



Australia's First Bank

# Delivering Sustainable Success

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Group Executive, Business & Consumer  
Banking

29 July 2004

# Agenda

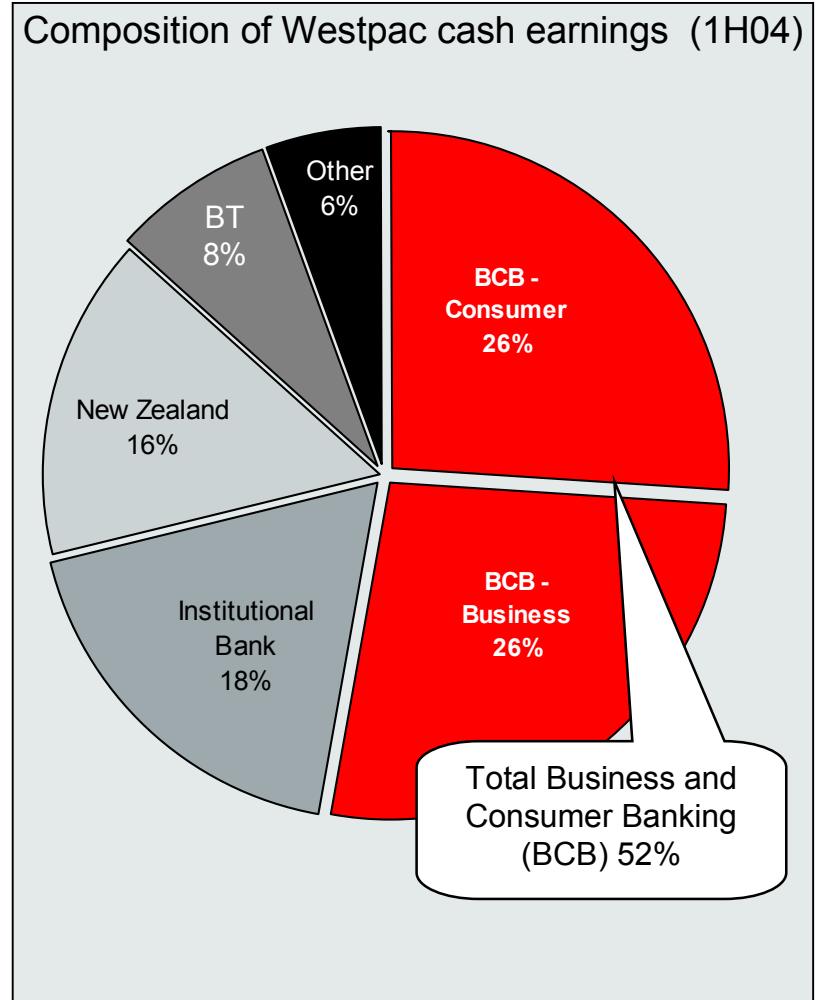
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- Update against strategic objectives
- Building sustainable performance
- BCB scorecard

# Business & Consumer Banking today

- Australian retail banking and wealth distribution
  - Consumer
  - SME ( <\$20m turnover)
  - Middle Market(<\$125m turnover)
- Customer-driven organisational structure
- 5.1 million customers
- Share of wallet per customer<sup>1</sup>:
  - Consumer: 35%
  - Business: 57%
- 12,500 staff

