Westpac GROUP

ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

1 November 2021

Westpac 2021 Full Year Financial Results Announcement (incorporating the requirements of Appendix 4E)

Westpac Banking Corporation ("Westpac") today provides the attached Westpac 2021 Full Year Financial Results Announcement (incorporating the requirements of Appendix 4E).

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

Full Year Financial Results

2021
INCORPORATING THE REQUIREMENTS OF APPENDIX 4E
WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Simpler, stronger bank

Westpac GROUP

Results Announcement to the market

ASX Appendix 4E

Results for announcement to the market[1]

Report for the full year ended 30 September 2021[2]

Revenue from ordinary activities[3,4] ($m)	up	5%	to	$21,222
Profit from ordinary activities after tax attributable to equity holders[4] ($m)	up	138%	to	$5,458
Net profit for the year attributable to equity holders[4] ($m)	up	138%	to	$5,458

Dividend Distributions (cents per ordinary share)	Amount per security	Franked amount per security
Final Dividend	60	60
Interim Dividend	58	58

Record date for determining entitlements to the dividends	8 November 2021 (Sydney) 9 November 2021 (New York)

1. This document comprises the Westpac Group 2021 Full Year Financial Results, and is provided to the Australian Securities Exchange under Listing Rule 4.3A.
2. This report should be read in conjunction with the 2021 Westpac Group Annual Report and any public announcements made in the period by the Westpac Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.
3. Comprises reported interest income, interest expense and non-interest income.
4. All comparisons are with the reported results for the twelve months ended 30 September 2020.

Results Announcement to the market

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Results Announcement to the market

In this Full Year Financial Results Announcement (Results Announcement) references to 'Westpac', 'WBC', 'Westpac Group', 'the Group', 'we', 'us' and 'our' are to Westpac Banking Corporation and its controlled entities, unless it clearly means just Westpac Banking Corporation.

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

Financial calendar

Final Results Announcement released	1 November 2021
Ex-dividend date for final dividend	5 November 2021
Record date for final dividend (Sydney)	8 November 2021
Annual General Meeting	15 December 2021
Final dividend payable	21 December 2021

Group results

1.0 Group results

1.1 Reported results

Reported net profit attributable to owners of Westpac Banking Corporation (WBC) is prepared in accordance with the requirements of Australian Accounting Standards (AAS) and regulations applicable to Australian Authorised Deposit-taking Institutions (ADIs).

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	8,510	8,348	2	16,858	16,696	1
Net fee income	782	700	12	1,482	1,592	(7)
Net wealth management and insurance income	613	598	3	1,211	751	61
Trading income	277	442	(37)	719	895	(20)
Other income	354	598	(41)	952	249	large
Net operating income before operating expenses and impairment (charges)/benefits	**10,536**	**10,686**	**(1)**	**21,222**	**20,183**	**5**
Operating expenses	(7,314)	(5,997)	22	(13,311)	(12,739)	4
Profit before impairment (charges)/benefits and income tax expense	**3,222**	**4,689**	**(31)**	**7,911**	**7,444**	**6**
Impairment (charges)/benefits	218	372	(41)	590	(3,178)	large
Profit before income tax expense	**3,440**	**5,061**	**(32)**	**8,501**	**4,266**	**99**
Income tax expense	(1,422)	(1,616)	(12)	(3,038)	(1,974)	54
Net profit	**2,018**	**3,445**	**(41)**	**5,463**	**2,292**	**138**
Net profit attributable to non-controlling interests (NCI)	(3)	(2)	50	(5)	(2)	150
Net profit attributable to owners of WBC	**2,015**	**3,443**	**(41)**	**5,458**	**2,290**	**138**

Net profit attributable to owners of WBC for Full Year 2021 was $5,458 million, an increase of $3,168 million or 138% compared to Full Year 2020.

The increase in net profit was predominantly due to a credit impairment benefit of $590 million in Full Year 2021 compared to a charge of $3,178 million in Full Year 2020. Over recent years, Westpac has incurred certain items that have been called "notable items". The net after tax impact of these items was lower in Full Year 2021 ($1,601 million) compared to Full Year 2020 ($2,619 million). Full Year 2021 items included:

- the write-down of assets (goodwill, capitalised software and certain other assets);
- additional provisions for estimated customer refunds, payments, associated costs and litigation; and
- separation and transaction costs related to divestment of the Group's Specialist Businesses; partly offset by
- gains on sale of assets and non-core businesses.

These are discussed in Section 1.3.2, Section 2.1, Section 2.2.9, and Notes 10 and 14 of the 2021 Full Year Financial Report in Section 4.

The following is a summary of the movements in the major line items in net profit for Full Year 2021 compared to Full Year 2020.

Net interest income increased $162 million compared to Full Year 2020 reflecting a 3 basis point increase in reported net interest margin (to 2.06%) partly offset by a small decline in average interest earning assets of $2.3 billion (down less than 1%). The decline in average interest earning assets was mostly from lower business lending early in the year and from a decline in other overseas assets as we consolidated our operations in Asia. The rise in net interest income was predominantly due to:

- a $667 million change in unrealised gains on fair value economic hedges, from a charge of $477 million in Full Year 2020 to a benefit of $190 million in Full Year 2021; and
- lower wholesale funding and deposit costs; partly offset by
- lower spreads on mortgages and business lending from intense competition, and a shift in the mix of the portfolio to lower spread fixed rate lending; and
- reduced returns on hedged capital and liquid assets from lower interest rates.

Group results

Net interest income and net interest margin are discussed further in Sections 2.2.1 to 2.2.4.

Non-interest income increased $877 million compared to Full Year 2020. The rise was mainly due to:

- Gains on sale of assets and non-core businesses; and
- Higher net wealth and insurance income due to favourable life policyholder liability revaluation and lower general insurance severe weather claims; partly offset by
- Lower financial markets trading income from lower volatility and the exit from energy trading; and
- Lower net fee income from fee simplification initiatives.

Non-interest income is discussed further in Section 2.2.5.

Operating expenses increased $572 million or 4% compared to Full Year 2020. The rise was mainly due to:

- Asset impairments (including goodwill and capitalised software);
- An increase in full time equivalent (FTE) employees and associated costs, principally to improve risk management as part of our Fix priority and increased mortgage volumes; partly offset by
- costs of the AUSTRAC proceedings, including a penalty, in Full Year 2020.

Operating expenses are discussed further in Section 2.2.8.

The Group recognised a credit impairment benefit of $590 million in Full Year 2021 compared to a charge of $3,178 million in Full Year 2020. In Full Year 2020, the Group materially increased provisions in response to the expected economic impact of COVID-19, including forecasts of prolonged deterioration in economic activity, a rise in unemployment and a decline in property prices. The improvement in credit quality along with a better economic outlook has meant that some of the provisions booked in Full Year 2020 are no longer required. The Group also fully provided for a large equipment finance fraud in Full Year 2021. Credit impairment charges are discussed further in Section 2.2.9 and Note 10 of the 2021 Full Year Financial Report in Section 4.

The effective tax rate of 35.7% was lower than the Full Year 2020 effective tax rate of 46.3% predominantly due to the non-deductible items in Full Year 2020. Income tax expense is discussed further in Section 2.2.10.

Group results

1.2 Key financial information[1]

	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Shareholder value						
Basic earnings per ordinary share (cents)	54.9	94.5	(42)	149.4	63.7	135
Weighted average ordinary shares (millions)[2]	3,666	3,641	1	3,653	3,590	2
Fully franked dividends per ordinary share (cents)	60	58	3	118	31	large
Dividend payout ratio	109.16%	61.75%	large	79.25%	48.87%	large
Return on average ordinary equity	5.57%	9.92%	large	7.70%	3.37%	large
Average ordinary equity ($m)	72,108	69,583	4	70,849	68,014	4
Average total equity ($m)	72,157	69,634	4	70,899	68,066	4
Net tangible asset per ordinary share ($)	16.90	16.60	2	16.90	15.67	8
Business performance						
Interest spread	1.99%	1.97%	2 bps	1.98%	1.90%	8 bps
Benefit of net non-interest bearing assets, liabilities and equity	0.07%	0.09%	(2 bps)	0.08%	0.13%	(5 bps)
Net interest margin	2.06%	2.06%	-	2.06%	2.03%	3 bps
Average interest earning assets ($m)	825,926	812,950	2	819,456	821,718	-
Expense to income ratio	69.42%	56.12%	large	62.72%	63.12%	(40 bps)
Capital, funding and liquidity						
Common equity Tier 1 capital ratio						
- APRA Basel III	12.32%	12.34%	(2 bps)	12.32%	11.13%	119 bps
- Internationally comparable	18.17%	18.08%	9 bps	18.17%	16.50%	167 bps
Credit risk weighted assets (credit RWA) ($m)	357,295	347,127	3	357,295	359,389	(1)
Total risk weighted assets (RWA) ($m)	436,650	428,899	2	436,650	437,905	-
Liquidity coverage ratio (LCR)[3,4]	129%	124%	large	129%	151%	large
Net stable funding ratio (NSFR)[4]	125%	123%	235 bps	125%	122%	313 bps
Credit quality[4]						
Gross impaired exposures to gross loans	0.30%	0.30%	-	0.30%	0.40%	(10 bps)
Gross impaired exposures to equity and total provisions	2.78%	2.67%	11 bps	2.78%	3.74%	(96 bps)
Gross impaired exposure provisions to gross impaired exposures	54.44%	47.03%	large	54.44%	41.45%	large
Total committed exposures (TCE) ($bn)	1,125	1,072	5	1,125	1,060	6
Total stressed exposures as a % of TCE[5]	1.36%	1.60%	(24 bps)	1.36%	1.91%	(55 bps)
Total provisions to gross loans	70 bps	79 bps	(9 bps)	70 bps	88 bps	(18 bps)
Mortgages 90+ day delinquencies	0.99%	1.11%	(12 bps)	0.99%	1.50%	(51 bps)
Other consumer loans 90+ day delinquencies	1.75%	1.92%	(17 bps)	1.75%	2.09%	(34 bps)
Collectively assessed provisions to credit RWA	117 bps	142 bps	(25 bps)	117 bps	154 bps	(37 bps)
Balance sheet ($m)						
Loans	709,784	688,218	3	709,784	693,059	2
Total assets	935,877	889,459	5	935,877	911,946	3
Deposits and other borrowings	626,955	585,401	7	626,955	591,131	6
Total liabilities	863,785	817,358	6	863,785	843,872	2
Total equity	72,092	72,101	-	72,092	68,074	6
Wealth Management						
Average Group funds ($bn)	239.2	220.9	8	230.1	212.4	8
Life insurance in-force premiums (Australia) ($m)	951	943	1	951	953	-
General insurance gross written premiums[6]($m)	148	289	(49)	437	555	(21)

1. Averages are based on six months for the halves and twelve months for the full year.
2. Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less average Westpac shares held by the Group ("Treasury shares").
3. Liquidity coverage ratio is calculated on a quarterly average basis.
4. Includes balances presented as held for sale.
5. Stressed exposures include program managed loans 90 days plus and non-performing transaction managed loans.
6. Australian general insurance gross written premiums. Full Year 2021 only included premiums for the period up to the sale date.

Group results

1.3 Cash earnings results

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

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

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	8,245	8,469	(3)	16,714	17,086	(2)
Non-interest income	1,994	2,330	(14)	4,324	3,540	22
Net operating income	**10,239**	**10,799**	**(5)**	**21,038**	**20,626**	**2**
Operating expenses	(7,302)	(5,981)	22	(13,283)	(12,700)	5
Core earnings	**2,937**	**4,818**	**(39)**	**7,755**	**7,926**	**(2)**
Impairment (charges)/benefits	218	372	(41)	590	(3,178)	large
Operating profit before income tax expense	**3,155**	**5,190**	**(39)**	**8,345**	**4,748**	**76**
Income tax expense	(1,337)	(1,651)	(19)	(2,988)	(2,138)	40
Net profit	**1,818**	**3,539**	**(49)**	**5,357**	**2,610**	**105**
Net profit attributable to NCI	(3)	(2)	50	(5)	(2)	150
Cash earnings	**1,815**	**3,537**	**(49)**	**5,352**	**2,608**	**105**
Add back notable items	1,319	282	large	1,601	2,619	(39)
Cash earnings excluding notable items	**3,134**	**3,819**	**(18)**	**6,953**	**5,227**	**33**

1.3.1 Key financial information – cash earnings basis

	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Shareholder value						
Cash earnings per ordinary share (cents)	49.5	97.1	(49)	146.3	72.5	102
Economic profit/(loss) ($m)[4]	(639)	1,407	large	768	(3,579)	large
Weighted average ordinary shares (millions)[1]	3,669	3,644	1	3,657	3,595	2
Dividend payout ratio	121.28%	60.16%	large	80.88%	42.93%	large
Cash earnings return on average ordinary equity (ROE)	5.02%	10.19%	large	7.55%	3.83%	372 bps
Cash earnings return on average tangible ordinary equity (ROTE)	5.72%	11.71%	large	8.65%	4.46%	large
Average ordinary equity ($m)	72,108	69,583	4	70,849	68,014	4
Average tangible ordinary equity ($m)[2]	63,241	60,552	4	61,900	58,421	6
Business performance						
Interest spread	1.92%	2.01%	(9 bps)	1.96%	1.96%	-
Benefit of net non-interest bearing assets, liabilities and equity	0.07%	0.08%	(1 bps)	0.08%	0.12%	(4 bps)
Net interest margin	1.99%	2.09%	(10 bps)	2.04%	2.08%	(4 bps)
Average interest earning assets ($m)	825,926	812,950	2	819,456	821,718	-
Expense to income ratio	71.32%	55.38%	large	63.14%	61.57%	157 bps
Full time equivalent employees (FTE)	40,143	38,747	4	40,143	36,849	9
Revenue per FTE ($ '000's)	259	286	(9)	545	593	(8)
Effective tax rate	42.38%	31.81%	large	35.81%	45.03%	large
impairment charges						
Impairment charges/(benefits) to average loans annualised[3]	(6 bps)	(11 bps)	5 bps	(8 bps)	45 bps	(53 bps)
Net write-offs to average loans annualised[3]	8 bps	9 bps	(1 bps)	8 bps	14 bps	(6 bps)

1. Weighted average ordinary shares – cash earnings: represents the weighted average number of fully paid ordinary shares listed on the ASX for the relevant period.
2. Average tangible ordinary equity is calculated as average ordinary equity less intangible assets (excluding capitalised software).
3. Includes assets and liabilities presented as held for sale.
4. Economic profit/(loss) is defined as cash earnings plus a franking benefit equivalent of 70% of the value of Austraian tax expense less a capital charge calculated at 9% of average ordinary equity.

Group results

1.3.2 Cash earnings policy

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

Management believes this allows the Group to more effectively assess performance for the current period against prior periods and to compare performance across business divisions and across peer companies.

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

- Material items that key decision makers at the Westpac Group believe do not reflect the Group's ongoing operations;
- Items that are not typically considered when dividends are recommended, mainly economic hedging impacts; and
- Accounting reclassifications between individual line items that do not impact reported results.

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

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

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net profit attributable to owners of WBC	**2,015**	**3,443**	**(41)**	**5,458**	**2,290**	**138**
Fair value (gain)/loss on economic hedges	(184)	46	large	(138)	362	large
Ineffective hedges	(16)	48	large	32	(61)	large
Adjustments related to Pendal	-	-	-	-	31	(100)
Treasury shares	-	-	-	-	(14)	(100)
Total cash earnings adjustment (post-tax)	**(200)**	**94**	**large**	**(106)**	**318**	**large**
Cash earnings	**1,815**	**3,537**	**(49)**	**5,352**	**2,608**	**105**
Add back notable items	1,319	282	large	1,601	2,619	(39)
Cash earnings excluding notable items	**3,134**	**3,819**	**(18)**	**6,953**	**5,227**	**33**

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

- Fair value (gain)/loss on economic hedges (which do not qualify for hedge accounting under AAS) comprise:
  - 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 earnings over the life of the hedge; and
  - 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 earnings over the life of the hedge.
- Ineffective hedges: The unrealised (gain)/loss on ineffective hedges is reversed in deriving cash earnings because the gain or loss arising from the fair value movement in these hedges reverses over time and does not affect the Group's profits over time;
- Adjustments related to Pendal: Westpac disposed of its holdings in Second Half 2020. As a result, no further adjustments will be recognised. In prior periods this item was treated as a cash adjustment given its size and that it did not reflect ongoing operations;
- Treasury shares: Treasury shares held by the Group in managed funds and life businesses were disposed of in Second Half 2020 and these Treasury shares were nil as at 30 September 2021; and
- Accounting reclassifications between individual line items that do not impact reported results comprise:
  - Operating leases: Under AAS rental income on operating leases is presented gross of the depreciation of the assets subject to the lease. These amounts are offset in deriving non-interest income and operating expenses on a cash earnings basis; and
  - Policyholder tax recoveries: Income and tax amounts that are grossed up to comply with the AAS covering Life Insurance Business (policyholder tax recoveries) are reversed in deriving income and taxation expense on a cash earnings basis.

Group results

1.3.3 Impact of notable items

Over recent years, a number of large items have impacted results. We have called these items "notable items" Notable items do not include COVID-19 impacts despite the significant effect on our results this year. Notable items can be divided into four categories:

Category	Cash earnings impact FY21 $m	Detail
1. Provisions and costs related to the AUSTRAC proceedings	-	• There were no costs or provisions associated with the AUSTRAC proceedings in Full Year 2021, these proceedings were settled in Full Year 2020.
2. Provisions for estimated customer refunds and payments, associated costs and litigation costs	$448 million reduction	• Additional provisions for estimated customer refunds in Full Year 2021 included: – fees paid to aligned and salaried advisors; – customer remediation in Westpac New Zealand; – some customers on our platforms who were not advised of certain corporate actions; partly offset by – release of provisions for business customers provided with a business loan instead of a consumer loan regulated by the National Consumer Credit Protection Act and National Credit Code. • Additional costs for our remediation program. • Costs of litigation matters, including to resolve outstanding investigations should a regulator decide to bring civil penalty proceedings. • Costs associated with ending the Group's service agreement with IOOF.
3. The write-down of assets, including goodwill and capitalised software	$1,164 million reduction	• Write-down of assets in WIB following an annual impairment test as the value of WIB's forward cash flows no longer supported the carrying value of these assets. This was partly due to reducing risk in the division through the exit of energy trading, consolidating our Asian operations and reducing our correspondent banking relationships which have all impacted earnings. At the same time, medium term expectations of prolonged low interest rates, subdued financial markets income and elevated compliance expenses have impacted WIB's earnings outlook. The pre-tax impact of assets written down included goodwill ($487 million), capitalised software ($344 million) and other assets, mostly property leases ($325 million). • Write-down and impairment of capitalised software balances. • Write-down of goodwill in the Group's Lenders Mortgage Insurance business as part of its sale.
4. The impact of asset sales and revaluations	$11 million benefit	• Gain on the divestment of the Group's stake in Coinbase Inc (Coinbase) held in the Reinventure fund 1 of $283 million (after tax), along with an additional gain on the sale of our holding in Zip Co. Ltd. • Gain on sale of Westpac General Insurance. • Post-sale adjustments from earn out payments associated with the sale of the Group's Vendor Finance business. • Separation and transaction costs along with a deferred tax asset write-off related to the agreed sale of Westpac Life Insurance Services Limited (WLIS). • Write-down of assets associated with Westpac Pacific as the division was held for sale during First Half 2021. • Other costs associated with the divestment of the Group's specialist businesses.

Group results

$m	AUSTRAC proceedings	Refunds, payments, costs, and litigation	Write-down of intangibles	Asset sales and revaluations	Total
Half Year Sept 2021					
Net interest income	**-**	**60**	**-**	**(4)**	**56**
Net fee income	-	(33)	-	-	(33)
Net wealth management and insurance income	-	(18)	-	-	(18)
Trading income	-	-	-	-	-
Other income	-	3	-	193	196
Non-interest income	**-**	**(48)**	**-**	**193**	**145**
Net operating income	**-**	**12**	**-**	**189**	**201**
Staff expenses	-	(33)	-	(175)	(208)
Occupancy expenses	-	-	(232)	39	(193)
Technology expenses	-	(2)	(414)	(56)	(472)
Other expenses	-	(180)	(510)	(39)	(729)
Operating expenses	**-**	**(215)**	**(1,156)**	**(231)**	**(1,602)**
Core earnings	**-**	**(203)**	**(1,156)**	**(42)**	**(1,401)**
Income tax (expense)/benefit and NCI	-	31	191	(140)	82
Cash earnings	**-**	**(172)**	**(965)**	**(182)**	**(1,319)**
Half Year March 2021					
Net interest income	**-**	**71**	**-**	**-**	**71**
Net fee income	-	(104)	-	-	(104)
Net wealth management and insurance income	-	(88)	-	-	(88)
Trading income	-	-	-	-	-
Other income	-	(7)	-	571	564
Non-interest income	**-**	**(199)**	**-**	**571**	**372**
Net operating income	**-**	**(128)**	**-**	**571**	**443**
Staff expenses	-	(83)	-	-	(83)
Occupancy expenses	-	-	-	(82)	(82)
Technology expenses	-	(1)	(165)	(12)	(178)
Other expenses	-	(172)	(84)	(146)	(402)
Operating expenses	**-**	**(256)**	**(249)**	**(240)**	**(745)**
Core earnings	**-**	**(384)**	**(249)**	**331**	**(302)**
Income tax (expense)/benefit and NCI	-	108	50	(138)	20
Cash earnings	**-**	**(276)**	**(199)**	**193**	**(282)**

Group results

$m	AUSTRAC proceedings	Refunds, payments, costs, and litigation	Write-down of intangibles	Asset sales and revaluations	Total
Full Year Sept 2021					
Net interest income	**-**	**131**	**-**	**(4)**	**127**
Net fee income	-	(137)	-	-	(137)
Net wealth management and insurance income	-	(106)	-	-	(106)
Trading income	-	-	-	-	-
Other income	-	(4)	-	764	760
Non-interest income	**-**	**(247)**	**-**	**764**	**517**
Net operating income	**-**	**(116)**	**-**	**760**	**644**
Staff expenses	-	(116)	-	(175)	(291)
Occupancy expenses	-	-	(232)	(43)	(275)
Technology expenses	-	(3)	(579)	(68)	(650)
Other expenses	-	(352)	(594)	(185)	(1,131)
Operating expenses	**-**	**(471)**	**(1,405)**	**(471)**	**(2,347)**
Core earnings	**-**	**(587)**	**(1,405)**	**289**	**(1,703)**
Income tax (expense)/benefit and NCI	-	139	241	(278)	102
Cash earnings	**-**	**(448)**	**(1,164)**	**11**	**(1,601)**
Full Year Sept 2020					
Net interest income	**-**	**(143)**	**-**	**-**	**(143)**
Net fee income	-	(88)	-	-	(88)
Net wealth management and insurance income	-	(121)	-	(357)	(478)
Trading income	-	-	-	-	-
Other income	-	-	-	303	303
Non-interest income	**-**	**(209)**	**-**	**(54)**	**(263)**
Net operating income	**-**	**(352)**	**-**	**(54)**	**(406)**
Staff expenses	-	(123)	-	(3)	(126)
Occupancy expenses	-	-	-	-	-
Technology expenses	-	(4)	(161)	(4)	(169)
Other expenses	(1,478)	(147)	(507)	(112)	(2,244)
Operating expenses	**(1,478)**	**(274)**	**(668)**	**(119)**	**(2,539)**
Core earnings	**(1,478)**	**(626)**	**(668)**	**(173)**	**(2,945)**
Income tax (expense)/benefit and NCI	36	186	54	50	326
Cash earnings	**(1,442)**	**(440)**	**(614)**	**(123)**	**(2,619)**

Group results

1.3.3 Impact of notable items (continued)

Second Half 2021

Notable items contributed $56 million to net interest income as some customer remediation provisions were no longer required for business customers that were not provided regulated consumer loans. These provision releases were partly offset by additional provisions for customer remediation in Westpac New Zealand.

Notable items increased non-interest income $145 million and comprised:

- A benefit to Other income of $196 million for the gain on sale of Westpac General Insurance and post-sale earn out payments from the sale of Vendor finance; partly offset by
- A reduction to Net fee income of $33 million for additional provisions for salaried advice remediation; and
- An $18 million reduction to Net wealth management and insurance income for additional provisions for aligned dealer group advice remediation.

Notable items added $1,602 million to expenses in Second Half 2021 and comprised:

- Staff expenses of $208 million for separation costs related to the sale of WLIS and implementation of our remediation programs;
- Occupancy expenses of $193 million related to the write-down of WIB property leases partly offset by the write-back of assets in Westpac Pacific following the decision not to proceed with its sale;
- Technology expenses of $472 million, mainly from the write-down and impairment of capitalised software in WIB and costs related to the sale of WLIS; and
- Other expenses of $729 million including the write-down of goodwill in WIB, costs associated with divestments and other costs linked to completing our remediation programs and litigation matters.

Income tax expense and NCI was reduced $82 million by notable items. This was mainly from the tax benefit from certain notable expenses, partly offset by higher tax from the sale of Westpac General Insurance and the write-off of a deferred tax asset in WLIS.

First Half 2021

Notable items contributed $71 million to net interest income as some customer remediation provisions were no longer required for business customers that were not provided regulated consumer loans.

Notable items added $372 million to non-interest income from:

- A $564 million benefit to Other income from a gain on our stake in Coinbase which has now been sold, along with a small gain from finalising the sale of our holding in Zip Co. Ltd; partly offset by
- A $104 million reduction to Net fee income for additional provisions related to salaried advice remediation and for some customers on our platforms who were not advised of certain corporate actions; and
- A $88 million reduction to Net wealth management and insurance income for additional provisions for aligned dealer group advice remediation.

Notable items added $745 million to expenses in First Half 2021 and comprised:

- Staff expenses of $83 million related to implementation of our remediation program;
- Occupancy expenses of $82 million from the write-down of assets in Westpac Pacific, primarily property leases as the business was held for sale in First Half 2021;
- Technology expenses of $178 million from the write-down and impairment of capitalised software; and
- Other expenses of $402 million including Reinventure performance fees paid that were linked to the divestment of Coinbase, separation costs for divestments, the write-down of goodwill in Westpac Lenders Mortgage Insurance and other assets in Westpac Pacific. Other expenses also included costs for completing our remediation programs and provisions for litigation matters.

Income tax expense and NCI was reduced by $20 million for notable items mainly from the tax benefit of the above items partly offset by tax on the revaluation gain on Coinbase.

Group results

Full Year 2020

Notable items reduced net interest income by $143 million from an increase in provisions for Business customers that were provided business loans but should have been provided regulated consumer loans, partly offset by the release of provisions no longer required for interest only loans that did not automatically switch, when required, to principal and interest loans.

Notable items reduced non-interest income by $263 million from:

- A reduction to Net fee income of $88 million for provisions for some customers on our platforms who were not advised of certain corporate actions;
- A $478 million reduction of Net wealth management and insurance income from the write-off of intangibles including insurance liabilities and deferred acquisition costs associated with WLIS and provisions for aligned dealer group advice remediation; partly offset by
- A $303 million benefit to Other income from a revaluation gain related to the divestment of the Group's stake in Zip Co. Ltd.

Notable items added $2,539 million to expenses in Full Year 2020 and comprised:

- Staff expenses of $126 million for implementation of our remediation program;
- Technology expenses of $169 million from the write-down of capitalised software; and
- Other expenses of $2,244 million including costs associated with the AUSTRAC matter (including a $1.3 billion penalty), the write-down of goodwill for WLIS and the Group's Auto business, an accounting loss on sale of our Vendor Finance business, and costs linked to our remediation programs and litigation.

Notable items reduced income tax expense and NCI by $326 million from the tax benefit of the above items (excluding penalties and goodwill write-downs that were non-deductible), partly offset by tax on the revaluation gain associated with the divestment of Zip Co Ltd.

1.3.4 Balance sheet presentation changes

Westpac had announced the sale of certain specialist businesses which included Westpac's Vendor Finance business, Westpac General Insurance Limited, Westpac General Services Limited, Westpac Pacific, Westpac Lenders Mortgage Insurance Limited, Westpac Life Insurance Services Limited, Westpac Life-NZ-Limited, Westpac's motor vehicle dealer finance and Westpac's novated leasing business. The assets and liabilities of these businesses have been separately presented as assets held for sale and liabilities held for sale for First Half 2021, Second Half 2021 and Full Year 2021 subsequent to their announcement. During Second Half 2021, we agreed with Kina Securities Limited to terminate our sale agreement for Westpac Pacific following the decision by the Papua New Guinea's Independent Consumer and Competition Commission (ICCC) to deny authorisation for the proposed acquisition. Accordingly, Westpac Pacific was no longer classified as held for sale at 30 September 2021. Comparatives were not restated for these change. Refer to Note 9 in Section 5, and Note 17 to 2021 Full Year Financial Report for further details.

1.3.5 This Results Announcement is unaudited

PricewaterhouseCoopers has audited the financial statements contained within the 2021 Westpac Group Annual Report and has issued an unmodified audit report. This 2021 Full Year Results Announcement has not been subject to audit by PricewaterhouseCoopers. The financial information contained in this Results Announcement includes information extracted from the audited financial statements together with information that has not been audited. The cash earnings disclosed as part of this Results Announcement has not been separately audited by PricewaterhouseCoopers.

Group results

1.4 Market share and system multiple metrics

1.4.1 Market share

	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	As at 31 March 2020
Australia				
Banking system (Australian Prudential Regulation Authority (APRA))				
Housing credit[1]	22%	22%	23%	23%
Cards	22%	22%	22%	23%
Household deposits	21%	21%	21%	22%
Business deposits	19%	19%	19%	20%
Financial system (Reserve Bank of Australia (RBA))				
Housing credit[1]	21%	22%	22%	22%
Business credit	15%	15%	16%	16%
Retail deposits[2]	20%	20%	21%	21%
New Zealand (Reserve Bank of New Zealand (RBNZ))[3]				
Consumer lending	18%	18%	19%	18%
Deposits	18%	18%	18%	19%
Business lending	16%	17%	17%	17%
Australian Wealth Management[4]				
Platforms (includes Wrap and Corporate Super)	18%	18%	18%	18%
Retail (excludes Cash)	17%	17%	17%	18%
Corporate Super	15%	15%	14%	15%

1.4.2 System multiples

	Half Year Sept 2021	Half Year March 2021	Half Year 30 Sept 2020	Half Year March 2020
Australia				
Banking system (APRA)				
Housing credit[1,5]	0.9	0.4	n/a	n/a
Cards[5]	n/a	n/a	n/a	n/a
Household deposits	0.9	0.6	0.6	0.3
Business deposits	0.7	0.2	0.7	0.6
Financial system (RBA)				
Housing credit[1,5]	1.0	0.4	n/a	n/a
Business credit[5]	0.9	n/a	n/a	0.2
Retail deposits[2,5]	1.0	n/a	0.4	0.3
New Zealand (RBNZ)[3]				
Consumer lending	0.9	0.9	1.3	1.0
Deposits	1.0	1.4	0.3	1.6

1. Includes securitised loans.
2. Retail deposits as measured by the RBA, financial system includes financial corporations' deposits.
3. New Zealand comprises New Zealand banking operations.
4. Market Share Australian Wealth Management based on market share statistics from Plan For Life as at 30 June 2021 (for Second Half 2021), as at 31 December 2020 (for First Half 2021), as at 30 June 2020 (for Second Half 2020) and as at 31 December 2019 (for First Half 2020).
5. n/a indicates that system growth or Westpac growth was negative.

Review of Group operations

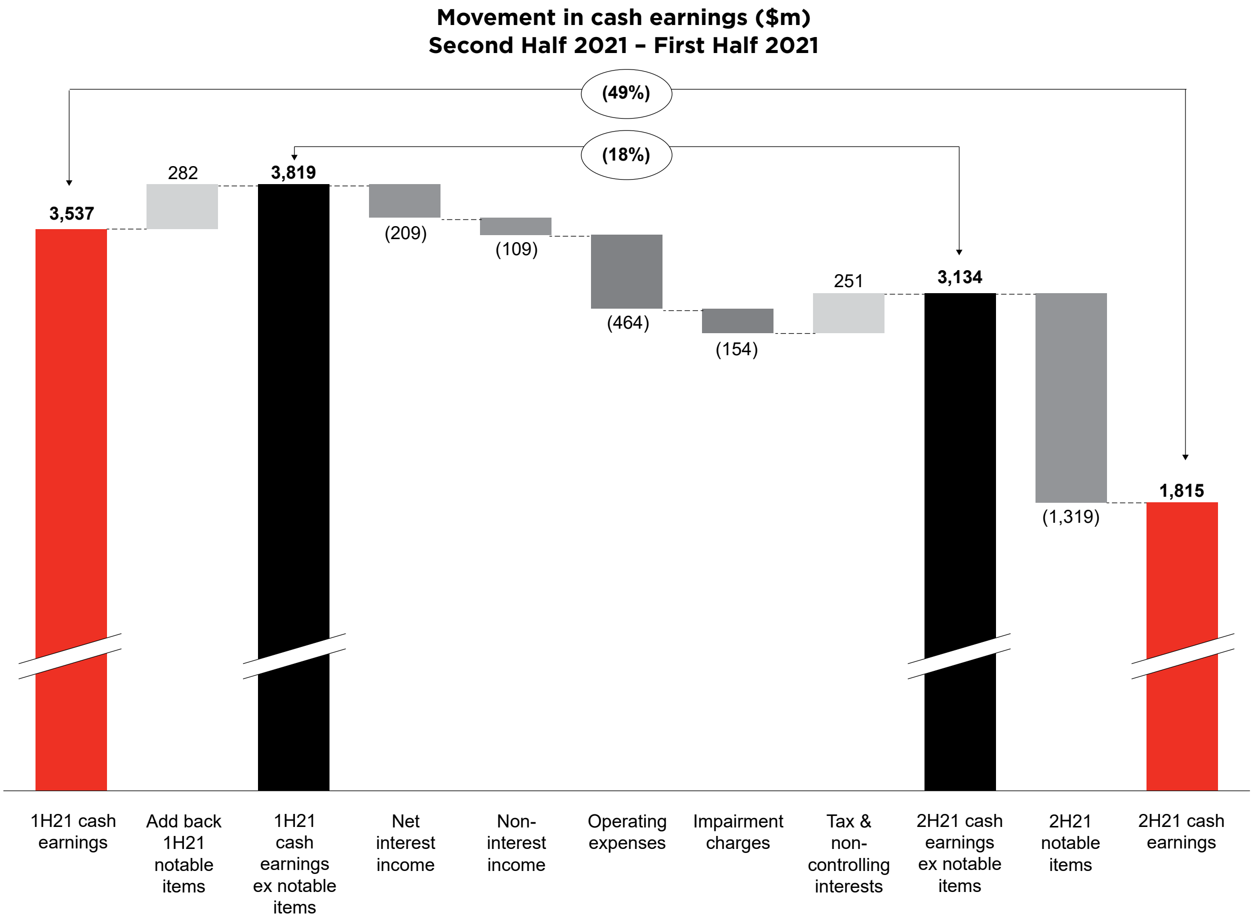
2.0 Review of Group operations

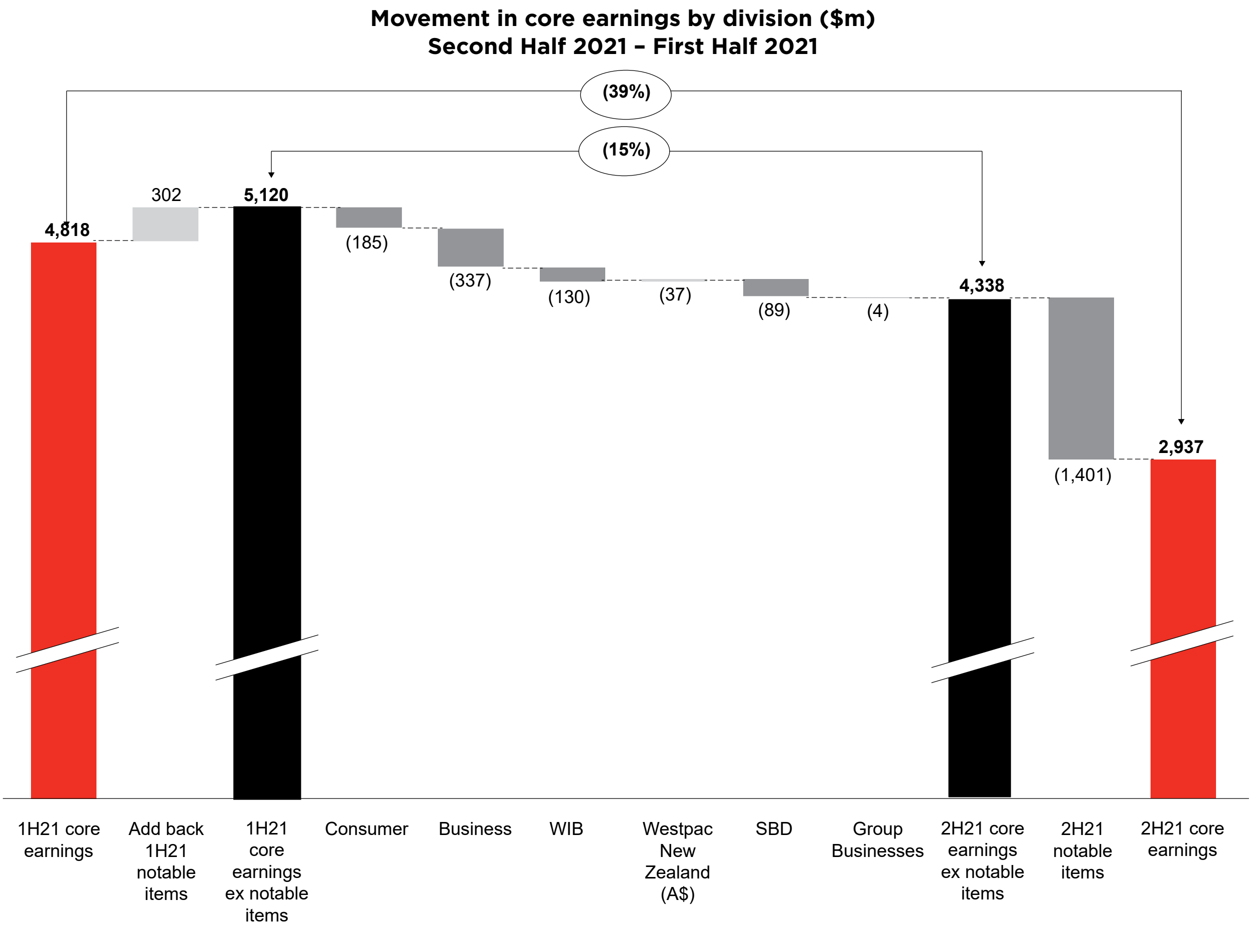
Divisional cash earnings summary

	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[1] (A$)	Specialist Businesses	Group Businesses	Group
Half Year Sept 2021 ($m)							
Net interest income	4,189	1,982	455	991	250	378	8,245
Non-interest income	247	276	520	156	806	(11)	1,994
Net operating income	**4,436**	**2,258**	**975**	**1,147**	**1,056**	**367**	**10,239**
Operating expenses	(2,352)	(1,360)	(1,876)	(562)	(737)	(415)	(7,302)
Core earnings	**2,084**	**898**	**(901)**	**585**	**319**	**(48)**	**2,937**
Impairment (charges)/benefits	45	355	(154)	(13)	(14)	(1)	218
Operating profit before income tax (expense)/benefit	**2,129**	**1,253**	**(1,055)**	**572**	**305**	**(49)**	**3,155**
Income tax (expense)/benefit	(640)	(384)	155	(167)	(241)	(60)	(1,337)
Net profit	**1,489**	**869**	**(900)**	**405**	**64**	**(109)**	**1,818**
Net profit attributable to NCI	-	-	-	-	(5)	2	(3)
Cash earnings	**1,489**	**869**	**(900)**	**405**	**59**	**(107)**	**1,815**
Add back notable items	24	(55)	965	42	243	100	1,319
Cash earnings excluding notable items	**1,513**	**814**	**65**	**447**	**302**	**(7)**	**3,134**
Half Year March 2021 ($m)							
Net interest income	4,216	2,083	464	996	253	457	8,469
Non-interest income	241	273	582	167	684	383	2,330
Net operating income	**4,457**	**2,356**	**1,046**	**1,163**	**937**	**840**	**10,799**
Operating expenses	(2,270)	(1,170)	(698)	(500)	(740)	(603)	(5,981)
Core earnings	**2,187**	**1,186**	**348**	**663**	**197**	**237**	**4,818**
Impairment (charges)/benefits	80	129	(8)	92	80	(1)	372
Operating profit before income tax (expense)/benefit	**2,267**	**1,315**	**340**	**755**	**277**	**236**	**5,190**
Income tax (expense)/benefit	(675)	(395)	(110)	(210)	(146)	(115)	(1,651)
Net profit	**1,592**	**920**	**230**	**545**	**131**	**121**	**3,539**
Net profit attributable to NCI	-	-	-	-	3	(5)	(2)
Cash earnings	**1,592**	**920**	**230**	**545**	**134**	**116**	**3,537**
Add back notable items	76	(25)	26	10	297	(102)	282
Cash earnings excluding notable items	**1,668**	**895**	**256**	**555**	**431**	**14**	**3,819**
Mov't Sept 21 - Mar 21 (%)							
Net interest income	(1)	(5)	(2)	(1)	(1)	(17)	(3)
Non-interest income	2	1	(11)	(7)	18	large	(14)
Net operating income	**-**	**(4)**	**(7)**	**(1)**	**13**	**(56)**	**(5)**
Operating expenses	4	16	169	12	-	(31)	22
Core earnings	**(5)**	**(24)**	**large**	**(12)**	**62**	**large**	**(39)**
Impairment (charges)/benefits	(44)	175	large	large	large	-	(41)
Operating profit before income tax (expense)/benefit	**(6)**	**(5)**	**large**	**(24)**	**10**	**large**	**(39)**
Income tax (expense)/benefit	(5)	(3)	large	(20)	65	(48)	(19)
Net profit	**(6)**	**(6)**	**large**	**(26)**	**(51)**	**large**	**(49)**
Net profit attributable to NCI	-	-	-	-	large	large	50
Cash earnings	**(6)**	**(6)**	**large**	**(26)**	**(56)**	**large**	**(49)**
Add back notable items	(68)	120	large	large	(18)	large	large
Cash earnings excluding notable items	**(9)**	**(9)**	**(75)**	**(19)**	**(30)**	**large**	**(18)**

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

Review of Group operations





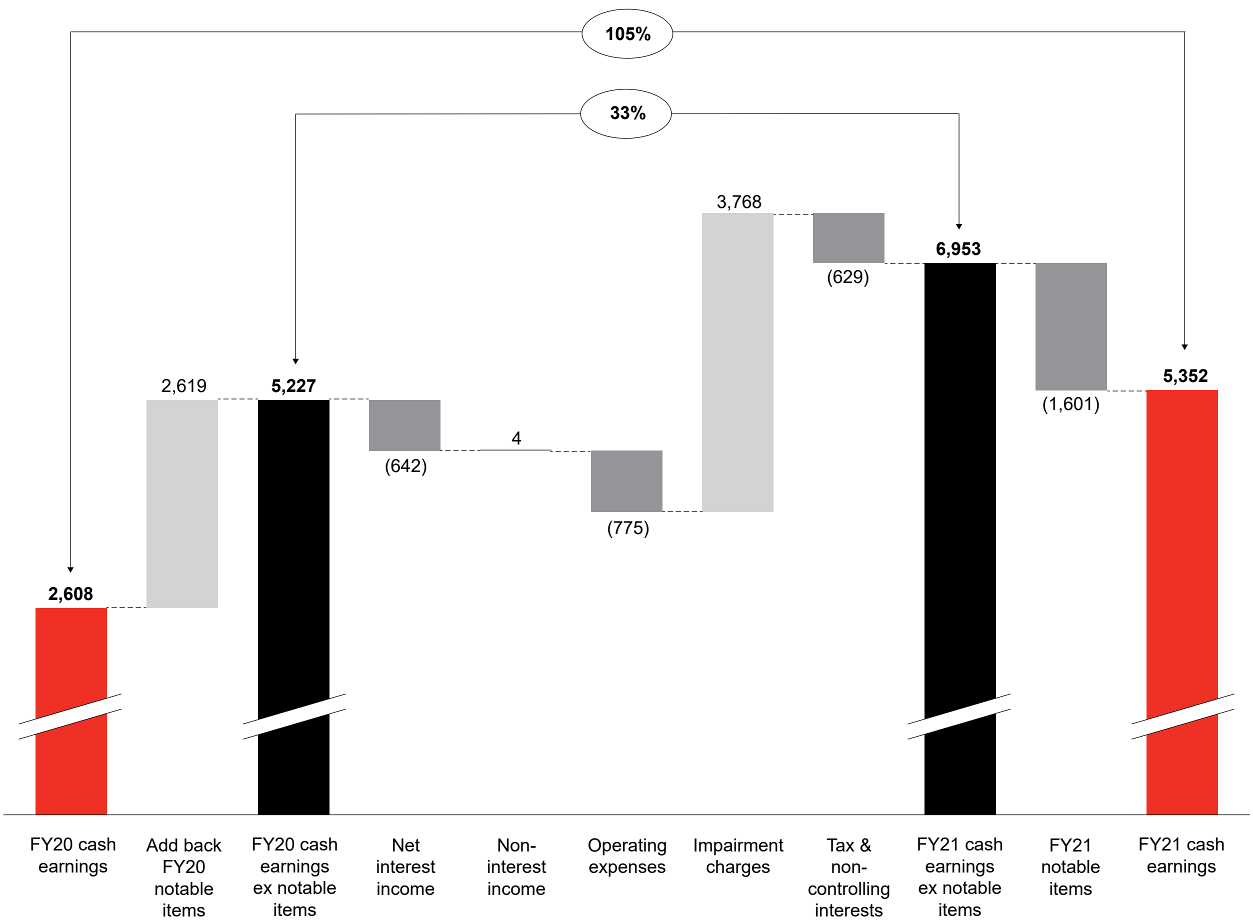
Review of Group operations

	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand[1] (A$)	Specialist Businesses	Group Businesses	Group
Full Year Sept 2021 ($m)							
Net interest income	8,405	4,065	919	1,987	503	835	16,714
Non-interest income	488	549	1,102	323	1,490	372	4,324
Net operating income	**8,893**	**4,614**	**2,021**	**2,310**	**1,993**	**1,207**	**21,038**
Operating expenses	(4,622)	(2,530)	(2,574)	(1,062)	(1,477)	(1,018)	(13,283)
Core earnings	**4,271**	**2,084**	**(553)**	**1,248**	**516**	**189**	**7,755**
Impairment (charges)/benefits	125	484	(162)	79	66	(2)	590
Operating profit before income tax (expense)/benefit	**4,396**	**2,568**	**(715)**	**1,327**	**582**	**187**	**8,345**
Income tax (expense)/benefit	(1,315)	(779)	45	(377)	(387)	(175)	(2,988)
Net profit	**3,081**	**1,789**	**(670)**	**950**	**195**	**12**	**5,357**
Net profit attributable to NCI	-	-	-	-	(2)	(3)	(5)
Cash earnings	**3,081**	**1,789**	**(670)**	**950**	**193**	**9**	**5,352**
Add back notable items	100	(80)	991	52	540	(2)	1,601
Cash earnings excluding notable items	**3,181**	**1,709**	**321**	**1,002**	**733**	**7**	**6,953**
Full Year Sept 2020 ($m)							
Net interest income	8,547	4,163	1,111	1,832	534	899	17,086
Non-interest income	573	560	1,182	319	762	144	3,540
Net operating income	**9,120**	**4,723**	**2,293**	**2,151**	**1,296**	**1,043**	**20,626**
Operating expenses	(4,176)	(2,298)	(1,316)	(998)	(1,548)	(2,364)	(12,700)
Core earnings	**4,944**	**2,425**	**977**	**1,153**	**(252)**	**(1,321)**	**7,926**
Impairment (charges)/benefits	(1,015)	(1,371)	(404)	(302)	(255)	169	(3,178)
Operating profit before income tax (expense)/benefit	**3,929**	**1,054**	**573**	**851**	**(507)**	**(1,152)**	**4,748**
Income tax (expense)/benefit	(1,183)	(320)	(241)	(239)	3	(158)	(2,138)
Net profit	**2,746**	**734**	**332**	**612**	**(504)**	**(1,310)**	**2,610**
Net profit attributable to NCI	-	-	-	-	(2)	-	(2)
Cash earnings	**2,746**	**734**	**332**	**612**	**(506)**	**(1,310)**	**2,608**
Add back notable items	39	188	-	9	922	1,461	2,619
Cash earnings excluding notable items	**2,785**	**922**	**332**	**621**	**416**	**151**	**5,227**
Mov't Sept 21 - Sept 20 (%)							
Net interest income	(2)	(2)	(17)	8	(6)	(7)	(2)
Non-interest income	(15)	(2)	(7)	1	96	158	22
Net operating income	**(2)**	**(2)**	**(12)**	**7**	**54**	**16**	**2**
Operating expenses	11	10	96	6	(5)	(57)	5
Core earnings	**(14)**	**(14)**	**large**	**8**	**large**	**large**	**(2)**
Impairment (charges)/benefits	large	large	(60)	large	large	large	large
Operating profit before income tax (expense)/benefit	**12**	**144**	**large**	**56**	**large**	**large**	**76**
Income tax (expense)/benefit	11	143	large	58	large	11	40
Net profit	**12**	**144**	**large**	**55**	**large**	**large**	**105**
Net profit attributable to NCI	-	-	-	-	-	-	150
Cash earnings	**12**	**144**	**large**	**55**	**large**	**large**	**105**
Add back notable items	156	large	-	large	(41)	large	(39)
Cash earnings excluding notable items	**14**	**85**	**(3)**	**61**	**76**	**(95)**	**33**

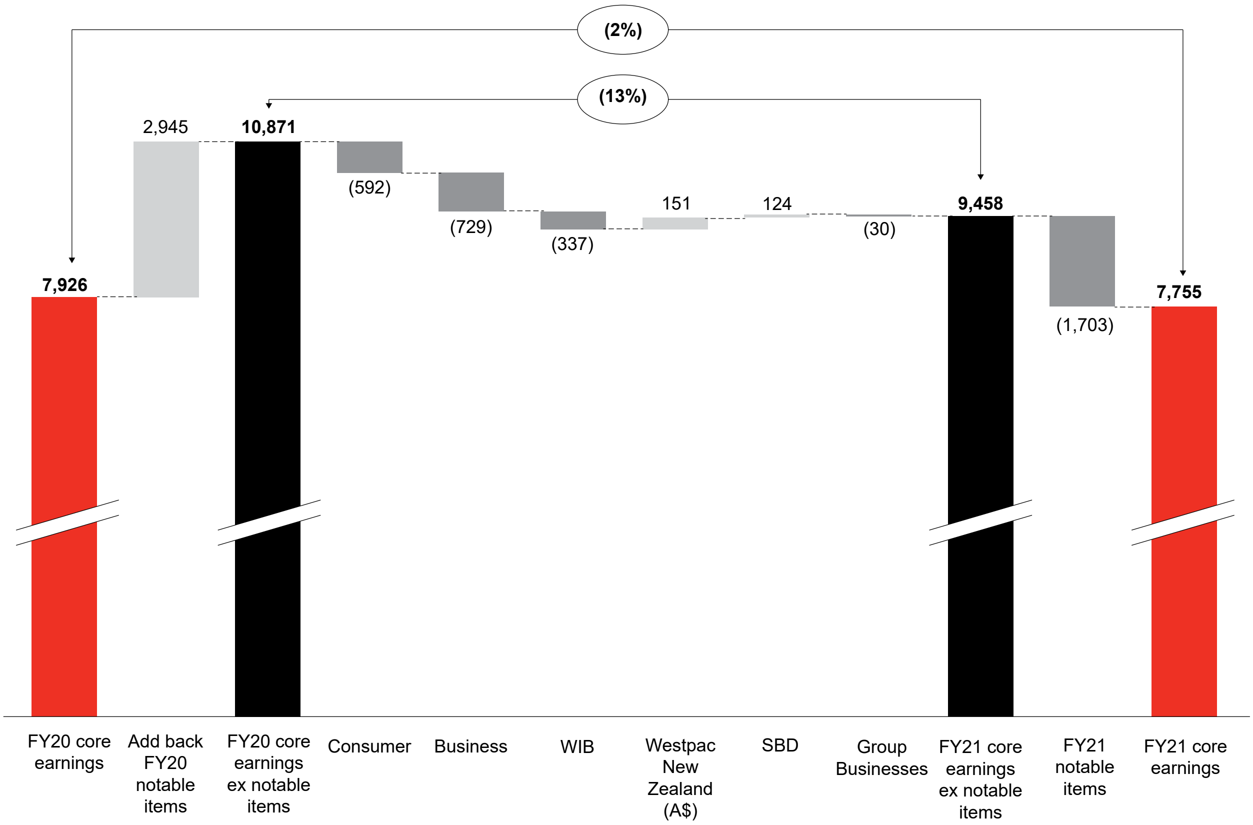
1. Refer to Section 3.4 for the Westpac New Zealand NZ$ divisional result.

