

FY2024 & Q1 FY2025 Analysis

Business Strength Offsets Consumer Challenges Amid Technology Transformation

KEY HIGHLIGHTS

- Cash earnings fell 3% to \$6,990 million as segment performance varied widely
- Business & Wealth emerged as growth engine with profit up 13% and lending growth 1.3x system
- Consumer banking struggled with profit down 17% and mortgage growth at 0.8x system
- Successful completion of CORE risk management program with APRA reducing operational risk capital overlay from \$1bn to \$500m
- UNITE technology transformation program launched with full benefits expected by 2028
- Strong capital position (CET1 12.49%) supporting increased dividends (151c, +6%), special dividend (15c), and \$2bn share buyback
- Expense-to-income ratio increased to 50.7% (vs. peers in mid-40s), representing primary improvement opportunity
- Credit quality metrics showed deterioration with mortgage 90+ day delinquencies up 24bps to 1.05%

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GLOSSARY OF KEY TERMS

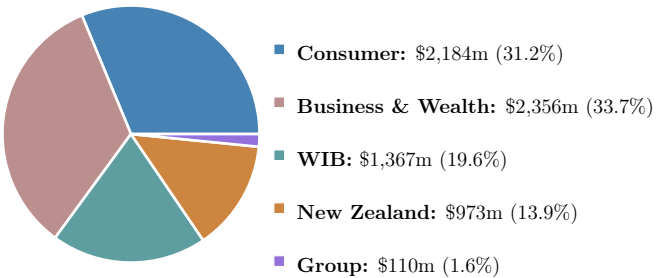
UNITE	Business-led technology simplification program running through 2028
CORE	Risk management transformation program (now completed)
NIM	Net Interest Margin: difference between interest earned and paid as percentage of interest-earning assets
TCE	Total Committed Exposures: total lending-related commitments
ROE	Return on Equity: net profit as a percentage of shareholder equity
ROTE	Return on Tangible Equity: excludes intangible assets
CET1	Common Equity Tier 1: core measure of a bank’s financial strength
WIB	Westpac Institutional Bank: segment serving corporate clients

1 Executive Summary

Westpac Banking Corporation delivered a solid performance in FY2024 despite challenging economic conditions, with net profit of \$6,990 million, down 3% year-on-year. This result highlighted significant divergence across segments, with the Business & Wealth division emerging as the key growth engine, delivering 13% profit growth and above-system lending (1.3x), while Consumer banking struggled with profit down 17% and below-system mortgage growth (0.8x).

The bank has successfully completed its CORE risk management transformation program, evidenced by APRA’s reduction of the operational risk capital overlay from \$1 billion to \$500 million. This achievement marks an important milestone in addressing historical governance challenges and provides a strong foundation for future growth. Management has now launched the UNITE technology transformation program, a multi-year initiative running through 2028 that aims to address Westpac’s elevated expense-to-income ratio of 50.7% (compared to peers in the mid-40s).

1.1 Cash Earnings by Segment Distribution (FY2024, \$m)



The bank’s strong capital position (CET1 ratio of 12.49%) supported enhanced shareholder returns through increased ordinary dividends (151 cents, +6%), a 15-cent special dividend, and \$2 billion in announced share buybacks. Credit quality metrics showed some deterioration with mortgage 90+ day delinquencies rising 24bps to 1.05%, reflecting economic pressures on households, though impairment charges remained low at 7bps of average loans.

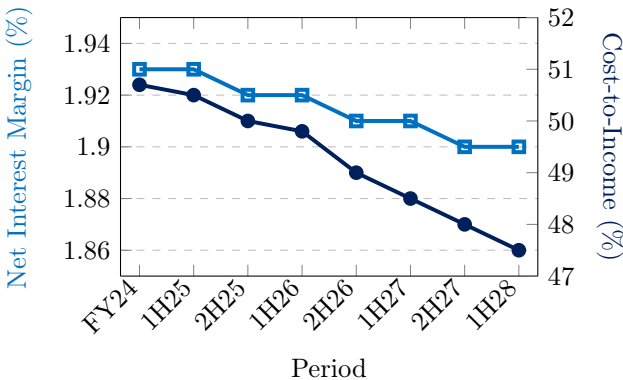
Westpac will undergo a leadership transition in December 2024, with Anthony Miller succeeding Peter King as CEO. Miller’s internal promotion from the successful Business & Wealth division provides strategic continuity as the bank navigates its technology transformation journey.

2 Outlook

Westpac faces a mixed outlook as it balances near-term challenges against medium-term transformation benefits. The Australian economy is expected to remain below trend with GDP growth of 1.5% in 2024, projected to improve to 2.5% in 2025. Economic pressure on households should gradually ease as interest rates begin to decline, potentially moderating the recent rise in mortgage stress (90+ day delinquencies up 24bps to 1.05%).

