



# Westpac Retail & Business Banking

**JASON YETTON, GROUP EXECUTIVE**

**25 JUNE 2014**

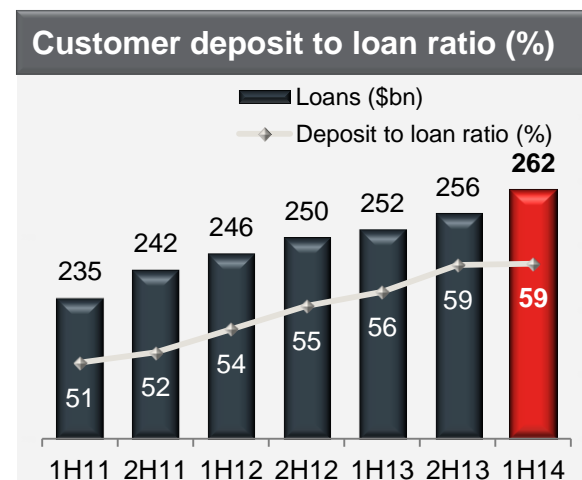
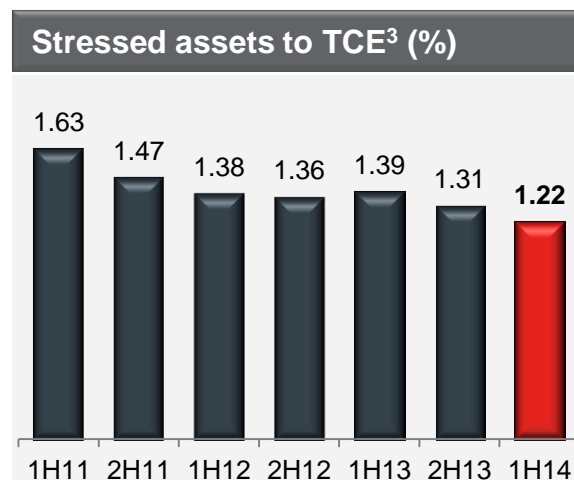
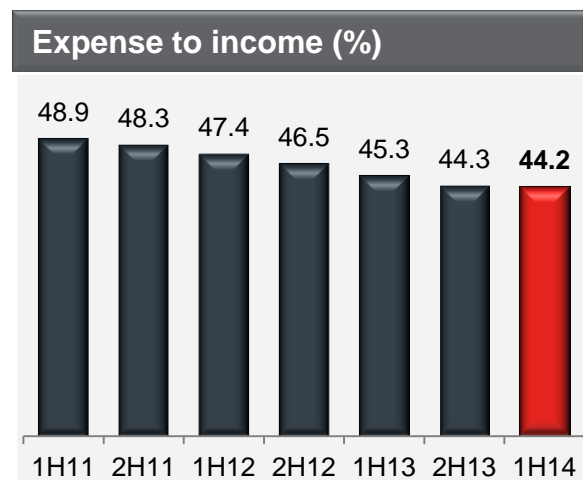
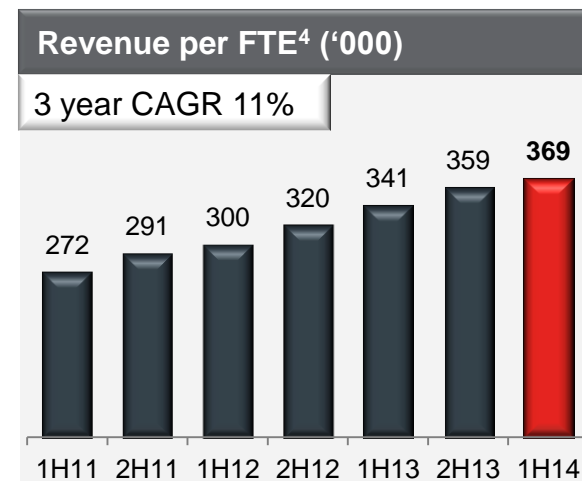
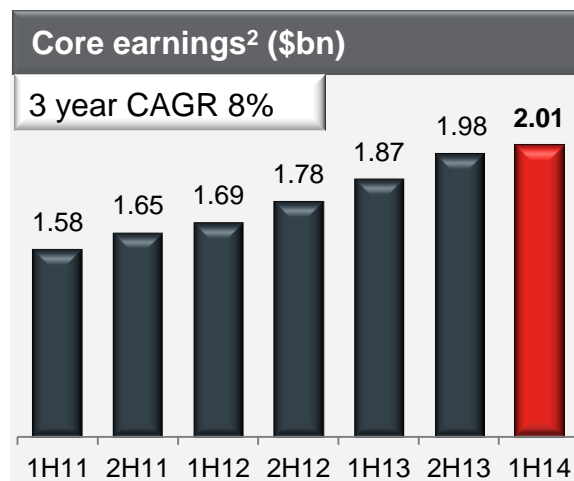
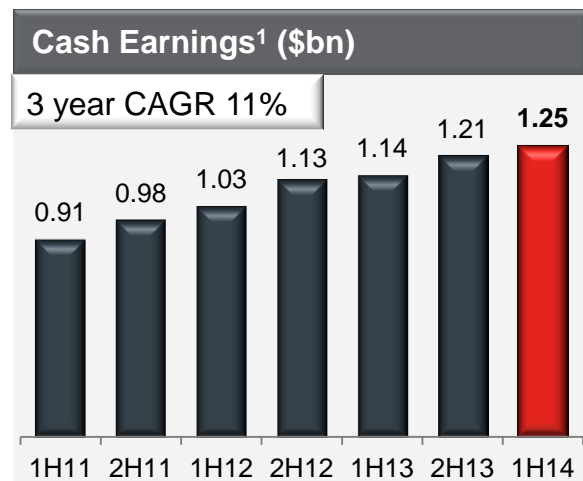
All metrics in this presentation relate to Westpac Retail & Business Banking division of Westpac Banking Corporation unless otherwise stated

