

Westpac Banking Corporation

ABN 33 007 457 141

Westpac New Zealand

Market Update

All metrics in this presentation relate to the Westpac New Zealand division of Westpac Banking Corporation unless otherwise stated. Refer Westpac's Full Year 2015 Financial Result page 62 for further details

Financial data is in NZ\$ unless otherwise stated



Westpac NZ is well positioned

- Consistent and disciplined performer
- Leader on balance sheet strength
- Successfully growing in target markets – more to do
- Significant transformation underway
 - Building on digital capability
 - Customer experience led
 - Continue to drive business
- Well positioned for current environment

Westpac NZ at a glance

Overview

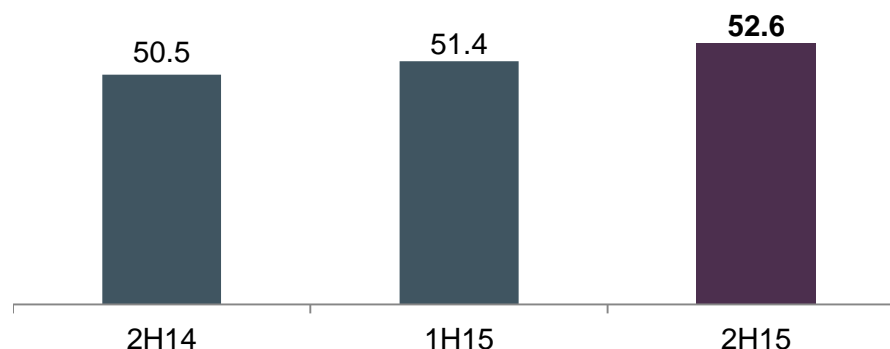
- Founded in 1861
- New Zealand's 2nd largest bank, by assets¹
- 11% of Westpac Group's cash earnings
- Strategy focused on service leadership across banking, wealth and insurance
- Leader in balance sheet strength: capital, funding, liquidity and asset quality
- Leader in sustainability including being awarded the White Camellia Award and Rainbow Tick²

Key statistics as at 30 September 2015

Customers	1.34m
New Zealand deposit market share	21%
New Zealand consumer lending market share	20%
Wealth retail share ³	15%
Life insurance share ⁴	8%
Branches	189
Smart ATMs as % of ATM network	24%

Growing digital presence

Customers using digital (%)



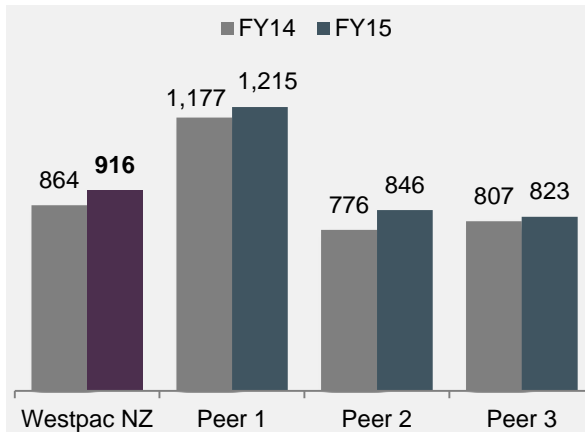
Key financial metrics for FY15 (NZ\$)

	FY14	FY15	Change
Cash earnings (\$m)	864	916	6%
Net interest margin (%)	2.27	2.31	4bps
Expense to income ratio (%)	41.0	40.8	(24bps)
Return on tangible equity (%)	21.1	23.5	239bps
Deposit to loan ratio (%)	76.5	75.2	(125bps)
Stressed assets to TCE ⁵ (%)	1.59	1.60	1bp

