality maintained • Committed to source 100% global electricity consumption through renewable energy sources by 2025
Climate change portfolio resilience	
• Transition risk – 1.5-degree scenario • Transition risk – 2-degree scenario • Physical risk – 4-degree scenario	• Approximately 2.5% of current business lending exposed to sectors which by 2030 may experience higher risk in a transition to a 1.5-degree economy • Approximately 0.9% of current business lending exposed to sectors which by 2030 may experience higher risk in a transition to a 2-degree economy • Approximately 1.6% of current Australian mortgage portfolio in postcodes which by 2050 may be exposed to higher physical risks under a 4-degrees scenario

[1] *Total Scope 1 and 2 emissions are for the year ended 30 June 2019.*
[2] *Total Scope 3 emissions are for the year ended 30 June 2019.*

3.0 Divisional results

Comparative divisional results have been restated. The changes include updates to the methodologies to allocate certain costs, and recent customer transfers. These changes have no impact on the overall Group's results or balance sheet. Refer to Section 4, Note 2 for further detail. During Full Year 2019, Westpac adopted AASB 9 and AASB 15. Comparatives have also been restated for cash earnings for these changes except for expected credit loss provisioning. Expected credit loss provisioning was not adjusted in comparative periods as it was not feasible.

On March 2019, the Group announced changes to the way it supports customers' wealth and insurance needs, realigning its major BTFG businesses into expanded Consumer and Business divisions and exiting the provision of personal financial advice by Westpac Group financial advisers and authorised representatives. Changes to the Group's organisation structure were effective from 1 April 2019.

Notable items

The table below shows the impact of notable items on the divisions by half and for Full Year 2019. Notable items are discussed in Section 1.3.2 and Section 2.1.

Second Half 2019 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	(38)	(81)	-	(13)	-	(132)
Non-interest income	(2)	(23)	-	(4)	(191)	(220)
Expenses	(6)	(67)	-	(15)	(99)	(187)
Core earnings	(46)	(171)	-	(32)	(290)	(539)
Tax and non-controlling interests	15	52	-	9	86	162
Cash earnings	**(31)**	**(119)**	**-**	**(23)**	**(204)**	**(377)**

First Half 2019 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	(47)	(165)	-	-	-	(212)
Non-interest income	-	(32)	-	-	(568)	(600)
Expenses	31	(20)	-	-	(285)	(274)
Core earnings	(16)	(217)	-	-	(853)	(1,086)
Tax and non-controlling interests	14	66	-	-	253	333
Cash earnings	**(2)**	**(151)**	**-**	**-**	**(600)**	**(753)**

Full Year 2019 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	(85)	(246)	-	(13)	-	(344)
Non-interest income	(2)	(55)	-	(4)	(759)	(820)
Expenses	25	(87)	-	(15)	(384)	(461)
Core earnings	(62)	(388)	-	(32)	(1,143)	(1,625)
Tax and non-controlling interests	29	118	-	9	339	495
Cash earnings	**(33)**	**(270)**	**-**	**(23)**	**(804)**	**(1,130)**

Full Year 2018 $m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	(99)	-	-	(2)	(4)	(105)
Non-interest income	(12)	-	-	(11)	(140)	(163)
Expenses	(39)	(5)	-	(3)	(65)	(112)
Core earnings	(150)	(5)	-	(16)	(209)	(380)
Tax and non-controlling interests	36	-	-	4	59	99
Cash earnings	**(114)**	**(5)**	**-**	**(12)**	**(150)**	**(281)**

3.1 Consumer[1]

Consumer is responsible for sales and service to consumer customers in Australia. Consumer is also responsible for the Group's insurance business which covers the manufacture and distribution of life, general and lenders mortgage insurances. The division also uses a third party to manufacture certain general insurance products. Banking products are provided under the Westpac, St.George, BankSA, Bank of Melbourne, and RAMS brands, while insurance products are provided under Westpac Life and BT brands. Consumer works with Business and WIB in the sales, service, and referral of certain financial services and products including superannuation, platforms, auto lending and foreign exchange. The revenue from these products is mostly retained by the product originators.

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Net interest income	4,059	3,883	*5*	7,942	7,850	*1*
Non-interest income	585	556	*5*	1,141	1,311	*(13)*
Net operating income	4,644	4,439	*5*	9,083	9,161	*(1)*
Operating expenses	(1,931)	(1,886)	*2*	(3,817)	(3,774)	*1*
Core earnings	**2,713**	**2,553**	***6***	**5,266**	**5,387**	***(2)***
Impairment charges	(313)	(268)	*17*	(581)	(486)	*20*
Operating profit before tax	**2,400**	**2,285**	***5***	**4,685**	**4,901**	***(4)***
Tax and non-controlling interests	(719)	(678)	*6*	(1,397)	(1,478)	*(5)*
Cash earnings	**1,681**	**1,607**	***5***	**3,288**	**3,423**	***(4)***
Add back notable items	31	2	*large*	33	114	*(71)*
Cash earnings excluding notable items	**1,712**	**1,609**	***6***	**3,321**	**3,537**	***(6)***
Economic profit	1,034	953	*8*	1,987	2,248	*(12)*
Expense to income ratio	41.58%	42.49%	*(91bps)*	42.02%	41.20%	*82bps*
Net interest margin	2.27%	2.20%	*7bps*	2.24%	2.27%	*(3bps)*

$bn	As at 30 Sept 2019	As at 31 March 2019	*% Mov't Sept 19 - Mar 19*	As at 30 Sept 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Sept 18*
Deposits						
Term deposits	59.8	65.3	*(8)*	59.8	63.9	*(6)*
Other	149.5	140.5	*6*	149.5	142.3	*5*
Total customer deposits	**209.3**	**205.8**	***2***	**209.3**	**206.2**	***2***
Net loans						
Mortgages	377.6	375.4	*1*	377.6	373.0	*1*
Other	12.3	13.2	*(7)*	12.3	13.3	*(8)*
Provisions	(1.4)	(1.5)	*(7)*	(1.4)	(0.9)	*56*
Total net loans	**388.5**	**387.1**	**-**	**388.5**	**385.4**	***1***
Deposit to loan ratio	53.87%	53.16%	*71bps*	53.87%	53.50%	*37bps*
Total assets	399.2	397.7	-	399.2	395.6	*1*
TCE	455.8	454.3	-	455.8	452.7	*1*
Average interest-earning assets[2]	356.4	353.2	*1*	354.8	346.4	*2*

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
Credit quality				
Impairment charges to average loans annualised[3]	0.16%	0.14%	0.12%	0.13%
Mortgage 90+ day delinquencies	0.90%	0.84%	0.74%	0.72%
Other consumer 90+ day delinquencies	1.75%	1.66%	1.50%	1.61%
Total stressed exposures to TCE	0.81%	0.74%	0.65%	0.64%

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Averages are daily averages over a six month period for the halves and a twelve month period for the full year.*

[3] *The presented ratios are for the halves ended 30 September and 31 March.*

Cash earnings excluding notable items

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Banking	**1,584**	**1,512**	***5***	**3,096**	**3,230**	***(4)***
Insurance - Life Insurance	41	77	*(47)*	118	146	*(19)*
Insurance - General Insurance	62	-	*100*	62	109	*(43)*
Insurance - Lenders Mortgage Insurance	13	10	*30*	23	27	*(15)*
Capital and Other	12	10	*20*	22	25	*(12)*
Total Insurance (including Capital and Other)	128	97	*32*	225	307	*(27)*
Total cash earnings (ex notable items)	**1,712**	**1,609**	***6***	**3,321**	**3,537**	***(6)***

Insurance key metrics

	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Life Insurance in-force premiums ($m)						
Life Insurance in-force premiums at start of period	1,259	1,277	*(1)*	1,277	1,068	*20*
Sales / New Business	33	55	*(40)*	88	363	*(76)*
Lapses	(80)	(73)	*10*	(153)	(154)	*(1)*
Life Insurance in-force premiums at end of period[1]	**1,212**	**1,259**	***(4)***	**1,212**	**1,277**	***(5)***
Claims ratios[2] for Insurance Business (%)						
Life Insurance	53	48	*10*	51	43	*19*
General Insurance	43	81	*(47)*	62	46	*35*
Lenders Mortgage Insurance	16	25	*(36)*	20	16	*25*
Gross written premiums ($m)						
General Insurance gross written premium	279	259	*8*	538	503	*7*
Lenders Mortgage Insurance gross written premium[3]	84	76	*11*	160	180	*(11)*

1 *The life insurance in-force premium is comprised of:*
Retail for Full Year 2019 of $960 million (First Half 2019: $979 million, Full Year 2018: $994 million; and
Group Life Insurance for Full Year 2019 of $252 million (First Half 2019: $280 million; Full Year 2018: $283 million).

2 *Claims ratios are claims over earned premium plus reinsurance rebate. The lenders mortgage insurance claims ratios have been calculated to include exchange commission.*

3 *LMI gross written premium includes loans >90% LVR reinsured with Arch Reinsurance Limited. Full Year 2019 gross written premiums includes $56 million from the arrangement (First Half 2019: $52 million; Full Year 2018 $123 million).*

Financial performance

Second Half 2019 - First Half 2019

Cash earnings of $1,681 million were up 5% (or $74 million) compared to First Half 2019 as improved net interest income and higher insurance income more than offset an increase in notable items ($29 million) and impairment charges.

Net interest income up $176m, 5%	• Net loans were up $1.4 billion with growth in owner occupied mortgages. This growth was partially offset by a reduction in personal lending consistent with the decline in system; • Deposits grew 2% over the half, with a 4% increase in transaction accounts (including offset accounts) and a 8% rise in savings accounts partly offset by lower term deposits; and • Net interest margin was 7 basis points higher benefiting from lower short term wholesale funding costs partially offset by deposit and mortgage spread compression. Mortgage spreads were lower from competition, retention pricing, and mix changes as customers switched to lower rate principal and interest loans. Notables were down $9 million in the half and were not a driver of margin movements.
Non-interest income up $29m, 5%	• Higher insurance income $39 million reflecting lower general insurance claims as no catastrophe events occurred in Second Half 2019, partly offset by lower life insurance income flowing from new Protecting Your Super legislation (including write-off of deferred costs) and from higher claims; and • Partly offset by lower cards related income.
Expenses up $45m, 2%	• The rise in expenses was mostly due to changes in notable items. First Half 2019 benefited from a $31 million provision release. Excluding notable items, expenses were relatively flat; • The increase was due to higher investment related costs including amortisation associated with the customer service hub; and • Other cost increases from annual salary reviews and inflation related increases were more than offset by productivity gains of $78 million mostly from organisational redesign, rationalisation of 20 branches, and further use of digital channels (self-serve and e-Statements), all of which contributed to lower FTE. Lower variable remuneration also contributed.
Impairment charges up $45m, 17%	• Credit quality remains sound, although there has been some increase in stress over the half with stressed exposure to TCE up 7 basis points; • Mortgage 90+ day delinquencies remain low at 0.90% but were higher (up 6 basis points) as the easing in economic conditions led to a rise of customers in hardship. At the same time, soft property markets increased the time taken to sell a property leading to facilities remaining delinquent for longer periods. However, some improvement in property markets later in the second half has seen an early improvement in metrics in the fourth quarter. Other consumer 90+ day delinquencies were up 9 basis points, reflecting seasonal trends and the decline in the size of the portfolio; and • Impairment charges increased mostly from higher write-offs and lower recoveries.
Economic profit up $81m, 8%	• Allocated capital was little changed over the half consistent with the low balance sheet growth. As a result 5% increase in cash profit translated to an 8% increase in economic profit.

Full Year 2019 – Full Year 2018

Cash earnings were 4% lower from a decline in non-interest income mainly reflecting weather related general insurance claims, and an increased impairment charge. Excluding notable items, cash earnings were 6% lower.

Net interest income up $92m, 1%	• Lending increased 1% with growth in mortgages, partly offset by a decline in other personal lending and higher provisions associated with the adoption of AASB 9. The decline in personal lending was due to a 6% reduction in cards and lower personal loans; • A 4% rise in transaction accounts, and 5% increase in savings accounts supported the 2% rise in deposits. Term deposits were 6% lower; and • Net interest margin was down 3 basis points. The decline was due to lower mortgage spreads from increased competition and changes in mortgage mix with less interest only lending. The decline was partly offset by mortgage repricing late in Full Year 2018. Notables were $14 million lower over the year and were not a driver of margin movements.
Non-interest income down $170m, 13%	• The decline was mostly due to lower insurance income, down ($116 million), from higher weather related claims ($70 million), and lower life insurance income related to the impact of the Protecting Your Super legislation and from higher claims; and • Lower fee income from a contraction in net interchange fees and reduced transaction volumes across banking products.
Expenses up $43m, 1%	• Excluding notable items expenses were up 3%; • The rise was due to higher investment related costs including for the customer service hub, and costs associated with regulatory change projects; and • Higher costs from annual salary reviews and inflation based increases were more than offset by productivity gains of $125 million mostly from organisational redesign, rationalisation of 57 branches and 349 ATMs, and further use of digital channels, all of which contributed to a reduction in FTE. Lower variable remuneration also contributed.
Impairment charges up $95m, 20%	• Credit quality remains sound, although stress was higher with stressed exposures to TCE at 0.81% up 16 basis points consistent with the deterioration in the operating environment; • Mortgage 90+ day delinquencies were up 16 basis points to 0.90% while other consumer 90+ day delinquencies were up 25 basis points; and • Impairment charges were higher driven by the rise in delinquencies.
Economic profit down $261m, 12%	• Economic profit decreased due to higher allocated capital, lower franking benefit, and 4% reduction in cash earnings.

3.2 Business[1]

Business provides business banking and wealth facilities and products for customers across Australia. Business is responsible for manufacturing and distributing facilities to SME and Commercial business customers (including Agribusiness) generally for up to $150 million in exposure. SME customers include relationship managed and non-relationship managed SME customers (generally between $100k-$250k facilities). The division offers a wide range of banking products and services to support their borrowing, payments and transaction needs. In addition, specialist services are provided for cash flow finance, trade finance, automotive and equipment finance and property finance. The division is also responsible for Private Wealth and the manufacture and distribution of investments (including margin lending and equities broking), superannuation and retirement products as well as wealth administration platforms. Business operates under the Westpac, St.George, BankSA, Bank of Melbourne, and BT brands. Business works with Consumer and WIB in the sale, referral and service of select financial services and risk management products (including corporate superannuation, foreign exchange and interest rate hedging). The revenue from these products is mostly retained by the product originators.

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net interest income	2,573	2,519	2	5,092	5,284	(4)
Non-interest income	720	744	(3)	1,464	1,640	(11)
Net operating income	3,293	3,263	1	6,556	6,924	(5)
Operating expenses	(1,430)	(1,375)	4	(2,805)	(2,651)	6
Core earnings	**1,863**	**1,888**	**(1)**	**3,751**	**4,273**	**(12)**
Impairment charges	(198)	(74)	168	(272)	(321)	(15)
Operating profit before tax	**1,665**	**1,814**	**(8)**	**3,479**	**3,952**	**(12)**
Tax and non-controlling interests	(501)	(547)	(8)	(1,048)	(1,196)	(12)
Cash earnings	**1,164**	**1,267**	**(8)**	**2,431**	**2,756**	**(12)**
Add back notable items	119	151	(21)	270	5	large
Cash earnings excluding notable items	**1,283**	**1,418**	**(10)**	**2,701**	**2,761**	**(2)**
Economic profit	764	892	(14)	1,656	2,038	(19)
Expense to income ratio	43.43%	42.14%	129bps	42.79%	38.29%	large
Net interest margin	3.08%	3.04%	4bps	3.06%	3.18%	(12bps)

Cash earnings excluding notable items $m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Banking	1,049	1,135	(8)	2,184	2,162	1
Super, Investments, Platforms and Private Wealth[2]	234	283	(17)	517	599	(14)
Total cash earnings excluding notable items	**1,283**	**1,418**	**(10)**	**2,701**	**2,761**	**(2)**

$bn	As at 30 Sept 2019	As at 31 March 2019	% Mov't Sept 19 - Mar 19	As at 30 Sept 2019	As at 30 Sept 2018	% Mov't Sept 19 - Sept 18
Deposits						
Term deposits	62.3	64.2	(3)	62.3	64.6	(4)
Other	85.5	78.4	9	85.5	79.2	8
Total deposits	**147.8**	**142.6**	**4**	**147.8**	**143.8**	**3**
Net loans						
Mortgages	71.8	72.1	-	71.8	72.1	-
Business	93.3	91.7	2	93.3	92.4	1
Other	9.4	9.9	(5)	9.4	10.3	(9)
Provisions	(1.5)	(1.4)	7	(1.5)	(1.2)	25
Total net loans	**173.0**	**172.3**	**-**	**173.0**	**173.6**	**-**
Deposit to loan ratio	85.43%	82.76%	267bps	85.43%	82.83%	260bps
Total assets	**187.4**	**186.6**	**-**	**187.4**	**188.2**	**-**
TCE	216.4	218.4	(1)	216.4	219.9	(2)
Average interest-earning assets[3]	166.9	166.4	-	166.7	165.9	-
Total funds	215.4	203.1	6	215.4	205.6	5
Average funds[3]	211.2	197.3	7	204.3	201.7	1

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Includes Capital and Other.*

[3] *Averages are based on a six month period for the halves and a twelve month period for the full year.*

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
Credit quality				
Impairment charges to average loans annualised[1]	0.23%	0.09%	0.19%	0.18%
Mortgage 90+ day delinquencies	0.84%	0.73%	0.64%	0.58%
Other consumer 90+ day delinquencies	1.80%	2.18%	2.09%	1.87%
Business: impaired exposure to TCE	0.62%	0.59%	0.57%	0.54%
Total stressed exposure to TCE	2.72%	2.43%	2.48%	2.31%

1 *The presented ratios are for the halves ended 30 September and 31 March.*

Financial performance

Second Half 2019 - First Half 2019

Cash earnings of $1,164 million were $103 million (or 8%) lower than First Half 2019. Excluding the impact of notable items, cash earnings were 10% lower due to higher impairment charges, reduced net interest margins and lower wealth income.

Net interest income up $54m, 2%	• Loans were little changed over the half with 2% growth in business lending (mostly in commercial) offset by lower auto lending and a small decline in mortgages (mostly investment lending); • Deposits were 4% higher, with growth concentrated in transaction and at call accounts; and • Net interest margin was 4 basis points higher, (down 6 basis points excluding notable items). Excluding notable items, margins were lower mostly from reduced deposit spreads later in the half.
Non-interest income down $24m, 3%	• Notable items in Second Half 2019 were $9 million lower than First Half 2019. Excluding this impact, non-interest income was down $33 million or 4%, due to: - A reduction in merchant fee income largely from changes in scheme charges; and - Wealth experienced margin compression from platform pricing changes and product migration to lower margin super products ($20 million), as well as the implementation of Protecting Your Super legislation ($5 million). This was offset set by higher funds income ($26 million) with average funds under administration rising 7% on the back of stronger markets.
Expenses up $55m, 4%	• The majority of the increase in expenses was from a rise in notable items ($47 million). Excluding this, expenses increased $8 million, or 1%, due to increased customer support staff in Platforms, as well as higher amortisation of investments; and • Ordinary cost increases were partly offset by lower variable reward and productivity including operating model simplification and further digitisation of activities.
Impairment charges up $124m, 168%	• The level of stressed exposure to TCE increased 29 basis points to 2.72% from the Commercial portfolio; and • Impairment charges were higher, from higher write-offs and an increased weighting given to the downturn scenario in provisioning models, contributing to higher collective provisions.
Economic profit down $128m, 14%	• The decline in economic profit was consistent with lower cash earnings.

Full Year 2019 – Full Year 2018

Cash earnings of $2,431 million were $325 million (or 12%) lower than Full Year 2018 with performance impacted by notable items increase of $265 million after tax. Excluding notable items, cash earnings were $60 million or 2% lower from a reduction in non-interest income and increased regulatory expenditure, partially offset by margin expansion and a reduction in impairment charges.

Net interest income down $192m, 4%	• Lending was largely flat with growth in business lending offset by slower new auto lending; • Deposits increased 3% mostly in transaction and at call balances. These gains were partly offset by a 4% decline in term deposits; and • Net interest margin declined 12 basis points with notable items ($246 million) contributing 15 basis points to the decline. Excluding this impact, the net interest margin was up 3 basis points from loan repricing, partly offset by lower deposit spreads and a shift in the mortgage mix from interest only to principal and interest.
Non-interest income down $176m, 11%	• Notable items of $55 million contributed to a decrease in non-interest income. Excluding notable items, non-interest income was down $121 million or 7% mostly due to: • A reduction in merchant income due to changes in scheme charges; and • Lower wealth income ($85 million) from platform margin compression due to new pricing, product mix changes, the cessation of grandfathered commission payments and implementation of Protecting Your Super reforms.
Expenses up $154m, 6%	• Notable items of $87 million, largely to implement the division's remediation program, was one of the main drivers increasing expenses. Excluding notable items, expenses were up 3% due to: - Higher regulatory and compliance costs as well as increased amortisation of investments and wealth project costs; and - Other cost increases were largely offset by lower variable reward and productivity benefits including operating model simplification and continued digitisation and product simplification.
Impairment charges down $49m, 15%	• The level of stressed exposures increased 24 basis points from increased Commercial stressed exposure across a broad number of industries; and • Impairment charges decreased from lower individual provisions.
Economic profit down $382m, 19%	• The decline in economic profit was mostly due to notable items. Excluding notable items, the economic profit decreased 2% supported by a reduction in allocated capital of 3% driven by capital optimisation initiatives and from implementation of AASB 9.

3.3 Westpac Institutional Bank[1]

Westpac Institutional Bank (WIB) delivers a broad range of financial products and services to commercial, corporate, institutional and government customers operating in, or with connections to, Australia and New Zealand. WIB operates through dedicated industry relationship and specialist product teams, with expert knowledge in financing, transactional banking, and financial and debt capital markets. Customers are supported throughout Australia and via branches and subsidiaries located in New Zealand, the US, UK and Asia. WIB is also responsible for Westpac Pacific providing a full range of banking services in Fiji and PNG. WIB works with all the Group's divisions in the provision of markets related financial needs including foreign exchange and fixed interest solutions.

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net interest income	700	743	*(6)*	1,443	1,442	-
Non-interest income	610	682	*(11)*	1,292	1,565	*(17)*
Net operating income	1,310	1,425	*(8)*	2,735	3,007	*(9)*
Operating expenses	(631)	(653)	*(3)*	(1,284)	(1,449)	*(11)*
Core earnings	**679**	**772**	***(12)***	**1,451**	**1,558**	***(7)***
Impairment (charges) / benefits	(31)	(15)	*107*	(46)	16	*large*
Operating profit before tax	**648**	**757**	***(14)***	**1,405**	**1,574**	***(11)***
Tax and non-controlling interests	(178)	(213)	*(16)*	(391)	(481)	*(19)*
Cash earnings	**470**	**544**	***(14)***	**1,014**	**1,093**	***(7)***
Economic profit	147	254	*(42)*	401	487	*(18)*
Expense to income ratio	48.17%	45.82%	*235bps*	46.95%	48.19%	*(124bps)*
Net interest margin	1.64%	1.67%	*(3bps)*	1.66%	1.67%	*(1bps)*

$bn	As at 30 Sept 2019	As at 31 March 2019	% Mov't Sept 19 - Mar 19	As at 30 Sept 2019	As at 30 Sept 2018	% Mov't Sept 19 - Sept 18
Deposits	101.3	95.7	*6*	101.3	104.9	*(3)*
Net loans						
Loans	75.6	76.7	*(1)*	75.6	77.7	*(3)*
Provisions	(0.2)	(0.2)	-	(0.2)	(0.3)	*(33)*
Total net loans	**75.4**	**76.5**	***(1)***	**75.4**	**77.4**	***(3)***
Deposit to loan ratio	134.35%	125.10%	*large*	134.35%	135.53%	*(118bps)*
Total assets	98.0	99.8	*(2)*	98.0	102.5	*(4)*
TCE	176.0	176.4	-	176.0	173.2	*2*
Average interest-earning assets[2]	84.9	89.1	*(5)*	87.0	86.3	*1*
Impairment charges/(benefits) to average loans annualised	0.08%	0.04%	*4bps*	0.06%	(0.02%)	*large*
Impaired exposure to TCE	0.08%	0.08%	-	0.08%	0.03%	*5bps*
Total stressed exposure to TCE	0.68%	0.63%	*5bps*	0.68%	0.66%	*2bps*

Revenue contribution

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Lending and deposit revenue	801	848	*(6)*	1,649	1,669	*(1)*
Markets, sales and fee income	445	458	*(3)*	903	890	*1*
Total customer revenue	**1,246**	**1,306**	***(5)***	**2,552**	**2,559**	**-**
Derivative valuation adjustments	(53)	(11)	*large*	(64)	14	*large*
Trading revenue	114	126	*(10)*	240	221	*9*
Hastings	-	-	-	-	203	*(100)*
Other[3]	3	4	*(25)*	7	10	*(30)*
Total WIB revenue	**1,310**	**1,425**	***(8)***	**2,735**	**3,007**	***(9)***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Averages are based on a six month period for the halves and a twelve month period for the full year.*

[3] *Includes capital benefit and the Bank Levy.*

Financial performance

Second Half 2019 - First Half 2019

Cash earnings of $470 million were $74 million, or 14%, lower than First Half 2019, mostly from an 8% decline in net operating income. A $42 million increase in the charge for derivative valuation adjustments and a 3 basis point reduction in net interest margin were the key drivers of lower operating income.

Net interest income down $43m, 6%	• Net loans were down 1% as the division continued to prioritise return over growth; • Deposits increased 6%, mostly from an increase in government deposits; and • Net interest margin down 3 basis points, from lower deposit spreads due to lower interest rates and competition. Loan spreads were higher consistent with the focus on return.
Non-interest income down $72m, 11%	• A $42 million increase in the charge for derivative valuation adjustments (following the implementation of new methodologies) was the main contributor to the decline; • Lower syndication fees, with more large transactions conducted in First Half 2019; and • Partly offset by higher customer related markets income across FX and fixed income.
Expenses down $22m, 3%	• The full period impact of organisational change which reduced FTE by 6% combined with lower variable remuneration led to the decline in expenses; and • Partly offset by higher regulatory, risk and compliance costs, particularly related to the updated requirements for the Banking Code of Practice and dealing with regulator requests.
Impairment charges up $16m, 107%	• Credit quality remains sound. Stressed exposures to TCE increased 5 basis points to 0.68%; and • Impairment charges were higher mostly from a downgrade to impaired asset of one facility that had been in stress grades for some time.
Economic profit down $107m, 42%	• Economic profit was lower, consistent with the reduction in cash earnings.

Full Year 2019 – Full Year 2018

Cash earnings of $1,014 million was $79 million (or 7%) lower compared to Full Year 2018, primarily from a $78 million movement in derivative valuation adjustments, no contribution from Hastings and a $62 million increase in impairment charges. The exit of Hastings in 2018 had a $17 million impact on cash earnings but had a more significant impact on the movements in individual line items. In Full Year 2018 Hastings added $203 million to non-interest income, $158 million to expenses and $29 million to tax.

Net interest income up $1m, Flat	• Net loans were 3% lower reflecting a continued focus on return. This included a decline in property lending; • Deposits were 3% lower, mostly from a reduction in government balances; and • Net interest margin was down 1 basis point from lower deposits spreads and a change in funding mix, partly offset by higher loan spreads consistent with the return focus.
Non-interest income down $273m, 17%	• Excluding Hastings (2018 $203 million; 2019 nil), non-interest income was down $70 million or 5%, from: - A $78 million movement in derivative valuation adjustment (a $14 million benefit in Full Year 2018 to a $64 million charge in Full Year 2019); and - Partly offset by an increase in syndication fees from some large transactions in First Half 2019.
Expenses down $165m, 11%	• Excluding Hastings (2018 $158 million; 2019 nil), expenses were down $7 million, or 1%, from - Productivity benefits from organisation redesign (FTE down 8%) and lower variable reward costs; and - Partly offset by higher regulatory, risk and compliance costs, particularly related to updated requirements for the Banking Code of Practice and responding to regulator requests.
Impairment charge of $46m compared to an impairment benefit of $16m in FY18	• Credit quality remains sound with stressed exposures to TCE of 0.68%. This was up 2 basis points over the year but remains low in historical terms; and • Impairment charges were higher due to provisions associated with the migration of two long standing stressed exposures into impaired.
Economic profit down $86m, 18%	• The reduction in economic profit was greater than the reduction in cash earnings as Full Year 2018 reflected a higher benefit from franking credits (as the division's tax paid was higher from the non-deductibility of the Hasting goodwill write-off); and • Partly offset by a 5% reduction in allocated capital from disciplined management of credit limits.

