st.george

To: **Companies Announcements**
Australian Stock Exchange Limited

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Subject:	**Shareholder mailing**
Date Sent:	18 May 2008

I attach a letter sent to shareholders today by the St.George Bank Chairman, Mr John Curtis.

Yours sincerely

Michael Bowan
General Counsel and Secretary

18 May 2008

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Dear Shareholder

Proposed St.George and Westpac Merger

I am writing to you concerning the proposal St.George received from Westpac Banking Corporation to combine our two businesses, and to explain why your Board has agreed to put this proposal to shareholders for their consideration.

Given our unique position in the sector, the Board has considered one of its core responsibilities to be an ongoing review of the Australian banking landscape. As such, we were highly prepared for any approach.

The merger proposal put by Westpac late Friday 9 May, acknowledged the inherent value that St.George will bring to the merged entity. The proposed offer values St.George ordinary shares at $18.6 billion or $33.10 per share, based on the closing share price of Westpac shares on 9 May 2008 (adjusted for their interim dividend), representing a premium of 28.5% to St.George's closing price on that day (adjusted for its interim dividend).

The St.George Board met on a number of occasions from 9-12 May and carefully and thoroughly examined the proposal with our advisers.

The issues we considered important in our deliberations included: the value of the offer (being 1.31 Westpac shares for each St.George share); the proposed business operating model that would maintain the unique St.George brand, culture and comprehensive branch network; and the recognition that St.George would bring great value to this partnership.

There is no agreed formula for weighting each of these elements, but in a share-exchange transaction, where an overwhelming majority of our shareholders are expected to retain shares in the merged entity, the proposed business operating model and the value that St.George can bring to the partnership have a much higher relevance than in an all-cash deal.

As a result of these factors, the Board believes that St.George and its shareholders are in a strong position - we have an attractive proposal, which we think offers real benefits to St.George and its shareholders.

Under the Westpac proposal, the St.George culture and customer focused business model would be incorporated in the combined business with the objective of increasing shareholder value for all.

The next step is to complete the due diligence process at which time we will be able to communicate further with you.

Your Board's recommendation is subject to no superior proposal emerging, as well as an independent expert's report confirming that the proposal is in the best interests of St.George shareholders. Importantly, there is no break fee payable to Westpac in the event that circumstances change materially and the Board determines that it is in the best interests of shareholders to withdraw our recommendation.

There is still a long way to go in this process before we will be in a position to convene a meeting of St.George shareholders to consider and vote on the proposal. If you approve the proposal, St.George shareholders will own approximately 28 per cent of Australia's largest financial institution and the country's second biggest publicly-listed company.

It is important to note that even if this proposal is not implemented, St.George continues to be in a very strong stand-alone position.

We have an outstanding brand, a very successful strategy underpinned by a strong core business and capital position, and a growing deposit base, with over 84 per cent of our funding requirements completed for this year.

We have attached some additional information concerning the merger proposal, and will keep you informed of developments. However, please be aware that as shareholders, **you do not need to do anything at this time.**

In the meantime, if you have any questions please call the St.George Bank Shareholder information line on 1800 804 457 or (international) +613 9415 4024.

Yours sincerely

John S Curtis
Chairman

ADDITIONAL INFORMATION

Proposed St.George and Westpac Merger

- The offer is 1.31 Westpac shares for each St.George share.

- The proposed offer values St.George ordinary shares at $18.6 billion or $33.10 per share, based on the closing share price of Westpac shares on 9 May 2008 (adjusted for their interim dividend), representing a premium of 28.5% to St.George's closing price on that day (adjusted for its interim dividend).

- Under the merger, St.George shareholders will own approximately 28% of the combined entity and will share in the expected benefits of combining the two organisations.

- St.George shareholders will still receive the St.George interim dividend of $0.88 per share payable on 2 July 2008 but will not receive the Westpac interim dividend. St.George shareholders will also receive a final dividend reflecting the St.George Group's performance.

- It is proposed that three St.George Directors will join the Westpac Board, including the St.George Chairman, John Curtis, who will become the Deputy Chairman of the merged group.

- Full Capital Gains Tax (CGT) rollover relief is expected to be available for shareholders in respect of the Westpac shares they would receive under the proposal.

- The merger is subject to various conditions including regulatory and government approvals.

- All Westpac and St.George brands, including BankSA and Asgard, would be retained.

- It is intended there will be no net reduction in branch or ATM numbers. A corporate presence will also be retained in St.George's Kogarah headquarters in Sydney. The focus will be on investing more in front-line services.

- The combined 10 million customers would benefit from an enhanced offering in terms of product range, expanded distribution and financial strength, and the preservation of their relationships with existing employees, products, customer touch points and branding.