Pillar 3 Report

30 SEPTEMBER 2022

WESTPAC EUROPE LIMITED

Fix. Simplify. Perform.

Westpac GROUP

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In this report any reference to 'WEL' refers to Westpac Europe Limited and any reference to 'Westpac', 'WBC', 'WBCLB' (Westpac Banking Corporation London Branch) and 'WIB' (Westpac Institutional Bank) refers to Westpac Banking Corporation.

WEL has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL and is a company registered in England and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

Any discrepancies between totals and sums of components in tables contained in this report are due to rounding.

In this report the disclosures reflect the disclosure requirements set out in the retained UK Capital Requirement Regulation (UK CRR) which is the onshored version of European Union Regulation No 575/2013.

This report is available on the Westpac group website (http://www.westpac.com.au/about-westpac/global-locations/westpac-uk/).

Unless otherwise indicated, financial information provided in this report is as at 30 September 2022 (the financial year end for Westpac and WEL). This report is produced on an annual basis, following the financial year end publication of the Westpac Annual Report. This report may omit one or more disclosures on the basis that the information is immaterial, confidential or proprietary in nature. In these circumstances the report will specify which items of information are not disclosed and the reason for non-disclosure.

In this report, unless otherwise stated or the context otherwise requires, references to $, USD or US$ are to United States dollars.

In this report, the accounting currency used is US dollar.

These disclosures have been presented by the WEL Board and prepared by WBCLB Compliance and Finance teams.

The Pillar 3 report has been prepared to disclose certain capital requirement, risk management and governance related information and for no other purpose. This report does not constitute any form of financial statement and must not be relied upon in making any judgement in relation to WEL.

Westpac Europe Limited (WEL) is a 100% owned subsidiary of Westpac Banking Corporation (Westpac). The firm was registered at Companies House on 21 December 2005 and the name changed to Westpac Europe Limited in January 2006. WEL was granted a banking licence by the FSA in May 2006.

Due to the licensing restrictions on the ability of Westpac, as a non-EEA incorporated entity, to conduct cross border activities in certain European jurisdictions, it became necessary to incorporate an EEA subsidiary that would be able to conduct cross border business with EEA clients pursuant to an EEA Passport. The business strategy for WEL was reviewed following the UK's departure from the EU on the 31 January 2020 ('Brexit') with a transition period to 31 December 2020.

The WEL Balance Sheet[1] as at 30 September 2022 is set out below:

[1] The WEL balance sheet published in the financial statements is the same as the balance sheet prepared under the regulatory scope and therefore reconciliation between the two is not carried out.

Statement of Financial Position	2022	2021
	US$'000	US$'000
Assets		
Current assets		
Cash and bank balances	8,817	8,292
Derivative financial instruments	3,923	14
Debt securities at amortised cost	217,013	236,573
Due from related entities	214	68
Current tax receivable	38	28
Other financial assets	345	327
Deferred Tax Assets	21	-
Loans and advances to customers	36,493	-
Total current assets	**266,864**	**245,302**
Non-current assets		
Deferred Tax Assets	-	24
Loans and advances to customers	-	82,401
Total non-current assets	**-**	**82,425**
Total assets	**266,864**	**327,727**
Liabilities		
Current liabilities		
Borrowings	196,520	262,298
Derivative financial instruments	3,923	14
Due to related entities	938	365
Other financial liabilities	-	-
Provisions	71	113
Current tax liabilities	-	-
Total current liabilities	**201,452**	**262,790**
Non-current liabilities		
Borrowings	-	-
Other financial liabilities	-	-
Total non-current liabilities	**-**	**-**
Total liabilities	**201,452**	**262,790**
Net assets	**65,412**	**64,937**
Equity		
Share premium reserve account	58,427	58,427
Accumulated profit	6,510	6,245
Current period retained earnings	475	265
Total equity	**65,412**	**64,937**
Total equity and liabilities	**266,864**	**327,727**

The determination of the appropriate levels of capital is dependent on the risks associated with WEL's business model. The material risks to WEL include:

- Credit Risk;
- Liquidity Risk;
- Operational Risk;
- Legal and Regulatory Risk; and
- Related Party Risk

As at 30 September 2022, WEL had $65.412k[1] of Tier 1 capital available, which the Board considered more than sufficient to cover the risk profile of the firm, regulatory requirements and market conditions.

WEL has a simple business model designed to minimise market risk, credit risk and liquidity risk. This is accomplished as follows:

- All foreign exchange, capital markets and other derivative transactions are backed out to Westpac at the same market rates, and any mark-to-market (for example, on client facing derivatives) is calculated and covered daily by cash collateral placed by Westpac;
- All loans and advances made by WEL are funded by Westpac;
- All undrawn commitments and wholesale deposits are covered by cash collateral placed by Westpac; and
- The cash collateral is invested in high quality liquid assets (HQLA), specifically government securities and bank papers.

The underlying credit, market and liquidity risks for WEL are mitigated through various legally binding agreements with Westpac.

The collateral received from Westpac is monitored by WEL on a daily basis and includes a minimum buffer to ensure WEL always holds sufficient collateral. Management reviews the collateral position report daily and the board reviews the overall collateral position on a monthly basis. The WEL Board views the collateral report as an appropriate control to ensure that undrawn commitments, deposits and derivative transactions are adequately cash collateralised on a daily basis. In addition, Group Assurance reviews the collateral procedure and position report as part of their audit scope.

The key regulatory ratios assessed by the WEL Board include:[2]

	2022	2021
Capital indicators		
Common equity tier 1 ratio	776.33%	501.31%
Leverage ratios		
Debt ratio	74.49%	80.19%
Debt-to-equity ratio	3.08	4.05
Liquidity indicators		
Liquidity coverage ratio	743%	709%
Current ratio	1.39	1.36
Profitability indicators		
Return on assets	0.18%	0.08%
Return on equity	0.73%	0.41%
Asset quality indicators		
Off balance sheet commitments/Total assets	44.83%	43.17%
Customer advance/Total assets	13.69%	25.15%
Internal funding/Total assets	73.64%	80.04%

Westpac Group's purpose is 'Creating better futures together'. The strategy supports Westpac's purpose, harnesses Westpac's strengths and refocuses where change is required. In delivering on the strategy, Westpac's focus is banking for Australian and New Zealand consumers, businesses and institutional customers (which includes global institutional customers such as customers of WEL).

