Westpac

Australia's First Bank

JP Morgan
Australasian Investment Conference 2003

Mike Pratt Group Executive
Business and Consumer Banking

October 2003

Westpac at a glance

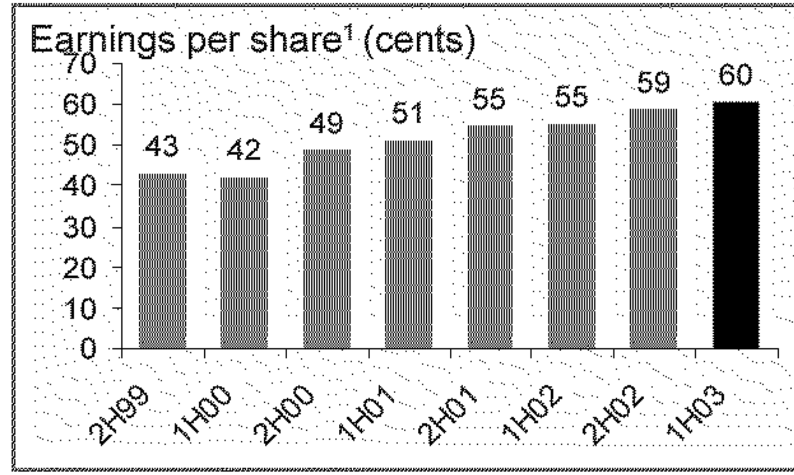
- Established 1817
- Top 100 bank globally[1]
- Core markets of Australia, New Zealand and near Pacific
- 7.5 million customers
- Leader in sustainability

	March 2003
4 year EPS CAGR	11%
Return on equity[2]	21%
Dividend yield[3]	4.6%
Total assets	A$206bn
Market cap[3]	A$30bn

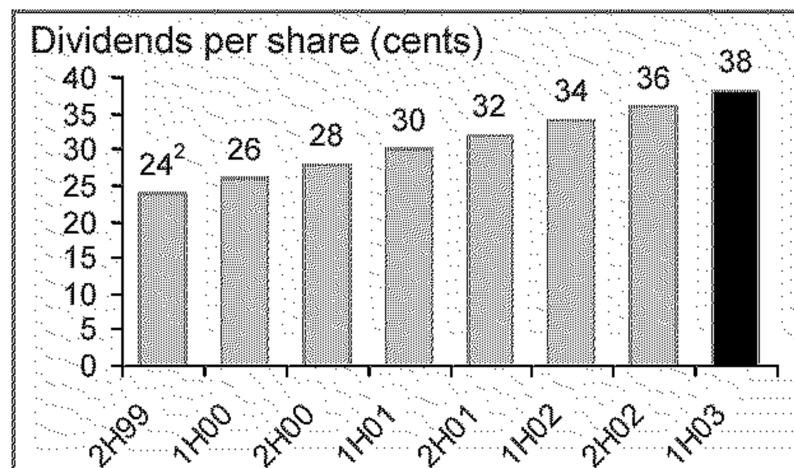
1 Euromoney June 2003
2 Cash earnings basis
3 As at 30 June 2003

Consistent earnings and dividend growth

- Strong growth across all businesses
- Performance driven by:
  - Solid asset growth
  - Sustaining margins
  - Further improvement in asset quality
- Dividends growing at or above earnings

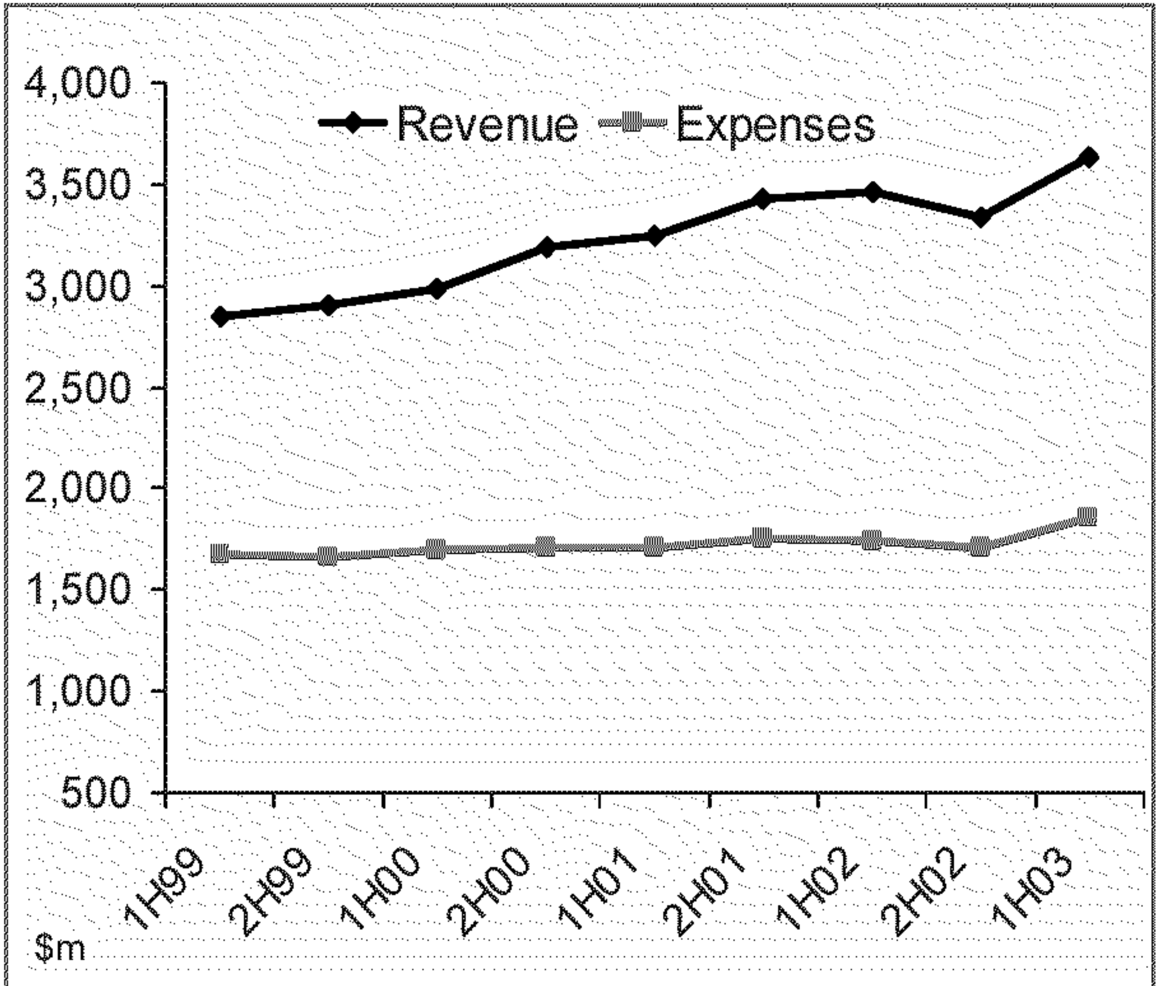


[1] Underlying cash earnings



[2] Unfranked

Revenue has been a key driver of growth



4 Year CAGR[1]

Revenue 7%

Expenses 2%

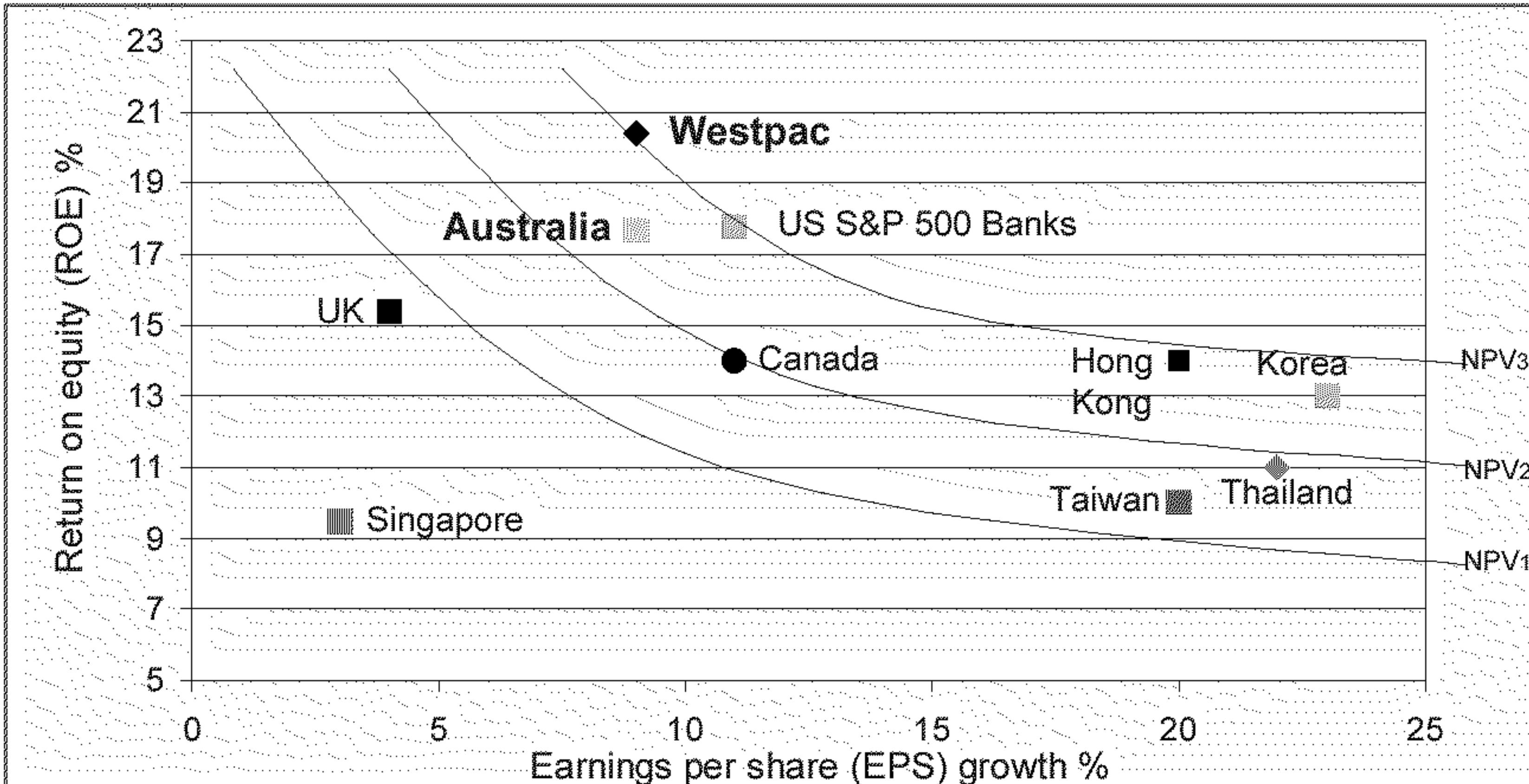
[1] Underlying business basis

Points of differentiation

- Focused strategy
  - Core markets - Australia, New Zealand and near Pacific
  - Right exposure to contemporary wealth management business
- Low risk
  - De-risked income streams
  - Leading asset quality and strong provisioning coverage
- Leader in sustainability
- Large, high quality customer franchise
- Superior execution capability

Core markets offer a favourable growth-return mix

Actual and forecast return/growth profile for major banking sectors 2002-04



Source: Deutsche Bank and CSFB actuals and estimates

ROE and EPS growth represent 2 or 3 year average of actuals reported in prior year and forecasts for the 2003 & 2004 years for the major banks in each economy. Canada & Asian estimates have been normalised for large swings in EPS.

Acquisition strategy

- No specific requirement to acquire customers
  - Three regional bank acquisitions 1995 - 1998
- Filled major strategic capability gaps
  - Two wealth acquisitions in 2002
- Opportunities will continue to arise in core markets, with not all assets in the hands of their natural owners
- Disciplined approach
  - Aligned with strategic direction
  - Strict valuation criteria
  - Minimal franchise stress

An aligned, customer focused business model

Vision	*Strategy*	*How?*	*Outcomes*

"To be a great Australian Company"

- A great place to work
- A superior customer experience
- 1st quartile shareholder returns
- A good corporate citizen

Customer Focus

Differentiator: Superior Execution

- Our high performance culture:
- Quality people
- Effective people & performance management processes
- Values

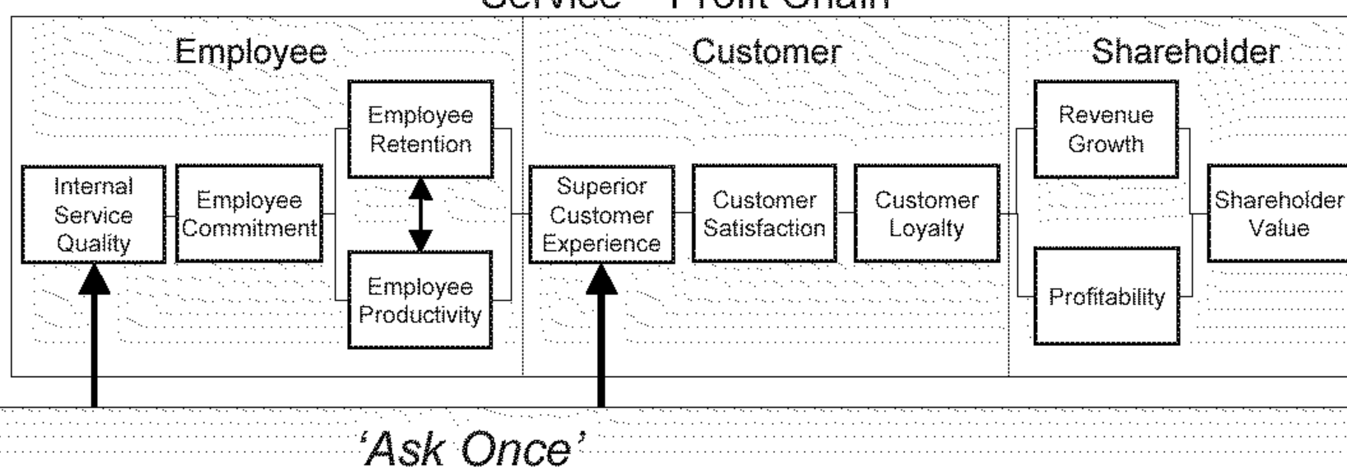
Core Group Objectives 2003

- Increase employee commitment by at least 5%
- Improve customer satisfaction by at least 5%
- Achieve 7-9% EPS growth
- Top 5 corporate citizenship ranking

Mission
"To be the No.1 service organisation in the financial services industry by September 2005"

