

3Q22

Capital, Credit Quality and Funding Update

This document should be read in conjunction with Westpac's June 2022 Pillar 3 Report. Contents principally covers and compares the 3Q22 and 1H22 quarterly average periods unless otherwise stated. All amounts are in Australian dollars.

FOR THE 3 MONTHS ENDED 30 JUNE 2022

WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Capital

- CET1 capital ratio 10.75% at Jun-22 (11.33% at Mar-22) lower from dividend payment (45 bps), higher risk-weighted assets (RWA, 42 bps) and higher capital deductions
- RWA up \$18.0bn or 3.9% in 3Q22, mostly from higher interest rate risk in the banking book (IRRBB) RWA
- Pro forma¹ CET1 capital ratio 11.00%



Credit quality

- Provision cover little changed. Total provisions to credit RWAs 1.25%, down 5bps over the quarter
- Credit quality improved, stressed assets to TCE 1.06%, 4bps lower than Mar-22
- Mortgage 90+ day delinquencies improved – Australia 0.83% (down 5bps), New Zealand 0.28% (down 2bps)



Funding and liquidity

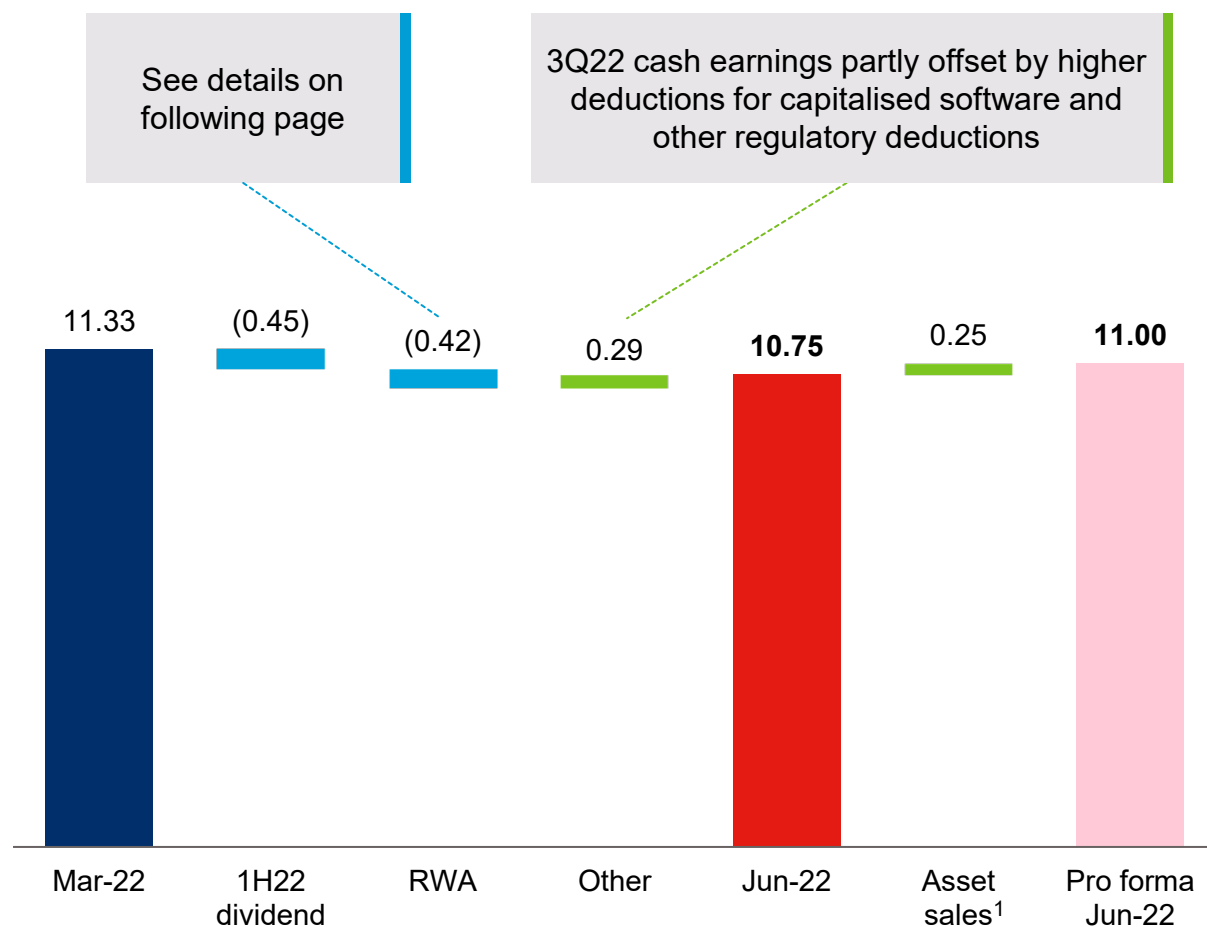
- Funding and liquidity strong. LCR 130% and NSFR 123%
- Deposit to loan ratio 83.1%, compared to 83.5% at Mar-22

