

**ASX**

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# Release

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**3 MAY 2021**

## **Westpac 1H21 Presentation and Investor Discussion Pack**

Westpac Banking Corporation ("Westpac") today provides the attached Westpac 1H21 Presentation and Investor Discussion Pack.

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

# Presentation and Investor Discussion Pack

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## 2021 INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2021

WESTPAC BANKING CORPORATION  
ABN 33 007 457 141

Fix. Simplify. Perform.

 **estpac** GROUP

Financial results throughout this presentation are in Australian dollars and are based on cash earnings unless otherwise stated. Refer page 35 for definition. Results principally cover the 1H21, 2H20 and 1H20 periods. Comparison of 1H21 versus 2H20 (unless otherwise stated).

# Westpac 2021 Interim Results Index

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**Peter King**

Chief Executive Officer



# 1H21 Results – Overview.



## Good progress on strategic priorities

- Mortgages – on track for major bank system growth in 2H21
- Simplifying portfolio – 3 more sales
- Cost reset commenced
- CORE program expanded – financial and non-financial risk



## Earnings

- Cash earnings \$3.5bn, up \$1.9bn
- Cash ROE 10%
- Economy significantly better than expected last year



## Balance sheet strength

- Asset quality metrics improved
- CET1 capital ratio at 12.34%
- 1H21 dividend of 58 cents per share – 60% payout

# 1H21 Earnings snapshot.

	1H20	2H20	1H21	Change 1H21–2H20	Change 1H21–1H20
Reported net profit	\$1,190m	\$1,100m	\$3,443m	213%	189%
Cash earnings <sup>1</sup>	\$993m	\$1,615m	\$3,537m	119%	256%
Impairment (charge)/benefit	(\$2,238m)	(\$940m)	\$372m	na	na
Cash EPS <sup>2</sup>	27.7c	44.7c	97.1c	117%	251%
Return on equity <sup>3,4</sup>	2.9%	4.7%	10.2%	5.5ppts	7.3ppts
Dividend per share	-	31cps	58cps	87%	na
<b>Cash earnings excluding notable items<sup>5</sup></b>					
Core earnings	\$5,771m	\$5,100m	\$5,120m	-	(11%)
Cash earnings <sup>1</sup>	\$2,392m	\$2,835m	\$3,819m	35%	60%
Cash EPS <sup>2</sup>	66.8c	78.5c	104.8c	34%	57%
Return on equity <sup>3,4</sup>	7.1%	8.3%	11.0%	2.7ppts	3.9ppts

<sup>1</sup> Cash earnings is a measure of profit generated from ongoing operations for further detail see page 35 and 109. <sup>2</sup> Cash EPS is cash earnings divided by weighted average ordinary shares. <sup>3</sup> Return on equity is cash earnings divided by average ordinary equity. <sup>4</sup> Cash earnings basis. <sup>5</sup> References to notable items in this slide include provisions related to AUSTRAC proceedings; estimated customer refunds, costs and litigation; write-down of intangible items; and asset sales/revaluations.

# Refreshed executive team and new operating model.

## Executive team

New to role	New to Westpac	
<b>Peter King</b> Chief Executive Officer	<b>Scott Collary</b> Chief Operating Officer	<b>Rebecca Lim</b> Group General Counsel
<b>Les Vance</b> Financial Crime, Compliance and Conduct	<b>Chris de Bruin</b> Consumer & Business Banking	<b>Carolyn McCann</b> Customer and Corporate Relations
<b>Jason Yetton<sup>1</sup></b> Specialist Businesses	<b>Anthony Miller</b> Westpac Institutional Bank	<b>David McLean</b> Westpac New Zealand
	<b>Michael Rowland</b> Chief Financial Officer	<b>Christine Parker</b> Human Resources
		<b>David Stephen</b> Chief Risk Officer

<sup>1</sup> Re-joined Westpac in 2020 after leaving in 2015.

## Lines of Business operating model

<b>Consumer Banking</b>	Mortgages
	Consumer finance
	Everyday banking
	Consumer customer engagement
<b>Business Banking</b>	Cash management
	Business lending
	Private wealth
	Business customer engagement
<b>Westpac Institutional Bank</b>	Financial markets
	Corporate and institutional banking
	Global transaction services
<b>Specialist Businesses</b>	Insurance
	Specialist Finance
	Platforms, Investments and Super
	Westpac Pacific
<b>Westpac NZ</b>	Consumer banking and wealth
	Corporate and institutional banking
<b>Treasury</b>	

# Our strategy.

## Purpose

Helping Australians and New Zealanders Succeed

## Markets, products, customers

Banking for consumer, business and institutional customers



### FIX

#### Address outstanding issues

- Risk management
- Risk culture
- Customer remediation & pain points
- IT complexity

## Priorities



### SIMPLIFY

#### Streamline & focus the business

- Exit non-core businesses and consolidate international
- Reduce products, simplify customer offers
- Lines of Business operating model
- Transform using digital and data to enhance the customer experience



### PERFORM

#### Sustainable long-term returns

- Customer service – market leading
- Growth in key markets
- Reset cost base
- Enhance returns, optimise capital
- Strong balance sheet

## Values HELPS

Helpful

Ethical

Leading Change

Performing

Simple



# Fix.

## Risk management and culture

### Capability and capacity

- Added over 100 resources for credit decisioning, risk reporting and stress testing

### CORE<sup>1</sup> Program

- Integrated plan approved by APRA 7 April
- 19 Workstreams, clear accountability
- Multi-year timeframe – quarterly assurance reporting, published each half

<sup>1</sup> CORE is customer outcomes and risk excellence.

## Financial crime program

### Capability and capacity

- 60% increase in team
- More than doubled people investigating and reporting on financial crime

### Progress

- Addressed matters identified in the AUSTRAC Statement of Claim
- Upgraded risk assessment methodologies and monitoring solutions
- 250% increase in customer reviews – assessing high risks more frequently



# Simplify.

## Portfolio and Geographic simplification

Business sold	Announced	Completion targeted
Zip Co Ltd.	Oct 2020	Oct 2020
Vendor Finance	Aug 2020	Aug 2021
Westpac Pacific	Dec 2020	Dec 2021
General Insurance	Dec 2020	Sep 2021
Westpac LMI	Mar 2021	Sep 2021

### Businesses to be sold

Westpac Life Insurance

Auto Finance

Superannuation, Platforms and Investments

## Customers

- New Westpac app - faster and simpler
- Bringing 1,000 roles (including voice) back to Australia ~50% complete
- Removed over 100 consumer fees
- Combined Consumer & Business Banking leadership to
  - Simplify support
  - Better utilise shared assets
  - Improve the customer experience

## Geographic

- Closing five Asian offices – Mumbai and Jakarta complete
- Offshore locations: London, New York, Singapore. Opening in Frankfurt



# Perform – Mortgages, change via Lines of Business.



## Simplify processes

- Reduced forms and documents by 80
- 60 process and policy changes



## Enhance credit decisioning

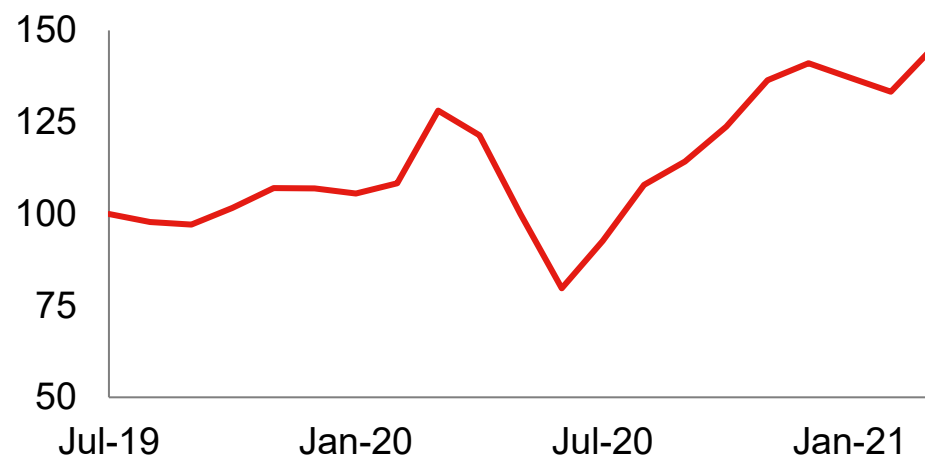
- ~68% of mortgages are credit auto-decisioned



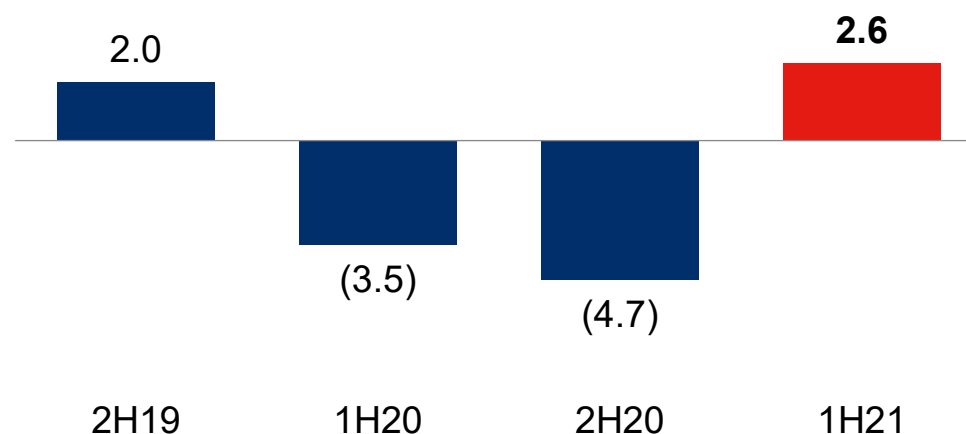
## Increase digitisation

- ~70% of customers<sup>2</sup> accepting mortgage documents digitally
- First party digital origination process rolled out<sup>3</sup>  
third party origination in pilot

## Rolling quarterly mortgage applications<sup>1</sup> (indexed July-19 = 100)



## Australian gross mortgage movement (\$bn)



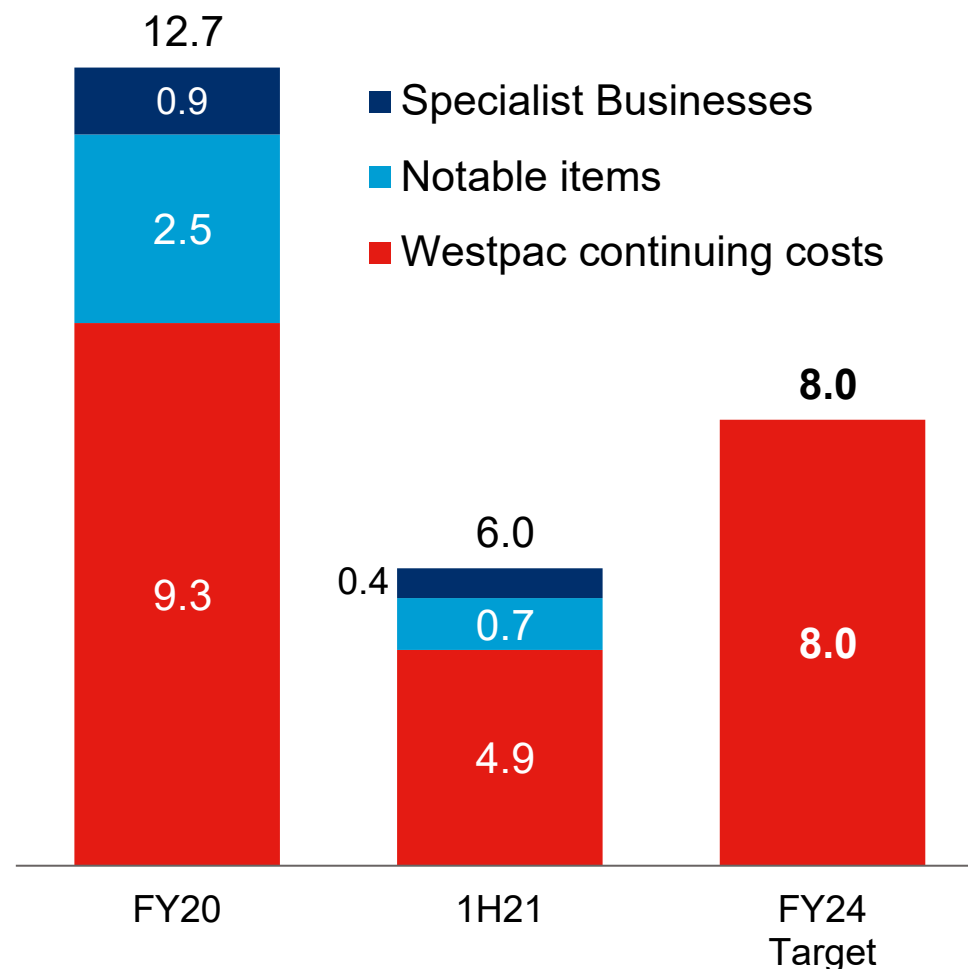
<sup>1</sup> Indexed to 31 July 2019. <sup>2</sup> 1<sup>st</sup> party mortgages originated via the new mortgage origination platform. <sup>3</sup> 1<sup>st</sup> party mortgages only. Excludes RAMS, Business Bank and Private Wealth.



# Perform – competitive cost base.<sup>1</sup>

Targeting \$8bn by FY24. Continued investment – \$3.5-\$4bn over 3 years.

Expenses (\$bn)<sup>2</sup>



• Targeting a cost base of \$8bn by FY24

• Targets embedded in leader scorecards

• Expect to invest \$3.5bn to \$4bn over 3 years

• Sources of improvement

– Investment in Fix initiatives to reduce notable items

– Exit Specialist Businesses

– Simplify the business, improve processes and digitise

– Smaller head office

<sup>1</sup> This page contains 'forward-looking statements' and statements of expectation. Please refer to the disclaimer on page 117. <sup>2</sup> Future periods exclude potential notable items. References to notable items include provisions related to AUSTRAC proceedings; estimated customer refunds, costs and litigation; write-down of intangible items; and asset sales/revaluations. Includes Westpac New Zealand.



# 1H21 fully franked dividend - 58 cps.

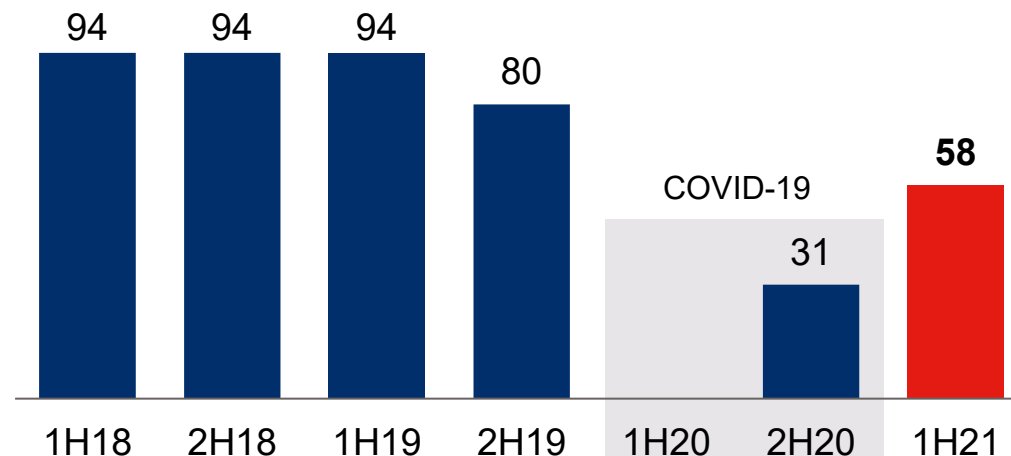
## Dividend considerations

- Medium term outlook for return and growth
- Sustainable payout ratio ~60-65%
- Dividend yield 4.8%<sup>1</sup>
- Seek to neutralise DRP (arrange to purchase shares on market), no discount on DRP market price

## Capital considerations

- Well above APRA's CET1 "unquestionably strong" capital ratio
- Announced sales – 32bps
- Will reset preferred CET1 operating range once capital rules finalised

## Dividends per ordinary share (cents)



## Dividend payout ratio (%)

	Historic payout (FY17 – FY19) <sup>2</sup>	1H21
Cash earnings	83	60
Effective (after DRP)	67	60
Cash earnings (ex notable items) <sup>3</sup>	77	56

<sup>1</sup> At 31 March closing price of \$24.41. <sup>2</sup> Average payout ratio in each half over period. <sup>3</sup> References to notable items in this release include (after tax) provisions related to AUSTRAC proceedings; estimated customer refunds, costs and litigation; write-down of intangible items; and asset sales/revaluations.

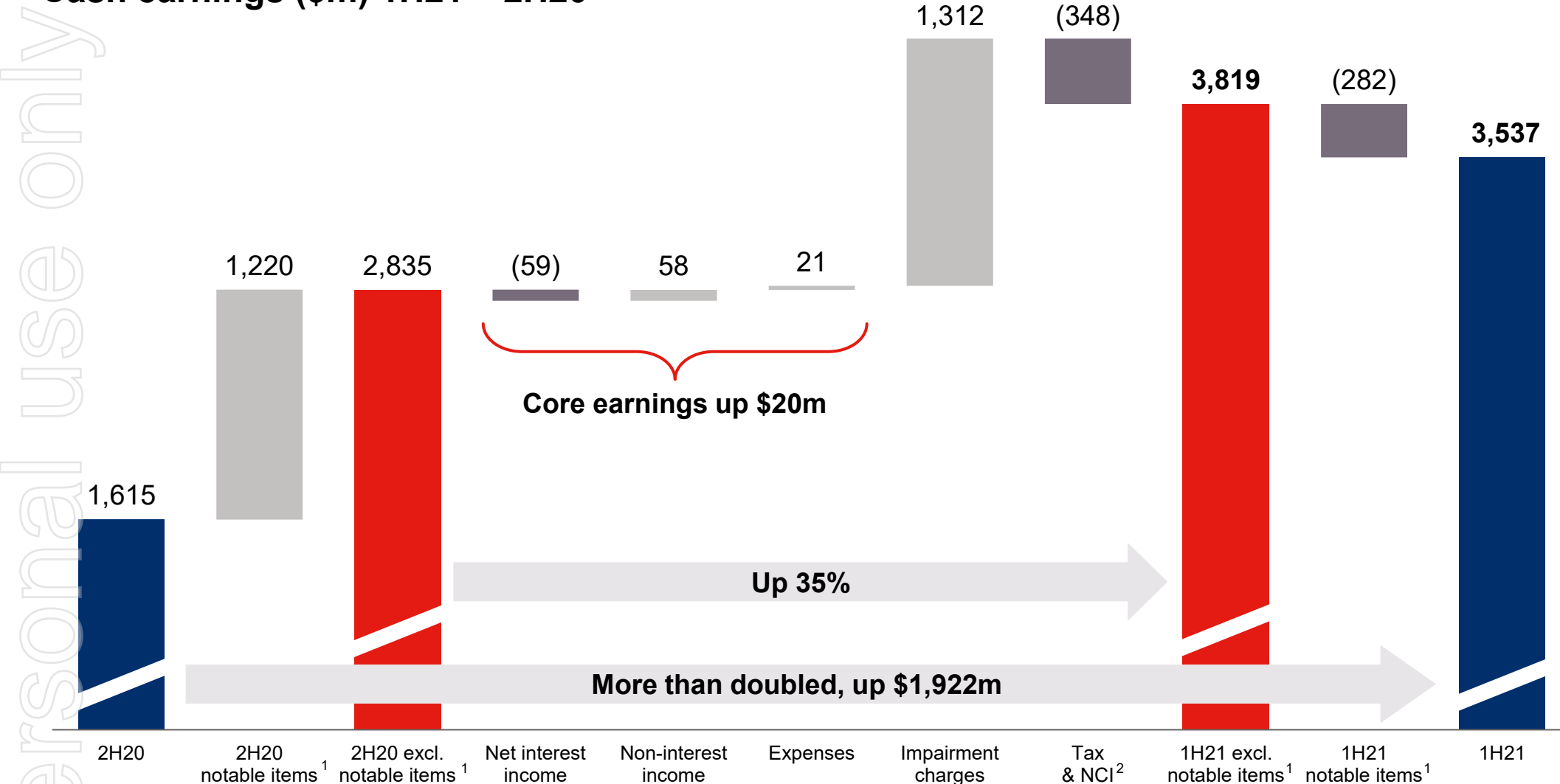
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# Michael Rowland

Chief Financial Officer

# 1H21 earnings.

## Cash earnings (\$m) 1H21 – 2H20



<sup>1</sup> References to notable items in this release include (after tax) provisions related to AUSTRAC proceedings; estimated customer refunds, costs and litigation; write-down of intangible items; and asset sales/revaluations. <sup>2</sup> NCI is non-controlling interests.

# Notable items and simplification impacts.

## Notable items

(\$m after tax)	1H20	2H20	1H21
AUSTRAC proceedings	(1,027)	(415)	-
Remediation and litigation	(258)	(182)	(276)
Intangible write-downs	(46)	(568)	(199)
Asset sales / revaluation	(68)	(55)	193
<b>Total cash earnings impact</b>	<b>(1,399)</b>	<b>(1,220)</b>	<b>(282)</b>

- Remediation higher in Advice and Specialist Businesses, lower in Business
- Settled historical disputes
- Write-off of LMI goodwill and write-down of capitalised software balances
- Revaluation of Coinbase, final gain from Zip sale and earnout from Vendor Finance sale
- Partly offset by losses on sale and transaction costs

## Impact of exits and simplification

P&L contribution (\$m) <sup>1</sup>	1H20	2H20	1H21
Net interest income	43	32	18
Non-interest income	124	59	27
Expenses	(40)	(41)	(26)
<b>Core earnings</b>	<b>127</b>	<b>50</b>	<b>19</b>

<sup>1</sup> Contribution of businesses exited or simplified in respective period.

### Exits and simplification includes

- New Zealand wealth sale
- Reduction in correspondent banking relationships
- Exit of Energy trading
- International consolidation
- Consumer fee simplification

# Lending dynamics.

## Loans (\$bn)



## Australian mortgage flows (\$bn)



## Aust mortgage composition (% of total)

	Stock Mar-20	Stock Mar-21	Flow 1H21
Interest only	23	18	14
Fixed rate	23	32	37
Investor	38	35	26

<sup>1</sup> Includes Line of Credit.

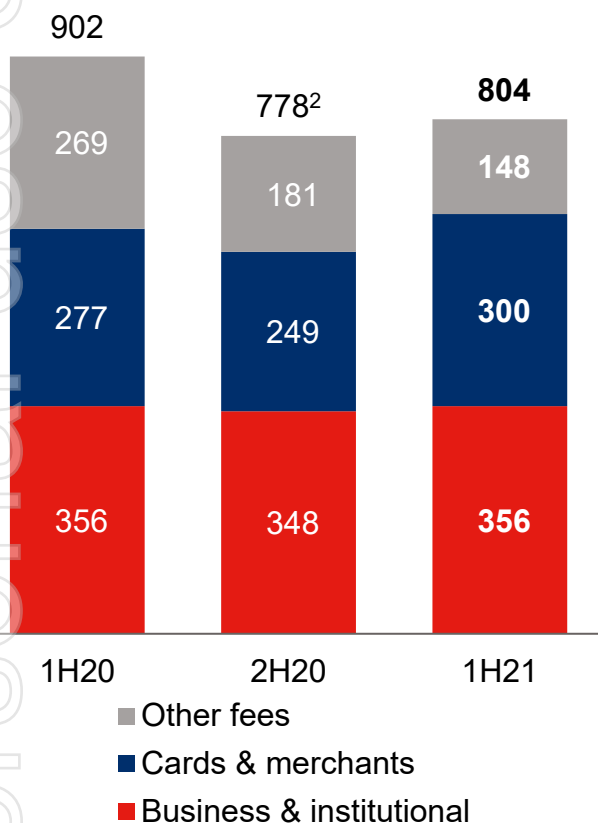


# Non-interest income – up 3% excluding notable items.<sup>1</sup>

## Net fees<sup>1</sup> up \$26m

▲ 3%

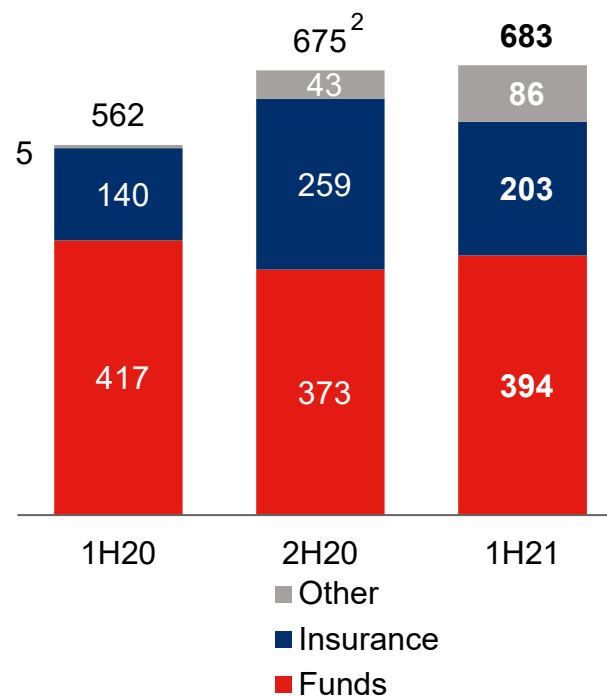
- Higher cards from improved activity
- End of COVID-19 merchant waivers
- Other fees lower from simplification



## Wealth & insurance<sup>1</sup> up \$8m

▲ 1%

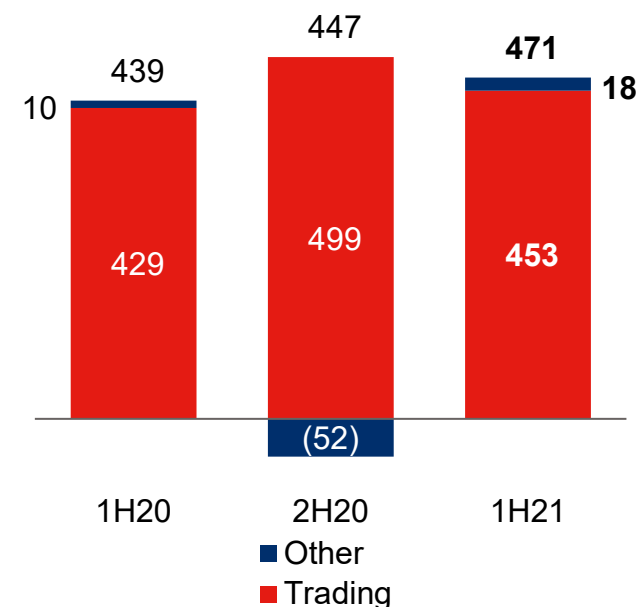
- Higher insurance weather claims (\$55m)
- Funds up from higher FUA
- Other income higher from revaluation of Life insurance liabilities



## Trading and other<sup>1</sup> up \$24m

▲ 5%

- Lower customer and non-customer income
- \$34m positive DVA movement
- Other income higher as 2H20 included Mumbai FCTR loss

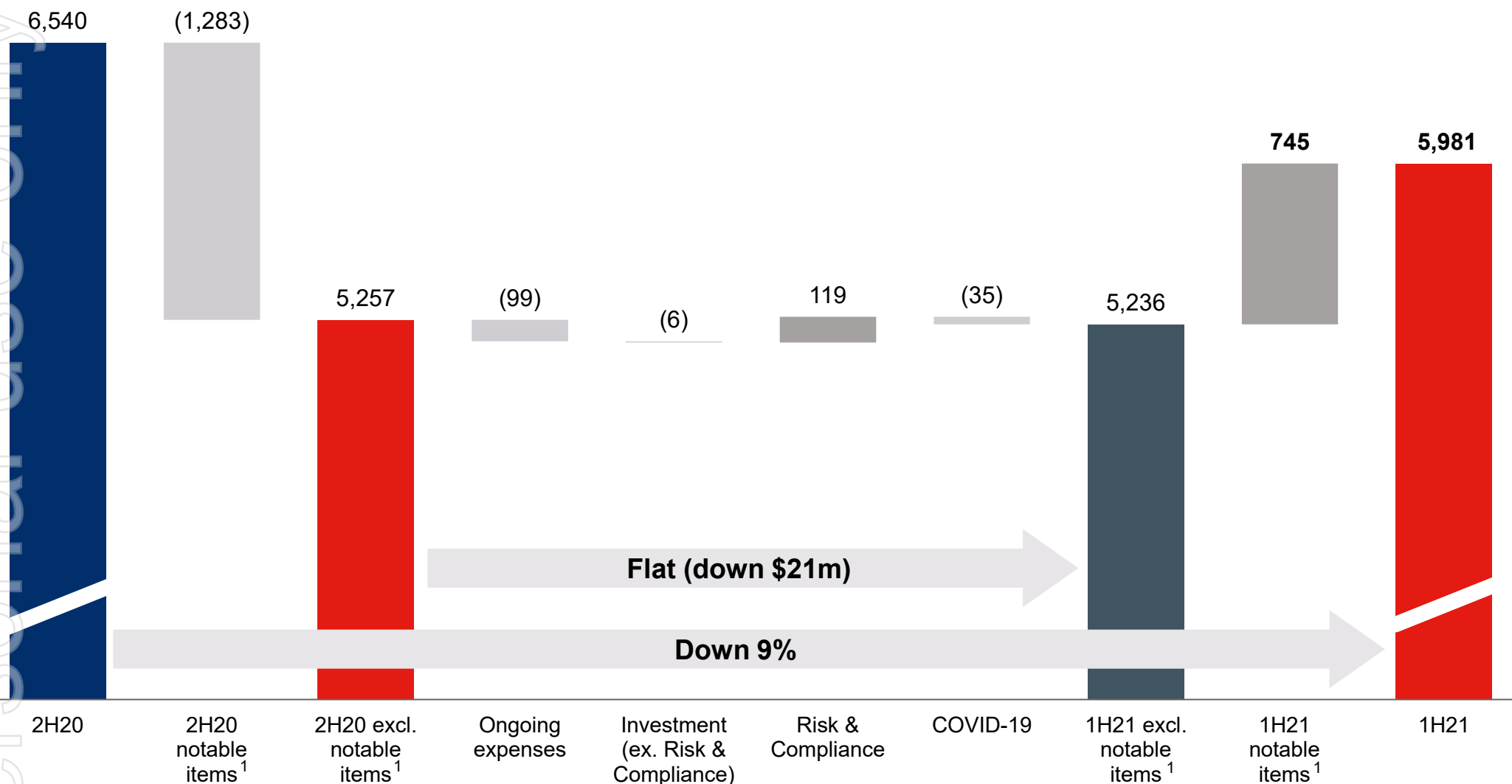


<sup>1</sup> Excluding notable items. References to notable items in this slide include provisions related to; estimated customer refunds, costs and litigation; and asset sales/revaluations. <sup>2</sup> Total notable items in Non-interest income is unchanged. 2H20 has been restated to reflect \$45m of notable items allocated to net fee income, this has now been allocated \$30m to wealth management income and \$15m to insurance income.

# 1H21 expenses.

Down 9%, flat excluding notable items.<sup>1</sup>

## Expenses (\$m) 1H21 – 2H20

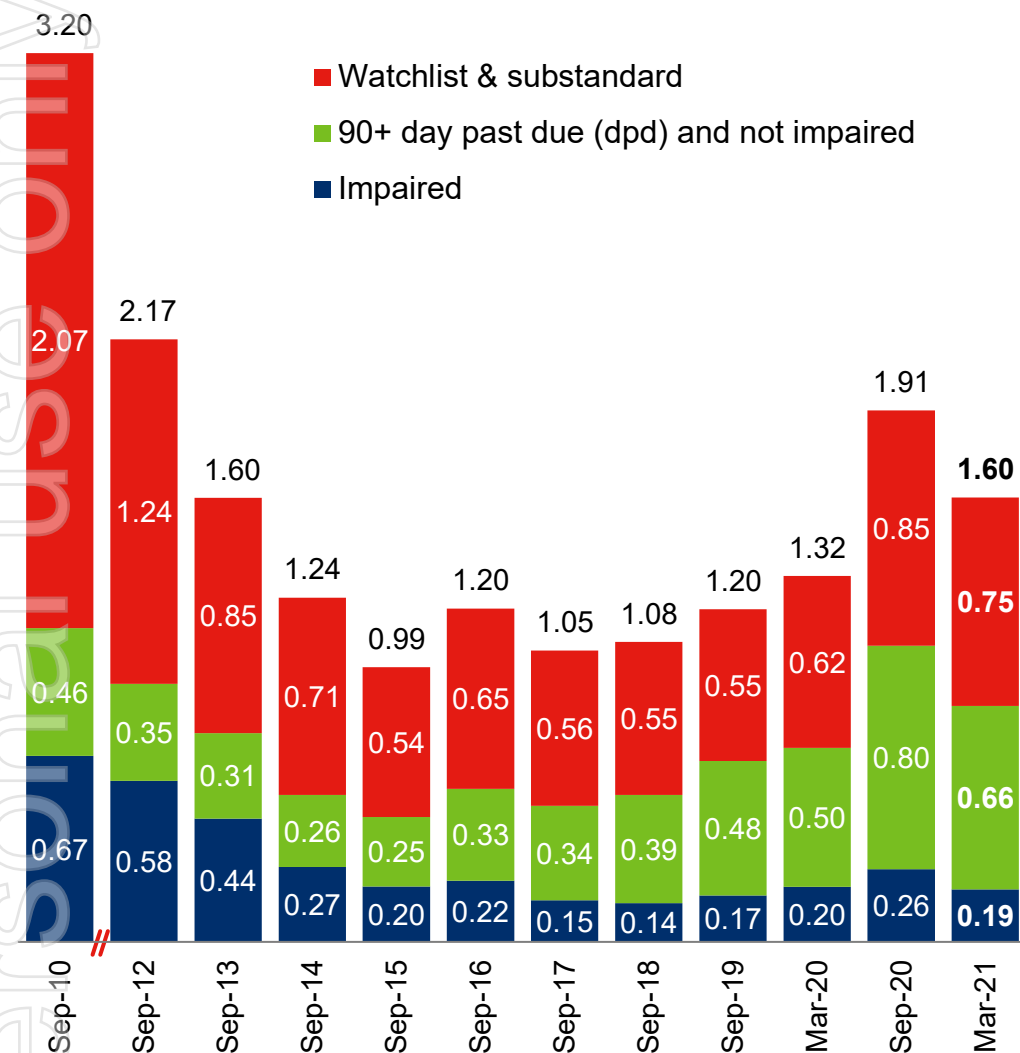


<sup>1</sup> References to notable items in this slide include provisions related to ASTRAC proceedings; estimated customer refunds, costs and litigation; write-down of intangible items; and asset sales/revaluations.



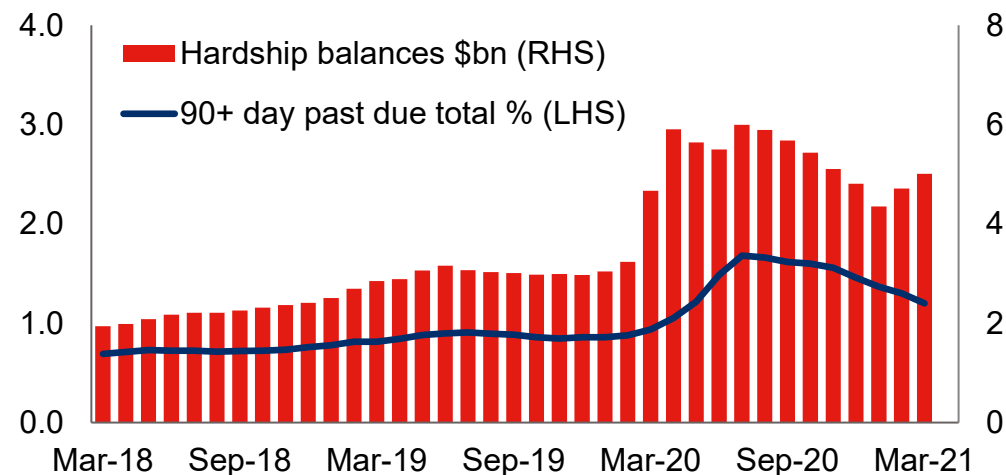
# Credit quality metrics improved.

Stressed exposures as a % of TCE<sup>1</sup>

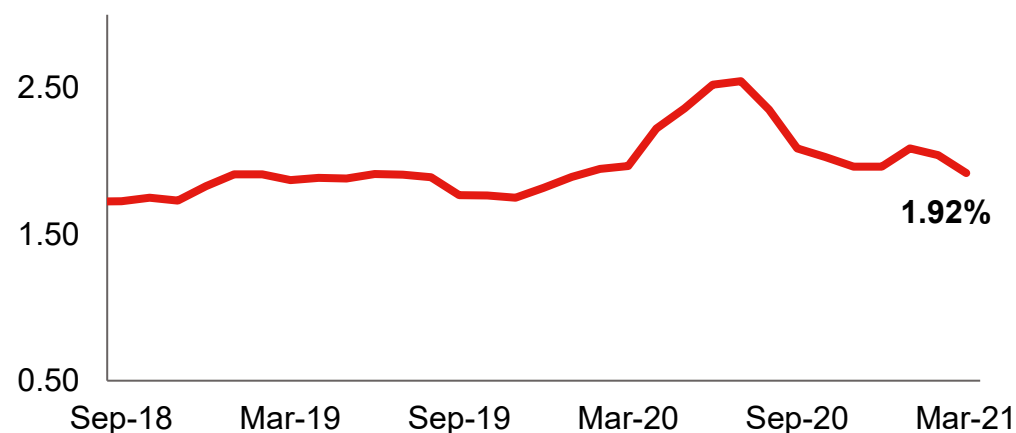


<sup>1</sup> TCE is total committed exposure.

Australian mortgage delinquencies and hardship (%, \$bn)

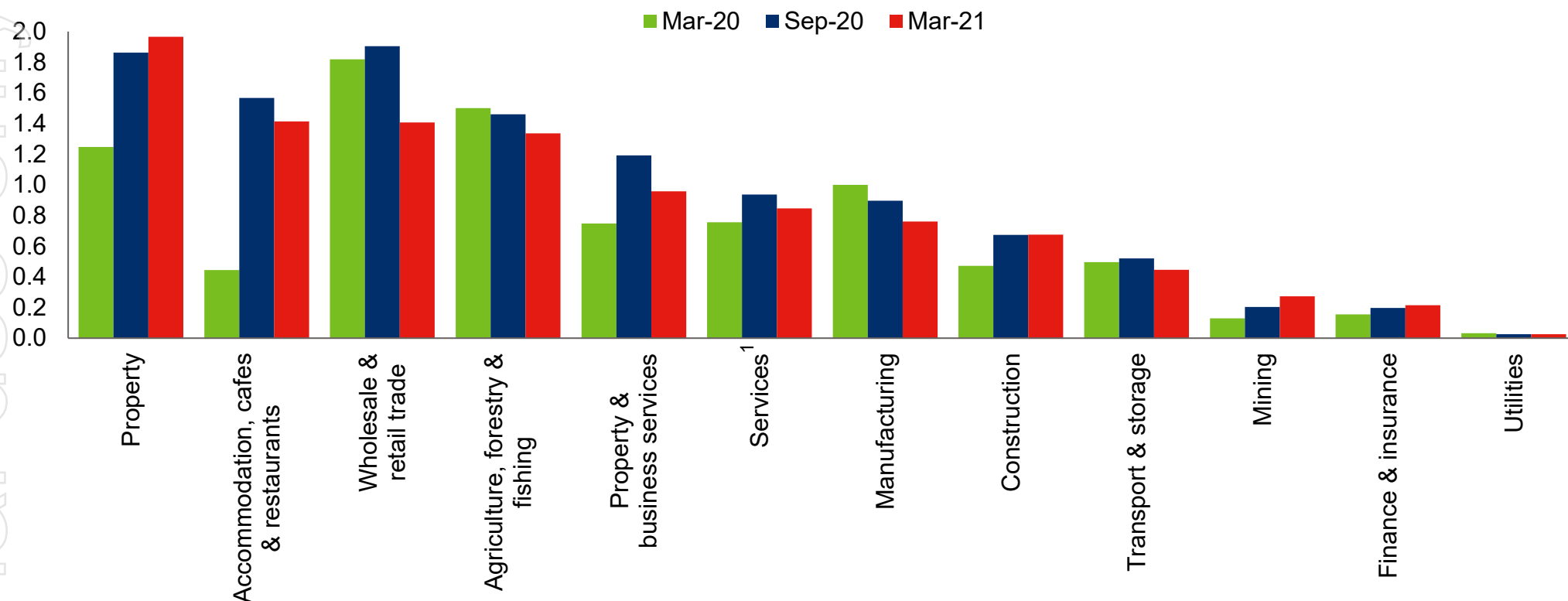


Australian unsecured 90+ day delinquencies (%)



# Asset quality.

## Corporate and business stressed exposures by industry sector (\$bn)



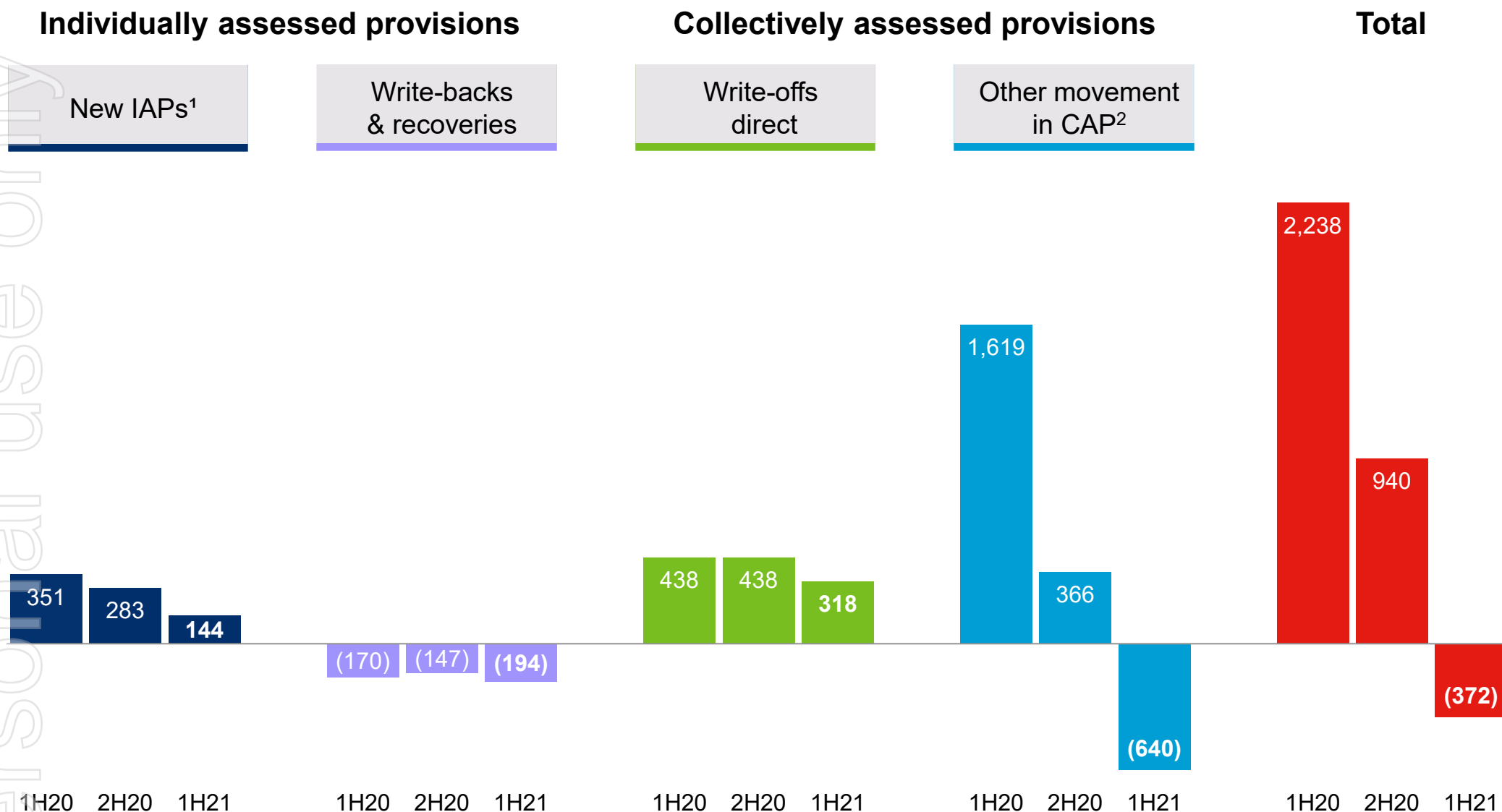
## Stressed exposures to TCE by industry sector (%)

Sep-20	2.8	16.0	6.2	6.6	5.1	4.0	3.5	5.8	3.1	2.3	0.2	0.2
Mar-21	2.9	14.6	4.8	6.0	4.3	3.7	3.3	6.1	2.7	3.4	0.2	0.2

<sup>1</sup> Services includes education, health & community services, cultural & recreational services and personal & other services.

# Credit impairment charge / (benefit) composition.

(\$m)

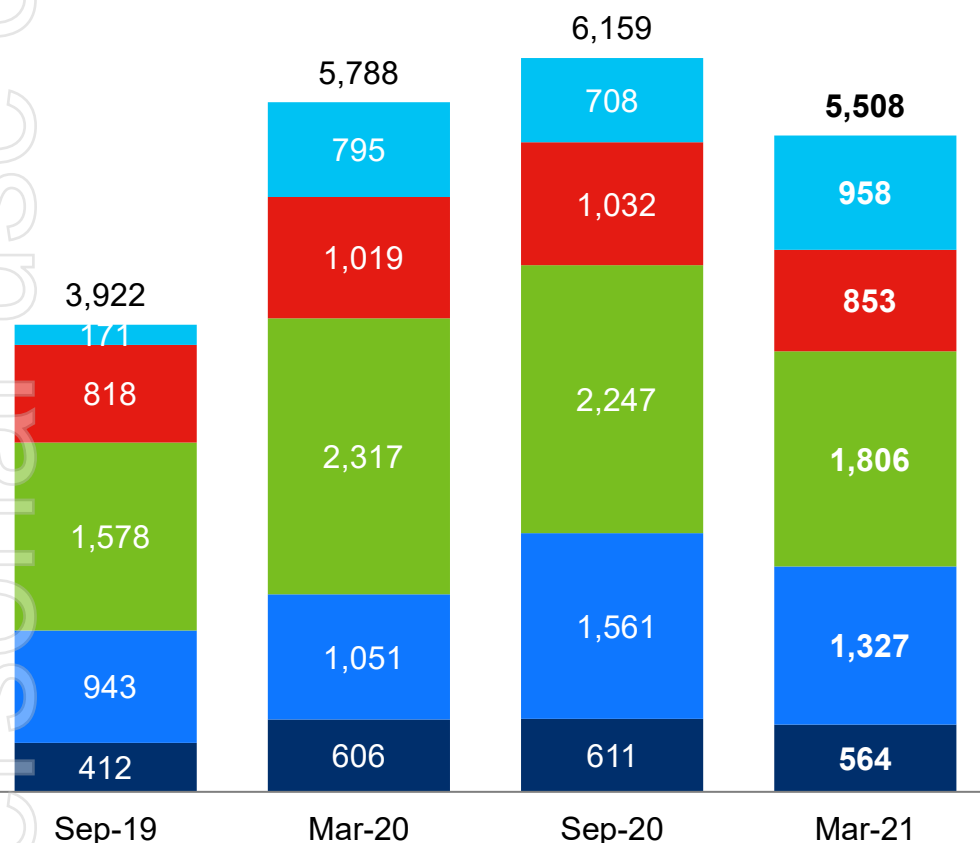


<sup>1</sup> IAP is individually assessed provisions. <sup>2</sup> CAP is collectively assessed provisions.

# Impairment provisions.

## Total impairment provisions<sup>1</sup> (\$m)

- Overlay
- Stage 1 CAP
- Stage 2 CAP
- Stage 3 CAP
- Individually assessed provisions (Stage 3)



## Provision coverage

	Sep-19	Sep-20	Mar-21
Provisions to Credit RWA	109bps	171bps	159bps
Provisions to TCE	37bps	58bps	51bps
IAP <sup>2</sup> to Impaired assets	44.9%	41.5%	47.0%

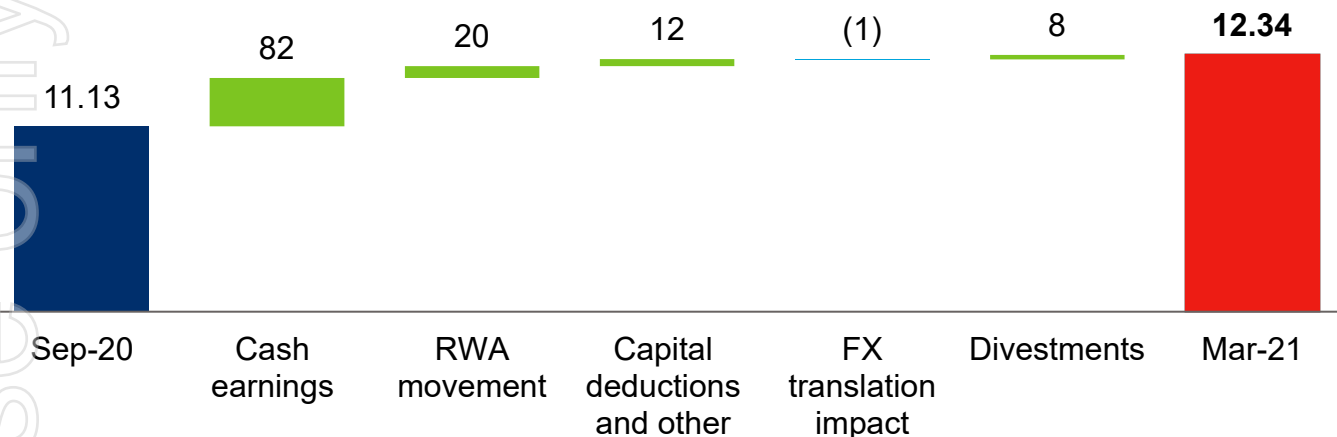
## Forecasts used in base case economic scenario<sup>3</sup>

	At Sept 2020		At Mar 2021	
	2021	2022	2021	2022
GDP growth	2.5%	2.7%	4.0%	3.0%
Unemployment	7.5%	6.7%	6.0%	5.3%
Residential property price increase/(decrease)	(0.4%)	7.5%	10%	10%

<sup>1</sup> CAP is Collectively Assessed Provision. <sup>2</sup> IAP is Individually Assessed Provision. <sup>3</sup> GDP and Residential property price growth is annual growth to December each year. Unemployment rate forecast is as at year end. Forecasts used for March 21 were determined in February 21.

