



**Westpac Banking Corporation
2007 Annual General Meeting
Sydney, Australia
13 December 2007**

Chairman's Address

**Mr Ted Evans
Chairman
Westpac Banking Corporation**

I am pleased to report that in our 191st year, we are in very good shape.

Again we have delivered record results, and importantly, real, tangible results for you – our shareholders – and for the broader community.

I am delighted to address my first AGM as your Chairman with Westpac so well positioned.

Much of this is due to our clear and focused strategy; our engaged and highly committed employees; and the strong leadership from David Morgan and his team.

I'll talk more of David's legacy a little later on.

In his Chairman's address last year, Leon Davis talked about the things we were doing to take on the real challenge of ensuring our long-term prosperity.

This year, I want to talk about our results in this journey – the real returns, if you like.

Let me turn first to the financial results.

Record profit

Despite a market environment that has been on quite a roller coaster ride, our profit after tax was another all time record, up 12% from last year, to \$3.45 billion.

Cash earnings were up a strong 14%, with cash earnings per share up 13% to \$1.89 per share.

The important thing is that this strong result was built on good operational momentum across most of our businesses.

As a result, revenue growth, on a cash basis, was up a strong 11%.

We also further improved our efficiency in the year. To generate each dollar of income, we now spend only 44.7 cents, that's down from 46.6 cents last year.

On top of this, our returns on capital have remained strong, with our cash return on equity increasing to 23.8%.

These are the real returns from a well managed business.

Performance across most of our component business units also was at or above expectations, indicating the strength and sustainability of the result.

Shareholders benefiting

So overall, this was a strong result.

The Board's confidence in our future has allowed us to declare a final dividend of 68 cents per ordinary share, fully franked.

Together with our first half fully franked dividend of 63 cents, the total dividend for this year is \$1.31, an increase of 13% on 2006 and maintaining our dividend payout ratio.

Taking account of our solid share price performance, our total shareholder return for the year was 31% (at the top of our peers).

In terms of market capitalisation, we're now 3rd among the big 4 banks.

Soundly positioned

And, despite uncertainties in the global credit market, Westpac's credit quality continues to be sound.

Our impaired asset ratio, the best summary of our credit condition, actually improved in the year.

Our capital position also remains strong, including as a result of APRA's decision, announced this week, to award us advanced accreditation under the Basel II regime.

Our conservative balance sheet, our strong risk disciplines, our diversified funding and our prudent liquidity will allow us to handle the current market conditions and competitive environment and still to pursue opportunities that arise.

One such opportunity was reflected in our announcement on 2 October 2007 that we had reached agreement to acquire the brand and franchise network of RAMS Home Loans Group Limited.

Following the recent approval of RAMS shareholders, we expect that acquisition to be completed in early 2008.

This provides a further new growth option for Westpac. It adds an additional retail channel and extends our retail footprint by more than 10 percent via an additional 92 stores operated by 53 franchisees, dovetailing neatly into our existing growth plans.

People and leadership

I'd now like to say a few words about some important people.

I want to recognise the substantial contribution that Leon Davis made to the Westpac Group in his seven years on the Board, including the last six years as Chairman, prior to his retirement in March this year.

Through his strong leadership of the Board and his very high standards for corporate governance and responsibility, Leon set a high benchmark for us all – indeed, for all of corporate Australia.

His leadership in creating sustainable value through responsible business practices has contributed to a stronger Australian economy, and led to Westpac being consistently assessed as one of the world's most sustainable companies.

I particularly want to thank Leon for his personal assistance and guidance in what has been a seamless transition for me in taking up the Chair.

We all wish him well in his retirement.

David Crawford will retire at the conclusion of this meeting, after five and a half years on the Board. During his tenure, David has made an extensive contribution, particularly through the Board Audit Committee, of which he was a member for over five years, four as its Chairman. I have greatly valued his advice and his friendship.

We wish him well in his continuing board endeavours beyond Westpac.

With David's departure, we have announced the appointment of Lindsay Maxsted to the Board, which will follow his retirement as CEO of KPMG Australia early next year.

Lindsay's extensive corporate, audit, tax and advisory experience will help maintain the strength of your Board.

At last year's AGM, our CEO David Morgan announced that he would not be seeking to renew his contract when it fell due this month.

Consequently, the Board carried out an extensive executive search in Australia and overseas and this culminated in the appointment of Gail Kelly, formerly the CEO of St George Bank, as our next CEO.

Gail is well known for her focus on people and on customer service. These attributes align very well with our culture at Westpac, which augers well for our future. The Board looks forward to welcoming Gail on 1 February.

David has agreed to remain CEO until that time and we thank him for that.

More importantly, we thank David for an outstanding contribution during his nearly 18 years with Westpac, including nine as CEO.

David leaves a unique and lasting legacy. As our CEO, he has not only delivered first class financial results, he leaves us with a world class and widely respected organisation.

With our expansion into wealth management via BT, David has successfully transformed Westpac from a traditional bank into a truly integrated financial services company – a company recognised for the consistency of its strong financial results, but also one that is recognised globally for its corporate responsibility and sustainability endeavours.

Under David's leadership, our results have been truly outstanding. Over the past 10 years, Westpac has delivered compound annual growth of 10% in cash earnings, that is 10% year after year; of 13% each year in dividends; and of 18% compound annual growth in total shareholder returns.

That is a truly outstanding performance.

David, I thank you – on behalf of the Board, shareholders, customers, and your employees.

And I should also thank you on behalf of the broader community for your leadership beyond the walls of Westpac – on things like environmental challenges, workplace diversity and Indigenous disadvantage – all of them difficult issues, where you chose to make a difference.

It is therefore fitting that today also marks the release of our seventh Stakeholder Impact Report, which details Westpac's performance across the whole sustainability agenda and how we are responding on the big issues so vitally important to all of our futures and those of future generations. That report is a tribute to David's leadership.

I am sure you all join with me in wishing David well when he retires from Westpac in a month's time.

Looking forward

In closing, let's look briefly to the year ahead.

The economic environment and outlook in Australia remains robust. Capacity pressures are evident in the economy, with extremely healthy household income growth backed by a strong labour market. That's how we should want it.

Yet, while the risks to the strong growth outlook have increased, the Australian economy confronts the current volatility in global credit markets from a position of strength.

The economic outlook in New Zealand appears less strong, but that economy is set to enjoy substantial stimulus in 2008.

Overall, we see operating conditions in both Australia and New Zealand remaining broadly supportive, with Westpac well positioned in both markets.

The Board thanks our 28,000 talented team members for their tireless contribution, especially for their dedication and advocacy on behalf of our customers.

We also thank our more than seven million customers for choosing Westpac. As your Chairman, I see our greatest challenge – and opportunity – being to better serve all of our customers.

As we travel towards the end of our 191st year, it's also important to recognise the support of the communities that we serve.

And finally, I would like to pass on our thanks to you our owners, for your ongoing support and confidence in your Board and management.

And I thank my Board colleagues – a small team with outstanding values and talents.

So, it's been another great year for Westpac.

And your Board approaches the coming year with equal confidence.

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