St.George Bank Ltd

Market Update
12 August 2008

Paul Fegan
Managing Director and CEO
Michael Cameron
Chief Financial Officer

st.george

Agenda

Progress to date	**Paul Fegan**
Funding, credit quality and capital	**Michael Cameron**
Business priorities, proposed merger and management targets	**Paul Fegan**

Progress to date…

- ‘On track’ to deliver 8-10% EPS growth in FY08
- FY08 term funding 100% complete in Jun-08, $3.3bn already raised for FY09
- Credit quality remains very good despite slowing operating environment
- All businesses delivering solid performances despite challenging conditions
- Solid business volumes growth and margin performance, with retail deposits particularly strong

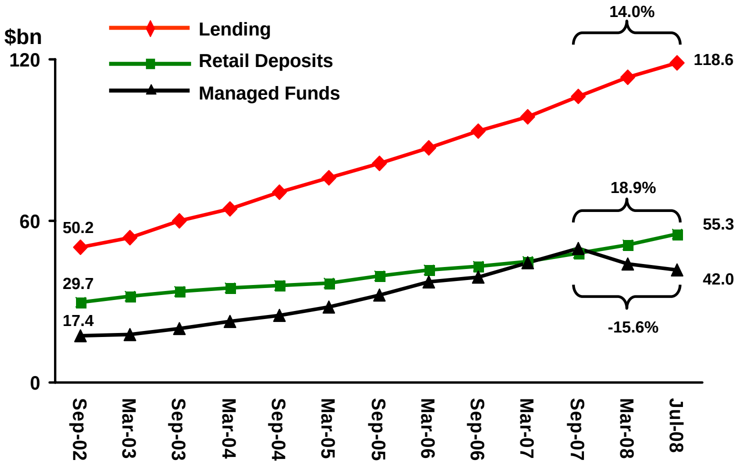
Earnings performance to date

	10 months to Jul-08	10 months to Jul-07	Change %
Cash profit*	$1,073m	$954m	12.5
Revenue*	$2,955m	$2,706m	9.2
Expenses*	$1,196m	$1,149m	4.1
Return on equity*	21.2%	23.2%	-

Return on equity annualised

*Cash basis excludes the impact of hedging and non-trading derivatives volatility and significant items

Continued solid business volumes growth

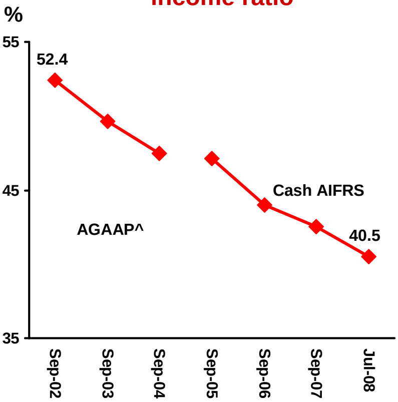


Retail deposit growth rate exceeding lending receivables growth

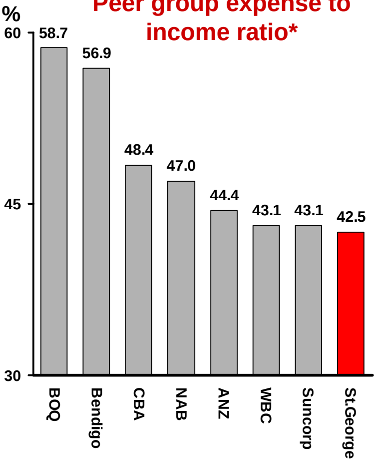
Percentages Sep-07 to Jul-08 annualised

Effective cost management (efficiency ratio)

St.George expense to income ratio



Peer group expense to income ratio*



St.George remains the most efficient Australian bank

St.George 40.5% expense to income ratio is 10 months to Jul-08.

