Westpac
Australia's First Bank

Trends and challenges in Australian banking

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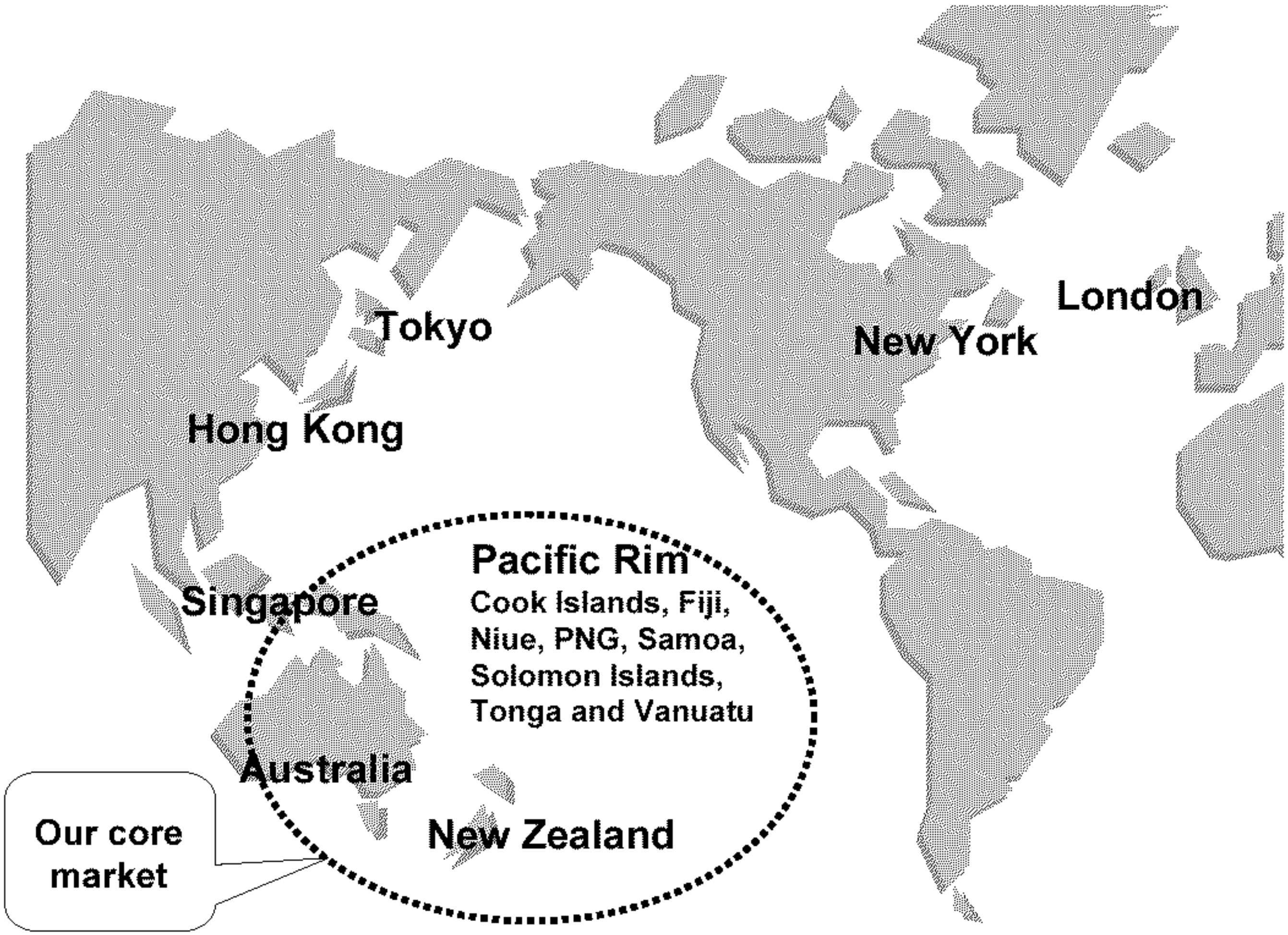
Chief Financial Officer

15 July 2004

Westpac at a glance



- Established 1817
- Top 100 bank globally[1]
- Market cap $32 billion
- Total assets $234billion
- 7.7 million customers
- 1,069 branches
- 26,755 staff

