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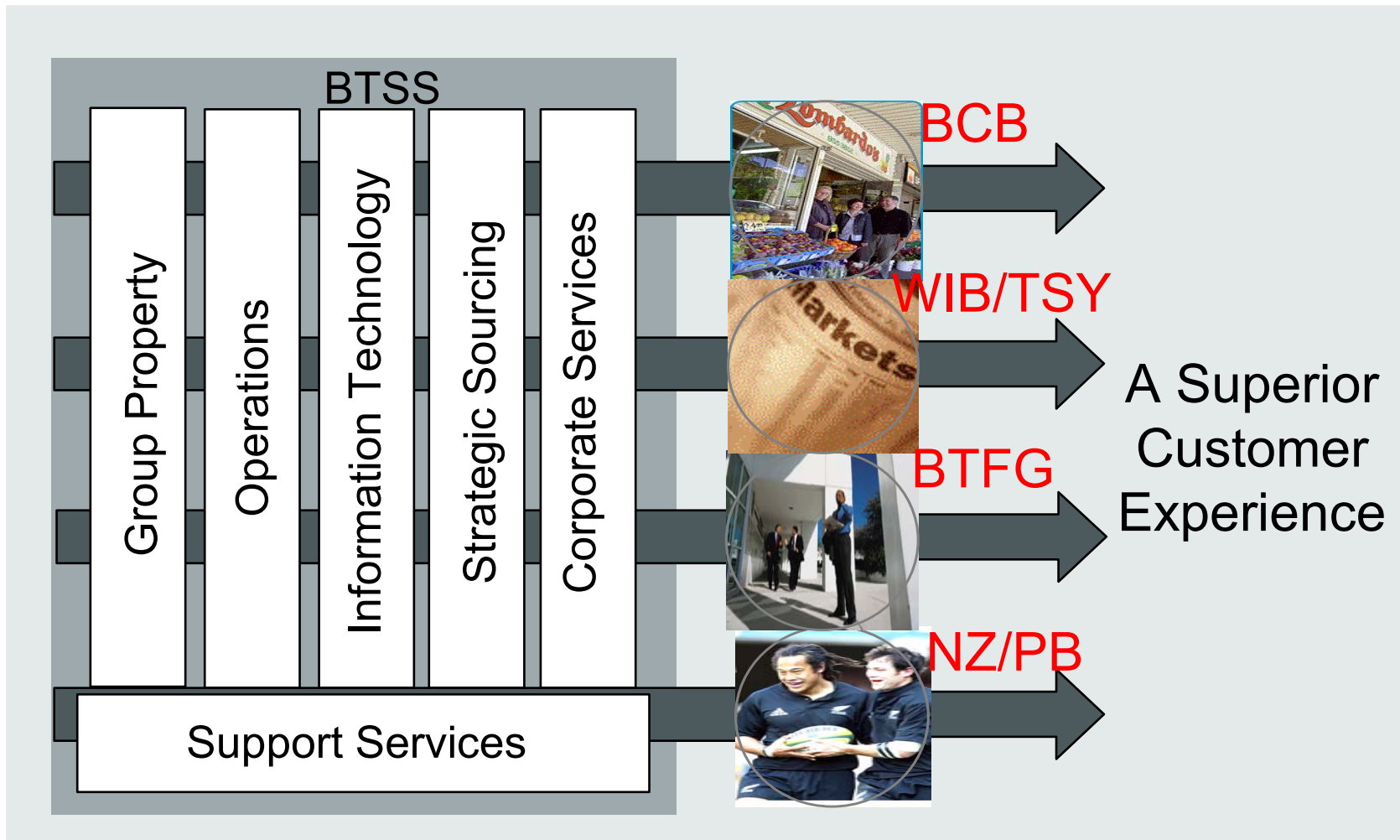
Business & Technology Solutions & Services

