



Australia's First Bank

Investor Discussion Pack

November 2003

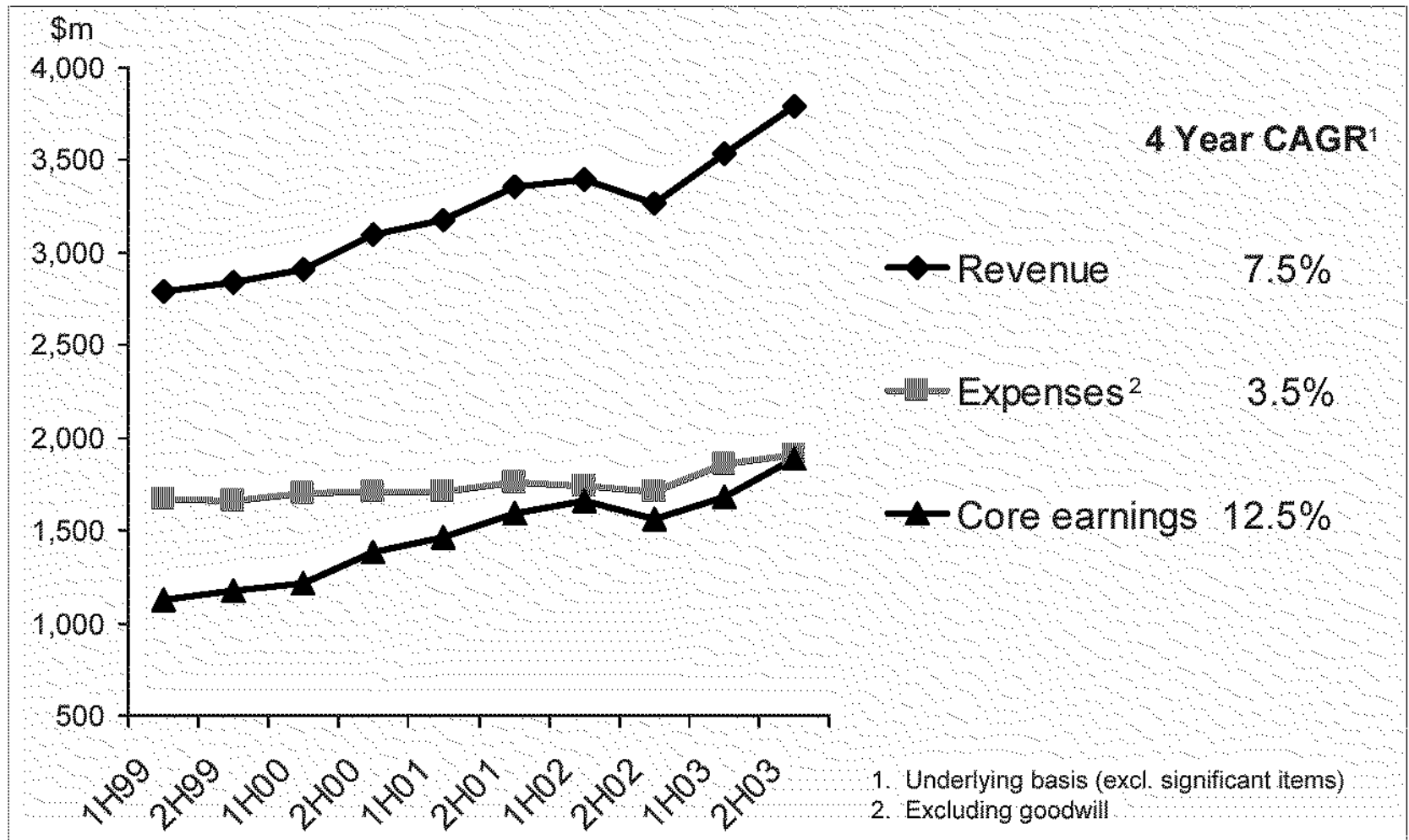
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Delivering on our focused strategy

- High quality result
 - Underlying cash earnings \$2,271m up 10%
 - Underlying cash earnings per share up 9%
 - Cash return on equity maintained at 21%
 - Dividend 78 cents per share fully franked up 11%
- Key drivers of growth
 - Robust growth in loans and acceptances up 17%
 - Increase in Australian market share up 120 bps
 - Normal sector margin decline down 7 bps
 - Non interest income growth up 19%
 - Cost to income ratio down 50 bps
 - All business units delivering improved performance
- Quality of earnings continues to improve
 - No significant items in 2003
 - Improved asset quality: impaired assets to total loans & acceptances down 13 bps
- Strategy is delivering
 - Staff commitment higher, customer satisfaction improving
 - Maintained leading sustainability position
 - Clear demonstration of superior execution

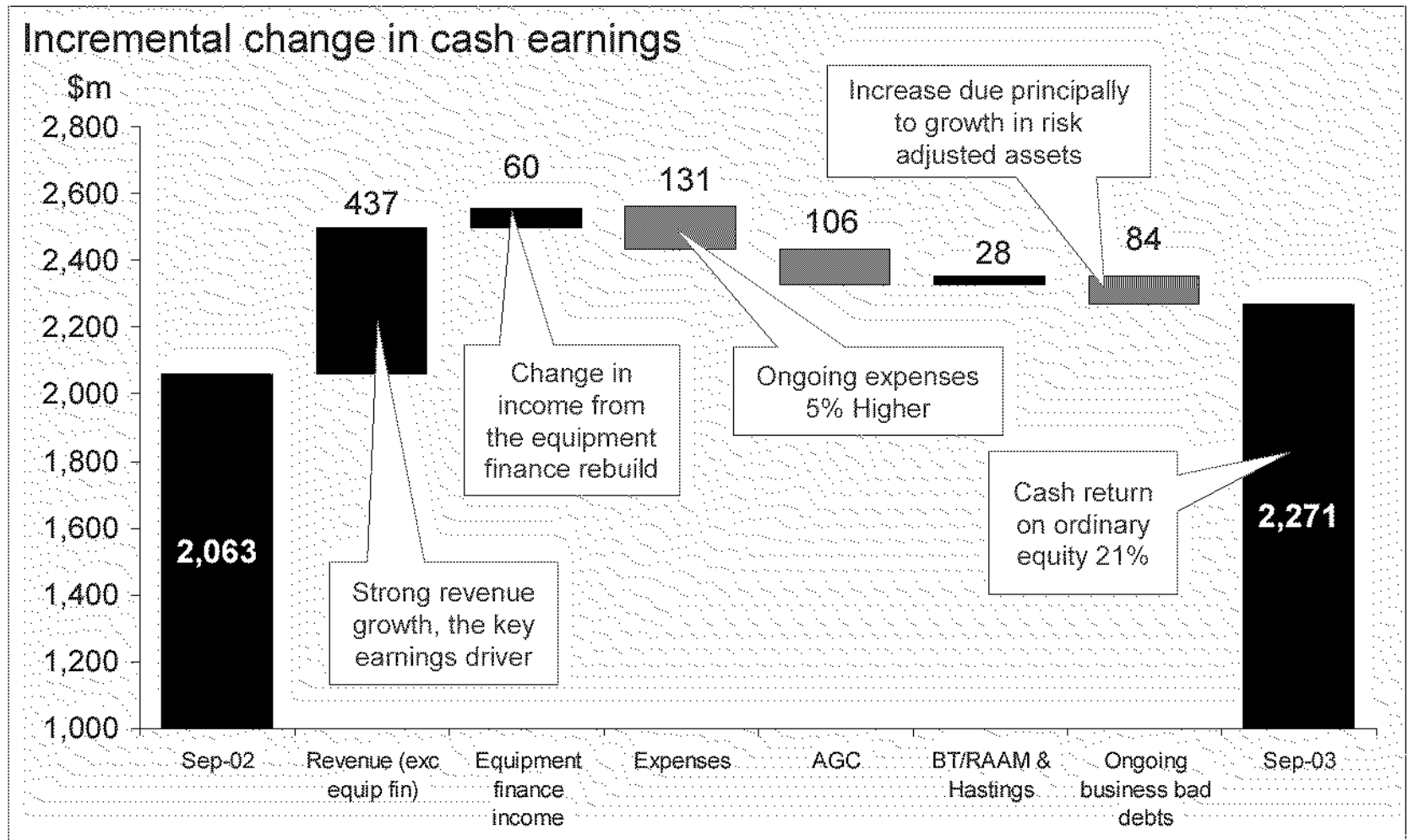
Driving the gap between revenue and expenses



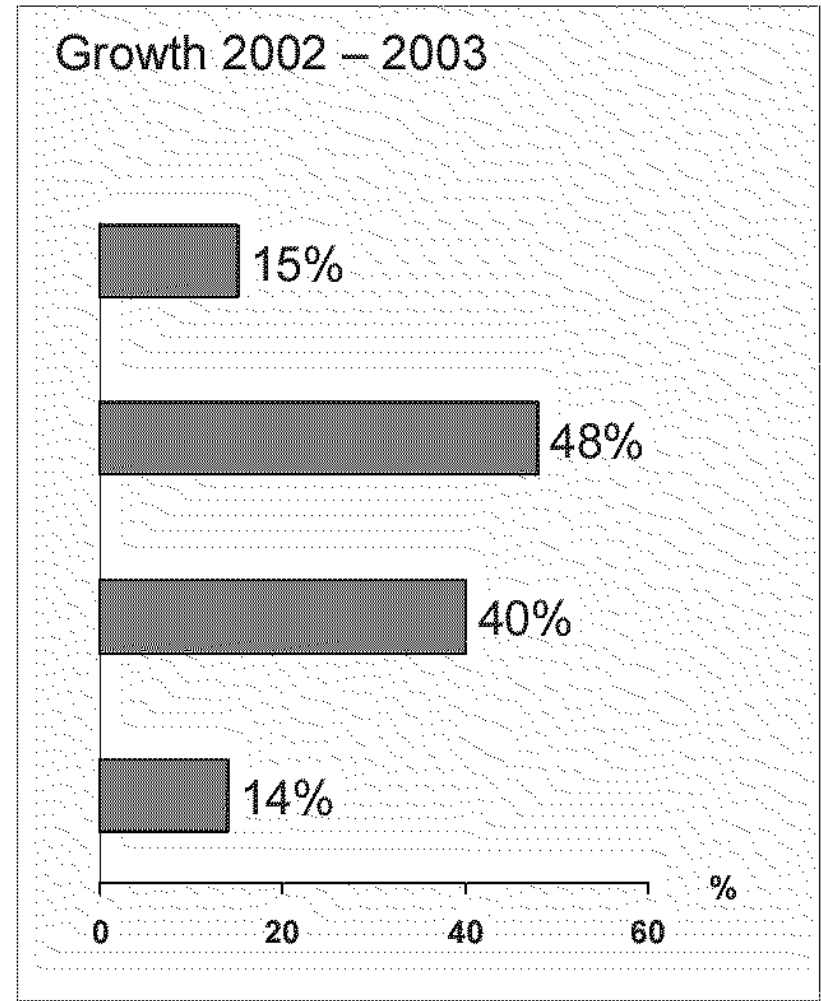
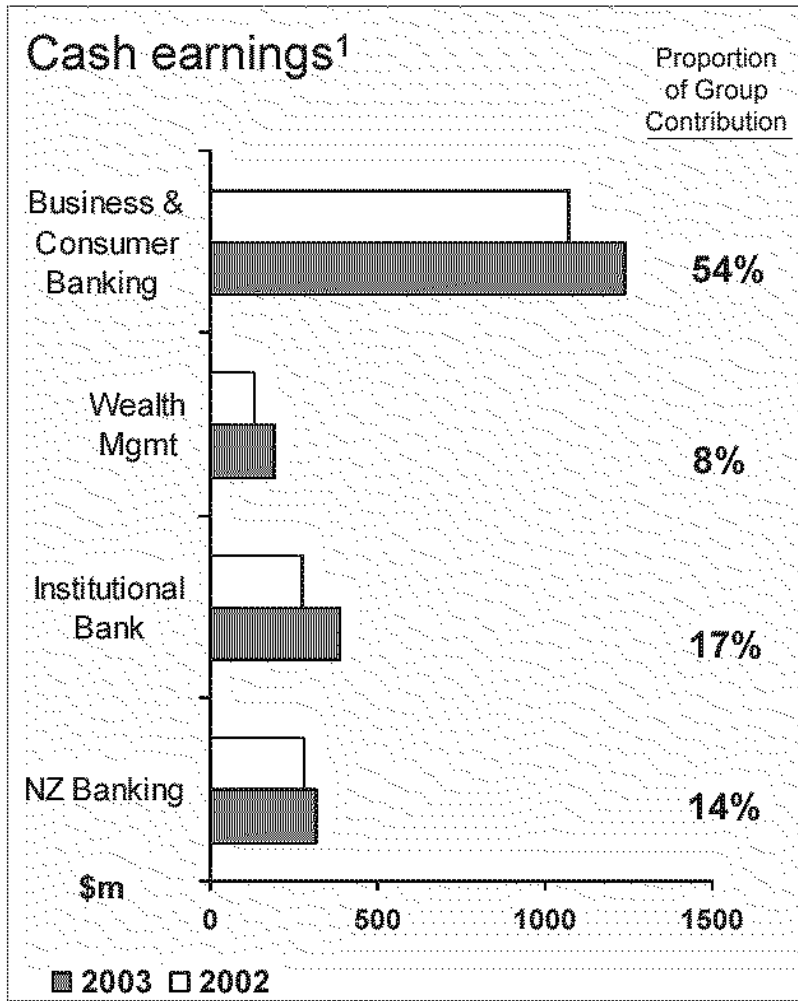
Underlying cash earnings – full year

\$m	2003	2002	% Change
Net operating income	7,330	6,664	10
Operating expenses	(3,763)	(3,452)	(9)
Goodwill	(163)	(100)	(63)
Bad debts	(485)	(461)	(5)
Net profit before tax	2,919	2,651	10
Tax	(728)	(635)	(15)
Outside equity interests	(8)	(5)	(60)
Net profit after tax & OEI	2,183	2,011	9
Goodwill	163	100	(63)
Preference dividends	(75)	(48)	(56)
Cash earnings	2,271	2,063	10

