
Presentation of Half Year Results for period ended 31 December 2003

David Murray
Chief Executive Officer

Michael Cameron
Chief Financial Officer

11 February 2004

Disclaimer

The material that follows is a presentation of general background information about the Bank's activities current at the date of the presentation, 11 February 2004. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.



Speaker's Notes

- Speaker's notes for this presentation are attached below each slide.
- To access them, you may need to save the slides in PowerPoint and view/print in "notes view."

Agenda

- Half Year Results - Michael Cameron (40 mins)
 - Overview
 - Segment Performance and key items
 - Financial Update on Which new Bank
- Progress of Which new Bank - David Murray (20 mins)
- Questions

Half Year Results: Overview

Highlights

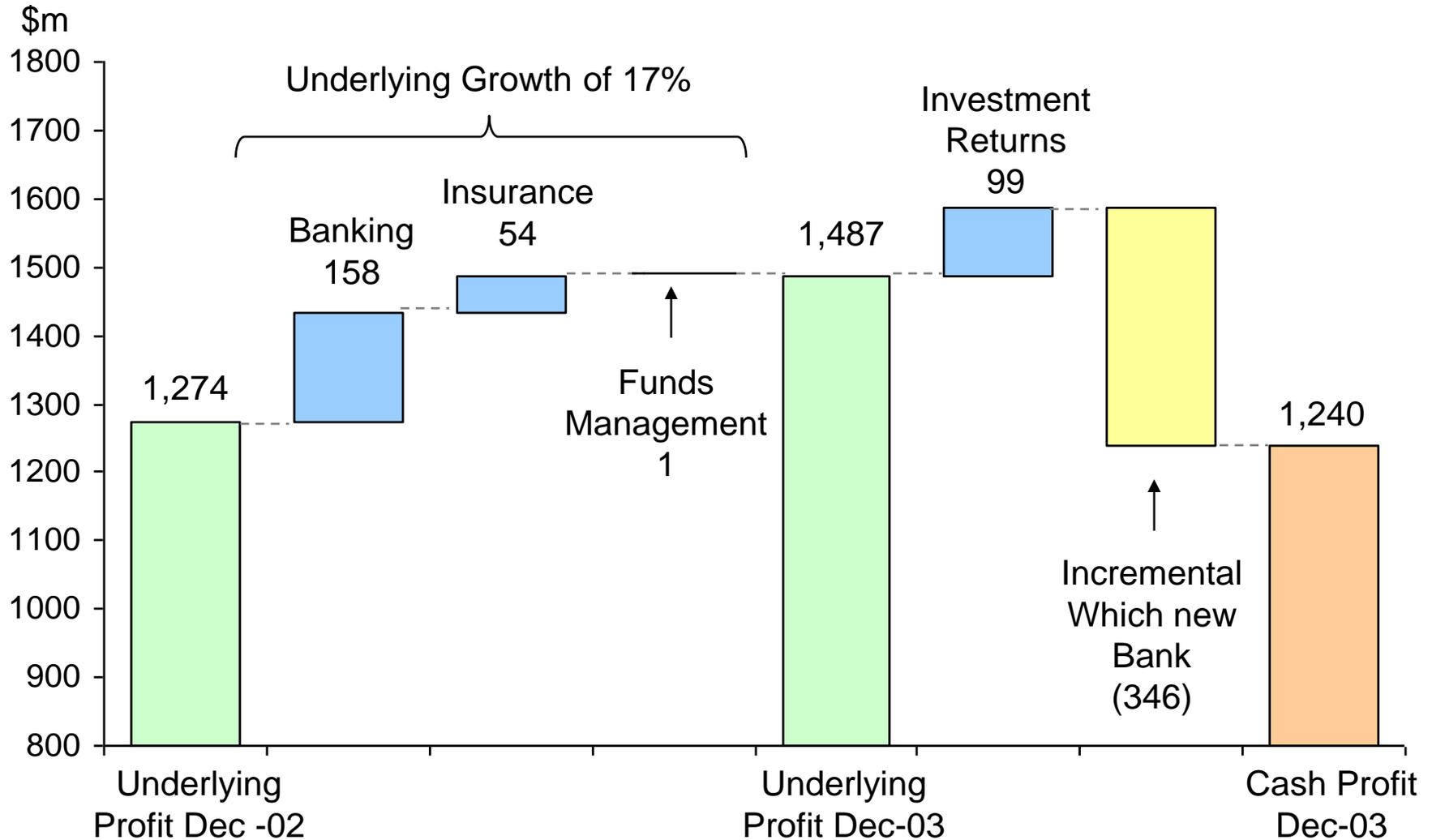
- Good result: underlying profit growth of 17%
- Another record dividend
- Productivity improvement in all businesses
- Further improvement in credit quality
- Continued strengthening of Tier 1 capital
- Which new Bank meeting early expectations
- Share Buy-Back announced

A good result: 17% growth in underlying cash profit

	31/12/03 \$m	31/12/02 \$m	Change
Statutory NPAT	1,243	622	100%
Goodwill amortisation	162	160	
Appraisal value movement	(165)	426	
Cash NPAT	1,240	1,208	3%
Which new Bank	346	-	
Strategic initiatives - 2002	-	39	
ESAP - 2002	-	19	
Shareholder investment returns	(99)	8	
Underlying Cash NPAT	1,487	1,274	17%



Banking and Insurance strong, Funds Management rebound



Key shareholder ratios

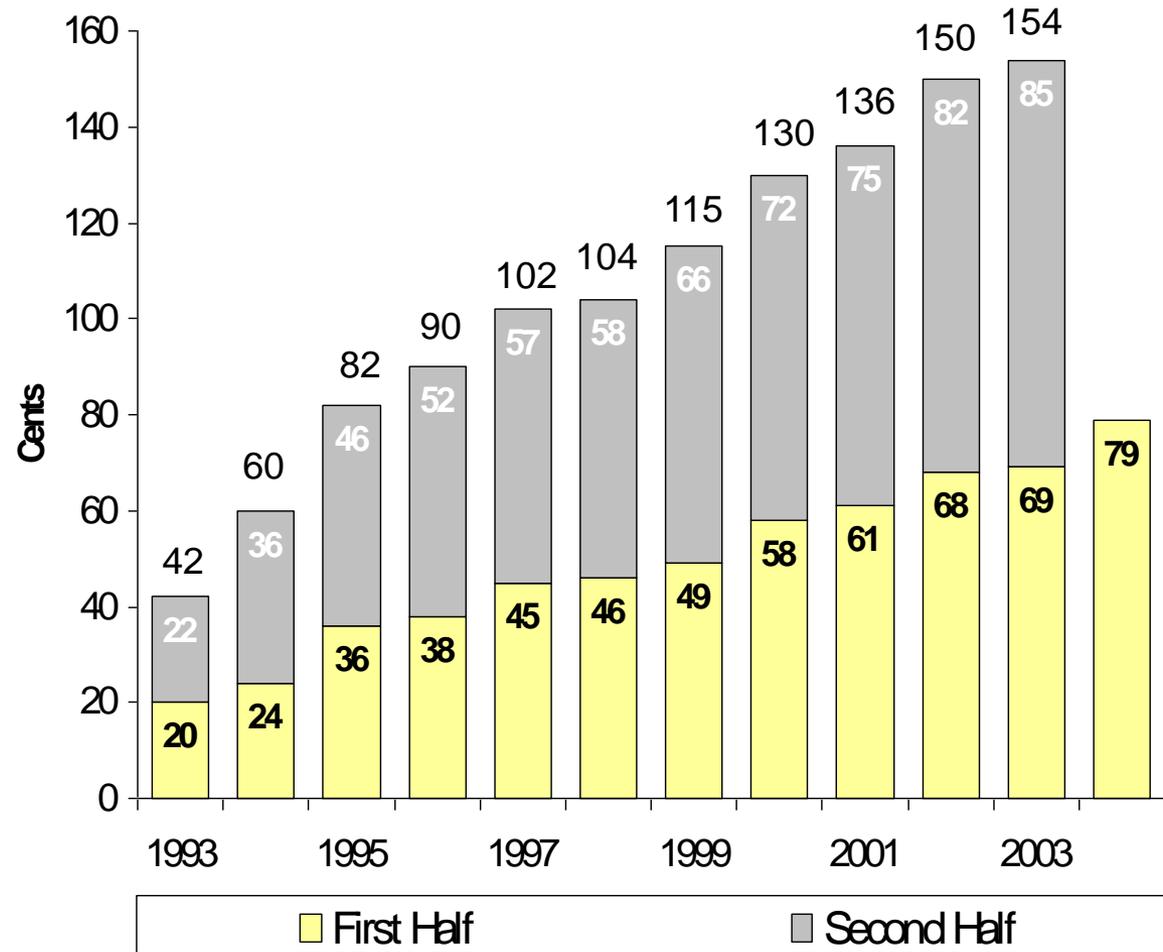
	31/12/03	31/12/02	Change
Shareholder Ratios*			
■ Earnings Per Share	96 cents	95 cents	1%
■ Return on Equity	12.3%	12.4%	0%
■ Dividends Per Share	79 cents	69 cents	14%
■ Payout Ratio	82.9%	72.7%	14%

* Based on Cash NPAT

Another Record Dividend

- Interim dividend of 79 cps, up 14% on pcp

- Payout ratio of 82.9% reflecting Which new Bank expenditure impact in 2004

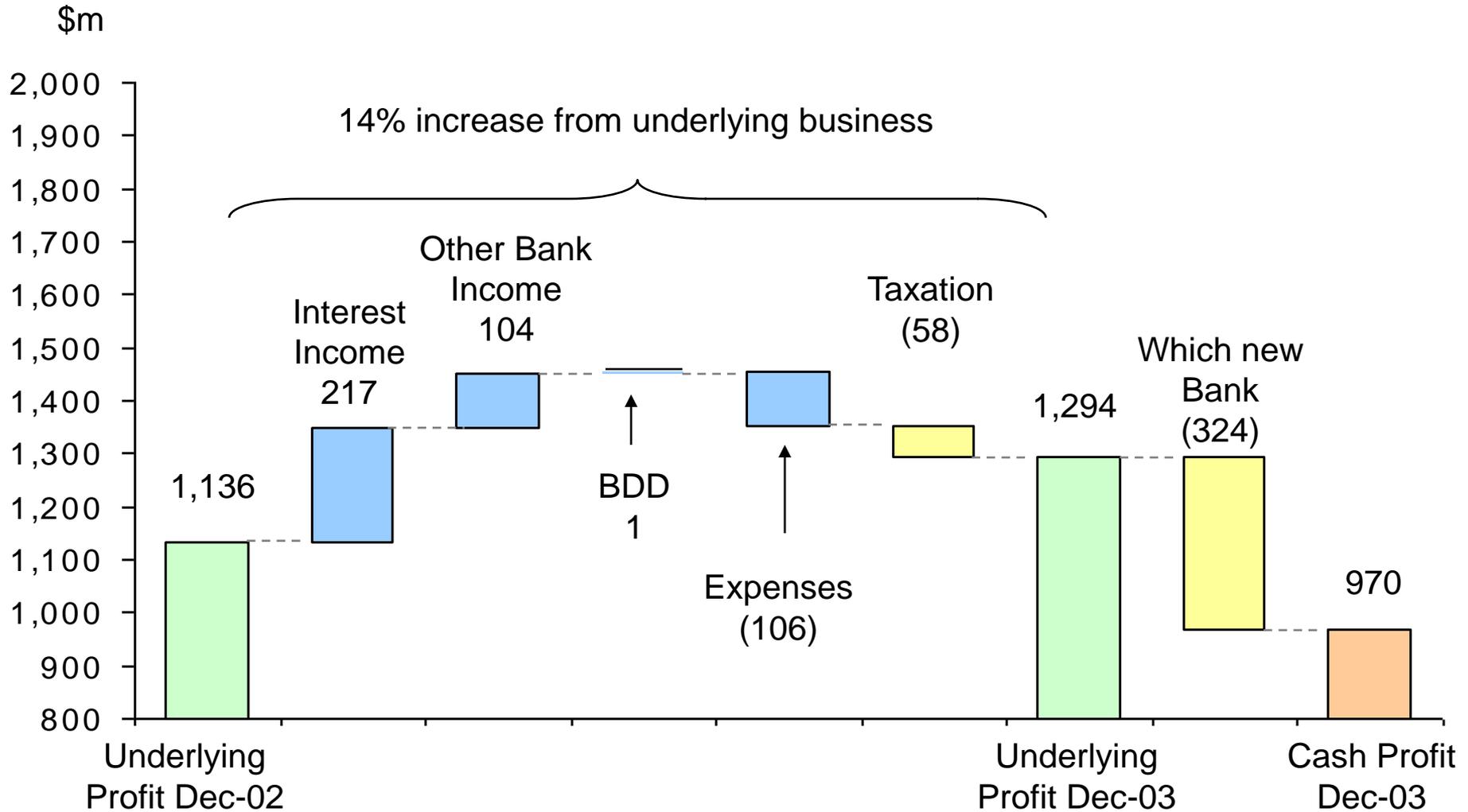


Segment Results: Banking

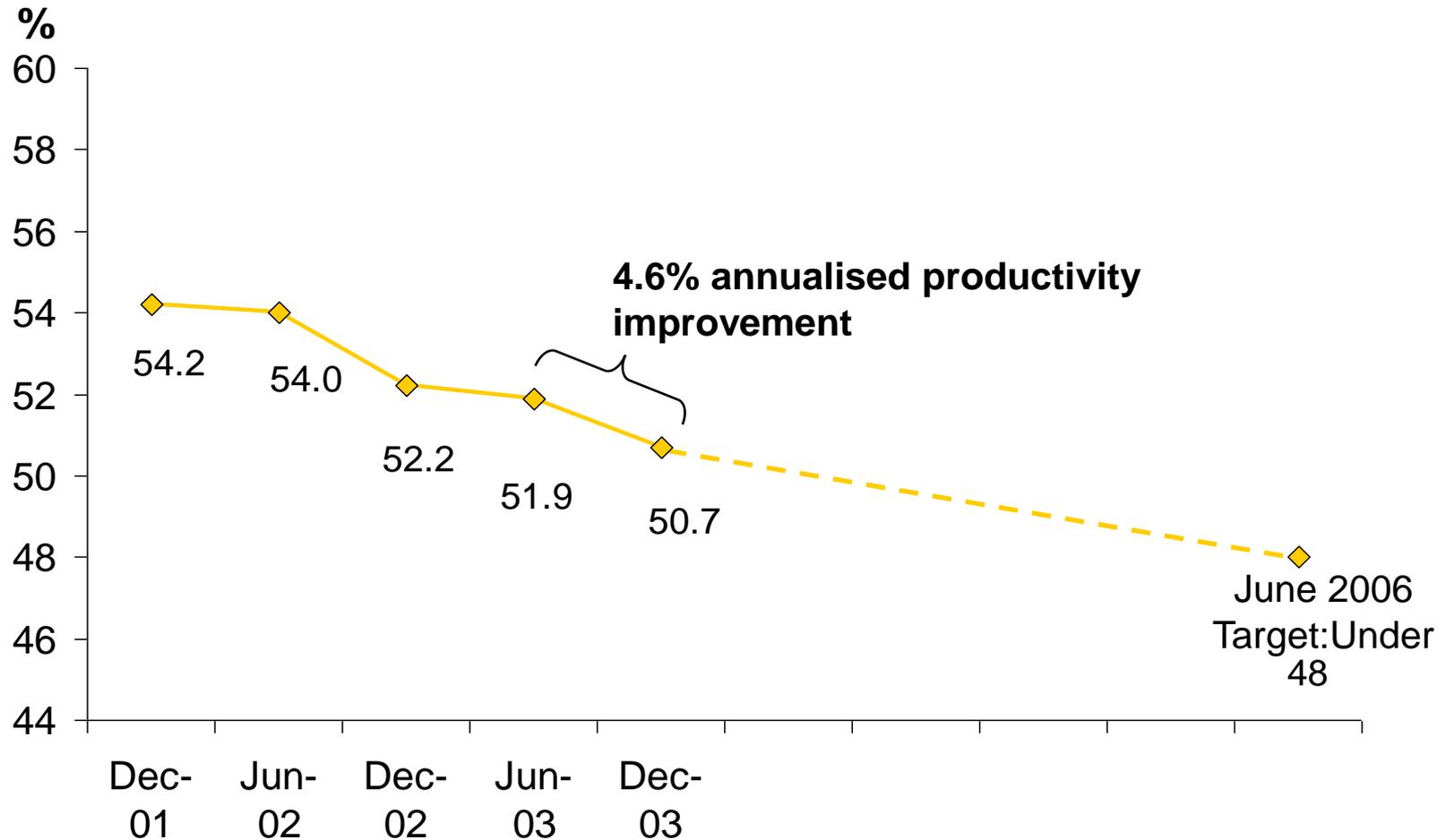
Banking

- Performance driven by growth in home lending and sound asset quality
- In summary:
 - 14% underlying profit growth
 - 9% growth in banking income
 - 4.6% annualised productivity improvement since June 2003
 - 9% growth in lending assets since June 2003

