

ASX

Release

21 April 2022**Westpac's First Half 2022 (1H22) notable items and segment structure changes**

Westpac today announced that its reported net profit and cash earnings in 1H22 is expected to have a minimal impact from notable items with a net reduction of \$6m (after tax). Of the notable items, a \$4m benefit was recognised and announced in the first quarter 2022 (1Q22) with the remainder recognised in the second quarter 2022 (2Q22). The notable items (after tax) include:

- The gain on sale of Westpac Life-NZ-Limited (NZ Life) of \$119m (NZ\$126m) following completion of the transaction in February 2022. There is no tax expense from this item in 1H22;
- Gains on sale of \$119m related to the Group's Motor vehicle dealer finance and novated leasing business following completion in the half;
- The write-down of goodwill and capitalised software associated with the Group's superannuation business of \$154m as part of preparations to exit this business;
- An increase in provisions for customer refunds, repayments, associated costs and litigation penalties of \$65m; and
- A \$25m impact from costs associated with divestments and a post-sale adjustment to earn-out payments associated with the sale of the Vendor Finance business.

In aggregate, these items have a small impact on the Group's CET1 capital ratio (adds 3 basis points). Details of notable items in First Half 2022 are in Appendix 1 and a summary of line item impacts is in Appendix 2.

Segment structure changes in Westpac's 1H22 Results

As outlined in our 1Q22 update, we are making changes to align our segment reporting to our lines of business operating structure. These changes have no impact on the Group's consolidated financial results and associated metrics in prior periods but do impact profit and loss and balance sheet items of our reporting segments. The new structure and changes are summarised in Appendix 3.

In addition, certain customers previously managed in Business are now being managed by Westpac Institutional Bank (WIB) and their contribution will be reported in that segment.

In preparing the platforms business for sale we have decided to retain our share broking and margin lending businesses given the demand from consumer and private wealth clients. The share broking business will now be reported in Consumer, previously in the Specialist Businesses segment (with comparative periods restated). Margin lending will continue to be reported in Specialist Businesses and will be moved to Consumer in a subsequent period once we finalise its separation from our wealth businesses.

Appendix 4 provides prior period data under these segment changes in the same way they will be presented in 1H22.

Restatement of APRA Monthly ADI Statistics (MADIS)

Following revisions to Westpac's reporting models used to classify owner occupied and investment property housing loans under APRA's Economic Financial Statistics definitions we are changing the reporting of these loan balances.

The changes will result in a reclassification of \$14 billion¹ in the MADIS dataset, increasing owner occupied lending (~1% market share) with a corresponding decrease in investment property loans (~2% market share). Total outstanding housing lending is unchanged.

Restated data is expected to be published in APRA's MADIS data release on 29 April 2022 and will be restated back to March 2021. The changes better align our MADIS statistics with existing management and external reporting.

This restatement has no impact on Westpac's reporting of housing lending in our Investor Discussion Pack and other management reporting documents.

We are scheduled to announce our First Half 2022 results on Monday, 9 May 2022.

For further information:

Hayden Cooper

Group Head of Media Relations
0402 393 619

Andrew Bowden

Group Head of Investor Relations
0438 284 863

This document has been authorised for release by Tim Hartin, Company Secretary.

¹ At 28 February 2022.

Appendix 1 – Details of items affecting Westpac’s 1H22 Financial Results

This table details how the notable items will be described in our 1H22 Financial Results.




Summary	1H22 Cash earnings (after tax)	Detail (pre tax)
Write-down of goodwill and other assets	\$154m reduction	In preparation for the exit of our superannuation business, the carrying value of our superannuation intangible assets was reviewed and found to be no longer supportable. This included: <ul style="list-style-type: none"> • \$122m of goodwill, which is all the goodwill attributable to this business; and • \$45m of capitalised software.
Additional provisions for customer refunds payments, associated costs and litigation provisions	\$65m reduction	The ongoing review of customer remediation, litigation and regulatory investigations has led to the following changes in provisions: <ul style="list-style-type: none"> • Revenue: \$36m decrease for additional remediation related to wealth products, partly offset by the release of some provisions in Westpac New Zealand; and • Expenses: \$46m increase for additional costs related to our remediation programs and for litigation matters, including an increase to prior provisions following agreement with ASIC to settle six longstanding matters announced on 30 November 2021.
Asset sales and revaluations	\$213m increase	<ul style="list-style-type: none"> • Revenue increase of \$271m from a gain on sale of \$119m from NZ Life and \$170m from the Group’s Motor vehicle dealer finance and novated leasing business, partly offset by an \$18m post-sale adjustment to earn-out payments associated with the sale of the Vendor Finance business; • Expenses associated with asset sales and revaluations of \$18m; and • Tax expense and non-controlling interest impact of \$40m. The low effective tax rate of these collective items reflects that the tax impact for the sale of NZ Life was largely recorded in prior periods.

