

ASX

Release

19 February 2024

WESTPAC 1Q24 INVESTOR DISCUSSION PACK

Following is Westpac's 1Q24 slides covering capital, credit quality, funding and financial performance for the three months ended December 2023.

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

1Q24 INVESTOR DISCUSSION PACK

FOR THE 3 MONTHS ENDED 31 DECEMBER 2023

This document should be read in conjunction with Westpac's December 2023 Pillar 3 Report. All amounts are in Australian dollars.

WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Capital above operating range

- CET1² capital ratio of 12.3%, above target operating range³
- RWA⁴ \$8.0bn or 1.8% lower mainly due to IRRBB⁵ decrease



Well provisioned

- Stressed assets to TCE⁶ 1.22%, down 4bps
- Mortgage 90+ day delinquencies:
 - Australia 0.95%, up 9bps
 - New Zealand 0.40%, up 7bps
- CAP⁷ to credit RWA 137bps, up 2bps
- Impairment charge to average loans of 10bps, up 3bps⁸
 - IAP⁹ charge of \$55m mainly from a single exposure
 - CAP charge of \$134m



Funding and liquidity above required levels

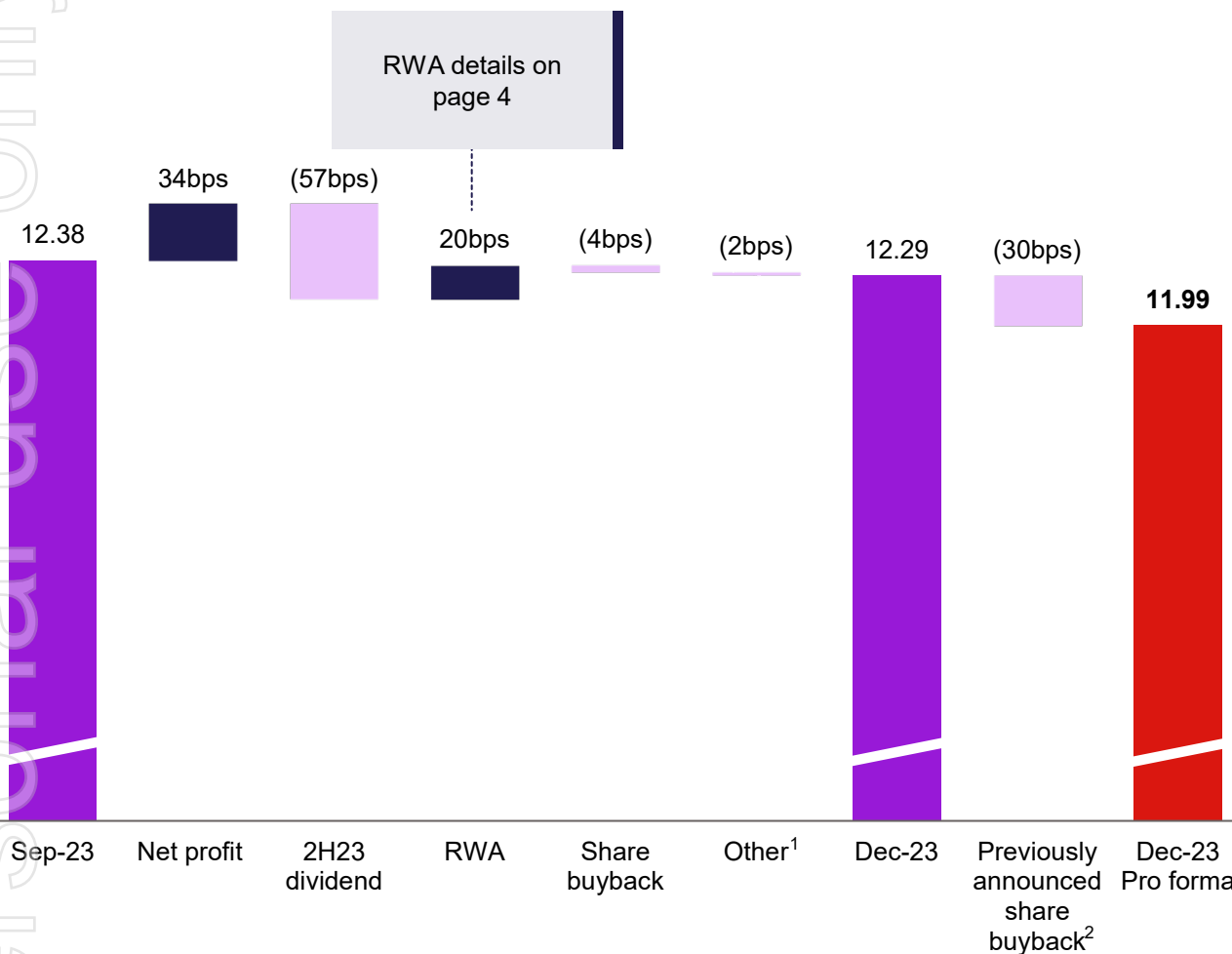
- LCR¹⁰ quarterly average 133%
- NSFR¹¹ 114%
- Deposit to loan ratio 83.3%, up 0.4 ppts
- Well progressed on wholesale funding plans

¹ 31 December 2023 compared to 30 September 2023 unless otherwise stated. ² Level 2 common equity tier 1 (CET1). ³ Target operating range is 11.0-11.5%. ⁴ Risk weighted assets (RWA). ⁵ Interest rate risk in the banking book (IRRBB). ⁶ Total committed exposure (TCE). ⁷ Collectively assessed provisions (CAP). ⁸ 1Q24 compared to 2H23. ⁹ Individually assessed provisions (IAP) includes new IAPs, write-backs and recoveries. ¹⁰ Liquidity coverage ratio (LCR). ¹¹ Net stable funding ratio (NSFR).

