Westpac New Zealand

Driving sustainable returns

Peter Clare

Chief Executive Officer

5 February 2013

A strong business[1]

- Significant repositioning over the last 4 years has created a stronger, more customer oriented business
- Delivered six halves of solid cash earnings[2] growth whilst improving risk profile
- Achieved the right mix of revenue/growth/productivity/strength
- Significant opportunities with five key strategic imperatives
- New Zealand economy positioned to grow as global economy improves

1 Throughout this presentation we are referring to the division 'Westpac New Zealand' as reported and defined in the Westpac Group's full year 2012 Annual Report. This entity differs slightly from the legal entity Westpac New Zealand Limited (WNZL). 2 Cash earnings is reported profit adjusted for material items to appropriately reflect profits normally available to ordinary shareholders. For a detailed explanation of cash earnings and adjustments made for FY12, see note 32 to Westpac Group's 2012 Financial Statements contained in the 2012 Annual Report.

Westpac NZ 2009 – 2013 journey

2009 — Improved risk governance and pricing

- Improved risk management and governance structure
- Enhanced skills with over 1,600 bankers undertaking additional credit training
- Recalibrated pricing for changed risk/funding environment

2010 — Implemented 'Westpac Local'

- Empowered frontline, tripled sales training
- Strengthened technology, enhanced on-line/mobile functionality
- Consolidated branch network, introduced 12 community branches
- 140 additional business bankers

2011 — More targeted growth and productivity

- More specific strategies for selected segments
- Expanded wealth/insurance specialists
- Re-invested in technology, particularly on-line/mobile
- Productivity funded investment

Westpac NZ 2009 – 2013 journey (cont.)

2012

Implemented 'MyBank' approach

- MyBank[1] approach focused on building deeper customer relationships
- Further enhanced front-line capability bringing decision making closer to customers
- Simplification improved productivity and decision making

2013

Driving sustainable returns

- Dedicated productivity initiative 'Simplification for Growth' (S4G)[2] delivering efficiency gains and investment capacity
- SME focus
- Further strengthen balance sheet – particularly deposits
- Maintain strong attention to margins
- Launched brand marketing – 'Start Asking'

1 My Bank customers have a key transaction account as part of the 4+ products and the customer transacts with us more than 10 times per month. 2 Simplification for Growth (S4G) is a program commenced in 4Q12 focussed on productivity through simplification.

Balanced performance[1] in 2012

- Strong growth in target segments
- Customer deposits up 11%
- Business lending up 4%, particularly agriculture and resources
- Funds under management up 33%

Growth
Various drivers

Return
Maintain discipline

- ROA[2] 1.2% up 19bps
- ROE[3] 19.6%
- Strong management of margins, up 8bps

- Expense to income ratio down 160bps
- Revenue per FTE up 8%
- Smart ATMs up 156% to 69

Productivity
Continued improvement

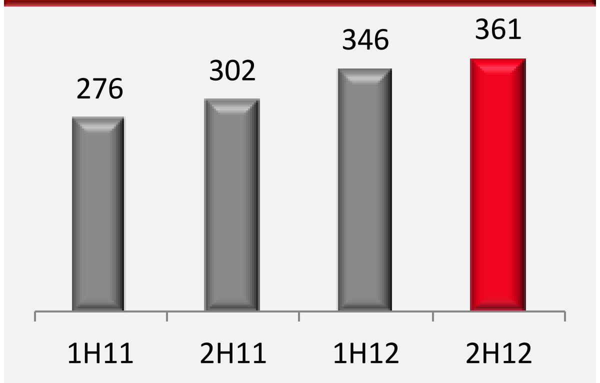
Strength
A strong company

- Stable funding ratio[4] up 11 percentage points to 89.9%
- Deposit to loan ratio up 470bps to 70.7%
- Asset quality continues to improve

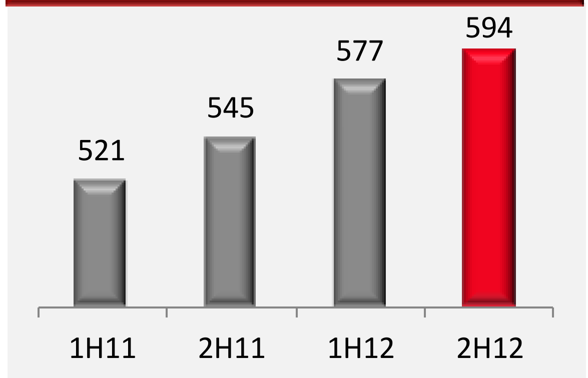
1 All metrics on this page refer to performance of FY12 compared to FY11. 2 ROA is Return on Assets. 3 ROE is Return on Equity. 4 Stable funding ratio is customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding.

