

# ASX

## Release

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26 OCTOBER 2020

### Items affecting Westpac's Second Half 2020 results and details of changes to divisions

#### Items affecting results

Westpac today announced that its cash earnings in 2H20 will be reduced by \$1,220m (after tax) arising from notable items. Statutory net profit will also be reduced by these items. The notable items include new items of \$816m (after tax), combined with the previously announced additional \$404m provision (after tax) for AUSTRAC matters.

In aggregate, these notable items are estimated to reduce the Group's CET1 capital ratio by 24 basis points, noting that some items have no impact on capital as they are already capital deductions.

The after tax impact of notable items includes:

- write-down of goodwill and intangibles associated with Westpac Life Insurance Services Ltd (WLIS) and our Auto Finance business along with a write-down of capitalised software. These items total \$568m after tax;
- an increase in the provision and costs associated with the AUSTRAC proceedings of \$415m after tax. This includes the previously announced \$404m in provisions associated with the court approved civil penalty and AUSTRAC's legal costs;
- an increase in provisions for customer refunds, repayments, associated costs, and litigation provisions of \$182m after tax;
- asset sales and revaluations, the net impact of which reduces cash earnings by \$55m after tax. This includes the revaluation of Life insurance liabilities and a loss on the agreed sale of our vendor finance business. These items totalling \$267m after tax were partly offset by a benefit after tax of \$212m from a revaluation of the Group's holding in Zip Co Limited<sup>1</sup>.

Details of these items are in Appendix 1 and a summary of line item impacts can be found in Appendix 2.

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<sup>1</sup> This refers to a revaluation of Westpac's holding in Zip Co Limited that occurred in 2H20 prior to the sale of the holding as announced on 22 October 2020. The sale of Zip Co Limited is expected to result in a pre-tax gain on sale of approximately \$26m to be reflected in Westpac's 1H21 results.

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## Changes to the presentation of Westpac Group's 2020 Full Year Financial Results

Following changes to its divisional structure earlier in the year, Westpac is also releasing details of changes to the presentation of its Full Year 2020 Results. These changes include:

- Creation of the Specialist Businesses division announced with our First Half 2020 Results. This includes moving businesses from the Consumer, Business and WIB divisions and reallocating certain centrally managed costs across divisions;
- The movement of certain SME and Business products from the Business division to the Consumer division to better reflect our new Lines of Business operating structure; and
- A revision to the classification of notable items. This change results in a minor restatement of 1H20 and FY19 notable items<sup>2</sup>.

The impact of the revision to the definition of notable items on prior periods is included in Appendix 3 and other affected tables are in Appendix 4 attached to this disclosure.

The three changes above have no impact on the Group's cash earnings, reported net profit or balance sheet in prior periods. However, the changes do impact divisional cash earnings (and individual line items) and balance sheet items in prior periods.

We are scheduled to announce our 2020 Full Year results on Monday, 2 November 2020.

### For further information:

**David Lording**  
Group Head of Media Relations  
0419 683 411

**Andrew Bowden**  
Head of Investor Relations  
0438 284 863

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

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<sup>2</sup> The following revisions have been made due to the reclassification of notable items: FY19 notable items have been reduced by \$83m after tax for Asset sales. 1H20 notable items have been increased by \$114m after tax for the write-off of deferred acquisition costs associated with the exit of Group Life insurance and the write-down of intangible assets. For total notable items in 1H20 and FY20 refer to Appendix 3.

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**Appendix 1 – Details of items affecting Westpac’s 2H20**