System credit growth of approximately 5% is expected for mortgages in 2025, with business lending outpacing at around 6%. Westpac’s performance relative to system should gradually improve in Consumer banking from the current 0.8x toward 0.9-1.0x as mortgage processing improvements take hold, while Business & Wealth is likely to maintain its above-system growth (currently 1.3x). New Zealand performance should benefit from that country’s earlier interest rate easing cycle that began in August 2024.

2.1 Net Interest Margin & Cost-to-Income Ratio Projection



The bank’s financial trajectory faces dual pressures from continued NIM compression (projected to decline gradually from 1.93% to 1.88% by FY29) and elevated technology investment costs for the UNITE program. However, expense-to-income ratio should gradually improve from the current 50.7% toward 47.0% by FY29 as UNITE delivers efficiency benefits, with most gains materializing in FY27-29.

Near-term results will likely show modest improvement as Business & Wealth strength continues to offset Consumer challenges, with more significant earnings acceleration expected in FY27-29 as UNITE benefits compound. The upcoming CEO transition (December 2024) introduces some execution uncertainty, though Anthony Miller’s internal promotion should provide continuity during this critical transformation period.

3 Valuations

Our valuation of Westpac employs a modified Dividend Discount Model approach tailored for banking institutions, supplemented by Price-to-Book and Price-to-Earnings metrics. The base case DCF valuation of \$34.60 represents a 9.1% upside to the current price of \$31.72, suggesting markets underappreciate potential benefits from the UNITE technology transformation program.

Methodology	Implied Price Per Share
DCF - Base Case	\$34.60
DCF - Bull Case	\$39.75
DCF - Bear Case	\$27.40
52-Week Trading Range	\$21.15 - \$31.72
Consensus Price Target Range	\$30.50 - \$35.80
EV/EBITDA Multiple - NTM	N/A*
P/E Multiple - NTM	\$33.83
P/B Multiple	\$31.78
PEG Ratio (P/E to Growth)	\$32.50
Implied Valuation Range	\$29.50 - \$36.00
Current Share Price	\$31.72
Up/Downside to Base Case	+9.1%

*EV/EBITDA multiple is not commonly applied to banking valuations due to industry-specific accounting treatments.

Our base case assumes expense-to-income ratio improvement from 50.7% to 47.0% by FY29 as UNITE benefits materialize, with most gains in FY27-29. We project net interest margin compression from 1.93% to 1.88

The DCF uses a cost of equity of 11.97% (incorporating a 1.2% premium for UNITE execution risk) and terminal growth rate of 2.3%. At current prices, Westpac trades at 15.5x forward earnings and 1.4x book value, modest premiums to historical averages justified by improved risk management and strong capital return potential.

3.1 Sensitivity Analysis

Our scenario analysis reveals significant valuation sensitivity to key variables, particularly UNITE execution success and interest rate impacts on margins and credit quality.

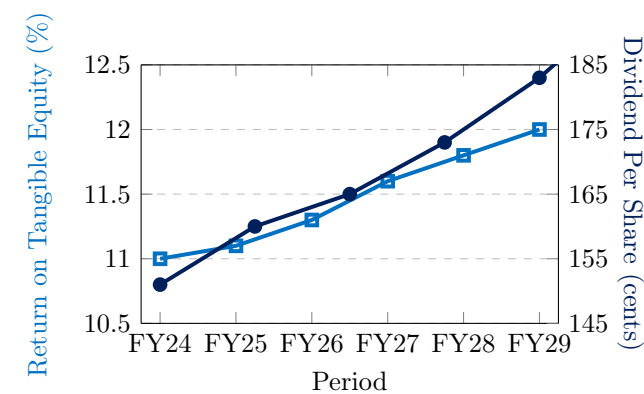
Factor	Change	Impact
Cost-to-Income Ratio	±2.0%	\$3.80
WACC/Discount Rate	±0.5%	\$3.10
Terminal Growth Rate	±0.5%	±\$2.60
Net Interest Margin	±5bps	±\$2.10
Credit Impairment Charge	±5bps	\$1.90

The bull case DCF valuation of \$39.75 (+25.3% upside) assumes faster and more successful UNITE execution, with benefits of \$1.3 billion realized by FY27 rather than \$1.0 billion by FY29. This scenario projects NIM stabilization at 1.95% rather than declining to 1.88%, expense-to-income ratio improvement to 45% by FY28, and loan growth accelerating to 5.5% CAGR versus 4.2% in the base case. The resulting ROTE improvement to 13.5% (versus 12.0% base case) would support a re-rating of Westpac's trading multiples closer to premium peer Commonwealth Bank.

