

WESTPAC BANKING CORPORATION
ABN 33 007 457 141

Westpac GROUP

EST. 1817

Unlocking Westpac's Potential

Brian Hartzer
Chief Executive Officer

September 2015

Westpac

st.george

bankSA

**Bank of
Melbourne**

RAMS

BT Financial Group

Westpac **vision**

To be one of the world's great **service** companies,
helping our customers, communities and people
to prosper and grow

Building on our strengths to unlock potential

- 1 Clear strategy and priorities – execution underway
- 2 Service is at the core of our strategy – driving customer growth and building deeper relationships
- 3 Digitisation is improving service and efficiency
- 4 Execution is key, with strong management team to deliver
- 5 Well positioned for our third century

Strong franchise with clear comparative advantages

Focus on core markets

- Australia and New Zealand >97% of gross loans¹
- Investing in Asia where linked to core markets

Strategically well placed

- All businesses No.1 or No.2 in chosen markets
- All businesses performing
- Unique portfolio of brands

Performance disciplines

- Delivered ROE above 15%
- Flat margins over recent halves

Superior asset quality and strong risk culture

- Impaired assets to GLAA 0.33%² v's peer average 0.45%³

Global efficiency leader

- Expense to income ratio 42.5%¹ v's peer average 44.5%³

Sustainability leader

- Leader in Dow Jones Sustainability index for over a decade

¹ As at 1H15. ² Impaired assets to gross loans and acceptances as at 3Q15. ³ Peer 1 and 3 based on 1H15 results and Peer 2 based on FY15 results.

All divisions strategically well placed with **growth potential**

Consumer Bank

- Portfolio of brands extends potential customer base
- Growing transaction accounts supported by strength of service offer, including digital
- Overweight in fastest growing markets



Business & Commercial Bank

- Equal largest share of MFI business relationships¹ in Australia
- New digital tools helping to deepen relationships



BT Financial Group

- Leader in banking and wealth integration
- Panorama functionality growing



Institutional Bank

- Leading Institutional Bank in Australasia²
- Deep and very long term relationships with customers



New Zealand

- 'Westpac One' now the leading online platform³
- New alliance with Air NZ



¹ Westpac Group 23% MFI share. DBM Consultants Business Financial Services Monitor, June 2015, 12MMA. MFI customers, all businesses. MFI Share results are based on the number of customers who have a Main Financial Institution (MFI) relationship with an institution, as a proportion of the number of customers that have a MFI relationship with any institution. ² Refer slide 116 of 1H15 IDP. ³ Canstar Online Banking NZ Awards April 2015.

