

Business and Consumer Banking

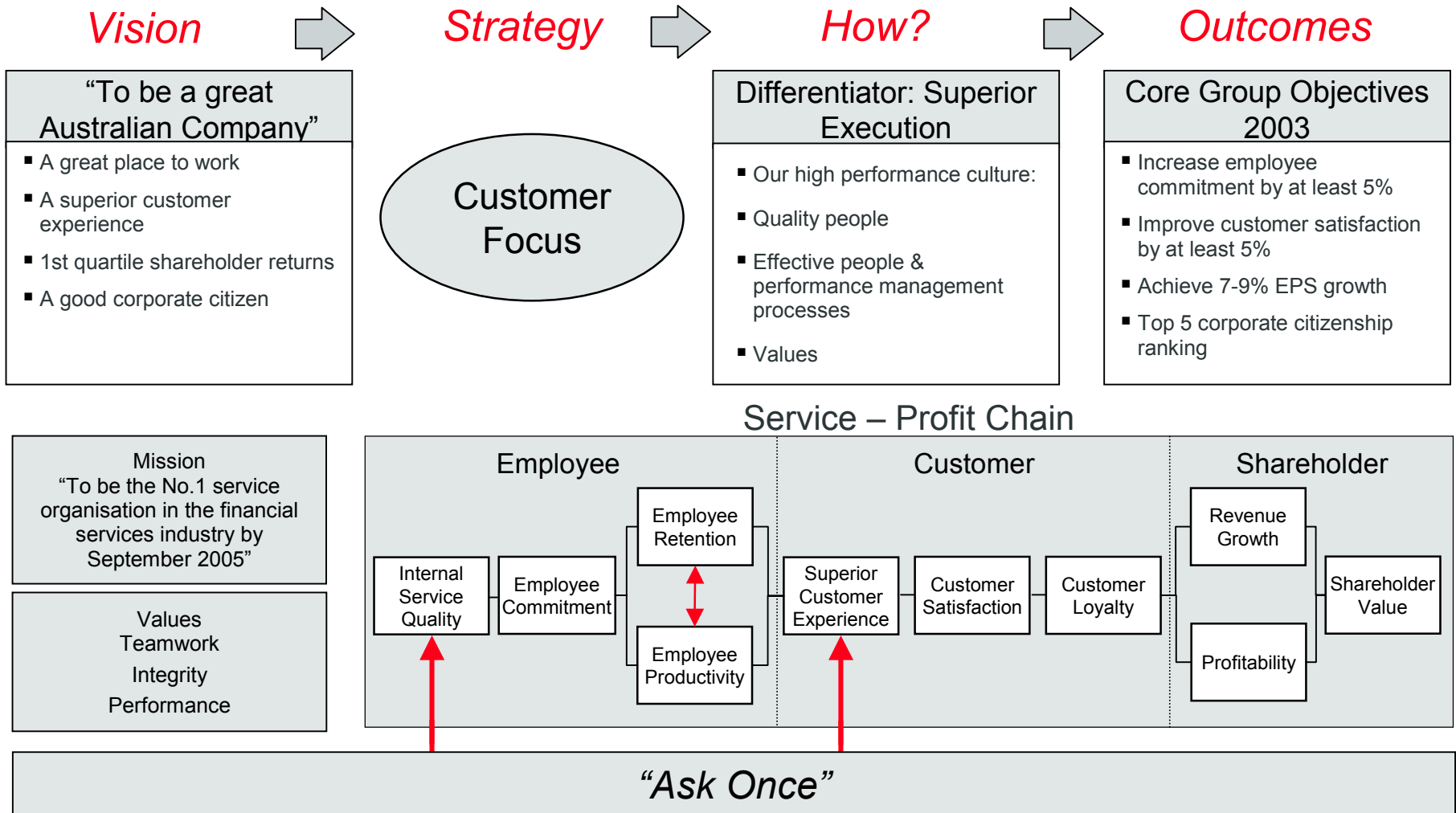
Building sustainable success...

Mike Pratt

Group Executive, Business & Consumer Banking

31 July 2003

An aligned, customer focused business model



Agenda

- Early results
- BCB today
- Building sustainable success

Business and Consumer Banking – March 03

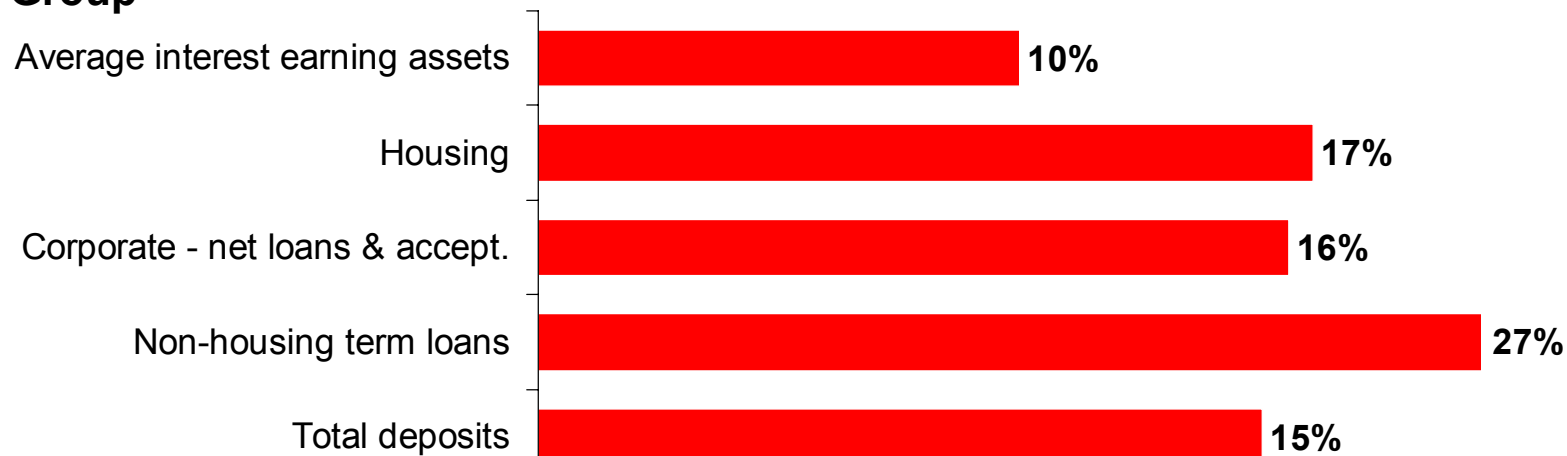
- Cash earnings up 13%
- Expense to income down 340bps
- Bad debt increase primarily due to dynamic provisioning for rebuild of equipment finance book

\$m	1H03	1H02	% Mov't
Operating income	2,124	1,975	8
Operating expenses	(1,145)	(1,131)	(1)
Core earnings	979	844	16
Bad debts	(149)	(126)	(18)
Operating profit	830	718	16
Tax & OEI	(251)	(207)	(21)
Cash earnings	579	511	13
Goodwill	(29)	(29)	-
Profit on operations	550	482	14
Expense to income	53.9%	57.3%	340bps

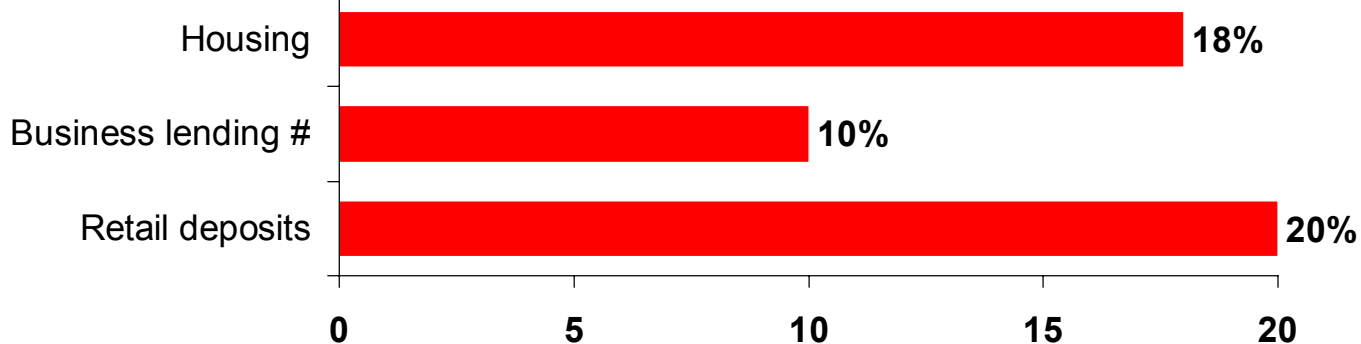
Growth in key products

Growth March 2002 to March 2003

Group



Australia



Excludes impact of rebuilding ex-AGC equipment finance book.

