

# ASX Release

**2 August 2011**

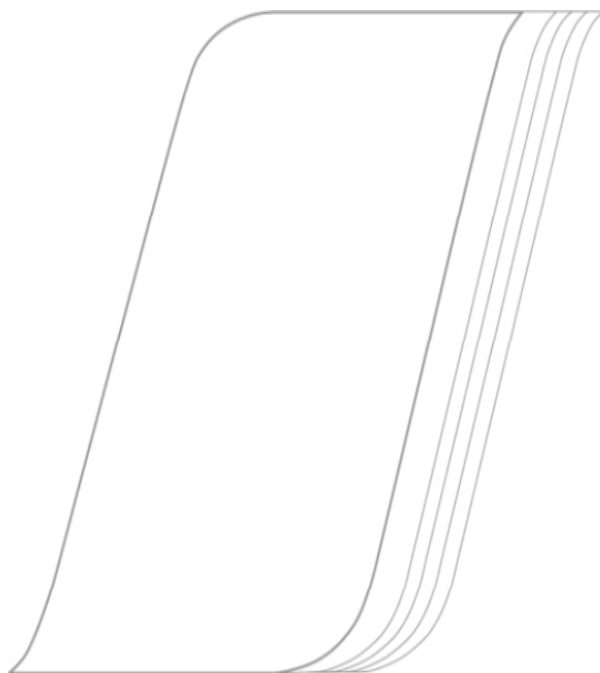
**Re: Westpac NZ update**

Following is a presentation on Westpac's New Zealand division that will be delivered by the division's CEO, George Frazis via a conference call at 10.30 am this morning.

The conference call will be available via an audio only webcast which can be accessed via [www.westpac.com.au/investorcentre](http://www.westpac.com.au/investorcentre)

**For Further Information**

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# Westpac NZ Roundtable

**George Frazis, CEO**

2 August 2011

Westpac Banking Corporation ABN 33 007 457 141

## New Zealand environment supportive of growth



**New Zealand is in a different growth phase to Australia. Having experienced a recession through the GFC followed by the Christchurch earthquake, the New Zealand market is now positioned for growth. This path has been supported by**


- Stable political environment with strong Government and consultative leadership
- Growth expectations for 2012 have been revised up, with forecast GDP of 4.5%<sup>1</sup> up from expected growth of 2.4% in 2011
  - Christchurch earthquake impact is proving to be less than initially expected
  - Christchurch reconstruction work (much of which will be funded from outside New Zealand) will support growth in 2012 (est. 150bp of GDP)
  - The prices of soft commodities have remained strong
  - More broad based economic recovery
- Improving housing fundamentals
  - New Zealand house prices, rents and house sales are showing signs of improvement
  - Financial assistance for affected Christchurch residents has removed some uncertainties associated with the earthquakes
  - Westpac New Zealand mortgage delinquencies have eased, with 90+ day delinquencies at 72bps at 30 June 2011 down from 80bps at 31 March 2011

<sup>1</sup> Westpac Economics forecasts

## Westpac NZ 2009 – 2011 journey

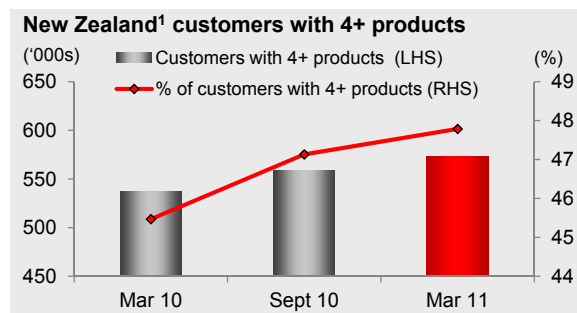
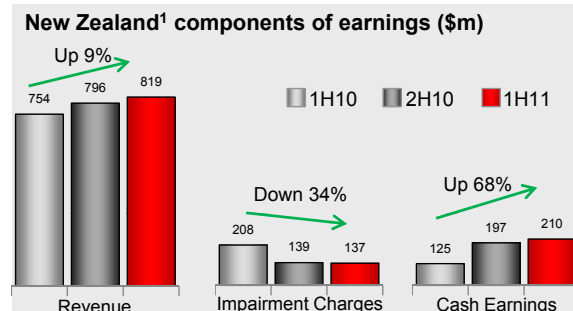