CET1 CAPITAL RATIO 12.3%

CAPITAL

Level 2 CET1 capital ratio movements (%)



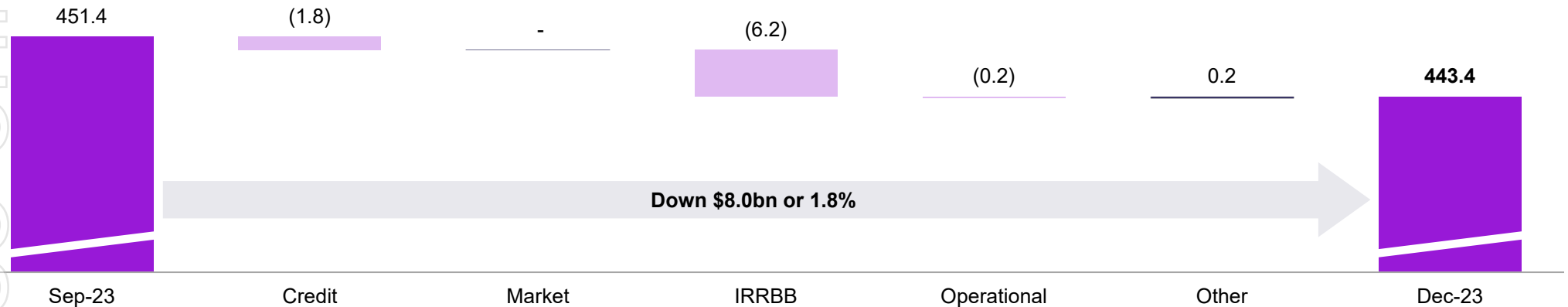
Key capital ratios (%)	Dec-22	Sep-23	Dec-23
Level 2 CET1 capital ratio	11.1	12.4	12.3
Additional Tier 1 capital ratio	2.1	2.2	2.4
Tier 1 capital ratio	13.2	14.6	14.7
Tier 2 capital ratio	4.9	5.9	6.3
Total regulatory capital ratio	18.1	20.5	21.0
Risk weighted assets (RWA) (\$bn)	480	451	443
Leverage ratio	5.5	5.5	5.4
Level 1 CET1 capital ratio	11.1	12.6	12.5
Internationally comparable ratios³			
Leverage ratio (internationally comparable)	5.9	6.0	5.9
CET1 capital ratio (internationally comparable)	17.4	18.7	18.4

¹ Capital deductions and other items including FX translation impacts. ² Assumes completion of remaining \$1.3bn on market share buyback. ³ Internationally comparable methodology references the Australian Banking Association (ABA) study on the comparability of APRA's new capital framework and finalised reform released on 10 March 2023.

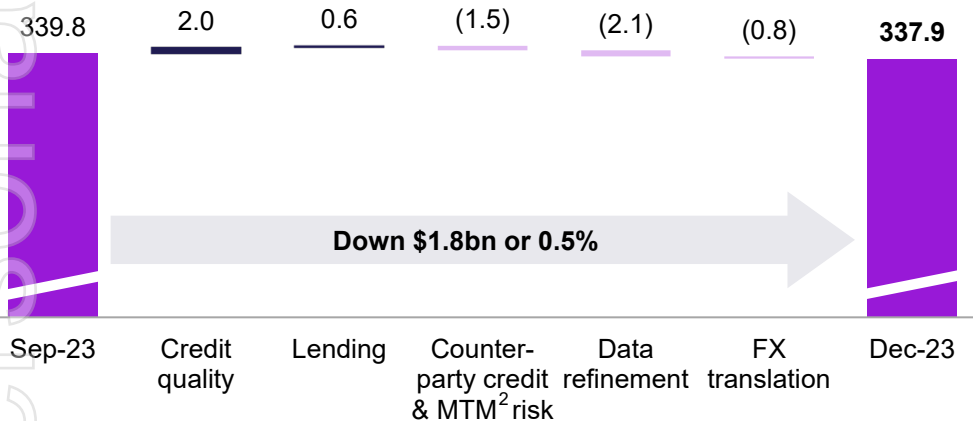
RISK WEIGHTED ASSET MOVEMENTS

CAPITAL

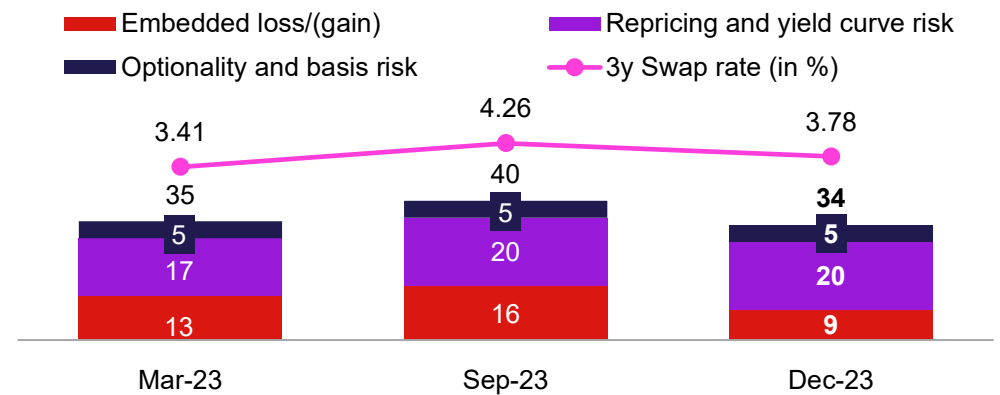
RWA (\$bn)



Credit RWA¹ (\$bn)



IRRBB RWA¹ (\$bn)