Michael Coomer
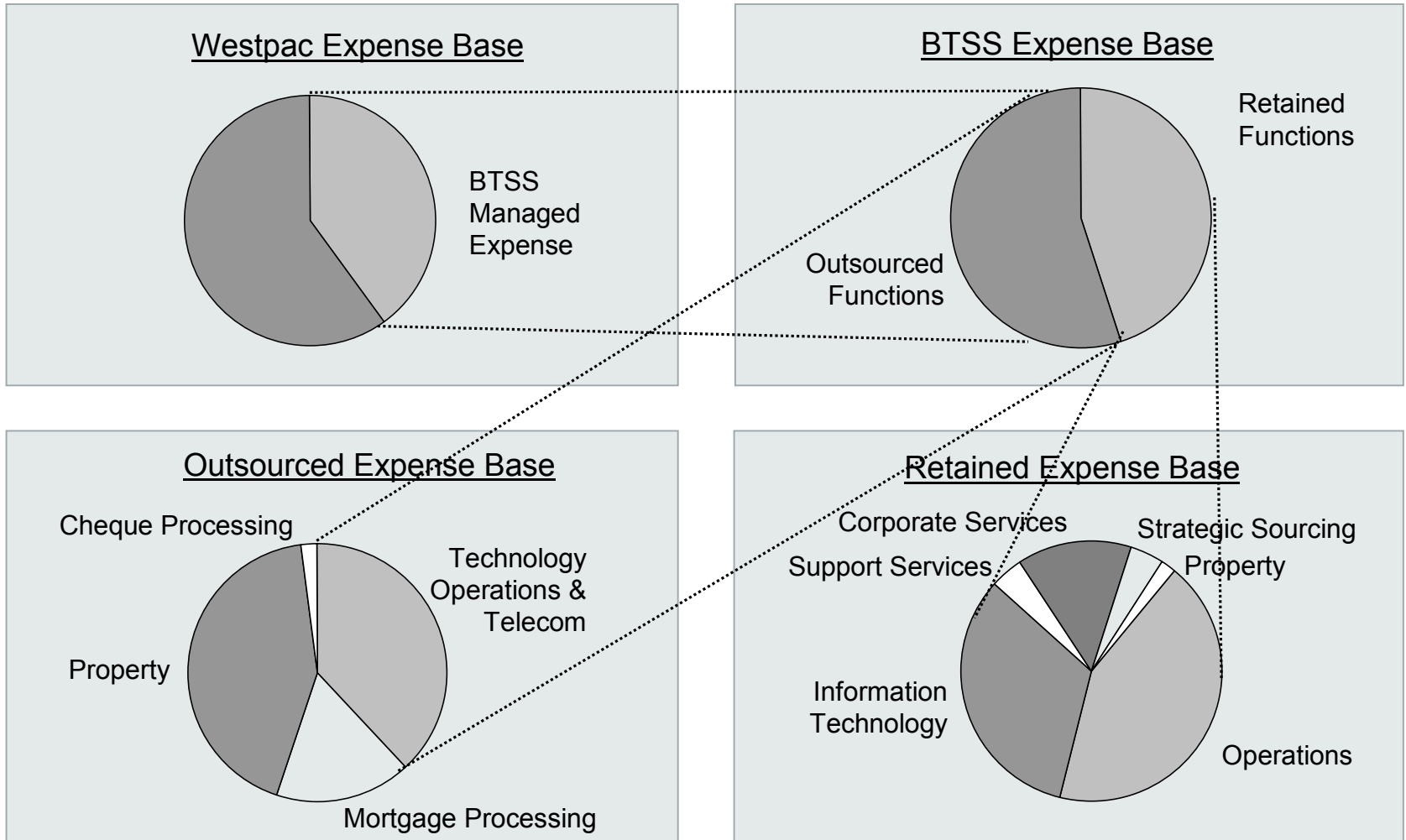Group Executive, BTSS

29 July 2004

Key messages

- Continued Execution of Our Strategy

- Maintaining a Flat Expense Base

- Maintaining our Employee Commitment

- Supporting the Delivery of 'Ask Once'

