St.George Converting Preference Shares (CPS) Prospectus

for the offer of 2.5 million CPS for $100 each to raise up to $250 million, with the ability to accept oversubscriptions for up to a further $50 million.

Applications must be for a minimum of 50 CPS ($5,000).

Issuer

St.George Bank Limited
ABN 92 055 513 070

Structuring Adviser and Joint Lead Manager

UBS Investment Bank

Joint Lead Manager

Goldman Sachs JBWere

Co-Managers

Bell Potter Securities Limited
Goldman Sachs JBWere Pty Ltd
Ord Minnett Limited
St.George Bank Limited
UBS Wealth Management Australia Limited

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Important information

About this Prospectus

This Prospectus relates to the offer of 2.5 million St.George Bank Limited (St.George) Converting Preference Shares (CPS) for $100 each to raise up to $250 million, with the ability to accept oversubscriptions for up to a further $50 million (Offer).

This Prospectus is dated 8 November 2006 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. The expiry date of this Prospectus is 8 December 2007. No CPS will be allotted or issued on the basis of this Prospectus after the expiry date.

ASIC and Australian Stock Exchange Limited (ASX) take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

Defined words and expressions

Some words and expressions used in this Prospectus have defined meanings. These words and expressions are capitalised and are defined in the Glossary in Section 8.

The definitions specific to CPS are in clause 9 of the Terms of Issue in Appendix A.

A reference to dollars, $, A$ or cents in this Prospectus is a reference to Australian currency. A reference to time in this Prospectus is a reference to Sydney, New South Wales, Australia time.

Exposure Period

The Corporations Act prohibits St.George processing Applications in the seven day period after the date this Prospectus was lodged with ASIC. This period is referred to as the Exposure Period and ASIC may extend this period by up to a further seven days (that is up to a total of 14 days).

The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants before the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period.

Prospectus availability

This Prospectus will be available electronically during the Exposure Period and the Offer Period at **www.stgeorge.com.au/about/investor**. If you access an electronic copy of this Prospectus, then you should see the section below. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

You can also request a free paper copy of this Prospectus by contacting the **St.George InfoLine on 1800 804 457**.

Electronic access to Prospectus

The following conditions apply if this Prospectus is accessed electronically:

- you must download the entire Prospectus from **www.stgeorge.com.au/about/investor**;
- your Application will only be considered where you have applied on an Application Form that accompanied a copy of the Prospectus; and
- the Prospectus is available electronically to persons accessing and downloading or printing the electronic version of the Prospectus in Australia.

Applications for CPS

You should read this Prospectus in full before deciding whether to apply for CPS. If, after reading this Prospectus, you are unclear or have any questions about the Offer, you should consult your financial adviser or other professional adviser.

For information on who is eligible to apply for CPS under the Offer and how to make an Application – see Section 3.

No withdrawal of Application

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act. However, if you lodge your Application Form during the Exposure Period, you will be able to withdraw your Application before the Opening Date.

Allotment of CPS

If CPS are accepted for quotation on ASX and if St.George does not cancel the Offer, St.George expects to allot CPS on 19 December 2006.

If you are allotted and issued less than the number of CPS that you applied for, you will receive a refund of part of your Application Payment as soon as practicable after the Closing Date. No interest will be payable on the refunded part of an Application Payment.

CPS are not deposit liabilities of St.George

Investments in CPS are not deposit liabilities of St.George and are not subject to the depositor protection provisions of Australian banking legislation.

The investment performance of CPS is not guaranteed by St.George or any other member of the Group.

No representations other than in this Prospectus

You should rely only on the information in this Prospectus. No person is authorised to provide any information, or to make any representation in connection with the Offer, which is not in this Prospectus. Any information or representation not in this Prospectus may not be relied upon as having been authorised by St.George in connection with the Offer.

Except as required by law, and only to the extent that it is required by law, neither St.George nor any other person warrants the future performance of St.George, CPS, or any return on any investment made by you under this Prospectus.

The pro-forma financial information provided in this Prospectus is for information purposes only and is not a forecast of operating results to be expected in future periods.

This Prospectus does not provide investment advice

The information provided in this Prospectus is not investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). It is important that you read this Prospectus in full before deciding whether to invest in CPS and consider the risk factors that could affect the performance of CPS or St.George. The risk factors in relation to investing in CPS that you should consider are in Section 5. You should carefully consider these risk factors and the other factors set out in this Prospectus in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and consult your financial adviser or other professional adviser before deciding whether to invest in CPS.

Restrictions on foreign jurisdictions

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. If you are a potential investor in any jurisdiction outside Australia and you come into possession of this Prospectus, you should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

This Prospectus does not constitute an offer of securities in the US or to any US Person (as defined in Regulation S of the US Securities Act). CPS have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the US or to, or for the account of, any US Person except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

The Offer is not open to US Persons or any person acting on behalf of, or for the account of, a US Person.

Providing personal information

You will be asked to provide personal information to St.George (directly or via the Registry) if you apply for CPS. See Section 3.7 for information on how St.George (and the Registry on its behalf) collects, holds and uses this personal information. You can also obtain a copy of that policy at **www.stgeorge.com.au**.

Enquiries

If you have any questions in relation to the Offer, please consult your financial adviser or other professional adviser.

Contents

Key dates

KEY DATES FOR THE OFFER

Announcement of Offer and Prospectus lodged with ASIC	8 November 2006
Bookbuild	15 November 2006
Announcement of Margin and Opening Date	16 November 2006
Closing Date for Securityholder Offer	11 December 2006
Closing Date for Broker Firm Offer	18 December 2006
Allotment Date	19 December 2006
CPS commence trading on ASX on a deferred settlement basis	20 December 2006
Holding Statements dispatched by	21 December 2006
CPS commence trading on ASX on a normal settlement basis	22 December 2006

KEY DATES FOR CPS

Record Date for first Dividend	5 February 2007
First Dividend Payment Date	20 February 2007
Mandatory Conversion Date	20 August 2012[1]

Note:
1 The Mandatory Conversion Date may be later than 20 August 2012 if both the Mandatory Conversion Conditions are not then satisfied.

Dates may change
St.George, with the Joint Lead Managers, reserves the right to amend this indicative timetable without notice including (subject to the Corporations Act and the ASX Listing Rules) to close the Offer early, to extend the Closing Date, to accept late Applications, or to cancel the Offer before the allotment of CPS. If the Offer is cancelled before the allotment of CPS, then all Application Payments will be refunded (without interest) to Applicants as soon as possible.

Quotation on ASX
St.George will apply to ASX, within seven days after the date of this Prospectus, for CPS to be quoted on ASX. Quotation of CPS is not guaranteed or automatic. If ASX does not grant permission for CPS to be quoted, CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

Applications
No Application will be accepted (and no CPS will be issued) until seven days after this Prospectus was lodged with ASIC. ASIC may extend that period for up to a further seven days (up to a total of 14 days) by notice in writing to St.George. This period is known as the Exposure Period. Any Applications received during the Exposure Period will not be accepted until after that period ends.

St.George Converting Preference Shares (CPS)

What are CPS?	"CPS" is an acronym for Converting Preference Shares, which are non-cumulative unsecured converting preference shares in the capital of St.George. This Prospectus describes the offer of CPS.
Floating rate franked Dividends	Dividends are preferred, non-cumulative, based on a floating rate and expected to be fully franked. Dividends are scheduled to be paid quarterly in arrears – subject to the Payment Tests.
Dividend Rate	The Dividend Rate for each quarterly period will be calculated using the following formula: **Dividend Rate** = (**Bank Bill Swap Rate** + **Margin**) x (1 – **Tax Rate**).
Mandatory Conversion	CPS are designed to convert into a variable number of Ordinary Shares on 20 August 2012 – as long as both of the Mandatory Conversion Conditions are satisfied. If they are not both satisfied on that date, then the Mandatory Conversion Date moves to the next Dividend Payment Date on which they are both satisfied. The Mandatory Conversion Conditions provide protection to Holders from receiving less than $101.01 worth of Ordinary Shares per CPS on Mandatory Conversion.[1]

Note:

1 The VWAP of Ordinary Shares during the 20 Business Days before Mandatory Conversion may differ from the Ordinary Share price on or after Mandatory Conversion. This means that the value of Ordinary Shares received on Mandatory Conversion of each CPS may be worth more or less than $101.01.

Below is a high level summary of the CPS. For a more detailed summary of the key terms of CPS – see Section 1. For answers to key questions about CPS and the Offer generally – see Section 2. The below information is a summary only. You should read this summary subject to the other information in this Prospectus, in particular the risks that are summarised on the following pages and the Terms of Issue in Appendix A.

Exchange by St.George	If a Tax Event or a Regulatory Event occurs, then St.George **may** choose to, and if an Acquisition Event occurs, then St.George **must**, redeem, buy back, cancel or convert (subject to APRA giving its approval) all the CPS then on issue. However, St.George **must not** choose conversion as the method of Exchange if the VWAP of Ordinary Shares on the second Business Day before the proposed date of dispatch of the Exchange Notice (adjusted for the Conversion Discount) is less than 60% of the Issue Share Price.
Quotation on ASX	St.George will apply to quote CPS on ASX under ASX code 'SGBPD'.
Issue Credit Rating[1]	'BBB+' by Standard & Poor's, 'A3' by Moody's and 'A–' by Fitch Ratings.
Ranking on winding up	CPS rank ahead of Ordinary Shares, effectively equal with SPS, SAINTS and DCS, but behind all depositors and creditors of St.George.

Note:

1 Any Issue Credit Rating of 'BBB–' or higher from Standard & Poor's and Fitch Ratings or 'Baa3' or higher from Moody's is currently considered to be investment grade – see Section 4.8 for further information about credit ratings associated with CPS and Section 5.1.11 for risks associated with credit ratings.

These credit rating references are current but may be revised or withdrawn by the relevant credit rating agency at any time. These credit rating references are not a recommendation by the relevant credit rating agency to apply for the CPS offered under this Prospectus. None of Standard & Poor's, Moody's or Fitch Ratings has consented to the use of their credit rating references in this Prospectus.

Summary of key risks

Dividends may not be paid	There is a risk that Dividends will not be paid if the Payment Tests are not satisfied – see Section 5.1.1. The Payment Tests are described in Section 2.4.7. If St.George does not declare a Dividend or pay a declared Dividend in full within 20 Business Days of a Dividend Payment Date, then a dividend stopper will apply – see Section 2.4.10.
Financial market conditions and liquidity	The market price of CPS may fluctuate due to various factors that affect financial market conditions – see Section 5.1.2. It is possible that CPS may trade at a market price below $100 each (Face Value). In addition, the market for CPS may be less liquid than the market for Ordinary Shares. Holders who wish to sell their CPS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CPS.
Changes in Dividend Rate	The Dividend Rate will fluctuate (both increasing and decreasing) over time with movement in the Bank Bill Swap Rate. There is a risk that this rate may become less attractive when compared to the rates of return available on comparable securities – see Section 5.1.4.
Exchange by St.George is subject to certain events occurring	Exchange **may** occur if a Tax Event or Regulatory Event happens and **must** occur if an Acquisition Event happens – see Section 2.6.3. Exchange is subject in all cases to APRA giving its approval. The Ordinary Share price two Business Days before the proposed date of dispatch of an Exchange Notice will affect whether St.George can choose conversion into Ordinary Shares on Exchange. APRA may not approve the Exchange and the choice St.George makes may be disadvantageous to the Holder in light of market conditions, or individual circumstances, at the time of Exchange – see Section 5.1.6. Holders have no right to request Exchange.

Before deciding whether to apply for CPS, you should consider whether CPS are a suitable investment for you. There are risks associated with investing in CPS and in St.George and the banking industry generally. Many of those risks are outside the control of St.George and its Directors. These two pages set out a summary of the key risks which are detailed in Section 5.

Mandatory Conversion may not occur	CPS are designed to convert into Ordinary Shares on 20 August 2012. However, there is a risk that the Ordinary Share Price falls to such an extent after the issue of CPS that either of the Mandatory Conversion Conditions are not satisfied when Mandatory Conversion is scheduled to occur. This means that Mandatory Conversion may not occur on 20 August 2012 or on any of the following Dividend Payment Dates – see Section 5.1.7.
St.George's financial performance and position	The value of CPS may be affected by St.George's financial performance and position – regardless of whether or not they are Exchanged. For specific risks associated with an investment in St.George and the banking industry generally – see Section 5.2. St.George's financial performance and position may also adversely affect the credit ratings associated with CPS – see Section 5.1.11.

Who can apply and what should they do?

To apply for CPS, you must be eligible and you should consider this Prospectus in full.

Who may apply?	The Offer is only being made to: • Eligible Securityholders who may apply under the Securityholder Offer; • Australian resident retail clients of Co-Managers or Participating Brokers who may apply under the Broker Firm Offer; and • Institutional Investors who are invited by the Joint Lead Managers to bid for CPS through the Bookbuild under the Institutional Offer. There is no general public offer of CPS. Applications must be for a minimum of 50 CPS ($5,000).
Read	Read this Prospectus in full – paying particular attention to: • important information on the inside front cover; • answers to key questions in Section 2; • risks that may be relevant to an investment in CPS in Section 5; and • the Terms of Issue in Appendix A.
Consider and consult	**Consider** all risks and other information about CPS in light of your investment objectives, financial situation or particular needs (including financial and taxation issues). **Consult** your financial adviser or other professional adviser if you are uncertain as to whether you should apply for CPS.

Completing and submitting Application Forms

If you are eligible to apply for CPS and you want to apply for CPS, then you need to complete and submit an Application Form:

Complete an Application Form

Eligible Securityholders: You can apply for CPS by lodging your personalised Securityholder Application Form.

You can register your interest to receive a copy of this Prospectus accompanied by your personalised Securityholder Application Form:

- online at **www.stgeorge.com.au/about/investor**; or
- by calling the **St.George InfoLine on 1800 804 457.**

Broker Firm Applicants: You should contact your Co-Manager or Participating Broker for information on how to submit the Broker Firm Application Form and your Application Payment.

Applications for CPS may only be made on an Application Form.

Submit your Application Form

If you are an Eligible Securityholder

Mail or deliver your completed personalised Securityholder Application Form together with your Application Payment to the Registry:

by **mail** to:	by **hand** to:
Computershare Investor Services Pty Limited GPO Box 253 Sydney NSW 2001	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000

Your completed personalised Securityholder Application Form must be received by the Registry no later than the Closing Date for the Securityholder Offer, which is expected to be **5.00pm on 11 December 2006.**

If you are a Broker Firm Applicant

Contact your Co-Manager or Participating Broker for instructions on how to submit the Broker Firm Application Form and Application Payment. It must be received by the Co-Manager or Participating Broker by the Closing Date for the Broker Firm Offer, which is expected to be **10.00am on 18 December 2006.**

The Offer may close early, so you are encouraged to lodge your Application Forms and Application Payments promptly.

For more information

If, after you have read this Prospectus, you have any questions regarding the Offer or how to apply for CPS, contact your financial adviser or other professional adviser.

Key terms of CPS

This Section summarises the key terms of CPS.

For more detail on these key terms – see Section 2 which provides answers to key questions about CPS and the Offer generally. The following information is a summary only. You should read this summary subject to the other information in this Prospectus, in particular:

- the risks in Section 5; and
- the Terms of Issue in Appendix A.

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1. Key terms of CPS

General

Issuer	St.George Bank Limited (ABN 92 055 513 070).
Security	Converting Preference Shares (CPS). CPS are non-cumulative unsecured converting preference shares in the capital of St.George.
Face Value	$100 per CPS.
Term	CPS are preference shares, which means they are perpetual. However, CPS are designed to mandatorily convert into Ordinary Shares on 20 August 2012 provided that both of the Mandatory Conversion Conditions are satisfied.
Quotation on ASX	St.George will apply to quote CPS on ASX under ASX code 'SGBPD'. Quotation is not guaranteed or automatic. If ASX does not grant permission for CPS to be quoted, CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.
Issue Credit Rating[1]	'BBB+' by Standard & Poor's, 'A3' by Moody's and 'A–' by Fitch Ratings.

Dividends

Floating rate franked	Dividends are preferred, non-cumulative, based on a floating rate and expected to be fully franked. Dividends are scheduled to be paid quarterly in arrears – subject to the Payment Tests.
Dividend Rate	The Dividend Rate for each quarterly Dividend will be calculated using the following formula: **Dividend Rate** = (**Bank Bill Swap Rate** + **Margin**) x (1 – **Tax Rate**) where: **Bank Bill Swap Rate** is • the Bank Bill Swap Rate applying on the first Business Day of the relevant Dividend Period; **Margin** is • determined under the Bookbuild – the Margin is expected to be within the range of 1.10% per annum to 1.40% per annum; and **Tax Rate** is • the Australian corporate tax rate applicable to St.George's franking account as at the Allotment Date – 30% at the date of this Prospectus (expressed as a decimal in the formula, 0.30).
Dividend Payment Dates	In each year that CPS are on issue, Dividends are scheduled to be paid in arrears on 20 February, 20 May, 20 August and 20 November. The first Dividend Payment Date is 20 February 2007. The last Dividend Payment Date is the date on which CPS are Exchanged. If any of these dates are not Business Days, then payment will be made on the next Business Day.
Franking	St.George expects Dividends to be fully franked. If a Dividend is unfranked or partially franked, then the Dividend will be increased to fully compensate for the unfranked component. If the Australian corporate tax rate that applies to St.George's franking account differs from the Tax Rate on a Dividend Payment Date, then the Dividend will be adjusted downwards or upwards accordingly.

Note:

1 Any Issue Credit Rating of 'BBB-' or higher from Standard & Poor's and Fitch Ratings or 'Baa3' or higher from Moody's is currently considered to be investment grade – see Section 4.8 for further information about credit ratings associated with CPS and Section 5.1.11 for risks associated with credit ratings.

These credit rating references are current but may be revised or withdrawn by the relevant credit rating agency at any time. These credit rating references are not a recommendation by the relevant credit rating agency to apply for the CPS offered under this Prospectus. None of Standard & Poor's, Moody's or Fitch Ratings has consented to the use of their credit rating references in this Prospectus.

1. Key terms of CPS continued

Dividend Payment Tests	For a Dividend to be paid, the Payment Tests must be satisfied. They can be summarised as: • the Directors declaring a Dividend to be payable; • St.George having sufficient profits available to pay the Dividend; • St.George being able to pay the Dividend without St.George or the Group (on a Level 2 basis) breaching APRA's capital adequacy guidelines; • the amount of the Dividend not exceeding St.George's Distributable Profits; and • in the case of an Optional Dividend, APRA giving its prior written approval.
Dividend stopper if Dividends are not paid	If 20 Business Days after a Dividend Payment Date St.George has not declared a Dividend or paid a declared Dividend in full, then a dividend stopper applies. This means that St.George must get the approval of a special resolution of Holders before it can: • pay any dividend or distribution on any Equal Ranking Capital Securities (including SPS, SAINTS and DCS) or on any Junior Ranking Capital Securities (including Ordinary Shares); or • make any return of capital on any Junior Ranking Capital Securities. However, St.George can do those things without Holder approval if (among other things) St.George first either pays 12 months Dividends in full or pays any unpaid Dividends from the last 12 months (an Optional Dividend) – see Section 2.4.10.

Mandatory Conversion into Ordinary Shares

Mandatory Conversion	St.George must convert all CPS on issue at the Mandatory Conversion Date into Ordinary Shares. Holders will receive $101.01 worth (based on the VWAP during the 20 Business Days before Mandatory Conversion) of Ordinary Shares per CPS on Mandatory Conversion.[1]
Mandatory Conversion Date	The Mandatory Conversion Date will be 20 August 2012 provided that both of the Mandatory Conversion Conditions are satisfied.
Mandatory Conversion Date may be later	If either of the Mandatory Conversion Conditions are not satisfied on 20 August 2012, then the Mandatory Conversion Date will be the next Dividend Payment Date on which they are both satisfied.
Mandatory Conversion Conditions	The two Mandatory Conversion Conditions relate to the Ordinary Share price at two different times. The dates and conditions are: • on the 25th Business Day before a possible Mandatory Conversion Date the VWAP of Ordinary Shares (adjusted for the Conversion Discount) must be at least 60% of the Issue Share Price; and • during the 20 Business Days before a possible Mandatory Conversion Date the VWAP of Ordinary Shares (adjusted for the Conversion Discount) must be at least 50% of the Issue Share Price. The Mandatory Conversion Conditions provide protection to Holders from receiving less than $101.01 worth of Ordinary Shares per CPS on Mandatory Conversion.[1] For those calculations, the **Issue Share Price** is the VWAP of Ordinary Shares during the 20 Business Days immediately preceding, but not including, the Allotment Date. *For example, if the Issue Share Price is $30.00, then the VWAPs relevant to the two Mandatory Conversion Conditions are $18.18 and $15.15, respectively.*
Impact of Mandatory Conversion Conditions	The Maximum Conversion Number will never apply to limit the number of Ordinary Shares Holders receive on Mandatory Conversion. If the Conversion Number is greater than the Maximum Conversion Number on a potential Mandatory Conversion Date, then the Mandatory Conversion Conditions will prevent Mandatory Conversion occurring.

Note:

1 The VWAP of Ordinary Shares during the 20 Business Days before Mandatory Conversion may differ from the Ordinary Share price on or after Mandatory Conversion. This means that the value of Ordinary Shares received on Mandatory Conversion of each CPS may be worth more or less than $101.01.

Exchange

Exchange by St.George	St.George **may** choose Exchange of all (but not some only) of CPS on issue after a Tax Event or a Regulatory Event. St.George **must** choose Exchange of all (but not some only) of CPS on issue after an Acquisition Event. In either case, St.George **may** choose (subject to APRA giving its approval) to: • convert each CPS into a number of Ordinary Shares equal to the Conversion Number; • redeem, buy back or cancel CPS for the Face Value of $100 each; or • undertake a combination of the above. If a Tax Event, Regulatory Event or Acquisition Event occurs and conversion is chosen by St.George, then the Maximum Conversion Number can act as a limit on the number of Ordinary Shares a Holder can receive on conversion. However, St.George **must not** choose conversion as the method of Exchange if the VWAP of Ordinary Shares on the second Business Day before the proposed date of dispatch of the Exchange Notice (adjusted for the Conversion Discount) is less than 60% of the Issue Share Price.
Exchange by Holders	Holders have no right to request Exchange.

Conversion Number after Mandatory Conversion or Exchange

Conversion Number	If St.George does convert CPS under Mandatory Conversion or in the event of a Tax Event, Regulatory Event or Acquisition Event, then the Conversion Number that determines the rate at which each CPS will convert into Ordinary Shares will be calculated by dividing: • the Face Value of $100 per CPS; by • the VWAP of Ordinary Shares during the 20 Business Days immediately preceding, but not including, the Exchange Date – with that VWAP reduced by the 1.0% Conversion Discount.
Maximum Conversion Number	The Maximum Conversion Number will be calculated as: $\dfrac{\textbf{Face Value}\ (\$100)}{50\%\ \text{x}\ \textbf{Issue Share Price}}$ *For example, if the Issue Share Price is $30.00, then the Maximum Conversion Number would be 6.6667 Ordinary Shares.*

Ranking

Ranking on winding up	CPS are not deposit liabilities of St.George. CPS rank for payment on a winding up of St.George ahead of Ordinary Shares, effectively equal with Equal Ranking Capital Securities (including SPS, SAINTS and DCS), but behind all depositors and creditors of St.George. St.George reserves the right in the future to issue further CPS, or other preference shares or Capital Securities ranking ahead of, equally with or behind CPS. That ranking may be in respect of dividends, a return of capital on winding up, or otherwise.

You should read the whole of this Prospectus carefully. If you are unclear in relation to any matter or uncertain if CPS are a suitable investment for you, then you should consult your financial adviser or other professional adviser.

Answers to key questions

This Section answers some key questions you may have about CPS.

The answers to these key questions are intended as a guide only.

Further details are provided elsewhere in this Prospectus, which you should read in its entirety.

The Terms of Issue are in Appendix A.

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2. Answers to key questions

2.1 DESCRIPTION OF CPS

2.1.1 What are CPS?

"CPS" is an acronym for Converting Preference Shares, which are non-cumulative unsecured converting preference shares in the capital of St.George.

CPS:

- entitle Holders to preferred, non-cumulative Dividends, based on a floating rate, which are expected to be fully franked – subject to the Payment Tests – see Section 2.4;
- convert into Ordinary Shares on the Mandatory Conversion Date – see Section 2.5;
- can be Exchanged by St.George subject to the occurrence of certain events – see Section 2.6; and
- rank for payment on a winding up of St.George ahead of Ordinary Shares, effectively equal with Equal Ranking Capital Securities (including SPS, SAINTS and DCS), but behind all depositors and creditors of St.George – see Section 2.8.

2.1.2 Why is St.George issuing CPS?

St.George is issuing CPS to:

- complete the replacement of the hybrid Tier 1 funding previously provided by the PRYMES before their conversion into Ordinary Shares in February 2006; and
- provide St.George with Non-innovative Residual Tier 1 Capital funding.

The proceeds of the Offer are intended to be used to fund the ongoing growth of St.George's business.

After the issue of CPS, St.George expects that its Tier 1 Capital Ratio will be back within its target range of 7.0% to 7.5%.

For more information about St.George's capital management – see Section 4.6.

2.1.3 What is Tier 1 Capital?

APRA classifies capital into two tiers for its supervisory purposes – referred to as Tier 1 Capital and Tier 2 Capital. APRA requires all authorised deposit-taking institutions (ADIs) to maintain a minimum ratio of capital to risk weighted assets, at least half of which must be maintained in the form of Tier 1 Capital, with the remainder being in the form of Tier 2 Capital.

