



# Australian Financial Services Update

## Delivering on opportunities

**14 MARCH 2014**

All metrics in this presentation relate to Australian Financial Services division of Westpac Banking Corporation unless otherwise stated

# **AFS delivering on opportunities**

**BRIAN HARTZER  
CHIEF EXECUTIVE OFFICER  
AUSTRALIAN FINANCIAL SERVICES**



# AFS<sup>1</sup> - Delivering on our plans

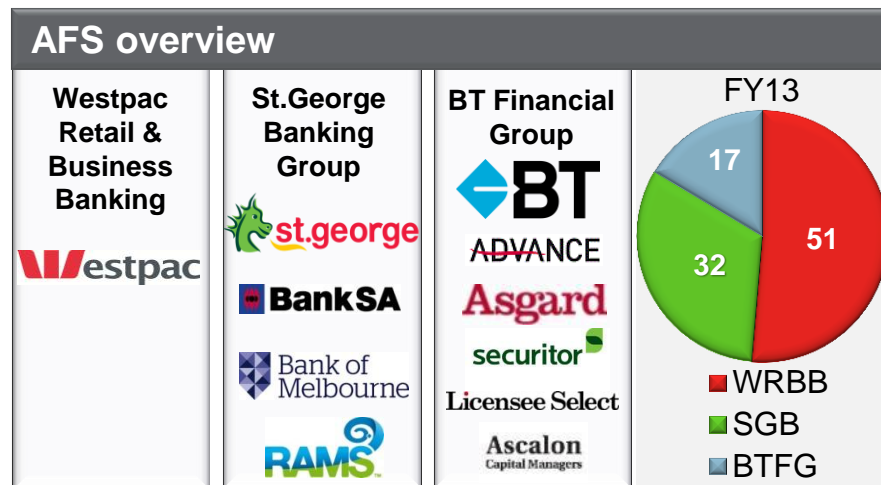
- AFS is delivering strong results
- Performance is underpinned by a clear strategy and strong management team
- AFS continues to generate value greater than the sum of its parts
- Momentum is increasing as the division tilts towards growth
- Wealth continues to be a positive differentiator
- Simplification agenda continues to drive efficiency gains
- Digital is improving the customer experience, with much more to come

1 AFS is Australian Financial Services.



# AFS snapshot

- AFS created in November 2011
- Includes Westpac Group's Australian retail, business banking, and wealth businesses
- 63% of Westpac Group's FY13 Cash earnings



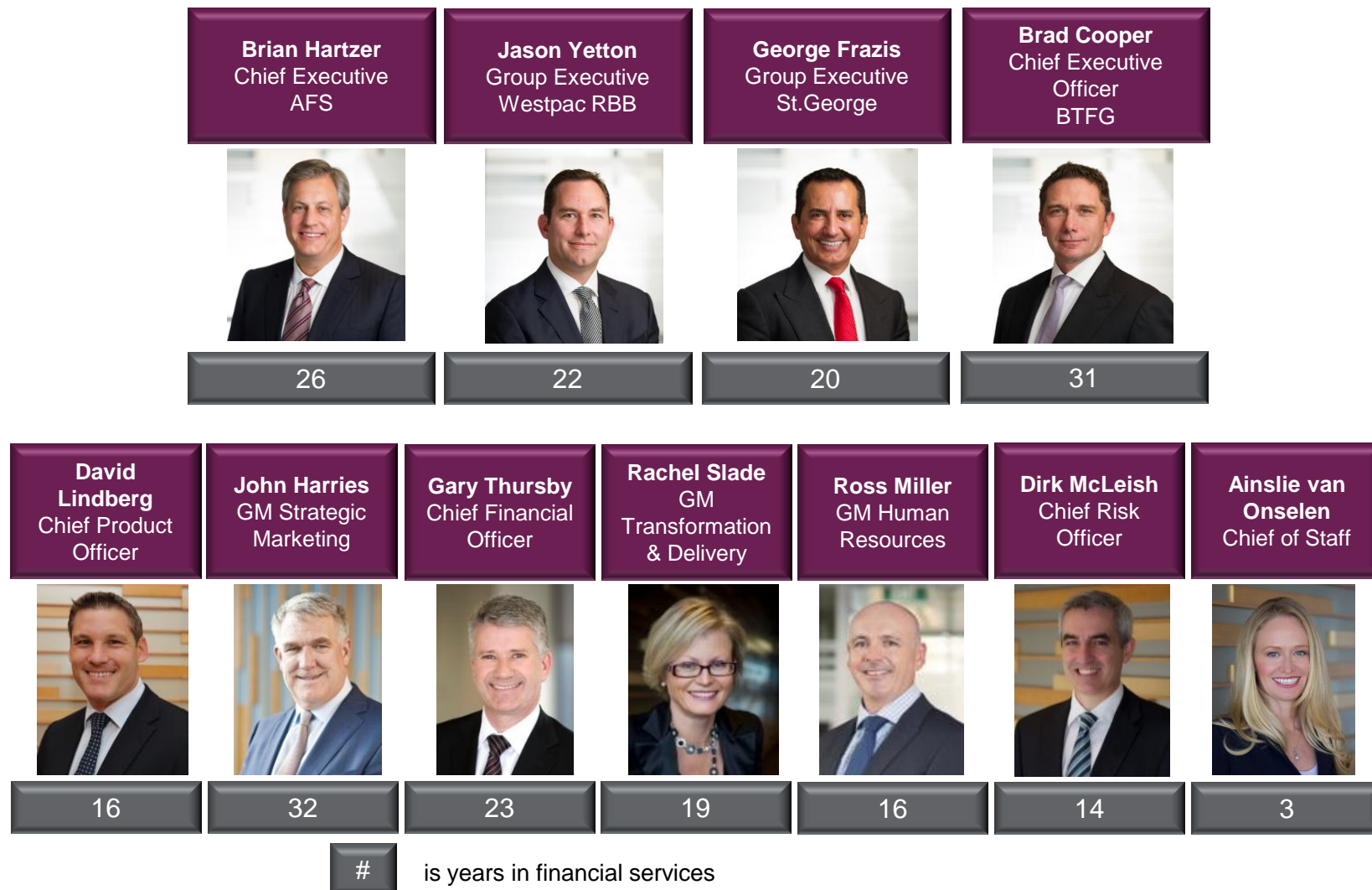
**FY13 key metrics**

Customers (banking)	9.4m
Total lending	\$424bn
Total deposits	\$259bn
Australian household deposit market share <sup>1</sup>	23%
Australian wealth platform market share <sup>2</sup>	20%

<sup>1</sup> APRA Banking Statistics, December 2013. <sup>2</sup> Plan for Life, December 2013, All Master Funds Admin.

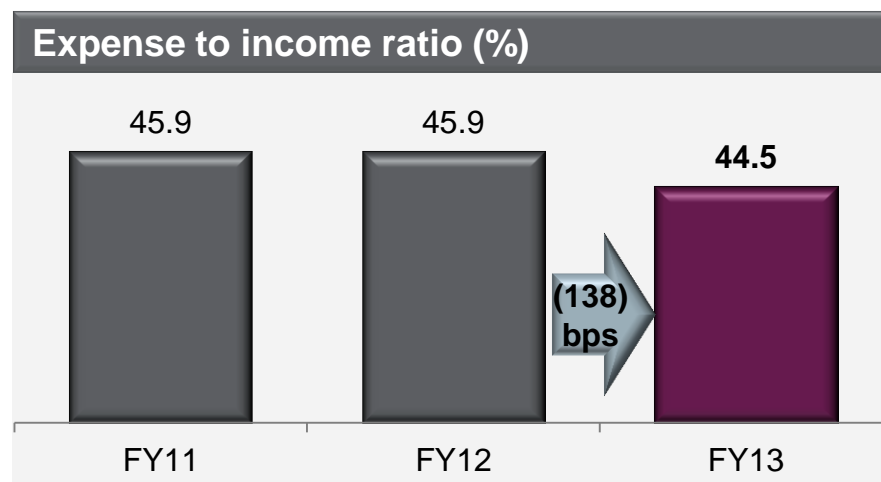
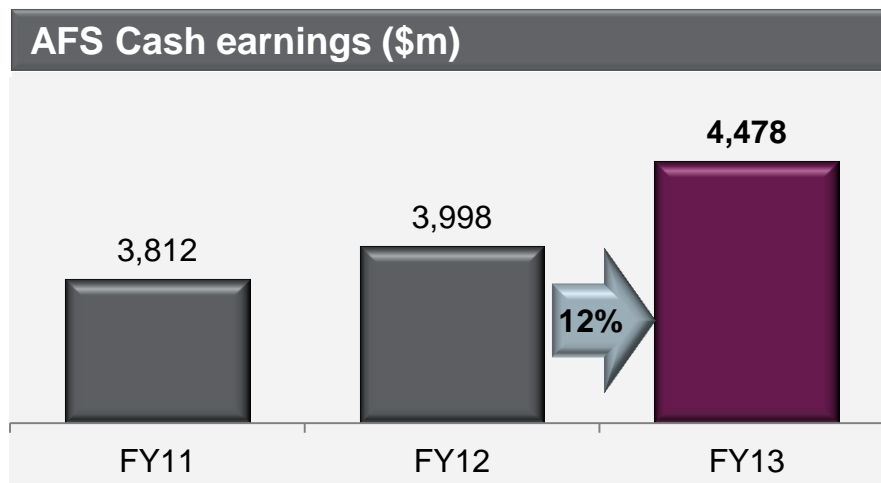


# Strong benefits of 'one team' with significant banking experience



# AFS has delivered across all dimensions

- Consistent earnings growth and improvement in financial metrics<sup>1</sup>
  - ROTE up over 180bps
  - Expense to income ratio down 138bps
  - Customer deposit to loan ratio up over 3 percentage points
  - Asset quality improved further
- Continued improvement in non-financial metrics<sup>1</sup>
  - Employee engagement up 200bps to 88%
  - MyBank<sup>2</sup> customers up 4.3%



<sup>1</sup> FY13 versus FY12 results. <sup>2</sup> MyBank customer is one where we have their quality transaction account (ie: they are active; have salary credit; and/or have multiple regular deposits) and they do multiple transactions per month; and we meet at least 2 out of 5 of their following needs: (a) long term borrowing; (b) short term borrowing; (c) savings and investment; (d) protection; and (e) wealth.



# AFS is making the whole greater than the sum of its parts

## Drive high performance

- Common approach to solving service quality issues: complaints down 15% YoY
- Consistent high performance management approach: 1Q14 'Sprint to Summer' campaign exceeding targets
- Delivering on 'lean' and customer-centred design
- Consistent approach to customer data yielding strong early results

## Optimising the portfolio

- Co-ordinated strategy across brands and products
- Portfolio-driven strategies to drive stronger margin performance
- Single view of customer profitability, enhancing cross-sell and pricing discipline
- Centralised distribution planning and delivery

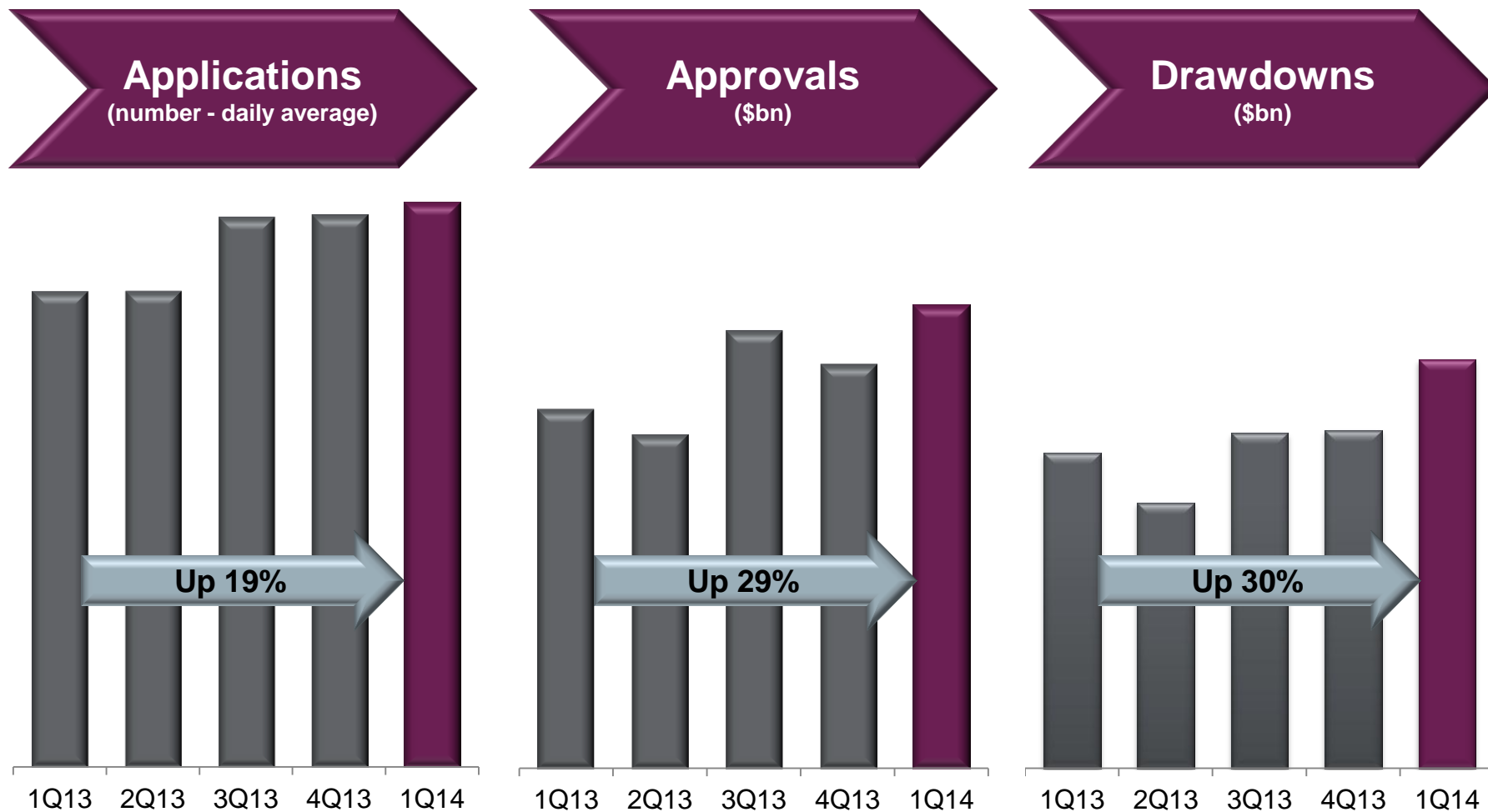
## Capture synergies

- Continuing to increase cross sell between banking and wealth
- Expanding cross sell between AFS and WIB: 64% of WRBB commercial customers already have a WIB product
- Delivering economies of skill and scale

**Note: We estimate the creation of AFS has added around 70bps to the division's ROTE<sup>1</sup>**

<sup>1</sup> ROTE is return on tangible equity.