3.4 Westpac New Zealand[1]

Westpac New Zealand is responsible for sales and service of banking, wealth and insurance products for consumer, business and institutional customers in New Zealand. Westpac conducts its New Zealand banking business through two banks: Westpac New Zealand Limited, which is incorporated in New Zealand, and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand 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 brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. New Zealand also maintains its own infrastructure, including technology, operations and treasury.

NZ$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Net interest income	967	1,000	*(3)*	1,967	1,958	-
Non-interest income	200	248	*(19)*	448	406	*10*
Net operating income	1,167	1,248	*(6)*	2,415	2,364	*2*
Operating expenses	(513)	(480)	*7*	(993)	(930)	*7*
Core earnings	**654**	**768**	***(15)***	**1,422**	**1,434**	***(1)***
Impairment (charges) / benefits	24	(14)	*large*	10	(25)	*large*
Operating profit before tax	**678**	**754**	***(10)***	**1,432**	**1,409**	***2***
Tax and non-controlling interests	(191)	(199)	*(4)*	(390)	(393)	*(1)*
Cash earnings	**487**	**555**	***(12)***	**1,042**	**1,016**	***3***
Add back notable items	24	-	-	24	13	*85*
Cash earnings excluding notable items	**511**	**555**	***(8)***	**1,066**	**1,029**	***4***
Economic profit	182	249	*(27)*	431	459	*(6)*
Expense to income ratio	43.96%	38.46%	*large*	41.12%	39.34%	*178bps*
Net interest margin	2.09%	2.23%	*(14bps)*	2.16%	2.24%	*(8bps)*

NZ$bn	As at 30 Sept 2019	As at 31 March 2019	*% Mov't Sept 19 - Mar 19*	As at 30 Sept 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Sept 18*
Deposits						
Term deposits	33.5	33.3	*1*	33.5	32.6	*3*
Other	31.0	30.9	-	31.0	29.3	*6*
Total customer deposits	**64.5**	**64.2**	**-**	**64.5**	**61.9**	***4***
Net loans						
Mortgages	51.5	49.6	*4*	51.5	48.9	*5*
Business	31.1	30.9	*1*	31.1	29.8	*4*
Other	1.9	2.0	*(5)*	1.9	2.0	*(5)*
Provisions	(0.3)	(0.4)	*(25)*	(0.3)	(0.3)	-
Total net loans	**84.2**	**82.1**	***3***	**84.2**	**80.4**	***5***
Deposit to loan ratio	76.60%	78.20%	*(160bps)*	76.60%	76.99%	*(39bps)*
Total assets	**97.1**	**93.4**	***4***	**97.1**	**90.0**	***8***
TCE	117.3	113.9	*3*	117.3	112.0	*5*
Third party liquid assets	10.3	9.1	*13*	10.3	7.5	*37*
Average interest-earning assets[2]	92.2	89.9	*3*	91.1	87.2	*4*
Total funds	11.5	10.9	*6*	11.5	10.7	*7*

	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 31 March 2018
Credit quality				
Impairment charges/(benefits) to average loans annualised[3]	(0.06%)	0.03%	(0.03%)	0.10%
Mortgage 90+ day delinquencies	0.13%	0.14%	0.11%	0.16%
Other consumer 90+ day delinquencies	0.82%	1.02%	0.62%	0.86%
Impaired exposure to TCE	0.08%	0.13%	0.15%	0.21%
Total stressed exposure to TCE	1.66%	1.57%	1.57%	1.86%

1 *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

2 *Averages are based on a six month period for the halves and a twelve month period for the full year.*

3 *The presented ratios are for the halves ended 30 September and 31 March.*

Financial performance (NZ$)

Second Half 2019 – First Half 2019

Cash earnings decreased 12% over First Half 2019, (down $68 million), with the decline mostly due to two factors: higher notable items (provisions for customer refunds and associated costs) of $24 million, and the gain on the sale of Paymark (New Zealand's payment switch business) of $40 million that was recorded in First Half 2019.

Net interest income down $33m, 3%	• Loans up 3%, or $2.1 billion, primarily from growth in mortgages which increased $1.9 billion. Business lending increased 1% with growth spread across property and agri lending; • Deposits were little changed (up $0.3 billion) with growth primarily in consumer deposits; and • Net interest margin was down 14 basis points. Notable items contributed 3 basis points to the decline. Mix impacts also reduced margin, with growth skewed to lower spread products, particularly fixed rate mortgages. Fixed rate mortgages now represent 83% of the mortgage portfolio (up 2 percentage points over the half). Lower deposit spreads from the reduction in interest rates in New Zealand also contributed to the decline, particularly low rate and non-interest bearing deposits.
Non-interest income down $48m, 19%	• Most of the decline was due to the First Half 2019 gain on the sale of Paymark ($40 million), no large gains on sale were recorded in Second Half 2019; • Notable items reduced non-interest income by $4 million; and • Further simplification of fees also contributed to the decline.
Expenses up $33m, 7%	• Higher notable items ($16 million) and increased investment in transforming to an agile way of working, and risk management and regulatory projects were the main contributors to the rise; and • Outside these increases, costs were relatively flat with higher salaries and inflation related rises offset by productivity savings and lower variable remuneration.
Impairment benefit of $24m compared to an impairment charge of $14m	• Credit quality remains sound, with stressed exposures to TCE 9 basis points higher at 1.66%; • Other consumer 90+ day delinquencies decreased 20 basis points to 82 basis points, with the decline due to seasonal trends and the resolution of some operational issues. Mortgage 90+day delinquencies remain low at 13 basis points; and • Second Half 2019 reported an impairment benefit of $24 million mostly from write-back of collectively assessed provisions consistent with the reduction in consumer delinquencies and business stressed exposures.
Economic profit down $67m, 27%	• Economic profit decrease was due to the reduction in cash earnings.

Full Year 2019 – Full Year 2018

Cash earnings increased 3% over Full Year 2018, or 4% excluding the impact of notable items. The increase in cash earnings was supported by a $40 million gain on the sale of Paymark, and a $10 million impairment benefit partly offset by higher risk management and regulatory costs.

Net interest income up $9m, Flat	• Loans increased 5%, or $3.8 billion. Mortgages increased $2.6 billion, with the majority of mortgage growth in fixed rate products. Business growth (up $1.3 billion) was distributed across a range of sectors; • Deposits increased 4% with a $1.7 billion rise in non-interest bearing and at call accounts and a $0.9 billion rise in term deposits; and • Net interest margin declined 8 basis points. Most of the decline (5 basis points) was due to mix from the increase in lower spread products, particularly fixed rate mortgages. A fall in deposit spreads from lower interest rates also contributed to the decline in margin.
Non-interest income up $42m, 10%	• The gain on sale of Paymark contributed most of the increase in non-interest income ($40 million); • Higher investment income from a 7% increase in fund balances and higher business fees also contributed to the increase; and • This was partly offset by lower fee income following the decision to simplify certain consumer fees.
Expenses up $63m, 7%	• Most of the increase was driven by further investment in risk management and regulatory programs. Notable items of $16 million, also contributed to the increase; and • Excluding investment and notables, costs were broadly unchanged with increases in salaries and other inflation linked costs offset by productivity savings from increased digitisation of activities, with FTE down 1% and lower variable remuneration.
Impairment benefit of $10m compared to an impairment charge of $25m	• Credit quality remains sound, with stressed exposures to TCE of 1.66%, 9 basis points higher than September 2018 with most of the increase in stress in exposures that are well secured. Other consumer 90+ day delinquencies increased 20 basis points to 82 basis points, with much of the rise due to the decline in the portfolio; and • Impairment benefit mostly from write-back of collectively assessed provision. New individually assessed provisions and collective provisions were also lower.
Economic profit down $28m, 6%	• While cash earnings increased 3%, economic profit declined 6% from an increase in the capital to meet regulatory requirements.

3.5 Group Businesses[1]

This segment comprises:

- Treasury, which is responsible for the management of the Group's balance sheet including wholesale funding, capital and the management of liquidity. Treasury also manages the interest rate risk and foreign exchange risks inherent in the balance sheet, including managing the mismatch between Group assets and liabilities. Treasury's earnings are primarily sourced from managing the Group's balance sheet and interest rate risk, (excluding Westpac New Zealand) within set risk limits;
- Group Technology[2], which is responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration in Australia;
- Core Support[3], which comprises functions performed centrally, including Australian banking operations, property services, strategy, finance, risk, compliance, legal, human resources, and customer and corporate relations; and
- Following the Group's decision to restructure its wealth operations and exit its advice business in March 2019, the residual Advice operations (including associated remediation) and certain support functions of BTFG Australia have been transferred to Group Businesses.

Group Technology costs are fully allocated to other divisions in the Group. Core Support costs are partially allocated to other divisions, while Group Head Office costs are retained in Group Businesses.

Group Businesses also includes earnings on capital not allocated to divisions, certain intra-group transactions that facilitate the presentation of the performance of the Group's divisions, gains/losses from most asset sales,earnings and costs associated with the Group's Fintech investments, and certain other head office items such as centrally raised provisions.

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Net interest income	317	299	*6*	616	812	*(24)*
Non-interest income	(116)	(502)	*(77)*	(618)	89	*large*
Net operating income	201	(203)	*large*	(2)	901	*large*
Operating expenses	(512)	(674)	*(24)*	(1,186)	(969)	*22*
Core earnings	**(311)**	**(877)**	***(65)***	**(1,188)**	**(68)**	***large***
Impairment (charges) / benefits	57	38	*50*	95	1	*large*
Operating profit before tax	**(254)**	**(839)**	***(70)***	**(1,093)**	**(67)**	***large***
Tax and non-controlling interests	31	193	*(84)*	224	(74)	*large*
Cash earnings	**(223)**	**(646)**	***(65)***	**(869)**	**(141)**	***large***
Add back notable items						
Wealth restructuring	36	136	*(74)*	172	-	*100*
Provisions for customer refunds, payments, associated costs, and litigation	168	464	*(64)*	632	150	*large*
Cash earnings excluding notable items	**(19)**	**(46)**	***(59)***	**(65)**	**9**	***large***

1 *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

2 *Group Technology costs are fully allocated to other divisions in the Group.*

3 *Core Support costs are partially allocated to other divisions in the Group, while Group Head Office costs retained in Group Businesses.*

Treasury $m	Half Year Sept 19	Half Year March 19	*% Mov't* Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	*% Mov't* Sept 19 - Sept 18
Net interest income	273	239	*14*	512	737	*(31)*
Non-interest income	9	(4)	*large*	5	10	*(50)*
Net operating income	282	235	*20*	517	747	*(31)*
Cash earnings	**179**	**143**	***25***	**322**	**480**	***(33)***

Treasury Value at Risk (VaR)[1]

$m	Average	High	Low
Six months ended 30 September 2019	35.1	41.1	28.6
Six months ended 31 March 2019	26.8	33.6	20.9
Six months ended 30 September 2018	29.3	32.6	25.6

[1] *VaR includes trading book and banking book exposures. The banking book component includes interest rate risk, credit spread risk in liquid assets and other basis risks as used for internal management purposes.*

Financial performance

Second Half 2019 – First Half 2019

Group Businesses incurred a cash earnings loss of $223 million in Second Half 2019, $423 million lower than the $646 million loss recorded in First Half 2019. This was primarily from a $396 million reduction in notable items. Excluding notable items, Group Businesses cash earnings loss was $27 million lower than the loss recorded in First Half 2019. The result was supported by a higher contribution from Treasury and a higher impairment benefit.

Net operating income up $404m, large	• Notable items were $377 million lower. Second Half 2019 included $191 million related to Advice remediation, significantly lower than the notable item charge of $568 million in First Half 2019; • Higher Treasury revenue related to interest rate risk management; • $44 million gain on an asset sale; partly offset by • Lower revenue following the exit of the Advice business.
Expenses down $162m, 24%	• Notable items were $186 million lower. Second Half 2019 included $99 million related to costs associated with the exit of the Advice business, remediation costs and litigation; partly offset by • Higher regulatory and compliance costs.
Impairment benefit $57m, a $19m increase	• Increase in impairment benefits reflects a $57 million reduction to centrally held overlays principally for the mining sector, partially offset by an increase for areas in Australia impacted by persistent drought conditions. This compares to a $38 million benefit in First Half 2019.

Full Year 2019 – Full Year 2018

Notable items of $804 million incurred during the year was the key driver of the cash earnings loss of $869 million in Full Year 2019. Excluding notable items, Group Businesses cash earnings was $74 million lower as the division recorded a loss of $65 million in Full Year 2019 compared to cash earnings of $9 million in Full Year 2018. The result was driven by a lower contribution from Treasury partially offset by a higher impairment benefit.

Net operating income down $903m, large	Net operating income was lower primarily from: • An increased charge for notable items ($619 million) related to Advice remediation; • A reduced contribution from Treasury related to interest rate risk management (down $230 million) and lower Advice income; partly offset by • A gain on asset sales and revaluation gains on a fintech investment ($24 million).
Expenses up $217m, large	• Notable items were $319 million higher, largely associated with the Wealth Reset initiative; and • Lower costs associated with the Royal Commission ($62 million) and lower variable reward.
Impairment benefit $95m, a $94m increase	• An impairment benefit of $95 million reflect a reduction in centrally held overlays in Full Year 2019, principally for the mining sector, partially offset by the introduction of an overlay for areas in Australia impacted by persistent drought conditions, compared to a $1 million benefit in Full Year 2018.

Westpac GROUP

4.1 Significant developments

Westpac significant developments

Customer remediation

Through the Group's 'get it right, put it right' initiative we have continued to review products, processes and policies to identify where we may not have got it right for our customers. Where problems have been identified, the Group has committed to fix them and refund customers. These initiatives identified a number of issues that require ongoing remediation.

The Group has undertaken steps designed to accelerate the processing of customer refunds and centralise oversight of certain remediation under the Chief Operating Officer.

Further information in relation to compliance, reputation and remediation provisions is included in Section 4.7, Note 14.

Changes to wealth strategy

During the course of the year, Westpac reset its wealth strategy and made a number of changes to its wealth business. This resulted in the realignment of our major BT Financial Group businesses into the Consumer and Business divisions from 1 April 2019.

During the financial year ended 30 September 2019, Westpac also completed the exit of its personal financial advice business, which included completing a sale with Viridian Advisory on 1 July 2019 and moving to a referral model for financial advisers utilising a panel of adviser firms.

First strike against remuneration report

On 12 December 2018 at Westpac's Annual General Meeting of shareholders, Westpac incurred a first strike against its remuneration report. A strike occurs where a company's remuneration report receives a 'no' vote of 25% or more. If Westpac receives a second strike at its 2019 Annual General Meeting, a spill resolution will be put to shareholders. If 50% or more of votes cast are in favour of that spill resolution, a spill meeting is required to be held within 90 days. At that spill meeting, certain directors will be required to stand for re-election.

In response to the first strike and other feedback received, Westpac has made changes to both the structure of remuneration and outcomes. Further detail is included in the Remuneration Report contained within the 2019 Westpac Group Annual Report.

Financial crime

In an environment of ongoing legislative reform, regulatory change and increased industry focus, Westpac continues to progress a program of work to improve its management of financial crime risks (including Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF), sanctions, Anti-Bribery and Corruption, FATCA and Common Reporting Standards). This work includes a review of our AML/CTF policies, the completeness of data feeding into our AML/CTF systems and our AML/CTF processes and controls. Westpac has been regularly updating AUSTRAC on progress and continues to implement a number of improvements to its AML/CTF Program, governance, policies, systems and controls together with related remediation work in respect of certain controls and reporting practices. These efforts relate to matters such as customer on-boarding, customer and payment screening; ongoing customer due diligence, transaction monitoring and regulatory reporting (including in relation to International Funds Transfer Instructions (IFTIs), Suspicious Matter Reports and Threshold Transaction Reports).

As reported in the Group's 2018 Annual Report, the Group self-reported to AUSTRAC a failure to report a large number of IFTIs (as required under Australia's AML/CTF Act). Under the Act, the 'sender' financial institution of an IFTI transmitted out of Australia, or the 'recipient' financial institution of an IFTI transmitted into Australia, is required to report the IFTI to AUSTRAC within 10 business days of the instruction being sent or received. The majority of the IFTIs which are the subject of the Group's engagement with AUSTRAC, concern batch instructions received by Westpac through one WIB product between 2009 and 2018 from a small number of correspondent banks for payments made predominantly to beneficiaries living in Australia in Australian dollars, on behalf of clients of those correspondent banks. The majority of the payments were low value, recurring and made by foreign government pension funds and corporates.

AUSTRAC has issued a number of detailed statutory notices over the last year requiring information relating to the Group's processes, procedures and oversight. These notices relate to a range of matters including these IFTI reporting failures and associated potential failings related to record keeping and obligations to obtain and pass on certain data in funds transfer instructions, as well as correspondent banking due diligence, risk assessments and transaction monitoring. Westpac has not yet received an indication from AUSTRAC about the nature of any enforcement action it may take. The Group is continuing to work with AUSTRAC in relation to these matters.

Any enforcement action against Westpac may include civil penalty proceedings and result in the payment of a significant financial penalty, which Westpac is currently unable to reliably estimate. Previous enforcement action by AUSTRAC against other institutions has resulted in a range of outcomes, depending on the nature and severity of the relevant conduct and its consequences.

Further information about these matters is set out in Section 4.7, Note 14. Details about the consequences of failing to comply with financial crime obligations is set out in 'Risk Factors' in Section 2 in the 2019 Westpac Group Annual Report.

Regulatory and Government focus

Royal Commission into the banking, superannuation and financial services industries

On 14 December 2017, the Australian Government established a Royal Commission into potential misconduct in Australia's banks and other financial services entities. The Royal Commission's Final Report was released on 4 February 2019 and contained 76 express recommendations. In light of Westpac's wealth strategy reset and the Government's signalled approach to implementation, 49 of those recommendations presently apply to Westpac. Of these 49 recommendations, 11 recommendations have now been implemented, with Westpac either establishing new practices and procedures to meet the recommendations or having existing practices consistent with the recommendation, and a further 11 recommendations are in the process of being implemented. Some of these recommendations will require legislative or regulatory action before implementation can be completed.

The remaining 27 recommendations require legislative or regulatory action before implementation work can commence. Westpac is undertaking preparatory work where possible, including through participation in Government consultation.

The recommendations are broadly aimed at protecting consumers against misconduct, providing adequate redress and addressing asymmetries of power and information between financial services entities and their customers. Implementation of the recommendations is likely to continue to have a significant impact on banking and financial services entities and their regulators. Some of the most significant recommendations include those concerning the regulation of mortgage brokers, the prohibition of unsolicited sales of insurance and superannuation products and removal of grandfathered commissions.

The Government has stated that it will take action on all of the recommendations contained within the Final Report. On 19 August 2019, the Government released its Royal Commission implementation roadmap which sets out a timeline for consultation and the introduction of legislation which will implement the recommendations. The implementation roadmap foreshadows that a large number of legislative changes will be enacted into law or introduced before Parliament by mid-2020.

Other impacts arising from the Royal Commission include a number of claims being brought against financial institutions in relation to certain matters considered during the Royal Commission, and the referral of several cases of misconduct to the financial regulators by Commissioner Hayne.

APRA self-assessment

On 29 November 2018, Westpac submitted to APRA its self-assessment on its frameworks and practices in relation to governance, culture and accountability. A copy of Westpac's self-assessment is available on our website.

On 22 May 2019, APRA released a report analysing self-assessments carried out by 36 banks, insurers and superannuation licensees. APRA noted a wide variation in the quality of the self-assessments, however consistent findings in the self-assessments included:

- non-financial risk management requires improvement;
- accountabilities are not always clear, cascaded and effectively enforced;
- acknowledged weaknesses are well-known and some have been long-standing; and
- risk culture is not well understood, and therefore may not be reinforcing the desired behaviours.

Westpac has a program of work underway to address the recommendations identified in the self-assessment report which has oversight of the Westpac Board. Westpac has implemented 40% of the recommendations identified in the self-assessment and expects to complete its program of work by March 2021.

Regulatory reviews and inquiries

Provision of credit - reviews by and engagement with regulators

The provision and availability of credit for residential mortgage holders, property investors and businesses has continued to be a key area of Government, regulator and industry focus throughout the financial year ended 30 September 2019. Regulatory focus on credit from APRA has primarily been related to serviceability at an industry level, while ASIC has continued to consult on proposed changes to its regulatory guide on responsible lending. Judicial guidance on the extent of responsible lending obligations was also obtained from the Federal Court in its judgment in ASIC's responsible lending test case against Westpac (with the judgment currently under appeal). More information on these proceedings is set out in this section below.

APRA has also been engaging with Westpac on the adequacy of our credit risk management framework including our controls, policies and operating systems. Following feedback from APRA, the Group is making a number of changes to its systems and controls to improve its end-to-end approach in relation to its mortgage and business lending portfolios, as well as other key processes. This includes enhancing portfolio management practices, systems upgrades (including data collection and rationalisation), strengthening collateral management processes, and improving assurance and oversight over our credit management frameworks. This program of work also addresses issues identified by Westpac's internal assurance and audit teams.

Westpac will continue its work to improve its end to end credit processes and expects engagement with APRA in this regard to continue throughout Full Year 2020.

Australian Competition and Consumer Commission (ACCC) inquiry into home loan pricing

On 14 October 2019, the ACCC was directed by the Treasurer of Australia to conduct an inquiry into home loan pricing since 1 January 2019. The inquiry has been established to:

- investigate the prices charged for home loans across the sector;
- consider how banks make pricing decisions, including their approach to passing on movements in the official cash rate;
- examine differences in the prices paid by new and existing customers;
- examine differences between the interest rates published by suppliers and the interest rates paid by customers; and
- investigate barriers that may prevent consumers from switching lenders.

An interim report is due by 30 March 2020 and a final report is due by 30 September 2020.

ACCC residential mortgage products price inquiry in relation to the Bank Levy

The ACCC undertook a specific inquiry into the pricing of residential mortgages by those banks affected by the Bank Levy (including Westpac), which included monitoring the extent to which the Bank Levy was passed on to customers. The final report was published in December 2018 and made a number of findings about the pricing or residential mortgages, including that the banks that were the subject of the inquiry did not change residential mortgage prices specifically to recover the costs of the Bank Levy.

AFCA look back review

On 4 February 2019, the Australian Government announced that, in response to the recommendations contained in the Royal Commission's Final Report, it would expand the remit of the Australian Financial Complaints Authority (AFCA) for 12 months so that it can consider customer claims dating back to 1 January 2008 and award compensation where appropriate. AFCA has expanded its jurisdiction to consider these legacy complaints for an additional 12 month period to 30 June 2020.

Increased regulatory powers and oversight

Australian Securities and Investments Commission (ASIC) Enforcement Review Taskforce

On 16 April 2018, the Australian Government agreed to implement all of the recommendations made by the ASIC Enforcement Review Taskforce in its review of the suitability of ASIC's existing regulatory tools.

Progress continues to be made in implementing these recommendations, including:

- the Australian Treasury releasing five draft Bills on 11 September 2019 for consultation which, if enacted, would further strengthen ASIC's enforcement and supervision powers by implementing certain recommendations relating to search warrants, access to telecommunications interception information, licensing and banning orders; and
- the Taskforce releasing a report on 2 October 2019. The report sets out ASIC's observations on director and officer oversight of non-financial risk, how directors and officers of large and complex financial services companies are discharging their duties in relation to oversight and monitoring of non-financial risk, and ways that governance practices could be improved.

Enhanced penalties for corporate and financial sector misconduct

On 12 March 2019, the *Treasury Laws Amendment (Strengthening Corporate and Financial Sector Penalties) Act 2019* (Cth) received royal assent. The Act strengthens penalties for corporate and financial sector misconduct consistent with the ASIC Enforcement Review Taskforce recommendations.

Key aspects of the Act are to:

- update the penalties for certain criminal offences in legislation administered by ASIC, including tripling the maximum imprisonment penalties for certain criminal offences (from 5 to 15 years), introducing a formula to calculate financial penalties for contraventions of civil penalty provisions by individuals and companies, and removing imprisonment as a penalty but increasing the financial penalties for all strict and absolute liability offences;
- introduce ordinary criminal offences that sit alongside strict and absolute liability offences;
- expand the civil penalty regime by making a wider range of offences subject to civil penalties, such as failures by Australian financial services licensees to act efficiently, fairly and honestly, and failures to report significant breaches within 10 days of becoming aware of the breach or of circumstances where they are likely to breach;
- introduce a new test that applies to all dishonesty offences under the *Corporations Act 2001* (Cth); and
- ensure the Courts prioritise compensating victims over ordering the payment of financial penalties.

ASIC's close and continuous monitoring program

ASIC has continued to use a supervisory approach in which ASIC officers are embedded in major financial institutions, including Westpac, in order to actively limit future financial harm to consumers, investors and markets and to catalyse positive, consumer oriented, behavioural change.

To date, the model adopted by ASIC is for officers to make extended onsite visits to major financial institutions. ASIC's program is examining culture and processes in major financial institutions through three streams: Breach Reporting, Corporate Governance and Internal Dispute Resolution (IDR). ASIC's onsite on Breach Reporting and engagement on Corporate Governance is now complete. The IDR onsite for Westpac commenced on 15 October 2019.

Product design and distribution obligations and product intervention power

On 5 April 2019, the *Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Act 2019* (Cth) received royal assent. The Act amends the *Corporations Act 2001* (Cth) and the *National Consumer Credit Protection Act 2009* (Cth) and grants ASIC a product intervention power and introduces a new 'principles-based' product design and distribution obligation on issuers and distributors.

Regulatory enforcement approach

On 15 April 2019, APRA released its Enforcement Approach with immediate effect. The new Enforcement Approach follows the results of its Enforcement Review, released on the same day. The Enforcement Review made seven recommendations which were designed to help APRA better leverage its enforcement powers to achieve prudential outcomes.

In response to the Enforcement Review, APRA stated it would implement all recommendations including increasing APRA's enforcement appetite from a 'last resort' to a 'constructively tough' approach. The new enforcement approach sets out how APRA will use its enforcement powers to prevent and address serious prudential risks, and to hold entities and individuals to account. APRA's approach states that it may do this well before the risks (whether financial, operational or behavioural) present an immediate threat to financial viability. Further, where entities or individuals are failing to meet prudential obligations, APRA will act quickly and forcefully, and will be willing to set public examples to deter unacceptable practices from occurring in the future.

On 26 February 2019, the ACCC outlined its compliance and enforcement priorities in its annual Compliance and Enforcement Policy refresh. The ACCC's competition enforcement approach and objectives are supported by increased budget support from the Government announced at the end of 2018.

In October 2018, ASIC committed to accelerating enforcement activities, conducting more civil and criminal enforcement actions against large financial institutions and adopting a 'why not litigate?' enforcement stance. Following the release of the Royal Commission's Final Report, ASIC has established a separate Office of Enforcement within ASIC.

Review into corporate criminal responsibility regime

On 10 April 2019, the Australian Government commissioned the Australian Law Reform Commission (ALRC) to undertake a comprehensive review of the corporate criminal responsibility regime. The review is to consider reforms to the Criminal Code and other relevant legislation to provide a simpler, stronger and more cohesive regime for corporate criminal responsibility. The ALRC's report is to be provided to the Australian Government by 30 April 2020.

General regulatory changes affecting our business

Banking Code of Practice

On 31 July 2018, ASIC approved the Banking Code of Practice (the Code) with an implementation date of 1 July 2019 for each bank that has adopted the Code (including Westpac). The Code introduces a range of new measures including a commitment to take extra care with vulnerable customers and train staff to help, simplified loan contracts for small business written in plain English, better protection for guarantors and stronger enforcement of the Code.

The Code will be further updated with key amendments in response to the recommendations contained in the Royal Commission's Final Report, which recommended changes in relation to the protection of small businesses and having a greater focus on customers in remote areas and those with limited English. These changes include banning informal overdrafts on basic accounts without prior express agreement with the customer, abolishing dishonour fees on basic bank accounts and following AUSTRAC's guidance on the identification and verification of persons of Aboriginal or Torres Strait Islander heritage. Subject to regulatory approvals, it is expected that these updates will be effective from 1 March 2020.

Open banking regime

The *Treasury Laws Amendment (Consumer Data Right) Act 2019* (Cth) (CDR Act) received royal assent on 12 August 2019. The CDR Act amends the *Competition and Consumer Act 2010* (Cth), the *Privacy Act 1988* (Cth) and the *Australian Information Commissioner Act 2010* (Cth) to introduce a consumer data right. The banking sector is the first sector to which the consumer data right will apply.

