

15 September 2008

St George Bank Limited

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Dear Shareholder

St.George and Westpac Agree to Special Dividend and Revised Merger Terms

I am writing to update you about an important and positive development in relation to the proposed merger between St.George and Westpac Banking Corporation.

Last week, on 8 September, St.George and Westpac announced a revised merger proposal, including agreement to the payment of a special dividend to St.George shareholders.

This dividend will be paid in addition to the 2008 final dividend. This recognises the loyalty of St.George shareholders to the Bank in the context of the merger proposal. It is proposed to be paid in conjunction with a package of measures designed to increase the likelihood of completion of the merger transaction and accelerate the benefits of the merger.

Westpac has agreed to this special fully franked dividend payment on the basis that the total of the final dividend plus the special dividend does not exceed \$1.25 per St.George share.

This represents an increase of up to \$0.28 per share in total potential dividends payable to you and will be paid at the same time as the final dividend in December 2008.

The amount and other details concerning the special dividend will be announced when the St.George annual results are released and the 2008 final dividend is announced on 29 October 2008.

Under the revised merger proposal, St.George shareholders will still receive 1.31 Westpac shares for each St.George share they own, as well as the final dividend and special dividend.

Your Board always considered this to be a compelling proposal. Our initial opinion has now been supported by the Independent Expert, Grant Samuel, who considers that the proposed merger is fair and reasonable and has therefore concluded that in its opinion, the proposed merger is in the best interests of St.George shareholders, in the absence of a superior proposal. A summary of the Independent Expert's report will be included in the scheme documentation and I encourage you to read it.

Revised Merger Terms

The revised merger terms also include:

- A package of measures designed to increase the likelihood of the merger proceeding and ensure we realise the benefits of the merger for all shareholders more quickly; and
- A break fee of \$100 million, payable by St.George in specified circumstances, including a change in the St.George Board's unanimous recommendation of the merger proposal.

Steps will now be taken to minimise integration risk, including a jointly developed strategy to maximise customer retention.

The St.George Board believes the revised merger proposal is a very positive outcome for St.George shareholders and the Board unanimously recommends shareholders vote in favour of the merger, in the absence of a superior proposal.

The revised terms recognise the strength St.George brings to the combined group and to that end, Westpac remains committed to maintaining the St.George branch and ATM networks and its customer-focused culture.

As previously outlined, the St.George brands, including BankSA and Asgard, will be retained and a corporate presence will also be retained in Kogarah.

Together, Westpac and St.George will have a AA credit rating, with a strong capital base and broad-based funding to support future growth.

Next Steps and Key Dates

As a shareholder, you do not need to do anything at this time.

Under the merger timetable, a scheme booklet including full details of the merger proposal, a summary of the Independent Expert's report and instructions on how to vote, is expected to be dispatched to St.George shareholders in mid October.

The scheme meeting is expected to be held on 13 November 2008. Details of the meeting, including the time and venue, will be included in the scheme booklet.

You may be aware the Australian Competition and Consumer Commission (ACCC) has announced it will not oppose the merger. The merger also requires approval from the Federal Treasurer.

Further information about the proposed merger is available at stgeorge.com.au or you can contact the Shareholder Information Line on 1800 804 457 (within Australia) or +61 3 9415 4024 (outside Australia).

On behalf of the Board, I would again like to thank shareholders who have contacted us to provide their feedback on the proposed merger. Your continued support and feedback on this significant transaction is important and very much appreciated.

Yours sincerely,



John Curtis
Chairman