

Westpac 2008 Merger Briefing

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Transformation Officer



Early achievements in short time frame

November 2008

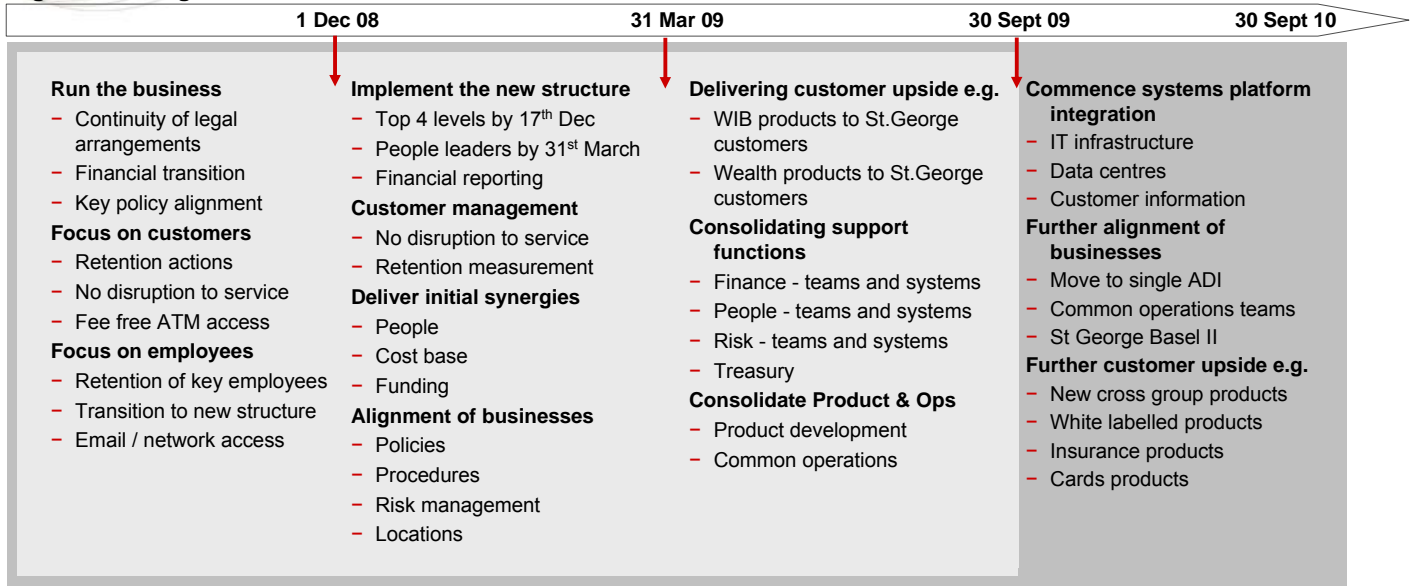
- 13 Nov
 - St. George shareholders vote in favour
 - Federal Court approval
 - Funding and liquidity strategy completed
- 17 Nov
 - Programme to deliver merger benefits commenced
 - Secure email between Westpac & St. George established
- 18 Nov
 - Customer retention plans finalised for front line employees
- 19 Nov
 - Governance structure and control framework implemented
- 20 Nov
 - Executive Team appointed
- 25 Nov
 - ATM fee waiver implemented
 - Merger KPI tracking and reporting in place
- 28 Nov
 - Completed review of 'Top 60' sourcing contracts

December 2008

- 1 Dec
 - Day 1 of merged Group
 - General Managers appointed
- 4/5 Dec
 - Customer@Centre Conference where 300+ customer facing leaders participated
- 10 Dec
 - Day 121 Plan (to 31 Mar 2009) in place
- 17 Dec
 - Top 4 management levels appointed

A clear and detailed plan is in place

High Level Integration Plan



Clear operating model assists integration



Multi-brand strategy central to merger value

Each brand has common foundations

- Broad range of products
- Competitive pricing
- Convenient access and efficient service
- Friendly employees providing great advice
- Commitment to customers
- Commitment to the community

Each brand has a distinct personality



A professional, aspirational bank with a social conscience

- Professional, friendly, commercially savvy people
- Aspires to help customers achieve their financial goals
- Committed to sustainability and the environment

A bank with humanity

- Warm, down to earth, confident people
- Not one of the big four and truly committed to customers
- Committed to local communities