The introduction of a consumer data right in the Australian economy signifies a shift in how data is regulated. It will give customers in Australia a right to direct that their data (starting with banking data) be shared with accredited third parties and follows a growing global trend to give consumers control over their data. Data sharing is expected to facilitate competition through easier product comparison and switching. This will have significant implications for consumers and banks.

On 2 September 2019, the ACCC released the final Competition and Consumer (Consumer Data Right) Rules 2019 (CDR Rules). The CDR Rules outline how the consumer data right is to be implemented in the banking sector. A revised timetable for the introduction of open banking was included as part of the CDR Rules.

Both the CDR Act and CDR Rules contain new detailed privacy protections under 13 Privacy Safeguards. The Privacy Safeguards deal with the disclosure, collection, use, accuracy, storage, security and deletion of consumer data right data. There are also 58 civil penalty provisions under the CDR Rules. A breach of the Privacy Safeguards or the CDR Rules could attract civil penalties of up to the greater of $10 million, 3 times any benefit obtained or 10% of 12 month annual turnover for corporations.

Comprehensive Credit Reporting (CCR)

On 15 August 2019, an updated version of the *National Consumer Credit Protection Amendment (Mandatory Comprehensive Credit Reporting) Bill 2018* (Cth) was released for consultation by the Australian Treasury, following the prior introduction of the Bill into the House of Representatives in March 2018. It is expected that this updated Bill will be introduced into Parliament in late 2019.

Litigation

ASIC's responsible lending litigation against Westpac

On 1 March 2017, ASIC commenced Federal Court proceedings against Westpac in relation to certain home loans entered into between December 2011 and March 2015, which were automatically approved by Westpac's systems as part of its broader processes. The proceedings were heard in May 2019. On 13 August 2019, the Court handed down its judgment in the proceedings, and dismissed ASIC's case. On 10 September 2019 ASIC filed an appeal in relation to the decision.

Outbound scaled advice division proceedings

On 22 December 2016, ASIC commenced Federal Court proceedings against BT Funds Management Limited (BTFM) and Westpac Securities Administration Limited (WSAL) in relation to a number of superannuation account consolidation campaigns conducted between 2013 and 2016. ASIC has alleged that in the course of some of these campaigns, customers were provided with personal advice in contravention of a number of *Corporations Act 2001* (Cth) provisions, and selected 15 specific customers as the focus of their claim. In December 2018 the primary Court handed down a judgment in which it held that no personal advice had been provided and that BTFM and WSAL did not contravene the relevant personal advice provisions although it did make a finding that BTFM and WSAL had each contravened section 912A(1)(a) of the Corporations Act. In February 2019, ASIC filed an appeal against this decision. On 28 October 2019, the Full Federal Court handed down its decision in ASIC's favour and made findings that BTFM and WSAL each provided personal advice on the relevant calls. Once formal declarations of contravention are made, the matter will be remitted for penalty.

ASIC's proceedings against Westpac for poor financial advice by a financial planner

On 14 June 2018, ASIC commenced proceedings in the Federal Court against Westpac in relation to alleged poor financial advice provided by a former financial planner, Mr Sudhir Sinha. Mr Sinha was dismissed by Westpac in November 2014 and subsequently banned by ASIC. Westpac has proactively initiated remediation to identify and compensate affected customers and has completed remediation activities. ASIC's proceedings relate to advice provided by Mr Sinha in respect of four specific customer files. The matter was heard by the Court on 15 April 2019 and judgment has been reserved.

Class action against Westpac Banking Corporation and Westpac Life Insurance Services Limited

On 12 October 2017, a class action was filed in the Federal Court of Australia on behalf of customers who, since February 2011, obtained insurance issued by Westpac Life Insurance Services Limited (WLIS) on the recommendation of financial advisers employed within the Westpac Group. The plaintiffs have alleged that aspects of the financial advice provided by those advisers breached fiduciary and statutory duties owed to the advisers' clients, including the duty to act in the best interests of the client, and that WLIS was knowingly involved in those alleged breaches. Westpac and WLIS are defending the proceedings. These proceedings are currently stayed by order of the Court, pending the outcome of an appeal concerning a procedural issue unrelated to the substantive claims made in the class action.

BBSW proceedings

Following ASIC's investigations into the interbank short-term money market and its impact on the setting of the bank bill swap reference rate (BBSW), on 5 April 2016, ASIC commenced civil proceedings against Westpac in the Federal Court of Australia, alleging certain misconduct, including market manipulation and unconscionable conduct. On 24 May 2018, Justice Beach found that Westpac had not engaged in market manipulation or misleading or deceptive conduct under the *Corporations Act 2001* (Cth). His Honour also found that there was no 'trading practice' of manipulating the BBSW rate. However, the Court found that Westpac engaged in unconscionable conduct on 4 occasions and that Westpac breached certain of its duties as a financial services licensee. On 9 November 2018, the Court ordered Westpac to pay a penalty of $3.3 million and 50% of ASIC's costs, and have an independent expert review particular aspects of Westpac's compliance arrangements. Westpac has complied with these orders. The amount of costs recoverable by ASIC is still in the process of being determined.

In August 2016, a class action was filed in the United States District Court for the Southern District of New York against Westpac and large number of Australian and international banks alleging misconduct in relation to the bank bill swap reference rate. In April 2019, an amended claim was filed by the Plaintiffs. Westpac is defending the proceedings with a Motion to Dismiss filed in May 2019.

Responsible lending class action

On 21 February 2019, a class action against Westpac was filed in the Federal Court of Australia. As directed by the Court, the Plaintiffs filed a Statement of Claim on 22 May 2019 and an amended statement of claim on 18 October 2019. The claims allege that Westpac did not comply with its responsible lending obligations and entered into certain home loans that it should otherwise have assessed as unsuitable. The allegations include that, during the period from 1 January 2011 to 17 February 2018, Westpac failed to: conduct reasonable inquiries about the customers' financial situation, requirements and objectives; verify customer's financial situation; conduct assessments of suitability; and act efficiently and fairly. Westpac is defending the proceedings.

Cash in super class action

On 5 September 2019, a class action against BT Funds Management Limited (BTFM) and Westpac Life Insurance Services Limited (WLIS) was commenced in relation to aspects of BTFM's BT Super for Life cash investment option. The claim follows other industry class actions as part of Slater and Gordon's 'Get your super back' campaign.

It is alleged in the proceedings that BTFM failed to adhere to a number of obligations under the general law, the relevant trust deed and the *Superannuation Industry (Supervision) Act 1993* (Cth), and that WLIS was knowingly concerned with BTFM's alleged contraventions. The damages sought by the claim are unspecified. BTFM and WLIS are defending the proceedings.

Regulatory capital transactions

Capital raising

On 4 November 2019, Westpac announced that it will be undertaking an underwritten placement of fully paid ordinary shares in Westpac to institutional investors to raise $2 billion. As further announced, following the placement, Westpac will make a share purchase plan available to shareholders to raise approximately $500 million, subject to scaleback, and with the ability to raise less or more.

Issue of Westpac Capital Notes 6

On 18 December 2018, Westpac issued approximately $1.42 billion of securities known as Westpac Capital Notes 6 which qualify as Additional Tier 1 capital under APRA's capital adequacy framework.

Transfer and redemption of Westpac Capital Notes

On 18 December 2018, approximately $722 million of Westpac Capital Notes were transferred to the Westpac Capital Notes nominated party for $100 each pursuant to the Westpac Capital Notes 6 reinvestment offer. Those Westpac Capital Notes were subsequently redeemed by Westpac.

On 8 March 2019, being the optional redemption/transfer date of the Westpac Capital Notes, the remaining $662 million of Westpac Capital Notes were transferred to the Westpac Capital Notes nominated party for $100 each. Those Westpac Capital Notes were subsequently redeemed by Westpac.

Adoption of new accounting standards

Adoption of AASB 9 and AASB 15

The Group adopted the classification and measurement, and impairment requirements of AASB 9: Financial Instruments (AASB 9) on 1 October 2018. AASB 9 includes a forward looking 'expected credit loss' impairment model, revised classification and measurement model and modifies the approach to hedge accounting.

The adoption of AASB 9 reduced the Group's retained earnings at 1 October 2018 by $722 million (net of tax) primarily due to the increase in impairment provisions under the new standard.

The Group also adopted AASB 15: Revenue from Contracts with Customers (AASB 15) on 1 October 2018. AASB 15 provides a systematic approach to revenue recognition by introducing a five-step model governing revenue measurement and recognition. The adoption of AASB 15 reduced the Group's retained earnings at 1 October 2018 by $5 million (net of tax).

Further details of the changes from the adoption of AASB 9 and AASB 15 as well as details of accounting standards that have been issued but are not yet effective for the Group are included in Note 1 to the financial statements in the 2019 Westpac Group Annual Report.

Transition to AASB 16

AASB 16: Leases (AASB 16) replaced AASB 117: Leases from 1 October 2019. AASB 16 requires all leases of greater than 12 months duration to be presented on balance sheet by the lessee as a right-of-use asset and a lease liability. The application of AASB 16 is expected to result in the recognition of a right-of-use asset of $3.4 billion with a corresponding lease liability, with no impact on retained earnings.

Further details of the changes under the new standard are included in Note 1 to the financial statements in the 2019 Westpac Group Annual Report.

APRA regulatory changes

APRA's proposed changes to capital standards

On 19 July 2017, APRA released an Information Paper titled 'Strengthening Banking System Resilience - Establishing Unquestionably Strong Capital Ratios'. In its release, APRA concluded that the four major Australian banks, including Westpac, need to have a common equity tier 1 (CET1) capital ratio of at least 10.5%, as measured under the existing capital framework, to be considered 'unquestionably strong'. Banks are expected to meet this new benchmark by 1 January 2020.

APRA has commenced consultation on revisions to the capital framework which includes proposals on changes to risk weighted assets, including in relation to residential mortgages as well as improving the transparency, comparability and flexibility of the framework.

As part of the proposals, APRA has proposed a minimum Leverage Ratio requirement of 3.5% for ADIs, such as Westpac, that use the internal ratings-based approach to determine capital adequacy.

APRA has indicated that it expects to finalise the suite of prudential standards to give effect to the 'unquestionably strong' benchmark in 2020-21, with the revised prudential standards likely to come into effect from 1 January 2022. In regards to the proposed revisions to the capital treatment of operational risk, APRA has proposed an earlier implementation date of 1 January 2021 for advanced IRB banks, such as Westpac.

APRA has announced that its revisions to the capital framework are not intended to necessitate further capital increases for the industry above the 10.5% benchmark. However, given the proposals include higher risk weights for certain mortgage products, such as interest only loans and loans for investment purposes, the impact on individual banks may vary. The proposals are currently under consultation and final details remain unclear, and it is therefore too soon to determine the impact on Westpac.

Further details of Westpac's other regulatory disclosures required in accordance with prudential standard APS 330 can be accessed at https://www.westpac.com.au/about-westpac/investor-centre/financial-information/regulatory-disclosures/.

APRA's additional capital requirements

On 11 July 2019, Westpac received APRA's response to its self-assessment. In its response, APRA decided to apply an additional $500 million to Westpac's operational risk capital requirement. This follows APRA concluding that Westpac was required to improve its management and oversight of non-financial risk. The additional capital requirement will remain in place until APRA is satisfied that Westpac has completed its action plan.

The $500 million requirement, applied through an increase in risk weighted assets, took effect from 30 September 2019. The change reduced Westpac's Level 2 CET1 capital ratio by 16 basis points. Westpac's CET1 capital ratio at 30 September 2019 was 10.67%.

APRA's proposed revisions to subsidiary capital investment treatment

On 15 October 2019, APRA released a discussion paper on proposed changes to APS 111 Capital Adequacy: Measurement of Capital. The key proposal is in relation to a parent ADI's treatment of its equity investments in banking and insurance subsidiaries (Level 1). Westpac's largest investment in banking and insurance subsidiaries is Westpac New Zealand Limited (WNZL). There is no impact from this proposal on the calculation of the Group's reported regulatory capital ratios on a Level 2 basis. On a Level 1 basis, on a proforma basis as at 30 September 2019, it is estimated that applying APRA's proposed approach would reduce Westpac's Level 1 CET1 ratio by approximately 40bps ($1.6 billion). APRA has indicated that the updated standard will come into effect from 1 January 2021.

Associations with Related Entities

On 20 August 2019, APRA released the finalised prudential standard APS 222: Associations with Related Entities. The revised standard is intended to strengthen the ability of ADIs to monitor, limit and control risks arising from transactions and other associations with related entities. Key changes include revisions to the limit for exposure for ADIs from 50% of Total Capital to 25% of Tier 1 capital. The revised standard is effective from 1 January 2021.

Westpac's largest exposure to a related entity is WNZL. As at 30 September 2019, Westpac would remain within the revised limits based on the current level of exposure to WNZL.

Additional loss absorbing capacity

In response to the Financial System Inquiry recommendations, the Australian Government agreed to further reforms regarding crisis management and establishing a framework for minimum loss-absorbing and recapitalisation capacity.

On 9 July 2019, APRA announced a requirement for the Australian major banks (including Westpac) to increase their total capital requirements by three percentage points of risk weighted assets (RWA) as measured under the current capital adequacy framework. This increase in total capital will take full effect from 1 January 2024.

Based on Westpac's RWA of $429 billion at 30 September 2019, this represents around $13 billion of additional capital over the four year transition period. The additional capital is expected to be raised through Tier 2 Capital and is likely to be offset by a decrease in other forms of long term wholesale funding. Westpac has commenced progress towards the new requirements and in the financial year ended 30 September 2019 issued a total of $4.2 billion in Tier 2 capital.

APRA is still targeting an additional four to five percentage points of loss-absorbing capacity. Over the next four years, APRA will consider feasible alternative methods for raising the remaining 1-2 percentage points.

APRA intends to consult on a prudential framework covering both recovery and resolution planning in 2020.

APRA's proposed amendment to guidance on mortgage lending

On 5 July 2019, APRA announced that it no longer required ADIs to assess home loan applications using a minimum interest rate of at least 7%. Instead, ADIs are permitted to review and set their own minimum interest rate floor for use in serviceability assessments and utilise a revised interest rate buffer of at least 2.5% over the loan's interest rate. Also on 5 July 2019, APRA also released its final version of Prudential Practice Guide APG 223 – Residential Mortgage Lending.

APRA Prudential Standard CPS 234: Information Security Management

On 1 July 2019, APRA's Prudential Standard CPS 234: Information Security came into effect, except for information assets managed by a third party which will come into effect from the earlier of the next contract renewal date or 1 July 2020. The standard is aimed at improving the ability of APRA-regulated entities to detect cyber adversaries, ensure appropriate security capabilities are in place commensurate to the risk of the information assets including responding swiftly and effectively in the event of an information security incident. Westpac continues to enhance its systems and processes to further mitigate cybersecurity risks.

APRA Prudential Standard CPS 511: Remuneration

On 23 July 2019, APRA released for consultation a new draft prudential standard and supporting discussion paper on remuneration. It is aimed at clarifying and strengthening remuneration arrangements in APRA-regulated entities. The new standard will replace existing remuneration requirements under CPS/SPS 510 Governance with a proposed implementation date of 1 July 2021.

International developments affecting Westpac

Brexit

There continues to be uncertainty on the timing and process for the United Kingdom's (UK) withdrawal from the European Union (EU).

As Westpac's business and operations are based predominantly in Australia and New Zealand, Westpac expects that the direct impact of the UK's departure from the EU is unlikely to be material to Westpac. However, it remains difficult to predict the impact that Brexit may have on financial markets, the global economy and the global financial services industry. Westpac has contingency planning in place and has been active in dialogue with affected customers.

OTC derivatives reform

International regulatory reforms relating to over-the-counter (OTC) derivatives continue to be implemented across the globe, with a current focus on initial margin and risk mitigation practices for non-centrally cleared derivatives.

As of 1 September 2019, Westpac is required to post and collect collateral on a gross basis, held at third party custodians. Global initial margin requirements will continue to be introduced in phases until 1 September 2021.

New Zealand

Reserve Bank of New Zealand (RBNZ) - Revised Outsourcing Policy

As at 30 September 2019, WNZL is compliant with the requirement in the RBNZ's revised Outsourcing Policy (BS11) (Revised Outsourcing Policy) to maintain a compendium of outsourcing arrangements and work is underway to comply with the other aspects of the Revised Outsourcing Policy by 30 September 2022 in line with the regulatory timeline.

As a result of complying with the Revised Outsourcing Policy, the ongoing cost of operating the WNZL business will increase, in addition to the costs of implementing the changes.

RBNZ Capital Review

On 14 December 2018, the RBNZ released a consultation paper to seek the public's view on a proposal to set a Tier 1 capital requirement equal to 16% of risk weighted assets for banks deemed systemically important, such as WNZL. The proposal of a Tier 1 ratio of 6% of risk weighted assets as a regulatory minimum is unchanged, and of this no more than 1.5% of risk weighted assets can be contributed by Additional Tier 1 capital or redeemable preference shares. The RBNZ has also proposed changes to risk weighted asset measurement. The RBNZ has proposed a five year transition period.

The proposed changes aim to further strengthen the New Zealand banking system to protect the economy and depositors from bank failure. WNZL would be required to hold a further estimated NZ$2.3-$2.9 billion of Tier 1 capital (assuming a WNZL Tier 1 capital ratio of 16-17%) if the proposals were applied at 30 September 2019. WNZL is already strongly capitalised with a Tier 1 capital ratio of 13.9% at 30 September 2019.

On a pro-forma basis this change would also increase Westpac's Level 1 capital requirements by NZ$1.2-$1.8 billion if the proposals were applied at 30 September 2019, assuming that some of WNZL's supplementary capital can be issued externally over time and that APRA's proposed revisions to subsidiary capital investment treatment are implemented (more information on these proposed revisions is set out above). Further clarity on the proposals is expected from the RBNZ in December 2019, with implementation of any new rules starting from April 2020.

RBNZ - Review under section 95 of the Reserve Bank of New Zealand Act 1989

In June 2019, in response to a review under section 95 of the Reserve Bank of New Zealand Act 1989 of WNZL's compliance with advanced internal rating based aspects of the RBNZ's 'Capital Adequacy Framework (Internal Models Based Approach)', (BS2B), WNZL presented the RBNZ with a submission providing an overview of its credit risk rating system and activities undertaken to address compliance issues and enhance risk management practices.

On 30 October 2019, the RBNZ informed WNZL that it had accepted the submission and measures undertaken by WNZL to achieve satisfactory compliance with BS2B, and that WNZL would retain its accreditation to use internal models for credit risk in the calculation of its regulatory capital requirements. It also advised WNZL that, with effect from 31 December 2019, the RBNZ will remove the requirement imposed on WNZL since 31 December 2017 to maintain minimum regulatory capital ratios which are two percentage points higher than the ratios applying to other locally incorporated banks.

Review of the Reserve Bank of New Zealand Act

In November 2017, the New Zealand Government announced it would undertake a review of the Reserve Bank of New Zealand Act 1989 (RBNZ Review). The RBNZ Review will consist of two phases. The legislation for the recommended Phase 1 related changes to New Zealand's monetary policy framework received royal assent on 20 December 2018, and came into force on 1 April 2019.

The terms of reference for Phase 2 were released in June 2018 and will consider the overarching objectives of the RBNZ's institutional governance and decision-making, the macro-prudential framework, the current prudential supervision model, trans-Tasman coordination, supervision and enforcement and resolution and crisis management. Final policy decisions on all components of the review are expected to be made in 2020.

RBNZ/Financial Markets Authority (FMA) - Financial Services Conduct & Culture Review

In May 2018, the RBNZ and FMA commenced a review in respect of New Zealand's 10 major banks and 15 life insurers, including WNZL and Westpac Life-NZ-Limited, to explain why conduct issues highlighted by the Australian Royal Commission are not present in New Zealand. An industry thematic review report for the banks was released on 5 November 2018. WNZL submitted a plan responding to recommendations in the review report and in WNZL's individual feedback letters to the regulators on 29 March 2019.

The industry thematic review report into life insurers, including Westpac Life-NZ-Limited, was released on 29 January 2019. The report identified extensive weaknesses in life insurers' systems and controls, governance and management of conduct risks. Westpac Life-NZ-Limited provided its plan to address the findings to the regulators in June 2019.

Conduct of Financial Institutions Review

Following the developments and findings of the Financial Services Conduct and Culture Review and the Australian Royal Commission, the Minister of Commerce announced a proposal to introduce a conduct licensing regime for banks, insurers and non-bank deposit takers in respect of their conduct in relation to retail customers. The regime will require licensed institutions to meet a fair treatment standard, and implement effective policies, processes, systems and controls to meet this standard. The regime will also create obligations relating to remuneration and sales incentives. Legislation is expected to be introduced to parliament by the end of 2019.

Reform of Credit Contracts and Consumer Finance Legislation

In April 2019, the Credit Contracts Legislation Amendment Bill was introduced to parliament and is currently before the select committee. The Bill introduces a number of changes to the Credit Contracts and Consumer Finance Act, including new duties for directors and senior managers and increased penalties and statutory damages. The Bill also introduces stricter requirements around suitability and affordability assessments as well as a cap for interest and fees of 'high cost' loans (being loans with annualised interest exceeding 50%). The intention is that the Bill will come into effect in March 2020.

4.2 Consolidated income statement[1]

Westpac Banking Corporation and its controlled entities

$m	Note	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Interest income:							
Calculated using the effective interest rate method	3	15,900	16,618	*(4)*	32,518	31,987	*2*
Other	3	354	350	*1*	704	584	*21*
Total interest income		**16,254**	**16,968**	***(4)***	**33,222**	**32,571**	***2***
Interest expense	3	(7,610)	(8,705)	*(13)*	(16,315)	(16,066)	*2*
Net interest income		**8,644**	**8,263**	***5***	**16,907**	**16,505**	***2***
Net fee income	4	829	826	-	1,655	2,424	*(32)*
Net wealth management and insurance income	4	703	326	*116*	1,029	2,061	*(50)*
Trading income	4	492	437	*13*	929	945	*(2)*
Other income	4	2	127	*(98)*	129	72	*79*
Net operating income before operating expenses and impairment charges		**10,670**	**9,979**	***7***	**20,649**	**22,007**	***(6)***
Operating expenses	5	(5,015)	(5,091)	*(1)*	(10,106)	(9,566)	*6*
Impairment charges	10	(461)	(333)	*38*	(794)	(710)	*12*
Profit before income tax		**5,194**	**4,555**	***14***	**9,749**	**11,731**	***(17)***
Income tax expense	6	(1,580)	(1,379)	*15*	(2,959)	(3,632)	*(19)*
Net profit for the period		**3,614**	**3,176**	***14***	**6,790**	**8,099**	***(16)***
Net profit attributable to non-controlling interests		(3)	(3)	-	(6)	(4)	*50*
Net profit attributable to owners of Westpac Banking Corporation		**3,611**	**3,173**	***14***	**6,784**	**8,095**	***(16)***
Earnings per share (cents)							
Basic	7	104.1	92.3	*13*	196.5	237.5	*(17)*
Diluted	7	99.9	89.5	*12*	189.5	230.1	*(18)*

The above consolidated income statement should be read in conjunction with the accompanying notes.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

4.3 Consolidated statement of comprehensive income[1]

Westpac Banking Corporation and its controlled entities

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net profit for the period	**3,614**	**3,176**	***14***	**6,790**	**8,099**	***(16)***
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Gains/(losses) recognised in equity on:						
Available-for-sale securities	-	-	-	-	(102)	*(100)*
Debt securities measured at fair value through other comprehensive income (FVOCI)	(111)	65	*large*	(46)	-	-
Cash flow hedging instruments	(11)	(192)	*(94)*	(203)	(161)	*26*
Transferred to income statements:						
Available-for-sale securities	-	-	-	-	66	*(100)*
Debt securities measured at FVOCI	(4)	(25)	*(84)*	(29)	-	-
Cash flow hedging instruments	117	80	*46*	197	203	*(3)*
Foreign currency translation reserve	-	(10)	*(100)*	(10)	(3)	*large*
Exchange differences on translation of foreign operations (net of associated hedges)	127	55	*131*	182	181	*1*
Income tax on items taken to or transferred from equity:						
Available-for-sale securities reserve	-	-	-	-	9	*(100)*
Debt securities measured at FVOCI reserve	34	(14)	*large*	20	-	-
Cash flow hedge reserve	(31)	33	*large*	2	(13)	*large*
Items that will not be reclassified subsequently to profit or loss						
Gains/(losses) on equity securities measured at FVOCI	10	1	*large*	11	-	-
Own credit adjustment on financial liabilities designated at fair value (net of tax)	(8)	(2)	*large*	(10)	43	*large*
Remeasurement of defined benefit obligation	(125)	(151)	*(17)*	(276)	45	*large*
Other comprehensive income for the period (net of tax)	**(2)**	**(160)**	***(99)***	**(162)**	**268**	***large***
Total comprehensive income for the period	**3,612**	**3,016**	***20***	**6,628**	**8,367**	***(21)***
Attributable to:						
Owners of Westpac Banking Corporation	3,608	3,012	*20*	6,620	8,363	*(21)*
Non-controlling interests	4	4	-	8	4	*100*
Total comprehensive income for the period	**3,612**	**3,016**	***20***	**6,628**	**8,367**	***(21)***

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

4.4 Consolidated balance sheet[1]

Westpac Banking Corporation and its controlled entities

$m	Note	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Assets						
Cash and balances with central banks		20,059	19,486	26,788	*3*	*(25)*
Collateral paid		5,930	6,103	4,787	*(3)*	*24*
Trading securities and financial assets measured at fair value through income statement (FVIS)		31,781	29,307	23,132	*8*	*37*
Derivative financial instruments		29,859	21,765	24,101	*37*	*24*
Available-for-sale securities		-	-	61,119	-	*(100)*
Investment securities		73,401	68,536	-	*7*	-
Loans	9	714,770	714,297	709,690	-	*1*
Other financial assets		5,367	6,444	5,517	*(17)*	*(3)*
Current tax assets		-	72	-	*(100)*	-
Life insurance assets		9,367	9,374	9,450	-	*(1)*
Investment in associates[2]		129	115	115	*12*	*12*
Property and equipment		1,155	1,200	1,329	*(4)*	*(13)*
Deferred tax assets		2,048	1,723	1,180	*19*	*74*
Intangible assets		11,953	11,850	11,763	*1*	*2*
Other assets		807	790	621	*2*	*30*
Total assets		**906,626**	**891,062**	**879,592**	***2***	***3***
Liabilities						
Collateral received		3,287	1,889	2,184	*74*	*51*
Deposits and other borrowings	12	563,247	555,007	559,285	*1*	*1*
Other financial liabilities		29,215	29,013	28,105	*1*	*4*
Derivative financial instruments		29,096	23,384	24,407	*24*	*19*
Debt issues		181,457	188,759	172,596	*(4)*	*5*
Current tax liabilities		163	-	296	-	*(45)*
Life insurance liabilities		7,377	7,503	7,597	*(2)*	*(3)*
Provisions	14	3,169	2,764	1,928	*15*	*64*
Deferred tax liabilities		44	-	18	-	*144*
Other liabilities		2,238	2,072	1,338	*8*	*67*
Total liabilities excluding loan capital		**819,293**	**810,391**	**797,754**	***1***	***3***
Loan capital		21,826	16,736	17,265	*30*	*26*
Total liabilities		**841,119**	**827,127**	**815,019**	***2***	***3***
Net assets		**65,507**	**63,935**	**64,573**	***2***	***1***
Shareholders' equity						
Share capital:						
Ordinary share capital	15	37,508	36,351	36,054	*3*	*4*
Treasury shares and Restricted Share Plan (RSP) treasury shares	15	(553)	(557)	(493)	*(1)*	*12*
Reserves	15	1,311	1,141	1,077	*15*	*22*
Retained profits		27,188	26,949	27,883	*1*	*(2)*
Total equity attributable to owners of Westpac Banking Corporation		**65,454**	**63,884**	**64,521**	***2***	***1***
Non-controlling interests		53	51	52	*4*	*2*
Total shareholders' equity and non-controlling interests		**65,507**	**63,935**	**64,573**	***2***	***1***

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *For further detail refer to Note 31 of the financial statements contained in the 2019 Westpac Group Annual Report.*

4.5 Consolidated statement of changes in equity[1]

Westpac Banking Corporation and its controlled entities

$m	Share Capital (Note 15)	Reserves	Retained profits	Total equity attributable to owners of Westpac Banking Corporation	Non-controlling interests	Total shareholders' equity and non-controlling interests
Balance at 1 October 2017	**34,394**	**794**	**26,100**	**61,288**	**54**	**61,342**
Net profit for the year	**-**	**-**	**8,095**	**8,095**	**4**	**8,099**
Net other comprehensive income for the year	-	180	88	268	-	268
Total comprehensive income for the year	**-**	**180**	**8,183**	**8,363**	**4**	**8,367**
Transactions in capacity as equity holders						
Dividends on ordinary shares[2]	-	-	(6,400)	(6,400)	-	(6,400)
Dividend reinvestment plan	631	-	-	631	-	631
Conversion of Convertible Preference Shares	566	-	-	566	-	566
Other equity movements						
Share-based payment arrangements	-	103	-	103	-	103
Exercise of employee share options and rights	3	-	-	3	-	3
Purchase of shares (net of issue costs)	(35)	-	-	(35)	-	(35)
Net (acquisition)/disposal of treasury shares	2	-	-	2	-	2
Other	-	-	-	-	(6)	(6)
Total contributions and distributions	**1,167**	**103**	**(6,400)**	**(5,130)**	**(6)**	**(5,136)**
Balance at 30 September 2018	**35,561**	**1,077**	**27,883**	**64,521**	**52**	**64,573**
Impact on adoption of new accounting standards	**-**	**2**	**(727)**	**(725)**	**-**	**(725)**
Restated opening balance	**35,561**	**1,079**	**27,156**	**63,796**	**52**	**63,848**
Net profit for the year	**-**	**-**	**6,784**	**6,784**	**6**	**6,790**
Net other comprehensive income for the year	-	122	(286)	(164)	2	(162)
Total comprehensive income for the year	**-**	**122**	**6,498**	**6,620**	**8**	**6,628**
Transactions in capacity as equity holders						
Dividends on ordinary shares[2]	-	-	(6,466)	(6,466)	-	(6,466)
Dividend reinvestment plan	1,489	-	-	1,489	-	1,489
Other equity movements						
Share-based payment arrangements	-	108	-	108	-	108
Purchase of shares (net of issue costs)	(33)	-	-	(33)	-	(33)
Net (acquisition)/disposal of treasury shares	(62)	-	-	(62)	-	(62)
Other	-	2	-	2	(7)	(5)
Total contributions and distributions	**1,394**	**110**	**(6,466)**	**(4,962)**	**(7)**	**(4,969)**
Balance at 30 September 2019	**36,955**	**1,311**	**27,188**	**65,454**	**53**	**65,507**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

[1] The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Report and Note 1 in Section 3 of the 2019 Annual Report for further detail.