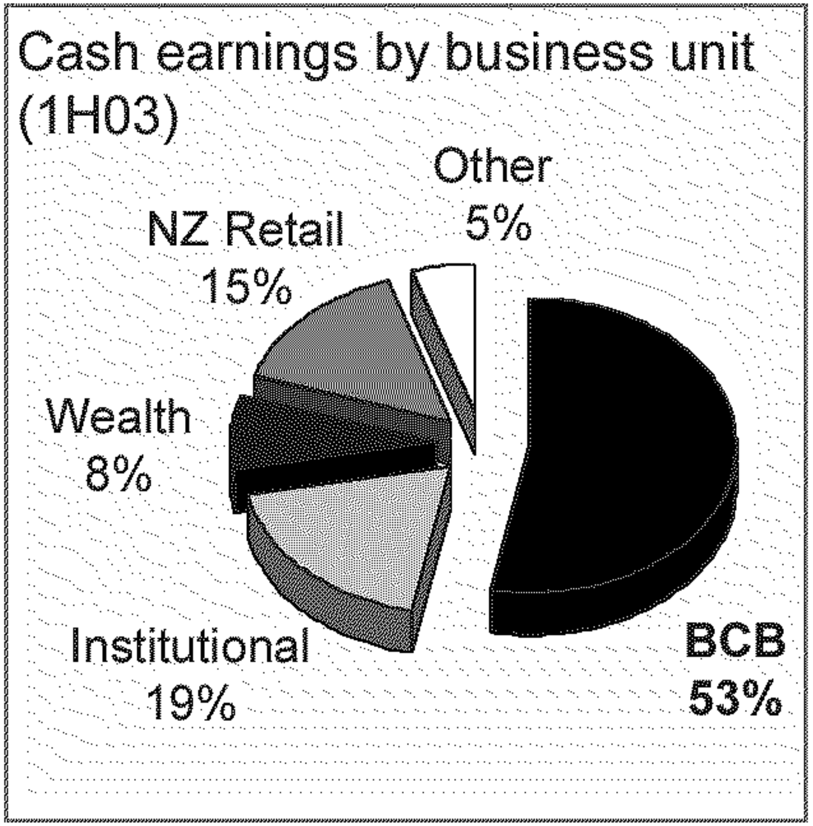
Values
Teamwork
Integrity
Performance

Service – Profit Chain



Business & Consumer Banking

- Australian retail banking and wealth distribution
- Customer-driven organisational structure
- Optimal geographic footprint
- 5.1 million customers
- Main bank customer share:
  - 13% Consumer
  - 20% Middle Markets
  - 16% SME
- 13,841 staff

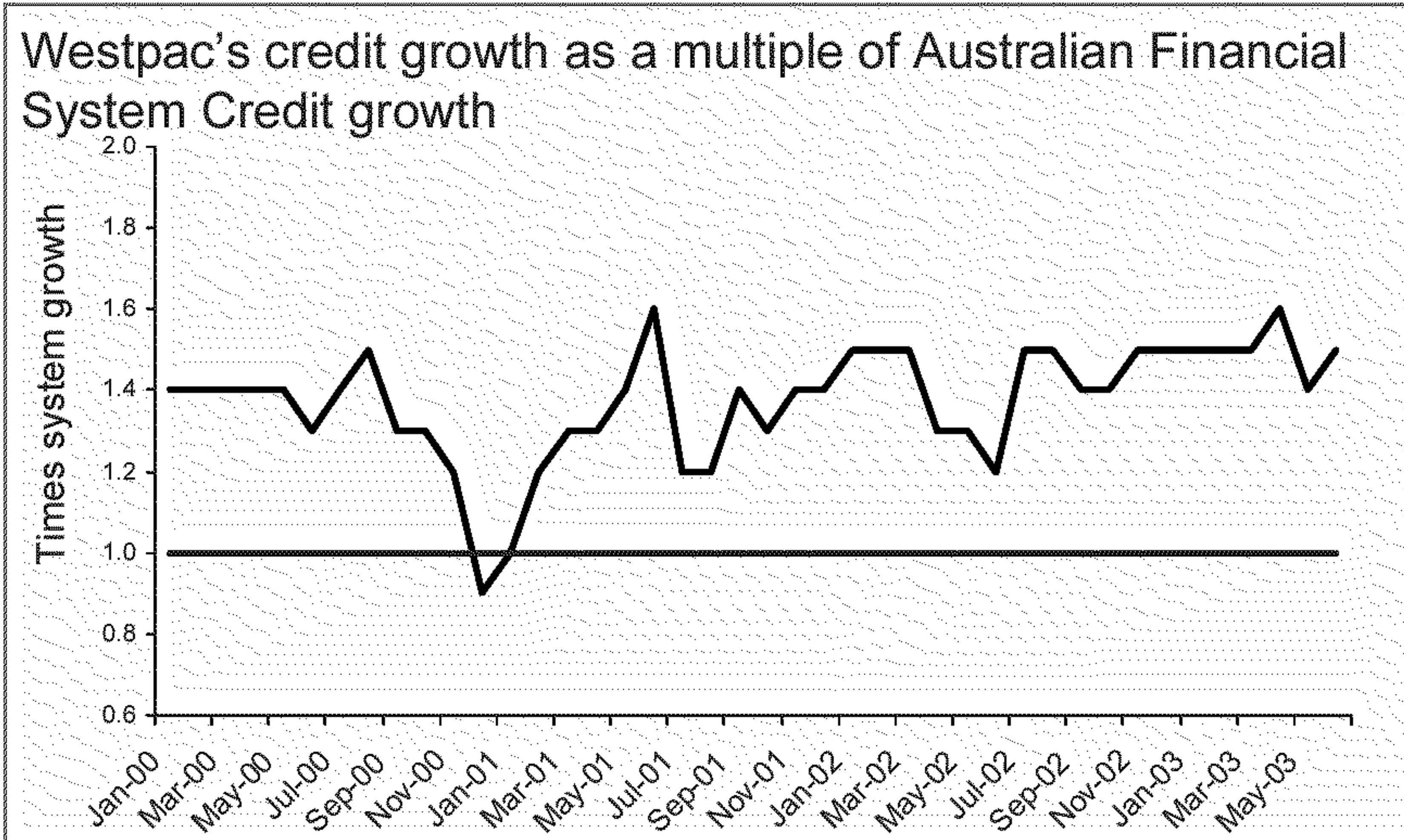


Business & Consumer Banking – March 03

- Cash earnings up 13%
- Expense to income down 340bps
- Bad debt increase primarily due to dynamic provisioning for rebuild of equipment finance book

$m	1H03	1H02	% Mov't
Operating income	2,124	1,975	8
Operating expenses	(1,145)	(1,131)	(1)
Core earnings	979	844	16
Bad debts	(149)	(126)	(18)
Operating profit	830	718	16
Tax & OEI	(251)	(207)	(21)
Cash earnings	**579**	**511**	**13**
Goodwill	(29)	(29)	-
Profit on operations	**550**	**482**	**14**
Expense to income	**53.9%**	**57.3%**	**340bps**

Consistently capturing above system credit growth



Market share has similarly increased

Share of Reserve Bank of Australia financial system aggregates	Jun 03 %	Mar 03 %	Mar 02 %	Change (basis points) Mar 03 – Jun 03
Credit				
Housing	17.8	17.9	18.1	(10)
Personal	12.2	11.5	10.2	70
Other mainly business	11.1	11.0	10.0	10
Total credit	14.3	14.2	13.4	10
Total retail deposits	13.7	13.3	12.7	40

1 Excludes impact of rebuilding AGC equipment finance book.

Strengths and opportunities

Strengths

- Large customer franchise
- Strong mass-affluent bias in customer base
- Embedded sales and service culture
- Footprint aligned to Australia's GDP growth profile
- Leading on-line customer penetration

Opportunities

- Below natural share in key segments – particularly small business and consumers in their later life stages
- Behind the leaders in technology infrastructure
- Excellent at growing the business (acquisition) but retention requires improvement

Integrated program to build sustainable success

Early 2003 alignment, planning & quick wins

Detailed environmental diagnostic

Mapped capabilities and positioning against optimum

Identified 80 "quick wins"

2003-2005 Re-position and unlock growth

Redefine customer experience

Reposition to exploit key profit pools

Upscale retention capability

Optimise distribution

Delivery of lifecycle customer solutions

Advice and coordination driven distribution model

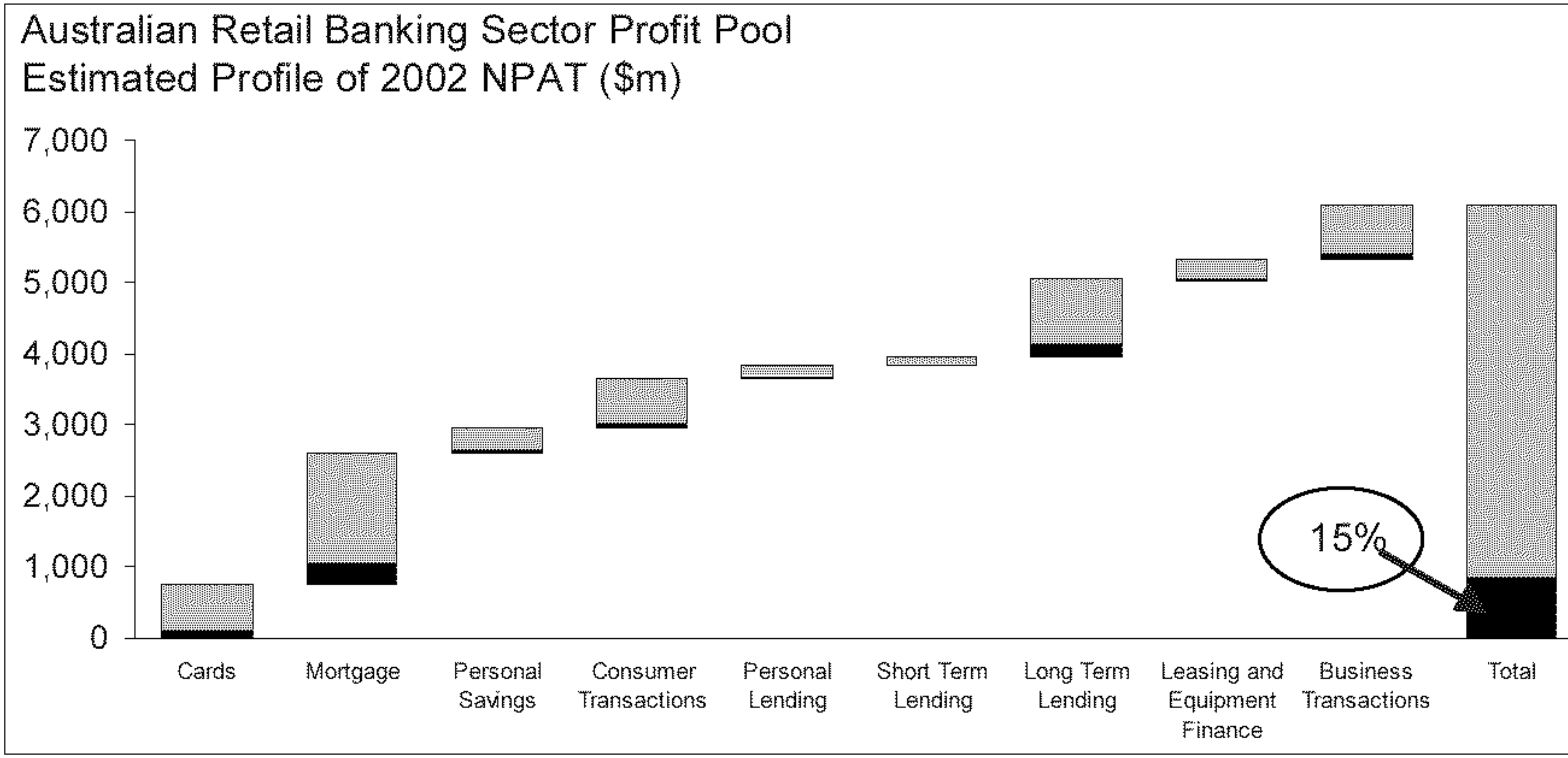
Deliver on 'Ask Once'

Customer experience

Integrated wealth

People experience

Strategy is focused on profit pools



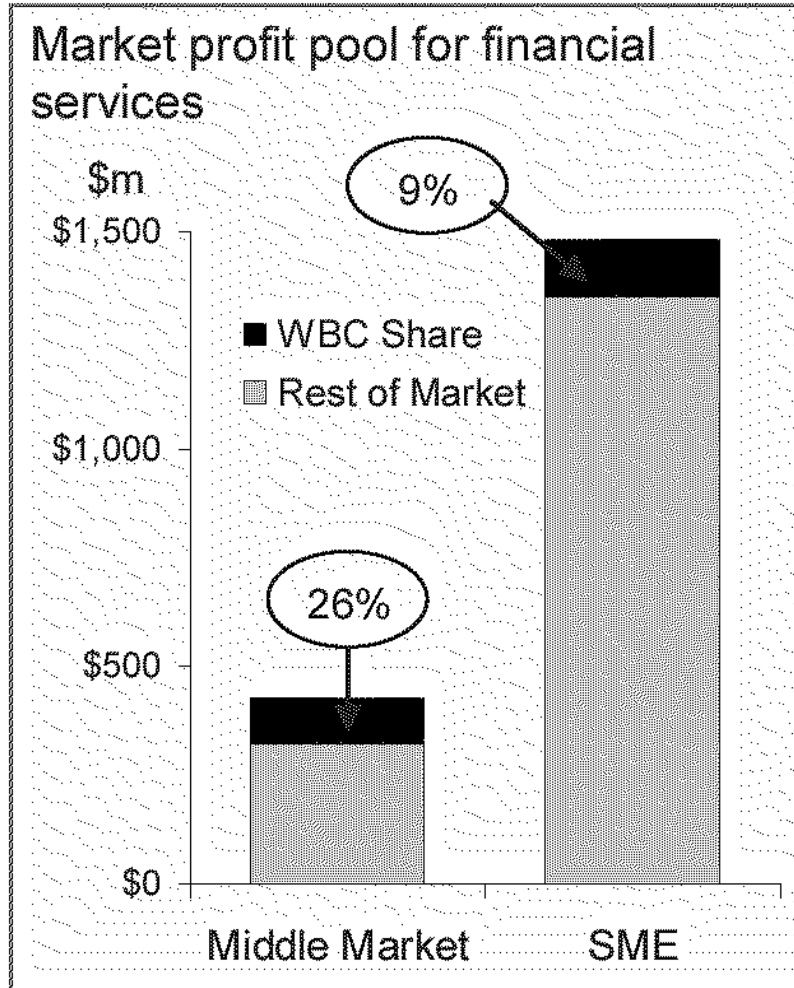
Mkt Share	18.5%	18.0%	14.7%	14.0%	11.0%	16.0%	16.0%	6.0%	15.0%

Note: Market share figures based on outstandings, except cards which is based on NPAT estimates. Growth is for balances outstanding, for coming year
Source: Group Data Warehouse, Company reports, Analyst reports, Taylor Nelson, Roy Morgan, BAH Analysis

The SME Segment is large and attractive

- The Australian economy is dominated by the middle market and small business sectors
- Total profit pool available
  - Middle market $426m
  - SME $1,481m

Definitions[1]	No. of employees
Small medium business(SME)	0 – 20
Middle market	21 – 200
Corporate	200



1 Source: Small Business in Australia 2001, Australian Bureau of Statistics

Opportunities identified by segment and geography

	Geography					
Segments	State 1	State 2	State 3	State 4	State 5	Total
Agribusiness	112 26 (23%)	74 32 (43%)	35 15 (44%)	95 12 (13%)	44 10 (22%)	360 95 (26%)
SME	462 53 (11%)	303 18 (6%)	145 7 (5%)	389 34 (9%)	182 18 (10%)	1481 130 (9%)
Middle Market	133 54 (41%)	87* 12 (14%)	42 5 (11%)	112 31 (28%)	52 8 (16%)	426 111 (26%)
Total	**707** **133** (19%)	**464** **62** (13%)	**223** **27** (12%)	**596** **78** (13%)	**279** **36** (13%)	**c2.268** **335** (15%)

Source : Westpac analysis

Estimated industry profit pool ($m) → #

Estimated Westpac profit ($m) → #

← Estimated share of pool %

Major programs in place to tap opportunities

Key Opportunities

- Improve customer acquisition capability
- Strong relationships but weak share of wallet across existing customer base
- Customer satisfaction levels below par

Key Programs

Sales	Reach
Distribution	RedPower
Manufacturing	Pinnacle
Wealth	Sunrise

Sales - Reach program

A cross product, cross geography, end-to-end sales and information management re-engineering program including CRM

Plans and objectives
• Relationship platform delivered to 111 managers • Core training delivered • Pilot underway • FY2003 - deliver end-end capabilities within SME market segment • FY2004 - roll-out SME capabilities across all channels and segments

Metrics from pilot	Performance above current model
Branch referral conversion rate	6.0X
Outbound team leads actioning	1.5X
Success rate per lead	2.4X