Conversely, our bear case valuation of \$27.40 (-13.6% downside) incorporates substantial execution risk in the UNITE program, with benefits delayed to FY29 and reduced to \$0.6 billion annually. This scenario assumes further NIM compression to 1.85%, an expense-to-income ratio remaining above 50%, and credit impairment charges rising to 30bps (versus 15bps base case) as economic conditions deteriorate. This would result in ROTE declining to 9.5%, below Westpac's cost of equity, and likely trigger a de-rating toward regional bank multiples.

The probability-weighted average of our scenarios is approximately \$35, slightly above our base case and supporting our overall valuation conclusion. The key valuation debate centers on UNITE execution risk versus the bank's substantial upside if successful transformation narrows the efficiency gap to peers.

3.2 ROE & Dividend Projection



Return on tangible equity (ROTE) is projected to improve gradually from 11.0% in FY2024 to 12.0% by FY2029, driven by three key factors: operational efficiencies from UNITE initiatives, normalization of capital levels toward the target CET1 range of 11.0-11.5%, and increasing contribution from the higher-margin Business & Wealth segment. This improvement assumes successful UNITE execution, though

benefits materialize gradually with most gains in FY27-29.

Dividends are projected to grow from 151 cents per share in FY2024 to 196 cents in FY2029, representing a 5.4% CAGR. The dividend payout ratio is expected to remain in the 73-75% range throughout the forecast period, reflecting management’s commitment to shareholder returns while maintaining capital flexibility for technology investments and potential inorganic growth opportunities. The strong capital position (CET1 ratio of 12.49%) provides substantial flexibility for continued capital management, including the \$2 billion share buyback program announced in FY2024.

The dividend trajectory assumes a gradual normalization of the CET1 ratio toward the upper end of the target range (11.5%) by FY2029, releasing capital to support both business growth and enhanced shareholder returns. This approach balances regulatory considerations, growth requirements, and competitive positioning in a mature but evolving banking landscape.

4 About the Company

4.1 Company Overview

Westpac Banking Corporation is one of Australia’s leading financial services institutions with a 207-year history. Operating primarily in Australia and New Zealand with a smaller global presence, Westpac serves approximately 13 million customers through comprehensive banking and financial services. The bank operates through four main segments: Consumer, Business & Wealth, Westpac Institutional Bank, and Westpac New Zealand.

Westpac maintains strong market positions in Australia with approximately 21% share of mortgage lending, 21% of personal credit cards, and 16% of business credit. Its operations include 626 branches in Australia alongside digital platforms with its mobile app rated 1 by Forrester for two consecutive years. After divesting 10 non-core businesses, Westpac has refocused on core banking operations while strengthening risk management through the completed CORE program.

The bank is currently in transition with Anthony Miller becoming CEO effective December 16, 2024, succeeding Peter King who is retiring after 30 years

at Westpac. The Board is chaired by Steven Gregg, who commenced as Chair in December 2023.

4.2 Profitability Model

Westpac generates revenue primarily through net interest income—the difference between interest earned on loans and interest paid on deposits. In FY2024, net interest income contributed \$18.8 billion (87%) of total operating income, with non-interest income from fees, wealth management, and trading activities providing the remainder.

Key profitability drivers include net interest margin (1.93% in FY2024), which faces competitive pressure, particularly in mortgages. Balance sheet growth has been solid with loans expanding 4% to \$807 billion and deposits increasing 5% to \$674 billion. The expense-to-income ratio of 50.7% remains elevated compared to peers (typically mid-40s), representing a significant improvement opportunity through the UNITE program.

Segment profitability varies widely with Business & Wealth delivering 13% profit growth while Consumer declined 17%. The bank’s CET1 ratio at 12.49% supports a 75% dividend payout ratio and the \$2 billion share buyback program announced in FY2024.

4.3 Tailwinds

Business Banking Strength: Westpac's Business & Wealth segment has emerged as the bank's key growth engine, delivering 13% profit growth to \$2.4 billion. The segment achieved 9% business lending growth (1.3x system) across target industries including agriculture, health, and professional services, with net interest margin expanding by 18bps to 2.59%. Now contributing 33.7% of group profit, this segment provides crucial earnings support during technology transformation. Business banking benefits from deeper relationships, specialized industry expertise, and higher switching costs, creating a more defensible competitive position.

Completed Risk Management Transformation: The successful completion of the CORE program addresses historical risk management issues that previously constrained growth. APRA's reduction of the operational risk capital overlay from \$1 billion to \$500 million directly enhances capital efficiency. The program has embedded improved risk governance, strengthened compliance, and enhanced risk culture, reducing regulatory risk and positioning Westpac for growth. The Organisational Health Index score improvement to 80 (+5 points YoY) demonstrates strengthened internal culture supporting risk management.

