

ASX

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# Release

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**19 August 2024**

## **WESTPAC 3Q24 INVESTOR DISCUSSION PACK**

Following are Westpac's 3Q24 slides covering financial performance, capital, credit quality and funding for the three months ended 30 June 2024.

### **For further information:**

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

# 3Q24 INVESTOR DISCUSSION PACK

**FOR THE 3 MONTHS ENDED 30 JUNE 2024**

This document should be read in conjunction with Westpac's June 2024 Pillar 3 Report. All amounts are in Australian dollars.

## STRONG FINANCIAL PERFORMANCE

- Net profit \$1.8bn, up 6%, excluding Notable Items up 2%:
  - revenue flat
  - expenses up 2%
- NIM up 3bps to 1.92%, Core NIM up 2bps to 1.82%
- Australian household deposit growth of 3%<sup>2</sup> and housing loan growth of 8%<sup>2</sup>, which outperformed system<sup>3</sup>
- Expenses increased 2% reflecting higher investment and technology spend
- Impairment charges to average loans of 4bps, down from 9bps

## CAPITAL ABOVE OPERATING RANGE

- CET1 capital ratio of 12.0%, above target operating range<sup>4</sup>
- RWA up \$7.3bn or 1.6% mainly due to loan growth and higher IRRBB

## WELL PROVISIONED

- Total provisions \$5.1bn, flat
- CAP to credit RWA 134bps, down 4bps
- Stressed assets to TCE 1.42%, up 6bps
- Mortgage 90+ day delinquencies:
  - Australia 1.12%, up 6bps
  - New Zealand 0.47%, flat

## FUNDING AND LIQUIDITY REMAIN WELL POSITIONED

- LCR 130%<sup>5</sup>
- NSFR 113%
- Deposit to loan ratio 83.3%, up 40bps

<sup>1</sup> 30 June 2024 compared to 31 March 2024 unless otherwise stated. <sup>2</sup> 3Q24 annualised. <sup>3</sup> Based on Monthly ADI statistics published by APRA for the 3 months ending 30 June 2024. <sup>4</sup> Target operating range is 11.0-11.5%. <sup>5</sup> Quarterly average liquidity coverage ratio.

# FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

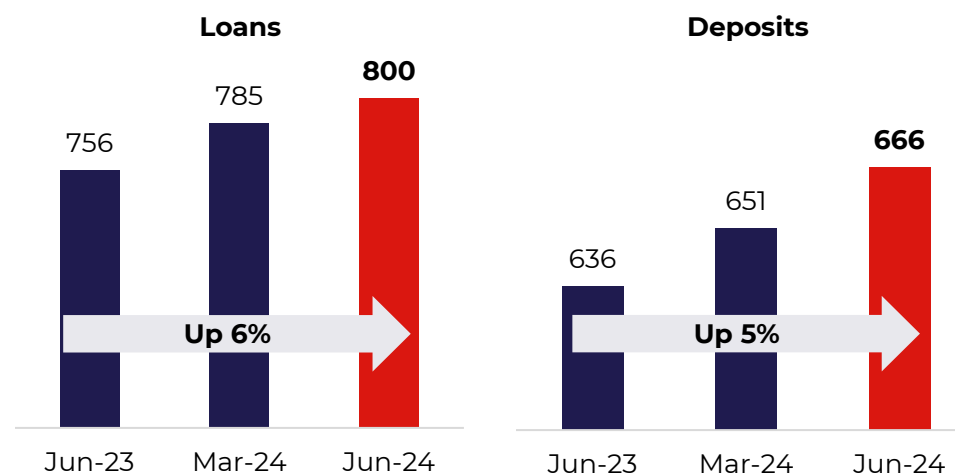
## NET PROFIT EXCLUDING NOTABLE ITEMS

\$b	3Q24	% movement 3Q24 - 1H24 qtr average
Net interest income	4.7	-
Non-interest income	0.7	(4)
<b>Net operating income</b>	<b>5.4</b>	<b>-</b>
Expenses	(2.7)	2
<b>Pre-provision profit</b>	<b>2.7</b>	<b>(2)</b>
Impairment charges	(0.1)	(58)
Tax and non-controlling interests (NCI)	(0.8)	2
<b>Net profit</b>	<b>1.8</b>	<b>2</b>

## NET INTEREST MARGIN

Composition of NIM (%)	1Q24	2Q24	3Q24
Core NIM	1.80	1.79	<b>1.82</b>
Treasury & Markets	0.13	0.15	<b>0.12</b>
Core NIM, Treasury & Markets	1.93	1.94	<b>1.94</b>
Notable Items: Hedging	(0.15)	0.06	<b>(0.02)</b>
NIM	1.78	2.00	<b>1.92</b>

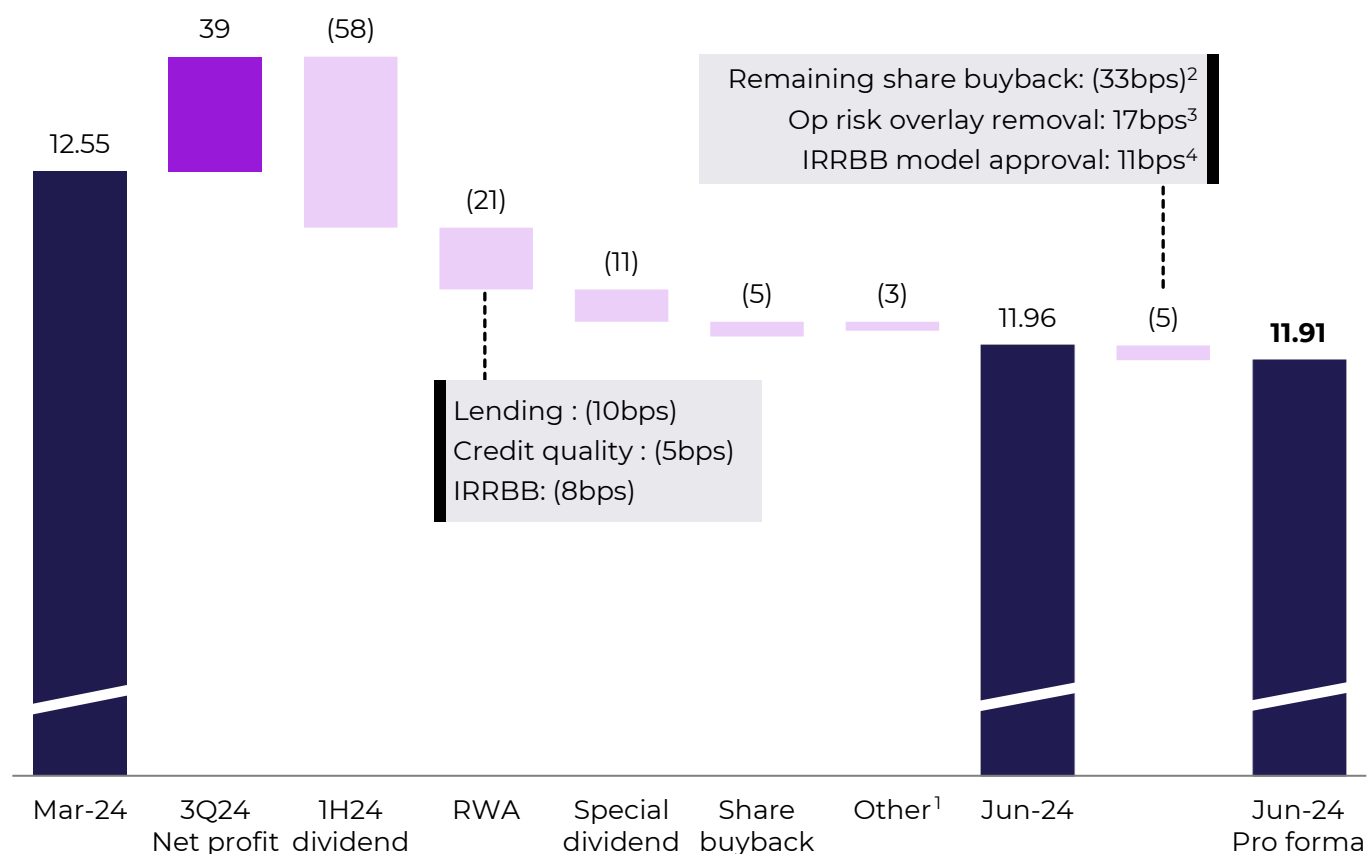
## LOANS AND DEPOSITS (\$BN)