1. Share of wallet – proportion of customer's funds held (incl. Deposits, loans, wealth)

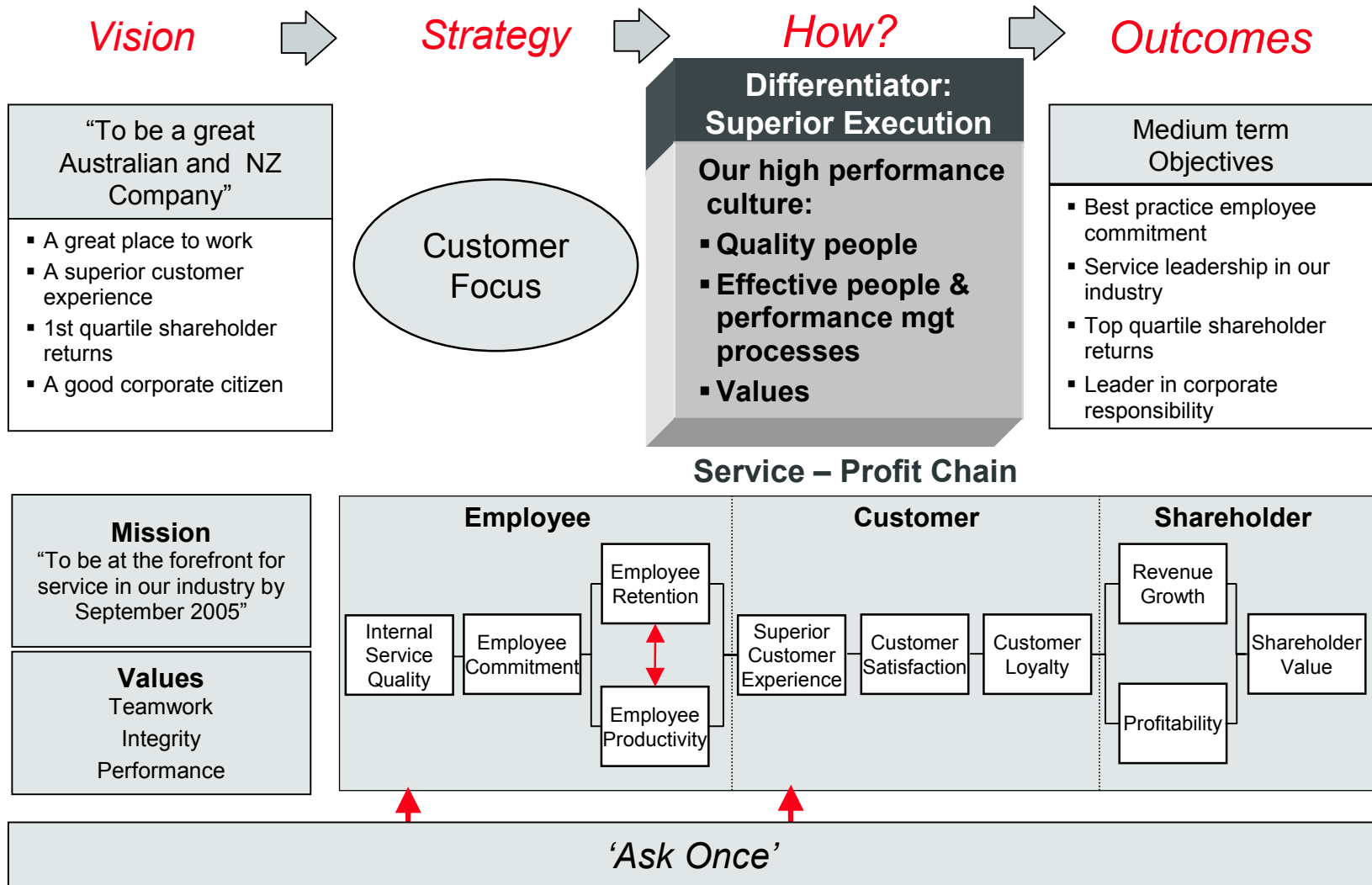


# BCB half yearly performance

- Balanced result with 27% growth in economic profit
- Strong increase in assets and liabilities
  - Mortgages up 16%
  - Cards up 17%
  - Deposits up 12%
  - Business Lending up 18%
- Contained expenses while absorbing significant compliance spend

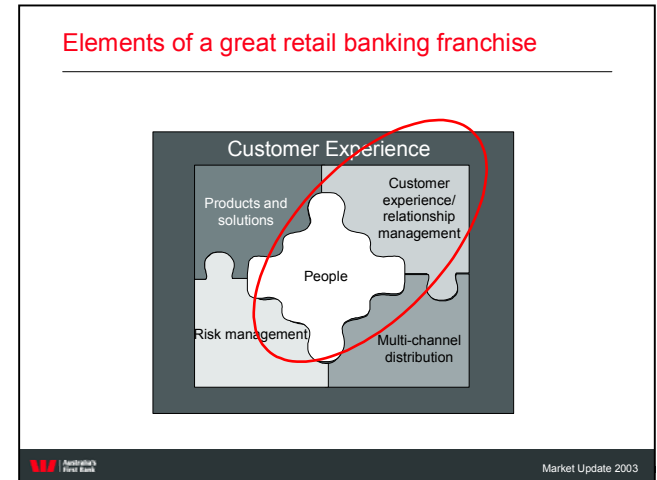
\$m	1H04	1H03	% Change
Operating income	2,313	2,072	12
Operating exp	(1,210)	(1,143)	(6)
Core earnings	1,103	929	19
Bad debts	(171)	(147)	(16)
Operating profit	932	782	19
Tax & OEI	(280)	(236)	(19)
<b>Cash earnings</b>	<b>652</b>	<b>546</b>	<b>19</b>
<b>Expense to income</b>	<b>52.3%</b>	<b>55.2%</b>	<b>290bps</b>

# Westpac DNA is a framework for success

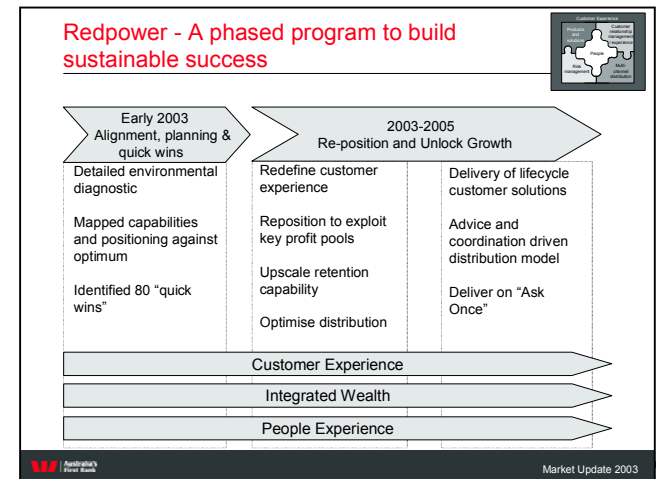


# The evolution of BCB's strategy – what we said

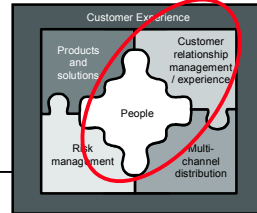
- 2003 Market Update: five key elements to a great retail banking franchise
  - Success relies on understanding co-dependencies of these elements



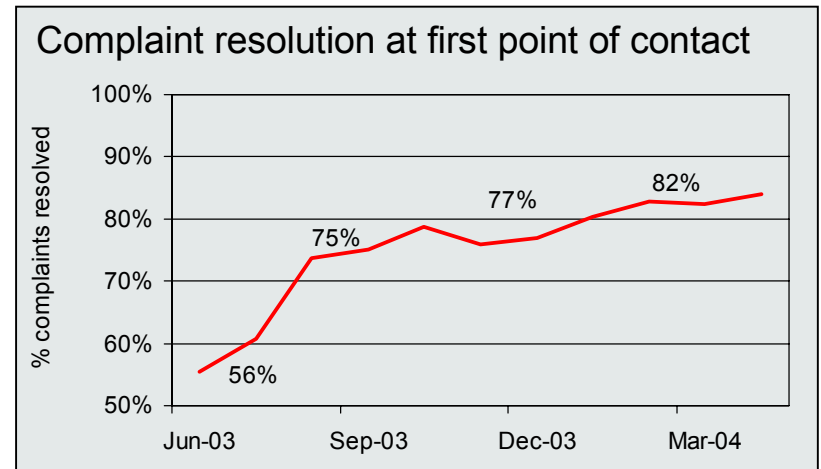
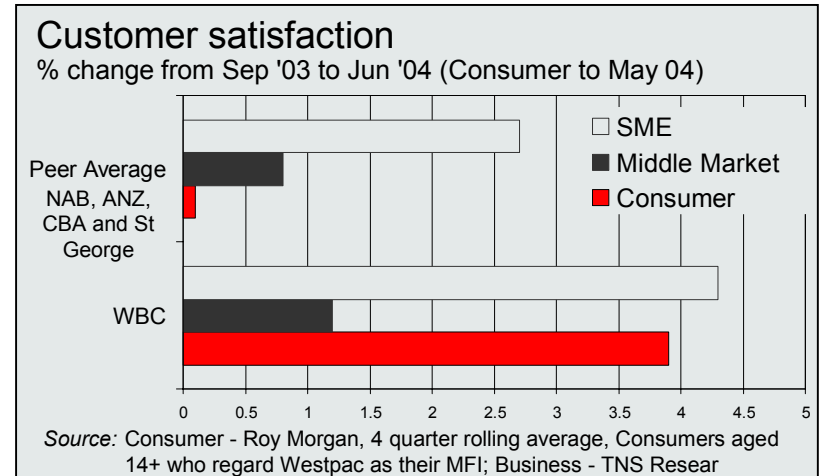
- Strategy focused on three phase Redpower program