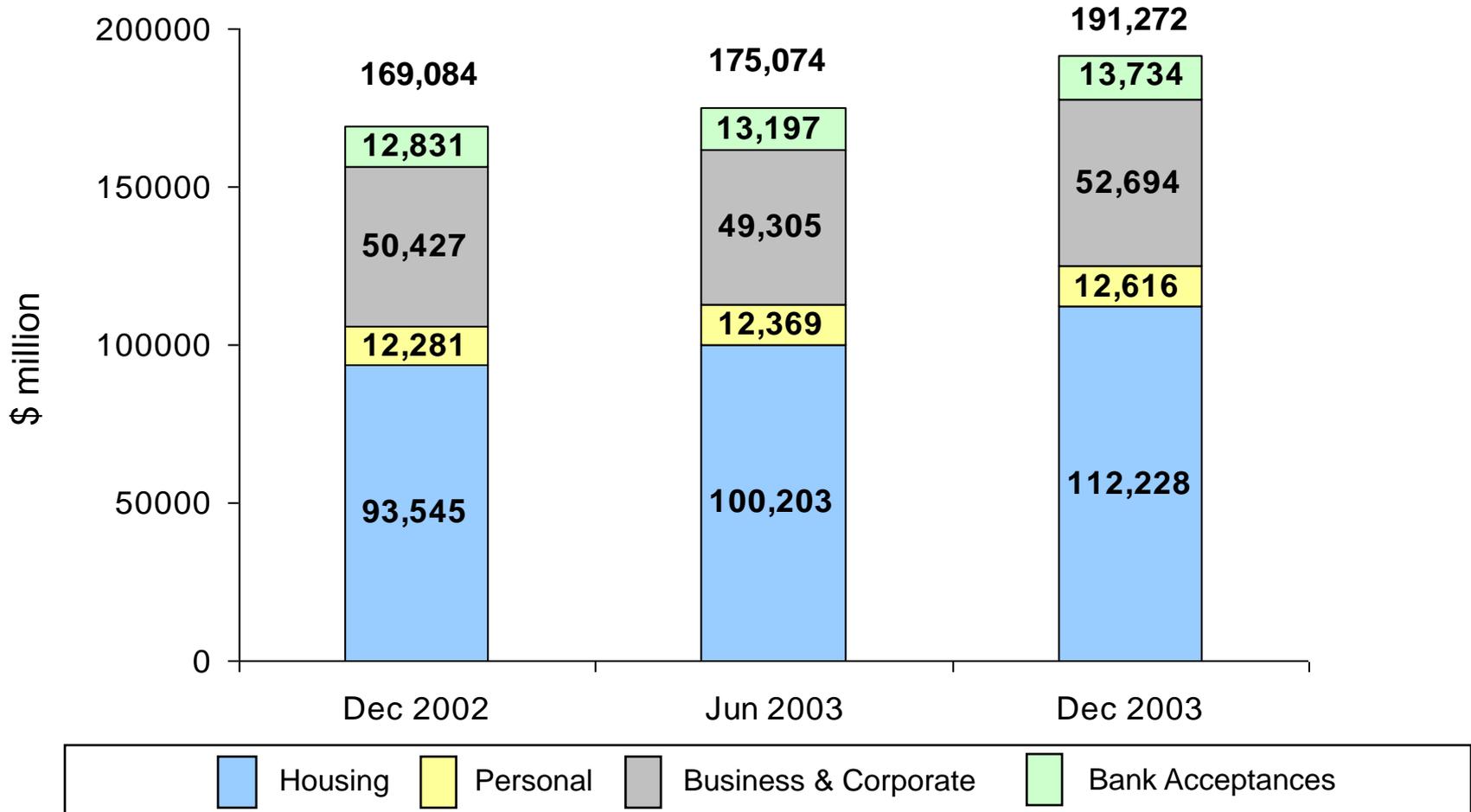
14% underlying profit growth driven by strength in home lending



Underlying Banking Cost to Income ratio has improved by over 4% annualised



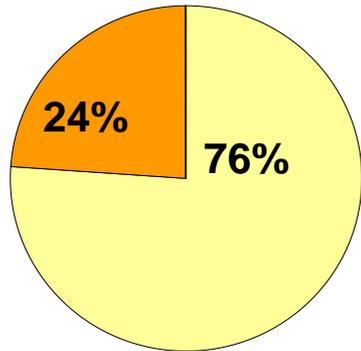
9% growth in lending assets* over the last six months



*Lending assets excludes securitised housing loan balances \$5.3b (Dec 03), \$6.5b (Jun 03) \$5.9b (Dec 02)

Home lending growth profile*

Source:
Loans Funded
1/07/03 - 31/12/03

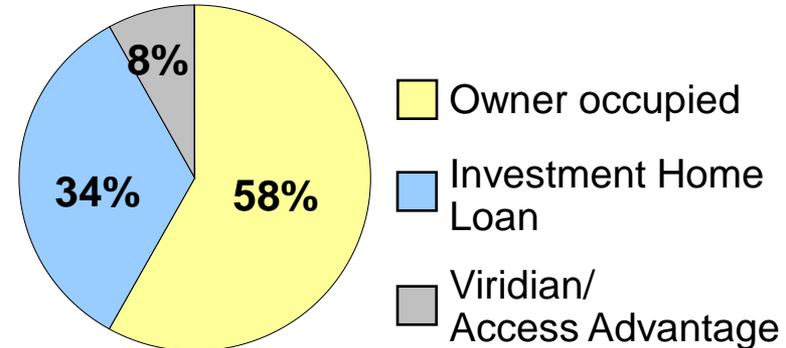


- Proprietary
- Third Party

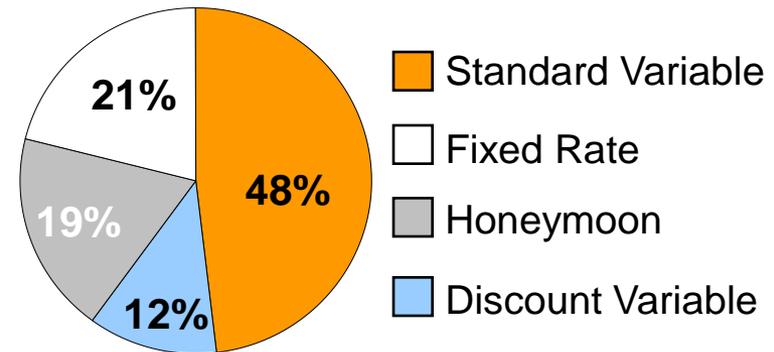
Growth represented by:

(\$bn)	1H04	2H03
Loans Funded	23.1	18.4
Reductions	14.4	11.8
Net Growth	8.7	6.6

Product Balances Outstanding



Balances by Loan Type

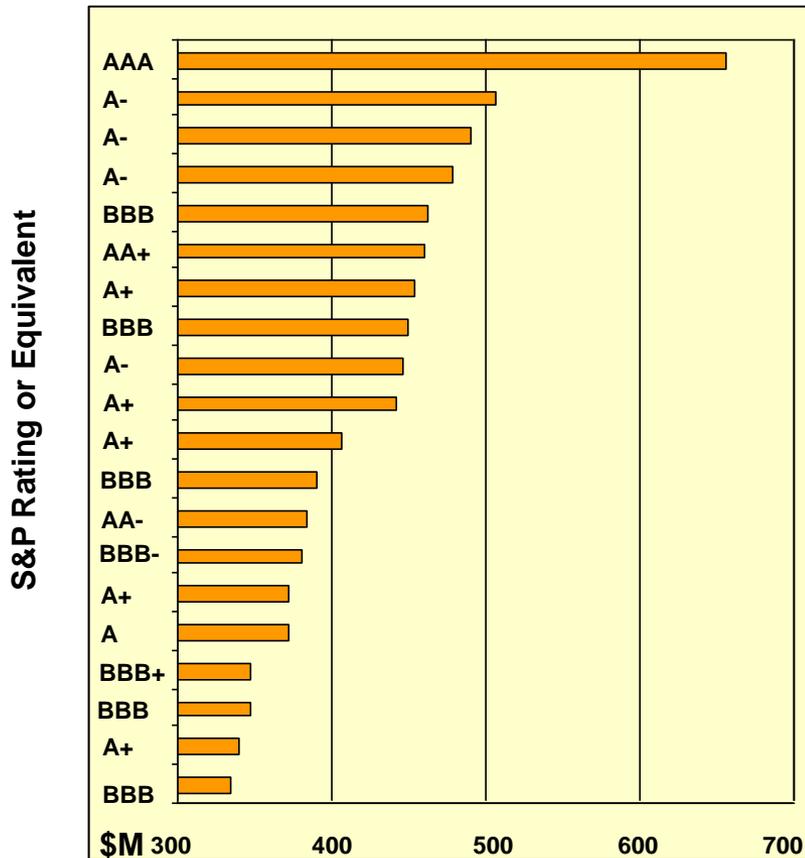


* Data relates to the Bank's Australian home lending business

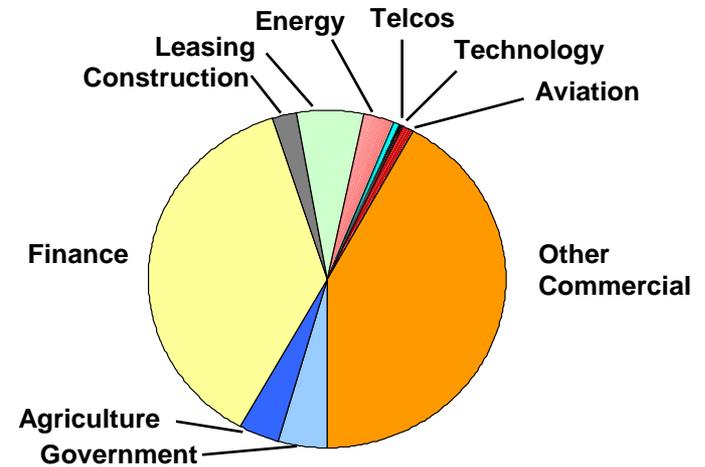


Continued improvement in portfolio quality

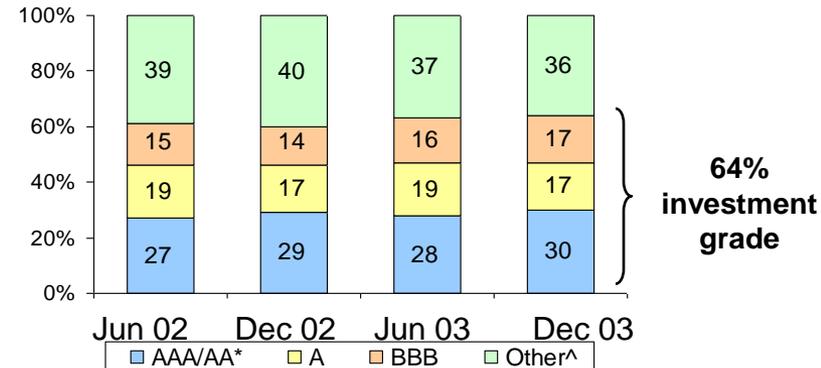
Top 20 Exposures to Corporates (Committed)
 (Top 20 exposures are 3.5% of total committed exposures of \$245 billion)



Well Diversified Portfolio by Industry



A High Quality Portfolio



The Bank's asset quality remains sound

	31/12/03	30/06/03	31/12/02
Charge for Bad & Doubtful Debts (6 months)	\$150m	\$154m	\$151m
Charge for Bad & Doubtful Debts to RWA* (annualised)	0.19%	0.21%	0.21%
Gross Impaired Assets (net of interest reserved)	\$573m	\$639m	\$863m
Specific Provisions	\$198m	\$205m	\$264m
General Provision	\$1,358m	\$1,325m	\$1,327m
General Provision to RWA	0.86%	0.90%	0.92%