# Mortgage momentum steadily improving

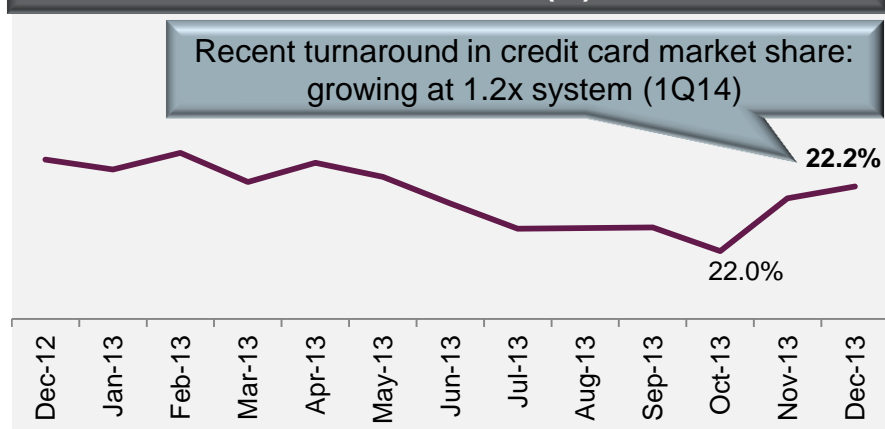




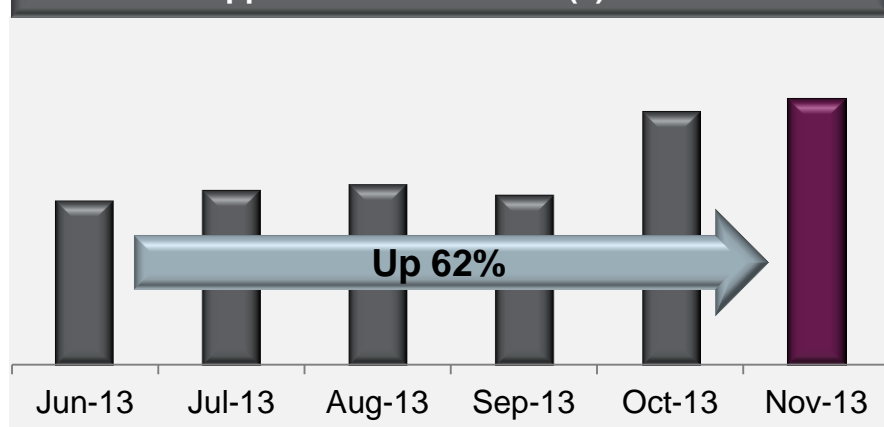
# Consumer finance delivering strong growth

- New team and operating model
- Growing above system

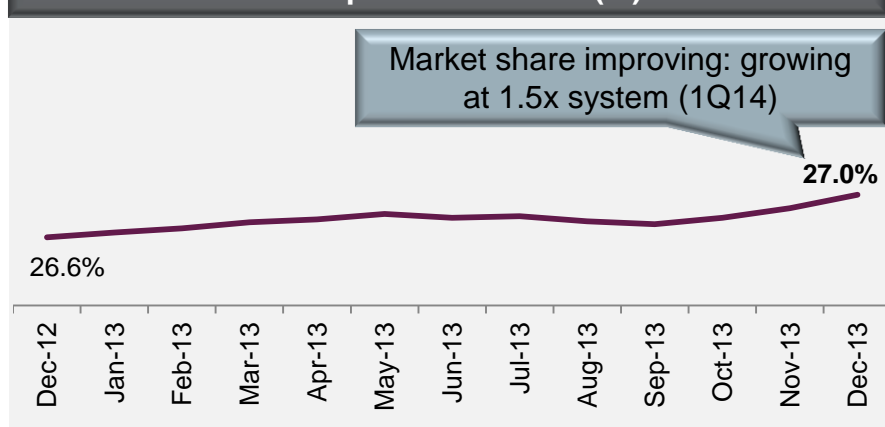
## AFS market share in credit cards<sup>1</sup> (%)



## Credit card application momentum (#)



## AFS market share in personal loans<sup>2</sup> (%)

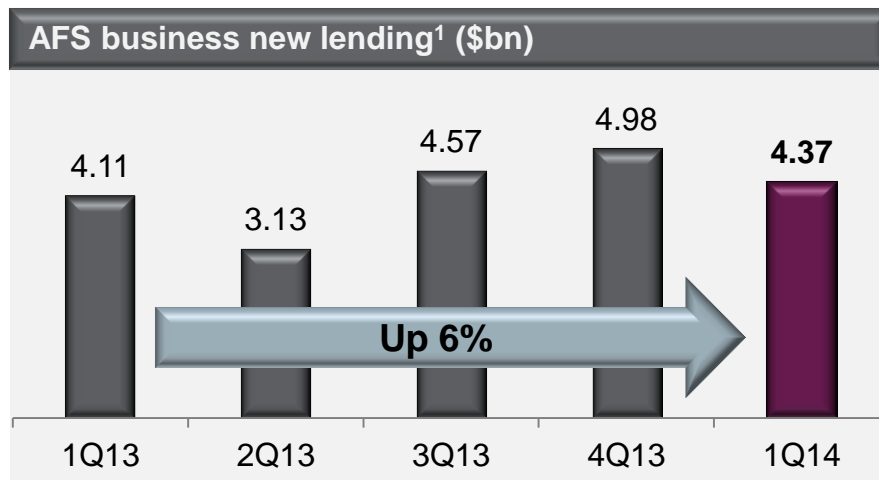


1 APRA monthly banking statistics, December 2013. 2 Rfi data, December 2013.



# Capitalising on the business banking opportunity

- Underlying portfolio growth stronger, with 1Q14 new lending up 6% on 1Q13
  - Distribution initiatives across brands gaining traction
  - Significant rise in customer interactions
- Net portfolio growth remains modest with
  - Ongoing preference to hold less debt
  - Further run-down in stressed assets
- AFS/WIB partnership contributing strongly (\$580m in revenue FY13)



AFS co-ordinated and brand specific strategies	
WRBB	SGB
Westpac Local	Business Connect
Industry specialisation	Industry specialisation
“Think” series – Transactional/Trade	Lloyds integration
Best Banker	“Great customer conversations”

<sup>1</sup> Excludes assets acquired from Lloyds.

# Lloyds acquisition has added additional growth and capability

- \$8.0bn lending to Westpac Group of which \$6.3bn of lending transferred to St.George
- Lifts Group's Australian market share
  - 0.6 percentage points in business<sup>1</sup>
  - 2.3 percentage points in personal<sup>1</sup>
- Increases St.George's
  - Equipment portfolio by 123%
  - Auto finance portfolio by 53%
- Integration milestones for 'first 100 days' all on track

## Summary of assets acquired by St.George

### Equipment finance

- \$2.1bn SME lending
- Over 70,000 customers
- Low risk vehicle and machinery assets, with new operating lease capability

### Motor vehicle finance

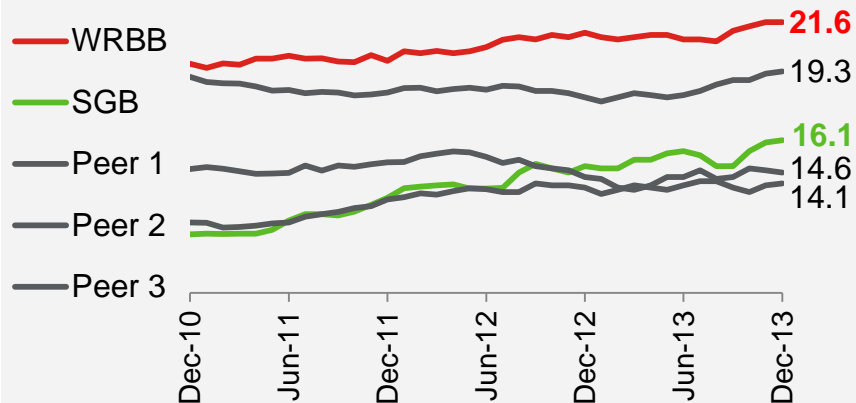
- \$3.5bn personal car finance
- \$0.7bn dealer finance
- 343 motor dealer franchises
- 160,000 consumer customers

<sup>1</sup> RBA Financial Aggregates, December 2013.

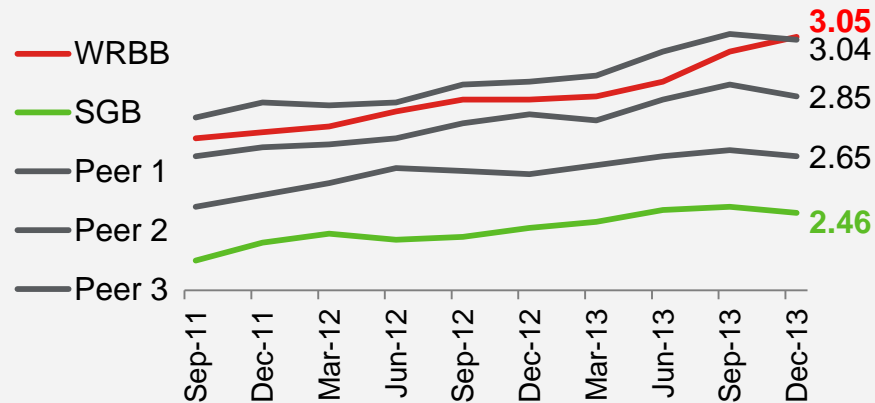


# Wealth is part of our DNA

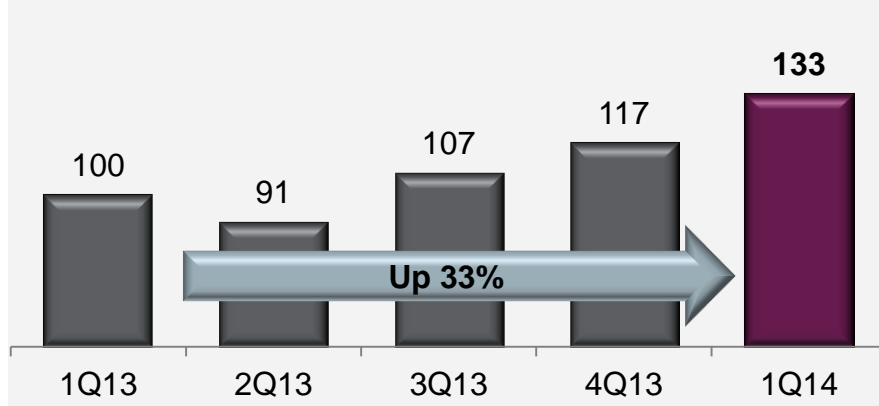
## Wealth penetration<sup>1</sup> (%)



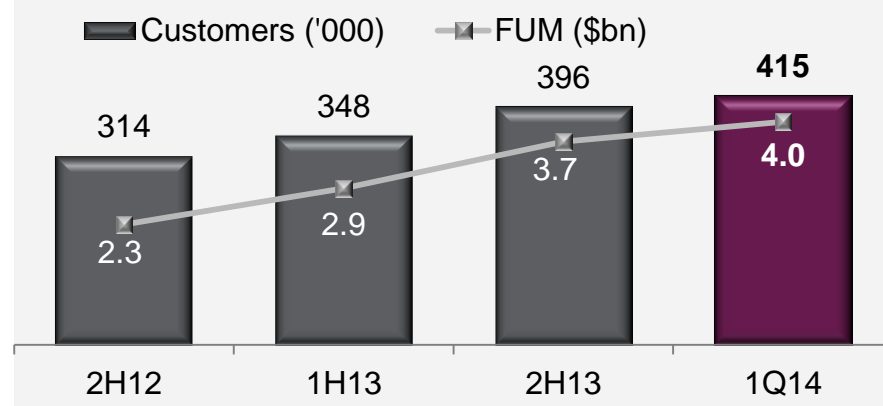
## Products per customer<sup>2</sup> (#)



## Home and Contents policy sales (indexed 1Q13 = 100)



## BT Super for Life (retail) customers and FUM



<sup>1</sup> Wealth penetration metrics defined on page 53. <sup>2</sup> Products per customer metrics defined on page 53. Peer 2 excludes BankWest.

