



**Westpac Banking Corporation  
2004 Annual General Meeting  
Auckland, New Zealand  
16 December 2004**

## **Chief Executive Officer's Address**

**David Morgan, Chief Executive Officer,  
Westpac Banking Corporation**

## **Sticking to the plan**

Thank you Chairman and good afternoon.

Having been part of New Zealand's history and growth for 143 years, it is, as the Chairman has said, a very significant occasion to hold our first AGM in Auckland. And I am grateful for the opportunity to address you today.

The Chairman has already discussed Westpac's performance for the year, and I would like to take you behind the numbers to highlight what have been the real drivers of our recent success.

### **What we said last year and how we delivered**

Last year I stood in front of shareholders at the AGM and talked about how we were doing the simple things well. I highlighted our fundamental belief that improved employee commitment leads to better customer service and loyalty, which in turn leads to improved and more sustainable returns to shareholders.

I also discussed the range of initiatives we were undertaking to deliver on that strategy

In 2004 we've stuck to that plan. We have continued to deliver on our existing programs and successfully implemented a range of new initiatives across our business units, all aimed at giving our employees the tools and the wherewithal to deliver on our customer promise.

A great example has been our initiatives to expand the opening hours of our branches. Customers have been frustrated that banks are not always open when or where they need them, so we've responded.

We have some 164 branches in Australia and 19 branches in New Zealand that are now open on Saturday mornings, or that are open early or late to meet the needs of customers in that particular location.

We have also sought to respond better to the needs of our employees as, after all, their role is critical in a service-based industry like banking.

We believe that one of the most crucial keys is how well our people are led and managed.

In 2000, less than 50 per cent of our people felt that they were being provided with a clear sense of direction. Just four years on, 75% of our employees feel they are getting a clear sense of direction - a result that is markedly higher than Australian and global norms.

This success is all leading to Westpac becoming an easier company to do business with and this is clearly paying dividends. Across the board we have

seen an increase, for example, in customer satisfaction by around 5 per cent in the past year.

As the Chairman has outlined, our success in terms of earnings is clear.

We've greatly improved our financial resilience by enhancing our productivity. We've lowered the cost to produce each dollar of income from 61 cents in 1997 to just below 50 cents now – a dramatic improvement in the efficiency of how we operate.

At the same time we have maintained our investment spend to ensure these improvements continue and the long-term viability of our company is enhanced.

### **Our progress in New Zealand**

Our experience in New Zealand has been just as positive and our business has had a strong year.

Going back three years, we were facing some formidable challenges in the New Zealand marketplace.

While our acquisition of Trust Bank had proceeded very well, the actual merger of the businesses distracted us from our everyday business and we lost some momentum. Customer satisfaction levels also suffered and our sales productivity was less than optimal, as we were forced to divert attention to integrating the two banks' systems and processes.

Moreover, we realised that, even after the benefits of combining our existing New Zealand franchise with that of Trust Bank, we were still relatively under-represented in Auckland. This represented a significant opportunity given the Auckland market accounts for just over a third of the nation's income.

Three years on our New Zealand business is now well and truly back.

We have reinvigorated our business in the Auckland area and our re-branding has been successful.

One of our more visible innovations has been our fleet of red Volkswagens that you may have seen travelling around Auckland and elsewhere.

In their VWs, our mobile mortgage managers have helped to kick-start our sales effort and taken us to the number one share of new mortgage lending in New Zealand in both Auckland and across New Zealand.

We have also been able to consolidate our business market share gains of the previous few years through better customer service and leveraging off the industry specialisation approach that has been so successful in Australia.

More importantly, we have enhanced the sustainability of our business in New Zealand, through improved employee satisfaction and improved customer satisfaction, as I have already mentioned.

### **Other progress outside of New Zealand**

Across all of our businesses, maintaining our focus and sticking to our plan is delivering value. Over the last 5 years in Australia, we have restored our position in business banking and increased our market share by more than two and a half percentage points.

Our Australian consumer business has maintained focus of providing superior customer service and avoided being dragged into unsustainable price competition. As a result, we delivered profitable growth over the year.

Our Institutional Bank has also successfully transformed its business over recent years. Earnings from customer relationship activities have improved and new growth income streams developed, with revenues increasing 10 percent over the last year.

In particular, our newly established Specialised Capital Group more than doubled its revenues over the year and is now a key contributor to growth.

Within BT Financial Group, our wealth management business, our focus has been on completing the integration of the businesses we bought, enhancing our investment performance, and selling into our wider Westpac customer base.

I am pleased to report that we have been successful on all fronts. Integration is virtually complete, we are now top quartile for investment performance for the last two years, and the Westpac customer base has been a key source of BT growth for the year.

### **Going forward**

Going forward, the plan we have set ourselves is a challenging and aggressive one.

We've set very clear aspirations for the next three years: 1<sup>st</sup> quartile shareholder returns among the top listed companies; outright number one for customer service; employee commitment in line with the best performing companies; and continued corporate governance and responsibility leadership.

Notwithstanding the enormous progress we've made, we still have much to do to fully achieve our aspirations.

Our customer service processes and technology still remain short of where we want them.

Which is why our productivity and service initiatives are so pivotal in delivering on our Ask Once service promise and building the platform for sustainable earnings growth well beyond 2005.

To date, our initiatives have already allowed us to redeploy some of our people from back office and support functions into face-to-face and advisory services roles.

These changes and initiatives are not only assisting our people, but are giving us the capability to provide better service right across the board. I have no doubt that when the natural ability, energy and enthusiasm of our people are complemented by world-class technology and processes, we will establish a lead over our rivals that is truly definitive.

I also have no doubt that the changes across Westpac over the last five years have placed us firmly on the path to a sustainable competitive advantage and more resilient earnings growth.

It is a path that is not easily followed and one that takes years of commitment and focus to get the traction and results we are now seeing.

We are in line with our plan for the first two months of the 2005 financial year, despite a more intense competitive environment. As I stated at the announcement of our recent full year profit result, we expect to continue to deliver strong results at the upper end of the banking sector in 2005.

We are now undoubtedly a long way down the track to realising our potential across the board. And we look forward to sharing our future success with you our shareholders.