ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

7 November 2022

Westpac 2022 Full Year Financial Results Announcement (incorporating the requirements of Appendix 4E)

Westpac Banking Corporation ("Westpac") today provides the attached Westpac 2022 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, Company Secretary.

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2022

INCORPORATING THE REQUIREMENTS OF APPENDIX 4E

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Full Year Financial Results

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 2022[2]

Revenue from ordinary activities[3,4] ($m)	down	8%	to	$19,606
Profit from ordinary activities after tax attributable to equity holders[4] ($m)	up	4%	to	$5,694
Net profit for the year attributable to equity holders[4] ($m)	up	4%	to	$5,694

Dividend Distributions (cents per ordinary share)	Amount per security	Franked amount per security
Final Dividend	64	64
Interim Dividend	61	61

Record date for determining entitlements to the final dividend	18 November 2022

1. This document comprises the Westpac Group 2022 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 2022 Westpac Group Annual Report and any public announcements made in and since 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 2021.

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	7 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
Final dividend payable	20 December 2022

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 2022	Half Year March 2022	% Mov't[1] Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't[1] Sept 22 - Sept 21
Net interest income	8,873	8,288	7	17,161	16,858	2
Net fee income	826	845	(2)	1,671	1,482	13
Net wealth management and insurance income	407	401	1	808	1,211	(33)
Trading income	321	343	(6)	664	719	(8)
Other (loss)/income	(1,051)	353	large	(698)	952	large
Net operating income before operating expenses and impairment (charges)/benefits	**9,376**	**10,230**	**(8)**	**19,606**	**21,222**	**(8)**
Operating expenses	(5,429)	(5,373)	1	(10,802)	(13,311)	(19)
Profit before impairment (charges)/benefits and income tax expense	**3,947**	**4,857**	**(19)**	**8,804**	**7,911**	**11**
Impairment (charges)/benefits	(196)	(139)	41	(335)	590	large
Profit before income tax expense	**3,751**	**4,718**	**(20)**	**8,469**	**8,501**	**-**
Income tax expense	(1,336)	(1,434)	(7)	(2,770)	(3,038)	(9)
Net profit	**2,415**	**3,284**	**(26)**	**5,699**	**5,463**	**4**
Net profit attributable to non-controlling interests (NCI)	(1)	(4)	(75)	(5)	(5)	-
Net profit attributable to owners of WBC	**2,414**	**3,280**	**(26)**	**5,694**	**5,458**	**4**
Effective tax rate	**35.6%**	**30.4%**	**large**	**32.7%**	**35.7%**	**(303 bps)**

Net profit attributable to owners of WBC for Full Year 2022 was $5,694 million, an increase of $236 million or 4% compared to Full Year 2021. Basic earnings per share increased 7% as net profit after tax increased and the average share count reduced 3% following the $3.5 billion share buy-back.

The increase in net profit was predominantly due to reduction in expenses, partly offset by lower non-interest income mainly from the loss on sale of Westpac Life Insurance Services Limited (Australian life insurance) and higher credit impairment charges. Over recent years, Westpac has incurred certain items that have been called "notable items". The net after tax reduction in net profit for these items was $1,292 million in Full Year 2022 compared to $1,601 million in Full Year 2021, $309 million lower. These items are discussed in Section 1.3.3, Section 3.0, and Section 5, Note 9 in this report and include:

- Provisions for estimated customer refunds, payments, associated costs and litigation;
- The write-down of assets and expenses from reducing our corporate and branch footprint; and
- The impact of asset sales and revaluations.

The following is a summary of the movements in major line items in net profit for Full Year 2022 compared to Full Year 2021.

Net interest income increased by $303 million or 2% over Full Year 2022 with increased lending and deposits partly offset by a 13 basis point reduction in net interest margin. Average interest earning assets increased 8%, while spot lending increased 4% with growth in owner-occupied mortgages, small business, and institutional lending. Customer deposits increased 6% over the year, more than fully funding loan growth contributing to an increase in the customer deposit to loan ratio to 82.9%. Loans and deposits are discussed in Section 2.2.2 and Section 2.2.3, respectively.

All the decline in net interest margin was in First Half 2022 from the impact of low interest rates and lending competition. While competition continued through the year, rising interest rates assisted in restoring margins in Second Half 2022 from improved returns on capital and low-rate deposits and increased deposit spreads.

Through the year, the decrease in net interest margin was due to:

- Lower spreads on mortgages and business lending reflecting intense competition; and
- Margin dilution from $48 billion increase in average liquid assets to meet the need for additional high quality liquid assets following the scheduled reduction of the Reserve Bank of Australia's committed liquidity facility (CLF). Funding and holding liquid assets are more expensive than the cost of the CLF; partly offset by
- Increased deposit spreads which contributed 21 basis points to net interest margin; and
- Increase of $443 million on unrealised gains on fair value movements of non-hedge accounted economic hedges in Full Year 2022.

1. Percentage (%) movements are shown as % unless otherwise stated. This applies to all the tables in this document.

Group results

Net interest income and net interest margin are discussed in Section 2.2.1 and Section 2.2.4.

Non-interest income was $1,919 million lower compared to Full Year 2021. The decrease was predominantly due to:

- Lower other income reflecting the net loss on disposal of non-core businesses in Full Year 2022 mainly driven by the loss on the sale of our Australian life insurance business of $1,112 million. There was a net gain in Full Year 2021 of $188 million from non-core asset sales;
- Lower contribution from Westpac Life-NZ- Limited (NZ life insurance) and Australian life insurance businesses of $287 million following their sales in 2022 and the impact of unfavourable valuations; and
- Lower general and lenders mortgage insurance income by $185 million as these businesses were sold in Second Half 2021; partly offset by
- Lower remediation costs which were offset against revenue of $256 million.

Non-interest income is discussed in Section 2.2.5.

Operating expenses were $2,509 million or 19% lower compared to Full Year 2021. The decrease was mainly due to:

- Lower asset write-downs of $1,023 million;
- A reduction in depreciation and amortisation of assets of $450 million following write-downs in Full Year 2021;
- Reduced use of third-party services;
- Lower staff expenses of $168 million from lower FTE, partly offset by increased superannuation and higher restructuring costs;
- Lower separation costs associated with the sale of businesses; and
- Lower remediation costs of $296 million.

Operating expenses are discussed in Section 2.2.8.

Credit impairment charges were $335 million in Full Year 2022, compared to a credit impairment benefit of $590 million in Full Year 2021. The charge in Full Year 2022 represented 5 basis points of gross loans and is still well below long-term historical averages. The impairment benefit in Full Year 2021 reflected the release of provisions following an improved economic outlook. The charge in Full Year 2022 reflected:

- Impact of higher inflation, interest rates rising and expectation of slowing economic activity; partly offset by
- Impact of further improvement in credit quality metrics through the year including a reduction in stressed exposures.

Credit impairment charges and asset quality are discussed in Section 2.2.9, Section 2.3, and Note 10 and Note 11 of the 2022 Full Year Financial Report.

The effective tax rate was 32.7% in Full Year 2022 and was above the corporate tax rate of 30% due to some non-deductible expenses including the loss on the sale of our Australian life insurance business. The effective tax rate was also high in Full Year 2021 due to non-deductible items including goodwill write-downs. Income tax expense is discussed further in Section 2.2.10.

Group results

1.2 Key financial information[1]

	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Shareholder value						
Basic earnings per ordinary share (cents)	69.0	90.5	(24)	159.9	149.4	7
Diluted earnings per ordinary share (cents)	66.0	85.7	(23)	152.4	137.8	11
Weighted average ordinary shares (millions)[2]	3,496	3,622	(3)	3,559	3,653	(3)
Fully franked dividends per ordinary share (cents)	64	61	5	125	118	6
Dividend payout ratio[3]	92.73%	65.06%	large	76.79%	79.25%	(246 bps)
Return on average ordinary equity	6.93%	9.25%	(232 bps)	8.10%	7.70%	40 bps
Average ordinary equity ($m)	69,467	71,073	(2)	70,268	70,849	(1)
Average total equity ($m)	69,520	71,130	(2)	70,323	70,899	(1)
Net tangible asset per ordinary share ($)	17.18	17.22	-	17.18	16.90	2
Business performance						
Interest spread	1.87%	1.86%	1 bps	1.86%	1.98%	(12 bps)
Benefit of net non-interest bearing assets, liabilities and equity	0.09%	0.05%	4 bps	0.07%	0.08%	(1 bps)
Net interest margin	1.96%	1.91%	5 bps	1.93%	2.06%	(13 bps)
Average interest earning assets ($m)	901,786	872,075	3	886,971	819,456	8
Expense to income ratio	57.90%	52.52%	large	55.10%	62.72%	large
Capital, funding and liquidity						
Level 2 common equity Tier 1 capital ratio						
- APRA	11.29%	11.33%	(4 bps)	11.29%	12.32%	(103 bps)
- Internationally comparable	17.57%	17.36%	21 bps	17.57%	18.17%	(60 bps)
Credit risk weighted assets (credit RWA) ($m)	362,098	359,673	1	362,098	357,295	1
Total risk weighted assets (RWA) ($m)	477,620	459,956	4	477,620	436,650	9
Liquidity coverage ratio (LCR)[4,5]	132%	137%	large	132%	129%	211 bps
Net stable funding ratio (NSFR)[5]	121%	125%	large	121%	125%	large
Asset quality[5]						
Gross impaired exposures to gross loans	0.20%	0.23%	(3 bps)	0.20%	0.30%	(10 bps)
Gross impaired exposures to equity and total provisions	2.01%	2.20%	(19 bps)	2.01%	2.78%	(77 bps)
Gross impaired exposure provisions to gross impaired exposures	47.95%	48.03%	(8 bps)	47.95%	54.44%	large
Total committed exposures (TCE) ($bn)	1,186	1,161	2	1,186	1,125	5
Total stressed exposures as a % of TCE	1.07%	1.10%	(3 bps)	1.07%	1.36%	(29 bps)
Total provisions to gross loans	62 bps	65 bps	(3 bps)	62 bps	70 bps	(8 bps)
Mortgages 90+ day delinquencies	0.69%	0.82%	(13 bps)	0.69%	0.99%	(30 bps)
Other consumer loans 90+ day delinquencies	1.56%	1.62%	(6 bps)	1.56%	1.75%	(19 bps)
Collectively assessed provisions to credit RWA	116 bps	116 bps	-	116 bps	117 bps	(1 bps)
Balance sheet ($m)						
Loans	739,647	719,556	3	739,647	709,784	4
Total assets	1,014,198	964,749	5	1,014,198	935,877	8
Deposits and other borrowings	659,129	645,606	2	659,129	626,955	5
Total liabilities	943,689	894,416	6	943,689	863,785	9
Total equity	70,509	70,333	-	70,509	72,092	(2)
Wealth Management						
Average Group funds ($bn)	225	241	(7)	233	230	1

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. Excludes the dividend component of the off-market share buy-back in First Half 2022.
4. Liquidity coverage ratio is calculated on a quarterly average basis.
5. Includes balances presented as held for sale.

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 7.

Certain commentary throughout this Results Announcement refers to performance excluding "notable items". Details on notable items are discussed in Section 1.3.3.

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	8,577	8,028	7	16,605	16,714	(1)
Non-interest income	465	1,931	(76)	2,396	4,324	(45)
Net operating income	**9,042**	**9,959**	**(9)**	**19,001**	**21,038**	**(10)**
Operating expenses	(5,425)	(5,366)	1	(10,791)	(13,283)	(19)
Core earnings	**3,617**	**4,593**	**(21)**	**8,210**	**7,755**	**6**
Impairment (charges)/benefits	(196)	(139)	41	(335)	590	large
Operating profit before income tax expense	**3,421**	**4,454**	**(23)**	**7,875**	**8,345**	**(6)**
Income tax expense	(1,239)	(1,355)	(9)	(2,594)	(2,988)	(13)
Net profit	**2,182**	**3,099**	**(30)**	**5,281**	**5,357**	**(1)**
Net profit attributable to NCI	(1)	(4)	(75)	(5)	(5)	-
Cash earnings	**2,181**	**3,095**	**(30)**	**5,276**	**5,352**	**(1)**
Add back notable items	1,286	6	large	1,292	1,601	(19)
Cash earnings excluding notable items	**3,467**	**3,101**	**12**	**6,568**	**6,953**	**(6)**

1.3.1 Key financial information – cash earnings basis

	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Shareholder value						
Cash earnings per ordinary share (cents)	62.3	85.4	(27)	148.0	146.3	1
Economic profit/(loss) ($m)[1]	(244)	699	large	455	768	(41)
Weighted average ordinary shares (millions)[2]	3,501	3,626	(3)	3,564	3,657	(3)
Dividend payout ratio	102.73%	69.01%	large	82.95%	80.88%	207
Cash earnings return on average ordinary equity (ROE)	6.26%	8.73%	(247 bps)	7.50%	7.55%	(5 bps)
Cash earnings return on average tangible ordinary equity (ROTE)	7.09%	9.88%	(279 bps)	8.49%	8.65%	(16 bps)
Average ordinary equity ($m)	69,467	71,073	(2)	70,268	70,849	(1)
Average tangible ordinary equity ($m)[3]	61,335	62,825	(2)	62,078	61,900	-
Business performance						
Interest spread	1.80%	1.79%	1 bps	1.79%	1.96%	(17 bps)
Benefit of net non-interest bearing assets, liabilities and equity	0.10%	0.06%	4 bps	0.08%	0.08%	-
Net interest margin	1.90%	1.85%	5 bps	1.87%	2.04%	(17 bps)
Average interest earning assets ($m)	901,786	872,075	3	886,971	819,456	8
Expense to income ratio	60.00%	53.88%	large	56.79%	63.14%	large
Full time equivalent employees (FTE)	37,476	38,823	(3)	37,476	40,143	(7)
Revenue per FTE ($ '000's)	240	252	(5)	493	545	(10)
Effective tax rate	36.22%	30.42%	large	32.94%	35.81%	(287 bps)
Impairment charges[4]						
Impairment charges/(benefits) to average loans annualised	5 bps	4 bps	1 bps	5 bps	(8 bps)	13 bps
Net write-offs to average loans annualised	8 bps	13 bps	(5 bps)	10 bps	8 bps	2 bps

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

Group results

1.3.2 Cash earnings policy

In assessing financial performance, including segment reporting, we currently use an adjusted AAS 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 reported results.

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

- Items that key decision makers at Westpac believe do not reflect our 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 7.

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

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net profit attributable to owners of WBC	**2,414**	**3,280**	**(26)**	**5,694**	**5,458**	**4**
Fair value (gain)/loss on economic hedges	(266)	(204)	30	(470)	(138)	large
Ineffective hedges	33	19	74	52	32	63
Total cash earnings adjustment (post-tax)	**(233)**	**(185)**	**26**	**(418)**	**(106)**	**large**
Cash earnings	**2,181**	**3,095**	**(30)**	**5,276**	**5,352**	**(1)**
Add back notable items	1,286	6	large	1,292	1,601	(19)
Cash earnings excluding notable items	**3,467**	**3,101**	**12**	**6,568**	**6,953**	**(6)**

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

- 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 profits 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;
- 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 infrequent items have impacted results but do not reflect ongoing business performance. We have called these items "notable items". Notable items can be divided into the three categories below:

Category	Cash earnings impact FY22 $m	Detail
1. Provisions for estimated customer refunds and payments, associated costs and litigation costs	$133m reduction	• Additional provisions for estimated customer refunds: – remediation for premium increases on certain life insurance products issued by Westpac Life Insurance Services Limited (WLIS); and – additional wealth related remediation; partly offset by release of provisions for customer remediation in Westpac New Zealand. • Additional costs for our customer remediation program; and • Increase in litigation provisions.
2. The write-down of assets (including goodwill and capitalised software) and accelerated branch closure costs	$283m reduction	• Write-down of assets related to our superannuation business in preparation for its exit. This included all goodwill attributable to the business along with some capitalised software of $167 million in costs, $154 million after tax; • Write-down of assets from a reduction in corporate office space required. Reduced space requirements are from business sales, reduced headcount, and more flexible working. The write-down considers the capitalised value of the remaining term of the lease less likely sublease income, $118 million in costs, $82 million after tax; and • Expenses associated with the accelerated consolidation of branches that has progressed more rapidly than recent years of $66 million in costs, $47 million after tax.
3. The impact of asset sales and revaluations	$876m reduction	• Loss on sale of Westpac Life Insurance Services Limited of $1,112 million in non-interest income, $1,120 million after tax; • Expenses and revaluations associated with assets sales, including of Advance Asset Management and successor funds transfer of BT's personal and corporate superannuation funds of $125 million, $101 million after tax; and • Other costs associated with the divestments of the Group's businesses. Partly offset by; • A tax refund related to the sale of the Group's motor vehicle dealer finance and novated leasing business and vendor finance businesses; • Gain on the sale of Westpac Life-NZ- Limited; and • Gain on sale of the Group's motor vehicle dealer finance and novated leasing business in First Half 2022. This also includes a tax refund in Second Half 2022 related to transaction and separation costs.

Group results

$m	Refunds, payments, costs, and litigation	Write-down of assets and accelerated branch closure costs	Asset sales and revaluations	Total
Half Year Sept 2022				
Net interest income	**(8)**	**-**	**-**	**(8)**
Net fee income	(1)	-	-	(1)
Net wealth management and insurance income	(8)	-	-	(8)
Trading income	-	-	-	-
Other income	-	-	(1,112)	(1,112)
Non-interest income	**(9)**	**-**	**(1,112)**	**(1,121)**
Net operating income	**(17)**	**-**	**(1,112)**	**(1,129)**
Staff expenses	(8)	(39)	(42)	(89)
Occupancy expenses	-	(126)	-	(126)
Technology expenses	-	(17)	(35)	(52)
Other expenses	(72)	(2)	(49)	(123)
Operating expenses	**(80)**	**(184)**	**(126)**	**(390)**
Core earnings	**(97)**	**(184)**	**(1,238)**	**(1,519)**
Income tax (expense)/benefit and NCI	29	55	149	233
Cash earnings	**(68)**	**(129)**	**(1,089)**	**(1,286)**
Half Year March 2022				
Net interest income	**7**	**-**	**-**	**7**
Net fee income	-	-	-	-
Net wealth management and insurance income	(43)	-	-	(43)
Trading income	-	-	-	-
Other income	-	-	271	271
Non-interest income	**(43)**	**-**	**271**	**228**
Net operating income	**(36)**	**-**	**271**	**235**
Staff expenses	(10)	-	(9)	(19)
Occupancy expenses	-	-	-	-
Technology expenses	-	(45)	-	(45)
Other expenses	(36)	(122)	(9)	(167)
Operating expenses	**(46)**	**(167)**	**(18)**	**(231)**
Core earnings	**(82)**	**(167)**	**253**	**4**
Income tax (expense)/benefit and NCI	17	13	(40)	(10)
Cash earnings	**(65)**	**(154)**	**213**	**(6)**

Group results

$m	Refunds, payments, costs, and litigation	Write-down of assets and accelerated branch closure costs	Asset sales and revaluations	Total
Full Year Sept 2022				
Net interest income	**(1)**	**-**	**-**	**(1)**
Net fee income	(1)	-	-	(1)
Net wealth management and insurance income	(51)	-	-	(51)
Trading income	-	-	-	-
Other income	-	-	(841)	(841)
Non-interest income	**(52)**	**-**	**(841)**	**(893)**
Net operating income	**(53)**	**-**	**(841)**	**(894)**
Staff expenses	(18)	(39)	(51)	(108)
Occupancy expenses	-	(126)	-	(126)
Technology expenses	-	(62)	(35)	(97)
Other expenses	(108)	(124)	(58)	(290)
Operating expenses	**(126)**	**(351)**	**(144)**	**(621)**
Core earnings	**(179)**	**(351)**	**(985)**	**(1,515)**
Income tax (expense)/benefit and NCI	46	68	109	223
Cash earnings	**(133)**	**(283)**	**(876)**	**(1,292)**
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)**

Further details of notable items are included in Section 5 Note 9.

1.3.4 This Results Announcement is unaudited

PricewaterhouseCoopers has audited the financial statements contained within the 2022 Westpac Group Annual Report and has issued an unmodified audit report. This 2022 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 2022	As at 31 March 2022	As at 30 Sept 2021	As at 31 March 2021
Australia				
Banking system (Australian Prudential Regulation Authority (APRA))				
Housing credit[1]	22%	22%	22%	22%
Cards	21%	21%	22%	22%
Household deposits	20%	21%	21%	21%
Business deposits	18%	18%	19%	19%
Financial system (Reserve Bank of Australia (RBA))				
Housing credit[1]	21%	21%	21%	22%
Business credit	15%	15%	15%	15%
Retail deposits[2]	20%	20%	20%	20%
New Zealand (Reserve Bank of New Zealand (RBNZ))[3]				
Consumer lending	18%	18%	18%	18%
Deposits	18%	18%	18%	18%
Business lending	16%	16%	16%	17%
Australian Wealth Management[4]				
Platforms (includes Wrap and Corporate Super)	17%	18%	18%	18%
Retail (excludes Cash)	16%	17%	17%	17%
Corporate Super	16%	15%	15%	15%

1.4.2 System multiples

	Half Year Sept 2022	Half Year March 2022	Half Year 30 Sept 2021	Half Year March 2021
Australia				
Banking system (APRA)				
Housing credit[1,5]	0.8	0.3	0.9	0.4
Cards[5]	0.3	0.7	n/a	n/a
Household deposits	0.6	0.8	0.9	0.6
Business deposits	0.7	0.9	0.7	0.2
Financial system (RBA)				
Housing credit[1,5]	0.7	0.2	1.0	0.4
Business credit[5]	0.9	0.8	0.9	n/a
Retail deposits[2,5]	0.7	0.8	1.0	n/a
New Zealand (RBNZ)[3]				
Consumer lending	1.6	0.7	1.0	0.9
Deposits	n/a	1.0	1.0	1.4

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 2022 (for Second Half 2022), as at 31 December 2021 (for First Half 2022), as at 30 June 2021 (for Second Half 2021) 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

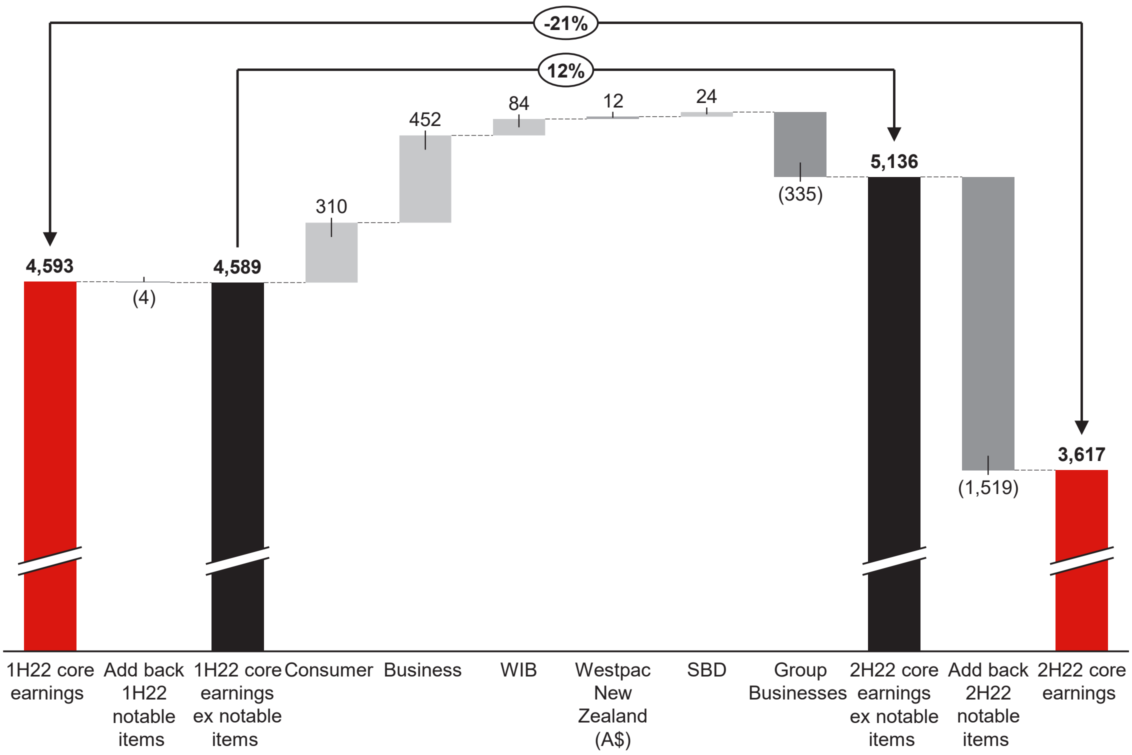
Segment cash earnings summary

	Consumer	Business	Consumer and Business Banking	Westpac Institutional Bank	Westpac New Zealand[1] (A$)	Specialist Businesses	Group Businesses	Group
Half Year Sept 2022 ($m)								
Net interest income	4,608	1,704	6,312	629	1,065	232	339	8,577
Non-interest income	288	166	454	551	127	(702)	35	465
Net operating income	**4,896**	**1,870**	**6,766**	**1,180**	**1,192**	**(470)**	**374**	**9,042**
Operating expenses	(2,320)	(914)	(3,234)	(604)	(538)	(463)	(586)	(5,425)
Core earnings	**2,576**	**956**	**3,532**	**576**	**654**	**(933)**	**(212)**	**3,617**
Impairment (charges)/benefits	(228)	15	(213)	(27)	16	29	(1)	(196)
Operating profit before income tax (expense)/benefit	**2,348**	**971**	**3,319**	**549**	**670**	**(904)**	**(213)**	**3,421**
Income tax (expense)/benefit	(703)	(292)	(995)	(168)	(192)	50	66	(1,239)
Net profit	**1,645**	**679**	**2,324**	**381**	**478**	**(854)**	**(147)**	**2,182**
Net profit attributable to NCI	-	-	-	-	-	(1)	-	(1)
Cash earnings	**1,645**	**679**	**2,324**	**381**	**478**	**(855)**	**(147)**	**2,181**
Add back notable items	47	-	47	-	7	1,112	120	1,286
Cash earnings excluding notable items	**1,692**	**679**	**2,371**	**381**	**485**	**257**	**(27)**	**3,467**
Half Year March 2022 ($m)								
Net interest income	4,377	1,323	5,700	481	1,041	242	564	8,028
Non-interest income	324	163	487	588	270	550	36	1,931
Net operating income	**4,701**	**1,486**	**6,187**	**1,069**	**1,311**	**792**	**600**	**9,959**
Operating expenses	(2,369)	(982)	(3,351)	(577)	(534)	(584)	(320)	(5,366)
Core earnings	**2,332**	**504**	**2,836**	**492**	**777**	**208**	**280**	**4,593**
Impairment (charges)/benefits	27	(158)	(131)	(58)	9	38	3	(139)
Operating profit before income tax (expense)/benefit	**2,359**	**346**	**2,705**	**434**	**786**	**246**	**283**	**4,454**
Income tax (expense)/benefit	(713)	(107)	(820)	(128)	(189)	(111)	(107)	(1,355)
Net profit	**1,646**	**239**	**1,885**	**306**	**597**	**135**	**176**	**3,099**
Net profit attributable to NCI	-	-	-	-	-	(3)	(1)	(4)
Cash earnings	**1,646**	**239**	**1,885**	**306**	**597**	**132**	**175**	**3,095**
Add back notable items	-	-	-	-	(124)	114	16	6
Cash earnings excluding notable items	**1,646**	**239**	**1,885**	**306**	**473**	**246**	**191**	**3,101**
Mov't Sept 22 - Mar 22 (%)								
Net interest income	5	29	11	31	2	(4)	(40)	7
Non-interest income	(11)	2	(7)	(6)	(53)	large	(3)	(76)
Net operating income	**4**	**26**	**9**	**10**	**(9)**	**large**	**(38)**	**(9)**
Operating expenses	(2)	(7)	(3)	5	1	(21)	83	1
Core earnings	**10**	**90**	**25**	**17**	**(16)**	**large**	**large**	**(21)**
Impairment (charges)/benefits	large	large	63	(53)	78	(24)	large	41
Operating profit before income tax (expense)/benefit	**-**	**181**	**23**	**26**	**(15)**	**large**	**large**	**(23)**
Income tax (expense)/benefit	(1)	173	21	31	2	large	large	(9)
Net profit	**-**	**184**	**23**	**25**	**(20)**	**large**	**large**	**(30)**
Net profit attributable to NCI	-	-	-	-	-	(67)	(100)	(75)
Cash earnings	**-**	**184**	**23**	**25**	**(20)**	**large**	**large**	**(30)**
Add back notable items	-	-	-	-	large	large	large	large
Cash earnings excluding notable items	**3**	**184**	**26**	**25**	**3**	**4**	**large**	**12**

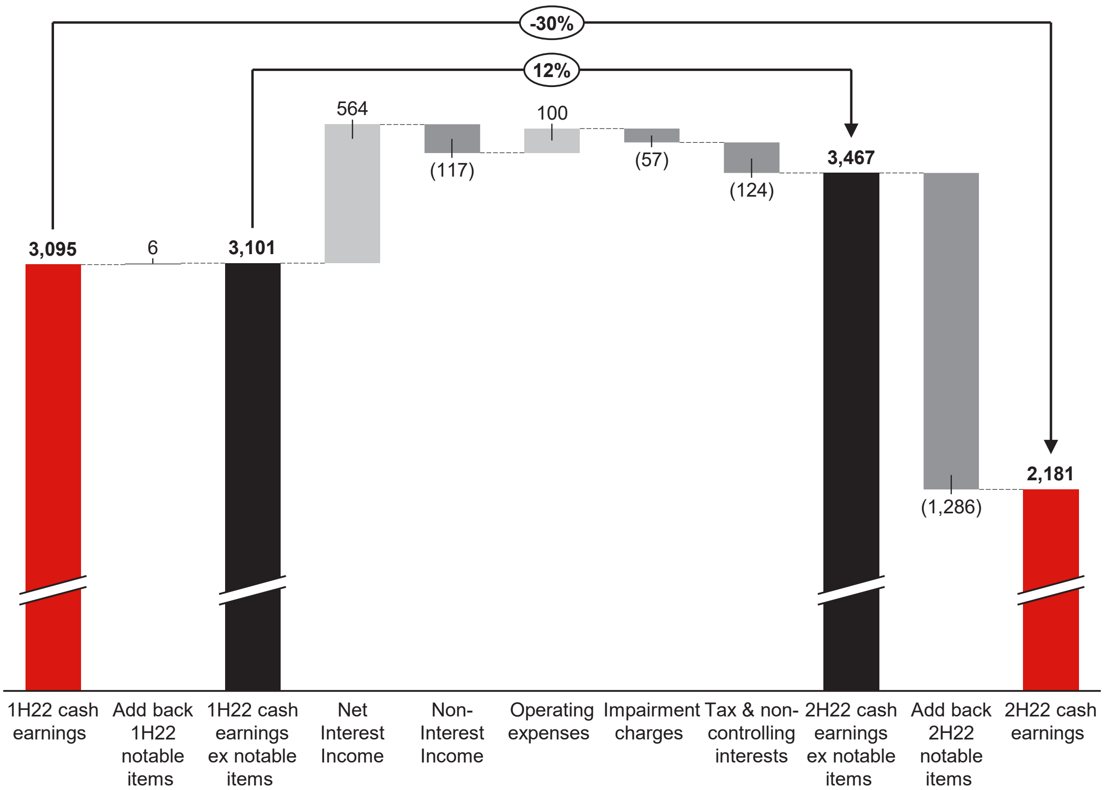
1. Refer to Section 3.3 for the Westpac New Zealand NZ$ segment reporting.

Review of Group operations

Movement in core earnings by segment ($m)
Second Half 2022 – First Half 2022



Movement in cash earnings ($m)
Second Half 2022 – First Half 2022



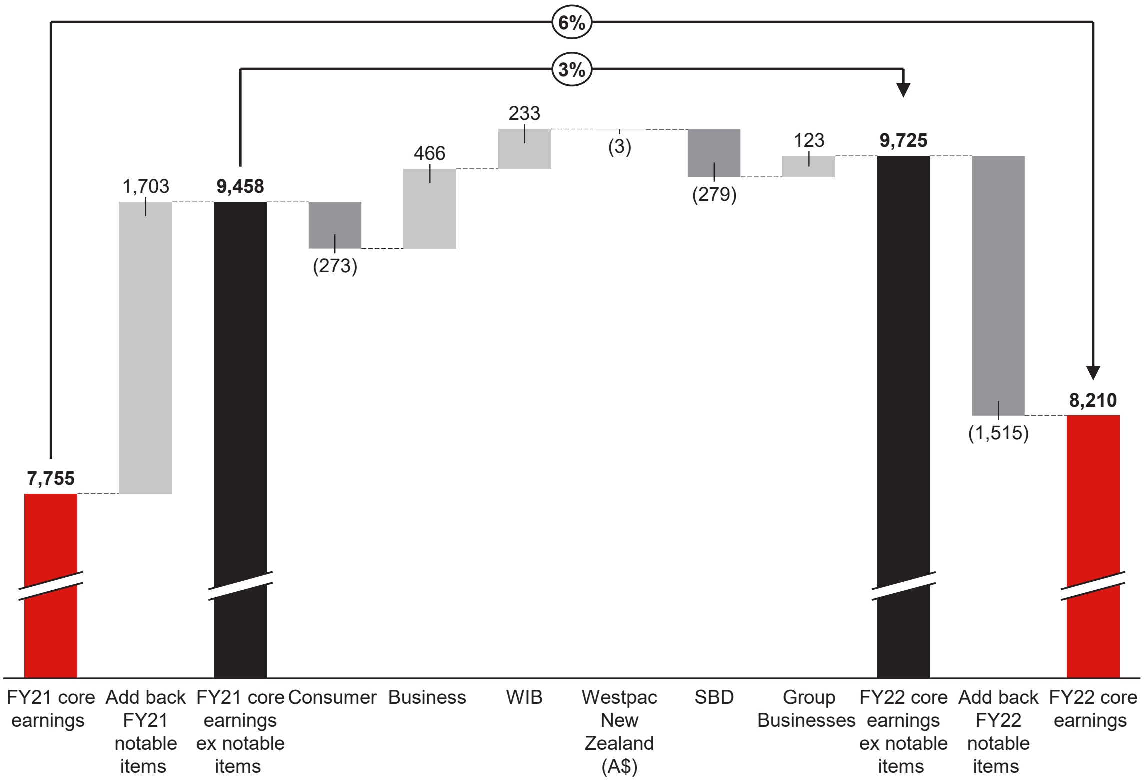
Review of Group operations

	Consumer	Business	Consumer and Business Banking	Westpac Institutional Bank	Westpac New Zealand[1] (A$)	Specialist Businesses	Group Businesses	Group
Full Year Sept 2022 ($m)								
Net interest income	8,985	3,027	12,012	1,110	2,106	474	903	16,605
Non-interest income	612	329	941	1,139	397	(152)	71	2,396
Net operating income	**9,597**	**3,356**	**12,953**	**2,249**	**2,503**	**322**	**974**	**19,001**
Operating expenses	(4,689)	(1,896)	(6,585)	(1,181)	(1,072)	(1,047)	(906)	(10,791)
Core earnings	**4,908**	**1,460**	**6,368**	**1,068**	**1,431**	**(725)**	**68**	**8,210**
Impairment (charges)/benefits	(201)	(143)	(344)	(85)	25	67	2	(335)
Operating profit before income tax (expense)/benefit	**4,707**	**1,317**	**6,024**	**983**	**1,456**	**(658)**	**70**	**7,875**
Income tax (expense)/benefit	(1,416)	(399)	(1,815)	(296)	(381)	(61)	(41)	(2,594)
Net profit	**3,291**	**918**	**4,209**	**687**	**1,075**	**(719)**	**29**	**5,281**
Net profit attributable to NCI	-	-	-	-	-	(4)	(1)	(5)
Cash earnings	**3,291**	**918**	**4,209**	**687**	**1,075**	**(723)**	**28**	**5,276**
Add back notable items	47	-	47	-	(117)	1,226	136	1,292
Cash earnings excluding notable items	**3,338**	**918**	**4,256**	**687**	**958**	**503**	**164**	**6,568**
Full Year Sept 2021 ($m)								
Net interest income	9,486	2,987	12,473	925	1,987	494	835	16,714
Non-interest income	518	349	867	1,313	323	1,455	366	4,324
Net operating income	**10,004**	**3,336**	**13,340**	**2,238**	**2,310**	**1,949**	**1,201**	**21,038**
Operating expenses	(4,898)	(2,218)	(7,116)	(2,595)	(1,062)	(1,478)	(1,032)	(13,283)
Core earnings	**5,106**	**1,118**	**6,224**	**(357)**	**1,248**	**471**	**169**	**7,755**
Impairment (charges)/benefits	184	425	609	(162)	79	66	(2)	590
Operating profit before income tax (expense)/benefit	**5,290**	**1,543**	**6,833**	**(519)**	**1,327**	**537**	**167**	**8,345**
Income tax (expense)/benefit	(1,583)	(466)	(2,049)	(14)	(377)	(373)	(175)	(2,988)
Net profit	**3,707**	**1,077**	**4,784**	**(533)**	**950**	**164**	**(8)**	**5,357**
Net profit attributable to NCI	-	-	-	-	-	(2)	(3)	(5)
Cash earnings	**3,707**	**1,077**	**4,784**	**(533)**	**950**	**162**	**(11)**	**5,352**
Add back notable items	105	(85)	20	991	52	540	(2)	1,601
Cash earnings excluding notable items	**3,812**	**992**	**4,804**	**458**	**1,002**	**702**	**(13)**	**6,953**
Mov't Sept 22 - Sept 21 (%)								
Net interest income	(5)	1	(4)	20	6	(4)	8	(1)
Non-interest income	18	(6)	9	(13)	23	large	(81)	(45)
Net operating income	**(4)**	**1**	**(3)**	**-**	**8**	**(83)**	**(19)**	**(10)**
Operating expenses	(4)	(15)	(7)	(54)	1	(29)	(12)	(19)
Core earnings	**(4)**	**31**	**2**	**large**	**15**	**large**	**(60)**	**6**
Impairment (charges)/benefits	large	large	large	(48)	(68)	2	large	large
Operating profit before income tax (expense)/benefit	**(11)**	**(15)**	**(12)**	**large**	**10**	**large**	**(58)**	**(6)**
Income tax (expense)/benefit	(11)	(14)	(11)	large	1	(84)	(77)	(13)
Net profit	**(11)**	**(15)**	**(12)**	**large**	**13**	**large**	**large**	**(1)**
Net profit attributable to NCI	-	-	-	-	-	100	(67)	-
Cash earnings	**(11)**	**(15)**	**(12)**	**large**	**13**	**large**	**large**	**(1)**
Add back notable items	(55)	(100)	135	(100)	large	127	large	(19)
Cash earnings excluding notable items	**(12)**	**(7)**	**(11)**	**50**	**(4)**	**(28)**	**large**	**(6)**

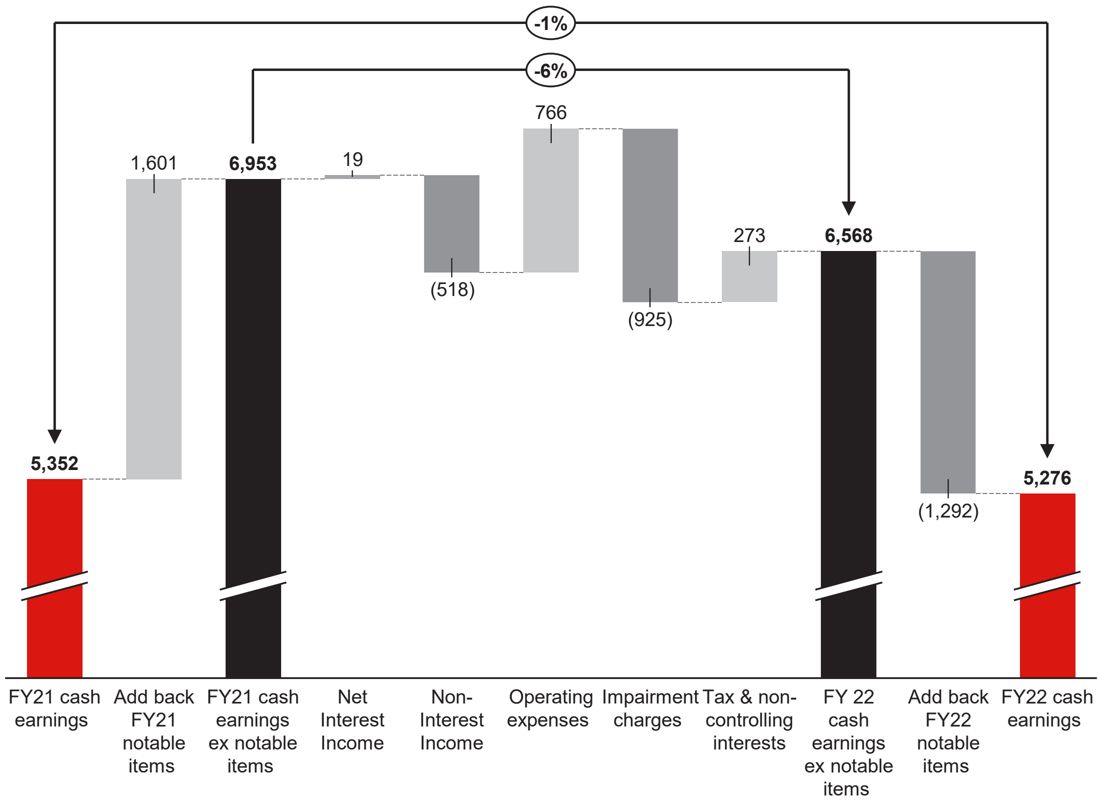
1. Refer to Section 3.3 for the Westpac New Zealand NZ$ segment reporting.

Review of Group operations

Movement in core earnings by segment ($m)
Full Year 2022 – Full Year 2021



Movement in cash earnings ($m)
Full Year 2022 – Full Year 2021



Review of Group operations

2.1 Performance overview

Overview

Two years ago, we commenced a major transformation of Westpac to create a simpler, stronger bank. In 2022 we made significant progress: we are well into the implementation phase of our program to uplift our management of risk, we completed three more divestments and announced the exit of two more non-banking businesses, we restructured our operations, we continued to simplify our business using digital to make it easier for customers, we maintained the strength of the balance sheet, and improved financial performance.

Our overall financial performance in Full Year 2022 was solid as growth in our core business and lower notable items mostly offset the lower earnings from businesses we sold. The balance sheet is in good shape across capital, liquidity and credit quality. Growth improved in key portfolios, our cash return on equity was 7.50% and dividends were 6% higher than Full Year 2021. However, assessing our financial results continues to be complex given the exit of businesses and due to large notable items (discussed in Section 1.3.3 and Section 3.0). In this overview we discuss our cash earnings performance and call out the impact of these notable items, where relevant, to assist in understanding performance.