# Simplification driving structural productivity

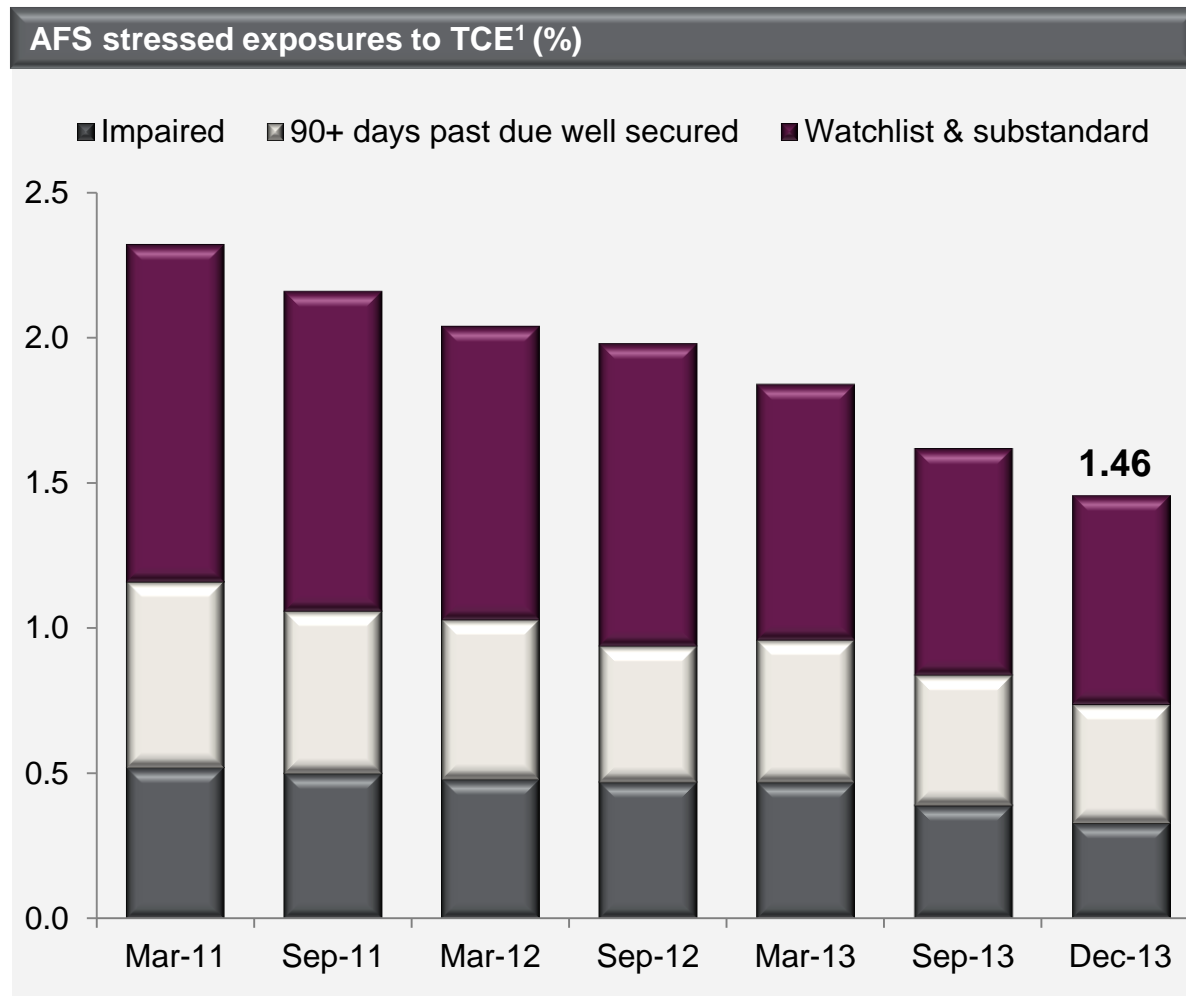
Stream		Sample metrics	1H13	FY13
<b>Simplify and digitally enable distribution</b>	Simplify branch distribution	Number of branches reformatted	31	98
		Branch sales FTE/branch FTE	45%	47%
	Digitally enable distribution	% AFS active digital customers	39%	41%
		% AFS active mobile customers (subset of digital)	15%	20%
	Simplify customer contact centres	Proportion of revenue generating FTE <sup>1</sup>	22%	28%
<b>Simplify products</b>		Number of 'for sale' products removed	11	31
<b>Simplify processes</b>		Customer wait time saved	17%	
		AFS complaint reduction	15%	
<b>Simplify IT</b>		Number of IT applications closed	8	20

<sup>1</sup> Proportion of total revenue generating FTE to total FTE in contact centres.



# Asset quality continues to improve

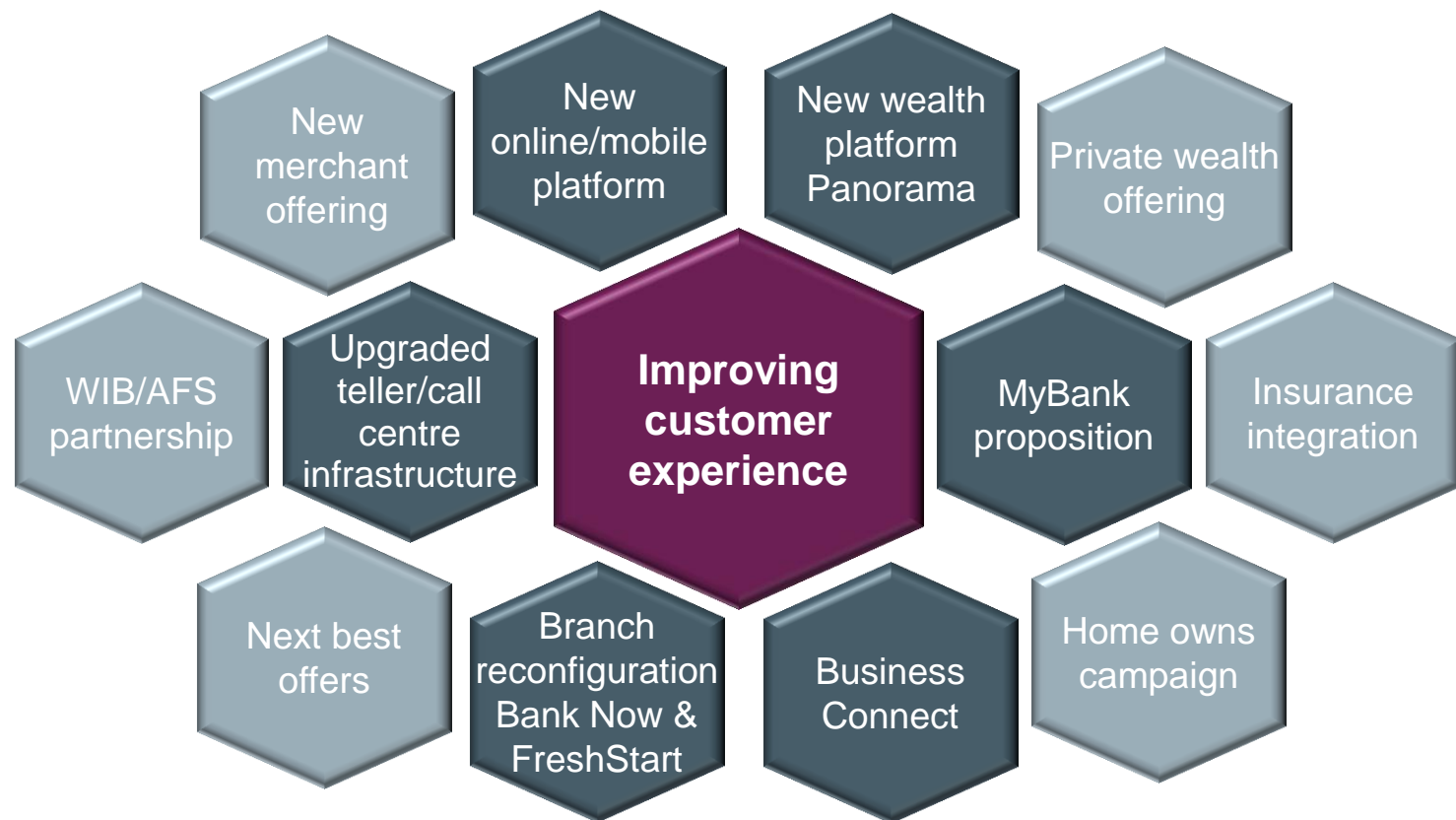
- Portfolio credit quality continues to improve
- Stressed exposures as % of TCE at 146bps (down 15bps in 1Q14)
- Impaired assets 33bps of TCE (down 6bps in 1Q14)
- Consumer portfolio remains sound



<sup>1</sup> TCE is total committed exposures.



# Our goal is to materially improve the customer experience



**Digitisation**

**Simplification**

## Remaining optimistic about the outlook

- Significant lift in customer activity and strong demand for housing loans
- AFS delivering on our plans
  - Strong and disciplined financial performance
  - Good momentum as the business tilts to growth
  - Simplification increasing efficiency and creating growth opportunities
- Well positioned to lead next wave of customer experience improvements through digitisation





# Momentum in home ownership

JASON YETTON  
GROUP EXECUTIVE  
WESTPAC RBB



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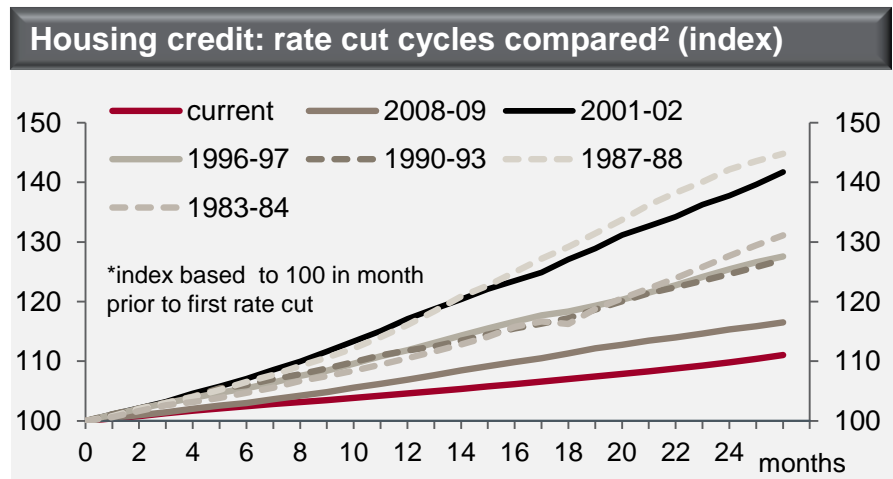
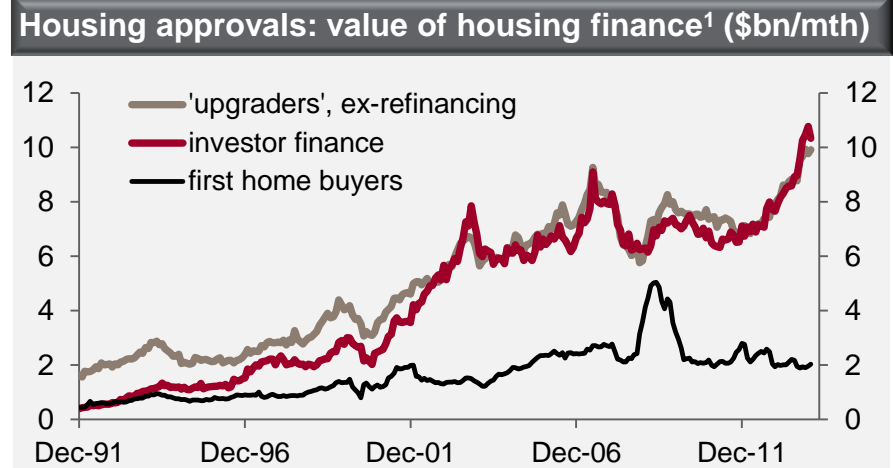
## Successfully tilting to growth in mortgages

- Strongly positioned in mortgages, particularly in key markets
- Focused on improving all points of the mortgage pipeline
- Managing portfolio of brands to deliver optimal outcome
- AFS mortgage growth approaching system without compromising risk
- Home lending revenue an increasing proportion of AFS total revenue



# Housing environment the strongest it has been since 2009

- Australian housing credit growth picking up, although speed of rebound is slower than in previous cycles
- Value of market housing approvals up 22% to Jan14, led by strengthening investor and upgrader demand
- Some drag to growth as many consumers continue to have a preference to pay down debt
- Activity has been considerably stronger in NSW, Vic and WA