Strong Capital Position: Westpac maintains a robust CET1 ratio of 12.49%, well above both regulatory requirements and the bank's target range of 11.0-11.5%. This strength provides flexibility for technology transformation investments while supporting enhanced shareholder returns through the \$2 billion share buyback, increased ordinary dividends (151 cents, +6%), and 15-cent special dividend. This position also buffers against potential economic deterioration, enhancing resilience through market cycles.

4.4 Headwinds

Technology Execution Risk: The UNITE program is critical for addressing Westpac's elevated cost-to-income ratio (50.7%). With only 2 of 60 initiatives completed and 39 commenced, execution risk remains high. The program requires significant upfront investment (\$147m in FY24) with benefits largely delayed until FY27-29. Banking technology transformations historically have high failure rates, and implementation delays would maintain Westpac's structural cost disadvantage. The CEO transition in December 2024 adds uncertainty, though Anthony Miller's internal promotion from Business & Wealth provides some continuity.

Mortgage Competitiveness Challenges: The Consumer segment faces intense pressure with below-system mortgage growth (0.8x) and 18bps margin contraction, resulting in 17% profit decline. This underperformance affects a significant portion of Westpac's business, as mortgages represent 63% of the total loan book. With approximately 100 banks operating in Australia and digital capabilities increasingly determining competitive advantage, structural challenges persist despite Westpac's scale. Commonwealth Bank's technology leadership has created a competitive gap that will take time to close as UNITE benefits materialize gradually.

Credit Quality Deterioration: Rising stress indicators include mortgage 90+ day delinquencies up 24bps to 1.05% and stressed exposures rising 19bps to 1.45% of TCE. While current impairment charges remain low at 7bps, the deteriorating trend amid cost-of-living pressures creates medium-term vulnerability. The Consumer segment shows particular stress with mortgage delinquencies at 1.12%. Westpac holds strong provisions (\$5.1 billion total, \$1.5 billion above expected losses), but a prolonged downturn could exceed these buffers.

4.5 Competitive Landscape

Competitor	Competitive Positioning
Commonwealth Bank	Market leader with superior technology capabilities, strongest retail franchise, highest NIM (2.10%), and premium valuation (18-19x P/E, 2.0-2.1x P/B). Largest market share across most retail segments (25% in housing). Well ahead in digital transformation with proven efficiency benefits.
ANZ	Strong institutional banking franchise, completed Suncorp acquisition expanding retail scale, particularly in Queensland. Focused on digital transformation through ANZ Plus platform. Integration challenges with Suncorp create near-term uncertainty. Housing market share 15% (pre-Suncorp).
NAB	Strong business banking franchise (1 position with 22% share), operational efficiency ahead of peers, disciplined cost management. Smaller retail footprint and lower household deposit share (15% in housing). Well-positioned in business lending with improving consumer presence.
Regional Banks (BOQ, BEN)	Regional focus, personalized service model, niche business banking. Face scale disadvantages, higher funding costs, and technology constraints. Typically 2-3% national market share. Scale limitations create ongoing competitive challenges, particularly in technology investment capacity.

The Australian banking landscape is dominated by the "Big Four" banks that collectively hold approximately 75% of the mortgage market and over 70% of household deposits. Westpac maintains strong positions as the second largest retail bank but faces increasing competition across all segments. The competitive environment has intensified particularly in mortgages, where competition for both new and existing customers has compressed margins, contributing to Westpac's underperformance in system growth (0.8x) despite absolute growth of 4%.

Commonwealth Bank maintains leadership with superior technology capabilities and the strongest retail franchise, trading at premium multiples (18-19x P/E versus Westpac's 15-16x) that reflect its digital leadership and efficiency advantages. NAB dominates in business banking where Westpac is gaining share (1.3x system growth). ANZ's acquisition of Suncorp Bank is reshaping the competitive landscape, adding scale to the fourth-largest player and potentially intensifying competition in Westpac's core markets.

Digital capabilities have emerged as a critical competitive differentiator, with Commonwealth Bank establishing leadership through sustained investment while Westpac and other majors accelerate transformation programs to narrow the gap. The payments landscape is evolving rapidly with real-time payment adoption accelerating, requiring significant technology investment. Digital challengers and non-bank lenders continue to capture niche segments, although their overall market impact remains constrained by funding limitations and the major banks' scale advantages.

Regional banks like Bank of Queensland face ongoing scale challenges but maintain loyal customer bases in specific geographies. Their limited technology investment capacity creates particular vulnerability as digital capabilities increasingly determine competitive advantage, driving potential for further industry consolidation over time.