# Westpac RBB is a strong, sustainable franchise

- Delivered seven consecutive halves of strong performance
- Tilting to growth while managing business in a balanced way
- Wealth, retail and business banking all well positioned, with significant opportunity for growth
- Digitisation providing growth and strong productivity benefits
- Service revolution for customers is underway



# Seven consecutive halves of strong financial performance

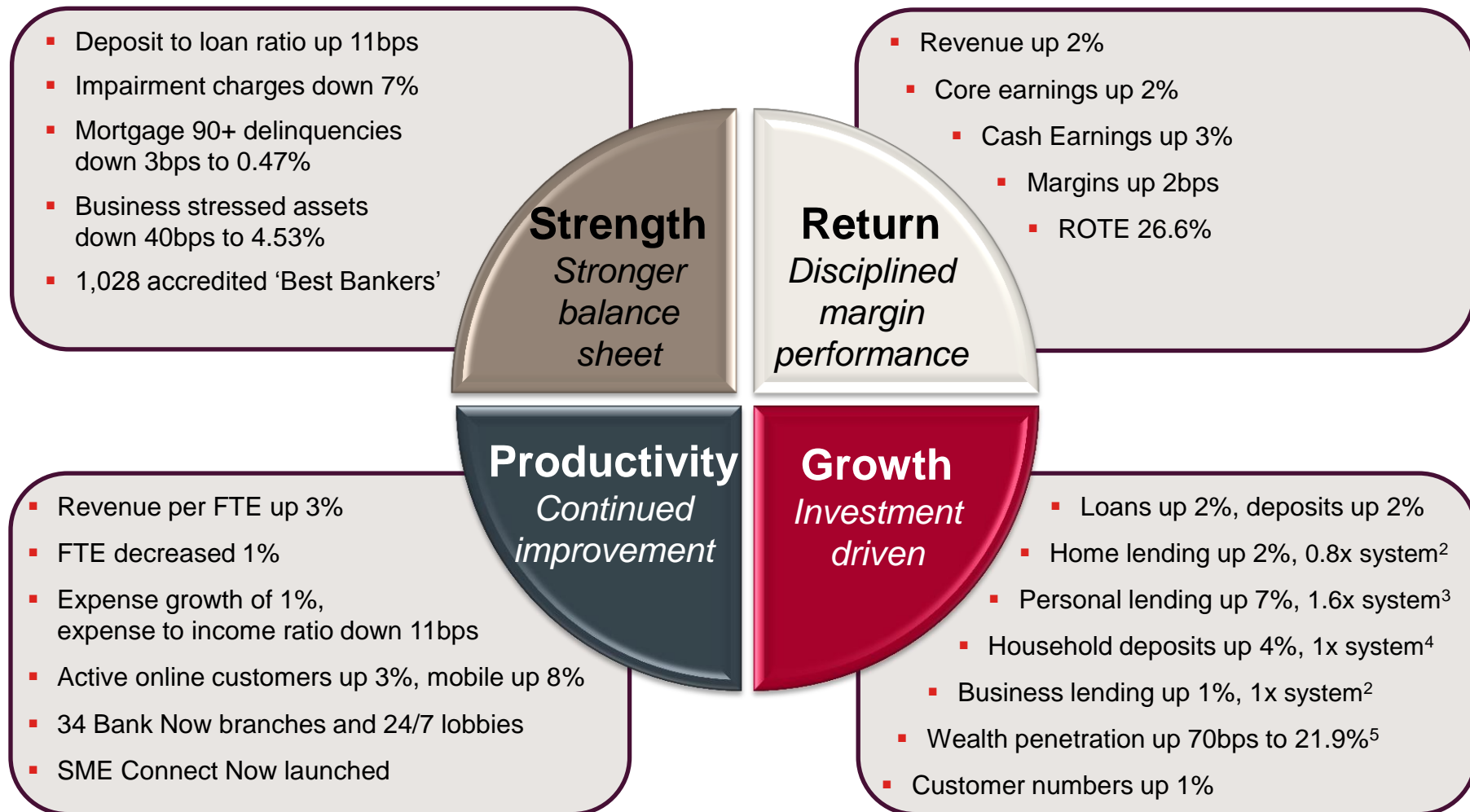


<sup>1</sup> Cash earnings is a measure that makes adjustments to our reported results which we consider provides a better measure of profit generated by ongoing operations. For an explanation of cash earnings and reconciliation to our reported results see page 5 of the Group's Interim Result Announcement for the Half Year ended 31 March 2014. <sup>2</sup> Core earnings is operating profit before income tax and impairment charges.

<sup>3</sup> TCE is total committed exposures. <sup>4</sup> Based on average FTE.

