

Shareholder

Newsletter

ISSUE 20 | JUNE 2007

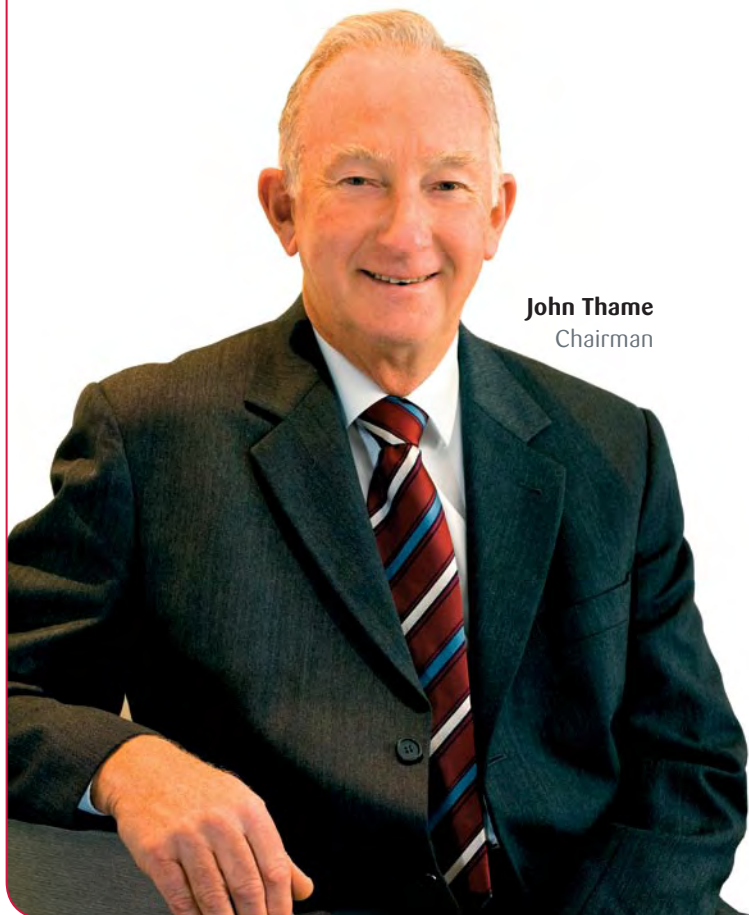
Chairman's Message

It is my pleasure to report a record half year profit for the Group. I believe this success can be put down to substantial investment in the business, a consistent organic growth strategy and the commitment of our people. St.George is now widely recognised in the market for consistently delivering strong results.

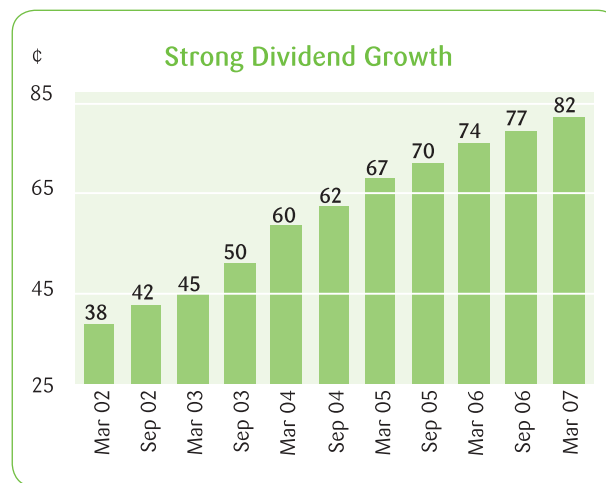
On the first of May, we reported an interim cash profit of \$568 million for the half year ended 31 March 2007. This is an increase of 14.7% from the same period last year.

The Group has achieved an increase in earnings per share of 13.6% over the same period last year, from 189.1 cents to 214.9 cents on an annualised basis. Return on equity continues to be a highlight, increasing to 23.2%, which is one of the best in the banking sector.

