

Westpac Banking Corporation 2011 Annual General Meeting

**Sydney, Australia
14 December 2011**

**Chairman's Address
Ted Evans AC**

Another challenging but rewarding year

In my last address as Westpac Chairman, I shall discuss our Full Year 2011 result. I'll also reflect on initiatives within the Group during my tenure as Chairman, initiatives which have ensured we have a notably strong company for the long-run.

These recent years have been enormously challenging for banks globally – and 2011 was no different.

While some of the issues associated with the Global Financial Crisis have improved, the deteriorating sovereign debt situation in Europe, higher regulatory imposts on banks, and a slowdown in world growth have created new pressures for banks everywhere.

Shareholders can see these issues unfolding with weak stock markets around the world.

In Australia, while our economy is in reasonable shape and we have a strong banking system, we are not immune from the global sentiment that has pushed stock prices lower.

Despite this challenging environment, Westpac performed very solidly in the 2011 financial year, with net profit rising a solid 10% while further strengthening the balance sheet with more capital, more liquidity and a stronger funding base.

Cash Earnings, our preferred measure of performance, was up a sound 7%, with Cash Earnings per share rising 6%. In a struggling world, that was a great outcome.

Perhaps most relevant to our shareholders has been the rise in dividends over the year. This reflects the improvement in earnings, the strengthening of the Group's balance sheet and our confidence in the company's outlook.

Total dividends for the year were up 12% and the final dividend of 80 cents was some 43% higher than at the depths of the financial crisis. This dividend will be paid early next week.

While financial performance is always important, we are particularly pleased with the sustainable way in which the result was achieved. We have continued to invest in the business, both to strengthen our operations and to pursue new growth opportunities.

Our Strategic Investment Priorities have guided investment over the year – we've completed 6 of our 14 distinct projects aimed at transforming our technology infrastructure and improving the experience for our customers and employees.

We're also continuing to invest in selected growth opportunities, with the launch of our Bank of Melbourne brand and through further expansion of our Asian network. This includes the opening of our Beijing branch to better support our customers in the region.

When I reflect on my decade on the Board, including my period as Chairman, I am immensely proud of our team's performance.

Few banks globally have stood up so strongly to the challenges of recent years and emerged as a stronger institution. Shareholders should take much pride in this performance because it reflects the strength of the company, its people and its culture.

Among the Group's many achievements over the years, there are four that I would like to specifically mention. These elements may not be immediately obvious to shareholders but they have made a significant difference to your company.

The First is risk management, which has improved continuously over a long period. Westpac entered the global crisis as a very competent risk manager, and this is clearly reflected in the relatively low bad debts experienced through recent years compared to our peer domestic and international banks.

While a strong performer through this period, Westpac has not rested on its laurels. The quality of risk management, be it credit, market, liquidity or operational risk, has continued to improve. Westpac has emerged as a risk management leader globally, something from which shareholders should take great comfort.

The Second element was the Board's appointment of Gail Kelly as CEO – in retrospect, an inspired choice.

Gail has focussed on making Westpac a more customer-centric organisation. It has been the core goal of her leadership team to materially improve the customer experience and to build an organisation which earns its customers' business.

While there is still more to do, the progress made over recent years has been significant and, progressively, will be reflected in our earnings and shareholder returns.

The Third element is technology. Four years ago it was clear that Westpac had underinvested in its technology infrastructure and was lagging behind peers in its technology capability.

With a new team and an enhanced governance model, we have seen significant improvements in the Group's technology capacity and capability over recent years.

Our Strategic Investment Priorities have been a major contributor to that success, with each of the 14 dedicated programs delivering enhanced systems stability and capability. At the same time we're refreshing technology infrastructure across our network. In the next twelve months we will take a further step with a new mobile and internet banking capability that will be market-leading.

Finally, I could not talk about the past four years without highlighting the transforming merger with St. George Bank. This month marks the third anniversary of the merger, the largest financial services transaction in Australia's history.

The merger has been an important strategic step for Westpac, lifting the Group's scale while facilitating our customer-centric goals. The addition of St. George has also been fundamental to the development of our multi-brand model, which we feel will increasingly be seen as a key comparative advantage.

For shareholders, the merger has created value in many ways: it has given us access to a greater number of customers; it has provided a raft of new growth options; it has given the Group significant scale benefits; and it has helped us maintain our efficiency advantage.

On behalf of the Board, I say unreservedly that we are particularly pleased with the progress made through the year, and indeed over the past few years.

As a Board, we guide and support the management team, and Gail Kelly and her executive team must be commended for their tireless efforts and achievements throughout this period.

Changes to the Board

On Board matters, Graham Reaney, who joined the Board in December 2008 following the merger with St. George, will retire from the Board at the conclusion of this meeting.

We thank him for his highly valued contribution to your Board and wish him well for the future.

As announced in September, Ann Pickard joined the Board on 1 December 2011 as an independent, Non-executive Director. Ann stands for election today and will speak to you shortly. Her experience, particularly as a senior executive in international organisations, will complement the skills of existing Directors.

The Board is well advanced on further renewal.

Outlook

Australia's economic growth ended the financial year a little weaker than it started, with domestic demand easing as world economic turmoil sapped confidence. Despite this, the country's economic fundamentals remain sound and our links with Asia stand us in good stead.

Nonetheless, challenges from abroad will remain; and Australian governments must allow our institutions of strength – not least the banking system – the flexibility needed to adapt to a changing world: only by so doing can they best serve all Australians.

Interest rates will be set in the market place.

Interest charged on loans, and paid on deposits, by Australian financial institutions – banks and others – will be determined by competition amongst them.

Your company has performed soundly. And, with a further strengthened balance sheet, market leading asset quality and provisioning, and a more customer-centric culture, Westpac is well placed to continue delivering high quality returns for shareholders.

Farewell and thank you

Finally, in May this year I announced my decision to retire, effective from the close of this Annual General Meeting.

I will be succeeded from within the Board by Lindsay Maxsted. Lindsay is an enormously experienced and capable director and I wish him well for his tenure as Chairman.

While the past few years have provided more than a few challenges, it has always been an honour and a pleasure to serve as your Chairman.

I would like to sincerely thank each one of the 40,000+ employees of the Westpac Group. Without your tireless efforts, none of our successes would have been possible.

I thank our CEO Gail for her leadership, and her support and dedication during my period as Chairman. It has been a real privilege to work with Gail and her executive team, as it was with her predecessor, David Morgan.

I leave Westpac with a strong Board, a highly talented management team, and secure in the knowledge that the leadership of our great company, our nation's oldest, is in the very best of hands.

Finally, I would like to thank you, our shareholders. Ultimately our duty as directors is to serve as your stewards, but we can only do so with your consent and support, for which we are always grateful.