Market share - across the board growth

- Westpac has written over 20% of all Australian financial system credit in the last 6 months¹

Share of Reserve Bank of Australia financial system aggregates	Mar 03 %	Mar 02 %	Change (basis points)
Credit			
Housing	17.9	18.1	(0.2)
Personal	11.5	10.2	113
Other mainly business	11.0	10.0	100
Total credit	14.2	13.4	80
Total deposits	13.3	12.7	60

¹ Six months to March 03

Achievements year to date

- Branch and small business
 - quality of referrals up
 - customer satisfaction is up
- Lending Process Project (Pinnacle)
 - credit card scorecards upgraded
 - customer view within collections
- CRM Project (Reach)
 - leads converted to opportunity - 78%
 - cross-sell - 23% of contacts
 - contact to sale - 9%
- Customer Experience
 - Queues and Credit Cards being addressed
- Westpac Academy
 - 14% of staff have participated in the training
 - 87% of leaders agree insights have improved the customer experience

Achievements year to date

- Business-unit initiatives contributed 13% to cash earnings
 - Pricing review
 - Disciplined cost management
- Business banking growth
 - cash earnings increased 25% over prior year
 - equipment finance book rebuilt
 - credit growth stronger than system - up 10%
- Reduction in mortgage run off – 26% to 18%
- Strong growth in deposits (20%) and in loan and acceptances (21%)
- Trend improvement in customer satisfaction and employee morale maintained during period of pricing changes and business restructure
- Business structure alignment to customer service strategy completed

Agenda

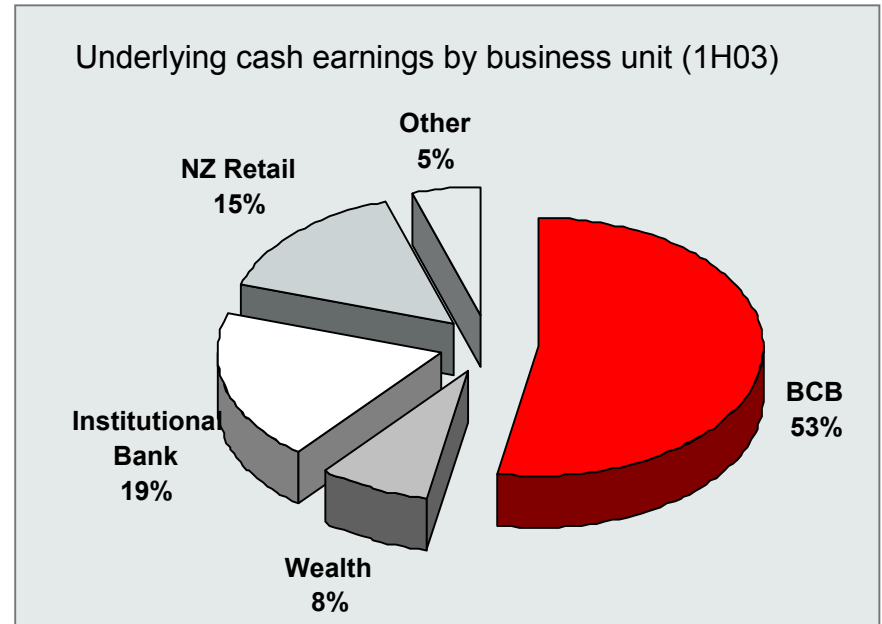
- Early results

- BCB today

- Building sustainable success

BCB today

- Business & Consumer Banking (BCB)
 - Australian retail banking and wealth distribution
 - Customer-driven organisational structure
 - Optimal geographic footprint
 - 5.1 million customers
 - Customers that consider us their main bank:
 - 13% Consumer
 - 20% Middle Markets
 - 15.8% SME
 - 13,841 staff employed



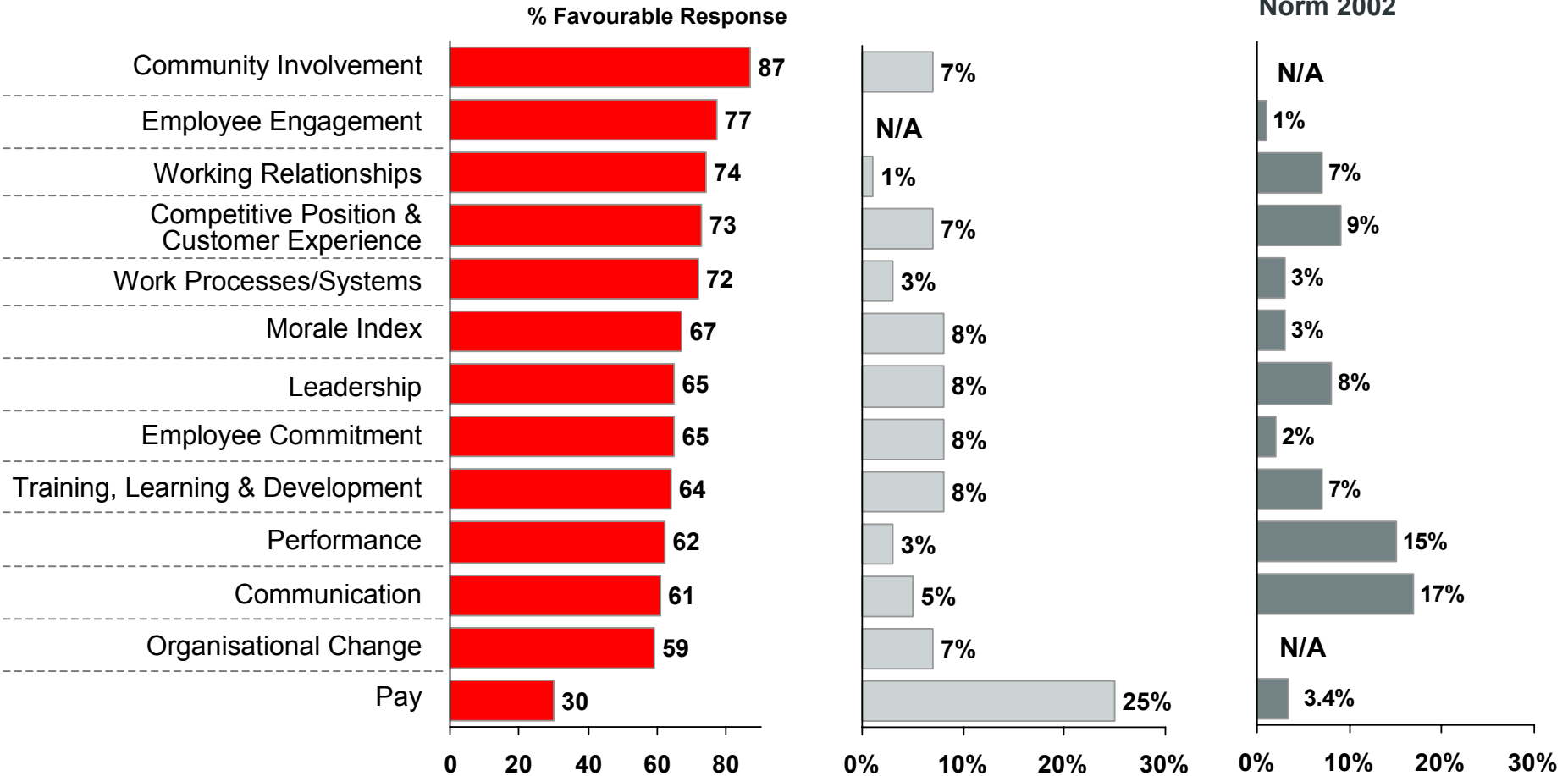
Our People feel increasingly connected to our Mission...

