ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

8 May 2023

Westpac 2023 Half Year Result – Media Release

Westpac Banking Corporation (“Westpac”) today provides the attached Media Release – Westpac 2023 Half Year Result.

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

ASX ANNOUNCEMENT
1H23 RESULT

Westpac GROUP

8 MAY 2023

FINANCIAL HIGHLIGHTS

$4,001m Net profit[1], up 22% on 1H22	**11.3%** ROE, up 205 bps on 1H22
70c Dividend per share, fully franked up 15% on 1H22	**12.3%** CET1 capital ratio, up 95 bps on 1H22

GOOD RESULT: WELL POSITIONED FOR THE FUTURE

Peter King, Chief Executive Officer

1H23 result overview

Our first half result reflects the progress we've made in becoming a simpler, stronger bank. Disciplined cost and margin management has lifted our return on equity and allowed us to increase dividends to 70 cents per share.

We've grown in a disciplined way in mortgages, performed well in business and institutional banking and stayed the course on risk management and simplification.

We've further strengthened our balance sheet with a CET1 ratio of 12.3% and funding and liquidity ratios well above regulatory requirements. Our credit quality remains sound with little change in the level of stressed assets, however we boosted credit impairment provisions this half reflecting the forecast tougher economic outlook.

Our balance sheet strength sees us well positioned to support customers to grow and navigate any future economic challenges. Many customers are adjusting to repayment increases and we're ready to help those who need time to transition.

New strategic phase

We're now entering a new strategic phase, repositioning the Group's priorities to focus on the future. This includes placing customer care at the heart, being easy to do business with, providing expert solutions and tools, and advocating for positive change.

This half we've completed the exit of another two businesses, we've recently opened our 50th co-located branch and we're seeing the benefits of our investment in risk management as we continue our Customer Outcomes and Risk Excellence (CORE) program.

[1] Also referred to as statutory profit, net profit attributable to owners of WBC or net profit after tax.

The progress we have made sees us in a position to increase our growth aspirations over time in key markets such as business lending, while managing downside economic scenarios.

Despite high inflation and continued regulatory demands, we've reduced our cost base further and brought our expense to income ratio down to 45.9%. This is a good achievement and reflects more than $1 billion in savings since FY20. In future, we'll shift our focus from an absolute expense target to improving the expense to income ratio relative to peers. We're making this change due to expected continuing inflation pressure, ongoing and new risk and regulatory requirements, and our focus on growth.

Outlook

It's been one year since the RBA announced the first rate rise of the current tightening cycle. This has been difficult for many customers and more are calling us to discuss their situation. The bank is in a good position to help.

At a macro level, our loan portfolios remain healthy. Most mortgage customers are ahead on repayments. Offset balances were little changed and mortgage delinquency levels are low.

Interest rates are now closer to their forecast peak, but we are focused on how long they stay high and what this means for household budgets and discretionary spending. We expect to see more stress in the period ahead, particularly in small business.

While the Australian economy remains resilient with low unemployment and high population growth, it is expected to slow over the remainder of 2023. Credit growth – both housing and business – will ease. Intense mortgage competition is expected to negatively impact industry and Westpac's margins in the next half.

Westpac enters this environment from a position of strength. We've set the balance sheet for the tougher outlook. We continue to run the bank conservatively, with the flexibility to support growth and handle the more challenging conditions.

OPERATING PERFORMANCE

1.96%
Group NIM,
up 5 bps on 1H22
flat on 2H22

1.90%
Core NIM,
up 20 bps on 1H22
up 10 bps on 2H22

7% ↓
Operating expenses

- **Group net interest margin (NIM) was up 5 basis points to 1.96%.** Core NIM (excluding Notable Items, Treasury and Markets) expanded by 20 basis points to 1.90%. While NIM rose it still remains lower than historic levels. Notable Items reduced NIM by 8 basis points while the Treasury and Markets outcome reduced NIM by 7 basis points.
- **Net interest income increased 10% to $9,113 million.** This reflects the increase in NIM and a 7% increase in average interest-earning assets. Growth was driven by owner-occupied mortgages, and business loans in Business Bank and WIB.
- **Non-interest income was 3% lower.** Excluding Notable Items and the impact of businesses sold, non-interest income increased 3% mostly from higher financial markets income.
- **Operating expenses of $4,988 million were 7% lower from 1H22.** This was partly driven by businesses sold. Operating expenses, excluding Notable Items and the impact of businesses sold, were down 1% on 1H22 due to benefits of the simpler organisational structure, reduced use of third-party service providers and lower remediation costs. We absorbed inflationary pressures on wages and third-party vendor costs.