Summary	2H20 Cash earnings (post tax)	Detail
Write-down of goodwill and other intangibles	\$568m	<ul style="list-style-type: none"> <li>Following a review, the valuation of our life insurance business did not support the carrying value of its intangibles and so they have been written down. The cost of this write-down was \$406m.</li> <li>Lower returns in the Group’s Auto Finance business has resulted in a \$125m write-down of intangibles.</li> <li>The impact of COVID-19 on asset values combined with the previously announced review of capitalised software has contributed to an impairment of capitalised software for some IT systems. The pre-tax cost of this write off is \$71m.</li> </ul>
AUSTRAC matters	\$415m	<ul style="list-style-type: none"> <li>The Federal Court has approved the \$1.3bn penalty in the Statement of Agreed Facts and Admissions with AUSTRAC. We have increased our penalty provision by \$400m in 2H20, adding to the \$900m raised in 1H20.</li> <li>\$20m in costs of remediating identified issues in 2H20, along with legal costs (including AUSTRAC’s legal costs of \$4m).</li> </ul>
Additional provisions for customer refunds payments, associated costs and litigation provisions	\$182m	<p>Continued customer remediation reviews have led to an increase in provisions with most of the increase related to previously disclosed matters. Main contributors in 2H20 provisions (pre-tax) include:</p> <ul style="list-style-type: none"> <li>\$37m in net interest income, mostly due to previously identified refunds to certain business customers who were provided with business loans where they should have been provided a consumer loan covered by the National Consumer Credit Protection Act and the National Credit Code.</li> <li>\$78m in non-interest income mostly related to:                             <ul style="list-style-type: none"> <li>New provisions for refunds to customers for insurance trail commissions that were incorrectly charged following implementation of Future of Financial Advice reforms;</li> <li>Increase in provisions for aligned advisor remediation following the completion of further reviews;</li> <li>Increase in provisions for BT customers where certain wealth fees were inadequately disclosed; partly offset by</li> <li>Reduced provisions for salaried advice and for customers on our platforms who were not advised of certain corporate actions following the completion of additional reviews.</li> </ul> </li> <li>\$104m in additional costs for implementing the remediation program, including to accelerate customer payments.</li> <li>\$38m for litigation matters, including settlements.</li> </ul>
Asset sales and revaluations	\$55m	<ul style="list-style-type: none"> <li>Following its latest valuation, a loss has been recognised on insurance liabilities associated with the Group’s disability insurance. Reduces non-interest income by \$260m;</li> <li>Following the decision to discontinue WLIS Group Life products \$7m in expenses were recognised;</li> <li>Loss on the agreed sale of our vendor finance business. The portfolio was sold at a discount to book (recorded loss), with potential earn-out payments on performance over the next 3 years (to be recognised as earned in future years); partly offset by</li> <li>Gain on revaluation of our holding in Zip Co Limited of \$303m (in non-interest income). This refers to a revaluation that occurred in 2H20 and was prior to the sale of the holding as announced on 22 October 2020<sup>3</sup>.</li> </ul>

<sup>3</sup> Sale of Zip Co Limited is expected to result in a pre-tax gain on sale of approximately \$26m to be reflected in Westpac’s 1H21 results.

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**Appendix 2 – Summary of 2H20 notable items**

2H20 (\$m)	Consumer	Business	New Zealand (in \$A)	Specialist Businesses	Group Businesses	Total
<b>Net interest income</b>	-	<b>(34)</b>	<b>(3)</b>	-	-	<b>(37)</b>
Net fee income	4	(3)	(4)	(45)	62	14
Net wealth management & insurance income	-	-	-	(260)	(92)	(352)
Other income	-	-	-	-	303	303
<b>Non-interest income</b>	<b>4</b>	<b>(3)</b>	<b>(4)</b>	<b>(305)</b>	<b>273</b>	<b>(35)</b>
<b>Operating expenses</b>	<b>(31)</b>	<b>(106)</b>	<b>1</b>	<b>(653)</b>	<b>(494)</b>	<b>(1,283)</b>
<b>Core earnings</b>	<b>(27)</b>	<b>(143)</b>	<b>(6)</b>	<b>(958)</b>	<b>(221)</b>	<b>(1,355)</b>
Income tax benefit/expense	8	43	2	138	(56)	135
<b>Cash earnings</b>	<b>(19)</b>	<b>(100)</b>	<b>(4)</b>	<b>(820)</b>	<b>(277)</b>	<b>(1,220)</b>

2H20 (\$m)	AUSTRAC and related matters	Refunds, payments, costs & litigation	Intangible write-downs	Asset sales / revaluations	Total
<b>Net interest income</b>	-	<b>(37)</b>	-	-	<b>(37)</b>
Net fee income	-	14	-	-	14
Net wealth management & insurance income	-	(92)	-	(260)	(352)
Other income	-	-	-	303	303
<b>Non-interest income</b>	-	<b>(78)</b>	-	<b>43</b>	<b>(35)</b>
Staff expenses	-	(62)	-	(3)	(65)
Occupancy expenses	-	-	-	-	-
Technology expenses	-	(1)	(95)	(4)	(100)
Other expenses	(420)	(79)	(507)	(112)	(1,118)
<b>Operating expenses</b>	<b>(420)</b>	<b>(142)</b>	<b>(602)</b>	<b>(119)</b>	<b>(1,283)</b>
<b>Core earnings</b>	<b>(420)</b>	<b>(257)</b>	<b>(602)</b>	<b>(76)</b>	<b>(1,355)</b>
Income tax benefit/expense	5	75	34	21	135
<b>Cash earnings</b>	<b>(415)</b>	<b>(182)</b>	<b>(568)</b>	<b>(55)</b>	<b>(1,220)</b>