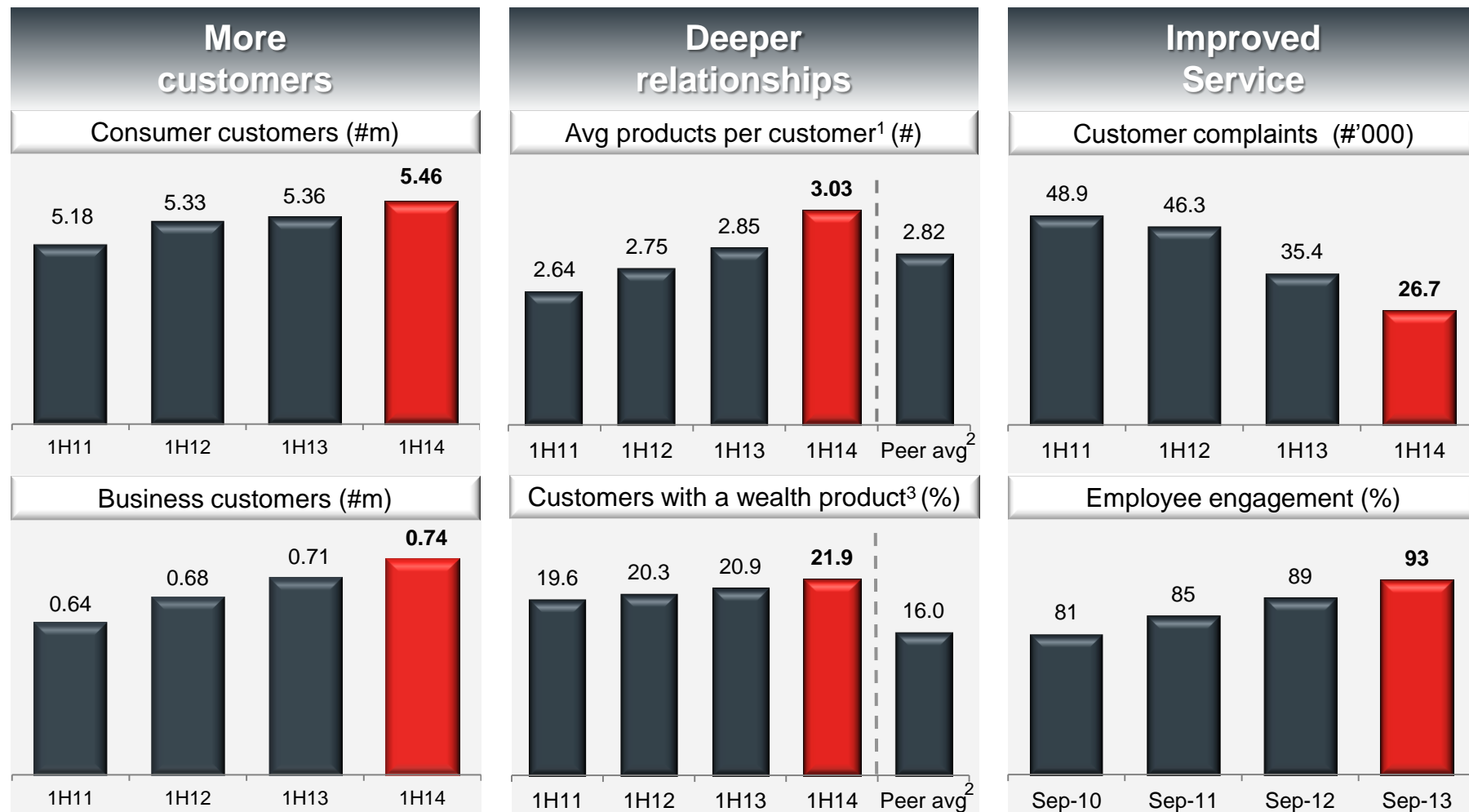


# Tilting to growth, while maintaining strength, return and productivity<sup>1</sup>



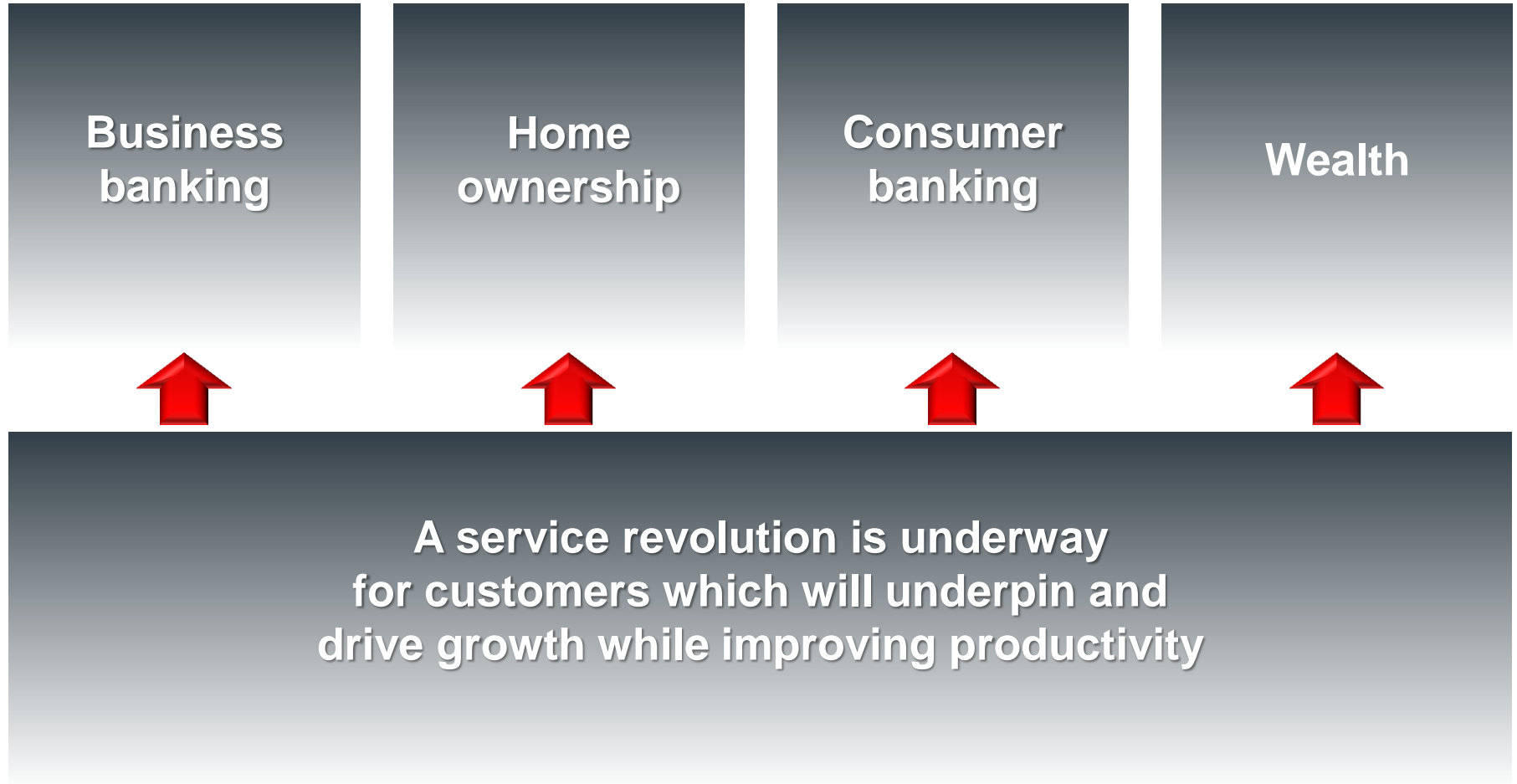
<sup>1</sup> Data for 1H14 versus 2H13. <sup>2</sup> RBA Financial Aggregates, March 2014. <sup>3</sup> RFI data, March 2014. <sup>4</sup> APRA Banking Statistics, March 2014. <sup>5</sup> Refer slide 19 for Wealth penetration metrics provider details.

