Westpac Banking Corporation
2011 Annual General Meeting

Sydney, Australia

14 December 2011

Chief Executive Officer's Address

Gail Kelly

Introduction

Thank you Ted and good morning everyone.

I would like to pay my respects to the Elders of the Gadigal people of the Eora nation, the traditional owners and carers for the land on which we meet, and where we have also made our home as a company for nearly 200 years.

Acknowledging our Chairman

Chairman, I would like to start by acknowledging your contribution to our Bank, and expressing our thanks.

You have been a Director of Westpac since 2001, our Chairman since 2007 and our customer for over 50 years. Your chairmanship of the Bank marks a lifetime spent in the service of Australia and the Australian people.

As Chairman, you have led our Bank through one of the most difficult and challenging events many of us have experienced, the Global Financial Crisis, and its continuing aftermath.

You have brought that most valued aspect of leadership in a crisis; a calm and steady presence, making sure the Bank remained strong and focused on the task of serving customers, supporting communities and creating value for shareholders. Your insights, guidance and leadership, shaped by decades of experience in economic management, have ensured that we emerged from the crisis as a stronger institution, better placed to serve our customers for the long run.

During your time as Chairman, you have also overseen a transformation in the Bank. In scale, capability and reach, we are a fundamentally different company. Since 2007:

- Customer numbers have grown from 8.2 million to 12.2 million;
- Our employee numbers have increased 40% to close to 40,000;
- Our asset base, which was $378 billion, is now $670 billion;
- In financial terms, our profit was $3.5 billion, it is now some 80% higher at $6.3 billion; and
- In 2007, we paid dividends of 131 cents per share. Our dividends for this year were almost 20% higher, at 156 cents per share.

All in all you have left an outstanding legacy.

We have greatly appreciated not only your leadership and judgement, but also the humility and generosity of spirit you have brought to the role, not always seen in those in high office.

Chairman, on behalf of your fellow Directors, the employees of the Bank, our customers and our shareholders, may I thank you for your service to the Bank. It has been an honour to have you as our Chairman.

2011 Full Year Results

Turning to our results for 2011.

I am very pleased with how the Group has performed. We delivered a sound financial result – Cash Earnings were up 7%, Cash Earnings per share were up 6%, with statutory net profit after tax rising 10%.

Reflecting the strength of our asset quality, impairment charges to average loans were down 10 basis points over the period. Our Return on Equity was steady at 16% and we continue to lead the industry on efficiency, with an expense to income ratio of 41.5%.

At the same time, we have further strengthened our balance sheet. As this slide illustrates, we finished the year with a strong Tier 1 Ratio of 9.7%, up from 7.8% three years ago. We also more than doubled our liquid asset holdings, now standing at over $100 billion. These changes ensure we are well advanced in the transition to Basel III regulatory requirements, and strongly placed should conditions become more challenging.

As the Chairman mentioned, we were pleased to declare a final dividend of 80 cents, so distributing a total of 156 cents for the year, 12% higher than in 2010. This slide shows the pattern of dividends, with only the one reduction in the 2009 year, at the height of the Global Financial Crisis.

Each of our divisions has performed strongly. In Westpac Retail & Business Banking, Cash Earnings rose 11%, in St.George 12%, BT 9%, and New Zealand 41%.

In the Institutional Bank, where global market volatility has had, and continues to have, a real impact on markets-related income, Cash Earnings eased 2%. Pleasingly, asset quality in this division was a positive standout, demonstrating the strength of our institutional portfolio.

I am also very pleased to report that we have made strong progress on our strategic agenda.

The Chairman has already mentioned the success we have achieved with the St.George merger, which is now well and truly bedded down and adding immense value to the Group.

Building strong customer relationships is at the heart of our strategy. Through the year we have increased the number of customers and deepened relationships, with a rise in the number of customers with four or more products. These trends are true across both Westpac and St.George. We are particularly pleased with our performance in wealth and insurance cross-sell. Indeed, Westpac leads the major banks with 20% of customers with wealth products, and St.George has shown strong momentum from a lower base.

We have driven a sharp focus on productivity, with $289 million in expense savings over the year, providing valuable headroom for investment while holding overall cost growth to just 2%.

As our Chairman has indicated, our major investment programme is on track.

Finally, we have been recognised by the Dow Jones Sustainability Index as the 2011 global leader in sustainability for the banking sector.

The Journey Ahead

Turning to the journey ahead. With the successful completion of the St.George merger, we are entering the second phase of our strategic journey towards our vision of becoming one of the world's great companies by 2017, our 200th anniversary.