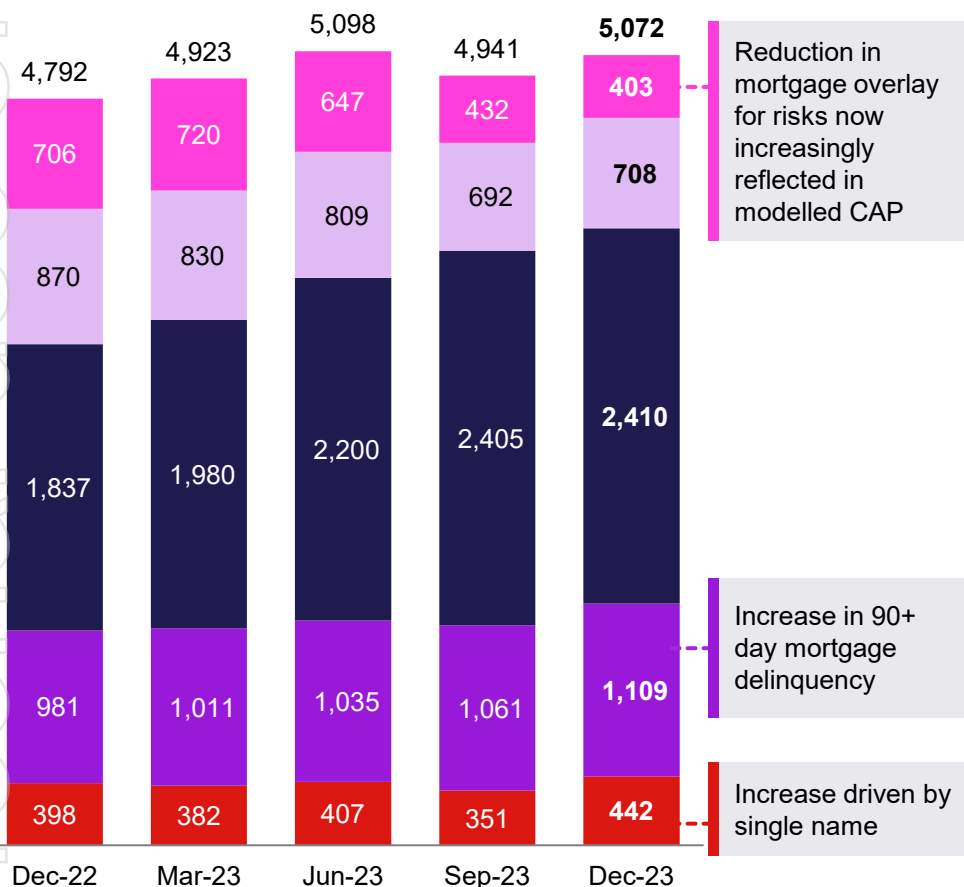
¹ Chart may not add due to rounding. ² Mark to market (MTM).

PROVISION COVERAGE

PROVISIONING

Total provisions for expected credit losses¹ (\$m)

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



Key ratios

	Dec-22	Sep-23	Dec-23
Provisions to gross loans (bps)	64	63	65
Impaired asset provisions to impaired assets (%)	44	43	47
Collectively assessed provisions to credit RWA (bps)	121	135	137

Forecasts used in economic scenarios

Forecasts for base case ECL	Base case		Downside
	2024	2025	Trough / peak ²
GDP growth	1.6%	2.5%	(6%)
Unemployment	4.5%	4.7%	11%
Residential property prices	6%	4%	(27%)
Commercial property prices	(0.5%)	5.4%	(32%)

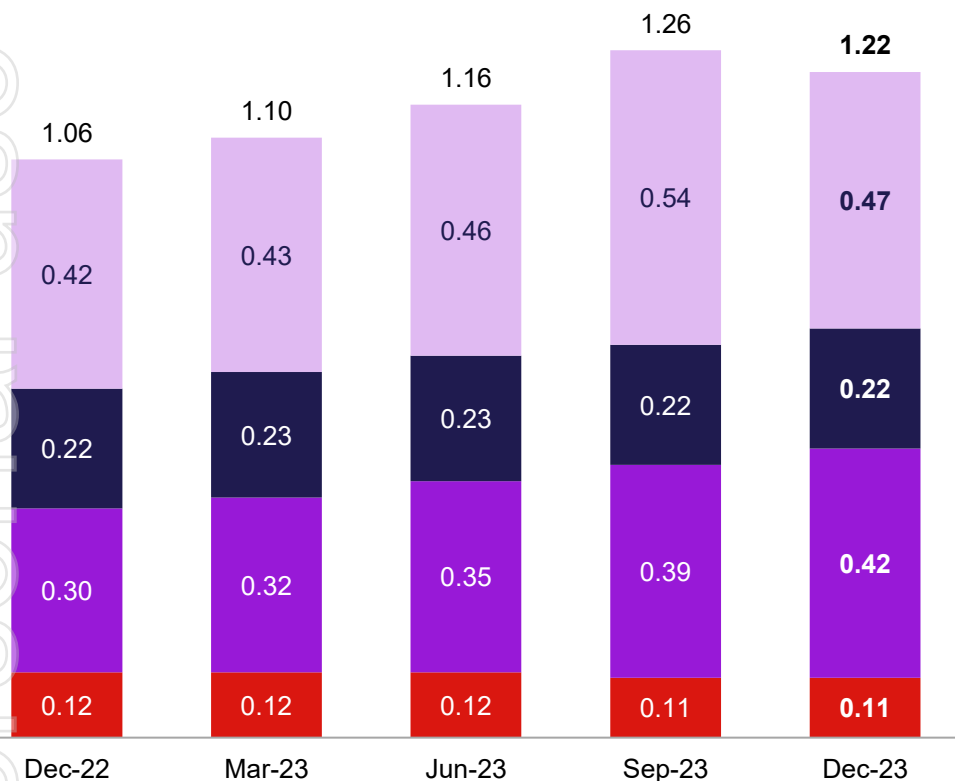
¹ Includes provisions for debt securities. ² These key economic indicators represent trough or peak values that characterise the scenarios considered in setting downside severity. Residential and commercial forecasts represent cumulative reduction over a two-year period.

STRESSED EXPOSURES AND DELINQUENCIES

CREDIT QUALITY

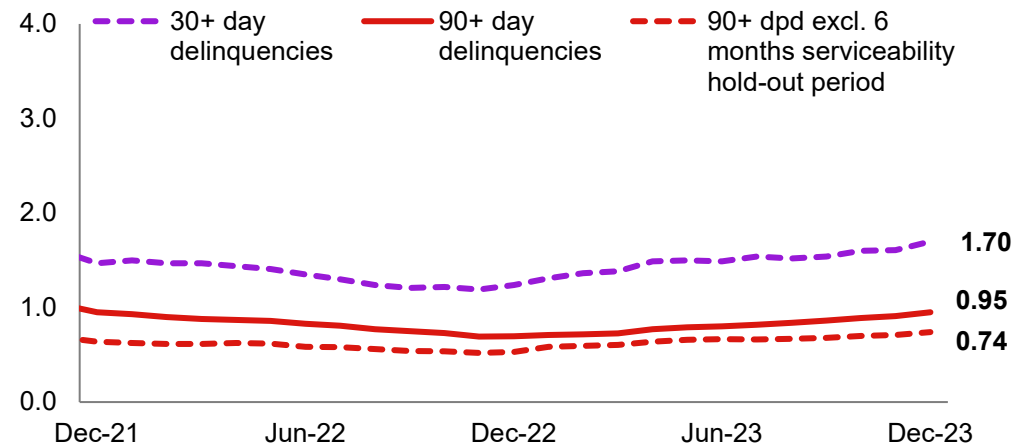
Stressed exposures as a % of TCE

- Watchlist & substandard
- Non-performing, <90 days
- Non-performing, 90+ days
- Impaired