# Strong relationship-based franchise



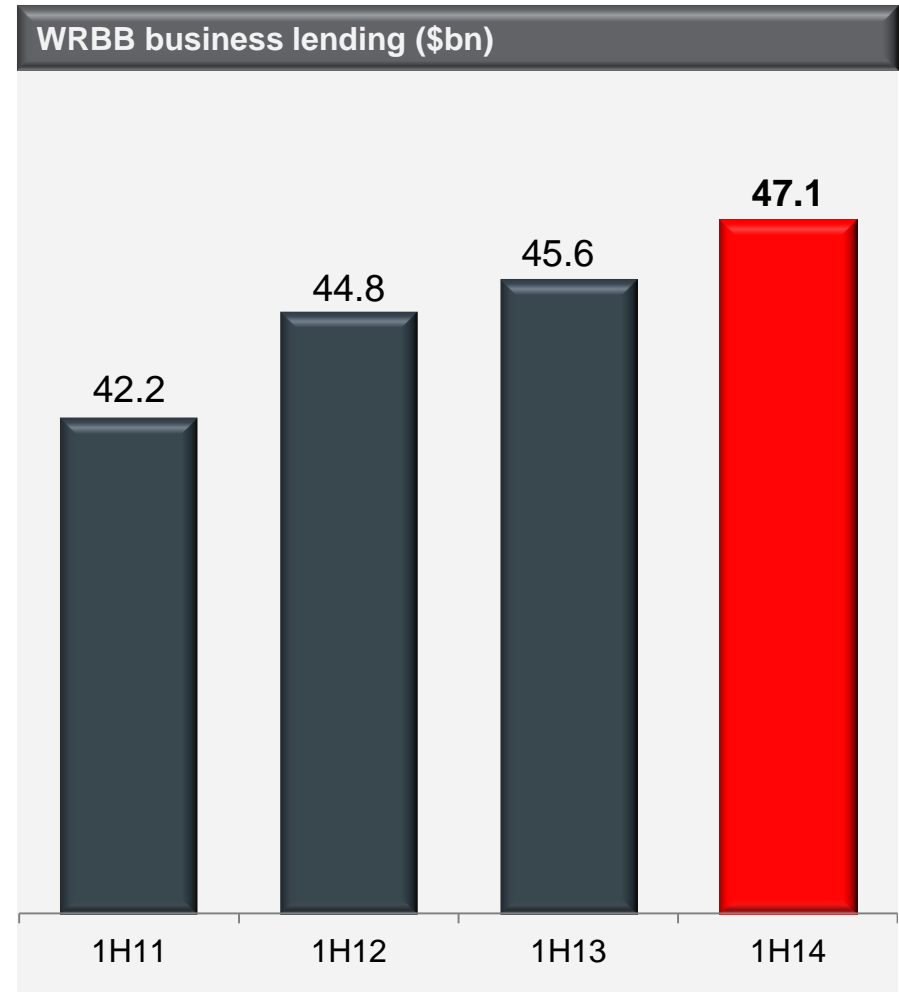
1 Products per customer metrics defined on page 19. 2 Peer average is made up of ANZ, CBA and NAB. 3 Refer to slide 19 for wealth penetration metrics provider details.

# Significant growth opportunities remain



# Investing in business banking

- Business banking represents 44% of WRBB revenue
- Highest customer advocacy of major banks<sup>1</sup>
- Solid new business lending growth partially offset by high run-off
- Seeking to improve growth across both SME and Commercial by
  - Leveraging strong retail branch network
  - Increasing banker reach and capability
  - Improving speed and simplicity
  - Deepening relationships
  - Better utilisation of digital and mobile solutions



<sup>1</sup> DBM Consultants, Business Financial Services Monitor. Total Business Net Promoter Score, MFI customers. NPS is calculated by subtracting the proportion of Detractors (0-6 out of 10 for recommendation) from the Promoters (9-10), 6mma May 2014. Rankings relate to Westpac's standing among the Big 4 - CBA, ANZ, NAB and Westpac.

# Range of initiatives driving business growth and productivity

Expand on success of  
Westpac Local

Business  
**Banking**  
Transformation

Digitisation



Access anywhere  
at anytime

***BANK NOW***



Mobile Payments



the night-time  
economy  
*Proudly supported by Westpac*



Radical simplification



Merchant terminals



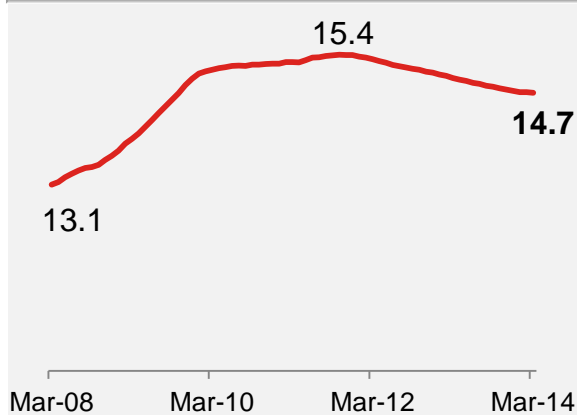
connect  
now



# Sustainably improving home ownership

## Strong existing position

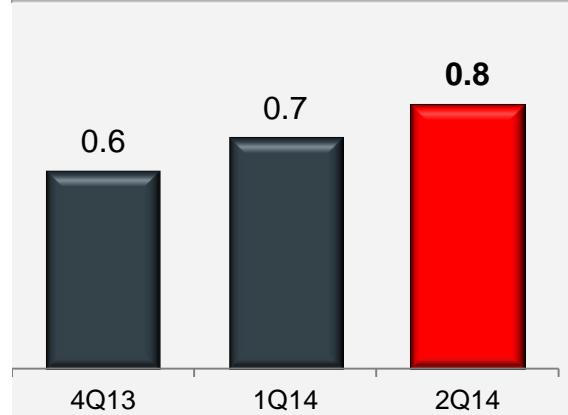
Home lending market share<sup>1</sup> (%)



- Gained significant share when competition stepped away (2008-2010)
- Managed margins in low growth environment (2012-2013)

## Improving relative growth

Home lending relative to system<sup>1</sup> (x)

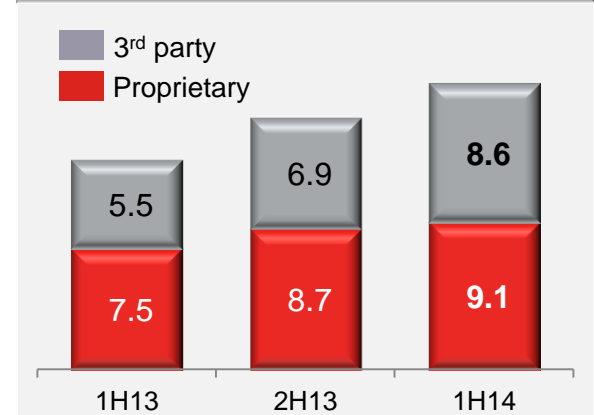


### 5 drivers supporting growth

- Brand consideration
- Sales effectiveness
- Process improvement
- Risk appetite and process
- Customer retention

## Good utilisation of all channels

New home lending (\$bn)



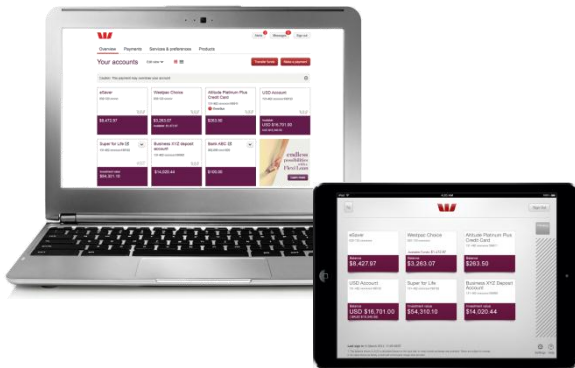
- Proprietary new home lending up 21% on pcp
- Improved broker support

<sup>1</sup> RBA Financial Aggregates, March 2014.

# Consumer banking delivering strong growth

## Industry leading mobile/online banking platform

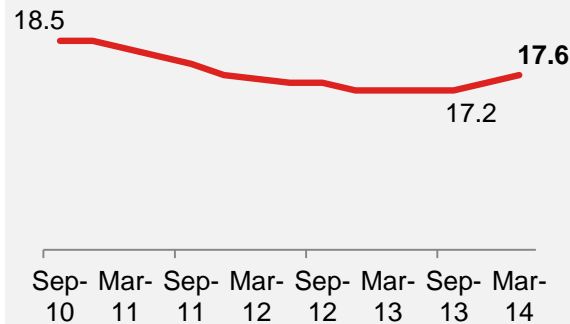
>1m customers connected by Jun14



- All online consumer customers will be on new platform by end of FY14
- 1H14 digital sales up 288% on prior period

## Reinvigorated personal lending origination

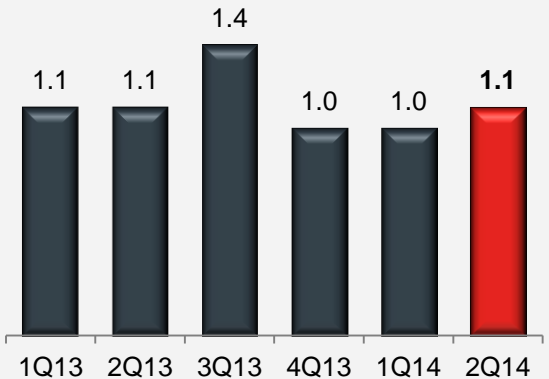
Market share in personal loans<sup>1</sup> (%)



- 9% growth in FY13 and 7% in 1H14
- Growing at 1.6x system<sup>1</sup> in 1H14

## Growing household deposits above system

Household deposits<sup>2</sup> (x)



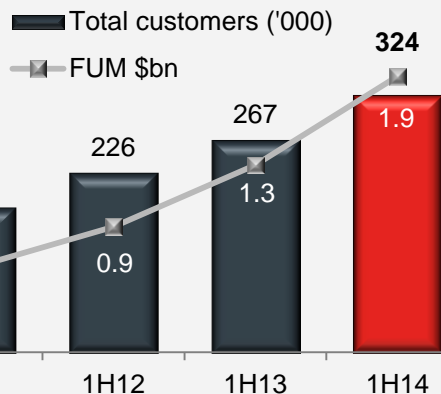
- Focussed on deposit quality in preparation for LCR requirements
- Consistently growing household deposits at or above system

<sup>1</sup> RFI data, March 2014. <sup>2</sup> APRA Banking Statistics, March 2014.

# Wealth revenue 3 year CAGR<sup>1</sup> of 12%

## First to market with simple super product

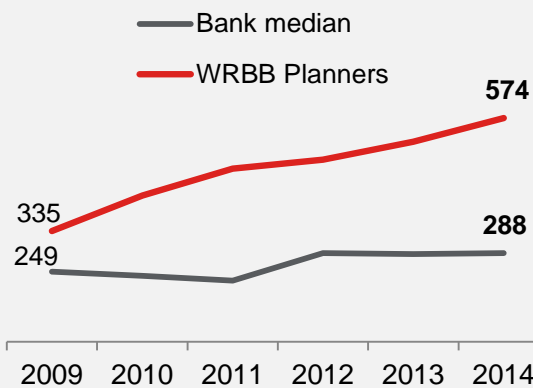
### BT Super for Life (retail)



- Leader in simple super
- BT Super for Life '1-click' making it easier for customers

## Strong financial planning network

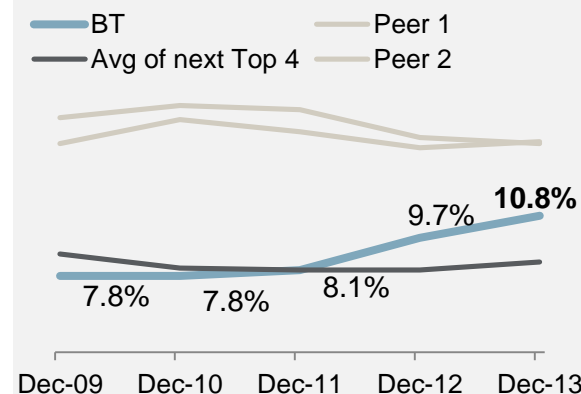
### Revenue per planner<sup>2,3,4</sup> (\$)



- Advice network aligned to Westpac local
- Revenue per planner twice that of peers
- FoFA ready

## Protecting customers

### Life Insurance individual new premiums market share<sup>5</sup> (%)



- Growth opportunities in both Home & Contents and Life Insurance
- Life insurance 8.8% of in-force premiums<sup>6</sup> but 10.8% of new premiums<sup>5</sup>

<sup>1</sup>All wealth revenue generated by WRBB is reported in BTFG. <sup>2</sup>Comparator 1 July 2009 to 31 December 2013. <sup>3</sup>Includes salaried planners only. <sup>4</sup>Comparator bank median comprises ANZ, Bankwest, CBA, NAB, HSBC, St.George, Suncorp and Westpac. <sup>5</sup>Plan for Life (Individual Risk). Premiums includes sales, premium re-rates, age and CPI indexation. <sup>6</sup>Plan for Life (Individual Risk) December 2013.

# Service revolution for customers is underway



# Strongly placed with good momentum

- Consistency of delivery a hallmark
- Strong relationship-based business, with all elements of business well placed
- Solid momentum as WRBB tilts to growth
- Wealth continues to be a clear differentiator
- Service revolution underway, helping to drive both revenue and productivity opportunities