^Excluding goodwill and before significant items. *Ratios are from the most recent half year profit announcements

Credit quality remains very good

Net impaired assets/net receivables*

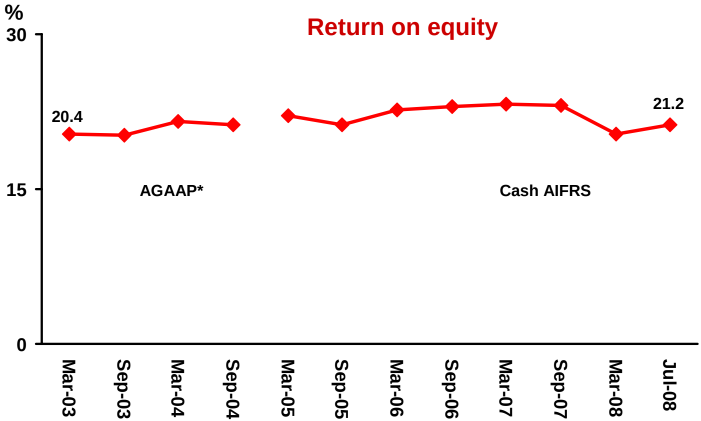
	Mar-08 %	Sep-07 %	Mar-07 %
St.George	0.12	0.10	0.10
Average of majors	0.19	0.14	0.12

- No exposures to:
  - US or domestic sub-prime lending
  - CDO, CLO or CDS
  - hedge funds
- No offshore operations
- Consumer credit quality remains very good
- Business banking credit quality remains strong
- No new significant 'single name' exposures, existing exposures reduced
- Collective provision represents almost three years of average bad debts expense^

Overall credit quality very good despite increasingly challenging operating environment

^Three times the average over six years. *Source: market releases by major banks. Includes securitisation and bill acceptances. Net impaired assets data restated in accordance with the requirements of Accounting Standard AASB 7, which becomes effective for the 30 Sep-08 reporting period

Return on equity



Consistently high return on equity

*After preference dividends, before significant items and goodwill, annualised

What we said we would deliver in 2H08

	On track
• 100% FY08 funding complete, FY09 pre-funding commenced	✓
• Full period run rate impact of:	
- product repricing	✓
- free funds benefit of Nov-07 capital placement	✓
- costs disciplines initiated in 1H08	✓
• Stabilisation of earnings from SGIA investment portfolio	✓
• Reduced costs related to realignment of mortgage broker commissions	✓
• Reduced individual provisioning charge in 2H08 versus 1H08	✓
• Superior to peer overall credit quality	✓

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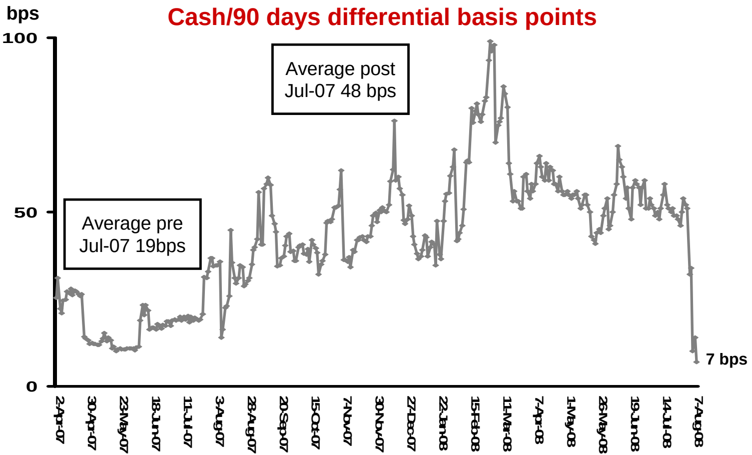
Funding – cash to 90 days differential



Cash/90 days differential is a source of increased funding costs for all banks

Funding

Total funding by source as at 31 Jul-08^

	$bn	%
Retail	55.3	42
Short term wholesale	35.5	27
Term wholesale	20.6	16
Securitisation	16.4	13
Subordinated debt	2.4	2
Preference shares	0.7	0
Total	**130.9**	**100**

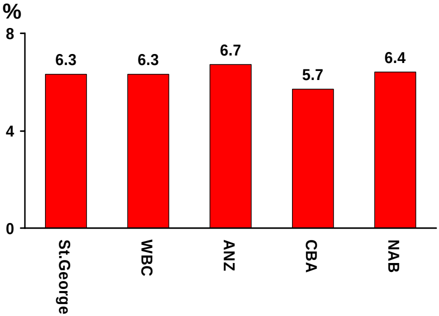
- St.George maintains diversified funding sources
- 13% of funding from securitisation has reduced St.George's immediate demand for committed term wholesale funding
- AA versus A+ rating* is most relevant for term wholesale funding and subordinated debt
- Excluding securitisation St.George's proportion of term wholesale funding is 16%, which is lower than our peers