¹ Reflecting divestments of Westpac Life Insurance, 17bps, (completed 1 August 2022) and Superannuation and Advance Asset Management Limited (AAML) businesses, 8bps, (sales have been announced but are not yet completed).

CET1 capital ratio 10.75%, pro forma¹ 11.00%.

Capital

Level 2 CET1 capital ratio movements (%)

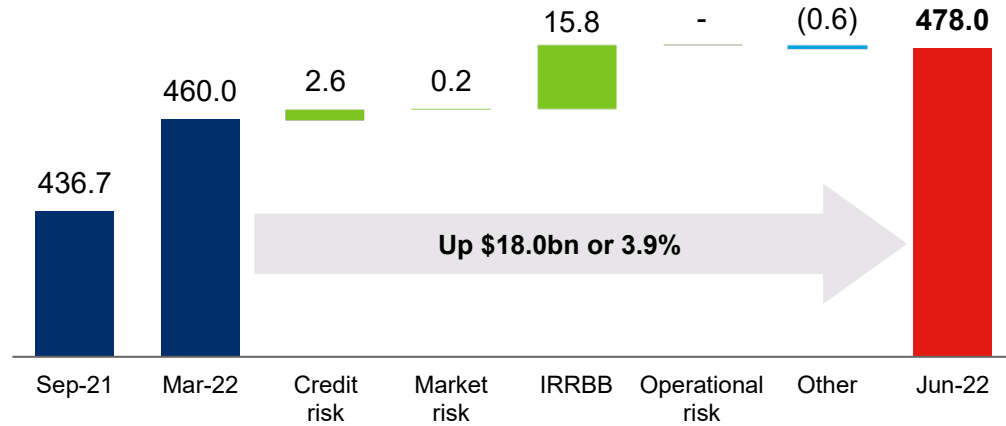


Key capital ratios (%)	Sep-21	Mar-22	Jun-22
Level 2 CET1 capital ratio	12.32	11.33	10.75
Additional Tier 1 capital ratio	2.33	2.08	2.02
Tier 1 capital ratio	14.65	13.41	12.77
Tier 2 capital ratio	4.21	4.30	4.40
Total regulatory capital ratio	18.86	17.71	17.17
Risk weighted assets (RWA) (\$bn)	437	460	478
Leverage ratio	5.99	5.60	5.35
Level 1 CET1 capital ratio²	12.59	11.23	10.59
Internationally comparable ratios³			
Leverage ratio (internationally comparable)	6.6	6.1	5.8
CET1 capital ratio (internationally comparable)	18.2	17.4	17.1

¹ Reflecting divestments of Westpac Life Insurance, 17bps, (completed 1 August 2022) and Superannuation and AAML businesses, 8bps, (sales have been announced but are not yet completed). ² The difference between the Level 1 CET1 capital ratio and Level 2 CET capital ratio is mainly due to APRA's treatment of the equity investment in Westpac New Zealand Limited under APS111. ³ Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015.

Increased risk weighted assets mostly from higher IRRBB RWA.