Past investment in Westpac NZ is delivering

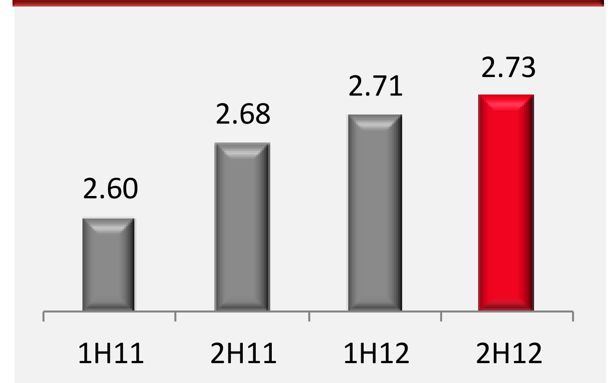
Cash earnings[1] (NZ$m)



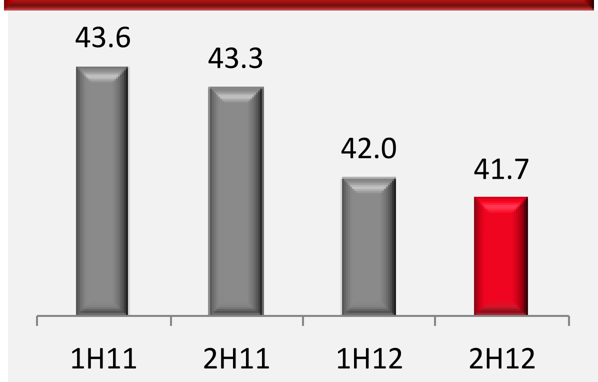
Core earnings[2] (NZ$m)



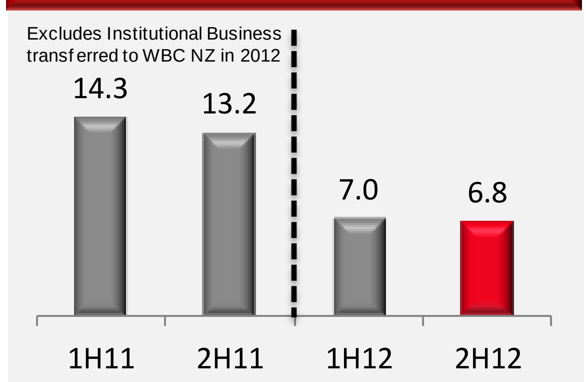
Net interest margin (%)



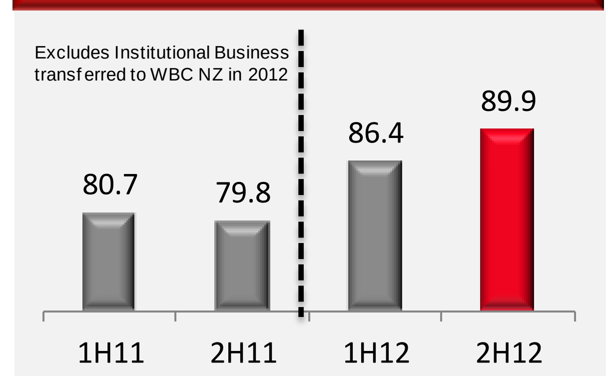
Expense to income (%)



Stressed assets to TCE[3] (%)



Stable funding ratio[4](%)



1 Cash earnings is reported profit adjusted for material items to ensure they appropriately reflect profits normally available to ordinary shareholders. 2 Core earnings is operating profit before income tax and impairment charges. 3 TCE is Total Committed Exposures. 4 Stable funding ratio is customer deposits + wholesale funding with residual maturity greater than 12 months + equity + securitisation, as a proportion of total funding.