# CET1 CAPITAL RATIO 12.0%

CAPITAL

## LEVEL 2 CET1 CAPITAL RATIO MOVEMENTS (% , BPS)



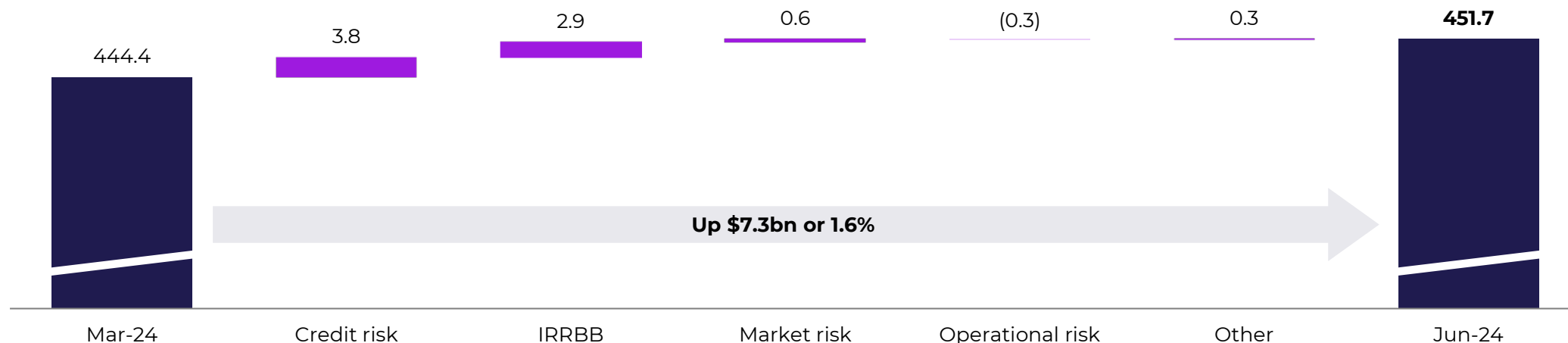
Key capital ratios (%)	Sep-23	Mar-24	Jun-24
<b>Level 2 CET1 capital ratio</b>	12.4	12.5	<b>12.0</b>
Additional Tier 1 capital ratio	2.2	2.5	<b>2.4</b>
Tier 1 capital ratio	14.6	15.0	<b>14.4</b>
Tier 2 capital ratio	5.9	6.4	<b>6.5</b>
Total regulatory capital ratio	20.5	21.4	<b>20.9</b>
Risk weighted assets (RWA) (\$bn)	451	444	<b>452</b>
Leverage ratio	5.5	5.5	<b>5.4</b>
<b>Level 1 CET1 capital ratio</b>	12.6	12.8	<b>12.1</b>
<b>Internationally comparable ratios<sup>5</sup></b>			
Leverage ratio (internationally comparable)	6.0	6.0	<b>5.8</b>
CET1 capital ratio (internationally comparable)	18.7	18.6	<b>17.8</b>

<sup>1</sup> Capital deductions and other items including FX translation impacts. <sup>2</sup> Remaining \$1.4 billion of announced on market share buybacks in Nov-23 and May-24. <sup>3</sup> Reduction in operational risk capital overlay from \$1 billion to \$500 million effective Jul-24. <sup>4</sup> APRA approved IRRBB model effective Aug-24. <sup>5</sup> Internationally comparable methodology references the Australian Banking Association (ABA) study on the comparability of APRA's capital framework and finalised reform released on 10 March 2023.

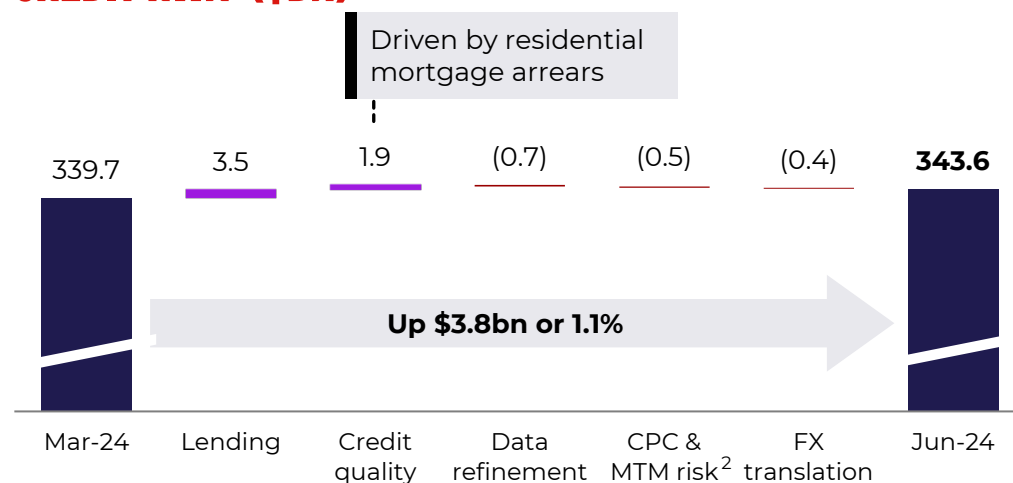
# RISK WEIGHTED ASSET MOVEMENTS

CAPITAL

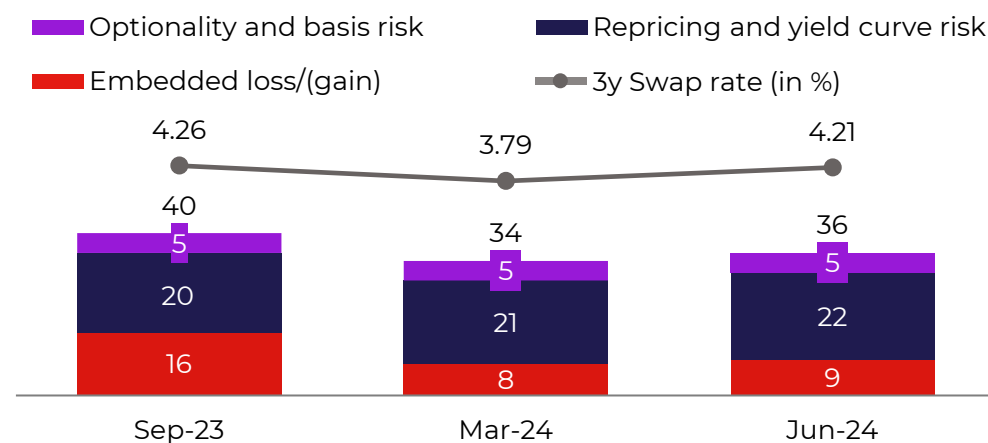
## RWA<sup>1</sup> (\$BN)



