

ASX Release

Level 18, 275 Kent Street
Sydney, NSW, 2000

17 February 2023

WESTPAC 1Q23 CAPITAL, CREDIT QUALITY AND FUNDING UPDATE

Following is Westpac's 1Q23 slides covering capital, credit quality and funding for the three months ended December 2022.

For further information:

Hayden Cooper
Group Head of Media Relations
0402 393 619

Justin McCarthy
General Manager, Investor Relations
0422 800 321

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

1Q23 Capital, Credit Quality and Funding Update

This document should be read in conjunction with Westpac's December 2022 Pillar 3 Report. Content principally covers and compares the 1Q23 and 2H22 quarterly average periods unless otherwise stated. All amounts are in Australian dollars.

FOR THE 3 MONTHS ENDED 31 DECEMBER 2022

WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Solid capital position

- CET1¹ capital ratio of 11.13%
- From 1 Jan-23 CET1 capital ratio increases ~45bps under APRA's revised capital framework²
- RWA³ up \$2.8bn or 0.6%, mostly from higher lending



Sound credit quality

- Stressed assets to TCE⁴ 1.06%, down 1bp
- Mortgage 90+ day delinquencies:
 - Australia 0.70%, down 5bps
 - New Zealand 0.24%, up 2bps
- CAP⁵ to credit RWA 121bps, up 5bps
- Impairment charge of \$184m
 - IAP⁶ benefit of \$107m
 - CAP charge of \$291m



Strengthened funding and liquidity

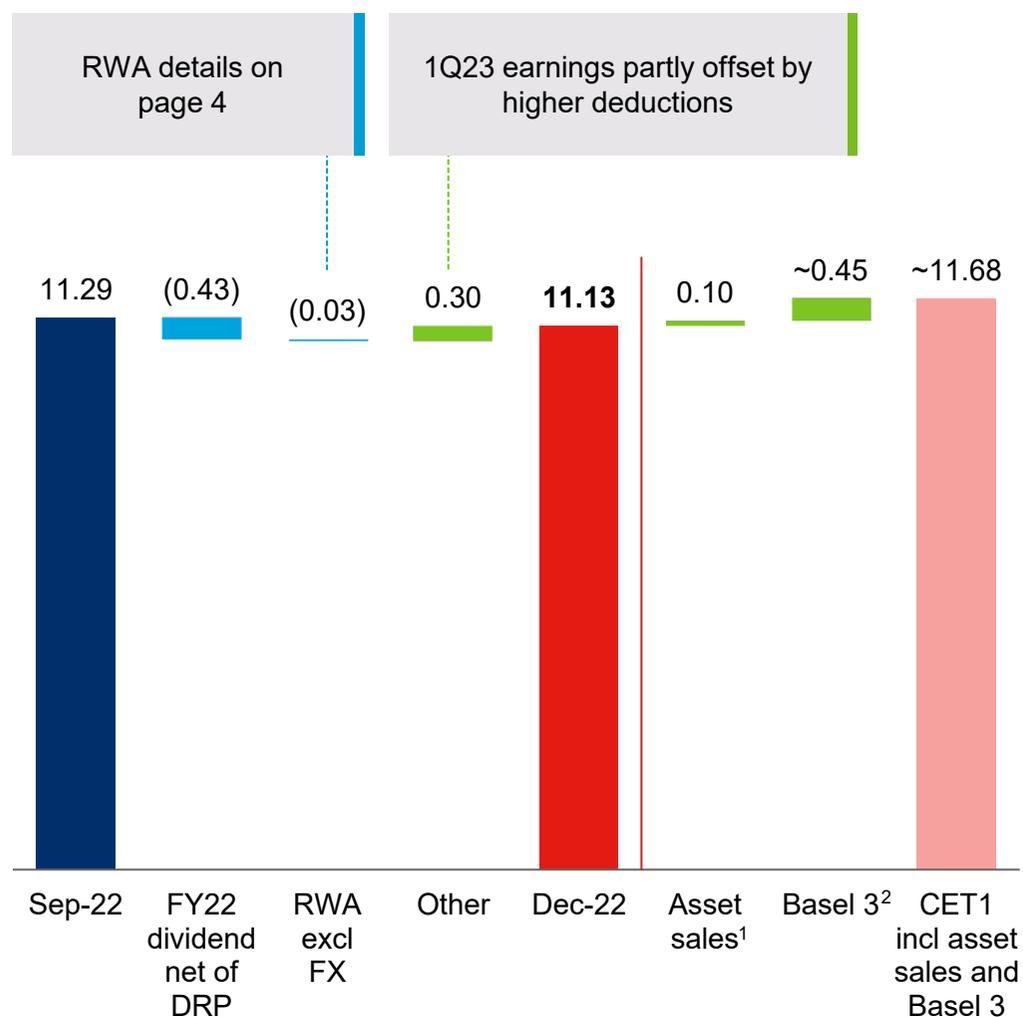
- LCR⁷ at 139%, up 7 pts
- NSFR⁸ at 122%, up 1 ppt
- Deposit to loan ratio 84.0%, up 1.1 pts

1 Common equity tier 1 (CET1). 2 The CET1 increase is an estimate and may change on the final implementation of APRA's revised framework. 3 Risk weighted assets (RWA). 4 Total committed exposure (TCE). 5 Collectively assessed provisions (CAP). 6 Individually assessed provisions (IAP). 7 Liquidity coverage ratio (LCR). 8 Net stable funding ratio (NSFR).

CET1 capital ratio 11.13%.

