Westpac
Australia's First Bank

Westpac Full Year Results 2002

David Morgan — Chief Executive Officer
David Clarke — Group Executive Wealth Management
Philip Chronican — Chief Financial Officer

31 October 2002

A transformational year

- Earnings momentum maintained
- Business repositioned for growth
- Quality of earnings improved

A record result

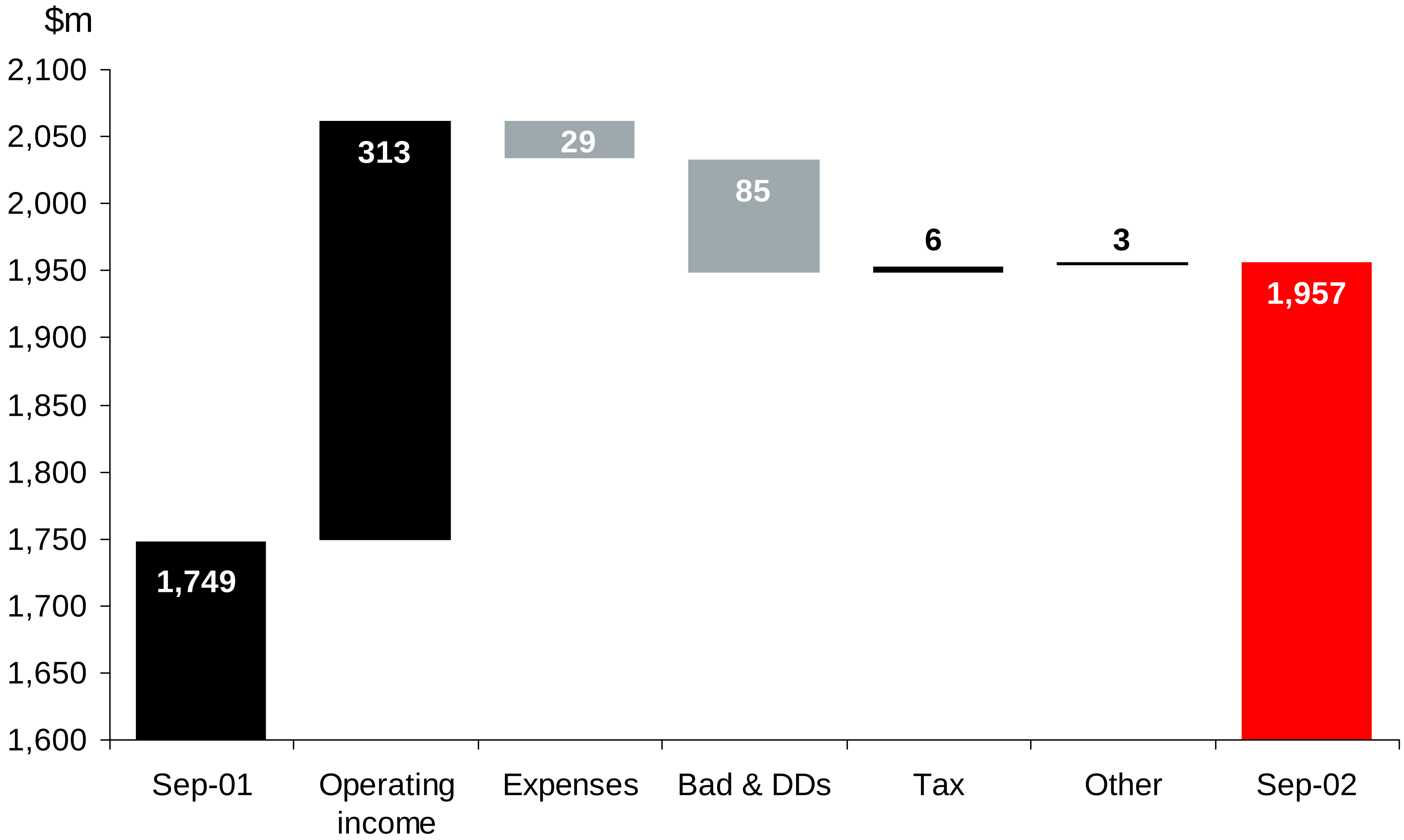
- Record reported earnings of $2,192m – up 15%
- Underlying cash earnings (before significant items) – up 9%
- Ongoing cash earnings - up 12%
- Dividends up 13%
- Return on equity maintained above 20%

Reconciliation of ongoing earnings

	2002	2001	% Change
Reported NPAT	**2,192**	**1,903**	**15%**
Less individually significant items[1]	(181)	(49)	Large
Underlying NPAT	**2,011**	**1,854**	**8%**
Add goodwill	100	98	2%
Less distributions on other equity instruments	(48)	(51)	6%
Underlying cash earnings	**2,063**	**1,901**	**9%**
Less AGC NPAT	(106)	(152)	(30%)
Ongoing cash earnings	**1,957**	**1,749**	**12%**

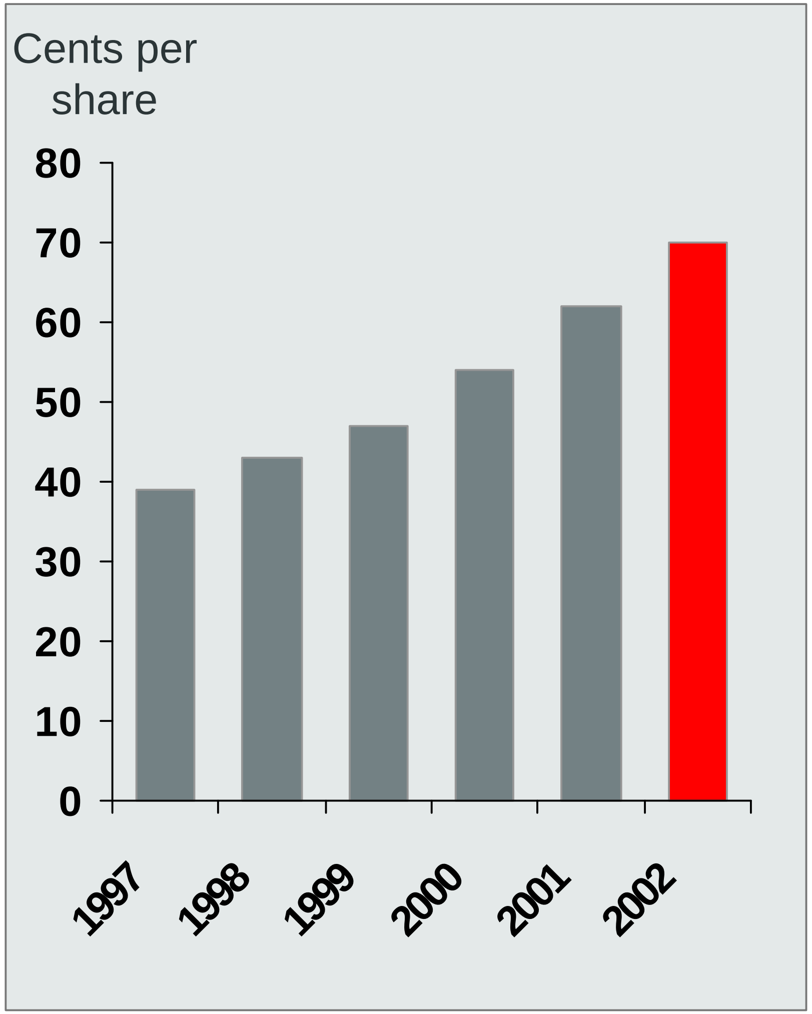
1. Individually significant items in 2001 includes embedded value uplift

Ongoing cash earnings up 12%



Dividends

- Dividends up 13%
- 5 year CAGR 12% p.a.
- Fully franked dividend yield 5.1%
- $400m returned to shareholders via buy-back



Rebalanced business mix enhancing growth

Corporate activity	Core strategic rationale
AGC divestment	Low growth/higher risk business
Rothschild acquisition	Rated funds & distribution
Hastings acquisition	Infrastructure expertise
BT Financial Group acquisition	Product & platform capability, funds scale

- Near term strategic agenda complete
- Rebalancing achieved with ROE remaining above 20%

Improved risk profile and reduced volatility

- Sold AGC – higher risk finance company
- Diversified income streams
- Quarantined high yield debt portfolio
- Brought significant items to account
  - Removed embedded value
  - Better alignment of capitalised expenditure
  - Re-valued superannuation asset
- Improved asset quality

Recognition of individually significant items

- Right time and opportunity
  - Major repositioning
  - Ongoing earnings
  - Greater transparency – "*more relevant & reliable*"
  - Adoption of International Accounting Standards by 2005
- Key actions
  - Removed embedded value
  - Recognised goodwill on acquisitions
  - Adopted IAS on superannuation
  - Reduced capitalised expenditure
  - Revalued investment portfolio
  - Plan to expense equity based compensation

Improve quality and sustainability of future earnings

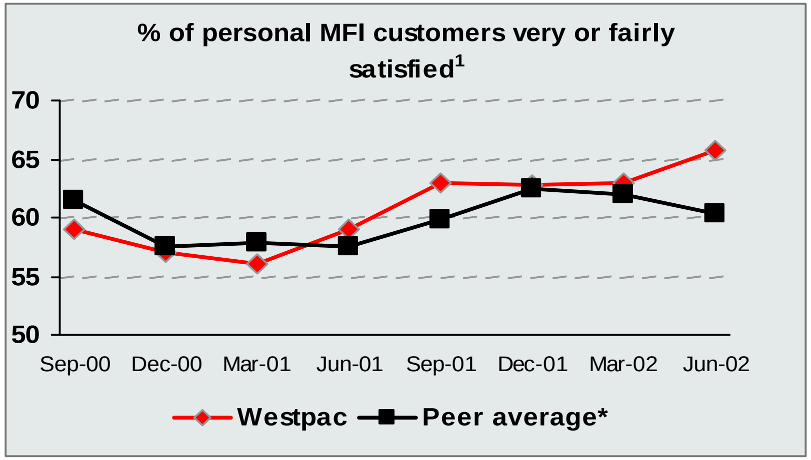
Enhanced sustainability - staff

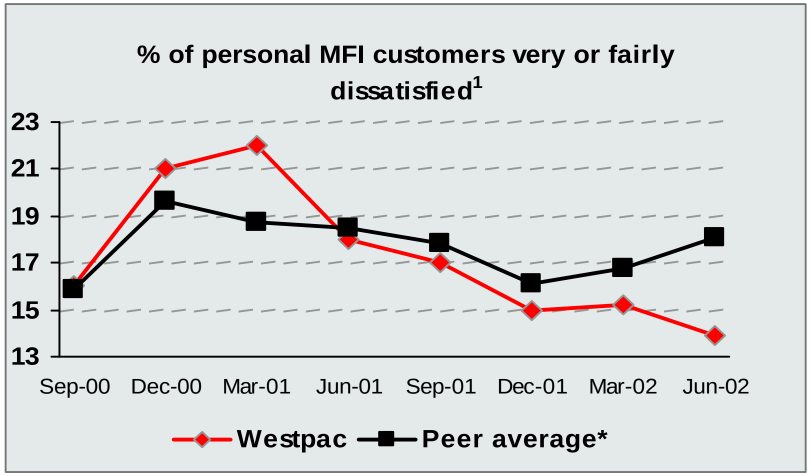
Staff perspectives survey 2002

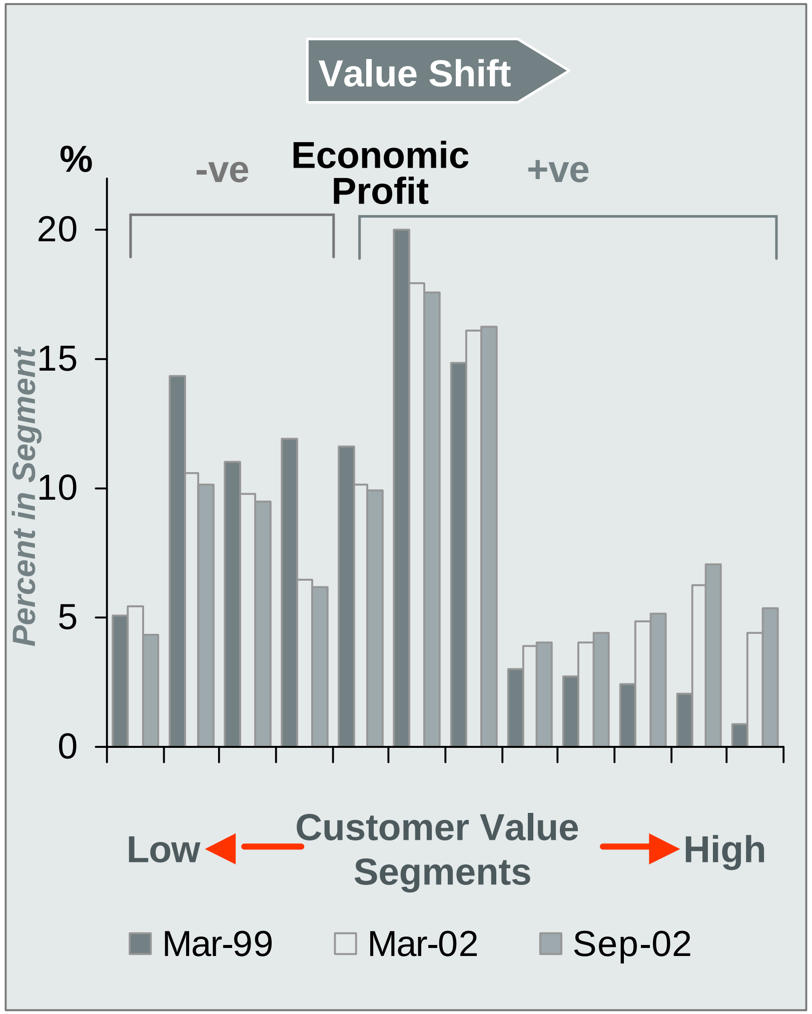
2002 vs 2001
Centre Line: Westpac Overall 2001
(N=22,137)

Global Financial Services Norm
Centre Line: Global Financial Services Norm
(N=150,000)

Enhanced sustainability - customers







*average of other major banks

[1] Source Roy Morgan Research June 2002

Enhanced sustainability - governance & reputation

- Number 1 SMH/Age Good Reputation Index 2002
- Number 1 bank globally in Dow Jones Sustainability Index 2002/03
- First social impact report produced

Executive compensation

- Retained and reshaped long term incentives
  - All long term incentives hurdled and eligibility reduced
  - Hurdles tightened (no vesting at <50th percentile)
  - Moving from 100% options to - 50% performance options, 50% performance share rights
- Cost of equity based compensation in 2002 $48m (pre tax)
- Will expense options when Australian accounting standard in place (expensed in US GAAP in 2002)

Westpac
Australia's First Bank

The Details

Philip Chronican Chief Financial Officer

31 October 2002

Earnings terminology

Reported	-	includes everything
Underlying	-	removes individually significant items
Ongoing	-	removes individually significant items and AGC

Focus on underlying given:

- Significant items are truly non-recurring
- Provides a more appropriate starting point for 2003
- Base on which dividends are determined