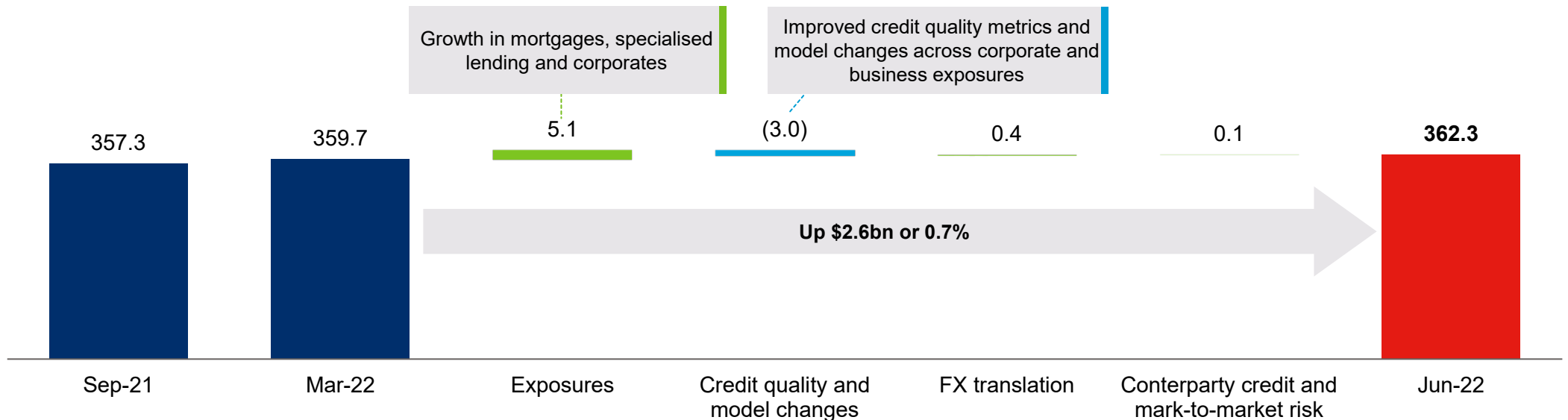
Risk weighted assets (RWA) (\$bn)



Commentary

- RWA up \$18.0bn over 3Q22
- IRRBB RWA up \$15.8bn (37bps impact on capital) mainly from a higher regulatory embedded loss from increased market interest rates. An embedded loss occurs as Westpac's equity is invested over a three year investment horizon compared to the regulatory investment term of one year
- Credit RWA increased \$2.6bn (6bps impact on capital) mainly from higher exposures across residential mortgages, specialised lending and corporates

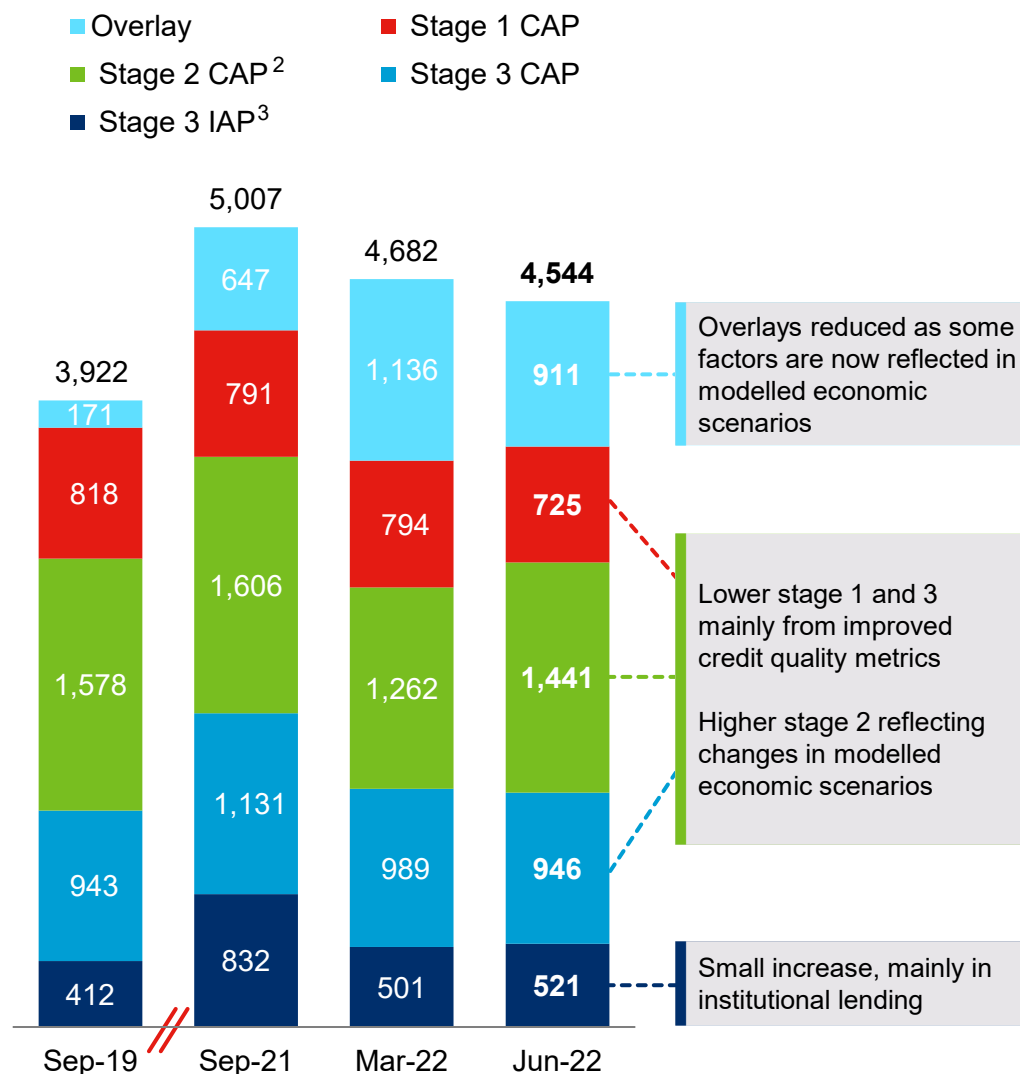
Movement in credit risk weighted assets (\$bn)