Review of Group operations

Movement in cash earnings ($m)
Full Year 2021 – Full Year 2020



Movement in core earnings by division ($m)
Full Year 2021 – Full Year 2020



Review of Group operations

2.1 Performance overview

Overview

Westpac has made progress in the 2021 financial year, with higher cash earnings, continued balance sheet strength, and improving momentum on our strategic priorities. Full Year 2021 cash earnings of $5,352 million were significantly higher than Full Year 2020, up $2,744 million or 105%, due to a turnaround in credit impairment charges (a $2,638 million cash earnings increase) and lower notable items (infrequent items that do not reflect ongoing business performance). Full Year 2021 cash return on equity was 7.6% and cash earnings per share were 146.3 cents, up 102%. Excluding notable items these metrics were 9.8% and 190.1 cents per share, up 31%.

Our core performance in Full Year 2021 reflected improving momentum across our businesses. We restored loan growth through the year with mortgage lending growing in line with the major banks in the second half while business loan growth is improving in our core markets. While growth improved, revenue was down as net interest margins fell, predominantly from low interest rates, increased competition and the mix impact of growth in lower spread assets. Earnings were also impacted by higher operating expenses as we have committed to do what is necessary to address our shortcomings and strengthen our management of risk. Nevertheless, we are looking beyond these medium term cost increases and are seeking to deliver a cost base of $8 billion in 2024. The turnaround in credit impairments was the largest driver of improved earnings.

While notable items were lower over the year, their cash earnings impact remained significant at $1,601 million in Full Year 2021. The notable items were largely due to the $965 million write-down of assets in Westpac Institutional Bank (WIB) as its earnings profile could not support the carrying value of its intangible assets. The remaining notables were mostly due to additional costs related to remediation and regulatory actions, and additional costs and write-downs linked to the exit of businesses. Detail on notable items is provided in Section 1.3.3 and Section 3.0. In aggregate, notable items were $1,018 million lower than in Full Year 2020 (which were $2,619 million).

Excluding notable items, cash earnings for Full Year 2021 were $6,953 million up $1,726 million or 33% on Full Year 2020. The increase was predominantly due to a credit impairment benefit of $590 million for Full Year 2021 (compared to a credit impairment charge of $3,178 million in Full Year 2020) as credit quality outcomes related to COVID-19 did not have the financial impact we estimated in 2020. This meant that certain impairment provisions built up in Full Year 2020 were no longer required.

Core earnings (profit before impairment charges and tax), excluding notable items, were lower in 2021, declining 13%. While loan growth improved through the year, low interest rates and continued mortgage competition drove an 8 basis points reduction in margins. Expenses rose 8% as we increased resources to address our strategic priorities. This was partly offset by a small rise in non-interest income from higher insurance earnings.

Improved cash earnings and underwriting the final 2020 dividend contributed to a strengthening of our balance sheet. Our common equity tier 1 (CET1) capital ratio increased 119 basis points, while our funding and liquidity metrics are all comfortably above regulatory minimums. The Board has determined to pay a final ordinary dividend of 60 cents per share reflecting a 121% cash earnings payout ratio.

At 30 September 2021 our CET1 capital ratio of 12.3% represents $8 billion of capital above APRA's unquestionably strong benchmark of 10.5%. Given this strong capital position and the improved economic outlook, the Board has determined to implement an off-market share buy-back of up to $3.5 billion.

Having established our new strategic priorities at the end of 2020, the 2021 financial year has been focused on implementation – and we have made good progress. Significant attention, and cost, has been directed to our 'Fix' priority while we have also made good progress on our 'Simplify' and our 'Perform' priorities.

Progress under each of these priorities is described below.

Fix

This priority is focused on improving our control environment, lifting our management of risk and completing customer remediation as quickly as possible. A key element of this is our Customer Outcomes and Risk Excellence (CORE) program which is an integrated plan of over 300 activities that aims to strengthen our risk governance, accountability, and culture. Key milestones achieved for the CORE program over the year have included:

- Over 600 senior leaders have established statements of accountability to improve role clarity, prioritisation and decision making;
- Completed mapping of key processes across our Australian banking business to standardise risk management and reporting;
- Added over 2,000 employees to lift our three lines of defence capability while over 7,600 people completed expanded risk fundamentals training; and
- 121 CORE activities (37% of the activities) submitted to Promontory Australia (who is completing the independent assurance of the program).

Review of Group operations

Alongside our CORE program, additional progress under our Fix priority has included:

- Progressing customer remediation. In 2021 we paid or offered over $1 billion to more than 1 million customers. Within our remediation programs we have:
  - Largely finalised payments associated with our two largest financial advice remediation programs; and
  - Completed the review of business customers who were provided a business loan instead of a regulated consumer loan. Customer remediation is expected to be completed by mid 2022.
- Further improved our financial crime capability including closing out all matters referred to in the AUSTRAC statement of claim;
- Embedded our new complaints management platform, to better capture, resolve and report complaints, and help to identify and rectify the root cause of customer issues; and
- Lifting technology resilience in New Zealand, with almost a third of payments migrated to a new payments platform while replacement of the core business lending/deposit platform is 50% complete.

While we have made much progress there is still much to do. In addition, there are a number of investigations underway that primarily relate to our past practices and these could result in further litigation, fines, penalties or other regulatory action. Refer to Note 14 of the Financial Statements on Contingent Liabilities and Provisions for further details.

Simplify

In simplifying Westpac, we are focusing on banking for consumer, business and institutional customers in Australia and New Zealand. This has three dimensions 1. portfolio simplification – the businesses we operate, 2. geographic simplification – where we operate, and 3. banking simplification – making it easier for customers to bank with us, using digital to transform our operations.

Under portfolio simplification, our Specialist Businesses division was set up to manage the Australian and Pacific businesses we ultimately plan to exit. Over Full Year 2021 we:

- Completed the sale of our General Insurance, Lenders Mortgage Insurance, Vendor Finance and New Zealand Wealth Advisory businesses; and
- Entered into sale agreements for our Australian Life Insurance, New Zealand Life Insurance, and Motor Vehicle Finance and Novated Leasing businesses.

The remaining businesses identified for divestment, but not under a sale agreement, include Westpac Pacific and our Superannuation, Investments and Platforms (SIP) operations. During Second Half 2021 we agreed with Kina Securities Limited to terminate our sale agreement for Westpac Pacific following the decision by the Papua New Guinea's Independent Consumer and Competition Commission (ICCC) to deny authorisation for the proposed acquisition. We continue to operate the business while assessing other options.

Under geographic simplification, we announced the consolidation of 5 international offices into our Singapore hub. Our branches in Mumbai and Jakarta have now been closed while our Hong Kong, Shanghai and Beijing offices are not taking new business and we expect to finalise their exit by the end of 2022.

A key element of banking simplification has been the establishment of our lines of business operating model. This model is providing end-to-end accountability and clear decision making for our major product categories and is supporting the streamlining of processes (including via digitisation), reducing and simplifying products, cutting the number of fees and improving service.

Banking simplification outcomes for 2021 included:

- Closing over 100 branches across Australia and New Zealand and reducing the ATM network by 168, down 8%;
- Launching a new Westpac mobile banking iPhone app which is now being used by over 90% of eligible iPhone app consumer and sole trader customers. Our new Android app is now in pilot;
- Closing 284 products and eliminating associated fees;
- Streamlining the annual account review process for business customers, improving banker productivity;
- Reducing correspondent banking relationships, exiting, or restricting our relationship with 286 banking groups;
- Returning over 1,000 previously outsourced roles to Australia; and
- Revamping the New Zealand website improving customer self-service while lowering call centre volumes.

Review of Group operations

Perform

In the current low interest rate and competitive environment, it has been vital that we remain focused on enhancing our operational efficiency to improve sustainable shareholder returns. We have previously outlined our key 'Perform' priorities of growing mortgages in line with major banks by Second Half 2021 and have set a three-year cost base target. Progress over the year included:

- Targeting an $8 billion cost base by Full Year 2024. Four elements required to meet this target include, elimination of major notable items, exiting businesses, simplifying our operations (with a focus on digital) and streamlining our head office consistent with the smaller, more focused business we are becoming. Most of the progress this year has been linked to our simplification priority, particularly divestments;
- Restored growth in mortgages to be in line with major bank system in Second Half 2021. In part this was due to the establishment of the mortgage line of business which has:
  - Conducted more targeted campaigns, to improve growth in key segments;
  - Finalised the roll-out of our one bank platform to our bank brands with a single digital origination process;
  - Implemented around 70 process improvements to enhance the customer experience and speed-up decision times; and
  - Recruited around 150 new bankers, and over 300 people in our mortgage operations team.
- Improved growth in business lending through the year. with over 100 policy and process improvements, increased auto decisioning and reduced decision times. While in Institutional, we have refocused on our core markets generating growth across most sectors;
- Launched new card products, 'Flex' (zero rate card) and 'Worldwide wallet' card for international payments;
- Developed a new Banking-as-a-Service (BaaS) platform (a low cost, cloud based banking system) which is now in pilot. Deposits on the new platform will soon be available to the customers of our first partner, Afterpay; and
- Maintained a strong balance sheet enabling us to announce an off-market buy-back.

Supporting customers

Under our Perform strategic priority we are seeking to deliver market leading customer service. While much of our effort this year has been on supporting customers throughout the COVID-19 pandemic we have also delivered initiatives to improve the customer experience. Some of these included:

- Accelerating use of dynamic CVC numbers and instant digital cards to improve convenience and security;
- Developed a new digital onboarding and verification process enabling deposit customers to set up and use their accounts within 5 minutes;
- Enhancing the ability for customers to block their cards to online gambling;
- Helping the more vulnerable in the community, with around 18,000 customers receiving assistance through our specialist teams; and
- Implemented new measures to block inappropriate messages through payments channels.

COVID-19

COVID-19 has continued to have a significant impact on economies, businesses, and consumers. The effects of lockdowns and social restrictions have been partly offset by the support provided by governments, regulators and by the banking sector. And so, while the impact of COVID-19 restrictions has been less than initially expected, its effects on customers have been uneven across businesses and consumers. How COVID-19 affected Westpac can be broadly categorised into five areas.

1. Low interest rates supported demand for lending (particularly mortgages) although they have put pressure on interest margins through lower returns on capital, and from an effective floor on deposit interest rates.
2. Westpac has provided significant support to customers via repayment deferrals, fee waivers, special interest rates and special loans. While the current levels of support are well down on the 2020 peaks, it has, and will continue to, have an impact on net interest income and non-interest income.
3. Elevated stressed exposures compared to pre-pandemic levels. In First Half 2021 it became clear stressed exposures were going to be less than initially expected in 2020, and after peaking around September 2020, the proportion of loans classified as stressed has now declined. Despite the improved outlook, some uncertainty remains, and we will continue to monitor how customers manage the winding down of government assistance and emerge from lockdowns in determining credit impairment provisions.
4. Costs increased as we responded to higher demand for support, installed new customer/employee protection measures and brought roles back to Australia. Some costs associated with safety measures have reduced in Full Year 2021, others will remain while we continue to focus on supporting customers/employees.
5. A stronger balance sheet through more capital, higher liquid assets and more customer deposits. These changes partly impact net interest income but also reduce return metrics from higher capital.

Review of Group operations

Financial performance summary (Full Year 2021 compared to Full Year 2020)

Cash earnings for Full Year 2021 were $5,352 million, up 105% on Full Year 2020. The result benefited from lower credit impairment charges and lower notable items. The notable items are explained in Section 1.3.3 and Section 3.0.

The cash earnings impact of notable items was $1,601 million in Full Year 2021 (compared to $2,619 million in Full Year 2020). Excluding notable items, cash earnings were $6,953 million, up $1,726 million or 33%.

Net interest income

Net interest income of $16,714 million was down 2% with a 4 basis point reduction in net interest margin to 2.04% and little change in average interest earning assets.

Excluding notable items, net interest income was down $642 million or 4% with margins down 8 basis points to 2.02%. Notable items in interest income were due to provision releases for customer refunds no longer required.

The 8 basis point decline in margins excluding notable items was predominantly due to mortgage competition resulting in narrower spreads on new and refinanced lending along with the impact of low interest rates, including reduced income on capital and hedged deposits. The mix effect of growing lower spread fixed rate mortgages and holding more liquid assets also contributed to the margin decline. These reductions were partly offset by improved deposit spreads (including the mix effect from less term deposits) and lower wholesale funding costs as we fully drew down on our $30 billion allocation of the Term Funding Facility.

While average interest earning assets were flat over the year there was a change in mix, with average loans decreasing 2% offset by a 15% increase in liquid assets due to both additional market liquidity and a lift in funded liquid assets.

On a spot basis, lending increased $17.7 billion (up 3%) as growth improved through the year. Most of the rise was in Australian mortgages, up $14.7 billion or 3%, a $7.0 billion or 9% increase in New Zealand lending (in $A terms) and a small increase in Australian business lending of $0.9 billion. These increases were partly offset by lower offshore lending, down $4.3 billion or 41% following our decision to consolidate our Asian points of presence and lower personal lending, down $2.4 billion or 14%.

In Australian mortgages, growth was concentrated in owner occupied lending which was up 9% while investor lending declined 5%. There has also been a significant shift in the composition of this portfolio with fixed rate lending comprising 38% of the book, up from 28% at September 2020.

Customer deposits grew 4%, fully funding loan growth over the year and lifting the deposit to loan ratio to 81.6% up from 80.1%. The rise in deposits was consistent with the increased liquidity in the financial system from government stimulus payments and a decline in retail spending. Most of the increase in deposits was in at call deposits, both in Australia and New Zealand (up 13% and 16% respectively), as customers preferred to keep their funds liquid. This was partly offset by a corresponding shift away from term deposits down 18% in Australia and 9% in New Zealand. Overall customer deposit growth in New Zealand was 10% in $A terms, while overseas deposits fell $4.0 billion or 37% in line with our Asian consolidation.

Non-interest income

Non-interest income for Full Year 2021 was $4,324 million or 22% higher than Full Year 2020. Excluding notable items, non-interest income was relatively flat (up $4 million).

Notable items were a benefit to non-interest income in 2021 versus a detriment to earnings in Full Year 2020. The benefits were due to a $537 million contribution from our prior holding in Coinbase Inc. and a $160 million gain from the sale of Westpac General Insurance Limited.

Key movements in non-interest income excluding notable items included:

- Higher insurance income from a favourable life policyholder liability revaluation, lower general insurance severe weather claims and higher mortgage growth increasing the contribution from Lenders Mortgage Insurance;
- Reduced trading income from lower market volatility and the closure of the energy trading business in 2020;
- Our decision to reduce our correspondent banking relationships;
- The removal of around 80 fees in Consumer as part of our Simplify priority; and
- Lower wealth income with more customers now on lower margin products.

Review of Group operations

Expenses

Operating expenses were up $583 million or 5% over Full Year 2021 with the increase mainly due to higher workforce expenses. In Full Year 2021 notable items in expenses were $2,347 million, mostly from the write-down of WIB assets, costs related to businesses being sold (including goodwill write-downs along with separation and transaction costs), and further provisions for remediation costs and litigation. Costs were also higher from performance fees linked to Reinventure (our fintech venture capital funds) following the sale of our Coinbase Inc. holding.

Full Year 2020 notable items in expenses were $2,539 million and included provisions for the AUSTRAC penalty and write-downs of intangibles. Excluding notable items, expenses were up $775 million or 8%.

Excluding notable items, higher expenses were predominantly workforce related as FTE increased 3,294, or 9%. Most of these new roles were focused on supporting our Fix strategic priority, including our CORE program and strengthening our risk and financial crime teams. Some of these resources will roll-off as programs are completed. We also added more front-line mortgage specialists and bankers along with more resources to process mortgage volumes and respond to customer enquiries, including bringing 1,000 roles back to Australia.

Credit quality and credit impairment charges

After initially deteriorating in 2020 from the economic impacts of COVID-19, credit quality metrics improved over Full Year 2021. The improvement has been due to the success of government stimulus measures, better labour market conditions and the support provided to customers, including repayment deferrals.

Stressed exposures to total committed exposures ended the year at 1.36% compared to 1.91% at 30 September 2020. The improvement was experienced across most sectors, segments and geographies. Delinquencies were also lower with mortgage 90+ day delinquencies down 51 basis points to 0.99% and other consumer 90+ day delinquencies down 44 basis points to 1.75%.

The improvement in credit quality, along with a better economic outlook, has meant that some provisions booked in Full Year 2020 were no longer required. This led to a credit impairment benefit of $590 million for Full Year 2021. This compared to a $3,178 million credit impairment charge in Full Year 2020 – in aggregate, a $3.8 billion turnaround.

Total provision balances remain above pre-pandemic levels at $5.0 billion and were down $1.1 billion over Full Year 2021. Our ratio of total provisions to credit risk weighted assets was 1.40% at 30 September 2021, down from 1.71% at 30 September 2020. Our ratio of impaired asset provisions to impaired assets was 54%, up from 41% at 30 September 2020.

Tax

The Group booked a $2,988 million tax expense in Full Year 2021 up 40% from Full Year 2020. The rise in tax expense was less than the 76% increase in earnings before tax as the effective tax rate reduced to 35.8%, from 45.0% in Full Year 2020. The tax rate in Full Year 2021 remains higher than Australia's 30% corporate tax rate as some intangible asset write-downs were not tax deductible.

ROE and EPS

The large increase in cash earnings contributed to an increase in return and per share metrics, these increases were partly offset by increases in capital and a 2% rise in shares on issue. The cash earnings return on equity was 7.6% in Full Year 2021 up from 3.8% for Full Year 2020. Cash earnings per ordinary share were 146.4 cents in Full Year 2021, more than doubling from 72.5 cents over the prior year.

Excluding notable items, cash earnings per share were 190.1 cents, compared to 145.4 cents for Full Year 2020, while the return on equity was 9.8%.

Net tangible assets per share were $16.90 at 30 September 2021 up 8% over the year, due to increased capital.

Capital

The Group's capital position improved over the half with a CET1 capital ratio of 12.32% at 30 September 2021 up from 11.13% at 30 September 2020. The rise was due to the increase in cash earnings, completion of the divestment of Westpac General Insurance and Westpac Lenders Mortgage Insurance and the full underwrite of the final 2020 dividend.

The Group's funding and liquidity ratios remained comfortably above regulatory minimums with the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) ending the year at 129% and 125% respectively.

Review of Group operations

Dividends and capital management

The Board determined a final ordinary dividend of 60 cents per share, fully franked. This reflects a payout ratio of 121% based on cash earnings and 70% excluding notable items.

Based on the share price at 30 September 2021, the implied yield on the final dividend is 4.62%.

No discount will be applied to the market price used to determine the number of shares issued under the dividend reinvestment plan (DRP). The market price used to determine the number of shares issued under the DRP will be set over the 10 trading days commencing 11 November 2021. Westpac plans to neutralise the impact of the DRP and intends to arrange for the purchase of shares by a third party to satisfy the DRP for the 2021 final dividend.

The 60 cent ordinary dividend is expected to be paid on 21 December 2021.

Given Westpac's CET1 capital ratio is comfortably above APRA's 10.5% unquestionably strong benchmark the Board has decided to announce an off-market buy-back of up to $3.5 billion worth of shares.

After allowing for the 2021 Final ordinary dividend, and the announced off-market buy-back, the Group's adjusted franking account balance is estimated to be $3.0 billion.

Bank Levy

Westpac paid the Government's Bank Levy of $392 million in Full Year 2021 ($408 million in Full Year 2020). The Bank Levy in Full Year 2021 was equal to 5% of cash earnings and is equivalent to 7 cents per share and is included in net interest income where it reduced net interest margin by 5 basis points. In aggregate, taxes paid, along with the Bank Levy give Westpac an adjusted effective tax rate of 38.7%.

Financial performance summary (Second Half 2021 compared to First Half 2021)

Cash earnings of $1,815 million were down $1,722 million or 49% from First Half 2021. The decrease was primarily due to higher notable items in Second Half 2021, lower net interest income and higher expenses. Excluding notable items, cash earnings were $3,134 million, down $685 million or 18%.

Notable items for the half reduced cash earnings by $1,319 million and included the write-down of assets in WIB and for businesses under sale, further provisions for remediation costs, litigation matters along with separation and transaction costs. These were partly offset by gains on sale of divested businesses.

Net interest income was 3% lower over the prior half, principally due to lower net interest margins which fell 10 basis points to 1.99% (excluding notable items, margins fell 9 basis points to 1.98%) primarily due to low interest rates, competition narrowing spreads on new and existing lending and adverse mix impacts. Average interest earning assets were up 2% over the half from a 1% rise in lending. Growth in lending was due to:

- Higher Australian lending across mortgages (up $12.0 billion), business (up $5.5 billion) while personal lending decreased $1.7 billion; and
- Higher New Zealand lending up $5.3 billion (in $A terms) mainly from stronger mortgage lending.

Customer deposits increased $30.0 billion as continued government stimulus flowed through to increased liquidity in the financial system. Growth in Australia was predominantly in at call accounts, which grew $30.2 billion or 10%, predominantly in Consumer and Business as customer preferences to more liquid deposits continued. Correspondingly, term deposits contracted 7% over the six months to 30 September 2021. New Zealand deposits increased $4.5 billion (in $A terms) or 7% with similar mix trends.

Non-interest income was down 14% over the prior half and was down 6% excluding notable items. The fall excluding notable items was mainly due to lower trading income from lower non-customer markets income.

Expenses were up $1,321 million or 22% compared to First Half 2021. Excluding notable items, expenses were up $464 million or 9% primarily due to higher staff expenses. The increase reflected additional workforce associated with our Fix priority, increased staff to support customers, including customers experiencing hardship and lower utilisation of leave provisions following COVID-19 lockdowns.

Credit quality continued to improve over the half with stressed exposures to TCE declining 24 basis points to 1.36%. Mortgage and other consumer delinquencies were also lower.

We recorded a credit impairment benefit in Second Half 2021 of $218 million as the improvement in credit quality and a better economic outlook meant that collectively assessed provisions initially booked in 2020 were no longer required. The $218 million benefit was lower than the benefit recorded in First Half 2021 of $372 million. Within the impairment benefit was an individually assessed provision charge of $263 million, mostly related to a large equipment finance fraud that was fully provided for.

Review of Group operations

Divisional performance summary

The performance of each division is based on Full Year 2021 compared to Full Year 2020 and is discussed below. For a description of each division see Section 3.

Consumer

Cash earnings of $3,081 million were $335 million or 12% higher than Full Year 2020, mostly from a credit impairment benefit partly offset by higher expenses and lower net interest income. Notable items had a small net impact on the division's earnings over the year, predominantly in expenses. Net interest income was down 2% with a 3 basis point decrease in margins partly offset by a 5% increase in lending. The decrease in margins was driven by competition in mortgages leading to lower spreads on new and refinanced lending along with a mix shift to fixed rate lending. This was partly offset by a portfolio mix benefit in deposits (from term deposits to at call) and improved deposit spreads. Non-interest income fell 15% reflecting the removal of certain fees as part of our simplification strategy, lower activity related fees and reduced foreign currency fees. Costs were 9% higher (excluding notable items) mostly related to our Fix priority. Credit impairment charges were a benefit of $125 million compared to a charge of $1,015 million in Full Year 2020 as provisions raised in the prior year were no longer required.

Business

Cash earnings of $1,789 million were $1,055 million higher than Full Year 2020. Most of the improvement was due to a credit impairment benefit of $484 million compared to a credit impairment charge of $1,371 million in Full Year 2020 along with a $268 million turnaround in notable items. Excluding notable items, earnings were $1,709 million, up $787 million. Net interest income benefited from a $318 million turnaround in notable items as some provisions for customer refunds were no longer required. Excluding this, net interest income was down $416 million or 10% with a 11 basis point decrease in margins and a 5% decrease in lending. Lower lending reflected reduced demand and a reduction in investor property lending. The decline in margins was from reduced spreads on business loans and the impact of special low interest rates on COVID-19 support products. This was partly offset by improved deposit spreads and lower funding costs. Non-interest income also fell mostly due to a decline in activity. Expenses, excluding notable items, were $303 million or 14% higher than Full Year 2021 from increased resources associated with our Fix priority along with further investment in front line risk capability including additional bankers. Credit impairment charges were a $484 million benefit in Full Year 2021, the turnaround from a Full Year 2020 charge of $1,371 million mainly reflecting an improved economic outlook and credit quality. Individually assessed provisions were also lower over the year.

Westpac Institutional Bank

Cash earnings were a loss of $670 million for Full Year 2021 compared to a profit of $332 million for Full Year 2020, with notable items of $991 million incurred in Full Year 2021. Excluding notable items, cash earnings were $321 million or 3% million lower than Full Year 2020. Income was 12% lower, mostly from a 17% fall in net interest income as net interest margin declined 9 basis points and lending was broadly flat. The decline in margins was mainly due to the impact of low interest rates on deposit spreads and earnings on capital. Non-interest income was down 7% from lower non-customer and customer financial markets income, including from the closure of the energy desk, partly offset by a derivative valuation adjustment benefit. Expenses were 5% higher excluding notable items, with the increase due to higher risk management and compliance costs, partly offset by productivity benefits from the consolidation of our international operations. Credit impairment charges were $242 million lower, mainly due to collectively assessed provisions reducing as both the economic outlook and credit quality improved and offshore exposures declined. This was partly offset by one large facility downgraded to impaired.

Westpac New Zealand

Cash earnings of NZ$1,013 million were NZ$364 million or 56% higher compared to Full Year 2020. Net interest income was up 9%, or 10% excluding notable items from a 5% increase in lending and a 5 basis point expansion in net interest margin (excluding notable items). The increase in margin was primarily due to higher deposit spreads from repricing and portfolio mix, partly offset by lower spreads on new lending. Non-interest income was up 3% primarily from higher cards revenue and a gain on sale of the Wealth Advisory business. Expenses were up NZ$73 million or 7% mainly from one-off costs related to strategic projects alongside additional investment in our Fix priority. Credit impairment charges were a NZ$84 million benefit in Full Year 2021 compared to a NZ$320 million charge in Full Year 2020, the turnaround was mainly from a collectively assessed provision benefit from improved credit quality with delinquencies and stressed exposures improving and from a better economic outlook.

Review of Group operations

Specialist Businesses

Cash earnings for Full Year 2021 were $193 million compared to a loss of $506 million for Full Year 2020, most of the improvement was due to a $382 million reduction in notable items. In Full Year 2021 the division incurred $540 million of notable items, primarily related to divestments, compared to $922 million in the previous year. Net interest income excluding notable items was down $13 million or 2%, due to a decrease in Auto, Pacific and Vendor Finance lending. This was partly offset by an 14 basis point improvement in margins as interest rate reductions related to COVID-19 support ended. Non-interest income, excluding notable items, increased $120 million or 10%.

Revenue contributions from businesses excluding notable items were:

- Insurance income was up $180 million or 61% from an improved Lenders Mortgage Insurance contribution as the mortgage portfolio grew and claims fell, lower severe weather claims in General Insurance and a favourable movement in policyholder valuations in Life Insurance;
- Superannuation, Investments and Platforms contribution fell $18 million or 3% mostly from continued margin compression from pricing changes and migrations; and
- Banking income fell $41 million or 29% from lower activity including in Westpac Pacific from the impact of COVID-19 restrictions on tourism.

Expenses were down $54 million in Full Year 2021 excluding notable items due to lower project spend and reduced costs related to COVID-19 support. Credit impairment charges were a benefit of $66 million compared to a charge of $255 million as provisions raised in Full Year 2020 were no longer required.

Over Full Year 2021 we completed sales of Westpac General Insurance, Westpac Lenders Mortgage Insurance and our Vendor Finance business. Further detail on the contribution of these businesses can be found in Section 5 Note 9.

Group Businesses

Group Businesses cash earnings were $9 million in Full Year 2021, compared to a $1,310 million loss in Full Year 2020. The improvement in cash earnings reflected lower notable items in Full Year 2021 with benefits from the sale of our holding in Coinbase Inc. partly offset by lower provisions for customer refunds and payments and litigation. Notable items in Full Year 2020 costs related to the AUSTRAC proceedings, additional provisions for customer refunds and payments and litigation, partly offset by the revaluation gains on our investment in Zip Co Limited Excluding notable items, cash earnings were $7 million compared to $151 million in Full Year 2020. The fall in cash earnings was mainly due to a lower contribution from Treasury and credit impairment charges as we reduced some centrally held credit impairment provisions in Full Year 2020.

Review of Group operations

2.2 Review of earnings

2.2.1 Net interest income[1]

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest Income ($m)						
Net interest income excluding Treasury & Markets	7,796	7,942	(2)	15,738	16,049	(2)
Treasury net interest income[2]	396	482	(18)	878	903	(3)
Markets net interest income	53	45	18	98	134	(27)
Net interest income	**8,245**	**8,469**	**(3)**	**16,714**	**17,086**	**(2)**
Add back notable items	(56)	(71)	(21)	(127)	143	large
Net interest income excluding notable items	**8,189**	**8,398**	**(2)**	**16,587**	**17,229**	**(4)**
Average interest earning assets ($m)[3]						
Loans	657,940	648,767	1	653,366	670,072	(2)
Third party liquid assets[4]	149,416	138,245	8	143,846	125,606	15
Other interest earning assets	18,570	25,938	(28)	22,244	26,040	(15)
Average interest earning assets	**825,926**	**812,950**	**2**	**819,456**	**821,718**	**-**
Net interest margin (%)						
Group net interest margin	1.99%	2.09%	(10 bps)	2.04%	2.08%	(4 bps)
Group net interest margin excluding Treasury & Markets[5]	1.88%	1.96%	(8 bps)	1.92%	1.95%	(3 bps)
Excluding notable items (%)						
Group net interest margin	1.98%	2.07%	(9 bps)	2.02%	2.10%	(8 bps)
Group net interest margin excluding Treasury & Markets[5]	1.87%	1.94%	(7 bps)	1.90%	1.97%	(7 bps)

Second Half 2021 – First Half 2021

Net interest income decreased $224 million or 3% compared to First Half 2021. Excluding notable items, net interest income decreased $209 million against First Half 2021. Key features include:

- Net interest margin decreased 10 basis points due to competition in lending, shifts in the mortgage portfolio to lower margin fixed rate loans, reduced earnings on hedged capital and deposits, and a decline in the Treasury and Markets contribution. This was partly offset by shifts in deposit mix as customers preferred at call products, deposit repricing, and lower wholesale funding costs. Refer to Section 2.2.4 for further details on net interest margin; and
- Average interest earning assets increased 2% due to higher mortgage lending and holdings of third party liquid assets. This was partly offset by lower average business and personal lending. Other interest earning assets decreased mainly in collateral balances.

Full Year 2021 – Full Year 2020

Net interest income decreased $372 million or 2% compared to Full Year 2020. Excluding notable items, net interest income decreased $642 million against Full Year 2020. Key features include:

- Net interest margin decreased 4 basis points due to compression on lending from shifts in the mortgage portfolio to lower margin fixed rate loans, mix impact from a decline in personal lending, and reduced earnings on hedged capital and deposits. This was partly offset by deposit repricing, shifts in the deposit mix as customers preferred at call products, and lower wholesale funding costs. Refer to Section 2.2.4 for further details on net interest margin; and
- Average interest earnings assets declined slightly, with reductions in institutional, business, and personal lending balances, partly offset by higher mortgage lending balances and increased holdings of third party liquid assets. Other interest earning assets decreased mainly in collateral balances.

1. Refer to Section 4, Note 3 for reported results breakdown. Refer to Section 5, Note 3 for cash earnings results breakdown. As discussed in Section 1.3, commentary is reflected on a cash earnings basis.
2. Treasury net interest income excludes capital benefit.
3. Includes assets held for sale.
4. Refer to Glossary for definition.
5. Calculated by dividing net interest income excluding Treasury and Markets by total average interest earning assets.

Review of Group operations

2.2.2 Loans

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Australia	**614,770**	**598,663**	**600,780**	**3**	**2**
Housing	455,604	443,557	440,933	3	3
Personal	14,737	16,458	17,081	(10)	(14)
Business	148,453	142,965	147,584	4	1
Provisions	(4,024)	(4,317)	(4,818)	(7)	(16)
New Zealand (A$)	**88,793**	**83,486**	**81,788**	**6**	**9**
New Zealand (NZ$)	**93,032**	**90,923**	**88,353**	**2**	**5**
Housing	60,849	58,297	55,231	4	10
Personal	1,231	1,409	1,469	(13)	(16)
Business	31,421	31,713	32,261	(1)	(3)
Provisions	(469)	(496)	(608)	(5)	(23)
Other overseas (A$)	**6,221**	**6,069**	**10,491**	**3**	**(41)**
Total loans	**709,784**	**688,218**	**693,059**	**3**	**2**
Loans held for sale[1]	**1,015**	**1,819**	**-**	**(44)**	**-**
Total loans (including held for sale)	**710,799**	**690,037**	**693,059**	**3**	**3**

Second Half 2021 – First Half 2021

Total loans (including held for sale) increased $20.8 billion or 3% compared to 31 March 2021. Excluding foreign currency translation impacts, total loans increased $16.8 billion or 2%.

Key features of total loan movements were:

- Australian housing loans increased $12.0 billion, achieving major bank system growth in the second half, supported by market growth, improvements in credit decisioning and processing times. This was in owner occupied lending, up $15.0 billion, partly offset by reduced investor property lending of $2.3 billion;
- Australian personal lending contracted $1.7 billion primarily across credit cards and personal loans, consistent with overall market trends in unsecured lending. Auto finance contracted $0.6 billion due to lower market activity;
- Australian business lending grew $5.5 billion from higher institutional balances through growth in targeted segments, increased merger and acquisition financing and higher utilisation of existing facilities. SME and Commercial lending grew marginally over Second Half 2021;
- New Zealand lending increased in $NZ terms with higher housing lending, supported by continued market strength; and
- Adjusting for the $1.4 billion of Westpac Pacific loans previously classified as held for sale, other overseas lending declined $1.3 billion as we continued to consolidate our operations in Asia.

Full Year 2021 – Full Year 2020

Total loans (including held for sale) increased $17.7 billion or 3% compared to 30 September 2020. Excluding foreign currency translation impacts, total loans increased $15.1 billion or 2%.

Key features of total loan movements were:

- Australian housing loans increased $14.7 billion, with growth improving through the year, supported by market growth, improvements in credit decisioning and processing times. The growth was in owner occupied lending, up $23.8 billion, partly offset by a reduction in investor lending of $7.5 billion;
- Australian personal lending decreased $2.3 billion with auto finance declining $1.1 billion and a decrease in credit cards and personal loans as customers reduced this form of debt;
- Australian business lending grew $0.9 billion from increased institutional activity, leading to higher drawdowns on existing facilities. This was partly offset by a reduction in exposures to the SME and commercial portfolios from reduced new lending and accelerated repayments;
- New Zealand lending increased in $NZ terms with higher housing lending, supported by continued market strength, partly offset by lower business lending; and
- Other overseas lending decreased as the Group continued to consolidate its operations in Asia.

1. The balance at March 2021 included Westpac Pacific ($1.4 billion) and Vendor Finance ($0.4 billion) which were included in Other overseas and Australian business lending prior to this. On 22 September 2021 the sale of Westpac Pacific was terminated and the loans were restated to Other overseas. Loans held for sale at September 2021 included Motor Vehicle Dealer Finance ($1.0 billion) which was included in Australian business lending in prior periods.

Review of Group operations

2.2.3 Deposits and other borrowings[1]

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Customer deposits					
Australia	**501,010**	**475,155**	**478,884**	**5**	**5**
At call	345,416	315,218	304,761	10	13
Term	102,775	110,470	125,820	(7)	(18)
Non-interest bearing	52,819	49,467	48,303	7	9
New Zealand (A$)	**72,462**	**67,999**	**65,700**	**7**	**10**
New Zealand (NZ$)	**75,916**	**74,056**	**70,974**	**3**	**7**
At call	32,848	31,608	28,411	4	16
Term	28,331	28,739	30,992	(1)	(9)
Non-interest bearing	14,737	13,709	11,571	7	27
Other overseas (A$)	**6,845**	**5,095**	**10,869**	**34**	**(37)**
Total customer deposits	**580,317**	**548,249**	**555,453**	**6**	**4**
Customer deposits held for sale[2]	**-**	**2,088**	**-**	**(100)**	**-**
Total customer deposits (including held for sale)	**580,317**	**550,337**	**555,453**	**5**	**4**
Certificates of deposit	**46,638**	**37,152**	**35,678**	**26**	**31**
Australia	31,506	26,273	25,647	20	23
New Zealand (A$)	3,293	3,020	2,773	9	19
Other overseas (A$)	11,839	7,859	7,258	51	63
Total deposits and other borrowings (including held for sale)	**626,955**	**587,489**	**591,131**	**7**	**6**

Second Half 2021 – First Half 2021

Total customer deposits (including held for sale deposits) increased $30.0 billion or 5% compared to First Half 2021, more than fully funding loan growth of $20.8 billion. Excluding foreign currency translation impacts, customer deposits increased $26.5 billion or 5%.

Key features of total customer deposits movements were:

- Australian customer deposits increased from the impact of extended lockdowns and the effect of government stimulus, with the mix of deposits continuing to shift from term deposits to at call deposits. Non-interest bearing deposits were higher due to mortgage offset balances, up $3.3 billion;
- New Zealand customer deposits increased in NZ$ terms across both household and business, with term deposits declining and at call products increasing; and
- Adjusting for the $2.1 billion of Westpac Pacific deposits previously classified as held for sale, other overseas deposits decreased by $0.3 billion as we continued consolidation of our operations in Asia.

Full Year 2021 – Full Year 2020

Total customer deposits (including held for sale deposits) increased $24.9 billion or 4% compared to 30 September 2020, fully funding loan growth for the year. Excluding foreign currency translation impacts, customer deposits increased $22.8 billion or 4%.

Key features of total customer deposits growth were:

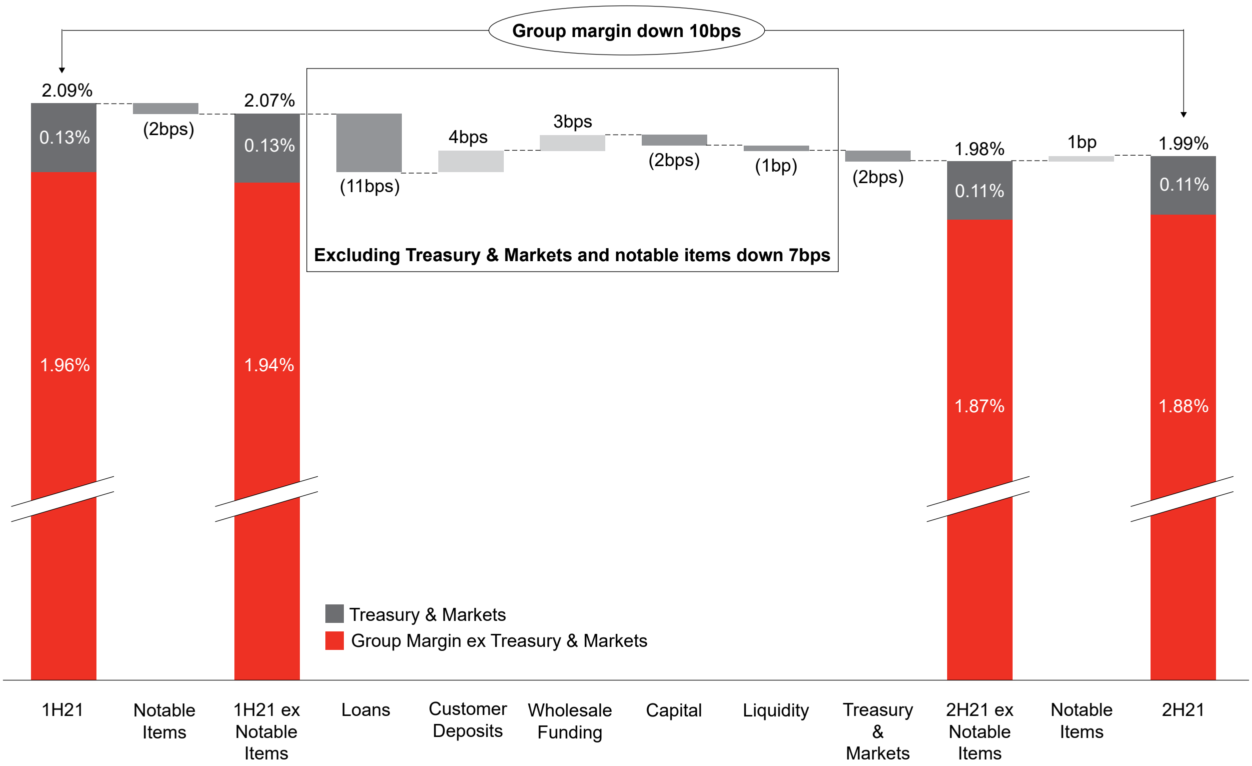
- Customer deposits in Australia increased reflecting the impact of extended lockdowns and government stimulus, with all the growth recorded in the second half of the year. The mix of deposits continued to shift from term deposits to at call products. Non-interest bearing deposits were higher reflecting mortgage offset balances up $4.8 billion;
- New Zealand customer deposits increased across both households and business with term deposits declining and at call products increasing; and
- Other overseas deposits decreased primarily in Asia as we continued to consolidate our operations.

1. Non-interest bearing relates to instruments which do not carry a rate of interest.
2 Customer deposits held for sale at March 2021 included Westpac Pacific ($2.1 billion) which was in Other Overseas in prior periods. Following the sale of Westpac Pacific terminating on 22 September, $2.3 billion of deposits were restated to Other overseas.

Review of Group operations

2.2.4 Net interest margin

Group net interest margin movement (%)
Second Half 2021 – First Half 2021



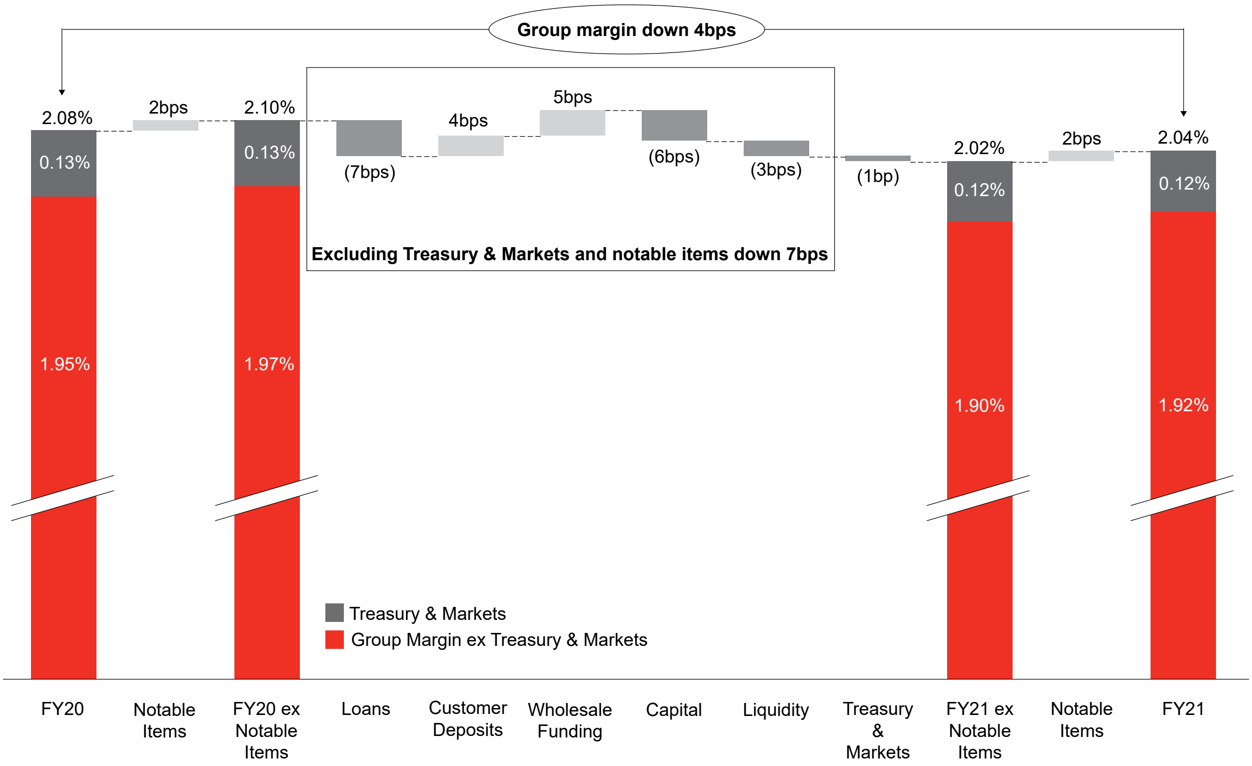
Second Half 2021 – First Half 2021

Group net interest margin of 1.99% decreased 10 basis points from First Half 2021. In Second Half 2021, notable items primarily relating to the release of provisions for estimated customer refunds and payments that were a benefit of $56 million compared to a $71 million benefit in First Half 2021, reducing net interest margin by 1 basis point.

- Excluding notable items, Group net interest margin decreased 9 basis points to 1.98% from:
  - 11 basis point decrease from loans primarily due to lower spreads on new mortgages, shifts in the mortgage portfolio to lower spread fixed rate loans, reduced business lending interest rates, and a change in portfolio mix with reductions in higher spread personal and business lending average balances;
  - 4 basis point increase from deposits primarily due to repricing and favourable shifts in portfolio composition as customers preferred at call products, partly offset by reduced earnings on hedged deposits;
  - 3 basis point increase from lower wholesale funding costs from the Term Funding Facility and low interest rates;
  - 2 basis point decrease from capital and other primarily due to reduced earnings on hedged capital;
  - 1 basis point decrease from higher holdings of third party liquids assets; and
  - 2 basis point decrease from lower Treasury and Markets income.

Review of Group operations

Group net interest margin movement (%)
Full Year 2021 – Full Year 2020



Full Year 2021 – Full Year 2020

Group net interest margin of 2.04% decreased 4 basis points from Full Year 2020. In Full Year 2021, notable items primarily relating to the release of provisions for estimated customer refunds and payments that were a benefit of $127 million compared to a cost of $143 million in Full Year 2020, improving net interest margin by 4 basis points.

- Excluding notable items, Group net interest margin decreased 8 basis points to 2.02% from:
  - 7 basis point decrease from loans primarily due to lower spreads on new lending, shifts in the mortgage portfolio composition to lower spread fixed rate loans, mortgage retention pricing, contraction in business lending spreads, and a change in portfolio mix with reductions in higher spread personal and business lending average balances, partly offset by lower funding costs;
  - 4 basis point increase from deposits primarily due to favourable shifts in portfolio composition as customers preferred at call products and repricing, partly offset by lower earnings on hedged deposits;
  - 5 basis point increase from lower wholesale funding costs reflecting low interest rates and the Term Funding Facility;
  - 6 basis point decrease from capital and other primarily due to reduced earnings on hedged capital;
  - 3 basis point decrease from higher holdings of third party liquid assets; and
  - 1 basis point decrease from lower Treasury and Markets income.

Review of Group operations

2.2.5 Non-interest income[1]

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net fee income	782	700	12	1,482	1,592	(7)
Net wealth management and insurance income	611	595	3	1,206	759	59
Trading income	262	453	(42)	715	928	(23)
Other income	339	582	(42)	921	261	large
Total non-interest income	**1,994**	**2,330**	**(14)**	**4,324**	**3,540**	**22**
Excluding notables						
Net fee income	815	804	1	1,619	1,680	(4)
Net wealth management and insurance income	629	683	(8)	1,312	1,237	6
Trading income	262	453	(42)	715	928	(23)
Other income	143	18	large	161	(42)	large
Non-interest income excluding notable items	**1,849**	**1,958**	**(6)**	**3,807**	**3,803**	**-**

Second Half 2021 – First Half 2021

Non-interest income of $1,994 million was $336 million or 14% lower compared to First Half 2021. Excluding notable items, non-interest income was $109 million or 6% lower compared to First Half 2021. Notable items increased non-interest income by $145 million in Second Half 2021 compared to a $372 million increase in First Half 2021.

Net fee income

Net fee income increased $82 million or 12%. Excluding notable items, net fee income increased $11 million or 1% higher due to:

- Higher business and institutional lending fees from an increase in originations and higher undrawn line fees; partly offset by
- Lower payments revenue from the reduction of correspondent banking relationships and a decline in volumes; and
- Lower account and transaction fees from the elimination of over 80 fees as part of our simplification initiatives.

Net wealth management and insurance income

Net wealth management and insurance income increased $16 million or 3%. Excluding notable items, net wealth management and insurance income was $54 million or 8% lower due to:

- Lower life insurance income ($98 million) due to a reduced contribution from revaluation of life policy liabilities; and
- Lower wealth income ($37 million) mostly from lower platform margins due to repricing and the migration of customers from legacy platforms onto BT Panorama; partly offset by
- Higher General Insurance income ($45 million) from lower weather-related claims, noting that the sale of the business was completed in July 2021[2]; and
- Higher Lenders Mortgage Insurance income ($9 million) due to increased mortgage volumes, particularly first home buyer activity. The sale of this business was completed in August 2021[2].

Trading income

Trading income decreased $191 million or 42% due to:

- Lower non-customer income primarily from lower volatility reducing fixed income trading opportunities;
- Losses on derivatives ($86 million) that hedge certain customer products which is mostly offset by corresponding gains in Other income; and
- Lower benefit from derivative valuation adjustments ($15 million).

Other income

Other income decreased $243 million or 42% primarily due to a notable gain in First Half 2021 arising from a revaluation related to the investment in Coinbase. Excluding notable items, other income increased by $125 million from fair value gains on markets related customer products ($87 million), with the risk associated with these instruments hedged and losses reported in trading income and revaluation of fintech investments ($29 million).

1. Refer to Section 4, Note 4 for reported results breakdown. Refer to Section 5, Note 4 for cash earnings results breakdown. As discussed in Section 1.3, commentary is on a cash earnings basis.
2. For additional disclosure refer to Section 5 Note 9.

Review of Group operations

Full Year 2021 – Full Year 2020

Non-interest income of $4,324 million increased $784 million or 22% compared to Full Year 2020. Excluding notable items, non-interest income was little changed compared to Full Year 2020 (up $4 million). Notable items added $517 million to non-interest income in Full Year 2021 compared to a decrease of $263 million in Full Year 2020, a $780 million movement.

Net fee income

Net fee income decreased $110 million or 7%. Excluding notable items, net fee income was $61 million or 4% lower due to:

- The removal of certain account and transaction fees as part of our simplification initiatives;
- The impacts of COVID-19 including a decline in international card volumes and lower customer activity;
- Lower payments revenue from a reduction in correspondent banking relationships; and
- Lower net contribution from ATM usage ($25 million) following the sale of our offsite ATMs to a third party in Full Year 2020; partly offset by
- Higher corporate and institutional fee income ($37 million) from lower utilisation of credit facilities.