Underpinning the result has been our industry leading expense-to-income ratio. The excellent trend has continued, with the ratio falling from 44.5% to 42.6%.

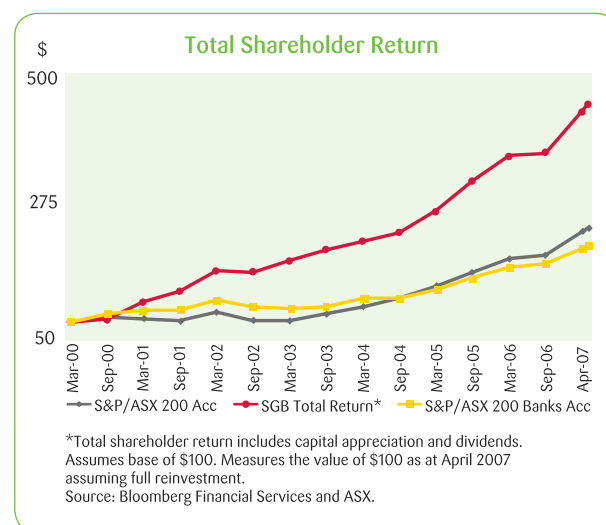


John Thame
Chairman



I'm pleased to report that our strong dividend growth over the last six years continues, up 10.8% from 74 cents to 82 cents.

It is clear that the Group's ongoing strategy of focusing on organic growth is producing strong performance and excellent returns for shareholders.



Through the Basel II regulatory capital program, the Bank is introducing models to more precisely measure a broader range of risks and is implementing a range of new processes to enhance risk management across the Group. St. George is seeking advanced Basel II status in respect of both credit and operational risk. Accreditation and timing are subject to APRA's approval.

Corporate Responsibility

St. George has always valued our strong bonds with the community and we believe this is where we can make a significant contribution. Our Corporate Responsibility program has a strong focus on 'our people making a difference locally'.

Each branch has a plan outlining initiatives to engage and build links in their local community. A good example is our active involvement and great relationship with many of Kogarah's local businesses, the hospital, the Council, primary and high schools. St. George provides services to the local area such as use of its auditorium, community centre and offers a childcare facility for both employees and local residents.

We aim to keep strengthening our relationship with our communities and investing more into our people. A recent example is the range of new staff benefits launched. You may have noticed that our new grandparental leave initiative received excellent coverage in the national media. St. George offers staff an industry leading 13 week paid parental leave, reinforcing St. George as one of Australia's leading employers.

Additionally, St. George gives its people the opportunity to take Volunteer Leave so they can get out into the community and assist their favourite charity, help clean up the local environment or be involved in other good causes.

Becoming a 'Greener Dragon' is also a key focus of St. George and we take numerous steps to help reduce our environmental footprint including offsetting carbon emissions, reducing water and paper usage. More recently we have introduced interest free loans for staff who wish to purchase environmentally friendly household appliances and for purchases such as water tanks and solar hot water systems.

The St. George Foundation assists children in need across Australia, focusing on those charities that receive little or no government funding. While the Foundation provided over \$1.2 million in grants in its 2006 financial year, for every charity granted funding there were two we could not support.

As a Governor of the Foundation, I know how much these children and charities value our support and I encourage all shareholders to support this worthy cause by donating a small part of their dividend. As little as

one percent of a dividend would be a major help to the Foundation. If you would like to donate a portion of your future dividends, please contact our share registry on 1800 804 457.

Outlook

The Australian economy has continued to grow at a steady pace over the last year, although there is still a significant difference across states. New South Wales has continued to lag the national average, while in the mining states, growth has been exceptionally strong. The tightening of monetary policy continues to moderate the rate of growth in the housing sector. St. George expects the Reserve Bank to continue to adopt a measured approach to moving interest rates. Like the Australian economy, the international environment displays considerable divergence, with China and the Asian economies doing well but with the US performing less strongly. St. George expects the export sector to strengthen over the coming year as commodity export volumes increase following the surge in mining investment over the last two years.