1 Euromoney June 2003

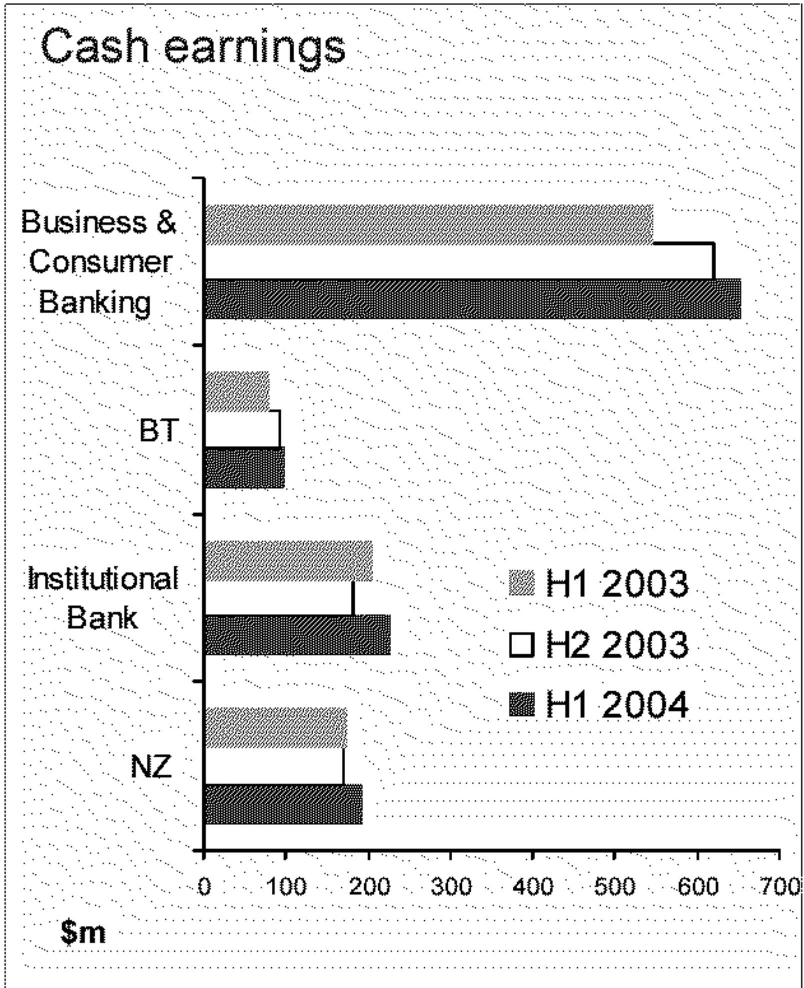
Westpac also has representative offices in Beijing, China and Bangkok, Thailand

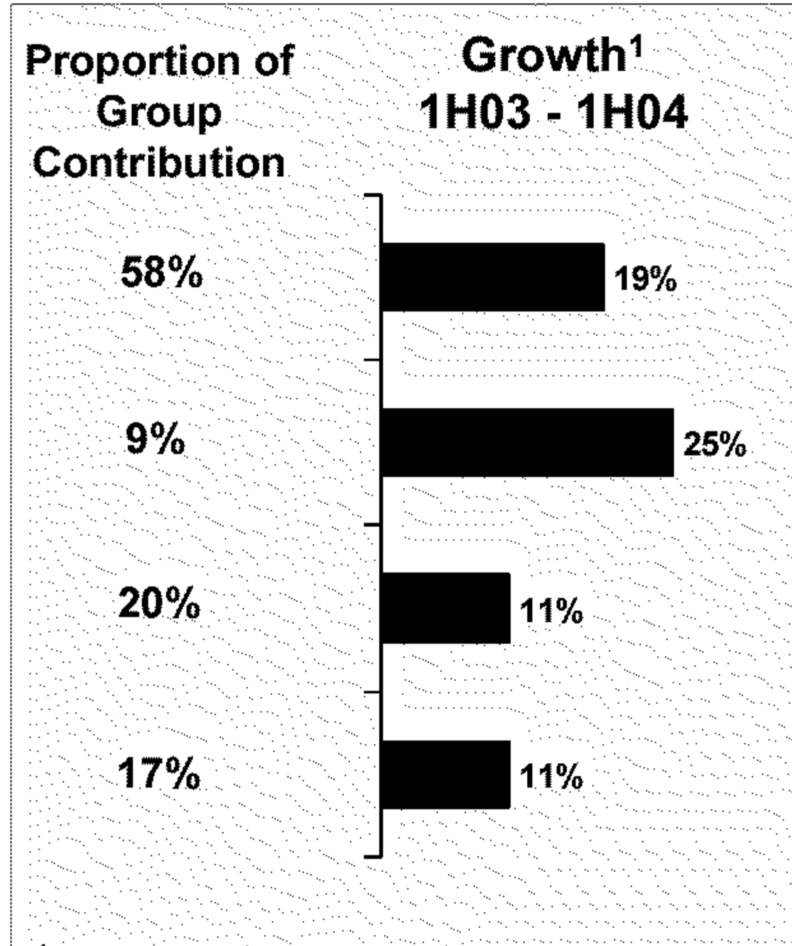
Cash earnings – maintaining the growth

- Revenue growth ahead of peers
- Achieved profitable growth across the business
- Restored downward trend in cost to income ratio
- Quality of portfolio maintained with bad debts little changed
- Strong double digit cash earnings growth
- An 11% increase in dividends

$m	1H04	1H03	% Change
Operating income	3,878	3,537	10
Operating exp	(1,925)	(1,857)	(4)
Core earnings	1,869	1,602	17
Bad debts	(207)	(214)	3
Operating profit	**1,662**	**1,388**	**20**
Cash earnings	**1,233**	**1,095**	**13**