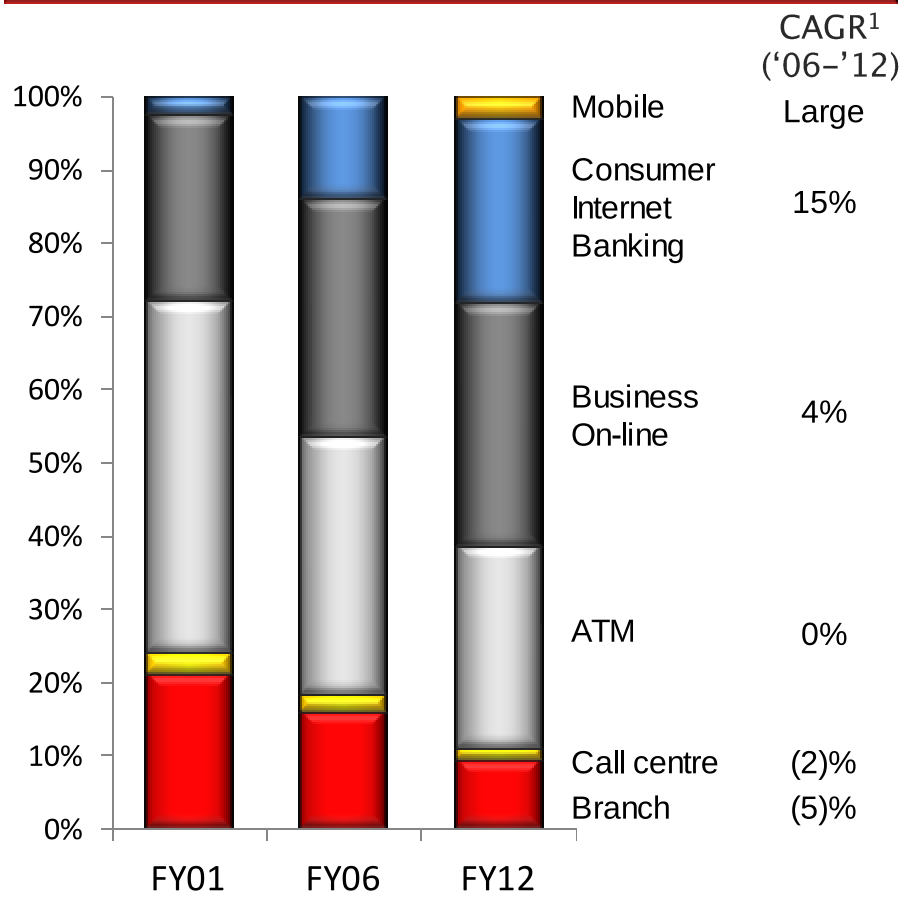
Five strategic imperatives to drive returns

	Five Strategic Imperatives		Proof Points
1	Transition to **next generation** distribution	→	▪ 24/7 in branch; on-line or mobile ▪ Further branch format innovation ▪ More personalised marketing, utilising digital
2	Build a **faster moving,** more responsive and flexible business	→	▪ Continued front-line empowerment/capability ▪ Responding more rapidly to change ▪ Enhanced payments capability
3	Deepen **customer relationships** in target segments	→	▪ Further implementation and development of MyBank[1] approach across consumer and business customers ▪ Closer links between private bank and wealth
4	Continue to **simplify** the business to improve productivity and enhance the customer experience	→	▪ Improve time to 'first yes' ▪ Home loan approvals on-line ▪ S4G[2] delivering expense control and incremental investment
5	**Optimise the portfolio** to strengthen the balance sheet and improve returns	→	▪ New products including 32 day deposit product (Institutional) ▪ Rebalance segment exposure to better reflect structure of NZ economy (eg Agri)

1 My Bank customers have a key transaction account as part of the 4+ products and the customer transacts with us more than 10 times per month. 2 S4G (Simplification for Growth) is a program commenced in 4Q12 focussed on productivity through simplification.

Next generation distribution

Service transactions by channel (%)



Changing customer preferences, improved technology and MyBank[2] approach is leading to material changes in distribution

Areas of focus

- Functionality of internet banking
- Mobile innovation
- Changing branch formats
- 24/7 availability (smart ATMs, coin machines)
- Payments simplification and more self serve
- Encouraging customers to transact/ interact with us to build closer connections

1 Calculation represents the per annum change in volume of transaction by channel. 2 My Bank customers have a key transaction account as part of the 4+ products and the customer transacts with us more than 10 times per month.

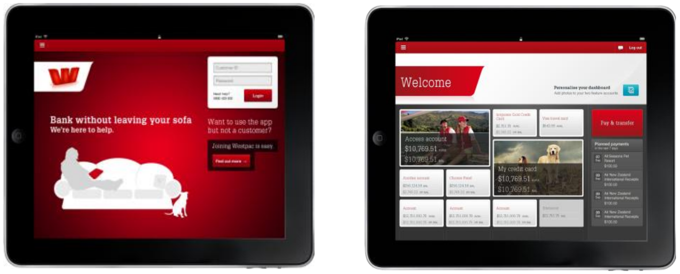
Next generation distribution (cont.)