The WEL Board endorses the Westpac Group purpose and recognises its responsibilities in maintaining a robust management process and a strong risk management culture. Well defined controls, that are designed to ensure that the capital and liquidity adequacy requirements are embedded into WEL's day to day operations, include:

- Strong reporting processes – regular (daily and monthly), structured and transparent reporting, with a range of metrics, are provided to senior management so that informed decisions can be taken.
- Escalation processes – procedures are in place to inform the PRA about expected or actual fall in capital below the regulatory buffers.

[1] This figure excludes current period retained earnings in consideration of Article 26 of the Capital Requirement Regulation (CRR) which allows institutions to include interim or year-end profits in CET1 capital before the institution has taken a formal decision confirming the final profit or loss for the year only with prior permission of the competent authority.
[2] This table is based on the audited Financial Statement as at 30/09/2022

- Review and sign-off processes – there is strong governance around the annual review of the ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) to assess the quantity and quality of capital and liquid resources to adequately cover the level and nature of risks and evaluation of appropriate stress tests and scenario analysis. Stress testing and scenario analysis are part of the ICAAP/ILAAP process. A recovery plan is also documented. The Board seeks information to obtain full insight into the risk and capital calculations to be able to fully deliberate, challenge and receive assurance that all appropriate risks are considered and capital adequacy assessed and maintained.
- Financial Crime, Compliance, and Conduct reviews – periodic reviews are carried out in accordance with the monitoring and testing programmes and plans.
- Internal Audit reviews – internal reviews are undertaken to assess the effectiveness of controls and procedures.
- Business Continuity Procedures – periodic reviews and tests are performed to test business continuity and disaster recovery procedures.
- Reasonableness review of regulatory returns – a review of the material is completed by subject matter experts prior to submission of the returns to the regulatory authorities.

Background and Business Strategy

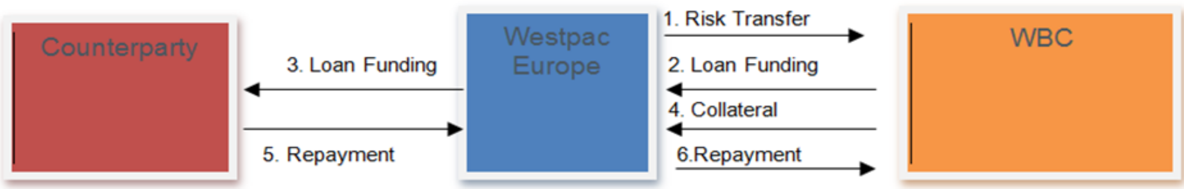
As a wholly owned subsidiary of Westpac and consistent with Westpac's existing operations in WBCLB, WEL's business is anchored to customers with connections to Australia and New Zealand. WEL assists in protecting and promoting business gained in Australasia through various products and services. WEL was essentially established to support business in selected EEA countries. The business strategy for WEL was reviewed following the UK's departure from the EU on the 31 January 2020 ('Brexit') with a transition period to 31 December 2020. WEL is no longer taking on any new activity and is only servicing existing commitments. The current expectation is that a new entity Westpac Europe GmbH licence will be activated in July 2023 at which time it is expected that the process for transfer of residual loans in WEL will commence.

In view of the nature, scale and complexity of its business model, and its categorisation under the current supervisory approach by both regulators, WEL should be considered a non-systemic risk entity.

The principal activities of WEL are regulated banking business and MiFID II investment services with targeted European corporate and institutional customers (all of which are eligible counterparties or professional clients) where WEL is permitted to do so. There are no dealings with retail clients.

WEL's business focuses primarily on wholesale vanilla FX (spot, forward and swaps), bonds, and other derivatives such as interest rate swaps. In addition, bi-lateral and syndicated loan facilities and other types of commitments are extended through Corporate & Institutional Banking. There are no structured products originated or distributed by WEL.

The following graph illustrates the flow of credit and market risk from WEL to Westpac, the funding of loans by Westpac via WEL to the counterparty and subsequent repayment, and cash collateral from Westpac to WEL.



To allow WEL to operate on a near risk free basis, and to minimise the impact of WEL's business on Westpac's capital, all financial markets transactions entered into by WEL are simultaneously backed out to Westpac. All back out trades are on terms exactly equal to the transaction with the external customer.

WEL's statement of Risk Appetite

The WEL Board is responsible for the risk management framework (including the ICAAP and ILAAP), governance and strategy. The Board articulates the risk appetite, adopts strong risk management strategies and encourages a sound risk culture. The Board understands the WEL risk profile, balances risk and reward with the risk appetite, maintains a strong balance sheet, guards against excessive risk or undue risk concentration and meets regulatory and compliance obligations.

In principle, WEL's tolerance level for risk is very low which is reflected in and reinforced by its business model.

WEL does not have any employees. Instead, staff are seconded from WBCLB to WEL under a secondment arrangement. A consequence of the secondment arrangement with Westpac is that there are no employee costs (including pension costs, redundancy costs etc.) incurred by WEL in the event of WEL ceasing operations.

WEL has entered into an intragroup Outsourcing Agreement with the Westpac Institutional Bank Operations team for the provision of operational services for the confirmation, settlement and where relevant, reporting of financial transactions and corporate loans executed in its name.