Staff perspectives survey 2002

Westpac Overall 2002 Category Summary

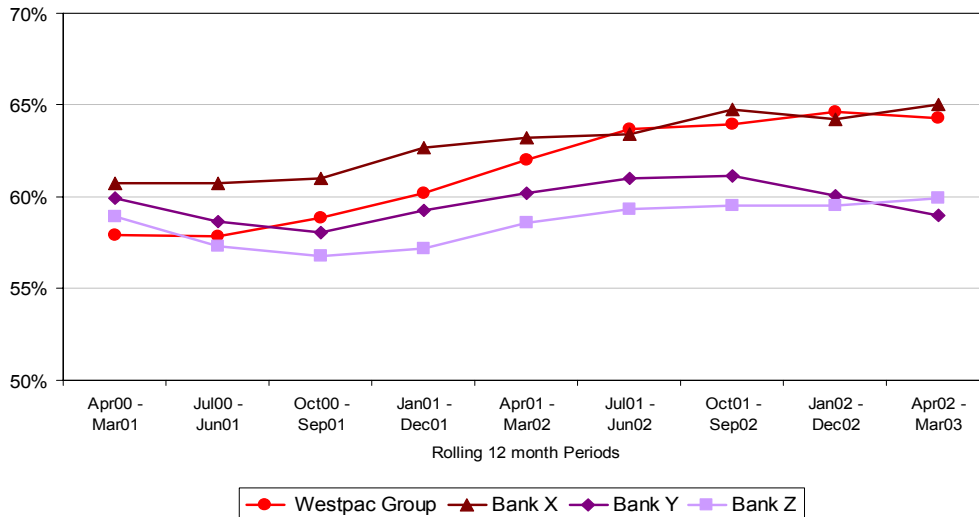
2002 vs 2001 percent increase over year

Percent above / below Global Financial Services Norm 2002



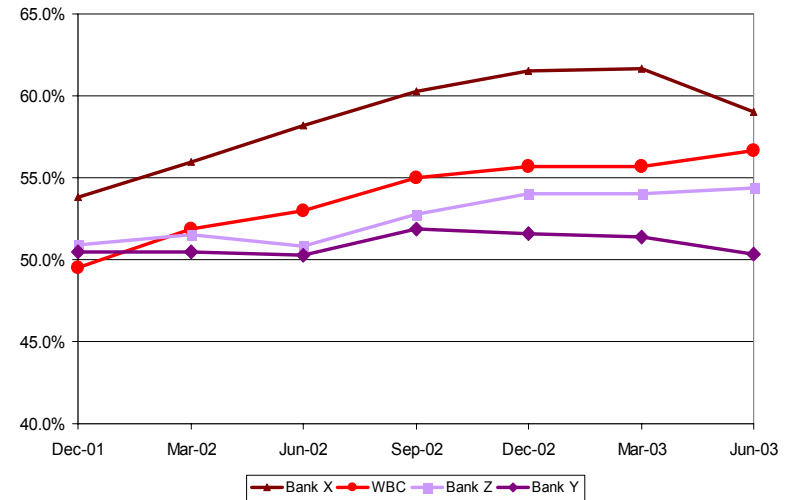
...And Customer Satisfaction is improving

Consumer Satisfaction
% of main financial institution customers
very or fairly satisfied

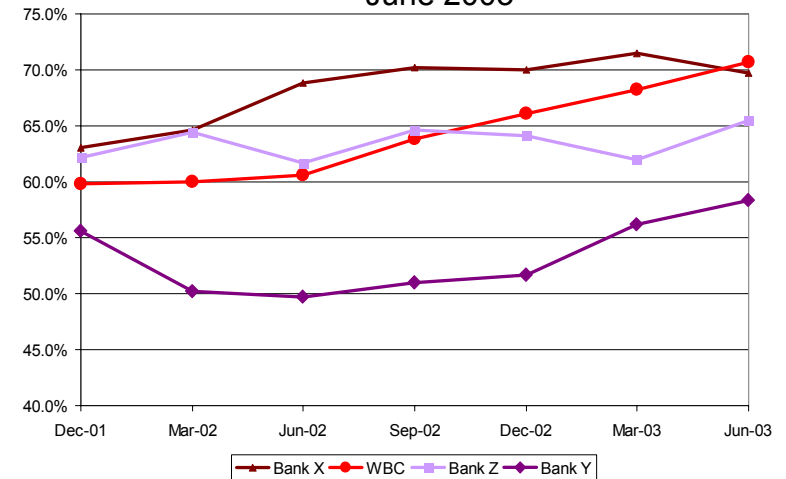


Source:
Consumer -Roy Morgan Research, Apr01-Mar03, Have deposit account with bank and regard it as MFI
Business: TNS Business Finance Monitor

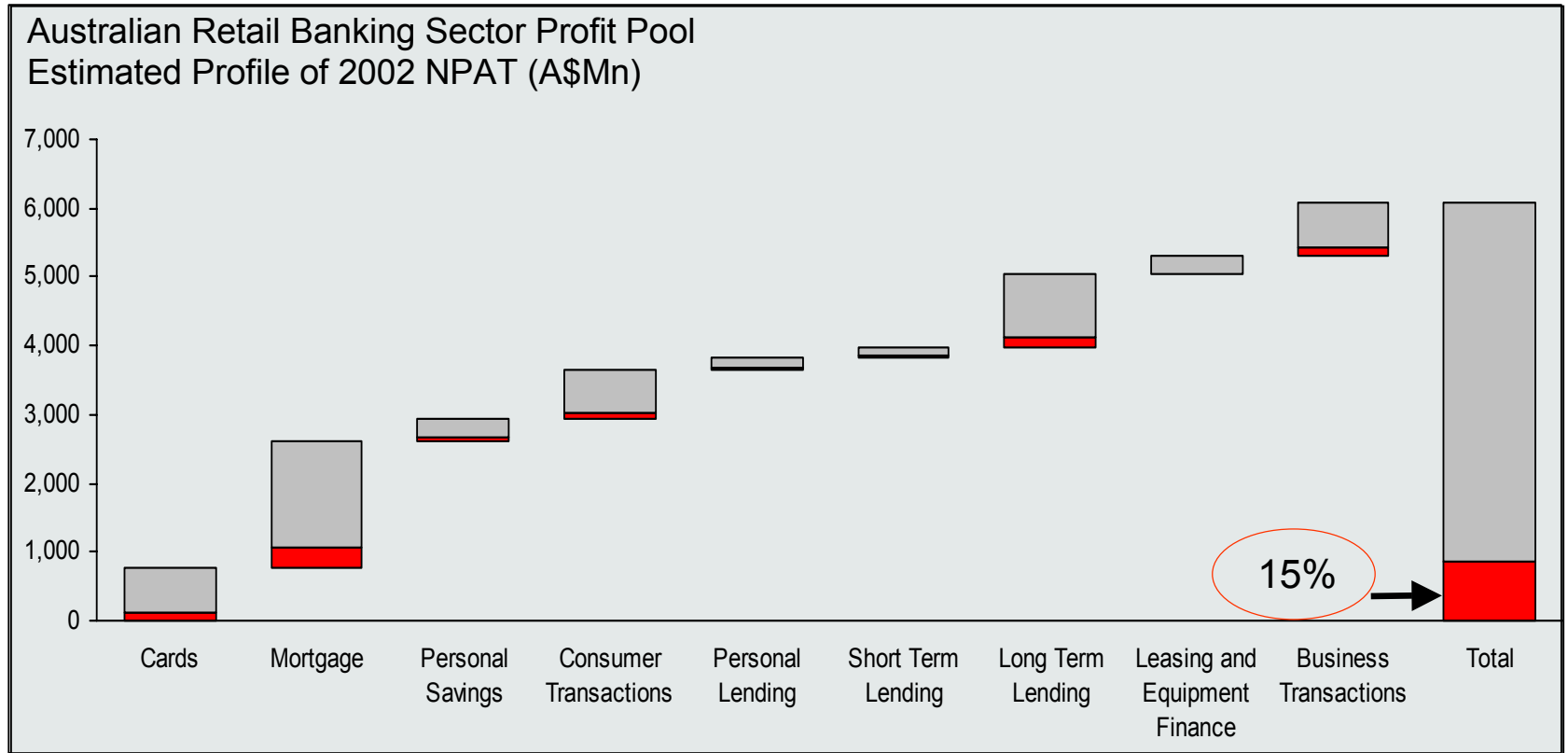
SME satisfaction - total satisfied
June 2003