Sound contribution across all businesses

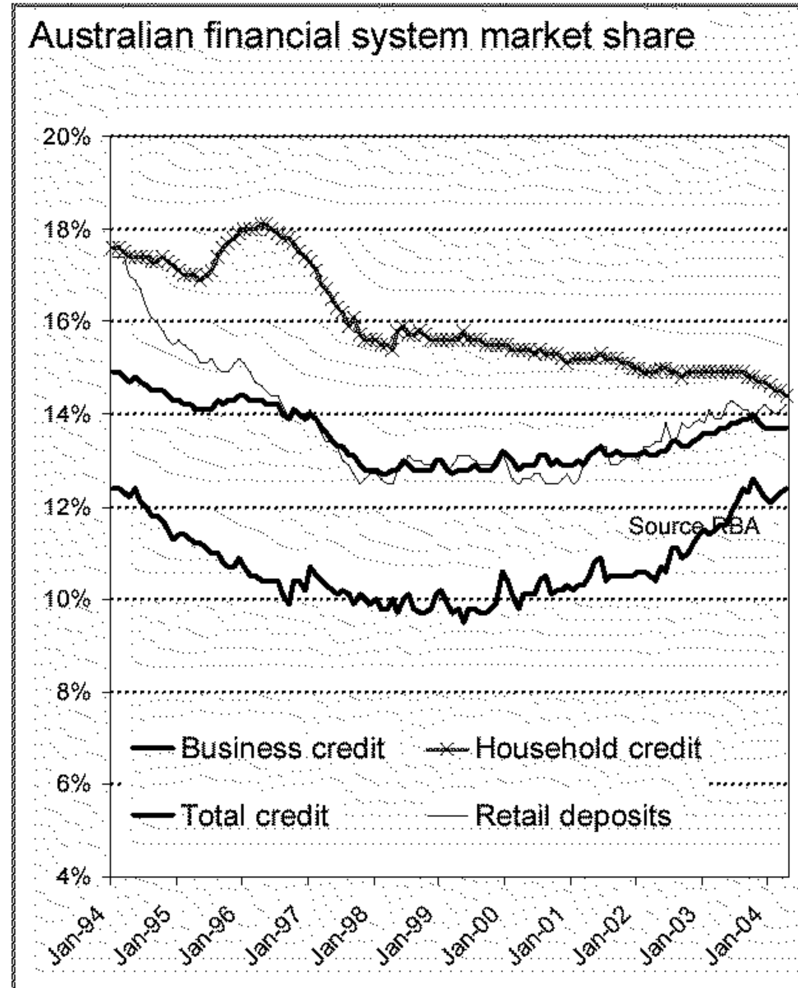




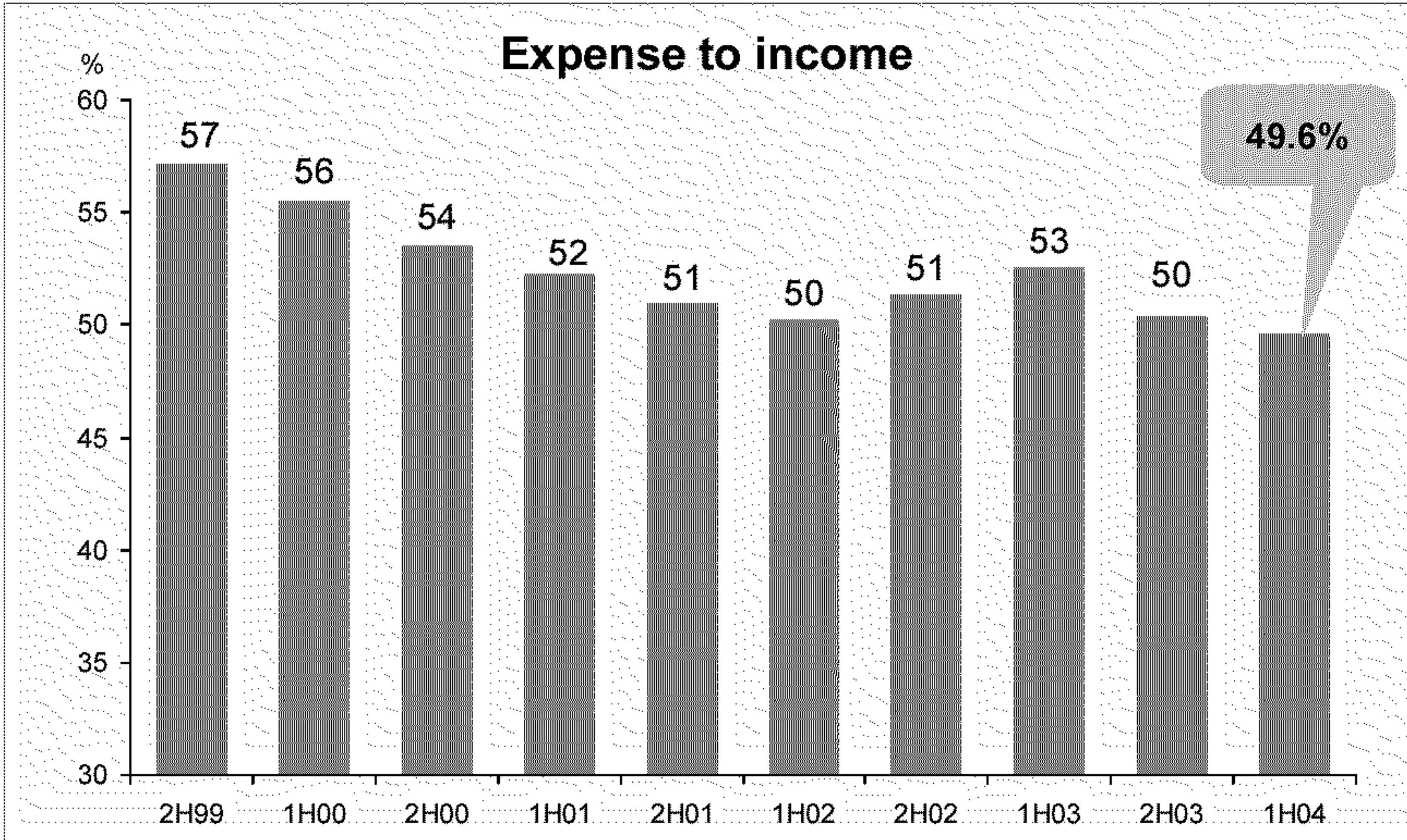
1 NZ % growth in AUD terms

Market share improvements underpinning revenue

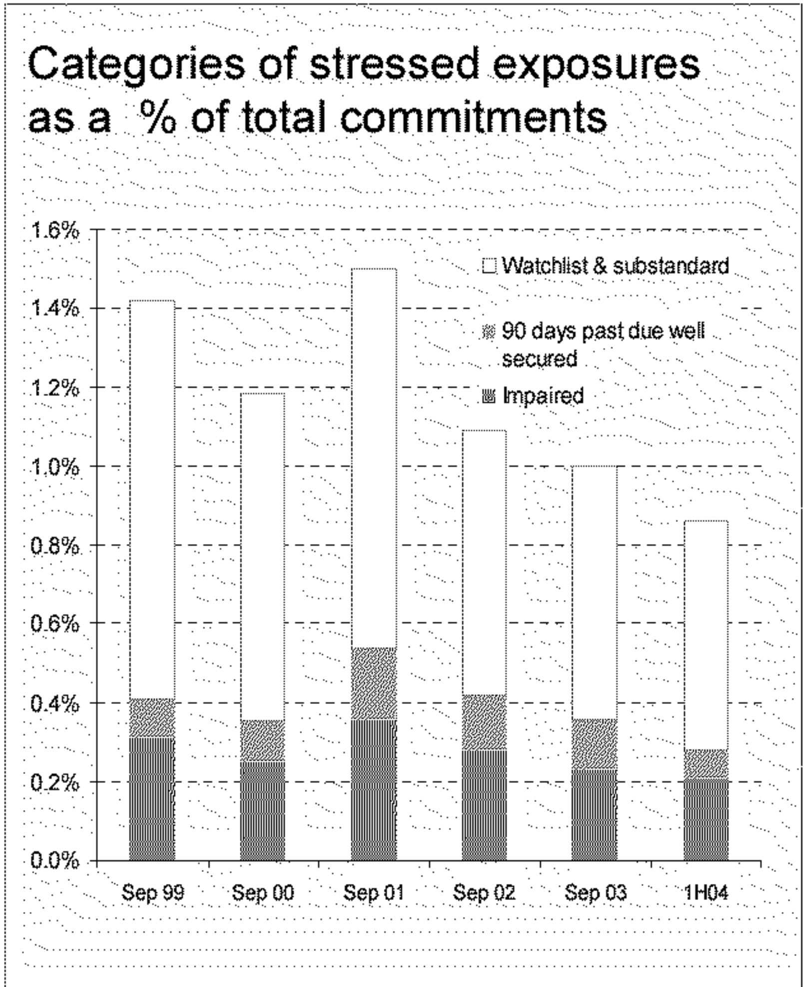
- Westpac has consistently increased market share of financial system credit over the last 3 years (year to 30 September):
  - 2001 - 30 basis point increase