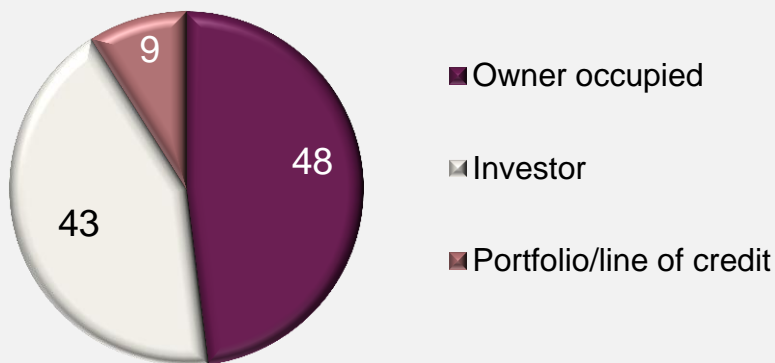


1 Sources: ABS, Westpac Economics. 2 Sources: RBA, Westpac Economics.

# Mortgage franchise is strongly positioned in key markets

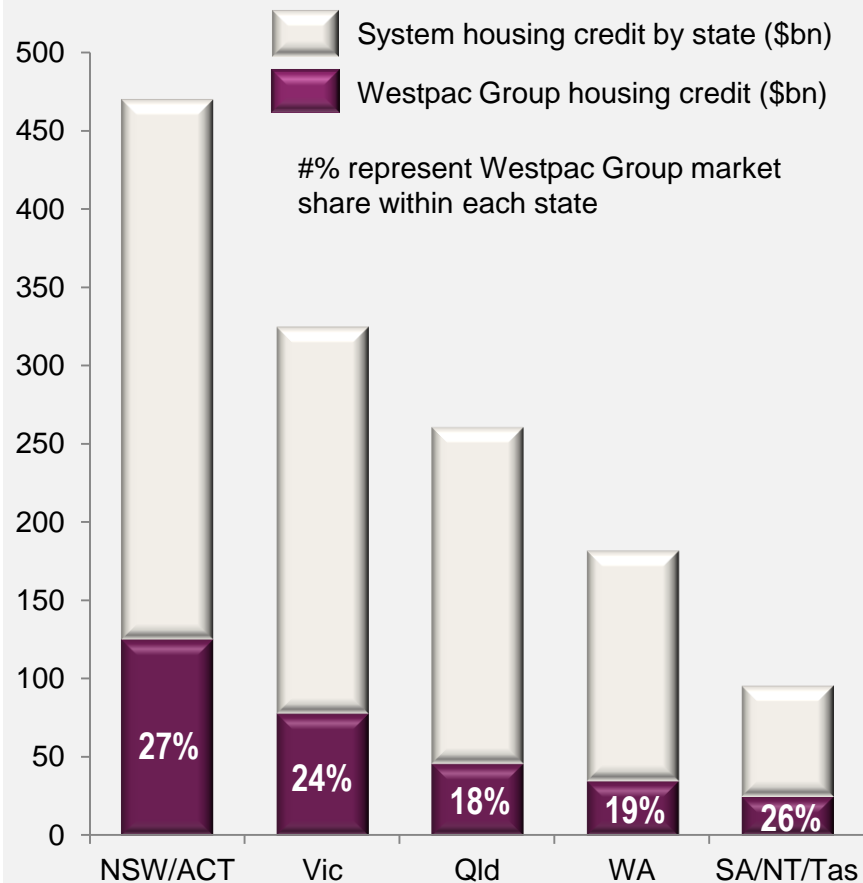
- AFS has a national market share of 23% in mortgages
- Franchise strength in growth segments
  - 27% in NSW
  - 24% in Vic
  - 43% of lending to investors

Home loan portfolio mix 2H13 balance (%)



<sup>1</sup> Source: Westpac internally modelled numbers utilising ABS/RBA data as at December 2013.

Home lending share of market by state<sup>1</sup> Dec 2013



# Focus on key business drivers and sustainable growth

## Higher brand consideration

- WRBB home loan consideration improved from 4<sup>th</sup> (July 2013) to equal 2<sup>nd</sup> (December 2013)
- 1Q14 AFS daily applications up 19% on 1Q13 and activity well above pre-campaign volumes

## Sales force capacity lifted

- Increasing capacity of front line roles through recruitment of 80 additional Home Finance Managers since 2Q13
- Focus on productivity and sales management disciplines

## Customer experience improved

- Reduced 'Time to Yes' for WRBB Top-Up facilities by 70%<sup>1</sup>
- Improved settlements experience through process improvements
- Reduced home loan complaints by 19% in FY13, while increasing volumes

## Risk appetite unchanged

- Average credit scores slightly improved
- Average LVR little changed with no bias to high LVR lending

## Lower than industry run off

- Lower than industry run off rates<sup>2</sup> at 13% for WRBB and 16% for SGB
- Expect the trend of deleveraging to continue

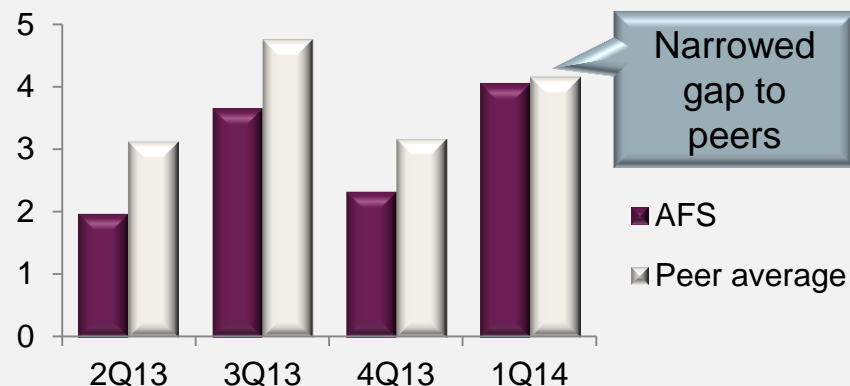
<sup>1</sup> 70% reduction as at February 2014 versus June 2013. <sup>2</sup> UBS mortgage report November 2013 highlighted industry run-off rates at 18%.



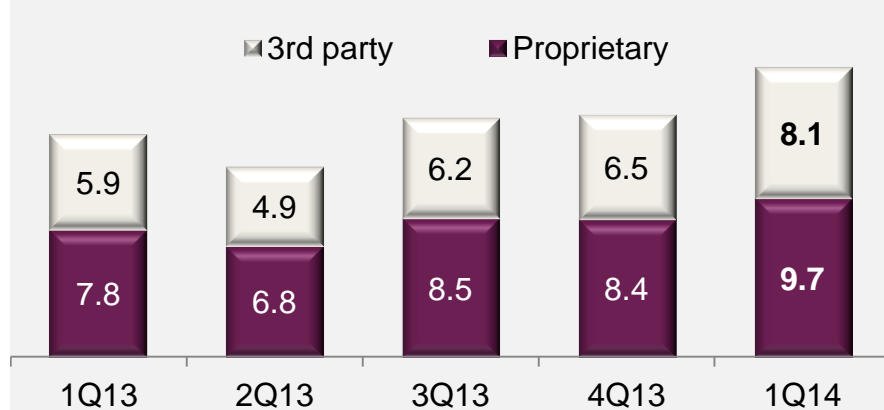
# Delivering a steady improvement in growth

- AFS quarterly movement in home lending has narrowed gap to peers
- AFS 0.9x mortgage system<sup>1</sup> in Jan14
- Growth through all channels
  - Proprietary new lending up 24% on 1Q13
  - 3<sup>rd</sup> party new lending up 37% on 1Q13

Total quarterly movement in home lending (\$bn)<sup>1</sup>

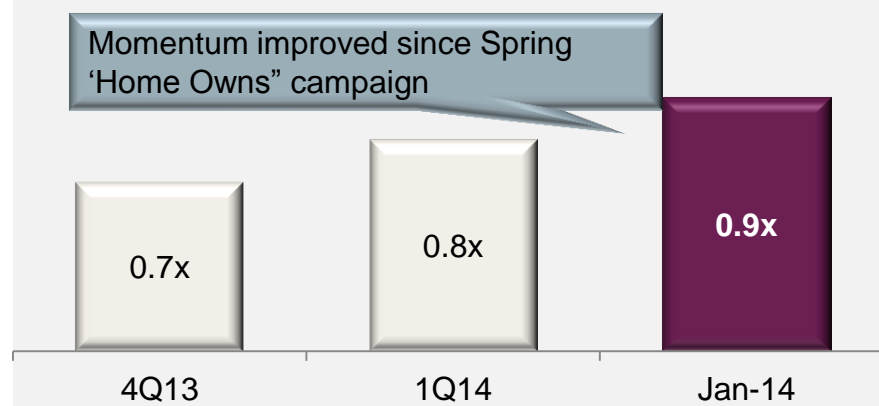


New mortgage lending (\$bn)



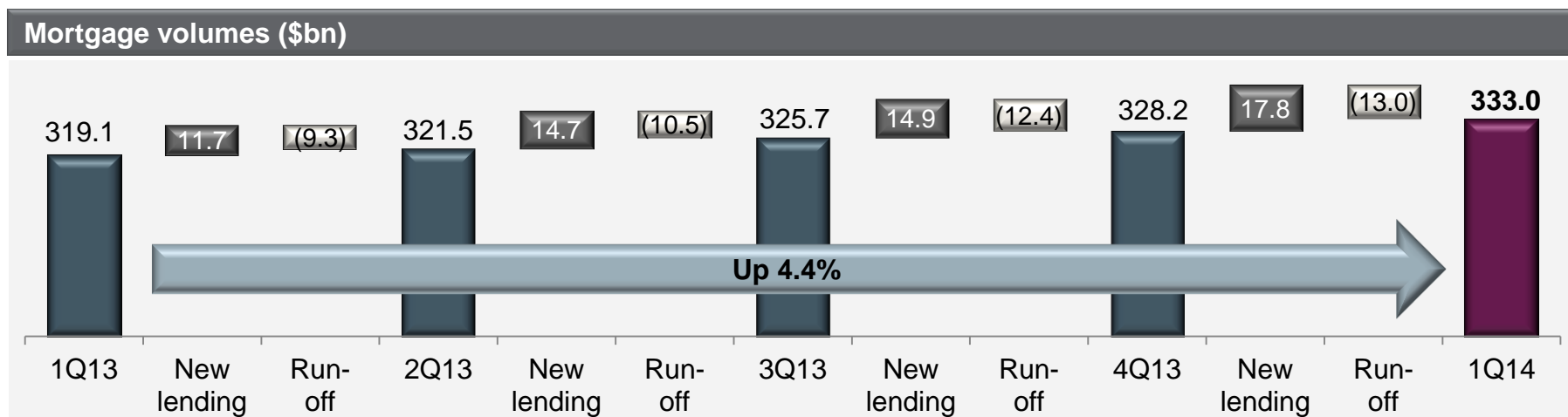
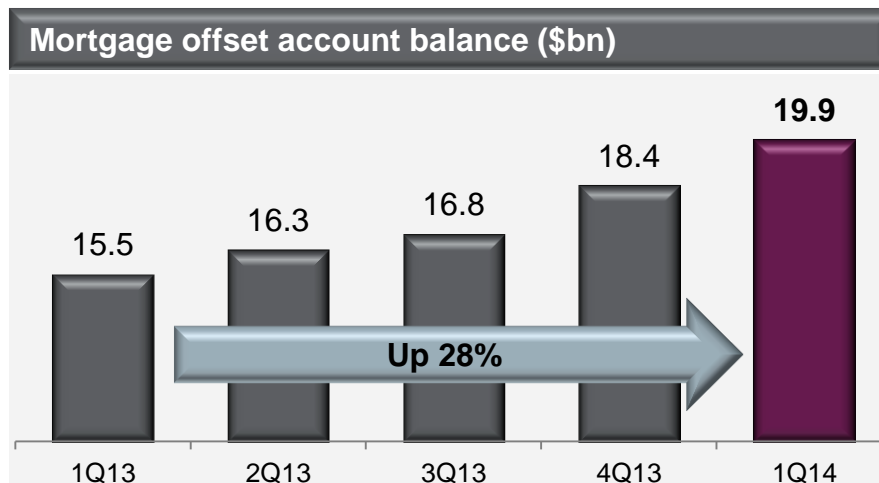
<sup>1</sup> RBA Financial Aggregates January 2014.

AFS home lending financial system multiple<sup>1</sup> (times)



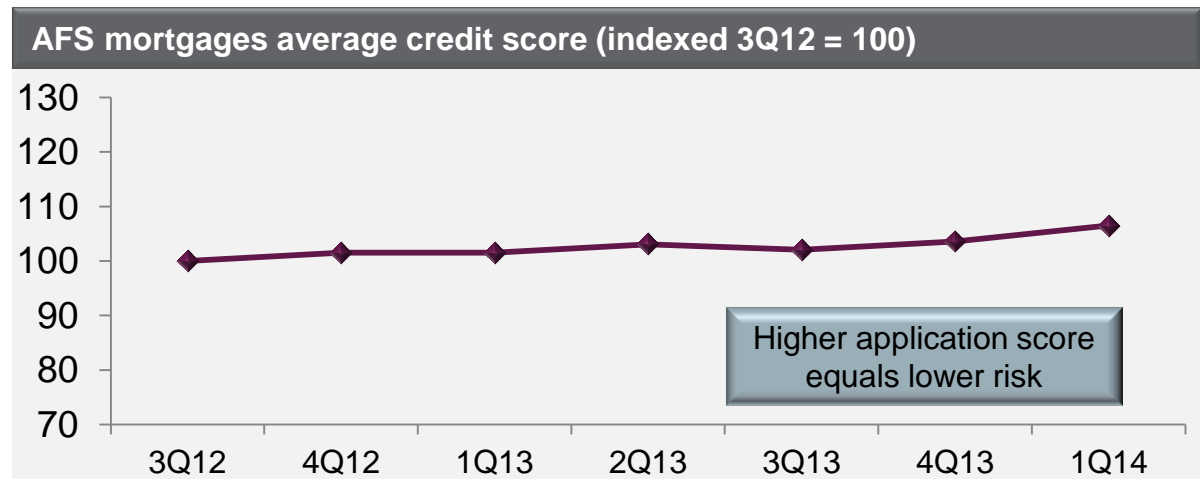
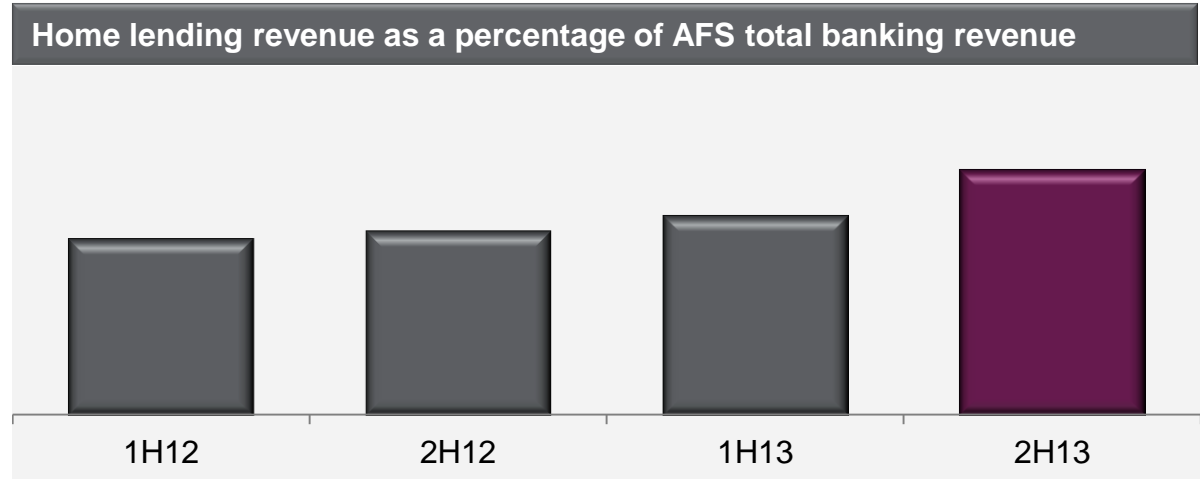
# Mortgage consumer behaviour remains cautious