Impairment provision coverage remains strong.

Provisioning

Total impairment provisions¹ (\$m)



Provision coverage

	Mar-21	Sep-21	Mar-22	Jun-22
Provisions to credit RWA	159bps	140bps	130bps	125bps
Provisions to TCE	51bps	44bps	40bps	38bps
IAP to impaired assets	47%	54%	48%	51%

Forecasts used in base case economic scenario⁴

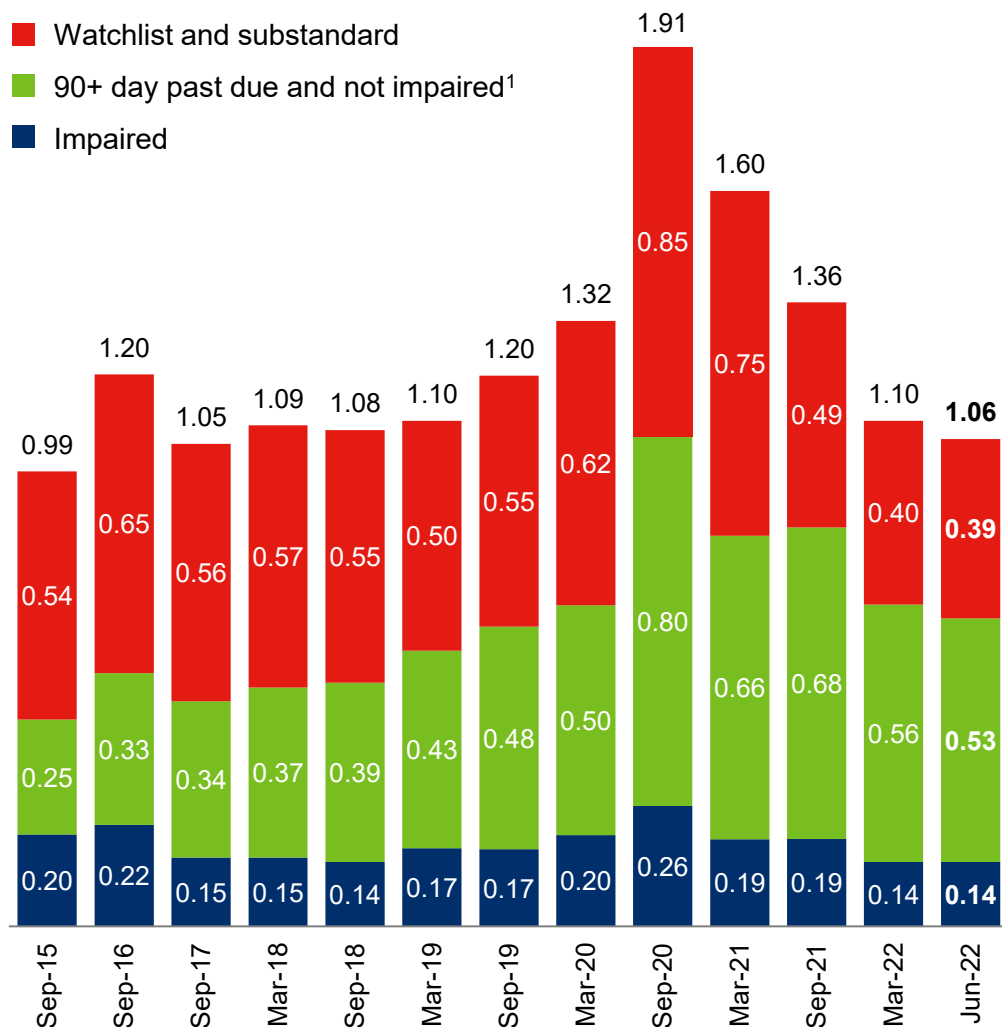
Forecast period	At Mar 2022		At Jun 2022	
	2022	2022	2022	2023
GDP growth	5.5%	5.5%	4.0%	2.0%
Unemployment	3.8%	3.8%	3.3%	3.5%
Residential property price increase/(decrease) ⁵	1.6%	1.6%	(5.2%)	(7.8%)