*Risk Weighted Assets

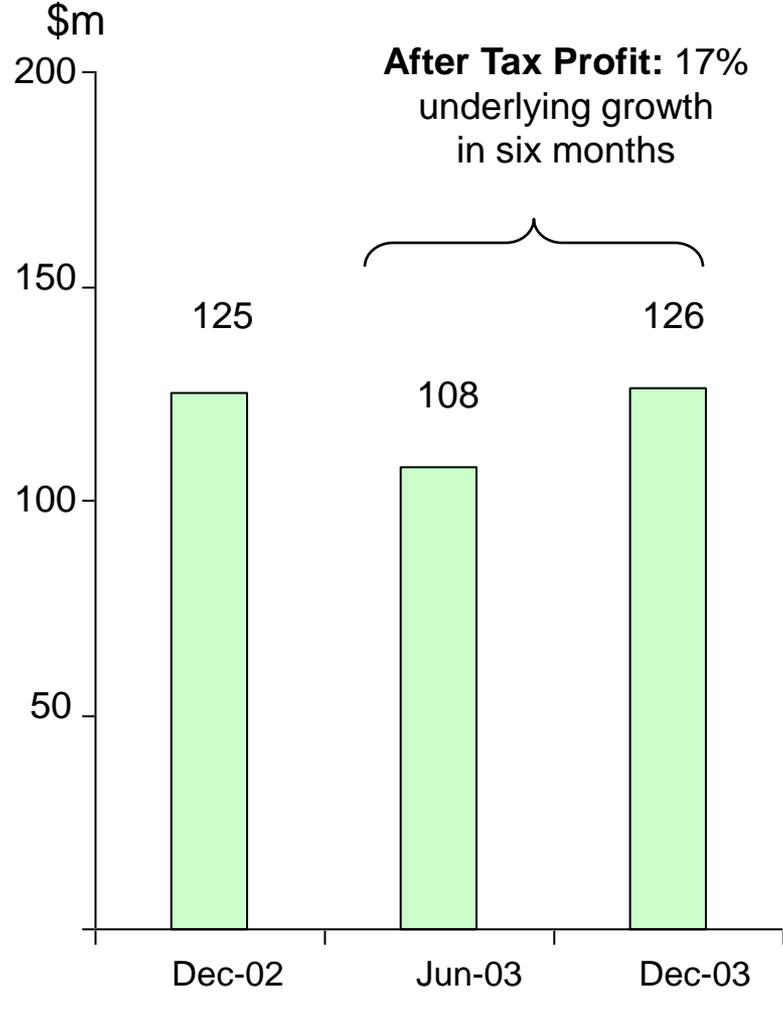
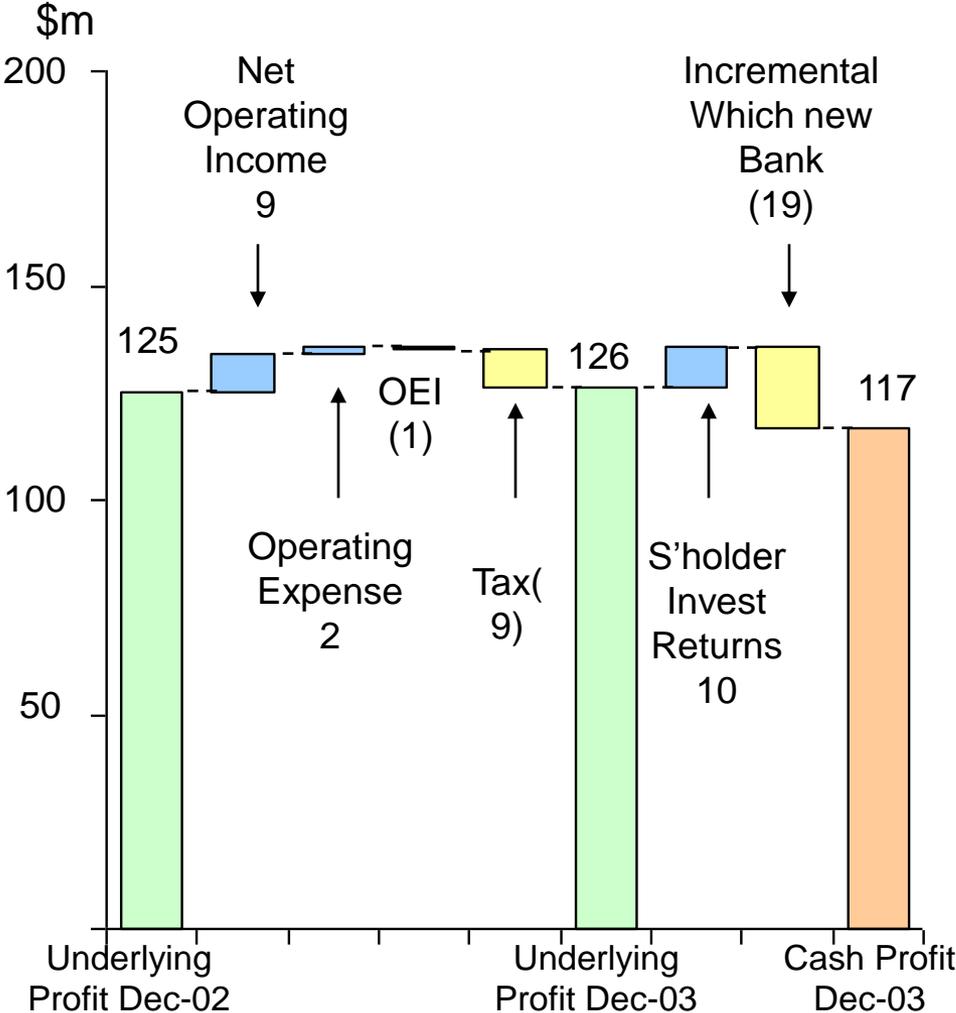
Segment Results: Funds Management

Funds Management

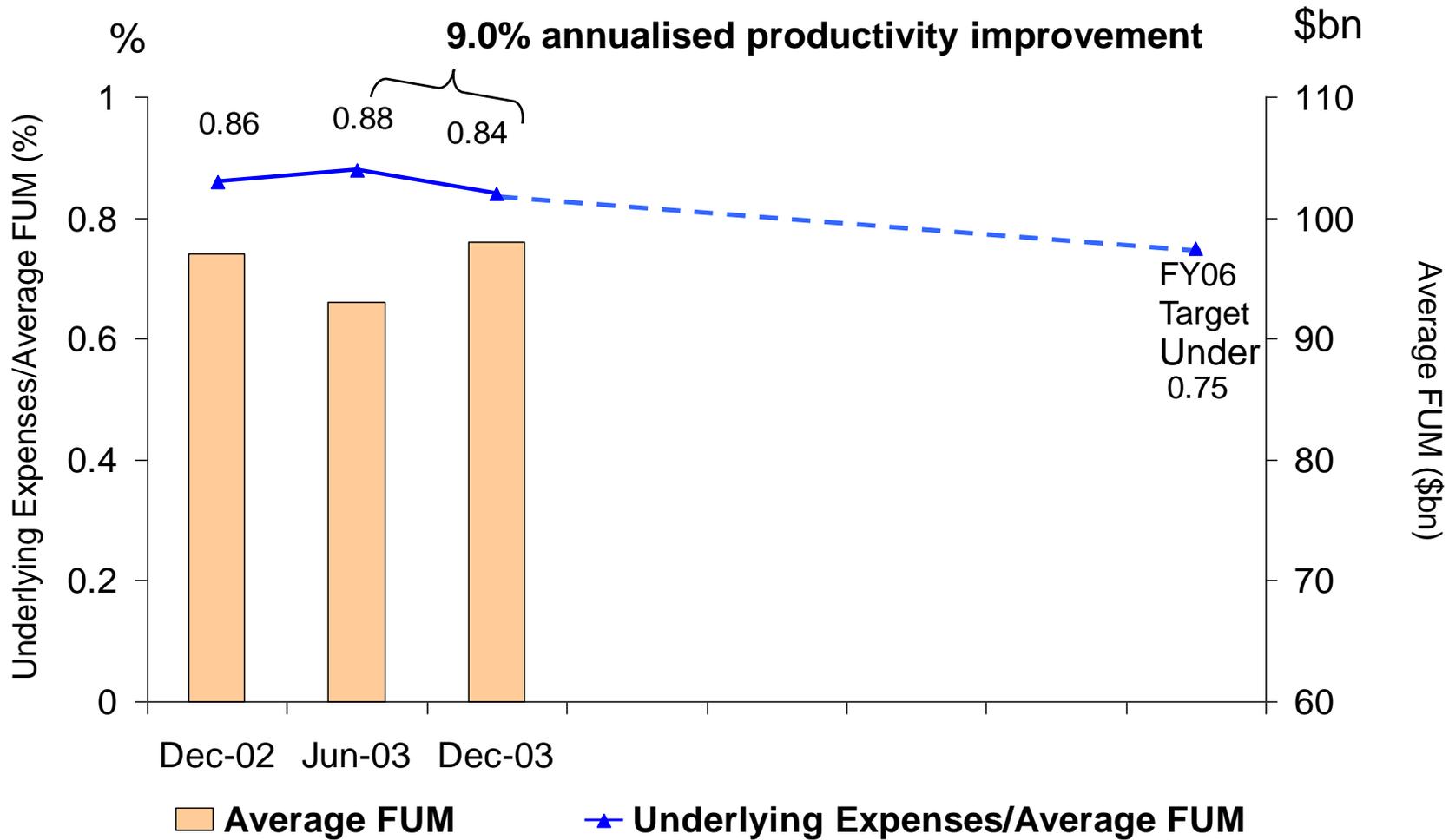
- Since June 2003, underlying profit rebound of 17% to December 2002 levels
- Income to average FUM steady at 119 basis points
- 9.0% annualised productivity improvement since June 2003
- FirstChoice continues to grow rapidly



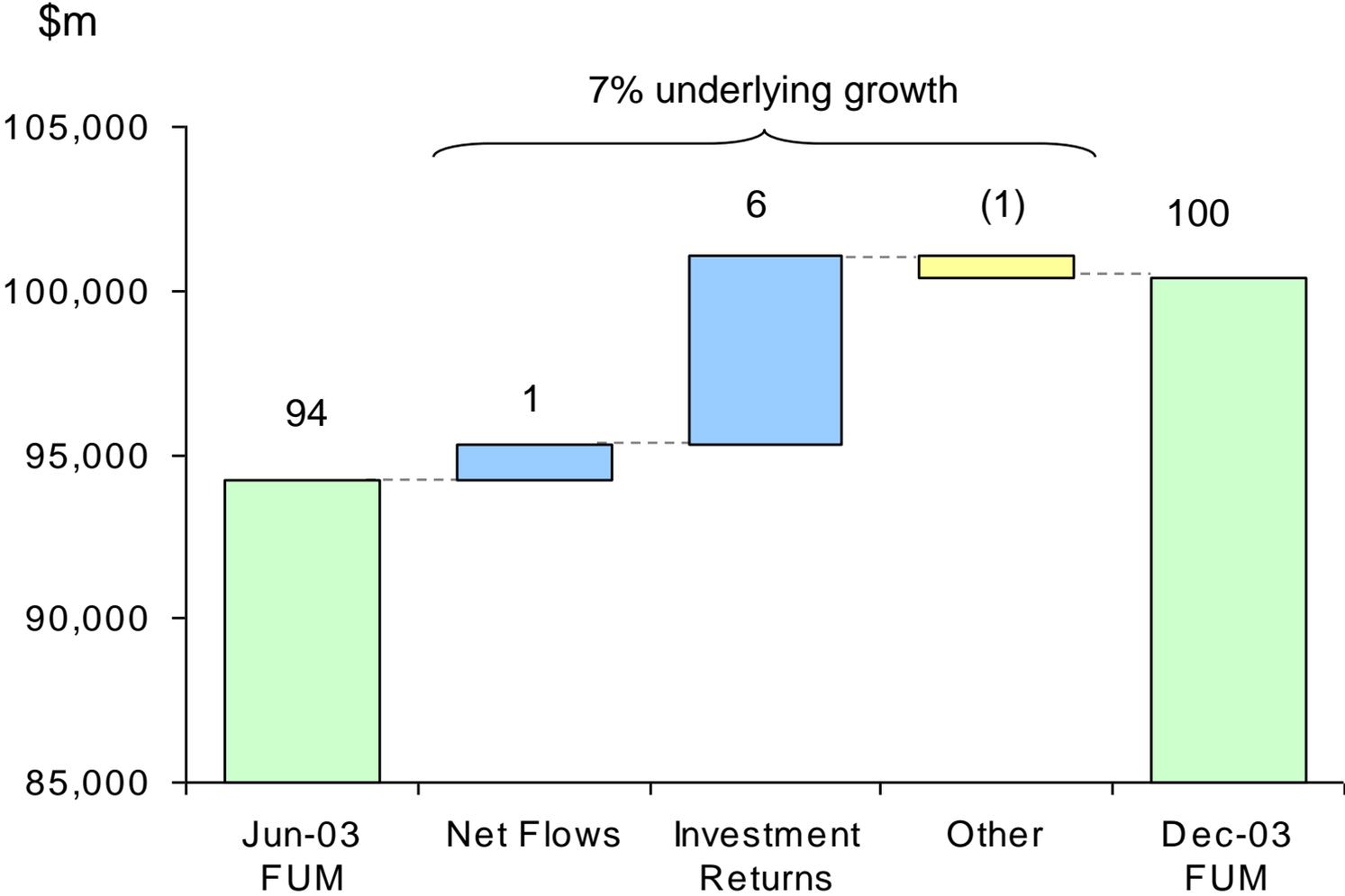
Underlying profit rebounds to December 2002 levels



Since June, FUM has grown by 7% and productivity has improved by 9% annualised



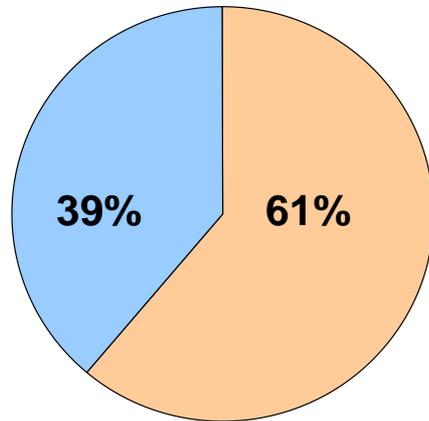
7% Growth in Funds under Management



FirstChoice continues to grow rapidly

Funds under Administration of \$5bn at 31 December 2003

Source

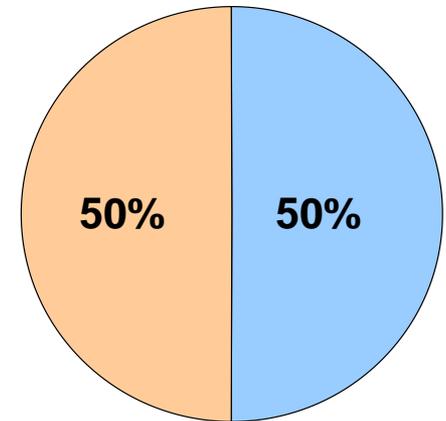


■ Proprietary
■ 3rd party

Half Year Growth represented by:

(\$bn)	Dec 2003	Jun 2003
Inflows	2.2	1.6
Outflows	0.5	0.3
Net Growth	1.7	1.3

Destination



■ CFS
■ External



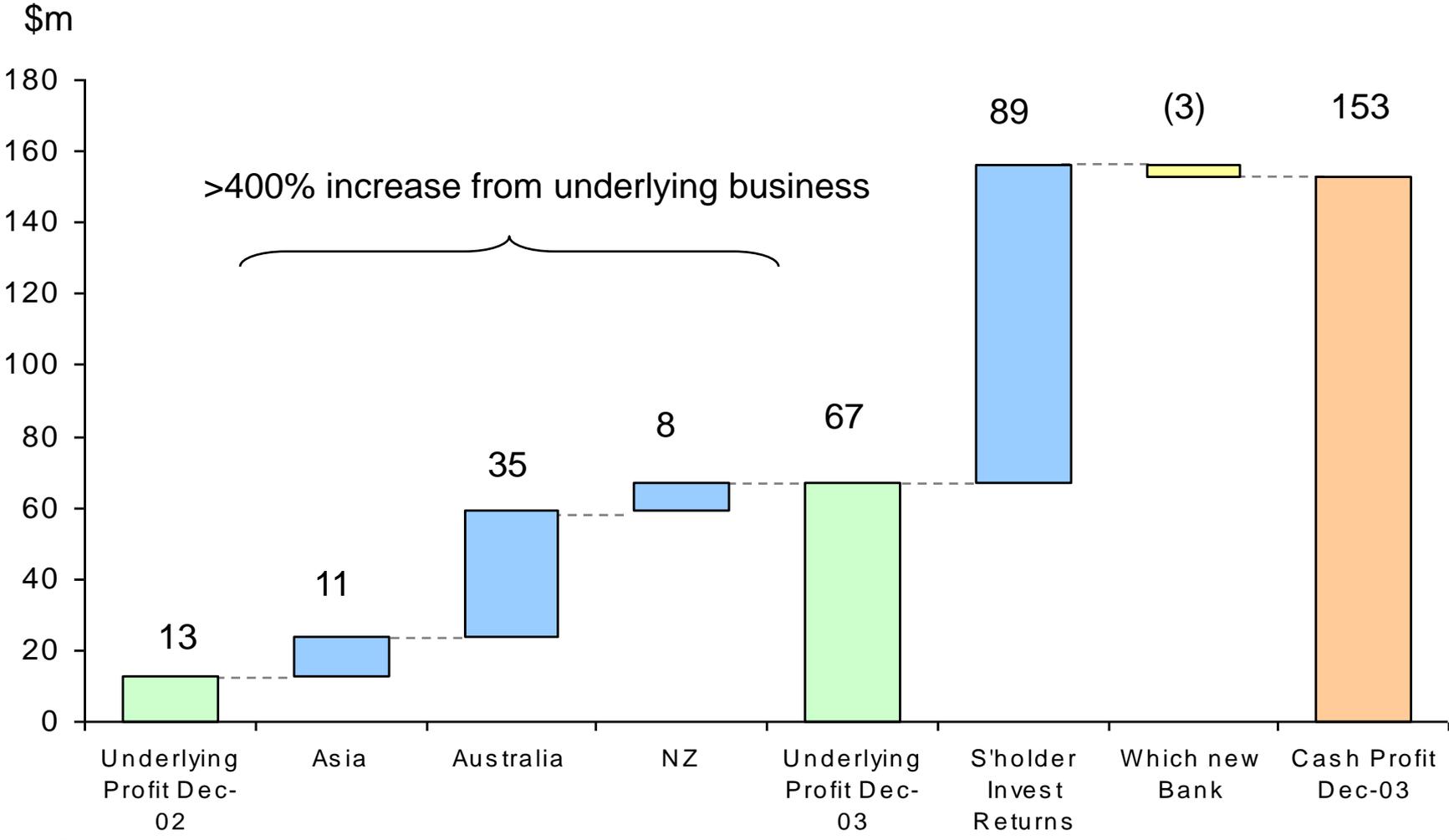
Segment Results: Insurance

Insurance

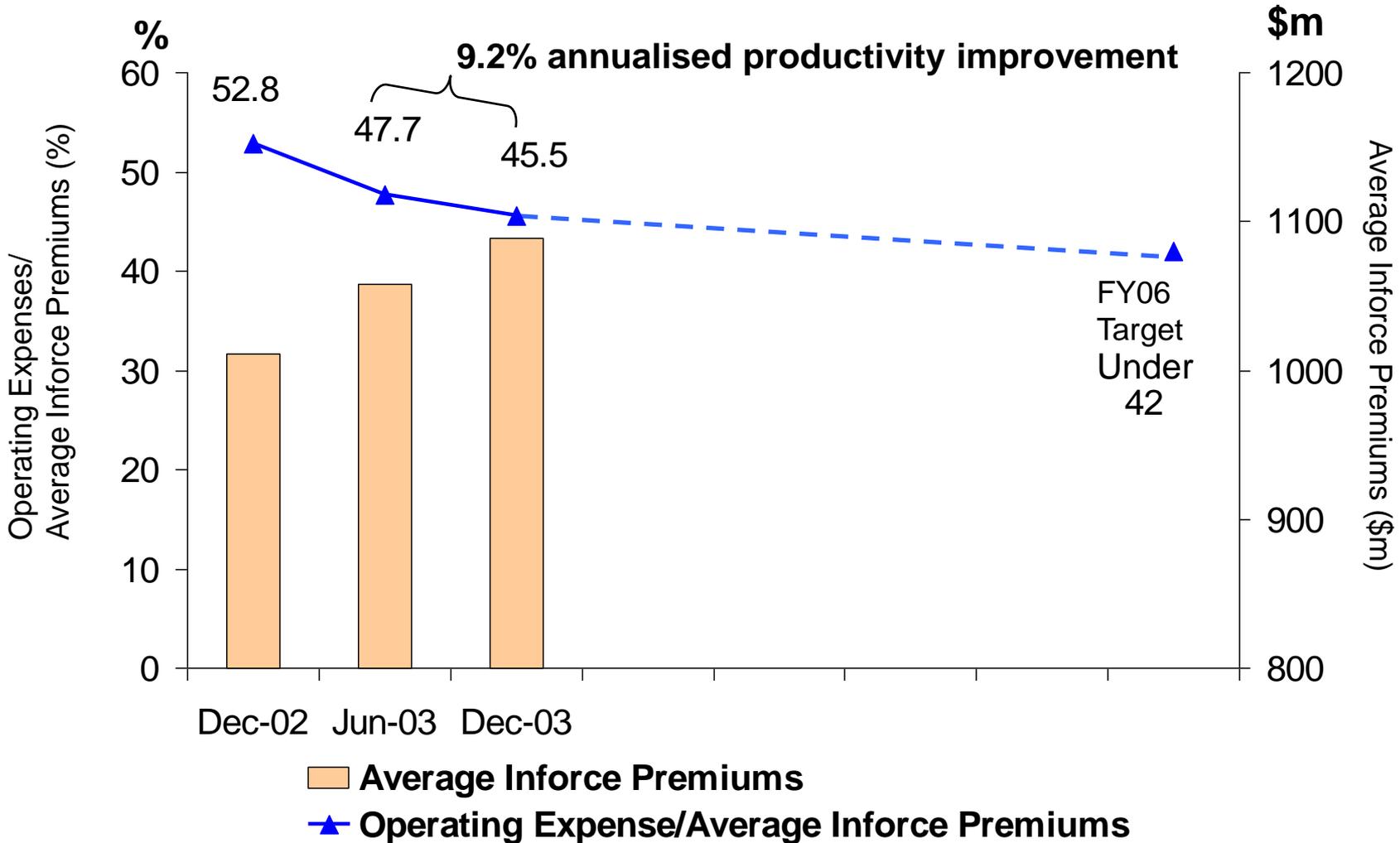
- Fourfold increase in underlying net profit after tax to \$67m
- Strong improvement in shareholder investment returns
- 9.2% annualised productivity improvement since June 2003
- Continued growth in annual premiums
- Positive experience profit for two consecutive halves



Insurance result reflects improved operating margins and strong investment returns

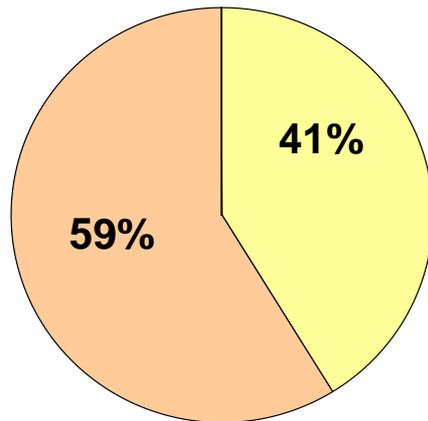


Since June, productivity has improved by 9.2% annualised



Australian Insurance business

Distribution by Channel[^]

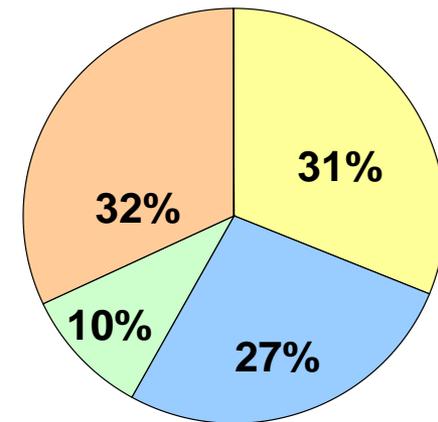


Third Party
 Network & Direct*

* Network - Internal Bank Channels
 Direct - Telemarketing & Phone

[^] Excludes Group Risk and Masterfunds

Product Sales



Lump Sum
 General
 Disability Income
 Group Risk and Masterfund

Growth represented by:

(\$bn)	Dec 2003	Jun 2003
Sales/New Business	91	83
Lapses	64	58
Net Growth	<u>27</u>	<u>25</u>



Investment Earnings

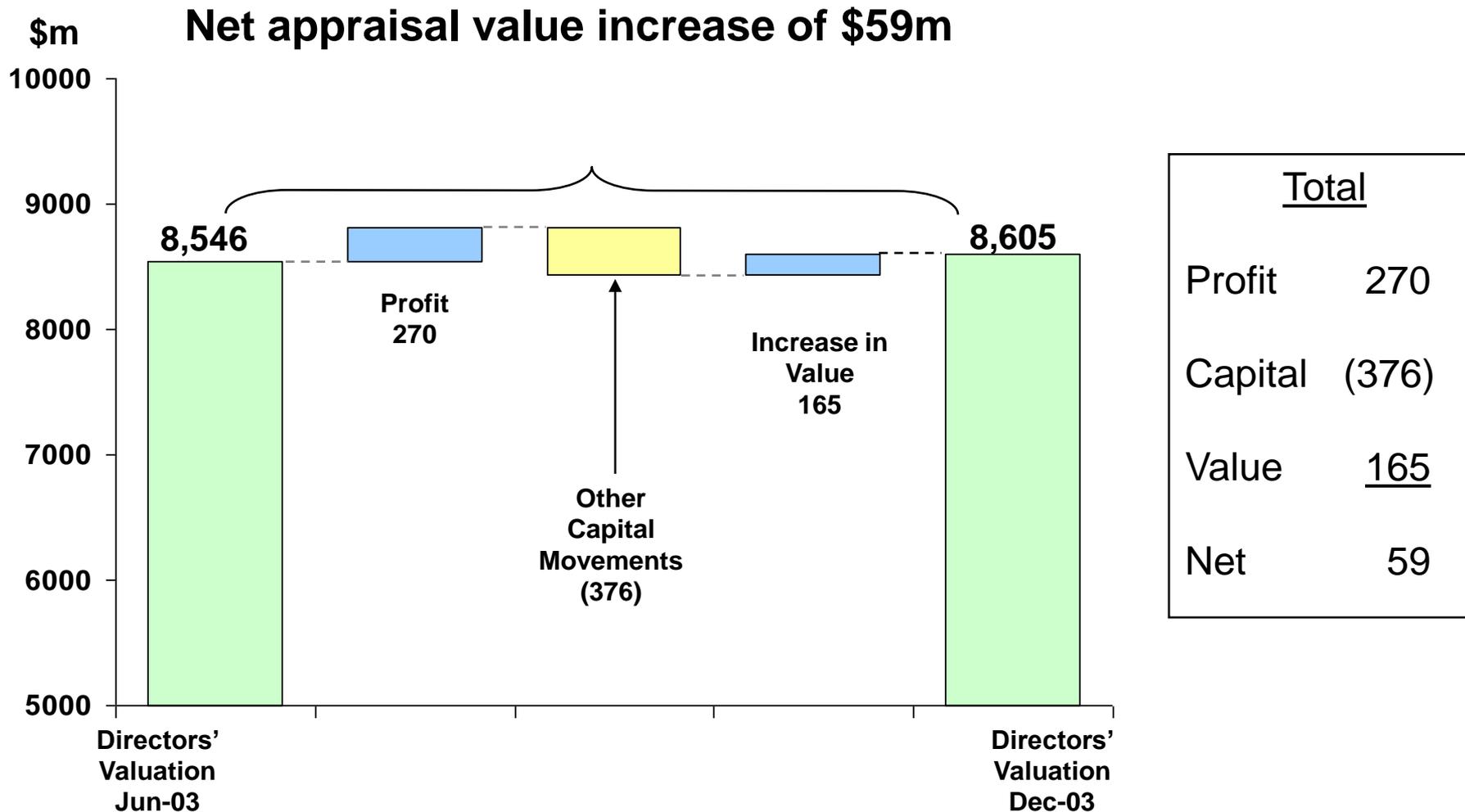
Investment Mandate Structure

The Bank has \$2.9bn of shareholders funds across its insurance and funds management business, which is invested in:

	Australia	New Zealand	Asia	Total
Local Equities	13%	1%	5%	10%
International Equities	3%	11%	5%	5%
Property	16%	2%	0%	11%
Other Growth	0%	12%	13%	4%
Sub Total	32%	26%	23%	30%
Fixed Interest	37%	38%	53%	40%
Cash	31%	32%	11%	27%
Other Income	0%	4%	13%	3%
Sub Total	68%	74%	77%	70%
Total	100%	100%	100%	100%

