

25 June 2008

Dear Shareholder,

St. George's record interim results

I was delighted to report recently that the Group had achieved another record interim cash profit of \$603 million, which was up by 6.2% from March 2007.

As a result, the Board has been able to pay an increased fully franked interim dividend of \$0.88 per share, which is up 7.3% from this time last year.

This is a strong result, achieved against the backdrop of a challenging operating environment of uncertain credit markets, increasing oil prices, rising interest rates, increasing inflation and a slowing Australian economy.

During a period of market volatility, the financial position of the Group has been strengthened and underlying performance remains excellent. Our growth prospects continue to be very positive given our strong business momentum and credit quality.

Importantly, our capital position remains very strong with our Tier 1 capital adequacy ratio being 6.75%, as at 31 May 2008, well above the minimum ratio of 6.25%. We have also completed all our term wholesale funding requirements for the 2008 financial year, well ahead of schedule and we have already made a start for the 2009 financial year. These capital and funding positions are very pleasing.

The Group's credit quality is excellent, and remains better than the average of the four major banks in regard to net impaired assets. We, of course, remain very vigilant in this area.

During the first half, our deposits grew above system by an annualised 14% to \$51.1 billion, while our home loans grew by an annualised 10% for the six months.

Business lending to the Middle Market was again very strong and grew by an annualised 31%.

Our customer satisfaction levels continue to be a standout compared to our competitors, with the difference to the major banks now 8% up from 4% in March 2007. This is something in which St. George takes great pride.

On the back of this strong performance, we will continue to pursue our customer-focused growth strategy by continuing to invest in our people, branches and systems throughout Australia.

Update on proposed merger with Westpac

I wanted to also take this opportunity to update you on the proposed merger with Westpac.

Since I last wrote to you in May 2008, we have signed a Merger Implementation Agreement (MIA) with Westpac. While this is a significant step, there is still some way to go, including obtaining government and regulatory approvals. Of course, the proposal must also be put to shareholders.

We currently expect that you will receive a scheme booklet, which sets out details of the proposed merger, by early October 2008, with a shareholder meeting expected to take place by early November 2008 where you will have the opportunity to vote on the proposed merger.

As you will recall, under the proposal you will receive 1.31 Westpac ordinary shares for each St.George ordinary share that you hold. The merger is expected to be cash earnings per share accretive for St.George shareholders from the first full year of the merger.

Most importantly, full capital gains tax rollover relief is generally expected to be available for Australian resident shareholders for the Westpac shares they receive.

Shareholders will also receive a final dividend for the 2008 financial year, based on St.George's performance, which is anticipated to be consistent with our usual dividend payout ratio. Further details will be announced with our full year financial results.

The Board intends to recommend the merger proposal subject to it remaining in the best interests of St.George shareholders. This recommendation will also be subject to an Independent Expert's report confirming the proposal is in shareholders' best interests and no superior proposal emerging.

I will continue to update you on any developments regarding the proposed merger. In the meantime, it is business as usual for St.George, its shareholders, customers and staff.

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

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).

Finally, I would like to thank shareholders who have contacted us to provide their feedback on the proposed merger. These are significant and complex considerations and the Board and I really appreciate your continued support and comments.

Yours sincerely,



John Curtis
Chairman

Additional information for shareholders - Unsolicited Share Offer

On another note, an organisation named "Hassle Free Share Sales Pty Ltd" has recently requested a copy of the St.George share register, which we are required by law to provide them. If you receive an unsolicited offer to purchase your St.George shares you should read the documentation carefully and seek independent financial advice.

Often these offers are significantly below the market value and seek to take advantage of any uncertainty in shareholders' minds. Accordingly, St.George shareholders who accept an unsolicited offer of this nature may be at a financial disadvantage relative to what they would receive if they sold their shares on market.

Please note your Board **does not** recommend any offer from "Hassle Free Share Sales Pty Ltd".