On a group wide and global basis, WBC operates a Three Lines of Defence ("3LoD") approach to risk management which reflects its culture of 'risk is everyone's business' in which all employees are responsible for identifying and managing risk and operating within the Group's desired risk profile. WEL also operates within this framework. WBC's overall 3LoD approach is depicted diagrammatically below:

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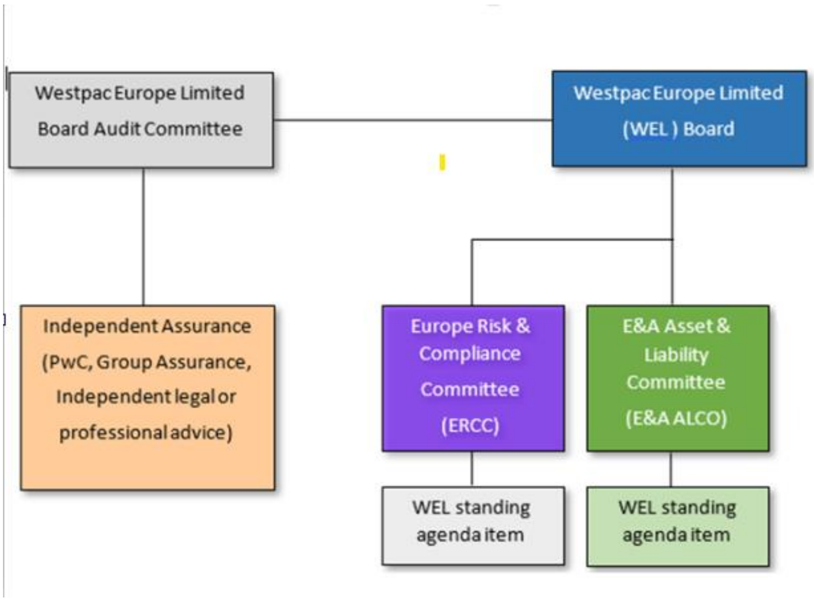
Governance Structure & Committees

The WEL Board comprises five Directors:

- Chairman of the Board and Non-Executive Director;
- Executive Director;
- Executive Director;
- Independent Non-executive Director; and
- Independent Non-executive Director (Chair of the WEL Board Audit Committee).

Board meetings are held at least quarterly.

WEL Committees:



Board Audit Committee

The WEL Board has one committee: the Board Audit Committee (“BAC”). BAC meetings are held half yearly.

The BAC oversees all matters concerning the integrity of the financial statements and financial reporting systems, the external auditor’s qualifications, performance, independence and fees; oversight and performance of the internal audit function; compliance with financial reporting and related regulatory requirements; and procedures for the receipt, retention and treatment of complaints received on accounting, internal accounting controls or auditing matters and the confidential reporting by employees of concerns regarding accounting and auditing matters.

The BAC receives information from external audit and internal WBC Group Audit. The BAC reports into the WEL Board.

Shared Committees

The following governance committees are shared committees considering matters relevant to WBCLB and WEL:

- Europe Risk & Compliance Committee;
- Europe and Americas (E&A) Asset and Liability Committee.

Information packs from the governance committees (e.g., minutes, quarterly reports) are provided to the WEL Board as part of the quarterly WEL board pack.

Europe Risk & Compliance Committee (ERCC)

The purpose of the ERCC is to lead the optimisation of credit, market, operational, reputation, and strategic risk reward. It takes responsibility for implementing and monitoring Group Risk class Frameworks and supporting policies and all aspects of risk for Europe, including acceptance and ratification of local VaR Market Risk limits. The ERCC oversees the compliance framework, and the implementation of compliance policies and procedures, ensuring these are adequate, effective and being applied within the context of the local regulatory environment. It ensures that all compliance issues and incidents are recorded, and that identified risks are responded to and that actions are developed to mitigate within agreed timeframes. The ERCC oversees the management of financial crime compliance across European business activities within the context of risk appetite. It also identifies and escalates material risks to the Westpac Institutional Bank Risk and Compliance Committee (WIB RISKCO).

The WIB International Asset & Liabilities Committee

The International ALCO has oversight of liquidity and funding in the E&A jurisdictions. The International ALCO oversees regulatory compliance as well as managing the balance sheet in line with WIB Offshore ALCO strategy.

The objectives and responsibilities of the International ALCO are to review balance sheet composition; review global funding and liquidity management including short and long term risks and the Offshore Funding Crisis Model; review balance sheet performance. It also monitors regulatory change impacts to identify and address any potential balance sheet impacts.

Overview of Key Business Units for WBCLB and WEL

The E&A business of WBC is managed by the General Manager E&A, including management of risk and controls, with direct line responsibility for the support of finance and people and performance. The General Manager E&A is the main interface with the relevant business heads in Australia on implementing strategic initiatives into the global business lines, including ensuring that risk is within risk tolerance levels (such as compliance, legal, credit, market, and operational risk). The General Manager E&A chairs the Europe Management Committee which oversees the activities of WBCLB and (in addition to the WEL Board) WEL. This is supported by the ERCC and International ALCO.

The E&A business of Westpac is also managed on a global basis, with each of the product, operational and risk lines reporting into their respective global heads in relation to strategy, execution and revenue targets.

There is an appropriate matrix of reporting protocols in place, which accounts for both global product and geographical responsibility and accountability. The General Manager E&A is ultimately responsible for any business included on the London balance sheet wherever initiated globally.

The key business units for WBC and WEL are:

- Financial Markets;
- Corporate & Institutional Banking;
- Treasury;
- Finance;
- Risk;
- Internal Audit;
- Financial Crime, Compliance and Conduct
- Operations and Outsourcing;
- Human Resources;
- Technology; and
- Legal.

WEL Senior Managers (Job Titles):

- General Manager E&A;
- Chief Operating Officer E&A;
- Chief Financial Officer Europe;
- Head of Compliance & Financial Crime Europe;
- Chief Risk Officer E&A;
- Group Audit;
- Non-Executive Director; and
- Non-Executive Director (Chair of the WEL Board Audit Committee).

