



Westpac Banking Corporation
2010 Annual General Meeting
Sydney, Australia
15 December 2010

Chief Executive Officer's Address

**Mrs Gail Kelly – Chief Executive Officer
Presented by Mr Philip Coffey – Chief Financial Officer
Westpac Banking Corporation**

Introduction

Good morning everyone, and thank you for joining us this morning.

As the Chairman has mentioned, Gail is unable to be with us today. She has asked me to deliver the speech she prepared for today on her behalf.

As our Chairman, Ted Evans, has outlined, during 2010 we delivered a 21% increase in our cash earnings per share, and a 20% increase in our dividends per share. Against the backdrop of a challenging year, a year requiring significant adjustment to the world post-Global Financial Crisis, we are pleased with this performance.

In April 2017, less than 7 years from now, our company, Westpac, will be 200 years old – we are Australia's oldest bank, in fact Australia's oldest company. Running the bank for the long term, running the company in a sustainable way, is fundamental to what we stand for. Why is this? Because it is the right thing to do for our community, it motivates and energises our people to perform better, and because over time it drives better returns for you, our shareholders.

For us, sustainability has four key and interconnected elements:

First, the delivery of quality financial outcomes over time. Growth, reliability, transparency, efficiency, effective risk management and strong governance are key to this.

Secondly, deep relationships with customers – relationships that stand the test of time, relationships of support, involving proactivity, responsiveness and trust.

Thirdly, for any business to be sustainable, it needs a clear proposition for its employees – ensuring an environment where its people can flourish, are able to grow, develop, achieve outcomes, make a difference, while leading balanced and complete lives.

Fourthly, a sustainable business is one that is deeply connected to the community. An organisation that directly engages and contributes to improving the society in which we operate, to making our world a better place. This involvement is not something that occurs outside or separate from business activities – it is a core component of how the company conducts itself and defines its purpose.

What I would like to do this morning is outline our performance and progress over 2010 in each of these dimensions.

Financial Outcomes

Having a strongly performing company creates the foundation on which all else is built.

One of the reasons Australia has come through the Global Financial Crisis so well has been because it has a strong and well regulated banking system. Indeed Australia has 4 of the 11 AA-rated banks globally.

From a Westpac point of view, when I reflect on our business and financial performance this year, I would call out a number of highlights. First, our low impairment charge. It is noteworthy that across any major credit risk management metric or ratio, The Westpac Group comes in at the No.1 position.

A second highlight for us is our Capital position. From a Tier 1 Capital point of view, we finished the year at 9.09%, up nearly 100 basis points from a year ago. As our Chairman has indicated, we are well placed for the Basel III regulatory changes.

On Funding, 2010 was an important year for us. We raised \$43 billion of long term wholesale funding, and in doing so, we materially extended the term of this funding, so ensuring a balanced maturity profile into the future. We grew our customer deposits by \$13 billion, and our overall stable funding ratio improved to 80%.

What this meant is that, all the way through the crisis, we were able to meet our customers' borrowing needs in a sustainable way. This was very important to us, even though we knew that raising funds both domestically and offshore had become a lot more expensive. And in order to ensure sustainability for the future, we knew that, over time, we needed to reflect these additional costs in the prices of our products. Raising interest rates is never easy, and we recognise how important it is to communicate, as clearly and simply as possible, the changes underway in our industry. We sought to do this in our recent written submission to the Senate Inquiry on Competition in the Banking Sector.

Having strong, stable and profitable banks is critical. With over 3 billion shares on issue, and over 560,000 shareholders, we recognise the important contribution our shares, and in particular our dividends, make to the retirement savings of so many Australians. It is why we are so pleased to have paid a record final dividend of 74 cents per share.

Customer

Turning now to the second element of our sustainability agenda – the customer.

At the heart of our strategy is our focus on the customer. What we are seeking to do is to earn all of our customers' business; we aim to build deep relationships that endure, and through our multi-brand strategy, we seek to offer customers choice.

2010 has been a year of further driving this transformational agenda, and I am very pleased with the progress we have made. Our Chairman has already spoken to the success of our merger with St.George. It is remarkable that, far from losing customers, we have, over the past two years, increased St.George customer numbers, and depth of relationship. St.George retains its number 1 spot (amongst the five large banks) in terms of customer net promoter score and customer satisfaction, in both consumer and business customers. The multi-brand platform introduced through the merger is a differentiating strength for The Westpac Group.

During the year, we also completed the major initial phase of our Westpac Local strategy. The past 18 months has seen a material investment in distribution and in our people. We have opened 31 new branches; we have refurbished 195 branches; opened 6 new business banking centres; employed 587 new bank managers; and, added 432 new local business bankers and 109 commercial bankers. Importantly, we have materially increased our training and skills development.

These investments are for the long term but early successes flowing from this investment include more customers, more products per customers, and high levels of customer retention, notably in our key customer segments.

Significantly, customer complaints are down 55% this year. And, in the technology area our Severity One incidents which are serious events affecting customers have reduced by more than 75% over the last two years or so. This is a direct result of the significant focus and investment programme we have in this area.