Tier 1 Capital consists of paid up ordinary shares, general reserves, retained profits, non-cumulative preference shares and other innovative capital instruments not redeemable at the holder's option (as approved by APRA) together with minority interests but excludes retained profits and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes. Tier 1 Capital must constitute at least 50% of the capital base requirements.

New APRA prudential standards and guidance notes implemented in July 2006 require regulatory capital and risk weighted assets to be calculated on an AIFRS basis.

For more information on APRA – see Section 2.3.1

2.1.4 What is Non-innovative Residual Tier 1 Capital?

The new APRA prudential standards and guidance notes contain a staggered implementation of Tier 1 Capital limitations:

- innovative hybrid capital securities (such as SPS and SAINTS) to constitute 15% of net Tier 1 Capital; and
- residual capital (both innovative and Non-innovative Residual Tier 1 Capital) to constitute 25% of net Tier 1 Capital.

The limits on Residual Tier 1 Capital and innovative Tier 1 Capital become effective on 1 January 2008. For ADIs materially affected, APRA intends to grant up to a further two year transition period, until 1 January 2010, to allow these institutions to come within the proposed limits.

The new APRA prudential standards and guidance notes set out features that would cause a security to be classified as Non-innovative Residual Tier 1 Capital. Under these APRA standards, mandatory convertible preference shares can qualify as Non-innovative Residual Tier 1 Capital provided that the maximum number of ordinary shares received on conversion of each preference share does not exceed the ratio of the price of the preference share divided by 50% of the ordinary share price at the time of issue of the preference shares.

CPS qualify as Non-innovative Residual Tier 1 Capital (among other things) due to the existence of the Maximum Conversion Number. Effectively, the Maximum Conversion Number sets a floor in the Ordinary Share price at which Mandatory Conversion can occur. The Maximum Conversion Number will be calculated on the Allotment Date.

For information on the Maximum Conversion Number – see Section 2.5.4.

CPS have been designed to protect you from Mandatory Conversion occurring if the Maximum Conversion Number would cause you to receive less than $101.01 worth (based on the VWAP during the 20 Business Days before Mandatory Conversion) of Ordinary Shares per CPS.[1] These protections are called Mandatory Conversion Conditions.

For information on the Mandatory Conversion Conditions – see Section 2.5.3.

For more information on the Conversion Number – see Section 2.7.1.

Note:

1 The VWAP of Ordinary Shares during the 20 Business Days before Mandatory Conversion may differ from the Ordinary Share price on or after Mandatory Conversion. This means that the value of Ordinary Shares received on Mandatory Conversion of each CPS may be worth more or less than $101.01.

2.1.5 Can CPS be traded on ASX?
St.George will apply to quote CPS on ASX. Quotation is not guaranteed or automatic. Quotation on ASX will allow you to realise or increase your investment in CPS by selling or buying CPS on ASX at the market price. There can be no assurances as to what that market price will be.

For more information on the risks associated with an investment in CPS – see Section 5.

If ASX does not grant permission for CPS to be quoted, CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible. If CPS are quoted on ASX, then they can be purchased or sold through any stockbroker in Australia.

CPS are expected to trade under ASX code 'SGBPD'.

2.1.6 Are CPS independently rated?
CPS have been assigned an Issue Credit Rating of 'BBB+' by Standard & Poor's, 'A3' by Moody's and 'A–' by Fitch Ratings. Any Issue Credit Rating of 'BBB–' or higher from Standard & Poor's and Fitch Ratings or 'Baa3' or higher from Moody's is currently considered to be investment grade.

These credit rating references are current but may be revised or withdrawn by the relevant credit rating agency at any time. These credit rating references are not a recommendation by the relevant credit rating agency to apply for the CPS offered under this Prospectus. None of Standard & Poor's, Moody's and Fitch Ratings has consented to the use of their credit rating references in this Prospectus.

For information about credit ratings associated with CPS – see Section 4.8. For information about the risks associated with credit ratings – see Section 5.1.11.

2.2 THE OFFER AND APPLYING FOR CPS

2.2.1 What is the Offer?
The Offer is for 2.5 million CPS for $100 each to raise up to $250 million, with the ability to accept oversubscriptions for up to a further $50 million.

For more information on the Offer – see Section 3.

2.2.2 What are the risks of investing in CPS?
There are risks associated with investing in CPS and in St.George and the banking industry generally, many of which are outside the control of St.George and its Directors.

For more information on the particular risks associated with investing in CPS – see Section 5.1.

For more information on the particular risks associated with investing in St.George and the banking industry generally – see Section 5.2.

2.2.3 What are the taxation consequences of investing in CPS?
The taxation consequences for you of investing in CPS will depend on your individual circumstances. You should obtain your own tax advice before investing in CPS.

For the Tax Letter that summarises the relevant taxation consequences for Australian resident Holders – see Section 6.

2.2.4 Who may apply for CPS?
You may apply for CPS if you are:

- an Eligible Securityholder who may apply under the **Securityholder Offer**;
- an Australian resident retail client of a Co-Manager or Participating Broker who may apply under the **Broker Firm Offer**; or
- an Institutional Investor who is invited by the Joint Lead Managers to bid for CPS through the Bookbuild under the **Institutional Offer**.

There is no general public offer of CPS.

For more information on who may apply for CPS – see Section 3.2.

2.2.5 How can you apply for CPS?
Details of how to apply for CPS are in Section 3.

A Broker Firm Application Form is attached to this Prospectus.

Eligible Securityholders may register their interest to receive a personalised Securityholder Application Form either online at **www.stgeorge.com.au/about/investor** or by calling the **St.George InfoLine on 1800 804 457**.

Instructions on how to complete your Application Form are set out on the reverse side of each of the Application Forms.

For more information on how to apply for CPS – see Section 3.4.

2.2.6 Is there a minimum Application amount?
Yes. If you apply to invest in CPS, you must pay $100 per CPS on Application. You must apply for a minimum of 50 CPS ($5,000). If you apply for more than 50 CPS, you must apply for multiples of 10 CPS – that is, for incremental multiples of at least $1,000.

2.2.7 Is there brokerage or stamp duty payable?
No brokerage or stamp duty is payable on your Application. You may have to pay brokerage on any subsequent trading of your CPS on ASX after CPS have been quoted on ASX.

2.3 REGULATORY AND TAXATION MATTERS

2.3.1 What is APRA?
APRA is the Australian Prudential Regulation Authority which is the prudential regulator of the Australian financial services industry. It oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance companies, friendly societies, and most members of the superannuation industry.

St.George is regulated by APRA because of its status as an ADI. APRA's prudential standards aim to ensure that ADIs (including St.George) maintain adequate capital to support the risks associated with their activities on both a stand-alone and group basis.

APRA's website at **www.apra.gov.au** includes further details of its functions, prudential standards and guidelines.

2.3.2 How are CPS treated by APRA for regulatory capital purposes?

The terms of CPS satisfy the current prudential guidelines for Non-innovative Residual Tier 1 Capital as set by APRA.

For more information about St.George's capital management – see Section 4.6. For more information on the pro-forma financial effect of the issue of CPS on St. George's capital position – see Section 4.7.

2.3.3 Could regulatory changes affect CPS?

Yes. If there is a regulatory change, and St.George determines (based on advice from a reputable legal counsel) that the regulatory change has certain specified effects, then a Regulatory Event will occur and St.George may choose Exchange.

For more information on St.George's right of Exchange and the definition of a Regulatory Event – see Sections 2.6.3 and 2.6.6.

2.3.4 Could tax changes affect CPS?

Yes. Various tax related actions or events (such as a change to the tax laws, a judicial decision or a public or private ruling) could (if St.George receives an opinion from a reputable legal counsel or tax adviser that the tax related action or event will have certain specified effects) be a Tax Event such that St.George may choose to Exchange.

For more information on St.George's right of Exchange and the definition of a Tax Event – see Sections 2.6.3 and 2.6.5.

2.4 DIVIDENDS

2.4.1 What are Dividends?

Dividends are preferred, non-cumulative, based on a floating rate and expected to be fully franked. For a Dividend to be paid, the Payment Tests must be satisfied – see Section 2.4.7.

Dividends are scheduled to be paid quarterly in arrears at the Dividend Rate – see Section 2.4.2.

2.4.2 How will the Dividend Rate be calculated?

The Dividend Rate for each quarterly Dividend will be set on the first Business Day of each Dividend Period and will be calculated using the following formula:

Dividend Rate
= (**Bank Bill Swap Rate** + **Margin**) x (1 – **Tax Rate**)

where:

Bank Bill Swap Rate is the Bank Bill Swap Rate applying on the first Business Day of the relevant Dividend Period;

Margin is determined under the Bookbuild – the Margin is expected to be within the range of 1.10% per annum to 1.40% per annum; and

Tax Rate is the Australian corporate tax rate applicable to St.George's franking account as at the Allotment Date – 30% at the date of this Prospectus (expressed as a decimal in the formula, 0.30).

As an example, assuming the Bank Bill Swap Rate on the Allotment Date is the same as that on 2 November 2006 and the Margin was at the bottom of the Bookbuild Margin range (1.10% per annum), then the Dividend Rate for the first Dividend Period (from the Allotment Date to 20 February 2007) will be calculated as follows:

Bank Bill Swap Rate (i.e. Bank Bill Swap Rate on 2 November 2006)	6.3733% p.a.
Plus: the Margin (bottom of the Bookbuild range)	+ 1.1000% p.a.
Equivalent grossed-up Dividend Rate	7.4733% p.a.
Multiplied by (1 – Tax Rate)	x 0.70
Indicative fully franked Dividend Rate[1]	5.2313% p.a.

Note:
1 The calculation of the Dividend Rate will be rounded to four decimal places. The Bank Bill Swap Rate and Margin on which this calculation is based are for illustrative purposes only and do not indicate, guarantee or forecast the actual Dividend Rate. The actual Dividend Rate may be higher or lower than this.

The Dividend Rate set for each Dividend Period after the first Dividend Payment Date will be calculated using the above formula.

For more information on the calculation of the Dividend Rate – see clause 2.1 of the Terms of Issue.

2.4.3 How will the actual amount of the Dividend be calculated?

The Dividend scheduled to be paid on each Dividend Payment Date will be calculated using the following formula:

$$\text{Dividend} = \frac{\textbf{Dividend Rate} \times \text{Face Value} \times \text{N}}{365}$$

where:

Dividend Rate is calculated as set out in Section 2.4.2;

Face Value is $100 per CPS; and

N is the number of days in the Dividend Period ending on (but not including) the relevant Dividend Payment Date.

Continuing from the previous example, if the Dividend Rate was 5.2313% per annum as calculated in Section 2.4.2, then the Dividend on each CPS for an indicative Dividend Period of 90 days would be calculated as follows:

Fully franked Dividend Rate	5.2313% p.a.
Multiplied by the Face Value	x $100.00
Multiplied by number of days in the Dividend Period	x 90[1]
Divided by the number of days in a year	÷ 365
Fully franked Dividend	**$1.2899[2]**

Notes:

1 Dividend Periods will generally be 90 to 92 days. However, the first Dividend Period is expected to be 62 days as it is expected to start on the Allotment Date, 19 December 2006.

2 All calculations of Dividends will be rounded to the nearest four decimal places. For the purposes of making any Dividend payment in respect of a Holder's total holding of CPS, any fraction of a cent will be disregarded. The Dividend Rate on which this calculation is based and the Dividend above are for illustrative purposes only and do not indicate, guarantee or forecast the actual Dividend. The actual Dividend may be higher or lower than this.

For the calculation of the Dividend – see clause 2.1 of the Terms of Issue.

2.4.4 What is the Bank Bill Swap Rate?
The Bank Bill Swap Rate is a benchmark interest rate in the Australian money market, commonly used by major Australian banks to lend cash to each other over a 90 day period. On 2 November 2006, the Bank Bill Swap Rate was 6.3733% per annum.

For information on the movement in the Bank Bill Swap Rate over the last 20 years and the risks associated with movements in the Dividend Rate – see Section 5.1.4.

2.4.5 When will Dividends be paid?
Subject to the Payment Tests described in Section 2.4.7, Dividends are scheduled to be paid in arrears on each Dividend Payment Date. The first Dividend Payment Date is 20 February 2007. The last Dividend Payment Date is the date on which CPS are Exchanged.

After the first Dividend Period, the Dividend Rate will be determined and the Dividend will be paid on the following dates each year. If any of these days is not a Business Day, the Dividend Rate will be determined and the Dividend paid, respectively on the next Business Day.

Dividend Rate determined	Dividend Payment Date
20 February	20 May
20 May	20 August
20 August	20 November
20 November	20 February

2.4.6 How will your Dividends be paid?
Dividends will be paid in Australian dollars by cheque, direct credit, or such other means as authorised by the Directors. St.George reserves the right to vary the way in which any Dividend is paid.

If you are allotted any CPS, when you are sent your Holding Statement the Registry will provide you with a personalised direct credit form on which you can provide your Australian dollar financial institution account details if you wish to receive your Dividends by direct credit.

2.4.7 Will Dividends always be paid?
Dividends may not always be paid. For a Dividend to be paid, the Payment Tests must be satisfied. They can be summarised as:

- the Directors declaring a Dividend to be payable;
- St.George having sufficient profits available to pay the Dividend;
- St.George being able to pay the Dividend without St.George or the Group (on a Level 2 basis) breaching APRA's capital adequacy guidelines;
- the amount of the Dividend not exceeding St.George's Distributable Profits (unless APRA approves the payment of the Dividend); and
- in the case of an Optional Dividend, APRA giving its prior written approval.

If one or more of these conditions are not satisfied, a Dividend will not be paid. As Dividends are non-cumulative, Holders will have no recourse to payment from St.George and may not receive payment of the Dividend at any later time.

For more information on the major risks affecting the level of profitability of St.George – see Section 5.2.

For the actual Payment Tests – see clause 2.3 of the Terms of Issue.

2.4.8 What are Distributable Profits?
Distributable Profits are an amount of profits within the Group from which Dividends can be paid. The amount is calculated at two levels within the Group – on a Level 1 and Level 2 basis as defined by APRA.

Broadly, Level 1 is the St.George corporate entity without its controlled entities and Level 2 is the consolidated banking group.

Distributable Profits are calculated on a Level 1 and Level 2 basis and whichever is lower is the amount available to pay Dividends. The calculation (which is conducted on both a Level 1 and a Level 2 basis) is as follows:

- the profits after tax of St.George/the Group (on a Level 2 basis) for the immediately preceding 12 month period ending 31 March or 30 September which are publicly available (or another amount determined by APRA); less
- the aggregate amount of dividends or interest paid or payable by a member of St.George/the Group (on a Level 2 basis) on its Upper Tier 2 Capital or Tier 1 Capital securities (which includes dividends on Ordinary Shares, but not intra-Group dividends or interest) in the 12 months up to the Record Date for the Dividend or Optional Dividend.

St.George's Distributable Profits for the year ended 30 September 2006 were $411 million on a Level 1 basis and $297 million on a Level 2 basis. The difference between these two calculations will be influenced by various arrangements within the Group including how dividends are paid between subsidiaries within the Group and will vary from period to period.

For the full definition of Distributable Profits – see clause 9 of the Terms of Issue.

2.4.9 Can St.George make Optional Dividend payments?

The Directors may determine that an Optional Dividend is payable as described in clause 2.9(d) of the Terms of Issue. The payment of an Optional Dividend is subject to APRA giving its approval as well as the Payment Tests as described in Section 2.4.7.

2.4.10 What happens if a Dividend is not paid?

Dividends on CPS are non-cumulative and therefore if a Dividend or part of a Dividend is not paid on a Dividend Payment Date, Holders have no right to receive that Dividend at any later time.

If 20 Business Days after a Dividend Payment Date St.George has not declared a Dividend or paid a declared Dividend in full, then a dividend stopper applies. This means that St.George must get the approval of a special resolution of Holders before it can pay any dividend or distribution on any Equal Ranking Capital Securities or on any Junior Ranking Capital Securities or make any return of capital on any Junior Ranking Capital Securities, unless:

- four consecutive Dividends scheduled to be paid on CPS, after the Dividend Payment Date for the Dividend that has not been paid, have been paid in full;
- an Optional Dividend has been paid to the Holders equal to the aggregate amount of unpaid Dividends for the 12 months before the date of payment of the Optional Dividend;
- a pro rata payment is made on CPS and on Equal Ranking Capital Securities ranking equally with CPS in respect of those payments; or
- all CPS have been Exchanged.

Payment of Optional Dividends is subject to the Payment Tests – see Section 2.4.7.

For the full details on the dividend stopper and the circumstances in which it will not apply – see clause 2.9 of the Terms of Issue.

2.4.11 What happens if St.George is unable to pay fully franked Dividends?

If a Dividend is unfranked or partially franked, then the Dividend will be increased to fully compensate for the unfranked component. If the Directors make a declaration to pay a Dividend which is not fully franked but the Dividend is not increased, St.George will be restricted by the dividend stopper – see Section 2.4.10.

For the formula that will apply to calculate the amount to be paid to compensate for the unfranked component – see clause 2.2(b) of the Terms of Issue.

2.4.12 What happens if the Australian corporate tax rate changes?

If the Australian corporate tax rate that applies to St.George's franking account differs from the Tax Rate on a Dividend Payment Date, then the Dividend will be adjusted downwards or upwards accordingly.

For the formula that will apply to adjust the Dividend – see clause 2.2(a) of the Terms of Issue.

2.5 MANDATORY CONVERSION

2.5.1 What does Mandatory Conversion mean?

Mandatory Conversion means that CPS are designed to convert into a variable number of Ordinary Shares on 20 August 2012 – as long as both of the Mandatory Conversion Conditions are satisfied on that date. If they are not both satisfied on that date, then the Mandatory Conversion Date moves to the next Dividend Payment Date on which they are both satisfied.

When Mandatory Conversion occurs, you will receive a variable number of Ordinary Shares for each of your CPS equivalent to the Conversion Number – see Section 2.7.1.

CPS have been designed so that the Maximum Conversion Number will never apply to limit the number of Ordinary Shares that Holders will receive upon Mandatory Conversion. The Mandatory Conversion Conditions will prevent Mandatory Conversion from occurring on a possible Mandatory Conversion Date, if the Conversion Number is larger than the Maximum Conversion Number – see Section 2.5.3.

2.5.2 When is the Mandatory Conversion Date?

The Mandatory Conversion Date will be 20 August 2012 provided that both of the Mandatory Conversion Conditions are satisfied – see Section 2.5.3.

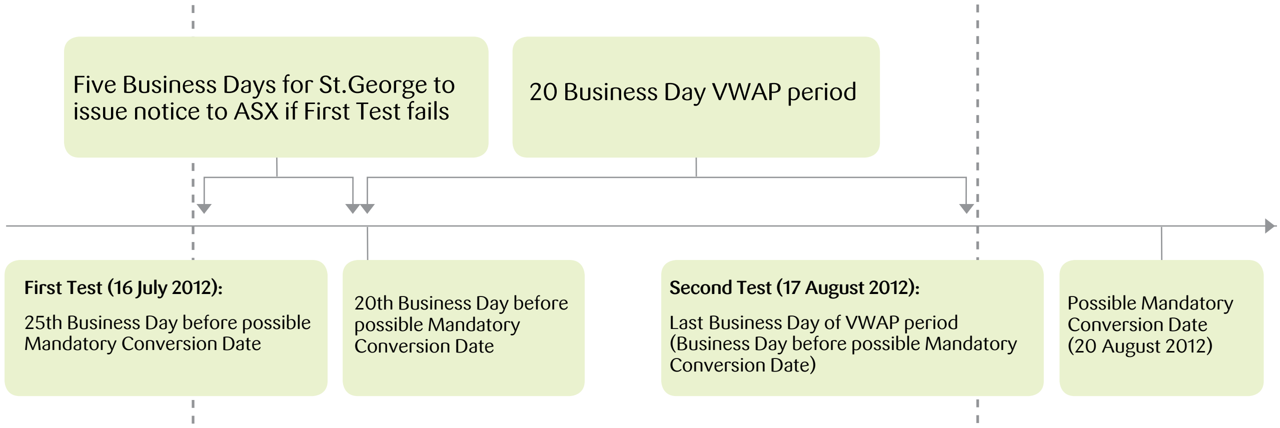
If either of the Mandatory Conversion Conditions are not satisfied on 20 August 2012, then the Mandatory Conversion Date will be the next Dividend Payment Date on which they are both satisfied.

If the First Test is not satisfied before a possible Mandatory Conversion Date, then St.George must issue a notice to ASX within five Business Days to inform all Holders that Mandatory Conversion will not occur on that possible Mandatory Conversion Date. As a result of this notice being issued, the next Dividend Payment Date will become the next possible Mandatory Conversion Date. The Mandatory Conversion Conditions will be tested again before that date.

For more information on the Mandatory Conversion Date – see clause 3.1 of the Terms of Issue.

Time frames for Mandatory Conversion Conditions

(Example using 20 August 2012 as possible Mandatory Conversion Date)



2.5.3 What are the Mandatory Conversion Conditions?

CPS have been designed to protect you from Mandatory Conversion occurring if the Maximum Conversion Number would have applied so that you would receive less than $101.01 worth (based on the VWAP during the 20 Business Days before Mandatory Conversion) of Ordinary Shares per CPS on Mandatory Conversion.[1] These protections are called Mandatory Conversion Conditions.

The two Mandatory Conversion Conditions relate to the Ordinary Share price at two different dates before a possible Mandatory Conversion Date. The dates and conditions are:

- **First Test:** on the 25th Business Day before a possible Mandatory Conversion Date, the VWAP (adjusted for the Conversion Discount) *must be at least* 60% of the Issue Share Price; and
- **Second Test** (only performed if First Test is satisfied): during the 20 Business Days before a possible Mandatory Conversion Date the VWAP (adjusted for the Conversion Discount) *must be at least* 50% of the Issue Share Price.

As an example, assuming the Issue Share Price was $30.00, then the following tables set out the calculations that St.George will do to determine if Mandatory Conversion is to occur on the first possible Mandatory Conversion Date – 20 August 2012. These examples assume that there are no changes to the VWAP or Maximum Conversion Number arising from transactions affecting the capital of St.George.

Assumptions

25th Business Day[2] before Mandatory Conversion Date	16 July 2012
20th Business Day before Mandatory Conversion Date	23 July 2012
Possible Mandatory Conversion Date	20 August 2012
20 Business Day period preceding (but not including) the possible Mandatory Conversion Date	23 July 2012 to 17 August 2012
Issue Share Price (expected to be set on 19 December 2006)	$30.00
60% of Issue Share Price = 60% of $30.00	$18.00
50% of Issue Share Price = 50% of $30.00	$15.00
Conversion Discount	0.01

Notes:

1 The VWAP of Ordinary Shares during the 20 Business Days before Mandatory Conversion may differ from the Ordinary Share price on or after Mandatory Conversion. This means that the value of Ordinary Shares received on Mandatory Conversion of each CPS may be worth more or less than $101.01.

2 The Business Days set out in the above example are indicative only as there may be changes to the definition of Business Days by ASX before 20 August 2012 which may affect these dates.

To satisfy the First Test on 16 July 2012

St.George will calculate the VWAP on 16 July 2012.

First Test:

Is the VWAP of Ordinary Shares on that date (adjusted for the Conversion Discount) ≥ $18.00?

VWAP x (1.0 – Conversion Discount) ≥ $18.00

To calculate the relevant VWAP to ascertain whether the First Test is satisfied:

VWAP x (1.0 – 0.01) ≥ $18.00

VWAP ≥ $18.00 ÷ (1.0 – 0.01)

VWAP ≥ $18.18.

This example indicates that if the VWAP calculated on 16 July 2012 is *at least* $18.18 then the First Test of the Mandatory Conversion Conditions will be satisfied. As a result, the Mandatory Conversion process would progress to the Second Test that would be tested on the Business Day before 20 August 2012.

If the VWAP is less than $18.18 on 16 July 2012 then St.George will issue a notice by 23 July 2012 to ASX. This notice would inform all Holders that the possible Mandatory Conversion Date would be moved to the next Dividend Payment Date – 20 November 2012 – and the Mandatory Conversion Conditions would be tested again in the lead up to that date.

How does $18.18 relate to the Maximum Conversion Number?

Conversion Number

$$= \frac{\text{Face Value}}{\text{VWAP x (1.0 – Conversion Discount)}}$$

$$= \frac{100}{\$18.18 \text{ x } (1.0 - 0.01)}$$

$$= 5.5556$$

A VWAP of $18.18 on the 25th Business Day before the possible Mandatory Conversion Date is equivalent to a Conversion Number of 5.5556 Ordinary Shares per CPS. Therefore, under the First Test the Conversion Number calculated on 16 July 2012 would have to be equal to or less than 5.5556 for the First Test to be satisfied. 5.5556 is equivalent to 83.33% of the Maximum Conversion Number and this is how the First Test is expressed in the Terms of Issue in clauses 3.1(c) and 3.1(d).

To satisfy the Second Test on 17 August 2012

St.George would calculate the VWAP during the period of the 20 Business Days ending on (and including) 17 August 2012 (the Business Day immediately before 20 August 2012).

Second Test:

Is the VWAP of Ordinary Shares over that period (adjusted for the Conversion Discount) ≥ $15.00?