Cash earnings up 10%



All businesses contributing



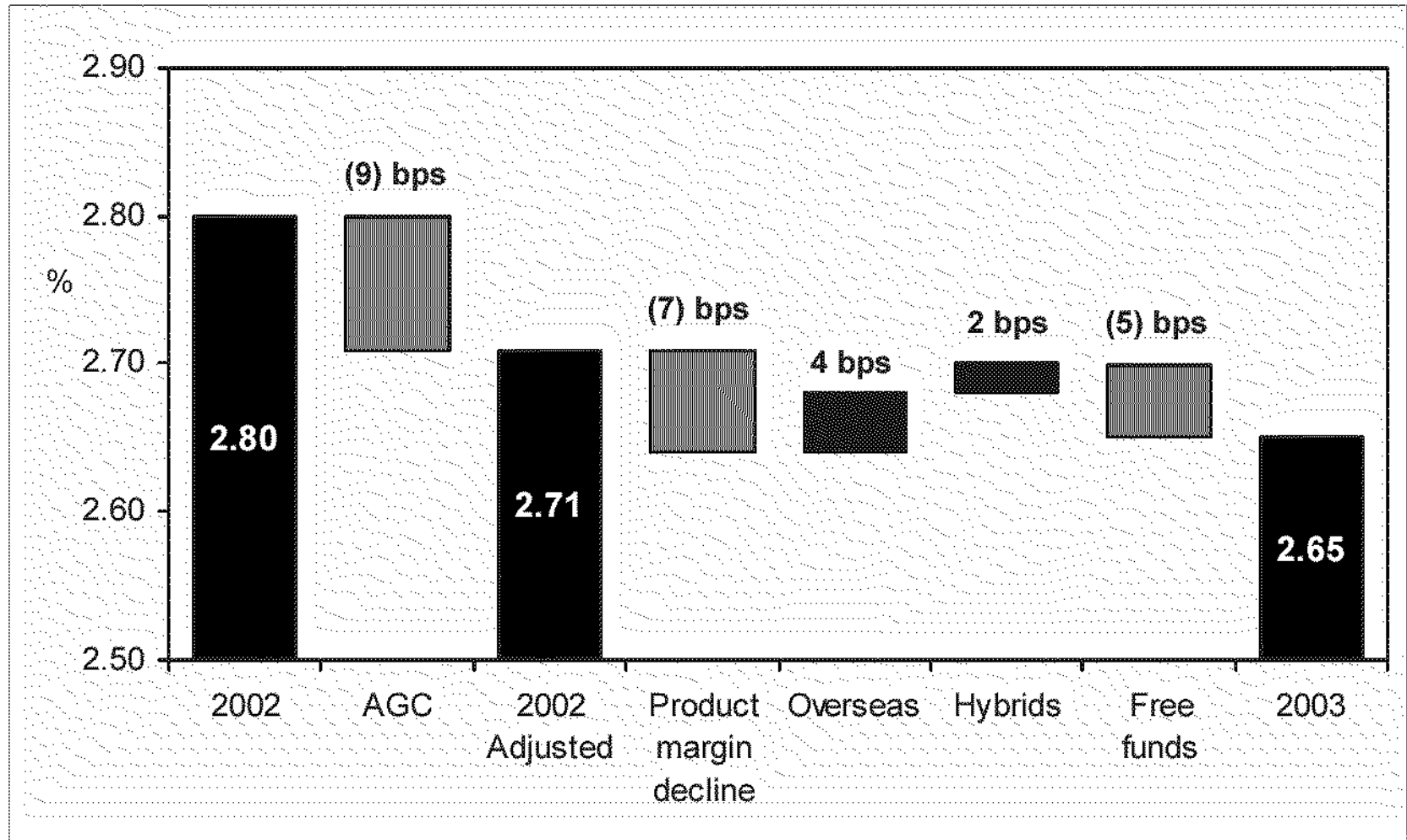
¹ Excluding significant items

Loan growth

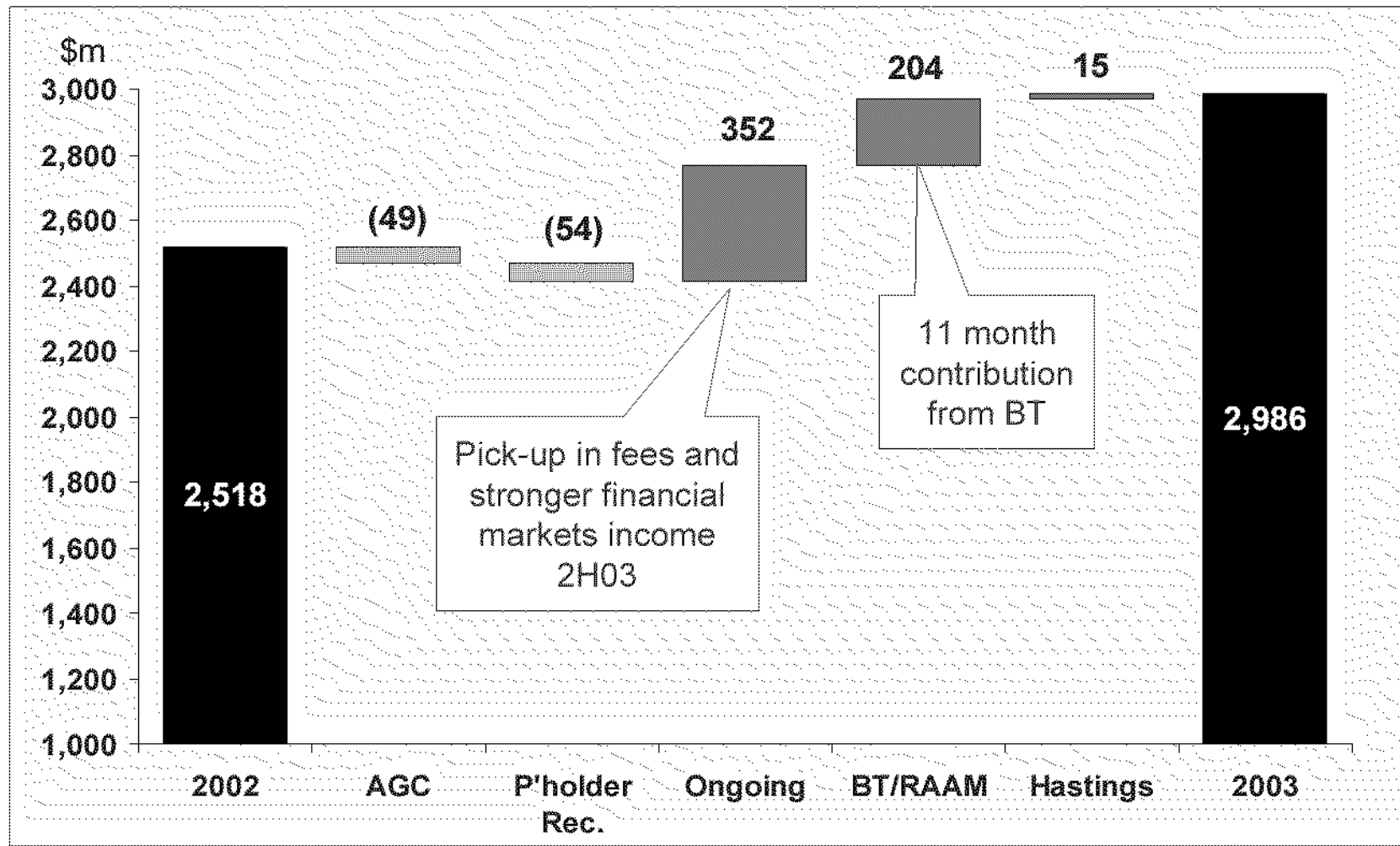
\$bn	2H03	1H03	2H02	% Change
				Sep 02 - Sep 03
Business Unit				
Consumer	87	809	73	19
<i>Housing¹</i>	80	73	66	20
<i>Personal (loans & cards)</i>	7	7	7	7
Business (excl. equip. finance)	27	25	25	11
Equipment finance re-build	5	4	2	120
Institutional Bank	22	22	22	3
New Zealand Banking	21	21	19	13
BT Financial Group	2	2	1	150
Group				
Net loans and acceptances	164	154	141	17
Risk weighted assets	143	138	129	11
Average interest earning assets	178	165	157	14

¹ Securitised loans deducted from total

Margin dynamics



Non-interest income analysis



Composition of expense growth

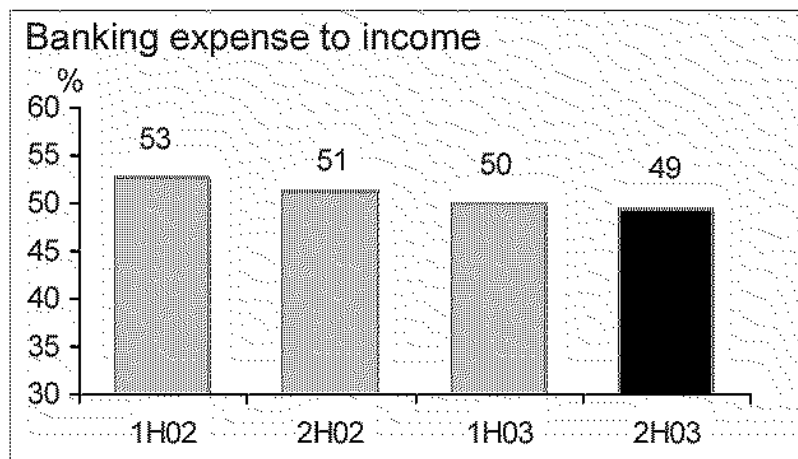
- 2003 expenses impacted by the change in Westpac's business mix. Adjusting for this change, expenses rose 4.7%
- Other specific expenses are items previously identified as having a significant impact on 2003 cost growth
- Adjusted expense growth includes the funding of:
 - Australian investments in CRM and additional staff (both permanent and casual)
 - Restoration of Institutional Bank incentives
 - New Zealand head office relocation and re-branding

Composition of expenses (\$m)	
2003 Expenses	3,763
Less change in business composition	148 ¹
Adjusted expenses	3,615
Increase on 2002	4.7%

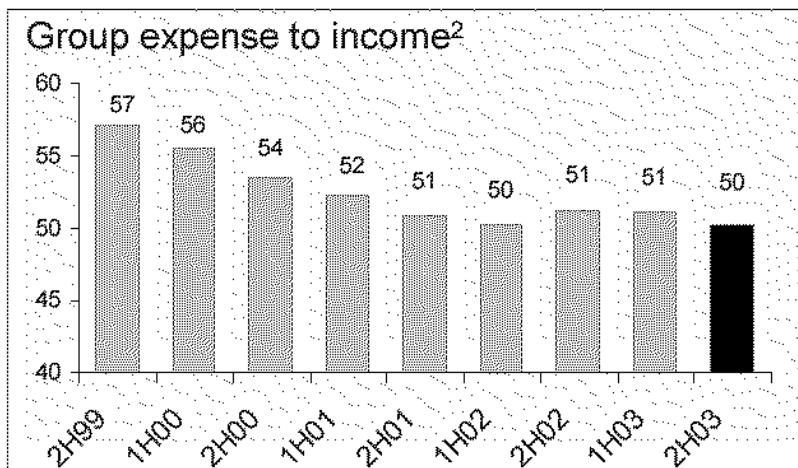
Other specific expense items (\$m)		
	Expected	Outcome
NZD appreciation	22	42
IAS19	68	77
	90	119
% impact on 2003 expenses	2.6%	3.5%

1. Additional expenses associated with the change in business mix from the sale of AGC and the purchase of BT and RAAM

Expense outlook 2004



- Expense growth in 2004 expected to be lower than underlying expense growth for 2003 given:
 - No further pressure from NZD/AUD exchange rate
 - Decrease in temporary staff expected as project work eases
 - 2004 investment program likely to be less than 2003
 - Continued benefits from efficiency pipeline

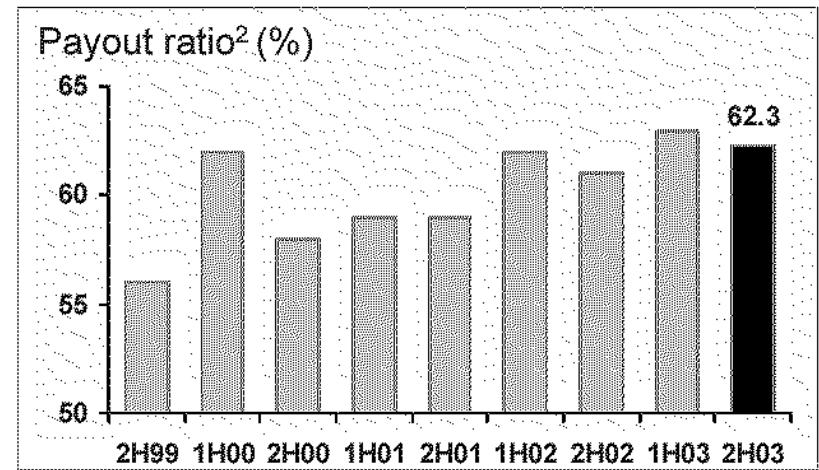
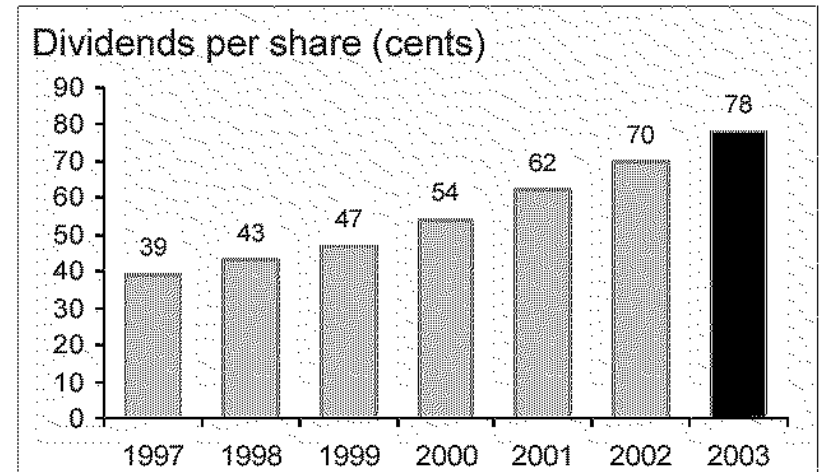


Cost efficiency pipeline

\$m	2004(f)	2005(f)	2006(f)
Outsourcing	8	17	17
Wealth integration	21	42	42
Lending processes	19	60	74
Head office relocation	-	-	12
Other efficiency initiatives	42	46	46
Cumulative total	90	165	191
Annual increment	90	75	26

Consistent dividend growth

- Dividend growing at or above earnings. In 2003:
 - Cash EPS up 10%
 - Dividends up 11%
- Medium term drivers of payout ratio:
 - Sustainable cash earnings growth
 - Organic capital requirements
- Franking capacity no longer a constraint – franking balance \$612m



² Based on underlying cash earnings

A high quality result – getting the balance right

Outcome	Balance
EPS growth 9%	<ul style="list-style-type: none"> • ROE maintained at 21%
<p>Strong loan growth</p> <p>120 basis point improvement in market share in Australia</p>	<ul style="list-style-type: none"> • Margin decline in line with sector trend - down 7 bps • Fee income stronger • Asset quality further improved
Expense to income ratio down 50 bps	<ul style="list-style-type: none"> • While enhancing investment spend • Absorbing restructuring charges as a normal expense
Maintained leading sustainability position	<ul style="list-style-type: none"> • Achieving returns for all stakeholders

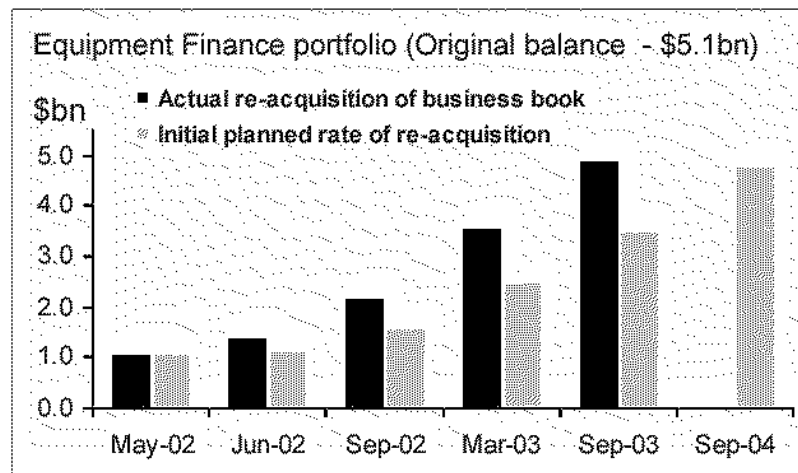
Business and Consumer Banking

- Cash earnings up 15%
- Expense to income down 270bps
- Bad debt increase primarily due to dynamic provisioning for growth in the portfolio and some increases in actual losses on unsecured consumer lending
- Additional FTE to support business growth

\$m	2003	2002	% Change
Operating income	4,447	4,026	10
Operating exp	(2,365)	(2,250)	(5)
Core earnings	2,082	1,776	17
Bad debts	(322)	(272)	(18)
Operating profit	1,760	1,504	17
Tax & OEI	(524)	(432)	(21)
Cash earnings	1,236	1,072	15
Goodwill	(58)	(58)	-
Profit on operations	1,178	1,014	16
Expense to income	53.2%	55.9%	270 bps

Growth in business lending

- Business lending increased 11% over the year to September 03, excluding the reacquisition of the business finance portfolio
- Middle market lending has been the predominant source of growth with small and medium enterprises (SME) providing an increasing contribution
- Initiatives boosting growth included:
 - Industry specialisation - 6 industry packages now in place and more planned
 - Rolling out CRM to business bankers
 - Selective increase in business bankers in branches
 - Number 1 in customer satisfaction compared to peers for past 3 years,
- Growth achieved while improving portfolio quality
- Equipment finance portfolio
 - Original reacquisition targets met – one year ahead of schedule
 - Cash earnings from the re-build of the equipment finance portfolio 2003 \$49m
 - Not a contributor to risk weighted asset growth
 - Remarketing agreement expires May 2004



Source: TNS Business Finance Monitor

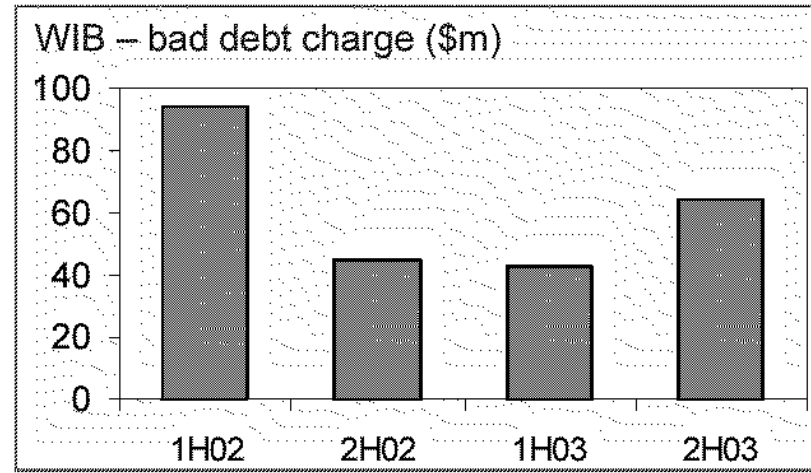
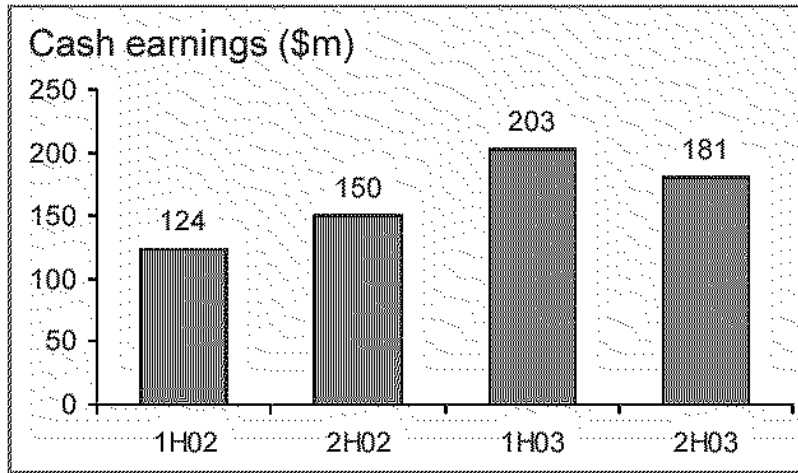
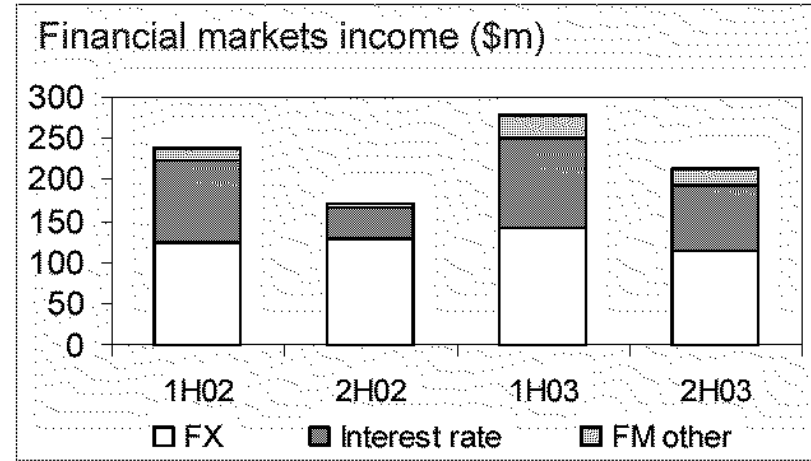
Insurance – a growing business

- Insurance operations have produced significantly improved earnings over the year
- Life insurance contributed \$66m in cash earnings in 2003
 - Strong growth in risk in-force premiums, up 24%
 - 18% increase in risk sales from both better customer cross sell and increased sales from direct channels
- General insurance focused on consumer insurances particularly home and contents insurance. 2003 earnings boosted by:
 - Strong housing growth
 - Improved customer penetration
 - Good underwriting conditions
- Lenders mortgage insurance is an attractive business given synergies with home lending and low losses on mortgage loans. Strong rise in 2003 earnings due to:
 - Increase in housing activity
 - Higher capital held in captive insurer
 - Continued low levels of delinquencies

	2003 cash earnings \$m	% growth
Life insurance		
Australia	44	16
New Zealand	22	29
General insurance (Australia)	32	36
Lenders mortgage insurance (Australia)	14	32
Total	112	26

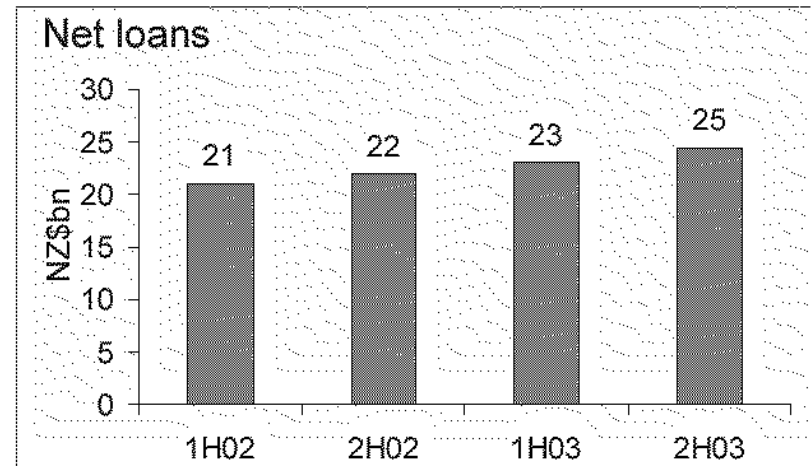
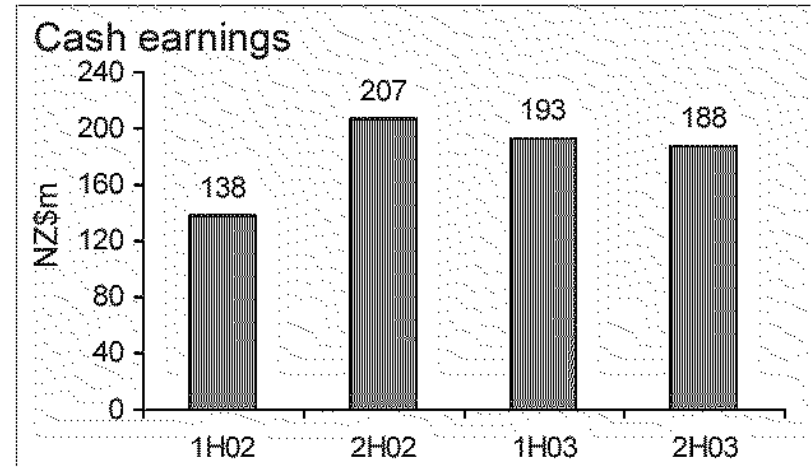
Institutional Bank

- Cash earnings up 40%
- Net interest income up 19%, driven by higher financial markets income and high margin structured finance deals
- Financial markets income up 29%
- Volatility in earnings a function of movements in financial markets and bad debts



New Zealand Banking

- Cash earnings up 11%¹
(up 14% in A\$)
- Performance improvement program delivering:
 - Increased focus on Auckland market including relocation of head office
 - Boosting specialist sales force numbers and productivity
- Expenses higher due to re-branding and relocation costs
- Net loans up 14%¹



¹ NZ dollars

NZ dollar impact

- Rolling 12-month focus – timing main impact
- 2004 AUD/NZD hedge rate to be 1.11 compared to current market rate of 1.15
- Hedge gain/loss recognised in non-interest income
- Currency impact on cash earnings exceeds hedge impact as earnings of the institutional bank in New Zealand are not hedged

Impact on group financials (A\$)	Currency impact	Hedge impact
Operating revenue	+95m	(42m)
Operating expenses	+42m	
Cash earnings	+37m	(29m)
Loans and acceptances	+1bn	
Risk weighted assets (NZ Retail)	+0.7bn	

BT Financial Group

Cash earnings \$m	2H03	1H03	2H02
Operating income	322	290	166
Operating expenses	(196)	(179)	(104)
Tax & outside equity interests	(22)	(25)	(12)
Cash earnings	104	86	50
Goodwill	(35)	(28)	(2)
Net profit after tax	69	58	48

Market share			New business	
Product	Market share	Rank	Market share	Rank
Retail	9.3%	5	Outflow	
Corporate super	5.4%	8	12.5%	3
Wrap & master trust	10.5%	5	11.8%	2
Life and risk	6.3%	7	10.2%	4
Margin lending	15.3%	2	8.4%	NA

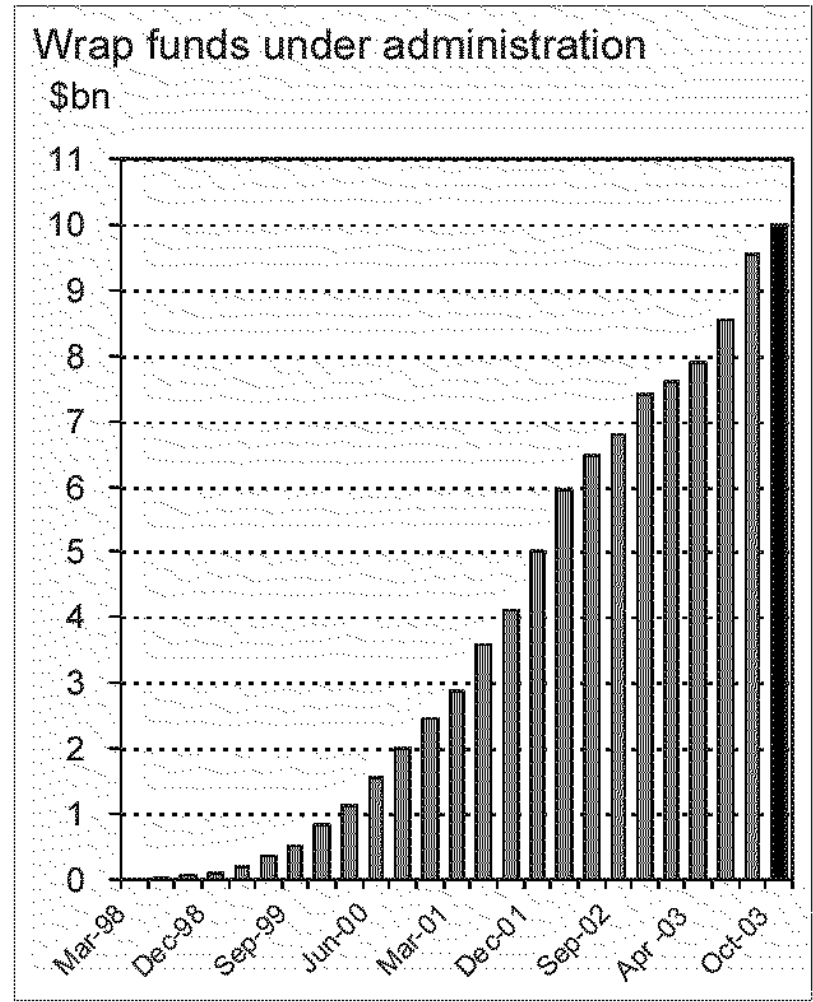
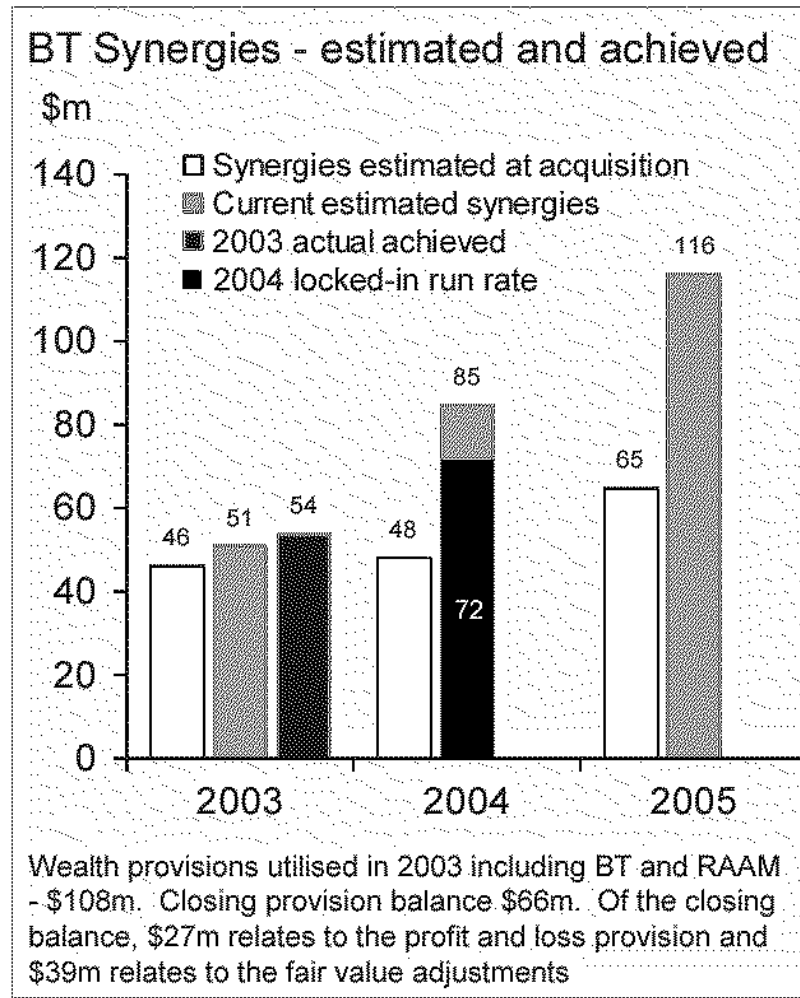
Sources: Retail - ASSIRT Sep 03, Wrap and Master Trust - ASSIRT Jun 03 Market share report, Corporate super - Dext&r Jun 02 Market share report
Life and risk - Dext&r Mar 03 Margin lending - internal research and RBA

Wealth position—represented across value chain

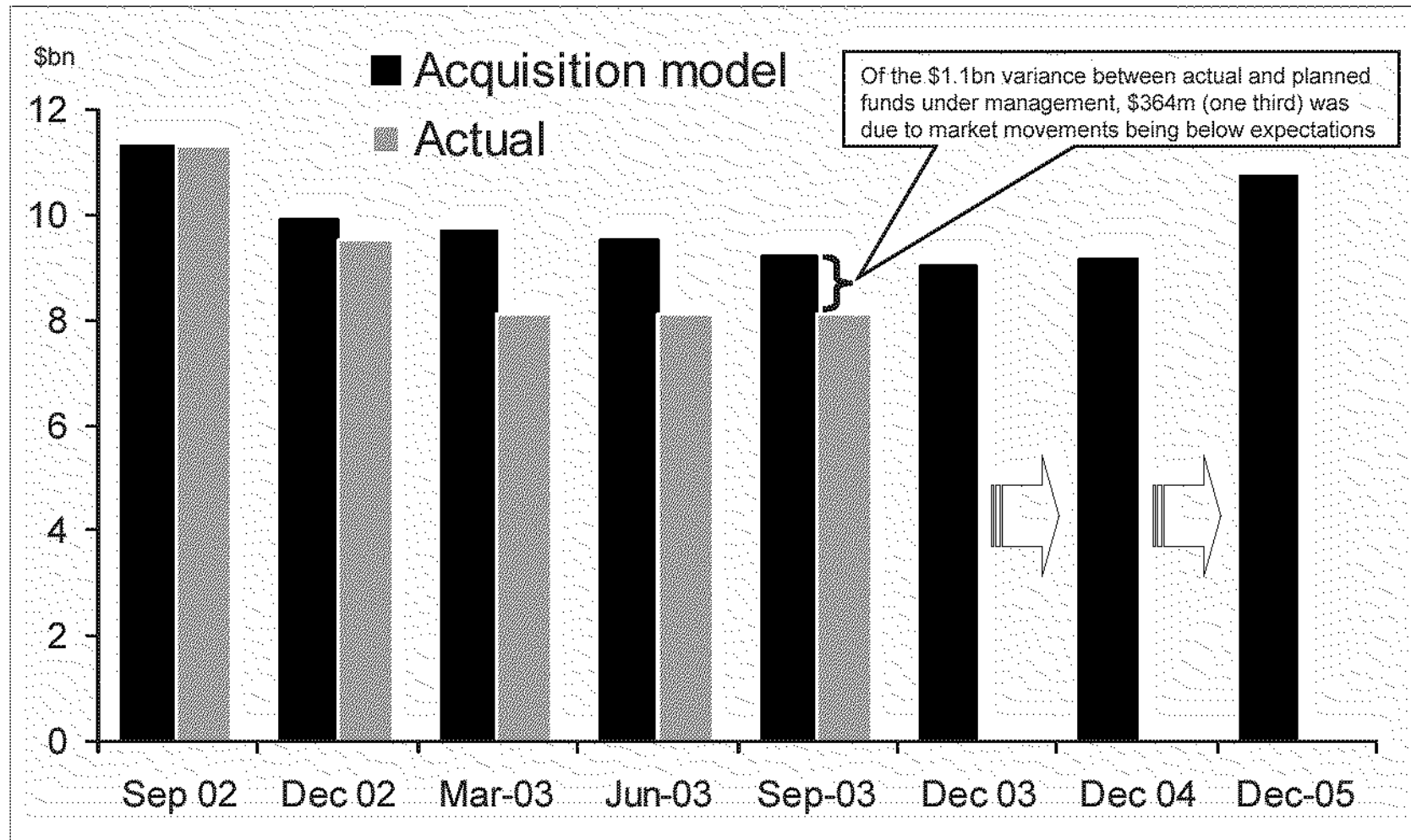


<p>Access to 7.7m existing customers and through External Financial Advisor (EFA) channels</p>	<p>Westpac planners & advisers</p> <p>Broad access to independent financial advisers via Wrap and rated products</p>	<p>Leading wrap and corporate super platforms</p> <p>37 financial groups using Wrap platform approx 4,500 advisers</p> <p>Corporate super and Wrap platforms now in use by Westpac planners</p>	<p>Broad product range</p> <p>Proven servicing capability</p> <p>Commenced restructuring of product range</p>	<p>Manage funds where comparative advantage</p> <p>Use external managers elsewhere particularly internationally</p> <p>BT partner series – manager of managers approach launched</p>	<p>Outsourced partners for funds admin</p> <p>Centralised back office servicing centre</p>
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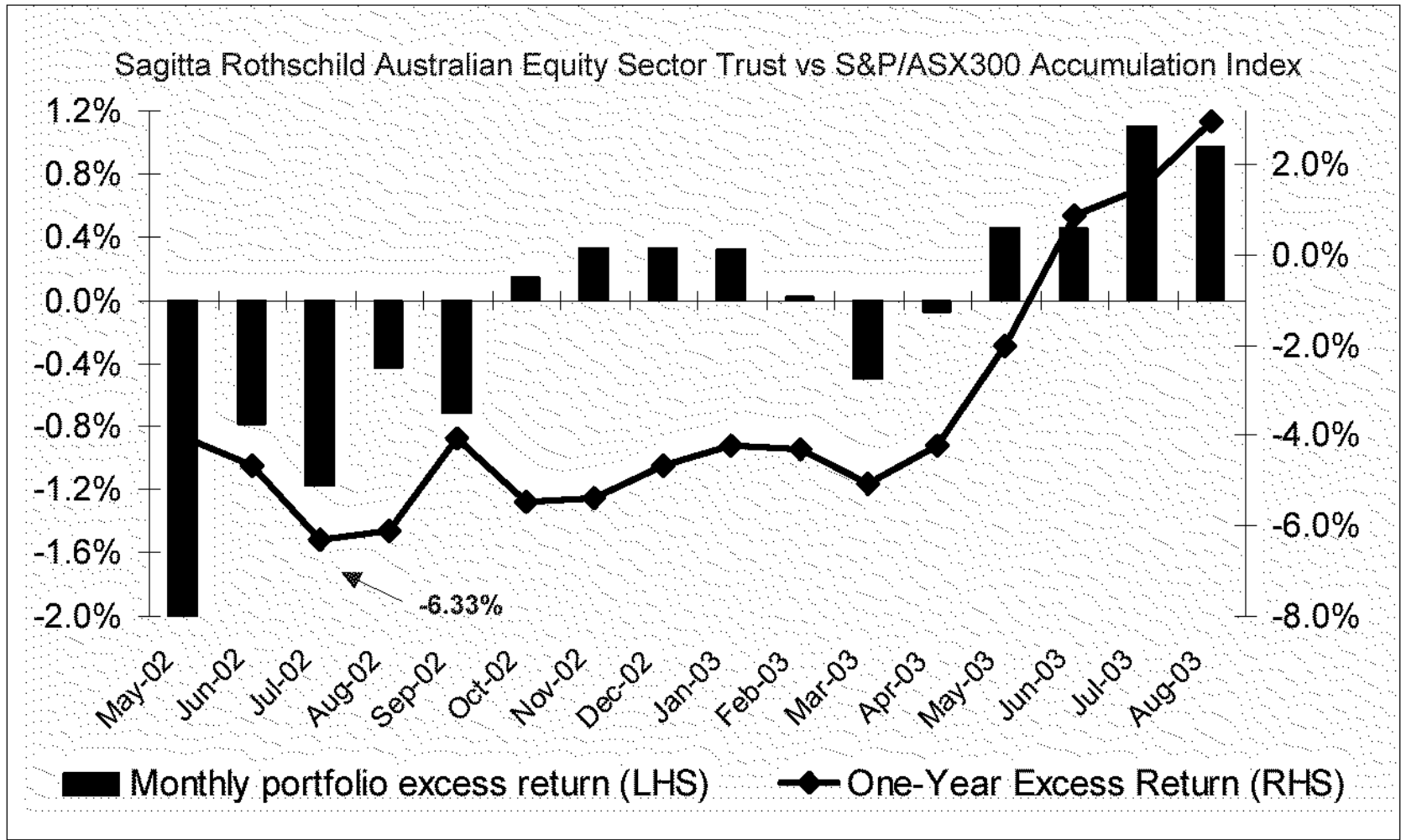
BT - outperforming on key metrics



Net retail FUM against acquisition model - BT



Performance turnaround: Australian equities



Source : BT

Delivering on our strategy

Vision



Strategy



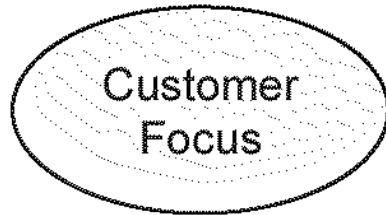
How?