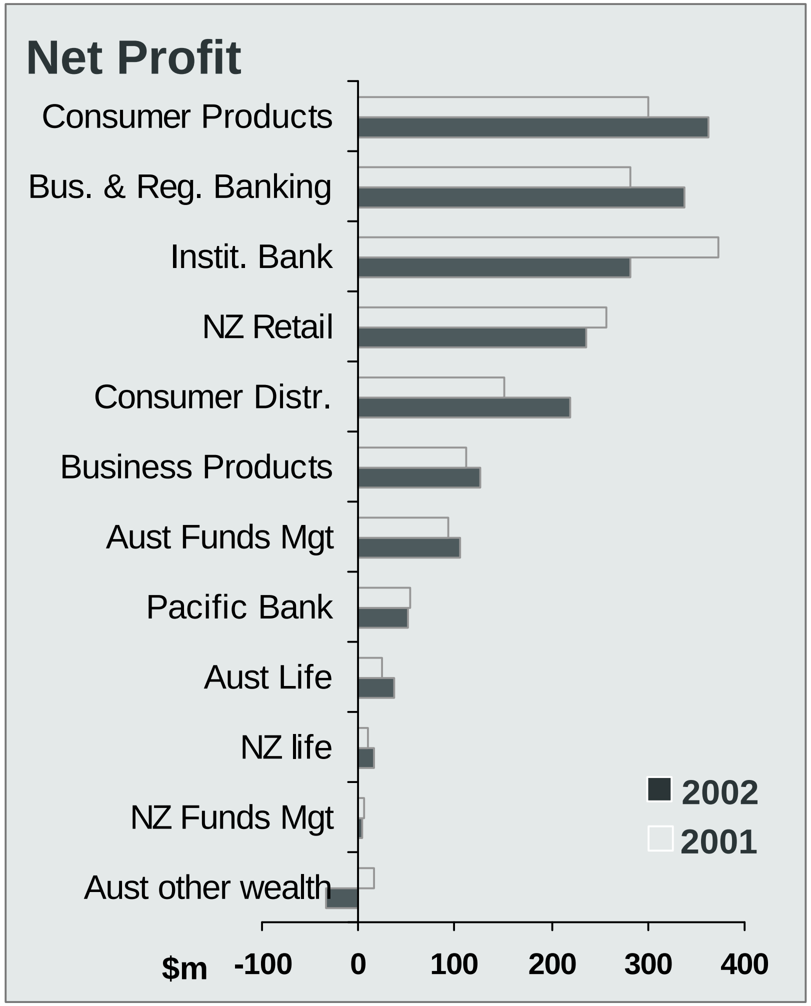
Underlying cash earnings

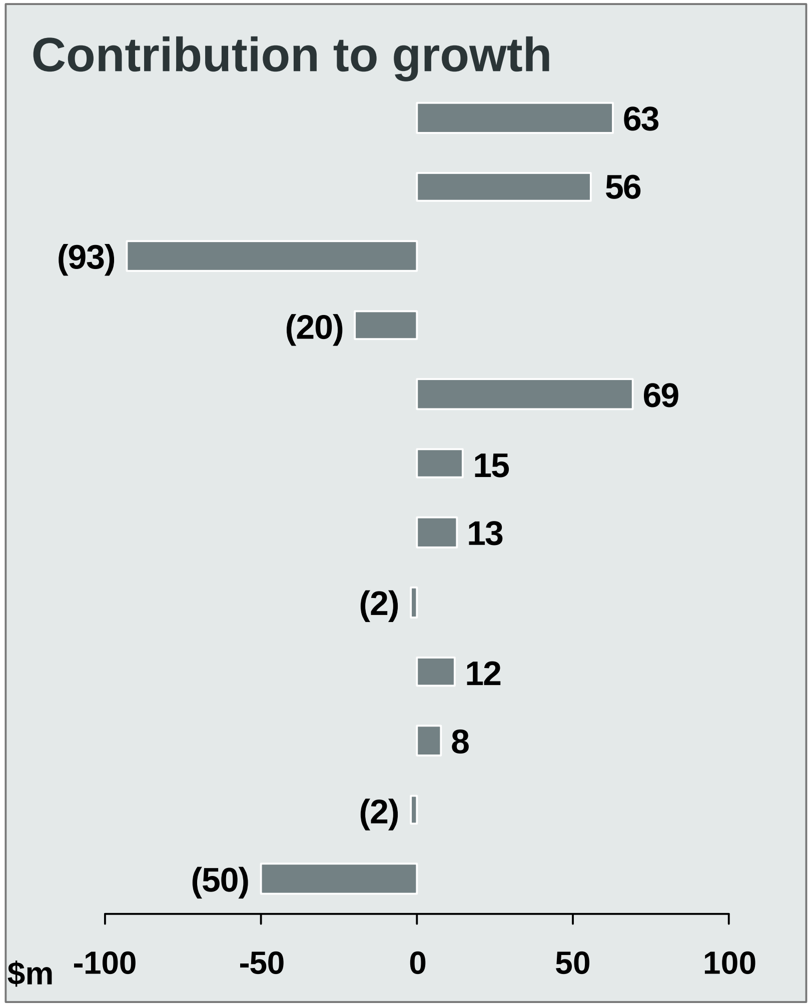
$ million	2002	2001	% Change
Net interest Income	4,285	4,200	2%
Non interest income	2,518	2,474	2%
Operating expenses	(3,452)	(3,472)	1%
Underlying profit	3,351	3,202	5%
Goodwill	(100)	(98)	(2%)
Bad debts	(461)	(433)	(6%)
Net profit before tax	2,790	2,671	4%
Tax	(774)	(812)	5%
Outside equity interests	(5)	(5)	-
Net profit after tax	2,011	1,854	8%
Goodwill	100	98	2%
Preference dividends	(48)	(51)	6%
Cash earnings	2,063	1,901	9%

Ongoing cash earnings

$ million	2002	2001	% Change
Net interest Income	3,969	3,710	7%
Non interest income	2,469	2,415	2%
Operating expenses	(3,358)	(3,329)	(1%)
Underlying profit	3,038	2,796	9%
Goodwill	(100)	(98)	(2%)
Bad debts	(360)	(275)	(31%)
Net profit before tax	2,620	2,423	8%
Tax	(710)	(716)	1%
Outside equity interests	(5)	(5)	-
Net profit after tax	1,905	1,702	12%
Goodwill	100	98	2%
Preference dividends	(48)	(51)	6%
Cash earnings	1,957	1,749	12%

Business unit performance





* Ongoing businesses (excludes group items)

Analysis of margin dynamics

	2001	H1 2002	H2 2002	2002	2003*
Reported margin	3.11	2.90	2.70	2.80	
Impact of bill acceptance funding	-	0.15	0.20	0.18	0.20
Impact of AGC sale	-	-	0.09	0.05	0.16
Normalised margin	3.11	3.05	2.99	3.03	

* Full year impact of 2002 items

Impact of bill acceptances

	2002			2001
	Net Interest Income $m	Average Balance $m	Margin	Margin
Australia (excl bills)	3,270	109,428	2.99	3.08
Bill acceptances	-	9,338	-	-
Australia reported	3,270	118,766	2.75	3.08
New Zealand	861	26,372	3.26	3.28
Other overseas	154	23,825	0.65	1.03
Group	**4,285**	**153,124**	**2.80**	**3.11**

Note: Bill acceptances equal average increase in interest bearing assets
Includes 5 bps due to sale of AGC

Underlying operating income

		2H 2002	1H 2002	2002	2001
Banking		2,461	2,484	4,945	4,614
Wealth	- Aus	159	166	325	332
	- NZ	8	8	16	17
	- Total	**167**	**174**	**341**	**349**
Financial markets		173	237	410	509
WIB – other		273	260	533	524
Corporate centre		122	87	209	129
Ongoing operating income		**3,196**	**3,242**	**6,438**	**6,125**
AGC		85	280	365	549
Underlying operating income		**3,281**	**3,522**	**6,803**	**6,674**
Significant items		460	-	460	63*
Total reported operating inc		**3,741**	**3,522**	**7,263**	**6,737**

* EV Uplift

Wealth management business

NPAT $ million	2002	2001	% Change
Funds management (Australia)	105	92	14%
Funds management (New Zealand)	3	5	(40%)
Total funds management	**108**	**97**	**11%**
Life insurance and risk (Australia)	36	24	50%
Life insurance and risk (New Zealand)	17	9	89%
Total life insurance	**53**	**33**	**61%**
Other – business as usual (Australia)	(23)	(12)	91%
Total before one-off items	**138**	**118**	**17%**
Other – one-off items (Australia)	(11)[1]	28[2]	Large
Total wealth management	**127**	**146**	**(13%)**

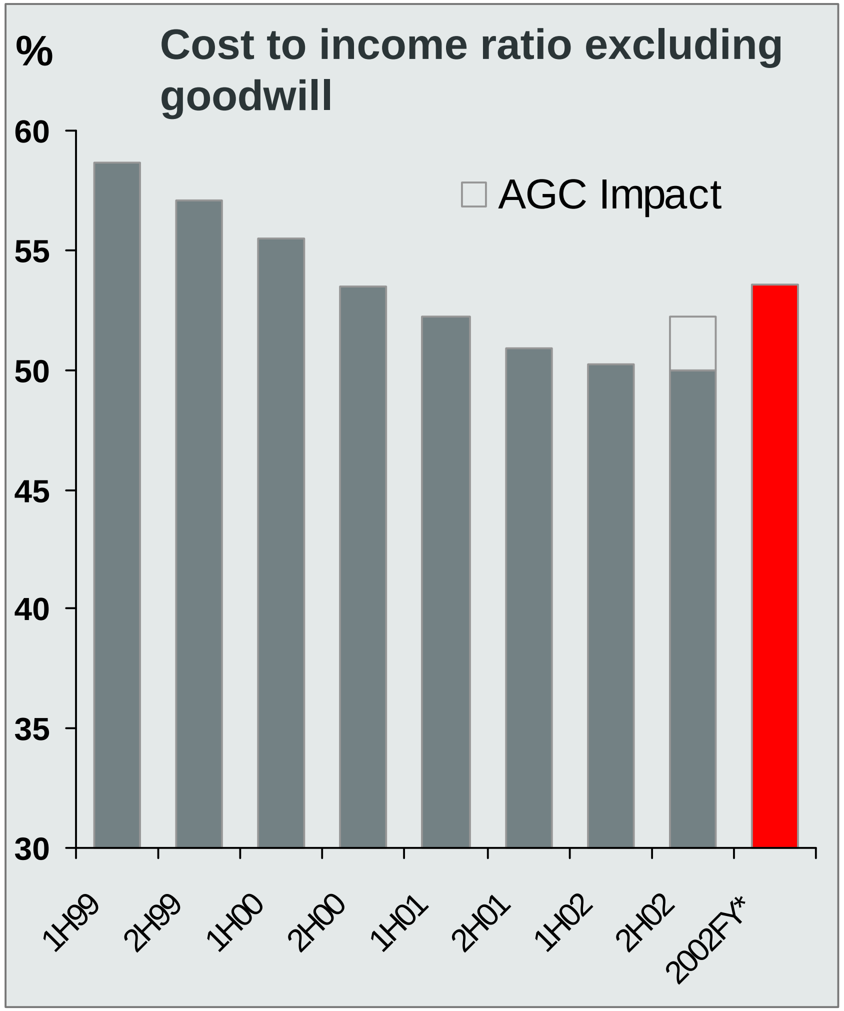
[1] 2002 write-down of Hartleys ($16m) and sale of properties Investa $5m
[2] 2001 sale property trust $28m

Expense growth better than target range

$ million	2002	2001	% Change
Salaries & other staff expenses	1,608	1,744	(8%)
Equipment & occupancy	589	648	(9%)
Other expenses	1,255	1,080	16%
Operating expenses (excl goodwill)	**3,452**	**3,472**	**(1%)**
Significant items	443	-	Large
Goodwill	100	98	2%
Total operating expenses	**3,995**	**3,570**	**12%**

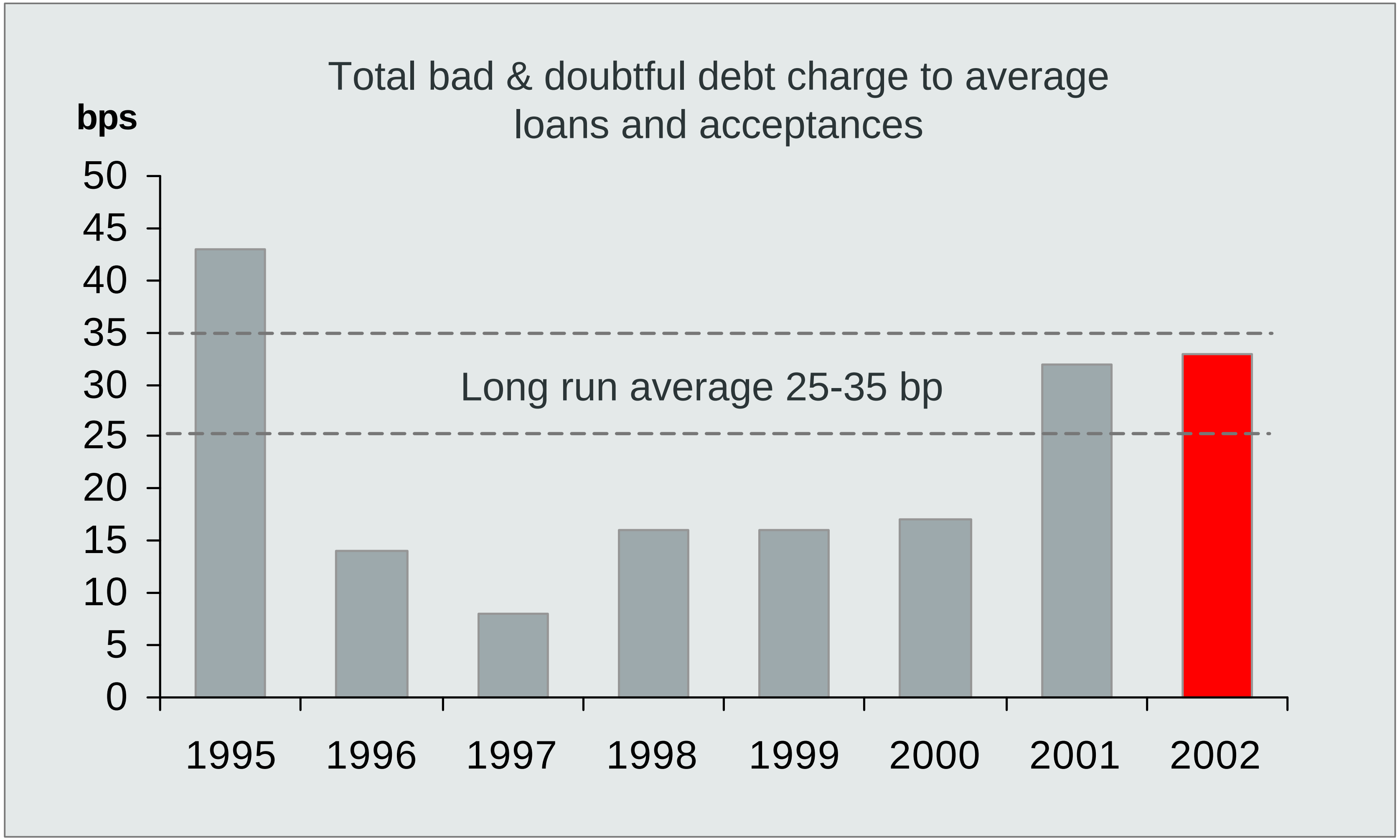
Cost to income

- Higher ratio following sale of AGC
- AGC operations sold had low cost to income ratio
- New base equals 53.6%



2002 FY*– represents the full year ratio adjusted for BT, RAAM and Hastings acquisitions

Bad debts



Total bad & doubtful debt charge to average loans and acceptances
bps
50
45
40
35
30
25
20
15
10
5
0
Long run average 25-35 bp
1995
1996
1997
1998
1999
2000
2001
2002

Tax breakdown

$ million	2002	2001	% Change
Tax expense as reported	610	826	26%
Tax expense as a % NPBT	21.7%	30.2%	
Adjustments			
Policy holder tax recoveries	47	41	
Offshore provision not tax effected	(36)	-	
Profit on sale of AGC	226	-	
Normalised Tax expense	847	867	(2%)
Normalised tax expense as a % of reported NPBT	30.2%	31.7%	(5%)