Notwithstanding our successful funding program to date, access to markets and pricing remains challenging for all borrowers due to the expected volatility and potential worsening of markets

^Includes bank bill funding. *Aa2 Moodys

Funding – maintaining competitiveness

Average rate on interest bearing liabilities



Looking forward

- If funding benefit to AA versus A+ persists for next four years and assuming:
  - an additional 30bps for term and 10bps for short term wholesale; and
  - St.George replaces all existing funding
- Then St.George's funding costs would be 10-12bps over the majors

St.George's total cost of funds is currently similar to the major banks

Based on the most recent half year profit announcements

Funding – the efficiency offset

Expense to Income ratios*

	%
St.George	42.5
WBC	43.1
ANZ	44.4
NAB	47.0
CBA	48.4

- St.George's expense to income ratio is 40.5% for the 10 months to Jul-08
- A 1% expense to income advantage over the major banks allows St.George to absorb additional funding costs of $89m or 6-8bps without impacting competitiveness
- St.George's current expense to income advantage over the average of the majors is >3%

St.George's current efficiency advantage of >3% is equivalent to approximately 20bps of additional funding costs

*Expense to incomes are based on the most recent half year profit announcements

Other key information

Term debt issuances since 31 Mar-08

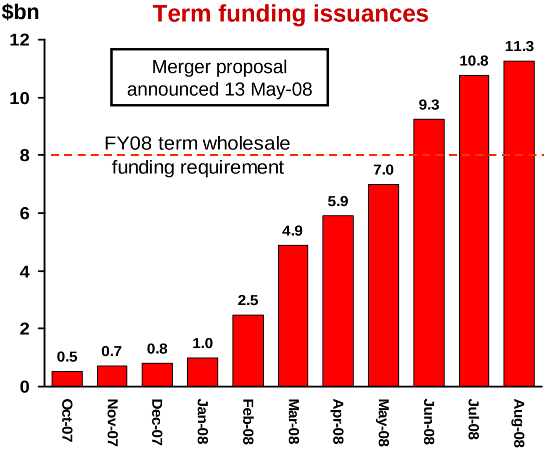
Date	Currency	Description	Pricing	Term yrs	Amount $bn*
Apr-08	EUR	Term	3mo Euribor +140bps	3.2	0.2
May-08	AUD	Subordinated	3mo BBSW +275bps	5.0	0.7
Jun-08	EUR	Term	Euribor +140bps	5.0	1.5
3rd Qtr	Mixed	Term-Private	n/a	1.6	2.0
Jul-08	AUD/ EUR	Auto securitisation	1mo BBSW +80bps / 3mo Euribor +120bps	Up to 5.0	1.2
4th Qtr	Mixed	Term-Private	n/a	1.3	0.8

100% complete in FY08 and $3.3bn issued for FY09

Notes

*Australian dollar equivalent

Funding – maintaining an appropriate term



- Average weighted maturity of committed funding is unchanged from Mar-08 at 26 months
- Since 31 Mar-08 St.George has raised $5.2bn of term debt funding with an average weighted maturity of 29 months

St.George has successfully maintained an appropriate average duration for its term funding

*Excludes $1.2bn auto securitisation transaction

FY09 - the funding task

Impact of credit and deposit growth on FY09 term funding

$bn		Retail deposits growth		
		14%	**12%**	**10%**
Asset growth	**10%**	9.6	10.0	10.4
	11%	10.1	10.5	10.9
	12%	10.6	11.0	11.4
	13%	11.1	11.5	11.9
	14%	11.6	12.0	12.4
	15%	12.1	12.5	12.8

FY09 expected term wholesale funding requirement*

	$bn
St.George	11-12
WBC	20-25
ANZ	30
NAB	27
CBA	24-26

St.George represents less than 10% of total term funding requirements for the Australian banks in FY09

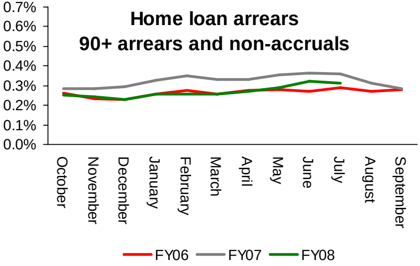
*Source: Market releases by major banks

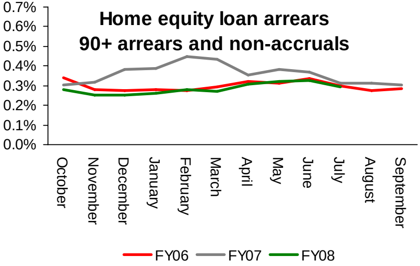
Overall credit quality remains very good