Cash earnings for Full Year 2022 were $5,276 million, $76 million or 1% lower over the year. The decrease was predominantly due to a $925 million turnaround in credit impairment charges (a charge of $335 million in Full Year 2022 compared to a $590 million benefit in Full Year 2021) and the loss of earnings as we exited businesses. Despite these divestments, core earnings (cash earnings before credit impairment charges and taxation) were up 6%, from a reduction in expenses and lower notable items.

While cash earnings were lower, cash earning per share were 148.0 cents, up 1%, as we reduced shares on issue by 4.6% following the buy-back completed in February this year.

Compared to First Half 2022, cash earnings were 30% lower, mostly due to lower non-interest income from notable items ($1,349 million lower). These were partly offset by a rise in net interest income of $549 million or 7%.

The operating environment fundamentally changed through 2022. Early in the year, the global economy began to recover as the impacts of the COVID-19 pandemic unwound and significant stimulus continued to roll through. These included very low interest rates, financial support payments and the re-opening of markets. As a result, economic growth improved, unemployment declined, and consumer and business confidence strengthened. However, by March 2022 the outlook shifted. The lagged impact of stimulatory monetary policy was being reflected in rising inflation, a trend exacerbated by supply chain constraints from both global COVID-19 lockdowns and the impact of the war in Ukraine. To counter the rapid rise in inflation, monetary policy has been quickly tightened. This switch to higher interest rates, and the speed of implementation has increased uncertainty in the outlook and contributed to volatility in financial markets. While higher interest rates will inevitably have an adverse impact on economic growth and consumer spending, at 30 September 2022, signs of a deterioration had yet to emerge in our credit quality.

At the time of writing, Australian GDP growth was around 3.6% per annum, unemployment was at generational lows of 3.5% and inflation is uncomfortably high at 7.3%. In 2022, these conditions were broadly supportive for our business as credit growth has been sound, rising interest rates have helped increase net interest margins and credit quality has improved. On the flip side, higher inflation and labour shortages have put pressure on wages, particularly in high demand areas such as IT, cyber security and risk while competition for lending and deposits has remained intense. We continue to manage these conditions carefully, particularly the impact of rising interest rates on customers, and the flow-on effects of higher inflation. We have no direct exposure to Ukraine or Russia and our simplification program has reduced our exposures outside Australia and New Zealand, although we considered the broader impact of these developments in our credit provision overlays.

Progress on strategic priorities

Our program to transform Westpac and deliver on our purpose of “Helping Australians and New Zealanders succeed” has been implemented through three linked and interdependent strategic priorities. These priorities are:

(1) Fix: This priority is about addressing our shortcomings, improving our management of risk and the control environment and better responding to regulatory change.

(2) Simplify: Involves three dimensions: a) portfolio simplification – the businesses we operate, with a particular focus on getting back to banking and exiting our wealth and insurance businesses; b) geographic simplification – where we operate, particularly Australia and New Zealand; and c) banking simplification – how we operate, using digital to improve the customer experience.

(3) Perform: In a highly competitive banking environment, it is vital we enhance our efficiency to improve shareholder returns and the sustainability of our dividends. We are also working towards becoming a net-zero bank.

Review of Group operations

In Full Year 2022 we have made good progress under each of these priorities:

Fix

- Our CORE (Customer Outcomes and Risk Excellence) program which was set up to materially improve our management of financial and non-financial risks has been confirmed by the independent reviewer (their quarterly reports are available on our website) as on track. At September 2022, 213 activities have been assessed by the independent reviewer as complete and effective;
- Improved our management of risk by halving the number of high rated issues outstanding, completed further upgrades to our financial crime systems, and enhanced the systems that manage the security registers supporting business customer facilities;
- Agreeing with ASIC to settle a number of outstanding regulatory matters. Refer to Significant Developments Section 4.1 for further details;
- In New Zealand, investments in our core systems have improved system stability and reduced major outages by around 60%. We've also made progress on better implementing regulatory change, including the RBNZ's BS11 requirements while enhancing our risk governance and liquidity management in response to the RBNZ's section 95 requirements;
- Updates to systems and processes for regulatory change including new design and distribution obligations, anti-hawking legislation, changes to Basel III risk weighted asset data and models and CCCFA (Credit Contracts and Consumer Finance Act) legislation in New Zealand;
- Completed the APRA requirements to remove the liquidity add-on for prior breaches in its liquidity standards. The add-on had reduced Westpac's liquidity coverage ratio (LCR) by around 13 percentage points; and
- Progressing customer remediation. In 2022 we closed 14 major remediation programs. Several new programs were opened during the year although their size and scope are much smaller than those closed.

While we have made good progress, we have much to do to finalise our programs of work. In addition, some investigations are still underway 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

- Portfolio simplification has progressed with the sale of three business in Full Year 2022: Australian life insurance; NZ life insurance; and Westpac's motor vehicle dealer finance and novated leasing businesses. We entered into agreements to divest our Superannuation and our investments businesses and expect to complete these in 2023. For further details refer to Note 17 Assets and Liabilities Held for Sale. We have now completed or announced the sale of nine businesses. Our remaining businesses for exit include our platforms operations and Westpac Pacific where we are reviewing our options;
- Under geographic simplification we are consolidating five Asian offices into our Singapore hub. Two branches were closed in 2021 while our Hong Kong, Shanghai and Beijing offices are not taking new business and we are working to finalise their closure; and
- Banking simplification:
  - After establishing our new lines of business operating model in 2020, we strengthened this model in 2022 by moving support services including finance, human resources, and technology closer to the businesses and customers they support and creating two shared services areas to achieve scale across common processes. This is enabling us to create a leaner more focused head office and assist in improving customer service;
  - Using digital to improve account opening in New Zealand, and for savings and transaction accounts in Australia;
  - Accelerated branch consolidation with a reduction of 119 branches across Australia including the creation of 27 co-located branches which combine the operations of our Westpac and regional brand operations in select locations; and
  - Reduced products by more than 150 and eliminated 112 fees.

Review of Group operations

Perform

- Our divestments and sound capital position enabled us to complete a $3.5 billion off-market share buy-back, reducing the share count by 4.6%;
- Reduced expenses, excluding notable items, by $766 million to be 7% lower over the year;
- Adding measures to help protect customers from scams including blocking transactions to potentially questionable online merchants, biometric fraud detection and helping to stop Westpac phone numbers from being impersonated;
- Completing the roll-out of our new Westpac mobile banking app to consumers – over 5.4 million customers are now digitally active. We began the roll-out to business customers during the year;
- Began rolling-out new personal financial management tools to mobile and online banking enabling customers to categorise their transactions and better manage their finances;
- For merchants we deployed over 18,000 next generation terminals with enhanced functionality and mobility and piloted tap-on-phone payments capability for android phones;
- Grew lending 4%:
  - Continued the roll-out of our enhanced mortgage platform;
  - Implemented process improvements to enhance the customer experience and speed-up decision times; and
  - Recruited around 140 new bankers.
- Established a goal to become net-zero bank, re-enforcing our commitment to reduce our operational emissions to zero and signing up to the Net-Zero Banking Alliance (NZBA). Under the NZBA we established 2030 targets to reduce our financed emissions for five high emitting sectors.

Community

We supported customers that suffered through the extensive flooding across Eastern Australia. Over Full Year 2022 we provided $2 million in emergency grants, offered our natural disaster relief packages including the provisions of repayment holidays to over 1,600 consumer and business customers. We also deployed our "bank in a box" (our portable branch) to help restore critical services to the Lismore region when customers needed it the most.

Notable Items

Notable items were $1,292 million for Full Year 2022, compared to $1,601 million in Full Year 2021. The Full Year 2022 notable items included a $1,120 million loss on sale of Australian life insurance. The remaining notable items were mostly due to:

- The gains on sale of NZ life insurance and the Group's motor vehicle dealer finance and novated leasing business;
- Expenses and revaluations associated with the sale of Advance Asset Management and successor funds transfer of BT's personal and corporate superannuation funds;
- Expenses and write-downs from reducing our corporate and branch footprint; and
- A rise in provisions for customer refunds, repayments, associated costs and litigation costs.

Details of notable items are in Section 1.3.3 and Section 3.0.

Review of Group operations

Financial performance summary (Full Year 2022 compared to Full Year 2021)

Cash earnings for Full Year 2022 were $5,276 million, down $76 million or 1% on Full Year 2021. Our cash return on equity was 7.50% while cash earnings per share were 148.0 cents, up 1%.

Excluding notable items, cash earnings were $6,568 million, down $385 million or 6% largely from a $925 million turnaround in impairment charges (a charge of $335 million in Full Year 2022 compared to a $590 million benefit in Full Year 2021). Core earnings, excluding notable items were $9,725 million, up $267 million or 3% compared to Full Year 2021. This was due to lower expenses ($766 million) partly offset by the loss of earnings from divestments ($406 million).

Net interest income of $16,605 million was down $109 million over Full Year 2022 with a 17 basis point reduction in net interest margin to 1.87% offset by an 8% increase in average interest-earning assets. Within average interest-earning assets, average lending increased 4% and average third party liquid assets were 33% higher. The increase in liquid assets reflects the need to hold more funded liquid assets from the phase-out of the RBA's CLF which previously enabled banks to use self-securitised mortgages to meet their liquidity requirements (for a fee).

Net interest margins were a story of two halves with lower margins in the first half, and higher margins in the second half as interest rates began to rise. In aggregate, net interest margins were lower for the year due mostly to intense competition across mortgages and business lending and the significant increase in low returning liquid assets. Partly offsetting these impacts were improved deposit spreads. Net interest income is discussed further in Section 2.2.1.

Within lending, growth was predominantly in owner occupied mortgages (up 5%) and institutional lending as we deepened relationships with existing customers. These increases were partly offset by lower investor mortgage balances, the sale of our wholesale auto book and a continuing decline in personal lending. Customer deposits increased 6% over the year, more than fully funding loan growth and lifting the customer deposit to loan ratio to 82.9%. Lending and Deposits are discussed further in capital Sections 2.2.2 and 2.2.3.

Non-interest income for Full Year 2022 of $2,396 million was 45% lower than Full Year 2021. Notable items and the impact of businesses sold reduced non-interest income by $1,856 million or 43%. Excluding these items, non-interest income was down $72 million or 2% from lower trading income partly offset by higher fee income. Trading income was down modestly with better customer income more than offset by lower non-customer income and derivative valuation adjustments. Fee income was higher by $56 million or 3% as increased economic activity and greater international spending flowed through to higher cards revenue. Non-interest income is discussed further in Section 2.2.5.

Operating expenses of $10,791 million were $2,492 million or 19% lower over Full Year 2022. Excluding notable items, operating expenses were $766 million or 7% lower, mostly due to our cost reduction program and lower software amortisation. The major outcomes included reduced use of third-party services, consolidation of our corporate and branch networks and the completion of elements of our Fix agenda. This was also the primary driver of the 7% decrease in FTE. Operating expenses are discussed further in Section 2.2.8.

Impairment charges were $335 million in Full Year 2022, compared to a $590 million benefit in Full Year 2021. The impairment charge in Full Year 2022 was low relative to longer term trends with impairment charges to gross loans of 5 basis points. The low relative charge was due to the continued improvement in credit metrics, low new individually assessed provisions, and a reduction in write-offs. The impairment benefit in Full Year 2021 was mostly due to the unwinding of provisions established at the beginning of COVID-19 which were no longer required.

Credit quality

Credit quality metrics improved over Full Year 2022. Stressed exposures to total committed exposures ended the year at 1.07% compared to 1.36% at 30 September 2021. This was due to lower watchlist exposures as businesses initially impacted by COVID-19 have subsequently recovered and been upgraded as well as a reduction in impaired exposures from the write-off of some larger impaired assets. Delinquencies were also lower with mortgage 90+ day delinquencies down 30 basis points to 0.69% and other consumer 90+ day delinquencies down 19 basis points to 1.56%.

Total provision balances were lower over the year, down 7% due to the write-off of some impaired exposures. Despite the lower balance, total provisions remain 18% above pre-pandemic levels (September 2019: $3,924 million) at $4,635 billion. Our ratio of total provisions to credit risk weighted assets was 1.3% at 30 September 2022, down from 1.4% at 30 September 2021. Our ratio of impaired asset provisions to impaired assets was 48%, down from 54% at 30 September 2021.

Review of Group operations

Capital and funding

The Group maintained a strong balance sheet with a common equity tier 1 (CET1) capital ratio of 11.3% and funding and liquidity metrics all comfortably above regulatory minimums.

The Group's CET1 capital ratio was lower than the 12.3% reported at September 2021. The decline was predominantly due to our $3.5 million share buy-back and a significant increase in capital held against interest rate risk in the banking book, due to increases in market interest rates. Our CET1 capital ratio is above regulatory requirements and within our new preferred CET1 capital range of 11.0% to 11.5% that applies from 1 January 2023. Capital is discussed further in Section 2.5.

Our quarterly average LCR ratio was 132% for the September 2022 quarter and the net stable funding ratio (NSFR) was 121% at 30 September 2022.

High quality liquid assets (HQLA) increased as we responded to the scheduled reduction in the CLF over the 2022 calendar year. This followed the decision by APRA to phase-out the facility used by certain Australian banks to meet their LCR requirements.

Lending (up $28.8 billion), liquid assets (up $21.2 billion), a $3.5 billion buy-back, along with wholesale funding maturities, contributed to the Group's funding needs during the year. Much of the funding was supported through deposits (up $32.5 billion). The Group also raised $43.4 billion in new term wholesale funding, while short term funding increased by $9.4 billion. Funding and liquidity are discussed in Section 2.4.2.

Shareholders

The reduction in shares outstanding supported our return and per share metrics. The cash earnings return on equity was 7.50% in Full Year 2022 compared to 7.55% for Full Year 2021. Cash earnings per ordinary share were 148.0 cents in Full Year 2022, up 1.7 cents. Excluding notable items cash earnings per share were 184.3 cents while the return on equity was 9.3%.

The Board determined a final ordinary dividend of 64 cents per share, fully franked. This reflects a payout ratio of 103% based on cash earnings and 65% excluding notable items. In determining the dividend, we looked through the notable items, in part due to their one-off nature but also as they had limited impact on regulatory capital.

Net tangible assets per share were $17.18 at 30 September 2022 up 2% over the year.

Financial performance summary (Second Half 2022 compared to First Half 2022)

Cash earnings of $2,181 million were down $914 million or 30% from First Half 2022. The decrease was primarily due to higher notable items in Second Half 2022. Excluding notable items, cash earnings were $3,467 million, up $366 million or 12%.

Notable items for the half included the loss on sale and costs linked to the exit of the Australian life insurance.

Net interest income was 7% higher over the prior half, due to both higher net interest margins, up 5 basis points, and a 3% increase in average interest-earning assets. The rise in net interest margins was due to higher deposit spreads following the rise in interest rates. This was partly offset by lower loan spreads from intense competition across mortgages and business lending.

Total spot lending was up $20.1 billion, or 3% over the half, with higher owner occupied mortgage lending in Australia (up $10.5 billion) and a $13.9 billion increase (up 9%) in Australian business lending, predominantly in institutional and corporate lending. Customer deposits increased $12.0 billion or 2% over the half. Most of the deposit increase was term deposits as customers looked to benefit from higher interest rates.

Non-interest income was down 76% over the prior half and down 7% excluding notable items. The fall excluding notable items was mainly due to lower wealth and insurance income and loss of income from sold businesses.

Expenses were up $59 million or 1% compared to First Half 2022. Excluding notable items, expenses were down $100 million or 2% primarily due to consolidation of our corporate and branch networks and the completion of projects related to our Fix agenda.

Credit quality continued to improve over the half with stressed exposures to TCE declining 3 basis points to 1.07%. Mortgage and other consumer delinquencies were also lower.

Second Half 2022 recorded an impairment charge of $196 million, up $57 million compared to an impairment charge of $139 million in First Half 2022. The impairment charge in Second Half 2022 reflects an increase in new individually assessed provisions and lower write-backs and recoveries, predominately across Consumer and in Business Banking.

Review of Group operations

2.2 Review of earnings

2.2.1 Net interest income[1]

$m	Half Year Sept 2022	Half Year March 2022	% Mov't[1] Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't[1] Sept 22 - Sept 21
Net interest Income ($m)						
Net interest income excluding Treasury & Markets	8,123	7,408	10	15,531	15,738	(1)
Treasury net interest income[2]	383	568	(33)	951	878	8
Markets net interest income	71	52	37	123	98	26
Net interest income	**8,577**	**8,028**	**7**	**16,605**	**16,714**	**(1)**
Add back notable items	8	(7)	large	1	(127)	large
Net interest income excluding notable items	**8,585**	**8,021**	**7**	**16,606**	**16,587**	**-**
Average interest earning assets ($m)[3]						
Loans	683,786	670,648	2	677,235	653,366	4
Third party liquid assets[4]	201,512	181,932	11	191,749	143,846	33
Other interest earning assets	16,488	19,495	(15)	17,987	22,244	(19)
Average interest earning assets	**901,786**	**872,075**	**3**	**886,971**	**819,456**	**8**
Net interest margin (%)						
Group net interest margin	1.90%	1.85%	5 bps	1.87%	2.04%	(17 bps)
Group net interest margin excluding Treasury & Markets[5]	1.80%	1.70%	10 bps	1.75%	1.92%	(17 bps)
Excluding notable items (%)						
Group net interest margin	1.90%	1.85%	5 bps	1.87%	2.02%	(15 bps)
Group net interest margin excluding Treasury & Markets[5]	1.80%	1.70%	10 bps	1.75%	1.90%	(15 bps)

Second Half 2022 – First Half 2022

Net interest income increased $549 million or 7% compared to First Half 2022. Notable items had a minor impact, and if excluded, net interest income increased $564 million or 7% compared to First Half 2022. Key features include:

- The Group net interest margin excluding Treasury and Markets improved 10 basis points. The rise in interest rates benefited deposit spreads and earnings on hedged deposits and capital. This was partly offset by lending competition across most portfolios which contributed to lower loan spreads, along with increased liquid asset balances and the higher holding costs of liquid assets. Refer to section 2.2.4 for further details on net interest margin; and
- Average interest-earning assets increased $29.7 billion, or 3%, with $13.1 billion of growth in lending, mostly in mortgages and business loans. Refer to section 2.2.2 for more details on loan growth. Third party liquid assets were $19.6 billion higher from increased holdings of high quality liquid assets due to balance sheet growth and model changes in the deposit outflow of the LCR calculation, and a reclassification of assets from other interest-earning assets to third party liquid assets. Other interest-earning assets were $3.0 billion lower due to the reclassification of assets to third party liquid assets. Refer to Section 2.4.2 for more details on funding and liquidity.

Full Year 2022 – Full Year 2021

Net interest income decreased $109 million or 1% compared to Full Year 2021. Excluding notable items, net interest income increased $19 million or flat against Full Year 2021. Key features include:

- The Group net interest margin excluding Treasury and Markets and notable items declined 15 basis points, with around 10 basis points due to an increase in liquid assets and the higher holding cost of liquid assets as interest rates rise. Refer to section 2.2.4 for further details on net interest margin; and
- Average interest-earning assets increased $67.5 billion or 8%, with average loan growth of $23.9 billion or 4% primarily in owner occupied mortgages and business loans. Third party liquid assets increased $47.9 billion as we increased holdings of high quality liquid assets to support the scheduled reduction of the CLF.

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

$m	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Australia	**647,122**	**625,464**	**614,770**	**3**	**5**
Housing	467,382	458,278	455,604	2	3
Personal	12,832	14,128	14,737	(9)	(13)
Business	170,636	156,763	148,453	9	15
Provisions	(3,728)	(3,705)	(4,024)	1	(7)
New Zealand (A$)	**85,772**	**87,806**	**88,793**	**(2)**	**(3)**
New Zealand (NZ$)	**97,393**	**94,471**	**93,032**	**3**	**5**
Housing	63,827	62,166	60,849	3	5
Personal	1,202	1,201	1,231	-	(2)
Business	32,764	31,517	31,421	4	4
Provisions	(400)	(413)	(469)	(3)	(15)
Other overseas (A$)	**6,753**	**6,286**	**6,221**	**7**	**9**
Total loans	**739,647**	**719,556**	**709,784**	**3**	**4**
Loans held for sale	**-**	**-**	**1,015**	**-**	**(100)**
Total loans (including held for sale)	**739,647**	**719,556**	**710,799**	**3**	**4**

Second Half 2022 – First Half 2022

Total loans increased $20.1 billion or 3% compared to 31 March 2022. Excluding foreign currency translation impacts, total loans increased $23.5 billion, or 3%.

Key features of total loan movements were:

- Australian housing loans increased $9.1 billion, or 2% with the growth in owner occupied lending. Growth relative to system improved over the half and achieved major bank system by September 2022. Higher long term interest rates have led to an increase in fixed rates, which has resulted in stronger growth in variable rate mortgages. This has seen fixed rate mortgages fall to 37% of the portfolio from around 40%;
- Australian personal lending contracted $1.3 billion or 9% primarily due to the continued run off of auto finance portfolio as we stopped providing new auto finance loans when the business was sold in December 2021;
- Australian business lending grew $13.9 billion or 9% primarily in WIB (up $10.8 billion) from higher utilisation of existing credit facilities and growth in infrastructure, renewable energy and property. Loans in the Business segment increased $3.9 billion or 5% with commercial property and agriculture experiencing the largest growth, followed by small business lending; and
- New Zealand lending increased $2.9 billion or 3% in NZ$ terms with mortgage growth driven by an improved customer proposition whilst business lending growth was broadly spread across sectors, including institutional lending.

Full Year 2022 – Full Year 2021

Total loans (including held for sale) increased $28.8 billion or 4% compared to 30 September 2021. Excluding foreign currency translation impacts, total loans increased $35.1 billion, or 5%.

Key features of total loan movements were:

- Australian housing loans increased $11.8 billion or 3% due to growth in the owner occupied lending, partly offset by decline in investor lending. Through the year we grew at 0.5 times major bank system, with relative performance improving in 2H22;
- Australian personal lending decreased $1.9 billion or 13% with lower personal loan balances, continuing the structural decline in this form of lending across system, whilst the auto finance portfolio continues to run off following the sale of the business;
- Australian business lending was $22.2 billion higher or 15% from increased activity from WIB customers, including merger and acquisition activity and higher utilisation of existing credit facilities. The business lending segment grew $6.5 billion or 8%, with most growth across the commercial property and agriculture sectors;
- New Zealand lending increased $4.4 billion or 5% in $NZ terms from higher housing due to improved processes and higher approval rates. Business lending was higher from growth in small business and institutional, while personal lending was lower due to a highly competitive environment; and
- Held for sale assets were zero from March 2022 as we completed the sale of our wholesale Auto dealer portfolio in December 2021.

Review of Group operations

2.2.3 Deposits and other borrowings[1]

$m	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Customer deposits					
Australia	**535,645**	**521,303**	**501,010**	**3**	**7**
At call	352,544	361,609	345,416	(3)	2
Term	127,921	104,865	102,775	22	24
Non-interest bearing	55,180	54,829	52,819	1	4
New Zealand (A$)	**68,614**	**72,839**	**72,462**	**(6)**	**(5)**
New Zealand (NZ$)	**77,910**	**78,369**	**75,916**	**(1)**	**3**
At call	31,246	32,480	32,848	(4)	(5)
Term	32,273	30,067	28,331	7	14
Non-interest bearing	14,391	15,822	14,737	(9)	(2)
Other overseas (A$)	**8,575**	**6,730**	**6,845**	**27**	**25**
Total customer deposits	**612,834**	**600,872**	**580,317**	**2**	**6**
Certificates of deposit	**46,295**	**44,734**	**46,638**	**3**	**(1)**
Australia	30,507	27,048	31,506	13	(3)
New Zealand (A$)	2,588	2,783	3,293	(7)	(21)
Other overseas (A$)	13,200	14,903	11,839	(11)	11
Total deposits and other borrowings	**659,129**	**645,606**	**626,955**	**2**	**5**

Second Half 2022 – First Half 2022

Total customer deposits increased $12.0 billion, or 2% compared to 31 March 2022. Excluding foreign currency translation impacts, customer deposits increased $13.8 billion, or 2%. Growth in deposits was lower compared to the six months to 31 March 2022 due to the impact of rising interest rates, the end of government stimulus measures and increased competition.

Customer deposits movements were:

- Australian deposits increased $14.3 billion or 3%, with growth across all our key customer segments. As interest rates increased customers responded by diverting funds to higher interest term deposit accounts;
- New Zealand customer deposits were down $0.5 billion or 1% in NZ$ terms as interest rates and inflation started to impact system growth, this also led to customers shifting funds into term deposits across retail and commercial;
- Other overseas deposits increased $1.8 billion or 27% mostly in WIB, as term deposits in Europe and Asia increased $1.6 billion to support lending growth; and
- The Group's customer deposit to loan ratio reduced slightly to 82.9% from 83.5% at 31 March 2022, reflecting higher loan growth in the half.

Full Year 2022 – Full Year 2021

Total customer deposits increased $32.5 billion or 6% compared to 30 September 2021 due to generally supportive macroeconomic settings, more than fully funding loan growth for the year. Excluding foreign currency translation impacts, customer deposits increased $36.9 billion, or 6%.

Key features of total customer deposits growth were:

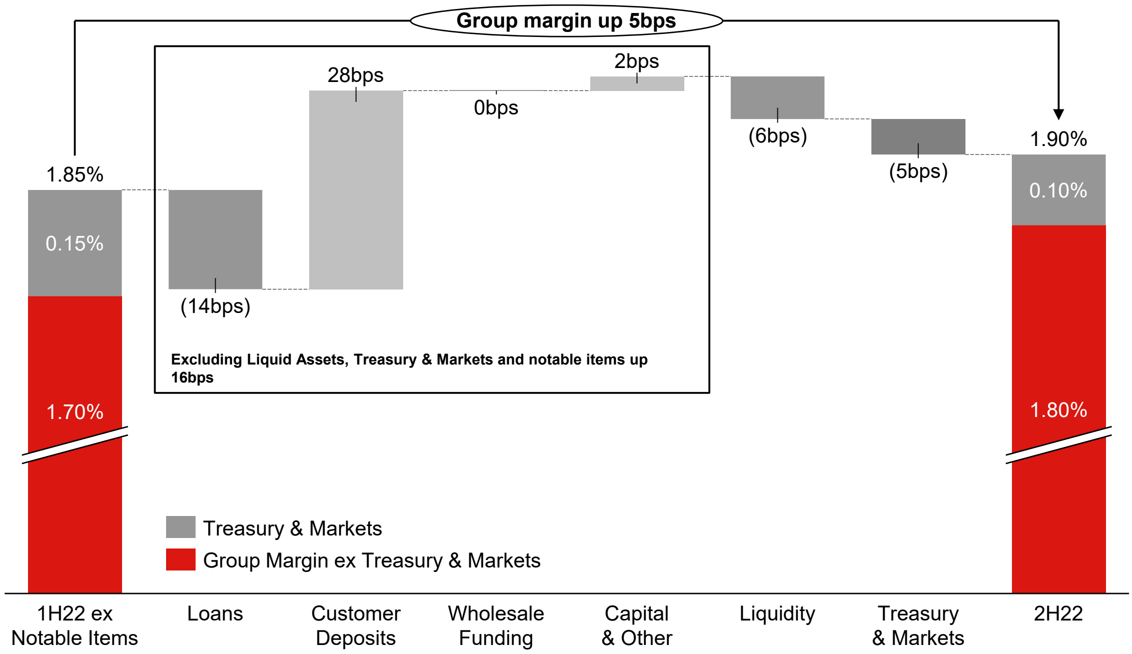
- In Australia, deposits increased $34.6 billion or 7%. Aggregate growth has continued to be supported by high levels of system liquidity. Through the year, the composition of growth followed the change in the interest rate cycle. With rates low throughout First Half 2022, most deposits were directed to at call accounts. As interest rates increased customers responded by diverting funds to higher interest term deposit accounts;
- New Zealand deposits increased $2.0 billion or 3% in $NZ terms with a change in portfolio mix to higher rate term deposit products from at call, as interest rates increased;
- Other overseas deposits increased $1.7 billion or 25% mostly in WIB, as term deposits in Europe and Asia increased $1.4 billion to support lending growth; and
- The Group's customer deposit to loan ratio ended the year at 82.9% from 81.6% at 30 September 2021.

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

Review of Group operations

2.2.4 Net interest margin

Group net interest margin movement (%)
Second Half 2022 – First Half 2022



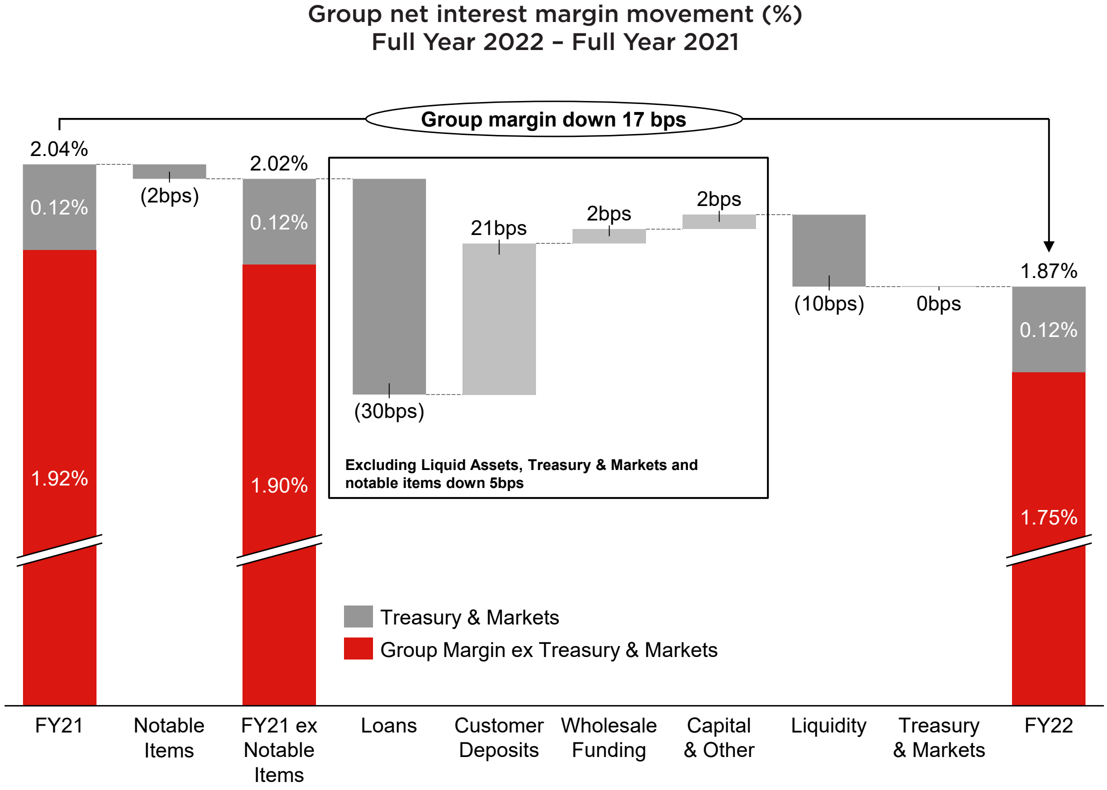
Second Half 2022 – First Half 2022

The Group net interest margin of 1.90% increased 5 basis points from First Half 2022. Notable items in Second Half 2022 were an $8 million charge compared to a $7 million benefit in First Half 2022 and so had little impact on margin.

Components of the movement in net interest margin included:

- 28 basis point increase from higher deposit spreads due to higher interest rates and higher earnings on hedged deposits. These improvements were partly offset by mix impacts (a shift to lower spread term deposits), predominantly in the Consumer and Business portfolios in Australia and New Zealand;
- 14 basis point decrease from loans due to lower spreads on mortgage lending in Australia, from both competition (for new loans and to retain existing loans) and from growth in lower spread owner occupied lending. Business lending spreads were also lower due to competition to attract and retain customers. These were partly offset by growth in higher spread business lending and a shift back towards higher margin variable rate mortgages;
- 2 basis point increase from capital due to higher earnings on hedged capital;
- 6 basis point decrease from liquid assets driven by higher holdings of liquid assets and higher cost of carry reflecting increasing interest rates; and
- 5 basis point decrease from lower Treasury and Markets contribution due to a stronger relative performance in First Half 2022.

Review of Group operations



Full Year 2022 – Full Year 2021

The Group net interest margin of 1.87% was 17 basis points lower from Full Year 2021. Notable items in Full Year 2022 were a $1 million charge compared to a $127 million benefit in Full Year 2021. Excluding notable items, the Group net interest margin decreased 15 basis points from 2.02% to 1.87%.

Components of the movement in the net interest margin included:

- 30 basis point decrease from loans due to lower spreads on mortgage lending in Australia, from both competition and growth in lower spread owner occupied lending, including fixed rate lending expiring in the year. While rates on fixed rate mortgages increased over the year, this did not match the timing of the rise in funding costs, and spreads on fixed rate mortgages are below those on variable rate mortgages. Business lending spreads were also lower due to competition to attract and retain customers;
- 21 basis point increase from higher deposit spreads on at call accounts and higher earnings on hedged deposits. These improvements were partly offset in Second Half 2022 by a mix shift from higher spread at call balances to relatively lower spread term deposits, predominantly in the Consumer and Business portfolios in Australia and New Zealand;
- 2 basis point increase from wholesale funding costs as spreads on new term wholesale funding were lower than the spreads on maturing facilities;
- 2 basis point increase from capital primarily from higher earnings on hedged capital; and
- 10 basis point decrease from liquid assets as we increased third party liquid assets principally to offset the scheduled reduction of the CLF.

Review of Group operations

2.2.5 Non-interest income[1]

$m	Half Year Sept 2022	Half Year March 2022	% Mov't[1] Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't[1] Sept 22 - Sept 21
Net fee income	826	845	(2)	1,671	1,482	13
Net wealth management and insurance income	408	401	2	809	1,206	(33)
Trading income	281	339	(17)	620	715	(13)
Other income	(1,050)	346	large	(704)	921	large
Total non-interest income	**465**	**1,931**	**(76)**	**2,396**	**4,324**	**(45)**

$m	Half Year Sept 2022	Half Year March 2022	% Mov't[1] Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't[1] Sept 22 - Sept 21
Notable items						
Net fee income	(1)	-	-	(1)	(137)	(99)
Net wealth management and insurance income	(8)	(43)	(81)	(51)	(106)	(52)
Trading income	-	-	-	-	-	-
Other income	(1,112)	271	large	(841)	760	large
Non-interest income - notable items	**(1,121)**	**228**	**large**	**(893)**	**517**	**large**
Businesses sold						
Net fee income	-	-	-	-	3	(100)
Net wealth management and insurance income[2]	45	90	(50)	135	574	(76)
Trading income	-	-	-	-	-	-
Other income	-	-	-	-	4	(100)
Non-interest income - Businesses sold	**45**	**90**	**(50)**	**135**	**581**	**(77)**
Non-interest income (Ex notable items and Businesses sold)						
Net fee income	827	845	(2)	1,672	1,616	3
Net wealth management and insurance income	371	354	5	725	738	(2)
Trading income	281	339	(17)	620	715	(13)
Other income	62	75	(17)	137	157	(13)
Non-interest income excluding notable items and Businesses sold	**1,541**	**1,613**	**(4)**	**3,154**	**3,226**	**(2)**

Second Half 2022 – First Half 2022

Non-interest income of $465 million was $1,466 million or 76% lower than First Half 2022. Excluding notable items and the impact of businesses sold, non-interest income decreased $72 million or 4% on First Half 2022.

Net fee income

Excluding notable items and the impact of businesses sold, net fee income was down $18 million or 2% on First Half 2022 due to:

- Higher provisions for customer remediation related to credit cards in the Second Half; and
- Lower institutional undrawn line fees as utilisation increased. Higher utilisation provides a benefit in net interest income.

Net wealth management and insurance income

Excluding notable items and the impact of businesses sold, net wealth management and insurance income was up $17 million or 5% due to:

- Higher duration cash managed revenue, partly offset by;
- Lower wealth income from lower fund balances impacted by unfavourable capital markets movements.

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. Comparatives have been restated to reflect the settlement of Australian life insurance business in Second Half 2022.

Review of Group operations

Trading income

Trading income decreased $58 million or 17%. There was no impact of notable items or businesses sold within trading income. The decrease was due to:

- Lower contribution from derivative valuation adjustments in Second Half 2022 as counterparty credit spreads continued to widen;
- Lower customer markets income from reduced demand for corporate derivatives due to persistent market volatility; and
- Revaluation and hedge losses as a result of FX volatility; partly offset by
- Higher non-customer markets income which benefited from more market volatility supporting both FX and fixed income.

Other income

Other income decreased $1,396 million in Second Half 2022 primarily due to a large notable item relating to the loss on sale of the Australian life insurance business.

Excluding notable items and businesses sold, other income was $13 million or 17% lower. This decline was due to income from completion of milestones under the general insurance distribution arrangement received in First Half 2022 and the reduction in transitional services arrangements income. This is partly offset by revaluation gains on our foreign currency exposures.

Businesses sold

Business sold includes the full year impact of businesses sold during the year. Second Half 2022 impact of $45 million relates to Australian life insurance. Refer to Section 5, note 8 for further details.

Full Year 2022 – Full Year 2021

Non-interest income of $2,396 million decreased $1,928 million or 45% compared to Full Year 2021. Excluding notable items and impact of businesses sold, non-interest income was $72 million or 2% lower compared to Full Year 2021.

Net fee income

Excluding notable items and the impact of businesses sold, net fee income increased $56 million or 3% primarily due to:

- Higher interchange and currency fees from increased international spend and higher cards activity as COVID-19 restrictions eased; and
- Lower remediation provisions for credit card customers over the Full Year, partly offset by;
- Lower fee income due to simplification initiatives including the removal of certain fees and consolidation of products.

Net wealth management and insurance income

Excluding notable items and the impact of businesses sold, net wealth management and insurance income decreased $13 million or 2% due to:

- Lower wealth income from the continued migration of customers from legacy platforms to the lower fee Panorama platform; and
- Lower New Zealand funds management income from fee reductions as part of industry changes in default KiwiSaver funds from December 2021.

Trading income

Trading income decreased $95 million or 13%, there was no impact of notable items or businesses sold within trading income. The decrease was due to:

- Negative impact from derivative valuation adjustments due to widening counterparty credit spreads ($185 million); and
- Lower non-customer markets income primarily due to lower fixed income trading from interest rate volatility, global inflationary pressures and geopolitical uncertainty on credit spreads, partly offset by
- An increase in customer markets income from higher demand for corporate derivatives in First Half 2022 and higher FX trading income due to increased market volatility.

Review of Group operations

Other income

Other income decreased $1,625 million primarily due to large notable items relating to the loss on sale of Australian life Insurance in Second Half 2022, partly offset by gain on sale of the Wholesale Auto finance business and New Zealand Life Insurance in First Half 2022.

Excluding notable items and the impact of businesses sold, other income decreased $20 million, due to the non-repeat gain on sale of NZ wealth business and lower revaluations of fintech investments, partly offset by a one-off payment related to achieving specific milestones under the general insurance distribution arrangement.

Businesses sold

Business sold includes the full year impact of businesses sold during the year. Full Year 2022 impact of $135 million relates to Australian life insurance and NZ life insurance. Refer to Section 5, note 8 for further details.

2.2.6 Group funds

$bn	As at 30 Sept 2022	Inflows	Outflows	Net flows	Other Mov't	As at 30 Sept 2021	% Mov't[1] Sept 22 - Sept 21	As at 31 March 2022	% Mov't[1] Sept 22 - Mar 22
Superannuation	37.0	3.9	(5.4)	(1.5)	(6.9)	45.4	(19)	41.8	(11)
Platforms	126.7	19.2	(20.4)	(1.2)	(11.4)	139.3	(9)	140.2	(10)
Packaged Fund	40.4	9.3	(10.8)	(1.5)	(5.5)	47.4	(15)	45.9	(12)
Total Australia funds	**204.1**	**32.4**	**(36.6)**	**(4.2)**	**(23.8)**	**232.1**	**(12)**	**227.9**	**(10)**
Total NZ funds (A$)	**9.6**	**2.7**	**(2.5)**	**0.2**	**(2.1)**	**11.5**	**(17)**	**10.9**	**(12)**
Total Group funds	**213.7**	**35.1**	**(39.1)**	**(4.0)**	**(25.9)**	**243.6**	**(12)**	**238.8**	**(11)**
Total NZ funds (NZ$)	**10.9**	**2.9**	**(2.7)**	**0.2**	**(1.3)**	**12.0**	**(9)**	**11.7**	**(7)**

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

Group funds decreased $30 billion (or 12%) over Full Year 2022, primarily driven by market movements. Inflows of $35.1 billion were offset by outflows of $39.1 billion.

2.2.7 Markets related income[1]

$m	Half Year Sept 2022	Half Year March 2022	% Mov't[1] Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't[1] Sept 22 - Sept 21
Net interest income	71	52	37	123	99	24
Non-interest income	296	323	(8)	619	773	(20)
Total markets income	**367**	**375**	**(2)**	**742**	**872**	**(15)**
Customer income	362	370	(2)	732	675	8
Non-customer income	64	34	88	98	100	(2)
Derivatives valuation adjustment	(59)	(29)	103	(88)	97	large
Total markets income	**367**	**375**	**(2)**	**742**	**872**	**(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 2022 – First Half 2022

Total markets income decreased by $8 million or 2% compared to First Half 2022, primarily due to a lower contribution from derivative valuation adjustments (Second Half 2022: -$59 million; First Half 2022: -$29 million) and lower customer income (down $8 million), partly offset by higher non-customer income (up $30 million).

Customer income decreased by 2% compared to First Half 2022, from lower derivative activity as clients delayed debt issuance because of unfavourable market conditions.

Non-customer income increased by 88% compared to First Half 2022, from higher fixed income and foreign exchange trading reflecting greater market volatility.

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

Review of Group operations

Full Year 2022 – Full Year 2021

Total markets income decreased by $130 million or 15% compared to Full Year 2021, primarily due to a lower contribution from derivative valuation adjustments (FY22: -$88 million; FY21: $97 million) and lower non-customer income (down $2 million), partly offset by higher customer income (up $57 million).

Customer income increased 8% compared to Full Year 2021, from higher customer demand across fixed income and foreign exchange.

Non-customer income decreased 2% compared to Full Year 2021, mostly in credit markets.