Net wealth management and insurance income

Net wealth management and insurance income increased $447 million or 59%. Excluding notable items, net wealth management and insurance income increased $75 million or 6% due to:

- Higher Lenders Mortgage Insurance income ($81 million) reflecting increased volumes and first home buyer activity prior to the sale of the business in August 2021[1];
- Higher life insurance income ($56 million) from a favourable movement in the valuation of life policy liabilities; and
- Higher General Insurance income ($41 million) due to lower weather-related claims prior to the sale of the business in July 2021[1]; partly offset by
- Lower wealth income ($39 million) mostly from platform and superannuation pricing changes and migration of customers from legacy platforms to BT Panorama; and
- Full period impact from the exit of the Advice business in Full Year 2020 ($30 million).

Trading income

Trading income decreased $213 million or 23% due to:

- Lower non-customer income primarily due to lower fixed income and foreign exchange trading due to low market volatility and reduced commodities income following the exit of the energy desk in 2020 ($64 million); and
- Losses on derivatives ($79 million) that hedge certain customer products which is mostly offset by a corresponding gain in Other income; partly offset by
- A positive movement in derivative valuation adjustments ($169 million) with Full Year 2020 impacted by wider credit spreads due to the higher potential risks that were expected to emerge from COVID-19.

Other income

Other income increased $660 million primarily due to notable items in Full Year 2021 arising from a revaluation gain related to the investment in Coinbase and a gain on sale of Westpac General Insurance. Excluding notable items, other income increased by $203 million from fair value gains on markets related customer products ($78 million), with the risk associated with these instruments hedged and losses reported in trading income. In addition, other income was higher due to non-recurring foreign currency translation losses incurred in Full Year 2020 following the closure of the Mumbai branch ($55 million) and revaluation of fintech investments ($43 million).

1. For additional disclosure refer to Section 5 Note 9.

Review of Group operations

2.2.6 Group funds

$bn	As at 30 Sept 2021	Inflows	Outflows	Net flows	Other Mov't	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20	As at 31 March 2021	% Mov't Sept 21 - Mar 21
Superannuation	45.4	4.2	(4.4)	(0.2)	7.4	38.2	19	42.3	7
Platforms	139.3	24.1	(22.1)	2.0	19.5	117.8	18	128.2	9
Packaged Fund	47.4	6.2	(6.0)	0.2	6.2	41.0	16	45.4	4
Other	-	-	-	-	-	-	-	-	-
Total Australia	**232.1**	**34.5**	**(32.5)**	**2.0**	**33.1**	**197.0**	**18**	**215.9**	**8**
Total NZ funds (A$)	**11.5**	**3.5**	**(4.5)**	**(1.0)**	**1.2**	**11.3**	**2**	**10.9**	**6**
Total Group funds	**243.6**	**38.0**	**(37.0)**	**1.0**	**34.3**	**208.3**	**17**	**226.8**	**7**
Total NZ funds (NZ$)	**12.0**	**3.6**	**(4.7)**	**(1.1)**	**0.9**	**12.2**	**(2)**	**11.9**	**1**

Group funds comprises non-superannuation and superannuation regulated products provided to Australian and New Zealand customers through advised and direct channels. This includes wealth products distributed to Australian customers by the Specialist Businesses and Business divisions, and to New Zealand customers through the BT brand operating in Westpac New Zealand.

Group funds increased $35.3 billion (or 17%) over Full Year 2021, primarily driven by market movements. Inflows of $34.5 billion were offset by outflows of $32.5 billion.

2.2.7 Markets related income[1]

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	54	45	20	99	134	(26)
Non-interest income	355	418	(15)	773	894	(14)
Total markets income	**409**	**463**	**(12)**	**872**	**1,028**	**(15)**
Customer income	340	335	1	675	783	(14)
Non-customer income	25	75	(67)	100	322	(69)
Derivatives valuation adjustment	44	53	(17)	97	(77)	large
Total markets income	**409**	**463**	**(12)**	**872**	**1,028**	**(15)**

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

Second Half 2021 – First Half 2021

Total markets income decreased by $54 million or 12% compared to First Half 2021, primarily due to lower non-customer income.

Customer income was up $5 million compared to First Half 2021, largely from higher commodities sales. Fixed income and foreign exchange sales were little changed, with customer demand for hedging stabilising.

Non-customer income decreased by 67% in Second Half 2021, primarily due to lower fixed income trading. Low levels of interest rate volatility were driven by market uncertainty of the impacts from COVID-19 related lockdowns, reducing trading opportunities compared to First Half 2021.

Full Year 2021 – Full Year 2020

Total markets income decreased by $156 million or 15% compared to the Full Year 2020, from lower customer and non-customer income (down $330 million), partly offset by higher contribution from derivative valuation adjustments, up $174 million.

Customer income decreased 14% compared to Full Year 2020, from reduced customer demand for hedging across fixed income and foreign exchange.

Non-customer income decreased 69% compared to Full Year 2020, primarily due to lower fixed income and foreign exchange trading due to low market volatility and reduced commodities income following the exit of the energy desk. Non-customer income was also lower due to the consolidation of operations in Asia.

Derivative valuation adjustments contribution increased by $174 million in Full Year 2021 due to narrowing of credit spreads and gains from movements in Australian and New Zealand interest rates.

1. Markets income includes WIB Markets, Business division, Consumer division, Specialist Businesses and Westpac New Zealand markets.

Review of Group operations

Markets Value at Risk (VaR)

$m	Average	High	Low
Half Year 30 Sept 2021	**5.7**	**8.5**	**4.1**
Half Year 31 March 2021	23.5	34.7	4.6
Half Year 30 Sept 2020	24.1	32.8	16.7

The Components of Markets Value at Risk (VaR) are as follows:

Average $m	Half Year Sept 2021	Half Year March 2021	Half Year Sept 2020
Interest rate risk	3.5	8.0	9.4
Foreign exchange risk	1.4	1.6	3.5
Equity risk	-	0.4	0.3
Commodity risk[1]	0.9	1.5	1.6
Credit and other market risks[2]	4.5	16.9	19.2
Diversification benefit	(4.6)	(4.9)	(9.9)
Net market risk	**5.7**	**23.5**	**24.1**

1. Includes electricity risk. Closure of the electricity business was completed in Full Year 2020.
2. Includes pre-payment risk and credit spread risk (exposures to generic credit rating bonds).

Review of Group operations

2.2.8 Operating expenses[1]

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Staff expenses	(3,263)	(2,771)	18	(6,034)	(5,015)	20
Occupancy expenses	(655)	(543)	21	(1,198)	(977)	23
Technology expenses	(1,723)	(1,405)	23	(3,128)	(2,643)	18
Other expenses	(1,661)	(1,262)	32	(2,923)	(4,065)	(28)
Total operating expenses	**(7,302)**	**(5,981)**	**22**	**(13,283)**	**(12,700)**	**5**
Excluding notables						
Staff expenses	(3,055)	(2,688)	14	(5,743)	(4,889)	17
Occupancy expenses	(462)	(461)	-	(923)	(977)	(6)
Technology expenses	(1,251)	(1,227)	2	(2,478)	(2,474)	-
Other expenses	(932)	(860)	8	(1,792)	(1,821)	(2)
Total operating expenses excluding notable items	**(5,700)**	**(5,236)**	**9**	**(10,936)**	**(10,161)**	**8**

Full Time Equivalent (FTE) employees

Number of FTE	As at 30 Sept 2021	As at 31 March 2021	As at Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Permanent employees	34,975	33,607	32,367	4	8
Temporary employees	5,168	5,140	4,482	1	15
FTE	**40,143**	**38,747**	**36,849**	**4**	**9**
Average FTE[2]	**39,553**	**37,714**	**36,117**	**5**	**10**

Second Half 2021 – First Half 2021

Operating expenses were $1,321 million (or 22%) higher compared to First Half 2021. Excluding notable items, operating expenses were $464 million (or 9%) higher.

Most of the increase was from adding 1,396 FTE over the half mainly from additional resources to support our Fix strategic priority, supporting customers and bringing roles back to Australia. These increases were partly offset by savings from organisational streamlining.

Staff expenses increased $492 million (or 18%). Excluding notable items, staff expenses were $367 million (or 14%) higher due to:

- Higher personnel expenses from:
  - Additional resources to improve risk management and compliance;
  - Supporting customers including customers impacted by hardship; and
- Lower utilisation of leave provisions.

Occupancy expenses were $112 million (or 21%) higher. Excluding notable items, occupancy expenses were flat as benefits from branch closures were largely offset by costs associated with corporate sites rationalisation.

Technology expenses were $318 million (or 23%) higher. Excluding notable items, technology expenses were $24 million (or 2%) higher as we continued to improve our IT infrastructure network by bringing more services inhouse.

Other expenses increased $399 million (or 32%). Excluding notable items, other expenses increased $72 million (or 8%) mainly from higher spend related to risk management and compliance projects.

1. Refer to Section 4, Note 5 for reported results breakdown. Refer to Section 5, Note 5 for cash earnings breakdown. As discussed in Section 1.3, commentary is on a cash earnings basis.
2. Average is based on a six month period.

Review of Group operations

Full Year 2021 – Full Year 2020

Operating expenses were $583 million or 5% higher compared to Full Year 2020. Excluding notable items, operating expenses were $775 million or 8% higher.

Through the year, we added 3,294 FTE mainly in response to additional resources to support our Fix strategic priority, responding to higher mortgage volumes, providing COVID-19 support, and bringing more than 1,000 previously outsourced roles back to Australia. Additionally, increased expenses from the changes to our software capitalisation policy and increased short-term incentives were partly offset by savings from organisational streamlining and reductions in our branch network.

Staff expenses increased $1,019 million (or 20%). Excluding notable items, staff expenses were $854 million (or 17%) higher due to:

- Higher personnel expenses mainly driven by:
  - Additional resources to improve risk management and compliance;
  - Responding to higher mortgage volumes, providing COVID-19 support, and bringing roles back to Australia; and
  - Increased short-term incentives as 2020 had a reduced bonus pool given risk issues;
- Changes to our software capitalisation policy resulted in a higher proportion of activity being directly expensed in the period, rather than amortised over future periods;
- Partly offset by higher utilisation of leave provisions.

Occupancy expenses were $221 million (or 23%) higher. Excluding notable items, occupancy expenses were $54 million (or 6%) lower mostly from lower distribution network costs including branch closures, partly offset by costs associated with corporate sites rationalisation.

Technology expenses were $485 million (or 18%) higher. Excluding notable items, technology expenses were $4 million higher from impacts of changes to our software capitalisation policy partly offset by lower amortisation.

Other expenses decreased $1,142 million (or 28%). Excluding notable items, other expenses decreased $29 million (or 2%) from lower third-party spend and travel and entertainment partly offset by higher costs relating to the Customer Outcomes and Risk Excellence (CORE) program.

Investment spend

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Expensed	720	502	43	1,222	680	80
Capitalised software, fixed assets and prepayments	443	354	25	797	1,040	(23)
Total	**1,163**	**856**	**36**	**2,019**	**1,720**	**17**
Fix	859	572	50	1,431	1,049	36
Simplify	144	100	44	244	283	(14)
Perform	160	184	(13)	344	388	(11)
Total	**1,163**	**856**	**36**	**2,019**	**1,720**	**17**

In Full Year 2021, the Group invested $2,019 million, an increase of $299 million (or 17%) on the prior year. This was primarily due to a $382 million increase in spend on our Fix strategic priority. Investment spend over the year was skewed to the second half (consistent with patterns over recent years), up 36% on First Half 2021.

Projects to support our Fix strategic priorities accounted for 71% of investment spend, an increase from 61% in the prior year. We have continued to strengthen our management of risk across the Group, this includes initiatives linked to our CORE program and updating systems to meet our new standards and regulatory obligations.

Review of Group operations

The following progress was achieved in 2021:

Fix

Our CORE program was established to drive an improvement in our management of risk and culture. The program has 19 workstreams, 80 deliverables and 327 activities. Key deliverables in Full Year 2021 include:

- 121 of the activities have been submitted to the independent reviewer Promontory Australia.
- Development of a new risk insights platform.

We have lifted our Financial Crime capability, through upgraded transaction screening software and settings to deliver more risk-sensitive outcomes, and enhance our data and analytics to improve financial crime detection.

Further development of our Open Banking capability enables customers to access and transfer data for deposit, transaction, credit and debit cards, mortgages and personal loan information securely with trusted third parties.

We continue to invest to meet changing regulatory requirements, including:

- Compliance with new Anti-Hawking, and Design and Distribution Obligations in First Half 2022.
- System and process updates to transition from traditional Interbank Offered Rates to alternative reference rates continues, with plan to move to business as usual in First Half 2022.
- Updating credit and risk systems for changes to regulatory capital requirements by APRA and the RBNZ.
- Financial Markets has made progress on risk and remediation programs across Trade Surveillance, Trade Reconstruction and critical Global Derivatives Reform uplift of customer data.

To further enhance effective complaints resolution and address root cause issues consistently, we continued to enhance our complaints handling system.

Simplify

We are making progress on our simplification agenda driving improved customer, cost, and risk outcomes by harmonising products and fees, including:

- Simplified the mortgages portfolio by eliminating more than half of the products.
- Migrated 1.5 million transaction account customers to end state products to date.
- Migrated 1.2 million credit card customers to end state products, enabling rationalisation of 62 active cards products.
- Removed 82 fees in the Full Year 2021.
- WIB removed 73 products as part of its product simplification strategy.

We updated the IT infrastructure for over 800 branches improving the speed and security of our network. We further continue upgrade IT infrastructure, to improve performance and reliability, supported by the monitoring and system alerts in conjunction with capacity and performance monitoring.

We completed the migration of customers from BT Wrap to Panorama, our wealth administration platform.

Perform

We have continued to help more customers into homes with improvements to our home lending journey through a suite of process, productivity, and policy improvements including:

- Simplification, with our strategic mortgage origination platform now fully rolled out to all first party lenders. Broker roll out is progressing with 1,300 brokers on platform at the end of September 2021.
- Continuous improvement of digital end-to-end experience for customers, with a new Digital mortgage functionality rolled out to all brands.
- Digitised and simplified the process for customers to access home lender support with new functionality to help digitally track and accept their loan contracts.

We simplified our business lending annual review processes and policy documents. In addition, we have increased usage of auto-decisioning, and improved reviews of credit appetite and approval processes.

We improved our Digital capability, with targeted initiatives:

- Roll-out of our new Westpac mobile banking app to iPhone customers, reaching 96% adoption of the new app, providing a faster and simpler banking experience including smarter search, and intuitive navigation. The iOS app has achieved #2 in Forrester Mobile Banking App ranking. The Android app beta version roll-out commenced in September, with full version scheduled to be released in November 2021.
- Streamlined digital onboarding for deposit customers to set up and use their account within 5 minutes, 145,000 accounts have been opened through this process this year.
- Launched a new Worldwide Wallet FX travel card, fully integrated with online banking.

Review of Group operations

Capitalised software

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Balance as at beginning of period	**2,260**	**2,430**	**(7)**	**2,430**	**2,365**	**3**
Total additions[1]	392	348	13	740	1,035	(29)
Amortisation expense	(371)	(384)	(3)	(755)	(799)	(6)
Impairment expense	(352)	(133)	165	(485)	(171)	184
Other adjustments	(89)	(1)	large	(90)	-	-
Balance as at end of period	**1,840**	**2,260**	**(19)**	**1,840**	**2,430**	**(24)**

Capitalised software decreased $590 million (or 24%) during the year, which is largely driven by the $344 million impairment in WIB; and the revision in accounting policy for the treatment of Software-as-a-Service (SaaS) arrangements ($94 million impact) and increased capitalisation threshold.

Additions decreased by $295 million (or 29%) largely driven by a change in our software capitalisation policy, which increased the minimum project capitalisation threshold to $20 million (implemented in First Half 2021).

The average amortisation period for our capitalised software assets is 2.6 years.

Please refer to Note 1 to the financial statements of the 2021 Westpac Group Annual Report for further information on the revision in accounting treatment of SaaS arrangements.

1. Includes capitalised borrowing costs and card scheme.

Review of Group operations

2.2.9 Credit impairment (charges)/benefits

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Individually assessed provisions (IAPs)						
New IAPs	(466)	(144)	large	(610)	(634)	(4)
Write-backs	93	62	50	155	124	25
Recoveries	110	132	(17)	242	193	25
Total IAPs write-backs and recoveries	**(263)**	**50**	**large**	**(213)**	**(317)**	**(33)**
Collectively assessed provisions (CAPs)						
Write-offs	(296)	(318)	(7)	(614)	(876)	(30)
Other changes in CAPs	777	640	21	1,417	(1,985)	large
Total new CAPs	**481**	**322**	**49**	**803**	**(2,861)**	**large**
Total credit impairment (charges)/benefits	**218**	**372**	**(41)**	**590**	**(3,178)**	**large**

In Full Year 2021, Westpac reported a credit impairment benefit of $590 million, compared to the Full Year 2020 credit impairment charge of $3,178 million, a $3,768 million improvement. The credit impairment benefit in Full Year 2021 was driven by more positive forward-looking economic inputs in the provision calculations and improved credit quality metrics. Provision levels remain adequate and are over $1 billion (28%) higher than pre-COVID-19 levels (30 September 2021: $5,007 million; 30 September 2019: $3,924 million).

Through the 2021 financial year, the measures introduced by governments, regulators, banks and others in response to the impacts of COVID-19 have aided improvements in both economic forecasts and the credit environment, bolstering the underlying resilience of the Australian and New Zealand (NZ) economies from the downside of lockdowns and restrictions. This has helped to support substantial elements of economic activity and has assisted many borrowers' ability to maintain payments.

Credit quality metrics have improved across the portfolio through 2021 with stressed exposures to total committed exposures (TCE) declining 55 basis points to 1.36% from 1.91% at 30 September 2020. This ratio is also improved over the Second Half 2021 (down 24 basis points) despite the lockdowns experienced across NSW and Victoria.

Despite improved credit metrics, some uncertainty remains. While the economy is widely expected to rebound as lockdowns cease and borders opens, the impacts may vary across segments and sectors, both in terms of timeframe of emergence and degrees of impact. In part, this is because the effect on customers from the unwind of stimulus measures will vary due to the medium term impact of economic and socio-demographic trends which have accelerated over this period (such as migrating activity to digital channels and more remote work). Additionally, there is some risk from potential new COVID-19 strains, further lockdowns, restricted international mobility, inflation and supply chain performance.

Overlays at 30 September 2021 have been adjusted to reflect the current uncertainty, including the risk of delayed loss emergence in the portfolio (in part reflecting that insolvencies in the Australian and New Zealand economies remain at low levels) and the assistance offered to customers impacted by COVID-19 in Second Half 2021.

A degree of uncertainty has also been reflected in our scenario weights where we have retained the weights established in 2020, with a downside weight of 40%. The following table indicates the weightings applied by the Group.

Macroeconomic scenario weightings (%)	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	As at 31 March 2020
Upside	5	5	5	5
Base	55	55	55	55
Downside	40	40	40	40

Review of Group operations

Second Half 2021 – First Half 2021

Second Half 2021 was a credit impairment benefit of $218 million compared to a $372 million benefit in First Half 2021.

Total new CAP was a benefit of $481 million, $159 million higher than First Half 2021. The benefit reflected further improvement in credit risk metrics across stressed exposures and consumer delinquencies. The higher CAP benefit in Second Half 2021 was driven by:

- an update to overlay provisions to reflect:
  - a lower overlay related to the roll-off of 2020 COVID-19 support measures which have now largely been recognised or not required; partly offset by
  - a new overlay for the potential impact from the roll-off of new, 2021 COVID-19 support measures;
- lower write offs, predominately from lower delinquencies and a reduction in our consumer unsecured lending; partly offset by
- updated forward looking economic inputs in the provision calculations which incorporate the impact of recent lockdowns and have a slower rebound than estimates used at March 2021.

Total IAPs, write-backs and recoveries were $313 million higher than First Half 2021 due to:

- higher new IAPs, mostly from one IAP related to a fully provided equipment finance fraud; partly offset by
- higher write-backs, particularly within the New Zealand portfolio.

Full Year 2021 – Full Year 2020

Full Year 2021 was a credit impairment benefit of $590 million compared to a $3,178 million charge in Full Year 2020, a $3,768 million improvement.

Total new CAP in Full Year 2021 was a benefit of $803 million compared to a charge of $2,861 million in Full Year 2020. The benefit was due to:

- more positive forward-looking economic inputs in the provision calculations through Full Year 2021;
- improved credit quality metrics, including a 55 basis reduction in the Group's stressed exposures to TCE and lower delinquencies across the consumer portfolios; and
- lower write-offs, predominately from lower delinquencies and a reduction in our consumer unsecured portfolios.

Total IAPs, write-backs and recoveries were $104 million lower than Full Year 2020 principally due to:

- higher recoveries and write-backs in Full Year 2021 predominately in the Consumer and Business divisions; and
- lower new IAPs. Full Year 2021 included a small number of large customers migrating to impaired while one fully provided equipment finance fraud was recorded in Full Year 2021.

2.2.10 Income tax expense

Second Half 2021 – First Half 2021

The effective tax rate of 42.38% in Second Half 2021 was higher than the First Half 2021 effective tax rate of 31.81%, the key drivers for the increase in the rate being the non-deductible goodwill impairments in WIB and the additional tax expense arising from our Insurance divestments, all being recognised in the Second Half. This was offset by a reduction in the non-deductible write downs in our Pacific Banking entities.

Full Year 2021 – Full Year 2020

The effective tax rate of 35.81% in Full Year 2021 was significantly lower than the effective tax rate of 45.03% in Full Year 2020 due to the non-deductible provisions for the penalty, and associated costs, relating to the AUSTRAC civil proceedings, being recognised in Full Year 2020 and not repeated in Full Year 2021. These have been offset by additional tax expense arising from our Insurance divestments in Full Year 2021.

2.2.11 Non-controlling interests

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

Review of Group operations

2.3 Credit quality

The portfolio performed well through Full Year 2021 with stressed exposures as a percentage of TCE reducing 55 basis points to 1.36% at 30 September 2021 with improvements in both the First Half and Second Half of 2021. The total reduction over the last 12 months comprised:

- a 36 basis point fall in watchlist and substandard exposures, from rating upgrades across Australian business and Institutional portfolios. The improvement was across most industry sectors;
- a 12 basis point decline in 90 days past due and not impaired exposures, mostly related to mortgages, including lower levels of hardship; and
- a 7 basis point decrease in impaired exposures, driven by loans refinanced and upgraded from impaired.

The ratio of gross impaired exposures to gross loans decreased 10 basis points to 0.30% compared to 30 September 2020. At 30 September 2021, the ratio of gross impaired exposure provisions to gross impaired exposures was 54.4% (up from 41.5% at 30 September 2020). The increase was mainly driven by a fully provided equipment finance fraud in Second Half 2021.

The ratio of collectively assessed provisions to credit risk weighted assets (credit RWA) decreased to 117 basis points (a 37 basis point reduction compared to September 2020) driven mainly by a release of provisions. RWA floors were introduced for consumer unsecured and mortgage lending. This added $5.3 billion to credit RWA over Second Half 2021 and led to a 3 basis point impact on the ratio.

Portfolio segments

The Institutional segment has seen a decrease in stress with stressed exposures to TCE falling 21 basis points to 0.35% compared to 30 September 2020. This was mainly due to a reduction in watchlist exposures from rating upgrades, the pay down of debt and some write-offs. These improvements were partly offset by higher impaired exposures mainly due to one fully provided equipment finance fraud in the services sector that was downgraded to impaired (recovery actions are ongoing).

The Australian Business segment, comprising Australian commercial and SME customers, has seen stressed exposures to TCE fall 135 basis points to 5.56% compared to 30 September 2020. This reduction was driven primarily due to lower watchlist and impaired exposures with most segments experiencing improvements.

Australian mortgage 90+ day delinquencies were 55 basis points lower than 30 September 2020 at 1.07%. This improvement was driven by:

- a reduction in the hardship portfolio (for customers that did not receive COVID-19 assistance) as accounts completed their serviceability period;
- a reduction of facilities that were delinquent but not in hardship. We have devoted more resources to managing this cohort, particularly facilities that have been delinquent for some time; partially offset by
- customers that exited COVID-19 deferral support first provided in 2020 and have now migrated to 90 days past due.

Properties in possession as at 30 September 2021 were 224, 32 lower from the prior year end. Whilst this represents an increase from the mid year low point of 180, these levels remain well below those experienced pre-COVID-19. This was aided by a slow-down in repossessions during COVID-19 outbreaks in the Second Half 2021 and by the strong property market.

Group realised mortgage losses were $71 million for Full Year 2021, compared to $125 million in Full Year 2020. This in part reflects that stress levels improved through the year and higher property prices.

Other Australian consumer 90+ day delinquencies were 33 basis points lower than 30 September 2020 at 1.76%. The decline was due to a 60 basis point reduction from underlying performance of the portfolio, partly offset by a 27 basis point increase related to the impacts of lower lending.

Most of the reduction in delinquencies was in auto finance where 90+ day delinquencies were 83 basis points lower declining to 1.97% at 30 September 2021. The improvement was due to lower hardship volumes and a focus on reducing accounts 180+ day delinquent.

New Zealand has seen a major improvement in credit quality metrics with stressed exposures to TCE 40 basis points lower than 30 September 2020 at 1.19%. The improvement has been mostly due to a reduction in stress for lower rated business customers along with lower consumer delinquencies.

New Zealand mortgage 90+ day delinquencies were 0.30%, 22 basis points lower than 30 September 2020, reflecting the strength of the property market and improved credit scores on customer behaviour. New Zealand other consumer 90+ day delinquencies were 1.65%, 44 basis points lower than 30 September 2020. The improvement was due to lower hardship and customers rolling off New Zealand COVID-19 deferral measures. The decline in delinquencies was achieved despite a reduction in lending, including from closing legacy products.

Review of Group operations

Provisioning

Total provisions were $5,007 million at 30 September 2021, $1,156 million lower than 30 September 2020. While total provisions were lower over the year, the level of provisions is $1,083 million higher than pre-COVID-19 levels (total provisions of $3,924 million at 30 September 2019).

The decline in provisions over Full Year 2021 was due to more positive forward-looking economic inputs, improved portfolio performance, a decline in some higher risk exposures and lower overlays. These declines were partly offset by higher IAPs which was mainly driven by a fully provided equipment finance fraud.

While the Australian and New Zealand economies are expected to rebound as lockdowns cease and borders open, the outlook contains a degree of uncertainty. This uncertainty is reflected through our scenario weights and by maintaining COVID-19 related overlays. More specifically, we have maintained the scenario weights first established in early 2020, including a 40% weight to the downside scenario. COVID-19 related overlays consider the potential emergence of losses for our specific portfolios once support and stimulus measures reduce. Total overlays at 30 September 2021 were $647 million, down from $902 million at 31 March 2021 and $652 million at 30 September 2020.

IAPs were $832 million at 31 September 2021, $221 million higher than at 30 September 2020. The increase was predominately due to a new IAP relating to a fully provided equipment finance fraud.

Review of Group operations

2.3.1 Credit quality key metrics[1]

	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	As at 31 March 2020
Stressed exposures by credit grade as a % of TCE:				
Impaired	0.19%	0.19%	0.26%	0.20%
90 days past due and not impaired	0.68%	0.66%	0.80%	0.50%
Watchlist and substandard	0.49%	0.75%	0.85%	0.62%
Total stressed exposures	**1.36%**	**1.60%**	**1.91%**	**1.32%**
Gross impaired exposures to TCE for business and institutional:				
Business Australia	0.72%	0.88%	1.07%	0.71%
Business New Zealand	0.20%	0.44%	0.54%	0.59%
Institutional	0.16%	0.08%	0.15%	0.08%
Mortgage 90+ day delinquencies:				
Group	0.99%	1.11%	1.50%	0.87%
Australia	1.07%	1.20%	1.62%	0.94%
New Zealand	0.30%	0.33%	0.52%	0.27%
Other consumer loans 90+ day delinquencies:				
Group	1.75%	1.92%	2.09%	1.94%
Australia	1.76%	1.92%	2.09%	1.97%
New Zealand	1.65%	1.91%	2.09%	1.59%
Other:				
Gross impaired exposures to gross loans	0.30%	0.30%	0.40%	0.30%
Gross impaired exposure provisions to gross impaired exposures	54.44%	47.03%	41.45%	50.09%
Total provisions to gross loans	70 bps	79 bps	88 bps	80 bps
Collectively assessed provisions to credit risk weighted assets	117 bps	142 bps	154 bps	140 bps
Total provisions to credit risk weighted assets	140 bps	159 bps	171 bps	157 bps
Impairment charges/(benefits) to average gross loans annualised[2]	(6 bps)	(11 bps)	27 bps	62 bps
Net write-offs to average loans annualised[2]	8 bps	9 bps	15 bps	12 bps

2.3.2 Movement in gross impaired exposures[1]

$m	Half Year Sept 2021	Half Year March 2021	Half Year Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Balance as at beginning of period	**2,071**	**2,779**	**2,154**	**(25)**	**(4)**
New and increased - individually managed	614	222	864	177	(29)
Write-offs	(405)	(431)	(633)	(6)	(36)
Returned to performing or repaid	(222)	(369)	(488)	(40)	(55)
Portfolio managed - new/increased/returned/repaid	65	(104)	842	large	(92)
Exchange rate and other adjustments	19	(26)	40	large	(53)
Balance as at end of period	**2,142**	**2,071**	**2,779**	**3**	**(23)**

1. Includes balances presented as held for sale.
2. Averages are based on a six month period.

Review of Group operations

2.4 Balance sheet and funding

2.4.1 Balance sheet

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Assets					
Cash and balances with central banks	71,353	33,877	30,129	111	137
Collateral paid	4,232	3,917	4,778	8	(11)
Trading securities and other financial assets measured at fair value through income statement (FVIS) and investment securities	104,518	112,231	132,206	(7)	(21)
Derivative financial instruments	19,353	22,373	23,367	(13)	(17)
Loans	709,784	688,218	693,059	3	2
Life insurance assets	-	3,416	3,593	(100)	(100)
Assets held for sale	4,188	4,359	-	(4)	-
All other assets	22,449	21,068	24,814	7	(10)
Total assets	**935,877**	**889,459**	**911,946**	**5**	**3**
Liabilities					
Collateral received	2,368	2,504	2,250	(5)	5
Deposits and other borrowings	626,955	585,401	591,131	7	6
Other financial liabilities	50,309	42,996	40,925	17	23
Derivative financial instruments	18,059	20,303	23,054	(11)	(22)
Debt issues	128,779	127,850	150,325	1	(14)
Life insurance liabilities	-	1,070	1,396	(100)	(100)
Loan capital	29,067	26,294	23,949	11	21
Liabilities held for sale	837	3,049	-	(73)	-
All other liabilities	7,411	7,891	10,842	(6)	(32)
Total liabilities	**863,785**	**817,358**	**843,872**	**6**	**2**
Equity					
Total equity attributable to owners of WBC	72,035	72,052	68,023	-	6
NCI	57	49	51	16	12
Total equity	**72,092**	**72,101**	**68,074**	**-**	**6**

Second Half 2021 – First Half 2021

During Second Half 2021, our balance sheet strengthened, with higher levels of liquid assets primarily due to inflows from deposits outpacing loan growth.

Key movements included:

Assets

- Cash and balances with central banks increased $37.5 billion or 111% reflecting higher liquid assets held in this form;
- Trading securities and financial assets measured at FVIS and investment securities decreased $7.7 billion or 7% reflecting lower balances held in this form;
- Derivative assets decreased $3.0 billion or 13% mainly driven by movements in foreign currency forward contracts and interest rate swaps;
- Loans increased $21.6 billion or 3%. Refer to Section 2.2.2 Loans for further information;
- Life insurance assets decreased $3.4 billion or 100% due to the reclassification to assets held for sale;
- Assets held for sale as at 30 September 2021 comprised of businesses announced to be sold in Second Half 2021 (refer to Note 17). Assets held for sale as at 31 March 2021 comprised of businesses that already settled in Second Half 2021 (refer to Note 16 for the details of assets and liabilities that were deconsolidated on settlement and Note 17) and Pacific businesses that were reclassified out of assets held for sale in Second Half 2021 following the decision of Westpac and Kina Securities to terminate the agreement; and
- All other assets increased $1.4 billion or 7% mainly due to securities sold not delivered, partly offset by impairment of intangible assets.

Review of Group operations

Liabilities

- Deposits and other borrowings increased $41.6 billion or 7%. Refer to Section 2.2.3 Deposits and other borrowings for further information;
- Other financial liabilities increased $7.3 billion or 17% mainly driven by higher securities sold under agreements to repurchase, securities sold short, securities purchased not delivered and interbank deposits;
- Derivative liabilities decreased $2.2 billion or 11% driven by movements in foreign currency forward contracts and interest rate swaps;
- Debt issues increased $0.9 billion or 1% ($3.7 billion or 3% decrease excluding foreign currency impacts). Refer to Section 2.4.2 Funding and liquidity risk management for further information;
- Life insurance liabilities decreased $1.1 billion or 100% due to the reclassification to liabilities held for sale;
- Loan capital increased $2.8 billion or 11% mainly due to $0.6 billion net issuance of Additional Tier 1 instruments, $1.2 billion net issuance of Tier 2 instruments, and $1.0 billion foreign currency translation and fair value hedging impacts; and
- Liabilities held for sale as at 30 September 2021 comprised of businesses announced to be sold in Second Half 2021 (refer to Note 17). Liabilities held for sale as at 31 March 2021 comprised of businesses that already settled in Second Half 2021 (refer to Note 16 for the details of assets and liabilities that were deconsolidated on settlement and Note 17) and Westpac Pacific businesses that were reclassified out of liabilities held for sale in Second Half 2021 following the decision of Westpac and Kina Securities to terminate the sale agreement.

Equity attributable to owners of Westpac Banking Corporation was flat during the period.

Full Year 2021 – Full Year 2020

During Full Year 2021, the level of liquid assets was higher due to inflows from deposits outpacing loan growth, further utilisation of the Term Funding Facility (TFF), partly offset by net maturities of debt issuances.

Key movements included:

Assets

- Cash and balances with central banks increased $41.2 billion or 137% reflecting higher liquid assets held in this form;
- Trading securities and financial assets measured at FVIS and investment securities decreased $27.7 billion or 21% reflecting lower balances held in this form;
- Derivative assets decreased $4.0 billion or 17% mainly driven by movements in interest rate swaps;
- Loans increased $16.7 billion or 2%. Refer to Section 2.2.2 Loans for further information;
- Life insurance assets decreased $3.6 billion or 100% due to the reclassification to assets held for sale;
- Assets held for sale as at 30 September 2021 comprised of businesses announced to be sold in Second Half 2021 (refer to Note 17). There were no businesses classified as assets held for sale as at 30 September 2020;
- All other assets decreased $2.4 billion or 10% mainly due impairment of intangible assets, and depreciation and impairment of property and equipment.

Liabilities

- Deposits and other borrowings increased $35.8 billion or 6%. Refer to Section 2.2.3 Deposits and other borrowings for further information;
- Other financial liabilities increased $9.4 billion or 23% mainly driven by higher securities sold under agreements to repurchase as the Group accessed the Term Funding Facility;
- Derivative liabilities decreased $5.0 billion or 22% driven by movements in interest rate and cross currency swaps;
- Debt issues decreased $21.5 billion or 14% Excluding foreign currency and other non-cash impacts, debt issues decreased $18.5 billion or 12%, representing net maturities. Refer to Section 2.4.2 Funding and liquidity risk management for further information;
- Life insurance liabilities decreased $1.4 billion or 100% due to the reclassification to liabilities held for sale;
- Loan capital increased $5.1 billion or 21% mainly due to $1.0 billion net issuance of Additional Tier 1 instruments, and $5.1 billion net issuance of Tier 2 instruments, partly offset by $1.0 billion foreign currency translation and fair value hedging impacts;
- Liabilities held for sale as at 30 September 2021 comprised of businesses announced to be sold in Second Half 2021 (refer to Note 17). There were no businesses classified as liabiliies held for sale as at 30 September 2020; and
- All other liabilities decreased $3.4 billion or 32% due to reduction in provisions to settle the AUSTRAC civil proceedings and lower insurance related liabilities which formed part of businesses disposed and settled in Second Half 2021.

Equity attributable to owners of Westpac Banking Corporation increased $4.0 billion or 6% reflecting retained profits from First Half 2021.

Review of Group operations

2.4.2 Funding and liquidity risk management

Liquidity risk is the risk that the Group will be unable to fund assets and meet obligations as they become due. This risk is inherent for all banks as intermediaries between depositors and borrowers. The Group has a liquidity risk management framework which seeks to meet our cash flow obligations under a wide range of market conditions and scenarios, as well as meeting the requirements of the LCR and NSFR.

The Group maintained funding and liquidity metrics comfortably above regulatory minimums throughout Second Half 2021. The Group's September 2021 quarterly average LCR was 129% and its NSFR at 30 September 2021 was 125%, both above the 100% regulatory minimums.

In Second Half 2021, market liquidity remained high as measures introduced by the Reserve Bank of Australia (RBA) remained in place. These measures include a historically low cash rate and the purchase of Australian Government and Semi-Government bonds in the secondary market.

A further measure, the Term Funding Facility (TFF), introduced in March 2020, closed to new drawdowns on 30 June 2021. The TFF provided fixed rate funding to eligible Authorised Deposit-taking Institutions (ADIs) for a maximum of three years. By 30 June 2021, we had fully drawn our total available TFF allowance of $30 billion.

Liquidity

The Group has a number of sources of liquidity that provide a buffer against periods of liquidity stress. These include High Quality Liquid Assets (HQLA) and the Committed Liquidity Facility (CLF), both of which are used to meet the Group's LCR requirements.

- In September 2021, APRA announced it expects ADIs subject to the LCR to reduce their CLF usage to zero by the end of Calender 2022, subject to financial market conditions. APRA and the RBA expect there will be sufficient HQLA for ADIs to meet their LCR requirements without the need to utilise the CLF. The reduction is expected to occur in stages, with the first reduction scheduled for 1 January 2022. Westpac's current CLF allocation of $37 billion is expected to be replaced by additional HQLA.
- At 30 September 2021, Westpac held $148.6 billion in HQLA (31 March 2021: $113.4 billion). HQLA include cash, deposits with central banks, government securities and other high quality securities that are repo-eligible with the RBA. HQLA increased over the Second Half in line with balance sheet growth and in preparation for the phased reductions to the CLF over 2022.

The Group also has access to non-HQLA and other assets that are eligible for re-purchase with a central bank under certain conditions. These include private securities and self-originated AAA-rated mortgage-backed securities.

LCR

The LCR is designed to enhance banks' short-term resilience, by measuring the level of HQLA, as defined, held against its liquidity needs for a 30 calendar day period under a regulator-defined stress scenario. In addition to HQLA, Australian ADIs including Westpac also have access to the CLF, as set out above, to meet the requirements of the LCR.

Westpac's average LCR for the quarter ended 30 September 2021 was 129% (Westpac's average LCR for the quarter ended 31 March 2021 was: 124%). The lift in the LCR compared to the quarterly average for March 2021 was mainly due to an $8 billion increase in total liquid assets.

Westpac's LCR also includes a 10% overlay to net cash outflows. The overlay, effective since 1 January 2021, has been required by APRA in response to breaches of the prudential standards on liquidity. The overlay reduces the average LCR for the quarter ended 30 September 2021 by 13 percentage points. Further details are set out in the Significant Developments section of the 2021 Full Year Financial Results.

NSFR

The NSFR is designed to encourage banks' longer-term funding resilience. To comply, banks are required to maintain an NSFR of at least 100% at all times. Westpac's NSFR was 125% at September 2021 (30 March 2021: 123%). The increase in the ratio over the half reflects a $26.0 billion increase in available stable funding, mainly due to deposits (up $11.3 billion) and wholesale funding (up $13.9 billion). This was partly offset by an increase in required stable funding of $11.2 billion, mainly due to an increase in lending, as well as higher liquid assets.

Funding

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

Review of Group operations

Customer deposits

Customer deposits accounted for 65.0% of the Group's total funding (including equity) at 30 September 2021, a decrease of 70 basis points since March 2021. During the half, customer deposits increased by $30 billion and fully funded the bank's new lending growth. This saw an increase in our customer deposit to loan ratio to 82% from 80% at 31 March 2021.

Long term wholesale funding

Long term funding with a residual maturity greater than 12 months made up 16.2% of the Group's total funding at 30 September 2021, an increase of 60 basis points or $13 billion.

The Group raised $22.3 billion of long term wholesale funding in Second Half 2021, including $8 billion drawn down from the TFF prior to 30 June 2021. In line with the closure of the TFF in June, the Group also began returning to its more usual funding activities, accessing senior unsecured and covered bond markets for the first time in over 12 months.

New long term funding in Second Half 2021 also included $1.8 billion in Additional Tier 1 and $1.6 billion in Tier 2 capital securities, the latter contributing to the Group's Total Loss Absorbing Capital (TLAC) requirements that become effective on 1 January 2024.

At 30 September 2021, funding from securitisation accounted for 0.6% of total funding.

Short term wholesale funding

Wholesale funding with a residual maturity less than 12 months accounted for 10.8% of the Group's total funding at 30 September 2021 (31 March 2021: 10.1%). This portfolio, including long term to short term scroll, had a weighted average maturity of 138 days.

Equity

Funding from equity decreased by $263 million or 60 basis points in the second half to 8.0% of total funding.

Liquidity coverage ratio

$m	Quarter Sept 2021	Quarter March 2021	Quarter Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
High Quality Liquid Assets (HQLA)[1,3]	136,525	117,759	118,944	16	15
Committed Liquidity Facility (CLF)[3]	37,000	37,000	52,000	-	(29)
Term Funding Facility (TFF)[2,3]	-	10,321	10,830	(100)	(100)
Total LCR liquid assets	**173,525**	**165,080**	**181,774**	**5**	**(5)**
Cash outflows in a modelled 30-day APRA defined stressed scenario					
Customer deposits[1]	89,628	85,282	87,925	5	2
Wholesale funding	10,003	13,024	10,182	(23)	(2)
Other flows[4]	34,447	35,281	22,223	(2)	55
Total	**134,078**	**133,587**	**120,330**	**-**	**11**
LCR[1,5]	**129%**	**124%**	**151%**	**large**	**large**

Net stable funding ratio

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Available stable funding[1]	651,216	625,185	624,097	4	4
Required stable funding	521,499	510,287	512,656	2	2
Net stable funding ratio	**125%**	**123%**	**122%**	**235bps**	**313bps**

1. Includes balances presented as held for sale.
2. Represents the Group's average undrawn TFF allowance as per APRA guidance.
3. Refer to Glossary for definition.
4. Other flows include credit and liquidity facilities, collateral outflows and inflows from customers.
5. Calculated on a quarterly average basis.

Review of Group operations

Funding by residual maturity

	As at 30 Sept 2021 $m	Ratio %	As at 31 March 2021 $m	Ratio %	As at 30 Sept 2020 $m	Ratio %
Wholesale funding						
Less than 6 months	54,512	6.1	45,415	5.4	43,543	5.1
6 to 12 months	15,232	1.7	11,951	1.4	5,445	0.7
Long term to short term scroll[1]	26,760	3.0	27,631	3.3	39,489	4.6
Wholesale funding - residual maturity less than 12 months	**96,504**	**10.8**	**84,997**	**10.1**	**88,477**	**10.4**
Securitisation	5,000	0.6	6,687	0.8	8,000	0.9
Greater than 12 months	138,817	15.6	124,050	14.8	133,732	15.7
Wholesale funding - residual maturity greater than 12 months	**143,817**	**16.2**	**130,737**	**15.6**	**141,732**	**16.6**
Customer deposits[2]	**580,317**	**65.0**	**550,337**	**65.7**	**555,453**	**65.0**
Equity[3]	**71,614**	**8.0**	**71,877**	**8.6**	**68,199**	**8.0**
Total funding	**892,252**	**100.0**	**837,948**	**100.0**	**853,861**	**100.0**

Deposits to net loans ratios

	As at 30 Sept 2021 $m	Ratio %	As at 31 March 2021 $m	Ratio %	As at 30 Sept 2020 $m	Ratio %
Customer deposits[2]	580,317		550,337		555,453	
Net customer loans[2]	710,799	81.6	690,037	79.8	693,059	80.1

Funding view of the balance sheet[2]

$m	Total liquid assets	Customer deposits	Wholesale funding	Customer franchise	Market Inventory	Total
As at 30 September 2021						
Total assets	227,553	-	-	658,123	50,201	935,877
Total liabilities	-	(580,316)	(240,321)	-	(43,148)	(863,785)
Total equity	-	-	-	(71,614)	(478)	(72,092)
Total	**227,553**	**(580,316)**	**(240,321)**	**586,509**	**6,575**	**-**
Net loans[4]	**66,610**	**-**	**-**	**644,189**	**-**	**710,799**
As at 31 March 2021						
Total assets	195,177	-	-	643,492	50,790	889,459
Total liabilities	-	(550,337)	(215,734)	-	(51,287)	(817,358)
Total equity	-	-	-	(71,877)	(224)	(72,101)
Total	**195,177**	**(550,337)**	**(215,734)**	**571,615**	**(721)**	**-**
Net loans[4]	**60,894**	**-**	**-**	**629,143**	**-**	**690,037**
As at 30 September 2020						
Total assets	221,176	-	-	637,880	52,890	911,946
Total liabilities	-	(555,453)	(230,210)	-	(58,209)	(843,872)
Total equity	-	-	-	(68,199)	125	(68,074)
Total	**221,176**	**(555,453)**	**(230,210)**	**569,681**	**(5,194)**	**-**
Net loans[4]	**71,616**	**-**	**-**	**621,443**	**-**	**693,059**

1. Scroll represents wholesale funding with an original maturity greater than 12 months that now has a residual maturity less than 12 months.
2. Includes balances presented as held for sale.
3. Includes total share capital, share-based payment reserve and retained profits.
4. Liquid assets in net loans include internally securitised assets that are eligible for repurchase agreements with the RBA/RBNZ.

Review of Group operations

2.5 Capital and dividends

	As At 30 Sept 2021	As At 31 March 2021	As At 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Level 2 regulatory capital structure					
Common equity Tier 1 (CET 1) capital after deductions ($m)	53,808	52,932	48,733	2	10
Risk weighted assets (RWA) ($m)	436,650	428,899	437,905	2	-
CET 1 capital ratio	**12.32%**	**12.34%**	**11.13%**	**(2 bps)**	**119 bps**
Additional Tier 1 capital ratio	2.33%	2.21%	2.10%	12 bps	23 bps
Tier 1 capital ratio	**14.65%**	**14.55%**	**13.23%**	**10 bps**	**142 bps**
Tier 2 capital ratio	4.21%	3.88%	3.15%	33 bps	106 bps
Total regulatory capital ratio	**18.86%**	**18.43%**	**16.38%**	**43 bps**	**248 bps**
APRA leverage ratio[1]	**5.99%**	**6.27%**	**5.78%**	**(28 bps)**	**21 bps**
Level 1 regulatory capital structure					
CET 1 capital after deductions ($m)	54,314	53,313	49,453	2	10
Risk weighted assets ($m)	431,422	424,656	433,727	2	(1)
Level 1 CET 1 capital ratio	12.59%	12.55%	11.40%	4 bps	119 bps

APRA announcements on capital

In Second Half 2021 APRA made the following announcements relevant to their capital framework:

- On 19 July 2021 APRA announced regulatory support for banks offering temporary financial assistance to borrowers impacted by COVID-19[2]. APRA has outlined that for eligible borrowers, ADIs do not need to treat the period of deferral as a period of arrears or loan restructuring. This applied to loans granted a repayment deferral of up to three months before the end of September 2021[3]. ADIs must continue to provision for these loans under accounting standards.
- APRA has released the final revised standard for APS 111 Capital Adequacy: Measurement of Capital, effective from 1 January 2022[4]. The final standard includes changes to the parent ADI's (Level 1) treatment of equity investments in banking and insurance subsidiaries including:
  - Equity investments in subsidiaries (including any Additional Tier 1 and Tier 2 capital investments in subsidiaries) will be risk weighted at 250%, up to a limit of 10% of Level 1 CET1 capital per investment; and
  - Any equity investments in excess of the 10% limit will be fully deducted from Level 1 CET1 capital in determining Level 1 capital ratios.

  The impact to the Group's Level 1 ratio on a pro-forma basis at 30 September 2021 is an approximate reduction of 18 basis points. There is no impact from this proposal on the calculation of the Group's reported regulatory capital ratios on a Level 2 basis.
- APRA is proposing changes to embed the 'unquestionably strong' level of capital in the capital framework, including implementation of Basel III reforms[5]. On 21 July 2021 APRA released further guidance on capital buffers and the calculation of RWA including for specific asset classes. As part of the proposal, APRA intend to increase the capital conservation buffer from 2.5% to 4.0% and introduce a base level for the countercyclical capital buffer of 1.0%. As a result, the CET1 capital ratio requirement for D-SIBs is proposed to increase from 8% to 10.5% from 1 January 2023. We expect further clarity on the changes ahead of 1 January 2023.
- On 10 September 2021, APRA announced it expects ADIs to reduce their Committed Liquidity Facility (CLF) usage to zero by 31 December 2022[6]. Westpac's current CLF allocation is $37 billion. Westpac expects to reduce its allocation in line with APRA's announcement, and to meet its liquidity requirements by increasing its holdings of High Quality Liquid Assets.

Further details of regulatory changes are in the Significant Developments section of the 2021 Full Year Financial Results.

1. Refer to Glossary for definition.
2. APRA announcement – "APRA announces further regulatory support for loans impacted by COVID-19" dated 19 July 2021.
3. Letter to all authorised deposit taking institutions – "Regulatory support for loans impacted by COVID-19" dated 25 August 2021.
4. Letter to all authorised deposit taking institutions – "Final revised Prudential Standard: APS 111 Capital Adequacy - Measurement of Capital" dated 5 August 2021.
5. Letter to all authorised deposit taking institutions – "Bank Capital Reforms: Update" dated 21 July 2021.
6. Letter to locally incorporated LCR authorised deposit taking institutions – "Committed Liquidity Facility update" dated 10 September 2021.

Review of Group operations

Capital management strategy

Westpac's approach to capital management seeks to ensure that it is adequately capitalised as an ADI. Westpac evaluates its approach to capital management through an Internal Capital Adequacy Assessment Process (ICAAP), the key features of which include:

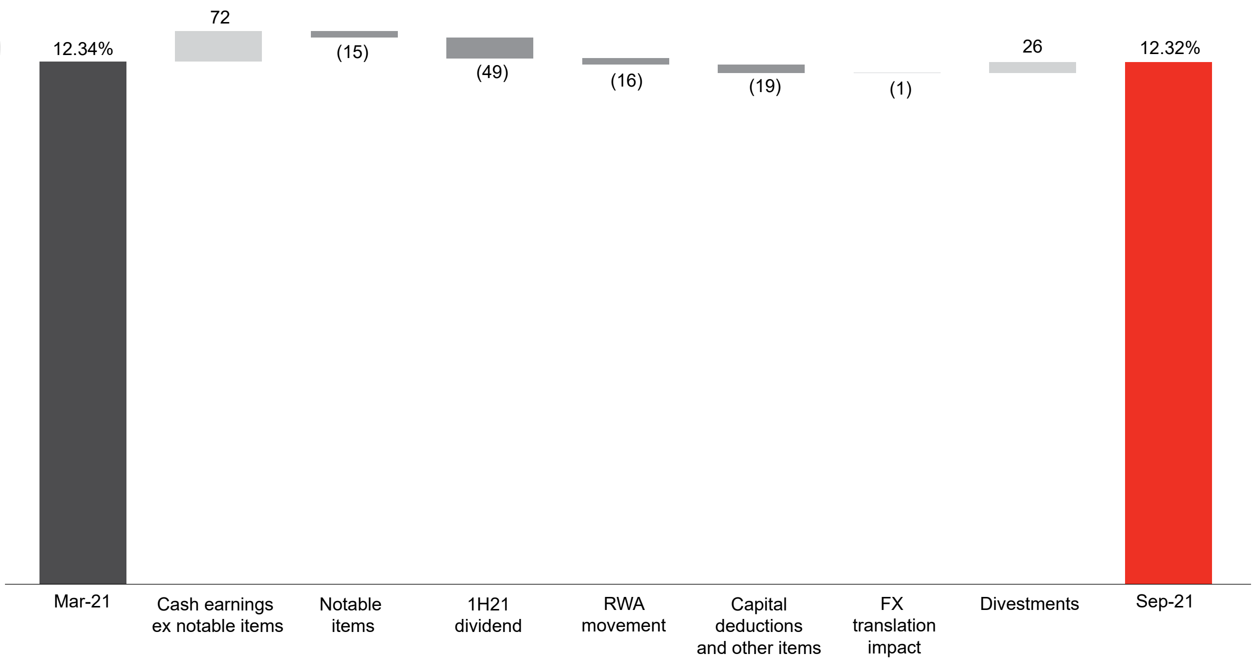
- the development of a capital management strategy, including consideration of regulatory minimums, capital buffers and contingency plans. The current regulatory capital minimums together with the capital conservation buffer (CCB) are the Total CET1 Requirement. The Total CET1 Requirement for Westpac is at least 8.0%, based on an industry minimum CET1 requirement of 4.5% plus a capital buffer of at least 3.5% applicable to D-SIBs[1,2];
- consideration of both regulatory and economic capital requirements;
- a stress testing framework that challenges the capital measures, coverage and requirements including the impact of adverse economic scenarios; and
- consideration of the perspectives of external stakeholders including rating agencies as well as equity and debt investors.