[2] 2019 comprises 2019 interim dividend 94 cents per share ($3,239 million) and 2018 final dividend 94 cents per share ($3,227 million) (2018: 2018 interim dividend 94 cents per share ($3,213 million) and 2017 final ordinary dividend 94 cents per share ($3,187 million)) all fully franked at 30%.

4.5 Consolidated statement of changes in equity[1] (continued)

Westpac Banking Corporation and its controlled entities

$m	Share Capital (Note 15)	Reserves	Retained profits	Total equity attributable to owners of Westpac Banking Corporation	Non-controlling interests	Total shareholders' equity and non-controlling interests
Balance at 1 October 2018	**35,561**	**1,077**	**27,883**	**64,521**	**52**	**64,573**
Impact on adoption of new accounting standards	-	2	(727)	(725)	-	(725)
Restated opening balance	**35,561**	**1,079**	**27,156**	**63,796**	**52**	**63,848**
Net profit for the period	**-**	**-**	**3,173**	**3,173**	**3**	**3,176**
Net other comprehensive income for the period	-	(8)	(153)	(161)	1	(160)
Total comprehensive income for the period	**-**	**(8)**	**3,020**	**3,012**	**4**	**3,016**
Transactions in capacity as equity holders						
Dividends on ordinary shares[2]	-	-	(3,227)	(3,227)	-	(3,227)
Dividend reinvestment plan	330	-	-	330	-	330
Other equity movements						
Share-based payment arrangements	-	70	-	70	-	70
Purchase of shares (net of issue costs)	(31)	-	-	(31)	-	(31)
Net (acquisition)/disposal of treasury shares	(66)	-	-	(66)	-	(66)
Other	-	-	-	-	(5)	(5)
Total contributions and distributions	**233**	**70**	**(3,227)**	**(2,924)**	**(5)**	**(2,929)**
Balance at 31 March 2019	**35,794**	**1,141**	**26,949**	**63,884**	**51**	**63,935**
Net profit for the period	**-**	**-**	**3,611**	**3,611**	**3**	**3,614**
Net other comprehensive income for the period	-	130	(133)	(3)	1	(2)
Total comprehensive income for the period	**-**	**130**	**3,478**	**3,608**	**4**	**3,612**
Transactions in capacity as equity holders						
Dividends on ordinary shares[2]	-	-	(3,239)	(3,239)	-	(3,239)
Dividend reinvestment plan	1,159	-	-	1,159	-	1,159
Other equity movements						
Share-based payment arrangements	-	38	-	38	-	38
Purchase of shares (net of issue costs)	(2)	-	-	(2)	-	(2)
Net (acquisition)/disposal of treasury shares	4	-	-	4	-	4
Other	-	2	-	2	(2)	-
Total contributions and distributions	**1,161**	**40**	**(3,239)**	**(2,038)**	**(2)**	**(2,040)**
Balance at 30 September 2019	**36,955**	**1,311**	**27,188**	**65,454**	**53**	**65,507**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Second Half 2019 reflects the 2019 interim dividend 94 cents per share ($3,239 million) and First Half 2019 reflects the 2018 final dividend 94 cents per share ($3,227 million), all fully franked at 30%.*

4.6 Consolidated cash flow statement[1]

Westpac Banking Corporation and its controlled entities

$m	Note	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Cash flows from operating activities							
Interest received		16,389	16,704	*(2)*	33,093	32,639	*1*
Interest paid		(7,709)	(8,777)	*(12)*	(16,486)	(15,789)	*4*
Dividends received excluding life business		2	4	*(50)*	6	9	*(33)*
Other non-interest income received		1,568	2,297	*(32)*	3,865	4,995	*(23)*
Operating expenses paid		(4,127)	(4,953)	*(17)*	(9,080)	(7,889)	*15*
Income tax paid excluding life business		(1,529)	(1,877)	*(19)*	(3,406)	(3,585)	*(5)*
Life business:							
Receipts from policyholders and customers		1,154	1,035	*11*	2,189	2,008	*9*
Interest and other items of similar nature		2	4	*(50)*	6	17	*(65)*
Dividends received		502	51	*large*	553	642	*(14)*
Payments to policyholders and suppliers		(1,407)	(843)	*67*	(2,250)	(2,089)	*8*
Income tax paid		(44)	(50)	*(12)*	(94)	(143)	*(34)*
Cash flows from operating activities before changes in operating assets and liabilities		**4,801**	**3,595**	***34***	**8,396**	**10,815**	***(22)***
Net (increase)/decrease in:							
Collateral paid		371	(1,218)	*large*	(847)	969	*large*
Trading securities and financial assets measured at FVIS		(2,203)	(5,426)	*(59)*	(7,629)	3,492	*large*
Derivative financial instruments		4,937	2,668	*85*	7,605	8,584	*(11)*
Loans		(2,399)	(1,789)	*34*	(4,188)	(24,740)	*(83)*
Other financial assets		570	(234)	*large*	336	859	*(61)*
Life insurance assets and liabilties		(130)	(4)	*large*	(134)	(230)	*(42)*
Other assets		(15)	2	*large*	(13)	10	*large*
Net increase/(decrease) in:							
Collateral received		1,324	(317)	*large*	1,007	(295)	*large*
Deposits and other borrowings		8,685	(7,572)	*large*	1,113	23,928	*(95)*
Other financial liabilities		454	1,009	*(55)*	1,463	(3,632)	*large*
Other liabilities		3	(8)	*large*	(5)	10	*large*
Net cash provided by/(used in) operating activities	16	**16,398**	**(9,294)**	***large***	**7,104**	**19,770**	***(64)***
Cash flows from investing activities							
Proceeds from available-for-sale securities		-	-	-	-	23,878	*(100)*
Purchase of available-for-sale securities		-	-	-	-	(24,376)	*(100)*
Proceeds from investment securities		6,796	12,972	*(48)*	19,768	-	-
Purchase of investment securities		(10,143)	(19,384)	*(48)*	(29,527)	-	-
Proceeds/(payments) from disposal of controlled entities, net of cash disposed		-	(1)	*(100)*	(1)	9	*large*
Proceeds from disposal of associates		1	44	*(98)*	45	-	-
Purchase of associates		(9)	(16)	*(44)*	(25)	(30)	*(17)*
Proceeds from disposal of property and equipment		106	51	*108*	157	91	*73*
Purchase of property and equipment		(188)	(92)	*104*	(280)	(310)	*(10)*
Purchase of intangible assets		(511)	(395)	*29*	(906)	(882)	*3*
Net cash provided by/(used in) investing activities		**(3,948)**	**(6,821)**	***(42)***	**(10,769)**	**(1,620)**	***large***
Cash flows from financing activities							
Proceeds from debt issues (net of issue costs)		22,191	39,293	*(44)*	61,484	59,456	*3*
Redemption of debt issues		(36,585)	(26,728)	*37*	(63,313)	(64,698)	*(2)*
Issue of loan capital (net of issue costs)		4,245	690	*large*	4,935	2,342	*111*
Redemption of loan capital		(11)	(1,651)	*(99)*	(1,662)	(2,387)	*(30)*
Proceeds from exercise of employee options		-	-	-	-	3	*(100)*
Purchase of shares on exercise of employee options and rights		(2)	(4)	*(50)*	(6)	(8)	*(25)*
Shares purchased for delivery of employee share plan		-	(27)	*(100)*	(27)	(27)	-
Purchase of RSP treasury shares		(3)	(66)	*(95)*	(69)	(71)	*(3)*
Net sale/(purchase) of other treasury shares		7	-	-	7	73	*(90)*
Payment of dividends		(2,080)	(2,897)	*(28)*	(4,977)	(5,769)	*(14)*
Payment of distributions to non-controlling interests		-	(5)	*(100)*	(5)	(6)	*(17)*
Net cash provided by/(used in) financing activities		**(12,238)**	**8,605**	***large***	**(3,633)**	**(11,092)**	***(67)***
Net increase/(decrease) in cash and balances with central banks		212	(7,510)	*large*	(7,298)	7,058	*large*
Effect of exchange rate changes on cash and balances with central banks		361	208	*74*	569	944	*(40)*
Cash and balances with central banks as at the beginning of the period		19,486	26,788	*(27)*	26,788	18,786	*42*
Cash and balances with central banks as at the end of the period		**20,059**	**19,486**	***3***	**20,059**	**26,788**	***(25)***

The above consolidated cash flow statement should be read in conjunction with the accompanying notes. Details of the reconciliation of net cash provided by/(used in) operating activities to net profit are provided in Note 16.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

4.7 Notes to the consolidated financial statements

Note 1. Financial statements preparation

The accounting policies and methods of computation adopted in the financial year were in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended), Australian Accounting Standards (AAS) and Interpretations as issued by the Australian Accounting Standards Board and the Corporations Act 2001 Westpac's financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

All amounts have been rounded in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, to the nearest million dollars, unless otherwise stated.

For further information, refer to Westpac's 2019 Annual Report.

Comparative revisions

Comparative information has been revised where appropriate to conform with changes in presentation in the current period and to enhance comparability.

Note 2. Segment reporting

Operating segments are presented on a basis consistent with information provided internally to Westpac's key decision makers and reflect the management of the business, rather than the legal structure of the Group.

Internally, Westpac uses 'cash earnings' in assessing the financial performance of its divisions. Management believes this allows the Group to:

- more effectively assess current year performance against prior years;
- compare performance across business divisions; and
- compare performance across peer companies.

Cash earnings is viewed as a measure of the level of profit that is generated by ongoing operations and is therefore considered in assessing distributions, including dividends. Cash earnings is neither a measure of cash flow nor net profit determined on a cash accounting basis, as it includes both cash and non-cash adjustments to statutory net profit.

To determine cash earnings, three categories of adjustments are made to statutory results:

- 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 statutory results.

Internal charges and transfer pricing adjustments have been reflected in the performance of each operating segment. Inter-segment pricing is determined on an arm's length basis.

Reportable operating segments

On 19 March 2019, the Group announced changes to the way it supports customer’s wealth and insurance needs, realigning its BTFG businesses into expanded Consumer and Business and exiting the provision of personal financial advice. As a result, the insurance business was transferred to Consumer, the funds management business was transferred to Business, and the Advice business and certain support functions of BTFG Australia were transferred to Group Businesses. Changes to the Group’s organisation structure were effective from 1 April 2019 and the results of the operating segments for First Half 2019 and Full Year 2018 have been restated.

The operating segments are defined by the customers they service and the services they provide:

- Consumer:
  - is responsible for sales and service of banking and financial products and services to consumer and micro SME customers in Australia;
  - is also responsible for the Group’s Australian insurance business, which covers the manufacture and distribution of life, general and lenders mortgage insurance; and
  - operates under the Westpac, St.George, BankSA, Bank of Melbourne, RAMS and BT brands.
- Business:
  - is responsible for sales and service of banking and financial products and services for SME and commercial business customers in Australia. SME and Commercial business customers typically have facilities up to approximately $150 million;
  - is responsible for Private Wealth, serving the banking needs of high net worth customers across the banking brands;
  - is responsible for the manufacture and distribution of investments (including margin lending and equities broking), superannuation and retirement products as well as wealth administration platforms; and
  - operates under the Westpac, St.George, BankSA, Bank of Melbourne and BT brands.
- Westpac Institutional Bank (WIB):
  - is responsible for delivering a broad range of financial products and services to commercial, corporate, institutional and government customers with connections in Australia and New Zealand;
  - services include financing, transactional banking, financial and debt capital markets;
  - customers are supported throughout Australia, as well as via branches and subsidiaries located in New Zealand, US, UK and Asia; and
  - also responsible for Westpac Pacific, providing a range of banking services in Fiji and Papua New Guinea.

Note 2. Segment reporting (continued)

- Westpac New Zealand:
  - is responsible for sales and service of banking, wealth and insurance products to customers in New Zealand;
  - customer base includes consumers, business and institutional customers; and
  - operates under the Westpac brand for banking products, the Westpac Life brand for life insurance products and the BT brand for wealth products.
- Group Businesses include:
  - Treasury, which is responsible for the management of the Group's balance sheet including wholesale funding, capital and management of liquidity. Treasury also manages the interest rate risk and foreign exchange risks inherent in the balance sheet, including managing the mismatch between Group assets and liabilities. Treasury's earnings are primarily sourced from managing the Group's balance sheet and interest rate risk (excluding Westpac New Zealand) within set risk limits;
  - Group Technology[1], which comprises functions for the Australian businesses, is responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration;
  - Core Support[2], which comprises functions performed centrally, including Australian banking operations, property services, strategy, finance, risk, compliance, legal, human resources and customer and corporate relations;
  - Following the Group's decision to restructure the Wealth operating segment and to exit the Advice business in March 2019, the remaining Advice activities (including associated remediation) and support functions have been transferred to Group Business; and
  - Group Businesses also includes earnings on capital not allocated to divisions, accounting entries for certain intra-group transactions that facilitate the presentation of the performance of the Group's operating segments, earnings from non-core asset sales, earnings and costs associated with the Group's fintech investments and certain other head office items such as centrally held provisions.
- For Westpac, AASB 9 and AASB 15 were adopted on 1 October 2018 and as comparatives were not restated, line item movements in our reported results are not directly comparable across periods. In order to provide the operational trends in business, we have revised the 2018 cash earnings comparatives as if the standards were adopted on 1 October 2017, except for expected credit loss provisioning which is not feasible. These adjustments do not impact Full Year 2018 cash earnings but affect individual line items. These adjustments are comprised of:
  - Line fees: The Group has reclassified line fees (mostly Business) from non-interest income to net interest income to more appropriately reflect the relationship with drawn lines of credit;
  - Card scheme: Support payments received from Mastercard and Visa have been reclassified to non-interest income and related expenses have been reclassified to operating expenses;
  - Interest carrying adjustment: Interest on performing loans (stage 1 and stage 2 loans) is now measured on the gross loan value. Previously, interest on performing loans was recognised on the loan balance net of provisions. This adjustment increases interest income and impairment charges;
  - Other fees and expenses: The Group has restated the classification of a number of fees and expenses. This has resulted in the grossing up of net interest income, non-interest income, impairment charges and operating expenses; and
  - Merchant terminal costs: Some variable costs related to Westpac's merchant terminal business have been reclassified between non-interest income and operating expenses.

Comparatives have also been restated for:

- recent customer migration and accompanying impacts on divisional income statement and balance sheet; and
- refinement in expense allocations; and
- changes to the Group's organisation structure following the realignment of the BTFG businesses into Consumer, Business and Group Businesses.

[1] Costs are fully allocated to other divisions in the Group.
[2] Costs are partially allocated to other divisions in the Group, with costs attributed to enterprise activity retained in Group Businesses.

Note 2. Segment reporting[1] (continued)

The tables below present the segment results on a cash earnings basis for the Group:

	Half Year Sept 19					
$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	4,059	2,573	700	915	317	8,564
Net fee income	297	232	291	88	(79)	829
Net wealth management and insurance income	231	455	-	96	(82)	700
Trading income	49	52	338	12	(8)	443
Other income	8	(19)	(19)	(7)	53	16
Net operating income before operating expenses and impairment charges	**4,644**	**3,293**	**1,310**	**1,104**	**201**	**10,552**
Operating expenses	(1,931)	(1,430)	(631)	(486)	(512)	(4,990)
Impairment (charges) / benefits	(313)	(198)	(31)	24	57	(461)
Profit before income tax	**2,400**	**1,665**	**648**	**642**	**(254)**	**5,101**
Income tax expense	(719)	(501)	(176)	(181)	32	(1,545)
Net profit attributable to non-controlling interests	-	-	(2)	-	(1)	(3)
Cash earnings for the period	**1,681**	**1,164**	**470**	**461**	**(223)**	**3,553**
Net cash earnings adjustments	-	(40)	-	4	94	58
Net profit for the period attributable to owners of Westpac Banking Corporation	**1,681**	**1,124**	**470**	**465**	**(129)**	**3,611**

	Half Year March 19					
$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	3,883	2,519	743	945	299	8,389
Net fee income	311	232	319	75	(111)	826
Net wealth management and insurance income	194	444	-	81	(396)	323
Trading income	44	54	357	25	(16)	464
Other income	7	14	6	53	21	101
Net operating income before operating expenses and impairment charges	**4,439**	**3,263**	**1,425**	**1,179**	**(203)**	**10,103**
Operating expenses	(1,886)	(1,375)	(653)	(453)	(674)	(5,041)
Impairment (charges) / benefits	(268)	(74)	(15)	(14)	38	(333)
Profit before income tax	**2,285**	**1,814**	**757**	**712**	**(839)**	**4,729**
Income tax expense	(678)	(547)	(210)	(188)	193	(1,430)
Net profit attributable to non-controlling interests	-	-	(3)	-	-	(3)
Cash earnings for the period	**1,607**	**1,267**	**544**	**524**	**(646)**	**3,296**
Net cash earnings adjustments	-	(5)	-	(5)	(113)	(123)
Net profit for the period attributable to owners of Westpac Banking Corporation	**1,607**	**1,262**	**544**	**519**	**(759)**	**3,173**

[1] The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.

Note 2. Segment reporting[1] (continued)

	Full Year Sept 19					
$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	7,942	5,092	1,443	1,860	616	16,953
Net fee income	608	464	610	163	(190)	1,655
Net wealth management and insurance income	425	899	-	177	(478)	1,023
Trading income	93	106	695	37	(24)	907
Other income	15	(5)	(13)	46	74	117
Net operating income before operating expenses and impairment charges	**9,083**	**6,556**	**2,735**	**2,283**	**(2)**	**20,655**
Operating expenses	(3,817)	(2,805)	(1,284)	(939)	(1,186)	(10,031)
Impairment (charges) / benefits	(581)	(272)	(46)	10	95	(794)
Profit before income tax	**4,685**	**3,479**	**1,405**	**1,354**	**(1,093)**	**9,830**
Income tax expense	(1,397)	(1,048)	(386)	(369)	225	(2,975)
Net profit attributable to non-controlling interests	-	-	(5)	-	(1)	(6)
Cash earnings for the period	**3,288**	**2,431**	**1,014**	**985**	**(869)**	**6,849**
Net cash earnings adjustments	-	(45)	-	(1)	(19)	(65)
Net profit for the period attributable to owners of Westpac Banking Corporation	**3,288**	**2,386**	**1,014**	**984**	**(888)**	**6,784**

	Full Year Sept 18					
$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Group Businesses	Group
Net interest income	7,850	5,284	1,442	1,799	812	17,187
Net fee income	659	511	610	164	(34)	1,910
Net wealth management and insurance income	549	1,012	212	149	95	2,017
Trading income	96	100	697	51	(18)	926
Other income	7	17	46	9	46	125
Net operating income before operating expenses and impairment charges	**9,161**	**6,924**	**3,007**	**2,172**	**901**	**22,165**
Operating expenses	(3,774)	(2,651)	(1,449)	(855)	(969)	(9,698)
Impairment (charges) / benefits	(486)	(321)	16	(22)	1	(812)
Profit before income tax	**4,901**	**3,952**	**1,574**	**1,295**	**(67)**	**11,655**
Income tax expense	(1,478)	(1,196)	(476)	(361)	(75)	(3,586)
Net profit attributable to non-controlling interests	-	-	(5)	-	1	(4)
Cash earnings for the period	**3,423**	**2,756**	**1,093**	**934**	**(141)**	**8,065**
Net cash earnings adjustments	(15)	(76)	-	13	108	30
Net profit for the period attributable to owners of Westpac Banking Corporation	**3,408**	**2,680**	**1,093**	**947**	**(33)**	**8,095**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 3. Net interest income[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Interest income[2]						
Calculated using the effective interest rate method						
Cash and balances with central banks	141	193	*(27)*	334	326	*2*
Collateral paid	99	102	*(3)*	201	129	*56*
Available-for-sale securities	-	-	-	-	1,914	*(100)*
Investment securities	961	958	-	1,919	-	-
Loans	14,679	15,350	*(4)*	30,029	29,583	*2*
Other financial assets	20	15	*33*	35	35	-
Total interest income calculated using the effective interest rate method	**15,900**	**16,618**	***(4)***	**32,518**	**31,987**	***2***
Other						
Net ineffectiveness on qualifying hedges	21	7	*200*	28	(18)	*large*
Trading securities and financial assets measured at FVIS	328	334	*(2)*	662	564	*17*
Loans	5	9	*(44)*	14	38	*(63)*
Total other	**354**	**350**	***1***	**704**	**584**	***21***
Total interest income	**16,254**	**16,968**	***(4)***	**33,222**	**32,571**	***2***
Interest expense						
Calculated using the effective interest rate method						
Collateral received	(37)	(20)	*85*	(57)	(45)	*27*
Deposits and other borrowings	(3,843)	(4,124)	*(7)*	(7,967)	(8,141)	*(2)*
Debt issues	(2,407)	(2,299)	*5*	(4,706)	(4,325)	*9*
Loan capital	(390)	(386)	*1*	(776)	(774)	-
Other financial liabilities	(131)	(143)	*(8)*	(274)	(318)	*(14)*
Total interest expense calculated using the effective interest rate method	**(6,808)**	**(6,972)**	***(2)***	**(13,780)**	**(13,603)**	***1***
Other						
Deposits and other borrowings	(427)	(551)	*(23)*	(978)	(880)	*11*
Trading liabilities	(27)	(888)	*(97)*	(915)	(959)	*(5)*
Debt issues	(110)	(53)	*108*	(163)	(155)	*5*
Bank Levy	(198)	(193)	*3*	(391)	(378)	*3*
Other interest expense	(40)	(48)	*(17)*	(88)	(91)	*(3)*
Total other	**(802)**	**(1,733)**	***(54)***	**(2,535)**	**(2,463)**	***3***
Total interest expense	**(7,610)**	**(8,705)**	***(13)***	**(16,315)**	**(16,066)**	***2***
Total net interest income	**8,644**	**8,263**	***5***	**16,907**	**16,505**	***2***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Refer to Note 14.*

Note 4. Non-interest income[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net fee income						
Facility fees	355	375	*(5)*	730	1,365	*(47)*
Transaction fees	601	624	*(4)*	1,225	1,182	*4*
Other non-risk fee income[2]	(17)	(59)	*(71)*	(76)	98	*large*
Fee income	**939**	**940**	***-***	**1,879**	**2,645**	***(29)***
Credit card loyalty programs	(58)	(63)	*(8)*	(121)	(126)	*(4)*
Transaction fee related expenses	(52)	(51)	*2*	(103)	(95)	*8*
Fee expenses	**(110)**	**(114)**	***(4)***	**(224)**	**(221)**	***1***
Net fee income	**829**	**826**	***-***	**1,655**	**2,424**	***(32)***
Net wealth management and insurance income						
Wealth management income[2]	**308**	**(32)**	***large***	**276**	**1,145**	***(76)***
Life insurance premium income	736	707	*4*	1,443	1,410	*2*
General insurance and LMI net premium earned	242	240	*1*	482	472	*2*
Life insurance investment and other income[3]	383	26	*large*	409	666	*(39)*
General insurance and LMI investment and other income	27	25	*8*	52	50	*4*
Total insurance premium, investment and other income	**1,388**	**998**	***39***	**2,386**	**2,598**	***(8)***
Life insurance claims and changes in insurance liabilities	(852)	(414)	*106*	(1,266)	(1,396)	*(9)*
General insurance and LMI claims and other expenses	(141)	(226)	*(38)*	(367)	(286)	*28*
Total insurance claims, changes in liabilities and other expenses	**(993)**	**(640)**	***55***	**(1,633)**	**(1,682)**	***(3)***
Net wealth management and insurance income	**703**	**326**	***116***	**1,029**	**2,061**	***(50)***
Trading income	**492**	**437**	***13***	**929**	**945**	***(2)***
Other income						
Dividends received from other entities	2	4	*(50)*	6	3	*100*
Net gain on sale of associates	-	38	*(100)*	38	-	*-*
Net gain on disposal of assets	59	2	*large*	61	24	*154*
Net gain/(loss) on derivatives held for risk management purposes[4]	17	(28)	*large*	(11)	8	*large*
Net gain/(loss) on financial instruments measured at fair value	(83)	44	*large*	(39)	38	*large*
Gain/(loss) on disposal of controlled entities	-	3	*(100)*	3	(9)	*large*
Rental income on operating leases	34	38	*(11)*	72	107	*(33)*
Share of associates' net profit/(loss)	(13)	(10)	*30*	(23)	(10)	*130*
Other[2,5]	(14)	36	*large*	22	(89)	*large*
Total other income	**2**	**127**	***(98)***	**129**	**72**	***79***
Total non-interest income	**2,026**	**1,716**	***18***	**3,742**	**5,502**	***(32)***

1 The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.
2 Refer to Note 14.
3 Includes policy holder tax recoveries.
4 Income from derivatives held for risk management purposes reflects the impact of economic hedges of foreign currency capital and earnings.
5 Full Year September 2018 included $104 million of impairment on the remaining shareholdings of Pendal.

Note 5. Operating expenses[1,2]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Staff expenses						
Employee remuneration, entitlements and on-costs	2,081	2,239	*(7)*	4,320	4,292	*1*
Superannuation expense	184	194	*(5)*	378	386	*(2)*
Share-based payments	51	57	*(11)*	108	95	*14*
Restructuring costs	77	155	*(50)*	232	114	*104*
Total staff expenses	**2,393**	**2,645**	***(10)***	**5,038**	**4,887**	***3***
Occupancy expenses						
Operating lease rentals	315	343	*(8)*	658	632	*4*
Depreciation of property and equipment	113	109	*4*	222	245	*(9)*
Other	69	74	*(7)*	143	156	*(8)*
Total occupancy expenses	**497**	**526**	***(6)***	**1,023**	**1,033**	***(1)***
Technology expenses						
Amortisation and impairment of software assets	385	334	*15*	719	620	*16*
Depreciation and impairment of IT equipment	61	68	*(10)*	129	141	*(9)*
Technology services	405	405	*-*	810	721	*12*
Software maintenance and licenses	186	185	*1*	371	342	*8*
Telecommunications	98	109	*(10)*	207	209	*(1)*
Data processing	45	38	*18*	83	77	*8*
Total technology expenses	**1,180**	**1,139**	***4***	**2,319**	**2,110**	***10***
Other expenses						
Professional and processing services	607	453	*34*	1,060	824	*29*
Amortisation and impairment of intangible assets and deferred expenditure	4	5	*(20)*	9	138	*(93)*
Postage and stationery	92	87	*6*	179	182	*(2)*
Advertising	116	129	*(10)*	245	173	*42*
Non-lending losses	67	(9)	*large*	58	133	*(56)*
Other	59	116	*(49)*	175	86	*103*
Total other expenses	**945**	**781**	***21***	**1,726**	**1,536**	***12***
Total operating expenses	**5,015**	**5,091**	***(1)***	**10,106**	**9,566**	***6***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Refer to Note 14.*

Note 6. Income tax

The income tax expense is reconciled to the profit before income tax as follows:

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Profit before income tax	**5,194**	**4,555**	***14***	**9,749**	**11,731**	***(17)***
Tax at the Australian company tax rate of 30%	1,558	1,367	*14*	2,925	3,519	*(17)*
The effect of amounts which are not deductible/ (assessable) in calculating taxable income						
Hybrid capital distributions	31	41	*(24)*	72	69	*4*
Life insurance:						
Tax adjustment on policyholder earnings	8	-	-	8	24	*(67)*
Adjustment for life business tax rates	(1)	-	-	(1)	(1)	-
Dividend adjustments	-	(1)	*(100)*	(1)	(1)	-
Other non-assessable items	(1)	(13)	*(92)*	(14)	(5)	*180*
Other non-deductible items	7	5	*40*	12	64	*(81)*
Adjustment for overseas tax rates	(16)	(16)	-	(32)	(28)	*14*
Income tax (over)/under provided in prior periods	(5)	(5)	-	(10)	9	*large*
Other items	(1)	1	*large*	-	(18)	*(100)*
Total income tax expense	**1,580**	**1,379**	***15***	**2,959**	**3,632**	***(19)***
Effective income tax rate	**30.42%**	**30.27%**	***15bps***	**30.35%**	**30.96%**	***(61bps)***

Note 7. Earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares on issue during the period, adjusted for treasury shares. Diluted EPS is calculated by adjusting the basic EPS by assuming all dilutive potential ordinary shares are converted.