Wealth Management Valuations

Wealth management valuations - movement analysis



Capital

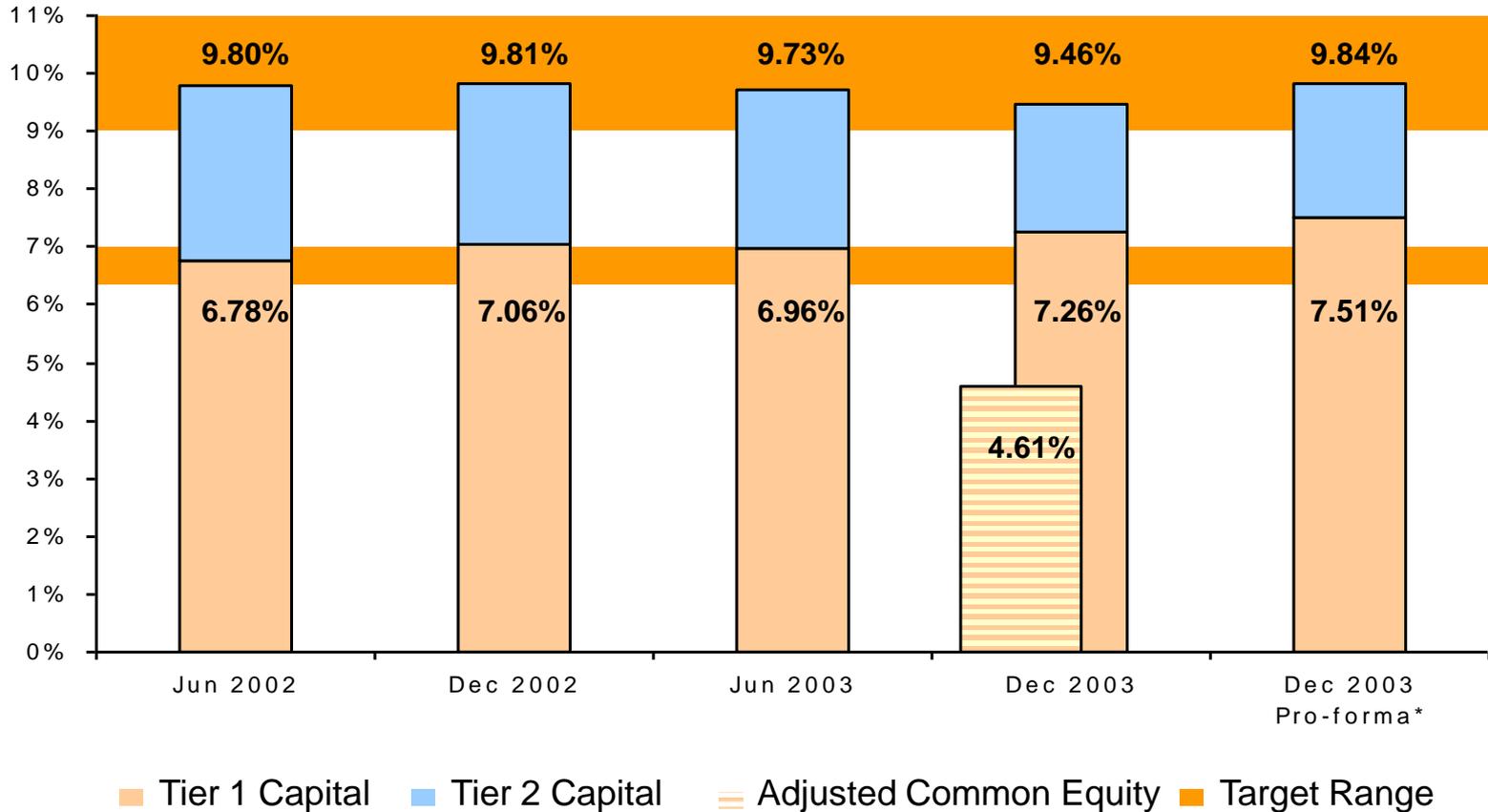
Capital Management strategy

- Creating capital flexibility

- Executed initiatives
 - Tier 1 Hybrid US\$550m (A\$832m)
 - PERLS II \$750m
 - Subordinated debt \$500m

- Proposed initiatives
 - Off-market share buy-back \$450m - \$550m
 - Share Purchase Plan and Share Sale Facility (executed following the share buy-back)

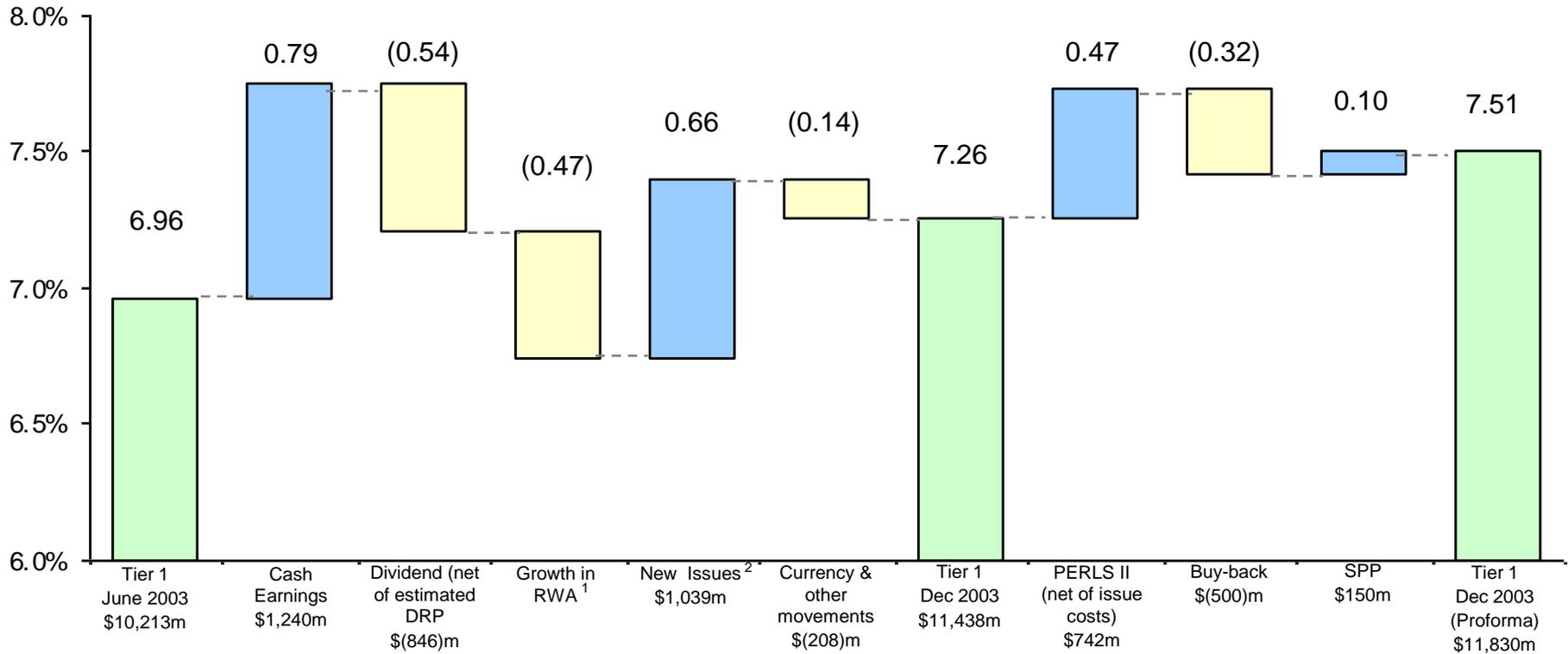
Capital ratios remain strong



* Pro-forma figures represent actual December 2003 capital ratios adjusted for \$750m PERLS II, an issue and redemption of subordinated debt (net \$200m increase), an assumed \$500m share buy-back, and an assumed \$150m Share Purchase Plan.



Generation and use of tier 1 capital



¹ Growth in RWA = \$10.7 bn

² Principally comprises the issue of \$201m of shares to satisfy the DRP in respect to the final dividend for 2002/03 and the issue of USD550m (AUD832m) of hybrid capital in August 2003.



Off-market share buy-back

Structure

- Offer to buy back approximately \$450 to \$550 million (up to 1.7%) of issued capital
- All shareholders eligible to participate via tender
- Shareholders can tender any number of their shares within the range \$26.00 to \$31.25
- The buy back price will comprise:
 - Cash capital component of \$11.00
 - Fully franked dividend being difference between buy-back price and \$11.00
- New ATO approach to “market value” may increase the deemed capital component for tax purposes only

Benefits

- Expected to enhance earnings per share and increase return on equity
- Efficiently distribute surplus capital and franking credits to shareholders
- Retain capital flexibility



Which new Bank

In September 2003, we set out the expected financial impact and outcomes of the program

Subject to current market conditions continuing

Over the next three years we will:

- Redirect the normal project spend of \$600m
- Spend an additional \$620m
- Invest a further \$260m in our branch network

Over the next three years this will result in:

- Cash EPS growth exceeding 10% CAGR
- 4-6% CAGR productivity improvements
- Profitable market share growth across major product lines
- Increases in dividends per share each year



Which new Bank Expenditure to Date

Incremental Which new Bank expense after tax:	Actual half year to 31/12/03 \$m	Full Year Estimated Financial Impact * \$m
Investment Spend for the period (gross)	179	660
- Investment Capitalised	(45)	(180)
+ Provision for Future Costs	200	210
+ Expensing of previously capitalised software	210	215
= Gross Which new Bank expense	544	905
- Normal project spend net of capitalisation	(50)	(200)
= Incremental Which new Bank expense before tax	494	705
- Tax effect	(148)	(205)
Incremental Which new Bank expense after tax	346	500

*As per Which new Bank announcement, September 2003

Investment spend is in line with expectations

Themes	1H04 Actual (\$m)	2H04 Estimate (\$m)	FY04 Estimate (\$m)
Customers	60	210	270
Processes	100	180	280
People	5	5	10
	165	395	560
Branch Refurbishment	14	86	100
Total	179	481	660

Benefits are emerging

Themes	1H04 Actual (\$m)	2H04 Estimate (\$m)	FY04 Estimate (\$m)
Customers	58	87	145
Processes	5	50	55
People	-	-	-
Total	63	137	200

Highlights

- Good result: underlying profit growth of 17%
- Another record dividend
- Productivity improvement in all businesses
- Further improvement in credit quality
- Continued strengthening of Tier 1 capital
- Which new Bank is meeting early expectations
- Share Buy-Back announced

Presentation of Half Year Results for period ended 31 December 2003

David Murray
Chief Executive Officer

Michael Cameron
Chief Financial Officer

11 February 2004

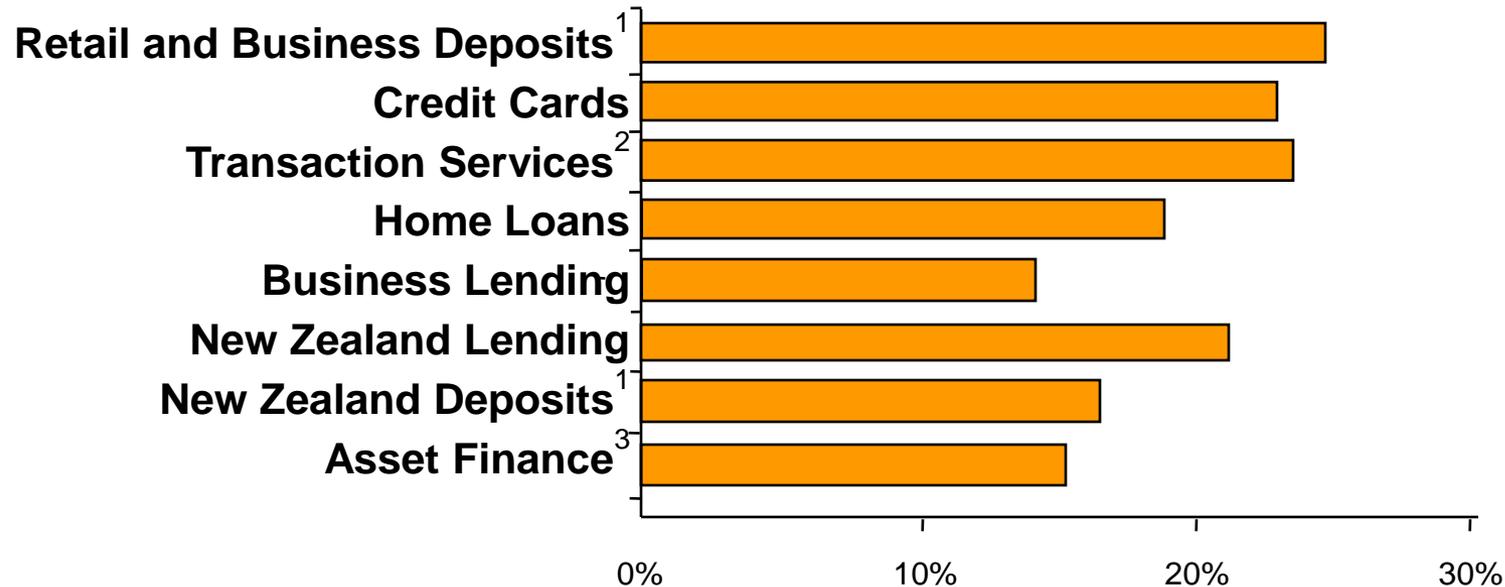
Supplementary Slides

Strong market share position

Banking Market Shares

Dec 2003 June 2003

Retail and Business Deposits	24.1%	24.2%
Credit Cards	22.7% ⁴	22.8%
Transaction Services	23.1% ⁵	22.7%
Home Loans	19.3% ⁶	19.5% ⁷
Business Lending	14.2%	14.0%
New Zealand Lending	21.6%	20.6%
New Zealand Deposits	17.2%	16.4%
Asset Finance	15.5%	15.1%



Notes:

(1) - Note sale of Commonwealth Custodial Services during period

(2) - Mid-Corporates (turnover \$20m-100m)

(3) - Excludes consumer and commercial finance

(4) - November Data

(5) - August Data

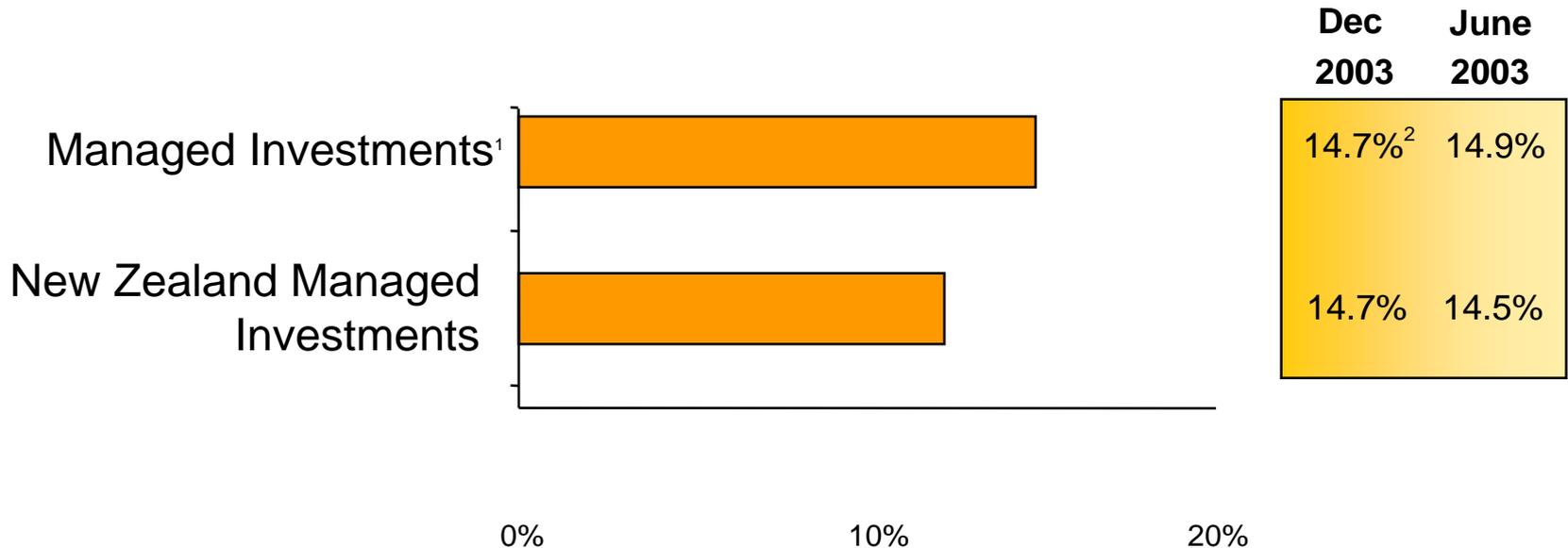
(6) - September Data

(7) - March Data

Source: RBA, APRA, East and Partners, AELA, Reserve Bank of NZ

Strong market share position

Funds Management Market Shares



Notes:

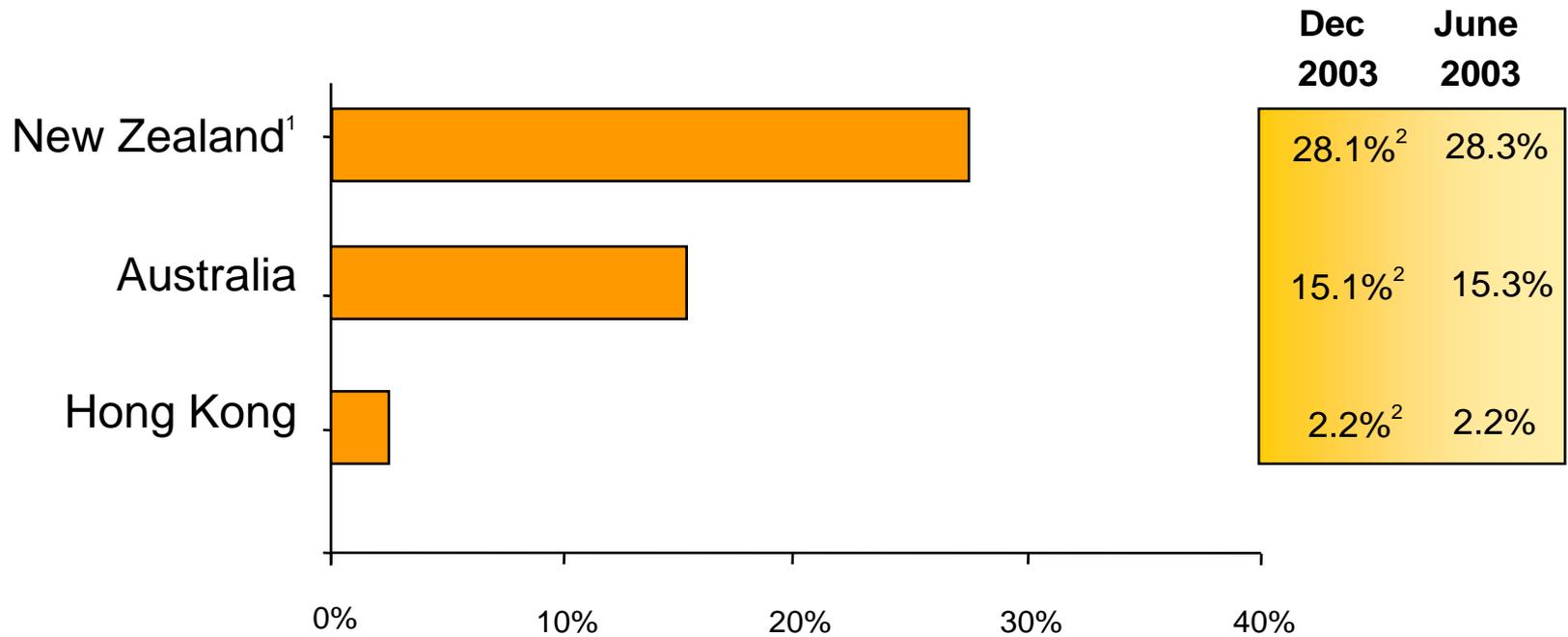
(1) Retail Only

(2) September Data

Source: Plan for Life, Fund Source Research

Strong market share position

Life Insurance Market Shares



Notes:

(1) In-force Business

(2) September Data

Source: ISI Statistics, Plan for Life, HK Insurance Association



Arrears in consumer book remain at low levels

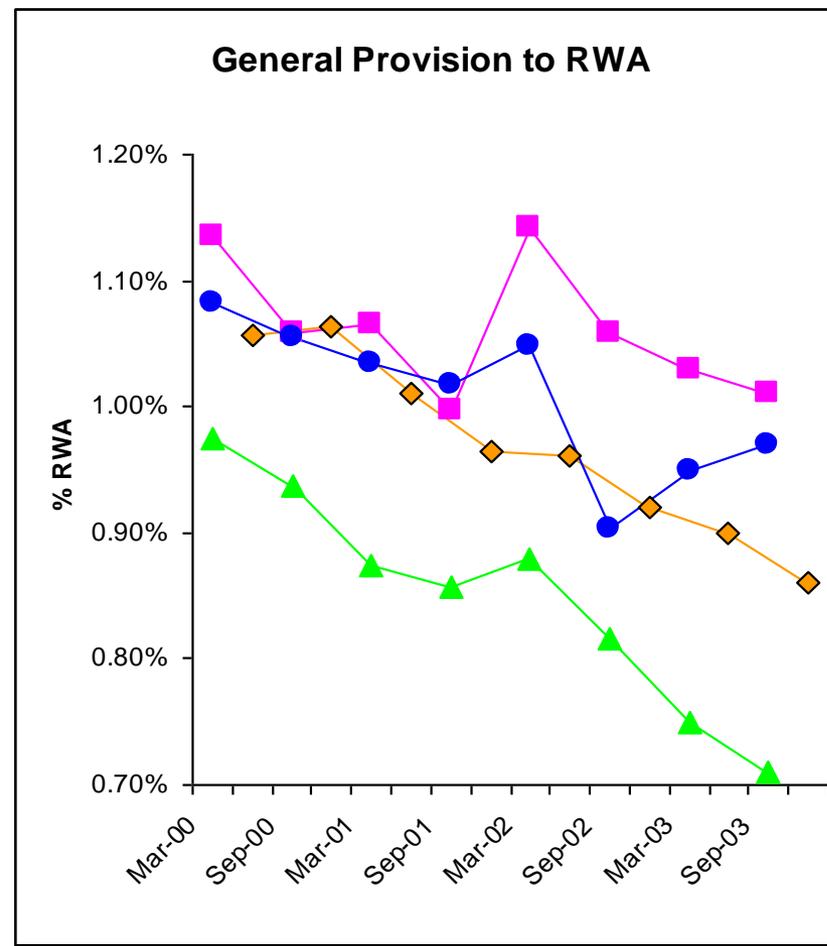
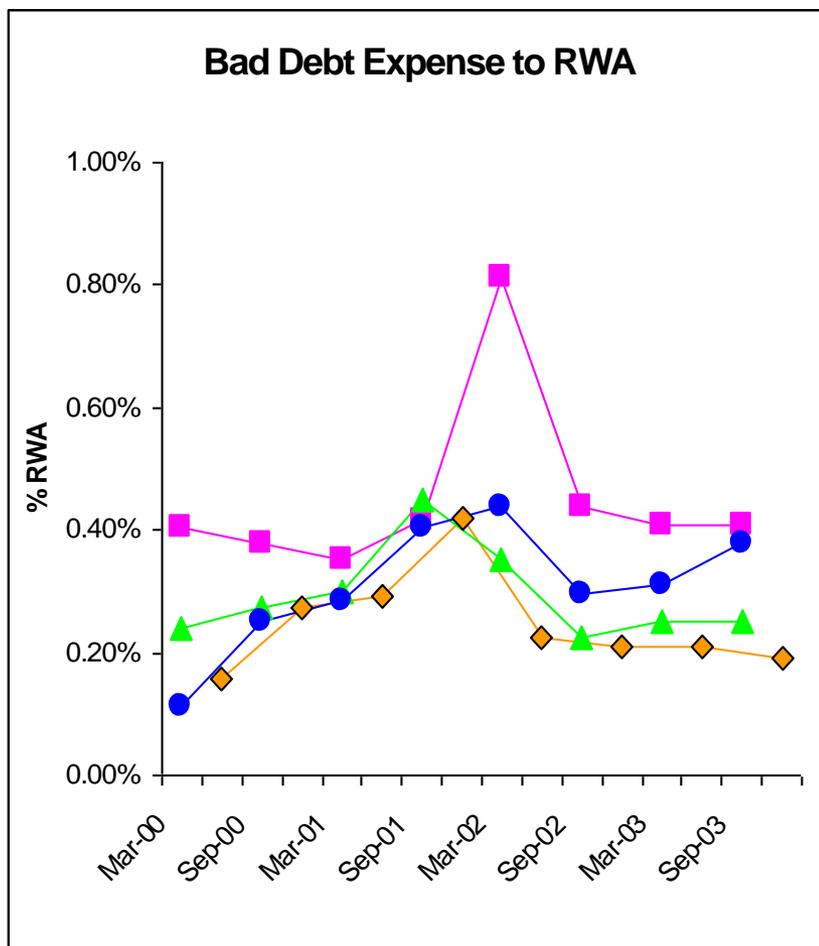
Loans Accruing past 90 days or more

	31/12/03	30/06/03	31/12/02	30/06/02
	\$m	\$m	\$m	\$m
Housing Loans	147	157	136	176
Other Loans	66	91	75	73
Total	213	248	211	249

Housing loans arrears rate

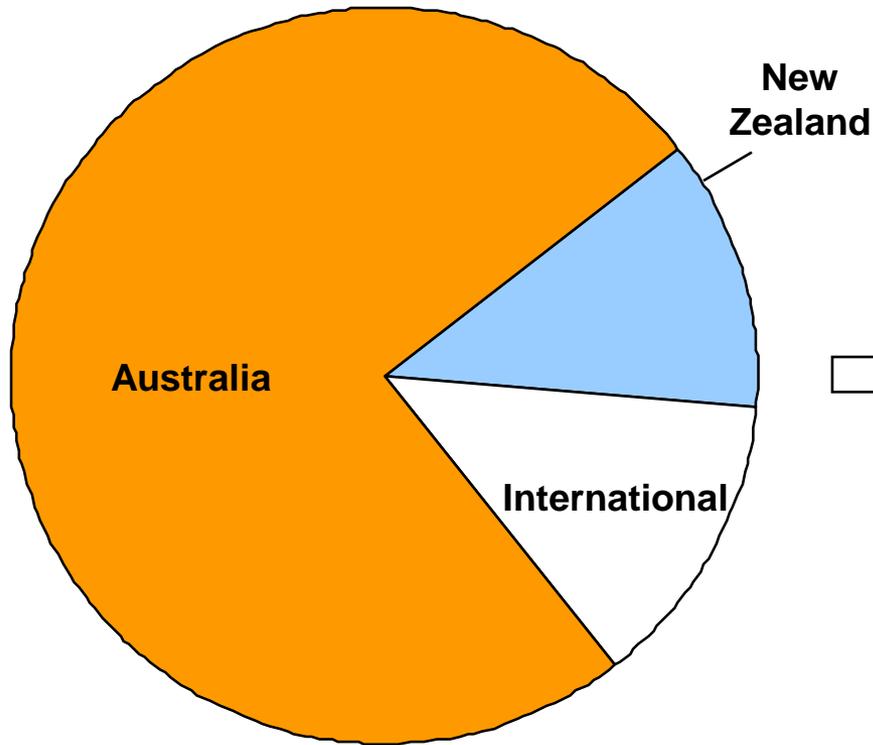
	30/06/03	30/06/03	31/12/02	30/06/02
Housing Loans accruing 90 days or more \$m	147	157	136	176
Housing Loan Balances \$m	112,228	100,203	93,545	85,839
Arrears rate %	0.13%	0.16%	0.15%	0.21%