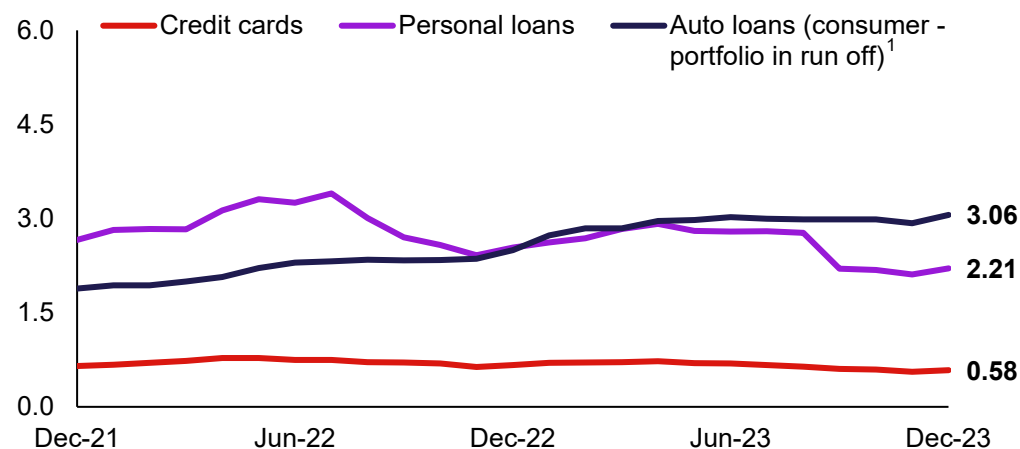


¹ Portfolio has been in run off since March 2022.

Australian mortgage delinquencies (%)



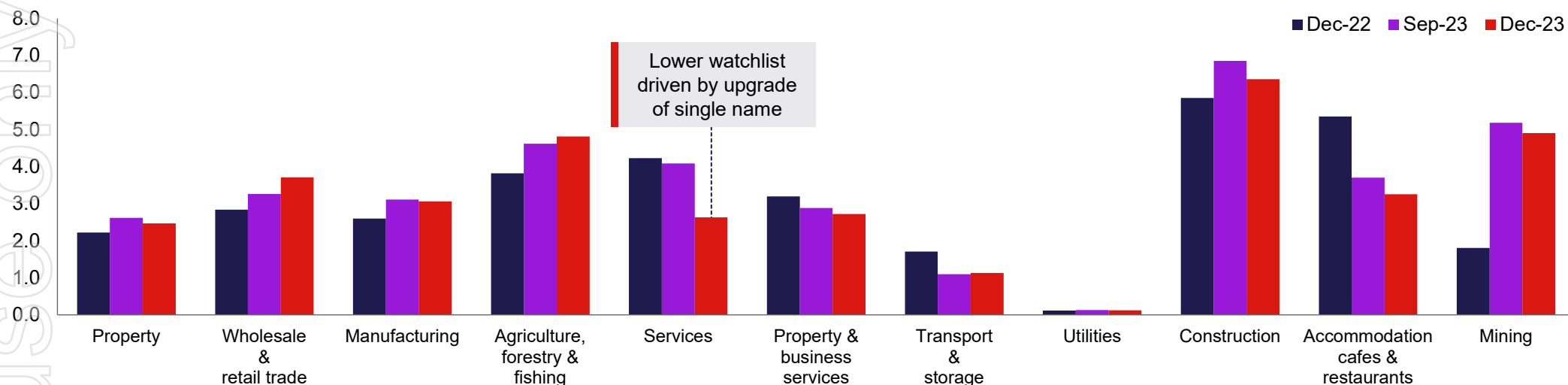
Australian consumer finance 90+ delinquencies (%)



CREDIT QUALITY ACROSS SECTORS

CREDIT QUALITY

Corporate and business stressed exposures by industry sector (%)



Exposure and credit quality by sector

Sector	Finance & Insurance ¹	Property ²	Wholesale & retail trade	Manufacturing	Agriculture, forestry & fishing	Services ³	Property & business services	Transport & storage	Utilities	Construction ⁴	Accomm, cafes & restaurants	Mining
TCE (\$bn)												
Dec-23	201.9	80.3	30.8	24.5	24.4	26.3	23.1	19.0	20.5	12.9	11.5	7.5
Sep-23	202.1	80.7	31.0	24.7	24.1	26.4	23.0	18.3	18.9	12.9	10.8	8.0
Stressed (%)^{5,6}												
Dec-23	0.1	2.5	3.7	3.1	4.8	2.6	2.7	1.1	0.1	6.4	3.3	4.9
Sep-23	0.1	2.6	3.3	3.1	4.6	4.1	2.9	1.1	0.1	6.9	3.7	5.2
Impaired (%)⁶												
Dec-23	0.0	0.1	0.7	0.6	0.2	0.4	0.5	0.1	0.0	0.6	0.3	0.1
Sep-23	0.0	0.1	0.4	0.4	0.2	0.4	0.5	0.1	0.0	0.6	0.4	0.1

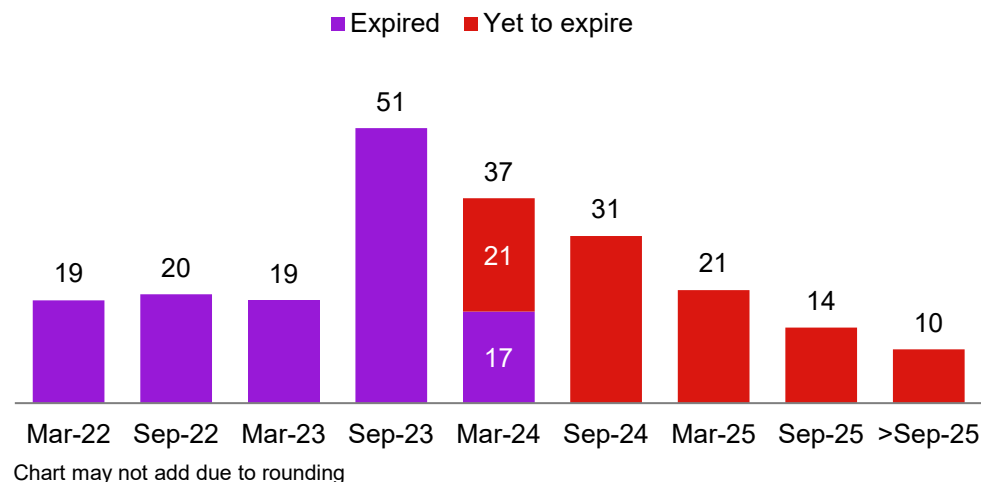
¹ Finance and insurance includes banks, non-banks, insurance companies and other firms providing services to the finance and insurance sectors. Includes assets held for liquidity portfolio. ² Property includes both residential and non-residential property investors and developers and excludes real estate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