# Capital drivers.

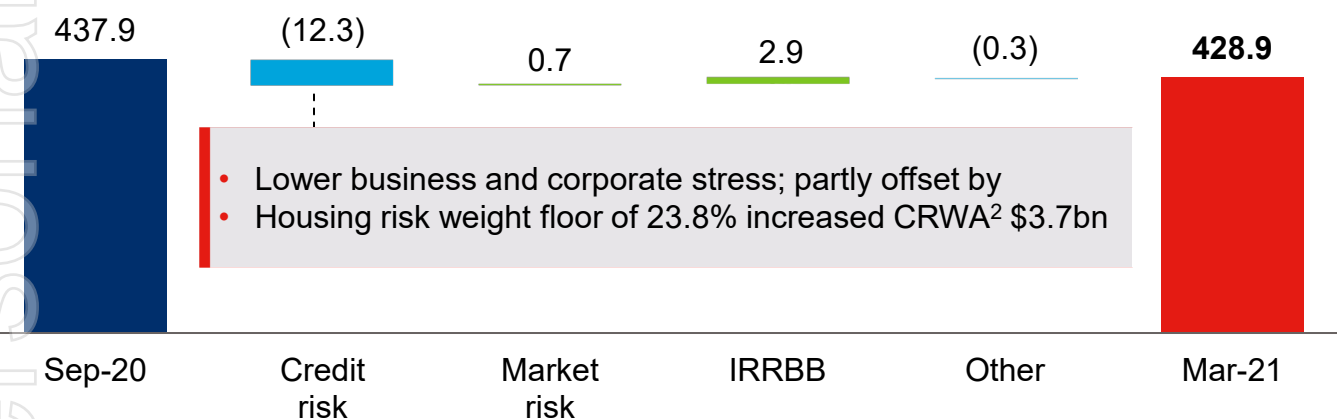
## CET1<sup>1</sup> capital ratio (% and bps)



## Expected divestment CET1 benefit (bps)<sup>3</sup>

Coinbase <sup>4</sup>	7
Vendor Finance	-
Westpac Pacific <sup>5</sup>	6
General Insurance	12
Westpac LMI	7

## Risk weighted assets (\$bn)

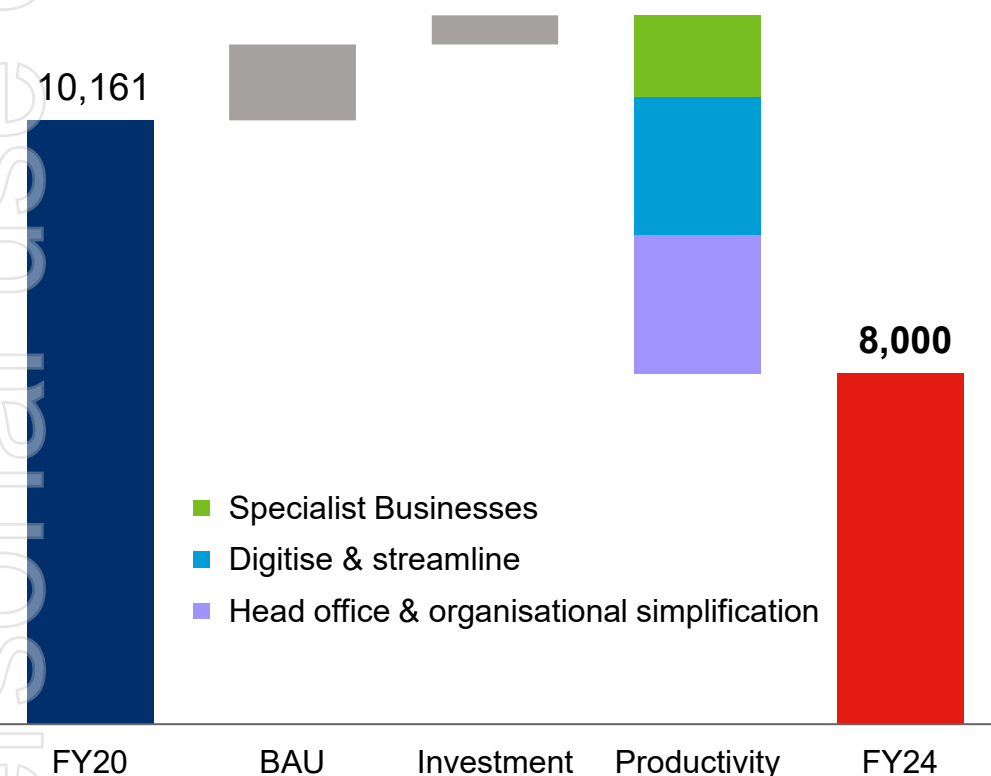


1 Common equity tier 1. 2 Credit Risk Weighted Assets. 3 Pro forma benefit at March 21 for expected divestments and at 30 April for Coinbase. 4 Initial estimate, depends on final capital streamed up to the Group. 5 Impact reflects the remaining CET1 impact expected to occur in the 2H21 (mainly from the release of risk weighted assets upon sale). The accounting loss on sale in Westpac Pacific included in First Half 2021 notable items impacted the CET1 ratio for March 21. In total, the sale of Westpac Pacific is expected to add approximately 3bps to Westpac's Common Equity Tier 1 capital ratio.

# Targeting \$8bn cost base by FY24.<sup>1</sup>

## Cost target excluding notable items (\$m)<sup>2</sup>

Expenses (ex notables) expected to rise in FY21 compared to FY20. Targeting to reduce from FY22 onwards



## Pathway to \$8bn

### Specialist Businesses

- Exit non-core businesses

### Digitise & streamline for customers

- Digital focus, reduce products and cost to serve
- Rationalise duplicate metro branches, smaller customised branches
- Reduce physical transactions
- Digitise sales and service

### Head office & organisational simplification

- Remove costs linked to Specialist Businesses
- Rationalise corporate footprint
- Lower support costs
- Reduce third party/contractor spend

<sup>1</sup> This page contains 'forward-looking statements' and statements of expectation. Please refer to the disclaimer on page 117. <sup>2</sup> All numbers exclude notable items. References to notable items in this slide include provisions related to AUSTAC proceedings; estimated customer refunds, costs and litigation; write-down of intangible items; and asset sales/revaluations. Target includes Westpac New Zealand Limited.

# Select cost reset targets.<sup>1</sup>

	Metric	Baseline	1H21	FY24
Specialist Businesses	<ul style="list-style-type: none"> <li>Exit non-core businesses</li> </ul>	1 under sale agreement	4 under sale agreement	7 transactions completed
Digitise & streamline for customers	<ul style="list-style-type: none"> <li>Mortgages processed on digital origination platform<sup>2</sup></li> <li>Consumer sales via digital<sup>3</sup></li> <li>Branch transactions<sup>3</sup></li> <li>Products for sale<sup>5</sup></li> </ul>	32% <sup>2</sup> 42% 29 million 891	62% <sup>2</sup> 41% 22% less <sup>4</sup> 839	100% 70% ~40% less ~345
Head office & organisational simplification	<ul style="list-style-type: none"> <li>Offshore locations<sup>6</sup></li> <li>Reduce third party and contractor spend by &gt;\$200m per annum</li> <li>Reduce head office roles and corporate space ~ more than 20%<sup>7</sup></li> </ul>	8	6	4

<sup>1</sup> This page contains 'forward-looking statements' and statements of expectation. Please refer to the disclaimer on page 117. <sup>2</sup> Percentage of home loan applications through strategic platform for 1<sup>st</sup> party lending (excl. RAMS). FY24 target refers to both 1<sup>st</sup> and 3<sup>rd</sup> party across Consumer and Business. <sup>3</sup> Refer to slide115 for definition. <sup>4</sup> Reduction in 1H21 represents decrease on 1H20. <sup>5</sup> Represents Australian Consumer, Business and Institutional products for sale. <sup>6</sup> Represents international locations excluding New Zealand and Westpac Pacific. <sup>7</sup> Corporate Space represents head office and operations and excludes branches and business banking centres.

# 2H21 Considerations.<sup>1</sup>

## Lending

- Maintain mortgage momentum
- Stabilise Business lending

## Net interest margin

- Headwinds from competitive market continued flow through of low rates

## Non-interest income

- Improved economic activity and consumer spending
- Impact of simplification to flow through

## Expenses

- FY21 expected to be higher than FY20 (excluding notable items) from:
  - Seasonality of project spend – higher in 2H
  - Full period effect of higher FTE for Fix agenda

## Asset quality

- Maintain focus on supporting customers
- Improved outlook, some impact from wind back of government support

<sup>1</sup> This page contains 'forward-looking statements' and statements of expectation. Please refer to the disclaimer on page 117.



**Peter King**

Chief Executive Officer

# Good progress – more to do.

## Economic outlook positive

	Latest <sup>1</sup>	End 2021 Forecasts
GDP growth	(1.1%)	<b>4.5%</b>
Housing credit growth	4.1%	<b>6.5%</b>
Business credit growth	(2.6%)	<b>2.5%</b>
Unemployment rate	5.6%	<b>5.0%</b>

<sup>1</sup> Latest is December 2020 (GDP), March 2021 housing credit, business credit and unemployment. Sources: ABS, RBA, Westpac Economics.

## 2H21 Priorities

- Grow core businesses
  - Continue mortgage improvement. Grow at major bank system in 2H21
  - Apply mortgage success to business lending
- Specialist Businesses
  - Complete Panorama migration
  - Progress asset sales and completions
- Risk management - deliver on CORE program and improve risk management processes/culture
- Begin delivering on cost reset

# Investor Discussion Pack

Fix. Simplify. Perform.

# Overview

# Westpac Group at a glance.

Helping Australians and New Zealanders Succeed.

Strategy

WBC  
listed on  
ASX & NZX

WBK  
LISTED  
NYSE

- In its 205th year, Australia's first bank and first company, opened 1817
- Australia's 2nd largest bank and 24th largest bank in the world, ranked by market capitalisation<sup>1</sup>
- Well positioned across key markets with a service-led strategy focused on customers
- Supporting consumers and businesses in Australia and New Zealand
- Unique portfolio of brands providing a range of financial services across consumer, business and institutional banking
- Capital ratios are in the top quartile globally, with sound credit quality
- Credit ratings<sup>2</sup> AA- / Aa3 / A+
- Continued sustainability commitment<sup>3</sup>

## Key statistics at 31 March 2021

Customers	14.0m
Australian household deposit market share <sup>4</sup>	21%
Australian mortgage market share <sup>5</sup>	22%
Australian business credit market share <sup>5</sup>	15%
New Zealand deposit market share <sup>6</sup>	18%
New Zealand consumer lending market share <sup>6</sup>	18%
Australian wealth platforms market share <sup>7</sup>	18%

<sup>1</sup> 31 March 2021 Source: S&P Capital IQ, based in US\$. <sup>2</sup> S&P Global Ratings, Moody's Investors Service and Fitch Ratings respectively. Moody's Investor Services and Fitch Ratings have Westpac Banking Corporation on a stable outlook. S&P Global Ratings has Westpac on a negative outlook. <sup>3</sup> Awarded Silver - DJSI 2020 Year Book, Rated A - MSCI-ESG, Medium ESG Risk Band - Sustainalytics. <sup>4</sup> APRA Banking Statistics, March 2021. <sup>5</sup> RBA Financial Aggregates, March 2021. <sup>6</sup> RBNZ, March 2021. <sup>7</sup> Plan for Life 31 December 2020. All Master Funds Admin. <sup>8</sup> Cash earnings basis. <sup>9</sup> Based on share price at 31 March 2021 of \$24.41.

## Operating divisions

Consumer	    
Business	   
Westpac Institutional Bank (WIB)	
Westpac New Zealand	

## Key financial data for Half Year 2021

Reported net profit after tax	\$3,443m
Cash earnings	\$3,537m
Expense to income ratio <sup>8</sup>	55.4%
Common equity Tier 1 capital ratio (APRA basis)	12.34%
Return on equity <sup>8</sup>	10.2%
Total assets	\$889bn
Total liabilities	\$817bn
Market capitalisation <sup>9</sup>	\$90bn

# Portfolio simplification.

## Executing our FY21 strategic priorities.

Strategy

### Businesses included in the Specialist Business division

Business Unit	Business overview	Status	Announced	Expected completion
Vendor Finance <sup>1</sup>	Supports third parties to fund equipment finance loans	Entered sale agreement (held for sale)	21 <sup>st</sup> August 2020	Second Half 2021
General Insurance <sup>1</sup>	Provides insurance solutions including Home and Contents Insurance and Landlord Insurance	Entered sale agreement (held for sale)	2 <sup>nd</sup> December 2020	Second Half 2021
Westpac Pacific <sup>1</sup>	Banking in Fiji and PNG serving retail, business and institutional customers	Entered sale agreement (held for sale)	7 <sup>th</sup> December 2020	Second Half 2021
Lenders Mortgage Insurance <sup>1</sup>	Provides Lenders Mortgage Insurance to Westpac Group for residential mortgages	Entered sale agreement (held for sale)	18 <sup>th</sup> March 2021	Second Half 2021
Life Insurance	Manufacturer of life, TPD and income protection products	Under consideration		
Auto Finance	Provides vehicle finance, dealer finance, business car leasing and novated leasing	Under consideration		
Superannuation, Platforms and Investments	Provides superannuation, investment platforms for advised clients, multi-fund asset management and a range of direct products for SMSFs and individuals	Under consideration		

<sup>1</sup> Classified as held for sale in the Group's 2021 Interim Financial Results Announcement. 2 CET1 impact is based on RWAs at 31 March 2021. Impact at the time of sale can vary based on RWA movements. The 31 March 2021 CET1 ratio includes the accounting loss on sale in Westpac Pacific included in 1H21 notable items.

### Brands

Businesses in Specialist Business division operate under the following brands:



### Businesses held for sale

\$m	1H21
Net interest income	67
Non-interest income	100
Expenses	(48)
Impairment (charges)/benefits	24
Tax and non-controlling interests	(40)
<b>Cash earnings contribution of businesses held for sale (ex notable items)</b>	<b>103</b>
<b>Loans</b>	<b>1,819</b>
<b>Deposits</b>	<b>2,088</b>

### CET1 Impact

Once announced sales are completed, they are expected to add 25bps<sup>2</sup> to the CET1 capital ratio

# Westpac New Zealand review.

Strategy

Westpac is reviewing the most appropriate ownership structure for its New Zealand operations. The business has been a valuable contributor for many years. The review is ongoing.



## Rationale for the review

- Banking is increasingly a local business
- BS11 – operational separation limits synergies



## Considerations

- Potential value uplift from two locally focused businesses
- Separation and independence costs
- Impact of RBNZ reviews

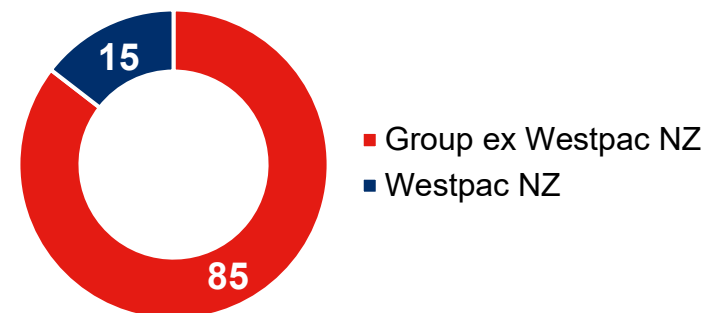


## Status

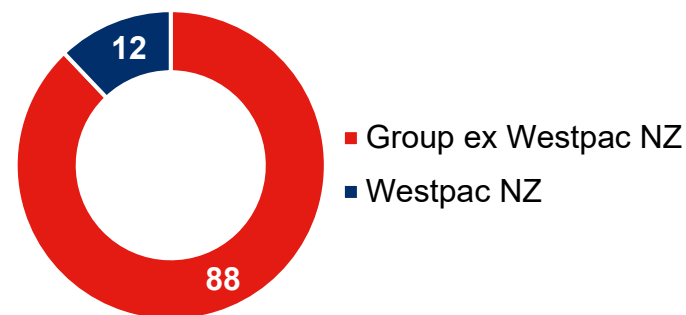
- Regulator engagement required
- Determining potential split of balance sheet in a demerger
- Progressing analysis

## Contribution to Westpac Group

### 1H21 Cash earnings ex notables (%)



### Lending (%)



# Cash earnings and reported net profit reconciliation.

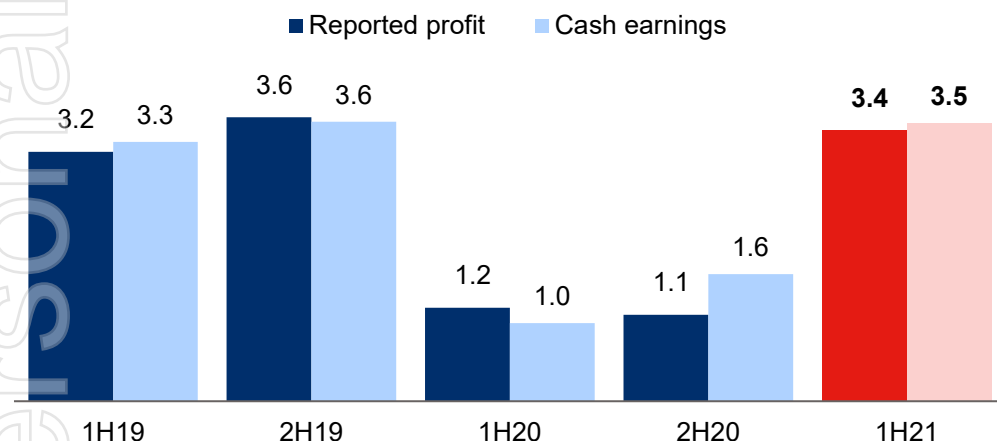
Results

## Cash earnings<sup>1</sup> policy

- Westpac Group uses a measure of performance referred to as cash earnings to assess financial performance at both a Group and divisional level
- This measure has been used in the Australian banking market for over 15 years and management believes it is the most effective way to assess performance for the current period against prior periods and to compare performance across divisions and across peer companies
- To calculate cash earnings, reported net profit is adjusted for:
  - Material items that key decision makers at the Westpac Group believe do not reflect the Group's operating performance
  - Items that are not normally considered when dividends are recommended, such as the impact of treasury shares and economic hedging impacts
  - Accounting reclassifications between individual line items that do not impact reported results

	1H21 (\$m)	Change 1H21-2H20 (%)	Change 1H21-1H20 (%)
Cash earnings	<b>3,537</b>	119%	256%
Cash EPS (cents)	<b>97.1</b>	117%	251%
Reported net profit	<b>3,443</b>	213%	189%
Reported EPS (cents)	<b>94.5</b>	210%	185%

## Reported net profit and cash earnings (\$bn)



## Reported net profit and cash earnings adjustments (\$m)

	2H20	1H21
<b>Reported net profit</b>	<b>1,100</b>	<b>3,443</b>
Fair value (gain)/loss on economic hedges	581	46
Ineffective hedges	(37)	48
Adjustments related to Pandal Group	(32)	-
Treasury shares	3	-
<b>Cash earnings</b>	<b>1,615</b>	<b>3,537</b>

<sup>1</sup> Cash earnings is not a measure of cash flow or net profit determined on a cash accounting basis, as it includes non-cash items reflected in net profit determined in accordance with AAS (Australian Accounting Standards). The specific adjustments outlined include both cash and non-cash items. Cash earnings is reported net profit adjusted for material items to ensure they appropriately reflect profits available to ordinary shareholders. All adjustments shown are after tax. For further details refer to page 109.

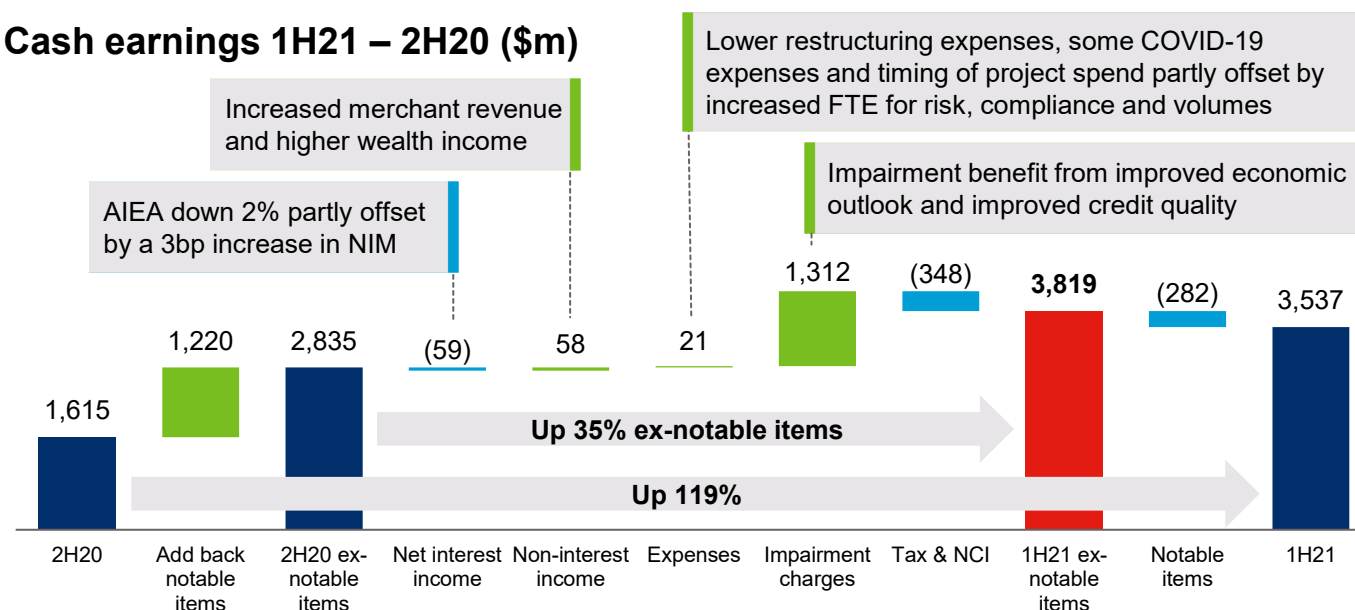


# 1H21 cash earnings.

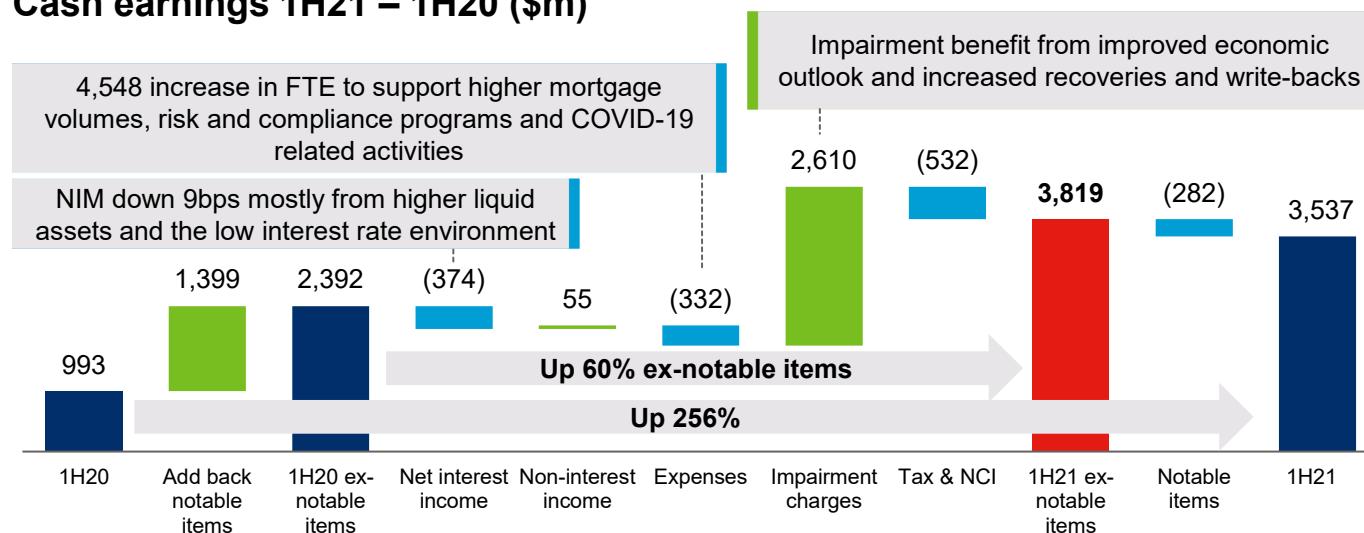
Results

	1H21 (\$m)	Change 1H21- 2H20 (%)	Change 1H21- 1H20 (%)
Net interest income	8,469	1%	(2%)
Non-interest income	2,330	25%	39%
Expenses	(5,981)	(9%)	(3%)
Core earnings	4,818	29%	15%
Impairment benefit	372	Large	Large
Tax and non-controlling interests (NCI)	(1,653)	39%	74%
<b>Cash earnings</b>	<b>3,537</b>	<b>119%</b>	<b>256%</b>
Add back notable items (after tax)	282	(77%)	(80%)
<b>Cash earnings ex-notable items</b>	<b>3,819</b>	<b>35%</b>	<b>60%</b>
<b>Reported net profit</b>	<b>3,443</b>	<b>213%</b>	<b>189%</b>

## Cash earnings 1H21 – 2H20 (\$m)



## Cash earnings 1H21 – 1H20 (\$m)



# Notable items in 1H21 and 2H20.

Results

In 1H21 and 2H20, the Group recognised certain costs/provisions known throughout this document as “notable items” which relate to the following:

## AUSTRAC proceedings<sup>1</sup> (\$0 1H21, \$415m 2H20)

Costs associated with the AUSTRAC proceedings including for a Court penalty, legal costs and costs of the Group’s response plan. There were no costs in 1H21 as the AUSTRAC proceedings have now been settled.

## Estimated customer refunds, payments, associated costs and litigation<sup>1</sup> (\$276m 1H21, \$182m 2H20)

Additional provisions were raised in 1H21 for:

- Refunds for certain ongoing advice fees associated with the Group’s salaried financial planners and authorised representatives
- Refunds to superannuation and investment customers not advised of certain corporate actions
- Costs associated with ending the Group’s IOOF relationship
- Litigation including settlement of historical matters

## Write-down of goodwill and intangible assets<sup>1</sup> (\$199m 1H21, \$568m 2H20)

Write-down of goodwill associated with our LMI business along with a write-down of capitalised software.

## Asset sales and revaluations<sup>1</sup> (\$193m gain 1H21, \$55m loss 2H20)

This includes the revaluation gain on the Group’s stake in Coinbase, the gain on sale of the Group’s holding in Zip Co Limited and earn out payments from the sale of the Vendor Finance business. Partly offset by a loss on sale of Westpac Pacific and transaction costs related to announced sales.

1H21 notable items (\$m)	Consumer	Business	WIB	NZ <sup>2</sup>	Specialist Businesses	Group Businesses	Group
Net interest income	-	74	-	(3)	-	-	71
Non-interest income	(3)	1	-	(5)	1	378	372
Expenses	(106)	(40)	(37)	(6)	(336)	(220)	(745)
<b>Core earnings</b>	<b>(109)</b>	<b>35</b>	<b>(37)</b>	<b>(14)</b>	<b>(335)</b>	<b>158</b>	<b>(302)</b>
Impairment charges	-	-	-	-	-	-	-
Tax and non-controlling interests	33	(10)	11	4	38	(56)	20
<b>Cash earnings</b>	<b>(76)</b>	<b>25</b>	<b>(26)</b>	<b>(10)</b>	<b>(297)</b>	<b>102</b>	<b>(282)</b>

2H20 notable items (\$m)	Consumer	Business	WIB	NZ <sup>2</sup>	Specialist Businesses	Group Businesses	Group
Net interest income	-	(34)	-	(3)	-	-	(37)
Non-interest income	4	(3)	-	(4)	(305)	273	(35)
Expenses	(31)	(106)	-	1	(653)	(494)	(1,283)
<b>Core earnings</b>	<b>(27)</b>	<b>(143)</b>	<b>-</b>	<b>(6)</b>	<b>(958)</b>	<b>(221)</b>	<b>(1,355)</b>
Impairment charges	-	-	-	-	-	-	-
Tax and non-controlling interests	8	43	-	2	138	(56)	135
<b>Cash earnings</b>	<b>(19)</b>	<b>(100)</b>	<b>-</b>	<b>(4)</b>	<b>(820)</b>	<b>(277)</b>	<b>(1,220)</b>

<sup>1</sup> For further information refer to Westpac’s 2021 Interim Financial Results Announcement. <sup>2</sup> In AUD.

# 1H21 financial snapshot.

Results

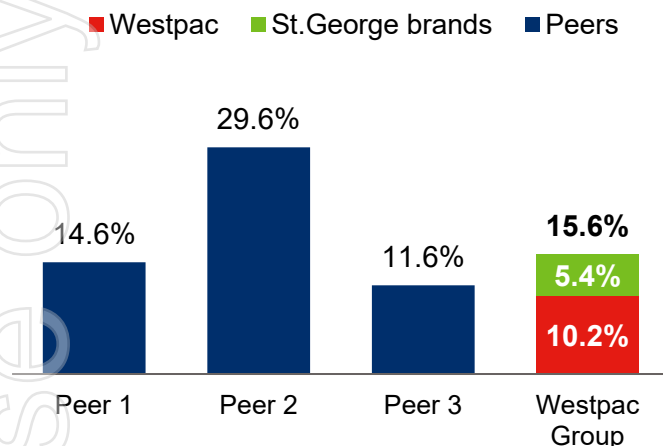
	1H21	Change 1H21 – 2H20	Change 1H21 - 1H20		1H21	Change 1H21 – 2H20	Change 1H21 - 1H20
<b>Earnings<sup>1</sup></b>				<b>Balance sheet</b>			
Earnings per share (cents)	97.1	117%	251%	Total assets (\$bn)	889.5	(2%)	(8%)
Core earnings (\$m)	4,818	29%	15%	Common equity Tier 1 (CET1) capital ratio (APRA basis) (%)	12.34	121bps	153bps
Cash earnings (\$m)	3,537	119%	256%	CET1 capital ratio (Internationally comparable <sup>2</sup> ) (%)	18.08	158bps	227bps
Return on equity (%)	10.19	Large	Large	CET1 capital (\$bn)	52.9	9%	10%
Dividend (cents per share)	58	87%	N/A	Risk weighted assets (RWA) (\$bn)	428.9	(2%)	(3%)
Expense to income ratio (%)	55.4	Large	Large	Average interest-earning assets (\$bn)	813.0	(2%)	-
Net interest margin (%)	2.09	6bps	(4bps)	Loans <sup>3</sup> (\$bn)	690.0	-	(4%)
<b>Credit quality</b>				Customer deposits <sup>3</sup> (\$bn)	550.3	(1%)	1%
Impairment benefit to average gross loans (bps)	11	Large	Large	Net tangible assets per share (\$)	16.60	6%	8%
Impaired assets to gross loans (bps)	30	(10bps)	-	<b>Funding and liquidity</b>			
Impaired provisions to impaired assets (%)	47	6ppts	(3ppts)	Customer deposit to loan ratio (%)	79.8	(39bps)	Large
Total provisions to credit RWA (bps)	159	(12bps)	2bps	Net stable funding ratio <sup>4</sup> (%) (NSFR)	123	1ppt	6ppts
Collectively assessed provisions to credit RWA (bps)	142	(12bps)	2bps	Liquidity coverage ratio <sup>5,6</sup> (%) (LCR)	124	(27ppts)	(16ppts)
				Total liquid assets <sup>7</sup> (\$bn)	195.2	(12%)	(2%)

<sup>1</sup> All measures on a cash earnings basis. <sup>2</sup> Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. <sup>3</sup> Includes items classified as held for sale. <sup>4</sup> NSFR is reported on a spot basis. <sup>5</sup> LCR is reported on a quarterly average basis. <sup>6</sup> 1H21 and 2H20 includes Term Funding Facility (TFF). <sup>7</sup> Total liquid assets represent cash, interbank deposits and assets eligible for existing repurchase agreements with a central bank.

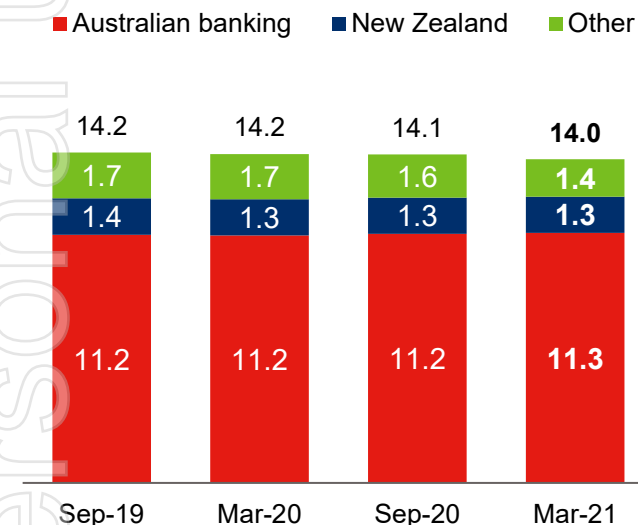
# Customer franchise.

Customer franchise

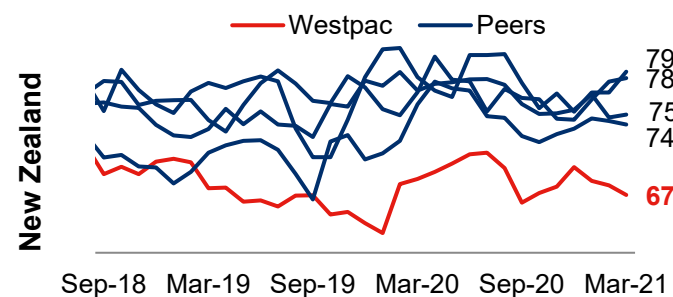
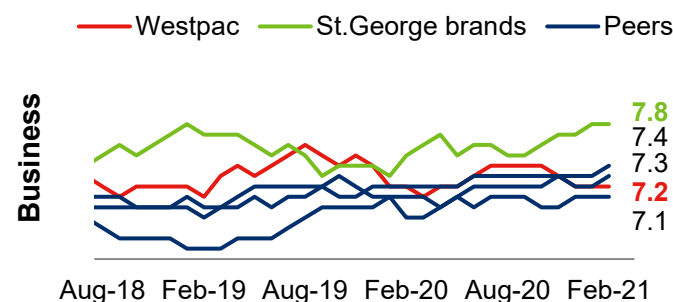
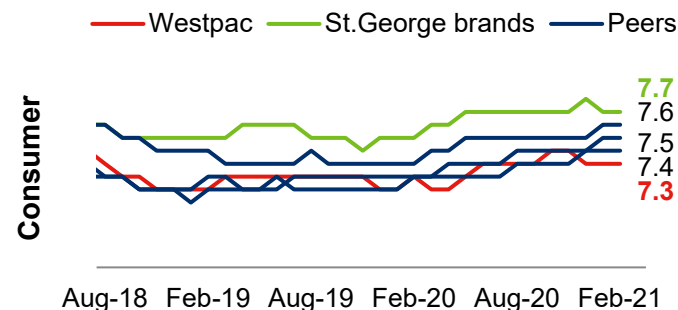
## MFI Share<sup>1,2</sup>



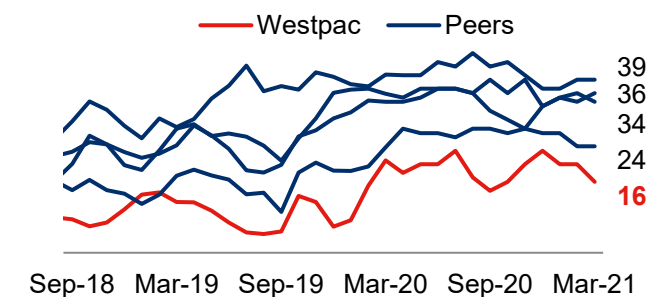
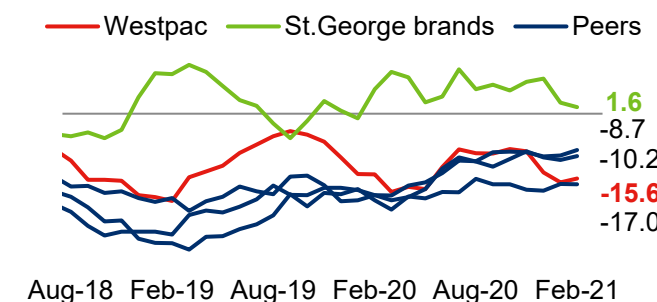
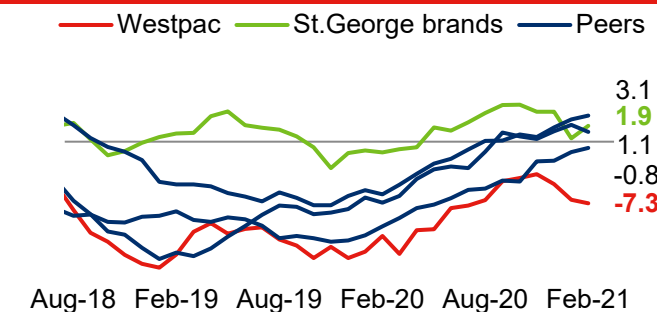
## Customer numbers (#m)



## Customer satisfaction (CSAT)<sup>2</sup>



## Net Promoter Score (NPS)<sup>2</sup>



1 Main Financial Institution for Consumer customers. Data at 28 February 2021. 2 Refer page 115 for details of the metric provider.

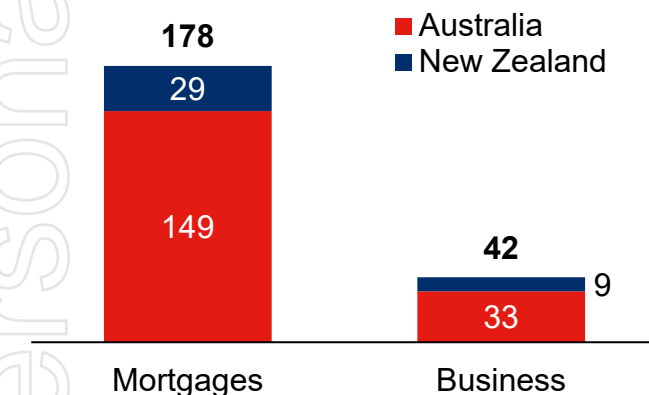
# Helping Australians and New Zealanders Succeed.

Customer franchise

## COVID-19 support

- Supported customers to defer over \$70bn of lending via COVID-19 deferral packages helping over 200k customers
- Personalised support to customers exiting deferral packages and experiencing hardship
- Provided Government Guarantee loans
  - \$300m to ~2,500 customers in Australia
  - NZ\$65m to 229 customers in NZ
- Updated SME Government Guarantee loans launched April 2021
- Helped 160k superannuation fund members through access to \$1.9bn via early release scheme

## Customers provided packages ('000s)



1 Insurance claims is before reinsurance. 2 Funds under administration.

## Natural disasters

- Announced a \$10m Flood Support Fund to provide emergency grants for eligible customers in flood-affected areas. This included:
  - \$5,000 grants for businesses
  - \$3,000 grants for households
- Disaster relief packages provided to customers including deferrals
- Insurance claims of ~\$110m<sup>1</sup> for ~4,600 customers in 1H21 for floods and storms
- \$150k provided to The Salvation Army for flood support



## Helping customers

- \$5.6bn of loans to first home buyers in 1H21
- Migrated \$11.3bn to new leading platform, with FUA<sup>2</sup> on Panorama \$50bn
- Customers can block their cards to limit gambling online, since launch over 2,500 customers have enabled this feature
- Provided financial education and literacy programs and tools through the Davidson Institute
- Launched capability to auto-detect and block abusive language and enable customers to report abusive messages in banking text. Since launch we have filtered and blocked more than 5,000 messages
- New app launched making it faster and simpler for customers to bank with us
- Improved cyber protection including Security Wellbeing Check within our banking app
- Simplified fee and products, eliminated over 100 fees in 1H21

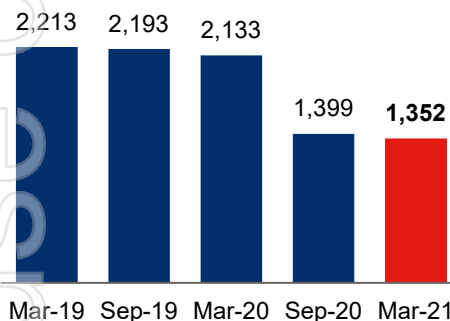
# Continued migration to digital.

Customer franchise

## Less physical

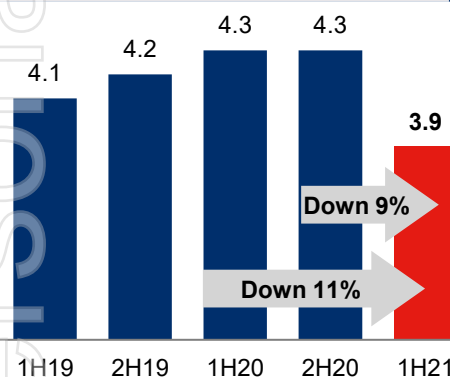
### Australian ATMs (#)

In FY20 we sold 740 non-branch ATMs to Prosegur

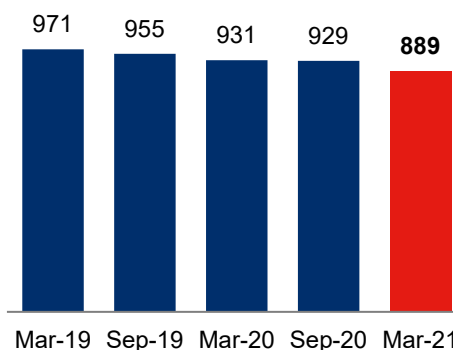


### Call Centre Volume (#m)

Increased Westpac mobile app self-serve capability

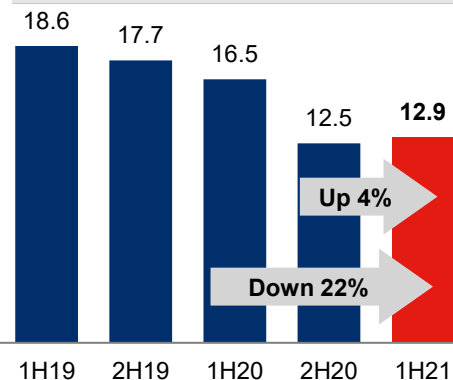


### Australian branches (#)



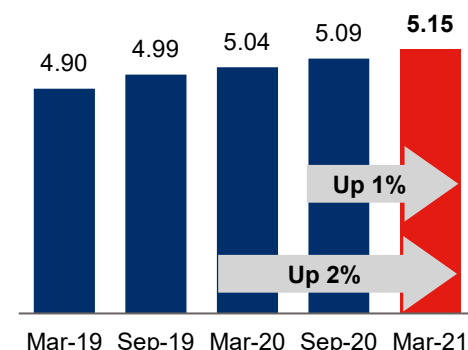
### Branch OTC<sup>1</sup> transactions (#m)

2H20 OTC transactions impacted by COVID-19 lockdown and restrictions

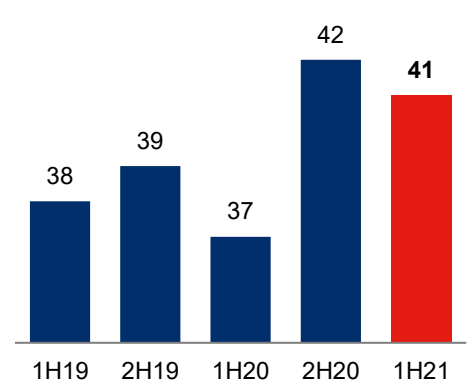


## More digital

### Digitally active customers (#m)

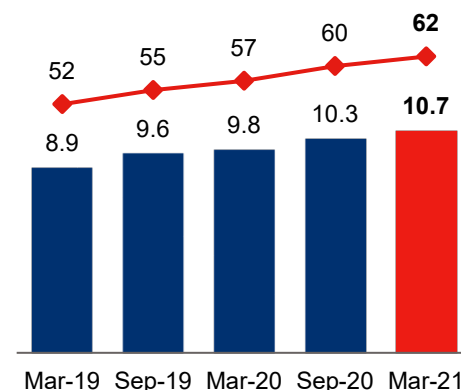


### Sales via digital (%)

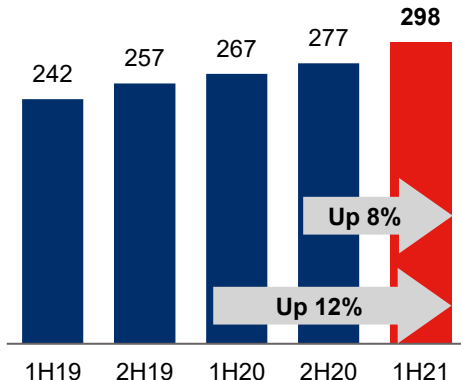


### Accounts with eStatements

Number (#m) eStatements (%)



### Digital transactions<sup>2</sup> (#m)



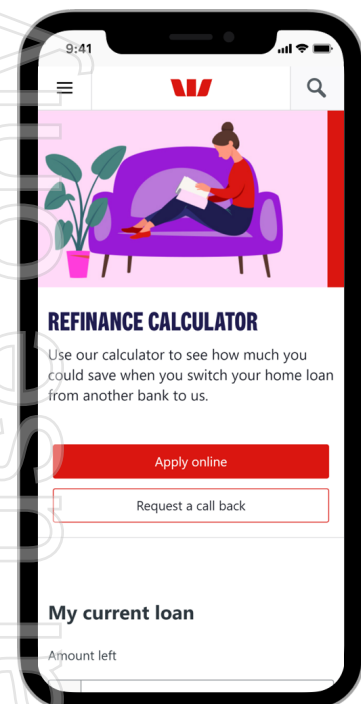
<sup>1</sup> Over the counter. <sup>2</sup> Digital transactions include all payment transactions (Transfer Funds, Pay Anyone and BPAY) within Westpac Live and Compass, excl. Corporate Online and Business Banking online.



# Mortgages: Digital capabilities delivered<sup>1</sup>.

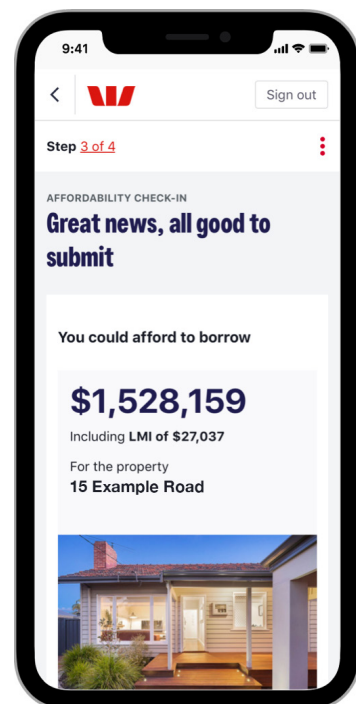
Customer franchise

## Discover

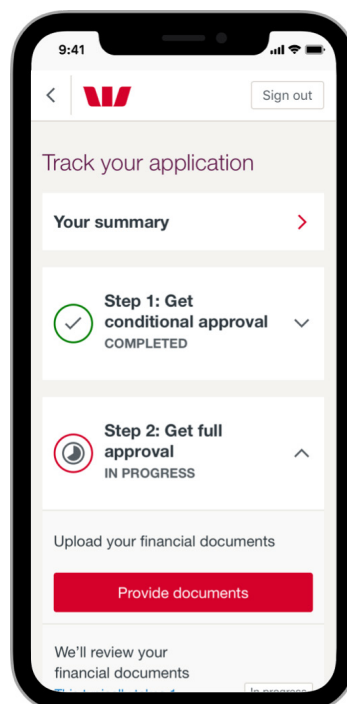


- New, search optimised calculators
- Property insights
- Loan, feature and rate comparison tools

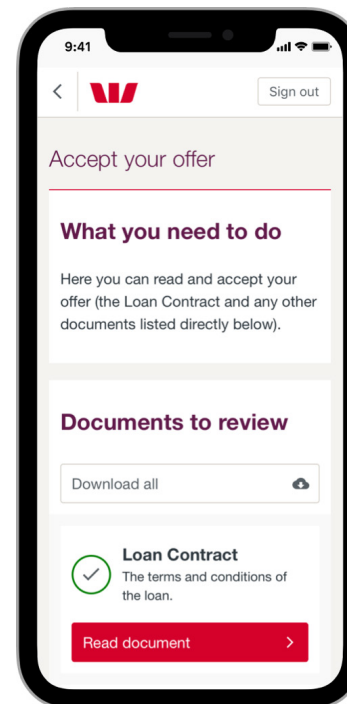
## Apply



- Apply online 24/7
- Pre-filled for existing customers
- Paperless application via branch / contact centres
- Upload photos of supporting documents at any point
- Auto-routing to available lenders for faster response

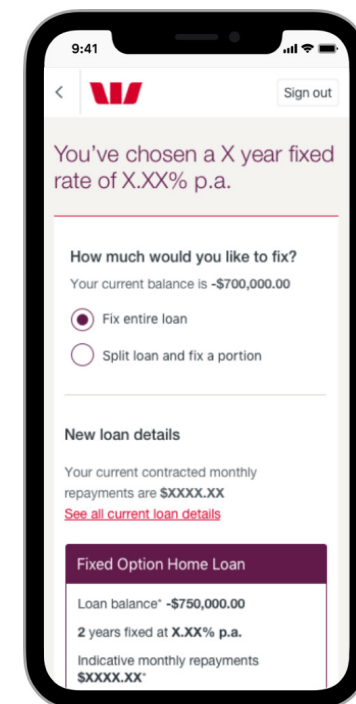


- Customers know what they can afford
- Understand maximum borrowing potential
- Clarity of repayments and buying costs
- Auto-verify using comprehensive credit reporting



- Track status through to settlement
- Real-time notifications on key moments
- Accept loan documents online
- Settlements done digitally (PEXA)

## Use



- Switch to fixed rate for existing customers

<sup>1</sup> Refers to 1<sup>st</sup> party origination platform and excludes RAMS, Private Wealth and Business.