5 Latest Results & Updates

Westpac delivered solid performance in FY2024 despite challenging economic conditions, with statutory net profit of \$6,990 million, down 3% year-on-year. Net operating income was flat at \$21,588 million, with 2% growth in net interest income (\$18,753 million) offset by a 15% decline in non-interest income (\$2,835 million). Operating expenses increased 2% to \$10,944 million, driving an increase in the expense-to-income ratio to 50.7% from 49.4% in the prior year.

Key Metrics	FY2024	FY2023	Chg%
Net interest income (\$m)	18,753	18,317	+2%
Non-interest income (\$m)	2,835	3,328	-15%
Net operating income (\$m)	21,588	21,645	0%
Operating expenses (\$m)	10,944	10,692	+2%
Impairment charges (\$m)	537	648	-17%
Net profit after tax (\$m)	6,990	7,201	-3%
Basic earnings per share (c)	200.9	205.3	-2%
Ordinary dividend per share (c)	151	142	+6%
Special dividend per share (c)	15	-	n/a
Net interest margin (%)	1.93	1.95	-2bps
Expense to income ratio (%)	50.69	49.40	+129bps
Return on tangible equity (%)	11.01	11.39	-38bps

Balance sheet metrics remained strong with loans growing 4% to \$807 billion and customer deposits increasing 5% to \$674 billion, improving the deposit-to-loan ratio to 83.5%. The CET1 ratio strengthened to 12.49% (+11bps), supported by organic capital generation and effective capital management, enabling increased shareholder returns through ordinary dividends (151 cents, +6%), a special dividend (15 cents), and a \$2 billion share buyback program.

Credit quality metrics showed signs of stress with mortgage 90+ day delinquencies rising 24bps to 1.05% and total stressed exposures increasing 19bps to 1.45% of TCE. However, impairment charges decreased 17% to \$537 million, representing just 7bps of average loans, well below historical averages.

The bank has successfully completed its CORE risk management transformation program, evidenced by APRA's reduction of the operational risk capital overlay from \$1 billion to \$500 million. Management has now launched the UNITE technology transformation program, a multi-year initiative running through 2028 that aims to address Westpac's elevated expense-to-income ratio of 50.7%. The bank will undergo a leadership transition in December 2024, with Anthony Miller succeeding Peter King as CEO.

5.1 Performance by Segment

Consumer	FY2024	FY2023	Chg%
Net profit (\$m)	2,184	2,644	-17.4%
Net interest income (\$m)	7,632	8,204	-7.0%
Non-interest income (\$m)	528	656	-19.5%
Operating expenses (\$m)	4,787	4,881	-1.9%
Impairment charges (\$m)	248	312	-20.5%
Net interest margin (%)	n/a	n/a	-18bps
Expense to income ratio (%)	58.7	55.1	+360bps
Total loans (\$bn)	510.3	490.5	+4.0%
Mortgage growth vs. system	0.8x	n/a	n/a
Business & Wealth	FY2024	FY2023	Chg%
Net profit (\$m)	2,356	2,087	+12.9%
Net interest income (\$m)	5,338	4,768	+11.9%
Non-interest income (\$m)	798	823	-3.0%
Operating expenses (\$m)	2,626	2,591	+1.4%
Impairment charges (\$m)	142	182	-22.0%
Net interest margin (%)	n/a	n/a	+18bps
Expense to income ratio (%)	42.8	46.3	-350bps
Total loans (\$bn)	102.0	93.6	+9.0%
Business lending growth vs. system	1.3x	n/a	n/a

The Consumer segment faced significant headwinds with profit declining 17.4% to \$2,184 million despite 4% loan growth. This decline was primarily driven by severe margin compression (-18bps) and increased competition in mortgage lending, with Westpac growing at just 0.8x system. The decision to close RAMS to new business resulted in one-off restructuring costs and brand write-offs. Deposit growth of 8% outpaced loans, improving the deposit-to-loan ratio to 65.5%. Credit quality deteriorated with mortgage delinquencies rising to 1.12%, reflecting economic pressure on households from higher interest rates and cost-of-living increases.

Business & Wealth emerged as Westpac's strongest performing segment, with profit increasing 12.9% to \$2,356 million. This impressive growth was driven by a substantial 18bps improvement in net interest margin and diversified business lending growth (+9%) across target industries including agriculture, health, and professional services. Operating efficiency improved with the expense-to-income ratio declining 350bps to 42.8%. The wealth management component delivered platform funds under administration growth of 11% to \$150.8 billion, benefiting from improved market valuations.

