



Westpac  
Australia's First Bank

# Imagine...



Official Partner  
of the 2000  
Olympic Games



Official Bank  
Sydney 2000  
Paralympic Games

# ...the potential



***The Oarsome Foursome** Our crack Olympic Rowing Team,  
gold medallists at the 1992 Barcelona and 1996 Atlanta Olympic Games.*



Official Partner  
2000 Australian  
Olympic Team

“In this Olympic  
and America’s  
Cup year we’re  
mounting our  
own challenge:  
to realise our  
true potential...”

# 4

## **Chairman's report**

John Uhrig outlines the profit result and progress on key financial objectives against a background of untapped possibilities.

# 8

## **Managing Director and Chief Executive Officer's review**

David Morgan explains our goals and sets the scene for a staff led discussion of the real potential in key areas of our business.

# 32

## **Olympics feature**

A gallery of our athletes and a description of our Olympic Youth Program, a scheme designed to help kids reach their potential.

# 36

## **Five year summary**

A summary of key profit and loss, balance sheet, share performance and other information for the years 1995 through to 1999.

# 37

## **Corporate governance**

A statement covering the role of the Board, its membership, committees, meetings and other governance issues.

# 40

## **Board of Directors**

A listing of Directors together with the Directors' Report on the affairs of Westpac.

# 49

## **Concise financial statements**

Westpac's profit and loss statements, balance sheets, statements of cash flows and accompanying notes.

# 59

## **Information for shareholders**

A financial calendar for 2000, information on shareholdings and share registry contacts. Also useful information about Westpac, key executives and points of contact.

*...In so many areas of our business, there lies hidden opportunity. In the pages of this report we'll reveal the possibilities and show how finding new ways of meeting our customers' needs is the direct route to reaching our own potential."*



**David Morgan**  
Managing Director and Chief Executive Officer

We are providing our report to shareholders in two parts:

- a Concise Annual Report
- an Annual Financial Report

Both parts will be lodged with the Australian Stock Exchange Limited (ASX) and the Australian Securities and Investments Commission (ASIC) and are available on

[www.westpac.com.au](http://www.westpac.com.au)

To request a copy of the Annual Financial Report:

call 02-9226 3143 or

facsimile to 02-9226 1539.

**Westpac Banking Corporation**  
ARBN 007 457 141

# It's all possible...

In last year's report I talked about our move to a stronger customer and community focus as a key to delivering shareholder value. Well, nothing that has subsequently happened during the year has changed that view.

As we move into the year of the Sydney 2000 Olympic and Paralympic Games and the America's Cup in Auckland, we remain fully committed to finding new and better ways to serve our customers and deliver on our commitment to the community.

We are about to celebrate our 183rd birthday, and even though Westpac is undeniably the elder statesman of Australian banks, we are really only in our infancy in terms of what lies ahead of us. We're entering a totally new era and when you look back at what we achieved in the last century – the potential for the new one suddenly feels limitless. Undoubtedly, we are as well positioned as we have ever been to grow our business for the good of everyone.

The progress we are making is evident in this year's result. We have continued the trend of recent years, with our net profit after tax and before abnormals reaching a record \$1,456 million, up 8.5% on 1998. Earnings per share before abnormals were 77 cents (up 9.8%), whilst the return on average ordinary equity before abnormals of 16.8% was up from last year's 15.5%.

As a consequence of this sound profit performance, the Board has declared a partially franked dividend of 47 cents, an increase of 9.3% on last year's 43 cents. As advised to shareholders last July, the final dividend of 24 cents to be paid on 4 January 2000 will be unfranked, due to what we believe to be a prudent decision to utilise past tax losses at their 36 cent asset value. We expect that future dividends will be fully franked.

Despite fluctuations in the share markets, Westpac has continued to provide a sound return for shareholders. Over the past five years, Westpac's market capitalisation has risen to \$17.5 billion from \$7.6 billion. Together with the steady growth in dividends, the compound annual return (assuming all dividends are reinvested) has been 23.2% since 1994.

In maintaining a strong capital position, Westpac continues to adopt an active approach to capital management. The past year was one of both activity and diversification. In July, an issue of US\$323 million of low cost, tax deductible Trust Originated Preferred Securities (TOPrS) was launched in the USA. More recently, there has been the NZ\$650 million issue of NZ Class shares in New Zealand, which also saw us welcome over 31,000 New Zealanders to the Westpac shareholder family. Both issues were very well received, reflecting Westpac's high standing amongst investors.