This table shows WEL's capital resources as at 30 September 2022:

Capital Ratio	Sep-22
Risk Exposures:	
Credit Risk [1]	3.3
Market Risk	-
Operational Risk	5.1
Total Risk Exposure Amount	**8.4**
Capital Resource Requirement	
Pillar 1	0.7
Pillar 2A	0.5
Total Requirement (ICG) [2]	**1.2**
PRA Buffer (Pillar 2B) [3]	0.3
Capital Conservation Buffer [4]	0.2
Countercyclical Buffer [5]	-
ICG + Pillar 2B + CRDIV combined buffer	**1.7**
Tier 1 capital (CET1) [6]	64.9
Capital surplus	**63.2**

Pillar 1 capital is the minimum capital that a firm is required to hold for credit, market and operational risk. It is calculated as 8% of Risk Weighted Assets. Pillar 2 capital consists of Pillar 2A and Pillar 2B. Pillar 2A is held for risks that are not captured or not fully captured under Pillar 1 calculation. Pillar 2A capital is set by the PRA during the SREP (supervisory review and evaluation process). Pillar 2B capital is held for forward looking risks that may arise under stressed conditions. WEL also meets its requirements for holding capital conservation buffer (CCB) and the countercyclical buffer (CCyB). CCB is calculated at 2.5% and CCyB is dependent on the buffers that are set in jurisdictions to which WEL has exposure. Systemic risk buffers do not apply to WEL. The PRA buffer is set during the SREP. As at 30 September 2022 WEL held CET1 capital to cover all its capital and buffer requirements.

WEL is not required to hold MREL (Minimum Requirements for Own Funds and Eligible Liabilities) above its minimum capital requirements.

WEL ensures that it is adequately capitalised at all times, and as at the reporting date held capital well in excess of regulatory requirements. WEL's common equity Tier 1 capital ratio was 776.33%[1] at 30 September 2022. WEL's capital adequacy ratios are below:

	2022	2021
Capital indicators		
Common equity tier 1 ratio	776.33%	501.31%

The Pillar 1 exposures calculated on risk weighted assets are set out below. WEL uses the Standardised Approach for the calculation of risk weights for credit risk and the Basic Indicator Approach for calculating operational risk[2].

[1] This is based upon September 2021 Financial Statement.
[2] The Credit risk exposure amount calculated in accordance with Article 111 to 134 of the Capital Requirements Regulation (575/2013) (CRR). The Operational Risk amount calculated in accordance with Article 315 of the Capital Requirements Regulation (575/2013) (CRR).

Risk Exposures		
$m	**30-Sep-22**	**30-Sep-21**
Credit risk	3.3	6.7
Market risk	0.0	0.0
Operational risk	5.1	6.2
Interest rate risk in the banking book	0.0	0.0
Other	0.0	0.0
Total	8.4	12.9

This table shows risk weighted assets and associated capital requirements[1] for each risk type included in the regulatory assessment of WEL's capital adequacy.

30-Sep-22 *$US m*	**Risk Exposures**	**Total Capital Required**
Credit risk		
Other assets	3.3	0.3
Total	3.3	0.3
Market risk	-	-
Operational risk	5.1	0.4
Interest rate risk in the banking book	-	-
Total	**8.4**	**0.7**

This table sets out WEL's risk weighted assets as at 30 September 2022:

[1] The risk weighted assets are calculated using the standardised approach.

	30-Sep-2022	Risk Mitigation*	Assets after risk mitigation	Risk weighting	Risk weighted assets
	US$000	US$000	US$000	%	US$000
ASSETS					
Current assets:					
Cash and bank balances	8,817	-	8,817	20%	1,763
Derivative financial instruments	3,923	-	3,923	n/a	1,526
Debt securities at amortised cost - Credit	217,013	217,013	-	20%	-
Debt securities at amortised cost - Credit	-	-	-	20%	-
Due from related entities	214	214	-	20%	-
Current tax receivable	38				
Other financial assets	345	345	-	20%	-
Deferred Tax Assets	21	21	-	20%	
Loans and advances to customers	36,493	36,493	-	100%	
Total current assets	**266,864**	**258,009**	**8,817**		**3,289**
TOTAL ASSETS	**266,826**	**258,009**	**8,817**		**3,289**
Pillar 1 credit risk requirement (8% of RWA)					**263**

The WEL Board and the various governance committees ensure that an appropriate level and quality of capital commensurate with its risk profile, business strategy, risk appetite and overall financial adequacy rule is maintained. WEL regards material risks as those risks that affect its business in terms of performance, reputation, and future success. WEL manages these material risks by taking an integrated and balanced approach to risk and reward. WEL has also entered into a range of agreements with Westpac to facilitate risk transfer and risk mitigation. Assessments of the various risks faced by WEL are provided below.

Credit Risk

Credit risk is the risk of financial loss where a customer or counterparty fails to meet their financial obligations to WEL. It is measured and monitored through the Westpac credit risk calculation and limit monitoring systems and processes. WEL has adopted the standardised risk weighted approach to measuring its credit risk. Credit Risk Mitigation is a technique to reduce the credit risk associated with an exposure or exposures which a firm continues to hold and is achieved through funded or unfunded credit protection.

Credit Risk Mitigation - Counterparty Credit Risk

WEL faces counterparty credit risk (CCR) when it trades derivative products with counterparties or enters into loan facilities with clients. WEL minimises CCR as follows:

- All foreign exchange, capital markets and other derivative transactions are backed out to Westpac at the same market rates, with any mark-to-market (for example, on client facing derivatives) calculated and covered daily through cash collateral placed by Westpac;
- All loans and advances made by WEL are funded by Westpac;
- All undrawn commitments and wholesale deposits are covered by cash collateral placed by Westpac; and
- All settlement activities are carried out by Westpac on behalf of WEL under a Service Level Agreement.