Given the above and in light of proposed changes to APRA's capital management framework under which the CET1 capital ratio requirement for D-SIBs is to increase from 8% to 10.5% (including the capital conservation buffer and the countercyclical capital buffer), Westpac will seek to operate with a CET1 capital ratio above 10.5% as measured under the existing capital framework[3]. Capital settings may be reviewed if more challenging or uncertain conditions emerge, or if APRA's proposals change significantly.

1. Noting that APRA may apply higher CET1 requirements for an individual ADI.
2. If an ADI's CET1 ratio falls below the Total CET1 Requirement (at least 8%), they face restrictions on the distribution of earnings, such as dividends, distribution payments on AT1 capital instruments and discretionary staff bonuses.
3. Allowing for quarterly volatility of capital ratios due to the half yearly cycle of ordinary dividend payments.

Review of Group operations

CET 1 capital ratio movement for Second Half 2021



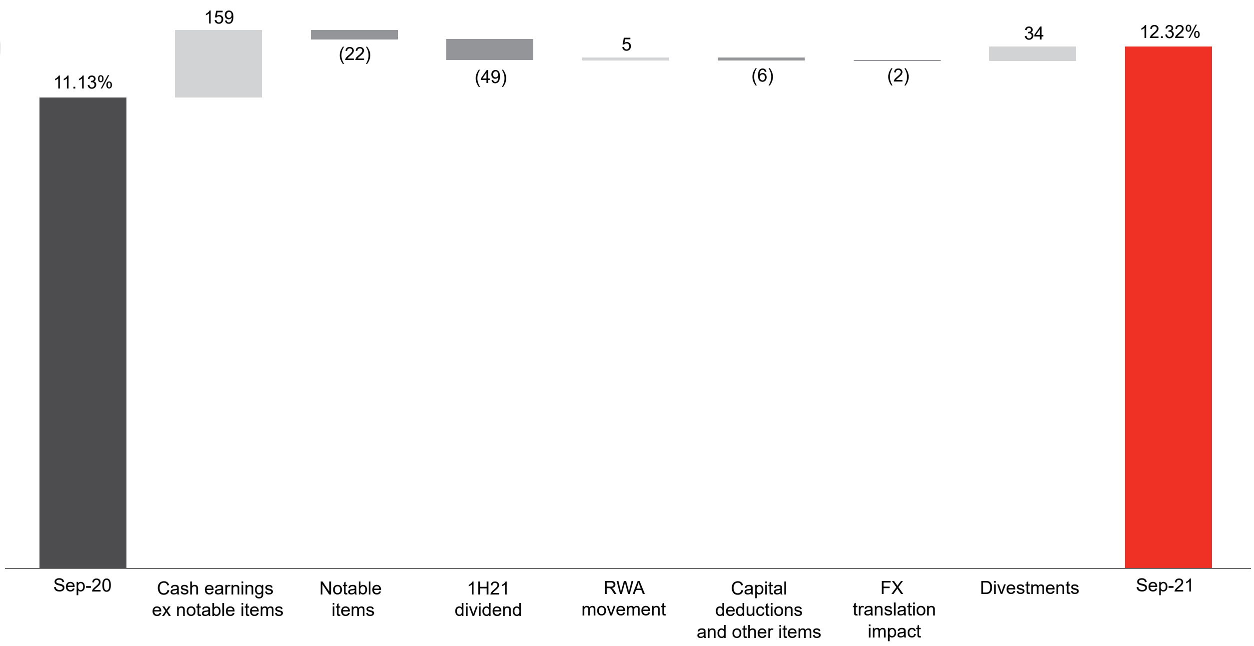
Westpac's CET capital ratio was 12.32% at 30 September 2021, 2 basis points lower than 31 March 2021. Key movements in the CET1 capital ratio over the half were:

- Second Half 2021 cash earnings of $3,134 million, excluding notable items (72 basis point increase);
- Notable items (15 basis point decrease) from:
  - $1,319 million reduction in cash earnings; and
  - An increase in the deduction for deferred tax assets; partly offset by
  - Lower deductions for goodwill and capitalised software;
- Payment of the 2021 interim dividend (49 basis point decrease);
- An increase in risk weighted assets (RWA) (16 basis point decrease) mostly related to the application of a mortgage risk weight floor of 25%; and
- Capital deductions and other capital movements (19 basis point decrease) from:
  - capital invested in entities not consolidated for regulatory purposes;
  - a higher deduction for capitalised expenditure;
  - an increase in regulatory expected losses in excess of provisions; and
  - a revaluation of the defined benefit superannuation obligation;
- Foreign currency impacts from the depreciation of the A$ against the US$ and NZ$ (1 basis point decrease)[1].
- A 26 basis point increase from divestments comprising:
  - 7 basis point increase from the sale of Coinbase Inc. shares;
  - 12 basis point increase from the sale of Westpac's General Insurance business; and
  - 7 basis point increase from the sale of Westpac's Lender's Mortgage Insurance business.

1. Reflecting the net impact of movements in the foreign currency translation reserve and RWA.

Review of Group operations

CET 1 capital ratio movement for Full Year 2021



Westpac's Common Equity Tier 1 (CET1) capital ratio was 12.32% at 31 September 2021, 119 basis points higher than 30 September 2020. This reflects earnings for the Full Year and divestments, partly offset by payment of the 2021 interim dividend and notable items.

Additional Tier 1 and Tier 2 Capital movements for Second Half 2021

On 15 September 2021, Westpac issued $1.75 billion of Additional Tier 1 capital (Westpac Capital Notes 8), of which approximately $1.15 billion comprised reinvestment by the holders of Westpac Capital Notes 4 (WCN 4)[1]. The net impact was an increase in Tier 1 capital of approximately 14 basis points.

During the half, Westpac issued EUR 1.0 billion (approximately A$1.6 billion) Tier 2 capital instruments. Westpac also redeemed NZ$0.4 billion of Tier 2 capital instruments. The net impact was an increase in the total regulatory capital ratio of approximately 28 basis points. These issues will assist to meet APRA's increased total capital requirements that must be achieved by 1 January 2024.

Leverage ratio

The leverage ratio represents the amount of Tier 1 capital relative to exposure[2]. At 30 September 2021, Westpac's leverage ratio was 5.99%, down 28 basis points since 31 March 2021.

Internationally comparable capital ratios

The APRA Basel III capital adequacy requirements are more conservative than those of the Basel Committee on Banking Supervision (BCBS), leading to lower reported capital ratios when compared to international peers. APRA conducted a study in July 2015 outlining its methodology for measuring international comparable capital ratios. For details on the adjustments refer to Westpac's 2021 Interim Investor Discussion Pack.

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

%	As At 30 Sept 2021	As At 31 March 2021	As At 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Internationally comparable capital ratios					
CET 1 capital ratio	18.17%	18.08%	16.50%	9 bps	167 bps
Tier 1 capital ratio	21.23%	20.98%	19.25%	25 bps	198 bps
Total regulatory capital ratio	26.61%	25.94%	23.19%	67 bps	342 bps
Leverage ratio	6.59%	6.87%	6.46%	(28 bps)	13 bps

1. At 30 September 2021, approximately $0.6 billion of WCN 4 were outstanding. On 15 October 2021, Westpac issued a redemption notice that all outstanding WCN 4 will be redeemed on the optional redemption date, being 20 December 2021.
2. As defined under Attachment D of APS110: Capital Adequacy.

Review of Group operations

Risk Weighted Assets (RWA)

$m	As At 30 Sept 2021	As At 31 March 2021	As At 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Credit risk:					
Corporate[1]	68,715	66,086	73,666	4	(7)
Business lending[2]	32,559	34,061	36,777	(4)	(11)
Sovereign[3]	2,508	2,355	2,376	6	6
Bank[4]	5,104	5,708	5,640	(11)	(10)
Residential mortgages	145,534	133,938	130,787	9	11
Australian credit cards	4,001	4,279	4,405	(6)	(9)
Other retail	8,272	9,266	10,174	(11)	(19)
Small business[5]	15,187	16,097	16,977	(6)	(11)
Specialised lending: Property and project finance[6]	55,372	55,314	57,019	-	(3)
Securitisation[7]	5,881	5,513	5,413	7	9
Standardised	7,884	8,091	8,853	(3)	(11)
Mark-to-market related credit risk	6,278	6,419	7,302	(2)	(14)
Total credit risk	**357,295**	**347,127**	**359,389**	**3**	**(1)**
Market risk	6,662	9,490	8,761	(30)	(24)
Operational risk[8]	55,875	54,090	54,090	3	3
Interest rate in the banking book (IRRBB)	11,446	11,998	9,124	(5)	25
Other	5,372	6,194	6,541	(13)	(18)
Total risk weighted assets	**436,650**	**428,899**	**437,905**	**2**	**-**

Second Half 2021 – First Half 2021

Total RWA increased $7.8 billion or 1.8% this half from higher credit RWA partly offset by a decrease in non-credit RWA. The $10.2 billion increase in credit RWA included:

- $5.6 billion from higher lending in mortgages and corporate;
- $5.1 billion increase from mortgage credit RWA from the decision to apply a mortgage risk weight floor of 25% (RWA to EAD). This mostly reflects our expectation that mortgage risk weights will rise from APRA's capital changes, and because some rise in mortgage stress may emerge as COVID-19 stimulus unwinds;
- Foreign currency translation impacts increased RWA by $2.4 billion, mostly from the depreciation of the A$ against the US$ and NZ$, partially offset by;
- $2.3 billion decrease from improved credit quality metrics with lower stressed assets across specialised lending and business lending; and
- A decrease in credit RWA associated with derivative exposures (counterparty credit risk and mark-to-market related credit risk) of $0.6 billion.

Non-credit RWA was $2.4 billion lower, mainly due to a $2.8 billion decrease in market RWA as the volatile period around March 2020 (related to COVID-19) rolled out of the one-year Value at Risk (VaR) lookback window.

1. Corporate – typically includes exposure where the borrower has annual turnover greater than $50 million and other business exposures not captured under the definitions of either Business lending or Small business.
2. Business lending – includes exposures not captured elsewhere where the borrower has annual turnover less than or equal to $50 million.
3. Sovereign – includes exposures to governments themselves and other non-commercial enterprises that are owned or controlled by them.
4. Bank – includes exposures to licensed banks and their owned or controlled subsidiaries, and overseas central banks.
5. Small business – program managed business lending exposures.
6. Specialised lending – property and project finance – includes exposures to entities created to finance and / or operate specific assets where, apart from the income received from the assets being financed, the borrower has little or no independent capacity to repay from other activities or assets.
7. Securitisation – exposures reflect Westpac's involvement in activities ranging from originator to investor and include the provision of securitisation services for clients wishing to access capital markets.
8. Operational risk – the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk but excluding strategic or reputational risk.

Review of Group operations

Full Year 2021 - Full Year 2020

Total RWA decreased $1.3 billion or 0.3% this year mainly driven by a decrease in credit RWA of ($2.1 billion), partially offset by an increase in non-credit RWA of $0.8 billion.

The $2.1 billion decrease in credit RWA included:

- Decrease in credit RWA associated with derivative exposures (counterparty credit risk and mark-to-market related credit risk) of $2.9 billion;
- $4.2 billion decrease from improved credit quality metrics driven by lower stressed assets, mainly across corporate lending, specialised lending and business lending; partially offset by;
- $4.0 billion increase from higher lending, mostly from residential mortgage exposures partially offset by reduction in Trade Finance in Asia, as we consolidated our international operations along with lower business lending; and
- Foreign currency translation impacts increased RWA by $1.0 billion mostly from the depreciation of the A$ against the US$ and NZ$.

At 30 June 2021 Westpac has chosen to apply an overlay to our modelled outcomes to increase the mortgage risk weight floor to 25% (previously 23.8% at March 2021). This mostly reflects our expectation that mortgage risk weights will rise from APRA's capital changes, and because some rise in mortgage stress may emerge once COVID-19 stimulus unwinds. This resulted in a $8.8 billion increase in mortgage RWA.

Review of Group operations

Capital adequacy

$m	As At 30 Sept 2021	As At 31 March 2021	As At 30 Sept 2020
Tier 1 capital			
CET 1 capital			
Paid up ordinary capital	41,601	41,604	40,509
Treasury shares	(663)	(660)	(620)
Equity based remuneration	1,753	1,731	1,661
Foreign currency translation reserve	(266)	(519)	(309)
Accumulated other comprehensive income	402	507	126
Non-controlling interests - other	57	49	57
Retained earnings	28,813	29,097	26,533
Less retained earnings in life and general insurance, funds management and securitisation entities	(1,118)	(1,680)	(1,132)
Deferred fees	238	230	214
Total CET 1 capital	**70,817**	**70,359**	**67,039**
Deductions from CET 1 capital			
Goodwill (excluding funds management entities)	(8,060)	(8,529)	(8,532)
Deferred tax assets	(2,429)	(2,260)	(2,963)
Goodwill in life and general insurance, funds management and securitisation entities	(209)	(451)	(535)
Capitalised expenditure	(1,951)	(1,749)	(1,576)
Capitalised software	(1,840)	(2,049)	(2,137)
Investments in subsidiaries not consolidated for regulatory purposes	(2,044)	(2,063)	(1,941)
Regulatory expected loss in excess of eligible provisions	(225)	(93)	(40)
Defined benefit superannuation fund surplus	(64)	(69)	(71)
Equity investments	(163)	(162)	(492)
Regulatory adjustments to fair value positions	(24)	(1)	(18)
Other Tier 1 deductions	-	(1)	(1)
Total deductions from CET 1 capital	**(17,009)**	**(17,427)**	**(18,306)**
Total CET 1 capital after deductions	**53,808**	**52,932**	**48,733**
Additional Tier 1 capital			
Basel III complying instruments	10,180	9,493	9,206
Total Additional Tier 1 capital	**10,180**	**9,493**	**9,206**
Deductions from additional Tier 1 capital			
Holdings of own and other financial institutions Additional Tier 1 capital instruments	(25)	(25)	-
Total deductions from Additional Tier 1 capital	**(25)**	**(25)**	**-**
Net Additional Tier 1 regulatory capital	**10,155**	**9,468**	**9,206**
Net Tier 1 regulatory capital	**63,963**	**62,400**	**57,939**
Tier 2 capital			
Basel III complying instruments	18,228	16,373	13,161
Basel III transitional instruments	487	462	494
Eligible general reserve for credit loss	51	161	397
Total Tier 2 capital	**18,766**	**16,996**	**14,052**
Deductions from Tier 2 capital			
Investments in subsidiaries not consolidated for regulatory purposes	(140)	(140)	(140)
Holdings of own and other financial institutions Tier 2 capital instruments	(221)	(199)	(121)
Total deductions from Tier 2 capital	**(361)**	**(339)**	**(261)**
Net Tier 2 regulatory capital	**18,405**	**16,657**	**13,791**
Total regulatory capital	**82,368**	**79,057**	**71,730**
Risk weighted assets	**436,650**	**428,899**	**437,905**
CET 1 capital ratio	12.32%	12.34%	11.13%
Additional Tier 1 capital	2.33%	2.21%	2.10%
Tier 1 capital ratio	**14.65%**	**14.55%**	**13.23%**
Tier 2 capital	4.21%	3.88%	3.15%
Total regulatory capital ratio	**18.86%**	**18.43%**	**16.38%**

Review of Group operations

Dividends

Ordinary dividend (cents per share)	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Interim (fully franked)	-	58	(100)	58	-	-
Final (fully franked)	60	-	-	60	31	94
Total ordinary dividend	**60**	**58**	**3**	**118**	**31**	**large**
Payout ratio (reported)	109.16%	61.75%	large	79.25%	48.87%	large
Payout ratio (cash earnings)	121.28%	60.16%	large	80.88%	42.93%	large
Adjusted franking credit balance ($m)	3,857	3,560	8	3,857	3,448	12
Imputation credit (cents per share - NZ)	7.0	7.0	-	7.0	7.0	-

The Board has determined a final fully franked dividend of 60 cents per share, to be paid on 21 December 2021 to shareholders on the register at the record date of 8 November 2021. The 2021 final dividend represents a payout ratio on a cash earnings basis of 121.28%. In addition to being fully franked, the dividend will also carry NZ$0.07 in New Zealand imputation credits that may be used by New Zealand tax residents.

The Board has determined to satisfy the DRP for the 2021 final dividend by arranging for the purchase of shares in the market by a third party. The market price used to determine the number of shares allocated to DRP participants will be set over the 10 trading days commencing 11 November 2021 and will not include a discount.

Off-market buy-back

Westpac has announced an off-market buy-back of up to $3.5 billion worth of Westpac shares. Westpac's operating performance and progress on strategic priorities, including the completion of a number of divestments, have contributed to a strong capital position, allowing Westpac to return capital to shareholders.

Capital deduction for regulatory expected credit loss

For capital adequacy purposes APRA requires the amount of regulatory expected credit losses in excess of eligible provisions to be deducted from CET 1 capital. The table below shows the calculation of this capital deduction.

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020
Provisions associated with eligible portfolios			
Total provisions for expected credit losses	5,007	5,508	6,163
plus provisions associated with partial write-offs	40	20	26
less ineligible provisions[2]	(104)	(106)	(118)
Total eligible provisions	**4,943**	**5,422**	**6,071**
Regulatory expected downturn loss	**5,168**	**5,419**	**5,801**
(Excess)/shortfall in eligible provisions compared to regulatory expected downturn loss	**225**	**(3)**	**(270)**
CET 1 capital deduction for regulatory expected downturn loss in excess of eligible provisions[3]	**(225)**	**(93)**	**(40)**

1. Record date in New York is 9 November 2021.
2. Provisions associated with portfolios subject to the Basel standardised approach to credit risk are not eligible.
3. Regulatory expected loss is calculated for portfolios subject to the Basel advanced capital IRB approach to credit risk. The comparison between regulatory expected loss and eligible provisions is performed separately for defaulted and non-defaulted exposures.

Review of Group operations

2.6 Sustainability performance summary

Westpac's approach to sustainability

As one of Australia's largest financial institutions, we recognise our role in helping to create positive social, economic and environmental impact.

In December 2020, we released our refreshed Sustainability Strategy outlining our sustainability priorities for the next three years. These priorities are centred around how we can best serve our customers, communities and nation, and contribute to solving global challenges.

Westpac is:

- a founding signatory to the United Nations Environment Programme Finance Initiative's Principles for Responsible Banking;
- a supporter of the United Nations Sustainable Development Goals (SDGs) and its agenda for action on improving the wellbeing of present and future generations; and
- guided by the United Nations Guiding Principles on Business and Human Rights.

Key developments against our 2023 Sustainability Strategy

Helping when it matters most – helping individuals and businesses build strong financial futures and navigate times of change, providing extra support for customers experiencing hardship.

- 709 customers supported with natural disaster relief packages;
- Over 33,400 cases escalated through our specialist vulnerability teams;
- introduced new measures to stop abusive transactions and help address problem gambling;
- improved banking accessibility for over 8,200 Aboriginal and Torres Strait Islander and remote Australians through Yuri Ingkarninthi, our Indigenous Connection Team; and
- launched our new app for iOS and Android, with
  - Smart Search to help customers more easily navigate the app and initiate payments;
  - Look Who's Charging to more easily identify transactions; and
  - Drag & Drop Transfers to support fast and easy transfers between eligible accounts.

Backing a stronger Australia: helping support the social, economic and environmental wellbeing of our nation to build a stronger Australia.

- $11.6 million spent with diverse suppliers, including $1.6 million with Indigenous-owned businesses;
- Westpac Scholars Trust[1] has awarded 100 new scholarships;
- Westpac Foundation[2] awarded $1.95 million in job creation grants and $1 million in community grants to 100 organisations helping Australians become job-ready through education, training and employment opportunities within their communities;
- $1.9 billion of new lending to climate change solutions; and
- reduced our Scope 1 & 2 emissions by 58% against a 2016 base year and 43% against 2020[3].

1. Westpac Scholars Trust (ABN 35 600 251 071) is administered by Westpac Scholars Limited (ABN 72 168 847 041) as trustee for the Westpac Scholars Trust. Westpac Scholars Trust is a private charitable trust and neither the Trust nor the Trustee are part of Westpac Group. Westpac provides administrative support, skilled volunteering, and funding for operational costs of the Westpac Scholars Trust.
2. Westpac Foundation is administered by Westpac Community Limited (ABN 34 086 862 795) as trustee for Westpac Community Trust (ABN 53 265 036 982). The Westpac Community Trust is a Public Ancillary Fund, endorsed by the ATO as a Deductible Gift Recipient. None of Westpac Foundation, Westpac Community Trust Limited nor the Westpac Community Trust are part of Westpac Group. Westpac provides administrative support, skilled volunteering, donations and funding for operational costs of the Westpac Foundation.
3. 2021 is the first year Westpac is reporting market-based emissions to account for renewable energy investment. The base year of our Scope 1 & 2 and Scope 3 Supply Chain GHG reduction targets is calculated applying the location-based accounting method. Historic location-based data is used as a proxy for a market-based method as electricity supplier emission factors or residual emission factors for some international operations are not available.

Review of Group operations

Collaborating for impact: finance has a central role to play in addressing the biggest challenges facing our world. We want to play our part – by learning from our partners, sharing our experiences and collaborating to find solutions.

- we continued to focus on our opportunities to positively impact human rights, including modern slavery, across our value chain:
  - launched our Access and Inclusion Plan 2021-2024;
  - published our 2020 Modern Slavery Statement in response to the Australian Modern Slavery Act 2018 (Cth) and the United Kingdom's Modern Slavery Act 2015 (UK);
  - refreshed our Inclusion and Diversity plan, including a focus on women in leadership, cultural diversity and Indigenous representation;
- invested $12.1 million, to raise awareness of child exploitation and support child protection initiatives as part of our commitment to invest up to $10 million per year for three years in child protection initiatives;
- launched our new *Serving our Indigenous customers with respect and empathy* training to enhance cultural competency and greater understanding; and
- continued work to execute our Climate Action Plan, recognising the rapidly increasing importance of climate change to our business and stakeholders. Key developments include:
  - elevated climate change response to a strategic company-wide priority;
  - continued to build our understanding of physical risk in our Australian and New Zealand agribusiness and residential mortgages portfolios;
  - progressed our work to develop our Paris-aligned financing strategies and portfolio targets, particularly for sectors representing the majority of our financed emissions, with a focus in the oil and gas, metals and mining sectors;
  - completed analysis of our financed emissions across our Australian institutional, business and residential mortgages lending portfolios; and
  - continued participation across a range of industry forums including the United Nations Environment Programme Finance Initiative Principles for Responsible Banking and the Australian Sustainable Finance Initiative .

Further information

More information including more detailed disclosures relating to climate change and human rights can be found in the Group's 2021 Sustainability Supplement.

Divisional results

3.0 Divisional results

Notable items

The table below shows the impact of notable items on the divisions by the relevant period. Notable items are discussed in Section 1.3.2.

$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Specialist Businesses	Group Businesses	Group
Half Year Sept 2021							
Net interest income	**3**	**103**	**-**	**(32)**	**(18)**	**-**	**56**
Net fee income	-	-	-	(7)	-	(26)	(33)
Net wealth management and insurance income	-	-	-	-	(4)	(14)	(18)
Trading income	-	-	-	-	-	-	-
Other income	-	-	-	1	202	(7)	196
Non-interest income	**-**	**-**	**-**	**(6)**	**198**	**(47)**	**145**
Operating expenses	(30)	(19)	(1,156)	(17)	(304)	(76)	(1,602)
Core earnings	**(27)**	**84**	**(1,156)**	**(55)**	**(124)**	**(123)**	**(1,401)**
Income tax (expense)/benefit and NCI	3	(29)	191	13	(119)	23	82
Cash earnings	**(24)**	**55**	**(965)**	**(42)**	**(243)**	**(100)**	**(1,319)**
Half Year March 2021							
Net interest income	**-**	**74**	**-**	**(3)**	**-**	**-**	**71**
Net fee income	(3)	1	-	(5)	8	(105)	(104)
Net wealth management and insurance income	-	-	-	-	-	(88)	(88)
Trading income	-	-	-	-	-	-	-
Other income	-	-	-	-	(7)	571	564
Non-interest income	**(3)**	**1**	**-**	**(5)**	**1**	**378**	**372**
Operating expenses	(106)	(40)	(37)	(6)	(336)	(220)	(745)
Core earnings	**(109)**	**35**	**(37)**	**(14)**	**(335)**	**158**	**(302)**
Income tax (expense)/benefit and NCI	33	(10)	11	4	38	(56)	20
Cash earnings	**(76)**	**25**	**(26)**	**(10)**	**(297)**	**102**	**(282)**
Full Year 2021							
Net interest income	**3**	**177**	**-**	**(35)**	**(18)**	**-**	**127**
Net fee income	(3)	1	-	(12)	8	(131)	(137)
Net wealth management and insurance income	-	-	-	-	(4)	(102)	(106)
Trading income	-	-	-	-	-	-	-
Other income	-	-	-	1	195	564	760
Non-interest income	**(3)**	**1**	**-**	**(11)**	**199**	**331**	**517**
Operating expenses	(136)	(59)	(1,193)	(23)	(640)	(296)	(2,347)
Core earnings	**(136)**	**119**	**(1,193)**	**(69)**	**(459)**	**35**	**(1,703)**
Income tax (expense)/benefit and NCI	36	(39)	202	17	(81)	(33)	102
Cash earnings	**(100)**	**80**	**(991)**	**(52)**	**(540)**	**2**	**(1,601)**
Full Year 2020							
Net interest income	**5**	**(141)**	**-**	**(7)**	**-**	**-**	**(143)**
Net fee income	4	2	-	(7)	(7)	(80)	(88)
Net wealth management and insurance income	-	-	-	-	(402)	(76)	(478)
Trading income							-
Other income	-	-	-	-	-	303	303
Non-interest income	**4**	**2**	**-**	**(7)**	**(409)**	**147**	**(263)**
Operating expenses	**(64)**	**(130)**	**-**	**1**	**(694)**	**(1,652)**	**(2,539)**
Core earnings	**(55)**	**(269)**	**-**	**(13)**	**(1,103)**	**(1,505)**	**(2,945)**
Income tax (expense)/benefit and NCI	16	81	-	4	181	44	326
Cash earnings	**(39)**	**(188)**	**-**	**(9)**	**(922)**	**(1,461)**	**(2,619)**

Divisional results

3.1 Consumer

Consumer provides banking products, including mortgages, credit cards, personal loans, and savings and deposit products to consumers in Australia. Products are provided under the Westpac, St.George, BankSA, Bank of Melbourne, and RAMS brands. Consumer works with the other operating divisions in Australia in the sales, service, and referral of certain specialist financial services such as auto lending and foreign exchange.

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	4,189	4,216	(1)	8,405	8,547	(2)
Non-interest income	247	241	2	488	573	(15)
Net operating income	**4,436**	**4,457**	**-**	**8,893**	**9,120**	**(2)**
Operating expenses	(2,352)	(2,270)	4	(4,622)	(4,176)	11
Core earnings	**2,084**	**2,187**	**(5)**	**4,271**	**4,944**	**(14)**
Impairment (charges)/benefits	45	80	(44)	125	(1,015)	large
Profit before income tax expense	**2,129**	**2,267**	**(6)**	**4,396**	**3,929**	**12**
Income tax expense and NCI	(640)	(675)	(5)	(1,315)	(1,183)	11
Cash earnings	**1,489**	**1,592**	**(6)**	**3,081**	**2,746**	**12**
Add back notable items	24	76	(68)	100	39	156
Cash earnings excluding notable items	**1,513**	**1,668**	**(9)**	**3,181**	**2,785**	**14**
Expense to income ratio	53.02%	50.93%	209 bps	51.97%	45.79%	large
Net interest margin	2.29%	2.39%	(10 bps)	2.34%	2.37%	(3 bps)

$bn	As at 30 Sept 2021	As at 31 March 2021	% Mov't Sept 21 - Mar 21	As at 30 Sept 2021	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20
Customer deposits						
Term deposits	38.7	42.3	(9)	38.7	47.5	(19)
Other	196.9	180.8	9	196.9	171.8	15
Total customer deposits	**235.6**	**223.1**	**6**	**235.6**	**219.3**	**7**
Net loans						
Mortgages	401.5	387.9	4	401.5	382.4	5
Other	7.9	8.9	(11)	7.9	9.3	(15)
Provisions	(1.6)	(1.7)	(6)	(1.6)	(1.9)	(16)
Total net loans	**407.8**	**395.1**	**3**	**407.8**	**389.8**	**5**
Deposit to loan ratio	**57.77%**	**56.47%**	**130 bps**	**57.77%**	**56.26%**	**151 bps**
Total assets	415.7	403.3	3	415.7	398.3	4
TCE	479.9	466.5	3	479.9	460.4	4
Average interest earning assets[1]	364.4	354.4	3	359.4	360.9	-
Average allocated capital	21.4	21.1	1	21.2	20.8	2

Credit quality

%	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	As at 31 March 2020
Impairment charges/(benefits) to average loans annualised[2]	(0.02%)	(0.04%)	0.30%	0.21%
Mortgage 90+ day delinquencies	1.06%	1.18%	1.60%	0.94%
Other consumer loans 90+ day delinquencies	1.68%	1.65%	1.69%	1.96%
Total stressed exposures to TCE	0.95%	1.02%	1.38%	0.83%

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. The presented ratios are based on a six month period.

Divisional results

Financial performance

Second Half 2021 – First Half 2021

Cash earnings of $1,489 million were $103 million or 6% lower than First Half 2021. Excluding notable items, cash earnings were $155 million or 9% lower, mostly due to higher expenses and a reduction in the credit impairment benefit in Second Half 2021 compared to First Half 2021.

Net interest income down $27m, 1%	• Net loans increased 3% (or $12.7 billion) over the half. The increase was mostly in mortgage lending (up $13.6 billion) due to competitive offers and simplifying processes for customers and brokers, and a buoyant housing market also supporting growth. Other personal lending declined $1.0 billion (or 11%) from customers paying down this form of debt; • Deposits increased 6% (or $12.5 billion), driven by lower spending due to COVID-19 restrictions and government stimulus measures supporting customers saving more. Growth was in at call balances as customers continue to hold less of their funds in term deposits; and • Net interest margin was 10 basis points lower. Mortgage spreads were down due to competitive pricing to attract and retain customers, and changes in the loan portfolio mix reflecting borrower preference for fixed rate mortgages. This was partly offset by lower funding costs along with higher deposit spreads from repricing and changes in the deposit portfolio mix.
Non-interest income up $6m, 2%	• Most of the increase was due to higher cards income and higher mortgage fees from increased volumes; and • Partly offset by lower fee income from the removal of certain fees as part of our simplification strategy and lower activity due to COVID-19 restrictions.
Expenses up $82m, 4%	• Notable items declined $76 million over the half; • Excluding notable items, expenses were $158 million (or 7%) higher from: – Higher spend on risk and compliance programs, including financial crime and fraud prevention; – Costs related to the CORE program. These costs were previously recognised in Group Businesses. In Second Half 2021 these costs were allocated to the division; – Additional resources to support customers, in particular those experiencing hardship or on deferral support; and partly offset by – Benefits from greater use of digital channels, and a reduction in the branch network (a net 40 branches were closed in Second Half 2021, bringing the total to 80 fewer branches over Full Year 2021).
Impairment benefit down $35m, 44%	• The $45 million credit impairment benefit was due to improved credit quality metrics, a reduction in unsecured consumer loans and a partial release in overlays. This was partly offset by more moderate economic forecasts than at March 2021 following the lockdowns in NSW and Victoria in Second Half 2021; and • Mortgage 90+ day delinquencies were down 12 basis points to 1.06%, from lower hardship and higher growth of new lending. Other consumer 90+ day delinquencies were up 3 basis points to 1.68% mostly due to the 11% decline in personal lending.

Divisional results

Financial performance

Full Year 2021 – Full Year 2020

Cash earnings of $3,081 million were $335 million or 12% higher than Full Year 2020. Excluding notable items, cash earnings were $396 million, or 14% higher mostly due to a credit impairment benefit in Full Year 2021 compared to a credit impairment charge in Full Year 2020, partly offset by lower operating income and higher expenses.

Net interest income down $142m, 2%	• Net loans were 5% (or $18.0 billion) higher over the year, with a 5% (or $19.1 billion) increase in mortgages partly offset by a $1.4 billion decline in other personal lending; • Deposits increased 7% (or $16.3 billion), with growth in at call and offset accounts; and • Net interest margin was 3 basis points lower from competitive pricing to attract and retain customers, portfolio mix effects in mortgages, as well as lower other personal lending. These declines were partly offset by mix benefits in deposits (switching from term deposits to at call) and repricing.
Non-interest income down $85m, 15%	• Removal of certain fees as part of our simplification strategy; and • COVID-19 restrictions have reduced activity contributing to lower foreign currency transaction fees and lower net ATM fees.
Expenses up $446m, 11%	• Excluding notable items, expenses were up $374 million (or 9%) due to higher spend on risk and compliance programs, including financial crime, fraud prevention and the CORE program. Additional resources to support customers in particular those experiencing hardship and increased mortgage processing costs from higher volumes as well as from bringing jobs onshore also contributed to the increase; and • Rationalisation of a further 80 branches and 129 ATMs, and the increased use of digital channels partly offset the increase in expenses. FTE was 3% lower over the year.
Impairment benefit of $125m versus impairment charge of $1,015m	• Credit impairment benefit was due to large collectively assessed provisions booked in 2020 that were no longer required, including from better credit quality metrics and an improved economic outlook; and • Mortgage 90+ day delinquencies were down 54 basis points to 1.06%, predominantly from lower hardship. Other consumer 90+ day delinquencies were relatively flat (down 1 basis point) with improving credit quality metrics partly offset by a decline in lending.

Divisional results

3.2 Business

Business provides banking products for Australian SME and Commercial businesses (including Agribusiness) generally up to $200 million in exposure. The division also includes Private Wealth, meeting the personal banking needs of high net worth individuals. The division offers a wide range of banking products and services to support customers' borrowing, savings and transaction needs. Specialist services including cash flow finance, trade finance, equipment finance and property finance are also provided. Business operates under the Westpac, St.George, BankSA, and Bank of Melbourne brands. Business works with the other operating divisions for select products and services including financial risk management products, corporate superannuation and mortgages.

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	1,982	2,083	(5)	4,065	4,163	(2)
Non-interest income	276	273	1	549	560	(2)
Net operating income	**2,258**	**2,356**	**(4)**	**4,614**	**4,723**	**(2)**
Operating expenses	(1,360)	(1,170)	16	(2,530)	(2,298)	10
Core earnings	**898**	**1,186**	**(24)**	**2,084**	**2,425**	**(14)**
Impairment (charges)/benefits	355	129	175	484	(1,371)	large
Profit before income tax expense	**1,253**	**1,315**	**(5)**	**2,568**	**1,054**	**144**
Income tax expense and NCI	(384)	(395)	(3)	(779)	(320)	143
Cash earnings	**869**	**920**	**(6)**	**1,789**	**734**	**144**
Add back notable items	(55)	(25)	120	(80)	188	large
Cash earnings excluding notable items	**814**	**895**	**(9)**	**1,709**	**922**	**85**
Expense to income ratio	60.23%	49.66%	large	54.83%	48.66%	large
Net interest margin	3.07%	3.17%	(10 bps)	3.12%	2.99%	13 bps

$bn	As at 30 Sept 2021	As at 31 March 2021	% Mov't Sept 21 - Mar 21	As at 30 Sept 2021	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20
Customer deposits						
Term deposits	39.3	44.9	(12)	39.3	51.7	(24)
Other	119.4	109.6	9	119.4	100.2	19
Total customer deposits	**158.7**	**154.5**	**3**	**158.7**	**151.9**	**4**
Net loans						
Mortgages	54.2	55.7	(3)	54.2	58.5	(7)
Business	80.9	80.6	-	80.9	83.9	(4)
Other	0.5	0.6	(17)	0.5	0.5	-
Provisions	(1.6)	(2.1)	(24)	(1.6)	(2.2)	(27)
Total net loans	**134.0**	**134.8**	**(1)**	**134.0**	**140.7**	**(5)**
Deposit to loan ratio	**118.43%**	**114.61%**	**382 bps**	**118.43%**	**107.96%**	**large**
Total assets	138.5	139.5	(1)	138.5	145.8	(5)
TCE	174.7	176.2	(1)	174.7	182.6	(4)
Average interest earning assets[1]	128.7	132.0	(2)	130.3	139.1	(6)
Average allocated capital	11.6	11.9	(3)	11.8	11.6	2

Credit quality

%	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	As at 31 March 2020
Impairment charges/(benefits) to average loans annualised[2]	(0.52%)	(0.19%)	0.93%	0.95%
Mortgage 90+ day delinquencies	1.15%	1.30%	1.72%	0.93%
Other consumer loans 90+ day delinquencies	1.00%	1.24%	1.46%	1.29%
Business: impaired exposures to TCE	0.70%	0.85%	1.08%	0.71%
Total stressed exposures to TCE	3.92%	4.60%	4.70%	3.07%

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. The presented ratios are based on a six month period.

Divisional results

Financial performance

Second Half 2021 - First Half 2021

Cash earnings of $869 million were $51 million or 6% lower than First Half 2021. Excluding notable items, cash earnings were $81 million or 9% lower than First Half 2021. The decline in cash earnings was due to a reduction in net interest income and a 16% increase in expenses, partly offset by a $226 million increase in credit impairment benefits.

Net interest income down $101m, 5%	• Excluding notable items, net interest income was down $130 million (or 6%); • Net loans were 1% (or $0.8 billion) lower over the half with a $1.5 billion decline in mortgages partly offset by a $0.3 billion increase in business lending. The increase in business lending was mostly in Agriculture and Property sectors; • Deposits were up 3% (or $4.2 billion) supported by government stimulus measures. At call deposits increased 9% (or $9.8 billion) reflecting a shift in customer preference to at call accounts which was partly offset by a 12% decline (or $5.6 billion) in term deposits; and • Net interest margin was down 10 basis points (14 basis points excluding notable items) mostly from lower loan spreads reflecting competitive pricing to attract and retain customers and changes in the loan portfolio mix. These reductions were partly offset by deposit repricing and changes in the deposit portfolio mix.
Non-interest income up $3m, 1%	• Non-interest income was little changed over the half with higher lending fees partly offset by lower merchant fees from reduced activity due to COVID-19 restrictions.
Expenses up $190m, 16%	• Notable items were $21 million lower than First Half 2021. Excluding this impact, expenses were up $211 million (or 19%) compared to First Half 2021 from: – Investment in front line risk capability; and – Higher spend on risk and compliance programs, including financial crime, fraud prevention, and our CORE program. • Expenses for the CORE program related to Business were previously recognised in Group Businesses. In Second Half 2021 these costs were allocated to the division.
Impairment benefit up $226m, 175%	• The credit impairment benefit was higher due to improvements in credit quality metrics and a release of overlays established in 2020 no longer required; and • Stressed assets to TCE decreased 68 basis points to 3.92% predominantly from lower watchlist exposures. The improved metrics were recorded across most sectors.

Divisional results

Full Year 2021 – Full Year 2020

Cash earnings of $1,789 million were $1,055 million higher than Full Year 2020. Excluding the notable items cash earnings were $787 million higher. Most of the improvement was due to a turnaround in credit impairment charges with a benefit of $484 million compared to a credit impairment charge of $1,371 million in Full Year 2020. This was partly offset by lower operating income and an increase in expenses mostly to support an uplift in the division's risk capability.

Net interest income down $98m, 2%	• Excluding notable items, net interest income was down $416 million (or 10%); • Net loans declined by 5% (or $6.7 billion) due mostly to lower mortgages and a 4% decline in business lending. Business lending was lower across most sectors with the largest decline in professional services; • Deposits were up 4% (or $6.8 billion) over the year with a 19% (or $19.2 billion) rise in at call balances supported by government stimulus packages while term deposit balances declined by 24% (or $12.4 billion) reflecting a shift in customer preference; and • Net interest margin improved 13 basis points but was 11 basis points lower excluding notable items. The decline (excluding notable items) was mostly from lower loan spreads due to competitive pricing and special low interest rates on certain products as part of our COVID-19 support. This was partly offset by higher deposit spreads from repricing and portfolio mix benefit.
Non-interest income down $11m, 2%	• Most of the decline reflected lower activity due to COVID-19 restrictions. Lending fees were also down from lower new lending.
Expenses up $232m, 10%	• Notable items were $71 million lower than Full Year 2020, excluding this impact, expenses were up $303 million compared to Full Year 2020; and • The increase was due to higher spend on risk and compliance programs including financial crime, fraud prevention, and our CORE program. Costs were also higher from an increase in front line risk capability including additional bankers.
Impairment benefit of $484m compared to an impairment charge of $1,371m	• Credit impairment benefit was due to additional collectively assessed provisions booked in 2020 that were no longer required, including from better credit quality metrics and an improved economic outlook; and • Stressed exposures to TCE decreased 78 basis points to 3.92% mostly from lower watchlist exposures.

Divisional results

3.3 Westpac Institutional Bank

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

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	455	464	(2)	919	1,111	(17)
Non-interest income	520	582	(11)	1,102	1,182	(7)
Net operating income	**975**	**1,046**	**(7)**	**2,021**	**2,293**	**(12)**
Operating expenses	(1,876)	(698)	169	(2,574)	(1,316)	96
Core earnings	**(901)**	**348**	**large**	**(553)**	**977**	**large**
Impairment charges	(154)	(8)	large	(162)	(404)	(60)
Profit before income tax expense	**(1,055)**	**340**	**large**	**(715)**	**573**	**large**
Income tax expense and NCI	155	(110)	large	45	(241)	large
Cash earnings	**(900)**	**230**	**large**	**(670)**	**332**	**large**
Add back notable items	965	26	large	991	-	-
Cash earnings excluding notable items	**65**	**256**	**(75)**	**321**	**332**	**(3)**
Expense to income ratio	192.41%	66.73%	large	127.36%	57.39%	large
Net interest margin	1.24%	1.27%	(3 bps)	1.26%	1.35%	(9 bps)

$bn	As at 30 Sept 2021	As at 31 March 2021	% Mov't Sept 21 - Mar 21	As at 30 Sept 2021	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20
Customer deposits	97.8	91.0	7	97.8	102.9	(5)
Net loans						
Loans	67.6	62.7	8	67.6	66.6	2
Provisions	(0.6)	(0.3)	100	(0.6)	(0.4)	50
Total net loans	**67.0**	**62.4**	**7**	**67.0**	**66.2**	**1**
Deposit to loan ratio	**145.97%**	**145.83%**	**14 bps**	**145.97%**	**155.44%**	**large**
Total assets	82.1	74.8	10	82.1	75.5	9
TCE	178.9	174.0	3	178.9	168.7	6
Average interest earning assets[1]	73.0	73.4	(1)	73.2	82.5	(11)
Average allocated capital	7.5	8.1	(7)	7.8	8.6	(9)
Impairment charges to average loans annualised	0.48%	0.03%	45 bps	0.25%	0.56%	(31 bps)
Impaired exposures to TCE	0.30%	0.14%	16 bps	0.30%	0.27%	3 bps
Total stressed exposures to TCE	0.64%	0.56%	8 bps	0.64%	1.03%	(39 bps)

Revenue contribution

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Lending and deposit revenue	660	629	5	1,289	1,351	(5)
Markets, sales and fee income	304	328	(7)	632	745	(15)
Total customer revenue	**964**	**957**	**1**	**1,921**	**2,096**	**(8)**
Derivative valuation adjustments	44	53	(17)	97	(77)	large
Trading revenue	25	75	(67)	100	322	(69)
Other[2]	(58)	(39)	49	(97)	(48)	102
Total WIB revenue	**975**	**1,046**	**(7)**	**2,021**	**2,293**	**(12)**

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. Includes capital benefit and the Bank Levy.

Divisional results

Financial performance

Second Half 2021 – First Half 2021

Cash earnings were a loss of $900 million compared to a profit of $230 million in First Half 2021, primarily due to higher notable items (notable items, after tax, were $965 million in Second Half 2021 compared to $26 million in First Half 2021). Excluding notable items, cash earnings in Second Half 2021 were $65 million, 75% or $191 million lower than First Half 2021 from higher credit impairment charges, lower markets income and higher expenses.

Notable items incurred in Second Half 2021 reflect the write-down of assets (goodwill, capitalised software and other assets) following their annual impairment test.

Net interest income down $9m, 2%	• Net loans increased 7%, or $4.6 billion, mainly from growth in the Consumer and Industrials sectors. Lending to support mergers and acquisitions activity and higher structured finance facilities also contributed to the increase. Offshore lending was $1.2 billion lower as we continued the consolidation of our Asian operations; • Deposits increased $6.8 billion, or 7%, largely due to higher government balances and an increase in corporate term deposits. Gains were partly offset by a $0.5 billion decline in offshore deposits from our Asian consolidation; and • Net interest margin declined 3 basis points mostly due to lower capital returns from low rates and a decline in loan spreads from competition. This was partly offset by higher term deposit spreads, mix benefits from lower offshore balances, lower funding costs and a higher markets' contribution.
Non-interest income down $62m, 11%	• Markets revenue was down $55 million mostly from lower non-customer Markets income, particularly fixed income, partly offset by higher customer Markets income from increased activity; • Lower contribution from derivative valuation adjustments ($9 million); • Lower payments revenue from the reduction of correspondent banking relationships and a decline in volumes; and • Declines were partly offset by higher lending fees from an increase in originations and higher undrawn line fees.
Expenses up $1,178m, large	• Excluding notable items, expenses increased $59 million, or 9%. Most of this increase was due to higher spend on risk and compliance programs, including meeting regulatory requirements, enhancing our financial crime program and higher legal costs; • This was partly offset by productivity from the consolidation of international operations, product and process simplification and operating model changes. FTE reduced 1% over the half; and • Expenses for the CORE program related to WIB were previously recognised in Group Businesses. In Second Half 2021 these costs were allocated to the division.
Impairment charges up $146m, large	• The charge was predominantly due to one large individually assessed provision relating to a fraud partly offset by a collectively assessed provision benefit from improvements in underling credit quality metrics; and • Stressed exposures to TCE of 0.64% were up 8 basis points compared to March 2021, mostly due to the large individually assessed provision which increased stressed exposures to TCE by 14 basis points.

Divisional results

Full Year 2021 – Full Year 2020

Cash earnings were a loss of $670 million for Full Year 2021 compared to a profit of $332 million in Full Year 2020. Notable items of $991 million (net of tax) were incurred in Full Year 2021. Excluding notable items, cash earnings for Full Year 2021 were $321 million, 3% or $11 million lower than Full Year 2020. A 9 basis point decline in net interest margin, lower income from exiting certain businesses and fee and product simplification was largely offset by a reduction in credit impairment charges.

Notable items incurred in Full Year 2021 reflect the write-down of assets (goodwill, capitalised software and other assets) following their annual impairment test.

Net interest income down $192m, 17%	• Net loans increased $0.8 billion, or 1%. Higher onshore balances (up $4.8 billion) from an increase in new lending and higher utilisation of structured finance facilities, were partly offset by a $4.0 billion decrease in offshore lending, primarily in Asia, as the division began consolidating its operations; • Deposits reduced $5.1 billion, or 5%. Offshore deposits were $3.9 billion lower, mostly from the decision to consolidate our operations in Asia. Disciplined pricing and customers seeking higher yield in the low interest rate environment contributed to the decline in onshore deposits; and • Net interest margin declined 9 basis points to 1.26% with lower interest rates reducing deposit spreads and earnings on capital. This was partly offset by more disciplined lending and deposit pricing, and benefits from changes in the lending and deposit mix.
Non-interest income down $80m, 7%	• Excluding the impact of derivative valuation adjustments (a $174 million positive movement), non-interest income was down $254 million over the year; • Lower non-customer Markets income ($219 million) across foreign exchange and commodities including from the closure of the energy desk along with lower customer Markets income ($64 million) from reduced foreign exchange sales and a decline in income in Asia; and • Payments revenue declined from the impact of exiting certain correspondent banking relationships. This was partly offset by higher loan fees from an increase in undrawn balances.
Expenses up $1,258m, 96%	• Excluding notable items, expenses increased $65 million (or 5%) with most of the increase due to higher risk and compliance costs, and higher software amortisation expenses; and • Partly offset by productivity benefits from the consolidation of international operations, product and process simplification, and operating model changes. FTE was 6% lower over the year.
Impairment charges down $242m, 60%	• Lower credit impairment charge was due to a higher collectively assessed provision benefit from better credit quality metrics and the improved economic outlook partly offset by a large individually assessed provision related to a fraud; and • Stressed exposures to TCE of 0.64%, down 39 basis points compared to September 2020, mainly due to upgrades in watchlist facilities.

Divisional results

3.4 Westpac New Zealand

Westpac New Zealand provides banking, wealth and insurance products and services for consumer, business and institutional customers in New Zealand. Westpac New Zealand operates through a network of branches and ATMs. Business and institutional customers are also served through relationship and specialist product teams. Banking products and services are provided under the Westpac brand while insurance and wealth products are provided under Westpac Life and BT brands, respectively.

All figures are in NZ$ unless noted otherwise.