Summary of significant items

- Acquisition and divestment
  - AGC sale
  - Integration expenses (RAAM/BT)
- More conservative treatments
  - Embedded value and goodwill
  - Superannuation prepayment
- Outsourcing transition expense
- Improving risk management
  - High yield investment securities

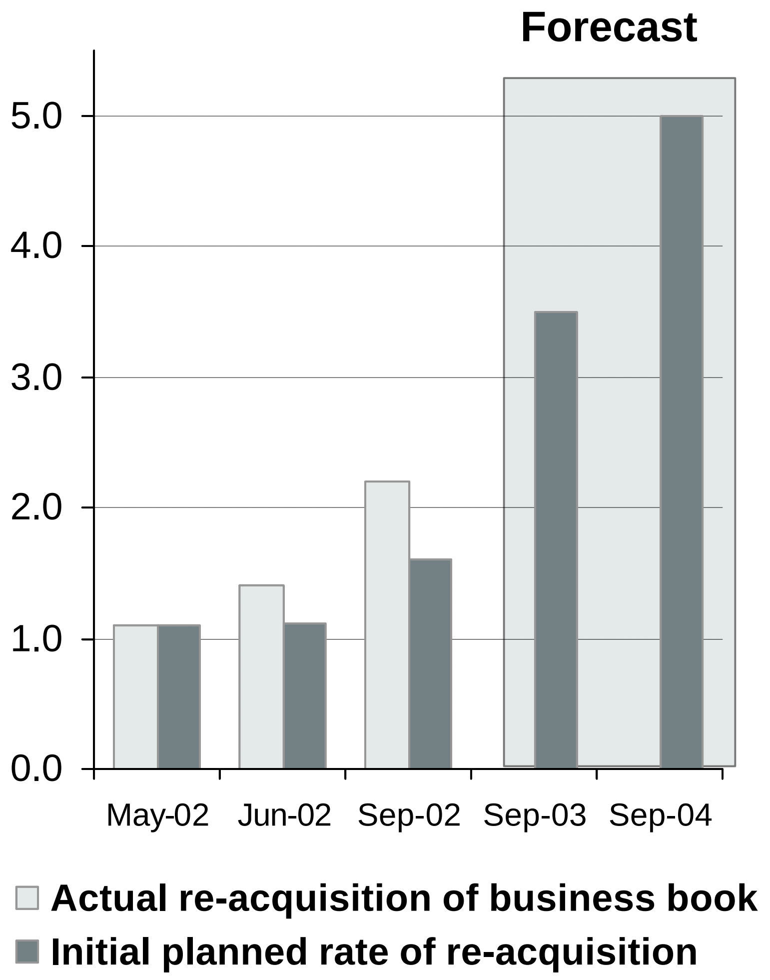
AGC sale

	$m
Gross consideration	2,594
Carrying value of asset	1,737
Transaction related provisions and transition costs	106
Net gain on sale before tax	751
Tax	(3)
Net gain on sale after tax	754
Risk assets freed up	4,900
Capital released (@5.8% TOE)	284
Total capital released	1,038

Re-acquisition of business portfolio

- Between Jan 02 and May 02 Westpac re-acquired $1.1bn of AGC business receivables
- Sold $4.1bn to AGC May 02
- $2.2bn re-acquired by end Sept 02
- No capital implications due to business finance indemnity

Based on the current run-rate we expect over $4.0bn of the book will be re-acquired by Sept 03, ahead of our planned schedule



Wealth management integration expenses

Accounting rules require three approaches:

	Before Tax $m	
	RAAM	BT
Expenses incurred in acquiring entity – charge when known	19	67
Expense incurred in target entity – fair value adjustment (increase in goodwill)	9	70
Uncertain future expenses – expense as incurred	2	5
Total	30	142

Wealth management accounting

- Chose accrual accounting for wealth management business
- Consequences
  - Eliminates embedded value in Westpac Financial Services Group (WFSG)
  - Recreates deferred acquisition costs
  - Moves RAAM from Life Company to WFSG at 30 September
  - Creates goodwill asset of $330 m
  - BT to be acquired this evening
  - Goodwill estimate

Goodwill estimate	From purchase price	$772
	Transaction Costs	$30
	Integration Expenses	$49
		$851

Outsourcing transition expenses

- Reviewed all categories of deferred expenditure and decided to change the policy to write-down outsourcing transition expenses relating to:

	$m
- IBMGSA/Telstra	74
- EDS	54
- Other	8
	136

- Previously deferred expenses would otherwise have been charged off as follows:

- 2003	37
- 2004	37
- 2005	24

- Decision improves clarity of contract costs in future operating expenses

Other deferred expenditure

Other Categories of Deferred Expenditure are:

Nature $m	Balance at 30.09.2002	Policy
Software	232	Software development costs capitalised and amortised over three years, but no greater than five. In line with likely IAS standard.
Deferred Acquisition Costs[1]	86	Matched with underlying products in wealth business
Other deferred expenditure	162	Includes debt issue costs, mortgage broker costs etc.

[1] Relates to Funds Management, excludes life business

Superannuation prepayment

- Superannuation Fund surplus brought to account in 1991 and treated as a prepayment of superannuation expense
- Accounting policy adopted (in 1995) based on UK Standard (SSAP 24) which reduced volatility in this item
- Next year, SSAP 24 is replaced by FRS 17 which would recreate the year to year volatility experienced in 1992-94
- More sensible to adopt the International Accounting Standard (IAS 19) given Australia's impending adoption of IAS in 2005
- Action is being taken one year earlier than required to control the impact

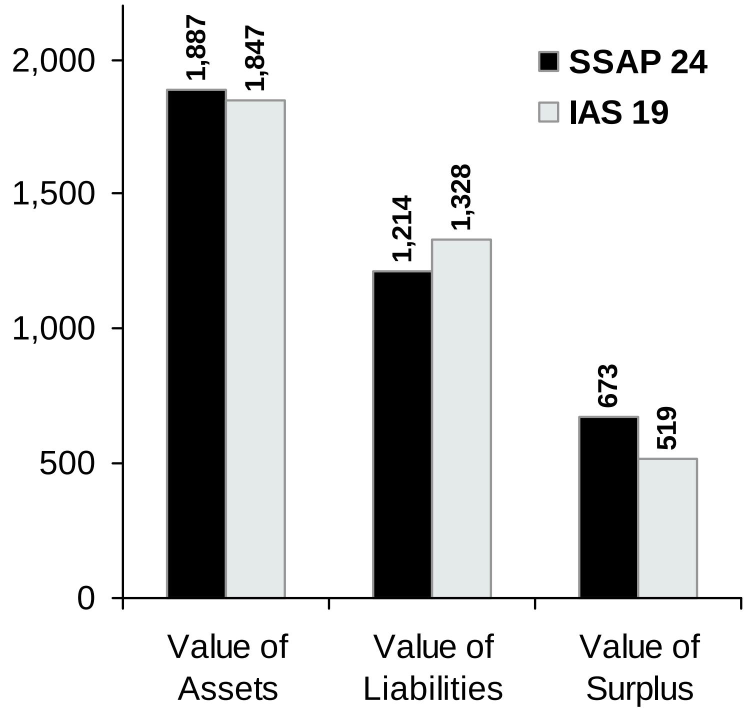
Superannuation prepayment

	SSAP 24	IAS 19
Value of assets	Actuarially assessed on a three year cycle	Market Value assessed each year
Value of liabilities	Actuarially assessed using discount rate equivalent to projected funds earnings	Actuarially assessed using long-term bond rate (lower rate)
Changes in value recognised	Variations amortised over average life of membership	Variations within 10 percent corridor amortised over life of membership

Superannuation prepayment

- Surplus utilised to meet payments to both defined benefit and defined contribution sections of the fund
- Access closed to defined benefit plans in:
  - Australia 1999
  - New Zealand Late 1990's
  - UK Late 1990's
- Current membership
  - Defined benefit 11,434
  - Defined contribution 11,995

WSSP Value at 1 October 2001



Superannuation prepayment

Superannuation expense is the amortisation of the surplus through time

$m	2001	2002	2003*
Super expense	20	75	92

* Estimate only

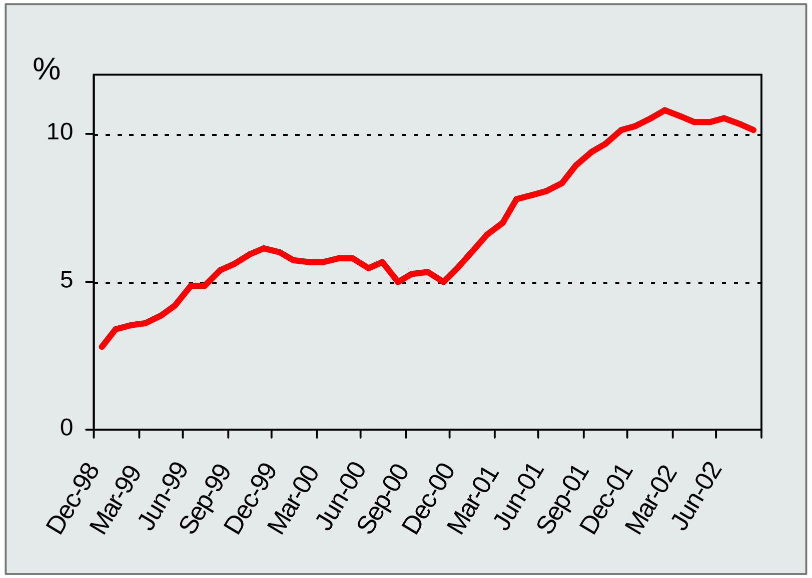
Investment securities

History

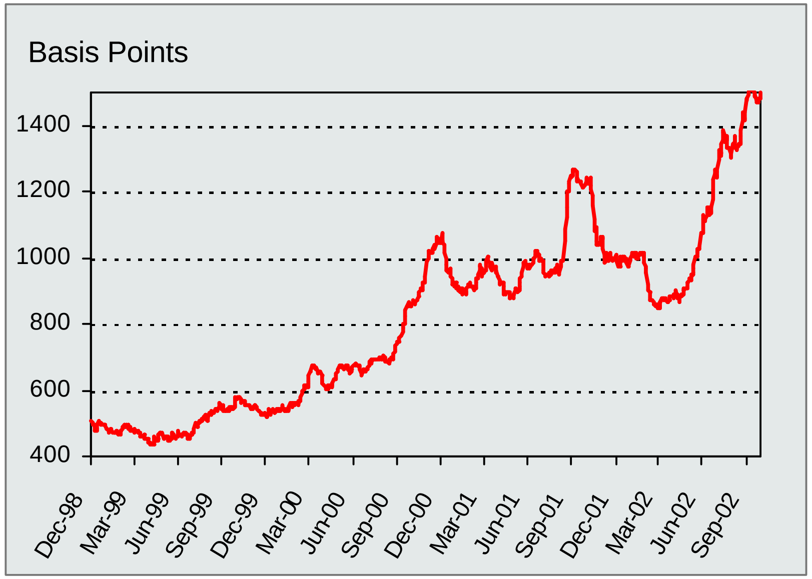
- Portfolio acquired in 1997 to 1998
- Proposition was that a widely diversified portfolio of BBB and BB rated securities would perform in a predictable manner and generate reliable income to consume US and UK tax losses
- Rise in credit spreads and default rates in 1998 led to decision in 1999 to freeze portfolio at $US 800m and commence run down

Investment securities

Moody's sub investment grade default rates



S&P sub investment grade credit spread index



- Yield adjustments not previously realised given "hold to maturity" intention.
- Move to fair value reflects changed intention to actively manage exposure
- $149 m charge is a yield adjustment (reflecting credit spreads) not an expected credit loss
- Remaining portfolio fair value US$146 m (Face Value US$255 m)

Investment securities

- We also hold an investment grade securities portfolio

	$m
Face value	1,224
Dynamic provisioning	
Market value	1,122
Shortfall	(102)

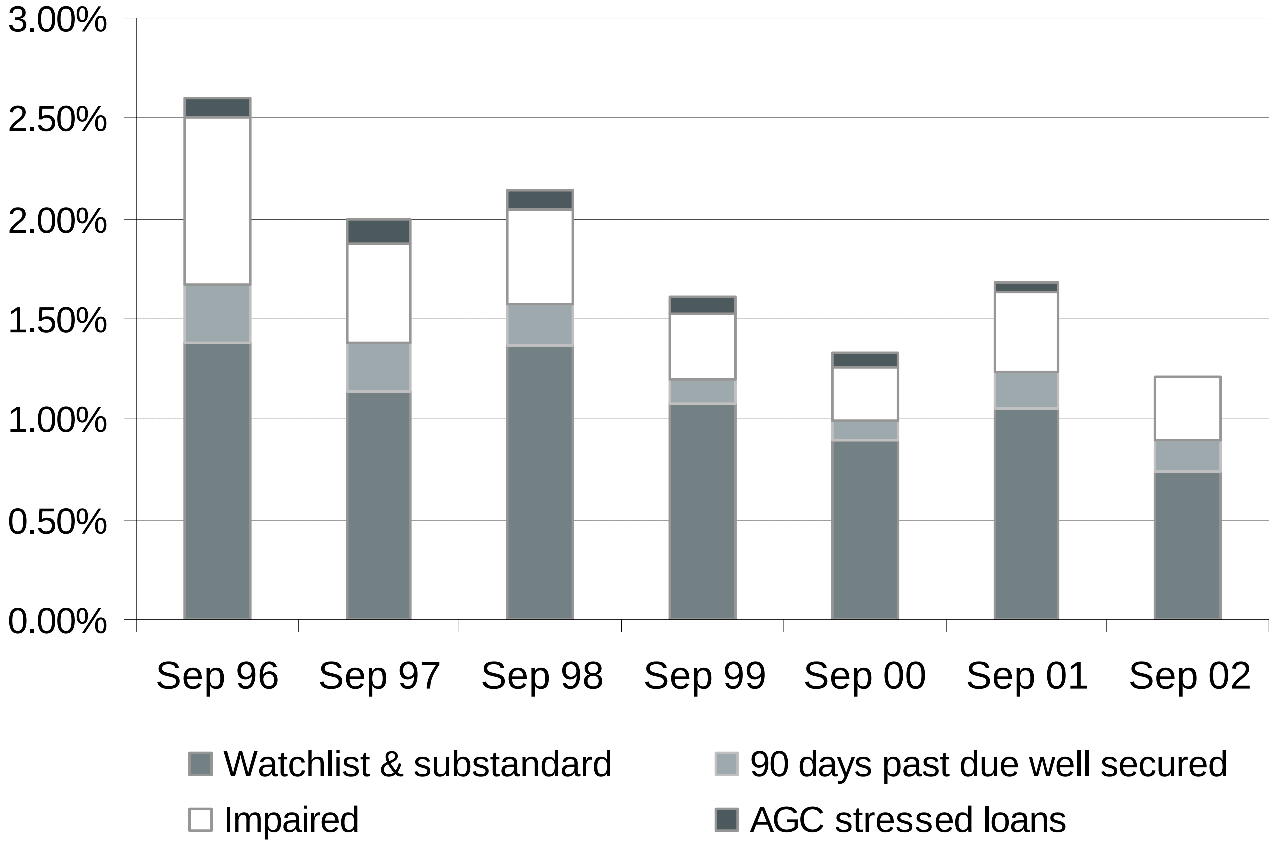
- Continue to intend holding to maturity

Credit environment

- Impaired assets down $223m on September 2001
  - $95m from 2 large write-offs
  - $51m from sale of AGC
- Signs that the corporate downgrades and defaults are easing
- Business Banking credit quality remains strong
- Westpac maintains leading coverage ratios and asset quality