- St.George is domestically focused with no offshore operations
- No exposure to Collateralised Debt Obligations (CDO), Collateralised Loan Obligations (CLO) or Credit Default Swaps (CDS)
- No exposure to US or domestic sub prime
- No exposure to stock lending or hedge funds
- 63% of lending assets in residential mortgages
- Houses in possession stable at 87, representing only 0.02% of total portfolio
- Approximately 95% secured in Middle Market lending
- Reducing exposures to previously announced ‘single name’ exposures

Conservatively managed with prudent policies and well placed compared to peers in terms of business mix and security levels

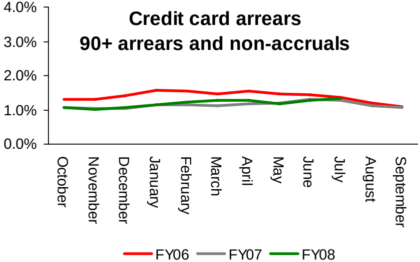
Strong housing loan arrears performance

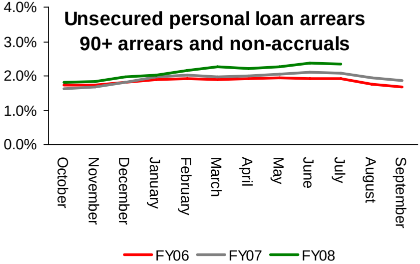




- Home loan 90+ days arrears lower than Jul-07
- Home equity loan 90+ days arrears stable compared to Jul-07
- Some deterioration expected due to moderating economic environment and higher interest rates
- Overall arrears remain within expected ranges and manageable
- 73.9% LVR for mortgages written from Sep-07 to Jun-08, LVR for total mortgage portfolio stable at <40%

Stable consumer loan arrears performance





Credit cards

- Credit card arrears stable compared to Jul-07
- Credit cards represent 1.4% of total lending assets

Personal loans

- Personal loan arrears higher than Jul-07, but remain low in absolute terms
- Unsecured personal loans represent 2.2% of total lending assets

Unsecured personal loans have been de-emphasised for 2 years

Other key information

Notes

Revaluation movements in SGIA investment portfolio

SGIA $m	Jul-08*	Jul-07*	Change
Revaluations	(31)	28	(59)
Tax	9	(8)	17
After tax	(22)	20	(42)

*10 months to July of each year

SGIA investment portfolio

- 65% of equity exposure to investment markets hedged during May and Jun-08
- Hedges reduces the effective equity exposure within the SGIA investment portfolio to less than 10%, down from 33% at Mar-08
- As at 30 Jun-08 SGIA investment portfolio totalled $390m
- Underwriting is strong and losses remain extremely modest in absolute number and dollar terms

SGIA investment portfolio repositioned for improved capital efficiency and reduced volatility

Strong capital position, excess liquidity

Current positioning as at 31 Jul-08

- Tier 1 capital 6.74%, minimum 6.25%
- $335m of excess capital held, sufficient to support $9bn of RWA growth^
- Liquidity high at 13% with c.$5bn excess over minimum requirement

FY08 capital management initiatives

- $759m institutional capital placement in Nov-07
- $392m non-innovative convertible preference share issuance in Dec-07
- $76m in Dec-07 DRP*, $151m in Jul-08 DRP (after 2.5% discount)
- $85m Share Purchase Plan in Mar-08
- $336m of Auto asset backed securities securitised in Mar-08 and $1,236m in Jul-08, improving capital position by a net 3bps and 8bps respectively^^

Strongly capitalised to support expected growth in FY08 and into FY09

*Dividend Reinvestment Plan. ^Including internally generated capital over the same period. ^^After capitalised/other costs