  - 2002 - 10 basis point increase
  - 2003 - 60 basis point increase

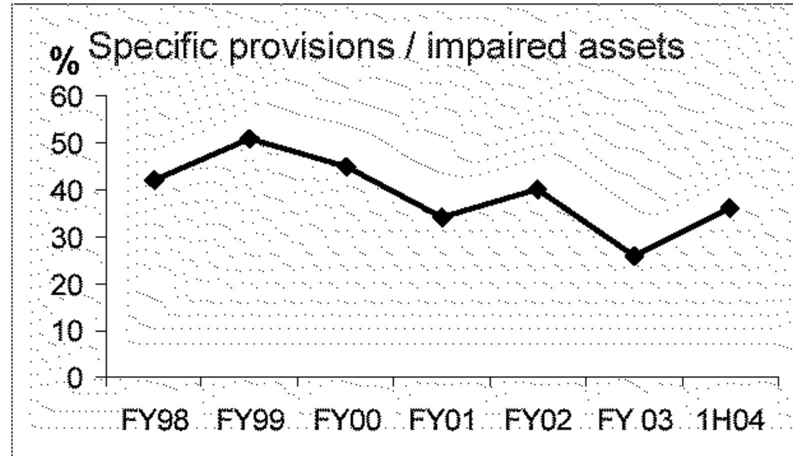


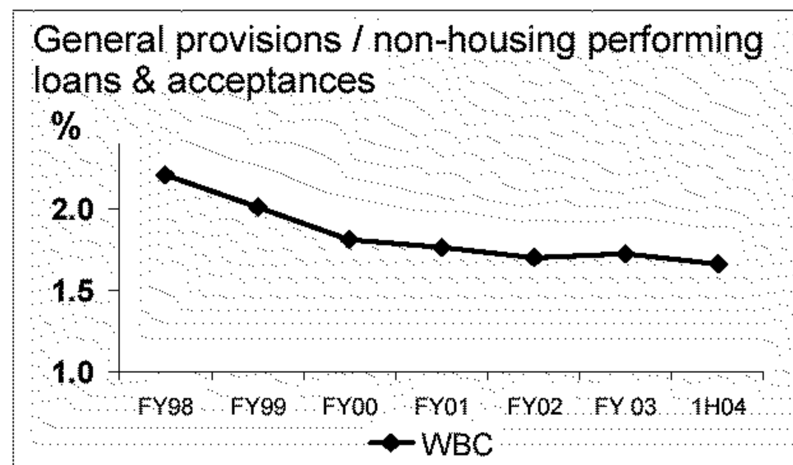
Efficient operating structure



High quality book, well provisioned







Our strategy – delivering superior customer service

Delivering sustainable returns requires – a focus on all elements of the service profit chain

