

1H23 Reporting Changes Update

24 March 2023

Single measure of performance – net profit.

Net profit¹ is the single measure the Group will use to assess overall financial performance

This change simplifies the financial reporting suite and provides greater transparency of performance.
Changes:

- Report net profit only
- ASX and US results announcements will be closely aligned
- Results announcement and annual report will be combined

The Group will continue to report notable items that don't reflect underlying business performance.

Notable items (\$m after tax)	1H22	2H22
Remediation & litigation	(65)	(68)
Asset sales & revaluations	213	(1,089)
Write-down of assets	(154)	(129)
Economic hedges	204	266
Ineffective hedges	(19)	(33)
Total notable items	179	(1,053)

¹ Also referred to as Net profit attributable to owners of WBC, net profit after tax or statutory net profit.

Summary of proposed reporting changes

Section	Summary of change	Proforma table reference
1.1 Performance summary	Summary of result based on net profit including the impact of notable items.	Slide 5
1.2 Key financial information	Metrics in 'Section 1.2 Key financial information' updated.	Slide 5-6
Cash earnings sections	Cash earnings specific sections removed.	
1.4 Impact of notable items	Impact of notable items section will include a description of notable items and summary by reporting line item.	
1.5.2 Net interest income	'Notable items' and 'Group net interest margin excluding notable items, Treasury & Markets' added. Presentation of loans has been revised to separate housing, personal and business loans. Presentation of deposits average balance and interest have been revised to separate certificates of deposits, At call and term deposits	Slide 7
1.5.5 Non-interest income	Notable items restated.	
1.5.7 Markets related income	Presentation of Markets related income revised to better align to the current business structure and operations.	Slide 7
1.7 Balance sheet	Presentation of balance sheet revised to improve disclosure.	Slide 8
Funding view of the balance sheet table	Funding view of the balance sheet table has been removed – information is included in 'Section 1.7 Balance Sheet'.	
2.0 Segment reporting	Segment results on net profit basis including impact of notable items.	Slide 4
3.7 Note 3 Average balance sheet and interest rates	Presentation of average balance sheet updated: a. Loans average balance and interest have been revised to separate housing, personal and business loans b. Deposits average balance and interest have been revised to separate certificates of deposits, At call and term deposits	Slide 9

Net profit by segment – 1H22 and 2H22

1H22 \$m	Consumer	Business	CBB	WIB	Westpac NZ (A\$)	Specialist Businesses	Group Businesses	Group
Net interest income	4,377	1,323	5,700	481	1,034	242	564	8,021
Non-interest income	324	165	489	592	151	442	36	1,710
Notable items	-	-	-	-	132	109	258	499
Net operating income	4,701	1,488	6,189	1,073	1,317	793	858	10,230
Operating expenses	(2,369)	(984)	(3,353)	(581)	(534)	(370)	(304)	(5,142)
Notable items	-	-	-	-	-	(215)	(16)	(231)
Total operating expenses	(2,369)	(984)	(3,353)	(581)	(534)	(585)	(320)	(5,373)
Core profit	2,332	504	2,836	492	783	208	538	4,857
Impairment benefit/(charge)	27	(158)	(131)	(58)	9	38	3	(139)
Tax and NCI	(713)	(107)	(820)	(128)	(190)	(114)	(186)	(1,438)
Net profit	1,646	239	1,885	306	602	132	355	3,280
Total notable items	-	-	-	-	129	(114)	164	179
2H22 \$m	Consumer	Business	CBB	WIB	Westpac NZ (A\$)	Specialist Businesses	Group Businesses	Group
Net interest income	4,608	1,704	6,312	629	1,073	232	339	8,585
Non-interest income	288	167	455	554	128	418	34	1,589
Notable items	-	-	-	-	(12)	(1,120)	334	(798)
Net operating income	4,896	1,871	6,767	1,183	1,189	(470)	707	9,376
Operating expenses	(2,254)	(915)	(3,169)	(607)	(538)	(313)	(412)	(5,039)
Notable items	(66)	-	(66)	-	-	(150)	(174)	(390)
Total operating expenses	(2,320)	(915)	(3,235)	(607)	(538)	(463)	(586)	(5,429)
Core profit	2,576	956	3,532	576	651	(933)	121	3,947
Impairment benefit/(charge)	(228)	15	(213)	(27)	16	29	(1)	(196)
Tax and NCI	(703)	(292)	(995)	(168)	(192)	49	(31)	(1,337)
Net profit	1,645	679	2,324	381	475	(855)	89	2,414
Total notable items	(47)	-	(47)	-	(10)	(1,112)	116	(1,053)