Innovations

On-line/mobile

- Integrated mobile and internet banking platform
- Innovative mobile apps, impulse saver, cash tank and 'tap and go' payments

New Zealand's first iPad banking app



Network

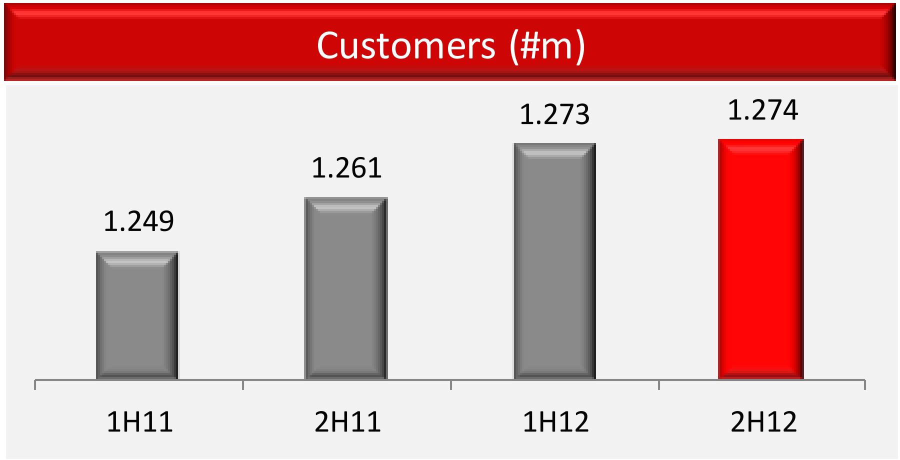
- Introduced smaller format community branches with 24/7 self serve lobbies
- Grew business banker network by 140 bankers, increased wealth distribution
- Commenced roll-out of smart ATMs 69 in place, 50 more being installed
- ATM deposits up 50% in 1Q13 to 120,000 deposits

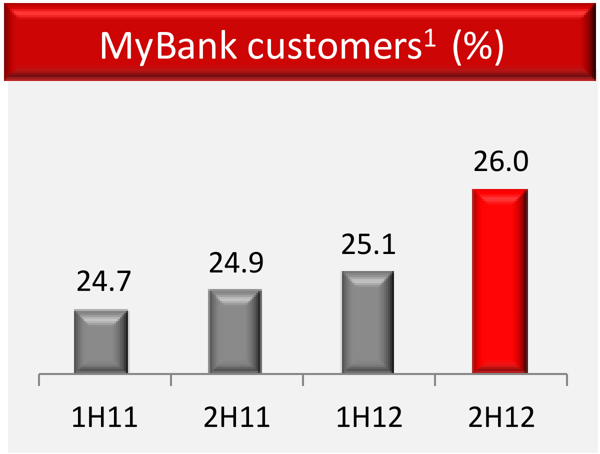
Self serve concept branch

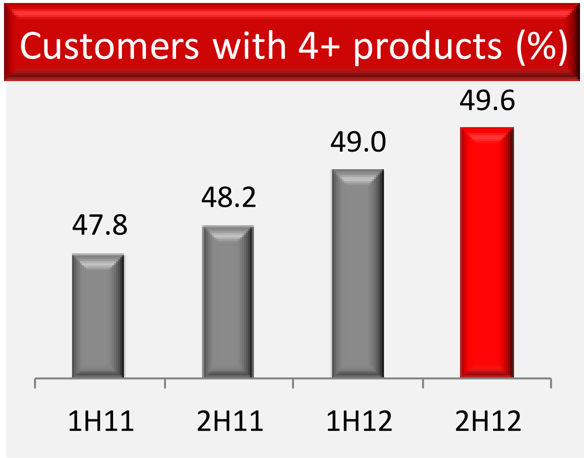
- Sales focus, self serve transactions
- Automatic cash recyclers
- Different employee incentives
- Digitised/wireless branch with wifi and concierge pads

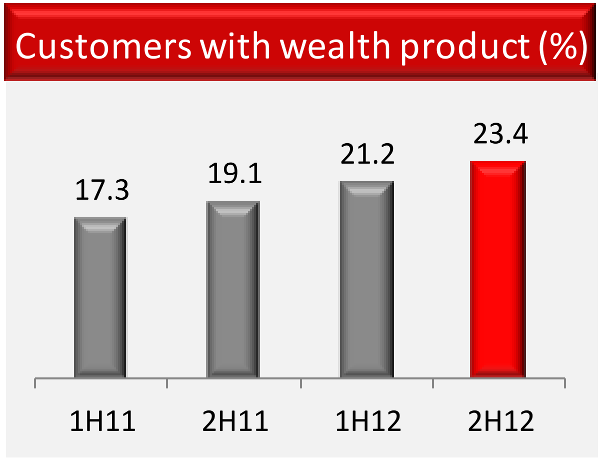
Deepen customer relationships

- Maintaining customer numbers and increasing depth of relationship in a competitive environment
- Launched personalised digital marketing to engage with customers around their specific needs
- New program to better capture the 'voice of customer' and provide rapid feedback. Early signs very positive