Capital

Level 2 CET1 capital ratio movements (%)

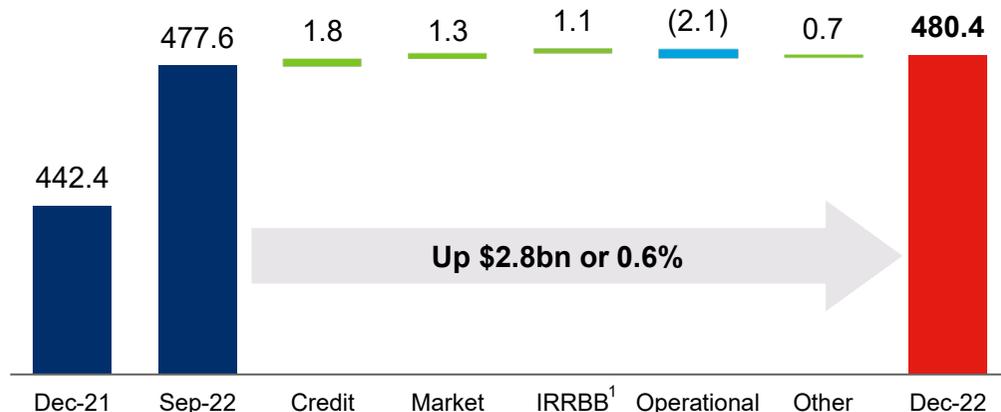


Key capital ratios (%)	Dec-21	Sep-22	Dec-22
Level 2 CET1 capital ratio	12.2	11.3	11.1
Additional Tier 1 capital ratio	2.2	2.1	2.1
Tier 1 capital ratio	14.4	13.4	13.2
Tier 2 capital ratio	4.8	5.0	4.9
Total regulatory capital ratio	19.2	18.4	18.1
Risk weighted assets (RWA) (\$bn) ³	442	478	480
Leverage ratio	5.8	5.6	5.5
Level 1 CET1 capital ratio	12.4	11.3	11.1
Internationally comparable ratios⁴			
Leverage ratio (internationally comparable)	6.3	6.0	5.9
CET1 capital ratio (internationally comparable)	18.0	17.6	17.4

1 Reflects announced exits relating to Superannuation and the Advance Asset Management business, 10bps (subject to divestment completion occurring). 2 Increase is an estimate and may change on the final implementation of APRA's revised framework. 3 Actual movement is \$2.8bn in 1Q23, but does not add due to rounding. 4 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

Risk weighted assets movements.

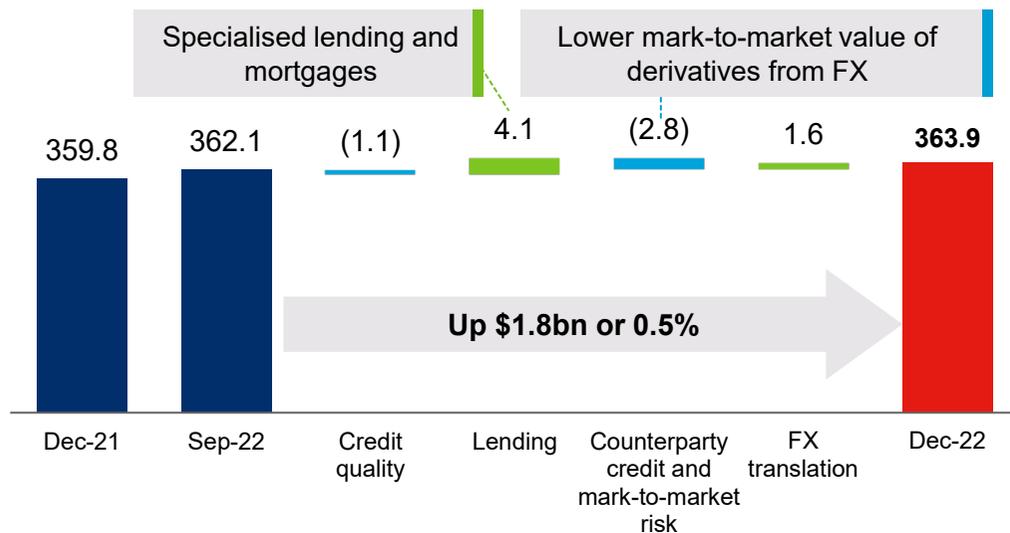
Risk weighted assets (RWA) (\$bn)



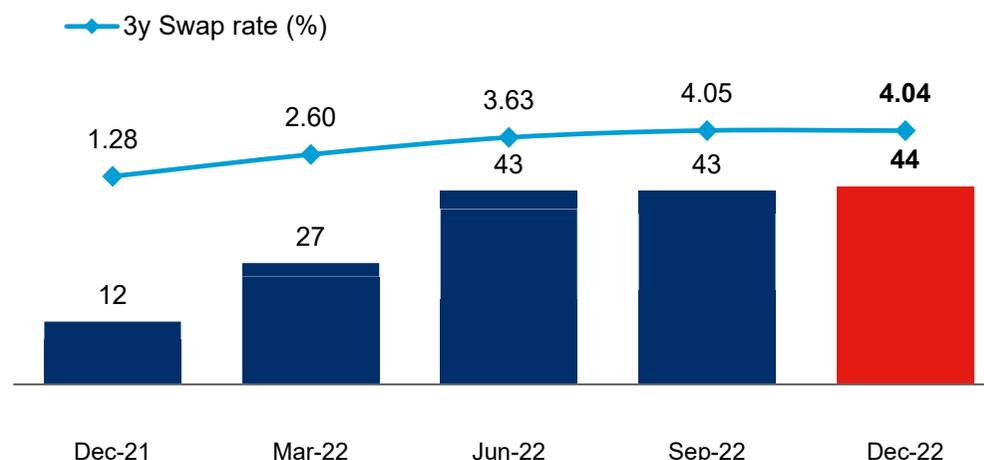
• RWA up \$2.8bn or 0.6% from:

- Credit RWA increased \$1.8bn (4bps impact) due to loan growth partly offset by lower counterparty credit risk
- Market RWA up \$1.3bn (3bps impact) mainly from underlying portfolio movements
- IRRBB RWA up \$1.1bn (3bps impact) mainly from the underlying portfolio which impacted the repricing and yield curve risk component of the IRRBB calculation, while regulatory embedded loss was lower
- Operational RWA down \$2.1bn (5bps impact) due to reduced operational risk assessed under APRA's Standardised Measurement Approach²

Movement in credit risk weighted assets (\$bn)



IRRBB RWA (\$bn)