## CREDIT RWA<sup>1</sup> (\$BN)



## IRRBB RWA<sup>1</sup> (\$BN)



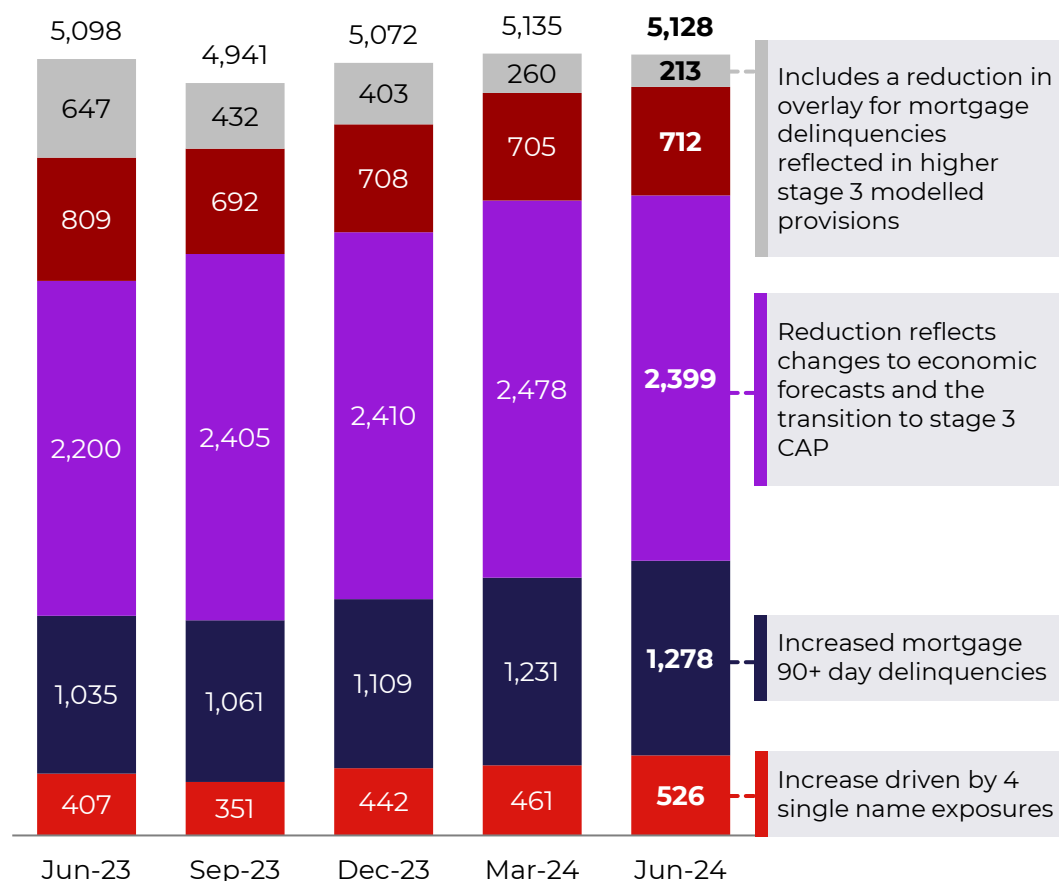
1 Chart may not add due to rounding. 2 Counter-party credit and mark to market risk.

# PROVISIONS FOR EXPECTED CREDIT LOSS

CREDIT QUALITY

## TOTAL PROVISIONS FOR EXPECTED CREDIT LOSSES<sup>1</sup> (\$M)

■ Overlay    ■ Stage 1 CAP    ■ Stage 2 CAP  
■ Stage 3 CAP    ■ Stage 3 IAP



## KEY RATIOS

	Sep-23	Mar-24	Jun-24
Provisions to gross loans (bps)	63	65	64
Impaired asset provisions to impaired assets (%)	43	47	43
Collectively assessed provisions to credit RWA (bps)	135	138	134

## FORECASTS USED IN ECONOMIC SCENARIOS

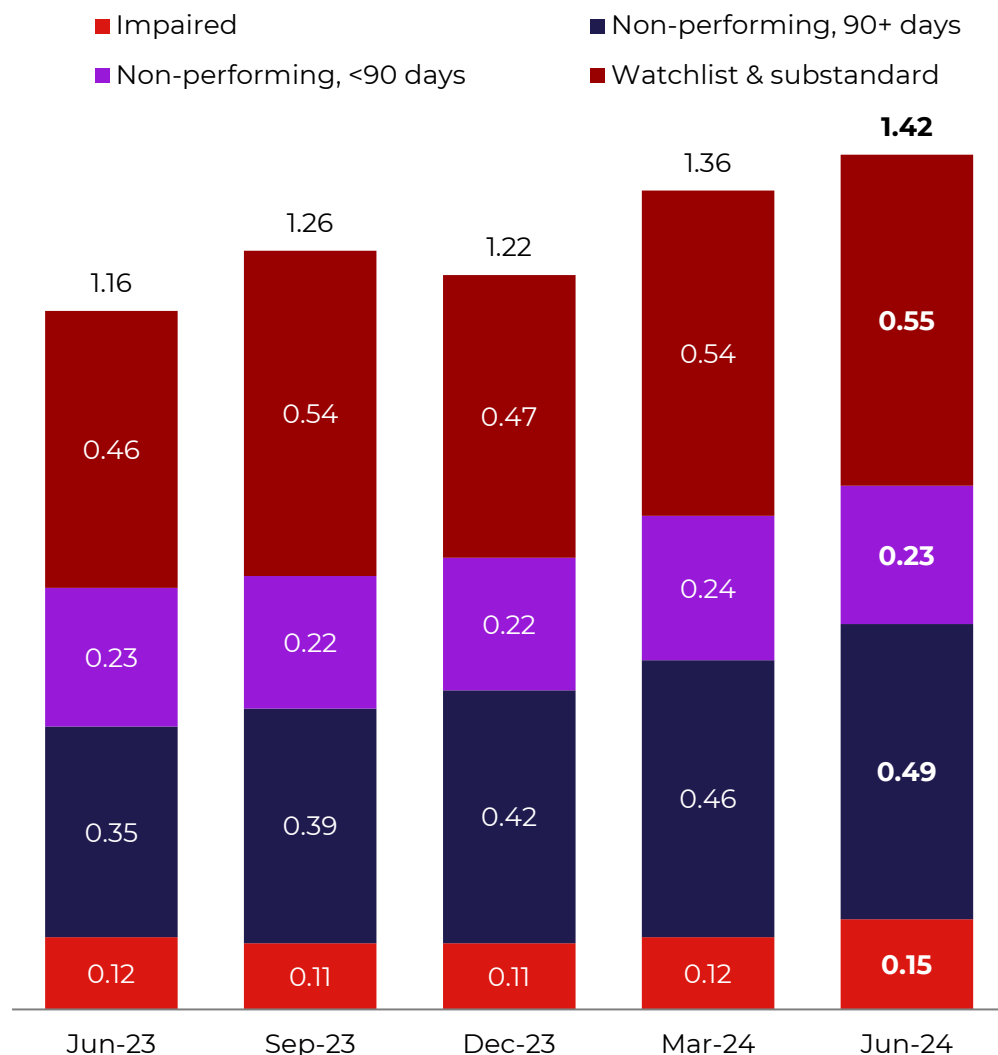
Forecasts for base case ECL <sup>2</sup>	Base case		Downside
	2024	2025	Trough / peak <sup>3</sup>
GDP growth	1.6%	2.3%	(6%)
Unemployment	4.3%	4.6%	11%
Residential property prices	4.2%	4.0%	(27%)
Commercial property prices	(9.3%)	1.4%	(32%)