# Customer remediation.

Customer franchise

## Progressing customer refunds:





- Conducted extensive product, process and policy reviews
- Over **\$200 million** in remediation payments have been made to over **570,000** customer accounts during the past six months following these reviews and regulator feedback
- Centralised the governance and reporting of remediation to ensure consistency and to speed up the process
- Substantial progress across Westpac, including ongoing advice and other wealth fees, National Consumer Credit Protection Act compliance and interest only products

## Provisions for customer refunds, payments and associated costs:

Additional provisions of \$241m raised in 1H21 including for:

- Refunds associated with certain ongoing advice fees charged by the Group's salaried financial planners and authorised representatives
- Refunds to superannuation and investment customers not advised of certain corporate actions
- Released provisions previously raised for customer refunds related to businesses provided a business loan instead of a consumer loan regulated by the National Consumer Credit Protection Act and the National Credit Code which were no longer required
- Costs associated with the implementation and completion of the remediation program

## Provisions for customer refunds, payments and associated costs<sup>1</sup> (\$m)

	2017	2018	2019	2020	1H21	Total
 <b>Banking</b>	94	122	362	144	(67)	655
 <b>Wealth</b>	75	146	802	208	195	1,426
 <b>Implementation costs</b>	-	62	232	196	113	603
 <b>Cash earnings impact of above</b>	118	231	977	384	168	1,878

<sup>1</sup> Excludes provisions and costs associated with litigation.



# Strengthening risk governance and oversight.

CORE Program; Integrated Plan delivery on track.

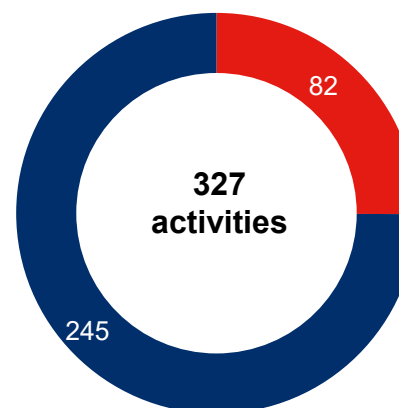
Risk governance

## Integrated Plan

- A comprehensive and integrated program of work designed to strengthen risk governance and frameworks, further clarify accountability and improve the Group's risk culture
- It outlines how we are strengthening risk governance across both financial and non-financial risk
- Comprises 19 workstreams, underpinned by 80 deliverables and 327 activities
- Group Executive accountability and outcomes linked to executive remuneration decisions
- Multi-year completion timeframe – with 90 day delivery schedule
- APRA-approved and independently assured by Promontory Australia, with regular reporting to be made publicly available

## Activity progress

Of the 327 activities, 82 have been submitted to Promontory for assurance and of those, 46 have been closed<sup>1</sup>.



14% of total activities have been closed<sup>1</sup>

### Milestones

- Submitted
- Not yet due

## Background and timeline

2018	2019	2020	2021
Released Culture, Governance and Accountability self assessment (CGA self assessment), highlighting weaknesses in our management of non-financial risk. Included 45 recommendations	Following AUSTRAC proceedings (December), APRA requested a reassessment (CGA reassessment) of the CGA self assessment. APRA also increased our operational risk capital add-on to \$1 billion	Released CGA reassessment (July), which reinforced findings and identified further issues. The CORE Program was established to incorporate and address these findings on non-financial risk.  Following APRA's risk governance review, we entered into an Enforceable Undertaking with APRA to address deficiencies in risk governance (December)	Expanded the CORE Program to improve financial and non-financial risk governance. Group Executive Financial Crime, Compliance & Conduct assigned responsibility for leading the CORE Program. Integrated Plan approved by APRA (April)

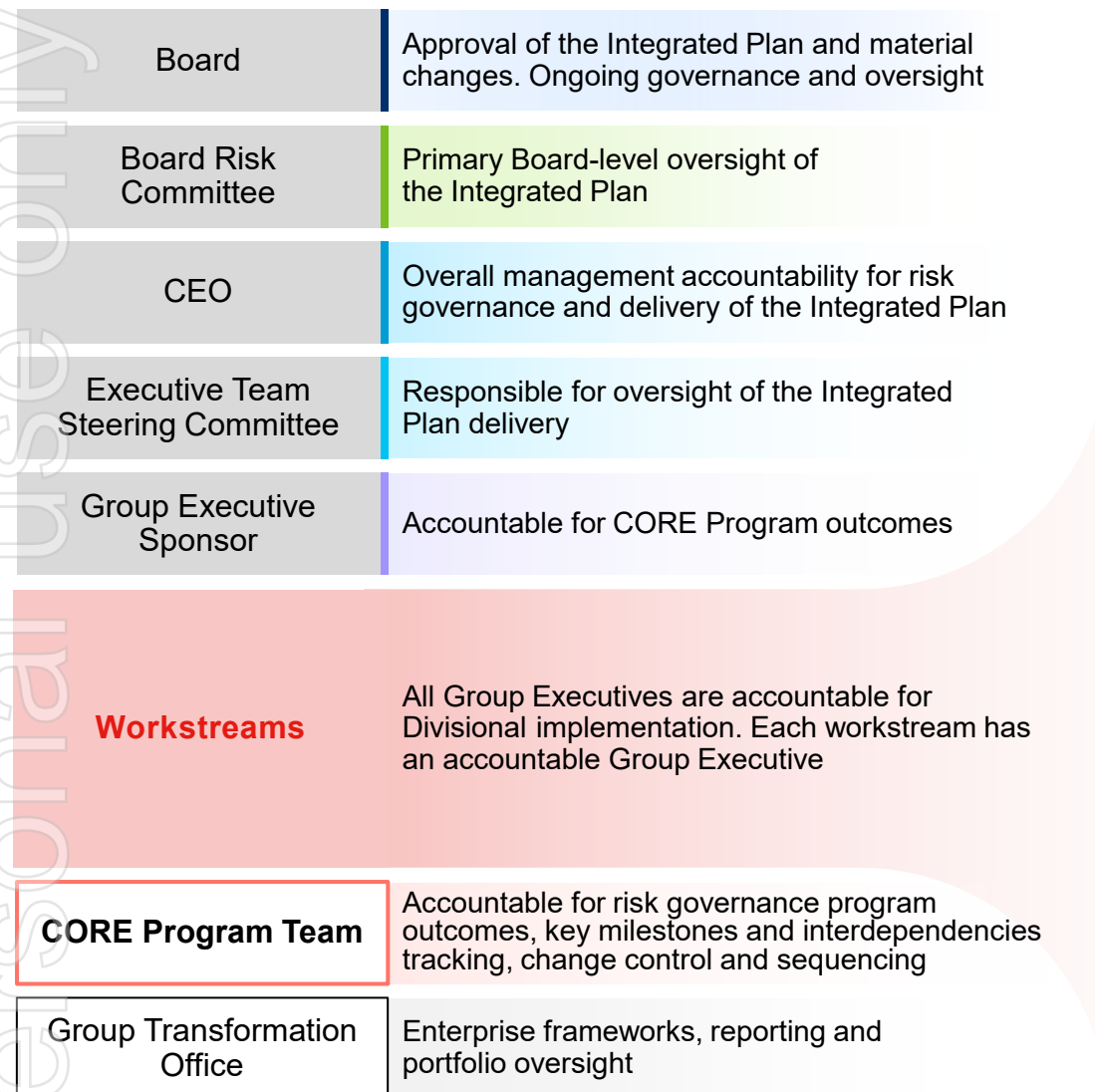
<sup>1</sup> At 29 April 2021. Closed means the independent reviewer has assessed the activity as complete.

# CORE: Integrated Plan governance and oversight.

Risk governance

Clear lines of accountability. Independent assurance by Promontory.

## CORE Program governance structure



### 19 CORE Program workstreams:

- 1 Board risk governance
- 2 Executive culture and capability
- 3 Risk culture
- 4 Organisational design
- 5 Remuneration and consequence management
- 6 Risk roles and capability
- 7 Transformation capability and delivery
- 8 Risk management framework
- 9 Non-financial risk reporting and JUNO functionality
- 10 End-to-end risk and control environment
- 11 Assurance
- 12 Compliance management
- 13 Conduct risk
- 14 Customer complaints
- 15 Technology risk governance
- 16 Data risk governance
- 17 Credit risk governance
- 18 Market risk governance
- 19 Liquidity risk and capital adequacy risk governance

# Committed to action on climate change.

Sustainability

Committed to managing our business in alignment with the Paris Agreement and a transition to a net zero economy by 2050.

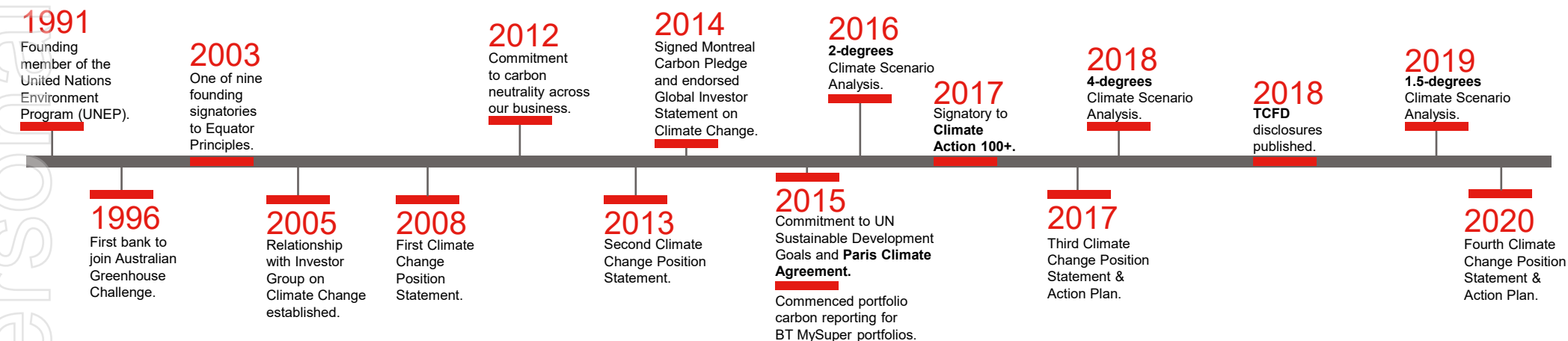
## Progress and targets

Focus areas	Target	Year	Progress
New lending to climate change solutions	\$3.5bn \$15bn	2023 2030	\$0.5bn in 1H21
Thermal coal mining	\$0 exposure	2030	Total lending to coal mining of \$0.5bn. 56% is to thermal coal mining <sup>1</sup>
Electricity generation – portfolio emissions intensity <sup>1,2</sup>	0.23tCO <sub>2</sub> -e/MWh 0.18tCO <sub>2</sub> -e/MWh	2025 2030	0.25tCO <sub>2</sub> -e/MWh Updated annually in November
Oil and gas (extraction, production and refining)	Establish sector criteria	2023	Updated scenario analysis. Developed internal assessment criteria <sup>1</sup>
Scope 1 & 2 emissions <sup>2,3</sup>	85% reduction 90% reduction	2025 2030	Down 27% from 2016 baseline. Updated annually in November
Scope 3 – supply chain emissions	35% reduction	2030	Updated annually in November

## Participating in

- United Nations Environment Programme Finance Initiatives (UNEP FI) Principles for Responsible Banking
- Australian Sustainable Finance Initiative
- Australian Business Roundtable for Disaster Resilience and Safer Communities
- Corporate Sustainability Working Group of the Australian Banking Association
- RE100
- Investor Group on Climate Change
- Climate Action 100+
- Climate Leaders Coalition, New Zealand
- Sustainable Finance Forum of Aotearoa Circle, New Zealand

## A proven track record in responding to climate change



1 WIB only. 2 At 30 September 2020. 3 FY16 Scope 1 & 2 emissions baseline: 147,620 tCO<sub>2</sub>-e.

# Climate-related disclosures – scenario analysis.

## Transition risk – key points

- Transition climate risk includes domestic and market changes when moving to a greener economy, which can result in changes to costs, income and profits, investment preferences and asset viability
- Our analysis of transition risk focuses on our current Australian Business and Institutional lending<sup>1</sup> and exposure to sectors which may face growth constraints under 1.5-degree and 2-degree scenarios<sup>2</sup>
- Approximately 1.2% of our current Australian Business and Institutional lending is exposed to sectors that by 2030 may experience higher risk<sup>3</sup> in a transition to a 1.5-degree economy. Under a 2050 scenario this is 2.5%
- During the half, we undertook transition risk analysis, and developed internal assessment criteria for the oil and gas sector (extraction, production and refining)<sup>4</sup>.
- Our updated approach means we will:
  - expect any new oil and gas exploration, production and refining customers, to whom we provide lending, to have publicly disclosed Paris-aligned business goals;
  - support existing customers to develop Paris-aligned financing strategies;
  - develop our approach and understanding of climate-related risk and opportunities in the oil and gas sector (including downstream segments) through engagement with our customers<sup>5</sup>; and
  - continue to provide annual updates on our progress

## Alignment with the TCFD

- We continue to integrate the consideration of climate-related risks and opportunities into our operations. This includes alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), referenced in APRA's draft Prudential Practice Guide on Climate Change Financial Risks.
- Climate change-related risks are managed within the Group's risk management framework
- Participating in APRA's 2021 Climate Vulnerability Assessment



## Physical risk – key points

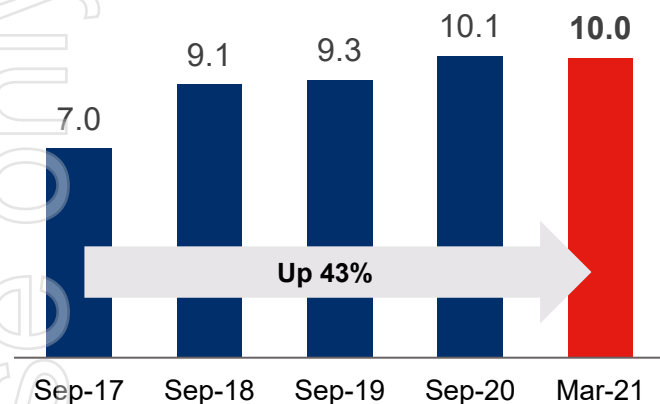
- Physical climate risk refers to changes in climate and the frequency and magnitude of extreme weather events, with impacts including direct damage to assets or property
- Updated our approach to assessing the impact of extreme weather events under climate change scenarios on our Australian mortgage portfolio<sup>6,7</sup>
- Focused on the Australian mortgage portfolio and exposure to locations that may face increased physical risk under an IPCC RCP<sup>8</sup> 8.5 Scenario
- Approximately 2.0% of the current Australian mortgage portfolio may be exposed to higher physical risk<sup>9</sup> under an IPCC RCP 8.5 Scenario by 2050

<sup>1</sup> Australian Business and Institutional lending, excludes retail, sovereign, and bank exposures. <sup>2</sup> For further information see Westpac's FY20 Sustainability Performance Report. <sup>3</sup> Sectors whose medium (2030) and long-term (2050) performance under a scenario deviated by more than one standard deviation below average GDP growth, were classified as 'may face relatively higher growth constraints'. <sup>4</sup> For further information see 2021 Interim Financial Results. <sup>5</sup> WIB customers only. <sup>6</sup> Excludes RAMS and Equity Access. <sup>7</sup> Considered riverine flooding, coastal inundation, forest fire, extreme wind and soil subsidence. <sup>8</sup> Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP). <sup>9</sup> 'Higher risk' were locations where insurance may become more expensive or unavailable.

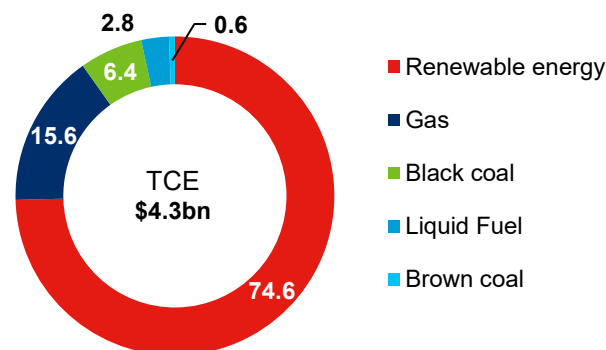
# Climate-related metrics.

Sustainability

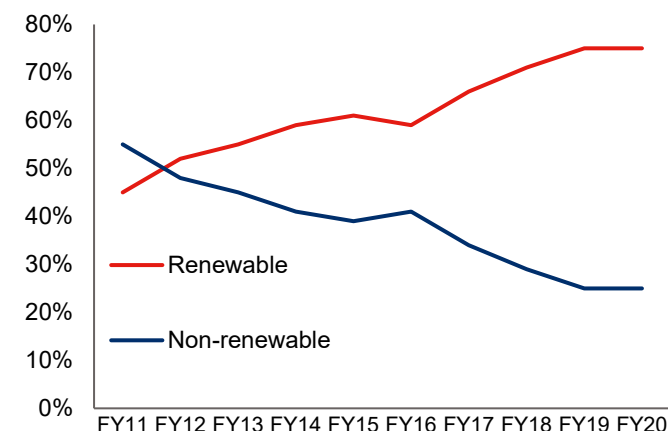
**Lending to climate change solutions**  
(\$bn, TCE)



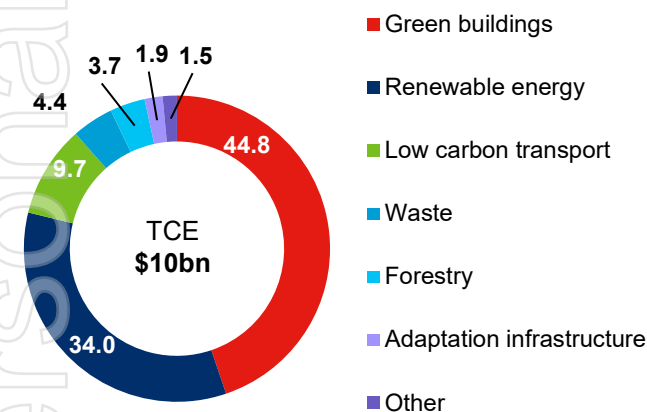
**Electricity generation exposure**  
(% of TCE)<sup>1</sup> at 30 September 2020



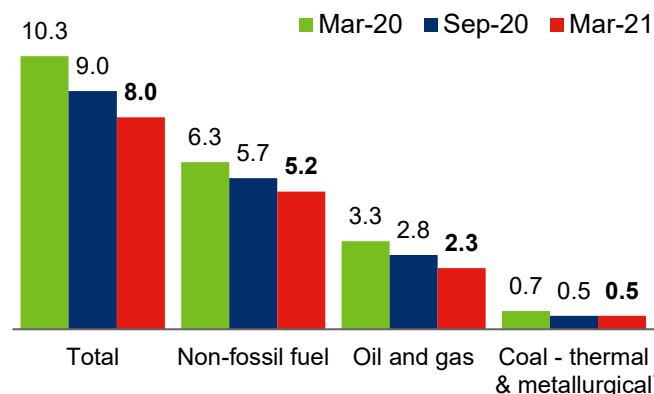
**Lending to electricity generation**  
in Australia and New Zealand (% of total)



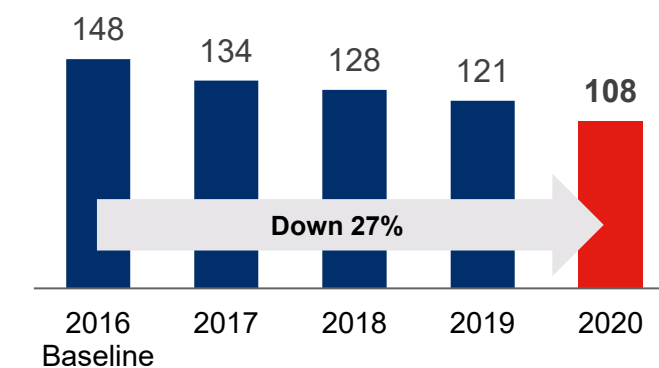
**Climate change solutions exposure**  
(% of TCE)<sup>2</sup> at 31 March 2021



**Mining exposure**  
(\$bn, TCE)<sup>3</sup>



**Our scope 1 and 2 emission production<sup>5</sup>**  
(tCO<sub>2</sub>-e 000's)



<sup>1</sup> Exposures in WIB only. <sup>2</sup> Climate solutions definition is available in our 2020 Sustainability Datasheet glossary. <sup>3</sup> The reduction in lending to oil and gas extraction from September 2020 is mainly due to the consolidation of Westpac's international operations. <sup>4</sup> Lending to thermal coal mining is 56% of total coal mining in WIB. <sup>5</sup> FY16 Scope 1 & 2 emissions baseline: 147,620 tCO<sub>2</sub>-e.

# Respecting and advancing human rights.

Sustainability

## Progressing our Human Rights Position Statement and 2023 Action Plan.

### Salient human rights issues

- Vulnerable groups may be impacted by misuse of our services by others
- Remote Indigenous populations may face challenges with access to banking services
- Information security and data privacy

- Labour and land-related rights for vulnerable groups subject to marginalisation, discrimination or exploitation

- Reducing work-related mental ill-health and supporting employee wellbeing remains a priority
- Discrimination and harassment can impact our diverse workforce

- Workers in our supply chain may face unfair wages and working conditions

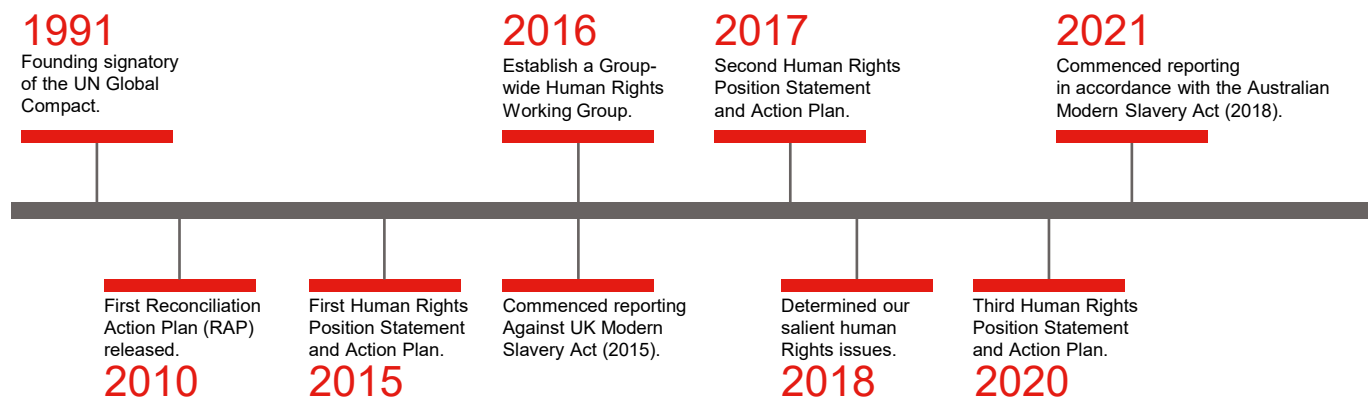
### Progress in First Half 2021

- Supported customers at increased risk of vulnerability, with 18,000 customers receiving assistance through vulnerability specialist teams
- Progressed program on financial crime risks
- Progressed Safer Children, Safer Communities program
- Progressed implementation of our updated ESG Credit Risk Policy
- Reviewed our position on certain sectors to include further guidance on human rights risks
- Refreshed Indigenous Cultural Awareness training
- Supported the psychological health and safety of our workforce in response to COVID-19, including adapting to new ways of working
- Implemented an updated Responsible Sourcing Program and Code of Conduct
- Submitted and published FY20 Modern Slavery Statement

### Embedding our principles

- Updated the Sustainability Risk Management Framework, to better embed the risk to people and to the business
- Commenced work on our 2021-23 Reconciliation Action Plan to better align with UN Declaration on the Rights of Indigenous Peoples
- **New risk appetite measures**, to improve tracking, monitoring and reporting on human rights

### Our progress in taking action on human rights





# Diversity and inclusion.

Sustainability

Diversity and inclusion strategy focused on 3 key pillars.

## GENDER

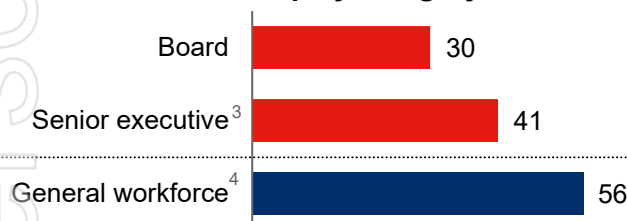
### It starts with respect

- Elevated our Sexual Harassment Policy to a stand-alone policy aligned to the AHRC<sup>1</sup> *Respect@Work* recommendations and industry best practice
- Updated policy on consequences in cases of sexual harassment
- New HelpLine launched to support our people and report issues and incidents of sexual harassment
- New training on sexual harassment developed

### Women in leadership<sup>2</sup> (%)

- Targeting 50% women in leadership (49% March 21)
- Annual Board-determined measurable objectives set for gender diversity in our board, senior executives and workforce

### % women in leadership by category March 2021



## CULTURAL DIVERSITY

- Seeking to better identify and understand the cultural diversity of our workforce
- Will use this information to develop policies, training and development to support our people
- Promote development through a Group-wide Leadership Shadowing Program
- Employee Action Group with over 1,000 members with 62 different cultural heritages that work to promote awareness and inclusion of cultural diversity



## INDIGENOUS PARITY

- Updating our Reconciliation Action Plan (RAP)
- Refreshed our cultural competency training, enabling our people to better support indigenous customers
- Supporting indigenous customers with translator services available through our Indigenous Connection Team
- Improved banking accessibility for over 4,500 indigenous and remote Australians through Yuri Ingkarninhi, our Indigenous Connection Team
- Providing access to capital for indigenous businesses through our partnership with First Australian's Capital
- Hired 55 indigenous employees in 1H21

<sup>1</sup> Australian Human Rights Commission. <sup>2</sup> Refer slide 115 for definitions. <sup>3</sup> Refers to proportion of women in leadership in Group Executives and General Manager population. <sup>4</sup> Refers to % of women in total.

# Earnings Drivers

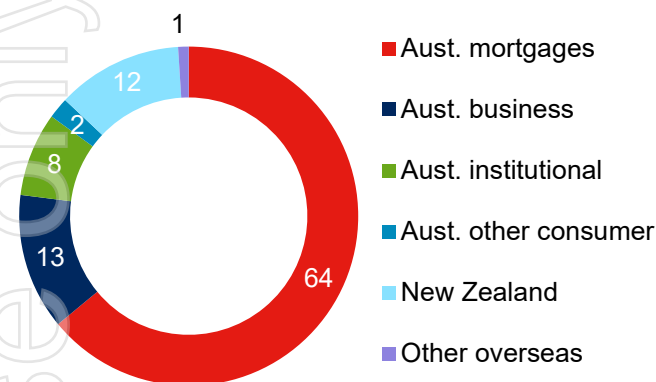


# Composition of lending and deposits.

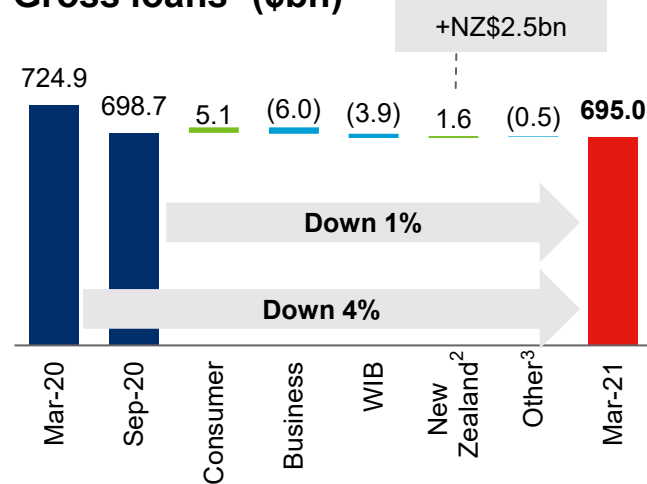
Lending down 1% and deposits 1% lower over 1H21.

Revenue

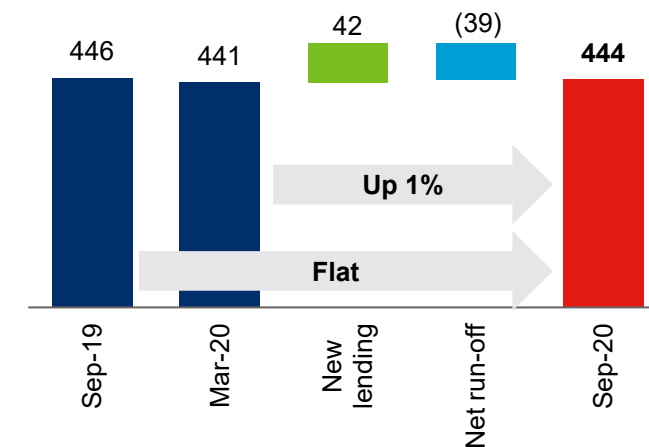
## Composition of lending (% of total)



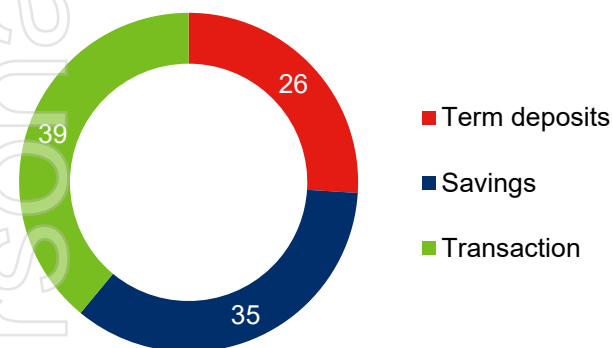
## Gross loans<sup>1</sup> (\$bn)



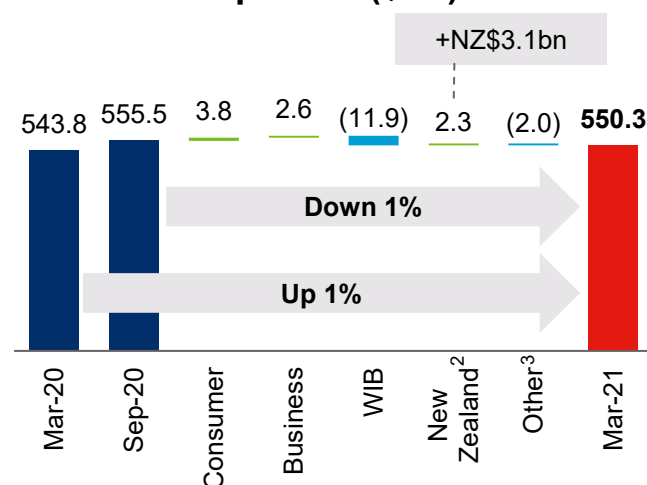
## Australian mortgage lending<sup>4</sup> (\$bn)



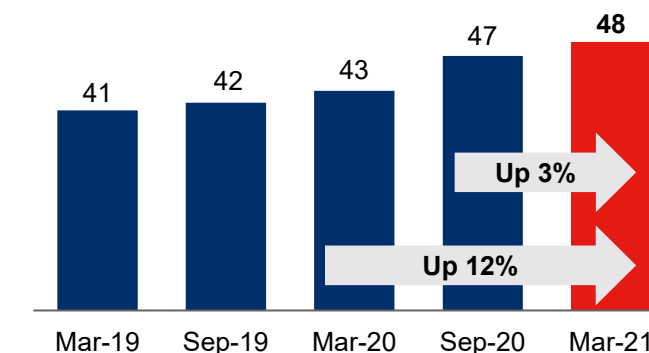
## Composition of deposits (% of total)



## Customer deposits<sup>1</sup> (\$bn)



## Australian mortgage offset (\$bn)



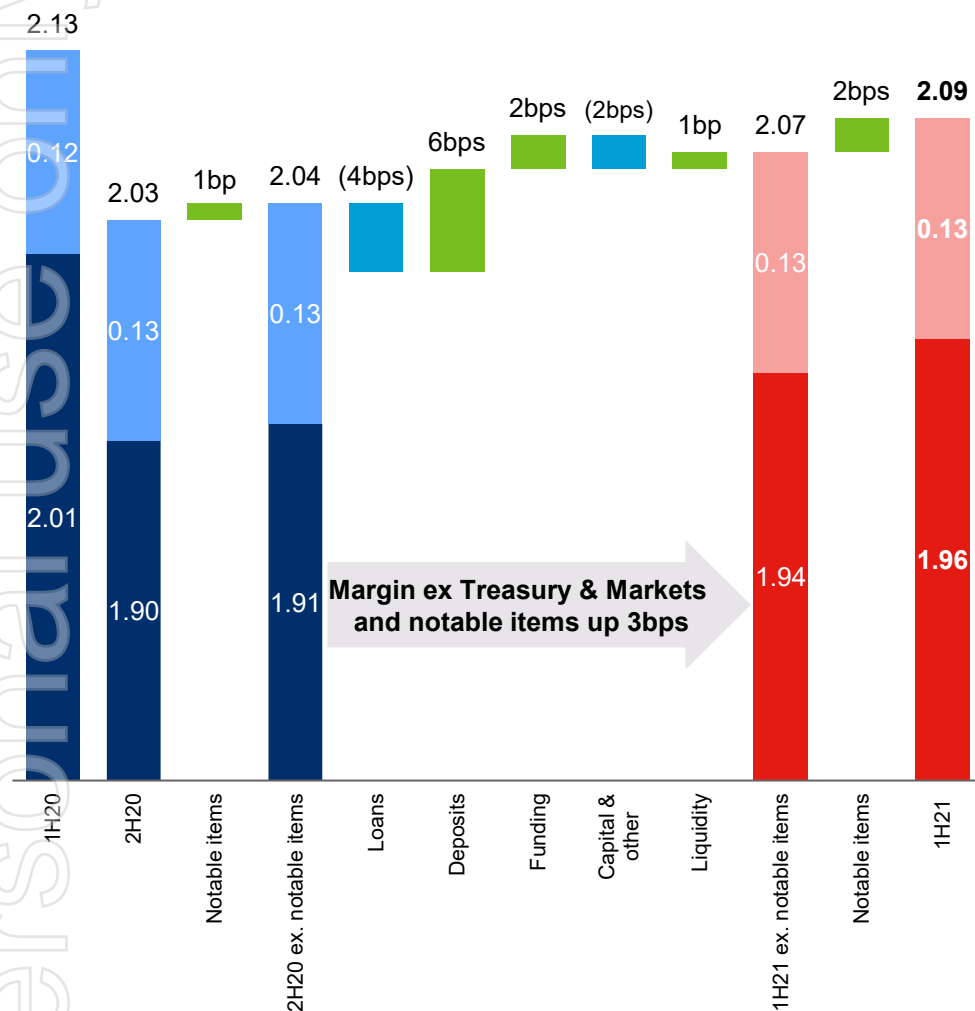
<sup>1</sup> Gross loans includes \$1.8bn of held for sale assets, customer deposits includes \$2.1bn of held for sale liabilities. <sup>2</sup> In AUD. <sup>3</sup> Includes Group Businesses and Specialist Businesses. <sup>4</sup> Gross loans.

# Net interest margin.

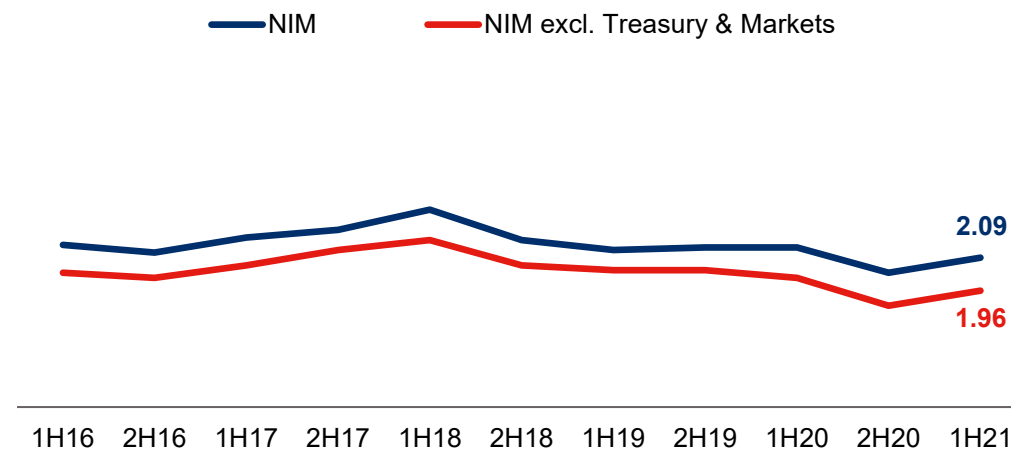
Up 3bps excluding Treasury & Markets and notable items.

Revenue

## Net interest margin (NIM) movement (%)



## Net interest margin (%)



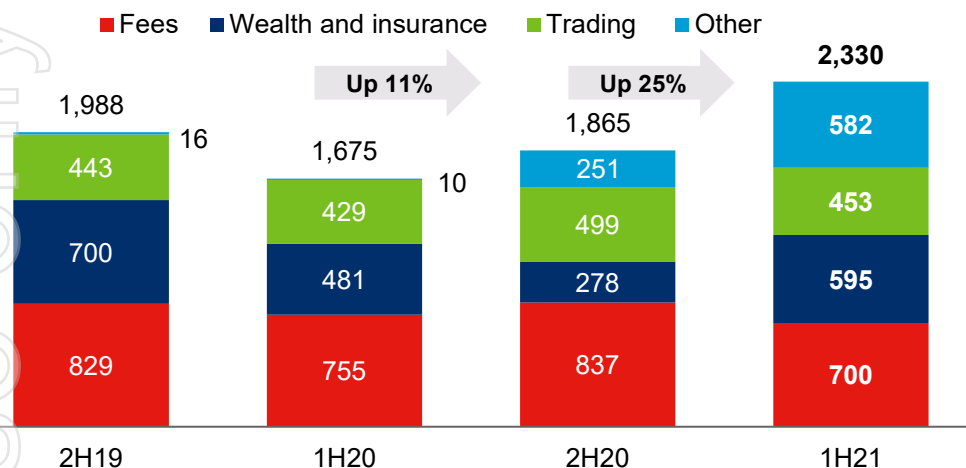
## Net interest margin by division (%)

	NIM			NIM ex. notables		
	1H20	2H20	1H21	1H20	2H20	1H21
Consumer	2.33	2.41	2.39	2.33	2.41	2.39
Business	3.05	2.93	3.17	3.20	2.98	3.05
WIB	1.46	1.23	1.27	1.46	1.23	1.27
NZ	2.06	1.89	2.06	2.07	1.90	2.07

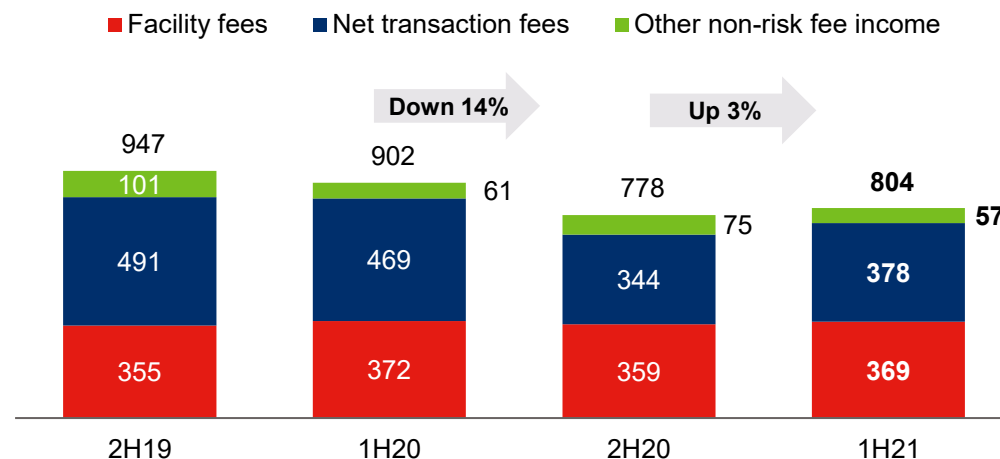
# Non-interest income.

Revenue

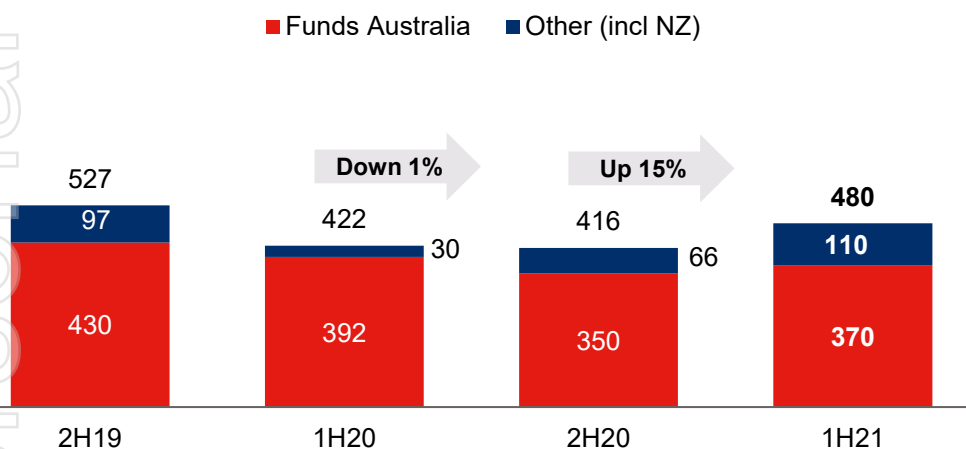
## Non-interest income contributors (\$m)



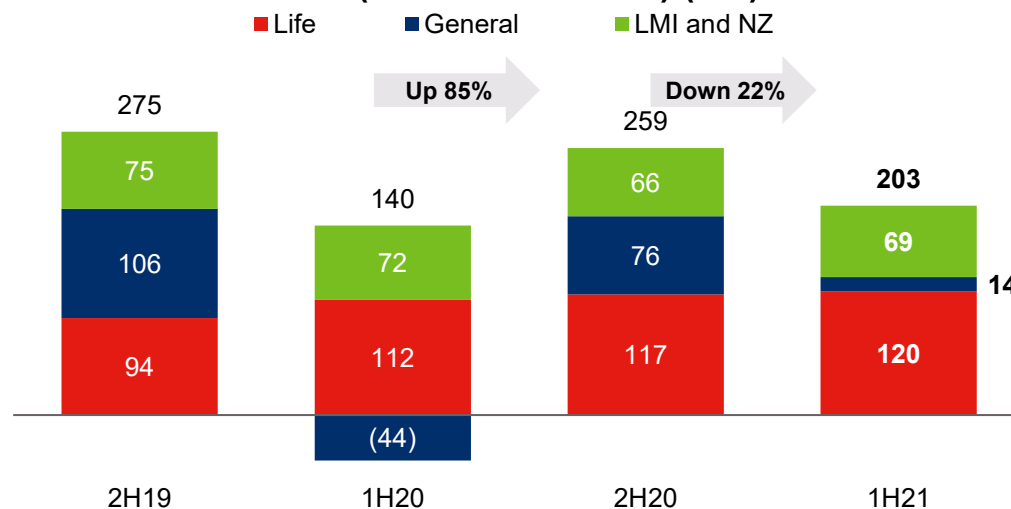
## Net fee income<sup>1</sup> (ex notable items) (\$m)



## Wealth management income<sup>1</sup> (ex notable items) (\$m)



## Insurance income<sup>1</sup> (ex notable items) (\$m)

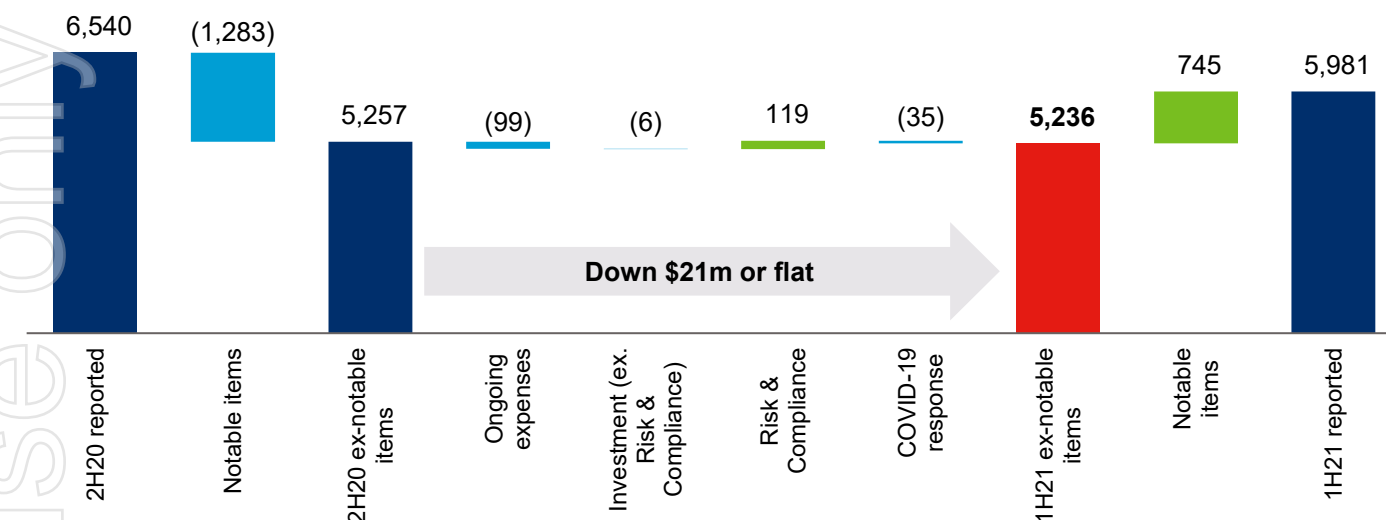


<sup>1</sup> 2H20 has been restated to reflect \$45m of notable items allocated to net fee income, this has now been allocated \$30m to wealth management income and \$15m to insurance income.

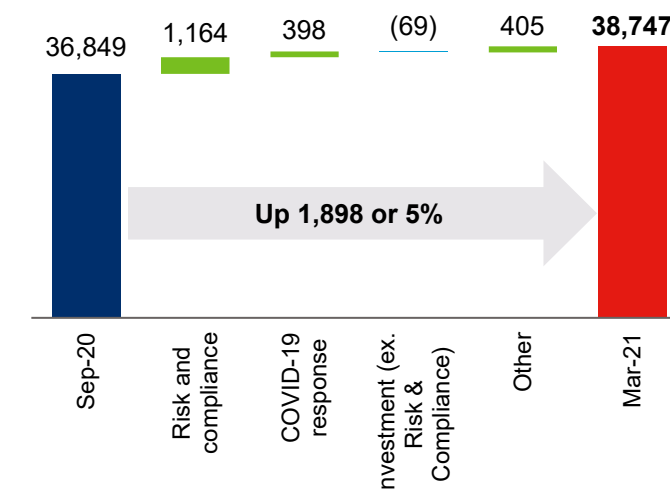
# Expenses.

