

2020 Year in review



Customers



Financial

This year has been challenging, overshadowed by the AUSTRAC proceedings, bushfires and storms, and COVID-19. Through it all, we have remained focused on helping customers, employees, and the Australian and New Zealand economies.

The AUSTRAC issues highlighted shortcomings in our management of financial crime risk and have been a catalyst for change across the Group. In the last year, we have refreshed our Board and Executive Team, are refocusing on core banking, and are accelerating our program to address shortcomings in our management of risk. Change is underway, but there is a lot to do.

The Group's financial results were disappointing. Reported profit was \$2,290 million, down 66%. Cash earnings were \$2,608 million, down 62%. Much of the decline resulted from our operating environment, where we faced lower margins and higher impairment charges – a direct result of COVID-19. However, the poor result was also due to higher costs related to the AUSTRAC proceedings along with asset write-downs from businesses we plan to exit.

Nevertheless, our balance sheet remained strong. Our capital ratios are in the top quartile of banks globally and funding and liquidity ratios are comfortably ahead of regulatory minimums.

Amplified by COVID-19, our share price declined over the year and dividends were significantly lower. Our three priorities of fix, simplify and perform underpin our plans to fix the issues, simplify our business and improve performance. Progress over the year included:

- Five new Group Executives;
- Establishing our new Specialist Businesses division bringing together non-core activities;
- Launching our new Lines of Business operating model to clarify responsibility and accountability for end-to-end performance;
- Implementing structural and operational changes to the management of risk; and
- Commencing our CORE program bringing together initiatives to improve non-financial risk management.

With a committed team and priorities to fix, simplify, and perform, we are confident that we are on the path to become a simpler, stronger bank.

HIGHS

Supporting customers during COVID-19

~175,000

Mortgage deferral packages

~40,000

Deferrals for businesses

1,980¹

Bushfire recovery support packages

Long-dated complaints

↓ **93%**

#1

Business Banking NPS ranking^{2,3}

Strong balance sheet

CET1 capital ratio

11.13%

Net Stable Funding Ratio

122%

Efficiency savings

\$400m+

LOWS

#3

Consumer NPS ranking⁴

Delays responding to customers given increased queries during COVID-19

Mortgage 90+ day delinquencies up 68 basis points to

1.50%

\$1.2bn

Notable Items after tax, excluding AUSTRAC

No 2020 interim dividend

Final dividend per share

31c

Share price⁵

↓ **43%**

1 Bushfire recovery packages at 31 March 2020.

2 Net Promoter Score measures the net likelihood of recommendation to others of the customer's main financial institution for retail or business banking. Net Promoter ScoreSM is a trademark of Bain & Co Inc., SatmetrixSystems, Inc., and Mr Frederick Reichheld. Using a 11 point numerical scale where 10 is 'Extremely likely' and 0 is 'Extremely unlikely', Net Promoter Score is calculated by subtracting the percentage of Detractors (0-6) from the percentage of Promoters (9-10).

3 Source: DBM Consultants Business Atlas, March – August 2020, 6MMA. MFI customers, all businesses.

4 Source: DBM Consultants Consumer Atlas, March – August 2020, 6MMA. MFI Westpac Group customers.

5 Based on 30 September 2020 vs 30 September 2019 closing share prices.



Operations



Risk



Sustainability



Employees



Launched
New Westpac app

Branch and ATM availability during COVID-19

>90%

Strengthened infrastructure, major system outages more than **halved**

Bringing **1,000** jobs back to Australia

New Board Legal, Regulatory, Compliance & Conduct Committee

New Financial Crime function with Group Executive reporting to CEO

400+ new Risk, Compliance and Financial Crime employees

Updated position statements:

- Climate Change
- Human Rights

\$10.1bn lending to climate change solutions

\$150m+ in community investment⁶

#1 largest financier to greenfield renewable energy projects in Australia for the past three years⁷

Employee commitment index⁸

73%

Supported people working from home at the peak of COVID-19

22,000

Women in leadership⁹

50%

9.4%

of employees using Employee Access Program for confidential counseling and coaching

Mortgage balances declining

↓ **2%**

Complexity of IT infrastructure – long timeframe to fix

AUSTRAC's Statement of Claim and provision for penalty of

\$1.3bn

Additional **\$500m** APRA capital overlay for risk deficiencies

Credit impairment charge **\$3.2bn** ↑ **\$2.4bn**

Inadequate transaction monitoring to help identify potential child exploitation

Remuneration consequences following review of AUSTRAC matters¹⁰

\$20m

Board and Executive departures

6 Excludes commercial sponsorships.

7 IJGlobal, September 2020.

8 Six-month rolling average.

9 Proportion of women (permanent and maximum term) in leadership roles across the Group, including the CEO, Group Executives, General Managers, senior leaders with significant influence on business outcomes (direct reports to General Managers and their direct reports), large (3+) team people leaders three levels below General Manager, and Bank and Assistant Bank Managers.

10 Refer to explanation in Remuneration Report in the Directors' Report.