1 Includes provisions for debt securities. 2 Forecast date is 17 June 2024. 3 These key economic indicators represent trough or peak values that characterise the scenarios considered in setting downside severity. Residential and commercial forecasts represent cumulative reduction over a two-year period.

# CREDIT QUALITY METRICS

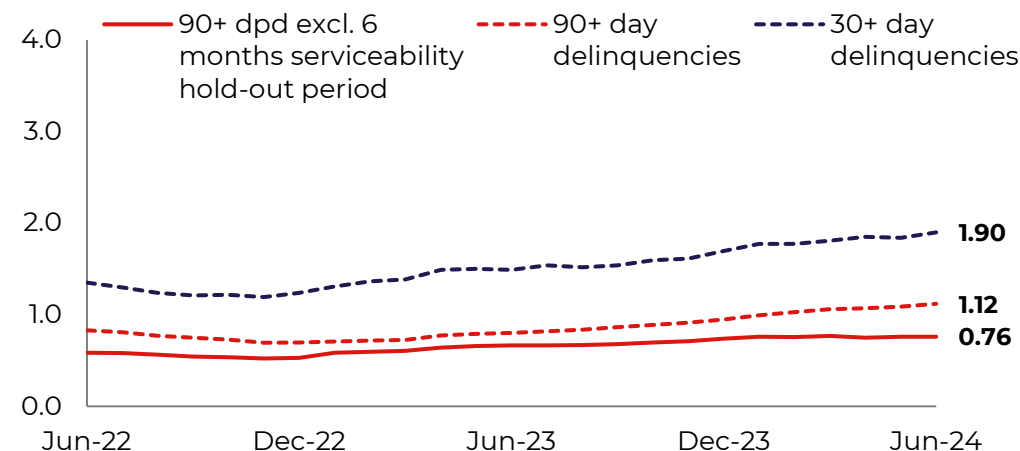
CREDIT QUALITY

## STRESSED EXPOSURES AS A % OF TCE

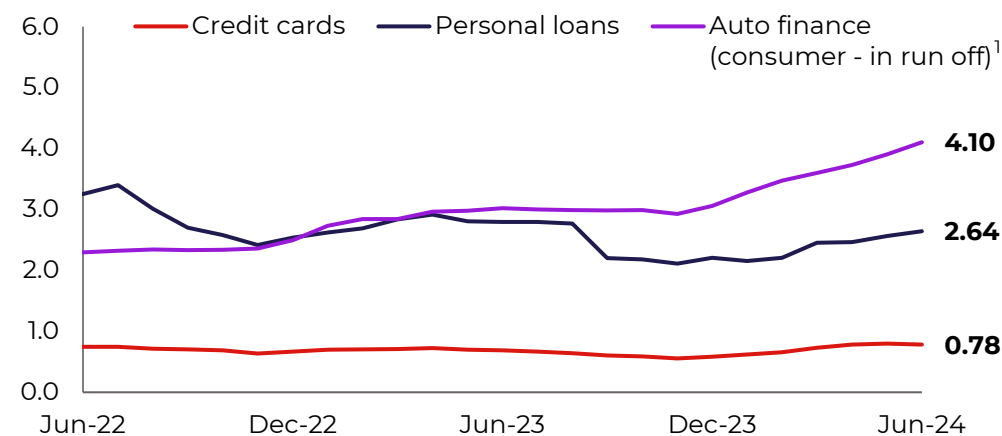


1 Portfolio has been in run off since March 2022.

## AUSTRALIAN MORTGAGE DELINQUENCIES (%)



## AUSTRALIAN CONSUMER FINANCE 90+ DELINQUENCIES (%)

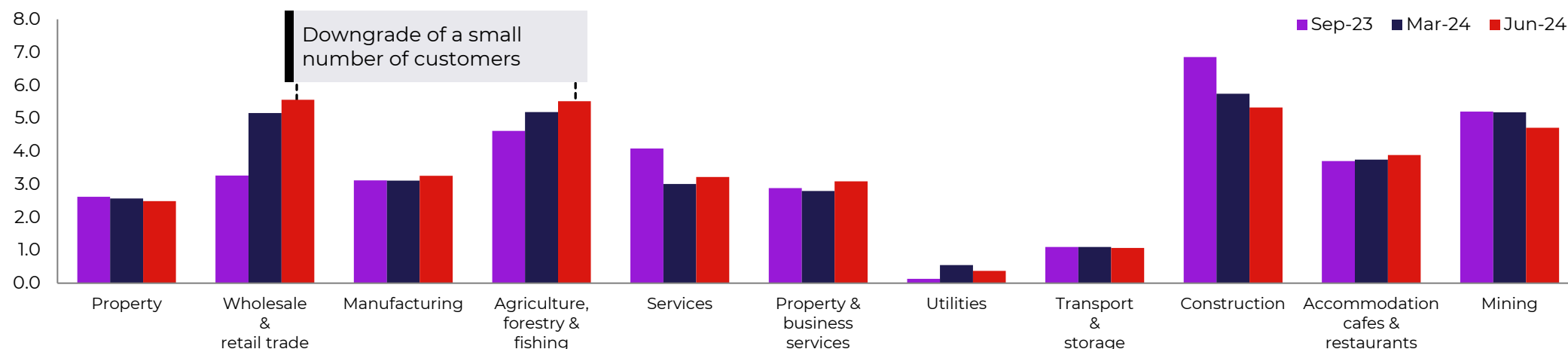




# CREDIT QUALITY ACROSS SECTORS

CREDIT QUALITY

## CORPORATE AND BUSINESS STRESSED EXPOSURES BY INDUSTRY SECTOR (%)



## EXPOSURE AND CREDIT QUALITY BY SECTOR

Sector		Finance & Insurance <sup>1</sup>	Property <sup>2</sup>	Wholesale & retail trade	Manufacturing	Agriculture, forestry & fishing	Services <sup>3</sup>	Property & business services	Utilities	Transport & storage	Construction <sup>4</sup>	Accomm, cafes & restaurants	Mining
TCE (\$bn)	Jun-24	168.6	84.2	31.1	26.1	25.1	24.7	24.6	21.4	19.8	13.8	11.3	7.9
	Mar-24	195.4	82.2	31.1	25.4	24.3	24.6	24.0	20.6	20.5	13.1	11.5	7.6
Stressed (%) <sup>5,6</sup>	Jun-24	0.1	2.5	5.6	3.3	5.5	3.2	3.1	0.4	1.1	5.3	3.9	4.7
	Mar-24	0.1	2.6	5.2	3.1	5.2	3.0	2.8	0.5	1.1	5.7	3.7	5.2
Impaired (%) <sup>6</sup>	Jun-24	0.0	0.1	0.8	0.9	0.5	0.4	0.5	0.0	0.4	0.7	0.3	0.1
	Mar-24	0.0	0.1	0.7	0.6	0.3	0.4	0.5	0.0	0.1	0.6	0.3	0.1

<sup>1</sup> Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. Includes assets held for liquidity portfolio. <sup>2</sup> Property includes both residential and non-residential property investors and developers and excludes real estate agents. <sup>3</sup> Services includes education, health & community services, cultural & recreational and personal & other services. <sup>4</sup> Construction includes building and non-building construction, and industries serving the construction sector. <sup>5</sup> Includes impaired exposures. <sup>6</sup> Percentage of portfolio TCE.