## Westpac Local has brought the bank closer to customers

More bankers in more places	Enhanced skills and empowerment closer to the front line	Innovation
<ul style="list-style-type: none"> <li>More business bankers operating in branches</li> <li>Expanded network with new high-tech community branches                             <ul style="list-style-type: none"> <li>New self-service options, available 24 hours</li> <li>Lower cost with footprint around half that of a traditional branch</li> <li>Designed for sales and attracting transaction banking</li> <li>Targeted at high net worth and SMEs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Over 2,500 people have undertaken enhanced sales training</li> <li>Established localised risk functions (by key regions) to better understand regional differences</li> <li>Enhanced systems to improve approval times                             <ul style="list-style-type: none"> <li>Example: 55% of home loans approved in 1 hour (previously took up to 2 weeks)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Impulse saver iPhone app, a world first</li> <li>Smart award winning ATMs providing fast and convenient access for customer transactions</li> </ul> 

## Benefits from investment and Westpac Local are emerging

- Consistently grown in line or ahead of system in mortgages, deposits, cards and personal loans
- Customers with 4+ products at 47.8% at 31 March 2011 (up 230bps on 1H10)
- At 1H11, revenue per FTE up 5% on 1H10
- Net Promoter Score lagging but improved 11 percentage points from March 2010 to May 2011



### Retail NPS<sup>2</sup> - rolling 6 months (%)

	Mar 10	Sep 10	Mar 11	May 11	Mvt from Mar 10 to May 11
Westpac	-18	-14	-17	-7	11
BNZ	-16	-2	-1	0	16
ANZ	-23	-23	-18	-13	10
National	-4	-2	2	2	6
ASB	11	12	10	10	-1
Kiwi Bank	38	35	34	36	-2

<sup>1</sup> Excludes WIB New Zealand. <sup>2</sup> Nielson Consumer Finance Monitor Toplines (May 2011). The data provided shows the six month rolling average.

## Opportunities and key priorities ahead

<b>Continue to drive gains from Westpac Local</b>	<ul style="list-style-type: none"> <li>Grow above system in target segments including mortgages, business lending and transactional/call deposits</li> <li>Reinforce Westpac as the NZ Bank that is local with the 'Grow NZ' initiative                             <ul style="list-style-type: none"> <li>Take a thought leadership position on NZ business</li> <li>Provide support to key industries with 'Grow NZ' forums (interactive workshops) across NZ for business, education and local government officials</li> </ul> </li> </ul>
<b>Enhanced customer segmentation</b>	<ul style="list-style-type: none"> <li>Completed detailed customer segmentation to better identify value creating segments, incorporating both transacting behavior and products held</li> <li>Target segments have lower attrition and are three times as profitable as other segments</li> <li>Plans underway to migrate existing customers into target segments and acquire new targeted customers</li> </ul>
<b>Further improve customer experience</b>	<ul style="list-style-type: none"> <li>Improve online functionality with greater self-serve options</li> <li>Continued roll out of Smart Technology and 'Red Bags' program (simplified process for business deposits) making banking easier for business customers</li> </ul>
<b>Expand wealth initiatives</b>	<ul style="list-style-type: none"> <li>Expand wealth, insurance and financial planners</li> <li>Double private bank operations</li> </ul>

- Economic environment slowly improving
- System growth improving and we are at/above system in target segments
- Continued margin improvement
- Expenses well managed via productivity
- Impairment charges moderating



## **Westpac NZ Roundtable**

### **Additional slides**

August 2011

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## Westpac New Zealand's leadership team



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## Sound improvement but more to do