A South Australian icon

- Helpful, trustworthy people who know SA
- Closer to South Australians than any other bank
- Committed to SA

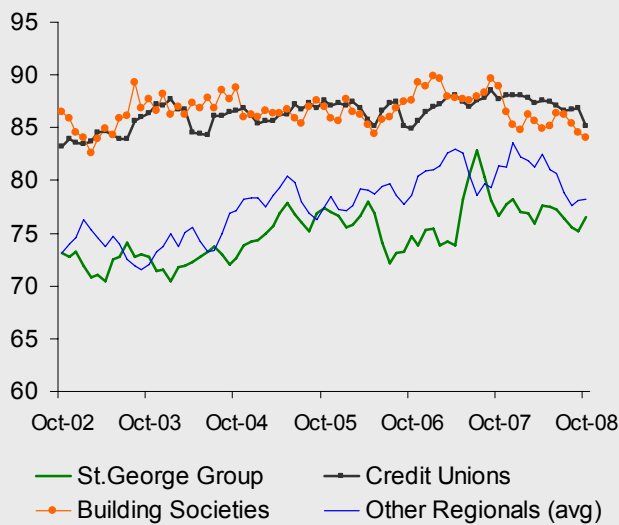
A 'down to earth' lending specialist

- Straight forward, energetic people
- Better value, more flexible home loans
- Committed to helping those on lower incomes and the self-employed



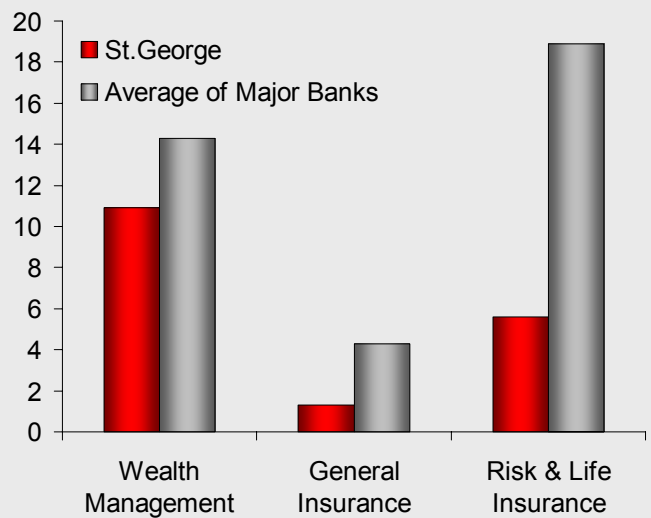
St. George Bank opportunity

Customer satisfaction (3m avg, % very or fairly satisfied)



Source: Roy Morgan Research. Base: Respondents with a deposit / transaction relationship at institution (aged 14+)

Share of customers' banking and finance products (%)

