

BEVINGTONGROUP

Staying Ahead of the Curve



- Rapid Performance Improvement

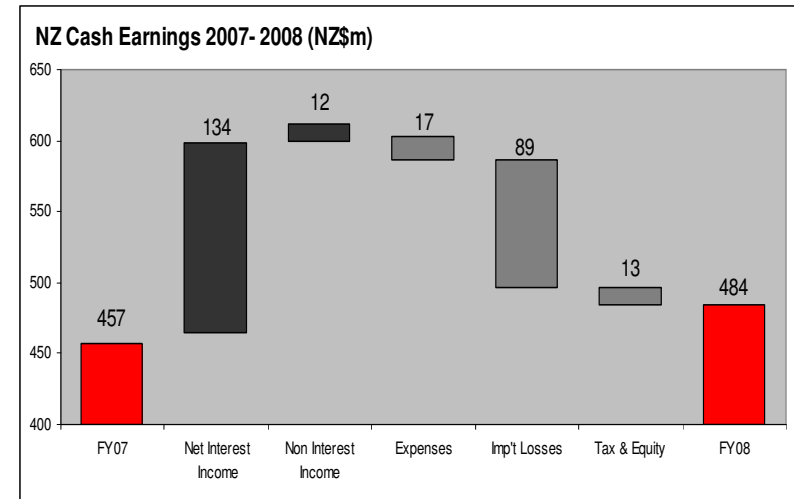
Understand • Engage • Evolve

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Westpac NZ background



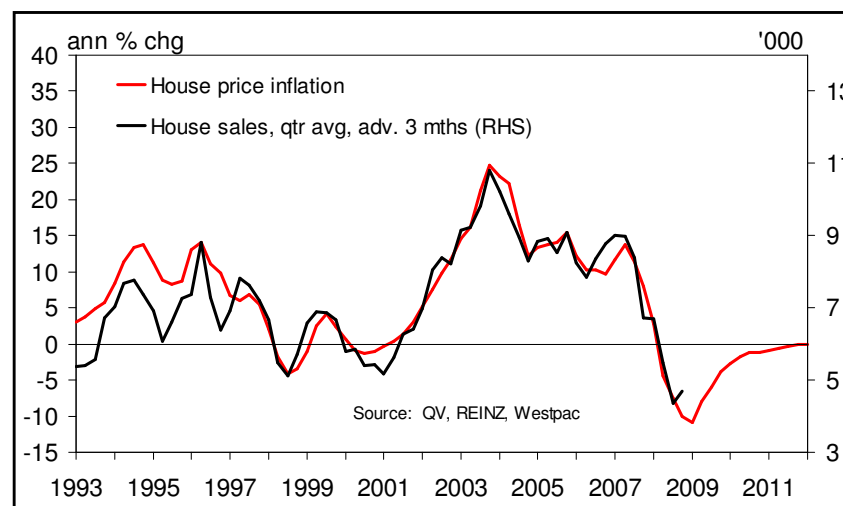
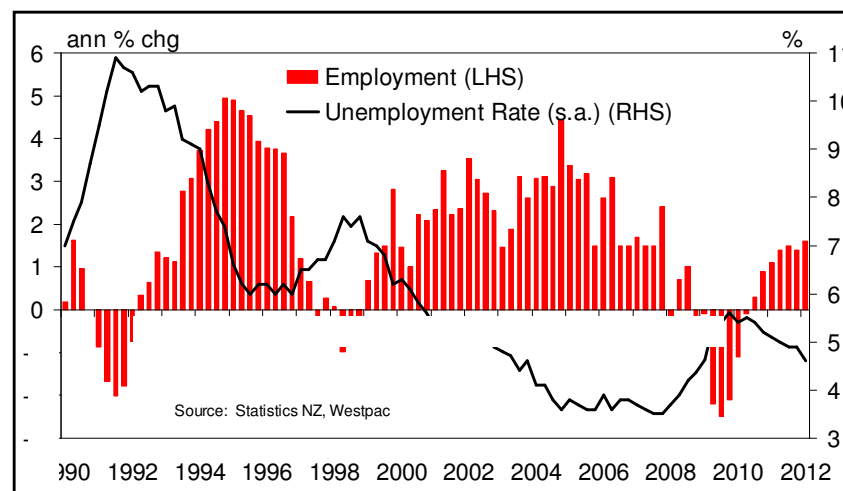
- ❑ Westpac has been operating in New Zealand since 1861
- ❑ Westpac has approximately 5,600 staff, 197 branches, 508 Westpac Branded ATMs operating throughout the country, 24 hour Phone Banking and Phone Assist call centres, and Online Banking.
- ❑ Delivered strong result in challenging market
- ❑ Leader in social and environmental sustainability



