

Westpac Banking Corporation 2023 Annual General Meeting

14 December 2023

Chief Executive Officer's address

Thank you, Chairman.

Good morning and welcome to shareholders in the room and online. It's great to be back in Queensland.

This is an exciting time for the State. Tourism is rebounding, you have big plans in infrastructure, and of course we can now call Brisbane an Olympic City.

Westpac is also expanding in Queensland, with our Gold Coast technology hub, housing over 100 engineers working on our award-winning digital app.

More broadly, Australia is navigating a challenging economic environment.

The economy bounced back strongly from the pandemic.

However, the recovery in activity and high inflation have driven up interest rates.

We recognise it's been difficult for many people, with some customers needing our help to manage cost of living pressures.

At the end of our 2023 financial year, 13,000 customers were in hardship.

Our message to any customer who needs support, is to call us early.

Our thoughts are with those impacted by Cyclone Jasper. And once again, if you need support, contact us.

Performance

Turning to the financials. This year we strengthened the balance sheet and improved financial performance.

Net profit rose 26% to \$7.2 billion, while pre-provision profit was up 24%.

The key features of this result were strong revenue growth of 10%, well managed costs which declined 1% and a higher impairment charge, which rose to 9 basis points of loans.

The increase in revenue was driven by higher net interest margins and solid growth in home and business loans.

Benefits of our cost reset program exceeded inflationary pressures. However, costs were higher in the second half, and we took action to limit expense growth going forward.

The rise in the impairment charge reflected a modest deterioration in credit quality.

The stronger net profit allowed us to pay dividends of 142 cents per share, which is up 14% on 2022. This represented a payout ratio of 69% of net profit.

Total shareholder return has improved and is positive over one and three years, however we acknowledge it has been a challenging period for relative share price performance.

Turning to the balance sheet, our capital position is the strongest I've seen in my almost three decades with the bank.

Our CET1 ratio of 12.4%, was well above the top of the target range of 11.5%.

This supported us commencing a \$1.5 billion share buyback last week. The buyback is in addition to \$5 billion of dividends for 2023.

Strategy and service

After three years of hard work, we are a simpler and stronger bank.

Our operating structure is set up for growth. With portfolio simplification complete, we have wound down the Specialist Business Division, which now sees four divisions:

- Consumer;
- Business & Wealth;
- Institutional; and
- New Zealand.

They are supported by centralised Technology and Operations functions.

We also made good progress in customer experience, although there is more to do.

This year, the Westpac app was recognised by Forrester as the best banking app in Australia.

It's used five million times a day, with new budgeting tools helping customers manage cost of living pressures. This has supported solid household deposit growth.



In mortgages, the completion of the single origination platform and process simplification have improved service. This sees us targeting mortgage growth in line with system for FY24.

Business customers, via EFTPOS Air, can use their phone as a payment terminal, and also get paid the same day.

We are extending this capability to multi devices, so the service can be used by larger businesses.

In Institutional banking, we are making progress to reclaim the position as the leading domestic bank.

Financial markets now ranks first in several key product categories, including Government and semi government bonds issuance with market share increasing to 20%.

We've also seen momentum in both lending and transactional banking.

Risk is at the heart of everything we do and we've made good progress on improving risk management capabilities.

Our Customer Outcomes and Risk Excellence program is in its third year and our focus in 2024 turns to ensuring the changes are embedded across the business.

The CORE program remains a top priority for the company.

Another priority is fighting back against scammers by scaling up to detect and halt scams, including adding new features to make payments safer.

Banking is changing, in particular the shift to digital. With 96 per cent of transactions now digital, customers are using branches less.

Notwithstanding this, access to cash remains important. We've bolstered our physical presence in several ways:

- Customers can now make cash transactions in any branch across any Group brand;
- We've entered a new ten-year agreement with Australia Post, which provides access to over 3,400 sites across Australia; and
- We're providing access to approximately 7000 fee free ATMs Australia-wide.

Sustainability and commitment to the Voice

Becoming a more sustainable bank makes good business sense.

We believe climate change will impact the economy and customers and therefore is a risk that must be managed.

Through our refreshed sustainability strategy, we are responding to climate change in three ways:

- First, reducing our own emissions. We now source the equivalent of 100% of Australian electricity from renewables;
- Second, setting out targets and pathways for the largest emitting sectors. We've now set targets in eight of nine sectors and our focus is on working with customers as they transition to net-zero; and
- Third, collaborating with regulators, government and industry on key national initiatives.

Part of the Group's sustainability strategy is to respect and advance human rights, including Indigenous reconciliation.

We've long advocated for reconciliation having launched our first action plan in 2010. In 2019 we supported the Uluru Statement from the Heart.

We were also a founding member of Jawun more than 20 years ago. Through this partnership, 1,000 Westpac employees have completed secondments to Indigenous communities and projects.

This year, we supported the Voice to Parliament with a \$1.75 million donation.

Diverse voices and points of view are important to us, and we believe it leads to better decisions and outcomes.

We know there are differing views on this topic. We also made a point of not telling our people how to vote, and of course, we respect the result of the referendum.

Future

In conclusion, Westpac is well placed.

We're entering 2024 in a strong financial position, ready to navigate slower economic growth, some revenue headwinds and higher costs.

We will strive to make banking easier, more intuitive and digital for customers.



Accelerating the simplification of processes and technology is key to achieving these outcomes.

We intend to reduce the size of our technology stack by two thirds.

The aim is to lift service and productivity, grow in our key markets and improve returns.

Finally, thank you to our departing Chairman, all our people, and to you, our shareholders.