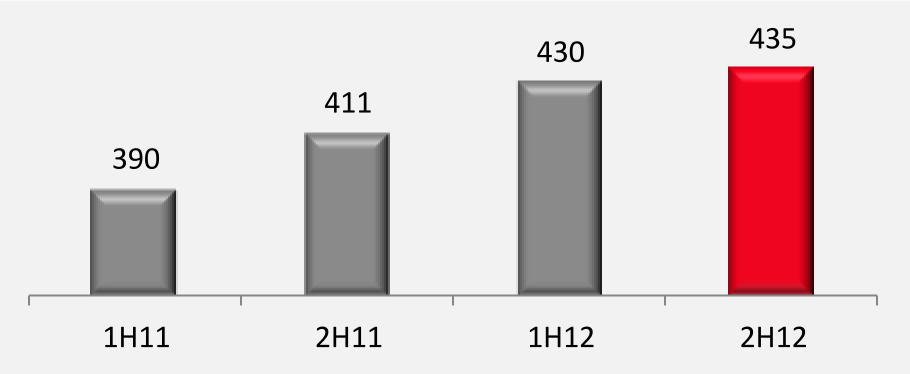


1 My Bank customers have a key transaction account as part of the 4+ products and the customer transacts with us more than 10 times per month.

Simplify the business

- Increasing self serve transactions utilising on-line, mobile, and new technology, such as smart ATMs
- Aiming to reduce processing times to improve productivity and customer experience
- Culture of continuous improvement with top down programs like S4G[1]
- Program for capturing and assessing employee generated efficiency ideas called 'What if'

Revenue per average FTE ($'000)



Simplification for Growth (S4G)

- Cross-divisional program supported by 20 senior managers across the business in 2012
- Reviewed where work gets done, external spend and resourcing
- 74 initiatives to be completed in FY13 of which 27 were completed 1Q13
- Additional 17 initiatives scheduled for FY14

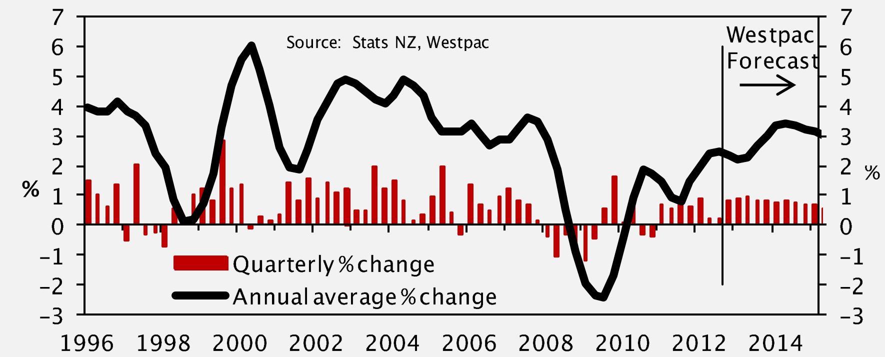
1 S4G is a program commenced in 4Q12 focussed on productivity through simplification.

NZ economy well positioned for global recovery

- New Zealand economic growth picked up in 2012, and we expect growth to continue increasing over 2013
- A driver of economic activity has been recovery and rebuilding activity associated with the Canterbury earthquakes of 2011. Westpac expects the pace of rebuilding activity to double over the next two years
- The high exchange rate and government focus on balancing the budget are providing headwinds to the economy, and are expected to remain so over the coming years
- The economy has become ‘two speed’. Canterbury is growing rapidly while North Island regions outside Auckland have been flat
- House prices are rising steadily in Auckland and Christchurch
- Inflation is currently low. Westpac expects the Reserve Bank will leave the cash rate on hold at 2.5% until late-2013. However, the Canterbury rebuild is expected to cause some inflation pressures that will be felt across the economy

Key NZ economic indicators January 2013	Calendar year			
	2010	2011	2012e	2013f
GDP growth	1.7	1.5	2.4	3.0
Unemployment – end period	6.7	6.4	7.0	5.9
Inflation	4.0	1.8	0.9	1.9
Interest rates – cash rate	3.0	2.5	2.5	2.75
Credit growth – Total	0.5	0.9	3.4	4.3
Credit growth – Housing	1.8	1.2	3.6	4.8
Credit growth – Business[1]	-0.9	0.8	3.3	3.9

New Zealand GDP[2] (% change)