Markets Value at Risk (VaR)

$m	Average	High	Low
Half Year 30 Sept 2022	**6.5**	**11.3**	**4.4**
Half Year 31 March 2022	5.0	11.0	3.1
Half Year 30 Sept 2021	5.7	8.5	4.1

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

Average $m	Half Year Sept 2022	Half Year March 2022	Half Year Sept 2021
Interest rate risk	4.7	3.6	3.5
Foreign exchange risk	1.5	1.3	1.4
Equity risk	-	-	-
Commodity risk	2.8	2.1	0.9
Credit and other market risks[1]	4.7	3.3	4.5
Diversification benefit	(7.2)	(5.3)	(4.6)
Net market risk	**6.5**	**5.0**	**5.7**

1. 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 2022	Half Year March 2022	% Mov't[1] Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't[1] Sept 22 - Sept 21
Staff expenses	(2,884)	(2,982)	(3)	(5,866)	(6,034)	(3)
Occupancy expenses	(512)	(391)	31	(903)	(1,198)	(25)
Technology expenses	(1,157)	(1,125)	3	(2,282)	(3,128)	(27)
Other expenses	(872)	(868)	-	(1,740)	(2,923)	(40)
Total operating expenses	**(5,425)**	**(5,366)**	**1**	**(10,791)**	**(13,283)**	**(19)**
Excluding notables						
Staff expenses	(2,795)	(2,963)	(6)	(5,758)	(5,743)	-
Occupancy expenses	(386)	(391)	(1)	(777)	(923)	(16)
Technology expenses	(1,105)	(1,080)	2	(2,185)	(2,478)	(12)
Other expenses	(749)	(701)	7	(1,450)	(1,792)	(19)
Total operating expenses excluding notable items	**(5,035)**	**(5,135)**	**(2)**	**(10,170)**	**(10,936)**	**(7)**
Operating expenses - Businesses sold	**(10)**	**(22)**	**(55)**	**(32)**	**(105)**	**(70)**
Operating expenses excluding notable items and Businesses sold	**(5,025)**	**(5,113)**	**(2)**	**(10,138)**	**(10,831)**	**(6)**

Full Time Equivalent (FTE) employees

Number of FTE	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Permanent employees	33,774	34,637	34,975	(2)	(3)
Temporary employees	3,702	4,186	5,168	(12)	(28)
FTE	**37,476**	**38,823**	**40,143**	**(3)**	**(7)**
Average FTE[2]	**37,629**	**39,517**	**39,553**	**(5)**	**(5)**

Second Half 2022 – First Half 2022

Operating expenses were $59 million or 1% higher compared to First Half 2022. Excluding notable items, operating expenses were $100 million or 2% lower. The impact of businesses sold was a $12 million decline over the prior half.

FTE were 1,347 lower over the half as we exited businesses, finalised changes to our operating structure under our lines of business model and progressed our cost plans.

Staff expenses decreased $98 million or 3%. Excluding notable items, staff expenses reduced $168 million or 6%, with 5% lower average FTE and lower long service leave provisions, partly offset by wage increases and increased variable reward.

Occupancy expenses were $121 million or 31% higher. Excluding notable items, occupancy expenses were $5 million or 1% lower mainly due to benefits from branch consolidations. These decreases were partly offset by costs associated with reducing our corporate space, including make good costs, that will benefit subsequent periods.

Technology expenses were $32 million or 3% higher. Excluding notable items, technology expenses increased $25 million or 2% mainly from the partial impairment of the Banking-as-a-Service (BaaS) platform. The technology developed under BaaS will now form the foundation for Westpac Institutional Bank's Payments upgrade. This is partly offset by reduced depreciation of IT equipment.

Other expenses were $4 million higher (flat). Excluding notable items, other expenses increased $48 million or 7% due to timing of third-party spend, and increased travel and entertainment costs as the economy and our business opened up from COVID-19 restrictions easing. These were partly offset by lower non-lending losses.

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. Averages are based on a six month period.

Review of Group operations

Full Year 2022 – Full Year 2021

Operating expenses were $2,492 million or 19% lower compared to Full Year 2021. Excluding notable items, operating expenses were $766 million or 7% lower. The decline, excluding notable items, mainly reflects benefits from our transformation program, businesses sold and lower amortisation expense. The impact of businesses sold was a $73 million decline over the prior year.

FTE were 2,667 lower over the year as we completed changes to our organisational structure, sold additional businesses and progressed our cost plans.

Staff expenses were $168 million or 3% lower. Excluding notable items, staff expenses were $15 million higher (flat) as reductions in FTE were partly offset by wage increases, the full period impact of increased superannuation contributions, higher restructuring costs and increased variable reward. Staff expenses were higher in Westpac New Zealand to support risk and compliance projects, and in our mortgage operations to support higher growth. These increases were offset by lower leave provisions, productivity benefits, and lower staff from businesses sold.

Occupancy expenses were $295 million or 25% lower. Excluding notable items, occupancy expenses were $146 million or 16% lower from the rationalisation of corporate sites, lower network costs from the consolidation of branches and ATM closures (net 119 branches consolidated and 199 ATMs were closed). Depreciation was also lower following property lease write-downs in Full Year 2021.

Technology expenses were $846 million or 27% lower. Excluding notable items, technology expenses decreased $293 million or 12%. The decline was largely driven by lower software amortisation due to write-downs in Full Year 2021, lower investment spend following a peak in Full Year 2021 and reduced depreciation. Lower investment spend was driven by a decrease in Fix following the completion of strategic projects during Full Year 2022, which includes 213 of the CORE program's activities being assessed by the independent reviewer as complete and effective.

Other expenses were $1,183 million or 40% lower. Excluding notable items, other expenses decreased $342 million or 19% mainly from lower third-party spend as projects completed during the year, renegotiation of contracts reduced use of third-party suppliers, and lower non-lending losses.

Investment spend

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Expensed	355	528	(33)	883	1,222	(28)
Capitalised software, fixed assets and prepayments	685	419	63	1,104	797	39
Total	**1,040**	**947**	**10**	**1,987**	**2,019**	**(2)**
Fix	659	653	1	1,312	1,431	(8)
Simplify	225	153	47	378	244	55
Perform	156	141	11	297	344	(14)
Total	**1,040**	**947**	**10**	**1,987**	**2,019**	**(2)**

In Full Year 2022 investment spend was $32 million lower, broadly in line with the level of investment over recent years. Most of the decline was due to the completion of several initiatives under our Fix strategic priority. Our investment in Simplify initiatives increased, particularly in using digital to simplify and automate activities. Spending under our Perform strategic priority was lower as some projects moved from development to roll-out, which is less costly.

As a result, the percentage mix of investment in Fix, Simplify and Perform was 66/19/15 from 71/12/17 a year earlier. Capitalisation of investment also increased as more projects were delivering long-term strategic benefits rather than compliance and regulatory change.

Deliverables across our three strategic priorities are listed below and included:

Fix

- Delivered scheduled activities for Full Year 2022 in the CORE program, which was established to drive an improvement in our management of risk and culture. 213 of the program's activities have been assessed by the independent reviewer as complete and effective. The program continues into Full Year 2023;
- Largely completed the rectification of our processes and systems to better manage the security registers supporting business customer facilities;
- Implementation of changes for the updated Basel III capital framework that apply from 1 January 2023;
- Increased the resilience of our New Payments Platform;
- Enhanced our open banking data sharing capability.

Review of Group operations

Simplify

- Automated components of Mortgage Settlements process;
- Converted over 400 manual tasks to 86 digital processes in the Consumer and Business Bank segment;
- Reduced products by more than 150 and eliminated 112 fees.

Perform

- Completed the roll-out of our new Westpac app for 2.7 million consumer and 1.2 million business customers;
- Integrated personal financial management tools in Westpac app to help customers track, categorise and analyse expenses to gain deeper insights into their spending;
- Digitised the opening of transaction and savings accounts. Customers can now open and operate an account within 5 minutes. 75% of customers can verify their ID online;
- Expanded our scam protections for customers including:
  - automatically blocking suspect transactions from overseas retailers;
  - using biometric scanning of transactions to detect fraud.
- Launched a Digital Mortgage for certain refinance mortgage customers that will ultimately enable approval in as little as 10 minutes;
- Streamlined account updates and credit decisioning for business bankers, allowing them to spend more time with customers;
- Deployed approximately 18,000 next generation merchant terminals in Full Year 2022.

Capitalised software

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Balance as at beginning of period	**1,921**	**1,840**	**4**	**1,840**	**2,430**	**(24)**
Total additions[1]	677	424	60	1,101	740	49
Amortisation expense	(262)	(283)	(7)	(545)	(755)	(28)
Impairment expense	(56)	(54)	4	(110)	(485)	(77)
Other adjustments	(16)	(6)	167	(22)	(90)	(76)
Balance as at end of period	**2,264**	**1,921**	**18**	**2,264**	**1,840**	**23**
Average amortisation period (years)	**3.6**	**3.1**	**0.5 years**	**3.2**	**2.6**	**0.6 years**

Capitalised software increased $424 million or 23% compared to 30 September 2021 and increased $343 million or 18% during the half. The increase from 30 September 2021 was due to increased investment in digitisation across the bank as we shift our focus to simplification and performance, and lower amortisation expense following the write-down of capitalised software balances in Second Half 2021. Higher additions were partly due to system enhancements relating to Basel III and One Banking Platform, offset by a decrease in Fix investments. Impairment expense of $110 million included the impact of a partial impairment of BaaS.

1. Includes capitalised borrowing costs and card scheme.

Review of Group operations

2.2.9 Credit impairment (charges)/benefit

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Individually assessed provisions (IAPs)						
New IAPs	(123)	(97)	27	(220)	(610)	(64)
Write-backs	51	64	(20)	115	155	(26)
Recoveries	87	102	(15)	189	242	(22)
Total IAPs write-backs and recoveries	**15**	**69**	**(78)**	**84**	**(213)**	**large**
Collectively assessed provisions (CAPs)						
Write-offs	(228)	(218)	5	(446)	(614)	(27)
Other changes in CAPs	17	10	70	27	1,417	(98)
Total new CAPs	**(211)**	**(208)**	**1**	**(419)**	**803**	**large**
Total credit impairment (charges)/benefits	**(196)**	**(139)**	**41**	**(335)**	**590**	**large**

In Full Year 2022, the impairment charge was $335 million, compared to a Full Year 2021 credit impairment benefit of $590 million, a $925 million turnaround. The benefit in Full Year 2021 was due to an improved economic outlook at that time (the impacts of COVID-19 were not as adverse as first projected) and that some provisions booked in Full Year 2020 were no longer required (and therefore released in Full Year 2021).

In Full Year 2022 while impairments returned to a charge, the level of impairment charges to gross loans was low relative to longer term trends at 5 basis points.

The low relative charge was due to the continued improvement in credit metrics, low new individually assessed provisions, and a reduction in write-offs. At the same time, overall provision levels are 18% higher than pre-COVID 19 (September 2019: $3,924 million) levels and despite the deterioration in the economic outlook, our modelled provisions and overlays in aggregate continued to appropriately reflect potential risks. As a result, other changes in CAP's were relatively small.

Total impairment provisions were down $372 million over the year with virtually all the change due to lower individually assessed provisions with collectively assessed provisions little changed. Nevertheless, there were some changes to the composition of those collectively assessed provisions to reflect the changing economic position and outlook and this is discussed further in section 2.3.

Credit quality metrics continued to improve across the portfolio through Full Year 2022 with stressed exposures to total committed exposures (TCE) declining 29 basis points to 1.07% from 1.36% at 30 September 2021.

Despite improved credit metrics, the impact of higher interest rates, high inflation and geopolitical risk has created additional uncertainty in the outlook and this is reflected in an increased in the downside scenario weight to 45% (from 40% at 30 September 2021). We also updated our modelled economic scenarios which contributed to a rise in provisions for our business and mortgage portfolios.

Overlays at 30 September 2022 increased by $53 million compared to 30 September 2021. New overlays capture the effects of an anticipated increase in delinquencies in our consumer portfolios, for extreme weather events and for the construction sector. We have released all COVID-19 related overlays while some overlays are now reflected in our modelled economic scenarios.

The following table indicates the weightings applied to our economic scenarios and which are reflected in our modelled provisions.

Macroeconomic scenario weightings (%)	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	As at 31 March 2021
Upside	5	5	5	5
Base	50	50	55	55
Downside	45	45	40	40

Review of Group operations

Second Half 2022 – First Half 2022

Impairment charges of $196 million were up $57 million compared to First Half 2022, mainly from higher new IAPs, write-backs and recoveries.

Total new IAPs, write-backs and recoveries were a $15 million benefit, $54 million lower compared to First Half 2022. This was due to:

- higher new IAPs, although new IAPs remain at low levels; and
- lower write-backs and recoveries, predominately across Consumer and in Business Banking.

There was little movement in total new CAPs (up $3 million) compared to First Half 2022. Write-offs directs were $10 million higher, predominately in Australian consumer finance portfolios.

Full Year 2022 – Full Year 2021

Impairment charge of $335 million compared to an impairment benefit of $590 million in Full Year 2021, a $925 million turnaround.

Total new IAPs, write-backs and recoveries were $297 million lower due to:

- very low new IAP compared to Full Year 2021, which was impacted by the IAP related to Forum Finance, partially offset by;
- lower write-backs and recoveries, predominately in Consumer and Business Banking and in New Zealand.

Total new CAPs were a $1,222 million increase mostly due to a lower CAP benefit and write-offs.

Other changes in CAPs in Full Year 2022 was a small benefit, driven by continued improvement in credit quality metrics, partially offset by:

- an increase in the downside economic scenario weight to 45%;
- an update to modelled economic scenarios for key portfolios; and
- less favourable forward looking economic inputs in the provision calculation

2.2.10 Income tax expense

Second Half 2022 – First Half 2022

The effective tax rate of 36.22% in Second Half 2022 was higher than the First Half 2022 effective tax rate of 30.42%, the key driver for the increase in the rate being accounting losses on sale of the Australian life insurance business that are not deductible for tax purposes, recognised in the Second Half 2022. This has been partially offset by benefits derived from prior period adjustments that were also recognised in Second Half 2022.

Full Year 2022 – Full Year 2021

The effective tax rate of 32.94% in Full Year 2022 was lower than the effective tax rate of 35.81% in Full Year 2021 due to a number of divestment adjustments from Full Year 2021 not repeated in Full Year 2022, a reduction in non-deductible goodwill impairments, and benefits derived from prior period adjustments. This has been partially offset by accounting losses on the sale of the Australian life insurance business that are not deductible for tax purposes, recognised in Full Year 2022 only.

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 in Full Year 2022 with stressed exposures as a percentage of TCE declining 29 basis points through the year to 1.07% at 30 September 2022. This is the lowest ratio since September 2017. The reduction over the last 12 months comprised:

- 6 basis point decline in watchlist and substandard exposures, mostly related to the Australian and New Zealand business portfolios;
- 17 basis point decline in 90 days past due and not impaired exposures, mostly in the residential mortgages portfolio; and
- 6 basis point decline in impaired exposures, as some exposures were written off and the emergence of new impaired assets has been relatively low.

Lower impaired exposures saw the ratio of gross impaired exposures to gross loans decreased 10 basis points to 0.20% compared to 30 September 2021. These impaired exposures have an appropriate level of provision cover with the ratio of gross impaired exposure provisions to gross impaired exposures at 48.0%.

The ratio of collectively assessed provisions to credit risk weighted assets (credit RWA) at 30 September 2022 was 1.16%, 1 basis point lower than 30 September 2021. Most of the decline was due to higher credit RWA with the amount of collectively assessed provisions little changed over the year.

Portfolio segments

The WIB segment has seen lower portfolio stress with stressed exposures to TCE falling 29 basis points to 0.35% over the year. This was mostly due to a reduction in impaired exposures from the write-off of some larger impaired assets, including the partial write-off of Forum Finance, and from low new impaired exposures.

Stressed exposures in the Australian Business segment, comprising Australian commercial and SME customers, has also fallen with stressed exposures to TCE down 73 basis points to 4.93% over the year. The reduction was due to lower watchlist and impaired exposures. The reduction in watchlist exposures was most prevalent in businesses initially impacted by COVID-19 that have subsequently recovered and been upgraded. This included businesses in the accommodation, transport and trade sectors.

Australian mortgage 90+ day delinquencies were 32 basis points lower than 30 September 2021 at 0.75%. This improvement was driven by a reduction in the hardship portfolio as customers completed their serviceability period and as customers successfully exited COVID-19 assistance packages.

Properties in possession at 30 September 2022 were 224, unchanged over the year.

Realised mortgage losses were $30 million for Full Year 2022, compared to $71 million in Full Year 2021. This in part reflects the reduction in stress through the year and that property prices have remained relatively high.

Other Australian consumer 90+ day delinquencies were 16 basis points lower than 30 September 2021 at 1.60%. The improvement comprised a 32 basis point reduction from better portfolio quality, partly offset by a 16 basis point increase due to lower lending, particularly the rundown in the auto finance portfolio.

New Zealand experienced a major improvement in credit quality metrics with stressed exposures to TCE 22 basis points lower than 30 September 2021 at 0.97%. The improvement was across both business and consumer portfolios.

New Zealand mortgage 90+ day delinquencies were 0.22%, 8 basis points lower than 30 September 2021 and other consumer 90+ day delinquencies were 1.03%, 62 basis points lower than 30 September 2021. Both these portfolios benefited from reductions in facilities in hardship.

In New Zealand business portfolios the improvement was driven by rating upgrades and refinancing.

Provisioning

Total provisions were $4,635 million at 30 September 2022, $372 million lower than 30 September 2021.

IAPs drove the release in total provisions, down $380 million compared to 30 September 2021, mostly due to the write-off of impaired facilities, including the partial write-off of the Forum Finance exposure, and from low new impaired assets.

CAPs were relatively flat over the year, up $8 million. Whilst portfolio quality improved, there is much uncertainty in the outlook given geopolitical risks, rising inflation, the flow on effects to interest rates, and declining house prices. As a result, we placed greater weight on the downside economic scenario (increased from 40% to 45%) and updated our modelled economic scenarios for key portfolios to reflect these elevated risks.

Overlays increased over Full Year 2022 by $53 million to $700 million. New overlays capture the effects of an anticipated increase in consumer delinquencies, for extreme weather events and for the construction sector. We have released all COVID-19 related overlays as well as overlays which are now addressed by modelled economic scenarios.

Review of Group operations

2.3.1 Credit quality key metrics[1]

	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	As at 31 March 2021
Stressed exposures by credit grade as a % of TCE:				
Impaired	0.13%	0.14%	0.19%	0.19%
90 days past due and not impaired	0.51%	0.56%	0.68%	0.66%
Watchlist and substandard	0.43%	0.40%	0.49%	0.75%
Total stressed exposures	**1.07%**	**1.10%**	**1.36%**	**1.60%**
Gross impaired exposures to TCE for business and institutional:				
Business Australia	0.55%	0.60%	0.72%	0.88%
Business New Zealand	0.16%	0.16%	0.20%	0.44%
Institutional	0.05%	0.07%	0.16%	0.08%
Mortgage 90+ day delinquencies:				
Group	0.69%	0.82%	0.99%	1.11%
Australia	0.75%	0.88%	1.07%	1.20%
New Zealand	0.22%	0.30%	0.30%	0.33%
Other consumer loans 90+ day delinquencies:				
Group	1.56%	1.62%	1.75%	1.92%
Australia	1.60%	1.64%	1.76%	1.92%
New Zealand	1.03%	1.42%	1.65%	1.91%
Other:				
Gross impaired exposures to gross loans	0.20%	0.23%	0.30%	0.30%
Gross impaired exposure provisions to gross impaired exposures	47.95%	48.03%	54.44%	47.03%
Total provisions to gross loans	62 bps	65 bps	70 bps	79 bps
Collectively assessed provisions to credit risk weighted assets	116 bps	116 bps	117 bps	142 bps
Total provisions to credit risk weighted assets	128 bps	130 bps	140 bps	159 bps
Impairment charges/(benefits) to average gross loans annualised[2]	5 bps	4 bps	(6 bps)	(11 bps)
Net write-offs to average loans annualised[2]	8 bps	13 bps	8 bps	9 bps

2.3.2 Movement in gross impaired exposures[1]

$m	Half Year Sept 2022	Half Year March 2022	Half Year Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Balance as at beginning of period	**1,653**	**2,142**	**2,071**	**(23)**	**(20)**
New and increased - individually managed	208	222	614	(6)	(66)
Write-offs	(368)	(566)	(405)	(35)	(9)
Returned to performing or repaid	(215)	(221)	(222)	(3)	(3)
Portfolio managed - new/increased/returned/repaid	207	89	65	133	large
Exchange rate and other adjustments	29	(13)	19	large	53
Balance as at end of period	**1,514**	**1,653**	**2,142**	**(8)**	**(29)**

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 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Assets					
Cash and balances with central banks	105,257	102,410	71,353	3	48
Collateral paid	6,216	7,374	4,232	(16)	47
Trading securities and other financial assets measured at fair value through income statement (FVIS) and investment securities	100,797	94,180	104,518	7	(4)
Derivative financial instruments	41,283	18,269	19,353	126	113
Loans	739,647	719,556	709,784	3	4
Assets held for sale	75	2,700	4,188	(97)	(98)
All other assets	20,923	20,260	22,449	3	(7)
Total assets	**1,014,198**	**964,749**	**935,877**	**5**	**8**
Liabilities					
Collateral received	6,371	2,170	2,368	194	169
Deposits and other borrowings	659,129	645,606	626,955	2	5
Other financial liabilities	56,360	51,345	50,309	10	12
Derivative financial instruments	39,568	25,347	18,059	56	119
Debt issues	144,868	133,629	128,779	8	12
Loan capital	31,254	29,036	29,067	8	8
Liabilities held for sale	32	684	837	(95)	(96)
All other liabilities	6,107	6,599	7,411	(7)	(18)
Total liabilities	**943,689**	**894,416**	**863,785**	**6**	**9**
Equity					
Total equity attributable to owners of WBC	70,452	70,279	72,035	-	(2)
NCI	57	54	57	6	-
Total equity	**70,509**	**70,333**	**72,092**	**-**	**(2)**

Review of Group operations

Second Half 2022 – First Half 2022

Total assets increased $49.4 billion or 5% to $1,014.2 billion from higher lending and an increase in derivative assets. Total liabilities increased $49.3 billion or 6% to $943.7 billion mostly due to higher deposits, increased wholesale funding and a rise in debt issues, other financial liabilities, and derivatives. Total equity was little changed.

Key movements included:

Assets

- Cash and balances with central banks increased $2.8 billion or 3% to the support management of our liquidity position;
- Collateral paid decreased $1.2 billion or 16% reflecting lower collateralised derivative liability balances;
- Trading securities and other financial assets measured at fair value through income statement (FVIS) and investment securities increased $6.6 billion or 7% mainly due to increased holdings of government securities mostly related to liquidity;
- Derivative assets increased $23.0 billion or 126% driven by movements in cross currency swaps and foreign currency forward contracts due to volatility in exchange rates and interest rates; and
- Loans increased $20.1 billion or 3%. Refer to Section 2.2.2 Loans for further information; and
- Assets held for sale decreased $2.6 billion or 97% as we completed the sale of our Australian life insurance business in August 2022.

Liabilities

- Collateral received increased $4.2 billion or 194% from higher collateralised derivative asset balances;
- Deposits and other borrowings increased $13.5 billion or 2%. Refer to Section 2.2.3 Deposits and other borrowings for further information;
- Other financial liabilities increased $5.0 billion or 10% mainly due to higher securities sold under agreements to repurchase and securities sold short, partly offset by lower securities purchased not delivered;
- Derivative liabilities increased $14.2 billion or 56% driven by movements in cross currency swaps, foreign currency forward contracts, and interest rate swaps due to volatility in exchange rates and interest rates;
- Debt issues increased $11.2 billion or 8% mainly due to $4.3 billion net issuance and $10.9 billion loss from foreign currency translation, partly offset by $4.0 billion non-cash adjustments predominantly related to fair value hedge adjustment gain;
- Loan capital increased $2.2 billion or 8% mainly due to $2.2 billion net issuances of Additional Tier 1 and Tier 2 instruments and $2.5 billion loss from foreign currency translation, partly offset by $2.5 billion non-cash adjustments predominantly related to fair value hedge adjustment gain; and
- Liabilities held for sale decreased $0.7 billion or 95% as we completed the sale of our Australian life insurance business in August 2022.

Equity attributable to owners of Westpac Banking Corporation increased $0.2 billion with retained earnings offset by the off-market share buy-back.

Review of Group operations

Full Year 2022 – Full Year 2021

Total assets increased $78.3 billion or 8% to $1,014.2 billion since September 2021 primarily driven by higher liquid assets (mainly cash and balances with central banks), derivatives, and loans. Total liabilities increased $79.9 billion or 9% to $943.7 billion since September 2021 mainly from higher deposits, derivatives, and debt issues. Equity was lower mostly from the $3.5 billion off-market buy-back completed in February 2022.

Liquid assets increased as we responded to the decision by APRA to reduce the CLF used by certain Australian banks to zero whilst still meeting the LCR requirement. The wind-down in the CLF required us to hold more funded liquid assets. This change and the completion of a $3.5 billion off-market share buy-back required additional funding which was met by customer deposit growth and additional wholesale funding.

Key movements included:

Assets

- Cash and balances with central banks increased $33.9 billion or 48% from higher funded liquid assets in response to the scheduled reduction in the CLF;
- Collateral paid increased $2.0 billion or 47% due to higher collateralised derivative balances;
- Trading securities and other financial assets measured at FVIS and investment securities decreased $3.7 billion or 4% mainly due to the sale of government investment securities, partly offset by an increase in securities purchased under agreement to resell;
- Derivative assets increased $21.9 billion or 113% driven by movements in cross currency swaps and foreign currency forward contracts, partly offset by interest rate swaps due to volatility in exchange rates and interest rates;
- Loans increased $29.9 billion or 4% (including held for sale, loans increased $28.8 billion or 4%). Refer to Section 2.2.2 Loans for further information;
- Assets held for sale decreased $4.1 billion or 98% from the $1 billion sale of our motor vehicle dealer finance and novated leasing book, and finalising the sales of our life insurance businesses in both Australia and New Zealand; and
- All other assets decreased $1.5 billion or 7% mostly due to reductions in securities sold not delivered included in other financial assets and deferred tax assets.

Liabilities

- Collateral received increased $4.0 billion or 169% from higher collateralised derivative balances;
- Deposits and other borrowings increased $32.2 billion or 5%. Refer to Section 2.2.3 Deposits and other borrowings for further information;
- Other financial liabilities increased $6.1 billion or 12% mainly due to higher securities sold under agreements to repurchase, securities sold short, and interbank deposits, partly offset by lower securities purchased not delivered;
- Derivative liabilities increased $21.5 billion or 119% driven by movements in cross currency swaps, foreign currency forward contracts and interest rate swaps due to volatility in exchange rates and interest rates;
- Debt issues increased $16.1 billion or 12% mainly due to $17.4 billion net issuance and $6.1 billion loss from foreign currency translation, partly offset by $7.4 billion non-cash adjustments predominantly related to fair value hedge adjustment gain;
- Loan capital increased $2.2 billion or 8% mainly due to $4.2 billion net issuances of Additional Tier 1 and Tier 2 instruments and $1.7 billion loss from foreign currency translation, partly offset by $3.7 billion non-cash adjustments predominantly related to fair value hedge adjustment gain;
- Liabilities held for sale decreased $0.8 billion or 96% from finalising the sales of our life insurance businesses in both Australia and New Zealand; and
- All other liabilities decreased $1.3 billion or 18% due to lower compliance, regulation and remediation provisions, lease liability and a decline in valuation of the defined benefit liability.

Equity attributable to owners of Westpac Banking Corporation decreased $1.6 billion or 2% mainly attributable to the off-market share buy-back, partly offset by retained profits.

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 Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

The Group maintained funding and liquidity metrics throughout Second Half 2022 comfortably above regulatory minimums. The Group's September 2022 quarterly average LCR was 132% and its NSFR at 30 September 2022 was 121%.

Liquidity

The Group holds a portfolio of high quality, liquid assets that meet regulatory requirements and 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 that Authorised Deposit-taking Institutions (ADIs) subject to the LCR should reduce their CLF usage to zero by 1 January 2023, subject to financial market conditions. At 30 September 2022, Westpac's remaining CLF allocation had reduced to $9.25 billion (31 March 2022: $27.8 billion; 30 September 2021: 37.0 billion).

The Group managed the phased reduction in the CLF by increasing its holdings of HQLA. HQLA includes cash, deposits with central banks, government and semi-government securities. During the September 2022 quarter, Westpac held an average of $175.6 billion HQLA (March 2022 quarterly average: $169.3 billion; September 2021 quarterly average: $136.5 billion).

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 on a limited basis as set out above, to meet the requirements of the LCR.

Westpac's average LCR for the quarter ended 30 September 2022 was 132%. The reduction in the ratio compared to the quarter ended 31 March 2022 (137%) was mainly due to a reduction in LCR qualifying liquid assets in line with the reduction in the CLF. This was partially offset by the removal of the overlay applied to net cash outflows. Between 1 January 2021 and 31 August 2022, Westpac's LCR also included a 10% overlay to net cash outflows, required by APRA in response to breaches of the prudential standards on liquidity. The overlay was removed on 1 September 2022. Further details are set out in the Significant Developments section of the 2022 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 121% at 30 September 2022 (31 March 2022: 125%). The decrease in the ratio over the half reflects a $17.8 billion increase in available stable funding compared to a $34.2 billion increase in required stable funding. The reduction in the CLF and stronger loan growth both contributed to the rise in required stable funding.

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.

Customer deposits

Customer deposits accounted for 65.1% of the Group's total funding (including equity) at 30 September 2022 (31 March 2022: 65.7%). During the half, customer deposits increased by $12.0 billion, providing a substantial proportion of the bank's funding requirements, which included $20.1 billion net growth in customer loans. The Group's customer deposit to loan ratio reduced to 82.9% from 83.5% at 31 March 2022 reflecting the stronger loan growth.

Review of Group operations

Long term wholesale funding

Long term funding with a residual maturity greater than 12 months made up 14.5% of the Group's total funding at 30 September 2022 (31 March 2022: 15.2%). Funding from securitisation accounted for a further 0.5% of total funding (31 March 2022: 0.5%).

In the Second Half, the Group raised $21.6 billion of long term wholesale funding, including $4 billion of pre-funding for the 2023 Financial Year. The Group benefited from the diversity of its wholesale funding franchise, with Second Half new issuance made up of approximately one-third in senior unsecured bonds, one-third in covered bonds and the remainder in Tier 2 capital securities, Additional Tier 1 capital securities and securitisation. The Group issued across a range of tenors and currencies, including USD, AUD, EUR, GBP, NZD, SGD and others. The Group also drew down on the RBNZ's Funding for Lending Programme through its New Zealand subsidiary.

Short term wholesale funding

Wholesale funding with a residual maturity less than 12 months accounted for 12.5% of the Group's total funding at 30 September 2022 (31 March 2022: 11.0%). This portfolio, including long term to short term scroll, had a weighted average maturity of 104 days (31 March 2022: 144 days).

Equity

Funding from equity made up 7.4% of total funding at 30 September 2022 (31 March 2022: 7.6%), and was up $0.7 billion over the Second Half.

Liquidity coverage ratio

$m	Quarter Sept 2022	Quarter March 2022	Quarter Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
High Quality Liquid Assets (HQLA)[1,2]	175,595	169,346	136,525	4	29
Committed Liquidity Facility (CLF)[2]	15,512	27,750	37,000	(44)	(58)
Total LCR liquid assets	**191,107**	**197,096**	**173,525**	**(3)**	**10**
Cash outflows in a modelled 30-day APRA defined stressed scenario					
Customer deposits[1]	101,271	96,351	89,628	5	13
Wholesale funding	12,975	11,526	10,003	13	30
Other flows[3]	31,051	36,412	34,447	(15)	(10)
Total	**145,297**	**144,289**	**134,078**	**1**	**8**
LCR[1,4]	**132%**	**137%**	**129%**	**large**	**211 bps**

Net stable funding ratio

$m	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Available stable funding[1]	687,442	669,655	651,216	3	6
Required stable funding	570,185	536,022	521,499	6	9
Net stable funding ratio	**121%**	**125%**	**125%**	**large**	**large**

1. Includes balances presented as held for sale.
2. Refer to Glossary for definition.
3. Other flows include credit and liquidity facilities, collateral outflows and inflows from customers.
4. Calculated on a quarterly average basis.

Review of Group operations

Funding by residual maturity

	As at 30 Sept 2022		As at 31 March 2022		As at 30 Sept 2021	
	$m	Ratio %	$m	Ratio %	$m	Ratio %
Wholesale funding						
Less than 6 months	70,009	7.4	59,044	6.5	54,512	6.1
6 to 12 months	9,089	1.0	15,241	1.6	15,232	1.7
Long term to short term scroll[1]	38,896	4.1	26,527	2.9	26,760	3.0
Wholesale funding - residual maturity less than 12 months	**117,994**	**12.5**	**100,812**	**11.0**	**96,504**	**10.8**
Securitisation	4,973	0.5	4,968	0.5	5,000	0.6
Greater than 12 months	136,586	14.5	138,108	15.2	138,817	15.6
Wholesale funding - residual maturity greater than 12 months	**141,559**	**15.0**	**143,076**	**15.7**	**143,817**	**16.2**
Customer deposits[2]	**612,834**	**65.1**	**600,872**	**65.7**	**580,317**	**65.0**
Equity[3]	**69,967**	**7.4**	**69,244**	**7.6**	**71,614**	**8.0**
Total funding	**942,354**	**100.0**	**914,004**	**100.0**	**892,252**	**100.0**

Deposits to net loans ratios

	As at 30 Sept 2022		As at 31 March 2022		As at 30 Sept 2021	
	$m	Ratio %	$m	Ratio %	$m	Ratio %
Customer deposits[2]	612,834		600,872		580,317	
Net customer loans[2]	739,647	82.9	719,556	83.5	710,799	81.6

Funding view of the balance sheet[2]

$m	Total liquid assets	Customer deposits	Wholesale funding	Customer franchise	Market Inventory	Total
As at 30 September 2022						
Total assets	257,770	-	-	688,994	67,434	1,014,198
Total liabilities	-	(612,834)	(259,553)	-	(71,302)	(943,689)
Total equity	-	-	-	(69,967)	(542)	(70,509)
Total	**257,770**	**(612,834)**	**(259,553)**	**619,027**	**(4,410)**	**-**
Net loans[4]	**63,712**	**-**	**-**	**675,935**	**-**	**739,647**
As at 31 March 2022						
Total assets	244,113	-	-	667,250	53,386	964,749
Total liabilities	-	(600,872)	(243,888)	-	(49,656)	(894,416)
Total equity	-	-	-	(69,244)	(1,089)	(70,333)
Total	**244,113**	**(600,872)**	**(243,888)**	**598,006**	**2,641**	**-**
Net loans[4]	**65,830**	**-**	**-**	**653,726**	**-**	**719,556**
As at 30 September 2021						
Total assets	227,553	-	-	658,123	50,201	935,877
Total liabilities	-	(580,317)	(240,321)	-	(43,147)	(863,785)
Total equity	-	-	-	(71,614)	(478)	(72,092)
Total	**227,553**	**(580,317)**	**(240,321)**	**586,509**	**6,576**	**-**
Net loans[4]	**66,610**	**-**	**-**	**644,189**	**-**	**710,799**

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 in limited circumstances.

Review of Group operations

2.5 Capital and dividends

	As At 30 Sept 2022	As At 31 March 2022	As At 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Level 2 regulatory capital structure					
Common equity Tier 1 (CET 1) capital after deductions ($m)	53,943	52,126	53,808	3	-
Risk weighted assets (RWA) ($m)	477,620	459,956	436,650	4	9
CET 1 capital ratio	**11.29%**	**11.33%**	**12.32%**	**(4 bps)**	**(103 bps)**
Additional Tier 1 capital ratio	2.10%	2.08%	2.33%	2 bps	(23 bps)
Tier 1 capital ratio	**13.39%**	**13.41%**	**14.65%**	**(2 bps)**	**(126 bps)**
Tier 2 capital ratio	5.01%	4.30%	4.21%	71 bps	80 bps
Total regulatory capital ratio	**18.40%**	**17.71%**	**18.86%**	**69 bps**	**(46 bps)**
APRA leverage ratio[1]	**5.61%**	**5.60%**	**5.99%**	**1 bps**	**(38 bps)**
Level 1 regulatory capital structure					
CET 1 capital after deductions ($m)	50,722	48,684	54,314	4	(7)
Risk weighted assets ($m)	447,010	433,643	431,422	3	4
Level 1 CET 1 capital ratio	11.35%	11.23%	12.59%	12 bps	(124 bps)

Capital management strategy

Westpac evaluates its approach to capital management through an Internal Capital Adequacy Assessment Process (ICAAP), the key features of which include:

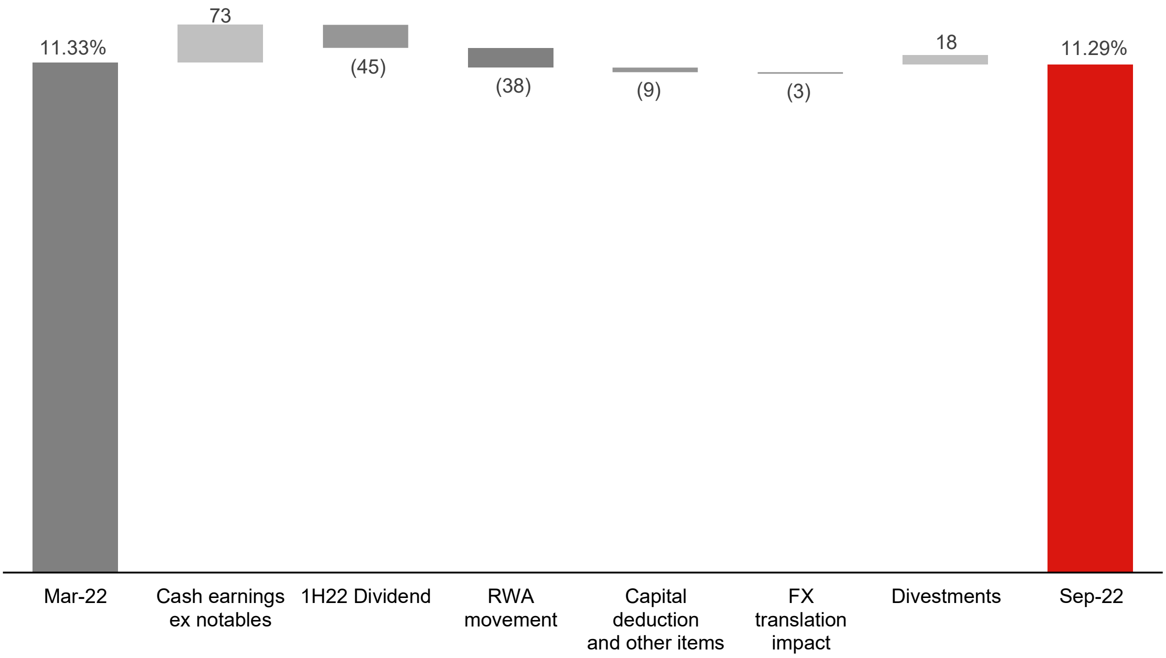
- The development of a capital management strategy, including consideration of regulatory minimums, capital buffers and contingency plans. The current regulatory capital minimums together with the capital conservation buffer (CCB) are the Total CET1 Requirement. The Total CET1 Requirement for Westpac 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[2,3];
- Consideration of regulatory capital requirements and the perspectives of external stakeholders including rating agencies as well as equity and debt investors; and
- A stress testing framework that challenges the capital measures, coverage and requirements including the impact of adverse economic scenarios.

From 1 January 2023, APRA's revised capital framework, including updated prudential standards for capital adequacy and credit risk capital, becomes effective. As part of the revised framework, APRA has set a Total CET1 Requirement for D-SIBs of 10.25%. This requirement includes a CCB of 4.75% applicable to D-SIBs and a base level for the countercyclical capital buffer of 1.0%. APRA has also indicated that it expects that D-SIBs (including Westpac) will likely operate with CET1 capital ratio above 11% in normal operating conditions under the new framework. Westpac will seek to operate with a CET1 capital ratio of between 11.0% and 11.5% (operating capital range) in normal operating conditions as measured under the new capital framework from 1 January 2023.

1. Refer to Glossary for definition.
2. Noting that APRA may apply higher CET1 requirements for an individual ADI.
3. If an ADI's CET1 capital ratio falls below the Total CET1 Requirement (at least 8%), it faces restrictions on the distribution of earnings, such as dividends, distribution payments on AT1 capital instruments and discretionary staff bonuses.

Review of Group operations

CET 1 capital ratio movement for Second Half 2022 (%, basis points)



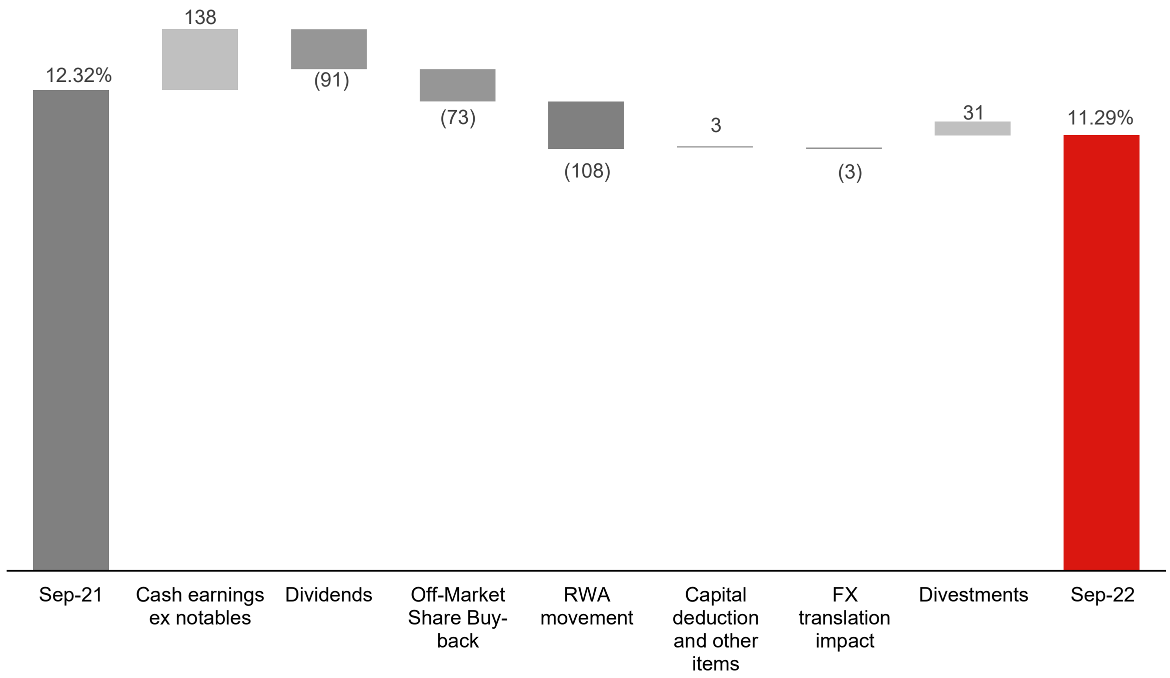
Westpac's Level 2 CET1 capital ratio was 11.29% at 30 September 2022, 4bps lower than 31 March 2022. Key movements in the CET1 capital ratio over the half were:

- Second Half 2022 cash earnings of $3,467 million, excluding notable items (73bps increase);
- Divestment benefits (18bps increase) mostly from the sale of our Australian Life Insurance business; offset by
- Payment of the 2022 interim dividend (45bps decrease);
- An increase in RWA, (38bps decrease) mostly from higher interest rate risk in the banking book (IRRBB) RWA due to a higher regulatory embedded loss from increased market interest rates (36bps decrease). While exposure at default increased 3% over the half, the impact on RWA was largely offset by improvements in credit metrics;
- Capital deductions and other capital movements (9bps decrease) mostly from a higher deduction for capitalised software (7bps decrease) and capitalised expenditure (3bps decrease) and lower other comprehensive income from the revaluation of debt securities (3bps decrease). These were partly offset by remeasurement of the defined benefit superannuation obligation (5bps increase); and
- Foreign currency impacts of (3bps decrease)[1] from the depreciation of the A$ against the US$ partly offset by the appreciation of the A$ against the NZ$.

