

St. George and Westpac Agree to merge

13 May 2008



Creating Australia's leading financial institution

- A compelling Australian financial services merger
- Terms and conditions
- Strategic rationale
 - Operating model
 - Customers brands and distribution
 - Market share
- Compelling value for both St. George and Westpac shareholders
 - Revenue opportunities and cost synergies
 - Funding, capital and risks
- Managing the risks
- Project governance and timeline

Compelling Australian financial services merger

- Proposal to merge St.George and Westpac
- All scrip consideration, exchange ratio of 1.31 Westpac shares for each St.George share
- Extensive distribution preserving existing customer relationships:
 - St.George brands strengthened and operated individually
 - Westpac brands strengthened and operated individually
 - Wealth operations combined – brands maintained
- A strong entity with AA credit rating, strong capital and broad based funding
- Common infrastructure with enhanced scale
- Ability to transform the combined entity, delivering a new standard of service and value via a stronger team and enhanced infrastructure

Terms and conditions

Consideration	All scrip offer
Exchange ratio	Exchange ratio of 1.31 Westpac ordinary shares for each St George ordinary share. Excluding recently announced interim dividends, represents a premium of 24.1% (based on the VWAP for both St.George and Westpac over the month ended 9 May 2008, adjusted to remove the value of their respective dividends, which shareholders separately retain)
Capital gains	St.George shareholders expected to obtain roll-over relief
Effected by	Scheme of arrangement voted on by St.George shareholders
Key Conditions	Subject to regulatory consent from Federal Treasurer, APRA, ACCC Satisfactory completion of documentation and due diligence Scheme subject to St.George shareholder approval

The strategic rationale – it's a growth story

- Significant value to St.George and Westpac shareholders
- A strong suite of brands benefiting from enhanced scale
- An institution focused on Australian/New Zealand growth opportunities
- Strong strategic fit for the sector:
 - Aligned customer focus
 - Complementary employee cultures
 - Leaders in sustainability and community engagement
- Seeking to create a comparative advantage across key segments and products
- Building a stronger organisation with a better platform for growth, including: increased customer and product diversity; improved efficiency; and an enhanced funding and capital position
- Accelerate investment in world class operations and technology

Proposed operating model – capitalising on the best of both

The proposed operating model capitalises on the unique strengths of Westpac and St.George. Key elements of the preliminary model include:

Retail (consumer & business banking)	Retaining distinctive St.George and Westpac distribution for consumer and business with separate management and dedicated CEOs Common product manufacture and processing to improve scale of respective brands
Institutional	Combine the institutional businesses under the Westpac brand with common infrastructure
Wealth	Combine the wealth businesses into a single entity but preserving the individual brands
Support	Single corporate centre combining the best talent from each

It's all about customers, brands and distribution

Customers	Brands	Distribution												
<ul style="list-style-type: none"> • Around 10m customers • Retaining existing relationships and key brand attributes • Increased value for customers <ul style="list-style-type: none"> - More access, more convenience - Increased product choice • Accelerate investment in world class operations and technology supporting customers 	<ul style="list-style-type: none"> • Unique suite of strong customer brands across banking, wealth and insurance • Each brand to retain distinctiveness • Enhanced strategic optionality with tailored customer propositions 	<ul style="list-style-type: none"> • Extensive distribution network providing immediate benefits for all customers including reciprocal ATM usage <table border="1"> <thead> <tr> <th>Australia</th> <th>St.George</th> <th>Westpac</th> </tr> </thead> <tbody> <tr> <td>Branches</td> <td>400</td> <td>830</td> </tr> <tr> <td>ATMs</td> <td>1,129</td> <td>1,683</td> </tr> <tr> <td>Planners</td> <td>[500]*</td> <td>540</td> </tr> </tbody> </table> <p>* Source: Estimate based on St.George financial planning and Securitator (excludes licensee services) St.George 1H08 result presentation</p>	Australia	St.George	Westpac	Branches	400	830	ATMs	1,129	1,683	Planners	[500]*	540
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Distribution – increased customer access

NT - No.1 position	BankSA	Westpac
Retail representation	4	9

WA - No.1 Position	St.George	Westpac
Retail representation	9	104

QLD - No.1 Position	St.George	Westpac
Retail representation	28	164

SA - No.1 Position	Bank SA	Westpac
Retail representation	109	51

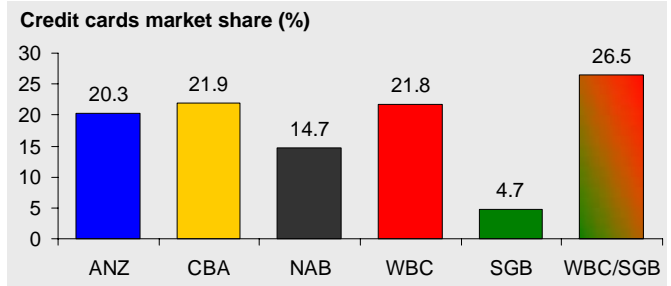
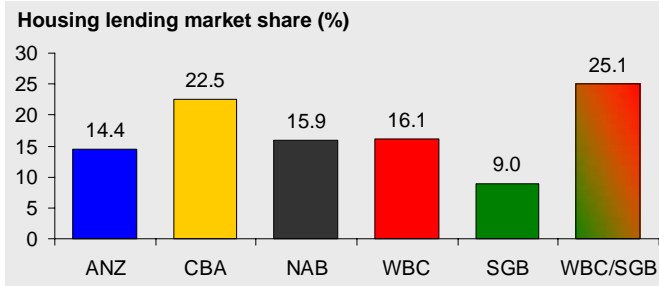
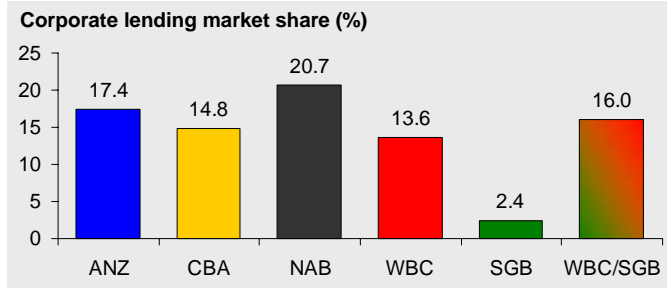
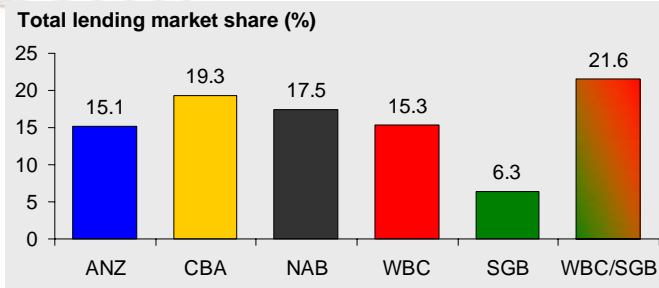
NSW/ACT - No.1 Position	St.George	Westpac
Retail representation	213	291

Vic – No. 3 Position	St.George	Westpac
Retail representation	37	192

Tas - No 1 Position	St.George	Westpac
Retail representation	0	22



Strong lending market share position¹

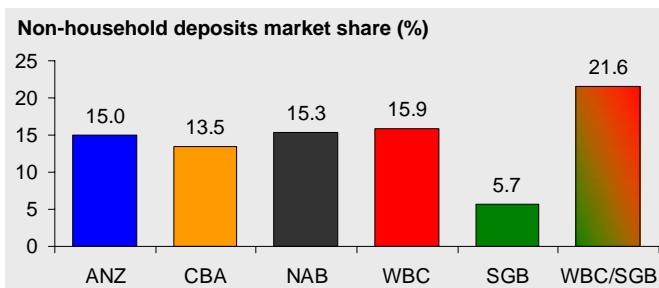
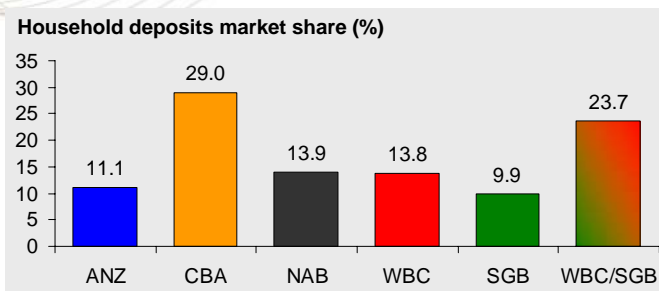


1. Source: Credit Suisse, Bank Market Shares 1 May 2008 – Based on March 2008 APRA Data

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Strong deposit market share¹



1. Source: Credit Suisse, Bank Market Shares 1 May 2008 – Based on March 2008 APRA Data

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Capitalising on the superannuation/wealth opportunity

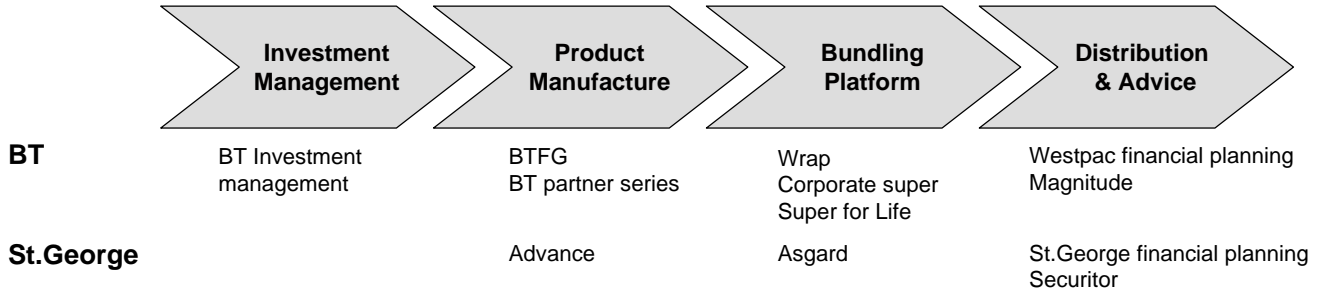
- Strengthen wealth capability across the value chain
- Capitalise on two of the sector's fastest growing Wrap platforms
- Combine insurance/LMI into a single stronger entity
- Access to a broader distribution network
- Benefit from combined back office infrastructure

Mar08	Westpac	St.George*	Total
FUM	\$35.3bn [^]	\$7.3bn	\$42.6bn
FUA	\$42.4bn [^]	\$33.3bn	\$75.7bn
Planners	540	500**	>1000

[^] Source: Westpac 1H08 results announcement (differs from Plan for Life analysis)

* Source: St.George 1H08 results announcement page 31

** Estimate based on St.George financial planning and Securitor (excludes licensee services) St.George 1H08 result presentation



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Sustainability and community champions

Common values on sustainability

Westpac
Global sustainability leader <i>Embedding sustainable practices for all stakeholders</i>
Leader in corporate governance <i>Deep commitment to doing the right thing</i>
Strong community involvement <i>Making it easy for our employees to get involved. Collaborating with community partners to help address community issues. Helping community groups improve their effectiveness</i>

St.George
Leader in customer satisfaction
Regional/mutual heritage
Local support to local communities <i>"...we strive to play a positive role in the community by supporting charities, the arts, sporting clubs, business programs and disaster relief initiatives. We also recognise our important community function as a major employer and financial services provider."</i> ¹

1. Source: www.stgeorge.com.au

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Combining two strong employment brands

- Strong and complementary employee cultures enhancing merger attractiveness:
 - Customer focused and relationship based cultures
 - Affinity and pride in brand and history
 - Strong employment brands attracting talent
- Expanded options for employees:
 - Operating model and multiple brands expands employee options
 - Committed to preserving existing employee/customer relationships
 - Leading work practices and policies – opportunity to take the best of both forward
- Dedicated team to maximise internal opportunities and support external job placement where employee redundancies occur (in support, back office and product areas)

Compelling financial value

- Cash EPS accretive for Westpac shareholders within 3 years and strong accretion thereafter
- Strongly positive NPV for both Westpac and St.George shareholders
- Combined entity will:
 - Benefit from significant revenue opportunities
 - Benefit from cost synergies leading to a sub 40% cost to income ratio
 - Have access to broader funding arrangements
 - Have enhanced capital and risk disciplines
- Customer attrition minimised via multi-brand strategy and retention of customer facing roles
- Capitalise on pure Australian/New Zealand focus