- Mortgage offset balances increasing
  - \$19.9bn, up 28% on 1Q13
  - Represent 6.0% of mortgage balance (up from 4.9% 1Q13)
- Mortgage volumes up 4.4% on 1Q13
  - Run-off continues to grow, partially offsetting new lending



# Mortgage revenue growth uplift, with strong risk disciplines

- 1Q14 home lending revenue a growing percentage of total AFS banking revenue
- Improving mortgage growth while achieving
  - Little change in credit quality scores
  - Lower 90+ day delinquencies of 48bps (down 4bps on 1Q13)





# Growing in Business Banking

**GEORGE FRAZIS  
GROUP EXECUTIVE  
ST.GEORGE BANKING GROUP**



## Co-ordinated business banking strategy

- Substantial position with over one million business customers and 19% market share<sup>1</sup> in business lending, with \$76bn of loans
- Business banking environment is improving although caution remains
- AFS remains focussed on the fundamentals of a successful business bank, managing in a co-ordinated way
  - WRBB Local continues to deliver
  - Good progress on capturing the SME opportunity, particularly in SGB
  - WIB/AFS partnership is generating significant revenues (\$580m) and creating additional opportunities
  - Managing business effectively through the cycle, with strong asset quality

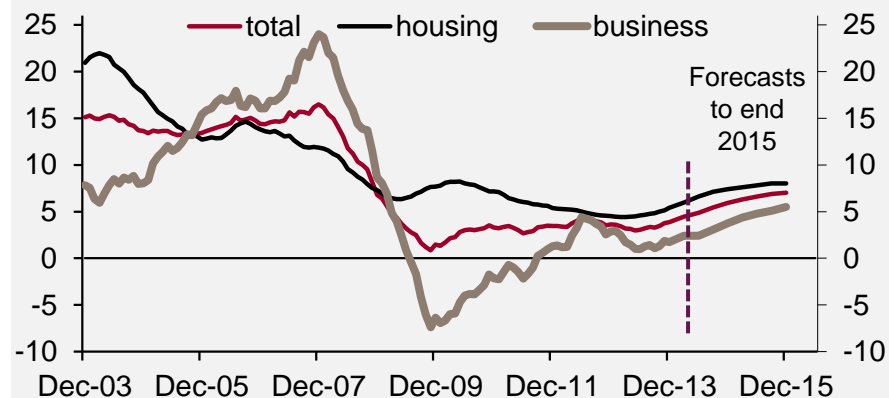
<sup>1</sup> Source RBA Financial Aggregates, December 2013.



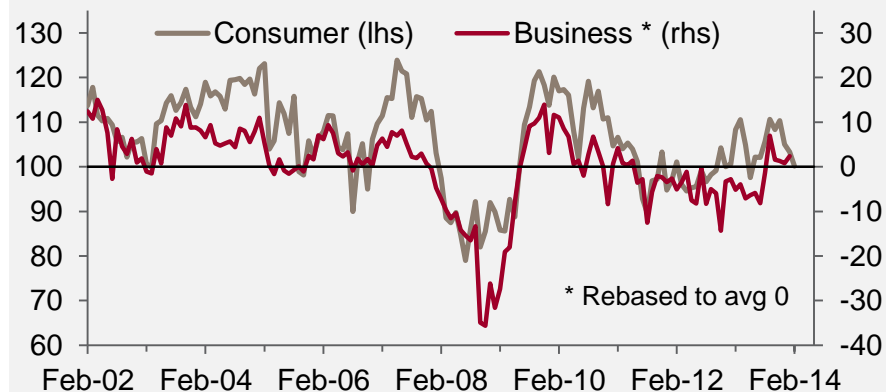
# Business environment improving although caution remains

- Economy in transition as mining investment tapers
- Macro indicators showing improved business conditions and increased willingness to act
- This is reflected in activity of our business bankers and in applications
- Many customers still have a propensity to reduce debt
- Trends by segment
  - Commercial: property the dominant source of growth although continued run-off also being experienced
  - SME: strong asset growth across brands, predominantly coming from capital cities

Australian private sector credit growth<sup>1</sup> (% ann)



Business confidence & consumer confidence<sup>2</sup> (net balance)

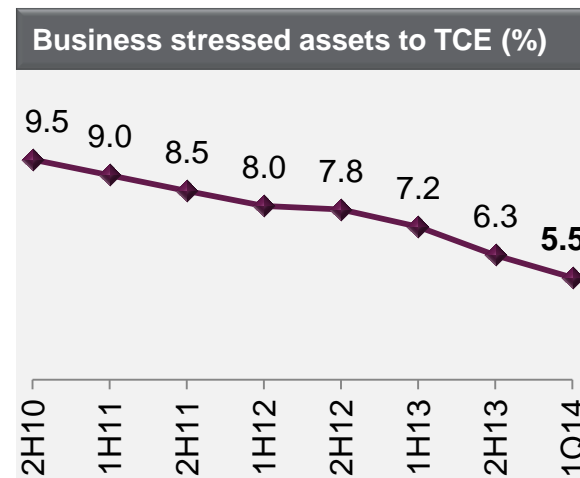
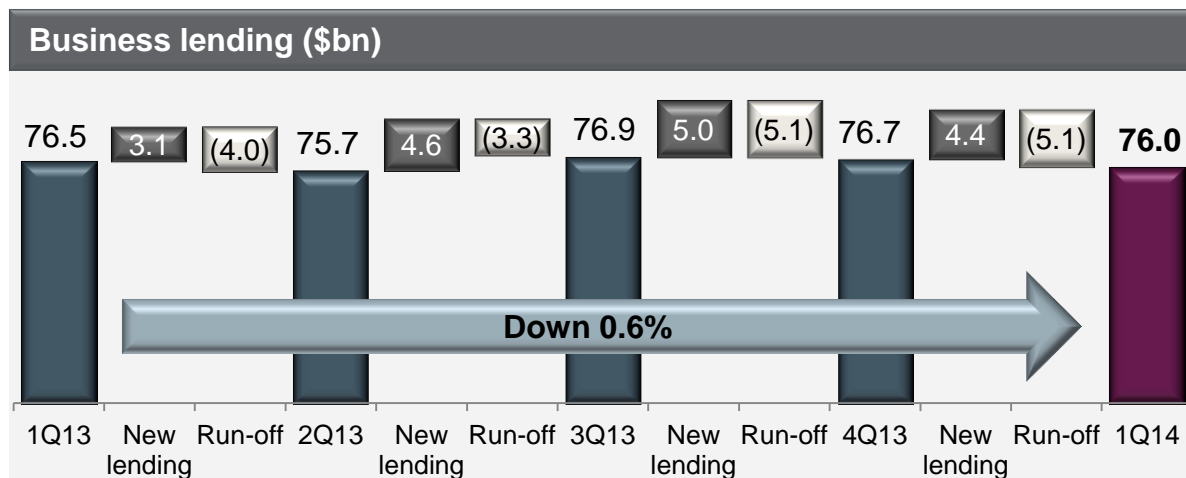
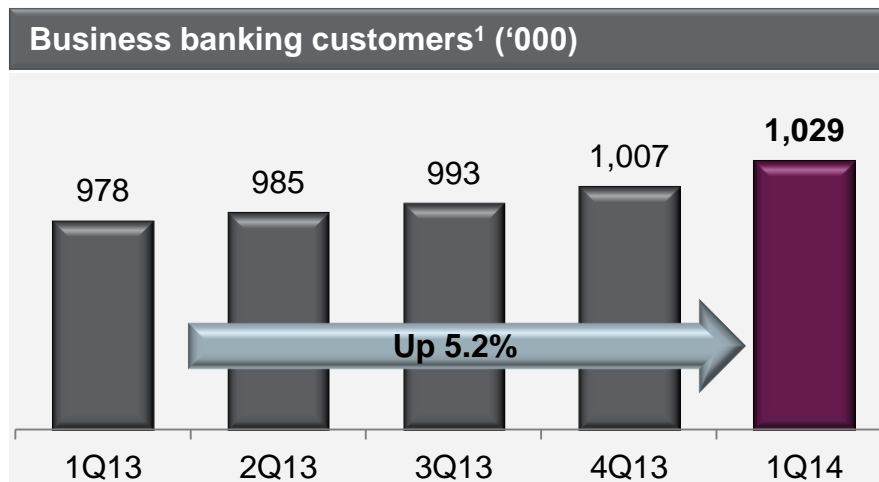


1 RBA, Westpac Economics. 2 Westpac Melbourne Institute, NAB, Westpac Economics.



# New lending higher, offset by ongoing run-off

- Business customers<sup>1</sup> 1.03m, up 51K (5.2%) on 1Q13
- Business lending \$76.0bn, little changed
  - 6.2% increase in new lending since 1Q13
  - Run-off increased, particularly property
- Asset quality continues to improve with stressed assets lower



<sup>1</sup> Business banking customers includes the growth from existing retail customers who now have a business banking product.

# Focused on fundamentals of a successful business bank

## Banker capability

- Over 10,000 hours of credit training provided across brands since 1Q13
- New sales programs launched across both brands
  - “Best Banker” & “Think” Series in WRBB
  - “Great customer conversations” in SGB



## Growing through deeper customer relationships

- Continued investment in industry specialisation
- Connecting with more of our customers via “Business Connect”
- WIB/AFS partnership delivering results – 64% of WRBB commercial customers have a WIB product



## Speed and simplicity

- Piloting new credit decision tool in WRBB, then SGB
- Enhanced platform for new merchant customers
- Rolled out the digital BizPack for SGB; enables opening of 5 essential business products in 15 minutes



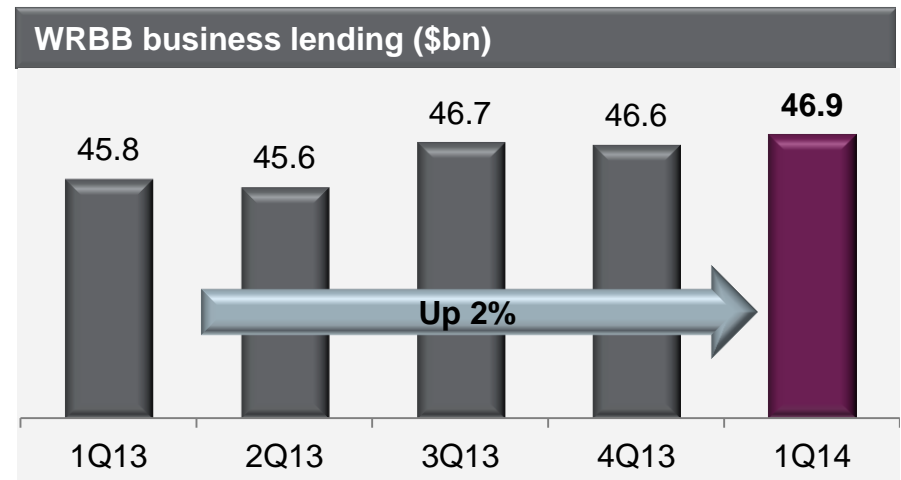
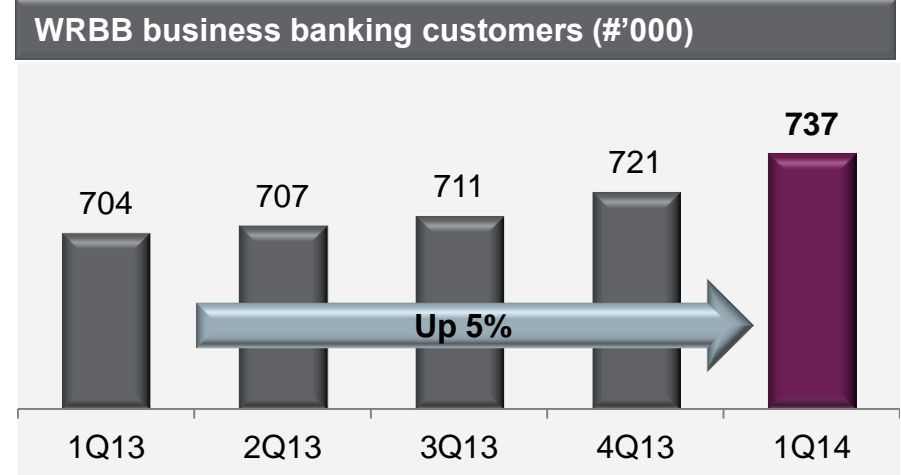
## Have a strong retail bank