The context behind the economic environment in New Zealand



- ❑ Downturn of economy somewhat more advanced than Australia
 - 24 finance company failures,
 - Higher interest rates, falling house prices
 - Unemployment set to rise
- ❑ High percentage of home loans are fixed rate for short terms
 - Expected increase of mortgages rolling over to higher rates
- ❑ Delinquency forecast to increase
 - Needed to respond to stay ahead of the curve
 - The goal wasn't to try and turn the market around but to control it's impact on the bank
- ❑ The risk of doing nothing was not pretty



Our response – a 90 day program of work aimed at positioning us ahead of the curve



- ❑ Project initiated via a discussion paper produced for executive on emerging problem

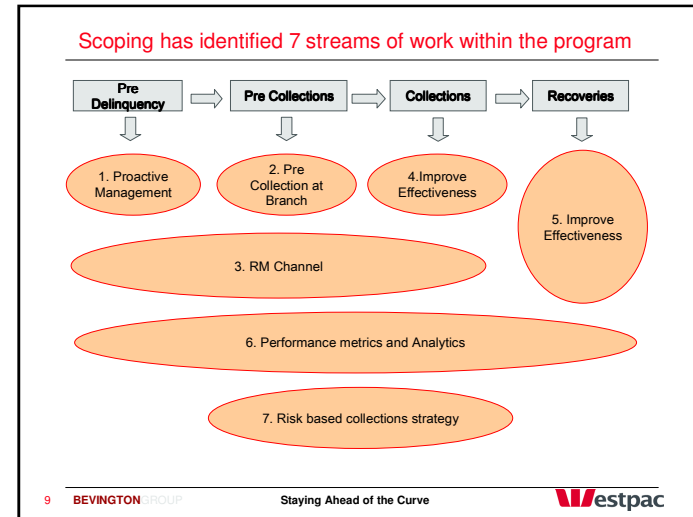
- ❑ Our approach was as follows:
 1. Define problem, complete scoping study and document and gain Executive endorsement (2 weeks)
 2. On board team and complete detailed planning for each stream of work (1 week)
 3. Mapped current state processes (4 weeks)
 4. Conducted solution generation workshops and implemented solutions (8 weeks)
 5. Establish an ongoing control environment (1 week)

- ❑ In summary 3 weeks of pre work and 13 weeks of doing

Phase 1 - Took 2 weeks to complete scoping phase and generate buy-in required



- ❑ Bevington Group, SME engaged to help define problem and outline approach
- ❑ From first phone call to Bevington to start of scoping was 2 weeks
- ❑ Scoping timetable was a tight 2 weeks
- ❑ Identified the key problems through series of stakeholder interviews and data
- ❑ Needed to in top 2 priority for business



Stream 4: Collections Effectiveness

Objective	<ul style="list-style-type: none"> Improve effectiveness and position for increase in delinquent accounts 	Criteria For Success	<ul style="list-style-type: none"> Improvement in collections effectiveness KPI's
Key Actions	<ul style="list-style-type: none"> Understand and document the current process (including entry and exit criteria) Obtain collections effectiveness data by bucket and agent Complete file review Identify and quantify key effectiveness issues Develop solutions Deploy wave 1 solutions 		
Key Drivers	<ul style="list-style-type: none"> Customer gets different collector each time (potential continuity issues) Customers arrive into collections at various states of work (no consistency of prior action) Systems are not well integrated and much manual activity is required in process Cost of training effective collectors (time and economic) 		
Cost / People Required	<ul style="list-style-type: none"> Project Lead 		

