

**Opening Statement by Westpac CEO Brian Hartzer  
House of Representatives Standing Committee on Economics  
8 March 2019**

Thank you Chairman. I'm here today with Peter King, our Chief Financial Officer.

Before we take questions, I'd like to update the Committee on a few points that have arisen since our last meeting.

First, on the Royal Commission.

Commissioner Hayne's final report was a sad indictment on the financial services industry. The stories of misconduct clearly highlighted failings across the industry in our management of non-financial risks and our treatment of vulnerable customers.

As a leader in the banking industry, and as CEO of Westpac, I deeply regret and apologise for these failings.

While we can't roll back the clock, what my management team and I can do is to get on with implementing the recommendations that have come out of the Royal Commission—to make sure that this experience is a profound turning point for Westpac.

We know we have a lot of work ahead of us to earn back customers' trust—and we are getting on with it.

Of the 76 final report recommendations, 53 will require action by financial services companies, such as Westpac. Of the 53, we have already completed, or are implementing, 25 of these recommendations. The remainder will require further guidance from government or regulators, although where we can act ahead of that we will.

As an example, Westpac removed grandfathered commission payments for our own financial planners on 1 October last year.

We also implemented the Sedgwick recommendations for our own people, two years ahead of schedule.

Further details of these changes are in the attachment that I've tabled with my opening remarks.

At an industry level, the ABA is working through the recommended changes to the Banking Code of Practice, and we will implement these as soon as practical.

Some of the remaining reforms will require legislation, and we are engaged with government and regulators to ensure that the changes deliver customer benefits while avoiding unintended consequences.

This will be especially important where changes could impact competition or the availability and cost of credit, such as in the way mortgage brokers are paid; the definition of small business; and anti-hawking provisions for insurance.

There's a lot to be done. And I want to reassure the Committee and our customers that this work will continue long after we've finished implementing the recommendations of the Royal Commission.

We will continue to review our products, pricing, and compliance processes, in detail, on a regular basis.

This means we may still uncover more issues to fix, but we're determined to make the changes we need so that we can once again be worthy of our customers' trust.

The second point I'd like to make is on how we're addressing customer complaints.

At Westpac our commitment is to make sure we "get it right" for our customers, and where we don't, to "put it right".

This includes my leadership team's personal involvement in resolving legacy customer issues and the root causes of service complaints.

The work we've done on service over the last few years has reduced the number of customer complaints by over 60 per cent: In fact, fewer than 0.3 per cent of customers now lodge a complaint in a given year.

However, this is still too many—especially where the complaints relate to vulnerable customers, who may have difficulty in navigating our system.

To address this we have set up a team of specialist bankers dedicated to giving vulnerable customers the extra care they may need.

We have also established a Customer Outcome Committee, which meets every week to work through complex cases.

Since July of last year we have resolved more than 500 long-dated complaints, with many of the 200 that remain currently with AFCA for review.

We have reinforced the message to all employees across the Westpac Group that being a great service company means resolving customer issues as fairly and quickly as we can.

We have provided new training and tools to help translate this into action, and have built complaint handling into the scorecards of group executives and general managers.

As a result, we've seen the time to close complaints reduce by 30 per cent in the past six months.

I'd like to finish with some observations on the economy.

There has been a lot of recent commentary to the effect that the economy is slowing, and that some of this is due to a 'wealth effect' as house prices decline. There is also a suggestion that

the Royal Commission has caused banks to tighten lending, and that this is what's driving falls in house prices.

Our view is that the wealth effect is real—if hard to quantify—but that price declines are more to do with housing supply and demand factors than with banks' tightening credit.

For Westpac, approval rates have been steady, and our risk appetite hasn't changed significantly in the last 12 months. In the last financial year, we lent more than \$75 billion to customers to buy homes and \$7.3 billion to small businesses. We are requiring more extensive verification of customers' expenses, which does add a bit of time to the approval process. This should come down over time through automation.

The bigger issue is that not as many people—particularly investors—are applying for loans. We see this as a natural response to a recent increase in the supply of housing, along with a fall in foreign investor demand and increased uncertainty about future returns from housing investment after a significant run-up in prices.

In other words, what we're seeing is a cyclical adjustment after six strong years of growth, that so far regulators and banks are managing reasonably well.

Having said that, uncertainty about the future direction of regulation and government policy is having an effect on business and consumer confidence.

As further reforms and legislative changes are enacted, it will be important to avoid changes that unintentionally impact the availability or pricing of credit, or have detrimental effects on the very consumers they are designed to protect.

In the meantime, Westpac remains open for business and determined to get on with the hard work we need to do to restore our customers' and the community's trust.

With that Peter and I are very happy to take questions.