Credit Risk Mitigation - Concentration Risk & collateral holding

The above risk transfer process inevitably creates a large single name concentration[1] risk to Westpac. This is effectively mitigated by the collateral arrangement between WEL and Westpac.

[1] Concentration risk is the risk that results from a lack of diversification of exposures and includes large exposures, geographic and industry risk.

WEL invests the cash collateral it receives from Westpac in high rated government securities and investment grade bank paper. The investment in bank paper is held in parcel sizes that are within the regulatory ceiling to prevent concentration risk. The credit risk on these liquid assets is monitored by Treasury and WIB Credit and overseen by International ALCO.

The collateral position as at 30 September 2022:

	30-Sep-2022 US$m	30-Sep-2021 US$m
Collateral amount required	124	142
Collateral amount held*	162	180
Surplus	38	38
% Buffer	31%	27%

*Government Securities & Bank Papers excluding USD $55m Capital invested in Government Securities

WEL is exposed to geographic risk as the range of counterparties it faces are all located in the EEA. The credit risk arising on these exposures is covered by Westpac under the risk transfer arrangements.

Residual Risk

Residual risk arises from the partial performance or failure of credit risk mitigation techniques. For the purposes of the risk assessment, this also includes the partial performance of the collateral arrangement with Westpac.

A key mitigating control is the daily review of the collateral position report by Senior Management. This report is produced on a T+1 basis and demonstrates that there is sufficient collateral to cover the undrawn commitments and any mark-to-market fluctuations on derivative transactions. Furthermore, the operations area informs management in advance of any loan drawdowns or repayments which are funded by Westpac.

WEL has also developed a systematic Risk Mitigation Testing Programme matrix consisting of several early warning indicators (EWI). The EWIs are monitored on a monthly basis to consider whether they may have an adverse impact on capital and liquidity adequacy under various stress scenarios.

Market Risk

Market Risk is the risk of an adverse impact on earnings resulting from changes in market factors, such as foreign exchange rates, interest rates, commodity prices and equity prices. The historical simulation Value-at-Risk (at 99% confidence level) is used to calculate market risk, however WEL does not run any traded market risk exposure as all trades are immediately and automatically backed out to Westpac through matching transactions under risk transfer arrangements.

Interest Rate Risk in the Banking Book (IRRBB) – Interest rate risk from non-trading book activity is the risk of losses arising from changes in the interest rates associated with banking book items and includes duration risk, basis risk and optionality risk. WEL faces duration risk due to the mismatch across time buckets of assets and liabilities that arise in the normal course of business activities. This is mitigated via collateralisation of derivatives, match funding of loan facilities and investment of collateral in HQLA.

Funding and Liquidity Risk

Funding and Liquidity risk is the risk that WEL cannot meet its payment obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. Liquidity risk is measured and managed in accordance with the policies and processes defined in the Liquidity Risk Management Framework which sets out the liquidity risk appetite, roles and responsibilities, tools for measuring and managing liquidity risk, reporting procedures and supporting policies. WEL carries out a Liquidity Adequacy Assessment Process (ILAAP) annually. Liquidity risk is mitigated as follows:

- All loans and advances made by WEL are funded by Westpac. All undrawn commitments made by WEL are covered by cash collateral placed by Westpac upon WEL's commitment to its customer;
- WEL has a multicurrency liquidity facility with Westpac which can be availed in the event of a liquidity shortfall as a result of a market wide stress or idiosyncratic stress; and
- Cash collateral is invested in a large portfolio of HQLA (High Quality Liquid Assets). As at 30 September 2022, WEL maintained its Liquidity Coverage Ratio (LCR) significantly in excess of 100%. The LCR is calculated and monitored daily.

The LCR requires banks to hold sufficient HQLA to withstand 30 days under a stress scenario. WEL's LCR as at 30 September 2022, was 743%. This HQLA is held for Pillar 1 requirements, Pillar 2 guidance and any eligible surplus above that. Liquid assets included in the LCR comprise unencumbered high-quality government securities.

The LCR disclosure template on quantitative information of LCR which complements Article 435 (1)(f) of UK CRR:

US$ M	2022	2021
HQLA	**216.5**	**211.6**
Outflows		
Intragroup borrowings	26.0	24.0
Undrawn Commitments (10% of face)	12.0	14.1
Derivative Outflows netted by counterparty	-	-
Total Outflows	**38.0**	**38.1**
Inflows		
Nostros	8.8	8.3
Intragroup inflows		
Maturing Bank Paper		
Derivative Inflows netted by counterparty	-	-
Total Inflows	8.8	8.3
Inflows capped at 75% of outflows	**8.8**	**8.3**
Net Outflows	**29.1**	**29.9**
Liquidity Coverage Ratio	**743%**	**709%**

Operational Risk

Operational risk is the risk that arises from inadequate or failed internal processes, people and systems or from external events. The Board has adopted the Westpac Operational Risk Management Framework including the likelihood and primary impact categories and thresholds to manage operational risk. Westpac also has comprehensive and well tested Disaster Recovery and Business Continuity Plans. WEL has adopted the basic indicator approach to measuring operational risk.

WEL's operational risk capital as at 30 September 2022 is $406k, being 15% of the sum of the three-year average total net income.

Pillar 1 Operational risk capital			
	30-Sep-22	**30-Sep-21**	**30-Sep-20**
	US$000	**US$000**	**US$000**
Net interest income	366	31	696
Net non interest income	1,701	2,257	3,071
Total net income	**2,066**	**2,287**	**3,767**
Three year average total net income	2,707		
15% of three year average	**406**		

The following non-financial risks are assessed under the umbrella of operational risk:

- Business continuity risk

  Business Continuity Management (BCM) forms a key component of the Group operational risk framework and is a key mitigant of business disruption and people safety risk.

- Cyber risk

  Westpac protects the privacy and security of the bank's confidential information and encompasses a range of security protection services such as Cyber Security and Data Loss Prevention Services.