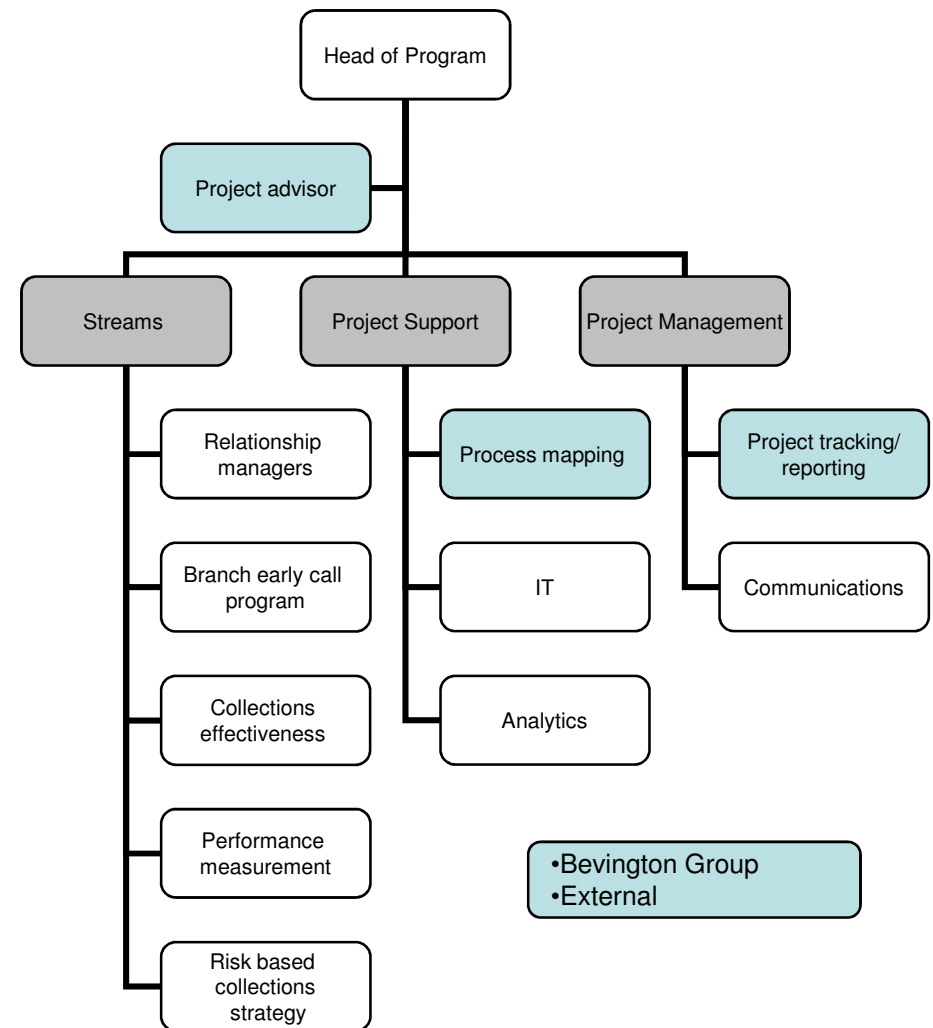
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- ❑ Four objectives were set – These delivered earlier gains compared to original objectives
 - 1. Key Performance Indicators
 - A KPI framework that will drive accountability for delinquency outcomes
 - 2. Dashboards
 - An increase in the visibility of delinquent account performance across channels
 - 3. Improved business model for managing arrears
 - Improve relationship managed and mass consumer arrears process
 - Implementation of risk based collections strategy
 - 4. Quick wins
 - Implementation of initiatives that will reduce early cycle roll rates
And reduce # of accounts going to write-off/recovery

Phase 2 - Project team resourcing and on boarding



- ❑ The project team was formed
 - Needed to be owned by Westpac
 - Pulled the best resource
 - Freed up in a couple of days
- ❑ Detailed outcome orientated stream plans were documented
- ❑ Project governance process defined early
- ❑ Project kick off meeting with team and subsequent sessions ensured the on boarding process was successful



Phase 2 - Established governance process to ensure tight delivery and strong communication

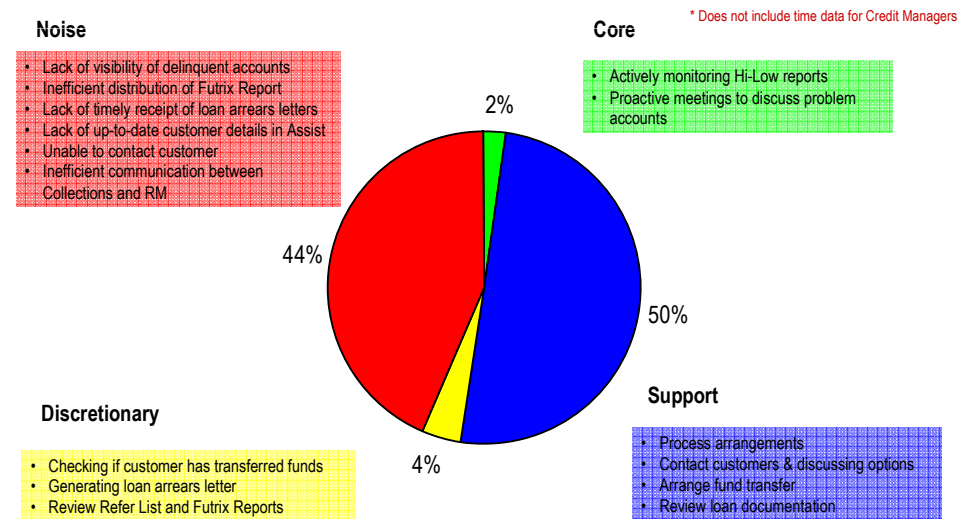
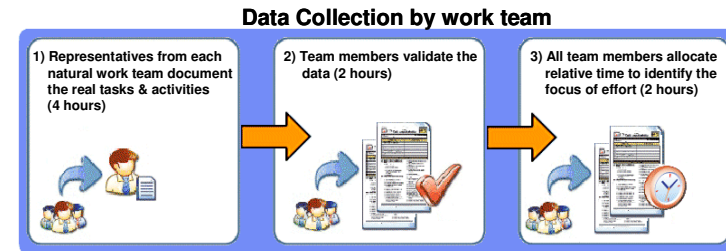


- ❑ Governance process was designed to be light on overhead
- ❑ Daily meeting (team room)
 - No more than 30 minutes
 - Focus on what was to be done today
- ❑ Weekly steering committee (in the team room)
 - 1 hour duration
 - Open house invite for stakeholders
 - Focus on actions to plan, risks and delivery for next tollgate
- ❑ Month Exec tollgates
 - 1 hour duration
 - Stakeholder management pre tollgate ensured no surprises
- ❑ Communication
 - Intense stakeholder engagement
 - Simple one page communication post project start and every tollgate
 - Intranet and newsletter articles
 - Senior management roadshows
 - Videos from successful pilots

Phase 3 – Understanding the current state was completed in the first 4 weeks



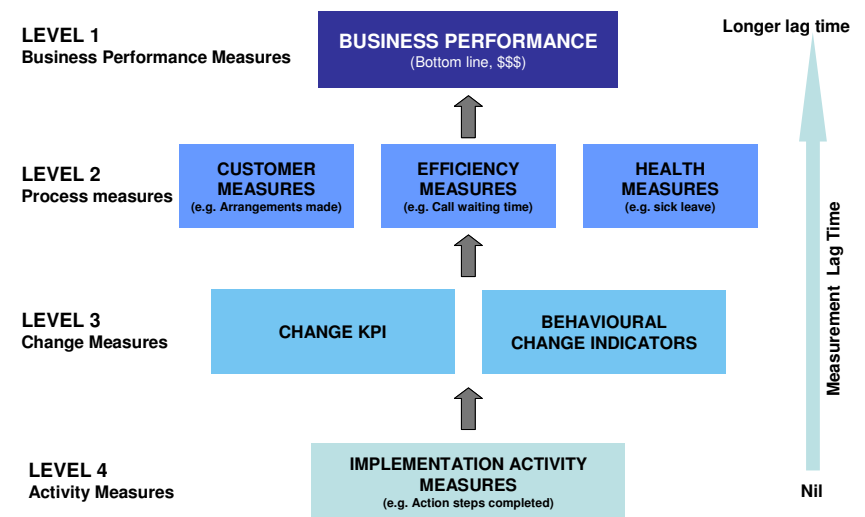
- ❑ Applied standard Bevington XeP3 methodology to process mapping and analysis
- ❑ Champion challenger strategies were identified:
 - Tested risk based delinquency management practices for existing processes.
- ❑ Current delinquency management performance data was collected and analysed
- ❑ Significant debate and pressure to skip current state understanding and just do
 - Resisted this and ended up with a better outcome