Banking is undergoing
fundamental change



Service strategy is right
for environment

**Customers
demanding more**

- Offers and customer experience must exceed expectations

**Digital is changing
the competitive
landscape**

- Deliver what is valued
- Strengthen relationships

**Regulatory
demands and
expectations**

- Align offers and processes to customer needs
- Put customers' interests first

**Economy in
transition**

- Redirect resources, capital, and effort to medium term opportunities

**An
obsessive
service
focus is
central**

Service is the core of our strategy

Our goal

One of the world's
great **service** companies

Helping

Own a home

Modernise factory

Prepare for retirement

Protect my wealth

Start a business

Manage currency risks

Shop overseas

Collect payments

Access cash when I need

How
delivered



Personalised
service

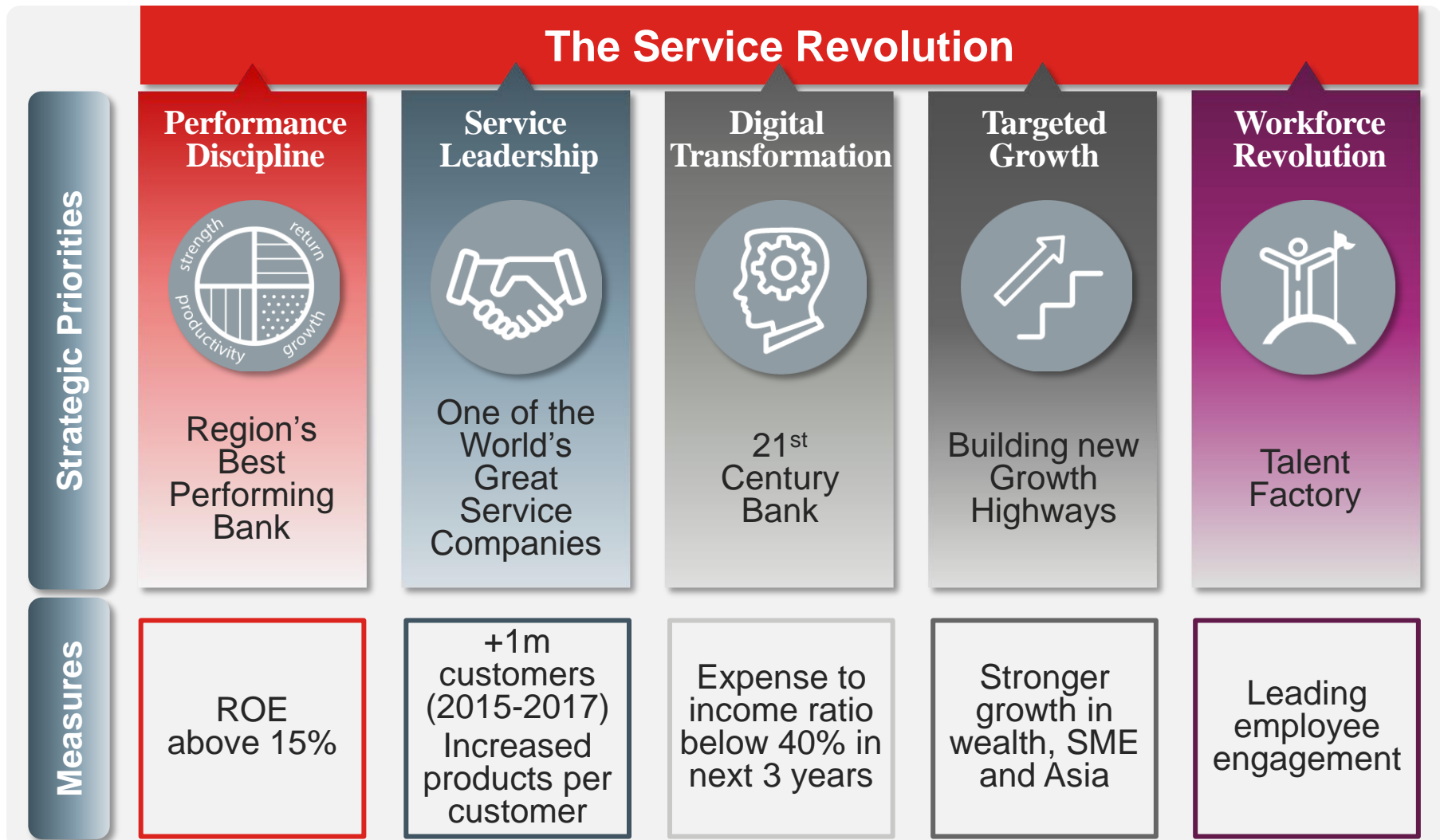


Customers
in control

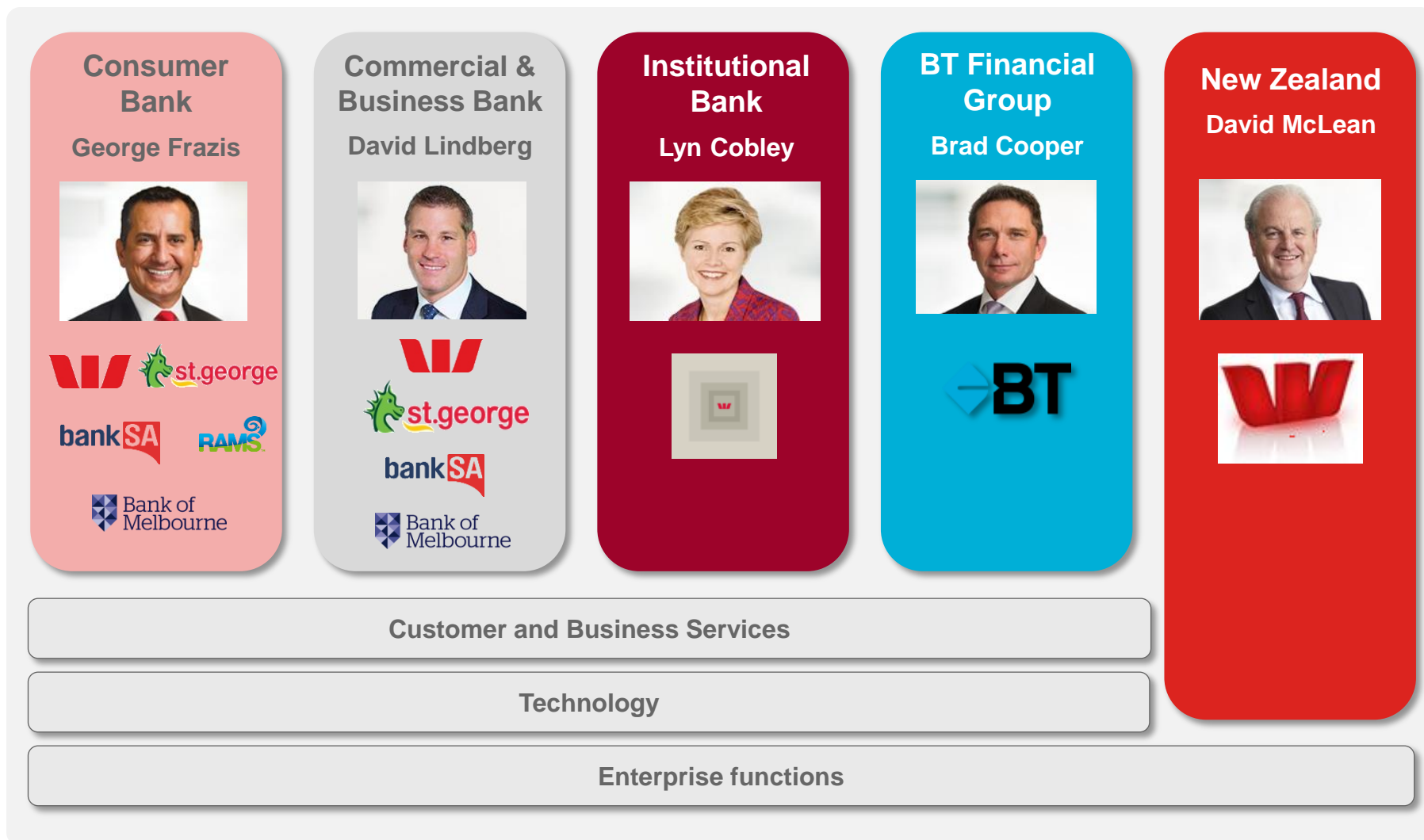


Innovate
and simplify

Our five strategic priorities



New structure drives accountability & performance



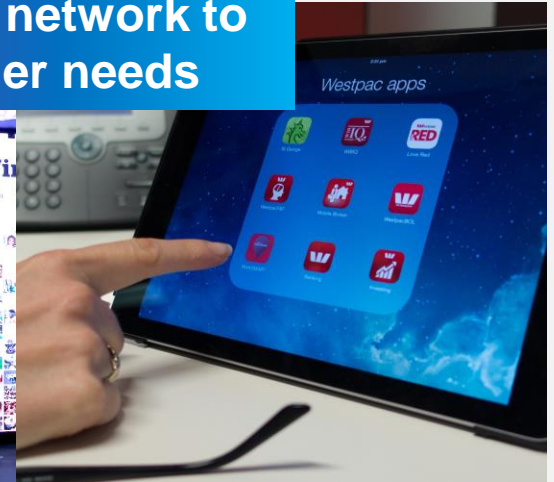
Digital is **transforming** our business



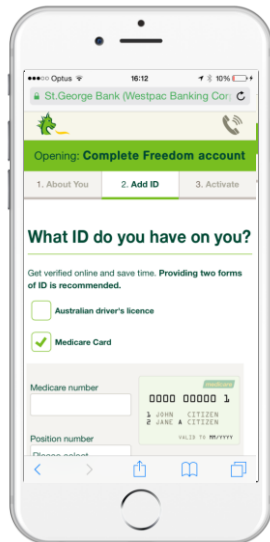
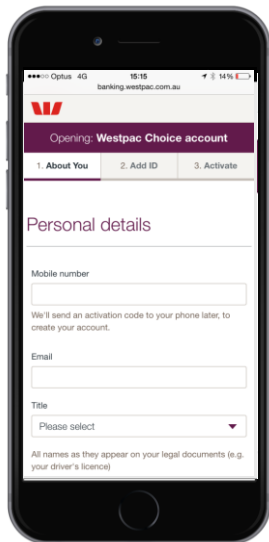
**Leading
mobile capability**