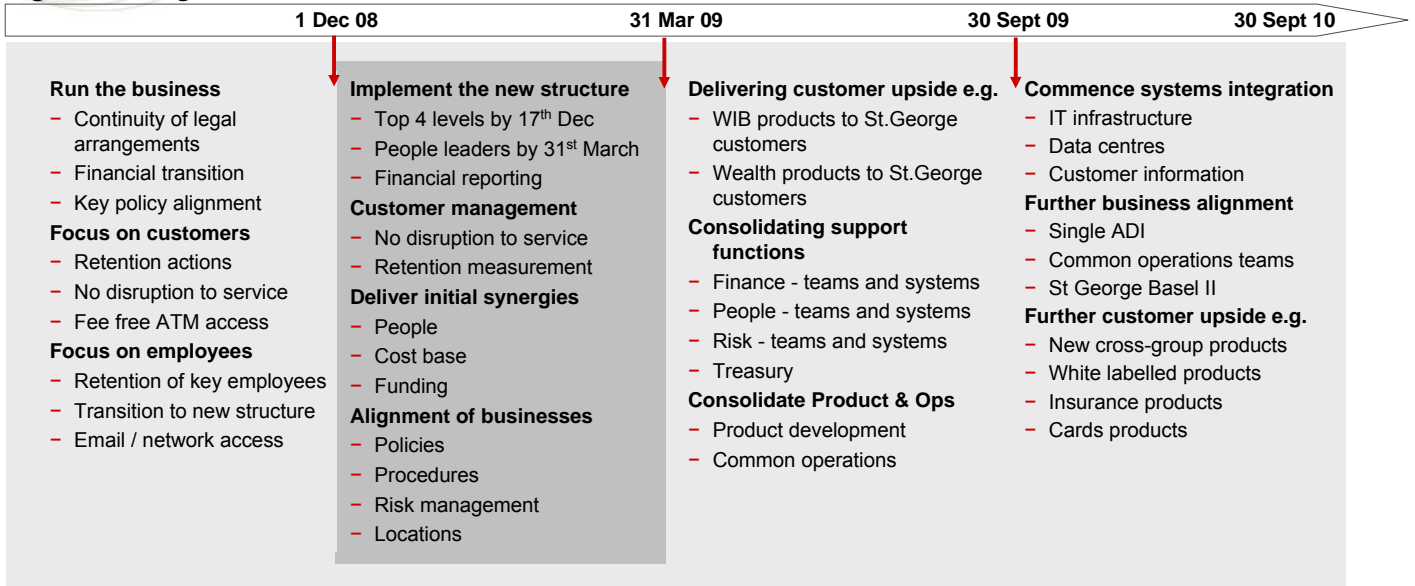


Source: Roy Morgan Research - Finance Monitor, 12 months to October 2008



A clear and detailed plan is in place

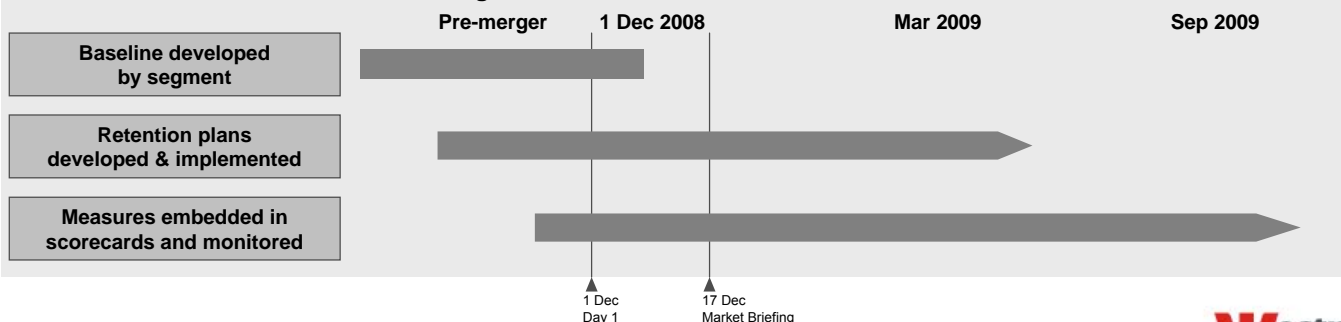
High Level Integration Plan



Concentrated customer retention initiatives

- Customer retention is a key priority
- Strategies in place for each key customer segment
 - Segment risks identified
 - Mitigation plans in place
 - Measures are being monitored monthly

Overview of Customer Retention Planning



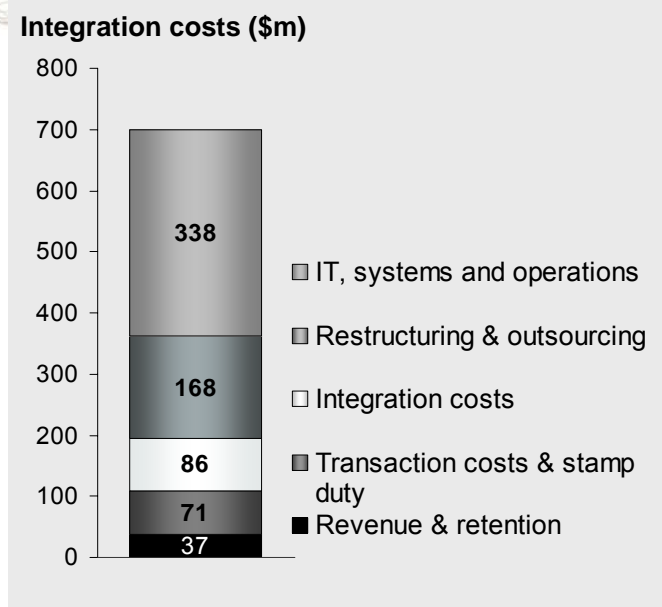
Top level appointments in place

Number of roles in top four levels of the organisation

	Westpac	St.George		Westpac Group ¹
CEO	1	1	→	1
Group Executive	9	9	→	12
General Manager	74	70	→	87
General Manager Direct Reports	451	338	→	434

¹ Represents total new positions in the merged group. A number of individuals have accepted roles below this level.