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STRONG BALANCE SHEET

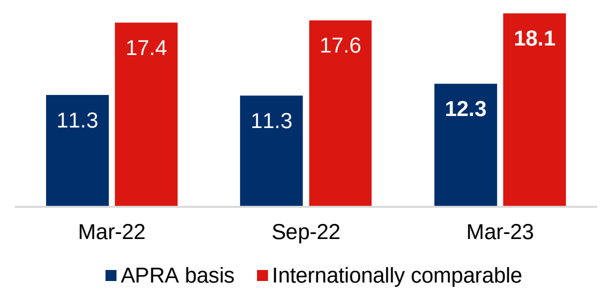
Capital

Our CET1 capital ratio of 12.3% was above our CET1 capital target range of 11.0% to 11.5%. This result is approximately $3.6 billion of capital above the top end of the target range.

Funding and liquidity

Our quarterly average liquidity coverage ratio (LCR) was 135% and net stable funding ratio (NSFR) was 119%, both well above regulatory minimums. Customer deposit growth supported most of our funding requirements this half, with our deposit to loan ratio ending at 83.7%. The Group maintained access to global capital markets, raising $20 billion of new long-term wholesale funding.

CET1 capital ratio (%)



135%
LCR

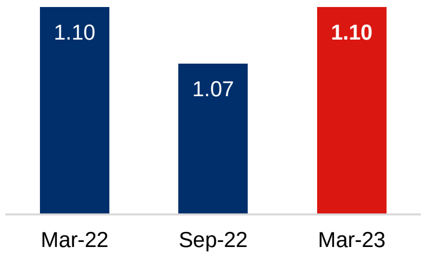
119%
NSFR

Both well above regulatory minimums

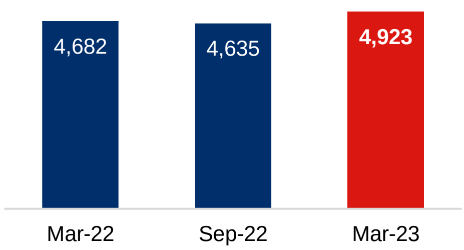
CREDIT QUALITY

- **Credit impairment charges** were $390 million or 10 basis points of average loans, compared to 4 basis points of average loans in 1H22. The charge was driven by higher Collectively Assessed Provisions (CAP) as we reflected the softer economic forecasts in our provisioning and some increases in early stage stress.
- **Stressed exposures to TCE** were unchanged compared to 1H22, with the small increase from 2H22 reflecting a methodology change. Australian mortgage 90-day delinquencies were 0.68%, down from 0.82% in 1H22.
- **Impairment provisions** were up 5% due to higher CAP.

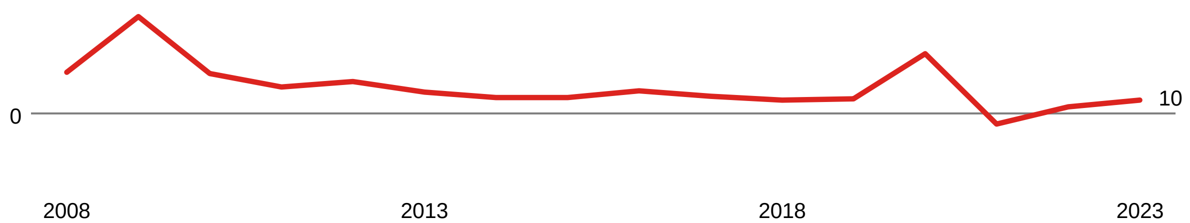
Stressed exposures as a % of TCE



Impairment provisions ($m)



Impairment charges to average loans (bps)



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IMPROVED SHAREHOLDER RETURNS

Dividend

Our strengthened capital position and good financial performance supported increased returns to shareholders.

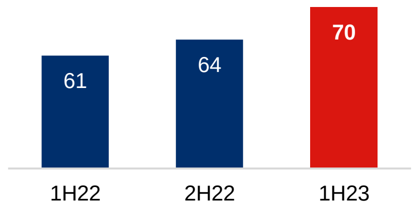
The Board declared an interim dividend of 70 cents per share, fully franked, an increase of 15% or 9 cents on 1H22.

Return on equity

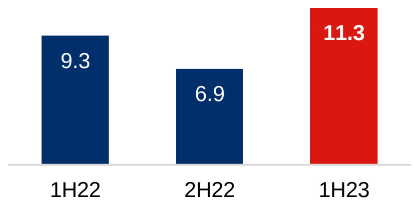
Return on equity was up 205 basis points to 11.3%. Earnings per ordinary share were 114.2 cents, up 26%.

Net tangible assets per share were $17.67, up 3%.