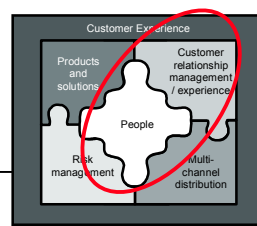
# Update against strategic objectives



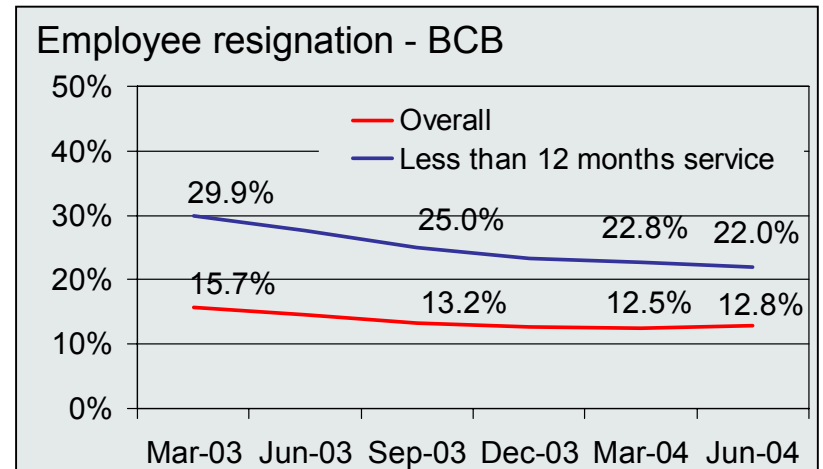
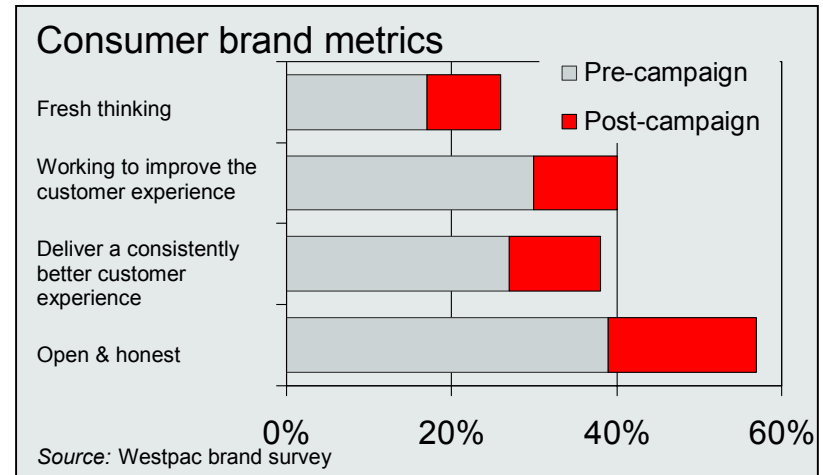
- Ask Once
  - 52 Ask Once coordinators
  - Enhanced complaint and resolution management processes
- Customer Experience
  - Find & Fix
  - Runs on the board
  - Customer satisfaction improved
- CRM Project (Reach)
  - Covers 450,000 customers
  - Covers 1,600 bankers
- Distribution
  - Extended hours in branches
  - New business banking roles



# Update against strategic objectives



- Our People
  - Leadership
  - Customer experience training
  - Employee resignation
- Brand
  - One brand across Australia
  - New brand positioning
  - Brand metrics positive
- Lending Process Project (Pinnacle)
  - 1,100 bankers covered
  - 12,000 deals processed to date
- Product
  - Industry segment packages
  - Cards response successful
- Corporate Responsibility
  - Code of Banking Practice
  - FSR



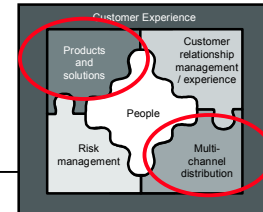


# Agenda

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- Update against strategic objectives
- Building sustainable performance
- BCB scorecard

# Building sustainable performance



## 2004 Re-position, people and growth

- Meet more customer needs at first contact
- Culture & leadership
- CRM roll-out
- Customer value propositions
- Reposition to better capture profitable segments

## 2005-2007 Re-position and Unlock Growth

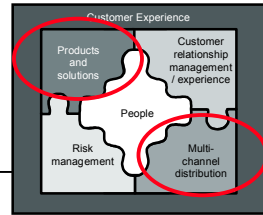
- Meet more customer needs at first contact
- Deliver on “Ask Once”
- Superior leadership capabilities
- Targeted customer acquisition
- Targeted share of wallet growth
- Integrated distribution model
- High performance culture
- Breakaway customer experience
- Alignment of cost to serve and value

### Segmentation Value Alignment

### Customer Experience

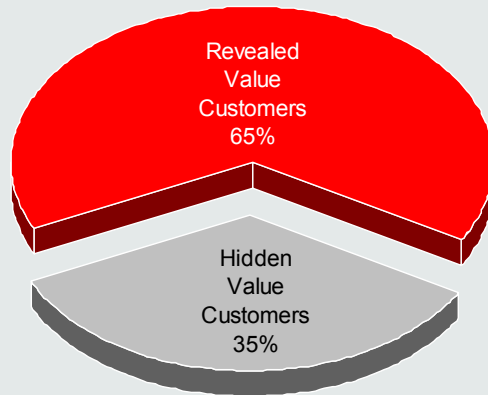
### People Experience

# Segmentation Value Alignment



## Customer Segmentation

### Strategic



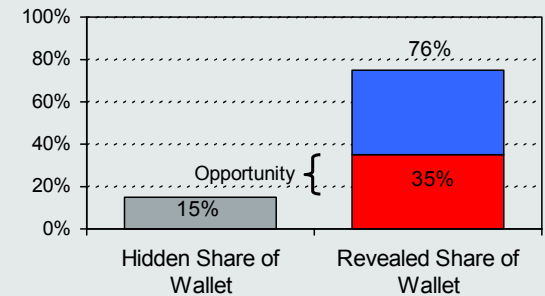
- Define size of opportunity
  - revealed vs hidden
  - growth segments
- Identify target segments
- Understand customer needs

### Operational



- Organisation aligned to deliver service and value propositions

### Tactical



- Micro segmentation to identify and convert hidden customers based on behaviour and needs