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 2022 (%, basis points)



Westpac's CET1 capital ratio was 11.29% at 30 September 2022, 103bps lower than 30 September 2021. The decline was mostly due to the $7.8 billion return of capital to shareholders from our $3.5 billion off-market share buy-back and dividends along with higher RWA, mostly from higher IRRBB RWA. These declines were partly offset by earnings over the full year along with gains from divestments including the sale of our Australian Life Insurance business.

Additional Tier 1 and Tier 2 Capital movements for Second Half 2022

On 20 July 2022, Westpac issued $1.51 billion of Additional Tier 1 capital (Westpac Capital Notes 9), of which approximately $0.69 billion comprised reinvestment by holders of Westpac Capital Notes 2 (WCN 2). On 23 September 2022, Westpac redeemed approximately $0.62 billion WCN 2 that remained on issue. The net impact of these transactions was an increase in Tier 1 capital of approximately 4bps.

On 2 December 2021, APRA announced a requirement for D-SIBs (including Westpac) to increase their total capital requirement by 4.5 percentage points of RWA under the current capital adequacy framework to be met by 1 January 2026. The additional total capital is expected to be met through additional Tier 2 Capital[1].

During the half, Westpac issued JPY 26 billion, US$1.0 billion and SGD 450m of Tier 2 capital instruments. Westpac also redeemed JPY 12 billion, JPY 13.5 billion, HKD 600 million and SGD 325 million of Tier 2 capital instruments. The net impact was an increase in the total regulatory capital ratio of approximately 33bps. This will assist Westpac meet APRA's revised requirements.

Leverage ratio

The leverage ratio represents the amount of Tier 1 capital relative to exposure[2]. At 30 September 2022, Westpac's leverage ratio was 5.61%, up 1bp since 31 March 2022 due to an increase in Tier 1 capital, partly offset by higher on balance sheet exposures.

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 2022 Full Year Investor Discussion Pack.

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

%	As At 30 Sept 2022	As At 31 March 2022	As At 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Internationally comparable capital ratios					
CET 1 capital ratio	17.57%	17.36%	18.17%	21 bps	(60 bps)
Tier 1 capital ratio	20.57%	20.23%	21.23%	34 bps	(66 bps)
Total regulatory capital ratio	27.75%	26.16%	26.61%	159 bps	114 bps
Leverage ratio	6.00%	6.10%	6.59%	(10 bps)	(59 bps)

1. In our funding, this increase in total capital is likely to be offset by a decrease in long-term wholesale funding.
2. As defined under Attachment D of APS110: Capital Adequacy.

Review of Group operations

Risk Weighted Assets (RWA)

$m	As At 30 Sept 2022	As At 31 March 2022	As At 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Credit risk:					
Corporate[1]	72,688	69,391	68,715	5	6
Business lending[2]	30,541	32,686	32,559	(7)	(6)
Sovereign[3]	2,335	2,270	2,508	3	(7)
Bank[4]	4,609	4,960	5,104	(7)	(10)
Residential mortgages	149,208	146,448	145,534	2	3
Australian credit cards	3,917	3,951	4,001	(1)	(2)
Other retail	6,726	7,785	8,272	(14)	(19)
Small business[5]	13,991	14,401	15,187	(3)	(8)
Specialised lending: Property and project finance[6]	57,338	58,334	55,372	(2)	4
Securitisation[7]	6,947	6,306	5,881	10	18
Standardised	7,421	7,450	7,884	-	(6)
Mark-to-market related credit risk	6,377	5,691	6,278	12	2
Total credit risk	**362,098**	**359,673**	**357,295**	**1**	**1**
Market risk	9,290	9,596	6,662	(3)	39
Operational risk[8]	59,063	57,875	55,875	2	6
Interest rate in the banking book (IRRBB)	42,782	27,710	11,446	54	large
Other	4,387	5,102	5,372	(14)	(18)
Total risk weighted assets	**477,620**	**459,956**	**436,650**	**4**	**9**

Second Half 2022 – First Half 2022

Total RWA increased $17.7 billion or 3.8% over the half with most of the increase in non-credit RWA.

Non-credit risk RWA were $15.2 billion higher, mainly from a $15.1 billion increase in IRRBB RWA over the half. The increase in IRRBB RWA was mainly due to a higher regulatory embedded loss from increased market interest rates. A regulatory embedded loss occurs as Westpac's equity is invested over a three-year investment horizon, compared to the regulatory investment term of one year.

The $2.4 billion increase in credit risk RWA included:

- A $4.7 billion increase from higher lending mostly across residential mortgages, corporate and business lending partly offset by lower lending in other retail;
- A $1.3 billion increase associated with derivative exposures (counterparty credit risk and mark-to-market related credit risk) primarily due to increases in the mark-to-market value of derivatives from higher foreign currency translation effects;
- A $0.5 billion increase in foreign currency translation impacts mostly from the depreciation of the A$ against the US$; partly offset by
- A $4.1 billion net decrease from movements in risk weightings. This includes an $8.2 billion decrease from the impact of improved credit metrics for mortgages and corporate lending, and implementation of a revised model for business lending. This reduction was partly offset by our application of the mortgage risk weight floor of 25% which resulted in a $4.1 billion increase in the RWAs over the half.

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 2022 - Full Year 2021

Total RWA increased $41.0 billion or 9.4% this year with most of the increase in non-credit RWA.

Non-credit risk RWA was $36.2 billion higher from:

- A $ 31.3 billion increase in IRRBB RWA over the year. The increase in IRRBB RWA was mainly due to a higher regulatory embedded loss from increased market interest rates;
- A $3.2 billion increase in operational risk RWA from adopting the standardised measurement approach for calculating operational risk RWA effective 1 January 2022; and
- A $2.6 billion increase in market risk RWA mainly due to the introduction of an industry-wide overlay effective 31 December 2021 for updates required to market risk models which require regulatory approval.

The $4.8 billion increase in credit risk RWA included:

- A $10.6 billion increase from higher lending across residential mortgages, corporate and business lending partly offset by lower lending in other retail including from the run-down of our auto finance book;
- A $0.2 billion increase associated with derivative exposures (counterparty credit risk and mark-to-market related credit risk) partly offset by;
- A $4.8 billion decrease from improved credit metrics and model changes across corporate and business lending; and
- A $1.2 billion decrease for foreign currency translation impacts mostly from the appreciation of the A$ against the NZ$.

Review of Group operations

Capital adequacy

$m	As At 30 Sept 2022	As At 31 March 2022	As At 30 Sept 2021
Tier 1 capital			
CET 1 capital			
Paid up ordinary capital	39,666	39,667	41,601
Treasury shares	(712)	(708)	(663)
Equity based remuneration	1,843	1,824	1,753
Foreign currency translation reserve	(537)	(445)	(266)
Accumulated other comprehensive income	28	183	402
Non-controlling interests - other	57	54	57
Retained earnings	29,063	28,362	28,813
Less retained earnings in life and general insurance, funds management and securitisation entities	(300)	(1,144)	(1,118)
Deferred fees	300	265	238
Total CET 1 capital	**69,408**	**68,058**	**70,817**
Deductions from CET 1 capital			
Goodwill (excluding funds management entities)	(7,914)	(7,935)	(8,060)
Deferred tax assets	(1,746)	(1,812)	(2,429)
Goodwill in life and general insurance, funds management and securitisation entities	(204)	(209)	(209)
Capitalised expenditure	(2,148)	(2,013)	(1,951)
Capitalised software	(2,263)	(1,914)	(1,840)
Investments in subsidiaries not consolidated for regulatory purposes	(316)	(1,541)	(2,044)
Regulatory expected loss in excess of eligible provisions	(144)	(164)	(225)
Defined benefit superannuation fund surplus	(219)	(60)	(64)
Equity investments	(187)	(161)	(163)
Regulatory adjustments to fair value positions	(324)	(123)	(24)
Total deductions from CET 1 capital	**(15,465)**	**(15,932)**	**(17,009)**
Total CET 1 capital after deductions	**53,943**	**52,126**	**53,808**
Additional Tier 1 capital			
Basel III complying instruments	10,021	9,566	10,180
Total Additional Tier 1 capital	**10,021**	**9,566**	**10,180**
Deductions from additional Tier 1 capital			
Holdings of own and other financial institutions Additional Tier 1 capital instruments	(25)	(25)	(25)
Total deductions from Additional Tier 1 capital	**(25)**	**(25)**	**(25)**
Net Additional Tier 1 regulatory capital	**9,996**	**9,541**	**10,155**
Net Tier 1 regulatory capital	**63,939**	**61,667**	**63,963**
Tier 2 capital			
Basel III complying instruments	23,791	20,147	18,228
Basel III transitional instruments	-	-	487
Eligible general reserve for credit loss	411	158	51
Total Tier 2 capital	**24,202**	**20,305**	**18,766**
Deductions from Tier 2 capital			
Investments in subsidiaries not consolidated for regulatory purposes	-	(60)	(140)
Holdings of own and other financial institutions Tier 2 capital instruments	(243)	(445)	(221)
Total deductions from Tier 2 capital	**(243)**	**(505)**	**(361)**
Net Tier 2 regulatory capital	**23,959**	**19,800**	**18,405**
Total regulatory capital	**87,898**	**81,467**	**82,368**
Risk weighted assets	**477,620**	**459,956**	**436,650**
CET 1 capital ratio	11.29%	11.33%	12.32%
Additional Tier 1 capital	2.10%	2.08%	2.33%
Tier 1 capital ratio	**13.39%**	**13.41%**	**14.65%**
Tier 2 capital	5.01%	4.30%	4.21%
Total regulatory capital ratio	**18.40%**	**17.71%**	**18.86%**

Review of Group operations

Dividends

Ordinary dividend (cents per share)	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Interim (fully franked)	-	61	(100)	61	58	5
Final (fully franked)	64	-	-	64	60	7
Total ordinary dividend	**64**	**61**	**5**	**125**	**118**	**6**
Payout ratio (reported)[1]	92.73%	65.06%	large	76.79%	79.25%	(246)
Payout ratio (cash earnings)[1]	102.73%	69.01%	large	82.95%	80.88%	207
Adjusted franking credit balance ($m)	3,298	3,135	5	3,298	3,857	(14)
Imputation credit (cents per share - NZ)	8.0	8.0	-	8.0	7.0	14

The Board has determined a final fully franked dividend of 64 cents per share, to be paid on 20 December 2022 to shareholders on the register at the record date of 18 November 2022. The 2022 final dividend represents a payout ratio on a cash earnings basis of 102.73%. In addition to being fully franked, the dividend will also carry NZ$0.08 in New Zealand imputation credits that may be used by New Zealand tax residents.

The Board has determined to issue shares to satisfy the Dividend Reinvestment Plan (DRP) for the 2022 final ordinary dividend. The market price used to determine the number of shares issued under the DRP will be set over the 10 trading days commencing 23 November 2022, with no discount applied.

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 2022	As at 31 March 2022	As at 30 Sept 2021
Provisions associated with eligible portfolios			
Total provisions for expected credit losses	4,635	4,682	5,007
plus provisions associated with partial write-offs	377	304	40
less ineligible provisions[2]	(143)	(101)	(104)
Total eligible provisions	**4,869**	**4,885**	**4,943**
Regulatory expected downturn loss	**4,690**	**4,947**	**5,168**
Excess/(shortfall) in eligible provisions compared to regulatory expected downturn loss	**179**	**(62)**	**(225)**
CET 1 capital deduction for regulatory expected downturn loss in excess of eligible provisions[3]	**(144)**	**(164)**	**(225)**

1. Payout ratio excludes the dividend component of completed off-market share buy-back announced on 14 February 2022.
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 Sustainability Approach

Westpac has a role to play in helping to create positive social, economic, and environmental impact, including being part of the collective response to climate change.

Across the Group, Westpac continues to work to embed sustainability performance measures through its three-year Sustainability Strategy that aligns to the United Nations Sustainable Development Goals (SDGs). Westpac's 2021-2023 Sustainability Strategy sets out how it can best serve customers, communities and regions, and contribute to solving global challenges.

Key Developments against Westpac's 2021-2023 Sustainability Strategy

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

- During the year Westpac supported 1,600+ customers who were impacted by floods in NSW and QLD with a natural disaster relief package.
- Actions towards protecting vulnerable customers: Through the year, vulnerability escalation teams provided guidance and banking support to customers experiencing domestic and financial hardship. In FY22:
  - 61,000+ gambling blocks applied to customer credit and debit cards;
  - 48,000+ transactions containing abusive messages were blocked;
  - 42,000+ customers were assisted by specialist vulnerability teams.
- In recognition of Westpac's efforts to make banking more accessible, the Group was awarded first place by the Australian Network on Disability on the Access & Inclusion Top Performers 2021-2022 list.
- Westpac continued to provide financial education resources, with more than 210,000 people accessing Davidson Institute's content this year.
- Since 2019, the Group has assisted over 10,000 Indigenous and remote Australians through its Indigenous Connections call centre.

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

- In FY22, Westpac achieved over $1.9 billion[1] in new lending[2] to climate change solutions[3]**.**
- Continued to discuss climate change with institutional customers as part of Westpac's regular engagement, particularly in sectors that have high emissions or significant transition risk. Through the year that has involved the majority of Westpac's institutional clients.
- Westpac Scholars Trust awarded 100 new scholarships[4] with 640+ active scholars supported since 2015[5] and introduced a new climate-focused funding priority.
- Introduced a hybrid and electric car loan.
- Spent $20.7 million with diverse suppliers, including $8.8 million with Indigenous owned businesses.

1. Taking Westpac to over $3.8 billion since 2020, achieving Westpac's target of $3.5 billion in new lending from 2020 to 2023, and working towards Westpac's target of $15 billion in new lending by 2030. As at the end of FY22, Westpac's total exposure to climate change solutions is $10.8 billion.
2. New lending represents the total of new and increases in lending commitments, excluding refinances.
3. Climate change solutions activities are defined in the Glossary section in Westpac's 2022 Sustainability Index and Datasheet. Lending and investment to climate change solutions is defined as the total direct and indirect financing of customers to the extent they are a) Involved in climate change solutions activities reported in total committed exposures as at 30 September; or b) Undertake activities that are over and above what is considered to be business as usual in the relevant industry, and which produce a material net benefit to the environment. For further information on Westpac's definition of climate change solutions refer to the Glossary section in Westpac's 2022 Sustainability Index and Datasheet.
4. Westpac Scholars Trust (ABN 35 6000 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 the Westpac Group. Westpac provides administrative support, skilled volunteering, and funding for operational costs of Westpac Scholars Trust.
5. Active scholars refers to the total number of individuals who have been awarded a scholarship and have completed or are in the process of completing their degree or fellowship.

Review of Group operations

Collaborating for impact *– finance has a central role to play in addressing the biggest challenges facing the world. Westpac wants to play its part – by learning from partners, sharing experiences and collaborating to find solutions.*

- In FY22 Westpac continued to focus on opportunities to positively impact human rights across its value chain.
- Continued to deliver on the Group's Access and Inclusion Plan 2021-2024.
- Updated the Group's Climate Change Position Statement and Action Plan.
- Joined the Net-Zero Banking Alliance (**NZBA**) in July 2022 and set interim 2030 financed emissions sector targets for five sectors in Westpac's lending portfolio.
- Joined the Taskforce on Nature-related Financial Disclosures (**TNFD**) forum and initiated analysis to identify sectors in Westpac's portfolio that are either highly dependent on nature or have a high impact on nature.
- Since 2020, the Group has committed to over $20 million in funding under the Safer Children, Safer Communities program to over 50 Australian organisations and support for International Justice Mission (IJM) in the Philippines to rescue 116 victims of exploitation[1].
- Released Westpac's Elevate 2022-2025 Reconciliation Action Plan (RAP).

Climate Update

Westpac has set a new ambition towards becoming a net-zero, climate resilient bank focused on three areas.

1. Net-zero, climate resilient operations

- Westpac elevated the management of climate change to a key priority in 2021, reflecting the science, and the increased urgency and expectation of stakeholders.
- In 2022, Scope 1 and 2 operational greenhouse gas emissions and Scope 3 supply chain (non-financed) greenhouse gas emissions were 70% and 29% lower than the Group's 2016 baseline, respectively.
- Agreements in place to source the equivalent of 100% of Westpac's Australian electricity consumption from renewable energy sources[2] by 2025, and planning underway to achieve this same milestone for Westpac's international footprint by 2025.
- Westpac maintained carbon neutral certification[3] for its Australian and New Zealand operations.

2. Supporting customers' transition to net-zero and to build their climate resilience

- In FY22, Westpac supported 69 Sustainable Finance transactions with a total volume of $108 billion[4], including acting as Joint Sustainability Coordinator and Lead Arranger on the first Sustainability-Linked Loan in the manufacturing sector in Australia[5].
- Commenced engagement with agribusinesses on climate change impacts on farm productivity and the role of adaptation measures to improve climate resilience.
- Further developed services of the Group's Carbon Trading Desk[6].
- Westpac NZ (WNZL) expanded loan offerings to enable customers to make their homes warmer, drier and/or more energy efficient, and piloted a new Sustainable Agribusiness Loan[7].
- Supported nine customers to execute Sustainability-Linked Loans, including seven for which WNZL was a Sustainability Coordinator[8]. WNZL was Sole Sustainability Coordinator or Green Bond Advisor on all four inaugural Green and Sustainability Bond issuances in FY22.
- In FY22, renewables accounted for 80% of Westpac's total committed exposure to the electricity generation sector. Westpac is the largest bank lender to greenfield renewable energy projects in Australia over the past five years[9].

1. Committed funding includes future payments for grants that span over multiple years.
2. Predominantly through a virtual power purchase agreement with Bomen Solar Farm in NSW and through other sources including Westpac rooftop solar and Large-Scale Generation Certificates sourced and retired on behalf of Westpac by Lendlease for Westpac's Barangaroo commercial office tenancy supply.
3. Certification is obtained for Westpac's Australian and New Zealand direct operations under the Australian Government's Climate Active Carbon Neutral Standard for Organisations and the New Zealand Toitū net carbonzero certification respectively. Further information can be found on the Sustainability Performance Reports page on Westpac's website.
4. WIB and WNZL customers only across multiple currencies and jurisdictions. Sustainable finance transactions include green, social, sustainability, sustainability-linked and re-linked loans and bonds. Total value of Sustainable Financing provided by banks at financial close. This includes the full value of a loan provided and also includes the full value of bond issued for any Debt Capital Markets (DCM) transaction where Westpac is a Joint Lead Manager (JLM).
5. Based on publicly announced transactions in Australia to 12 September 2022. For more information, refer to the media release at https://www.westpac.com.au/about-westpac/media/media-releases/2022/12-september1/.
6. Westpac believes reducing emissions should be a priority in achieving the transition to net-zero. Carbon offsets and credits are likely to play a role to supplement decarbonisation in line with climate science where there are limited technological or financially viable alternatives to eliminate emissions.
7. The loan is the first of its kind to require a customer to meet all parts of the Sustainable Agriculture Finance Initiative (SAFI) guidance. This guidance includes practices to reduce emissions and improve long-term climate resilience.
8. WNZL was Sole Sustainability Coordinator for six Sustainability-Linked Loans and Joint Sustainability Coordinator for one Sustainability-Linked Loan. Overall, New Zealand borrowers executed NZD0.94 billion of Sustainability-Linked Loans, of which approximately a quarter (NZD3.98 billion) sits on WNZL's Balance Sheet (this includes all known or publicly disclosed transactions to 30 September 2022).
9. Over the period 1 October 2017 to 30 September 2022. Based on IJGlobal and Westpac Research data.

Review of Group operations

3. Collaborate for impact on initiatives towards net-zero and climate resilience

- In July 2022, Westpac joined the NZBA and set interim 2030 financed emissions sector targets for five sectors in Westpac's lending portfolio.
- Continued to work with governments, industry organisations and/or community partners to improve outcomes to support the transition to net-zero and build climate resilience.
- Participated in the Australian Industry Energy Transitions Initiative (AIETI). In June 2022, the AEITI released the Phase 2 Report which sets up industrial regions for net-zero.

Sector targets in line with Westpac's NZBA commitment

SECTOR	2030 FINANCED EMISSIONS REDUCTION TARGET[1]	FY21 BASELINE
Extractives - Upstream oil and gas[2]	**23% reduction in Scope 1, 2 and 3 absolute financed emissions by 2030** (relative to 2021 baseline) Westpac has updated its upstream oil and gas position to support this target. Westpac's position provides that it: • will only consider directly financing greenfield oil and gas projects that are in accordance with the IEA NZE scenario[3] or where necessary for national energy security[4], • will continue to provide corporate lending where the customer has a credible transition plan[5] in place by 2025, and • will work with customers to support their development of credible transition plans prior to 2025.	7.5 $MtCO_2$-e (absolute financed emissions)
Extractives - Thermal coal mining[6]	**Zero lending exposure** to companies with >5% of their revenue coming directly from thermal coal mining by 2030	$216.7m (lending exposure) (TCE as at 30 Sep 2021)
Power generation[7]	**0.10 tCO_2-e/MWh for Scope 1 and 2 emissions intensity by 2030**	0.26 tCO_2-e/MWh (emissions intensity)
Industrials – Cement production[8]	**0.57 tCO_2-e/tonne of cement for Scope 1 and 2 emissions intensity by 2030**	0.66 tCO_2-e/tonne cement (emissions intensity)
Australian commercial real estate (large customers with office properties)[9]	**62% reduction in Scope 1 and 2 emissions[10] intensity ($kgCO_2$-e/m^2 net lettable area) by 2030** (relative to a 2021 baseline) for Australian large[9] customers with office properties	Baseline and progress to be disclosed in FY23

Westpac continues to integrate and operationalise these targets into its processes and lending decisions.

Refer to Westpac's **Net-Zero 2030 Targets and Financed Emissions - our methodology and approach** for more information on the Group's 2030 sector targets, including scope, sector boundary, target definitions and FY21 baselines.

Further information

More information including more detailed disclosures relating to Westpac's sustainability performance can be found in the FY22 Annual Report and Sustainability Supplement.

1. Financed emissions are the Group's Scope 3 emissions attributable to its lending portfolios. Westpac aims to achieve these targets by 30 September 2030.
2. Upstream oil and gas includes exploration, extraction and drilling companies, integrated oil and gas companies (that have upstream activities), and LNG producers. The scope does not include midstream and downstream companies.
3. International Energy Agency Net Zero by 2050 (IEA NZE) scenario specifies that no new (greenfield) oil and gas fields are needed beyond those projects that have already been committed (i.e. approved for development) as of 18 May 2021. The IEA NZE scenario is the International Energy Agency's Net Zero by 2050: A Roadmap for the Global Energy Sector report, 2021.
4. Where the Australian or New Zealand Government or regulator determines (or takes a formal public position) that supply from the asset being financed is necessary for national energy security.
5. A credible transition plan should be developed by reference to the best available science and should include Scope 1, 2 and 3 emissions and actions the company will take to achieve GHG reductions by 2050 aligned with a 1.5°C pathway.
6. Companies with >5% of their revenue coming directly from thermal coal mining (i.e. the production and sale of thermal coal). Adjacent sectors (including mining service providers) will be covered in other targets as appropriate. Transactional banking and rehabilitation bonds are excluded from the target.
7. Companies that are electricity generators include customers with >10% revenue coming from power generation or >5% revenues from thermal coal electricity generation. Target excludes electricity transmission / distribution companies and Scope 3 emissions of electricity generators.
8. Companies that produce clinker in-house. Target includes emissions generated from calcination in clinker production as well as fuel combustion and electricity consumption associated with the cement production process.
9. Discrete borrowers with office properties comprising a majority of their portfolio and with commercial real estate TCE > $75 million within Specialised Lending – Property Finance (Investment only) and Corporate portfolios, as defined under Pillar 3 reporting. This excludes construction finance.
10. Base building operational Scope 1 and 2 emissions. Target excludes all Scope 3 emissions (e.g. tenant emissions from electricity and appliance use, construction, embodied emissions and corporate activities).

Segment reporting

3.0 Segment reporting

Notable items

The table below shows the impact of notable items on the segments by the relevant period. Notable items are discussed in Section 1.3.3.

$m	Consumer	Business	Consumer and Business Banking	Westpac Institutional Bank	Westpac New Zealand (A$)	Specialist Businesses	Group Businesses	Group
Half Year Sept 2022								
Net interest income	**-**	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**
Net fee income	-	-	-	-	(1)	-	-	(1)
Net wealth management and insurance income	-	-	-	-	-	(8)	-	(8)
Trading income	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	(1,112)	-	(1,112)
Non-interest income	**-**	**-**	**-**	**-**	**(1)**	**(1,120)**	**-**	**(1,121)**
Operating expenses	**(66)**	**-**	**(66)**	**-**	**-**	**(150)**	**(174)**	**(390)**
Core earnings	**(66)**	**-**	**(66)**	**-**	**(9)**	**(1,270)**	**(174)**	**(1,519)**
Income tax (expense)/benefit and NCI	19	-	19	-	2	158	54	233
Cash earnings	**(47)**	**-**	**(47)**	**-**	**(7)**	**(1,112)**	**(120)**	**(1,286)**
Half Year March 2022								
Net interest income	**-**	**-**	**-**	**-**	**7**	**-**	**-**	**7**
Net fee income	-	-	-	-	-	-	-	-
Net wealth management and insurance income	-	-	-	-	-	(43)	-	(43)
Trading income	-	-	-	-	-	-	-	-
Other income	-	-	-	-	119	152	-	271
Non-interest income	**-**	**-**	**-**	**-**	**119**	**109**	**-**	**228**
Operating expenses	**-**	**-**	**-**	**-**	**-**	**(215)**	**(16)**	**(231)**
Core earnings	**-**	**-**	**-**	**-**	**126**	**(106)**	**(16)**	**4**
Income tax (expense)/benefit and NCI	-	-	-	-	(2)	(8)	-	(10)
Cash earnings	**-**	**-**	**-**	**-**	**124**	**(114)**	**(16)**	**(6)**
Full Year 2022								
Net interest income	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**(1)**
Net fee income	-	-	-	-	(1)	-	-	(1)
Net wealth management and insurance income	-	-	-	-	-	(51)	-	(51)
Trading income	-	-	-	-	-	-	-	-
Other income	-	-	-	-	119	(960)	-	(841)
Non-interest income	**-**	**-**	**-**	**-**	**118**	**(1,011)**	**-**	**(893)**
Operating expenses	**(66)**	**-**	**(66)**	**-**	**-**	**(365)**	**(190)**	**(621)**
Core earnings	**(66)**	**-**	**(66)**	**-**	**117**	**(1,376)**	**(190)**	**(1,515)**
Income tax (expense)/benefit and NCI	19	-	19	-	-	150	54	223
Cash earnings	**(47)**	**-**	**(47)**	**-**	**117**	**(1,226)**	**(136)**	**(1,292)**
Full Year 2021								
Net interest income	**3**	**177**	**180**	**-**	**(35)**	**(18)**	**-**	**127**
Net fee income	(3)	1	(2)	-	(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**	**(2)**	**-**	**(11)**	**199**	**331**	**517**
Operating expenses	**(141)**	**(54)**	**(195)**	**(1,193)**	**(23)**	**(640)**	**(296)**	**(2,347)**
Core earnings	**(141)**	**124**	**(17)**	**(1,193)**	**(69)**	**(459)**	**35**	**(1,703)**
Income tax (expense)/benefit and NCI	36	(39)	(3)	202	17	(81)	(33)	102
Cash earnings	**(105)**	**85**	**(20)**	**(991)**	**(52)**	**(540)**	**2**	**(1,601)**

Segment reporting

3.1 Consumer and Business Banking

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	6,312	5,700	11	12,012	12,473	(4)
Non-interest income	454	487	(7)	941	867	9
Net operating income	**6,766**	**6,187**	**9**	**12,953**	**13,340**	**(3)**
Operating expenses	(3,234)	(3,351)	(3)	(6,585)	(7,116)	(7)
Core earnings	**3,532**	**2,836**	**25**	**6,368**	**6,224**	**2**
Impairment (charges)/benefits	(213)	(131)	63	(344)	609	large
Profit before income tax expense	**3,319**	**2,705**	**23**	**6,024**	**6,833**	**(12)**
Income tax expense and NCI	(995)	(820)	21	(1,815)	(2,049)	(11)
Cash earnings	**2,324**	**1,885**	**23**	**4,209**	**4,784**	**(12)**
Add back notable items	47	-	-	47	20	135
Cash earnings excluding notable items	**2,371**	**1,885**	**26**	**4,256**	**4,804**	**(11)**
Expense to income ratio	47.80%	54.16%	large	50.84%	53.34%	(250 bps)
Net interest margin	2.48%	2.29%	19 bps	2.38%	2.54%	(16 bps)

$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Customer deposits						
Term deposits	91.2	75.6	21	91.2	76.5	19
Other	322.7	335.3	(4)	322.7	318.5	1
Total customer deposits	**413.9**	**410.9**	**1**	**413.9**	**395.0**	**5**
Net loans						
Mortgages	467.6	458.4	2	467.6	455.7	3
Business	86.3	82.4	5	86.3	79.8	8
Other	8.9	9.0	(1)	8.9	8.8	1
Provisions	(3.3)	(3.2)	3	(3.3)	(3.2)	3
Total net loans	**559.5**	**546.6**	**2**	**559.5**	**541.1**	**3**
Deposit to loan ratio	**73.98%**	**75.16%**	**(118 bps)**	**73.98%**	**73.00%**	**98 bps**
Total assets	574.0	561.0	2	574.0	555.4	3
TCE	675.5	660.6	2	675.5	653.9	3
Average interest earning assets[1]	508.6	499.9	2	504.2	490.8	3
Average allocated capital	33.4	33.1	1	33.2	33.0	1
Credit quality						
Impairment charges/(benefits) to average loans[2]	0.08%	0.05%	3 bps	0.06%	(0.11%)	17 bps
Total stressed exposures to TCE	1.40%	1.49%	(9 bps)	1.40%	1.74%	(34 bps)

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. Half year ratios are based on annualised impairment.

Segment reporting

3.1.1 Consumer

Consumer provides a range of banking products and services, including mortgages, credit cards, personal loans, and savings and at call deposit products to customers in Australia. Products and services are provided under the Westpac, St.George, BankSA, Bank of Melbourne, and RAMS brands.

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	4,608	4,377	5	8,985	9,486	(5)
Non-interest income	288	324	(11)	612	518	18
Net operating income	**4,896**	**4,701**	**4**	**9,597**	**10,004**	**(4)**
Operating expenses	(2,320)	(2,369)	(2)	(4,689)	(4,898)	(4)
Core earnings	**2,576**	**2,332**	**10**	**4,908**	**5,106**	**(4)**
Impairment (charges)/benefits	(228)	27	large	(201)	184	large
Profit before income tax expense	**2,348**	**2,359**	**-**	**4,707**	**5,290**	**(11)**
Income tax expense and NCI	(703)	(713)	(1)	(1,416)	(1,583)	(11)
Cash earnings	**1,645**	**1,646**	**-**	**3,291**	**3,707**	**(11)**
Add back notable items	47	-	-	47	105	(55)
Cash earnings excluding notable items	**1,692**	**1,646**	**3**	**3,338**	**3,812**	**(12)**
Expense to income ratio	47.39%	50.39%	(300 bps)	48.86%	48.96%	(10 bps)
Net interest margin	2.16%	2.09%	7 bps	2.13%	2.30%	(17 bps)

$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Customer deposits						
Term deposits	62.2	50.5	23	62.2	50.2	24
Other	218.4	225.7	(3)	218.4	216.2	1
Total customer deposits	**280.6**	**276.2**	**2**	**280.6**	**266.4**	**5**
Net loans						
Mortgages	467.6	458.4	2	467.6	455.7	3
Other	8.9	9.0	(1)	8.9	8.8	1
Provisions	(1.9)	(1.7)	12	(1.9)	(1.8)	6
Total net loans	**474.6**	**465.7**	**2**	**474.6**	**462.7**	**3**
Deposit to loan ratio	**59.12%**	**59.30%**	**(18 bps)**	**59.12%**	**57.58%**	**154 bps**
Total assets	486.9	477.8	2	486.9	474.8	3
TCE	564.4	554.0	2	564.4	551.8	2
Average interest earning assets[1]	425.1	420.3	1	422.7	411.7	3
Average allocated capital	25.2	25.2	-	25.2	24.8	2
Credit quality						
Impairment charges/(benefits) to average loans[2]	0.10%	(0.01%)	11 bps	0.04%	(0.04%)	8 bps
Mortgage 90+ day delinquencies	0.75%	0.88%	(13 bps)	0.75%	1.07%	(32 bps)
Other consumer loans 90+ day delinquencies	1.35%	1.48%	(13 bps)	1.35%	1.60%	(25 bps)
Total stressed exposures to TCE	0.68%	0.81%	(13 bps)	0.68%	0.98%	(30 bps)

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. Half year ratios are based on annualised impairment.

Segment reporting

Financial performance

Second Half 2022 – First Half 2022

Cash earnings of $1,645 million were relatively flat compared to First Half 2022 (down $1 million). Excluding notable items (a $66 million expense in Second Half 2022), cash earnings were $46 million higher from a $231 million increase in net interest income, and a $115 million reduction in expenses, partly offset by a $255 million turnaround in impairment charges.

Net interest income up $231m, 5%	• Net loans increased $8.9 billion, or 2% with all growth in owner occupied mortgages ($10.6 billion). Investor mortgages were $0.8 billion lower mostly from a decline in mortgages with a business purpose and lower interest only mortgages. Consumer investor mortgages were a little higher over the half. Other personal lending was 1% down, mostly from lower personal loans with credit card balances little changed; • Deposits increased $4.4 billion, or 2%, with growth in term deposits as customers have responded to higher interest rates and have increasingly directed funds into relatively higher rate term deposits (up $11.7 billion). As a result, savings account balances were lower. Mortgage offset balances were up modestly in the half (up $0.8 billion); and • Net interest margin was 7 basis points higher, from increased deposit spreads and from higher returns on capital and hedged deposits as interest rates increased. This was partly offset by lower asset spreads from continued intense mortgage competition and as growth was concentrated in lower spread owner occupied lending.
Non-interest income down $36m, 11%	• The decline in non-interest income was in part due to a $25 million one-off in First Half 2022 related to achieving a milestone under the new distribution arrangement for general insurance; • Excluding this item, non-interest income was down $11 million due to higher remediation costs and increased scheme fees and rewards costs driven by higher card spend.
Expenses down $49m, 2%	• Excluding notable items, expenses were $115 million, or 5% lower due to changes in our organisational structure, including lower operational costs following the consolidation of 49 branches and reduction of 82 ATMs, and the completion of some regulatory projects.
Impairment charge up $255m, Large	• The large turnaround in the impairment charge was due to a CAP charge reflecting a weakening in the forward looking economic inputs, a lower benefit as the rate of improvement in mortgage credit quality slowed and lower write-backs and recoveries; and • Credit quality metrics improved with stressed exposures to TCE down 13 basis points to 0.68%. Mortgage 90+ day delinquencies declined 13 basis points to 0.75% due to the reduction in the hardship portfolio as customers completed their serviceability period and as customers successfully exited COVID-19 assistance. Other consumer 90+ day delinquencies were down 13 basis points to 1.35%, mostly in personal loans.

Segment reporting

Financial performance

Full Year 2022 – Full Year 2021

Cash earnings of $3,291 million were $416 million or 11% lower in Full Year 2022. Excluding notable items, cash earnings were $474 million lower, mostly from lower net interest margins and a $385 million turnaround in impairment charges. These were partly offset by lower expenses and higher non-interest income.

Net interest income down $501m, 5%	• Net loans increased $11.9 billion, or 3%, predominantly in owner occupied mortgages ($15.7 billion) while investor mortgages declined $2.6 billion. Credit card balances increased while other personal lending was lower; • Deposits increased $14.2 billion, or 5%. Around two thirds of growth was in First Half 2022 driven by government stimulus and uncertainty due to COVID-19. Term deposits increased $12.0 billion, while at call accounts were up $2.2 billion, with growth in transaction accounts including mortgage offsets; and • Net interest margin was 17 basis points lower with all the decline in the first half of the year. Mortgage competition and a concentration of growth in lower spread products was the driver behind the fall. These declines were partly offset by higher deposit spreads as interest rates increased in second half along with better returns from hedged deposits and capital.
Non-interest income up $94m, 18%	• Most of the increase was due to: – Higher card fees from increased transactions as the economy re-opened and consumer sentiment improved; – Lower remediation payments; and – A $25 million one-off item related to achieving a milestone under the new distribution arrangement for general insurance. • Partly offset by the loss of fee income from the removal of certain account-keeping fees and other simplification initiatives ($15 million).
Expenses down $209m, 4%	• Expenses excluding notable items decreased $134 million, or 3%, mostly from: – Simplified organisational design including lower operational costs following the consolidation of 119 branches and a reduction of 199 ATMs; – A reduction in the number of products (down 53 products); and – The completion of several risk and regulatory programs. • Partly offset by increased franchise investments.
Impairment charge up $385m, Large	• The impairment charge of $201 million in Full Year 2022 was due to write-offs partly offset by overlays. The overlays in Full Year 2022 capture the effects of anticipated increases in delinquencies and for extreme weather events alongside an update to modelled economic scenarios, partly offset by a benefit from the improvement in credit quality metrics. The benefit in Full Year 2021 was due to the release of COVID-19 related provisions ; and • Credit quality metrics improved with stressed exposures to TCE down 30 basis points to 0.68%. Mortgage 90+ day delinquencies were down 32 basis points to 0.75% due to the reduction in the hardship portfolio as customers completed their serviceability period and as customers successfully exited COVID-19 assistance. Other consumer 90+ day delinquencies were down 25 basis points to 1.35%.

Segment reporting

3.1.2 Business

Business provides banking services and products to Australian small businesses, Agribusiness and Commercial businesses generally up to $200 million in exposure. The segment offers savings, transaction and lending products including specialist services such as cash flow finance, equipment finance and property finance. Business operates under the Westpac, St.George, BankSA, and Bank of Melbourne brands.

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	1,704	1,323	29	3,027	2,987	1
Non-interest income	166	163	2	329	349	(6)
Net operating income	**1,870**	**1,486**	**26**	**3,356**	**3,336**	**1**
Operating expenses	(914)	(982)	(7)	(1,896)	(2,218)	(15)
Core earnings	**956**	**504**	**90**	**1,460**	**1,118**	**31**
Impairment (charges)/benefits	15	(158)	large	(143)	425	large
Profit before income tax expense	**971**	**346**	**181**	**1,317**	**1,543**	**(15)**
Income tax expense and NCI	(292)	(107)	173	(399)	(466)	(14)
Cash earnings	**679**	**239**	**184**	**918**	**1,077**	**(15)**
Add back notable items	-	-	-	-	(85)	(100)
Cash earnings excluding notable items	**679**	**239**	**184**	**918**	**992**	**(7)**
Expense to income ratio	48.88%	66.08%	large	56.50%	66.49%	large
Net interest margin	4.07%	3.33%	74 bps	3.71%	3.78%	(7 bps)

$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Customer deposits						
Term deposits	29.0	25.1	16	29.0	26.3	10
Other	104.3	109.6	(5)	104.3	102.3	2
Total customer deposits	**133.3**	**134.7**	**(1)**	**133.3**	**128.6**	**4**
Net loans						
Loans	86.3	82.4	5	86.3	79.8	8
Provisions	(1.4)	(1.5)	(7)	(1.4)	(1.4)	-
Total net loans	**84.9**	**80.9**	**5**	**84.9**	**78.4**	**8**
Deposit to loan ratio	**157.06%**	**166.42%**	**large**	**157.06%**	**164.00%**	**large**
Total assets	87.1	83.2	5	87.1	80.6	8
TCE	111.1	106.6	4	111.1	102.1	9
Average interest earning assets[1]	83.5	79.6	5	81.6	79.1	3
Average allocated capital	8.2	7.9	4	8.1	8.2	(1)
Credit quality						
Impairment charges/(benefits) to average loans[2]	(0.04%)	0.40%	(44 bps)	0.17%	(0.53%)	70 bps
Impaired exposures to TCE	0.52%	0.60%	(8 bps)	0.52%	0.72%	(20 bps)
Total stressed exposures to TCE	5.05%	5.07%	(2 bps)	5.05%	5.90%	(85 bps)

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. Half year ratios are based on annualised impairment.

Segment reporting

Financial performance

Second Half 2022 - First Half 2022

Cash earnings of $679 million were $440 million or 184% higher than First Half 2022 with a 29% increase in net interest income, a $173 million positive turnaround in impairments and a 7% reduction in operating expenses.

Net interest income up $381m, 29%	• Net loans were up $4.0 billion, or 5%, with growth across most sectors. Agriculture, up 6% and commercial property, up 5%, experienced the largest growth while small business lending was 2% higher; • Deposits were down $1.4 billion, or 1%. As interest rates increased, customer preference shifted to term deposits (up $3.9 billion) while transaction and savings accounts were $5.3 billion lower as customers accessed funds for operating purposes; and • Net interest margin was up 74 basis points driven by improved deposit spreads from increasing interest rates and higher returns on hedged balances, partly offset by lower lending spreads due to competitive pricing for new lending. The large rise in margins is also supported by the large deposit portfolio relative to lending.
Non-interest income up $3m, 2%	• Non-interest income increased primarily from higher transaction and card fees due to recovering business confidence as COVID-19 restrictions lifted.
Expenses down $68m, 7%	• Expenses reduced $68 million from lower staff costs benefiting from a simplified organisational structure and the completion of several programs to improve our management of risk.
Impairment charge down $173m, Large	• The impairment benefit was driven by a release of overlays that were no longer required, partly offset by an update of modelled economic scenarios which increased CAP and a small increase in new IAPs mostly in manufacturing; and • Credit quality metrics improved with stressed exposures to TCE down 2 basis points to 5.05%, mostly from lower impaired exposures, partly offset by an increase in watchlist and substandard exposures in the agriculture and manufacturing exposures.