- Introduced 76 24/7 lobbies
- Continued innovation in SGB via “FreshStart”
- Continued innovation in WRBB via “Bank Now”
- Launched “night-time economy” campaign
- 1,500 new SGB business customers per month



# WRBB local business model delivering

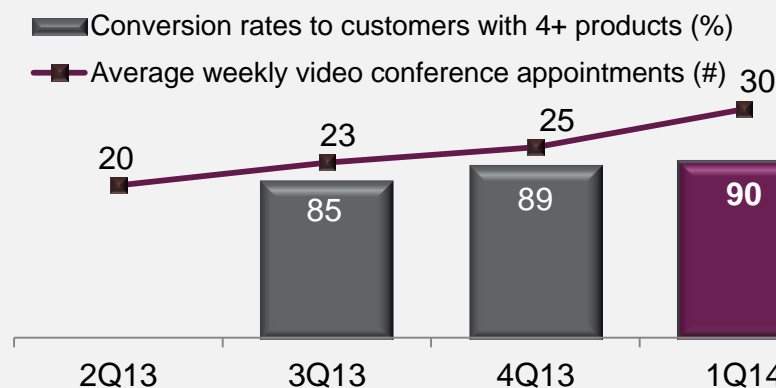
- Model of local business bankers with close community ties is delivering
  - Over 300 local bankers, largest network of branch based specialists
  - Over 500 commercial relationship managers
  - Over 680 branches
  - 70 business banking centres
- Appointed General Manager, Small Business Banking
- Investing in professional qualifications for Local Bankers via “Best Banker” program
- ‘Connect Now’ being rolled out in regional Victoria, providing greater access to specialists for WRBB customers



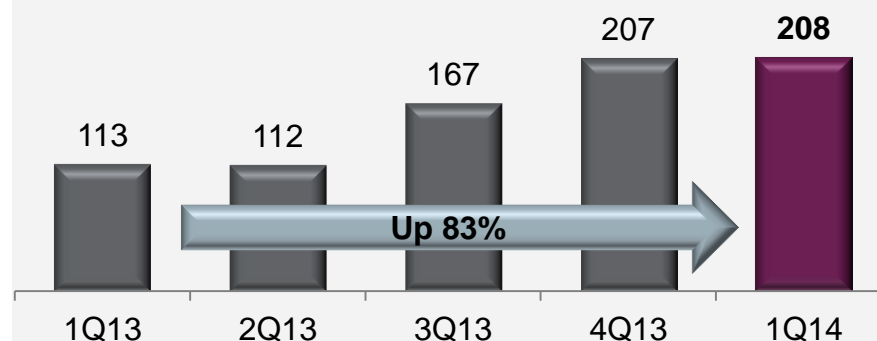
# Enhancing SME capability in SGB via Business Connect

- Business Connect roll-out continues
  - Installed in 90 SGB branches, 150 by end FY14
  - 35 new business bankers recruited in 1Q14, out of a total 50 planned
  - SME customers up 19K (7%) on 1Q13
  - ~1,000 video meetings conducted with appointments rising
  - ~90% of branch organised<sup>2</sup> video conference referrals have resulted in a lift in customers with 4+ products
- Launched new initiatives including
  - SGB Small Business Hub
  - Digital BizPack (5 essential products, 15 minute sign up)

Business Connect progress<sup>1</sup>



New SME loans (\$m)

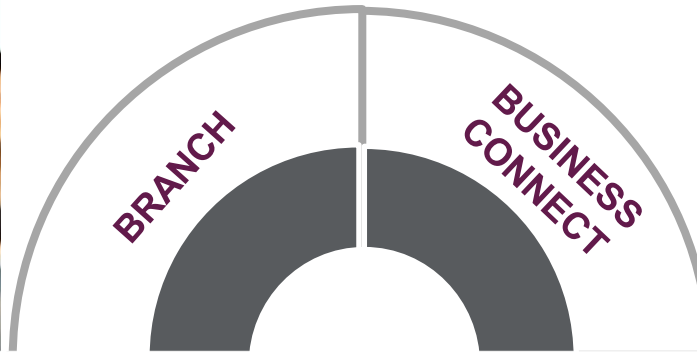


<sup>1</sup> Business Connect launched in 2Q13. <sup>2</sup> Qualified referral from branch network to video specialists.

# Case study: SME business



## Referral



- Relationship begins in-branch
- Simplified sign up
- Health check provided
- Referral to Business Connect in real time
- Seamless experience for the customer



Both the business and personal needs of the customer fulfilled in one technology enabled interaction

## Partnership

- Experienced Business Banker engages with SME via video
- Application for personal and business finance completed
- Introduction to wealth specialist provided
- Relationship maintained with branch



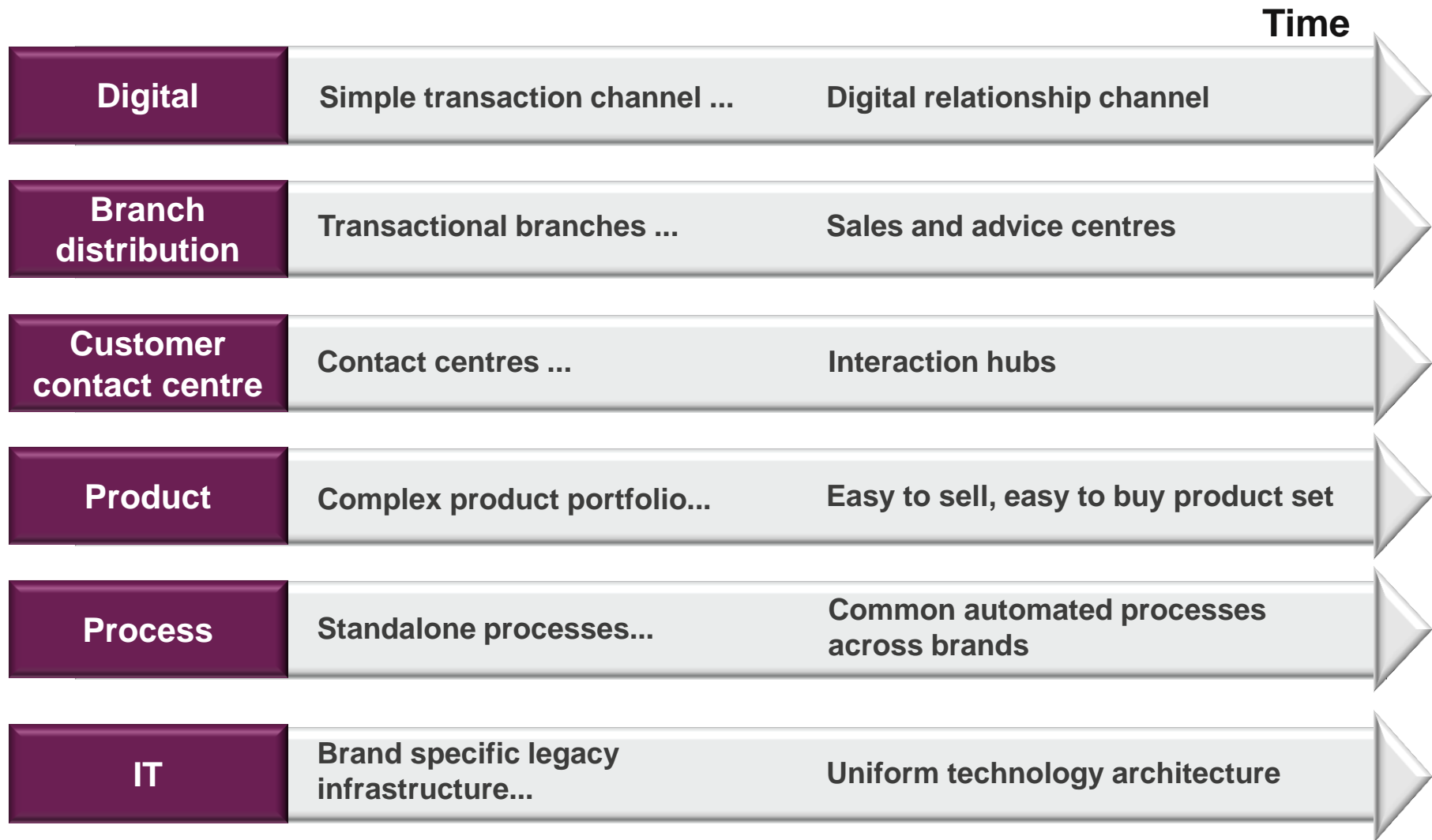


# Simplifying our business

**RACHEL SLADE  
GENERAL MANAGER  
AFS TRANSFORMATION AND DELIVERY**



# Six simplification streams



# Continued momentum in simplification: 12 months on

## Customer contact centres<sup>1</sup>

- Productivity improved 20%
- Sales per FTE up 34%
- Employee advocacy up 8%
- NPS improved 3.1 percentage points

## BT Super for Life “1-click”

- 74% growth<sup>2</sup>
- 80,000 accounts opened by ‘1-click’<sup>3</sup>
- 25% increase in new to bank customers for BT Super for Life<sup>2</sup>

## Product simplification

- Target product set defined
- Removed 40 products for sale<sup>4</sup>
- Black card, fastest growing credit card in Australia<sup>5</sup>

1 Results achieved since the formation of the AFS customer contact centre in January 2012. 2 4Q13 results versus 4Q12. 3 Accounts opened from when BT Super for life ‘1-click’ launched up to January 2014. 4 Products for sale removed as at end of February 2014 versus 1Q13. 5 Westpac insights.

# Transforming the network

## **BANK NOW**



**34 now**

**75 end  
2014**

**New revenue<sup>1,2</sup>  
(WRBB)**



**19%**

**Sales FTE /  
total<sup>1</sup> (WRBB)**



**40%**

**Sales uplift<sup>1</sup>  
(SGB)**



**17%**

## **FreshStart**



**44 now**

**150 end  
2014**

**Wealth sales<sup>1</sup>  
(SGB)**



**15%**

**ATM deposits<sup>1</sup>  
(AFS)**



**>400%**

**Branch size<sup>3</sup>  
(WRBB)**



**24%**

1 Data reflects position 31 Jan 14 YTD versus three months prior to conversion to Bank Now/FreshStart. 2 Average new revenue (does not include back book revenue). 3 Size of Bank Now branches compared to original branch.

# Transforming the network

- Smaller branches
- Flexible layout
- Staffed from 'front to back'
- 24/7 self-serve supporting night-time economy
- Over 600 Smart ATMs<sup>1</sup>
- Standard, modular design elements across brands
- Digitally enabled (iPads, video conference, digital marketing)

<sup>1</sup> As at March 2014.



# Simplifying Business Banking<sup>1</sup>

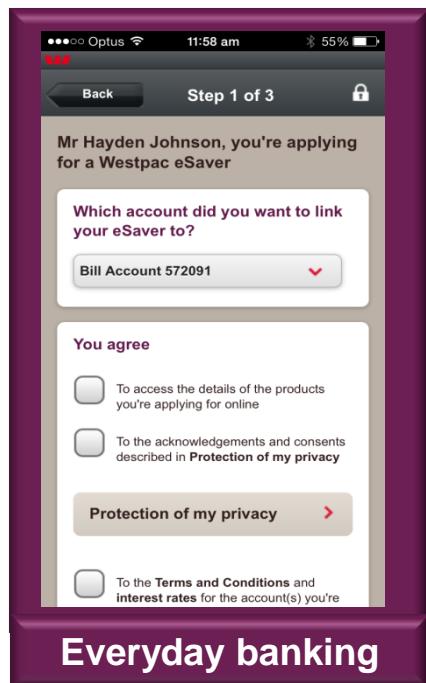
- ↑ More than doubled customer facing time
- ↑ 2.7x more products per customer than traditional SME customers
- ↓ Reduced forms by 80%
- ↓ Effort required by customers down 50%
- ✓ 90 branches enabled 150 by year end
- ✓ 1,000 appointments 300 settlements



<sup>1</sup> Data provided for simplifying business banking reflects position March 2014 versus when pilot was introduced in April 2013.