**Adapting network to
customer needs**



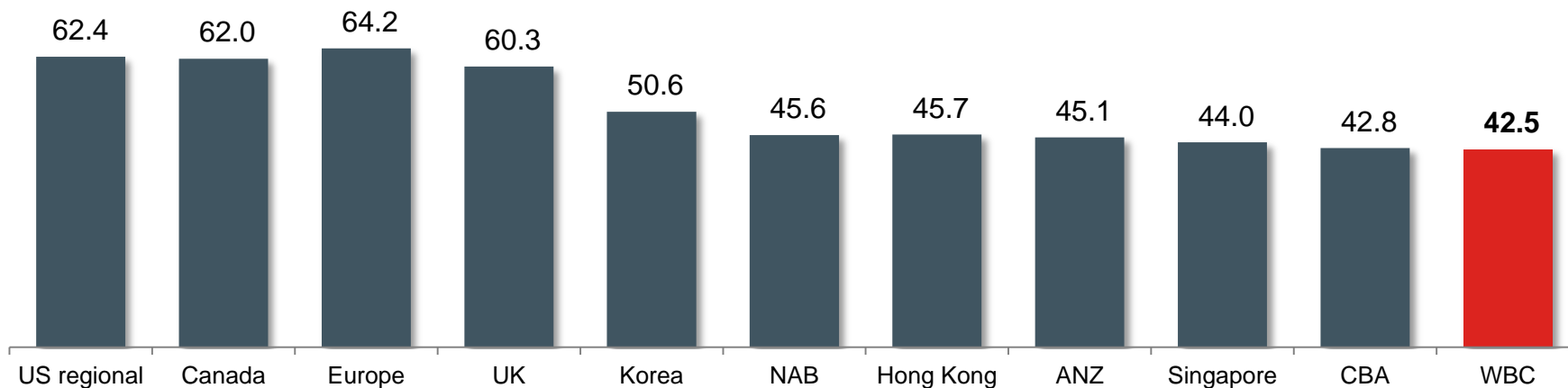
Instant account opening



1 As at 1H15.

Drive expense to income ratio **below 40%**

Global peer comparison of expense to income ratios^{1,2} (%)



Programs of work to drive efficiency

Optimise
channels

Digitise
processes

Transform
technology

New operating
model

¹ Company data, Credit Suisse. Expense to income ratio average for Europe, HK, UK and Singapore banks are based on their FY14 results. US regionals, Korea and Canadian banks are based on their 1Q15 results. ANZ/NAB/WBC based on 1H15 results and CBA based on FY15 results. ² Cash earnings basis.

Technology a key enabler of our service strategy

Strong technology foundations

- World class online and mobile capability, with digital creating significant opportunities
- Stronger, more resilient infrastructure, with significant efficiency opportunities
- Clear road map with improved technology team

Programs of work

Next generation customer experience



Best in class operational efficiency



Delivering one bank



Digital readiness



WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Unlocking Westpac's Potential