Credit ratios are in line with peers

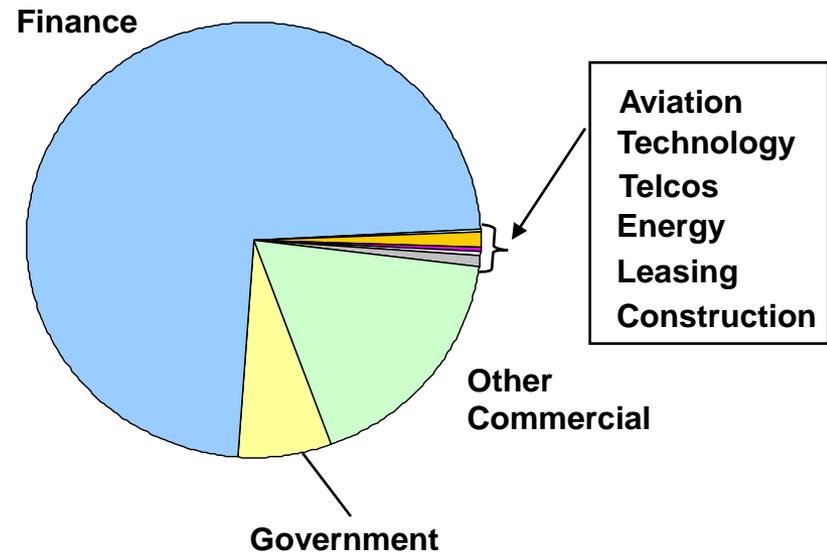


◆ CBA
 ■ ANZ
 ▲ NAB
 ● WBC

Offshore credit risk concentration



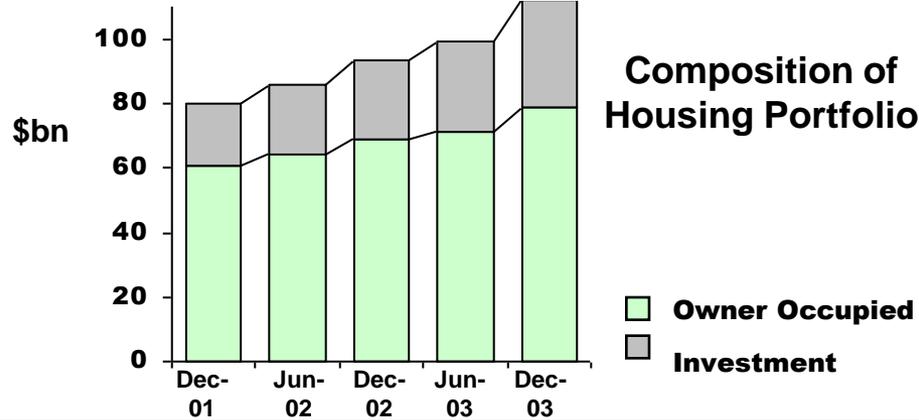
International breakdown by Industry*



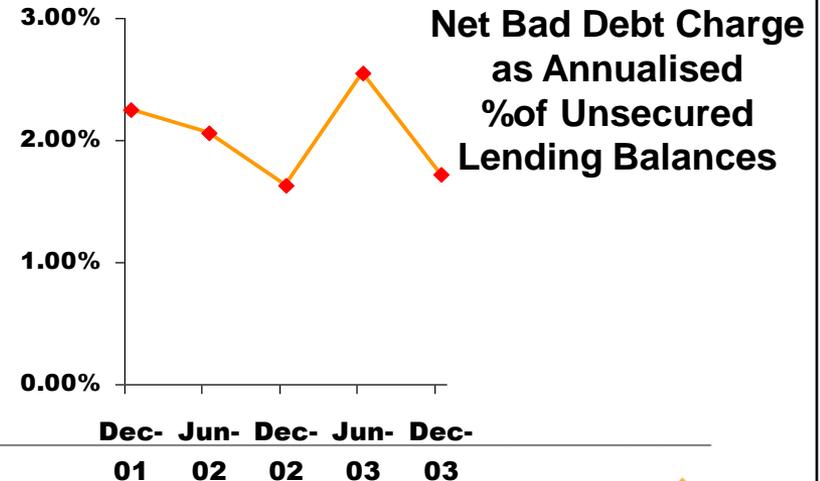
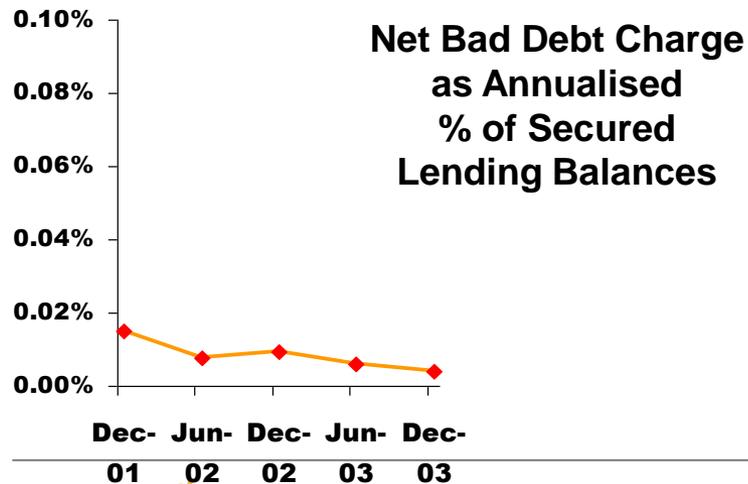
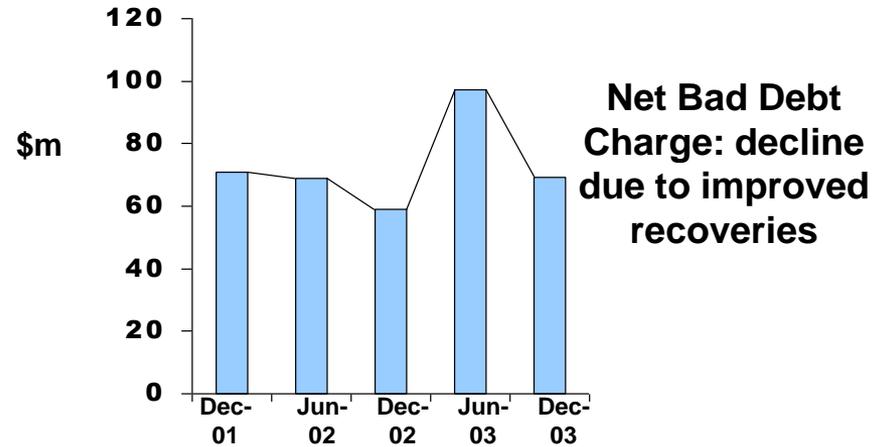
*Excludes Mortgage and Personal

Consumer Portfolio: secured and unsecured lending

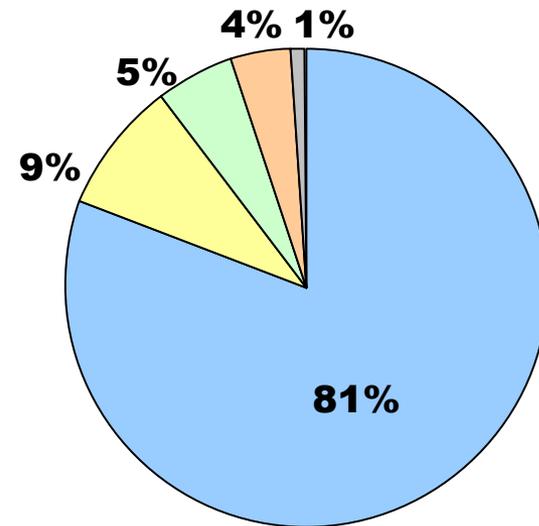
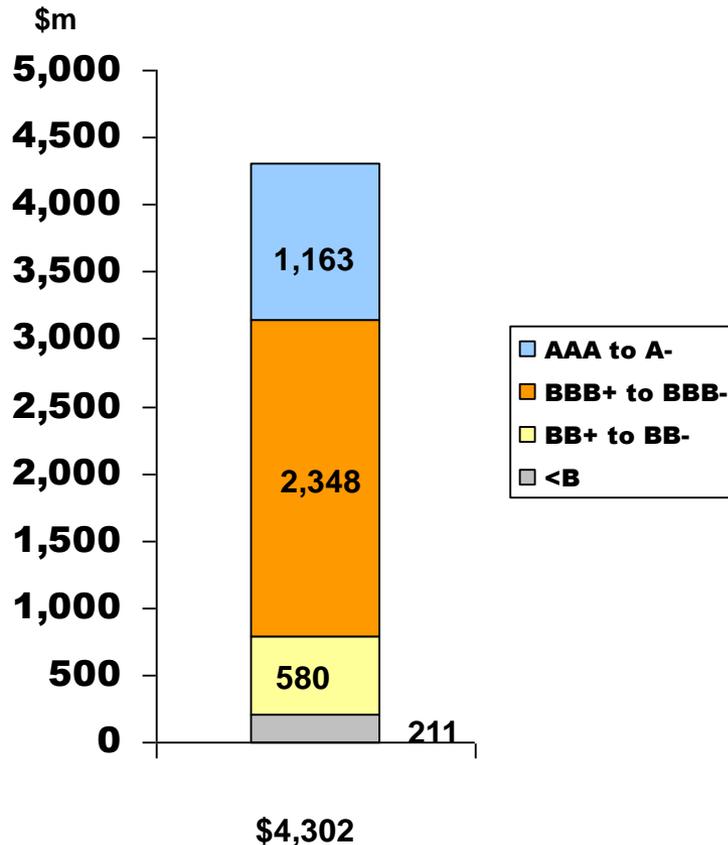
Secured Lending



Unsecured Lending



Credit Exposure - Energy Sector

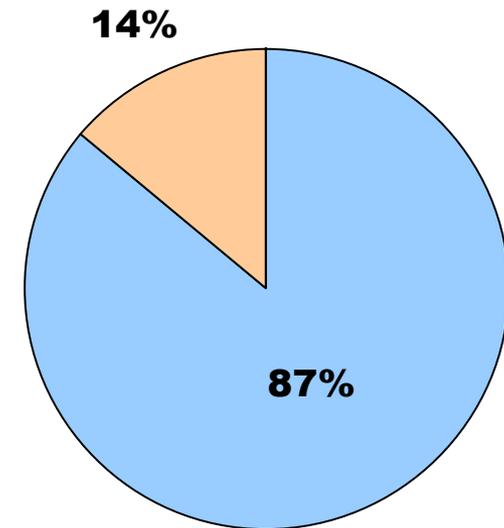
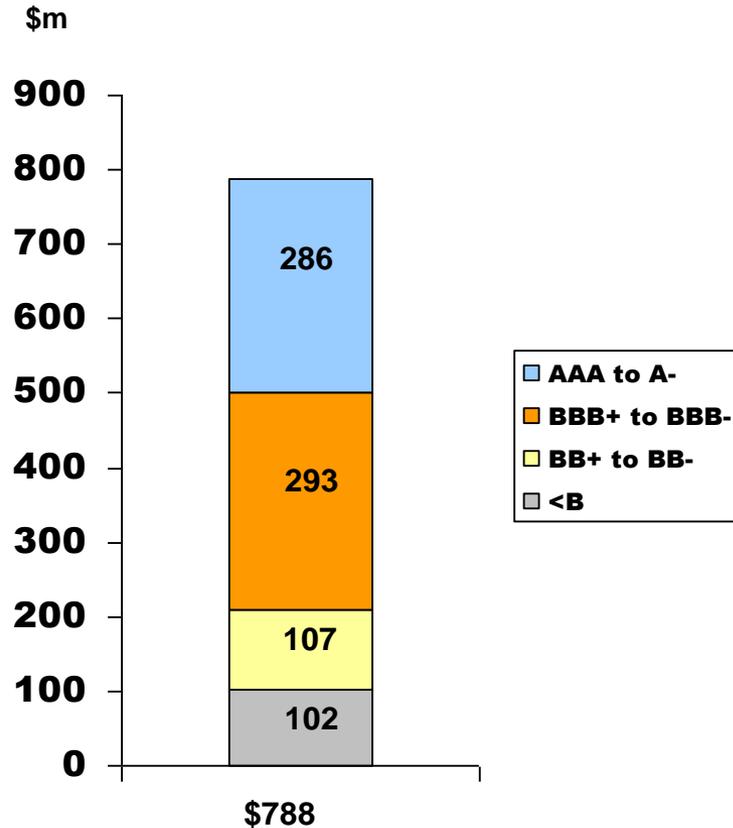


- Australia (79% investment grade)
- New Zealand (100% investment grade)
- Asia (96% investment grade)
- Europe (100% investment grade)
- Americas (33% investment grade)

Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures



Credit Exposure - Telcos Sector

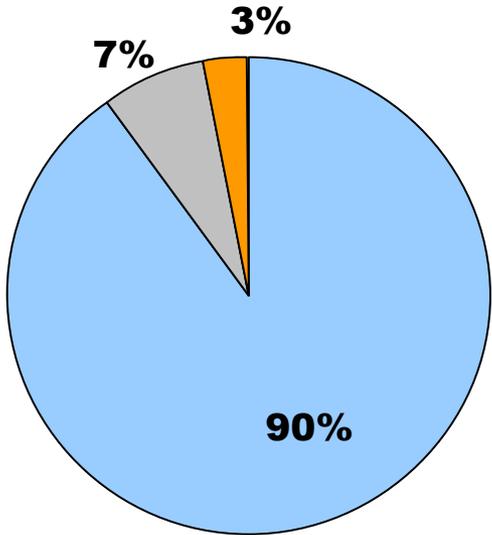
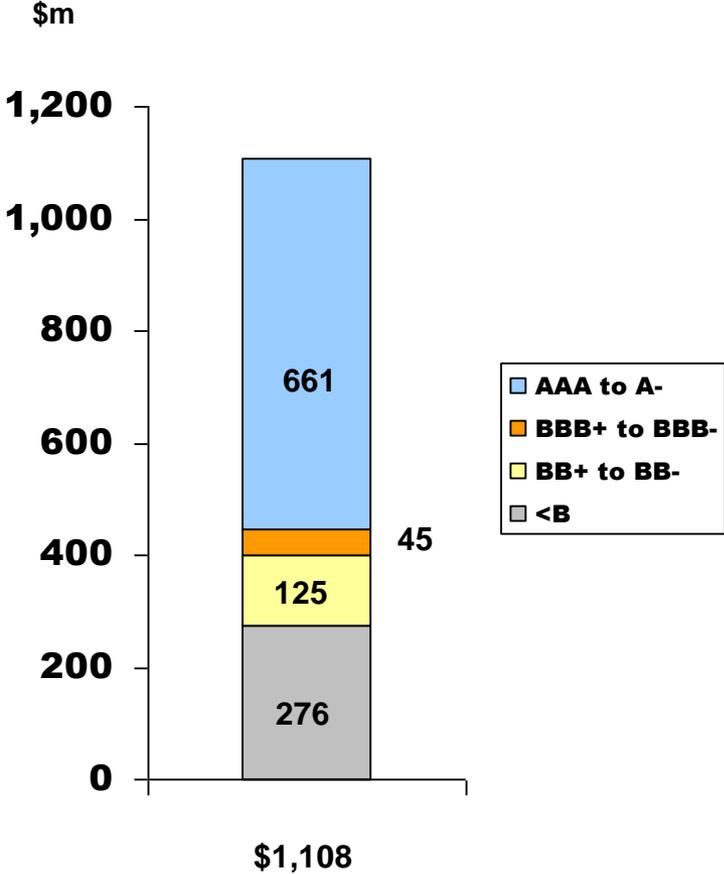


- Australia (75% investment grade)
- Europe (100% investment grade)

Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures



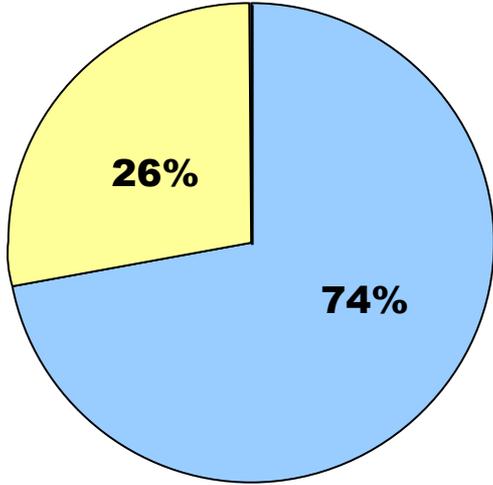
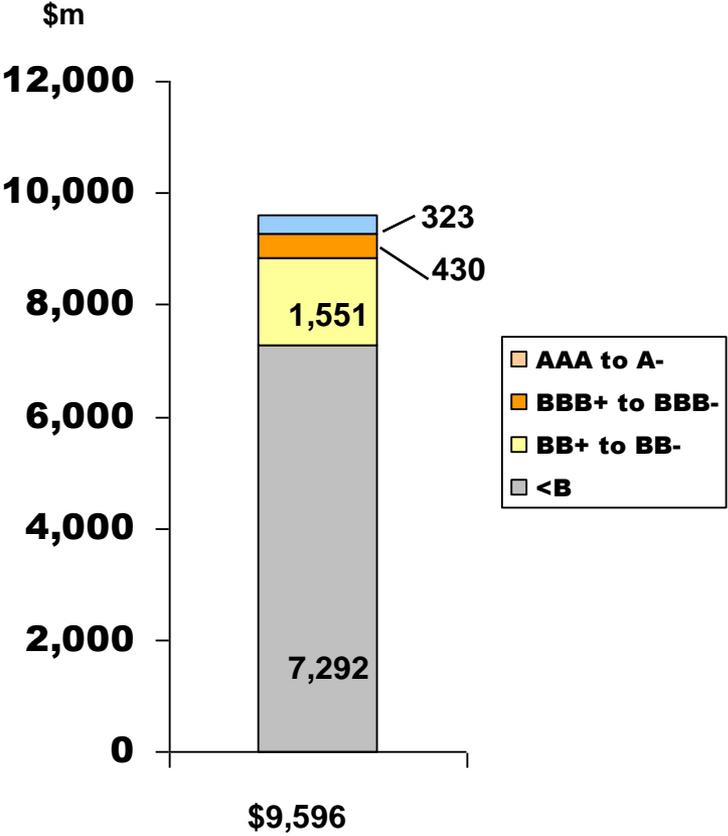
Credit Exposure - Technology Sector