The use of share buy-backs to enhance shareholder value has continued. Since the start of on-market buy-backs in 1996, we have bought back 349.5 million shares at an average price of \$8.66 per share.

The securitisation of assets also continued when it was appropriate to do so. Assets totalling \$2.6 billion were securitised and sold to investors in Australia, Europe and the USA during the year.

Added to the strong capital position, sound credit risk management has resulted in asset quality remaining strong. Net impaired assets declined by 36% to \$314 million, and the level of total provisions increased to 233% of impaired assets.

Going forward, we have established two clear financial objectives against which we will measure our progress. We aim to achieve sustained returns on economic capital well in excess of the cost of capital, and to deliver earnings per share growth consistently exceeding the underlying growth rate of the economy.

Achievement of these objectives is greatly assisted by the laying of sound foundations for growth. These include a competitive product range and award-winning Internet and eCommerce offerings, and a quality balance sheet, satisfied customers, strongly motivated workforce, and improving sales volumes and market share.

Although good progress has been made, there is significant potential in terms of improving customer product holdings, further lifting cross sales of wealth creation and risk management products, and leveraging off the market platform which has been developed in just the last year in Internet Online Banking. With over seven million customers the opportunities have few boundaries.

Halfway through the year, Dr David Morgan became the 24th executive to lead Westpac during its 182 year history. Dr Morgan brings to the position a strong record of achievement in his 10 years with Westpac, during which he has managed all key operating divisions. This change followed the decision of Mr Bob Joss to retire from Westpac and return to the USA, where he has now taken up a new career as Dean of the Graduate School of Business at Stanford University. The Board thanks Mr Joss for his invaluable contribution in leading the turnaround at Westpac.

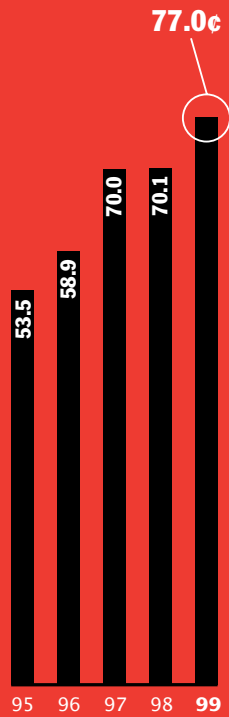
Being able to report on another year of solid achievement would not have been possible without the efforts of our staff. Independent surveys have shown staff morale has remained constantly in the top quartile, after being in the bottom quartile just two years ago. This bodes well for the future and on behalf of the Board of Directors, I thank all staff, many of whom are also shareholders, for their continuing efforts and their dedication to the success of Westpac.

Added to this, the outlook for the Australian and New Zealand economies in the short term is positive. Both countries are integral members of the global economy, however, and are not immune from change. Also, competition in financial services is continually increasing, not only from traditional competitors, but also from new competitors who have previously operated completely outside the sector. Given our sound financial position and clear agenda for growth, your Board is confident that Westpac is well positioned to meet this competition successfully.



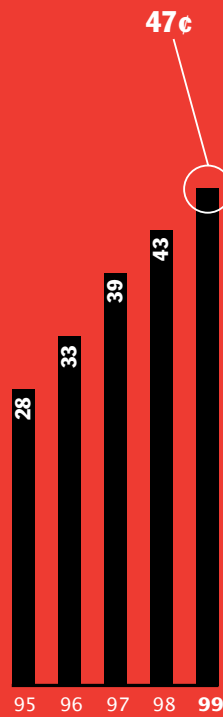
### Profit

Operating profit after tax and before abnormals attributable to shareholders up 8.5% to \$1,456 million



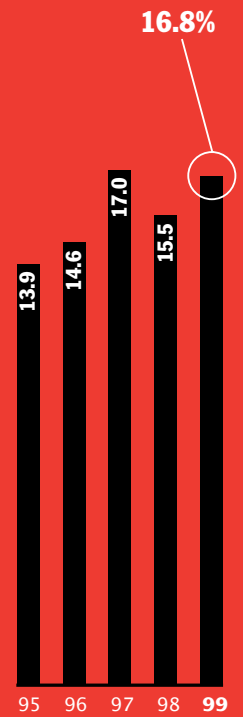
### Earnings

Earnings per ordinary share before abnormals up 9.8% to 77 cents



### Dividends

Dividends per ordinary share up 9.3% to 47 cents



### Return

Return on average ordinary equity before abnormals increased to 16.8% from 15.5% in 1998

“Up to 40% of our customers are still having most of their financial needs met by our competitors...”