Segment reporting

Full Year 2022 – Full Year 2021

Cash earnings of $918 million were $159 million, or 15% lower than Full Year 2021. Excluding notable items, cash earnings were down $74 million, or 7% due to a $568 million change in impairment charges. Core earnings were $466 million, or 47%, higher from a 12% reduction in operating expenses and an 8% increase in net interest income.

Net interest income up $40m, 1%	• Excluding notable items, net interest income was up $217 million, or 8%; • Net loans were $6.5 billion, or 8% higher with growth across most sectors. This included growth in commercial property of 13%, and agriculture of 9%; • Deposits were up $4.8 billion, or 4%, with growth split across term deposits, up $2.7 billion and at call accounts up $2.1 billion (with all the rise in transaction accounts). Deposit trends changed through the year. Early in the year growth was predominantly in at call accounts but shifted to term deposits as interest rates began to rise; and • Net interest margin was down 7 basis points. Excluding notable items, net interest margin was up 16 basis points. The increase was due to rising interest rates which improved deposit spreads, particularly in transaction deposits; these increases were partly offset by lower lending spreads due to competitive pricing for new lending and to retain customers. The high relative proportion of deposits to loans also supported higher margins.
Non-interest income down $20m, 6%	• Excluding notable items, non-interest income declined by $19 million, or 5% largely due to lower merchant fees (down $20 million) and higher fees paid to card scheme providers due to the increase of international spend following the easing of COVID-19 restrictions; partly offset by higher fees due to increased loan settlements of $11 billion.
Expenses down $322m, 15%	• Excluding notable items ($54 million in Full Year 2021), expenses were down $268 million, or 12%. The decline was due to the completion of programs to improve our management of risk, and simplification of our operating structure.
Impairment charge up $568m, Large	• The impairment charge was due to a CAP charge in Full Year 2022 compared to a CAP benefit in Full Year 2021. The charge in Full Year 2022 was due to an update of modelled economic scenarios and the benefit in Full Year 2021 was due to the release of COVID-19 related provisions; and • Credit quality metrics improved with stressed exposures to TCE down 85 basis points to 5.05%, due to a reduction in impaired and watchlist exposures predominately within the accommodation, transport and trade sectors.

Segment reporting

3.2 Westpac Institutional Bank (WIB)

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, New York, London and Singapore. WIB works with all the Group's operating segments in the provision of markets' related financial needs including foreign exchange and fixed interest solutions.

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	629	481	31	1,110	925	20
Non-interest income	551	588	(6)	1,139	1,313	(13)
Net operating income	**1,180**	**1,069**	**10**	**2,249**	**2,238**	**-**
Operating expenses	(604)	(577)	5	(1,181)	(2,595)	(54)
Core earnings	**576**	**492**	**17**	**1,068**	**(357)**	**large**
Impairment charges	(27)	(58)	(53)	(85)	(162)	(48)
Profit before income tax expense	**549**	**434**	**26**	**983**	**(519)**	**large**
Income tax expense and NCI	(168)	(128)	31	(296)	(14)	large
Cash earnings	**381**	**306**	**25**	**687**	**(533)**	**large**
Add back notable items	-	-	-	-	991	(100)
Cash earnings excluding notable items	**381**	**306**	**25**	**687**	**458**	**50**
Expense to income ratio	51.19%	53.98%	(279 bps)	52.51%	115.95%	large
Net interest margin	1.34%	1.17%	17 bps	1.26%	1.25%	1 bps

$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Customer deposits	116.6	104.7	11	116.6	99.3	17
Net loans						
Loans	85.5	74.3	15	85.5	68.3	25
Provisions	(0.3)	(0.3)	-	(0.3)	(0.6)	(50)
Total net loans	**85.2**	**74.0**	**15**	**85.2**	**67.7**	**26**
Deposit to loan ratio	**136.83%**	**141.53%**	**large**	**136.83%**	**146.64%**	**large**
Total assets	106.1	94.0	13	106.1	82.8	28
TCE	199.3	190.8	4	199.3	179.7	11
Average interest earning assets[1]	93.7	82.6	13	88.2	73.9	19
Average allocated capital	7.9	7.7	3	7.8	7.8	-
Credit quality						
Impairment charges to average loans[2]	0.07%	0.16%	(9 bps)	0.11%	0.25%	(14 bps)
Impaired exposures to TCE	0.10%	0.14%	(4 bps)	0.10%	0.29%	(19 bps)
Total stressed exposures to TCE	0.35%	0.20%	15 bps	0.35%	0.64%	(29 bps)

Revenue contribution

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Lending and deposit revenue	843	710	19	1,553	1,315	18
Markets, sales and fee income	393	417	(6)	810	823	(2)
Total customer revenue	**1,236**	**1,127**	**10**	**2,363**	**2,138**	**11**
Derivative valuation adjustments	(59)	(29)	103	(88)	97	large
Trading revenue	64	34	88	98	100	(2)
Other[2]	(61)	(63)	(3)	(124)	(97)	28
Total WIB revenue	**1,180**	**1,069**	**10**	**2,249**	**2,238**	**-**

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.

Segment reporting

Financial performance

Second Half 2022 – First Half 2022

Cash earnings of $381 million were $75 million, or 25%, higher than First Half 2022, primarily due to a $148 million increase in net interest income from both higher loan and deposit balances and increased margins. This was partly offset by lower non-interest income and higher expenses.

Net interest income up $148m, 31%	• Net loans were $11.2 billion or 15% higher mainly from increased activity and utilisation from existing customers. Growth was across most industry sectors including infrastructure, renewable energy, finance and property; • Deposits were $11.9 billion or 11% higher due to corporate term deposits and higher transaction deposits from governments; and • Net interest margin increased 17 basis points, as higher interest rates increased deposits spreads and hedge returns. These gains were partly offset by higher funding and liquidity costs.
Non-interest income down $37m, 6%	• The derivative valuation adjustments (DVA) charge of $59 million, was $30 million higher than the prior half. Excluding the DVA charge, non-interest income was down $7 million or 1% from: – A decline in unused facility fees (from increased utilisation of existing facilities); this fall is offset by an increase in net interest income; and – Lower customer markets income, mostly due to lower derivative activity as clients delayed issuance because of unfavourable market conditions. • Partly offset by higher non-customer markets income, with more volatility increasing opportunities in both FX and fixed income.
Expenses up $27m, 5%	• Higher employee expenses from the full period impact of salary increases; • Increasing our ESG capability through both training and additional resources; • Increased technology operating costs as recently completed systems became operational; and • Partly offset by a reduction in FTE, down 1% from organisational simplification.
Impairment charges down $31m, 53%	• Impairment charge was $27 million, or 53%, lower due to a partial overlay release and lower new IAP, partly offset by increased watchlist exposure; and • Stressed exposures to TCE increased 15 basis points to 0.35% from an increase in watchlist exposures, partly offset by a reduction in impaired exposures as some exposures were written off.

Segment reporting

Full Year 2022 – Full Year 2021

Cash earnings of $687 million were $1,220 million higher, mainly due to the absence of notable items in Full Year 2022. Excluding notable items, cash earnings were $229 million, or 50% higher from $221 million lower expenses, a $185 million increase in net interest income and lower impairment charges, partly offset by lower DVA contribution.

Net interest income up $185m, 20%	• Net loans increased $17.5 billion, or 26% with growth across infrastructure, M&A, finance, property and renewable energy. Most growth was from deepening relationships with existing customers and increased utilisation of their credit facilities, with TCE up 11%; • Deposits were up $17.3 billion, or 17% higher, across both term and transaction deposits. Most of the transaction deposit increase was in government balances; and • Net interest margin was up 1 basis point from improved deposit spreads which benefited from higher interest rates and a $24 million increase in markets net interest income. These were partly offset by higher liquidity and wholesale funding costs, higher bank levy charges, and lower loan spreads.
Non-interest income down $174m, 13%	• DVA was $185 million lower from a widening of counterparty credit spreads. In Full Year 2022 DVA was $88 million negative compared to a Full Year 2021 gain of $97 million; • Excluding DVA, non-interest income was $11 million, or 1%, higher from: – $57 million increase in customer markets income across fixed income and FX due to higher customer demand from increased market volatility; – Partly offset by a $26 million decline in non-customer markets income, mostly in credit markets; and – Lower payments revenue from the prior exit of some non-core activities.
Expenses down $1,414m, 54%	• Excluding notable items, expenses decreased $221 million, or 16% reflecting: – Benefits from simplification, mostly the full period benefit of international consolidation and operating model changes; – Completion of some risk and compliance programs; – Lower software amortisation and property costs following the write-downs in Full Year 2021; and – Higher capitalised investment spend largely focused on payments capabilities. • Partly offset by an increase in staff expenses and the full year impact of higher superannuation contributions.
Impairment charges down $77m, 48%	• The lower impairment charge was due to significantly lower new IAP, partly offset by a CAP charge from the increase in the downside weight and updates to modelled economic scenarios; and • Credit quality metrics improved with stressed exposures to TCE down 29 basis points to 0.35% mainly due to the partial write-off of impaired exposures, including Forum Finance early in the year.

Segment reporting

3.3 Westpac New Zealand

Westpac New Zealand provides banking, wealth and insurance products and services for consumer, business and institutional customers in New Zealand. Westpac conducts its businesses through Westpac New Zealand Limited, which is incorporated in New Zealand, and Westpac Banking Corporation (New Zealand Branch), which is incorporated in Australia. Westpac New Zealand operates through a network of branches and ATMs across the North and South Islands. Business and institutional customers are also served through relationship and specialist product teams. New Zealand maintains its own infrastructure, including technology operations and treasury.

All figures are in NZ$ unless noted otherwise.

NZ$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	1,176	1,102	7	2,278	2,118	8
Non-interest income	144	287	(50)	431	345	25
Net operating income	**1,320**	**1,389**	**(5)**	**2,709**	**2,463**	**10**
Operating expenses	(594)	(564)	5	(1,158)	(1,132)	2
Core earnings	**726**	**825**	**(12)**	**1,551**	**1,331**	**17**
Impairment (charges)/benefits	17	10	70	27	84	(68)
Profit before income tax expense	**743**	**835**	**(11)**	**1,578**	**1,415**	**12**
Income tax expense and NCI	(213)	(200)	7	(413)	(402)	3
Cash earnings	**530**	**635**	**(17)**	**1,165**	**1,013**	**15**
Add back notable items	7	(131)	large	(124)	54	large
Cash earnings excluding notable items	**537**	**504**	**7**	**1,041**	**1,067**	**(2)**
Expense to income ratio	45.00%	40.60%	large	42.75%	45.96%	(321 bps)
Net interest margin	2.03%	1.98%	5 bps	2.00%	2.00%	-

NZ$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Customer deposits						
Term deposits	32.3	30.1	7	32.3	28.3	14
Other	45.6	48.3	(6)	45.6	47.6	(4)
Total customer deposits	**77.9**	**78.4**	**(1)**	**77.9**	**75.9**	**3**
Net loans						
Mortgages	63.8	62.2	3	63.8	60.9	5
Business	32.2	31.0	4	32.2	31.0	4
Other	1.2	1.2	-	1.2	1.2	-
Provisions	(0.4)	(0.4)	-	(0.4)	(0.5)	(20)
Total net loans	**96.8**	**94.0**	**3**	**96.8**	**92.6**	**5**
Deposit to loan ratio	**80.48%**	**83.40%**	**(292 bps)**	**80.48%**	**81.97%**	**(149 bps)**
Total assets	118.9	116.5	2	118.9	112.4	6
TCE	144.6	141.8	2	144.6	136.7	6
Third party liquid assets	18.4	19.3	(5)	18.4	15.8	16
Average interest earning assets[1]	115.8	111.8	4	113.8	105.9	7
Average allocated capital[1]	7.4	7.0	6	7.2	6.9	4
Total funds	10.9	11.7	(7)	10.9	12.0	(9)
Credit quality						
Impairment charges/(benefits) to average loans[2]	(0.04%)	(0.02%)	(2 bps)	(0.03%)	(0.09%)	6 bps
Mortgage 90+ day delinquencies	0.22%	0.30%	(8 bps)	0.22%	0.30%	(8 bps)
Other consumer loans 90+ day delinquencies	1.03%	1.42%	(39 bps)	1.03%	1.65%	(62 bps)
Impaired exposures to TCE	0.06%	0.06%	-	0.06%	0.11%	(5 bps)
Total stressed exposures to TCE	0.97%	1.14%	(17 bps)	0.97%	1.19%	(22 bps)

1. Averages are based on a six month period for the halves and a twelve month period for the full year.
2. Half year ratios are based on annualised impairment.

Segment reporting

Financial performance (NZ$)

Second Half 2022 – First Half 2022

Cash earnings of $530 million were $105 million lower following the $126 million gain on sale of NZ life insurance in First Half 2022. Excluding notable items (which included the gain on sale), cash earnings were $33 million, or 7% higher, due to an 8% rise in net interest income partly offset by lower fees and higher regulatory, risk and compliance expenses.

Net interest income up $74m, 7%	• Excluding notable items, net interest income was $90 million, or 8% higher; • Net loans increased $2.8 billion, or 3%, with growth across mortgages (up $1.6 billion) and business (up $1.2 billion); • Deposits were $0.5 billion, or 1% lower over the half. With rising interest rates, customers have been seeking higher deposit rates with balances in consumer and business savings and transaction (including non-interest bearing) accounts lower, down $2.7 billion, while term deposits were $2.2 billion higher; and • Net interest margin was 5 basis points higher (8 basis points up excluding notable items). The increase was due to higher deposit spreads from rising interest rates partly offset by lower spreads on mortgages from competitive pricing.
Non-interest income down $143m, 50%	• Excluding notable items (the gain on NZ life insurance in First Half 2022), non-interest income declined by $16 million, or 10%; and • The decline was due to the loss of income following the sale of NZ life insurance, partly offset by higher fee income, including cards.
Expenses up $30m, 5%	• Expenses were up $30 million, or 5%, primarily from regulatory, risk and compliance spend including RBNZ's BS11 outsourcing policy and increased investment in technology resilience, cyber security and data capability. There were an additional 269 staff over the half.
Impairment benefit up $7m, 70%	• Impairment benefit was up $7 million mostly due to lower CAP from improved credit quality metrics; and • Credit quality metrics improved with stressed exposures to TCE down 17 basis points to 0.97%. Mortgage 90+ day delinquencies were down 8 basis points to 0.22% and other consumer 90+ day delinquencies were down 39 basis points to 1.03%, mostly from a reduction in hardship facilities.

Segment reporting

Full Year 2022 – Full Year 2021

Cash earnings of $1,165 million were $152 million, or 15% higher than Full Year 2021. Excluding notable items (mostly the gain on sale of NZ life insurance), cash earnings were $26 million, or 2% lower, from a $57 million decrease in impairment benefits, lower non-interest income and higher regulatory, risk and compliance spending. This was partly offset by a $126 million increase in net interest income.

Net interest income up $160m, 8%	• Excluding notable items, net interest income was $126 million, or 6% higher; • Net loans increased $4.2 billion, or 5%, with a $2.9 billion increase in mortgages and a $1.2 billion rise in business lending; • Deposits increased $2.0 billion, or 3%, as interest rates increased deposit growth was concentrated in term deposits which increased $4.0 billion while at call accounts were $2.0 billion lower; and • Net interest margin was flat at 2.00% compared to Full Year 2021 but was 3 basis points lower excluding notable items. The decline was from competition for mortgages which reduced lending spreads. This was partly offset by higher deposit spreads benefiting from rising interest rates.
Non-interest income up $86m, 25%	• Excluding notable items (mostly the gain on the sale of NZ life insurance), non-interest income was $52 million or 15% lower reflecting: – The loss of income following the sale of NZ life insurance; – A reduction of fees on investment funds, including KiwiSaver; and – Full Year 2021 included a gain on sale of the Wealth Advisory business ($8 million).
Expenses up $26m, 2%	• Excluding notable items, expenses increased $49 million, or 4%, from increased regulatory, risk and compliance expenses, including to meet the RBNZ's BS11 outsourcing policy and investments in technology resilience, cyber security and data capability. Staff expenses were also higher due to 239 more FTE and higher average salaries.
Impairment benefit down $57m, 68%	• Continued to record an impairment benefit consistent with further improvement in credit quality metrics across the portfolio. This benefit was lower than Full Year 2021 due to increased overlays and updated modelled economic scenarios for higher interest rates and increased inflation; and • Credit quality metrics improved with stressed exposures to TCE down 22 basis points to 0.97%. Mortgage 90+ day delinquencies were down 8 basis points to 0.22% and other consumer 90+ day delinquencies were down 62 basis points to 1.03%, predominately from improvements in the hardship segment.

Segment reporting

3.3.1 Westpac New Zealand segment performance (A$ Equivalent)

Results have been translated into Australian dollars (A$) at the average exchange rates for each reporting period, Second Half 2022: $1.1067 (First Half 2022: $1.0593, Full Year 2022: $1.0831, Full Year 2021: $1.0662). Unless otherwise stated, assets and liabilities have been translated at spot rates as at the end of the period, 30 September 2022: $1.1354 (31 March 2022: $1.0759; 30 September 2021: $1.0477).

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	1,065	1,041	2	2,106	1,987	6
Non-interest income	127	270	(53)	397	323	23
Net operating income	**1,192**	**1,311**	**(9)**	**2,503**	**2,310**	**8**
Operating expenses	(538)	(534)	1	(1,072)	(1,062)	1
Core earnings	**654**	**777**	**(16)**	**1,431**	**1,248**	**15**
Impairment (charges)/benefits	16	9	78	25	79	(68)
Profit before income tax expense	**670**	**786**	**(15)**	**1,456**	**1,327**	**10**
Income tax expense and NCI	(192)	(189)	2	(381)	(377)	1
Cash earnings	**478**	**597**	**(20)**	**1,075**	**950**	**13**
Add back notable items	7	(124)	large	(117)	52	large
Cash earnings excluding notable items	**485**	**473**	**3**	**958**	**1,002**	**(4)**
Expense to income ratio[1]	45.00%	40.60%	large	42.75%	45.96%	(321 bps)
Net interest margin[1]	2.03%	1.98%	5 bps	2.00%	2.00%	-

$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Customer deposits	68.6	72.8	(6)	68.6	72.5	(5)
Net loans	85.3	87.4	(2)	85.3	88.4	(4)
Deposit to loan ratio[1]	80.48%	83.40%	(292 bps)	80.48%	81.97%	(149 bps)
Total assets	104.7	108.2	(3)	104.7	107.1	(2)
TCE	127.3	131.8	(3)	127.3	130.5	(2)
Third party liquid assets	16.2	18.0	(10)	16.2	15.1	7
Average interest earning assets[2]	104.6	105.6	(1)	105.1	99.4	6
Average allocated capital[2]	6.6	6.6	-	6.6	6.5	2
Total funds	9.6	10.9	(12)	9.6	11.5	(17)

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.

Segment reporting

3.4 Specialist Businesses (SB)

Specialist Businesses comprises the operations that Westpac has decided to exit. The sale of Australian life insurance was completed in August 2022. In 2022, separate agreements were entered into to merge BT's personal and corporate superannuation funds through a successor fund transfer as well as the sale of Advance Asset Management Limited. These transactions are subject to regulatory approval, and if granted, the successor funds transfer and sale are expected to complete in 2023. Other operations yet to be sold include wealth administration platforms. Specialist Businesses also manages Westpac Pacific which provides a full range of banking services in Fiji and Papua New Guinea. The segment operates under the Westpac, St.George, BankSA, Bank of Melbourne, and BT brands.

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	232	242	(4)	474	494	(4)
Non-interest income	(702)	550	large	(152)	1,455	large
Net operating income	**(470)**	**792**	**large**	**322**	**1,949**	**(83)**
Operating expenses	(463)	(584)	(21)	(1,047)	(1,478)	(29)
Core earnings	**(933)**	**208**	**large**	**(725)**	**471**	**large**
Impairment (charges)/benefits	29	38	(24)	67	66	2
Profit before income tax expense	**(904)**	**246**	**large**	**(658)**	**537**	**large**
Income tax expense and NCI	49	(114)	large	(65)	(375)	(83)
Cash earnings	**(855)**	**132**	**large**	**(723)**	**162**	**large**
Add back notable items	1,112	114	large	1,226	540	127
Cash earnings excluding notable items	**257**	**246**	**4**	**503**	**702**	**(28)**
Expense to income ratio	(98.51%)	73.74%	large	325.16%	75.83%	large
Net interest margin	3.70%	3.45%	25 bps	3.57%	3.10%	47 bps

$bn	As at 30 Sept 2022	As at 31 March 2022	% Mov't Sept 22 - Mar 22	As at 30 Sept 2022	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21
Deposits[1]	9.5	8.4	13	9.5	8.7	9
Net loans[1]						
Loans	10.2	12.0	(15)	10.2	14.0	(27)
Provisions	(0.3)	(0.3)	-	(0.3)	(0.4)	(25)
Total net loans	**9.9**	**11.7**	**(15)**	**9.9**	**13.6**	**(27)**
Deposit to loan ratio[1]	**95.85%**	**71.29%**	**large**	**95.85%**	**64.46%**	**large**
Total funds	198.8	222.9	(11)	198.8	227.4	(13)
TCE	13.8	15.4	(10)	13.8	18.1	(24)
Average interest earning assets[2]	12.5	14.1	(11)	13.3	15.9	(16)
Average allocated capital	3.2	4.1	(22)	3.7	4.6	(20)
Average funds[2]	209.5	224.9	(7)	217.2	214.6	1
Credit quality						
Auto finance 90 day+ delinquencies	2.33%	2.00%	33 bps	2.33%	1.97%	36 bps
Total stressed exposures to TCE	9.08%	6.98%	210 bps	9.08%	6.41%	267 bps

Cash earnings excluding notable items

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Held-for-sale[3]	58	55	5	113	100	13
Businesses sold	16	39	(59)	55	350	(84)
Other businesses	183	152	20	335	252	33
Total cash earnings (ex notable items)	**257**	**246**	**4**	**503**	**702**	**(28)**

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.
3. Includes businesses that are under merger agreement and held for sale.

Segment reporting

Financial performance

Second Half 2022 - First Half 2022

Specialist Businesses reported a cash earnings loss of $855 million in the Second Half 2022 compared to cash earnings of $132 million in the First Half of 2022. The loss was principally due to $1,112 million cash earnings impact of notable items in the Second Half 2022 mainly from the loss on completion of the sale of Australian life insurance.

Excluding notable items, cash earnings were $257 million in the Second Half 2022, $11 million, or 4% higher than First Half 2022. The increase reflects $56 million lower expenses, partly offset by the loss of revenue from businesses sold, the continued run-off of the retail auto loan portfolio, lower life insurance revenue, and a $9 million lower impairment benefit.

The cash earnings contribution of divested businesses and businesses held for sale is in section 5, Note 8 of this report.

Net interest income down $10m, 4%	• Net loans were $1.8 billion, or 15% lower from the run-off of the retail auto portfolio ($1.8 billion lower) and a small decline in margin lending; • Deposits were $1.1 billion, or 13% up mostly from an increase in deposits on platforms; and • The net interest margin was up 25 basis points, mostly due to rising interest rates increasing spreads on platform deposits.
Non-interest income down $1,252m, 228%	• Excluding notable items, non-interest income decreased $23 million or 5%, due to; – A $11 million reduction in life insurance revenues from higher claims (prior to its sale) and the loss of income following its sale on 1 August 2022; – A $12 million reduction in other fee income related to businesses sold, partly offset by increased transactions and FX trading volumes in Westpac Pacific; and – The contribution from Superannuation, Platforms and Investments was little changed with lower funds balances from weaker capital markets, partly offset by higher duration managed cash margins.
Expenses down $121m, 21%	• Excluding notable items, expenses were $56 million, or 15% lower mainly due to lower investment spend, simplification outcomes and from the impact of businesses sold.
Impairment benefit down $9m, 24%	• Recorded a smaller impairment benefit due to an increase in write-offs in the auto finance portfolio and higher stress in Westpac Pacific; • The ratio of stressed exposures to TCE increased 210 basis points to 9.08%, mainly due to increased watchlist exposure in Westpac Pacific. Excluding Westpac Pacific, stressed exposure to TCE reduced 8 basis points to 1.73%; and • 90+ day delinquencies for auto finance increased 33 basis points due to a reduction in the portfolio size.

Segment reporting

Full Year 2022 – Full Year 2021

Specialist Businesses reported a cash earnings loss of $723 million in the Full Year 2022 compared to cash earnings of $162 million in the Full Year 2021. The main driver for the $885 million reduction was $1,226 million of notable items including the $1,120 million loss on completion of the sale of Australian life insurance and expenses associated with the write-down of intangible assets in the unitised superannuation business along with additional provisions for customer refunds, payments, litigation and associated costs.

Excluding notable items, Full Year 2022 cash earnings were $503 million, $199 million or 28% lower than Full Year 2021, mostly from the impact of businesses sold, and lower life insurance revenues.

Net interest income down $20m, 4%	• Excluding notable items, net interest income declined $39 million, or 8%, of which $33 million related to the businesses sold; • Excluding the sale of the auto wholesale dealer business ($1.0 billion), net loans decreased $2.7 billion, or 21% primarily due to the run-off of the retail auto loan portfolio (down $2.5 billion). Margin lending was also lower; • Deposits increased $0.8 billion, or 9% mostly from higher deposits on platforms and a rise in Westpac Pacific deposits; and • Excluding notable items, net interest margin was up 35 basis points mostly from lower funding costs in the auto finance portfolio and higher deposit spreads in platforms as interest rates increased.
Non-interest income down $1,607m, 110%	• Excluding the impact of notable items, non-interest income decreased $397 million or 32%. • The reduction in income from businesses sold was $416 million; – Life insurance income was $224 million lower from yield curve movements on the Australian life insurance policyholder liabilities, higher claims and the loss of revenue following its sale; and – Income was $192 million lower from businesses that were exited in Full Year 2021. • Superannuation, Platforms and Investments was $36 million lower from lower platform margins and MySuper fee reductions. Partly offset by; • Higher income from transitional service agreement payments and other income related to businesses sold.
Expenses down $431m, 29%	• Excluding the impact of notable items, expenses were $156 million, or 19% lower; • Expenses related to businesses sold decreased $73 million, or 72%, due to timing of the completion of sales and lower investment spend. Of these reductions, $15 million relate to businesses sold in Full Year 2021; and • Expenses related to ongoing business were down $83 million, or 11%, due to lower investment spend and lower costs from simplification outcomes.
Impairment benefit up $1m, 2%	• Similar impairment benefit to prior year due to low IAPs and a CAP benefit (from improved underlying credit quality metrics and the reduction in overlays); • The ratio of stressed exposures to TCE increased 267 basis points to 9.08%, mainly due to increased watchlist exposure in Westpac Pacific. Excluding Westpac Pacific, stressed exposure to TCE reduced 10 basis points to 1.73%; and • Similarly 90+ day delinquencies in auto finance increased 36 basis points, this was due to portfolio roll-off (81 basis points) which is partly offset by underlying portfolio performance (45 basis points).

Segment reporting

Superannuation, Platforms & Investments

$bn	As at 30 Sept 2022	Inflows	Outflows	Net Flows	Other Mov't[1]	As at 30 Sept 2021	% Mov't Sept 22 - Sept 21	As at 31 March 2022	% Mov't Sept 22 - Mar 22
Superannuation	37.0	3.9	(5.4)	(1.5)	(6.9)	45.4	(19)	41.8	(11)
Platforms	121.4	17.8	(19.4)	(1.6)	(11.6)	134.6	(10)	135.2	(10)
Packaged funds	40.4	9.3	(10.8)	(1.5)	(5.5)	47.4	(15)	45.9	(12)
Total funds	**198.8**	**31.0**	**(35.6)**	**(4.6)**	**(24.0)**	**227.4**	**(13)**	**222.9**	**(11)**

Segment reporting

3.5 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.
- Enterprise services, which includes earnings on capital not appropriately allocated to segments, certain intra-group transactions that facilitate presentation of performance, gains/losses from some asset sales, earnings and costs associated with the Group's fintech investments, costs associated with customer remediation for the Advice business and certain other head office items including provisions. These costs are mainly retained in Group Businesses.
- Corporate Services, which comprises shared corporate functions such as property, procurement, finance services, corporate affairs, sustainability, and HR services. These costs are partly allocated to other segments in the Group.
- Customer Services & Technology, which includes operations, call centres and technology. The majority of these costs are allocated to other segments in the Group.

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	339	564	(40)	903	835	8
Non-interest income	35	36	(3)	71	366	(81)
Net operating income	**374**	**600**	**(38)**	**974**	**1,201**	**(19)**
Operating expenses	(586)	(320)	83	(906)	(1,032)	(12)
Core earnings	**(212)**	**280**	**large**	**68**	**169**	**(60)**
Impairment (charges)/benefits	(1)	3	large	2	(2)	large
Profit/(loss) before income tax expense	**(213)**	**283**	**large**	**70**	**167**	**(58)**
Income tax expense and NCI	66	(108)	large	(42)	(178)	(76)
Cash earnings	**(147)**	**175**	**large**	**28**	**(11)**	**large**
Add back notable items	120	16	large	136	(2)	large
Cash earnings excluding notable items	**(27)**	**191**	**large**	**164**	**(13)**	**large**

Treasury $m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net interest income	335	554	(40)	889	838	6
Non-interest income	9	12	(25)	21	8	163
Net operating income	**344**	**566**	**(39)**	**910**	**846**	**8**
Cash earnings	**214**	**368**	**(42)**	**582**	**521**	**12**

Treasury Value at Risk (VaR)[3]

$m	Average	High	Low
Half Year Sept 2022	**65.4**	**74.4**	**58.3**
Half Year March 2022	64.4	72.8	54.6
Half Year Sept 2021	68.7	83.1	58.9

1. Customer Services and Technology costs are fully allocated to other segments in the Group.
2. Corporate Services costs are partly allocated to other segments, 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.

Segment reporting

Financial performance

Second Half 2022 – First Half 2022

There was a cash earnings loss of $147 million, compared with $175 million profit for First Half 2022.

Excluding notable items, cash earnings were a loss of $27 million compared with $191 million profit for First Half 2022.

Net operating income down $226m, 38%	• Income was lower following strong First Half 2022 from Treasury driven by favourable interest rate positioning and gains on sale of liquid assets.
Expenses up $266m, 83%	• Excluding notable items, expenses were up $108 million, or up 36%: – Higher amortisation and impairment of software assets; – Increase in variable reward; partly offset by – Lower long service leave provisions.

Full Year 2022 – Full Year 2021

Cash earnings were a $28 million profit, compared with a loss of $11 million for 2021. Excluding notable items, cash earnings were $164 million compared with a loss of $13 million for Full Year 2021.

Net operating income down $227m, 19%	• Excluding notable items, net operating income was up $104 million, or up 12%, primarily driven by a better Treasury contribution.
Expenses down $126m, 12%	• Excluding notable items, expenses were down $20 million, or down 3%: – Lower costs across most functions as we progress through our cost plans and complete a number of strategic projects; partly offset by – Higher amortisation and impairment of software assets; and – Full period impacts of increases in variable reward.

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Significant developments

4.1 Significant developments

Westpac significant developments – Australia

Off-market buy-back

We completed a $3.5 billion off-market share buy-back on 14 February 2022, with approximately 167.5 million Westpac shares, equating to approximately 4.6% of the shares on issue at that time, being bought back at the buy-back price of $20.90 per Westpac share.

Ambition to become a Net-Zero, Climate Resilient Bank

In 2022, we released our fifth Climate Change Position Statement and Action Plan, defining our ambition to become a net-zero, climate resilient bank. We also joined the Net-Zero Banking Alliance (NZBA) and continued the Group's work on aligning our lending portfolios with a 1.5°C-aligned pathway to net-zero emissions by 2050. In accordance with our NZBA commitment, we set our first series of financed emissions 2030 sector targets. We are continuing work to operationalise our targets, and where data and methodologies allow, aim to develop targets for other sectors in our financing activities that have high greenhouse gas emissions or emissions intensity. We will review and update our targets, methodologies and pathways as climate science advances, requirements and opportunities for transition and resilience evolve, and as guidance and policy develop. We will disclose progress against our 2030 targets and other updates as part of our annual reporting process. Further information is set out in the 'Climate Change' and 'Risk factors' sections in our 2022 Annual Report.

Changes to structure and executive team

In February 2022, we announced changes to the Group's operating structure and executive team as part of initiatives to simplify the Group's operations and improve accountability. The restructure involved moving certain services to the lines of business they support, the creation of two shared services segments designed to achieve benefits of scale across common processes, and a leaner Group head office responsible for setting strategy, policies and frameworks for the Group. We also confirmed the restructure of our management team, including combination of the roles of Chief Risk Officer and Group Executive, Financial Crime, Compliance and Conduct, with Ryan Zanin commencing as Chief Risk Officer on 29 April 2022.

In addition, on 29 April 2022, Yianna Papanikolaou commenced as the Chief Transformation Officer, reporting to the CEO. The role has responsibility for major change and investment programs and accountability for the Customer Outcomes and Risk Excellence (CORE) program.

Exit of businesses within Specialist Businesses segment

Following a review in 2020, we determined we would look to exit businesses in the Specialist Businesses segment over time. Since then, a number of these businesses have been sold, including the following which completed in 2022:

- Sale of Westpac's motor vehicle dealer finance and novated leasing business;
- Sale of Westpac Life-NZ- Limited to Fidelity Life Assurance Company Limited and
- Sale of Westpac Life Insurance Services Limited (now known as TAL Life Insurance Services Limited) (WLIS) to TAL Dai-ichi Life Australia Pty Limited.

The following transactions were announced during 2022, but have not yet completed:

- Transfer of the members and benefits of BT Funds Management Limited's personal and corporate (non-platform) superannuation products, via a successor fund transfer, to Mercer Super Trust; and
- Sale of Westpac's Advance Asset Management business to Mercer (Australia) Pty Ltd.

These transactions are expected to complete in 2023. Further detail in relation to these transactions is available in Note 17 to the financial statements.

Work continues on preparing the Group's Platforms business for sale. Following the termination of the sale agreements with Kina Bank for the sale of the Group's Pacific businesses, and subsequent consideration of alternative options, we consider it is unlikely we will be in a position to sell the Pacific businesses in the short to medium term. We will continue to support our customers in the region.

Approvals may be required from 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 or transferee (as the case may be) do not complete these transactions for other reasons. Some of the announced or completed transactions have involved the giving of warranties and indemnities in favour of the counterparty for certain conduct matters, remediation, and other risks, including in relation to the previously disclosed review of premium increases on certain life insurance products issued by our former subsidiary WLIS. Further information is set out in 'Risk factors' in our 2022 Annual Report and Note 14 to the financial statements.

Significant developments

Regulatory and risk developments

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

Our CORE program is delivering the Integrated Plan required by the enforceable undertaking (EU) entered into with APRA in December 2020 in relation to our risk governance remediation and supporting the strengthening of our risk governance, accountability and culture. Execution of the CORE program is ongoing and over 60% of the activities in the Integrated Plan have been assessed as complete and effective by the Independent Reviewer.

Promontory Australia, as the appointed Independent Reviewer, provides quarterly reports to APRA on our compliance with the EU and Integrated Plan. Promontory Australia has provided seven reports to APRA so far, with its next report due in January 2023. These reports are published on our website every six months at https://www.westpac.com.au/about-westpac/media/core/.

Risk management

We are continuing to invest in strengthening our end-to-end management of risk. A range of shortcomings and areas for improvement in our risk governance have been highlighted in current and historical reviews, including embedding of our risk management framework, policies and systems, clarity of the three lines of defence model, regulatory reporting, data quality and management, product governance, prudential compliance management and associated control frameworks, our risk capabilities, and business continuity management. We have a number of risks currently considered outside of risk appetite or that do not meet the expectations of regulators, and we have taken steps to seek to bring these risks into appetite.

The CORE program, discussed above, is designed to deliver improvements in many of these areas, including embedding a more proactive risk culture, embedding clear risk management accountabilities, improving the control environment, and uplifting risk awareness, capability and capacity for ongoing risk management.

Other areas of improvement such as operational risk, credit risk, sustainability risk, climate risk, compliance and conduct, financial crime, stress testing and model risk management are being addressed through investment in a number of areas, which may include subject-matter expertise, process and technology improvements.

Further information about risk management is set out in 'Risk management' in the Strategic Review in our 2022 Annual Report.

APRA removes Westpac's liquidity add-on

On 1 September 2022, APRA announced that it had removed the 10% add-on applied to the net cash outflows included in the calculation of our Liquidity Coverage Ratio (LCR). The removal of the add-on increased our LCR by approximately 13 percentage points as at 1 September 2022.

APRA phasing out reliance on Committed Liquidity Facility

On 10 September 2021, APRA announced it expects authorised deposit-taking institutions (ADIs) to reduce their Committed Liquidity Facility (CLF) usage to zero in stages. We have complied with APRA's announcement to date. In line with APRA's expectations, we expect to reduce our CLF allocation to zero by 1 January 2023. To replace the reduction in the CLF, we have increased our holdings of High Quality Liquid Assets. As at 30 September 2022, our CLF allocation was $9.25 billion.

Financial crime

We continue to make progress on improving our financial crime risk management program, as we implement a significant multi-year program of work (including AML/CTF, Sanctions, Anti-Bribery and Corruption, Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)).

Through this work, we continue to undertake activities to remediate and improve our financial crime 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, improving Electronic Funds Transfer Instruction processes, establishing data reconciliations and checks to ensure the completeness of data feeding into our financial crime systems, and improving regulatory reporting including in relation to International Funds Transfer Instructions, Threshold Transaction Reports, Suspicious Matter Reports (including 'tipping off' controls), and FATCA and CRS reporting and equivalent reports in jurisdictions outside Australia.

With increased focus on financial crime, further issues requiring attention have been and may be identified, and we have continued to liaise with AUSTRAC, and local regulators in jurisdictions outside Australia, as appropriate. Details about the consequences of failing to comply with financial crime obligations are set out in 'Risk factors' in our 2022 Annual Report.

Significant developments

APRA capital requirements

APRA announcements on capital

Information relating to APRA announcements on capital is set out in Section 2.5.

Operational risk capital overlays

The following additional capital overlays are currently applied by APRA to our 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.

These overlays have been applied through an increase in risk-weighted assets. The impact on our Level 2 common equity Tier 1 (CET1) capital ratio at 30 September 2022 was a reduction of 29 basis points.

Additional loss absorbing capacity

Information relating to additional loss absorbing capacity is set out in Section 2.5.

Westpac significant developments – New Zealand

Reviews required under section 95 of the Banking (Prudential Supervision) Act 1989

On 23 March 2021, the Reserve Bank of New Zealand (RBNZ) issued two notices to Westpac New Zealand Limited (WNZL) under section 95 of the *Banking (Prudential Supervision) Act 1989* (NZ) requiring WNZL to supply two external reviews to the RBNZ (the Risk Governance Review and the Liquidity Review). These reviews only applied to WNZL and not to Westpac in Australia or its New Zealand branch.

The Risk Governance Review related to the effectiveness of WNZL's risk governance, with a focus on the role played by the WNZL Board. This review was undertaken by Oliver Wyman Limited (Oliver Wyman) and completed in November 2021. The review identified deficiencies in WNZL's risk governance practices and operations which impacted the WNZL Board's effectiveness in governing risk.

WNZL has a programme of work underway to address the issues raised, which is being overseen by the WNZL Board. WNZL has engaged Oliver Wyman to provide independent assurance that WNZL's remediation has been delivered to an appropriate standard. WNZL is making good progress with this programme of work.

The Liquidity Review related to the effectiveness of WNZL's actions to improve liquidity risk management and the associated risk culture. This followed previously identified breaches of the RBNZ's Liquidity Policy (BS13) and non-compliances with condition of registration 14 identified through the RBNZ's liquidity thematic review. This review was undertaken by Deloitte Touche Tohmatsu (Deloitte) and completed in May 2022. The review found that WNZL had improved its liquidity control environment and had made improvements to its associated risk culture. The review did not identify any material control gaps or issues and made some recommendations for improvement, which are being implemented as part of WNZL's continuous improvement activity.

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%. From 15 August 2022, the RBNZ reduced the overlay to approximately 7%, which at 30 September 2022 was NZ$1.489 billion. The overlay will remain in place until the RBNZ is satisfied that control assurance work has been completed.

Technology programme

Separate to the section 95 reviews outlined above, WNZL has also committed to the RBNZ and Financial Markets Authority (FMA) to address its technology issues, and engaged Deloitte to monitor progress. While work has been underway to address these issues for some time, more work is required to meet WNZL's expectations and those of the regulators.

Reserve Bank's Outsourcing Policy

Condition of registration 22 requires WNZL to comply with those provisions of the RBNZ's Outsourcing Policy that are currently in force, and to be fully compliant with all provisions of the policy by 1 October 2023. WNZL is continuing to undertake a large-scale, multi-year, complex programme of work to become fully compliant by the compliance date. WNZL continuously monitors its progress and, while it considers that it has a pathway to achieve compliance, significant risks remain in relation to the delivery of its plan by the compliance date.

Significant developments

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), with a view to creating a simple, coherent and transparent policy framework for branches of overseas banks. On 24 August 2022, the RBNZ released a second and final consultation paper, outlining its preferred approach to the regulation of branches, including:

- restricting overseas bank branches to engaging in wholesale business only (meaning they could not take retail deposits or offer products or services to retail customers), and limiting the maximum size of a branch to NZ$15 billion in total assets; and
- requiring dual-registered branches (such as Westpac's New Zealand branch), to only conduct business with customers with a turnover greater than NZ$50 million. In addition, the branch must be sufficiently separate from the relevant subsidiary with any risks mitigated by specific conditions of registration.

The consultation period closes on 16 November 2022.

Deposit Takers Bill

The *Deposit Takers Bill 2022* was introduced into the New Zealand Parliament on 22 September 2022. If passed, the Bill will create a single regulatory regime for banks and non-bank deposit takers in New Zealand and introduce a depositor compensation scheme to protect up to NZ$100,000 per eligible depositor, per institution, if a payout event is triggered. The scheme is expected to be fully funded by levies and with a Crown backstop. If the Bill is passed, initial implementation of the depositor compensation scheme is expected in early 2024, with the remainder of the Bill following the development of secondary legislation.

General regulatory changes affecting our businesses

Enhanced breach reporting regime

From 1 October 2021, we commenced operating under the enhanced Australian Securities and Investments Commission (ASIC) breach reporting regime that applies to Australian financial services licensees and credit licensees. The expanded reporting regime has led to a significant increase in our breach reporting to ASIC, and is consistent with the trend across the financial services sector.

Reforms to critical infrastructure laws and cyber resilience

The *Security of Critical Infrastructure Act 2018* (Cth) has been amended to strengthen the security and resilience of critical infrastructure. This includes critical infrastructure assets used to provide banking and financial services. As a result of these amendments, the financial services sector is subject to new obligations relating to the security of its critical infrastructure assets. This includes obligations to:

- report operational, interest and control information in respect of specified critical infrastructure assets (where applicable) to the Register of Critical Infrastructure Assets; and
- notify the Australian Cyber Security Centre of cyber security incidents that impact critical infrastructure assets.