Dividend (cents)



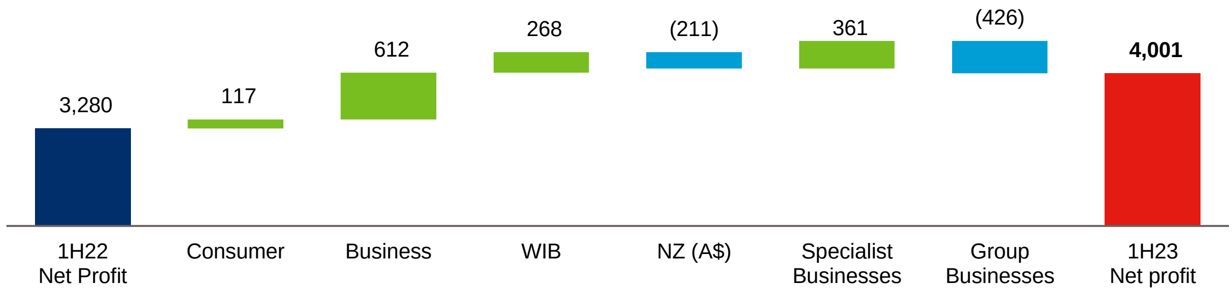
Return on equity (%)



SEGMENT PERFORMANCE

- **Consumer:** Net profit grew by 7% on 1H22 to $1,763 million. Net loans increased 3% to $480 billion while deposits grew by 6% to $294 billion. Expenses were down 3%.
- **Business:** Net profit grew 256% on 1H22 to $851 million. Net loans increased 6% to $86 billion. Expenses were down 7%.
- **Westpac Institutional Bank:** Net profit increased 88% on 1H22 to $574 million. This was driven by non-interest income which increased 19% to $704 million. Net loans increased 14% to $85 billion. Deposits increased 8% to $113 billion.
- **Westpac New Zealand:** Net profit fell 33% from 1H22 levels to NZ$426 million. Excluding Notable Items, which were mostly the gain on sale of the life insurance business in 1H22, pre-provision profit grew by 8% and net interest income grew by 14%. This offset an 11% increase in expenses due to higher risk and regulatory spend. Impairment charges of NZ$154 million include a provision for recent weather events and worsening economic forecasts.
- **Specialist Businesses:** Net profit increased 273% on 1H22 to $493 million. The increase in profit primarily reflected the gain on sale of Advance Asset Management.
- **Group Businesses:** Excluding Notable Items, pre-provision profit was $85 million. The result was driven by market volatility impacting Treasury earnings and higher gains on sale of liquid assets in the prior corresponding period.

Movements in net profit by segment



CREATING BETTER FUTURES TOGETHER

SHAREHOLDERS

70 cents
Interim dividend per share

11.3%
Return on equity

114.2 cents
Earnings per ordinary share, up 26%

CUSTOMERS

$215 million+
Stopped or recovered in customer scam losses[2]

$750 billion
in lending

12.8 million
Customers

EMPLOYEES

38,503
Employees[3]

$2.9 billion
Paid to our people

75
Organisational Health Index unchanged, +3 above Global Banking median

COMMUNITY

$1.8 billion
Income tax expense, including the bank levy
#6 largest taxpayer[4]

Net-Zero Banking Alliance member
2030 targets set for 5 emissions-intensive sectors

Westpac Australia will source equivalent of
100% of energy consumption from renewables from 2H23

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[2] Over calendar year 2022
[3] Full time equivalent employees as at 31 March 2023.
[4] Based on the ATO's Corporate Tax Transparency Report for the 2020-21 Income Year, published November 2022.

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FINANCIAL SUMMARY

$m	Half Year March 2023	Half Year September 2022	Half Year March 2022
Net interest income	9,113	8,873	8,288
Non-interest income	1,890	503	1,942
Net operating income	**11,003**	**9,376**	**10,230**
Operating expenses	(4,988)	(5,429)	(5,373)
Pre–provision profit	**6,015**	**3,947**	**4,857**
Impairments (charges)/benefit	(390)	(196)	(139)
Profit before income tax expenses	**5,625**	**3,751**	**4,718**
Income tax expenses	(1,620)	(1,336)	(1,434)
Profit after income tax expenses	**4,005**	**2,415**	**3,284**
Profit attributable to non-controlling interests (NCI)	(4)	(1)	(4)
Net profit	**4,001**	**2,414**	**3,280**
Impact of Notable Items	**178**	**(1,053)**	**179**
Fully franked dividends per ordinary share (cents)	70	64	61
Return on average ordinary equity	11.30%	6.93%	9.25%
Group NIM	1.96%	1.96%	1.91%
Core NIM	1.90%	1.80%	1.70%
Expense to income ratio	45.3%	57.9%	52.5%
Expense to income ratio (ex. Notable Items)	45.9%	49.5%	52.8%
CET1 capital ratio (Level 2)	12.28%	11.29%	11.33%
Deposit to loan ratio	83.7%	82.9%	83.5%
Liquidity coverage ratio (LCR)	135%	132%	137%
Net stable funding ratio (NSFR)	119%	121%	125%
Collective assessed provisions to credit RWA	133 bps	116 bps	116 bps
Total stressed exposure as a % of TCE	1.10%	1.07%	1.10%

Further information

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