Middle Market Satisfaction - total satisfied
June 2003



And our strategy is focused on profit pools



Mkt Share	18.5%	18.0%	14.7%	14.0%	11.0%	16.0%	16.0%	6.0%	15.0%
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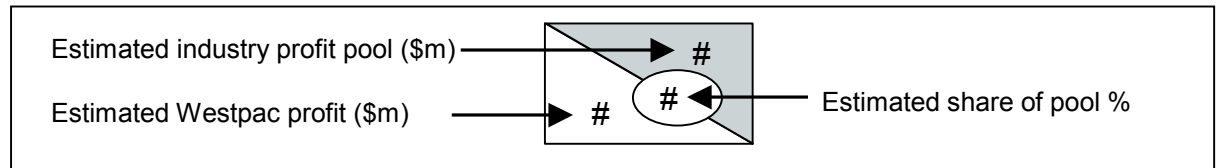


Note: Market share figures based on outstandings, except cards which is based on NPAT estimates. Growth is for balances outstanding, for coming year
Source: Group Data Warehouse, Company reports, Analyst reports, Taylor Nelson, Roy Morgan, BAH Analysis

Clearly the biggest opportunity is in SME ...

Segments	Geography					
	State 1	State 2	State 3	State 4	State 5	Total
Agribusiness	26 (23%)	32 (43%)	15 (44%)	12 (13%)	10 (22%)	95 (26%)
SME	53 (11%)	18 (6%)	7 (5%)	34 (9%)	18 (10%)	130 (9%)
Middle Market	54 (41%)	12 (14%)	5 (11%)	31 (28%)	8 (16%)	111 (26%)
Total	133 (19%)	62 (13%)	27 (12%)	78 (13%)	36 (13%)	335 (15%)

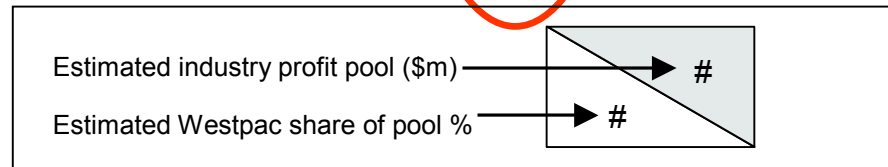
Source : Westpac analysis



... And in Consumer, mid lifestages provide the biggest opportunities

Consumer by Age Group					
Products	18 - 29	30 - 44	45 - 64	Age 65+	TOTAL
Credit Cards					
Mortgage		\$1Bn 12%	\$700M 15%		\$1.9Bn 13%
Personal Savings					
Consumer Transactions					
Personal Lending					
Total Banking	\$280M 11%	\$1.6Bn 13%	\$1.6Bn 15%	\$300M 11%	c\$3.8Bn 14%

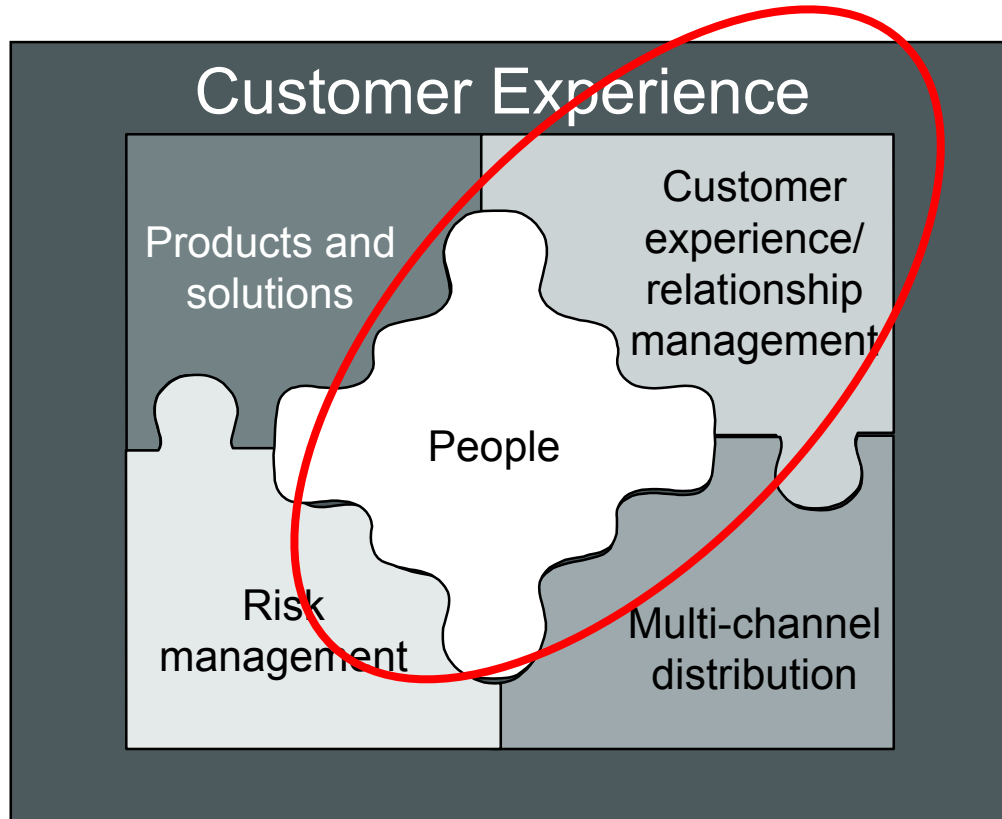
Source : Westpac analysis



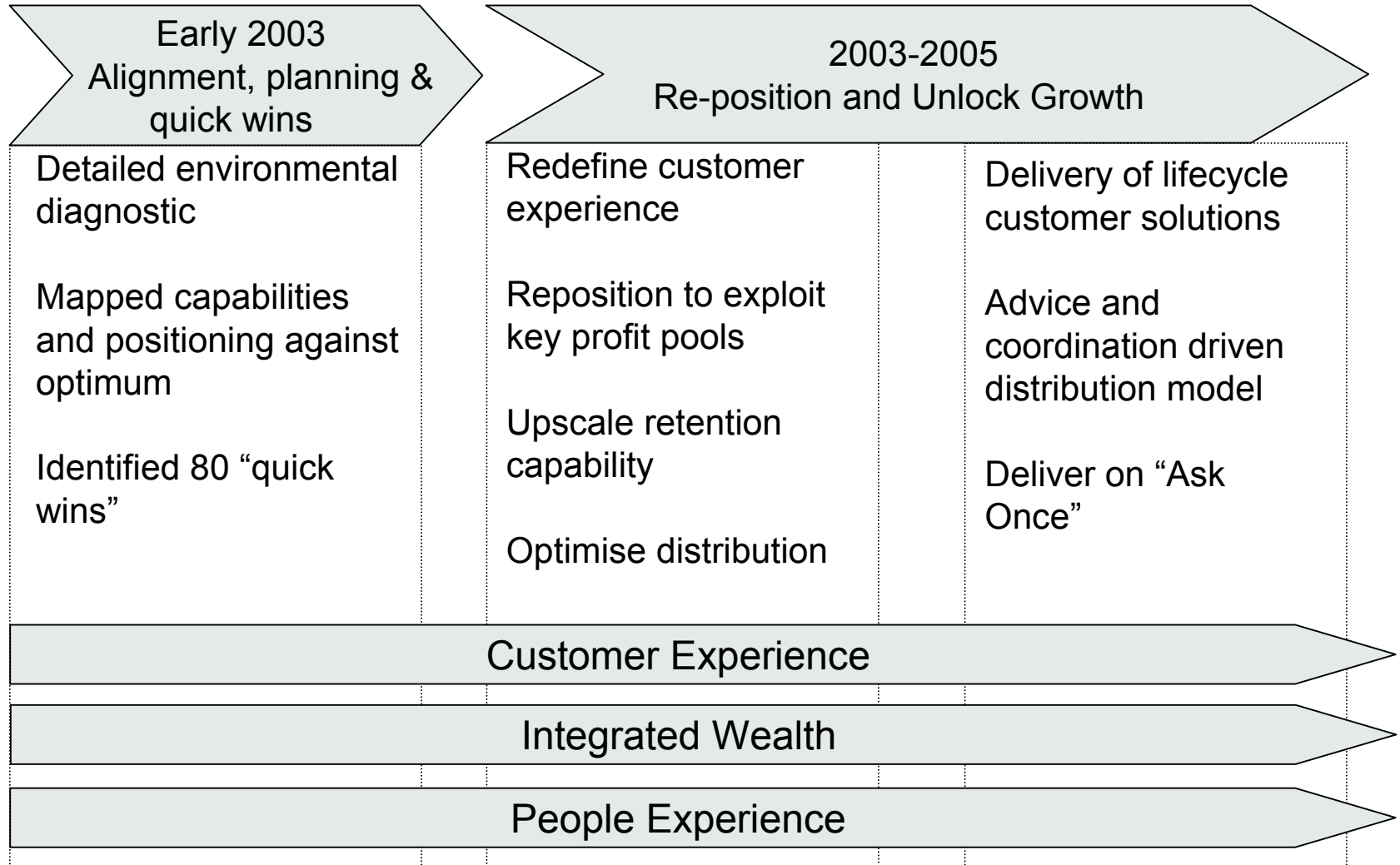
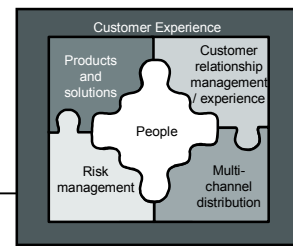
Agenda