Expenses

## Expense movements 2H20 – 1H21 (\$m)

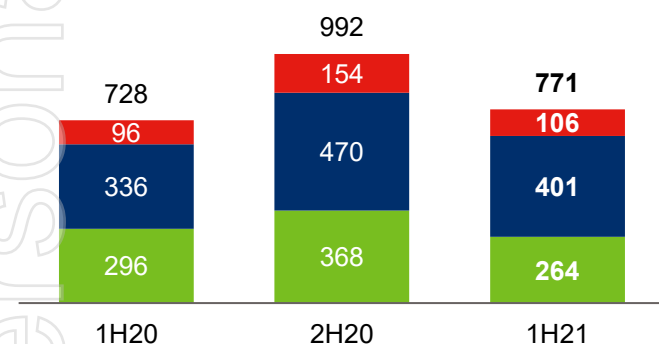


## FTE (#)



## Investment spend mix (\$m)

- Other technology
- Risk and compliance
- Growth and productivity



Investment spend (\$m)	1H20	2H20	1H21
Expensed	296	384	417
Capitalised	432	608	354
Total investment spend	728	992	771
Investment spend expensed	41%	39%	54%

Capitalised software (\$m)	Mar-20	Sep-20	Mar-21
Opening balance	2,365	2,335	2,430
Additions	430	605	348
Amortisation	(393)	(406)	(384)
Other <sup>1</sup>	(67)	(104)	(134)
<b>Closing balance</b>	<b>2,335</b>	<b>2,430</b>	<b>2,260</b>
Average amortisation period	2.7yrs	2.7yrs	3.0yrs
<b>Other deferred expenses<sup>2</sup></b>			
Deferred acquisition costs	53	52	-
Other deferred expenses	29	31	8

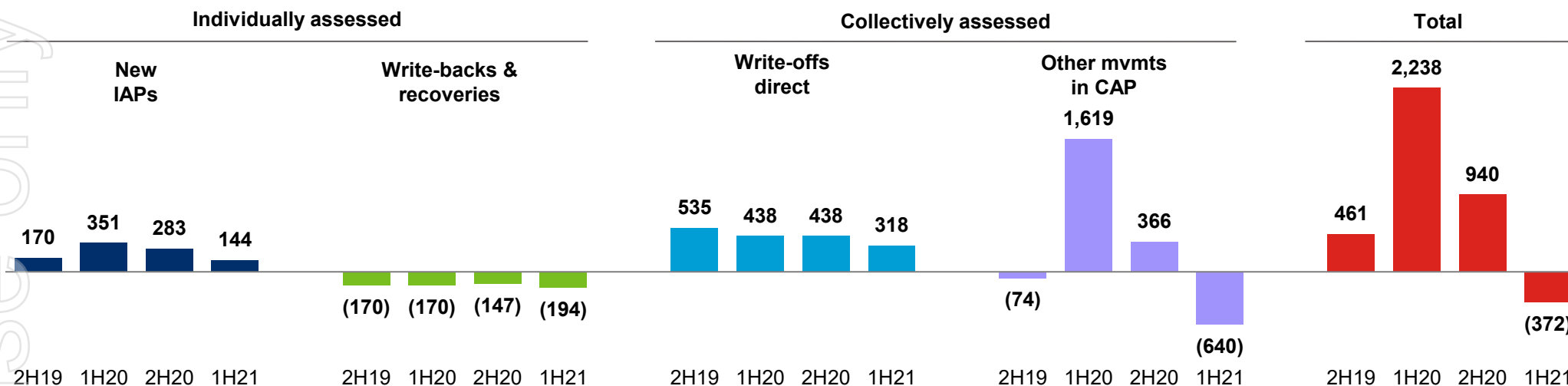
<sup>1</sup> Includes write-offs, impairments and foreign exchange translation. <sup>2</sup> Deferred expenses principally relate to capitalised costs in Specialist Businesses. It does not include insurance deferred acquisition costs (which are offset to revenue) or mortgage broker costs (which are offset to net interest income). Other deferred expenses at March 2021 were lower from a reclassification to assets held for sale.

# Impairment benefit in 1H21.

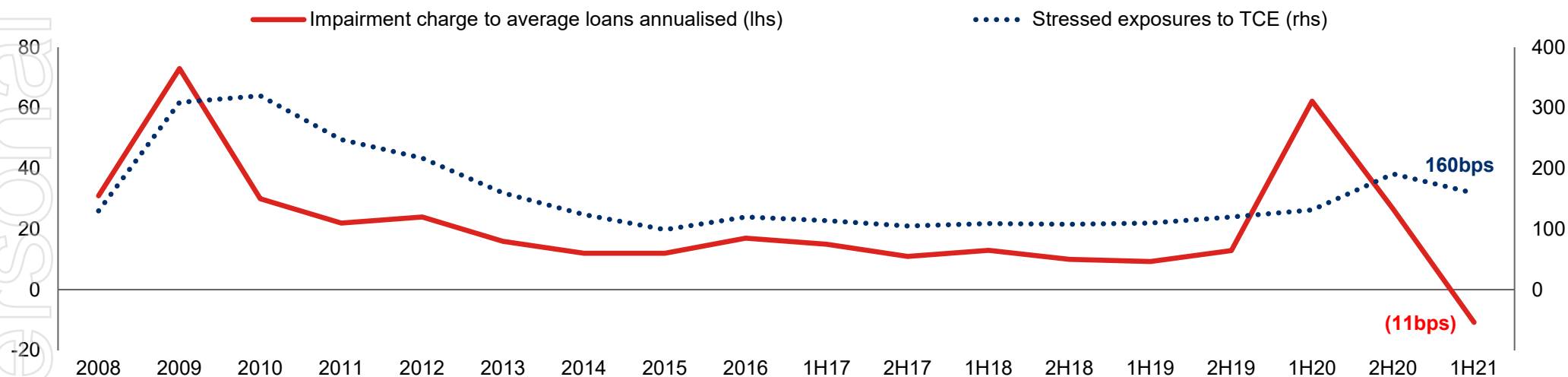
Lower new IAPs, lower stress, better economic outlook.

Impairment charges

## Impairment charges (\$m)



## Impairment charges and stressed exposures (bps)

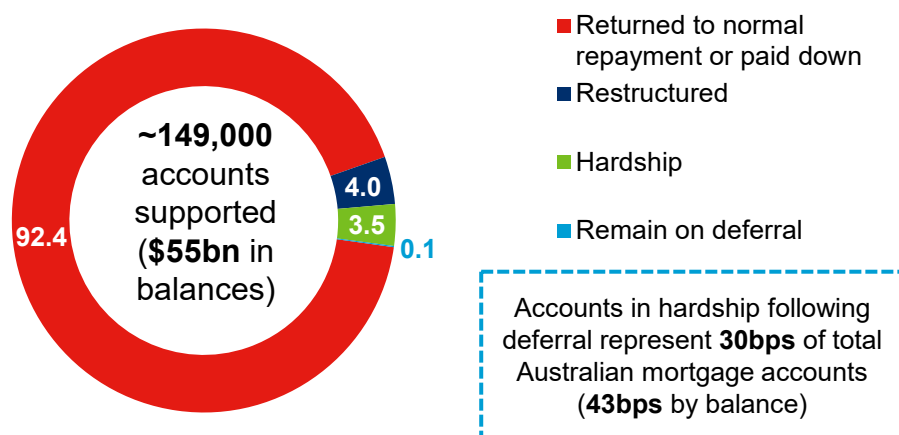


# Credit quality and provisions

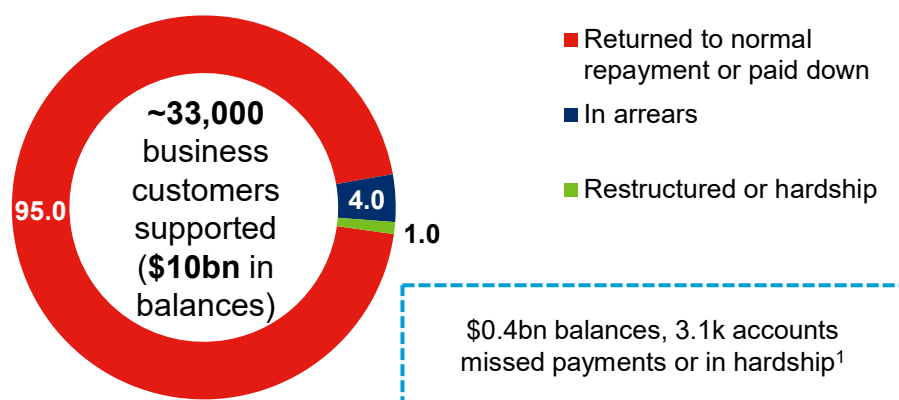
# Australian deferrals.

Credit quality

## Total mortgage deferral packages provided (% by balances)



## Total business deferral packages provided (% by balances)



<sup>1</sup> Excludes Auto loans.

## Mortgage deferrals update

- **139k** accounts had returned to full payments or paid down their loan (**\$50.8bn** in balances)
- **9.6k** accounts required further assistance (**\$4.1bn** in balances)
  - 4.5k accounts moved into hardship arrangements following the end of the deferral period (\$1.9bn in balances)
  - 5.1k accounts had their loans restructured, mostly moving to a 12-month interest only period (\$2.2bn in balances)
- A very small number of accounts remained in deferral in April

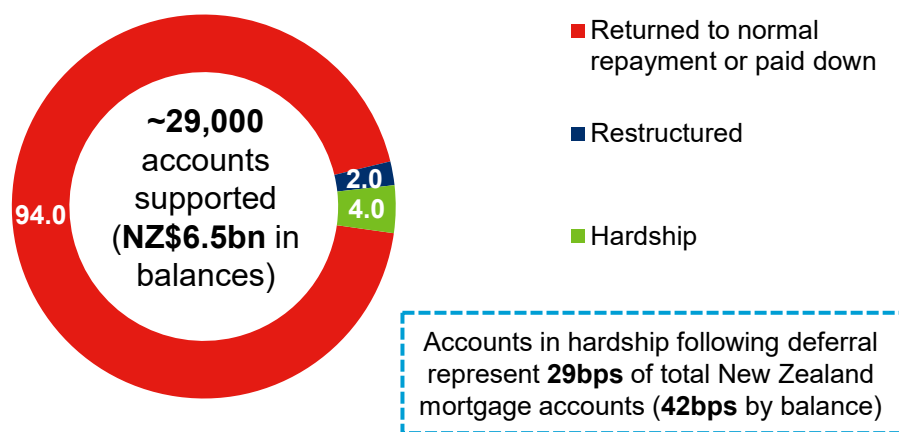
## Business deferrals update

- Support provided to ~16% of eligible business lending balances
- At the end of March **95%** of customers returned to full payments and **<5%** requested further assistance. Of those that requested further assistance:
  - Most impacted industries were: Property & property services, Business services, and Accommodation and hospitality sectors; and
  - Most impacted states were: Victoria followed by NSW

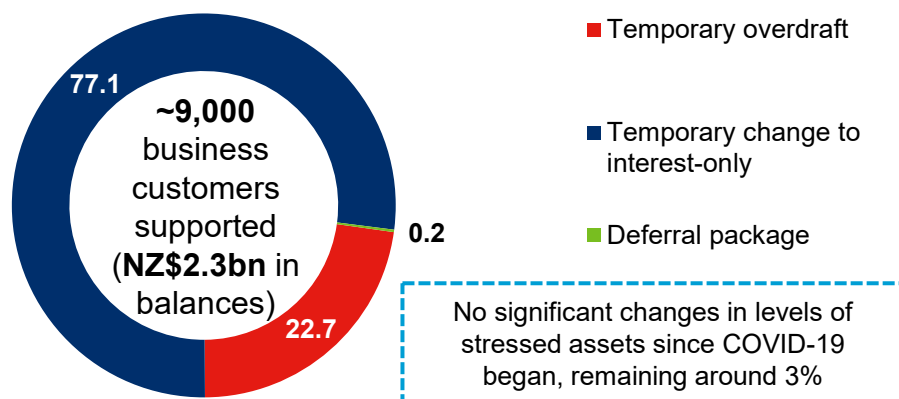
# New Zealand deferrals.

Credit quality

## Total mortgage deferral packages provided (% by balances)



## Total business support packages provided (% by balances)



## Mortgage deferrals update

- **29k** mortgage accounts supported with **NZ\$6.5bn** in balances (~11% of eligible mortgage lending)
- **1.6k** accounts required further assistance (**NZ\$0.4bn** in balances)
  - 1k accounts moved into hardship arrangements following the end of the deferral period (NZ\$0.2bn in balances)
  - 0.6k accounts had their loans restructured (NZ\$0.1bn in balances)
- A very small number of accounts remained in deferral in April

## Business support packages update

- **9k** business accounts supported with **NZ\$2.3bn** in balances (~9% of eligible business lending balance)
- Support provided included temporary overdrafts, temporary change to interest only, and deferral packages, with the majority of customers choosing temporary overdrafts or changing to interest only
- At end of March 2021 no COVID-19 temporary support packages were outstanding with loans either paid down or returned to normal repayment
- No temporary support packages outstanding at end of March 2021



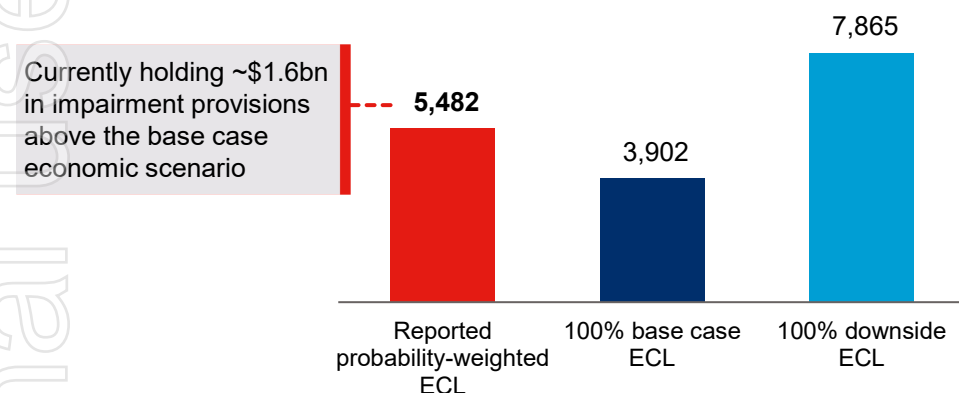
# Provisions lower from improved outlook.

Provisions

## Provisions for impairments

	Mar-20	Sep-20	Mar-21
Loan provisions to gross loans (bps)	80	88	79
Impaired asset provisions to impaired assets (%)	50	41	47
Collectively assessed provisions to credit RWA (bps)	140	154	142

## Expected Credit Loss<sup>1</sup> (ECL) (\$m)

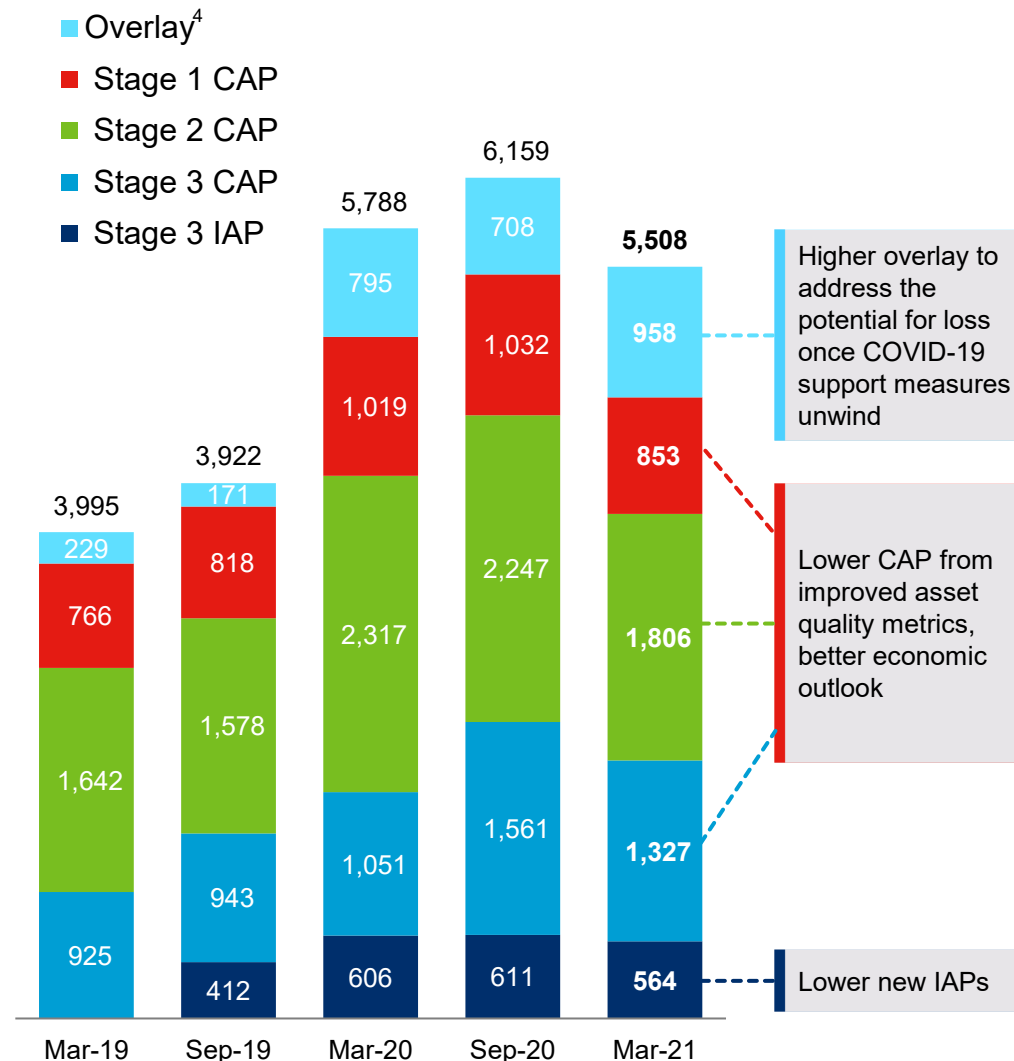


## Forecasts for base case economic scenario<sup>2</sup>

	September 2020		March 2021 <sup>3</sup>	
	2021	2022	2021	2022
GDP growth	2.5%	2.7%	4.0%	3.0%
Unemployment	7.5%	6.7%	6.0%	5.3%
Residential property prices	(0.4%)	7.5%	10.0%	10.0%

<sup>1</sup> Includes ECL Overlays and IAP. Excludes provisions for debt securities. <sup>2</sup> GDP and residential property price growth is annual growth to December each year. Unemployment rate forecast is at year end. <sup>3</sup> Forecast date is February 2021. <sup>4</sup> Overlay from Mar-20 includes New Zealand overlay.

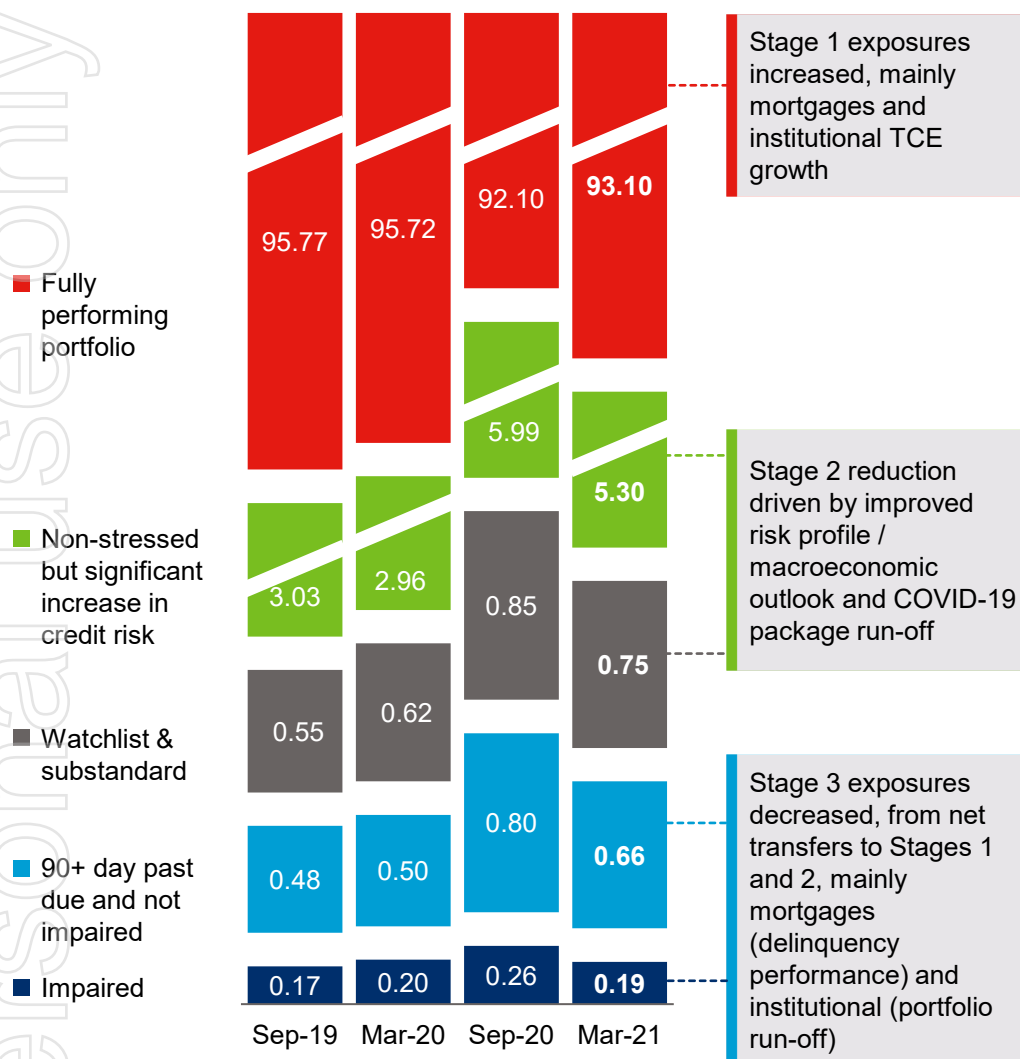
## Total impairment provisions (\$m)



# Provision cover by portfolio category.

Credit quality

## Exposures as a % of TCE



## Provisioning to TCE (%)

	Sep-19	Mar-20	Sep-20	Mar-21
<b>Stage 1 provisions</b>				
<b>Fully performing portfolio</b>				
Small cover as low probability of default (PD)	0.09	0.12	0.11	0.10
<b>Stage 2 provisions</b>				
<b>Non-stressed but significant increase in credit risk</b>				
Lifetime expected loss based on future economic conditions	4.32	6.78	3.41	3.29
<b>Watchlist &amp; substandard</b>				
Still performing but higher cover reflects deterioration	5.27	10.67	8.25	9.07
<b>Stage 3 provisions</b>				
<b>90+ day past due and not impaired</b>				
In default but strong security	11.07	11.61	11.98	12.91
<b>Impaired assets</b>				
In default. High provision cover reflects expected recovery	44.92	50.09	41.45	47.03

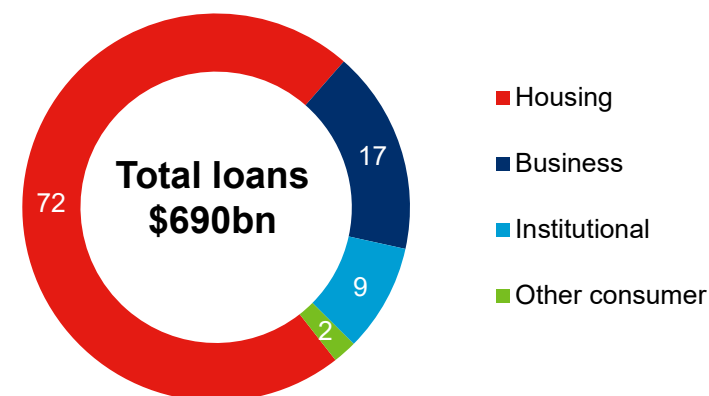
# Portfolio composition.

Credit quality

## Asset composition (%)

Total assets (\$889bn)	Mar-20	Sep-20	Mar-21
Loans	74	76	77
Available-for-sale securities and investment securities	9	10	10
Trading securities and financial assets at fair value through income statement	3	4	2
Derivative financial instruments	6	3	3
Cash and balances with central banks	5	3	4
Collateral paid and other financial assets	1	1	1
Intangible assets	1	1	1
Life insurance assets and other assets <sup>1</sup>	1	2	2

## Loan composition at 31 March 2021 (% of total)



## Exposure by risk grade at 31 March 2021 (\$m)

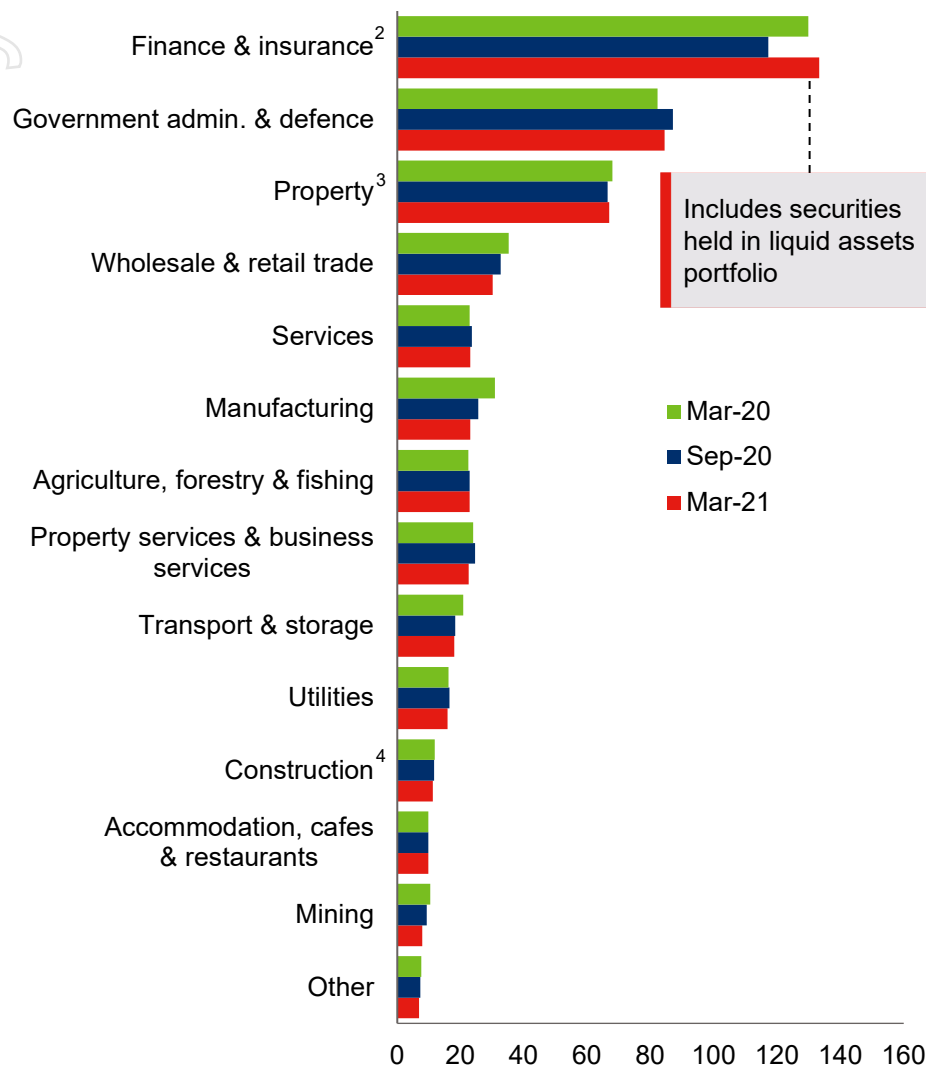
Standard and Poor's Risk Grade <sup>2</sup>	Australia	NZ / Pacific	Americas	Asia	Europe	Group	% of Total
AAA to AA-	148,193	16,878	7,694	997	819	174,581	16%
A+ to A-	35,054	4,557	3,259	1,889	3,192	47,951	5%
BBB+ to BBB-	58,288	11,389	2,139	3,197	2,136	77,150	7%
BB+ to BB	64,600	13,319	427	1,095	267	79,708	7%
BB- to B+	62,191	7,173	230	62	200	69,856	7%
<B+	9,297	1,468	46	173	0	10,984	1%
Mortgages	508,985	63,358	-	12	-	572,355	53%
Other consumer products	35,492	4,134	-	-	-	39,626	4%
<b>Total committed exposures (TCE)</b>	<b>922,100</b>	<b>122,276</b>	<b>13,795</b>	<b>7,426</b>	<b>6,614</b>	<b>1,072,211</b>	
<i>Total committed exposures (TCE) at 30 September 2020</i>	<i>900,866</i>	<i>120,215</i>	<i>12,484</i>	<i>21,162</i>	<i>5,528</i>	<i>1,060,255</i>	
<b>Exposure by region<sup>3</sup> (%)</b>	<b>86%</b>	<b>11%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>		<b>100%</b>

<sup>1</sup> For March 2021, includes assets held for sale. <sup>2</sup> Risk grade equivalent. <sup>3</sup> Exposure by booking office.

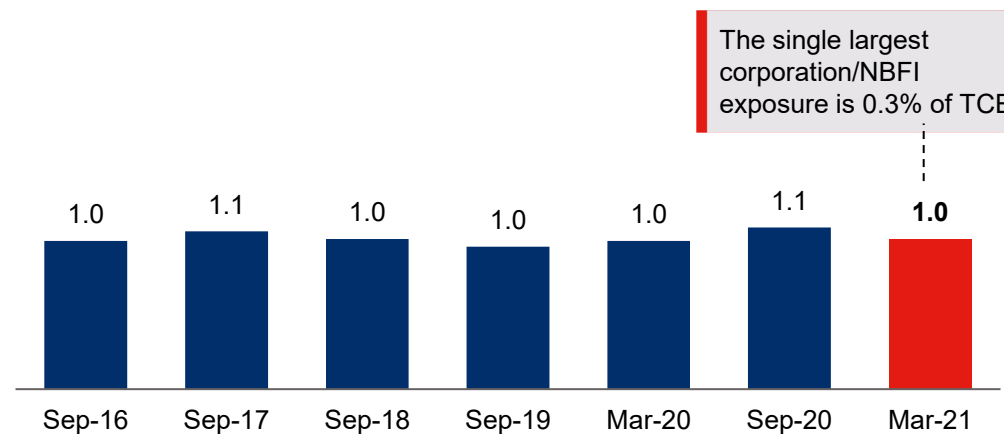
# Loan portfolio composition.

Credit quality

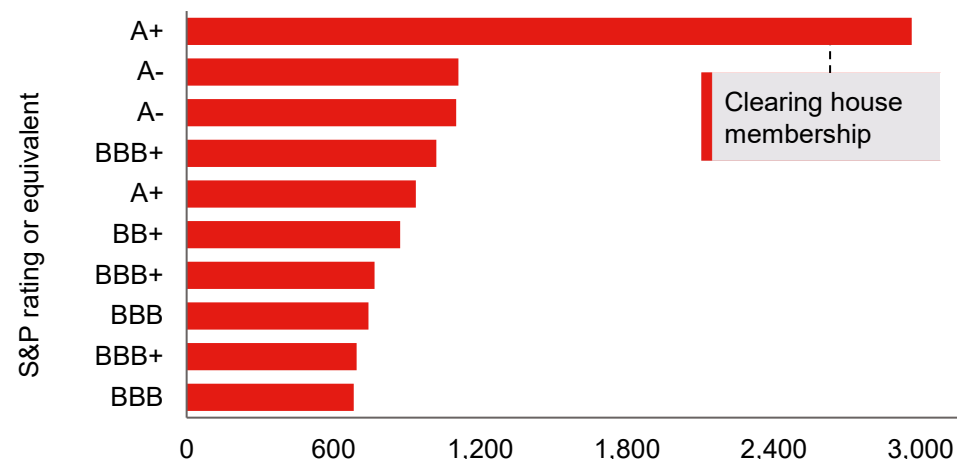
## Exposures at default<sup>1</sup> by sector (\$bn)



## Top 10 exposures to corporations and NBFIs<sup>5</sup> (% of TCE)



## Top 10 exposures to corporations & NBFIs at 31 March 2021 (\$m)



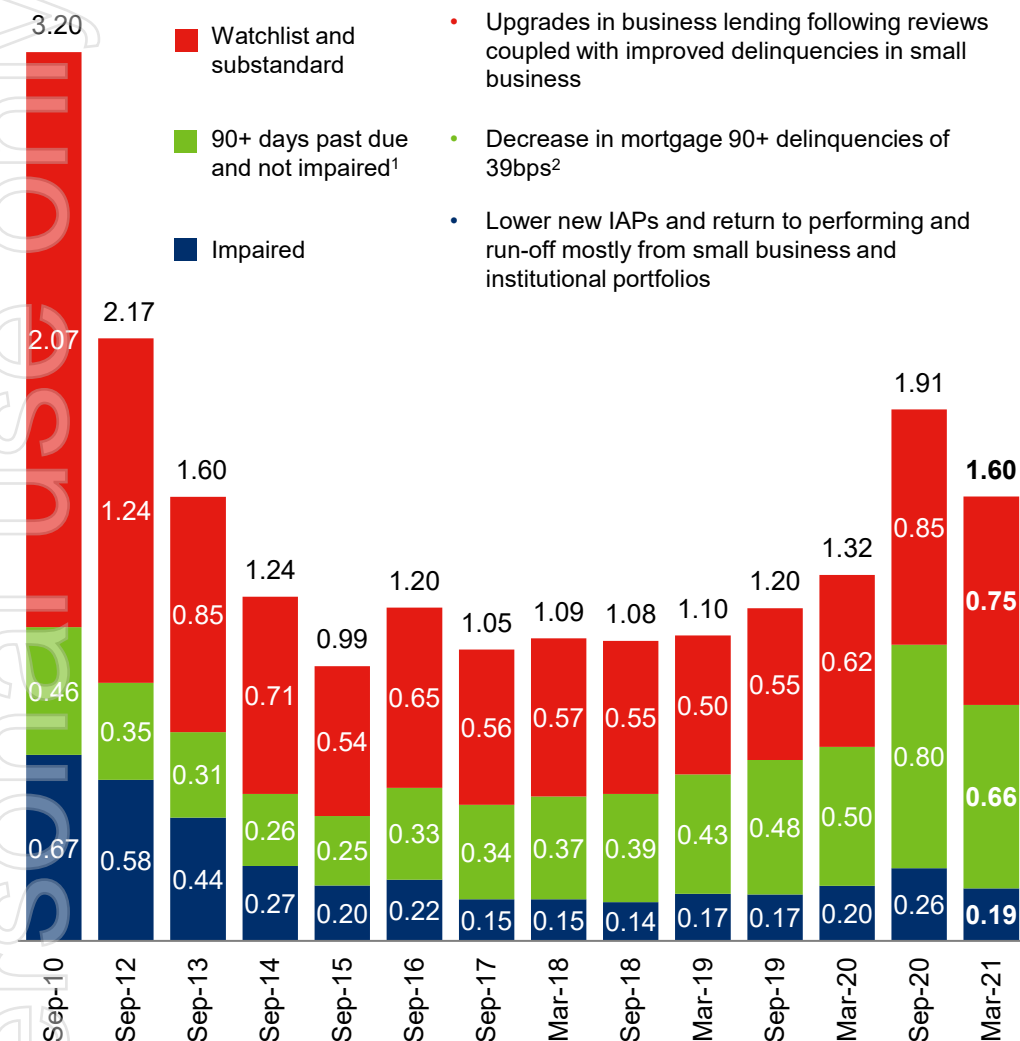
<sup>1</sup> Exposures at default is an estimate of the committed exposure expected to be drawn by a customer at the time of default. Excludes consumer lending. <sup>2</sup> Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. <sup>3</sup> Property includes both residential and non-residential property investors and developers and excludes real estate agents. <sup>4</sup> Construction includes building and non-building construction, and industries serving the construction sector. <sup>5</sup> NBFI is non-bank financial institutions.

# Stressed exposures down 31bps in 1H21.

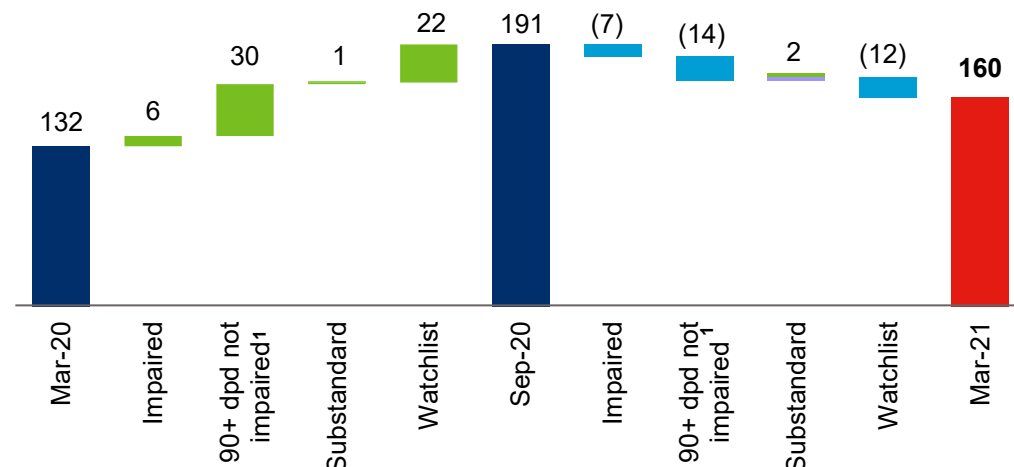
Credit quality

Decrease in impaired, 90+ days past due and not impaired and watchlist.

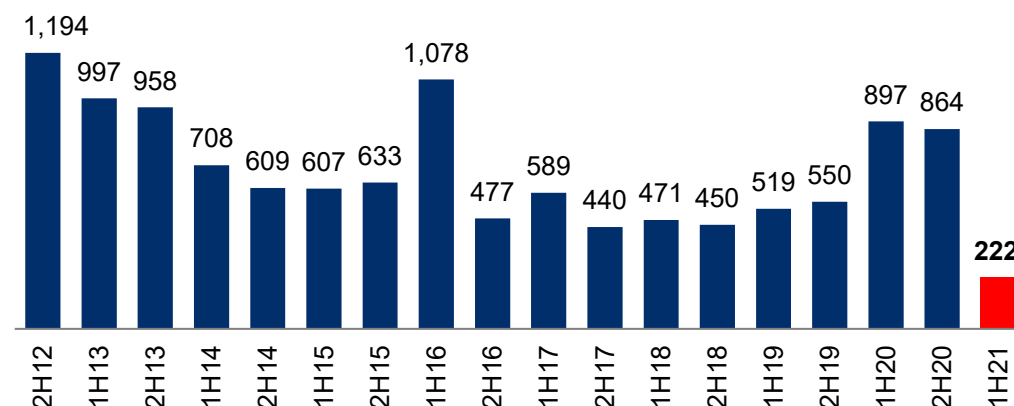
## Stressed exposures as a % of TCE



## Movement in stress categories (bps)



## New and increased gross impaired assets (\$m)<sup>3</sup>

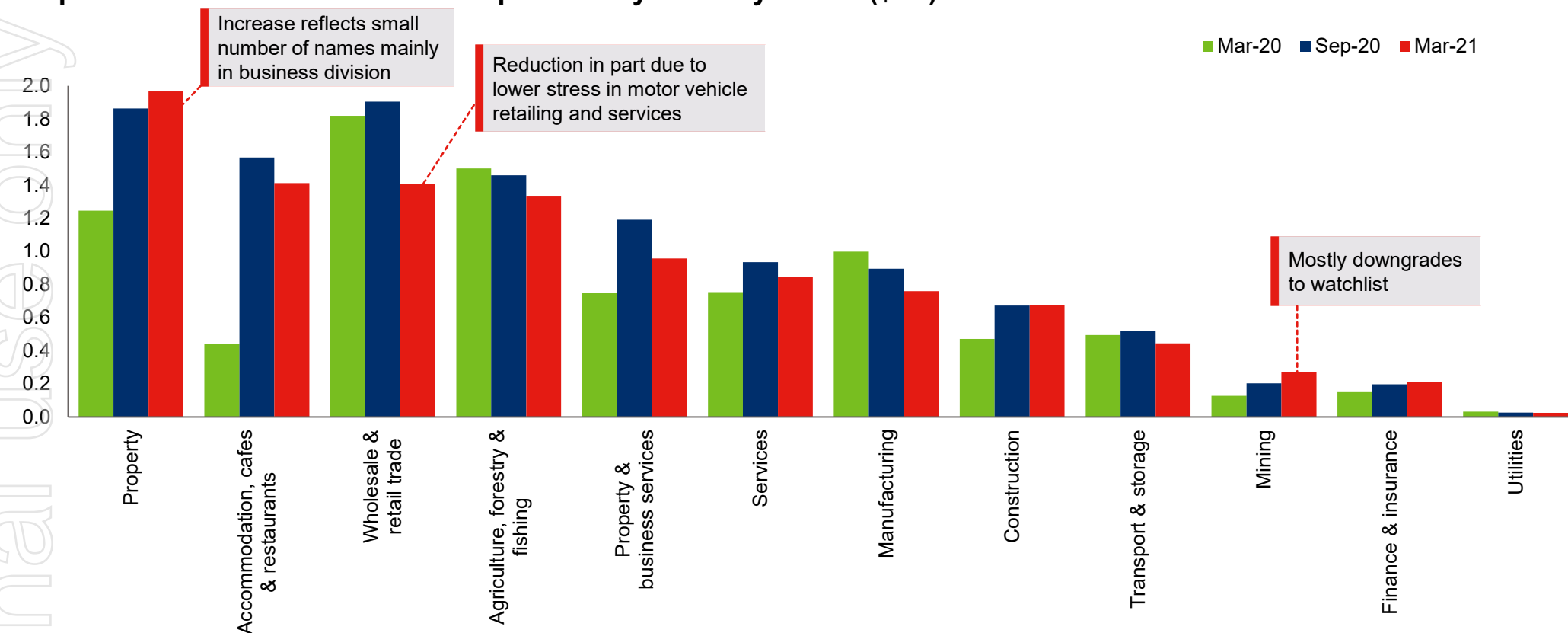


<sup>1</sup> Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes. <sup>2</sup> Group 90+ day mortgage delinquencies, Australian 90+ day mortgage delinquencies decreased by 42bps. <sup>3</sup> Includes exposures that are managed on a facility by facility basis.

# Corporate and business stressed exposures.

Credit quality

## Corporate and business stressed exposures by industry sector (\$bn)



## Stress to TCE by sector

Sector	Property	Accomm., cafes & restaurants	Wholesale & retail trade	Agriculture, forestry & fishing	Property & business services	Services <sup>1</sup>	Manufacturing	Construction	Transport & storage	Mining	Finance & Insurance	Utilities
Sep-20 (%)	2.8	16.0	6.2	6.6	5.1	4.0	3.5	5.8	3.1	2.3	0.2	0.2
Mar-21 (%)	2.9	14.6	4.8	6.0	4.3	3.7	3.3	6.1	2.7	3.4	0.2	0.2

<sup>1</sup> Services includes education, health & community services, cultural & recreational and personal & other services.

# Sectors in focus.

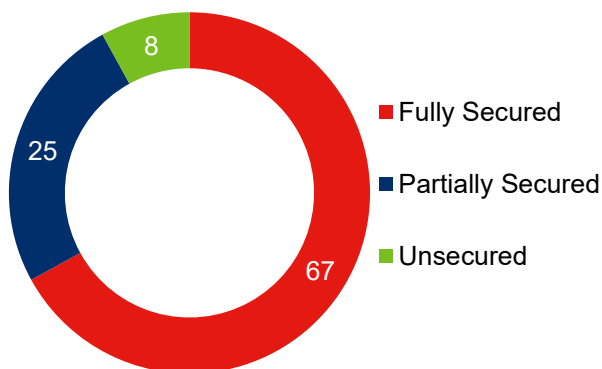
Accommodation, cafes & restaurants and Construction.

Credit quality

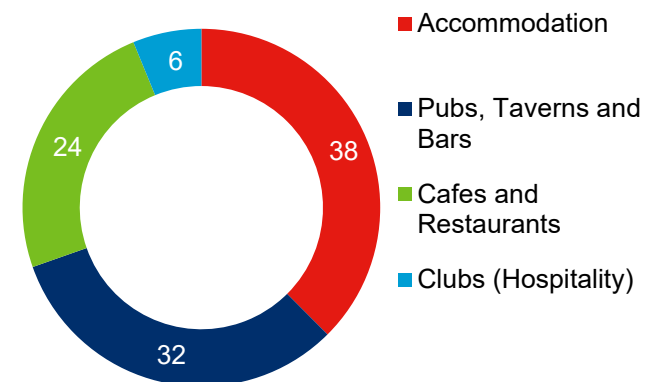
## Accommodation, cafes and restaurants

	Mar-20	Sep-20	Mar-21
Total committed exposures (TCE)	\$9.7bn	\$9.8bn	<b>\$9.7bn</b>
Lending	\$8.7bn	\$8.5bn	<b>\$8.3bn</b>
As a % of Group TCE	0.90	0.92	<b>0.91</b>
% of portfolio graded as stressed <sup>1,2</sup>	4.57	16.00	<b>14.55</b>
% of portfolio impaired <sup>2</sup>	0.38	0.73	<b>0.67</b>

Portfolio security composition<sup>3</sup> (TCE) (%)



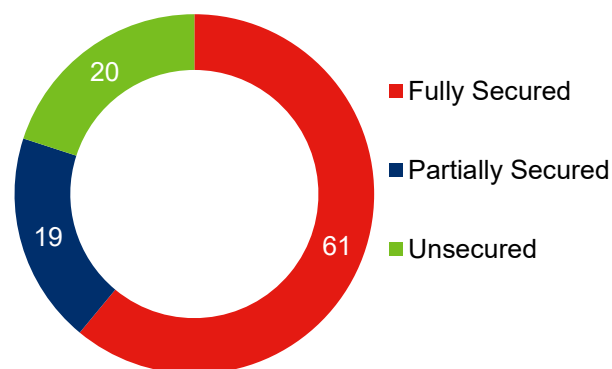
Portfolio by sub-sector (TCE) (%)



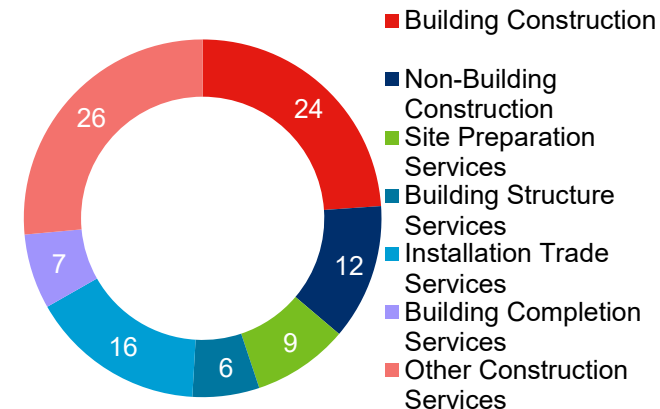
## Construction

	Mar-20	Sep-20	Mar-21
Total committed exposures (TCE)	\$11.7bn	\$11.5bn	<b>\$11.1bn</b>
Lending	\$8.5bn	\$7.9bn	<b>\$7.6bn</b>
As a % of Group TCE	1.08	1.09	<b>1.04</b>
% of portfolio graded as stressed <sup>1,2</sup>	4.04	5.85	<b>6.06</b>
% of portfolio impaired <sup>2</sup>	0.92	1.65	<b>1.11</b>

Portfolio security composition<sup>3</sup> (TCE) (%)



Portfolio by sub-sector (TCE) (%)



<sup>1</sup> Includes impaired exposures. <sup>2</sup> Percentage of portfolio TCE. <sup>3</sup> Fully secured: Secured loan to collateral value ratio ≤ 100%, Partially secured: Secured loan to collateral value ratio > 100%, but < 150%, Unsecured: Secured loan to collateral value ratio > 150%, or no security held.

# Sectors in focus.

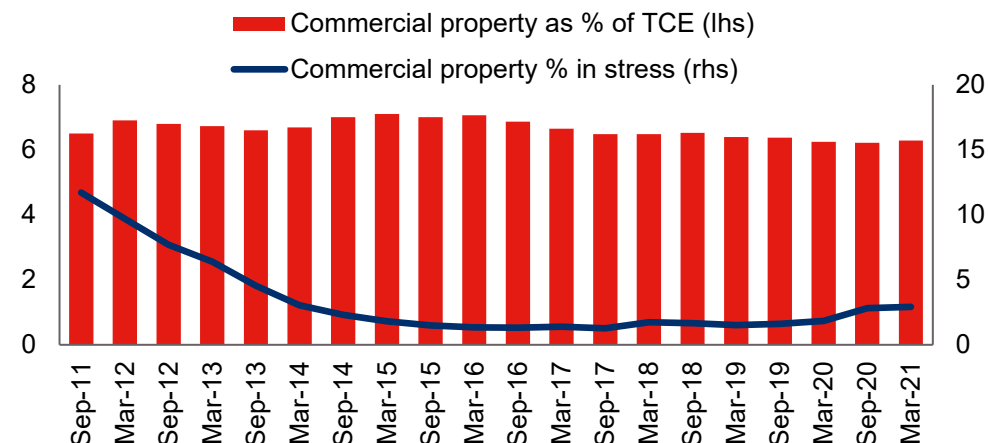
## Commercial property.