Stressed loans remain near historic lows

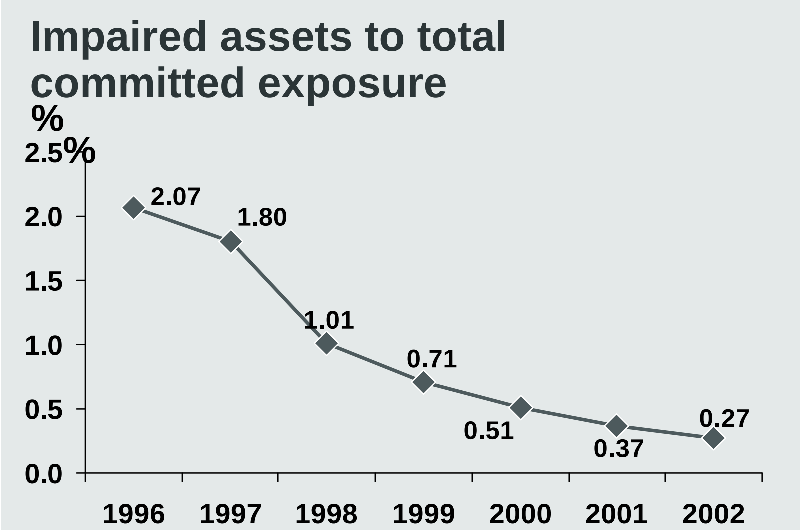
Exposure by credit grade - stressed loans*
% of total commitments

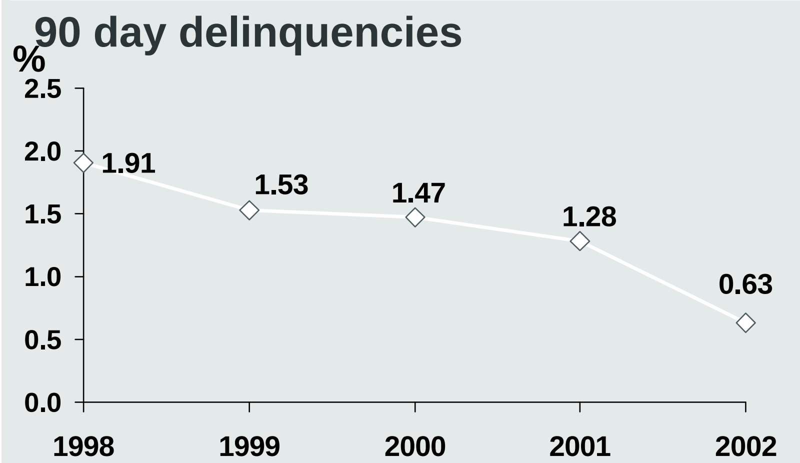


* Includes retail stressed loans

Business banking* portfolio quality

- Total portfolio exposure $33bn*
- Impaired assets ratio at historical low
- Delinquencies relatively stable
- No signs of any systemic credit problems

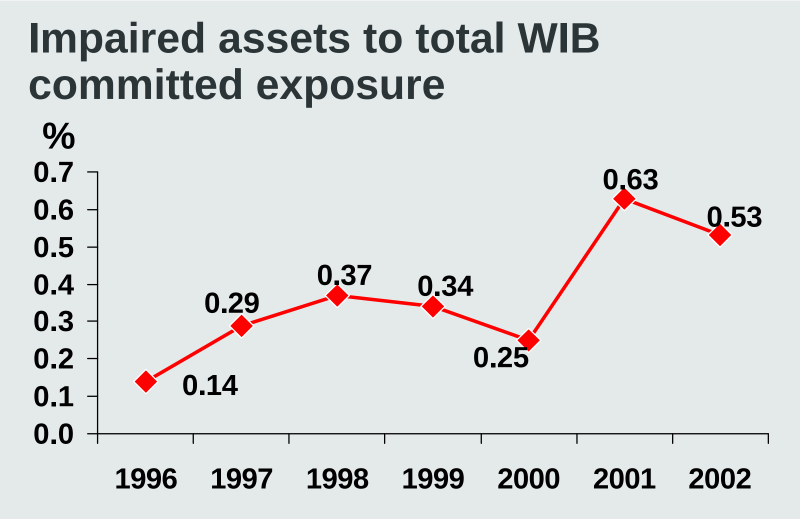


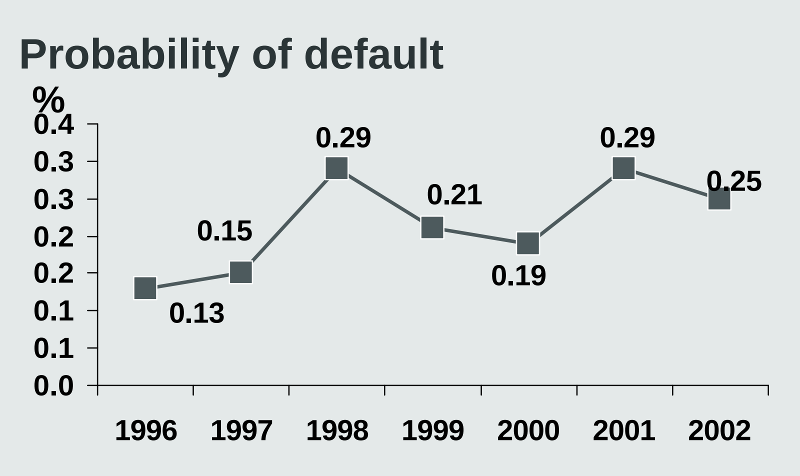


* Australian Business Banking portfolio

Institutional banking portfolio quality

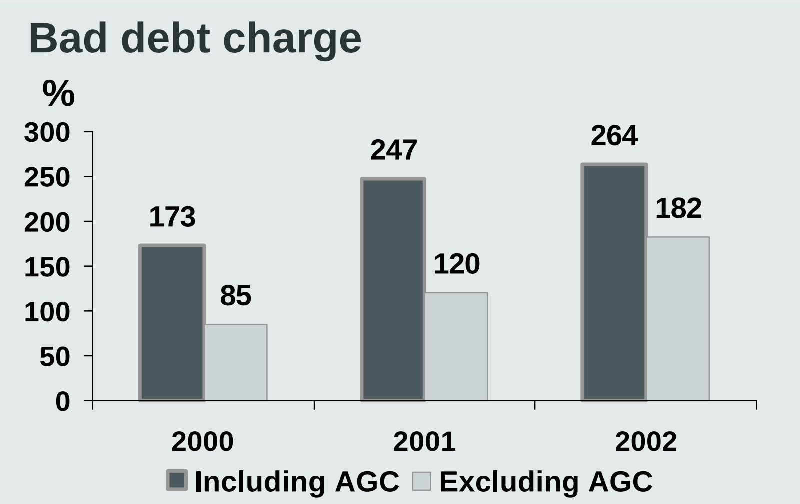
- Increase in impaired assets in since 2000 due to small number of high profile cases
- Decline in impaired assets in 2002 related to write-down in two major impaired assets

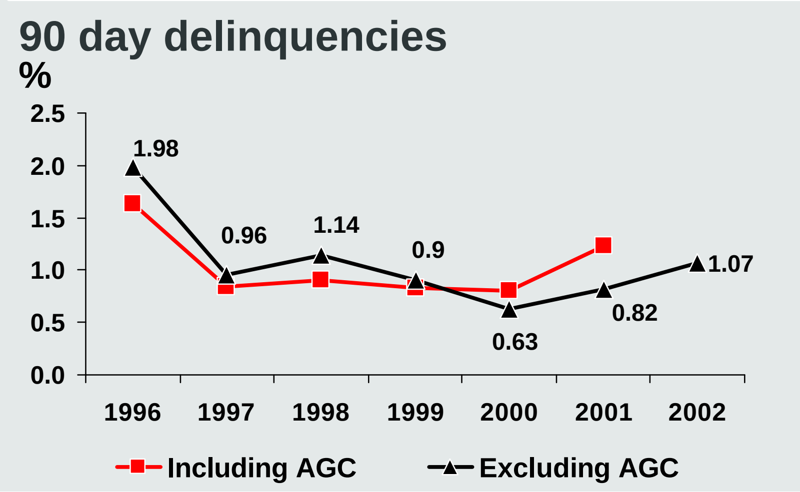




Consumer unsecured portfolio

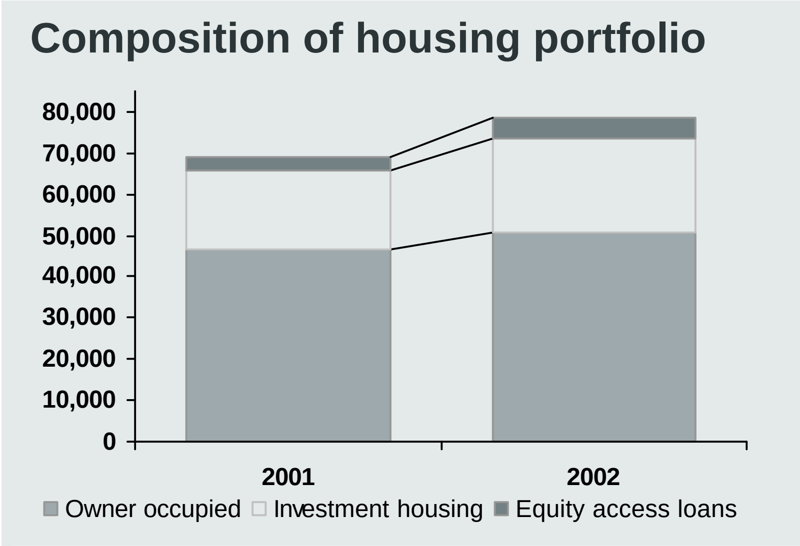
- Strong growth in portfolio led to increase in bad debts
- Planned pick-up in delinquencies

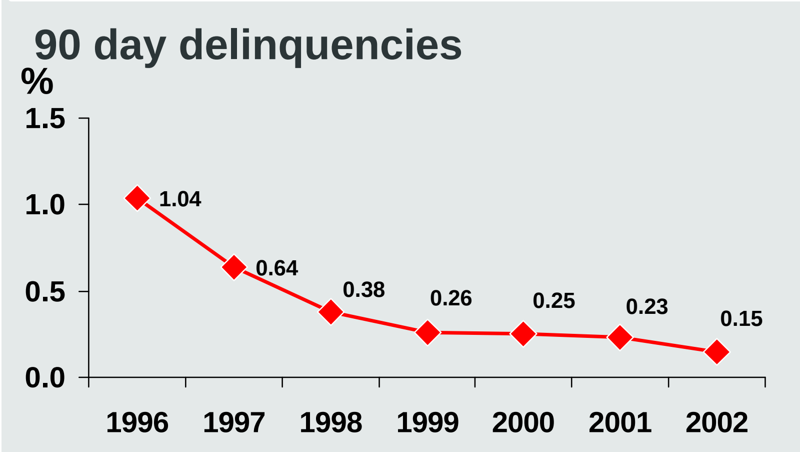




Mortgage portfolio quality

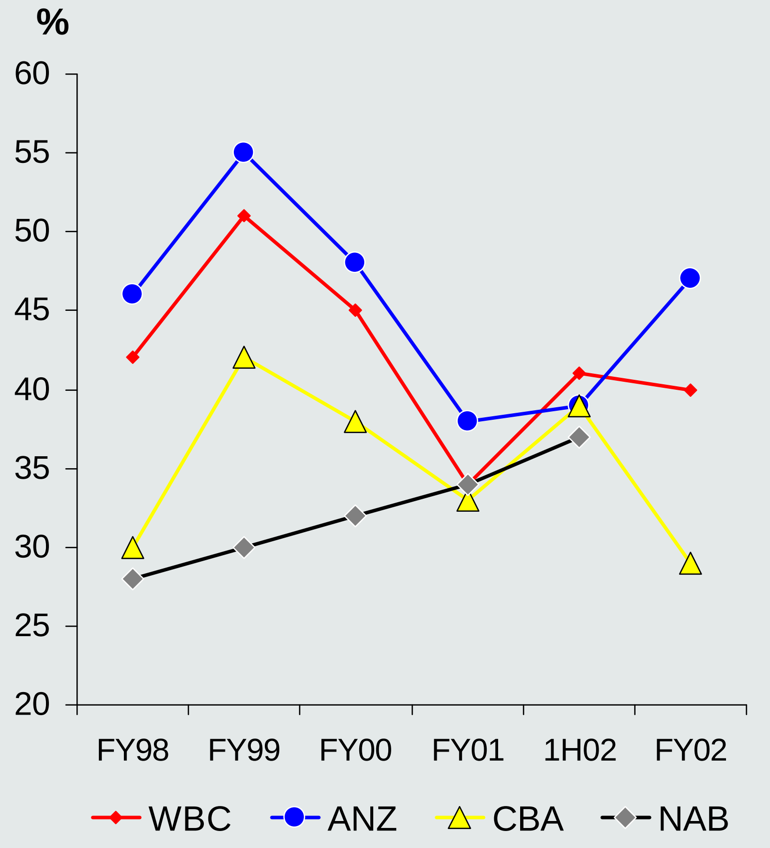
- Quality of the portfolio continues to improve
- Investment property performance tracks owner occupied portfolio
- Under stressed conditions, maximum loss on portfolio less than $70m



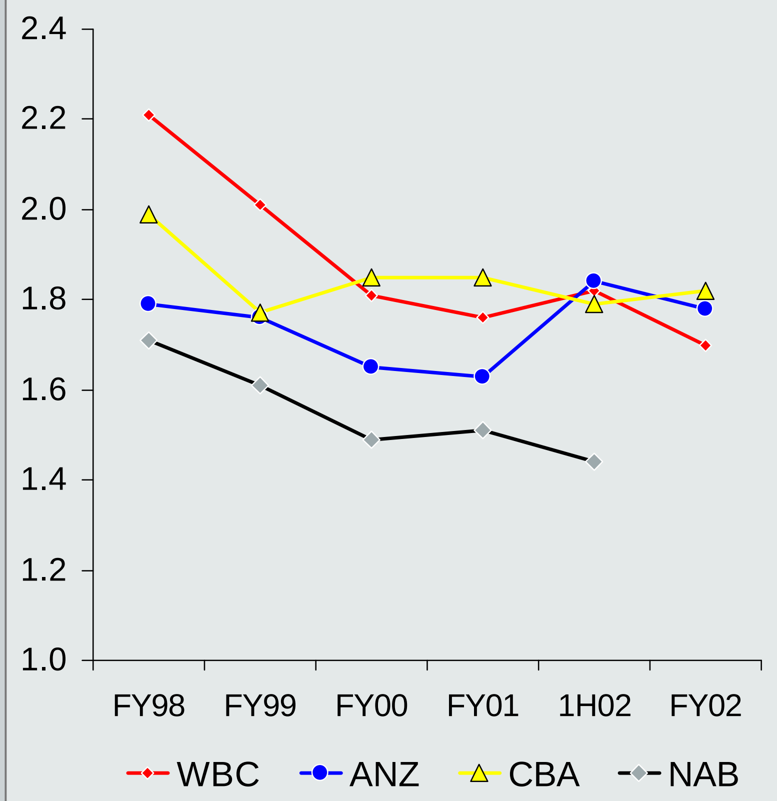


Provisioning cover

Specific Provisions / Impaired Assets (%)



General provisions / non-housing performing loans (%)



Reconciliation of provisioning

Provisioning Balance Movements From 31.3.02

Reconciliation of provisioning	
Opening balance	1,657
Sold with AGC	(165)
Write-off of two major impaired assets	(95)
Sub total	**1,397**
Net new provisions	37
Closing balance	**1,434**

