

# LIQUIDITY RISK MANAGEMENT DISCLOSURE

December 2024

INCORPORATING THE REQUIREMENTS OF BSPS NO. 9A

# Funding and Liquidity Risk Management

Funding and liquidity risk is the risk that Westpac Fiji 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.

## Approach

Funding and liquidity risk is measured and managed in accordance with the policies and processes defined in the Board-approved Liquidity Risk Management Framework, which is part of the Westpac Board-approved Risk Management Strategy.

Responsibility for managing Westpac Fiji's liquidity and funding positions in accordance with the Liquidity Risk Management Framework is delegated to Fiji Treasury, under the oversight of the Fiji ALCO.

## Liquidity Risk Management Framework

The Liquidity Risk Management Framework sets out Westpac's funding and liquidity risk appetite, roles and responsibilities of key people managing funding and liquidity risk within Westpac, risk reporting and control processes, and limits and targets used to manage Westpac's balance sheet. Key components of Westpac Fiji's approach to liquidity risk management are listed below.

## Liquidity reporting

Westpac Fiji has monitoring and reporting processes in place to ensure it remains within its Risk Appetite tolerance and in compliance with its regulatory requirements.

## Funding strategy

Westpac Fiji operates in a closed system, funding local currency lending with locally generated deposits. Westpac Fiji targets access to a diversified and stable customer deposit base to reduce concentration risk and to manage liquidity risk in times of stress. Westpac Fiji seeks to establish long-lasting relationships with depositors and other liability holders.

## Liquid asset holdings

Westpac Fiji holds a portfolio of liquid assets for several purposes, including as a buffer against unforeseen funding requirements. The level of liquid assets held considers the liquidity requirements of Westpac Fiji's balance sheet under normal and stressed conditions.

## Liquidity modelling

To support the management of liquidity, Westpac Fiji utilises balance sheet forecasts and the maturity profile of Westpac Fiji's wholesale funding portfolio to forecast the liquidity outcomes and metrics. In addition, Westpac Fiji conducts liquidity stress testing to assess its ability to meet cash flow obligations under a range of market conditions and scenarios.



## **Contingency planning**

Westpac's Liquidity Crisis Management Policy provides guidance on the courses of action to be taken in the event of an emerging liquidity crisis. A liquidity crisis may result from any event that may impact Westpac's ability to fund assets and meet refinancing obligations as they become due.

Supporting action plans in the Liquidity Crisis Management Policy include the Fiji Treasury Contingent Funding Plan. The Treasury Contingent Funding Plan is approved at Fiji ALCO annually.

## **Sources of funding**

Sources of funding include, but are not limited to, customer deposits, short-term and long-term wholesale funding and capital instruments. The Bank monitors the composition and stability of its funding so that it remains within the funding risk appetite, including compliance with LCR and other regulatory and internal metrics.



# Liquidity Coverage Ratio

## Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) measures a bank's ability to meet its liquidity needs under an acute liquidity stress scenario (prescribed by RBF), measured over a 30-day time frame. LCR is calculated as High-Quality Liquid Assets (HQLA) as a percentage of Net Cash Outflows (NCO).

Westpac Fiji's average LCR<sup>1</sup> for the quarter was 98% (30 September 2024: 91%) and continues to be above the regulatory minimum of 60%.

The increase in average LCR for the quarter ended 31 December 2024 reflects a decrease in NCOs (by \$124.1 million) relative to decreases in HQLA (by \$78.0 million).

HQLA averaged \$530.7 million over the quarter (30 September 2024: \$608.7 million), comprising of cash and balances with the RBF. Average NCOs decreased to \$542.6 million, mainly due to an increase in cash inflows to \$247.7 million from \$167.7 million in the prior quarter. This was supported by higher counterparty inflows and contractual cash inflows. Additionally, a \$44.0 million decrease in total cash outflows contributed to the decline in NCOs, primarily driven by lower unsecured wholesale funding outflows.

Funding is sourced from retail, small business, corporate and institutional customer deposits and wholesale funding. Westpac Fiji seeks to minimise outflows associated with this funding by targeting customer deposits with lower LCR outflow rates and actively managing the maturity profile of its wholesale funding portfolio.

Westpac Fiji maintains a buffer over the regulatory minimum of 60% in line with its liquidity risk tolerance.

<b>Liquidity Coverage Ratio</b> <i>(In 000's unless otherwise stated)</i>		<b>31 December 2024</b>		<b>30 September 2024</b>	
		<i>Total unweighted value (average)</i>	<i>Total weighted value (average)</i>	<i>Total unweighted value (average)</i>	<i>Total weighted value (average)</i>
<b>1.00</b>	<b>STOCK OF HIGH QUALITY LIQUID ASSETS (HQLA)</b>		<b>530,711</b>		<b>608,738</b>
1.10	HQLA 1	530,711	530,711	608,738	608,738
1.20	HQLA 2 (maximum of 40% of HQLA)		-		-
<b>2.00</b>	<b>CASH OUTFLOW</b>		<b>790,304</b>		<b>834,313</b>
2.10	Retail Deposits	884,130	126,564	900,350	126,101
2.20	Unsecured wholesale funding	1,284,625	476,734	1,352,285	536,448

<sup>1</sup> Average LCR is calculated as a simple average of the month-end observations over the quarter.



Liquidity Coverage Ratio (In 000's unless otherwise stated)		31 December 2024		30 September 2024	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
2.30	Secured Funding		-		-
2.40	Additional Requirements	500,378	187,006	460,491	171,764
<b>3.00</b>	<b>CASH INFLOW</b>		<b>247,741</b>		<b>167,675</b>
3.10	Maturing secured lending transactions backed by collateral		-		-
3.20	Credit or liquidity facilities provided to the reporting bank		-		-
3.30	Operational deposits held at other financial institutions	123,672	-	160,928	-
3.40	Other inflows by counterparty	44,533	87,069	17,769	8,886
3.50	Other contractual cash inflows	160,672	160,672	158,789	158,789
<b>4.00</b>	<b>CASH OUTFLOWS MINUS CASH INFLOWS BY CURRENCY</b>		<b>542,563</b>		<b>666,638</b>
<b>5.00</b>	<b>CALCULATION OF THE LIQUIDITY COVERAGE RATIO</b>				
5.10	Total HQLA		530,711		608,738
5.20	Total Cash Outflows		790,304		834,313
5.30	Total Cash Inflow after applying the inflow cap		247,741		167,675
5.40	Net cash outflows=Total cash outflow minus min (total cash inflow; 75% of gross outflows)		542,563		666,638
<b>5.50</b>	<b>LCR = Stock of HQLA/total net cash outflows</b>		<b>98%</b>		<b>91%</b>