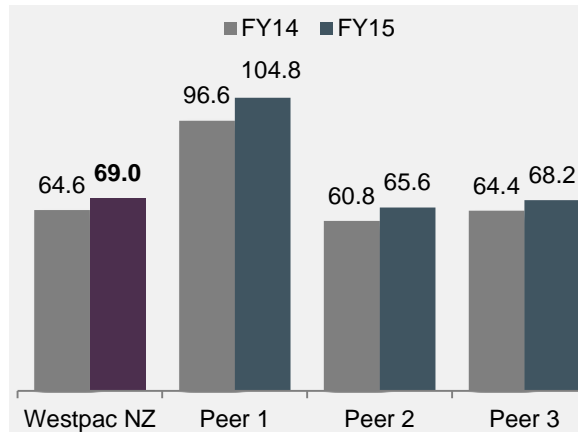
¹ Based on 30 September 2015 Geography Disclosure Statement. ² White Camellia Award for promoting gender equality through the United Nations Women's Empowerment Principles. Westpac was awarded the Rainbow Tick accreditation recognising diversity in the workplace for LGBTI. ³ Funds Source 30 September 2015, measured as a percentage of funds under management. ⁴ Financial Services Council, new business for the quarter ended 30 September 2015. ⁵ Total committed exposure.

Position relative to peers¹

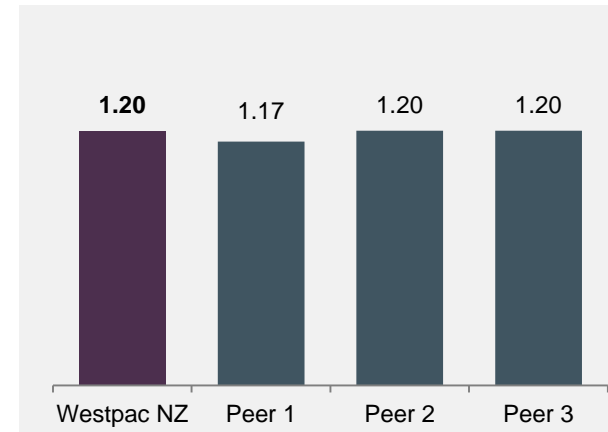
Cash earnings (\$m)



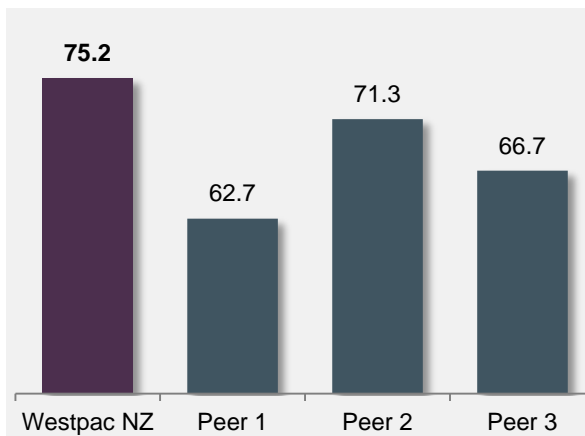
Lending (\$bn)



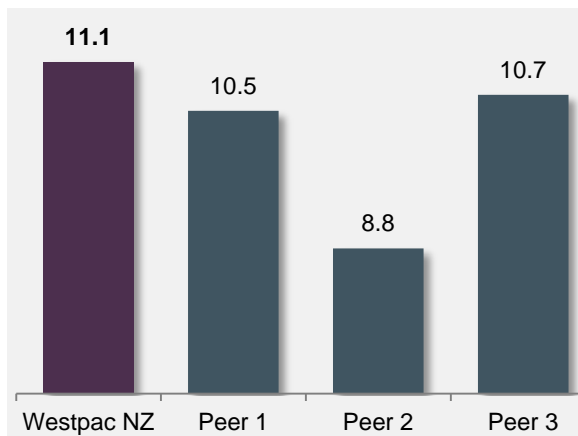
Return on average assets (%)



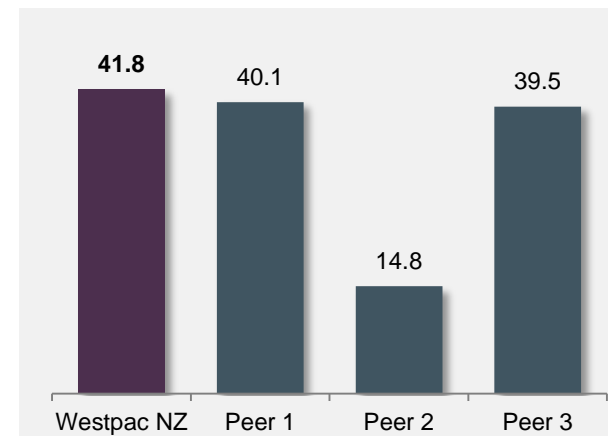
Deposit to loan ratio (%)