Appendix 1: Proforma tables

1.1 Performance summary

\$m	Half Year March 2023	Half Year Sept 2022	Half Year March 2022
Net interest income	-	8,873	8,288
Non-interest income	-	503	1,942
Net operating income	-	9,376	10,230
Operating expenses	-	(5,429)	(5,373)
Core profit	-	3,947	4,857
Impairment (charges)/benefits	-	(196)	(139)
Profit before income tax expense	-	3,751	4,718
Income tax expense	-	(1,336)	(1,434)
Profit after income tax expense	-	2,415	3,284
Profit attributable to non-controlling interests (NCI)	-	(1)	(4)
Net profit attributable to owners of WBC²	-	2,414	3,280
Notable items	-	(1,053)	179
Effective tax rate	-	35.6%	30.4%

1.2 Key financial information summary³

	Half Year March 2023	Half Year Sept 2022	Half Year March 2022
Shareholder value			
Basic earnings per ordinary share (cents)	-	69.0	90.5
Diluted earnings per ordinary share (cents)	-	66.0	85.7
Weighted average ordinary shares (millions) ⁴	-	3,496	3,622
Fully franked dividends per ordinary share (cents)	-	64	61
Dividend payout ratio ⁵	-	92.73%	65.06%
Return on average ordinary equity	-	6.93%	9.25%
Return on average tangible ordinary equity (ROTE) ⁶	-	7.85%	10.47%
Average ordinary equity (\$m)	-	69,467	71,073
Average tangible ordinary equity (\$m)	-	61,335	62,825
Average total equity (\$m)	-	69,520	71,130
Net tangible asset per ordinary share (\$)	-	17.18	17.22

1. Percentage (%) movements are shown as % unless otherwise stated. This applies to all the tables in this document.
2. For the remainder of this section, section 2 and section 4, net profit attributable to owners of WBC is referred to as "net profit".
3. Averages are based on a six month period.
4. 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").
5. Excludes the dividend component of the off-market share buy-back in First Half 2022.
6. Average tangible ordinary equity is calculated as average ordinary equity less intangible assets, excluding capitalised software.

Appendix 1: Proforma tables

1.2 Key financial information summary (continued)

	Half Year March 2023	Half Year Sept 2022	Half Year March 2022
Business performance			
Net interest margin	-	1.96%	1.91%
Interest spread	-	1.87%	1.86%
Benefit of net non-interest bearing assets, liabilities and equity	-	0.09%	0.05%
Net interest margin (ex notable items, Treasury and Markets)	-	1.80%	1.70%
Average interest earning assets (\$m)	-	901,786	872,075
Expense to income ratio	-	57.90%	52.52%
Expense to income ratio (ex notable items)	-	49.53%	52.84%
Full time equivalent employees (FTE)	-	37,476	38,823
Revenue per FTE (\$ '000's)	-	249	259
Capital, funding and liquidity			
Level 2 common equity Tier 1 capital ratio			
- APRA	-	11.29%	11.33%
- Internationally comparable	-	17.57%	17.36%
Credit risk weighted assets (credit RWA) (\$m)	-	362,098	359,673
Total risk weighted assets (RWA) (\$m)	-	477,620	459,956
Liquidity coverage ratio (LCR) ^{1,2}	-	132%	137%
Net stable funding ratio (NSFR) ²	-	121%	125%
Customer deposit to loan ratio	-	82.90%	83.50%
Credit quality and impairment charges²			
Gross impaired exposures to gross loans	-	0.20%	0.23%
Gross impaired exposures provisions to gross impaired exposures	-	47.95%	48.03%
Collectively assessed provisions to credit RWA	-	116 bps	116 bps
Total provisions to credit RWA	-	128 bps	130 bps
Total committed exposures (TCE) (\$bn)	-	1,186	1,161
Total stressed exposures as a % of TCE	-	1.07%	1.10%
Mortgages 90+ day delinquencies	-	0.69%	0.82%
Other consumer loans 90+ day delinquencies	-	1.56%	1.62%
Impairment charges/(benefits) to average loans annualised	-	5 bps	4 bps
Balance sheet (\$m)			
Loans	-	739,647	719,556
Total assets	-	1,014,198	964,749
Customer deposits	-	612,834	600,872
Wealth Management			
Average Group Funds (\$bn)	-	225	241