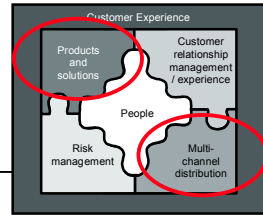
Example based on Consumer Segment

# Delivering profitable growth in Consumer

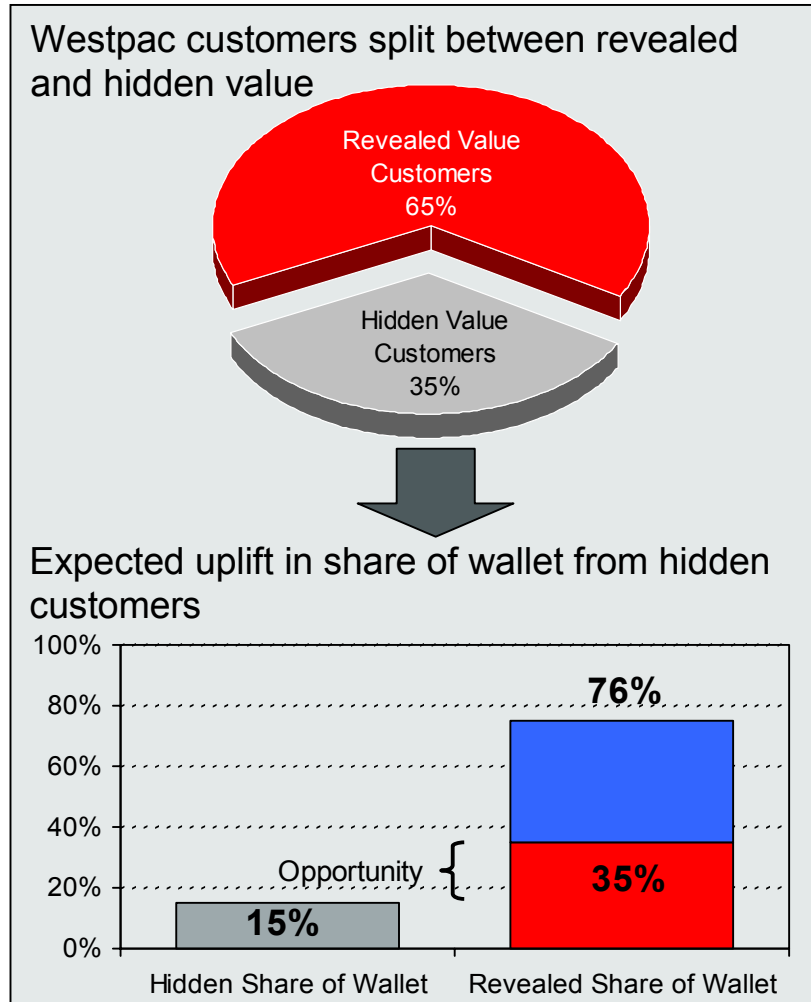


	Housing	Cards	Savings & Investments
TREND	<ul style="list-style-type: none"> <li>• Slowing market</li> <li>• Channel intensity</li> </ul>	<ul style="list-style-type: none"> <li>• Impact of interchange reforms</li> <li>• Competitive intensity has increased</li> </ul>	<ul style="list-style-type: none"> <li>• Proliferation of niche players</li> <li>• Changing investment environment</li> </ul>
OUR STRATEGY / RESPONSE	<ul style="list-style-type: none"> <li>• Managing for profit</li> <li>• Effective management of broker channel</li> <li>• Cautious approach to investment housing and low doc loans</li> <li>• Improving retention</li> <li>• Channel options</li> </ul>	<ul style="list-style-type: none"> <li>• Fee repricing in 1H03</li> <li>• Repositioned rewards program</li> <li>• Virgin</li> <li>• Amex companion card</li> <li>• Improving retention</li> <li>• Interchange impact fully covered in 2H04</li> </ul>	<ul style="list-style-type: none"> <li>• Deposit accounts are primary vehicle for acquiring new customers</li> <li>• Streamline existing offerings, close gaps with new offerings</li> <li>• Rationalise systems and processes</li> <li>• Targeted customer acquisition strategy</li> </ul>

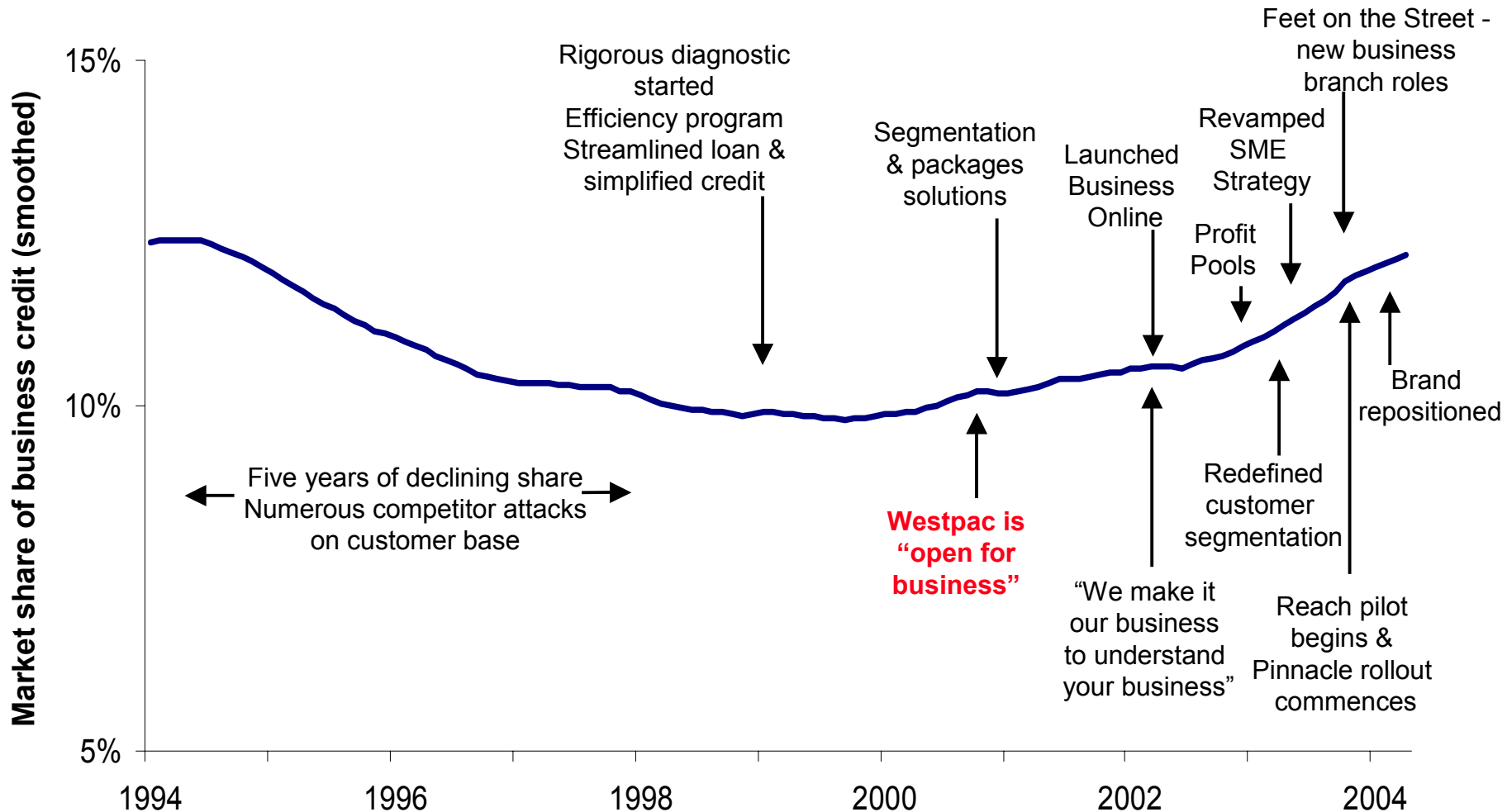
# Consumer - pursuing pockets of hidden value