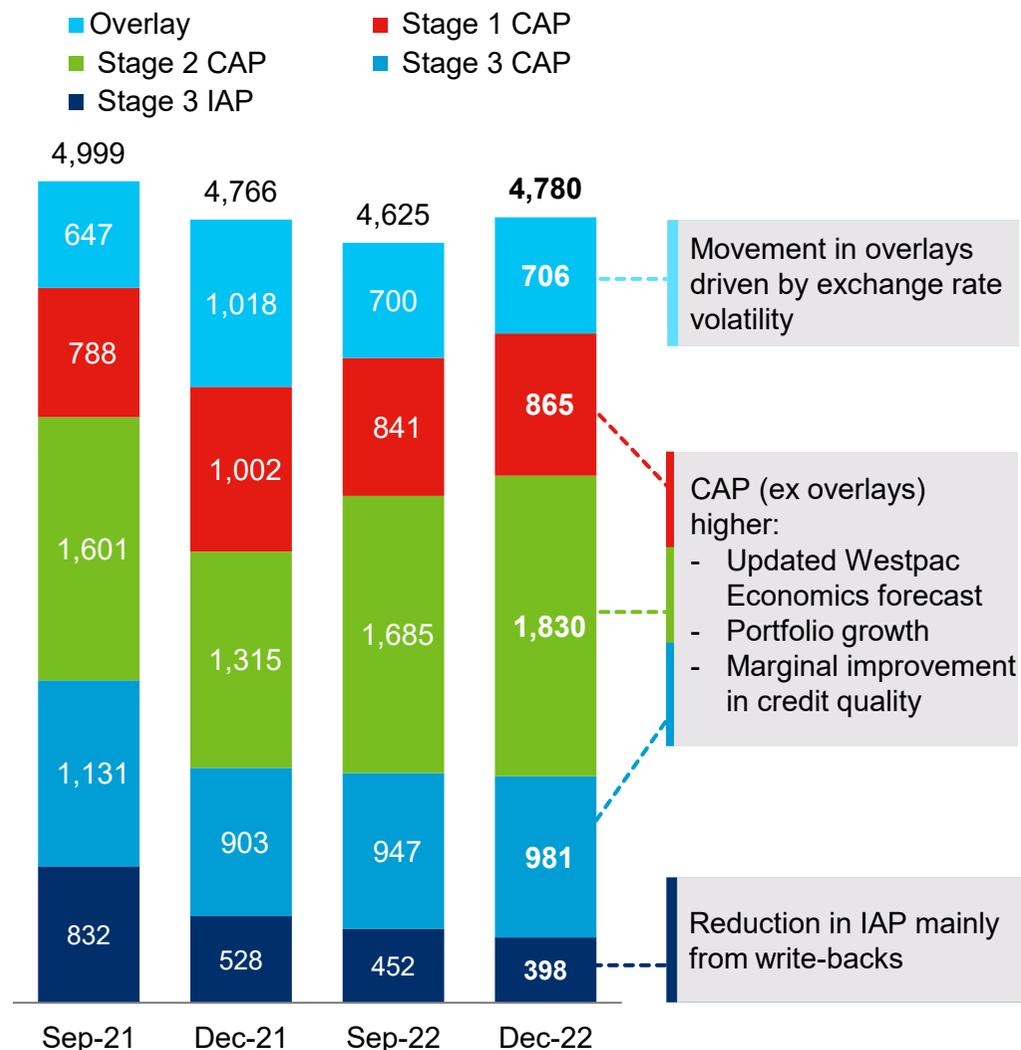


¹ Interest rate risk in the banking book (IRRBB). ² Westpac adopted the Standardised Measurement Approach to calculate operational risk capital from Jan-22. Under the revised standard, operational risk was calculated using the FY22 audited financial statements.

Provision coverage.

Provisioning

Total impairment provisions¹ (\$m)



Provision coverage

	Sep-21	Dec-21	Sep-22	Dec-22
Provisions to credit RWA	140bps	132bps	128bps	132bps
CAP to credit RWA	117bps	118bps	116bps	121bps
Provisions to TCE	44bps	41bps	39bps	40bps
Impaired provisions to impaired assets	54%	49%	48%	44%²

Forecasts used in economic scenarios³

	Base case		Downside ⁴	
	Sep-22	Dec-22	2023	Trough / peak
	2022	2022	2023	
GDP growth	3.4%	2.6%	1.0%	(6%)
Unemployment	3.1%	3.2%	4.5%	11%
Residential property prices	(6.5%)	(2.7%)	(7.8%)	(27%)

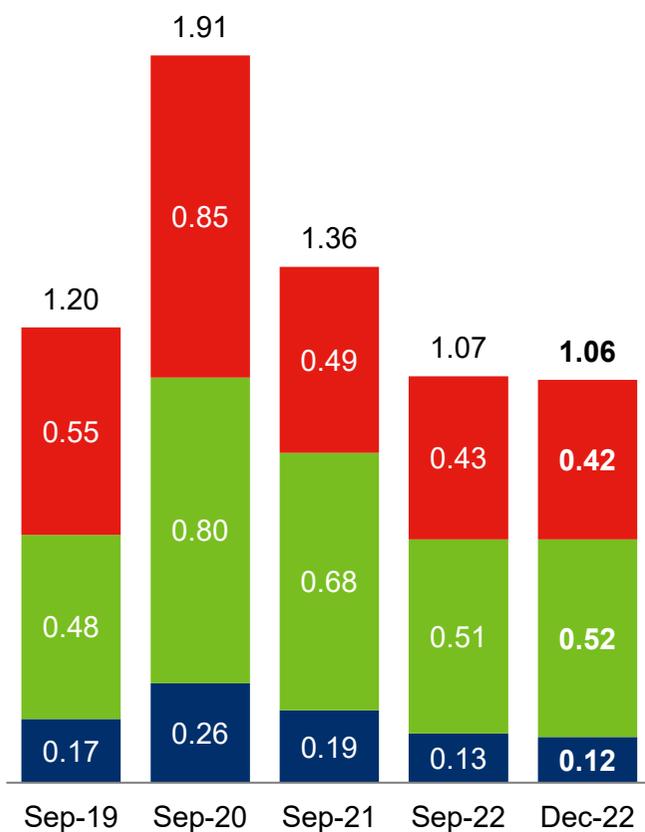
¹ Excludes provisions for debt securities. ² Reduction in impaired provisions to impaired assets ratio reflects writebacks. ³ Forecast provided by Westpac Economics at 13 December 2022. ⁴ These key economic indicators represent trough or peak values that characterise the scenarios considered in setting downside severity.