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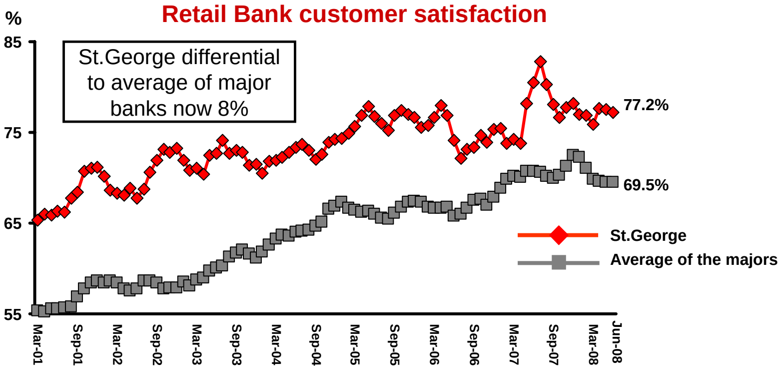
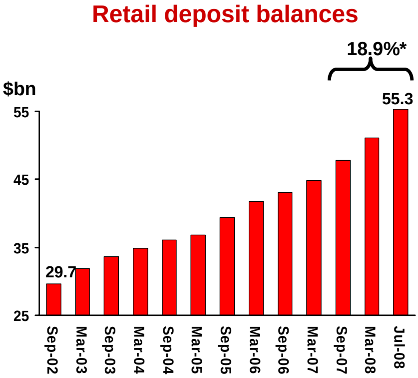
Customer satisfaction offering still distinctive



Extending service leadership while still making tough commercial decisions

Source: Roy Morgan Research Jun-08 rolling 3-mth average respondents (aged14+) with transaction accounts at institution

Deposits – growth providing funding offset



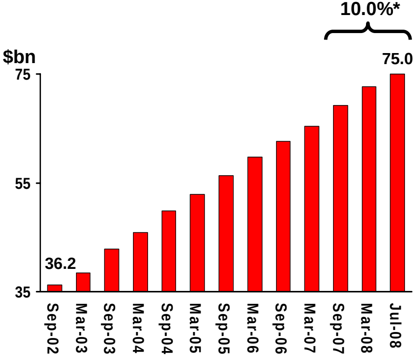
- 24% annualised growth Mar-08 to Jul-08
- Balance growth benefiting from:
  - flight to quality
  - focus on core offering
  - leverage of wealth and commercial relationships
- 34% annualised growth in commercial deposits Mar-08 to Jul-08
- Margin performance remains strong
- Robust growth levels providing a mitigate to challenging funding markets

Outstanding retail deposit growth exceeding growth in retail lending

*Annualised percentage Sep-07 to Jul-08

Home Loans – focusing on profitable segments

Residential receivables



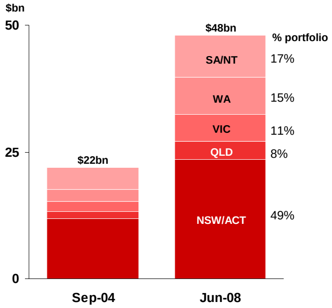
- 10% annualised growth Mar-08 to Jul-08
- Housing volumes slowing in line with sector as consumers are impacted by higher interest rates, food and petrol prices and slowing economy
- Run-off rate^ 14.7%, down from 15.2% in Jul-07
- Broker commissions realignment has improved channel profitability without impacting volumes
- Houses in possession stable at 87
- <1bps loan loss rate

Credit quality and arrears performance remains excellent

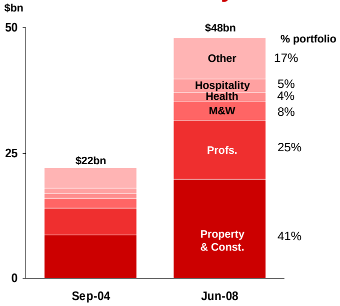
*Annualised percentage Sep-07 to Jul-08.
^Jul-08 annualised run-off rate includes contractual repayments, discharges and pre-payments

Other key information – Commercial footings

Balance sheet footings by state^



Balance sheet by footings by industry^

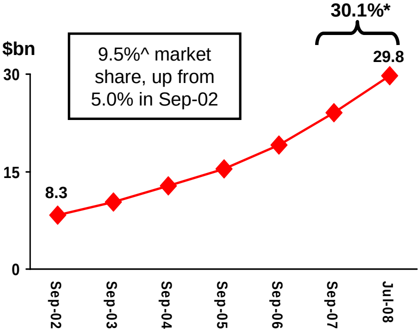


Target industries are professionals, manufacturing and wholesale, health, leisure and hospitality and property