1 Includes provisions for debt securities. 2 CAP is Collectively Assessed Provision. 3 IAP is Individually Assessed Provision. 4 Forecast provided by Westpac Economics as at 7 June 2022. GDP and residential property price growth is annual growth to December each year. Unemployment rate forecast is at year end. 5 Residential house price assumptions used in our modelling are from Westpac Economics but may not be identical to other published data due to timing and rolling averages.

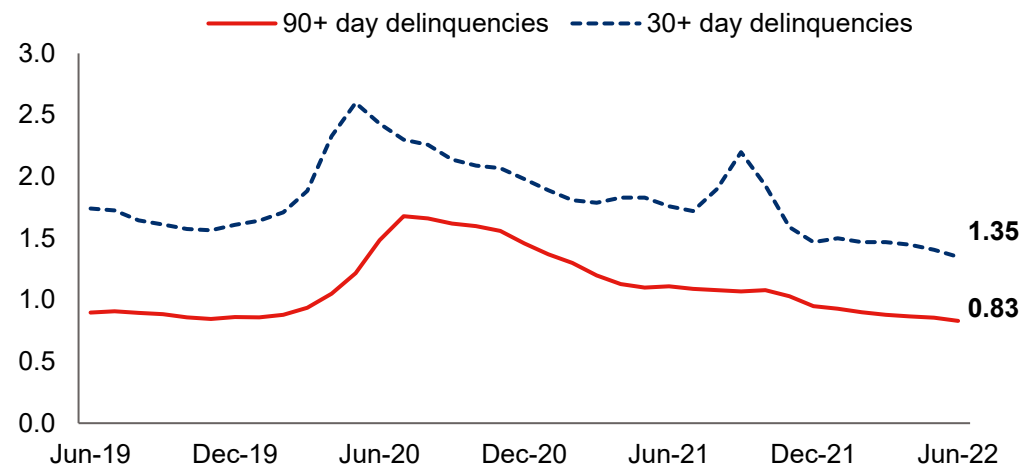
Credit quality metrics improved, stressed exposures down 4bps.

