



**Westpac Banking Corporation**  
**2021 Annual General Meeting**

**Sydney, Australia**

**Wednesday, 15<sup>th</sup> December 2021**

**Chief Executive Officer's Address**

**Peter King**

Good morning fellow shareholders and let me echo the Chairman's welcome.

For Westpac, 2021 was a year of transformation.

Profit materially increased, we established the foundations needed to improve the company and we effectively managed the challenges of COVID.

At last year's AGM, I shared our plan to transform Westpac. The big shift was sharpening our focus on banking in Australia and New Zealand and driving change using our strategic priorities of Fix, Simplify and Perform.

Much of 2021 was focused on the Fix priority, improving risk management, addressing customer remediation, and completing regulatory investigations.

We've made significant progress on simplifying the company having exited businesses, closed products and streamlined fees.

While our Fix and Simplify priorities remain, our focus, is increasingly turning to Perform – to strengthen our franchise, improve returns and reduce costs. I am confident the changes made over the last 18 months set us up to deliver.

The scale of change is taking time and significant investment. I'm acutely aware of the impact on shareholder returns and to the value of Westpac shares.

Many shareholders have written to us and I understand your desire that we move quicker to fix our issues. We will continue to challenge ourselves on speed of execution while balancing the need to ensure that change is enduring.

As CEO, I have accountability for delivering the plan. Together with my executive team, I am confident that we'll achieve our targets, particularly on reducing costs and improving returns.

### **Committed to customers**

When I was appointed CEO, one of my first actions was to renew Westpac's purpose to focus our people on "Helping Australians and New Zealanders succeed". Our purpose has guided us through the pandemic as we worked to help many customers navigate the uncertainty.

We provided 160,000 temporary mortgage repayment deferrals with a value of \$60 billion, we processed 233,000 requests for the early release of superannuation. For small businesses we provided 36,000 temporary loan repayment deferrals and extended more than half a billion dollars in government guaranteed business loans.

I want to specifically recognise our frontline teams who have been outstanding in their commitment to customers despite the disruption the pandemic brought to their own lives. I'm especially proud of the way we protected customers from scams and have helped customers move to new ways of banking.

As one of the country's largest employers, we adopted measures to keep our people safe during the pandemic. We introduced personal protections for those in branches and operational sites and enabled over 20,000 employees to work from home.

Westpac was one of the first companies to create workplace vaccination hubs for employees and their families and, more recently, we've begun rapid antigen testing. This helped us keep branches open during covid. From earlier this month employees also began to return to our corporate sites. To protect our people, employees are required to be fully vaccinated to work at any of our sites.

Together with governments and regulators, we have played our part in helping the country navigate this period and I could not be prouder of our people's commitment.

### **Becoming a simpler and stronger bank**

The company we are building, is profoundly different to the Westpac of two years ago – and it needs to be.

Our renewed executive team is in place, with more than 70% of my direct reports either new to Westpac or to the team. We are clear on what we need to achieve, to lead the Company through this formative time.

Strengthening risk management and risk culture is a clear priority. Our Customer Outcomes and Risk Excellence Program – what we call CORE – is at the heart of this change.

The program brings together over 300 activities designed to improve how risks are captured and managed, provide clarity on risk accountability, and enhance oversight. We're around one third of the way through the CORE program, and it will remain a priority for the next two years.

Alongside this program we are rebuilding our financial crime processes and systems and have dealt to all the matters referenced in AUSTRAC's statement of claim. We're now working to embed these changes.

As part of our Fix agenda, we are reviewing past practices and have uncovered further issues. I know these are disappointing.

Nevertheless, it is vital that we work hard to resolve and close them out, to restore the trust that you and our customers should have in us.

Refocusing Westpac on banking is a critical step under our Simplify priority and we have made great progress on exiting non-core businesses.

We've completed the sale of General Insurance, Lenders Mortgage Insurance and Vendor finance. We have sale contracts for Auto finance and Life Insurance in both Australia and New Zealand and expect these to close in 2022.

We're consolidating our international footprint having closed subscale offices in Mumbai and Jakarta, with three more locations to close in 2022.

Improving service by making things simpler, faster, and more straight-forward is a focus. Our digital plans underpin this shift, with this year's highlight, the launch of our new mobile app and improving the stability of our banking infrastructure.

We are also testing a new payments solution for small businesses that replaces merchant terminals with a new app on their phone.

Our focus on the core business, streamlined operations and increased use of digital is simplifying the bank and improving service to customers.

As the Chairman indicated, taking action to limit global warming is an urgent priority and, as a provider of finance, we have a critical role to play. We must lead in our own actions whilst helping the economy transition to net zero by 2050. We've backed this by elevating our climate change response to be a company priority supported by Board-approved plans.

Of course, there's more to do, and work is underway to map-out what net zero requires from us and customers in high-emitting sectors. Consistent with the last 20 years, we will keep shareholders informed of our plans and progress.

Climate change is a risk, but it also presents opportunities.

The investment required to change the way we work and live, build new supply chains and electrify the economy is massive – and we will play our part.

### **Improving performance**

Turning to performance, we more than doubled earnings over the year with cash earnings up 105% to \$5.4 billion, mainly from a turnaround in impairments and lower notable item charges.

While our bottom line was up strongly, core earnings, or profit before impairment charges and notable items, was down 13%. This decline was mostly due to lower interest margins and higher expenses.

Whilst we successfully restored growth in mortgage lending this year, margins were down 7 basis points (excluding notable items and Treasury and Markets income) from the impact of low interest rates, intense competition and a significant shift to fixed rate mortgages. We also incurred higher expenses, mainly related to lifting our risk management capability.

Many shareholders have expressed their disappointment with our risk issues and the size of the investment to fix our management of risk.

We know we have to reset our cost base and we are already taking action to do so.

This year, we set a target to cut expenses from \$13 billion to \$8 billion by FY24 – and we are fully committed to achieving it.

## **Delivering for shareholders**

Turning to the macro picture, the Australian and New Zealand economies continue to perform well, and we expect them to bounce back as we re-open. This should drive good loan demand and low unemployment which is positive for credit quality.

However, low interest rates and intense competition will continue to impact sector margins.

For Westpac, last year saw us inwardly focused, to get our house in order – and that has now changed. We are now directing more energy to customers, and that will increase as we further simplify our business portfolio.

While we have much to do, the changes made over the last 18 months have made Westpac simpler and stronger. They have set us up to manage through this period, to compete and to grow. And we do this with a strong balance sheet and an incredibly dedicated workforce.

I want to particularly thank our people, for their commitment to customers. It is a privilege to lead them through this significant time in our history.

And finally – importantly – thank you shareholders, for your continued support.

We are committed to rebuilding Westpac's long-term value and improving returns.