# AUSTRALIAN MORTGAGE PORTFOLIO COMPOSITION

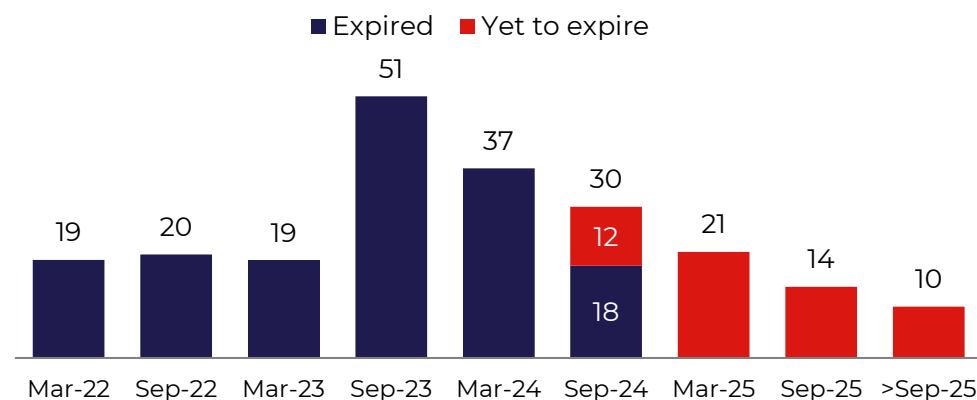
MORTGAGE CREDIT QUALITY

Australian mortgage portfolio	Sep-23 balance	Mar-24 balance	Jun-24 balance
Total portfolio (\$bn)	485.6	495.2	<b>504.2</b>
Owner occupied (OO) (%)	67.1	67.8	<b>67.7</b>
Investment property loans (IPL) (%)	31.6	31.0	<b>31.2</b>
Portfolio loan/line of credit (LOC) (%)	1.3	1.2	<b>1.1</b>
Variable rate / Fixed rate (%)	76/24	85/15	<b>89/11</b>
Interest only (I/O) (%)	12.8	12.3	<b>12.0</b>
Proprietary channel (%)	50.8	49.7	<b>48.7</b>
First home buyer (%)	10.8	11.3	<b>11.5</b>
Mortgage insured (%)	13.1	12.6	<b>12.0</b>

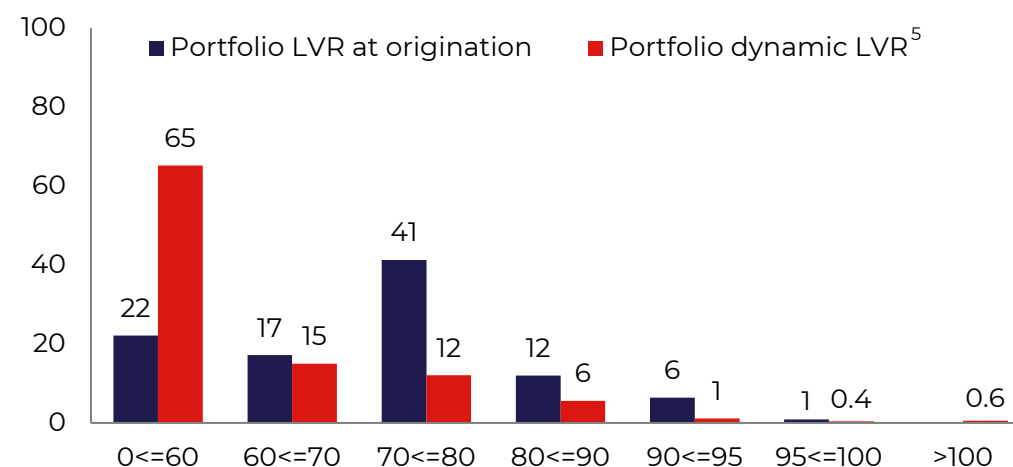
	Sep-23	Mar-24	Jun-24
Average loan size <sup>1</sup> (\$'000)	301	309	<b>316</b>
Customers ahead on repayments including offset account balances (%)			
By accounts	79	80	<b>81</b>
By balances	75	77	<b>78</b>
Mortgage losses net of insurance <sup>2</sup> (\$m)	21	20	<b>14</b>
Annual mortgage loss rate <sup>3</sup> (bps)	0.7	0.8	<b>0.9</b>
Hardship <sup>4</sup> balances (% of portfolio)	0.71	1.05	<b>1.18</b>

1 Average loan size includes amortisation. Calculated at account level, where split loans represent more than one account. 2 Mortgage losses for Sep-23 and March-24 are for the 6 months ending. Mortgage losses for June are for the 3 months ending. 3 Mortgage loss rates for September are actual losses for the 12 months ending. Mortgage loss rates for March are annualised, based on losses for the 6 months ending. Mortgage loss rates for June are annualised, based on losses for the 9 months ending. 4 Financial hardship assistance is available to customers experiencing temporary financial difficulty, including changes in income due to illness, a relationship breakdown or natural disasters. Hardship assistance often takes the form of a reduction or deferral of repayments for a short period. 5 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.

## FIXED RATE MORTGAGE EXPIRY SCHEDULE (\$BN, FOR THE 6MTHS TO)



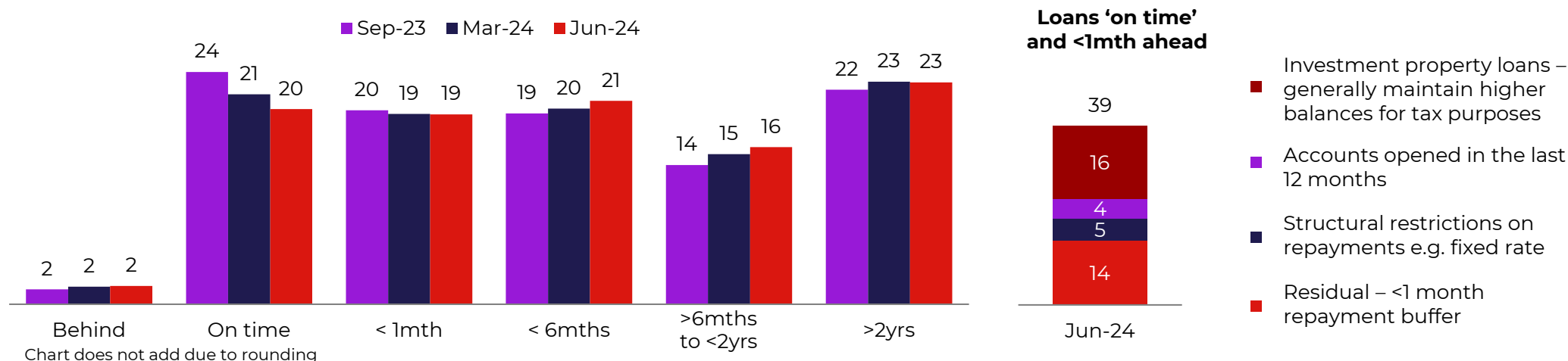
## LOAN-TO-VALUE RATIOS (LVRS) (%)



