CHAIRMAN'S REPORT

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Dear fellow shareholders,

This year has seen the best financial and operating performance by the Group since 2018. We also made improvements in digitisation and customer service, particularly in consumer banking. We made good progress in consumer deposits and we stabilised the historical erosion in our lending position.

Profit after tax was $7.2 billion in FY23, up 26% on a statutory basis and 12% excluding Notable Items. Return on tangible equity was solid at 11.7%[1], well above our cost of equity. Income was strong, up 8%[1]. However, the credit impairment charge doubled reflecting the effect of interest rate rises and inflation on customers.

Costs were down 1%, excluding Notable Items they were up 1%. Our cost outcome reflects action, such as the 6% reduction in employees[2] in the second half of the year, to counter numerous cost pressures including wage inflation, procurement, change to improving customer service and in upgrading our operational risk capability.

Our capital position remains strong with a core equity tier 1 ratio of 12.4%, well ahead of our target operating range of 11% to 11.5%. With this result, we declared an increased final dividend of 72 cents as well as announcing a $1.5 billion share buyback. Our excess capital position provided flexibility to reward shareholders with enhanced dividends and a buyback. There is potential for future capital management should the Group remain in an excess capital position.

The Board has made it a priority for the Company to invest to maintain or grow its position in key markets. This follows a period of sustained market share loss in our key products. Fortunately, our position is now stable and we have reasonable prospects of sustaining or recapturing lost ground over coming years.

Shareholders may be aware of our complex technology systems arising from historical acquisitions that have not been fully integrated. This complexity is probably the single greatest barrier to further simplification and cost reduction.

In coming years, we will continue our simplification by integrating technology to deal with complexity, cost and service issues from past acquisitions. We expect it will strengthen our capability to serve customers, reduce operational risk and improve productivity. In doing so, this will increase the long-term value of the Company.

Fortunately, the Group has the capacity to carry out this program. Our annual investment spend has been an average of some $2 billion over recent years, with more than 60% directed towards risk and regulatory matters and operational risk improvement.

Shareholders will recall the AUSTRAC matter in 2019, the enforceable undertakings imposed by our prudential supervisors in both Australia and New Zealand in 2020 and various other matters relating to the Group's regulators over the period. Investment has been essential in reducing risk and improving customer service, which came at a very significant cost to the Group.

Specifically, from 2019 to 2023 Westpac spent $5.8 billion on risk and regulatory change, excluding penalties of $1.4 billion.

We have made good progress on these matters, and they will require less spend from 2025 onwards, giving us the capacity to re-direct investment to further benefit customers and shareholders.

The Customer Outcomes and Risk Excellence (CORE) program has been a major and important part of our efforts. CORE has materially strengthened the Group's risk foundations. Once completed, we believe the program will bring lasting value to shareholders and help restore Westpac's traditional strategic competitive position.

1 Excluding Notable Items.
2 Full time equivalent.

WITH THIS RESULT WE DECLARED INCREASED DIVIDENDS AS WELL AS A SHARE BUYBACK.

142 CENTS
FULL YEAR DIVIDENDS

$1.5BN
SHARE BUYBACK

I know shareholders are concerned about climate change and believe our approach of a just and inclusive transition to a net-zero future is appropriate for our customers. To this effect, we are putting to shareholders at this upcoming AGM our own advisory resolution on climate change which we hope shareholders will support.

This is my final year as your Chairman. Reflecting on my time here, apart from the general improvement in our position outlined in this letter, we have radically simplified the Group. We have sold 10 non-strategic businesses to focus on our natural strength in consumer, business and institutional banking in Australia and New Zealand. Internationally, we've retained Fiji and Papua New Guinea and consolidated our institutional banking and markets locations into four centres.

Two Directors, Michael Ullmer and Tim Burroughs with strong banking and investment banking credentials respectively, joined the Board during the year and are already making a strong contribution. Both are standing for election at this year's AGM. Mike Hawker retired from the Board during the year. Chris Lynch is not seeking re-election. He will complete his full term, and will retire at the end of this year's AGM.

I'm particularly pleased that Steven Gregg has joined the Board as Chair-Elect to replace me. He is a seasoned Chair with strong corporate and investment banking credentials. Steven has aligned his directorships to ensure he has the capacity to allocate the time necessary for a major regulated bank and is also standing for election.

I would like to thank customers, and they can be assured of our support for them in today's difficult times. I also extend my appreciation to shareholders for staying with us through what has been an incredibly difficult and turbulent time for the Group.

I would also like to thank the Board, the management team and employees for their hard work and dedication during the year.

In closing, I genuinely believe we have made progress as a Group, that we have seen the worst, but still require further simplification. Notwithstanding near-term uncertainties on the economic front, and increased technology rationalisation requiring investment, looking beyond that, I do believe for Westpac, the best is yet to come.

Yours sincerely,

John McFarlane

CHAIRMAN, WESTPAC