Credit quality

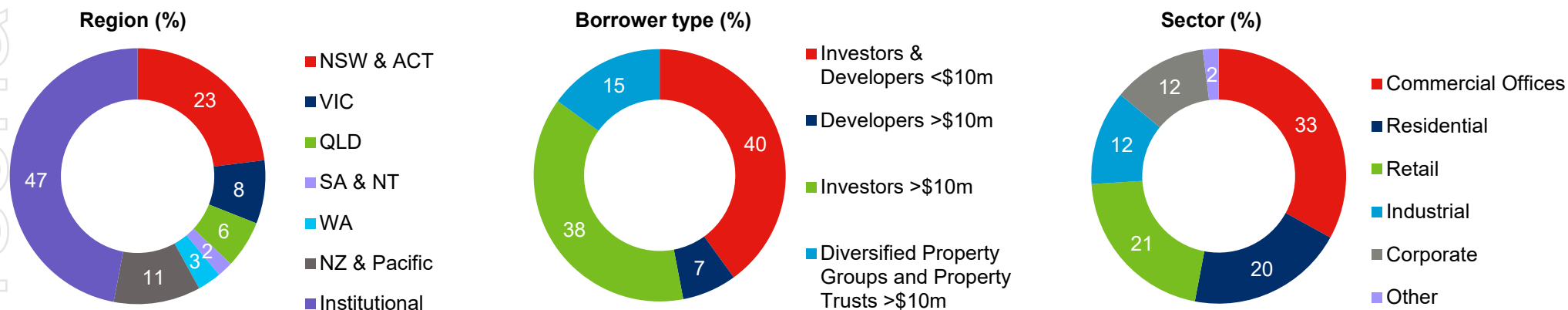
### Commercial property

	Mar-20	Sep-20	Mar-21
Total committed exposures (TCE)	\$67.6bn	\$65.9bn	<b>\$67.4bn</b>
Lending	\$52.7bn	\$51.9bn	<b>\$52.2bn</b>
As a % of Group TCE	6.25	6.22	<b>6.28</b>
Median risk grade (S&P equivalent)	BB+	BB+	<b>BB+</b>
% of portfolio graded as stressed <sup>1,2</sup>	1.84	2.83	<b>2.92</b>
% of portfolio impaired <sup>2</sup>	0.11	0.16	<b>0.14</b>

### Commercial property exposures % of TCE and % in stress



### Commercial property portfolio composition (TCE) (%)



1 Includes impaired exposures. 2 Percentage of commercial property portfolio TCE.



# Sectors in focus.

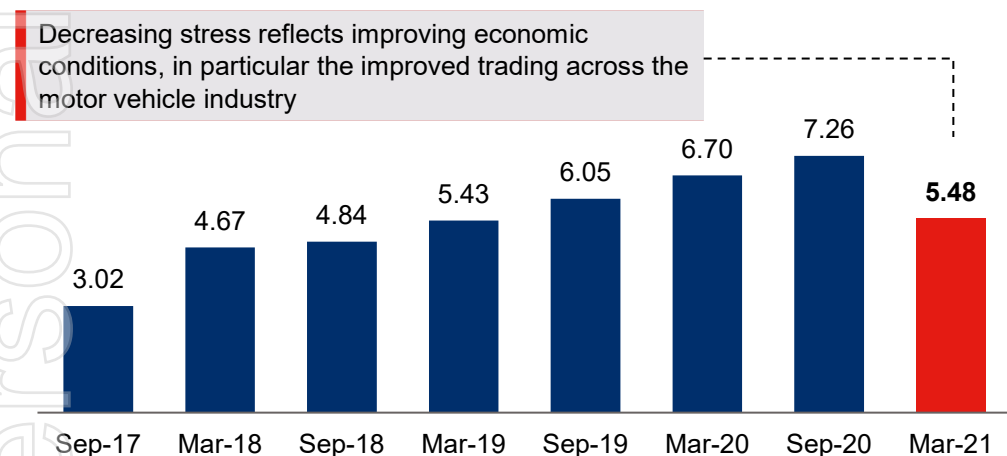
## Retail trade.

Credit quality

### Retail trade

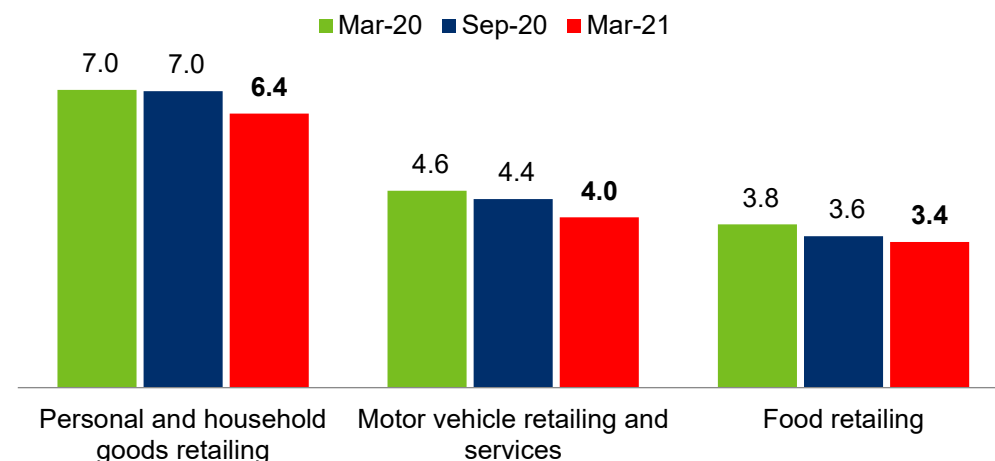
	Mar-20	Sep-20	Mar-21
Total committed exposures (TCE)	\$15.5bn	\$15.0bn	<b>\$13.9bn</b>
Lending	\$11.1bn	\$9.5bn	<b>\$8.7bn</b>
As a % of Group TCE	1.43	1.41	<b>1.30</b>
Median risk grade	BB equivalent	BB equivalent	<b>BB equivalent</b>
% of portfolio graded as stressed <sup>1,2</sup>	6.70	7.26	<b>5.48</b>
% of portfolio impaired <sup>2</sup>	1.44	1.84	<b>1.82</b>

### Retail trade portfolio graded as stressed (%)

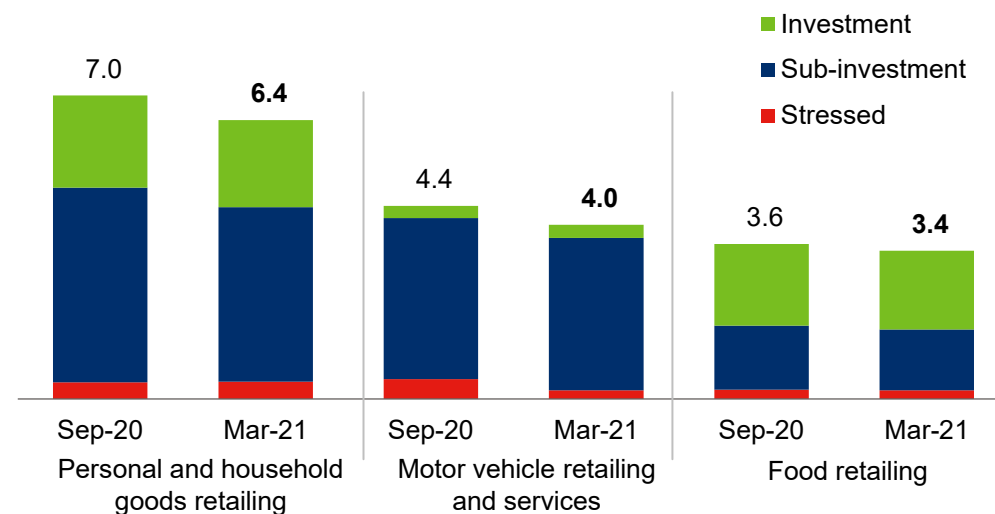


1 Includes impaired exposures. 2 Percentage of retail trade portfolio TCE.

### Retail trade exposure by sub-sector (TCE) (\$bn)



### Retail trade by internal risk grade category (TCE) (\$bn)



# Australian consumer finance.

2% of Group loans.

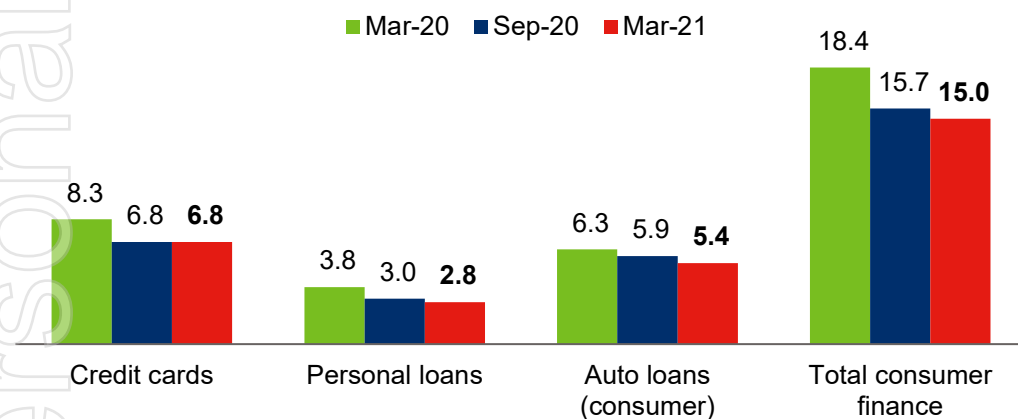
Credit quality

## Australian consumer finance portfolio<sup>1</sup>

	Mar-20	Sep-20	Mar-21
Lending	\$18.4bn	\$15.7bn	<b>\$15.0bn</b>
30+ day delinquencies (%)	4.22	3.62	<b>3.58</b>
90+ day delinquencies (%)	1.97	2.09	<b>1.92</b>

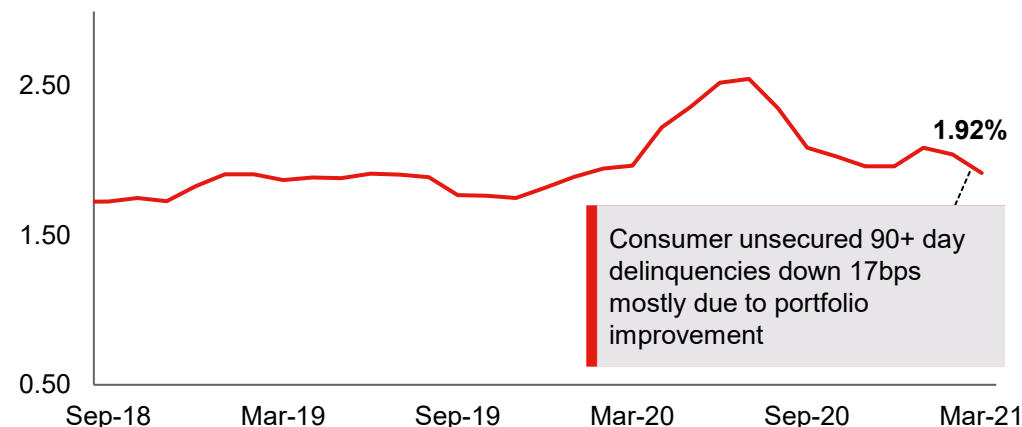
90+ day delinquencies down 17bps over the period, reflecting 26bps improvement in portfolio, offset by 9bps from contraction in loans.

## Australian consumer finance portfolio (\$bn)<sup>1</sup>

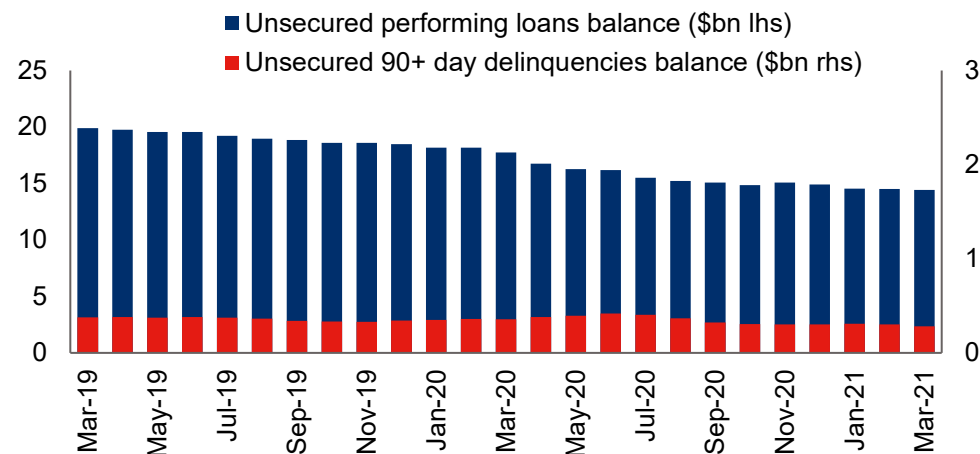


<sup>1</sup> Does not include Margin Lending.

## Total consumer finance 90+ day delinquencies (%)



## Australian consumer finance portfolio (\$bn)



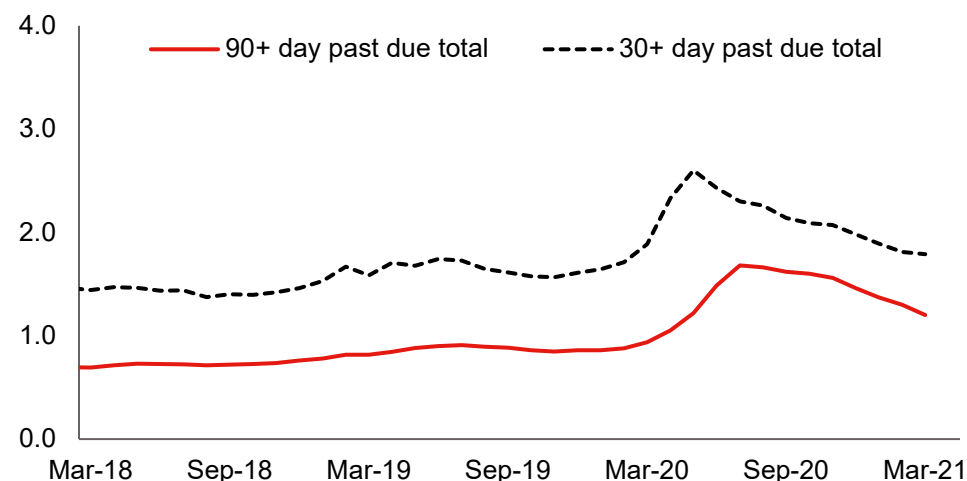
# Australian mortgage delinquencies.

Lower over the half in line with hardship balances.

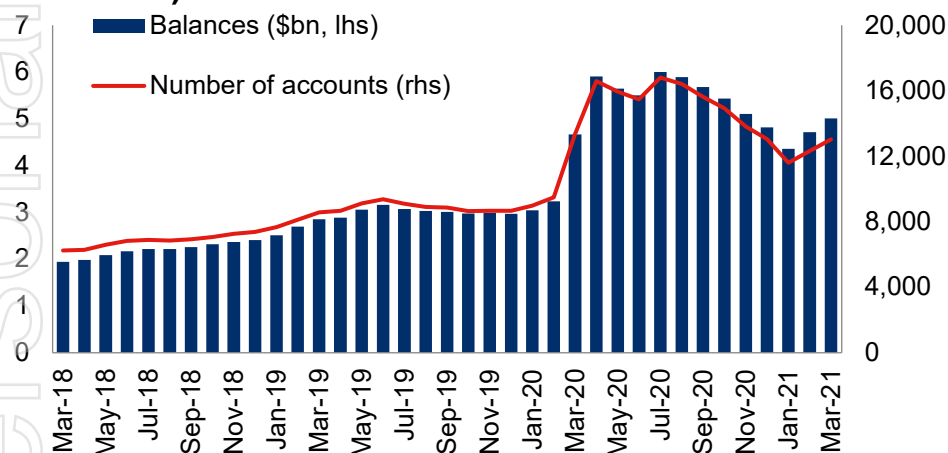
Mortgage asset quality

Australian mortgages	Mar-20	Sep-20	Mar-21
Total portfolio 30+ day delinquencies (bps)	188	214	<b>179</b>
Total portfolio 90+ day delinquencies (bps) (inc. impaired mortgages)	94	162	<b>120</b>
Investment property loans 90+ day delinquencies (bps)	78	148	<b>118</b>
Interest only loans 90+ day delinquencies (bps)	73	125	<b>91</b>
Customers in hardship <sup>1</sup> (by balances, bps)	105	129	<b>113</b>
Consumer properties in possession (number)	468	256	<b>180</b>
Impaired mortgages (by balances, bps)	9	8	<b>6</b>

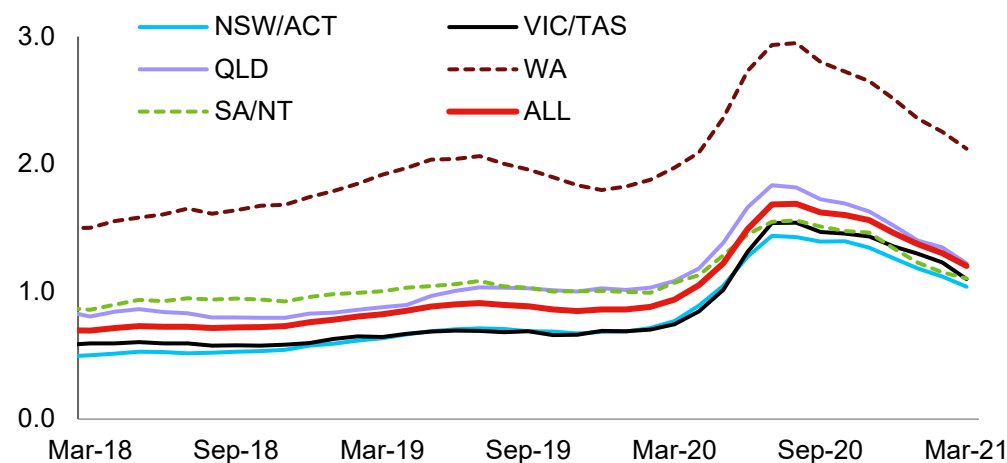
## Australian mortgage delinquencies (%)



## Australian mortgage hardship balances (\$bn and # of accounts)



## Australian mortgage 90+ day delinquencies by State (%)



<sup>1</sup> Financial hardship assistance is available to customers experiencing unforeseen events, including changes in income due to illness, a relationship breakdown or natural disasters. Hardship assistance often takes the form of a reduction or deferral of repayments for a short period. Customer requesting financial hardship assistance must provide a statement of financial position and an assessment is made regarding the customer's eligibility. <sup>2</sup> Mortgage loss rates are write-offs for the 6 months ending.

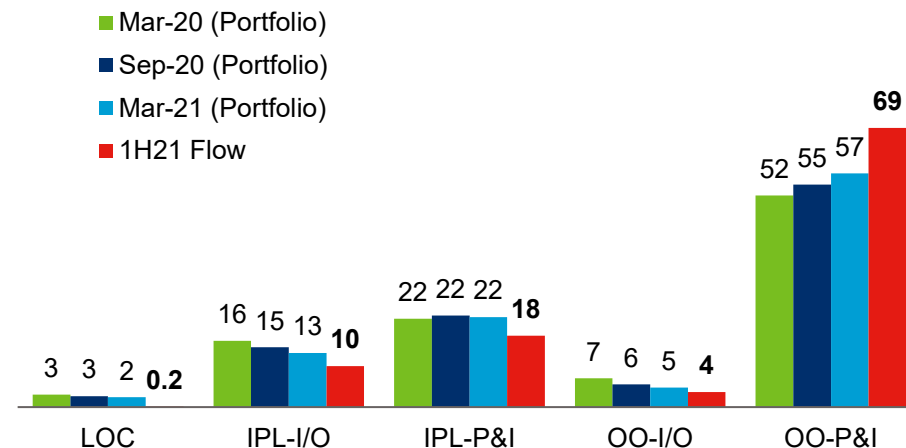
# Australian mortgage portfolio composition.

Mortgage asset quality

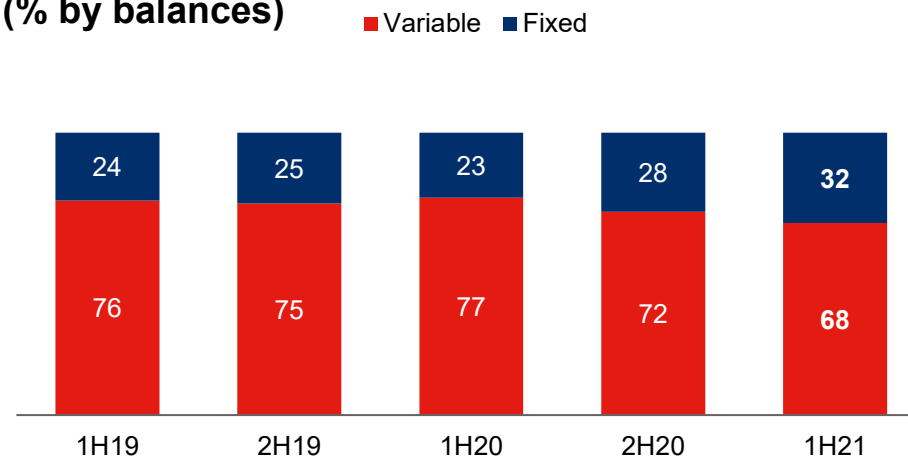
Owner occupiers driving new flows; more customers choosing fixed rates.

Australian mortgage portfolio	Mar-20 balance	Sep-20 balance	Mar-21 balance	1H21 Flow <sup>1</sup>
Total portfolio (\$bn)	445.7	440.9	<b>443.6</b>	<b>42.0</b>
Owner occupied (OO) (%)	59.4	60.4	<b>62.0</b>	<b>73.6</b>
Investment property loans (IPL) (%)	37.6	36.6	<b>35.2</b>	<b>26.2</b>
Portfolio loan/line of credit (LOC) (%)	2.9	2.5	<b>2.3</b>	<b>0.2</b>
Variable rate / Fixed rate (%)	77 / 23	72 / 28	<b>68/32</b>	<b>63/37</b>
Interest only (I/O) (%)	23.4	20.6	<b>18.2</b>	<b>13.6</b>
Proprietary channel (%)	55.5	54.8	<b>54.2</b>	<b>48.2</b>
First home buyer (%)	8.8	9.0	<b>9.4</b>	<b>13.4</b>
Mortgage insured (%)	16.1	16.0	<b>16.1</b>	<b>16.1</b>
	Mar-20	Sep-20	Mar-21	1H21 Flow <sup>1</sup>
Average loan size <sup>2</sup> (\$'000)	276	275	<b>284</b>	<b>367</b>
Customers ahead on repayments including offset account balances <sup>3</sup> (%)	70	71	<b>72</b>	
Actual mortgage losses net of insurance (\$m, for the 6 months ending)	67	58	<b>44</b>	
Actual mortgage loss rate annualised <sup>4</sup> (bps, for the 6 months ending)	3	3	<b>2</b>	

## Australian mortgage portfolio and 1H21 flow by product and repayment type (%)



## Australian mortgage portfolio by interest rate type (% by balances)



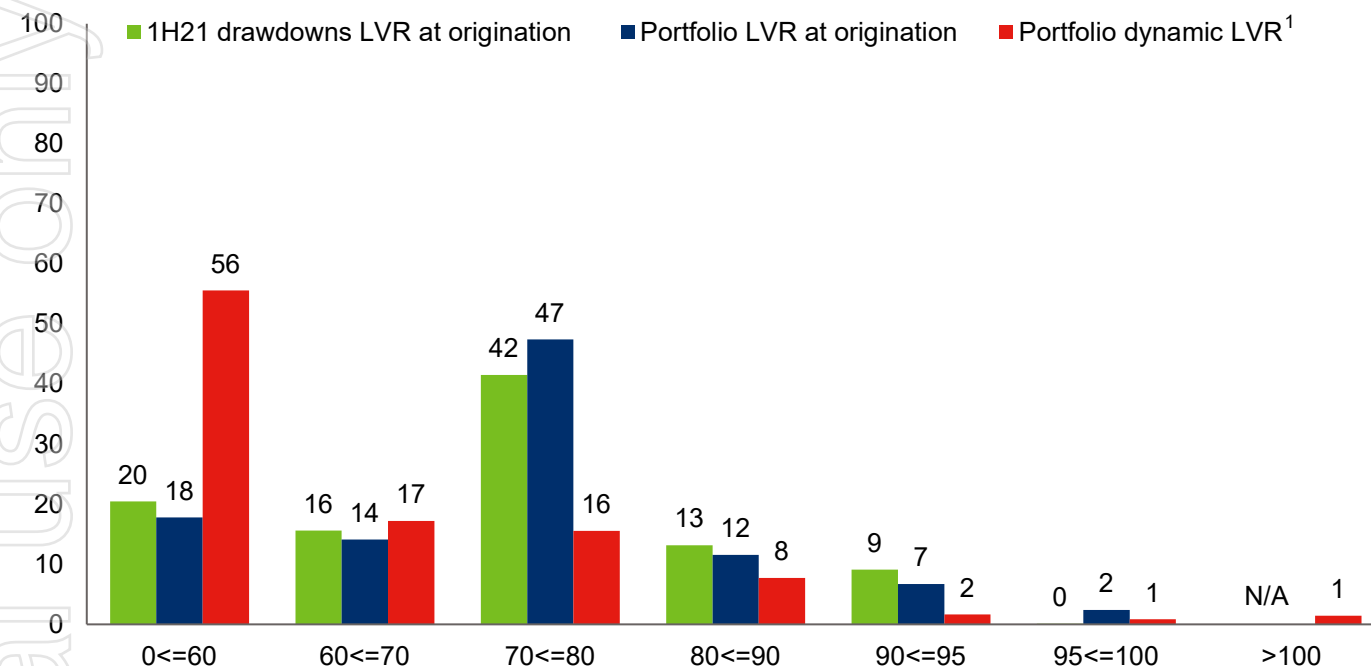
<sup>1</sup> Flow is new mortgages settled in the 6 months ended 31 March 2021 and includes RAMS. <sup>2</sup> Includes amortisation. Calculated at account level, where split loans represent more than one account. <sup>3</sup> Loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. <sup>4</sup> Mortgage loss rates are write-offs for the 6 months ending.

# Australian mortgage portfolio.

Majority of borrowers have significant equity.

Mortgage asset quality

## Australian housing loan-to-value ratios (LVRs) (%)

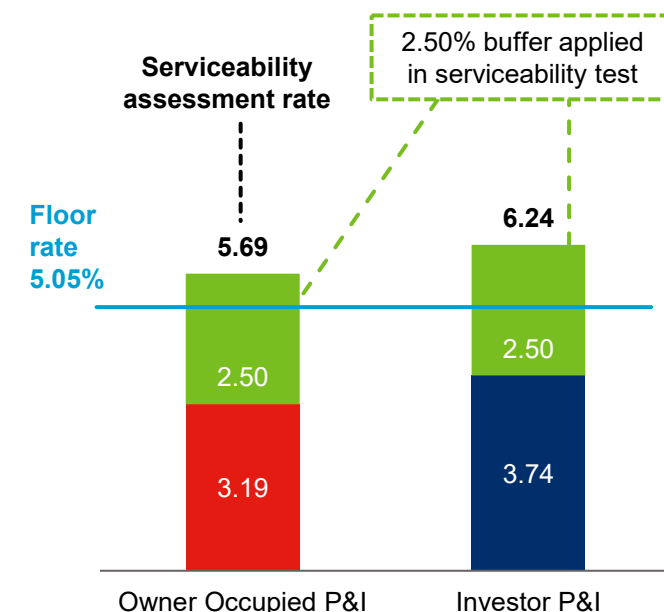


## Australian mortgage portfolio LVRs

		Mar-20 balance	Sep-20 balance	Mar-21 balance
Weighted averages <sup>2</sup>	LVR at origination (%)	73	73	73
	Dynamic LVR <sup>1</sup> (%)	57	56	54
	LVR of new loans <sup>3</sup> (%)	72	71	72

<sup>1</sup> Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source CoreLogic. <sup>2</sup> Weighted average LVR calculation considers size of outstanding balances. <sup>3</sup> Average LVR of new loans is on rolling 6 months. <sup>4</sup> Interest rates for Westpac Rocket Repay Home Loan/Rocket Investment Loan inclusive of Premier Advantage Package discount assuming LVR up to 70%. At 14 April 2021.

## Serviceability assessment rate<sup>4</sup> (%)



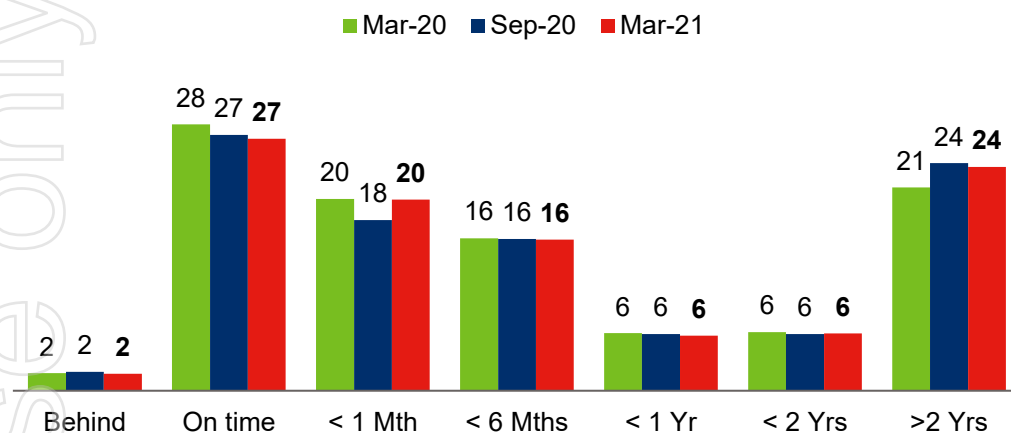
- Loans are assessed at the higher of the customer rate (including any life-of-loan discounts) plus a 2.50% buffer, or the minimum assessment rate (called the "floor rate")
- Westpac applies a floor rate of 5.05%
- Interest only loans are assessed based on the residual P&I term using the applicable P&I rate
- Fixed rate loans are assessed on the variable rate to which the loan will revert after the fixed period – usually higher than the fixed rate

# Australian mortgage portfolio repayment buffers.

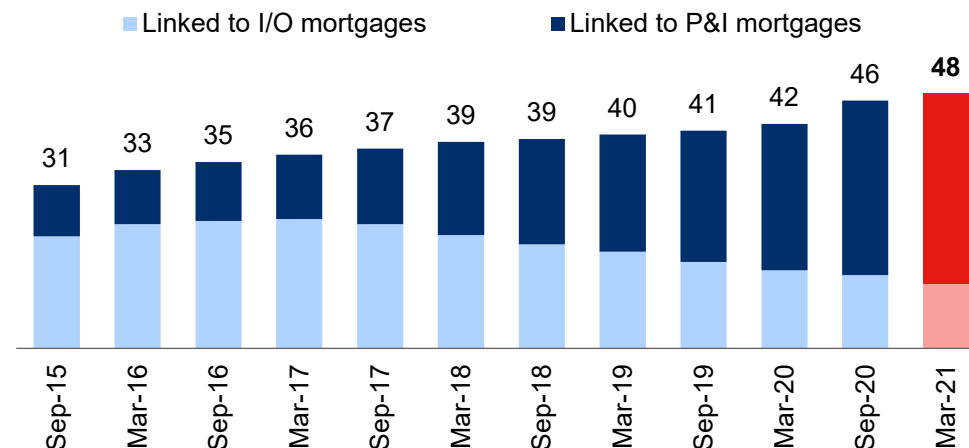
Mortgage asset quality

>70% of customers remain ahead of scheduled repayments.

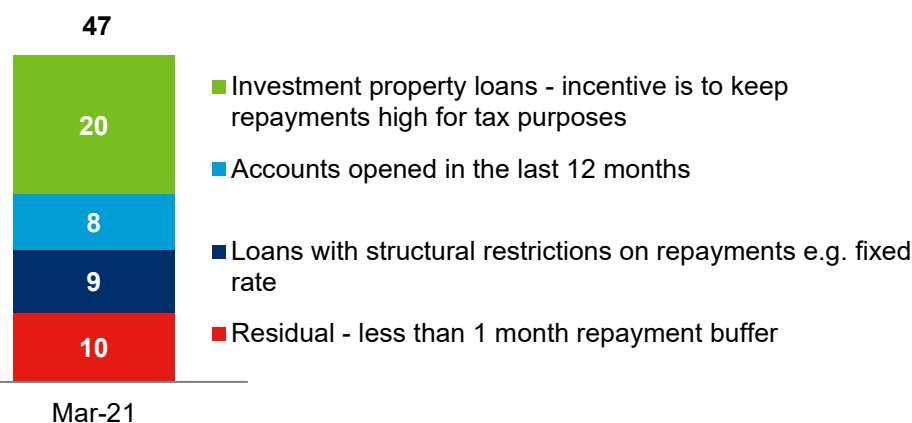
## Australian home loan customers ahead on repayments<sup>1</sup> (% by balances)



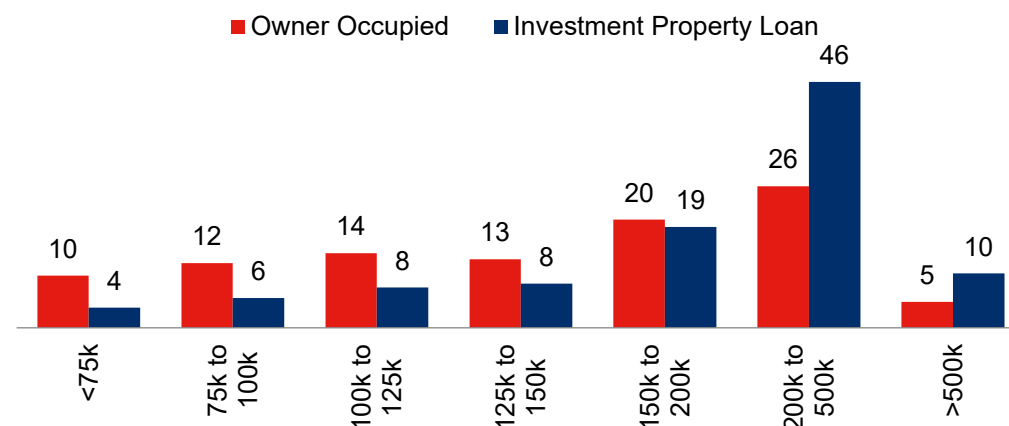
## Offset account balances<sup>2</sup> (\$bn)



## Loans 'on time' and <1 mth ahead (% of balances)



## Applicant gross income band (1H21 drawdowns, % by balances)



<sup>1</sup> Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset accounts. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due.

<sup>2</sup> Includes RAMS from September 2020 onwards.

# Australian mortgage portfolio underwriting.

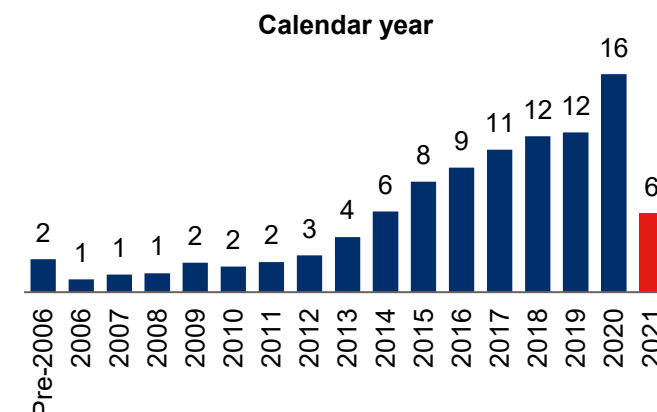
Mortgage asset quality

## Credit policy at April 2021

<b>Income</b>	<ul style="list-style-type: none"> <li>Income verified via payslips or tax returns with other supporting documentation such as PAYG income statements and salary credits to accounts where required (minimum standards for documents apply)</li> <li>Discount of at least 20% applies to less certain income sources i.e. rental income, bonuses</li> </ul>
<b>Credit Score &amp; Credit Bureau</b>	<ul style="list-style-type: none"> <li>Bespoke application scorecards segmented by new and existing customers</li> <li>Credit and score override rates tracked and capped</li> <li>Credit bureau checks required</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>Expenses are assessed as the higher of a borrower's HEM<sup>1</sup> comparable expenses or HEM plus any expenses that are not comparable to HEM (e.g. private school fees, life insurance)</li> <li>HEM is adjusted by income bands, post settlement postcode location, marital status and dependants</li> <li>17 expense categories used, aligned with Melbourne Institute guidelines and LIXI standards</li> </ul>
<b>Serviceability assessment</b>	<ul style="list-style-type: none"> <li>For serviceability assessment, interest rate applied to all mortgage debt is the greater of:                             <ul style="list-style-type: none"> <li>Actual interest rate plus buffer of 2.50%; and</li> <li>Minimum assessment rate of 5.05% (effective 9 October 2020, previously 5.35%)</li> </ul> </li> <li>For IO Loans, serviceability is assessed on a P&amp;I basis over the residual term</li> <li>All existing customer commitments are verified</li> <li>Review Westpac Group accounts and Comprehensive Credit Reporting (CCR) to identify customer commitments</li> <li>Limits apply to higher debt-to-income lending; above 7x referred for manual credit assessment</li> <li>Credit card repayments assessed at 3.8% of limit</li> </ul>
<b>Genuine savings deposit requirements</b>	<ul style="list-style-type: none"> <li>Minimum 5% proof of genuine savings for higher LVR loans (typically LVR &gt;85%). First Home Owners Grants not considered genuine savings</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>LVR restrictions apply depending on location, property value and nature of security</li> <li>Restrictions on high-density apartments based in postcode defined areas (generally Capital City CBD's) and properties in towns heavily reliant on a single industry (e.g. mining, tourism)</li> </ul>
<b>LMI</b>	<ul style="list-style-type: none"> <li>Mortgage insurance for higher risk loans, such as high LVRs. Exception policy applies for certain professionals and Westpac Group staff.</li> </ul>

<sup>1</sup> HEM is the Household Expenditure Measure, produced by the Melbourne Institute.

## Australian mortgage portfolio by year of origination (% of total book)



# Australian mortgages.

Interest only and investment property lending.

Mortgage asset quality

## I/O lending by dynamic LVR<sup>1</sup> and income band (%)

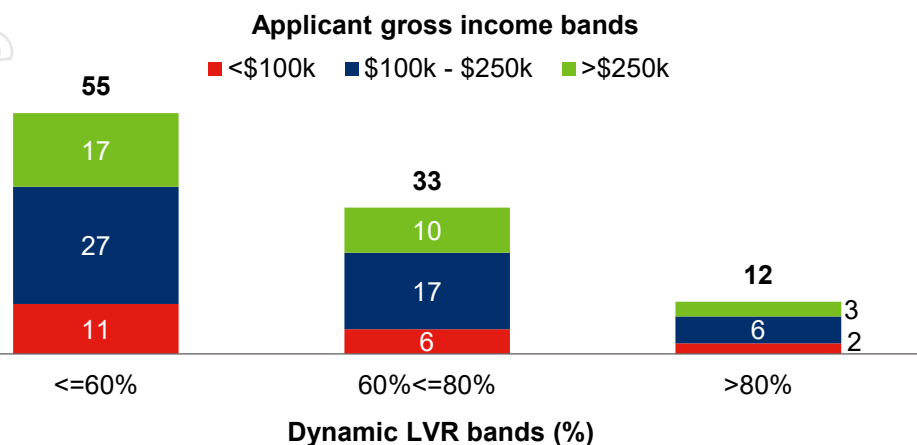
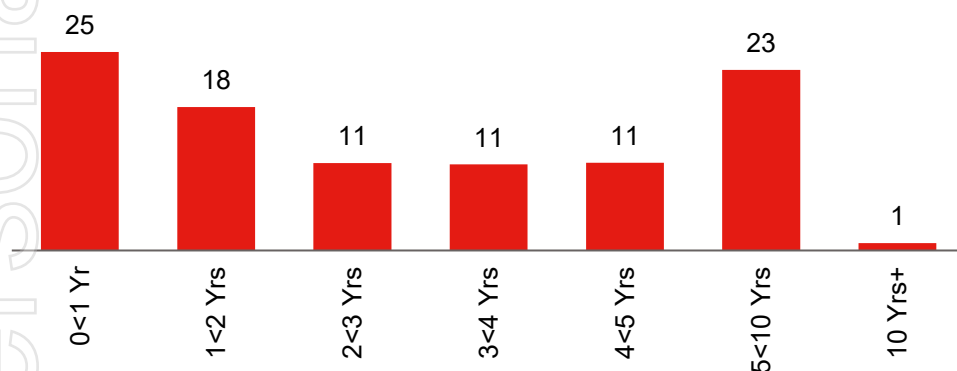


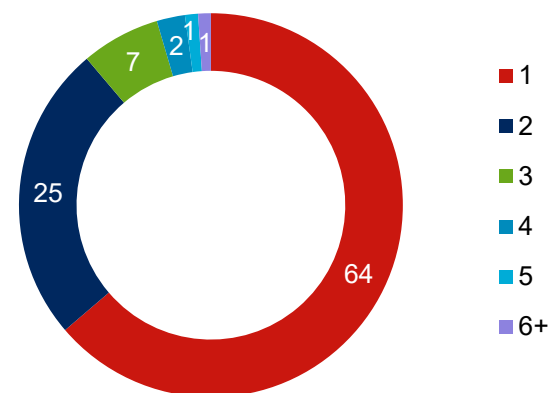
Chart does not add due to rounding

## Scheduled I/O term expiry<sup>2</sup> (% of total I/O loans)



<sup>1</sup> Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source CoreLogic. <sup>2</sup> Based on outstanding balance. Excludes line of credit loans, I/O loans without date (including bridging loans and loans with construction purpose) and I/O loans that should have switched to P&I but for the previously announced mortgage processing error. <sup>3</sup> Includes amortisation. Calculated at account level where split loans represent more than one account. <sup>4</sup> Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments.

## Investment property portfolio by number of properties per customer (%)



## Investment property lending (IPL) portfolio

	Mar-20	Sep-20	Mar-21
Investment property loans (\$bn)	167	161	157
Weighted averages <sup>1</sup>	LVR of IPL loans at origination (%)		
	72	72	72
	LVR of new IPL loans in the period <sup>2</sup> (%)		
	70	69	70
	Dynamic LVR <sup>1</sup> of IPL loans (%)		
	57	57	54
Average loan size <sup>3</sup> (\$'000)	322	320	320
Customers ahead on repayments including offset accounts <sup>4</sup> (%)	60	62	63
90+ day delinquencies (bps)	78	148	118
Annualised loss rate (net of insurance claims) (bps)	5	3	3



# Lenders mortgage insurance arrangements.

Mortgage asset quality

WLMI continues to provide mortgage insurance to Westpac.

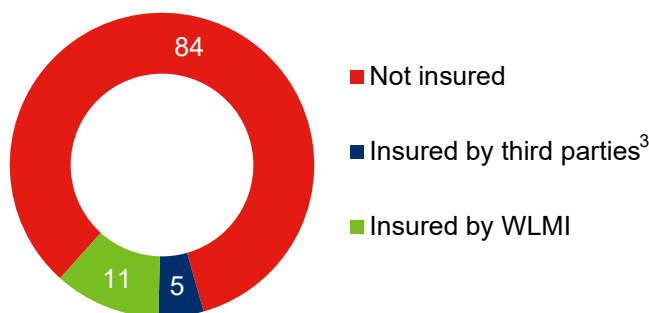
## Lenders mortgage insurance (LMI)

- Where mortgage insurance is required, mortgages are insured through Westpac Lenders Mortgage Insurance<sup>1</sup> (WLMI), and reinsured through external LMI providers, based on risk profile
- In March, Westpac announced it would sell WLMI to Arch Capital Group (Arch) and enter into a 10-year exclusive supply agreement for Arch to provide lenders mortgage insurance to the Group
- Completion of this transaction is expected to occur by the end of August 2021, after which all LMI required on WBC mortgages will be underwritten by Arch
- Arch has provided reinsurance services to WLMI since 2011
- Westpac will retain responsibility for certain legacy matters and provide protection to Arch through customary warranties and indemnities
- WLMI remains well capitalised (separate from bank capital) and subject to APRA regulation. WLMI targets a capitalisation ratio of 1.2x PCR<sup>2</sup> and has consistently been above this target

## Lenders mortgage insurance arrangements from 1 October 2020

LVR Band	Insurance
• LVR ≤80%	Not required
• LVR >80% to ≤ 90%	<ul style="list-style-type: none"> <li>Where insurance required, insured through WLMI</li> <li>LMI not required for certain borrower groups</li> <li>Reinsurance arrangements: <ul style="list-style-type: none"> <li>40% risk retained by WLMI</li> <li>60% risk transferred through quota share arrangements with Arch LMI Pty Ltd, Sompo International (Endurance Speciality), Everest Re and Trans Re</li> </ul> </li> </ul>
• LVR >90%	<ul style="list-style-type: none"> <li>Where insurance required, insured through WLMI</li> <li>LMI not required for certain borrower groups</li> <li>100% reinsurance through Arch LMI Pty Ltd</li> </ul>

## Westpac's Australian mortgage portfolio at 31 March 2021 (%)



## Insurance statistics

	1H20	2H20	1H21
Insurance claims (\$m)	5	21	2
WLMI claims ratio <sup>4</sup> (%)	15	67	3
WLMI gross written premiums <sup>5</sup> (\$m)	89	91	154

<sup>1</sup> Since 18 May 2015 WLMI has underwritten all mortgage insurance, where required, on Westpac originated mortgages. The in-force portfolio of loans includes mortgage insurance provided by external providers. <sup>2</sup> Prudential Capital Requirement (PCR) calculated in accordance with APRA standards. <sup>3</sup> Insured coverage is net of quota share. Third party has decreased compared to 30 September 2020 due to a reclassification of loans where the insurance is provided by WLMI and 100% reinsured through Arch LMI. <sup>4</sup> Loss ratio is claims over the total earned premium plus exchange commission. <sup>5</sup> LMI gross written premium includes loans >90% LVR reinsured with Arch Reinsurance Limited. 1H21 gross written premium includes \$104m from the arrangement (2H20: \$61m and 1H20: \$63m).

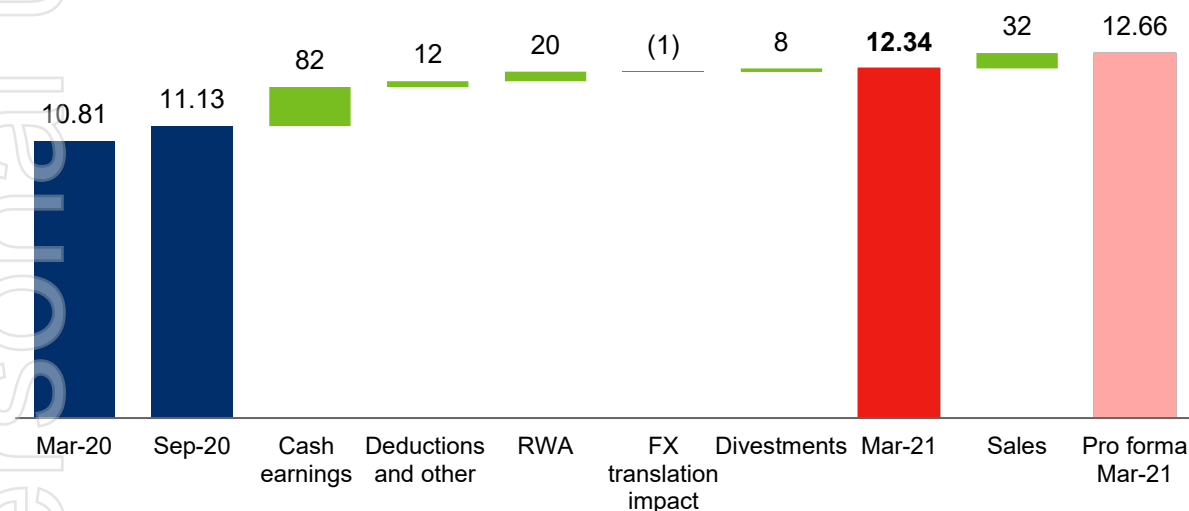
# Capital, funding and liquidity

# CET1 capital ratio 12.3%.

Capital, Funding and Liquidity

- CET1 capital ratio of 12.34%, up 121bps from 30 September 2020
- RWA declined 20bps mostly from lower credit RWA due to a reduction in lending and improved credit metrics
- Capital deductions and other capital movements mostly reflect deferred tax assets and higher other comprehensive income. Partly offset by higher earnings held in entities that are not consolidated for regulatory purposes
- Divestment impact 8bps from sale of Westpac's stake in Zip Co Limited
- 2020 final dividend paid was offset by the fully underwritten DRP
- Pro forma CET1 ratio includes the expected 32bp benefit from announced divestments (Vendor Finance, Westpac General Insurance, Westpac Pacific and Lenders Mortgage Insurance) and the sale of Coinbase

## CET1 capital ratio movements (% , bps)



<sup>1</sup> Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

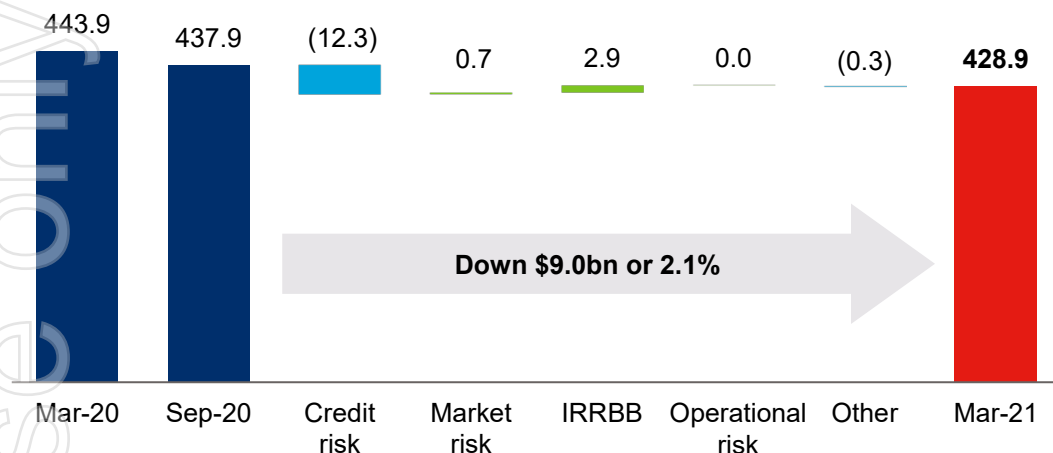
Key capital ratios (%)	Mar-20	Sep-20	Mar-21
CET1 capital ratio	10.8	11.1	12.3
Additional Tier 1 capital	2.1	2.1	2.2
Tier 1 capital ratio	12.9	13.2	14.5
Tier 2 capital	3.4	3.1	3.9
Total regulatory capital ratio	16.3	16.4	18.4
Risk weighted assets (RWA) (\$bn)	444	438	429
Leverage ratio	5.7	5.8	6.3
Level 1 CET1 ratio	11.1	11.4	12.6
Internationally comparable ratios <sup>1</sup>			
Leverage ratio (internationally comparable)	6.3	6.5	6.9
CET1 capital ratio (internationally comparable)	15.8	16.5	18.1

# Risk weighted assets.

Decrease from lower credit risk RWA.