# ...that's what I call opportunity!"



Westpac has over 7 million customers, but most of them buy at least some of their financial services elsewhere. Imagine the results if the 40% of customers who have only one product with us, decided to entrust us with just one more piece of their business. This could add around \$500 million of revenue each year.

That's the kind of potential we're looking at.

Meeting more of our customers' needs more often is the best way to realise our opportunities.

Saying that we are going to put our customers' needs first could sound like fine words, and we are well aware that the reputation of banks is not exactly glowing these days.

That's why we dedicated the whole of last year's annual report to addressing the issues around the community's concerns and trying to gain some perspective on them.

In fact, we have spent the last three years doing the groundwork to get us to the point we are at now. We've rebuilt our infrastructure, staff motivation is up, we've ticked off a lot of boxes on our customers' preference lists and we've made progress.

Which means in my first year as Managing Director and Chief Executive Officer, I have inherited a company with strong foundations. We can now concentrate on improving our performance.

Our operational priorities moving forward are to reap the revenue growth opportunities now in our grasp as a result of putting these strong foundations in place, whilst bridging our efficiency gap with our major competitors. This gap adds roughly five cents in the dollar to our cost to serve customers. At the same time we will continue the program to improve our capital efficiency.

As a result we have announced an integrated program of initiatives aimed at both improving revenue growth and achieving a fully competitive cost structure.

On the revenue front, the key drivers of future earnings growth will come largely through improving non-interest income, in areas such as eCommerce and direct sales, extending our retail funds cross-selling successes, and through re-organising ourselves so we are more customer focused and responsive.

The expense initiatives are all about 'getting fit for growth', and we aim to take approximately \$300 million off our projected cost base over the next two years. They include re-shaping and modernising our branch network, and initiatives grouped under a Performance Enhancement Program involving: a significantly smaller head office; substantial changes to make our support functions more efficient and effective; optimising buying power with our suppliers; simplifying credit processes; and improving our use of technology.

Improving efficiency will allow us to invest in our exciting new growth areas such as eCommerce.

With so many experts stating that you are not going to be competitive in five years' time unless you are in eCommerce, it pays to listen. But we also recognise we need to strike a balance in providing progressive, technology-driven solutions, without losing sight of the comfort levels our customers feel with 'personalised' services. Hence, our commitment to maintain our face-to-face banking presence across regional Australia.

Our goal is simply to realise our potential and reclaim our position as Australia's 'first' bank. Good will not cut it. We're aiming to be exceptional.

And we only need look at our Olympians to see what goal setting can do for the individual spirit and what common purpose can do for a team.

Our team purpose is to stand out from the competition and to rise above it.

But we will not achieve that simply with slogans and advertising.

If the public takes the view that all banks are the same and don't respond to the community's needs, we have an opportunity. The way to realise the opportunity is with genuine, on the ground, consistent day in, day out improvements in the quality of our customers' experiences with us; improvements they can measure against our competitors.

You might remember that in last year's annual report, for example, we said there should be an electronic bank branch in every home in Australia. Through our market leading telephone and Internet banking services, for an increasing number of our customers this is now a reality.

Despite our steady progress in recent years, behind most of our businesses still lies very substantial, untapped opportunity.

To illustrate our opportunities, in the following pages we've focused on five areas of distinct and quantifiable potential as our staff see them. Exactly the same kind of opportunities that Lachlan Macquarie foresaw when he set up the bank in 1817 and which went on to help found the economy of this country.

The Bank of New South Wales, as we were then called, was 'the' pioneer in cross-selling – providing not only traditional accounts, but safekeeping, lending money and even moving with our customers in setting up temporary bank branches that literally operated out of tents – all because we saw the community's need for banking services.

We are following this original lead, 182 years on. And with up to 40% of our customers still having more than three quarters of their business with someone else, that's what I call opportunity!