Stressed exposures as a % of TCE

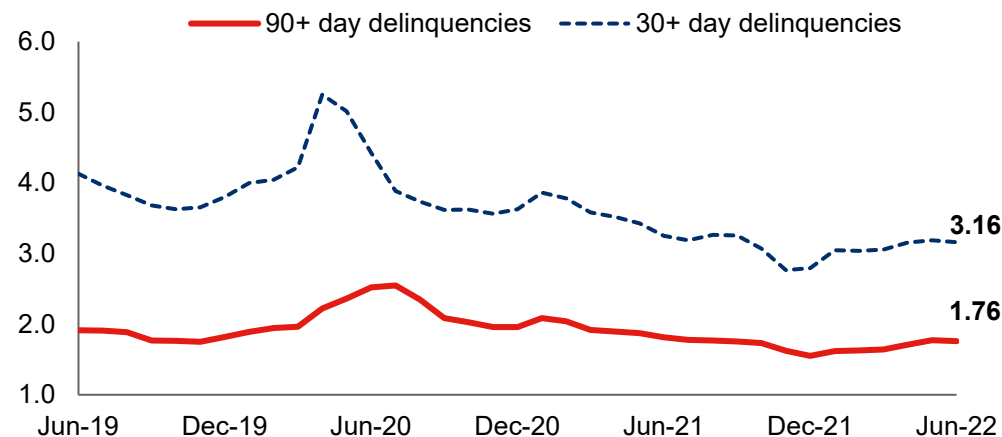
- Watchlist and substandard
- 90+ day past due and not impaired¹
- Impaired



Australian mortgage delinquencies (%)



Australian consumer finance delinquencies² (%)

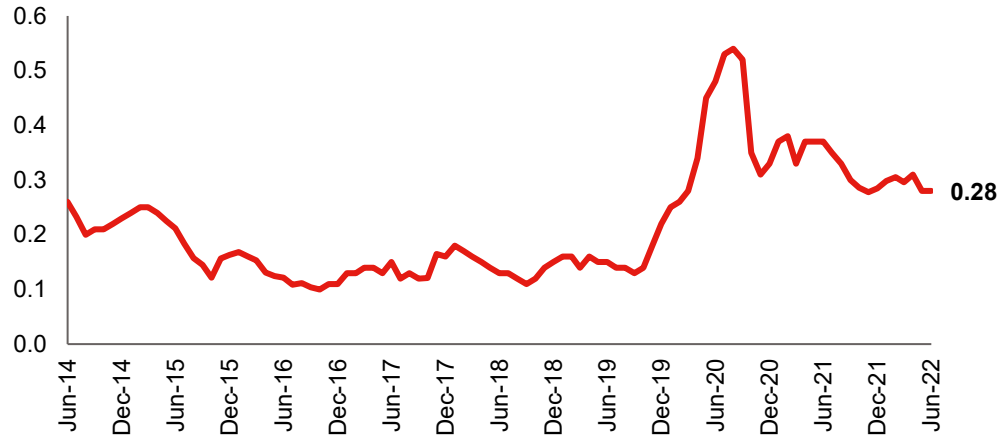


¹ Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes. ² Consumer finance includes personal loans, overdrafts, credit cards and auto loans.

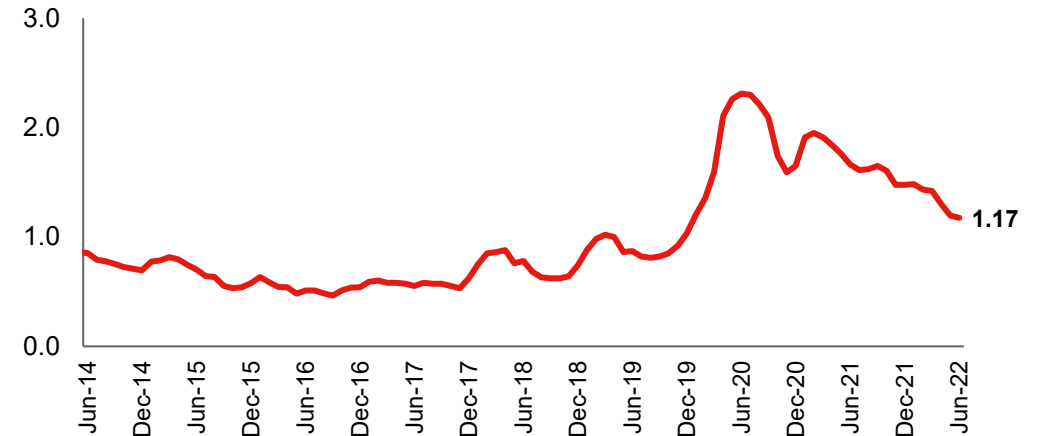
New Zealand credit quality stable.