The New South Wales economy remains subdued, although there may be some early signs of recovery emerging. The South Australian economy has performed well and this trend is expected to continue for the remainder of 2007.

As a result of a strong first half, St. George has upgraded its 2007 year EPS growth target from 10% to 11-12%. Assuming a reasonably robust economic environment, the 10% target for the 2008 year is reaffirmed.

I'd also like to take this opportunity to welcome two new directors to the board, Mr Rick Holliday-Smith and Mr Peter Hawkins. As required by the Bank's Constitution, their election by shareholders will be proposed at the Bank's 2007 Annual General Meeting.

On behalf of the Directors, I would like to recognise the contribution of our Managing Director, Mrs Gail Kelly, her executive team and all the staff of St. George Bank for another outstanding result.



John Thame
Chairman

Group Highlights 2007



The St. George Foundation has distributed over \$1.2 million in its 2006 financial year to children in need around Australia.

Launch of groundbreaking staff benefits program.

Some of the more recent ones include:

- Industry leading 13 week maternity leave;
- 12 months unpaid grandparental leave; and
- Interest free loans for staff purchasing environmentally friendly home appliances.



St. George continues to be recognised, winning key industry awards.

To name a few:

- Best Domestic Bank Award by Asiamoney;
- Best Business Bank at the Australian Banking and Finance Awards;
- Money 2007 Credit Card issuer of the Year;
- Money 2007 Margin Lender of the Year; and
- Adage Top 20 recognising organisations offering flexible options for the older workforce.



Further investment in our corporate responsibility program including launch of a shared equity loan arrangement with Australand and introduction of multilingual ATMs.

Continued interstate expansion with four new Queensland and five new Western Australia branches to be opened this year.

Launch of new Advantage Home Loan package and Basic Home Loan product as well as redesigning our transaction accounts.



Interim Results

The following financial summary has been prepared on a cash AIFRS basis. The September and March 2006 comparatives have been prepared on the same basis. Cash AIFRS is a definition of profit used by St.George when reporting its financial results to the media and the Australian Stock Exchange. Cash AIFRS normalises St.George's profit result by excluding items that are volatile or not within the control of management.

On this basis, cash AIFRS excludes significant items, volatility arising from non-trading derivatives and hedging and goodwill impairment. Cash AIFRS is determined after dividends paid on preference share capital.

Financial Summary

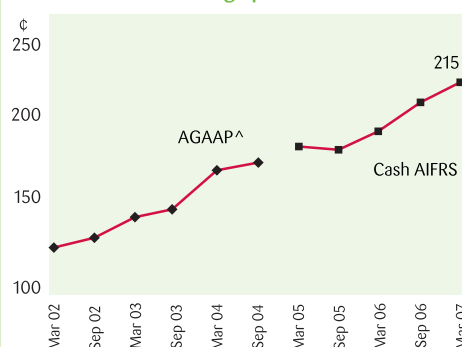
Balance Sheet as at (selected items)	Mar 07 \$M	Sep 06 \$M	Mar 06 \$M
Total Assets	111,980	107,002	100,045
Loans and other receivables	85,144	81,516	77,197
Treasury securities	7,424	7,733	7,093
Retail deposits	44,824	43,091	41,772
Other borrowings	52,328	48,557	43,569
Shareholders' Equity	5,612	5,343	4,949

Income Statement Half Year Ended	Mar 07 \$M	Sep 06 \$M	Mar 06 \$M
Interest income	3,906	3,578	3,236
Interest expense	2,828	2,527	2,272
Net interest income	1,078	1,051	964
Non-interest income	527	479	460
Bad and doubtful debts expense ¹	93	79	65
Operating expenses	683	666	633
Profit before income tax	829	785	726
Income tax expense	248	243	223
Profit after income tax	581	542	503
Minority interests	-	-	1
Profit after income tax and minorities	581	542	504
Preference dividends	13	11	9
Net cash profit ²	568	531	495

1. In addition to the charge for Mar 07, there is a \$13 million (31 Mar 06: \$4 million) increase in the general reserve for credit losses which is not distributable to shareholders.
2. Operating profit after income tax, preference dividends, minorities and before significant items and hedging and non-trading derivative fair value movements.