*An experienced executive team with complementary strengths working closely together is critical to delivering on our strategies for success (a full list of the team is on page 62). But passion and commitment needs to run the full length and breadth of our business for us to make real progress in realising our opportunities. It's the people dealing with customers every day who are best placed to understand and describe what it takes to turn an average customer experience into an exceptional one. On the following pages, staff from five key areas of the business talk about what we're doing to realise our full potential.*

“On average, our Internet banking customers increase their product take-up by 15% in their first year...

**Melissa Hughes**  
National Product Manager  
Internet Online Banking

*"I got in on the ground floor of Internet banking services in Australia in 1995, when I realised how exciting and fast-paced it was going to be and how much it would do for our customers. Now, on a daily basis we monitor customer usage and review customers' feedback to incorporate their suggestions into our service. For example, having online access to their transactions all the way back to their previous statement. There are many more exciting changes on the way. The Internet is such a responsive tool and it really does give customers flexibility, total control and the ability to bank anytime, anywhere."*

*...so imagine the potential in the 98% of our customers not yet connected to [www.westpac.com.au](http://www.westpac.com.au)"*



*"In last year's annual report we said there should be an electronic bank branch in every home in the country. That essay seemed to strike a chord. Some people thought Internet banking threatened the traditional face to face banking relationship. What we are actually finding is that people want user friendly service at their fingertips 7 days a week, 24 hours a day. This access is improving our relationships with customers."*

We couldn't believe the spin-off from the initial customers who signed up when Westpac's Internet Online banking launched in Australia last year.

They found banking from home or their office so convenient that they immediately started looking at ways to streamline some of their other financial arrangements and bring them to us. On average, they each increased business with us by 15%. A win-win situation really.

It's a great start, but the fact is that while our online registrations are growing at the fastest rate in the market, we still have only 2% of our customer base connected.

In October 1998, we were signing up 1,000 customers a week. Now we're doing over four times that and we estimate that within three years, more than 10% of our customers will be using the Internet, not just as an adjunct, but as their primary banking channel.

But we will keep offering our customers the choice of both the more traditional and the new, because that's what people want – and we're also going to do everything we can to help customers feel comfortable with new ways of banking in a time-poor world.

We've worked out that by using the Internet, what used to be 10 days' work can now be done in two. So customers get faster answers with greater accuracy, because the human error factor is largely out of the loop.

There's no stemming the eCommerce tide now. It is the way of the future and will soon be just as much a part of our lives as PCs and mobile phones.

In fact, experts speculate that in just five years' time, Wireless Application Protocol

(WAP) will mean more mobile phones are connected to the Internet than PCs. That's why we are the first bank in Australasia to enable banking via this emerging global standard.

By the year 2002, worldwide revenues for commerce and business over the Internet are expected to be around \$800 billion.

Already, eCommerce is turning our cost-structure on its head. On industry averages, an Internet transaction costs a mere 100th of the cost of the same transaction through a branch. Eventually, this will mean lower costs to service our customers.

Today, Westpac is one of the largest and fastest growing Internet banks in Australia, having registered our 130,000th customer in October 1999. We've got a lot of acceptance from the industry with *Personal Investor* awarding us 'Online Bank of the Year'. We were also voted the top corporate website in the *The Australian Financial Review/Telstra 1999 Australian Internet Awards* from over 2,500 entries.

Awards are encouraging but what really matters is what our customers say – 96% say they would recommend the service to their families and friends, so we know the product is on-track and we'll keep working on it and refining it further. Reaching the 'unwired' customer is our new task and really where the most potential lies.

We're focusing on our current customers and showing them the benefits of Internet Online Banking. We'll also leverage industry recognition and promote ourselves to the five million Australian adults who we know have access to the Internet, but don't use it for their banking.

We've also got some exciting advances in store for small business clients via our eCommerce offerings, and we intend to introduce them to strategic partnerships we've built with other providers over the Net.

And we have solved one of the big worries customers have always had about doing business over the Internet. Through eMarket – our new online shopping product – they can be sure that their credit card details are secure and that the merchants they are dealing with are credible. For our Internet merchants, the benefits of eMarket have surpassed their expectations, resulting in significant increases in both traffic and orders.

Not having easy access to the Internet can inhibit some customers who'd like to know about it before they buy in. So we've started putting Internet Kiosks in selected bank branches. They've been so popular, we'll be increasing the numbers further.