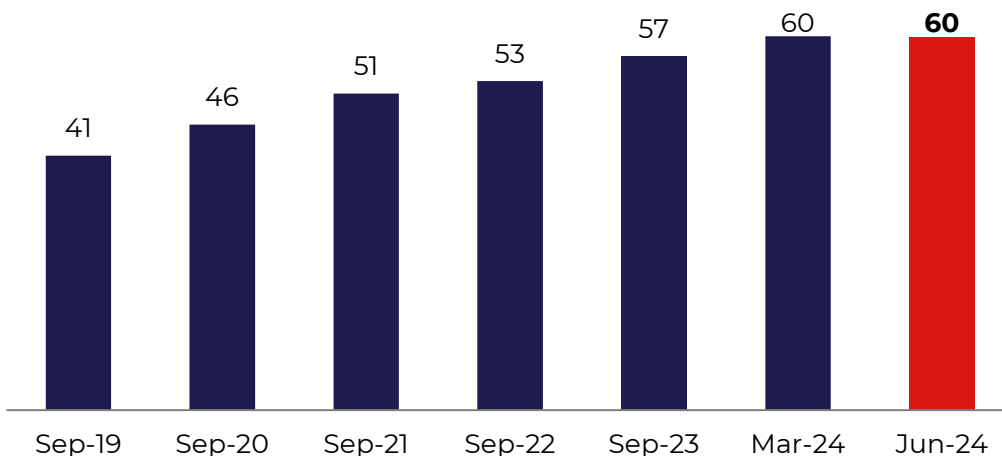
# AUSTRALIAN MORTGAGE PORTFOLIO REPAYMENT BUFFERS

MORTGAGE CREDIT QUALITY

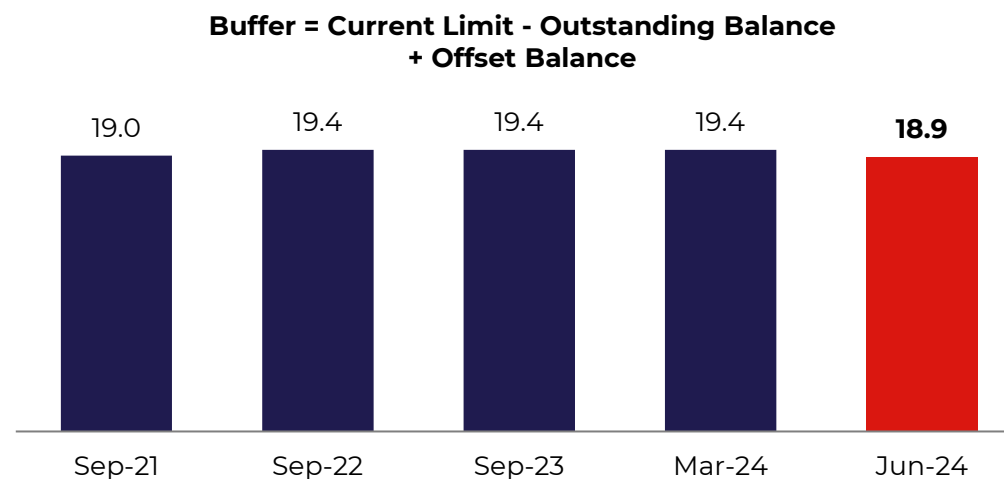
## CUSTOMERS AHEAD ON REPAYMENTS<sup>1</sup> (% BY BALANCES)



## OFFSET ACCOUNT BALANCES<sup>2</sup> (\$BN)

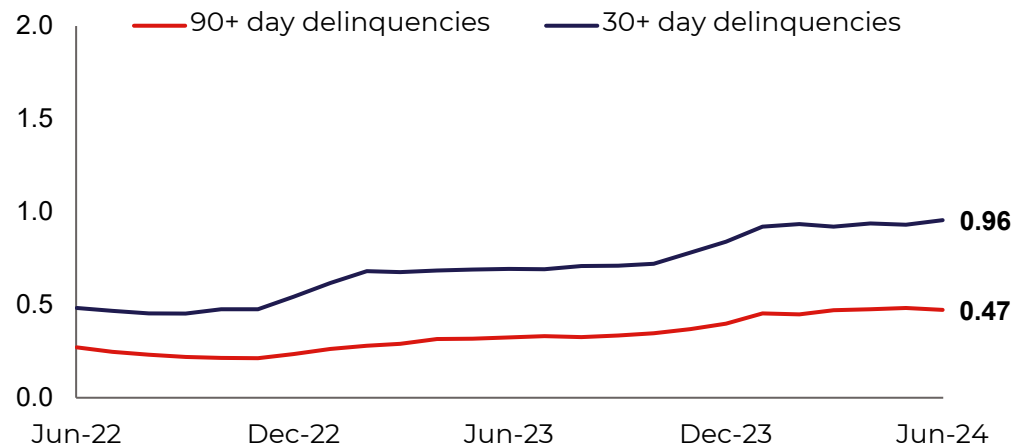


## BUFFER TO BALANCE RATIO<sup>3</sup> (%)

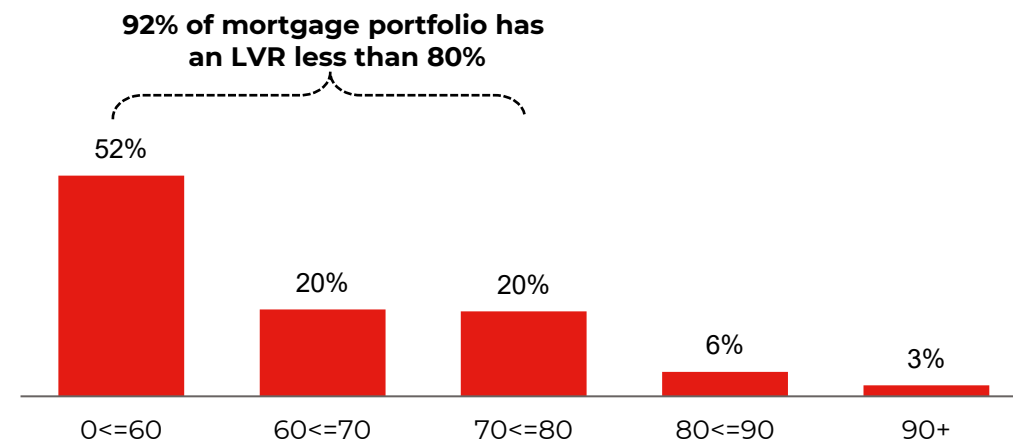


<sup>1</sup> Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset accounts. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. <sup>2</sup> Includes RAMS from Sep-20 onwards. <sup>3</sup> Excludes Line of Credit.