- Segmented consumer customer base on value and life cycle dimensions
- Enables the protection of existing customer base
- Identification and targeting of hidden pockets of value
- Opportunities exist in:
  - Mass affluent
  - Wealth



# Business banking re-positioning began in 1999



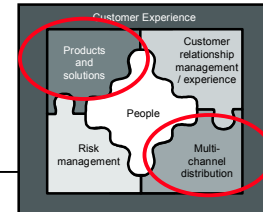
Note: Actual market share results have been smoothed to show the underlying trend (12-month rolling average)

Source: RBA financial aggregate returns, business credit includes small and medium business customers as well as institutional customers



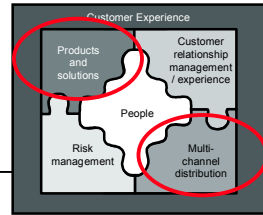
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# Business – building sustainable performance

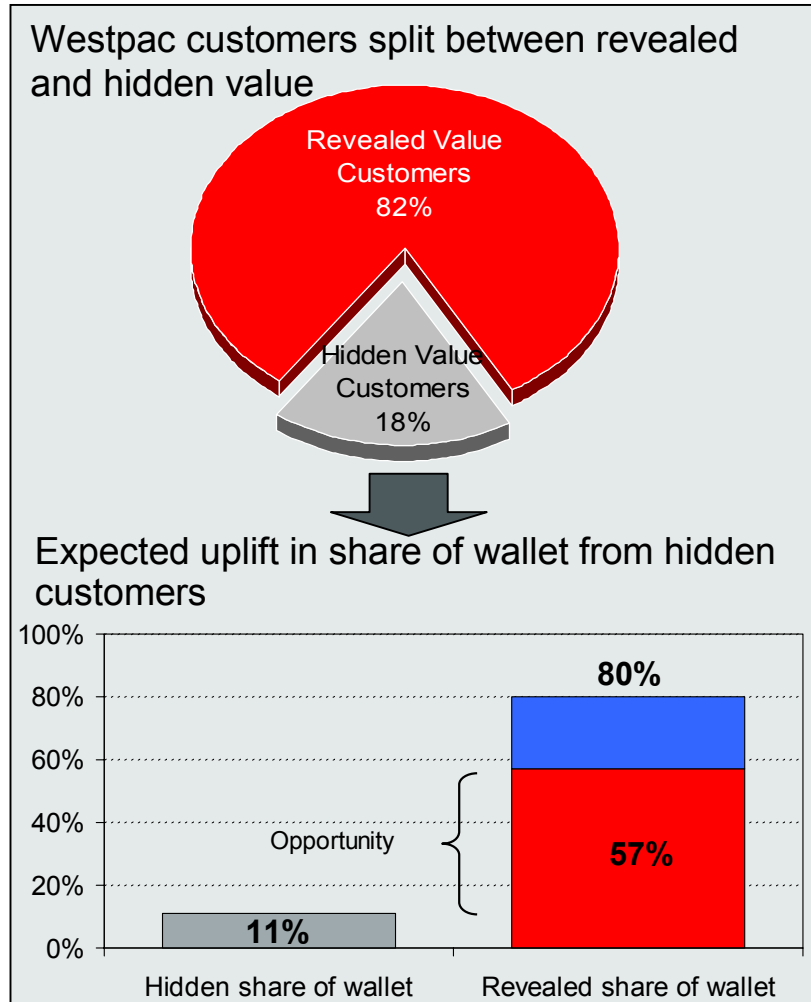


	SME	Middle Market	Not for Profit
TREND	<ul style="list-style-type: none"> <li>• Significant opportunity to grow</li> <li>• Emerging broker channel</li> </ul>	<ul style="list-style-type: none"> <li>• Significant opportunity to deepen relationships</li> <li>• Pricing pressures</li> </ul>	<ul style="list-style-type: none"> <li>• Estimated 750,000 not for profit organisations</li> </ul>
OUR STRATEGY / RESPONSE	<ul style="list-style-type: none"> <li>• Business branch roles adding frontline presence</li> <li>• Reach capabilities will enhance revenue pipeline</li> <li>• Pinnacle infrastructure improvements</li> <li>• Pursuing above market growth</li> </ul>	<ul style="list-style-type: none"> <li>• Consistent, cost effective, superior approach to relationship management</li> <li>• Proactive and innovative market leader in selected industry categories</li> <li>• Developing fully integrated and seamless product, services, and channel solutions</li> </ul>	<ul style="list-style-type: none"> <li>• Exclusive solutions specifically tailored to the sector</li> <li>• Further enhance community involvement</li> <li>• Partnership with 'ourcommunity.com'</li> <li>• Increase financial literacy education</li> </ul>

