

The analysis of Westpac Banking Corporation

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Abstract: This report concentrates on Westpac Banking Corporation, in particular its internal and external environment which affects the development of Westpac Bank. For the organization structure and management, the 3 main customer-facing business divisions are cooperating well and branch several sub company which specifically pay attention to a different field. In addition, BTFG is the best way to manage Westpac that helps the customers to achieve their financial goals. And for SWOT, technology and new products become more important recently, with the wildly use of network mobile banking app is more popular that convenient banking app can get more customer to utilize Westpac. Risk management is crucial for an ADI to protect its diversified stakeholder; thus, Westpac identified five key risks: credit, liquidity, market, operational, and compliance risks.

Keywords: Westpac Banking Corporation; SWOT Analysis; BT Financial Group

1. Introduction

1.1 Overview of report structure

This report is devoted to six core sections affecting Westpac Bank are investigated and analysed, which categorised by analysing history, structure and management, products and services, strategic management – SWOT analysis and risk management –capital adequacy. A range of factors potentially affects Westpac Bank will be discussed.

1.2 Methodology

For satisfy the scope of the study, data were collected utilising the Westpac Bank's official website, professional organisational literature, publicity brochure and relevant journal articles (books and academic periodicals).

1.3 History of Westpac Bank

Westpac is the oldest continuously administrative bank in Australia and has grown to become the largest banking organizations (Macarthur, 2004, p.2). It was established in 1817 called the Bank of New South Wales and changed name to Westpac Banking Corporation in 1982 (Westpac, 2013, p.6). To be one of the biggest bank in Australia, Westpac Corporation has more than 2,800 ATMS and almost 1200 branches, which around the main town of Australia (Macarthur, 2004, p.29). Therefore, Westpac Bank as a leader among the development of bank industry in Australia.

2. Analysis of factors

2.1 Structure and Management

The Westpac group comprises 3 core customer-facing business divisions, which serve for about 12 million consumers.

The first one is an Australian Financial Services (AFS), and is charge of the branch in Australia of Westpac. AFS also includes the Australian banking products and the risk of liability. It integrates Westpac retail and commercial banking (Westpac RBB) St George Bank (Group St. George) and BT Financial Group Australia (BTFG) operation (Westpac, 2012, p9).

The second one is Westpac Institutional Bank (WIB) that numerous financial services will be provided to commercial, enterprise, organizations and government, which supplied from sub companies located in Australia, New Zealand and America (Westpac, 2013, p9).

The last one is New Zealand Banking, which sales and service of banking, asset and assurance products is their responsibility. And Westpac Sub Company supports the products of banking and Westpac Life and BT brands support the products of assurance and assets (Westpac, 2013, p10). Furthermore, the best way of managing Westpac is BTFG. Which help the consumers to achieve the financial goals use the

way of control and protect customers' property project, and they establish and issue financial products.

There are several kinds of ways about the management of funds, which is private banking and financial planning, trusts of investment. Moreover, great management can lead to great profits.

2.2 Products and Service

In order to achieve objective, Westpac is focused on the core markets of Australia, New Zealand and the Pacific islands, where they provide a comprehensive range of financial products and services.

Westpac Bank is operating their business within five major scopes of business, which including: Business and Consumer Banking; Wealth Management; Westpac Institutional Banking (WIB); New Zealand Retail and Pacific Banking (Westpac, 2012, p.10). Typically, the services of business and consumer banking include deposit, credit card and other credit services (Westpac, 2013, p.6).

2.3 Strategy Management - SWOT Analysis

For the points of strengths, Westpac was the first bank that established in Australia, which began to trade on 8 April, 1817. And recently is one of the four biggest banks in Australia. Another points is for the new products and technology, recently network is more general, so Westpac launch new products, such as 'Money Meter', which can let the customers to use their bank card to swipe the mobile banking app on mobile that can access the app to know their balance, (Westpac, 2013, p11).

