

## Australian and New Zealand economic forecasts.

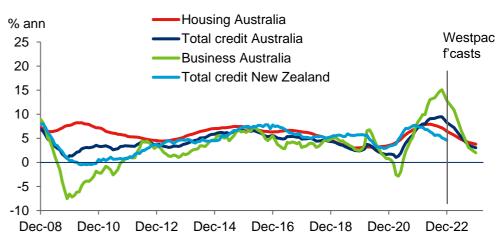
Key economic indicators (%) at February 2023		20	21		20	22		20	23		Calend	ar years	
		Q3	Q4	Q1	Q2	Q3F	Q4F	Q1F	Q2F	2020	2021	2022F	2023F
World	GDP <sup>1</sup>	-	-	-	-	-	-	-	-	-3.0	6.0	3.3	2.9
Australia	GDP <sup>2</sup>	4.1	4.6	2.9	3.2	5.9	2.6	2.7	2.0	-0.1	4.6	2.6	1.0
	Unemployment – end period	4.6	4.7	4.0	3.8	3.5	3.5	3.5	3.5	6.8	4.7	3.5	4.6
	CPI headline – year end	3.0	3.5	5.1	6.1	7.3	7.8	6.9	6.0	0.9	3.5	7.8	3.9
	Interest rates – cash rate	0.10	0.10	0.10	0.85	2.35	3.10	3.60	3.85	0.10	0.10	3.10	3.85
New Zealand	GDP <sup>2</sup>	-0.1	3.3	0.8	0.3	6.4	4.0	4.9	3.0	0.9	3.3	4.0	0.2
	Unemployment – end period	3.3	3.2	3.2	3.3	3.3	3.3	3.4	3.5	4.9	3.2	3.3	3.9
	Consumer prices	4.9	5.9	6.9	7.3	7.2	6.9	6.7	5.9	1.4	5.9	6.9	4.4
	Interest rates – official cash rate	0.25	0.75	1.00	2.00	3.00	4.25	4.75	5.25	0.25	0.75	4.25	5.25

Sources: IMF, RBA, Statistics NZ, Westpac Economics

Key economic indicators (%) at February 2023		2020	2021	2022F	2023F
Australia	Credit growth				
	Total – year end	1.7	7.2	8.3	3.0
	Housing – year end	3.5	7.4	6.5	3.8
	Business – year end	0.8	8.4	12.9	2.0
New Zealand	Credit growth				
	Total – year end	3.3	7.5	4.6	3.5
	Housing – year end	8.3	10.5	4.4	2.6
	Business – year end	-2.7	3.6	5.4	5.1

Sources: RBA, Statistics NZ, Westpac Economics

Private sector credit growth (% ann)



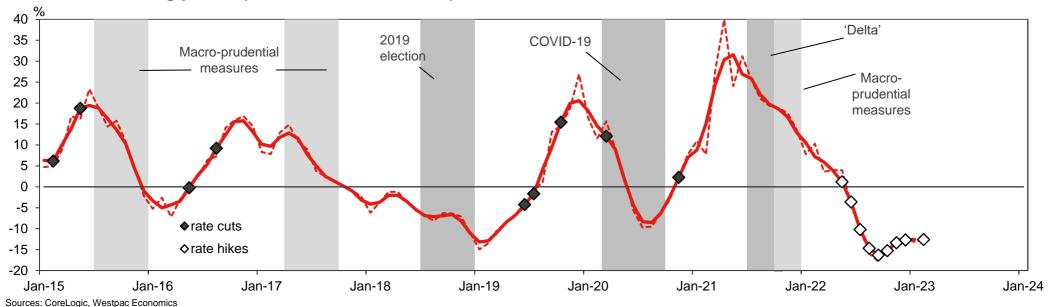
Sources: RBA, Westpac Economics

<sup>1</sup> Year average growth rates. 2 Through the year growth rates.

# Australian housing market.

In the midst of a significant correction; stabilisation expected late 2023

#### Australian dwelling prices (%, 3 month annualised)



#### **Dwelling prices (% change over period)**

Capital city	Pop'n	Last 3 mths (to Jan-23)	Last 12 mths (Jan-23)	Last 5 years (to Jan-23)
Sydney	5.4m	Down 3.9%	Down 13.8%	Up 7.6%
Melbourne	5.1m	Down 3.1%	Down 9.3%	Up 1.3%
Brisbane	2.6m	Down 4.7%	Down 4.7%	Up 29.4%
Perth	2.1m	Down 0.1%	Up 2.7%	Up 17.0%

Sources: CoreLogic, Westpac Economics

#### Westpac Economics dwelling price forecasts (annual %)

Capital city	Pop'n	avg*	2020	2021	2022	2023f	2024f
Sydney	5.4m	6.3	2.7	25.3	-12.1	-8	1
Melbourne	5.1m	5.0	-1.3	15.1	-8.1	-10	1
Brisbane	2.6m	4.9	3.6	27.4	-1.1	-6	3
Perth	2.1m	1.1	7.3	13.1	3.6	-4	3
Australia	26m	5.1	1.8	20.9	-7.1	-8	2

<sup>\*</sup> average last 10yrs

Sources: CoreLogic, Westpac Economics



# Westpac overview – steady progress.



Well advanced on Fix and Simplify strategic priorities

# Financial performance solid

Data as at 30 September 2022

#### Fix

- Major remediation programs in final stages
- CORE program on track and delivering change

#### Simplify

Announced sales of 9 businesses (out of 11). Exited 7 businesses.

#### **Perform**

- Reported return on equity 8.1% (Sep 21: 7.7%)
- Net interest margin up in Second Half 2022
- Lifting return focus new 2023 capital range; cost reset underway
- Climate change commitment to net-zero



# Maintaining balance sheet strength

Data as at 31 December 2022

- CET1 capital ratio 11.13% (APRA basis) (Sep 22: 11.29%)
- From 1 Jan 23 ~45bps CET1 capital ratio increase1 under Basel 3
- Deposit to loan ratio 84.0% (Sep 22: 82.9%)
- LCR 139% (Sep 22: 132%)
- NSFR 122% (Sep 22: 121%)



# Asset quality remains sound

Data as at 31 December 2022

- Stressed assets to TCE 1.06% (Sep 22: 1.07%)
- Mortgage 90+ day delinquencies Australia 0.70% (Sep 22: 0.75%)
- Mortgage 90+ day delinquencies New Zealand 0.24% (Sep 22: 0.22%)
- Total provisions to credit RWAs 1.31% (Sep 22: 1.28%), above pre-COVID levels (Sep 19: 1.07%)



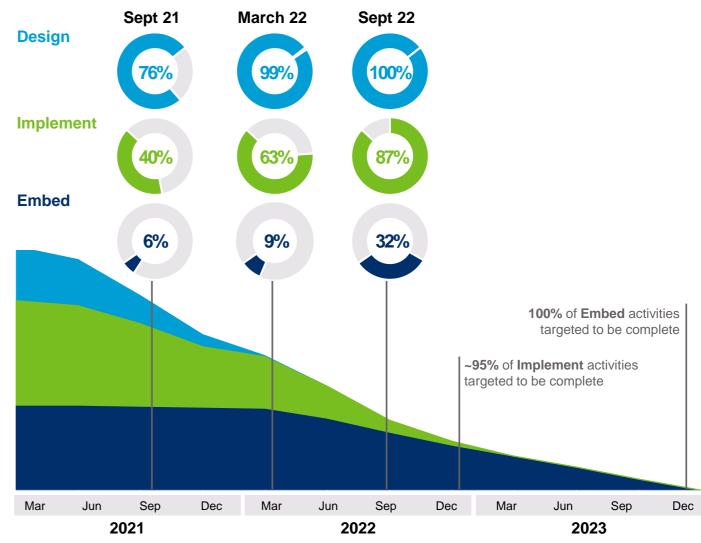
<sup>1</sup> The increase in the CET1 ratio is an estimate only and may change on the final implementation of APRA's revised framework.

## Fix priority – reducing risk.

Customer Outcomes and Risk Excellence (CORE) Program.

- CORE program in place to address enforceable undertaking with APRA signed December 2020
- Aims to strengthen risk governance, improve accountability and enhance risk culture
- Board, CEO and Group Executive accountability
- Quarterly independent assurance by Promontory Australia
- 350 activities across
   19 workstreams

#### CORE activities progress<sup>1</sup>



<sup>1</sup> At 30 September 2022. Completed activities finalised by Westpac. Activities may still be subject to Promontory Australia review.