1 Includes agri. 2 Sources: Statistics NZ, Westpac Economics.

1Q13 trends

- Balance sheet continues to strengthen
- System growth expected to remain modest. For Westpac NZ
  - Deposits growing above system
  - Wealth cross sell improving, FUM/FUA balances now above $5bn
  - Mortgages below system overall, above system for loans with LVR < 80%
- Maintaining discipline on pricing/risk in subdued but competitive environment
- Productivity initiatives continuing to be delivered - more to come

Westpac New Zealand

Appendix

5 February 2013

Westpac New Zealand Executive Team

Chief Executive
Peter Clare

GM Retail Bank
Ian Blair

GM Business Bank
Mark Fitz-Gerald

GM Institutional Banking
Karen Silk
*

MD Wealth, Insurance and Private
Simon Power

Chief Operating Officer
Jim Stabback

Chief Financial Officer
Leigh Bartlett

Chief Risk Officer
David Watts

GM Human Resources
Su Duffey

GM Regulatory Affairs & General Counsel NZ
Mariette van Ryn

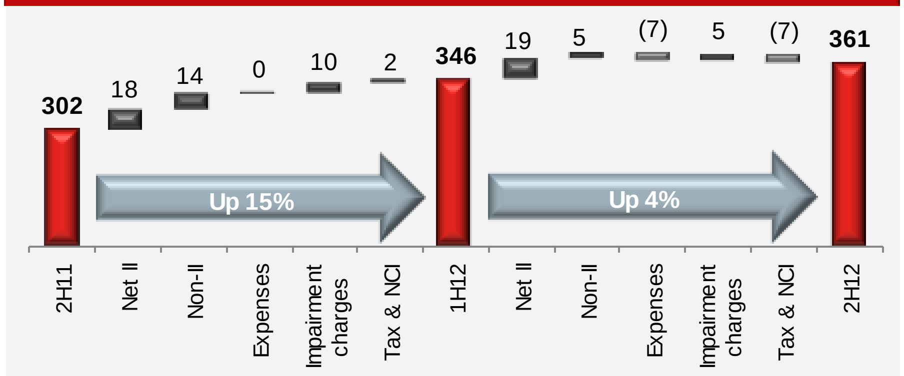
GM Strategy and Customer Experience
Callum Wilson

Director of Corporate Affairs
Sue Foley

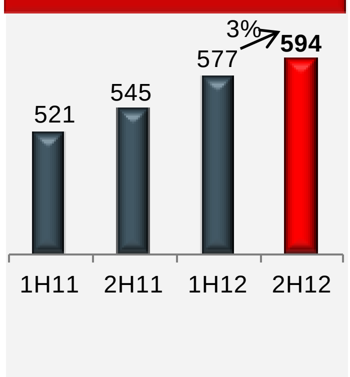
* Additional reporting line to Group Executive of Westpac Institutional Banking

Solid growth, balance sheet strengthened

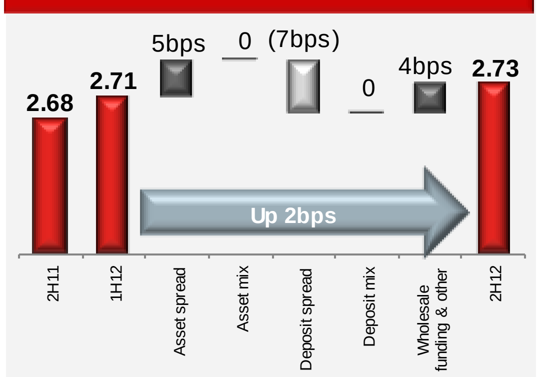
Cash earnings movement (NZ$m)



Core earnings (NZ$m)



Net interest margin (%)



Movement 2H12 – 1H12 (NZ$)

Cash earnings	↑	4%	▪ Cash earnings up 4% to $361m
Core earnings	↑	3%	▪ Core earnings up 3% to $594m
Net interest income	↑	2%	▪ Good balance sheet growth – Loans up 2% with good growth in business lending – Deposits up 7%, continued to more than fully fund lending in 2H12 – Deposit to loan ratio improved to 71% (up 300bps)
Margins	↑	2bps	▪ Margins up 2bps to 2.73% ▪ Improved spread on mortgages from the ongoing, albeit slowing, roll-off of lower spread fixed mortgages to mortgage products with higher spreads ▪ Continued repricing of business term lending ▪ Partly offset by tighter deposit spreads
Non-interest income	↑	2%	▪ Increased non-interest income was driven by strong cross-sell through – Deeper customer relationships resulting in higher wealth income with funds under management increasing 13% – Strong insurance premium growth and favourable claims
Expenses	↑	2%	▪ Expenses were well managed with the modest increase driven by wage inflation and continued investment in technology, including the roll out of 35 smart ATMs, and the launch of a new website with improved on-line banking security features ▪ Partially offset by ongoing productivity initiatives
Impairment charges	↓	5%	▪ Impairments down 5% to $93m ▪ Collective provision charges continued to improve with mortgage and other consumer delinquencies declining 15bps and 16bps respectively ▪ Partially offset by a small number of pre-2007 business exposures which deteriorated in the half