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**Appendix 3 – Summary 1H20 and FY19 notable items by new divisional structure<sup>4,5</sup>**

1H20 (\$m)	Consumer	Business	New Zealand (in \$A)	Specialist Businesses	Group Businesses	Total
<b>Net interest income</b>	<b>5</b>	<b>(107)</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>(106)</b>
Net fee income	-	5	(3)	(7)	(142)	(147)
Net wealth management & insurance income	-	-	-	(97)	16	(81)
Other income	-	-	-	-	-	-
<b>Non-interest income</b>	<b>-</b>	<b>5</b>	<b>(3)</b>	<b>(104)</b>	<b>(126)</b>	<b>(228)</b>
<b>Operating expenses</b>	<b>(33)</b>	<b>(24)</b>	<b>-</b>	<b>(41)</b>	<b>(1,158)</b>	<b>(1,256)</b>
<b>Core earnings</b>	<b>(28)</b>	<b>(126)</b>	<b>(7)</b>	<b>(145)</b>	<b>(1,284)</b>	<b>(1,590)</b>
Income tax benefit/expense	8	38	2	43	100	191
<b>Cash earnings</b>	<b>(20)</b>	<b>(88)</b>	<b>(5)</b>	<b>(102)</b>	<b>(1,184)</b>	<b>(1,399)</b>

1H20 <sup>4</sup> (\$m)	AUSTRAC and related matters	Refunds, payments, costs & litigation	Intangible write-downs	Asset sales / revaluations	Total
<b>Net interest income</b>	<b>-</b>	<b>(106)</b>	<b>-</b>	<b>-</b>	<b>(106)</b>
Net fee income	-	(147)	-	-	(147)
Net wealth management & insurance income	-	16	-	(97)	(81)
Other income	-	-	-	-	-
<b>Non-interest income</b>	<b>-</b>	<b>(131)</b>	<b>-</b>	<b>(97)</b>	<b>(228)</b>
Staff expenses	-	(61)	-	-	(61)
Occupancy expenses	-	-	-	-	-
Technology expenses	-	(3)	(66)	-	(69)
Other expenses	(1,058)	(68)	-	-	(1,126)
<b>Operating expenses</b>	<b>(1,058)</b>	<b>(132)</b>	<b>(66)</b>	<b>-</b>	<b>(1,256)</b>
<b>Core earnings</b>	<b>(1,058)</b>	<b>(369)</b>	<b>(66)</b>	<b>(97)</b>	<b>(1,590)</b>
Income tax benefit/expense	31	111	20	29	191
<b>Cash earnings</b>	<b>(1,027)</b>	<b>(258)</b>	<b>(46)</b>	<b>(68)</b>	<b>(1,399)</b>

<sup>4</sup> Revision of 1H20 notable items refers to inclusion of Intangible write-downs and Asset sales / revaluations categories.

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FY19 (\$m)	Consumer	Business	New Zealand (in \$A)	Specialist Businesses	Group Businesses	Total
<b>Net interest income</b>	<b>(85)</b>	<b>(246)</b>	<b>(13)</b>	-	-	<b>(344)</b>
Net fee income	(2)	(12)	(4)	(43)	(222)	(283)
Net wealth management & insurance income	-	-	-	-	(537)	(537)
Other income	-	-	38	3	42	83
<b>Non-interest income</b>	<b>(2)</b>	<b>(12)</b>	<b>34</b>	<b>(40)</b>	<b>(717)</b>	<b>(737)</b>
<b>Operating expenses</b>	<b>25</b>	<b>(57)</b>	<b>(15)</b>	<b>(30)</b>	<b>(384)</b>	<b>(461)</b>
<b>Core earnings</b>	<b>(62)</b>	<b>(315)</b>	<b>6</b>	<b>(70)</b>	<b>(1,101)</b>	<b>(1,542)</b>
Income tax benefit/expense	29	95	9	23	339	495
<b>Cash earnings</b>	<b>(33)</b>	<b>(220)</b>	<b>15</b>	<b>(47)</b>	<b>(762)</b>	<b>(1,047)</b>