# Simplify priority<sup>1</sup> – moving to further simplify banking.



# Portfolio simplification

3 businesses exited in FY22

7 Total of business exits completed

2 businesses under agreement to divest



# **Geographic** simplification

2 Asian offices closed

3 Asian offices no longer operating



# **Banking** simplification

27 Co-located branches

150 Products reduced by more than

47 applications decommissioned

Digital mortgage launched

285 Enabled self service for requests

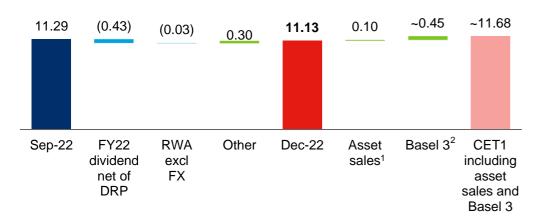
processes
and paper
forms
digitised

1 At 30 September 2022.

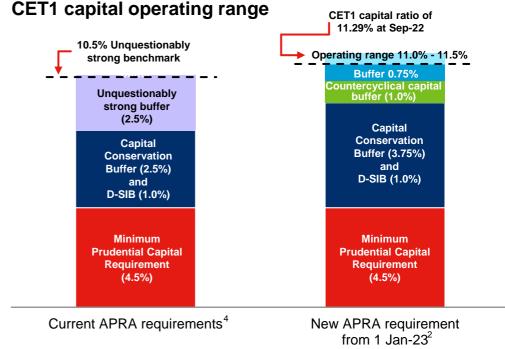


# Capital ratios.

#### 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)	442	478	480
Leverage ratio	5.8	5.6	5.5
Level 1 CET1 capital ratio	12.4	11.3	11.1
Internationally comparable ratios <sup>3</sup>			
Leverage ratio	6.3	6.0	5.9
CET1 capital ratio	18.0	17.6	17.4



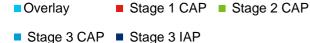
- We will seek to operate with a CET1 capital ratio of between 11.0% and 11.5% (including to account for dividend payments) in normal operating conditions under the new capital framework from 1 January 2023
- On 29 November 2021, APRA finalised its capital framework, increasing the top
  of the CET1 capital ratio level for Domestic Systemically Important Banks
  (D-SIBs) from 8% to 10.25% from 1 January 2023
- Under the new framework, the capital conservation buffer increases from 2.5% to 3.75% and a base level for the countercyclical capital buffer (CcyB) of 1.0% was introduced. The D-SIB buffer of 1% continues to apply
- APRA indicated that it expects the D-SIBs will likely operate with a CET1 capital ratio above 11% in normal operating conditions from 1 January 2023

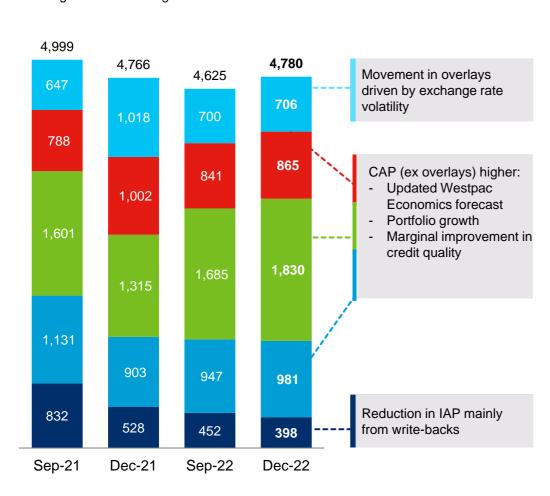
<sup>1</sup> Reflects announced exits relating to Superannuation and the Advance Asset Management business, 10bps (subject to divestment completion occurring). 2 The increase in the CET1 ratio is an estimate only and may change on the final implementation of APRA's revised framework. 3 Internationally comparable methodology aligns with the APRA study titled 'International Capital Comparison Study' dated 13 July 2015. 4 Noting than APRA may apply higher CET1 capital ratio requirements for an individual authorised deposit-taking institution.

# **Provisions for Expected Credit Loss.**

## Sound coverage.

#### Total impairment provisions<sup>1</sup> (\$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%

• Impairment coverage lower in 1Q23 reflecting write-backs

#### Forecasts used in economic scenarios<sup>2</sup>

		Base case	Downside <sup>3</sup>		
	Sep-22	Dec-22			
	2022	2022	2023	Trough / peak	
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%)	

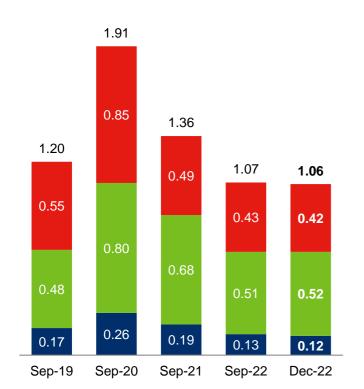
<sup>1</sup> Excludes provisions for debt securities. 2 Forecast provided by Westpac Economics at 13 December 2022. 3 These KEIs represent trough or peak values that characterise the scenarios considered in setting downside severity.



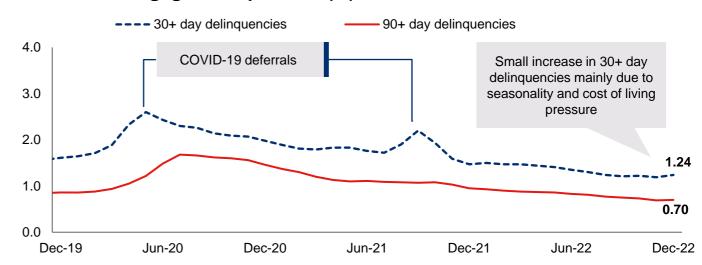
# Stressed exposures and delinquencies.

#### Stressed exposures as a % of TCE

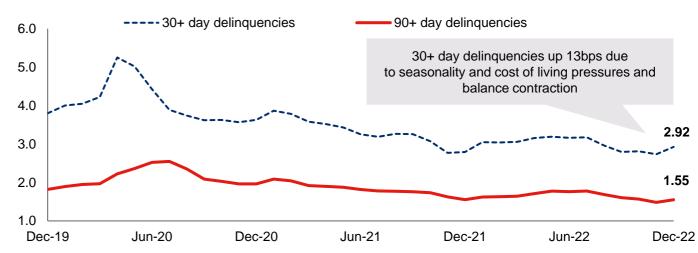
- Watchlist and substandard
- 90+ day past due and not impaired¹
- Impaired



#### Australian mortgage delinquencies (%)



#### Australian consumer finance delinquencies<sup>2</sup> (%)

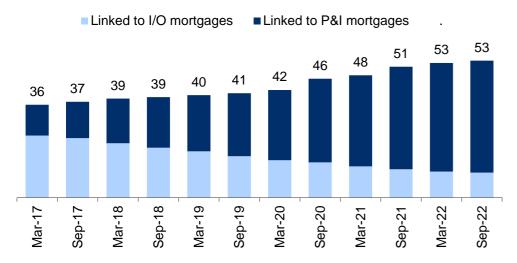


<sup>1</sup> Facilities 90 days or more past due date not impaired. These facilities, while in default, are not treated as impaired for accounting purposes. 2 Consumer finance includes personal loans, overdrafts, credit cards and auto loans.

