Media Release

8 September 2008

ST.GEORGE AND WESTPAC AGREE REVISED TERMS

- **St.George Board confirms unanimous recommendation of Westpac offer in the absence of a superior proposal**
- **No change in merger exchange ratio which remains at 1.31 Westpac shares for each St.George share held**
- **St.George shareholders to receive a final dividend and a special dividend totalling up to $1.25 per St.George share, an increase of $0.28 per St.George share**
- **Independent Expert, Grant Samuel, confirms the Westpac proposal is 'fair and reasonable and in the best interests of St.George shareholders'**
- **Break fee of $100 million payable by St.George in specified circumstances**
- **Acceleration of integration and transition planning**
- **Westpac remains committed to the proposed operating model including maintaining the St.George and Westpac branch networks**

Westpac and St.George today announced a revised merger proposal involving a higher dividend for St.George shareholders and a package of measures to increase the certainty of completion of the transaction and accelerate merger benefits. The St.George Board confirmed its unanimous support for the merger.

St.George Chairman, John Curtis welcomed today's announcement.

"The St.George Board believes that the merger of St.George and Westpac, on the terms proposed, is a very positive outcome for St.George shareholders. The Independent Expert has informed St. George that the merger proposal is fair and reasonable and in the best interests of St.George shareholders," Mr Curtis said.

"Our Board unanimously recommends that shareholders vote in favour of the merger, in the absence of a superior proposal.

"The revised merger terms recognise the contribution of St.George to the strength of the combined organisation. Westpac will continue to have a AA rating with a strong capital base and broad-based funding to support future growth," Mr Curtis said.

Westpac Chairman, Ted Evans, said that the merger would deliver positive outcomes for both Westpac and St.George.

"In light of volatile and challenging market conditions, we have been pleased by the continuing strength of both the Westpac and St.George businesses since announcement of the merger proposal," Mr Evans said.

"Today we have agreed a number of measures to enhance the certainty of a successful outcome, including accelerating integration and transition planning.

"This will ensure that we realise merger benefits more quickly and work closely together to optimise customer retention," Mr Evans said.

St.George FY08 Final Dividend and Special Dividend

In addition to the St.George 2008 final dividend, St.George shareholders will now receive an additional fully franked special dividend (at the same time as the 2008 final dividend is paid). The amount and other details concerning the special dividend will be announced when the St.George annual results are released and the 2008 final dividend is announced on 29 October 2008.

Westpac has agreed to the payment of the special dividend by St.George on the basis that the aggregate amount of the special dividend and the final dividend does not exceed $1.25 per St.George share.

This is an increase of $0.28 per St.George share in total potential dividends payable to St.George shareholders, which equates to a total potential additional dividend payment to St.George shareholders of approximately $160 million.

There has been no change to the merger exchange ratio, which remains at 1.31 Westpac shares for each St.George share irrespective of the amount of the dividend paid by St.George.

Westpac confirms the transaction is expected to be EPS accretive within three years of the merger.

Independent Expert

The Independent Expert, Grant Samuel, has reviewed the merger proposal and has concluded that it is fair and reasonable, and in the best interests of St.George shareholders, in the absence of a superior proposal emerging. The proposed special dividend reinforces this conclusion.

The Independent Expert's report will be released to the market with the scheme documentation after the regulatory review process is complete. Grant Samuel has confirmed that although its report is currently in the final stages of preparation for submission to the Australian Securities & Investments Commission during the coming week, they have completed their analysis and formed their conclusions.

Amendments to Merger Implementation Agreement

To reflect the revisions to the terms of the merger proposal, St.George and Westpac have agreed to amend certain terms of the Merger Implementation Agreement (MIA) dated 26 May 2008. A copy of the amended and restated MIA is attached.

The amendments include a package of enhancements intended to increase the certainty of completion of the transaction and bring forward realisation of merger benefits, including:

- Enhanced co-operation between Westpac and St.George in relation to integration planning, with a view to accelerating the process of integrating the two banks, bringing forward the realisation of merger benefits and minimising integration risk, including jointly developing strategies to maximise customer retention; and
- A break fee of $100 million payable by St.George to Westpac in certain specified circumstances, including a change in the St.George Board's unanimous recommendation of the merger proposal.

The amended MIA also sets out the terms of arrangement in respect of the SAINTS and St.George employee options.

Next steps

It is intended that the scheme book will be lodged with ASIC shortly and is expected to be released to the market on 30 September 2008 and dispatched to St.George shareholders in mid October. The scheme meeting is expected to be held on 13 November 2008.

Full details of the Independent Expert's report will be published in the scheme book. The ACCC has announced that it will not oppose the merger. The transaction also requires approval from the Federal Treasurer.

Mr Curtis and Mr Evans said the merger will provide the opportunity for both St.George and Westpac to grow stronger together, benefiting shareholders and customers.

Ends.

For Further Information

David Lording
Westpac Media Relations
Ph: 02 8253 3510
Ph: 0419 683 411

Jeremy Griffith
St.George Corporate Relations
Ph: 02 9236 1328
Ph: 0411 259 432

Email dlording@westpac.com.au for a copy of the amended and restated MIA