Distribution - S-Pilot project

Part of the RedPower program, S-Pilot seeks to develop an enhanced branch based acquisition and servicing capability

Progress and plans
• FY2003 design and test two new face-to-face roles - Business Finance Manager & Banking Service Representative • FY2004 roll-out SME capabilities across entire branch network • Key Focus: - Increase sales opportunities - Improve customer satisfaction - Link with Reach

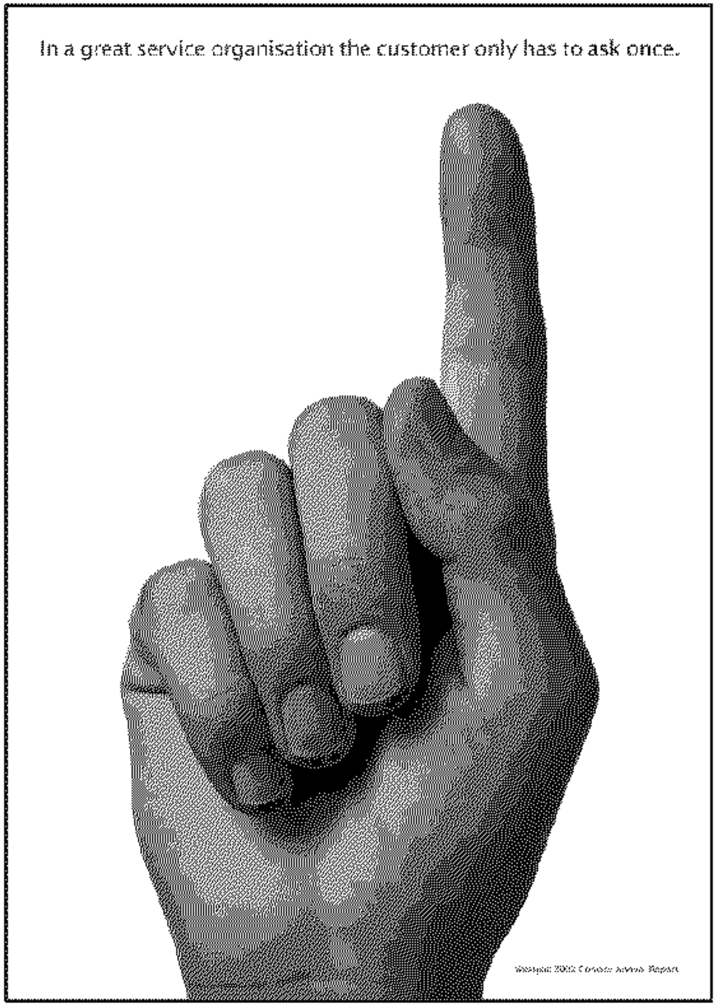
Metrics from pilot	Performance above current model
Activities	
Referrals	small rise
Interviews	2X
Sales	4X
Conversions	
Referral to interview	2X
Interview to sales	2X
Referral to sales	4X
Average deal size	2X

Embedded customer experience culture

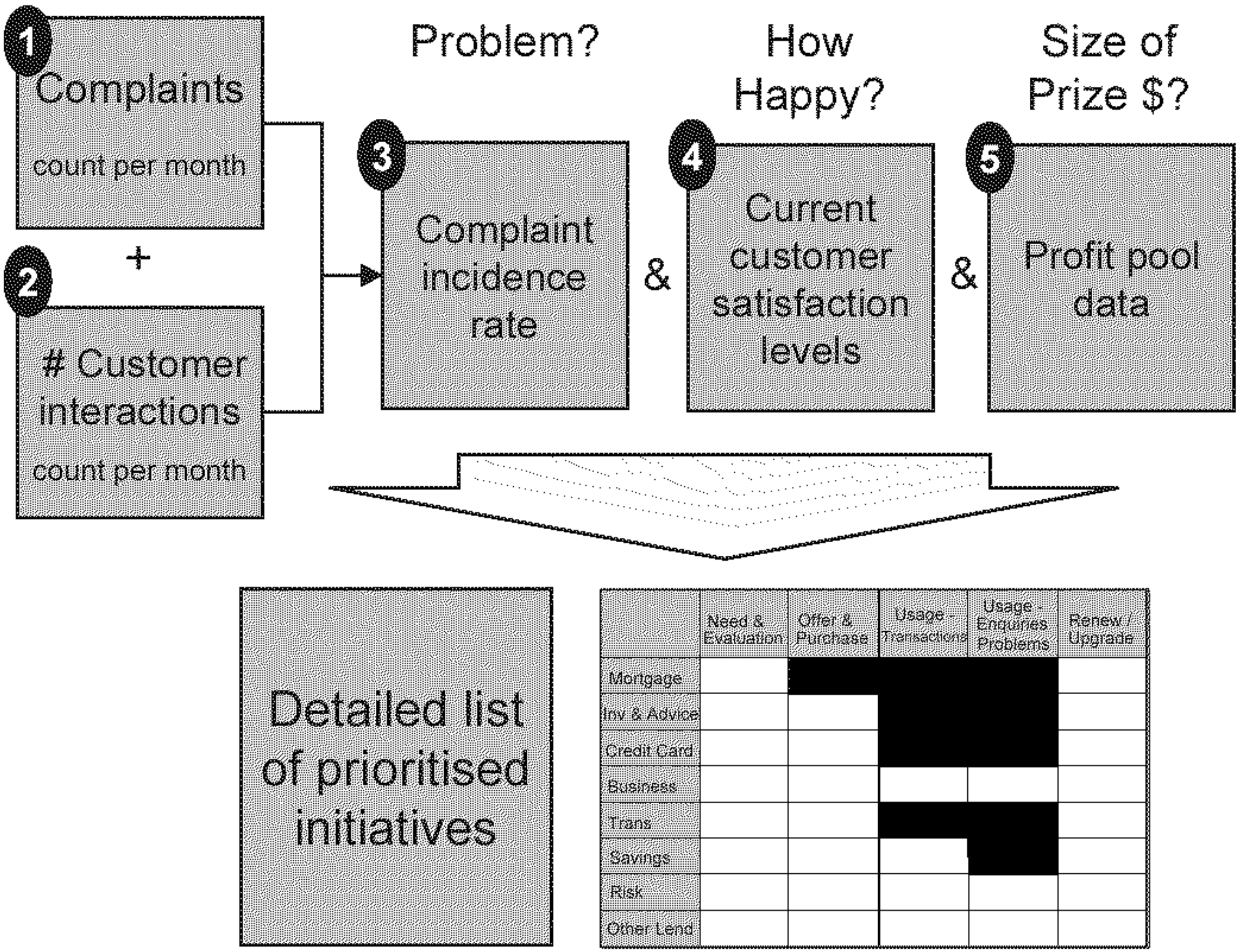
- Mission

  'To be the No.1 service organisation in the financial services industry by September 2005'

- Ask Once is part of the Westpac DNA
- Capability in place to deliver

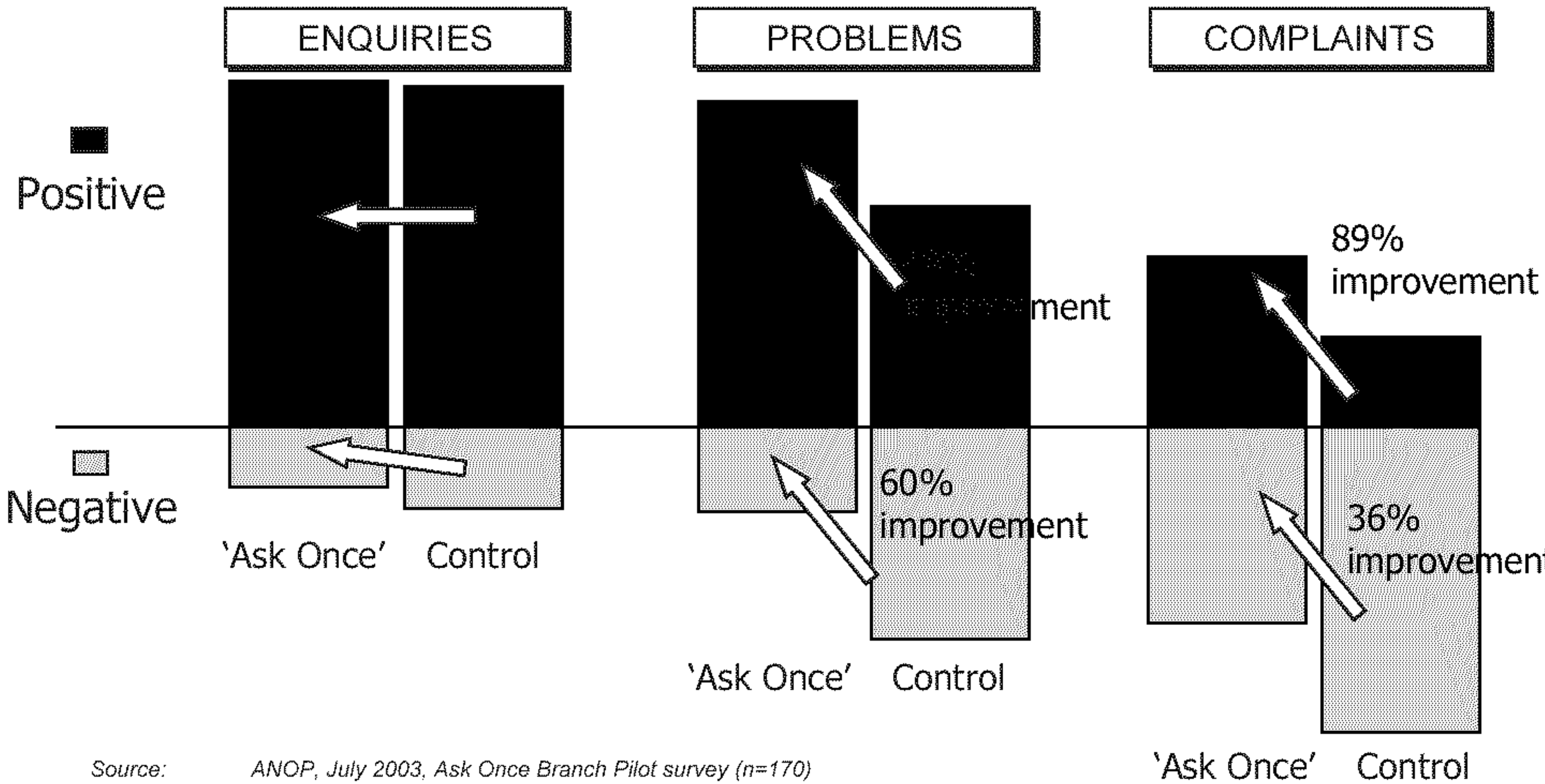


A disciplined approach to identify customer experience improvements



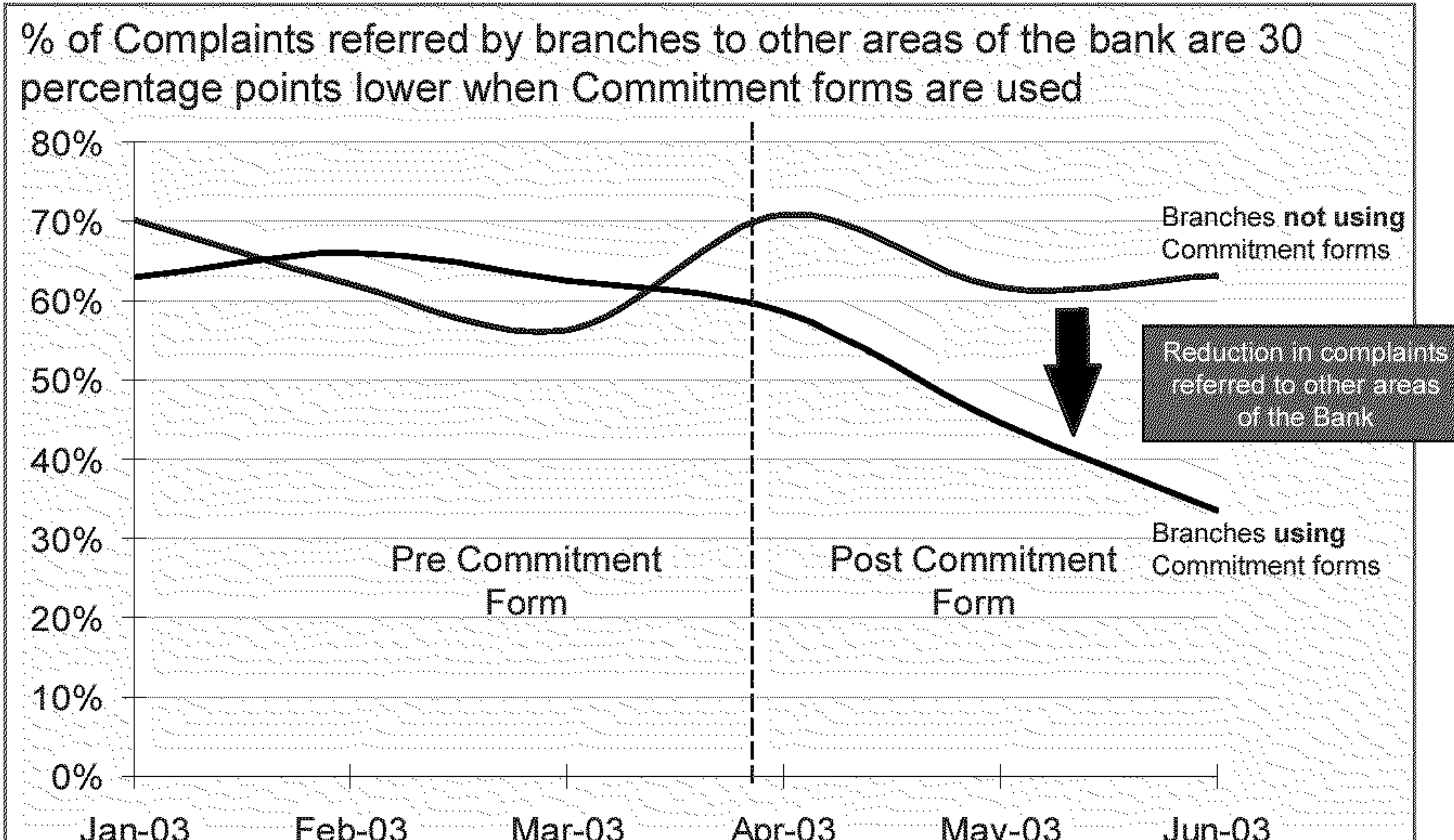
Initiative – ‘Ask Once’ coordinators

Impact of introducing ‘Ask Once’ coordinators into selected branches



Source: ANOP, July 2003, Ask Once Branch Pilot survey (n=170)