Appendix 2 – Summary of 1H22 notable items

1H22 (\$m)	Consumer	Business	WIB	New Zealand (in \$A)	Specialist Businesses	Group Businesses	Total
Net interest income	-	-	-	7	-	-	7
Net fee income	-	-	-	-	-	-	-
Net wealth management & insurance income	-	-	-	-	(43)	-	(43)
Other income	-	-	-	119	152	-	271
Non-interest income	-	-	-	119	109	-	228
Operating expenses	-	-	-	-	(215)	(16)	(231)
Core earnings	-	-	-	126	(106)	(16)	4
Income tax benefit/(expense)	-	-	-	(2)	(8)	-	(10)
NCI	-	-	-	-	-	-	-
Cash earnings	-	-	-	124	(114)	(16)	(6)

1H22 (\$m)	Provisions for refunds, payments, costs & litigation	Write-down of goodwill and other assets	Asset sales / revaluations	Total
Net interest income	7	-	-	7
Net fee income	-	-	-	-
Net wealth management & insurance income	(43)	-	-	(43)
Other income	-	-	271	271
Non-interest income	(43)	-	271	228
Staff expenses	(10)	-	(9)	(19)
Occupancy expenses	-	-	-	-
Technology expenses	-	(45)	-	(45)
Other expenses	(36)	(122)	(9)	(167)
Operating expenses	(46)	(167)	(18)	(231)
Core earnings	(82)	(167)	253	4
Income tax benefit/(expense)	17	13	(40)	(10)
NCI	-	-	-	-
Cash earnings	(65)	(154)	213	(6)

Appendix 3 – Summary of segment reporting changes

 SEGMENTS		 LINES OF BUSINESS (LOB)	 MAJOR CHANGES
Consumer & Business Banking	Consumer	<ul style="list-style-type: none"> • Mortgages • Consumer finance • Consumer deposits 	<ul style="list-style-type: none"> • All Australian mortgages (both business and consumer) now included in Mortgage LOB • Ceased revenue sharing from sale of certain institutional products (ie FX and interest rate hedging). Reduces non-interest income across Consumer and Business segments with all income for these products recorded in WIB • Addition of share broking business in Consumer
	Business	<ul style="list-style-type: none"> • Business lending • Business deposits 	
Westpac Institutional Bank		<ul style="list-style-type: none"> • Financial markets • Corporate and institutional banking • Global transaction services 	<ul style="list-style-type: none"> • Ceased revenue sharing for sale of institutional products to consumer and business bank customers. All non-interest income from these products is now reported in WIB
Westpac New Zealand		<ul style="list-style-type: none"> • Consumer banking and wealth • Corporate and institutional banking 	<ul style="list-style-type: none"> • No major changes
Specialist Businesses		<ul style="list-style-type: none"> • Life Insurance (Under sale agreement) • Platforms, Investments and Super • Westpac Pacific • Retail Auto (in run down) 	<ul style="list-style-type: none"> • Share broking business moved to Consumer as it is no longer expected to be exited
Group Business		<ul style="list-style-type: none"> • Treasury • Head office activities 	<ul style="list-style-type: none"> • Small changes related to establishment of the Consumer and Business segments