1 RBNZ, September 2012.

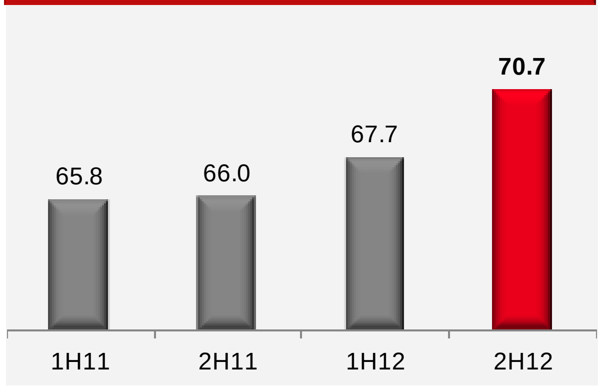
Good balance sheet growth in a subdued environment

- Strong deposit growth with sustainable lending growth resulted in an improvement in the deposit to loan ratio to 71%, up 300bps in 2H12
- Total lending increased slightly above banking system growth in 2H12 up $1.2bn (up 2%)
- Housing loans increased $0.5bn (up 1%) in a competitive market where peers offered heavy discounts and cash incentives to drive volume
- Business lending growth of $0.8bn (up 4%) with good growth in both business and institutional balances. Key areas of lending growth in agricultural, mining and media/telecommunications sectors
- Deposits up 7%, compares favourably with system growth of 4%, has more than fully funded loan growth. Term deposits increased $2.2bn (up 11%) and other deposits increased $0.4bn (up 2%), with most other deposit growth in personal on-line savings and business savings accounts

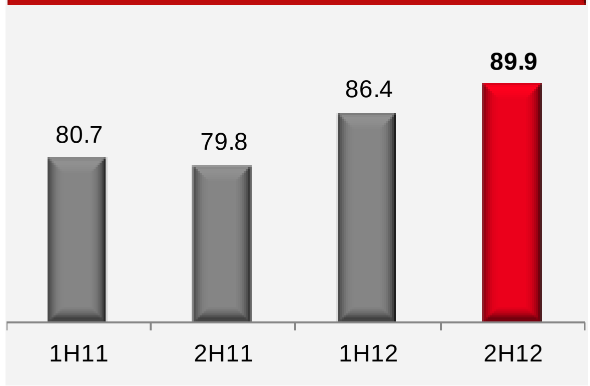
Balance sheet (NZ$bn)

	2H11	1H12	2H12	Chg on 1H12 (%)	
NET LOANS	**57.6**	**58.2**	**59.4**	↑	**2**
Housing	34.9	35.4	35.9	↑	1
Business & Institutional	21.0	21.0	21.8	↑	4
Other	1.7	1.8	1.7	↓	(6)
TOTAL DEPOSITS	**38.0**	**39.4**	**42.0**	↑	**7**
Term deposits	20.8	20.9	23.1	↑	11
Other	17.2	18.5	18.9	↑	2
TCE[1]	81.1	83.3	83.7	↑	-

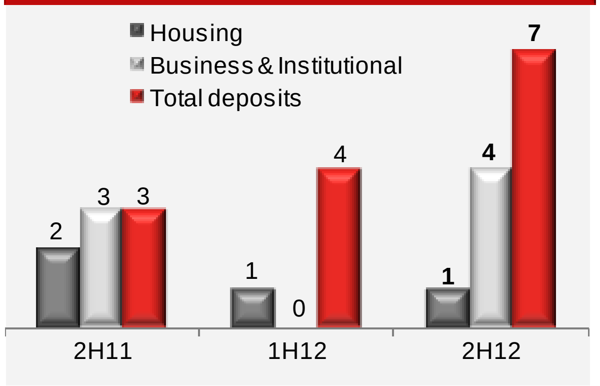
Deposit to loan ratio (%)



NZ stable funding ratio (SFR) (%)



Balance sheet growth (6 mth % chg)