The Act also gives the Government extensive powers to provide assistance in responding to cyber security threats. This includes the power to issue directions to take action (or refrain from taking action) in response to an incident, or as a last resort option, to intervene in the defence of an asset from a cyber threat.

In addition, APRA, ASIC, and the Australian Government have continued 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 focusing on the effective implementation of Prudential Standard CPS 234 Information Security. We continue to enhance our systems and processes to mitigate cyber security risks, including in relation to third parties.

Proposed reforms to the Privacy Act

The Australian Attorney-General's Department is continuing to review the *Privacy Act 1988* (Cth) with a view to implementing reforms to better empower consumers, protect their data and support the digital economy. As part of this review, earlier this year the Attorney-General's Department received public submissions on its discussion paper regarding proposed reforms to the Privacy Act. While its final report, containing recommended reforms for consideration by the government is yet to be released, the Attorney-General has indicated it wants new legislation drafted this year and expressed particular concerns around data retention. We are awaiting the final report.

In the meantime, the Federal Government has introduced into Parliament the *Privacy Legislation Amendment (Enforcement and Other Measures) Bill 2022*. If the Bill is enacted, the Privacy Act will be amended to include:

- a significant increase in penalties for serious or repeated breaches of privacy for bodies corporate from the current $2.22 million to the greater of $50 million, three times the value of the benefit obtained through any contravention, or 30% of adjusted turnover during the breach period (if a court cannot determine the value of the benefit obtained); and
- greater enforcement and information sharing powers for the Australian Information Commissioner, such as expanding the types of declarations it could make at the conclusion of an investigation.

Significant developments

Proposed amendments to Unfair Contract Terms Laws

On 27 October 2022, the *Treasury Laws Amendment (More Competition, Better Prices) Bill 2022* (Cth) was passed by both Houses of Parliament. The Bill amends the *Competition and Consumer Act 2010* (Cth) (and the *Australian Securities and Investments Commission Act 2001* (Cth)) to broaden the scope of existing unfair contract terms laws and make such terms illegal, and significantly increase the maximum civil penalties for contraventions. The civil penalties for corporations will increase to the greater of $50 million; three times the value of the benefit obtained; or where the value of the benefit cannot be determined, 30% of adjusted turnover during the breach period. For individuals, the civil penalties will increase to $2.5 million. The increased penalties will take effect the day after Royal Assent, while the remaining reforms will commence 12 months later. We are considering the potential impacts of the proposed amendments.

Focus on superannuation

On 31 August 2022, APRA released results for its second annual performance assessment (APA) test. The BT Super/Super for Life MySuper product failed the test for the second time and Westpac's default superannuation fund for Westpac Group employees, BT Super for Life – Westpac Group Plan MySuper also failed for the first time. The BT Trustee has notified relevant members of this outcome. The 2022 APA was based on a combined eight-year performance of the products. As the BT Super/Super for Life MySuper product has failed the annual performance test a second time, the BT trustee cannot accept new MySuper members into this product until it passes a subsequent annual performance test and APRA permits reopening of the product to new members. The BT Super/Super for Life products were closed to new members in August 2022. The Westpac Group Plan remains open to new members. Consistent with its obligations and APRA's expectations, in advance of receiving the second APA result and after conducting a robust process, the BT Trustee determined that subject to a number of conditions being satisfied, the transfer of corporate and personal super members (non-platform) and their assets to the Mercer Super Trust is in members' best financial interests. This transfer, which applies to the members and assets of the BT Super/Super for Life and Westpac Group Plan products, is expected to occur in the first half of 2023.

Litigation and regulatory proceedings

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

Fraud

Westpac's proceedings against Forum Finance Pty Ltd

We continue to support external administrators appointed to companies associated with the directors of Forum Finance Pty Ltd and to pursue certain of our legal rights to preserve fraudulently obtained funds, with a view to making some recovery. We obtained asset freezing and search orders to seek to preserve available assets and relevant information, and continue to assist New South Wales Police.

Completed matters

During 2022, a number of litigation matters have been finalised, including:

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 alleged had not requested this product. Westpac ceased selling CCI products in 2019. On 7 April 2022, the Federal Court made orders, as agreed between Westpac and ASIC, and ordered Westpac to pay a $1.5 million penalty.

Regulatory matters agreed between Westpac and ASIC

On 30 November 2021, Westpac announced that it had reached agreement with ASIC to resolve six separate longstanding matters through agreed civil penalty proceedings in the Federal Court. These matters followed regulatory investigations conducted by ASIC, many instigated by self-reporting of issues by Westpac. Westpac and ASIC agreed proposed penalties for each of the proceedings, totalling $113 million, plus agreed costs, which were subsequently ordered by the Court and have been paid.

Regulatory proceedings

Information on ASIC's civil proceedings against Westpac relating to interest rate hedging activity in relation to the 2016 Ausgrid privatisation transaction is set out in Note 14 to the financial statements.

Class actions

Information relating to class actions (including settled class actions and potential class actions) is set out in Note 14 to the financial statements.

Consolidated financial statements

4.2 Consolidated income statement

Westpac Banking Corporation and its controlled entities

$m	Note	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Interest income:							
Calculated using the effective interest method	3	12,872	10,109	27	22,981	22,132	4
Other	3	174	96	81	270	146	85
Total interest income		**13,046**	**10,205**	**28**	**23,251**	**22,278**	**4**
Interest expense	3	(4,173)	(1,917)	118	(6,090)	(5,420)	12
Net interest income		**8,873**	**8,288**	**7**	**17,161**	**16,858**	**2**
Net fee income	4	826	845	(2)	1,671	1,482	13
Net wealth management and insurance income	4	407	401	1	808	1,211	(33)
Trading income	4	321	343	(6)	664	719	(8)
Other (loss)/income	4	(1,051)	353	large	(698)	952	large
Net operating income before operating expenses and impairment (charges)/ benefits		**9,376**	**10,230**	**(8)**	**19,606**	**21,222**	**(8)**
Operating expenses	5	(5,429)	(5,373)	1	(10,802)	(13,311)	(19)
Impairment (charges)/benefits	10	(196)	(139)	41	(335)	590	large
Profit before income tax expense		**3,751**	**4,718**	**(20)**	**8,469**	**8,501**	**-**
Income tax expense	6	(1,336)	(1,434)	(7)	(2,770)	(3,038)	(9)
Net profit		**2,415**	**3,284**	**(26)**	**5,699**	**5,463**	**4**
Net profit attributable to non-controlling interests (NCI)		(1)	(4)	(75)	(5)	(5)	-
Net profit attributable to owners of Westpac Banking Corporation (WBC)		**2,414**	**3,280**	**(26)**	**5,694**	**5,458**	**4**
Earnings per share (cents)							
Basic	7	69.0	90.5	(24)	159.9	149.4	7
Diluted	7	66.0	85.7	(23)	152.4	137.8	11

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 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net profit	**2,415**	**3,284**	**(26)**	**5,699**	**5,463**	**4**
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)	(178)	(140)	27	(318)	578	large
Cash flow hedging instruments	82	1,222	(93)	1,304	296	large
Transferred to income statement:						
Debt securities measured at FVOCI	(49)	(205)	(76)	(254)	(195)	30
Cash flow hedging instruments	(424)	(10)	large	(434)	39	large
Loss allowance on debt securities measured at FVOCI	-	(2)	(100)	(2)	2	large
Exchange differences on translation of foreign operations (net of associated hedges)	(98)	(166)	(41)	(264)	51	large
Income tax on items taken to or transferred from equity:						
Debt securities measured at FVOCI	66	100	(34)	166	(119)	large
Cash flow hedging instruments	106	(359)	large	(253)	(97)	161
Items that will not be reclassified subsequently to profit or loss						
Gains/(losses) on equity securities measured at FVOCI (net of tax)	(54)	146	large	92	48	92
Own credit adjustment on financial liabilities designated at fair value (net of tax)	35	45	(22)	80	(10)	large
Remeasurement of defined benefit obligation recognised in equity (net of tax)	388	58	large	446	119	large
Net other comprehensive income/(expense) (net of tax)	**(126)**	**689**	**large**	**563**	**712**	**(21)**
Total comprehensive income	**2,289**	**3,973**	**(42)**	**6,262**	**6,175**	**1**
Attributable to:						
Owners of WBC	2,287	3,970	(42)	6,257	6,171	1
NCI	2	3	(33)	5	4	25
Total comprehensive income	**2,289**	**3,973**	**(42)**	**6,262**	**6,175**	**1**

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 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Assets						
Cash and balances with central banks		105,257	102,410	71,353	3	48
Collateral paid		6,216	7,374	4,232	(16)	47
Trading securities and financial assets measured at fair value through income statement (FVIS)		24,332	23,738	21,101	3	15
Derivative financial instruments		41,283	18,269	19,353	126	113
Investments securities		76,465	70,442	83,417	9	(8)
Loans	9	739,647	719,556	709,784	3	4
Other financial assets		5,626	4,896	6,394	15	(12)
Current tax assets		16	214	31	(93)	(48)
Investment in associates		37	41	58	(10)	(36)
Property and equipment		2,429	2,614	2,853	(7)	(15)
Deferred tax assets		1,754	1,831	2,437	(4)	(28)
Intangible assets		10,327	10,064	10,109	3	2
Other assets		734	600	567	22	29
Assets held for sale	17	75	2,700	4,188	(97)	(98)
Total assets		**1,014,198**	**964,749**	**935,877**	**5**	**8**
Liabilities						
Collateral received		6,371	2,170	2,368	194	169
Deposits and other borrowings	12	659,129	645,606	626,955	2	5
Other financial liabilities		56,360	51,345	50,309	10	12
Derivative financial instruments		39,568	25,347	18,059	56	119
Debt issues		144,868	133,629	128,779	8	12
Current tax liabilities		219	21	71	large	large
Provisions	14	2,950	3,035	3,571	(3)	(17)
Deferred tax liabilities		-	164	90	(100)	(100)
Other liabilities		2,938	3,379	3,679	(13)	(20)
Liabilities held for sale	17	32	684	837	(95)	(96)
Total liabilities excluding loan capital		**912,435**	**865,380**	**834,718**	**5**	**9**
Loan capital		31,254	29,036	29,067	8	8
Total liabilities		**943,689**	**894,416**	**863,785**	**6**	**9**
Net assets		**70,509**	**70,333**	**72,092**	**-**	**(2)**
Shareholders' equity						
Share capital:						
Ordinary share capital	15	39,666	39,667	41,601	-	(5)
Treasury shares	15	(655)	(651)	(606)	1	8
Reserves	15	2,378	2,901	2,227	(18)	7
Retained profits		29,063	28,362	28,813	2	1
Total equity attributable to owners of WBC		**70,452**	**70,279**	**72,035**	**-**	**(2)**
NCI		57	54	57	6	-
Total shareholders' equity and NCI		**70,509**	**70,333**	**72,092**	**-**	**(2)**

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 2020	**39,946**	**1,544**	**26,533**	**68,023**	**51**	**68,074**
Impact from a change in accounting policy[1]	-	-	(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[2]	-	-	(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**
Net profit	**-**	**-**	**5,694**	**5,694**	**5**	**5,699**
Net other comprehensive income/(expense)	-	37	526	563	-	563
Total comprehensive income/(expense)	**-**	**37**	**6,220**	**6,257**	**5**	**6,262**
Transactions in capacity as equity holders						
Dividends on ordinary shares[2]	-	-	(4,337)	(4,337)	-	(4,337)
Other equity movements						
Off-market share buy-back (net of transaction costs)[3]	(1,902)	-	(1,601)	(3,503)	-	(3,503)
Share-based payment arrangements	-	87	-	87	-	87
Purchase of shares	(33)	-	-	(33)	-	(33)
Net acquisition of treasury shares	(49)	-	-	(49)	-	(49)
Other	-	27	(32)	(5)	(5)	(10)
Total contributions and distributions	**(1,984)**	**114**	**(5,970)**	**(7,840)**	**(5)**	**(7,845)**
Balance as at 30 September 2022	**39,011**	**2,378**	**29,063**	**70,452**	**57**	**70,509**

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

1. In the prior period, the Group aligned its accounting treatment of costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements to align with the treatment outlined in the IFRIC agenda decision released April 2021. The adjustment to 2021 opening retained earnings reflects the impact of this change in accounting policy on prior years.
2. Full Year 2022 consisted of 2022 interim dividend of 61 cents per share ($2,136 million) and 2021 final dividend of 60 cents per share ($2,201 million) (Full Year 2021: 2021 interim dividend of 58 cents per share ($2,127 million) and 2020 final dividend of 31 cents per share ($1,120 million)), all fully franked at 30%.
3. On 14 February 2022, the Group completed its $3.5 billion off-market share buy-back of Westpac ordinary shares. Refer to Note 15 for further details.

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 2021	**40,995**	**2,227**	**28,813**	**72,035**	**57**	**72,092**
Net profit	-	-	**3,280**	**3,280**	**4**	**3,284**
Net other comprehensive income/(expense)	-	587	103	690	(1)	689
Total comprehensive income/(expense)	**-**	**587**	**3,383**	**3,970**	**3**	**3,973**
Transactions in capacity as equity holders						
Dividends on ordinary shares[1]	-	-	(2,201)	(2,201)	-	(2,201)
Other equity movements						
Off-market share buy-back (net of transaction costs)[2]	(1,901)	-	(1,601)	(3,502)	-	(3,502)
Share-based payment arrangements	-	60	-	60	-	60
Purchase of shares	(33)	-	-	(33)	-	(33)
Net acquisition of treasury shares	(45)	-	-	(45)	-	(45)
Other	-	27	(32)	(5)	(6)	(11)
Total contributions and distributions	**(1,979)**	**87**	**(3,834)**	**(5,726)**	**(6)**	**(5,732)**
Balance as at 31 March 2022	**39,016**	**2,901**	**28,362**	**70,279**	**54**	**70,333**
Net profit	**-**	**-**	**2,414**	**2,414**	**1**	**2,415**
Net other comprehensive income/(expense)	-	(550)	423	(127)	1	(126)
Total comprehensive income/(expense)	**-**	**(550)**	**2,837**	**2,287**	**2**	**2,289**
Transactions in capacity as equity holders						
Dividends on ordinary shares[1]	-	-	(2,136)	(2,136)	-	(2,136)
Other equity movements						
Off-market share buy-back (net of transaction costs)[2]	(1)	-	-	(1)	-	(1)
Share-based payment arrangements	-	27	-	27	-	27
Net acquisition of treasury shares	(4)	-	-	(4)	-	(4)
Other	-	-	-	-	1	1
Total contributions and distributions	**(5)**	**27**	**(2,136)**	**(2,114)**	**1**	**(2,113)**
Balance as at 30 September 2022	**39,011**	**2,378**	**29,063**	**70,452**	**57**	**70,509**

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

1. Second Half 2022 related to 2022 interim dividend of 61 cents per share ($2,136 million) (First Half 2022: 2021 final dividend of 60 cents per share ($2,201 million)), all fully franked at 30%.
2. On 14 February 2022, the Group completed its $3.5 billion off-market share buy-back of Westpac ordinary shares. Refer to Note 15 for further details.

Consolidated financial statements

4.6 Consolidated cash flow statement

Westpac Banking Corporation and its controlled entities

$m	Note	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Cash flows from operating activities							
Interest received		12,332	10,091	22	22,423	22,430	-
Interest paid		(3,312)	(1,779)	86	(5,091)	(5,677)	(10)
Dividends received excluding life business		1	3	(67)	4	4	-
Other non-interest income received		2,522	1,686	50	4,208	3,340	26
Operating expenses paid		(4,585)	(5,139)	(11)	(9,724)	(10,941)	(11)
Income tax paid excluding life business		(996)	(1,282)	(22)	(2,278)	(2,639)	(14)
Life business:							
Receipts from policyholders and customers		379	466	(19)	845	976	(13)
Interest and other items of similar nature		-	1	(100)	1	22	(95)
Dividends received		17	8	113	25	12	108
Payments to policyholders and suppliers		(307)	(312)	(2)	(619)	(1,168)	(47)
Income tax paid		(14)	(51)	(73)	(65)	(49)	33
Cash flows from operating activities before changes in operating assets and liabilities		**6,037**	**3,692**	**64**	**9,729**	**6,310**	**54**
Net (increase)/decrease in:							
Collateral paid		1,769	(3,293)	large	(1,524)	305	large
Trading securities and financial assets measured at FVIS		(1,644)	(2,106)	(22)	(3,750)	19,316	large
Derivative financial instruments		(553)	3,004	large	2,451	(2,420)	large
Loans		(23,709)	(12,636)	88	(36,345)	(15,098)	141
Other financial assets		(447)	726	large	279	(274)	large
Life insurance assets and life insurance liabilities		133	133	-	266	(593)	large
Other assets		37	(17)	large	20	6	large
Net increase/(decrease) in:							
Collateral received		3,827	(184)	large	3,643	93	large
Deposits and other borrowings		13,296	21,758	(39)	35,054	33,737	4
Other financial liabilities		5,738	1,382	large	7,120	9,036	(21)
Other liabilities		8	3	167	11	(8)	large
Net cash provided by/(used in) operating activities	16	**4,492**	**12,462**	**(64)**	**16,954**	**50,410**	**(66)**
Cash flows from investing activities							
Proceeds from investment securities		16,877	19,145	(12)	36,022	34,066	6
Purchase of investment securities		(24,239)	(9,837)	146	(34,076)	(28,840)	18
Proceeds from disposal of controlled entities and other businesses, net of cash disposed	16	727	1,388	(48)	2,115	1,272	66
Purchase of controlled entities		-	(14)	(100)	(14)	-	-
Proceeds from disposal of associates		-	-	-	-	45	(100)
Purchase of associates		-	-	-	-	(8)	(100)
Proceeds from disposal of property and equipment		1	24	(96)	25	62	(60)
Purchase of property and equipment		(97)	(69)	41	(166)	(234)	(29)
Purchase of intangible assets		(677)	(422)	60	(1,099)	(740)	49
Net cash provided by/(used in) investing activities		**(7,408)**	**10,215**	**large**	**2,807**	**5,623**	**(50)**
Cash flows from financing activities							
Proceeds from debt issues (net of issue costs)		33,397	39,912	(16)	73,309	46,799	57
Redemption of debt issues		(29,114)	(26,785)	9	(55,899)	(65,272)	(14)
Payments for the principal portion of lease liabilities		(191)	(236)	(19)	(427)	(507)	(16)
Issue of loan capital (net of issue costs)		3,511	3,016	16	6,527	7,628	(14)
Redemption of loan capital		(1,305)	(1,039)	26	(2,344)	(1,548)	51
Payment for off-market share buy-back		(1)	(3,502)	(100)	(3,503)	-	-
Proceeds from dividend reinvestment plan underwrite		-	-	-	-	719	(100)
Purchase of shares relating to share-based payment arrangements		-	(33)	(100)	(33)	(28)	18
Purchase of Restricted Share Plan (RSP) treasury shares		(4)	(45)	(91)	(49)	(43)	14
Payment of dividends		(2,136)	(2,201)	(3)	(4,337)	(2,846)	52
Dividends paid to NCI		-	(5)	(100)	(5)	(2)	150
Net cash provided by/(used in) financing activities		**4,157**	**9,082**	**(54)**	**13,239**	**(15,100)**	**large**
Net increase/(decrease) in cash and balances with central banks		**1,241**	**31,759**	**(96)**	**33,000**	**40,933**	**(19)**
Effect of exchange rate changes on cash and balances with central banks		1,598	(701)	large	897	298	large
Net (increase)/decrease in cash and balances with central banks included in assets held for sale		8	(1)	large	7	(7)	large
Cash and balances with central banks as at beginning of the period		102,410	71,353	44	71,353	30,129	137
Cash and balances with central banks as at end of the period		**105,257**	**102,410**	**3**	**105,257**	**71,353**	**48**

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 2022 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 reflect the management of the business, rather than the legal structure of the Group.

Internally, Westpac uses an adjusted AAS measure of performance referred to as 'cash earnings' in assessing the financial performance of its segments.

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:

- items that key decision makers at Westpac believe do not reflect 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 statutory results.

Reportable operating segments

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

- Consumer and Business Banking:
  - Consumer provides banking products and services, including mortgages, credit cards, personal loans, and savings and deposit products to Australian retail customers.
  - Business serves the banking needs of Australian small business, Agribusiness and Commercial customers.
- 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. We completed the sale of Westpac Life Insurance Services Limited in August 2022. In 2022, we entered into separate agreements to merge BT's personal and corporate superannuation funds through a successor fund transfer as well as the sale of Advance Asset Management Limited. These transactions are subject to regulatory approval, and if granted expected to complete in 2023. Other operations yet to be sold include wealth administration platforms. Specialist Businesses also manages Westpac Pacific which provides a full range of banking services in Fiji and Papua New Guinea. The segment operates under the Westpac, St.George, BankSA, Bank of Melbourne, and BT brands.
- Group Businesses includes support functions such as Treasury, Customer Services and Technology, Corporate Services and Enterprise Services. 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)

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

$m	Consumer	Business	Consumer and Business Banking	Westpac Institutional Bank	Westpac New Zealand (A$)	Specialist Businesses	Group Businesses	Group
Half Year Sept 2022								
Net interest income	4,608	1,704	6,312	629	1,065	232	339	8,577
Net fee income	248	165	413	303	98	17	(5)	826
Net wealth management and insurance income	25	-	25	-	15	367	1	408
Trading income	-	-	-	249	18	21	(7)	281
Other income	15	1	16	(1)	(4)	(1,107)	46	(1,050)
Net operating income before operating expenses and impairment (charges)/ benefits	**4,896**	**1,870**	**6,766**	**1,180**	**1,192**	**(470)**	**374**	**9,042**
Operating expenses[1]	(2,320)	(914)	(3,234)	(604)	(538)	(463)	(586)	(5,425)
Impairment (charges)/benefits	(228)	15	(213)	(27)	16	29	(1)	(196)
Profit before income tax (expense)/benefit	**2,348**	**971**	**3,319**	**549**	**670**	**(904)**	**(213)**	**3,421**
Income tax (expense)/benefit	(703)	(292)	(995)	(168)	(192)	50	66	(1,239)
Net profit attributable to NCI	-	-	-	-	-	(1)	-	(1)
Cash earnings	**1,645**	**679**	**2,324**	**381**	**478**	**(855)**	**(147)**	**2,181**
Net cash earnings adjustments	-	-	-	-	(3)	-	236	233
Net profit attributable to owners of WBC	**1,645**	**679**	**2,324**	**381**	**475**	**(855)**	**89**	**2,414**
Balance sheet								
Loans[2]	474,604	84,897	559,501	85,182	85,285	9,866	(187)	739,647
Deposits and other borrowings[2]	280,574	133,335	413,909	116,552	71,202	9,457	48,009	659,129
Half Year March 2022								
Net interest income	4,377	1,323	5,700	481	1,041	242	564	8,028
Net fee income	265	162	427	302	86	29	1	845
Net wealth management and insurance income	26	-	26	-	39	336	-	401
Trading income	-	-	-	267	25	20	27	339
Other income	33	1	34	19	120	165	8	346
Net operating income before operating expenses and impairment (charges)/ benefits	**4,701**	**1,486**	**6,187**	**1,069**	**1,311**	**792**	**600**	**9,959**
Operating expenses[1]	(2,369)	(982)	(3,351)	(577)	(534)	(584)	(320)	(5,366)
Impairment (charges)/benefits	27	(158)	(131)	(58)	9	38	3	(139)
Profit before income tax (expense)/benefit	**2,359**	**346**	**2,705**	**434**	**786**	**246**	**283**	**4,454**
Income tax (expense)/benefit	(713)	(107)	(820)	(128)	(189)	(111)	(107)	(1,355)
Net profit attributable to NCI	-	-	-	-	-	(3)	(1)	(4)
Cash earnings	**1,646**	**239**	**1,885**	**306**	**597**	**132**	**175**	**3,095**
Net cash earnings adjustments	-	-	-	-	5	-	180	185
Net profit attributable to owners of WBC	**1,646**	**239**	**1,885**	**306**	**602**	**132**	**355**	**3,280**
Balance sheet								
Loans[2]	465,697	80,949	546,646	73,950	87,361	11,730	(131)	719,556
Deposits and other borrowings[2]	276,161	134,716	410,877	104,661	75,622	8,362	46,084	645,606

1. Impairment of assets (including goodwill and other intangible assets) were insignificant for all segments except for the following:
   - Specialist Businesses: Second Half 2022: nil (First Half 2022: $167 million).
   - Group Businesses: Second Half 2022: $159 million (First Half 2022: $7 million).
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)

$m	Consumer	Business	Consumer and Business Banking	Westpac Institutional Bank	Westpac New Zealand (A$)	Specialist Businesses	Group Businesses	Group
Full Year Sept 2022								
Net interest income	8,985	3,027	12,012	1,110	2,106	474	903	16,605
Net fee income	513	327	840	605	184	46	(4)	1,671
Net wealth management and insurance income	51	-	51	-	54	703	1	809
Trading income	-	-	-	516	43	41	20	620
Other income	48	2	50	18	116	(942)	54	(704)
Net operating income before operating expenses and impairment (charges)/ benefits	**9,597**	**3,356**	**12,953**	**2,249**	**2,503**	**322**	**974**	**19,001**
Operating expenses[1]	(4,689)	(1,896)	(6,585)	(1,181)	(1,072)	(1,047)	(906)	(10,791)
Impairment (charges)/benefits	(201)	(143)	(344)	(85)	25	67	2	(335)
Profit before income tax (expense)/benefit	**4,707**	**1,317**	**6,024**	**983**	**1,456**	**(658)**	**70**	**7,875**
Income tax (expense)/benefit	(1,416)	(399)	(1,815)	(296)	(381)	(61)	(41)	(2,594)
Net profit attributable to NCI	-	-	-	-	-	(4)	(1)	(5)
Cash earnings	**3,291**	**918**	**4,209**	**687**	**1,075**	**(723)**	**28**	**5,276**
Net cash earnings adjustments	-	-	-	-	2	-	416	418
Net profit attributable to owners of WBC	**3,291**	**918**	**4,209**	**687**	**1,077**	**(723)**	**444**	**5,694**
Balance sheet								
Loans[2]	474,604	84,897	559,501	85,182	85,285	9,866	(187)	739,647
Deposits and other borrowings[2]	280,574	133,335	413,909	116,552	71,202	9,457	48,009	659,129
Full Year Sept 2021								
Net interest income	9,486	2,987	12,473	925	1,987	494	835	16,714
Net fee income	449	345	794	614	140	65	(131)	1,482
Net wealth management and insurance income	52	-	52	-	113	1,145	(104)	1,206
Trading income	-	-	-	608	58	33	16	715
Other income	17	4	21	91	12	212	585	921
Net operating income before operating expenses and impairment (charges)/ benefits	**10,004**	**3,336**	**13,340**	**2,238**	**2,310**	**1,949**	**1,201**	**21,038**
Operating expenses[1]	(4,898)	(2,218)	(7,116)	(2,595)	(1,062)	(1,478)	(1,032)	(13,283)
Impairment (charges)/benefits	184	425	609	(162)	79	66	(2)	590
Profit before income tax (expense)/benefit	**5,290**	**1,543**	**6,833**	**(519)**	**1,327**	**537**	**167**	**8,345**
Income tax (expense)/benefit	(1,583)	(466)	(2,049)	(14)	(377)	(373)	(175)	(2,988)
Net profit attributable to NCI	-	-	-	-	-	(2)	(3)	(5)
Cash earnings	**3,707**	**1,077**	**4,784**	**(533)**	**950**	**162**	**(11)**	**5,352**
Net cash earnings adjustments	-	-	-	-	(2)	-	108	106
Net profit attributable to owners of WBC	**3,707**	**1,077**	**4,784**	**(533)**	**948**	**162**	**97**	**5,458**
Balance sheet								
Loans[2]	462,699	78,385	541,084	67,749	88,409	12,550	(8)	709,784
Deposits and other borrowings[2]	266,445	128,550	394,995	99,349	75,756	8,744	48,111	626,955

1. Impairment of assets (including goodwill and other intangible assets) were insignificant for all segments except for the following:
   - Specialist Businesses: Full Year 2022: $167 million (Full Year 2021: $141 million).
   - Group Businesses: Full Year 2022: $166 million (Full Year 2021: $6 million).
   - Westpac Institutional Bank: Full Year 2022: nil (Full Year 2021: $1,192 million).
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 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Cash earnings	**2,181**	**3,095**	**(30)**	**5,276**	**5,352**	**(1)**
Cash earnings adjustments						
Fair value gain/(loss) on economic hedges	266	204	30	470	138	large
Ineffective hedges	(33)	(19)	74	(52)	(32)	63
Total cash earnings adjustment (post-tax)	**233**	**185**	**26**	**418**	**106**	**large**
Net profit attributable to owners of WBC	**2,414**	**3,280**	**(26)**	**5,694**	**5,458**	**4**

Note 3. Net interest income

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Interest income[1]						
Calculated using the effective interest rate method						
Cash and balances with central banks	637	46	large	683	30	large
Collateral paid	64	4	large	68	16	large
Investment securities	620	506	23	1,126	1,200	(6)
Loans	11,549	9,547	21	21,096	20,756	2
Other financial assets	2	-	-	2	2	-
Assets held for sale	-	6	(100)	6	128	(95)
Total interest income calculated using the effective interest method	**12,872**	**10,109**	**27**	**22,981**	**22,132**	**4**
Other						
Net ineffectiveness on qualifying hedges	(50)	(27)	85	(77)	(46)	67
Trading securities and financial assets measured at FVIS and loans	224	123	82	347	192	81
Total other	**174**	**96**	**81**	**270**	**146**	**85**
Total interest income	**13,046**	**10,205**	**28**	**23,251**	**22,278**	**4**
Interest expense						
Calculated using the effective interest method						
Collateral received	(60)	(4)	large	(64)	(4)	large
Deposits and other borrowings	(2,098)	(712)	195	(2,810)	(1,801)	56
Debt issues	(1,406)	(851)	65	(2,257)	(1,861)	21
Loan capital	(586)	(440)	33	(1,026)	(849)	21
Other financial liabilities	(117)	(45)	160	(162)	(112)	45
Liabilities held for sale	-	-	-	-	(11)	(100)
Total interest expense calculated using the effective interest method	**(4,267)**	**(2,052)**	**108**	**(6,319)**	**(4,638)**	**36**
Other						
Deposits and other borrowings	(350)	(49)	large	(399)	(67)	large
Trading liabilities[2]	717	452	59	1,169	(122)	large
Debt issues	(62)	(31)	100	(93)	(64)	45
Bank Levy	(163)	(177)	(8)	(340)	(392)	(13)
Other interest expense	(48)	(60)	(20)	(108)	(136)	(21)
Liabilities held for sale	-	-	-	-	(1)	(100)
Total other	**94**	**135**	**(30)**	**229**	**(782)**	**large**
Total interest expense	**(4,173)**	**(1,917)**	**118**	**(6,090)**	**(5,420)**	**12**
Total net interest income	**8,873**	**8,288**	**7**	**17,161**	**16,858**	**2**

1. Interest income included items relating to compliance, regulation and remediation costs were an addition of $1 million in Full Year 2022 (First Half 2022: $9 million addition, Second Half 2022: $8 million reduction, Full Year 2021: $106 million addition). 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 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net fee income						
Facility fees	342	344	(1)	686	717	(4)
Transaction fees	576	556	4	1,132	993	14
Other non-risk fee income	50	72	(31)	122	-	-
Fee income	**968**	**972**	**-**	**1,940**	**1,710**	**13**
Credit card loyalty programs	(66)	(60)	10	(126)	(101)	25
Transaction fee related expenses	(76)	(67)	13	(143)	(127)	13
Fee expenses	**(142)**	**(127)**	**12**	**(269)**	**(228)**	**18**
Net fee income	**826**	**845**	**(2)**	**1,671**	**1,482**	**13**
Net wealth management and insurance income						
Net wealth management income	**365**	**361**	**1**	**726**	**657**	**11**
Life insurance premium income	314	520	(40)	834	1,077	(23)
General insurance and lenders mortgage insurance (LMI) net premiums earned	-	-	-	-	387	(100)
Life insurance investment and other income[2]	(12)	(129)	(91)	(141)	59	large
General insurance and LMI investment and other income	-	-	-	-	76	(100)
Total insurance premium, investment and other income	**302**	**391**	**(23)**	**693**	**1,599**	**(57)**
Life insurance claims, changes in life insurance liabilities and other expenses	(260)	(351)	(26)	(611)	(767)	(20)
General insurance and LMI claims and other expenses	-	-	-	-	(278)	(100)
Total insurance claims, changes in life insurance liabilities and other expenses	**(260)**	**(351)**	**(26)**	**(611)**	**(1,045)**	**(42)**
Net wealth management and insurance income	**407**	**401**	**1**	**808**	**1,211**	**(33)**
Trading income	**321**	**343**	**(6)**	**664**	**719**	**(8)**
Other income						
Dividends received from other entities	1	3	(67)	4	4	-
Net gain/(loss) on sale/derecognition of associates	12	13	(8)	25	43	(42)
Net gain/(loss) on disposal of assets	(1)	(2)	(50)	(3)	7	large
Net gain/(loss) on hedging overseas operations	1	(1)	large	-	(8)	(100)
Net gain/(loss) on derivatives held for risk management purposes[3]	2	7	(71)	9	4	125
Net gain/(loss) on financial instruments measured at fair value	(4)	16	large	12	655	(98)
Net gain/(loss) on disposal of controlled entities and other businesses[4]	(1,112)	289	large	(823)	188	large
Rental income on operating leases	7	9	(22)	16	41	(61)
Share of associates' net profit/(loss)	(4)	(3)	33	(7)	(6)	17
Other	47	22	114	69	24	188
Total other income	**(1,051)**	**353**	**large**	**(698)**	**952**	**large**
Total non-interest income	**503**	**1,942**	**(74)**	**2,445**	**4,364**	**(44)**

1. Includes items relating to compliance, regulation and remediation costs recognised as a reduction in non-risk fee income, net wealth management income and other income totalled $64 million for Full Year 2022 (First Half 2022: $8 million reduction, Second Half 2022: $56 million reduction, Full Year 2021: $320 million reduction). 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.
4. Second Half 2022 included $1,112 million loss on sale of Australian life insurance business, while First Half 2022 included $170 million gain on sale of auto finance and $119 million gain on sale of NZ life insurance.

Notes to the consolidated financial statements

Note 5. Operating expenses[1]

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Staff expenses						
Employee remuneration, entitlements and on-costs	2,527	2,584	(2)	5,111	5,369	(5)
Superannuation expense	255	278	(8)	533	475	12
Share-based payments	42	46	(9)	88	97	(9)
Restructuring costs	60	74	(19)	134	93	44
Total staff expenses	**2,884**	**2,982**	**(3)**	**5,866**	**6,034**	**(3)**
Occupancy expenses						
Lease expense	91	79	15	170	164	4
Depreciation and impairment of property and equipment	365	261	40	626	955	(34)
Other	60	58	3	118	107	10
Total occupancy expenses	**516**	**398**	**30**	**914**	**1,226**	**(25)**
Technology expenses						
Amortisation and impairment of software assets[2]	318	337	(6)	655	1,240	(47)
Depreciation and impairment of IT equipment	92	85	8	177	260	(32)
Technology services	377	342	10	719	820	(12)
Software maintenance and licences	258	248	4	506	531	(5)
Telecommunications	72	72	-	144	181	(20)
Data processing	40	41	(2)	81	96	(16)
Total technology expenses	**1,157**	**1,125**	**3**	**2,282**	**3,128**	**(27)**
Other expenses						
Professional and processing services	554	460	20	1,014	1,410	(28)
Amortisation and impairment of intangible assets and deferred expenditure	1	122	(99)	123	599	(79)
Postage and stationery	70	74	(5)	144	156	(8)
Advertising	77	81	(5)	158	220	(28)
Non-lending losses	59	45	31	104	234	(56)
Other	111	86	29	197	304	(35)
Total other expenses	**872**	**868**	**-**	**1,740**	**2,923**	**(40)**
Total operating expenses	**5,429**	**5,373**	**1**	**10,802**	**13,311**	**(19)**

1. Includes compliance, regulation and remediation costs of $63 million for Full Year 2022 (First Half 2022: $17 million, Second Half 2022: $46 million, Full Year 2021: $359 million). Refer to Note 14 for further details.
2. These balances included impairment of capitalised software assets of $110 million for Full Year 2022 (First Half 2022: $54 million, Second Half 2022: $56 million, Full Year 2021: $485 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 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Profit before income tax expense	**3,751**	**4,718**	**(20)**	**8,469**	**8,501**	**-**
Tax at the Australian company tax rate of 30%	1,126	1,415	(20)	2,541	2,550	-
The effect of amounts which are not deductible/ (assessable) in calculating taxable income:						
Hybrid capital distributions	39	28	39	67	59	14
Life insurance:						
Tax adjustment on policyholder earnings	(1)	-	-	(1)	3	large
Other non-assessable items	(63)	(34)	85	(97)	(6)	large
Other non-deductible items	362	47	large	409	252	62
Adjustment for overseas tax rates	(16)	(15)	7	(31)	(16)	94
Income tax (over)/under provided in prior periods	(84)	7	large	(77)	3	large
Other items	(27)	(14)	93	(41)	193	large
Total income tax expense[1]	**1,336**	**1,434**	**(7)**	**2,770**	**3,038**	**(9)**
Effective income tax rate	**35.62%**	**30.39%**	**large**	**32.71%**	**35.74%**	**(303 bps)**

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 2022		Half Year March 2022		Full Year Sept 2022		Full Year Sept 2021	
	Basic	Diluted	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net profit attributable to owners of WBC ($m)	**2,414**	**2,414**	**3,280**	**3,280**	**5,694**	**5,694**	**5,458**	**5,458**
Adjustment for RSP dividends ($m)[2]	(1)	-	(2)	-	(3)	-	(2)	-
Adjustment for potential dilution:								
Distributions to convertible loan capital holders ($m)[3]	-	133	-	100	-	233	-	218
Adjusted net profit attributable to owners of WBC ($m)	**2,413**	**2,547**	**3,278**	**3,380**	**5,691**	**5,927**	**5,456**	**5,676**
Weighted average number of ordinary shares (millions)								
Weighted average number of ordinary shares on issue	3,501	3,501	3,626	3,626	3,564	3,564	3,657	3,657
Treasury shares (including RSP share rights)[2]	(5)	(5)	(4)	(4)	(5)	(5)	(4)	(4)
Adjustment for potential dilution:								
Share-based payments	-	4	-	3	-	4	-	4
Convertible loan capital[3]	-	361	-	321	-	326	-	461
Adjusted weighted average number of ordinary shares	**3,496**	**3,861**	**3,622**	**3,946**	**3,559**	**3,889**	**3,653**	**4,118**
Earnings per ordinary share (cents)	**69.0**	**66.0**	**90.5**	**85.7**	**159.9**	**152.4**	**149.4**	**137.8**

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.
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.

Notes to the consolidated financial statements

Note 8. Average balance sheet and interest rates

	Full Year Sept 2022			Full Year Sept 2021		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earnings assets						
Cash and balances with central banks and other financial assets[1]	109,109	753	0.7	53,413	48	0.1
Trading securities and financial assets measured at FVIS	22,836	347	1.5	23,791	192	0.8
Investment securities	77,781	1,126	1.4	87,709	1,200	1.4
Loans[1,2]	676,820	21,019	3.1	650,400	20,710	3.2
Assets held for sale	425	6	1.4	4,143	128	3.1
Total interest earning assets and interest income	**886,971**	**23,251**	**2.6**	**819,456**	**22,278**	**2.7**
Non-interest earning assets						
Derivative financial instruments	23,395			20,305		
Life insurance assets	-			226		
Assets held for sale	2,444			4,590		
All other assets[3]	61,953			61,478		
Total non-interest earning assets	**87,792**			**86,599**		
Total assets	**974,763**			**906,055**		
Liabilities						
Interest bearing liabilities						
Repurchase agreements	37,779	150	0.4	33,586	56	0.2
Deposits and other borrowings	575,954	3,209	0.6	531,351	1,868	0.4
Loan capital	30,708	1,026	3.3	26,594	849	3.2
Other interest bearing liabilities[1,4]	158,251	1,705	1.1	143,470	2,635	1.8
Liabilities held for sale	-	-	-	1,335	12	0.9
Total interest bearing liabilities and interest expense	**802,692**	**6,090**	**0.8**	**736,336**	**5,420**	**0.7**
Non-interest bearing liabilities						
Deposits and other borrowings	69,247			62,025		
Derivative financial instruments	24,750			20,612		
Life insurance liabilities	-			253		
Liabilities held for sale	682			2,728		
All other liabilities[5]	7,069			13,202		
Total non-interest bearing liabilities	**101,748**			**98,820**		
Total liabilities	**904,440**			**835,156**		
Shareholders' equity	70,268			70,849		
NCI	55			50		
Total equity	**70,323**			**70,899**		
Total liabilities and equity	**974,763**			**906,055**		
Loans						
Australia	582,456	17,614	3.0	558,435	17,854	3.2
New Zealand	88,002	3,206	3.6	85,525	2,731	3.2
Other overseas	6,362	199	3.1	6,440	125	1.9
Deposits and other borrowings						
Australia	493,993	2,249	0.5	457,675	1,400	0.3
New Zealand	60,786	765	1.3	60,066	418	0.7
Other overseas	21,175	195	0.9	13,610	50	0.4

1. In Full Year 2022, the presentation of certain average balance sheet line items has been revised:
   a. Cash and other financial assets, previously presented as part of "Loans and other receivables", as well as collateral paid, previously presented separately, are now presented as "Cash and balances with central banks and other financial assets";
   b. Loans, previously presented as part of "Loans and other receivables", are now presented separately; and
   c. Collateral received, previously presented separately, is now included in "Other interest bearing liabilities".
   The associated interest income and expense have also been revised. Comparatives have been revised.
2. Loans are net of Stage 3 provision for expected credit losses (ECL), where interest income is determined based on their carrying value. Stage 1 and 2 provisions for ECL are not included in the average interest earning assets balance, as interest income is determined based on the gross value of loans. Interest income includes net ineffectiveness of qualifying hedges.
3. 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.
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 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Australia					
Housing	467,382	458,278	455,604	2	3
Personal	12,832	14,128	14,737	(9)	(13)
Business	170,636	156,763	148,453	9	15
Total Australia	**650,850**	**629,169**	**618,794**	**3**	**5**
New Zealand					
Housing	56,211	57,780	58,081	(3)	(3)
Personal	1,058	1,116	1,175	(5)	(10)
Business	28,855	29,294	29,991	(1)	(4)
Total New Zealand	**86,124**	**88,190**	**89,247**	**(2)**	**(3)**
Total other overseas	**6,879**	**6,392**	**6,332**	**8**	**9**
Total loans	**743,853**	**723,751**	**714,373**	**3**	**4**
Provision for ECL on loans (Note 10)	(4,206)	(4,195)	(4,589)	-	(8)
Total net loans[1,2]	**739,647**	**719,556**	**709,784**	**3**	**4**

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 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Performing - Stage 1	885	1,078	936	(18)	(5)
Performing - Stage 2	2,341	2,107	2,091	11	12
Non-performing - Stage 3	1,399	1,490	1,972	(6)	(29)
Total provisions for ECL on loans and credit commitments	**4,625**	**4,675**	**4,999**	**(1)**	**(7)**
Presented as:					
Provision for ECL on loans (Note 9)	4,206	4,195	4,589	-	(8)
Provision for ECL on loans included in assets held for sale (Note 17)	-	-	7	-	(100)
Provision for ECL on credit commitments (Note 14)	419	480	401	(13)	4
Provision for ECL on credit commitments included in liabilities held for sale (Note 17)	-	-	2	-	(100)
Total provisions for ECL on loans and credit commitments	**4,625**	**4,675**	**4,999**	**(1)**	**(7)**
Of which:					
Individually assessed provisions	452	501	832	(10)	(46)
Collectively assessed provisions	4,173	4,174	4,167	-	-
Total provisions for ECL on loans and credit commitments	**4,625**	**4,675**	**4,999**	**(1)**	**(7)**
Gross loans and credit commitments	943,952	924,937	915,486	2	3
Coverage ratio on loans (%)	0.57%	0.58%	0.64%	(1 bps)	(7 bps)
Coverage ratio on loans and credit commitments (%)	0.49%	0.51%	0.55%	(2 bps)	(6 bps)

1. Total net loans included securitised loans of $4,747 million as at 30 September 2022 (31 March 2022: $4,808 million, 30 September 2021: $4,829 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 $38,455 million as at 30 September 2022 (31 March 2022: $35,052 million, 30 September 2021: $26,921 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:

- "Transfers between stages" lines represent transfers between Stage 1, Stage 2 and Stage 3 prior to remeasurement of the provision for ECL;
- "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;
- "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 in portfolio overlays, changes due to forward-looking economic scenarios and partial repayments and additional draw-downs on existing facilities over the year; and
- "Write-offs" represent a reduction in the provision for ECL as a result of de-recognition 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 2021	**936**	**2,091**	**1,972**	**4,999**
Transfers to Stage 1	461	(398)	(63)	-
Transfers to Stage 2	(102)	509	(407)	-
Transfers to Stage 3	(8)	(198)	206	-
Business activity during the period	255	(149)	(200)	(94)
Net remeasurement of provision for ECL	(463)	264	535	336
Write-offs	-	-	(566)	(566)
Exchange rate and other adjustments	(1)	(12)	13	-
Balance as at 31 March 2022	**1,078**	**2,107**	**1,490**	**4,675**
Transfers to Stage 1	451	(394)	(57)	-
Transfers to Stage 2	(133)	493	(360)	-
Transfers to Stage 3	(6)	(185)	191	-
Business activity during the period	99	(95)	(140)	(136)
Net remeasurement of provision for ECL	(603)	425	594	416
Write-offs	-	-	(368)	(368)
Exchange rate and other adjustments	(1)	(10)	49	38
Balance as at 30 September 2022	**885**	**2,341**	**1,399**	**4,625**

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	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**
Housing	264	680	498	1,442
Personal	124	315	150	589
Business	690	1,112	842	2,644
Balance as at 31 March 2022	**1,078**	**2,107**	**1,490**	**4,675**
Housing	143	1,095	415	1,653
Personal	99	250	123	472
Business	643	996	861	2,500
Balance as at 30 September 2022	**885**	**2,341**	**1,399**	**4,625**

Notes to the consolidated financial statements

Note 10. Provision for expected credit losses (continued)

Impact of overlays on the provision for ECL

The following table attributes the provision for ECL between modelled ECL and portfolio overlays.