FY19 <sup>5</sup> (\$m)	Refunds, payments, costs & litigation	Asset sales / revaluations	Wealth reset	Total
<b>Net interest income</b>	<b>(344)</b>	-	-	<b>(344)</b>
Net fee income	(283)	-	-	(283)
Net wealth management & insurance income	(537)	-	-	(537)
Other income	-	83	-	83
<b>Non-interest income</b>	<b>(820)</b>	<b>83</b>	-	<b>(737)</b>
Staff expenses	(99)	-	(169)	(268)
Occupancy expenses	-	-	-	-
Technology expenses	(11)	-	(24)	(35)
Other expenses	(110)	-	(48)	(158)
<b>Operating expenses</b>	<b>(220)</b>	-	<b>(241)</b>	<b>(461)</b>
<b>Core earnings</b>	<b>(1,384)</b>	<b>83</b>	<b>(241)</b>	<b>(1,542)</b>
Income tax benefit/expense	426	-	69	495
<b>Cash earnings</b>	<b>(958)</b>	<b>83</b>	<b>(172)</b>	<b>(1,047)</b>

<sup>5</sup> Revision of FY19 notable items refers to inclusion of the Asset sales / revaluations category.

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**Appendix 4 – Full Year Financial Results Template**
**1.3 Cash earnings results**

\$m	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
Net interest income		8,666			16,953	
Non-interest income		1,675			3,702	
<b>Net operating income</b>		<b>10,341</b>			<b>20,655</b>	
Operating expenses		(6,160)			(10,031)	
<b>Core earnings</b>		<b>4,181</b>			<b>10,624</b>	
Impairment charges		(2,238)			(794)	
<b>Operating profit before income tax</b>		<b>1,943</b>			<b>9,830</b>	
Income tax expense		(949)			(2,975)	
<b>Net profit for the period</b>		<b>994</b>			<b>6,855</b>	
Net profit attributable to non-controlling interests		(1)			(6)	
<b>Cash earnings</b>		<b>993</b>			<b>6,849</b>	
Add back notable items		1,399			1,047	
<b>Cash earnings excluding notable items</b>		<b>2,392</b>			<b>7,896</b>	

## 2.0 Divisional Cash Earning Summary

## Note 2. Segment reporting

Half Year Sept 2020			Westpac Institutional Bank	Westpac Zealand (A\$)	Specialist Businesses	Group Businesses	Group
\$m	Consumer	Business					
Net interest income							
Non-interest income							
<b>Net operating income</b>							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Net profit attributable to NCI							
<b>Cash earnings</b>							
Add back notable items							
<b>Cash earnings excluding notable items</b>							
<b>Cash earnings for the period</b>							
Net cash earnings adjustments							
<b>Net profit for the period attributable to owners of WBC</b>							
<b>Balance sheet</b>							
Loans							
Deposits and other borrowings							

Half Year March 2020			Westpac Institutional Bank	Westpac Zealand (A\$)	Specialist Businesses	Group Businesses	Group
\$m	Consumer	Business					
Net interest income	4,234	2,144	605	940	287	456	8,666
Non-interest income	326	311	556	167	428	(113)	1,675
<b>Net operating income</b>	<b>4,560</b>	<b>2,455</b>	<b>1,161</b>	<b>1,107</b>	<b>715</b>	<b>343</b>	<b>10,341</b>
Operating expenses	(2,035)	(1,068)	(619)	(516)	(420)	(1,502)	(6,160)
<b>Core earnings</b>	<b>2,525</b>	<b>1,387</b>	<b>542</b>	<b>591</b>	<b>295</b>	<b>(1,159)</b>	<b>4,181</b>
Impairment (charges) / benefits	(416)	(697)	(293)	(200)	(160)	(472)	(2,238)
<b>Operating profit before income tax</b>	<b>2,109</b>	<b>690</b>	<b>249</b>	<b>391</b>	<b>135</b>	<b>(1,631)</b>	<b>1,943</b>
Income tax (expense) / benefit	(637)	(212)	(102)	(110)	(41)	153	(949)
<b>Net profit</b>	<b>1,472</b>	<b>478</b>	<b>147</b>	<b>281</b>	<b>94</b>	<b>(1,478)</b>	<b>994</b>
Net profit attributable to NCI	-	-	-	-	(1)	-	(1)
<b>Cash earnings</b>	<b>1,472</b>	<b>478</b>	<b>147</b>	<b>281</b>	<b>93</b>	<b>(1,478)</b>	<b>993</b>
Add back notable items	20	88	-	5	102	1,184	1,399
<b>Cash earnings excluding notable items</b>	<b>1,492</b>	<b>566</b>	<b>147</b>	<b>286</b>	<b>195</b>	<b>(294)</b>	<b>2,392</b>
<b>Cash earnings for the period</b>	<b>1,472</b>	<b>478</b>	<b>147</b>	<b>281</b>	<b>93</b>	<b>(1,478)</b>	<b>993</b>
Net cash earnings adjustments	-	-	-	11	(63)	249	197
<b>Net profit for the period attributable to owners of WBC</b>	<b>1,472</b>	<b>478</b>	<b>147</b>	<b>292</b>	<b>30</b>	<b>(1,229)</b>	<b>1,190</b>
<b>Balance sheet</b>							
Loans	395,625	144,959	78,595	84,778	16,269	(548)	719,678
Deposits and other borrowings	208,427	142,175	109,977	70,725	9,625	41,991	582,920