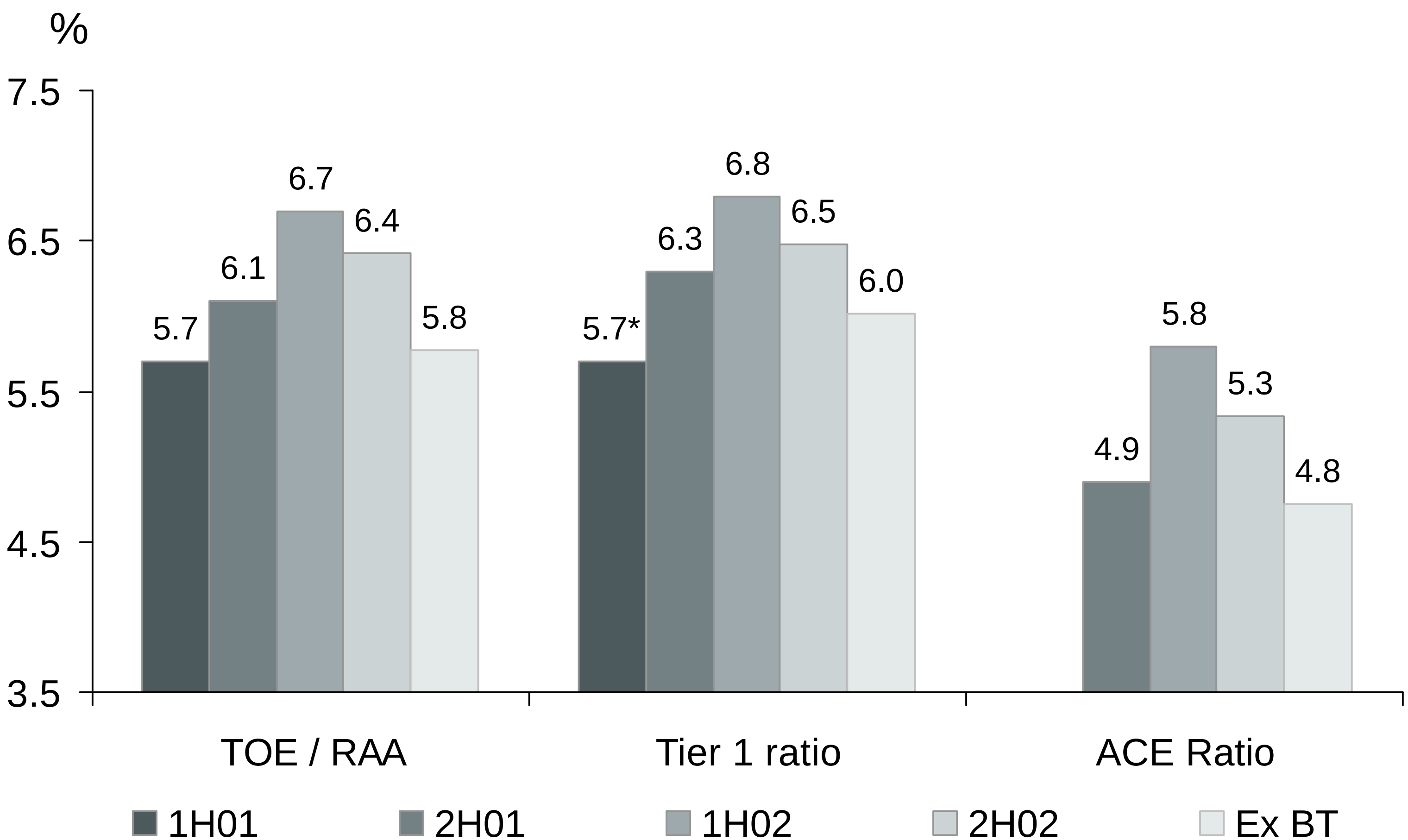
Total exposure by booking office[1]

	Australia	NZ / Pacific	Americas	Europe	Asia ex Japan	Japan	Group
AAA to AA-	32,833	6,663	1,786	803	85	160	**42,331**
A+ to A-	12,978	2,704	2,619	2,334	5	3	**20,643**
BBB+ to BBB-	19,385	4,772	1,043	2,068	26	0	**27,293**
BB+ to B+	30,542	6,080	**277**	**273**	**29**	**60**	**37,260**
<B+	1,324	518	**250**	**91**	**61**	**13**	**2,256**
Secured consumer[2]	67,835	12,352	**0**	**0**	**0**	**0**	**80,187**
Unsecured consumer[3]	6,482	937	**0**	**0**	**0**	**0**	**7,419**
	171,380	**34,025**	**5,974**	**5,570**	**206**	**236**	**217,390**

Remaining offshore sub investment grade exposures represents 0.5% of TCE.

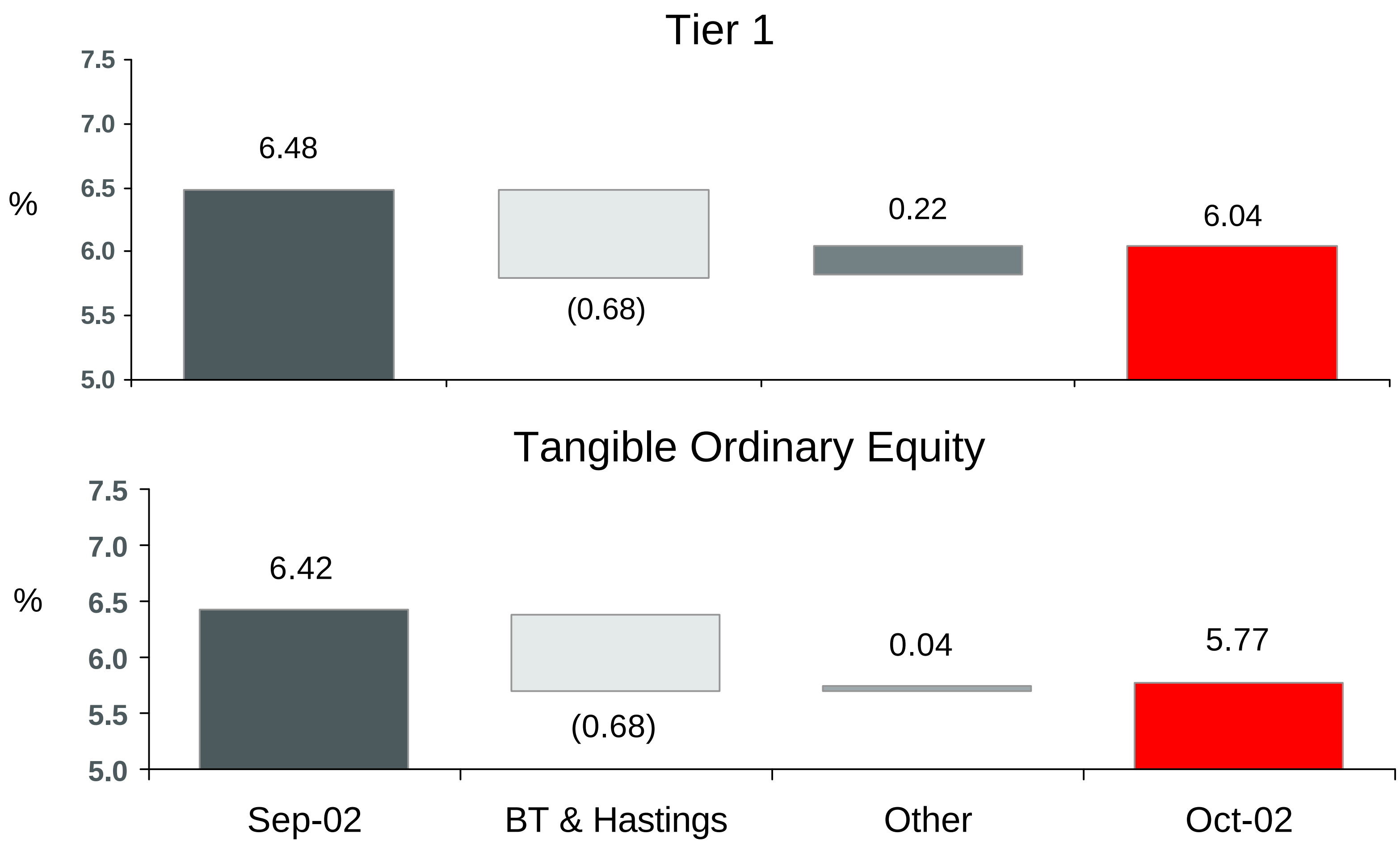
1. As at 30 September 2002
2. Includes mortgages for housing, investment property loans, equity access loans and margin lending.
3. Credit cards and personal loans.

Capital levels comfortable



* Prior to change in APRA deductions

Capital impact BT and Hastings acquisitions



Surplus capital generation

	$ million	% of avg ordinary equity	Comments
Average ordinary equity	10,269		
Cash earnings	2,063	20.1%	Strong cash returns
Dividends paid	(1,266)	12.3%	Payout ratio 61.3%
Clawback through DRP	289	2.8%	DRP participation 23%
Reinvested for growth	(597)	5.8%	To fund 8% growth in RWA
Growth in surplus capital	489	4.8%	Delivers 3-4 bp increase in Tier 1 ratio per month

Westpac
Australia's First Bank

Wealth Management

David Clarke Group Executive Wealth Management

31 October 2002

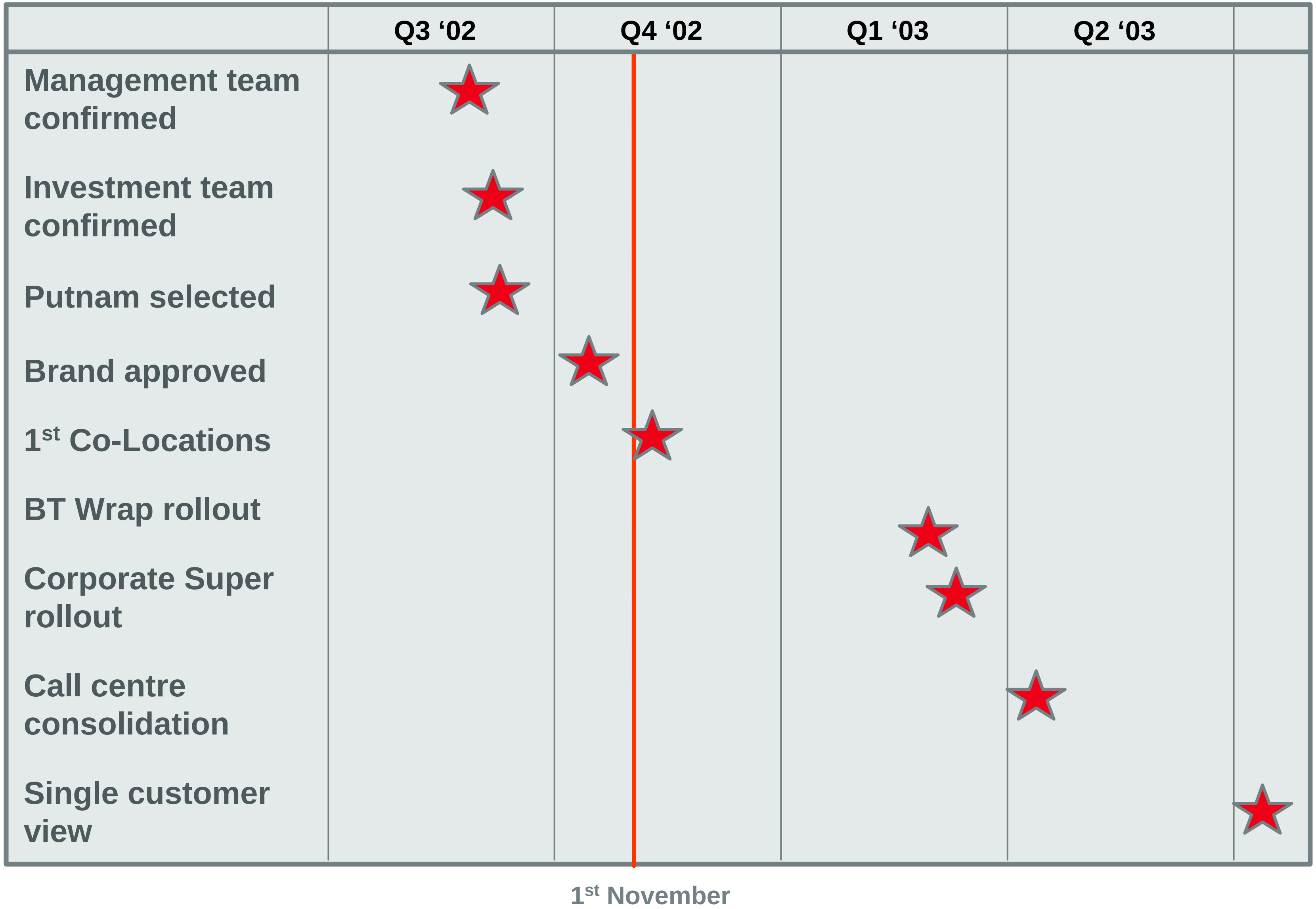
Integration approach

- Continuity of key people from pre-deal phase
- Design teams staffed by full-time representatives from all businesses – Westpac, Sagitta and BT
- Focus on rapid, implementable decisions
- Design phase completed in only 10 weeks, before completion

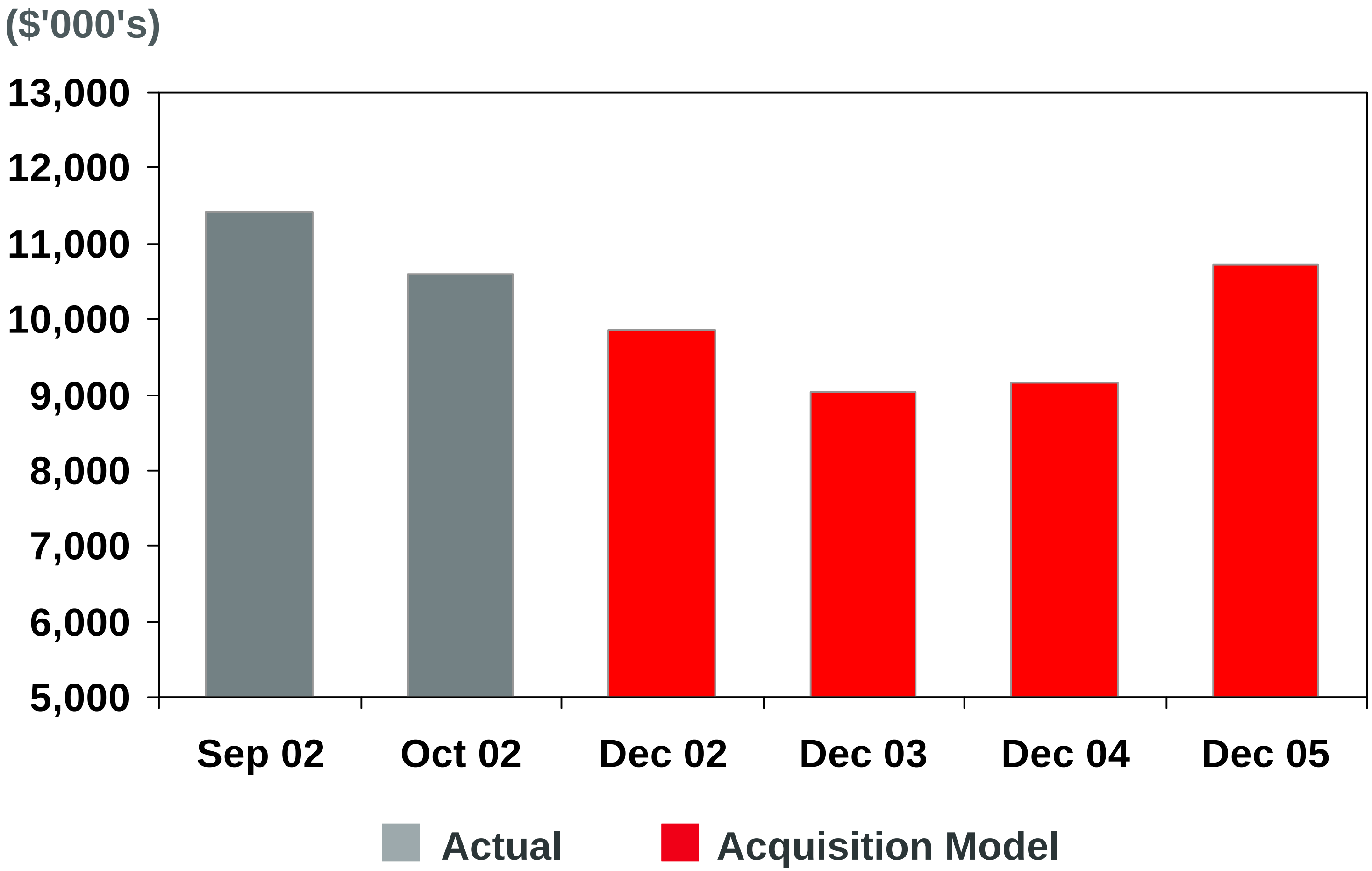
Integration position today

• Target operating model	confirmed
• Target organisational structure	confirmed
• One brand, one location	confirmed
• Integration synergies and costs	confirmed
• Program structure/leadership	confirmed