Westpac Institutional Bank (WIB) demonstrated resilience with modest 2.2% profit growth to \$1,367 million despite headwinds in trading and markets revenue. The segment's loan book expanded 9% to \$100.6 billion through deepening relationships with existing customers, particularly in property, infrastructure and industrial sectors. While net interest margin contracted 6bps overall, this was primarily due to increases in lower-margin trading securities, with

core lending spreads actually improving.

New Zealand operations delivered a solid recovery with profit up 9.6% to \$973 million, benefiting from a 4bps improvement in net interest margin and a significant reduction in impairment charges. The segment achieved loan growth of 3% in a challenging economic environment, with mortgages growing at 3% (0.9x RBNZ system) and business lending at 2%.

5.2 Balance Sheet & Financial Position

Balance Sheet (\$m)	FY2024	FY2023	Chg%
Total assets	1,077,544	1,029,774	+5%
Loans	806,767	773,254	+4%
Customer deposits	673,615	640,951	+5%
Total liabilities	1,005,492	957,235	+5%
Total equity	72,052	72,539	-1%
Net tangible assets per share	\$17.75	\$17.58	+1%
CET1 ratio (APRA)	12.49%	12.38%	+11bps
Total regulatory capital ratio	21.38%	20.45%	+93bps
Risk weighted assets (\$m)	437,430	451,418	-3%
Liquidity coverage ratio	133%	134%	-59bps
Net stable funding ratio	112%	115%	-261bps
Deposit to loan ratio	83.50%	82.89%	+61bps
Credit Quality Metrics	FY2024	FY2023	Chg%
Total stressed exposures as % of TCE	1.45%	1.26%	+19bps
Mortgage 90+ day delinquencies	1.05%	0.81%	+24bps
Total provisions (\$m)	5,132	5,066	+1%
Collective provisions (\$m)	4,534	4,505	+1%
Individually assessed provisions (\$m)	598	561	+7%
Impairment charges (\$m)	537	648	-17%
Impairment charges (bps of avg loans)	7	9	-2bps

Westpac maintained a strong balance sheet in FY2024 with total assets increasing 5% to \$1,078 billion. Loan growth of 4% was driven by mortgages (+4%) and business lending (+9%), partially offset by the planned runoff of the auto finance portfolio (-50% to \$2.1 billion). Customer deposits grew 5% to \$674 billion, improving the deposit-to-loan ratio to 83.5% and supporting stable funding metrics with the liquidity coverage ratio at 133% and net stable funding ratio at 112%, both well above regulatory minimums.

The capital position strengthened with the CET1 ratio at 12.49% (+11bps), comfortably above both regulatory requirements and the bank's target operating range of 11.0-11.5%. This strong position supported enhanced shareholder returns including increased ordinary dividends (151 cents, +6%), a special dividend (15 cents), and a \$2 billion share buy-back program. Risk-weighted assets declined 3% to \$437 billion, reflecting improved risk management and portfolio optimization.

Credit quality metrics showed deterioration with total stressed exposures increasing 19bps to 1.45% of TCE and mortgage 90+ day delinquencies rising 24bps to 1.05%. This deterioration was most pronounced in the Consumer segment with mortgage

delinquencies at 1.12% and hardship increasing 43bps to 1.14%. Despite these stress indicators, impairment charges decreased 17% to \$537 million, representing just 7bps of average loans. Westpac maintains strong provisioning with \$5.1 billion in total provisions including \$4.5 billion in collective provisions, providing a buffer of \$1.5 billion above expected losses.

The bank's funding profile remains well-diversified with customer deposits representing 62% of total funding, supplemented by long-term wholesale funding (>1 year) at 14% and short-term wholesale funding at 17%. The weighted average maturity of long-term funding is 5.1 years, providing stability and reducing refinancing risk.

5.3 Strategic Priorities & Progress

Priority	Status and Significance
CORE Risk Management Program	Completed: APRA reduced operational risk capital overlay from \$1bn to \$500m, demonstrating substantial progress in risk management and compliance. Sets foundation for sustainable growth.
UNITE Technology Transformation	Early Stage: 39 of 60 initiatives commenced, only 2 completed. Critical to addressing elevated expense-to-income ratio (50.7%). Timeline extends to 2028 with benefits from FY26-29.
Business Banking Growth	Strong: 9% lending growth (1.3x system), 13% profit growth. Diversified across target industries including agriculture, health, and professional services. Key earnings driver during transformation.
Consumer Banking Recovery	Challenged: Below-system mortgage growth (0.8x), profit down 17%. Process improvements and digital enhancements underway but competitive gap remains. Gradual improvement expected as UNITE benefits materialize.
Simplification	Progressing: Divested 10 non-core businesses, completed RAMS exit. Focus on core banking operations across four clearly defined segments. Reduces complexity and supports future efficiency.
Capital Management	Strong: CET1 at 12.49%, supporting increased dividends and \$2bn buyback. Balanced approach to capital allocation between shareholder returns, growth, and transformation investment.