Revenue opportunities and cost synergies

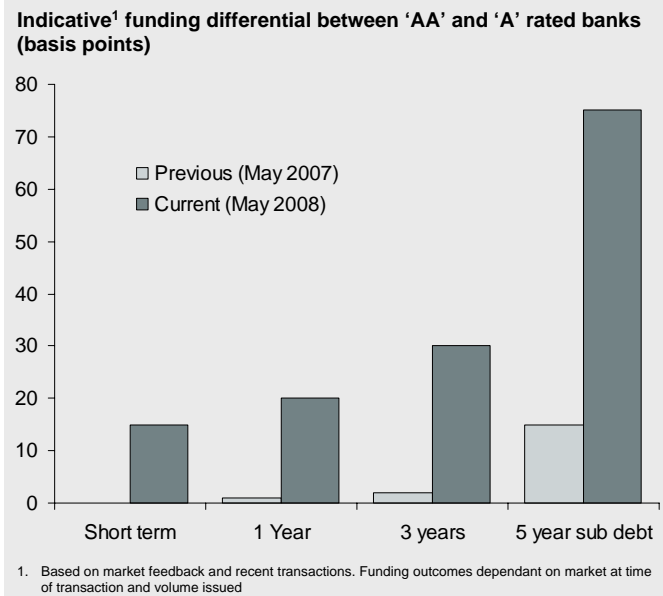
Revenue opportunities	Cost synergies
<ul style="list-style-type: none"> • Broader distribution base • Benefits from expanded capability in wealth, insurance and institutional banking • Sharing best practice in products and service models across networks e.g. <ul style="list-style-type: none"> - St.George middle market model - Westpac 'Super for Life' product - St.George local markets model - Westpac cards expertise and analytics 	<ul style="list-style-type: none"> • Remove duplicate support infrastructure • Development of common processing and support infrastructure • Economies of scale in key servicing platforms • Benefit from renegotiation of procurement and service contracts • Eliminate need for new disaster recovery site currently planned • Drive more from investment spending "Invest once deliver twice"

Enhancing the combined balance sheet

Broader, lower cost funding	Enhanced capital and risk disciplines
<ul style="list-style-type: none"> • Utilisation of AA rating reduces combined cost of funds • Improved access to broader funding arrangements • Use of expanded distribution to improve deposit gathering 	<ul style="list-style-type: none"> • Benefit from experience of Basel II accreditation and learnings • Excellent combined asset quality • Application of enhanced risk analytics and disciplines to combined portfolio • Continuing strong franking capacity

Current environment supports strong institutions

- Current financial markets dislocation has changed the funding environment
- 'AA' rated banks well placed versus 'A' rated banks given:
 - Material pricing differential likely to persist
 - Ability to obtain higher volumes
- Funding synergies expected from the merged entity
- Term funding task of the merged entity in 2009 expected to be comfortably achieved at around \$35bn



Managing the risks

Risk	Mitigants
Funding	<ul style="list-style-type: none"> • Confident of maintaining AA rating for combined entity • All scrip transaction minimises transaction funding • Combined 2009 term funding task comfortably achievable
Attrition	<ul style="list-style-type: none"> • Proposed business model maintaining brands and existing distribution protects customer relationships • Early additional benefits to customers e.g. expanded distribution • Further building brands and brand capability
Integration	<ul style="list-style-type: none"> • Plan to establish an independent team comprising both St.George and Westpac employees • Deep knowledge and understanding of St.George culture • Extensive integration experience (Diane Sias, Peter Clare)
Government/ Regulatory	<ul style="list-style-type: none"> • Commencing dialogue with regulatory and government authorities • Confident of satisfying regulatory authorities given nature of transaction

Clear governance principles and processes

- Appropriate arrangements for Westpac CEO in place:
 - Westpac CEO's shares in St.George have been fully disclosed to Westpac Board
 - Westpac CEO does not vote on Westpac Board decisions on the transaction
 - Westpac CEO will not vote St.George shares on the scheme
- Westpac CEO's interests are aligned with Westpac shareholders:
 - Westpac CEO will only deal with Westpac scheme shares progressively over 3 years
 - Westpac CEO will maintain a significant Westpac shareholding

Transaction timeline



Summary

- Agreed merger of St.George and Westpac to create Australia's leading financial services institution
- Strong value enhancement for both St.George and Westpac shareholders
- Merger brings together two complementary organisations building on the best of both
- Substantial revenue opportunities and improved efficiency
- Nature of transaction and the skills of the participants reduces integration risks
- Completion subject to satisfactory due diligence, transaction documentation, regulatory approvals, independent expert confirming transaction is in the best interests of St.George shareholders

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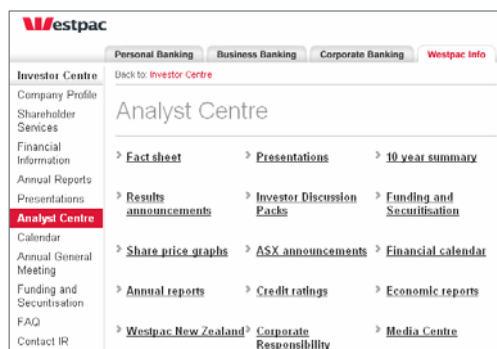
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