- Early results
- BCB today
- Building sustainable success

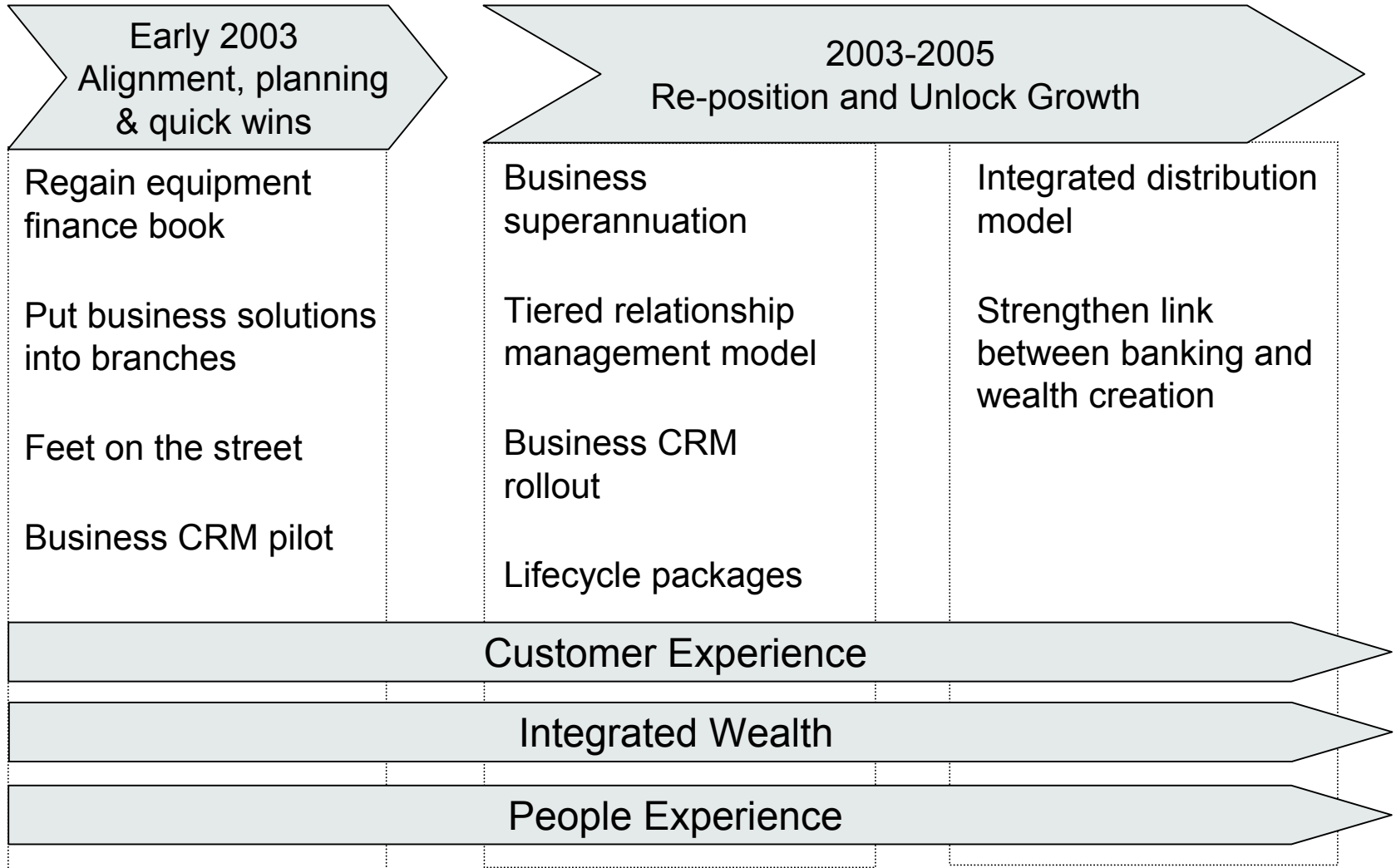
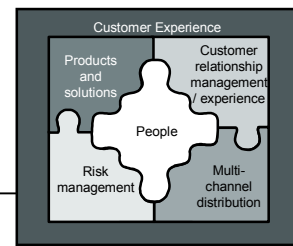
Elements of a great retail banking franchise



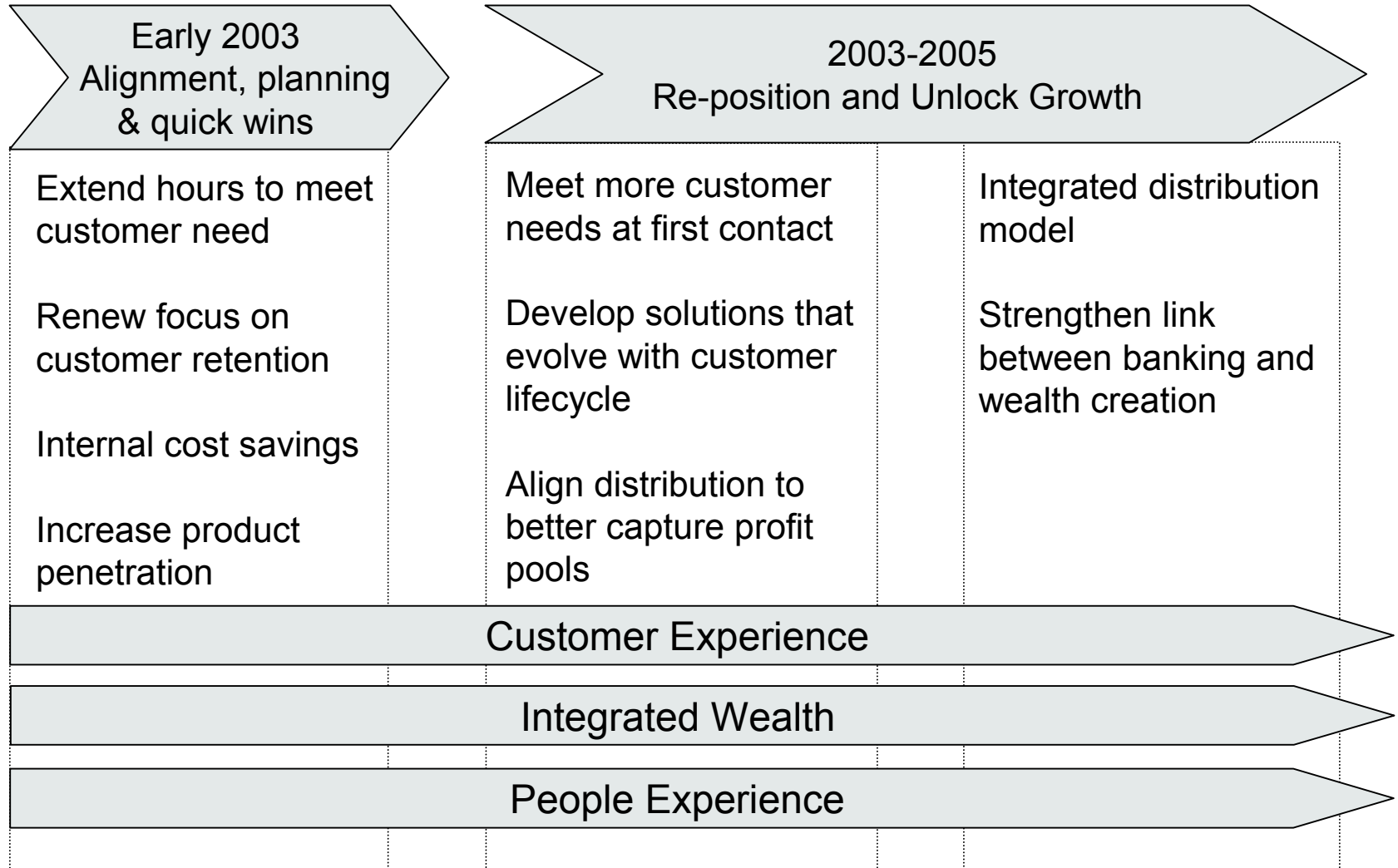
Redpower - A phased program to build sustainable success