Appendix 4 – Selected comparative disclosures

3.0 Notable Items

\$m			Westpac	Westpac New				Group
	Consumer	Business	Institutional Bank	Zealand (A\$)	Specialist Businesses	Group Businesses		
Half Year March 2022								
Net interest income	-	-	-	7	-	-	-	7
Net fee Income	-	-	-	-	-	-	-	-
Net wealth management and insurance income	-	-	-	-	(43)	-	-	(43)
Trading Income	-	-	-	-	-	-	-	-
Other Income	-	-	-	119	152	-	-	271
Non-interest income	-	-	-	119	109	-	-	228
Operating expenses	-	-	-	-	(215)	(16)	-	(231)
Core earnings	-	-	-	126	(106)	(16)	-	4
Income tax (expense) / benefit and NCI	-	-	-	(2)	(8)	-	-	(10)
Cash earnings	-	-	-	124	(114)	(16)	-	(6)
Half Year Sep 2021								
Net interest income	3	103	-	(32)	(18)	-	-	56
Net fee Income	-	-	-	(7)	-	(26)	-	(33)
Net wealth management and insurance income	-	-	-	-	(4)	(14)	-	(18)
Trading Income	-	-	-	-	-	-	-	-
Other Income	-	-	-	1	202	(7)	-	196
Non-interest income	-	-	-	(6)	198	(47)	-	145
Operating expenses	(35)	(14)	(1,156)	(17)	(304)	(76)	-	(1,602)
Core earnings	(32)	89	(1,156)	(55)	(124)	(123)	-	(1,401)
Income tax (expense) / benefit and NCI	3	(29)	191	13	(119)	23	-	82
Cash earnings	(29)	60	(965)	(42)	(243)	(100)	-	(1,319)
Half Year March 2021								
Net interest income	-	74	-	(3)	-	-	-	71
Net fee Income	(3)	1	-	(5)	8	(105)	-	(104)
Net wealth management and insurance income	-	-	-	-	-	(88)	-	(88)
Trading Income	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	(7)	571	-	564
Non-interest income	(3)	1	-	(5)	1	378	-	372
Operating expenses	(106)	(40)	(37)	(6)	(336)	(220)	-	(745)
Core earnings	(109)	35	(37)	(14)	(335)	158	-	(302)
Income tax (expense) / benefit and NCI	33	(10)	11	4	38	(56)	-	20
Cash earnings	(76)	25	(26)	(10)	(297)	102	-	(282)

3.1 Consumer and Business Banking

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Net interest income		6,173	6,300		
Non-interest income		437	430		
Net operating income		6,610	6,730		
Operating expenses		(3,687)	(3,429)		
Core earnings		2,923	3,301		
Impairment (charges)/benefits		400	209		
Profit before income tax expense		3,323	3,510		
Income tax expense and NCI		(1,001)	(1,048)		
Cash earnings		2,322	2,462		
Add back notable items		(31)	51		
Cash earnings excluding notable items		2,291	2,513		
Expense to income ratio		55.78%	50.95%		
Net interest margin		2.49%	2.59%		

\$bn	As at	As at	As at	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Customer deposits					
Term deposits		76.5	85.6		
Other		318.5	292.1		
Total customer deposits		395.0	377.7		
Net loans					
Mortgages		455.7	443.6		
Business		79.8	79.5		
Other		8.8	10.0		
Provisions		(3.2)	(3.8)		
Total net loans		541.1	529.3		
Deposit to loan ratio		73.0%	71.4%		
Total assets		555.4	544.6		
TCE		653.9	642.0		
Average interest earning assets		493.9	487.7		
Average allocated capital		33.0	33.0		

Credit Quality

%	As at	As at	As at
	March 2022	30 Sept 2021	31 March 2021
Impairment charges/(benefits) to average loans annualised		(0.15%)	(0.08%)
Mortgage 90+ day delinquencies		1.07%	1.20%
Other consumer loans 90+ day delinquencies		1.60%	1.60%
Business: Impaired exposure to TCE		0.72%	0.87%
Total stressed exposure to TCE		1.74%	2.01%

3.1.1 Consumer

	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March	Sept	March	Mar 22 -	Mar 22 -
\$m	2022	2021	2021	Sep-21	Mar-21
Net interest income		4,722	4,764		
Non-interest income		263	255		
Net operating income		4,985	5,019		
Operating expenses		(2,522)	(2,376)		
Core earnings		2,463	2,643		
Impairment (charges)/benefits		82	102		
Profit before income tax expense		2,545	2,745		
Income tax expense and NCI		(765)	(818)		
Cash earnings		1,780	1,927		
Add back notable items		29	76		
Cash earnings excluding notable items		1,809	2,003		
Expense to income ratio		50.59%	47.34%		
Net interest margin		2.27%	2.34%		