\$700m integration costs



* Note: Integration costs includes all upfront implementation costs

- Integration costs of \$700 million, phased 4% in FY08, 61% in FY09, 31% in FY10 and 4% in FY11
- Excludes transaction costs incurred by St.George

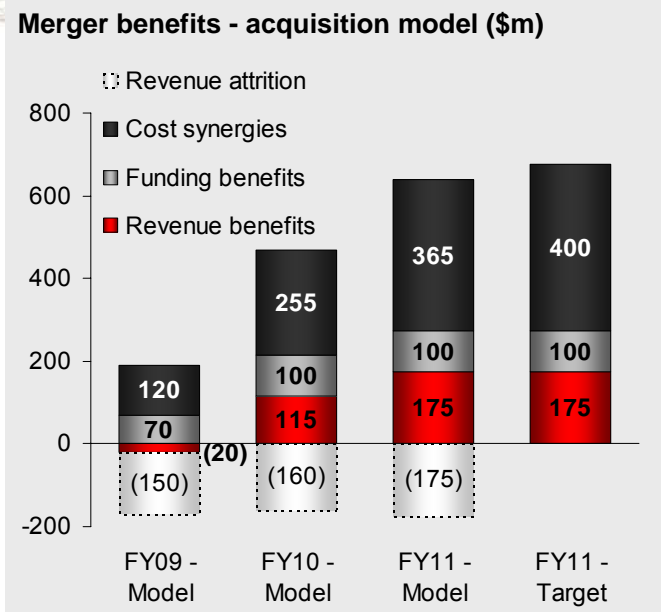
IT, Systems and Operations

- IT Strategy to be completed 31 March, 2009

Early Focus

- Finance systems integration (GL/reporting)
- Risk framework integration (Basel II)
- Human resource systems
- Treasury and risk systems in WIB
- Data centre consolidation (feasibility)

Merger benefits exceeding initial estimates



- Revenue benefits
 - Applying St.George middle market model to Westpac
 - Cross sell of WIB products into St.George
 - Insurance and wealth cross sell, including BT Super for Life
 - Enhancing credit card capability
 - Transaction/payment services
- Initial model assumed 4% revenue attrition. Targeting no customer loss

Internal measures of success

Category	Metrics
Customer	<ul style="list-style-type: none"> ▪ Market share ▪ Net Promoter Score/ Customer Satisfaction ▪ Retention rates
Integration financials	<ul style="list-style-type: none"> ▪ Integration costs ▪ Cost synergies ▪ Revenue synergies ▪ Cost to income ratio ▪ Headcount (targeted areas) ▪ Impairment charges
People	<ul style="list-style-type: none"> ▪ Employee engagement ▪ Employee retention

Strong start to the merger

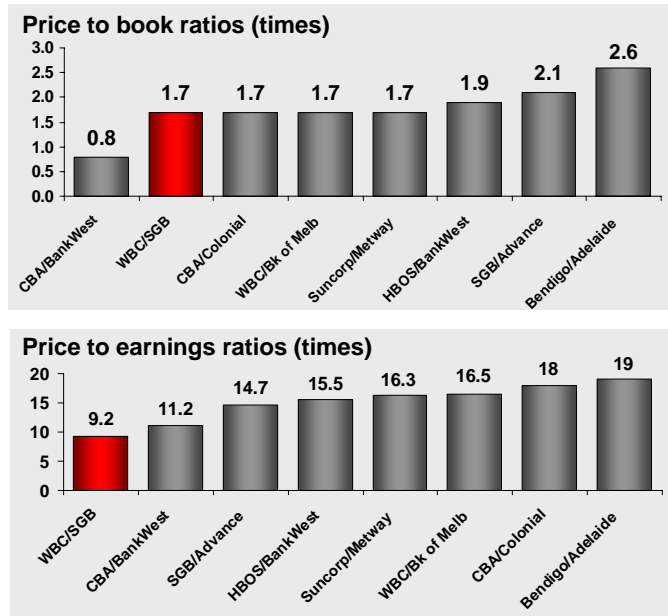
- Clear strategy in place
- Appointed top 4 levels of organisation in the first 30 days
- Robust customer retention plans in place
- Cost savings 10% ahead of estimates
- Operating model assisting integration
- Focus to 31 March 2009:
 - Completion of IT strategy development
 - Critical projects
 - Continuation of people appointments

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Phil Coffey
Chief Financial Officer

Final merger metrics

- Formal accounting acquisition date 17 November 2008
- Westpac share price \$16.32 (St.George implied share price \$21.38)
- Purchase price \$12.2bn
 - Price to book 1.7x (Price to book on banking business around 1.6x)
 - Price to earnings multiple 9.2x



Increased expense savings to \$400m

- Expense synergies originally modelled on 20-25% of the St.George cost base
- Valuation assumes \$365m expense savings, based on valuation forecast for St.George FY08 expenses of \$1.46bn

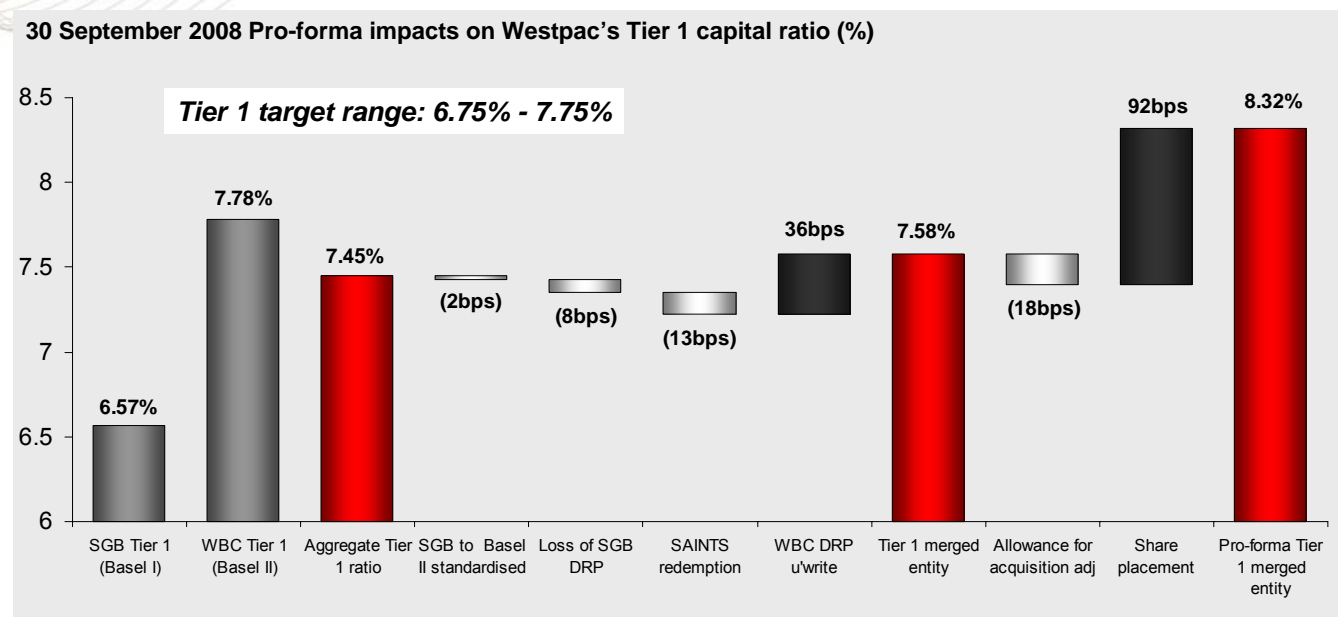
Source of cost savings

• Restructuring and outsourcing	66%	} Banking	85%
• Procurement and property	13%		
• Systems and infrastructure	8%		
• Other	13%		

Goodwill and intangibles

			\$bn
Consideration			12.2
Less	St.George net assets as at 17 November 2008	<ul style="list-style-type: none"> St.George net assets as at 30 September 2008 St.George 2008 final dividend Removing hybrids (SAINTS & SPS) Fair value, including credit provisions Statutory profit and movements in reserves to 17 November 2008 	7.0 (0.7) (0.5) <i>tba</i> <i>tba</i>
Less	Identified intangible assets	<ul style="list-style-type: none"> Brand – St.George and Asgard Core deposits Other small intangibles Deferred tax liabilities (recognised for amortising intangibles only) 	<i>tba</i> <i>tba</i> <i>tba</i> <i>tba</i>
Equals	Goodwill		preliminary range 4 - 6

Healthy starting capital position














Allowance of \$500m in fair value adjustments

Adjustments	Comment
Technical accounting issues in relation to goodwill/intangibles	<ul style="list-style-type: none"> • Required to recognise a deferred tax liability on intangibles that amortise (approx. \$150m), which grosses up goodwill (increases capital deduction) • Amount returns over time as the items amortise
Fair value	<ul style="list-style-type: none"> • Provisioning <ul style="list-style-type: none"> - Some increase in total provisions anticipated - Some movement in provisions from St.George GRCL to provisioning • Crusade CP No.1 (Asset-backed CP conduit) <ul style="list-style-type: none"> - A\$1.2 bn portfolio of diversified corporate debt requires revaluation at 17 November 2008

Capital considerations

Target Ranges	<ul style="list-style-type: none"> • Currently seeking to maintain ratios towards top or above our target range of Tier 1 6.75% to 7.75%
Hybrids	<ul style="list-style-type: none"> • Need to issue an Exchange notice to St.George hybrid holders by 29 Mar 2009 (~\$875m) • Considering issue of a new Westpac hybrid – will look to align issue date with date of redemption
Share Purchase Plan (SPP)	<ul style="list-style-type: none"> • To be offered in January 2009 to Australian/NZ resident shareholders on the register at 8 December 2008 (eligible shareholders) • Eligible shareholders can apply for specific increments (up to \$10,000) of Westpac shares (subject to ASIC relief), with the ability to scale back applications if total demand exceeds \$500m
Basel II	<ul style="list-style-type: none"> • St.George Basel II advanced accreditation not expected for 12 – 18 months • APRA has ruled that accreditation will only be provided for the entire ADI • Advanced accreditation may see St.George RWA reduce by between 10% – 15%
Pillar 3 disclosure	<ul style="list-style-type: none"> • St.George will NOT be included in Pillar 3 disclosures for December 2008. (APRA has agreed to this treatment). St.George will be included as a non-consolidated subsidiary • St.George will be fully included in Pillar 3 disclosures from March 2009

New reporting structure from 31 March 2009

St. George Retail and Business Banking (SRBB)	Westpac Retail and Business Banking (WRBB)	BT Financial Group (BT)	Westpac Institutional Bank (WIB)	Westpac New Zealand (NZ)
 	 	   	 	
<ul style="list-style-type: none"> St. George retail and business banking operations, including BankSA 	<ul style="list-style-type: none"> Incorporates former Westpac Business Financial Services (BFS) and Consumer Financial Services (CFS) Premium Business Group¹ moved to WIB 	<ul style="list-style-type: none"> Includes St. George wealth and private bank 	<ul style="list-style-type: none"> Little change to WIB business Includes Premium Business Group¹ 	<ul style="list-style-type: none"> No change

¹ Businesses with turnover typically from \$50m – \$100m

Financial reporting plans

- Pro-forma accounts for the merged Westpac and St. George bank as if acquisition occurred on 1 October 2007
- Historical half on half results to be provided in result template (April 2009)
 - Business unit comparatives to be included
- Cash earnings adjustments to include:
 - Transaction and integration costs that have been expensed
 - Amortisation of intangibles, as non-cash flow item
- Statutory accounts based on the acquisition date of 17th of November 2008

Merger on track, with benefits upside

- Integration proceeding well
- No change to growth-focused approach and protection of brands, distribution and customer value
- Merger benefits above initial estimates and expense savings higher – upside from minimising attrition and enhancing revenues
- New reporting structure aligned with operating model
- On track to deliver significant benefits to customers and shareholders

Executive team



Gail Kelly, CEO



Greg Bartlett
St. George Retail &
Business Bank



Peter Hanlon
Westpac Retail &
Business Banking



Rob Coombe
Chief Executive
BT Financial Group



Philip Chronican
Institutional Bank



George Frazis
Chief Executive
New Zealand
(Commences early 2009)



Brad Cooper
Group Chief
Transformation Officer



Peter Clare
Product & Operations



Rob Whitfield
Risk Management



Phil Coffey
Chief Financial Officer



Bob McKinnon
Technology



Ilana Atlas
People



John Arthur
Counsel & Secretariat

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