Mov't Sept 20 - March 20			Westpac Institutional Bank	Westpac Zealand (A\$)	Specialist Businesses	Group Businesses	Group
%	Consumer	Business					
Net interest income							
Non-interest income							
<b>Net operating income</b>							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Net profit attributable to NCI							
<b>Cash earnings</b>							
Add back notable items							
<b>Cash earnings excluding notable items</b>							
<b>Cash earnings for the period</b>							
Net cash earnings adjustments							
<b>Net profit for the period attributable to owners of WBC</b>							
<b>Balance sheet</b>							
Loans							
Deposits and other borrowings							

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## 2.0 Divisional Cash Earning Summary

## Note 2. Segment reporting

Full Year Sept 2020			Westpac	Westpac	Specialist	Group	
\$m	Consumer	Business	Institutional Bank	Zealand (A\$)	Businesses	Businesses	Group
Net interest income							
Non-interest income							
<b>Net operating income</b>							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Net profit attributable to NCI							
<b>Cash earnings</b>							
Add back notable items							
<b>Cash earnings excluding notable items</b>							
<b>Cash earnings for the period</b>							
Net cash earnings adjustments							
<b>Net profit for the period attributable to owners of WBC</b>							
<b>Balance sheet</b>							
Loans							
Deposits and other borrowings							

Full Year Sept 2019			Westpac	Westpac	Specialist	Group	
\$m	Consumer	Business	Institutional Bank	Zealand (A\$)	Businesses	Businesses	Group
Net interest income	8,130	4,456	1,337	1,860	555	615	16,953
Non-interest income	695	594	1,195	423	1,412	(617)	3,702
<b>Net operating income</b>	<b>8,825</b>	<b>5,050</b>	<b>2,532</b>	<b>2,283</b>	<b>1,967</b>	<b>(2)</b>	<b>20,655</b>
Operating expenses	(3,794)	(2,094)	(1,220)	(939)	(847)	(1,137)	(10,031)
<b>Core earnings</b>	<b>5,031</b>	<b>2,956</b>	<b>1,312</b>	<b>1,344</b>	<b>1,120</b>	<b>(1,139)</b>	<b>10,624</b>
Impairment (charges) / benefits	(582)	(172)	(31)	10	(111)	92	(794)
<b>Operating profit before income tax</b>	<b>4,449</b>	<b>2,784</b>	<b>1,281</b>	<b>1,354</b>	<b>1,009</b>	<b>(1,047)</b>	<b>9,830</b>
Income tax (expense) / benefit	(1,333)	(838)	(356)	(369)	(292)	213	(2,975)
<b>Net profit</b>	<b>3,116</b>	<b>1,946</b>	<b>925</b>	<b>985</b>	<b>717</b>	<b>(834)</b>	<b>6,855</b>
Net profit attributable to NCI	-	-	-	-	(5)	(1)	(6)
<b>Cash earnings</b>	<b>3,116</b>	<b>1,946</b>	<b>925</b>	<b>985</b>	<b>712</b>	<b>(835)</b>	<b>6,849</b>
Add back notable items	33	220	-	(15)	47	762	1,047
<b>Cash earnings excluding notable items</b>	<b>3,149</b>	<b>2,166</b>	<b>925</b>	<b>970</b>	<b>759</b>	<b>(73)</b>	<b>7,896</b>
<b>Cash earnings for the period</b>	<b>3,116</b>	<b>1,946</b>	<b>925</b>	<b>985</b>	<b>712</b>	<b>(835)</b>	<b>6,849</b>
Net cash earnings adjustments	-	-	-	(1)	(45)	(19)	(65)
<b>Net profit for the period attributable to owners of WBC</b>	<b>3,116</b>	<b>1,946</b>	<b>925</b>	<b>984</b>	<b>667</b>	<b>(854)</b>	<b>6,784</b>
<b>Balance sheet</b>							
Loans	399,279	146,867	73,572	78,005	17,216	(169)	714,770
Deposits and other borrowings	207,578	142,558	99,005	60,801	9,277	44,028	563,247