Talking about customers would not be complete without a word on our Institutional Bank. All the way through the crisis, we implemented a strategy of remaining open for business and actively supporting our customers. It is very pleasing for us to be recognised in the Peter Lee Associates Relationship Banking Survey as No.1 for Lead Bank and Relationship Strength for the second year in a row.

Delivering well on our customer-centric strategy is critically important because it will lead to higher revenue, and, as a consequence, enhanced and more reliable returns for shareholders.

Of course, we know we have a lot more to do – we are absolutely focused on further raising the bar.

People

I will now move on to our people agenda.

We have 40,000 people making up The Westpac Group, and we recognise they are key to our success. Our goal is to have the most skilled and engaged people, who are passionate about our customers, our community and our business. Our annual survey of staff engagement showed that in 2010 80% of our staff are highly engaged.

We also undertook a major diversity survey during the year, with over 43% of our staff providing feedback on their needs. We know that over 40% of respondents engage in some form of flexible work. Almost half our workforce has primary carer responsibilities, for a child or for another family member. Importantly almost 60% of staff who undertook the survey would like to work flexibly in some way within the next three years.

We know that to make real progress we must challenge the status quo. Most recently:

- We were the first private sector company to close the superannuation savings gap by paying superannuation on unpaid parental leave for up to 39 weeks;
- We increased paid parental leave to 13 weeks; and
- We were recognised by Equal Opportunity for Women in the Workplace Agency as a Blue Ribbon company for the 3rd year running.

We are determined to improve the representation of women in senior leadership roles and have set an aspiration of 40% across the Group by 2014, from 35% currently.

These changes, and others, will increase and broaden our access to pools of talented individuals and teams, and will lead to better employee engagement, again facilitating better long run returns for shareholders.

While talking about people, I would like to take this opportunity to warmly thank our former Group Executives – Greg Bartlett and Ilana Atlas, both of whom retired during the year. Both have made outstanding contributions to the Group and we wish them well in the future.

Community

So let me turn to my last key area, which is about being part of a broader community and importantly 'making a difference' in that community.

At The Westpac Group, the approach is one of – hearts and hands - real engagement is the key. What impresses me is the consistency with which the organisation has engaged with the communities we serve, to make a difference. We have longstanding and deep relationships with key partners – for example, our relationship with the Salvation Army, of which we are very proud, goes back over 120 years.

Our relationship with Surf Life Saving began 37 years ago - in 1973 we backed the first civilian-based rescue helicopter in Australia. Today there are 15 Westpac Rescue Helicopters, operating from 13 bases around Australia and New Zealand.

During 2010 we were also there to support our customers and communities in NZ at the time of the Canterbury Earthquake. Our staff in NZ have also been supporting our customers and communities affected by the Pike River mining disaster.

So, for Westpac making a difference, genuine engagement and action at a grassroots level, is a cultural attribute. A further example of this is the work we do with Indigenous communities in Cape York where for 10 years we have seconded around 50 people per year, most for four weeks, some for a year, to work on projects, feasibility studies or skills building work.

We also recently contributed an additional \$20 million to the Westpac Foundation and a further \$1 million per year to the St.George Foundation for the next six years.

In the area of climate change, where Westpac has long been an advocate for action, we ourselves have taken action. Between 1996 and 2008, we reduced our own emissions by 40% and they have reduced by a further 4% since then. We were the first bank to act on behalf of customers in the New Zealand ETS and have completed a number of renewable energy transactions during the year.

In summary, involvement in the broader community is a key part of the role of all our 40,000 Westpac employees. It is also one of the main reasons we have all chosen Westpac as the place where we want to come to work. Our activities in the community help build a more engaged, motivated and high-performing workforce, benefiting our brands, and driving better returns for shareholders.

Outlook and Close

So overall, while 2010 has been a challenging year, it has been a pleasing one, with many achievements, and we are well placed for the future.

We are beginning the third year of a journey we began in late 2008 – a journey to transform the company - starting with the customer at the centre of everything we do, and complemented by world class execution and delivery. We know that is the key to better shareholder returns.

Turning to 2011, we know that it too will be a challenging year, with some legacies of the Global Financial crisis remaining, including cautious global financial markets and funding costs that remain high. Credit growth in Australia and NZ is likely to improve throughout 2011 from the relatively low levels we saw in 2010.

However, borrowers remain cautious and growth will not be evenly distributed across industries or regions. On the other hand, a healthy economy, strong labour markets and low unemployment are all important positives as we move towards the New Year.

We have started this financial year with sound momentum and results to date show no surprises.

The medium and longer-term outlook for Australia is very positive. We believe Australia will still be among the highest performing advanced economies, and one of the most stable and important economies in the Asia region.

Having further strengthened the franchise during 2010, The Westpac Group is in strong shape to manage foreshadowed regulatory change, to continue supporting customers and to generate good returns to shareholders. As a team, we are strongly focused on delivery.

I would like to thank everyone for their support.

I wish you a happy and safe Christmas and all the best for 2011.

Gail Kelly
Chief Executive Officer