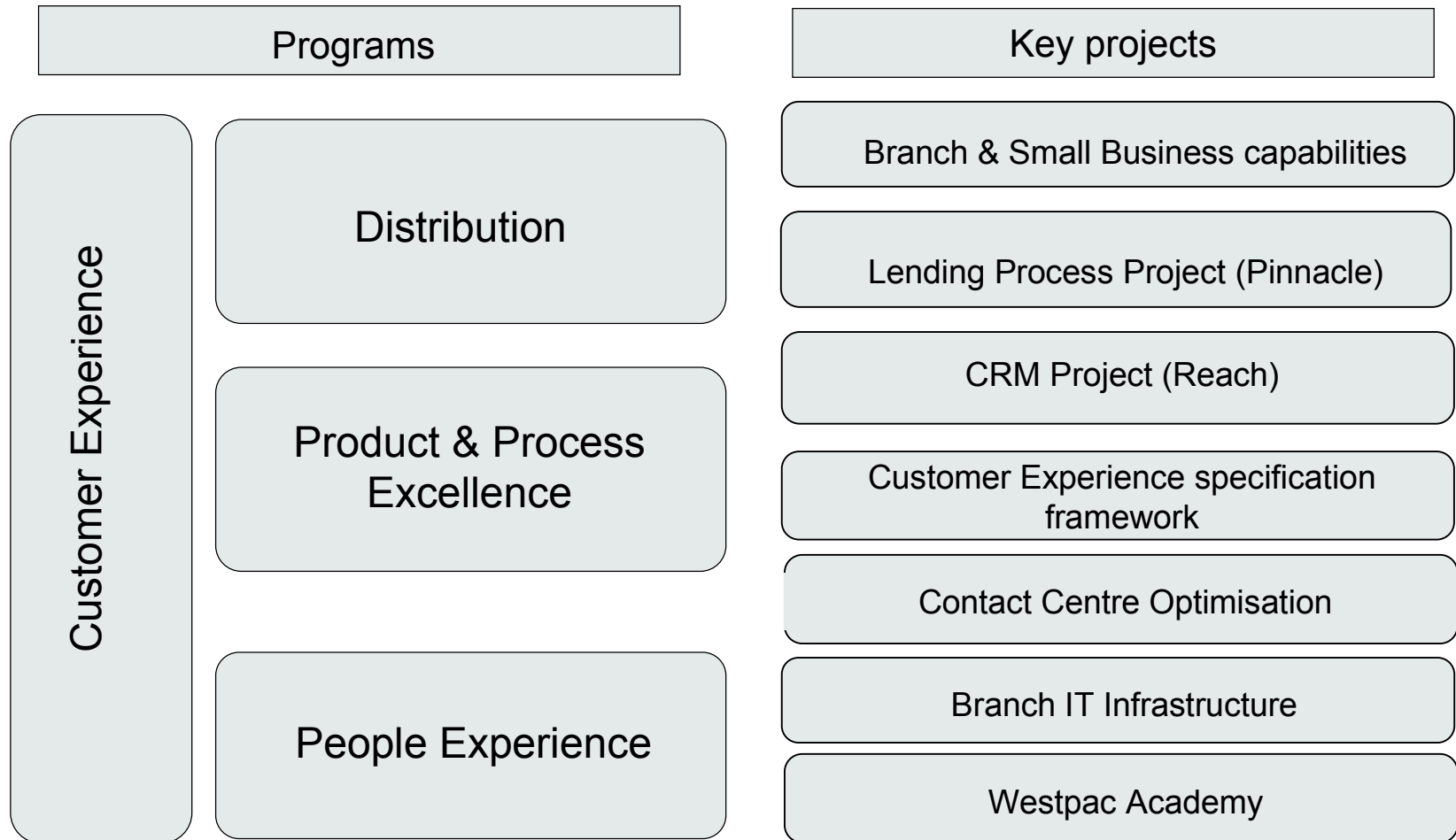
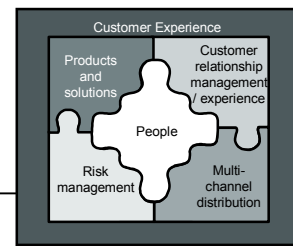
Strategies for business will maximise value from profit pools



Strategies for consumer will maximise value from profit pools

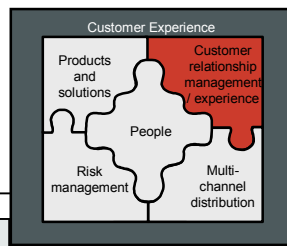


An integrated program supports our customer focused strategy



ask once

Customer Experience has a strategic, operational and tactical focus



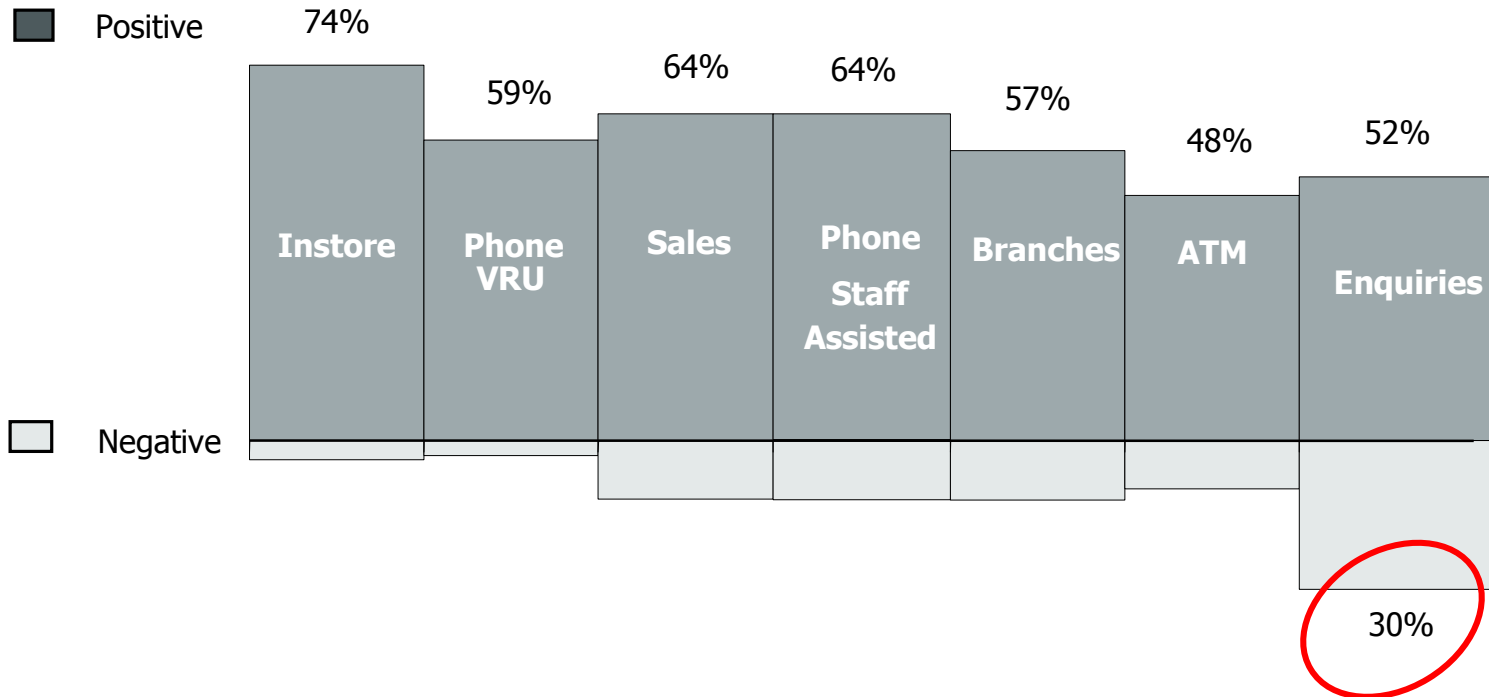
Theme	Project
Strategic	<ul style="list-style-type: none"> Westpac Brand Launch of new communications positioning
	<ul style="list-style-type: none"> People and Performance (Align) Several initiatives covering KPIs, redeployment, Change Management, Learning & Development
	<ul style="list-style-type: none"> Joint Transformation Programs Reach, Pinnacle and Redpower
Operational	<ul style="list-style-type: none"> Complaints Handling - capture, resolution, analysis & tracking
	<ul style="list-style-type: none"> Runs on the Board
	<ul style="list-style-type: none"> Customer Experience Specification work
Tactical	<ul style="list-style-type: none"> 4th Learning Map across all business units and partners
	<ul style="list-style-type: none"> Westpac Academy Customer Experience Module
	<ul style="list-style-type: none"> Network Initiatives - Ask Once coordinators in Branches and Call Centres