AUSTRALIAN MORTGAGE PORTFOLIO COMPOSITION

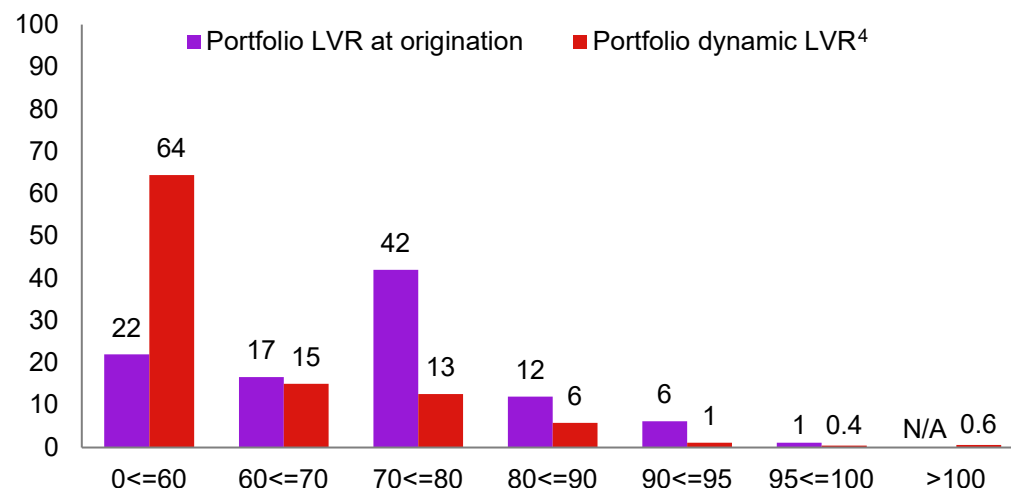
MORTGAGE CREDIT QUALITY

Australian mortgage portfolio	Mar-23 balance	Sep-23 balance	Dec-23 balance
Total portfolio (\$bn)	472.7	485.6	490.9
Owner occupied (OO) (%)	66.4	67.1	67.5
Investment property loans (IPL) (%)	32.2	31.6	31.3
Portfolio loan/line of credit (LOC) (%)	1.4	1.3	1.2
Variable rate / Fixed rate (%)	67/33	76/24	81/19
Interest only (I/O) (%)	13.3	12.8	12.5
Proprietary channel (%)	51.5	50.8	50.2
First home buyer (%)	10.8	10.8	11.0
Mortgage insured (%)	14.2	13.1	12.9
	Mar-23	Sep-23	Dec-23
Average loan size ¹ (\$'000)	292	301	306
Customers ahead on repayments including offset account balances (%)			
By accounts	74	75	76
By balances	69	71	72
Mortgage losses net of insurance (\$m)	11	21	9
Annual mortgage loss rate ² (bps)	0.5	0.7	0.7
Hardship ³ balances (% of portfolio)	0.50	0.71	0.86

Fixed rate mortgage expiry schedule (\$bn, for the 6mths to)



Loan-to-value ratios (LVRs) (%)

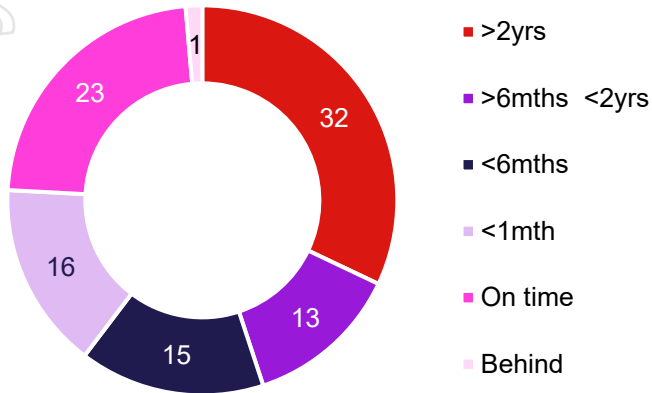


¹ Includes amortisation. Calculated at account level, where split loans represent more than one account. ² Mortgage loss rates for March are annualised, based on losses for the 6 months. Mortgage loss rates for September are actual losses for the 12 months ending. Mortgage loss rates for December are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