Common equity Tier 1 capital ratio² (%)



IAPs to impaired assets^{3,4} (%)



¹ Unless otherwise stated the financial results are as reported for the New Zealand operations in the Full Year 2015 Financial Results of each bank. Peer 2's financial year end is 30 June 2015. ² Based on NZ legal entity 2015 Full Year Disclosure Statements. Peer 1 and 3 as at 30 September 2015, Peer 2 as at 30 June 2015. ³ IAP is individually assessed provisions. ⁴ Geography Disclosures, Peer 1 and 2 as at 30 September 2015, Peer 2 as at 30 June 2015.

New Zealand economic outlook

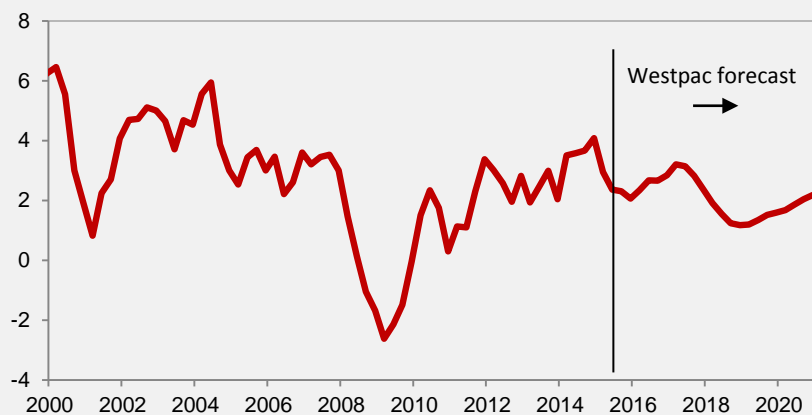
Economic features

- NZ GDP expected to grow by 2.4% in FY16
 - Positives: Construction work, growth in real incomes, population growth, and tourist arrivals
 - Challenges: external conditions (including low commodity prices) and regulatory change
- OCR 2.5%. Low inflation providing policy flexibility. Expect the OCR to be further reduced to 2.0%
- Dairy payout expected to fall to \$4.00¹/kg this season due to rising global production and softer demand

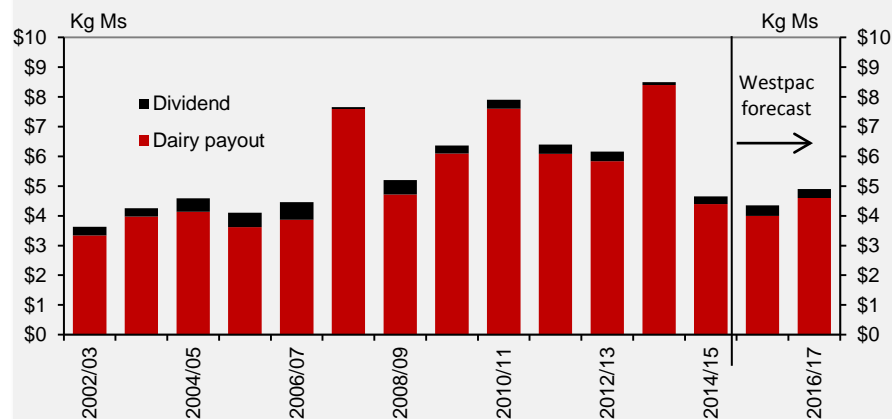
Key economic metrics

	FY15	FY16f	Change
GDP annualised average growth	2.9%	2.4%	(50bps)
Inflation rate	0.4%	(0.1%)	(50bps)
Official cash rate (OCR)	2.5%	2.0%	(50bps)
Dairy payout (ex dividend) ^{1,2}	\$4.40	\$4.00	(\$0.40)
Unemployment rate	6.0%	5.5%	(50bps)

New Zealand GDP growth (% yr)



Dairy payout and dividend



Source: Westpac New Zealand Economics. 1 Westpac NZ Economics forecast (ex dividend), Fonterra forecast is \$3.90/kg. 2 Seasons ended May.