Performance Ratios Half Year Ended	Mar 07	Sep 06	Mar 06
Return on average assets (before preference dividends) (annualised)	1.07%	1.05%	1.06%
Return on average ordinary equity (after preference dividends) (annualised)	23.24%	23.03%	22.69%
Expense/income ratio	42.6%	43.5%	44.5%

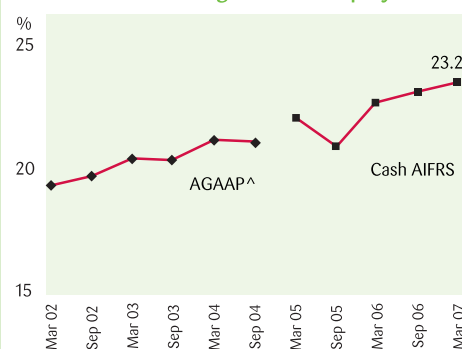
Earnings per share*



*Annualised.

^Before significant items and goodwill.

Outstanding return on equity*

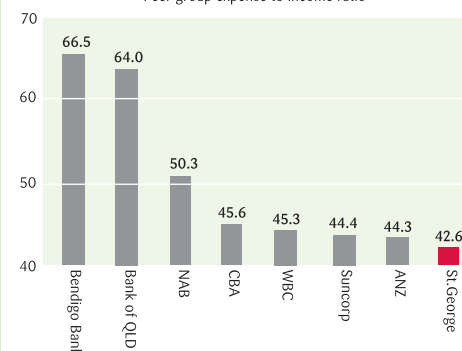


*Annualised.

^After preference dividends and before significant items and goodwill.

Effective cost management

Peer group expense to income ratio*



* Ratios as at the companies' last reporting date.

Managing Director's Comments

I am delighted to report another very pleasing result for the half year to 31 March 2007. The results reflect a strong, high quality performance by St.George in what remains a highly competitive market. Importantly, the results demonstrate that our strategy of growing the business organically, engaging our people and providing a great customer experience is working.

St.George has good momentum going into the second half across all of our key areas of business. We have a clear growth agenda going forward through 2007 and 2008 and as such we have upgraded the target for 2007 earnings per share growth from 10% to 11-12%.

Cash profit for the half year ended 31 March 2007 was \$568 million, an increase of 14.7% on the March 2006 half. As mentioned by the Chairman, the directors have announced a fully franked dividend of 82 cents for the half year, a significant increase of 10.8% on last year's interim dividend of 74 cents.

The results also represent our best ever return on equity of 23.2% - an outstanding figure coupled with a reduced expense-to-income ratio of 42.6%, which is significantly lower than all

our competitors and is underpinned by strong revenue growth.

I am especially delighted with this result as it reflects an excellent contribution from all divisions. Earnings have been driven by growing business volumes in our key areas of home loans, retail deposits and middle market receivables. Additionally, our wealth business is going from strength to strength, driven by outstanding performances in Asgard and Margin Lending.

The first half is marked by excellent revenue growth that comes from a wide diversity of sources and is largely recurring. On a cash basis, we have seen revenue growth of 12.7% and cost growth of 7.9%, which was off a low base.

From a credit quality perspective, St.George remains in excellent shape with bad and doubtful debts representing only 0.2% of our average gross receivables.

There has been significant media commentary regarding the number of loans in repossession. This is not an issue for St.George, with only small increases coming off a historically low base. Many of the repossessions are coming from non-bank lenders. St.George prides itself on its responsible lending practices and does not participate in sub prime lending.