Credit quality

Mortgage 90+ day delinquencies (%)

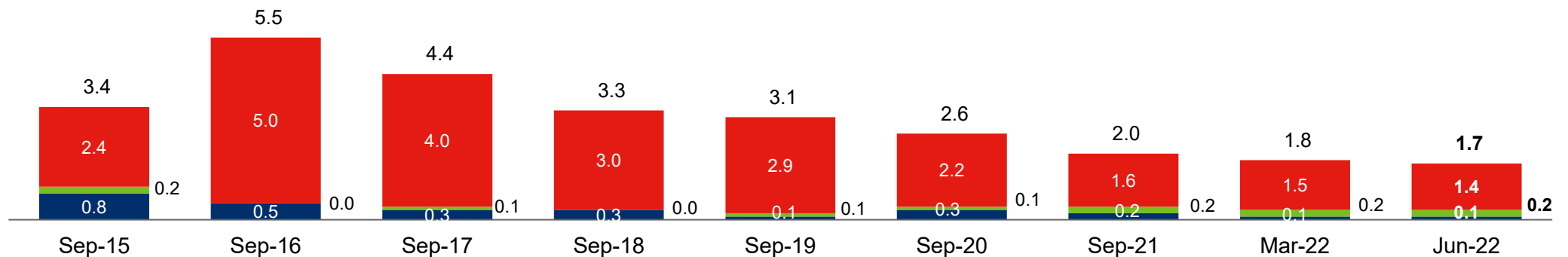


Unsecured consumer 90+ day delinquencies (%)



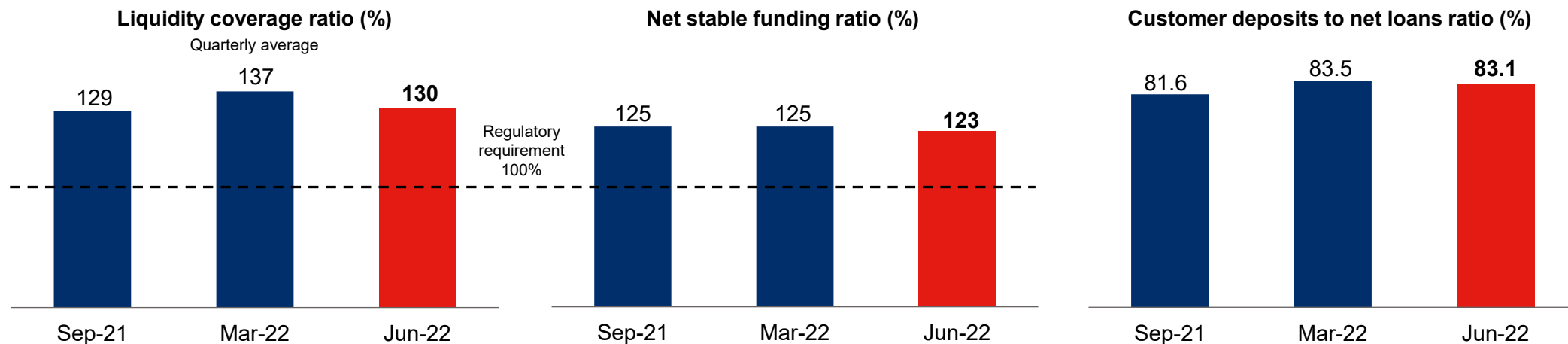
Business stressed exposures as a % of New Zealand business TCE