Dave Curran
Chief Information Officer

September 2015

Westpac

st.george

bankSA

**Bank of
Melbourne**

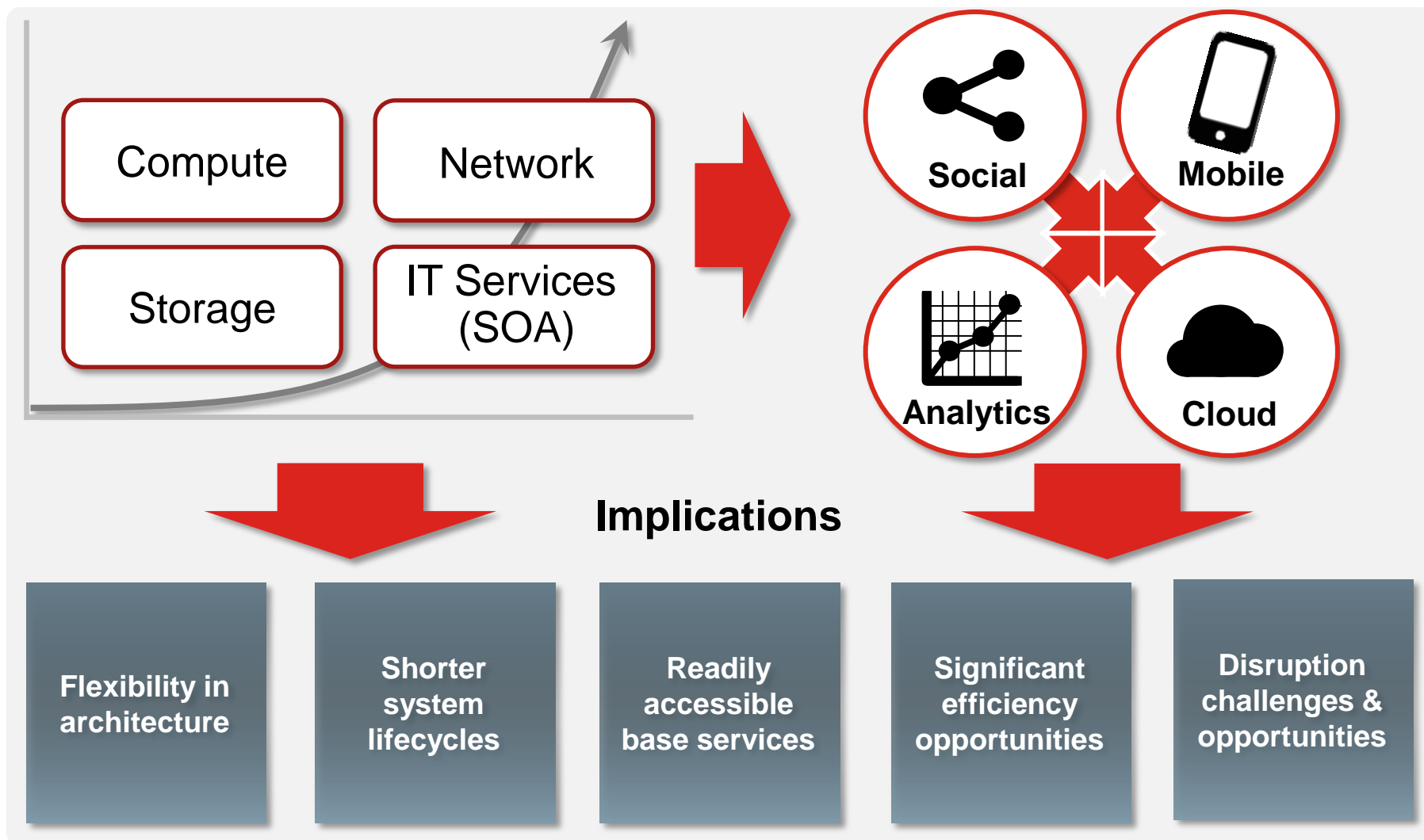
RAMS

BT Financial Group

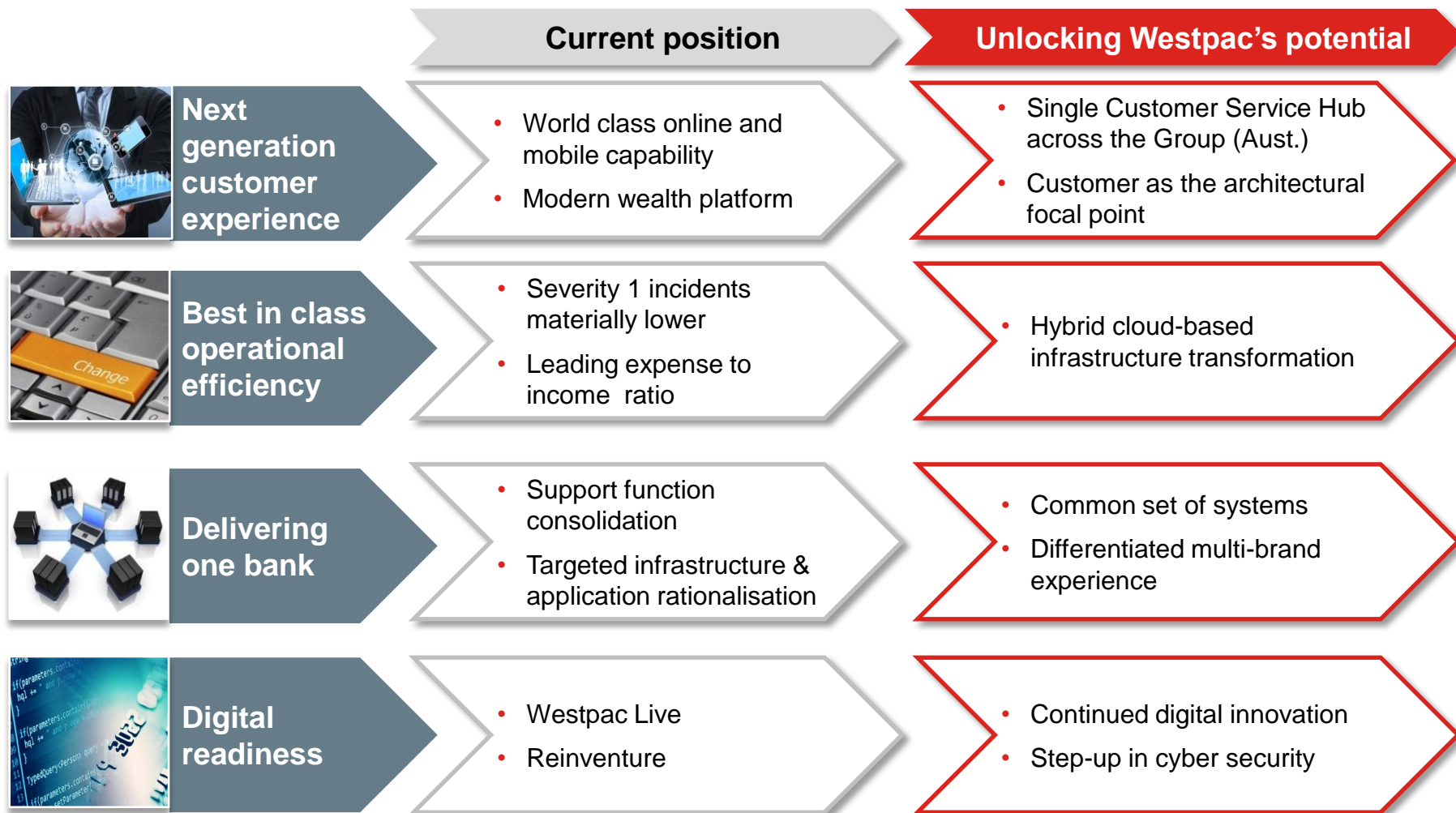
Step change in technology will provide significant benefits and improved efficiency

- With market leading front-end systems, we are focused on the development of the Customer Service Hub
- Aligns technology architecture to service strategy
 - Enables single bank solutions while delivering multi-brand experience
 - Implementation starting with home ownership and wealth
- Significant efficiency opportunity from digitisation and consolidation of systems
- Material cost savings to be delivered over the next three years from leveraging hybrid cloud technology