NZ$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	1,052	1,066	(1)	2,118	1,943	9
Non-interest income	166	179	(7)	345	339	2
Net operating income	**1,218**	**1,245**	**(2)**	**2,463**	**2,282**	**8**
Operating expenses	(596)	(536)	11	(1,132)	(1,059)	7
Core earnings	**622**	**709**	**(12)**	**1,331**	**1,223**	**9**
Impairment (charges)/benefits	(15)	99	large	84	(320)	large
Profit before income tax expense	**607**	**808**	**(25)**	**1,415**	**903**	**57**
Income tax expense and NCI	(177)	(225)	(21)	(402)	(254)	58
Cash earnings	**430**	**583**	**(26)**	**1,013**	**649**	**56**
Add back notable items	44	10	large	54	9	large
Cash earnings excluding notable items	**474**	**593**	**(20)**	**1,067**	**658**	**62**
Expense to income ratio	48.93%	43.05%	large	45.96%	46.41%	(45 bps)
Net interest margin	1.94%	2.06%	(12 bps)	2.00%	1.97%	3 bps

NZ$bn	As at 30 Sept 2021	As at 31 March 2021	% Mov't Sept 21 - Mar 21	As at 30 Sept 2021	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20
Customer deposits						
Term deposits	28.3	28.7	(1)	28.3	31.0	(9)
Other	47.6	45.4	5	47.6	40.0	19
Total customer deposits	**75.9**	**74.1**	**2**	**75.9**	**71.0**	**7**
Net loans						
Mortgages	60.9	58.4	4	60.9	55.2	10
Business	31.0	31.3	(1)	31.0	31.9	(3)
Other	1.2	1.4	(14)	1.2	1.5	(20)
Provisions	(0.5)	(0.5)	-	(0.5)	(0.6)	(17)
Total net loans	**92.6**	**90.6**	**2**	**92.6**	**88.0**	**5**
Deposit to loan ratio	**81.97%**	**81.79%**	**18 bps**	**81.97%**	**80.68%**	**129 bps**
Total assets	112.4	107.6	4	112.4	104.2	8
TCE	136.7	131.1	4	136.7	127.6	7
Third party liquid assets	15.8	14.1	12	15.8	12.8	23
Average interest earning assets[1]	108.0	103.8	4	105.9	98.5	8
Average allocated capital	7.0	6.9	1	6.9	6.8	1
Total funds	12.0	11.9	1	12.0	12.2	(2)

Credit quality

%	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	As at 31 March 2020
Impairment charges/(benefits) to average loans annualised[2]	0.03%	(0.22%)	0.25%	0.49%
Mortgage 90+ day delinquencies	0.30%	0.33%	0.52%	0.27%
Other consumer loans 90+ day delinquencies	1.65%	1.91%	2.09%	1.59%
Impaired exposures to TCE	0.11%	0.13%	0.16%	0.17%
Total stressed exposures to TCE	1.19%	1.56%	1.59%	1.64%

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. The presented ratios are based on a six month period.

Divisional results

Financial performance (NZ$)

Second Half 2021 – First Half 2021

Cash earnings of $430 million were $153 million or 26% lower than First Half 2021 mostly from a $114 million turnaround in credit impairment charges and a $60 million increase in expenses. Excluding notable items cash earnings were down $119 million or 20%.

Net interest income down $14m, 1%	• Notable items reduced net interest income by $30 million, excluding this, net interest income was $16 million higher; • Net loans increased 2%, or $2.0 billion, with growth in mortgages of $2.5 billion partly offset by lower business lending (down $0.3 billion, or 1%), as institutional customers reduced their debt; • Deposits were up 2%, or $1.8 billion, with growth in at call accounts reflecting customer preference to maintain access to their funds; and • Net interest margin was 12 basis points lower (7 basis points lower excluding notable items), mostly from lower lending spreads on fixed rate mortgages. This was partly offset by deposit repricing and portfolio mix benefits due to the switch from term deposits to at call.
Non-interest income down $13m, 7%	• First Half 2021 included an $8 million gain on the sale of the Wealth Advisory business; and • Cards revenue and transaction fees were lower mostly due to a reduction in activity.
Expenses up $60m, 11%	• Excluding the impact of notable items, expenses increased $49 million, or 9% mostly from higher spending on technology and risk, regulatory and compliance projects, including compliance with RBNZ's BS11 Outsourcing Policy and Section 95 requirements on liquidity and risk governance.
Impairment charge of $15m compared to an impairment benefit of $99m	• Credit impairment charge of $15 million, was due to one large individually assessed provision, partly offset by a collectively assessed provision benefit and higher write-backs; • Credit quality metrics continued to improve which contributed to a collectively assessed provision benefit although the benefit was lower than First Half 2021; and • Stressed exposures to TCE were down 37 basis points to 1.19% with mortgage 90+ day delinquencies 3 basis points lower to 0.30%.

Divisional results

Full Year 2021 – Full Year 2020

Cash earnings of $1,013 million increased $364 million or 56% compared to Full Year 2020, primarily driven by a $404 million turnaround in credit impairment charges. Core earnings were also higher from a 3 basis point increase in net interest margin and balance sheet growth partly offset by higher expenses.

Net interest income up $175m, 9%	• Notable items reduced net interest income by $29 million, excluding this, net interest income increased $204 million or 10%; • Net loans increased 5%, or $4.6 billion, with $5.7 billion of mortgage growth partly offset by $0.9 billion decrease in business loans as institutional customers reduced their gearing; • Deposits increased 7% or $4.9 billion, fully funding loan growth and lifting the deposit to loan ratio to 82%. Growth was in at call accounts across businesses and households. Term deposits were lower as retail customers preferred to retain funds in at call accounts; and • Net interest margin increased 3 basis points (5 basis points higher excluding notable items) mostly from higher deposit spreads due to repricing and portfolio mix (more funds in at call) and lower funding costs. This was partly offset by lower mortgage spreads and the impact of changes in the portfolio mix (decline in personal lending). Higher holdings of liquid assets also reduced margin.
Non-interest income up $6m, 2%	• Excluding notable items, non-interest income increased $12 million mostly from a gain on sale of the Wealth Advisory business ($8 million).
Expenses up $73m, 7%	• Excluding the impact of notable items, expenses increased $49 million primarily due to increased spend on technology, risk, regulatory and compliance projects (including compliance with RBNZ's BS11 Outsourcing Policy and Section 95 requirements on liquidity and risk governance). The number of FTE increased by 476 during the year.
Impairment benefit of $84m compared to an impairment charge of $320m	• Credit impairment benefit of $84 million was mostly due to a collectively assessed provision benefit as provisions booked in 2020 were no longer required, better credit quality metrics and the improved economic outlook; and • Stressed exposures to TCE of 1.19% were down 40 basis points. The decline was due to a reduction in lower rated business facilities and lower mortgage 90+ day delinquencies which were down 22 basis points.

1. Includes assets and liabilities presented as held for sale.
2. Averages are based on a six month period for the halves and a twelve month period for the full year.

Divisional results

3.4.1 Westpac New Zealand division performance (A$ Equivalent)

Results have been translated into Australian dollars (A$) at the average exchange rates for each reporting period, Second Half 2021: $1.0626 (First Half 2021: $1.0698, Full Year 2021: $1.0662, Full Year 2020: $1.0607). Unless otherwise stated, assets and liabilities have been translated at spot rates as at the end of the period, 30 September 2021: $1.0477 (31 March 2021: $1.0891; 30 September 2020: $1.0803).

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	991	996	(1)	1,987	1,832	8
Non-interest income	156	167	(7)	323	319	1
Net operating income	**1,147**	**1,163**	**(1)**	**2,310**	**2,151**	**7**
Operating expenses	(562)	(500)	12	(1,062)	(998)	6
Core earnings	**585**	**663**	**(12)**	**1,248**	**1,153**	**8**
Impairment (charges)/benefits	(13)	92	large	79	(302)	large
Profit before income tax expense	**572**	**755**	**(24)**	**1,327**	**851**	**56**
Income tax expense and NCI	(167)	(210)	(20)	(377)	(239)	58
Cash earnings	**405**	**545**	**(26)**	**950**	**612**	**55**
Add back notable items	42	10	large	52	9	large
Cash earnings excluding notable items	**447**	**555**	**(19)**	**1,002**	**621**	**61**
Expense to income ratio[1]	48.93%	43.05%	large	45.96%	46.41%	(45 bps)
Net interest margin[1]	1.94%	2.06%	(12 bps)	2.00%	1.97%	3 bps

$bn	As at 30 Sept 2021	As at 31 March 2021	% Mov't Sept 21 - Mar 21	As at 30 Sept 2021	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20
Customer deposits	72.5	68.0	7	72.5	65.7	10
Net loans	88.4	83.2	6	88.4	81.4	9
Deposit to loan ratio[1]	81.97%	81.79%	18 bps	81.97%	80.68%	129 bps
Total assets	107.1	98.8	8	107.1	96.4	11
TCE	130.5	120.3	8	130.5	118.1	10
Third party liquid assets	15.1	12.9	17	15.1	11.9	27
Average interest earning assets[2]	101.7	97.0	5	99.4	92.9	7
Average allocated capital	6.6	6.5	2	6.5	6.4	2
Total funds	11.5	10.9	6	11.5	11.3	2

1. Ratios calculated using NZ$.
2. Averages are based on a six month period for the halves and a twelve month period for the full year, and are converted at applicable average rates.

Divisional results

3.5 Specialist Businesses

Specialist Businesses comprises the businesses that Westpac ultimately plans to exit with agreements in place for the sale of Westpac Life Insurance and motor vehicle dealer finance and novated leasing businesses. These sales are expected to finalise in 2022, subject to regulatory approvals. During the year, Westpac finalised the sales of Westpac General Insurance, Vendor Finance and Westpac Lenders Mortgage Insurance. Other operations include investment product and services (including margin lending and equities broking), superannuation and retirement products as well as wealth administration platforms. The division also manages Westpac Pacific which provides a full range of banking services in Fiji and Papua New Guinea. The division operates under the Westpac, St.George, BankSA, Bank of Melbourne, and BT brands. Specialist Businesses works with Consumer, Business and WIB in the provision of select financial services and products. Businesses where an agreement is in place for sale are treated as held for sale assets and the contribution of those businesses are included in Specialist Businesses results. Details of the cash earnings contribution of these businesses are shown within this section.

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	250	253	(1)	503	534	(6)
Non-interest income	806	684	18	1,490	762	96
Net operating income	**1,056**	**937**	**13**	**1,993**	**1,296**	**54**
Operating expenses	(737)	(740)	-	(1,477)	(1,548)	(5)
Core earnings	**319**	**197**	**62**	**516**	**(252)**	**large**
Impairment (charges)/benefits	(14)	80	large	66	(255)	large
Profit before income tax expense	**305**	**277**	**10**	**582**	**(507)**	**large**
Income tax expense and NCI	(246)	(143)	72	(389)	1	large
Cash earnings	**59**	**134**	**(56)**	**193**	**(506)**	**large**
Add back notable items	243	297	(18)	540	922	(41)
Cash earnings excluding notable items	**302**	**431**	**(30)**	**733**	**416**	**76**
Expense to income ratio	69.79%	78.98%	large	74.11%	119.44%	large
Net interest margin	3.21%	3.12%	9 bps	3.16%	3.02%	14 bps

$bn	As at 30 Sept 2021	As at 31 March 2021	% Mov't Sept 21 - Mar 21	As at 30 Sept 2021	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20
Deposits[1]	11.0	8.5	29	11.0	9.3	18
Net loans[1]						
Loans	14.0	14.9	(6)	14.0	15.4	(9)
Provisions	(0.4)	(0.4)	-	(0.4)	(0.5)	(20)
Total net loans	**13.6**	**14.5**	**(6)**	**13.6**	**14.9**	**(9)**
Deposit to loan ratio[1]	**81.2%**	**58.6%**	**large**	**81.2%**	**62.4%**	**large**
Total funds	227.4	211.7	7	227.4	193.0	18
TCE	18.1	19.2	(6)	18.1	19.9	(9)
Average allocated capital	4.6	4.6	-	4.6	4.8	(4)
Average funds[2]	223.8	205.6	9	214.6	197.5	9

Credit quality

%	As at Sept 2021	As at March 2021	As at Sept 2020	As at 31 March 2020
Auto finance 90 day+ delinquencies	1.97%	2.45%	2.80%	2.08%
Total stressed exposures to TCE	6.41%	7.11%	8.56%	4.18%

Cash earnings excluding notable items

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Held-for-sale	77	142	(46)	219	119	84
Businesses sold	87	44	98	131	41	large
Other businesses	138	245	(44)	383	256	50
Total cash earnings (ex notable items)	**302**	**431**	**(30)**	**733**	**416**	**76**

1. Includes assets and liabilities presented as held for sale.
2. Averages are based on a six month period for the halves and a twelve month period for the full year.

Divisional results

Financial performance

Second Half 2021 - First Half 2021

Cash earnings of $59 million in Second Half 2021 were $75 million or 56% lower than First Half 2021. Excluding notable items, Second Half 2021 cash earnings were $302 million, $129 million or 30% lower than First Half 2021, mostly from lower life insurance revenue and a credit impairment charge compared to a credit impairment benefit. Lower revenue from the sales of businesses during Second Half 2021, also contributed to the reduction in cash earnings.

Notable items reduced cash earnings by $243 million in Second Half 2021 reflecting expenses associated with the sales and revaluations of businesses either sold or held for sale, and customer refunds, payments, litigation and associated costs, partly offset by gains on sales. The write-down of a deferred tax asset and the non-deductibility of some of these items for income tax purposes have resulted in an effective tax rate of 80.7% in Second Half 2021.

Earnings were also impacted by the sale of Westpac General Insurance (July 2021), Vendor Finance (July 2021) and Westpac Lenders Mortgage Insurance (August 2021). The cash earnings contribution from these businesses is provided in Section 5, Note 9 of this report.

Net interest income down $3m, 1%	• Excluding notable items, net interest income increased $15 million (or 6%); • Net loans decreased 6% (or $0.9 billion) with $0.3 billion due the sale of Vendor Finance in July 2021. Auto Finance and Westpac Pacific lending were also lower reflecting reduced demand; • Deposits increased 29% (or $2.5 billion), from the migration of funds from legacy platforms to Panorama; and • Net interest margin was up 9 basis points (32 basis points excluding notable items) mostly from lower funding costs and a write-back of certain provisions. This was partly offset by lower returns on capital.
Non-interest income up $122m, 18%	• Notable items increased non-interest income $198 million in Second Half 2021, primarily from a gain on the sale of Westpac General Insurance. Excluding notable items, non-interest income decreased $75 million or 11%; • Insurance income decreased $43 million or 17% from: – Lower Life Insurance income from the absence of favourable valuation movements in life insurance policyholder liabilities that occurred in First Half 2021 combined with higher claims and higher lapse rates; partly offset by – An increase in General Insurance (GI) income from lower severe weather claims, which more than offset the loss of income following the sale of GI in June 2021; and – A higher Lenders Mortgage Insurance (LMI) contribution mostly due to lower claims. LMI was sold in August 2021. • Superannuation, Platforms and Investments contribution decreased $29 million or 8% reflecting margin compression from repricing and the migration of customers from legacy platforms to Panorama, and the impact of low rates on managed cash balances. This was partly offset by an increase in funds under administration to $227 billion; and • Banking income was down $4 million or 5% from lower activity.
Expenses down $3m, flat	• Notable items were $32 million lower compared to First Half 2021. Excluding this impact, expenses were $29 million (or 8%) higher, mostly from increased costs to meet regulatory requirements.
Impairment charge of $14m compared to an impairment benefit of $80m	• The credit impairment charge was due to individually assessed provisions raised in Westpac Pacific, partly offset by a collectively assessed provision benefit. The collectively assessed provision benefit in Second Half 2021 was lower than First Half 2021, in part from more moderate economic forecasts than at March 2021; and • Stressed exposures to TCE of 6.41%, down 70 basis points compared to March 2021, mostly from improved Auto delinquencies.

Divisional results

Full Year 2021 – Full Year 2020

Cash earnings for Full Year 2021 were $193 million compared to a loss of $506 million in Full Year 2020. Lower notable items ($540 million net of tax), higher insurance income, and a credit impairment benefit of $66 million compared to a credit impairment charge of $255 million in Full Year 2020 were the key drivers of the improved performance.

Notable items reduced cash earnings by $540 million in Full Year 2021 reflecting expenses associated with the sales and revaluations of businesses either sold or held for sale, and customer refunds, payments, litigation and associated costs, partly offset by gains on sales.

Earnings were also impacted by the sale of Westpac General Insurance (July 2021), Vendor Finance (July 2021) and Westpac Lenders Mortgage Insurance (August 2021). The cash earnings contribution from these businesses is provided in Section 5, Note 9 of this report.

Net interest income down $31m, 6%	• Notable items were $18 million higher in Full Year 2021. Excluding notable items, net interest income decreased $13 million or 2%; • Net loans decreased 9% (or $1.3 billion) with $0.3 billion due the sale of Vendor Finance in July 2021. Auto Finance and Westpac Pacific lending were also lower reflecting reduced demand; • Deposits increased 18% (or $1.7 billion) mostly from the migration of funds from legacy platforms to Panorama; and • Net interest margin was up 14 basis points (26 basis points excluding notable items) mostly from the roll off of interest rate reductions related to COVID-19 support. Net interest margin also increased following a reversal of provisions.
Non-interest income up $728m, 96%	• Notable items were $608 million lower in Full Year 2021. Excluding notable items, non-interest income increased $120 million or 10%; • Insurance income was up $180 million or 61% from: – LMI contribution was higher from growth in mortgages and lower claims; – GI revenue was higher from a reduction in severe weather event claims; and – Life Insurance revenue was higher with favourable valuation movements in life insurance policyholder liabilities from changes in the discount rate partly offset by exiting Group Life, higher claims, and higher reinsurance costs. • Superannuation, Platforms and Investments contribution was down $18 million or 3% mostly from platform and superannuation pricing changes and the migration of customers from legacy platforms to Panorama. Revenue from managed cash balances was also lower; and • Banking income was down $41 million or 29% mostly from lower activity, including lower revenue in Westpac Pacific from the impact of COVID-19 restrictions on tourism and associated merchant fees and foreign exchange income.
Expenses down $71m, 5%	• Notable items in Full Year 2021 were $54 million lower than Full Year 2020. Excluding notable items, expenses were $17 million or 2% lower; and • The decrease was due to lower project spend and benefits from organisational redesign.
Impairment benefit of $66m compared to an impairment charge of $255m	• Credit impairment benefit from lower collectively assessed provisions driven by improving credit quality metrics and the better economic outlook; and • Auto 90+ day delinquencies were 1.97%, down 83 basis points, from lower hardship volumes and a focus on reducing long-overdue accounts.

Divisional results

Insurance key metrics

	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Life Insurance in-force premiums ($m)						
Balance as at beginning of period	943	953	(1)	953	1,212	(21)
Sales / new business	90	57	58	147	134	10
Lapses	(82)	(67)	22	(149)	(393)	(62)
Balance as at end of period[1]	**951**	**943**	**1**	**951**	**953**	**-**
Claims ratios[2] for Insurance Business (%)						
Life insurance	64	63	100 bps	64	51	large
General insurance[3]	37	82	large	67	82	large
Lenders mortgage insurance[3]	(25)	3	large	(10)	40	large
Gross written premiums ($m)						
General insurance gross written premium ($m)[3]	148	289	(49)	437	555	(21)
Lenders mortgage insurance gross written premium[3]	146	154	(5)	300	180	67

Superannuation, Platforms & Investments

$bn	As at 30 Sept 2021	Inflows	Outflows	Net Flows	Other Mov't[1]	As at 30 Sept 2020	% Mov't Sept 21 - Sept 20	As at 31 March 2021	% Mov't Sept 21 - Mar 21
Superannuation	45.4	4.2	(4.4)	(0.2)	7.4	38.2	19	42.3	7
Platforms	134.6	23.1	(21.3)	1.8	19.0	113.8	18	124.0	9
Packaged funds	47.4	6.2	(6.0)	0.2	6.2	41.0	16	45.4	4
Total funds	**227.4**	**33.5**	**(31.7)**	**1.8**	**32.6**	**193.0**	**18**	**211.7**	**7**

1. The life insurance in-force premium is comprised of:
   Retail as at 30 September 2021 of $951 million (as at 31 March 2021: $938 million, as at 30 September 2020: $942 million); and Group Life Insurance as at 30 September 2021 of $nil (as at 31 March 2021: $5 million, as at 30 September 2020: $11 million).
2. Claims ratios are claims over earned premium plus reinsurance rebate. The lenders mortgage insurance claims ratios have been calculated to exclude exchange commission.
3. General Insurance and Lenders Mortgage Insurance claims ratio and gross written premium information is up to the date that the businesses were sold. General Insurance was sold on 1 July 2021 and Lenders Mortgage Insurance was sold on 31 August 2021.

Divisional results

3.6 Group Businesses

This segment comprises:

- Treasury which is responsible for the management of the Group's balance sheet including wholesale funding, capital and management of liquidity. Treasury also manages the interest rate risk and foreign exchange risks inherent in the balance sheet, including managing the mismatch between Group assets and liabilities. Treasury's earnings are primarily sourced from managing the Group's balance sheet and interest rate risk (excluding Westpac New Zealand), within set risk limits;
- Chief Operating Office[1], which includes Group Technology function and Australian banking operations and property services. Group Technology is responsible for technology strategy and architecture, infrastructure and operations, applications development and business integration in Australia;
- Core Support[2], which comprises functions performed centrally, including strategy, finance, risk, financial crime, legal, human resources, customer and corporate relations, and Group head office costs;
- Following the Group's decision in March 2019 to restructure its wealth operations and exit its Advice business, the residual Advice operations (including associated remediation) and certain support functions of the former BTFG division have been transferred to Group Businesses; and
- Group Businesses also includes earnings on capital not allocated to divisions, accounting entries for certain intra-group transactions that facilitate presentation of performance of the Group's operating segments, earnings from non-core asset sales, earnings and costs associated with the Group's Fintech investments, and certain other head office items such as centrally raised provisions.

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	378	457	(17)	835	899	(7)
Non-interest income	(11)	383	large	372	144	158
Net operating income	**367**	**840**	**(56)**	**1,207**	**1,043**	**16**
Operating expenses	(415)	(603)	(31)	(1,018)	(2,364)	(57)
Core earnings	**(48)**	**237**	**large**	**189**	**(1,321)**	**large**
Impairment (charges)/benefits	(1)	(1)	-	(2)	169	large
Profit/(loss) before income tax expense	**(49)**	**236**	**large**	**187**	**(1,152)**	**large**
Income tax expense and NCI	(58)	(120)	(52)	(178)	(158)	13
Cash earnings	**(107)**	**116**	**large**	**9**	**(1,310)**	**large**
Add back notable items	100	(102)	large	(2)	1,461	large
Cash earnings excluding notable items	**(7)**	**14**	**large**	**7**	**151**	**(95)**

Treasury $m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net interest income	376	462	(19)	838	887	(6)
Non-interest income	-	8	(100)	8	14	(43)
Net operating income	**376**	**470**	**(20)**	**846**	**901**	**(6)**
Cash earnings	**226**	**299**	**(24)**	**525**	**574**	**(9)**

Treasury Value at Risk (VaR)[3]

$m	Average	High	Low
Half Year 30 September 2021	**68.7**	**83.1**	**58.9**
Half Year March 2021	197.8	232.0	70.5
Half Year September 2020	219.4	231.1	173.1

1. Group Technology and Operations costs are fully allocated to other divisions in the Group.
2. Core Support costs are partially allocated to other divisions, while Group head office costs are retained in Group Businesses.
3. VaR includes trading book and banking book exposures. The banking book component includes interest rate risk, credit spread risk in liquid assets and other basis risks as used for internal management purposes.

Divisional results

Financial performance

Second Half 2021 – First Half 2021

Cash earnings were a $107 million loss for Second Half 2021, compared with a profit of $116 million for First Half 2021. Excluding notable items, cash earnings were a $7 million loss compared with a profit of $14 million in First Half 2021.

Net operating income down $473m, 56%	• Income was lower mainly due to our gains recognised in First Half 2021 from the revaluation of our investment in Coinbase Inc. ($9 million writeback in Second Half 2021, $546 million income in First Half 2021); and • Lower Treasury income; partly offset by • Lower provisions for estimated customer refunds and payments ($38 million in Second Half 2021, $193 million in First Half 2021).
Expenses down $188m, 31%	• Expenses were lower due to the performance fee related to our gains on Coinbase Inc. in First Half 2021 ($2 million writeback in Second Half 2021, $122 million cost in First Half 2021); • Lower provisions for estimated customer refunds and payments ($78 million in Second Half 2021, $98 million in First Half 2021); and • Lower CORE program costs due to a reallocation of centrally held costs to the operating divisions

Full Year 2021 – Full Year 2020

Cash earnings were a $9 million profit for Full Year 2021, compared with a loss of $1,310 million for Full Year 2020. Excluding notable items, cash earnings were a $7 million profit compared to a profit of $151 million in Full Year 2020.

Net operating income up $164m, 16%	• Gains in Full Year 2021 from our investment in Coinbase Inc. and Zip Co Limited ($537 million; $25 million respectively) were higher than gains in Full Year 2020 from our investments in Zip Co Limited ($303 million); partly offset by • Higher provisions for estimated customer refunds and repayments ($231 million in Full Year 2021, $156 million in Full Year 2020); and • Lower Treasury income.
Expenses down $1,346m, 57%	• Expenses were lower than Full Year 2020, due to the non-repeat of a penalty from AUSTRAC and the associated costs ($1,478 million); partly offset by • Performance fee related to gains on our investment in Coinbase Inc. ($120 million); and • Higher CORE program costs, and higher provisions for estimated customer refunds and payments ($176 million in Full Year 2021, $168 million in Full Year 2020).
Impairment charges up $171m, large	• Full Year 2020 credit impairment benefit was mainly due to centrally held overlays no longer required.

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Significant developments

4.1 Significant developments

COVID-19 impacts

The continued social and economic effects of COVID-19 over this year have been impacted by the emergence and spread of new variants, the rollout of vaccines, and the evolution of local and global responses, including lockdowns and social restrictions, and prudential, industry and economic measures taken by governments and regulators world-wide.

Westpac has continued to support customers impacted by the COVID-19 pandemic, including via repayment deferrals, fee waivers, special interest rates and special loans, although the current levels of support are down on the 2020 peaks.

Further information on the impacts of COVID-19 is set out in 'Review of Group operations' section.

Westpac significant developments – Australia

Off-market buy-back

Westpac has announced an off-market buy-back of up to $3.5 billion worth of Westpac shares. Westpac's operating performance and progress on our strategic priorities, including the completion of a number of divestments, have contributed to a strong capital position, allowing us to return capital to shareholders.

Exit of specialist businesses

Following a strategic review of the specialist businesses in 2020, Westpac determined it would look to exit these businesses over time. During 2021, the following transactions have been announced and/or completed.

Completed transactions:

- Sale of Westpac General Insurance Limited and Westpac General Insurance Services Limited to Allianz;
- Sale of Westpac's Vendor Finance business to Angle Finance; and
- Sale of Westpac Lenders Mortgage Insurance Limited to Arch Capital Group.

Announced transactions that have not yet completed:

- Sale of Westpac's motor vehicle dealer finance and novated leasing businesses to Angle Finance;
- Sale of Westpac Life-NZ-Limited to Fidelity Life Assurance Company Limited; and
- Sale of Westpac Life Insurance Services Limited to TAL Dai-ichi Life Australia Pty Limited.

Approvals may be required from shareholders, regulators or other stakeholders in order to divest businesses and assets, and there is a risk that these approvals may not be received or that the purchaser does not complete these transactions for other reasons. In addition, some of these transactions have involved the giving of warranties and indemnities in favour of the buyer for certain pre-completion matters. Further information is set out in the 'Risk factors' section and Note 14.

In December 2020, Westpac announced the proposed sale of its Pacific businesses (comprised of Westpac Fiji and the Group's 89.9% stake in Westpac Bank PNG Limited) to Kina Securities Limited (Kina). Following the decision by Papua New Guinea's Independent Consumer and Competition Commission to deny authorisation for the proposed acquisition, on 22 September 2021 Westpac announced the parties had agreed to terminate the sale agreements.

Westpac will continue to operate the Pacific businesses and support its customers while assessing other options.

Further detail in relation to these transactions and in relation to the terminated sale of Westpac's Pacific businesses is available in Note 17 to the financial statements.

Westpac significant developments – New Zealand

WNZL leadership changes

On 24 September 2021, Westpac announced the appointment of Catherine McGrath as CEO of Westpac New Zealand Ltd (WNZL) subject to regulatory approvals, following the retirement of David McLean. Simon Power has been acting CEO since the end of June 2021 and will continue to do so until Catherine commences as CEO on 15 November 2021.

On 1 October 2021, Pip Greenwood was appointed Chair of the Board of WNZL following the retirement of Jan Dawson CNZM.

Significant developments

Reviews required under section 95 of the Reserve Bank of New Zealand Act 1989

On 23 March 2021, the RBNZ issued two notices to WNZL under section 95 of the Reserve Bank of New Zealand Act 1989 requiring WNZL to supply two external reviews to the RBNZ. The reviews are required to address prudential concerns raised by the RBNZ around WNZL's risk governance practices and policies following various compliance issues reported over recent years. Those issues include non-compliance with the RBNZ's liquidity, capital adequacy and outsourcing requirements and IT outages.

The first review (Liquidity Review), being undertaken by Deloitte Touche Tohmatsu, relates to the effectiveness of WNZL's actions to improve liquidity risk management and the associated risk culture, following previously identified breaches of the RBNZ's Liquidity Policy (BS13) and non-compliance identified through the RBNZ's liquidity thematic review. The second review (Board Governance Review), being undertaken by Oliver Wyman Limited, requires an assessment of the effectiveness of WNZL's risk governance, with a focus on the role played by the Board.

Separate to the section 95 reviews, WNZL has also committed to the RBNZ and FMA to address its technology issues, and to engage Deloitte to monitor progress. While work has been underway to address these areas for some time, more work is required to meet WNZL's expectations and those of the regulator.

In addition, WNZL has identified various weaknesses in its risk management, for example control gaps in its compliance environment as well as shortcomings in its risk governance practices. WNZL is taking steps to address these matters and further issues requiring attention may be identified.

From 31 March 2021, the RBNZ amended WNZL's conditions of registration, requiring WNZL to discount the value of its liquid assets by approximately 14% which at 30 September 2021 was NZ$2.5 billion. This overlay will apply until the RBNZ is satisfied that:

- the RBNZ's concerns regarding liquidity risk controls have been resolved; and
- sufficient progress has been made to address risk culture issues in WNZL's Treasury and Market and Liquidity Risk functions.

The Liquidity Review and Board Governance Review only apply to WNZL and not to Westpac in Australia or its New Zealand branch.

RBNZ capital review

On 5 December 2019, the RBNZ announced changes to the capital adequacy framework in New Zealand. The new framework includes the following components:

- Increasing total capital requirements from 10.5% of risk weighted assets (RWA) to 18% for systemically important banks (including WNZL) and 16% for all other banks;
- Setting a Tier 1 capital requirement of 16% of RWA for systemically important banks (including WNZL) and 14% for all other banks;
- Additional Tier 1 capital (AT1) can comprise no more than 2.5% of the 16% Tier 1 capital requirement;
- Eligible Tier 1 capital will comprise common equity and redeemable perpetual preference shares. Existing AT1 instruments will be phased out over a seven-year period;
- Maintaining the existing Tier 2 capital requirement of 2% of RWA; and
- Recalibrating RWA for internal rating based banks, such as WNZL, such that aggregate RWA will increase to 90% of standardised RWA.

Given current market conditions, the RBNZ delayed the start date of increases in capital until 1 July 2022, but the new definitions of eligible capital came into effect on 1 October 2021. Banks will be given up to seven years to comply with the new requirements.

The new processes for issuing Tier 2 instruments in the RBNZ's final Banking Prudential Requirements documents apply from 1 July 2021. Several further changes to WNZL's Conditions of Registration apply from 1 October 2021.

RBNZ review of overseas bank branches

On 20 October 2021, the RBNZ announced it is reviewing its policy for branches of overseas banks (including Westpac Banking Corporation's New Zealand branch). The RBNZ has indicated the objective of the review is to create a simple, coherent and transparent policy framework for branches of overseas banks. The RBNZ has issued its first consultation paper on the review, and has indicated it intends to publish a second consultation paper in mid-2022, setting out its proposed approach.

Review of New Zealand business

Following a review of the Westpac New Zealand business this year, Westpac determined that a demerger was not in the best interests of shareholders and that it would retain its 100 per cent ownership of that business.

The review identified opportunities to improve service for customers and value across the Westpac New Zealand business which will be progressed with the WNZL Board and management team.

Significant developments

Regulatory and risk developments

Enforceable undertaking on risk governance remediation, Integrated Plan and CORE program

On 1 December 2020, APRA announced the findings from its risk governance review into Westpac, including that Westpac has an immature and reactive risk culture, unclear accountabilities, capability shortfalls and inadequate oversight relating to the management of risk. On 3 December 2020 Westpac confirmed it had entered into an enforceable undertaking with APRA in relation to Westpac's risk governance remediation (EU). The key terms of the EU include:

- Integrated Plan: Developing a plan which outlines all major risk governance remediation activities in relation to both financial and non-financial risk, sets a clear timeline for implementation, and specifies accountability for delivery. APRA has approved Westpac's Integrated Plan. Westpac's Customer Outcomes and Risk Excellence (CORE) Program is delivering the Integrated Plan and supporting the strengthening of Westpac's risk governance, accountability, and culture. Further information in relation to progress of the CORE program is set out in the 'Review of Group operations' section.
- Governance and independent oversight: Providing sufficient funding and resources to implement the Integrated Plan and establishing appropriate governance arrangements. Independent assurance over implementation of the Integrated Plan is also required. Promontory Australia has been appointed as the Independent Reviewer.
- Regular reporting: The Independent Reviewer is to provide regular updates to APRA on Westpac's compliance with the EU and the Integrated Plan. Westpac is also required to provide regular progress reports to APRA. Promontory Australia has provided three reports to APRA so far.
- Clarity on accountability: Incorporating accountability for the delivery of the Integrated Plan into relevant Banking Executive Accountability Regime statements and remuneration scorecards, which has occurred.

Risk management

Westpac is continuing to upgrade its end-to-end management of risk. A range of significant shortcomings and areas for improvement in Westpac's risk governance have been highlighted in recent reviews, including embedding of its risk management framework, policies and systems, regulatory reporting, data quality and management, product governance and its risk capabilities. The Group has a number of risks currently considered outside of risk appetite or that do not meet the expectations of regulators.

The CORE program, discussed above, is designed to deliver improvements in many of these areas, including embedding a more proactive risk culture, embedding the three lines of defence model to establish clearer risk management accountabilities, improving the control environment, and improving risk awareness, capability and capacity through organisation-wide training and additional risk resources in the business.

Other areas of improvement are being addressed through significant investment in risk management expertise in areas such as operational risk, compliance, financial crime, stress testing, modelling, regulatory reporting and data quality and management.

APRA action against Westpac for breaches of liquidity requirements

On 1 December 2020, APRA announced it was taking action for breaches by Westpac of APRA's prudential standards on liquidity. A program of work is underway to address APRA's requirements, including the commencement of APRA mandated reviews and remediation of shortcomings identified as part of these reviews. From 1 January 2021, APRA has required the Group to increase the value of its net cash outflows by 10% for the purpose of calculating liquidity coverage ratio (LCR). The impact of this overlay on the Group LCR as at 30 September 2021 was 13 percentage points. This overlay will be in place until the shortcomings have been rectified.

APRA phasing out reliance on Committed Liquidity Facility

On 10 September 2021, APRA announced it expects ADIs to reduce their Committed Liquidity Facility (CLF) usage to zero by 31 December 2022, and that no ADI should rely on the CLF to meet its minimum 100% LCR requirement from the beginning of 2022. Westpac's current CLF allocation is $37 billion. Westpac expects to reduce its allocation in line with APRA's announcement, and to meet its liquidity requirements by increasing its holdings of High Quality Liquid Assets. This is also expected to increase the capital required for Interest Rate Risk in the Banking Book to be held by the Group.

Financial crime

Westpac has continued to improve its financial crime risk management program. This involves a significant multi-year program of work to improve financial crime risk management (including AML/CTF, Sanctions, Anti-Bribery and Corruption, Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)).

Through this work, Westpac is undertaking activities to remediate and improve controls in multiple areas including initial, enhanced and ongoing customer due diligence and associated record keeping, upgrading customer and payment screening and transaction monitoring solutions, establishing data reconciliations and checks to ensure the completeness of data feeding into its financial crime systems, and improving regulatory reporting including in relation to IFTIs, Threshold Transaction Reports and Suspicious Matter Reports (including 'tipping off' controls).

Significant developments

With increased focus on financial crime, further issues requiring attention may be identified.

Life insurance premium review

On 12 October 2021, Westpac noted it was reviewing premium increases on certain life insurance products issued by Westpac Life Insurance Services Limited. The review is ongoing and relates to life insurance products sold under Product Disclosure Statements issued in the years 2010 to 2017. See Note 14 for further information.

APRA capital requirements

Operational risk capital overlays

The following additional capital overlays are currently applied by APRA to Westpac's operational risk capital requirement:

- $500 million in response to Westpac's Culture, Governance and Accountability self-assessment. The overlay has applied from 30 September 2019.
- $500 million in response to the magnitude and nature of issues that were the subject of the AUSTRAC proceedings. The overlay has applied from 31 December 2019.

Both overlays have been applied through an increase in RWA. The impact on Westpac's Level 2 common equity Tier 1 (CET1) capital ratio at 30 September 2021 was a reduction of 36 basis points.

APRA announcements affecting capital

As part of its response to the current environment, APRA made the following announcements on capital:

- Regulatory support for banks offering temporary financial assistance to borrowers impacted by COVID-19, which allowed for payment deferrals up to three months before 30 September 2021;
- On 15 December 2020, APRA issued revised capital management guidance to all ADIs and insurers that from 1 January 2021, APRA will no longer hold ADIs to a minimum level of earnings retention (previously 50% of net profit after tax in 2020). However, APRA has stated it expects banks to moderate dividend payout ratios, consider the use of dividend reinvestment plans and/or other capital management initiatives to offset the impact from dividends and conduct regular stress testing.
- Deferral of APRA's implementation of the Basel III capital reforms by a year to January 2023; and
- Deferral of changes to APS 222 Associations with Related Entities by a year to 1 January 2022.

APRA is proposing changes to embed the 'unquestionably strong' level of capital in the capital framework, including implementation of Basel III reforms. On 21 July 2021 APRA released further guidance on capital buffers and the calculation of RWA including for specific asset classes. As part of the proposal, APRA intends to increase the capital conservation buffer from 2.5% to 4.0% and introduce a base level for the countercyclical capital buffer of 1.0%. As a result, the CET1 capital ratio requirement for D-SIBS is proposed to increase from 8% to 10.5% from 1 January 2023. We expect further clarity on the changes ahead of 1 January 2023.

As referenced above, on 10 September 2021 APRA announced it expects ADIs to reduce their CLF usage to zero over the 2022 calendar year. This will result in the Group increasing its holdings of High Quality Liquid Assets.

APRA's proposed revisions to subsidiary capital investment treatment

On 5 August 2021 APRA released the final revised standard for APS 111 Capital Adequacy: Measurement of Capital which is effective from 1 January 2022. The final standard includes changes to the parent ADI's (Level 1) treatment of equity investments in banking and insurance subsidiaries including:

- equity investments in subsidiaries (including any Additional Tier 1 and Tier 2 capital investments in subsidiaries) will be risk weighted at 250%, up to a limit of 10% of Level 1 CET1 capital per investment; and
- any equity investments in excess of the 10% limit will be fully deducted from Level 1 CET1 capital in determining Level 1 capital ratios.

The impact to the Group's Level 1 ratio on a pro-forma basis at 30 September 2021 is an approximate reduction of 18 basis points. There is no impact from this proposal on the calculation of the Group's reported regulatory capital ratios on a Level 2 basis.

Significant developments

Additional loss absorbing capacity

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

The additional capital is expected to be raised through Tier 2 Capital and is likely to be offset by a decrease in other forms of long-term wholesale funding. Westpac is continuing to make progress towards the new requirements. As at 30 September 2021, Westpac's Tier 2 ratio was 4.21%. This compares to a target minimum Tier 2 Capital Ratio requirement of 5.0%.

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

General regulatory changes affecting our businesses

Cyber resilience

APRA, ASIC, and the Australian government have intensified their focus on cyber resilience, given the increasing number of cyber-related incidents. APRA is seeking to ensure that regulated entities improve their cyber resilience practices and has been focussing on the effective implementation of its Prudential Standard CPS 234 on Information Security. Westpac continues to enhance its systems and processes to mitigate cybersecurity risks, including in relation to third parties.

APRA prudential standard CPS 511: remuneration

On 27 August 2021, APRA released its final revised Prudential Standard CPS 511 Remuneration. The new standard has an effective date of 1 January 2023 for significant financial institutions that are authorised deposit-taking institutions (which includes Westpac). The objective of the Standard is to ensure that APRA-regulated entities maintain remuneration arrangements which appropriately incentivise individuals to prudently manage the risks they are responsible for, and that there are appropriate consequences for poor risk outcomes. Westpac is reviewing its remuneration arrangements in line with the new requirements.

Proposed changes to lending laws and regulatory requirements

In October 2021 APRA released a letter to ADIs regarding strengthening residential mortgage lending assessments and increased the minimum interest rate buffer that it expects ADI's to use when assessing home loan serviceability, to at least 3.0 percentage points above the loan product rate. The letter also outlines APRA's intention to keep the level of the buffer under review and to review risk appetites for lending at high debt-to-income ratios. It also indicated it expects to release an Information Paper outlining its framework for macroprudential policy by the end of this year.

On 25 September 2020, the government announced a proposed simplification of Australia's consumer credit regulatory regime. The proposed legislation has not yet passed the Senate, and if it does, we will make changes as appropriate.

In addition to responsible lending, consumer credit is subject to regulatory oversight through a range of mechanisms, including APRA standards and guidance on credit assessments by ADIs. Accordingly, without changes to these regulatory requirements, removal of responsible lending obligations (if this occurs) may not have a significant impact on our overall consumer credit processes.

Focus on superannuation

On 1 July 2021, the 'Your Future, Your Super' reforms came into effect. The key reforms involve:

- linking a person to their superannuation fund throughout their working life (unless a person chooses otherwise) to reduce people having unintended multiple superannuation accounts;
- requiring APRA to conduct an annual, objective test for MySuper products from 1 July 2021 (and for other prescribed products from 1 July 2022). Trustees that fail the test will have to notify members of the underperformance. Where a product has failed the performance test in two consecutive years, the trustee is prohibited from accepting new beneficiaries into that product. An online ATO 'YourSuper' comparison tool was also introduced to enable members to compare the annual performance test outcomes of all MySuper products; and
- the trustee's duty to act in the best interests of beneficiaries becoming an obligation to perform their duties and exercise their powers in the best financial interests of the beneficiaries, and reversing the burden of proof for the best financial interests duty, so the trustee has the onus of demonstrating they have met this obligation.

Two BT MySuper products (AESA MySuper and BT Super MySuper) failed the annual MySuper performance test for the year ended 30 June 2021 and the BT trustee has notified relevant members of this outcome. The annual performance assessment is based on a combined seven-year performance of the products. If those BT products also fail the next annual performance test, the BT trustee will be precluded from accepting new MySuper members. Consistent with its obligations and APRA's expectations the BT trustee is assessing the potential implications of these circumstances and exploring options for the products that are in the best financial interests of members.

Significant developments

ASIC and APRA are increasing their supervisory focus on superannuation providers, including BT, with an emphasis on member outcomes. Westpac's BT superannuation entity trustee has been responding to requests for information from APRA in relation to the comparative underperformance of certain of its MySuper products, having regard to APRA's MySuper 'Heat Maps'. BT's superannuation trustee is also continuing with a program of work on enhancement of member outcomes and accelerating its remediation programs.

With increased regulatory focus on superannuation, including a number of inquiries and investigations into BT's superannuation business, further issues requiring attention may be identified.

Royal commission into the banking, superannuation and financial services industry

Implementation of the 76 express recommendations in the Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry continues to be a focus of Australia's banking and financial services entities and their regulators.

Presently, 46 recommendations apply to Westpac. The Group continues with programs of work in relation to all applicable recommendations that have been the subject of legislative activity and/or regulatory activity and, to date, has implemented 20 recommendations.

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

Litigation and regulatory proceedings

Our entities are defendants from time to time in legal proceedings arising from the conduct of our business. Material legal proceedings are described below and in Note 14 to the financial statements.

Fraud

Westpac's proceedings against Forum Finance Pty Ltd

On 28 June 2021 Westpac commenced proceedings in the Federal Court of Australia against Forum Finance Pty Ltd (Forum Finance) and has since amended its claim to join WNZL and add more respondents. This followed the discovery of a significant fraud relating to a portfolio of equipment leases with Westpac customers, arranged by Forum Finance, which were referred to Westpac's Institutional Bank. The NSW Police, ASIC and APRA have been notified. It appears no Westpac customer has suffered a financial loss. Westpac has obtained asset freezing and search orders to preserve available assets and relevant information and has supported the appointment of external administrators to companies associated with directors of Forum Finance. Westpac is also investigating how this occurred.

Completed matters

During 2021, a number of litigation matters have been finalised, including:

ASIC's outbound scaled advice division proceedings

On 22 December 2016, ASIC commenced Federal Court proceedings against BT Funds Management Limited (BTFM) and Westpac Securities Administration Limited (WSAL) in relation to a number of superannuation account consolidation campaigns conducted between 2013 and 2016. On 23 August 2021, the Federal Court of Australia imposed civil penalties totalling $10.5 million against BTFM ($3 million) and WSAL ($7.5 million) in relation to findings that those entities had provided personal advice in calls to 14 customers in contravention of the Corporations Act 2001 (Cth).

ASIC's proceedings against BT Funds Management and Asgard Capital Management

On 20 August 2020, ASIC commenced proceedings in the Federal Court of Australia against BTFM and Asgard Capital Management Limited (ACML), in relation to allegations concerning the inadvertent charging of financial advisor fees to 404 clients totalling $130,006 after a request had been made to remove the financial advisor from the customers' accounts. On 23 July 2021, the Federal Court imposed civil penalties totalling $3 million against BTFM ($1.5 million) and ACML ($1.5 million).

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

On 12 October 2017, a class action was filed in the Federal Court of Australia on behalf of customers who, since February 2011, obtained insurance issued by Westpac Life Insurance Services Limited on the recommendation of financial advisers employed within the Westpac Group. On 9 August 2021, the Federal Court approved the settlement of this matter, pursuant to which Westpac will pay up to $30 million to settle the claims made in the class action without any admission of liability.

Significant developments

U.S. AUSTRAC related class action

In January 2020, a U.S. class action was brought on behalf of certain investors in Westpac securities between 11 November 2015 and 19 November 2019. The claim related to market disclosure issues connected to Westpac's monitoring of financial crime over the relevant period and matters which were the subject of the AUSTRAC proceedings. The parties agreed to settle these proceedings and Westpac agreed to pay an amount of US$3.1 million. On 12 May 2021, the District Court of Oregon made orders approving the settlement.

Class action in the U.S. relating to bank bill swap rate

In August 2016, a class action was filed in the United States District Court for the Southern District of New York against Westpac and several other Australian and international banks and brokers alleging misconduct in relation to the bank bill swap reference rate. In 2020, Westpac reached agreement with the Plaintiffs to settle this class action, agreeing to pay a settlement sum of US$25 million and to certain ongoing co-operation obligations. The settlement remains subject to Court approval.

Regulatory proceedings

ASIC's consumer credit insurance proceedings

On 7 April 2021, ASIC commenced proceedings in the Federal Court against Westpac in relation to the sale of consumer credit insurance (CCI) products to certain customers who ASIC alleges had not requested this product. ASIC is seeking, among other things, declarations of contraventions of certain civil penalty provisions and unspecified monetary penalties relating to approximately 335 customers in the period 7 April 2015 to 27 July 2015. Westpac has filed its Response to ASIC's Concise Statement. Westpac ceased selling CCI products in 2019.

ASIC's civil proceedings relating to interest rate hedging activity

On 5 May 2021, ASIC filed civil proceedings against Westpac alleging that it had engaged in insider trading and unconscionable conduct and failed to comply with its Australian Financial Services Licence obligations. The allegations relate to interest rate hedging activity during Westpac's involvement in the 2016 Ausgrid privatisation transaction. Westpac has filed its Response to ASIC's Concise Statement.

Outstanding regulatory matters

Westpac is working with ASIC to accelerate the closure of certain investigations described in Note 14 to the financial statements under the heading 'Compliance, regulation and remediation provisions', which is expected to involve Court proceedings.

Class actions

Class action relating to cash in superannuation

On 5 September 2019, a class action against BTFM and WLIS was commenced in the Federal Court of Australia in relation to aspects of BTFM's BT Super for Life cash investment option. The claim follows other industry class actions. It is alleged that BTFM failed to adhere to a number of obligations under the general law, the relevant trust deed and the Superannuation Industry (Supervision) Act 1993 (Cth), and that WLIS was knowingly concerned with BTFM's alleged contraventions. The amount of damages claimed on behalf of group members has not yet been specified. BTFM and WLIS are defending the proceedings.

Class action relating to consumer credit insurance

On 28 February 2020, a class action was commenced against Westpac Banking Corporation, Westpac General Insurance Limited and WLIS in the Federal Court of Australia in relation to Westpac's sale of consumer credit insurance products to customers. The claim follows other industry class actions. It is alleged the three entities failed to adhere to a number of obligations in selling CCI in conjunction with credit cards, personal loans and flexi loans. The damages sought by the claim are unspecified. The three entities are defending the proceedings.

Significant developments

Class action relating to payment of flex commissions to auto dealers

On 16 July 2020, a class action was commenced against Westpac Banking Corporation and St.George Finance Limited (SGF) in the Supreme Court of Victoria in relation to flex commissions paid to auto dealers from 1 March 2013 to 31 October 2018. This proceeding is one of two class actions commenced against a number of lenders in the auto finance industry.

It is alleged Westpac and SGF are liable for the unfair conduct of dealers acting as credit representatives and engaged in misleading or deceptive conduct. The damages sought are unspecified. Westpac and SGF are defending the proceedings. Another law firm publicly announced in July 2020 that it is preparing to commence a class action against Westpac entities in relation to flex commissions paid to auto dealers. Westpac has not been served with a claim from that law firm on flex commissions. Westpac has not paid flex commissions since 1 November 2018 following an industry-wide ban issued by ASIC.

Australian AUSTRAC related class action

Westpac is defending a class action proceeding which was commenced in December 2019 in the Federal Court of Australia on behalf of certain investors who acquired an interest in Westpac securities between 16 December 2013 and 19 November 2019. The proceeding involves allegations relating to market disclosure issues connected to Westpac's monitoring of financial crime over the relevant period, and matters which were the subject of the AUSTRAC civil proceedings. The damages sought are unspecified. However, given the time period in question and the nature of the claims, it is likely any alleged damages will be significant.

Potential class actions

Westpac is aware from media reports and other publicly available material that other class actions against Westpac entities are being investigated. In July 2020, a law firm publicly stated that it intends to commence a class action against BTFM alleging that since 2014, BTFM did not act in the best interests of members of certain superannuation funds when obtaining group insurance policies. In August 2020, another law firm announced it was investigating claims on behalf of persons who in the past 6 years acquired, renewed or continued to hold a financial product (including life insurance) on the advice or recommendation of a financial adviser from Magnitude Group, Securitor Financial Group or Westpac Banking Corporation. Westpac has not been served with a claim in relation to either of these matters and has no information about the proposed claims beyond the public statements issued by the law firms involved.