Because 40% of Australian households are involved in the share market, we're developing a state-of-the-art share trading product available online and by telephone. And next year we intend to make the overstuffed kitchen drawer a thing of the past with eBill presentment, which can send bills (like electricity) to the customer online for online payment.

Of course, there's no point to any of these initiatives if the customer doesn't know how to use them properly. We're providing online help and training and we're also appointing online 'advocates' from our staff to help customers understand eBanking. The Internet and eCommerce have such enormous potential and we're not going to let our customers miss out.

“We currently have  
over \$50 billion  
worth of home  
loans on our  
books...”

**Peter Hanlon**

Head of Priority Consumer Markets

*"Their home is the most emotional purchase the great majority of our customers are ever going to make. I'd like to think we're setting the pace with our home loan products and the thinking and marketing around them. Products such as SmartPay – an account where if you pay your income into your home loan you can knock more than \$50,000 of your interest off and pay it off years earlier – are totally customer orientated and that's where everything we do should be heading."*

*...that gives us around 700,000 opportunities to talk to our customers about how we can meet their other financial needs."*



*"Every month we make a habit of contacting more than 10,000 customers and suggesting ways to help them save money as well as bank more conveniently. Customers can't believe we're approaching them with ideas that will save, not cost, them money. And when they find out there's no catch, they're generally hooked. It's proved to be a great way for building trust and it's one of the main reasons we've increased returns by around 5% per year per customer."*

It makes sense to me. When a customer buys a house they start the ball rolling. The house purchase triggers all kinds of other financial considerations. We're right there in the prime position to talk to customers about the best way to make the numbers work and we're not doing our job unless we make that effort to help them get the best result. It makes sense for us to get more involved.

This year we've more than doubled the new mortgage lending volumes we had 18 months ago and we've got more than \$50 billion on our home loan book.

We finance one in five of the new mortgages sold in Australia and New Zealand – and we don't have to look far for opportunities that could make that one in four, generating an extra \$45 million on an ongoing basis for our shareholders.

There are plenty of ways to grow the value of our mortgage loan customers.

First off, it's obvious all new home owners need building and contents insurance and there's no reason they shouldn't get it from us. It's a hugely competitive market, but we've been steadily gaining ground and now around 35% of our home loan customers have their building and/or contents insurance with us. If we could build that to 60%, which isn't a huge ask, it would mean an extra \$3 million return.

And remember, that's on our current level of home loan business.

Just as promising, our new mortgage customers often have a transaction account somewhere else. We can show them how having that account with us could be much more convenient, and work harder for them, if we linked their direct debits and automatic payments, put in place card autopay and introduced them to Online banking.

Customers are pretty enthusiastic when they link more of their financial services in with us and find they become priority customers who are entitled to extra benefits.

It's the same in most businesses – the more the customer uses you, the more benefits you can give them. It works just like any frequent flyer or preferred customer scheme. For example, our priority customers in Australia get special treatment and can avoid service fees on transactions, make significant savings on home loan and personal loan establishment fees and get discounts on insurances and personal financial plan preparations. They also have access to exclusive Olympic benefits.

The real opportunity is to let customers know this from the outset, so they can see the benefits upfront rather than coming across them by accident.

Our experience is that it comes as a big surprise to the average wage-earning Australian and New Zealand customer, who is not used to being wooed for their banking business.

And what's more, it's working. We are not only retaining a greater share of our existing home loan business, but our priority customers are also giving us a bigger share of their total financial business. Most of our customers have bits of their business spread around, with an insurance policy here and a unit trust there. We can show them why it's better to have everything in one basket.

We're going to keep listening to our customers and spend more time attuning our products to how their lives really work.

Every time we sit down with a new home loan customer, we know there's four or five other products and services we've got that could be useful to them. And, you can be sure, we don't intend keeping it to ourselves.



“We’re currently  
managing almost  
\$24 billion of  
investors’ money...”

**David Clee**

Executive Manager  
Investments and Insurance  
Westpac Financial Services

*“Our retail customers are seeing the benefits of using Westpac for more of their financial needs and we’ve had great success in moving their involvement with us up a notch. Now the plan and the potential is to do the same thing with our business customers.”*

*...that’s great, but with only 4.3% market share in Australia and 3.7% in New Zealand, you can see the potential we’re looking at.”*

*“It’s not exaggerating to say that we’re in a race with every other funds management company in the world. It’s a truly global business and the market is open to competition from anywhere. The potential for us lies in transforming our customers’ perception of us to realise they can count on us for all their financial needs.”*



We've just had another great 12 months in financial services. In Australia and New Zealand we now manage almost \$24 billion of investors' money. But with Australia's market share at 4.3%, and New Zealand's at 3.7%, our challenge on both sides of the Tasman is twofold – to grow our market share, and be first in our customers' minds for all their financial needs. How will we do this?