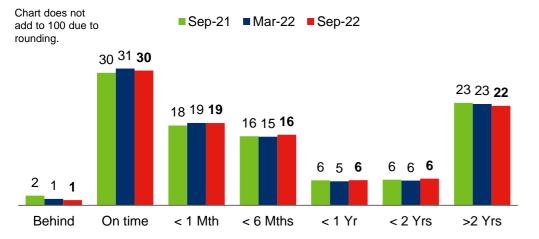


# Australian mortgage portfolio repayment buffers.

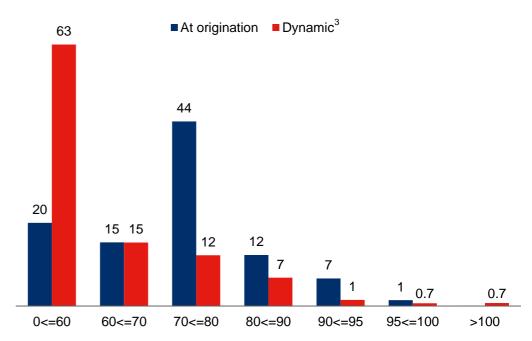
#### Offset account balances<sup>1</sup> (\$bn)



# Australian home loan customers ahead on repayments<sup>2</sup> as at 30 Sep 22 (% by balances)



# Australian housing loan-to-value ratios (LVRs) as at 31 Dec 22 (%)

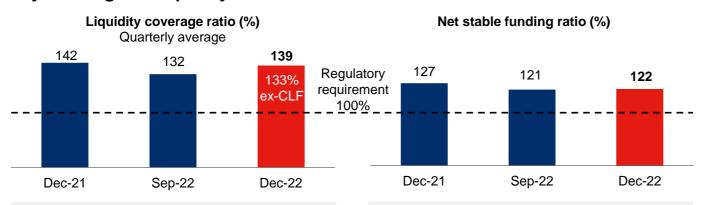


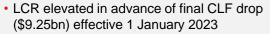
Australian mortg	Sep-21 balance	Mar-22 balance	Sep-22 balance	
	LVR at origination (%)	73	73	73
Weighted averages <sup>4</sup>	Dynamic LVR <sup>3</sup> (%)	50	47	49
	LVR of new loans <sup>5</sup> (%)	71	71	70

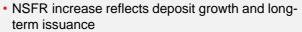
1 Includes RAMS from September 2020 onwards. 2 Customer loans ahead on payments exclude equity/line of credit products as there are no scheduled principal payments. Includes mortgage offset accounts. 'Behind' is more than 30 days past due. 'On time' includes up to 30 days past due. Sep-21 and Mar-22 re-stated for classification changes between 'On time' and '<1 month' ahead categories. 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. 4 Weighted average LVR calculation considers size of outstanding balances. 5 Average LVR of new loans is on rolling 6 months.

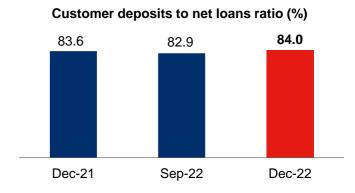
# Funding and liquidity.

#### Key funding and liquidity measures



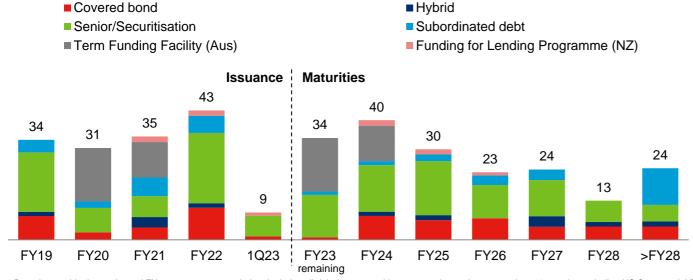




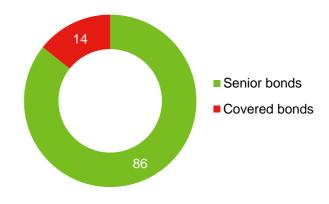


· Strong household deposit growth over the quarter

#### Term debt issuance and maturity profile<sup>1</sup> (\$bn)



# 1Q23 term debt issuance<sup>2</sup> by product (%)



 Additional \$9bn issued in January and February<sup>3</sup> 2023 in senior and covered bonds

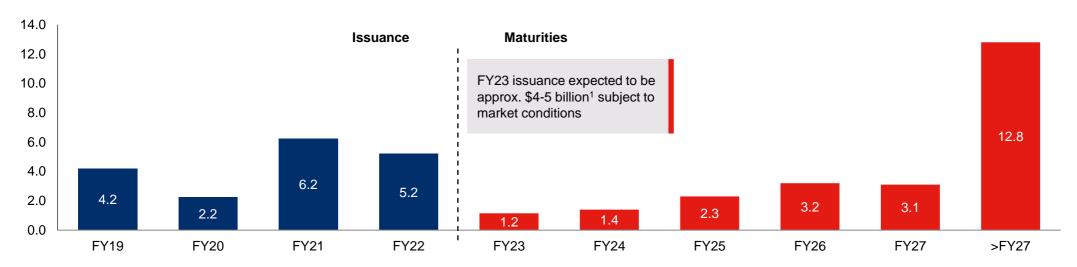
<sup>1</sup> Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. Contractual maturity date for hybrids and callable subordinated instruments is the first 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.



# Tier 2 capital issuance and maturities.

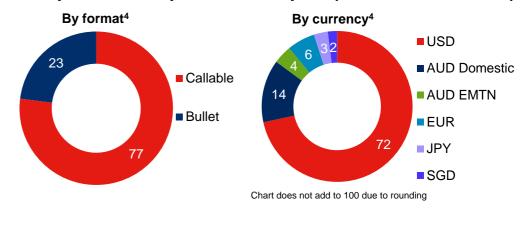
#### Westpac Tier 2 issuance and calls/maturities<sup>1,2,3</sup> at 30 Sep 22 (notional amount, A\$bn)



#### Loss Absorbing Capacity (LAC) Requirements (%)

# 5.0 5.0 4.5 Westpac September 2022 August 2024 Requirements August 2024 Requirements August 2026 Requirements

#### Westpac Tier 2 capital<sup>1</sup> at 30 Sep 22 (notional amount, %)



<sup>1</sup> Excludes Westpac New Zealand Limited. RBNZ Tier 2 does not count for APRA TLAC requirements. 2 Represents AUD equivalent notional amount using spot FX translation at date of issue for issuance and spot FX translation at 30 September 2022 for maturities. 3 Securities in callable format profiled to first call date. Securities in bullet format profiled to maturity date. 4 Represents AUD equivalent notional amount using spot FX translation at 30 September 2022.



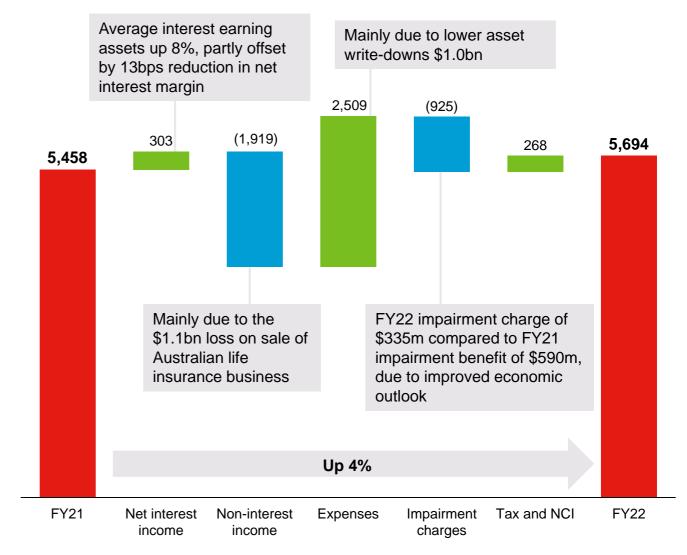
# Further information Westpac Group



# **FY22 Group Financial results.**

	FY22	vs FY21
Net profit after tax (NPAT) (\$m)	5,694	+ 4%
Return on average ordinary equity (%)	8.10	+ 40bps
Net interest margin (%)	1.93	(13bps)
Expense to income ratio (%)	55.10	(8ppts)
Net write-offs to average loans annualised (bps)	10	2bps
Loans (\$bn)	740	+ 4%
Customer deposits (\$bn)	613	+ 6%
APRA Level 2 CET 1 ratio (%)	11.29	(103bps)
LCR (%)	132	+ 211bps
NSFR (%)	121	(4ppts)

#### Net profit after tax FY21 - FY22 (\$m)





## Our plan to become a net-zero, climate resilient bank.

#### **Progress**

- Joined NZBA in July 2022
- Set interim 2030 financed emissions targets for five sectors in our lending portfolio, in accordance with our NZBA commitment

#### Updated Climate Change Position Statement and Action Plan (Climate Action Plan)



## 01

#### Net-zero, climate resilient operations

- Agreements in place to source the equivalent of 100% of our Australian electricity consumption from renewable energy sources<sup>1</sup> by 2025, and planning underway to achieve this same milestone for our international footprint by 2025
- Continue to maintain carbon neutral certification<sup>2</sup> for our Australian and New Zealand direct operations
- Continue to support employee and supply chain emissions reductions



# 02

#### Supporting customers' transition to net-zero and to build their climate resilience

- Engaging with customers and supporting them in their transition
- Become transition partner of choice
- Commencing engagement with agribusinesses on climate change impacts on farm productivity and the role of adaptation measures to improve climate resilience

# 03

#### Collaborate for impact on initiatives towards net-zero and climate resilience

- Work with governments, industry organisations and/or community partners to improve outcomes to transition to net-zero and build climate resilience
- Participated in the Australian Industry Energy Transitions Initiative (AIETI)
- Founding member of the Australian Sustainable Finance Institute (ASFI)

Note: See footnotes at the back of this presentation.