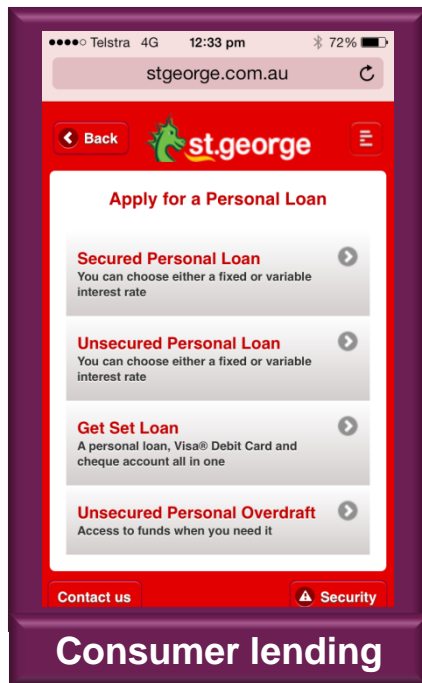


# Digital driving sales and service



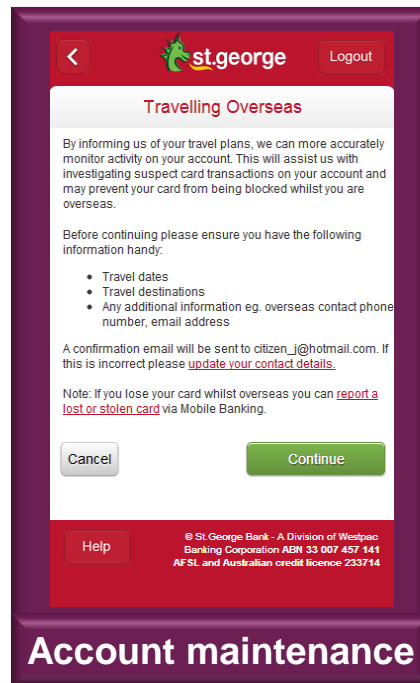
## Everyday banking

- 10% of deposit accounts opened via digital<sup>1</sup>



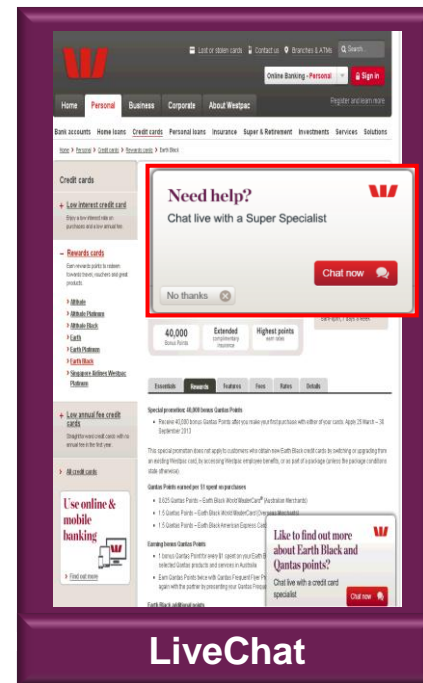
## Consumer lending

- SGB credit card sales<sup>1,2</sup>
  - 47% digital
  - 45% branch



## Account maintenance

- 23% of customer maintenance updates now digital<sup>3</sup>













## LiveChat

- 3,500 conversations per month<sup>4</sup>

1 As at 1Q14. 2 Does not include sales through Contact Centre or brokers. 3 Current number March 2014. 4 Average since BT LiveChat launched in September 2013.

# Focus on service quality

Fewer complaints <sup>1</sup>		Less paper	
Overall	 15%	10 acres of paper saved <sup>2</sup>	
Business & merchants	 31%	3.7m e-statement accounts <sup>3</sup>	
Every day banking	 28%	35% of customers <sup>4</sup> using e-statements	
ATM	 45%	10 less reports = 4.8m pages	
Credit card	 20%	FY14 target \$15m reduction	

1 Jan14 YTD versus Jan13 YTD. 2 Data since 1Q13. 3 1Q14 versus 2Q13. 4 Customers who are online and able to receive e-statements.





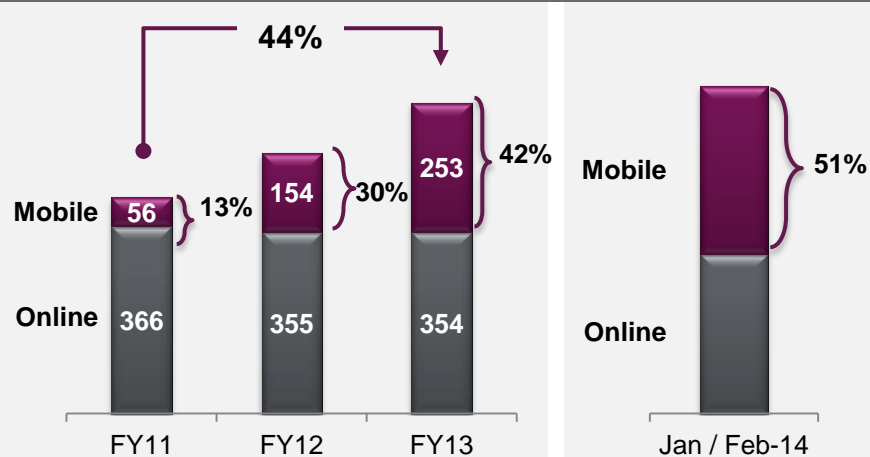
# Banking for the digital age

DAVID LINDBERG  
CHIEF PRODUCT OFFICER  
AUSTRALIAN FINANCIAL SERVICES

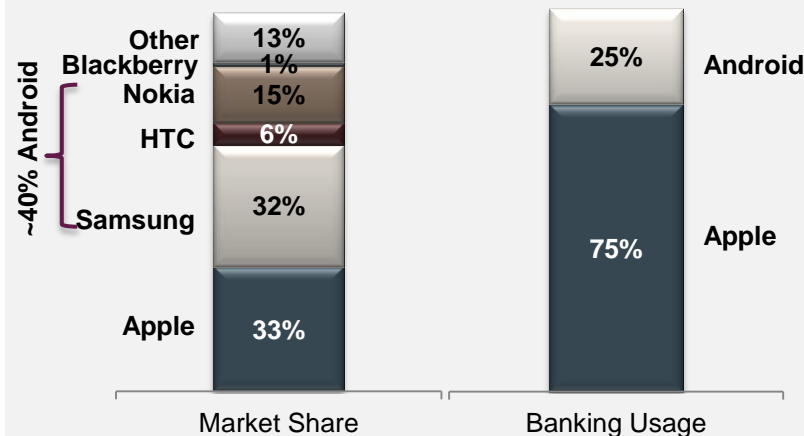


# The digital revolution shows no signs of slowing

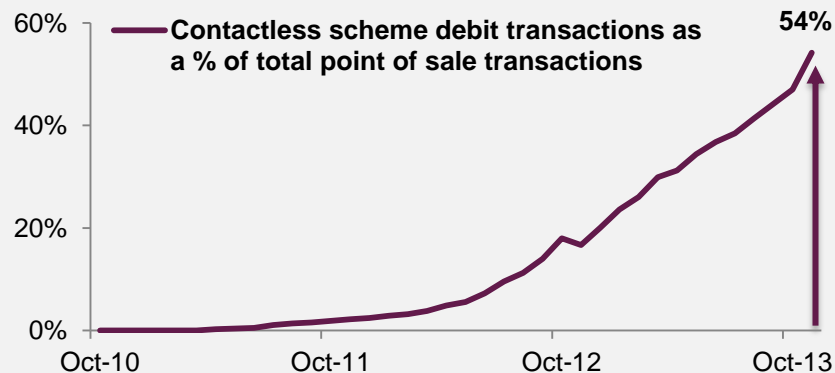
## AFS digital banking logins (# m)



## Australian handset market & Westpac mobile usage<sup>1</sup>



## Debit contactless transactions



## Westpac Group in a strong position today

- Total digital sales 11% of total sales YTD
- 65% of Westpac cards originated via digital Jan to Mar 14 (MTD)<sup>2</sup>
- St.George card sales originated 2x more in digital than in branch<sup>3</sup>

<sup>1</sup> Rfi – Australian Digital Banking Program, Dec-13. Survey question: "Which of the following best describes your personal mobile phone?" <sup>2</sup> Jan to Mar14 (MTD) with transactions originated but may not be ended in the digital channel. <sup>3</sup> For last 12 months.

# What customers want

## Intuitive design?

The screenshot displays the Westpac Online Summary page. At the top, the Westpac logo is on the left, and user information 'Last signed in: 10 Mar 2014 08:39 AEDT' with links for 'Messages', 'Administration', and 'Help' is on the right. Below this is a navigation bar with 'Other Services' and a 'Go' button, alongside a 'sign out' button. A secondary navigation bar contains links for 'Banking', 'Superannuation', 'Balance sheet', 'Apply now', and 'Manage your accounts'. On the left, a 'Westpac Online Menu' lists various services like 'About Westpac Online', 'Smarter banking', 'Manage your money', 'Finance and save for your goals', 'Buy property', 'Invest and build your wealth', 'Products and services', 'Today's rates', 'Security', and 'Contact us'. The main content area is titled 'Westpac Online - Summary' and features a 'Banking' section with a 'Transfer Funds' dropdown and a 'Go' button. Below this is a table of 'Accounts' with columns for 'Account Name', 'Account No.', 'Balance', and 'Available'. The table lists several accounts including a Fixed Rate Personal Loan, James Holiday Account, James Super & Tax Account, Salary Account, Menai Offset Account, Debit MasterCard Account, Menai land, and Menai house. A 'Pending Payments' section at the bottom provides a link to view pending payments. A 'Search' bar is located at the bottom left of the main content area.

**Westpac** Last signed in: 10 Mar 2014 08:39 AEDT Messages Administration Help

Other Services Go sign out

Westpac online Banking Superannuation Balance sheet Apply now Manage your accounts

Westpac Online Menu

Summary

- About Westpac Online
- Smarter banking
- Manage your money
- Finance and save for your goals
- Buy property
- Invest and build your wealth
- Products and services
- Today's rates
- Security
- Contact us

**Westpac Online - Summary**

Banking Transfer Funds Go

**Accounts**

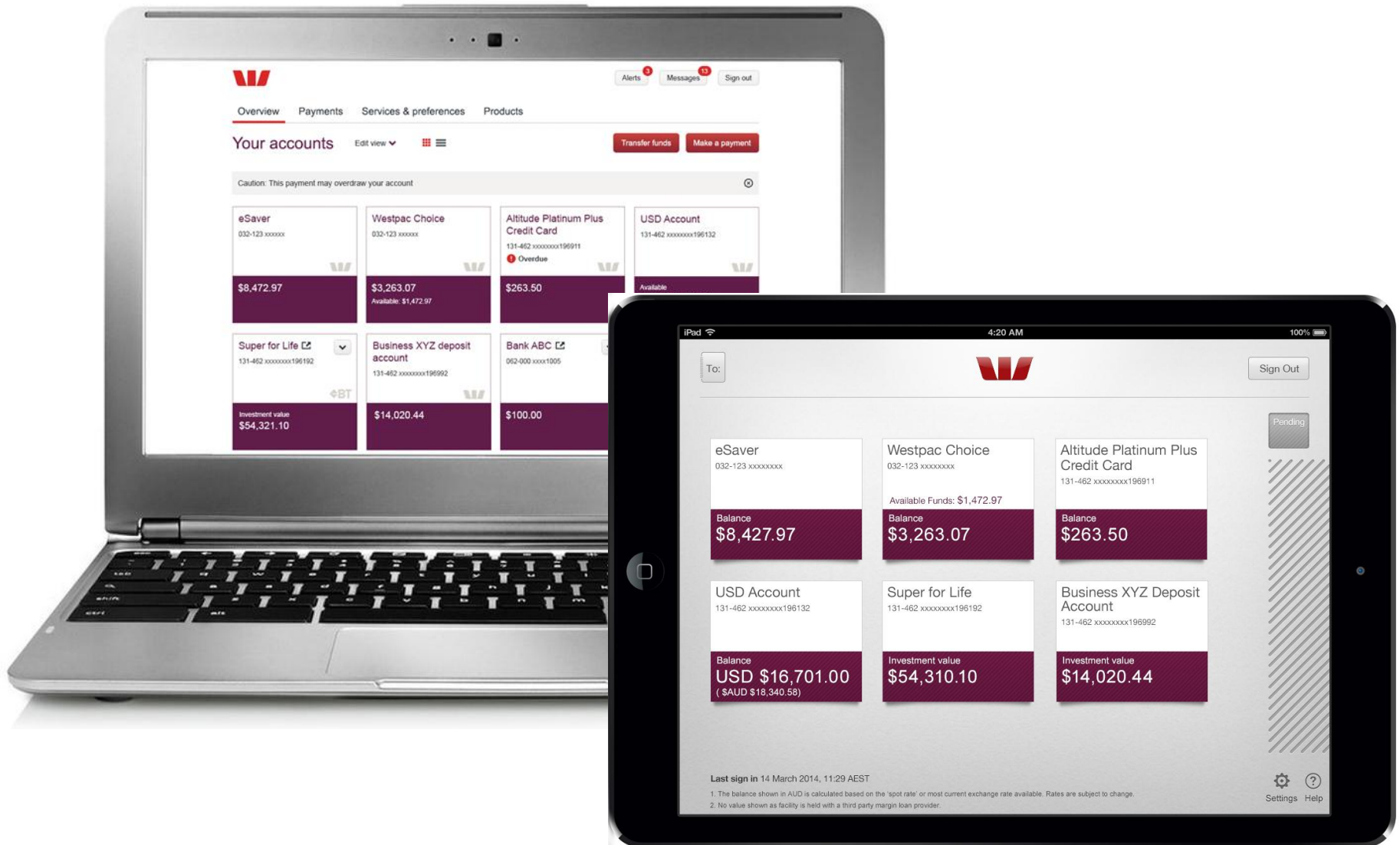
Account Name	Account No.	Balance	Available
<a href="#">Fixed Rate Personal Loan</a>	xxxxxx	\$42,421.41-	\$0.00
<a href="#">James Holiday Account</a>	xxxxxx	\$1,958.32+	\$1,958.32+
<a href="#">James Super &amp; Tax Account</a>	xxxxxx	\$3,560.68+	\$3,560.68+
<a href="#">Salary Account</a>	xxxxxx	\$352.99+	\$352.99+
<a href="#">Menai Offset Account</a>	xxxxxx	\$8,846.10+	\$8,846.10+
<a href="#">Debit MasterCard Account</a>	xxxxxx	\$162.73+	\$162.73+
<a href="#">Menai land</a>	xxxxxx	\$421,435.20-	\$2,803.00+
<a href="#">Menai house</a>	xxxxxx	\$419,255.56-	\$0.00

**Pending Payments**

To access and view your Pending Payments [click here.](#)