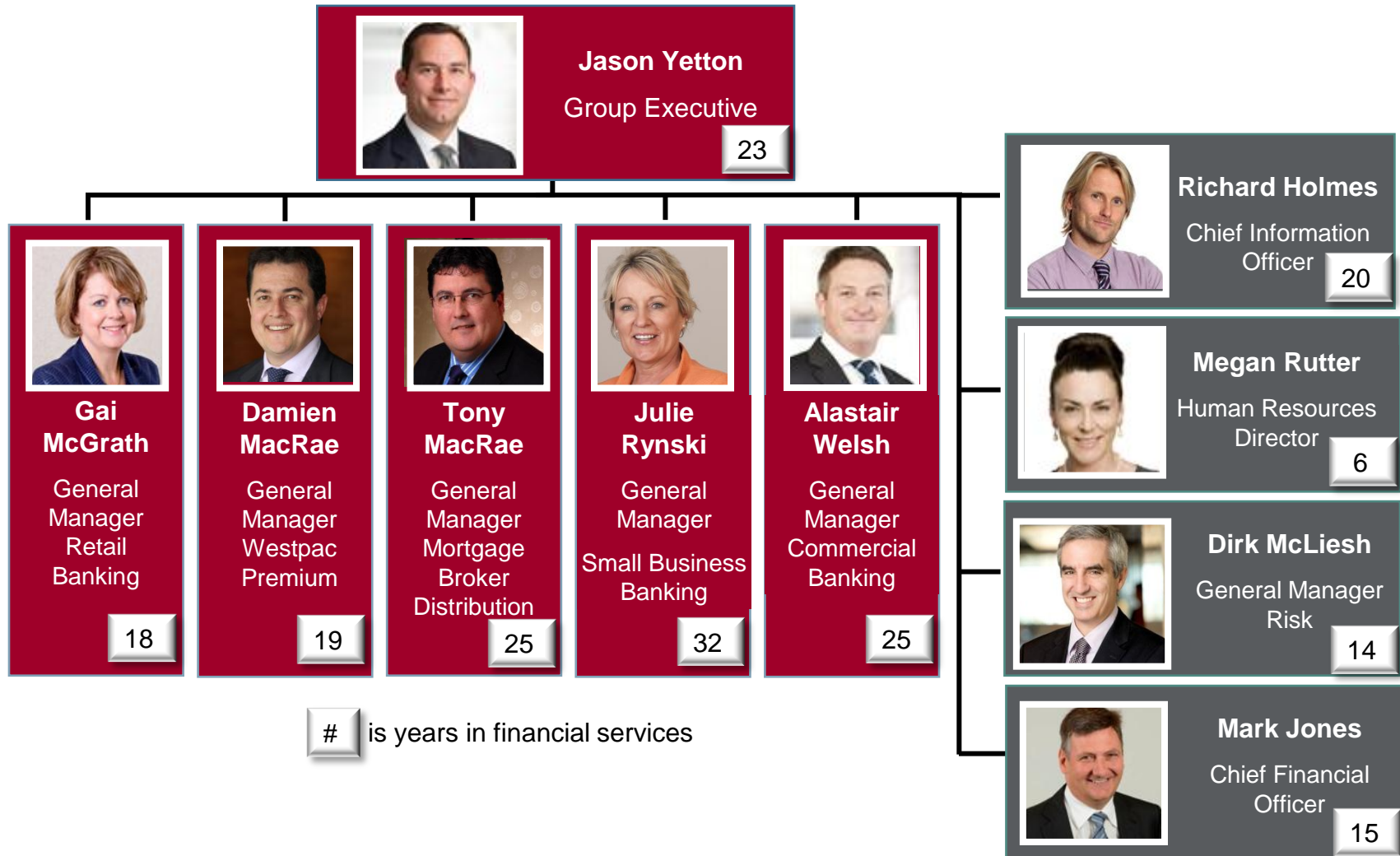


# Westpac Retail & Business Banking

## APPENDIX

All metrics in this presentation relate to Westpac Retail & Business Banking division of Westpac Banking Corporation unless otherwise stated

# Westpac Retail and Business Banking senior management team





# Our customers are noticing



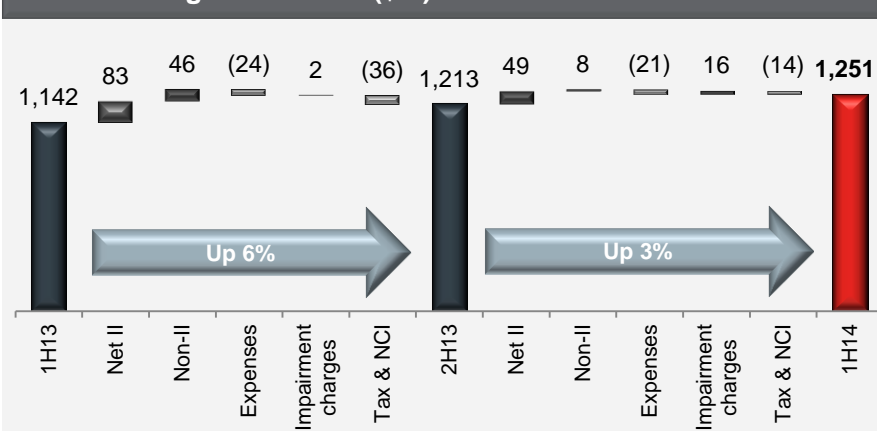
*Winner, Best Enterprise – Westpac Banking for iPad*





# WRBB a strong franchise with consistent growth in Cash Earnings

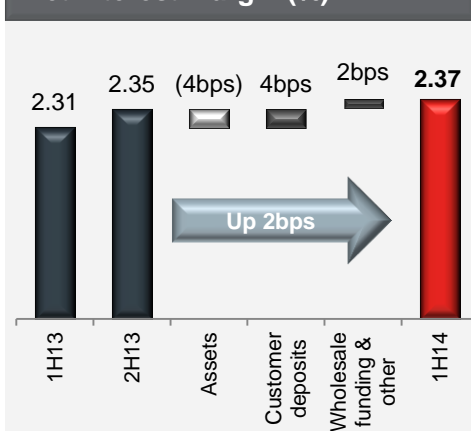
Cash Earnings movement (\$m)



Cash Earnings<sup>1</sup> (\$bn)



Net interest margin (%)