The information on this page contains 'forward-looking statements' and statements of expectation reflecting Westpac's current views on future events. They are subject to change without notice and certain risks, uncertainties and assumptions which are, in many instances, beyond its control. Please refer to the disclaimer at the back of this presentation.

# Targets set for five sectors in our lending portfolio.

Sector targets in line with our NZBA commitment.

For details on our targets and target-setting approach refer to our 'Net-Zero 2030 Targets and Financed Emissions – our methodology and approach'. We continue to integrate and operationalise our targets into our processes and lending decisions.

Sector	2030 Financed Emissions Reduction Target <sup>1</sup>	FY21 Baseline
Extractives – Upstream oil and gas²	23% reduction in Scope 1, 2 and 3 absolute financed emissions by 2030 (relative to 2021 baseline) We have updated our upstream oil and gas position to support this target Our position provides	<b>7.5</b> MtCO <sub>2</sub> -e (absolute financed emissions)
	<ul> <li>We will only consider directly financing greenfield oil and gas projects that are in accordance with the IEA NZE scenario<sup>3</sup> or where necessary for national energy security<sup>4</sup></li> </ul>	
	<ul> <li>We will continue to provide corporate lending where the customer has a credible transition plan<sup>5</sup> in place by 2025</li> </ul>	
	<ul> <li>We will work with customers to support their development of credible transition plans prior to 2025</li> </ul>	
Extractives – Thermal coal mining <sup>6</sup>	Zero lending exposure to companies with >5% of their revenue coming directly from thermal coal mining by 2030	<b>\$216.7m</b> (TCE at 30 Sep 2021)
Power generation <sup>7</sup>	<b>0.10</b> tCO <sub>2</sub> -e/MWh for Scope 1 and 2 emissions intensity by 2030	<b>0.26</b> tCO <sub>2</sub> -e/MWh (emissions intensity)
Industrials – Cement production <sup>8</sup>	<b>0.57</b> tCO <sub>2</sub> -e/tonne of cement for Scope 1 and 2 emissions intensity by 2030	<b>0.66</b> tCO <sub>2</sub> -e/tonne cement (emissions intensity)
Australian commercial real	62% reduction in Scope 1 and 2 emissions <sup>10</sup> intensity (kgCO <sub>2</sub> -e/m <sup>2</sup> net lettable area)	Baseline and progress to be

Note: See footnotes at the back of this presentation.

office properties)9

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by 2030 (relative to a 2021 baseline) for Australian large customers with office properties

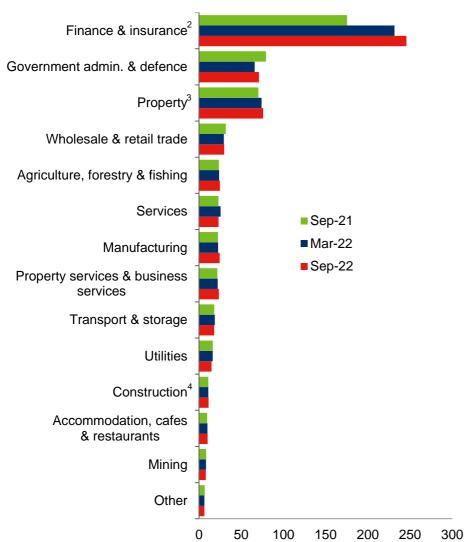
disclosed in FY23

estate (large customers with

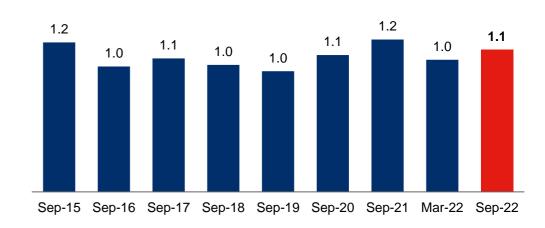
## Loan portfolio composition.

As at 30 September 2022.

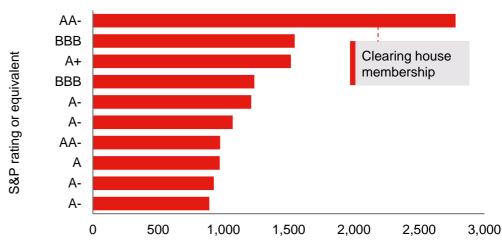
#### Exposures at default<sup>1</sup> by sector (\$bn)



#### Top 10 exposures to corporations and NBFIs<sup>5</sup> (% of TCE)



Top 10 exposures to corporations & NBFIs at 30 September 2022 (\$m)



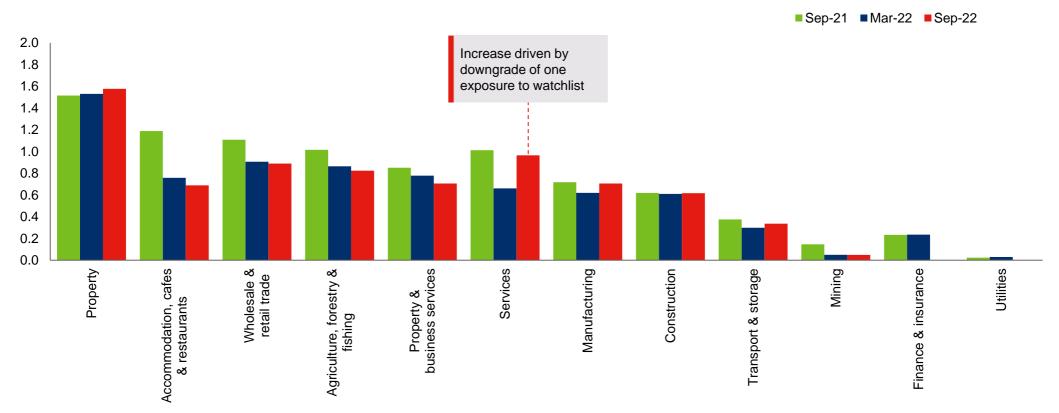
<sup>1</sup> Exposures at default is an estimate of the committed exposure expected to be drawn by a customer at the time of default. Excludes consumer lending. 2 Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. 3 Property includes both residential and non-residential property investors and developers and excludes real estate agents. 4 Construction includes building and non-building construction, and industries serving the construction sector. 5 NBFI is non-bank financial institutions.



# Credit quality across sectors.

As at 30 September 2022.

#### Corporate and business stressed exposures by industry sector (\$bn)



#### Stress to TCE by sector

Sector	Property	Accomm., cafes & restaurants	Wholesale & retail trade	Agriculture, forestry & fishing	Property & business services	Services <sup>1</sup>	Manufacturing	Construction	Transport & storage	Mining	Finance & Insurance	Utilities
Mar-22 (%)	2.1	7.6	3.1	3.7	3.6	2.8	2.7	5.5	1.7	0.6	0.1	0.2
Sep-22 (%)	2.1	6.8	3.0	3.6	3.2	4.1	2.9	5.4	2.0	0.6	0.1	0.2

<sup>1</sup> Services includes education, health & community services, cultural & recreational and personal & other services.