- Australia (76% investment grade)
- North America (100% investment grade)
- Other (19% investment grade)

Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures

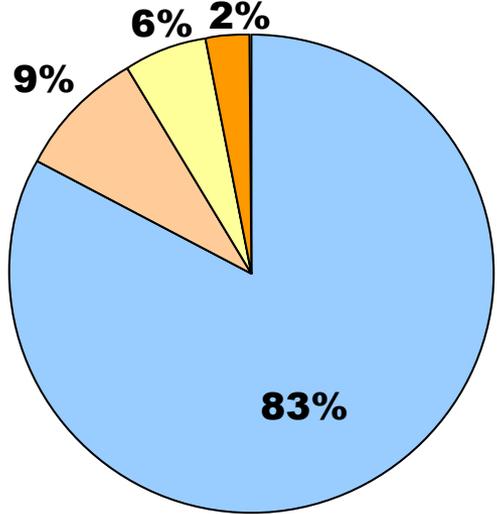
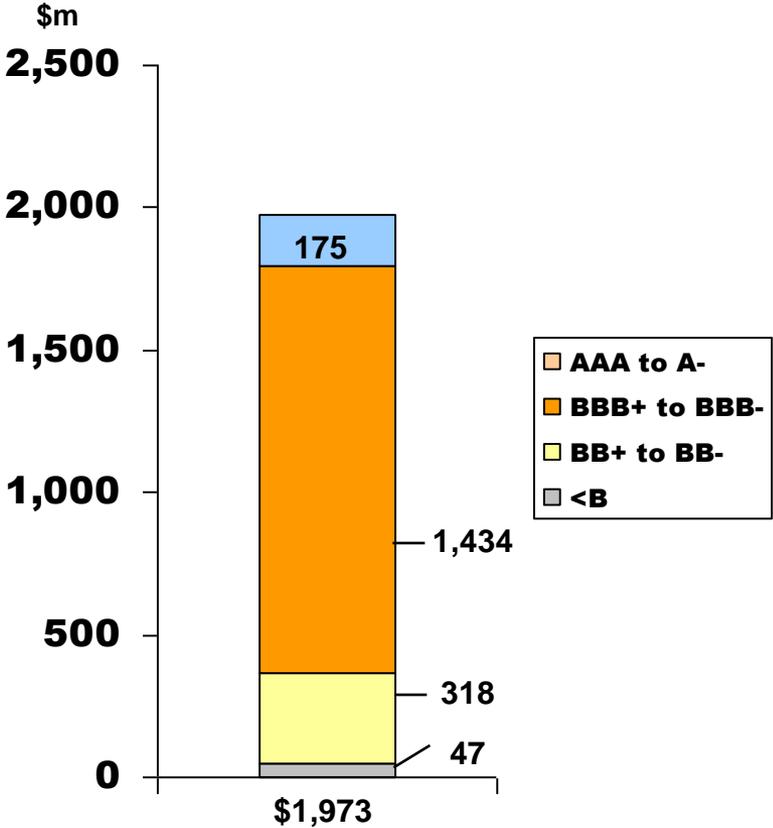
Credit Exposure - Agriculture Sector



Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures

- Australia (13% investment grade)
- New Zealand (2% investment grade)

Credit Exposure - Aviation Sector

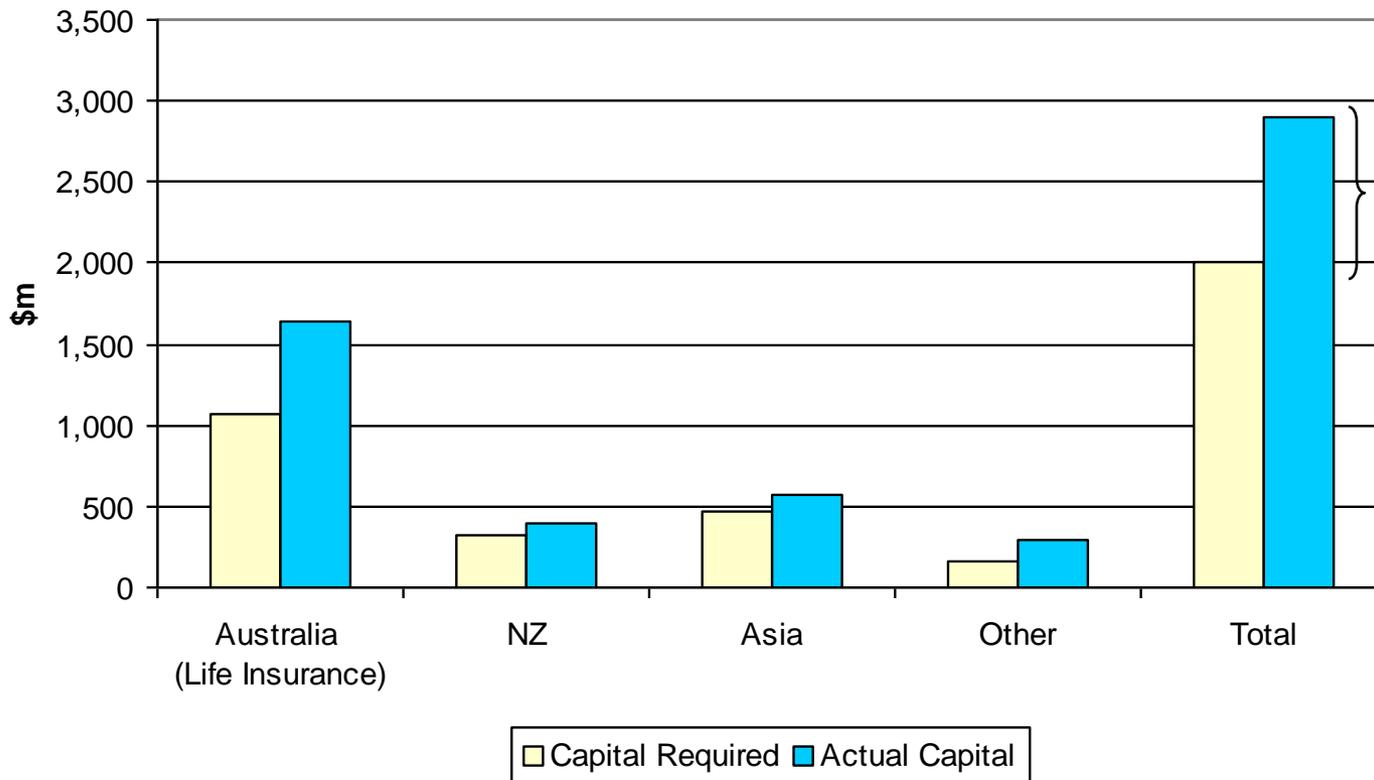


- Australia (89% investment grade)
- Europe (14% investment grade)
- New Zealand (100% investment grade)
- Other (48% investment grade)

Credit Exposure is measured as the higher of limit or credit equivalent balance for committed exposures and credit equivalent balance for uncommitted exposures

Capital to protect policyholders' interests

31 DECEMBER 2003



Total Excess Over Capital Adequacy of \$890m represented by:

Australia (Life Insurance)	\$570m
New Zealand	\$81m
Asia	\$115m
Other	\$124m

Off-market share buy-back

Tender range

- The tender range is \$26.00 to \$31.25
 - 8 specified prices, set at 75c intervals
 - Tenders can be lodged at any of the specified prices, or as a Final Price Tender

Buy-Back Price

- The buy-back price will be the lowest price in the range that enables the Bank to purchase the targeted amount of capital
 - may be as high as \$31.25 or as low as \$26.00
- The buy-back price will have two components:
 - \$11.00 cash capital component
 - balance will be a fully franked dividend
- New ATO approach to “market value” may increase the deemed capital component for tax purposes only
- Buy-back price will be announced to the ASX on 29 March 2004



Off-market share buy-back

Tender rules

- Only shares tendered at or below the buy-back price will be bought back
 - Tenders at the buy-back price may be subject to scale back
 - All successful tenderers will receive the same buy-back price
 - Shares tendered above the buy-back price will not be bought back

Scale back mechanism

- If more shares are tendered at and below the buy-back price than the Bank wishes to buy back, then shares tendered at the buy-back price will be subject to scale back
- Special rules to ensure small shareholders are not disadvantaged
- If the buy-back price is \$26.00, the first 200 shares tendered at \$26.00 or as a Final Price Tender will be bought back from each participant prior to any scale back

Off-market share buy-back

The 45-day rule

- To qualify for franking credit benefits, shareholders must generally have held their shares at risk for at least 45 days
- From discussions with the ATO, the Bank understands that a shareholder who acquires shares on or after 12 February 2004 may fail the 45 day rule (final ATO Class Ruling pending)

Details on how to participate

- Each shareholder eligible to participate in the buy-back will receive a personalised Tender Form
- Issuer Sponsored Holders need to complete and sign the Tender Form and forward it to the Bank's share registry
- CHESS Holders need to contact their controlling participant
- Shareholders intending to sell their entire holding through the buy-back may also consider withdrawing from the Bank's dividend reinvestment plan

Off-market share buy-back

Tax implications for successful participants

- Shareholders' cost base is relevant in determining any capital gain or loss
 - Resident individuals and superfunds will generally be deemed to have sold their shares for \$11.00 subject to the ATO's view on "market value"
- Draft Taxation Determination TD2004/D1 provides the ATO's view on the appropriate methodology to calculate market value ("Tax Value")

$$\text{\$29.16} \times \frac{\text{Closing level of S\&P/ASX200 Index on 26/3/04}}{3,286.3^*} = \text{Tax Value}$$

- If the buy-back price is below this Tax Value, the difference will be added to the \$11.00 capital component for tax purposes only
- The Bank does not intend to set the buy-back price at a price in excess of the Tax Value hence the fully franked dividend component will not be impacted
- Details of the calculation method will be provided in the buy-back booklet but shareholders should seek their own advice

* 3,286.3 was the closing of the S&P / ASX 200 Index on 10 February 2004.



Off-market share buy-back

Tax consequences for resident individuals holding shares on capital account

- Example based on an illustrative Buy-Back Price of \$28.25 and Tax Value of \$29.16

Per share analysis	\$6,001–\$21,600 18.5%	\$21,601–\$52,000 31.5%	\$52,001–\$62,500 43.5%	\$62,500+ 48.5%
Income tax consequences				
Assumed fully franked dividend	\$17.25	\$17.25	\$17.25	\$17.25
Add: gross up for franking credits	\$7.39	\$7.39	\$7.39	\$7.39
Assessable income	\$24.64	\$24.64	\$24.64	\$24.64
Tax on that assessable income	(\$4.56)	(\$7.76)	(\$10.72)	(\$11.95)
After tax proceeds plus franking credits	\$20.08	\$16.88	\$13.92	\$12.69
Capital gains tax consequences				
Capital component of the Buy-Back Price	\$11.00	\$11.00	\$11.00	\$11.00
Adjustment for excess of Tax Value	\$0.91	\$0.91	\$0.91	\$0.91
Assumed cost base	\$10.00	\$10.00	\$10.00	\$10.00
Nominal capital gain / (loss) on disposal	\$1.91	\$1.91	\$1.91	\$1.91
Discount capital gain / (loss) on disposal	\$0.96	\$0.96	\$0.96	\$0.96
Tax impact of loss / (capital gain)	(\$0.18)	(\$0.30)	(\$0.42)	(\$0.46)
After tax proceeds	\$10.82	\$10.70	\$10.58	\$10.54
Total after tax proceeds	\$30.91	\$27.58	\$24.51	\$23.23

Off-market share buy-back

Key dates

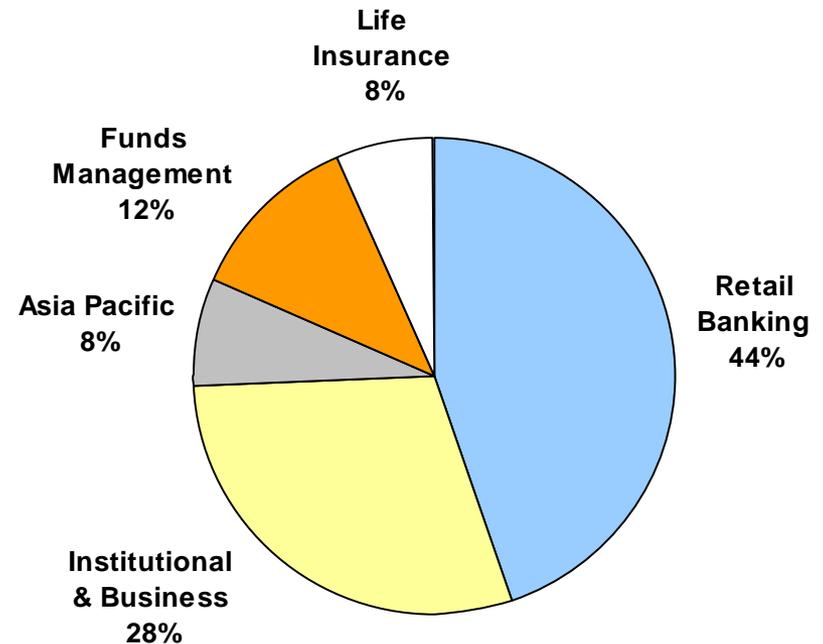
- Tenders must be received by the Bank's share registry no later than 7pm Sydney time on Friday, 26 March 2004

Ex-date for buy-back entitlement	Monday, 16 February
Record date for buy-back	Friday, 20 February
Dispatch of buy-back booklet to shareholders	by Friday, 5 March
Tender period opens	Monday, 8 March
Tender period closes	Friday, 26 March
Announcement of buy-back price	Monday, 29 March
Dispatch / crediting of buy-back proceeds	by Monday, 5 April

Total income segmentation

at 31 December 2003

	\$M	%
Retail Banking	2,243	44%
Institutional & Business	1,432	28%
Asia Pacific	371	7%
Total Banking Income	4,046	79%
Funds Management ⁽¹⁾ ⁽²⁾	596	12%
Life Insurance ⁽¹⁾	449	9%
Total Income	5,091	100%



(1) Excludes policyholder tax

(2) Excludes internal funds management income

