Media Release

St.George and Westpac sign Merger Implementation Agreement to form Australia's leading financial services company

26 May 2008

- Creating Australia's leading financial services company for customers, shareholders and employees
- St.George shareholders to receive 1.31 Westpac shares for each St.George share
- Retaining St.George, BankSA and Asgard brands with no net reduction in ATM or retail network
- AA rated financial institution, with strong capital and broad based funding

St.George Bank Limited and Westpac Banking Corporation today announced that, following the successful completion of due diligence by both organisations, they have signed a Merger Implementation Agreement (MIA). This reflects the key commercial terms which have been agreed by the boards and under which the recommended proposal will be put to a vote of St.George shareholders.

Westpac Chairman Ted Evans said: "The merger of Westpac and St.George will ultimately deliver improved customer service with strong brand support, enhanced returns for shareholders and a strong commitment to community initiatives. The combination of both organisations' strengths and leading customer advocacy will create a compelling proposition for all stakeholders."

St.George Chairman John Curtis said: "The proposed merger will allow the distinctive brands, culture and customer service focus of St.George to be retained and strengthened. This should greatly enhance customer experience and shareholder value."

"The St.George board intends to recommend to its shareholders Westpac's offer of 1.31 Westpac shares for each St.George share. The recommendation is subject to an Independent Expert's report concluding that it is in the best interests of our shareholders, no superior proposal emerging, and the St.George board continuing to hold the view that the proposed merger is in the best interests of St.George shareholders, compared to the position when the proposed merger was announced on 13 May 2008."

St.George shareholders will receive a final dividend for the 2008 financial year, which is anticipated to be in accordance with St.George's usual dividend payout ratio.

The merger is expected to be cash earnings per share accretive for St.George shareholders from the first full year of the merger. The merger is expected to be cash earnings per share accretive for Westpac shareholders within three years of the merger.

Merger Rationale

The proposed combination of Westpac and St.George is a compelling proposition for stakeholders:

- All Westpac and St.George brands, including BankSA, Asgard and branch/ATM networks will be retained. The intention is that there will be no net reduction in branch or ATM numbers. A corporate presence will also be retained in Kogarah. The focus will be on investing more in front-line services.

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

The merger will create Australia's leading financial institution. Together, Westpac and St.George will have a AA credit-rating, putting the merged entity in a strong position in the current environment.

Westpac CEO, Gail Kelly said this merger creates a springboard for growth with strong brands, leading products and an extensive distribution network.

"The customer-focussed cultures of both St.George and Westpac are fundamental to this merger. Customer service will be enhanced as the increased scale and integration of operations will drive further investment in our back office processes. Each bank's customers will also benefit from greater diversity and choice of products from both organisations," Mrs Kelly said.

Mr Paul Fegan, CEO of St.George Bank said: "The combined entity will provide greater choice of product, convenience and customer service. This is a very appealing proposition for customers and will create a world class financial services organisation for all our stakeholders."

Merger Implementation Agreement Key Points and Anticipated Timing

The signing today of the MIA has followed two weeks of reciprocal due diligence.

The MIA outlines the anticipated timetable and binding terms and conditions on which both parties can now proceed to implement the merger proposal via a scheme of arrangement. A copy of the MIA is annexed to this announcement.

The MIA is subject to a limited number of standard conditions precedent, including no material adverse change, no prescribed occurrences and obtaining all necessary regulatory approvals. Full capital gains tax rollover relief is expected to be available for St.George shareholders for the Westpac shares they would receive under the merger.

The exclusivity period, which provides for St.George to work exclusively with Westpac, has been extended under the MIA. This does not prevent St.George from considering any superior proposals which may emerge. There are no break fees provided for in the MIA.

St.George shareholders will receive a scheme booklet, which will contain full details of the proposal, including the basis for the St.George Directors' recommendation and an Independent Expert's report. It is currently anticipated that this booklet will be dispatched to shareholders by early October 2008, subject to relevant regulatory approvals, and that St.George shareholders will vote on the proposed merger by early November 2008, with finalisation of the merger envisaged for late November 2008.

Conclusion

Mr Evans added that he was confident that St.George shareholders would find the all-scrip merger proposal compelling and that he looked forward to welcoming St.George's shareholders as owners of Australia's leading financial services company.

"This partnership capitalises on a unique opportunity to bring these two organisations together in a way that provides benefits to all stakeholders, by building upon the strong foundations of both sets of brands to deliver a truly leading financial services company for customers, shareholders and employees," Mr Evans said.

"The St.George board believes this is an attractive proposal that will provide a range of benefits to our shareholders and additional opportunities for our customers," Mr Curtis said.

Attachment: Merger Implementation Agreement

Ends.

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