

CEO'S REPORT

Our strategy starts and ends with our customers. We're broadening access to banking services by investing in technology, data and digital, and improving the customer experience by making banking easier, simpler and safer.

Dear shareholders,

This year we delivered an improved financial result while navigating and supporting customers through economic uncertainty. We also continued to redirect our strategic focus towards growth and generating sustainable shareholder returns.

Improved financial result

Balance sheet strength was a priority and over the year we continued to reinforce it across capital, funding, liquidity and credit provisioning.

Our capital position was the strongest in my 29 years with the bank. The CET1 capital ratio of 12.4%, is above the top of our target operating range and positions us in the top quartile of banks globally.

With \$4.0 billion of capital above the target operating range and more confidence in the economic environment, we are returning capital to shareholders through a \$1.5 billion on-market share buyback. This is in addition to the \$5.0 billion of capital paid to shareholders through the interim and final dividends.

Our net profit of \$7,195 million for full year 2023, was up 26% on the prior year. Excluding Notable Items, net profit increased 12% to \$7,368 million. Growth in operating income, which was underpinned by the benefit of a higher net interest margin and growth in home and business loans, exceeded operating expense growth. Higher provisions for loan losses tempered the result.

Earnings per share growth of 28% was faster than profit growth, as last year's buyback reduced the average share count by 2%. The improved financial performance drove a significant increase in return on equity, which rose 2 percentage points to 10.1%. This in turn supported strong dividend growth with dividends of 142 cents per share, including a final dividend of 72 cents per share, up 14% in the year.

While the improvement in financial performance was pleasing, we are still a higher cost bank relative to our peers. This is a position we must reverse over time. Our risk management programs, including our Customer Outcomes and Risk Excellence (CORE) program, have required sustained investment and focus and that has reduced profit. We are determined to successfully deliver the program, to meet expectations of regulators and customers and to ensure the changes endure.



Helping customers

We recognise higher interest rates and inflation are impacting some Australians and New Zealanders and we are supporting customers and businesses through this period.

From a credit quality perspective, we monitor our portfolio closely and we have seen a modest increase in stress. Our business loans portfolio is well positioned with most customers navigating higher input costs and slowing demand. Our mortgage portfolio, which is our largest, is demonstrating resilience with most customers being able to respond to economic pressures.

Some customers are doing it tough. We helped 69,000 customers and businesses through hardship over the year, working closely to provide tailored support. We ended the year with 13,000 customers in hardship arrangements, 69% below the peak during COVID.

Simpler and stronger bank

Building a simpler and stronger bank has been our priority over recent years. We have sharpened our strategic focus on banking in Australia and New Zealand, and divested 10 non-core businesses, including three this year.

We are strengthening our approach to risk management, reflecting we have not always got it right. This is being implemented through a coordinated program of work and investment, including our multi-year CORE program.

We have now completed 94%¹ of CORE's activities with the remainder expected to be completed by the end of the calendar year. Our focus over the coming year will be to further embed the changes across the organisation and we will continue to work closely with Promontory and APRA as they assess the effectiveness and sustainability of the changes we have made. Refer to page 22 for more on CORE progress.

Creating better futures

This year we adopted a new purpose – Creating better futures together. Framed by four pillars, it centres on customers and aims to drive growth in our key markets and improve returns. Refer to page 14 for more on our strategy.

We realigned our organisational structure to support this strategic renewal. This included separating Consumer and Business banking as well as establishing a dedicated technology function focused on accelerating technology simplification.

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Customers are increasingly adopting digital banking. Our Westpac app, used over five million times a day, was rated the #1 banking app by Forrester¹. It gives customers control of their everyday banking and now features additional budgeting tools, carbon footprint tracking and voice search functionality.

We're also investing to support business customers. EFTPOS Air, which turns your phone into a merchant terminal, is helping businesses get paid easily while on the go and is available on both iPhone and Android devices. Customers can now open a business transaction account digitally in less than 10 minutes.

