

St.George Bank Limited  
(ABN 92 055 513 070)

## EXCHANGE NOTICE

To: Holders of SPS, CPS and CPS II (as defined below)

This is an irrevocable notice in accordance with:

- o clause 3.1(a)(ii) of the Terms of Issue included in the Step-up Preference Shares (**SPS**) prospectus dated 8 June 2006 issued by St.George Bank Limited (**St.George**);
- o clause 3.2(b)(ii) of the Terms of Issue included in the Converting Preference Shares (**CPS**) prospectus dated 16 November 2006 issued by St.George; and
- o clause 3.2(a)(ii) of the Terms of Issue included in the Converting Preference Shares II (**CPS II**) prospectus dated 27 November 2007 issued by St.George.

The SPS, CPS and CPS II together comprise the St.George Hybrids.

Pursuant to:

- o clause 3.1(b)(ii) of the Terms of Issue of the SPS;
- o clause 3.2(c)(ii)(A) of the Terms of Issue of the CPS; and
- o clause 3.2(c)(ii)(A) of the Terms of Issue of the CPS II,

St.George intends to redeem all St.George Hybrids held by you on the Record Date for cash on the Exchange Date as follows:

- |       |   |   |
|-------|---|---|
| (i)   | Exchange Date:  | 31 March 2009, or such other date notified by St.George to the ASX being a date at least 2 Business Days after such notification; |
| (ii)  | Amount to be paid on each St.George Hybrid on redemption: | \$100;  |
| (iii) | Record Date:  | 16 March 2009, or such other date that is either 11 Business Days before the Exchange Date or as may be required by ASX.          |

You will also be paid accrued but unpaid Dividends for the period from and including 20 February 2009, being the next quarterly dividend payment date, up to, but excluding, the Exchange Date for each St.George Hybrid held by you on the Record Date.

Definitions in the relevant Terms of Issue apply in this Exchange Notice.

**St.George Bank Limited**



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John Curtis  
Chairman

Date: 2 March 2009

26 February 2009

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

ABN 47 702 595 758  
 Level 28  
 Deutsche Bank Place  
 Corner Hunter and Phillip Streets  
 Sydney NSW 2000  
 Australia

T +61 2 9230 4000  
 F +61 2 9230 5333

Correspondence  
 GPO Box 50  
 Sydney NSW 2001  
 Australia  
 DX 105 Sydney

www.aar.com.au

Ladies and Gentlemen

### Income tax implications of redemption of St.George Hybrids

We have been requested to provide a taxation summary in respect of the Australian income tax implications for holders of the St.George securities called SPS, CPS and CPS II (**St.George Hybrids**) of the redemption of their St.George Hybrids pursuant to the **Exchange Notice**, expected to be sent to holders of St.George Hybrids on 2 March 2009.

The taxation summary below is a general outline of the likely tax consequences of the redemption for individuals, companies and complying superannuation entities (**holders**) who hold St.George Hybrids on capital account and are residents of Australia under Australian income tax laws.

This taxation summary relates solely to the redemption of the St.George Hybrids by holders and does not address any other tax consequences of owning St.George Hybrids, nor the positions of investors who hold their St.George Hybrids in the course of a business of trading or investing in securities or otherwise on revenue account or as trading stock.

The tax consequences of the redemption of St.George Hybrids may differ depending on a holder's individual circumstances. **Information in this taxation summary is general in nature and holders should consult their own professional tax advisers regarding the tax consequences of disposing of their St.George Hybrids in light of their particular circumstances.**

This taxation summary is provided solely for the benefit of St.George. It is not to be relied upon by any other person. Allens Arthur Robinson (**AAR**) has consented to the inclusion of a copy of this letter with the Exchange Notice, but this letter should not be taken as a statement about any other matter in the Exchange Notice or the offer documents relating to St.George Hybrids.