Positive and negative experiences of customers

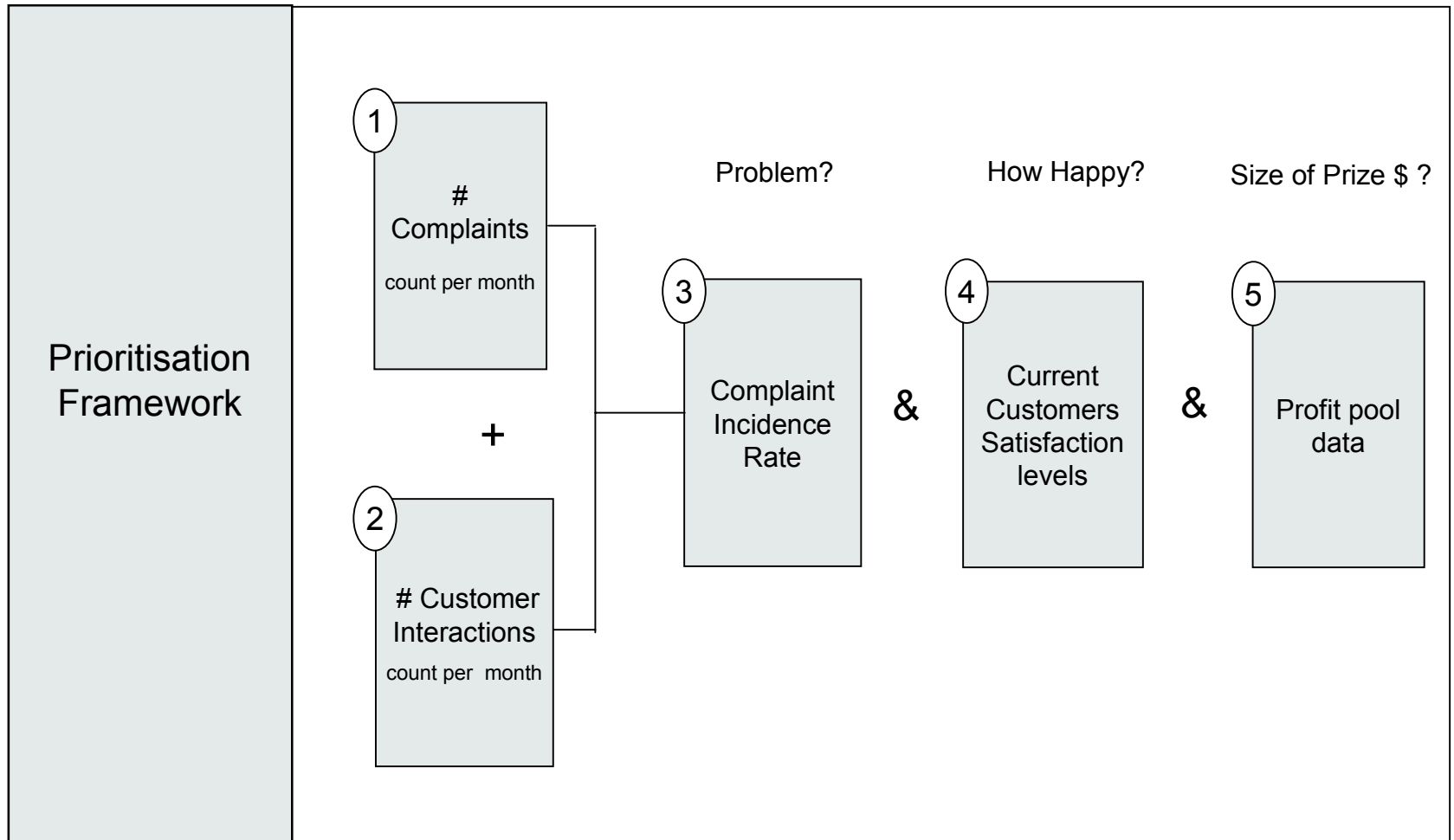


Overview of customer experience



Source: Westpac Proprietary Research (ANOP)

A disciplined approach to identify key customer experience improvements



Improvement opportunities have been prioritised




Score and Rank Order of Specifications - by Product

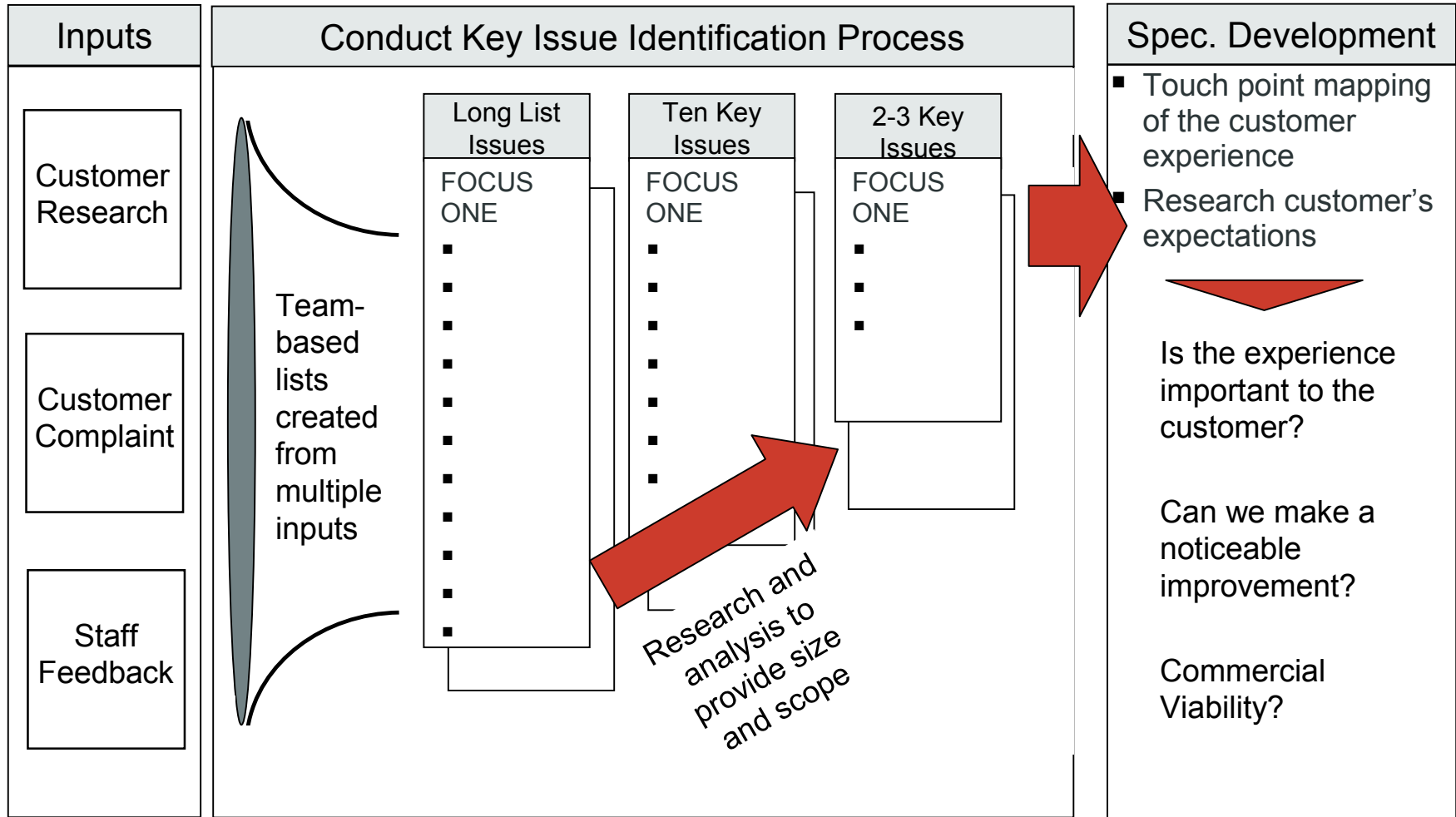
	Need & Evaluation	Offer & Purchase	Usage - Transactions	Usage - Enquiries Problems	Renew / Upgrade
Mortgage					
Inv & Advice					
Credit Card					
Business					
Trans					
Savings					
Risk					
Other Lending					