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- Third party (outsourcing) risk

  WEL operates under the Group outsourcing policy however WEL predominantly outsources its requirements to Westpac. These arrangements are governed by various service level agreements.

Legal and Regulatory Risk - Ongoing compliance with legal and regulatory (including conduct and compliance) obligations is facilitated by the first and second line risk and compliance teams in conjunction with legal counsel and senior management. Changes to the regulatory regime, communications from regulators and commentary from trade organisations are monitored for relevance to WEL and action is taken accordingly.

The WEL Board ensures appropriate oversight of conduct and compliance risk. Conduct and compliance risk is the risk of failing to abide by compliance obligation and failing to have behaviours and practices that deliver suitable, fair and clear outcomes for customers. Staff are seconded to WEL from Westpac and are diligent in meeting the requirements of the Westpac Group Conduct Framework, Group Compliance Management Framework and Financial Crime Risk Management Framework including the supporting policies and standards.

Related Party Risk – Related party risk is the risk that problems arising in other Westpac Group members compromise the financial and operational position of WEL. Related party risk is considered low given the nature of WEL's business, the operational arrangements in place between Westpac and WEL, and due to the strength of Westpac's credit rating (S&P AA-).

Other Risk Categories

Various other risks categories are considered under the ICAAP review including:

Business and Strategic Risk – Strategic risk is relevant to WEL given that its existence and ongoing viability is dependent on Westpac. However, given the size, scale and complexity of WEL, the Business and Strategic risk are manageable. The strategic considerations in respect of the UK's withdrawal from the EU ("Brexit") are being discussed at both the WEL Board and Westpac executive level.

Financial Crime Risk – WEL adopts robust Financial Crime Standards and incorporates local jurisdictional standards. Financial crime policy and procedures cover money laundering, sanctions, terrorist financing, bribery and corruption, market abuse and tax evasion. The Head of Compliance and Financial Crime, Europe & UK Money Laundering and Reporting Officer (MLRO) is responsible for WEL's financial crime risks with support from Financial Crime, Conduct, & Compliance staff in London and Sydney

Reputational Risk – the risk that an action, inaction, transaction, investment or event will reduce trust in WEL or Westpac group's integrity and competence by clients, counterparties, regulators, staff (included seconded staff) or the public.

ESG[1] Risk - Westpac is a member of the Australia and Asia Pacific Dow Jones Sustainability Index for 2022. As a subsidiary, WEL abides by and contributes to Westpac's sustainability principles and actions. WEL has implemented a plan to manage the risks associated with climate change.

The WEL Board also considers a range of other risks in its deliberations on risk management.

[1] Environmental, Social and Governance issues

Remuneration Governance Structure

WBC operates a remuneration governance model below the Westpac Board and BRC (Board Remuneration Committee) level. This includes the Remuneration Oversight Committee (ROC) and Divisional Remuneration Oversight Committees (DROCs).

The oversight committee structure provides assurance to the Westpac Board and the BRC that remuneration arrangements are examined from a people, risk and finance perspective and the Westpac Group Remuneration Policy (WGRP) and underlying VR plans are appropriate and consistently applied across the Group.

For WBC London, the WIB DROC sits in Sydney, Australia and its members include the Chief Executive WIB, the CFO WIB, the CRO WIB, the GM Controls, Monitoring & Remediation WIB the GM of HR WIB & Enterprise Functions and the Senior Reward Manager, WIB & Enterprise Functions.

Westpac Group Remuneration Policy

The objective of the Westpac Group Remuneration Policy (the Policy) is to attract and retain talented employees, by rewarding them for achieving high performance and delivering superior long-term results for our customers and our shareholders, while adhering to sound risk management and governance principles. The Policy applies to all employees of Westpac globally (except temporary/casual employees), and its related bodies corporate (unless separately listed on the Australian Securities Exchange). Specific variable reward (VR) plans are established to ensure alignment between business strategy and performance. Processes are in place to ensure remuneration arrangements comply with regulatory requirements.

In the UK, the Policy covers WBCLB (FRN 124586) and WEL (FRN 447161).

The Policy is reviewed by the Board Remuneration Committee (BRC) on a regular basis. The last amendments to the policy were made in September 2022

Reward Strategy and Link to Performance

Individual performance is assessed against behaviour expectations and agreed performance measures that reflect the individual's role and responsibilities. For most employees, performance measures are agreed under Motivate, which is our approach to performance, development and reward. Employees are expected to have at least one risk management goal.

All employees are also required to behave in line with the values in our Code of Conduct and comply with risk management and compliance requirements as they apply to their particular role and business. Failure to meet these requirements may impact remuneration, including eligibility for a fixed pay increase and VR participation, adjustment of VR outcomes, and may result in disciplinary action and/or termination of employment in accordance with the Consequence Management Framework (CMF)

VR may be adjusted upward or downward. Upward adjustment is one of the ways we recognise and reward positive risk management behaviours and outcomes. An upward adjustment is considered for exceptional risk performance not already reflected in the delivery of agreed performance measures.

The Board has discretion to adjust all VR downward, including to zero. This includes in period adjustments as well as malus adjustments (reduction of unvested or unpaid awards granted in a prior period).

Guaranteed VR is not provided across WBC. As part of WBCs hiring process, it may buy-out deferred equity from a prior employer using Westpac Restricted Shares. WBC may also elect to buyout the VR opportunity lost from any prospective candidate, provided the candidate provides appropriate documentation. Any buy-out awards mirror the vesting schedule of the prior firm.

WBCs remuneration strategy, policies and practices all reflect the sound risk management that is fundamental to the way we operate. The key risk considerations that are taken into account when considering remuneration include: capital requirements, credit, market, liquidity, operational and compliance risk.

The performance of each division is reviewed and measured with reference to how risk is managed, and the results influence remuneration outcomes.