Outcomes

"To be a great Australian and NZ Company"

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



Differentiator: Superior Execution

Our high performance culture

- Quality people
- Effective people & performance management processes
- Values

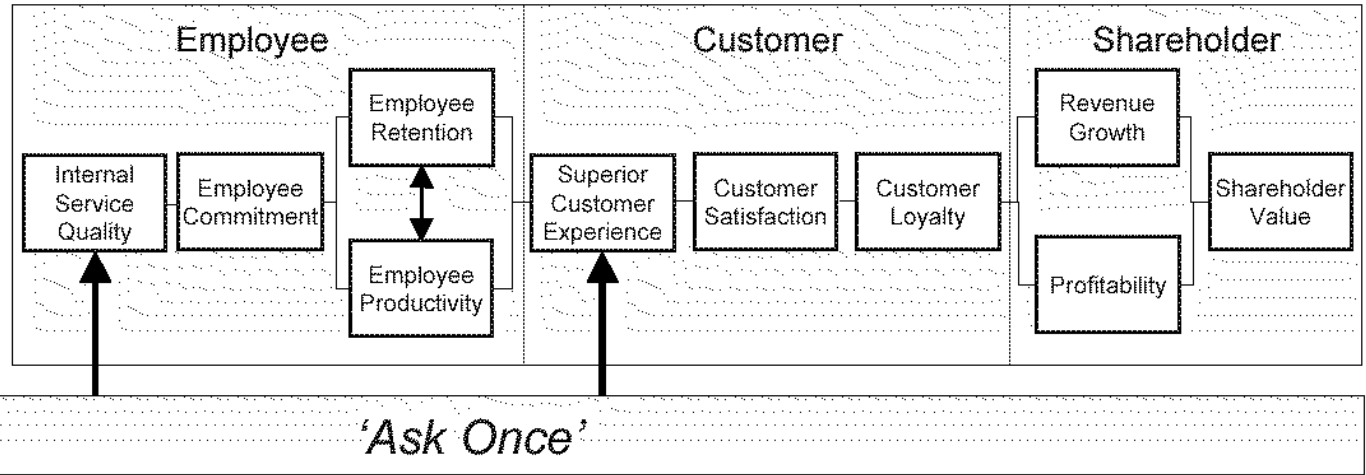
Medium term Objectives

- Best practice employee commitment
- Service leadership in our industry
- Top quartile shareholder returns
- Leader in corporate responsibility

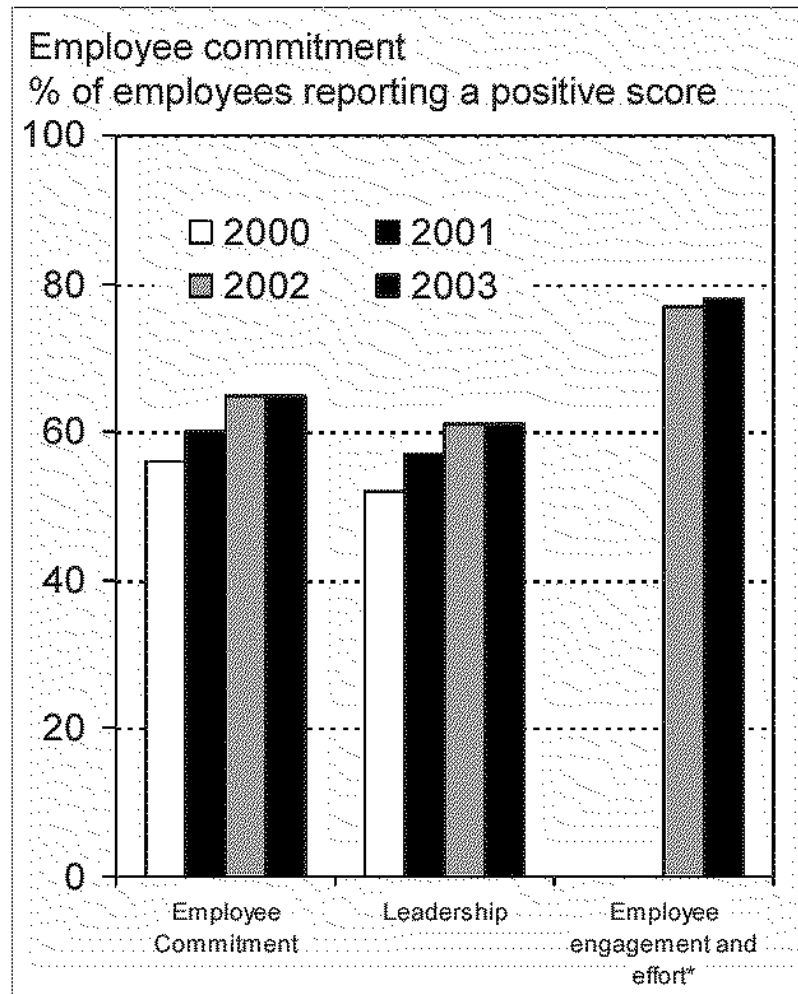
Service – Profit Chain

Mission
"To be at the forefront for service in our industry by September 2005"

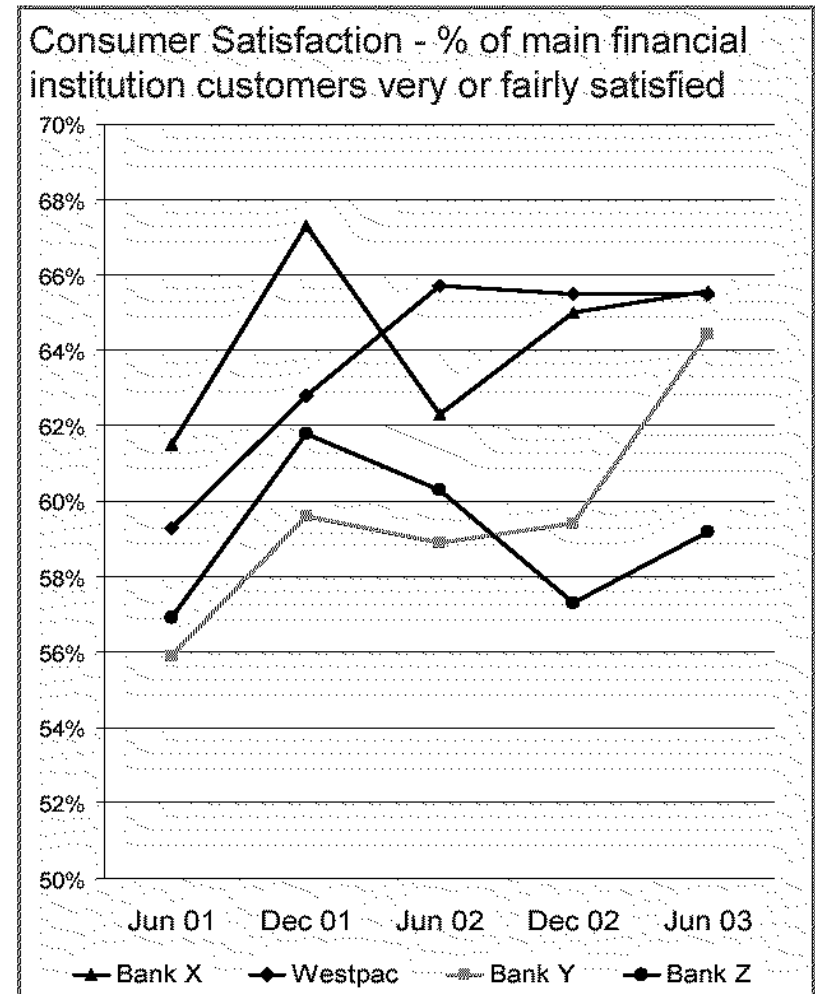
Values
Teamwork
Integrity
Performance



Improving employee commitment leading to improved customer satisfaction



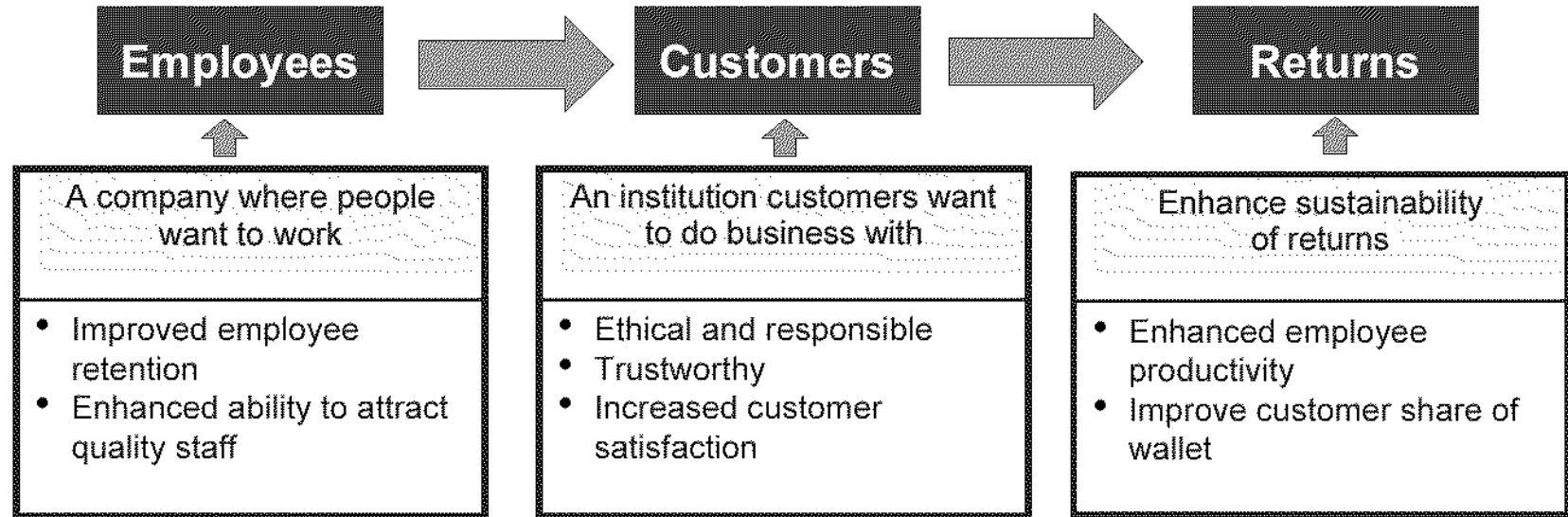
* New measure introduced in 2002



Source: Consumer - Roy Morgan Research. Have deposit account with bank and regard it as main financial institution.

Reputation/sustainability – enhancing returns

Sustainability - supporting the value chain



Number 1 In the global banking sector in Dow Jones Sustainability Index 2003/04 - for the second year in a row.



Australia - Number 1 company overall – Reputex Social Responsibility Ratings 2003. Only company to receive a AAA rating.

Execution – delivering on our commitments

	Commitment	Status
Group	Cash EPS guidance 7% to 9% - October 2002 Disciplined acquisition approach	Delivered 9.3% Withdrew from NBNZ sale
BT	Deliver on budgeted synergies Enhance investment performance Grow Wrap and corporate super	Synergies upgraded and delivered Performance ahead of benchmark Growth momentum maintained
BCB	Deliver transformation program Reacquire AGC portfolio	\$50m in ongoing cost savings Virtually all of the portfolio reacquired – one year ahead of schedule
NZ	Deliver on transformation program	New brand, lending up 14%, customer satisfaction higher
WIB	Restore Institutional Bank's performance	Financial markets income up 29%

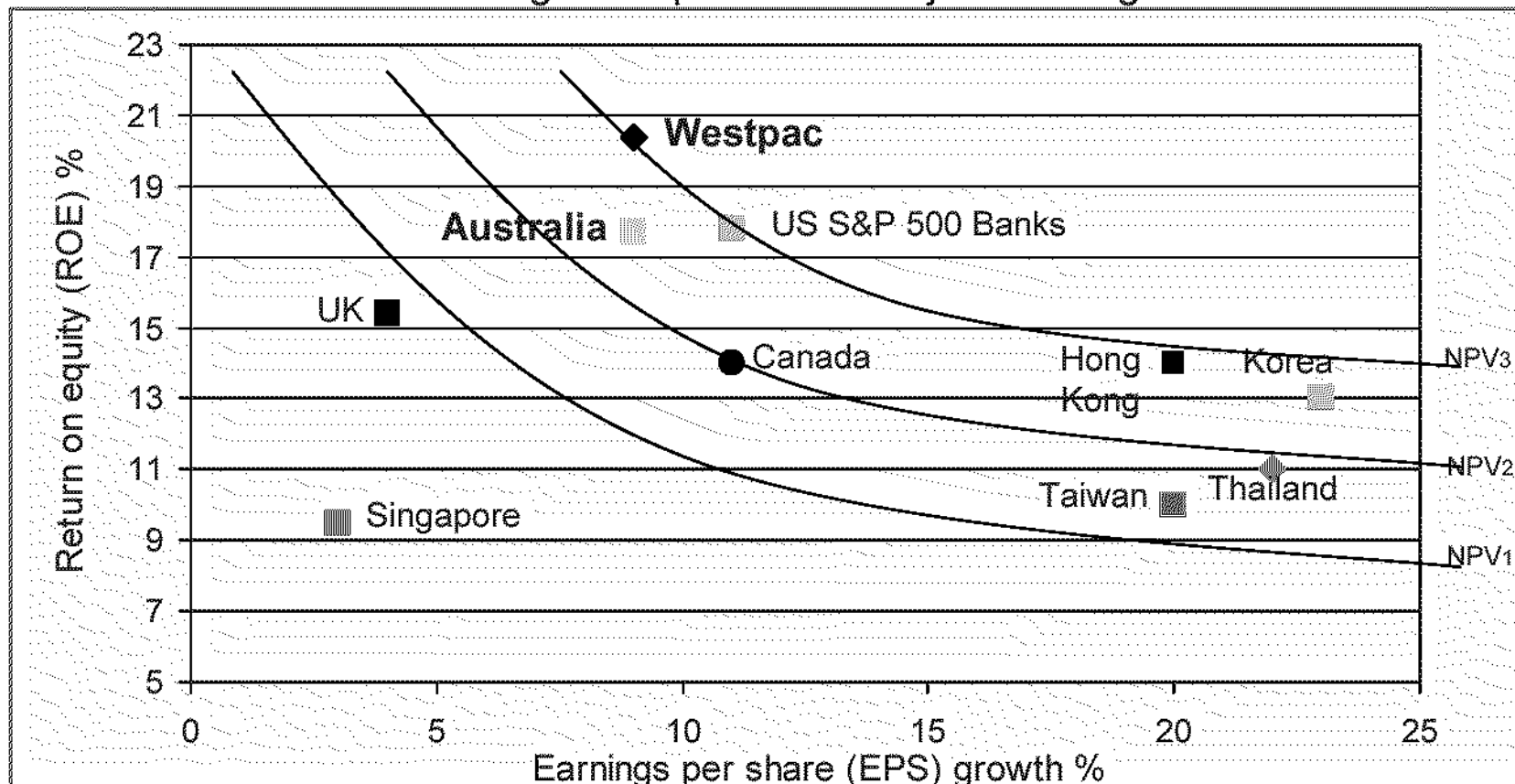
Improved market share

- Westpac has consistently increased market share of financial system credit over the last 3 years:
 - 2001 - 40 basis point increase
 - 2002 - 40 basis point increase
 - 2003 - 120 basis point increase

Australian market share – RBA financial system aggregates	Sep 03 %	Sep 02 %	Change (bps)
Credit			
Housing	17.9	18.1	(20)
Other personal	12.4	10.9	150
Other (mainly business)	12.3	10.4	190
Total credit	15.0	13.8	120
Retail deposits	13.9	13.2	70

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.

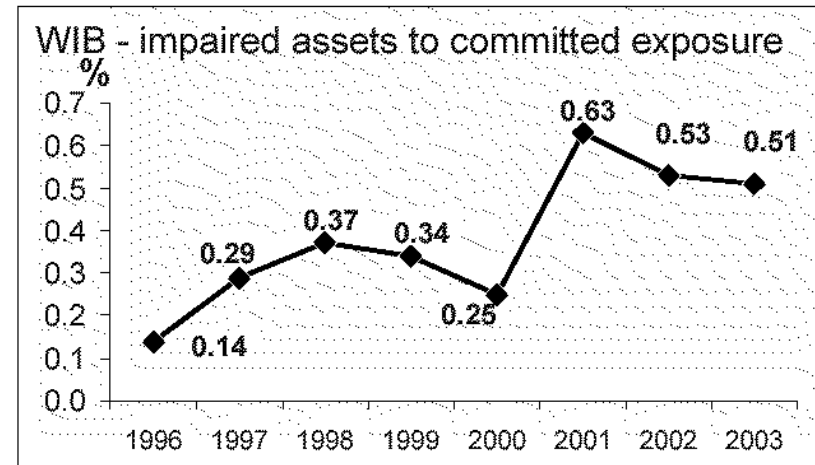
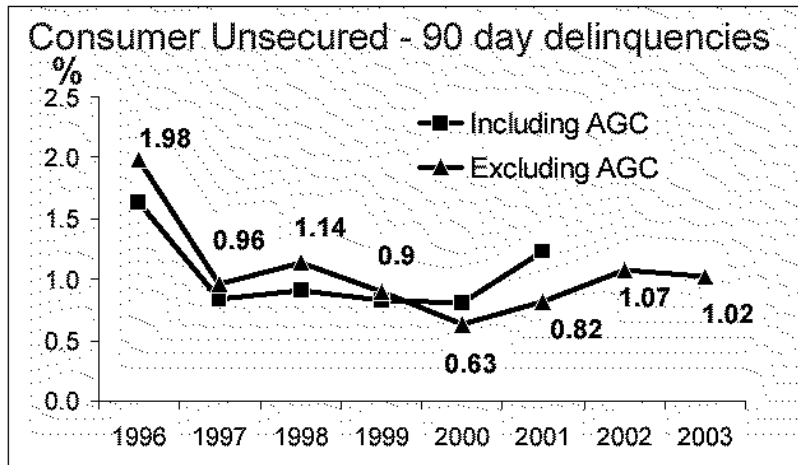
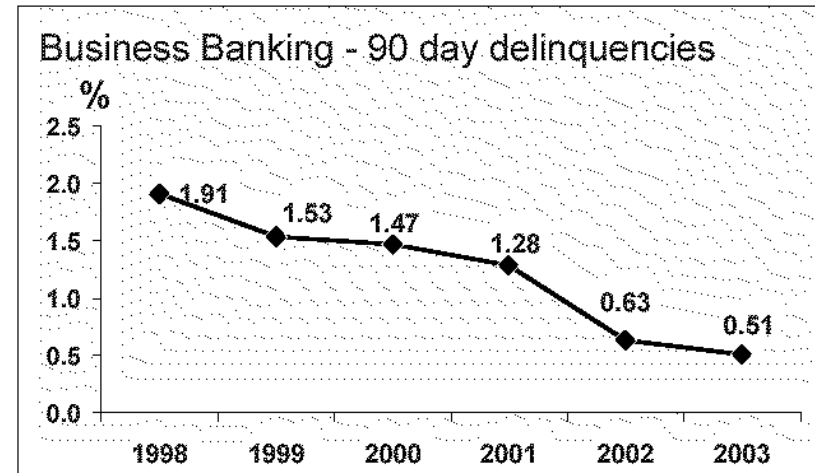
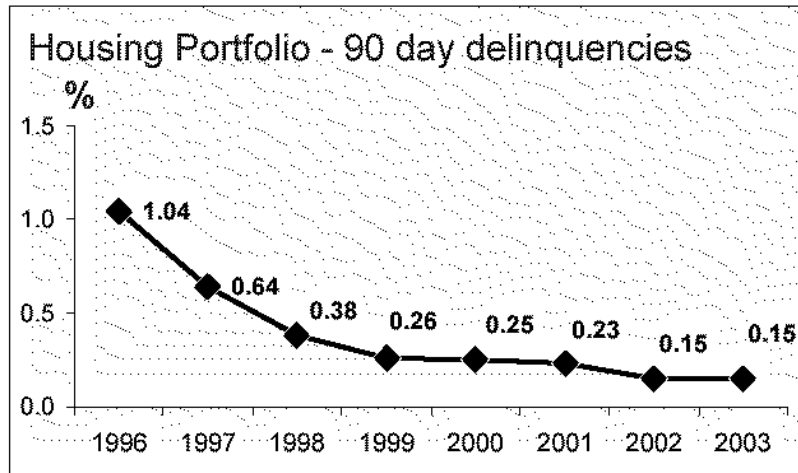
Acquisition guidelines

- No particular requirement to acquire customers
- Filled major strategic gaps
 - Customer franchise enhanced in Australia and New Zealand with three regional bank acquisitions 1995 – 1998
 - Wealth management capability enhanced with three acquisitions in 2002
- Subject to acquisition disciplines, some opportunities remain in core markets with not all assets in the hands of their natural owners
- Disciplined approach
 - Aligned with strategic direction
 - Strict valuation criteria
 - Not unduly diverting

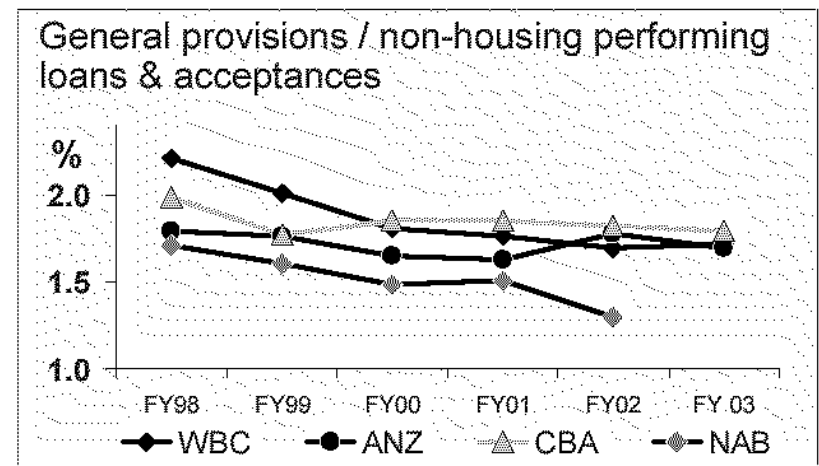
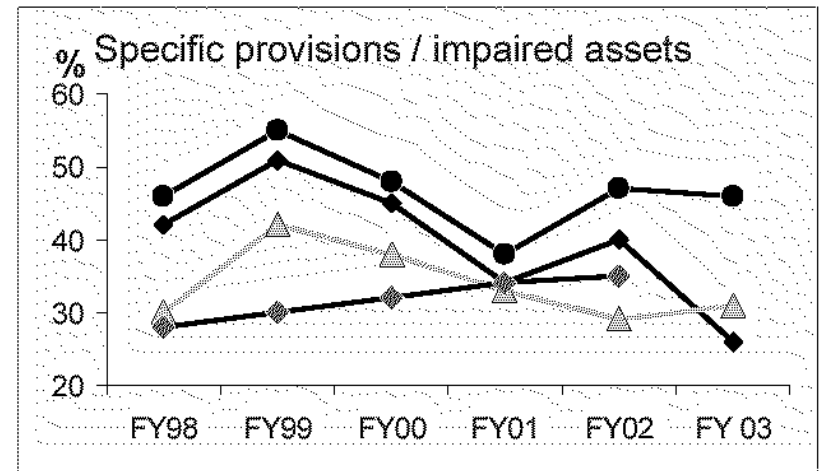
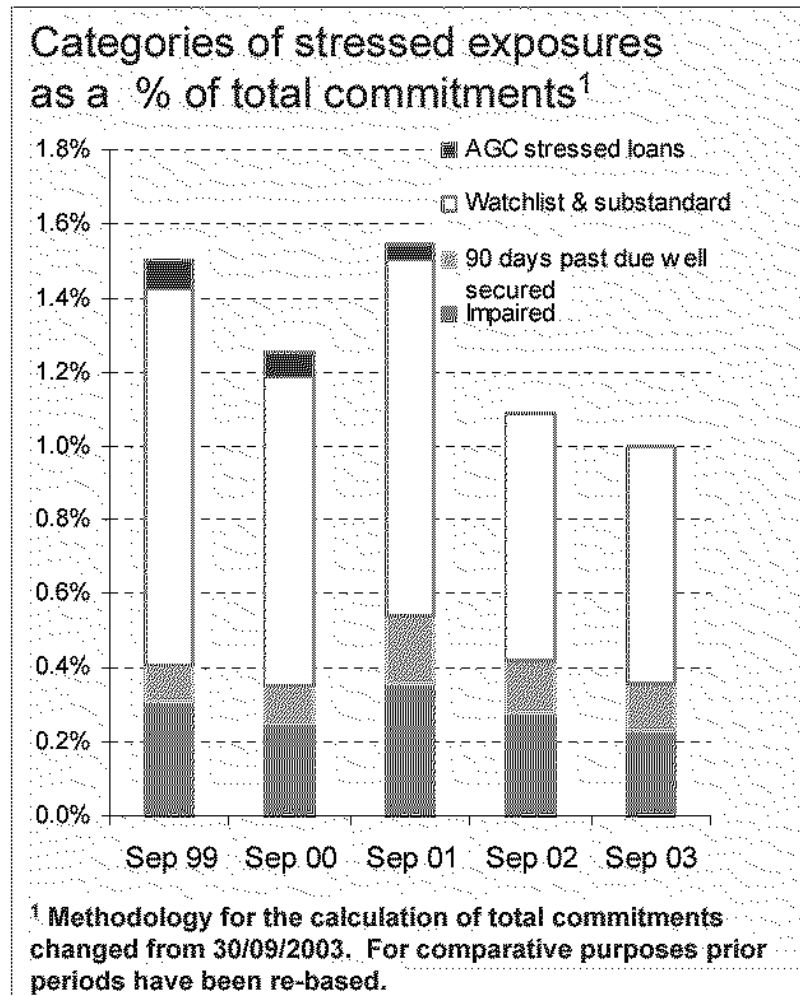
An experienced executive team

Name	Title	Date joined Group Executive	Biography
David Morgan	Chief Executive Officer	Nov 1992	Joined 1990, CEO since 1999. Headed all major business units in Westpac prior to CEO appointment in March 1999. Extensive prior experience in financial sector including in the IMF and the Australian Federal Treasury
Ilana Atlas	Group Executive People and Performance	Nov 2002	Joined Westpac 2000, as Group Secretary and General Counsel. Previously Partner of a Major Law firm, Mallesons Stephen Jaques. In current role since 2002
Philip Chronican	Chief Financial Officer	Jan 2001	Joined Westpac 1982, Appointed CFO in Feb 2001. Previously Deputy CFO and has held CFO roles in both retail and institutional banking
David Clarke	Chief Executive Officer BT Financial Group	Jul 2000	Joined Westpac 2000, and appointed to current role September 2000. Prior to that headed the Australian Business & Consumer Bank. Before joining Westpac was an Executive Director of Lend Lease and CEO of MLC Ltd
Philip Coffey	Group Executive Westpac Institutional Bank	May 2002	Joined Westpac 1996, in current role since 2002. Previously with AIDC, Citicorp Global Asset Management and Citigroup
Michael Coomer	Group Executive Business & Technology Solutions & Services	Jan 2002	Joined Westpac to current role in January 2002. Michael has 30 years experience in Information Technology covering a broad range of industries
Mike Pratt	Group Executive Business and Consumer Banking	Apr 2002	Joined Westpac in April 2002 as Group Executive New Zealand & Pacific Banking. Appointed to current role in August 2002. Extensive experience in retail banking including CEO Australian Financial Services for National Australia Bank and CEO Bank of New Zealand
Ann Sherry	Group Executive New Zealand & Pacific Banking	Mar 2000	Joined Westpac in 1994, in current role since October 2002. Ann has headed People and Performance for the Group and was CEO Bank of Melbourne following the Merger in 1995

Forward credit indicators in good shape

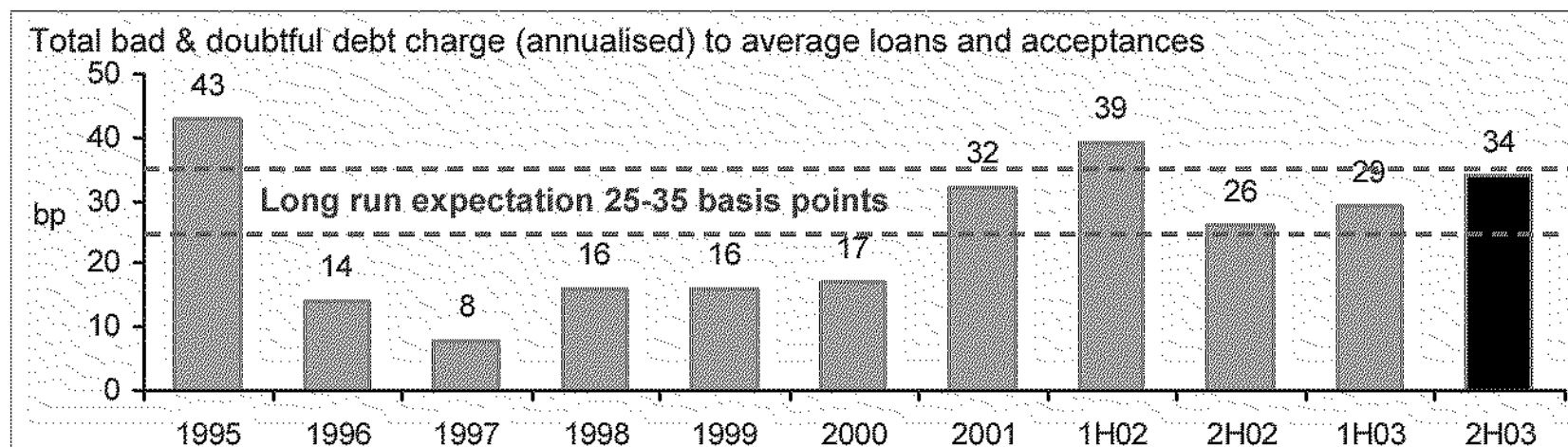


Stressed exposures continue to decline



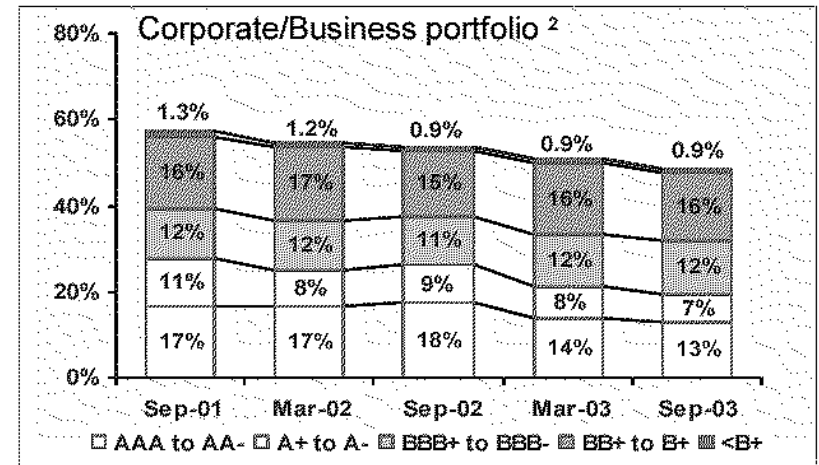
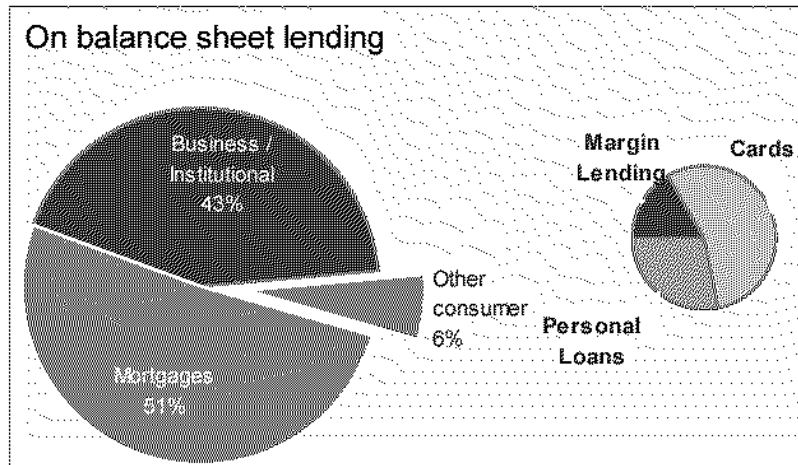
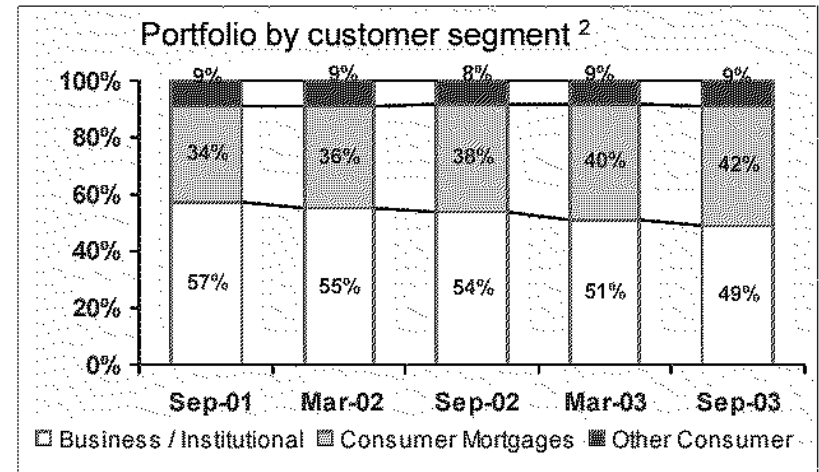
Bad debt analysis