# Business - pursuing pockets of hidden value

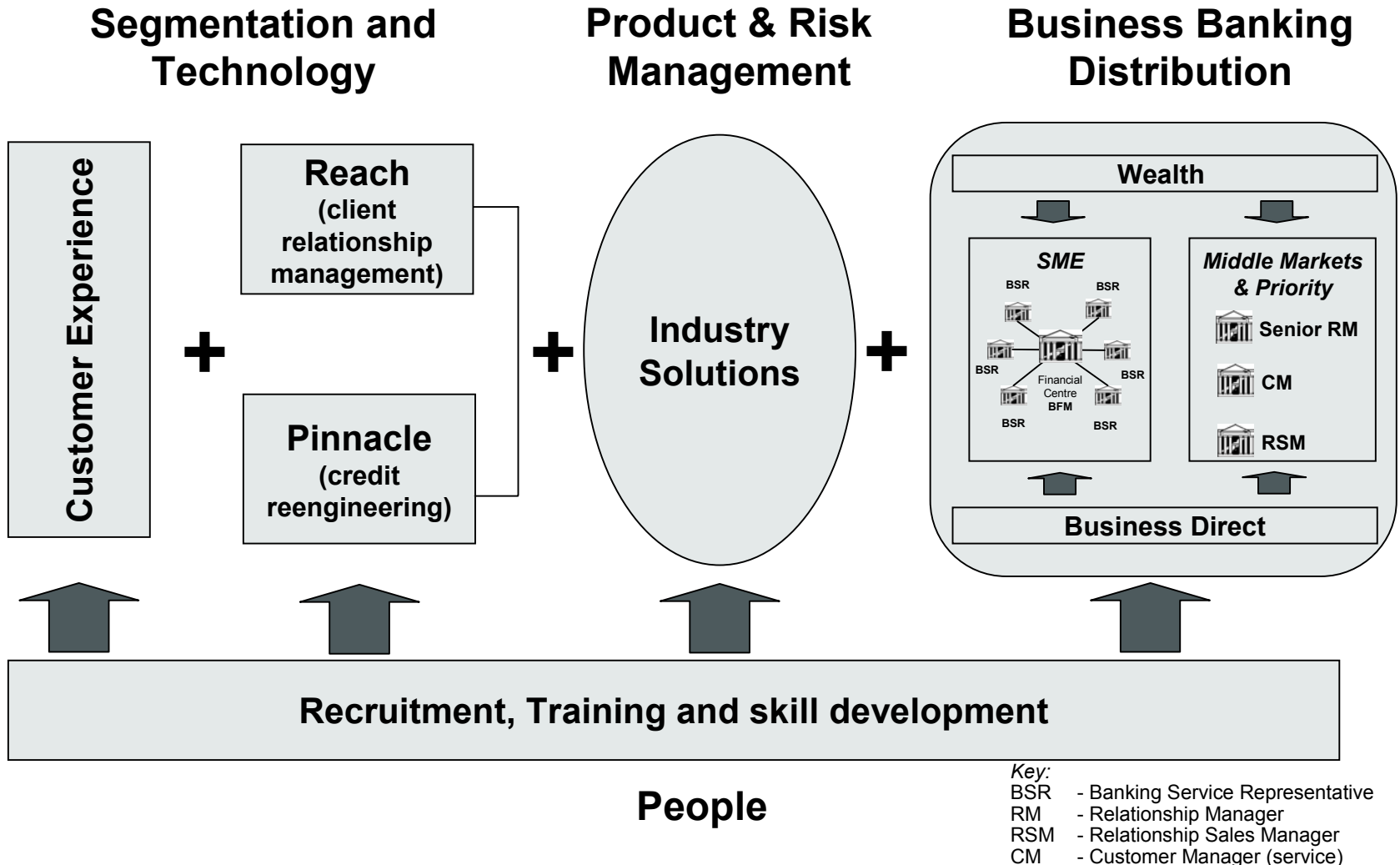
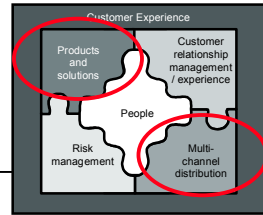


- Segmented business customer base on value and industry dimensions
- Protects existing customer base
- Identification and targeting of hidden pockets of value
- Opportunities exist in:
  - SME
  - Term lending, super and insurance

