Business & Consumer Banking today

- Australian retail banking and wealth distribution
  - Consumer
  - SME (<$20m turnover)
  - Middle Market (<$75m turnover)
- Customer-driven organisational structure
- 5.1 million customers
- Share of wallet held per customer\(^1\):
  - Consumer – 35%
  - Business – 56%
- 12,509 staff

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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

<table>
<thead>
<tr>
<th></th>
<th>1H04</th>
<th>1H03</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating income</td>
<td>2,313</td>
<td>2,072</td>
<td>12</td>
</tr>
<tr>
<td>Operating exp</td>
<td>(1,210)</td>
<td>(1,143)</td>
<td>(6)</td>
</tr>
<tr>
<td>Core earnings</td>
<td>1,103</td>
<td>929</td>
<td>19</td>
</tr>
<tr>
<td>Bad debts</td>
<td>(171)</td>
<td>(147)</td>
<td>(16)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>932</td>
<td>782</td>
<td>19</td>
</tr>
<tr>
<td>Tax &amp; OEI</td>
<td>(280)</td>
<td>(236)</td>
<td>(19)</td>
</tr>
<tr>
<td>Cash earnings</td>
<td>652</td>
<td>546</td>
<td>19</td>
</tr>
<tr>
<td>Expense to income</td>
<td>52.3%</td>
<td>55.2%</td>
<td>290bps</td>
</tr>
</tbody>
</table>
BCB Composition of operating income

- BCB contributes approximately 60% of the Bank’s operating income
- Balanced across business and consumer segments

<table>
<thead>
<tr>
<th></th>
<th>1H04</th>
<th>1H03</th>
<th>% Change</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumer</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
<td>504</td>
<td>448</td>
<td>12.5</td>
<td>21</td>
</tr>
<tr>
<td>Cards</td>
<td>221</td>
<td>228</td>
<td>(3.1)</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>511</td>
<td>452</td>
<td>13.1</td>
<td>22</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td>1,077</td>
<td>944</td>
<td>14.1</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,313</td>
<td>2,072</td>
<td>11.6</td>
<td>100</td>
</tr>
</tbody>
</table>
Drivers of performance

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Tactical</th>
<th>Operational</th>
</tr>
</thead>
<tbody>
<tr>
<td>People Experience Program</td>
<td>Customer Experience Program</td>
<td>Branch &amp; Small Business Capabilities</td>
</tr>
<tr>
<td></td>
<td>Mortgages</td>
<td>Cards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Expense Management</td>
</tr>
</tbody>
</table>
People Experience program

Enhancing the commitment of employees is central to improving the customer experience

<table>
<thead>
<tr>
<th>Strategic Thrusts</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCB People Experience</td>
</tr>
<tr>
<td>Leadership &amp; Management</td>
</tr>
<tr>
<td>People Capability</td>
</tr>
<tr>
<td>Aligning Reward to Performance</td>
</tr>
<tr>
<td>Nimble Organisation</td>
</tr>
</tbody>
</table>

Programs being Delivered

- **BCB People Experience**
  - Employment Value Proposition
  - Change management methodologies

- **Leadership & Management**
  - Culture development

- **People Capability**
  - Recruitment strategy
  - Talent management strategy

- **Aligning Reward to Performance**
  - Performance measurement
  - Reward philosophy, strategy and incentive schemes review

- **Nimble Organisation**
  - Flexible industrial frameworks
  - Continuous improvement vs large scale restructuring
The culture journey so far…

From 2002

- Diagnostic
- Identify desired culture and mindsets
- Identify gaps
- Start with the top team
- Find early role models
- Create a Culture Development Plan

We are here

Build a leadership group accountable for leading culture change

To 2005

- Align systems and send new messages
- Monitor, reinforce and embed new ways of working
Desired mindsets are embedded into everything we do

Customer Centricity

‘Living in the customer’s shoes’

Leadership

‘Leading by what we do’

Teaming

‘Achieving more together… it starts with me’
 Desired mindsets are embedded into everything we do

Continuous Improvement

Risk Mastery

Discipline

‘Striving for better ways’

‘Being Bold. Being Balanced’

‘Committed and following through’
Staff are increasingly committed

- Commitment has increased
- Staff turnover dropped 7 percentage points
  - Resignations within the first 12 months also down 6 percentage points
- Redundancy savings – over 60%
- Record number of graduate applications
Customer Experience program

Customer Experience

Customer experience specification
Ask Once
Brand

Surveys
Find & Fix
Complaints Handling
Ask Once Coordinators
Brand Position
One Brand Project

Westpac
Australia’s First Bank
Extensive customer experience analysis

- 3,000 customers surveyed per week
- All channels measured
- Over 50,000 interviews conducted
- Improved complaints logging process capturing service defects
- Prioritisation of service issues completed and solutions roll out throughout 2004.
Ask Once – making a difference

- 49 Ask Once coordinators
- Enhanced complaint management procedures
- Increase in complaints resolved at first point of contact
- Customer satisfaction improving against peers
- Becoming recognised for service excellence (Customer Service Institute of Australia awards)
Customer satisfaction results

Change in Customer Satisfaction

% change in last six months

Peer Average
- Consumer
- Middle Market
- SME

Westpac
- Consumer
- Middle Market
- SME

Source: Consumer - Roy Morgan, SME & Middle Market – TNS Research (change is calculated for the period Sept 2003 to Mar 2004)
Our Brand journey
Brand Metrics are positive

Source – Westpac brand survey
SME Strategy – an integrated approach

Technology

Reach

Pinnacle

Product

Industry Packages

Distribution

BSR

Financial Centre

BSR

BFM

BSR

BSR

BSR

Recruitment, Training and skill development

Westpac

Australia’s First Bank
Tactical responses have contributed to performance

• Mortgages – managing for profit
  - Slowing market
  - Effective management of broker channel
  - Cautious approach to investment housing and low doc loans
  - Concentrating resources toward retention

• Credit cards – a market undergoing significant change
  - Interchange reforms
  - Increased competitor activity
  - Introduction of new lower rate cards
  - Entry of companion cards
  - More card users taking advantage of interest free periods (lower revolver rates)
Expenses tightly managed

- Managing the revenue growth/cost growth gap
- Increase in FTE supporting business growth
  - Increased demand in Virgin card
  - Training staff for roll-out of major strategic projects
- Strategic investment spend
  - Customer relationship management capabilities (Reach)
  - Streamlining lending and credit processes (Pinnacle)
- Compliance spend - FSR training
- Redirect spending to create most value
- Manage expenses within group medium term guidelines
My balanced scorecard

Our People
BCB Employee Commitment: ↑ 2.2%
BCB Employee Morale: ↑ 2.8%

Our Customers
Satisfaction Scores*:
• Consumer: ↑ 4.3% (68.2%)
• SME: ↑ 7% (62.0%)
• Middle Market: ↑ 7% (69.8%)
* Improvement since Sept 02

Our Shareholder
BCB 1H04 Results*:
• Cash Earnings ↑ 19%
• Economic Profit ↑ 27%
• Cost/Income Ratio ↓ 290bp
*Change since 1H03

Our Corporate Responsibility
Revised Code of Banking Practice
• 3500 employees impacted
• 95% accredited
FSR compliance
Community involvement
Business and Consumer Banking Critical Success Factors

Mike Pratt
UBS Conference

23 June 2004
Disclaimer

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