\$m	2H03	1H03	2H02	1H02
Write-offs	(133)	(142)	(171)	(208)
Net transfer to/from specific provisions	(70)	17	(70)	(102)
Recoveries of debts previously W/O	27	47	35	49
Bad debt charge-off	(176)	(78)	(206)	(261)
Increase in general provision	(95)	(136)	16 ¹	(10)
Net bad debt expense	(271)	(214)	(190)	(271)
General provision	1,394	1,309	1,162	1,301
General provision to non-housing loans & acceptances	1.7%	1.7%	1.7%	1.8%



Composition of portfolio

- Mortgages represent 42% of total commitments and 51% of funded lending
- 64% business / corporate portfolio exceeding investment grade
- Other consumer includes credit cards, personal lending and margin lending



² % of Total Exposure - 30 September 2003

Total exposure by region¹

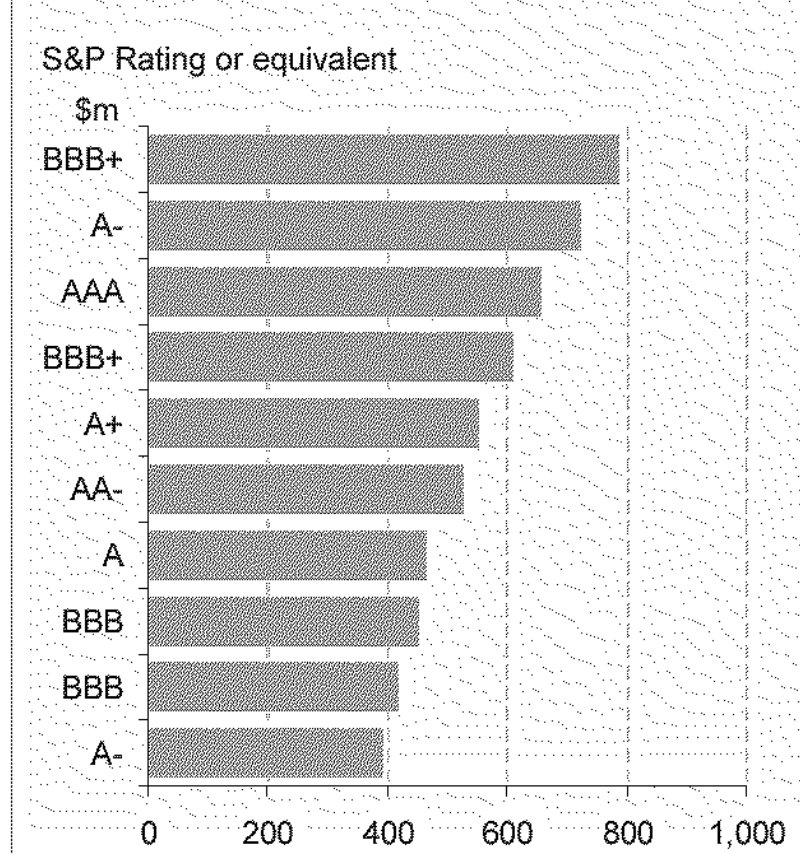
- Exposures outside core markets represent less than 5% of total committed exposures – sub investment grade represent less than 0.5% of total exposures

\$m	Australia	NZ / Pacific	Americas	Europe	Asia ex Japan	Japan	Group
AAA to AA-	26,727	6,232	515	445	91	140	34,150
A+ to A-	13,350	1,989	1,643	1,178	0	0	18,160
BBB+ to BBB-	23,560	5,695	855	2,042	31	0	32,181
BB+ to B+	36,893	6,802	45	456	27	45	44,267
<B+	1,244	555	221	239	26	0	2,284
Secured ² consumer	98,806	16,473	0	0	0	0	115,279
Unsecured ² consumer	17,005	2,865	0	0	0	0	19,870
	217,584	40,610	3,278	4,359	175	185	266,191

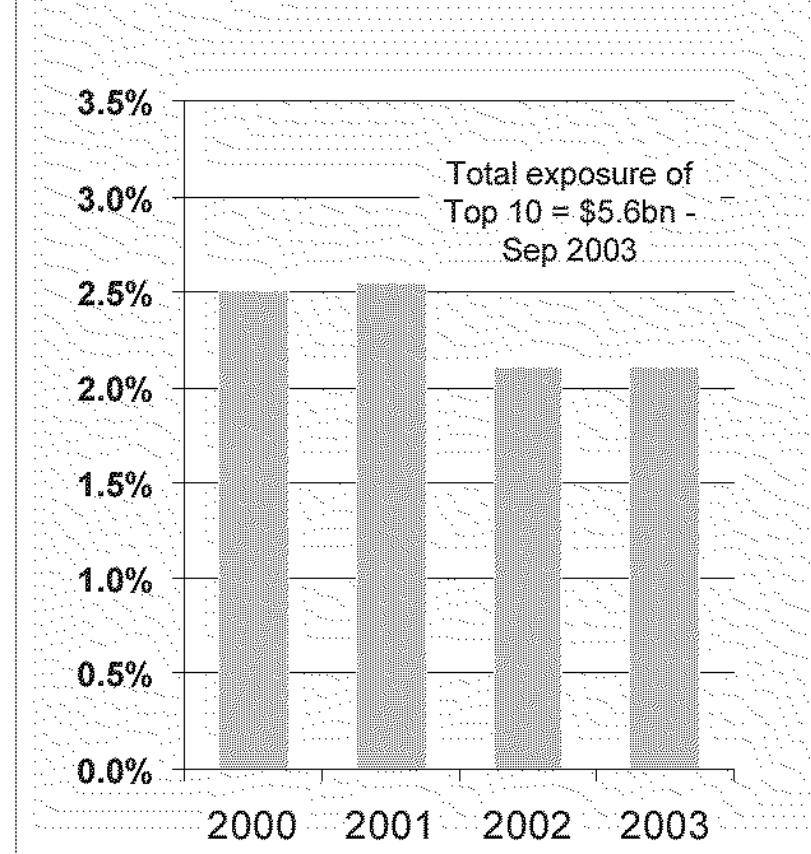
- Total committed exposures by booking office at 30 September 2003
- Changes in the calculation of total committed exposures has seen an increase in reported consumer commitments. Actual drawn amounts for secured consumer in Australia \$83,157 and in NZ/Pacific \$14,018. Drawn amounts for unsecured consumer in Australia \$6,908 and in NZ/Pacific \$948

Reduced single name exposures

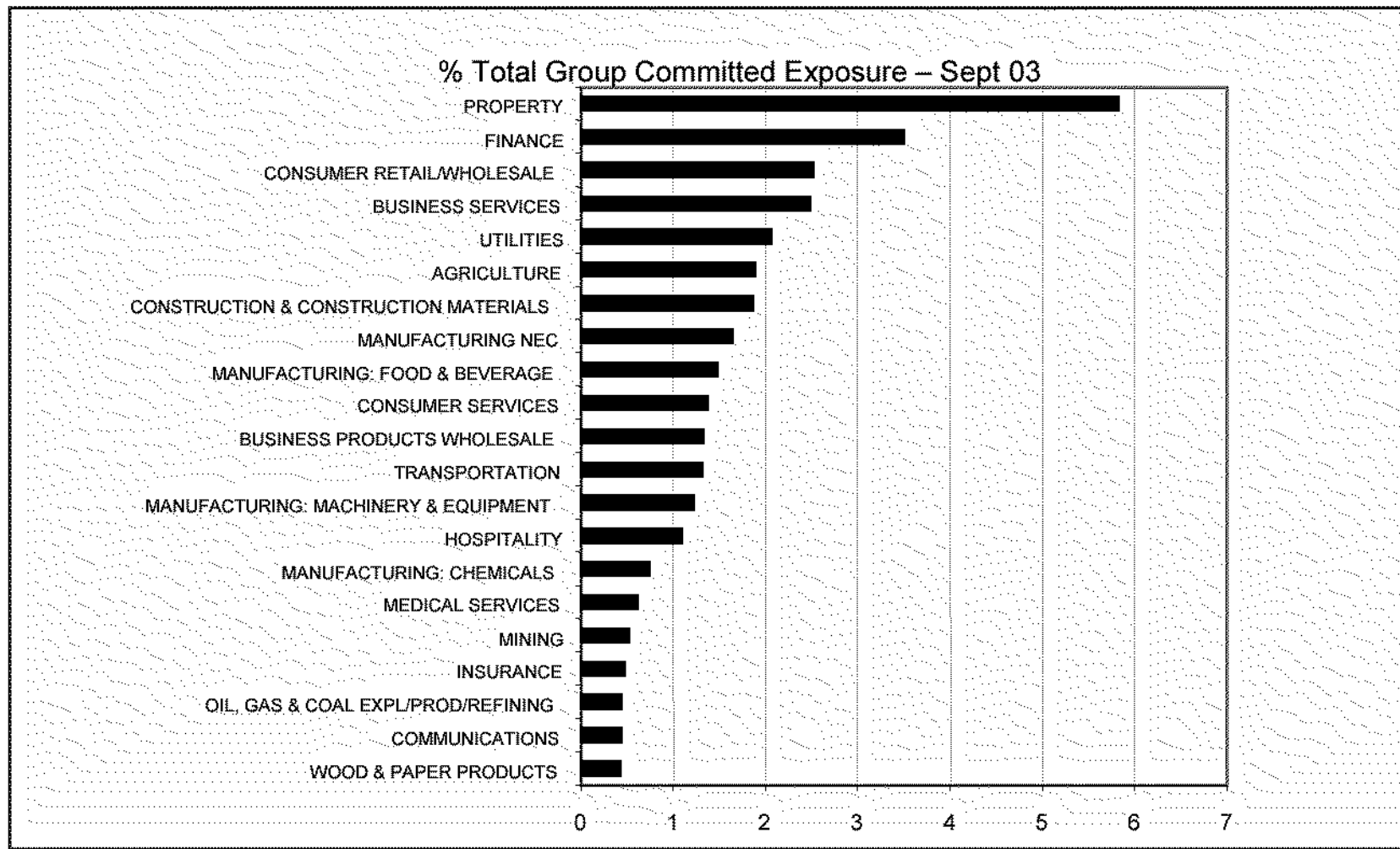
Top 10 exposures to corporations and NBFIs – Sept 03



Top 10 exposures as a % of total committed exposure – Sept 03

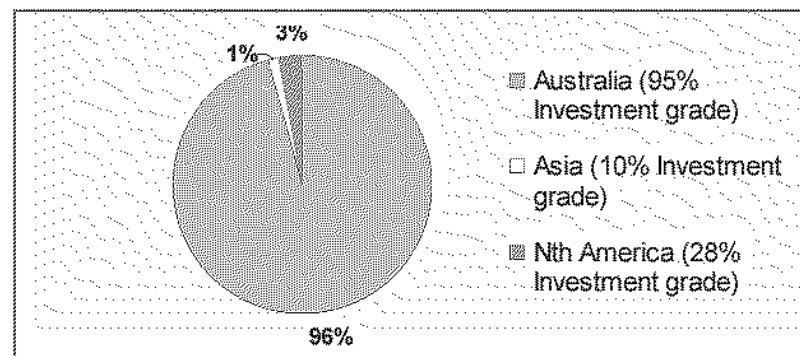
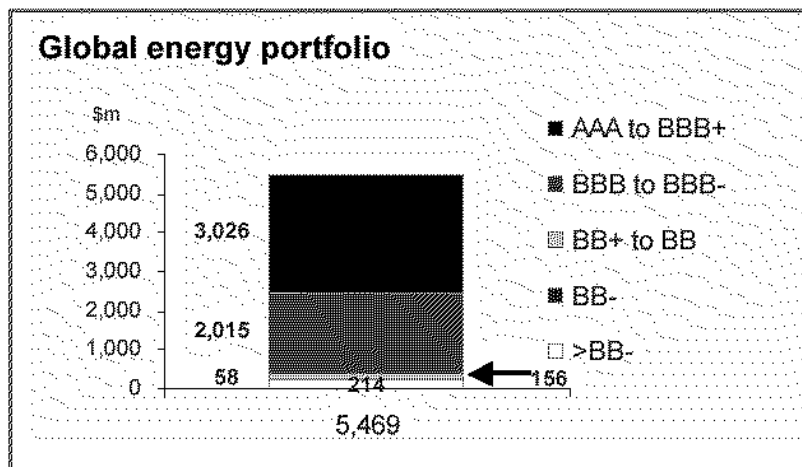
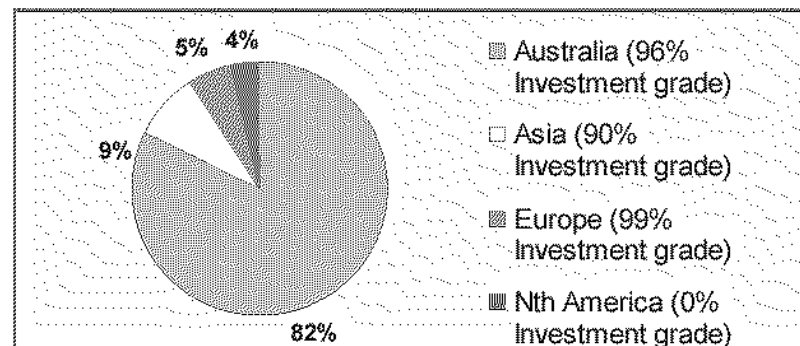
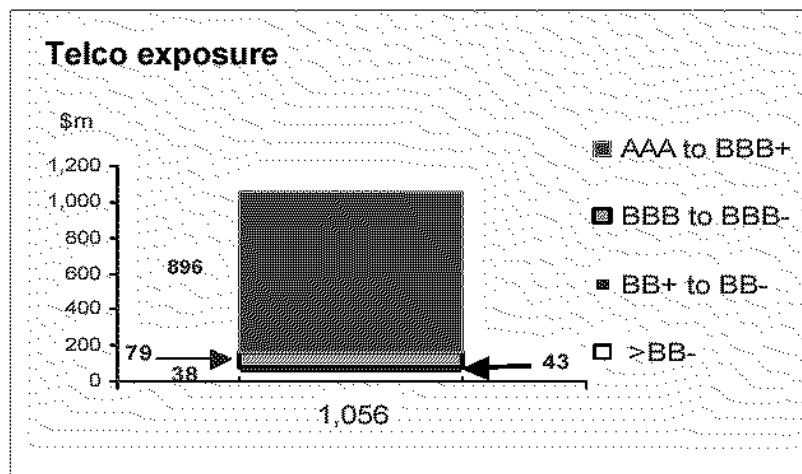


Industry concentrations



¹ 30 September 2003, excluding banks and governments

Key portfolio exposures including telco/energy

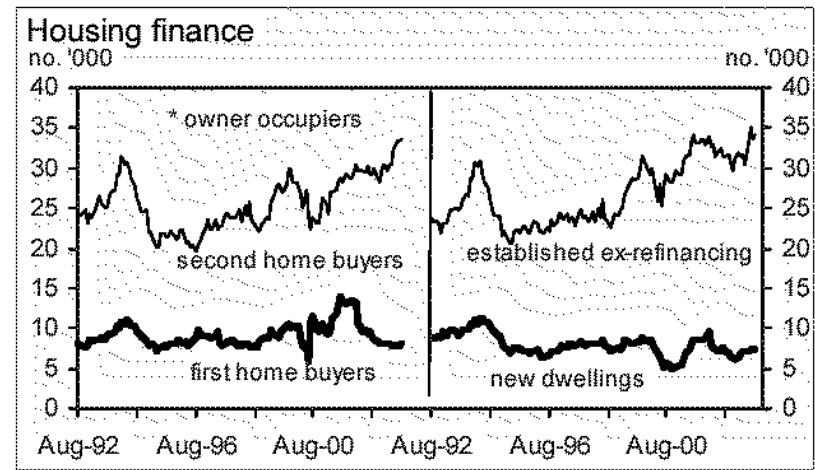
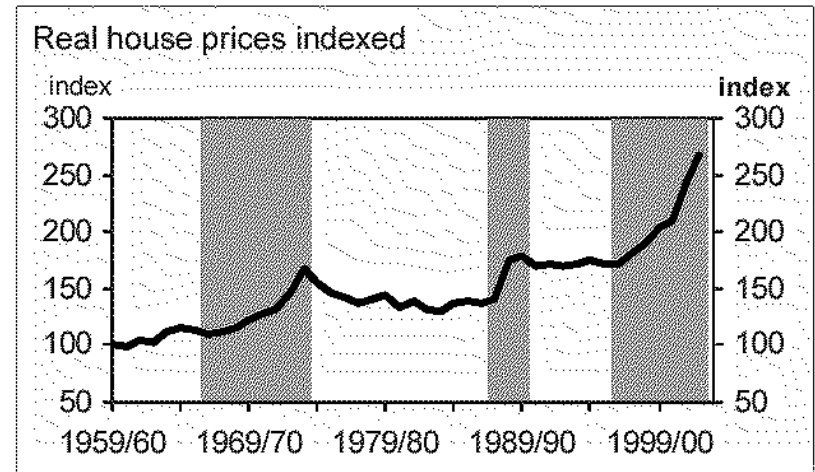