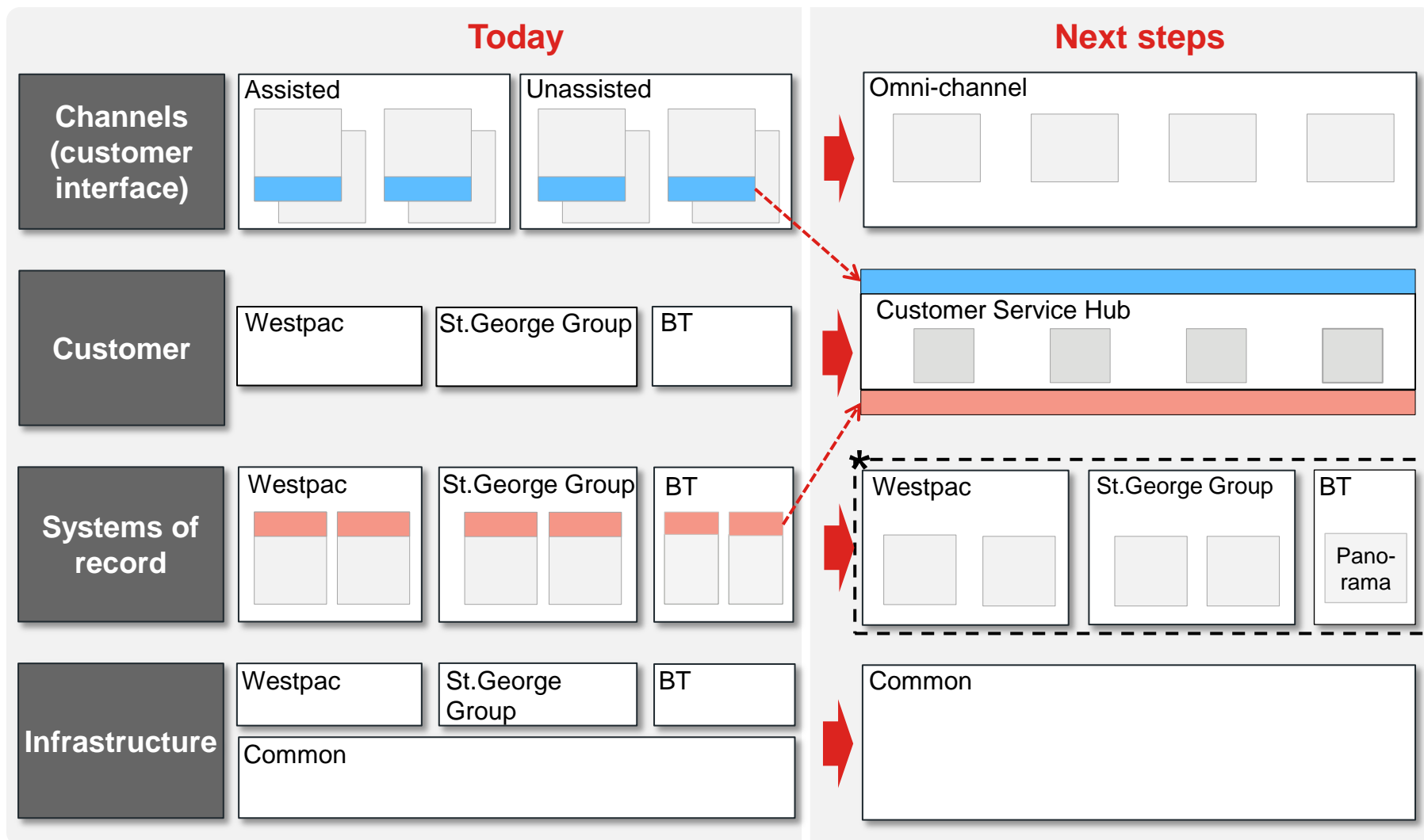
Evolution of technology has significant implications for banks



Building on strong **technology foundations**

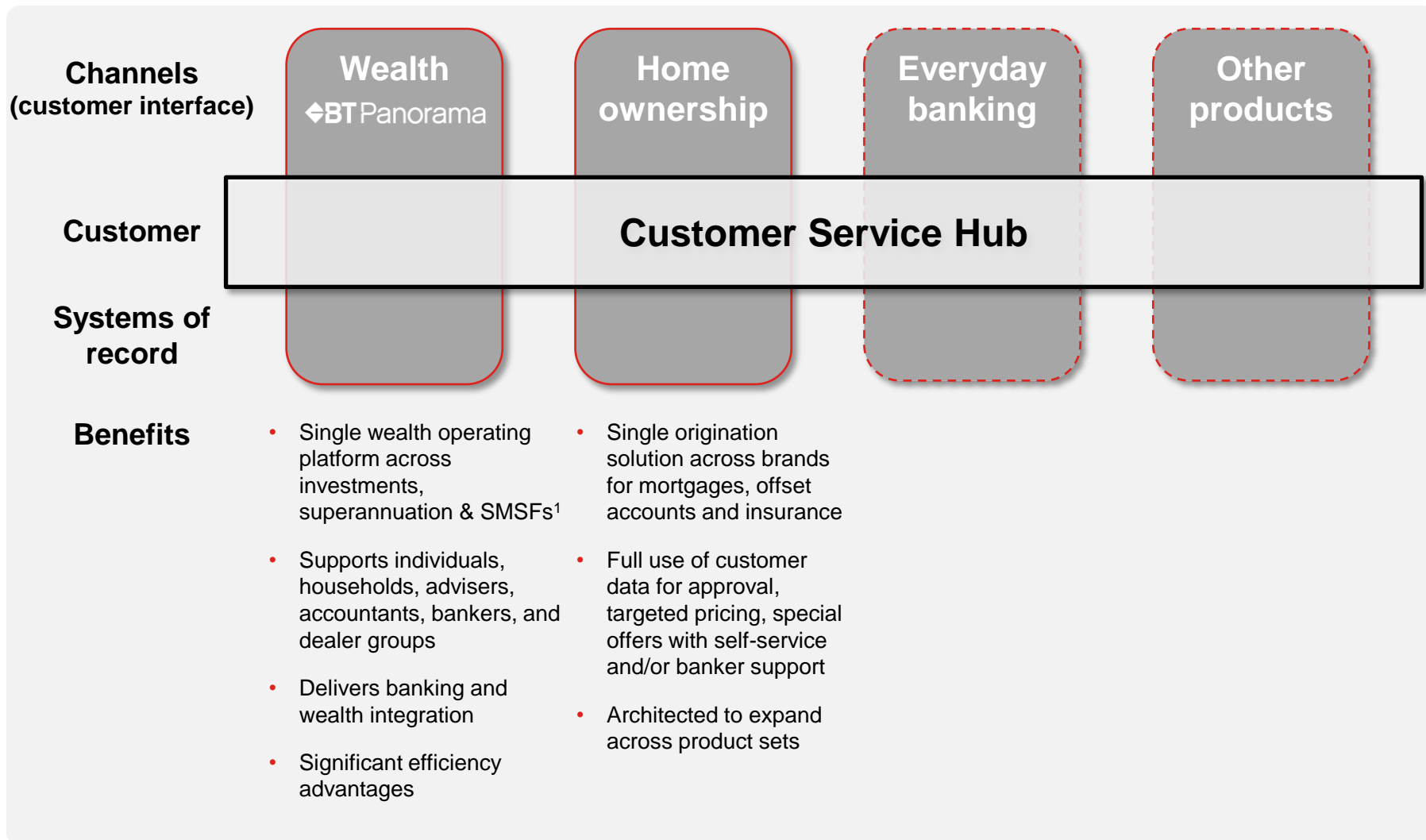


Customer focussed approach to technology transformation



* Longer-term consolidation opportunities

Customer Service Hub: starts with wealth and home ownership



¹ SMSFs is Self Managed Super Funds.