	Half Year Sept 19		Half Year March 19		Full Year Sept 19		Full Year Sept 18	
$m	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**	**Basic**	**Diluted**
Net profit attributable to shareholders	3,611	3,611	3,173	3,173	6,784	6,784	8,095	8,095
Adjustment for Restricted Share Plan (RSP) dividends[1]	(4)	(4)	(2)	(2)	(6)	(6)	(5)	-
Adjustment for potential dilution:								
Distributions to convertible loan capital holders[2]	-	136	-	154	-	290	-	283
Adjusted net profit attributable to shareholders	**3,607**	**3,743**	**3,171**	**3,325**	**6,778**	**7,068**	**8,090**	**8,378**
Weighted average number of ordinary shares (millions)								
Weighted average number of ordinary shares on issue	3,470	3,470	3,442	3,442	3,456	3,456	3,414	3,414
Treasury shares (including RSP share rights)[1]	(6)	(6)	(6)	(6)	(6)	(6)	(8)	(8)
Adjustment for potential dilution:								
Share-based payments	-	1	-	1	-	1	-	3
Convertible loan capital[2]	-	283	-	278	-	278	-	232
Adjusted weighted average number of ordinary shares	**3,464**	**3,748**	**3,436**	**3,715**	**3,450**	**3,729**	**3,406**	**3,641**
Earnings per ordinary share (cents)	**104.1**	**99.9**	**92.3**	**89.5**	**196.5**	**189.5**	**237.5**	**230.1**

1 *Some RSP share rights have not vested and are not ordinary shares but do receive dividends. These RSP dividends are deducted to show the profit attributable to ordinary shareholders. RSP share rights were antidilutive for all periods presented, except for Full Year September 2018.*

2 *The Group has issued convertible loan capital which may convert into ordinary shares in the future. These convertible loan capital instruments are all dilutive, and diluted EPS is therefore calculated as if the instruments had been converted at the beginning of the respective period or, if later, the instruments' issue date.*

Note 8. Average balance sheet and interest rates[1]

	Full Year 30 September 2019			Full Year 30 September 2018		
	Average Balance $m	Income Interest $m	Average Rate %	Average Balance $m	Income Interest $m	Average Rate %
Assets						
Interest earning assets						
Collateral paid	10,823	201	1.9	8,085	129	1.6
Trading securities and financial assets measured at FVIS	29,074	662	2.3	24,118	564	2.3
Available-for-sale securities	-	-	-	61,540	1,914	3.1
Investment securities	63,787	1,919	3.0	-	-	-
Loans and other receivables[2]	695,240	30,440	4.4	681,201	29,964	4.4
Total interest earning assets and interest income	**798,924**	**33,222**	**4.2**	**774,944**	**32,571**	**4.2**
Non-interest earning assets						
Derivative financial instruments[3]	25,959			26,443		
Life insurance assets	9,610			10,664		
All other assets[3]	60,231			61,259		
Total non-interest earning assets[3]	**95,800**			**98,366**		
Total assets[3]	**894,724**			**873,310**		
Liabilities						
Interest bearing liabilities						
Collateral received	3,617	57	1.6	2,909	45	1.5
Deposits and other borrowings	506,789	8,945	1.8	499,973	9,021	1.8
Loan capital	18,181	776	4.3	17,997	774	4.3
Other interest bearing liabilities	205,695	6,537	3.2	194,630	6,226	3.2
Total interest bearing liabilities and interest expense	**734,282**	**16,315**	**2.2**	**715,509**	**16,066**	**2.2**
Non-interest bearing liabilities						
Deposits and other borrowings	49,270			47,177		
Derivative financial instruments[3]	26,568			26,218		
Life insurance policy liabilities	7,653			8,874		
All other liabilities[3]	13,187			13,484		
Total non-interest bearing liabilities[3]	**96,678**			**95,753**		
Total liabilities[3]	**830,960**			**811,262**		
Shareholders' equity	63,714			62,017		
Non-controlling interests	50			31		
Total equity	**63,764**			**62,048**		
Total liabilities and equity[3]	**894,724**			**873,310**		
Loans and other receivables[2]						
Australia	589,427	25,931	4.4	578,679	25,700	4.4
New Zealand	79,255	3,650	4.6	73,902	3,516	4.8
Other overseas	26,558	859	3.2	28,620	748	2.6
Deposits and other borrowings						
Australia	425,799	7,023	1.6	422,006	7,308	1.7
New Zealand	54,720	1,235	2.3	51,368	1,196	2.3
Other overseas	26,270	687	2.6	26,599	517	1.9

1 The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.

2 For Full Year 2019, loans and other receivables are net of Stage 3 provisions to reflect the adoption of AASB 9 where interest income is determined based on their carrying value, net of Stage 3 provisions. Stages 1 and 2 provisions were not included in the average interest earning assets balance as interest income is determined based on the gross value of loans and other receivables. For Full Year 2018, loans and other receivables are net of provisions for impairment charges on loans as interest income is determined based on their carrying value, net of provisions for impairment charges on loans.

3 Derivative assets for the year ended 30 September 2018 were restated from $34,702 million to $26,443 million, all other assets were restated from $61,938 million to $61,259 million, derivative liabilities were restated from $37,504 million to $26,218 million and all other liabilities were restated from $12,199 million to $13,484 million. Accordingly, total non-interest earning assets, total assets, total non-interest bearing liabilities, and total liabilities and equity.

Note 9. Loans[1]

$m	Note	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Australia						
Housing		449,201	447,164	444,741	-	*1*
Personal[2]		21,247	22,463	22,997	*(5)*	*(8)*
Business		152,360	152,424	154,347	-	*(1)*
Total Australia		**622,808**	**622,051**	**622,085**	**-**	**-**
New Zealand						
Housing		47,731	47,499	44,772	-	*7*
Personal[2]		1,709	1,855	1,869	*(8)*	*(9)*
Business		29,285	29,990	27,701	*(2)*	*6*
Total New Zealand		**78,725**	**79,344**	**74,342**	***(1)***	***6***
Total other overseas		**16,845**	**16,539**	**16,077**	***2***	***5***
Total loans		**718,378**	**717,934**	**712,504**	**-**	***1***
Provisions for expected credit losses/impairment charges on loans	10	(3,608)	(3,637)	(2,814)	*(1)*	*28*
Total net loans[3,4]		**714,770**	**714,297**	**709,690**	**-**	***1***

[1] The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.

[2] Margin lending and other are included in Personal loans.

[3] Total net loans include securitised loans of $7,737 million as at 30 September 2019 (31 March 2019: $8,901 million; 30 September 2018: $7,135 million). The level of securitised loans excludes loans where Westpac is the holder of related debt securities.

[4] Total net loans include assets pledged for the covered bond programs of $38,832 million as at 30 September 2019 (31 March 2019: $37,548 million; 30 September 2018: $35,175 million).

Note 10. Provisions for expected credit losses/impairment charges[1]

Loans and credit commitments

The following table reconciles the 30 September 2019 provision for ECL on loans and credit commitments based on the requirements of AASB 9.

Consolidated $m	Performing Stage 1	 Stage 2	Non-performing Stage 3	Collectively assessed provisions	Individually assessed provisions	Total
Provision for impairment charges as at 30 September 2018	**-**	**-**	**-**	**2,631**	**422**	**3,053**
Restatement for adoption of AASB 9	877	1,884	1,272	(2,631)	(422)	980
Restated provision for ECL as at 1 October 2018	**877**	**1,884**	**1,272**	**-**	**-**	**4,033**
Transfers to Stage 1	1,458	(1,404)	(54)	-	-	-
Transfers to Stage 2	(242)	956	(714)	-	-	-
Transfers to Stage 3	(5)	(621)	626	-	-	-
Business activity during the year	179	(19)	(330)	-	-	(170)
Net remeasurement of provision for ECL	(1,385)	874	1,647	-	-	1,136
Write-offs	-	-	(1,154)	-	-	(1,154)
Exchange rate and other adjustments	2	4	62	-	-	68
Total provision for ECL on loans and credit commitments as at 30 September 2019	**884**	**1,674**	**1,355**	**-**	**-**	**3,913**
Presented as:						
Provision for ECL on cedit commitments (refer to Note 14)	121	178	6	-	-	305
Provision for ECL on loans (refer to Note 9)	763	1,496	1,349	-	-	3,608
Total provision for ECL on loans and credit commitments as at 30 September 2019	**884**	**1,674**	**1,355**	**-**	**-**	**3,913**
Of which:						
Individually assessed provisions	-	-	412	-	-	412
Collectively assessed provisions	884	1,674	943	-	-	3,501
Total provision for ECL on loans and credit commitments as at 30 September 2019	**884**	**1,674**	**1,355**	**-**	**-**	**3,913**

Reconciliation of impairment charges

The following table details impairment charges for the year ending 30 September 2019 based on the requirements of AASB 9.

$m	Half Year Sept 19	Half Year March 19	Full Year Sept 19
Provisions raised			
Net changes in provisions	562	404	966
Recoveries	(101)	(71)	(172)
Impairment charges	**461**	**333**	**794**
of which relates to:			
Loans and credit commitments	462	332	794
Debt securities at amortised cost	(1)	1	-
Impairment charges	**461**	**333**	**794**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 10. Provisions for expected credit losses/impairment charges (continued)

Investment Securities – debt securities

The following table reconciles the 30 September 2019 provision for ECL on debt securities based on the requirements of AASB 9.

$m	Debt securities at FVOCI[1]	Debt securities at amortised cost	Total debt securities
Provision for impairment charges as at 30 September 2018	-	-	-
Restatement for adoption of AASB 9	2	9	11
Restated provision for ECL as at 1 October 2018	**2**	**9**	**11**
Stage 1 - change in the provision during the period	-	-	-
Provision for ECL charges as at 30 September 2019	**2**	**9**	**11**

No impairment was provided as at 30 September 2018 for these securities which were previously classified as Available-for-sale securities under AASB 139, as no impairment had been incurred.

Comparative disclosures

As comparatives have not been restated for the adoption of AASB 9, the following tables are presented based on the requirements of AASB 139. In subsequent reporting periods, as AASB 9 will have been effective for this disclosure for all periods presented in the 2019 Financial Report, these tables will no longer be presented.

Provisions for impairment charges on loans and credit commitments

$m	Full Year Sept 18
Individually assessed provisions	
Opening balance	480
Provisions raised	371
Write-backs	(150)
Write-offs	(269)
Interest adjustment	(11)
Other adjustments	1
Closing balance	**422**
Collectively assessed provisions	
Opening balance	2,639
Provisions raised	668
Write-offs	(858)
Interest adjustment	179
Other adjustments	3
Closing balance	**2,631**
Total provisions for impairment charges on loans and credit commitments	**3,053**
Less: provisions for credit commitments	(239)
Total provisions for impairment charges on loans	**2,814**

Impairment charges

$m	Full Year Sept 18
Individually assessed provisions raised	371
Write-backs	(150)
Recoveries	(179)
Collectively assessed provisions raised	668
Impairment charges	**710**

[1] *Impairment on debt securities at FVOCI is recognised in the income statement with a corresponding amount in other comprehensive income (refer to Note 15). There is no reduction for the carrying value of the debt securities which remain at fair value.*

Note 11. Credit quality[1]

The loan and credit commitments balance in stage 3 (non-performing) is represented by those loans and credit commitments which are in default. A default occurs when Westpac considered that the customer is unlikely to repay its credit obligations in full, irrespective of recourse by the Group to actions such as realising security, or the customer is more than 90 days past due on any material credit obligation. This definition of default is aligned to the APRA regulatory definition of default and can be disaggregated into:

- Impaired loans and credit commitments (which is where the customer is unlikely to pay its credit obligations in full including restructured loans); and
- Items 90 days past due, or otherwise in default but not impaired.

Further detail of these balances is as follows:

Impaired loans and credit commitments

	Australia			New Zealand			Other overseas			Total		
$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2019
Housing and business:												
Gross amount	1,215	1,204	882	62	105	124	50	11	13	1,327	1,320	1,019
Impairment provisions[2]	(491)	(513)	(422)	(26)	(40)	(30)	(17)	(5)	(6)	(534)	(558)	(458)
Net	724	691	460	36	65	94	33	6	7	793	762	561
Personal greater than 90 days past due:												
Gross amount	384	379	358	20	19	12	1	-	1	405	398	371
Impairment provisions[3]	(233)	(215)	(179)	(15)	(17)	(9)	-	-	(1)	(248)	(232)	(189)
Net	151	164	179	5	2	3	1	-	-	157	166	182
Restructured:												
Gross amount	16	12	9	12	16	14	3	3	3	31	31	26
Impairment provisions[2]	(6)	(6)	(1)	(3)	(3)	(4)	(1)	(1)	(1)	(10)	(10)	(6)
Net	10	6	8	9	13	10	2	2	2	21	21	20
Total Impaired exposures:												
Gross amount	1,615	1,595	1,249	94	140	150	54	14	17	1,763	1,749	1,416
Impairment provisions[2,4]	(730)	(734)	(602)	(44)	(60)	(43)	(18)	(6)	(8)	(792)	(800)	(653)
Net	**885**	**861**	**647**	**50**	**80**	**107**	**36**	**8**	**9**	**971**	**949**	**763**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Includes individually assessed provisions and collectively assessed provisions on impaired exposures.*

[3] *Includes collectively assessed provisions on impaired exposures.*

[4] *The impairment provision of $792 million for impaired exposures and the impairment provision of $563 million for items 90 days past due, or otherwise in default and not impaired equates to the stage 3 provisions for ECL on loans and credit commitments of $1,355 million.*

Note 11. Credit quality (continued)

Items 90 days past due, or otherwise in default, but not impaired

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
Australia	4,684	4,295	3,861	*9*	*21*
New Zealand	340	192	127	*77*	*168*
Other overseas	64	35	29	*83*	*121*
Total[1]	**5,088**	**4,522**	**4,017**	***13***	***27***

[1] The impairment provision of $792 million for impaired exposures and the impairment provision of $563 million for items 90 days past due, or otherwise in default and not impaired equates to the stage 3 provisions for ECL on loans and credit commitments of $1,355 million.

Note 12. Deposits and other borrowings

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
Australia					
Certificates of deposit	26,259	31,123	28,746	*(16)*	*(9)*
Non-interest bearing, repayable at call	43,341	42,690	41,783	*2*	*4*
Other interest bearing at call	247,161	222,733	233,052	*11*	*6*
Other interest bearing term	158,564	168,313	171,832	*(6)*	*(8)*
Total Australia	**475,325**	**464,859**	**475,413**	***2***	***-***
New Zealand					
Certificates of deposit	1,058	858	1,116	*23*	*(5)*
Non-interest bearing, repayable at call	6,368	6,110	5,406	*4*	*18*
Other interest bearing at call	22,291	23,488	21,368	*(5)*	*4*
Other interest bearing term	31,084	31,918	29,897	*(3)*	*4*
Total New Zealand	**60,801**	**62,374**	**57,787**	***(3)***	***5***
Other overseas					
Certificates of deposit	11,414	11,383	11,672	*-*	*(2)*
Non-interest bearing, repayable at call	824	800	830	*3*	*(1)*
Other interest bearing at call	1,610	1,323	1,638	*22*	*(2)*
Other interest bearing term	13,273	14,268	11,945	*(7)*	*11*
Total other overseas	**27,121**	**27,774**	**26,085**	***(2)***	***4***
Total deposits and other borrowings	**563,247**	**555,007**	**559,285**	***1***	***1***

Note 13. Fair values of financial assets and financial liabilities

Fair Valuation Control Framework

The Group uses a Fair Valuation Control Framework where the fair value is either determined or validated by a function independent of the transaction. This framework formalises the policies and procedures used to achieve compliance with relevant accounting, industry and regulatory standards. The framework includes specific controls relating to:

- the revaluation of financial instruments;
- independent price verification;
- fair value adjustments; and
- financial reporting.

A key element of the framework is the Revaluation Committee, comprising senior valuation specialists from within the Group. The Revaluation Committee reviews the application of the agreed policies and procedures to assess that a fair value measurement basis has been applied.

The method of determining fair value differs depending on the information available.

Fair value hierarchy

A financial instrument's categorisation within the valuation hierarchy is based on the lowest level input that is significant to the fair value measurement.

The Group categorises all fair value instruments according to the hierarchy described below.

Valuation techniques

The Group applies market accepted valuation techniques in determining the fair valuation of over the counter (OTC) derivatives. This includes credit valuation adjustments (CVA) and funding valuation adjustments (FVA), which incorporate credit risk and funding costs and benefits that arise in relation to uncollateralised derivative positions, respectively.

The specific valuation techniques, the observability of the inputs used in valuation models and the subsequent classification for each significant product category are outlined below:

Level 1 instruments

The fair value of financial instruments traded in active markets is based on recent unadjusted quoted prices. These prices are based on actual arm's length basis transactions.

The valuations of Level 1 instruments require little or no management judgement.

Instrument	Balance sheet category	Includes:	Valuation
Exchange traded products	Derivatives	Exchange traded interest rate futures and options and commodity, energy and carbon futures	All these instruments are traded in liquid, active markets where prices are readily observable. No modelling or assumptions are used in the valuation.
Foreign exchange products	Derivatives	FX spot and futures contracts	
Equity products	Derivatives Trading securities and financial assets measured at FVIS Other financial liabilities	Listed equities and equity indices	
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Available-for-sale securities/ Investment securities Other financial liabilities	Australian Commonwealth and New Zealand government bonds	
Life insurance assets and liabilities	Life insurance assets Life insurance liabilities	Listed equities, exchange traded derivatives and short sale of listed equities within controlled managed investment schemes	

Note 13. Fair values of financial assets and financial liabilities (continued)

Level 2 instruments

The fair value for financial instruments that are not actively traded is determined using valuation techniques which maximise the use of observable market prices. Valuation techniques include:

- the use of market standard discounting methodologies;
- option pricing models; and
- other valuation techniques widely used and accepted by market participants.

Instrument	Balance sheet category	Includes:	Valuation
Interest rate products	Derivatives	Interest rate and inflation swaps, swaptions, caps, floors, collars and other non-vanilla interest rate derivatives	Industry standard valuation models are used to calculate the expected future value of payments by product, which is discounted back to a present value. The model's interest rate inputs are benchmark interest rates and active broker quoted interest rates in the swap, bond and future markets. Interest rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.
Foreign exchange products	Derivatives	FX swap, FX forward contracts, FX options and other non-vanilla FX derivatives	Derived from market observable inputs or consensus pricing providers using industry standard models.
Other credit products	Derivatives	Single Name and Index credit default swaps (CDS)	Valued using an industry standard model that incorporates the credit spread as its principal input. Credit spreads are obtained from consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.
Commodity products	Derivatives	Commodity, energy and carbon derivatives	Valued using industry standard models. The models calculate the expected future value of deliveries and payments and discount them back to a present value. The model inputs include forward curves, volatilities implied from market observable inputs, discount curves and underlying spot and futures prices. The significant inputs are market observable or available through a consensus data service. If consensus prices are not available, these are classified as Level 3 instruments.
Equity products	Derivatives	Exchange traded equity options, OTC equity options and equity warrants	Due to low liquidity, exchange traded options are Level 2. Valued using industry standard models based on observable parameters such as stock prices, dividends, volatilities and interest rates.
Asset backed debt instruments	Trading securities and financial assets measured at FVIS Available-for-sale securities/ Investment securities	Australian residential mortgage backed securities (RMBS) denominated in Australian dollar and other asset backed securities (ABS)	Valued using an industry approach to value floating rate debt with prepayment features. Australian RMBS are valued using prices sourced from a consensus data provider. If consensus prices are not available these are classified as Level 3 instruments.

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Note 13. Fair values of financial assets and financial liabilities (continued)

Level 2 instruments (continued)

Instrument	Balance sheet category	Includes:	Valuation
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Available-for-sale securities/ Investment securities Other financial liabilities	State and other government bonds, corporate bonds and commercial paper Repurchase agreements and reverse repurchase agreements over non-asset backed debt securities	Valued using observable market prices, which are sourced from consensus pricing services, broker quotes or inter-dealer prices.
Loans at fair value	Loans	Fixed rate bills and syndicated loans	Discounted cash flow approach, using a discount rate which reflects the terms of the instrument and the timing of cash flows, adjusted for creditworthiness, or expected sale amount.
Certificates of deposit	Deposits and other borrowings	Certificates of deposit	Discounted cash flow using market rates offered for deposits of similar remaining maturities.
Debt issues at fair value	Debt issues	Debt issues	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in Westpac's implied credit worthiness.
Life insurance assets and liabilities	Life insurance assets Life insurance liabilities	Corporate bonds, over the counter derivatives, units in unlisted unit trusts, life insurance contract liabilities, life investment contract liabilities and external liabilities of managed investment schemes controlled by statutory life funds	Valued using observable market prices or other widely used and accepted valuation techniques utilising observable market input.

Level 3 instruments

Financial instruments valued where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data due to illiquidity or complexity of the product. These inputs are generally derived and extrapolated from other relevant market data and calibrated against current market trends and historical transactions.

These valuations are calculated using a high degree of management judgement.

Instrument	Balance sheet category	Includes:	Valuation
Asset backed debt instruments	Trading securities and financial assets measured at FVIS	Collateralised loan obligations	As prices for these securities are not available from a consensus provider these are revalued based on third party revaluations (lead manager or inter-dealer). Due to their illiquidity and/or complexity they are classified as Level 3 assets.
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Available-for-sale securities/ Investment securities	Offshore non-asset backed debt instruments and debt securities issued via private placement	These securities are evaluated by an independent pricing service or based on third party revaluations. Due to their illiquidity and/or complexity these are classified as Level 3 assets
Equity investments	Trading securities and financial assets measured at FVIS Available-for-sale securities/ Investment securities	Strategic equity investments, investments in unlisted funds and investments in boutique investment management companies	Valued using valuation techniques appropriate to the investment, including the use of recent arm's length transactions where available, discounted cash flow approach, reference to the net assets of the entity or to the most recent fund unit pricing. Due to their illiquidity, complexity and/or use of unobservable inputs into valuation models, they are classified as Level 3 assets.

Note 13. Fair values of financial assets and financial liabilities[1] (continued)

The following tables summarise the attribution of financial instruments measured at fair value to the fair value hierarchy:

$m As at 30 September 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	10,440	21,121	220	31,781
Derivative financial instruments	7	29,828	24	29,859
Investment securities	11,163	61,284	134	72,581
Loans	-	239	21	260
Life insurance assets	1,097	8,270	-	9,367
Total financial assets measured at fair value on a recurring basis	**22,707**	**120,742**	**399**	**143,848**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	38,413	-	38,413
Other financial liabilities	262	5,108	-	5,370
Derivative financial instruments	8	29,059	29	29,096
Debt issues	-	5,819	-	5,819
Life insurance liabilities	-	7,377	-	7,377
Total financial liabilities measured at fair value on a recurring basis	**270**	**85,776**	**29**	**86,075**
As at 31 March 2019				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	10,039	19,037	231	29,307
Derivative financial instruments	10	21,735	20	21,765
Investment securities	10,796	56,816	112	67,724
Loans	-	394	19	413
Life insurance assets	1,255	8,119	-	9,374
Total financial assets measured at fair value on a recurring basis	**22,100**	**106,101**	**382**	**128,583**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	43,119	-	43,119
Other financial liabilities	211	4,715	-	4,926
Derivative financial instruments	10	23,344	30	23,384
Debt issues	-	3,934	-	3,934
Life insurance liabilities	-	7,503	-	7,503
Total financial liabilities measured at fair value on a recurring basis	**221**	**82,615**	**30**	**82,866**
As at 30 September 2018				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	8,958	13,844	330	23,132
Derivative financial instruments	20	24,066	15	24,101
Available-for-sale securities	11,996	48,504	619	61,119
Loans	-	546	-	546
Life insurance assets	1,345	8,105	-	9,450
Total financial assets measured at fair value on a recurring basis	**22,319**	**95,065**	**964**	**118,348**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	41,178	-	41,178
Other financial liabilities	496	3,801	-	4,297
Derivative financial instruments	76	24,325	6	24,407
Debt issues	-	3,355	-	3,355
Life insurance liabilities	-	7,597	-	7,597
Total financial liabilities measured at fair value on a recurring basis	**572**	**80,256**	**6**	**80,834**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 13. Fair values of financial assets and financial liabilities (continued)

Reconciliation of non-market observables[1]

The following table summarises the changes in financial instruments carried at fair value derived from non-market observable valuation techniques (Level 3):

	Full Year Sept 19						
$m	Trading securities and financial assets designated at fair value	Available-for-sale securities	Investment securities	Other[2]	Total Level 3 assets	Derivatives	Total Level 3 liabilities
Balance as at beginning of year	**330**	**619**	**-**	**15**	**964**	**6**	**6**
Impact on adoption of AASB 9	4	(619)	109	14	(492)	-	-
Restated opening balance	**334**	**-**	**109**	**29**	**472**	**6**	**6**
Gains/(losses) on assets and (gains)/ losses on liabilities recognised in:							
Income statements	36	-	-	12	48	7	7
Other comprehensive income	-	-	11	-	11	-	-
Acquisitions and issues	63	-	36	16	115	4	4
Disposals and settlements	(216)	-	(22)	(12)	(250)	(6)	(6)
Transfers into or out of non-market observables	-	-	-	-	-	18	18
Foreign currency translation impacts	3	-	-	-	3	-	-
Balance as at end of year	**220**	**-**	**134**	**45**	**399**	**29**	**29**
Unrealised gains/(losses) recognised in the income statement for financial instruments held as at end of year	26	-	-	16	42	(11)	(11)

Transfers into and out of Level 3 have occurred due to changes in observability in the significant inputs into the valuation models used to determine the fair value of the related financial instruments. Transfers in and transfers out are reported using the end of year fair values.

Significant unobservable inputs

Sensitivities to reasonably possible changes in non-market observable valuation assumptions would not have a material impact on the Group's reported results.

Day one profit or loss

The closing balance of unrecognised day one profit for the year was $3 million (30 September 2018: $4 million profit).

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Other is comprised of derivative financial assets and certain loans.*

Note 13. Fair values of financial assets and financial liabilities (continued)

Financial instruments not measured at fair value[1]

The following table summarises the estimated fair value of financial instruments not measured at fair value for the Group:

	As at 30 Sept 2019		As at 31 March 2019		As at 30 Sept 2018	
$m	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets not measured at fair value						
Cash and balances with central banks	20,059	20,059	19,486	19,486	26,788	26,788
Collateral paid	5,930	5,930	6,103	6,103	4,787	4,787
Investment securities	820	820	812	812	-	-
Loans	714,510	716,130	713,884	714,341	709,144	709,446
Other financial assets	5,367	5,367	6,444	6,444	5,517	5,517
Total financial assets not measured at fair value	**746,686**	**748,306**	**746,729**	**747,186**	**746,236**	**746,538**
Financial liabilities not measured at fair value						
Collateral received	3,287	3,287	1,889	1,889	2,184	2,184
Deposits and other borrowings	524,834	525,516	511,888	512,544	518,107	518,791
Other financial liabilities	23,845	23,845	24,087	24,087	23,808	23,808
Debt issues[2]	175,638	176,838	184,825	185,423	169,241	170,060
Loan capital	21,826	22,076	16,736	16,655	17,265	17,438
Total financial liabilities not measured at fair value	**749,430**	**751,562**	**739,425**	**740,598**	**730,605**	**732,281**

A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 22 of the Annual Report.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *The estimated fair value of debt issues includes the impact of changes in Westpac's credit spreads since origination.*

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments[1]

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is likely to be necessary to settle the obligation and can be reliably estimated. Provisions raised by the Group are set out in the table in the "Provisions" section below. Where it is not probable there will be an outflow of economic resources or where a liability cannot be reliably estimated a contingent liability may exist.