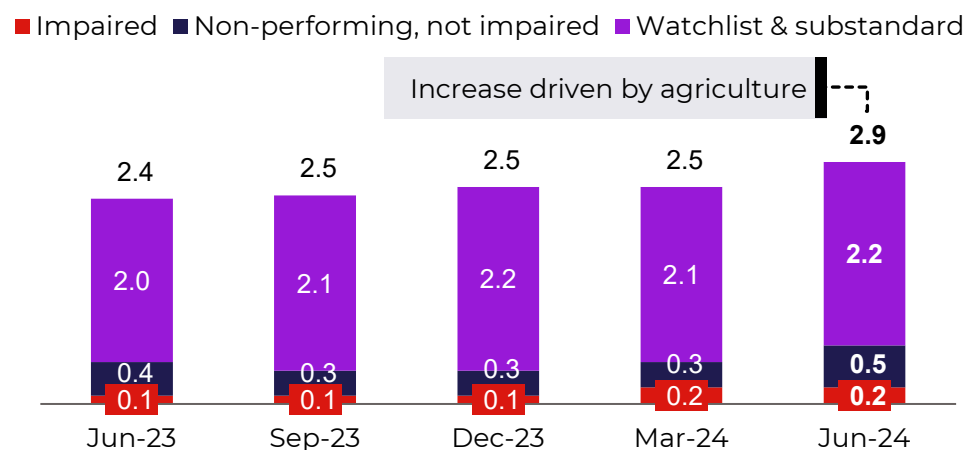
## MORTGAGE DELINQUENCIES (%)



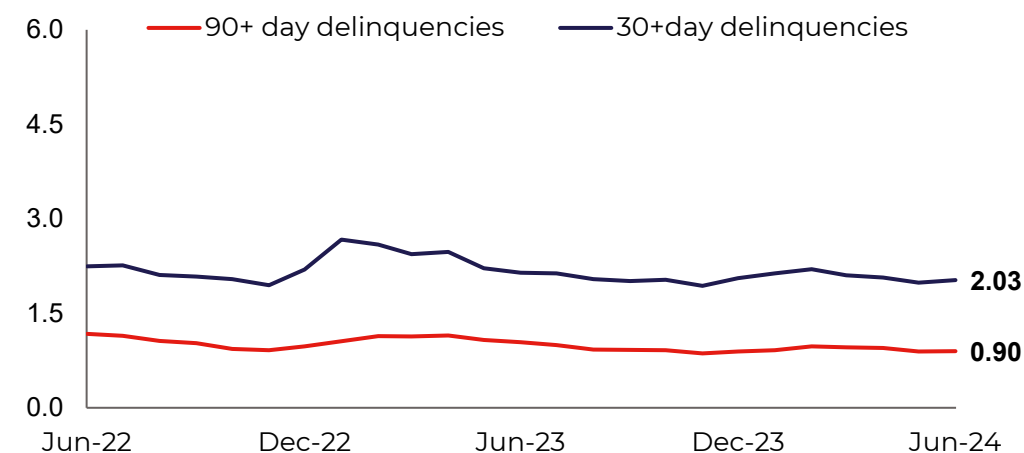
## MORTGAGE PORTFOLIO LVR<sup>1,2</sup> (% OF PORTFOLIO)



## BUSINESS STRESSED EXPOSURES TO BUSINESS TCE<sup>1</sup> (%)



## UNSECURED CONSUMER DELINQUENCIES (%)

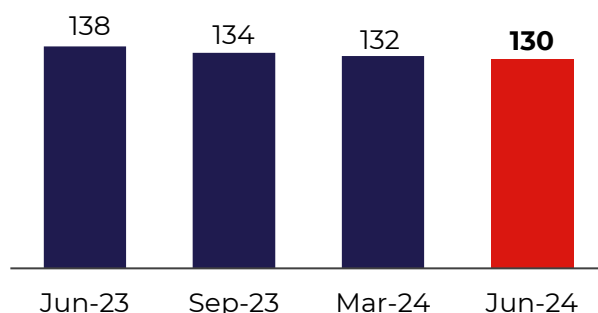


1 Chart may not add due to rounding. 2 LVR based on current exposure and property valuation at the latest credit event.

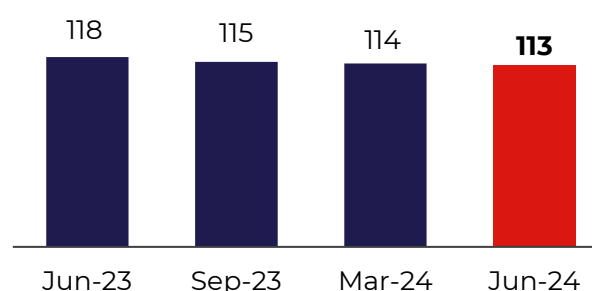
## KEY FUNDING AND LIQUIDITY MEASURES

**Liquidity coverage ratio (LCR) (%)**

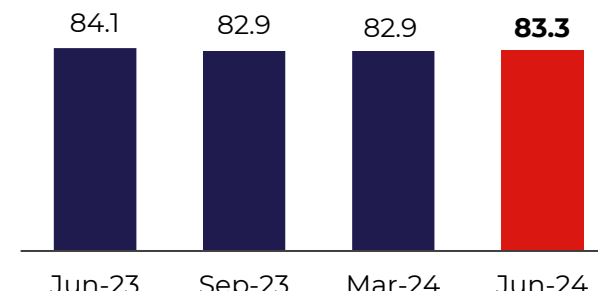
Quarterly average



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



**Customer deposits to net loans ratio (D2L) (%)**

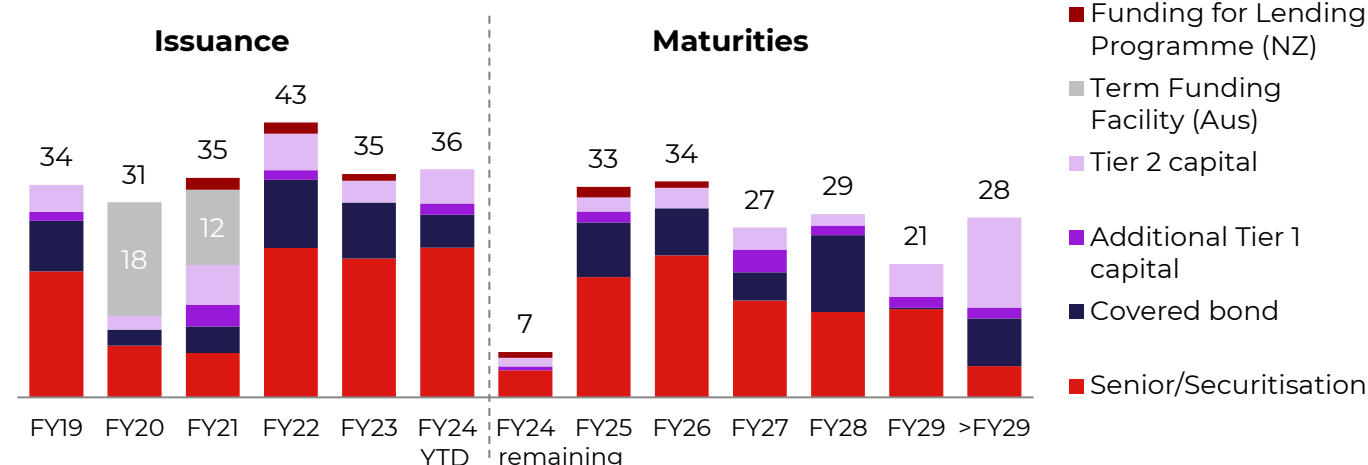


- Quarterly LCR movement reflects the impact of Term Funding Facility maturities, with lower average net cash outflows more than offset by a reduction in high-quality liquid assets