Stressed exposures and delinquencies.

Credit quality

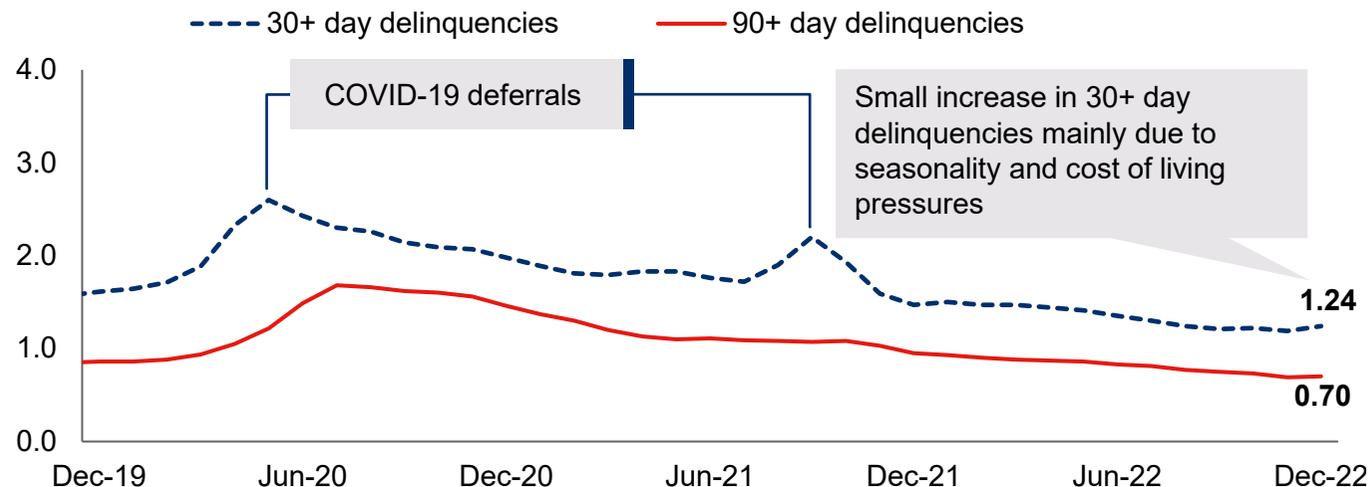
Stressed exposures as a % of TCE

- Watchlist and substandard
- 90+ day past due and not impaired¹
- Impaired

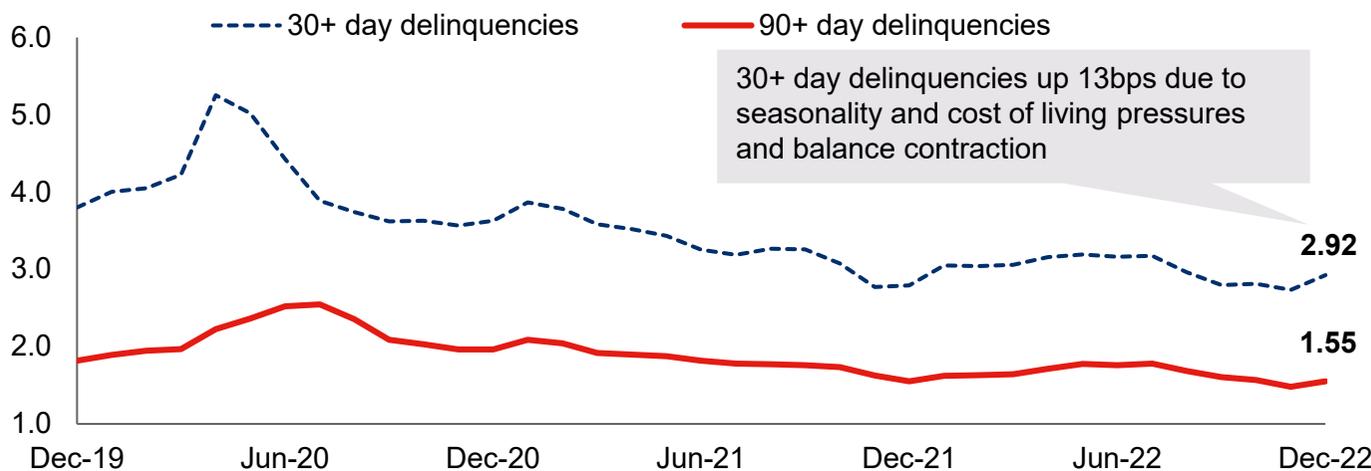


¹ Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes. ² Consumer finance includes personal loans, overdrafts, credit cards and auto loans.

Australian mortgage delinquencies (%)



Australian consumer finance delinquencies² (%)



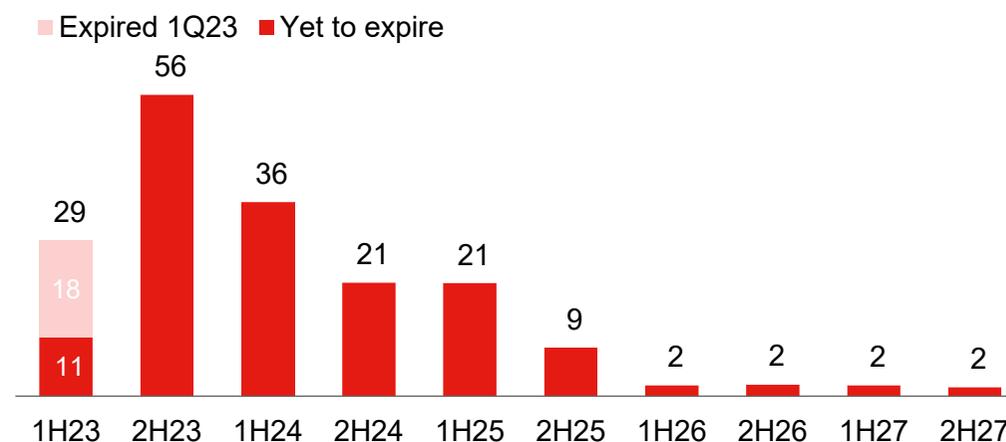
Australian mortgage portfolio composition.