Employees → **Customers** → **Returns**

A company where people want to work

- Improved employee retention
- Enhanced ability to attract quality staff

An institution customers want to do business with

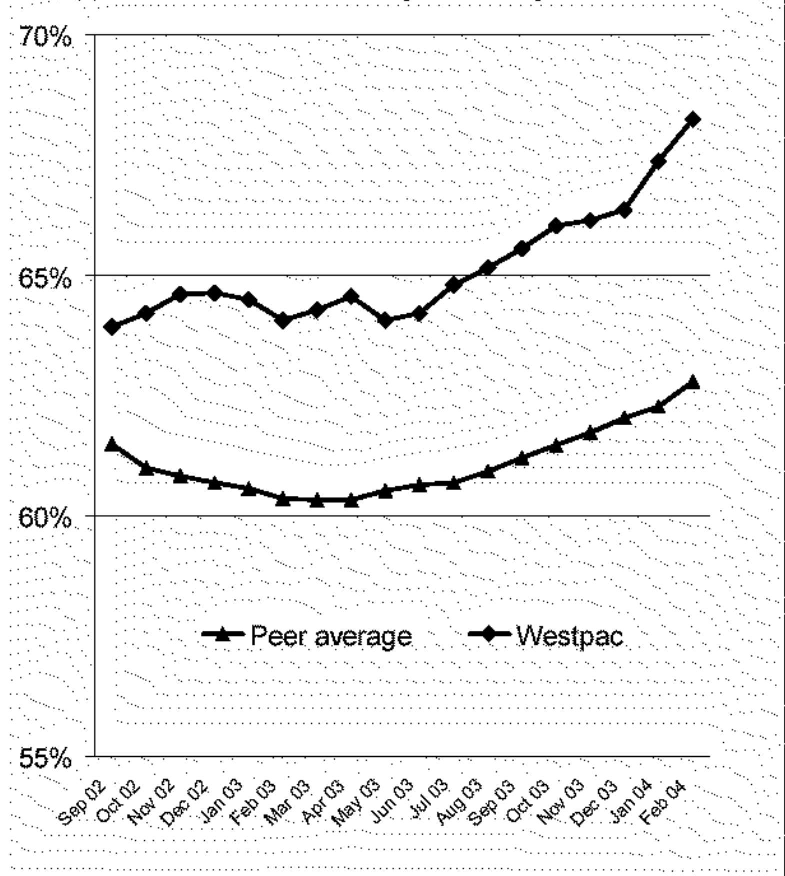
- Ethical and responsible
- Trustworthy
- Increased customer satisfaction

Enhance sustainability of returns

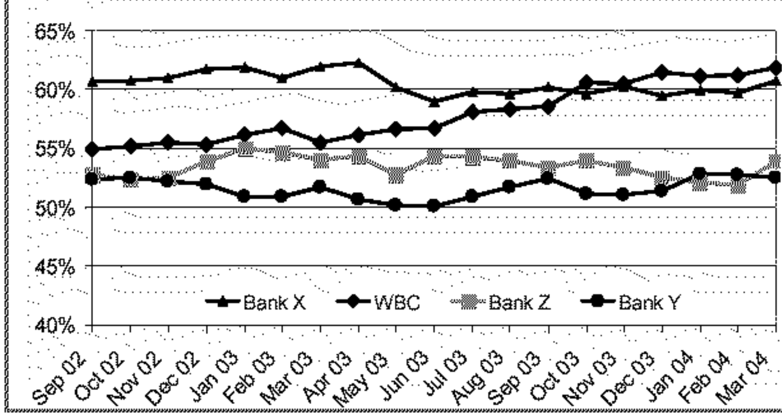
- Enhanced employee productivity
- Improve customer share of wallet

Customer satisfaction improving

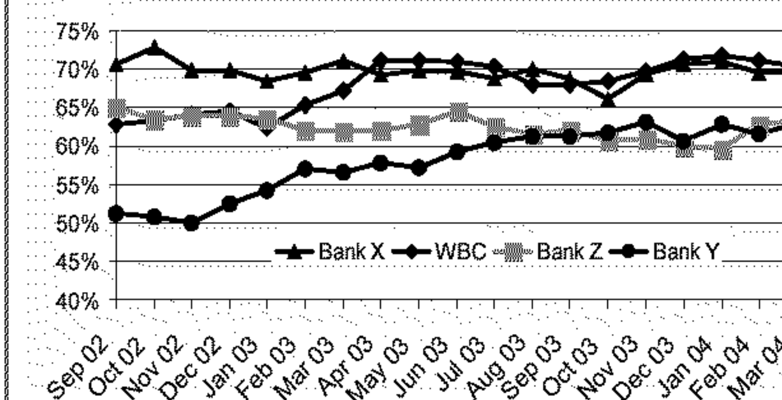
Consumer Satisfaction - % of main financial institution customers very or fairly satisfied