	As at	As at	As at	% Mov't	% Mov't
	March	Sept	March	Mar 22 -	Mar 22 -
\$bn	2022	2021	2021	Sep-21	Mar-21
Customer deposits					
Term deposits		50.2	55.5		
Other		216.2	198.5		
Total customer deposits		266.4	254.0		
Net loans					
Mortgages		455.7	443.6		
Other		8.8	10.0		
Provisions		(1.8)	(2.0)		
Total net loans		462.7	451.6		
Deposit to loan ratio		57.6%	56.3%		
Total assets		476.9	466.8		
TCE		551.8	540.0		
Average interest earning assets		415.4	408.0		
Average allocated capital		24.8	24.8		

Credit Quality

	As at	As at	As at
	March	Sept	March
%	2022	2021	2021
Impairment charges/(benefits) to average loans annualised		(0.04%)	(0.05%)
Mortgage 90+ day delinquencies		1.07%	1.20%
Other consumer loans 90+ day delinquencies		1.60%	1.60%
Total stressed exposure to TCE		0.98%	1.06%

3.1.2 Business

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Net interest income		1,451	1,536		
Non-interest income		174	175		
Net operating income		1,625	1,711		
Operating expenses		(1,165)	(1,053)		
Core earnings		460	658		
Impairment (charges)/benefits		318	107		
Profit before income tax expense		778	765		
Income tax expense and NCI		(236)	(230)		
Cash earnings		542	535		
Add back notable items		(60)	(25)		
Cash earnings excluding notable items		482	510		
Expense to income ratio		71.69%	61.54%		
Net interest margin		3.69%	3.86%		

\$bn	As at	As at	As at	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Customer deposits					
Term deposits		26.3	30.1		
Other		102.3	93.6		
Total customer deposits		128.6	123.7		
Net loans					
Business		79.8	79.5		
Provisions		(1.4)	(1.8)		
Total net loans		78.4	77.7		
Deposit to loan ratio		164.0%	159.2%		
Total assets		78.5	77.8		
TCE		102.1	102.0		
Average interest earning assets		78.5	79.7		
Average allocated capital		8.2	8.2		

Credit Quality	As at	As at	As at
	March 2022	Sept 2021	March 2021
%			
Impairment charges/(benefits) to average loans annualised		0.80%	0.27%
Business: Impaired exposure to TCE		0.72%	0.87%
Total stressed exposure to TCE		5.90%	7.02%

3.2 Westpac Institutional Bank

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Net interest income		458	467		
Non-interest income		626	687		
Net operating income		1,084	1,154		
Operating expenses		(1,887)	(708)		
Core earnings		(803)	446		
Impairment charges		(154)	(8)		
Profit before income tax expense		(957)	438		
Income tax expense and NCI		126	(140)		
Cash earnings		(831)	298		
Add back notable items		965	26		
Cash earnings excluding notable items		134	324		
Expense to income ratio		174.08%	61.35%		
Net interest margin		1.24%	1.26%		

\$bn	As at	As at	As at	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Customer deposits		99.3	92.7		
Net loans					
Loans		68.3	63.4		
Provisions		(0.6)	(0.3)		
Total net loans		67.7	63.1		
Deposit to loan ratio		146.6%	146.8%		
Total assets		82.8	75.5		
TCE		179.7	174.7		
Average interest earning assets		73.7	74.1		
Average allocated capital		7.5	8.1		
Impairment charges to average loans annualised		0.48%	0.03%		
Impaired exposures to TCE		0.29%	0.14%		
Total stressed exposures to TCE		0.64%	0.56%		

Revenue Contribution

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Lending and deposit revenue		673	642		
Markets, sales & fee income		400	423		
Total Customer Revenue		1,073	1,065		
Derivative valuation adjustments		44	53		
Trading revenue		25	75		
Other		(58)	(39)		
Total WIB Revenue		1,084	1,154		

3.4 Specialist Businesses

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Net interest income		246	248		
Non-interest income		790	665		
Net operating income		1,036	913		
Operating expenses		(738)	(740)		
Core earnings		298	173		
Impairment (charges)/benefits		(13)	79		
Profit before income tax expense		285	252		
Income tax expense and NCI		(240)	(135)		
Cash earnings		45	117		
Add back notable items		243	297		
Cash earnings excluding notable items		288	414		
Expense to income ratio		71.24%	81.05%		
Net interest margin		3.15%	3.06%		