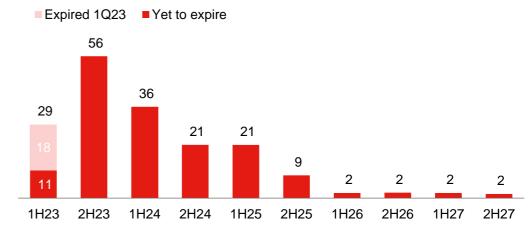


# Australian mortgage portfolio composition.

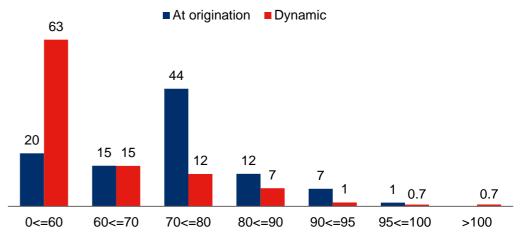
Australian mortgage portfolio	Sep-21 balance	Sep-22 balance	Dec-22 balance
Total portfolio (\$bn)	455.6	467.6	470.9
Owner occupied (OO) (%)	63.7	65.8	66.2
Investment property loans (IPL) (%)	33.8	32.6	32.3
Portfolio loan/line of credit (LOC) (%)	1.9	1.6	1.5
Variable rate / Fixed rate (%)	62/38	63/37	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 <sup>1</sup> (\$'000)	277	286	289
Customers ahead on repayments including offset account balances (%)	70	68	68
Annual mortgage loss rate <sup>2</sup> (bps)	2	0.6	0.9

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



# Australian housing loan-to-value ratios (LVRs) at 31 December 2022<sup>3</sup> (%)



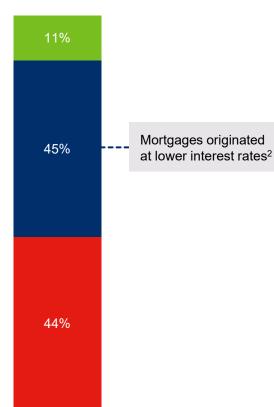
<sup>1</sup> Includes amortisation. Calculated at account level, where split loans represent more than one account. 2 Mortgage loss rates for Dec-22 balances are annualised, based on losses for the 3 months. Mortgage loss rates for September are actual losses for the 12 months ending. 3 Dynamic LVR is 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.



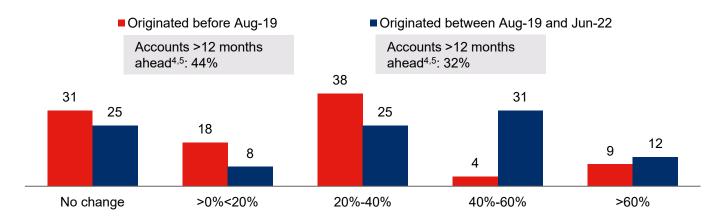
# Australian mortgage portfolio analysis.

# Australian mortgage book by origination period at 31 Dec-22: \$471 billion<sup>1</sup>

- 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)<sup>3,4</sup>



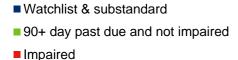
#### Mortgages originated between Aug-19 and Jun-22<sup>2,4</sup>

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	

<sup>1</sup> 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 TCE



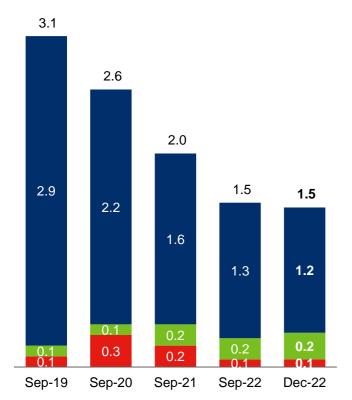
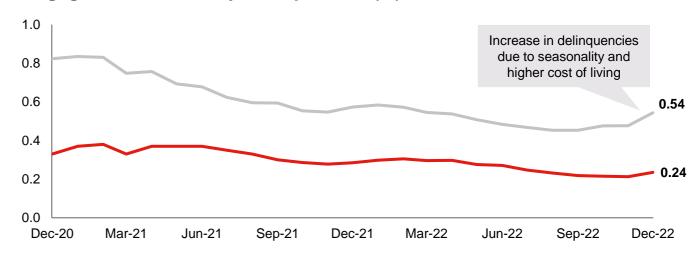
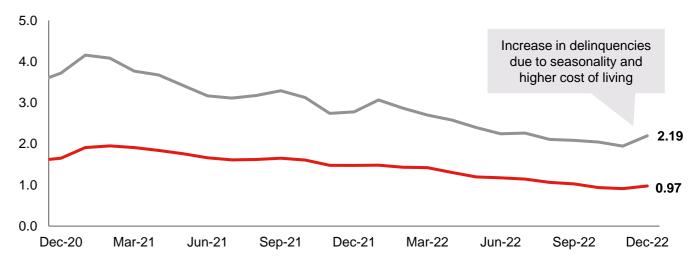


Chart does not add due to rounding

#### Mortgage 30+ and 90+ day delinquencies (%)



#### Unsecured Consumer 30+ and 90+ day delinquencies (%)1





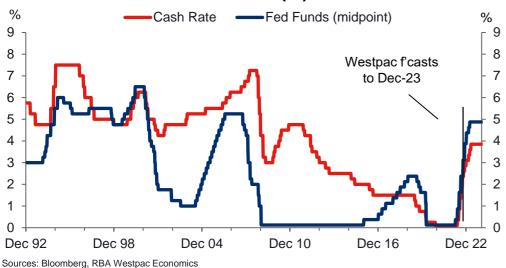
# **Economics**



# Global market backdrop.

Central banks responding aggressively to inflation.

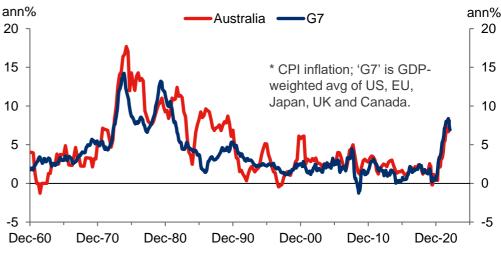
#### Fed Funds and RBA Cash Rate (%)



#### Global supply chains (index, monthly)

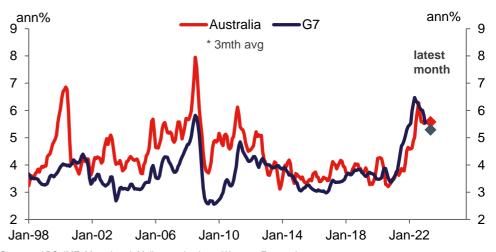


#### Global inflation (ann %)



Sources: ABS, IMF, Macrobond, Westpac Economics

#### Consumer inflation expectations<sup>1</sup> (ann, %)



Sources: ABS, IMF, Macrobond, Melbourne Institute, Westpac Economics



## RBA tightening cycle to continue.

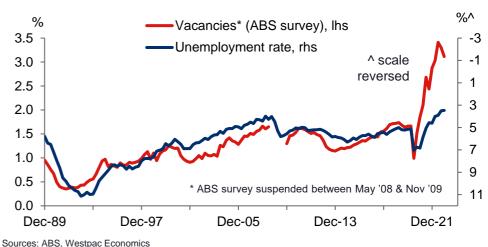
Labour market remains key risk to policy.

# CPI inflation (%) Core CPI, %qtr Core CPI, avg RBA %yr Westpac f'casts to Dec -23 Westpac f'casts to Dec -23

Sep-14

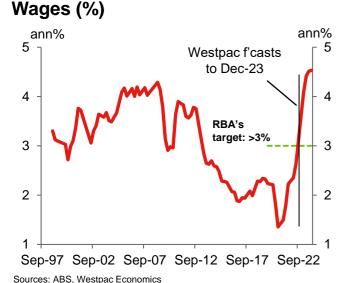
Sep-18

# Job vacancies (% of labour force) and Unemployment rate (%)



Sources: ABS, RBA, Westpac Economics

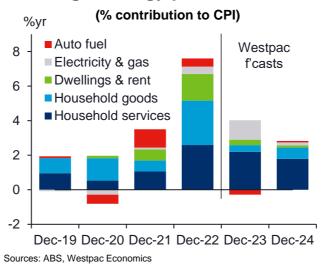
Sep-06



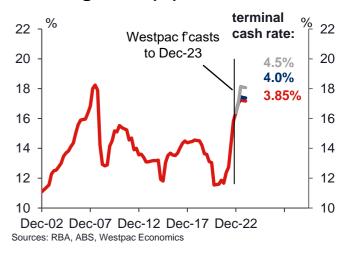
Sep-10

#### **Dwelling & energy prices**

Sep-22



# Australia's household debt servicing ratio<sup>2</sup> (%)

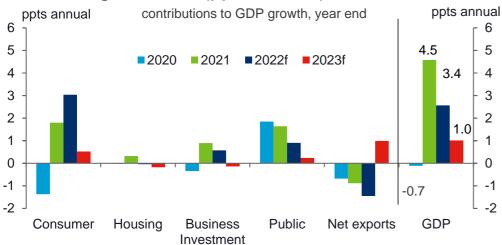


<sup>1 &#</sup>x27;G7' is GDP-weighted avg of US, EU, Japan, UK and Canada. Based on 1yr ahead expectations where available. 2 Mortgage repayments, owner occupied loans as % of household disposable income of owner occupiers.