Initiative – Customer service commitment forms



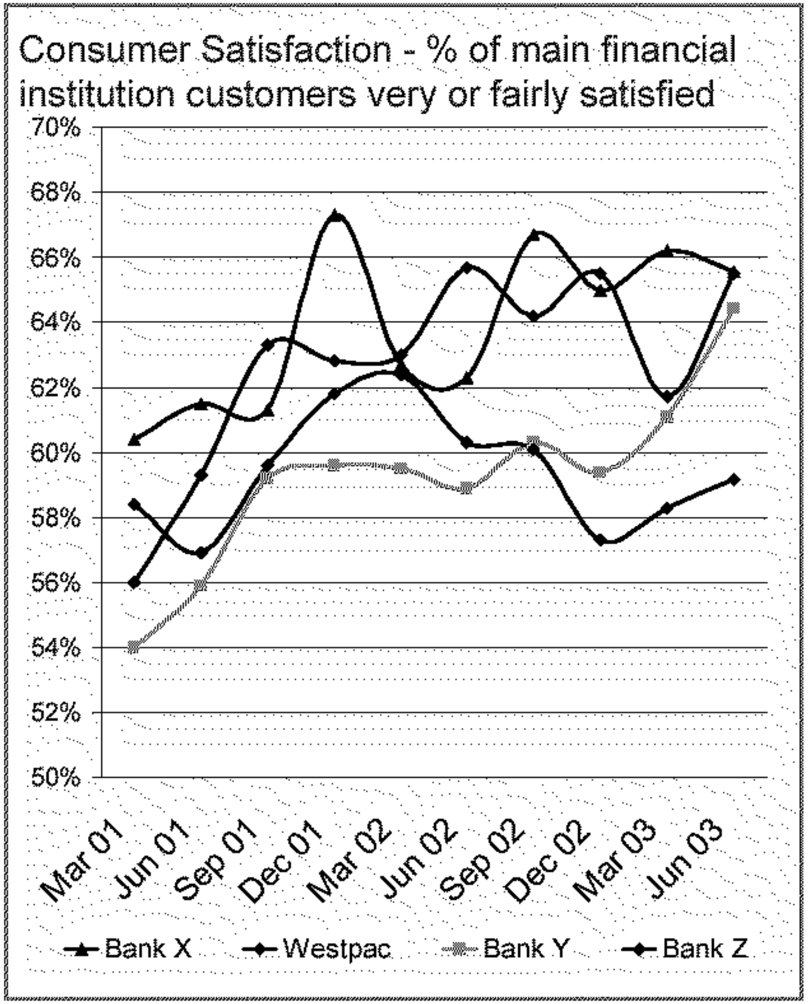
Source: Customer Service Commitment (CSC), Initiative Progress Review – 6 August 2003

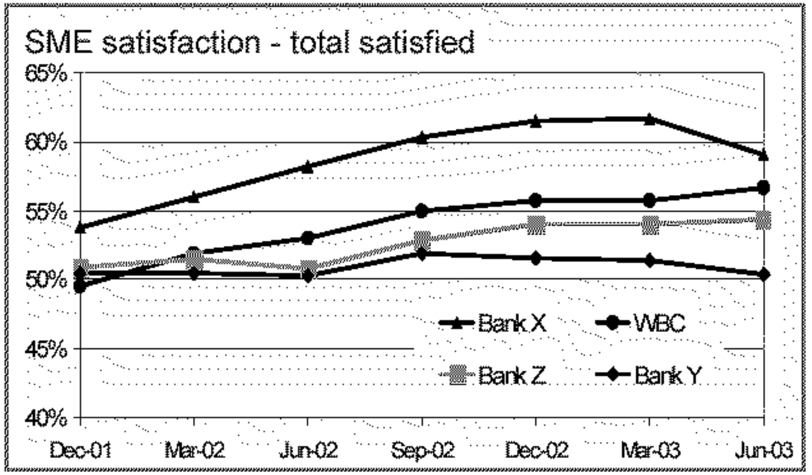
Initiative – Westpac Academy

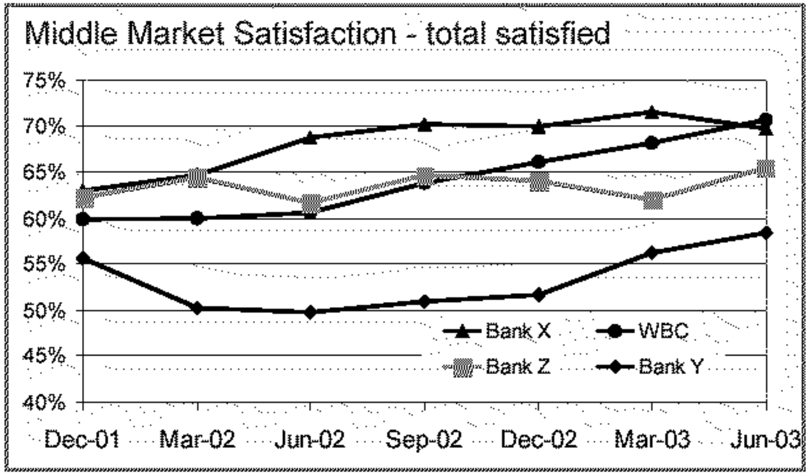
- Westpac Academy is changing the way we train and develop our people
- Key focus areas - customer experience, leadership, e-learning
- Customer experience module is training 11,000 staff by Dec 03

Early results delivering value
97% agree the insights they received have been applied
91% agree the insights their team received have been applied
85% agree the training has improved customer experience

Customer satisfaction is improving







Source: Consumer - Roy Morgan Research. Have deposit account with bank and regard it as MFI.
Business - TNS Business Finance Monitor

What distinguishes Westpac?

- Straight forward and focused strategy, well executed
- Conservative risk profile
- Leader in sustainability
- Business & Consumer Banking – a key driver of growth
  - Strong momentum across the business
  - SME opportunity beginning to deliver
  - Leading the major banks in improving customer experience

Westpac
Australia's First Bank

Investor Discussion Pack

October 2003

Disclaimer

The material contained in this presentation is intended to be general background information on Westpac Banking Corporation and its activities.

The information is supplied in summary form and is therefore not necessarily complete. Also, it is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs.

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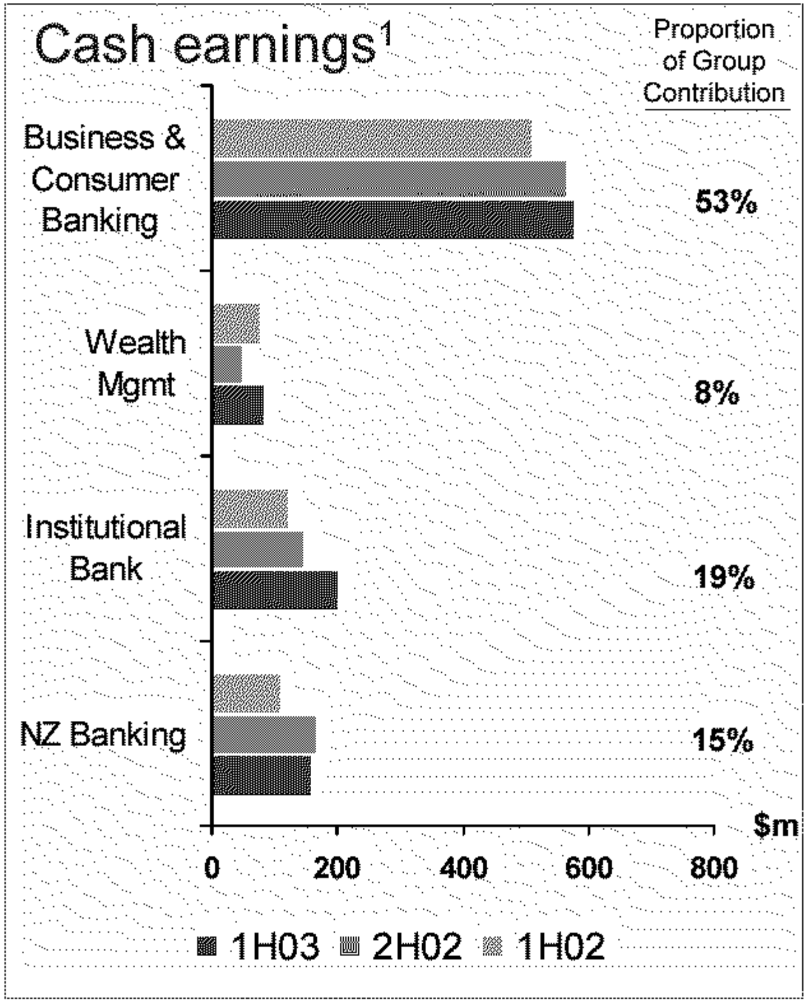
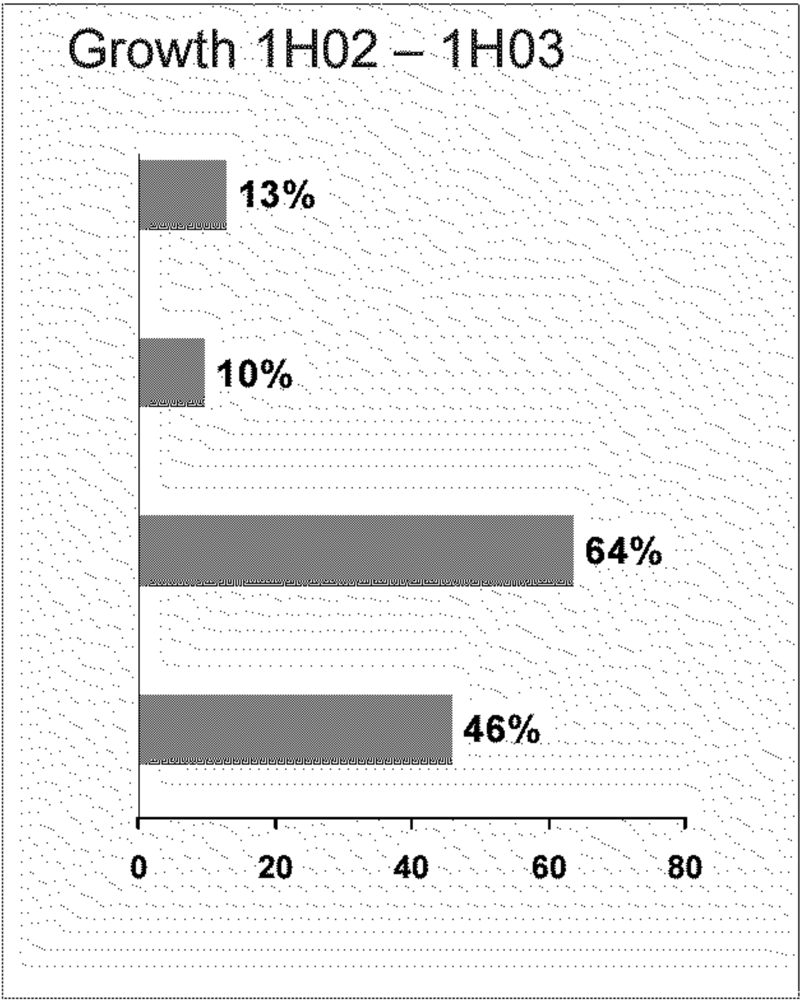
Cash earnings

$m	1H03	1H02	% Change
Net operating income	3,635	3,522	3
Operating expenses	(1,857)	(1,739)	(7)
Goodwill	(78)	(49)	(59)
Bad debts	(214)	(271)	21
Net profit before tax	1,486	1,463	2
Tax	(431)	(443)	3
Outside equity interests	(4)	(2)	(100)
Net profit after tax & OEI	**1,051**	**1,018**	**3**
Goodwill	78	49	(59)
Adjustment for embedded value uplift	-	(46)	n/a
Preference dividends	(34)	(25)	(36)
Cash earnings	**1,095**	**996**	**10**

All businesses contributing





[1] Excluding significant items

Significant momentum across the group

Key Messages

BCB	• Quick wins achieved, traction on customer experience • Strategies in place to capture value across profit pools
New Zealand	• Transformation program delivering • Leveraging off the Australian business model
BTSS	• Projects delivering improved customer experience • Efficiencies supporting cost targets
BT Financial Group	• Integration on plan and ahead of budget • Group-wide benefits beginning to be tapped
WIB	• Performance sustainably enhanced • Structured investments adding value across the group
Capital & Dividends	• Strong pay-out ratio set to continue • Sound capital structure with opportunities to further enhance

→ Sustainable Financial Performance

Business and Consumer Banking (BCB) – March 03

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BCB achievements - year to date

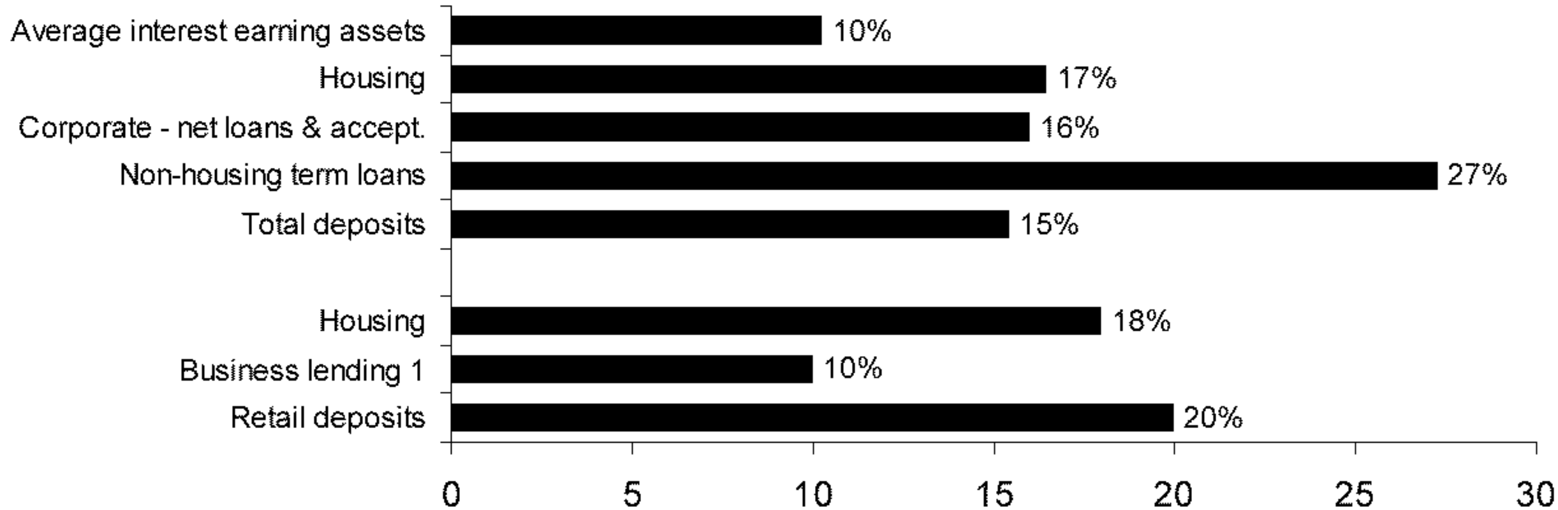
- Business-unit led initiatives contributed 13% to cash earnings
  - Pricing review
  - Disciplined cost management
- Branch and small business initiatives in place
  - quality of referrals up
  - customer satisfaction is up
- Lending process project (Pinnacle)
  - credit card scorecards upgraded
  - single customer view within collections
- CRM project (Reach) – early results
  - leads converted to opportunity 78%
  - cross-sell 23% of contacts, contact to sale 9%
- Customer experience
  - queues and credit cards being addressed
- Westpac Academy
  - 14% of staff have participated in the training

What the market is asking

- What is behind the strong growth in lending?
- What is happening in the mortgage book, and how are you managing the broker channel?
- How is Westpac going to differentiate itself from its peers on customer service?
- How are Westpac's wealth management acquisitions progressing