Mortgage credit quality

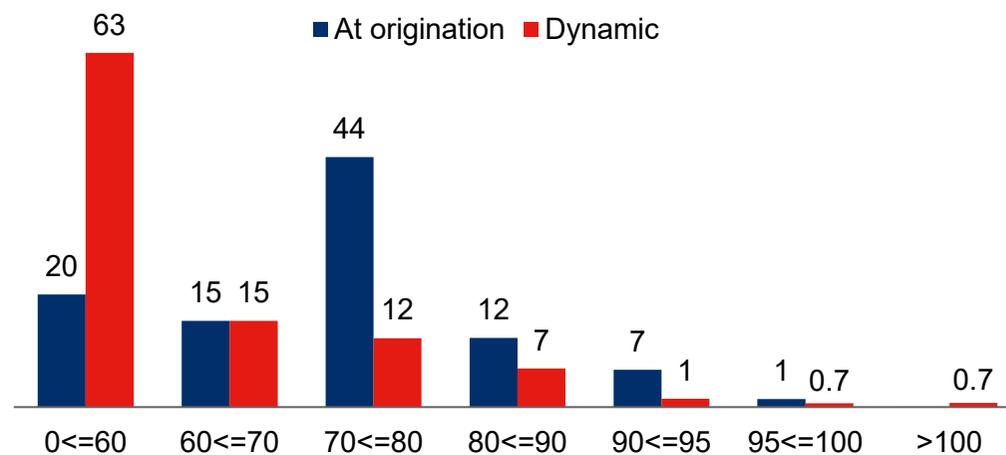
Australian mortgage portfolio	Sep-21 balance	Sep-22 balance	Dec-22 balance
Total portfolio (\$bn)	455.6	467.6	470.9
Owner occupied (OO) (%)	63.7	65.8	66.2
Investment property loans (IPL) (%)	33.8	32.6	32.3
Portfolio loan/line of credit (LOC) (%)	1.9	1.6	1.5
Variable rate / Fixed rate (%)	62/38	63/37	65/35
Interest only (I/O) (%)	15.8	13.5	13.4
Proprietary channel (%)	52.8	51.8	51.6
First home buyer (%)	9.6	10.1	9.9
Mortgage insured (%)	15.8	14.7	14.5

	Sep-21	Sep-22	Dec-22
Average loan size ¹ (\$'000)	277	286	289
Customers ahead on repayments including offset account balances (%)	70	68	68
Annual mortgage loss rate ² (bps)	2	<1	<1

Fixed rate mortgage expiry schedule at 31 December 2022 (\$bn)



Australian housing loan-to-value ratios (LVRs) at 31 December 2022³ (%)

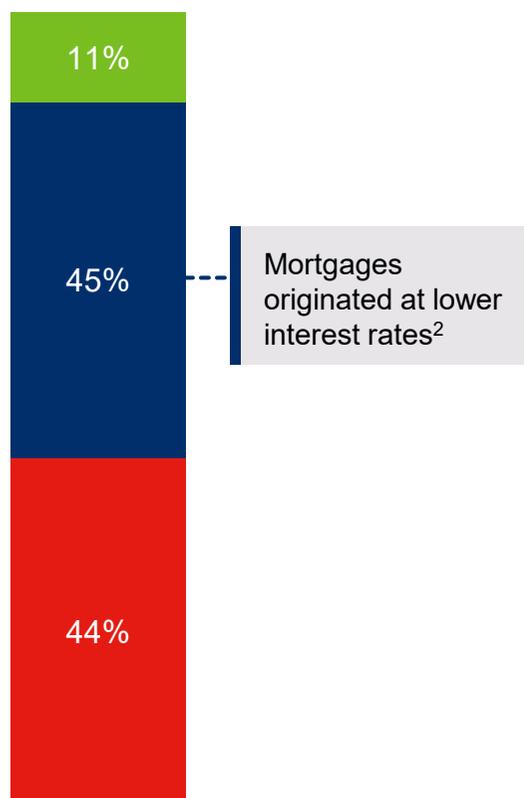


1 Includes amortisation. Calculated at account level, where split loans represent more than one account. 2 Mortgage loss rates for Dec-22 balances are annualised, based on losses for the 3 months. Mortgage loss rates for September are actual losses for the 12 months ending. 3 Dynamic LVR is the loan-to-value ratio taking into account the current loan balance, changes in security value, offset account balances and other loan adjustments. Property valuation source: CoreLogic.

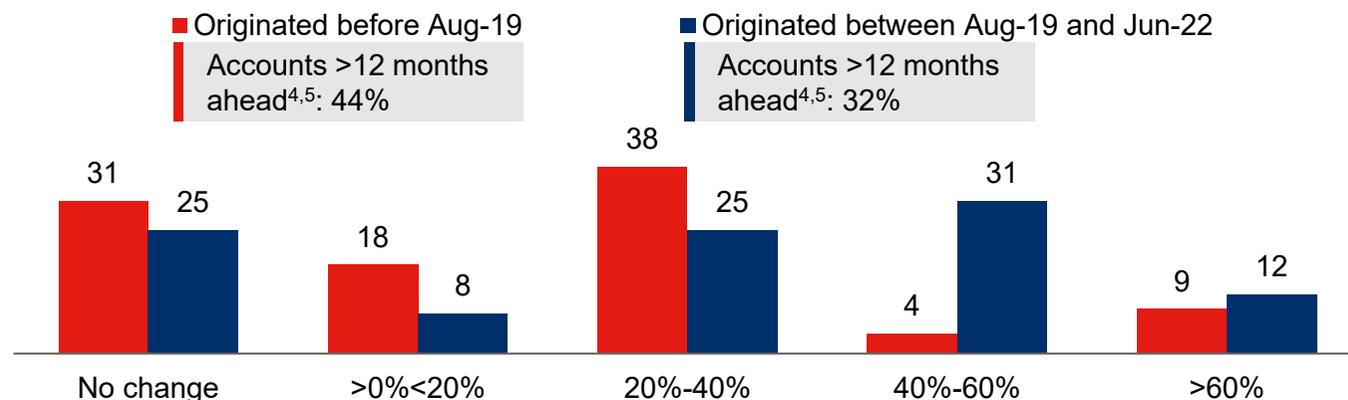
Australian mortgage portfolio analysis.