Provisions

$m	Long service leave	Annual leave and other employee benefits	Litigation and non-lending losses	Provision for impairment on credit commitments[1]	Leasehold	Restructuring	Compliance, regulation and remediation	Total
Balance at 30 September 2018	**417**	**699**	**53**	**239**	**24**	**27**	**469**	**1,928**
Impact on adoption of AASB 9	-	-	-	98	-	-	-	98
Restated opening balance	**417**	**699**	**53**	**337**	**24**	**27**	**469**	**2,026**
Additions	90	866	66	-	7	259	1,489	2,777
Utilisation	(51)	(931)	(81)	-	(7)	(125)	(324)	(1,519)
Reversal of unutilised provisions	-	(20)	-	(32)	-	(1)	(61)	(114)
Other	-	-	-	-	-	-	(1)	(1)
Balance at 30 September 2019	**456**	**614**	**38**	**305**	**24**	**160**	**1,572**	**3,169**

Compliance, regulation and remediation provisions

Provisions in respect of compliance, regulation and remediation at 30 September 2019 include:

- customer refunds associated with certain ongoing advice service fees charged by the Group's salaried financial planners;
- customer refunds associated with certain ongoing advice service fees charged by authorised representatives of the Group's wholly owned subsidiaries Securitor Financial Group Limited (Securitor) and Magnitude Group Pty Ltd (Magnitude);
- refunds for certain consumer and business customers that had interest only loans that did not automatically switch, when required, to principal and interest loans; and
- refunds to certain business customers who were provided with business loans where they should have been provided with loans covered by the *National Consumer Credit Protection Act 2009* (Cth).

The provisions for certain ongoing advice service fees charged by the Group's salaried financial planners and by authorised representatives of Securitor and Magnitude require significant judgement and are summarised as follows:

Customer refunds associated with certain ongoing advice service fees charged by the Group's salaried financial planners

Westpac has raised a provision for customer refunds associated with certain ongoing advice service fees charged by the Group's salaried financial planners during the period 2008 to 2018, including instances where records of financial advice are insufficient.

A number of estimates have been used and judgements have been applied in determining the provision of $276 million as at 30 September 2019. These include:

- total fees received by the Group in respect of salaried financial planners in the period 2008 to 2018 were approximately $594 million;
- the proportion of total fees that are estimated to be refunded is 26%. The key assumption in this estimate relates to the nature and extent of records to evidence that services were provided; and
- the time value of money including the forecast timing over which payments are likely to be made.

The provision also includes estimated costs associated with running the remediation program.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments (continued)

Ongoing advice service fees charged by authorised representatives of Securitor and Magnitude

The Group has estimated customer remediation costs (including interest on refunded fees and additional costs to implement the remediation program) where customers of authorised representatives of the Group's wholly owned subsidiaries Securitor and Magnitude paid ongoing advice service fees to those representatives and where it is not clear that the services were provided. The ongoing advice service fees were charged during the period from 2008 to 2018.

There are challenges involved in determining the extent of the services provided by authorised representatives who are no longer operating under the Magnitude and Securitor licences because, amongst other things, many of the former authorised representatives' files have been difficult to access particularly where authorised representatives have ceased operating under the Group’s licences or have left the industry.

As a result, we have conducted sample based reviews in order to develop an estimate of fees that may need to be refunded. The insights from these reviews have informed a number of the estimates that have been used and the judgements which have been applied in estimating the provision of $606 million at 30 September 2019. They include:

- Total fees received by authorised representatives from their customers in the period 2008 to 2018 were approximately $936 million; and
- The proportion of fees that are estimated to be refundable under the current proposed remediation methodology is 32%. The key assumptions in this estimate include:
  - The basis for refunding customers of the authorised representatives; and
  - The nature, extent and availability of records to evidence that service was provided.
- Changes in how the time value of money is calculated by including the forecast timing over which payments are likely to be made

The provision also includes estimated program costs.

The provision is necessarily based on a number of assumptions and incomplete information. Westpac is also yet to finalise its remediation approach which may change following industry and regulator discussions. It is possible that the final outcome could be below or above the provision, if the actual outcome differs to the assumptions used in estimating the provision. Remediation processes may change over time as further facts emerge and such changes could result in a change to the final exposure.

Restructuring provisions

The Group holds restructuring provisions in relation to management changes to the scope or manner of certain business activities.

During the year, the Group raised a restructuring provision in relation to the reset of its wealth strategy which was announced on 19 March 2019. This resulted in a number of changes to its wealth business. Key changes that have been made include:

- The realigning of the major BT businesses into expanded Consumer and Business divisions;
- Exit of the provision of personal financial advice by Westpac Group salaried financial planners and authorised representatives;
- Moved to a referral model for financial advice by utilising a panel of advisers or adviser firms; and
- Sold part of the advice business to Viridian Advisory. This enabled many BT Financial Advice ongoing advice customers to transfer to Viridian Advisory. A number of the Group's salaried financial advisers and support staff transitioned to Viridian Advisory from 1 July 2019. Some authorised representatives also moved to Viridian Advisory prior to 30 September 2019.

Other provisions

The Group also holds certain provisions relating to previously claimed research and development tax incentives.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events and present obligations where the transfer of economic resources is not probable or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the outflow of economic resource is remote.

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments (continued)

Regulatory actions

Regulators and other bodies routinely conduct investigations and reviews involving the financial services sector, both in Australia and overseas. These investigations and reviews may consider a range of subject matters, and in Australia, a number of investigations and reviews have recently considered, and continue to consider, potential misconduct in credit and financial services.

Domestic regulators such as ASIC, APRA, ACCC, AUSTRAC, the OAIC and the ATO, as well as certain international regulators such as the Reserve Bank of New Zealand, Financial Markets Authority in New Zealand, Hong Kong Monetary Authority, Monetary Authority of Singapore and National Futures Association in the U.S. are also currently conducting investigations and reviews and inquiries (some of which are industry-wide) that involve or may involve the Group in the future. These investigations and reviews are separately considering a range of matters, including matters such as ongoing advice services fees, responsible lending, residential mortgages, credit portfolio management, consumer credit insurance, privacy and information governance, the provision of financial advice, competition law conduct, anti-money laundering and counter-terrorism financing processes and procedures, and financial markets conduct.

Westpac has also received various notices and requests for information from regulators as part of both industry-wide and Westpac-specific investigations and reviews and inquiries.

These investigations and reviews and inquiries, which may be conducted by a regulator, and in some cases also an external third party retained either by the regulator or by the Group (including where a matter has been self- identified by the Group), may result in litigation (including class action proceedings against the Group), fines, imposition of additional capital, civil or criminal penalties, revocation, suspension or variation of conditions of relevant regulatory licences or other enforcement or administrative action being taken by regulators or other parties. An assessment of the likely cost to the Group of these investigations and reviews and actions has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated.

One regulatory action currently being conducted relates to International Funds Transfer Instructions (IFTIs) required to be reported under Australia's AML/CTF Act. Under the Act, the 'sender' financial institution of an IFTI transmitted out of Australia, or the 'recipient' financial institution of an IFTI transmitted into Australia, is required to report the IFTI to AUSTRAC within 10 business days of the instruction being sent or received. As reported in the Group's 2018 Annual Report, the Group self-reported to AUSTRAC a failure to report a large number of IFTIs. The majority of the IFTIs which are the subject of the Group's engagement with AUSTRAC, concern batch instructions received by Westpac through one WIB product between 2009 and 2018 from a small number of correspondent banks for payments made predominantly to beneficiaries living in Australia in Australian dollars, on behalf of clients of those correspondent banks. The majority of the payments were low value, recurring and made by foreign government pension funds and corporates.

AUSTRAC has issued a number of detailed statutory notices over the last year requiring information relating to the Group's processes, procedures and oversight. These notices relate to a range of matters including these IFTI reporting failures and associated potential failings related to record keeping and obligations to obtain and pass on certain data in funds transfer instructions, as well as correspondent banking due diligence, risk assessments and transaction monitoring. Westpac has not yet received an indication from AUSTRAC about the nature of any enforcement action it may take. The Group is continuing to work with AUSTRAC in relation to these matters.

Any enforcement action against Westpac may include civil penalty proceedings and result in the payment of a significant financial penalty, which Westpac is currently unable to reliably estimate. Previous enforcement action by AUSTRAC against other institutions has resulted in a range of outcomes, depending on the nature and severity of the relevant conduct and its consequences.

As AUSTRAC is still investigating these issues, any penalty cannot be reliably estimated and accordingly no provision has been raised for this matter.

Litigation

There are ongoing court proceedings, claims and possible claims for and against the Group. Contingent liabilities exist in respect of actual and potential claims and proceedings, including those listed below. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated, including in relation to those listed below.

- On 1 March 2017, ASIC commenced litigation in relation to certain Westpac home loans (including certain interest only loans) alleging contraventions of the *National Consumer Credit Protection Act 2009* (Cth). The proceedings were heard in May 2019. On 13 August 2019, the Court handed down its judgment in the proceedings, and dismissed ASIC's case. On 10 September 2019, ASIC filed an appeal in relation to the decision. No provision has been recognised in relation to this matter.

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments (continued)

- On 22 December 2016, ASIC commenced Federal Court proceedings against BT Funds Management Limited (BTFM) and Westpac Securities Administration Limited (WSAL) in relation to a number of superannuation account consolidation campaigns conducted between 2013 and 2016. ASIC has alleged that in the course of some of these campaigns, customers were provided with personal advice in contravention of a number of *Corporations Act 2001* (Cth) provisions, and selected 15 specific customers as the focus of their claim. In December 2018 the primary Court handed down a judgment in which it held that no personal advice had been provided and that BTFM and WSAL did not contravene the relevant personal advice provisions although it did make a finding that BTFM and WSAL had each contravened section 912A(1)(a) of the Corporations Act. In February 2019, ASIC filed an appeal against this decision. On 28 October 2019, the Full Federal Court handed down its decision in ASIC's favour and made findings that BTFM and WSAL each provided personal advice on the relevant calls. Once formal declarations of contravention are made, the matter will be remitted for penalty. No provision has been recognised in relation to this matter.
- In August 2016, a class action was filed in the United States District Court for the Southern District of New York against Westpac and a large number of Australian and international banks alleging misconduct in relation to the bank bill swap reference rate. On 26 November 2018, the US Court delivered its judgment on the Motion to Dismiss the US BBSW class action proceedings, with the case against Westpac and certain other foreign banks being dismissed on the basis that the Court does not have jurisdiction to hear the case. In April 2019, the Plaintiffs filed an amended claim, which brings Westpac back into the proceedings. Westpac is continuing to defend the proceedings with a Motion to Dismiss filed in May 2019. No provision has been recognised in relation to this matter.
- On 12 October 2017, a class action against Westpac and Westpac Life Insurance Services Limited (WLIS) was filed in the Federal Court of Australia. The class action was filed on behalf of customers who, since February 2011, obtained insurance issued by WLIS on the recommendation of certain financial advisers employed within the Westpac Group. The plaintiffs have alleged that aspects of the financial advice provided by those advisers breached fiduciary and statutory duties owed to the advisers' clients, including the duty to act in the best interests of the client, and that WLIS was knowingly involved in those alleged breaches. Westpac and WLIS are defending the proceedings. These proceedings are currently stayed by order of the Court, pending the outcome of an appeal concerning a procedural issue unrelated to the substantive claims made in the class action. No provision has been recognised in relation to this matter.
- On 21 February 2019, a class action against Westpac was filed in the Federal Court of Australia. As directed by the Court, the Plaintiffs filed a Statement of Claim on 22 May 2019 and an amended statement of claim on 18 October 2019. The claims allege that Westpac did not comply with its responsible lending obligations and entered into certain home loans that it should otherwise have assessed as unsuitable. The allegations include that during the period from 1 January 2011 to 17 February 2018, Westpac failed to: conduct reasonable inquiries about the customers' financial situation, requirements and objectives; verify customer's financial situation; conduct assessments of suitability; and act efficiently and fairly. Westpac is defending the proceedings. No provision has been recognised in relation to this matter.
- On 5 September 2019, a class action against BT Funds Management Limited (BTFM) and WLIS was commenced in relation to aspects of BTFM's BT Super for Life cash investment option. The claim follows other industry class actions as part of Slater and Gordon's 'Get your super back' campaign. It is alleged in the proceedings that BTFM failed to adhere to a number of obligations under the general law, the relevant trust deed and the *Superannuation Industry (Supervision) Act 1993* (Cth), and that WLIS was knowingly concerned with BTFM's alleged contraventions. The damages sought by the claim are unspecified. BTFM and WLIS are defending the proceedings. No provision has been recognised in relation to this matter.

Internal reviews and remediation

Westpac is currently undertaking a number of reviews to identify and resolve prior issues that have the potential to impact our customers and reputation. These internal reviews have identified, and may continue to identify, issues in respect of which we are, or will be, taking steps to put things right (including in relation to areas of industry focus such as compliance with responsible lending obligations and the way some product terms and conditions are operationalised) so that our customers are not at a disadvantage from certain past practices. By undertaking these reviews we can also improve our processes and controls. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated. Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or refunds identified as part of these reviews.

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments (continued)

Australian Financial Complaints Authority

Contingent liabilities may also exist in relation to customer complaints brought before the Australian Financial Complaints Authority (AFCA). AFCA has the power to make determinations about complaints and can award compensation up to certain thresholds. AFCA has a broader jurisdiction than previous dispute resolution bodies which it has replaced and, up until 30 June 2020, can also consider customer complaints dating back to 1 January 2008.

Financial Claims Scheme

Under the Financial Claims Scheme (FCS) the Australian Government provides depositors a free guarantee of deposits in eligible ADIs up to and including $250,000. The FCS applies to an eligible ADI if APRA has applied for the winding up of the ADI and the responsible Australian Government minister has declared that the FCS applies to the ADI.

The Financial Claims Scheme (ADIs) Levy Act 2008 provides for the imposition of a levy to fund the excess of certain APRA FCS costs connected to an ADI, including payments by APRA to deposit holders in a failed ADI. The levy would be imposed on liabilities of eligible ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities. A contingent liability may exist in respect of any levy imposed under the FCS.

Contingent tax risk

Tax and regulatory authorities in Australia and in other jurisdictions are reviewing the taxation treatment of certain transactions (both historical and present-day transactions) undertaken by the Group in the course of normal business activities and the claiming of tax incentives and GST. The Group also responds to various notices and requests for information it receives from tax and regulatory authorities.

These reviews, notices and requests may result in additional tax liabilities (including interest and penalties).

The Group has assessed these and other taxation claims arising in Australia and elsewhere, including seeking independent advice.

Settlement risk

The Group is subject to a credit risk exposure in the event that another counterparty fails to settle for its payments clearing activities (including foreign exchange). The Group seeks to minimise credit risk arising from settlement risk in the payments system by aligning our processing method with the legal certainty of settlement in the relevant clearing mechanism.

Parent Entity guarantees and undertakings

The Parent Entity makes the following guarantees and undertakings to subsidiaries:

- letters of comfort for certain subsidiaries which recognise that Westpac has a responsibility that those subsidiaries continue to meet their obligations; and
- guarantees to certain wholly owned subsidiaries which are Australian financial services or credit licensees to comply with legislative requirements. Each guarantee is capped at $40 million per year and can only be utilised if the entity concerned becomes legally obliged to pay for a claim under the relevant licence. The Parent Entity has a right to recover any funds payable under the guarantees from the relevant subsidiary.

Contingent assets

The credit commitments shown in the following table also constitute contingent assets. These commitments would be classified as loans in the balance sheet on the contingent event occurring.

Undrawn credit commitments

Group enters into various arrangements with customers which are only recognised in the balance sheet when called upon. These arrangements include commitments to extend credit, bill endorsements, financial guarantees, standby letters of credit and underwriting facilities.

They expose the Group to liquidity risk when called upon and also to credit risk if the customer fails to repay the amounts owed at the due date. The maximum exposure to credit loss is the contractual or notional amount of the instruments. Some of the arrangements can be cancelled by the Group at any time and a significant portion is expected to expire without being drawn. The actual required liquidity and credit risk exposure is therefore less than the amounts disclosed.

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments (continued)

The Group uses the same credit policies when entering into these arrangements as it does for on-balance sheet instruments. Refer to Note 21 of the Group's annual financial statements for the year ended 30 September 2019 for further details of liquidity risk and credit risk management.

Undrawn credit commitments excluding derivatives are as follows:

$m	As at 30 Sept 2019	As at 31 Mar 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Mar 19*	*% Mov't Sept 19 - Sept 18*
Undrawn credit commitments					
Letters of credit and guarantees[1]	15,150	15,804	15,585	*(4)*	*(3)*
Commitments to extend credit[2]	176,002	176,242	174,658	-	*1*
Other	188	431	154	*(56)*	*22*
Total undrawn credit commitments	**191,340**	**192,477**	**190,397**	***(1)***	**-**

[1] *Standby letters of credit are undertakings to pay, against presentation documents, an obligation in the event of a default by a customer. Guarantees are unconditional undertakings given to support the obligations of a customer to third parties. The Group may hold cash as collateral for certain guarantees issued.*

[2] *Commitments to extend credit include all obligations on the part of the Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. In addition to the commitments disclosed above, at 30 September 2019 the Group had offered $5.5 billion (30 September 2018: $5.7 billion, 31 March 2018: $4.6 billion) of facilities to customers, which had not yet been accepted.*

Note 15. Shareholders' equity

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018
Share capital			
Ordinary share capital, fully paid	37,508	36,351	36,054
RSP treasury shares held[1]	(572)	(569)	(505)
Other treasury shares held[2]	19	12	12
Total treasury shares held	**(553)**	**(557)**	**(493)**
Total share capital	**36,955**	**35,794**	**35,561**
Non-controlling interests	**53**	**51**	**52**

Ordinary Shares

Westpac does not have authorised capital and the ordinary shares have no par value. Ordinary shares entitle the holder to participate in dividends and, in the event of Westpac winding up, to a share of the proceeds in proportion to the number of and amounts paid on the shares held.

Each ordinary share entitles the holder to one vote, either in person or by proxy, at a shareholder meeting.

Reconciliation of movement in number of ordinary shares

Consolidated	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018
Opening balance	**3,447,571,023**	**3,434,796,711**	**3,404,172,038**
Dividend reinvestment plan[3]	42,357,750	12,774,312	11,434,908
Conversion of Westpac Convertible Preference Shares[4]	-	-	19,189,765
Issued shares for the period	**42,357,750**	**12,774,312**	**30,624,673**
Closing balance	**3,489,928,773**	**3,447,571,023**	**3,434,796,711**

Ordinary shares purchased on market

Consolidated	Full Year Sept 2019 Number	Full Year Sept 2019 Average Price ($)
For share-based payment arrangements:		
Employee share plan (ESP)	1,061,442	25.27
RSP[5]	2,707,931	25.55
Westpac Performance Plan (WPP) - share rights exercised	184,043	26.73
Westpac Long Term Variable Reward Plan (LTVR) - options exercised[6]	37,831	27.68
As treasury shares:		
Treasury shares sold	(308,263)	26.19
Net number of ordinary shares purchased/(sold) on market	**3,682,984**	

[1] 30 September 2019: 4,784,213 unvested shares held (31 March 2019: 4,803,772, 30 September 2018: 3,943,660).
[2] 30 September 2019: 1,721,532 shares held (31 March 2019: 2,029,795, 30 September 2018: 2,029,795).
[3] The price per share for the issuance of shares in relation to the dividend reinvestment plan for the 2019 interim dividend was $27.36; 2018 final dividend was $25.82 and 2018 interim dividend was $28.11.
[4] The conversion price per share for the issuance of shares in relation to the conversion of Westpac Convertible Preference Shares was $29.49.
[5] Ordinary shares allocated to employees under the RSP are classified as treasury shares until the shares vest.
[6] The average exercise price received was $23.40 on the exercise of the LTVR options.

Note 15. Shareholders' equity (continued)

Reconciliation of movement in reserves[1,2]

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018
Available-for-sale securities reserve			
Opening balance	**-**	**37**	**35**
Impact on adoption of AASB 9	-	(37)	-
Net gains/(losses) from changes in fair value	-	-	(71)
Income tax effect	-	-	24
Transferred to income statements	-	-	75
Income tax effect	-	-	(28)
Exchange differences	-	-	2
Closing balance	**-**	**-**	**37**
Debt securities at FVOCI reserve			
Opening balance	**59**	**-**	**-**
Impact on adoption of AASB 9	-	33	-
Net gains/(losses) from changes in fair value	(111)	64	-
Income tax effect	33	(21)	-
Transferred to income statements	(4)	(25)	-
Income tax effect	1	7	-
Exchange differences	-	1	-
Closing balance	**(22)**	**59**	**-**
Equity securities at FVOCI reserve			
Opening balance	**7**	**-**	**-**
Impact on adoption of AASB 9	-	6	-
Net gains/(losses) from changes in fair value	10	1	-
Closing balance	**17**	**7**	**-**
Share-based payment reserve			
Opening balance	**1,604**	**1,534**	**1,500**
Share-based payment expense	38	70	34
Closing balance	**1,642**	**1,604**	**1,534**
Cash flow hedge reserve			
Opening balance	**(204)**	**(125)**	**(134)**
Net gains/(losses) from changes in fair value	(11)	(192)	(96)
Income tax effect	4	56	28
Transferred to income statements	117	80	109
Income tax effect	(35)	(23)	(32)
Closing balance	**(129)**	**(204)**	**(125)**
Foreign currency translation reserve			
Opening balance	**(306)**	**(351)**	**(494)**
Exchange differences on translation of foreign operations	(112)	423	(22)
Gains/(losses) on net investment hedges	239	(368)	165
Transferred to income statements	-	(10)	-
Closing balance	**(179)**	**(306)**	**(351)**
Other reserves			
Opening balance	**(19)**	**(18)**	**(17)**
Transactions with owners	1	(1)	(1)
Closing balance	**(18)**	**(19)**	**(18)**
Total reserves	**1,311**	**1,141**	**1,077**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Movement represents a six month period.*

Note 16. Notes to the consolidated cash flow statement[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Reconciliation of net cash provided by/(used in) operating activities to net profit for the period						
Net profit for the period	3,614	3,176	*14*	6,790	8,099	*(16)*
Adjustments:						
Depreciation, amortisation and impairment	563	516	*9*	1,079	1,144	*(6)*
Impairment charges	562	404	*39*	966	889	*9*
Net (decrease)/increase in current and deferred tax	7	(548)	*large*	(541)	(96)	*large*
(Increase)/decrease in accrued interest receivable	303	(171)	*large*	132	(83)	*large*
(Decrease)/increase in accrued interest payable	(185)	(156)	*19*	(341)	241	*large*
(Decrease)/increase in provisions	405	738	*(45)*	1,143	289	*large*
Other non-cash items	(468)	(364)	*29*	(832)	332	*large*
Cash flows from operating activities before changes in operating assets and liabilities	**4,801**	**3,595**	***34***	**8,396**	**10,815**	***(22)***
Net (increase)/decrease in derivative financial instruments	4,937	2,668	*85*	7,605	8,584	*(11)*
Net (increase)/decrease in life insurance assets and liabilities	(130)	(4)	*large*	(134)	(230)	*(42)*
(Increase)/decrease in other operating assets:						
Collateral paid	371	(1,218)	*large*	(847)	969	*large*
Trading securities and financial assets measured at FVIS	(2,203)	(5,426)	*(59)*	(7,629)	3,492	*large*
Loans	(2,399)	(1,789)	*34*	(4,188)	(24,740)	*(83)*
Other financial assets	570	(234)	*large*	336	859	*(61)*
Other assets	(15)	2	*large*	(13)	10	*large*
(Decrease)/increase in other operating liabilities:						
Collateral received	1,324	(317)	*large*	1,007	(295)	*large*
Deposits and other borrowings	8,685	(7,572)	*large*	1,113	23,928	*(95)*
Other financial liabilities	454	1,009	*(55)*	1,463	(3,632)	*large*
Other liabilities	3	(8)	*large*	(5)	10	*large*
Net cash provided by/(used in) operating activities	**16,398**	**(9,294)**	***large***	**7,104**	**19,770**	***(64)***

Non-cash financing activities

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Shares issued under the dividend reinvestment plan	1,159	330	*large*	1,489	631	*136*
Shares issued from the conversion of Westpac CPS	-	-	-	-	566	*(100)*

On 13 March 2018, $623 million of CPS were transferred to the Westpac CPS nominated party for $100 each pursuant to the Westpac Capital Notes 5 reinvestment offer. Those CPS were subsequently bought back and cancelled by Westpac. On 3 April 2018, the remaining $566 million of CPS were transferred to the Westpac CPS nominated party for $100 each. Following the transfer, those remaining CPS were converted into 19,189,765 ordinary shares.

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 16. Notes to the consolidated cash flow statement (continued)

Businesses disposed in Full Year 2019

Westpac sold its interest in Ascalon Capital Managers (Asia) Limited and Ascalon Capital Managers Limited on 8 February 2019, for a combined profit of $3 million recognised in non-interest income. The total cash consideration paid, net of transaction costs and cash held, was $1 million. Refer to Section 6.5 changes in control of Group entities for details.

Businesses disposed in Full Year 2018

Westpac sold its interest in a number of Hastings offshore subsidiaries to Northill Capital. Completion of the sale of the US and UK entities occurred on 28 February 2018 and completion of the Singapore entity occurred on 23 March 2018, with a total loss of $9 million recognised in non-interest income. The total cash consideration received, net of transaction costs and cash held, was $9 million.

Restricted cash

Certain of our foreign operations are required to maintain reserves or minimum balances with central banks in their respective countries of operation, totalling $330 million (31 March 2019: $330 million; 30 September 2018: $357 million) for the Group.

Note 17. Subsequent events

Since the end of the year ended 30 September 2019, the Board has determined to pay a fully franked final dividend of 80 cents per fully paid ordinary share. The dividend is expected to be $2,791 million. The dividend is not recognised as a liability as at 30 September 2019. The proposed payment date of the dividend is 20 December 2019.

The Board has determined to issue shares to satisfy the Dividend Re-investment Plan (DRP) for the final 2019 ordinary dividend. The market price used to determine the number of shares issued under the DRP will be set over the 10 trading days commencing 18 November 2019.

On 4 November 2019, Westpac announced that it will be undertaking an underwritten placement of fully paid ordinary shares in Westpac to institutional investors to raise $2 billion. As further announced, following the placement, Westpac will make a share purchase plan available to shareholders and to raise approximately $500 million, subject to scaleback, and with the ability to raise less or more.

No other matters have arisen since the year ended 30 September 2019, which are not otherwise dealt with in this report, that have 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.

4.8 Statement in relation to the audit of the financial statements.

PricewaterhouseCoopers has audited the financial statements contained within the Westpac 2019 financial report and has issued an unmodified audit report. A copy of their report is available with the Annual financial report. This full year results announcement has not been subject to audit by PricewaterhouseCoopers. The preceding financial information contained in Section 4 “Full Year 2019 reported financial information” includes financial information extracted from the audited financial statements together with financial information that has not been audited.

Dated at Sydney this 4th day of November 2019 for and on behalf of the Board.