Consolidated financial statements

4.2 Consolidated income statement

Westpac Banking Corporation and its controlled entities

$m	Note	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Interest income:							
Calculated using the effective interest rate method	3	10,721	11,411	(6)	22,132	26,596	(17)
Other	3	123	23	large	146	451	(68)
Total interest income		**10,844**	**11,434**	**(5)**	**22,278**	**27,047**	**(18)**
Interest expense	3	(2,334)	(3,086)	(24)	(5,420)	(10,351)	(48)
Net interest income		**8,510**	**8,348**	**2**	**16,858**	**16,696**	**1**
Net fee income	4	782	700	12	1,482	1,592	(7)
Net wealth management and insurance income	4	613	598	3	1,211	751	61
Trading income	4	277	442	(37)	719	895	(20)
Other income	4	354	598	(41)	952	249	large
Net operating income before operating expenses and impairment (charges)/ benefits		**10,536**	**10,686**	**(1)**	**21,222**	**20,183**	**5**
Operating expenses	5	(7,314)	(5,997)	22	(13,311)	(12,739)	4
Impairment (charges)/benefits	10	218	372	(41)	590	(3,178)	large
Profit before income tax expense		**3,440**	**5,061**	**(32)**	**8,501**	**4,266**	**99**
Income tax expense	6	(1,422)	(1,616)	(12)	(3,038)	(1,974)	54
Net profit		**2,018**	**3,445**	**(41)**	**5,463**	**2,292**	**138**
Net profit attributable to non-controlling interests (NCI)		(3)	(2)	50	(5)	(2)	150
Net profit attributable to owners of Westpac Banking Corporation (WBC)		**2,015**	**3,443**	**(41)**	**5,458**	**2,290**	**138**
Earnings per share (cents)							
Basic	7	54.9	94.5	(42)	149.4	63.7	135
Diluted	7	53.2	86.4	(38)	137.8	63.7	116

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

Consolidated financial statements

4.3 Consolidated statement of comprehensive income

Westpac Banking Corporation and its controlled entities

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net profit	**2,018**	**3,445**	**(41)**	**5,463**	**2,292**	**138**
Other comprehensive income/(expense)						
Items that may be reclassified subsequently to profit or loss						
Gains/(losses) recognised in equity on:						
Debt securities measured at fair value through other comprehensive income (FVOCI)	(72)	650	large	578	357	62
Cash flow hedging instruments	175	121	45	296	(95)	large
Transferred to income statement:						
Debt securities measured at FVOCI	(97)	(98)	(1)	(195)	(79)	147
Cash flow hedging instruments	(33)	72	large	39	218	(82)
Foreign currency translation reserve	-	-	-	-	55	(100)
Loss allowance on debt securities measured at FVOCI	1	1	-	2	2	-
Exchange differences on translation of foreign operations (net of associated hedges)	261	(210)	large	51	(168)	large
Income tax on items taken to or transferred from equity:						
Debt securities measured at FVOCI	49	(168)	large	(119)	(81)	47
Cash flow hedging instruments	(41)	(56)	(27)	(97)	(36)	169
Items that will not be reclassified subsequently to profit or loss						
Gains/(losses) on equity securities measured at FVOCI (net of tax)	4	44	(91)	48	(21)	large
Own credit adjustment on financial liabilities designated at fair value (net of tax)	(10)	-	-	(10)	(39)	(74)
Remeasurement of defined benefit obligation recognised in equity (net of tax)	(122)	241	large	119	(115)	large
Other comprehensive income/(expense) (net of tax)	**115**	**597**	**(81)**	**712**	**(2)**	**large**
Total comprehensive income	**2,133**	**4,042**	**(47)**	**6,175**	**2,290**	**170**
Attributable to:						
Owners of WBC	2,128	4,043	(47)	6,171	2,291	169
NCI	5	(1)	large	4	(1)	large
Total comprehensive income	**2,133**	**4,042**	**(47)**	**6,175**	**2,290**	**170**

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

Consolidated financial statements

4.4 Consolidated balance sheet

Westpac Banking Corporation and its controlled entities

$m	Note	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Assets						
Cash and balances with central banks		71,353	33,877	30,129	111	137
Collateral paid		4,232	3,917	4,778	8	(11)
Trading securities and financial assets measured at fair value through income statement (FVIS)		21,101	20,928	40,667	1	(48)
Derivative financial instruments		19,353	22,373	23,367	(13)	(17)
Investments securities		83,417	91,303	91,539	(9)	(9)
Loans	9	709,784	688,218	693,059	3	2
Other financial assets		6,394	3,312	5,474	93	17
Current tax assets		31	221	-	(86)	-
Life insurance assets		-	3,416	3,593	(100)	(100)
Investment in associates		58	78	61	(26)	(5)
Property and equipment		2,853	3,337	3,910	(15)	(27)
Deferred tax assets		2,437	2,335	3,064	4	(20)
Intangible assets		10,109	10,997	11,497	(8)	(12)
Other assets		567	788	808	(28)	(30)
Assets held for sale	17	4,188	4,359	-	(4)	-
Total assets		**935,877**	**889,459**	**911,946**	**5**	**3**
Liabilities						
Collateral received		2,368	2,504	2,250	(5)	5
Deposits and other borrowings	12	626,955	585,401	591,131	7	6
Other financial liabilities		50,309	42,996	40,925	17	23
Derivative financial instruments		18,059	20,303	23,054	(11)	(22)
Debt issues		128,779	127,850	150,325	1	(14)
Current tax liabilities		71	26	70	173	1
Life insurance liabilities		-	1,070	1,396	(100)	(100)
Provisions	14	3,571	3,820	5,287	(7)	(32)
Deferred tax liabilities		90	107	126	(16)	(29)
Other liabilities		3,679	3,938	5,359	(7)	(31)
Liabilities held for sale	17	837	3,049	-	(73)	-
Total liabilities excluding loan capital		**834,718**	**791,064**	**819,923**	**6**	**2**
Loan capital		29,067	26,294	23,949	11	21
Total liabilities		**863,785**	**817,358**	**843,872**	**6**	**2**
Net assets		**72,092**	**72,101**	**68,074**	**-**	**6**
Shareholders' equity						
Share capital:						
Ordinary share capital	15	41,601	41,604	40,509	-	3
Treasury shares and Restricted Share Plan (RSP) treasury shares	15	(606)	(603)	(563)	-	8
Reserves	15	2,227	1,954	1,544	14	44
Retained profits		28,813	29,097	26,533	(1)	9
Total equity attributable to owners of WBC		**72,035**	**72,052**	**68,023**	**-**	**6**
NCI		57	49	51	16	12
Total shareholders' equity and NCI		**72,092**	**72,101**	**68,074**	**-**	**6**

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

Consolidated financial statements

4.5 Consolidated statement of changes in equity

Westpac Banking Corporation and its controlled entities

$m	Share capital (Note 15)	Reserves (Note 15)	Retained profits	Total equity attributable to owners of WBC	NCI	Total shareholders' equity and NCI
Balance as at 30 September 2019	**36,955**	**1,311**	**27,188**	**65,454**	**53**	**65,507**
Net profit	-	-	**2,290**	**2,290**	**2**	**2,292**
Net other comprehensive income/(expense)	-	155	(154)	1	(3)	(2)
Total comprehensive income/(expense)	**-**	**155**	**2,136**	**2,291**	**(1)**	**2,290**
Transactions in capacity as equity holders						
Share issuances	2,751	-	-	2,751	-	2,751
Dividends on ordinary shares[1]	-	-	(2,791)	(2,791)	-	(2,791)
Dividend reinvestment plan	273	-	-	273	-	273
Other equity movements						
Share-based payment arrangements	-	78	-	78	-	78
Purchase of shares	(29)	-	-	(29)	-	(29)
Net acquisition of treasury shares	(10)	-	-	(10)	-	(10)
Other	6	-	-	6	(1)	5
Total contributions and distributions	**2,991**	**78**	**(2,791)**	**278**	**(1)**	**277**
Balance as at 30 September 2020	**39,946**	**1,544**	**26,533**	**68,023**	**51**	**68,074**
Impact from a change in accounting policy	-	-	(40)	(40)	-	(40)
Restated opening balance	**39,946**	**1,544**	**26,493**	**67,983**	**51**	**68,034**
Net profit	**-**	**-**	**5,458**	**5,458**	**5**	**5,463**
Net other comprehensive income/(expense)	-	604	109	713	(1)	712
Total comprehensive income/(expense)	**-**	**604**	**5,567**	**6,171**	**4**	**6,175**
Transactions in capacity as equity holders						
Dividends on ordinary shares[1]	-	-	(3,247)	(3,247)	-	(3,247)
Dividend reinvestment plan	401	-	-	401	-	401
Dividend reinvestment plan underwrite	719	-	-	719	-	719
Other equity movements						
Share-based payment arrangements	-	86	-	86	-	86
Purchase of shares	(28)	-	-	(28)	-	(28)
Net acquisition of treasury shares	(43)	-	-	(43)	-	(43)
Other	-	(7)	-	(7)	2	(5)
Total contributions and distributions	**1,049**	**79**	**(3,247)**	**(2,119)**	**2**	**(2,117)**
Balance as at 30 September 2021	**40,995**	**2,227**	**28,813**	**72,035**	**57**	**72,092**

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

1. 2021 consisted of 2021 interim dividend of 58 cents per share ($2,127 million) and 2020 final dividend of 31 cents per share ($1,120 million) (2020: 2019 final dividend of 80 cents per share ($2,791 million)), all fully franked at 30%.

Consolidated financial statements

4.5 Consolidated statement of changes in equity (continued)

Westpac Banking Corporation and its controlled entities

$m	Share capital (Note 15)	Reserves (Note 15)	Retained profits	Total equity attributable to owners of WBC	NCI	Total shareholders' equity and NCI
Balance as at 30 September 2020	**39,946**	**1,544**	**26,533**	**68,023**	**51**	**68,074**
Impact from a change in accounting policy	-	-	(40)	(40)	-	(40)
Restated opening balance	**39,946**	**1,544**	**26,493**	**67,983**	**51**	**68,034**
Net profit	**-**	**-**	**3,443**	**3,443**	**2**	**3,445**
Net other comprehensive income/(expense)	-	359	241	600	(3)	597
Total comprehensive income/(expense)	**-**	**359**	**3,684**	**4,043**	**(1)**	**4,042**
Transactions in capacity as equity holders						
Dividends on ordinary shares[1]	-	-	(1,120)	(1,120)	-	(1,120)
Dividend reinvestment plan	401	-	-	401	-	401
Dividend reinvestment plan underwrite	719	-	-	719	-	719
Other equity movements						
Share-based payment arrangements	-	59	-	59	-	59
Purchase of shares	(25)	-	-	(25)	-	(25)
Net acquisition of treasury shares	(40)	-	-	(40)	-	(40)
Other	-	(8)	-	(8)	(1)	(9)
Total contributions and distributions	**1,055**	**51**	**(1,120)**	**(14)**	**(1)**	**(15)**
Balance as at 31 March 2021	**41,001**	**1,954**	**29,057**	**72,012**	**49**	**72,061**
Net profit	**-**	**-**	**2,015**	**2,015**	**3**	**2,018**
Net other comprehensive income/(expense)	-	245	(132)	113	2	115
Total comprehensive income/(expense)	**-**	**245**	**1,883**	**2,128**	**5**	**2,133**
Transactions in capacity as equity holders						
Dividends on ordinary shares[1]	-	-	(2,127)	(2,127)	-	(2,127)
Other equity movements						
Share-based payment arrangements	-	27	-	27	-	27
Purchase of shares	(3)	-	-	(3)	-	(3)
Net acquisition of treasury shares	(3)	-	-	(3)	-	(3)
Other	-	1	-	1	3	4
Total contributions and distributions	**(6)**	**28**	**(2,127)**	**(2,105)**	**3**	**(2,102)**
Balance as at 30 September 2021	**40,995**	**2,227**	**28,813**	**72,035**	**57**	**72,092**

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

1. Second Half 2021 related to 2021 interim dividend of 58 cents per share ($2,127 million) (First Half 2021: 2020 final dividend of 31 cents per share ($1,120 million)), all fully franked at 30%.

Consolidated financial statements

4.6 Consolidated cash flow statement

Westpac Banking Corporation and its controlled entities

$m	Note	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Cash flows from operating activities							
Interest received		10,840	11,590	(6)	22,430	27,215	(18)
Interest paid		(2,354)	(3,323)	(29)	(5,677)	(11,466)	(50)
Dividends received excluding life business		2	2	-	4	16	(75)
Other non-interest income received		1,361	1,979	(31)	3,340	2,894	15
Operating expenses paid		(4,748)	(6,193)	(23)	(10,941)	(8,598)	27
Income tax paid excluding life business		(1,158)	(1,481)	(22)	(2,639)	(3,080)	(14)
Life business:							
Receipts from policyholders and customers		510	466	9	976	2,235	(56)
Interest and other items of similar nature		13	9	44	22	21	5
Dividends received		9	3	200	12	306	(96)
Payments to policyholders and suppliers		(497)	(671)	(26)	(1,168)	(2,302)	(49)
Income tax paid		-	(49)	(100)	(49)	(6)	large
Cash flows from operating activities before changes in operating assets and liabilities		**3,978**	**2,332**	**71**	**6,310**	**7,235**	**(13)**
Net (increase)/decrease in:							
Collateral paid		(166)	471	large	305	348	(12)
Trading securities and financial assets measured at FVIS		(574)	19,890	large	19,316	(8,756)	large
Derivative financial instruments		4,610	(7,030)	large	(2,420)	1,851	large
Loans		(17,066)	1,968	large	(15,098)	18,272	large
Other financial assets		(702)	428	large	(274)	273	large
Life insurance assets and life insurance liabilities		(216)	(377)	(43)	(593)	(277)	114
Other assets		72	(66)	large	6	70	(91)
Net increase/(decrease) in:							
Collateral received		(251)	344	large	93	(1,096)	large
Deposits and other borrowings		35,347	(1,610)	large	33,737	28,910	17
Other financial liabilities		5,268	3,768	40	9,036	11,817	(24)
Other liabilities		(35)	27	large	(8)	4	large
Net cash provided by/(used in) operating activities	16	**30,265**	**20,145**	**50**	**50,410**	**58,651**	**(14)**
Cash flows from investing activities							
Proceeds from investment securities		16,413	17,653	(7)	34,066	33,080	3
Purchase of investment securities		(7,642)	(21,198)	(64)	(28,840)	(51,332)	(44)
Proceeds from disposal of controlled entities and other businesses, net of cash disposed	16	1,272	-	-	1,272	-	-
Proceeds from disposal of associates		36	9	large	45	-	-
Purchase of associates		(1)	(7)	(86)	(8)	(8)	-
Proceeds from disposal of property and equipment		42	20	110	62	58	7
Purchase of property and equipment		(131)	(103)	27	(234)	(240)	(3)
Purchase of intangible assets		(392)	(348)	13	(740)	(1,035)	(29)
Net cash provided by/(used in) investing activities		**9,597**	**(3,974)**	**large**	**5,623**	**(19,477)**	**large**
Cash flows from financing activities							
Proceeds from debt issues (net of issue costs)		22,482	24,317	(8)	46,799	34,766	35
Redemption of debt issues		(25,925)	(39,347)	(34)	(65,272)	(65,160)	-
Payments for the principal portion of lease liabilities		(247)	(260)	(5)	(507)	(543)	(7)
Issue of loan capital (net of issue costs)		2,169	5,459	(60)	7,628	2,225	large
Redemption of loan capital		(379)	(1,169)	(68)	(1,548)	(262)	large
Proceeds from issuances of shares		-	-	-	-	2,751	(100)
Proceeds from dividend reinvestment plan underwrite		-	719	(100)	719	-	-
Purchase of shares relating to share-based payment arrangements		(3)	(25)	(88)	(28)	(29)	(3)
Purchase of RSP treasury shares		(3)	(40)	(93)	(43)	(46)	(7)
Net sale/(purchase) of other treasury shares		-	-	-	-	14	(100)
Payment of dividends		(2,127)	(719)	196	(2,846)	(2,518)	13
Dividends paid to NCI		-	(2)	(100)	(2)	(1)	100
Net cash provided by/(used in) financing activities		**(4,033)**	**(11,067)**	**(64)**	**(15,100)**	**(28,803)**	**(48)**
Net increase/(decrease) in cash and balances with central banks		**35,829**	**5,104**	**large**	**40,933**	**10,371**	**large**
Effect of exchange rate changes on cash and balances with central banks		862	(564)	large	298	(301)	large
Cash and balances with central banks included in assets held for sale		785	(792)	large	(7)	-	-
Cash and balances with central banks as at beginning of the period		33,877	30,129	12	30,129	20,059	50
Cash and balances with central banks as at end of the period		**71,353**	**33,877**	**111**	**71,353**	**30,129**	**137**

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

1 2 3 4 5 6 7

Notes to the consolidated financial statements

4.7 Notes to the consolidated financial statements

Note 1. Financial statements preparation

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

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

For further information, refer to Westpac's 2021 Annual Report.

Note 2. Segment reporting

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

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

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

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

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

- material items that key decision makers at Westpac believe do not reflect ongoing operations;
- items that are not typically considered when dividends are recommended, such as the amortisation of intangibles, impact of Treasury shares and economic hedging impacts; and
- accounting reclassifications between individual line items that do not impact statutory results.

Reportable operating segments

We are one of Australia and New Zealand's leading providers of financial services, operating under multiple brands, with a small presence in Europe, North America and Asia. We operate through an extensive branch and ATM network, significant online capability, and call centres supported by specialist relationship and product managers. Our operations comprise the following key divisions:

- Consumer provides banking products, including mortgages, credit cards, personal loans, and savings and deposit products;
- Business serves the banking needs of SME and Commercial customers (including Agribusiness) and provides banking and advisory services to high net worth individuals through Private Wealth;
- Westpac Institutional Bank (WIB) provides a broad range of financial products and services to corporate, institutional and government customers;
- Westpac New Zealand provides banking, wealth and insurance products and services for consumer, business and institutional customers in New Zealand;
- Specialist Businesses comprises the operations that Westpac ultimately plans to exit with agreements in place for the sale of Westpac Life Insurance and motor vehicle dealer finance and novated leasing businesses. These sales are expected to finalise in 2022, subject to regulatory approvals. Other operations include 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; and
- Group Businesses includes the results of unallocated support functions such as Treasury, Chief Operating Office and Core Support. It also includes Group-wide elimination entries arising on consolidation, centrally raised provisions and other unallocated revenue and expenses.

Notes to the consolidated financial statements

Note 2. Segment reporting (continued)

In On 17 March 2021, Westpac announced that it was bringing together the leadership of its Consumer and Business divisions into a new Consumer and Business Banking division. For the 2021 Full Year Results Announcement there was no change in how we report our Consumer and Business divisions' performance as the performance information provided internally to Westpac's key decision makers did not change.

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

$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Specialist Businesses	Group Businesses	Group
Half Year Sept 2021							
Net interest income	4,189	1,982	455	991	250	378	8,245
Net fee income	202	231	277	67	27	(22)	782
Net wealth management and insurance income	-	11	-	69	550	(19)	611
Trading income	39	32	157	15	18	1	262
Other income	6	2	86	5	211	29	339
Net operating income before operating expenses and impairment (charges)/ benefits	**4,436**	**2,258**	**975**	**1,147**	**1,056**	**367**	**10,239**
Operating expenses[1]	(2,352)	(1,360)	(1,876)	(562)	(737)	(415)	(7,302)
Impairment (charges)/benefits	45	355	(154)	(13)	(14)	(1)	218
Profit before income tax (expense)/benefit	**2,129**	**1,253**	**(1,055)**	**572**	**305**	**(49)**	**3,155**
Income tax (expense)/benefit	(640)	(384)	155	(167)	(241)	(60)	(1,337)
Net profit attributable to NCI	-	-	-	-	(5)	2	(3)
Cash earnings	**1,489**	**869**	**(900)**	**405**	**59**	**(107)**	**1,815**
Net cash earnings adjustments	-	-	-	1	-	199	200
Net profit attributable to owners of WBC	**1,489**	**869**	**(900)**	**406**	**59**	**92**	**2,015**
Balance sheet							
Loans[2]	407,786	134,015	67,033	88,409	12,550	(9)	709,784
Deposits and other borrowings[2]	235,569	158,741	97,770	75,756	11,008	48,111	626,955
Half Year March 2021							
Net interest income	4,216	2,083	464	996	253	457	8,469
Net fee income	191	221	278	73	42	(105)	700
Net wealth management and insurance income	-	10	-	44	626	(85)	595
Trading income	39	40	298	43	15	18	453
Other income	11	2	6	7	1	555	582
Net operating income before operating expenses and impairment (charges)/ benefits	**4,457**	**2,356**	**1,046**	**1,163**	**937**	**840**	**10,799**
Operating expenses[1]	(2,270)	(1,170)	(698)	(500)	(740)	(603)	(5,981)
Impairment (charges)/benefits	80	129	(8)	92	80	(1)	372
Profit before income tax (expense)/benefit	**2,267**	**1,315**	**340**	**755**	**277**	**236**	**5,190**
Income tax (expense)/benefit	(675)	(395)	(110)	(210)	(146)	(115)	(1,651)
Net profit attributable to NCI	-	-	-	-	3	(5)	(2)
Cash earnings	**1,592**	**920**	**230**	**545**	**134**	**116**	**3,537**
Net cash earnings adjustments	-	-	-	(3)	-	(91)	(94)
Net profit attributable to owners of WBC	**1,592**	**920**	**230**	**542**	**134**	**25**	**3,443**
Balance sheet							
Loans[2]	395,130	134,844	62,408	83,151	12,687	(2)	688,218
Deposits and other borrowings[2]	223,062	154,455	91,008	71,019	6,445	39,412	585,401

1. Included in the Westpac Institutional Bank division in operating expenses is $1,156 million relating to impairment of assets (including goodwill and other intangible assets) for Second Half 2021 (First Half 2021: $36 million). For Specialist Businesses division, impairment of assets (including goodwill and other intangible assets) is $52 million for Second Half 2021 (First Half 2021: $89 million). For other divisions, there is no impairment of goodwill and impairment of other intangibles assets is not material.
2. Specialist Businesses excludes balances presented as held for sale (refer to Note 17 for further details).

Notes to the consolidated financial statements

Note 2. Segment reporting (continued)

$m	Consumer	Business	Westpac Institutional Bank	Westpac New Zealand (A$)	Specialist Businesses	Group Businesses	Group
Full Year Sept 2021							
Net interest income	8,405	4,065	919	1,987	503	835	16,714
Net fee income	393	452	555	140	69	(127)	1,482
Net wealth management and insurance income	-	21	-	113	1,176	(104)	1,206
Trading income	78	72	455	58	33	19	715
Other income	17	4	92	12	212	584	921
Net operating income before operating expenses and impairment (charges)/ benefits	**8,893**	**4,614**	**2,021**	**2,310**	**1,993**	**1,207**	**21,038**
Operating expenses[1]	(4,622)	(2,530)	(2,574)	(1,062)	(1,477)	(1,018)	(13,283)
Impairment (charges)/benefits	125	484	(162)	79	66	(2)	590
Profit before income tax (expense)/benefit	**4,396**	**2,568**	**(715)**	**1,327**	**582**	**187**	**8,345**
Income tax (expense)/benefit	(1,315)	(779)	45	(377)	(387)	(175)	(2,988)
Net profit attributable to NCI	-	-	-	-	(2)	(3)	(5)
Cash earnings	**3,081**	**1,789**	**(670)**	**950**	**193**	**9**	**5,352**
Net cash earnings adjustments	-	-	-	(2)	-	108	106
Net profit attributable to owners of WBC	**3,081**	**1,789**	**(670)**	**948**	**193**	**117**	**5,458**
Balance sheet							
Loans[2]	407,786	134,015	67,033	88,409	12,550	(9)	709,784
Deposits and other borrowings[2]	235,569	158,741	97,770	75,756	11,008	48,111	626,955
Full Year Sept 2020							
Net interest income	8,547	4,163	1,111	1,832	534	899	17,086
Net fee income	471	438	544	123	89	(73)	1,592
Net wealth management and insurance income	-	22	-	158	624	(45)	759
Trading income	90	97	637	27	57	20	928
Other income	12	3	1	11	(8)	242	261
Net operating income before operating expenses and impairment (charges)/ benefits	**9,120**	**4,723**	**2,293**	**2,151**	**1,296**	**1,043**	**20,626**
Operating expenses[1]	(4,176)	(2,298)	(1,316)	(998)	(1,548)	(2,364)	(12,700)
Impairment (charges)/benefits	(1,015)	(1,371)	(404)	(302)	(255)	169	(3,178)
Profit before income tax (expense)/benefit	**3,929**	**1,054**	**573**	**851**	**(507)**	**(1,152)**	**4,748**
Income tax (expense)/benefit	(1,183)	(320)	(241)	(239)	3	(158)	(2,138)
Net profit attributable to NCI	-	-	-	-	(2)	-	(2)
Cash earnings	**2,746**	**734**	**332**	**612**	**(506)**	**(1,310)**	**2,608**
Net cash earnings adjustments	-	-	-	7	(31)	(294)	(318)
Net profit attributable to owners of WBC	**2,746**	**734**	**332**	**619**	**(537)**	**(1,604)**	**2,290**
Balance sheet							
Loans	389,793	140,698	66,192	81,434	14,942	-	693,059
Deposits and other borrowings	219,259	151,939	102,851	68,473	9,260	39,349	591,131

1. Included in the Westpac Institutional Bank division in operating expenses is $1,192 million relating to impairment of assets (including goodwill and other intangible assets) for Full Year 2021 (Full Year 2020: $Nil). For Specialist Businesses division, impairment of assets (including goodwill and other intangible assets) is $141 million for Full Year 2021 (Full Year 2020: $571 million). For other divisions, there is no impairment of goodwill and impairment of other intangibles assets is not material.
2. Specialist Businesses excludes balances presented as held for sale (refer to Note 17 for further details).

Notes to the consolidated financial statements

Note 2. Segment reporting (continued)

Reconciliation of cash earnings to net profit attributable to owners of WBC

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Cash earnings	**1,815**	**3,537**	**(49)**	**5,352**	**2,608**	**105**
Cash earnings adjustments						
Fair value (gain)/loss) on economic hedges	184	(46)	large	138	(362)	large
Ineffective hedges	16	(48)	large	(32)	61	large
Adjustments related to Pendal	-	-	-	-	(31)	(100)
Treasury shares	-	-	-	-	14	(100)
Total cash earnings adjustment (post-tax)	**200**	**(94)**	**large**	**106**	**(318)**	**large**
Net profit attributable to owners of WBC	**2,015**	**3,443**	**(41)**	**5,458**	**2,290**	**138**

Note 3. Net interest income

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Interest income[1]						
Calculated using the effective interest rate method						
Cash and balances with central banks	15	15	-	30	135	(78)
Collateral paid	6	10	(40)	16	75	(79)
Investment securities	574	626	(8)	1,200	1,521	(21)
Loans	10,063	10,693	(6)	20,756	24,848	(16)
Other financial assets	-	2	(100)	2	17	(88)
Assets held for sale	63	65	(3)	128	-	-
Total interest income calculated using the effective interest rate method	**10,721**	**11,411**	**(6)**	**22,132**	**26,596**	**(17)**
Other						
Net ineffectiveness on qualifying hedges	22	(68)	large	(46)	87	large
Trading securities and financial assets measured at FVIS and loans	101	91	11	192	364	(47)
Assets held for sale	-	-	-	-	-	-
Total other	**123**	**23**	**large**	**146**	**451**	**(68)**
Total interest income	**10,844**	**11,434**	**(5)**	**22,278**	**27,047**	**(18)**
Interest expense						
Calculated using the effective interest rate method						
Collateral received	(2)	(2)	-	(4)	(26)	(85)
Deposits and other borrowings	(730)	(1,071)	(32)	(1,801)	(4,652)	(61)
Debt issues	(904)	(957)	(6)	(1,861)	(2,907)	(36)
Loan capital	(440)	(409)	8	(849)	(800)	6
Other financial liabilities	(83)	(29)	186	(112)	(98)	14
Liabilities held for sale	(3)	(8)	(63)	(11)	-	-
Total interest expense calculated using the effective interest rate method	**(2,162)**	**(2,476)**	**(13)**	**(4,638)**	**(8,483)**	**(45)**
Other						
Deposits and other borrowings	(31)	(36)	(14)	(67)	(402)	(83)
Trading liabilities[2]	157	(279)	large	(122)	(787)	(84)
Debt issues	(35)	(29)	21	(64)	(107)	(40)
Bank Levy	(197)	(195)	1	(392)	(408)	(4)
Other interest expense	(66)	(70)	(6)	(136)	(164)	(17)
Liabilities held for sale	-	(1)	(100)	(1)	-	-
Total other	**(172)**	**(610)**	**(72)**	**(782)**	**(1,868)**	**(58)**
Total interest expense	**(2,334)**	**(3,086)**	**(24)**	**(5,420)**	**(10,351)**	**(48)**
Total net interest income	**8,510**	**8,348**	**2**	**16,858**	**16,696**	**1**

1. Interest income included items relating to compliance, regulation and remediation costs recognised as an addition in interest income of $106 million (First Half 2021: $49 million addition, Second Half 2021: $57 million addition; Full Year 2020: $170 million reduction). Refer to Note 14 for further details.
2. Includes net impact of Treasury balance sheet management activities.

Notes to the consolidated financial statements

Note 4. Non-interest income[1]

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net fee income						
Facility fees	348	369	(6)	717	731	(2)
Transaction fees	501	492	2	993	1,021	(3)
Other non-risk fee income	47	(47)	large	-	48	(100)
Fee income	**896**	**814**	**10**	**1,710**	**1,800**	**(5)**
Credit card loyalty programs	(46)	(55)	(16)	(101)	(102)	(1)
Transaction fee related expenses	(68)	(59)	15	(127)	(106)	20
Fee expenses	**(114)**	**(114)**	**-**	**(228)**	**(208)**	**10**
Net fee income	**782**	**700**	**12**	**1,482**	**1,592**	**(7)**
Net wealth management and insurance income						
Net wealth management income	**346**	**311**	**11**	**657**	**631**	**4**
Life insurance premium income	548	529	4	1,077	1,297	(17)
General insurance and lenders mortgage insurance (LMI) net premiums earned	131	256	(49)	387	499	(22)
Life insurance investment and other income[2]	36	23	57	59	64	(8)
General insurance and LMI investment and other income	39	37	5	76	42	81
Total insurance premium, investment and other income	**754**	**845**	**(11)**	**1,599**	**1,902**	**(16)**
Life insurance claims, changes in life insurance liabilities and other expenses	(439)	(328)	34	(767)	(1,284)	(40)
General insurance and LMI claims and other expenses	(48)	(230)	(79)	(278)	(498)	(44)
Total insurance claims, changes in life insurance liabilities and other expenses	**(487)**	**(558)**	**(13)**	**(1,045)**	**(1,782)**	**(41)**
Net wealth management and insurance income	**613**	**598**	**3**	**1,211**	**751**	**61**
Trading income	**277**	**442**	**(37)**	**719**	**895**	**(20)**
Other income						
Dividends received from other entities	2	2	-	4	1	large
Net gain/(loss) on sale/derecognition of associates	36	7	large	43	316	(86)
Net gain/(loss) on disposal of assets	(3)	10	large	7	11	(36)
Net gain/(loss) on hedging overseas operations	(2)	(6)	(67)	(8)	-	-
Net gain/(loss) on derivatives held for risk management purposes[3]	-	4	(100)	4	4	-
Net gain/(loss) on financial instruments measured at fair value	75	580	(87)	655	(78)	large
Net gain/(loss) on disposal of controlled entities and other businesses	188	-	-	188	-	-
Rental income on operating leases	19	22	(14)	41	54	(24)
Share of associates' net profit/(loss)	(3)	(3)	-	(6)	(23)	(74)
Other	42	(18)	large	24	(36)	large
Total other income	**354**	**598**	**(41)**	**952**	**249**	**large**
Total non-interest income	**2,026**	**2,338**	**(13)**	**4,364**	**3,487**	**25**

1. Non-interest income included items relating to compliance, regulation and remediation costs recognised as a reduction in non-risk fee income, net wealth management income and other income for of $320 million (First Half 2021: $231 million, Second Half 2021: $89 million, Full Year 2020: $225 million). Refer to Note 14 for further details.
2. Includes policyholder tax recoveries.
3. Income from derivatives held for risk management purposes reflects the impact of economic hedges of earnings.

Notes to the consolidated financial statements

Note 5. Operating expenses[1]

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Staff expenses						
Employee remuneration, entitlements and on-costs	2,897	2,472	17	5,369	4,428	21
Superannuation expense	244	231	6	475	413	15
Share-based payments	51	46	11	97	80	21
Restructuring costs	71	22	large	93	94	(1)
Total staff expenses	**3,263**	**2,771**	**18**	**6,034**	**5,015**	**20**
Occupancy expenses						
Lease expense	91	73	25	164	148	11
Depreciation and impairment of property and equipment	526	429	23	955	708	35
Other	50	57	(12)	107	160	(33)
Total occupancy expenses	**667**	**559**	**19**	**1,226**	**1,016**	**21**
Technology expenses						
Amortisation and impairment of software assets[2]	723	517	40	1,240	970	28
Depreciation and impairment of IT equipment	142	118	20	260	272	(4)
Technology services	422	398	6	820	698	17
Software maintenance and licences	297	234	27	531	398	33
Telecommunications	88	93	(5)	181	216	(16)
Data processing	51	45	13	96	89	8
Total technology expenses	**1,723**	**1,405**	**23**	**3,128**	**2,643**	**18**
Other expenses						
Professional and processing services	682	728	(6)	1,410	1,374	3
Amortisation and impairment of intangible assets and deferred expenditure	509	90	large	599	523	15
Postage and stationery	82	74	11	156	164	(5)
Advertising	104	116	(10)	220	217	1
Non-lending losses	156	78	100	234	1,443	(84)
Other	128	176	(27)	304	344	(12)
Total other expenses	**1,661**	**1,262**	**32**	**2,923**	**4,065**	**(28)**
Total operating expenses	**7,314**	**5,997**	**22**	**13,311**	**12,739**	**4**

1. Operating expenses included estimated costs associated with AUSTRAC proceedings of $nil, (First Half 2021: $nil, Second Half 2021: $nil, Full Year 2020: $1,478 million). Full Year 2020 included a provision for a penalty of $1,300 million). They also included compliance, regulation and remediation costs of $359 million (First Half 2021: $198 million, Second Half 2021: $161 million, Full Year 2020: $317 million). Refer to Note 14 for further details.
2. These balances included impairment of capitalised software assets for 2021 of $485 million (First Half 2021: $133 million, Second Half 2021: $352 million, Full Year 2020: $171 million).

Notes to the consolidated financial statements

Note 6. Income tax

The following table reconciles income tax expense to the profit before income tax:

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Profit before income tax expense	**3,440**	**5,061**	**(32)**	**8,501**	**4,266**	**99**
Tax at the Australian company tax rate of 30%	1,032	1,518	(32)	2,550	1,280	99
The effect of amounts which are not deductible/ (assessable) in calculating taxable income:						
Hybrid capital distributions	31	28	11	59	56	5
Life insurance:						
Tax adjustment on policyholder earnings	1	2	(50)	3	(17)	large
Adjustment for life business tax rates	-	-	-	-	1	(100)
Other non-assessable items	(4)	(2)	100	(6)	(3)	100
Other non-deductible items	176	76	132	252	585	(57)
Adjustment for overseas tax rates	(6)	(10)	(40)	(16)	16	large
Income tax (over)/under provided in prior periods	1	2	(50)	3	1	200
Other items	191	2	large	193	55	large
Total income tax expense[1]	**1,422**	**1,616**	**(12)**	**3,038**	**1,974**	**54**
Effective income tax rate	**41.34%**	**31.93%**	**large**	**35.74%**	**46.27%**	**large**

Note 7. Earnings per share

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

	Half Year Sept 2021		Half Year March 2021		Full Year Sept 2021		Full Year Sept 2020	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net profit attributable to owners of WBC ($m)	**2,015**	**2,015**	**3,443**	**3,443**	**5,458**	**5,458**	**2,290**	**2,290**
Adjustment for RSP dividends ($m)[2]	(1)	-	(1)	-	(2)	-	(2)	(2)
Adjustment for potential dilution:								
Distributions to convertible loan capital holders ($m)[3]	-	109	-	109	-	218	-	-
Adjusted net profit attributable to owners of WBC ($m)	**2,014**	**2,124**	**3,442**	**3,552**	**5,456**	**5,676**	**2,288**	**2,288**
Weighted average number of ordinary shares (millions)								
Weighted average number of ordinary shares on issue	3,669	3,669	3,644	3,644	3,657	3,657	3,595	3,595
Treasury shares (including RSP share rights)[2]	(3)	(3)	(3)	(3)	(4)	(4)	(5)	(5)
Adjustment for potential dilution:								
Share-based payments	-	4	-	3	-	4	-	1
Convertible loan capital[3]	-	323	-	468	-	461	-	-
Adjusted weighted average number of ordinary shares	**3,666**	**3,993**	**3,641**	**4,112**	**3,653**	**4,118**	**3,590**	**3,591**
Earnings per ordinary share (cents)	**54.9**	**53.2**	**94.5**	**86.4**	**149.4**	**137.8**	**63.7**	**63.7**

1. As the Bank levy is not a levy on income, it is not included in income tax. It is included in Note 3.
2. Some shares under the RSP have not vested and are not outstanding ordinary shares but do receive dividends. These RSP dividends are deducted to show the profit attributable to ordinary shareholders. Shares under the RSP were dilutive in Second Half 2021 and Full Year 2021 (First Half 2021: dilutive, Full Year 2020: antidilutive).
3. The Group has issued convertible loan capital which may convert into ordinary shares in the future. These convertible loan capital instruments are potentially dilutive instruments, and diluted EPS is therefore calculated as if the instruments had been converted at the beginning of the respective period or, if later, the instruments' issue date. In Second Half 2021 and Full Year 2021, all convertible loan capital instruments were dilutive (First Half 2021: dilutive, Full Year 2020: antidilutive).

Notes to the consolidated financial statements

Note 8. Average balance sheet and interest rates

	Full Year Sept 2021			Full Year Sept 2020		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earnings assets						
Collateral paid	12,228	16	0.1	15,732	75	0.5
Trading securities and financial assets measured at FVIS	23,791	192	0.8	29,629	359	1.2
Investment securities	87,709	1,200	1.4	78,181	1,521	1.9
Loans and other receivables[1]	691,585	20,742	3.0	698,176	25,092	3.6
Assets held for sale	4,143	128	3.1	-	-	-
Total interest earning assets and interest income	**819,456**	**22,278**	**2.7**	**821,718**	**27,047**	**3.3**
Non-interest earning assets						
Derivative financial instruments	20,305			31,334		
Life insurance assets	226			4,614		
Assets held for sale	4,590			-		
All other assets[2]	61,478			62,414		
Total non-interest earning assets	**86,599**			**98,362**		
Total assets	**906,055**			**920,080**		
Liabilities						
Interest bearing liabilities						
Collateral received	6,186	4	0.1	7,581	26	0.3
Repurchased agreements[3]	33,586	56	0.2	16,500	74	0.4
Deposits and other borrowings	531,351	1,868	0.4	518,633	5,054	1.0
Loan capital	26,594	849	3.2	22,711	800	3.5
Other interest bearing liabilities[3,4]	137,284	2,631	1.9	180,216	4,397	2.4
Liabilities held for sale	1,335	12	0.9	-	-	-
Total interest bearing liabilities and interest expense	**736,336**	**5,420**	**0.7**	**745,641**	**10,351**	**1.4**
Non-interest bearing liabilities						
Deposits and other borrowings	62,025			54,892		
Derivative financial instruments	20,612			33,249		
Life insurance liabilities	253			2,999		
Liabilities held for sale	2,728			-		
All other liabilities[5]	13,202			15,233		
Total non-interest bearing liabilities	**98,820**			**106,373**		
Total liabilities	**835,156**			**852,014**		
Shareholders' equity	70,849			68,014		
NCI	50			52		
Total equity	**70,899**			**68,066**		
Total liabilities and equity	**906,055**			**920,080**		
Loans and other receivables[1]						
Australia	585,416	17,859	3.1	585,643	21,315	3.6
New Zealand	91,732	2,747	3.0	85,184	3,237	3.8
Other overseas	14,437	136	0.9	27,349	540	2.0
Deposits and other borrowings						
Australia	457,675	1,400	0.3	435,877	3,745	0.9
New Zealand	60,066	418	0.7	57,096	882	1.5
Other overseas	13,610	50	0.4	25,660	427	1.7

1. Loans and other receivables are net of Stage 3 provision for expected credit losses (ECL), where interest income is determined based on their carrying value. Stages 1 and 2 provisions for ECL are not included in the average interest earning assets balance, as interest income is determined based on the gross value of loans and other receivables.
2. Includes property and equipment, intangible assets, deferred tax assets, non-interest bearing loans relating to mortgage offset accounts and all other non-interest earning assets.
3. Repurchased agreements, previously included in Other interest bearing liabilities, have been separately disclosed. Comparatives have been restated.
4. Includes net impact of Treasury balance sheet management activities and the Bank levy.
5. Includes other financial liabilities, provisions, current and deferred tax liabilities and all other non-interest bearing liabilities.

Notes to the consolidated financial statements

Note 9. Loans

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Australia					
Housing	455,604	443,557	440,933	3	3
Personal	14,737	16,458	17,081	(10)	(14)
Business	148,453	142,965	147,584	4	1
Total Australia	**618,794**	**602,980**	**605,598**	**3**	**2**
New Zealand					
Housing	58,081	53,530	51,126	9	14
Personal	1,175	1,293	1,360	(9)	(14)
Business	29,991	29,119	29,864	3	-
Total New Zealand	**89,247**	**83,942**	**82,350**	**6**	**8**
Total other overseas	**6,332**	**6,209**	**10,713**	**2**	**(41)**
Total loans	**714,373**	**693,131**	**698,661**	**3**	**2**
Provision for ECL on loans (Note 10)	(4,589)	(4,913)	(5,602)	(7)	(18)
Total net loans[1,2]	**709,784**	**688,218**	**693,059**	**3**	**2**

Note 10. Provision for expected credit losses

Loans and credit commitments

The following table shows the provisions for ECL on loans and credit commitments by stage:

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Performing - Stage 1	936	1,022	1,084	(8)	(14)
Performing - Stage 2	2,091	2,568	2,875	(19)	(27)
Non-performing - Stage 3	1,972	1,892	2,173	4	(9)
Total provisions for ECL on loans and credit commitments	**4,999**	**5,482**	**6,132**	**(9)**	**(18)**
Presented as:					
Provision for ECL on loans (Note 9)	4,589	4,913	5,602	(7)	(18)
Provision for ECL on loans included in assets held for sale (Note 17)	7	85	-	(92)	-
Provision for ECL on credit commitments (Note 14)	401	477	530	(16)	(24)
Provision for ECL on credit commitments included in liabilities held for sale (Note 17)	2	7	-	(71)	-
Total provisions for ECL on loans and credit commitments	**4,999**	**5,482**	**6,132**	**(9)**	**(18)**
Of which:					
Individually assessed provisions	832	564	611	48	36
Collectively assessed provisions	4,167	4,918	5,521	(15)	(25)
Total provisions for ECL on loans and credit commitments	**4,999**	**5,482**	**6,132**	**(9)**	**(18)**
Gross loans and credit commitments	915,486	893,738	895,602	2	2
Coverage ratio on loans (%)	0.64%	0.72%	0.80%	(8 bps)	(16 bps)
Coverage ratio on loans and credit commitments (%)	0.55%	0.61%	0.68%	(6 bps)	(13 bps)

1. Total net loans included securitised loans of $4,829 million as at 30 September 2021 (31 March 2021: $6,144 million, 30 September 2020: $7,367 million). The level of securitised loans excludes loans where Westpac is the holder of related debt securities.
2. Total net loans included assets pledged for the covered bond programs of $26,921 million as at 30 September 2021 (31 March 2021: $33,841 million, 30 September 2020: $37,222 million).

Notes to the consolidated financial statements

Note 10. Provision for expected credit losses (continued)

Movement in provision for ECL on loans and credit commitments

The reconciliation of the provision for ECL tables for loans and credit commitments has been determined by an aggregation of monthly movements over the year. The key line items in the reconciliation represent the following:

- The "Transfers between stages" lines represent transfers between Stage 1, Stage 2 and Stage 3 prior to remeasurement of the provision for ECL.
- The "Business activity during the year" line represents new accounts originated during the year net of those that were derecognised due to final repayments during the year.
- The "Net remeasurement of provision for ECL" line represents the impact on the provision for ECL due to changes in credit quality during the year (including transfers between stages), changes due to forward-looking economic scenarios, overlays and partial repayments and additional drawdowns on existing facilities over the year.
- "Write-offs" represent a reduction in the provision for ECL as a result of derecognition of exposures where there is no reasonable expectation of full recovery.

$m	Performing Stage 1	Performing Stage 2	Non-performing Stage 3	Total
Balance as at 30 September 2020	**1,084**	**2,875**	**2,173**	**6,132**
Transfers to Stage 1	695	(662)	(33)	-
Transfers to Stage 2	(112)	719	(607)	-
Transfers to Stage 3	(3)	(244)	247	-
Business activity during the period	52	(107)	(171)	(226)
Net remeasurement of provision for ECL	(689)	(8)	688	(9)
Write-offs	-	-	(431)	(431)
Exchange rate and other adjustments	(5)	(5)	26	16
Balance as at 31 March 2021	**1,022**	**2,568**	**1,892**	**5,482**
Transfers to Stage 1	551	(466)	(85)	-
Transfers to Stage 2	(88)	571	(483)	-
Transfers to Stage 3	(5)	(263)	268	-
Business activity during the period	70	(116)	(172)	(218)
Net remeasurement of provision for ECL	(595)	(192)	915	128
Write-offs	-	-	(405)	(405)
Exchange rate and other adjustments	(19)	(11)	42	12
Balance as at 30 September 2021	**936**	**2,091**	**1,972**	**4,999**

The following table provides further details of the provision for ECL by class and stage:

$m	Performing Stage 1	Performing Stage 2	Non-performing Stage 3	Total
Housing	192	747	977	1,916
Personal	216	408	232	856
Business	676	1,720	964	3,360
Balance as at 30 September 2020	**1,084**	**2,875**	**2,173**	**6,132**
Housing	180	704	830	1,714
Personal	184	331	208	723
Business	658	1,533	854	3,045
Balance as at 31 March 2021	**1,022**	**2,568**	**1,892**	**5,482**
Housing	160	741	607	1,508
Personal	153	355	174	682
Business	623	995	1,191	2,809
Balance as at 30 September 2021	**936**	**2,091**	**1,972**	**4,999**

Notes to the consolidated financial statements

Note 10. Provision for expected credit losses (continued)

Impact of portfolio overlays on the provision for ECL

The following table attributes the breakup between modelled ECL and other portfolio overlays.

Where there is increased uncertainty regarding the required forward-looking economic conditions, or areas of potential risk, including significant uncertainty, not captured in the underlying modelled ECL, portfolio overlays are used to capture that risk.

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020
Modelled provision for ECL	4,352	4,580	5,480
Portfolio Overlays	647	902	652
Total provision for ECL	**4,999**	**5,482**	**6,132**

Details of these changes related to forward-looking economic inputs and portfolio overlays, which are based on reasonable and supportable information up to the date of this report are provided below.

Modelled provision for ECL

The modelled provision for ECL is a probability weighted estimate based on three scenarios which together are representative of the Group's view of the forward-looking distribution of potential loss outcomes. The change in provisions as a result of changes in modelled ECL or overlays are reflected through the "Net remeasurement of provision for ECL" line.

The base case scenario uses current Westpac Economics forecasts and reflects the latest available forward-looking economic inputs which shows a deterioration in the short term due to the impact of recent lockdowns, with a subsequent recovery.

Westpac Economics forecasts assume the following:

Key macroeconomic assumptions for base case scenario	30 September 2021	31 March 2021	30 September 2020
Annual GDP	Forecast growth of 0.1% for calendar year 2021 and 7.4% for calendar year 2022	Forecast growth of 4% for calendar year 2021 and 3% for calendar year 2022.	Forecast growth of 2.5% for calendar year 2021.
Commercial property index	Forecast price contraction of 0.7% for calendar year 2021 and 4.7% for calendar year 2022	Forecast price contraction of 15% for calendar year 2021.	Forecast price contraction of 19.3% for calendar year 2021.
Residential property prices	Forecast price appreciation of 11.8% for calendar year 2021 and 5.0% for calendar year 2022	Forecast annualised price growth of 10% for both calendar years 2021 and 2022.	Forecast price contraction of 0.4% for calendar year 2021.
Cash rate	Forecast to remain at 10bps over calendar years 2021 and 2022	Forecast to remain at 10 bps over calendar years 2021 and 2022.	Forecast to remain at 10 bps over calendar year 2021.
Unemployment rate:			
Australia	Forecast rate of 5.4% at December 2021 and 4% at December 2022	Forecast rate of 6% at December 2021.	Forecast to peak at 7.9% (February 2021) and fall to 7.5% at December 2021.
New Zealand	Forecast rate of 4.2% at December 2021 and 3.5% at December 2022	Forecast rate of 4.9% at December 2021.	Forecast to peak at 7% (December 2020) and then fall to 6.4% at December 2021.

The downside scenario is a more severe scenario with expected credit losses higher than the base case scenario. The more severe loss outcome for the downside is generated under a recession scenario in which the combination of negative GDP growth, declines in commercial and residential property prices and an increase in the unemployment rate simultaneously impact expected credit losses across all portfolios from the reporting date. The assumptions in this scenario and relativities to the base case scenario will be monitored having regard to the emerging economic conditions and updated where necessary. The upside scenario represents a modest improvement to the base case.

Notes to the consolidated financial statements

Note 10. Provision for expected credit losses (continued)

The following sensitivity table shows the reported provision for ECL based on the probability weighted scenarios and what the provisions for ECL would be assuming a 100% weighting is applied to the base case scenario and to the downside scenario (with all other assumptions, including customer risk grades, held constant).

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020
Reported probability-weighted ECL	4,999	5,482	6,132
100% base case ECL	3,411	3,902	4,750
100% downside ECL	7,399	7,865	8,315

If 1% of the Stage 1 gross exposure from loans and credit commitments (calculated on a 12 month ECL) was reflected in Stage 2 (calculated on a lifetime ECL) the provision for ECL would increase by $252 million (31 March 2021: $244 million, 30 September 2020: $296 million) for the Group based on applying the average provision coverage ratios by stage to the movement in the gross exposure by stage.

The following table indicates the weightings applied by the Group at 30 September 2021, 31 March 2021 and 30 September 2020:

Macroeconomic scenario weightings (%)	30 Sept 2021	31 March 2021	30 Sept 2020
Upside	5.0	5.0	5.0
Base	55.0	55.0	55.0
Downside	40.0	40.0	40.0

Given the uncertainty associated with the economic impacts of COVID-19, including from the potential for further outbreaks and from the unwinding of stimulus and support measures, the Group has maintained the weights applied to its upside, base case and downside scenarios (5% upside; 55% base; and 40% downside) as well as applying judgement in the calculation of overlays.

Portfolio overlays

Portfolio overlays are used to address areas of potential risk, including significant uncertainty, not captured in the underlying modelled ECL. Determination of portfolio overlays requires expert judgement and is thoroughly documented and subject to comprehensive internal governance and oversight. If the risk of delayed losses is judged to have dissipated or actual stress emerges, the overlay will be removed or reduced.

The Group's total overlays at 30 September 2021 were $647 million ($902 million at 31 March 2021, $652 million at 30 September 2020), of which $557 million relates to COVID-19 impacts and $90 million relates to overlays for other risks ($827 million and $75 million at 31 March 2021, $577 million and $75 million at 30 September 2020 respectively).

Reconciliation of impairment charges

$m	Half Year Sept 2021	Half Year March 2021	Full Year Sept 2021	Full Year Sept 2020
Loans and credit commitments:				
Business activity during the period	(218)	(226)	(444)	195
Net remeasurement of the provision for ECL	128	(9)	119	3,156
Impairment charges for debt securities at amortised cost	(19)	(6)	(25)	18
Impairment charges for debt securities at FVOCI	1	1	2	2
Recoveries	(110)	(132)	(242)	(193)
Impairment charges/(benefits)	**(218)**	**(372)**	**(590)**	**3,178**

Notes to the consolidated financial statements

Note 11. Credit quality

Credit risk ratings system

The principal objective of the credit risk rating system is to reliably assess the credit risk to which the Group is exposed. The Group has two main approaches to this assessment.

Transaction-managed customers

Transaction managed customers are generally customers with business lending exposures. They are individually assigned a Customer Risk Grade (CRG), corresponding to their expected probability of default (PD). Each facility is assigned a loss given default (LGD). The Group's risk rating system has a tiered scale of risk grades for both non-defaulted customers and defaulted customers. Non-defaulted CRGs are mapped to Moody's and S&P Global Ratings (S&P) external senior unsecured ratings.

The table below shows Westpac's high level CRGs for transaction-managed portfolios mapped to the Group's credit quality disclosure categories and to their corresponding external rating.