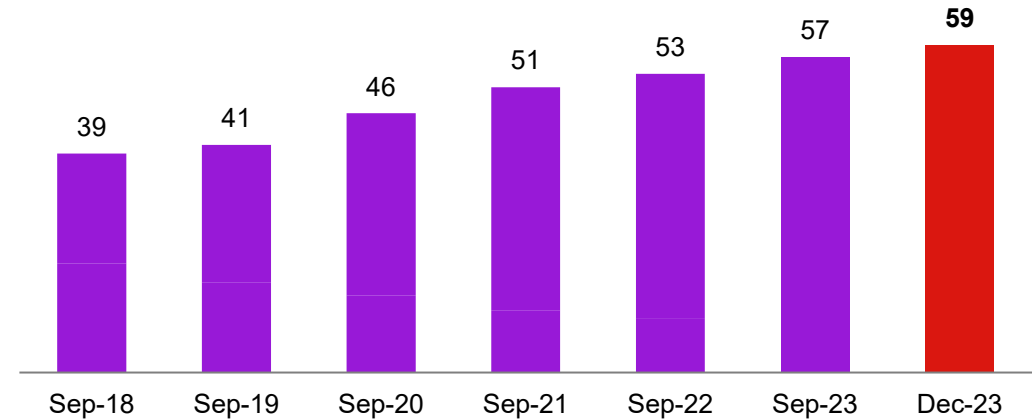
AUSTRALIAN MORTGAGE PORTFOLIO REPAYMENT BUFFERS

MORTGAGE CREDIT QUALITY

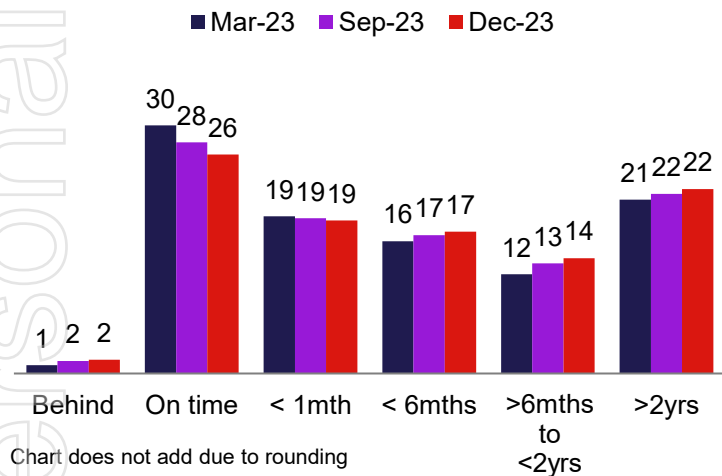
Customers ahead on repayments¹ (% by accounts)



Offset account balances² (\$bn)



Customers ahead on repayments¹ (% by balances)

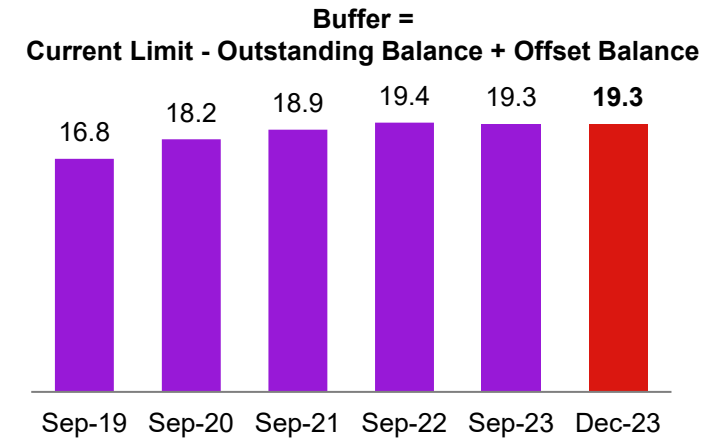


Loans 'on time' and <1mth ahead



- Investment property loans – (generally maintain higher balances for tax purposes)
- Accounts opened in the last 12 months
- Structural restrictions on repayments e.g. fixed rate
- Residual – <1 month repayment buffer

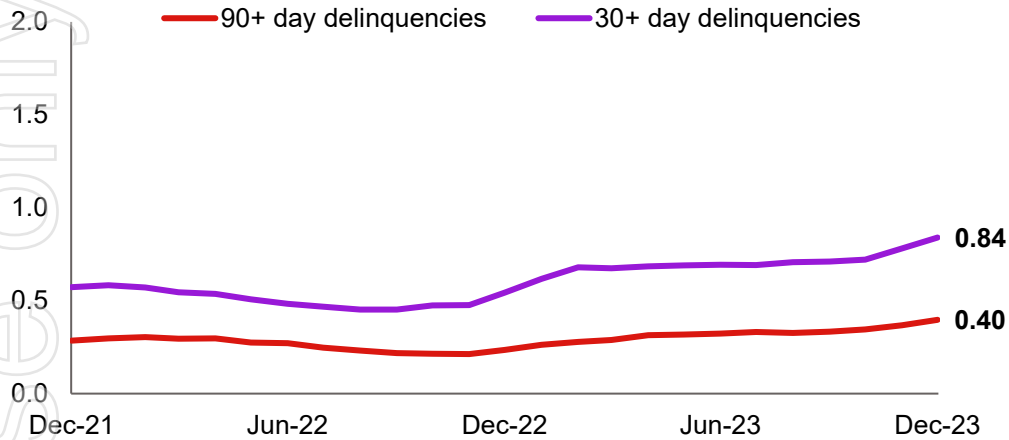
Buffer to balance ratio³ (%)



¹ 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. ² Includes RAMS from Sep-20 onwards. ³ Excludes Line of Credit.

NEW ZEALAND CREDIT QUALITY

Mortgage delinquencies (%)



Mortgage portfolio LVR¹ (% of portfolio)

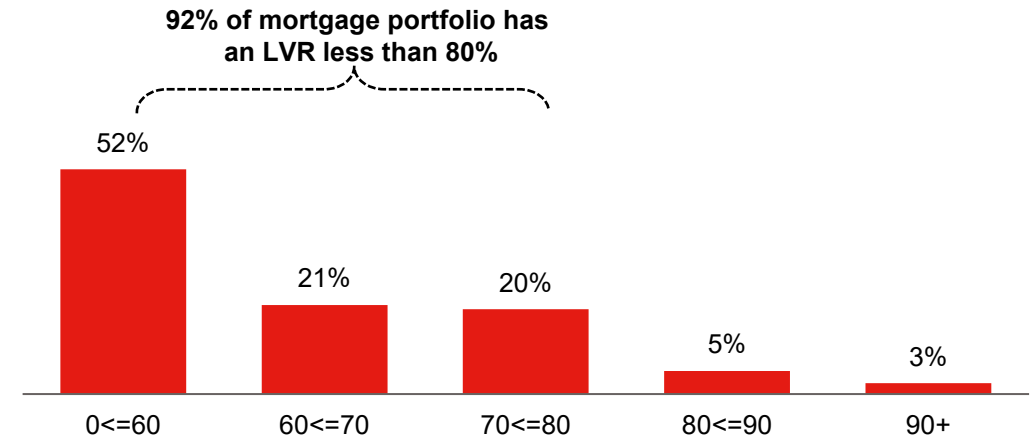


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Business stressed exposures to business TCE (%)