# Australian economy: slower growth expected in 2023.

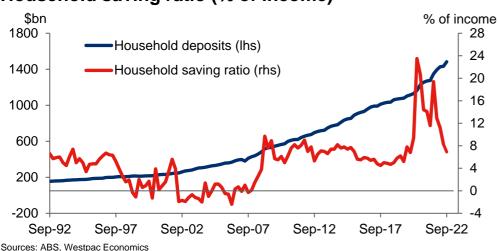
Higher rates and high inflation to impact.

#### Australia's growth mix (ppts, annual)

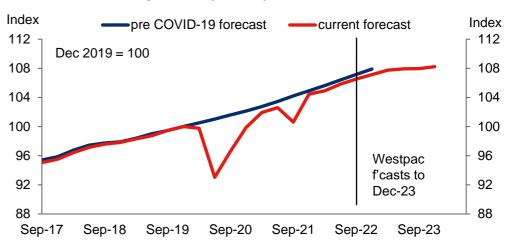


Sources: ABS, Westpac Economics

# Household deposits (\$bn) and Household saving ratio (% of income)

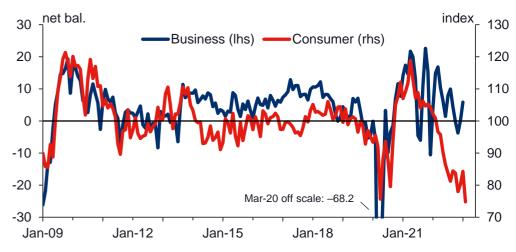


#### Australia's GDP profile (index)



Sources: ABS, Westpac Economics

#### Confidence: consumers and businesses



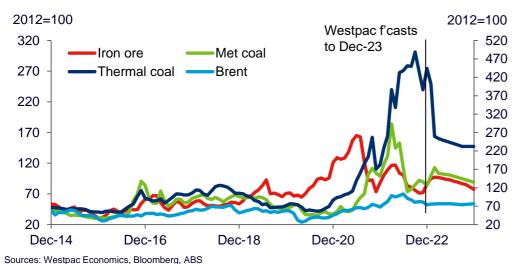
Sources: Westpac MI, NAB, Westpac Economics



# Commodities: demand shifting, supply remains tight.

Terms of Trade at record high in 2Q22.

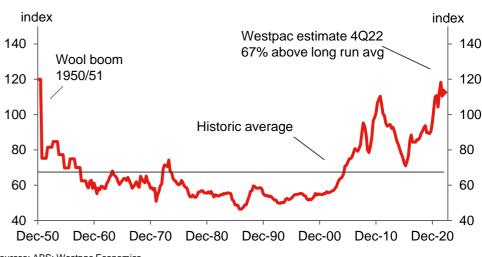
#### Australian commodity prices (index)



Iron ore, 117

Coal, 43

#### **Terms of Trade (index)**



Sources: ABS; Westpac Economics

#### Australian export composition<sup>1</sup> (\$bn)

Total

\$435bn

Mfg/Other,

50

Other

resources, 75

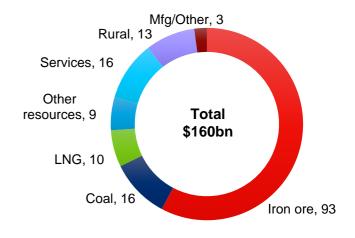
Rural, 43

Services, 71

#### Australian export destinations<sup>1</sup> (\$bn)



#### Australian exports to China<sup>1</sup> (\$bn)



Source: DFAT, ABS, Westpac Economics

LNG, 36



Sources: ABS, Westpac Economics

1 All figures show \$bn exports in 2020, note that figures may not sum due to rounding and other small differences in source data

## Australian housing market.

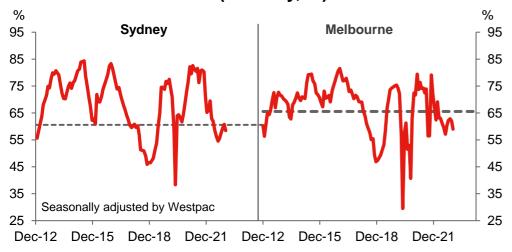
Slowdown in activity in response to higher rates.

#### Mortgage interest rates (%)



Sources: RBA, Westpac Economics

#### **Auction clearance rates (monthly, %)**



Sources: APM, CoreLogic, Westpac Economics

#### Housing finance approvals by segment (\$bn)



#### Residential property: sales vs listings

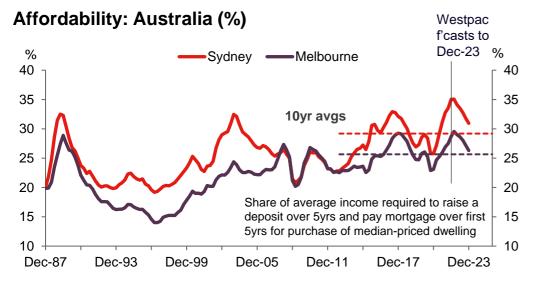


Source: CoreLogic, Westpac Economics



## Australian housing market.

Rental market continues to tighten.



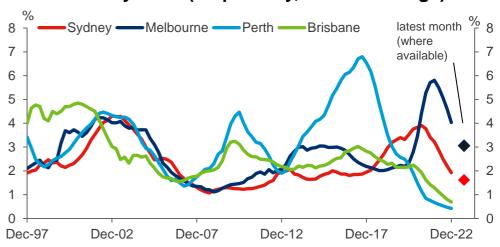
Sources: CoreLogic, ABS, RBA, Westpac Economics

#### Housing-related consumer sentiment



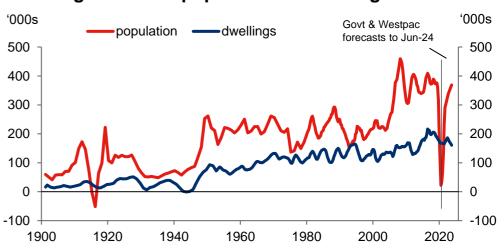
Sources: Melbourne Institute, Westpac Economics

#### Rental vacancy rates (% quarterly, annual average)



Sources: REIA, REINSW, REIV, SQM Research, Westpac Economics

#### Dwelling stock and population: ann change

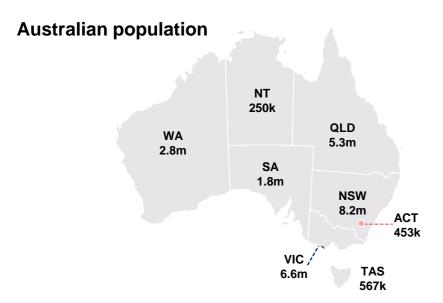


Sources: ABS, Australian Government, Westpac Economics



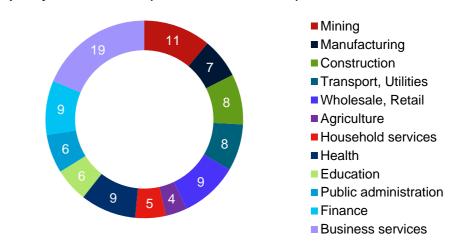
## The Australian economy.

Population 26 million<sup>1</sup>.