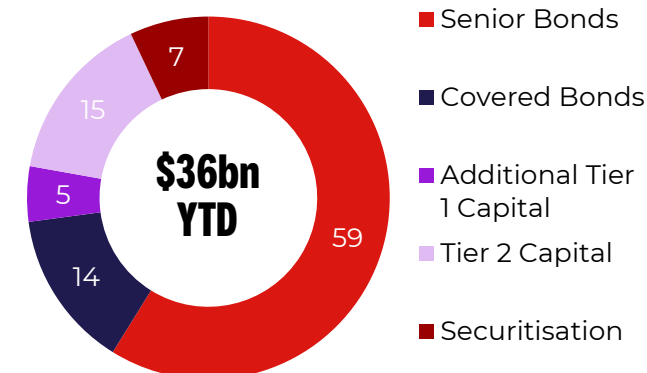
- Lower NSFR reflects growth in lending and increases in required stable funding for mortgages previously used as collateral for Term Funding Facility draw-downs

- Increase in D2L ratio due to rate of growth in deposits slightly ahead of loan growth

## TERM DEBT ISSUANCE AND MATURITY PROFILE<sup>1,2</sup> (\$BN)



## TERM DEBT ISSUANCE BY PROGRAM YEAR TO DATE<sup>2,3</sup> (%)



<sup>1</sup> Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. Contractual maturity date for Additional Tier 1 and callable Tier 2 instruments is the first scheduled conversion date or call date for the purposes of this disclosure. Any early redemption would be subject to prior written approval from APRA, which may or may not be provided. Maturities exclude securitisation amortisation. <sup>2</sup> Year to date is 1 October 2023 to 12 July 2024. <sup>3</sup> Chart may not add due to rounding.

# APPENDIX 1: FINANCIAL SUMMARY

APPENDIX

\$b	3Q24	% movement 3Q24 - 1H24 qtr average	Excluding Notable Items	
			3Q24	% movement 3Q24 - 1H24 qtr average
Net interest income	4.7	2	4.7	-
Non-interest income	0.7	(4)	0.7	(4)
<b>Net operating income</b>	<b>5.4</b>	<b>1</b>	<b>5.4</b>	<b>-</b>
Operating expenses	(2.7)	2	(2.7)	2
<b>Pre-provision profit</b>	<b>2.6</b>	<b>1</b>	<b>2.7</b>	<b>(2)</b>
Impairment charges	(0.1)	(58)	(0.1)	(58)
Tax and non-controlling interests (NCI)	(0.8)	4	(0.8)	2
<b>Net profit after tax</b>	<b>1.8</b>	<b>6</b>	<b>1.8</b>	<b>2</b>
<b>Return on equity (ROE)</b>	<b>10.0%</b>	<b>69bps</b>	<b>10.1%</b>	<b>36bps</b>
<b>Return on tangible equity (ROTE)</b>	<b>11.3%</b>	<b>79bps</b>	<b>11.4%</b>	<b>42bps</b>

Table may not add due to rounding

## APPENDIX 2: NET PROFIT

APPENDIX

\$b					Excluding Notable Items			
	1Q24	2Q24	1H24 qtr average	3Q24	1Q24	2Q24	1H24 qtr average	3Q24
Net interest income	4.3	4.8	4.6	4.7	4.7	4.7	4.7	4.7
Non-interest income	0.7	0.7	0.7	0.7	0.8	0.7	0.7	0.7
<b>Net operating income</b>	<b>5.0</b>	<b>5.5</b>	<b>5.3</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>	<b>5.4</b>
Operating expenses	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
<b>Pre-provision profit</b>	<b>2.4</b>	<b>2.8</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
Impairment charges	(0.2)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.1)
Tax and NCI	(0.7)	(0.8)	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
<b>Net profit after tax</b>	<b>1.5</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>
<b>ROE</b>	<b>8.3%</b>	<b>10.3%</b>	<b>9.3%</b>	<b>10.0%</b>	<b>9.8%</b>	<b>9.7%</b>	<b>9.8%</b>	<b>10.1%</b>
<b>ROTE</b>	<b>9.4%</b>	<b>11.6%</b>	<b>10.5%</b>	<b>11.3%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.4%</b>

Table may not add due to rounding

# INVESTOR RELATIONS TEAM – CONTACT US

CONTACT US

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Head of Debt Investor Relations

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## Arthur Petratos

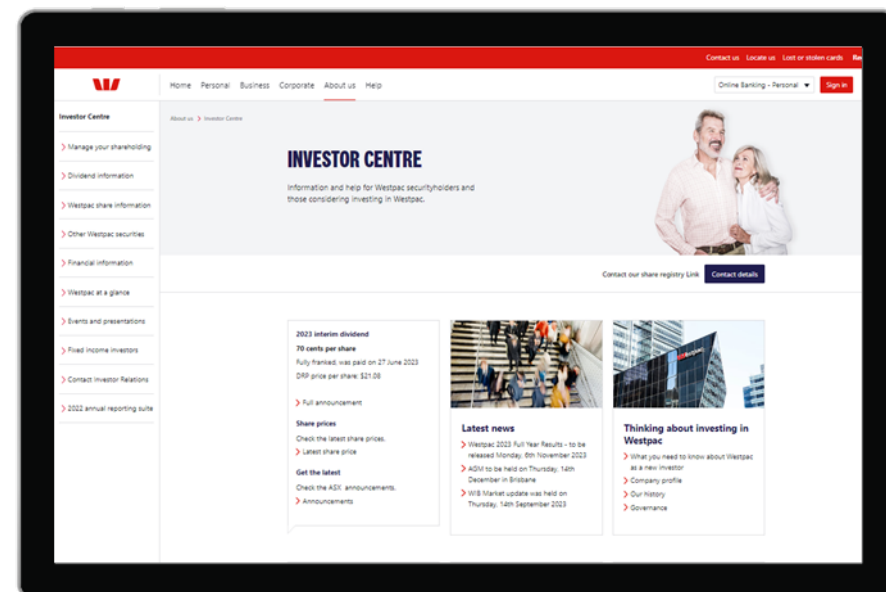
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We use words such as ‘will’, ‘may’, ‘expect’, ‘intend’, ‘seek’, ‘would’, ‘should’, ‘could’, ‘continue’, ‘plan’, ‘estimate’, ‘anticipate’, ‘believe’, ‘probability’, ‘indicative’, ‘risk’, ‘aim’, ‘outlook’, ‘forecast’, ‘fcast’, ‘f’, ‘assumption’, ‘projection’, ‘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.

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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 2024 Interim Financial Results (Risk Factors) available at [www.westpac.com.au](http://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.

We also make statements about our processes and policies (including what they are designed to do) as well as the availability of our systems or product features. Systems, processes and product features can be subject to disruption, and may not always work as intended, so these statements are limited by the factors described in our Risk Factors.