Australian mortgage book by origination period at 31 Dec-22: \$471 billion¹

- Originated since Jul-22
- Originated between Aug-19 and Jun-22
- Originated before Aug-19



Percentage increase in variable-rate repayment following interest rate changes (accounts at 31 Dec-22)^{3,4}



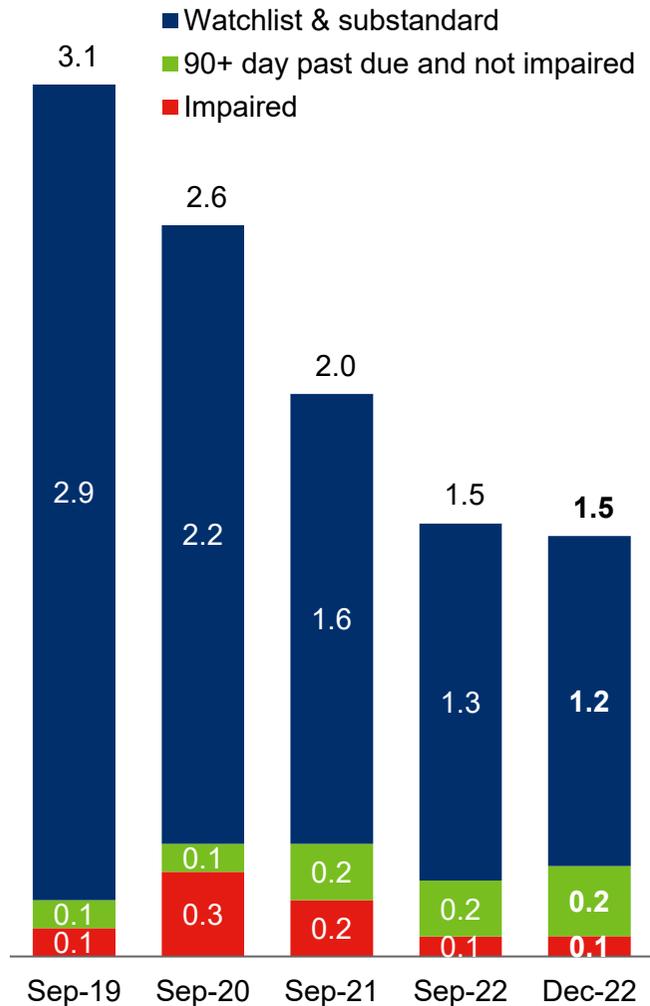
Focus on mortgages originated between Aug-19 and Jun-22^{2,4}

Analysis of minimum contractual repayment at December 2022	Dynamic LVR with no LMI		
	>80%	Of which >85%	Of which >90%
Repayment buffer <12months (Total: \$159bn)	\$13.4bn	\$7.0bn	\$3.5bn
Of which repayment buffer <3months (Total: \$137bn)	\$12.1bn	\$6.4bn	\$3.2bn

1 Includes all mortgage products. 2 Between Aug-19 and Jun-22, Australian mortgages were assessed using a serviceability buffer of 2.5%-3.0%. Assuming a cash rate of 3.85% (Westpac Economics peak forecast), the serviceability buffer for these mortgages is expected to be exceeded. 3 Captures accounts active in both Jun-22 and Dec-22. Increase is measured based on the actual repayment made in Jun-22 and the contractual mortgage rates at a cash rate of 3.1% assuming rates changed by an equivalent amount. Analysis assumes an IO mortgage remains an IO mortgage. 4 Excludes equity/line of credit products as there are no scheduled principal payments. 5 Analysis based on minimum repayments. Includes fixed and variable rate mortgages.

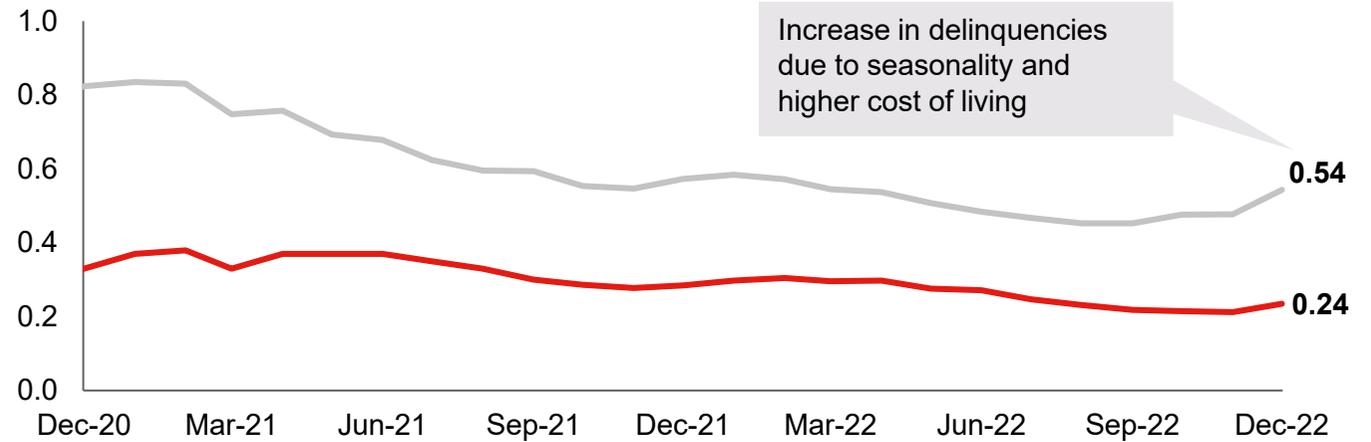
New Zealand credit quality.