Strategic Overview

Laying the foundation for the Group's solid results is our consistent strategic framework, established in 2002. The following business priorities continue to underpin our growth strategies:

Home Lending Over the past 12 months to March 2007 our portfolio of residential lending has grown 10.2% to \$65.3 billion. This is a solid performance given the conditions in the New South Wales residential property market. We have strong momentum going into the second half, which is assisted by the recent launch of the Advantage Home Loan package offer and the Basic Home Loan product.

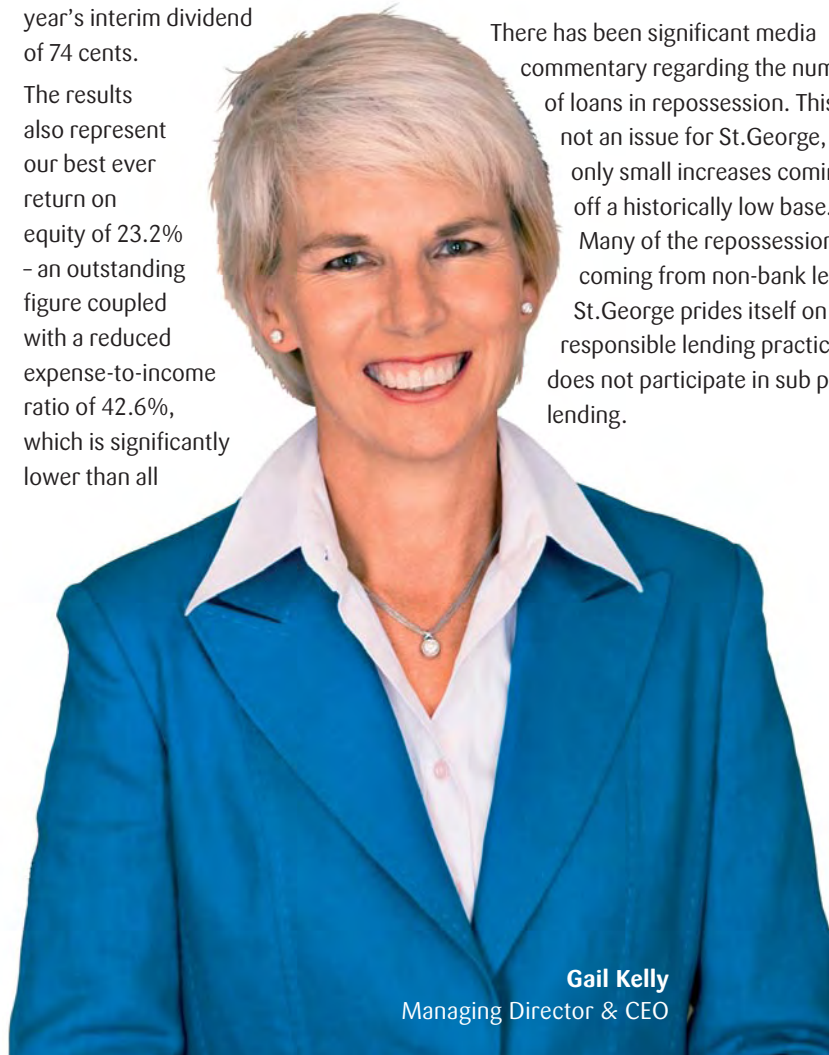
Deposits Since March 2006, our growth in this area has been solid, with deposits increasing by 8.5% to \$44.8 billion. St.George has continued its strategy of delivering profitable

Key Highlights

Comparisons are to the March 2006 interim results

- Net cash[^] profit rose 14.7% to \$568 million.
- Interim dividend rose 10.8% to 82 cents per ordinary share.
- Annualised cash[^] basic earnings per ordinary share increased 13.6% to 214.9 cents.
- Annualised cash[^] return on average ordinary equity increased from 22.7% to 23.2%.
- Lending assets increased 13.4% to \$98.7 billion.
- Residential receivables grew 9.4% to \$65.3 billion.
- Managed funds increased by 19.2% to \$44.3 billion.
- Excellent cash[^] expense-to-income ratio of 42.6%, lower than all our competitors.