- Balancing Risk and Reward

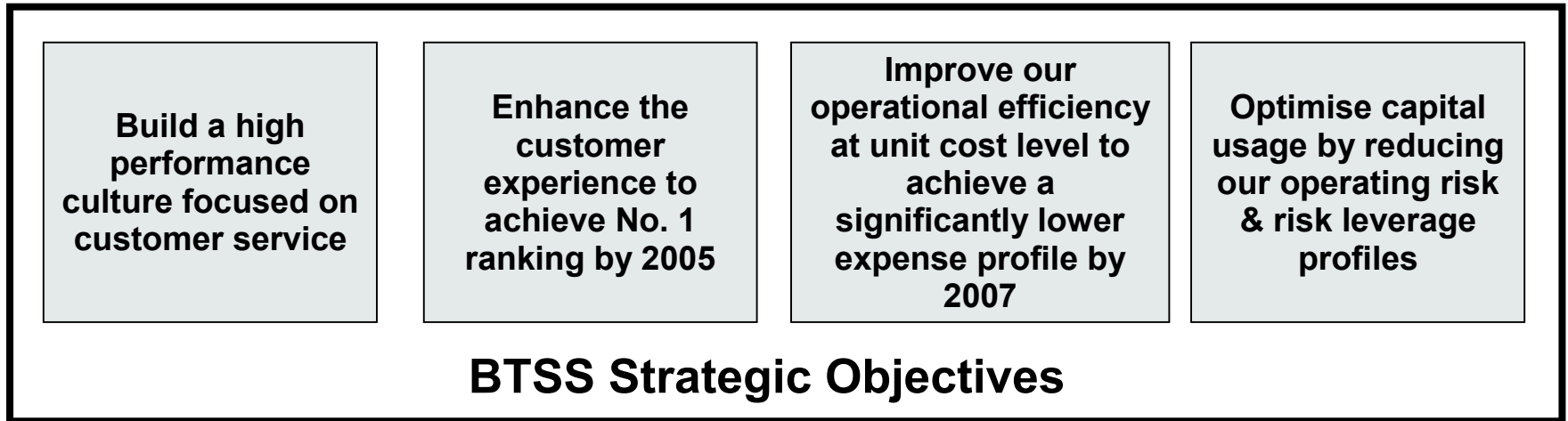# BTSS is Westpac's core service provider

BTSS

Group Property | Operations | Information Technology | Strategic Sourcing | Corporate Services

Support Services

BCB

WIB/TSY

BTFG

NZ/PB

A Superior Customer Experience

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BTSS manages 40% of Westpac's expense base

Westpac Expense Base
BTSS Managed Expense

BTSS Expense Base
Retained Functions

Outsourced Functions

Outsourced Expense Base
Cheque Processing

Technology Operations & Telecom

Property

Mortgage Processing

Retained Expense Base
Corporate Services

Strategic Sourcing

Support Services

Property

Information Technology

Operations

Our customer focused strategy

Service – Profit Chain

Employee	Customer	Shareholder
Internal Service Quality	Employee Commitment	Employee Retention / Employee Productivity	Superior Customer Experience	Customer Satisfaction	Customer Loyalty	Revenue Growth / Profitability	Shareholder Value

| **Build a high performance culture focused on customer service** | **Enhance the customer experience to achieve No. 1 ranking by 2005** | **Improve our operational efficiency at unit cost level to achieve a significantly lower expense profile by 2007** | **Optimise capital usage by reducing our operating risk & risk leverage profiles** |

BTSS Strategic Objectives

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What we said in previous years.

Three Major Initiatives Underpin This Work

Great Customer Experience

Customer Alignment

End-to-end alignment of performance metrics

Customer Connection

Simplified and consistent processes

Customer Enablement

Better data management and analytic capabilities

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Going forward

- Strong project alignment to business needs and customer experience strategy

- Operational efficiencies achieved, supporting cost shift by:
  - Assisting to absorb underlying expense growth, and
  - Enabling targeted project reinvestment

- Set to leverage off standardised PC and broadband platforms

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Market Update - July 2003

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What have we done? Reach

Three Major Initiatives Underpin This Work

Customer Alignment
End-to-end alignment of performance metrics

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Simplified and consistent processes