Phase 4 - Solutions were identified that could be delivered in the 90 day program



- ❑ Solution generation workshops were conducted based on process data
- ❑ Ideas were prioritised and implementation planned
- ❑ Momentum methods ensured delivery of ideas to time frame
- ❑ Quick wins were also required to maintain balance between short and medium term
- ❑ The big challenge that we faced was the delivery of IT systems (new account management system and dashboards)
 - Not initially expected
 - Had to be delivered in less than 60 days
 - Success was due to positioning of project as number 2 for bank



Phase 5 – Building a framework to sustain the focus



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- ❑ The project had a 90 day life – it is now closed and business has accepted ownership
 - ❑ Appointed business champions
 - ❑ Established regular forums to monitor delinquency numbers, share best practise and drive improvement
 - ❑ KPI's provide the incentive to improve delinquency performance
 - ❑ Dashboards being delivered weekly across business and to executive team
 - ❑ Delinquency management model documented and now controlled by risk with all changes to be approved by risk
 - ❑ Established independent quarterly reviews of outcomes

What we delivered in 90 days has been significant



1. Key Performance Indicators

- KPI's agreed and in place

2. Dashboards

- Producing over 400 weekly dashboards

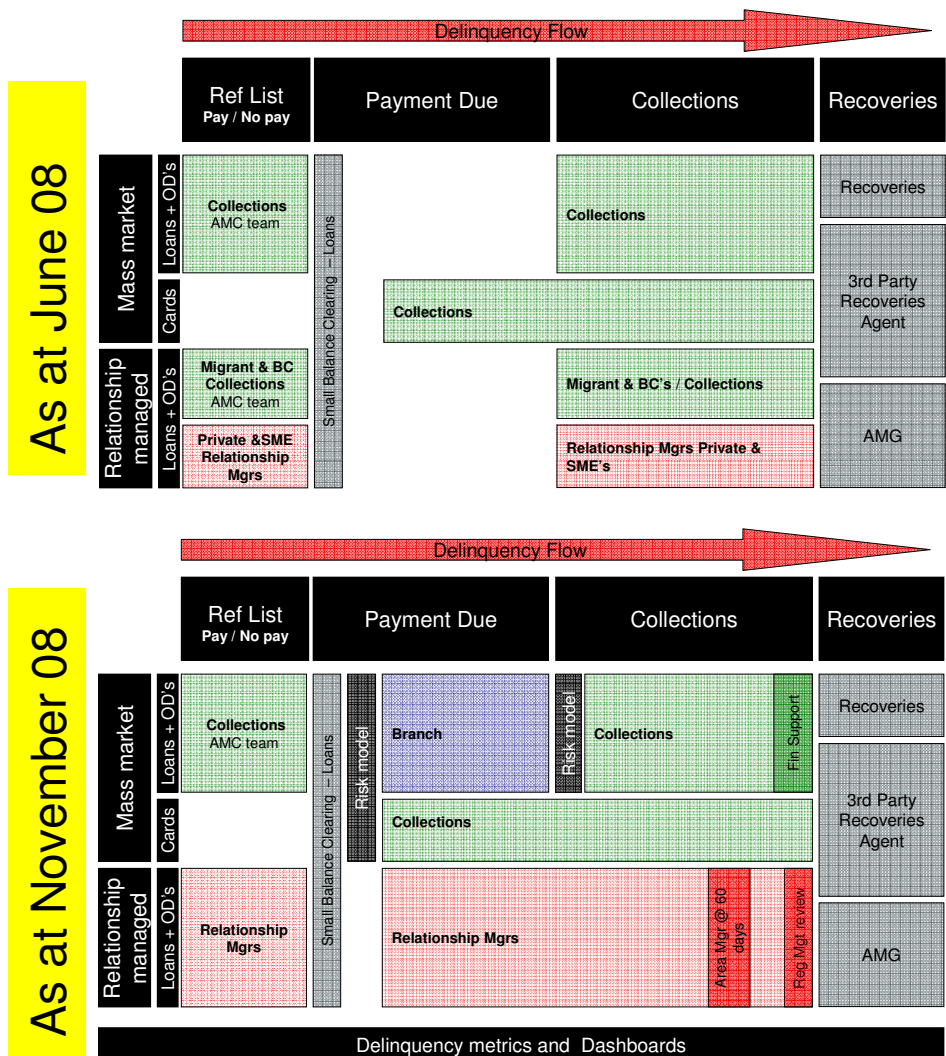
3. Improved business model for managing arrears