[^] Cash basis excludes significant items and hedging and non-trading derivatives volatility.



Gail Kelly
Managing Director & CEO

growth, by managing its product mix and has introduced a new suite of Freedom transaction accounts. Of particular note are our transaction account balances, which have increased by 7.3% and provide a very valuable source of funding for the Bank.

Middle Market Middle market commercial banking continues its excellent performance with receivables growing 24.8% to \$20.9 billion since 31 March 2006. Our Best Business Bank program has been an important vehicle to continue this growth and our middle market customers remain the most satisfied and loyal in the market. Additionally, despite the subdued NSW environment, we have achieved 24% annualised growth in NSW during the March 2007 half year. The quality of our middle market business has been recognised through the winning of the Australian Banking and Finance Best Business Bank award.

Wealth Management Our wealth management division has performed outstandingly over the same period. Managed funds have grown 19.2% to \$44.3 billion, due mainly to the strong performance of Asgard's administration platforms. A restructure in August 2006 has further strengthened distribution capability and established a stronger foundation for growth across all wealth businesses. The wealth management division contributed 12% to the Group's pre-tax earnings, up from 6% in March 2002.

Interstate Growth Victoria, Queensland and Western Australia now represent 30% of residential receivables and 29% of middle market receivables. Further investment is planned in second half 2007 with five branches to be opened in Western Australia and four branches in Queensland.

Credit Quality Asset quality across the Group continues to be excellent – a product of our low risk business mix. We have a consistent track record of strong results in this area and this half year's results continue this pattern.

Productivity and Cost Control

The excellent trend in the Group's expense-to-income ratio has continued. Revenue momentum, coupled with disciplined cost management remains imperative to our success in this area.

Focus on Customer Service and Engaged People

A continued focus on developing our people through training and coaching remains a priority. Differentiated talent selection and recruitment processes are ensuring that high quality people, aligned with the Group's values, are being introduced into the company. St.George's cultural heritage of being warm, friendly and genuinely focused on the customers' experience continues to be deepened and enhanced.

Management Targets

I have every confidence St.George will continue delivering quality and sustainable financial results. We are in good shape, with strong momentum going into the second half, and are targeting:

- For the full year 2007, upgraded EPS growth of 11-12%.
- For 2008, EPS growth of 10%.
- Our cost-to-income managed to the lower end of our peer group.
- To utilise and build on our competitive advantages – our people and culture, customers' goodwill and advocacy.

People movements

I would also like to take this opportunity to bid farewell to Steve McKerihan after an excellent career with St.George spanning over 20 years, including 12 years as Chief Financial Officer. Steve has decided to follow a new challenge, something very close to his heart, and he will be joining the Anglican Church as Chief Executive Officer of the Sydney Diocesan Secretariat.

I am delighted to welcome Michael Cameron to this important role. Michael joined St.George from the Commonwealth Bank of Australia where he was the Group Executive Retail Banking Services. Michael is a high quality and experienced executive who aligns closely to our values and I am delighted to welcome him to St.George.

We are also saying goodbye to John Loebenstein, our Chief Information Officer who, after an outstanding 12 year career with St.George, has announced his retirement. Peter Clare is taking on this responsibility as part of a wider role incorporating both key operations and IT.

Once again I'd like to thank you for your continued support. I look forward to reporting our full year results on Wednesday, 31 October 2007.

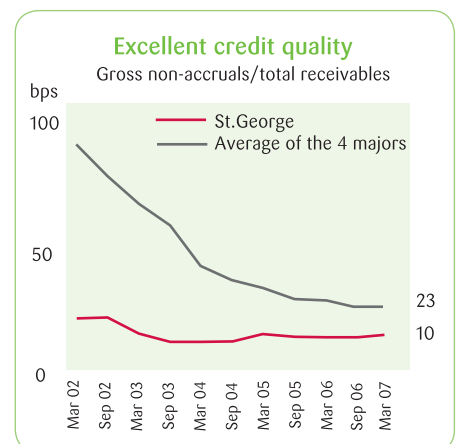
Gail Kelly
Managing Director & CEO

Profit result

	Mar-07	Mar-06	Change %
Net profit [^]	\$572m	\$502m	13.9
Cash profit [*]	\$568m	\$495m	14.7
Earnings per share [*]	214.9c	189.1c	13.6
Return on equity [*]	23.2%	22.7%	
Expense to income [*]	42.6%	44.5%	
Dividend	82c	74c	10.8

[^]Net profit includes hedging and derivatives and significant items.