To start, let's look at the potential in the market. In the next decade, funds under management in Australia are estimated to more than double to \$1,200 billion. This will come not only from mandatory superannuation contributions, but also as more and more people realise that they need to invest for their future, over and above what their basic superannuation savings will earn for them.

In the Australian retail market, about six out of seven traditional banking customers are yet to fully appreciate the benefits of using our insurance and investment services. The potential with our existing customers, not to mention new ones, is to get them thinking about investing and protecting their wealth and assets through us.

In financial services business, the world standard for quality customer relationships is when over a third of customers hold products across two or more product groups. And that's what we are aiming for. At the moment we are only halfway there, but we're confident we can get there because we have three things going in our favour – we have a large customer base, we understand our customers, and we have a professional and committed sales force across the country. But access to our customers is something that can't be taken for granted. We're working harder than ever to ensure our customers appreciate the value of having an expanded relationship with us.

Our formula of close cooperation between our front line staff and financial advisers and planners has been a success. This is clearly evident from the growth in recent years in our net retail funds inflows. In the year to 30 June 1999, we ranked Number 2 in New Zealand, and we are the market leader in personal insurance sales. Our New Zealand challenge is to continue this success and become dominant in all our chosen areas.

In Australia, with \$2.1 billion in net retail funds inflows in the 12 months to 30 June 1999, we ranked Number 1 excluding cash management products. To make sure our success continues, we grew the number of financial advisers and planners by 15% over the past year to make us even more accessible. And we are already seeing results from this growth, with our share of the disability and income protection market increasing from 4.1% to 5.5%.

The challenge for us is to now transfer our success in the retail market into the business market. For example, it is a painful fact that we have just 1.5% of the business superannuation market, and yet we have banking contact with around a quarter of all businesses. With the number of small to medium sized businesses continuing to grow, we have increasing opportunities to convince our business customers, whatever their size, that we are not just a provider of loans and other banking services, but are able to meet all their financial needs.

For example, a customer generally thinks only of getting working capital to commence or expand their business. However, they often don't consider their other needs such as insuring their business risks and assets – arranging superannuation for employees and themselves and, most importantly in a small business, insuring their most

important business asset – themselves, as the owner and driver of their business success. We have to work at being at the top of their mind whenever they are thinking about insurance, superannuation and risk management, not only traditional banking.

Maximising technology is one of the key tools we are using to improve the efficiency of our financial advice service. In the near future, we will be rolling out Launchpad, a PC-based package that visually demonstrates with graphics the concepts behind wealth creation and protection aimed at enhancing customers' experience.

But cross-selling to individuals and small businesses is not the only area where our potential lies. We are pulling out all the stops to provide a variety of financial solutions to our institutional customer base as well, broadening our product range to offer greater flexibility. And we've reassessed the way we work, seeing that the way forward also lies in streamlining the delivery and marketing of our services, thereby making the customer's experience simpler and more complete.

Ultimately, our real potential lies in being first in our customers' minds when they need financial advice and solutions. Whether they are a couple who want to plan for their family's future, a sole trader protecting their business or a large institution wanting a return on their investment, our aim is to deliver solutions no matter what their financial needs. Knowing we are still very much at the start of our journey in this rapidly growing area is the really exciting part.

“A quarter of all  
Australian and  
New Zealand  
businesses bank  
with us...”

**Monica Ahyee**  
Business Banking Manager  
Priority Business Banking

*"In my portfolio, we can pretty much look after every aspect of our customers' financial needs and it's my job to ensure that if we don't have all of a customer's business, it's never because of lack of service."*

*...but around one third of them still go somewhere else for their main borrowing."*



*"It's a great statistic that 40% of all small businesses in Australia today are either owned or operated by women and it makes a huge difference to those women that they can deal with a bank that's not just paying lip service. The fact that I'm a Business Banking Manager (and that I'm also a mother who job shares with another woman) is just one example of how we're more in tune with the realities of our customers' lives – and it's probably why we're growing our share of the female business market."*

The gap between the number of business customers we deal with and the number who actually use us as their main business lending bank, is where our real potential lies. Because, while we transact with a quarter of all Australian and New Zealand businesses, some of those haven't started out using us as their prime or main banker. We are aiming to change that. By understanding their business so well and becoming such a valuable partner, we will give them a real reason to carry out all their financial transactions with us.