The determination of VR for all employees considers performance against agreed objectives in line with the relevant business strategy, performance relative to peers and the demonstration of behaviours in line with our values (including compliance and risk requirements). All current and prior year VR is subject to risk adjustment.

Westpac operates a Group-wide deferral framework to enhance our remuneration arrangements from a risk management perspective. Any entitlement to unvested deferred VR is subject to WBC discretion. An employee will forfeit any unvested deferred VR in circumstances of resignation, breach, fraud, dishonesty or dismissal, as provided for in the plan rules, unless the Westpac Board determines otherwise. In addition, in certain circumstances, the Westpac Board has discretion to reduce or cancel any unvested deferred VR.

Employees are forbidden from entering into hedging arrangements in relation to their unvested employee shares, securities or cash, both directly and indirectly. If an employee attempts to undertake hedging activity, those instruments are liable to forfeiture.

The Group Short Term Variable Reward (STVR) Deferral Framework (Framework) sets out the minimum deferral requirements for all STVR across the Westpac Group. The framework operates in conjunction with the Group Remuneration Policy (Policy) and relevant plan rules.

The deferred component is delivered as share rights to MRTs and restricted shares to all other employees of WBCL. The deferral thresholds excluding MRTs covered under CRDV are stated in table below. For Material Risk Takers (MRTs) covered under the CRDV regulations deferral and vesting schedule adheres to the PRA regulations. See section below on *CRD V Deferral Requirements*.

Location and currency	Tier 1 threshold	Tier 1 threshold	Tier 2 threshold	Tier 3 threshold
London, GBP	Up to £80,000	£80,001 to £300,000	£300,001 to £1,200,000	£1,200,000 upwards
Deferral requirement	No deferral	25% of VR is deferred	Plus 50% of VR in the Tier 2 threshold is deferred	Plus 70% of VR above Tier 3 threshold is deferred

For MRTs covered under CRD V the deferral thresholds proportions deferred is covered below under *CRD V Deferral Requirements.*

The VR pool is predominantly determined based on the Group Performance Review (GPR) results which includes financial and non-financial measures. The key financial measures included in the GPR cash earnings, return on equity, cash EPS and dividends as well as other financial measures.

For individuals, WBC does not use a prescribed formula or calculation to determine VR outcomes however a combination of the following factors are taken into consideration:

(i) performance of the individual in terms of behaviours, values and goals;

(ii) performance of the business unit concerned; and

the overall results of the firm.

Independence of Risk and Financial Control Employees

Remuneration outcomes for risk and financial control employees, which are principally based on the achievement of functional objectives and not the financial performance, are subject to review and approval by the relevant functional leadership team.

CRD V Deferral Requirements

1. MRTs are subject to STVR deferral under CRD V. This occurs when their annual STVR outcome (including any intra year retention) is greater than:

- £44,000; and / or
- is more than one-third of their total remuneration.

2. Further details on the deferral requirements are presented below:

Group	Proportion Deferred [2]	Deferral[3]	Clawback
Higher Paid[1] "Senior Management Function" MRT	40% or 60% (see below)[5]	7 years, as follows: No vesting until year 3, then pro-rata over years 3 – 7 1 year post-vesting retention period also applies	7 years[6]
Higher Paid[1] MRTs in other senior management or Specified Roles[4]	40% or 60% (see below)[5]	Pro rata vesting over 5 years [Six months or] 1 year post-vesting retention period also applies	7 years
Higher Paid[1] MRTs in other roles	40% or 60% (see below)[5]	Pro rata vesting over 4 years 1 year post-vesting retention period also applies	7 years
Non-Higher Paid MRTs (any role)	40%	Pro rata vesting over 4 years 1 year post-vesting retention period also applies	5 years

Notes:

[1] Defined as MRT with STVR of 33% or greater of their total remuneration, or whose total remuneration exceeds £500,000.

[2] The non-deferred STVR (cash) is paid 50% in restricted shares or share linked instruments, locked for 12 months, with the remaining 50% paid as cash.

[3] Deferral does not apply to "de minimis" STVR (see below).

[4] Specified roles include senior management, heads of material business units and control functions, heads of support functions, and certain employees who have risk or commitment responsibilities. See PRA CRR firms Rulebook 15.17(2)(a) for reference to full list.

[5] The 60% deferral level applies if STVR is of at least £500,000. If such individuals receive STVR of less than £500,000 they are subject to 40% deferral. This is a different test to whether the individual is considered to be "Higher Paid".

[6] Extendable to 10 years if there is an ongoing investigation/process at year 7.

WBC applies a 1x fixed pay cap to all MRTs covered under the CRD V regulations. Additionally, the reward mix for risk and financial control employees generally consists of a higher proportion of fixed remuneration. VR should not exceed 50% of the fixed remuneration for risk and financial employees below the General Manager level. Any divergence is subject to relevant DROC oversight and approval.

Quantitative Disclosures

WEL has no permanent employees. WBCLB has employees that are seconded to work for WEL as required. The following remuneration disclosures relate to WBCLB employees.

For the purposes of this disclosure, it is considered that WEL and WBCLB operate as a single business unit (collectively referred to as WIBL). For the performance year ending 30 September 2022, the total remuneration of material risk takers in WIBL was:

WIBL Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	i	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										
2	Of which: members of the MB	3	2	5							
3	Of which: other senior management				0			0	3		
4	Of which: other identified staff				4			6	1		
5	Total remuneration of identified staff	150,000	1,087,250	1,237,250	2,046,074			1,149,136	1,129,345		
6	Of which: variable remuneration	0	387,250	387,250	758,522			222,696	222,450		
7	Of which: fixed remuneration	150,000	700,000	850,000	1,287,552			926,440	906,895		