Business stressed exposures as a % of New Zealand business TCE¹

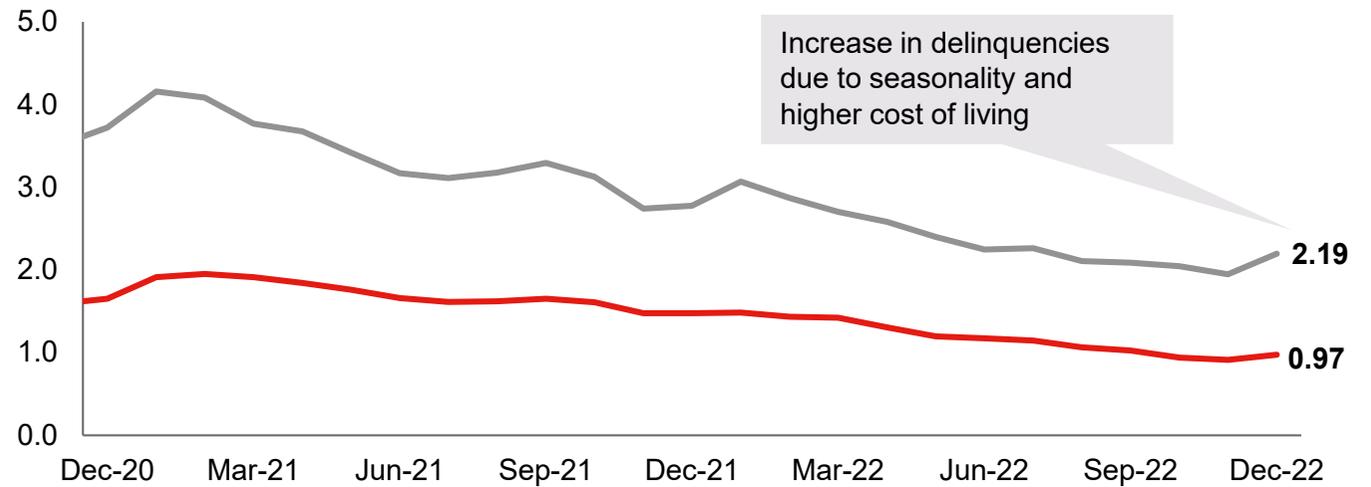


¹ Chart does not add due to rounding.

Mortgage 30+ and 90+ day delinquencies (%)

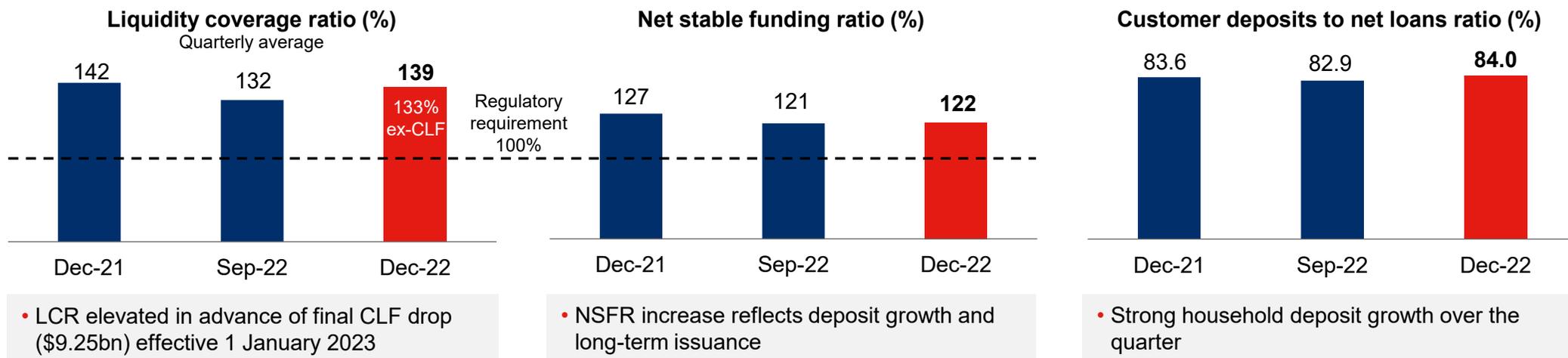


Unsecured Consumer 30+ and 90+ day delinquencies (%)