VWAP x (1.0 – Conversion Discount) ≥ $15.00

To calculate the relevant VWAP to ascertain whether the Second Test is satisfied:

VWAP x (1.0 – 0.01) ≥ $15.00

VWAP ≥ $15.00 ÷ (1.0 – 0.01)

VWAP ≥ $15.15.

This example indicates that if the VWAP calculated over the 20 Business Days ending on (and including) 17 August 2012 is *at least* $15.15, then the Second Test would be satisfied and Mandatory Conversion would occur. For details of the number of Ordinary Shares that you would receive per CPS on Mandatory Conversion – see Section 2.7.1.

If the VWAP over that period was less than $15.15 on that date then Mandatory Conversion would not occur. The next possible Mandatory Conversion Date would be the next Dividend Payment Date – 20 November 2012 when the Mandatory Conversion Conditions would be tested again in the lead up to that date.

How does $15.15 relate to the Maximum Conversion Number?

Conversion Number

$$= \frac{\text{Face Value}}{\text{VWAP x (1.0 – Conversion Discount)}}$$

$$= \frac{100}{\$15.15 \text{ x } (1.0 - 0.01)}$$

$$= 6.6667$$

A VWAP of $15.15 during the 20 Business Days ending on (and including) 17 August 2012 is equivalent to 6.6667 Ordinary Shares per CPS. Therefore, under the Second Test the Conversion Number calculated on 17 August 2012 would have to be equal to or less than 6.6667 for the Second Test to be satisfied. 6.6667 is equivalent to the Maximum Conversion Number and this is how the Second Test is expressed in the Terms of Issue in clauses 3.1(c) and 3.1(d).

Note:

1 The Business Days set out in the above examples are indicative only as there may be changes to the definition of Business Days by ASX before 20 August 2012 which may affect these dates.

2. Answers to key questions continued

St.George will issue an announcement to ASX detailing what the Maximum Conversion Number is after the Allotment Date, which is expected to be on 19 December 2006. In this announcement to ASX, St.George will also detail what 50% and 60% of the Issue Share Price are and the expected equivalent number of Ordinary Shares per CPS that will be relevant for testing the Mandatory Conversion Conditions before the Mandatory Conversion Date as set out in the example above.

The range for the Ordinary Share price over the last five years is set out in the chart below. Over this period, the Ordinary Share price has risen by 97%. The Ordinary Share price is subject to fluctuations (both up and down) and the information provided about the Ordinary Share price is not a forecast of future price movements.

For more information on Mandatory Conversion – see clause 3.1 of the Terms of Issue. For more information on the Mandatory Conversion Conditions – see clause 3.1(c) of the Terms of Issue.

For more information on what happens if the Mandatory Conversion Conditions are not satisfied – see Section 2.5.2.

2.5.4 What is the Maximum Conversion Number?

CPS qualify as Non-innovative Residual Tier 1 Capital (among other things) due to the existence of the Maximum Conversion Number. Effectively the Maximum Conversion Number sets a floor in the Ordinary Share price at which Mandatory Conversion will occur.

The Maximum Conversion Number will be calculated on the Allotment Date using the following formula:

Maximum Conversion Number

$$= \frac{\textbf{Face Value}}{0.5 \times \textbf{Issue Share Price}}$$

where:

Face Value is $100 per CPS; and

Issue Share Price[1] (expressed as dollars and cents) means the VWAP during the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Allotment Date. The Allotment Date is expected to be 19 December 2006.

For example, if the Issue Share Price is $30.00, then the Maximum Conversion Number will be 6.6667 Ordinary Shares.

Face Value (per CPS)	$100.00
Divided by 50% of the Issue Share Price (50% of $30.00)	÷ $15.0000[2]
Maximum Conversion Number per CPS[3]	**6.6667**

Notes:

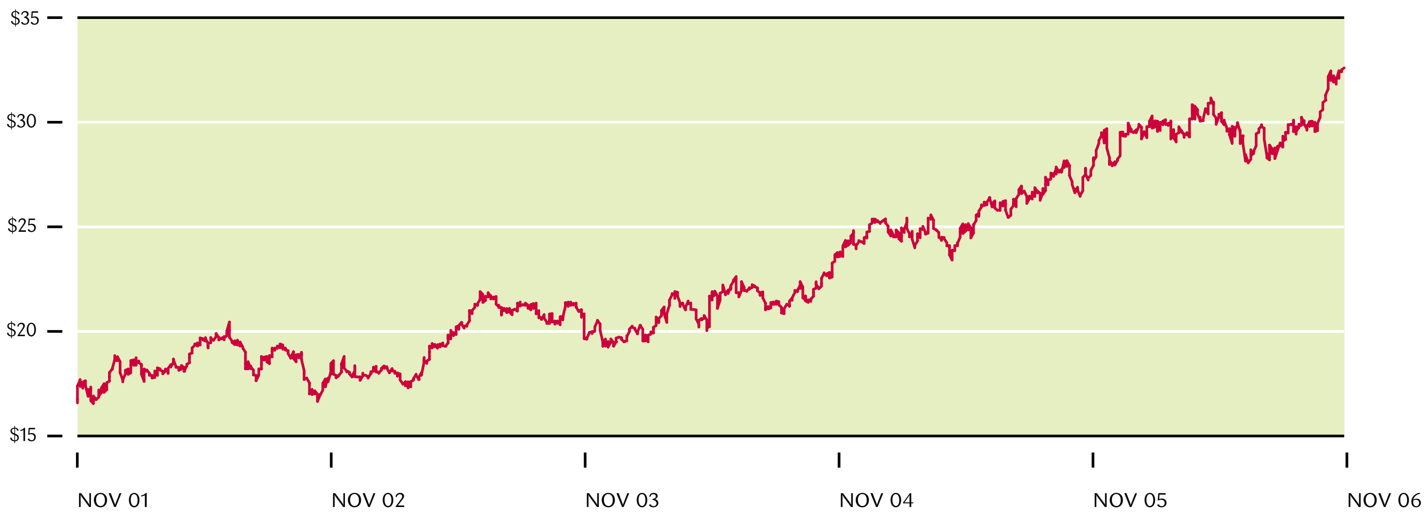
1 In the formula for Maximum Conversion Number set out in clause 3.5 of the Terms of Issue, the Issue Share Price is called VWAP.

2 Rounded to nearest four decimal places.

3 The Maximum Conversion Number will be rounded to four decimal places. For the purposes of issuing Ordinary Shares on conversion in respect of a Holder's total holding of CPS, any fraction of an Ordinary Share will be disregarded.

St.George will issue an announcement to ASX detailing what the Maximum Conversion Number is after the Allotment Date, which is expected to be on 19 December 2006.

St.George Ordinary Share price



For more information on the Maximum Conversion Number – see clause 3.5(c) of the Terms of Issue.

The Maximum Conversion Number may be adjusted to reflect transactions affecting the capital of St.George (including capital reconstructions, buy-backs, returns of capital, bonus and rights issues and other circumstances at the sole discretion of the Directors).

For details of the adjustments that apply to the Maximum Conversion Number – see clauses 3.7 to 3.11 of the Terms of Issue.

2.5.5 What is the Issue Share Price?

The Issue Share Price (expressed as dollars and cents) is the VWAP during the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Allotment Date.

2.5.6 What will you receive on Mandatory Conversion?

The existence of the Mandatory Conversion Conditions ensures that on Mandatory Conversion, Holders will receive Ordinary Shares to the value of $101.01 for each CPS on the Mandatory Conversion Date.[1] The $101.01 worth of Ordinary Shares will be calculated based on the VWAP during the 20 Business Days before Mandatory Conversion.

For details of how many Ordinary Shares you will receive on Mandatory Conversion – see Section 2.7.1.

2.5.7 When will you receive your Ordinary Shares on Mandatory Conversion?

The day on which you will receive your Ordinary Shares will be the Mandatory Conversion Date. In the Terms of Issue this date may also be called the Exchange Date when the Terms of Issue refer to conversion in the circumstances of Mandatory Conversion.

2.6 EXCHANGE BY ST.GEORGE

2.6.1 What is Exchange by St.George?

St.George may choose (subject to APRA giving its approval) to:

- convert each CPS into a number of Ordinary Shares equal to the Conversion Number;
- redeem, buy back or cancel CPS for the Face Value of $100 each; or
- undertake a combination of the above.

St.George must not choose conversion as the method of Exchange if the VWAP on the second Business Day before the proposed date of dispatch of the Exchange Notice (adjusted for the Conversion Discount) is less than 60% of the Issue Share Price.

Any buy-back or cancellation of CPS will be subject to St.George obtaining all relevant consents.

For further information about Exchange by St.George – see clause 3.2 of the Terms of Issue.

2.6.2 Can a Holder request Exchange?

No. Holders have no right to request Exchange.

2.6.3 When can St.George require Exchange?

St.George:

- **may** choose Exchange of all (but not some only) of CPS on issue by giving a notice to Holders at any time after a Tax Event or Regulatory Event; and
- **must** choose Exchange of all (but not some only) of CPS on issue by giving a notice to Holders no later than the latest to occur of five Business Days after APRA giving its written approval and six months after an Acquisition Event.

For more information on Exchange – see clause 3 of the Terms of Issue.

2.6.4 When will you receive your Ordinary Shares or cash on Exchange?

The day on which you will receive your Ordinary Shares or cash on Exchange will be called the Exchange Date. The Exchange Date will be the 20th Business Day after (but not including) the day St.George issues an Exchange Notice to Holders, unless St.George determines an earlier Exchange Date.

For more information on when the Exchange Date will be determined – see clause 3.2(f) of the Terms of Issue.

2.6.5 What is a Tax Event?

Broadly, a Tax Event occurs when St.George receives professional advice that (as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Allotment Date) there is a more than insubstantial risk that:

- St.George would be exposed to a more than an insignificant increase in its costs in relation to CPS being on issue; or
- CPS will not be treated as equity interests for taxation purposes; or
- franking credits may not be available to Holders.

After a Tax Event, St.George may choose Exchange of all (but not some only) of CPS on issue.

For the full definition of a Tax Event – see clause 9 of the Terms of Issue.

Note:

1 The VWAP of Ordinary Shares during the 20 Business Days before Mandatory Conversion may differ from the Ordinary Share price on or after Mandatory Conversion. This means that the value of Ordinary Shares received on Mandatory Conversion of each CPS may be worth more or less than $101.01.

2.6.6 What is a Regulatory Event?

Broadly, a Regulatory Event occurs when St.George receives advice from a reputable legal counsel that, as a result of a change of law or regulation on or after the Allotment Date, additional requirements would be imposed on St.George which the Directors determine as unacceptable or the Directors determine that St.George is not or will not be entitled to treat all CPS as eligible Tier 1 Capital.

After a Regulatory Event, St.George may choose Exchange of all (but not some only) of CPS on issue.

For the full definition of a Regulatory Event – see clause 9 of the Terms of Issue.

2.6.7 What is an Acquisition Event?

An Acquisition Event occurs when:

- a takeover bid is made to acquire all or some Ordinary Shares, the offer is or becomes unconditional and either the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or the Directors recommend acceptance of the takeover offer; or
- the Directors recommend a scheme of arrangement, which, when implemented, would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue.

No later than the latest to occur of five Business Days after APRA giving its written approval and six months after the occurrence of an Acquisition Event, St.George must choose Exchange of all (but not some only) of CPS on issue.

For the full definition of an Acquisition Event – see clause 9 of the Terms of Issue.

2.6.8 What is the Buy-Back Agreement?

Each Holder will enter into a Buy-Back Agreement with St.George on the relevant Exchange Date if St.George elects to use a buy-back as the method of Exchange. The Buy-Back Agreement that will be in place will have the terms set out in the schedule to the Terms of Issue.

The Buy-Back Agreement provides that St.George will buy back each CPS for its Face Value on the relevant Exchange Date. Each Holder:

- irrevocably appoints any Director or officer or duly authorised attorney of St.George as its true and lawful attorney to execute a transfer and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to St.George of the CPS; and
- agrees that, in exercising this power of attorney, St.George shall be entitled to act in the interests of St.George as the buyer of CPS.

The Buy-Back Agreement will take effect on, and will have no force or effect until, the happening of the last to occur of the following events:

- St.George giving an Exchange Notice to Holders that it has determined to buy back the CPS identified in the Exchange Notice; and
- St.George obtaining all consents (if any) to the buy-back which are required to be obtained from St.George's shareholders or any regulatory authority or other person under, and in the manner required by any applicable law or by the listing rules of any stock exchange on which CPS are quoted.

For the details of the Buy-Back Agreement – see the schedule to the Terms of Issue.

2.7 CONVERSION NUMBER AFTER MANDATORY CONVERSION OR EXCHANGE BY ST.GEORGE

2.7.1 How many Ordinary Shares will you receive on conversion?

Conversion will occur in two circumstances:

- on Mandatory Conversion – on a Mandatory Conversion Date; or
- if St.George chooses conversion as the method of Exchange after a Tax Event, Regulatory Event or Acquisition Event – on an Exchange Date.

The number of Ordinary Shares you will receive for each CPS on conversion will be the Conversion Number. The Conversion Number will be calculated by reference to the Face Value and the VWAP during the 20 Business Days immediately before the Mandatory Conversion Date or the Exchange Date (as applicable).

The Conversion Number will be calculated on the Business Day before the Mandatory Conversion Date or Exchange Date (as applicable) using the following formula:

Conversion Number

$$= \frac{\textbf{Face Value}}{\textbf{VWAP} \times (1 - \textbf{Conversion Discount})}$$

where:

Face Value is $100 per CPS;

VWAP (expressed as dollars and cents) means the VWAP during the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Mandatory Conversion Date or the Exchange Date (as applicable); and

Conversion Discount means 0.01.

Following on from the example in Section 2.5.3, assume the VWAP calculated over the 20 Business Day period ending on (but not including) the Mandatory Conversion Date or the Exchange Date was $20.00.

Face Value (per CPS)		$100.00
Divided by:		
VWAP	$20.0000	
Multiplied by (1.0 – 0.01)	x 0.99	
Equals		÷ $19.8000
Conversion Number per CPS		**5.0505**[1]

Notes:

1 The Conversion Number will be rounded to the nearest four decimal places. For the purposes of issuing Ordinary Shares on conversion in respect of a Holder's total holding of CPS, any fraction of an Ordinary Share will be disregarded.

In this example, the Conversion Number of 5.0505 is less than the Maximum Conversion Number of 6.6667 (as calculated in the previous example) and as a result the value of Ordinary Shares received per CPS would be $101.01 = $20.00 x 5.0505 (subject to rounding on conversion of total holdings of CPS). The VWAP of Ordinary Shares during the 20 Business Days before Mandatory Conversion may differ from the Ordinary Share price on or after Mandatory Conversion. This means that the value of Ordinary Shares received on Mandatory Conversion of each CPS may be worth more or less than $101.01.

If the above example was being calculated for Exchange after a Tax Event, Regulatory Event or Acquisition Event, then St.George will be unable to choose conversion as a method of Exchange if, the VWAP on the second Business Day before the proposed date of dispatch of the Exchange Notice (adjusted for the Conversion Discount) is less than 60% of the Issue Share Price.

All of the Ordinary Shares issued on conversion will rank equally in all respects with Ordinary Shares then on issue.

For the Conversion Number formula – see clause 3.5 of the Terms of Issue.

For details on the ability of St.George to elect conversion under a Tax Event, Regulatory Event or Acquisition Even – see clause 3.2(e) of the Terms of Issue.

2.7.2 What is the effect of the Maximum Conversion Number?

If the total number of Ordinary Shares to be issued on conversion of each CPS is greater than the Maximum Conversion Number then, in the case of:

- Mandatory Conversion – the Mandatory Conversion Conditions will not be satisfied, which means that the CPS will not convert on that possible Mandatory Conversion Date; or
- a Tax Event, Regulatory Event or Acquisition Event – the Conversion Number will be equal to the Maximum Conversion Number. However, if the VWAP on the second Business Day before the proposed date of dispatch of the Exchange Notice (adjusted for the Conversion Discount) was less than 60% of the Issue Share Price then St.George could not choose conversion as the method of Exchange. This VWAP (adjusted for the Conversion Discount) is equivalent to the number of Ordinary Shares per CPS that is 83.33% of the Maximum Conversion Number.

2.8 RANKING

2.8.1 Where do CPS rank in a winding up of St.George?

If St.George is wound up, Holders will be entitled to a return of capital (up to $100 per CPS) and payment of any Dividends declared but unpaid, depending on the amount of funds remaining in St.George after all depositors and creditors ranking ahead of CPS have been paid. Holders rank for payment on a winding up of St.George ahead of holders of Ordinary Shares and effectively equal with holders of Equal Ranking Capital Securities (including SPS, SAINTS and DCS), but are subordinated to all depositors and creditors of St.George.

If there is a shortfall of funds on a winding up, there is a risk that Holders will not receive a full (or any) return of capital or payment of any Dividends declared but unpaid.

CPS do not confer any further right to participate in a distribution of St.George's surplus assets.

For details of the ranking of CPS – see clause 4.1 of the Terms of Issue.

2.9 OTHER QUESTIONS

2.9.1 Is St.George restricted in relation to other securities it may issue?

St.George reserves the right in the future to issue further CPS, or other preference shares (whether redeemable or not) or Capital Securities ranking ahead of, equally with or behind CPS. That ranking may be in respect of dividends (whether cumulative or not), a return of capital on winding up of St.George, or otherwise.

2.9.2 Do CPS have any participation rights?

CPS do not carry a right to participate in issues of securities or capital reconstructions of St.George.

2.9.3 Do Holders have voting rights?

Holders do not generally have voting rights, except in the limited circumstances prescribed by the ASX Listing Rules and as described in the Terms of Issue. If these circumstances apply, then each CPS will carry the same voting rights as the number of Ordinary Shares that the Holder would be entitled to, assuming that conversion had taken place immediately before the relevant meeting – see clause 5 of the Terms of Issue.

2.9.4 How do CPS compare to SPS and SAINTS?

The table on the following page provides a summary of the main features of CPS, SPS and SAINTS. This list is not a definitive guide to all the features of these instruments.

Comparison of CPS to SPS and SAINTS

Feature	CPS	SPS and SAINTS
Legal form	Preference share	Preference share
Issuer	St.George	St.George
Quotation on ASX	Yes[1]	Yes
Issue date	Expected to be 19 December 2006	20 June 2006 and 13 August 2004, respectively
Maturity	Perpetual	Perpetual
Distribution	Dividend	Dividend
Non-cumulative	Yes	Yes
Expected to be fully franked	Yes	Yes
Dividend rate	(market rate + margin) x (1 – Tax Rate)	(market rate + margin) x (1 – Tax Rate)
Market rate	Floating rate based on 90 Bank Bill Swap Rate – payable quarterly in arrears	Floating rate based on 90 Bank Bill Swap Rate – payable quarterly in arrears
Margin	Determined under the Bookbuild, expected to be in the range of 1.10% per annum to 1.40% per annum	1.10% per annum and 1.35% per annum, respectively
Dividend payment tests	Apply	Apply
Step-up date	Not applicable	20 August 2016 and 20 November 2014, respectively
Step-up margin increase	Not applicable	One time step-up of 1.00% per annum at the step-up date
Mandatory Conversion	St.George must convert CPS into Ordinary Shares on the Mandatory Conversion Date	No
Mandatory Conversion Date	20 August 2012, or the first Dividend Payment Date after 20 August 2012, when both of the Mandatory Conversion Conditions are satisfied	Not applicable
Exchange events	St.George may choose Exchange on a Tax Event or Regulatory Event and must choose Exchange after an Acquisition Event	St.George may choose exchange on a tax event, regulatory event or acquisition event or on the step-up date
Holders can request redemption	No	No
Number of Ordinary Shares on conversion calculated as	$\frac{\text{Face Value}}{\text{VWAP x (1 – Conversion Discount of 1.00\%)}}$	$\frac{\text{Face value}}{\text{VWAP x (1 – conversion discount of 2.50\%)}}$
Ranking in liquidation	Pro rata with preference shares	Pro rata with preference shares
Qualifying Tier 1 Capital	Yes (Non-innovative)	Yes (innovative)

Note:
1 If ASX does not grant permission for CPS to be quoted, CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

2.9.5 How can you find out more information about the Offer?

If, after reading this Prospectus, you have any questions, please consult your financial adviser or other professional adviser.

Details of the Offer

This Section sets out what you must do if you wish to apply for CPS and details of quotation if you are successfully Allocated any CPS, including:

- who may apply;
- when to apply;
- how to apply;
- how to pay;
- obtaining a Prospectus and completing and the Application Form;
- privacy;
- Allocation policy; and
- the process for CPS to be admitted by ASX for quotation, and details about ASX quotation, trading and dispatch of Holding Statements.

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3. Details of the Offer

3.1 OFFER

The Offer comprises:

- a Securityholder Offer – made to Eligible Securityholders;
- a Broker Firm Offer – made to Australian resident retail clients of Co-Managers and Participating Brokers; and
- an Institutional Offer – made to certain Institutional Investors who are invited by the Joint Lead Managers to bid for CPS through the Bookbuild – see Section 3.8.1.

3.2 WHO MAY APPLY

You may apply for CPS if you are:

- an Eligible Securityholder;
- an Australian resident retail client of a Co-Manager or Participating Broker; or
- an Institutional Investor who is invited by the Joint Lead Managers to bid for CPS through the Bookbuild.

There is no general public offer of CPS.

Applications must be for a minimum of 50 CPS ($5,000).

No action has been taken in any jurisdiction outside Australia to permit the offer of CPS in that jurisdiction, nor for the authorisation, registration or distribution of any documents in connection with CPS in that jurisdiction.

For more information on foreign selling restrictions – see Section 7.4.

3.3 WHEN TO APPLY

The Offer is expected to open on 16 November 2006.

The Securityholder Offer has a different Closing Date to the Broker Firm Offer to allow sufficient time for the processing of cheques received with Applications made under the Securityholder Offer. The Closing Date for:

- the Securityholder Offer is expected to be **5.00pm on 11 December 2006**. Completed personalised Securityholder Application Forms and Application Payments must be received by the Registry no later than that time; and
- the Broker Firm Offer is expected to be **10.00am on 18 December 2006**. Completed Broker Firm Application Forms and Application Payments must be received by Co-Managers and Participating Brokers in accordance with arrangements made between them and the Broker Firm Applicant.

For more information on how to apply – see Section 3.4.

St.George, in conjunction with the Joint Lead Managers, reserves the right to amend this indicative timetable without notice including, subject to the Corporations Act and the ASX Listing Rules, to close the Offer early, to extend the Closing Date, to accept late Applications, or to cancel the Offer before allotment of CPS.

Furthermore, ASIC may extend the Exposure Period by up to seven days, in which case the Opening Date and subsequent dates will be varied accordingly without notice.

St.George may withdraw or cancel the Offer at any time before the Allotment Date.

3.4 HOW TO APPLY

Eligible Securityholders

If you are an Eligible Securityholder and want to apply for CPS, then you must complete and return your personalised Securityholder Application Form during the Offer Period, which is expected to start on 16 November 2006 and, for Eligible Securityholders, end on 11 December 2006. Instructions on how to complete your personalised Securityholder Application Form are set out on the reverse side of that form.

Your completed personalised Securityholder Application Form and Application Payment should be returned to either of the addresses below so that they are received by the Registry before the Closing Date:

by **mail** to:	by **hand** to:
Computershare Investor Services Pty Limited	Computershare Investor Services Pty Limited
GPO Box 253	Level 3, 60 Carrington Street
Sydney NSW 2001	Sydney NSW 2000.

Application Forms and Application Payments will NOT be accepted at any other address (including St.George's registered office or any other St.George office or branch) or by any other means.

Broker Firm Applicants

If you are a Broker Firm Applicant, then you should contact your Co-Manager or Participating Broker for information on how to submit the Broker Firm Application Form and your Application Payment.

The Settlement Date for the Broker Firm Offer is expected to be 18 December 2006. Your Co-Manager or Participating Broker must have received your completed Broker Firm Application Form and Application Payment in time to arrange settlement on your behalf by this date. Your Co-Manager or Participating Broker will act as your agent in processing your Broker Firm Application Form and providing your Application details and Application Payment to St.George.

If you download the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety. You cannot apply online except where the facility is provided by a Co-Manager or Participating Broker.

The Corporations Act prohibits any person from passing an Application Form on to another person unless it is attached to or accompanied by a paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

3.5 HOW TO PAY

3.5.1 Minimum Application amount

The application price of each CPS is $100. Your Application must be for a minimum of 50 CPS ($5,000). If your Application is for more than 50 CPS, you must apply in multiples of 10 CPS, that is for incremental multiples of at least $1,000.

St.George and the Joint Lead Managers reserve the right to reject any Application, or to Allocate a lesser number of CPS than applied for, including less than the minimum Application of 50 CPS ($5,000).

3.5.2 Application Payments held in trust

All Application Payments received before CPS are issued will be held by St.George in a trust account established solely for the purposes of depositing Application Payments received. Any interest that accrues in the trust account will be retained by St.George.

3.5.3 Brokerage and stamp duty

No brokerage or stamp duty is payable on your Application. You may have to pay brokerage on any subsequent trading of your CPS on ASX after CPS have been quoted on ASX.

3.5.4 Refunds

If the Offer does not proceed for any reason and CPS are not issued, Applicants will have their Application Payments refunded to them (without interest) as soon as possible.

If you are allotted and issued less than the number of CPS that you applied for, you will receive a refund of part of your Application Payment as soon as possible after the Closing Date. No interest will be payable on the refunded part of an Application Payment.

3.6 OBTAINING A PROSPECTUS AND COMPLETING THE APPLICATION FORM

If you are an Eligible Securityholder who wants to apply for CPS through the Securityholder Offer, you must apply on your personalised Securityholder Application Form.