Capital, Funding and Liquidity

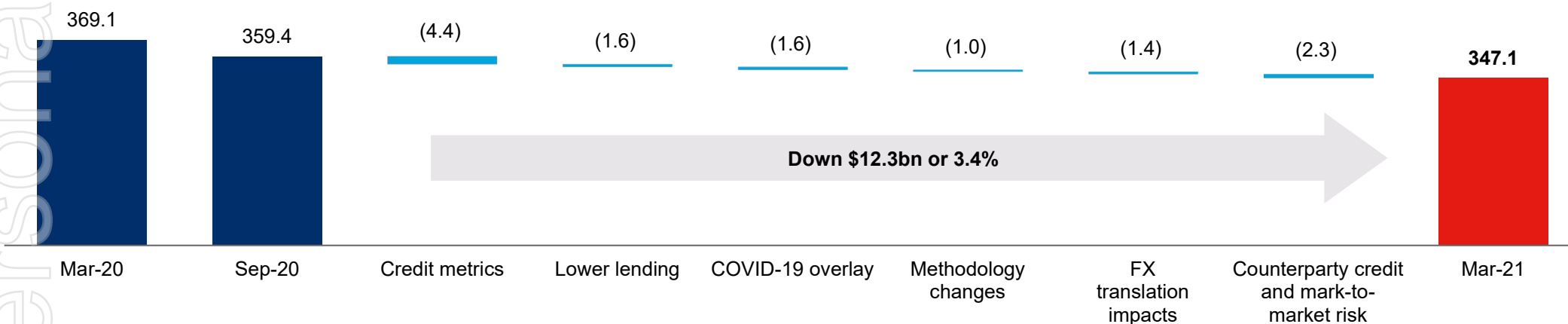
## Risk weighted assets (\$bn)



## Commentary

- RWA decreased \$9.0bn over 1H21, mostly from lower credit RWA (CRWA), partly offset by non-credit risk
- CRWA reduced \$12.3bn due to:
  - Lower corporate and business lending, partly offset by mortgage lending growth
  - Improved asset quality metrics across corporate and small business portfolios, including \$1.6 billion reduction in the RWA overlay for corporate, business and specialised lending
  - Lower counterparty credit and mark-to-market risk
  - RWA floor on mortgages to 23.8% increased CRWA \$3.7bn

## Movement in credit risk weighted assets (\$bn)



# Internationally comparable capital ratio reconciliation.

Capital, Funding and Liquidity

APRA's Basel III capital requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios by Australian banks. In July 2015, APRA published a study that compared the major banks' capital ratios against a set of international peers<sup>1</sup>. The following details the adjustments from this study and how Westpac's APRA Basel III CET1 capital ratio aligns to an internationally comparable ratio.

		(%)
<b>Westpac's CET1 capital ratio (APRA basis)</b>		<b>12.3</b>
Equity investments	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.4
Deferred tax assets	Balances below prescribed threshold are risk weighted, compared to a 100% CET1 deduction under APRA's requirements	0.6
Interest rate risk in the banking book (IRRBB)	APRA requires capital to be held for IRRBB. The BCBS does not have a Pillar 1 capital requirement for IRRBB	0.5
Residential mortgages	Loss given default (LGD) of 15%, compared to the 20% LGD floor under APRA's requirements. APRA also applies a correlation factor for mortgages higher than the 15% factor prescribed in the Basel rules	1.9
Unsecured non-retail exposures	LGD of 45%, compared to the 60% or higher LGD under APRA's requirements	0.7
Non-retail undrawn commitments	Credit conversion factor of 75%, compared to 100% under APRA's requirements	0.5
Specialised lending	Use of internal-ratings based (IRB) probabilities of default (PD) and LGDs for income producing real estate and project finance exposures, reduced by application of a scaling factor of 1.06. APRA applies higher risk weights under a supervisory slotting approach, but does not require the application of the scaling factors	0.7
Currency conversion threshold	Increase in the A\$ equivalent concessional threshold level for small business retail and small to medium enterprise corporate exposures	0.2
Capitalised expenses	APRA requires these items to be deducted from CET1. The BCBS only requires exposures classified as intangible assets under relevant accounting standards to be deducted from CET1	0.3
<b>Internationally comparable CET1 capital ratio</b>		<b>18.1</b>
<b>Internationally comparable Tier 1 capital ratio</b>		<b>21.0</b>
<b>Internationally comparable total regulatory capital ratio</b>		<b>25.9</b>

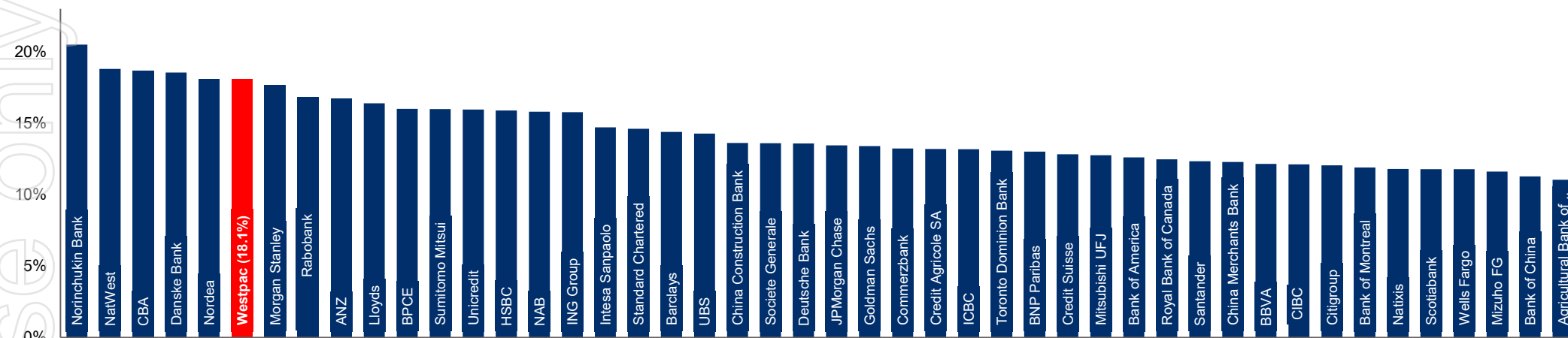
<sup>1</sup> Methodology aligns with the APRA study titled "International capital comparison study", dated 13 July 2015.

# Well placed on internationally comparable.

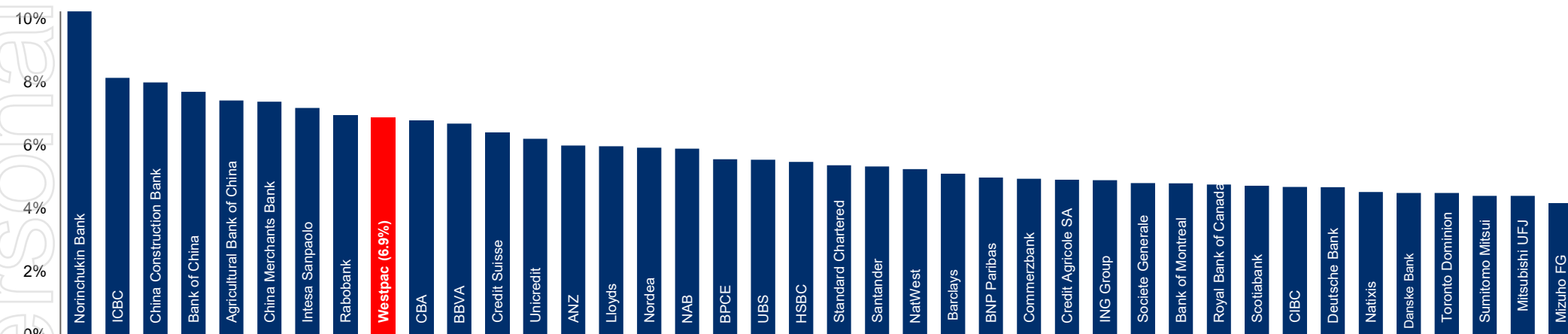
CET1 and leverage ratios.

Capital, Funding and Liquidity

## Common equity Tier 1 ratio (%)<sup>1</sup>



## Leverage ratio (%)<sup>1</sup>



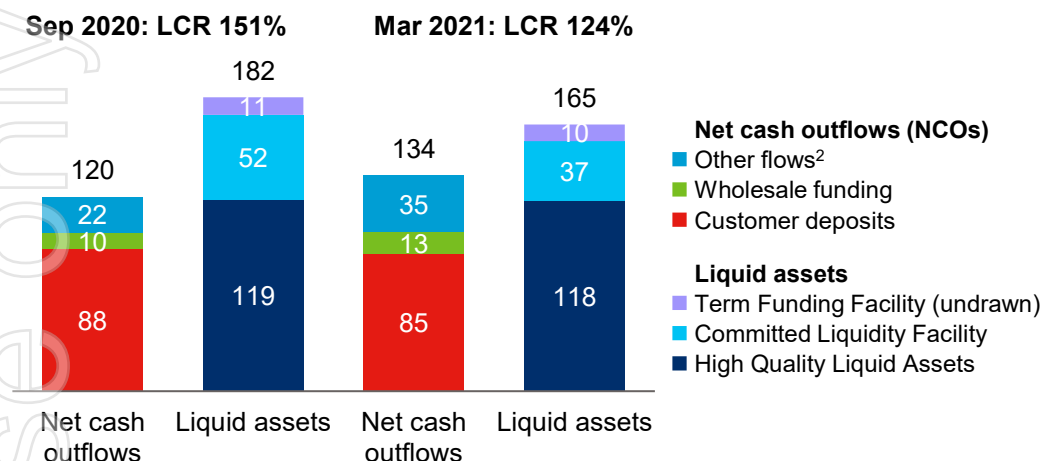
<sup>1</sup> Comparison group comprises listed commercial banks with assets in excess of A\$700bn and which have disclosed fully implemented Basel III ratios or provided sufficient disclosure to estimate. Based on company reports/ presentations. Ratios at 31 December 2020, except for Westpac which is at 31 March 2021, ANZ and NAB which are at 30 September 2020, and Bank of Montreal, Scotiabank, Royal Bank of Canada and Toronto Dominion are at 31 October 2020. Leverage ratio is on a transitional basis. Where accrued expected dividends have been deducted and disclosed, these have been added back for comparability. US banks are excluded from leverage ratio analysis due to business model differences, for example from loans sold to US Government sponsored enterprises. NAB has not disclosed an internationally comparable leverage ratio since September 2017. Shows ratios at the last reporting date, which may take account of measures taken by jurisdictions in response to COVID-19.

# Liquidity and funding.

Capital, Funding and Liquidity

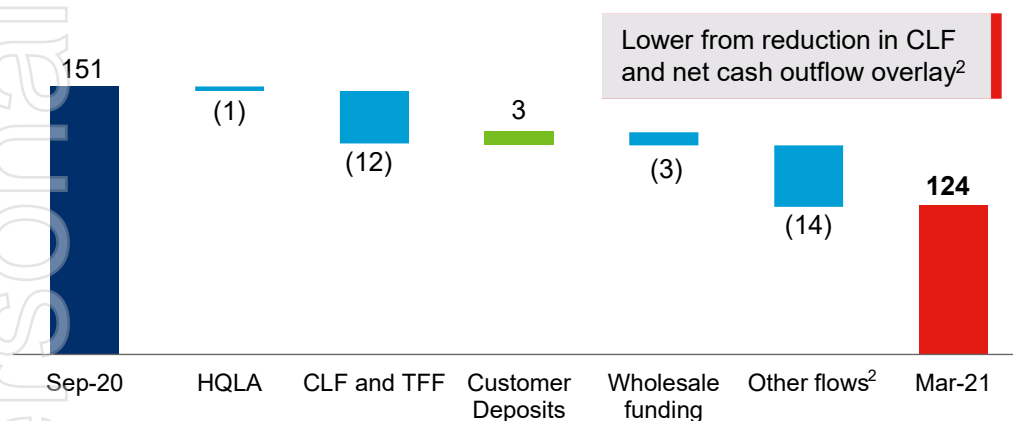
LCR lower from reduction in CLF and NCO overlay; NSFR little changed.

## Liquidity coverage ratio<sup>1</sup> (LCR) (quarterly avg, \$bn)



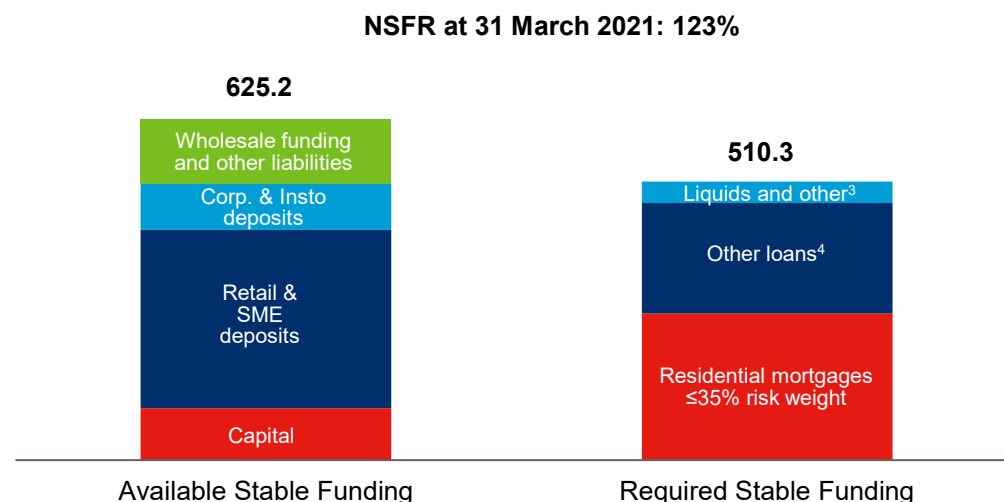
Bars do not add due to rounding

## Liquidity coverage ratio<sup>1</sup> (quarterly average, %)

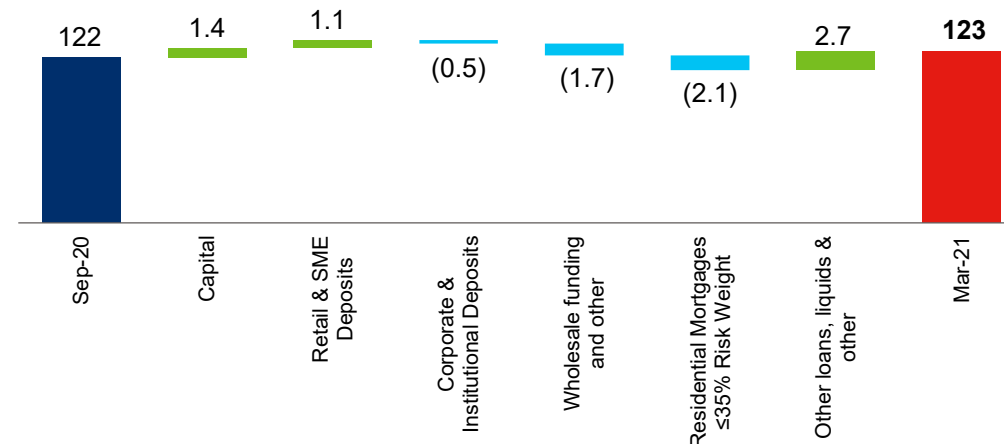


<sup>1</sup> LCR is calculated as the percentage ratio of stock of liquid assets over the total net cash outflows in a modelled 30 day defined stressed scenario. Liquid assets include HQLA as defined in APS 210, RBNZ eligible liquids, CLF eligible securities less RBA open repos funding end of day ESA balances with the RBA. The Committed Liquidity Facility (CLF) and Term Funding Facility (TFF) are made available to Australian Authorised Deposit-taking Institutions by the RBA that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 – Liquidity. Other flows include credit and liquidity facilities, collateral outflows and inflows from customers. <sup>2</sup> Other flows includes net cash outflow overlay. Effective 1 January 2021, the Group is required to increase the value of its net cash outflows by 10% for the purpose of calculating LCR, in response to action taken by APRA for breaches of Westpac's liquidity requirements predominantly relating to Westpac New Zealand Limited. This reduces the average LCR for the quarter ended 31 March 2021 by 12 percentage points. <sup>3</sup> Other includes derivatives and other assets. <sup>4</sup> Other loans includes off balance sheet exposures and residential mortgages >35% risk weight.

## Net stable funding ratio (NSFR) (\$bn)



## Net stable funding ratio (NSFR) (%)



# Balance sheet funding.

Capital, Funding and Liquidity

Shift in balance sheet: higher customer deposits, lower offshore wholesale funding

## Funding composition (%)

By residual maturity

Significant balance sheet changes in the last 18 months

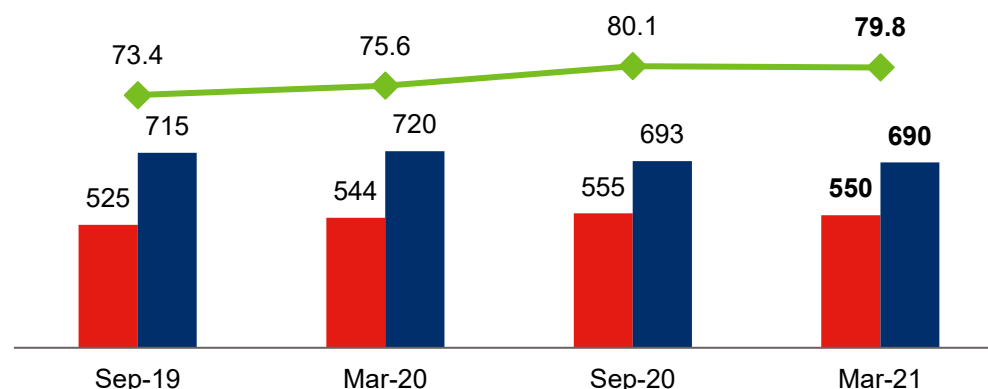


Bars may not add to 100 due to rounding

<sup>1</sup> Includes long term wholesale funding with a residual maturity less than or equal to 1 year. <sup>2</sup> Equity excludes FX translation, Available-for-Sale securities and Cash Flow Hedging Reserves. <sup>3</sup> Short term funding includes scroll. Scroll represents wholesale funding with an original maturity greater than 12 months that now has a residual maturity less than 12 months. Long term includes securitisation.

## Customer deposits to net loans ratio (%)

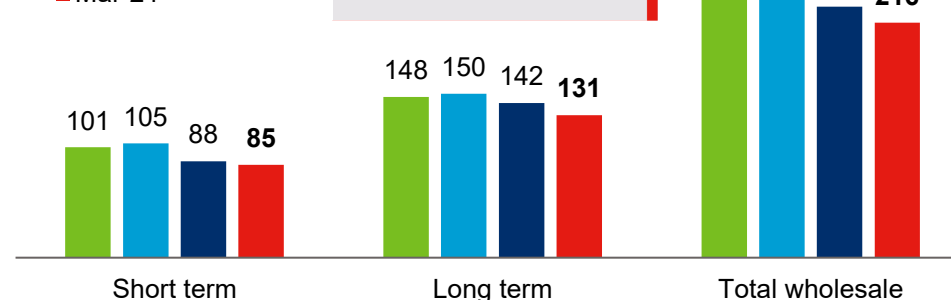
Customer deposits Net customer loans Deposits to net loans ratio



## Wholesale funding by residual maturity<sup>3</sup> (\$bn)

Sep-19  
Mar-20  
Sep-20  
Mar-21

Long term includes TFF drawn down  
Sep-20 \$18bn  
Mar-21 \$22bn



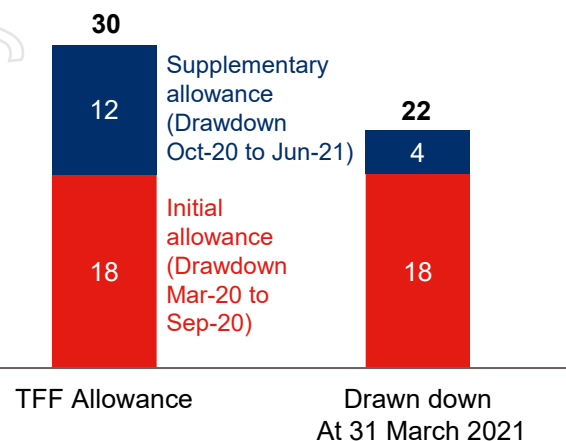


# Long term wholesale funding.

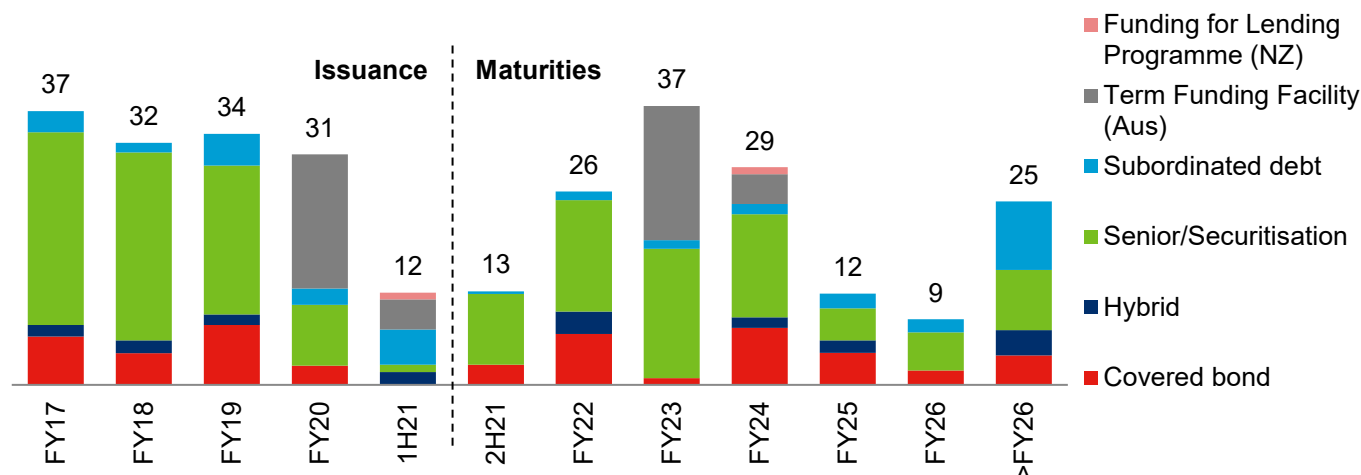
Funding in 1H21 limited to meeting TLAC and capital needs.

Capital, Funding and Liquidity

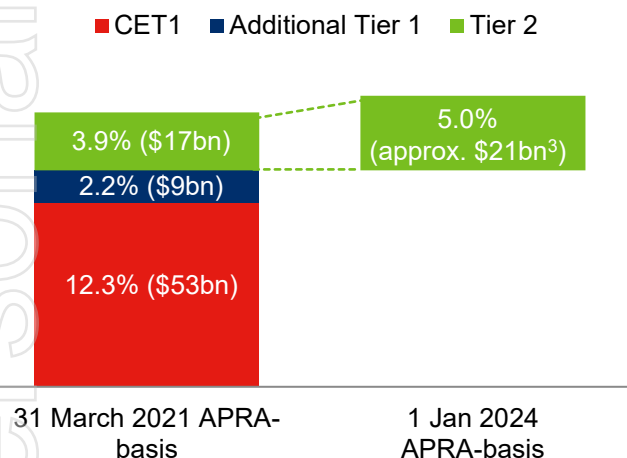
## Term Funding Facility<sup>1</sup> (TFF) (\$bn)



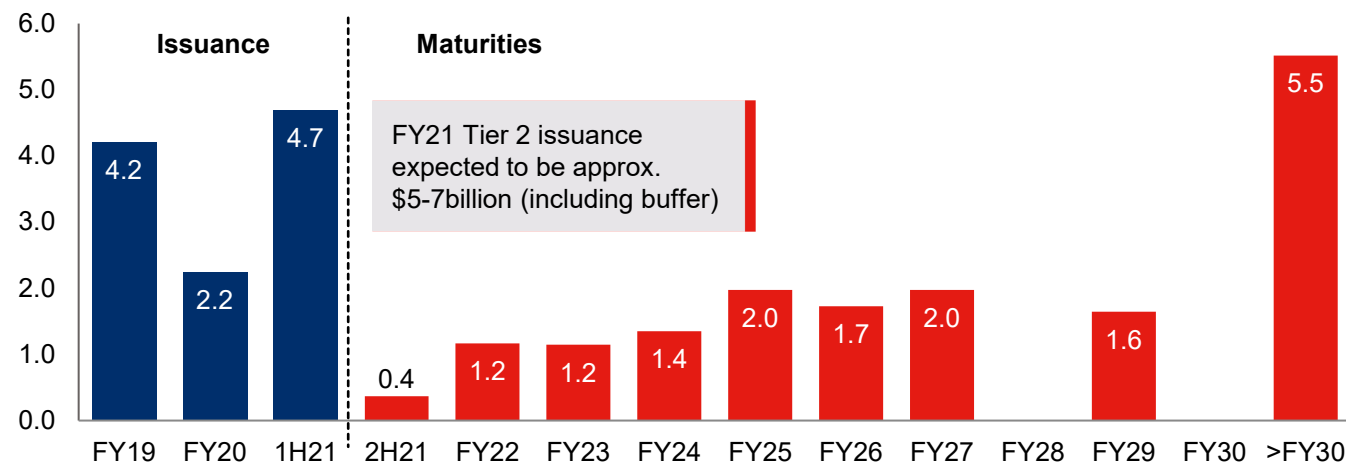
## Term debt issuance and maturity profile<sup>2</sup> (\$bn)



## Westpac Total Regulatory Capital



## Westpac Tier 2 issuance and calls/maturities<sup>4</sup> (notional amount, A\$m)



<sup>1</sup> Westpac's Additional Allowance at 31 March 2021 was zero. <sup>2</sup> Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. Perpetual sub debt has been included in >FY26 maturity bucket. Maturities exclude securitisation amortisation. <sup>3</sup> Based on current capital regulation. Does not include balance sheet growth or management buffer. <sup>4</sup> Represents AUD equivalent notional amount using spot FX translation at date of issue for issuance and spot FX translation at 31 March 2021 for maturities. Securities in callable format profiled to first call date, excluding the Perpetual Floating Rate Notes issued 30 September 1986. Securities in bullet format profiled to maturity date.

# Divisional Results

# Divisional<sup>1</sup> contributions.

Divisional results

1H21 (\$m)	Consumer	Business	WIB	NZ	Specialist Businesses	Group Businesses	Group
Operating income	4,457	2,356	1,046	1,163	937	840	10,799
Expenses	(2,270)	(1,170)	(698)	(500)	(740)	(603)	(5,981)
<b>Core earnings</b>	<b>2,187</b>	<b>1,186</b>	<b>348</b>	<b>663</b>	<b>197</b>	<b>237</b>	<b>4,818</b>
Impairment (charges)/benefits	80	129	(8)	92	80	(1)	372
Tax & non-controlling interests	(675)	(395)	(110)	(210)	(143)	(120)	(1,653)
<b>Cash earnings</b>	<b>1,592</b>	<b>920</b>	<b>230</b>	<b>545</b>	<b>134</b>	<b>116</b>	<b>3,537</b>

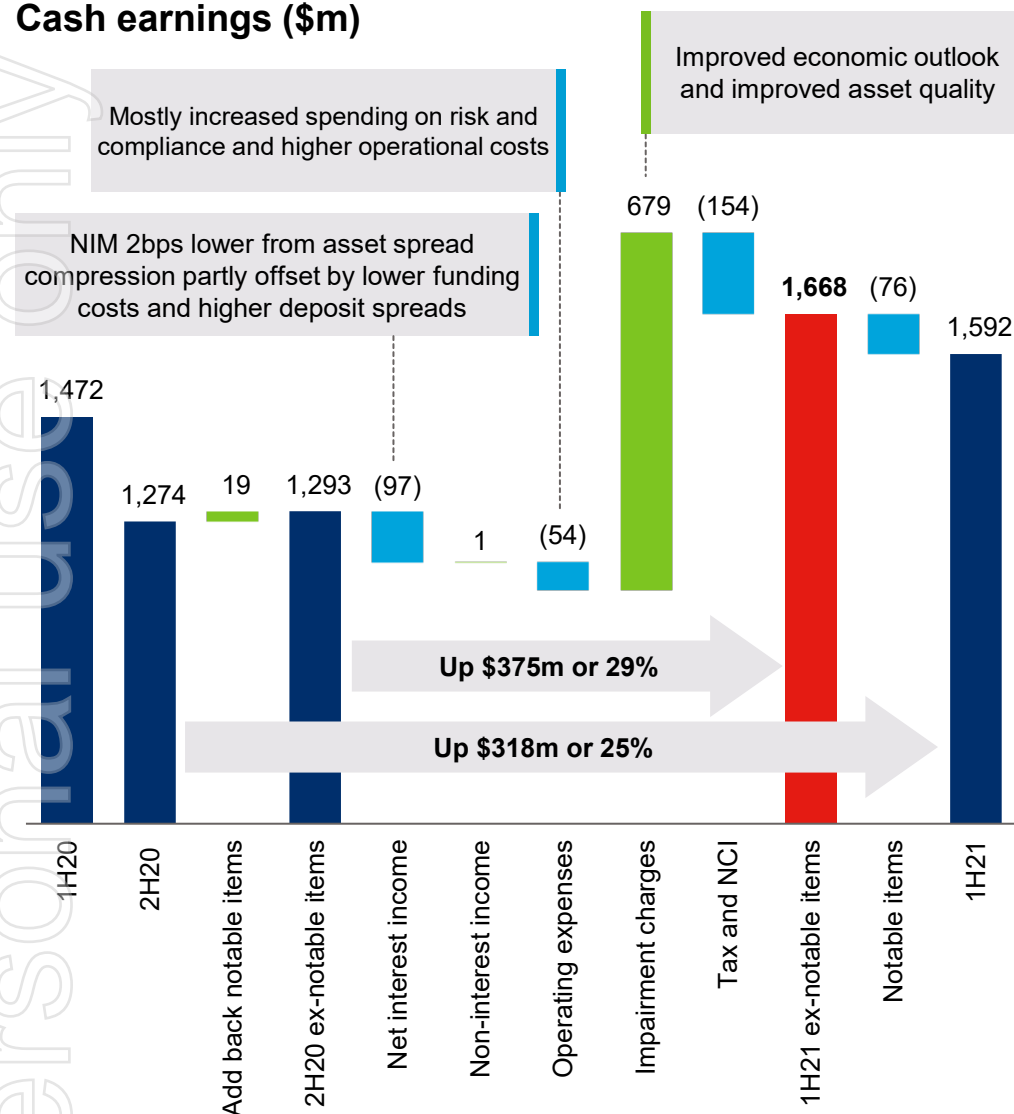
2H20 (\$m)	Consumer	Business	WIB	NZ	Specialist Businesses	Group Businesses	Group
Operating income	4,560	2,268	1,132	1,044	581	700	10,285
Expenses	(2,141)	(1,230)	(697)	(482)	(1,128)	(862)	(6,540)
<b>Core earnings</b>	<b>2,419</b>	<b>1,038</b>	<b>435</b>	<b>562</b>	<b>(547)</b>	<b>(162)</b>	<b>3,745</b>
Impairment (charges)/benefits	(599)	(674)	(111)	(102)	(95)	641	(940)
Tax & non-controlling interests	(546)	(108)	(139)	(129)	43	(311)	(1,190)
<b>Cash earnings</b>	<b>1,274</b>	<b>256</b>	<b>185</b>	<b>331</b>	<b>(599)</b>	<b>168</b>	<b>1,615</b>

<sup>1</sup> Refer to division descriptions, page 114. NZ in A\$.

# Consumer 1H21 performance.

Consumer

## Cash earnings (\$m)



## Key financial metrics

	1H20	2H20	1H21	Change on 2H20
Revenue (\$m)	4,560	4,560	<b>4,457</b>	(2%)
Net interest margin (%)	2.33	2.41	<b>2.39</b>	(2bps)
Expense to income (%)	44.6	47.0	<b>50.9</b>	398bps
Customer deposit to loan ratio (%)	52.68	56.26	<b>56.47</b>	21bps
Stressed exposures to TCE (%)	0.83	1.38	<b>1.02</b>	(36bps)
Mortgage 90+ day delinquencies (%)	0.94	1.60	<b>1.18</b>	(42bps)

## Key operating metrics

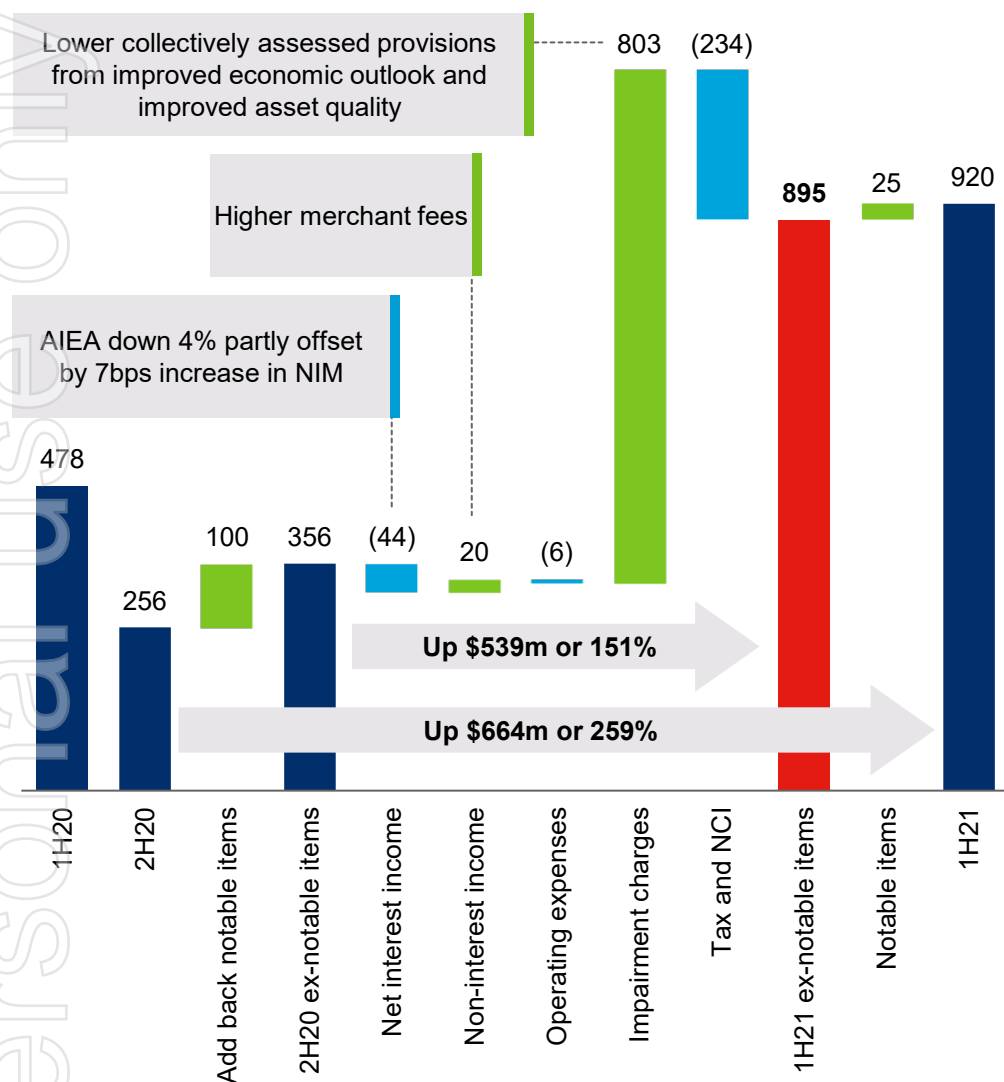
	1H20	2H20	1H21	Change on 2H20
Total customers (#m)	9.7	9.7	<b>9.7</b>	-
Active digital banking customers (#m)	4.49	4.53	<b>4.58</b>	1%
Branches (#) <sup>1</sup>	931	929	<b>889</b>	(40)
ATMs (#)	2,133	1,399	<b>1,352</b>	(47)
Main Financial Institution <sup>2</sup> (%)	16.3	15.7	<b>15.6</b>	(0.1ppt)

<sup>1</sup> Includes all points of presence including Advisory and Community banking centres. <sup>2</sup> Refer page 115 for metric definitions and details of provider. Data for 1H21 at February 2021.

# Business 1H21 performance.

Business

## Cash earnings (\$m)



## Key financial metrics

	1H20	2H20	1H21	Change on 2H20
Revenue (\$m)	2,455	2,268	<b>2,356</b>	4%
Net interest margin (%)	3.05	2.93	<b>3.17</b>	24bps
Expense to income (%)	43.5	54.2	<b>49.7</b>	Large
Customer deposit to loan ratio (%)	98.1	108.0	<b>114.6</b>	Large
Stressed exposures to TCE (%)	3.07	4.70	<b>4.60</b>	(10bps)

## Key operating metrics

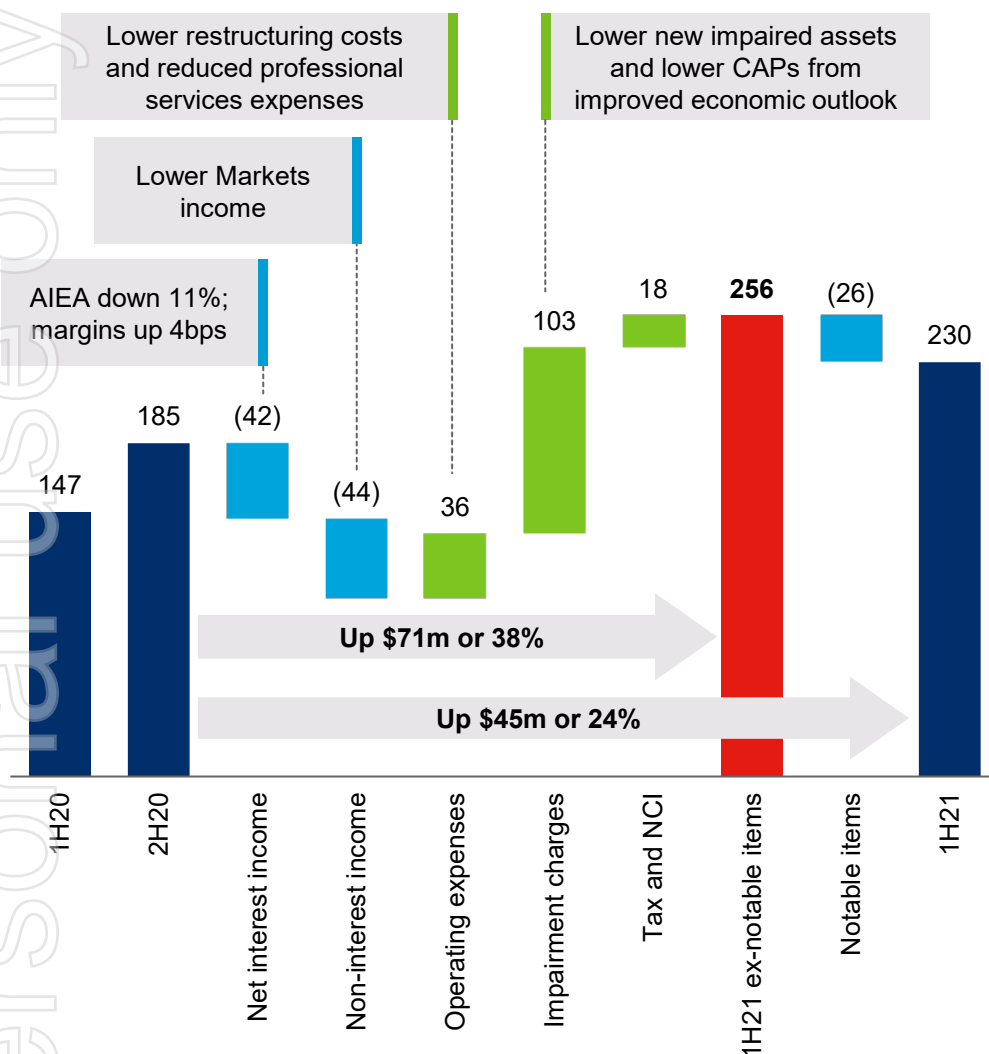
	1H20	2H20	1H21	Change on 2H20
Total customers <sup>1</sup> ('000's)	1,021	1,053	<b>1,063</b>	1%
Customer satisfaction <sup>2</sup> (rank)	#1	#1	<b>=#1</b>	–
Customer satisfaction – SME <sup>2</sup> (rank)	=#1	#1	<b>=#2</b>	Down 1
Digital sales <sup>3</sup> (%)	23	28	<b>27</b>	(1ppt)

<sup>1</sup> Excludes Private Wealth customers. <sup>2</sup> Refer page 115 for details of metric definition and provider. Data for 1H21 at Feb 21. <sup>3</sup> Share of sales made digitally for eligible products.

# WIB 1H21 performance.

Westpac Institutional Bank

## Cash earnings (\$m)



## Key financial metrics

	1H20	2H20	1H21	Change on 2H20
Revenue (\$m)	1,161	1,132	<b>1,046</b>	(8%)
Net interest margin (%)	1.46	1.23	<b>1.27</b>	4bps
Expense to income ratio (%)	53.3	61.6	<b>66.7</b>	Large
Net loans	78.6	66.2	<b>62.4</b>	(6%)
Customer deposits	110.0	102.9	<b>91.0</b>	(12%)
Customer deposit to loan ratio (%)	139.9	155.4	<b>145.8</b>	Large
Stressed exposures to TCE (%)	1.09	1.03	<b>0.56</b>	(47bps)

## Key operating metrics

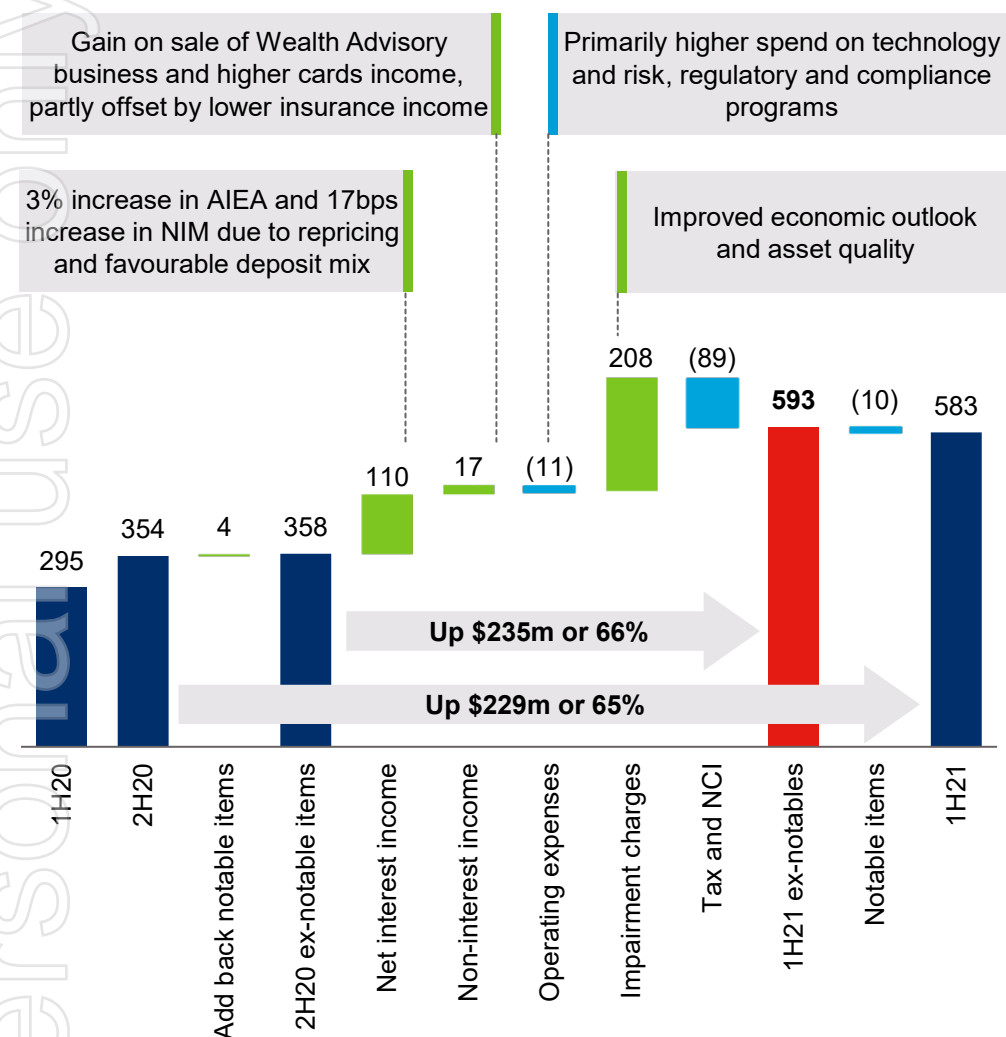
	1H20	2H20	1H21	Change on 2H20
Customer revenue <sup>1</sup> / total revenue (%)	94.4	88.3	<b>91.5</b>	Large
Trading revenue / total revenue (%)	15.0	13.1	<b>7.2</b>	Large
Revenue per FTE (\$'000)	784	717	<b>668</b>	(7%)

<sup>1</sup> WIB customer revenue is lending revenue, deposit revenue, sales and fee income. Excludes trading and derivative valuation adjustments.

# New Zealand 1H21 performance<sup>1</sup>.

New Zealand

## Cash earnings (NZ\$m)



<sup>1</sup> In NZ\$ unless otherwise noted. <sup>2</sup> Refer page 115 for details of metric definition and provider.

## Key financial metrics

	1H20	2H20	1H21	Change on 2H20
Revenue (NZ\$m)	1,162	1,120	<b>1,245</b>	11%
Net interest margin (%)	2.06	1.89	<b>2.06</b>	17bps
Expense to income (%)	46.6	46.3	<b>43.1</b>	(320bps)
Customer deposit to loan ratio (%)	79.4	80.7	<b>81.8</b>	111bps
Stressed exposures to TCE (%)	1.64	1.59	<b>1.56</b>	(3bps)

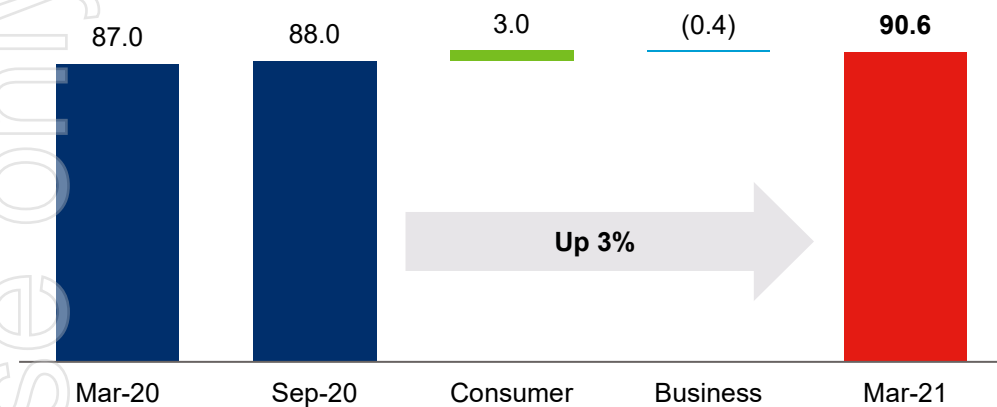
## Key operating metrics

	1H20	2H20	1H21	Change on 2H20
Customers (#m)	1.35	1.34	<b>1.33</b>	(1%)
Branches (#)	151	143	<b>134</b>	(9)
Consumer NPS <sup>2</sup>	+21	+14	<b>+16</b>	Up 2
Business NPS <sup>2</sup>	+1	+7	<b>(1)</b>	Down 8
Agri NPS <sup>2</sup>	+21	+34	<b>+34</b>	-
Funds (NZ\$bn) (spot)	10.9	12.2	<b>11.9</b>	(2%)
Service quality – complaints (000's)	9.6	9.5	<b>9.3</b>	(2%)

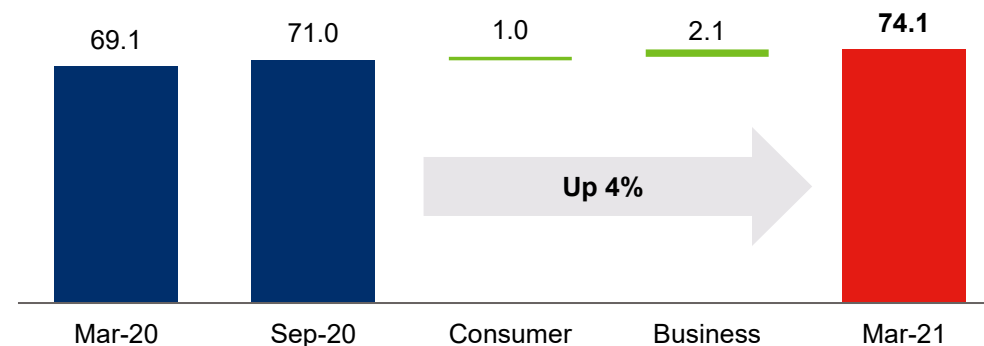
# New Zealand balance sheet.