	Telco	Energy	Total non-investment grade*
WBC	1.1	5.5	0.5
NAB	3.0	11.1	2.8
ANZ	3.8	8.0	2.9
CBA	1.0	3.9	1.3

*Source: Most recently available company reports

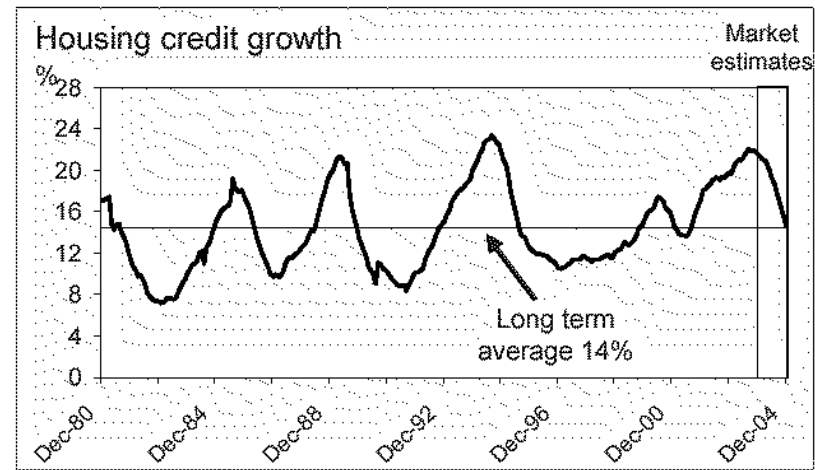
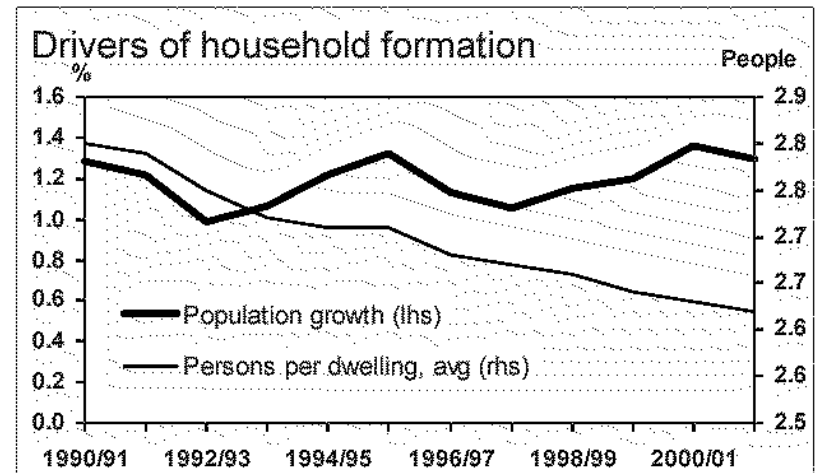
Housing market – state of play

- Housing prices have risen 76% over last 5 years
- Credit growth similarly strong, averaging 16% over last 5 years
- Recent growth driven by:
 - Second and subsequent home buyers
 - Spending on existing dwellings



Drivers of housing credit growth

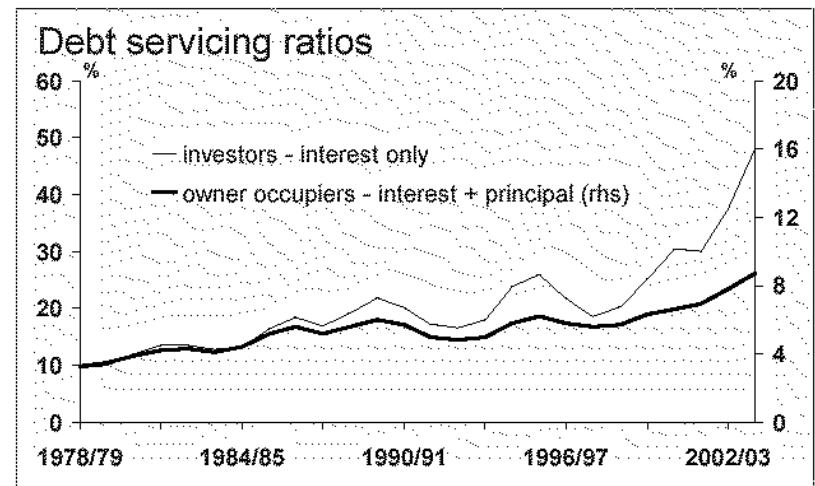
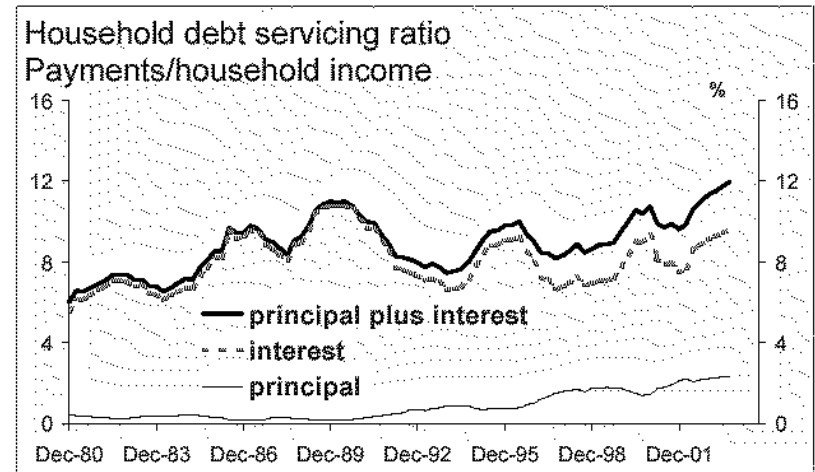
- Housing credit growth will, on average, continue to grow ahead of nominal GDP, supported by:
 - Continuing positive population growth
 - Decrease in average household size
 - A higher proportion of earnings is devoted to dwelling investment as standards of living increase
- Growth expected to ease in year ahead



Source: APRA

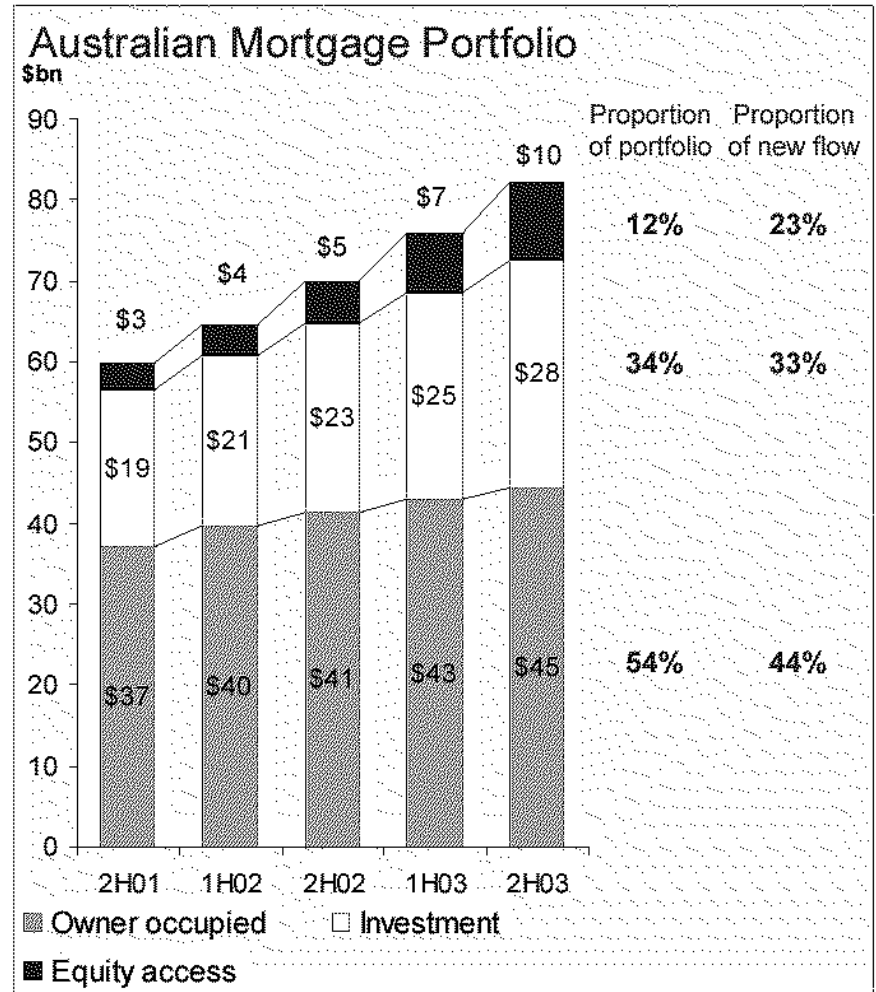
Housing market – affordability and debt servicing

- Housing has become less affordable as house prices have risen
- Average repayment burden up 15% on March '02 but still at acceptable levels
- Debt servicing for investors has risen more sharply than for owner occupiers



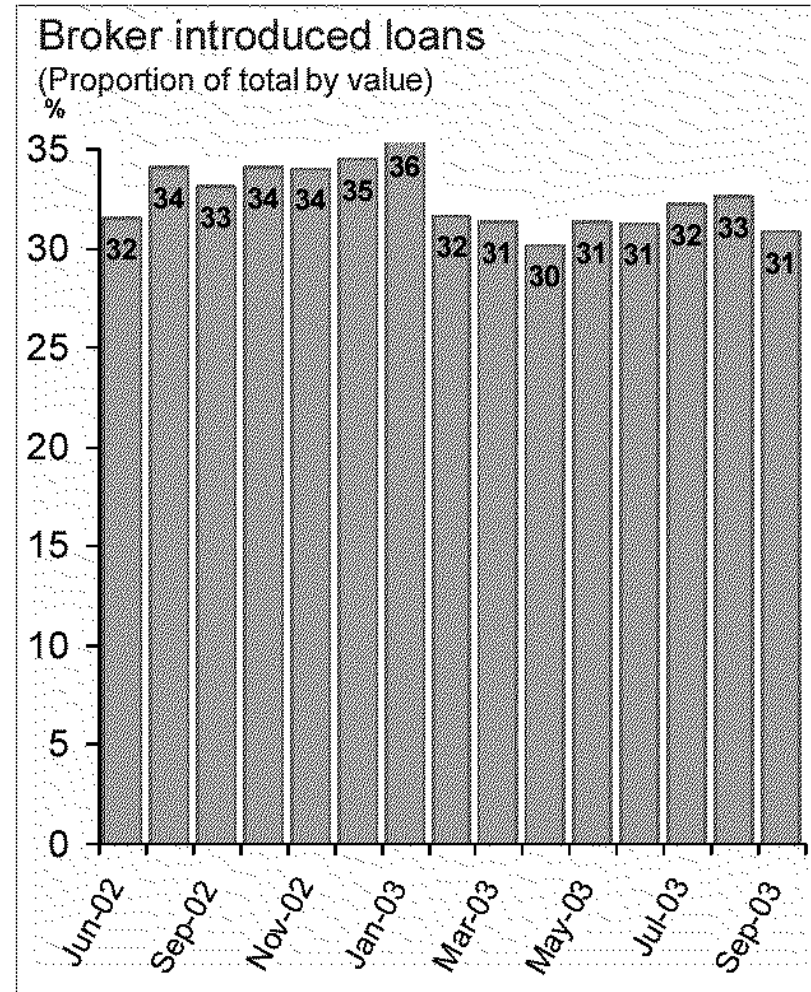
Mortgage portfolio characteristics

- Market share of housing eased marginally on strong volumes
 - Owner occupied up 10%
 - Investment up 22%
- Funding for alterations and additions has resulted in equity access loans growing 82% from a low base
- Average LVR of new loans 63% - up from 61% in 1999
- Average LVR for mortgage insured loans 88%
- 77% of loans from customers with an existing active relationship



Mortgages - broker introduced loans

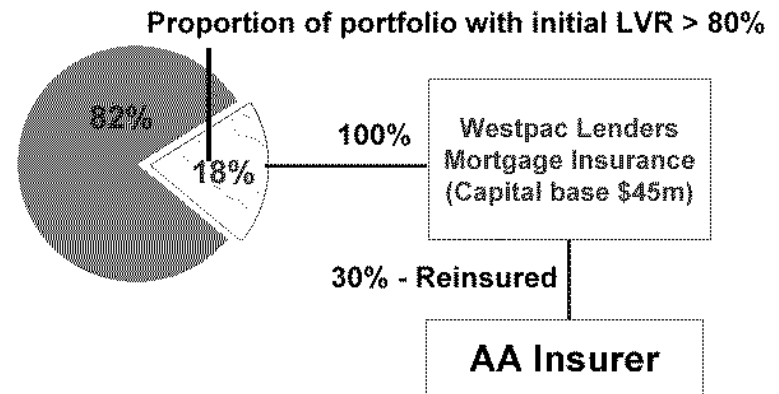
- 23% of outstanding mortgage portfolio is broker originated
- Brokers introduced 31% of new loans in 2003
- Average size of loan is up to 15% higher than branch originated loan
- Same underwriting standards applied to all applications, and more rigorous validation process
- Broker introduced loans have lower churn and longer average life than bank originated



Housing portfolio quality

- Total bad debts less than 3 basis points
- Delinquencies at low levels
- 100% mortgage insurance where loan to value (LVR) ratio > 80%
- Investment lending for CBD property stable at 2% of housing portfolio
 - strict criteria applied
 - average LVR 59%
- Revised mortgage insurance arrangements for new business in place

Mortgage insurance structure



Lending for CBD property \$bn	
Sydney	1.0
Melbourne	0.4
Brisbane	0.3
Other	0.1
Total	1.8

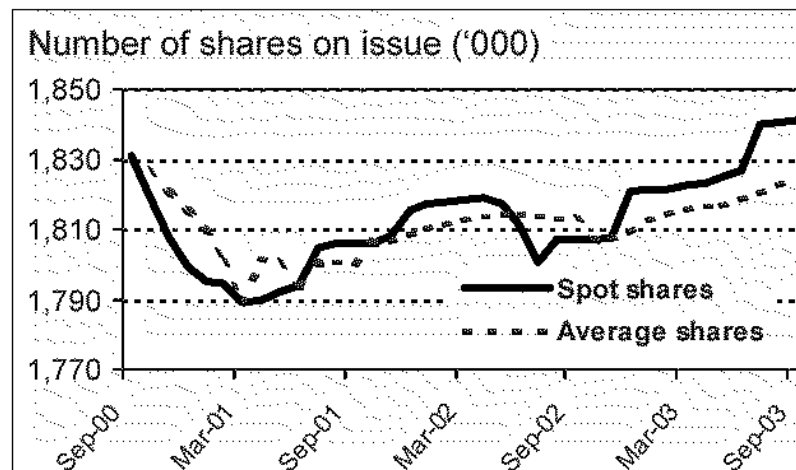
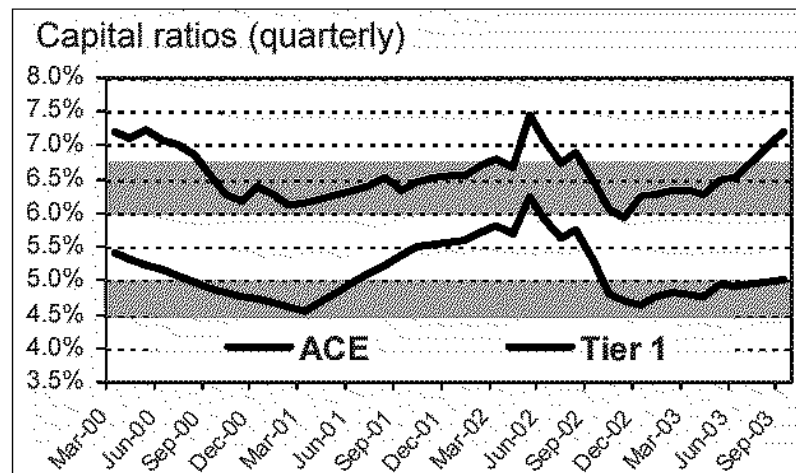
Housing portfolio quality

- APRA stress testing confirmed overall industry strength
- Westpac's updated stress testing provides further validation
- Increase in maximum losses previously estimated (10 basis points at March 2003) due to a lower base in key model variables - interest rates and unemployment rate
- Capacity to absorb interest rate rises strong with 73% of amortising borrowers repaying in excess of required minimum