To receive a printed copy of this Prospectus and your personalised Securityholder Application Form, register your interest either:

- online at **www.stgeorge.com.au/about/investor**; or
- by calling the **St.George InfoLine on 1800 804 457**.

St.George intends to mail a copy of this Prospectus and a personalised Securityholder Application Form after the Opening Date to Eligible Securityholders who have requested the Prospectus.

If you are a **Broker Firm Applicant**, who wants to apply for CPS, you must apply on a Broker Firm Application Form, which is included in the back of this Prospectus.

Broker Firm Applicants must send their completed Broker Firm Application Form and Application Payment to their Co-Manager or Participating Broker, and NOT to the Registry, within sufficient time to enable their Co-Manager or Participating Broker to settle their Broker Firm Allocation by the Settlement Date, which is expected to be 18 December 2006.

An electronic copy of this Prospectus will be available to persons in Australia online at **www.stgeorge.com.au/about/investor** during the Exposure Period and the Offer Period. On the St.George website, the Application Form will only be available with the Prospectus during the Offer Period. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus. Your Application will only be considered where you have applied on an Application Form that accompanied a copy of the Prospectus.

There is no facility for Broker Firm Applicants to submit their Applications electronically except where the facility is provided by a Co-Manager or Participating Broker.

You can also request a free paper copy of this Prospectus by contacting the **St.George InfoLine on 1800 804 457**.

3.6.1 Provision of bank account details for Dividends

Dividends shall be paid in Australian dollars by cheque, direct credit, or such other means as authorised by the Directors.

If you choose to receive Dividends via direct credit:

- the Registry will send you a personalised direct credit form requesting your account details when your Holding Statement is dispatched to you. Please complete and return this direct credit form as soon as possible; and
- St.George will pay your Dividends directly into an Australian dollar account of a financial institution nominated by you.

3.6.2 Provision of Tax File Number or Australian Business Number

If you are issued any CPS, the Registry will provide you with a form (when your Holding Statement is dispatched to you) that will request that you provide your TFN, ABN or both.

You do not have to provide your TFN or ABN. However, St.George may be required to withhold Australian tax at the highest marginal tax rate (currently 46.5% including the medicare levy) on the amount of any Dividend unless you provide one of the following:

- TFN;
- TFN exemption number (if applicable); or
- ABN (if CPS are held in the course of an enterprise carried on by you).

3.6.3 Provision of personal information

The information about you included on an Application Form is used for the purposes of processing the Application and, if the Application is successful, to administer your CPS (and, if they are issued in the future on Exchange, your holding of Ordinary Shares). For information about the acknowledgements and privacy statement in relation to personal information that you provide St.George by completing an Application Form – see Section 3.7.

3.7 PRIVACY

When making an Application, Applicants will be required to provide personal information to St.George. St.George will collect, hold and use an Applicant's personal information in order to assess the Application, service the Applicant's needs as an investor, provide facilities and services that an Applicant requests and carry out appropriate administration.

Company and tax law requires some of the personal information to be collected. If an Applicant does not provide the personal information requested, the Application may not be processed efficiently, or at all.

St.George may disclose an Applicant's personal information for purposes related to the Applicant's investment to its agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Joint Lead Managers – in order to assess the Application;
- the Registry – for ongoing administration of the register; and
- the printers and the mailing house – for the purposes of preparation and distribution of statements and for handling of mail.

If an Applicant becomes a Holder, the Applicant's personal information may also be used or disclosed from time to time to inform the Applicant about St.George's products or services that St.George thinks may be of interest to the Applicant. An Applicant may elect not to have their personal information used for this purpose by telephoning the **St.George InfoLine on 1800 804 457**.

Personal information may also be disclosed to companies within the Group and to their agents and service providers on the basis that they deal with such personal information in accordance with St.George's privacy policy.

Under the *Privacy Act 1988* (Cth), an Applicant may request access to personal information held by (or on behalf of) St.George or the Registry. An Applicant's request for access may be denied in some circumstances and if this happens the Applicant will be told why. An Applicant can request access to personal information by writing to, or telephoning, the Registry:

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Email: privacy@computershare.com.au

St.George InfoLine 1800 804 457.

You can obtain a copy of St.George's privacy policy at **www.stgeorge.com.au**.

3.8 ALLOCATION POLICY

The Allocation policy for Institutional Investors, Co-Managers and Participating Brokers will be determined under the Bookbuild. St.George and the Joint Lead Managers have the right to nominate the persons to whom CPS will be Allocated.

Allocations for the Securityholder Offer will be determined by St.George in consultation with the Joint Lead Managers at the close of the Securityholder Offer. Any scale back will be announced on ASX on the day CPS commence trading on a deferred settlement basis, which is expected to be 20 December 2006.

3.8.1 Bookbuild

The Bookbuild is a process that will be conducted by the Joint Lead Managers in consultation with St.George before the Opening Date to determine the Margin and to determine firm Allocations to Institutional Investors, Co-Managers and Participating Brokers. In this process, Institutional Investors, Co-Managers and certain other brokers are invited to lodge bids for a number of CPS within the Margin range of 1.10% per annum to 1.40% per annum. On the basis of those bids, St.George and the Joint Lead Managers determine the Margin and firm Allocations to Institutional Investors, Co-Managers and other brokers (the other brokers who receive a firm Allocation become Participating Brokers).

The Bookbuild will be conducted under the terms and conditions agreed by St.George and the Joint Lead Managers in the Offer Management Agreement – see Section 7.3.

CPS Allocated firm to Institutional Investors, Co-Managers and Participating Brokers under the Bookbuild will be issued through Applications made under this Prospectus.

3.8.2 Settlement underwriting

The Joint Lead Managers have agreed with St.George to settlement underwrite the number of CPS Allocated to Institutional Investors, Co-Managers and Participating Brokers under the Bookbuild. Settlement underwrite means that if any of the Institutional Investors, Co-Managers or Participating Brokers fail to deliver valid Applications including Application Payments to St.George by the Settlement Date (which is the day before the Allotment Date), the Joint Lead Managers will be issued with and pay for those CPS.

Under the Offer Management Agreement, as part of this settlement underwriting, the Joint Lead Managers will pay to St.George, or procure payment to St.George of, the aggregate proceeds raised from Institutional Investors, Co-Managers and Participating Brokers under the Bookbuild by the Settlement Date.

The Offer Management Agreement may be terminated by the Joint Lead Managers in certain circumstances. If the Offer Management Agreement is terminated, Institutional Investors, Co-Managers and Participating Brokers who participated in the Bookbuild can withdraw their firm Allocations.

For details of the fees to be paid to the Joint Lead Managers and the Co-Managers and Participating Brokers – see Section 7.6.

3.8.3 Allocations

Securityholder Offer
Eligible Securityholders, who submit a Securityholder Application Form and Application Payment, may receive an Allocation, subject to the right of St.George in consultation with the Joint Lead Managers, to determine the Allocations when the Offer closes.

St.George and the Joint Lead Managers reserve the right (at their discretion) to:

- Allocate to an Eligible Securityholder all CPS for which that Eligible Securityholder has applied;
- reject any Application by an Eligible Securityholder; or
- Allocate to any Eligible Securityholder a lesser number of CPS than that applied for.

No assurance is given that any Eligible Securityholder will receive an Allocation.

Where no Allocation is made, or the value of CPS Allocated is less than the value for which an Application is made, surplus Application Payments will be returned to Eligible Securityholders (without interest) as soon as possible.

Broker Firm Offer
Allocations to Applicants by a Co-Manager or Participating Broker are at the discretion of that Co-Manager or Participating Broker. Broker Firm Allocations to Co-Managers and Participating Brokers will be determined by, and subject to, the terms and conditions of the Bookbuild.

Allocations by Co-Managers and/or Participating Brokers to their Australian resident retail clients are at the discretion of that Co-Manager and/or Participating Broker, not St.George (acting in its capacity as the issuer of CPS) or the Joint Lead Managers.

Institutional Offer
Allocations to Institutional Investors will be determined by, and subject to, the terms and conditions of the Bookbuild.

After CPS are allotted to any Applicants, the Application Payment held in trust will be payable to St.George. St.George intends to allot CPS on 19 December 2006.

3.9 ASX QUOTATION, TRADING AND HOLDING STATEMENTS

3.9.1 ASX quotation

St.George will apply to ASX within seven days after the date of this Prospectus for CPS to be quoted on ASX. Quotation is not guaranteed or automatic. If ASX does not grant permission for CPS to be quoted, CPS will not be issued and all Application Payments will be refunded (without interest) to Applicants as soon as possible.

CPS are expected to trade under ASX code 'SGBPD'.

3.9.2 Holding Statement dispatch and trading

Holding Statements are expected to be dispatched to Successful Applicants by 21 December 2006.

In addition, you may call the **St.George InfoLine on 1800 804 457** or your Co-Manager or Participating Broker after the Allotment Date to enquire about your Allocation.

It is the responsibility of each Applicant to confirm their Allocation (if any) before trading in CPS. If you sell CPS before you receive your Holding Statement, you do so at your own risk (even if you obtained information on your Allocation from the **St.George InfoLine on 1800 804 457**).

The CPS are then expected to begin trading on ASX (on a normal settlement basis) on 22 December 2006.

3.10 CHESS

St.George will apply to ASX for CPS to participate in CHESS and, under the ASX Listing Rules and the ASTC Settlement Rules, will maintain an electronic issuer sponsored subregister and an electronic CHESS subregister. Under CHESS, St.George will not issue certificates to investors. After the issue of CPS, Successful Applicants will receive either a CHESS allotment confirmation notice or an issuer sponsored Holding Statement. It is expected that CHESS allotment confirmation notices and Holding Statements will be dispatched by standard post soon after CPS are issued.

Holding Statements, which are similar to bank account statements, will set out the number of CPS issued to Successful Applicants under this Prospectus. The Holding Statement will also set out the HIN (for CPS held on the CHESS subregister) or SRN (for CPS held on the issuer sponsored subregister).

Further holding statements will be provided to Holders that reflect any changes in the number of CPS held by them during a particular month. Holders will be required to quote their HIN or SRN, as appropriate, in all dealings with a broker or the Registry.

3.11 ENQUIRIES

You should consult your financial adviser or other professional adviser if you:

- have enquiries about how to apply for CPS or about the Offer and Allocation policy;
- require assistance to complete the Application Form; or
- require a copy of this Prospectus and the Application Form.

If you are unclear in relation to any matter, or are uncertain if CPS are a suitable investment for you, you should consult your financial adviser or other professional adviser. If you are a Broker Firm Applicant and you are in any doubt about the action you should take, you should immediately contact your Co-Manager, Participating Broker or other professional adviser.

Overview of St.George

This Section sets out:

- where to find information about St.George;
- an overview of St.George's business;
- a summary of St.George's financial performance;
- the outlook for St.George's business;
- information on St.George's risk management framework;
- St.George's capital management strategy and capital ratios;
- pro-forma financial information for the effect of the issue of CPS on St.George; and
- information on the credit ratings relevant to the Offer.

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4. Overview of St.George

4.1 INFORMATION ABOUT ST.GEORGE

St.George is a disclosing entity under the Corporations Act and is listed on ASX and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

In particular, St.George has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is, or becomes, aware concerning St.George, which a reasonable person would expect to have a material effect on the price or value of Ordinary Shares, SPS or SAINTS. This information is available on the public file at ASX and at **www.stgeorge.com.au**.

Copies of documents lodged with ASIC in relation to St.George may be obtained or inspected at an ASIC office.

You have a right to obtain a copy of any of the following documents:

- the annual financial report most recently lodged with ASIC by St.George;
- any half year financial report lodged with ASIC by St.George after the lodgement of that annual report and before the lodgement of the Prospectus with ASIC; and
- any continuous disclosure notices given by St.George after the lodgement of that annual financial report and before the lodgement of the Prospectus with ASIC.

During the Offer Period, you can obtain a copy of the above documents free of charge at **www.stgeorge.com.au** or by phoning the **St.George InfoLine on 1800 804 457**.

4.2 OVERVIEW OF ST.GEORGE

St.George is the fifth largest banking group in Australia in terms of total lending assets, with a market capitalisation of $17.2 billion as at 2 November 2006. St.George's primary business is providing retail banking services, including residential mortgage loans for owner occupied and investment housing and retail call and term deposits. At 30 September 2006, St.George had total assets of $107.0 billion and shareholders' equity of $5.3 billion. St.George has a national presence in Australia with a large customer base and primarily operates in New South Wales and South Australia.

St.George has approximately 390 branches and also distributes its products through third parties such as mortgage brokers.

As at 30 September 2006, St.George employed 8,598 full time equivalent employees. There are four main business divisions:

- **Retail Bank**
  Retail Bank is responsible for residential and consumer lending, the provision of personal financial services including transaction services, call and term deposits, small business banking and financial planning. This division manages retail branches, call centres, agency networks and electronic channels such as EFTPOS terminals, ATMs and Internet banking;
- **Institutional and Business Banking**
  Institutional and Business Banking is responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange, money market and derivatives, corporate and business relationship banking, international and trade finance banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing (including factoring and invoice discounting);
- **BankSA**
  BankSA is responsible for providing retail banking and business banking services to customers in South Australia and the Northern Territory. These services are now extending into country New South Wales and Victoria; and
- **Wealth Management**
  Wealth Management is responsible for providing wealth management administration, asset management, dealer group services, margin lending, financial advice, private banking services and general and life insurance.

4.3 FINANCIAL PERFORMANCE

St.George's net profit after tax, minority interests, preference dividends and significant items for the year to 30 September 2006 was $1,048 million, up 17.9% from $889 million for the year to 30 September 2005. Basic earnings per Ordinary Share before significant items, hedging and non-trading derivatives volatility and goodwill increased by 13.1% from 173.1 cents to 195.8 cents for the same period.

The following table sets out a consolidated historical income statement for St.George for the years ended 30 September 2005 and 30 September 2006. The audited income statement for the year ended 30 September 2006 has been prepared on a 'full' AIFRS basis (including the impact of all AIFRS). The unaudited income statement for the year ended 30 September 2005 has also been prepared on a 'full' AIFRS basis.

4. Overview of St.George continued

Consolidated income statement

$ million	Year ended 30-Sep-05	30-Sep-06
Interest income	5,916	6,814
Interest expense	4,055	4,799
Net interest income	**1,861**	**2,015**
Non-interest income	**833**	**953**
Total income	**2,694**	**2,968**
Bad and doubtful debts expense	128	144
Operating expenses	1,280	1,299
Total operating expenses	**1,408**	**1,443**
Share of net profit of equity accounted associates	3	–
Operating profit before income tax	**1,289**	**1,525**
Income tax expense	396	470
Operating profit after income tax	**893**	**1,055**
Minority interests	5	1
Operating profit after income tax and minority interests	**898**	**1,056**
Preference dividends	17	20
Profit available to Ordinary Shareholders	**881**	**1,036**
Add: profit on significant items	8	12
Operating profit after tax, minority interests, preference dividends and significant items	**889**	**1,048**

4.4 OUTLOOK STATEMENT

The Australian economy registered solid growth over the past year, supported by the resources boom, strong business investment and a healthy labour market. However, the housing market generally weakened and the economies of New South Wales and South Australia grew more slowly than the national average. While growth in New South Wales and South Australia is expected to continue to be below the national average, we anticipate that these economies will remain resilient. These expectations factor in the likelihood of a further interest rate rise.

Our home loan receivables are targeted to grow in line with system, which we anticipate to be in the 10% to 12% range. We expect to continue to deliver our excellent lending growth in Victoria, Queensland and Western Australia. We also expect our Wealth Management and Middle Market businesses to exceed and double system growth, respectively. Deposit volumes and mix will be managed to ensure profitable growth.

Assuming a reasonably robust economic environment, we are targeting 10% earnings per share growth for both 2007 and 2008 on a cash AIFRS basis.

4.5 RISK MANAGEMENT

In St.George's daily operations, it is exposed to credit risk, liquidity risk, market risk and operational risk (including fraud, theft and property damage). St.George has a well established and integrated framework to manage these risks through a number of specialised committees, which are responsible for policy setting, monitoring and analysis of risk.

The Bank's risk management framework continues to be enhanced as it progresses with the implementation of the Basel II advanced approaches for credit and operational risk. The Basel II framework contains three approaches for calculating the capital requirements for credit risk, being the standardised, foundation and advanced approaches. St.George lodged its application with APRA in September 2005 applying for the advanced approach for credit risk with regard to its retail lending portfolio, and the foundation approach for credit risk with regard to its corporate lending portfolio.

The Basel II framework introduces a capital requirement for operational risk under three options, being basic, standardised and advanced approaches. St.George is aiming to adopt the advanced approach for operational risk and in September 2006 lodged its application with APRA. For both credit and operational risk, the timing of adoption of these approaches is subject to satisfying APRA's advanced level Basel II accreditation requirements.

4.6 CAPITAL MANAGEMENT

4.6.1 St.George's target Tier 1 Capital Ratio

St.George targets a Tier 1 Capital Ratio of 7.0% to 7.5%. As at 30 September 2006, St.George's Tier 1 Capital Ratio was 6.9% and its Total Capital Ratio was 10.8%, which exceeded the 10% minimum Total Capital Ratio required by APRA for St.George.

St.George's Tier 1 Capital Ratio of 6.9% as at 30 September 2006, is currently below its target range due to the $300 million buy-back of Ordinary Shares in February 2006. APRA granted St.George temporary relief on returning to its Tier 1 Capital target range until APRA's prudential standards on Tier 1 Capital instruments were finalised and St.George could proceed to issue qualifying Tier 1 Capital instruments. After the issue of CPS, St. George expects that its Tier 1 Capital Ratio will be back within its target range of 7.0% to 7.5%.

4.6.2 APRA's capital adequacy requirements

From 1 July 2006, St.George is required to measure its capital adequacy based on APRA's regulatory approach to AIFRS. In accordance with APRA's transitional arrangements, the difference between St.George's previous AGAAP capital base at 30 June 2006 and AIFRS capital base on 1 July 2006, is subject to transitional relief until 31 December 2007. St.George has agreed with APRA that the reduction in St.George's capital base which will be the subject of this transitional relief is $261 million. This comprises transitional relief in relation to new deductions from Tier 1 Capital for capitalised software, establishment of the general reserve for credit losses and a reduction in retained profits resulting from tax-effecting the asset revaluation reserve.

On 31 May 2006, APRA issued its revised prudential standards on Tier 1 Capital instruments to reflect its approach to the adoption of AIFRS. The revised standards reduce the innovative limit from 25% of gross Tier 1 Capital (excluding hybrid equity) to 15% of net Tier 1 Capital, and introduce a total limit for Residual Tier 1 Capital (comprising both innovative and Non-innovative Residual Tier 1 Capital) of 25% of net Tier 1 Capital. The new limits apply from 1 January 2008, with some transitional relief being available until 1 January 2010 (subject to agreement with APRA).

As at 30 September 2006, St.George's innovative capital on issue represented 18.9% of gross Tier 1 Capital (excluding hybrid equity), which is within the current innovative limit of 25% of gross Tier 1 Capital (excluding hybrid equity). St.George expects to continue using Residual Tier 1 Capital instruments in managing its capital position going forward.

St.George is regulated by APRA on both a Level 1 and Level 2 basis. Level 1 refers to the authorised deposit-taking institution as a stand-alone entity, while Level 2 refers to the consolidated banking group. More information on Level 1 and Level 2 regulation can be found on the APRA website at **www.apra.gov.au**.

For information on how St.George's Distributable Profits differs on a Level 1 and Level 2 basis – see Section 2.4.8.

4.6.3 Recent and anticipated capital management initiatives

The following capital management initiatives were undertaken during the year ended 30 September 2006:

- $8.2 billion of residential loan receivables were securitised through the Crusade Securitisation Program;
- 6.5 million Ordinary Shares were issued under St.George's dividend reinvestment plan (DRP), raising $186 million of capital;
- the conversion of $300 million of PRYMES into 10,309,170 Ordinary Shares in February 2006, based on a conversion price of $29.07 per share;
- the buy-back of 11,677,657 Ordinary Shares in February 2006 at a price of $25.69 per share; and
- the issue of 1.5 million Step-up Preference Shares in June 2006, raising $148 million of capital.

The DRP will operate for the final dividend with no discount and will not be underwritten.

St.George expects to maintain its Total Capital Ratio above the 10% minimum Total Capital Ratio required by APRA for St.George.

4.7 PRO-FORMA FINANCIAL INFORMATION

The following consolidated pro-forma balance sheet and consolidated pro-forma capital adequacy position for St.George as at 30 September 2006 set out the expected effect of the Offer on St.George as at 30 September 2006, and assume that as at 30 September 2006:

- the Offer was completed and $250 million of CPS are issued; and
- CPS are classified as $245 million of borrowings ($250 million gross proceeds net of $5 million total issue costs) in the consolidated balance sheet of St.George.

The pro-forma balance sheet and capital adequacy position are unaudited and have been prepared according to AIFRS.

4. Overview of St.George continued

4.7.1 Consolidated pro-forma balance sheet

The following table sets out the consolidated pro-forma balance sheet based on St.George's audited consolidated balance sheet as at 30 September 2006, adjusted as if the issue of CPS was completed as at that date:

$ million	Actual	Pro-forma
Assets		
Cash and liquid assets	1,081	1,326
Receivables from other financial institutions	1,182	1,182
Assets at fair value through the income statement	6,192	6,192
Derivative assets	1,093	1,093
Available for sale investments	1,541	1,541
Loans and other receivables	81,516	81,516
Bank acceptances of customers	11,908	11,908
Property, plant and equipment	334	334
Intangible assets	1,291	1,291
Deferred tax assets	193	193
Other assets	671	671
Total assets	**107,002**	**107,247**

$ million	Actual	Pro-forma
Liabilities		
Deposits and other borrowings	54,633	54,633
Payables due to other financial institutions	401	401
Liabilities at fair value through the income statement	390	390
Derivative liabilities	1,190	1,190
Bank acceptances	7,287	7,287
Provision for dividends	3	3
Current tax liabilities	160	160
Deferred tax liabilities	172	172
Other provisions	125	125
Bonds and notes	34,593	34,838
Loan capital	2,032	2,032
Bills payable and other liabilities	673	673
Total liabilities	**101,659**	**101,904**
Net assets	**5,343**	**5,343**
Shareholders' equity		
Ordinary Shares	3,868	3,868
SPS	148	148
SAINTS	345	345
General reserve	15	15
Reserves	151	151
Retained profits	798	798
Shareholders' equity attributable to members of St.George	**5,325**	**5,325**
Equity attributable to minority interests	18	18
Total shareholders' equity	**5,343**	**5,343**

4.7.2 Consolidated pro-forma capital adequacy position

The following table sets out the consolidated pro-forma capital adequacy position based on St.George's audited consolidated balance sheet as at 30 September 2006, adjusted as if the issue of CPS was completed as at that date.

Consolidated pro-forma capital adequacy position – 30 September 2006

$ million	Actual	Pro-forma
Tier 1 Capital		
Share capital	3,868	3,868
General reserve	15	15
Borrowers' and depositors' redemption reserve	2	2
CPS[1]	–	245
SAINTS	345	345
Perpetual notes	34	34
SPS	148	148
DCS	335	335
Minority interests	(16)	(16)
Other reserves	2	2
Equity compensation reserve	29	29
Retained profits	798	798
Less: expected dividend[2]	(344)	(344)
Less: capitalised expenses[3]	(295)	(295)
Less: goodwill and other APRA deductions	(1,513)	(1,513)
Add: AIFRS APRA transition adjustments[4]	261	261
Total Tier 1 Capital	**3,669**	**3,914**

$ million	Actual	Pro-forma
Tier 2 Capital		
Asset revaluations	28	28
Subordinated debt	1,835	1,835
General reserve for credit losses/collective provision	265	265
Add: AIFRS APRA adjustments[4]	7	7
Total Tier 2 Capital	**2,135**	**2,135**
Deductions from capital		
Investments in non-consolidated entities net of goodwill and Tier 1 Capital deductions	27	27
Other	1	1
Total deductions from capital	**28**	**28**
Total qualifying capital	**5,776**	**6,021**
Risk weighted assets	**52,982**	**52,982**
Risk weighted capital adequacy ratios		
Tier 1	6.9%	7.4%
Tier 2	4.0%	4.0%
Deductions	(0.1%)	(0.1%)
Total Capital Ratio	**10.8%**	**11.3%**

$ million	Actual	Pro-forma
Adjusted common equity		
Tier 1 Capital	3,669	3,914
Less: CPS	–	245
Less: SAINTS	345	345
Less: perpetual notes	34	34
Less: SPS	148	148
Less: DCS	335	335
Less: investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27
Less: capitalised software[5]	131	131
Adjusted common equity	**2,649**	**2,649**
Adjusted common equity ratio	5.0%	5.0%

Notes:

1 Net proceeds of $245 million from the CPS issue: $250 million gross proceeds less $5 million in issue costs.

2 Net of estimated reinvestment under the dividend reinvestment plan.

3 From 1 July 2006 also includes capitalised software costs.

4 AIFRS transitional relief adjustments approved by APRA that apply until 31 December 2007.

5 Excludes APRA AIFRS transition relief for capitalised software expenses.

6 The capital position has been prepared in accordance with APRA AIFRS requirements.

4.8 CREDIT RATINGS

St.George and its subsidiaries have been rated on an interactive basis by Standard & Poor's, Moody's and Fitch Ratings. Those ratings which are current at the date of this Prospectus and are relevant to the Offer are as follows:

Ratings	CPS – Issue Credit Rating	St.George – long-term credit rating
Standard & Poor's	BBB+	A+
Moody's	A3	A1
Fitch Ratings	A–	A+

The provisional CPS ratings by Standard & Poor's, Moody's and Fitch Ratings were issued on 20 October 2006, 26 October 2006 and 23 October 2006, respectively. These ratings are provisional and Standard & Poor's, Moody's and Fitch Ratings have indicated that they will be assigned to CPS on issue subject to no material changes occurring to the transaction structure or documentation.