Mov't Sept 20 - Sept 19			Westpac	Westpac	Specialist	Group	
%	Consumer	Business	Institutional Bank	Zealand (A\$)	Businesses	Businesses	Group
Net interest income							
Non-interest income							
<b>Net operating income</b>							
Operating expenses							
<b>Core earnings</b>							
Impairment (charges) / benefits							
<b>Operating profit before income tax</b>							
Income tax expense							
<b>Net profit</b>							
Net profit attributable to NCI							
<b>Cash earnings</b>							
Add back notable items							
<b>Cash earnings excluding notable items</b>							
<b>Cash earnings for the period</b>							
Net cash earnings adjustments							
<b>Net profit for the period attributable to owners of WBC</b>							
<b>Balance sheet</b>							
Loans							
Deposits and other borrowings							

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## 3.1 Consumer

\$m	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
Net interest income		4,234			8,130	
Non-interest income		326			695	
<b>Net operating income</b>		<b>4,560</b>			<b>8,825</b>	
Operating expenses		(2,035)			(3,794)	
<b>Core earnings</b>		<b>2,525</b>			<b>5,031</b>	
Impairment charges		(416)			(582)	
<b>Profit before income tax</b>		<b>2,109</b>			<b>4,449</b>	
Income tax expense and NCI		(637)			(1,333)	
<b>Cash earnings</b>		<b>1,472</b>			<b>3,116</b>	
Add back notable items		20			33	
<b>Cash earnings excluding notable items</b>		<b>1,492</b>			<b>3,149</b>	
Expense to income ratio		44.63%			42.99%	
Net interest margin		2.33%			2.22%	

\$bn	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Mar 20	As at 30 Sept 2020	As at 30 Sept 2019	% Mov't Sept 20 - Sept 19
<b>Customer deposits</b>						
Term deposits		50.0			55.9	
Other		158.4			151.7	
<b>Total customer deposits</b>		<b>208.4</b>			<b>207.6</b>	
<b>Net loans</b>						
Mortgages		385.8			388.6	
Other		11.4			12.1	
Provisions		(1.6)			(1.4)	
<b>Total net loans</b>		<b>395.6</b>			<b>399.3</b>	
<b>Deposit to loan ratio</b>		<b>52.68%</b>			<b>51.99%</b>	
Total assets		404.3			407.0	
TCE		464.2			469.3	
Average interest earning assets		363.6			365.9	

Credit quality	As at 30 Sept 2020	As at 31 March 2020	As at 30 Sept 2019	As at 31 March 2019
%				
Impairment charges to average loans annualised		0.21%	0.16%	0.14%
Mortgage 90+ day delinquencies		0.94%	0.90%	0.84%
Other consumer loans 90+ day delinquencies		1.96%	1.75%	1.67%
Total stressed exposures to TCE		0.83%	0.79%	0.73%

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## 3.2 Business

\$m	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
Net interest income		2,144			4,456	
Non-interest income		311			594	
<b>Net operating income</b>		<b>2,455</b>			<b>5,050</b>	
Operating expenses		(1,068)			(2,094)	
<b>Core earnings</b>		<b>1,387</b>			<b>2,956</b>	
Impairment charges		(697)			(172)	
<b>Profit before income tax</b>		<b>690</b>			<b>2,784</b>	
Income tax expense and NCI		(212)			(838)	
<b>Cash earnings</b>		<b>478</b>			<b>1,946</b>	
Add back notable items		88			220	
<b>Cash earnings excluding notable items</b>		<b>566</b>			<b>2,166</b>	
Expense to income ratio		43.50%			41.47%	
Net interest margin		3.05%			3.16%	

\$bn	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Mar 20	As at 30 Sept 2020	As at 30 Sept 2019	% Mov't Sept 20 - Sept 19
<b>Customer deposits</b>						
Term deposits		57.3			63.4	
Other		84.9			79.2	
<b>Total customer deposits</b>		<b>142.2</b>			<b>142.6</b>	
<b>Net loans</b>						
Mortgages		59.9			60.8	
Business		86.1			86.6	
Other		0.7			0.7	
Provisions		(1.7)			(1.2)	
<b>Total net loans</b>		<b>145.0</b>			<b>146.9</b>	
<b>Deposit to loan ratio</b>		<b>98.07%</b>			<b>97.07%</b>	
Total assets		150.1			151.6	
TCE		184.0			184.3	
Average interest earning assets		140.5			140.8	