^{*}Cash basis excludes these items. EPS and ROE numbers are annualised.



St. George Foundation

Thank you to shareholders who raised a total of \$78,664 through donating all or part of their dividend in 2006.



The St. George Foundation is dedicated to supporting children's charities that benefit disadvantaged Aussie kids. The Foundation is not a single purpose charity - as a result we can help a cross-section of young people with special needs.

Since 1990 the Foundation has distributed over \$10 million to helping disadvantaged children.

During our 2006 financial year we distributed more than \$1.2 million to over 100 programs across Australia. These funds have assisted in providing education and medical services, recreational camps, youth and mentoring programs to children of all ages.

One of the great things about the Foundation is that it specifically supports smaller organisations that don't receive substantial government funding but really struggle to continue providing these essential services. It's a special way in which we support our communities at a grassroots level.

For every charity we fund, there are two that we can't support. We need your help to continue this essential work and ensure we assist as many kids with special needs as possible.

Please consider donating your dividend by contacting our share registry on 1800 804 457. General donations can be made by visiting any St. George branch.

For further information about the St. George Foundation please visit stgeorgefoundation.com.au



st. george
Foundation

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directshares is a non-advisory share trading service which provides a cost-effective, fast and secure way of trading local and international shares. This premium online trading service features a wide range of tools, investment products and services without premium prices and with no joining fee. Online trading is available for \$32.95* and investors can enjoy greater value the more they trade, through frequent trader discounts.

directshares benefits for online traders include:

- No joining or account keeping fees
- Trade in Managed Funds, Warrants and Options
- Trade for \$32.95* per trade
- Settle to your St. George Bank account or St. George or BankSA Margin Loan account
- Real-time ASX announcements
- Comprehensive research via Aspect Huntley, Eureka, Fat Prophets and Ecinya Economy
- Reports
- Independently sourced Buy, Sell, Hold Recommendations on more than 300 stocks**
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Everything you need to know about *directshares* is available at directshares.com.au. However, if you require further information please contact customer assistance on 1300 133 500 (8am-7pm AEST Monday to Friday).

*Brokerage rate based on less than 10 trades per month, brokerage can be as low as \$21.95 when trading on 21+ trades per month. All rates and charges are current as at 17 May 2007 and are subject to change without notice. This information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your own situation and needs.

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**Collated by Aspect Huntly.

.George Margin Lending

Catch Bigger Returns with St.George Margin Lending

Put simply, margin lending can be a very powerful wealth creation tool, it is a smart way to borrow money to invest in shares, managed funds, master trusts and wraps and has become increasingly popular over the past 10 years as a way of accumulating wealth. Also known as “gearing”, margin lending allows you to invest up to three times more than would be possible using your own funds alone. A greater amount to invest means that there is potential for greater returns and tax effectiveness for investors. But how does it work?

A margin loan is a loan provided by financial institutions, such as St.George, that can be used for any lawful investment purpose, including investing in shares or managed funds. A margin loan is secured by cash or existing shares or fund investments – just as a mortgage is secured by a property. However, unlike the approval required for a mortgage, St.George Margin Lending does not require any income or asset tests*, as the loan is secured against your chosen investments.

The amount you can borrow is only limited by the value of the investment you will use as security and is subject to satisfying our lending criteria. The loan is provided as a flexible line of credit and each share is given a gearing ratio, which is basically a percentage of the value for

each security. For example, St.George Margin Lending will allow you to borrow up to 75% against St.George Bank (SGB) shares. You can then use the equity in these shares to re-invest in more shares, giving you greater investment power.