\$bn	As at	As at	As at	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Deposits		8.7	6.7		
Net loans					
Loans		14.0	14.9		
Provisions		(0.4)	(0.4)		
Total net loans		13.6	14.5		
Deposit to loan ratio		64.5%	46.1%		
Total funds		227.4	211.7		
TCE		18.1	19.2		
Average allocated capital		4.6	4.6		
Average funds		223.8	205.6		

3.5 Group Businesses

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Net interest income		377	458		
Non-interest income		(15)	381		
Net operating income		362	839		
Operating expenses		(428)	(604)		
Core earnings		(66)	235		
Impairment (charges)/benefits		(2)	-		
Profit/(loss) before income tax expense		(68)	235		
Income tax expense and NCI		(58)	(120)		
Cash earnings		(126)	115		
Add back notable items		100	(102)		
Cash earnings excluding notable items		(26)	13		

Treasury

\$m	Half Year	Half Year	Half Year	% Mov't	% Mov't
	March 2022	Sept 2021	March 2021	Mar 22 - Sep-21	Mar 22 - Mar-21
Net interest income		376	462		
Non-interest income		-	8		
Net operating income		376	470		
Cash earnings		223	298		

4.7. Note 2. Segment Reporting

\$m	Consumer and Business		Consumer and Business Banking	Westpac Institutional Bank	Westpac New Zealand (A\$)	Specialist Businesses	Group Businesses	Group
	Consumer	Business						
Half Year Sept 2021								
Net interest income	4,722	1,451	6,173	458	991	246	377	8,245
Net fee income	232	172	404	312	67	25	(26)	782
Net wealth management and insurance income	25	-	25	-	69	536	(19)	611
Trading income	-	-	-	229	15	18	-	262
Other income	6	2	8	85	5	211	30	339
Net operating income before operating expenses and impairment (charges)/benefits	4,985	1,625	6,610	1,084	1,147	1,036	362	10,239
Operating expenses	(2,522)	(1,165)	(3,687)	(1,887)	(562)	(738)	(428)	(7,302)
Impairment (charges)/benefits	82	318	400	(154)	(13)	(13)	(2)	218
Profit before income tax (expense)/benefit	2,545	778	3,323	(957)	572	285	(68)	3,155
Income tax (expense)/benefit	(765)	(236)	(1,001)	126	(167)	(235)	(60)	(1,337)
Net profit attributable to NCI	-	-	-	-	-	(5)	2	(3)
Cash earnings	1,780	542	2,322	(831)	405	45	(126)	1,815
Net cash earnings adjustments	-	-	-	-	1	-	199	200
Net profit attributable to owners of WBC	1,780	542	2,322	(831)	406	45	73	2,015
Balance sheet								
Loans	462,699	78,385	541,084	67,749	88,409	12,550	(8)	709,784
Deposits and other borrowings	266,445	128,550	394,995	99,349	75,756	8,744	48,111	626,955
Half Year March 2021								
Net interest income	4,764	1,536	6,300	467	996	248	458	8,469
Net fee income	217	173	390	302	73	40	(105)	700
Net wealth management and insurance income	27	-	27	-	44	609	(85)	595
Trading income	-	-	-	379	43	15	16	453
Other income	11	2	13	6	7	1	555	582
Net operating income before operating expenses and impairment (charges)/benefits	5,019	1,711	6,730	1,154	1,163	913	839	10,799
Operating expenses	(2,376)	(1,053)	(3,429)	(708)	(500)	(740)	(604)	(5,981)
Impairment (charges)/benefits	102	107	209	(8)	92	79	-	372
Profit before income tax (expense)/benefit	2,745	765	3,510	438	755	252	235	5,190
Income tax (expense)/benefit	(818)	(230)	(1,048)	(140)	(210)	(138)	(115)	(1,651)
Net profit attributable to NCI	-	-	-	-	-	3	(5)	(2)
Cash earnings	1,927	535	2,462	298	545	117	115	3,537
Net cash earnings adjustments	-	-	-	-	(3)	-	(91)	(94)
Net profit attributable to owners of WBC	1,927	535	2,462	298	542	117	24	3,443
Balance sheet								
Loans	451,595	77,662	529,257	63,125	83,151	12,687	(2)	688,218
Deposits and other borrowings	254,025	123,654	377,679	92,692	71,019	4,598	39,413	585,401