^Includes St.George Institutional & Business Banking and BankSA total commercial lending and deposits

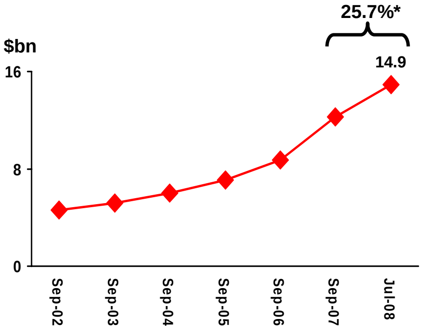
Middle Market – outstanding performance

Total middle market receivables



- 25% annualised growth Mar-08 to Jul-08
- 30% annualised growth Sep-07 to Jul-08

Total commercial deposits



- 34% annualised growth Mar-08 to Jul-08
- 26% annualised growth Sep-07 to Jul-08

Credit quality remains strong though some deterioration is expected going forward given the current operating environment

*Annualised percentage Sep-07 to Jul-08.

^Cannex derived market share, from Mar-06 impact of leveraged buy out transactions are excluded

Other key information – Middle Market

Loan size $m	Sep-04 Proportion of balances	Jun-08 Proportion of balances
<1	19%	10%
1 – 5	31%	21%
5 – 10	17%	12%
10 – 20	15%	12%
20 – 50	13%	18%
50-100	5%	14%
100-150	0%	8%
150-200	0%	3%
>200	0%	2%
Total	100%	100%

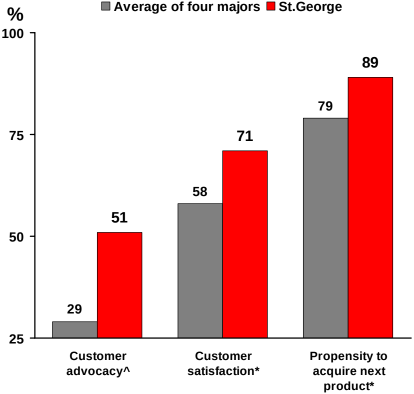
- >60% of the large customers have been with us since 2004
- 73% of the total portfolio balances are <$50m
- c.90% of business >$50m is in target industries
- c.95% of portfolio secured, >80% secured by property
- Average new loan size is c.$5.5m

64% of new business is sourced from existing customers

Asset figures include IBB and BankSA commercial balances

Middle Market – leader in customer retention

Relationship management



Customer retention

- 93% of customers have maintained their relationship with St.George^^
- 64% of new business sourced from existing customers

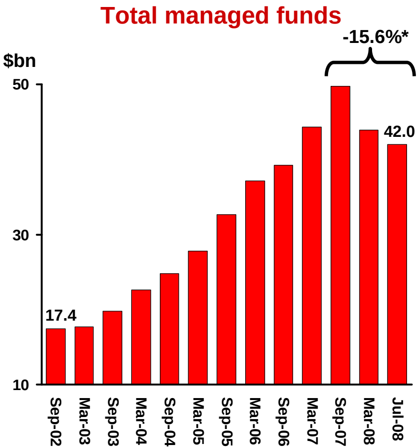
Expected churn**

- 0% of St.George customers are considering changing banks in the next 6 months
- 17% of major bank customers are considering changing

Industry leading levels of staff engagement and customer retention moderating impact of slowing operating environment

*Source: Jones Donald Customer Satisfaction Survey Sep-07, ^Customers who would 'definitely recommend their bank'. ^^Sep-06 customers who are still with St.George, 7% attrition rate includes customers who have repaid debt, been acquired or closed their businesses. **East & Partners - Australian Commercial Transaction Banking Markets Survey Aug-07

Wealth Management



- Total managed funds down 4.4% since Mar-08
- Asgard top 4 in industry for net flows^
- Continuing to heavily invest in underlying infrastructure
- 10.1%** increase in financial adviser numbers

Industry leading levels of customer retention and service delivering a solid performance notwithstanding volatile markets

*Percentage Sep-07 to Jul-08, excludes Securitor balances. **Percentage Mar-07 to Mar-08.
^Plan for Life Mar-07 to Mar-08 Quarterly Data System