Key trends shaping NZ banking sector

Credit and deposit growth (%)

	FY15	FY16f ¹
Housing	6.8	7.3
Business	7.3	5.6
Total credit	6.9	6.4
Household deposits	12.0	7.0
Total deposits	8.4	6.4

Asset quality

- Starting from a strong position
 - Delinquencies at very low levels
 - Impaired assets at low levels
- Impairment charges likely to increase as benefits from write-backs reduce
- Some stress emerging in Agri

Competition/margins

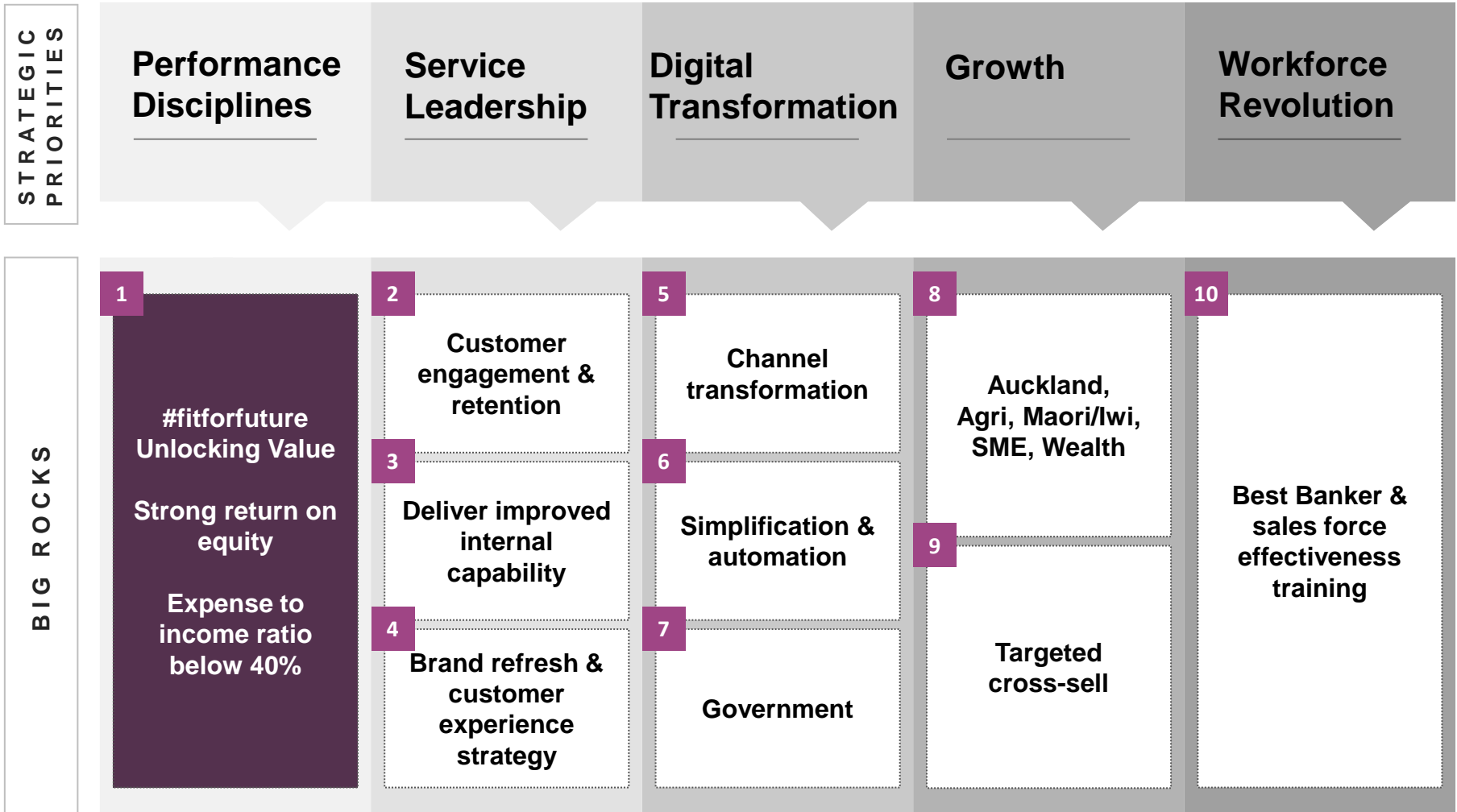
- Margins have been well managed over recent years
- Factors influencing margins in FY16
 - Moderating credit growth
 - Lending competition intensifying
 - Global wholesale funding costs higher
 - Negative product mix changes (more fixed rate loans)