Customer Enablement
Better data management and analytic capabilities

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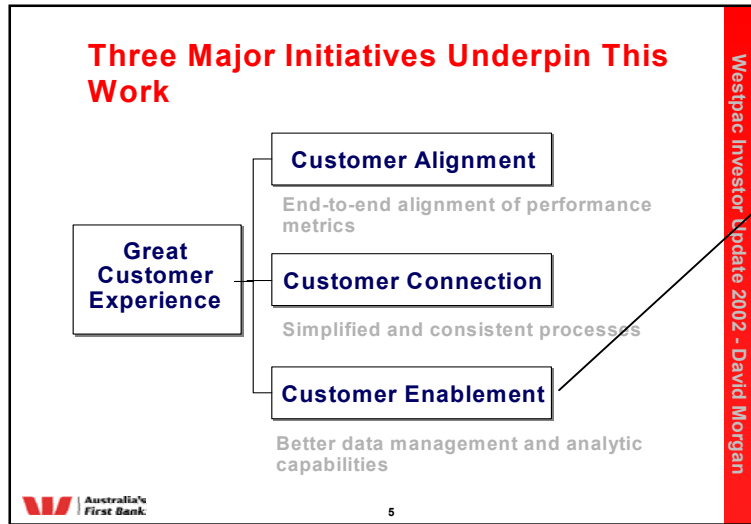
Key Objectives:

- FY2004 to roll-out core SME capabilities across all channels and segments

- Key Focus:
  - Improve customer retention rates
  - Provides increased sales opportunities
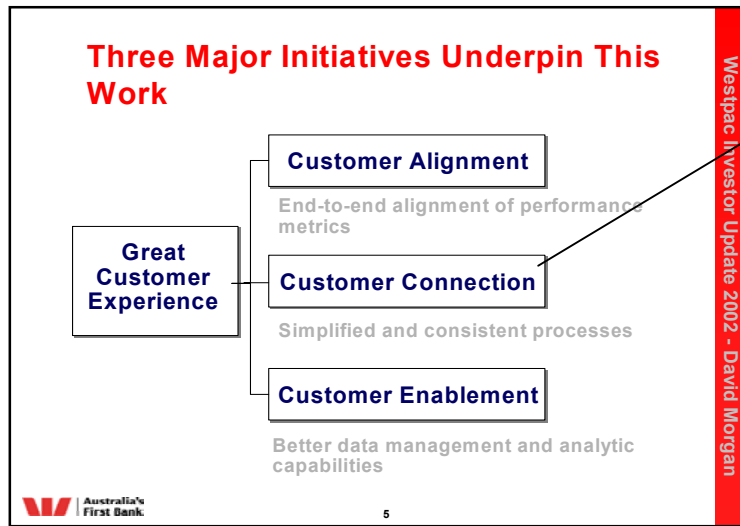 - Improves lead and campaign management

Reach Program:

A cross product, cross geography, end-to-end Sales & Information Management re-engineering program

Status: Ongoing

Results
• Fast browser-based Sales & Service system deployed to over 1900 staff.
• Visual Reporting & Sales Management capabilities to 1300 staff.
• Over 15,000 Westpac Leads delivered monthly to Business bankers with uplift in both actioning and conversion rates.
• Benefits ahead of plan.
• Staff satisfaction 91% for systems & process

What have we done? Pinnacle

Three Major Initiatives Underpin This Work

Customer Alignment
End-to-end alignment of performance metrics

Great Customer Experience

Customer Connection
Simplified and consistent processes

Customer Enablement
Better data management and analytic capabilities

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Pinnacle Program:

An integrated program to re-engineer lending and credit processes on an end-to-end basis across the bank.

Status: Ongoing

Key Objectives:

- Improve customer experience to drive growth

- Reduce cost through operational efficiencies

- Improve asset quality via credit decisioning capabilities

Early Results
• Business security packets managed electronically at point of sale.
• End-to-end visibility of Business Banking loan applications at front line.
• Easier on-line loan application for business customers.
• On-line application for credit card limit increases, with most approvals within 24 hrs.
• Customer focused collections solution.
• Operational efficiencies starting to be realised – measured 50% improvement in time to process Loan Verification activity.
• 1,100 users across Sales, Credit and Operations.
• 15,000 deals submitted.
• On track to achieve Basel II compliance.

