

# Question and Answer

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Microphone 5, I think.

**Unknown Attendee**

Mr. Chairman, I would like to introduce Mr. Felix Rebel [ph].

**Unknown Attendee**

I'd like to ask a question related to your sustainability section, and that is, in particular, if you claim that you're carbon neutral and that's it's a complicated issue, talking about how you invest in fossil fuel projects, how can you not include what your -- what is being exported from this country? So if Westpac is actually required to calculate its finance commissions as part of the carbon disclosure project, surely, it's something you can measure as part of how you present yourselves sustainably.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. I think I understand the question. So certainly, in terms of carbon neutral, that comment relates to Westpac as an organization as us as an entity. So in terms of our use of carbon, then that's the point in terms of what we use in terms of our branches, our head office, our vehicles and so on. So the emissions that emerge from the use of our assets in that sense, that's the expression on carbon we told you. I think where you're going is what some of our customers might be doing. And as I touched on just on the introduction to this session that basically, in relation to the environment, we are on the record for a long period of time in stating that we understand the issues around carbon and the impact of carbon about that, and we -- our preference is for market pricing in relation to carbon. But as I also just said, we have a range of customers in all sorts of industries, including in the resources sector, obviously, and in the energy sector, and we evaluate those clients, those customers on the basis upon a whole lot of criteria, capacity to repay, when we lend in the first place, obviously, being a main one, but also how they behave in every sense, and part of that is environment. So certainly, on our list of customers, we will have coal producers, there's no doubt about that. We have those unashamedly in the sense that we understand there's competing interests, but what we do is, on a case-by-case basis, look at each of those customers and see how they are behaving in every sense, including in an environmental sense. And if we think that a test has passed, as I said, we got external advice on some of these things, if they're major customers, then it's our role, we say to lend to those customers. What we also say, as what I've just said, and that is we're here to promote clean technology. And we've set aside, as I said, certain funds to fund that part of the sector. But there are competing interests. Eventually, over time, we agree the energy model will change. But for the moment, the world is demanding all sorts of energy, and it's our role to finance that. Thank you. Next question please?

**Unknown Attendee**

Mr. Chairman, I would like to introduce Mr. Stephen Mayne.

**Stephen Mayne**

Stephen Mayne, I'm representing the Australian Shareholders' Association. Today, we've been appointed proxy by 2,527 shareholders of the 13.5 million shares worth about \$420 million. We're obviously delighted with the financial performance of Westpac and have no particular concerns about the financial statements. So in general business, I guess, just a couple of questions. So the first one is to the CEO. What are the major risks that are keeping you awake at night at the moment?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

You have to deal that directly, CEO.

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Yes, thank you.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

You're the only one person who knows the answer to that.

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Thank you, Stephen. One of the issues for me, is I don't sleep well at night anyway. Actually, I'm one of those people that seems to need very little sleep, but there's nothing particularly that's keeping me awake at night. I am so proud of this organization in the way it's traveling. I think the things that I reflect on most, though, in terms of the risks area are the risks that actually relate to the global environment because it is a very uncertain and volatile environment, and we feel the issues can and have emerged as we've seen over the course of the past 5 years. Obviously, our response to that is to make sure that we are as strong as we possibly can be in terms of our capital, in terms of our funding profile and our risk management disciplines. And linked to that, obviously, the new risks and trends that may emerge with regard to the implementation of new technologies that relate to issues of security and cyber crime, we keep a very close watching brief on that to try and make sure that we protect ourselves and our customers at every opportunity. So the issues that I reflect on most in terms of risks to our business largely emerge from those external factors.

**Stephen Mayne**

Okay. What would be the best sort of a very brief summary of the different -- or changes to the regulatory environment with the change of government that we've observed so far? Obviously, we're ultimately licensed by the federal government. Elsewhere in the world, you've seen super taxes introduced. So we're a licensed government body, change of government. Can you give a brief summary of the changes to the regulatory environment that have come with the change of government?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Stephen, everyone, nothing of note because of that, and that's because of the way in which we're regulated by, as you know and others in the room will know, by other bodies outside of the government itself. So in terms of the regulation through APRA in particular, Australian Prudential Regulation Authority is our main regulator, through asset, through the reserve bank. All of those mandates have remained the same. They're very independent bodies, as you know. So nothing major other than, of course, the calling of the financial system inquiry, financial system inquiry, which Treasurer Hockey has announced and the appointment of David Murray to head that. So that coming forward in the future will be the major piece. The other piece for our regulation, of course, is what's happening globally. Effectively, that has to be implemented through APRA and the other regulators in this country, but that's ongoing, of course. There's no impact on that from change in government.

**Stephen Mayne**

And just final general question now, I remember Don Igis [ph], a couple years ago, was saying that our big banks, particularly CommBank and Westpac had become giant building societies because a majority of our assets are in the mortgage market. And obviously, I think we're the only country in the world where 4 of the top 5 stocks on the stock exchange are banks. So while there's a huge amount of value effectively, which is tied up in our profits on lending to the home mortgage market. Now Australians are the most -- Australian households are the most leveraged in the world. I think the total mortgage is up around the \$1.5 trillion. We're making a lot of money out of that. But can you just make a brief comment about the risks in all of that, in land bubbles, in housing prices that are very, very high by world standards,

household leverage that is unprecedented anywhere in the world, majority of our assets in the household market. How would we cope if, for instance, home prices fell by 30% to 40% because of some form of recession? How would we handle a risk event like that?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Stephen. It's a very good question. You can imagine that scenario you just painted is reviewed very heavily by this board and by the CEO and the risk team and the group executive. That is a classic scenario planning we go through. Our regulator is very interested in that, so the regulator from time to time asks us to scenario plan, exactly what you just said, if there was an overnight collapse in housing prices of x percent, 30%, in your example, Stephen. We've worked through all of that. We think we're very well placed to be able to deal with that. There's a lot of factors in there. One is, obviously, the way we start with in terms of the risk procedures we go through before we make a loan in the first place. The loan-to-value ratio, when we first issued the loan, the fact in this country certainly for owner-occupiers, virtually all of those loans are principal and interest. So at any point in time, if there were a collapse, as Stephen just outlined in that scenario, then even though loan might have started 80% loan-to-value ratio has come down to an average of 50% or 40%. On your leveraging of, you're quite right to identify Australian consumers have traditionally been highly leveraged. That's still the case as you say, but it's better today than it was 5 years ago. Part of the reason why you're not seeing our mortgage book grow nor any of our competitors at the rates you saw before is that in this low interest rate environment, there'll be people in this room doing this, in this low interest rate environment, people are taking the opportunity to deleverage going through. We don't rest on that laurel because we got to look after our own risk management apart from that, but all those things mean that we don't believe in the housing bubble. The other point about housing in this country is unlike many places overseas, it's never been, apart from some specific locations and they're very limited, it's never been demand and supply of housing being out of kilter like it has been in the past in the U.S.. So there's a whole lot of reasons why not. It's a great question. It exercises our mind a lot. Thank you. Number 5, it looks like you're the only man working out there, #5.

**Unknown Attendee**

Mr. Chairman, I'd like to introduce Mr. Julian Vincent [ph].