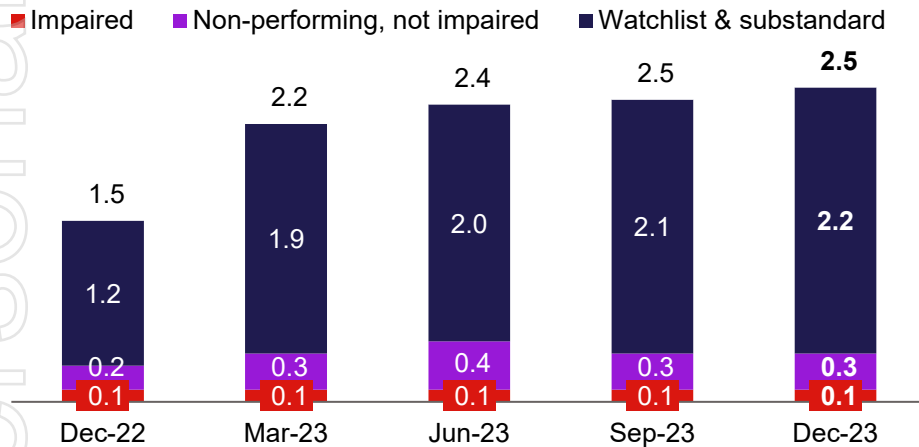
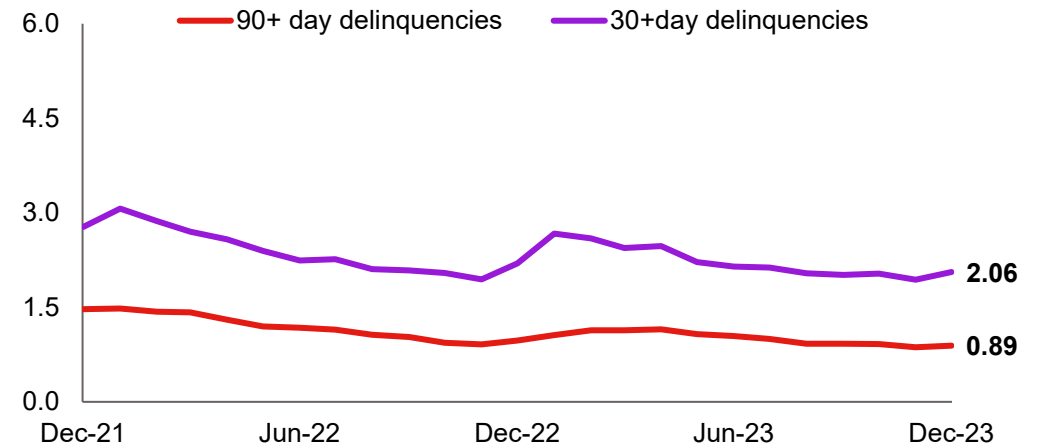


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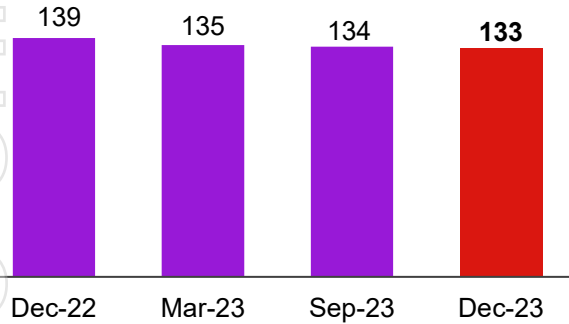
Unsecured Consumer delinquencies (%)



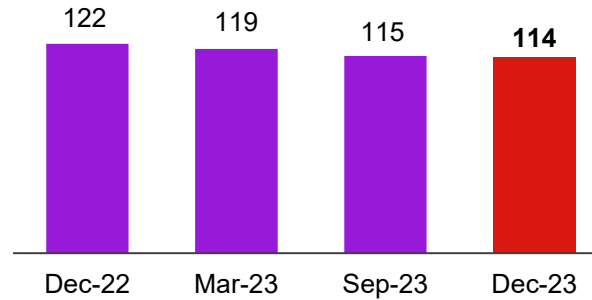
¹ LVR based on current exposure and property valuation at the latest credit event.

Key funding and liquidity measures

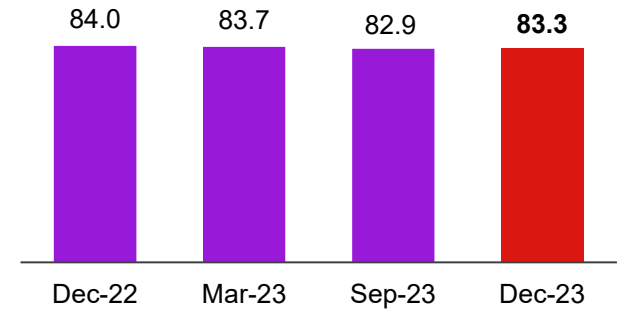
Liquidity coverage ratio (LCR) (%)
Quarterly average



Net stable funding ratio (NSFR) (%)



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

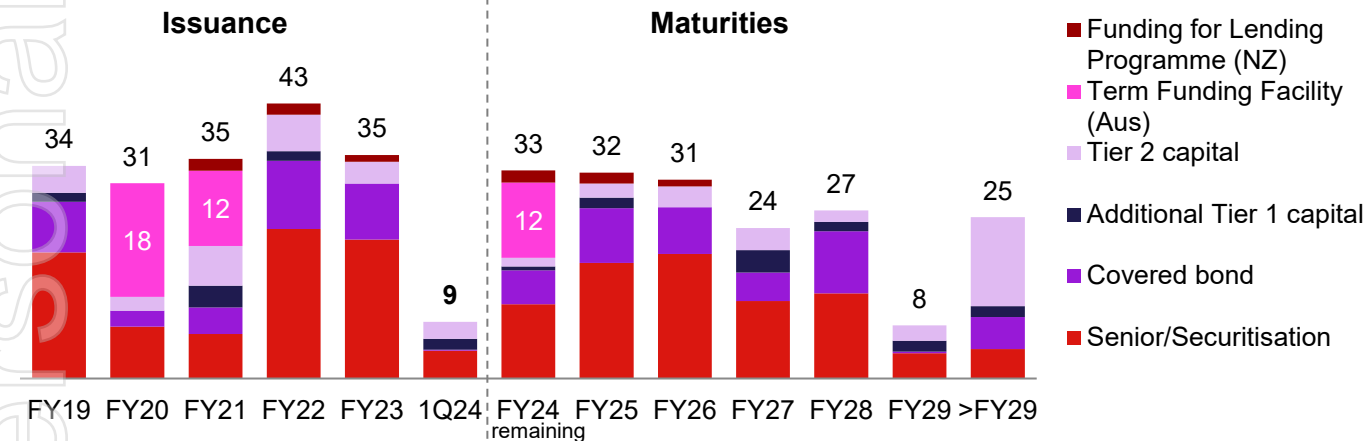


• Quarterly LCR movement reflects lower liquid asset holdings, partly offset by lower average net cash outflows