# What have we done? IT & Project Organisation

Going forward

- Strong project alignment to business needs and customer experience strategy
- Operational efficiencies achieved, supporting cost shift by:
  - Assisting to absorb underlying expense growth, and
  - Enabling targeted project reinvestment
- Set to leverage off standardised PC and broadband platforms

Early Results

- Implemented new IT organisation and governance structures to ensure closer alignment with business needs and more effective enterprise solutions.

- Enhanced project delivery capabilities of a number of strategic projects including:
  - Internet Banking infrastructure upgrade
  - Customer service application rolled out to 12,000 desktops
  - Code of Banking Practice

- One Bank Platform (32Bit PC) rolled out to 17,000 desktops, including:
  - 850 Branches and stores
  - All Contact Centres
  - Financial Planners
  - Business Banking platform
  - Operations
  - New Zealand

- Rolled out Enterprise mail infrastructure to 70% of potential users

What have we done? Productivity

BTSS Gross Expense Profile

2001 – 2004 CAGR < 1%

FY2001A   FY2002A   FY2003A   FY2004F
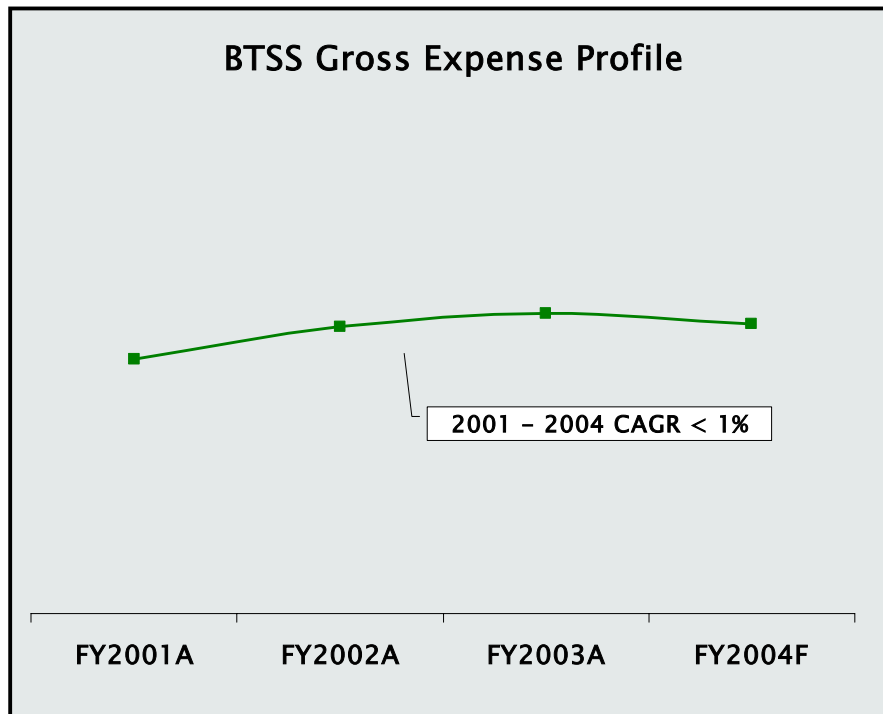
Volume

- Unsecured Lending   ⬆ 30%
- National Collections   ⬆ 40%
- International Operations ⬆ 15%