Remuneration awarded for the financial year 2022

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	3	2	3	11
2		Total fixed remuneration	150,000	700,000	716,895	2,403,992
3		Of which: cash-based	150,000	700,000	716,895	2,403,992
4		(Not applicable in the UK)				
UK-4a		Of which: shares or equivalent ownership interests	0	0	0	0
5		Of which: share-linked instruments or equivalent non-cash instruments	0	0	0	0
UK-5x		Of which: other instruments	0	0	0	0
6		(Not applicable in the UK)				
7		Of which: other forms	0	0	0	0
8		(Not applicable in the UK)				
9	Variable remuneration	Number of identified staff	3	2	3	11
10		Total variable remuneration	n/a	387,250	189,450	1,014,218
11		Of which: cash-based	n/a	88,450	122,950	455,013
12		Of which: deferred		-	-	-
UK-13a		Of which: shares or equivalent ownership interests		210,350	38,000	413,094
UK-14a		Of which: deferred		-	-	-
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments		88,450	28,500	146,111
UK-14b		Of which: deferred		-	-	-
UK-14x		Of which: other instruments		0	0	0
UK-14y		Of which: deferred		0	0	0
15		Of which: other forms		0	0	0
16		Of which: deferred		0	0	0
17	Total remuneration (2 + 10)		150,000	1,087,250	906,345	3,418,210

WIBL Deferred remuneration

		a	b	c	d	e	f	UK - g	UK - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function								
2	Cash-based	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
3	Shares or equivalent ownership interests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4	Share-linked instruments or equivalent non-cash instruments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
5	Other instruments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
6	Other forms	n/a	n/a	n/a					
7	MB Management function				n/a	n/a	n/a	n/a	n/a
8	Cash-based	na	na	na	n/a	n/a	n/a	n/a	n/a
9	Shares or equivalent ownership interests	1,428,175	93,755	307,195	n/a	n/a	n/a	93,755	
10	Share-linked instruments or equivalent non-cash instruments	na	89,570		n/a	n/a	n/a	n/a	n/a
11	Other instruments	na	na	na	n/a	n/a	n/a	n/a	n/a
12	Other forms	na	na	na	n/a	n/a	n/a	n/a	n/a
13	Other senior management								
14	Cash-based	na	na	na	n/a	n/a	n/a	n/a	n/a
15	Shares or equivalent ownership interests	-	-	38,481	n/a	n/a	n/a	-	
16	Share-linked instruments or equivalent non-cash instruments	na	28,861	na	n/a	n/a	n/a	n/a	n/a
17	Other instruments	na	na	na	n/a	n/a	n/a	n/a	n/a
18	Other forms	na	na	na	n/a	n/a	n/a	n/a	n/a
19	Other identified staff								
20	Cash-based	na	na	na	n/a	n/a	n/a	n/a	n/a
21	Shares or equivalent ownership interests	1,613,424	162,765	640,677	n/a	n/a	n/a	162,765	
22	Share-linked instruments or equivalent non-cash instruments	na	147,961	na	n/a	n/a	n/a	n/a	n/a
23	Other instruments	na	na	na	n/a	n/a	n/a	n/a	n/a
24	Other forms	na	na	na	n/a	n/a	n/a	n/a	n/a
25	**Total amount**	**3,041,599**	**522,912**	**986,353**	**n/a**	**n/a**	**n/a**	**256,519**	**0**

Notes on data
Column a - Data collected is of vested equity (excluding CEO Award & non deferred equity) from 2013 to 2021
Column b - Data collected is of vested equity in 2022, including deferred cash as a share link instrument awareded in FY22
Column c - Data collected is of equity due to vest from 2023 to 2029

WIBL Remuneration of 1 million EUR or more per year

		a
	EUR	Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	0
2	1 500 000 to below 2 000 000	0
3	2 000 000 to below 2 500 000	0
4	2 500 000 to below 3 000 000	0
5	3 000 000 to below 3 500 000	0
6	3 500 000 to below 4 000 000	0
7	4 000 000 to below 4 500 000	0
8	4 500 000 to below 5 000 000	0
9	5 000 000 to below 6 000 000	0
10	6 000 000 to below 7 000 000	0
11	7 000 000 to below 8 000 000	0
x	To be extended as appropriate, if further payment bands are needed.	

Westpac GROUP

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013[1]

		USD '000
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	58,427
	of which: Instrument type 1	58,427
	of which: Instrument type 2	
	of which: Instrument type 3	
2	Retained earnings	6,510
3	Accumulated other comprehensive income (and other reserves)	
UK-3a	Funds for general banking risk	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	
5	Minority interests (amount allowed in consolidated CET1)	
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**64,937**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	
29	**Common Equity Tier 1 (CET1) capital**	**64,937**
Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	58,427
31	of which: classified as equity under applicable accounting standards	58,427
32	of which: classified as liabilities under applicable accounting standards	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	
Additional Tier 1 (AT1) capital: regulatory adjustments		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**58,427**
Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	58,427
Tier 2 (T2) capital: regulatory adjustments		
59	**Total capital (TC = T1 + T2)**	**64,937**
60	**Total Risk exposure amount**	**8,365**
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	776%
62	Tier 1 (as a percentage of total risk exposure amount)	776%
63	Total capital (as a percentage of total risk exposure amount)	776%

Disclosure according to Article 3 in Commission implementing regulation (EU) No 1423/2013

Called up share capital:

Issued and fully paid share capital	**2022 No.**	**2021 No.**
Ordinary shares of US$1 each	2	2
Ordinary shares of £1 each	1	1
Ordinary shares at tend of financial year	**3**	**3**

[1] Due to the nature scale and complexity of WEL's business the Own Funds report on the "Transitional Basis" and "Full Basis" are the same.

Effective 12 January 2018, the Company issued US$1 ordinary share to the Parent for a total consideration of US$20,000k which has been transferred to the share premium account. Collectively share capital was paid up at a total price of US$58,427k.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure. The Company's capital management is also driven by the requirements of the Companies Act 2006 and Prudential Regulation Authority as applicable to UK Banks, and as such a regular calculation is performed in order to calculate the statutory capital requirements versus the current capital resources of the Company.