**Unknown Attendee**

I have a question about the loan to the Wiggins Island Coal Export Terminal up in Gladstone. So that's a, I believe, a number of banks are involved in that loan. The total quantum was, I think, \$3 billion, and Westpac contributed about \$100 million to that. Obviously, you'll have the more precise figure than I. But my concern is that I recently read in Bloomberg Businessweek that a lot of the companies who are behind that project are struggling to find customers. And obviously, some of these are smaller or medium-sized entities that may end up going, well, for want of a better word, belly up as a result. If that happens, and this is, of course, a project finance loan, so it's nonrecourse, what position does that put the bank in? And how much of a hit to shareholder capital can we expect if Westpac is unable to reclaim that money?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. This is not the appropriate forum to talk about individual customer relationships, obviously, so unfortunately I can...

**Unknown Attendee**

Wiggins Island is a project owned by a number of entities...

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

I understand all about Wiggins Island, but not all about it, so I'm very aware and so is the Board of the loan. And you're right, in terms of us being a participant for mostly wide range of bankers, and we can talk

about that. But in terms of -- I can make no comment in terms of likelihood of recovery or not recovery in the future other than to say this, that, that loan, obviously, for that amount of money is an [indiscernible] institutional bank. Those major loans are reviewed, obviously, on a specific loan-by-loan basis. That loan will be being monitored by the institutional bank risk people and loan people in the bank. And we will, as we always do in these situations, work with the other members of the syndicate to maximize the outcome. But I can't make any predictions on that outcome. And obviously, as we're going along, just to complete the general picture, if we felt, as an organization, that loan was unlikely to be recovered, then, we start to provide for that, that's why you see that in your provision for impairments in your balance sheet. But thank you for the question.

**Unknown Attendee**

No worries. And just a quick follow-up. Are there any lessons taken from that example given that there are a number of additional coal export terminals proposed in Australia that the bank has taken into consideration already?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Again, just a general answer, clearly, we look at individual loans in the context of what sector they're in, what location they're in. We look at concentration limits in terms of that as well. So yes, whenever loan quality moves on a particular loan and that we absolutely focus in on what that means for that sector. Thank you.

**Unknown Attendee**

Mr. Chairman, I would like to introduce Ms. Deborah Hart [ph].

**Unknown Attendee**

First, I think, many people would applaud Westpac Bank for being one of the first -- I believe the first signatory of the Equator Principles, which were designed for international environment protection. But I know that last year that you invested several hundred million dollars, I believe it was \$300 million in the plant, the Australia Pacific LNG plant on Curtis Island in the Great Barrier Reef World Heritage listed area. And we understand that one of the investors, a United States export/import bank is being taken to court over an alleged breach of the U.S. Endangered Species Act as the plant is expected to harm species that are already on the endangered list. So my question really is how does that sit with being a signatory to the Equator Principles?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. Again, I don't have the knowledge and I should not comment specifically on a particular customer. But the answer to your question, I hope, which is satisfactory, in a general sense is that when we lend to an entity like that, a company like that, and we're also very conscious of what industry, what sector it's in, the location, the location in terms of, particularly, special part of this country, the Great Barrier Reef and so on, and we would look at every aspect of that borrower in terms of what its intentions are, what environmental approvals its obtained. So obviously, to do what that borrower is doing is going to go through a whole environmental process. Part of our research and sign off before we lend to them would be to say that they're complying with all the requirements that are required of them. And then, if we get happy with that, that's the case when we lend. If there's a breach going forward, then that will be a breach of our loan agreement, and we will need to look at that and see what action we take.

**Unknown Attendee**

Mr. Chairman, I'd like to introduce Mr. Richard Duggin [ph].

**Unknown Attendee**

I would like to ask a question in relation to Westpac staff remuneration, is this an appropriate forum to do so?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Let's have a go. Let's see.

**Unknown Attendee**

My brother worked for Westpac from 1986 until his unfortunate death early this year from cancer, leaving a wife and 2 young children. Unfortunately, I'm the executor of his estate, and I've been attempting to extract his asset remuneration from Westpac group plan since February of this year. And I won't bore you with all the details in relation to this matter, but I have been assisted by a solicitor insurance broker, engaged people in Westpac in Sydney, the head of IT and his PA. I've lodged a complaint with [indiscernible] remuneration [indiscernible] in Melbourne, and I have had some response since then. But as of today, which is 10 months since his death, I've been unable to obtain his death benefit, and his family and children are being supported by extended family. And I'm looking for some action on this, please.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, and I'm sorry to hear that. That's such a troubling story. So we absolutely will take it on board. Is there someone...

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Christine. I would suggest Christine Parker. Christine, do you want to stand up?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Christine Parker is the head of HR. So I'm sure after the meeting concludes, then you'll have a chat with Christine. Thank you.

**Unknown Attendee**

Mr. Chairman, I would like to reintroduce Mr. Stephen Mayne.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Stephen.

**Stephen Mayne**

Sorry, so just a couple more questions, just on the business and the shareholder issues. You're obviously the second biggest bank by market cap and you're a huge lender. I've noticed in a few situations, you've been selling your debt. Now I know you can't talk about specific situations, but I think it's pretty much wide on the record that companies like Centro [ph], [indiscernible] Billabong, as a banker, most of -- all of the big banks took the view that they just sell their debts at a discount. And in those 3 cases, you sold that to U.S. distressed debt funds and they've made a fortune. So I guess, from a shareholder point of view, the scoreboard looks like that in a difficult situation, you walk away at a discount and let someone else make a profit. So what is the bank's philosophy? I would have thought that the stressed debt recovery is a core business. And what is your philosophy on when you just outsource to some other fund or when you roll up your sleeves and actually maximize the recovery for shareholders?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. That will, again, my wish to comment on this, but that will be, absolutely, again, on a case-by-case basis. So we will, in all of those stressed debt situations look to see what's the best way to extract ourselves from that debt. Sometimes, unfortunately, as many of you know, that would involve appointing some form of insolvency administrator. In many cases, it is we work with a customer to work through that, extend further debt, give some moratorium on interest and so on. And in some cases, as Stephen Mayne's identified, it involves selling our debt to a third party, so we weigh up all of those features and make what we think is the most appropriate decision. I should say in relation to selling debt to third parties, one of the reasons why sometimes, not always, as Stephen knows, sometimes the third party seemed to make on the deal is because they have a much greater appetite for equity than a bank regulated the way we are can be. So we've got usually debt exposed, and we stay in that mode. A lot of these other hedge funds because they are not regulated the way that we are regulated have lots more opportunities to do other things. That's -- I'm not being critical, that's just the way it is. But Gail, do you have anything to add to that?

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Thank you, Stephen. All I'd say is there are very small number of cases in that situation. Actually, we have a very strong team in our business that works out and works with our customers; and in fact, our prevailing philosophy is to support our customers, work with our customers through the issues. And we really do have a strong track record and can evidence that over the course of the past 5 years. So it's a small minority of cases that, for very good reason, as the Chairman's indicated, we pursue the part you discussed.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Now we can go to roving microphone 6, please.

**Unknown Executive**

Mr. Chairman, I'd like to introduce Mr. Iva Ferrera [ph].

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Mr. Ferrera [ph], good morning.

**Unknown Attendee**

Question for Ms. Gail Kelly. In regards to IT outsourcing and just supporting communities, in general, in Australia, as we are aware right now, the demise of Holden, there's a number of Australian icon companies that have laid off staff forcibly: Telstra, BHP, ANZ, et cetera. We can certainly go into a number of those. To the extent that Westpac, one of the oldest companies in Australia, I'm aware that a substantial amount of IT technology outsourcing has occurred in the last sort of 3 to 5 years to Indian outsourcing vendors. Your view, Gail, on supporting Australian communities and just the Australian economy, very interested in that.

