

## Statement Pursuant to Section 249P of the Corporations Act 2001

**To: ST.GEORGE BANK LIMITED ABN 92 055 513 070 (“Company”)**

Pursuant to section 249P of the *Corporations Act 2001*, we the undersigned, being (when aggregated with other signatories) in total at least 100 members of the Company who are entitled to vote at a general meeting, request the Company to give to all its members the statement outlined below that has been provided by the members making the request about a matter that may be properly considered at a general meeting.

### ***“Shareholders opposing the merger with Westpac Banking Corporation”***

St George is an extremely well known and respected Australian bank with a long history of commitment to its customers, staff and shareholders. It began as a building society in 1937 and has successfully differentiated itself from other major banks by building a customer friendly brand, focussed on product innovation and servicing local communities. St George’s success is based on this differentiation and is due to the goodwill it has invested in its customers, communities and staff. This investment has built St George into a great Australian institution.

The Finance Sector Union (FSU) and other members believe the merger with Westpac is not in the best interests of customers, staff and shareholders.

We believe that the merger will:

- Result in the loss of up to 5,000 staff ;
- Reduce choice and customer service for Australian banking customers;
- Eventually see the iconic St.George and BankSA brands disappear.

There is every reason to believe that St George shares will remain profitable without the merger. In 2008, St George has the highest projected earnings per share growth of any of the major banks<sup>1</sup>. For the past 5 years, St George’s share price continues to outperform Westpac’s, and St George has consistently increased return on equity (23.2% as of September 2007)<sup>2</sup>. The merger with Westpac will fundamentally change the nature of St George and may well result in lower shareholder returns over the long term.

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<sup>1</sup> *St George figures show Westpac is getting a bargain*, 13 August 2008, The Australian.

<sup>2</sup> St George Financial Results for year ending 30 September, 2007, [St George Website](#)

## **THE ST GEORGE BRAND**

A merger between two companies is designed to create one company. Whilst Westpac asserts that their aim is to keep the St George brand separate from Westpac, in practise this is simply an illusion of choice and competition. The Australian Competition and Consumer Commission noted that “common ownership will remove the incentive for the two organisations to compete on price or on other aspects of the service offering.”<sup>3</sup>

Westpac’s record of maintaining separate branding and culture post mergers is poor. They failed to do this with Bank of Melbourne and failed again with Challenge Bank (WA). The St George and BankSA brands are very valuable and that value would be at risk if Westpac failed to properly protect and preserve the culture underpinning them.

The only way to genuinely retain St George as an independent company and independent competitor is to oppose the merger.

## **EMPLOYMENT**

Industry analysts predict that up to 5,000 staff will lose their jobs if the merger proceeds with job cuts likely across duplicated back office functions such as call-centres, processing and support roles. The remaining staff will lose entitlements if St George ceases to be their employer.

St George has been a market leader and employer of choice in the finance sector. The superior terms and conditions enjoyed by St George staff have encouraged high levels of engagement, greater productivity and, consequently, good returns for shareholders.

Conversely, Westpac has failed to negotiate a collective agreement for its staff since 2002. In addition, Westpac employees continue to report chronic problems with under-staffing, unrealistic sales targets and dissatisfaction with pay levels. These issues impact on customer service and Westpac’s customer satisfaction rating is consistently lower than St George.

## **CHOICE AND CUSTOMER SERVICE**

St George is a market leader in customer satisfaction making it the envy of the major banks. Since 2001, St George has rated as much as 10% higher in customer satisfaction than Westpac.<sup>4</sup> This has resulted in the attraction of new customers and sustained loyalty amongst existing customers.

If the merger proceeds there will be one less bank and consequently less choice for Australian consumers. A recent national poll of 1,000 people conducted by

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<sup>3</sup> ACCC *Public Competition Assessment Westpac Banking Corporation – proposed acquisition of St George Bank Limited*, 13 August 2008.

<sup>4</sup> Roy Morgan Data (as cited in *The Sheet*), 28 May 2008

McNair Ingenuity<sup>5</sup> found that Australians are not satisfied with the current state of the banking market and sceptical about the merger delivering better outcomes for consumers.

The survey found that:

- 75% believe that the merger would mean less competition;
- 72% are already of the view that there is not enough competition between banks;
- 89% do not believe that the merger would result in lower fees;
- 69% believe that the merger would mean less pressure on banks to reduce fees and charges; and
- 21% of respondents with St George accounts indicated they would be likely to change banks if the merger proceeds.

A recent survey also found that most St George small business customers believed a merger with Westpac would be negative for their banking relationship and a significant number said they would consider switching banks.<sup>6</sup> These results cast doubt on Westpac's business model that assumes revenue attrition of less than 5%.<sup>7</sup>

Westpac's hopes that it will lose less than 5% of revenue post merger is not supported by its track record in mergers, is much more ambitious than any previous result from bank mergers in Australia and is inconsistent with the view that many people prefer St George because it isn't one of the major banks.

The merger may create a bigger bank; however it may not necessarily create a better bank for customers.

## **CONCLUSION**

The merger will have long term costs for all stakeholders. Consumers will have less choice, St George staff may lose their jobs and a high performing, iconic company that has maintained great returns for shareholders will disappear.

The success of St George is based on differentiation. It is not one of the big four.

As a St George shareholder you can be rightfully proud of the company you have helped build. You have contributed to developing a unique organisation that has successfully challenged its competitors to provide better banking services to the Australian community.

St George can continue to do this and still provide you with substantial returns on your investment well into the future. But it needs your continued commitment.

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<sup>5</sup> McNair Ingenuity Research, June 2008.

<sup>6</sup> *St George figures show Westpac is getting a bargain*, 13 August 2008, The Australian.

<sup>7</sup> *St George & Westpac proposed merger* – ASX announcement 26 May 2008.

We urge you to consider all the consequences of the merger over the longer term.  
We recommend that shareholders vote against the proposed constitutional amendment and the Scheme of Arrangement that will allow Westpac to takeover St George.

**SIGNATURES OF MEMBER/S WHO ARE GIVING NOTICE:**

_____ Signature	_____ Print Full Name	_____ Date	
_____ Street Address	_____ Suburb	_____ State	_____ Postcode
_____ Signature	_____ Print Full Name	_____ Date	
_____ Street Address	_____ Suburb	_____ State	_____ Postcode
_____ Signature	_____ Print Full Name	_____ Date	
_____ Street Address	_____ Suburb	_____ State	_____ Postcode
_____ Signature	_____ Print Full Name	_____ Date	
_____ Street Address	_____ Suburb	_____ State	_____ Postcode

**Post to Reply Paid 9893 Melbourne VIC 3001**  
*(no stamp needed)*

**Please Return by Friday 12<sup>th</sup> September 2008**  
or call 1300 366 378 for more information.