St.George's long-term credit ratings were issued by Standard & Poor's on 30 January 2006 (last reaffirmed on 9 August 2006), by Moody's on 18 May 2006 (last reaffirmed on 30 August 2006) and by Fitch Ratings in January 2001 (last reaffirmed on 5 April 2006).

These credit rating references are current but may be revised or withdrawn by the relevant credit rating agency at any time. These credit rating references are not a recommendation by the relevant credit rating agency to apply for the CPS offered under this Prospectus. None of Standard & Poor's, Moody's and Fitch Ratings have consented to the use of their credit rating references in this Prospectus.

4.8.1 Issue Credit Rating

An Issue Credit Rating is a current opinion of the creditworthiness of an obligor with respect to specific financial obligations, a specific class of financial obligations or a specific financial program.

Issues rated 'BBB–' or higher by Standard & Poor's are generally considered in capital markets to be investment grade. CPS have been assigned a 'BBB+' rating by Standard & Poor's and are therefore investment grade. An Issue Credit Rating of 'BBB+' describes an issue that exhibits adequate protection parameters.

Issues rated 'Baa3' or higher by Moody's are generally considered in capital markets to be investment grade. CPS have been assigned an 'A3' rating by Moody's and are therefore investment grade. An Issue Credit Rating of 'A3' offers strong financial security.

Issues rated 'BBB–' or higher by Fitch Ratings are generally considered in capital markets to be investment grade. CPS have been assigned an 'A–' rating by Fitch Ratings and are therefore investment grade. An Issue Credit Rating of 'A–' describes an issue that exhibits strong protection parameters.

4.8.2 St.George's long-term credit rating

A long-term credit rating is a current opinion of an obligor's overall financial capacity to pay its financial obligations (its creditworthiness).

Standard & Poor's

St.George's current long-term credit rating from Standard & Poor's is 'A+' (Outlook Stable). An obligation rated 'A+' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or a minus (–) sign to show relative standing within the major rating categories. The rating outlook assesses the potential direction of an issuer's long-term debt rating over the intermediate to longer term. Rating outlooks fall into the following four categories: positive, negative, stable and developing. The outlook applied to St.George's long-term credit rating above is 'Outlook Stable' which indicates that the rating is not likely to change.

Moody's
Moody's long-term credit rating for St.George is 'A1' (Outlook Stable). Issuers rated 'A1' offer good financial security. However, elements may be present which suggest a susceptibility to impairment sometime in the future.

Moody's applies numerical modifiers of 1, 2 and 3 in each category from 'Aa' to 'Caa'. The modifier 1 indicates that the issuer is in the higher end of its letter rating category. The rating outlook is an opinion regarding the likely direction of an issuer's rating over the medium term. Rating outlooks fall into the four following categories: positive, negative, stable and developing (contingent upon a particular event). The outlook applied to St.George's long-term credit rating above is 'Outlook Stable' which indicates that the rating is not likely to change.

Fitch Ratings
St.George's long-term credit rating from Fitch Ratings is 'A+' (Outlook Stable). Issuers rated 'A+' offer a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or a minus (–) sign to show relative standing within the major rating categories. The rating outlook assesses the potential direction of an issuer's long-term debt rating over the intermediate to longer term. Rating outlooks fall into the following four categories: positive, negative, stable and developing. The outlook applied to St.George's long-term credit rating above is 'Outlook Stable' which indicates that the rating is not likely to change.

4.8.3 No consent for inclusion of credit ratings
Standard & Poor's, Moody's and Fitch Ratings have not consented to their ratings being included in this Prospectus and accordingly those rating agencies are not liable under section 729 of the Corporations Act for the ratings attributed to them in this Prospectus.

St.George has obtained ASIC relief for the inclusion of these ratings – see Section 7.10.

Credit ratings are not 'market' ratings, nor are they a recommendation to buy, hold or sell securities (including CPS).

As at the date of this Prospectus, St.George has not approached any other rating agency for a rating of CPS.

Credit ratings are subject to revision or withdrawal at any time.

Risks

This Section describes the potential risks associated with an investment in CPS.

It is divided into risks that are specific to CPS and risks associated with St.George and the banking industry generally.

Before applying for CPS, you should consider whether CPS are a suitable investment for you. There are risks associated with investing in CPS and in St.George, many of which are outside the control of St.George and its Directors. These risks include those in this Section and other matters referred to in this Prospectus.

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5. Risks

5.1 RISKS ASSOCIATED WITH INVESTING IN CPS

5.1.1 Dividends may not be paid

The payment of Dividends is subject to the Payment Tests and because of this there is a risk that Dividends may not be paid. These Payment Tests include the Directors determining a Dividend to be payable and St.George having sufficient profits available to pay the Dividend. If one or more of the Payment Tests are not satisfied, a Dividend may not be paid in full or at all.

Dividends are non-cumulative, and therefore if a Dividend is not paid Holders will have no right to receive that Dividend at a later time. St.George may subsequently pay a Dividend that is not paid in full or not paid at all, by declaring an Optional Dividend (subject to APRA giving its approval) – see Section 2.4.9.

If St.George does not declare a Dividend or pay a declared Dividend in full within 20 Business Days of a Dividend Payment Date, then a dividend stopper applies. This means that St.George may not pay any dividend or distribution on any Equal Ranking Capital Securities (including SPS, SAINTS and DCS) or Junior Ranking Capital Securities (including Ordinary Shares) or make any return of capital on any Junior Ranking Capital Securities without the approval of a special resolution of Holders, unless (among other things) St.George pays 12 months Dividends in full or pays any unpaid Dividends from the last 12 months or makes a pro rata payment on CPS and Equal Ranking Capital Securities – see Section 2.4.10.

St.George may also be subject to similar 'payment test' constraints on the payment of dividends or returns of capital on certain Tier 1 Capital securities if a dividend or other distribution has not been paid on other securities that St.George has on issue which contain similar provisions to the dividend stopper in the Terms of Issue. If such a constraint applies, St.George may not be able to pay Dividends without the approval of the holders of those other securities.

5.1.2 Financial market conditions

The market price of CPS may fluctuate due to various factors, including investor perceptions, worldwide economic conditions, interest rates, movements in the market price of Ordinary Shares, and factors that may affect St.George's financial performance and position. It is possible that CPS may trade at a market price below $100 each (Face Value).

The market price of CPS may be more sensitive than that of Ordinary Shares to changes in interest rates. Increases in relevant interest rates may adversely affect the market price of CPS.

The Ordinary Shares held as a result of any conversion of CPS will, after conversion, rank equally with existing Ordinary Shares. Accordingly, the value of any Ordinary Shares received on Exchange will depend on the market price of Ordinary Shares after the Exchange Date.

5.1.3 Liquidity

The market for CPS may be less liquid than the market for Ordinary Shares.

Holders who wish to sell their CPS may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for CPS.

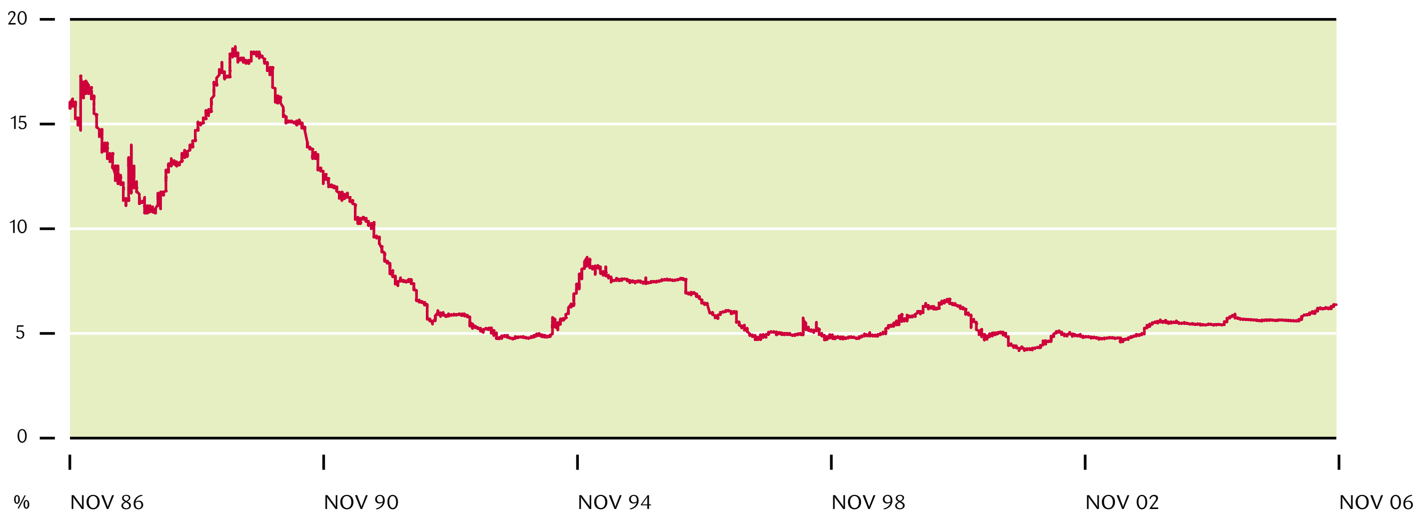
5.1.4 Changes in Dividend Rate

The Dividend Rate is calculated for each Dividend Period by reference to the Bank Bill Swap Rate, which is influenced by a number of factors and varies over time. The Dividend Rate will fluctuate (both increasing and decreasing) over time with movement in the Bank Bill Swap Rate.

The range for the Bank Bill Swap Rate over the last 20 years is set out in the chart below.

As the Dividend Rate fluctuates, there is a risk that it may become less attractive when compared to the rates of return available on comparable securities issued by St.George or other entities.

Bank Bill Swap Rate (% per annum)



5.1.5 Dividends may not be fully franked

St.George expects Dividends to be fully franked. However, there is no guarantee that St.George will have sufficient franking credits in the future to fully frank Dividends.

If the Australian corporate tax rate that applies to St.George's franking account differs from the Tax Rate on a Dividend Payment Date, then the Dividend will be adjusted downwards or upwards accordingly. If a Dividend is unfranked or partially franked, then the Dividend will be increased to fully compensate for the unfranked component.

If a Dividend is unfranked or partially franked and St.George does not increase the Dividend, then St.George will be restricted by the dividend stopper in payment of dividends and distributions of capital on Equal Ranking Capital Securities and Junior Ranking Capital Securities – see Section 2.4.11.

5.1.6 Exchange by St.George is subject to certain events occurring

Exchange **may** occur after a Tax Event or Regulatory Event and **must** occur after an Acquisition Event – see Section 2.6.3. However, the options St.George has in these events are subject in all cases to APRA giving its approval. The choice of conversion is also subject to the level of the Ordinary Share price on the second Business Day before the proposed date of dispatch of the Exchange Notice. If the VWAP on that date (adjusted for the Conversion Discount) is less than 60% of the Issue Share Price, St.George **must not** choose conversion.

Both the method of Exchange that is chosen by St.George and whether APRA gives its approval, may not coincide with a Holder's individual preference in terms of timing or whether the Holder receives Ordinary Shares or cash on Exchange. This may be disadvantageous to the Holder in light of market conditions or individual circumstances at the time of Exchange.

5.1.7 Mandatory Conversion may not occur

CPS are designed to convert to Ordinary Shares on 20 August 2012. However, there is a risk that the Ordinary Share price falls to such an extent after the issue of CPS that either of the Mandatory Conversion Conditions are not satisfied for Mandatory Conversion to occur on 20 August 2012. Mandatory Conversion would then occur on the next Dividend Payment Date on which both of the Mandatory Conversion Conditions are satisfied. However, there remains a risk that the Ordinary Share price does not return to levels that would cause Mandatory Conversion to occur.

In the case of Mandatory Conversion not occurring on a possible Mandatory Conversion Date, Dividends will continue to be paid on CPS – subject to the Payment Tests.

For more information on Mandatory Conversion – see clause 3.1 of the Terms of Issue.

For a chart showing the Ordinary Share price over the past five years – see Section 2.5.3.

5.1.8 Fluctuation in Ordinary Share price

The market price of Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economics and factors that affect St.George's financial performance and position.

The number of Ordinary Shares issued on Mandatory Conversion or conversion (after a Tax Event, Regulatory Event or Acquisition Event) will depend on a number of factors, including the Ordinary Share price over the 20 Business Days immediately before the Mandatory Conversion Date or the Exchange Date. The value of the additional Ordinary Shares issued on the Exchange Date may therefore be different to the value calculated through the VWAP during the 20 Business Days immediately before the Exchange Date.

5.1.9 Exchange may affect Ordinary Shareholding Limit

Articles 10, 11 and 12 of the Constitution restrict individual shareholdings by people (together with their associates) to 10% of the issued Ordinary Shares (Ordinary Shareholding Limit). In accordance with sub-article 11(5) of the Constitution, a Holder's CPS may not be converted into Ordinary Shares if, in the Directors' opinion, the conversion of CPS held by that Holder will result in a person exceeding the Ordinary Shareholding Limit. A potential investor who already holds Ordinary Shares should take care to ensure that their acquisition of CPS, if converted into Ordinary Shares, would not place them in breach of the Ordinary Shareholding Limit.

5.1.10 Ranking

The payment of Dividends and cash redemption proceeds on CPS is not guaranteed by St.George or any other member of the Group.

In the event of a winding up of St.George, and CPS have not been Exchanged, Holders will be entitled to be paid the Liquidation Sum for each CPS. This is an amount for each CPS for its Face Value, and any Dividend declared and unpaid at the commencement of the winding up of St.George. The claim for the Liquidation Sum ranks ahead of Ordinary Shares and effectively equal with Equal Ranking Capital Securities (including SPS, SAINTS and DCS), but is subordinated to all depositors and creditors of St.George.

If there is a shortfall of funds on a winding up, there is a risk that Holders will not receive a full (or any) return of capital or payment of any Dividends declared but unpaid.

St.George reserves the right in the future to issue further CPS, or other preference shares (whether redeemable or not) or Capital Securities ranking ahead of, equally with or behind CPS, whether in respect of dividends (whether cumulative or not), a return of capital on winding up of St.George, or otherwise.

5.1.11 Credit ratings

One or more independent credit rating agencies have assigned ratings to CPS and St.George. There is a risk that the credit ratings of CPS and St.George could be reviewed, withdrawn or downgraded, which may impact the market price and liquidity of CPS.

Credit ratings are not 'market' ratings, nor are they a recommendation to buy, hold or sell securities (including CPS) and are subject to revision or withdrawal at any time.

The credit ratings may not reflect the potential impact of all risks related to the structure under which CPS are issued, market and additional factors discussed in this Section 5, and other factors that may affect the value of CPS or St.George's financial performance or position.

5.1.12 Regulatory classification

APRA has provided confirmation that CPS qualify for Tier 1 Capital treatment under current prudential standards at the date of this Prospectus. However, if APRA subsequently determines that CPS do not or will not qualify for Tier 1 Capital treatment, St.George may decide that a Regulatory Event has occurred. This will allow Exchange of all (but not some only) of CPS on issue (subject to APRA giving its approval). For the risks attaching to St.George's exercise of discretion on Exchange after certain specified events – see Section 5.1.6.

On 31 May 2006, APRA issued its revised prudential standards on Tier 1 Capital instruments to reflect its approach to the adoption of AIFRS, after two earlier discussion papers released in August 2005 and April 2006. The revised standards reduce the innovative limit from 25% of gross Tier 1 Capital (excluding hybrid equity) to 15% of net Tier 1 Capital, and introduce a total limit for Residual Tier 1 Capital (comprising both innovative and Non-innovative Residual Tier 1 Capital) of 25% of net Tier 1 Capital. CPS are Non-innovative Residual Tier 1 Capital under the revised standards. The new limits will apply from 1 January 2008, with some transitional relief being available until January 2010 (subject to agreement with APRA). Under the Terms of Issue, St.George may initiate Exchange on the occurrence of a Regulatory Event. The definition of Regulatory Event includes where the Directors determine that CPS will not be included in Tier 1 Capital.

5.1.13 Australian taxation consequences

A general outline of the taxation consequences of investing in CPS for certain potential investors who are Australian residents for tax purposes is set out in the Tax Letter in Section 6. This discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular potential investor. Accordingly, potential investors should seek independent advice concerning their own individual tax position. If a change is made to the Australian tax system and that change leads to a more than insignificant increase in St.George's costs in relation to CPS being on issue or franking credits not being available to Holders, St.George is entitled to Exchange – see Sections 2.6.3 and 2.6.5.

5.1.14 Future issue of securities by St.George

St.George and other members of the Group may in future issue securities that:

- rank for dividends or payments of capital (including the winding up of St.George or another member of the Group) equally with, behind or ahead of CPS;
- have the same or different dividend, interest or distribution rates as CPS; or
- have the same or different terms and conditions as CPS.

An investment in CPS carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by any member of the Group.

No prediction can be made to the effect (if any) such future issue of securities by an entity in the Group may have on the market price or liquidity of CPS.

5.2 RISKS ASSOCIATED WITH ST.GEORGE AND THE BANKING INDUSTRY GENERALLY

5.2.1 General business

The financial prospects of any entity are sensitive to the underlying characteristics of its business and the nature and extent of the commercial risks to which the entity is exposed. There are a number of risks faced by St.George, including those that encompass a broad range of economic and commercial risks. However, the most common risks that are actively managed by St.George are credit risk, liquidity risk, market risk and operational risk (including fraud, theft and property damage). These risks create the potential for St.George to suffer loss from:

- **Credit risk**
  This involves a debtor or counterparty failing to meet their financial contractual obligations to St.George. This risk is inherent in St.George's lending activities as well as transactions involving derivatives and foreign exchange;
- **Liquidity risk**
  St.George may be unable to meet its financial commitments when they fall due. Liquidity risk arises from mismatches in the cash flows from financial transactions;
- **Market risk**
  Generally for St.George, this involves funding risk and interest rate risk. Funding risk is the risk of over-reliance on a particular funding source. The risks associated with such a concentration include volatility in funding costs or funding availability. Interest rate risk arises from a variety of sources including mismatches between the repricing periods of assets and liabilities. As a result of these mismatches, movements in interest rates can affect earnings or the value of St.George; and

- **Operational risk**
  The daily operations of St.George may result in financial or other loss. Particular areas where operational risk may arise include failure to comply with laws, regulations and internal policies, fraud or error, and systems failure.

The Directors have adopted policies and procedures to control exposure to, and limit the extent of, these risks. Whilst there are inherent limitations in any risk management control system and control breakdowns and system failures can occur, the development and maintenance of effective control systems should provide a solid foundation for risk management.

Pages 48 and 49 of St.George's 2005 Concise Annual Report set out a summary of the key policies which have been put in place by St.George to control exposure to credit risk on lending activities, liquidity risk, market risk and operational risk.

5.2.2 Changes in economic conditions

The financial performance of St.George could be affected by changes in economic conditions in Australia. This includes changes in:

- inflation and interest rates, which will particularly affect the net interest margin achieved in St.George's banking operations;
- employment levels and labour costs, which will affect the cost structure of St.George;
- aggregate investment and economic output;
- other economic conditions, which may affect the creditworthiness of lending customers of St.George and the quality of St.George's loan portfolio; and
- housing prices and demand for housing loans which could reduce St.George's loan receivables and net interest income.

Global economic factors and geopolitical instability can also affect economic conditions in Australia and therefore affect the financial performance of St.George.

5.2.3 Changes in investment markets

Changes in investment markets, including changes in interest rates, exchange rates and returns from equity, property and other investments, will affect the financial performance of St.George through its operations and investments held in financial services and associated businesses.

5.2.4 Changes in regulatory and legal environment

St.George's business is subject to substantial regulatory and legal oversight. In particular, the Australian banking operations of St.George are subject to prudential supervision by APRA. St.George is required (among other things) to meet minimum capital requirements within these operations. APRA is currently analysing potential changes to its capital adequacy guidelines as a result of Basel II. Under these changes, which are expected to become operational from 1 January 2008, capital adequacy ratios for regulatory purposes may be measured in a different way to that which is used currently. The consequences of these potential changes for St.George are still unclear. However, such changes in the regulatory regimes under which St.George operates may have an effect on the financial performance and capital requirements of St.George.

Failure to comply with legal and regulatory requirements may have a material adverse effect on St.George and its reputation among customers and regulators and in the market. Future regulatory and legal developments affecting the banking industry may also have a material adverse effect on St.George.

In addition to regulatory and taxation consequences associated with CPS, potential changes to the Australian and international regulatory environment may have a material adverse effect on St.George. These risks include changes to:

- accounting standards;
- taxation laws; and
- prudential regulatory requirements, particularly those administered by APRA.

5.2.5 Changes in government policy

St.George may be affected by changes in government policy or legislation applying to companies in the banking industry. For example, a proposed change to taxation treatment of any of St.George's subsidiary companies may impact the after tax earnings of St.George.

5.2.6 Competition in the banking industry

The banking industry in Australia is competitive and subject to significant change. St.George faces significant competition from both traditional banking groups and non-bank financial institutions, which compete vigorously for customer investments and deposits and the provision of lending and wealth management services. The effect of competitive market conditions may adversely impact on the earnings and assets of St.George.

5.2.7 Changes in technology

Technology plays an increasingly important role in the delivery of financial services to customers in a cost effective manner. St.George's ability to compete effectively in the future will, in part, be driven by its ability to maintain an appropriate technology platform for the efficient delivery of its products and services.

5.2.8 Operations

St.George's profitability is subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputational risk (including damage to brands), fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, key person risk, and external events.

The summary of risks in this Section is not exhaustive and you should read this Prospectus in full and consult your financial adviser or other professional adviser before deciding whether to invest in CPS.

Tax Letter

If you are considering applying for CPS, it is important that you understand the taxation consequences of investing in CPS.

You should read the information set out in this Section before deciding whether to invest and discuss the taxation consequences with your tax adviser.

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6. Tax Letter

Greenwoods & Freehills

8 November 2006

Our ref	EC:RM:39C
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Direct fax	61 2 9225 5921
Email	ernest.chang@gf.com.au
Matter no	67727
Doc no	Greenwoods\003745171

The Directors
St.George Bank Limited
182 George Street
SYDNEY NSW 2000

Dear Directors

Australian tax consequences of investing in St.George Bank Limited Converting Preference Shares ("CPS")

We have been instructed by St.George Bank Limited ("**St.George**") to prepare a tax summary for inclusion in the Prospectus dated 8 November 2006 in relation to the issue of CPS.

Accordingly, this letter provides a summary of the Australian income tax and capital gains tax ("**CGT**") consequences for Australian resident investors ("**Holders**") who acquire the CPS on capital account. Tax considerations which may arise for investors who are in the business of share trading, dealing in securities or otherwise hold CPS on revenue account have not been considered in this summary.

This summary is based on the income tax law and administrative practice currently in force as at the date of the Prospectus. It is necessarily general in nature and is not intended to be definitive advice to the Holders. Accordingly, each Holder should seek their own tax advice that is specific to their particular circumstances.

St.George has applied for a class ruling from the Australian Taxation Office ("**ATO**") for confirmation of certain tax consequences for Holders as discussed in this summary.

Unless the context indicates otherwise, all capitalised terms bear the same meaning as those contained in the Glossary of the Prospectus and the definitions of the Terms of Issue.

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1 Tax on Dividends

The ATO has confirmed to St.George in a private binding ruling that each CPS is properly classified for tax purposes as an equity interest in St.George rather than a debt interest.

It is expected that St.George will only pay fully franked Dividends on CPS to the extent of the available franking credits in St.George's franking account. Accordingly, all Holders should include in their assessable income the amount of the fully franked Dividends, grossed up for the franking credits attached to the Dividends, unless a Holder is not a "qualified person" (refer section 2 below).

Holders may qualify for the tax offset (equivalent to the franking credits attached to the Dividends) against their income tax liability for the relevant income year provided they are "qualified persons" (refer section 2 below).

To the extent that the tax offset attributable to the franking credits on a Dividend exceeds the amount of a Holder's income tax liability for an income year, the excess tax offset may be refunded to the Holder. Excess franking credits cannot be carried forward to a later income year.

Holders which are companies or non-complying superannuation entities are not entitled to refunds of tax offsets. Holders which are companies will be entitled to a credit in their franking account equal to the amount of franking credits on Dividends.

2 Qualification for franking credits

Certain imputation measures contained in the Tax Act provide that a shareholder is not required to include the grossed up amount of the franking credits in its assessable income and is not entitled to the tax offset unless the shareholder is a "qualified person" in relation to the dividend.

A shareholder is a "qualified person" if it satisfies the holding period and related payment rules.

In terms of the holding period rule, a Holder must have held CPS "at risk" for a continuous period of at least 90 days (excluding the day of disposal) within a period beginning on the day after the date on which the Holder acquired CPS and ending on the 90^{th} day after the date on which the CPS became ex Dividend.