Loan growth and market share in key products

Annual % Change 1H02 to 1H03



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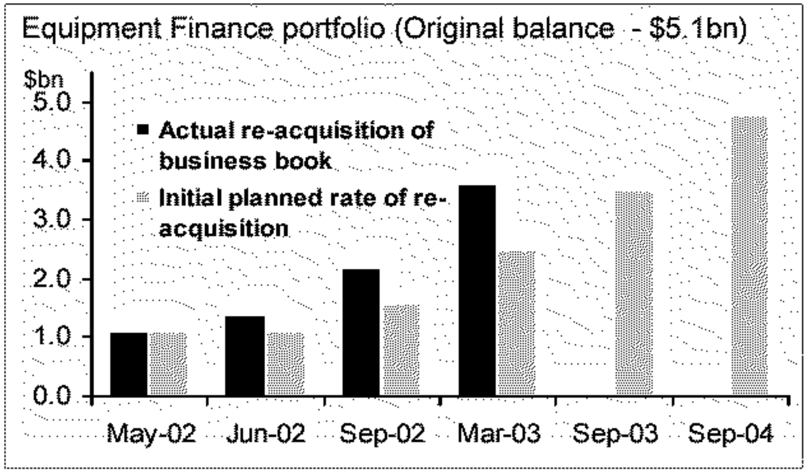
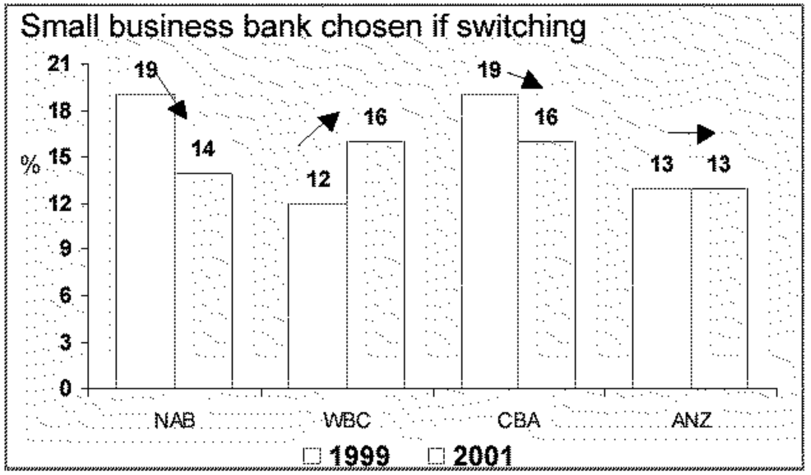
Other mainly business	11.1	11.0	10.0	10
Total credit	14.3	14.2	13.4	10
Total retail deposits	13.7	13.3	12.7	40

1 Excludes impact of rebuilding ex-AGC equipment finance book.

Growth in small and medium enterprises (SME)

- SME lending increased 10% over the year to March 03, excluding the reacquisition of the business finance portfolio. Initiatives boosting growth have included:
  - Industry specialisation - 6 industry packages now in place and more planned
  - Lifecycle packages – specialist business options tailored to each business' lifecycle stage
  - Rolling out CRM to business bankers
  - Reconfiguring use of branch model for business bankers
  - For past 3 years, number 1 in customer satisfaction compared to peers
- Cash earnings from the re-build of the equipment finance portfolio in 1H03 - $13m
- Equipment finance growth not a contributor to risk adjusted assets growth
- Growth achieved without compromising credit standards
- Business acquired from other financial institutions is subject to rigorous review and higher approval authorities





Source: Greenwich Associates

Piloting new capabilities serving SME customers

Key issues faced

Better serving SME customers in branch?

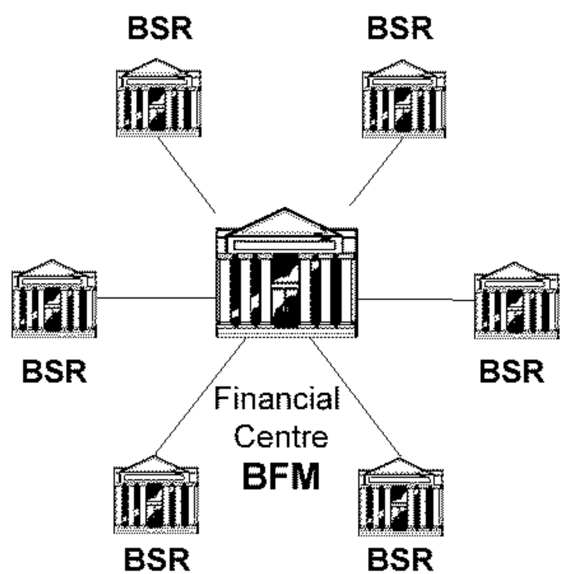
Delivering a cost effective servicing model

Improve acquisition capability?

Improving service/ problem resolution for small business customers - providing a 'name', 'face', 'place' relationship (i.e. institutionalised service model)?

Improve small business cross sell and retention?

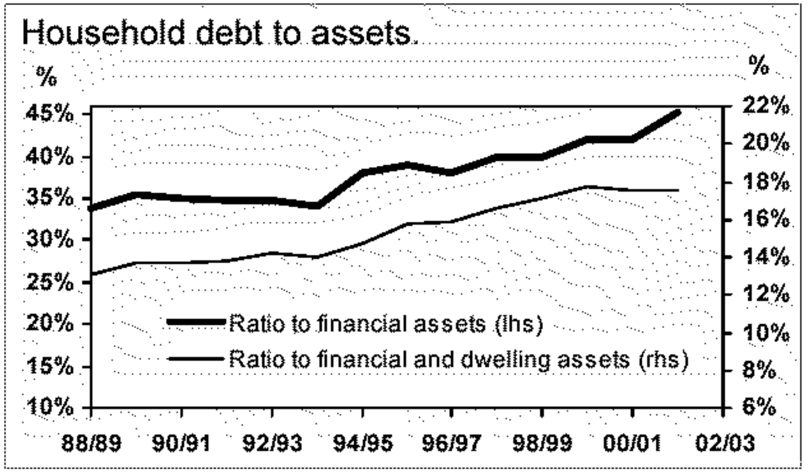
Enhancing 'SME' in the Branch Network

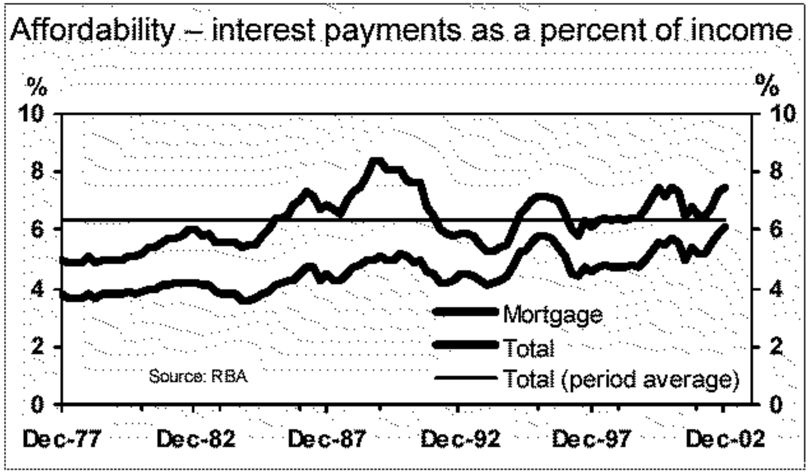


- Place Business Finance Managers (BFMs) in financial centre to gather business leads from 6-8 surrounding branches
- Add Banking Services Representative (BSR) role with business sales/servicing capability in each of the branches
- Provide Tiered relationship management model based on customer value and needs

Housing market – state of play

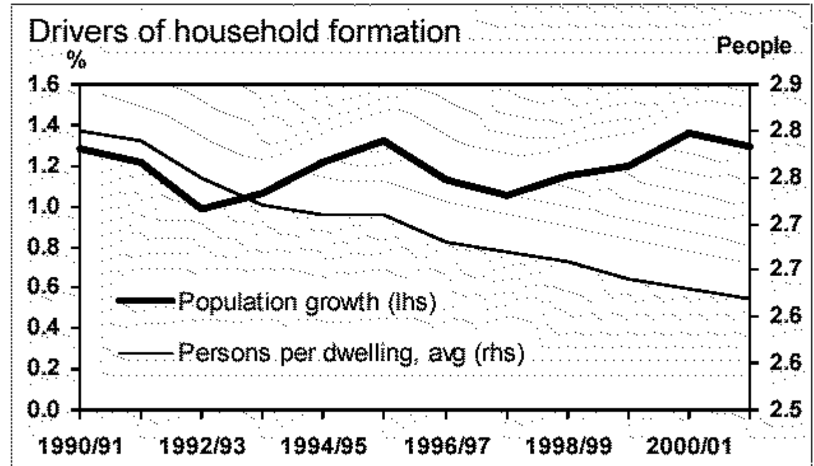
- Established house prices have risen sharply over last two years
- First home owners are now a smaller proportion of new lending
- Household gearing has increased moderately
- Affordability not stretched
- In Westpac's portfolio over 70% of borrowers paying in excess of scheduled repayments

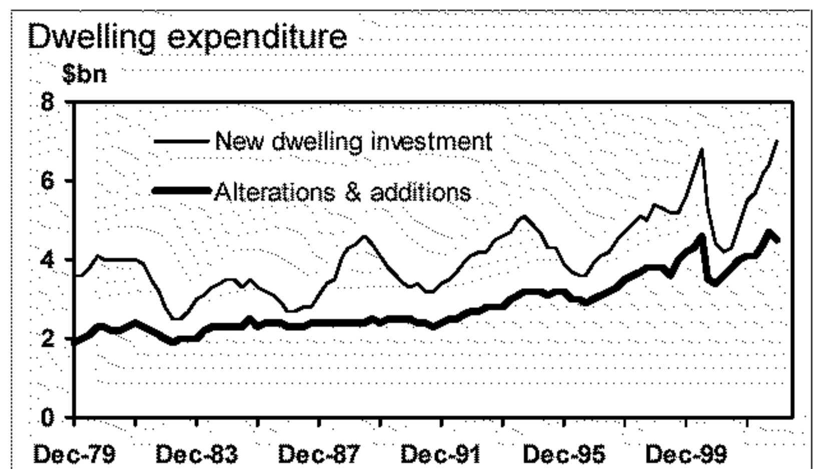




Drivers of housing credit growth

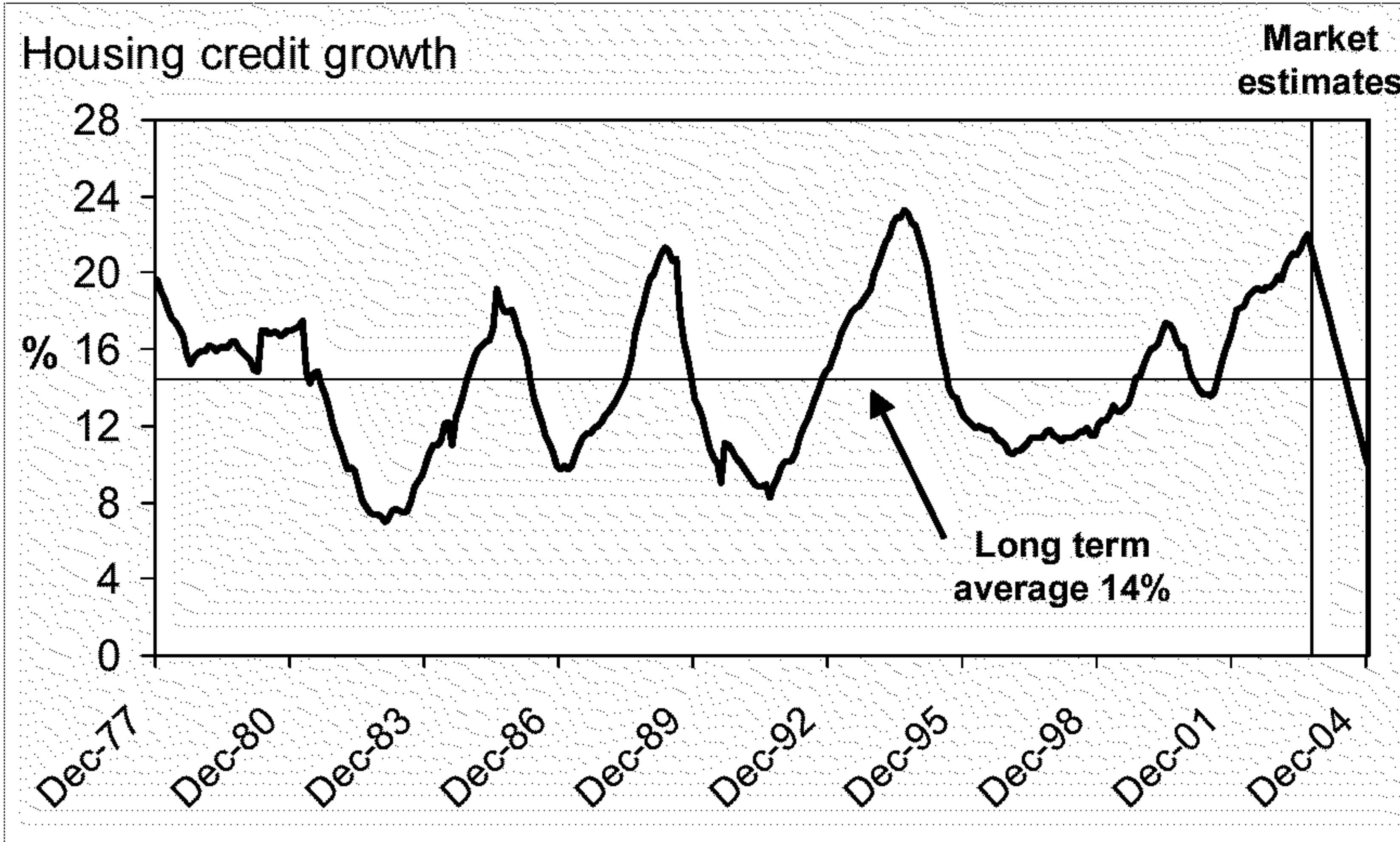
- Housing credit growth expected to return to decade average in year ahead
- Housing credit growth will, on average, continue to grow ahead of nominal GDP, supported by:
  - Continuing positive population growth
  - Decrease in average household size
  - A higher proportion of earnings is devoted to dwelling investment as standards of living increase
- Alterations and additions now accounting for a substantial proportion of dwelling investment