Integration outcomes



Net retail FUM against model



Funds under management

Asset class	WBC $bn	Rothschild $bn	BT $bn	Total $bn
Cash and liquid assets	6.5	0.5	2.5	**9.5**
Australian fixed interest	3.8	2.2	1.9	**7.9**
International fixed interest	1.0	0.6	1.0	**2.6**
Property	1.6	1.6	0.8	**4.0**
Australian equities	**5.1**	**3.0**	**3.1**	**11.2**
International equities	2.6	1.6	4.4	**8.6**
Other	2.2	0.1	1.0	**3.3**
Total FUM	22.8	9.6	14.7	**47.1**

Other includes FX, currency, and asset allocation

Brand

- BT will be name for combined business
- Rolled out in Q2 next year
- Follows research findings from Westpac marketing, BT and external parties
- Investment component of BT brand has weakened – but is strong around wrap and adviser service

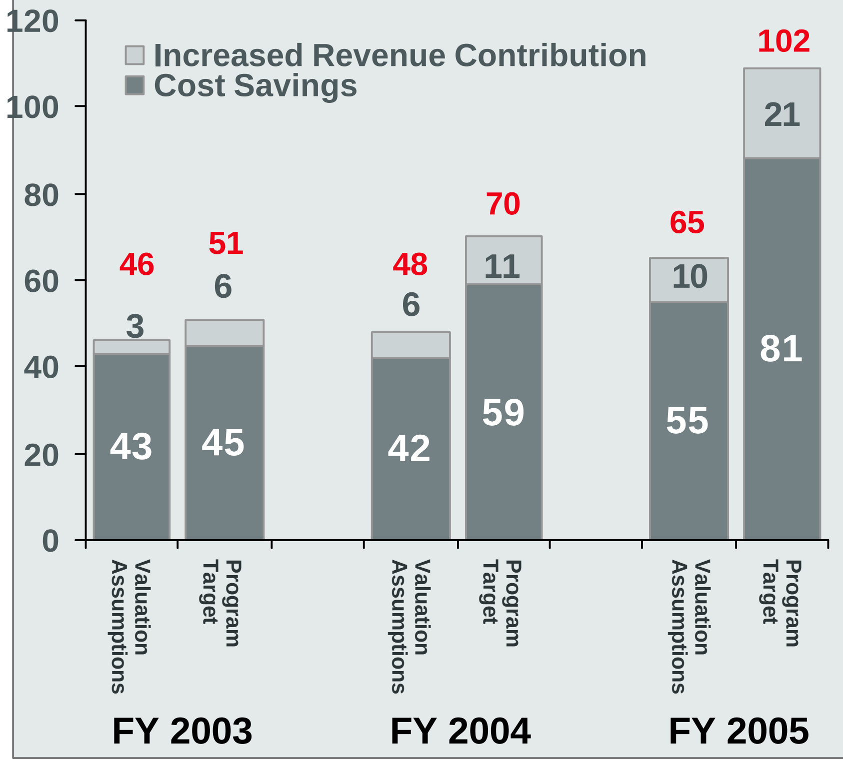
What are the agencies saying?

Asset class *Sagitta and Putnam*	vanEyk	Assirt (pre BT)	Morningstar
International Shares (core)	A	Hold (4 star)	3 stars
Australian Shares			
• Australian	A	Hold (4 star)	1
• Imputation	A	Hold (4 star)	3
• Small Caps	B	Hold (2 star)	4
Fixed Income (wholesale)	AA	Hold (3 Star)	5

Update of BT Synergies

- Having completed the nine week design phase, consolidated synergies are now estimated at $102m pa in FY05 with implementation costs of ~$142m

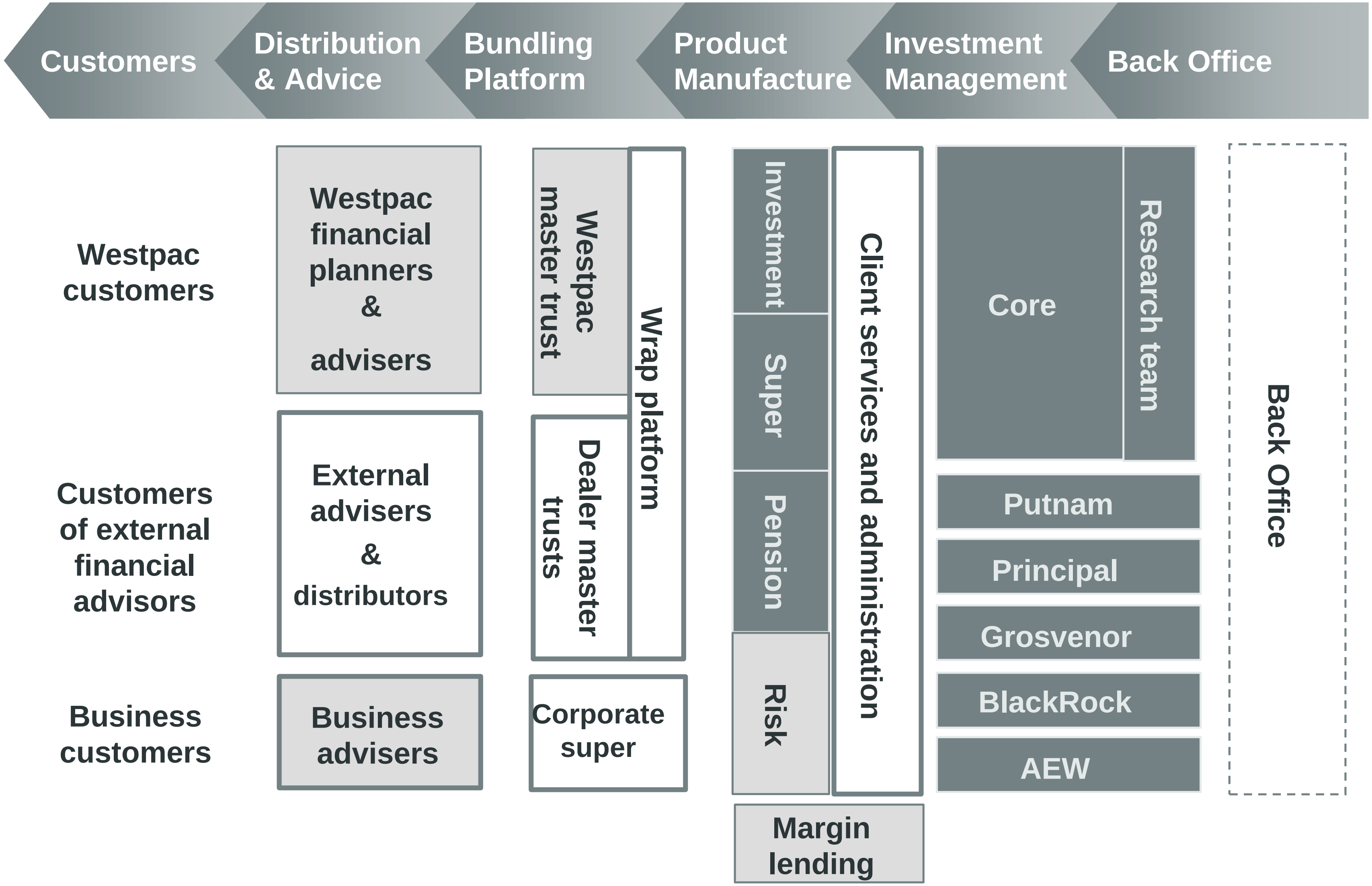
Synergies Identified ($m)



Implementation Costs ($m)

Charged in Westpac	67
Fair Value Adj BT	70
Future Expense	5
Total	**142**

Business model



Westpac
Australia's First Bank

Outlook

David Morgan Chief Executive Officer

31 October 2002

Positioned for growth

- Sustainable momentum in core businesses
- Strategic repositioning completed
  - Filled capability gaps
  - Diversified earnings streams
- Improved risk and reduced volatility in earnings base
  - Removed embedded value
  - Recognised significant items
  - Improved asset quality

Priorities for 2003

- Maintain momentum in ongoing businesses:
  - Complete initiatives arising from NZ program review
  - Implement program reviews of Australian Banking and Institutional Banking
  - Complete end-to-end re-engineering of lending process
- Deliver value from new acquisitions
  - Complete wealth management integration
  - Capture value across 7.5m customer base using wrap and corporate super

Economic environment

- GDP growth in 3.0 to 3.5% range
- Housing to slow; business investment & exports up
- Unemployment remaining around 6% to 6.5%
- Underlying inflation back in 2% - 3% range
- Rise in official rates not expected near term

Business expectations

- Credit growth in the 8% to 10% range
- Maintain market share momentum across core products
- Expense to income trending lower against re-based costs
- No material change in asset quality
- Net retail funds inflow to stabilise vs market
- Return to more ‘normal’ financial markets performance

Summary and earnings expectations

- Core businesses continuing to deliver

	2003
Core business EPS growth	9%-11%
Dilution of recent transactions	(2%)
Cash EPS expectations	7% – 9%

- Transformed the business underpinning medium term growth trajectory
- Lower risk and higher quality earnings

Westpac
Australia's First Bank

Westpac Full Year Results 2002

David Morgan	Chief Executive Officer
David Clarke	Group Executive Wealth Management
Philip Chronican	Chief Financial Officer