A Holder would be "at risk" in relation to CPS provided that it does not enter into any arrangements which could result in materially reduced risks of loss or opportunities for gain in relation to CPS. In calculating the holding period, any days where the Holder has materially diminished its risk of loss or opportunity for gain in relation to CPS are excluded. A Holder is taken to have materially diminished risk if the Holder's net position in relation to CPS is such that the Holder has less than 30% of the risks and opportunities associated with CPS.

Under the "related payments rule", a Holder who is obliged to make a "related payment" (essentially a payment passing the benefit of the Dividend) in respect of a Dividend must hold the CPS "at risk" for at least 90 days (not including the days of acquisition and disposal) within the period beginning 90 days before and ending 90 days after CPS became ex Dividend.

Alternatively, a Holder is automatically taken to be a qualified person in relation to dividends paid on shares if the total amount of the tax offsets in respect of all franked distributions to which the Holder would be entitled in an income year is \$5,000 or less. This is referred to as the "small shareholder rule". However, a Holder will not be a "qualified person" by virtue of the "small shareholder rule" if related payments have been made, or will be made in respect of the dividend or a distribution attributable to the dividend.

Although certain changes to the tax law have affected the applicability of these rules, the Commonwealth Government has indicated in a press release dated 27 September 2002 that it intends to amend the law to ensure these rules continue to apply without substantive change.

3 CGT consequences on disposal of CPS

3.1 Sale of CPS

A capital gain or capital loss may arise on a sale of CPS.

To the extent that the capital proceeds received by a Holder on the sale of CPS exceed the cost base, the excess would constitute a capital gain in the hands of the Holder. Conversely, a capital loss would arise on a sale of CPS equal to the amount by which the sale proceeds are less than the reduced cost base.

The cost base or reduced cost base of CPS respectively should include the amount paid to acquire CPS (when issued by St.George) as well as any incidental costs (e.g. broker fees) associated with the acquisition and disposal of CPS.

If CPS has been owned for at least 12 months prior to the sale, a Holder (other than a company) may be entitled to receive the CGT discount treatment in respect of any gain arising on disposal of CPS. The discount percentage is applied to the amount of the capital gain after offsetting any current year or carried forward capital losses. The discount percentages are 50%, 50% and 33⅓% for Holders who are individuals, trusts and complying superannuation entities respectively.

Holders who dispose of CPS within 12 months of acquiring them or who dispose of CPS under an agreement entered into within 12 months of acquiring them will not receive the CGT discount treatment.

Companies are not entitled to obtain the CGT discount treatment in respect of any gain arising on disposal of CPS.

3.2 Redemption or cancellation of CPS

St.George may elect to redeem or cancel CPS on giving an appropriate Exchange Notice. For each CPS that is being redeemed or cancelled, an amount equal to the Face Value will be paid by St.George in cash on the relevant Exchange Date.

The redemption or cancellation proceeds should not be treated as a dividend to the extent to which the proceeds paid by St.George are debited against an amount standing to the credit of St.George's share capital account, provided that St.George gives the Holder a notice specifying the amount paid up on each CPS to be redeemed or cancelled.

However, to the extent to which the redemption or cancellation proceeds paid by St.George are funded out of an account other than its share capital account, that amount will be an assessable dividend in the hands of a Holder.

Redemption or cancellation of CPS will constitute a disposal of the preference shares for CGT purposes. Accordingly, a Holder may also derive a capital gain or a capital loss on such disposal to the extent to which the proceeds are greater than the cost base or are less than the reduced cost base of the CPS respectively.

The cost base (or reduced cost base) of CPS for these purposes would include the amount paid by a Holder to acquire CPS plus the incidental costs associated with the acquisition and redemption or cancellation of CPS.

The amount of the capital gain resulting from a redemption or cancellation of CPS would be reduced (but not below nil) to the extent that the whole or part of the proceeds is treated as a dividend (refer comments above). A Holder (other than a company) may be entitled to the CGT discount treatment in respect of any remaining capital gain, after reduction by any part of the proceeds which is treated as a dividend, in the same manner as discussed above in section 3.1.

3.3 Buy-back of CPS

St.George may choose to buy back CPS by giving an appropriate Exchange Notice.

For tax purposes, such an event would give rise to income tax and CGT consequences for Holders similar to those described in relation to the redemption or cancellation of CPS. However, depending on the particulars of the buy back at that time and how much of the proceeds are debited to St.George's share capital account, the calculation of the capital gain or capital loss arising may be different.

3.4 Conversion of CPS

On the Mandatory Conversion Date or if St.George issues an Exchange Notice and elects the conversion mechanism, each CPS will convert into one fully paid Ordinary Share. The conversion of CPS is expressed to not constitute a redemption or cancellation of the CPS being converted, or an issue, allotment or creation of a new share (other than the additional Ordinary Shares issued - refer section 4). Instead, the conversion involves changing the rights attached to CPS.

In Taxation Ruling TR 94/30, the Commissioner of Taxation has expressed a view that the variation of rights attaching to a share does not result in either a full or partial disposal of an asset for CGT purposes unless there is a redemption or cancellation of the share. Accordingly, the conversion of CPS to Ordinary Shares should not result in either a full or partial disposal of CPS by Holders for CGT purposes.

4 Additional Ordinary Shares

Following the conversion of CPS into Ordinary Shares, either by Mandatory Conversion or if St.George issues an Exchange Notice and elects the conversion mechanism, each Holder will be allotted an additional number of Ordinary Shares determined in accordance with the Conversion Number formula that is set out in clause 3.5 of the Terms of Issue.

The issue of the additional Ordinary Shares to a Holder should not be taken to be an assessable dividend in the hands of the Holder.

The additional Ordinary Shares will be CGT assets for CGT purposes. The cost base (or reduced cost base) of an additional Ordinary Share will be determined by spreading the cost base (or reduced cost base) of the original CPS across the original CPS and all of the additional Ordinary Shares issued on conversion.

6. Tax Letter continued

Further, for CGT purposes, the additional Ordinary Shares should be taken to have been acquired by a Holder at the time the original CPS to which the additional Ordinary Shares relate, were acquired by the Holder.

A subsequent sale of the Ordinary Shares (being the additional Ordinary Shares and the CPS that has been converted into one Ordinary Share) may give rise to a capital gain or capital loss to a Holder. The amount of the capital gain would equal the excess of the sale proceeds over the cost base of the Ordinary Shares determined in the manner discussed above. Conversely, a capital loss will arise on a sale of the Ordinary Shares equal to the amount by which the sale proceeds are less than the reduced cost base of the Ordinary Shares.

The availability of CGT discount treatment to Holders discussed in section 3.1 in the context of a sale of CPS, applies equally here.

5 Pay-as-you-go withholding tax

Holders may, if they choose, notify St.George of their TFN, ABN or a relevant exemption.

In the event that St.George is not so notified, tax will be automatically deducted at the highest marginal tax rate (including medicare levy) from the gross cash Dividends to the extent that Dividends are not franked. As of 1 July 2006, the highest marginal tax rate is 46.5%.

St.George is required to withhol d such tax until such time as the relevant TFN, ABN or exemption notification is given to it. Holders will be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on the Dividends in their income tax returns.

6 Disclaimer

This advice does not purport to give advice to any specific Holder, as each Holder's tax position will depend on their own particular circumstances. Holders should seek their own professional tax advice regarding their individual circumstances.

The representatives of Greenwoods & Freehills Pty Limited involved in preparing this opinion are not licensed to provide financial product advice in relation to dealing in securities. Potential investors should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Potential investors should also note that tax consequences are only one of the matters that may need to be considered.

Yours faithfully
GREENWOODS & FREEHILLS PTY LIMITED

per:

Ernest Chang
Director

Additional information

You should be aware of a number of other matters that may not have been addressed in detail elsewhere in this Prospectus .

These include rights attaching to Ordinary Shares that may be issued on conversion of CPS, a summary of the Offer Management Agreement, the consents of experts whose statements have been included in this Prospectus, the disclosure of interests of the Directors and the waivers that regulators have granted to St.George in respect of the Offer.

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7. Additional information

7.1 TERMS OF ISSUE

The rights attaching to CPS will be governed by the Constitution, and the Terms of Issue set out in Appendix A.

7.2 RIGHTS ATTACHING TO ORDINARY SHARES

All of the Ordinary Shares issued on conversion will rank equally in all respects with Ordinary Shares then on issue. The main rights attaching to Ordinary Shares are to:

- vote at meetings of Ordinary Shareholders on the basis of one vote per fully paid share on a poll;
- receive dividends declared from time to time on the shares they hold (subject to the rights of holders of shares carrying preferred rights);
- receive information required to be distributed under the Corporations Act and the ASX Listing Rules (e.g. annual reports); and
- participate in a surplus of assets or profits on a winding up of St.George on the shares at the commencement of the winding up (subject to the rights of holders of shares carrying preferred rights).

The rights attaching to Ordinary Shares are set out in more detail in the Constitution. Copies of the Constitution are available from St.George's registered office on request. The Constitution also includes provisions on the winding up of St.George and a limitation on Ordinary Share ownership.

7.2.1 Winding up of St.George

Article 115 of the Constitution provides that if St.George is wound up and its assets are insufficient to discharge its liabilities in the winding up, the deficiency is to be borne by shareholders in certain priority depending on the class of shares held. No holder of St.George shares is required to contribute more than the amount unpaid (if any) on any share held by that person. As all CPS issued under this Prospectus will be issued as fully paid, no Holder can be required to contribute further capital to St.George on a winding up.

7.2.2 Limitation on Ordinary Share ownership

Articles 10, 11 and 12 of the Constitution restrict individual shareholdings by people (together with their associates) to no more than 10% of the issued shares of St.George. In addition, the *Financial Sector (Shareholdings) Act 1998* (Cth) restricts ownership by people (together with their associates) of an Australian bank, such as St.George, to 15% of the total voting shares outstanding. A shareholder may apply to the Australian Treasurer to extend their ownership beyond 15%, but approval will not be granted unless the Treasurer is satisfied that a holding by that person greater than 15% is in the national interest.

7.3 SUMMARY OF OFFER MANAGEMENT AGREEMENT

St.George entered into the Offer Management Agreement with the Joint Lead Managers on 8 November 2006. Under the Offer Management Agreement, St.George has appointed UBS as Structuring Adviser and the Joint Lead Managers as joint lead managers to the Offer. The Joint Lead Managers have agreed under the Offer Management Agreement to manage and market the Offer, including the Bookbuild, and to provide settlement support in relation to obligations of Applicants under the Bookbuild who are Allocated CPS. The Joint Lead Managers may appoint Co-Managers to the Offer with the approval of St.George.

7.3.1 Fees

Under the Offer Management Agreement:

- UBS is entitled to a fee of 0.25% of the gross proceeds of the Offer for its role as Structuring Adviser;
- the Joint Lead Managers are entitled to receive a fee of 0.50% of the gross proceeds of the Offer, to be divided equally between them; and
- the Joint Lead Managers are entitled to receive a retail selling fee of 1.00% of the retail allocation proceeds (being the number of securities allocated to the Joint Lead Managers (and any Co-Managers or Participating Brokers they appoint) pursuant to the Bookbuild offer for distribution to retail clients multiplied by the application price).

The Joint Lead Managers are responsible for any commissions and fees due to any Co-Managers or Participating Brokers appointed by them.

However, no fee is payable to any Joint Lead Manager if it terminates its obligations under the Offer Management Agreement or if St.George cancels or withdraws the Offer and terminates the Offer Management Agreement.

St.George must pay or reimburse the Joint Lead Managers for the costs of and incidental to the Offer up to a total of $50,000.

7.3.2 Representations, warranties and undertakings by St.George

St.George gives various representations and warranties in the Offer Management Agreement that are customary for agreements of this type. In addition, St.George gives a number of undertakings under the Offer Management Agreement, including in relation to the conduct of the Offer and compliance by St.George with applicable laws. St.George also gives an undertaking that it will not, without the prior written consent of the Joint Lead Managers, allot, or announce an allotment or issue of, any equity securities, equity-linked securities, hybrid or preference securities, subordinated debt with Tier 1 Capital status or Tier 2 Capital status, or any securities convertible into CPS or any of the above, for a period of 60 days after the lodgement of this Prospectus, other than issues under the Offer, or an employee share or option plan, bonus plan, top up plan, dividend reinvestment plan or under the terms of securities or financial products on issue on the date of the Offer Management Agreement.

7.3.3 Termination

Each of the Joint Lead Managers may terminate its obligations under the Offer Management Agreement on the occurrence of a number of customary termination events. These include:

- market changes and material adverse changes affecting St.George;
- ASIC issuing stop orders;
- any person (other than the Joint Lead Manager in question) withdrawing their consent to be named in this Prospectus;
- St.George withdrawing this Prospectus or the Offer; or
- trading of St.George securities being suspended or materially limited.

If this occurs, the Joint Lead Manager in question will no longer be a Joint Lead Manager and will be relieved of its obligations under the Offer Management Agreement.

In certain circumstances, each of the Joint Lead Managers may not terminate unless, in its reasonable opinion, the event:

- has or is likely to have a material adverse effect on:
  - the success or settlement of the Offer; or
  - where the event occurs after completion of the Bookbuild, the performance of the secondary market trading of CPS within the first month of trading after their quotation; or
- would give rise to a material liability of the Joint Lead Manager under any law, regulation, treaty or administrative action.

St.George has agreed to indemnify the Joint Lead Managers and parties affiliated with them against claims, demands, damages, losses, costs, expenses (including legal expenses), imposts (including tax) and liabilities in connection with the Offer, and certain other things related to the Offer, other than where these result from the fraud, recklessness, wilful misconduct, negligence or breach of the Offer Management Agreement by that indemnified party, other than to the extent the breach is caused or contributed to by St.George or certain parties affiliated with it.

7.4 OFFER RESTRICTIONS

This Prospectus does not constitute an offer of securities in the US or to any US Person (as defined in Regulation S of the US Securities Act). CPS have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the US or to, or for the account of, any US Person, except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

By submitting an Application Form, each Applicant will be deemed to have:

- acknowledged that CPS have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the US or to, or for the account or benefit of, a US Person except in accordance with an available exemption from the registration requirements of the US Securities Act; and
- represented, warranted and agreed as follows:
  - they are not in the US or a US Person and are not acting for the account or benefit of a US Person; and
  - they are not engaged in the business of distributing securities, or, if they are, they will not offer, sell or resell in the US or to any US Person any CPS they acquire:
    - pursuant to the Offer; or
    - other than pursuant to the Offer (excluding CPS purchased by way of ordinary brokerage transactions on ASX where neither the seller nor any person acting on its behalf knows, or has reason to know, that the sale has been prearranged with, or that the purchaser is, a person in the US).

Any person who is in the US, is a US Person, or does not make the representation and warranty set out above is not entitled to acquire any CPS.

Until 40 days after the commencement of the Offer, any offer or sale of CPS in the US or to any US Person by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act.

No action has been taken in any jurisdiction outside Australia to permit the Offer in that jurisdiction, nor for the authorisation, registration or distribution of any documents in connection with CPS in that jurisdiction.

7.5 CONSENTS

Each Director has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

Each of the parties (referred to as Consenting Parties), who are named below:

- has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, other than as specified in the paragraphs below;
- has not authorised or caused the issue of the Prospectus;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus, other than the reference to its name and the statements or letter included in this Prospectus with the consent of that Consenting Party;
- has given and not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- in the case of Greenwoods & Freehills Pty Limited, has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of the Tax Letter in the form and context in which it appears in Section 6; and
- in the case of Computershare Investor Services Pty Limited, has given and, as at the date hereof, has not withdrawn, its written consent to be named as share registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the

Prospectus other than being named as share registrar to St.George. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Role	Consenting Parties
Joint Lead Managers	Goldman Sachs JBWere Pty Ltd and UBS AG, Australia Branch
Co-Managers	Bell Potter Securities Limited, Goldman Sachs JBWere Pty Ltd, Ord Minnett Limited, St.George Bank Limited and UBS Wealth Management Australia Limited
Legal adviser	Allens Arthur Robinson
Auditor	KPMG
Tax adviser	Greenwoods & Freehills Pty Limited
Registry	Computershare Investor Services Pty Limited

7.6 INTERESTS OF ADVISERS

Goldman Sachs JBWere Pty Ltd has acted as Joint Lead Manager and settlement underwriter for the Offer. In these capacities, it is entitled to receive fees under the Offer Management Agreement as described in Section 7.3.

UBS has acted as Structuring Adviser, Joint Lead Manager and settlement underwriter for the Offer. In these capacities, it is entitled to receive fees under the Offer Management Agreement as described in Section 7.3.

Allens Arthur Robinson has acted as legal adviser to St.George in connection with this Prospectus and the Offer. St.George estimates that it will pay approximately $225,000 (excluding disbursements and GST) to Allens Arthur Robinson for the work that has been done up to the date of this Prospectus. Further amounts may be paid to Allens Arthur Robinson in accordance with its normal time based charges.

KPMG has acted as auditor to St.George and has performed work in relation to the due diligence enquiries on financial matters relating to the Offer. St.George estimates that it will pay approximately $85,000 (excluding disbursements and GST) to KPMG for this work. Further amounts may be paid to KPMG in accordance with its normal time based charges.

Greenwoods & Freehills Pty Limited has acted as tax adviser in relation to the Offer and prepared the Tax Letter included in Section 6. St.George estimates that it will pay approximately $60,000 (excluding disbursements and GST) to Greenwoods & Freehills Pty Limited for this work. Further amounts may be paid to Greenwoods & Freehills Pty Limited in accordance with its normal time based charges.

Bell Potter Securities Limited, Goldman Sachs JBWere Pty Ltd, Ord Minnett Limited, St.George Bank Limited and UBS Wealth Management Australia Limited are acting as Co-Managers to the Offer. The Joint Lead Managers will be responsible for fees payable to each Co-Manager, which will be up to 1.00% (exclusive of GST) of the Face Value of all CPS Allocated to that Co-Manager.

Except as set out above:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- nor the Joint Lead Managers to the Offer;
- nor any financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds, at the date of this Prospectus, or has held in the two years before the date of this Prospectus, an interest in:

- the formation or promotion of St.George;
- the Offer; or
- any property acquired or proposed to be acquired by St.George in connection with its formation or promotion or with the Offer,

nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of St.George or the Offer.

7.7 EXPENSES OF THE OFFER

If the Offer proceeds, the total estimated costs of the Offer, including advisory, legal, accounting, tax, listing and administrative fees, as well as printing, advertising and other expenses are, at the date of this Prospectus, estimated to be approximately $5 million and will be paid by St.George.

7.8 DIRECTORS' INTERESTS

Except as set out below, no Director or proposed Director holds, at the date of this Prospectus, or has held in the two years before the date of this Prospectus, an interest in:

- the formation or promotion of St.George;
- the Offer; or
- any property acquired or proposed to be acquired by St.George in connection with its formation or promotion or with the Offer,

nor has anyone paid or agreed to pay any amount, or given or agreed to give any benefit, to any Director or proposed Director:

- to induce a person to become, or qualify them as, a Director; or
- for services provided by a Director or proposed Director in connection with the formation or promotion of St.George or with the Offer.

The relevant interests of each Director in the share capital of St.George as at 31 October 2006 are as follows:

Directors' interests

Director	Ordinary Shares	SAINTS	Awards	Options granted over Ordinary Shares
J S Curtis[1]	22,541	318	–	–
T J Davis	11,623	–	–	–
R A F England	2,601	–	–	–
P D R Isherwood	27,948	263	–	–
G P Kelly	525,000	208	57,600	1,000,000
L B Nicholls	5,819	–	–	–
G J Reaney	47,516	–	–	–
J M Thame	150,216	–	–	–

Note:

1 J S Curtis holds an interest in 15,000 instalment warrants in Ordinary Shares.

7.9 ASX WAIVERS

ASX has granted a waiver from ASX Listing Rule 6.9 to permit each Holder to have the same voting rights as Ordinary Shareholders in the circumstances prescribed by ASX Listing Rule 6.3 as if before the relevant meeting, each CPS had been converted into Ordinary Shares in accordance with the Terms of Issue.

ASX has also granted a waiver from ASX Listing Rule 10.11 to permit the Directors and their associates collectively to be issued with up to 0.2% of the total CPS issued.

Finally, ASX has confirmed that:

- the Terms of Issue are appropriate and equitable for the purposes of ASX Listing Rule 6.1;
- the terms of the APRA constraints on the payment of a Dividend do not mean that the Holders are not entitled to a preferential dividend for the purposes of ASX Listing Rule 6.5 and do not amount to a removal of a right to a dividend for the purposes of ASX Listing Rule 6.10;
- St.George's obligation to convert the CPS on the Mandatory Conversion Date and St.George's right to redeem, buy back, cancel or convert the CPS on the occurrence of a Tax Event or Regulatory Event (or obligation in the case of an Acquisition Event) does not constitute a divestment for the purposes of ASX Listing Rule 6.12;
- for the purposes of ASX Listing Rule 7.1.4, ASX does not object to conversion rate of CPS to Ordinary Shares being calculated based on the market price of Ordinary Shares at the time of allotment of the CPS; and
- it is satisfied with the proposed timetable and that the timetable complies with the ASX Listing Rules.

7.10 ASIC RELIEF

ASIC relief has been obtained in respect of the operation of section 716(2) of the Corporations Act to permit the inclusion in this Prospectus of any credit rating of St.George and CPS announced by Standard & Poor's, Moody's and Fitch Ratings without the consent of those rating agencies.

Glossary

The following is a glossary of terms used in this Prospectus. There is also a list of defined terms in clause 9 of the Terms of Issue.

Defined terms in this glossary and in clause 9 of the Terms of Issue are used throughout this Prospectus and the Application Form.

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8. Glossary

ABN	Australian Business Number.
Acquisition Event	occurs when: • a takeover bid is made to acquire all or some Ordinary Shares, the offer is or becomes unconditional and either the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue or the Directors recommend acceptance of the takeover offer; or • the Directors recommend a scheme of arrangement, which, when implemented, would result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue. For the full definition – see clause 9 of the Terms of Issue.
AGAAP	the generally accepted accounting principles applicable in Australia before the introduction of AIFRS.
AIFRS	the Australian equivalents to International Financial Reporting Standards.
Allocation	the number of CPS allotted to Successful Applicants. **Allocate** and **Allocated** have corresponding meanings.
Allotment Date	the date on which CPS are issued – expected to be on or about 19 December 2006.
Applicant	a person who submits a valid Application Form.
Application	the lodgement of an Application Form in accordance with this Prospectus.
Application Form	each of the application forms attached to, or accompanying, this Prospectus on which an Application may be made, being: • the Securityholder Application Form supplied by St.George; and • the Broker Firm Application Form attached to this Prospectus.
Application Payment	the monies payable on Application, calculated as the number of CPS applied for multiplied by the Face Value.
APRA	Australian Prudential Regulation Authority.
ASIC	Australian Securities and Investments Commission.
ASTC Settlement Rules	the clearing and settlement rules made by ASX Settlement and Transfer Corporation Pty Limited, as amended from time to time.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691) or the stock market conducted by Australian Stock Exchange Limited, as the context requires.
ASX Listing Rules	the listing rules of ASX, with any modifications or waivers in their application to St.George which ASX may grant.
ATO	Australian Taxation Office.
Bank Bill Swap Rate	the average mid rate for 90 day bank bills (expressed as a percentage per annum) which is displayed on Reuters page BBSW (or any page that replaces that page) on the first Business Day of the Dividend Period.
Bookbuild	the process described in Section 3.8.1 to determine the Margin.
Broker Firm Allocation	the number of CPS allotted to Successful Applicants under the Broker Firm Offer.
Broker Firm Applicant	an Australian resident retail client of a Co-Manager or Participating Broker who applies for a Broker Firm Allocation from a Co-Manager or Participating Broker.
Broker Firm Application Form	the application form in the back of this Prospectus and any electronic application form made available by a Co-Manager or Participating Broker for Broker Firm Applicants to apply for CPS.
Broker Firm Offer	the offer to Australian resident retail clients of Co-Managers and Participating Brokers who may apply for CPS through a Co-Manager or Participating Broker.
Business Day	a business day as defined in the ASX Listing Rules.
Buy-Back Agreement	an agreement under which St.George buys back CPS in the form in the schedule to the Terms of Issue.