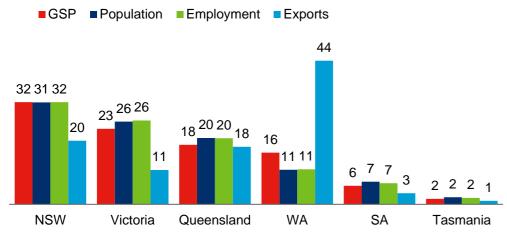


#### **Australian GDP and employment composition**

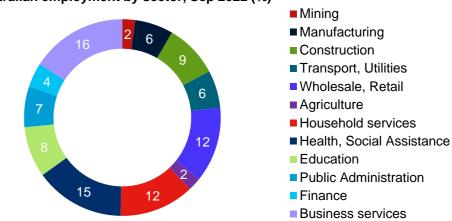
Output by sector 2021-22 (% contribution to GDP)<sup>2</sup>



#### Relative size of States (Share of Australia, %)3



Australian employment by sector, Sep 2022 (%)



Sources: ABS, Westpac Economics

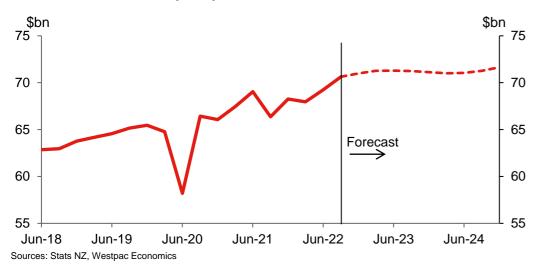


<sup>1</sup> Population at March 2022. 2 Real, financial years. 3 GSP, exports are for 2020-21; Population at March 2022; Employment as at September 2022.

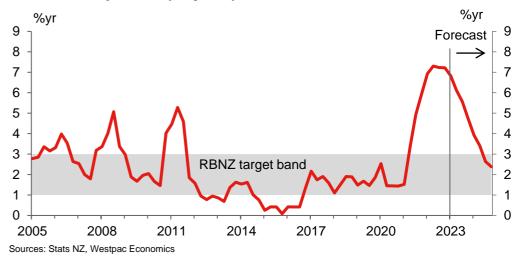
### New Zealand economic overview.

Economic activity softening, expected to weaken further due to interest rate hikes.

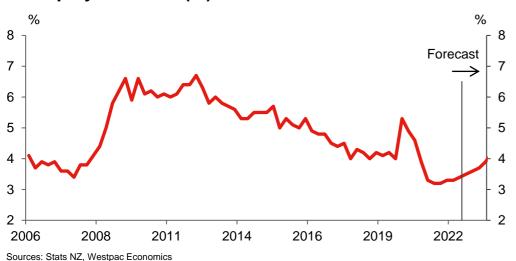
#### **New Zealand GDP (\$bn)**



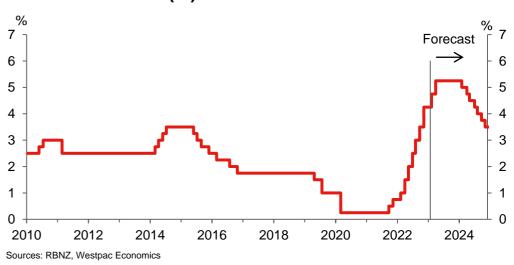
#### **Consumer prices (% year)**



#### **Unemployment rate (%)**



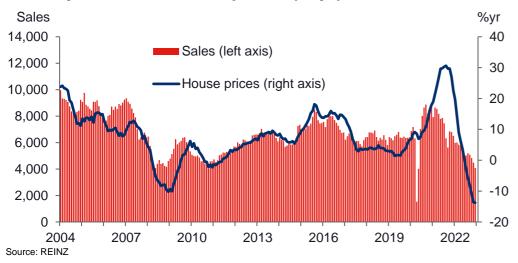
#### Official Cash Rate (%)



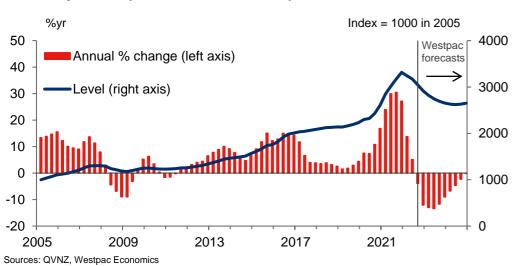
# New Zealand housing market.

The housing market downturn is deepening following the sharp rise in interest rates.

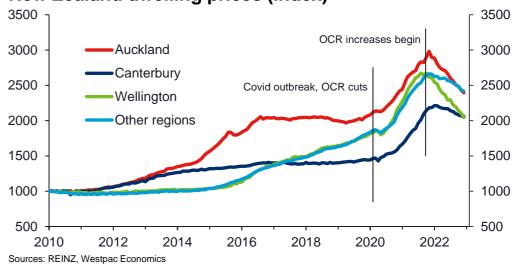
#### Monthly house sales and prices (% yr)



#### House prices (nationwide, index)



#### **New Zealand dwelling prices (index)**



#### **Dwelling prices (% change over period)**

Region	Pop'n	Last 3 mths (to Dec-22)	Last 12 mths (to Dec-22)	Last 5 years (to Dec-22)	
Auckland	1.7m	Down 5%	Down 17%	Up 17%	
Wellington	0.5m	Down 7%	Down 22%	Up 37%	
Canterbury	0.7m	Down 2%	Down 6%	Up 49%	
Nationwide	5.1m	Down 5%	Down 14%	Up 35%	

Forecast (Annual %)	Ave. past 10 years	2020	2021	2022f	2023f	2024f
Nationwide	+10%	+17%	+27%	-12%	-9%	Flat

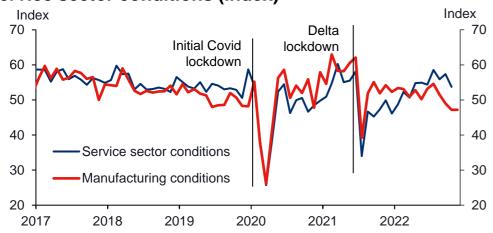
Sources: REINZ, Stats NZ



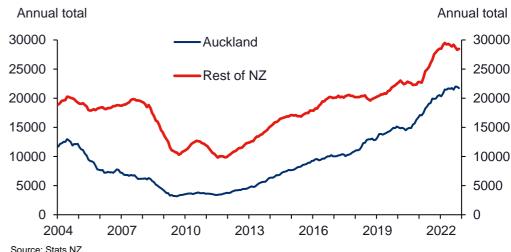
# New Zealand economic activity.

Following strong growth over the past year, demand has started to soften.

# Manufacturing conditions (index) and Service sector conditions (index)

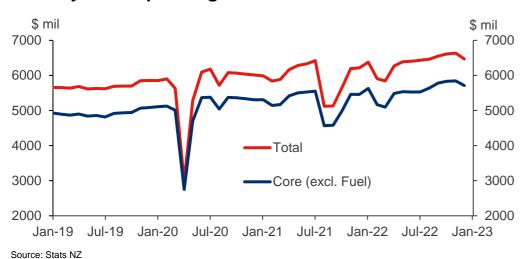


# Residential dwelling consents (annual, total)

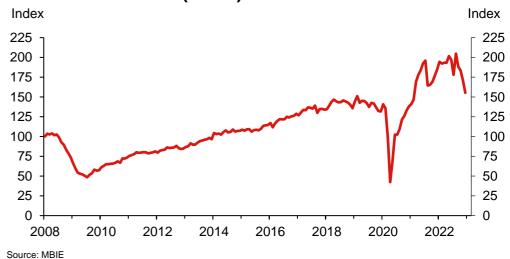


Source: BusinessNZ

#### Monthly retail spending



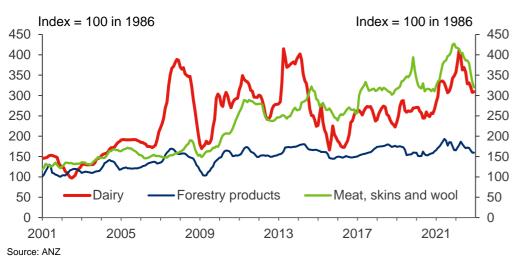
#### Job advertisements (index)



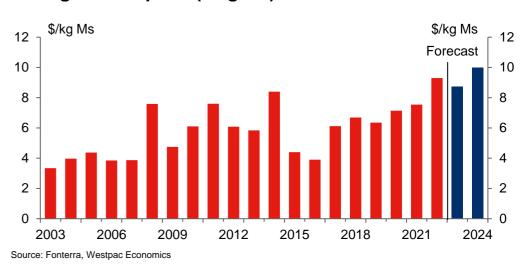
# New Zealand exports.

Commodity prices near cyclical low, services exports recovery in train.