Regulation

- RBNZ macro-prudential measures
 - Higher risk weighting for Investor Property Loans (IPL) from Nov 15
 - Limits on flow of higher LVR lending. Flow limited to
 - 5% for >70% LVR on IPL
 - 10% for >80% LVR owner occupied (O/O) in Auckland
 - 15% for >80% LVR O/O outside Auckland
- Changes to tax treatment on IPLs
- Evolving global capital and liquidity rules

¹ Source: Westpac New Zealand Economics.

Strategy focus on service leadership



Enhancing our position in New Zealand

Airpoints opportunity

Welcome Aboard



- Significant opportunity to expand affluent customer base
- 1ppt lift in market share to 24%¹
- > 60,000 new credit card accounts to 31 Jan 2016, nearly 40% new to bank
- Material rise in card applications initiated a move to
 - Online fulfilment
 - Online activation
- Launched market-first Airpoints debit card
 - Over 16,000 debit cards issued in 5 months

NZ Government banker

- Retained banking relationship with the New Zealand Government and its 36 agencies
- Eight year contract
- Provides scale to deliver significant enhancements
 - Process engineering to automate payments/reconciliations
 - New digital interfaces supporting self-serve and improved debt collection (ie. student loans)
 - Mobile payment tools
- NZ Government is a substantial part of the New Zealand economy, making up around 20% of the total transactions in the New Zealand market



Re-positioned brand



- Enhancing Westpac NZ's brand is a significant opportunity
- Research indicated
 - Brand lacked meaning and consistency
 - Now leveraging brand strengths (“trust”, “astute” and “strong”)
- New brand proposition (“It’s time”) designed to build on brand strengths
- Staff engagement and participation has been a focus of the launch
- Early results positive

¹ RBNZ.as at 31 January 2016.

Reshaping our network

Westpac One



Westpac One®. It's easier, faster, smarter online banking.

- Market leading platform. 2015 Canstar Best Online Bank in New Zealand¹
- 67% of customer access via mobile devices
- Since launch
 - 34% of all applications are online²
 - 7% increase in digital customers to 705k³
 - Active digital customers now 53%⁴

Optimising points of presence

- Smaller / fewer branches
- Flexible layout
- Digitally enabled
- 24/7 self-service
- Staff move from transactions to service/support

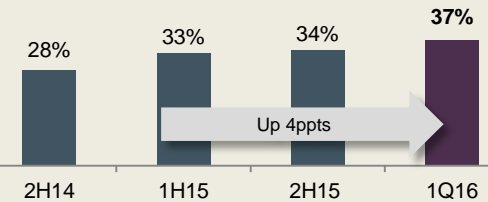


Changing how customers bank

We do night shifts too.

- Further enhancing 24/7 capability
- Largest NZ fleet of Smart ATM's with 161, in two thirds of branches
- Half of branches have 24/7 banking lobbies²
- Teller deposits fallen by 11% over the year

% of deposits through Smart ATM's

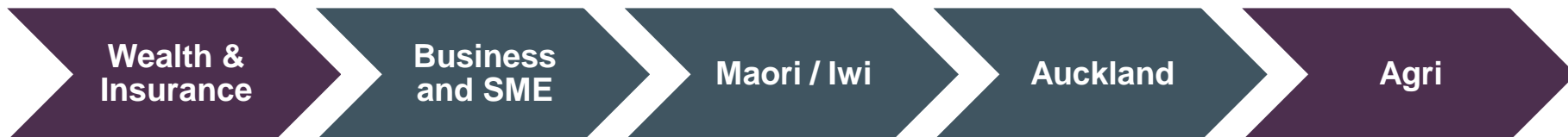


Rolling out next-generation ATMs

- Increased security
- Higher withdrawal limits
- Cash recycling
- Cash cheques
- Third party payments (Council rates/utilities)