■ Watchlist & substandard ■ 90+ day past due and not impaired ■ Impaired

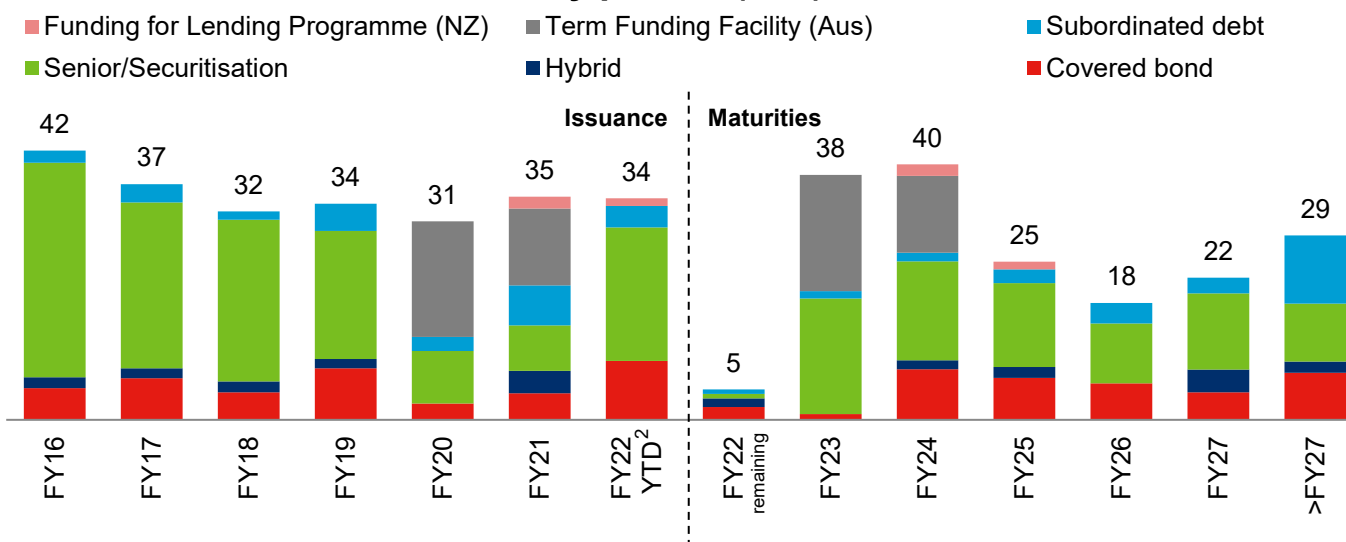


Funding and liquidity remain strong.

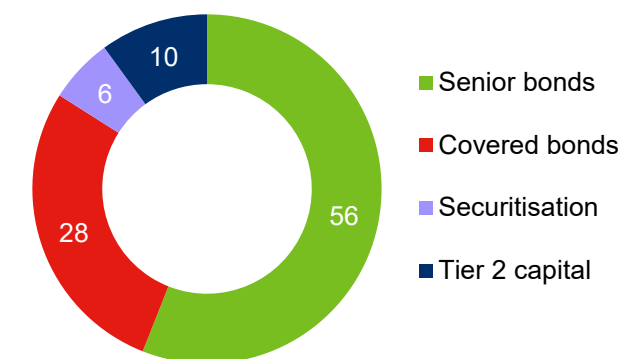
Key funding and liquidity measures



Term debt issuance and maturity profile¹ (\$bn)



Term issuance to 30 June 2022³ (%)



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 >FY27 maturity bucket. Maturities exclude securitisation amortisation. ² Year to date to 30 June 2022. ³ Data excludes Funding for Lending Programme.

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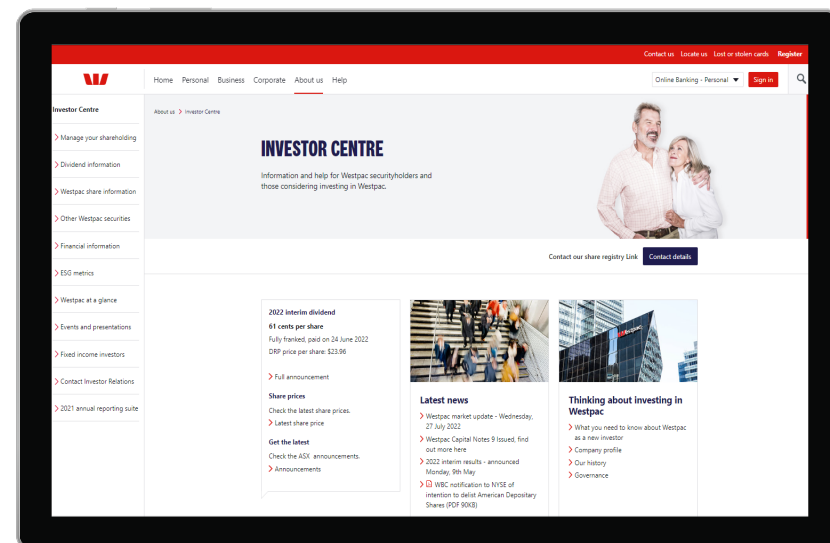
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