

**Westpac Banking Corporation**  
**2020 Annual General Meeting**

**Sydney, Australia**

**Friday, 11 December 2020**

**Chief Executive Officer's Address**

**Peter King**

Thankyou Chairman and good morning shareholders.

My address today will focus on this year's performance and our plan to restore the value of your company.

The 2020 year was one of the toughest in Westpac's history. It started with devastating natural disasters, closely followed by COVID-19 which led to significant health and economic impacts for individuals, the community and many companies.

In banking, sharp declines in economic growth, lower interest rates and higher impairment charges all impacted earnings – and we were not immune.

For the first time in 30 years, Australia was in recession.

As a major bank, our fate is linked to the economy and we worked hard to support customers, employees, and the financial system through this time of uncertainty.

At the peak of COVID, we remained open for business with half of our workforce – or over 22,000 Australian employees — operating from home.

We provided significant support to the Australian economy through this period which included providing over 215,000 customers with repayment deferrals.

In addition, we're bringing 1,000 jobs back to Australia to lift customer service and reduce our exposure to offshore disruptions. This initiative contributes to Australia's economic recovery.

As CEO, I'm very proud of our people and their commitment to customers. It is this commitment that gives me confidence in our ability to meet the challenges before us.

## **AUSTRAC**

Against this backdrop, we have confronted our own issues.

The AUSTRAC proceedings highlighted shortcomings in the management of risk at Westpac, particularly in financial crime areas.

Over the year we have completed a number of reviews, applied consequences and started to address our issues. Before I talk about our response and the change underway, I want to recap what happened.

In November 2019, AUSTRAC commenced civil proceedings against us and while we had self-reported some compliance failings, the Statement of Claim highlighted new issues that were deeply disappointing.

We thoroughly investigated the matters, with independent oversight, and sought to reach agreement with AUSTRAC to resolve the proceedings. In September 2020, an agreement was reached involving a Statement of Agreed Facts and Admissions and a \$1.3 billion civil penalty.

The statement acknowledged that our program did not fully comply with the rules. These included reporting failures, inadequate transaction monitoring and not fully assessing the risks in some correspondent bank relationships.

Shareholders are rightly disappointed. This simply should not have happened, and I apologise.

I also recognise that the civil penalty and the impact of COVID resulted in lower dividends and this made it hard for many of you.

While our failings were not intentional, significant changes and consequences have occurred. This included Board and management changes along with remuneration consequences for those in the chain of responsibility. I and the Executive team also took collective accountability with 2020 short-term variable rewards cancelled.

## Rebuilding Westpac

The matter has been a catalyst for change at Westpac. Reaching a settlement is an important step which allows us to direct our focus and energy towards getting things back on track.

We have clarified the businesses and countries we operate in focusing on core banking in Australia and New Zealand. The Executive team has been renewed and we have reframed our strategy with three clear priorities.

Our first priority is *Fix*. Here we are addressing our shortcomings in the management of risk, reducing customer pain points which improves the customer experience, accelerating customer remediation, and reducing the complexity of our systems.

Strengthening our risk culture and management of risk is critical and this was reinforced by the findings of APRA's year-long review into risk governance and the Enforceable Undertaking agreed last week.

We acknowledge the findings of APRA's review – which are broadly aligned with our Culture, Governance and Accountability reassessment released in July this year. While we have added over 400 resources to our risk and compliance capability, we accept we need to work faster.

As part of the agreement we will deliver an integrated remediation plan with independent oversight and we will report quarterly on our progress.

*Simplify* is our second priority. We are exiting some businesses and implementing a lines of business operating model to speed up decision making, improve end-to-end accountability and ultimately enhance performance.

As the Chairman mentioned, the Specialist Businesses division was established in April to bring together the non-core businesses. The recent sales of General Insurance and Westpac Pacific show our progress.

Digital is a prominent feature of *Simplify*, helping to streamline activities and provide customers with a better service wherever, or however they choose to bank. We are underway with customer trials of our new Westpac banking app which speeds up the most common activities, particularly payments.

Our third priority is *Perform*. Here we aim to improve performance by building customer loyalty and growth through service, sharpening our focus on returns, and resetting our cost base.

Given the environment, our priority right now is to continue supporting customers impacted by COVID and to help them get back on their feet.

At the same time, we remain focused on balance sheet strength and improving returns on capital. Cost management is also vitally important, and we are building our plan to reset the cost base of our slimmed down company.

## 2020 performance

The 2020 financial year was clearly disappointing, with reported profit down 66%. Much of the fall was due to our own issues, including the AUSTRAC penalty. COVID directly impacted us contributing to slower loan growth, lower margins, higher expenses, and a material increase in impairment charges.

While earnings were lower, our balance sheet is in good shape. Capital levels are strong, and our funding and liquidity metrics are all well above regulatory minimums. We also increased bad debt provisions by over \$2 billion which provides flexibility to support customers and deal with uncertainties in the year ahead.

We also recommitted to our sustainability agenda with an updated sustainability strategy and a new Climate Change Position Statement released early this year. We worked with many stakeholders to balance the need to support customers and the economy while remaining true to our commitments – such as the Paris Agreement.

## Outlook

It has been encouraging to watch the economy quickly recover as States exit their various stages of lockdown. I've been particularly pleased to see many customers restart repayments. The Government's support has played a critical role in helping Australian families and keeping businesses afloat and we expect the economic recovery to continue through next year.

Nevertheless, some customers will find conditions difficult. The gradual unwinding of Government support must be offset by increased activity if we are to minimise the impacts on customers.

At the same time, we are working hard to resolve our issues and simplify the business. We are underway but have much more to do.

As CEO, my role is to build sustainable long-term value for shareholders, and I am personally committed to see this through.

Shareholder value is created by a strong customer franchise; strong relationships; and by being there for customers when they need us. Right now, that means supporting customers and the economy through this pandemic.

Before I close, I want to express my gratitude to our people who have given so much over the year, while themselves working in a challenging environment. As I said at the beginning, I believe in our people and have every confidence we will get Westpac back on track.

Thanks also to shareholders for your continued support and patience. I am committed to serving you.