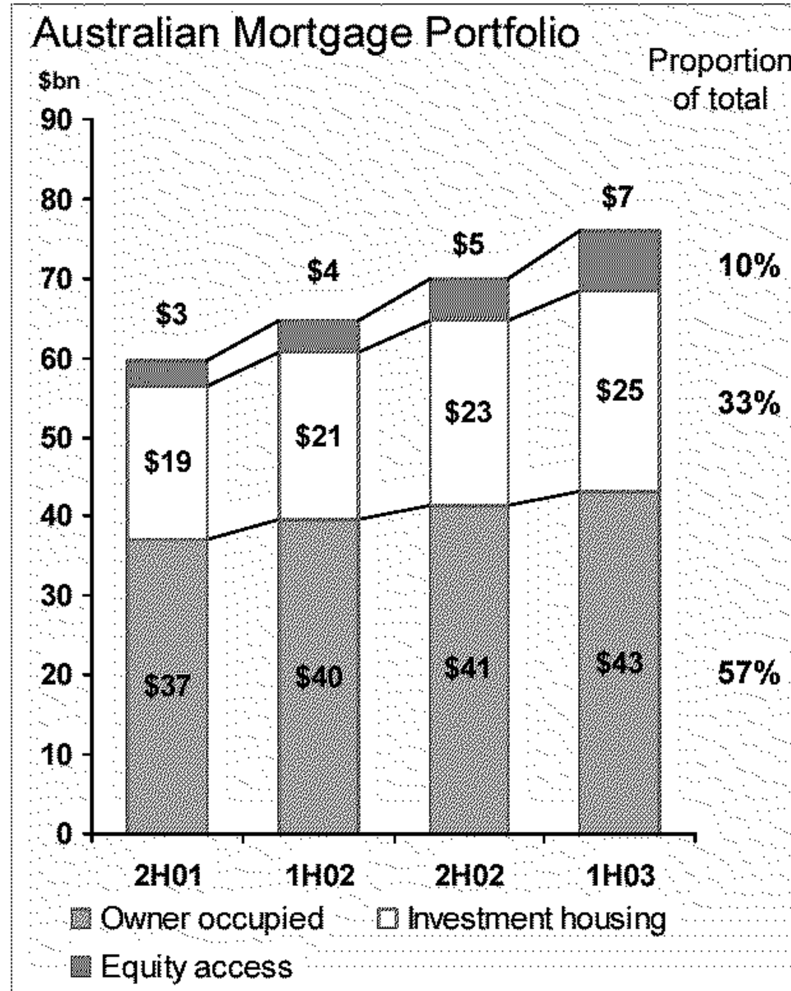
Source: APRA

Housing credit – growth expected to slow



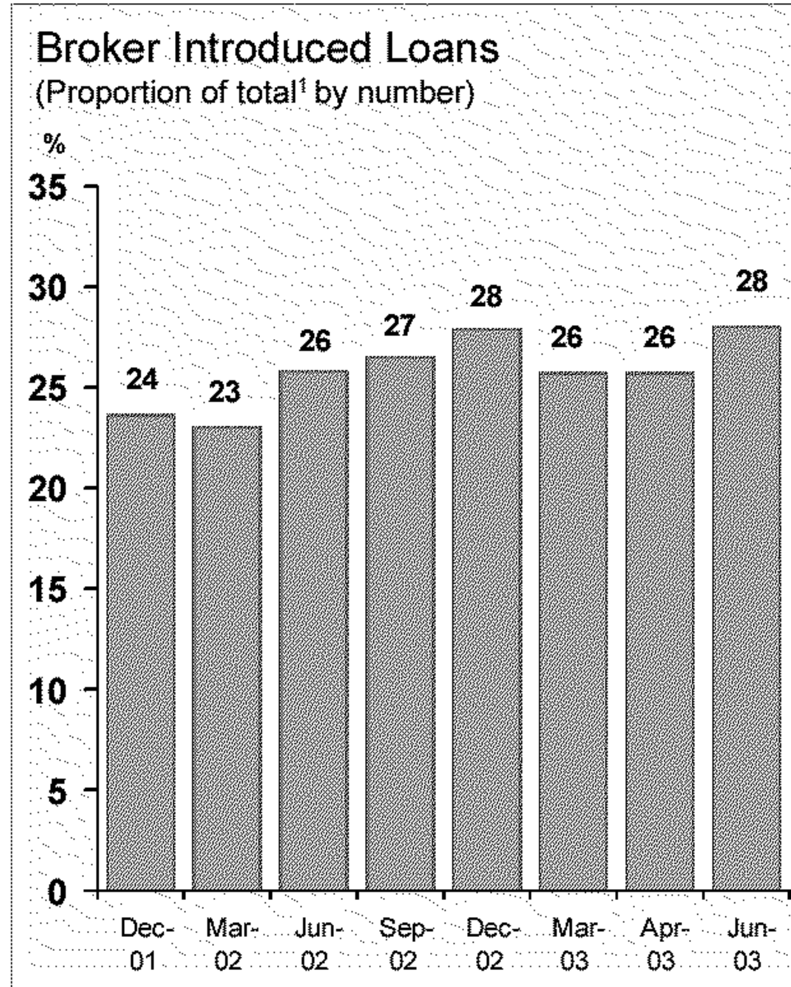
Characteristics of Westpac's mortgage portfolio

- Investment loans grew 20% but only represent 33% of Australian portfolio
- Average LVR of new loans 61%
- 20% of portfolio mortgage insured
- Lending criteria tightened for specific 'hot spots'
- Delinquencies continue to track at record lows
- Growth supported by a reduction in run-off from 23% to 18%



Mortgages - broker introduced loans

- 30% of outstanding mortgage portfolio is broker originated
- In April 03 brokers introduced 26% of new loans by number and 29% of new loans by value
- Average size of loan is up to 15% higher than branch originated loans
- Strict accreditation and monitoring processes in place for all brokers
- Same underwriting standards applied to all applications, and more rigorous validation process
- Broker introduced loans behave no differently to branch introduced loans

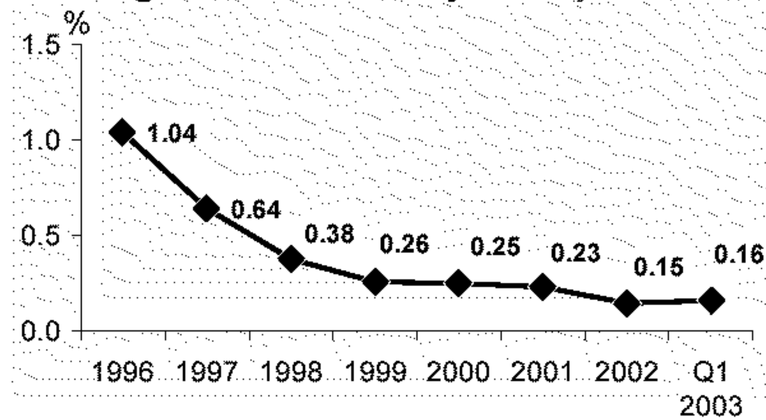


[1] Australian Retail housing

Housing portfolio quality

- Average write-off less than 3 basis points
- Delinquencies remain at historic lows
- 100% mortgage insurance where loan to value (LVR) ratio > 80%
- Insurance required for loans > $1.3M and LVR > 70%, and for inner city apartments with LVR > 70%
- Behaviour of investment book and broker introduced loans track owner occupied portfolio
- Stress testing provides additional evidence of sound book quality

Housing Portfolio - 90 day delinquencies



Housing portfolio stress testing

Interest rates - 4% increase	$5.2m
Housing prices fall - 20% decline	$20.3m
Unemployment rate – 2% pt rise	$3.3m
Total write-offs (joint impact)[1]	$71.0m
Total write-offs bps[1]	10.1bps

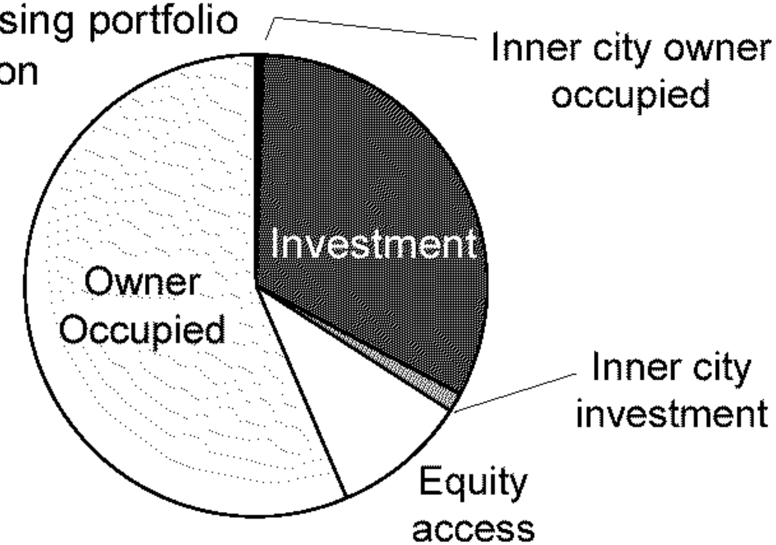
1 Total write-offs on residential mortgage products should all factors coincide.

Investment lending for inner city apartments

- Market expected to soften:
  - Significant new supply coming on stream
  - Vacancy rates between 3% and 5%
  - Property yields between 3% and 4.5%
- Average LVR 59%
- Stress testing with 30% decline in value and significantly higher probability of default suggest less than $10m loss

Mar 03 $m	Exposure	Commit-ments
Sydney	662	67
Melbourne	257	14
Brisbane	196	12
Total	1,116	93

Total Housing portfolio composition $ 75bn



In Consumer, mid life stages are the biggest opportunity

Consumer by Age Group					
Products	18 - 29	30 - 44	45 - 64	Age 65+	TOTAL
Credit Cards					
Mortgage		$1Bn 12%	$700M 15%		$1.9Bn 13%
Personal Savings					
Consumer Transactions					
Personal Lending					
Total Banking	$280M 11%	$1.6Bn 13%	$1.6Bn 15%	$300M 11%	c$3.8Bn 14%

Source : Westpac analysis

Estimated industry profit pool ($m) → #

Estimated Westpac share of pool % → #

Consumer - maximising value from profit pools

Early 2003
Alignment, planning & quick wins

- Extend hours to meet customer need
- Renew focus on customer retention
- Internal cost savings
- Increase product penetration

2003-2005
Re-position and Unlock Growth

- Meet more customer needs at first contact
- Develop solutions that evolve with customer lifecycle
- Align distribution to better capture profit pools
- Integrated distribution model
- Strengthen link between banking and wealth creation

Customer Experience

Integrated Wealth

People Experience

Projects to improve customer experience

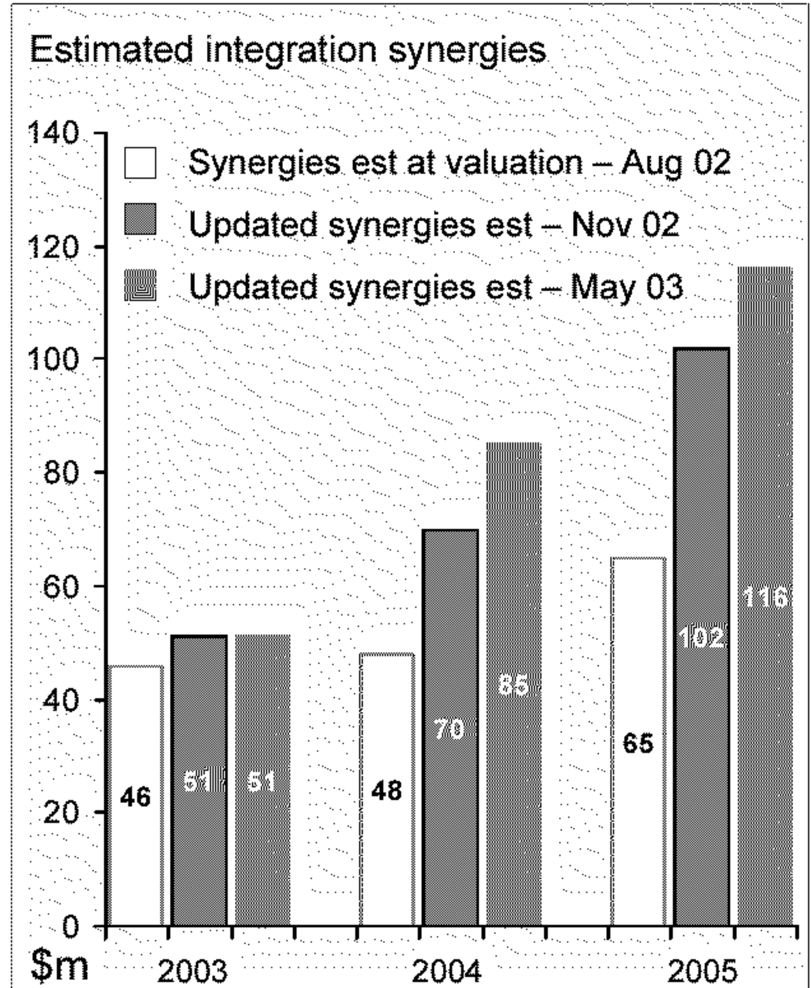
Theme	Projects
Strategic	• Westpac Brand • Launch new communications positioning
	• People and Performance (Align) • Several initiatives covering KPIs, redeployment, Change Management, Learning & Development
	• Joint Transformation Programs • Reach, Pinnacle and Redpower
Operational	• Complaints Handling - capture, resolution, analysis & tracking
	• Runs on the Board
	• Customer Experience Specification work
Tactical	• 4th Leaning Map across all business units and partners
	• Westpac Academy Customer Experience Module
	• Network Initiatives - Ask Once coordinators in Branches and Call Centres

Wealth position–represented across value chain

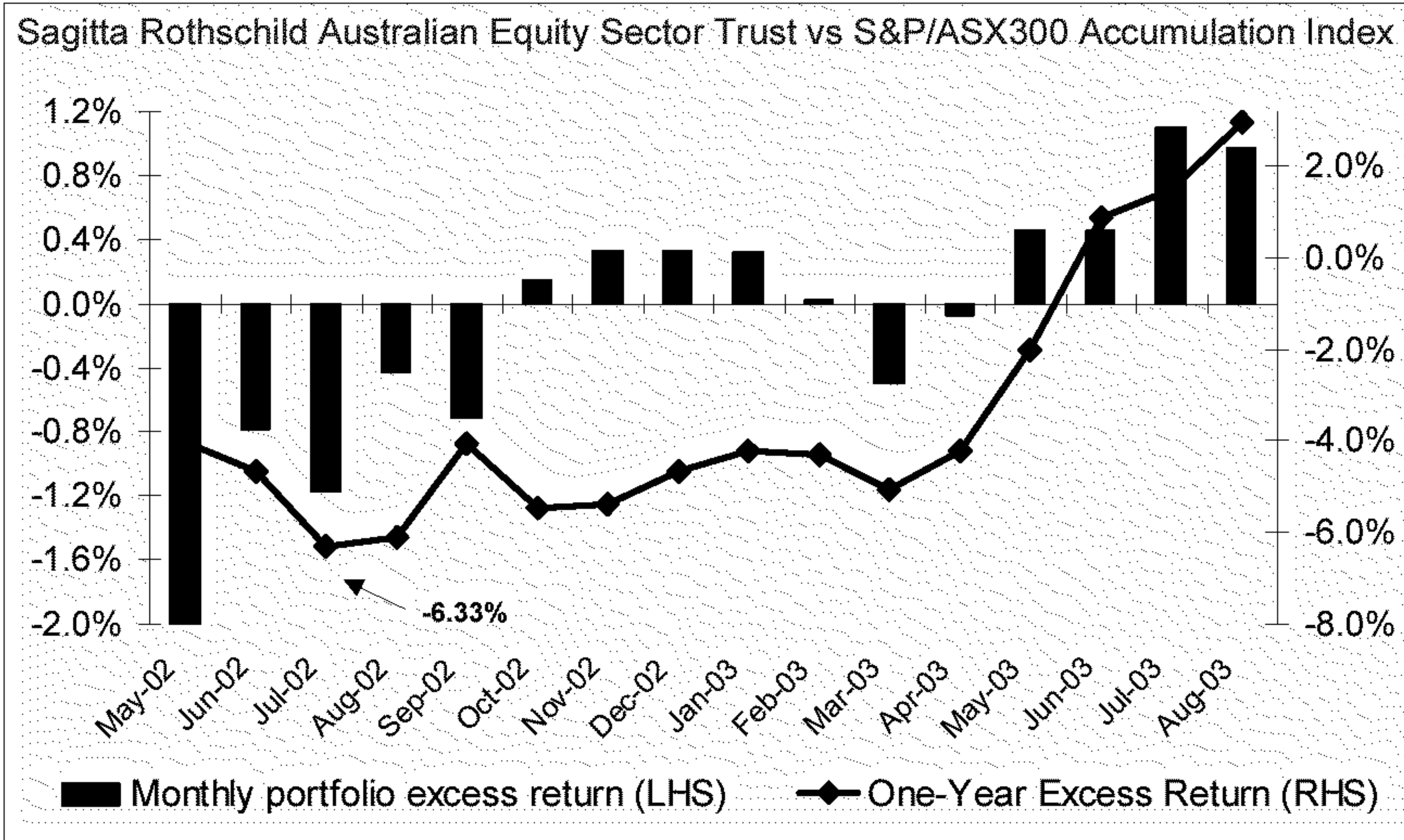
Customers	Distribution & Advice	Bundling Platform	Product Manufacture	Investment Management	Back Office
Access to 7.5m existing customers and through External Financial Advisor (EFA) channels	700 Westpac planners & advisers Over 15,000 EFAs	Leading wrap and corporate super platforms	Broad product range Proven servicing capability	Manage funds where comparative advantage Use external managers elsewhere	Outsourced partners for funds admin Centralised back office servicing centre