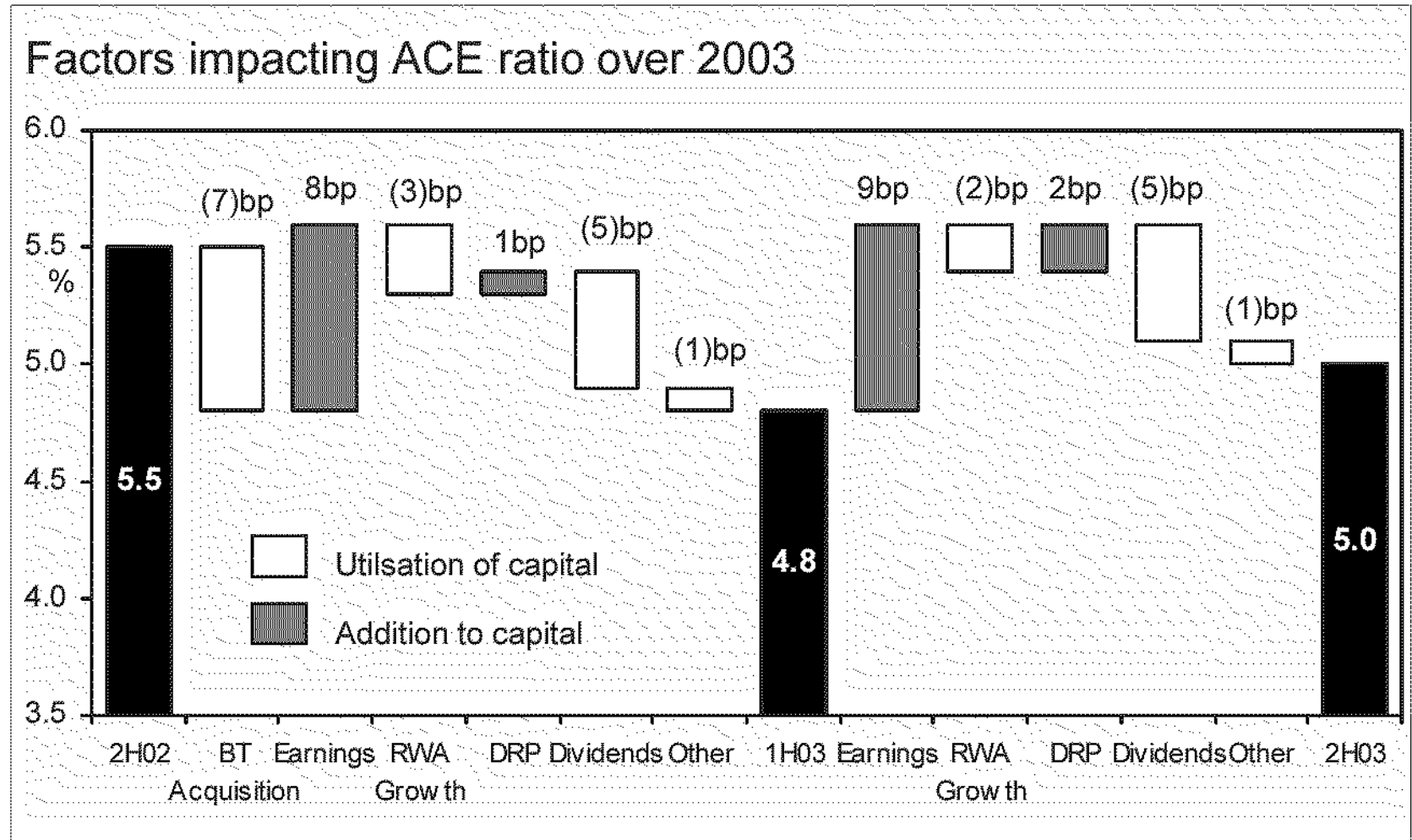
Westpac 2003 stress testing results	Base case	Scenario A	Scenario B
Interest rates - % pa	6.6	8.6	10.6
Individual effect \$m	0.0	2.8	7.1
Housing prices fall - %	0	10	20
Individual effect \$m	0.0	7.5	25.5
Unemployment rate - %	6.1	7.1	8.1
Individual effect \$m	0.0	1.4	3.9
Combined effect \$m	0.0	19.1	113.0
Combined effect - bps	0.0	2.4	14.3

New target capital ranges – ACE & Tier 1

- New target ranges:
 - Tier 1 6.00 – 6.75%
 - ACE 4.50 – 5.00%
- Maintain AA rating
- Tier 1 further strengthened via hybrids:
 - FIRsTS Dec 2002
 - TPS August 2003
- Average share count expected to rise in 2004

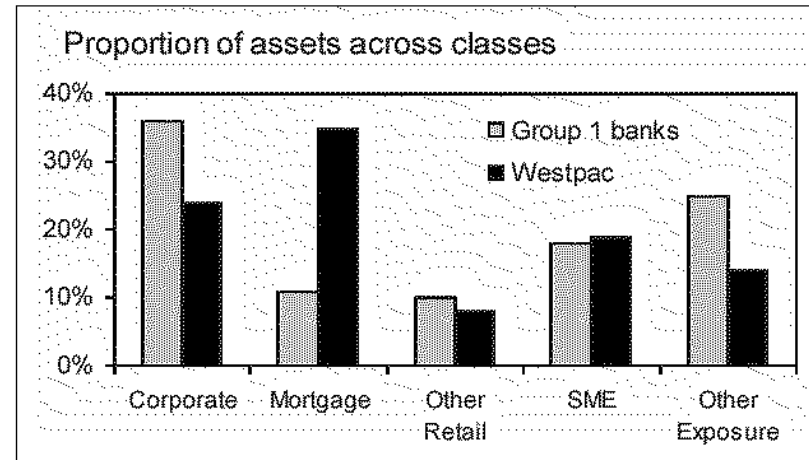


Capital generation

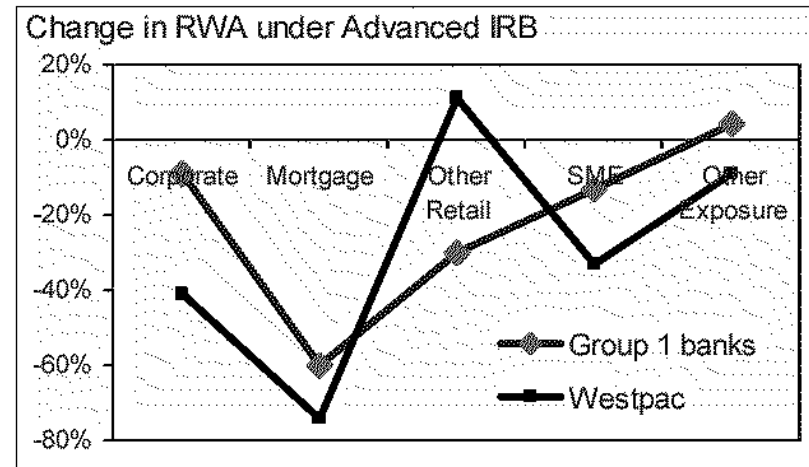


Basel II highlights the low risk of balance sheet

- Westpac has more of its balance sheet in assets with a higher 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

Earnings guidance

- Medium term earnings drivers, revised at July 2003 market update unchanged
- No additional earnings guidance or EPS forecast to be provided for 2004 or beyond
- Westpac believes it is generally unwise to focus management on narrow range of outcomes in the short term
- The regulatory environment does not support specific guidance:
 - UK - LSE listing rules
 - US – Reg G and prospectus liability
- 2003 guidance was issued to maintain an informed market given the uncertainty generated by:
 - Acquisition of BT and RAAM and the sale of AGC
 - Significant items and accounting changes

Sources of future growth

Australia, New Zealand and the near Pacific are highly attractive markets and will remain Westpac's primary focus given:

- Economic growth expected to exceed OECD average
- Superior growth/return profile relative to risk than other developed and emerging markets
- Sustainable competitive advantage

Sources of future growth will emanate from three strategic themes

Strategic theme	Explanation	Examples
Core value maximisation	Optimising returns from current franchise	<ul style="list-style-type: none"> • Profit pool analysis • Extension of cost efficiency pipeline • Superior employee skill/commitment
Business transformation	Introducing enhanced systems to deliver more effective growth from current franchise	<ul style="list-style-type: none"> • Transformation programs complete in Australia and New Zealand • CRM platform in pilot • Further development of structured investments
Extending business reach	Natural extension of current capabilities	<ul style="list-style-type: none"> • Strategic alliances - Virgin credit card • Leading technology - Development of Wrap platform • Superior customer franchise - Wealth distribution • Untapped opportunities - Migrant flows into core markets

Medium term drivers – not 2004 earnings guidance

As set out in July 2003 - 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 ¹	23-25
Post-tax cash earnings	6-10

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

1. Updated for removal of interest gross-up

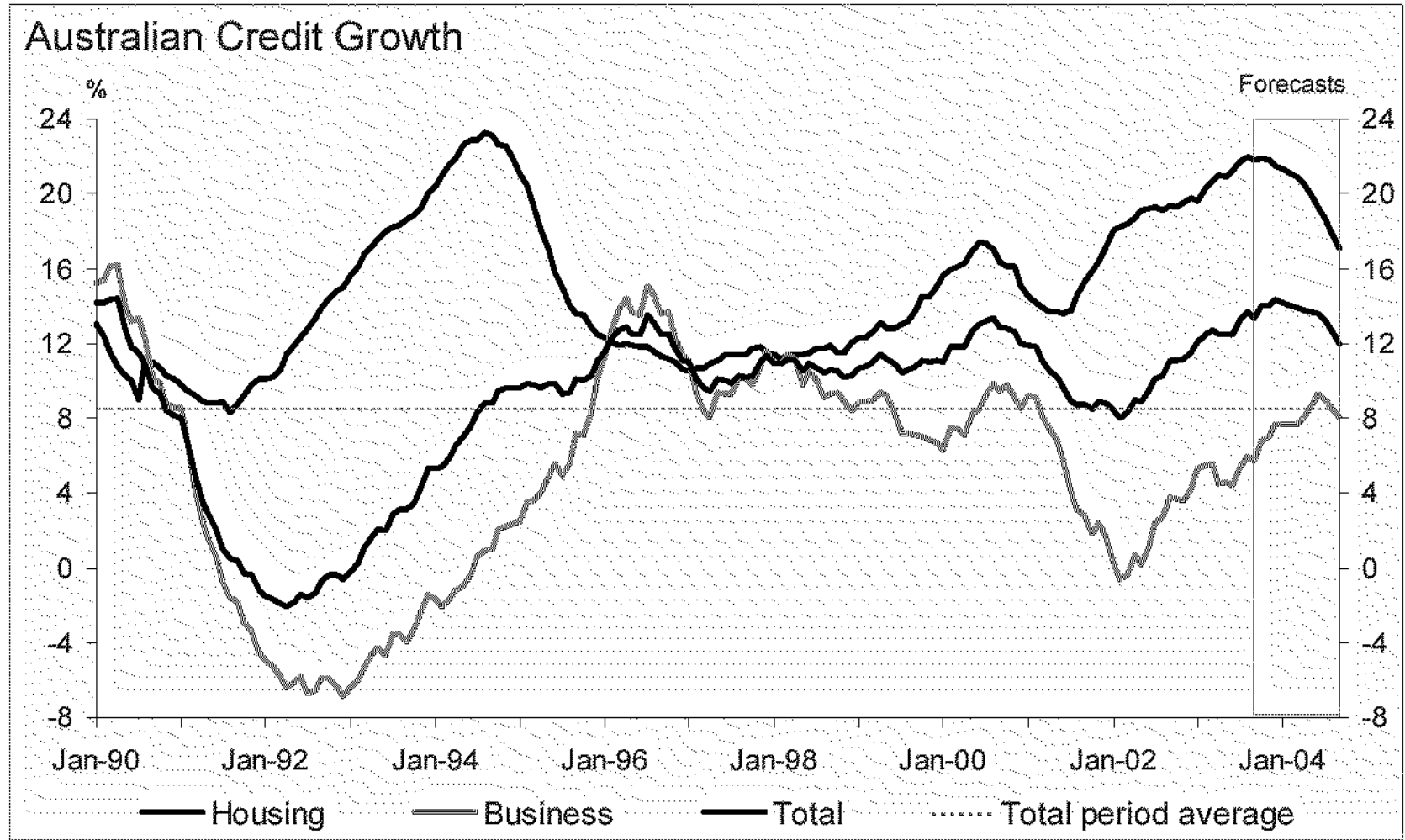
Operating environment

- Australia and New Zealand economic fundamentals sound due to:
 - Solid domestic demand
 - Buoyant housing
 - Strong business sentiment
- In year ahead, activity will be boosted by an export recovery driven by the rural sector and a stronger global economy
- Short term Interest rates have begun to rise with further modest increases expected
- Credit growth expected to ease:
 - Housing credit growth expected to moderate from historic highs, falling to long-term average of 14% by Dec 04
 - Business credit growth to return to more normal levels as economic activity recovers

Key economic indicators

Year to Sept	2003 %	2004 %
World		
GDP	3.2	4.0
Australia		
GDP	2.5	4.2
Unemployment	6.0	5.9
Credit growth		
Housing	22	17
Other mainly business	7	8
Total credit	14	12

Credit growth



Source: RBA

Where are the risks?

Risk

- Blow-out in bad debts
- Greater than expected funds outflows
- Irrational competition
- Higher than planned impact from credit card and EFTPOS/debit cards reforms
- Re-regulation
- New wave of corporate collapses
- Global economic recession

Probability of occurrence

Low

Low

Medium/Low

Medium

Low

Low

Medium/Low

Regulatory changes / impact of interchange

- Credit card reform
 - Reforms released by Reserve Bank of Australia August 02
 - Affects interchange fees, ends restrictions on cost recovery by merchants and removes restrictions on new entrants
 - Interchange reforms applied from October 03
 - Major banks have agreed to pass-on the full benefit of the reduction to merchants
- EFTPOS/debit card reform
 - RBA currently reviewing submissions
 - Westpac expected to be a net beneficiary
- Expected earnings impact
 - Full year impact approximately \$25 - \$40m¹ p.a (post tax) from 2004

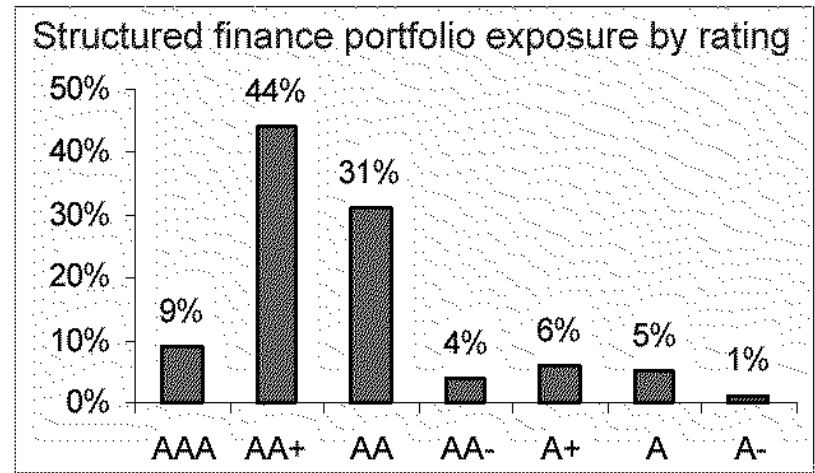
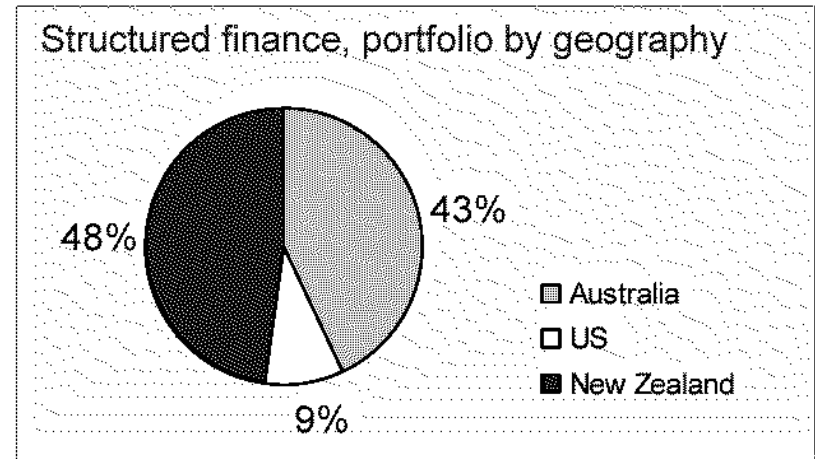
¹ The card schemes are still coordinating the specific cost calculations for all banks

Outlook

- All businesses are in excellent shape
- Entering the 2004 year with good earnings momentum
- Operating environment expected to be tougher but still accommodating
- Medium term earnings drivers previously provided
- Outlook for 2004 remains positive

Structured finance business

- Westpac conducts certain structured finance transactions to meet the needs of customers operating in our core markets.
- Key characteristics of the portfolio:
 - Total portfolio size approx \$8bn
 - Most transactions booked for 5 years with unilateral rights to break afforded to each party.
 - Early termination can be triggered with short notice (usually 5-30 days) providing additional flexibility
 - Strong Australasian focus with 75% of exposures domiciled in Australia or New Zealand
 - High credit quality with 80% of exposures rated AA or above
- Balanced spread of deal type across jurisdictions including:
 - Film financing
 - Infrastructure bonds
 - Offshore carry forward losses
- Tax rulings and/or strong legal opinions on transactions adopted to control tax, legal and regulatory issues
- Business profitable over a number of years although composition of earnings changes through time



Tax breakdown

\$m	2003	2002 ¹
Tax expense	728	471
Tax expense as a % NPBT	24.9%	17.7%
Adjustments		
Policy holder tax recoveries	(7)	46
Normalised tax expense	721	517
Normalised tax rate	24.7%	19.4%
Effective tax rate inc gross up	31.7%	21.7%
Effective tax rate inc gross up and excl significant items	31.7%	29.0%

1 – September 2002 tax expense has been restated for comparative purposes, removing the tax equivalent gross up. The tax equivalent gross up represents the economic benefit the Group derives from entering into various structured financing transactions that generate income subject to either a reduced or zero rate of income tax.

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- Key policies

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