Compared to Sept 2002

Project Investment

- Shifted our 'maintenance to investment projects' ratio from 55:45 to 45:55

Our productivity initiatives continue to absorb both underlying expense growth <u>and</u> forecast business volume growth to create headroom for customer facing initiatives
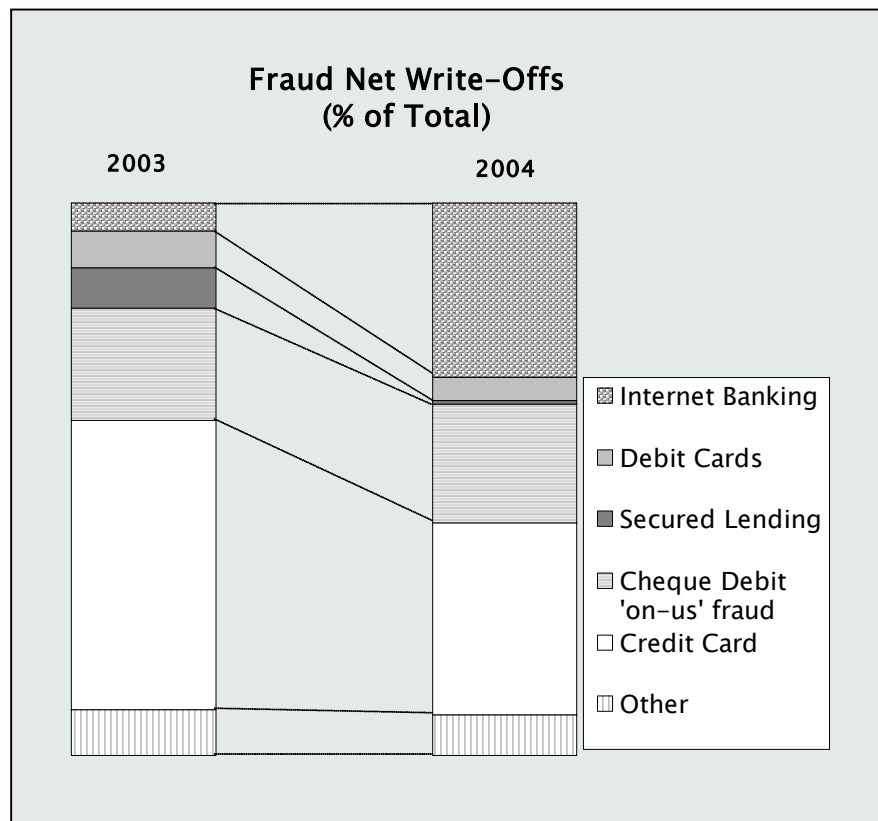
What else have we done?

- Our Great Place (OGP)

  - New premises of 73,620 m^2 at the northern end of Darling Harbour.

  - A key enabler for delivery on our 'Ask Once' commitment through a unified operating environment:

  - Consolidate our 10 Sydney CBD office sites into two locations and relocate 5200 staff.

  - Enabling Technologies such as VoIP and Wireless

  - 2nd largest single office tower in Sydney.

  - Largest tenant pre-commitment in Australia.

  - Construction of the building core is now up to level 6, and the concrete slab for the urban park has been poured

  - 650 spaces public car park opening late 2004.

  - 4 Stars Australian Building Greenhouse Rating

  - Staff relocations progressively through 2006

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What else have we done?

- ## Managing Security & Financial Crime Risk

  - Strengthening authentication for high value transactions.

  - Strengthened our electronic fraud capability through development of an automated detection tool and creation of 7x24 monitoring and customer response capability.

  - Heightened customer education and awareness.

  - Working jointly with industry, government and law enforcement agencies to enhance financial crime prevention capability and raise community awareness.

Fraud Net Write-Offs
(% of Total)

2003   2004

Internet Banking
Debit Cards
Secured Lending
Cheque Debit 'on-us' fraud
Credit Card
Other

  - Invested in our financial crime detection capability to address the increasing terrorist threat.

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Our staff remain committed through change

Employee Commitment Index

Date	Value
Mar-02	6.87
Sep-02	7.25
Dec-02	7.39
Mar-03	7.59
Sep-03	7.13
Dec-03	7.27
Mar-04	7.41

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Going forward

- **Operational Risk**

  - Strengthen Business Continuity

  - Enhance our Financial Crimes Management and Enterprise Security capabilities

- **Workforce Management**

  - Transition from process work to knowledge work

  - Development of a set of tools to track and forecast FTE supply and demand, and match staff and vacancies based on skills and transition costs.

- **Consolidation**

  - Business unit-specific operational data stores to a single enterprise data store.

  - Multiple organisational information repositories to a single Enterprise Warehouse.

  - Server infrastructure and application platforms.

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