And for the weakness, even though there are numbers of branches of Westpac in Australia and New Zealand, still not enough, different divisions have different functions, such as St. George bank, which is one of the divisions of Westpac compared with other banks like NAB, is still not big enough and the service is not good enough. It is too specific.

Furthermore, the two points of opportunities. Westpac exploitation some new app which called Windows 82 that can educate children to save (PayPig) and strengthen their agency of pledge. And they will launch a new mobile app, increase the level of ease for online banking that can attract more customers (Westpac, 2013 p5). Then, even though customers, open banks in foreign countries, it still can get permission to use from Westpac which is so convenient. And Westpac has lots of Sub Company all over the world.

Finally, talk about the threats. Westpac will affect by economy of Australian and New Zealand, because it has branches in Australia and New Zealand which is very important divisions of the Westpac Group, In addition, for NAB, if they want to get a visa debit card of classic banking, they do not need to pay any of the monthly account service fee (NAB, 2014), but for Westpac, no matter how much you deposit, still need to pay the service fees. And that may cause customers to choose another bank.

2.4 Risk Management - Capital Adequacy

Westpac is an Authorised Deposit-taking Institution (ADI), an institution granted by APRA to carry on banking operations in Australia (Australian Prudential Regulation Authority (APRA) 2008, p.5). Risk management is crucial for an ADI to protect its diversified stakeholder; thus, Westpac identified five key risks: credit, liquidity, market, operational, and compliance risks (Westpac 2013, p.38). It was only in 2012 when the bank recognised the adverse effects of market risk (Westpac 2012, p.36). It is the Board's accountability to review and approve the overall risk management techniques, which are facilitated by the Board Risk Management Committee (BRMC) (Westpac 2009, p.31). The BRMC also started to include capital as part of their roles in 2011 (Westpac 2011, p.35).

Westpac has successfully met APRA's requirements because the bank considers the pivotal role of balance efficiency, sufficiency, and flexibility in determining capital adequacy and in generating capital management schemes (Westpac 2009, p.85). The bank examines these considerations using its Internal Capital Adequacy Assessment Process (ICAAP) with primary features consisting of capital management strategy development, consideration of economic and regulatory capital requirement, systematic capital measures, coverage, and adherence to requirements, and consideration of external stakeholder management (Westpac 2013, p.246). The implementation of ICAAP is facilitated by Westpac's Board Risk Management Committee, which consists of Non-executive Directors and all of the bank's independent, spearheaded by Elizabeth Bryan (Westpac 2013, p.38). In terms of governance, it is the Executive Team who monitors key risks under each strategic business unit (SBU), capital adequacy, and the bank's reputation (Westpac 2013, p.40).

2.6 Future Planning

The strong position leads Westpac to take advantage of opportunities as they arise. Compare with 2012, the total employees, including FTE working on merger integration projects has decreased by around 78 (Westpac 2013, p.117).

The online service also has been reshaped, such as enhanced technology, new layouts and the investment in people. Meanwhile, the investments will be greatly focusing on wealth management and the ability of capturing the increased flows as well as the connection between Asia and New Zealand (Westpac 2013, p.5). The sustainability strategy for Westpac also needs to be refreshed. There are ten specific objectives which include the diversification of the workforce, spend around \$6 billion in CleanTech and also produce products that to help customers to get a more secured retirement (Westpac 2013, p.5).

Looking forward, although Australia faces a long period of low customer confidence and business, the outlook for Westpac will remain positive. At the same time, the transformation of the industry is expected to be demographic shifts, with higher usage of electronic communications and with the rise of Asia, the operating environment will continue to be reshaped. With the strength of the business and the divisions, and together with the starting of the substantial investments, the Westpac Group would be continued to meet the 12 million customers needs and to try their best to make high quality returns to shareholders.

3. Conclusion

To sum up, Westpac Bank occupies the leading position among the banking industry worldwide, and major concentrate on the area of credit card and immigration. However, the improvement of Westpac Bank can follow the weakness and threats that pointed out, such as reducing the annual fees and give more support to the branch of New Zealand.

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