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Thank you. Well, of course, we're so connected to the Australian economy and fundamentally actively engaged in supporting the Australian economy and communities in so many ways. With regard to IT, actually, there's a real lack of skills within Australia. It's one of the Australian issues that we need to stare into over the next period, as we work on our productivity and as we work on skills gaps. Technology is one of those areas. We're probably one of the very biggest technology businesses in Australia, if not the second, then the third biggest technology business in Australia. So we very materially employ technologists and have a sizable team of people here within Australia delivering our technology. But we do have the requirement for additional skills and capabilities that we cannot source here in Australia. Of course, the NBN is drawing very substantial technology skills too, and so we partner with the very best

companies around the world, companies such as IBM, Infosys and so on to assist us in actually delivering to our needs in the technology space, and that's a partnering approach. Some of those companies' technology resources are based here in Australia and some are based elsewhere. But it's been very valuable for us in terms of adding value to our business, being able to be more efficient, but actually also being able to be more effective in doing more over -- with doing more investments fundamentally by leveraging some additional resources with our partners.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Gail. Any more questions? If not, thank you. Sorry, there is one. That's all right. Thank you, microphone 5. Thank you.

**Unknown Executive**

Mr. Chairman, I'd like introduce Mrs. Martin [ph].

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Mrs. Martin [ph], good morning.

**Unknown Attendee**

I left my question for last because it's not particularly, I think it's relevant. It was most irritating, I have traveled all the way up here, but when I came to the door, I couldn't get in. The doors were all locked, apart from apparently one miles away and that was mostly irritating. And the other thing we were having a discussion the other night, remember -- you remember very easily when you had the global financial crisis and the federal government stood behind the major banks and the smaller banks, but you charged them, I thought, an interest. I said what you call an interest, and we were discussing that and I couldn't remember how much -- and I couldn't ever remember hearing anybody tell me how much you were charged or we were charged for that. I do appreciate hearing Gail Kelly.

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Thank you very much.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. So we'll turn to the administration on the room. Gail, can you remind us on the levy that was introduced by the government?

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

I can't quite remember. I'm looking at my CFO. He's going to help me out with this one. Phil or Peter King? We think, Mrs. Martin [ph], it was 70 basis points for 5-year term date. So whatever the size of the overall debt was for 5-year borrowings, we paid 70 basis points on that date to the government.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

So to give the audience some, Phil or Gail, some indication of this, this is hundreds of millions of dollars what sort of, possibly hundreds of millions of dollars [indiscernible].

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Yes, it was hundreds of millions. For the industry, as a whole, it was around \$5 billion or \$6 billion, I think. But I can't recall the exact number, Mrs. Martin [ph], but of that order.

**Lindsay Philip Maxsted***Independent Chairman of the Board*

Yes. I think that frames it for the audience. Thank you. No further questions? Over microphone 4 right now.

**Unknown Executive**

Mr. Chairman, I would like to introduce Mr. Graham Hawkins [ph].

**Lindsay Philip Maxsted***Independent Chairman of the Board*

Thank you. Graham [ph]?

**Unknown Attendee**

I'd go back to probably the first question of the day, and there was a reference to the fact that in about 4 years' time, the bank will celebrate its double centenary. I would imagine that the first directors of the bank back in 1817 were never anticipating what this country would be like, and I wonder whether the board today is anticipating what the country will be like in another 200 years. But I don't think our governments, and a lot of everybody is -- tends to be concerned about today and tomorrow, and perhaps the government is concerned until the next election and perhaps a year or so after that. And I would have some concern about the sale of our assets and the funding of it. One of the things that always worries me is that my children might say to me down the track, "Dad, how did we ever let this happen," or, "How did you ever let this happen?" And it concerns me when you become involved in the financing of major infrastructure that is selling off our resources without due recourse to what we will need in 100 or 200 years' time. I'm very -- I'll come back to it at a stage but it was only about 100 years ago that my father joined the Bank of New South Wales, and he would be very concerned, I think, about some of the ways that the bank has performed, either in its new name and all of the banks. And I don't think we can absolve our responsibility by just saying, "Well, look, everybody else is doing this." Somebody has got to put up their hand at some stage and say, "We've got to take a stand on these issues." I saw the signs out in the foyer. I know there are 2 sides to every argument, and I appreciate this. But if we sell off our coal and everything else, what will we have at a later stage? And what sort of world will we be bequeathing to our children and our grandchildren? And I've got a number of those. I don't have any great grandchildren yet, but perhaps there will be a time when I will see them and I will wonder what sort of world they will have. And I think the banks -- somebody in the banks, whether it be Westpac or any of the others, have got to put their hand up and say, "Stop."

**Lindsay Philip Maxsted***Independent Chairman of the Board*

Thank you. I think that was a statement as opposed to a question, but thank you. No further questions? Thank you.

We now move to the items of business requiring a vote. As mentioned -- as I mentioned earlier, voting will be conducted by a poll and as Chairman of the meeting, I now formally call for a poll on all resolutions. All participants holding a red or green card should have received a voting paper. Link Market Services staff are available to assist anyone with questions on how to complete your voting paper. Completed voting papers must be placed among the ballot boxes located either here in the meeting room or in the foyer outside the meeting room. Proxy forms received before 10:00 a.m. Australian Eastern Daylight Time on Wednesday this week, the 11th of December, have been placed in the returning officer's position. All members attending this meeting personally or by proxy attorney or representative, who have received -- who have registered and received an admission and voting paper, are eligible to vote and have been entered into a computerized voting register. This voting register records each security holder's number, the person's voting entitlement based on the number of shares held as shown in the registry of members and the admission and voting paper number. A person eligible to vote and representing more than one proxy will have been given one admission and voting card for all those appointments on which to cast the whole of that voting entitlement.



The voting process will be as follows. Firstly, before placing your voting paper in the ballot box, you must indicate on the paper the manner in which your votes are to be cast for all the items. Secondly, to cast all items in favor of the item, place a mark in the for box for that item. To cast all votes against the item, place a mark in the against box for that item. And to cast some votes in favor of the item and some against that item, please write in the for box the number of votes to be cast in favor of the item and also write in the against box the number of votes to be cast against the item. The sum of the votes, of course, for and against cannot exceed your voting entitlement. Completed voting papers, as I say, have to be placed in one of the ballot boxes under the supervision of the returning officer or his agent.

I now declare the polls on all the resolutions open. You're able to vote on all resolutions and place your completed voting papers in the ballot boxes, all polls will close 15 minutes after the completion of the business of today's meeting, at which time, this meeting will close. The results of the polls will be advised to the ASX and available for viewing on the Westpac website as soon as possible.

Now the second item of business is the adoption of the remuneration report for the year ended 30 September, 2013. To start this discussion, I want to make a few observations on remuneration and our focus over the past 12 months. The board does most of its remuneration work through the Board Remuneration Committee, as I said earlier, chaired by our Deputy Chairman, John Curtis. This committee is responsible for the detailed work and it makes recommendations for the full board for approval.

Over recent years, the response to market feedback and ongoing assessment of best practice, a number of changes have been implemented to the group's remuneration approach. In the 2013 year, we consolidated those changes. Accordingly, the structure of the group's remuneration is largely the same as that supported by shareholders at last year's Annual General Meeting.