Movement 1H14 – 2H13

Cash Earnings	↑	3%	▪ Up \$38m to \$1,251m
Core earnings	↑	2%	▪ Up \$36m to \$2,014m with 2% revenue growth
Net interest income	↑	2%	<ul style="list-style-type: none"> <li>▪ Deposits up 2% and customer deposit to loan up 11bps to 58.6%</li> <li>▪ Lending up 2%, with 2% growth in home lending and 1% in business lending</li> </ul>
Margins	↑	2bps	<ul style="list-style-type: none"> <li>▪ Margins up to 2.37%</li> <li>▪ Deposit spreads up 4bps due to repricing of term deposits and at-call accounts, net of hedging impacts</li> <li>▪ Lending spreads down 4bps due to lowering SVR in Aug13, higher fixed rate lending</li> </ul>
Non-interest income	↑	1%	▪ Increased credit cards revenue from higher activity levels and launch of Westpac Black card
Expenses	↑	1%	▪ Productivity savings in branches and customer servicing, partly offsetting salary and lease cost increases, volume related costs and increased project spend
Impairment charges	↓	7%	▪ Impairment charges down \$16m to \$226m from improved asset quality in business lending and continuing low delinquency rates in consumer

# Deepening customer relationships, transforming customer experience

## Key features of 1H14

- In Retail, continued to invest in convenient banking, with 34 Bank Now branches and 24/7 sites (up 17), mobile customers up 8%, launch of a new online platform, and service complaints down 25%
- In Business, established a Small Business Banking division and launched Connect Now to enable us to provide expertise and advice to more business customers via video conference
- Meeting more of our customer's financial needs has resulted in market leading wealth penetration of major banks<sup>1</sup> at 21.9% (up 70bps) and increased products per retail customer<sup>2</sup> at 3.03 (up 3bps)
- Productivity continued to improve through branches, over 600K customers moving to e-statements and processing efficiencies (including 70% reduction in mortgage top-up time to yes) enabling a 11bps reduction in expense to income ratio and improved sales productivity with revenue per FTE up 3%.
- Awarded 2014 AB+F Award for Business Banking at Branch; Roy Morgan's Major Business Bank of the Year Satisfaction Award 2013; AIMIA Award – Best Enterprise Category for Westpac Banking for iPad

## Key financial metrics

	1H13	2H13	1H14		Change on 2H13
Customer deposit to loan ratio (%)	56.4	58.5	<b>58.6</b>	↑	11bps
Revenue per FTE (\$'000)	341	359	<b>369</b>	↑	3%
Expense to income (%)	45.3	44.3	<b>44.2</b>	↓	11bps

## Key non financial metrics

	1H13	2H13	1H14		Change on 2H13
Customers (#m)	6.07	6.11	<b>6.20</b>	✓	1%
Business customers ('000)	711	722	<b>741</b>	✓	3%
Active online customers (#m)	2.37	2.45	<b>2.53</b>	✓	3%
Active mobile customers (#m)	1.37	1.51	<b>1.64</b>	✓	8%
BankNow and 24/7 sites (#)	6	17	<b>34</b>	✓	17
MyBank customers <sup>3</sup> (#m)	1.21	1.23	<b>1.25</b>	✓	2%
Average products per customer <sup>2</sup> (#)	2.85	3.00	<b>3.03</b>	✓	3bps
Wealth penetration <sup>1</sup> (%)	20.9	21.2	<b>21.9</b>	✓	70bps
Service quality (complaints # '000)	35.4	35.8	<b>26.7</b>	✓	(25%)
Women in senior leadership (%)	42	43	<b>45</b>	✓	2ppts

1 Refer to slide 19 for wealth penetration metrics provider details. 2 Products per customer metrics defined on page 19. 3 MyBank customers defined on slide 19.

# Definitions and Disclaimer

## DEFINITIONS:

**Wealth penetration metrics:** data based on Roy Morgan Research, Respondents aged 14+ and 12 month average to March 2014. Wealth penetration is defined as the proportion of Australians who have a Deposit or Transaction Account, Mortgage, Personal Lending or Major Card with a Banking Group and also have Managed Investments, Superannuation or Insurance with the same Banking Group. WRBB includes Bank of Melbourne (until Jul 2011), BT, Bankers Trust, BT Financial Group, Challenge Bank, RAMS (until Dec 2011), Rothschild, and Westpac. 'Majors includes: ANZ Group, CBA Group, NAB Group, and WRBB'.

**Products per customer metrics:** Roy Morgan Research, Products Per Customer, Total Banking & Finance (incl Work Based Super) customers aged 18+, 6 month rolling average, March 2014. WRBB refers to Westpac Group (excl STG) and SGB refers to St.George Banking Group. Note that Westpac Group (excl St George Group) includes: Westpac; Bankers Trust; BT; BT Financial Group; RAMS (until Dec 11); Rothschild; Challenge Bank; Bank of Melbourne (to July 11). Note that St George Group includes: Advance (Managed Investment and Superannuation only); Asgard; Bank of Melbourne (from Aug 11); BankSA; RAMS (from Jan 12); Sealcorp; St.George Bank; and Dragondirect.

**MyBank customer:** one where we have their quality transaction account (they are active; have salary credit; and/or have multiple regular deposits) and they do multiple transactions per month; and we meet at least 2 out of 5 of their following needs: (a) long term borrowing; (b) short term borrowing; (c) savings and investment; (d) protection; and (e) wealth.

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Unless otherwise noted, financial information in this presentation is presented on a Cash earnings basis. Refer to Westpac First Half 2014 Results (incorporating the requirements of Appendix 4D) for the half year ended 31 March 2014 available at [www.westpac.com.au](http://www.westpac.com.au) for details of the basis of preparation of Cash earnings.

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