- Liquidity coverage ratio is calculated on a quarterly average basis
- Includes balances presented as held for sale.

Appendix 1: Proforma tables

1.5.2 Net interest income¹

	Half Year March 2023	Half Year Sept 2022	Half Year March 2022
Net interest Income (\$m)			
Net interest income excluding notable items, Treasury & Markets	-	8,131	7,401
Notable items	-	288	267
Treasury ²	-	383	568
Markets	-	71	52
Net interest income	-	8,873	8,288
Average interest-earning assets (\$m)³			
Loans	-	683,786	670,648
Housing	-	472,098	468,207
Personal	-	14,471	15,618
Business	-	197,217	186,823
Liquid assets	-	201,512	181,932
Other interest-earning assets	-	16,488	19,495
Average interest-earning assets	-	901,786	872,075
Net interest margin (%)			
Group net interest margin	-	1.96%	1.91%
Group net interest margin excluding notable items, Treasury & Markets	-	1.80%	1.70%

1. Refer to Section 3, Note 3 for results breakdown.
2. Treasury net interest income excludes capital benefit.
3. Includes assets held for sale.

1.5.7 Markets related income^{1,2}

\$m	Half Year March 2023	Half Year Sept 2022	Half Year March 2022
Net interest income	-	71	52
Non-interest income	-	296	323
Total Markets income	-	367	375
Markets income ex Derivatives Valuation Adjustments (DVA)	-	396	384
DVA	-	(29)	(9)
Total Markets income	-	367	375

1. Markets income includes WIB, Specialist Businesses and Westpac New Zealand markets.
2. In First Half 2023, the presentation of Markets related income has been revised:
 - a. Derivative Valuation Adjustment (DVA) has been revised to include the Funding Value Adjustment (FVA) and Credit Value Adjustment (CVA). Previously DVA included only CVA.
 - b. Markets income ex DVA includes both customer and non-customer income.

Appendix 1: Proforma tables

1.7 Balance sheet

\$m	As at 31 March 2023	As at 30 Sept 2022	As at 31 March 2022
Assets			
Loans	-	739,647	719,556
Housing	-	523,952	516,403
Personal	-	13,897	15,250
Business	-	206,004	192,098
Provision for expected credit losses (ECL)	-	(4,206)	(4,195)
Liquid assets	-	194,058	178,275
Assets held for sale	-	75	2,700
All other assets	-	80,418	64,218
Total assets	-	1,014,198	964,749
Liabilities			
Customer deposits	-	612,834	600,872
Non-interest bearing, repayable at call	-	69,032	70,543
Other interest bearing at call	-	381,944	393,493
Other interest bearing term	-	161,858	136,836
Certificates of deposit	-	46,295	44,734
Debt issues	-	144,868	133,629
Term funding from central banks ¹	-	33,277	31,732
Liabilities held for sale	-	32	684
All other liabilities	-	106,383	82,765
Total liabilities	-	943,689	894,416
Equity			
Total equity attributable to owners of WBC	-	70,452	70,279
NCI	-	57	54
Total equity	-	70,509	70,333

1. Term funding from central banks includes the drawn balances of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme and Term Lending Facility.