Credit quality	As at 30 Sept 2020	As at 31 March 2020	As at 30 Sept 2019	As at 31 March 2019
%				
Impairment charges to average loans annualised		0.95%	0.20%	0.04%
Mortgage 90+ day delinquencies		0.93%	0.84%	0.72%
Other consumer loans 90+ day delinquencies		1.29%	1.38%	1.03%
Business: impaired exposures to TCE		0.71%	0.63%	0.60%
Total stressed exposures to TCE		3.07%	2.88%	2.49%

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## 3.3 Westpac Institutional Bank (WIB)

\$m	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
Net interest income		605			1,337	
Non-interest income		556			1,195	
<b>Net operating income</b>		<b>1,161</b>			<b>2,532</b>	
Operating expenses		(619)			(1,220)	
<b>Core earnings</b>		<b>542</b>			<b>1,312</b>	
Impairment charges		(293)			(31)	
<b>Profit before income tax</b>		<b>249</b>			<b>1,281</b>	
Income tax expense and NCI		(102)			(356)	
<b>Cash earnings</b>		<b>147</b>			<b>925</b>	
Expense to income ratio		53.32%			48.18%	
Net interest margin		1.46%			1.59%	

\$bn	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Mar 20	As at 30 Sept 2020	As at 30 Sept 2019	% Mov't Sept 20 - Sept 19
Customer deposits		110.0			99.0	
<b>Net loans</b>						
Loans		79.0			73.8	
Provisions		(0.4)			(0.2)	
<b>Total net loans</b>		<b>78.6</b>			<b>73.6</b>	
<b>Deposit to loan ratio</b>		<b>139.95%</b>			<b>134.51%</b>	
Total assets		109.4			95.0	
TCE		172.7			172.6	
Average interest earning assets		82.9			84.2	
Impairment charges to average loans annualised		0.80%			0.04%	
Impaired exposures to TCE		0.15%			0.06%	
Total stressed exposures to TCE		1.09%			0.59%	

Revenue contribution	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
<b>\$m</b>						
Lending and deposit revenue		707			1,522	
Markets, sales and fee income		389			817	
<b>Total customer revenue</b>		<b>1,096</b>			<b>2,339</b>	
Derivative valuation adjustments		(93)			(64)	
Trading revenue		174			241	
Other		(16)			16	
<b>Total WIB revenue</b>		<b>1,161</b>			<b>2,532</b>	

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## 3.4 Westpac New Zealand

NZ\$m	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
Net interest income		987			1,967	
Non-interest income		175			448	
<b>Net operating income</b>		<b>1,162</b>			<b>2,415</b>	
Operating expenses		(541)			(993)	
<b>Core earnings</b>		<b>621</b>			<b>1,422</b>	
Impairment (charges) / benefits		(211)			10	
<b>Profit before income tax</b>		<b>410</b>			<b>1,432</b>	
Income tax expense and NCI		(115)			(390)	
<b>Cash earnings</b>		<b>295</b>			<b>1,042</b>	
Add back notable items		5			(16)	
<b>Cash earnings excluding notable items</b>		<b>300</b>			<b>1,026</b>	
Expense to income ratio		46.56%			41.12%	
Net interest margin		2.06%			2.16%	

NZ\$bn	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Mar 20	As at 30 Sept 2020	As at 30 Sept 2019	% Mov't Sept 20 - Sept 19
<b>Customer deposits</b>						
Term deposits		32.8			33.5	
Other		36.3			31.0	
<b>Total customer deposits</b>		<b>69.1</b>			<b>64.5</b>	
<b>Net loans</b>						
Mortgages		53.3			51.5	
Business		32.5			31.1	
Other		1.7			1.9	
Provisions		(0.5)			(0.3)	
<b>Total net loans</b>		<b>87.0</b>			<b>84.2</b>	
<b>Deposit to loan ratio</b>		<b>79.43%</b>			<b>76.60%</b>	
Total assets		105.0			97.1	
TCE		125.1			117.3	
Third party liquid assets		14.4			10.3	
Average interest earning assets		95.8			91.1	
Total funds		10.9			11.5	