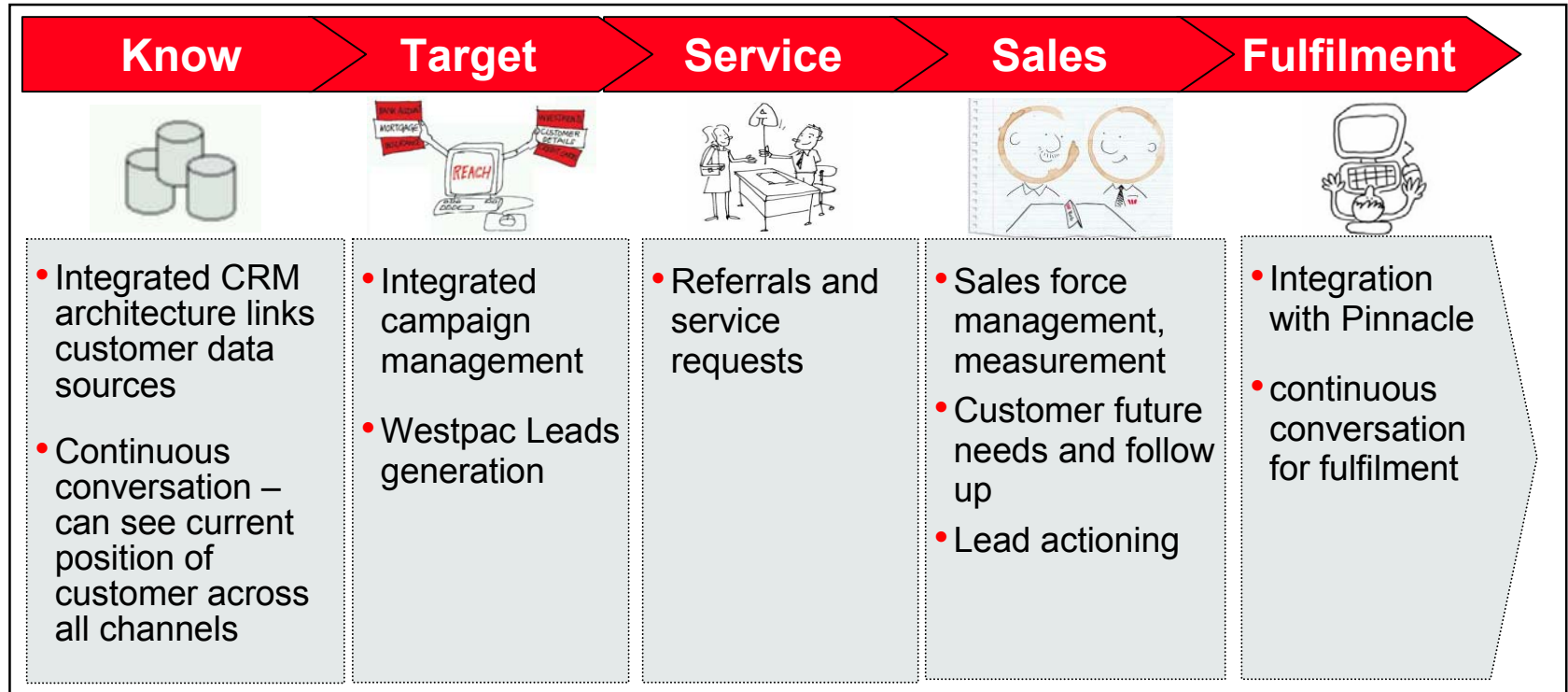




# Business banking...alignment of 5 key elements critical to success



# Reach capabilities and benefits



## Benefits

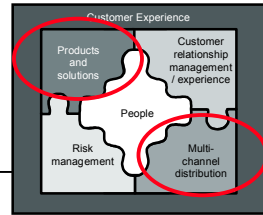
Customer experience Improvements

Cost reduction

Revenue growth

Sales management capability

# Reach is delivering results



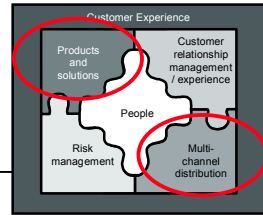
## Delivery since FY03

- SME completed
- Broad deployment
  - 1,900 staff using Relationship Builder (sales & service front-end)
  - 1,700 staff using Dashboard Performance management tool (sales management tool)
- 15,000+ leads generated per month

## Results

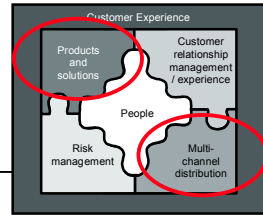
- Significant uplift in
  - outbound lead conversion rates
  - inbound cross selling
  - cross-channel referral management
- Increased customer satisfaction and market share
- Increased staff satisfaction
  - better tools and processes – staff rating at 91%
- Higher levels of complaint resolution at first point of contact (Ask Once)

# Optimising Reach capability



- Extend Westpac Leads and Analytics
  - Next Best Offer (Service to Sales) for all inbound channels
  - Executive level dashboard enables total business view to individual banker
- Extend the footprint beyond small business
  - Middle market
  - Home finance managers
  - Private Bank
  - Financial planners

# Industry specialisation – a key differentiator

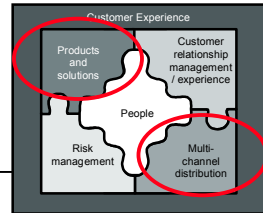


- Industry specialisation work started in 2000
- Ten industry sectors targeted
- Packages represent unique solutions for each sector
- Supported by a nationwide network of industry specialist managers and relationship managers

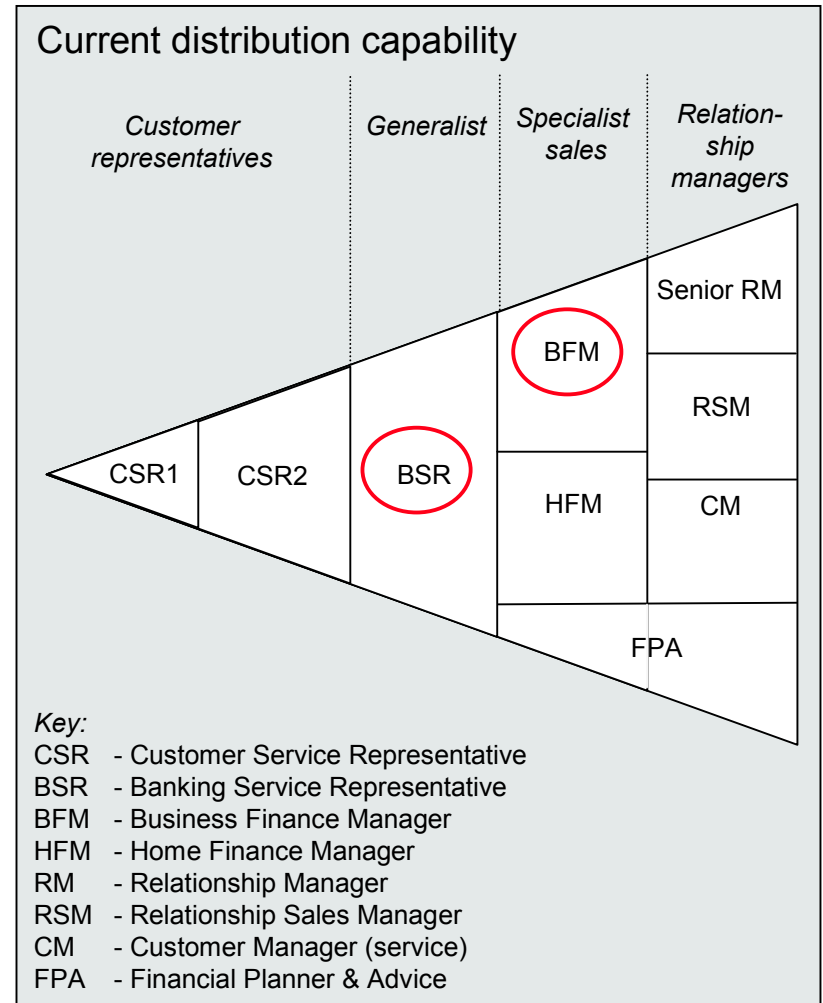
Industry	Improvement since package introduced*		
	Number of Connections	Average footings per connection	Average product penetration per connection
Industry A (2002)	↑ 24%	↑ 18%	↑ 4%
Industry B (2002)	↑ 29%	↑ 14%	↑ 4%
Industry C (2001)	↑ 33%	↑ 7%	↑ 9%
Industry D (2003)	↑ 2%	↑ 7%	↑ 5%
Industry E (2003)	↑ 5%	↑ 40%	↑ 5%
Industry F (2002)	↑ 8%	↑ 17%	↑ 2%
Industry G (2001)	↑ 4%	↑ 17%	↑ 1%