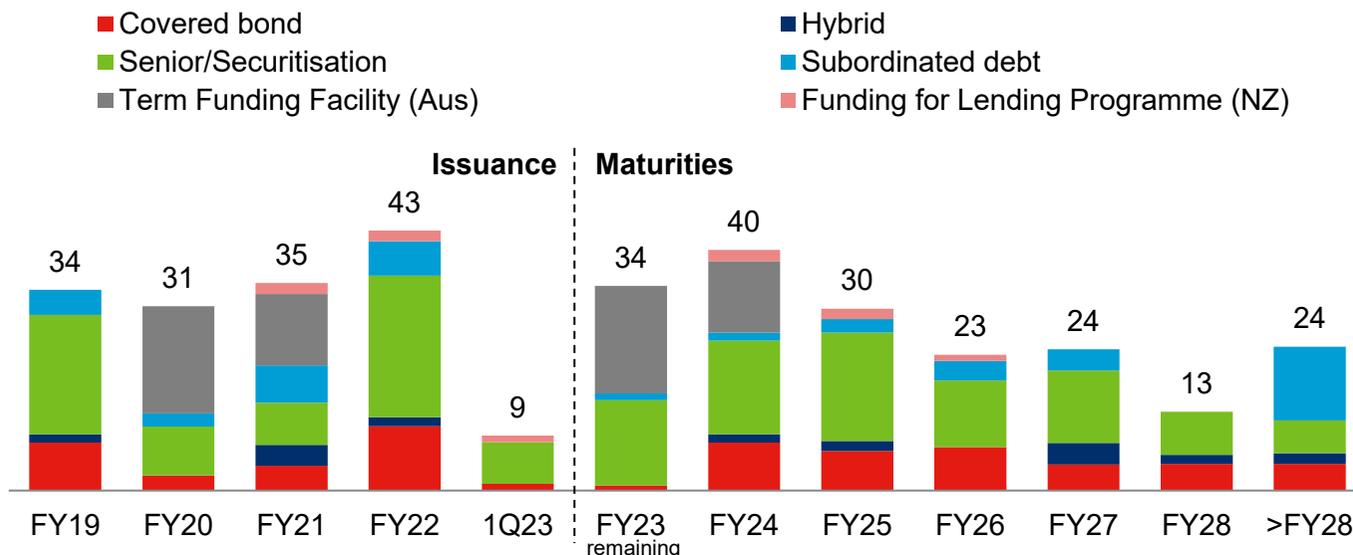


Funding and liquidity.

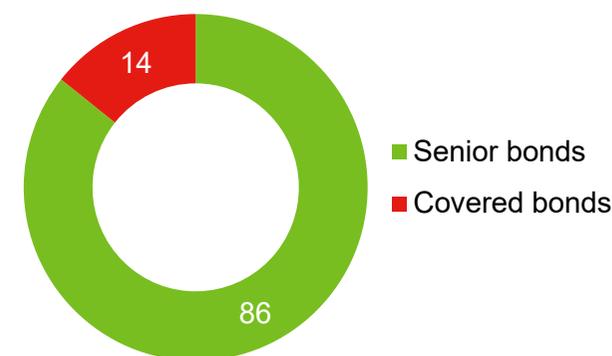
Key funding and liquidity measures



Term debt issuance and maturity profile¹ (\$bn)



1Q23 term debt issuance² by product (%)



• Additional \$9bn issued in January and February³ 2023 in senior and covered bonds

1 Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. Contractual maturity date for hybrids and callable subordinated instruments is the first scheduled conversion date or call date for the purposes of this disclosure. Perpetual sub-debt has been included in >FY28 maturity bucket. Maturities exclude securitisation amortisation.

2 Excludes Funding for Lending Programme. 3 As at 12 February 2023.

Investor Relations Team.

Contact us

Justin McCarthy

General Manager Investor Relations

Jacqueline Boddy

Head of Debt Investor Relations

Andrea Jaehne

Head of Ratings Agencies and Analysis

Catherine Garcia

Head of Institutional Investors

Rebecca Plackett

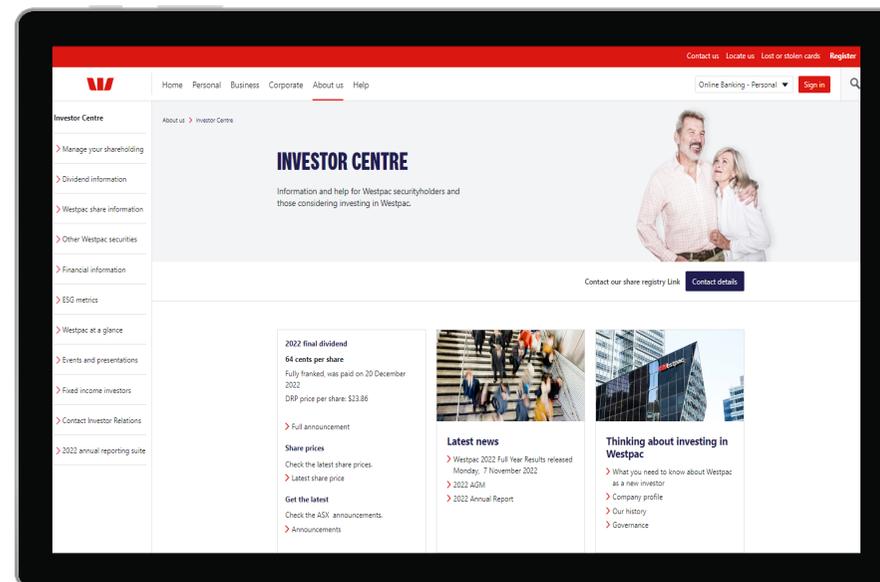
Head of Corporate Reporting and ESG

James Wibberley

Manager, Investor Relations

Arthur Petratos

Manager, Shareholder Services



Investor Relations Contact

For all matters relating to Westpac's strategy, performance and results

 +61 2 9178 2977

 investorrelations@westpac.com.au

 westpac.com.au/investorcentre

Share Registry Contact

For all shareholding enquiries relating to:

- Address details and communication preferences
- Updating bank account details, and participation in the dividend reinvestment plan

 1800 804 255

 westpac@linkmarketservices.com.au

 investorcentre.linkmarketservices.com.au

Disclaimer.

Disclaimer

The material contained in this presentation is intended to be general background information on Westpac Banking Corporation (Westpac) and its activities.

The information is supplied in summary form and is therefore not necessarily complete. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

All amounts are in Australian dollars unless otherwise indicated.

This presentation 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 presentation 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.

We use words such as ‘will’, ‘may’, ‘expect’, ‘intend’, ‘seek’, ‘would’, ‘should’, ‘could’, ‘continue’, ‘plan’, ‘estimate’, ‘anticipate’, ‘believe’, ‘probability’, ‘indicative’, ‘risk’, ‘aim’, ‘outlook’, ‘forecast’, ‘f’cast’, ‘f’, ‘assumption’, ‘projection’, ‘target’, ‘goal’, ‘guidance’, ‘ambition’, or other similar words to identify forward-looking statements, or otherwise identify forward-looking statements. These forward-looking 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 us. Forward-looking statements may also be made, verbally or in writing, by members of Westpac’s management or Board in connection with this presentation. Such statements are subject to the same limitations, uncertainties, assumptions and disclaimers set out in this presentation. 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, those described in the section titled ‘Risk factors’ in our 2022 Annual Report available at www.westpac.com.au. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. Except as required by law, we assume no obligation to revise or update any forward-looking statements contained in this presentation, whether from new information, future events, conditions or otherwise, after the date of this presentation.