Credit quality	As at 30 Sept 2020	As at 31 March 2020	As at 30 Sept 2019	As at 31 March 2019
%				
Impairment charges/(benefits) to average loans annualised		0.49%	(0.06%)	0.03%
Mortgage 90+ day delinquencies		0.27%	0.13%	0.14%
Other consumer loans 90+ day delinquencies		1.59%	0.82%	1.02%
Impaired exposures to TCE		0.17%	0.08%	0.13%
Total stressed exposures to TCE		1.64%	1.66%	1.57%

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## 3.5 Specialist Businesses

	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
<b>\$m</b>						
Net interest income		287			555	
Non-interest income		428			1,412	
<b>Net operating income</b>		<b>715</b>			<b>1,967</b>	
Operating expenses		(420)			(847)	
<b>Core earnings</b>		<b>295</b>			<b>1,120</b>	
Impairment charges		(160)			(111)	
<b>Profit before income tax</b>		<b>135</b>			<b>1,009</b>	
Income tax expense and NCI		(42)			(297)	
<b>Cash earnings</b>		<b>93</b>			<b>712</b>	
Add back notable items		102			47	
<b>Cash earnings excluding notable items</b>		<b>195</b>			<b>759</b>	
Expense to income ratio		58.74%			43.06%	

	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Mar 20	As at 30 Sept 2020	As at 30 Sept 2019	% Mov't Sept 20 - Sept 19
<b>\$bn</b>						
Deposits		9.6			9.3	
<b>Net loans</b>						
Loans		16.7			17.5	
Provisions		(0.4)			(0.3)	
<b>Total net loans</b>		<b>16.3</b>			<b>17.2</b>	
Deposit to loan ratio		58.90%			54.07%	
Total funds		179.1			207.2	
TCE		20.6			21.9	
Average funds		203.8			196.3	

	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
<b>\$m</b>						
Cash earnings excluding notable items						
Banking		34			166	
Insurance		32			261	
Superannuation, platforms and investments		129			332	
<b>Total cash earnings (ex notable items)</b>		<b>195</b>			<b>759</b>	

	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
<b>Insurance key metrics</b>						
<b>Life Insurance in-force premiums (\$m)</b>						
Life insurance in-force premiums at start of period		1,212			1,277	
Sales / New Business		67			88	
Lapses		(71)			(153)	
<b>Life insurance in-force premiums at end of period</b>		<b>1,208</b>			<b>1,212</b>	
<b>Claims ratios for the Insurance Business (%)</b>						
Life insurance		54%			51%	
General insurance		107%			62%	
Lenders mortgage insurance		15%			20%	
<b>Gross written premiums (\$m)</b>						
General insurance		273			538	
Lenders mortgage insurance		89			160	

	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Sept 19	As at 30 Sept 2020	As at 31 March 2020	% Mov't Sept 20 - Mar 20
<b>\$bn</b>						
Superannuation				40.6	35.3	
Platforms				123.0	105.0	
Packaged funds				43.6	38.8	
<b>Total funds</b>				<b>207.2</b>	<b>179.1</b>	

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## 3.6 Group Businesses

	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
<b>\$m</b>						
Net interest income		456			615	
Non-interest income		(113)			(617)	
<b>Net operating income</b>		<b>343</b>			<b>(2)</b>	
Operating expenses		(1,502)			(1,137)	
<b>Core earnings</b>		<b>(1,159)</b>			<b>(1,139)</b>	
Impairment (charges) / benefits		(472)			92	
<b>Profit/(loss) before income tax</b>		<b>(1,631)</b>			<b>(1,047)</b>	
Income tax benefit and NCI		153			212	
<b>Cash earnings</b>		<b>(1,478)</b>			<b>(835)</b>	
<b>Add back notable items</b>						
Costs associated with AUSTRAC proceedings including a provision for a potential penalty		1,027			-	
Estimated customer refunds, payments, associated costs and litigation		157			590	
Wealth restructuring		-			172	
<b>Cash earnings excluding notable items</b>		<b>(294)</b>			<b>(73)</b>	

	Half Year Sept 2020	Half Year March 2020	% Mov't Sept 20 - Mar 20	Full Year Sept 2020	Full Year Sept 2019	% Mov't Sept 20 - Sept 19
<b>Treasury</b>						
<b>\$m</b>						
Net interest income		429			512	
Non-interest income		(1)			5	
<b>Net operating income</b>		<b>428</b>			<b>517</b>	
<b>Cash earnings</b>		<b>273</b>			<b>315</b>	

<b>Treasury Value at Risk (VaR)</b>	Average	High	Low
<b>\$m</b>			
Half Year September 2020			
Half Year March 2020	46.3	176.7	33.7
Half Year September 2019	35.1	41.1	28.6