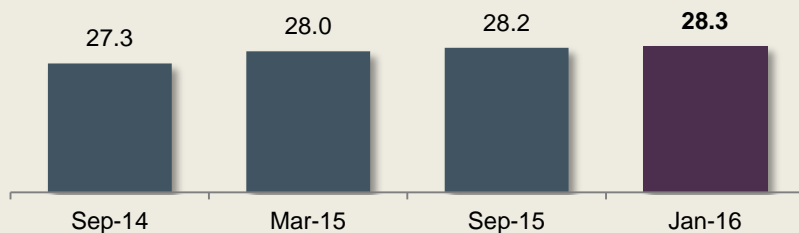
¹ Canstar April 2015. ² Excludes Airpoint applications. ³ As at 30 September 2015. ⁴ As at 31 January 2016.

Areas of targeted growth



Continue building wealth and insurance capability

Customers with a wealth product (%)



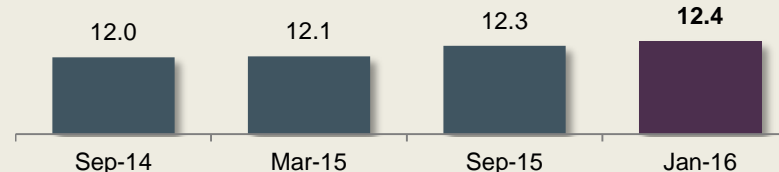
- KiwiSaver market share¹ 12.0% at 31 Dec 15 continuing to grow above system
- New business life insurance market share² up 50bps to 8.3% at 31 Dec 15 on prior year
- Digital travel insurance launched Dec 15 making travel insurance applications, claims, and queries faster and easier



The Westpac KiwiSaver Scheme rated Platinum by Super Ratings two years running

Agri growth good, high quality

Agri market share³ (%)



- Opportunity for targeted growth and deepening relationships including via transactional banking, insurance, wealth and financial markets
- Increased experienced Agri bankers with more to come in FY16
- High quality although some stresses emerging
 - 4.18% of Agri TCE stressed at Dec 15, up 26bps on Sep 15
 - 0.34% of Agri TCE impaired, unchanged over 1Q16

RBNZ's December 2015 Bulletin

"Despite some farms with high debts facing considerable difficulties, most farms are expected to remain viable over the medium term. Losses for the banking system as a whole are estimated to be manageable even under a severe stress scenario for the dairy sector."

¹ Measured as a percentage of funds under management, sourced from Funds Source. ² New business, sourced from Financial Services Council statistics. ³ RBNZ.

#fitforfuture driving the transformation



New Zealand's bank of choice



Best bankers, best place to work



Focus on efficiency

Improve customer experience

- Number 1 in customer experience, measured by net promoter score (NPS)¹
- Simplify and automate
- Continue digital innovation
- Transforming and optimising our network
- Faster, more convenient self service options
- Increasing sales via digital channels

Build workforce capability

- Leading employee engagement
- Rollout Best Banker training program
- Agile workplace
- Sales force effectiveness
- Increase revenue per FTE

Drive efficiency

- Create headroom for investment
- Disciplined performance management
 - Accountability
 - Investment discipline
- Drive expense to income ratio below 40%

¹ Source is Retail Market Monitor. Net promoter score is a trademark of Bain & Co Inc., Satmetrix Systems, Inc., and Mr Frederick Reichheld. For further details on basis of calculation, refer Westpac's Full Year 2015 Financial Result.

Summary

Clear strategy and priorities

Service is at the core of our strategy

Digitisation is improving service and efficiency

Execution is key, with strong management team to deliver

Appendix



Highly experienced Executive Team

Westpac NZ Executive Team.