New life insurance partner announced

- On 4 Aug-08 St.George announced global insurer American International Group, Inc. (AIG) will be its new life insurance partner
- AIG will provide a range of services to St.George Life
- AIG will also be the insurance partner for St.George Wealth Management's superannuation platform business, Asgard Wealth Solutions
- Together AIG and St.George are strongly positioned to lift the sale of life insurance to the Group's existing customer base and the broader community and help address the significant level of underinsurance amongst Australians

AIG's experience, leading technology, excellent claims management and commitment to customer service will provide important benefits as St.George looks to accelerate growth in its insurance businesses

Proposed merger timetable progressing

Calendar of events*

ACCC Statement of Issues released	23 Jul-08
ACCC final decision announced	20 Aug-08
Regulatory approvals obtained	29 Aug-08
Scheme booklet registered by ASIC and lodged with ASX	19 Sep-08
Scheme booklet mailed to St.George shareholders	by 29 Sep-08
St.George 2008 final result and dividend announcement	29 Oct-08
Westpac 2008 final result and dividend announcement	30 Oct-08
St.George EGM and Scheme meeting	early to mid Nov-08

*Timetable is based on best estimates of the parties and is subject to change

Sector outlook

- National home loan credit growth has continued to slow. Rate cut speculation may provide boost to lending in coming months
- National business lending growth moderating
- RBA has now adopted an easing bias and there is now the possibility of an official rate cut as soon as next month. Markets are factoring in two official rate cuts by the end of this calendar year
- Credit markets dislocation to persist in the medium term
- Investment market volatility likely to continue
- Australian economy continues to slow but remains resilient

FY08 guidance

		On track
EPS growth FY08	**8-10%***	✓
Cost to income	Manage to low end of peer group	✓
Capital	Maintain a prudent buffer above our Tier 1 minimum of 6.25%^	✓
Credit quality	Maintain positive differential to majors	✓
Customer satisfaction	Maintain positive differential to majors**	✓

^Additional APRA review scheduled as part of Basel II transition. *Targets exclude impact of hedging and derivatives and assumes a reasonably sound economic environment and no further one-off material credit losses.
**Roy Morgan Research Apr-08 rolling 3 mth average respondents (aged 14+) with transaction accounts at institution

In conclusion

- ‘On track’ for 8-10% EPS growth in FY08
- FY08 funding 100% complete, pre-funding of FY09 commenced
- Credit quality very good, supported by conservative credit culture, prudent policies, high levels of security and ideal business mix for current challenging operating environment
- All businesses and products continuing to deliver solid performances in a slowing economic environment
- Customer satisfaction and staff engagement levels remain high
- Proposed merger timetable progressing

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Appendix

Australian and NSW economy

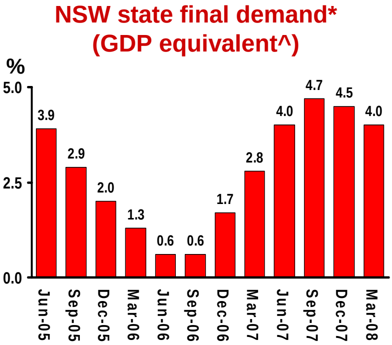
Update of Middle Market data

Australian economy

- Commodity price support for the economy continues with coal, iron ore and gold (top 3 merchandise exports) at or near record prices
- Australian economy grew by 3.6% in the year to Mar-08 quarter, close to long-run average
- Australian economic growth expected to slow in coming quarters, but slowdown should resemble a ‘soft’ landing
- Established house prices lifted by 8.2% in the year to Jun-08 quarter. Tighter financial conditions, including higher interest rates, are dampening housing activity. But rising rents, falling vacancies, and high immigration levels are providing some support
- Trade patterns have changed. Japan is still our largest export market, but China now the 2nd biggest with the United States ranked 4th
- Rising terms of trade, driven by large price rises for coal and iron ore (top 2 goods exports), are giving an income boost to the economy

Data Sources: EcoWin, Consensus Economics, IMF, ABS

NSW economy



NSW contributes one third of the national economy

- NSW unemployment rate averaged 4.5% in the first half of this year, not far from historic lows
- Residential vacancy rates remain tight at around 1.0%
- Sydney's median house prices rose by 4.4% in the year to the Jun-08 quarter
- Overseas migration remains strong at 54,900pa
- State government activities and plans for spending are underpinning business and public sector investment
- Private capital expenditure now growing at double digit annual rate