New Zealand

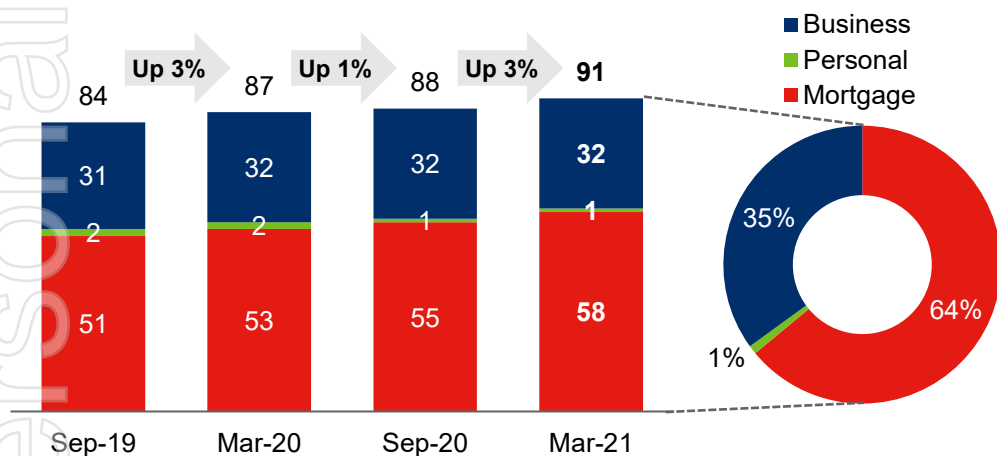
## Net loans (NZ\$bn)



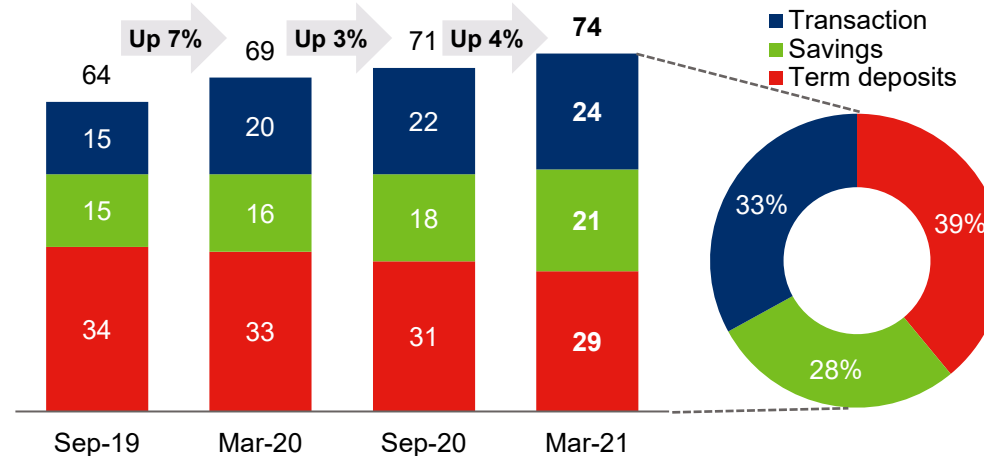
## Deposits (NZ\$bn)



## Loans (NZ\$bn) and % of total



## Customer deposits (NZ\$bn) and % of total



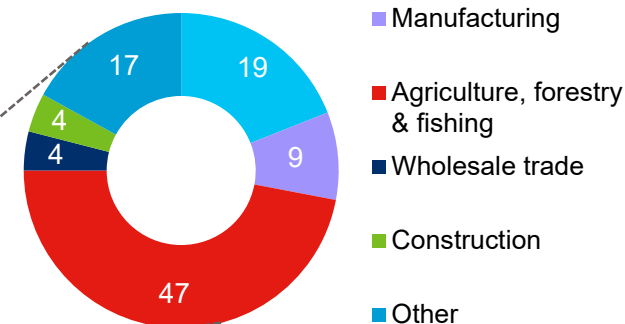
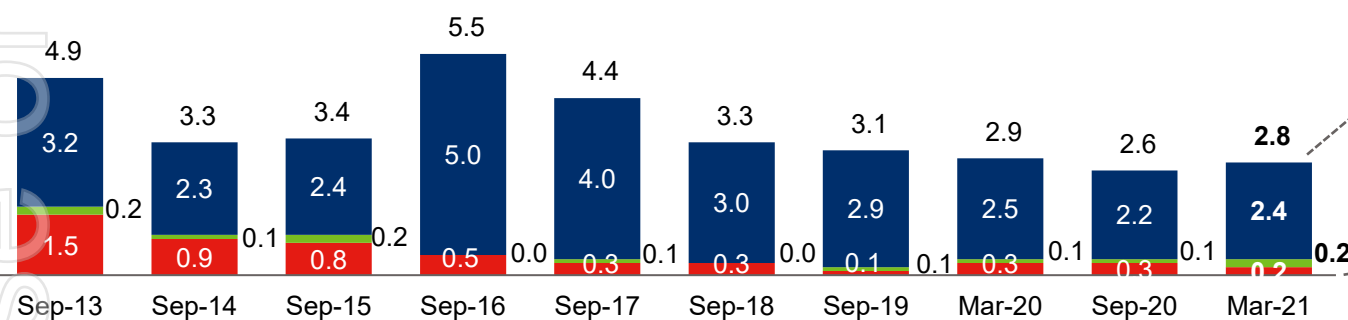


# New Zealand stressed exposures.

New Zealand

## Business stressed exposures as a % of business TCE

■ Watchlist & substandard ■ 90+ day past due and not impaired ■ Impaired

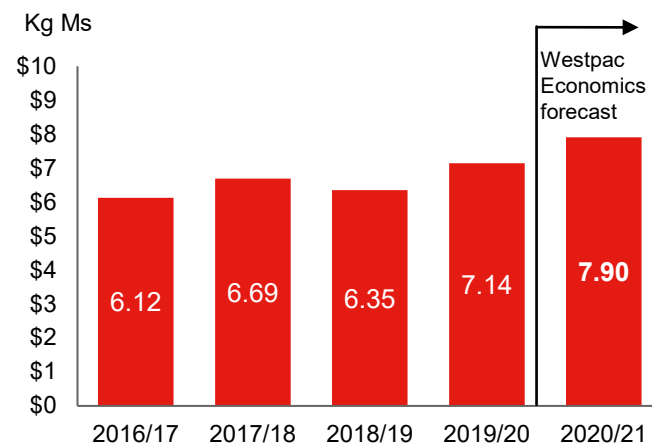


## Agribusiness portfolio

	Mar-20	Sep-20	Mar-21
TCE (NZ\$bn)	9.6	10.0	10.1
Agriculture as a % of total TCE	7.6	7.9	7.7
% of portfolio graded as 'stressed' <sup>1</sup>	9.8	8.2	8.0
% of portfolio in impaired	0.48	0.48	0.29

<sup>1</sup> Includes impaired exposures.

## Milk price (NZ\$)



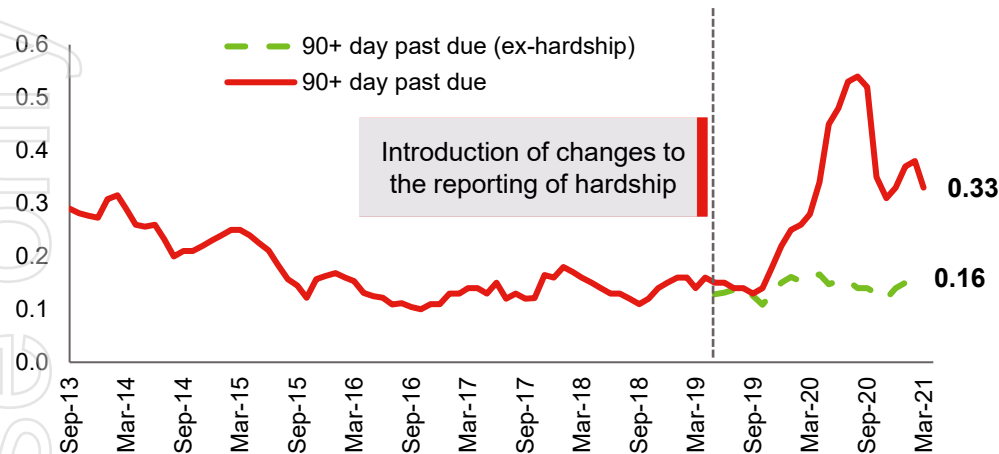
## Dairy portfolio summary

- Overall portfolio health remains sound with risk profiles improving as a result of the higher milk prices paid over the last two seasons. Focus remains on supporting existing dairy customers with proven long-term viability
- Global dairy prices have increased on the back of rebounding Chinese and South-East Asian demand. Fonterra has revised its 2020/21 milk price forecast range to \$7.30/kg - \$7.90/kg, while Westpac has lifted its forecast to \$7.90/kg
- Uncertainty around environmental regulations, rising compliance costs, Fonterra's financial performance and labour shortages are ongoing risks to the dairy sector outlook

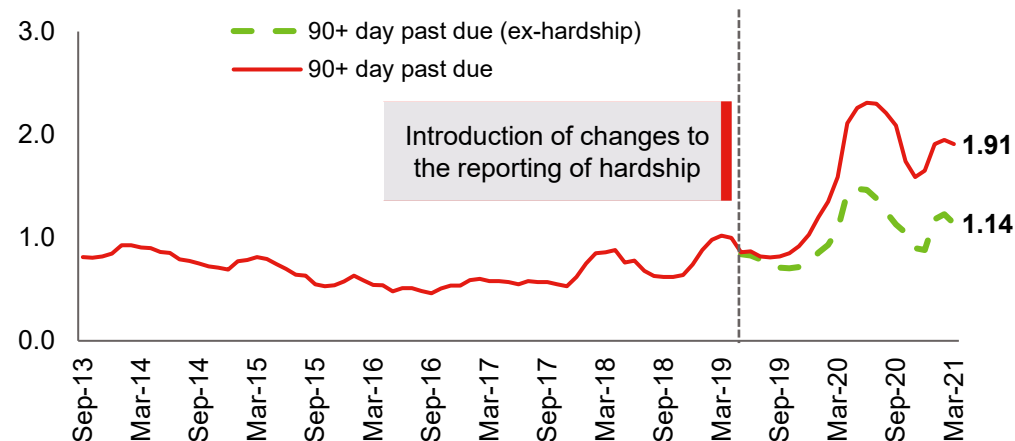
# New Zealand consumer portfolio.

New Zealand

## Mortgage 90+ day delinquencies<sup>1</sup> (%)

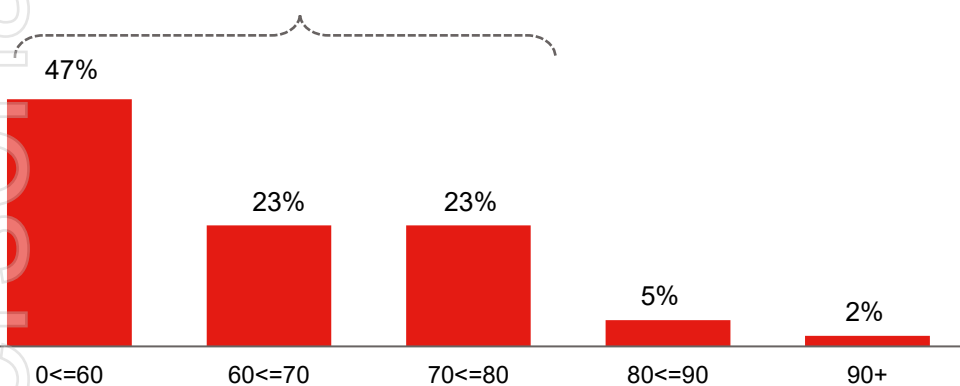


## Unsecured consumer 90+ day delinquencies<sup>1</sup> (%)

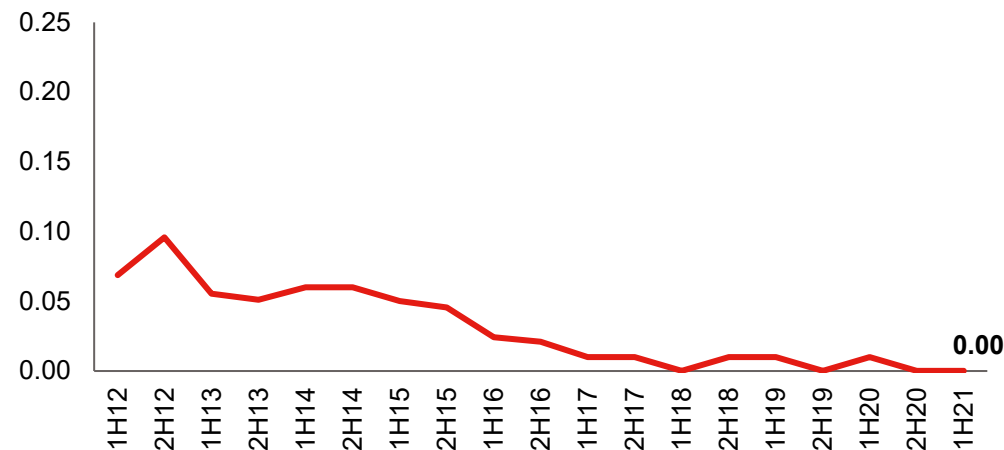


## Mortgage portfolio LVR<sup>2</sup> (%) of portfolio

93% of mortgage portfolio less than 80% LVR



## Mortgage loss rates each half (%)

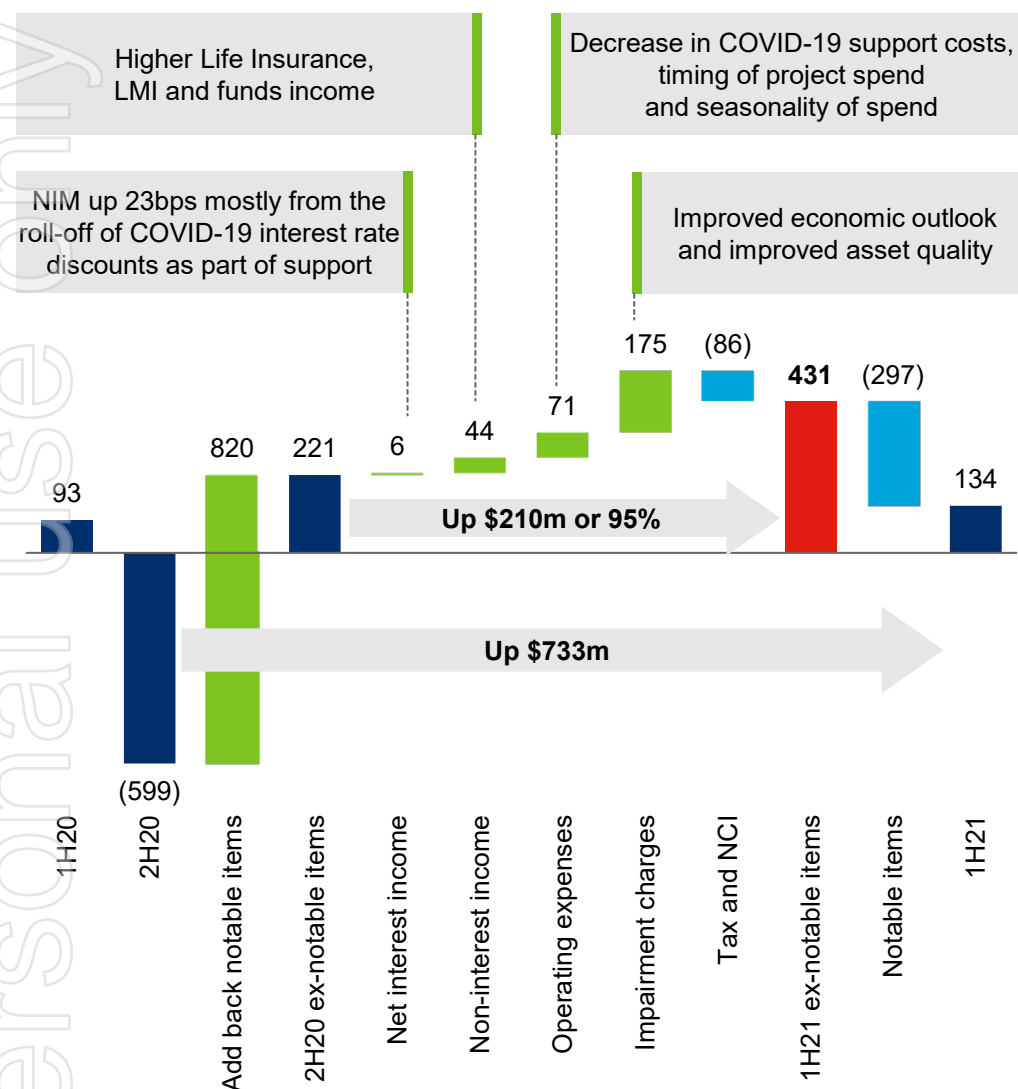


<sup>1</sup> In May 2019 we made changes to the reporting of customers in hardship to align to the method used by APRA. <sup>2</sup> LVR based on current loan property value at latest credit event.

# Specialist Businesses 1H21 performance.

Specialist Businesses

## Cash earnings (\$m)



## Key financial metrics

	1H20	2H20	1H21	Change on 2H20
Average funds (\$bn)	203.8	191.1	205.6	8%
Spot funds (\$bn)	179.1	193.0	211.7	10%
Platforms deposits (\$bn)	5.2	4.9	4.3	(12%)
Platform FUA market share (inc. Corp Super) <sup>1</sup> (%)	18.4	18.4	18.5	0.1ppt
Retail Life Insurance in-force premiums (\$m)	949	942	938	-
Life Insurance claims ratio <sup>2</sup> (%)	54	48	63	Large
Auto Finance loans (\$bn)	12.5	11.5	11.1	(3%)

## Held for sale businesses

Key financial metrics	1H20	2H20	1H21	Change on 2H20
Vendor Finance loans (\$bn)	0.5	0.4	0.5	25%
Westpac Pacific loans (\$bn)	1.8	1.6	1.4	(13%)
General Insurance GWP <sup>3</sup> (\$m)	273	282	289	2%
General Insurance claims ratio (%)	107	58	82	Large
LMI <sup>4</sup> GWP (\$m)	89	91	154	69%
LMI claims (loss) ratio (%)	15	67	3	Large

<sup>1</sup> Plan for Life, December 2020. <sup>2</sup> Loss ratio is claims net of reinsurance over the total earned premium plus exchange commission. <sup>3</sup> Gross written premium. <sup>4</sup> Lenders mortgage insurance.

# Panorama.

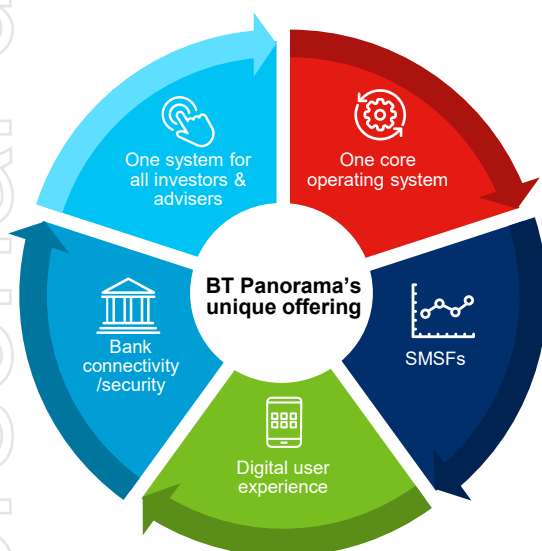
Supporting advisers and investors.

Specialist Businesses

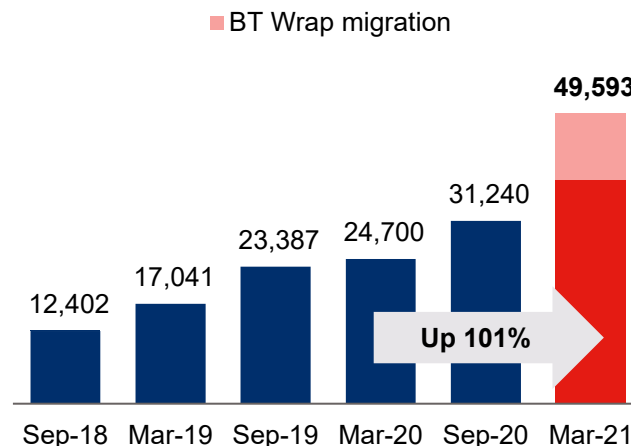
Panorama UX supports both advised and direct to consumer investment and superannuation propositions



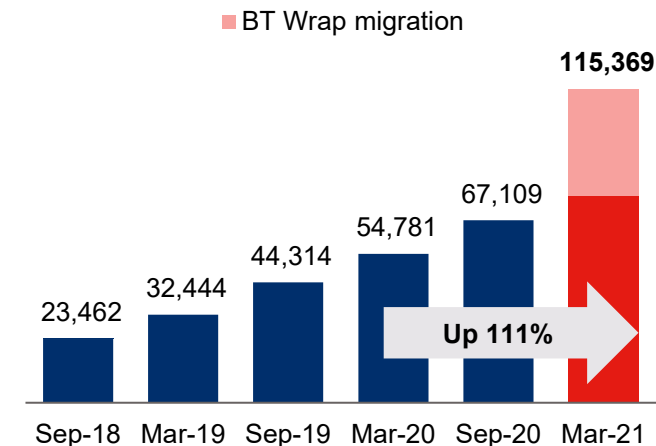
- Best Mobile Platform<sup>1</sup>
- Best Client Portal<sup>1</sup>
- Best Online Business Management<sup>1</sup>



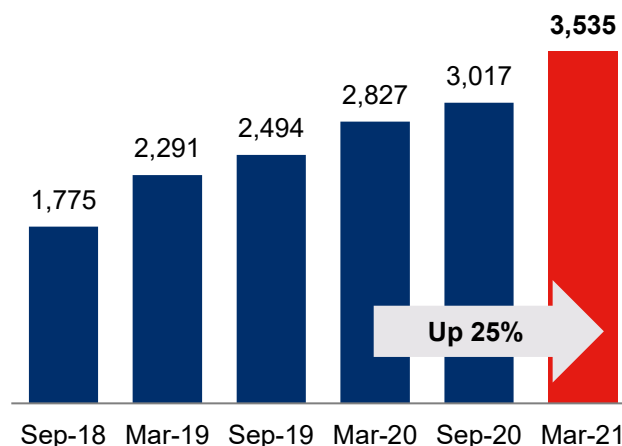
## FUA on Panorama<sup>2</sup> (\$m)



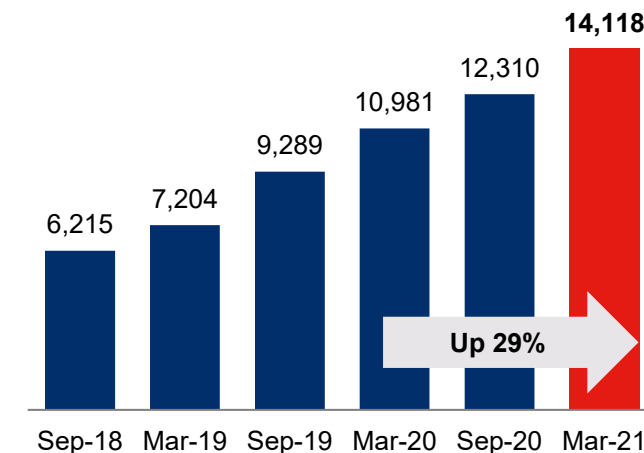
## Investors on Panorama<sup>2</sup> (#)



## Active advisers on Panorama<sup>3</sup> (#)



## SMSF funds on Panorama<sup>3</sup> (#)



<sup>1</sup> Investment Trends Platform and Competitive Analysis and Benchmarking Report, December 2020. <sup>2</sup> Migration from BT Wrap to Panorama is underway, expected to complete by 30 June 2021. <sup>3</sup> Advisers and SMSF funds that have been migrated from BT Wrap are not shown separately.

# Economics

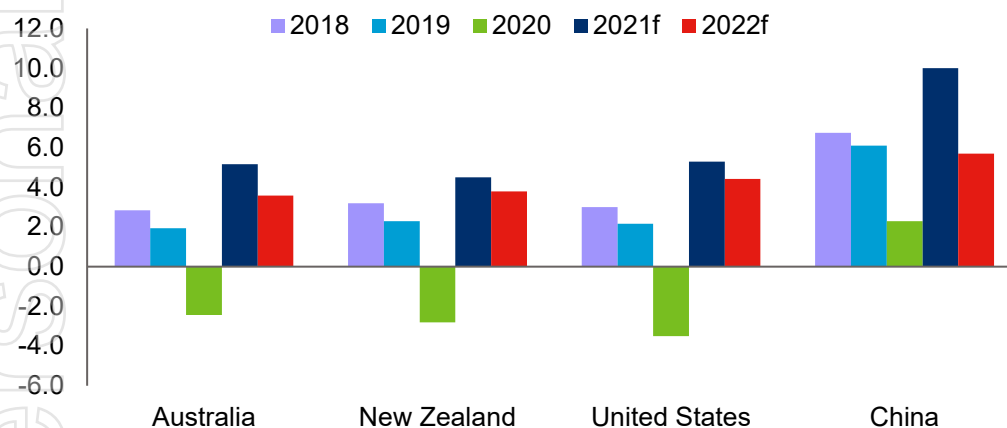
# Australian and New Zealand economic forecasts.

Economics

Key economic indicators (%) at April 2021		2019	2020	2021F	2022F
World	GDP <sup>1</sup>	2.8	-3.3	5.9	4.5
Australia	GDP <sup>2</sup>	2.2	-1.1	4.5	3.0
	Unemployment – end period	5.2	6.8	5.0	4.7
	CPI headline – year end	1.8	0.9	3.1	2.1
	Interest rates – cash rate	0.75	0.10	0.10	0.10
New Zealand	GDP <sup>2</sup>	1.7	-0.9	2.1	4.9
	Unemployment – end period	4.1	4.9	4.9	4.2
	Consumer prices	1.9	1.4	2.4	1.3
	Interest rates – official cash rate	1.00	0.25	0.25	0.25

Key economic indicators (%) at April 2021		2019	2020	2021F	2022F
Australia	Credit growth				
	Total – year end	2.4	1.8	4.6	5.6
	Housing – year end	3.0	3.5	6.5	7.2
	Business – year end	2.4	0.9	2.5	3.6
New Zealand	Credit growth				
	Total – year end	5.7	3.3	5.7	5.7
	Housing – year end	6.9	8.2	8.6	6.1
	Business – year end	4.6	-2.6	1.3	5.3

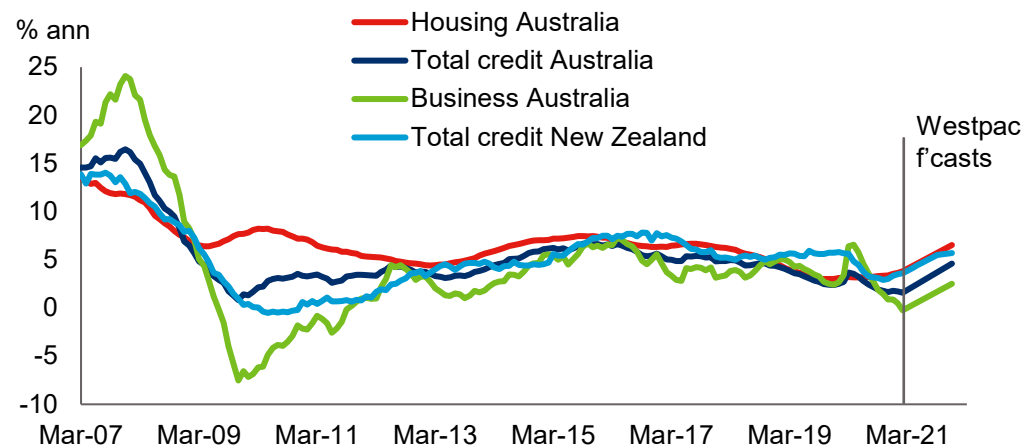
## GDP growth (year average)



Source: Westpac Economics.

1 Year average growth rates. 2 Through the year growth rates.

## Private sector credit growth (% ann)



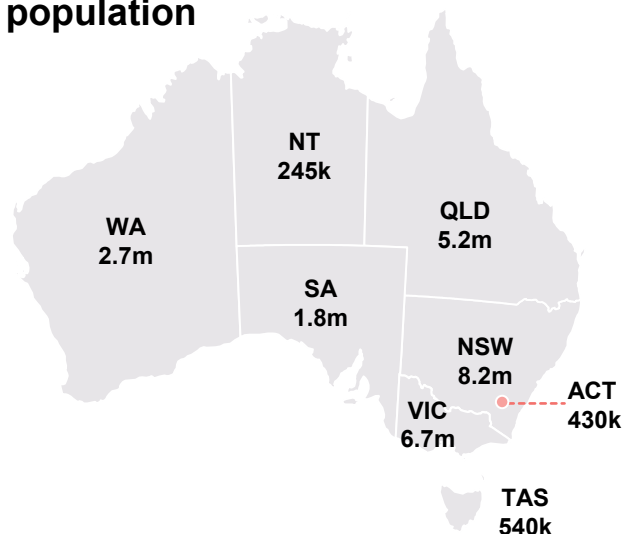
Sources: RBA, Westpac Economics

# The Australian economy.

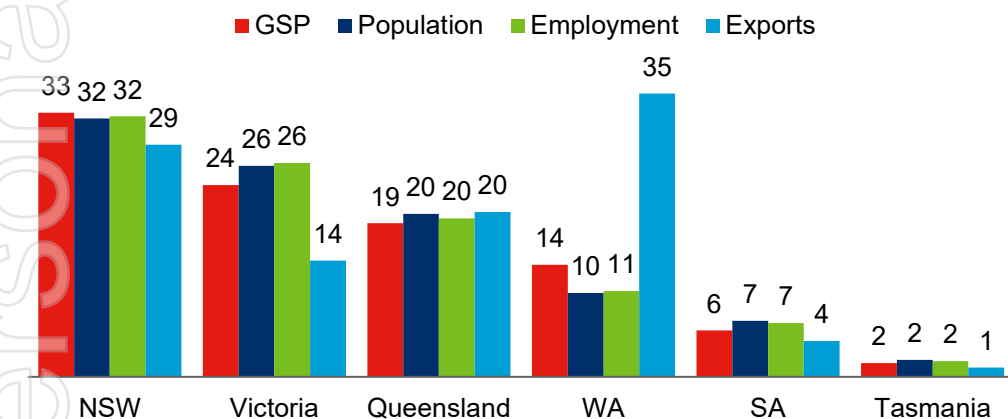
Population 25.7 million.

Economics

## Australian population



## Relative size of States (Share of Australia, 2019/20, %)

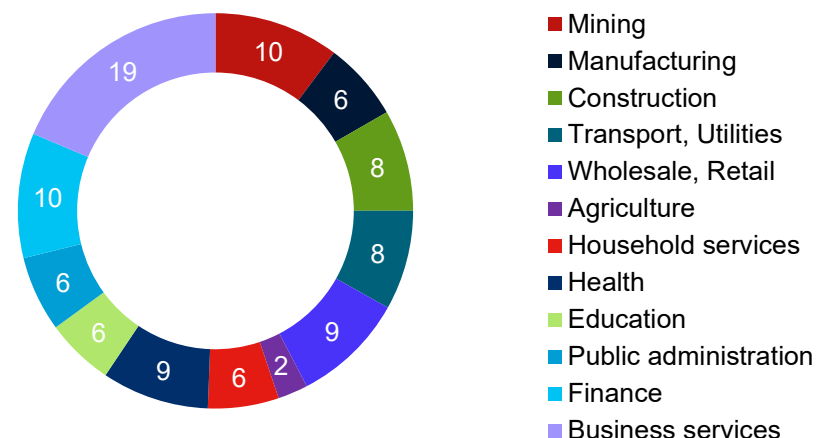


Sources: ABS, Westpac Economics

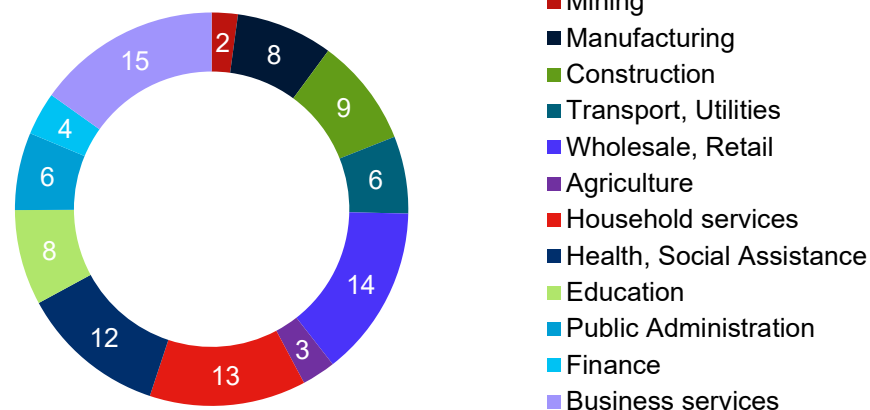
1 Real, financial years, experimental estimates.

## Australian GDP and employment composition

Output 2020 - sector contribution to GDP<sup>1</sup> (%)



Australian employment by sector 2020 (%)

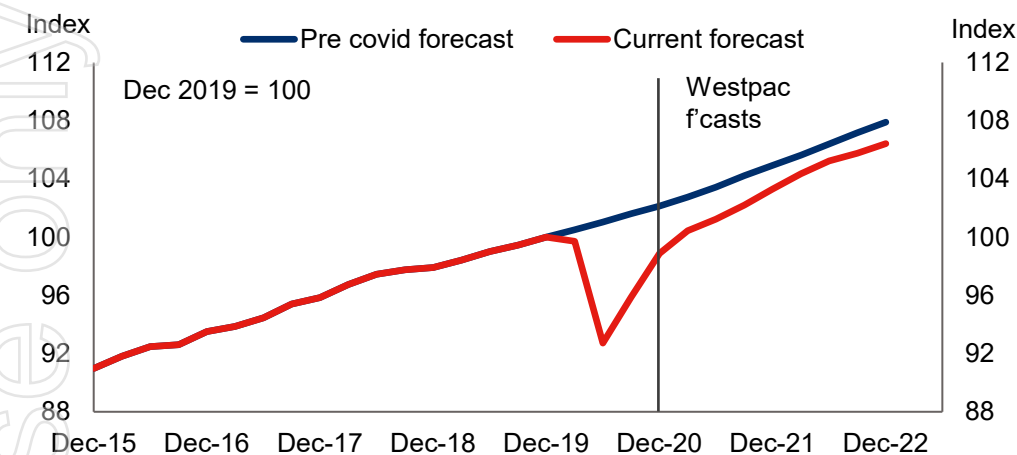


# The Australian economy.

Recovery well under way and stronger than expected.

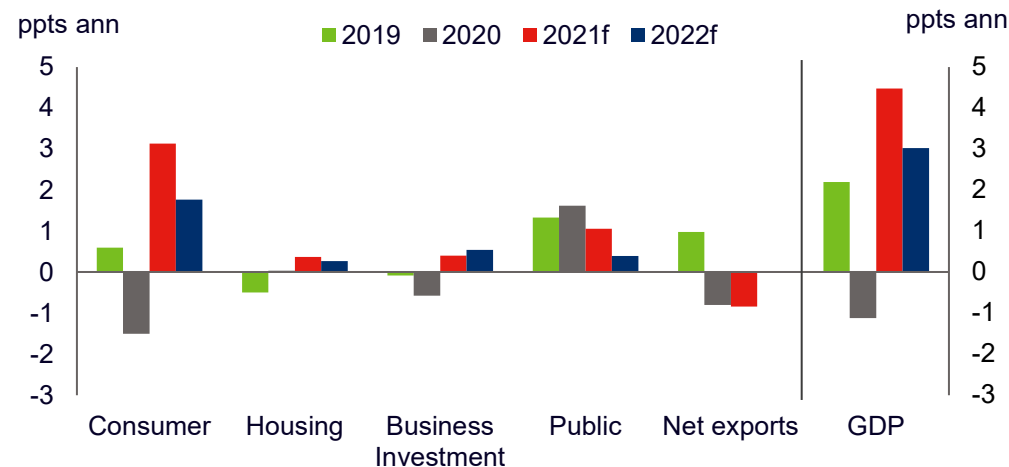
Economics

## Australia's GDP profile (index)



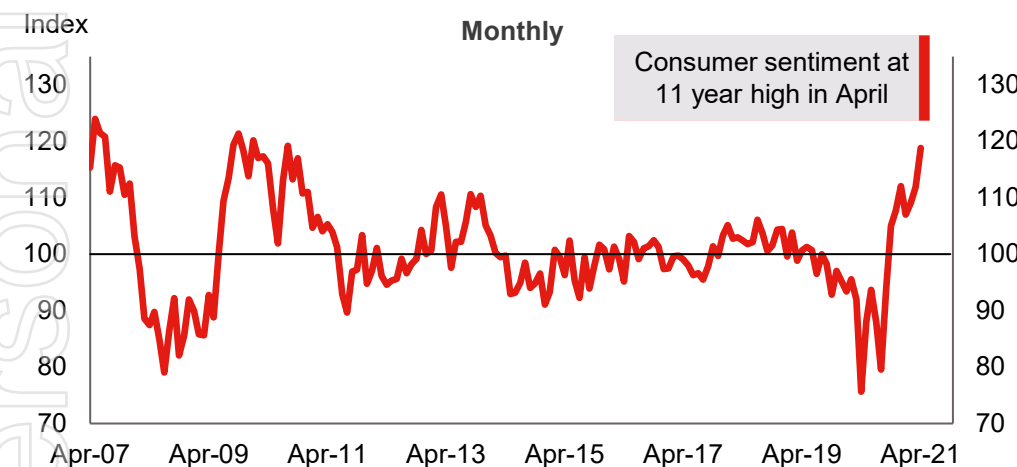
Sources: ABS, Westpac Economics.

## GDP growth year end contributions (ppts)



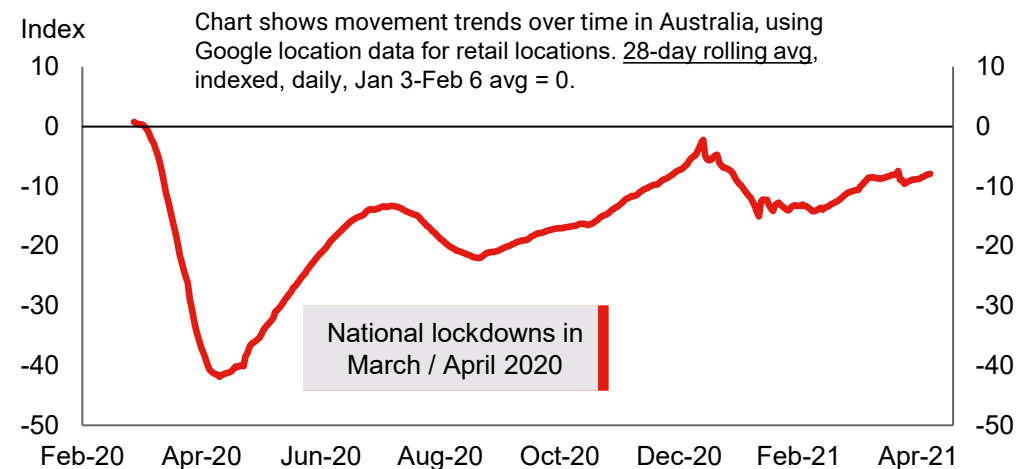
Sources: ABS, Westpac Economics.

## Consumer sentiment (index)



Sources: Westpac MI, Westpac Economics

## Australian mobility measures (index)



Source: Google, Westpac Economics

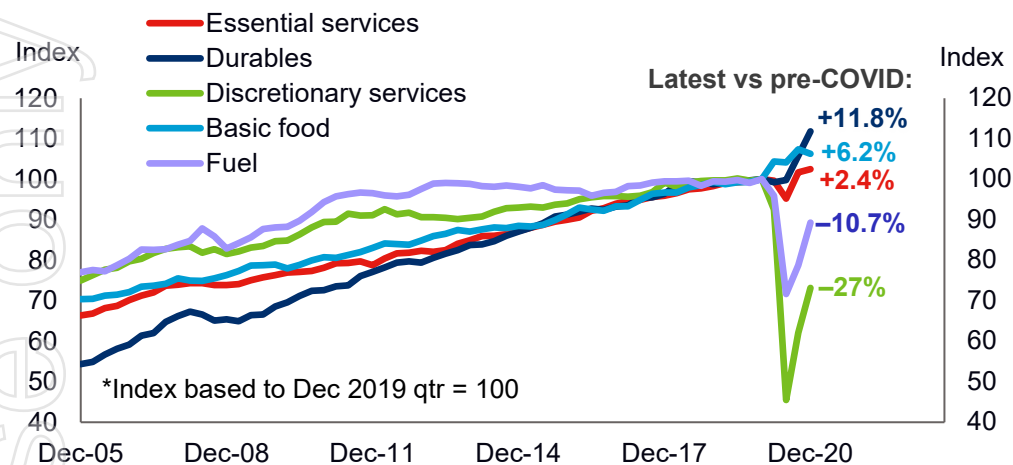


# The Australian economy.

Momentum in consumer and housing.

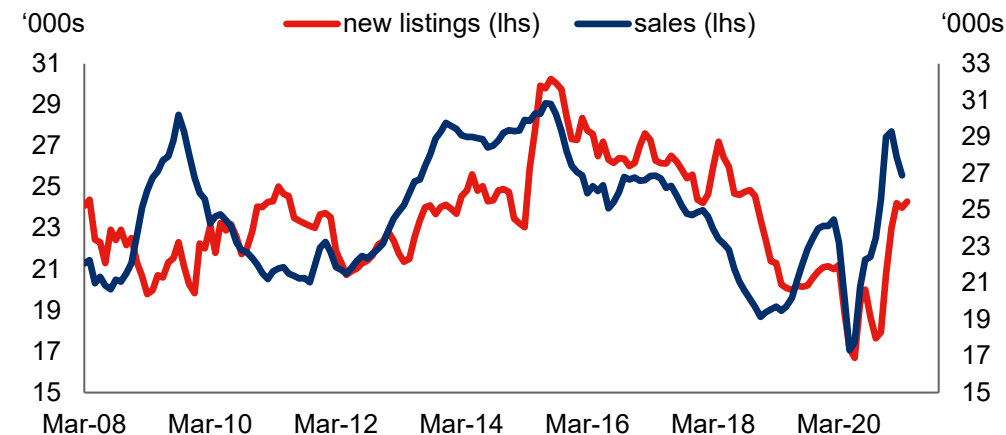
Economics

## Consumer spending: broad categories



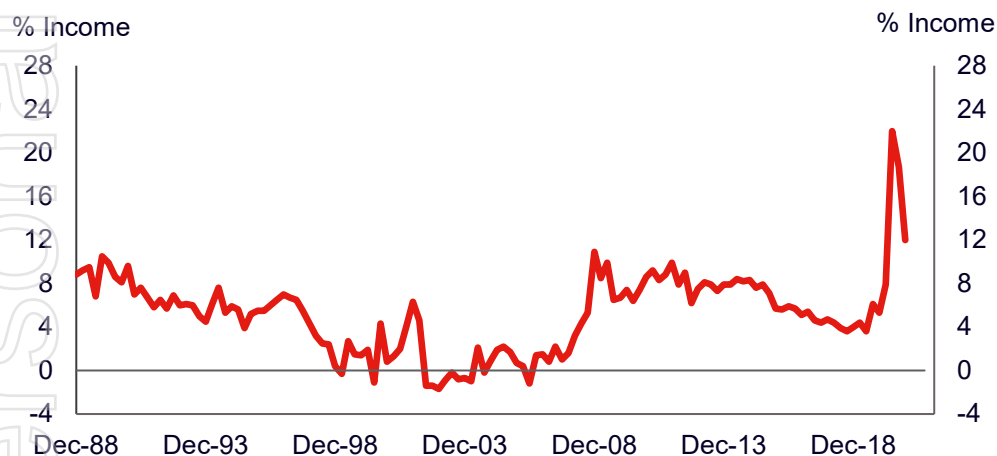
Sources: ABS, Westpac Economics.

## Residential property: listings and sales ('000s)



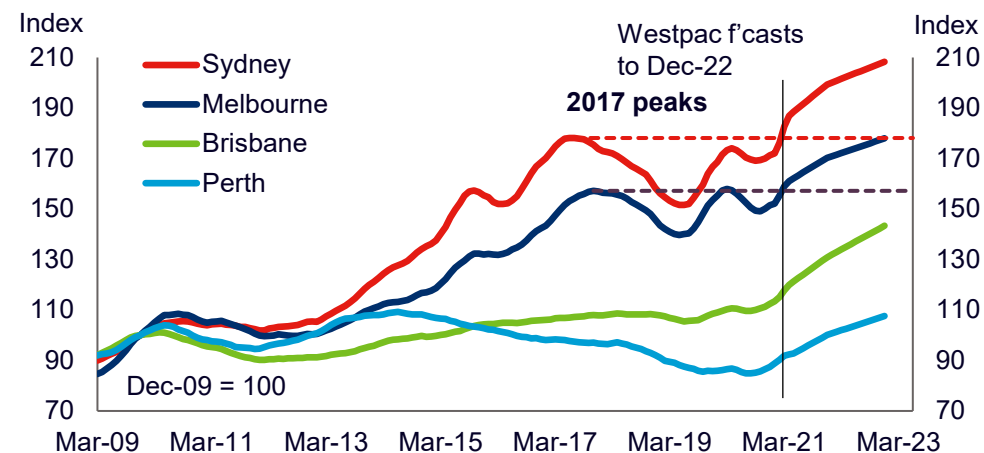
Sources: CoreLogic, Westpac Economics.

## Household saving ratio (% of income)



Sources: ABS, Westpac Economics.

## Dwelling prices (all dwellings, index)



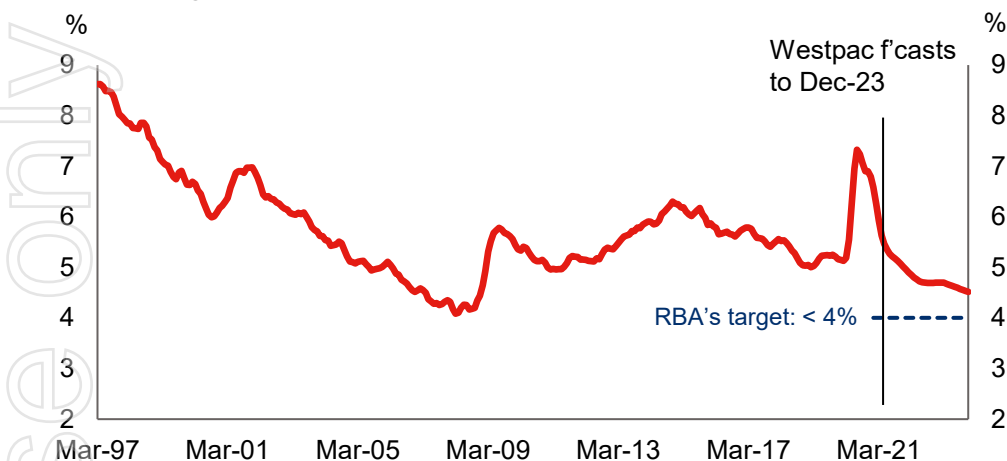
Sources: CoreLogic, Westpac Economics

# The Australian economy.

Positive signs but still a long way from potential.

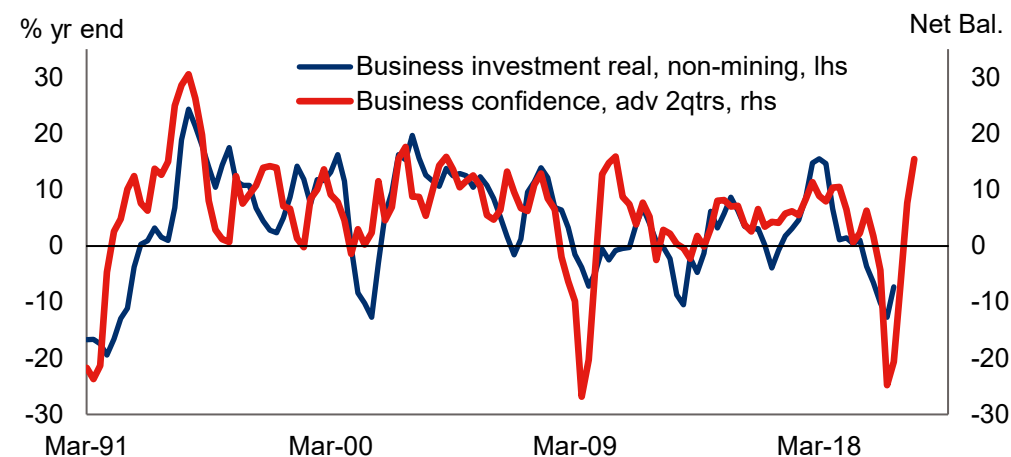
Economics

## Unemployment rate (%)



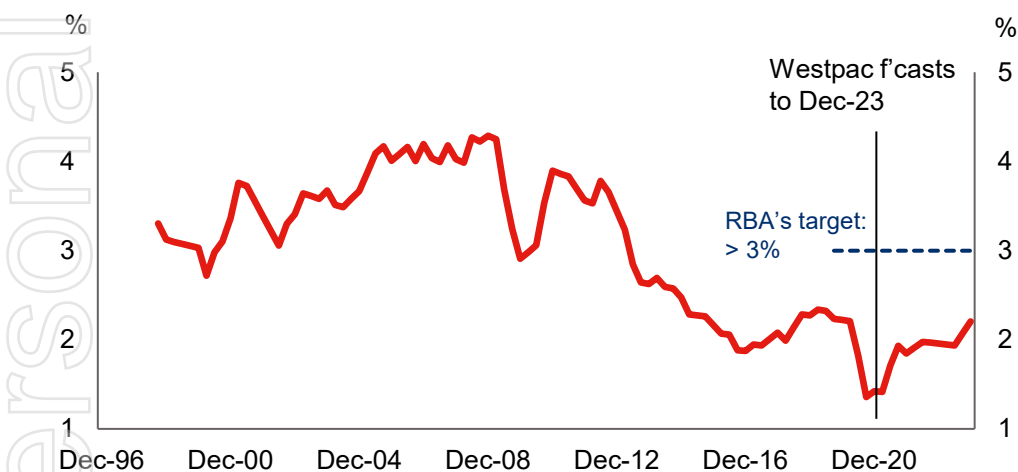
Sources: NAB survey, ABS, Westpac Economics.