SME satisfaction - total satisfied



Middle Market Satisfaction - total satisfied

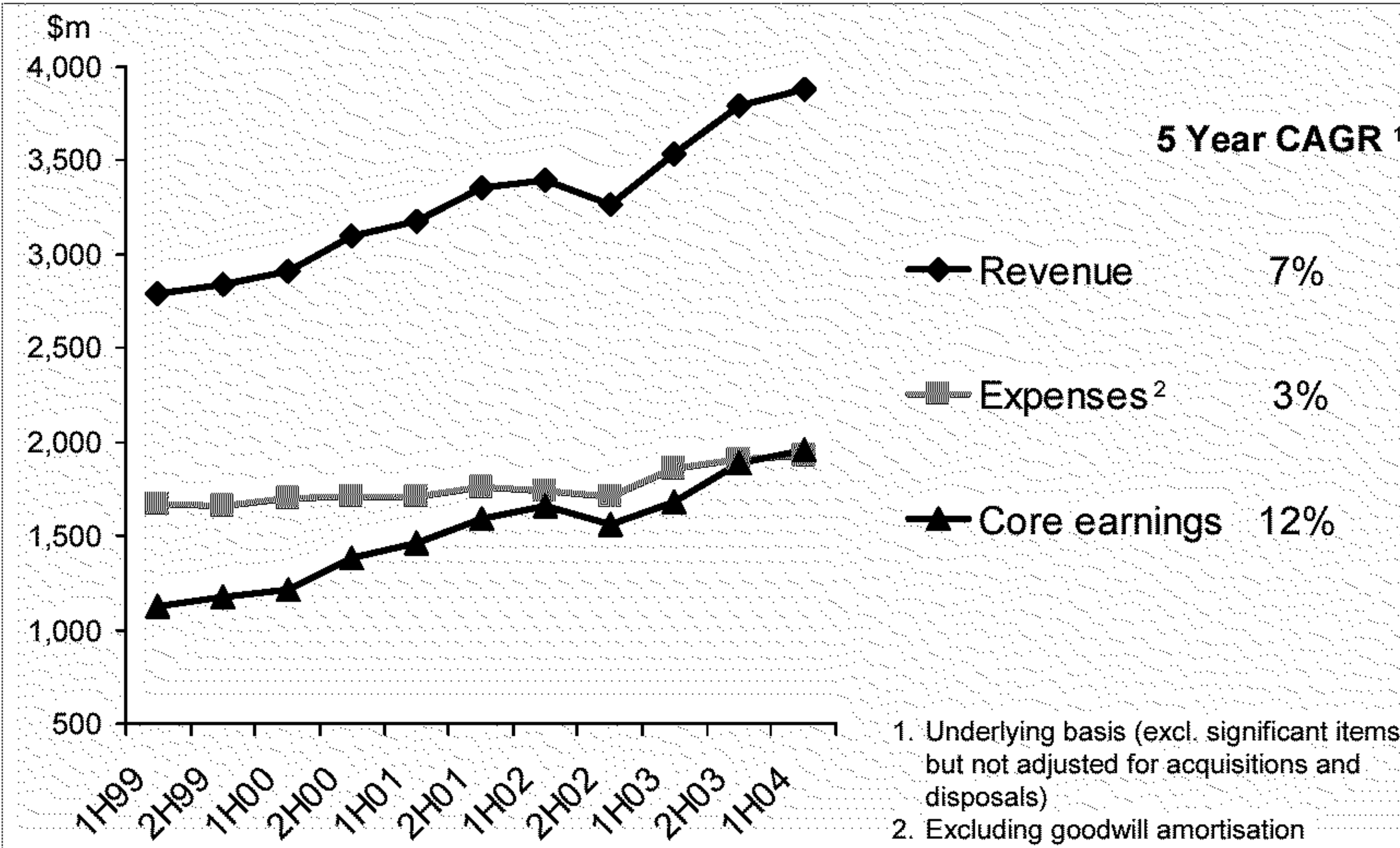


Source: Consumer - Roy Morgan Research. Data based on rolling four quarter average. Consumer satisfaction is up to February 2004 and based on consumers aged 14+ who regard Westpac as their MFI.
Business - TNS Business Finance Monitor is since June 2002.

Focused strategy

- Core markets of Australia, New Zealand and near Pacific remain highly attractive
  - Australian system credit growth 15% to March 2004
  - New Zealand private sector credit growth 11% to March 2004
- Acquisition guidelines
  - No particular requirement to acquire further customers
  - Disciplined approach
    - Aligned to strategy
    - Value enhancing
    - Not unduly diverting from organic growth path

Sustaining core earnings growth



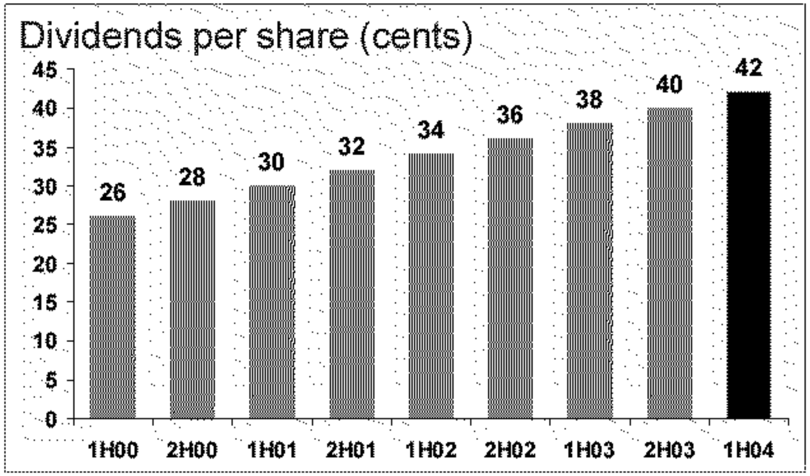
1. Underlying basis (excl. significant items but not adjusted for acquisitions and disposals)
2. Excluding goodwill amortisation

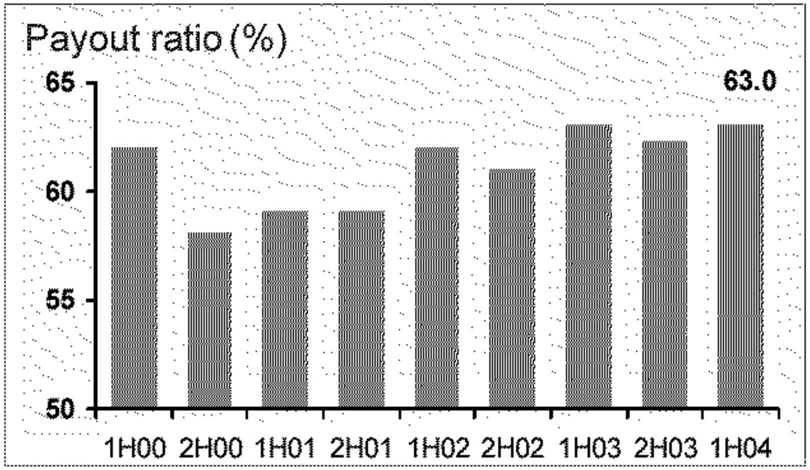
Optimising value for shareholders – our priorities