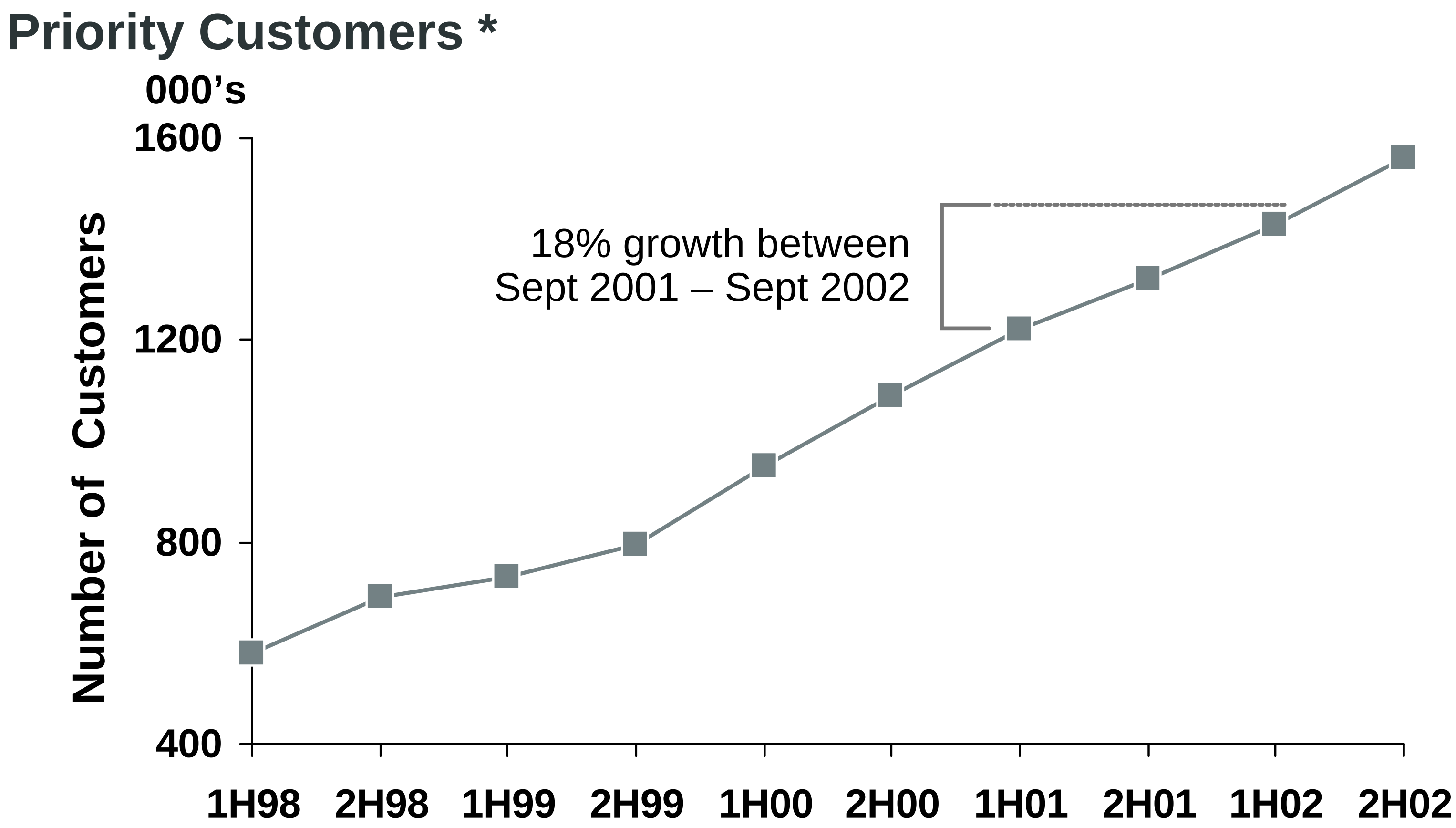
31 October 2002

Westpac
Australia's First Bank

Supplementary Information

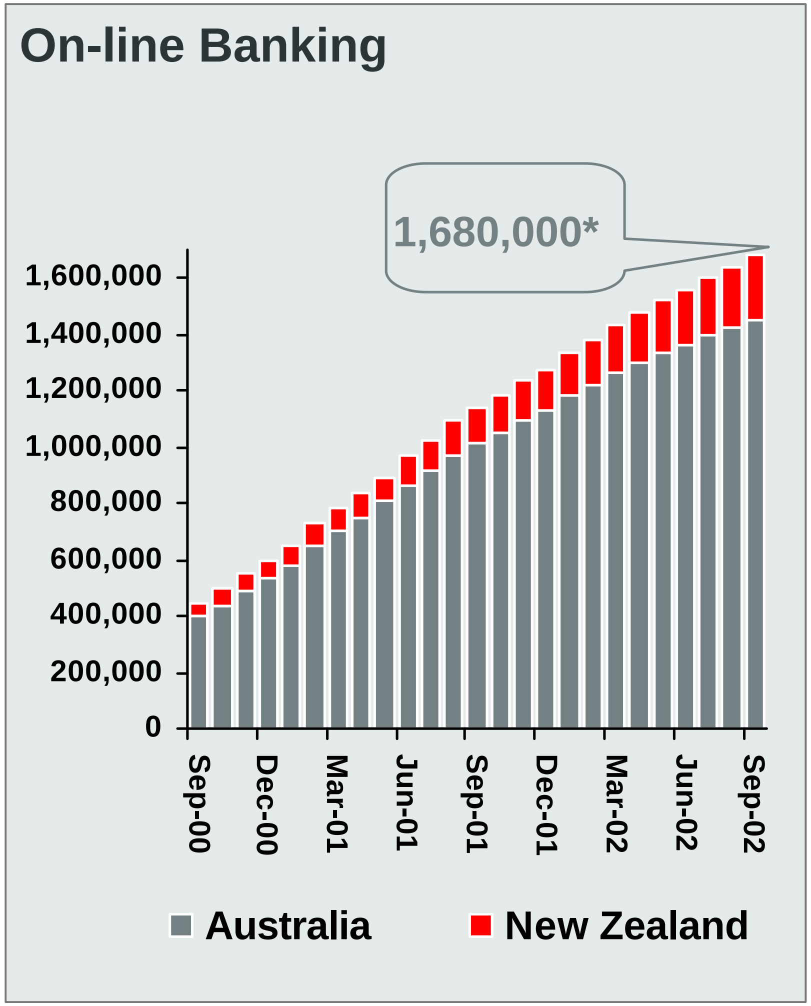
31 October 2002

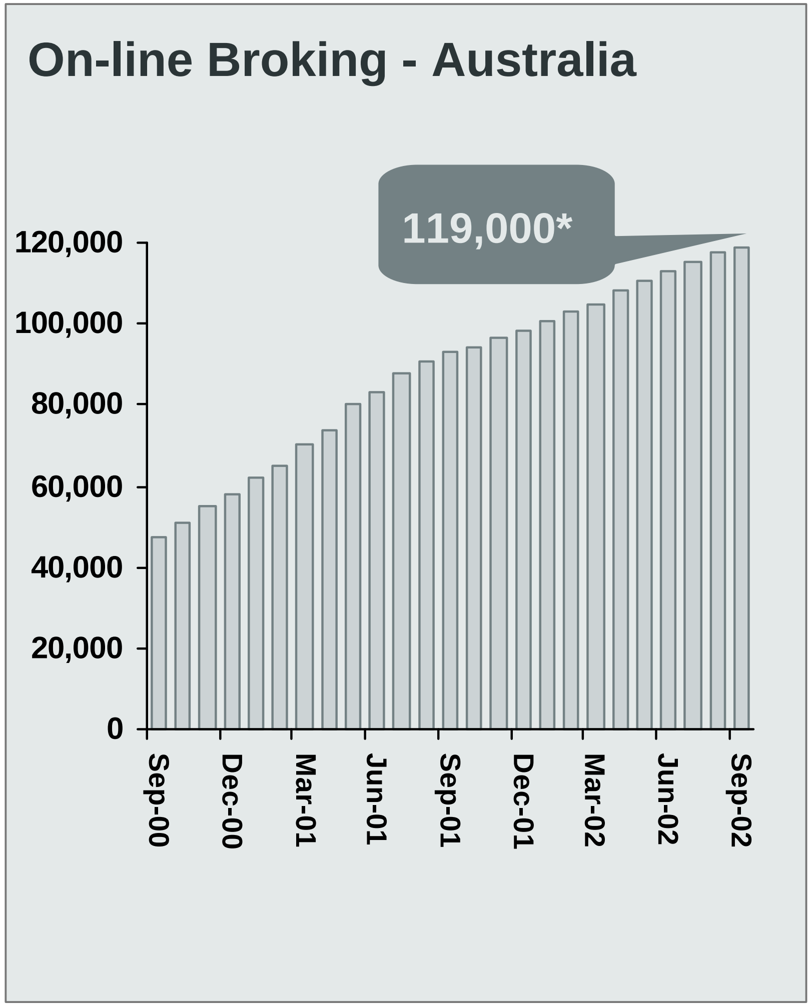
Growth in priority customer relationships



*** Priority customers are those with whom we have significant, typically multi-product, relationships.**

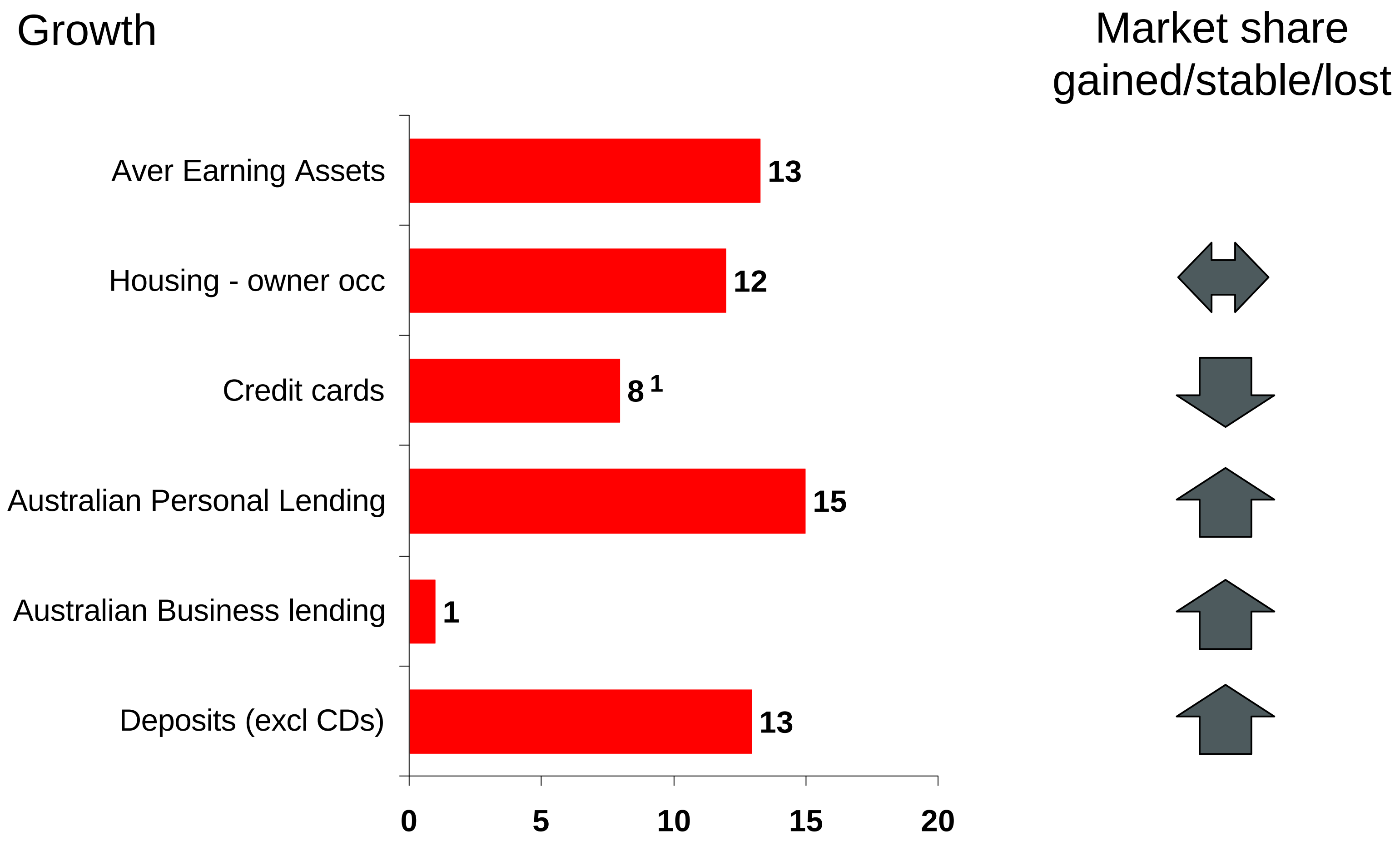
Online growth





* 30 September 2002

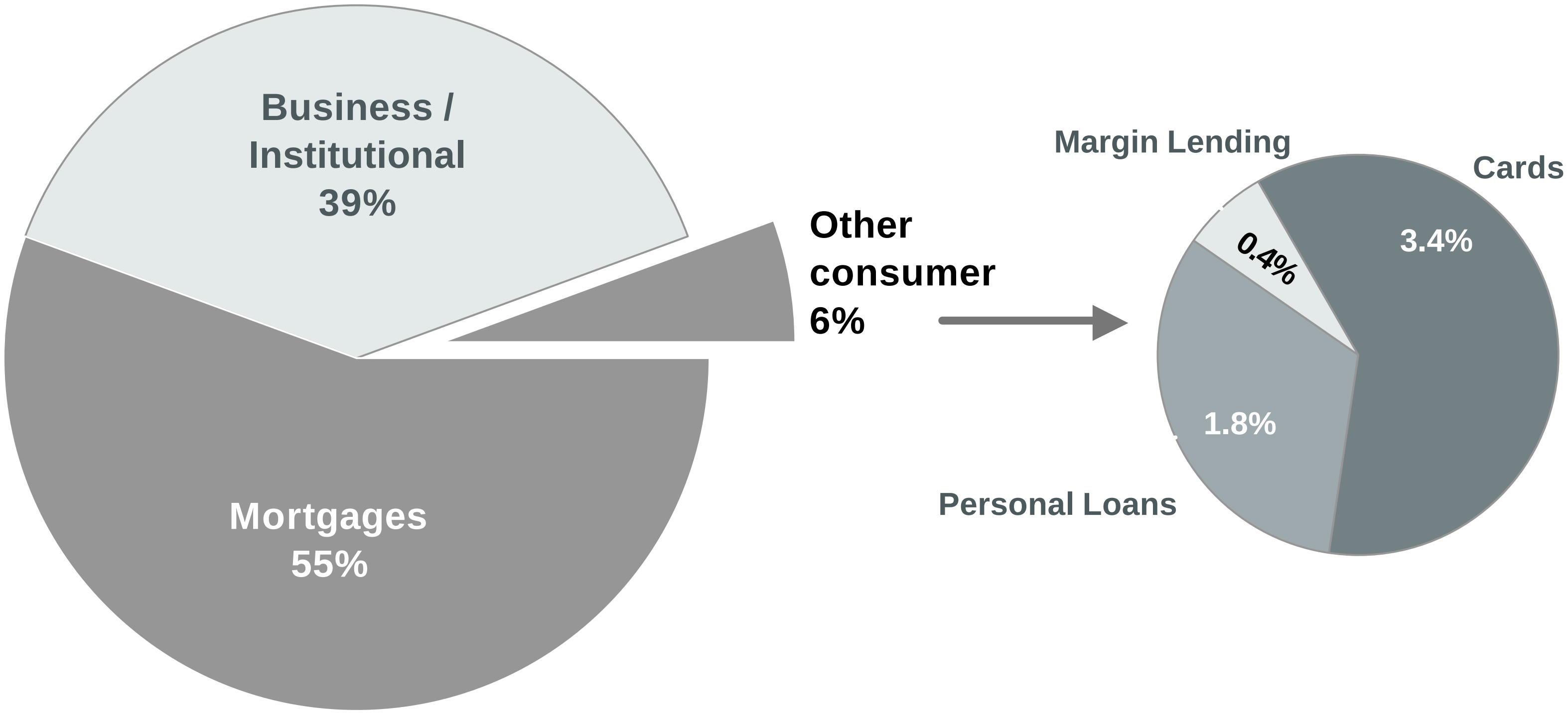
Growth in core products



[1] Excluding AGC in 2001 numbers

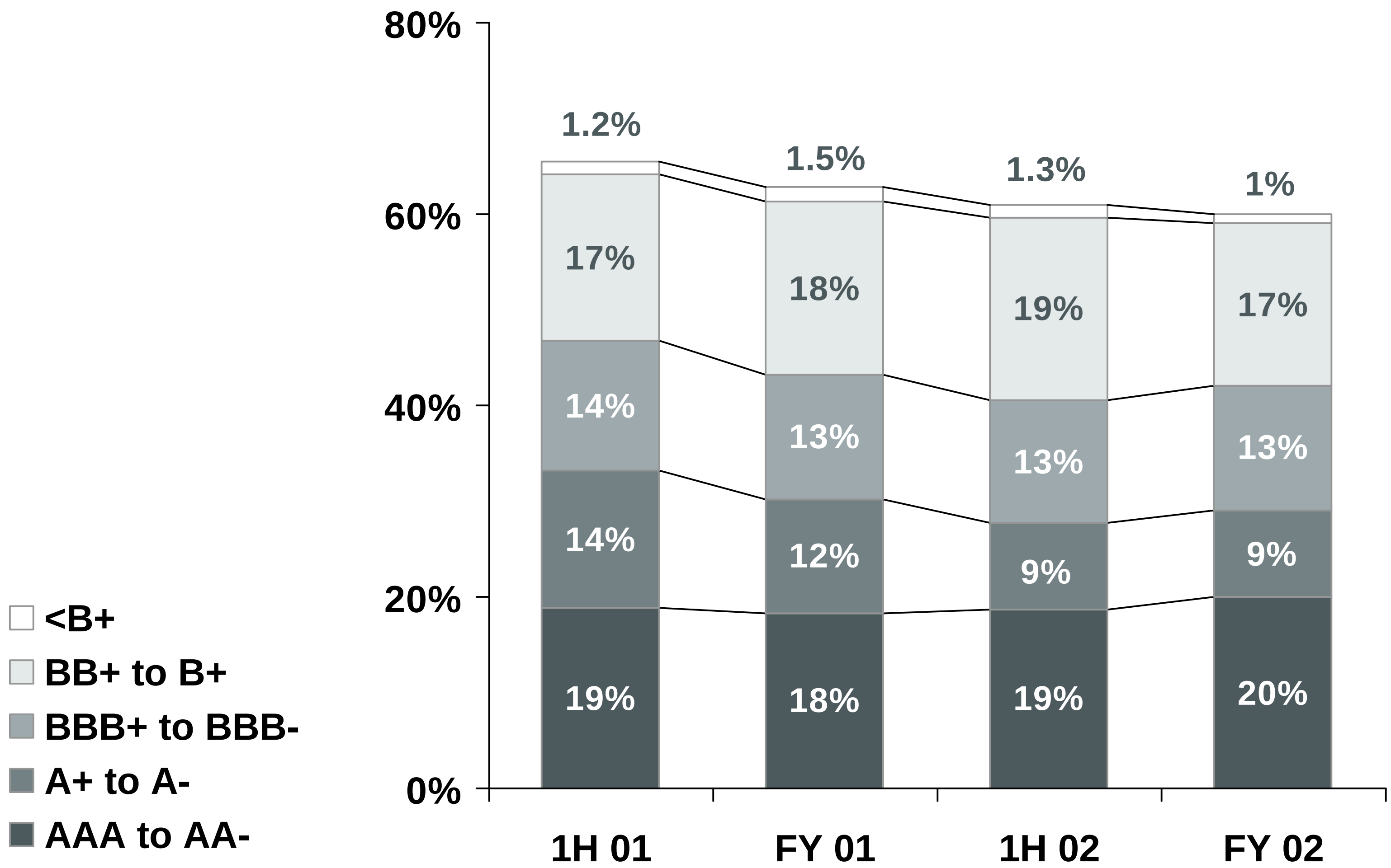
Other consumer portfolio

Total Westpac Group *



* On balance sheet funded lending September 2002

Business / Corporate risk grade profile*

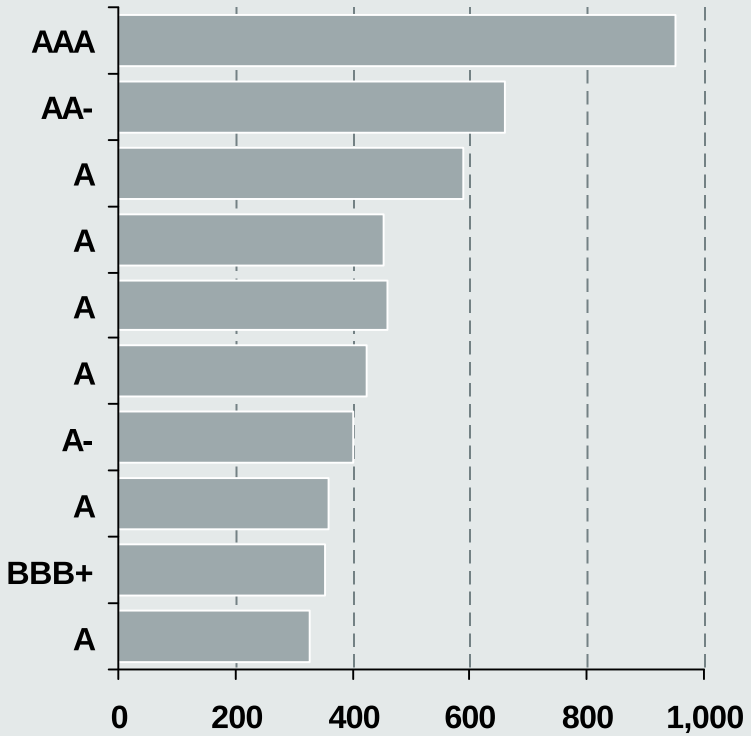


* % of Total Exposure - 30 September 2002

Single name exposure concentrations

Top 10 exposures to corporations and NBFIs

S&P Rating or Equivalent



* Exposure $m - September 2002.

