

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC09QON: **Mr BANDT:** Again, you might need to take this on notice, but estimates of a four-degree-warmed world have the carrying capacity of the planet reducing from the current 7½ billion down to one billion people by the end of the century. Are you saying that, in a four-degree-warmed world, there will only be a 1.6 per cent impact on mortgages in Australia?

Mr King: Mr Bandt, I think we'll take that one on notice. There are so many variables, when you're doing long-term forecasting like that, that I don't think we can be that specific.

Answer: Our scenario analysis for climate-related physical risks is detailed in our 2019 Annual Report. It sets out the potential impact of natural perils on our Australian mortgage portfolio, based on the IPCC's RCP8.5 scenario and a series of conservative assumptions about the vulnerability of Australian homes to natural perils. A set of 'higher risk' postcodes were defined where the net present value of changes in average annual costs as a result of climate change was greater than an interest rate increase above a defined threshold. We applied these results to the Australian mortgage portfolio to assess the extent of the Group's current exposure to these postcodes.

The scenario is based on 4-degrees of warming by 2100. We measure and disclose the risk at 2050, reflecting the maximum 30-year life of a mortgage.

Westpac continues to assess the resilience of its Australian mortgage portfolio to physical risks. The Group understands the importance of both climate mitigation and adaptation efforts, including government planning measures, and the benefits of climate-resilient building characteristics to reduce property damage and impacts on customers and communities.