## Business confidence and investment



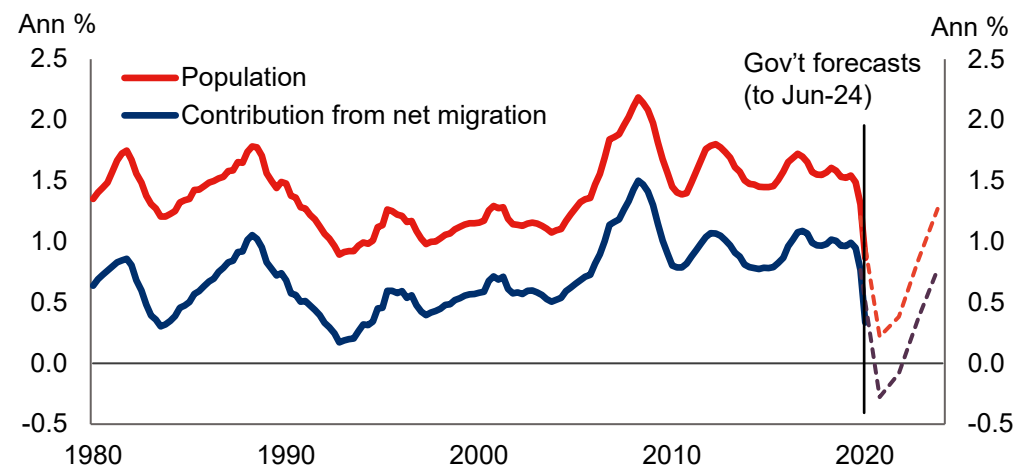
Sources: NAB survey, ABS, Westpac Economics

## Wages (%)



Sources: RBA, Westpac Economics

## Aust. population growth: medium term prospects (% ann)



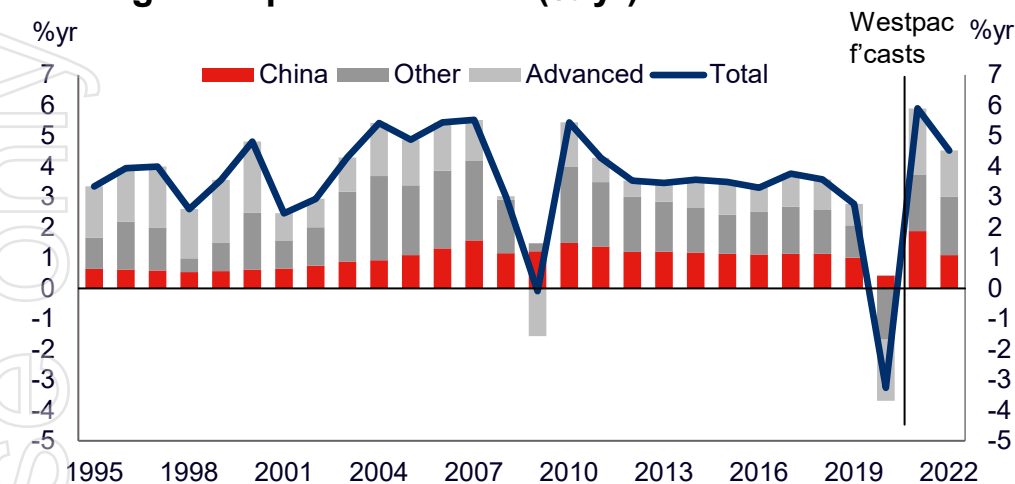
Sources: ABS, Aus Govt Centre for Population, Westpac Economics.

# The Australian economy.

Economics

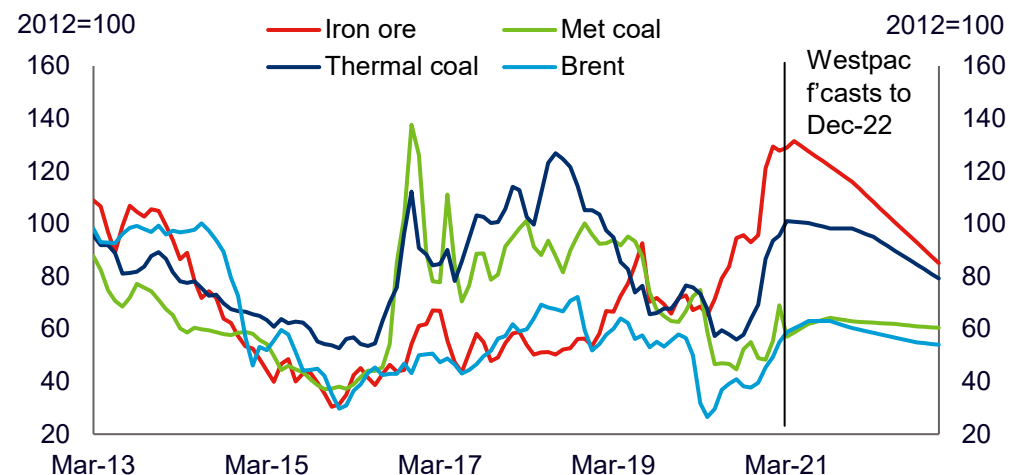
Commodity prices expected to remain higher for longer.

## World growth post COVID-19 (% yr)



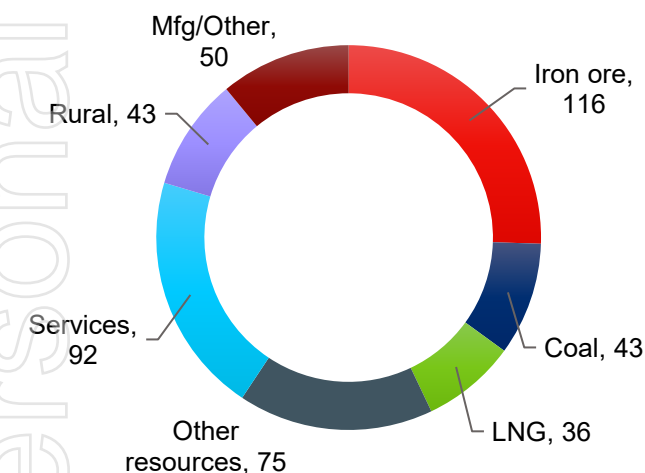
Sources: IMF, Westpac Economics

## Australian commodity prices (index)



Sources: Westpac Economics, Bloomberg, ABS

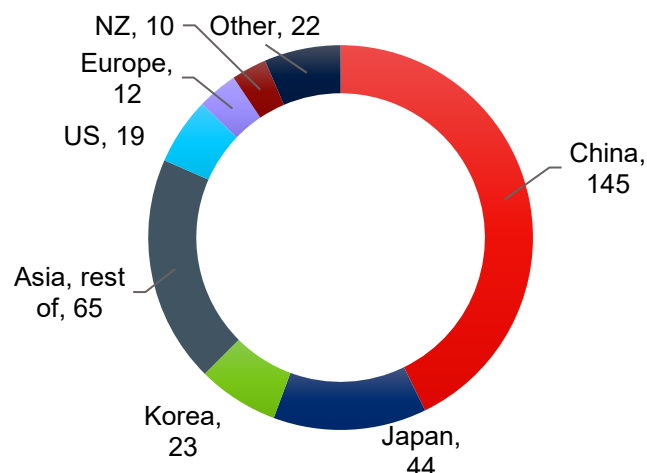
## Australian export composition<sup>1</sup> (\$bn)



Source: ABS, DFAT, Westpac Economics

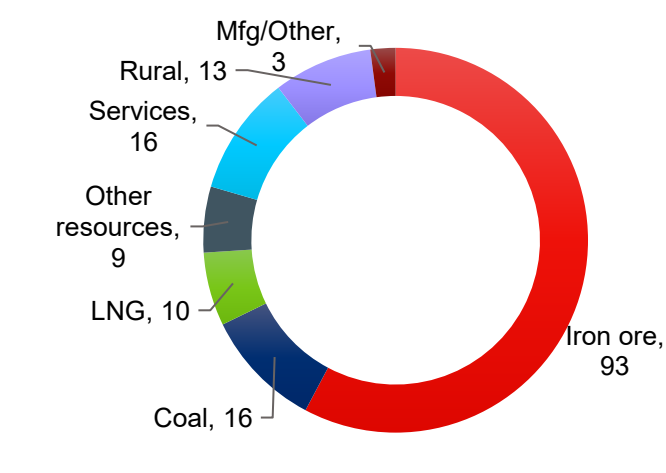
<sup>1</sup> All figures show \$bn exports in 2020, note that figures may not sum due to rounding and other small differences in source data.

## Australian export destinations<sup>1</sup> (\$bn)



Sources: DFAT, Westpac Economics

## Australian exports to China<sup>1</sup> (\$bn)



Source: DFAT, ABS, Westpac Economics

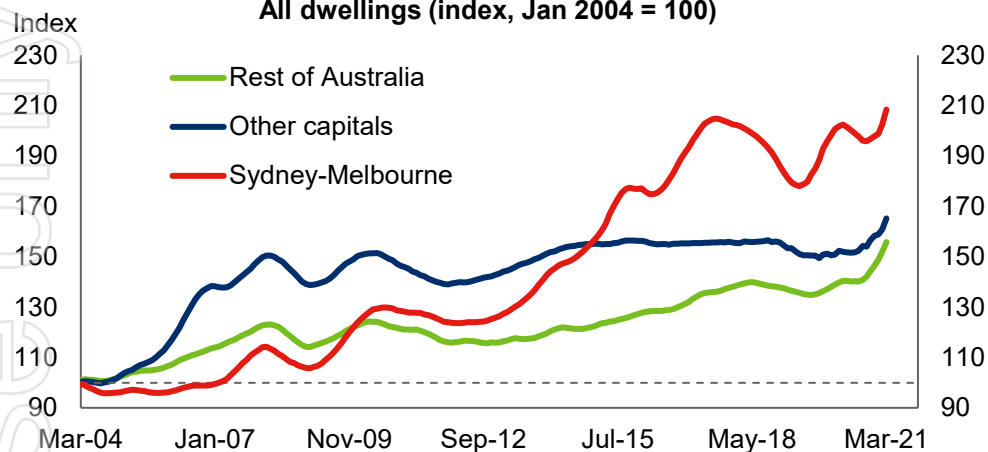
# Australian housing market.

Economics

Housing market in strong, broad-based upswing led by owner-occupiers.

## Australian dwelling prices (index)

All dwellings (index, Jan 2004 = 100)



Sources: CoreLogic, Westpac Economics.

## Dwelling prices

% change over period

Capital city	Pop'n	Last 3 mths (to Mar-21)	Last 12 mths (Mar-21)	Last 5 years (to Mar-21)
Sydney	4.8m	Up 6.7%	Up 5.4%	Up 3.7%
Melbourne	4.5m	Up 4.9%	Up 0.7%	Up 3.8%
Brisbane	2.3m	Up 4.8%	Up 6.8%	Up 2.4%
Perth	1.9m	Up 5.0%	Up 6.0%	Down 2.0%

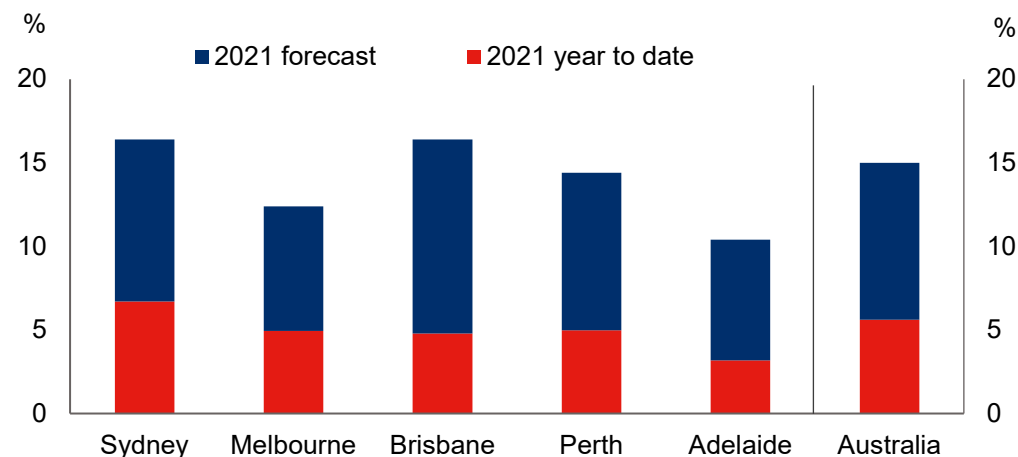
Sources: CoreLogic, Westpac Economics.

## Housing finance approvals by segment (\$bn)



Sources: ABS, Westpac Economics.

## Westpac Economics dwelling price forecasts (%)



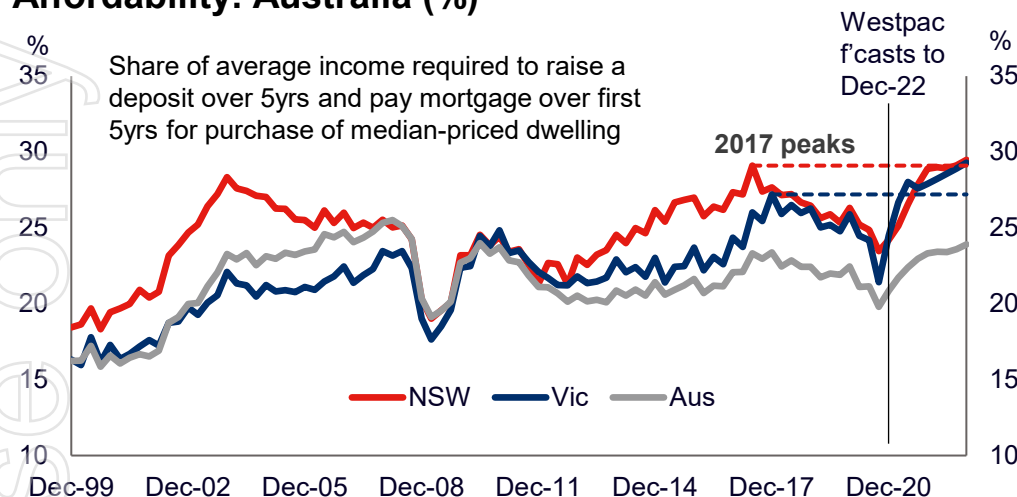
Sources: CoreLogic, Westpac Economics.

# Australian housing market.

Economics

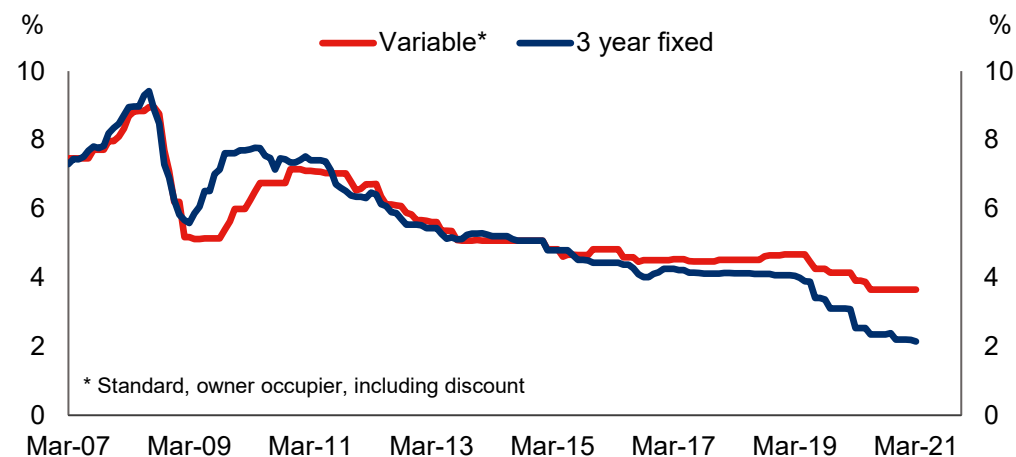
Affordability issues to re-emerge in Sydney and Melbourne.

## Affordability: Australia (%)



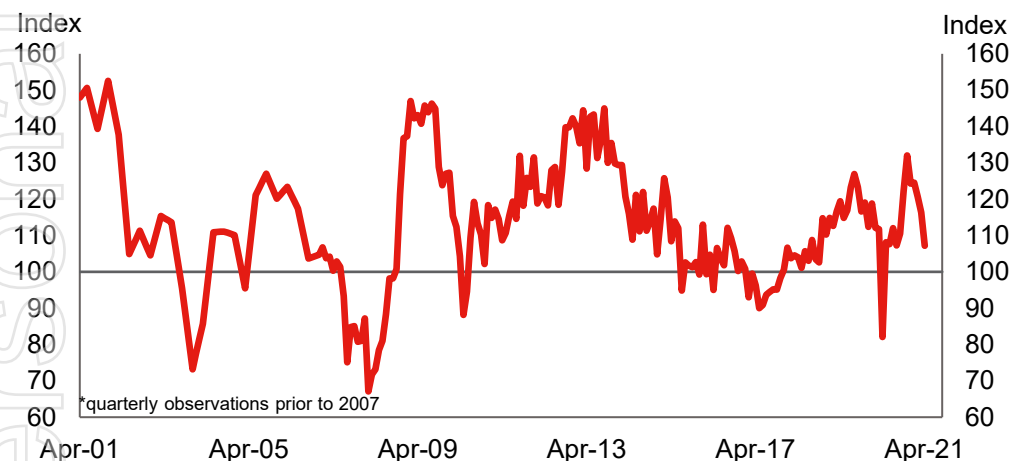
Sources: CoreLogic, Westpac Economics

## Mortgage interest rates (%)



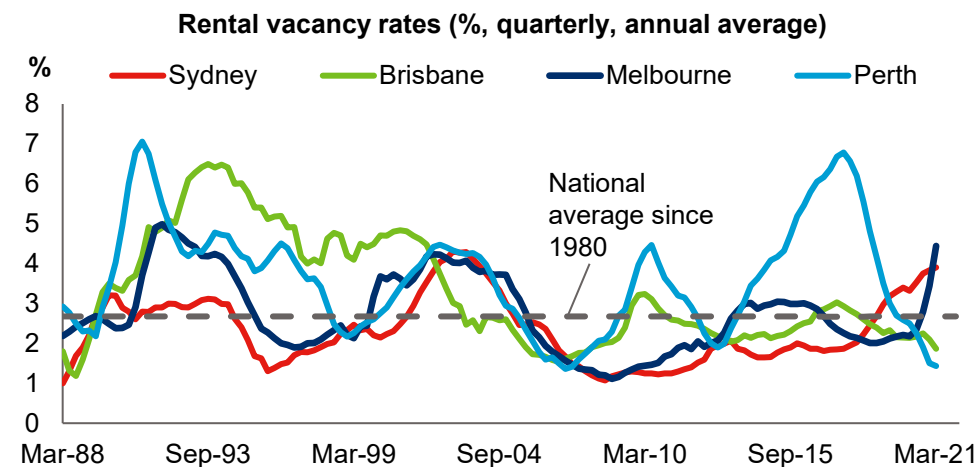
Sources: RBA, Westpac Economics.

## Consumer Sentiment: 'time to buy a dwelling' (index)



Sources: Melbourne Institute, Westpac Economics

## Rental vacancy rates (%)



Sources: ABS, Westpac Economics.

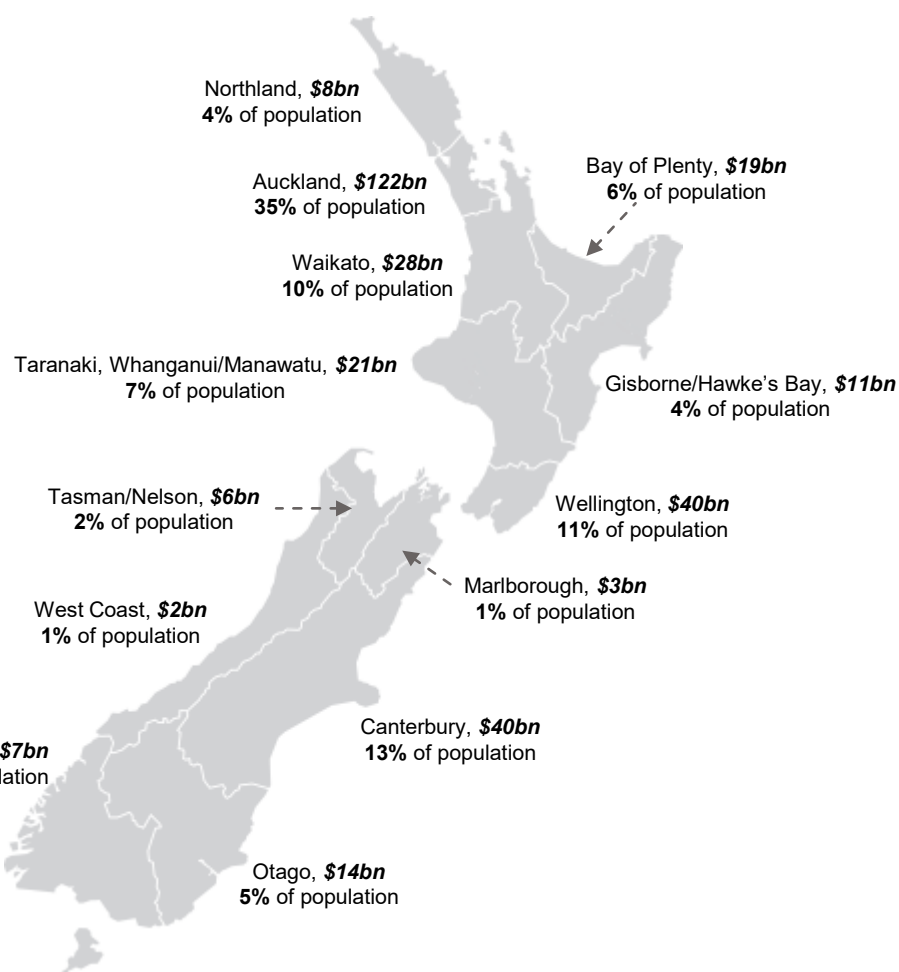
# The New Zealand economy.

Population 5.1 million.

Economics

## Regional GDP

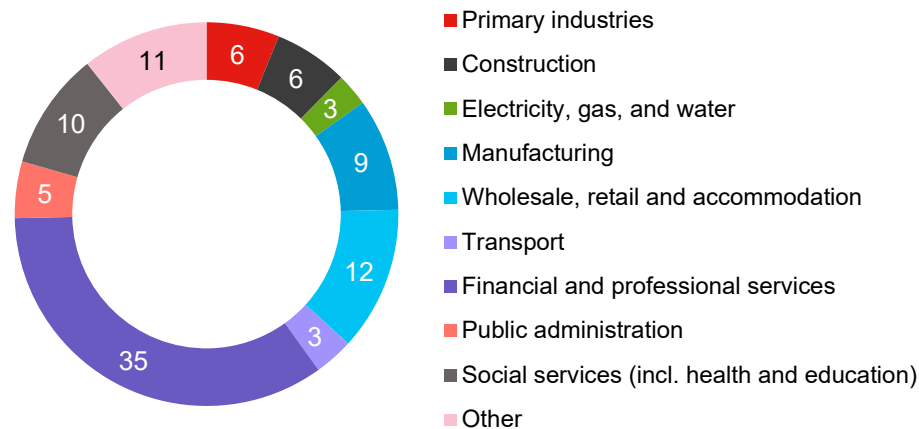
Total nominal GDP 2020: **\$322 bn**



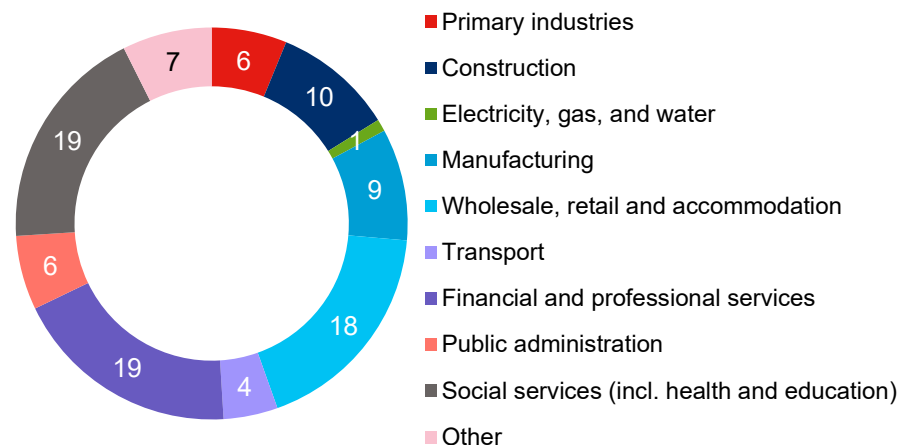
Sources: Stats NZ, Westpac Economics.  
Nationwide GDP and employment figures are for the year to Dec 2020, regional figure are for the year to March 2020.

## Economy

Output 2020 - sector shares of GDP (%)



NZ employment by sector 2020 (%)



Charts may not add to 100 due to rounding.

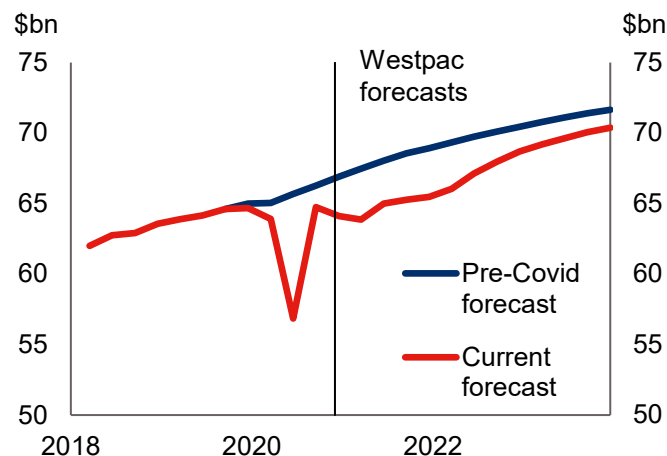
# The New Zealand economy.

Recovery well advanced.

Economics

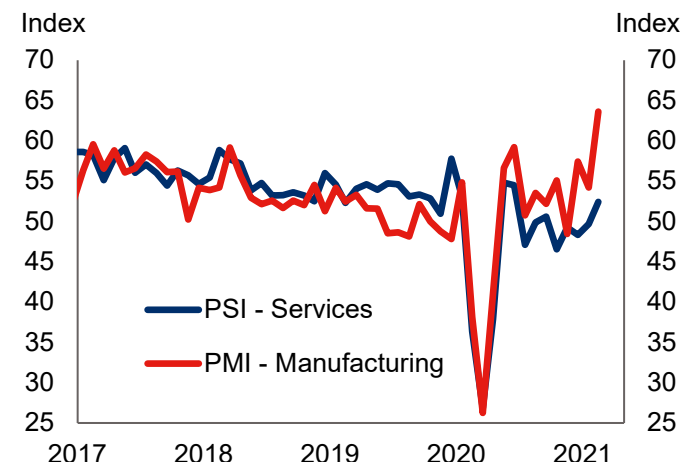
Economic indicators	Current	Dec 2021 forecast
Cash rate	0.25% (14 Apr 2021)	0.25%
Unemployment	4.9% (Dec qtr 2020)	4.9%
GDP (%yr end)	-0.9% (Dec qtr 2020)	2.1%
Private sector credit	3.6% (Feb 2021)	5.7%

## New Zealand GDP (\$bn)



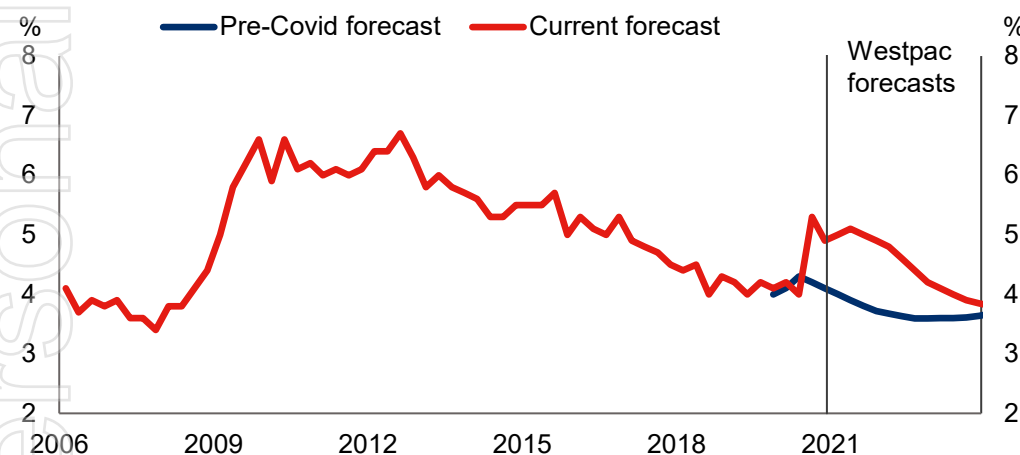
Sources: Stats NZ, Westpac Economics.

## Business activity surveys (index)



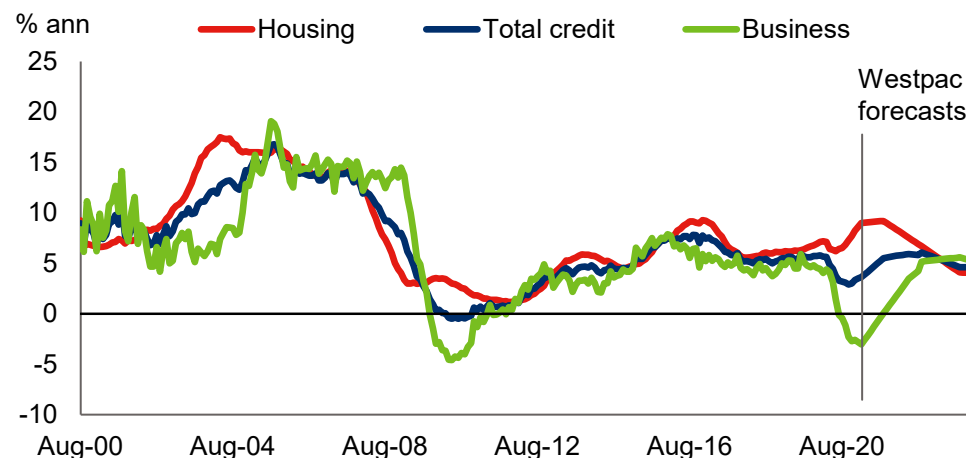
Sources: ANZ, Westpac Economics

## Unemployment rate (%)



Sources: Stats NZ, Westpac Economics.

## New Zealand private sector credit growth (% ann)



Sources: Westpac Economics



# New Zealand housing market.

## Major policy shift.

Economics

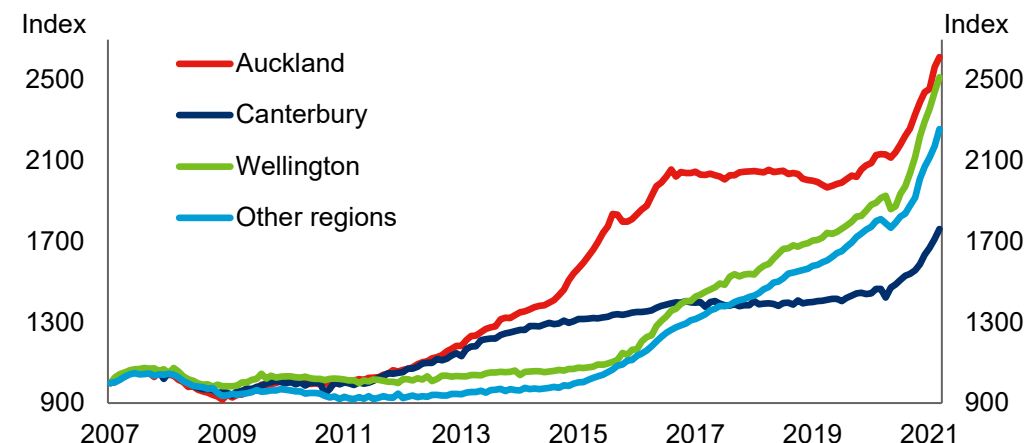
### Changes to housing market policies

- The Government has announced a suite of new housing market policies affecting both demand and supply
- The most significant changes relate to the tax treatment of mortgage interest costs
- This will erode the financial incentives for property investors and tilt housing market conditions more in favour of owner occupiers
- Westpac expects these policy changes will prompt a flattening off of house prices over the remainder of 2021. That follows a period of very strong growth since the economy exited lockdown.

#### The major changes introduced by the Government include:

- Removing the ability to offset mortgage costs on residential investment properties against the income earned on those properties
  - This change will take effect from 1 October 2021 for properties purchased after 27 March 2021 and will be gradually phased in over the next four years for existing property owners
  - The Government is also looking at exceptions for new builds
- The holding period for taxing capital gains on residential investment properties (otherwise known as the 'Bright-line test') has been extended from 5 to 10 years
  - The holding period remains at 5 years for investors who buy new builds
- A \$3.8bn Housing Acceleration Fund is being established to assist with the development of infrastructure (such as pipes and roads) to support new housing
- Additional financial assistance for first home buyers with changes in First Home Loans and Grants settings, including increases in income caps, as well as changes to regional price caps

### New Zealand dwelling prices (index, Jan 2007 = 1000)



Sources: REINZ, Westpac Economics.

#### Dwelling prices % change over period

Region	Pop'n	Last 3 mths (to Mar-21)	Last 12 mths (Mar-21)	Last 5 years (to Mar-21)
Auckland	1.7m	Up 7.1%	Up 22.5%	Up 39.2%
Wellington	0.5m	Up 9.5%	Up 31.2%	Up 104.7%
Canterbury	0.6m	Up 7.7%	Up 20.3%	Up 30.1%
Nationwide	5.1m	Up 8.5%	Up 24.0%	Up 58.6%

Sources: REINZ, Stats NZ.



# Appendix and Disclaimer

# Appendix 1:

## Cash earnings adjustments.

Appendix

Cash earnings adjustment (\$m)	1H20	2H20	1H21	Description
Reported net profit	1,190	1,100	3,443	Net profit attributable to owners of Westpac Banking Corporation
Fair value (gain)/loss on economic hedges	(219)	581	48	<p>Fair value on economic hedges (which do not qualify for hedge accounting under AAS) comprise:</p> <ul style="list-style-type: none"> <li>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. Westpac has ceased this activity, and at this stage no further adjustments will be recognised; and</li> <li>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</li> </ul>
Ineffective hedges	(24)	(37)	46	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 Pandal Group	63	(32)	-	Consistent with prior periods, this item has been treated as a cash earnings adjustment given its size and that it does not reflect ongoing operations. The adjustment relates to the mark-to-market of the shares. Westpac disposed of its holdings in Full Year 2020. As a result, no further adjustments will be recognised
Treasury shares	(17)	3	-	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 revalued in determining income. At 31 March 2021, there are no Treasury shares
<b>Cash earnings</b>	<b>993</b>	<b>1,615</b>	<b>3,537</b>	

# Appendix 2:

## Reinventure – Investing in fintech businesses<sup>1</sup>.

Appendix

### Westpac has invested \$150m in fintech venture capital fund, Reinventure.

Reinventure enables Westpac to access insights and adjacent business opportunities, both in Australia and offshore.

The model also helps Westpac to source commercial partnerships that create value for customers

#### New business models

**coinbase**

A bitcoin wallet and platform

**SocietyOne**

Peer-to-peer (P2P) online lending platform connecting borrowers and investors

**OpenAgent.com.au**

Helps home sellers make decisions about who they choose to sell their property

**AS SE MB LY**

Full stack payments platform

**Auror.**

Uses data to shed light on high volume crimes, improving prevention and detection

**Redivo**  
Buy now, Pay later

A leading digital credit platform in Indonesia

**flare**

Comprehensive cloud-based human resources and employee benefits platform to streamline HR processes

**Valiant**

Business loan marketplace that matches SMEs to the best lender based on their characteristics and needs

**mx51**

Empowering banks to connect seamlessly with merchants and their customers

**Hey you**

A payment app for customers when dining out or grabbing a coffee on the go

**zest**

A consumer digital lending platform

**hmlt**

Turning buildings into community-centric dwellings

#### New technology capabilities

**kasada**

Enterprise cyber security company that protects businesses from malicious bot attacks

**CODELINGO**

Enabling software development teams to scale processes and improve code quality

**POLYCHAIN CAPITAL**

A fund of funds for cryptocurrency and blockchain technology

**InDebted**

Digitised debt collection, leveraging modern communications, automation and machine learning

**Slyp**

Smart receipts that automatically link purchase receipts to customers' bank accounts

**FORTE**

Pioneering a new asset class called Tradeable Income Based Securities (TIBS)

**IMMUTABLE**

Creating real-game assets for developers, using blockchain technology

#### Data, AI and analytics

**HYPER ANNA**

A natural language AI system for data analysis targeting relatively simple business queries that comprise 70% of an analyst's work in a large organisation

**BASIQ**

Open Banking API platform that provides connectivity to over 100 financial sources across Australia and NZ

**DATA REPUBLIC**

A trust framework and secure platform that allows users to exchange data safely and securely

**Curious thing**

Conversational voice-based AI for digital interviewing, powered by machine learning

**a•kin**

AI company that integrates neuroscience into their platform creating capability that not only manages complex problems but is able to form intrinsic relationships with humans

**Flybits**

AI-powered, context-as-a-service platform, to deliver personalised experiences to customers

**KEPLER ANALYTICS**

B2B platform for physical retail stores that provides insights through their AI engine and in-store sensors

<sup>1</sup> Logos are of the respective companies.

# Appendix 3: Sustainability.

Appendix

## Industry recognition



Received “B” rating in the 2020 CDP for our response to Climate Change, announced December 2020



Achieved highest ISS QualityScore for Environment and Social dimensions



Rated Prime status of “C” by ISS ESG (formerly ISS-oekom)

## Sustainability indexes

Member of  
**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA

Member of the DJSI Indexes since 2002



As of March 2021, Westpac received an ESG Risk Rating of 27.3 from Sustainalytics and was assessed to be at Medium risk of experiencing material financial impacts from ESG factors<sup>1</sup>



Member of the FTSE4Good Index Series, of which Westpac has been a member for over 19 years, announced in June 2020



As of 2020, Westpac received an MSCI ESG Rating of A<sup>2</sup>



Ranked #1 in the ASX-50 and #2 in the world for transparency and effectiveness of our standalone sustainability Reporting, according to the Global ESG Monitor Report

## Inclusion and diversity recognition



Recognised by the Bloomberg Gender Equality Index for the 5<sup>th</sup> consecutive year



Recognised as Silver Tier Employer in 2020 in the Australian Workplace Equality Index Awards



Received the 2020 Advancement Award in recognition of Westpac's innovative autism hiring program, Tailored Talent



Included in the 2019-20 Australian Network on Disability Access and Inclusion Index



Accredited as Level 1 Activate as a Carer Friendly Employer under the CarersNSW Carers + Employers Program in 2020

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# Appendix 3: Sustainability.

Appendix

## Key commitments and partnerships



**Principles for Responsible Banking**  
Signatory 2019



**The Equator Principles**  
Founding Adopter,  
First Australian Bank (2003)



**RE100**, an initiative of The Climate Group in  
partnership with CDP Member (2019)



**Climate Bonds Initiative**  
Partner



**Carbon Neutral Certification**  
Since 2012 (previously NCOS)

Signatory of:



**Principles for Responsible Investment**  
Signatory (2007)



**UN Environment Program Finance Initiative**  
Founding Member (1991)



**Commitment to United Nations Global Compact**  
Signatory (2002), Global Compact Network Australia  
Founding Member (2009)



**Carbon Markets Institute**  
Corporate Member



**Supply Nation**  
(for Indigenous owned businesses)  
Founding member (2016)



**UN Sustainable Development Goals**  
CEO Statement of Commitment (2015)



**Financial Stability Board's Task Force on Climate-related Financial Disclosures**  
Align with and support



**Global Investor Coalition Statement on Climate Change**  
Signatory (2014)



**Australian Business Roundtable for Disaster Resilience & Safer Communities**  
Founding member (2012)



**WeConnect International**  
(for women owned businesses) (2014)



**Paris Climate Agreement**  
Supporter (2015)



**Climate Action 100+**  
Signatory (2017)



**The Montreal Carbon Pledge**  
Signatory (2014)



**Australian Sustainable Finance Initiative**  
Steering Committee Member

**United Nations Tobacco-Free Finance pledge**  
Founding signatory (2018)

# Appendix 4:

## Definitions – Credit quality.

Appendix

### 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

### 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 future economic conditions

### Collectively assessed provisions (CAPs)

CAPs for expected credit loss under AASB 9 represent the Expected Credit Loss (ECL) which is collectively assessed in pools of similar assets with similar risk characteristics. This incorporates forward looking information and does not require an actual loss event to have occurred for an impairment provision to be recognised

### Individually assessed provisions (IAPs)

Provisions raised for losses 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

### 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

### 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, cashflow, 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 facilities: 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 facility where the full collection of interest and principal is in doubt

### Stressed exposures

Watchlist and substandard, 90 days past due and not impaired and impaired exposures. Stressed exposures do not include stressed exposures which are on an active COVID-19 deferral package as of 30 September 2020

### Total committed exposures (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



# Appendix 4:

## Definitions – Divisions, earnings drivers, capital and liquidity.

Appendix

Divisions	
<b>Consumer</b>	Consumer provides banking products and services to Australian personal customers, including mortgages, credit cards, personal loans, and savings and deposit products
<b>Business</b>	Business serves the banking needs of Australian SME and Commercial customers (including Agribusiness) and provides banking and advisory services to high net worth individuals through Private Wealth
<b>WIB</b>	Westpac Institutional Bank (WIB) provides a broad range of financial products and services to corporate, institutional and government customers
<b>Westpac NZ</b>	Westpac New Zealand provides banking, wealth and insurance products and services for consumer, business and institutional customers in New Zealand
<b>Specialist Businesses</b>	Specialist Businesses provides auto finance, Australian life, general and lenders mortgage insurance, investment product and services (including margin lending and equities broking), superannuation and retirement products as well as wealth administration platforms. It also manages Westpac Pacific which provides a full range of banking services in Fiji and Papua New Guinea. Westpac has announced it has entered into a sales agreement for Westpac Pacific, Westpac Vendor Finance business, Westpac General Insurance, and Westpac Lenders Mortgage Insurance. These sales are expected to finalise in 2021, subject to regulator approvals
<b>Group Businesses or GB</b>	Group Businesses includes the results of unallocated support functions such as Treasury, Technology and Operations, and Core Support. It also includes Group-wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses
Earnings drivers	
<b>Average interest-earning assets (AIEA)</b>	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
<b>Cash earnings per ordinary share</b>	Cash earnings divided by the weighted average ordinary shares (cash earnings basis)
<b>Core earnings</b>	Net operating income less operating expenses
<b>Full-time equivalent employees (FTE)</b>	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

Capital and liquidity	
<b>Capital ratios</b>	As defined by APRA (unless stated otherwise)
<b>Committed liquidity facility (CLF)</b>	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
<b>High quality liquid assets (HQLA)</b>	Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR
<b>Internationally comparable ratios</b>	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
<b>Leverage ratio</b>	As defined by APRA (unless stated otherwise). 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
<b>Liquidity coverage ratio (LCR)</b>	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
<b>Net stable funding ratio (NSFR)</b>	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%
<b>Risk weighted assets or RWA</b>	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

# Appendix 4:

## Definitions – Other.

Appendix

<b>Branch transactions</b>	Branch transactions are typically withdrawals, deposits, transfers and payments
<b>Customer satisfaction or CSat</b>	The Customer Satisfaction score is an average of customer satisfaction ratings of the customer's main financial institution for consumer or business banking on a scale of 0 to 10 (0 means 'extremely dissatisfied' and 10 means 'extremely satisfied')
<b>CSAT (Main Bank Service Satisfaction) (Westpac NZ)</b>	Source: 3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Respondents are asked to rate the overall level of service they receive from their main bank (self-selected which ONE bank is their main provider of financial services) on a scale of 1 (Poor) to 5 (Excellent). The rating represents % of respondents who scored 4 (Very Good) or 5 (Excellent)
<b>CSat – overall consumer</b>	Source: DBM Consultants Consumer Atlas, August 2018 – February 2021, 6MMA. MFI customers
<b>CSat – overall business</b>	Source: DBM Consultants Business Atlas, August 2018 – February 2021, 6MMA. MFI customers, all businesses
<b>CSat – SME</b>	Source: DBM Consultants Business Atlas, 6 months to September 2019, March 2020 and August 2020. MFI customers, Total SME businesses. Total SME businesses are those organisations with annual turnover under \$5 million (excluding Agribusinesses)
<b>Digitally active</b>	Australian consumer and business customers who have had an authenticated session (including Quickzone) on Westpac Group digital banking platforms in the prior 90 days
<b>Digital sales</b>	Sales refers to digital sales of consumer core products only. Sales with a funded deposit or activation constitute a quality sale. Includes new American Express credit card sales
<b>Digital transactions</b>	Digital transactions including payment and transfers that occur on Westpac Live and Compass platforms (excludes payments on other platforms such as Corporate Online and Business Banking Online)
<b>MFI share</b>	MFI share results are based on the number of customers who have a Main Financial Institution (MFI) relationship with an institution, as a proportion of the number of customers that have a MFI relationship with any institution
<b>Consumer MFI share</b>	Source: DBM Consultants Consumer Atlas, 6 months to February 2021. MFI customers

<b>Net Promoter Score or NPS</b>	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 Score <sup>SM</sup> is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. Using a 11 point numerical scale where 10 is 'Extremely likely' and 0 is 'Extremely unlikely', Net Promoter Score is calculated by subtracting the percentage of Detractors (0-6) from the percentage of Promoters (9-10)
<b>NPS Agri (Westpac NZ)</b>	6 month Agri Market Monitor data (survey conducted by Key Research). Respondents are asked about likelihood to recommend their main business bank to business colleagues, friends or family on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)
<b>NPS Business (Westpac NZ)</b>	Source: 6 month rolling Business Finance Monitor data (survey conducted by Kantar TNS among businesses with an annual turnover of \$5 to \$150 million). Respondents are asked about likelihood to recommend their main business bank to business colleagues and associates on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)
<b>NPS Consumer (Westpac NZ)</b>	Source: 3 month rolling Retail Market Monitor data (survey conducted by Camorra Research). Respondents are asked about likelihood to recommend their main bank to family and friends on a scale of 1 (extremely unlikely) to 10 (extremely likely). Net Promoter Score is represents % of Promoters (recommend score of 9 or 10) minus % of Detractors (recommend score of 1 to 6)
<b>NPS – overall consumer</b>	Source: DBM Consultants Consumer Atlas, August 2018 – February 2021, 6MMA. MFI customers
<b>NPS – overall business</b>	Source: DBM Consultants Business Atlas, August 2018 – February 2021, 6MMA. MFI customers, all businesses
<b>St.George (SGB) Brands</b>	SGB Brands (Consumer): St.George Bank, Bank of Melbourne, BankSA, RAMS, Dragondirect SGB Brands (Business): St.George Bank, Bank of Melbourne and BankSA
<b>Women in Leadership</b>	The proportion of women 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. Senior Executive refers to the proportion of women in the combined Group Executives and General Manager populations



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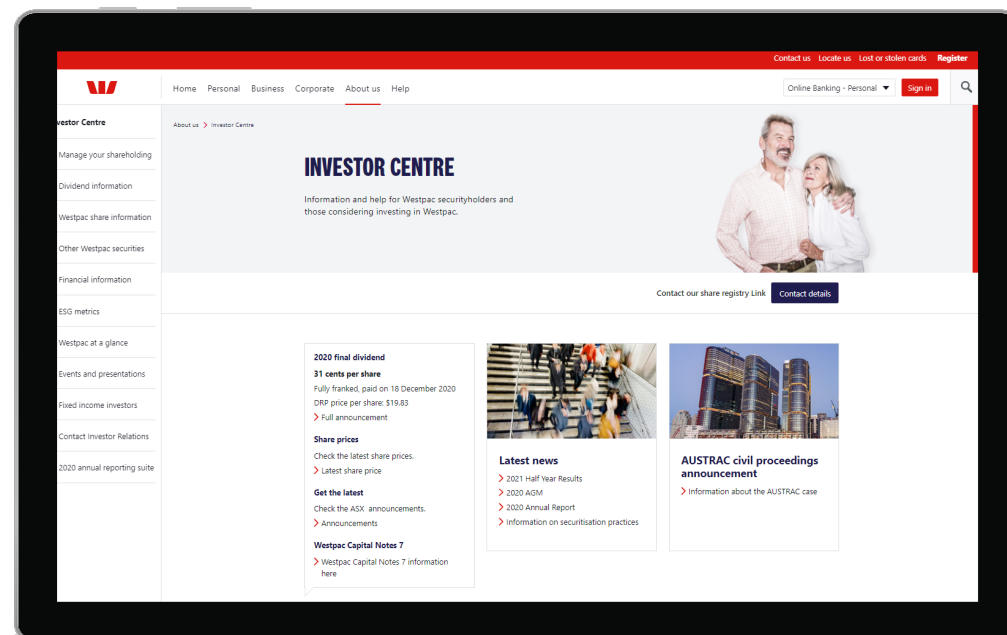
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