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11 April 2008

FEDERAL COURT DECISION CONCERNING AMENDED TAX ASSESSMENTS ON DEPOSITARY CAPITAL SECURITIES ARRANGEMENT ("DCS")

As previously reported to the market, St.George has been in a long standing dispute with the ATO relating to interest deductions claimed by St.George for the tax years 1998 to 2003 in respect of the subordinated debentures ("the Debentures") issued to St.George Funding Company, LLC ("LLC") as part of the DCS transaction completed back in June 1997.

The Federal Court heard this matter on 25-27 July 2007 and its decision was handed down this afternoon. The Federal Court held that the interest payments made by St.George under the Debentures were not deductible for tax purposes.

The financial impact to St.George of the Federal Court's decision is a liability of \$117 million (after-tax) representing primary tax of \$84 million and interest of \$24 million (after-tax) and a \$9 million tax benefit recognised in the 2004 year relating to interest expense on the debentures.

St.George is reviewing the judgment carefully with its legal counsel to determine if it will appeal. In the meantime, St.George will recognise a \$117 million charge to its profit and loss for the half year ended 31 March 2008. This will be disclosed as a significant item. St.George will not need to raise any additional capital as a result of the liability as it has sufficient capital from its recent capital raisings to continue to meet its Tier 1 capital adequacy target range requirements.

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