Westpac's strategic priorities reflect a bank in transition from remediation to transformation and

growth. The bank has successfully completed its CORE risk management program, addressing historical compliance issues and strengthening governance. This achievement is evidenced by APRA's reduction of the operational risk capital overlay from \$1 billion to \$500 million, directly enhancing capital efficiency and providing a foundation for future growth.

The focus has now shifted to the UNITE technology transformation program, a multi-year initiative running through 2028 that aims to address Westpac's elevated expense-to-income ratio of 50.7%. This business-led program focuses on process simplification, technology modernization, and operational efficiency. While only 2 of approximately 60 initiatives have been completed, 39 are now underway with material benefits expected from FY26-29. Management has committed \$147 million to UNITE in FY24, with substantial ongoing investment required before efficiency benefits materialize.

The bank has completed significant simplification through the divestment of 10 non-core businesses and the closure of RAMS to new business. This refocusing on core banking operations across four clearly defined segments reduces complexity and supports improved efficiency. The Business & Wealth segment has emerged as a key growth engine, delivering 13% profit growth and providing crucial earnings support during the technology transformation journey. Consumer banking recovery remains challenged with below-system mortgage growth (0.8x), though process improvements and digital enhancements provide a foundation for gradual improvement.

Westpac's approach to capital management demonstrates a balanced focus on shareholder returns, growth investments, and transformation funding. The strong capital position (CET1 at 12.49%) has supported increased ordinary dividends (151 cents, +6%), a special dividend (15 cents), and a \$2 billion share buyback program while maintaining substantial capacity for strategic investments.

6 Financial Forecasts

WESTPAC FIVE-YEAR FINANCIAL FORECAST						
Key Metrics (\$m)	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Income Statement						
Net Interest Income	18,753	19,276	19,965	20,764	21,625	22,599
Growth (%)	+2.0	+2.8	+3.6	+4.0	+4.1	+4.5
Non-Interest Income	2,835	2,891	2,976	3,079	3,193	3,321
Growth (%)	-15.0	+2.0	+2.9	+3.5	+3.7	+4.0
Net Operating Income	21,588	22,167	22,941	23,843	24,818	25,920
Growth (%)	0.0	+2.7	+3.5	+3.9	+4.1	+4.4
Operating Expenses	10,944	11,182	11,418	11,554	11,771	11,957
Growth (%)	+2.4	+2.2	+2.1	+1.2	+1.9	+1.6
Cost-to-Income Ratio	50.7%	50.4%	49.8%	48.5%	47.4%	46.1%
Credit Impairment Charge	537	749	949	1,189	1,246	1,264
Charge Rate (bps)	7	9	11	13	13	13
Profit Before Tax	10,107	10,236	10,574	11,100	11,801	12,699
Income Tax Expense	3,117	3,153	3,257	3,419	3,635	3,911
Effective Tax Rate	30.8%	30.8%	30.8%	30.8%	30.8%	30.8%
Net Profit After Tax	6,990	7,083	7,317	7,681	8,166	8,788
Growth (%)	-3.0	+1.3	+3.3	+5.0	+6.3	+7.6
EPS (¢)	200.9	204.9	214.3	227.7	245.1	266.0
Growth (%)	-2.0	+2.0	+4.6	+6.3	+7.6	+8.5
Segment Net Profit						
Consumer	2,184	2,227	2,317	2,433	2,607	2,859
Growth (%)	-17.4	+2.0	+4.0	+5.0	+7.2	+9.7
Business & Wealth	2,356	2,486	2,635	2,793	2,961	3,135
Growth (%)	+12.9	+5.5	+6.0	+6.0	+6.0	+5.9
Westpac Institutional Bank	1,367	1,408	1,465	1,523	1,584	1,655
Growth (%)	+2.2	+3.0	+4.0	+4.0	+4.0	+4.5
New Zealand	973	1,002	1,042	1,094	1,149	1,218
Growth (%)	+9.6	+3.0	+4.0	+5.0	+5.0	+6.0
Group	110	(40)	(142)	(162)	(135)	(79)
Growth (%)	-54.0	n/a	n/a	n/a	n/a	n/a
Balance Sheet & Metrics						
Total Loans (\$bn)	806.8	835.0	868.4	905.7	945.5	988.0
Growth (%)	+4.0	+3.5	+4.0	+4.3	+4.4	+4.5
Customer Deposits (\$bn)	673.6	697.2	727.0	760.7	796.0	834.0
Growth (%)	+5.0	+3.5	+4.3	+4.6	+4.6	+4.8
Loan-to-Deposit Ratio (%)	119.8	119.8	119.4	119.1	118.8	118.5
Net Interest Margin (%)	1.93	1.92	1.91	1.90	1.89	1.88
CET1 Ratio (%)	12.49	12.20	12.00	11.80	11.60	11.50
Return on Tangible Equity (%)	11.01	11.10	11.30	11.60	11.80	12.00
Return on Equity (%)	9.77	9.90	10.05	10.30	10.50	10.70
Shareholder Returns						
Dividend per share (¢)	151	160	165	173	183	196
Special dividend per share (¢)	15	0	0	0	0	0
Growth (%)	+6.0	+6.0	+3.1	+4.8	+5.8	+7.1
Payout Ratio (%)	75.1	75.0	75.0	74.0	73.0	73.5
Dividend Yield (%)*	4.8	5.0	5.2	5.5	5.8	6.2