Margin lending is an exciting tool that offers the potential for higher rewards for the market savvy investor, but just as margin lending can magnify returns for investors, it can also magnify losses. For this reason it may not be suitable for every investor. A discussion with your financial adviser is therefore recommended.

Like to know more? Please ask your financial planner or stockbroker or contact us on 1300 304 065 (8am to 6pm AEST Monday to Friday).

*Minimum and maximum loan limits may apply and are subject always to the bank's prevailing credit criteria.



Catch a bigger return
margin lending

 **st.george**
Margin Lending
Good with people. Good with money.

Key Dates

07 08

13 June 2007	Ex-dividend trading for interim ordinary share dividend
19 June 2007	Record date for interim ordinary share dividend
27 June 2007	Victorian Shareholders' Presentation
3 July 2007	Payment date for interim ordinary share dividend
4 July 2007	DRP pricing period ends
18 July 2007	Mailing DRP statements
31 July 2007*	Ex-dividend trading for SAINTS, SPS & CPS dividend
6 August 2007*	Record date for SAINTS, SPS & CPS dividend
20 August 2007*	Payment date for SAINTS, SPS & CPS dividend
30 September 2007	Financial year end
31 October 2007*	Ex-dividend trading for SAINTS, SPS & CPS dividend Final profit and ordinary share dividend declared
6 November 2007*	Record date for SAINTS, SPS & CPS dividend
20 November 2007*	Payment date for SAINTS, SPS & CPS dividend
28 November 2007*	Ex-dividend trading for final ordinary share dividend
4 December 2007*	Record date for final ordinary share dividend
18 December 2007*	Payment date for final ordinary share dividend
19 December 2007*	Annual General Meeting DRP pricing period ends
7 January 2008*	Mailing DRP Statements
31 January 2008*	Ex-dividend trading for SAINTS, SPS & CPS dividend
6 February 2008*	Record date for SAINTS, SPS & CPS dividend
20 February 2008*	Payment date for SAINTS, SPS & CPS dividend
31 March 2008	Financial half year end
30 April 2008*	Ex-dividend trading for SAINTS, SPS & CPS dividend
6 May 2008*	Interim profit and ordinary share dividend declared Record date for SAINTS, SPS & CPS dividend
20 May 2008*	Payment date for SAINTS, SPS & CPS dividend
11 June 2008*	Ex-dividend trading for interim ordinary share dividend
25 June 2008*	Victorian Shareholders' Presentation
17 June 2008*	Record date for interim ordinary share dividend
1 July 2008*	Payment of interim ordinary share dividend

* proposed dates only

St. George Bank Annual General Meeting

Wednesday, 19 December 2007

The venue for this year's Annual General Meeting will be the Parkside Auditorium, Level 1, Parkside Convention Centre, Sydney Convention and Exhibition Centre, Darling Drive, Darling Harbour.

Help St. George become a Greener Dragon

Did you know that an estimated 750 million litres of water and 66,000 trees are utilised in the production of Australian shareholder communications?

St. George shareholders can help the environment by simply electing to receive their annual report online. If you'd like to help St. George become a greener Dragon please go to computershare.com.au/investor and click on "Email Address Update" to register your intention online.

If you'd like to see how easy to read our online annual report is before you sign up, go to stgeorge.com.au > **Shareholder Centre** and have a look. You'll find everything you need at the click of a button in an easy to read format. The St. George online annual report makes helping the environment even easier.

Alternatively, you may prefer to save paper by receiving the St. George End of Year Update, an abridged eight page summary of the Concise Annual Report. If so, please contact our share registry on 1800 804 457.



A Greener Dragon

Shareholder enquiries

All shareholder enquiries should be directed to the Bank's share registry:

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

Telephone: 1800 804 457

Facsimile: 61 3 9473 2500

Postal Address

GPO Box 4519, Melbourne VIC 3001

Website: www.computershare.com.au