Integration synergies ahead of expectations

- Organisational integration virtually complete
- First major systems migrations (margin lending & banking services) on time and on budget
- Corporate super and back office systems to be migrated through September and October
- $ 47.7 million or 94% of 2003 synergies now “locked in” (at end July 03)



Performance turnaround: Australian equities



Source : BT

Diversified business: performing well

Product	Market share	Rank	New business Market share	New business Rank
Corporate super	5.7%	8	18.4%	2
Wrap & master trust	10.4%	5	11.2%	2
Life and risk	6.3%	na	10.2%	4
Margin lending	15.3%	2	na	
Retail	9.7%	5	Outflow	

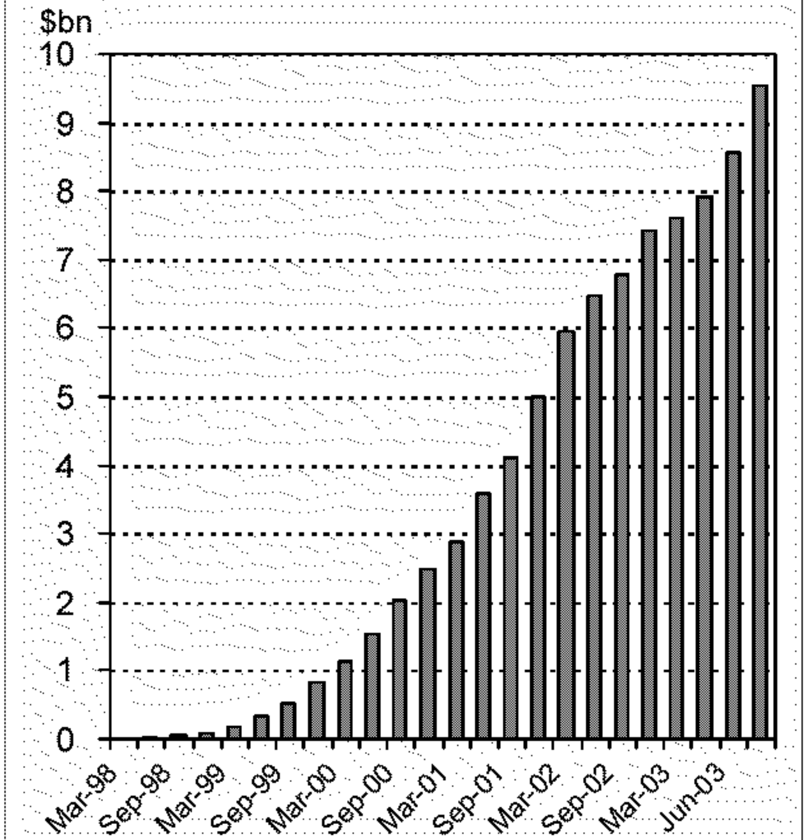
Sources:

Retail	- ASSIRT Jun 03
Wrap and Master Trust	- ASSIRT Jun 03 Market share report
Corporate super	- Dexx&r Jun 03
Life and risk	- Dexx&r Mar 03
Margin lending	- BT loan book verses RBA industry total, Jun 03

Diversified business: continued Wrap strength

- Wrap products are the fastest growing sector in the market
- 6 new badges added since August 2002
- Continued new flow strength - June quarter inflow of $626 million and continued in September

Number 1 WRAP for inflows
(ASSIRT March 2003)



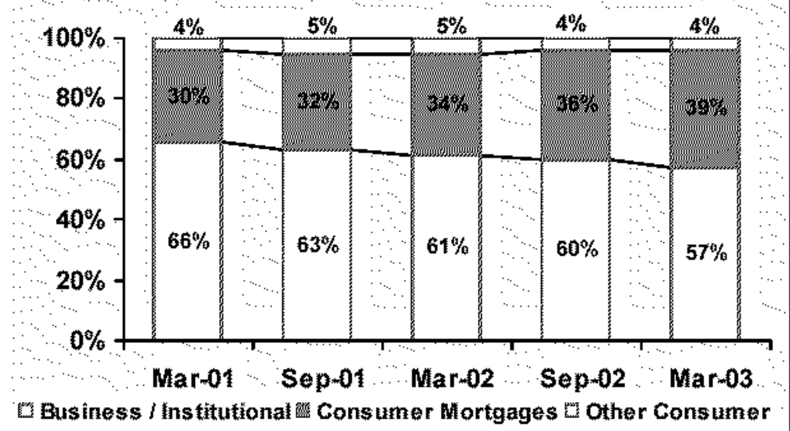
De-risked earnings and increased disclosure

- Removed embedded value accounting for wealth management
- Sold lower growth, higher risk finance business (AGC)
- Conservative capitalisation/amortisation policy
  - Removed capitalisation of outsourced transactions
  - Expensing restructuring costs
  - No software currently amortised over more than 3 years
- Partially hedged offshore securities portfolio
- Significantly enhanced credit and other financial disclosures

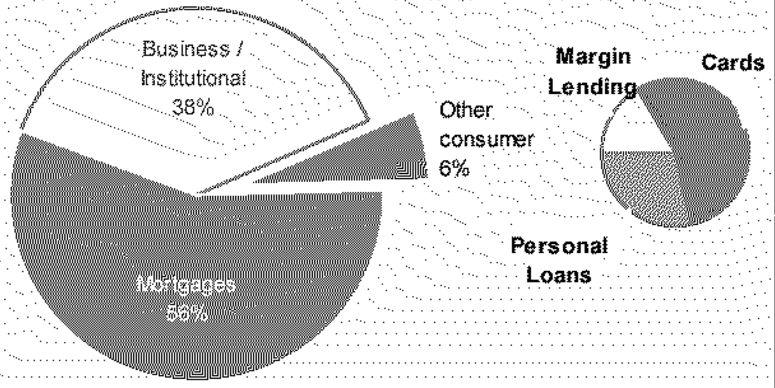
Composition of portfolio

- Mortgages represent 39% of total commitments and 56% of funded lending
- 67% business / corporate portfolio exceeding investment grade
- Other consumer includes credit cards, personal lending and margin lending

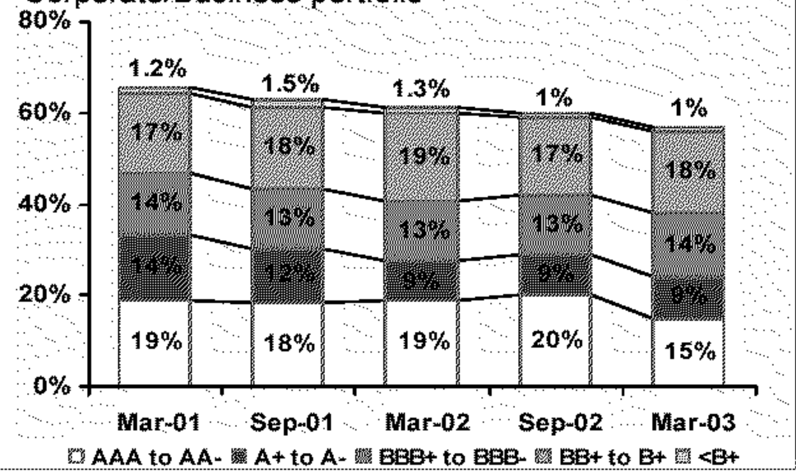
Portfolio by customer segment [2]



Other consumer portfolio
(Total Westpac Group [1])



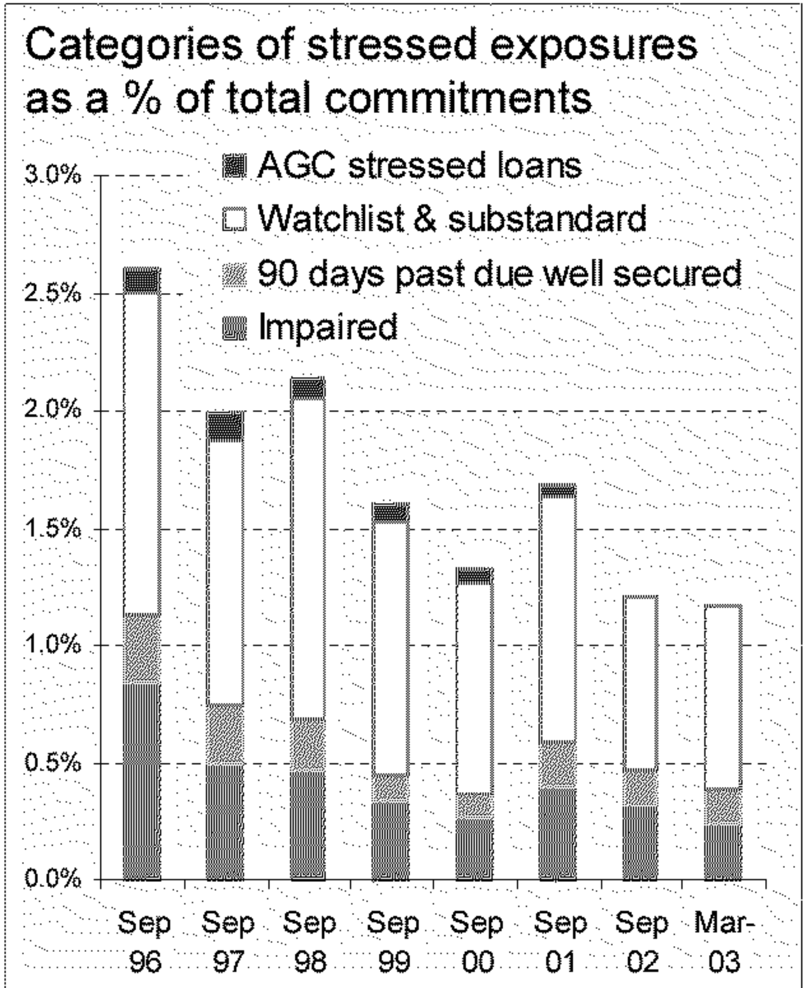
Corporate/Business portfolio [2]

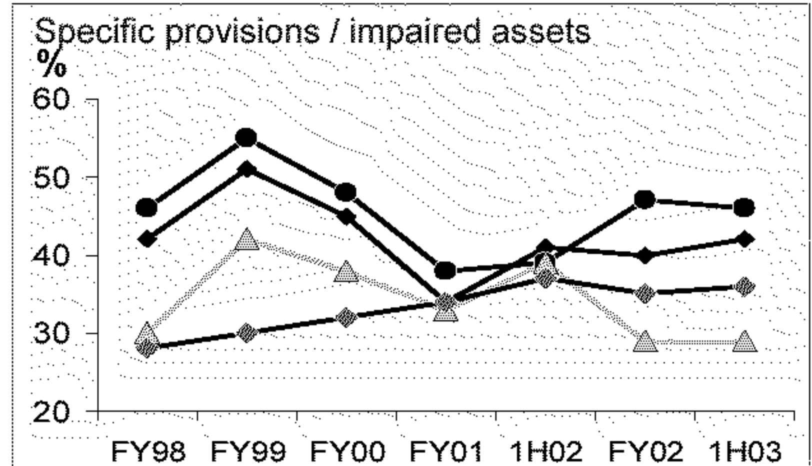


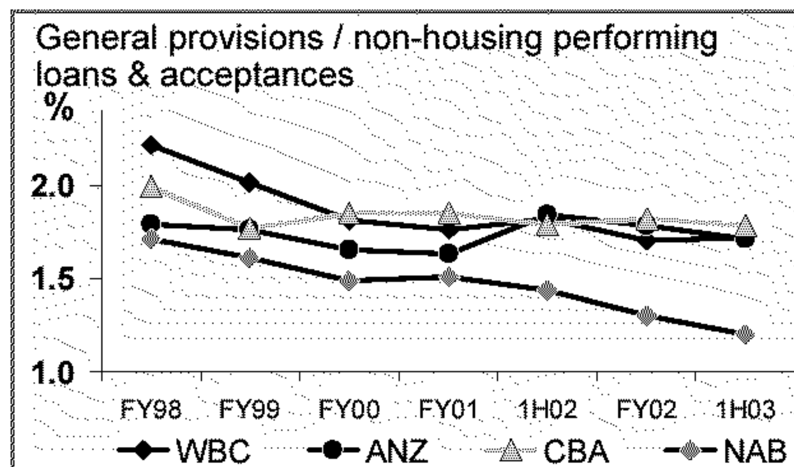
[1] On balance sheet funded lending - 31 March 2003

[2] % of Total Exposure - 31 March 2003

Stressed exposures lower - provisions increased

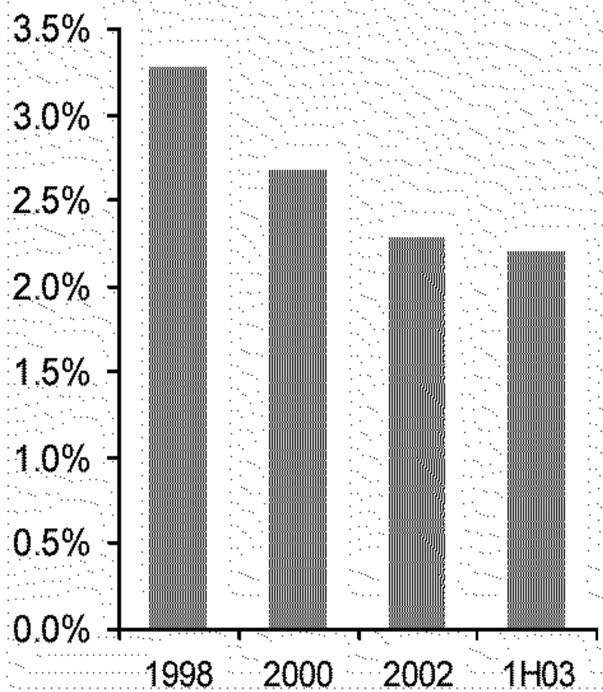






Reduced concentrations and focusing on core markets

Top 10 exposures as a % of total committed exposure[1]



Total Exposure by Region[2]

$m	Aust	NZ / Pacific	Europe & Americas	Asia inc Japan	Group
Invest grade	59,999	16,230	8,999	267	85,495
BB+ to B+	33,418	6,772	705	84	**40,979**
<B+	1,216	650	359	52	**2,277**
Secured Consumer[3]	75,488	13,799	0	0	**89,390**
Unsecured consumer[4]	6,772	1,003	0	0	**7,672**
Total	**176,893**	**38,455**	10,063	401	**225,812**
% of Total	78%	17%	5%	Nom	100%

1 31 March 2003, excluding banks and governments

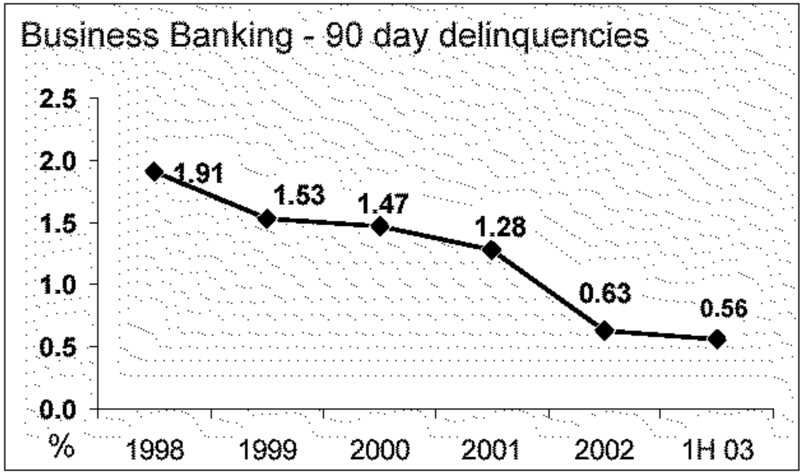
2 As at 31 March 2003

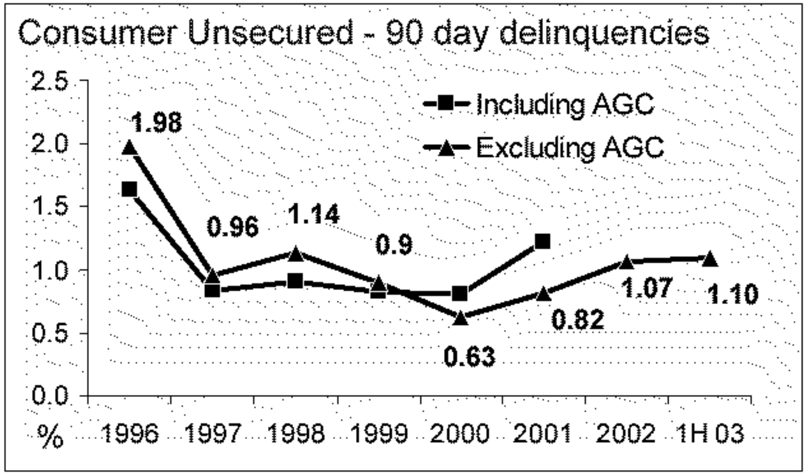
3 Includes mortgages for housing, investment property loans, equity access loans and margin lending.