Credit Cards
ry, Problem
or Complaint

Transaction
Accounts
Transactions

 Top 10 priority that equal 76% of the interactions

The Voice of the Customer used to identify key improvement opportunities



The first two specifications are agreed and implementation is underway



◆ Owner Approved ◆ Go / No-Go Decision



Customer Experience Development Team

Research, Issue Identification, Solution Development

Check solutions built to spec

Business Owner

Agree and Implement Solutions

Project Management

Support for financial estimates as required

Strategy Development & Implementation

Ongoing initiative monitoring and reporting to Steering Committee

Piloting new capabilities to better serve our SME customers



Add 'SME' Capability to the Branch Network

We faced key questions

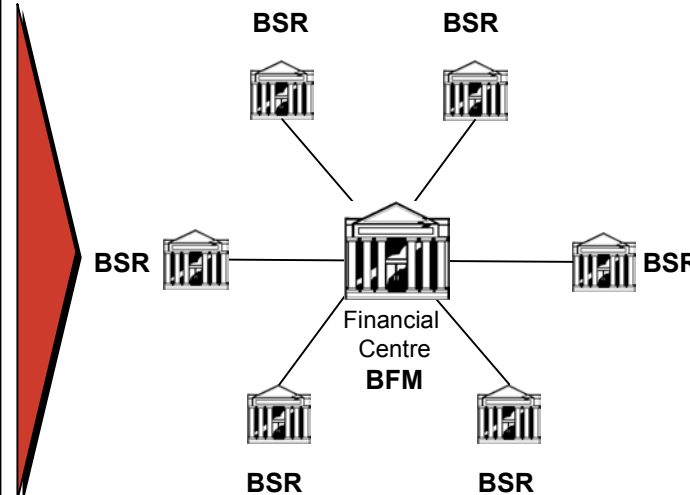
How do we better serve SME customers in the branch?

How can we develop an aggressive acquisition capability?

How do we provide capability in the branch to serve and support customers who prefer the branch channel? (especially 'cash flow solutions')

How do we improve servicing / problem resolution for 'SB' customers - providing a 'name', 'face', 'place' relationship (i.e. institutionalised service model)?

How do we improve 'SB' customer cross sell and retention?



- Place Business Finance Managers (BFMs) in financial centre to gather business leads from 6-8 surrounding branches
- Add Banking Services Representative (BSR role with business sales/servicing capability in each of the branches
- Provide Tiered relationship management model based on customer value and needs

People Experience has five strategic thrusts



Strategic Thrusts

BCB People Experience	Leadership & Management	People Capability	Aligning Reward to Performance	Nimble Organisation
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Programs to Deliver

<ul style="list-style-type: none"> • Employment Value Proposition • Change management methodologies 	<ul style="list-style-type: none"> • Culture development <ul style="list-style-type: none"> • Westpac Academy • Talent management strategy 	<ul style="list-style-type: none"> • Recruitment strategy • Learning and Development strategy 	<ul style="list-style-type: none"> • Performance measurement • Reward philosophy, strategy and incentive schemes review • KPI Alignment 	<ul style="list-style-type: none"> • Flexible industrial frameworks • Continuous improvement vs large scale restructuring
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What is it?

- A new approach to Training Learning & Development
- Key focus areas - Customer Experience, Leadership, e-Learning

Academy Objectives

- Develop strategic learning framework - deployed quicker, faster and more effectively.
- Deliver a better service experience - new ways of developing the knowledge, skills & attitudes of our people.
- Create a learning environment that supports people development

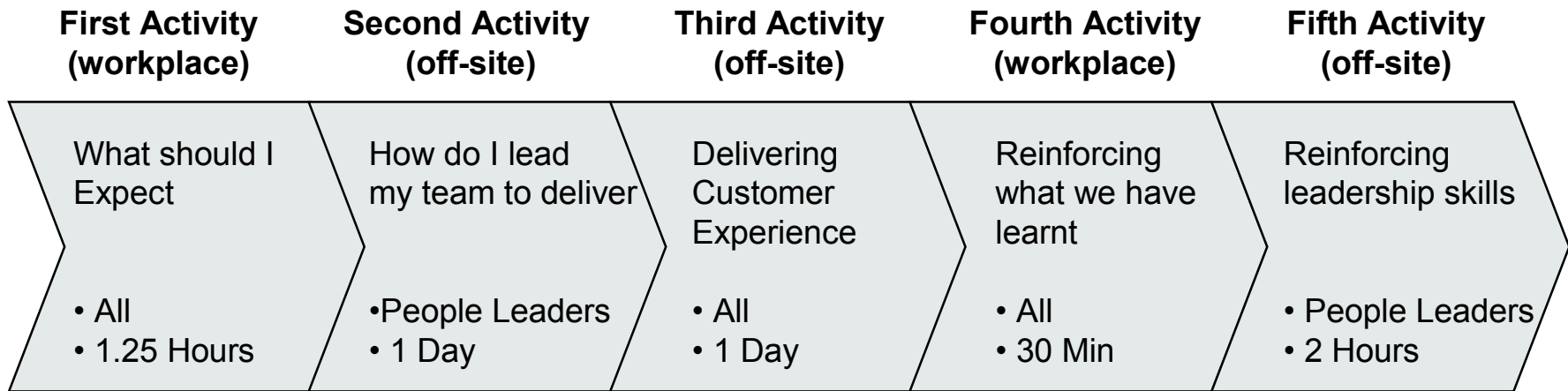
Customer Experience Module

- Workplace briefings and off-site activities.
- Real customer scenarios and feedback.
- Collaboration between customer interacting staff and business partners
- Individual and team reflection and action planning

Westpac Academy Customer Experience Module



Module Structure



Rollout

- Workplace briefings and off-site activities
- Real customer scenarios and feedback
- Collaboration between customer interacting staff, business partners and BTSS operations
- 11,000 staff over the next 12 months

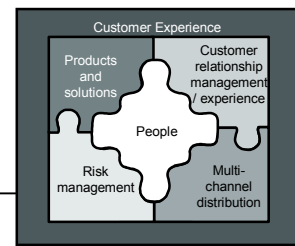
“Banks get the service message”

Chanticleer

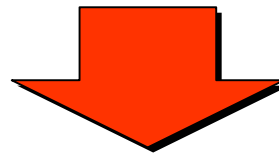
Australian Financial Review

31 July 2003

Building sustainable success



- Great place to work
- A breakaway customer experience
- Superior growth / return earnings profile



Westpac is well on track to be the clear service leader in our industry by 2005¹

Source: Westpac Annual Report 2002 p. 21

Disclaimer

The material contained in this presentation is intended to be general background information on Westpac Banking Corporation and its activities as at 31 July 2003.

The information is supplied in summary form and is therefore not necessarily complete. Also, it is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs.