

Westpac Banking Corporation

2022 Annual General Meeting

14 December 2022

Chief Executive Officer's address

Good morning shareholders and it is great to be in-person, again.

As the Chairman indicated, 2022 was an important year for Westpac. The changes we're making as part of our strategic program have placed us on a much stronger footing – across all dimensions.

Solid financial performance

Our financial performance over the year was solid.

We improved our franchise, reduced costs, strengthened the balance sheet and continued to transform the Company.

Statutory profit was up 4% over the year to \$5.7 billion. However, the result was held back by large notable items, mainly the \$1.1 billion loss on the sale of the Australian Life Insurance business. Importantly, a higher contribution from our core businesses more than offset the loss of earnings from businesses sold.

While we delivered better loan growth through the year, it was behind plan. However, in the second half we tracked at or above major bank system across our key segments.

Our net interest margin was lower compared to 2021, particularly weighed down by the impact of ultra-low interest rates. However, margins increased in the second half benefiting from the impact of higher interest rates.

Costs were down 7% excluding notable items as we reduced third party spend, continued to consolidate our property footprint and further simplified our business.

The trends of better growth, higher margins and improved efficiency, position us well for the year ahead.

Credit quality was a positive as key credit metrics improved. Nevertheless, we are carefully watching the impacts of higher interest rates on customers.

There is no doubt that tighter monetary policy and slowing economic growth will impact some customers in the year ahead. We are prepared for this cycle given the quality of the loan portfolio and the strength of our balance sheet and provisioning.

Strategic progress

We made good headway on our Fix, Simplify, and Perform strategic priorities, which are delivering a simpler and stronger Westpac.

Since announcing the change in our strategy two years ago, we have resolved most historical issues, strengthened our management of risk, reset our culture and simplified the bank through divestments and geographic consolidation.

I am particularly pleased with the progress in lifting our management of risk and risk culture. These changes are being driven by our CORE program, which is tracking well. We have

completed more than three quarters of the program's 350 activities. And while there is still work ahead, our path is clear and we are embedding the changes in our business.

A few of the highlights for the year included:

- Completing the exit of insurance underwriting;
- Finalising the roll-out of our Westpac app to 2.7 million users;
- Improving our merchant capability by installing over 18,000 new terminals; and
- Expanding our digital experience, including the digitisation of over 400 physical forms.

Hand-in-hand with our investment in digital is the need to help protect customers' money and information. We have invested heavily in our cyber controls for many years by upgrading systems, strengthening capabilities and building expertise.

We have also worked hard to increase customer awareness of scams.

We have increased security for debit and credit cards. This includes an electronic card where the 3-digit code changes every 24-hours which is more secure. Pleasingly, by using this new feature, fraud losses are 80% lower than when a physical card is used. I encourage everyone to use it when shopping online. Our team are available outside if you would like to understand more.

We have also introduced proactive transaction blocks of suspect online retailers as well as restricting over 94,000 phone numbers from being used by scammers to impersonate Westpac.

While investment in digital is vital for efficiency and improving shareholder returns, we also recognise the importance of physical presence. Our branches handle around 5% of transactions and that is why we are working to improve the productivity of our network through co-located branches and multi-brand branch access. We have also extended our partnership with Australia Post for a further 10 years giving customers access to 3,500 additional locations. Where we are closing a branch there is an Australia Post outlet to support the transition.

We continue to focus on customer service, and while service levels improved this year, particularly in loan processing times, they did not reach the targets we set out to deliver. I am confident that the work we're doing will improve the customer experience over time.

Having made substantial inroads on our Fix and Simplify agendas, we are changing gears to focus more on customers and driving performance. This will be a key priority in 2023 as we transition to the next phase of our strategy.

Climate change

Climate change is one of the most pressing issues of our time. As a bank, we recognise the significant role we play in helping customers transition to a low carbon future and in reducing our own emissions.

Over the year, we refreshed our climate change action plan and joined the Net-Zero Banking Alliance – or NZBA – which continues our work to align our operations and lending portfolio with net-zero by 2050.

In our operations, over half of our electricity is now from renewables, and we remain committed to source the equivalent of 100% of our electricity consumption from renewables by 2025.

As part of our NZBA commitments we are engaging with institutional clients on their plans for climate transition which in turn will help meet our net-zero targets.

The effects of climate change are already being felt by customers and the recent floods across eastern Australia are a real example. We supported customers through the year with over 1,600 disaster relief packages, \$2 million in emergency grants and by deploying our bank in a box to Lismore.

Outlook

Turning to the outlook, we expect the combination of rising interest rates and the increase in cost of living to be felt more fully by consumers and businesses after Christmas. As I indicated earlier, we're well placed to support customers through what will be a tougher period.

2023 heralds a new phase for Westpac. Our efforts over the past few years have made us a simpler and stronger bank.

With our strong balance sheet, sharper strategy and committed team, we are focused on strengthening the franchise and accelerating performance. We enter the year with optimism and a commitment to improving customer experience and, as a result, continuing to build the long-term value of Westpac.

I would like to take this opportunity to thank our people for their commitment to customers and to our Company. I continue to be humbled by the way our people put customers first, particularly in the face of adversity.

Finally, on behalf of the Westpac team, I would like to thank shareholders for your support.

Thank you for listening.