Portfolio overlays are used to capture risk of increased uncertainty relating to forward-looking economic conditions, or areas of potential risk and uncertainty in the portfolio, that are not captured in the underlying modelled ECL.

$m	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021
Modelled provision for ECL	3,925	3,539	4,352
Overlays	700	1,136	647
Total provision for ECL	**4,625**	**4,675**	**4,999**

Details of changes related to forward-looking economic inputs and portfolio overlays, 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 represent 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 are reflected through the "net remeasurement of provision for ECL" line item. Portfolio overlays are used to capture potential risk and uncertainty in the portfolio, that are not captured in the underlying modelled ECL.

The base case scenario uses Westpac Economic forecasts which forecast further interest rate rises and residential/commercial price reductions due to the current high inflationary environment.

Westpac Economics forecasts used for the different reporting periods are as follows:

Key macroeconomic assumptions for base case scenario	30 September 2022	31 March 2022	30 September 2021
Annual GDP (Australia)	Forecast growth of 3.4% for calendar year 2022 and 1.0% for calendar year 2023	Forecast growth of 5.5% for calendar year 2022 and 2.7% for calendar year 2023	Forecast growth of 0.1% for calendar year 2021 and 7.4% for calendar year 2022
Commercial property index	Forecast price contraction of 4.7% for calendar year 2022 and 3.0% for calendar year 2023	Forecast price contraction of 3.1% for calendar year 2022 and growth of 2.1% for calendar year 2023	Forecast price contraction of 0.7% for calendar year 2021 and 4.7% for calendar year 2022
Residential property prices (Australia)	Forecast price contraction of 6.5% for calendar year 2022 and 7.8% for calendar year 2023	Forecast price appreciation of 1.6% for calendar year 2022 and contraction of 7.0% for calendar 2023	Forecast price appreciation of 11.8% for calendar year 2021 and 5.0% for calendar year 2022
Cash rate	Forecast cash rate of 3.35% at December 2022 and 3.6% at December 2023	Forecast to increase to 50 bps by December 2022 and then to 150bps by December 2023	Forecast to remain at 10bps over calendar years 2021 and 2022
Unemployment rate:			
Australia	Forecast rate of 3.1% at December 2022 and 4.4% at December 2023	Forecast rate of 3.8% at December 2022 and 3.9% at December 2023	Forecast rate of 5.4% at December 2021 and 4% at December 2022
New Zealand	Forecast rate of 3.4% at December 2022 and 3.8% at December 2023	Forecast rate of 3.0% at December 2022 and 3.3% at December 2023.	Forecast rate of 4.2% at December 2021 and 3.5% at December 2022

The downside scenario is a more severe scenario with expected credit losses higher than the base case. The more severe loss outcome for the downside is generated under a recession 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 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 to the base case scenario and to the downside scenario (with all other assumptions, held constant).

$m	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021
Reported probability-weighted ECL	4,625	4,675	4,999
100% base case ECL	2,983	2,993	3,411
100% downside ECL	6,680	6,752	7,399

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 $113 million (31 March 2022: $205 million, 30 September 2021: $252 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 economic weights applied by the Group at 30 September 2022, 31 March 2022 and 30 September 2021:

Macroeconomic scenario weightings (%)	30 Sept 2022	31 March 2022	30 Sept 2021
Upside	5	5	5
Base	50	50	55
Downside	45	45	40

The increase in weighting to the downside reflects an elevated level of uncertainty in potential credit losses driven by new geopolitical and economic headwinds, supply chain disruptions, capacity constraints and rising inflation.

Portfolio overlays

Portfolio overlays are used to address areas of risk, including significant uncertainties that are 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. Overlays are continually reassessed and if the risk is judged to have changed (increased or decreased), or is subsequently captured in the modelled ECL, the overlay will be released or remeasured.

The Group's total overlays as at 30 September 2022 were $700 million (2021: $647 million) and comprise:

- $480 million for consumers reflecting potential high consumer stress from rising interest rates, higher inflation and higher unemployment (31 March 2022: $270 million; 30 September 2021: $90 million);
- $150 million relating to certain industries reflecting potential supply chain disruptions and labour shortages (31 March 2022: $247 million; 30 September 2021: nil);
- $70 million for extreme weather events including the expected impact on customers of recent flooding; (31 March 2022: $70 million; 30 September 2021: nil) and
- Nil relating to COVID-19 impacts. Overlay has been completely removed as modelled outcomes now capture the risks (31 March 2022: $549 million; 30 September 2021: $557 million).

The change in provisions as a result of changes in portfolio overlays are reflected through the "net remeasurement of provision for ECL" line item in the Movement in provisions for ECL table.

Reconciliation of impairment charges

$m	Half Year Sept 2022	Half Year March 2022	Full Year Sept 2022	Full Year Sept 2021
Loans and credit commitments:				
Business activity during the period	(136)	(94)	(230)	(444)
Net remeasurement of the provision for ECL	416	336	752	119
Impairment charges for debt securities at amortised cost	3	1	4	(25)
Impairment charges for debt securities at FVOCI	-	(2)	(2)	2
Recoveries	(87)	(102)	(189)	(242)
Impairment charges/(benefits)	**196**	**139**	**335**	**(590)**

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	

Notes to the consolidated financial statements

Note 11. Credit quality (continued)

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:

	As at 30 Sept 2022				As at 31 March 2022				As at 30 Sept 2021			
$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	393,754	41,790	-	435,544	401,201	24,367	-	425,568	398,043	21,165	-	419,208
Good/satisfactory	36,862	35,581	-	72,443	48,746	24,248	-	72,994	55,631	17,851	-	73,482
Weak	1,916	10,133	3,916	15,965	2,057	11,216	4,568	17,841	3,245	12,659	5,461	21,365
Total loans - housing	**432,532**	**87,504**	**3,916**	**523,952**	**452,004**	**59,831**	**4,568**	**516,403**	**456,919**	**51,675**	**5,461**	**514,055**
Loans - personal												
Strong	4,961	99	-	5,060	4,890	84	-	4,974	4,608	69	-	4,677
Good/satisfactory	6,903	1,056	-	7,959	8,092	1,113	-	9,205	8,780	1,327	-	10,107
Weak	232	433	213	878	288	530	253	1,071	310	539	286	1,135
Total loans - personal	**12,096**	**1,588**	**213**	**13,897**	**13,270**	**1,727**	**253**	**15,250**	**13,698**	**1,935**	**286**	**15,919**
Loans - business												
Strong	82,280	5,704	-	87,984	76,014	784	-	76,798	71,336	446	-	71,782
Good/satisfactory	87,770	23,018	-	110,788	94,954	13,197	-	108,151	93,457	10,674	-	104,131
Weak	84	4,031	3,117	7,232	185	3,897	3,067	7,149	175	4,562	3,749	8,486
Total loans - business	**170,134**	**32,753**	**3,117**	**206,004**	**171,153**	**17,878**	**3,067**	**192,098**	**164,968**	**15,682**	**3,749**	**184,399**
Held for sale loans												
Strong	-	-	-	-	-	-	-	-	180	-	-	180
Good/satisfactory	-	-	-	-	-	-	-	-	786	56	-	842
Weak	-	-	-	-	-	-	-	-	-	-	-	-
Total held for sale loans	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**966**	**56**	**-**	**1,022**
Undrawn credit commitments[1]												
Strong	150,424	7,235	-	157,659	154,459	2,590	-	157,049	153,712	1,546	-	155,258
Good/satisfactory	34,011	6,946	-	40,957	37,519	5,369	-	42,888	38,377	5,119	-	43,496
Weak	100	1,036	347	1,483	116	812	321	1,249	130	933	274	1,337
Total undrawn credit commitments	**184,535**	**15,217**	**347**	**200,099**	**192,094**	**8,771**	**321**	**201,186**	**192,219**	**7,598**	**274**	**200,091**
Total strong	631,419	54,828	-	686,247	636,564	27,825	-	664,389	627,879	23,226	-	651,105
Total good/satisfactory	165,546	66,601	-	232,147	189,311	43,927	-	233,238	197,031	35,027	-	232,058
Total weak	2,332	15,633	7,593	25,558	2,646	16,455	8,209	27,310	3,860	18,693	9,770	32,323
Total loans and undrawn credit commitments	**799,297**	**137,062**	**7,593**	**943,952**	**828,521**	**88,207**	**8,209**	**924,937**	**828,770**	**76,946**	**9,770**	**915,486**

1. Includes credit commitments on held for sale assets of nil as at 30 September 2022 (31 March 2022: nil, 30 September 2021: $828 million).

Notes to the consolidated financial statements

Note 12. Deposits and other borrowings[1]

$m	As at 30 Sept 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Australia					
Certificates of deposit	30,507	27,048	31,506	13	(3)
Non-interest bearing, repayable at call	55,180	54,829	52,819	1	4
Other interest bearing at call	352,544	361,609	345,416	(3)	2
Other interest bearing term	127,921	104,865	102,775	22	24
Total Australia	**566,152**	**548,351**	**532,516**	**3**	**6**
New Zealand					
Certificates of deposit	2,588	2,783	3,293	(7)	(21)
Non-interest bearing, repayable at call	12,674	14,706	14,066	(14)	(10)
Other interest bearing at call	27,517	30,188	31,354	(9)	(12)
Other interest bearing term	28,423	27,945	27,042	2	5
Total New Zealand	**71,202**	**75,622**	**75,755**	**(6)**	**(6)**
Other overseas					
Certificates of deposit	13,200	14,903	11,839	(11)	11
Non-interest bearing, repayable at call	1,178	1,008	919	17	28
Other interest bearing at call	1,883	1,696	1,751	11	8
Other interest bearing term	5,514	4,026	4,175	37	32
Total other overseas	**21,775**	**21,633**	**18,684**	**1**	**17**
Total deposits and other borrowings	**659,129**	**645,606**	**626,955**	**2**	**5**

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 Credit Value Adjustment (CVA) and Funding Value Adjustment (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 is 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.

<table>
<tr><th>Instrument</th><th>Balance sheet category</th><th>Includes</th><th>Valuation</th></tr>
<tr><td>Exchange traded products</td><td>Derivatives</td><td>Exchange traded interest rate futures and options and commodity and carbon futures</td><td rowspan="5">All these instruments are traded in liquid, active markets where prices are readily observable. No modelling or assumptions are used in the valuation.</td></tr>
<tr><td>FX products</td><td>Derivatives</td><td>FX spot and futures contracts</td></tr>
<tr><td>Equity products</td><td>Derivatives
Trading securities and financial assets measured at FVIS
Other financial liabilities</td><td>Listed equities and equity indices</td></tr>
<tr><td>Debt instruments</td><td>Trading securities and financial assets measured at FVIS
Investment securities
Other financial liabilities</td><td>Australian Commonwealth and New Zealand government bonds</td></tr>
<tr><td>Life insurance assets</td><td>Life insurance assets included in assets held for sale</td><td>Listed equities, exchange traded derivatives and short sale of listed equities within controlled managed investment schemes</td></tr>
</table>

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 are used 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 swaps, FX forward contracts, FX options and other non-vanilla FX derivatives	Derived from market observable inputs or consensus pricing providers using industry standard models. If consensus prices are not available, these are classified as Level 3 instruments.
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 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. If prices are not available from these sources, these are classified as Level 3 instruments.
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 debt securities with low observability, usually 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 the use of 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.

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 2022				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	2,039	22,275	18	24,332
Derivative financial instruments	68	41,202	13	41,283
Investment securities	12,634	62,263	387	75,284
Loans	-	45	27	72
Total financial assets measured at fair value on a recurring basis	**14,741**	**125,785**	**445**	**140,971**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	46,331	-	46,331
Other financial liabilities	2,006	9,319	-	11,325
Derivative financial instruments	51	39,494	23	39,568
Debt issues	-	6,740	-	6,740
Total financial liabilities measured at fair value on a recurring basis	**2,057**	**101,884**	**23**	**103,964**

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 2022				
Financial assets measured at fair value on a recurring basis				
Trading securities and financial assets measured at FVIS	5,474	18,260	4	23,738
Derivative financial instruments	38	18,204	27	18,269
Investment securities	11,838	57,287	439	69,564
Loans	-	217	32	249
Assets held for sale	1,057	1,422	-	2,479
Total financial assets measured at fair value on a recurring basis	**18,407**	**95,390**	**502**	**114,299**
Financial liabilities measured at fair value on a recurring basis				
Deposits and other borrowings	-	44,743	-	44,743
Other financial liabilities	1,090	5,767	-	6,857
Derivative financial instruments	26	25,288	33	25,347
Debt issues	-	6,294	-	6,294
Liabilities held for sale	-	414	-	414
Total financial liabilities measured at fair value on a recurring basis	**1,116**	**82,506**	**33**	**83,655**
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)

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 2022					
$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	**5**	**277**	**62**	**344**	**32**	**32**
Gains/(losses) on assets/ (gains)/losses on liabilities recognised in:						
Income statement	-	-	(12)	(12)	(5)	(5)
Other comprehensive income	-	99	-	99	-	-
Acquisitions and issues	16	65	6	87	2	2
Disposals and settlements	(3)	(54)	(15)	(72)	(2)	(2)
Transfer into or out of non-market observables	-	-	-	-	(4)	(4)
Foreign currency translation impacts	-	-	(1)	(1)	-	-
Balance as at end of year	**18**	**387**	**40**	**445**	**23**	**23**
Unrealised gains/(losses) recognised in the income statement for financial instrument held as at end of year	(1)	-	(7)	(8)	3	3

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 period fair values.

Significant unobservable inputs

Sensitivities to reasonably possible changes in non-market observable valuation assumptions would not have a material impact on the Group's reported results.

Day one profit or loss

The closing balance of unrecognised day one profit for the period was $1 million (31 March 2022: $1 million, 30 September 2021: $1 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 2022		As at 31 March 2022		As at Sept 2021	
$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	105,257	105,257	102,410	102,410	71,353	71,353
Collateral paid	6,216	6,216	7,374	7,374	4,232	4,232
Investment securities	1,181	1,179	878	878	935	935
Loans	739,575	732,511	719,307	716,281	709,674	710,284
Other financial assets	5,626	5,626	4,896	4,896	6,394	6,394
Assets held for sale	20	20	26	26	1,041	1,041
Total financial assets not measured at fair value	**857,875**	**850,809**	**834,891**	**831,865**	**793,629**	**794,239**
Financial liabilities not measured at fair value						
Collateral received	6,371	6,371	2,170	2,170	2,368	2,368
Deposits and other borrowings	612,798	613,134	600,863	600,982	580,290	580,112
Other financial liabilities	45,035	45,035	44,488	44,488	43,863	43,863
Debt issues[2]	138,128	137,452	127,335	127,247	123,265	124,569
Loan capital[2]	31,254	30,671	29,036	29,413	29,067	30,147
Liabilities held for sale	31	31	17	17	28	28
Total financial liabilities not measured at fair value	**833,617**	**832,694**	**803,909**	**804,317**	**778,881**	**781,087**

A detailed description of how fair value is derived for financial instruments not measured at fair value is disclosed in Note 23 of the 2022 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 2022							
$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	**531**	**803**	**117**	**401**	**201**	**376**	**1,142**	**3,571**
Additions	86	1,166	100	79	23	250	285	1,989
Utilisation	(55)	(1,002)	(102)	-	(16)	(228)	(755)	(2,158)
Reversal of unutilised provisions	(111)	(45)	(32)	(61)	-	(43)	(159)	(451)
Balances reclassified to liabilities held for sale (Note 17)	(1)	-	-	-	-	-	-	(1)
Balance as at end of year	**450**	**922**	**83**	**419**	**208**	**355**	**513**	**2,950**

Compliance, regulation and remediation provisions

Provisions for the Full Year 2022 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.

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

As at 30 September 2022, the Group held provisions in respect of potential non-lending losses and costs connected with certain litigation including:

- A class action against BT Funds Management Limited (BTFM) and a former subsidiary, Westpac Life Insurance Services Limited (now known as TAL Life Insurance Services Limited) (WLIS) in the Federal Court of Australia in relation to aspects of BTFM's BT Super for Life former cash investment option; and
- A class action against Westpac Banking Corporation and two former subsidiaries, Westpac General Insurance Limited (now known as Allianz Australia General Insurance Limited) and WLIS in the Federal Court of Australia in relation to Westpac's sale of consumer credit insurance (CCI) products to customers.

Subsequent to 30 September 2022 these two class actions were settled pending court approval. The settlement amounts agreed between the parties are included in the 30 September 2022 provisions.

As at the date of this report, the proposed settlements have not yet been approved by the Court. Consequently, there remains some uncertainty in respect of the settlements and the actual aggregate expense to Westpac associated with these matters.

Certain of the entities mentioned above are no longer part of the Group following the sale of those entities. Westpac has provided warranties and indemnities to the acquirers for certain pre-completion matters, conduct and risks.

Restructuring provisions

The Group carries restructuring provisions for committed business restructures and branch closures. The provisions held primarily relate to separation costs and redundancies. The increase in the current year mostly 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.

Notes to the consolidated financial statements

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

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 actions may consider a range of subject matters, and in Australia, a number of investigations and reviews are currently considering potential misconduct in relation to credit and financial services. Matters the subject of such reviews are also assessed for their impact on customers, with customer remediation undertaken where appropriate in accordance with the Group's Customer Remediation Policy.

Domestic regulators, statutory authorities and other bodies such as ASIC, APRA, AUSTRAC, BCCC, 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, Monetary Authority of Singapore, and Hong Kong Monetary Authority, from time to time conduct investigations, reviews or inquiries, covering a range of matters (including potential contraventions and non-compliance) involving the Group.

These currently 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 insurance in superannuation; and
- Other areas such as: risk governance; RBNZ liquidity policy and associated risk culture; prudential standards compliance; hardship and debt write-off processes; design and distribution processes; and anti-money laundering and counter-terrorism financing processes and procedures (including reporting).

It is uncertain what (if any) actions will result following the conclusion of these investigations or matters. No provisions have yet been made in relation to any financial liability 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.

Such investigations, reviews or inquiries have previously resulted, and may in the future result in litigation (including class action proceedings and criminal proceedings), significant fines and penalties, infringement notices, enforceable undertakings, requirement to undertake a review, 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, customer remediation or other sanctions or action being taken by regulators or other parties. Given the size of Westpac, 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. Prior penalties and contraventions by Westpac in relation to similar issues can also affect penalties that may be imposed.

Litigation

There are ongoing Court proceedings, claims and possible claims 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.

Regulatory litigation

- 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 by Westpac during its involvement in the 2016 Ausgrid privatisation transaction. Westpac has filed its Response to ASIC's Concise Statement. A hearing date for this matter has been set down for 18 March 2024.

Notes to the consolidated financial statements

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

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 AUSTRAC civil proceedings. The damages sought on behalf of members of the class have not yet been specified. However, in the course of a procedural hearing, the applicant indicated that a preliminary estimate of the losses that may be alleged in respect of a subset of potential group members exceeded $1 billion. While it remains unclear how the applicant will ultimately formulate their estimate of alleged damages claimed on behalf of group members, it is possible that the claim may be higher (or lower) than the amount referred to above. Given the time period and the nature of the claims alleged to be in question, along with the reduction in our market capitalisation at the time of the commencement of the AUSTRAC civil proceedings, it is likely that any total alleged damages (when, and if, ultimately articulated by the applicant) will be significant. Westpac continues to deny both that its disclosure was inappropriate and, as such, that any group member has incurred damage.
- 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. Westpac has not paid flex commissions since 1 November 2018 following an industry-wide ban issued by ASIC.

Westpac is aware, including from media reports and other publicly available material, that at least one other class action (and possibly more) against Westpac entities is being investigated. For example, in July 2020 and again in October 2022, a law firm publicly stated that it is investigating a class action against Asgard and BTFM alleging Asgard and BTFM did not act in the best interests of members of certain superannuation funds when obtaining group insurance policies. Westpac has not been served with a claim in relation to this matter and has no further information about the scope of the proposed claim beyond the public statements issued by the law firm involved.

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 stakeholders and reputation. These internal reviews continue to identify issues in respect of which we are taking steps or will take steps to put things right, including so that our customers and employees (as applicable) are not disadvantaged from certain past practices, including making compensation/remediation payments and providing refunds where appropriate. These issues include, among other things, compliance with lending obligations (including responsible lending); payroll processes, including as they relate to employee entitlements; regulatory reporting; sufficiency of training, policies and procedures; anti-money laundering and counter-terrorism financing processes and procedures (including international funds transfer instructions and other reporting); product disclosure; tax withholding processes for persons under 16; storage and use of tax file numbers and other personal information; and impacts from inadequate product governance, including the way some product terms and conditions are operationalised.

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, litigation, and reputational damage.

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. Even where Westpac has remediated or compensated customers, employees or issues, there can still be the risk of regulators challenging the basis, scope or pace of remediation, or imposing fines/penalties, enforceable undertakings (which may include contrition payments) or other sanctions, including civil or criminal prosecutions. Contingent liabilities may exist in respect of actual or potential claims or proceedings (which could be brought by customers, employees/unions, regulators or criminal prosecutors), compensation/remediation payments and/or refunds identified as part of these reviews.

Notes to the consolidated financial statements

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

Australian Financial Complaints Authority

Contingent liabilities 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.

Financial Claims Scheme

Under the Financial Claims Scheme (FCS), the Australian Government provides depositors a free guarantee of deposits in eligible ADIs of up to and including $250,000, per account holder for protected accounts in an eligible ADI. The FCS applies to an eligible ADI if APRA has applied for the winding up of the ADI or a Banking Act statutory manager is in control of the ADI's business, 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.

Exposures to third parties relating to divested businesses

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

Contingent tax risk

Tax and regulatory authorities in Australia and in other jurisdictions review, in the normal course of business, the direct and indirect taxation treatment of transactions (both historical and present-day transactions) undertaken by the Group. 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 matters 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 to subsidiaries

Consistent with 2021, Westpac Banking Corporation, as the parent entity of the Group, makes the following guarantees and undertakings to its 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).

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.

Notes to the consolidated financial statements

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

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 Notes 12 and 22 of the 2022 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 2022	As at 31 March 2022	As at 30 Sept 2021	% Mov't Sept 22 - Mar 22	% Mov't Sept 22 - Sept 21
Undrawn credit commitments					
Letters of credit and guarantees[1]	11,868	11,716	11,323	1	5
Commitments to extend credit[2]	188,183	189,415	188,768	(1)	-
Other	48	55	-	(13)	-
Total undrawn credit commitments[3]	**200,099**	**201,186**	**200,091**	**(1)**	**-**

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 2022 the Group had offered $10.4 billion (31 March 2022: $9.5 billion, 30 September 2021: $9.7 billion) of facilities to customers, which had not yet been accepted.
3. Included nil (31 March 2022: nil, 30 September 2021: $0.8 billion) 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 2022	As at 31 March 2022	As at 30 Sept 2021
Share capital			
Ordinary share capital, fully paid	39,666	39,667	41,601
Treasury shares[1]	(655)	(651)	(606)
Total share capital	**39,011**	**39,016**	**40,995**
NCI	**57**	**54**	**57**

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 2022	Half Year March 2022	Half Year Sept 2021
Balance as at beginning of period	**3,501,127,694**	**3,668,591,808**	**3,668,591,808**
Dividend reinvestment plan[2]	-	-	-
Issued shares for the period	-	-	-
Off-market share buy-back[3]	-	(167,464,114)	-
Balance as at end of period	**3,501,127,694**	**3,501,127,694**	**3,668,591,808**

Ordinary shares purchased on market

	Full Year Sept 2022	
Consolidated	Number	Average price ($)
For share-based payment arrangements:		
Employee share plan (ESP)	1,236,092	22.83
RSP[4]	2,325,190	21.35
Westpac Performance Plan (WPP) - share rights exercised	233,438	23.67
Westpac Long-Term Variable Reward Plan (LTVR) - share rights exercised	2,148	23.85
Total number of ordinary shares purchased on market	**3,796,868**	

1. 30 September 2022: 5,034,310 unvested RSP treasury shares held (31 March 2022: 5,076,534, 30 September 2021: 4,363,329).
2. The DRP for the 2022 interim dividend (as well as 2021 final dividend and 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 9,971,443 ordinary shares (2021 final dividend: 10,286,188 ordinary shares, 2021 interim dividend: 9,085,937 ordinary shares) at an average price of $23.96 (2021 final dividend: $22.34, 2021 interim dividend: $25.98).
3. On 14 February 2022, the Group announced the successful completion of its $3.5 billion off-market share buy-back of Westpac ordinary shares. 167,464,114 ordinary shares were bought back at $20.90, and comprised a fully franked dividend component of $9.56 per share ($1,601 million) and a capital component of $11.34 per share ($1,902 million including transaction costs). The shares bought back were subsequently cancelled.
4. 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 2022	Half Year March 2022	Half Year Sept 2021
Debt securities at FVOCI reserve			
Balance as at beginning of period	**223**	**443**	**562**
Net gains/(losses) from changes in fair value	(187)	(142)	(71)
Income tax effect	50	38	20
Transferred to income statement	(49)	(205)	(97)
Income tax effect	16	62	29
Loss allowance on debt securities measured at FVOCI	-	(2)	1
Other	9	29	(1)
Balance as at end of period	**62**	**223**	**443**
Equity securities at FVOCI reserve			
Balance as at beginning of period	**190**	**44**	**40**
Net gains/(losses) from changes in fair value	(54)	146	7
Income tax effect	-	-	(3)
Balance as at end of period	**136**	**190**	**44**
Share-based payment reserve			
Balance as at beginning of period	**1,866**	**1,806**	**1,779**
Share-based payment expense	27	60	27
Balance as at end of period	**1,893**	**1,866**	**1,806**
Cash flow hedge reserve			
Balance as at beginning of period	**1,049**	**196**	**95**
Net gains/(losses) from changes in fair value	82	1,222	175
Income tax effect	(21)	(362)	(51)
Transferred to income statement	(424)	(10)	(33)
Income tax effect	127	3	10
Balance as at end of period	**813**	**1,049**	**196**
Foreign currency translation reserve			
Balance as at beginning of period	**(407)**	**(241)**	**(502)**
Exchange differences on translation of foreign operations	(133)	(367)	515
Gains/(losses) on net investment hedges	35	201	(254)
Balance as at end of period	**(505)**	**(407)**	**(241)**
Other reserves			
Balance as at beginning of period	**(20)**	**(21)**	**(20)**
Transactions with owners	(1)	1	(1)
Balance as at end of period	**(21)**	**(20)**	**(21)**
Total reserves	**2,378**	**2,901**	**2,227**

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 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net profit	**2,415**	**3,284**	**(26)**	**5,699**	**5,463**	**4**
Adjustments:						
Depreciation, amortisation and impairment	776	805	(4)	1,581	3,054	(48)
Impairment charges/(benefits)	283	241	17	524	(348)	large
Net decrease/(increase) in current and deferred tax	326	101	large	427	350	22
(Increase)/decrease in accrued interest receivable	(485)	(59)	large	(544)	183	large
(Decrease)/increase in accrued interest payable	769	25	large	794	(423)	large
(Decrease)/increase in provisions	(85)	(536)	(84)	(621)	(1,716)	(64)
Other non-cash items	2,038	(169)	large	1,869	(253)	large
Cash flows from operating activities before changes in operating assets and liabilities	**6,037**	**3,692**	**64**	**9,729**	**6,310**	**54**
Net (increase)/decrease in:						
Collateral paid	1,769	(3,293)	large	(1,524)	305	large
Trading securities and financial assets measured at FVIS	(1,644)	(2,106)	(22)	(3,750)	19,316	large
Derivative financial instruments	(553)	3,004	large	2,451	(2,420)	large
Loans	(23,709)	(12,636)	88	(36,345)	(15,098)	141
Other financial assets	(447)	726	large	279	(274)	large
Life insurance assets and life insurance liabilities	133	133	-	266	(593)	large
Other assets	37	(17)	large	20	6	large
Net increase/(decrease) in:						
Collateral received	3,827	(184)	large	3,643	93	large
Deposits and other borrowings	13,296	21,758	(39)	35,054	33,737	4
Other financial liabilities	5,738	1,382	large	7,120	9,036	(21)
Other liabilities	8	3	167	11	(8)	large
Net cash provided by/(used in) operating activities	**4,492**	**12,462**	**(64)**	**16,954**	**50,410**	**(66)**

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, and Note 38 of the 2022 Annual report

$m	Half Year Sept 2022	Half Year March 2022	Half Year Sept 2021
Assets			
Cash and balances with central banks	169	-	50
Trading securities and financial assets measured at FVIS	-	-	409
Loans	-	965	369
Other financial assets	54	12	688
Life insurance assets	2,180	186	-
Property and equipment	-	-	29
Deferred tax assets	39	-	4
Intangible assets	-	-	243
Other assets	156	12	226
Total assets	**2,598**	**1,175**	**2,018**
Liabilities			
Other financial liabilities	32	2	110
Current tax liabilities	-	2	-
Life insurance liabilities	300	(115)	-
Provisions	48	4	9
Deferred tax liabilities	-	34	-
Other liabilities	177	36	720
Total liabilities	**557**	**(37)**	**839**
Total equity attributable to owners of WBC	**2,041**	**1,212**	**1,179**
Cash proceeds received (net of transaction costs)	896	1,388	1,322
Expected receivable (completion settlement)/deferred consideration	33	113	45
Total consideration	**929**	**1,501**	**1,367**
Gain/(loss) on disposal	**(1,112)**	**289**	**188**
Reconciliation of cash proceeds from disposal:			
Cash proceeds received (net of transaction costs)	896	1,388	1,322
Less: Cash deconsolidated	(169)	-	(50)
Cash consideration (paid)/received (net of transaction costs and cash held)	**727**	**1,388**	**1,272**

Non-cash financing activities

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Shares issued under the dividend reinvestment plan	-	-	-	-	401	(100)
Increase in lease liabilities	146	98	49	244	199	23

On 20 July 2022, $689 million of WCN2 were transferred to the WCN2 nominated party for $100 each pursuant to the WCN9 reinvestment offer. Those WCN2 were subsequently redeemed and cancelled by Westpac. On 23 September 2022, Westpac redeemed the remaining outstanding WCN2.

Notes to the consolidated financial statements

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

Businesses acquired

During Full Year 2022, Westpac acquired MoneyBrilliant Pty Ltd (100% interest on 13 December 2021).

Businesses disposed

During Full Year 2022, Westpac disposed of its 100% interest in:

- Westpac Life-NZ- Limited (sold on 28 February 2022);
- Westpac Motor Vehicle Dealer Finance and Novated Leasing business (sold on 24 March 2022); and
- Westpac Life Insurance Services Limited (sold on 1 August 2022).

During Full Year 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); and
- Westpac Lenders Mortgage Insurance Limited (sold on 31 August 2021).

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 $303 million (31 March 2022: $480 million, 30 September 2021: $445 million) which are included in cash and balances with central banks.

Notes to the consolidated financial statements

Note 17. Assets and liabilities held for sale

During the year ending 30 September 2022, 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 2022

Advance Asset Management Limited and BT Superannuation Funds

On 26 May 2022, the Group announced that it had entered an agreement to sell Advance Asset Management Limited (Advance) to Mercer Australia. Westpac concurrently entered into a Heads of Agreement to merge, through a successor fund transfer (SFT), BT's personal and corporate superannuation funds with Mercer Super Trust. The merger of the BT personal and corporate superannuation funds and the sale of Advance remain subject to certain conditions and regulatory approvals and are expected to be completed in 2023.

The SFT will result in a small loss as a result of transaction and separation costs and the sale of Advance will result in a gain. A total after-tax gain of approximately $305 million is expected to be recognised on completion in 2023. In the current year, software assets and goodwill relating to the superannuation business were impaired and separation and transactions costs of approximately $106 million were expensed.

Transactions completed during Full Year 2022

Westpac Motor Vehicle Dealer Finance and Novated Leasing business

On 28 June 2021, the Group announced that it had entered into an agreement to sell its motor vehicle dealer finance and novated leasing business to Angle Auto Finance Pty Ltd, L.P. As part of the sale, Westpac would 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.

Completion of the transaction occurred over several stages in First Half 2022, with wholesale dealer loans of approximately $1 billion transferred on 20 December 2021, and final completion occurring on 24 March 2022. A pre-tax gain on sale of $170 million was recognised during the period in non-interest income.

Westpac has retained auto loans of around $9 billion. The loans will run down over the life of those loans. Westpac has also ceased new retail auto loan originations through dealerships. Customers continue to be able to use the Group's personal lending products to finance the purchase of motor vehicles.

The business was included in Specialist Businesses.

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.

The sale was completed on 28 February 2022 for a consideration of NZ$417 million resulting in pre-tax gain on sale of A$119 million recognised in non-interest income. Ongoing payments to Westpac will be received in accordance with the distribution agreement.

The entity was included in Westpac New Zealand.

Westpac Australian Life Insurance business

On 9 August 2021, the Group announced that it had entered an agreement to 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.

Completion of the sale occurred on 1 August 2022 at a sale price of $900 million resulting in a pre-tax loss of $1,112 million being recognised in non-interest income this year. This outcome includes an estimate of the completion payment to be received by Westpac. As the completion accounts process is yet to be finalised the actual completion payment may differ from this estimate. An additional loss of $224 million was previously recognised in operating expenses in Full Year 2021 reflecting expected separation and transaction costs. The transaction also includes ongoing payments to Westpac in accordance with the distribution agreement.

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

Notes to the consolidated financial statements

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

This entity was included in Specialist Businesses.

Balance sheet presentation

Details of the assets and liabilities held for sale are as follows:

$m	As at Sept 2022	As at March 2022	As at Sept 2021
Assets held for sale			
Cash and balances with central banks	-	8	7
Loans	-	-	1,015
Other financial assets	20	18	19
Life insurance assets	-	2,479	2,972
Deferred tax assets	-	43	8
Intangible assets	55	-	-
Other assets	-	152	167
Total assets held for sale	75	2,700	4,188
Liabilities held for sale			
Other financial liabilities	31	17	28
Current tax liabilities	-	-	14
Life insurance liabilities	-	414	447
Provisions	1	65	35
Deferred tax liabilities	-	3	44
Other liabilities	-	185	269
Total liabilities held for sale	**32**	**684**	**837**

Note 18. Subsequent events

Since 30 September 2022, the Board has determined to pay a fully franked final dividend of 64 cents per fully paid ordinary share. The dividend is expected to be $2,241 million. The dividend is not recognised as a liability at 30 September 2022. The proposed payment date of the dividend is 20 December 2022.

The Board has determined to issue shares to satisfy the Dividend Reinvestment Plan (DRP) for the 2022 final ordinary dividend. The market price used to determine the number of shares issued under the DRP will be set over the 10 trading days commencing 23 November 2022, with no discount applied.

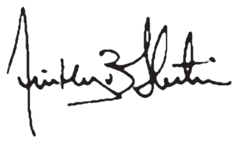
No other matters have arisen since the year ended 30 September 2022, which are not otherwise dealt with in this 2022 report, that have significantly affected or may significantly affect the operations of the Group, the results of its operations or the state of affairs of the Group in subsequent periods.

Statutory statements

4.8 Statement in relation to the audit of the financial statements

PricewaterhouseCoopers has audited the financial statements contained within the Westpac 2022 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 2022 Financial Report” includes financial information extracted from the audited financial statements together with financial information that has not been audited.

Dated at Sydney this 6th day of November 2022 for and on behalf of the Board.



Tim Hartin

Company Secretary

Cash earnings financial information

5.0 Cash earnings financial information

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Cash earnings financial information

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

$m	Half Year Sept 2022	Half Year March 2022	Full Year Sept 2022	Full Year Sept 2021
Group				
Average interest earning assets ($m)	901,786	872,075	886,971	819,456
Net interest income ($m)	8,577	8,028	16,605	16,714
Interest spread	1.80%	1.79%	1.79%	1.96%
Benefit of net non-interest bearing assets, liabilities and equity	0.10%	0.06%	0.08%	0.08%
Net interest margin	1.90%	1.85%	1.87%	2.04%
Analysis by segment				
Average interest earning assets ($m)				
Consumer	425,073	420,302	422,694	411,727
Business	83,492	79,607	81,555	79,115
Westpac Institutional Bank	93,665	82,614	88,155	73,909
Westpac New Zealand (A$)	104,673	105,574	105,123	99,354
Specialist Businesses[1]	12,493	14,067	13,277	15,916
Group Businesses	182,390	169,911	176,167	139,435
Group total	**901,786**	**872,075**	**886,971**	**819,456**
Westpac New Zealand (NZ$)	**115,805**	**111,819**	**113,818**	**105,910**
Net interest income ($m)[2]				
Consumer	4,608	4,377	8,985	9,486
Business	1,704	1,323	3,027	2,987
Westpac Institutional Bank	629	481	1,110	925
Westpac New Zealand (A$)	1,065	1,041	2,106	1,987
Specialist Businesses	232	242	474	494
Group Businesses	339	564	903	835
Group total	**8,577**	**8,028**	**16,605**	**16,714**
Westpac New Zealand (NZ$)	**1,176**	**1,102**	**2,278**	**2,118**
Interest margin				
Consumer	2.16%	2.09%	2.13%	2.30%
Business	4.07%	3.33%	3.71%	3.78%
Westpac Institutional Bank	1.34%	1.17%	1.26%	1.25%
Westpac New Zealand (NZ$)	2.03%	1.98%	2.00%	2.00%
Specialist Businesses	3.70%	3.45%	3.57%	3.10%
Group Businesses	0.37%	0.67%	0.51%	0.60%
Group total	**1.90%**	**1.85%**	**1.87%**	**2.04%**

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

Cash earnings financial information

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

	Half Year Sept 2022			Half Year March 2022		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Cash and balances with central banks and other financial assets[1]	116,785	703	1.2	101,392	50	0.1
Trading securities and other financial assets measured at FVIS	23,426	224	1.9	22,243	123	1.1
Investment securities	77,783	620	1.6	77,779	506	1.3
Loans[1,2]	683,787	11,549	3.4	669,815	9,547	2.9
Assets held for sale	5	-	-	846	6	1.4
Total interest earning assets and interest income	**901,786**	**13,096**	**2.9**	**872,075**	**10,232**	**2.4**
Non-interest earning assets						
Derivative financial instruments	28,479			18,283		
Assets held for sale	1,843			3,048		
All other assets[3]	59,492			64,427		
Total non-interest earning assets	**89,814**			**85,758**		
Total assets	**991,600**			**957,833**		
Liabilities						
Interest bearing liabilities						
Repurchase agreements	39,807	112	0.6	35,740	38	0.2
Deposits and other borrowings	581,038	2,448	0.8	570,842	761	0.3
Loan capital	30,910	586	3.7	30,504	440	2.9
Other interest bearing liabilities[1,4]	167,147	1,373	1.6	149,307	965	1.3
Total interest bearing liabilities and interest expense	**818,902**	**4,519**	**1.1**	**786,393**	**2,204**	**0.6**
Non-interest bearing liabilities						
Deposits and other borrowings	69,082			69,413		
Derivative financial instruments	30,434			19,035		
Liabilities held for sale	590			775		
All other liabilities[5]	3,072			11,087		
Total non-interest bearing liabilities	**103,178**			**100,310**		
Total liabilities	**922,080**			**886,703**		
Shareholders' equity	69,467			71,073		
NCI	53			57		
Total equity	**69,520**			**71,130**		
Total liabilities and equity	**991,600**			**957,833**		
Loans						
Australia	590,429	9,679	3.3	574,439	8,015	2.8
New Zealand	86,989	1,755	4.0	89,021	1,448	3.3
Other overseas	6,369	115	3.6	6,355	84	2.7
Deposits and other borrowings						
Australia	498,319	1,760	0.7	489,642	489	0.2
New Zealand	60,312	522	1.7	61,263	243	0.8
Other overseas	22,407	166	1.5	19,937	29	0.3

1. In Second Half 2022, the presentation of certain average balance sheet items has been revised:
   a. Cash and other financial assets, previously presented as part of "Loans and other receivables", as well as collateral paid, previously presented separately, are now presented as "Cash and balances with central banks and other financial assets";
   b. Loans, previously presented as part of "Loans and other receivables," are now presented separately; and
   c. Collateral received, previously presented separately, is now included in "Other interest bearing liabilities".
   The associated interest income and expense have also been revised. Comparatives have been revised.
2. Loans are net of Stage 3 provision for ECL, where interest income is determined based on their carrying value. Stage 1 and 2 provisions for ECL are not included in the average interest earning assets balance, as interest income is determined based on the gross value of loans.
3. 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.
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 other non-interest bearing liabilities.