		Transaction-managed	
Financial statement disclosure	**Westpac CRG**	**Moody's Rating**	**S&P Rating**
Strong	A	Aaa – Aa3	AAA – AA–
	B	A1 – A3	A+ – A–
	C	Baa1 – Baa3	BBB+ – BBB–
Good/satisfactory	D	Ba1 – B1	BB+ – B+
		Westpac Rating	
Weak	E	Watchlist	
	F	Special Mention	
Weak/default/non-performing	G	Substandard/Default	
	H	Default	

Program-managed portfolio

The program-managed portfolio generally includes retail products including mortgages, personal lending (including credit cards) as well as SME lending. These customers are grouped into pools of similar risk. Pools are created by analysing similar risk characteristics that have historically predicted that an account is likely to go into default. Customers grouped according to these predictive characteristics are assigned a PD and LGD relative to their pool. The credit quality of these pools is based on a combination of behavioural factors, delinquency trends, PD estimates and loan to valuation ratio (housing loans only).

The following table shows the credit quality of loans and undrawn credit commitments:

Notes to the consolidated financial statements

Note 11. Credit quality (continued)

	As at 30 Sept 2021				As at 31 March 2021				As at 30 Sept 2020			
$m	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans - housing												
Strong	398,043	21,165	-	419,208	394,406	6,679	-	401,085	382,892	6,629	-	389,521
Good/satisfactory	55,631	17,851	-	73,482	62,371	14,499	-	76,870	62,324	20,603	-	82,927
Weak	3,245	12,659	5,461	21,365	4,509	8,912	5,722	19,143	4,122	8,258	7,643	20,023
Total loans - housing	**456,919**	**51,675**	**5,461**	**514,055**	**461,286**	**30,090**	**5,722**	**497,098**	**449,338**	**35,490**	**7,643**	**492,471**
Loans - personal												
Strong	4,608	69	-	4,677	5,020	105	-	5,125	4,768	146	-	4,914
Good/satisfactory	8,780	1,327	-	10,107	10,188	1,034	-	11,222	10,607	1,515	-	12,122
Weak	310	539	286	1,135	464	606	334	1,404	404	631	381	1,416
Total loans - personal	**13,698**	**1,935**	**286**	**15,919**	**15,672**	**1,745**	**334**	**17,751**	**15,779**	**2,292**	**381**	**18,452**
Loans - business												
Strong	71,336	446	-	71,782	62,004	1,947	-	63,951	65,091	2,063	-	67,154
Good/satisfactory	93,457	10,674	-	104,131	91,049	13,761	-	104,810	94,046	16,091	-	110,137
Weak	175	4,562	3,749	8,486	188	6,544	2,789	9,521	180	7,200	3,067	10,447
Total loans - business	**164,968**	**15,682**	**3,749**	**184,399**	**153,241**	**22,252**	**2,789**	**178,282**	**159,317**	**25,354**	**3,067**	**187,738**
Held for sale loans												
Strong	180	-	-	180	48	5	-	53	-	-	-	-
Good/satisfactory	786	56	-	842	1,229	243	-	1,472	-	-	-	-
Weak	-	-	-	-	12	266	101	379	-	-	-	-
Total held for sale loans	**966**	**56**	**-**	**1,022**	**1,289**	**514**	**101**	**1,904**	**-**	**-**	**-**	**-**
Undrawn credit commitments[1]												
Strong	153,712	1,546	-	155,258	150,965	2,741	-	153,706	149,778	2,384	-	152,162
Good/satisfactory	38,377	5,119	-	43,496	38,891	4,484	-	43,375	38,121	4,713	-	42,834
Weak	130	933	274	1,337	133	1,253	236	1,622	117	1,608	220	1,945
Total undrawn credit commitments	**192,219**	**7,598**	**274**	**200,091**	**189,989**	**8,478**	**236**	**198,703**	**188,016**	**8,705**	**220**	**196,941**

1. Includes credit commitments on held for sale assets of $828 million as at 30 September 2021 (31 March 2021: $439 million, 30 September 2020: $Nil).

Notes to the consolidated financial statements

Note 12. Deposits and other borrowings[1]

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Australia					
Certificates of deposit	31,506	26,273	25,647	20	23
Non-interest bearing, repayable at call	52,819	49,467	48,303	7	9
Other interest bearing at call	345,416	315,218	304,761	10	13
Other interest bearing term	102,775	110,470	125,820	(7)	(18)
Total Australia	**532,516**	**501,428**	**504,531**	**6**	**6**
New Zealand					
Certificates of deposit	3,293	3,020	2,773	9	19
Non-interest bearing, repayable at call	14,066	12,588	10,711	12	31
Other interest bearing at call	31,354	29,022	26,300	8	19
Other interest bearing term	27,042	26,389	28,689	2	(6)
Total New Zealand	**75,755**	**71,019**	**68,473**	**7**	**11**
Other overseas					
Certificates of deposit	11,839	7,859	7,258	51	63
Non-interest bearing, repayable at call	919	-	868	-	6
Other interest bearing at call	1,751	753	1,864	133	(6)
Other interest bearing term	4,175	4,342	8,137	(4)	(49)
Total other overseas	**18,684**	**12,954**	**18,127**	**44**	**3**
Total deposits and other borrowings	**626,955**	**585,401**	**591,131**	**7**	**6**

1. Non-interest bearing relates to instruments which do not carry a rate of interest.

Notes to the consolidated financial statements

Note 13. Fair values of financial assets and financial liabilities

Fair Valuation Control Framework

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

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

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

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

Fair value hierarchy

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

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

Valuation techniques

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

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

Level 1 instruments (Level 1)

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

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

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

Notes to the consolidated financial statements

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

Level 2 instruments (Level 2)

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

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

Instrument	Balance sheet category	Includes	Valuation
Interest rate products	Derivatives	Interest rate and inflation swaps, swaptions, caps, floors, collars and other non-vanilla interest rate derivatives	Industry standard valuation models to calculate the expected future value of payments by product, which is discounted back to a present value. The model's interest rate inputs are benchmark and active quoted interest rates in the swap, bond and futures markets. Interest rate volatilities are sourced from brokers and consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.
FX products	Derivatives	FX swap, FX forward contracts, FX options and other non-vanilla FX derivatives	Derived from market observable inputs or consensus pricing providers using industry standard models.
Other credit products	Derivatives	Single name and index credit default swaps (CDS)	Valued using an industry standard model that incorporates the credit spread as its principal input. Credit spreads are obtained from consensus data providers. If consensus prices are not available, these are classified as Level 3 instruments.
Commodity products	Derivatives	Commodity and carbon derivatives	Valued using industry standard models. The models calculate the expected future value of deliveries and payments and discount them back to a present value. The model inputs include forward curves, volatilities implied from market observable inputs, discount curves and underlying spot and futures prices. The significant inputs are market observable or available through a consensus data service. If consensus prices are not available, these are classified as Level 3 instruments.
Equity products	Derivatives	Exchange traded equity options, OTC equity options and equity warrants	Due to low liquidity, exchange traded options are Level 2. Valued using industry standard models based on observable parameters such as stock prices, dividends, volatilities and interest rates.
Asset backed debt instruments	Trading securities and financial assets measured at FVIS Investment securities	Australian residential mortgage backed securities (RMBS) and other asset backed securities (ABS)	Valued using an industry approach to value floating rate debt with prepayment features. Australian RMBS are valued using prices sourced from a consensus data provider. If consensus prices are not available these are classified as Level 3 instruments.
Non-asset backed debt instruments	Trading securities and financial assets measured at FVIS Investment securities Other financial liabilities	State and other government bonds, corporate bonds and commercial paper Repurchase agreements and reverse repurchase agreements over non-asset backed debt securities	Valued using observable market prices, which are sourced from independent pricing services, broker quotes or inter-dealer prices.
Loans at fair value	Loans	Fixed rate bills and syndicated loans	Discounted cash flow approach, using a discount rate which reflects the terms of the instrument and the timing of cash flows, adjusted for creditworthiness, or expected sale amount.
Certificates of deposit	Deposits and other borrowings	Certificates of deposit	Discounted cash flow using market rates offered for deposits of similar remaining maturities.
Debt issues at fair value	Debt issues	Debt issues	Discounted cash flows, using a discount rate which reflects the terms of the instrument and the timing of cash flows adjusted for market observable changes in Westpac's implied credit worthiness.

Notes to the consolidated financial statements

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

Instrument	Balance sheet category	Includes	Valuation
Life insurance assets and liabilities	Life insurance assets included in assets held for sale Life insurance liabilities included in liabilities held for sale	Corporate bonds, OTC derivatives, units in unlisted unit trusts, life insurance contract liabilities, life investment contract liabilities and external liabilities of managed investment schemes controlled by statutory life funds	Valued using observable market prices or other widely used and accepted valuation techniques utilising observable market input.

Level 3 instruments (Level 3)

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

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

Instrument	Balance sheet category	Includes	Valuation
Debt instruments	Trading securities and financial assets measured at FVIS Investment securities	Certain ABS, offshore non-ABS and debt securities issued via private placement	These securities are evaluated by an independent pricing service or based on third party revaluations. Due to their illiquidity and/or complexity these are classified as Level 3 assets.
Equity instruments	Trading securities and financial assets measured at FVIS Investment securities	Strategic equity investments	Valued using valuation techniques appropriate to the instrument, including recent arm's length transactions where available, discounted cash flow approach or reference to the net assets of the entity. Due to their illiquidity, complexity and/or use of unobservable inputs into valuation models, they are classified as Level 3 assets.
Finance leases	Assets held for sale	Finance leases	Valuation reflects the expected sales price before transaction costs based on the terms of sales contract. As the expected sales price includes judgements regarding the estimation of variable consideration, they are classified as Level 3 assets.

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

$m	Level 1	Level 2	Level 3	Total
As at 30 Sept 2021				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	6,221	14,875	5	21,101
Derivative financial instruments	22	19,305	26	19,353
Investment securities	19,282	62,923	277	82,482
Loans	-	74	36	110
Assets held for sale	1,309	1,663	-	2,972
Total financial assets measured at fair value on a recurring basis	**26,834**	**98,840**	**344**	**126,018**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	46,665	-	46,665
Other financial liabilities	1,478	4,968	-	6,446
Derivative financial instruments	35	17,992	32	18,059
Debt issues	-	5,514	-	5,514
Liabilities held for sale	-	447	-	447
Total financial liabilities measured at fair value on a recurring basis	**1,513**	**75,586**	**32**	**77,131**

Notes to the consolidated financial statements

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

$m	Level 1	Level 2	Level 3	Total
As at 31 March 2021				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	5,579	14,749	600	20,928
Derivative financial instruments	26	22,335	12	22,373
Investment securities	17,792	72,778	368	90,938
Loans	-	108	20	128
Life insurance assets	119	3,297	-	3,416
Assets held for sale	-	282	7	289
Total financial assets measured at fair value on a recurring basis	**23,516**	**113,549**	**1,007**	**138,072**
Total financial assets measured at fair value on a non-recurring basis				
Assets held for sale	-	-	376	376
Total financial assets measured at fair value	**23,516**	**113,549**	**1,383**	**138,448**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	37,212	-	37,212
Other financial liabilities	225	3,632	-	3,857
Derivative financial instruments	31	20,253	19	20,303
Debt issues	-	5,639	-	5,639
Life insurance liabilities	-	1,070	-	1,070
Liabilities held for sale	-	-	6	6
Total financial liabilities measured at fair value on a recurring basis	**256**	**67,806**	**25**	**68,087**
As at 30 Sept 2020				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	8,059	32,387	221	40,667
Derivative financial instruments	10	23,353	4	23,367
Investment securities	18,032	72,370	153	90,555
Loans	-	540	21	561
Life insurance assets	617	2,976	-	3,593
Total financial assets measured at fair value on a recurring basis	**26,718**	**131,626**	**399**	**158,743**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	35,764	-	35,764
Other financial liabilities	420	4,229	-	4,649
Derivative financial instruments	10	23,031	13	23,054
Debt issues	-	5,333	-	5,333
Life insurance liabilities	-	1,396	-	1,396
Total financial liabilities measured at fair value on a recurring basis	**430**	**69,753**	**13**	**70,196**

Notes to the consolidated financial statements

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

Reconciliation of non-market observables

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

	Full Year Sept 2021					
$m	Trading securities and financial assets measured at FVIS	Investment Securities	Other[1]	Total Level 3 assets	Derivatives	Total Level 3 liabilities
Balance as at beginning of year	**221**	**153**	**25**	**399**	**13**	**13**
Gains/(losses) on assets/ (gains)/losses on liabilities recognised in:						
Income statement	548	-	20	568	16	16
Other comprehensive income	-	50	-	50	-	-
Acquisitions and issues	2	257	10	269	8	8
Disposals and settlements	(665)	(7)	(15)	(687)	(4)	(4)
Transfer into or out of non-market observables	(101)	(176)	22	(255)	(1)	(1)
Foreign currency translation impacts	-	-	-	-	-	-
Balance as at end of year	**5**	**277**	**62**	**344**	**32**	**32**
Unrealised gains/(losses) recognised in the income statement for financial instrument held as at end of year	3	-	25	28	(24)	(24)

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

Day one profit or loss

The closing balance of unrecognised day one profit for the period was $1 million (31 March 2021: $3 million, 30 September 2020: $4 million).

Financial instruments not measured at fair value

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

	As at Sept 2021		As at 31 March 2021		As at Sept 2020	
$m	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets not measured at fair value						
Cash and balances with central banks	71,353	71,353	33,877	33,877	30,129	30,129
Collateral paid	4,232	4,232	3,917	3,917	4,778	4,778
Investment securities	935	935	365	365	984	984
Loans	709,674	710,284	688,090	689,606	692,498	694,264
Other financial assets	6,394	6,394	3,312	3,312	5,474	5,474
Assets held for sale	1,041	1,041	3,208	3,208	-	-
Total financial assets not measured at fair value	**793,629**	**794,239**	**732,769**	**734,285**	**733,863**	**735,629**
Financial liabilities not measured at fair value						
Collateral received	2,368	2,368	2,504	2,504	2,250	2,250
Deposits and other borrowings	580,290	580,112	548,189	548,167	555,367	555,621
Other financial liabilities	43,863	43,863	39,139	39,139	36,276	36,276
Debt issues[2]	123,265	124,569	122,211	123,576	144,992	146,402
Loan capital[2]	29,067	30,147	26,294	27,137	23,949	23,934
Liabilities held for sale	28	28	2,208	2,208	-	-
Total financial liabilities not measured at fair value	**778,881**	**781,087**	**740,545**	**742,731**	**762,834**	**764,483**

A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 22 of the 2021 Annual Report.

1. Other is comprised of derivative financial assets and certain loans.
2. The estimated fair values of debt issues and loan capital include the impact of changes in Westpac's credit spreads since origination.

Notes to the consolidated financial statements

Note 14. Provisions, contingent liabilities, contingent assets and credit commitments

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

Provisions

	As at 30 September 2021							
$m	Long service leave	Annual leave and other employee benefits	Litigation and non-lending losses	Provisions for impairment on credit commitments	Lease restoration obligations	Restructuring and other provisions	Compliance, regulation and remediation provisions	Total
Balance as at beginning of year	**511**	**596**	**1,371**	**530**	**208**	**176**	**1,895**	**5,287**
Additions	92	986	155	-	4	371	889	2,497
Utilisation	(42)	(743)	(1,377)	-	(11)	(121)	(1,308)	(3,602)
Reversal of unutilised provisions	(22)	(25)	(27)	(127)	-	(50)	(316)	(567)
Other	-	-	-	-	-	-	-	-
Transferred to purchaser on settlement of assets and liabilities held for sale	(1)	-	(4)	-	-	-	(4)	(9)
Balances reclassified to liabilities held for sale (Note 17)	(7)	(11)	(1)	(2)	-	-	(14)	(35)
Balance as at end of year	**531**	**803**	**117**	**401**	**201**	**376**	**1,142**	**3,571**

Litigation and non-lending loss provisions

At 30 September 2020 the Group held a provision for penalties in relation to the AUSTRAC civil proceedings of $1,300 million. This penalty has subsequently been paid.

Compliance, regulation and remediation provisions

Provisions for the Full Year 2021 in respect of compliance, regulation and remediation include estimates of:

- customer refunds associated with matters of potential historical misconduct;
- costs of completing remediation programs; and
- potential non-lending losses and costs connected with certain litigation and regulatory investigations

The provisions held include estimated customer refunds and program costs associated with the following major customer remediation programs:

- certain ongoing advice service fees charged by the Group's salaried financial planners; and
- certain ongoing advice service fees charged by authorised representatives of the Group's wholly owned subsidiaries Securitor Financial Group Limited and Magnitude Group Pty Ltd.

During the year significant progress has been made towards finalising a number of the Group's major remediation programs, including those noted above relating to ongoing advice services. Given the progress made, the degree of estimation uncertainty inherent in these major remediation provisions has reduced significantly.

It is possible that the final outcome could be below or above the provision, if the actual outcome differs from the assumptions used in estimating the provision. Remediation processes may change over time as further facts emerge and such changes could result in a change to the final exposure.

Certain litigation and regulatory investigations

At 30 September 2021, the Group held provisions in respect of potential non-lending losses and costs connected with certain litigation and regulatory investigations including:

- ASIC proceedings in the Federal Court of Australia against Westpac in relation to the sale of consumer credit insurance (CCI) products to customers;
- a class action against BTFM and WLIS in the Federal Court of Australia in relation to aspects of BTFM's BT Super for Life former cash investment option;
- ASIC's investigation into the continued charging of advice service fees to customer accounts following the death of the relevant account holder;
- ASIC's investigation into the sale and assignment of credit card and flexi loan debts to third party debt purchasers;

Notes to the consolidated financial statements

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

- ASIC's investigation into Westpac's systems and processes in relation to accounts held by deregistered companies, and Westpac's approach to rectification and remediation of the relevant issues;
- ASIC's investigation into the adequacy of disclosure of contributions fees charged for certain of our products and services;
- ASIC's investigation into the provision of home and contents insurance, including where some customers received duplicate policies or were issued policies without their consent; and
- ASIC's investigation into arrangements concerning the provision of insurance to some superannuation customers (including the charging of adviser insurance commissions in superannuation).

Westpac is working with ASIC to accelerate the closure of the investigations described above, which is expected to involve Court proceedings.

Provisions for these matters have been recognised in circumstances where there remains considerable uncertainty as to the expenses that may be associated with each matter and, in particular, the approach a Court may take in assessing any appropriate penalties or damages. This includes where the parties may agree a proposed penalty or settlement amount and submit it to the Court on an agreed basis (which the Court would have regard to but not be obliged to accept). The actual aggregate expense to Westpac associated with either the agreed or court determined resolution of the matters may be materially higher or lower than the provision.

Restructuring provisions

The Group carries restructuring provisions in relation to changes in business restructures primarily for separation and redundancy costs. The primary increase in the current year relates to business sales entered into or completed during the year. Refer to Note 17 for further details.

Lease restoration obligations

The lease restoration provision reflects an estimate of the cost of making good leasehold premises at the end of the Group's property leases. The increase in the expected make-good cost has been treated as an addition to the right-of-use asset and is being depreciated over the remaining life of those assets.

Contingent liabilities

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

Regulatory investigations, reviews and inquiries

Regulators, statutory authorities and other bodies routinely conduct investigations, reviews and inquiries involving the financial services sector, both in Australia and overseas. These regulatory actions may consider a range of subject matters, and in Australia, a number of regulatory investigations and reviews are currently considering potential misconduct in relation to credit and financial services. Matters the subject of regulatory reviews are also assessed for their impact on customers, with customer remediation undertaken where appropriate in accordance with our Westpac Group Customer Remediation Policy.

Domestic regulators such as ASIC, APRA, ACCC, AUSTRAC, the OAIC, the ATO and the Fair Work Ombudsman, as well as certain international regulators such as the Reserve Bank of New Zealand, Financial Markets Authority and Commerce Commission in New Zealand and Hong Kong Monetary Authority are currently conducting investigations covering a range of matters involving the Group, that may include potential civil and criminal contraventions.

These include:

- investigations by the OAIC in relation to certain practices and systems for compliance with the *Privacy Act 1988* (Cth);
- the provision of superannuation (including the adequacy of arrangements for the provision of written reasons to complainants about the payment of death benefits, insurance in superannuation and compliance with the *Superannuation Industry (Supervision) Act 1993* in connection with MySuper investment performance); and
- other areas such as risk governance; RBNZ liquidity policy and associated risk culture; credit portfolio management; prudential standards compliance and anti-money laundering and counter-terrorism financing processes and procedures.

It is uncertain what (if any) actions will result following the conclusion of the investigations set out above. No provisions have yet been made in relation to any financial penalty that might arise in the event proceedings are pursued in relation to the matters outlined above, as any potential future liability of that kind cannot be reliably estimated at this time.

Notes to the consolidated financial statements

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

These investigations may result (or have resulted) in litigation (including class action proceedings and criminal proceedings), significant fines and penalties, infringement notices, enforceable undertakings, referral to the relevant Commonwealth or State Director of Public Prosecutions for consideration for criminal prosecution, imposition of capital or liquidity requirements, licence revocation or variation, or other action being taken by regulators or other parties. Given the size of Westpac, these investigations have in some instances resulted, and could in the future result, in findings of a significant number of breaches of obligations. This in turn could lead to significant financial and other penalties.

Litigation

There are ongoing Court proceedings, claims and possible claims for and against the Group. Contingent liabilities exist in respect of actual and potential claims and proceedings, including those listed below. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated, including in relation to those listed below. No provision has been recognised for potential losses that may arise in relation to the matters below because liability is not certain and cannot be reliably estimated.

Regulatory litigation

- On 5 May 2021, ASIC filed civil proceedings against Westpac alleging that it had engaged in insider trading and unconscionable conduct, and had failed to comply with its Australian Financial Services License obligations. The allegations relate to interest rate hedging activity during the course of Westpac's involvement in the 2016 Ausgrid privatisation transaction. Westpac has filed its Response to ASIC's Concise Statement.

Class actions

- Westpac is defending a class action proceeding which was commenced in December 2019 in the Federal Court of Australia on behalf of certain investors who acquired an interest in Westpac securities between 16 December 2013 and 19 November 2019. The proceeding involves allegations relating to market disclosure issues connected to Westpac's monitoring of financial crime over the relevant period and matters which were the subject of the recent AUSTRAC proceedings. The damages sought are unspecified. However, given the time period in question and the nature of the claims, it is likely that any alleged damages will be significant.
- On 28 February 2020, a class action was commenced against Westpac, Westpac General Insurance Limited and WLIS in the Federal Court of Australia in relation to Westpac's sale of CCI. The claim follows other industry class actions. It is alleged that the three entities failed to adhere to a number of obligations in selling CCI in conjunction with credit cards, personal loans and flexi loans. The damages sought are unspecified. The three entities are defending the proceedings.
- On 16 July 2020, a class action was commenced against Westpac and St George Finance Limited (SGF) in the Supreme Court of Victoria in relation to flex commissions paid to auto dealers from 1 March 2013 to 31 October 2018. This proceeding is one of two class actions commenced against a number of lenders in the auto finance industry. It is alleged that Westpac and SGF are liable for the unfair conduct of dealers acting as credit representatives and engaged in misleading or deceptive conduct. The damages sought are unspecified. Westpac and SGF are defending the proceedings. Another law firm publicly announced in July 2020 that it is preparing to commence a class action against Westpac entities for similar conduct. Westpac has not been served with a claim from that law firm on flex commissions. Westpac has not paid flex commissions since 1 November 2018 following an industry- wide ban issued by ASIC.

Westpac is aware from media reports and other publicly available material that other class actions against Westpac entities are being investigated. In July 2020, a law firm publicly stated that it intends to commence a class action against BTFM alleging that since 2014, BTFM did not act in the best interests of members of certain superannuation funds when obtaining group insurance policies. In August 2020, another law firm announced that it is investigating claims on behalf of persons who in the past 6 years acquired, renewed or continued to hold a financial product (including life insurance) on the advice or recommendation of a financial adviser from Magnitude Group, Securitor Financial Group or Westpac. Westpac has not been served with a claim in relation to either of these matters and has no further information about the proposed claims beyond the public statements issued by the law firms involved.

Exposures relating to divested businesses

The Group has potential exposures relating to warranties, indemnities and other commitments it has provided to other parties in connection with various divestments of businesses and assets and other transactions. The warranties, indemnities and other commitments cover a range of matters and risks, including certain compliance, regulatory investigations and litigation matters outlined in this Note 14.

Australian Financial Complaints Authority

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

Notes to the consolidated financial statements

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

Internal reviews and remediation

As in prior periods, Westpac is continuing to undertake a number of reviews to identify and resolve issues that have the potential to impact our customers, employees, other relevant stakeholders and reputation. These internal reviews continue to identify a number of issues in respect of which we are taking steps or will take steps to put things right so that our customers and employees (as applicable) are not disadvantaged from certain past practices, including making compensation/remediation payments and providing refunds where identified. These issues include, among other things, compliance with lending obligations (including responsible lending), payroll processes, regulatory reporting, compliance with client monies requirements and impacts from inadequate product governance including the way some product terms and conditions are operationalised.

The Group's APRA regulated insurer WLIS is reviewing premium increases on certain life insurance products following a number of customer complaints. This review relates to Product Disclosure Statements for life insurance products issued in the years 2010 to 2017. This is a complex review where the outcomes are currently uncertain. As such, there is a risk that customer remediation may be required in the future in relation to prior premium increases. The review will also consider the premium increases that can and should be made in the future and there is a risk that the outcomes of the review could impact the financial and/or capital position of WLIS.

In addition, our New Zealand business is reviewing its processes for some products relating to the requirements of the New Zealand *Credit Contracts and Consumer Finance Act 2003*. The outcome of this complex review is uncertain and could result in customer remediation, regulatory action and litigation.

By undertaking these reviews we can also improve our processes and controls. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements but cannot always be reliably estimated. Contingent liabilities may exist in respect of actual or potential claims or proceedings (which could be brought by customers, regulators or criminal prosecutors), compensation/remediation payments and/or refunds identified as part of these reviews.

Financial Claims Scheme

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

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

Contingent tax risk

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

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

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

Settlement risk

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

Parent Entity guarantees and undertakings

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

- letters of comfort for certain subsidiaries which recognise that Westpac has a responsibility that those subsidiaries continue to meet their obligations; and
- guarantees to certain wholly owned subsidiaries which are Australian financial services or credit licensees to comply with legislative requirements. All but two guarantees are capped at $20 million per year (with an automatic reinstatement for another $20 million) and two specific guarantees are capped at $2 million (with an automatic reinstatement for another $2 million).

Notes to the consolidated financial statements

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

Contingent assets

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

Undrawn credit commitments

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

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

The Group uses the same credit policies when entering into these arrangements as it does for on-balance sheet instruments. Refer to Note 21 of the 2021 Annual Report for further details of liquidity risk and credit risk management.

Undrawn credit commitments excluding derivatives are as follows:

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Undrawn credit commitments					
Letters of credit and guarantees[1]	11,323	11,528	12,610	(2)	(10)
Commitments to extend credit[2]	188,768	187,106	184,064	1	3
Other	-	69	267	(100)	(100)
Total undrawn credit commitments[3]	**200,091**	**198,703**	**196,941**	**1**	**2**

1. Standby letters of credit are undertakings to pay, against presentation documents, an obligation in the event of a default by a customer. Guarantees are unconditional undertakings given to support the obligations of a customer to third parties. The Group may hold cash as collateral for certain guarantees issued.
2. Commitments to extend credit include all obligations on the part of the Group to provide credit facilities. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. In addition to the commitments disclosed above, at 30 September 2021 the Group had offered $9.7billion (31 March 2021: $9.6 billion, 30 September 2020: $4.9 billion) of facilities to customers, which had not yet been accepted.
3. Included $0.8 billion (31 March 2021: $0.4 billion, 30 September 2020: nil) of undrawn credit commitments related to facilities which are held for sale.

Notes to the consolidated financial statements

Note 15. Shareholders' equity

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020
Share capital			
Ordinary share capital, fully paid	**41,601**	**41,604**	**40,509**
RSP treasury shares[1]	(661)	(658)	(618)
Other treasury shares[2]	55	55	55
Total treasury shares	**(606)**	**(603)**	**(563)**
Total share capital	**40,995**	**41,001**	**39,946**
NCI	**57**	**49**	**51**

Ordinary Shares

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

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

Reconciliation of movement in number of ordinary shares

	Half Year Sept 2021	Half Year March 2021	Half Year Sept 2020
Balance as at beginning of period	**3,668,591,808**	**3,611,684,870**	**3,611,684,870**
Dividend reinvestment plan[3]	-	20,213,205	-
Dividend reinvestment plan underwrite[4]	-	36,693,733	-
Issued shares for the period	**-**	**56,906,938**	**-**
Balance as at end of period	**3,668,591,808**	**3,668,591,808**	**3,611,684,870**

Ordinary shares purchased on market

Consolidated	Full Year Sept 2021 Number	Full Year Sept 2021 Average price ($)
For share-based payment arrangements:		
Employee share plan (ESP)	1,178,527	19.09
RSP[5]	2,052,825	21.09
Westpac Performance Plan (WPP) - share rights exercised	231,913	21.89
Total number of ordinary shares purchased on market	**3,463,265**	

1. 30 September 2021: 4,363,329 unvested shares held (31 March 2021: 4,322,935, 30 September 2020: 4,588,277).
2. 30 September 2021: nil shares held (31 March 2021: nil, 30 September 2020: nil).
3. The DRP for the 2021 interim dividend had no impact on the number of ordinary shares on issue as Westpac arranged for the purchase of the necessary shares from the market and transfer to participants of 9,085,937 ordinary shares at an average price of $25.98. The price per share for the issuance of shares in relation to the dividend reinvestment plan for the 2020 final dividend was $19.83. (Half Year Sept 2020: no 2020 interim dividends were declared and paid).
4. The Group entered to an arrangement to fully underwrite the 2020 final dividend, referred to as a DRP underwrite. This arrangement ensured that the capital impact of the dividend was negated as new shares of equivalent value to the amount of the dividend that was paid to shareholders in cash were purchased by the DRP underwriter. The price per share for the issuance of shares in relation to the 2020 DRP underwrite was $19.59.
5. Ordinary shares allocated to employees under the RSP are classified as treasury shares until the shares vest.

Notes to the consolidated financial statements

Note 15. Shareholders' equity (continued)

Reconciliation of movement in reserves

	Half Year Sept 2021	Half Year March 2021	Half Year Sept 2020
Debt securities at FVOCI reserve			
Balance as at beginning of period	**562**	**177**	**(142)**
Net gains/(losses) from changes in fair value	(71)	649	500
Income tax effect	20	(197)	(138)
Transferred to income statement	(97)	(98)	(51)
Income tax effect	29	29	7
Loss allowance on debt securities measured at FVOCI	1	1	1
Exchange differences	(1)	1	-
Balance as at end of period	**443**	**562**	**177**
Equity securities at FVOCI reserve			
Balance as at beginning of period	**40**	**(4)**	**(1)**
Net gains/(losses) from changes in fair value	7	43	(3)
Income tax effect	(3)	1	-
Balance as at end of period	**44**	**40**	**(4)**
Share-based payment reserve			
Balance as at beginning of period	**1,779**	**1,720**	**1,702**
Share-based payment expense	27	59	18
Balance as at end of period	**1,806**	**1,779**	**1,720**
Cash flow hedge reserve			
Balance as at beginning of period	**95**	**(42)**	**64**
Net gains/(losses) from changes in fair value	175	121	(240)
Income tax effect	(51)	(35)	71
Transferred to income statement	(33)	72	90
Income tax effect	10	(21)	(27)
Balance as at end of period	**196**	**95**	**(42)**
Foreign currency translation reserve			
Balance as at beginning of period	**(502)**	**(292)**	**86**
Exchange differences on translation of foreign operations	515	(266)	(884)
Gains/(losses) on net investment hedges	(254)	56	451
Transferred to income statement	-	-	55
Balance as at end of period	**(241)**	**(502)**	**(292)**
Other reserves			
Balance as at beginning of period	**(20)**	**(15)**	**(21)**
Transactions with owners	(1)	(5)	6
Balance as at end of period	**(21)**	**(20)**	**(15)**
Total reserves	**2,227**	**1,954**	**1,544**

Notes to the consolidated financial statements

Note 16. Notes to the consolidated cash flow statement

Reconciliation of net cash provided by/(used in) operating activities to net profit for the year is set out below:

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net profit	**2,018**	**3,445**	**(41)**	**5,463**	**2,292**	**138**
Adjustments:						
Depreciation, amortisation and impairment	1,900	1,154	65	3,054	2,473	23
Impairment charges/(benefits)	(108)	(240)	(55)	(348)	3,371	large
Net decrease/(increase) in current and deferred tax	264	86	large	350	(1,112)	large
(Increase)/decrease in accrued interest receivable	102	81	26	183	239	(23)
(Decrease)/increase in accrued interest payable	(84)	(339)	(75)	(423)	(1,260)	(66)
(Decrease)/increase in provisions	(249)	(1,467)	(83)	(1,716)	1,925	large
Other non-cash items	135	(388)	large	(253)	(693)	(63)
Cash flows from operating activities before changes in operating assets and liabilities	**3,978**	**2,332**	**71**	**6,310**	**7,235**	**(13)**
Net (increase)/decrease in:						
Collateral paid	(166)	471	large	305	348	(12)
Trading securities and other financial assets measured at FVIS	(574)	19,890	large	19,316	(8,756)	large
Derivative financial instruments	4,610	(7,030)	large	(2,420)	1,851	large
Loans	(17,066)	1,968	large	(15,098)	18,272	large
Other financial assets	(702)	428	large	(274)	273	large
Life insurance assets and life insurance liabilities	(216)	(377)	(43)	(593)	(277)	114
Other assets	72	(66)	large	6	70	(91)
Net increase/(decrease) in:						
Collateral received	(251)	344	large	93	(1,096)	large
Deposits and other borrowings	35,347	(1,610)	large	33,737	28,910	17
Other financial liabilities	5,268	3,768	40	9,036	11,817	(24)
Other liabilities	(35)	27	large	(8)	4	large
Net cash provided by/(used in) operating activities	**30,265**	**20,145**	**50**	**50,410**	**58,651**	**(14)**

Notes to the consolidated financial statements

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

Details of the assets and liabilities over which control ceased

Details of the entities over which control ceased are provided in Note 17.

$m	Half Year Sept 2021
Assets:	
Cash and balances with central banks	50
Trading securities and other financial assets measured at FVIS	409
Loans	369
Other financial assets	688
Property and equipment	29
Deferred tax assets	4
Intangible assets	243
Other assets	226
Total assets	**2,018**
Liabilities:	
Other financial liabilities	110
Provisions	9
Other liabilities	720
Total liabilities	**839**
Total equity attributable to owners of WBC	**1,179**
Cash proceeds received (net of transaction costs)	1,322
Expected receivable (completion settlement)	8
Deferred consideration	37
Total consideration	**1,367**
Gain/(loss) on disposal	**188**
Reconciliation of cash proceeds from disposal:	
Cash proceeds received (net of transaction costs)	1,322
Less: Cash deconsolidated	(50)
Cash consideration (paid)/received (net of transaction costs and cash held)	**1,272**

Non-cash financing activities

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Shares issued under the dividend reinvestment plan	-	401	(100)	401	273	47
Increase in lease liabilities	55	144	(62)	199	177	12

On 4 December 2020, $866 million of Westpac Capital Notes (WCN) 3 were transferred to the WCN 3 nominated party for $100 each pursuant to the WCN 7 reinvestment offer. Those WCN 3 were subsequently redeemed and cancelled by Westpac. On 22 March 2021, the remaining $458 million of WCN 3 were redeemed and cancelled by Westpac for $100 each.

On 15 September 2021, $1,152 million of WCN4 were transferred to the WCN4 nominated party for $100 each pursuant to the WCN8 reinvestment offer. Those WCN4 were subsequently redeemed and cancelled by Westpac. On 15 October 2021, Westpac issued a redemption notice notifying WCN4 holders that all outstanding WCN4 will be redeemed on the optional redemption date, being 20 December 2021.

Businesses disposed
During Half Year September 2021, Westpac disposed of its 100% interest in:

- Westpac General Insurance Limited (sold on 1 July 2021)
- Westpac General Insurance Services Limited (sold on 1 July 2021)
- Westpac Vendor Finance business (sold on 31 July 2021)
- Westpac Lenders Mortgage Insurance Limited (sold on 31 August 2021)

There were no businesses disposed of during Half Year March 2021 and Full Year 2020.

Notes to the consolidated financial statements

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

Restricted Cash

Certain of our foreign operations are required to maintain reserves or minimum balances with central banks in their respective countries of operation, totalling $445 million (31 March 2021: $236 million, 30 September 2020: $457 million) which are included in cash and balances with central banks. Included in assets held for sale are restricted cash balances with central banks totalling nil (31 March 2021: $174 million, 30 September 2020: nil),

Note 17. Assets and liabilities held for sale

During the year ending 30 September 2021, the assets and liabilities of certain businesses were classified as held for sale. As these businesses do not constitute a major line of business for the Group, they have not been classified as discontinued operations.

Details of the businesses which were classified as held for sale during the financial year are as follows:

Businesses held for sale as at 30 September 2021

Westpac Motor Vehicle Dealer Finance and Novated Leasing business

On 28 June 2021, the Group announced that it will sell its motor vehicle dealer finance and novated leasing business to Angle Auto Finance Pty Ltd, a portfolio company of Cerberus Capital Management, L.P. As part of the sale, Westpac will transfer:

- Auto dealer and introducer agreements together with wholesale dealer loans of approximately $1 billion;
- Strategic alliance agreements with vehicle manufacturers; and
- Novated lease origination capability and related agreements.

Westpac will retain its existing retail auto loans of around $10 billion originated by the businesses being transferred. The loans will run down in the normal course of business over the life of those loans. Westpac will also progressively cease new retail auto loan originations from these three channels with customers still able to use the Group's Consumer and Business lending products to help buy motor vehicles.

The sale agreement includes initial payment on completion based on the final value of the portfolio transferred and deferred consideration payable over the two-year period following completion. Completion of the transaction will occur over several stages to allow for a smooth transition. Final completion of the transaction is expected by no later than 31 March 2022 at which time a small gain on sale is expected to be recognised in non-interest income.

The business is currently included in the Group's Specialist Businesses division.

Westpac New Zealand Life Insurance business

On 6 July 2021, the Group announced that it had entered into an agreement to sell Westpac Life-NZ-Limited to Fidelity Life Assurance Company Limited and enter into an exclusive 15-year agreement for the distribution of life insurance products to Westpac's New Zealand customers. This entity is currently included in the Group's Westpac New Zealand division.

The sale price of NZ$400 million (approximately A$375 million[1]) is expected to result in a small post-tax gain on sale. The transaction also includes ongoing payments to Westpac in accordance with the distribution agreement.

Completion of the transaction is subject to various regulatory approvals and is expected to occur by first half 2022, at which time the gain will be recognised in non-interest income.

Westpac Australian Life Insurance business

On 9 August 2021, the Group announced that it will sell Westpac Life Insurance Services Limited to TAL Dai-ichi Life Australia Pty Limited (TAL) and enter into an exclusive 20-year strategic alliance for the provision of life insurance products to Westpac's Australian customers. This entity is currently included in the Group's Specialist Businesses division.

The sale price is $900 million and is estimated to result in a pre-tax loss on sale of $1.3 billion. For the year ending 30 September 2021, a loss of $224 million has been recognised in operating expenses reflecting expected separation and transaction costs. The remaining loss will be recognised on completion of the sale. The transaction also includes ongoing payments to Westpac in accordance with the distribution agreement.

Westpac will retain responsibility for certain pre-completion matters and provide protection to TAL through a combination of provisions, warranties and indemnities.

Completion of the transaction is subject to various regulatory approvals and is expected to occur in the second half of the 2022 calendar year.

1 Translated using a year-to-date average NZD/AUD exchange rate

Notes to the consolidated financial statements

Note 17. Assets and liabilities held for sale (continued)

Businesses no longer held for sale as at 30 September 2021

Westpac General Insurance Limited and Westpac General Insurance Services Limited

On 2 December 2020, the Group announced it would sell Westpac General Insurance Limited and Westpac General Insurance Services Limited to Allianz and enter into an exclusive 20-year agreement for the distribution of general insurance products to Westpac's customers. The sale was completed on 1 July 2021 for $725 million and resulted in a pre-tax gain on sale of $160 million (net of transaction and separation costs) recognised in non-interest income. A further payment of $25 million is expected to be received by Westpac by 31 December 2021 subject to integration milestone, with contingent payments over the next five years in addition to ongoing payments under the distribution agreement.

Westpac will retain responsibility for certain pre-completion matters and provide protection to Allianz through a combination of customary warranties and indemnities.

These entities were included in the Group's Specialist Businesses division.

Westpac Vendor Finance business

On 21 August 2020, the Group announced that it had entered into an agreement for the sale of its Vendor Finance business to Angle Auto Finance Pty Ltd, a portfolio company of Cerberus Management, L.P. The sale was completed on 31 July 2021 resulting in a pre-tax gain on sale of $29 million recognised at this date in non-interest income. A pre-tax loss of $81 million was previously recognised in operating expenses prior to completion date, reflecting a writedown of assets held for sale to their estimated fair value less costs to sell and recognition of related separation and transaction costs.

The business was included in the Group's Specialist Businesses division.

Westpac Lenders Mortgage Insurance Limited

On 18 March 2021, the Group announced it would sell Westpac Lenders Mortgage Insurance Limited (WLMI) to Arch Capital Group (Arch) and enter into a 10-year exclusive supply agreement for Arch to provide Lenders Mortgage Insurance (LMI) to the Group. The sale was completed on 31 August 2021 with nil gain on sale recognised at this date as the sales price reflected the book value of the business transferred. A loss of $110 million was previously recognised for First Half 2021 in operating expenses reflecting the write-down of goodwill and recognition of related transaction and separation costs. Ongoing fixed annual payments will be received under the distribution agreement.

Westpac will retain responsibility for certain legacy matters and provide protection to Arch through a combination of customary warranties and indemnities.

WLMI was included in the Group's Specialist Businesses division.

Westpac Pacific

On 7 December 2020, the Group announced the sale of its Pacific businesses (comprised of Fiji Branch of Westpac Banking Corporation and the Group's 89.9% stake in Westpac Bank-PNG-Limited) to Kina Securities Limited (Kina). Completion of the sale was subject to various regulatory approvals.

On 22 September 2021, the Group announced it and Kina had agreed to terminate the agreements for the sale of these businesses

In First Half 2021, a loss of $121 million was recognised in operating expenses, reflecting a writedown of assets held for sale to their estimated fair value less costs to sell and recognition of related separation and transaction costs. Following termination of the sale contracts, the businesses are no longer considered held for sale and a reassessment of the carrying value of the assets was undertaken. Consequently, a $60 million write-back of the previous loss was recognised at 30 September 2021 reflecting a partial reversal of the asset writedowns and reversal of the unutilised amount of estimated separation and transaction costs provisioned.

Westpac Pacific is included in the Group's Specialist Businesses division.

Notes to the consolidated financial statements

Note 17. Assets and liabilities held for sale (continued)

Balance sheet presentation

Details of the assets and liabilities held for sale are as follows (no amounts were presented as held for sale as at 30 September 2020):

$m	As at 30 Sept 2021	As at 31 March 2021
Assets held for sale		
Cash and balances with central banks	7	792
Trading securities and financial assets measured at FVIS	-	282
Derivative financial instruments	-	7
Investment securities	-	550
Loans	1,015	1,819
Other financial assets	19	423
Life insurance assets	2,972	-
Property and equipment	-	23
Deferred tax assets	8	25
Intangible assets	-	243
Other assets	167	195
Total assets held for sale	**4,188**	**4,359**
Liabilities held for sale		
Deposits and other borrowings	-	2,088
Other financial liabilities	28	120
Derivative financial instruments	-	6
Current tax liabilities	14	1
Life insurance liabilities	447	-
Provisions	35	20
Deferred tax liabilities	44	-
Other liabilities	269	814
Total liabilities held for sale	**837**	**3,049**

Note 18. Subsequent events

Since 30 September 2021, the Board has determined to pay a fully franked final dividend of 60 cents per fully paid ordinary share. The dividend is expected to be $2,201 million. The dividend is not recognised as a liability at 30 September 2021. The proposed payment date of the dividend is 21 December 2021.

The Board has determined to satisfy the DRP for the 2021 final dividend by arranging for the purchase of shares in the market by a third party. The market price used to determine the number of shares allocated to DRP participants will be set over the 10 trading days commencing 11 November 2021 and will not include a discount.

Off-market buy-back

Westpac has announced an off-market buy-back of up to $3.5 billion worth of Westpac shares. Westpac's operating performance and progress on strategic priorities, including the completion of a number of divestments, have contributed to a strong capital position, allowing Westpac to return capital to shareholders.

No other matters have arisen since the year ended 30 September 2021, which are not otherwise dealt with in this 2021 report, that have significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of affairs of the Group in subsequent periods.

Statutory statements

4.8 Statement in relation to the audit of the financial statements

PricewaterhouseCoopers has audited the financial statements contained within the Westpac 2021 financial report and has issued an unmodified audit report. A copy of their report is available with the Annual financial report. This full year results announcement has not been subject to audit by PricewaterhouseCoopers. The preceding financial information contained in Section 4 "Full Year 2021 Financial Report" includes financial information extracted from the audited financial statements together with financial information that has not been audited.

Dated at Sydney this 31st day of October 2021 for and on behalf of the Board.

Tim Hartin

Company Secretary

Cash earnings financial information

5.0 Cash earnings financial information

Cash earnings financial information

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

$m	Half Year Sept 2021	Half Year March 2021	Full Year Sept 2021	Full Year Sept 2020
Group				
Average interest earning assets ($m)	825,926	812,950	819,456	821,718
Net interest income ($m)	8,245	8,469	16,714	17,086
Interest spread	1.92%	2.01%	1.96%	1.96%
Benefit of net non-interest bearing assets, liabilities and equity	0.07%	0.08%	0.08%	0.12%
Net interest margin	1.99%	2.09%	2.04%	2.08%
Analysis by division				
Average interest earning assets ($m)				
Consumer	364,426	354,423	359,438	360,895
Business	128,744	131,957	130,346	139,069
Westpac Institutional Bank	72,965	73,420	73,192	82,491
Westpac New Zealand (A$)	101,694	97,001	99,354	92,897
Specialist Businesses[1]	15,555	16,279	15,916	17,687
Group Businesses	142,542	139,870	141,210	128,679
Group total	**825,926**	**812,950**	**819,456**	**821,718**
Westpac New Zealand (NZ$)	**108,047**	**103,761**	**105,910**	**98,478**
Net interest income ($m)[2]				
Consumer	4,189	4,216	8,405	8,547
Business	1,982	2,083	4,065	4,163
Westpac Institutional Bank	455	464	919	1,111
Westpac New Zealand (A$)	991	996	1,987	1,832
Specialist Businesses	250	253	503	534
Group Businesses	378	457	835	899
Group total	**8,245**	**8,469**	**16,714**	**17,086**
Westpac New Zealand (NZ$)	**1,052**	**1,066**	**2,118**	**1,943**
Interest margin				
Consumer	2.29%	2.39%	2.34%	2.37%
Business	3.07%	3.17%	3.12%	2.99%
Westpac Institutional Bank	1.24%	1.27%	1.26%	1.35%
Westpac New Zealand (NZ$)	1.94%	2.06%	2.00%	1.97%
Specialist Businesses	3.21%	3.12%	3.16%	3.02%
Group Businesses	0.53%	0.66%	0.59%	0.70%
Group total	**1.99%**	**2.09%**	**2.04%**	**2.08%**

1. Includes balances presented as held for sale.
2. Includes capital benefit. Capital benefit represents the notional revenue earned on capital allocated to divisions under Westpac's economic capital framework.