- New delinquency management model delivered
- New risk based Account Management System released
- More appropriate delinquency calls being conducted across the business
- Over 20 improvement ideas implemented across the business

4. Quick wins

- Financial Solutions team commissioned in collections to assist in rehabilitating customers
- Using Mobile mortgage managers in Auckland and Wellington to contact customers
- Small arrears team working delinquent accounts with small balances due to technical reasons

The new delinquency management model is significantly different

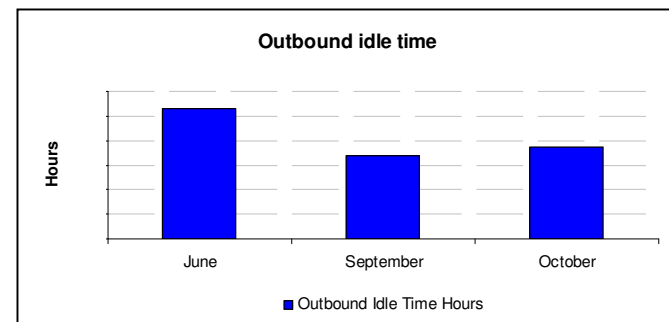
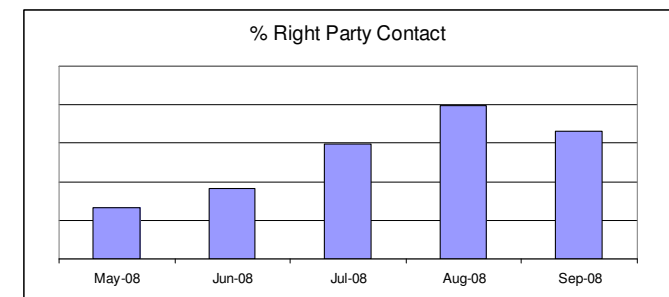
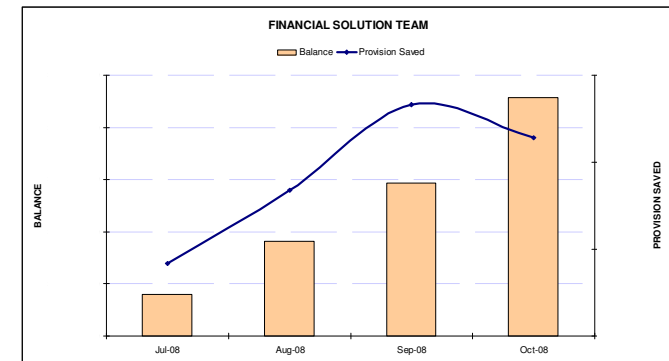


- ❑ Improved Arrears Management Model
- ❑ Process improvement within collections
- ❑ Delinquency metrics in scorecards across the bank.
- ❑ New account management system measuring activity which can be reported on
- ❑ Improved visibility with dashboards

The early outcomes have been very pleasing



- ❑ Financial solutions team implemented in July 2008 have:
 - Rehabilitated \$94m since July
 - Generated provision saving of \$3.7m
 - Halved the return rate into collections
- ❑ Improved collections effectiveness
 - Right party contact rate improved 8%
 - Abandonment rate consistently below 1%
 - Reduced idle time by 32%
 - Cards collection strategy 50 percentage point improvement in 30+ delinquency
- ❑ Branch early call program working well,
 - All lenders are now making early calls
 - Improved roll rate in Personal loan and Housing 1-29 day delinquency
- ❑ Delinquency management model now owned by business and controlled by Risk
- ❑ Established framework for continual improvement of delinquency management performance



In summary what was crucial for success within a short time frame



- The burning platform
- A tight well scoped project
- Very clear deliverables
- Project management
- Stakeholder engagement
- Right team with great attitude
- Ready to take learning to other projects