Search Superannuation

# Our new platform – roll out starts this month



# Our new platform – roll out starts this month

The screenshot displays a modern banking web interface. At the top, a red 'W' logo is on the left, and navigation links for 'Alerts' (3), 'Messages' (13), and 'Sign out' are on the right. A red callout 'Customised banking to suit you' points to the top navigation area. Below this is a menu with 'Overview' (selected), 'Payments', 'Services & preferences', and 'Products'. The main heading is 'Your accounts', followed by 'Edit view' and a grid icon. A red callout 'Useful tips' points to the grid icon. To the right are buttons for 'Transfer funds' and 'Make a payment'. A grey caution banner reads 'Caution: This payment may overdraw your account'. The accounts are arranged in a grid:

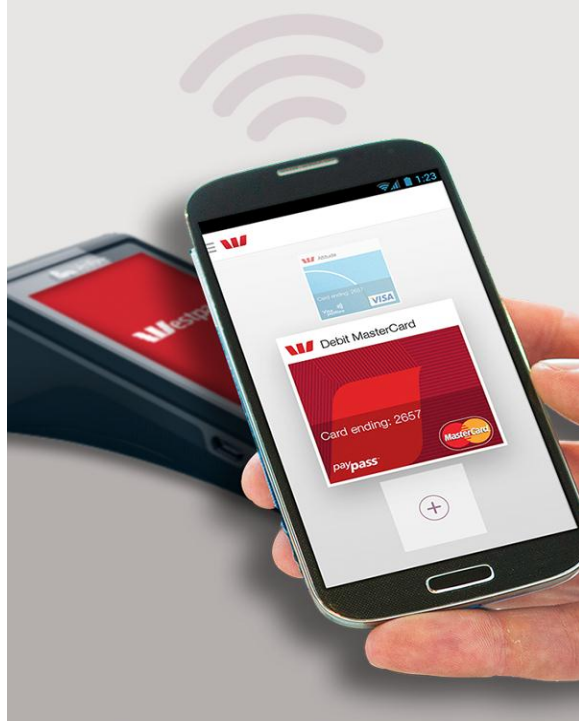
- eSaver**: 032-123 xxxxxx, balance **\$8,472.97**. Callout: 'Balances in real-time and 3 year searchable history'.
- Westpac Choice**: 032-123 xxxxxx, balance **\$3,263.07**, available **\$1,472.97**.
- Altitude Platinum Plus Credit Card**: 131-462 xxxxxxxx196911, balance **\$263.50**, status **Overdue**.
- USD Account**: 131-462 xxxxxxxx196132, balance **USD \$16,701.00**, **AUD \$18,340.58**. Status **NOT ACTIVE**. Callout: 'Account not active yet'.
- Super for Life**: 131-462 xxxxxxxx196192, investment value **\$54,321.10**. Callout: 'Recommended for you'.
- Business XYZ deposit account**: 131-462 xxxxxxxx196992, balance **\$14,020.44**. Callout: 'Business and consumer accounts in the one place'.
- Bank ABC**: 062-000 xxxx1005, balance **\$100.00**. Callout: 'View all accounts in the one place'.

An advertisement for 'endless possibilities with a Flexi Loan' is shown at the bottom right with a 'Learn more' button. The footer includes 'AFS market update | March 2014' and a red 'W' logo.

# We are innovating to solve customer problems

## Consumer Payments - Easier

### Contactless Payments



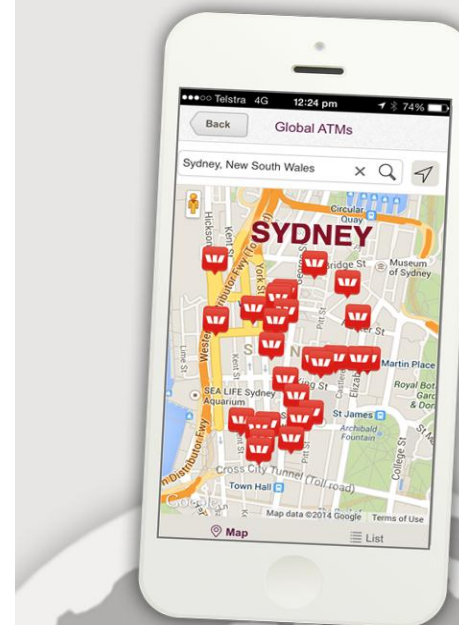
## Business - Get Paid

### Payment Acceptance Solutions



## Travelling - Find ATMs Globally\*


### Global ATM alliance




The Westpac Foreign Transaction Fee is payable when you make a withdrawal overseas from your Westpac account. A cash advance fee may apply where a Westpac credit card is used. Full details of the fees can be found in the terms and conditions. Westpac Global Alliance partners (and ATM locations) can be found on [westpac.com.au/unstoppableyou](http://westpac.com.au/unstoppableyou).



# Core part of our brand



**unstoppable you**  
*Proudly supported by Westpac*



Momentum's a beautiful thing. When you have it, feel it build, it's amazing what you can achieve. Here or overseas, Westpac Everyday Banking is ready with everything to keep things rolling your way.

# AFS key messages

**BRIAN HARTZER  
CHIEF EXECUTIVE OFFICER  
AUSTRALIAN FINANCIAL SERVICES**





.....

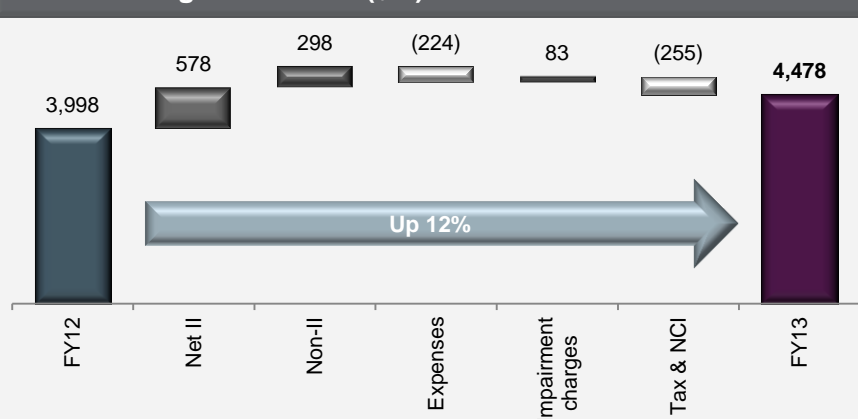
- [illegible]

# Appendix

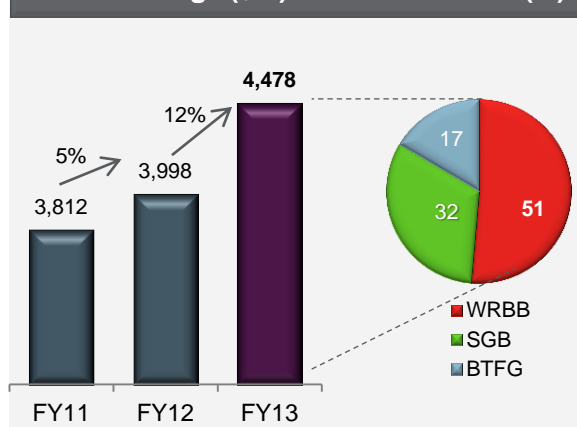


# AFS – Cash Earnings momentum continued

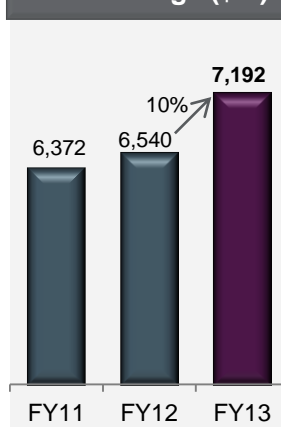
Cash Earnings movement (\$m)



Cash Earnings (\$m) and contribution (%)



Core earnings (\$m)

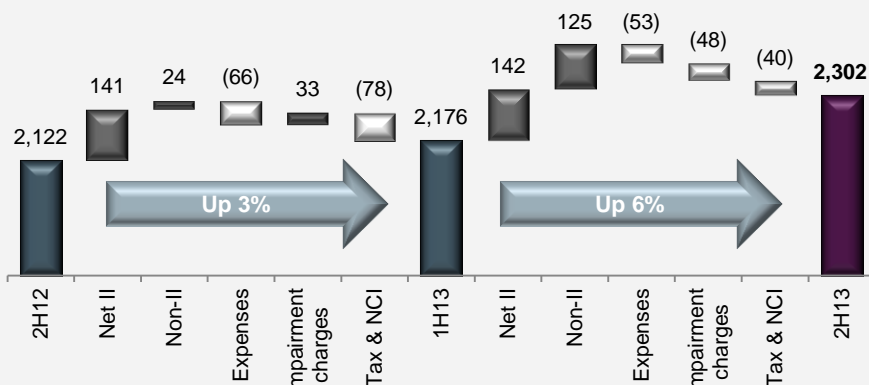


Movement FY13 – FY12

Cash Earnings	↑	12%	• Up \$480m to \$4,478m
Core earnings	↑	10%	• Up \$652m to \$7,192m driven by 7% revenue growth
Net interest income	↑	7%	• Deposits up 8% and customer deposit to loan ratio improved to 61.1% (up 305bps) • Lending up 3%, with a 4% rise in mortgages
Margins	↑	9bps	• Margins up to 2.31% • Lending spreads increased mostly from repricing of mortgages and business loans to better reflect higher cost of funds • Deposit spreads lower due to continued competitive pricing
Non-interest income	↑	9%	• Strong wealth performance across both funds management and insurance • Increased business lending fees to more appropriately reflect cost of providing business facilities
Expenses	↑	4%	• Higher investment related expenses, project amortisation and regulatory compliance costs • Partially offset by improved productivity across frontline roles, reduced property and discretionary spend
Impairment charges	↓	10%	• Business impairment charges down due to improving asset quality, particularly in the St.George portfolio • Consumer impairment charges higher as the rate of improvement in asset quality slowed in FY13
Tax and NCI	↑	15%	• FY12 included a one off benefit relating to leasehold deductions

# Delivering on key metrics

## Cash Earnings movement (\$m)



## Movement in key metrics

	2H12	1H13	2H13		Change on 1H13
Customer deposit to loan ratio (%)	58.1	59.4	61.1	↑	175bps
Margins (%)	2.24	2.30	2.33	↑	3bps
Revenue per FTE (\$'000)	322	333	345	↑	4%
Expense to income (%)	45.2	45.1	44.0	↓	101bps
ROTE (%)	24.7	24.9	26.1	↑	120bps

1 RBA financial aggregates, Sept 2013.

## Movement 2H13 – 1H13

Cash Earnings	↑	6%	• Up \$126m to \$2,302m
Core earnings	↑	6%	• Up \$214m to \$3,703m underpinned by 4% revenue growth
Net interest income	↑	3%	<ul style="list-style-type: none"> <li>• Deposits up 5% and customer deposit to loan ratio improved to 61.1% (up 175bps)</li> <li>• Lending up 2%, with a 2% rise in mortgages and above system growth<sup>1</sup> in business lending, up 1%</li> </ul>
Margins	↑	3bps	<ul style="list-style-type: none"> <li>• Margins up to 2.33%</li> <li>• Increased lending spreads from full period impact of repricing and the benefit of lower short term funding costs</li> <li>• Deposit spreads lower due to more competitive pricing, particularly in savings accounts</li> </ul>
Non-interest income	↑	7%	• Up \$125m driven by strong wealth revenues
Expenses	↑	2%	<ul style="list-style-type: none"> <li>• Increased by \$53m with, productivity savings partially re-invested, particularly into Bank of Melbourne and wealth platforms</li> <li>• Expense to income ratio down significantly by 101bps to 44.0%</li> </ul>
Impairment charges	↑	13%	• Up \$48m as 1H13 included benefit from the large reduction in SGB business stressed assets

# Definitions and Disclaimer

## Definitions:

Wealth Penetration metrics. Data based on Roy Morgan Research, Respondents aged 14+. Wealth penetration is defined as the number of Australians who have Managed Investments, Superannuation or Insurance with each group and who also have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group as a proportion of the total number of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with that group. 12 month average to December 2013. WRBB includes Bank of Melbourne (until July 2011), BT, Challenge Bank, RAMS (until December 2011), Rothschild, and Westpac. St.George includes Advance Bank, Asgard, BankSA, Bank of Melbourne (from August 2011), Dragondirect, Sealcorp, St.George and RAMS (from January 2012).

Products per customer metrics. Base: Roy Morgan Research, Products Per Customer, Total Banking & Finance (incl Work Based Super) customers aged 18+, 6 month rolling average, Dec 2013. WRBB refers to Westpac Group (excl STG) and SGB refers to St.George Banking Group. Note that Westpac Group (excl St George Group) includes: Westpac; Bankers Trust; BT; BT Financial Group; RAMS (until Dec 11); Rothschild; Challenge Bank; Bank of Melbourne (to July 11). Note that St George Group includes: Advance (Managed Investment and Superannuation only); Asgard; Bank of Melbourne (from Aug 11); BankSA; RAMS (from Jan 12); Sealcorp; St.George Bank; and Dragondirect.

## Disclaimer:

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All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is presented on a Cash Earnings basis. Refer to Westpac Full Year 2013 Results (incorporating the requirements of Appendix 4E) for the full year ended 30 September 2013 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of Cash Earnings.

This presentation contains statements that constitute “forward-looking statements” including within the meaning of Section 21E of the US Securities Exchange Act of 1934. The forward-looking statements include statements regarding our intent, belief or current expectations with respect to our business and operations, market conditions, results of operations and financial condition, including, without limitation, indicative drivers, forecasted economic indicators and performance metric outcomes.

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 factors” in Westpac’s Annual Report for the year ended 30 September 2013 available at [www.westpac.com.au](http://www.westpac.com.au). 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.

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