We're in a good position to make that happen for a number of reasons. We actually have more experience on the job than our competitors – we financed the first businesses in Australia and for the past 182 years we've worked with all kinds of Australian businesses through all kinds of financial weather. Our products have been purpose-built over time to meet local business needs and packaged to provide real, tangible value. For example, in the country customers can take advantage of the Farmwide Banking package which combines traditional and industry specific banking solutions and, not surprisingly, it's been endorsed by the National Farmers' Federation.

Of course we have a complete range of core banking products that meet businesses' needs for transactions, deposits and lending. But customers are demanding different services and capabilities that weren't even dreamt of ten years ago, and we've responded with new solutions such as business cards, electronic banking services and a

full suite of investment products. For example, our customers can now buy electronic payroll systems from us, and do all their banking from their office PC via Deskbank. As well, our Business Bankers have a financial adviser in their teams who provides advice on company superannuation and risk management services.

We're particularly focusing on our customer management, figuring that if we know our customers intimately, we can offer solutions more relevant to their particular circumstances. The opportunities here are large. Customers are telling us that our continuity of relationship management is strong relative to our competitors and we think this is a critical cornerstone on which we can continue to build.

So, we also make sure our Business Banking managers are representative of, and active participants in, the business community. In regional Australia, we have strengthened our Business Banking capabilities by building specialist teams of agri-managers, who have extensive knowledge of our rural industries.

It is a fact that in Australia 40% of small businesses are owned or operated by women, so we have dedicated Women in Business Managers who understand this specific market. We also sponsor many seminars, networking and educational events for businesswomen. We have a reputation of having made a significant investment in this growing market.

We are not just interested in flogging more product or quick fixes. The reality is that it's by genuinely strengthening our

customer connections, by adding value and getting feedback on what we can do better, that will grow the business. For example, workshop forums on cash management services and wealth creation give customers an opportunity to look at a whole range of business solutions, and our staff get to hear first-hand what customers want. The extension of our existing nationwide seminar program will see another 10,000 customers involved in the coming year. Anyone can make the big gestures; it's this kind of proactivity and consistent attention to day-to-day detail that really counts.

Let's take another example, that of a small retailer setting up their business. We've created two complete customer packages, that give them access to all of their day-to-day banking needs for a single monthly fee. This gives our over 400,000 small business customers a great opportunity to streamline their banking services and improve their business efficiency.

While our goal would be to give our customers a great experience every time they deal with us, we'll settle for a 99% strike rate. To get there, we will need to be easier to deal with and do things quicker. That's why we are implementing major improvements to our credit and service processes. This will dramatically improve our loan turnaround times and streamline paperwork, so our staff are freed up to spend more time talking with customers. And that's what they should be doing, if all our customers' business is ultimately going to be our business.

“We’re principal  
corporate banker  
to almost a  
quarter of  
Australia and  
New Zealand’s  
top 500  
companies. So  
where do we go  
from here?....

**Chris Deegan**  
Relationship Manager  
Westpac Institutional Bank

*"My experience of managing customers has taught me that it's a balancing act between their needs and the needs of shareholders, and that to achieve this, we need a mix of skills and passion that you can only get from a team. This balancing act can't be done by one person. I'm yet to meet any individual who believes that they're greater than the team and has actually succeeded in satisfying both customer and shareholder needs."*

*...back to our  
customers."*



*"In many ways, being the frontrunner is a tougher job than running second, where you can have someone setting the pace. We have to do that for ourselves constantly by asking 'what's the real potential here?' and then aiming to meet it faster and better than anyone else. The critical factor is being close enough to our customers to be a step ahead."*



As a frontrunner in institutional banking, it could appear that we have already realised our full potential. But when you consider we're currently providing, on average, just two out of every five products used by each of our customers, the potential is obvious.

So we don't intend to just stay there and fortify our position. We aim to get even closer to our customers and give them every reason to source closer to five out of five of their typical product needs from us.