Tim Hartin
Company Secretary

5.0 Cash earnings financial information

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

	Half Year Sept 19	Half Year March 19	Full Year Sept 19	Full Year Sept 18
Group				
Average interest-earning assets ($m)	803,165	794,660	798,924	774,944
Net interest income ($m)	8,564	8,389	16,953	17,187
Interest spread	1.96%	1.92%	1.94%	2.04%
Benefit of net non-interest bearing assets, liabilities and equity	0.17%	0.20%	0.18%	0.18%
Net interest margin	2.13%	2.12%	2.12%	2.22%
Analysis by division				
Average interest-earning assets ($m)				
Consumer	356,411	353,246	354,833	346,358
Business	166,876	166,435	166,656	165,920
Westpac Institutional Bank	84,874	89,116	86,989	86,315
Westpac New Zealand (A$)	87,300	85,038	86,172	80,159
Group Businesses	107,704	100,825	104,274	96,192
Group total	**803,165**	**794,660**	**798,924**	**774,944**
Westpac New Zealand (NZ$)	92,246	89,946	91,099	87,223
Net interest income ($m)[2]				
Consumer	4,059	3,883	7,942	7,850
Business	2,573	2,519	5,092	5,284
Westpac Institutional Bank	700	743	1,443	1,442
Westpac New Zealand (A$)	915	945	1,860	1,799
Group Businesses	317	299	616	812
Group total	**8,564**	**8,389**	**16,953**	**17,187**
Westpac New Zealand (NZ$)	967	1,000	1,967	1,958
Interest margin				
Consumer	2.27%	2.20%	2.24%	2.27%
Business	3.08%	3.04%	3.06%	3.18%
Westpac Institutional Bank	1.64%	1.67%	1.66%	1.67%
Westpac New Zealand (NZ$)	2.09%	2.23%	2.16%	2.24%
Group Businesses	0.59%	0.59%	0.59%	0.84%
Group total	**2.13%**	**2.12%**	**2.12%**	**2.22%**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *Includes capital benefit. Capital benefit represents the notional revenue earned on capital allocated to divisions under Westpac's economic capital framework.*

Note 2. Average balance sheet and interest rates (cash earnings basis)[1]

	Half Year 30 September 2019			Half Year 31 March 2019		
	Average balance $m	Interest $m	Average Rate %	Average balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Collateral paid	11,368	99	1.7	10,275	102	2.0
Trading securities and other financial assets designated at fair value	30,174	328	2.2	27,968	334	2.4
Available-for-sale securities	-	-	-	-	-	-
Investment securities	67,250	961	2.9	60,305	958	3.2
Loans and other receivables	694,373	14,845	4.3	696,112	15,567	4.5
Total interest earning assets and interest income	**803,165**	**16,233**	**4.0**	**794,660**	**16,961**	**4.3**
Non-interest earning assets						
Derivative financial instruments	27,818			24,090		
Life insurance assets	10,026			9,192		
All other assets	61,244			59,212		
Total non-interest earning assets	**99,088**			**92,494**		
Total assets	**902,253**			**887,154**		
Liabilities						
Interest bearing liabilities						
Collateral received	4,849	37	1.5	2,378	20	1.7
Deposits and other borrowings	508,112	4,270	1.7	505,459	4,675	1.9
Loan capital	18,419	390	4.2	17,942	386	4.3
Other interest bearing liabilities	207,779	2,972	2.9	203,600	3,491	3.4
Total interest bearing liabilities and interest expense	**739,159**	**7,669**	**2.1**	**729,379**	**8,572**	**2.4**
Non-interest bearing liabilities						
Deposits and other borrowings	49,765			48,772		
Derivative financial instruments	27,574			25,556		
Life insurance policy liabilities	8,018			7,286		
All other liabilities	13,611			12,761		
Total non-interest bearing liabilities	**98,968**			**94,375**		
Total liabilities	**838,127**			**823,754**		
Shareholders' equity	64,078			63,348		
Non-controlling interests	48			52		
Total equity	**64,126**			**63,400**		
Total liabilities and equity	**902,253**			**887,154**		
Loans and other receivables						
Australia	589,007	12,638	4.3	589,849	13,267	4.5
New Zealand	80,074	1,797	4.5	78,432	1,851	4.7
Other overseas	25,292	410	3.2	27,831	449	3.2
Deposits and other borrowings						
Australia	426,878	3,325	1.6	424,715	3,698	1.7
New Zealand	55,038	601	2.2	54,400	634	2.3
Other overseas	26,196	344	2.6	26,344	343	2.6

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 2. Average balance sheet and interest rates (cash earnings basis)[1]

	Full Year 30 September 2019			Full Year 30 September 2018		
	Average balance $m	Interest $m	Average Rate %	Average balance $m	Interest $m	Average Rate %
Assets						
Interest earning assets						
Collateral paid	10,823	201	1.9	8,085	129	1.6
Trading securities and other financial assets measured at FVIS	29,074	662	2.3	24,118	564	2.3
Available-for-sale securities	-	-	-	61,540	1,914	3.1
Investment securities	63,787	1,919	3.0	-	-	-
Loans and other receivables[2]	695,240	30,412	4.4	681,201	30,830	4.5
Total interest earning assets and interest income	**798,924**	**33,194**	**4.2**	**774,944**	**33,437**	**4.3**
Non-interest earning assets						
Derivative financial instruments[3]	25,959			26,443		
Life insurance assets	9,610			10,664		
All other assets[3]	60,231			61,259		
Total non-interest earning assets[3]	**95,800**			**98,366**		
Total assets[3]	**894,724**			**873,310**		
Liabilities						
Interest bearing liabilities						
Collateral received	3,617	57	1.6	2,909	45	1.5
Deposits and other borrowings	506,789	8,945	1.8	499,973	9,021	1.8
Loan capital	18,181	776	4.3	17,997	774	4.3
Other interest bearing liabilities	205,695	6,463	3.1	194,630	6,410	3.3
Total interest bearing liabilities and interest expense	**734,282**	**16,241**	**2.2**	**715,509**	**16,250**	**2.3**
Non-interest bearing liabilities						
Deposits and other borrowings	49,270			47,177		
Derivative financial instruments[3]	26,568			26,218		
Life insurance policy liabilities	7,653			8,874		
All other liabilities[3]	13,187			13,484		
Total non-interest bearing liabilities[3]	**96,678**			**95,753**		
Total liabilities[3]	**830,960**			**811,262**		
Shareholders' equity	63,714			62,017		
Non-controlling interests	50			31		
Total equity	**63,764**			**62,048**		
Total liabilities and equity[3]	**894,724**			**873,310**		
Loans and other receivables[2]						
Australia	589,427	25,905	4.4	578,679	26,488	4.6
New Zealand	79,255	3,648	4.6	73,902	3,591	4.9
Other overseas	26,558	859	3.2	28,620	751	2.6
Deposits and other borrowings						
Australia	425,799	7,023	1.6	422,006	7,308	1.7
New Zealand	54,720	1,235	2.3	51,368	1,196	2.3
Other overseas	26,270	687	2.6	26,599	517	1.9

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

[2] *For Full Year 2019, loans and other receivables are net of Stage 3 provisions to reflect the adoption of AASB 9 where interest income is determined based on their carrying value, net of Stage 3 provisions. Stages 1 and 2 provisions were not included in the average interest earning assets balance as interest income is determined based on the gross value of loans and other receivables. For Full Year 2018, loans and other receivables are net of provisions for impairment charges on loans as interest income is determined based on their carrying value, net of provisions for impairment charges on loans.*

[3] *At 30 September 2018, derivatives assets were restated from $34,702 million to $26,443 million, all other assets were restated from $61,938 million to $61,259 million, derivative liabilities were restated from $37,504 million to $26,218 million and all other liabilities were restated from $12,199 million to $13,484 million.*

Note 3. Net interest income (cash earnings basis)[1]

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Interest income						
Cash and balances with central banks	141	193	*(27)*	334	326	*2*
Collateral paid	99	102	*(3)*	201	129	*56*
Net ineffectiveness of qualifying hedges	-	-	-	-	-	-
Trading securities and financial assets measured at FVIS	328	334	*(2)*	662	564	*17*
Available-for-sale securities	-	-	-	-	1,914	*(100)*
Investment securities	961	958	-	1,919	-	-
Loans	14,684	15,359	*(4)*	30,043	30,469	*(1)*
Other interest income	20	15	*33*	35	35	-
Total interest income	**16,233**	**16,961**	***(4)***	**33,194**	**33,437**	***(1)***
Interest expense						
Collateral received	(37)	(20)	*85*	(57)	(45)	*27*
Deposits and other borrowings	(4,270)	(4,675)	*(9)*	(8,945)	(9,021)	*(1)*
Trading liabilities	(86)	(755)	*(89)*	(841)	(1,143)	*(26)*
Debt issues	(2,517)	(2,352)	*7*	(4,869)	(4,480)	*9*
Loan capital	(390)	(386)	*1*	(776)	(774)	-
Bank levy	(198)	(193)	*3*	(391)	(378)	*3*
Other interest expense	(171)	(191)	*(10)*	(362)	(409)	*(11)*
Total interest expense	**(7,669)**	**(8,572)**	***(11)***	**(16,241)**	**(16,250)**	**-**
Total net interest income	**8,564**	**8,389**	***2***	**16,953**	**17,187**	***(1)***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 4. Non-interest income (cash earnings basis)[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Net fee income						
Facility fees	355	375	*(5)*	730	792	*(8)*
Transaction fees	601	624	*(4)*	1,225	1,268	*(3)*
Other non-risk fee income	(17)	(59)	*(71)*	(76)	71	*large*
Fee income	**939**	**940**	**-**	**1,879**	**2,131**	***(12)***
Credit card loyalty programs	(58)	(63)	*(8)*	(121)	(126)	*(4)*
Transaction fee related expenses	(52)	(51)	*2*	(103)	(95)	*8*
Fee expenses	**(110)**	**(114)**	***(4)***	**(224)**	**(221)**	***1***
Net fee income	**829**	**826**	**-**	**1,655**	**1,910**	***(13)***
Net wealth management and insurance income						
Wealth management income	**308**	**(32)**	***large***	**276**	**1,145**	***(76)***
Life insurance premium income	736	707	*4*	1,443	1,410	*2*
General insurance and LMI net premium earned	242	240	*1*	482	472	*2*
Life insurance investment and other income[2]	380	23	*large*	403	622	*(35)*
General insurance and LMI investment and other income	27	25	*8*	52	50	*4*
Total insurance premium, investment and other income	**1,385**	**995**	***39***	**2,380**	**2,554**	***(7)***
Life insurance claims and changes in insurance liabilities	(852)	(414)	*106*	(1,266)	(1,396)	*(9)*
General insurance and LMI claims and other expenses	(141)	(226)	*(38)*	(367)	(286)	*28*
Total insurance claims, changes in liabilities and other expenses	**(993)**	**(640)**	***55***	**(1,633)**	**(1,682)**	***(3)***
Net wealth management and insurance income	**700**	**323**	***117***	**1,023**	**2,017**	***(49)***
Trading income[3]	**443**	**464**	***(5)***	**907**	**926**	***(2)***
Other operating income						
Dividends received from other entities	2	4	*(50)*	6	3	*100*
Net gain on sale of associates	-	38	*(100)*	38	-	-
Net gain on disposal of assets	59	2	*large*	61	24	*154*
Net gain/(loss) on derivatives held for risk management purposes[4]	(1)	(11)	*(91)*	(12)	32	*large*
Net gain/(loss) on financial instruments measured at FVIS	(26)	30	*large*	4	38	*(89)*
Gain/(loss) on disposal of controlled entities	-	3	*(100)*	3	(9)	*large*
Rental income on operating leases	10	8	*25*	18	26	*(31)*
Share of associates net profit/(loss)	(13)	(10)	*30*	(23)	(10)	*130*
Other	(15)	37	*large*	22	21	*5*
Total other operating income	**16**	**101**	***(84)***	**117**	**125**	***(6)***
Total non-interest income	**1,988**	**1,714**	***16***	**3,702**	**4,978**	***(26)***

[1] The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.

[2] Movements in life insurance investment income and changes in life insurance liabilities are broadly correlated.

[3] Trading income represents a component of total markets income from our WIB markets business, Westpac Pacific, Westpac New Zealand and Treasury foreign exchange operations in Australia and New Zealand.

[4] Net gain/(loss) on derivatives held for risk management purposes reflects the impact of economic hedges of foreign currency capital and earnings.

Note 5. Operating expenses (cash earnings basis)[1]

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Staff expenses						
Employee remuneration, entitlements and on-costs	2,081	2,218	*(6)*	4,299	4,342	*(1)*
Superannuation expense	184	194	*(5)*	378	386	*(2)*
Share-based payments	51	57	*(11)*	108	95	*14*
Restructuring costs	77	155	*(50)*	232	114	*104*
Total staff expenses	**2,393**	**2,624**	***(9)***	**5,017**	**4,937**	***2***
Occupancy expenses						
Operating lease rentals	315	343	*(8)*	658	632	*4*
Depreciation of property and equipment	88	80	*10*	168	164	*2*
Other	69	74	*(7)*	143	156	*(8)*
Total occupancy expenses	**472**	**497**	***(5)***	**969**	**952**	***2***
Technology expenses						
Amortisation and impairment of software assets	385	334	*15*	719	620	*16*
Depreciation and impairment of IT equipment	61	68	*(10)*	129	141	*(9)*
Technology services	405	405	-	810	729	*11*
Software maintenance and licenses	186	185	*1*	371	362	*2*
Telecommunications	98	109	*(10)*	207	215	*(4)*
Data processing	45	38	*18*	83	77	*8*
Total technology expenses	**1,180**	**1,139**	***4***	**2,319**	**2,144**	***8***
Other expenses						
Professional and processing services	607	453	*34*	1,060	902	*18*
Amortisation and impairment of intangible assets	4	5	*(20)*	9	113	*(92)*
Postage and stationery	92	87	*6*	179	182	*(2)*
Advertising	116	129	*(10)*	245	203	*21*
Non-lending losses	67	(9)	*large*	58	133	*(56)*
Other	59	116	*(49)*	175	132	*33*
Total other expenses	**945**	**781**	***21***	**1,726**	**1,665**	***4***
Operating expenses	**4,990**	**5,041**	***(1)***	**10,031**	**9,698**	***3***

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 6. Deferred expenses[1]

$m	As at 30 Sept 2019	As at 31 March 2019	As at 30 Sept 2018	% Mov't Sept 19 - Mar 19	% Mov't Sept 19 - Sept 18
Deferred acquisition costs	61	63	71	*(3)*	*(14)*
Other deferred expenditure	29	30	29	*(3)*	-

Note 7. Earnings per share (cash earnings basis)

$m	Half Year Sept 19	Half Year March 19	% Mov't Sept 19 - Mar 19	Full Year Sept 19	Full Year Sept 18	% Mov't Sept 19 - Sept 18
Cash earnings	**3,553**	**3,296**	***8***	**6,849**	**8,065**	***(15)***
Weighted average number of fully paid ordinary shares (millions)	3,470	3,442	*1*	3,456	3,414	*1*
Cash earnings per ordinary share (cents)	**102.4**	**95.8**	***7***	**198.2**	**236.2**	***(16)***

	Half Year Sept 19	Half Year March 19	Full Year Sept 19	Full Year Sept 18
Reconciliation of ordinary shares on issue before the effect of own shares held (millions)				
Opening balance	3,448	3,435	3,435	3,394
Number of shares issued under the Dividend Reinvestment Plan (DRP)	42	13	55	22
Conversion of capital instruments	-	-	-	19
Closing balance	3,490	**3,448**	3,490	**3,435**

[1] *Deferred expenses principally relate to a small number of capitalised costs in the wealth business. It does not include insurance deferred acquisition costs (which are offset to revenue) or mortgage broker costs (which are offset to net interest income).*

Note 8. Group earnings reconciliation[1]

Six months to 30 September 2019		Cash earnings adjustments						
$m	Reported results	Amortisation of intangible assets	Fair value (gain)/loss on economic hedges	Ineffective hedges	Adjustment related to Pendal	Treasury shares	Presentation changes	Cash earnings
Net interest income	8,644	-	(59)	(21)	-	-	-	8,564
Net fee income	829	-	-	-	-	-	-	829
Net wealth management and insurance income	703	-	-	-	-	8	(11)	700
Trading income	492	-	(49)	-	-	-	-	443
Other income	2	-	(18)	-	57	-	(25)	16
Non-interest income	2,026	-	(67)	-	57	8	(36)	1,988
Net operating income	10,670	-	(126)	(21)	57	8	(36)	10,552
Staff expenses	(2,393)	-	-	-	-	-	-	(2,393)
Occupancy expenses	(497)	-	-	-	-	-	25	(472)
Technology expenses	(1,180)	-	-	-	-	-	-	(1,180)
Other expenses	(945)	-	-	-	-	-	-	(945)
Operating expenses	(5,015)	-	-	-	-	-	25	(4,990)
Core earnings	**5,655**	**-**	**(126)**	**(21)**	**57**	**8**	**(11)**	**5,562**
Impairment charges	(461)	-	-	-	-	-	-	(461)
Operating profit before tax	**5,194**	**-**	**(126)**	**(21)**	**57**	**8**	**(11)**	**5,101**
Income tax expense	(1,580)	-	36	6	(17)	(1)	11	(1,545)
Net profit	**3,614**	**-**	**(90)**	**(15)**	**40**	**7**	**-**	**3,556**
Net profit attributable to non-controlling interests	(3)	-	-	-	-	-	-	(3)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**3,611**	**-**	**(90)**	**(15)**	**40**	**7**	**-**	**3,553**
WBC Cash earnings adjustments:								
Amortisation of intangible assets	-	-	-	-	-	-	-	-
Fair value (gain)/loss on economic hedges	(90)	-	90	-	-	-	-	-
Ineffective hedges	(15)	-	-	15	-	-	-	-
Adjustment related to Pendal	40	-	-	-	(40)	-	-	-
Treasury shares	7	-	-	-	-	(7)	-	-
Cash earnings	**3,553**	**-**	**-**	**-**	**-**	**-**	**-**	**3,553**

Six months to 30 September 2019 $m	Operating leases	Policyholder tax recoveries	Line fees	Merchant and card schemes	Other fees and expenses	Interest carrying adjustment	Presentation changes
Net interest income	-	-	-	-	-	-	-
Net fee income	-	-	-	-	-	-	-
Net wealth management and insurance income	-	(11)	-	-	-	-	(11)
Trading income	-	-	-	-	-	-	-
Other income	(25)	-	-	-	-	-	(25)
Non-interest income	(25)	(11)	-	-	-	-	(36)
Net operating income	(25)	(11)	-	-	-	-	(36)
Staff expenses	-	-	-	-	-	-	-
Occupancy expenses	25	-	-	-	-	-	25
Technology expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Operating expenses	25	-	-	-	-	-	25
Core earnings	**-**	**(11)**	**-**	**-**	**-**	**-**	**(11)**
Impairment charges	-	-	-	-	-	-	-
Operating profit before tax	**-**	**(11)**	**-**	**-**	**-**	**-**	**(11)**
Income tax expense	-	11	-	-	-	-	11
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit attributable to non-controlling interests	-	-	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 8. Group earnings reconciliation (continued)[1]

Six months to 31 March 2019 $m	Reported results	Cash earnings adjustments Amortisation of intangible assets	Fair value (gain)/loss on economic hedges	Ineffective hedges	Adjustment related to Pendal	Treasury shares	Presentation changes	Cash earnings
Net interest income	8,263	-	133	(7)	-	-	-	8,389
Net fee income	826	-	-	-	-	-	-	826
Net wealth management and insurance income	326	-	-	-	-	(2)	(1)	323
Trading income	437	-	27	-	-	-	-	464
Other income	127	-	17	-	(14)	-	(29)	101
Non-interest income	1,716	-	44	-	(14)	(2)	(30)	1,714
Net operating income	9,979	-	177	(7)	(14)	(2)	(30)	10,103
Staff expenses	(2,645)	-	-	-	21	-	-	(2,624)
Occupancy expenses	(526)	-	-	-	-	-	29	(497)
Technology expenses	(1,139)	-	-	-	-	-	-	(1,139)
Other expenses	(781)	-	-	-	-	-	-	(781)
Operating expenses	(5,091)	-	-	-	21	-	29	(5,041)
Core earnings	**4,888**	**-**	**177**	**(7)**	**7**	**(2)**	**(1)**	**5,062**
Impairment charges	(333)	-	-	-	-	-	-	(333)
Operating profit before tax	**4,555**	**-**	**177**	**(7)**	**7**	**(2)**	**(1)**	**4,729**
Income tax expense	(1,379)	-	(52)	2	(2)	-	1	(1,430)
Net profit	**3,176**	**-**	**125**	**(5)**	**5**	**(2)**	**-**	**3,299**
Net profit attributable to non-controlling interests	(3)	-	-	-	-	-	-	(3)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**3,173**	**-**	**125**	**(5)**	**5**	**(2)**	**-**	**3,296**
WBC Cash earnings adjustments:								
Amortisation of intangible assets	-	-	-	-	-	-	-	-
Fair value (gain)/loss on economic hedges	125	-	(125)	-	-	-	-	-
Ineffective hedges	(5)	-	-	5	-	-	-	-
Adjustment related to Pendal	5	-	-	-	(5)	-	-	-
Treasury shares	(2)	-	-	-	-	2	-	-
Cash earnings	**3,296**	**-**	**-**	**-**	**-**	**-**	**-**	**3,296**

Six months to 31 March 2019 $m	Operating leases	Policyholder tax recoveries	Line Fees	Merchant and card schemes	Other fees and expenses	Interest carrying adjustment	Presentation changes
Net interest income	-	-	-	-	-	-	-
Net fee income	-	-	-	-	-	-	-
Net wealth management and insurance income	-	(1)	-	-	-	-	(1)
Trading income	-	-	-	-	-	-	-
Other income	(29)	-	-	-	-	-	(29)
Non-interest income	(29)	(1)	-	-	-	-	(30)
Net operating income	(29)	(1)	-	-	-	-	(30)
Staff expenses	-	-	-	-	-	-	-
Occupancy expenses	29	-	-	-	-	-	29
Technology expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Operating expenses	29	-	-	-	-	-	29
Core earnings	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Impairment charges	-	-	-	-	-	-	-
Operating profit before tax	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Income tax expense	-	1	-	-	-	-	1
Net profit	-	-	**-**	**-**	**-**	**-**	**-**
Net profit attributable to non-controlling interests	**-**	**-**	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	-	-	**-**	**-**	**-**	**-**	-

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 8. Group earnings reconciliation (continued)[1]

Twelve months to 30 September 2019 $m	Reported results	Cash earnings adjustments: Amortisation of intangible assets	Fair value (gain)/loss on economic hedges	Ineffective hedges	Adjustment related to Pendal	Treasury shares	Presentation changes	Cash earnings
Net interest income	16,907	-	74	(28)	-	-		16,953
Net fee income	1,655	-	-	-	-	-	-	1,655
Net wealth management and insurance income	1,029	-	-	-	-	6	(12)	1,023
Trading income	929	-	(22)	-	-	-	-	907
Other income	129	-	(1)	-	43	-	(54)	117
Non-interest income	3,742	-	(23)	-	43	6	(66)	3,702
Net operating income	20,649	-	51	(28)	43	6	(66)	20,655
Staff expenses	(5,038)	-	-	-	21	-	-	(5,017)
Occupancy expenses	(1,023)	-	-	-	-	-	54	(969)
Technology expenses	(2,319)	-	-	-	-	-	-	(2,319)
Other expenses	(1,726)	-	-	-	-	-	-	(1,726)
Operating expenses	(10,106)	-	-	-	21	-	54	(10,031)
Core earnings	**10,543**	**-**	**51**	**(28)**	**64**	**6**	**(12)**	**10,624**
Impairment charges	(794)	-	-	-	-	-	-	(794)
Operating profit before tax	**9,749**	**-**	**51**	**(28)**	**64**	**6**	**(12)**	**9,830**
Income tax expense	(2,959)	-	(16)	8	(19)	(1)	12	(2,975)
Net profit	**6,790**	**-**	**35**	**(20)**	**45**	**5**	**-**	**6,855**
Net profit attributable to non-controlling interests	(6)	-	-	-	-	-	-	(6)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**6,784**	**-**	**35**	**(20)**	**45**	**5**	**-**	**6,849**
WBC Cash earnings adjustments:								
Amortisation of intangible assets	-	-	-	-	-	-	-	-
Fair value (gain)/loss on economic hedges	35	-	(35)	-	-	-	-	-
Ineffective hedges	(20)	-	-	20	-	-	-	-
Adjustment related to Pendal	45	-	-	-	(45)	-	-	-
Treasury shares	5	-	-	-	-	(5)	-	-
Cash earnings	**6,849**	**-**	**-**	**-**	**-**	**-**	**-**	**6,849**

Twelve months to 30 September 2019 $m	Operating leases	Policyholder tax recoveries	Line fees	Merchant and card schemes	Other fees and expenses	Interest carrying adjustment	Presentation changes
Net interest income	-	-	-	-	-	-	-
Net fee income	-	-	-	-	-	-	-
Net wealth management and insurance income	-	(12)	-	-	-	-	(12)
Trading income	-	-	-	-	-	-	-
Other income	(54)	-	-	-	-	-	(54)
Non-interest income	(54)	(12)	-	-	-	-	(66)
Net operating income	(54)	(12)	-	-	-	-	(66)
Staff expenses	-	-	-	-	-	-	-
Occupancy expenses	54	-	-	-	-	-	54
Technology expenses	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Operating expenses	54	-	-	-	-	-	54
Core earnings	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**
Impairment benefits / (charges)	-	-	-	-	-	-	-
Operating profit before tax	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**
Income tax expense	-	12	-	-	-	-	12
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit attributable to non-controlling interests	-	-	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 8. Group earnings reconciliation (continued)[1]

Twelve months to 30 September 2018 $m	Reported results	Cash earnings adjustments: Amortisation of intangible assets	Fair value (gain)/loss on economic hedges	Ineffective hedges	Adjustment related to Pendal	Treasury shares	Presentation changes	Cash earnings
Net interest income	16,505	-	(184)	18	-	-	848	17,187
Net fee income	2,424	-	-	-	-	-	(514)	1,910
Net wealth management and insurance income	2,061	-	-	-	-	(9)	(35)	2,017
Trading income	945	-	(19)	-	-	-	-	926
Other income	72	-	24	-	104	-	(75)	125
Non-interest income	5,502	-	5	-	104	(9)	(624)	4,978
Net operating income	22,007	-	(179)	18	104	(9)	224	22,165
Staff expenses	(4,887)	-	-	-	-	-	(50)	(4,937)
Occupany expenses	(1,033)	-	-	-	-	-	81	(952)
Technology expenses	(2,110)	-	-	-	-	-	(34)	(2,144)
Other expenses	(1,536)	25	-	-	-	-	(154)	(1,665)
Operating expenses	(9,566)	25	-	-	-	-	(157)	(9,698)
Core earnings	**12,441**	**25**	**(179)**	**18**	**104**	**(9)**	**67**	**12,467**
Impairment charges	(710)	-	-	-	-	-	(102)	(812)
Operating profit before tax	**11,731**	**25**	**(179)**	**18**	**104**	**(9)**	**(35)**	**11,655**
Income tax expense	(3,632)	(8)	53	(5)	(31)	2	35	(3,586)
Net profit	**8,099**	**17**	**(126)**	**13**	**73**	**(7)**	**-**	**8,069**
Net profit attributable to non-controlling interests	(4)	-	-	-	-	-	-	(4)
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**8,095**	**17**	**(126)**	**13**	**73**	**(7)**	**-**	**8,065**
WBC Cash earnings adjustments:								
Amortisation of intangible assets	17	(17)	-	-	-	-	-	-
Fair value (gain)/loss on economic hedges	(126)	-	126	-	-	-	-	-
Ineffective hedges	13	-	-	(13)	-	-	-	-
Adjustment related to Pendal	73	-	-	-	(73)	-	-	-
Treasury shares	(7)	-	-	-	-	7	-	-
Cash earnings	**8,065**	**-**	**-**	**-**	**-**	**-**	**-**	**8,065**

Twelve months to 30 September 2018 $m	Operating leases	Policyholder tax recoveries	Line fees	Merchant and card schemes	Other fees and expenses	Interest carrying adjustment	Presentation changes
Net interest income	-	-	667	-	66	115	848
Net fee income	-	-	(667)	203	(50)	-	(514)
Net wealth management and insurance income	-	(35)	-	-	-	-	(35)
Trading income	-	-	-	-	-	-	-
Other income	(81)	-	-	-	6	-	(75)
Non-interest income	(81)	(35)	(667)	203	(44)	-	(624)
Net operating income	(81)	(35)	-	203	22	115	224
Staff expenses	-	-	-	(50)	-	-	(50)
Occupany expenses	81	-	-	-	-	-	81
Technology expenses	-	-	-	(31)	(3)	-	(34)
Other expenses	-	-	-	(122)	(32)	-	(154)
Operating expenses	81	-	-	(203)	(35)	-	(157)
Core earnings	**-**	**(35)**	**-**	**-**	**(13)**	**115**	**67**
Impairment benefits / (charges)	-	-	-	-	13	(115)	(102)
Operating profit before tax	**-**	**(35)**	**-**	**-**	**-**	**-**	**(35)**
Income tax expense	-	35	-	-	-	-	35
Net profit	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net profit attributable to non-controlling interests	-	-	-	-	-	-	-
NET PROFIT ATTRIBUTABLE TO OWNERS OF WBC	**-**	**-**	**-**	**-**	**-**	**-**	**-**

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*

Note 9. Divisional result and economic profit

Group economic profit is defined as cash earnings plus a franking benefit equivalent of 70% of the value of Australian tax expense less a capital charge calculated at 11% of average ordinary equity.