8. Glossary continued

Capital Securities	shares or any equity, hybrid or subordinated debt capital securities (whether comprised of one or more instruments) issued by St.George or a member of the Group. **Capital Security** has the corresponding meaning.
CHESS	the Clearing House Electronic Subregister System.
Closing Date	the last day on which Applications will be accepted, expected to be: • 5.00pm on 11 December 2006 for the Securityholder Offer; and • 10.00am on 18 December 2006 for the Broker Firm Offer.
Co-Manager	each of Bell Potter Securities Limited (ABN 25 006 390 772, AFSL No. 243480) Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897, AFSL No. 243346), Ord Minnett Limited (ABN 86 002 733 048, AFSL No. 237121), St.George Bank Limited (ABN 92 055 513 070, AFSL No. 234708) and UBS Wealth Management Australia Limited (ABN 50 005 311 937, AFSL No. 231127).
Constitution	the constitution of St.George.
Conversion Discount	1.0%.
Conversion Number	the formula used to determine the number of Ordinary Shares to be issued if CPS are converted into Ordinary Shares under clause 3.5 of the Terms of Issue.
Corporations Act	the *Corporations Act 2001* (Cth).
CPS	non-cumulative unsecured converting preference shares in the capital of St.George to be issued under this Prospectus.
DCS	Depositary Capital Securities, being the Series A Capital Securities issued by St.George Funding Company, LLC.
Directors	some or all of the directors of St.George.
Distributable Profits	the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits.
Dividend	a dividend on CPS as defined in clause 2.1, as adjusted by clause 2.2, of the Terms of Issue.
Dividend Payment Date	20 February 2007 and after that each 20 May, 20 August, 20 November and 20 February until CPS are Exchanged.
Dividend Period	a period from (and including) either the Allotment Date or a Dividend Payment Date (whichever is the later) until (but not including) the following Dividend Payment Date.
Dividend Rate	the dividend rate on CPS calculated using the formula in Section 2.4.2.
Eligible Securityholder	a registered Ordinary Shareholder, SPS Holder or SAINTS Holder as at 7.00pm on 1 November 2006 who is shown on the register to have an address in Australia.
Equal Ranking Capital Security	means in the case of: • a dividend or distribution in respect of the Capital Security, a Capital Security (including SPS, SAINTS and DCS) which ranks for payment of the dividend or distribution equally with CPS; and • redemption of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including SPS, SAINTS and DCS) which ranks equally with CPS for a return of capital if St.George is wound up.
Exchange	the conversion, redemption, buy-back or cancellation of CPS under clause 3 of the Terms of Issue. **Exchanged** has the corresponding meaning.
Exchange Date	means in the case of: • Mandatory Conversion, the Mandatory Conversion Date; or • an Exchange Notice under clause 3.2(a) or 3.2(b) of the Terms of Issue, the date determined in accordance with clause 3.2(f) of the Terms of Issue.
Exposure Period	the seven day period after this Prospectus was lodged with ASIC which may be extended to a total of 14 days by ASIC.
Face Value	the face value of CPS, being $100 per CPS.

First Test	the first Mandatory Conversion Condition as described in Section 2.5.3 and as defined in clause 3.1(c)(i) of the Terms of Issue.
Fitch Ratings	Fitch Australia Pty Limited (ABN 93 081 339 184).
Goldman Sachs JBWere Pty Ltd	Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897).
Group	St.George and its controlled entities.
HIN	Holder Identification Number (for CPS held on the CHESS subregister).
Holder	a holder of CPS.
Holding Statement	a statement issued to Holders by the Registry which sets out details of their Allocation.
Institutional Investor	an institution to whom the Offer may be made without disclosure to investors pursuant to sections 708(8), 708(10) or 708(11) of the Corporations Act.
Institutional Offer	the offer made to certain Institutional Investors to bid for CPS through the Bookbuild.
Issue Credit Rating	a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations or a specific financial program.
Issue Share Price	the VWAP during the 20 Business Days on which trading in Ordinary Shares takes place immediately preceding, but not including, the Allotment Date.
Joint Lead Managers	Goldman Sachs JBWere Pty Ltd and UBS.
Junior Ranking Capital Security	means in the case of: • a dividend or distribution in respect of the Capital Security, a Capital Security (including Ordinary Shares) which ranks for payment of the dividend or distribution behind CPS; and • redemption of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including Ordinary Shares) which ranks behind CPS for a return of capital if St.George is wound up.
Level 1 and **Level 2**	those terms as defined by APRA from time to time.
Level 1 Distributable Profits	has the meaning given in clause 9 of the Terms of Issue.
Level 2 Distributable Profits	has the meaning given in clause 9 of the Terms of Issue.
Liquidation Sum	the amount Holders are entitled to receive on a winding up of St.George before any return of capital is made on any Junior Ranking Capital Securities, which is the sum of the amount of any Dividend declared but unpaid and the Face Value. For the full definition – see clause 4.4 of the Terms of Issue.
Mandatory Conversion	the requirement for St.George to convert all CPS on issue at the Mandatory Conversion Date into Ordinary Shares.
Mandatory Conversion Conditions	• on the 25th Business Day before the relevant date, the VWAP of Ordinary Shares (adjusted for the Conversion Discount) must be at least 60% of the Issue Share Price; and • during the 20 Business Days before the relevant date, the VWAP of Ordinary Shares (adjusted for the Conversion Discount) must be at least 50% of the Issue Share Price. For the full definition – see clause 3.1(c) of the Terms of Issue.
Mandatory Conversion Date	the earlier of 20 August 2012 and the first Dividend Payment Date after 20 August 2012 on which both of the Mandatory Conversion Conditions are satisfied.
Margin	the margin to be determined under the Bookbuild, expected to be in the range of 1.10% per annum to 1.40% per annum.
Maximum Conversion Number	calculated by dividing the Face Value of $100 per CPS by 50% of the Issue Share Price.
Moody's	Moody's Investors Service Pty Limited (ABN 61 003 399 657).

8. Glossary continued

Non-innovative Residual Tier 1 Capital	the non-innovative residual tier 1 capital of the Group as defined by APRA.
Offer	the offer of CPS under this Prospectus for $100 each to raise up to $250 million, with the ability to accept oversubscriptions for a further $50 million.
Offer Management Agreement	the agreement dated 8 November 2006 between St.George and the Joint Lead Managers as described in Section 7.3.
Offer Period	the period commencing on the Opening Date and ending on the Closing Date.
Opening Date	the opening date of the Offer which is expected to be 16 November 2006.
Optional Dividend	an optional dividend on CPS, as defined in clause 2.9(d) of the Terms of Issue.
Ordinary Share	a fully paid ordinary share in St.George.
Ordinary Shareholder	the holder of an Ordinary Share.
Ordinary Shareholding Limit	the restriction of shareholdings in St.George by people (together with their associates) to 10% of the issued Ordinary Shares under Articles 10, 11 and 12 of the Constitution.
Participating Broker	any participating organisation of ASX selected by the Joint Lead Managers to participate in the Broker Firm Offer (not including a Co-Manager).
Payment Tests	payment tests to which the payment of a Dividend are subject, summarised as: • the Directors declaring a Dividend to be payable; • St.George having sufficient profits available to pay the Dividend; • St.George being able to pay the Dividend without St.George or the Group (on a Level 2 basis) breaching APRA's capital adequacy guidelines; • the amount of the Dividend not exceeding St.George's Distributable Profits; and • in the case of an Optional Dividend, APRA giving its prior written approval. For the full definition – see clause 2.3 of the Terms of Issue.
Prospectus	the prospectus for the Offer, including the Terms of Issue.
PRYMES	the reset preference shares issued by St.George under the terms of the prospectus dated 19 January 2001.
Record Date	means for the payment of: • a Dividend, the date which is 11 Business Days before the Dividend Payment Date for that Dividend, or such other date as may be required by ASX; and • an Optional Dividend, the date before its payment that is determined by St.George, or such other date as may be required by ASX.
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Regulatory Event	broadly, occurs when St.George receives professional advice that, as a result of a change of law or regulation on or after the Allotment Date, additional requirements would be imposed on St.George which the Directors determine as unacceptable or that St.George will not be entitled to treat all CPS as eligible Tier 1 Capital. For the full definition – see clause 9 of the Terms of Issue.
Reporting Year	means for a Dividend Payment Date, the 12 month period ending 30 September or 31 March immediately preceding the Dividend Payment Date, or such other period approved by APRA in circumstances where St.George has changed its reporting period for its financial results.
Residual Tier 1 Capital	the residual tier 1 capital of the Group as defined by APRA.
St.George	St.George Bank Limited (ABN 92 055 513 070).
SAINTS	the non-cumulative redeemable and convertible preference shares issued by St.George under the prospectus dated 12 July 2004.

SAINTS Holder	a holder of SAINTS.
Second Test	the second Mandatory Conversion Condition as described in Section 2.5.3 and as defined in clause 3.1(c)(ii) of the Terms of Issue.
Securityholder Application Form	the application form made available for Eligible Securityholders on request.
Securityholder Offer	the invitation to Eligible Securityholders to apply for CPS under this Prospectus.
Settlement Date	the date on which settlement occurs – expected to be 18 December 2006.
SPS	the non-cumulative unsecured preference shares issued by St.George under the prospectus dated 8 June 2006.
SPS Holder	a holder of SPS.
SRN	Securityholder Reference Number (for CPS held on the issuer sponsored subregister).
Structuring Adviser	UBS.
Standard & Poor's	Standard & Poor's (Australia) Pty Limited (ACN 007 324 852).
Successful Applicant	an Applicant whose Application is accepted by St.George, whether in full or in part.
Tax Event	broadly, occurs when St.George receives professional advice that, as a result of a change in Australian tax law, or an administrative pronouncement or ruling, on or after the Allotment Date, there is a more than insubstantial risk that St.George would be exposed to more than an insignificant increase in its costs in relation to CPS being on issue or CPS will not be treated as equity interests for taxation purposes or franking credits may not be available to Holders. For the full definition – see clause 9 of the Terms of Issue.
Tax Letter	the letter provided by Greenwoods & Freehills Pty Limited in Section 6.
Tax Rate	the Australian corporate tax rate applicable to St.George's franking account on the Allotment Date (expressed as a decimal).
Terms of Issue	the terms of issue for CPS included in Appendix A.
TFN	Tax File Number.
Tier 1 Capital	the tier 1 capital of the Group as defined by APRA.
Tier 1 Capital Ratio	at any time, the ratio so prescribed by APRA.
Tier 2 Capital	the tier 2 capital of the Group as defined by APRA.
Total Capital Ratio	at any time, the ratio so prescribed by APRA.
UBS	UBS AG, Australia Branch (ABN 47 088 129 613, AFSL No. 231087).
Upper Tier 2 Capital	the upper tier 2 capital of the Group as defined by APRA.
US	the United States of America.
US Person	has the meaning found in Regulation S of the US Securities Act.
US Securities Act	the US Securities Act of 1933.
VWAP	the average of the daily volume weighted average sale prices of Ordinary Shares sold on ASX during the relevant period or on the relevant days, as defined in clause 9 of the Terms of Issue and subject to any adjustments under clause 3.6 of the Terms of Issue.

Terms of Issue

CONTENTS

A

Appendix A — Terms of Issue

1 FORM, FACE VALUE AND ISSUE PRICE

1.1 Form

CPS are non-cumulative unsecured converting preference shares in the capital of St.George. CPS are issued by St.George under Article 6B of the Constitution and on the terms set out in these Terms of Issue.

1.2 Face Value and issue price

Each CPS will be issued by St.George as fully paid at an issue price of $100 (**Face Value**). The Face Value must be paid in full on application.

2 DIVIDENDS

2.1 Dividend calculation

Subject to these Terms of Issue, the Holder on the relevant Record Date of each CPS is entitled to receive on each relevant Dividend Payment Date a dividend (**Dividend**) calculated using the following formula:

$$\text{Dividend} = \frac{\textbf{Dividend Rate} \times \text{Face Value} \times \text{N}}{365}$$

where:

Dividend Rate (expressed as a percentage per annum) is calculated using the following formula:

Dividend Rate =
(**Bank Bill Swap Rate** + **Margin**) x (1 – **Tax Rate**)

where:

Bank Bill Swap Rate (expressed as a percentage per annum) means, for each Dividend Period, the Bank Bill Swap Rate applying on the first Business Day of each Dividend Period;

Margin (expressed as a percentage per annum) means the rate determined under the Bookbuild; and

Tax Rate (expressed as a decimal) means the Australian corporate tax rate applicable on the Allotment Date, which will be taken to be 0.30; and

N is the number of days in the Dividend Period ending on (but not including) the relevant Dividend Payment Date.

2.2 Franking adjustment

(a) If, on a Dividend Payment Date, the Australian corporate tax rate applicable to the franking account of St.George from which the Dividend will be franked (**Ti**) differs from the Tax Rate, the Dividend will be adjusted using the following formula:

$$\text{Adjusted Dividend} = \textbf{Dividend}_1 \times \frac{(1 - \textbf{Ti})}{(1 - \text{Tax Rate})}$$

where:

Dividend$_1$ (expressed as a dollars and cents amount) is the amount calculated under clause 2.1; and

Ti (expressed as a decimal) is the Australian corporate tax rate applicable to the franking account of St.George from which the Dividend will be franked.

(b) If any Dividend is not franked to 100% under Part 3-6 of the Tax Act (or any provisions that revise or replace that part), the Dividend will be adjusted using the following formula:

$$\text{Adjusted Dividend} = \frac{\textbf{D}}{1 - (\textbf{Ti} \times (1 - \textbf{Franking Rate}))}$$

where:

D (expressed as a dollars and cents amount) is the Dividend calculated under clause 2.2(a) or 2.1 where there has been no application of clause 2.2(a);

Ti (expressed as a decimal) has the same meaning as in clause 2.2(a); and

Franking Rate (expressed as a decimal) means the franking percentage (within the meaning of Part 3-6 of the Tax Act or any provisions that revise or replace that part) applicable to the Dividend.

2.3 Payment of Dividend and Optional Dividend

(a) The payment of a Dividend and any Optional Dividend is subject to:

(i) the Directors, at their sole discretion, declaring the Dividend or Optional Dividend to be payable;

(ii) St.George having profits available for the payment of a Dividend or an Optional Dividend;

(iii) such payment not resulting in the Total Capital Ratio or the Tier 1 Capital Ratio of St.George (on a Level 1 basis) or of the Group (on a Level 2 basis) not complying with APRA's then current capital adequacy guidelines as they are applied to St.George or the Group (as the case may be) at the time, unless APRA otherwise gives its prior written approval;

(iv) the amount of the Dividend or Optional Dividend not exceeding Distributable Profits, unless APRA otherwise gives its prior written approval; and

(v) in the case of an Optional Dividend, APRA giving its prior written approval.

(b) Without limiting clause 2.3(a), the Directors will not declare a Dividend or Optional Dividend to be payable if, in their opinion, making the payment would result in St.George becoming, or being likely to become, insolvent for the purposes of the Corporations Act.

(c) Dividends and Optional Dividends shall be paid by cheque, direct credit, or such other means as authorised by the Directors.

2.4 Non-cumulative Dividends

Dividends are non-cumulative. If all or part of a Dividend is not paid because of the provisions of clause 2.3 or because of any applicable law, St.George has no liability to pay such Dividend and, notwithstanding St.George's sole discretion (subject to APRA's prior written approval) to pay an Optional Dividend under clause 2.9(d), the Holder has no claim (including, without limitation, on the winding up of St.George) in respect of such non-payment. Non-payment of a Dividend because of the provisions of clause 2.3, or because of any applicable law, does not constitute an event of default.

No interest accrues on any unpaid Dividends or Optional Dividends, and the Holder has no claim or entitlement in respect of interest on any unpaid Dividends or Optional Dividends.

2.5 Rounding of Dividend calculations

All calculations of Dividends will be rounded to four decimal places. For the purposes of making any Dividend payment in respect of a Holder's total holding of CPS, any fraction of a cent will be disregarded.

2.6 Dividend Payment Dates

Subject to this clause 2, Dividends are payable in arrears on each Dividend Payment Date.

2.7 Record Dates

A Dividend is only payable to those persons registered as Holders on the Record Date for that Dividend.

An Optional Dividend is only payable to those persons registered as Holders on the Record Date in respect of the Optional Dividend.

2.8 Withholding obligations

St.George will be entitled to deduct from any Dividend or Optional Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction is made and the amount of the deduction accounted for by St.George to the relevant revenue authority and the balance of the amount payable is paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by St.George. St.George will pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment.

2.9 Restrictions in case of non-payment (dividend stopper)

If, for any reason, a Dividend has not been declared or a Dividend that has been declared has not been paid in full within 20 Business Days after the relevant Dividend Payment Date, St.George must not without approval of a Special Resolution:

(a) declare or pay a dividend or make or cause a member of the Group to make any distribution on any Equal Ranking Capital Securities or Junior Ranking Capital Securities (other than to permit the declaration and payment of dividends or distributions paid or payable to a member of the Group or under clause 2.9(e)); or

(b) redeem, reduce capital on, cancel or acquire for any consideration any Junior Ranking Capital Securities (excluding redemptions of, reductions of capital on, cancellations of or acquisitions of Junior Ranking Capital Securities held by a member of the Group),

unless:

(c) four consecutive Dividends scheduled to be paid on CPS, after the Dividend Payment Date for the Dividend that has not been paid, have been paid in full;

(d) an **Optional Dividend** has been paid to the Holders equal to the aggregate amount of any unpaid Dividends which were scheduled to be paid in the 12 months before the date of payment of the Optional Dividend;

(e) there is a payment in respect of the dividend, distribution, redemption, reduction of capital, cancellation or acquisition made pro rata on CPS and on Equal Ranking Capital Securities ranking equally with CPS in respect of those payments; or

(f) all CPS have been Exchanged.

3 EXCHANGE

3.1 Mandatory Conversion

(a) On the Mandatory Conversion Date, St.George must convert all CPS on issue at that date into Ordinary Shares under clauses 3.4 and 3.5.

(b) The **Mandatory Conversion Date** will be the earlier of:

   (i) 20 August 2012; and

   (ii) the first Dividend Payment Date after 20 August 2012,

   (each a **Relevant Date**) on which both the Mandatory Conversion Conditions are satisfied.

(c) The **Mandatory Conversion Conditions** are:

   (i) no announcement to ASX has been made in respect of the Relevant Date by St.George under clause 3.1(d); and

   (ii) the Conversion Number calculated under clause 3.5(a) on the Relevant Date is less than the Maximum Conversion Number.

(d) If the Test Conversion Number calculated under clause 3.5(a) on the 25th Business Day before the Relevant Date is greater than 83.33% of the Maximum Conversion Number, St.George will make an announcement to ASX between the 25th and the 20th Business Day before the Relevant Date notifying Holders that Mandatory Conversion will not proceed on the Relevant Date.

(e) The **Test Conversion Number** means the Conversion Number calculated under clause 3.5(a) using the Test Reference Period and assuming that the Relevant Date is the Mandatory Conversion Date.

3.2 Exchange by St.George

(a) St.George may serve an Exchange Notice after a Tax Event or Regulatory Event in respect of all (but not some only) of CPS on issue.

(b) St.George must serve an Exchange Notice, no later than the latest to occur of the following two events:

   (i) five Business Days after APRA has given its written approval to the application of any of the mechanisms in clause 3.2(c); and

(ii) six months after the occurrence of an Acquisition Event,

in respect of all (but not some only) of CPS on issue.

(c) If St.George serves an Exchange Notice, St.George must include in that notice which, or which combination, of the following it intends to do in respect of CPS the subject of the notice:

(i) convert CPS into Ordinary Shares under clauses 3.4 and 3.5; or

(ii) do any of the following:

(A) redeem CPS under clause 3.13;

(B) buy back CPS under the terms of the Buy-Back Agreement under clause 3.14; or

(C) cancel CPS under clause 3.15,

in each case for Face Value on the relevant Exchange Date.

(d) St.George may only apply the mechanisms in clause 3.2(c) if APRA has given its prior written approval to such mechanisms being applied.

(e) St.George may only apply the mechanism in clause 3.2(c)(i) if the Conversion Number calculated under clause 3.5(a) on the second Business Day before the proposed date of commencement of dispatch by St.George of the relevant Exchange Notice is not greater than 83.33% of the Maximum Conversion Number.

(f) If St.George serves an Exchange Notice under clause 3.2(a) or 3.2(b), the **Exchange Date** is the 20th Business Day after (but not including) the date on which the Exchange Notice was served by St.George unless St.George determines an earlier or later Exchange Date as notified in the Exchange Notice having regard to the best interests of the Holders (collectively) and the relevant event.

(g) If required by St.George, where St.George is entitled to Exchange any CPS under these Terms of Issue, the Holder must:

(i) vote in favour (subject to compliance with the law and to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;

(ii) provide all documentation and execute any authorisation or power necessary; and

(iii) take all other action necessary or desirable,

to effect the Exchange of those CPS.

3.3 Exchange Notices are irrevocable

An Exchange Notice given by St.George under clause 3.2(a) or 3.2(b) is irrevocable and may include any other information that St.George considers necessary to effect the Exchange in an orderly manner.

3.4 Meaning of conversion

Each CPS, on any conversion, confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until 5.00pm on the Exchange Date. At that time:

(a) all other rights and restrictions conferred on CPS under these Terms of Issue will no longer have any effect (except for any rights relating to a Dividend payable on or before the Exchange Date and any rights to any allotment of additional Ordinary Shares issued on conversion under clause 3.5, which will subsist); and

(b) each CPS on conversion will rank equally with all other Ordinary Shares then on issue and St.George will issue a statement that the holder of those shares holds a share so ranking.

The variation of the status of, and the rights attaching to, a CPS under this clause 3.4 and any allotment of additional Ordinary Shares under clause 3.5 is, for the purposes of these Terms of Issue, together termed 'conversion'. Conversion does not constitute redemption, buy-back or cancellation of a CPS or an issue, allotment or creation of a new share (other than any additional Ordinary Shares allotted under clause 3.5).

3.5 Conversion and issue of Ordinary Shares

(a) On Mandatory Conversion or if St.George issues an Exchange Notice under clause 3.2(a) or 3.2(b) and chooses conversion as the mechanism of Exchange under clause 3.2(c)(i), then on the Exchange Date:

(i) each CPS being converted will convert into one fully paid Ordinary Share; and

(ii) each Holder will be allotted an additional number of fully paid Ordinary Shares for each CPS that is being converted equal to one less than the Conversion Number, where the Conversion Number means the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Conversion Number} = \frac{\text{Face Value}}{\textbf{VWAP} \times (1 - \textbf{Conversion Discount})}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period:

where:

Reference Period means for the purpose of calculating the Conversion Number:

(A) for the Test Conversion Number under clauses 3.1(d) and 3.1(e), the 25th Business Day on which trading in the Ordinary Shares took place before the Relevant Date (**Test Reference Period**);

(B) to determine whether St.George may elect conversion in an Exchange Notice under clause 3.2(e), the second Business Day before the proposed date of commencement of dispatch by St.George of the relevant Exchange Notice; and

(C) for Mandatory Conversion under clause 3.1(a), to test the Mandatory Conversion Condition under clause 3.1(c)(ii) or for conversion under clause 3.2(c)(i) the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Mandatory Conversion Date or the relevant Exchange Date; and

Conversion Discount (expressed as a decimal) means 0.01.

(b) Whenever conversion is elected by St.George as a mechanism of Exchange under clause 3.2(c)(i) after a Tax Event, Regulatory Event or Acquisition Event, and where the Maximum Conversion Number is greater than the Maximum Conversion Number, the Conversion Number will be equal to the Maximum Conversion Number.

(c) The **Maximum Conversion Number** is equal to, subject to any adjustments under clauses 3.7 to 3.11, the number of Ordinary Shares calculated (to four decimal places) using the following formula:

$$\text{Maximum Conversion Number} = \frac{\text{Face Value}}{0.5 \times \mathbf{VWAP}}$$

where:

VWAP (expressed as a dollars and cents amount) means the VWAP during the Reference Period:

where:

Reference Period means the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including, the Allotment Date.

(d) St.George will make an announcement to ASX to notify Holders of the Maximum Conversion Number within a reasonable period after the Allotment Date.

(e) Where the total number of Ordinary Shares that a Holder is entitled to in respect of the total number of CPS being converted at that time includes a fraction, that fraction will be disregarded.

3.6 Adjustments to VWAP

For the purposes of calculating VWAP in clause 3.5(a):

(a) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and CPS will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount (**Cum Value**) equal to in the case of:

(i) a dividend or other distribution, the amount of that dividend or distribution including, if the dividend or distribution is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;

(ii) an entitlement that is not a dividend or other distribution under clause 3.6(a)(i) and which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the Reference Period on the Business Days on which those entitlements were traded; or

(iii) an entitlement that is not a dividend or other distribution under clause 3.6(a)(i) and which is not traded on ASX during the Reference Period, the value of the entitlement as reasonably determined by the Directors;

(b) where, on some or all of the Business Days in the Reference Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and CPS will convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value; and

(c) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during a Reference Period, the VWAP shall be adjusted by the Directors as they consider appropriate. Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

3.7 Adjustments to Maximum Conversion Number for rights issues or bonus issues

(a) Subject to clauses 3.7(b) and 3.7(c), if St.George makes a rights issue (including an issue of the kind known as a 'jumbo issue', where offers to certain institutional holders, or beneficial holders, are made in advance of offers to other holders) or bonus issue (in either case being a pro rata issue) of Ordinary Shares to Ordinary Shareholders generally, the Maximum Conversion Number will be adjusted immediately under the following formula:

$$\mathbf{CN} = \mathbf{CNo} \times \mathbf{P} \times \frac{\mathbf{(RD + RN)}}{\mathbf{(RD \times P) + (RN \times A)}}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement of the rights or bonus issue to ASX up to (and including) the last Business Day of trading cum rights or bonus issue (or if there is no period of cum rights or bonus issue trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the rights or bonus issue);

RD means the number of Ordinary Shares on issue immediately before the issue of new Ordinary Shares under the rights or bonus issue;

RN means the number of Ordinary Shares issued under the rights or bonus issue; and

A means the subscription price per Ordinary Share for a rights issue (and is zero in the case of a bonus issue).

(b) No adjustment to the Maximum Conversion Number will occur if **A** exceeds **P**.

(c) Clause 3.7(a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan, share purchase plan or dividend reinvestment plan.

(d) For the purpose of this clause 3.7, an issue will be regarded as a pro rata issue notwithstanding that St.George does not make offers to some or all Ordinary Shareholders with registered addresses outside Australia, provided that in so doing St.George is not in contravention of the ASX Listing Rules.