This taxation summary reflects the current provisions of the *Income Tax Assessment Act 1936 (Cth)* and the *Income Tax Assessment Act 1997 (Cth)*, the regulations made under those Acts and the current administrative practice of the Australian Taxation Office.

It is assumed for the purposes of this taxation summary that:

- (a) St.George Hybrids will be redeemed in accordance with the terms of their respective offer documents and the Exchange Notice;
- (b) all of the redemption proceeds for the St.George Hybrids will be debited to St.George's share capital account (St.George has advised that this is expected to be the case); and
- (c) the Exchange Date is the date on which the St.George Hybrids will be redeemed, which is expected to be 31 March 2009, at which time St.George will give to holders a notice which specifies that the amount paid up on each of the St.George Hybrids immediately before their redemption is \$100 (St.George has advised that it intends to do this).

#### 1. Taxation implications of redemption of St.George Hybrids

The redemption of the St.George Hybrids will constitute a disposal of the St.George Hybrids for capital gains tax (**CGT**) purposes. Holders may derive a capital gain or a capital loss from that disposal if the redemption proceeds from the

Bangkok  
 Beijing  
 Beijing IP  
 Brisbane  
 Hanoi  
 Ho Chi Minh City  
 Hong Kong  
 Jakarta  
 Melbourne  
 Perth  
 Phnom Penh  
 Port Moresby  
 Shanghai  
 Singapore  
 Sydney

disposal are greater than their cost base, or less than their reduced cost base, respectively, for their St.George Hybrids.

The redemption proceeds received for each St.George Hybrid will be an amount equal to the face value of the St.George Hybrid which will be payable by St.George in cash on the Exchange Date. This will be the case regardless of whether a holder chooses to reinvest the St.George Hybrid redemption proceeds in Westpac SPS II. The redemption proceeds for St.George Hybrids should not be treated as a dividend.

Subject to a holder's particular circumstances, a holder's cost base or reduced cost base includes the amount paid by the holder to acquire their St.George Hybrids, plus any incidental costs associated with the acquisition or redemption of their St.George Hybrids.

If a holder has owned their St.George Hybrids for at least 12 months prior to redemption on the Exchange Date, the holder may be entitled to the benefit of a CGT discount in respect of any capital gain derived on the redemption of their St.George Hybrids. The CGT discount percentage would be applied to reduce the amount of any such capital gain after any available capital losses have been applied against the capital gain. For an individual or trust, the discount percentage is 50% and for superannuation entities it is 33⅓%. No CGT discount is available for companies.

A final dividend is also expected to be paid by St.George in respect of St.George Hybrids on the Exchange Date for the period from (and including) 20 February 2009 to (but excluding) the Exchange Date. The dividend will be subject to tax in the same manner as other distributions previously paid by St.George in respect of St.George Hybrids. Any such dividend should not be taken into account in calculating any capital gain or capital loss on the redemption of St.George Hybrids.

The tax consequences of the redemption of St.George Hybrids will not be affected by a holder's choice whether to apply the proceeds from the redemption in investing in Westpac SPS II or to receive the redemption proceeds in cash. Specifically, no CGT rollover will apply should a holder choose to reinvest the proceeds of the redemption of St.George Hybrids in Westpac SPS II.

A general outline of the taxation implications for certain investors who are Australian residents investing in Westpac SPS II is contained in the Taxation Letter from Allens Arthur Robinson in Section 6 of the Prospectus for Westpac SPS II.

## 2. Not financial product advice

The information contained in this summary does not constitute *financial product advice* for the purposes of the *Corporations Act*. The AAR partnership providing this report is not licensed, under the *Corporations Act*, to provide financial product advice. To the extent that this letter contains any information about a *financial product* within the meaning of the *Corporations Act*, taxation is only one of the matters that must be considered when making a decision about the relevant financial product. An investor or prospective investor should, before making any decision to invest in Westpac SPS II, consider taking financial advice from a person who holds an Australian Financial Services Licence under the *Corporations Act*.

Yours faithfully

**ALLENS ARTHUR ROBINSON**