*Based on share price of \$31.72 as of reporting date

Our financial forecasts for Westpac reflect the bank's transition journey from remediation to transformation and growth, with several key inflection points and assumptions driving the five-year outlook:

1. **UNITE Technology Transformation:** The most critical assumption is the successful execution of the UNITE program, which underpins our expense-to-income ratio improvement from 50.7% to 46.1% by FY29. We project UNITE will deliver approximately \$1.0 billion in annual benefits by 2028, though with a gradual realization curve that accelerates in FY27-29. This timeline is longer than management may aspire to but reflects the historical reality of complex banking technology transformations. The expense trajectory shows modest 1-2% annual growth despite inflation and investment pressures, as efficiency benefits gradually offset these factors.
2. **Segment Growth Divergence:** Our projections reflect continued outperformance in Business & Wealth with 5-6% annual profit growth driven by above-system lending and favorable margins. Consumer segment recovery is more gradual, accelerating from 2% growth in FY25 to 9.7% by FY29 as mortgage competitiveness improves from 0.8x system currently toward 0.9-1.0x and UNITE benefits enhance operational efficiency. This segment divergence creates a more balanced earnings mix over time with less reliance on interest-rate-sensitive consumer banking.
3. **Credit Quality Normalization:** We project a gradual normalization of impairment charges from the current 7bps of average loans to 13bps by FY27-29, reflecting rising stress indicators and the maturing credit cycle. This level remains below historical stress periods while acknowledging the deterioration in mortgage delinquencies (up 24bps to 1.05%) and stressed exposures (up 19bps to 1.45%). This normalization creates an earnings headwind that partially offsets efficiency improvements, with impairment charges increasing from \$537 million in FY24 to approximately \$1.26 billion by FY29.
4. **Net Interest Margin Evolution:** We project modest but persistent margin compression from 1.93% to 1.88% by FY29 due to continued competitive pressure, partially offset by favorable business mix shifts toward higher-margin Business & Wealth lending. This assumes interest rates gradually normalize from current elevated levels, creating an initial headwind from reducing endowment income benefits before stabilizing as competition moderates in a more normal rate environment.
5. **Capital Management Strategy:** We project a measured normalization of the CET1 ratio from 12.49% toward 11.50% by FY29, releasing capital to support both business growth and enhanced shareholder returns. This assumes continued ordinary dividend growth from 151 cents to 196 cents per share with a relatively stable payout ratio of 73-75%. We do not forecast additional special dividends beyond the 15 cents paid in FY24, though selective share buybacks remain probable depending on capital generation and growth opportunities.
6. **Balance Sheet Growth:** Loan growth is projected to accelerate modestly from 4.0% in FY24 to 4.5% by FY29 as Consumer segment recovery and Business & Wealth momentum combine with improved economic conditions. Deposit growth is expected to slightly outpace loans (4.8% by FY29), improving the loan-to-deposit ratio from 119.8% to 118.5%. This balanced growth maintains strong liquidity metrics while supporting revenue expansion.
7. **Leadership Transition Impact:** We assume the CEO transition in December 2024 (Anthony Miller succeeding Peter King) provides reasonable strategic continuity, with Miller's background in the successful Business & Wealth division supporting continued momentum in this segment while maintaining focus on the UNITE program. Some initial implementation delays are factored into our timeline, with acceleration as the new leadership team establishes execution rhythm.

Key Macroeconomic Assumptions:

- Australian GDP growth: 1.5% (2024), 2.5% (2025), improving gradually thereafter
- Interest rates: Remaining elevated through 2024, beginning to ease in 2025
- Housing market: Continued price growth with credit expansion recovering to 5% annually
- Business conditions: Resilient with diversified growth across target sectors; credit growth 6%
- Competition: Continued intense pressure in mortgages; more rational pricing in business banking

- Labor market: Gradual softening with unemployment rising to 4.3% before stabilizing

End of Report