1	Profitable growth	• Reinvesting in profitable growth
2	Franked dividend	• Pay a high proportion of earnings as dividends while retaining sufficient capital growth – current ratio 63% • Maintaining consistency in dividend growth
3	Buyback	• Seek to maintain capital ratios within target ranges • Effective utilisation of franking credits
4	Unfranked/ partially franked dividend	• Tax inefficient for shareholders • Not on agenda
5	Dividend reinvestment plan	• Highly regarded by retail shareholders • Helps maintain capital flexibility

Optimising value for shareholders – the outcome

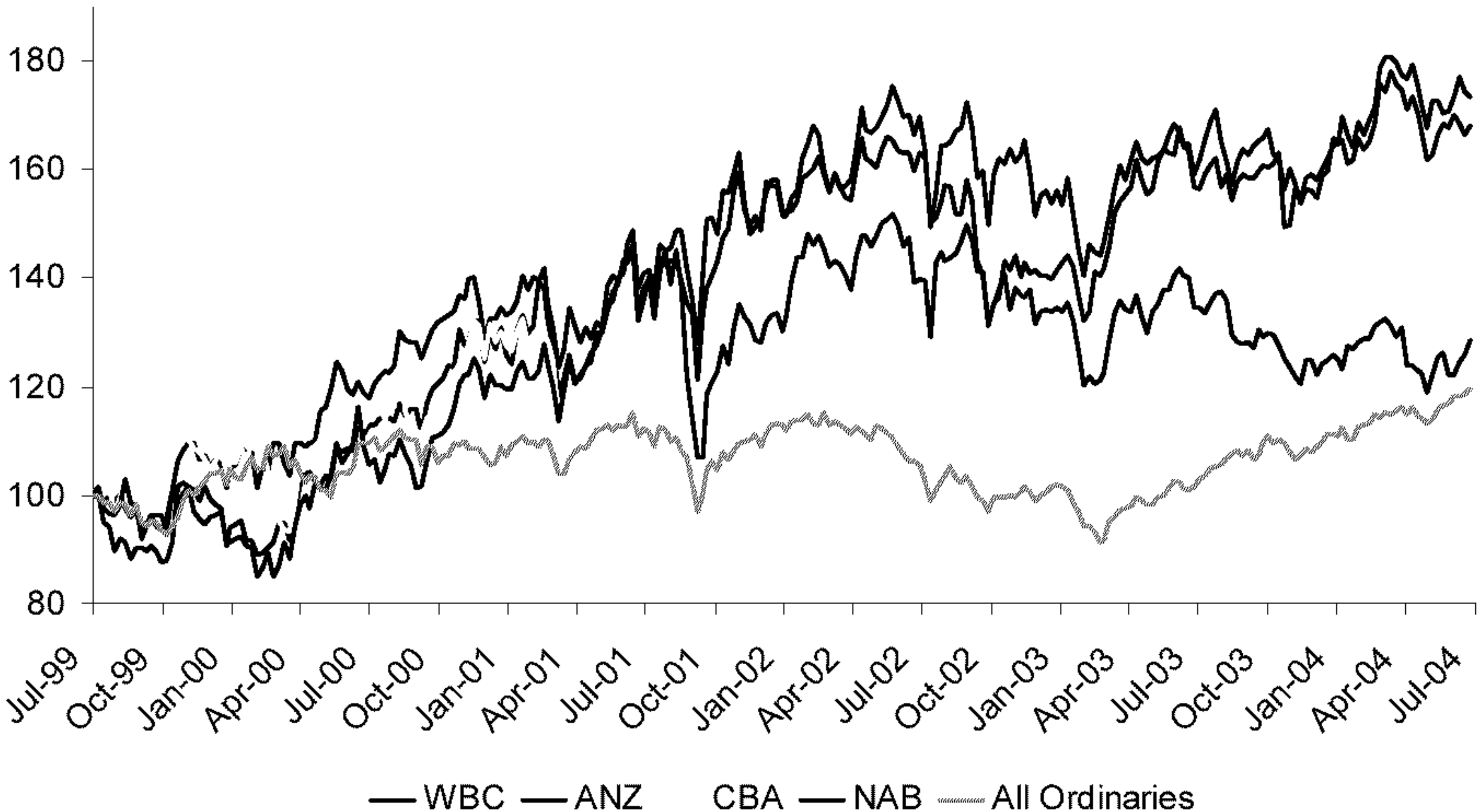
- Dividends growing at or above earnings:
  - Cash EPS up 11%
  - Dividends up 11%
- Franking capacity remains strong - in excess of $400m post buy-back
- Returned $3bn by way of buy-backs over the last 5 years





Share performance

Five-year relative performance to All Ordinaries Index and peers



Source: IRESS

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Consistent returns over the medium term

- Achieved total shareholder return of 80% over the last 5 years
- Shareholder performance hall of fame ranks those companies with a market cap greater than $US10 billion who have most frequently been placed in the top third in the annual Shareholder Performance Index (SPI)[2]