Divisional economic profit is defined as cash earnings plus the franking benefit less a capital charge. The capital charge is calculated at 11% on allocated capital.

Economic profit is used as a key measure of financial performance because it focuses on shareholder value generated by requiring a return in excess of a risk-adjusted cost of capital.

Six months to 30 September 2019 $m	Group	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[1]
Reported results	**3,611**	**1,681**	**1,124**	**470**	**465**
Cash earnings adjustments	(58)	-	40	-	(4)
Cash earnings	**3,553**	**1,681**	**1,164**	**470**	**461**
Franking benefit	940	503	351	100	-
Adjusted cash earnings	4,493	2,184	1,515	570	461
Average equity[2]	64,078	20,840	13,609	7,673	5,230
Capital charge	(3,534)	(1,150)	(751)	(423)	(289)
Economic profit	**959**	**1,034**	**764**	**147**	**172**
Return on average equity (including intangibles)	**11.1%**	**13.3%**	**13.1%**	**11.5%**	**16.0%**
Six months to 31 March 2019 $m					
Reported results	**3,173**	**1,607**	**1,262**	**544**	**519**
Cash earnings adjustments	123	-	5	-	5
Cash earnings	**3,296**	**1,607**	**1,267**	**544**	**524**
Franking benefit	839	475	383	124	-
Adjusted cash earnings	4,135	2,082	1,650	668	524
Average equity[2]	63,348	20,591	13,824	7,547	5,272
Capital charge	(3,475)	(1,129)	(758)	(414)	(289)
Economic profit	**660**	**953**	**892**	**254**	**235**
Return on average equity (including intangibles)	**10.4%**	**12.9%**	**14.1%**	**13.6%**	**18.2%**
Twelve months to 30 September 2019 $m					
Reported results	**6,784**	**3,288**	**2,386**	**1,014**	**984**
Cash earnings adjustments	65	-	45	-	1
Cash earnings	**6,849**	**3,288**	**2,431**	**1,014**	**985**
Franking benefit	1,779	978	734	224	-
Adjusted cash earnings	8,628	4,266	3,165	1,238	985
Average equity[2]	63,714	20,716	13,716	7,610	5,251
Capital charge	(7,009)	(2,279)	(1,509)	(837)	(578)
Economic profit	**1,619**	**1,987**	**1,656**	**401**	**407**
Return on average equity (including intangibles)	**10.8%**	**13.1%**	**13.6%**	**12.5%**	**17.1%**
Twelve months to 30 September 2018 $m					
Reported results	**8,095**	**3,408**	**2,680**	**1,093**	**947**
Cash earnings adjustments	(30)	15	76	-	(13)
Cash earnings	**8,065**	**3,423**	**2,756**	**1,093**	**934**
Franking benefit	2,201	1,035	837	279	-
Adjusted cash earnings	10,266	4,458	3,593	1,372	934
Average equity[2]	62,017	20,089	14,135	8,045	4,661
Capital charge	(6,822)	(2,210)	(1,555)	(885)	(513)
Economic profit	**3,444**	**2,248**	**2,038**	**487**	**421**
Return on average equity (including intangibles)	**13.0%**	**13.9%**	**15.1%**	**12.7%**	**18.2%**

1 *In A$ equivalents. For the purpose of divisional results, the capital currently allocated to the Westpac New Zealand division is broadly aligned to the capital required for the New Zealand business measured under APRA requirements. This is different to, and lower than the capital held by Westpac New Zealand Limited (WNZL), which is regulated by the Reserve Bank of New Zealand. The WNZL Disclosure Statement contains further detail on WNZL's financial position.*

2 *For divisions average equity does not include intangible assets.*

6.0 Other information

6.1 Disclosure regarding forward-looking statements

This Full Year Financial Results 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 Full Year Financial Results Announcement and include statements regarding Westpac's intent, belief or current expectations with respect to its business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. Words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', 'aim' or other similar words are used to identify forward-looking statements. These forward-looking statements reflect Westpac's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond Westpac's control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon Westpac. There can be no assurance that future developments will be in accordance with Westpac's expectations or that the effect of future developments on Westpac will be those anticipated. Actual results could differ materially from those expected, 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;
- regulatory investigations and other actions, inquiries, litigation, fines, penalties, restrictions or other regulator imposed conditions, including as a result of our actual or alleged failure to comply with laws (such as financial crime laws), regulations or regulatory policy;
- information security breaches, including cyberattacks;
- internal and external events which may adversely impact Westpac's reputation;
- reliability and security of Westpac's technology and risks associated with changes to technology systems;
- 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;
- an increase in defaults in credit exposures because of a deterioration in economic conditions;
- the conduct, behaviour or practices of Westpac or its staff;
- changes to Westpac's credit ratings or the methodology used by credit rating agencies;
- levels of inflation, interest rates (including low or negative 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 other countries (including as a result of tariffs and protection trade measures) in which Westpac or its customers or counterparties conduct their operations and Westpac's ability to maintain or to increase market share, margins and fees, and control expenses;
- the effects of competition, including from established providers of financial services and from non-financial services entities, in the geographic and business areas in which Westpac conducts its operations;
- 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 Westpac's risk management policies, including internal processes, systems and employees;
- the incidence or severity of Westpac-insured events;
- the occurrence of environmental change (including as a result of climate change) or external events in countries in which Westpac or its customers or counterparties conduct their operations;
- changes to the value of Westpac's intangible assets;
- 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 diversification or innovation, in addition to business expansion activity, business acquisitions and the integration of new businesses; and
- various other factors beyond Westpac's control.

6.1 Disclosure regarding forward-looking statements (continued)

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by Westpac, refer to 'Risk factors' in the 2019 Westpac Group Annual Report. When relying on forward-looking statements to make decisions with respect to Westpac, investors and others should carefully consider the foregoing factors and other uncertainties and events.

Westpac is under no obligation to update any forward-looking statements contained in this Full Year Financial Results Announcement, whether as a result of new information, future events or otherwise, after the date of this Full Year Financial Results Announcement.

6.2 References to websites

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

6.3 Credit ratings[1]

Rating agency	Long Term	Outlook	Short. Term
Fitch Ratings	AA-	Negative	F1+
Moody's Investor Services	Aa3	Stable	P-1
S&P Global Ratings	AA-	Stable	A-1+

6.4 Dividend reinvestment plan

Westpac operates a dividend reinvestment plan (DRP) that is available to holders of fully paid ordinary shares who are resident in, and whose address on the register of shareholders is in, Australia or New Zealand. As noted in Section 2.5, the Directors have made certain determinations in relation to the calculation of the market price which will apply to the DRP for the 2019 final dividend only.

Shareholders who wish to commence participation in the DRP, or to vary their current participation election, must do so by 5.00pm (AEST) on 14 November 2019.

Shareholders can provide these instructions by:

- For shareholders with holdings that have a market value of less than $50,000 (for a single holding) or less than $1,000,000 (per shareholding held within a Link Market Services portfolio), logging into the Westpac share registrar's website at www.linkmarketservices.com.au and electing 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 6.6.

6.5 Changes in control of Group entities

During the twelve months ended 30 September 2019 the following controlled entities were acquired, formed, reinstated or incorporated:

- Series 2019-1 WST Trust (created 12 February 2019).

During the twelve months ended 30 September 2019 the following controlled entities ceased to be controlled:

- Infrastructure Research and Advisory Services Private Limited (dissolved 26 November 2018);
- Ascalon Capital Managers (Asia) Limited (sold 8 February 2019);
- Ascalon Capital Managers Limited (sold 8 February 2019);
- Ascalon Funds (Seed Pool) (terminated 30 June 2019);
- Seed Pool Trust No. 2 (terminated 30 June 2019);
- St.George Custodial Pty. Limited. (deregistered 10 July 2019);
- Crusade ABS Series 2015-1 Trust (terminated 2 September 2019); and
- Series 2009-1 WST Trust (terminated 2 September 2019).

[1] *As at 30 September 2019.*

6.6 Financial calendar and Share Registry details

Westpac shares are listed on the securities exchanges in Australia (ASX) and New Zealand (NZX) and as American Depository Receipts in New York. Westpac Capital Notes 2, Westpac Capital Notes 3, Westpac Capital Notes 4, Westpac Capital Notes 5 and Westpac Capital Notes 6 are listed on the ASX. Westpac NZD Subordinated Notes are listed on the NZX.

Important dates to note are set out below, subject to change. Payment of any distribution, dividend or interest payment is subject to the relevant payment conditions and the key dates for each payment will be confirmed to the ASX for securities listed on the ASX.

Westpac Ordinary Shares (ASX code: WBC, NZX code: WBC, NYSE code: WBK)

New York ex-dividend date for final dividend	8 November 2019
Ex-dividend date for final dividend	12 November 2019
New York record date for final dividend	12 November 2019
Record date for final dividend	13 November 2019
Annual General Meeting	12 December 2019
Final dividend payable	20 December 2019
Financial Half Year end	31 March 2020
Interim results and dividend announcement	4 May 2020
New York ex-dividend date for interim dividend	13 May 2020
Ex-dividend date for interim dividend	14 May 2020
New York record date for interim dividend	14 May 2020
Record date for interim dividend	15 May 2020
Interim dividend payable	25 June 2020
Financial Year end	30 September 2020
Final results and dividend announcement	2 November 2020
New York ex-dividend date for final dividend	9 November 2020
New York record date for final dividend	10 November 2020
Ex-dividend date for final dividend	11 November 2020
Record date for final dividend	12 November 2020
Annual General Meeting	11 December 2020[1]
Final dividend payable	18 December 2020

Westpac Capital Notes 2 (ASX code: WBCPE)

Ex-date for quarterly distribution	12 December 2019
Record date for quarterly distribution	13 December 2019[2]
Payment date for quarterly distribution	23 December 2019
Ex-date for quarterly distribution	12 March 2020
Record date for quarterly distribution	13 March 2020[2]
Payment date for quarterly distribution	23 March 2020
Ex-date for quarterly distribution	12 June 2020
Record date for quarterly distribution	15 June 2020
Payment date for quarterly distribution	23 June 2020
Ex-date for quarterly distribution	14 September 2020
Record date for quarterly distribution	15 September 2020
Payment date for quarterly distribution	23 September 2020
Ex-date for quarterly distribution	14 December 2020
Record date for quarterly distribution	15 December 2020
Payment date for quarterly distribution	23 December 2020

[1] *Details regarding the location of the meeting and the business to be dealt with will be contained in a Notice of Meeting sent to shareholders in the November before the meeting.*
[2] *Adjusted to immediately preceding business day as record date falls on a non-ASX business day.*

Westpac Capital Notes 3 (ASX code: WBCPF)

Ex-date for quarterly distribution	12 December 2019
Record date for quarterly distribution	13 December 2019[1]
Payment date for quarterly distribution	23 December 2019[2]
Ex-date for quarterly distribution	12 March 2020
Record date for quarterly distribution	13 March 2020[1]
Payment date for quarterly distribution	23 March 2020[2]
Ex-date for quarterly distribution	11 June 2020
Record date for quarterly distribution	12 June 2020[1]
Payment date for quarterly distribution	22 June 2020
Ex-date for quarterly distribution	11 September 2020
Record date for quarterly distribution	14 September 2020
Payment date for quarterly distribution	22 September 2020
Ex-date for quarterly distribution	11 December 2020
Record date for quarterly distribution	14 December 2020
Payment date for quarterly distribution	22 December 2020

Westpac Capital Notes 4 (ASX code: WBCPG)

Ex-date for quarterly distribution	19 December 2019
Record date for quarterly distribution	20 December 2019[1]
Payment date for quarterly distribution	30 December 2019
Ex-date for quarterly distribution	19 March 2020
Record date for quarterly distribution	20 March 2020[1]
Payment date for quarterly distribution	30 March 2020
Ex-date for quarterly distribution	19 June 2020
Record date for quarterly distribution	22 June 2020
Payment date for quarterly distribution	30 June 2020
Ex-date for quarterly distribution	21 September 2020
Record date for quarterly distribution	22 September 2020
Payment date for quarterly distribution	30 September 2020
Ex-date for quarterly distribution	21 December 2020
Record date for quarterly distribution	22 December 2020
Payment date for quarterly distribution	30 December 2020

[1] *Adjusted to immediately preceding business day as record date falls on a non-ASX business day or a date which banks are not open for general business in Sydney.*
[2] *Adjusted to next business day as payment date falls on a non-ASX business day.*

Westpac Capital Notes 5 (ASX code: WBCPH)

Ex-date for quarterly distribution	12 December 2019
Record date for quarterly distribution	13 December 2019[1]
Payment date for quarterly distribution	23 December 2019[2]
Ex-date for quarterly distribution	12 March 2020
Record date for quarterly distribution	13 March 2020[1]
Payment date for quarterly distribution	23 March 2020[2]
Ex-date for quarterly distribution	11 June 2020
Record date for quarterly distribution	12 June 2020[1]
Payment date for quarterly distribution	22 June 2020
Ex-date for quarterly distribution	11 September 2020
Record date for quarterly distribution	14 September 2020
Payment date for quarterly distribution	22 September 2020
Ex-date for quarterly distribution	11 December 2020
Record date for quarterly distribution	14 December 2020
Payment date for quarterly distribution	22 December 2020

Westpac Capital Notes 6 (ASX code: WBCPI)

Ex-date for quarterly distribution	9 December 2019
Record date for quarterly distribution	10 December 2019
Payment date for quarterly distribution	18 December 2019
Ex-date for quarterly distribution	9 March 2020
Record date for quarterly distribution	10 March 2020
Payment date for quarterly distribution	18 March 2020
Ex-date for quarterly distribution	9 June 2020
Record date for quarterly distribution	10 June 2020
Payment date for quarterly distribution	18 June 2020
Ex-date for quarterly distribution	9 September 2020
Record date for quarterly distribution	10 September 2020
Payment date for quarterly distribution	18 September 2020
Ex-date for quarterly distribution	9 December 2020
Record date for quarterly distribution	10 December 2020
Payment date for quarterly distribution	18 December 2020

[1] *Adjusted to immediately preceding business day as record date falls on a non-ASX business day, or a date on which banks are not open for general business in Sydney.*
[2] *Adjusted to next business day as payment date falls on a non-ASX business day, or a date on which banks are not open for general business in Sydney.*

Westpac NZD Subordinated Notes (NZX code: WBC010)

Ex-date for quarterly interest payment	20 November 2019
Record date for quarterly interest payment	21 November 2019
Payment date for quarterly interest payment	2 December 2019[1]
Ex-date for quarterly interest payment	19 February 2020
Record date for quarterly interest payment	20 February 2020
Payment date for quarterly interest payment	2 March 2020[1]
Ex-date for quarterly interest payment	21 May 2020
Record date for quarterly interest payment	22 May 2020
Payment date for quarterly interest payment	2 June 2020[1]
Ex-date for quarterly interest payment	20 August 2020
Record date for quarterly interest payment	21 August 2020[2]
Payment date for quarterly interest payment	1 September 2020
Ex-date for quarterly interest payment	19 November 2020
Record date for quarterly interest payment	20 November 2020[2]
Payment date for quarterly interest payment	1 December 2020

[1] *Adjusted to next business day as payment date does not fall on a day on which banks are open for general business in Wellington and Auckland, New Zealand and Sydney, Australia.*

[2] *Adjusted to immediately preceding business day as record date falls on a date on which banks are not open for general business in Wellington and Auckland, New Zealand and Sydney, Australia.*

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Share Registries

Australia

Ordinary shares on the main register, Westpac Capital Notes 2, Westpac Capital Notes 3, Westpac Capital Notes 4, Westpac Capital Notes 5,Westpac Capital Notes 6

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New Zealand

Ordinary shares on the New Zealand branch register and Westpac NZD Subordinated Notes

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6.7 Exchange rates

6.7.1 Exchange rates against A$[1]

Twelve months to/as at	30 September 2019		30 September 2018	
Currency	Average	Spot	Average	Spot
US$	0.7038	0.6754	0.7607	0.7218
GBP	0.5514	0.5493	0.5654	0.5521
NZ$	1.0574	1.0790	1.0884	1.0920

Six months to/as at	30 September 2019		31 March 2019		30 September 2018	
Currency	Average	Spot	Average	Spot	Average	Spot
US$	0.6926	0.6754	0.7150	0.7091	0.7439	0.7218
GBP	0.5504	0.5493	0.5524	0.5425	0.5586	0.5521
NZ$	1.0565	1.0790	1.0584	1.0439	1.0842	1.0920

[1] *Averages are based on a six month period for the halves and a twelve month period for the full year and are converted at average rates.*

6.7.2 Westpac New Zealand division performance (A$ Equivalent to Section 3.4)[1]

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 (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand 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 brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively. Westpac New Zealand also maintains its own infrastructure, including technology, operations and treasury. Results have been translated into Australian dollars (A$) at the average exchange rates for each reporting period, Second Half 2019: $1.0565 (First Half 2019: $1.0584; Second Half 2018: $1.0842). Unless otherwise stated, assets and liabilities have been translated at spot rates as at the end of the period, Second Half 2019: $1.0790 (First Half 2019: $1.0439; Second Half 2018: $1.0920).

$m	Half Year Sept 19	Half Year March 19	*% Mov't Sept 19 - Mar 19*	Full Year Sept 19	Full Year Sept 18	*% Mov't Sept 19 - Sept 18*
Net interest income	915	945	*(3)*	1,860	1,799	*3*
Non-interest income	189	234	*(19)*	423	373	*13*
Net operating income	1,104	1,179	*(6)*	2,283	2,172	*5*
Operating expenses	(486)	(453)	*7*	(939)	(855)	*10*
Core earnings	**618**	**726**	***(15)***	**1,344**	**1,317**	***2***
Impairment (charges)/benefits	24	(14)	*large*	10	(22)	*large*
Operating profit before tax	**642**	**712**	***(10)***	**1,354**	**1,295**	***5***
Tax and non-controlling interests	(181)	(188)	*(4)*	(369)	(361)	*2*
Cash earnings	**461**	**524**	***(12)***	**985**	**934**	***5***
Add back notable items	23	-	-	23	12	*92*
Cash earnings excluding notable items	**484**	**524**	***(8)***	**1,008**	**946**	***7***
Economic profit	172	235	*(27)*	407	421	*(3)*
Expense to income ratio[2]	43.96%	38.46%	*large*	41.12%	39.34%	*178bps*
Net interest margin[2]	2.09%	2.23%	*(14bps)*	2.16%	2.24%	*(8bps)*

$bn	As at 30 Sept 2019	As at 30 March 2019	*% Mov't Sept 19 - Mar 19*	As at 30 Sept 2019	As at 30 Sept 2018	*% Mov't Sept 19 - Sept 18*
Customer deposits	59.7	61.5	*(3)*	59.7	56.7	*5*
Net loans	78.0	78.6	*(1)*	78.0	73.6	*6*
Deposit to loan ratio[2]	76.60%	78.20%	*(160bps)*	76.60%	76.99%	*(39bps)*
Total assets	90.0	89.5	*1*	90.0	82.4	*9*
TCE	108.7	109.1	-	108.7	102.5	*6*
Third party liquid assets	9.6	8.7	*10*	9.6	6.9	*39*
Average interest-earning assets[3]	87.3	85.0	*3*	86.2	80.2	*7*
Total funds	10.7	10.4	*3*	10.7	9.8	*9*

[1] *The Group has adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 October 2018. Statutory comparatives have not been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail. However, where applicable, cash earnings comparatives (excluding expected credit loss provisioning) have been restated to aid comparability. Refer to the cash earnings policy in Section 1.3.4 for further detail. In addition, during Full Year 2019, the Group has made a number of presentational changes to the Balance Sheet and Income Statement, both statutory and cash earnings comparatives have been restated. Refer to Note 1 in the 2019 Interim Financial Results and Note 1 in Section 3 of the 2019 Annual Report for further detail.*
[2] *Ratios calculated using NZ$*
[3] *Averages are based on a six month period and are converted at average rates.*

6.7.3 Impact of exchange rate movements on Group results

	Half Year Sept 19 vs Half Year March 19			Full Year Sept 19 vs Full Year Sept 18		
$m	Cash earnings growth	FX impact $m	Growth ex-FX	Cash earnings growth	FX impact $m	Growth ex-FX
Net interest income	2%	5	2%	(1%)	69	(2%)
Non-interest income	16%	8	15%	(26%)	(21)	(25%)
Net operating income	4%	13	4%	(7%)	48	(7%)
Operating expenses	(1%)	(3)	(1%)	3%	(37)	3%
Core earnings	**10%**	**10**	**10%**	**(15%)**	**11**	**(15%)**
Impairment charges	38%	-	38%	(2%)	-	(2%)
Operating profit before income tax	**8%**	**10**	**8%**	**(16%)**	**11**	**(16%)**
Income tax expense	8%	(3)	8%	(17%)	(1)	(17%)
Net profit	**8%**	**7**	**8%**	**(15%)**	**10**	**(15%)**
Net profit attributable to non-controlling interests	-	-	-	50%	-	50%
Cash earnings	**8%**	**7**	**8%**	**(15%)**	**10**	**(15%)**

6.7.4 Exchange rate risk on future NZ$ earnings

Westpac's policy in relation to the hedging of the future earnings of the Group's New Zealand division is to manage the economic risk for volatility of the NZ$ against A$. Westpac manages these flows over a time horizon under which up to 100% of the expected earnings for the following 12 months and 100% of the expected earnings for the subsequent 12 months can be hedged. As at 30 September 2019, Westpac has hedges in place for forecasts up to December 2019 with an average rate of $1.05.

7.0 Glossary

Shareholder value	
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).
Cash earnings per ordinary share	Cash earnings divided by the weighted average ordinary shares (cash earnings basis).
Cash ROE	Cash earnings divided by average ordinary equity.
Cash earnings to average tangible equity (ROTE)	Cash earnings divided by average tangible ordinary equity.
Dividend payout ratio – cash earnings	Ordinary dividend paid/declared calculated on issued shares divided by cash earnings.
Dividend payout ratio – net profit	Ordinary dividend paid/declared calculated on issued shares (net of Treasury shares) divided by the net profit attributable to owners of WBC.
Earnings per ordinary share	Net profit attributable to the owners of WBC divided by the weighted average ordinary shares (reported).
Economic profit – Divisions	Cash earnings less a capital charge calculated at 11% of allocated capital plus 70% of the value of Australian tax expense.
Economic profit – Group	Cash earnings less a capital charge calculated at 11% of average ordinary equity plus a value on franking credits calculated as 70% of the Group's Australian tax expense.
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.
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 (reported).
Return on equity (ROE)	Net profit attributable to the owners of WBC divided by average ordinary equity.
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').
Productivity and efficiency	
Expense to income ratio	Operating expenses divided by net operating income.
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.
Business performance	
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 (including capital benefit) for a division as a percentage of the average interest earning assets for that division.
Net interest margin	Calculated by dividing net interest income by average interest-earning assets.
Interest spread	The difference between the average yield on all interest-earning assets and the average rate paid on interest bearing liabilities.
Capital adequacy	
Common equity tier 1 capital ratio	Total common equity capital divided by risk weighted assets, as defined by APRA.
Credit risk weighted assets (Credit RWA)	Credit risk weighted assets represent risk weighted assets (on-balance sheet and off-balance sheet) that relate to credit exposures and therefore exclude market risk, operational risk, interest rate risk in the banking book and other assets.
Internationally comparable capital ratios	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items. Analysis aligns with the APRA study titled "International capital comparison study" dated 13 July 2015.

Capital adequacy (cont'd)	
Risk weighted assets (RWA)	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non-asset backed risks (ie. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.
Tier 1 capital ratio	Total Tier 1 capital divided by risk weighted assets, as defined by APRA.
Total regulatory capital ratio	Total regulatory capital divided by risk weighted assets, as defined by APRA.
APRA leverage ratio	Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off-balance sheet exposures.
Funding and liquidity	
Committed Liquidity Facility (CLF)	The RBA makes available to Australian Authorised Deposit-taking Institutions a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity.
Deposit to loan ratio	Customer deposits divided by total loans.
High Quality Liquid Assets (HQLA)	Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR.
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out-flows in a modelled 30 day defined stressed scenario.
Net Stable Funding Ratio (NSFR)	The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADI's must maintain an NSFR of at least 100%.
Third party liquid assets	HQLA and non LCR qualifying liquid assets, but excludes internally securitised assets that are eligible for a repurchase agreement with the RBA and RBNZ.
Total liquid assets	Third party liquid assets and internally securitised assets that are eligible for a repurchase agreement with a central bank.
Asset quality	
90 days past due and not impaired	Includes facilities where: • 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 (including accounts for customers who have been granted hardship assistance); 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, or where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis. These facilities, while in default, are not treated as impaired for accounting purposes.
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. Included in the collectively assessed provision is an economic overlay provision which is calculated based on changes that occurred in sectors of the economy or in the economy as a whole.
Default	For accounting purposes, a default occurs when Westpac considers that the customer is unlikely to repay its credit obligations in full, without recourse by the Group to action such as realising security, or the customer is more than 90 days past due on any material credit obligation. This definition of default is aligned to the APRA regulatory definition of default.
Exposure at default (EAD)	The estimated outstanding amount of credit exposure at the time of the default.

Asset quality (cont'd)	
Impaired assets	Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cash flow, and the net realisation of value of assets to which recourse is held: • facilities 90 days or more past due, and full recovery is in doubt: 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.
Individually assessed provisions (IAPs)	Provisions raised for losses that have already been incurred on loans that are known to be impaired and are assessed on an individual basis. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and, as this discount unwinds, interest will be recognised in the income statement.
Loss given default (LGD)	The loss that is expected to arise in the event of a default.
Non-performing exposures	Exposures which are in default.
Performing exposures	Exposures which are not in default.
Probability of default (PD)	The probability that a counterparty will default.
Provision for expected credit losses (ECL)	Expected credit losses (ECL) are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.
Stage 1: 12 months ECL - performing	For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months expected credit losses is recognised. Interest revenue is calculated on the gross carrying amount of the financial asset.
Stage 2: Lifetime ECL - performing	For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime expected losses is recognised. Interest revenue is calculated on the gross carrying amount of the financial asset.
Stage 3: Lifetime ECL - non-performing	For financial assets that are non-performing a provision for lifetime expected losses is recognised. Interest revenue is calculated on the carrying amount net of the provision for ECL rather than the gross carrying amount.
Stressed assets	Watchlist and substandard, 90 days past due and not impaired and impaired assets.
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.
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.

Other	
Credit Value Adjustment (CVA)	CVA adjusts the fair value of over-the-counter derivatives for credit risk. CVA is employed on the majority of derivative positions and reflects the market view of the counterparty credit risk. A Debit Valuation Adjustment (DVA) is employed to adjust for our own credit risk.
Divisional results	Divisional results are presented on a management reporting basis. Internal charges and transfer pricing adjustments are included in the performance of each division reflecting the management structure rather than the legal entity (these results cannot be compared to results for individual legal entities). Where management reporting structures or accounting classifications have changed, financial results for comparative periods have been revised and may differ from results previously reported. Overhead costs are allocated to revenue generating divisions. The Group's internal transfer pricing frameworks facilitate risk transfer, profitability measurement, capital allocation and divisional alignment, tailored to the jurisdictions in which the Group operates. Transfer pricing allows the Group to measure the relative contribution of products and divisions to the Group's interest margin and other dimensions of performance. Key components of the Group's transfer pricing frameworks are funds transfer pricing for interest rate and liquidity risk and allocation of basis and contingent liquidity costs, including capital allocation.
First Half 2019	Six months ended 31 March 2019.
First Half 2018	Six months ended 31 March 2018.
Full Year 2018	Twelve months ended 30 September 2018.
Full Year 2019	Twelve months ended 30 September 2019.
Net Promoter Score (NPS)	Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Net Promoter ScoreSM is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. • For retail banking, using a scale of 1 to 10 (1 means 'extremely unlikely' and 10 means 'extremely likely'), the 1-6 raters (detractors) are deducted from the 9-10 raters (promoters); and • For business banking, using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters).
Prior corresponding period	Refers to the six months ended 30 September 2018.
Prior half / Prior period	Refers to the six months ended 31 March 2019.
Run-off	Scheduled and unscheduled repayments and debt repayments (from, for example, property sales and external refinancing), net of redraws.
Second Half 2018	Six months ended 30 September 2018.
Second Half 2019	Six months ended 30 September 2019.
Women in Leadership	Women in Leadership refers to the proportion of women (permanent and maximum term) in leadership roles across the Group. It includes the CEO, Group Executive, General Managers, senior leaders with significant influence on business outcomes (direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below General Manager, and Bank and Assistant Bank Managers.

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