Top 10 exposures as a % of total committed exposure

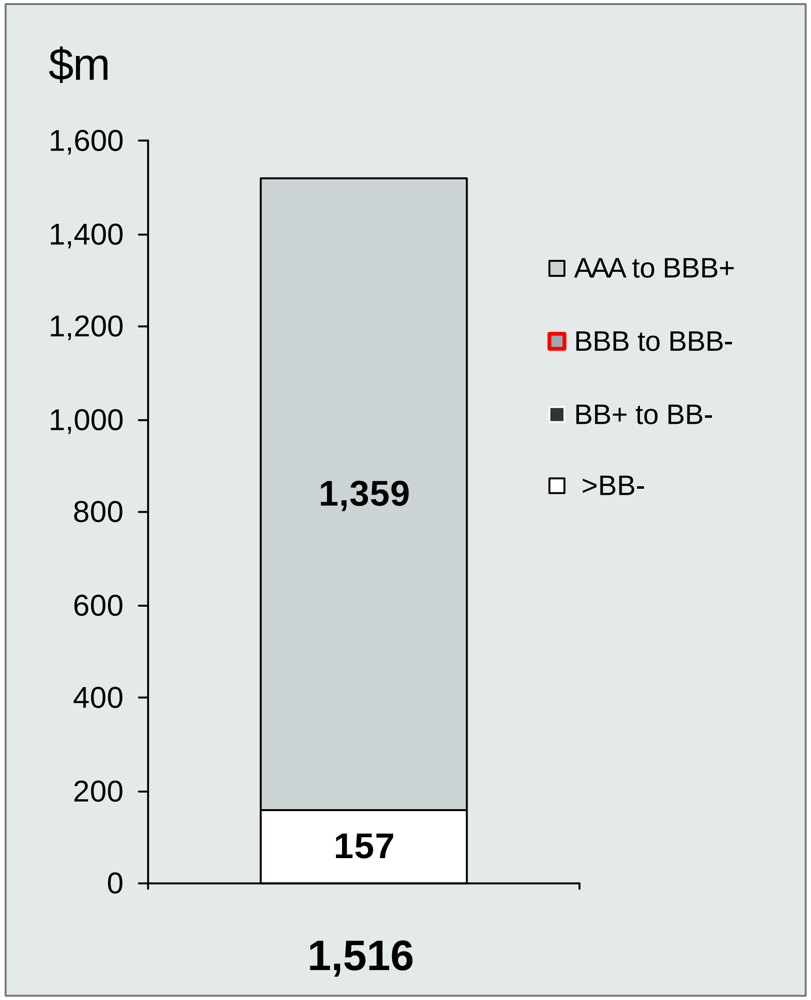
EPS growth reconciliation

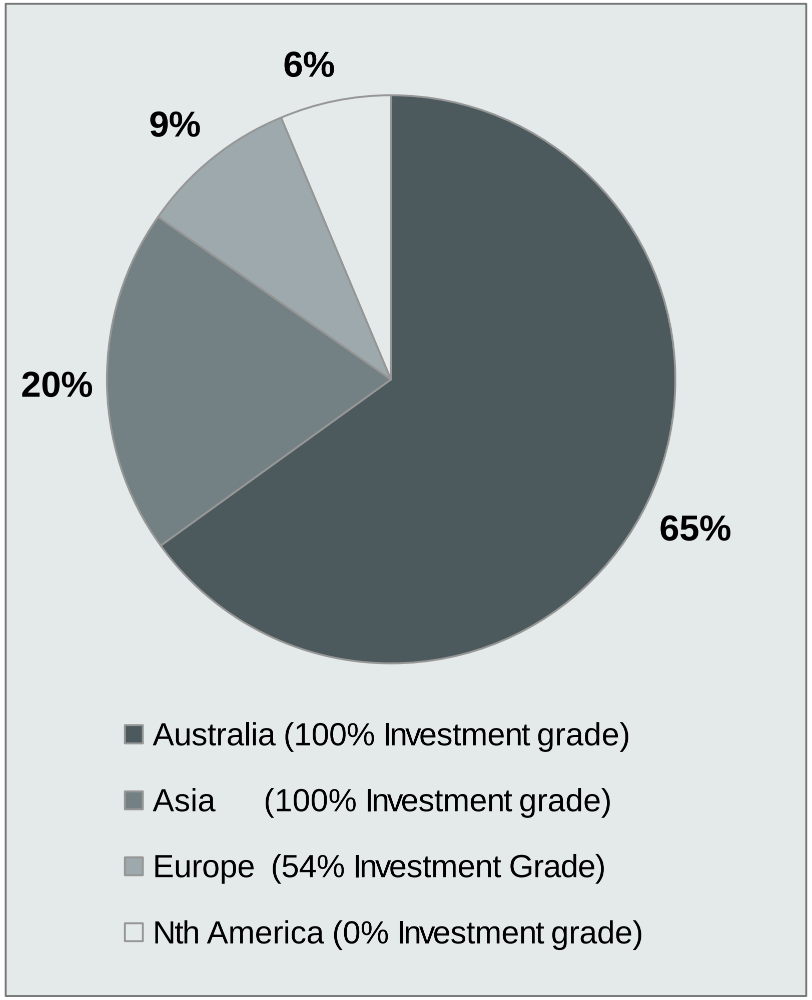
Indicative

	$m	2002	EPS Growth
Dec	Initial cash earnings estimates	2,118	11%
Mar	Net AGC earnings change	(53)	
	Incremental Sagitta earnings	2	
	Earnings on surplus capital	12	
Jun	Adjusted cash estimates	2,079	9%
Sep	Lower financial markets and wealth management income	(16)	
	Final cash earnings	2,063	8%

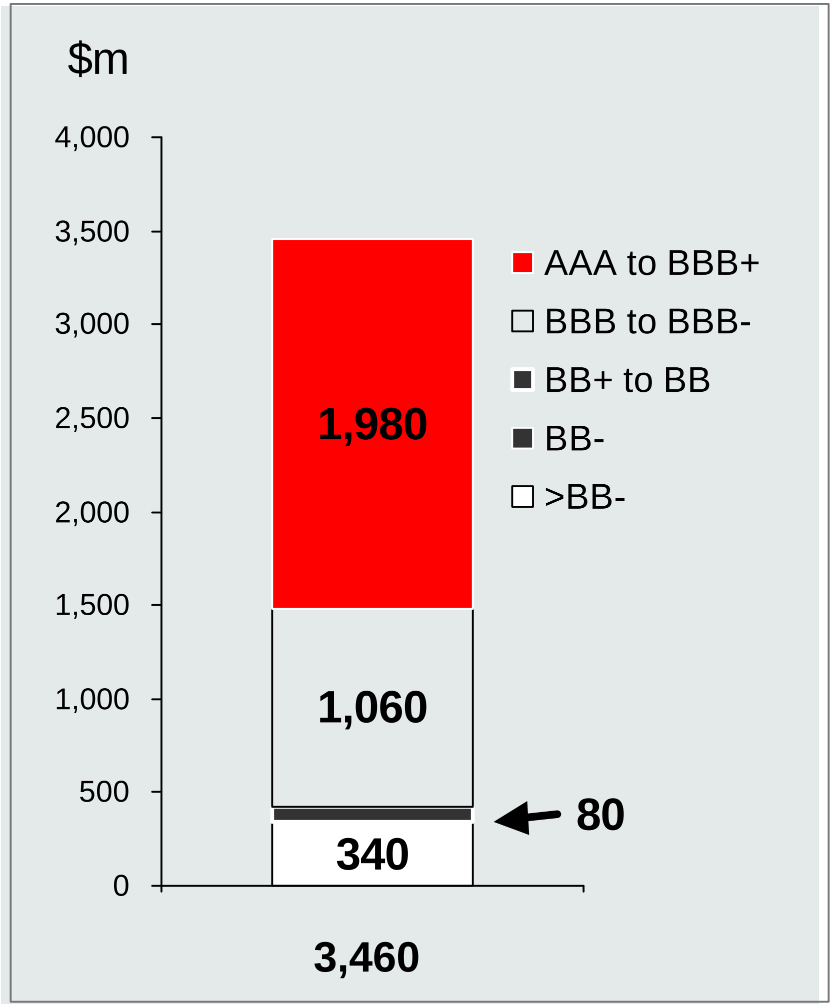
Expectations at market update 1 August 2002

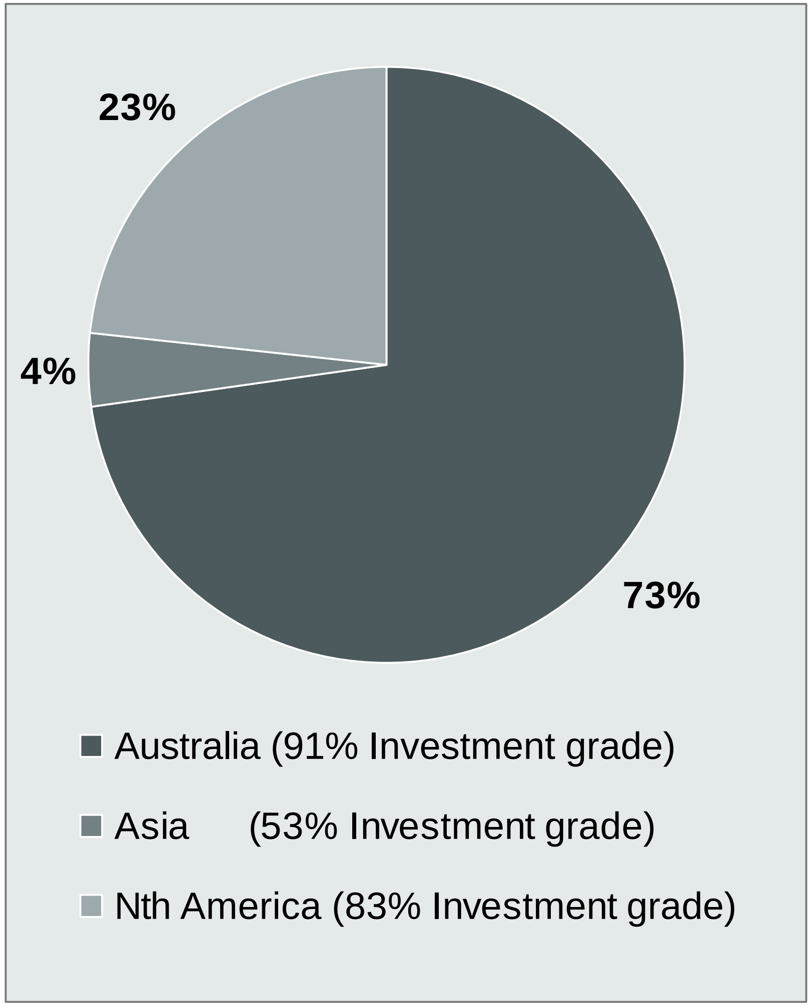
Telco exposure





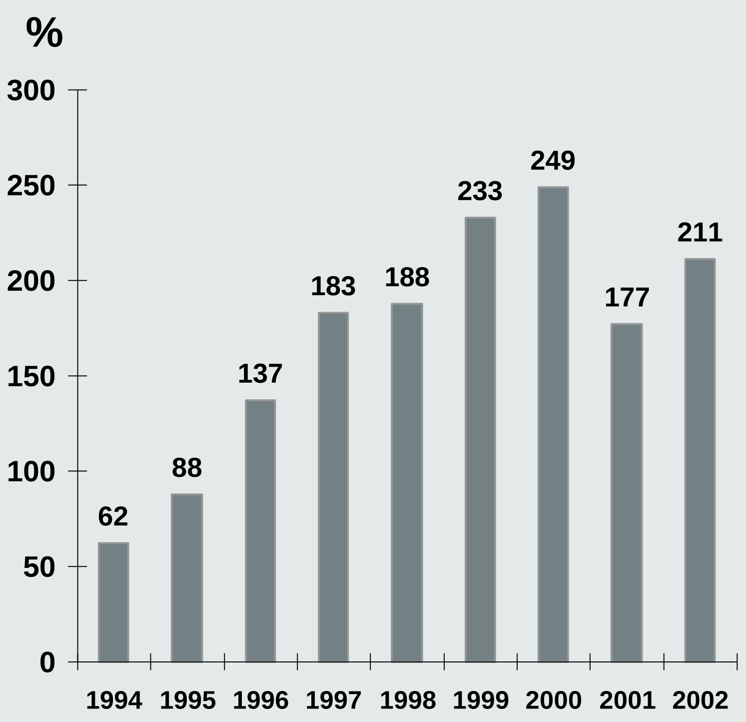
Global energy portfolio



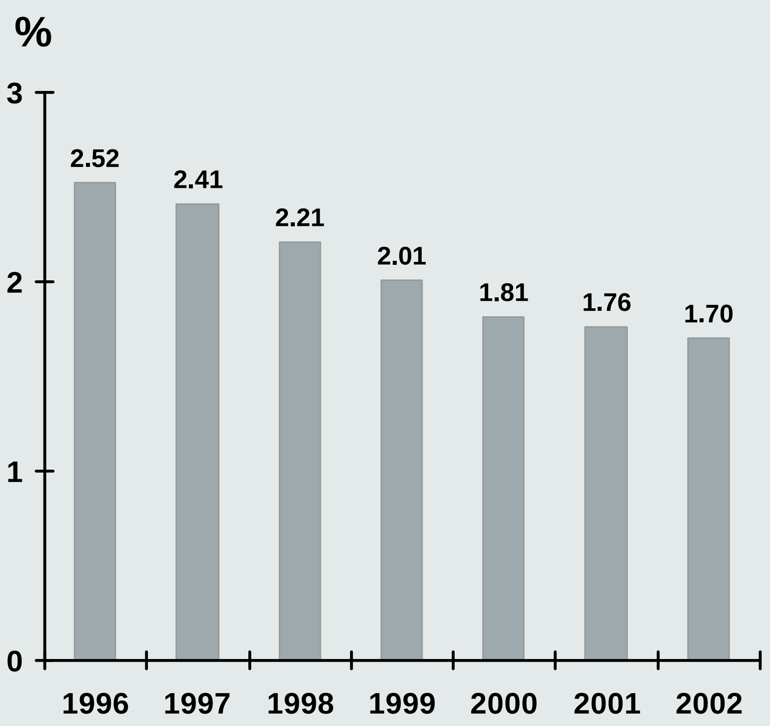


Provisioning coverage

Total provisions to total impaired assets



General provision to non-housing performing loans & acceptances



Disclaimer

The material contained in the following presentation is intended to be general background information on Westpac Banking Corporation and its activities as at 31 October 2002.

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.