Cash earnings financial information

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

	Full Year Sept 2022			Full Year Sept 2021		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Assets						
Interest earning assets						
Cash and balances with central banks and other financial assets[1]	109,109	753	0.7	53,413	48	0.1
Trading securities and other financial assets measured at FVIS	22,836	347	1.5	23,791	192	0.8
Investment securities	77,781	1,126	1.4	87,709	1,200	1.4
Loans[1,2]	676,820	21,096	3.1	650,400	20,756	3.2
Assets held for sale	425	6	1.4	4,143	128	3.1
Total interest earning assets and interest income	**886,971**	**23,328**	**2.6**	**819,456**	**22,324**	**2.7**
Non-interest earning assets						
Derivative financial instruments	23,395			20,305		
Life insurance assets	-			226		
Assets held for sale	2,444			4,590		
All other assets[3]	61,953			61,478		
Total non-interest earning assets	**87,792**			**86,599**		
Total assets	**974,763**			**906,055**		
Liabilities						
Interest bearing liabilities						
Repurchase agreements	37,779	150	0.4	33,586	56	0.2
Deposits and other borrowings	575,954	3,209	0.6	531,351	1,868	0.4
Loan capital	30,708	1,026	3.3	26,594	849	3.2
Other interest bearing liabilities[1,4]	158,251	2,338	1.5	143,470	2,825	2.0
Liabilities held for sale	-	-	-	1,335	12	0.9
Total interest bearing liabilities and interest expense	**802,692**	**6,723**	**0.8**	**736,336**	**5,610**	**0.8**
Non-interest bearing liabilities						
Deposits and other borrowings	69,247			62,025		
Derivative financial instruments	24,750			20,612		
Life insurance liabilities	-			253		
Liabilities held for sale	682			2,728		
All other liabilities[5]	7,069			13,202		
Total non-interest bearing liabilities	**101,748**			**98,820**		
Total liabilities	**904,440**			**835,156**		
Shareholders' equity	70,268			70,849		
NCI	55			50		
Total equity	**70,323**			**70,899**		
Total liabilities and equity	**974,763**			**906,055**		
Loans						
Australia	582,456	17,694	3.0	558,435	17,896	3.2
New Zealand	88,002	3,203	3.6	85,525	2,735	3.2
Other overseas	6,362	199	3.1	6,440	125	1.9
Deposits and other borrowings						
Australia	493,993	2,249	0.5	457,675	1,400	0.3
New Zealand	60,786	765	1.3	60,066	418	0.7
Other overseas	21,175	195	0.9	13,610	50	0.4

1. In Full Year 2022, the presentation of certain average balance sheet items has been revised:
   a. Cash and other financial assets, previously presented as part of "Loans and other receivables", as well as collateral paid, previously presented separately, are now presented as "Cash and balances with central banks and other financial assets";
   b. Loans, previously presented as part of "Loans and other receivables," are now presented separately; and
   c. Collateral received, previously presented separately, is now included in "Other interest bearing liabilities".
   The associated interest income and expense have also been revised. Comparatives have been revised.
2. Loans are net of Stage 3 provision for ECL, where interest income is determined based on their carrying value. Stage 1 and 2 provisions for ECL are not included in the average interest earning assets balance, as interest income is determined based on the gross value of loans.
3. 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.
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 other non-interest bearing liabilities.

Cash earnings financial information

Note 3. Net interest income (cash earnings basis)

$m	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Interest income						
Cash and balances with central banks	637	46	large	683	30	large
Collateral paid	64	4	large	68	16	large
Trading securities and financial assets measured at FVIS	224	123	82	347	192	81
Investment securities	620	506	23	1,126	1,200	(6)
Loans	11,549	9,547	21	21,096	20,756	2
Other financial assets	2	-	-	2	2	-
Assets held for sale	-	6	(100)	6	128	(95)
Total interest income	**13,096**	**10,232**	**28**	**23,328**	**22,324**	**4**
Interest expense						
Collateral received	(60)	(4)	large	(64)	(4)	large
Deposits and other borrowings	(2,448)	(761)	large	(3,209)	(1,868)	72
Trading liabilities[1]	371	165	125	536	(312)	large
Debt Issues	(1,468)	(882)	66	(2,350)	(1,925)	22
Loan capital	(586)	(440)	33	(1,026)	(849)	21
Bank levy	(163)	(177)	(8)	(340)	(392)	(13)
Other interest expense	(165)	(105)	57	(270)	(248)	9
Liabilities held for sale	-	-	-	-	(12)	(100)
Total interest expense	**(4,519)**	**(2,204)**	**105**	**(6,723)**	**(5,610)**	**20**
Net interest income	**8,577**	**8,028**	**7**	**16,605**	**16,714**	**(1)**

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 2022	Half Year Mar 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Net fee income						
Facility fees	342	344	(1)	686	717	(4)
Transactions fees	576	556	4	1,132	993	14
Other non-risk fee income	50	72	(31)	122	-	-
Fee income	**968**	**972**	**-**	**1,940**	**1,710**	**13**
Credit card loyalty programs	(66)	(60)	10	(126)	(101)	25
Transaction fee related expenses	(76)	(67)	13	(143)	(127)	13
Fee expenses	**(142)**	**(127)**	**12**	**(269)**	**(228)**	**18**
Net fee income	**826**	**845**	**(2)**	**1,671**	**1,482**	**13**
Net wealth management and insurance income						
Net wealth management income	**365**	**361**	**1**	**726**	**657**	**11**
Life insurance premium income	314	520	(40)	834	1,077	(23)
General insurance and lenders mortgage insurance (LMI) net premiums earned	-	-	-	-	387	(100)
Life insurance investment and other income	(11)	(129)	(91)	(140)	54	large
General insurance and LMI investment and other income	-	-	-	-	76	(100)
Total insurance premium, investment and other income	**303**	**391**	**(23)**	**694**	**1,594**	**(56)**
Life insurance claims, changes in life insurance liabilities and other expenses	(260)	(351)	(26)	(611)	(767)	(20)
General insurance and LMI claims and other expenses	-	-	-	-	(278)	(100)
Total insurance claims, changes in life insurance liabilities and other expenses	**(260)**	**(351)**	**(26)**	**(611)**	**(1,045)**	**(42)**
Net wealth management and insurance income	**408**	**401**	**2**	**809**	**1,206**	**(33)**
Trading income[1]	**281**	**339**	**(17)**	**620**	**715**	**(13)**
Other Income						
Dividends received from other entities	1	3	(67)	4	4	-
Net gain/(loss) on sale/derecognition of associates	12	13	(8)	25	43	(42)
Net gain/(loss) on disposal of assets	(1)	(2)	(50)	(3)	7	large
Net gain/(loss) on hedging overseas operations	1	(1)	large	-	(8)	(100)
Net gain/(loss) on derivatives held for risk management purposes[2]	7	7	-	14	1	large
Net gain/(loss) on financial instruments measured at fair value	(4)	16	large	12	655	(98)
Net gain/(loss) on disposal of controlled entities and other businesses	(1,112)	289	large	(823)	188	large
Rental income on operating lease	3	2	50	5	13	(62)
Share of associates' net profit/(loss)	(4)	(3)	33	(7)	(6)	17
Other	47	22	114	69	24	188
Total other income	**(1,050)**	**346**	**large**	**(704)**	**921**	**large**
Total non-interest income	**465**	**1,931**	**(76)**	**2,396**	**4,324**	**(45)**

1. 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.
2. 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 2022	Half Year Mar 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Staff expenses						
Employee remuneration, entitlements and on-costs	2,527	2,584	(2)	5,111	5,369	(5)
Superannuation expense	255	278	(8)	533	475	12
Share-based payments	42	46	(9)	88	97	(9)
Restructuring costs	60	74	(19)	134	93	44
Total staff expenses	**2,884**	**2,982**	**(3)**	**5,866**	**6,034**	**(3)**
Occupancy expenses						
Lease expense	91	79	15	170	164	4
Depreciation and impairment of property and equipment	361	254	42	615	927	(34)
Other	60	58	3	118	107	10
Total occupancy expenses	**512**	**391**	**31**	**903**	**1,198**	**(25)**
Technology expenses						
Amortisation and impairment of software assets	318	337	(6)	655	1,240	(47)
Depreciation and impairment of IT equipment	92	85	8	177	260	(32)
Technology services	377	342	10	719	820	(12)
Software maintenance and licences	258	248	4	506	531	(5)
Telecommunications	72	72	-	144	181	(20)
Data processing	40	41	(2)	81	96	(16)
Total technology expenses	**1,157**	**1,125**	**3**	**2,282**	**3,128**	**(27)**
Other expenses						
Professional and processing services	554	460	20	1,014	1,410	(28)
Amortisation and impairment of intangible and deferred expenditure	1	122	(99)	123	599	(79)
Postage and stationery	70	74	(5)	144	156	(8)
Advertising	77	81	(5)	158	220	(28)
Non-lending losses	59	45	31	104	234	(56)
Other	111	86	29	197	304	(35)
Total other expenses	**872**	**868**	**-**	**1,740**	**2,923**	**(40)**
Total operating expenses	**5,425**	**5,366**	**1**	**10,791**	**13,283**	**(19)**

Cash earnings financial information

Note 6. Earnings per share (cash earnings basis)

	Half Year Sept 2022	Half Year March 2022	% Mov't Sept 22 - Mar 22	Full Year Sept 2022	Full Year Sept 2021	% Mov't Sept 22 - Sept 21
Cash earnings ($m)	2,181	3,095	(30)	5,276	5,352	(1)
Weighted average number of fully paid ordinary shares (millions)	3,501	3,626	(3)	3,564	3,657	(3)
Cash earnings per ordinary share (cents)	**62.3**	**85.4**	**(27)**	**148.0**	**146.3**	**1**

Reconciliation of ordinary shares on issue before the effect of own shares held (millions)	Half Year Sept 2022	Half Year March 2022	Full year Sept 2022	Full Year Sept 2021
Balance as at beginning of period	**3,501**	**3,669**	**3,669**	**3,612**
Number of shares bought back	-	(168)	(168)	-
Number of shares issued under the Dividend Reinvestment Plan (DRP)	-	-	-	20
Number of shares issued under the DRP underwrite	-	-	-	37
Balance as at end of period	**3,501**	**3,501**	**3,501**	**3,669**

Cash earnings financial information

Note 7. 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 2022						
Net interest income	**8,873**	**(346)**	**50**	**-**	**-**	**8,577**
Net fee income	826	-	-	-	-	826
Net wealth management and insurance income	407	-	-	-	1	408
Trading income	321	(40)	-	-	-	281
Other income	(1,051)	5	-	(4)	-	(1,050)
Non-interest income	**503**	**(35)**	**-**	**(4)**	**1**	**465**
Net operating income	**9,376**	**(381)**	**50**	**(4)**	**1**	**9,042**
Staff expenses	(2,884)	-	-	-	-	(2,884)
Occupancy expenses	(516)	-	-	4	-	(512)
Technology expenses	(1,157)	-	-	-	-	(1,157)
Other expenses	(872)	-	-	-	-	(872)
Operating expenses	**(5,429)**	**-**	**-**	**4**	**-**	**(5,425)**
Core earnings	**3,947**	**(381)**	**50**	**-**	**1**	**3,617**
Impairment (charges)/benefits	(196)	-	-	-	-	(196)
Profit before income tax expense	**3,751**	**(381)**	**50**	**-**	**1**	**3,421**
Income tax expense	(1,336)	115	(17)	-	(1)	(1,239)
Net profit	**2,415**	**(266)**	**33**	**-**	**-**	**2,182**
Net profit attributable to NCI	(1)	-	-	-	-	(1)
Net profit attributable to owners of WBC	**2,414**	**(266)**	**33**	**-**	**-**	**2,181**
Cash earnings adjustments:						
Fair value (gain)/loss on economic hedges	(266)	266	-	-	-	-
Ineffective hedges	33	-	(33)	-	-	-
Cash earnings	**2,181**	**-**	**-**	**-**	**-**	**2,181**
Half Year March 2022						
Net interest income	**8,288**	**(287)**	**27**	**-**	**-**	**8,028**
Net fee income	845	-	-	-	-	845
Net wealth management and insurance income	401	-	-	-	-	401
Trading income	343	(4)	-	-	-	339
Other income	353	-	-	(7)	-	346
Non-interest income	**1,942**	**(4)**	**-**	**(7)**	**-**	**1,931**
Net operating income	**10,230**	**(291)**	**27**	**(7)**	**-**	**9,959**
Staff expenses	(2,982)	-	-	-	-	(2,982)
Occupancy expenses	(398)	-	-	7	-	(391)
Technology expenses	(1,125)	-	-	-	-	(1,125)
Other expenses	(868)	-	-	-	-	(868)
Operating expenses	**(5,373)**	**-**	**-**	**7**	**-**	**(5,366)**
Core earnings	**4,857**	**(291)**	**27**	**-**	**-**	**4,593**
Impairment (charges)/benefits	(139)	-	-	-	-	(139)
Profit before income tax expense	**4,718**	**(291)**	**27**	**-**	**-**	**4,454**
Income tax expense	(1,434)	87	(8)	-	-	(1,355)
Net profit	**3,284**	**(204)**	**19**	**-**	**-**	**3,099**
Net profit attributable to NCI	(4)	-	-	-	-	(4)
Net profit attributable to owners of WBC	**3,280**	**(204)**	**19**	**-**	**-**	**3,095**
Cash earnings adjustments:			**-**	**-**	**-**	**-**
Fair value (gain)/loss on economic hedges	(204)	204	-	-	-	-
Ineffective hedges	19	-	(19)	-	-	-
Cash earnings	**3,095**	**-**	**-**	**-**	**-**	**3,095**

Cash earnings financial information

Note 7. Group earnings reconciliation (continued)

$m	Reported results	Fair value (gain)/loss on economic hedges	Ineffective hedges	Operating leases	Policyholder tax recoveries	Cash earnings
Full Year Sept 2022						
Net interest income	**17,161**	**(633)**	**77**	**-**	**-**	**16,605**
Net fee income	1,671	-	-	-	-	1,671
Net wealth management and insurance income	808	-	-	-	1	809
Trading income	664	(44)	-	-	-	620
Other income	(698)	5	-	(11)	-	(704)
Non-interest income	**2,445**	**(39)**	**-**	**(11)**	**1**	**2,396**
Net operating income	**19,606**	**(672)**	**77**	**(11)**	**1**	**19,001**
Staff expenses	(5,866)	-	-	-	-	(5,866)
Occupancy expenses	(914)	-	-	11	-	(903)
Technology expenses	(2,282)	-	-	-	-	(2,282)
Other expenses	(1,740)	-	-	-	-	(1,740)
Operating expenses	**(10,802)**	**-**	**-**	**11**	**-**	**(10,791)**
Core earnings	**8,804**	**(672)**	**77**	**-**	**1**	**8,210**
Impairment (charges)/benefits	(335)	-	-	-	-	(335)
Profit before income tax expense	**8,469**	**(672)**	**77**	**-**	**1**	**7,875**
Income tax expense	(2,770)	202	(25)	-	(1)	(2,594)
Net profit	**5,699**	**(470)**	**52**	**-**	**-**	**5,281**
Net profit attributable to NCI	(5)	-	-	-	-	(5)
Net profit attributable to owners of WBC	**5,694**	**(470)**	**52**	**-**	**-**	**5,276**
Cash earnings adjustments:						
Fair value (gain)/loss on economic hedges	(470)	470	-	-	-	-
Ineffective hedges	52	-	(52)	-	-	-
Cash earnings	**5,276**	**-**	**-**	**-**	**-**	**5,276**
Full Year Sept 2021						
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. Cash earnings contribution of businesses settled and held for sale

In Full Year 2022, Westpac announced additional business sales and completed three sales. 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 sold. Businesses in these disclosures were either "held for sale" at 30 September 2022 or sold during Full Year 2022.

For the businesses that were sold, earnings attributed to each business reflect its contribution up to the sale date, while balance sheet data is at completion date. The following businesses were sold in Full Year 2022:

- Motor vehicle dealer finance and novated leasing was transferred on 20 December 2021. Final completion of the sales transaction occurred on 24 March 2022.
- Westpac Life-NZ- Limited occurred on 28 February 2022.
- Westpac Life Insurance Services Limited occurred on 1 August 2022.

The following business is held for sale as at 30 September 2022:

- Advance Asset Management Limited (sale announced 26 May 2022) and BT Superannuation successor fund transfer (announced 26 May 2022).

Cash earnings financial information

Note 8. Cash earnings contribution of businesses settled and held for sale (continued)

Businesses sold

$m	Westpac Life Insurance Ltd.	Westpac Life-NZ-Limited (A$)	Motor Vehicle Finance and Novated Leasing	Westpac General Insurance Ltd	Westpac Lenders Mortgage Insurance	Westpac Vendor Finance	Contribution of businesses sold	Westpac Life-NZ-Limited (NZ$)
Half Year Sept 2022								
Net interest income	-	-	-	-	-	-	-	-
Non-interest income	45	-	-	-	-	-	45	-
Operating expenses	(10)	-	-	-	-	-	(10)	-
Impairment charges	-	-	-	-	-	-	-	-
Income tax expense and NCI	(19)	-	-	-	-	-	(19)	-
Cash earnings excluding notable items	**16**	**-**	**-**	**-**	**-**	**-**	**16**	**-**
Subtract notable items	7	-	-	-	-	-	7	-
Cash earnings	**23**	**-**	**-**	**-**	**-**	**-**	23	-
Half Year March 2022								
Net interest income	-	-	6	-	-	-	6	-
Non-interest income	62	28	-	-	-	-	90	30
Operating expenses	(13)	(3)	(6)	-	-	-	(22)	(3)
Impairment charges	-	-	7	-	-	-	7	-
Income tax expense and NCI	(15)	(7)	(2)	-	-	-	(24)	(8)
Cash earnings excluding notable items	**34**	**18**	**5**	**-**	**-**	**-**	**57**	**19**
Subtract notable items	(34)	-	-	-	-	-	(34)	-
Cash earnings	**-**	**18**	**5**	**-**	**-**	**-**	**23**	**19**
Full Year Sept 2022								
Net interest income	-	-	6	-	-	-	6	-
Non-interest income	107	28	-	-	-	-	135	30
Operating expenses	(23)	(3)	(6)	-	-	-	(32)	(3)
Impairment charges	-	-	7	-	-	-	7	-
Income tax expense and NCI	(34)	(7)	(2)	-	-	-	(43)	(8)
Cash earnings excluding notable items	**50**	**18**	**5**	**-**	**-**	**-**	**73**	**19**
Subtract notable items	(27)	-	-	-	-	-	(27)	-
Cash earnings	**23**	**18**	**5**	**-**	**-**	**-**	**46**	**19**
Full Year Sept 2021								
Net interest income	-	-	25	-	-	14	39	-
Non-interest income	331	58	-	80	109	3	581	62
Operating expenses	(56)	(4)	(30)	(7)	(8)	-	(105)	(4)
Impairment charges	-	-	29	-	-	-	29	-
Income tax expense and NCI	(73)	(15)	(7)	(25)	(30)	(5)	(155)	(15)
Cash earnings excluding notable items	**202**	**39**	**17**	**48**	**71**	**12**	**389**	**43**
Subtract notable items	(1)	-	-	-	-	-	(1)	-
Cash earnings	**201**	**39**	**17**	**48**	**71**	**12**	**388**	**43**

Cash earnings financial information

Note 8. Cash earnings contribution of businesses settled and held for sale (continued)

$bn	Westpac Life Insurance Ltd.	Westpac Life-NZ-Limited (A$)	Motor Vehicle Finance and Novated Leasing	Westpac General Insurance Ltd	Westpac Lenders Mortgage Insurance	Westpac Vendor Finance	Contribution of businesses sold	Westpac Life-NZ-Limited (NZ$)
As at 30 Sept 2022[1]								
Total net loans	-	-	-	-	-	-	-	-
Total assets	2.6	-	-	-	-	-	2.6	-
Risk weighted assets	-	-	-	-	-	-	-	-
Average interest-earning assets	-	-	-	-	-	-	-	-
As at 31 March 2022[1]								
Total net loans	-	-	1.0	-	-	-	1.0	-
Total assets	2.7	0.2	1.0	-	-	-	3.9	0.2
Risk weighted assets	-	-	0.8	-	-	-	0.8	-
Average interest-earning assets	-	-	0.8	-	-	-	0.8	-
As at 30 Sept 2021[1]								
Total net loans	-	-	1.0	-	-	0.4	1.4	-
Total assets	2.9	0.2	1.0	1.1	0.5	0.4	6.1	0.3
Risk weighted assets	-	-	1.1	-	-	0.5	1.6	-
Average interest-earning assets	-	-	1.0	0.1	-	0.5	1.6	-

1. Balances as at settlement (or completion) date.

Cash earnings financial information

Note 8. Cash earnings contribution of businesses settled and held for sale (continued)

Businesses held for sale as at 30 September 2022

$m	BT Personal and Corporate Super	Advance Asset Management	Contribution of businesses held for sale
Half Year Sept 2022			
Net interest income	-	-	-
Non-interest income	84	38	122
Operating expenses	(30)	(9)	(39)
Impairment charges	-	-	-
Income tax expense and NCI	(16)	(9)	(25)
Cash earnings excluding notable items	**38**	**20**	**58**
Subtract notable items	**-**	**-**	**-**
Cash earnings	**38**	**20**	**58**
Half Year March 2022			
Net interest income	-	-	-
Non-interest income	93	42	135
Operating expenses	(47)	(9)	(56)
Impairment charges	-	-	-
Income tax expense and NCI	(14)	(10)	(24)
Cash earnings excluding notable items	**32**	**23**	**55**
Subtract notable items	**-**	**-**	**-**
Cash earnings	**32**	**23**	**55**
Full Year Sept 2022			
Net interest income	-	-	-
Non-interest income	177	80	257
Operating expenses	(77)	(18)	(95)
Impairment charges	-	-	-
Income tax expense and NCI	(30)	(19)	(49)
Cash earnings excluding notable items	**70**	**43**	**113**
Subtract notable items	**-**	**-**	**-**
Cash earnings	**70**	**43**	**113**
Full Year Sept 2021			
Net interest income	-	-	-
Non-interest income	196	83	279
Operating expenses	(116)	(20)	(136)
Impairment charges	-	-	-
Income tax expense and NCI	(24)	(19)	(43)
Cash earnings excluding notable items	**56**	**44**	**100**
Subtract notable items	**-**	**-**	**-**
Cash earnings	**56**	**44**	**100**

Cash earnings financial information

Note 9. Impact of notable items on cash earnings

$m	Refunds, payments, costs, and litigation	Write-down of assets and accelerated branch closure costs	Asset sales and revaluations	Total
Half Year Sept 2022				
Net interest income	**(8)**	**-**	**-**	**(8)**
Net fee income	(1)	-	-	(1)
Net wealth management and insurance income	(8)	-	-	(8)
Trading income	-	-	-	-
Other income	-	-	(1,112)	(1,112)
Non-interest income	**(9)**	**-**	**(1,112)**	**(1,121)**
Net operating income	**(17)**	**-**	**(1,112)**	**(1,129)**
Staff expenses	(8)	(39)	(42)	(89)
Occupancy expenses	-	(126)	-	(126)
Technology expenses	-	(17)	(35)	(52)
Other expenses	(72)	(2)	(49)	(123)
Operating expenses	**(80)**	**(184)**	**(126)**	**(390)**
Core earnings	**(97)**	**(184)**	**(1,238)**	**(1,519)**
Income tax (expense)/benefit and NCI	29	55	149	233
Cash earnings	**(68)**	**(129)**	**(1,089)**	**(1,286)**
Half Year March 2022				
Net interest income	**7**	**-**	**-**	**7**
Net fee income	-	-	-	-
Net wealth management and insurance income	(43)	-	-	(43)
Trading income	-	-	-	-
Other income	-	-	271	271
Non-interest income	**(43)**	**-**	**271**	**228**
Net operating income	**(36)**	**-**	**271**	**235**
Staff expenses	(10)	-	(9)	(19)
Occupancy expenses	-	-	-	-
Technology expenses	-	(45)	-	(45)
Other expenses	(36)	(122)	(9)	(167)
Operating expenses	**(46)**	**(167)**	**(18)**	**(231)**
Core earnings	**(82)**	**(167)**	**253**	**4**
Income tax (expense)/benefit and NCI	17	13	(40)	(10)
Cash earnings	**(65)**	**(154)**	**213**	**(6)**

Cash earnings financial information

Note 9. Impact of notable items on cash earnings (continued)

$m	Refunds, payments, costs, and litigation	Write-down of assets and accelerated branch closure costs	Asset sales and revaluations	Total
Full Year Sept 2022				
Net interest income	**(1)**	**-**	**-**	**(1)**
Net fee income	(1)	-	-	(1)
Net wealth management and insurance income	(51)	-	-	(51)
Trading income	-	-	-	-
Other income	-	-	(841)	(841)
Non-interest income	**(52)**	**-**	**(841)**	**(893)**
Net operating income	**(53)**	**-**	**(841)**	**(894)**
Staff expenses	(18)	(39)	(51)	(108)
Occupancy expenses	-	(126)	-	(126)
Technology expenses	-	(62)	(35)	(97)
Other expenses	(108)	(124)	(58)	(290)
Operating expenses	**(126)**	**(351)**	**(144)**	**(621)**
Core earnings	**(179)**	**(351)**	**(985)**	**(1,515)**
Income tax (expense)/benefit and NCI	46	68	109	223
Cash earnings	**(133)**	**(283)**	**(876)**	**(1,292)**
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)**

Other information

6.0 Other information

6.1 Disclosure regarding forward-looking statements

This 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 that are not historical facts. Forward-looking statements appear in a number of places in this Results Announcement and include statements regarding our intent, belief or current expectations with respect to our business and operations, macro and micro economic and market conditions, results of operations and financial condition, capital adequacy and risk management, including, without limitation, future loan loss provisions and financial support to certain borrowers, forecasted economic indicators and performance metric outcomes, indicative drivers, climate- and other sustainability-related statements, commitments, targets, projections and metrics, and other estimated and proxy data.

Words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', 'believe', 'probability', 'indicative', 'risk', 'aim', 'outlook', 'forecast', 'assumption', 'projection', 'target', 'goal', 'guidance', 'ambition' or other similar words, are used to identify forward-looking statements. These statements reflect our current views on future events and are subject to change, certain known and unknown risks, uncertainties and assumptions and other factors which are, in many instances, beyond our control (and the control of our officers, employees, agents, and advisors), and have been made based on management's expectations or beliefs concerning future developments and their potential effect upon Westpac.

Forward-looking statements may also be made, verbally or in writing, by members of Westpac's management or Board in connection with this Results Announcement. Such statements are subject to the same limitations, uncertainties, assumptions and disclaimers set out in this document.

There can be no assurance that future developments or performance will align with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those we expect or which are expressed or implied in forward-looking statements, depending on various factors including, but not limited to:

- information security breaches, including cyber attacks
- the effect of, and changes in, laws, regulations, taxation or accounting standards or practices, and government and central bank monetary policies, 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 from our actual or alleged failure to comply with laws, regulations or regulatory policy
- the effectiveness of our risk management practices, including our policies, processes, systems and employees
- changes to the external business environment, including geopolitical, social or environmental risks, events or changes in countries in which Westpac or its customers or counterparties operate
- climate-related risks (including physical and transition risks) that may arise from initiatives and trends associated with climate change mitigation (including Westpac's ambition to become a net-zero, climate resilient bank)
- the failure to comply with financial crime obligations, which has had, and could further have, adverse effects on our business and reputation
- internal and external events which may adversely impact our reputation
- reliability and security of Westpac's technology and risks associated with changes to technology systems
- litigation and other legal proceedings and regulator investigations and enforcement actions
- the stability of financial systems and disruptions to financial markets and any losses or business impacts we or our customers or counterparties may experience
- market volatility, including uncertain conditions in funding, equity and asset markets
- the incidence of inadequate capital levels under stressed conditions
- changes in economic conditions, consumer spending, saving and borrowing habits in Australia, New Zealand and other countries in which we or our customers or counterparties operate and our ability to maintain or to increase market share, margins and fees, and control expenses
- adverse asset, credit or capital market conditions or an increase in defaults, impairments and provisioning because of a deterioration in economic conditions
- sovereign risks, including the risk that governments will default on their debt obligations, fail to perform contractual obligations, or be unable to refinance their debts
- changes to Westpac's credit ratings or the methodology used by credit rating agencies
- the effects of competition in the areas in which we operate
- operational risks resulting from ineffective processes and controls
- levels of inflation, interest rates, exchange rates and market and monetary fluctuations and volatility
- poor data quality, data availability or data retention

Other information

- strategic decisions including diversification, innovation, divestment, acquisitions, expansion activity and integration
- changes to our critical accounting estimates and judgements and changes to the value of our intangible assets
- 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 2022 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.

Except as required by law, we assume no obligation to revise or update any forward-looking statements in this Results Announcement, whether from new information, future events, conditions, or otherwise, after the date of this Results Announcement.

Further important information regarding climate change and sustainability-related statements

This Results Announcement contains forward-looking statements and other representations relating to environment, social and governance (ESG) topics, including but not limited to climate change, net-zero, climate resilience, natural capital, emissions intensity and other sustainability related statements, commitments, targets, projections, scenarios, risk and opportunity assessments, pathways, forecasts, estimated projections and other proxy data. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics and modelling on which these statements rely.

In particular, the metrics, methodologies and data relating to climate and sustainability are rapidly evolving and maturing, including variations in approaches and common standards in estimating and calculating emissions, and uncertainty around future climate- and sustainability-related policy and legislation. There are inherent limits in the current scientific understanding of climate change and its impacts. Some material contained in this Results Announcement may include information including, without limitation, methodologies, modelling, scenarios, reports, benchmarks, tools and data, derived from publicly available or government or industry sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of such information. There is a risk that the estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes, including the ability to meet commitments and targets, to differ materially from those expressed or implied in this Results Announcement. The climate- and sustainability-related forward-looking statements made in this Results Announcement are not guarantees or predictions of future performance and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of these statements), nor guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. Westpac will continue to review and develop its approach to ESG as this subject area matures.

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 64 cents per share, to be paid on 20 December 2022 to shareholders on the register at the record date of 18 November 2022. The 2022 final dividend represents a payout ratio on a cash earnings basis of 102.73%. In addition to being fully franked, the dividend will also carry NZ$0.08 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 2022 final dividend only.

Shareholders who wish to commence participation in the DRP, or to vary their current participation election, must do so by 5.00pm (Sydney time) on 21 November 2022.

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 2022.

Other information

6.5 Information on related entities

a. Changes in control of Group entities

During the twelve months ended 30 September 2022 the following controlled entities were acquired, formed, or incorporated:

- MoneyBrilliant Pty Ltd (acquired 13 December 2021)
- BT Financial Group Holdings Pty Ltd (incorporated 5 April 2022)
- Series 2022-1P WST Trust (formed 10 May 2022)
- BT Financial Group Resources Pty Ltd (incorporated 3 June 2022)
- Capital Finance (NZ) Pty Limited (reinstated 3 August 2022 following deregistration on 10 November 2021)

During the twelve months ended 30 September 2022 the following controlled entities ceased to be controlled:

- Capital Finance (NZ) Pty Limited (deregistered 10 November 2021)
- Capital Fleetlease Pty Limited (deregistered 10 November 2021)
- Capital Rent Group Pty Limited (deregistered 10 November 2021)
- SIE-LEASE (Australia) Pty Limited (deregistered 10 November 2021)
- Westpac Custodian Nominees Pty Limited (deregistered 26 December 2021)
- Series 2012-1 WST Trust (terminated 1 January 2022)
- St George Commercial Credit Corporation Pty Limited (deregistered 23 January 2022)
- EQR Securities Pty Limited (deregistered 10 February 2022)
- Westpac NZ-Life- Limited (sold 28 February 2022)
- St. George Equity Finance Pty Limited (deregistered 28 March 2022)
- Capital Motor Finance Pty Limited (deregistered 15 May 2022)
- Westpac Life Insurance Services Limited (sold 1 August 2022)
- Westpac Financial Consultants Pty Limited (deregistered 5 September 2022)
- BT Australia Pty Limited (deregistered 5 September 2022)
- Capital Corporate Finance Pty Limited (deregistered 10 September 2022)

b. Associates

As at 30 September 2022	Ownership Interest Held (%)
Akahu Technologies Ltd	31.87%
Hey You Pty Ltd (Formerly Beat The Q Holdings Pty Ltd)	21.75%
mx51 Group Pty Ltd	20.99%
OpenAgent Pty Ltd	22.55%

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). Westpac Capital Notes 5, Westpac Capital Notes 6, Westpac Capital Notes 7, Westpac Capital Notes 8 and Westpac Capital Notes 9 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)

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
Financial Half Year end	31 March 2023
Interim results and dividend announcement	8 May 2023
Ex-dividend date for interim dividend	11 May 2023
Record date for interim dividend	12 May 2023
Interim dividend payable	27 June 2023
Financial Year end	30 September 2023
Closing date for receipt of director nominations before Annual General Meeting	26 October 2023
Final results and dividend announcement	6 November 2023
Ex-dividend date for final dividend	9 November 2023
Record date for final dividend	10 November 2023
Annual General Meeting	14 December 2023[1]
Final dividend payable	19 December 2023

Westpac Capital Notes 5 (ASX code: WBCPH)

Ex-date for quarterly distribution	13 December 2022
Record date for quarterly distribution	14 December 2022
Payment date for quarterly distribution	22 December 2022
Ex-date for quarterly distribution	13 March 2023
Record date for quarterly distribution	14 March 2023
Payment date for quarterly distribution	22 March 2023
Ex-date for quarterly distribution	13 June 2023
Record date for quarterly distribution	14 June 2023
Payment date for quarterly distribution	22 June 2023
Ex-date for quarterly distribution	13 September 2023
Record date for quarterly distribution	14 September 2023
Payment date for quarterly distribution	22 September 2023
Ex-date for quarterly distribution	13 December 2023
Record date for quarterly distribution	14 December 2023
Payment date for quarterly distribution	22 December 2023

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 6 (ASX code: WBCPI)

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]
Ex-date for quarterly distribution	9 March 2023
Record date for quarterly distribution	10 March 2023
Payment date for quarterly distribution	20 March 2023[2]
Ex-date for quarterly distribution	8 June 2023
Record date for quarterly distribution	9 June 2023[1]
Payment date for quarterly distribution	19 June 2023[2]
Ex-date for quarterly distribution	7 September 2023
Record date for quarterly distribution	8 September 2023[1]
Payment date for quarterly distribution	18 September 2023
Ex-date for quarterly distribution	7 December 2023
Record date for quarterly distribution	8 December 2023[1]
Payment date for quarterly distribution	18 December 2023

Westpac Capital Notes 7 (ASX code: WBCPJ)

Ex-date for quarterly distribution	13 December 2022
Record date for quarterly distribution	14 December 2022
Payment date for quarterly distribution	22 December 2022
Ex-date for quarterly distribution	13 March 2023
Record date for quarterly distribution	14 March 2023
Payment date for quarterly distribution	22 March 2023
Ex-date for quarterly distribution	13 June 2023
Record date for quarterly distribution	14 June 2023
Payment date for quarterly distribution	22 June 2023
Ex-date for quarterly distribution	13 September 2023
Record date for quarterly distribution	14 September 2023
Payment date for quarterly distribution	22 September 2023
Ex-date for quarterly distribution	13 December 2023
Record date for quarterly distribution	14 December 2023
Payment date for quarterly distribution	22 December 2023

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 8 (ASX code: WBCPK)

Ex-date for quarterly distribution	12 December 2022
Record date for quarterly distribution	13 December 2022
Payment date for quarterly distribution	21 December 2022
Ex-date for quarterly distribution	10 March 2023
Record date for quarterly distribution	13 March 2023
Payment date for quarterly distribution	21 March 2023
Ex-date for quarterly distribution	9 June 2023
Record date for quarterly distribution	13 June 2023
Payment date for quarterly distribution	21 June 2023
Ex-date for quarterly distribution	12 September 2023
Record date for quarterly distribution	13 September 2023
Payment date for quarterly distribution	21 September 2023
Ex-date for quarterly distribution	12 December 2023
Record date for quarterly distribution	13 December 2023
Payment date for quarterly distribution	21 December 2023

Westpac Capital Notes 9 (ASX code: WBCPL)

Ex-date for quarterly distribution	13 December 2022
Record date for quarterly distribution	14 December 2022
Payment date for quarterly distribution	22 December 2022
Ex-date for quarterly distribution	13 March 2023
Record date for quarterly distribution	14 March 2023
Payment date for quarterly distribution	22 March 2023
Ex-date for quarterly distribution	13 June 2023
Record date for quarterly distribution	14 June 2023
Payment date for quarterly distribution	22 June 2023
Ex-date for quarterly distribution	13 September 2023
Record date for quarterly distribution	14 September 2023
Payment date for quarterly distribution	22 September 2023
Ex-date for quarterly distribution	13 December 2023
Record date for quarterly distribution	14 December 2023
Payment date for quarterly distribution	22 December 2023

Other information

Registered Office

Level 18

275 Kent Street

Sydney NSW 2000

Australia

Telephone: +61 2 9155 7713

Facsimile: +61 2 8253 4128

International: +61 2 9155 7700

Website: www.westpac.com.au/westpacgroup

Share Registries

Australia

Ordinary shares on the main register,

Westpac Capital Notes 5,

Westpac Capital Notes 6,

Westpac Capital Notes 7,

Westpac Capital Notes 8, and

Westpac Capital Notes 9

Link Market Services Limited

Level 12, 680 George Street
Sydney NSW 2000 Australia

Postal Address:
Locked Bag A6015,
Sydney South NSW 1235, Australia

Website: 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 11,
80 Queen Street
Auckland 1010 New Zealand

Postal Address:
P.O. Box 91976,
Auckland 1142, New Zealand

Website: linkmarketservices.co.nz

Email: enquiries@linkmarketservices.co.nz

Telephone: 0800 002 727 (toll free in New Zealand)

International: +64 9 375 5998

Facsimile: +64 9 375 5990

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Other information

6.7 Exchange rates

6.7.1 Exchange rates against A$

Six months to/as at	30 Sept 2022		31 March 2022		30 Sept 2021	
Currency	Average	Spot	Average	Spot	Average	Spot
US$	0.6989	0.6490	0.7262	0.7480	0.7522	0.7204
GBP	0.5748	0.5841	0.5401	0.5704	0.5418	0.5359
NZ$	1.1067	1.1355	1.0593	1.0759	1.0626	1.0477

Twelve months to/as at	30 Sept 2022		30 Sept 2021	
Currency	Average	Spot	Average	Spot
US$	0.7125	0.6490	0.7519	0.7204
GBP	0.5575	0.5841	0.5493	0.5359
NZ$	1.0831	1.1355	1.0662	1.0477

6.7.2 Impact of exchange rate movements on Group results

	Half Year Sept 2022 vs Half Year March 2022			Full Year Sept 2022 vs Full Year Sept 2021		
	Cash earnings growth	FX Impact $m	Growth ex-FX	Cash earnings growth	FX Impact $m	Growth ex-FX
Net interest income	**7%**	**(47)**	**7%**	**(1%)**	**(28)**	**(1%)**
Non-interest income	(76%)	(10)	(75%)	(45%)	5	(45%)
Net operating income	**(9%)**	**(56)**	**(9%)**	**(10%)**	**(24)**	**(10%)**
Operating expenses	1%	25	2%	(19%)	16	(19%)
Core earnings	**(21%)**	**(31)**	**(21%)**	**6%**	**(8)**	**6%**
Impairment charges	41%	(1)	40%	(157%)	-	(157%)
Operating profit before income tax	**(23%)**	**(32)**	**(23%)**	**(6%)**	**(9)**	**(6%)**
Income tax expense	(9%)	9	(8%)	(13%)	10	(13%)
Net profit	**(30%)**	**(23)**	**(29%)**	**(1%)**	**1**	**(1%)**
Profit attributable to NCI	(75%)	-	(75%)	-	-	-
Cash earnings	**(30%)**	**(23)**	**(29%)**	**(1%)**	**1**	**(1%)**

6.7.3 Exchange rate risk on future NZ$ earnings – average hedge rates – ASX and USPA

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. NZ Future Earnings hedges are only implemented when AUD/NZD is trading at the low end of the range or is expected to move higher over the next 6 months. This has not been the case since March 2022, and therefore the last deal was closed out in April 2022. As at 30 September 2022, Westpac has no Future Earnings hedges in place. There are no open contracts and all NZFEH have been closed out.

Glossary

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.
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.
Segment margin	Net interest income (including capital benefit) for a division as a percentage of the average interest earning assets for that division.

Glossary

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.
Risk weighted assets (RWA)	Assets (both on and off-balance sheet) are risk weighted according to each asset's inherent potential for default and what the likely losses would be in case of default. In the case of non-asset backed risks (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.

Glossary

Credit quality (cont'd)	
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.
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 terms and conditions of the original contract have been formally modified to provide for concessions not normally available commercially, for reasons relating to the customer's financial difficulty; • 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.

Glossary

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.
First Half 2021	Six months ended 31 March 2021.
First Half 2022	Six months ended 31 March 2022.
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. Using a 11 point numerical scale where 10 is 'Extremely likely' and 0 is 'Extremely unlikely', Net Promoter Score is calculated by subtracting the percentage of Detractors (0-6) from the percentage of Promoters (9-10)
Prior half / Prior period	Refers to the six months ended 31 March 2022.
Run-off	Scheduled and unscheduled repayments and debt repayments (from for example property sales and external refinancing), net of redraws.
Second Half 2022	Six months ended 30 September 2022.
Segment reporting	Segment results are presented on a management reporting basis. Internal charges and transfer pricing adjustments are included in the performance of each segment 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.
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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