* Years of financial services experience



David McLean
Chief Executive

31 Years*



Dawie Olivier
Chief Information Officer

10 Years*



Sue Foley
Director of
Corporate Affairs

6 Years*



Karen Silk
GM Commercial, Corporate
and Institutional

28 Years*



Simon Power
GM Consumer
Bank & Wealth

4 Years*



Andy Kerr
GM Marketing,
Product & Transformation

19 Years*



Mark Weenink
GM Regulatory Affairs,
Compliance and Legal

15 Years*



Gina Dellabarca
GM Human Resources

24 Years*



Leanne Lazarus
GM Contact Centres
& Operations

26 Years*



Jason Clifton
Chief Financial Officer

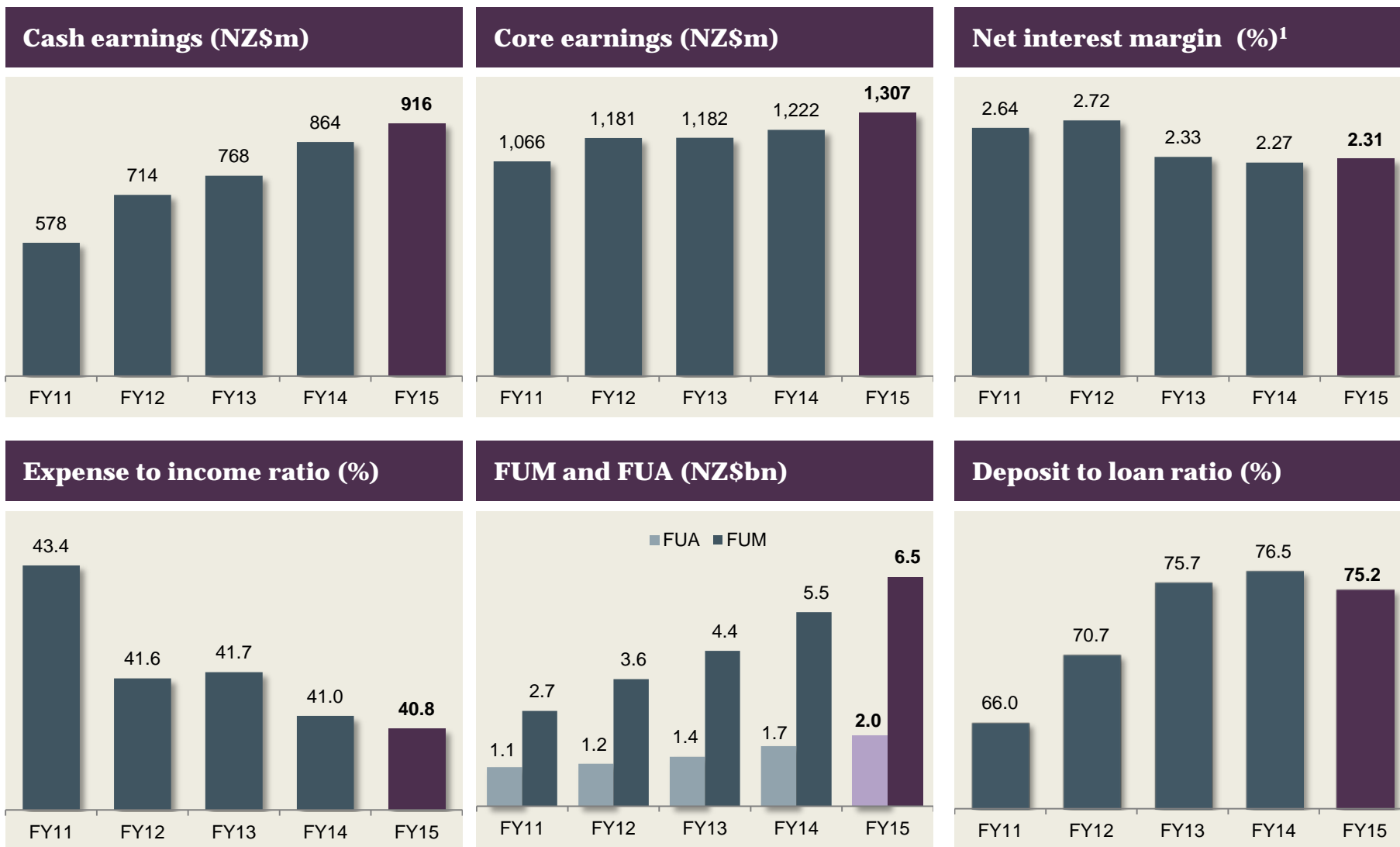
17 Years*



Carolyn Kidd
Chief Risk Officer

26 Years*

Consistently delivering high quality results



¹ Net interest margin impacted by the transfer of Treasury assets to Westpac New Zealand on 1 October 2012.