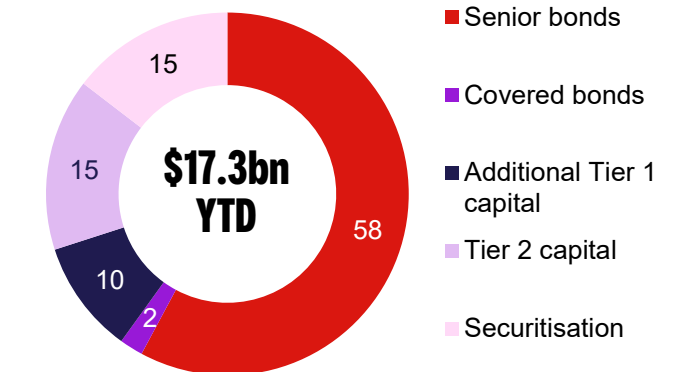
• Lower NSFR reflects growth in lending and further increases in required stable funding for mortgages under APS 112, partly offset by higher deposits

• Increase in D2L ratio due to growth in deposits, with some seasonal moderation in lending growth

Term debt issuance and maturity profile¹ (\$bn)



Term debt issuance by program year to date² (%)



¹ Based on residual maturity and FX spot currency translation. Includes all debt issuance with contractual maturity greater than 13 months excluding US Commercial Paper and Yankee Certificates of Deposit. Contractual maturity date for Additional Tier 1 and callable Tier 2 instruments is the first scheduled conversion date or call date for the purposes of this disclosure. Maturities exclude securitisation amortisation. ² Year to date is 1 October 2023 to 19 February 2024.

APPENDIX 1: FINANCIAL SUMMARY

APPENDIX

\$m	Excluding Notable Items			
	2H23 qtr average	% movement 1Q24 - 2H23 qtr average	2H23 qtr average	% movement 1Q24 - 2H23 qtr average
Net interest income	4,602	(7)	4,606	1
Non-interest income	719	3	730	3
Net operating income	5,321	(5)	5,336	2
Expenses	(2,852)	(6)	(2,622)	2
Pre-provision profit	2,469	(4)	2,714	1
Impairment charges	(129)	47	(129)	47
Tax and non-controlling interests (NCI)	(743)	(10)	(812)	(3)
Net profit	1,597	(6)	1,773	-
Return on equity (ROE)	8.9%	(61bps)	9.9%	(7bps)
Return on tangible equity (ROTE)	10.1%	(69bps)	11.2%	(9bps)

APPENDIX 2: NET PROFIT

APPENDIX

\$b					Excluding Notable Items			
	3Q23	4Q23	2H23 qtr average	1Q24	3Q23	4Q23	2H23 qtr average	1Q24
Net interest income	4.8	4.4	4.6	4.3	4.6	4.6	4.6	4.7
Non-interest income	0.8	0.6	0.7	0.7	0.8	0.7	0.7	0.8
Net operating income	5.6	5.0	5.3	5.0	5.4	5.2	5.3	5.4
Expenses	(2.7)	(3.0)	(2.9)	(2.7)	(2.7)	(2.6)	(2.6)	(2.7)
Pre-provision profit	2.9	2.0	2.5	2.4	2.8	2.7	2.7	2.7
Impairment charges	(0.3)	-	(0.1)	(0.2)	(0.3)	-	(0.1)	(0.2)
Tax and non-controlling interests (NCI)	(0.8)	(0.7)	(0.7)	(0.7)	(0.8)	(0.9)	(0.8)	(0.8)
Net profit	1.8	1.4	1.6	1.5	1.7	1.8	1.8	1.8
ROE	10.3%	7.5%	8.9%	8.3%	9.6%	10.2%	9.9%	9.8%
ROTE	11.7%	8.5%	10.1%	9.4%	10.9%	11.5%	11.2%	11.1%

Table may not add due to rounding

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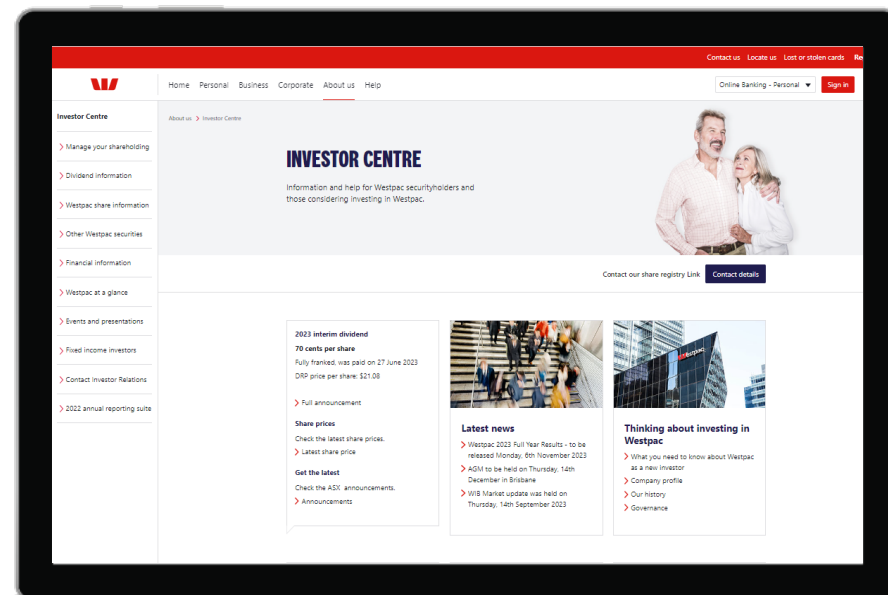
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We use words such as ‘will’, ‘may’, ‘expect’, ‘intend’, ‘seek’, ‘would’, ‘should’, ‘could’, ‘continue’, ‘plan’, ‘estimate’, ‘anticipate’, ‘believe’, ‘probability’, ‘indicative’, ‘risk’, ‘aim’, ‘outlook’, ‘forecast’, ‘f’cast’, ‘f’, ‘assumption’, ‘projection’, ‘target’, ‘goal’, ‘guidance’, ‘ambition’, or other similar words to identify forward-looking statements, or otherwise identify forward-looking statements. These forward-looking statements reflect our current views on future events and are subject to change, certain known and unknown risks, uncertainties and assumptions and other factors which are, in many instances, beyond our control (and the control of our officers, employees, agents and advisors), and have been made based on management’s expectations or beliefs concerning future developments and their potential effect upon us.

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