We aim to reclaim our position as a leading institutional bank. We started with the simplification of our product and service offering which has facilitated deeper relationships with existing customers. Our top strategic priority is uplifting our cash management and transactional banking capability. We see this as a critical foundation to achieving our aspiration of being our clients' banking partner of choice.

Home loans are our largest product. Competition was fierce during the year and we worked hard to give customers every reason to stay with us while attracting new customers. We are defined by our service and have improved our systems and processes to reduce approval times. This year we completed the roll-out of our single mortgage platform and extended the capability of our digital mortgage. We expect our enhanced customer proposition to lead to an improvement in our home lending momentum.

We continued to consolidate our branch network to improve efficiency and now have 82 co-located branches. Customers have access to around 6,800 ATMs fee free across Australia. Face to face banking is also supported by our partnership with Australia Post while we have continued to expand video banking which allows in-home service.

These service enhancements, along with others, are critical to retaining and attracting customers over time. Our key customer metrics of Net Promoter Score (NPS) have improved, but not as much as we planned. We believe the organisational change we made this year, combined with increasing the focus on the customer experience through the Company, will lift service standards to the levels we aspire to achieve.

Cyber and scams

Protecting customers and their money while ensuring the continuity of our service is critical. We continue to build our defences to combat the escalating threat of cybercrime and scams.

During the year we launched a range of initiatives to detect, disrupt and halt cybercrime. This includes alerting customers of potential scams through payment prompts. We've also introduced blocks for certain cryptocurrency payments and use behavioural and facial biometrics when onboarding some customers.

Fighting cybercrime requires collective action as well as building awareness, so we're collaborating with industry peers, regulators and law enforcement agencies.

Strengthening culture

As the face of our bank, our people shape the experience of customers. We are investing to build their capabilities and to strengthen our workplace and culture.

This included progressing our diversity and inclusivity commitments. Women now make up 49% of senior leadership roles², 50% of our executive team and 54% of our workforce. We are also growing our Indigenous workforce.

Through our new capability framework and ongoing investment in development, we're continuously building the aptitude of our workforce. For example, this year over 5,000 employees completed a Data and Digital program to improve data and digital skills.

We measure cultural change through our Voice+ survey, which includes McKinsey's Organisational Health Index score (OHI). It remained steady at 75, one point below the global top quartile score of 76. This is a pleasing outcome given the extent of organisational change, including the 4% reduction in employees³ over the year as our cost reset program continued.

On behalf of the executive team, I thank every one of our people for their contribution and dedication to customers.

Sustainability progress

Supporting the transition to net-zero by 2050 is one way we can help create better futures. This year, in line with our refreshed purpose and strategic pillars, we updated our sustainability strategy.

We are making progress towards our ambition to become a net-zero, climate resilient bank. Consistent with our targets, we are reducing operational emissions and the equivalent of 100% of our Australian direct electricity demand from April 2023 was sourced from renewables.

As a bank, the most significant role we can play is supporting customers in their transition. We are progressing our Net-Zero Banking Alliance (NZBA) commitment and now have 12 targets in place. Progress is set out in our inaugural Climate Report.

It's 50 years since the Westpac Lifesaver Rescue Helicopter Service began. The iconic Westpac branded chopper represents one of Australia's longest corporate community partnerships – more than 100,000 missions have been performed – and is symbolic of our long-standing commitment to supporting the community.

Finally, thank you to our Board and especially our Chairman, who is retiring at the upcoming AGM. His counsel and guidance have been constant. And most importantly, thank you to our shareholders for their continued support of Westpac.



Peter King
CEO

1 The Forrester Digital Experience Review: Australian Mobile Banking Apps, Q4 2023.

2 Senior Leadership includes Executive Team, General Managers and their direct reports (excluding administrative or support roles).

3 Full time equivalent at 30 September 2023.