

Media Release.

4 November 2009

Westpac NZ announces lower profit but readiness for recovery

Summary (all comparisons are with 2008 Full Year result):

- Net operating income of \$1,642 million, up 4%
- Core earnings¹ of \$901 million, up 4%
- Cash earnings of \$236 million, down 50%, impacted by a weak operating environment contributing to very high impairment charges
- Expense to income ratio improved 20 basis points (bps) to 45.1%

Full Year Profit Result

Westpac New Zealand's financial result for the year ended 30 September 2009 reflects the very difficult local and global economic climate with cash earnings of \$236 million, down by 50% on last year's result.

Chief Executive George Frazis said cash earnings were impacted by a trebling of impairment charges (up \$402m), mostly related to commercial property exposures, but the bank's provisioning approach was prudent in light of the weakened operating environment.

Core earnings growth was modest at 4%, reflecting what had been a tough year for the New Zealand economy. Expense growth was held at 3%, representing good management disciplines.

Mr Frazis said the overall result was disappointing but initiatives in the second half of the financial year were contributing to improved momentum.

"I'm confident that the significant work done on priority areas within the bank sets us up well for sustainable growth within an economy that is showing signs of recovery," Mr Frazis said.

Healthy fundamentals

Customer growth was solid, with over 20,000 customers added in the year ended 30 September 2009.

'Customers with four products', a key focus, increased by 2.1% to 45% of the customer base, with initiatives to enhance this performance including product bundling as well as further investment in staff training.

Mr Frazis said that core earnings were driven by a 7% increase in net interest income and a 5% rise in loan balances on the prior financial year.

Credit growth slowed to 2.8% in the September 2009 financial year compared to 9.5% growth in the prior comparative period as a consequence of de-leveraging. Deposit growth was healthy at 6%, which supported increased lending at an important time.

The credit health of the portfolio has begun to stabilise, and consumer delinquencies have improved over the last quarter, although Mr Frazis noted that risk in these areas remained due to rising unemployment.

¹ Core Earnings is operating profit (on a cash basis) before income tax and impairment charges

Media Release.

Bringing back the Bank Manager

Mr Frazis said that Westpac New Zealand has been working on a number of initiatives aimed at putting customers at the very heart of everything the bank does.

“We are moving decision making back to the local Bank Manager and closer to our customers. This reverses a trend in banking over many years and one that, in hindsight, was a mistake that inhibited us from appropriately supporting our customers,” he said.

“The recession has shown the need to work more closely with customers. I am committed to doing even more in that regard as we move forward.

“It is a fundamental shift back to the future and one I believe will be welcomed by our customers and the communities within which we operate.”

As part of the bank’s commitment to supporting customers, Mr Frazis announced that Westpac New Zealand will be opening three new branches before the end of the year, and another nine by the end of 2010. This will be complemented by adding more than 100 business bankers into key customer-facing roles. These roles include specialist roles supporting areas important to the New Zealand economy such as the agri sector and small and medium enterprises.

“Retail customers will also see changes with quicker decisions and staff empowered with the authority and encouragement to rebuild their roles as leaders within the communities they serve.”

Commitment to people and the community

Mr Frazis said he was proud that Westpac New Zealand increased its investment in staff training and took an early decision to maintain its staffing levels through this challenging period. The bank also made a commitment not to send any jobs offshore this current financial year.

Westpac New Zealand also announced a reduction in all exception fees to \$9 from 1 October 2009, across both personal and business customers, following an extensive review of customer feedback on these fees.

“I was also pleased that we were able to maintain our commitments to community and business initiatives, delivering our Managing Your Money programme to over 7,000 Kiwis, raising more money than ever for the Westpac Chopper Appeal and renewing our sponsorship of Westpac Stadium,” Mr Frazis said.

Mr Frazis said the recent proceedings between the Commissioner of Inland Revenue and Westpac Banking Corporation, which is being appealed, would have no impact on the bank’s New Zealand focus, nor its ability and desire to support its customers.

Outlook

“In the first half of the year the world was in a very uncertain place as a result of the global credit crisis,” Mr Frazis said. “What we can see now is the start of a rebuilding, although I do think any recovery is fragile and will take some time.

“Westpac New Zealand will be playing its part to aid the recovery. We have around \$4 billion in additional new lending available over the next calendar year to help individuals and businesses in their steps towards sustainable growth.

“We are very much open for business,” Mr Frazis concluded.

Media Release.

Westpac New Zealand Financial Result for the Full Year to 30 September 2009

NZ\$m	% Mov't			% Mov't		
	Half Year Sept 09	Half Year March 09	Mar 09- Sept 09	Full Year Sept 09	Full Year Sept 08	Sept 08- Sept 09
Net interest income	613	622	(1)	1,235	1,158	7
Non-interest income	193	214	(10)	407	424	(4)
Net operating income	806	836	(4)	1,642	1,582	4
Operating expenses	(376)	(365)	(3)	(741)	(716)	(3)
Core earnings	430	471	(9)	901	866	4
Impairment charges	(388)	(184)	(111)	(572)	(170)	large
Operating profit before tax	42	287	(85)	329	696	(53)
Tax and minority interests	(8)	(85)	91	(93)	(223)	58
Cash earnings	34	202	(83)	236	473	(50)
Economic profit	(122)	54	large	(68)	213	(132)
Expense to income ratio (%)	46.7%	43.7%	(300bps)	45.1%	45.3%	20bps
	\$bn	\$bn		\$bn	\$bn	
Deposits						
Term deposits	16.0	14.1	13	16.0	13.5	19
Other	12.8	13.9	(8)	12.8	13.7	(7)
Total deposits	28.8	28.0	3	28.8	27.2	6
Net loans						
Mortgages	32.0	31.4	2	32.0	31.0	3
Business	14.0	14.0	-	14.0	13.8	1
Other	1.7	1.7	-	1.7	1.7	-
Net loans	47.7	47.1	1	47.7	46.5	3
Total assets	49.0	48.4	1	49.0	47.7	3
Funds under management	2.1	2.0	5	2.1	2.0	5

End

For further information:

Craig Dowling
Media Relations
Westpac New Zealand
Ph. 09 367 3647
Or 021 222 4795

Westpac

Making the most of life

www.westpac.co.nz