Benefits of the Customer Service Hub

Aligns technology architecture with service strategy

- Comprehensive customer profile
- Manage relationships, not products
- Personalised offers and relationship pricing

Simplifies and standardises origination processes

- Single source of customer information
- Pre-approval and real-time validation of customer eligibility

Better protects value of customer data

- Data is centralised and less fragmented
- More readily accessible for decision-making

Supports multiple brands and omni-channel

- Offers can be tailored by brand
- Seamless experience across channels

Reduces cost of change

- Eliminates duplicate records
- Supports re-use of code

Enables lower cost processing

- Facilitates straight-through processing
- More scale in data usage

The **efficiency** opportunity in technology **infrastructure**

Consolidate technology
infrastructure across brands

- Rationalise and remove duplication
- One infrastructure – multiple brands

Leverage Cloud
based infrastructure

- Increased speed, agility and reliability
- Reduced cost
- Faster access to new technology

Platform as a Service (PaaS)



Traditional
infrastructure



Private
Cloud



Public
Cloud

A 21st Century Bank

for customers

for employees

for costs



Next generation customer experience

Personalised offers; Seamless, multi-channel experiences

Comprehensive understanding of customers

Lower cost sales and service



Best in class operational efficiency

Faster settlement and time-to-yes

Common and simplified products and processes

Reduced operating cost



Delivering one bank

Differentiated multi-brand experiences

Common systems

Reduced duplication



Digital readiness

Digital innovation and improved security

Guarding against threat of disruption

Increased agility, flexibility and control through architecture

WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Unlocking Westpac's Potential

Peter King
Chief Financial Officer

September 2015

Westpac

 **st.george**

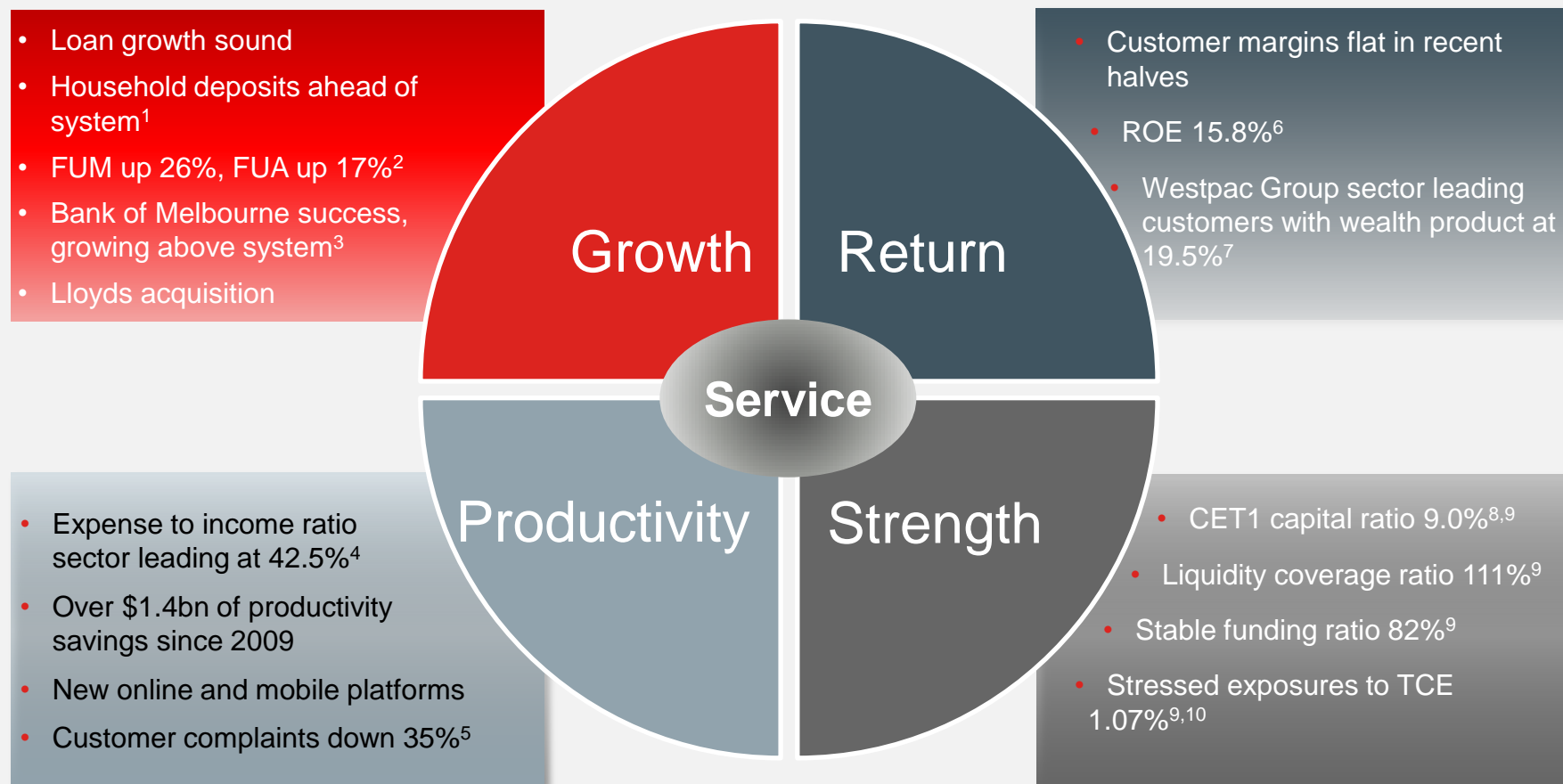
bankSA

 **Bank of
Melbourne**

RAMS

 **BT** Financial Group

Starting from a position of strength



1 APRA banking statistics for 12 months to 31 March 2015. 2 BTFG spot FUM and FUA 12 months to March 2015. 3 APRA banking statistics and RBA financial aggregates for 12 months to 31 July 2015.

4 Refer slide 11 for global comparison on expense to income ratios. 5 12 months 1H14 to 1H15. 6 Return on Equity for six months to 31 March 2015. 7 12 months to July 2015, refer slide 145 in the 2015 Interim Financial Results Investor Discussion Pack for details of wealth metric provider. 8 CET1 is Common equity Tier 1. 9 At 30 June 2015. 10 TCE is total committed exposure.