Cash earnings financial information

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

	Half Year Sept 2021			Half Year March 2021		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Collateral paid	9,762	6	0.1	14,708	10	0.1
Trading securities and other financial assets measured at FVIS	20,428	101	1.0	27,172	91	0.7
Investment securities	87,790	574	1.3	87,628	626	1.4
Loans and other receivables[1]	702,821	10,078	2.9	680,286	10,710	3.2
Assets held for sale	5,125	63	2.5	3,156	65	4.1
Total interest earning assets and interest income	**825,926**	**10,822**	**2.6**	**812,950**	**11,502**	**2.8**
Non-interest earning assets						
Derivative financial instruments	18,740			21,879		
Life insurance assets	(3,105)			3,575		
Assets held for sale	7,895			1,267		
All other assets[2]	61,198			61,760		
Total non-interest earning assets	**84,728**			**88,481**		
Total assets	**910,654**			**901,431**		
Liabilities						
Interest bearing liabilities						
Collateral received	5,891	2	0.1	6,483	2	0.1
Repurchased agreements	37,106	30	0.2	30,047	26	0.2
Deposits and other borrowings	537,943	761	0.3	524,723	1,107	0.4
Loan capital	27,642	440	3.2	25,540	409	3.2
Other interest bearing liabilities[3]	133,426	1,341	2.0	141,162	1,480	2.1
Liabilities held for sale	1,338	3	0.4	1,332	9	1.4
Total interest bearing liabilities and interest expense	**743,346**	**2,577**	**0.7**	**729,287**	**3,033**	**0.8**
Non-interest bearing liabilities						
Deposits and other borrowings	63,569			60,473		
Derivative financial instruments	17,142			24,101		
Life insurance liabilities	(783)			1,295		
Liabilities held for sale	3,840			1,610		
All other liabilities[4]	11,383			15,031		
Total non-interest bearing liabilities	**95,151**			**102,510**		
Total liabilities	**838,497**			**831,797**		
Shareholders' equity	72,108			69,583		
NCI	49			51		
Total equity	**72,157**			**69,634**		
Total liabilities and equity	**910,654**			**901,431**		
Loans and other receivables[1]						
Australia	594,388	8,675	2.9	576,394	9,226	3.2
New Zealand	93,882	1,335	2.8	89,570	1,416	3.2
Other overseas	14,551	68	0.9	14,322	68	1.0
Deposits and other borrowings						
Australia	463,114	558	0.2	452,206	842	0.4
New Zealand	60,482	182	0.6	59,648	236	0.8
Other overseas	14,347	21	0.3	12,869	29	0.5

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

Cash earnings financial information

Note 2. Average balance sheet and interest rates (cash earnings basis) (continued)

	Full Year Sept 2021			Full Year Sept 2020		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Collateral paid	12,228	16	0.1	15,732	75	0.5
Trading securities and other financial assets measured at FVIS	23,791	192	0.8	29,629	359	1.2
Investment securities	87,709	1,200	1.4	78,181	1,521	1.9
Loans and other receivables[1]	691,585	20,788	3.0	698,176	25,005	3.6
Assets held for sale	4,143	128	3.1	-	-	-
Total interest earning assets and interest income	**819,456**	**22,324**	**2.7**	**821,718**	**26,960**	**3.3**
Non-interest earning assets						
Derivative financial instruments	20,305			31,334		
Life insurance assets	226			4,614		
Assets held for sale	4,590			-		
All other assets[2]	61,478			62,414		
Total non-interest earning assets	**86,599**			**98,362**		
Total assets	**906,055**			**920,080**		
Liabilities						
Interest bearing liabilities						
Collateral received	6,186	4	0.1	7,581	26	0.3
Repurchased agreements	33,586	56	0.2	16,500	74	0.4
Deposits and other borrowings	531,351	1,868	0.4	518,633	5,054	1.0
Loan capital	26,594	849	3.2	22,711	800	3.5
Other interest bearing liabilities[3]	137,284	2,821	2.1	180,216	3,920	2.2
Liabilities held for sale	1,335	12	0.9	-	-	-
Total interest bearing liabilities and interest expense	**736,336**	**5,610**	**0.8**	**745,641**	**9,874**	**1.3**
Non-interest bearing liabilities						
Deposits and other borrowings	62,025			54,892		
Derivative financial instruments	20,612			33,249		
Life insurance liabilities	253			2,999		
Liabilities held for sale	2,728			-		
All other liabilities[4]	13,202			15,233		
Total non-interest bearing liabilities	**98,820**			**106,373**		
Total liabilities	**835,156**			**852,014**		
Shareholders' equity	70,849			68,014		
NCI	50			52		
Total equity	**70,899**			**68,066**		
Total liabilities and equity	**906,055**			**920,080**		
Loans and other receivables[1]						
Australia	585,416	17,901	3.1	585,643	21,237	3.6
New Zealand	91,732	2,751	3.0	85,184	3,228	3.8
Other overseas	14,437	136	0.9	27,349	540	2.0
Deposits and other borrowings						
Australia	457,675	1,400	0.3	435,877	3,745	0.9
New Zealand	60,066	418	0.7	57,096	882	1.5
Other overseas	13,610	50	0.4	25,660	427	1.7

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

Cash earnings financial information

Note 3. Net interest income (cash earnings basis)

$m	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Interest income						
Cash and balances with central banks	15	15	-	30	135	(78)
Collateral paid	6	10	(40)	16	75	(79)
Net ineffectiveness on qualifying hedges	-	-	-	-	-	-
Trading securities and financial assets measured at FVIS	101	91	11	192	359	(47)
Investment securities	574	626	(8)	1,200	1,521	(21)
Loans	10,063	10,693	(6)	20,756	24,853	(16)
Other financial assets	-	2	(100)	2	17	(88)
Assets held for sale	63	65	(3)	128	-	-
Total interest income	**10,822**	**11,502**	**(6)**	**22,324**	**26,960**	**(17)**
Interest expense						
Collateral received	(2)	(2)	-	(4)	(26)	(85)
Deposits and other borrowings	(761)	(1,107)	(31)	(1,868)	(5,054)	(63)
Trading liabilities[1]	(86)	(226)	(62)	(312)	(310)	1
Debt Issues	(939)	(986)	(5)	(1,925)	(3,014)	(36)
Loan capital	(440)	(409)	8	(849)	(800)	6
Bank levy	(197)	(195)	1	(392)	(408)	(4)
Other interest expense	(149)	(99)	51	(248)	(262)	(5)
Liabilities held for sale	(3)	(9)	(67)	(12)	-	-
Total interest expense	**(2,577)**	**(3,033)**	**(15)**	**(5,610)**	**(9,874)**	**(43)**
Net interest income	**8,245**	**8,469**	**(3)**	**16,714**	**17,086**	**(2)**

1. Includes net impact of Treasury balance sheet management activities.

Cash earnings financial information

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

$m	Half Year Sept 2021	Half Year Mar 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Net fee income						
Facility fees	348	369	(6)	717	731	(2)
Transactions fees and commissions	501	492	2	993	1,021	(3)
Other non-risk fee income	47	(47)	large	-	48	(100)
Fee income	**896**	**814**	**10**	**1,710**	**1,800**	**(5)**
Credit card loyalty programs	(46)	(55)	(16)	(101)	(102)	(1)
Transaction fee related expenses	(68)	(59)	15	(127)	(106)	20
Fee expenses	**(114)**	**(114)**	**-**	**(228)**	**(208)**	**10**
Net fee income	**782**	**700**	**12**	**1,482**	**1,592**	**(7)**
Net wealth management and insurance income						
Net wealth management income	**346**	**311**	**11**	**657**	**631**	**4**
Life insurance premium income	548	529	4	1,077	1,297	(17)
General insurance and lenders mortgage insurance (LMI) net premiums earned	131	256	(49)	387	499	(22)
Life insurance investment and other income[1]	34	20	70	54	72	(25)
General insurance and LMI investment and other income	39	37	5	76	42	81
Total insurance premium, investment and other income	**752**	**842**	**(11)**	**1,594**	**1,910**	**(17)**
Life insurance claims, changes in life insurance liabilities and other expenses[1]	(439)	(328)	34	(767)	(1,284)	(40)
General insurance and LMI claims and other expenses	(48)	(230)	(79)	(278)	(498)	(44)
Total insurance claims, changes in life insurance liabilities and other expenses	**(487)**	**(558)**	**(13)**	**(1,045)**	**(1,782)**	**(41)**
Net wealth management and insurance income	**611**	**595**	**3**	**1,206**	**759**	**59**
Trading income[2]	**262**	**453**	**(42)**	**715**	**928**	**(23)**
Other Income						
Dividends received from other entities	2	2	-	4	1	large
Net gain/(loss) on sale/derecognition of associates	36	7	large	43	316	(86)
Net gain/(loss) on disposal of assets	(3)	10	large	7	11	(36)
Net gain/(loss) on hedging overseas operations	(2)	(6)	(67)	(8)	-	-
Net gain/(loss) on derivatives held for risk management purposes[3]	(3)	4	large	1	11	(91)
Net gain/(loss) on financial instruments measured at fair value	75	580	(87)	655	(34)	large
Net gain/(loss) on disposal of controlled entities and other businesses	188	-	-	188	-	-
Rental income on operating lease	7	6	17	13	15	(13)
Share of associates' net profit/(loss)	(3)	(3)	-	(6)	(23)	(74)
Other	42	(18)	large	24	(36)	large
Total other income	**339**	**582**	**(42)**	**921**	**261**	**large**
Total non-interest income	**1,994**	**2,330**	**(14)**	**4,324**	**3,540**	**22**

1. Movements in life insurance investment income and changes in life insurance liabilities are broadly correlated.
2. Trading income represents a component of total markets income from our WIB markets business, Westpac Pacific, Westpac New Zealand and Treasury foreign exchange operations in Australia and New Zealand.
3. Net gain/(loss) on derivatives held for risk management purposes reflects the impact of economic hedges of earnings.

Cash earnings financial information

Note 5. Operating expenses (cash earnings basis)

$m	Half Year Sept 2021	Half Year Mar 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Staff expenses						
Employee remuneration, entitlements and on-costs	2,897	2,472	17	5,369	4,428	21
Superannuation expense	244	231	6	475	413	15
Share-based payments	51	46	11	97	80	21
Restructuring costs	71	22	large	93	94	(1)
Total staff expenses	**3,263**	**2,771**	**18**	**6,034**	**5,015**	**20**
Occupancy expenses						
Lease expense	91	73	25	164	148	11
Depreciation and impairment of property and equipment	514	413	24	927	669	39
Other	50	57	(12)	107	160	(33)
Total occupancy expenses	**655**	**543**	**21**	**1,198**	**977**	**23**
Technology expenses						
Amortisation and impairment of software assets	723	517	40	1,240	970	28
Depreciation and impairment of IT equipment	142	118	20	260	272	(4)
Technology services	422	398	6	820	698	17
Software maintenance and licences	297	234	27	531	398	33
Telecommunications	88	93	(5)	181	216	(16)
Data processing	51	45	13	96	89	8
Total technology expenses	**1,723**	**1,405**	**23**	**3,128**	**2,643**	**18**
Other expenses						
Professional and processing services	682	728	(6)	1,410	1,374	3
Amortisation and impairment of intangible and deferred expenditure	509	90	large	599	523	15
Postage and stationery	82	74	11	156	164	(5)
Advertising	104	116	(10)	220	217	1
Non-lending losses	156	78	100	234	1,443	(84)
Other	128	176	(27)	304	344	(12)
Total other expenses	**1,661**	**1,262**	**32**	**2,923**	**4,065**	**(28)**
Total operating expenses	**7,302**	**5,981**	**22**	**13,283**	**12,700**	**5**

Cash earnings financial information

Note 6. Deferred expenses[1]

$m	As at 30 Sept 2021	As at 31 March 2021	As at 30 Sept 2020	% Mov't Sept 21 - Mar 21	% Mov't Sept 21 - Sept 20
Deferred acquisition costs[2]	-	-	52	-	(100)
Other deferred expenditure[3]	-	8	31	(100)	(100)

Note 7. Earnings per share (cash earnings basis)

	Half Year Sept 2021	Half Year March 2021	% Mov't Sept 21 - Mar 21	Full Year Sept 2021	Full Year Sept 2020	% Mov't Sept 21 - Sept 20
Cash earnings ($m)	1,815	3,537	(49)	5,352	2,608	105
Weighted average number of fully paid ordinary shares (millions)	3,669	3,644	1	3,657	3,595	2
Cash earnings per ordinary share (cents)	**49.5**	**97.1**	**(49)**	**146.3**	**72.5**	**102**

Reconciliation of ordinary shares on issue before the effect of own shares held (millions)	Half Year Sept 2021	Half Year March 2021	Full year Sept 2021	Full Year Sept 2020
Balance as at beginning of period	**3,669**	**3,612**	**3,612**	**3,490**
Number of shares issues from capital raising	-	-	-	111
Number of shares issued under the Dividend Reinvestment Plan (DRP)	-	20	20	11
Number of shares issued under the DRP underwrite	-	37	37	-
Balance as at end of period	**3,669**	**3,669**	**3,669**	**3,612**

1. Deferred expenses principally relate to a small number of capitalised costs in the wealth business. They do not include life insurance deferred acquisition costs (which are included in life insurance liabilities) or loan origination costs (which are included in loans).
2. Nil was reclassified to assets held for sale (31 March 2021: $49 million, 30 September 2020: nil).
3. Nil was reclassified to assets held for sale (31 March 2021: $22 million, 30 September 2020: nil).

Cash earnings financial information

Note 8. Group earnings reconciliation

$m	Reported results	Fair value (gain)/loss on economic hedges	Ineffective hedges	Operating leases	Policyholder tax recoveries	Cash earnings
Half Year Sept 2021						
Net interest income	**8,510**	**(243)**	**(22)**	**-**	**-**	**8,245**
Net fee income	782	-	-	-	-	782
Net wealth management and insurance income	613	-	-	-	(2)	611
Trading income	277	(15)	-	-	-	262
Other income	354	(3)	-	(12)	-	339
Non-interest income	**2,026**	**(18)**	**-**	**(12)**	**(2)**	**1,994**
Net operating income	**10,536**	**(261)**	**(22)**	**(12)**	**(2)**	**10,239**
Staff expenses	(3,263)	-	-	-	-	(3,263)
Occupancy expenses	(667)	-	-	12	-	(655)
Technology expenses	(1,723)	-	-	-	-	(1,723)
Other expenses	(1,661)	-	-	-	-	(1,661)
Operating expenses	**(7,314)**	**-**	**-**	**12**	**-**	**(7,302)**
Core earnings	**3,222**	**(261)**	**(22)**	**-**	**(2)**	**2,937**
Impairment (charges)/benefits	218	-	-	-	-	218
Profit before income tax expense	**3,440**	**(261)**	**(22)**	**-**	**(2)**	**3,155**
Income tax expense	(1,422)	77	6	-	2	(1,337)
Net profit	**2,018**	**(184)**	**(16)**	**-**	**-**	**1,818**
Net profit attributable to NCI	(3)	-	-	-	-	(3)
Net profit attributable to owners of WBC	**2,015**	**(184)**	**(16)**	**-**	**-**	**1,815**
Cash earnings adjustments:						
Fair value (gain)/loss on economic hedges	(184)	184	-	-	-	-
Ineffective hedges	(16)	-	16	-	-	-
Cash earnings	**1,815**	**-**	**-**	**-**	**-**	**1,815**
Half Year March 2021						
Net interest income	**8,348**	**53**	**68**	**-**	**-**	**8,469**
Net fee income	700	-	-	-	-	700
Net wealth management and insurance income	598	-	-	-	(3)	595
Trading income	442	11	-	-	-	453
Other income	598	-	-	(16)	-	582
Non-interest income	**2,338**	**11**	**-**	**(16)**	**(3)**	**2,330**
Net operating income	**10,686**	**64**	**68**	**(16)**	**(3)**	**10,799**
Staff expenses	(2,771)	-	-	-	-	(2,771)
Occupancy expenses	(559)	-	-	16	-	(543)
Technology expenses	(1,405)	-	-	-	-	(1,405)
Other expenses	(1,262)	-	-	-	-	(1,262)
Operating expenses	**(5,997)**	**-**	**-**	**16**	**-**	**(5,981)**
Core earnings	**4,689**	**64**	**68**	**-**	**(3)**	**4,818**
Impairment (charges)/benefits	372	-	-	-	-	372
Profit before income tax expense	**5,061**	**64**	**68**	**-**	**(3)**	**5,190**
Income tax expense	(1,616)	(18)	(20)	-	3	(1,651)
Net profit	**3,445**	**46**	**48**	**-**	**-**	**3,539**
Net profit attributable to NCI	(2)	-	-	-	-	(2)
Net profit attributable to owners of WBC	**3,443**	**46**	**48**	**-**	**-**	**3,537**
Cash earnings adjustments:						
Fair value (gain)/loss on economic hedges	46	(46)	-	-	-	-
Ineffective hedges	48	-	(48)	-	-	-
Cash earnings	**3,537**	**-**	**-**	**-**	**-**	**3,537**

Cash earnings financial information

Note 8. Group earnings reconciliation (continued)

Full Year Sept 2021 $m	Reported results	Fair value (gain)/loss on economic hedges	Ineffective hedges	Operating leases	Policyholder tax recoveries	Cash earnings
Net interest income	**16,858**	**(190)**	**46**	**-**	**-**	**16,714**
Net fee income	1,482	-	-	-	-	1,482
Net wealth management and insurance income	1,211	-	-	-	(5)	1,206
Trading income	719	(4)	-	-	-	715
Other income	952	(3)	-	(28)	-	921
Non-interest income	**4,364**	**(7)**	**-**	**(28)**	**(5)**	**4,324**
Net operating income	**21,222**	**(197)**	**46**	**(28)**	**(5)**	**21,038**
Staff expenses	(6,034)	-	-	-	-	(6,034)
Occupancy expenses	(1,226)	-	-	28	-	(1,198)
Technology expenses	(3,128)	-	-	-	-	(3,128)
Other expenses	(2,923)	-	-	-	-	(2,923)
Operating expenses	**(13,311)**	**-**	**-**	**28**	**-**	**(13,283)**
Core earnings	**7,911**	**(197)**	**46**	**-**	**(5)**	**7,755**
Impairment (charges)/benefits	590	-	-	-	-	590
Profit before income tax expense	**8,501**	**(197)**	**46**	**-**	**(5)**	**8,345**
Income tax expense	(3,038)	59	(14)	-	5	(2,988)
Net profit	**5,463**	**(138)**	**32**	**-**	**-**	**5,357**
Net profit attributable to NCI	(5)	-	-	-	-	(5)
Net profit attributable to owners of WBC	**5,458**	**(138)**	**32**	**-**	**-**	**5,352**
Cash earnings adjustments:						
Fair value (gain)/loss on economic hedges	(138)	138	-	-	-	-
Ineffective hedges	32	-	(32)	-	-	-
Cash earnings	**5,352**	**-**	**-**	**-**	**-**	**5,352**

Cash earnings financial information

Note 8. Group earnings reconciliation (continued)

Full Year Sept 2020 $m	Reported results	Fair value (gain)/loss on economic hedges	Ineffective hedges	Adjustments related to Pendal	Treasury shares	Operating leases	Policyholder tax recoveries	Cash earnings
Net interest income	**16,696**	**477**	**(87)**	**-**	**-**	**-**	**-**	**17,086**
Net fee income	1,592	-	-	-	-	-	-	1,592
Net wealth management and insurance income	751	-	-	-	(16)	-	24	759
Trading income	895	33	-	-	-	-	-	928
Other income	249	7	-	44	-	(39)	-	261
Non-interest income	**3,487**	**40**	**-**	**44**	**(16)**	**(39)**	**24**	**3,540**
Net operating income	**20,183**	**517**	**(87)**	**44**	**(16)**	**(39)**	**24**	**20,626**
Staff expenses	(5,015)	-	-	-	-	-	-	(5,015)
Occupancy expenses	(1,016)	-	-	-	-	39	-	(977)
Technology expenses	(2,643)	-	-	-	-	-	-	(2,643)
Other expenses	(4,065)	-	-	-	-	-	-	(4,065)
Operating expenses	**(12,739)**	**-**	**-**	**-**	**-**	**39**	**-**	**(12,700)**
Core earnings	**7,444**	**517**	**(87)**	**44**	**(16)**	**-**	**24**	**7,926**
Impairment (charges)/ benefits	(3,178)	-	-	-	-	-	-	(3,178)
Profit before income tax expense	**4,266**	**517**	**(87)**	**44**	**(16)**	**-**	**24**	**4,748**
Income tax expense	(1,974)	(155)	26	(13)	2	-	(24)	(2,138)
Net profit	**2,292**	**362**	**(61)**	**31**	**(14)**	**-**	**-**	**2,610**
Net profit attributable to NCI	(2)	-	-	-	-	-	-	(2)
Net profit attributable to owners of WBC	**2,290**	**362**	**(61)**	**31**	**(14)**	**-**	**-**	**2,608**
Cash earnings adjustments:								
Fair value (gain)/loss on economic hedges	362	(362)	-	-	-	-	-	-
Ineffective hedges	(61)	-	61	-	-	-	-	-
Adjustment related to Pendal	31	-	-	(31)	-	-	-	-
Treasury shares	(14)	-	-	-	14	-	-	-
Cash earnings	**2,608**	**-**	**-**	**-**	**-**	**-**	**-**	**2,608**

Cash earnings financial information

Note 9. Cash earnings contribution of businesses settled and held for sale

In 2021, Westpac announced and completed the sale of certain businesses. To assist in understanding the contribution of these businesses the following tables provide the earnings (excluding notable items), and loans and deposits attributable to the entities within the transaction perimeter. Businesses included in these disclosures were either "held for sale" as at 30 September 2021 or sold during Full Year 2021.

For the following businesses that were sold during Full Year 2021, earnings attributed to each business reflect its contribution up to completion of sale date, while balance sheet data is at completion date:

- Westpac Vendor Finance, sale completed on 31 July 2021;
- Westpac General Insurance, sale completed on 1 July 2021; and
- Westpac Lenders Mortgage Insurance, sale completed on 31 August 2021.

The following businesses are held for sale as at 30 September 2021:

- Westpac Life Insurance Services Limited;
- Westpac Life-NZ-Limited; and
- Motor vehicle dealer finance and novated leasing.

$m	Westpac General Insurance Ltd	Westpac Lenders Mortgage Insurance	Westpac Vendor Finance	Contribution of Businesses Sold
Half Year Sept 2021				
Net interest income	-	-	5	5
Non-interest income	70	56	2	128
Operating expenses	(3)	(3)	-	(6)
Impairment charges	-	-	-	-
Income tax expense and NCI	(23)	(15)	(2)	(40)
Cash earnings excluding notable items	**44**	**38**	**5**	**87**
Subtract notable items	-	-	-	-
Cash earnings	**44**	**38**	5	**87**
Half Year March 2021				
Net interest income	-	-	9	9
Non-interest income	10	53	1	64
Operating expenses	(4)	(5)	-	(9)
Impairment charges	-	-	-	-
Income tax expense and NCI	(2)	(15)	(3)	(20)
Cash earnings excluding notable items	**4**	**33**	**7**	**44**
Subtract notable items	-	-	-	-
Cash earnings	**4**	**33**	7	**44**
Full Year Sept 2021				
Net interest income	-	-	14	14
Non-interest income	80	109	3	192
Operating expenses	(7)	(8)	-	(15)
Impairment charges	-	-	-	-
Income tax expense and NCI	(25)	(30)	(5)	(60)
Cash earnings excluding notable items	**48**	**71**	**12**	**131**
Subtract notable items	-	-	-	-
Cash earnings	**48**	**71**	12	**131**
Full Year Sept 2020				
Net interest income	-	-	21	21
Non-interest income	15	42	3	60
Operating expenses	(1)	-	-	(1)
Impairment charges	-	-	(21)	(21)
Income tax expense and NCI	(4)	(13)	(1)	(18)
Cash earnings excluding notable items	**10**	**29**	**2**	**41**
Subtract notable items	-	-	-	-
Cash earnings	**10**	**29**	**2**	**41**

Cash earnings financial information

Note 9 Cash earnings contribution of businesses settled and held for sale (continued)

$bn	Westpac General Insurance Ltd	Westpac Lenders Mortgage Insurance	Westpac Vendor Finance	Contribution of Businesses Sold
As at Sept 2021				
Total customer deposits	-	-	-	-
Loans	-	-	0.4	0.4
Provisions	-	-	-	-
Total net loans	**-**	-	**0.4**	**0.4**
Total assets	1.1	0.5	0.4	2.0
Risk weighted assets	N/A	N/A	0.5	0.5
Average interest-earning assets	0.1	-	0.5	0.6

$m	Motor Vehicle Finance and Novated leasing	Westpac Life Insurance Ltd.	Westpac New Zealand Life Insurance Ltd. (A$)	Contribution of Businesses Held for sale	Westpac New Zealand Life Insurance Ltd. (NZ$)
Half Year Sept 2021					
Net interest income	11	-	-	11	-
Non-interest income	-	116	31	147	33
Operating expenses	(15)	(30)	(2)	(47)	(2)
Impairment charges	14	-	-	14	-
Income tax expense and NCI	(3)	(16)	(8)	(27)	(8)
Cash earnings excluding notable items	**7**	**70**	**21**	**98**	**23**
Subtract notable items	-	-	**-**	-	**-**
Cash earnings	**7**	**70**	**21**	**98**	**23**
Half Year March 2021					
Net interest income	14	-	-	14	-
Non-interest income	-	215	27	242	29
Operating expenses	(15)	(26)	(2)	(43)	(2)
Impairment charges	15	-	-	15	-
Income tax expense and NCI	(4)	(57)	(7)	(68)	(7)
Cash earnings excluding notable items	**10**	**132**	**18**	**160**	**20**
Subtract notable items	-	(1)	**-**	(1)	**-**
Cash earnings	**10**	**131**	**18**	**159**	**20**
Full Year Sept 2021					
Net interest income	25	-	-	25	-
Non-interest income	-	331	58	389	62
Operating expenses	(30)	(56)	(4)	(90)	(4)
Impairment charges	29	-	-	29	-
Income tax expense and NCI	(7)	(73)	(15)	(95)	(15)
Cash earnings excluding notable items	**17**	**202**	**39**	**258**	**43**
Subtract notable items	-	(1)	**-**	(1)	**-**
Cash earnings	**17**	**201**	**39**	**257**	**43**
Full Year Sept 2020					
Net interest income	37	-	-	37	-
Non-interest income	-	331	58	389	62
Operating expenses	(29)	(63)	(3)	(95)	(3)
Impairment charges	(18)	-	-	(18)	-
Income tax expense and NCI	3	(142)	(15)	(154)	(16)
Cash earnings excluding notable items	**(7)**	**126**	**40**	**159**	**43**
Subtract notable items	-	(255)	**-**	(255)	**-**
Cash earnings	**(7)**	**(129)**	**40**	**(96)**	**43**

Cash earnings financial information

Note 9 Cash earnings contribution of businesses settled and held for sale (continued)

$bn	Motor Vehicle Finance and Novated leasing	Westpac Life Insurance Ltd.	Westpac New Zealand Life Insurance Ltd. (A$)	Contribution of Businesses Held for sale	Westpac New Zealand Life Insurance Ltd. (NZ$)
As at Sept 2021					
Total customer deposits	-	-	-	-	-
Loans	1.0	-	-	1.0	-
Provisions	-	-	-	-	-
Total net loans	**1.0**	**-**	**-**	**1.0**	**-**
Total assets	1.0	2.9	0.2	4.1	0.3
Risk weighted assets	1.1	N/A	N/A	1.1	N/A
Average interest-earning assets	1.0	-	-	1.0	-
As at March 2021					
Total customer deposits	-	-	-	-	-
Loans	1.0	-	-	1.0	-
Provisions	-	-	-	-	-
Total net loans	**1.0**	**-**	**-**	**1.0**	**-**
Total assets	1.0	3.4	0.2	4.6	0.2
Risk weighted assets	1.5	N/A	N/A	1.5	N/A
Average interest-earning assets	1.1	-	-	1.1	-
As at Sept 2020					
Total customer deposits	-	-	-	-	-
Loans	1.1	-	-	1.1	-
Provisions	-	-	-	-	-
Total net loans	**1.1**	**-**	**-**	**1.1**	**-**
Total assets	1.1	3.5	0.2	4.8	0.2
Risk weighted assets	1.9	N/A	N/A	1.9	N/A
Average interest-earning assets	1.5	-	-	1.5	-

Other information

6.0 Other information

6.1 Disclosure regarding forward-looking statements

This Financial Results Announcement contains statements that constitute 'forward-looking statements' within the meaning of Section 21E of the US Securities Exchange Act of 1934.

Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this Financial Results Announcement and include statements regarding Westpac's intent, belief or current expectations with respect to its business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. Words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'risk', 'aim', 'outlook', 'forecast' or other similar words are used to identify forward-looking statements. These forward-looking statements reflect Westpac's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond Westpac's control, and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon Westpac. There can be no assurance that future developments will be in accordance with Westpac's expectations or that the effect of future developments on Westpac will be those anticipated. Actual results could differ materially from those expected, depending on the outcome of various factors, including, but not limited to:

- information security breaches, including cyberattacks;
- the effect of the global COVID-19 pandemic, which has had, and may continue to have, a negative impact on our business and global economic conditions, adversely affect a wide-range of Westpac's key suppliers, third-party contractors and customers, create increased volatility in financial markets and result in increased impairments, defaults and write-offs;
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices and government policy, particularly changes to liquidity, leverage and capital requirements;
- regulatory investigations, reviews and other actions, inquiries, litigation, fines, penalties, restrictions or other regulator imposed conditions, including as a result of our actual or alleged failure to comply with laws (such as financial crime laws), regulations or regulatory policy;
- the effectiveness of Westpac's risk management policies, including internal processes, systems and employees, and operational risks resulting from ineffective processes and controls, as well as breakdowns in processes and procedures requiring remediation activity;
- the failure to comply with financial crime obligations, which has had, and could further have, adverse effects on our business and reputation;
- the occurrence of environmental change (including as a result of climate change) or external events in countries in which Westpac or its customers or counterparties conduct their operations;
- internal and external events which may adversely impact Westpac's reputation;
- litigation and other legal proceedings and regulator investigations and enforcement actions;
- reliability and security of Westpac's technology and risks associated with changes to technology systems;
- the stability of Australian and international financial systems and disruptions to financial markets and any losses or business impacts Westpac or its customers or counterparties may experience as a result;
- market volatility, including uncertain conditions in funding, equity and asset markets;
- the incidence of inadequate capital levels under stressed conditions;
- the risk that governments will default on their debt obligations or will be unable to refinance their debts as they fall due;
- changes to Westpac's credit ratings or the methodology used by credit rating agencies;
- changes in political, social or economic conditions in any of the major markets in which Westpac or its customers or counterparties operate;
- changes in economic conditions, consumer spending, saving and borrowing habits in Australia, New Zealand and other countries (including as a result of tariffs and other protectionist trade measures) in which Westpac or its customers or counterparties conduct their operations and Westpac's ability to maintain or to increase market share, margins and fees, and control expenses;
- adverse asset, credit or capital market conditions;
- an increase in defaults in credit exposures because of a deterioration in economic conditions;
- an increase in defaults, write-offs and provisions for credit impairments;
- the effects of competition, including from established providers of financial services and from non-financial services entities, in the geographic and business areas in which Westpac conducts its operations;
- levels of inflation, interest rates (including low or negative interest rates), exchange rates and market and monetary fluctuations and volatility;
- poor data quality or poor data retention;

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- strategic decisions including diversification, innovation, divestment, acquisitions or business expansion activity, including the integration of new businesses;
- changes to Westpac's critical accounting estimates and judgements and changes to the value of Westpac's intangible assets;
- the incidence or severity of Westpac-insured events;
- the inability to syndicate or sell down underwritten securities, particularly during times of heightened market volatility; and
- various other factors beyond Westpac's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made by Westpac, refer to 'Risk factors' in the 2021 Annual Report. When relying on forward-looking statements to make decisions with respect to Westpac, investors and others should carefully consider the foregoing factors and other uncertainties and events.

Westpac is under no obligation to update any forward-looking statements contained in this Financial Results Announcement, whether as a result of new information, future events or otherwise, after the date of this Financial Results Announcement.

Other information

6.2 References to websites

Information contained in or accessible through the websites mentioned in this Full Year Financial Results Announcement does not form part of this Full Year Financial Results Announcement unless we specifically state that it is incorporated by reference and forms part of this Full Year Financial Results Announcement. All references in this Full Year Financial Results Announcement to websites are inactive textual references and are for information only.

6.3 Credit ratings[1]

Rating agency	Short-term	Long-term	Outlook
Fitch Ratings	F1	A+	Stable
Moody's Investor Services	P-1	Aa3	Stable
S&P Global Ratings	A-1+	AA-	Stable

6.4 Dividend reinvestment plan

The Board has determined a final fully franked dividend of 60 cents per share, to be paid on 21 December 2021 to shareholders on the register at the record date of 8 November 2021. The 2021 final dividend represents a payout ratio on a cash earnings basis of 121.28%. In addition to being fully franked, the dividend will also carry NZ$0.07 in New Zealand imputation credits that may be used by New Zealand tax residents.

Westpac operates a dividend reinvestment plan (DRP) that is available to holders of fully paid ordinary shares who are resident in, and whose address on the register of shareholders is in Australia or New Zealand. As noted in Section 2.5, the Directors have made certain determinations in relation to the calculation of the market price which will apply to the DRP for the 2021 annual dividend only.

Shareholders who wish to commence participation in the DRP, or to vary their current participation election, must do so by 5.00pm (AEST) on 9 November 2021.

Shareholders can provide these instructions :

- Online for shareholders with holdings that have a market value of less than $1,000,000 within your Link Market Services portfolio, login into or create your Portfolio via Westpac share registrar's at linkmarketservices.com.au and electing the DRP or amending their existing instructions online; or
- By completing and returning a DRP application or Variation form to Westpac's share registry. Registry contact details are listed in Section 6.6.

1. As at 30 September 2021.

1 2 3 4 5 6 7

Other information

6.5 Information on related entities

a. Changes in control of Group entities

During the twelve months ended 30 September 2021 the following non-controlled entities were acquired, formed, or incorporated:

- Hyde Potts Insurance Services Pte Ltd (incorporated 21 May 2021)
- Series 2021-1 WST Trust (established 17 September 2021)

During the twelve months ended 30 September 2021 the following controlled entities ceased to be controlled:

- Capital Finance New Zealand Limited (deregistered 30 October 2020)
- Crusade ABS Series 2017-1 Trust (terminated 26 July 2021)
- Oniston Pty Limited (deregistered 11 August 2021)
- Pendal Long Term Income Fund (sold 31 August 2021)
- Planwise AU Pty Ltd (divested 18 June 2021)
- SIE-Lease (New Zealand) Pty Ltd (deregistered 30 October 2020)
- Series 2011-3 WST Trust (deregistered 1 March 2021)
- Westpac General Insurance Limited (sold 1 July 2021)
- Westpac General Insurance Services Limited (sold 1 July 2021)
- Westpac Lenders Mortgage Insurance Limited (sold 31 August 2021)

b. Associates

As at 30 September 2021	Ownership Interest Held (%)
Akahu Technologies Ltd	29.60%
Data Republic Pty Ltd	24.88%
Hey You Pty Ltd (Formerly Beat The Q Holdings Pty Ltd)	23.48%
Lygon 1B Pty Ltd	25.25%
mx51 Group Pty Ltd	33.06%
OpenAgent Pty Ltd	25.92%
Valiant Finance Pty Ltd	20.71%

Other information

6.6 Financial calendar and Share Registry details

Westpac shares are listed on the securities exchanges in Australia (ASX) and New Zealand (NZX) and as American Depository Receipts in New York (NYSE). Westpac Capital Notes 2, Westpac Capital Notes 4, Westpac Capital Notes 5, Westpac Capital Notes 6, Westpac Capital Notes 7 and Westpac Capital Notes 8 are listed on the ASX.

Important dates to note are set out below, subject to change. Payment of any distribution, dividend or interest payment is subject to the relevant payment conditions and the key dates for each payment will be confirmed to the ASX for securities listed on the ASX.

Westpac Ordinary Shares (ASX code: WBC, NZX code: WBC, NYSE code: WBK)

Ex-dividend date for final dividend	5 November 2021
Record date for final dividend	8 November 2021
New York ex-dividend date for final dividend	8 November 2021
New York record date for final dividend	9 November 2021
Annual General Meeting	15 December 2021[1]
Final dividend payable	21 December 2021
Financial Half Year end	31 March 2022
Interim results and dividend announcement	9 May 2022
New York ex-dividend date for interim dividend	18 May 2022
New York record date for interim dividend	19 May 2022
Ex-dividend date for interim dividend	19 May 2022
Record date for interim dividend	20 May 2022
Interim dividend payable	24 June 2022
Financial Year end	30 September 2022
Closing date for receipt of director nominations before Annual General Meeting	26 October 2022
Final results and dividend announcement	7 November 2022
New York ex-dividend date for final dividend	16 November 2022
New York record date for final dividend	17 November 2022
Ex-dividend date for final dividend	17 November 2022
Record date for final dividend	18 November 2022
Annual General Meeting	14 December 2022[1]
Final dividend payable	20 December 2022

Westpac Capital Notes 2 (ASX code: WBCPE)

Ex-date for quarterly distribution	14 December 2021
Record date for quarterly distribution	15 December 2021
Payment date for quarterly distribution	23 December 2021
Ex-date for quarterly distribution	14 March 2022
Record date for quarterly distribution	15 March 2022
Payment date for quarterly distribution	23 March 2022
Ex-date for quarterly distribution	14 June 2022
Record date for quarterly distribution	15 June 2022
Payment date for quarterly distribution	23 June 2022
Ex-date for quarterly distribution	14 September 2022
Record date for quarterly distribution	15 September 2022
Payment date for quarterly distribution	23 September 2022
Ex-date for quarterly distribution	14 December 2022
Record date for quarterly distribution	15 December 2022
Payment date for quarterly distribution	23 December 2022

1. Details regarding the location of the meeting and the business to be dealt with will be contained in a Notice of Meeting sent to shareholders in the November before the meeting.

Other information

Westpac Capital Notes 4 (ASX code: WBCPG)

Ex-date for quarterly distribution	9 December 2021
Record date for quarterly distribution	10 December 2021[1]
Payment date for quarterly distribution	20 December 2021

Westpac Capital Notes 5 (ASX code: WBCPH)

Ex-date for quarterly distribution	13 December 2021
Record date for quarterly distribution	14 December 2021
Payment date for quarterly distribution	22 December 2021
Ex-date for quarterly distribution	11 March 2022
Record date for quarterly distribution	14 March 2022
Payment date for quarterly distribution	22 March 2022
Ex-date for quarterly distribution	10 June 2022
Record date for quarterly distribution	14 June 2022
Payment date for quarterly distribution	22 June 2022
Ex-date for quarterly distribution	13 September 2022
Record date for quarterly distribution	14 September 2022
Payment date for quarterly distribution	22 September 2022
Ex-date for quarterly distribution	13 December 2022
Record date for quarterly distribution	14 December 2022
Payment date for quarterly distribution	22 December 2022

Westpac Capital Notes 6 (ASX code: WBCPI)

Ex-date for quarterly distribution	9 December 2021
Record date for quarterly distribution	10 December 2021
Payment date for quarterly distribution	20 December 2021[2]
Ex-date for quarterly distribution	9 March 2022
Record date for quarterly distribution	10 March 2022
Payment date for quarterly distribution	18 March 2022
Ex-date for quarterly distribution	9 June 2022
Record date for quarterly distribution	10 June 2022
Payment date for quarterly distribution	20 June 2022[2]
Ex-date for quarterly distribution	8 September 2022
Record date for quarterly distribution	9 September 2022[1]
Payment date for quarterly distribution	19 September 2022[2]
Ex-date for quarterly distribution	8 December 2022
Record date for quarterly distribution	9 December 2022[1]
Payment date for quarterly distribution	19 December 2022[2]

1. Adjusted to immediately preceding business day as record date falls on a non-ASX business day or a date on which banks are not open for general business in Sydney.
2. Adjusted to next business day as payment date falls on a non-ASX business day or a date on which banks are not open for general business in Sydney.

Other information

Westpac Capital Notes 7 (ASX code: WBCPJ)

Ex-date for quarterly distribution	13 December 2021
Record date for quarterly distribution	14 December 2021
Payment date for quarterly distribution	22 December 2021
Ex-date for quarterly distribution	11 March 2022
Record date for quarterly distribution	14 March 2022
Payment date for quarterly distribution	22 March 2022
Ex-date for quarterly distribution	10 June 2022
Record date for quarterly distribution	14 June 2022
Payment date for quarterly distribution	22 June 2022
Ex-date for quarterly distribution	13 September 2022
Record date for quarterly distribution	14 September 2022
Payment date for quarterly distribution	22 September 2022
Ex-date for quarterly distribution	13 December 2022
Record date for quarterly distribution	14 December 2022
Payment date for quarterly distribution	22 December 2022

Westpac Capital Notes 8 (ASX code: WBCPK)

Ex-date for quarterly distribution	10 December 2021
Record date for quarterly distribution	13 December 2021
Payment date for quarterly distribution	21 December 2021
Ex-date for quarterly distribution	10 March 2022
Record date for quarterly distribution	11 March 2022[1]
Payment date for quarterly distribution	21 March 2022
Ex-date for quarterly distribution	9 June 2022
Record date for quarterly distribution	10 June 2022[1]
Payment date for quarterly distribution	21 June 2022
Ex-date for quarterly distribution	12 September 2022
Record date for quarterly distribution	13 September 2022
Payment date for quarterly distribution	21 September 2022
Ex-date for quarterly distribution	12 December 2022
Record date for quarterly distribution	13 December 2022
Payment date for quarterly distribution	21 December 2022

1. Adjusted to immediately preceding business day as record date falls on a non-ASX business day or a date on which banks are not open for general business in Sydney.

Other information

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Share Registries

Australia

Ordinary shares on the main register, Westpac Capital Notes 2, Westpac Capital Notes 4, Westpac Capital Notes 5, Westpac Capital Notes 6, Westpac Capital Notes 7 and Westpac Capital Notes 8

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000 Australia

Postal Address:
Locked Bag A6015,
Sydney South NSW 1235, Australia

Website: www.linkmarketservices.com.au

Email: westpac@linkmarketservices.com.au

Telephone: 1800 804 255 (toll free in Australia)

International: +61 1800 804 255

Facsimile: +61 2 9287 0303

New Zealand

Ordinary shares on the New Zealand branch register

Link Market Services Limited
Level 7, Zurich House,
21 Queen Street
Auckland 1010 New Zealand

Postal Address:
P.O. Box 91976,
Auckland 1142, New Zealand

Website: www.linkmarketservices.co.nz

Email: enquiries@linkmarketservices.co.nz

Telephone: 0800 002 727 (toll free in New Zealand)

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New York

Depositary in USA for American Depositary Shares Listed on New York Stock Exchange

(CUSIP 961214301)

BNY Mellon Shareowner Services

PO Box 505000, Louisville,
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Telephone: +1 888 269 2377 (toll free in USA)

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Other information

6.7 Exchange rates

6.7.1 Exchange rates against A$

Six months to/as at	30 Sept 2021		31 March 2021		30 Sept 2020	
Currency	Average	Spot	Average	Spot	Average	Spot
US$	0.7522	0.7204	0.7515	0.7595	0.6866	0.7107
GBP	0.5418	0.5359	0.5569	0.5536	0.5418	0.5540
NZ$	1.0626	1.0477	1.0698	1.0891	1.0721	1.0803

Twelve months to/as at	30 Sept 2021		30 Sept 2020	
Currency	Average	Spot	Average	Spot
US$	0.7519	0.7204	0.6789	0.7107
GBP	0.5493	0.5359	0.5323	0.5540
NZ$	1.0662	1.0477	1.0607	1.0803

6.7.2 Impact of exchange rate movements on Group results

	Half Year Sept 2021 vs Half Year March 2021			Full Year Sept 2021 vs Full Year Sept 2020		
	Cash earnings growth	FX Impact $m	Growth ex-FX	Cash earnings growth	FX Impact $m	Growth ex-FX
Net interest income	(3%)	7	(3%)	(2%)	(23)	(2%)
Non-interest income	(14%)	(2)	(14%)	22%	(8)	22%
Net operating income	**(5%)**	**5**	**(5%)**	**2%**	**(31)**	**2%**
Operating expenses	22%	(5)	22%	5%	18	5%
Core earnings	**(39%)**	**-**	**(39%)**	**(2%)**	**(13)**	**(2%)**
Impairment charges	(41%)	-	(41%)	large	(1)	large
Operating profit before income tax	**(39%)**	**-**	**(39%)**	**76%**	**(14)**	**76%**
Income tax expense	(19%)	-	(19%)	40%	4	40%
Net profit	**(49%)**	**-**	**(49%)**	**105%**	**(10)**	**106%**
Profit attributable to NCI	50%	-	50%	150%	-	150%
Cash earnings	**(49%)**	**-**	**(49%)**	**105%**	**(10)**	**106%**

6.7.3 Exchange rate risk on future NZ$ earnings

Westpac's policy in relation to the hedging of the future earnings of the Group's New Zealand division is to manage the economic risk for volatility of the NZ$ against A$. Westpac manages these flows over a time horizon under which up to 100% of the expected earnings for the following 12 months and 50% of the expected earnings for the subsequent 12 months can be hedged. At 30 September 2021, Westpac has hedges in place for forecasts up to April 2022, with an average rate of $1.04.

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7.0 Glossary

Shareholder value	
Average ordinary equity	Average total equity less average non-controlling interests.
Average tangible ordinary equity	Average ordinary equity less average goodwill and other intangible assets (excluding capitalised software).
Cash earnings per ordinary share	Cash earnings divided by the weighted average ordinary shares (cash earnings basis).
Cash earnings to average tangible equity (ROTE)	Cash earnings divided by average tangible ordinary equity.
Cash ROE	Cash earnings divided by average ordinary equity.
Dividend payout ratio – cash earnings	Ordinary dividend paid/declared calculated on issued shares divided by cash earnings.
Dividend payout ratio – net profit	Ordinary dividend paid/declared on issued shares (net of Treasury shares) divided by the net profit attributable to owners of WBC.
Earnings per ordinary share	Net profit attributable to the owners of WBC divided by the weighted average ordinary shares (reported).
Economic profit – Group	Cash earnings less a capital charge calculated at 9% of average ordinary equity plus a value on franking credits calculated as 70% of the Group's Australian tax expense.
Fully franked dividends per ordinary shares (cents)	Dividends paid out of retained profits which carry a credit for Australian company income tax paid by Westpac.
Net tangible assets per ordinary share	Net tangible assets (total equity less goodwill and other intangible assets less minority interests) divided by the number of ordinary shares on issue (less Treasury shares held).
Return on equity (ROE)	Net profit attributable to the owners of WBC divided by average ordinary equity.
Weighted average ordinary shares (cash earnings)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period.
Weighted average ordinary shares (reported)	Weighted average number of fully paid ordinary shares listed on the ASX for the relevant period less Westpac shares held by the Group ('Treasury shares').
Productivity and efficiency	
Expense to income ratio	Operating expenses divided by net operating income.
Full-time equivalent employees (FTE)	A calculation based on the number of hours worked by full and part-time employees as part of their normal duties. For example, the full-time equivalent of one FTE is 76 hours paid work per fortnight.
Revenue per FTE	Total operating income divided by the average number of FTE for the period.
Business performance	
Average interest-bearing liabilities	The average balance of liabilities owed by the Group that incur an interest expense. Where possible, daily balances are used to calculate the average balance for the period.
Average interest-earning assets	The average balance of assets held by the Group that generate interest income. Where possible, daily balances are used to calculate the average balance for the period.
Divisional margin	Net interest income (including capital benefit) for a division as a percentage of the average interest earning assets for that division.
Interest spread	The difference between the average yield on all interest-earning assets and the average rate paid on interest bearing liabilities.
Net interest margin	Calculated by dividing net interest income by average interest-earning assets.
Capital adequacy	
APRA leverage ratio	Tier 1 capital divided by 'exposure measure' and expressed as a percentage. 'Exposure measure' is the sum of on-balance sheet exposures, derivative exposures, securities financing transaction exposures and other off- balance sheet exposures.
Common equity tier 1 capital ratio	Total common equity capital divided by risk weighted assets, as defined by APRA.
Credit risk weighted assets (Credit RWA)	Credit risk weighted assets represent risk weighted assets (on-balance sheet and off-balance sheet) that relate to credit exposures and therefore exclude market risk, operational risk, interest rate risk in the banking book and other assets.
Internationally comparable capital ratios	Internationally comparable regulatory capital ratios are Westpac's estimated ratios after adjusting the capital ratios determined under APRA Basel III regulations for various items. Analysis aligns with the APRA study titled "International capital comparison study" dated 13 July 2015.

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Capital adequacy (cont'd)	
	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 (i.e. market and operational risk), RWA is determined by multiplying the capital requirements for those risks by 12.5.
Tier 1 capital ratio	Total Tier 1 capital divided by risk weighted assets, as defined by APRA.
Total regulatory capital ratio	Total regulatory capital divided by risk weighted assets, as defined by APRA.
Funding and liquidity	
Committed Liquidity Facility (CLF)	The RBA makes available to Australian Authorised Deposit-taking Institutions (ADIs) a CLF that, subject to qualifying conditions, can be accessed to meet LCR requirements under APS210 Liquidity.
Deposit to loan ratio	Customer deposits divided by total loans.
High Quality Liquid Assets (HQLA)	Assets which meet APRA's criteria for inclusion as HQLA in the numerator of the LCR.
Liquidity Coverage Ratio (LCR)	An APRA requirement to maintain an adequate level of unencumbered high quality liquid assets, to meet liquidity needs for a 30 calendar day period under an APRA-defined severe stress scenario. Absent a situation of financial stress, the value of the LCR must not be less than 100%, effective 1 January 2015. LCR is calculated as the percentage ratio of stock of HQLA and CLF over the total net cash out-flows in a modelled 30 day defined stressed scenario.
Net Stable Funding Ratio (NSFR)	The NSFR is defined as the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF) defined by APRA. The amount of ASF is the portion of an ADI's capital and liabilities expected to be a reliable source of funds over a one year time horizon. The amount of RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off-balance sheet activities. ADI's must maintain an NSFR of at least 100%.
Term Funding Facility (TFF)	A facility established by the RBA to provide 3 year term funding to Australian ADIs via repurchase transactions, subject to qualifying conditions, to help support lending to Australian businesses.
Third party liquid assets	HQLA and non LCR qualifying liquid assets, but excludes internally securitised assets that are eligible for a repurchase agreement with the RBA and RBNZ.
Total liquid assets	Third party liquid assets and internally securitised assets that are eligible for a repurchase agreement with a central bank.
Credit quality	
90 days past due and not impaired	Includes facilities where: • contractual payments of interest and / or principal are 90 or more calendar days overdue, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days (including accounts for customers who have been granted hardship assistance); or • an order has been sought for the customer's bankruptcy or similar legal action has been instituted which may avoid or delay repayment of its credit obligations; and • the estimated net realisable value of assets / security to which Westpac has recourse is sufficient to cover repayment of all principal and interest, or where there are otherwise reasonable grounds to expect payment in full and interest is being taken to profit on an accrual basis. These facilities, while in default, are not treated as impaired for accounting purposes.
Collectively assessed provisions (CAPs)	Collectively assessed provisions 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.
Default	For accounting purposes, a default occurs when Westpac considers that the customer is unlikely to repay its credit obligations in full, without recourse by the Group to action such as realising security, or the customer is more than 90 days past due on any material credit obligation. This definition of default is aligned to the APRA regulatory definition of default.
Exposure at default (EAD)	The estimated outstanding amount of credit exposure at the time of the default.

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Credit quality (cont'd)	
Impaired exposures	Includes exposures that have deteriorated to the point where full collection of interest and principal is in doubt, based on an assessment of the customer's outlook, cash flow, and the net realisation of value of assets to which recourse is held: • facilities 90 days or more past due, and full recovery is in doubt: exposures where contractual payments are 90 or more days in arrears and the net realisable value of assets to which recourse is held may not be sufficient to allow full collection of interest and principal, including overdrafts or other revolving facilities that remain continuously outside approved limits by material amounts for 90 or more calendar days; • non-accrual facilities: exposures with individually assessed impairment provisions held against them, excluding restructured loans; • restructured facilities: 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 facilities where the full collection of interest and principal is in doubt.
Individually assessed provisions (IAPs)	Provisions raised for losses on loans that are known to be impaired and are assessed on an individual basis. The estimated losses on these impaired loans is based on expected future cash flows discounted to their present value and, as this discount unwinds, interest will be recognised in the income statement.
Loss given default (LGD)	The loss that is expected to arise in the event of a default.
Non-performing exposures	Exposures which are in default.
Performing exposures	Exposures which are not in default.
Probability of default (PD)	The probability that a counterparty will default.
Provision for expected credit losses (ECL)	Expected credit losses (ECL) are a probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant timeframe. They are determined by evaluating a range of possible outcomes and taking into account the time value of money, past events, current conditions and forecasts of future economic conditions.
Stage 1: 12 months ECL - performing	For financial assets where there has been no significant increase in credit risk since origination a provision for 12 months expected credit losses is recognised. Interest revenue is calculated on the gross carrying amount of the financial asset.
Stage 2: Lifetime ECL - performing	For financial assets where there has been a significant increase in credit risk since origination but where the asset is still performing a provision for lifetime expected losses is recognised. Interest revenue is calculated on the gross carrying amount of the financial asset.
Stage 3: Lifetime ECL - non-performing	For financial assets that are non-performing a provision for lifetime expected losses is recognised. Interest revenue is calculated on the carrying amount net of the provision for ECL rather than the gross carrying amount.
Stressed exposures	Watchlist and substandard, 90 days past due and not impaired and impaired exposures.
Total committed exposure (TCE)	Represents the sum of the committed portion of direct lending (including funds placement overall and deposits placed), contingent and pre-settlement risk plus the committed portion of secondary market trading and underwriting risk.
Watchlist and substandard	Loan facilities where customers are experiencing operating weakness and financial difficulty but are not expected to incur loss of interest or principal.
Other	
COVID-19	A viral disease, declared as a pandemic by the World Health Organisation on 12 March 2020.
Credit Value Adjustment (CVA)	CVA adjusts the fair value of over-the-counter derivatives for credit risk. CVA is employed on the majority of derivative positions and reflects the market view of the counterparty credit risk. A Debit Valuation Adjustment (DVA) is employed to adjust for our own credit risk.

Glossary

Other (cont'd)	
Divisional results	Divisional results are presented on a management reporting basis. Internal charges and transfer pricing adjustments are included in the performance of each division reflecting the management structure rather than the legal entity (these results cannot be compared to results for individual legal entities). Where management reporting structures or accounting classifications have changed, financial results for comparative periods have been restated and may differ from results previously reported. Overhead costs are allocated to revenue generating divisions. The Group's internal transfer pricing frameworks facilitate risk transfer, profitability measurement, capital allocation and divisional alignment, tailored to the jurisdictions in which the Group operates. Transfer pricing allows the Group to measure the relative contribution of products and divisions to the Group's interest margin and other dimensions of performance. Key components of the Group's transfer pricing frameworks are funds transfer pricing for interest rate and liquidity risk and allocation of basis and contingent liquidity costs, including capital allocation.
First Half 2021	Six months ended 31 March 2021.
First Half 2020	Six months ended 31 March 2020.
IFTI	International Funds Transfer Instructions
Net Promoter Score (NPS)	Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Net Promoter ScoreSM is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. • For retail banking, using a scale of 1 to 10 (1 means 'extremely unlikely' and 10 means 'extremely likely'), the 1-6 raters (detractors) are deducted from the 9-10 raters (promoters); and • For business banking, using a scale of 0 to 10 (0 means 'extremely unlikely' and 10 means 'extremely likely'), the 0-6 raters (detractors) are deducted from the 9-10 raters (promoters).
Prior corresponding period	Refers to the six months ended 30 September 2020.
Prior half / Prior period	Refers to the six months ended 31 March 2021.
Run-off	Scheduled and unscheduled repayments and debt repayments (from for example property sales and external refinancing), net of redraws.
Second Half 2020	Six months ended 30 September 2020.
SME	Small to medium sized enterprises
Women in Leadership	Women in Leadership refers to the proportion of women (permanent and maximum term) in leadership roles across the Group. It includes the CEO, Group Executive, General Managers, senior leaders with significant influence on business outcomes (direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below General Manager, and Bank and Assistant Bank Managers.

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