- Westpac NZ 1H11 Cash earnings<sup>1</sup> \$210m up 68% on 1H10) represented 5% of The Westpac Group earnings
  - Still below peak half yearly earnings of \$244m
- Key drivers
  - Growing balance sheet in subdued market
  - Improving margins
  - Good expense management
  - Impairment charges continuing to fall
- ROE at 14.7% in 1H11
- Well positioned balance sheet with loan to deposit ratio of 63% and healthy funding and liquidity position

Westpac NZ Key financial data<sup>1,2</sup> - 1H11 versus 1H10

% of Group earnings	5%	Up 1% point
Cash earnings	\$210m	Up 68%
Revenue	\$819m	Up 9%
Impairment charges	\$137m	Down 34%
Expense to income ratio	47.1%	Down 210bps
Total TCE	\$62bn	Up 2%

Westpac NZ<sup>2</sup> balance sheet

(NZ\$b)	1H10	2H10	1H11	% Chg on 2H10
NET LOANS	49.0	49.8	49.8	-
Mortgages	33.2	33.9	34.2	↑ 1
Business	14.2	14.3	14.0	↓ 2
Other	1.6	1.6	1.6	-
TOTAL DEPOSITS	30.0	30.5	31.6	↑ 4
Term deposits	17.0	17.8	18.1	↑ 2
Other	13.0	12.7	13.5	↑ 6

New Zealand<sup>2</sup> TCE by region (%)



<sup>1</sup> In NZ\$. <sup>2</sup> Excludes WIB New Zealand.

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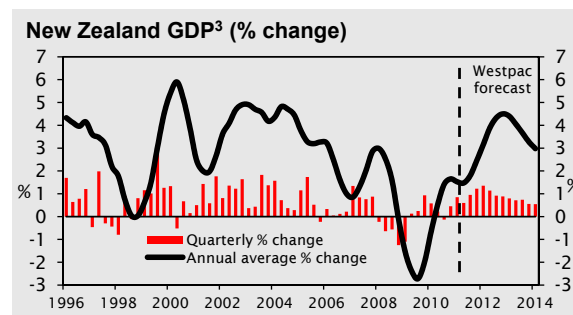
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## Economic conditions improving and supportive

- The New Zealand economy entered recovery mode in the first quarter of 2011, despite the Christchurch earthquake. Indeed the earthquake had a more limited effect on national economic activity than first thought
- Survey evidence suggests the pace of economic growth has been maintained through to the middle of 2011. We now expect 2.4% GDP growth in 2011, and 4.5% growth in 2012
- Housing market activity has increased – particularly in Auckland where house sales are up the most. House prices are now slowly rising
- Rising house prices have helped underpin an improvement in consumer spending
- Export commodity prices are high, but have shown signs of easing in recent months
- Inflation of 5.3% for year to June 2011 is due to a hike in GST. Underlying inflation is more subdued at 2.5%. However, the Christchurch reconstruction effort will put pressure on underlying inflation
- We expect the Reserve Bank will lift the official cash rate steadily over the next three years

Key NZ economic indicators July 2011	Calendar year			
	2009	2010	2011e	2012f
GDP	-2.0	1.7	2.4	4.5
Unemployment – end period	7.0	6.7	6.1	4.8
Consumer prices	2.0	4.0	3.4	2.6
Interest rates – cash rate	2.5	3.0	3.0	4.5
Credit growth – Total <sup>1</sup>	4.4	0.1	1.5	5.2
Credit growth – Housing <sup>1</sup>	3.3	2.8	1.4	4.8
Credit growth – Business <sup>2</sup>	6.6	-3.3	1.8	5.9



<sup>1</sup> Annual average percentage change basis. <sup>2</sup> Business includes agri. <sup>3</sup> Sources Statistics NZ, Westpac Economics.

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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 section entitled 'Risk and risk management' in Westpac's 2010 Annual Report and in the section entitled "Principal risks and uncertainties" in Westpac's Interim Financial Report for the half year ended March 31, 2011. 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.