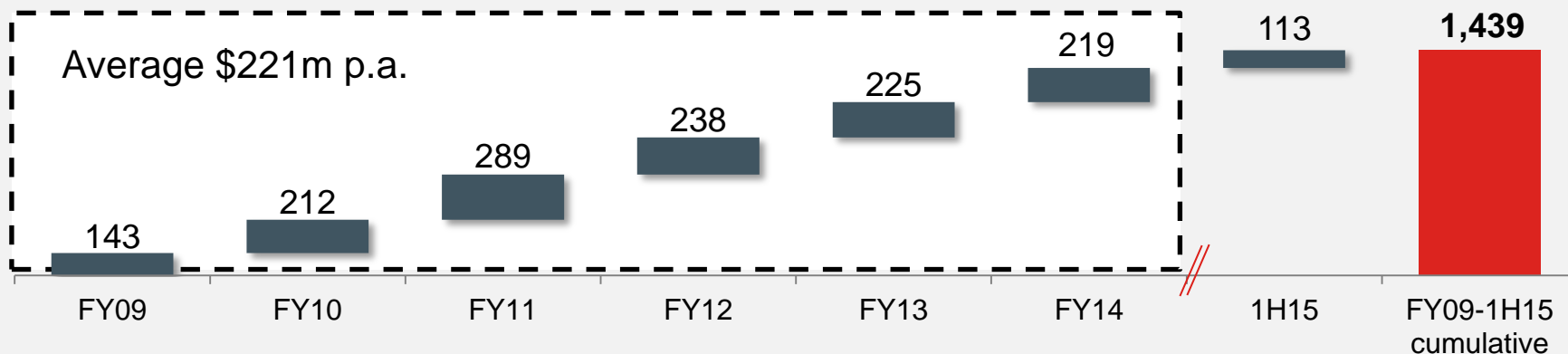
Focus on **efficiency**

- Driving expense to income ratio below 40% over next 3 years
- Efficiency program supported by four programs of work to
 - Reduce expense growth run-rate to 2-3% p.a.¹
 - Create headroom for increased investment
- Disciplined performance management, including improving divisional accountability and improving investment disciplines

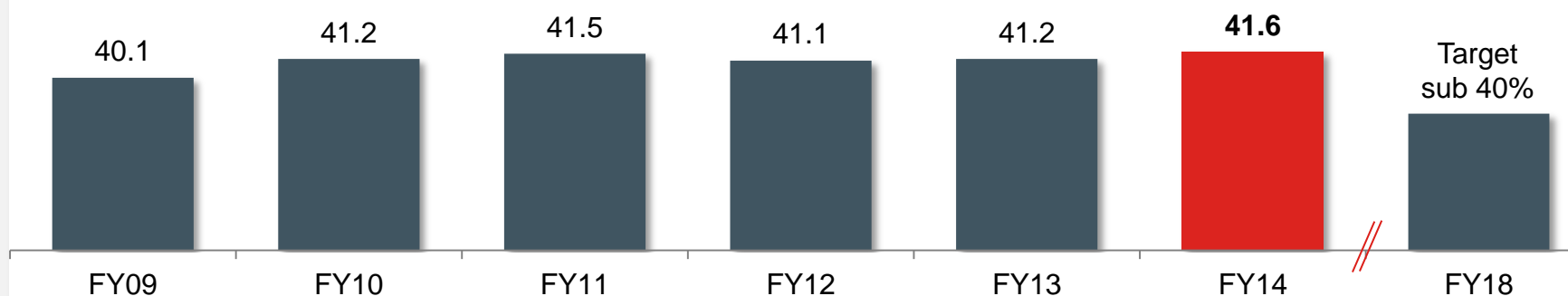
¹ From FY16.

Productivity **track record**

\$1.4bn saved from efficiency programs since FY09 (\$m)



Westpac Group expense to income ratio (%)



Efficiency program supported by four streams of work

Optimise channels

- Migrate more activity to digital (cashless & cheque-less)
- Reduce paperwork and manual intervention
- Optimise network
- Increase customer facing time

Digitise processes

- Transform home ownership experience
- Introduce faster, more convenient self serve options
- Reengineer and further automate credit decisions
- Transform wealth, advice and insurance claims

Transform technology

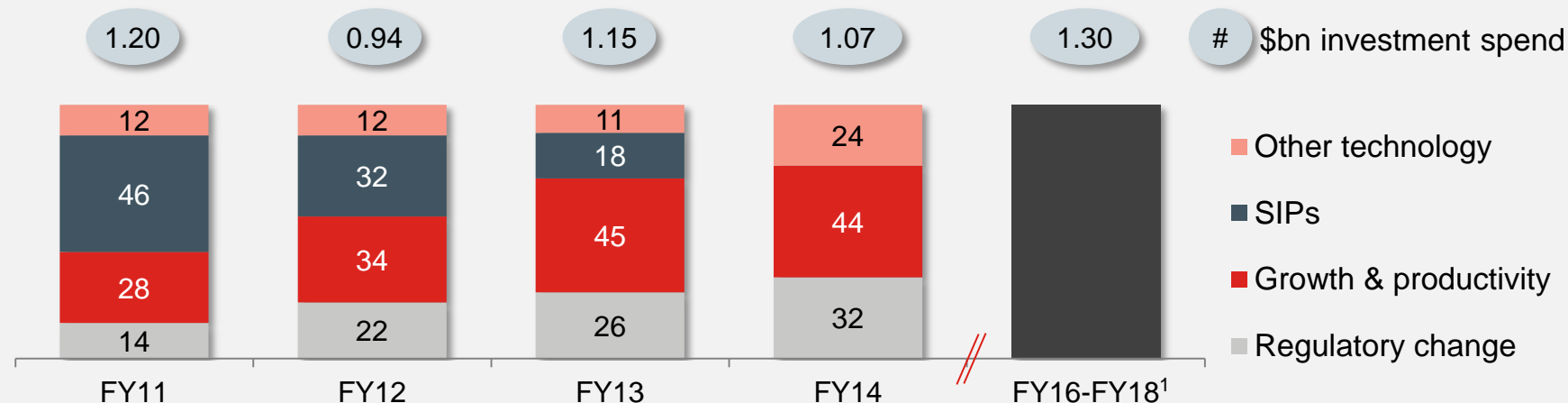
- Consolidate technology infrastructure
- Standardise systems across products and brands
- Simplify IT user experience

New operating model

- Reduce duplication across brands
- Automate head office processes
- Review major spending categories
- Standardised procurement driving efficiency and lower demand

Directing more investment to growth & productivity

Composition of investment spend (%)



Composition of investment spend (%)

- Growth & productivity
- Reg. change & other technology



Westpac specific investment spend priorities

- Panorama
- Customer Service Hub – initial focus on home ownership
- Digitisation
- Consolidate IT infrastructure

Sector specific investment spend priorities

- New Payments Platform (NPP)
- Regulation and compliance

¹ Forward looking estimate.