Global Shareholder Performance Hall of Fame

Mercer Oliver Wyman[1]

Rank	Name
1	UnitedHealth Group
2	Royal Bank of Canada
3	Royal Bank of Scotland
4	Citigroup
5	Danske Bank Group
6	**Westpac**

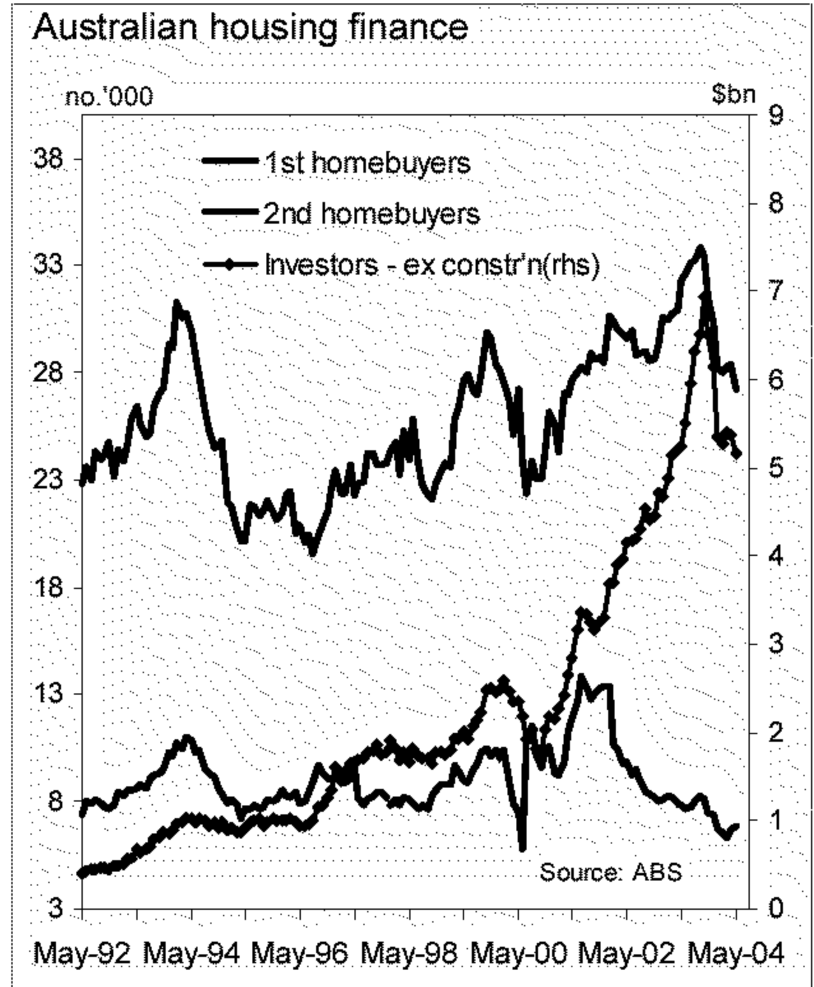
1. Mercer Oliver Wyman State of the Financial Services Industry 2004. Companies are ranked by their 2003 SPI
2. SPI – Measures risk adjusted performance over the medium term. The calculation is based on a five year moving window of performance. The SPI is calculated by dividing the average monthly total shareholder return by the standard deviation of the monthly shareholder return.

Financial sector short-term trends & challenges

- Credit growth moderating to more sustainable levels
- Ongoing competitive intensity
- Bad debt environment benign
- Wealth management environment remaining favourable
- Rising demands around customer experience
- Overall sector dynamics are favourable

Housing market – beginning to slow

- Overall housing lending up 18% against system growth of 20% leading to market share easing by 70 basis points over past year
- Strategy has been to focus on profitable growth:
  - Proportion of third party originated loans constant at 30%
  - Investor housing growing 22% against market growth closer to 30%
  - Cautious approach to 'low-doc' loans



Continued focus on risk management

Credit Risk	• Rigorously managed with the most advanced tools of our risk monitoring systems • Further enhancements in pipeline with Basel II implementation
Market Risk	• Re-assessed position following NAB report • Confident that same issues could not have emerged • Increased awareness of areas we can strengthen some tools and processes
Operational Risk	• Detailed systems in place • More recently the emphasis has focused on documented control regime prompted by: - APRA / NAB report - Sarbanes Oxley 404 requirements - Basel II

Australian and New Zealand economic outlook

- Australia and New Zealand economic fundamentals sound due to:
  - Solid domestic demand
  - Low unemployment
- Export recovery to boost economy in 2004, driven by stronger global economy and the recent rebound in farm output
- Further slight rise in interest rates expected later in 2004

Key economic indicators

Financial year ended	Jun 04 %	Jun 05 %
World (Calendar year)		
GDP	4.4	4.0
Australia		
GDP	4.3	3.3
Unemployment	5.7	5.7
New Zealand		
GDP	3.1	2.3
Unemployment	4.6	4.8

Source: Westpac

Well positioned to maintain momentum

- Established track record in delivering growth and executing well
  - Consistent growth / return mix
  - Strong performance from all businesses
  - Disciplined expense management
  - Active capital management
- Improved sustainability of earnings
  - Market share improvements
  - Increased customer satisfaction
- Low risk profile, with high credit quality and sound provisioning
- Focused strategy and a quality management team

Outlook

- Operating environment remains accommodating:
  - Credit growth lower but still above the 15 year average
  - No immediate signs of asset quality deterioration
- Good momentum with first half earnings growth above medium-term guidance
- Positive full year outlook for solid earnings growth in 2004

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ASA Presentation

15 July 2004

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