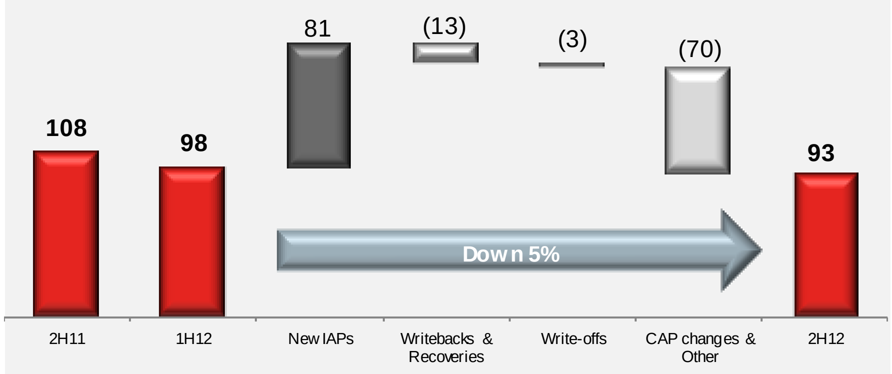
1 TCE is Total Committed Exposures.

Improving asset quality across portfolios

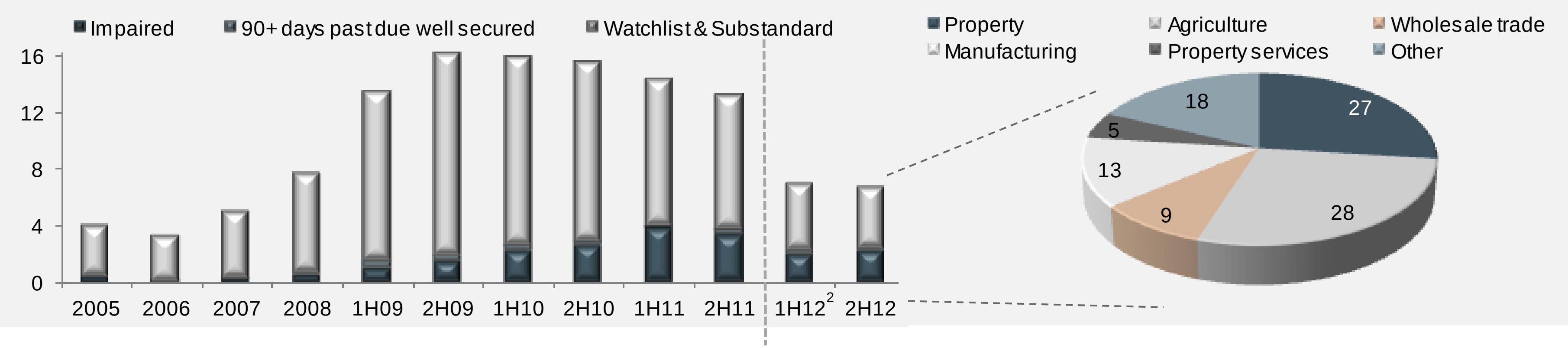
Asset quality continues to improve

- Impairment charges down 5% in 2H12 (down 21% on FY11/FY12)
- Business stressed exposures as proportion of TCE[1] reduced significantly in 2H12 primarily due to partial write-offs of $123m
- Business stressed exposures fell to 6.8% of TCE, down 20bps in 2H12 (down 642bps from FY11/FY12)
  - Stressed business exposures down mostly across property, agriculture and manufacturing sectors
- Business impaired exposures 2.21% of TCE[2], up 21bps in 2H12 (down 117bps FY11/FY12), driven by downgrades of institutional exposures
- Total provisions decreased $78m in 2H12, largely due to a $39m decrease in transaction managed portfolio and a $29m decrease in mortgage portfolio

Movement in impairment charges (NZ$m)



Business stressed exposures as a % of New Zealand Business TCE[1] (%)



1 TCE is Total Committed Exposure. 2 Large reduction in stressed exposures from 2H11 to 1H12 due primarily to transfer of WIB assets during 1H12.

Strong external recognition

- Westpac Kiwisaver scheme topped the Morningstar industry fund awards again in December 2012, with our Balanced and Growth Funds receiving a bronze rating – Morningstar's highest rating for a Kiwisaver Scheme fund
- Winner of the CANSTAR award for the best value New Zealand Term Deposit
- Won large business category in the annual Sustainability 60 Awards which recognises our commitment to sustainability. Also nominated in five categories
- Bilingual branch in Rotorua won the private sector category at the Maori Language awards in November 2012; first bank to win such an award

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We use words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or similar words to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from the expectations described in this presentation. Factors that may impact on the forward-looking statements made include those described in the sections entitled 'Risk and risk management' and 'significant developments' in Westpac's 2012 Annual Report. When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. We are under no obligation, and do not intend, to update any forward-looking statements contained in this presentation.