Disciplined performance management

Re-aligning accountability

- Increased executive time devoted to program delivery
- New operating model creates clearer decision rights and full financial accountability
 - Encourages process best practice and standardisation

Investment disciplines

- Improved project management disciplines
- Agile change and delivery options
- Reviewing software capitalisation treatment
 - Limits rise in amortisation expense

Cash earnings adjustments

- BTIM sale around \$670m (post-tax) gain
- Expect restructuring costs with impact over FY15 and FY16
- Impact of capitalised software review

Other recent developments

Asset quality

- Stressed assets down 5bps to 1.07% in 3Q15
- Most new stress related to mining and low commodity prices
- Mortgage delinquencies little changed – higher in WA/Vic; lower in NSW
- New impairments remain relatively low, although write-backs are reducing

Investor property lending (Aust)

- Current rate of growth in investor property loans 10.7%¹, July 2015
- Growth on track to be below APRA target of 10% by September 2015
- Credit criteria changes contributing to further improvement in portfolio quality

Capital

- Common equity Tier 1 (CET1) capital ratio 9.0% at 30 June 2015 (APRA basis). Internationally harmonised CET1 capital ratio² of 12.7%
- APRA changes to mortgage RWA impacts RWA by approx. \$40.7bn (based on March 2015 balances). Effective 1 July 2016
- Stepping up capital management disciplines across divisions

¹ Based on APRA definition. ² Analysis aligns with the APRA study entitled "International Capital Comparison Study" released 13 July 2015.

The financial equation

- 1 Drive expense to income ratio below 40%
- 2 Targeting expense growth of 2-3% p.a.
- 3 Increase productivity savings to \$270m p.a., up 20%
- 4 Increase investment spend by \$0.2bn to around \$1.3bn to accelerate digitisation

WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Unlocking Westpac's Potential

Brian Hartzel
Chief Executive Officer

September 2015

Westpac

st.george

bankSA

**Bank of
Melbourne**

RAMS

BT Financial Group

Well positioned for our third century

- 1 Service as a comparative advantage; right team to deliver
- 2 Transforming the business using technology
- 3 Strong franchise + new capabilities = substantial room to grow
- 4 Targeting ROE above 15% & expense to income ratio below 40%
- 5 Confident we can take Westpac to leadership

WESTPAC BANKING CORPORATION
ABN 33 007 457 141



Unlocking Westpac's Potential

Appendix

September 2015

Westpac

st.george

bankSA

**Bank of
Melbourne**

RAMS

BT Financial Group

Westpac Group executive team

Brian Hartzer
CEO



Philip Coffey
Deputy CEO



Lyn Cobley
Group Executive
Westpac
Institutional Bank



Brad Cooper
Chief Executive
Officer
BTFG



George Frazis
Group Executive
Consumer Bank



David Lindberg
Group Executive
Commercial &
Business Bank



David McLean
Chief Executive
Officer
New Zealand



John Arthur
Chief Operating
Officer



Dave Curran
Chief Information
Officer



**Alexandra
Holcomb**
Chief Risk Officer



Peter King
Chief Financial
Officer



Christine Parker
Group Executive HR
& Corporate Affairs



Gary Thursby
Chief Strategy
Officer



Investor Relations Team

Equity Investor Relations

Andrew Bowden

Head of Investor Relations

+61 2 8253 4008

andrewbowden@westpac.com.au

Leigh Short

Senior Manager

+61 2 8253 1667

lshort@westpac.com.au

Debt Investor Relations

Jacqueline Boddy

Director

+61 2 8253 3133

jboddy@westpac.com.au

Louise Coughlan

Director (Rating Agencies)

+61 2 8254 0549

lcoughlan@westpac.com.au

Retail Shareholder Investor Relations

Danielle Stock

Manager

+61 2 8253 6556

dstock@westpac.com.au

or email: investorrelations@westpac.com.au

For further information on Westpac

www.westpac.com.au/investorcentre click on 'Analyst's Centre'

- Annual reports
- Presentations and webcasts
- 5 year financial summary
- Prior financial results

Westpac Group | **Investor Centre** | Media centre | Careers | Sustainability & Community | Westpac Foundation | Global locations

Home > About Westpac > Investor Centre

Investor Centre

Information and support for Westpac Securityholders and those considering investing in Westpac.

- > **Manage your shareholding**
Useful links, forms and information on managing your shares.
- > **Dividend information**
Dividend history, payment policies, dividend reinvestment and dividend donation plans
- > **Westpac share information**
Share registries, American depositary receipts, employee shares and share register profile
- > **Other Westpac securities**
Information on Westpac's ASX listed retail hybrids, preference shares, capital notes and subordinated notes
- > **Financial information**
Results announcements, Annual reports, Regulatory disclosures, US reporting, and financial summaries
- > **Westpac at a glance**
A guide for new investors, company profile and history, board

Latest news

- > Strategy update - to be released to market on Monday, 7 September 2015
- > Westpac Capital Notes 3 Offer - open from 6 August 2015
- > Westpac announces close of BT Investment Management Limited Share Offer
- > Securityholder promotion: winners announced
- > 2015 Interim Financial Results released to the market on Monday 4 May 2015

Key dates and events

- > See our full financial calendar

Contact our share registry Link

Email: westpac@inmarsetservices.com.au
Phone: + 61 1800 804 255

Westpac financial calendar

Shareholder information, important dates and announcements.

2015 interim dividend:
93 cents per share
Fully franked and paid on 2 July 2015

Disclaimer

The material contained in this presentation is intended to be general background information on Westpac Banking Corporation (Westpac) and its activities.

The information is supplied in summary form and is therefore not necessarily complete. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this presentation is presented on a cash earnings basis. Cash earnings is a non-GAAP measure. Refer to Westpac's 2015 Interim Financial Results (incorporating the requirements of Appendix 4D) for the half year ended 31 March 2015 available at www.westpac.com.au for details of the basis of preparation of cash earnings. Refer to slides 44 for an explanation of cash earnings and Appendix 1 slide 142 for a reconciliation of reported net profit to cash earnings.

This presentation contains statements that constitute "forward-looking statements" within the meaning of Section 21E of the US Securities Exchange Act of 1934. Forward-looking statements are statements about matters that are not historical facts. Forward-looking statements appear in a number of places in this presentation and 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, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

We use words such as 'will', 'may', 'aim', '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 forward-looking 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. There can be no assurance that future developments will be in accordance with our expectations or that the effect of future developments on us will be those anticipated. Actual results could differ materially from those which we expect, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, those described in the section titled 'Risk factors' in Westpac's 2015 Interim Financial Result for the six months ended 31 March 2015 available at 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 to update any forward-looking statements contained in this presentation, whether as a result of new information, future events or otherwise, after the date of this presentation.