We commence this next phase in good shape.

Westpac is one of the world's largest and strongest banks. As this slide shows, we are within the top set of global banks by market capitalisation, coming in at No.16. From a risk management point of view, we were one of the best performing banks globally through the Global Financial Crisis. We are also a leader in terms of expense to income ratio, with only the Chinese banks, which are subject to a different regulatory regime, operating below us.

In terms of our home markets, we are very well placed – No.1 or No.2 in nearly all banking areas with leadership in wealth and superannuation platforms, and in institutional banking.

We have a distinctive multi-brand business model, with recognised capabilities in relationship management and in effectively linking banking and wealth at the frontline. These capabilities lie at the heart of our strategy.

The next phase involves leveraging these strengths, continuing to invest and to deliver value. Over the next three years, we will focus on five key areas:

- Firstly, delivering the benefits from our customer relationship strategy;
- Secondly, leveraging the opportunities we have created through our innovative multi-brand approach to better support customers and drive value;
- Thirdly, we will accelerate our productivity agenda;
- We will also work hard to further increase the engagement and the diversity of our people; and
- Lastly, we will continue to strengthen our balance sheet.

This approach leverages the strong position we have and the capabilities we have built. It is the right strategy for what is, and will continue to be, a challenging external environment.

In the early part of our 2012 year, we continue to see the benefits of our approach with increasing cross-sell of wealth products and strong balance sheet management, including good growth in customer deposits.

However, following on from our experience in the latter months of our 2011 financial year, global uncertainty and the associated market volatility continue to weigh on revenues from our Markets and Treasury businesses including the negative revaluation of our liquid assets.

So let me make some remarks on this global situation and its impact on Australia and the banking sector.

Global conditions and the impact on Australia

The global economic outlook remains mixed.

Growth in the Chinese economy, which is central to global economic growth, is still strong, even though the pace of growth has moderated. The US is beginning to recover although the improvement is slow.

However, we have all observed how conditions in Europe have deteriorated over the course of the year.

People across Europe face an uncertain period as their leaders wrestle with deep economic and financial challenges that have no easy answer. Great leadership and the setting aside of individual concerns will be necessary to find a solution to restore balance and market confidence.

Similar to the Global Financial Crisis, the problems in Europe are reverberating around the globe with growth slowing, increased financial market volatility and heightened consumer and business uncertainty.

As we have seen, Australia is not immune to these headwinds. Growth here has slowed, and consumers and businesses are naturally cautious.

Having said that, Australia is in a strong position. As a country, we have not engaged in the excesses of many other developed nations and successive governments have exhibited excellent fiscal disciplines over many years. We are further supported with significant monetary policy flexibility.

The banking sector is also in excellent shape, operating with a strong regulatory and supervisory framework. Australia is often cited as a role model in this regard.

Given these many factors, combined with demand from our important geographic and trade links to Asia, I have confidence in the outlook for Australia.

However, to continue our economic prosperity it is vital we remain strong and flexible. Our Government, our business leaders, and our communities must all ensure we not only recognise the challenging external landscape, but also take a strong pro-active approach.

When the financial crisis began over four years ago, I suggested that we would face a new reality. It was clear then that the freely available, cheaply priced credit before the crisis would become both less available and more expensive. I argued we needed to save more, as a nation.

These themes are now emerging If, as many expect, conditions in Europe remain difficult or possibly worsen, there will be a continuing impact on the Australian banking system. This will directly affect the price, and potentially the availability of credit.

Higher funding costs are a reality of this environment and are continuing to place pressure on interest margins. We are very mindful of the impacts of interest rate decisions on customers but these must be balanced with what is economically responsible.

Just as we have done for the past 194 years, we will make sure that Westpac remains a sound, well run and profitable bank, providing returns to our shareholders and supporting our customers and communities.

In conclusion

2011 has been a year of achievement for Westpac, marking the successful completion of the first stage of our transformation. It also marks the commencement of the next stage - one where we will leverage our strengths, continue to invest, and to create value.

We've delivered good earnings growth and returned that value to shareholders with a much stronger dividend.

We are, as an organisation, very well positioned with a strong balance sheet, excellent asset quality and a sector leading position in efficiency.

Thank you for your support as shareholders of our company. For me it is an immense honour and privilege to be CEO of this special organisation.

In closing may I extend to you, our shareholders, my very best wishes for the festive season and for a happy and prosperous New Year.

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