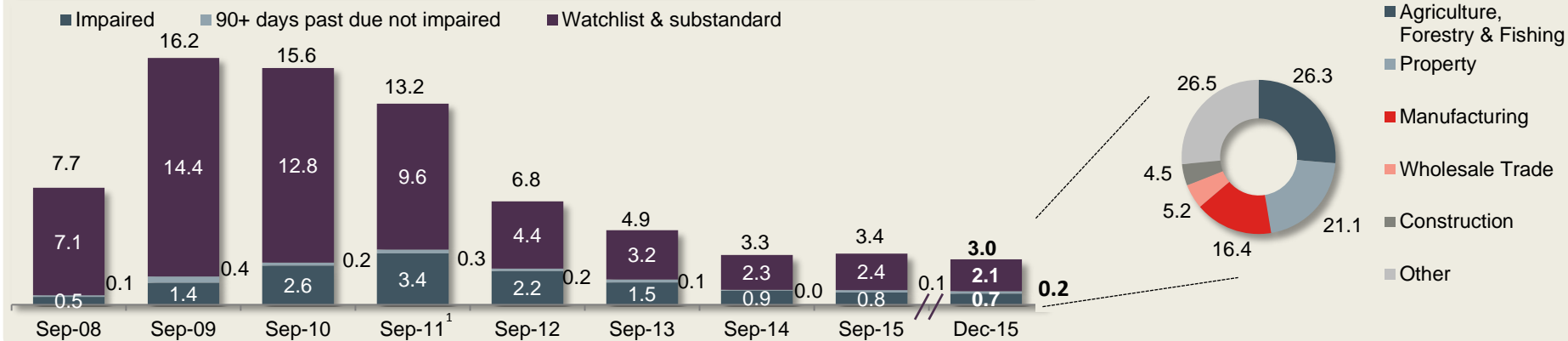
Asset quality in good shape

- Consumer delinquencies remain low at Dec 15
 - Mortgage 90+ days delinquencies 0.16%, up 2bps on Sep 15
 - Other consumer loans 90+ days delinquencies 0.58%, up 3bps on Sep 15, largely from seasonal trends
- Total business stressed exposures as a percentage of business TCE improved 37bps to 3.0%
- Rise in stress in Agri portfolio principally related to low dairy payout
- Agri is 7.9% of portfolio with dairy approximately 70% of total Agri portfolio

Agricultural portfolio

	Mar-15	Sep-15	Dec-15
Total committed exposure (TCE)	\$7.3bn	\$7.8bn	\$8.0bn
Agriculture as a % of TCE	7.7%	7.9%	7.9%
% of portfolio graded as 'stressed' ²	2.88%	3.92%	4.18%
% of portfolio in impaired	0.33%	0.34%	0.34%

Business stressed exposures as a % of New Zealand business TCE



¹ Large reduction in stressed exposures from Sep 2011 to Sep 2012 due primarily to transfer of WIB assets during 2012. ² Includes impaired exposures.

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For further information on Westpac

www.westpac.com.au/investorcentre

- Financial information (results, Annual reports, regulatory disclosures)
- Presentations and webcasts
- 5 year financial summary
- Prior financial results

The screenshot shows the Westpac Investor Centre website. At the top, there is a navigation bar with the Westpac logo and links for 'Lost or stolen cards', 'Contact us', 'Branches & ATMs', and a search bar. Below this is a secondary navigation bar with tabs for 'Home', 'Personal', 'Business', 'Corporate', and 'About Westpac'. The main content area is titled 'Investor Centre' and includes sections for 'Manage your shareholding', 'Dividend information', 'Westpac share information', 'Other Westpac securities', 'Financial information', and 'Westpac at a glance'. There are also sections for 'Latest news' and 'Key dates and events'. A sidebar on the right contains a 'Contact our share registry Link' section with email and phone contact details, and a 'Westpac financial calendar' section.

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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 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 Annual Report 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.