\* Improvement on existing customer base before solution launch, after runoff

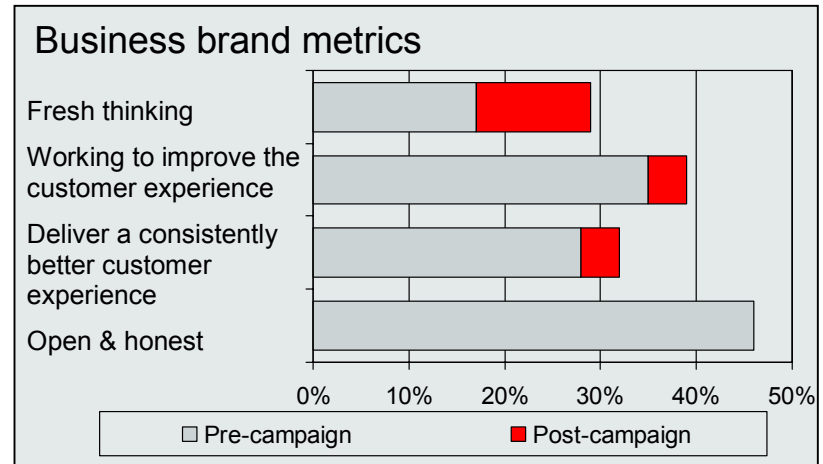
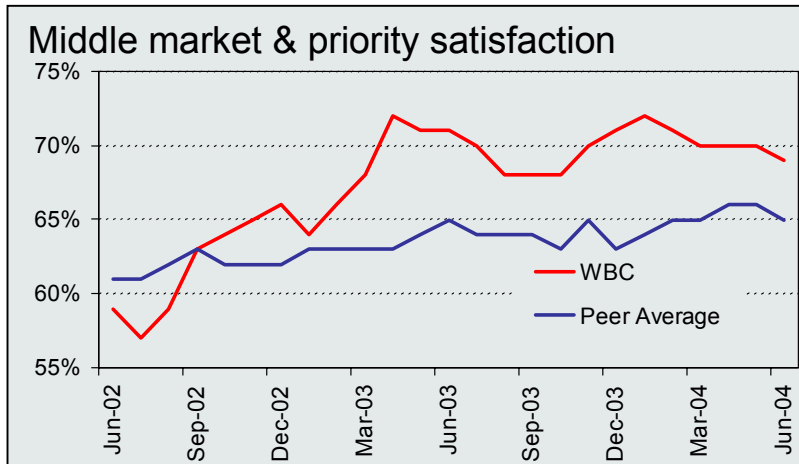
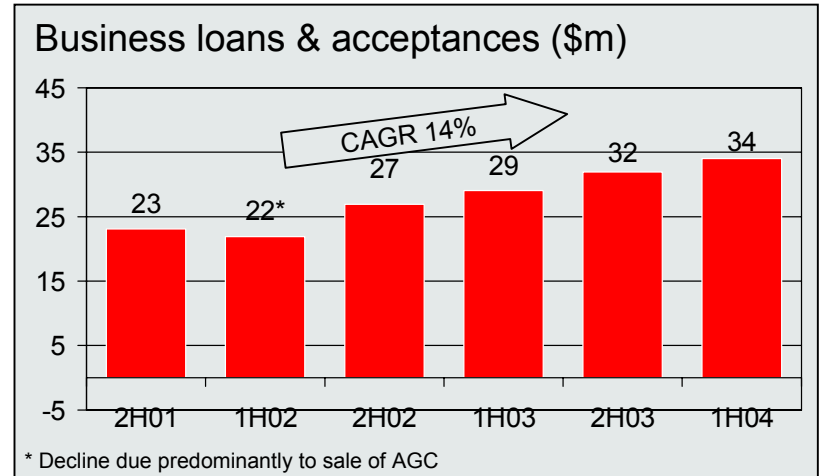
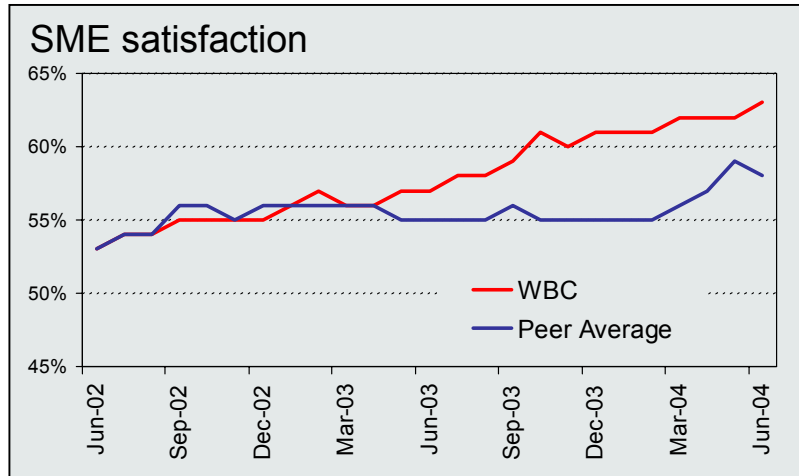
# Distribution – more feet on the street



- 436 branch business roles fill a gap in our distribution capability
- Delivered an improved customer experience, attraction and retention
- Provides an effective platform for career and skills development
- Marked improvement in sales productivity



# Leading business indicators are positive



Source: TNS Research, Peer average includes NAB, CBA, ANZ and StG

Source: Westpac brand survey

# BCB balanced scorecard

## Our People

BCB Employee Commitment*	↑ 3.0%
BCB Employee Morale*	↑ 2.8%
BCB Staff Turnover	
• Overall	↓ 0.7%
• < 12 months	↓ 2.2%

\* Improvement since Sept 03

## Our Customers

### Satisfaction Scores\*:

• Consumer**	↑ 5.6%	(69.5%)
• SME	↑ 7.9%	(62.9%)
• Middle Market	↑ 6.5%	(69.3%)

\* Improvement since Sept 02

\*\* Consumers aged 14+ who regard Westpac as their MFI

Source: Consumer – Roy Morgan, Business – TNS Research

## Our Corporate Responsibility

Revised Code of Banking Practice –  
successfully implemented

FSR compliance – successfully implemented

Community sponsorship extended

## Our Shareholders

### BCB 1H04 Results\*:

• Cash Earnings	↑ 19%
• Economic Profit	↑ 27%
• Cost/Income ratio	↓ 290bp

\*Change since 1H03