

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS

#### Westpac Banking Corporation

**WBC21QW:** A copy of the valuation policies that the bank applies to:

(a) infrastructure investments.

(b) large commercial investments or like commercial investments, including definitions that lead to their classification as a large commercial or like commercial investments.

**Answer:** (a) Infrastructure

We do not typically lend specifically against the valuation of an infrastructure asset, rather we lend against the cash flow from the asset with typical controls and monitoring in the form of an interest cover or debt service cover ratio and a leverage covenant. The leverage covenant will frequently (but not always) reference a valuation of the business.

(b) Larger Corporates

We consider an entity to be a large corporate if it has turnover over \$100 million, total exposure for Westpac of greater than \$20 million, a complex structure and risk profile or sophisticated finance needs. Typically for these customers, we do not specifically lend against a business valuation, rather we lend on the quality and sustainability of the cash flow taking into account management, operational and structural features.