*12 month annual percentage change, seasonally adjusted ^Excludes import and export data. Source: ABS

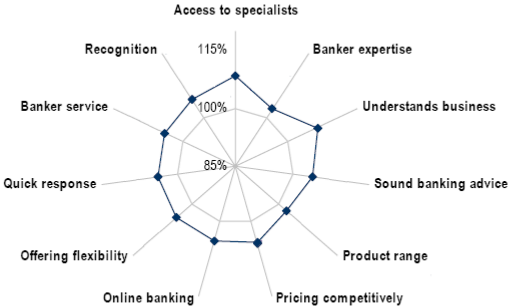
Appendix

Economic outlook

Update of Middle Market data

Delivering superior service across the range of customer needs

Medium size business ratings



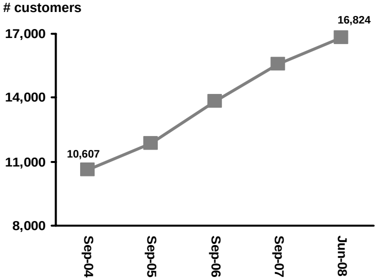
Industry leading customer service delivered through unique relationship model

- Rigorous recruitment and promotion criteria
- Low number of customers to relationship managers by industry standard
- Continuity of relationships maintained through team approach
- Consistent adherence to proven high touch relationship model

Source: TNS Business Finance Monitor and Merrill Lynch analysis, Australian Banks – Business Banking Review 12 months to May-08

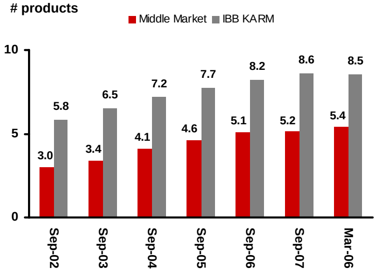
More customers and more business with existing ones

Relationship managed customers



26% annualised growth in new customers*

Products per customer

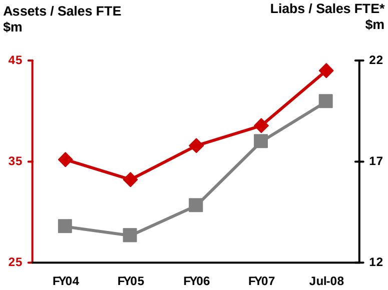


Deepening of relationships with existing customers

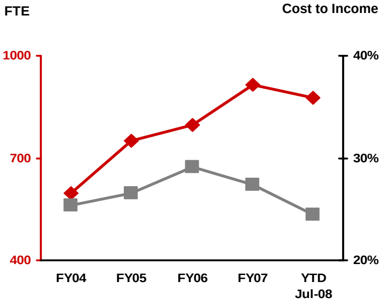
KARM = Key Account Relationship Management. *26% growth since Sep-07 excluding BankSA

Productivity and efficiency focus continues

Productivity



Efficiency



Market leading cost to income ratio delivering highly productive growth

Property exposure by state

Percentage of total commercial exposures

State	<$40M		>$40M	
	C&D	Inv	C&D	Inv
NSW / ACT	3.9%	12.3%	1.8%	8.0%
QLD	0.6%	2.3%	0.5%	1.8%
VIC	0.5%	2.6%	0.4%	1.6%
WA	0.8%	4.1%	0.3%	1.7%
SA / NT	1.3%	5.4%	0.2%	1.0%
TOTAL	7.2%	26.7%	3.2%	14.1%

- Construction and development exposure >$10M represents 6.5% of the total commercial book with average LVR at 65%
- Construction and development portfolio is spread over 83 different builders
- Total listed property trust exposure is ~$3.2bn with an average loan to value ratio of <65% (maximum 70%)

Property exposures well diversified

Asset balances include IBB and BankSA commercial balances. C&D = Construction & Development. Inv = Investment

Crusade CP No.1 – Asset backed commercial paper conduit

- Currently $1.1bn on issue*
- Diversified and highly rated portfolio
- Contains no CDOs and has no exposure to offshore markets
- Issuing margins have improved in recent months
- Remains fully funded and has not drawn liquidity

*Net outstandings as at 31 Jul-08

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