Appendix 1: Proforma tables

3.7 Note 3 Average balance sheet and interest rates

	Half Year March 2023			Half Year Sept 2022			Half Year March 2022		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
	\$m	\$m	%	\$m	\$m	%	\$m	\$m	%
Assets									
Interest earning assets									
Loans ¹	-	-	-	683,786	11,549	3.4	669,815	9,547	2.9
Housing	-	-	-	472,098	7,349	3.1	468,207	6,317	2.7
Personal	-	-	-	14,471	582	8.0	15,618	618	7.9
Business	-	-	-	197,217	3,618	3.7	185,990	2,612	2.8
Trading securities and financial assets measured at FVIS	-	-	-	23,426	224	1.9	22,243	123	1.1
Investment securities	-	-	-	77,783	620	1.6	77,779	506	1.3
Other interest earning assets ²	-	-	-	116,786	653	1.1	101,392	23	-
Assets held for sale	-	-	-	5	-	-	846	6	1.4
Total interest earning assets and interest income	-	-	-	901,786	13,046	2.9	872,075	10,205	2.3
Non-interest earning assets									
Derivative financial instruments	-	-	-	28,479	-	-	18,283	-	-
Assets held for sale	-	-	-	1,843	-	-	3,048	-	-
All other assets ³	-	-	-	59,492	-	-	64,427	-	-
Total non-interest earning assets	-	-	-	89,814	-	-	85,758	-	-
Total assets	-	-	-	991,600	-	-	957,833	-	-
Liabilities									
Interest bearing liabilities									
Deposits and other borrowings	-	-	-	581,038	2,448	0.8	570,842	761	0.3
Certificates of deposit	-	-	-	48,068	347	1.4	46,544	48	0.2
At call	-	-	-	389,417	1,158	0.6	391,719	342	0.2
Term	-	-	-	143,553	943	1.3	132,579	371	0.6
Repurchase agreements	-	-	-	39,807	112	0.6	35,740	38	0.2
Loan capital	-	-	-	30,910	586	3.8	30,504	440	2.9
Other interest bearing liabilities ⁴	-	-	-	167,147	1,027	1.2	149,307	678	0.9
Total interest bearing liabilities and interest expense	-	-	-	818,902	4,173	1.0	786,393	1,917	0.5
Non-interest bearing liabilities									
Deposits and other borrowings	-	-	-	69,082	-	-	69,413	-	-
Derivative financial instruments	-	-	-	30,434	-	-	19,035	-	-
Liabilities held for sale	-	-	-	590	-	-	775	-	-
All other liabilities ⁵	-	-	-	3,072	-	-	11,087	-	-
Total non-interest bearing liabilities	-	-	-	103,178	-	-	100,310	-	-
Total liabilities	-	-	-	922,080	-	-	886,703	-	-
Shareholders' equity	-	-	-	69,467	-	-	71,073	-	-
NCI	-	-	-	53	-	-	57	-	-
Total equity	-	-	-	69,520	-	-	71,130	-	-
Total liabilities and equity	-	-	-	991,600	-	-	957,833	-	-
Loans									
Australia	-	-	-	590,428	9,679	3.3	574,439	8,015	2.8
New Zealand	-	-	-	86,989	1,755	4.0	89,021	1,448	3.3
Other overseas	-	-	-	6,369	115	3.6	6,355	84	2.7
Deposits and other borrowings									
Australia	-	-	-	498,319	1,760	0.7	489,642	489	0.2
New Zealand	-	-	-	60,312	522	1.7	61,263	243	0.8
Other overseas	-	-	-	22,407	166	1.5	19,937	29	0.3

- Loans are net of Stage 3 provision for ECL, where interest income is determined based on their carrying value. Stage 1 and 2 provisions for ECL are not included in the average interest earning assets balance, as interest income is determined based on the gross value of loans and other receivables.
- Includes net ineffectiveness on qualifying hedges.
- Includes property and equipment, intangible assets, deferred tax assets, non-interest bearing loans relating to mortgage offset accounts and all other non-interest earning assets.
- Includes net impact of Treasury balance sheet management activities and the Bank Levy.
- Includes other financial liabilities, provisions, current and deferred tax liabilities and all other non-interest bearing liabilities.