3.8 Adjustments to Maximum Conversion Number for off market buy-backs

(a) Subject to clause 3.8(b), if St.George undertakes an off market buy-back under a buy-back scheme which but for any applicable restrictions on transfer would be generally available to holders of Ordinary Shares (or otherwise cancels Ordinary Shares for consideration), the Maximum Conversion Number will be adjusted immediately using the following formula:

$$\mathbf{CN} = \mathbf{CNo} \times \mathbf{P} \times \frac{(\mathbf{BD} - \mathbf{BN})}{(\mathbf{BD} \times \mathbf{P}) - (\mathbf{BN} \times \mathbf{A})}$$

where:

CN means the Maximum Conversion Number respectively applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the 20 Business Days before the announcement to ASX of the buy-back (or cancellation);

BD means the number of Ordinary Shares on issue immediately before the buy-back (or cancellation);

BN means the number of Ordinary Shares bought back (or cancelled); and

A means the buy-back (or cancellation) price per Ordinary Share.

(b) No adjustment to the Maximum Conversion Number will occur if **P** exceeds **A**.

3.9 Adjustment to Maximum Conversion Number for return of capital

If St.George makes a pro rata return of capital to holders of Ordinary Shares without cancellation of any Ordinary Shares, the Maximum Conversion Number will be adjusted under the following formula:

$$\mathbf{CN} = \mathbf{CNo} \times \frac{\mathbf{P}}{\mathbf{P} - \mathbf{C}}$$

where:

CN means the Maximum Conversion Number applying immediately after the application of this formula;

CNo means the Maximum Conversion Number applying immediately before the application of this formula;

P means the VWAP during the period from (and including) the first Business Day after the announcement to ASX of the return of capital up to and including the last Business Day of trading cum the return of capital (or if there is no period of cum return of capital trading, an amount reasonably determined by the Directors as representing the value of an Ordinary Share cum the return of capital); and

C means with respect to a return of capital, the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to Ordinary Shareholders per Ordinary Share (or such lesser amount such that the difference between **P** and **C** is greater than zero).

3.10 Other adjustments to Maximum Conversion Number

Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities, the Maximum Conversion Number shall be adjusted by the Directors as they consider appropriate (consistently with the way in which the number of Ordinary Shares the subject of an option over Ordinary Shares would have been adjusted under the ASX Listing Rules). Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will promptly be notified to all Holders.

3.11 Directors' sole discretion regarding adjustments to Maximum Conversion Number

Despite the provisions of clauses 3.7 to 3.10, where:

(a) the effect of any of the adjustment provisions set out in clauses 3.7 to 3.10 is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including because more than one adjustment provision applies); or

(b) any other event occurs in relation to St.George that may have a dilutive or concentrative effect on the value of the Ordinary Shares,

and, in the reasonable opinion of the Directors, such occurrence would affect the relative values of CPS and the Ordinary Shares, the Directors may (subject to APRA's prior written approval):

(c) make such alterations to the Face Value and the Maximum Conversion Number as they reasonably consider appropriate or necessary to maintain that relativity; or

(d) extend an entitlement to the Holders to participate in such event based on the number of Ordinary Shares to which those Holders would have been entitled if their CPS had been converted on a date nominated by the Directors to maintain the relativity.

3.12 Restrictions on certain conversions under the Constitution

Under sub-article 11(5) of the Constitution, a Holder's CPS may not be converted into Ordinary Shares and no additional Ordinary Shares may be allotted or issued if in the Directors' opinion the conversion of the CPS held by that Holder would result in a person contravening sub-article 11(1) of the Constitution.

3.13 Redemption of CPS

If St.George determines to redeem CPS and gives an Exchange Notice to the Holders notifying that their CPS are to be redeemed under clause 3.2(c)(ii), on the relevant Exchange Date St.George shall redeem every CPS which St.George has elected to redeem and identified in the Exchange Notice. For each CPS that is being redeemed, an amount equal to the Face Value will be paid by St.George to the relevant Holders in cash on the relevant Exchange Date.

3.14 Buy-back of CPS

(a) Each Holder agrees with St.George on terms as set out in the Buy-Back Agreement that, upon St.George determining to buy back CPS (which it is able to do at its sole option) and giving an Exchange Notice to the Holders notifying that their CPS are to be bought back under clause 3.2(c)(ii), those Holders will be deemed to have sold to St.George the CPS which St.George has elected to buy back and identified in the Exchange Notice on the terms of the Buy-Back Agreement.

(b) The Buy-Back Agreement will take effect upon, and will have no force or effect until, the happening of the last to occur of the following events:

   (i) St.George giving an Exchange Notice to each Holder that it has determined to buy back the CPS identified in the Exchange Notice; and

   (ii) St.George obtaining all consents (if any) to the buy-back which are required to be obtained from St.George's shareholders or any regulatory authority or other person under, and in the manner required by any applicable law or by the listing rules of any stock exchange on which CPS are quoted.

(c) On the relevant Exchange Date, St.George shall buy back every CPS which St.George has elected to buy back and identified in the Exchange Notice under the terms of the Buy-Back Agreement. For each CPS that is being bought back, an amount equal to the Face Value will be paid by St.George to the relevant Holders in cash on the relevant Exchange Date.

3.15 Cancellation of CPS

If St.George:

(a) determines to cancel CPS under clause 3.2(c)(ii);

(b) obtains all consents (if any) to the cancellation of CPS which are required to be obtained from St.George's shareholders or any regulatory authority or other person under and in the manner required by any applicable law or by the listing rules of any stock exchange on which CPS are quoted; and

(c) gives an Exchange Notice to the Holders notifying that their CPS are to be cancelled,

on the relevant Exchange Date, St.George shall cancel every CPS which St.George has elected to cancel and identified in the Exchange Notice. For each CPS that is being cancelled, an amount equal to the Face Value will be paid by St.George to the relevant Holders in cash on the relevant Exchange Date.

4 GENERAL RIGHTS ATTACHING TO CPS

4.1 Ranking

CPS rank equally among themselves and are unsecured and subordinated to all depositors and creditors of St.George. CPS are not deposit liabilities of St.George and are not subject to the depositor protection provisions of Australian banking legislation.

CPS rank equally with all other Equal Ranking Capital Securities in respect of the payment of Dividends which have been declared and in respect of the payment of dividends or other distributions which have been declared or are payable on all other Equal Ranking Capital Securities. CPS rank equally with Equal Ranking Capital Securities in respect of a redemption of, return of capital on, cancellation of or acquisition of CPS and payment of declared but unpaid Dividends on a winding up of St.George.

St.George reserves the right to issue further CPS, or other preference shares (whether redeemable or not) or Capital Securities which rank ahead of, equally with or behind CPS, whether in respect of dividends (whether cumulative or not), return of capital on a winding up of St.George or otherwise. Such an issue does not constitute a variation or cancellation of the rights attached to the then existing CPS.

4.2 Preferential dividend

Until conversion, CPS rank ahead of Junior Ranking Capital Securities for the payment of dividends.

4.3 No set off

Any amount due to a Holder in respect of CPS may not be set off against any claims by St.George on the Holder.

4.4 Return of capital

Until conversion, if there is a return of capital on a winding up of St.George, Holders will be entitled to receive out of the assets of St.George available for distribution to holders of shares, in respect of each CPS held, a cash payment (**Liquidation Sum**) equal to the sum of:

(a) the amount of any Dividend declared but unpaid; and

(b) the Face Value,

before any return of capital is made to Ordinary Shareholders or any other class of shares ranking behind CPS.

CPS do not confer on their Holders any right to participate in profits or property except as set out in these Terms of Issue.

4.5 Shortfall on winding up of St.George

If, upon a return of capital on a winding up of St.George, there are insufficient funds to pay in full the amounts referred to in clause 4.4 and the amounts payable in respect of any other shares in St.George ranking as to such distribution equally with CPS on a winding up of St.George, Holders and the holders of any such other shares will share in any distribution of assets of St.George in proportion to the amounts to which they respectively are entitled.

4.6 No participation in surplus assets

CPS do not confer on their Holders any further right to participate in the surplus assets of St.George on a winding up of St.George beyond payment of the Liquidation Sum.

4.7 Participation in new issues

Until CPS are converted, they will confer no rights to subscribe for new securities in St.George or to participate in any bonus issues of securities in St.George, unless (and then only to the extent) the Directors determine otherwise under clause 3.11.

5 VOTING RIGHTS

Holders have the same rights as holders of Ordinary Shares to receive accounts, reports and notices of general meetings of St.George and to attend any general meeting of St.George. Holders will not, however, be entitled to speak or vote at any general meeting of St.George except in each of the following circumstances:

(a) on a proposal:

  (i) to reduce the share capital of St.George;

  (ii) that affects rights attached to CPS;

  (iii) to wind up St.George; or

  (iv) for the disposal of the whole of the property, business and undertaking of St.George;

(b) on a resolution to approve the terms of a buy-back agreement;

(c) during a period in which a Dividend or part of a Dividend has been declared but has not been paid within 20 Business Days after the relevant Dividend Payment Date;

(d) during the winding up of St.George; or

(e) in any other circumstances in which the ASX Listing Rules require the Holders to be entitled to vote.

In each case, Holders shall have the same right to vote as Ordinary Shareholders (as if immediately before the meeting CPS had converted into the number of Ordinary Shares provided for in clauses 3.4 and 3.5(a) as limited by the Maximum Conversion Number (if applicable) and as if the record date is the deadline for receipt of instruments of proxy under Article 68 of the Constitution for the relevant meeting and the Reference Period is the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding, but not including that record date).

6 QUOTATION

St.George must use all reasonable endeavours to furnish all such documents as are reasonably necessary to apply, at its own expense, for quotation of CPS on ASX and of all converted CPS and additional Ordinary Shares issued under clause 3.5(a) on each of the stock exchanges on which the other Ordinary Shares are quoted on the date of conversion.

7 AMENDMENTS TO THESE TERMS OF ISSUE

Subject to complying with all applicable laws and with APRA's prior written approval, St.George may without the authority, assent or approval of Holders amend or add to these Terms of Issue if such amendment or addition is, in the opinion of St.George:

(a) of a formal, minor or technical nature;

(b) made to correct a manifest error;

(c) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which St.George proposes from time to time to seek quotation of CPS;

(d) convenient for the purpose of obtaining or maintaining the quotation of CPS; or

(e) effected under clause 3.6(c), 3.10 or 3.11,

and is not likely (taken as a whole and in conjunction with all other modifications (if any) to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

8 GOVERNING LAW

The Terms of Issue are governed by the laws of New South Wales, Australia.

9 INTERPRETATION

(a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms of Issue, and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail.

(b) Unless otherwise specified, the Directors may exercise all powers of St.George under these Terms of Issue that are not, by the Corporations Act or by the Constitution, required to be exercised by St.George in general meeting.

(c) A reference to $, dollars or cents in these Terms of Issue is a reference to Australian currency. A reference to time in these Terms of Issue is a reference to Sydney, New South Wales, Australia time.

(d) Notices may be given by St.George to a Holder in the manner prescribed by the Constitution for the giving of notices to members of St.George and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.

(e) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms of Issue.

(f) If a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.

(g) Calculations, elections and determinations made by St.George under these Terms of Issue are binding on Holders in the absence of manifest error.

(h) Definitions and interpretation under the Constitution will also apply to these Terms of Issue subject to clause 9(a).

(i) Any provisions which refer to the requirements of APRA or any other prudential regulatory requirements will apply to St.George only if St.George is an entity or the holding company of an entity subject to regulation and supervision by APRA at the relevant time.

(j) The terms ‘takeover bid’, ‘relevant interest’ and ‘arrangement’ when used in these Terms of Issue have the meaning given in the Corporations Act.

(k) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

(l) If an event under these Terms of Issue must occur on a stipulated day which is not a Business Day, then the stipulated day for that event will be taken to be the next Business Day.

(m) Any provisions in these Terms of Issue requiring the prior written approval by APRA for a particular course of action to be taken by St.George do not imply that APRA has given its consent or approval to the particular action as of the Allotment Date.

(n) The following boldened words and expressions shall have the following meanings:

Acquisition Event occurs when:

(a) a takeover bid is made to acquire all or some Ordinary Shares and the offer is, or becomes, unconditional and:
    (i) the bidder has a relevant interest in more than 50% of the Ordinary Shares on issue; or
    (ii) the Directors issue a statement recommending acceptance of the offer; or

(b) the Directors issue a statement recommending a scheme of arrangement which, when implemented, will result in a person having a relevant interest in more than 50% of the Ordinary Shares on issue.

Allotment Date means the date on which CPS are issued, which is expected to be on or about 19 December 2006.

APRA means the Australian Prudential Regulation Authority or any authority succeeding to its powers and functions.

ASX means Australian Stock Exchange Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX from time to time with any modifications or waivers in their application to St.George, which ASX may grant.

ASX Market Rules means the operating rules of ASX from time to time.

Bank Bill Swap Rate (expressed as a percentage per annum) means for each Dividend Period, the rate calculated as the average mid rate for bills of a term of 90 days which average rate is displayed on the Reuters page BBSW (or any page which replaces that page) on the first Business Day of the Dividend Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am on that date, the rate specified in good faith by St.George at or around that time on that date having regard, to the extent possible, to:

(a) the rate otherwise bid and offered for bills of that term or for funds of that tenor displayed on that Reuters page BBSW (or any page which replaces that page) at that time on that date; and

(b) if bid and offer rates for bills of that term are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time.

Bookbuild means the process conducted by St.George or its agents before the opening of the Offer whereby certain institutional investors and brokers lodge bids for CPS and, on the basis of those bids, St.George determines the Margin and announces its determination before the opening of the Offer.

Business Day means a business day as defined in the ASX Listing Rules.

Buy-Back Agreement means an agreement under which St.George buys back CPS in the form in the schedule to these Terms of Issue.

Capital Securities means shares or any equity, hybrid or subordinated debt capital securities (whether comprised of one or more instruments) issued by St.George or a member of the Group. **Capital Security** has the corresponding meaning.

Constitution means the constitution of St.George as amended from time to time.

Conversion Discount has the meaning given in clause 3.5(a)(ii).

Conversion Number has the meaning given in clause 3.5(a)(ii).

Corporations Act means the *Corporations Act 2001* (Cth).

CPS has the meaning given in clause 1.1.

Cum Value has the meaning given in clause 3.6(a).

Depositary Capital Securities means the Series A Capital Securities issued by St.George Funding Company, LLC.

Directors means some or all of the directors of St.George.

Distributable Profits means the lesser of Level 1 Distributable Profits and Level 2 Distributable Profits.

Dividend has the meaning given in clause 2.1 as adjusted by clause 2.2.

Dividend Payment Date means 20 February 2007 and thereafter each 20 May, 20 August, 20 November and 20 February, until CPS are Exchanged, in which case the Exchange Date will constitute a Dividend Payment Date, whether or not a Dividend is, or is able to be, paid on that date.

Dividend Period means the period from (and including) either the Allotment Date or the preceding Dividend Payment Date (whichever is the later) to (but not including) the relevant Dividend Payment Date.

Dividend Rate has the meaning given in clause 2.1.

Equal Ranking Capital Security means:
(a) in the case of a dividend or distribution in respect of the Capital Security, a Capital Security (including SPS, SAINTS and Depositary Capital Securities) which ranks for payment of the dividend or distribution equally with CPS; and
(b) in the case of redemption of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including SPS, SAINTS and Depositary Capital Securities) which ranks equally with CPS for a return of capital if St.George is wound up.

Exchange means conversion of CPS into Ordinary Shares under clause 3.5(a), or the redemption, buy-back or cancellation of CPS for their Face Value, as determined by St.George under clause 3.2(c). **Exchanged** has the corresponding meaning.

Exchange Date means in the case of:
(a) Mandatory Conversion, the Mandatory Conversion Date; or
(b) an Exchange Notice under clause 3.2(a) or 3.2(b), the meaning given in clause 3.2(f) .

Exchange Notice means a notice given by St.George to a Holder under clause 3.2(a) or 3.2(b).

Face Value has the meaning given in clause 1.2.

Franking Rate has the meaning given in clause 2.2(b).

Group means St.George and its controlled entities (on a Level 2 basis).

Holder means a person whose name is for the time being registered in the Register as the holder of a CPS.

Junior Ranking Capital Security means:
(a) in the case of a dividend or distribution in respect of the Capital Security, a Capital Security (including Ordinary Shares) which ranks for payment of the dividend or distribution behind CPS; and
(b) in the case of redemption of, reduction of capital on, cancellation of or acquisition of the Capital Security, a Capital Security (including Ordinary Shares) which ranks behind CPS for a return of capital if St.George is wound up.

Level 1 and **Level 2** means those terms as defined by APRA from time to time.

Level 1 Distributable Profits means the profits after tax of St.George (on a Level 1 basis) calculated before any dividend or interest payments on Capital Securities which are included in St.George's Upper Tier 2 Capital or Tier 1 Capital (on a Level 1 basis) (as disclosed in the latest publicly available financial results for St.George) for the immediately preceding Reporting Year, less the aggregate amount of dividends or interest paid or payable by St.George on those of its Capital Securities which are included in St.George's Upper Tier 2 Capital or Tier 1 Capital (on a Level 1 basis) (but not including dividends or interest paid or payable to a member of the Group by another member of the Group) in the 12 months up to the Record Date for the Dividend or Optional Dividend.

Level 2 Distributable Profits means the profits after tax of the Group (on a Level 2 basis) calculated before any dividend or interest payments on Capital Securities which are included in the Group's Upper Tier 2 Capital or Tier 1 Capital (on a Level 2 basis) (as disclosed in the latest publicly available financial results for the Group) for the immediately preceding Reporting Year, less the aggregate amount of dividends or interest paid or payable by a member of the Group on those of the Group's Capital Securities which are included in its Upper Tier 2 Capital or Tier 1 Capital (on a Level 2 basis) (but not including dividends or interest paid or payable to a member of the Group by another member of the Group) in the 12 months up to the Record Date for the Dividend or Optional Dividend.

Liquidation Sum has the meaning given in clause 4.4.

Mandatory Conversion means the mandatory conversion of CPS on the Mandatory Conversion Date under clause 3.1.

Mandatory Conversion Conditions has the meaning given in clause 3.1(c).

Mandatory Conversion Date has the meaning given in clause 3.1(b) and where the context requires, means a Relevant Date.

Margin has the meaning given in clause 2.1.

Maximum Conversion Number has the meaning given in clause 3.5(c).

Offer means the invitation made under the Prospectus issued by St.George for persons to subscribe for CPS.

Optional Dividend has the meaning given in clause 2.9(d).

Ordinary Share means an ordinary share in the capital of St.George.

Ordinary Shareholder means a person whose name is for the time being registered as the holder of an Ordinary Share.

Prospectus means the prospectus for the Offer including these Terms of Issue.

Record Date means, for a payment of:
(a) a Dividend, the date which is 11 Business Days before the Dividend Payment Date for that Dividend, or such other date as may be required by ASX; and
(b) an Optional Dividend, the date before its payment that is determined by St.George, or such other date as may be required by ASX.

Reference Period has the meanings given in clauses 3.5(a) and 3.5(c), as applicable.

Register means the register of CPS maintained by St.George or its agent and includes any sub-register established and maintained under the Clearing House Electronic Sub-register System operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

Regulatory Event means:
(a) the receipt by St.George of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of, or change (including any announcement of a prospective change) in, any law or regulation affecting securities laws of Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective or pronouncement, action or decision is announced on or after the Allotment Date, additional requirements would be imposed on St.George which the Directors determine at their sole discretion, to be unacceptable; or
(b) the determination by the Directors that St.George is not or will not be entitled to treat all CPS as eligible Tier 1 Capital.

Relevant Date has the meaning given in clause 3.1(b).

Reporting Year means, for a Dividend Payment Date, the 12 month period ending 30 September or 31 March last preceding the Dividend Payment Date, or such other period approved by APRA in circumstances where St.George has changed its reporting period for its financial results.

SAINTS means the $350 million non-cumulative redeemable and convertible preference shares issued by St.George on 13 August 2004.

Special Resolution means a resolution passed at a separate meeting of Holders by at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

SPS means the $150 million non-cumulative unsecured preference shares issued by St.George on 20 June 2006.

St.George means St.George Bank Limited (ABN 92 055 513 070).

Tax Act means:
(a) the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth) as the case may be, as amended, and a reference to any section of the *Income Tax Assessment Act 1936* (Cth) includes a reference to that section as rewritten in the *Income Tax Assessment Act 1997* (Cth); and
(b) any other Act setting the rate of income tax payable and any regulation promulgated thereunder.

Tax Event means the receipt by St.George of an opinion from a reputable legal counsel or tax adviser in Australia, experienced in such matters to the effect that, as a result of:

(a) any amendment to, clarification of, or change (including any announced prospective change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
(b) any judicial decision, official administrative pronouncement, public or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
(c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the current generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known,

which amendment, clarification, change or Administrative Action is issued or effective or such pronouncement or decision is announced on or after the Allotment Date, there is more than an insubstantial risk that:

(d) St.George would be exposed to more than a de minimis increase in its costs in relation to CPS as a result of increased taxes, duties or other governmental charges or civil liabilities; or

(e) CPS will not be treated as equity interests for taxation purposes or imputation benefits will be denied to Holders or franking debits will be posted to St.George's franking account as a result of the CPS being on issue or the Ordinary Shares being on issue after any conversion of CPS into Ordinary Shares.

Tax Rate has the meaning given in clause 2.1.

Terms of Issue means these terms of issue for CPS, which includes the schedule.

Test Conversion Number has the meaning given in clause 3.1(e).

Test Reference Period has the meaning given in clause 3.5(a)(ii)(A).

Tier 1 Capital means the tier 1 capital of the Group as defined by APRA.

Tier 1 Capital Ratio means at any time the ratio so prescribed by APRA.

Total Capital Ratio means at any time the ratio so prescribed by APRA.

Upper Tier 2 Capital means the upper tier 2 capital of the Group as defined by APRA.

VWAP means, subject to any adjustments under clause 3.6, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any 'crossing' transacted outside the 'Open Session State' or any 'special crossing' transacted at any time, each as defined in the ASX Market Rules, or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

SCHEDULE – BUY-BACK AGREEMENT

1 Agreement

(a) This agreement is entered into between St.George and Holders and shall come into force and effect upon the happening of the last to occur of the following events:

- (i) St.George giving an Exchange Notice to each of the Holders that it has determined to buy back the CPS identified in the Exchange Notice; and
- (ii) St.George obtaining all consents (if any) to the Buy-Back which are required to be obtained from St.George's shareholders or any regulatory authority or other person under, and in the manner required by any applicable law or by the listing rules of any stock exchange on which CPS are quoted.

(b) The terms and conditions set out in this agreement are of no force and effect unless and until the agreement has become effective under clause 1(a).

2 Buy-Back

Each Seller agrees to sell to the Buyer the Buy-Back Shares on the terms set out in this agreement.

3 Consideration

The Buyer will pay to each Seller in respect of each Buy-Back Share an amount equal to the Face Value of each Buy-Back Share (namely, $100).

4 Completion

The Buy-Back will be effected on the date specified in the Exchange Notice as the date for completion of the Buy-Back, which will be determined in accordance with the Terms of Issue, by the Buyer paying the amount determined under clause 3 to the Seller and the Seller delivering to the Buyer a duly executed transfer of the Buy-Back Shares.

5 Appointment of attorney

By virtue of its holding of the Buy-Back Shares, each Seller irrevocably appoints any director or officer or duly authorised attorney of St.George (each an **Attorney**) as the true and lawful attorney of the Seller to execute a transfer to the Buyer in registrable form of the Buy-Back Shares (or such other document by which title to the Buy-Back Shares may be vested in the Buyer) and to give any necessary direction to any other person or take any other action which may be required to facilitate the transfer to the Buyer of the Buy-Back Shares, and agrees that in exercising this power of attorney St.George or any Attorney shall be entitled to act in the interests of St.George (or a nominee) as the Buyer of the Buy-Back Shares.

6 Definitions and interpretation

All words and expressions used in this agreement which are defined in the Terms of Issue have the same meaning in this agreement.

Buy-Back means, in relation to the CPS, the purchase of the CPS from the Holder for the time being by the Buyer pursuant to this agreement.

Buy-Back Shares means the CPS referred to in the Exchange Notice which are the subject of the Buy-Back under this agreement.

Buyer means St.George or any permitted transferee of the Buy-Back Shares nominated by St.George to be the purchaser of the Buy-Back Shares.

Exchange Notice means a notice given by St.George to Holders from time to time under clause 3.2 of the Terms of Issue.

Seller means each Holder from time to time to whom St.George gives an Exchange Notice which indicates that CPS are to be bought back by St.George.

Corporate Directory

Registered office of St.George
St.George House
4–16 Montgomery Street
Kogarah NSW 2217
Telephone: (02) 9236 1111
Website: www.stgeorge.com.au

Legal adviser
Allens Arthur Robinson
Corner Hunter and Phillip Streets
Sydney NSW 2000

Auditor
KPMG
10 Shelley Street
Sydney NSW 2000

Tax adviser
Greenwoods & Freehills Pty Limited
Level 39, MLC Centre
19–29 Martin Place
Sydney NSW 2000

Registry
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

St.George InfoLine 1800 804 457
Monday to Friday (8.30am – 5.30pm)

Joint Lead Managers
Goldman Sachs JBWere Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

UBS AG, Australia Branch
Level 25, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Co-Managers
Bell Potter Securities Limited
Level 33, Grosvenor Place
225 George Street
Sydney NSW 2000

Goldman Sachs JBWere Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Ord Minnett Limited
Level 8, NAB House
255 George Street
Sydney NSW 2000

St.George Bank Limited
St.George House
4–16 Montgomery Street
Kogarah NSW 2217

UBS Wealth Management Australia Limited
Level 27, Governor Phillip Tower
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Sydney NSW 2000

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Good with people. Good with money.