The competition in our market is fierce, with 35 licensed foreign banks in Australia as of July this year concentrating on the wholesale market. So while we need

to watch the rear vision mirror, we wisely started putting a few things in place a couple of years ago that are working and will help us stave off the challengers.

In the bad old days, customers were quite justified in seeing commercial banks as large, authoritarian institutions hide-bound by rules and focused on themselves.

We realised that to stay ahead of the pack we needed to break the mould and become more customer driven – so we shifted our culture away from a product focus to a customer one.

Our attitude is that if the customer's getting results, we're getting it right. This has been borne out by industry recognition such as *Euromoney* naming us the best Australian wholesale bank in 1999 and by being the Number 1 provider of domestic funding in Australian and New Zealand capital markets according to Greenwich Associates. And that's why we captured the largest market share as principal corporate banker to Australia's top 500 companies as measured by East and Partners in September 1999.

Under our new way of doing things, we build customer service teams based on diverse skill sets and experience and we reward our people on the basis of team performance.

We achieve our greatest success when we're able to get close enough to customers to work with them (rather than merely for them) at a practical level. When we get this kind of intimacy working, we can take the generic or 'vanilla' requirement the customer came to us with and turn it into something that delivers much more for their specific needs.

That's why we keep leveraging our strong position in the financial and debt markets into areas such as quasi-equity and private equity markets.

This kind of innovative problem solving approach means we've been able to create a few industry firsts in the last 12 months.

For example, we recently securitised rental cash flows of a property for a customer which allowed them to remove this asset from their balance sheet. This was the largest deal of its kind brought to the capital markets this year.

Our own NZ Class share float in New Zealand broke new ground. Our launch on the New Zealand Stock Exchange not only benefited Westpac's capital management, it also offered the New Zealand public, WestpacTrust staff and customers an investment that came with New Zealand imputation credits.

There have been so many great deals in the past year. We were advisor on the acquisition of a 50% interest in Aluminum Smelter of Victoria Pty Ltd, as well as arranging a NZ\$350 million domestic debt program for Christchurch City Holdings Limited. As joint lead manager on a deal

for the Asian Development Bank, we successfully launched their bonds into the global market. In the global capital markets, we arranged a \$1.2 billion prepayable, mortgage-backed security, cross-currency swap, to hedge securitisation of Westpac mortgages.

Last year we took what has been called "the most significant step in Australian trade paperwork for 200 years." We introduced ImpEx™ Trade Banking Online which is the first secure Internet-based, trade banking solution for Australian importers and exporters. It lets small and medium sized businesses reduce their trade paperwork preparation and turnaround by up to three days and errors by around 50%. When you know that up to 80% of customer trade documents are returned for reasons of inaccuracy every year, you see why we're excited about the international impact ImpEx™ is going to have.

The kind of breakthroughs we've been talking about couldn't have happened unless we made a concerted effort a while ago to start employing the best brains and putting them in new combinations of people working in teams, rather than in splendid isolation.

Teams that really work rely on staff having honesty, ownership, trust and high levels of advocacy. We've had to be very honest about where each person's skill set stops and starts and to know when to call for more expertise. We often need a huge range of skills from communication to technical to legal to experience on the dealing floor. And it's vital when we're dealing with a customer or project, that everyone in the team takes ownership.

Working together, we've got a great chance of turning our potential into reality.

“The Sydney 2000 Olympic Games is inspiring 630 Aussie athletes to realise their full potential...”

**Ian Thorpe**

*World champion 400m freestyle,  
world record holder  
200m/400m freestyle*

*As the official Partner and Bank for the Sydney 2000 Olympic Games and Paralympic Games and Australian 2000 Olympic teams, we are proud to be supporting all athletes who will be representing Australia. Under the Olympic Job Opportunity Program and the Paralympic Employment Program, we employ 47 athletes in a range of positions throughout the business. We also directly sponsor 11 athletes including the Oarsome Foursome, Susie O'Neill and Ian Thorpe.*



*“...and Westpac’s Olympic Youth Program is inspiring 3.1 million Aussie kids to realise theirs.”*

*With our Olympic Youth Program reaching 3.1 million schoolchildren, we’re looking at the future of all our kids, not just the athletic ones. By helping them understand Olympic ideals such as achievement, teamwork, fair play and goal setting, we want to encourage tomorrow’s Australians to reach their potential in whatever field they choose.*