Looking at the remuneration report itself, we've continued to make adjustments to the report to make as clear as possible what can be quite detailed and complex. In the 2013 report, we've introduced some diagrams, where possible, to illustrate our remuneration framework, including charts, illustrating the link between organizational performance as reflected by economic profit and CEO payments over the past 3 years. We've also introduced a new table summarizing the short-term remuneration outcomes against individual targets for our CEO and for the senior executives. We did not increase the fixed remuneration or incentive targets for the CEO or senior executives in 2013, and we will not be adjusting individual senior executive remuneration in 2014, except where there's a significant market anomaly. Our remuneration report has traditionally been well supported by you, our shareholders; and I'm happy to receive your support again this year.

So I now ask if there are any questions on the 2013 remuneration report. 5?

### **Unknown Executive**

Mr. Chairman, I'd like to introduce Mr. Stephen Mayne.

### **Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. Stephen?

### **Stephen Mayne**

We've had quite an internal debate at the ASA about how we vote on this item. We had a good level of engagement with you and some of your executives, which we appreciate, and we also do acknowledge that there's been some changes over the years that we've called for that have been introduced, such as the second hurdle in measuring LTI. However, in the end, we've landed at a position where we are going to vote against today. The largest reason for that is that you declined to move to a 4-year performance period for the LTI, particularly for the CEO. Now Fidelity, one of the biggest funds in the world out of Boston, a few months ago issued a decree that they were going to vote against all rem reports if they were under 5 years. We've seen [indiscernible] to 5 years. We've seen [indiscernible] 4 years. A number of other major stocks have moved to 4 years. So we're actually drawing a line in the sand with this. Westpac is the biggest company without the 4 years, and we'd like you to make the move. We really would. And

so we're voting against today, because you haven't. And we're simply basically asking Gail to amend the contracts for next year when she comes along seeking the performance rights. It's got a 4-year, not a 3-year performance period, because banking is a long-term issue. We want you to manage the long-term risks and we want genuine long-term alignment, and we just feel that 3 years is too short a timeframe. So it's also been a bit of an issue with the fact that 50% of the LTI vests, if you're at the 50th percentile, so we think that's a little bit too much reward for average performance. We do acknowledge that you've not raised the fixed remuneration for a couple of years now, but at \$3.6 million, Gail's fixed, is very, very high by national standards. We note that the new BHP CEO is come in that re-based the fixed BHP down to \$2.3 million. So whilst freezing it is admirable, many issuers in the market and the property stocks have been sizable reductions in the fixed, particularly when a new CEO is appointed. So Gail does kind of have a bit of a legacy contract, and she's perfectly within her rights to hold the line on a legacy contract. But she does own \$58 million worth of stock already. She's got performance rights already issued over another \$22 million. She's done pretty well, so I don't think it would've been unreasonable to perhaps have a modest cut in the fixed and also to have moved to the 4-year performance period, so I guess we're just politely asking Gail to make some adjustments for the next year's rem. And then we'd be delighted to vote in favor, if a couple of those modest adjustments are made.

**Lindsay Philip Maxsted***Independent Chairman of the Board*

Thank you, Stephen. Just a couple of points, Gail won't make that decision on her own. That will be a Board Remuneration Committee decision in terms of what we think the right amount is for Gail and for all of the executives and all the key management personnel. Just on the 3-year LTI, it's a very valid point that you raised, but the way we see it at Westpac is that it's not necessarily longer is better in terms of 4 years, 5 years and so on. What we think is really appropriate and we might change our mind over time. We will continue to look at this next year and the year after, year after, I suspect John and everyone. But for us, when we go to that planning cycles, we look over a 3-year period. When we look at just how quickly banking is changing and I -- that you can get a very good view of what an executive has done in 3 years' time as opposed to 4 or 5 years. The point was made in the meeting at Westpac earlier this week that -- in the technology sense, reminding the board that iPads weren't invented in 2009, which is just an amazing change in terms of technology. So we think for a number of reasons, 3 years is the right term. But we understand that some others don't, and we will continue to look at that. In terms of some of the issues -- other issues that you've noted, we thank you for acknowledging the changes that we've made. We think remuneration is a whole package to vote on, rather just a single issue of 3 years or 4 or 5. But thank you for your observations. Anything else on this agenda item? No? Thank you. Then under the relevant legislation, sorry, there is one. Yes, 4? Microphone 4.

**Unknown Executive**

Mr. Chairman, I have a second question from Mr. Graham Hawkins [ph].

**Lindsay Philip Maxsted***Independent Chairman of the Board*

Thank you, Mr. Hawkins [ph].

**Unknown Attendee**

Mr. Chairman, if my memory serves me correctly, there was a news report some weeks ago, I don't know recall how long ago, that the Managing Director had disposed of a significant number of shares. Before I go on with the question, was that correct?

**Lindsay Philip Maxsted***Independent Chairman of the Board*

Yes, yes.

**Unknown Attendee**

Okay. I've looked at the shareholdings of the directors and also the shareholdings of the senior staff. And particularly, when it looks at the senior staff, it shows what they had and what they acquired. There is no reference to what they might have sold, and neither is there a reference here to what staff might have sold. I made a reference before to my father joining the bank almost 100 years ago. He bought his first West -- Bank of New South Wales shares when he was a bank manager shortly after the war. My 3 children and I now share those shares. None of them have ever been disposed of. They have been built on, and I believe that, that is what all of the senior staff and all of the directors should be building on them and not necessarily disposing of them. Because when a large number of shares are disposed of, as a shareholder, it worries me as to why. What do the directors know that I don't? I know that there are controls. But there's always that nagging thought, and I'm also looking at the shareholdings of the directors, and I would have thought that there are some companies that make it mandatory that part of the money that each director has paid is in the form of shares, which might be bought on market or whatever it might be. But we don't see anything in the report to show what your holding was 12 months ago, as to what it was at the end of this report. So we're not seeing what you did. We can go and access it online, I suppose, if we make the trouble of working through the -- all of the statements. But it should be clear and concise to each and everybody as to what the directors are doing and I think that, that should be shown quite clearly. And I think the phrase is, we'd like to see you all having more skin in the game. Because if the shareholders out here are hanging onto their shares, we would certainly like to think that you and, in particular, the Managing Director or Chief Executive Officer is holding on to their shares. And I'd like your comments on that.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. Of course, of course. We'll take on notice in terms of disclosure in the report and see if we can do that additional disclosure. The question is on Gail. Gail did dispose of shares. As part of the policy at Westpac, which is similar to all listed companies, is that Gail needs clearance from me as Chairman to do that. The reason for, from time to time, Gail already has substantial shareholding, selling down shares is principally for tax reasons and for funding reasons in terms of shares that have been acquired. So that's the sole reason, nothing else. Fair to say, Gail, I suspect notwithstanding that sale, or you would have more shares today than you had 12 months ago?

**Gail Patricia Kelly**

*Former Chief Executive Officer, Managing Director and Executive Director*

Yes, that's correct. I have more shares today than I had 12 months ago, so I acquired shares as well as sold shares.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

So in terms of commitment from your board and from the executives, it's a requirement of the CEO to have -- hold shares in excess of 5x her fixed remuneration, and Gail, as Stephen Mayne alluded to, well in excess of that. For every other group executives, the requirement for their holdings in excess of \$1.2 million worth of shares and this complies with that. For all of us up here, there is an expectation that all of us will hold at least shares the value of our annual directors' fees, and if -- and that may not be the case straightaway if a new directors and so on. But that's -- there's time allowed to build that up, but that's the intention. So we absolutely believe in the skin of the game piece, and we believe we adhere to that. Thank you.

Anything else? There are no further questions on this agenda item. Under the relevant legislation, the vote on this item on remuneration is advisory only and therefore, nonbinding. However, of course, the board will take the outcome into account when considering our future changes to our remuneration policy. The proxy votes available in relation to item 2 will now appear on the screen. Any proxies revoked before the start of this meeting are not material. As the meeting Chairman, any proxies given to me will be voted in favor of this item, unless specifically directed otherwise.

In accordance with the Corporation's Act, other than in relation to proxies granted to me as the Chairman, all directors, group executives and other key management personnel and their closely related parties are not eligible to vote on this resolution and will accordingly abstain. Key management personnel and their closely related parties are, however, permitted to exercise a director proxy on behalf of the person entitled to vote on this resolution.

I will now formally propose the following item: to adopt the remuneration report for the year ended 30 September, 2013. If you hold a red card, you may vote on this item. Please complete your voting paper. And once completed for all items, you can lodge this in one of the ballot boxes any time before the close of the meeting.

The third item of business is to seek shareholder approval of equity awards to the CEO in relation to equity incentives for the 2014, 2015 and 2016 financial years. And once again, I shall make some introductory comments and invite questions from the floor.

First, I'll note that the equity arrangements proposed for the CEO today are substantially the same as those approved by shareholders back in 2010. It follows that the resolution before you today largely follows the ground approved by shareholders in 2010 and, as was the case then, covers a 3-year period and this case, of course, being for 2014, '15 and 2016. The board believes the CEO remuneration should be aligned to the long-term interest of shareholders. A critical part of that alignment is requiring that part of the CEO's remuneration -- is requiring that part of the CEO's remuneration be provided as equity that only vests if certain conditions or hurdles are achieved. The option of providing equity is contained in both the CEO's short-term and long-term incentive plans. Under the short term incentive plan, a portion of any earned short-term incentive is provided in Westpac shares, which are then deferred for up to 2 years. While under the long-term incentive plan, performance rights are granted subject to satisfaction of performance hurdles.

As a listed company, the Australian Securities Exchange requires that Westpac obtains shareholder approval before equity can be issued to its Chief Executive and Managing Director. The remuneration report discloses details of the CEO remuneration plans, and those issues were opened for discussion at the previous item. It follows then the discussion of item 3 should focus on the equity elements of the CEO's remuneration. At the 2010 AGM, shareholders approved the equity components for the CEO's remuneration for 3 years. And as I said earlier, we're seeking approval today for a similar resolution covering the financial years 2014, 2015 and 2016.

It's important to add that approvals are only for equity grants for 2015 and '16, if short-term incentive targets and long-term incentive awards are within the fixed ranges related to base pay as specified in the notice of meeting. The CEO's incentive targets for 2011, '12 and '13 have remained well within these ranges. If the short-term incentive target or long-term incentive award falls outside these fixed ranges, then there'll be need for us to get separate shareholder approval, and we will seek that from you. In those circumstances, any multi-year approval under today's item would not apply. More detailed information on item 3 is included in the explanatory notes accompanying the notice of the meeting.

Your board strongly believes the principal that the CEO should have a high portion of remuneration paid in equity to align her interests to shareholders, which was the commentary of the most recent question, and so we commend this resolution to you.

I'll now ask if there are any questions in relation to item 3 relating to equity grants under the CEO remuneration plans. Microphone 5.

### **Unknown Executive**

Mr. Chairman, I'd like to reintroduce Mr. Stephen Mayne.

### **Stephen Mayne**

I guess I should first acknowledge that the against vote on the remuneration report has halved this year. From 8% last year, it looks like it would probably finish at about 4% this year, so that's a noteworthy fact

that the shareholders are more supportive this year and we will take them into account next year when we look at the remuneration issues.

We're always uncomfortable at the ASA. We've seen some bad examples, particularly with Cochlear [ph] and some other companies with sort of gaming of the accounting treatments and fair value in determining the number of rights that a CEO will get. We're not suggesting there's anything improper with the calculations that you've made. But we do note that you're valuing these rights on the TSR hurdle at \$15.44 each and on the EPS hurdle at \$18.65 each. And if you are using a market value metric, these rights would not be the \$2.7 million that you're saying is being allocated, but actually about \$5 million. Retail shareholders struggle to comprehend and understand these complex models and accounting treatments and far prefer future performance rite grants to be referenced to the market price, so that we can understand that we're going to get \$5 million worth of free shares. That's \$5 million divided by the market price and not all this complex stuff that we've seen. So we just like you to take that on board for the future. Obviously, we've mentioned the 3-year period we prefer to be 4. But another important point is that these rights can pay out, even if there's a negative TSR. So in 3 years' time, if the share price of Westpac is down by 30%, so the shareholders have lost a lot of money even after dividends, yet your peer group have lost 50%, then Gail will still get the full payout, will get millions of dollars worth of free shares when the shareholders have lost their shirts. So the idea that we're better because we've lost less than the other crew is something that I think shareholders struggle with. And ASA, we've drawn the line on the sand on this issue after BHP, where BHP lost 9% over 5 years. But because their peers lost more, they were entitled to something like \$20 million of bonuses. And the Board stepped in and cut quite a bit of it. We'd like to see these sort of schemes have a clause that just says, straight out, if the shareholders have lost money, then there's no award. So a straight exclusion when there's a negative TSR over a 3, 4 or 5-year period. So we'd ask you to take that into account for our future grants. Gail, maybe you'd want to volunteer to step up for that one, would be quite good, and we're voting against for those reasons. But I think it's pretty clear, we understand that Gail has been very successful. We don't begrudge her success, we think there should be ongoing grants. There's not that much wrong with these ones, just a few little issues which we hope we can certainly see dealt with by the time we go to the next year.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Stephen. Just a couple of comments, not on every point. But on the fair value, face value, we absolutely acknowledge what you say there. We actually benchmarked ourselves on that this year with our external consultants through the Remuneration Committee. And I'm sure John, we'll be looking at that again this coming year. So that's noted, but I'm glad you introduced that by saying there's nothing -- there's no issue Westpac-related here. That's -- this is industrywide in terms of the fair-valuing of these rights, so thank you for acknowledging that. The TSR piece is a really fascinating one, your last one, in terms of whether there should be any payment of awards to any executive in a period where the absolute value of the share has fallen from 3 years earlier or 4 years or 5 years earlier in Stephen's world. We think about that a lot, and we think, particularly for a bank, particularly for a conservative bank, particularly for a bank that's built around strength of balance sheet, it would actually be a very wrong message, a very wrong message to send to the executives to not pay out bonuses in a period when the share price goes down, if we are, in fact, the best-performing or the best 2 or 3 -- one of the best 2 or 3 performing banks. Because if you think through this, then in banking cycles, the banks that take the greatest risks grow the fastest and ostensibly, it doesn't always follow, but most of the times, their share price will go up faster than the more conservative bank that's losing market share and so on. So when that then turns around in the future and over a 10-year period to say, well, I'm glad I stayed with a more conservative bank because my share price has been -- overall, I've got a better Total Shareholder Return, then we're actually better off being with that bank. And so to deprive the executive in the time when the market is going up, because of being more risk conscious and more conscious of a sustainable organization, and then penalize him again because I got this line in that's saying that you can't pay when the share price goes down, it's an interesting concept. So it's still debatable and so we will look at that again but I just want to make sure that everyone in this room, everyone that's listening understands, that is our counter argument to that, that Stephen just put to us.

Any other questions? Yes?

**Unknown Executive**

Mr. Chairman, I have a third question from Mr. Grant Hawkins.

**Unknown Shareholder**

Mr. Chairman, I think it also goes back to the -- Mr. Mayne's earlier remarks about taking it from 3 to 4 years. If it's taken over a longer term, then those fluctuations will be taken into account. I don't think you can have it both ways because either you look at the Total Shareholder Return over a lengthy period and see how that works, or we kind of write back in the first place. She can't win both ways because if she's not winning, we are not winning. Sorry, if we are not winning, then she shouldn't be winning. It's happened with other companies where the Chairman have said, "Well, why are we doing this job if we have the Remuneration Report, knocked back." And the general comment has been, because the shareholders have been suffering. Now we're not suffering at the moment, but there was a time, not so long ago when we were suffering. We don't want to go back to that, but we just like to see that, the same benefits apply across the board, and the Chief Executive Officer is treated the same as the shareholders.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you. I think I've made my point, but thank you. Any other questions? If not, the proxy votes received in relation to Item 3 will now appear on the screen behind me. Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted in favor of this item, unless specifically directed otherwise. In accordance with the Corporations Act, other than the proxies granted to me as the Chairman, all directors and group executives and their closely related parties are not eligible to vote any undirected proxies on this resolution and, therefore, they will abstain from voting. Key management personnel and their closely related parties are, however, permitted to exercise a directed proxy on behalf of a person entitled to vote on this resolution.

In accordance with the ASX Listing Rules, other than in the case of a directed proxy, Gail Kelly and any associate of Gail is not eligible to vote on this resolution and will, therefore, abstain. Other key management personnel are permitted to vote their personal Westpac shares.

I will now formally propose the following item: to approve for all purposes, including ASX Listing Rule 1014 and sections 200B and 200E of the Corporations Act 2001, the grant of shares under the CEO restricted share plan and performance share rights and shares under the CEO performance rights plans, to the Managing Director and Chief Executive officer, Gail Patricia Kelly, in accordance with the rules of those plans and on the terms summarized in the explanatory notes accompanying the Notice of the Meeting. If you hold a red card, you may vote on this item. Please complete your voting paper, and once completed for all items, you can, of course, lodge this in one of the ballot boxes anytime before the close of the meeting.

The next item of business is in 2 parts, items 4a and 4b, seeking approval of the selective buyback of Westpac Stapled Preferred Securities II, known as SPS II. SPS II are hybrid securities which were issued in 2009 for regulatory capital purposes. Each SPS II consists of a subordinated note issued by Westpac's New York branch, stapled to a preference share issued by Westpac. The SPS II terms require that SPS II mandatorily convert into ordinary shares of Westpac on the mandatory conversion date. Subject to the satisfactory of 2 conversion conditions which relate to the price of Westpac's ordinary shares, this date would be 30th of September next year 2014.

Again, I'll start the discussion while making some introductory comments on both of these resolutions. And then I'll invite questions from the floor in relation to Resolution A, followed by questions from the floor in relation to Resolution B, ahead of putting both items to the meeting.

Now these resolutions have been put to shareholders to give the group greater flexibility in managing its capital base by enabling the buyback of Westpac SPS II before they mandatorily convert. The group is seeking shareholder approval at this AGM because it avoids the need to separately convene another general meeting should the group decide to buy back the Westpac SPS II at a later date. Shareholders will appreciate the significant cost of conducting separate general meetings, and seeking approval requested

today means that we've eliminated that potential need. If Resolution 4a is passed, Westpac will have the option of buying back up to all of the Westpac Stapled Preferred Securities II on the mandatory conversion date, 30th of September 2014. The mechanisms for implementing a buyback on the mandatory conversion date are detailed in your Notice of the Meeting.

If Resolution 4b is passed, Westpac have the option of buying back some or all of the Westpac SPS II at any time before the mandatory conversion date. If Westpac were to buy back fewer than all relevant securities under the resolution, it will then also have the option of buying back the remaining SPS II on the mandatory conversion date under Resolution 4a.

Now if that's all very clear to you, I'll ask if there are any questions in relation to the selective buyback of SPS II, as contemplated by Resolutions 4a and 4b.

No questions? Thank you.

The proxy votes received in relation to Resolution 4a will now appear on the screen. Again, any proxies revoked before the start of the meeting today are not material, and as the meeting Chairman, any proxies given to me will be voted in favor of this item, unless specifically directed otherwise on the proxy form.

The proxy votes received in relation to Item 4b will now appear on the screen and, again, any proxies revoked before the start of the meeting are not material. As the meeting Chairman, any proxies given to me will be voted in favor of this item, unless specifically directed otherwise on the proxy form. Our voting exclusion applies here to Resolutions 4a and 4b, and the entitlement of secured holds to vote on these resolutions has been outlined in the Notice of the Meeting. If you hold either a red or a green card, you may vote on these items subject to the voting exclusions.

I would now propose the following item: to approve as a special Resolution 4a, the terms and conditions of the selective buyback schemes relating to the buyback on the mandatory conversion date of 30th of September 2014 of up to 100% of the preference shares that form part of the Westpac Stapled Preferred Securities II, as described in the explanatory notes accompanying this Notice of the Meeting.

Please complete your voting paper, and once completed for all items, you can submit this to one of the ballot boxes anytime before the close of the meeting.

I'll now formally propose the following item: to approve as a special resolution, 4b, the terms and conditions of the selective buyback scheme relating to the buyback at any time before the mandatory conversion date of 30th September 2014 of up to 100% of the preference shares that form part of the Westpac Stapled Preferred Securities II, as described in the explanatory notes accompanying the Notice of the Meeting. Please complete your voting paper, and once completed for all items, you can lodge this in one of the ballot boxes anytime before close of the meeting.

Now the next item of business is Item 5 regarding election of our directors. Under Westpac's Constitution, 1/3 of the current directors, excluding the managing director and any director filling a casual vacancy must retire by rotation at each annual general meeting. In addition, no director may continue to serve beyond the third anniversary of his or her most recent election. As I said earlier, Gordon Cairns is retiring from the board in accordance with the Constitution, and is not seeking reelection. Elizabeth Bryan and Peter Hawkins are retiring by rotation at this meeting, and being eligible, offer themselves for reelection. Ewen Crouch was appointed as a director of the board, with effect from 1st of February this year, and is seeking election at this meeting in accordance with our Constitution. Peter Marriott was appointed as a director of the board, with effect from 1 June this year, and is seeking election at this meeting in accordance with the Constitution.

I would like to advise that the board, other than the director concerned, has reviewed the performance of each director standing for election under this item. The review include the consideration of the expertise, the skill and experience of the director, and their performance and contribution to the deliberations of the board. And following this review, the Board recommends that Elizabeth Bryan and Peter Hawkins be reelected to the board, and that Ewen Crouch and Peter Marriott be elected to the board. Elizabeth and Peter are eligible, and offer themselves for reelection, and Ewen and Peter are eligible and offer themselves for election.

The first candidate is Elizabeth Bryan, who last stood for election in 2010. Elizabeth was appointed as a director in November 2006, and as a consequence, has completed 7 of the anticipated 9-year total for our nonexecutive, or under our nonexecutive director tenure policy. I'll now ask Elizabeth to address the meeting.

Thank you, Elizabeth.

**Elizabeth Blomfield Bryan**

Thank you, very much, Chairman, and good afternoon, ladies and gentlemen. I appreciate the opportunity to ask you to support my reelection as a nonexecutive director of Westpac. I've been a member of the board for 5 -- sorry, for 7 years, and have participated in the work of all of the board's committees over that time. I'm currently the Chairman of the Board's Business Risk Management Committee and I serve on the Remuneration Committee, the Technology Committee, the Nominations Committee, and I participate in discussions of the Audit Committee.

I feel very privileged and proud to have been part of the successful and important changes that Westpac has made to its business over the last 7 years. My understanding of this journey of Westpac's, along with my wide experience at many boards, and the 30-year career I have had both in the business community and the public sector, leads me to believe that I can continue to serve you well as a nonexecutive director of Westpac. My other professional commitment is as the Chairman of Caltex, Australia, and I believe that that leaves me with the time to undertake my commitment to the Westpac board. So ladies and gentlemen, I'm seeking your support for the resolution to elect me to the board of Westpac. And I thank you very much for the opportunity of making these remarks to you. Thank you.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Elizabeth. Thank you very much. Is there any discussion on this agenda item? Microphone 5?

**Unknown Executive**

Mr. Chairman, I'd like to introduce Mr. Stephen Mayne.

**Stephen Mayne**

I'll just make 1 contribution on all of the director election resolutions. So today, obviously, we're supporting Elizabeth, I think she's done a good job, she's a good director. And we're pleased that all the candidates, all of the incumbent candidates are addressing the shareholders today. Could you clarify, so will Elizabeth retire in 2 years' time or 3 years' time?

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Undecided, Stephen. So the policy is 9 years, unless there's discussion around the board table that says that for various reasons, we would be recommending that Elizabeth go beyond the 9 years. But once we go beyond the 9 years, we'd bring back that director each year for shareholder approval.

**Stephen Mayne**

Right, okay. All right, look, we're happy with the board, it's a good banking industry experience. We see too many boards which have the same old, same olds, and no relevant industry experience. And we think it's good that you got bankers and financial people on the Board. Mentioned in your comments on how it's working, being an out-of-town Chair. So I think you're all based in Melbourne. Obviously, Gail is in Sydney, so mentioned in your comments on how that is working. In terms of the reviews, can you just make a brief comment as to who conducts the review of the directors who are up for election and also, who reviews your performance as the Chair of Westpac? And finally, just a couple of small criticisms. When you're putting up the proxies for each of the items, I think it's a little bit cheeky that you're including the undirected proxies for the chair in the For column. So the For column should only be directed proxies, and those shares, however many you have got in your back pocket, they're actually undirected at the



moment. I guess, you could have put our undirected proxies from the ASA, 13 million of them, in the Against column on the Rem Report because we've indicated that's how we're going to vote. So the fairest way to do this is to just have the directeds For and Against. And I guess, the fact that you've done that, it slightly increases the For votes flashed on the screen. I think it does also lend to my next modest criticism which is the ballot paper you've produced for a contested election. It's a very biased ballot paper, and you shouldn't be doing things like having the incumbents as 5 a, b, c and d, and having the challenger as 6, having a big line between the different candidates, having the board endorsements on the ballot paper, don't vote for this guy, actually on the ballot paper. If you did this in politics, you'd be laughed out of court. Ballot papers must be pristine and fair. You can have as much part of the material as you like in the Notice of Meeting. So if you ever do have another outside challenger for your board, as you see, you don't need to do these tricks. Mr. Barrow will struggle to get about 2% or 3%, and it would be good if you could run, follow the principles of a fair election, and that includes an unsoiled ballot paper in terms of harnessing material from some of the candidates, or the people running the election, in this case, the board. Apart from that modest criticism, we're very happy with the performance of the board, the expertise, and we love the tenure limit that you have. One of the big problems in Australia is directors who stay too long, so ASA is very strongly supportive of mechanisms that drive renewal and turnover of talent onboard, so we're very pleased that you've got the 9-year limit applying and the 12-year limit for the chair. Thank you.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Stephen. So a number of things in there, my Melbourne-Sydney thing seems to be working, working for me, working for the CEO, working for management, I hope, and for the rest of the board. So there's no such thing as a normal week in any of our lives I suspect, but I would spend, on average, 2 days a week in Sydney, so it's 1 night away from home, but 2 full days in Sydney. If it's a board week it will likely be many more days than that, so in some weeks, maybe not at all, but on average, I'm in Sydney most weeks, and that seems to work all right. Of course, we have a pretty big presence down here as well, so we have Westpac in this town, in this state. It's obviously very highly representative. Of course, we have Bank of Melbourne here as well. So it's not as though we have no businesses of note down here. The undirected proxies, I'll have a rethink about that. I think we're okay in the sense that these are the proxies that have come in before 11:00 on Wednesday. As I've said, in each of the times we've been talking about the proxies that it's my intention to vote the undirected proxies For rather than Against. I don't think, Stephen, I think you're voting now as opposed to up there in those numbers. So I think we're okay in terms of how we present that, but we can have a look at that for you. On your question about bias, I strongly disagree with that. You're entitled to your view. I don't think there is any bias at all. We have an obligation and there are Stock Exchange rules to advise shareholders whether the board is recommending or not recommending a vote. Everyone in this room would be used to most ballot papers when they receive them, expecting to see recommendations for, that you expect the votes you're -- that the items you're voting on to be voted for. So it's quite exceptional to have an against. All we were trying to do in the way we set out the ballot paper and the proxy form was to make sure that people understood that what was original Item 6, which I'll get to in a moment, which I said earlier is being withdrawn, was not a recommendation of the board. Of course, people who wanted to vote for it, then that's our point of view. We think we've bent over backwards in terms of our treatment with Mr. Barrow to accept his nomination, to talk with him, to present his credentials and the way he presented them to us. So we can disagree on that one, Stephen, in terms of any bias. So I think they were the main themes from that. Any other discussion on this item, on 5a?

Thank you. The proxy votes received in relation to Item 5a will now appear on the screen. Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies given to me will be voted in favor of this item, unless specifically directed otherwise in the proxy form.

I now formally propose the following motion: that Elizabeth Bryan be reelected as a director of Westpac. If you hold a red card, you may vote on this item. Please complete your voting paper, and once completed for all items, you can lodge this in one of the ballot boxes before the close of the meeting.

The second candidate is Peter Hawkins who was appointed as a director in December 2008. Peter has completed 5 of the anticipated 9-year total term, contemplated by our nonexecutive director tenure policy. I'd now ask Peter to address the meeting. Thank you, Peter.

**Peter John Oswin Hawkins**

*Former Independent Non-Executive Director*

Thank you, Chairman, and good morning, ladies and gentlemen. My name is Peter Hawkins, and I have been a Non-Executive Director of Westpac for 5 years. Being one of the 3 St. George Bank directors elected by you to the Westpac board, following the merger of St. George Bank and Westpac in December 2008.

Today, I am again seeking your support for my reelection. I am a career commercial banker by background having spent, until my retirement 8 years ago, a total of 34 years as a full-time banking executive with one of the major 4 banks, with the last 13 of those years as a member of the group executive team. For the past 8 years, I have been pursuing a nonexecutive career.

My executive banking career spans being responsible for running, at different times, most parts of the bank, and includes both running operations and living in Australia, New Zealand, Asia and the USA. More specifically, my major roles of leadership accountability include Retail & Business Banking, wealth management, CEO for New Zealand, Head of Banking for Asia and strategy. My experience also includes having had responsibility for treasury, capital markets, balance sheet management, banking technology and all facets of risk management.

Turning to my nonexecutive career, today my other board positions, include Mirvac Group, Clayton Utz, Murray Goulburn Cooperative and Treasury Corporation of Victoria. The skills that I'd like to believe and bring to the Westpac Board include the following: my commercial banking knowledge and experience; risk management; my international experience and contacts; treasury, capital markets and banking technology; the experience and insights I gained from my other directorships; my values and a strong commitment to do the right thing; and my ability to work and contribute as part of a team. I would be honored to receive your support today for my reelection. Thank you very much for listening to me.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you, Peter. Any discussion on this? Just while people are walking to the microphones, there was one matter that Stephen raised which I didn't cover and that is who judges whom in terms of board effectiveness. So each year, the Westpac Board arranges for an independent consultant to do a review of the board. Then I sit down with -- that's a she, with her. I sit down with her and go through that result, and that result is then circulated amongst the board. In relation to the directors, specifically, standing for election, then with that director absent from the room, then the other directors canvass their views on that, usually with the help of that board effectiveness review, as well as just general observations from the directors. In my case, then all the board does that for me. And then it's the deputy Chairman's role to come and talk to me in terms of that review. So any questions on 5b? No? Thank you.

The proxy votes received in relation to Item 5b will now appear on the screen. Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies granted to me will be voted in favor of this item, unless specifically directed otherwise in a proxy from. I will now formally propose the following motion: that Peter Hawkins be reelected as a director of Westpac. If you hold a red card, you may vote on this item. Please complete your voting paper, and once completed for all items, you can lodge it in one of the ballot boxes before the close of the meeting.

The third candidate is Ewen Crouch. He was appointed as a director in February 2013. I'll now ask Ewen to please address the meeting. Thank you, Ewen.

**Ewen Graham Wolseley Crouch**

*Independent Non-Executive Director*

Thank you, Chairman. Good morning, everyone. In seeking your support for my election to the board, I would like to comment briefly on my background and experience, and how that fits well with the markets in which Westpac operates and Westpac's strategic objectives of balance sheet strength, shareholder return, growth and productivity.

As a partner of Allens for 25 years, my legal practice specialized in mergers and acquisitions, equity capital markets and corporate governance. That took me into a number of boardrooms of Australia's major listed corporations, giving me valuable insights into the matters that challenge a board and how different organizations have approached things, as well as substantial practical experience in the impact of regulatory requirements. I also served in a number of management roles at Allens, finishing as Chairman of that firm. A large proportion of my career to date has involved working with organizations across the full spectrum of the financial services sector. I was a trusted advisor to St. George's Board and Senior Management for a 20-year period, from 1988, from its days as a suburban building society, until its merger into Westpac some 5 years ago.

I have a broad range of interests, covering my chairmanship of Mission Australia, membership of the Takeovers Panel, directorship of the Sydney Symphony Orchestra, and membership of various committees of the Australian Institute of Company Directors, in addition to my directorship of Bluescope Steel Limited.

Westpac occupies a very special place in Australia's history and has a critical role to play in Australia's future. As Westpac approaches its 200th anniversary, I am very conscious of the stewardship requirement for a board member, as well as the responsibility of continuing to position Westpac for success in the future. It is a privilege to serve as a director of Westpac Banking Corporation. I believe I can make a substantial contribution to the board of Westpac, and I submit myself to shareholders for your support.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Thank you very much, Ewen. Any discussion on agenda item 5c? If not, proxy votes received in relation to Item 5c will now appear on the screen. Any proxies revoked before the start of the meeting are not material. As the meeting Chairman, any proxies granted to me will be voted in favor of this item, unless specifically directed otherwise in the proxy form. I will now formally propose the following motion, that Ewen Crouch be elected as a director of Westpac. If you hold a red card, you may vote on this item. Please complete your voting paper, and once completed for all items, lodge it in one of the ballot boxes before the close of the meeting.

The fourth candidate is Peter Marriott. He was appointed as a director in June of 2013. I'll now ask Peter to address the meeting. Thank you, Peter.

**Peter Ralph Marriott**

*Independent Non-Executive Director*

Thank you, Chairman, and shareholders. It would be a privilege to serve as your representative on the board of Westpac. And I'm grateful for the opportunity to address you here now. Westpac has a proud history and a critical role in Australia's financial markets, and it's exciting to be part of forging and assisting in the development of the future of this great company.

Throughout my career as an accountant, I have specialized in financial services and I've been deeply involved in most aspects of financial reporting, financial management, regulatory compliance and risk management. Finance and risk skills are, of course, core to the operations and strategy of any bank. I've learned the lessons from the ups and downs of the economy and the financial services sector, spanning over 30 years in banking and finance experience. This included hands-on experience during the Australian 1990 property collapse, and throughout the global financial crisis. I learned the key issues in business strategy and risk management for banks arising from those periods.

For 6 of my almost 14 years at KPMG, I was a partner responsible for signing audit opinions on major companies, providing information technology security advice and financial services consulting. I've subsequently spent 19 years at ANZ, including roles as financial controller, Head of Group Risk Management, and culminating in 15 years as Group Chief Financial Officer during a period of considerable

volatility and change. My personal values are based on uncompromising focus on integrity, and continuing to pursue excellence in everything that I am involved in. I have a deep understanding of the responsibility of boards to shareholders and to other stakeholders, and I'm currently a director on ASX Limited and several of its subsidiaries, including as Chairman of Austraclear. My previous board experience includes, a finance company, and a bank in New Zealand, ANZ National. So thank you for listening to me and I hope you know that I will be a conscientious and very committed director for looking after your interests, and will be honored to have your support here today. Thank you.

**Lindsay Philip Maxsted**

*Independent Chairman of the Board*

Good. Thank you, Peter. Any discussion on general Item 5d, please? No? Thank you.

The proxy votes received in relation to Item 5d will now appear on the screen behind me. Any proxies revoked before the start of the meeting today are not material. As the meeting Chairman, any proxies granted to me will be voted in favor of this item, unless specifically directed otherwise in the proxy form. I will now formally propose the following motion, that Peter Marriott be elected as a director of Westpac.

If you hold a red card, you may vote on this item. Please complete your voting paper, and once completed for all items, you can lodge it in one of the ballot boxes before the close of the meeting.

Now as I indicated earlier, voting in relation to Item 6 in the Notice of the Meeting is no longer required. Mr. Barrow wrote to Westpac yesterday withdrawing his candidacy as a director. In withdrawing, Mr. Barrow has requested that I read the following statement prepared by him. The views expressed in the statement of Mr. Barrow do not reflect the views of Westpac.

Dear shareholders, thank you for your consideration. I was running for election as a director on the platform of seeing that the company makes fair reparations to customers for any overcharging of bank exception fees. Neither Westpac nor any other Australian bank have admitted to overcharging their customers. Unless they do so, there appears nothing for me to do on the Board so I currently withdraw my candidacy. In leaving, I also note the Australian Shareholders Association found the ballot papers for Westpac, ANZ and NAB boards, all to be unnecessarily biased against an external candidate. Thank you, and signed, David Barrow.

From a procedural perspective, as Item 6 has been formally withdrawn, there's no further discussion required on this particular item.

That, ladies and gentlemen, completes the business of the meeting, and all items for discussion. The polls will close in 15 minutes on all items, at which time I declare the meeting formally closed.

Please hand your voting papers to the returning officer before leaving the meeting. The final results of the polls will be announced to the ASX, and will be available on the Westpac website as soon as possible. Those of you who would like to stay for refreshments are welcome to make your way outside, where directors and senior executives will be available to meet informally with you and answer further questions. Gail and I will join you shortly after completing some commitments with the media, which should take about 20 minutes or so. Thank you very much for your attendance and I wish you all a very happy and safe Christmas period. Thank you.