4 Credit cards and personal loans

Forward indicators in good shape

- Business delinquencies less than one third of levels recorded 4 years ago
- Consumer delinquencies returning to more normal levels





Basel II – the story so far

- Basel II involves the development of more sophisticated and comprehensive risk measurement for banks globally including credit, market and operational risks.
- Third stage of detailed global benchmarking now complete (QIS3) resulting in a model which sees no overall reduction in capital held by the global banking system but some recalibration required across regions and banks
- Preliminary findings suggest Australian banks have less risk than offshore counterparts
- Any potential reduction in capital from implementation of the accord, contingent upon agreement with APRA and the rating agencies

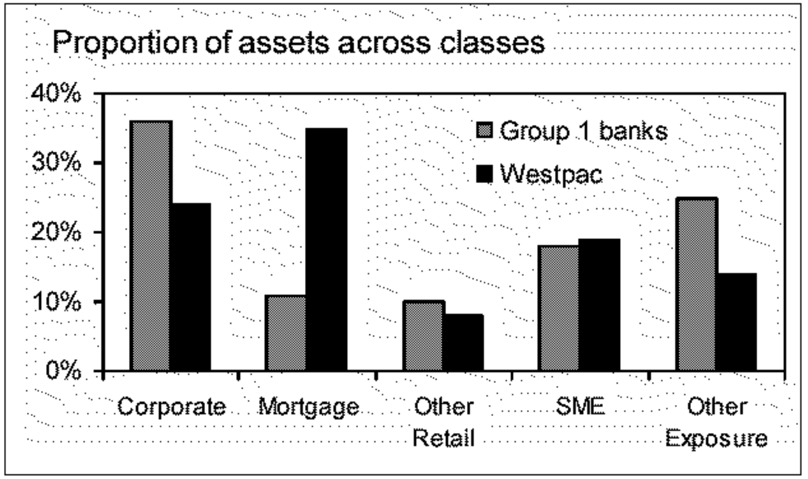
QIS3 Results - expected percentage change in risk weighted assets based on the risk measurement methodology adopted - standardised, foundation or advanced. The more rigorous the methodology, the greater the potential reduction in risk assets

	Standardised	Foundation	Advanced
G10 Group 1 Banks[1]	11%	3%	-2%
Australian Banks (average)	2%	-30%	-36%

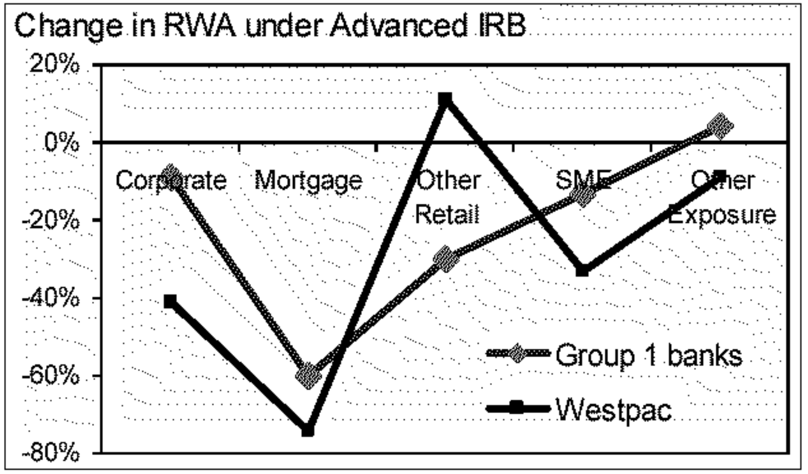
1. Group 1 banks include large diversified and internationally active banks with Tier 1 capital exceeding Euro 3bn

Basel II highlights the low risk of balance sheet

- Westpac has more of its balance sheet in assets with a high average reduction in risk weight than the average Group 1 banks



- Across asset classes, Westpac has a lower average risk weight (except for other retail) than Group 1 banks leading to a larger reduction in risk assets



Group 1 banks are large, diversified and internationally active with Tier 1 capital in excess of Euro 3bn

Economic environment

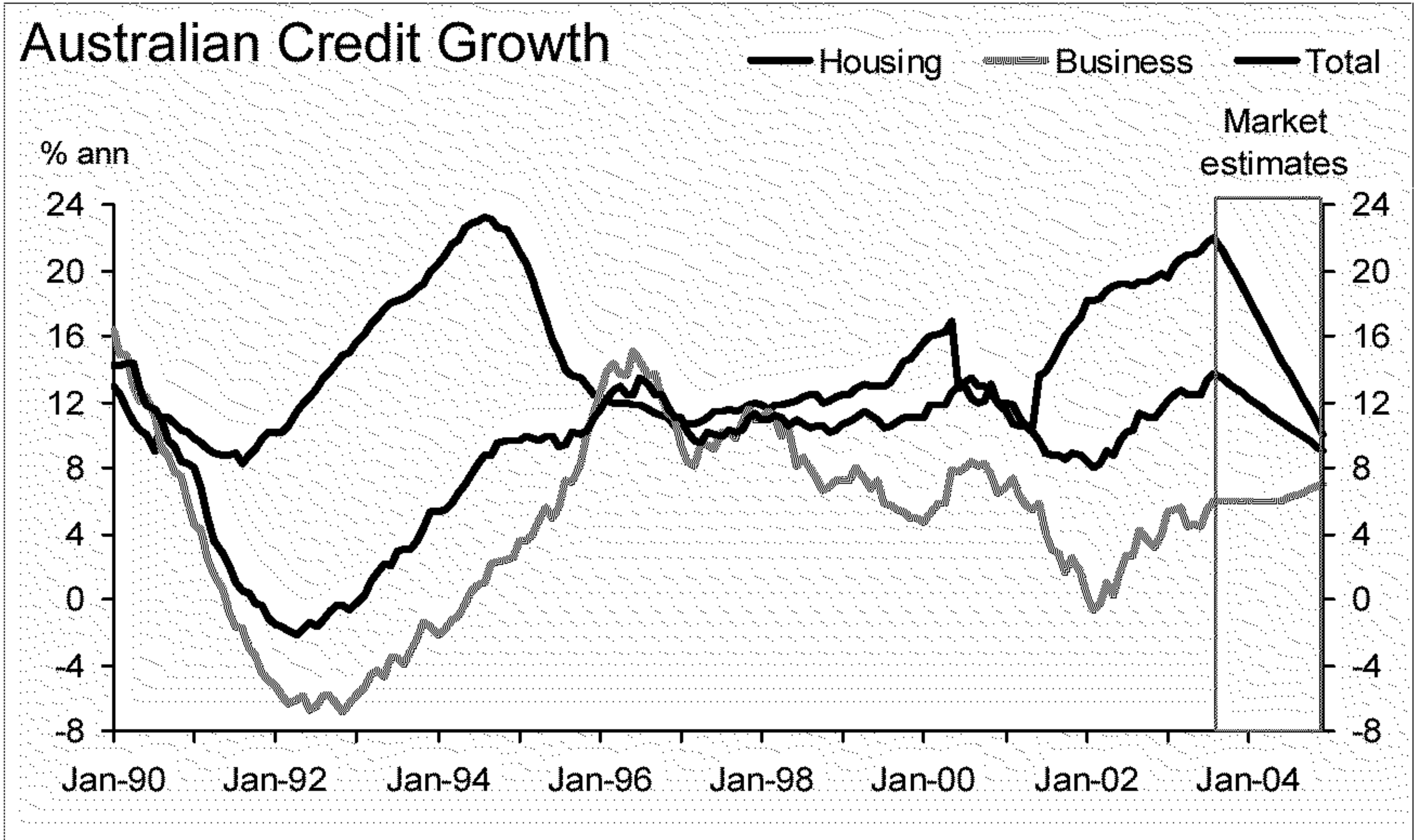
- Strong momentum in Australian economy:
  - Solid domestic demand
  - Buoyant housing sector
  - Business sentiment strong
- In the year ahead, economy will be boosted by an improved rural contribution and higher exports, offset by a slowing housing sector.
- Interest rates expected to rise March quarter 2004

Key economic indicators[1]

	Jun 03(f)	Jun 04(f)
World growth	2.9%	3.9%
Aust GDP	2.7%	3.2%
Unemployment	6.1%	6.1%
CPI	2.7%	2.6%
Cash rate	4.75%	5.25%

1. Westpac Economics estimates

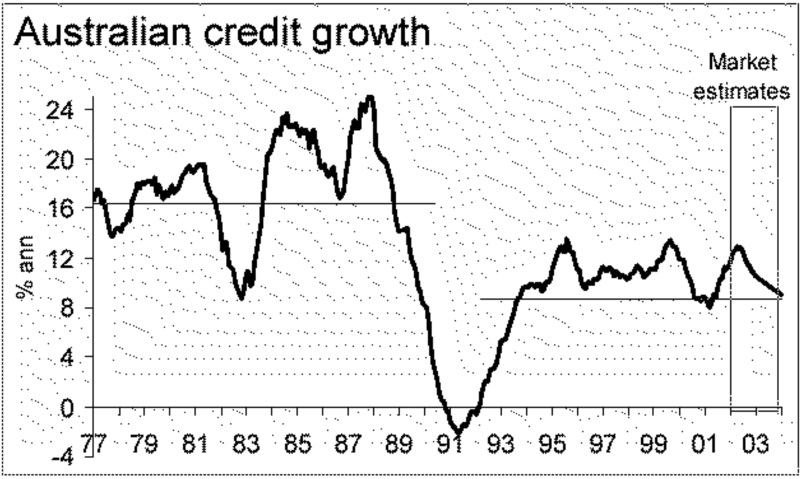
Credit growth

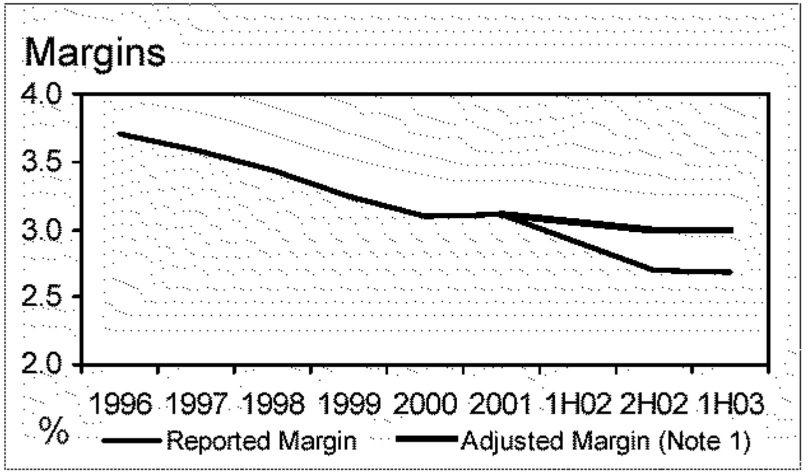


Source: RBA

Operating revenue parameters

- Credit growth expected to fall from recent experience of 10-13% to 7-11% growth per annum
- Margins
  - Prior guidance suggested 10-12 bps erosion per annum
  - Last 2 years performance has been more modest
  - Medium term erosion to continue, potentially in a narrower band 5-10 bps
- Non-interest income growth will continue to be volatile given, income derived from wealth management, transaction fees and financial markets
- Overall operating revenue growth potentially 5-8% in most scenarios



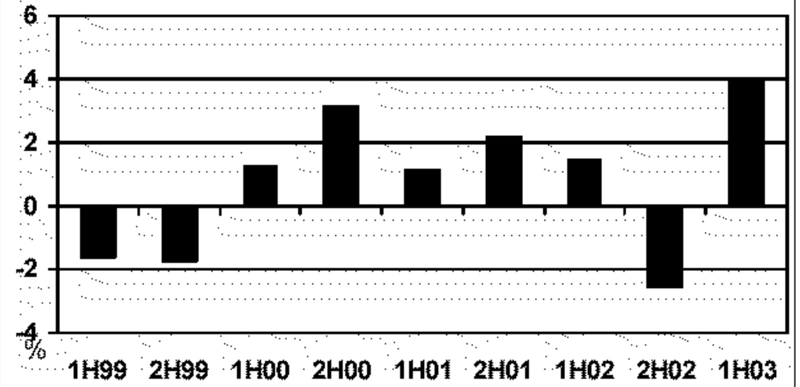


[1] Adjusted for the impact of sale of AGC and affect of bill financing

Expense outlook

- In a normal year we face
  - 4% salary increases
  - 2-4% increase in other prices (some much higher)
  - Continued volume growth
- Expense pipeline targeted at sterilising organic cost growth and creating headroom for investment
- 1999-2003 track record is 2.3% CAGR (ex M&A)
- Forward outlook is for same factors - but outcome likely to be higher, say 2-4% p.a.

Annual growth in expenses



Efficiency pipeline $m	FY03F	FY04F	FY05F
Outsourcing	115	123	132
Org simplification	73	77	77
Wealth integration	46	72	93
Lending processes	-	19	60
Other cost initiatives	115	160	169
Cumulative total	**349**	**451**	**531**
Annual increment	**257**	**102**	**80**

Other factors

	Medium Term Guidance	Recent Experience	Comments
Tax	29 - 31%	1H02 30.5% 2H02 29.0%# 1H03 30.5%	Excluding policy holder tax recoveries, and including gross-up
Bad Debts	25 – 35 bps of gross loans and acceptances	2001 32 bps 1H02 39 bps 2H02 26 bps 1H03 29 bps	Some volatility due principally to WIB exposures and unsecured portfolios
Gearing	Unchanged - near term organic surplus capital growth of 2-3% pa		Capital levels close to optimal – some further opportunity flowing from Basel II implementation

Adjusted for AGC sale impact

Medium term earnings scenarios

Assuming stable macro-economic environment, medium term drivers of earnings would lead to following outcomes in most scenarios

	Likely Ranges (%)
Interest Income	5-8
Non-Interest Income	5-9
Operating Revenue	5-8
Expenses	2-4
Bad debts	25-35 bps
Tax Rate	29-31
Post-Tax Cash Earnings	6-10

Surplus capital generation can leverage cash earnings up by 1 – 3% in cash EPS terms

NB: This is not 2004 earnings guidance

First half 2003 – actual capital outcome

- Organic growth opportunities exceeded expectations without eroding returns. This, combined with a higher payout to shareholders, resulted in no excess capital being accumulated in H1 2003

	Preliminary 2003 estimate	H1 2003 actual	Comments
Return on equity	20%	21%	Strong cash returns on equity maintained
Dividends payout ratio	61%	63%	Increased payout ratio
Dividend reinvestment plan participation	23%	27%	DRP participation slightly higher
Risk weighted asset growth	7%	14% (annualised)	Organic opportunities saw risk asset growth double expectations
Growth in surplus capital	5%	0%	

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