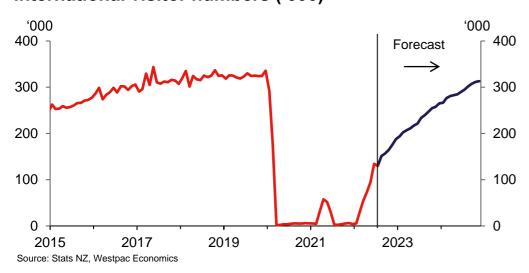
#### NZ export commodity prices (index)



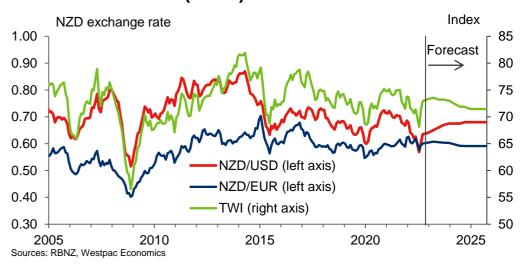
#### Farmgate milk price (\$/kg Ms)



#### International visitor numbers ('000)



#### **New Zealand dollar (index)**

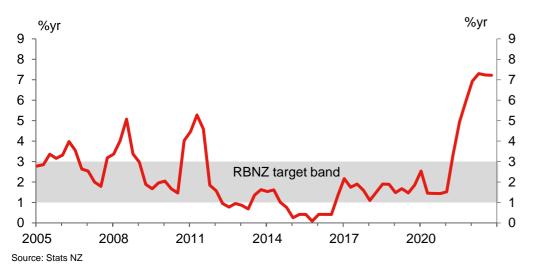




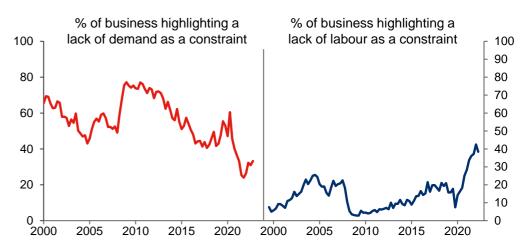
## New Zealand inflation and interest rates.

Demand and supply pressures widespread, interest rates to continue pushing higher.

#### Inflation (% yr)

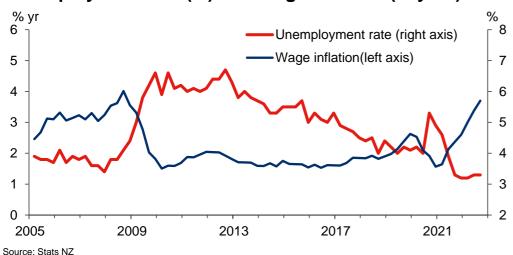


#### Strong demand and shortage of supplies

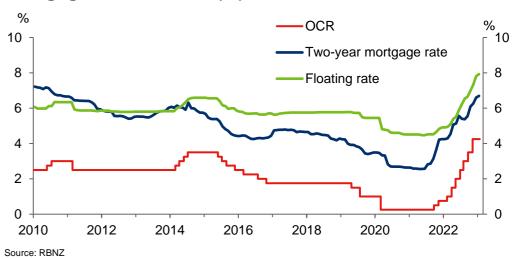


Source: NZIER

#### **Unemployment rate (%) and Wage inflation (% year)**



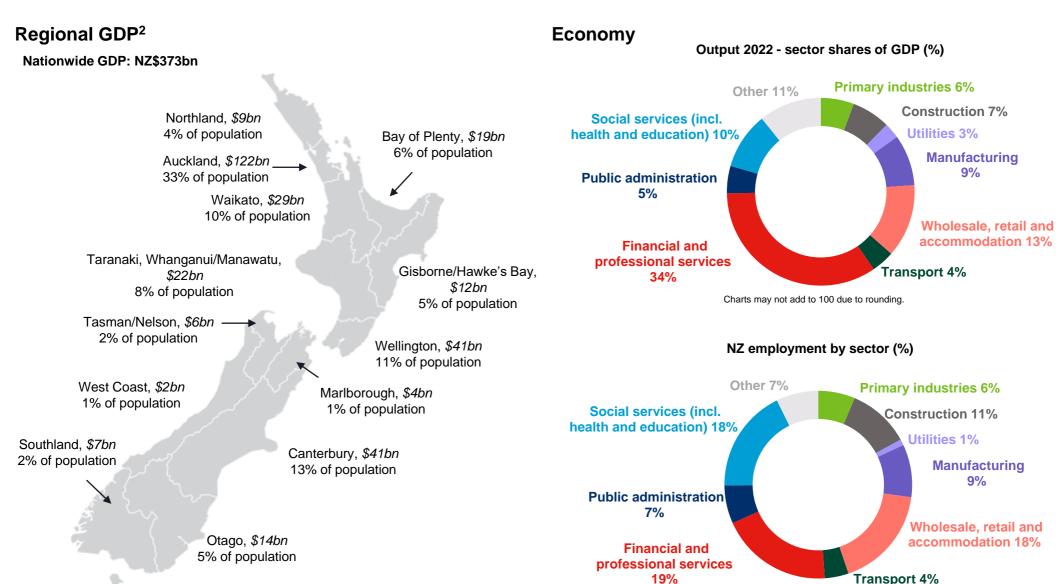
#### Mortgage interest rates (%)



**Westpac** GROUP

# The New Zealand economy.

Population 5 million<sup>1</sup>.



Sources: Stats NZ, Westpac Economics



Charts may not add to 100 due to rounding.

<sup>1</sup> Population is at September 2022. 2 Nationwide GDP and employment figures are for the year to September 2022, regional figures are for the year to March 2021.

## Sustainability – footnotes.

#### Our plan to become a net-zero, climate resilient bank.

- 1. Predominantly through a virtual power purchase agreement with Bomen Solar Farm in NSW and through other sources including Westpac rooftop solar and Large-Scale Generation Certificates sourced and retired on behalf of Westpac by Lendlease for Westpac's Barangaroo commercial office tenancy supply.
- 2. Certification is obtained for Westpac's Australian and New Zealand direct operations under the Australian Government's Climate Active Carbon Neutral Standard for Organisations and the New Zealand Toitū net carbonzero certification respectively. Further information can be found on the Sustainability Performance Reports page on our website.

#### Targets set for five sectors in our lending portfolio.

- 1. Financed emissions are the Group's Scope 3 emissions attributable to its lending portfolios. We aim to achieve these targets by 30 September 2030.
- 2. Upstream oil and gas includes exploration, extraction and drilling companies, integrated oil and gas companies (that have upstream activities), and LNG producers. The scope does not include midstream and downstream companies.
- 3. International Energy Agency Net Zero by 2050 (IEA NZE) scenario specifies that no new (greenfield) oil and gas fields are needed beyond those projects that have already been committed (i.e. approved for development) as of 18 May 2021. The IEA NZE scenario is the International Energy Agency's Net Zero by 2050: A Roadmap for the Global Energy Sector report, 2021.
- 4. Where the Australian or New Zealand Government or regulator determines (or takes a formal public position) that supply from the asset being financed is necessary for national energy security.
- 5. A credible transition plan should be developed by reference to the best available science and should include Scope 1, 2 and 3 emissions and actions the company will take to achieve GHG reductions by 2050 aligned with a 1.5°C pathway.
- 6. Companies with >5% of their revenue coming directly from thermal coal mining (i.e. the production and sale of thermal coal). Adjacent sectors (including mining service providers) will be covered in other targets as appropriate. Transactional banking and rehabilitation bonds are excluded from our target.
- 7. Companies that are electricity generators include customers with >10% revenue coming from power generation or >5% revenues from thermal coal electricity generation. Target excludes electricity transmission / distribution companies and Scope 3 emissions of electricity generators.
- 8. Companies that produce clinker in-house. Target includes emissions generated from calcination in clinker production as well as fuel combustion and electricity consumption associated with the cement production process.
- 9. Discrete borrowers with office properties comprising a majority of their portfolio and with commercial real estate TCE > \$75 million within Specialised Lending Property Finance (Investment only) and Corporate portfolios, as defined under Pillar 3 reporting. This excludes construction finance.
- 10. Base building operational Scope 1 and 2 emissions. Target excludes all Scope 3 emissions (e.g. tenant emissions from electricity and appliance use, construction, embodied emissions and corporate activities).



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We use words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'estimate', 'anticipate', '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 (such as slides 5 and 15). 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.



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