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Appendix 4E
Profit Announcement

for the year ended 30 September 2007
Released 31 October 2007

● Available on our Internet site at **stgeorge.com.au**

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St.George Bank Limited ABN 92 055 513 070

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news
release

31 October 2007

St.George announces record cash[1] profit of $1,160 million, up 13.1%

EPS growth of 11.8%

Targets EPS growth of 10% for 2008

Mr John Thame, Chairman of St.George Bank, today announced a record cash[1] profit after tax of $1,160 million for the year ended 30 September 2007, up 13.1% on the year ended 30 September 2006. This represents earnings per share growth of 11.8%, a result that is at the higher end of our 11-12% market guidance.

The result highlights are as follows:

	Sept 2007	Sept 2006	% Change
Net profit after preference dividends	$1,163m	$1,048m	11.0
Cash profit[1]	$1,160m	$1,026m	13.1
Earnings per share basic[1]	218.9 cents	195.8 cents	11.8
Return on equity[1]	23.2%	22.9%	
Expense to income[1]	42.5%	44.0%	
Final ordinary dividend – 100% fully franked	86 cents	77 cents	11.7

Mr Thame said; "St.George has once again delivered a very strong result for our shareholders. This is the seventh year in a row that St.George's organic growth strategy has delivered double-digit EPS growth."

A fully franked final dividend of 86 cents has been declared, an 11.7 per cent increase on September 2006.

Acting Chief Executive Officer, Paul Fegan commented; "We are very pleased with this result, particularly as it is underpinned by strong revenue growth across all business units, outstanding credit quality and effective cost control. Highlights include the very strong profitable growth in deposits, where we increased market share in transactional accounts, the continued standout performance of middle market with over double system growth and the excellent performance of our wealth management businesses."

[1] Cash basis excludes significant items, goodwill impairment and hedging and non-trading derivatives volatility.

Mr Fegan continued; "St.George continues to reap the benefits of an exceptionally strong franchise - a well diversified retail bank and outperforming business banking and wealth businesses, with many more growth opportunities. Momentum in the second half was excellent, with stronger performance in lending, deposits and managed funds volumes. It is these unique strengths which give St.George confidence to commit to a 10% EPS growth target for 2008."

The Group's revenue grew by a very robust 10.8%. This year has once again seen a decline in the cost to income ratio to an industry leading 42.5%.

Credit quality is an outstanding feature reflecting the high quality of the Bank's residential and business lending portfolios and the Bank's prudent credit culture and policies. Bad and doubtful debts as a percentage of average assets were only 0.16%, which compares favourably to its major bank peers. St.George does not have any exposure to sub-prime lending or hedge funds.

The Group continues to invest, including the refurbishment and opening of branches, expanding its ATM network, upgrade of its internet banking platform, and investment in its brand, people and new product initiatives. Operating expenses increased by 7% compared to the 30 September 2006 year.

The interest margin was 2.01% compared to 2.11% in the 30 September 2006 year. This is in line with expectations and reflects a combination of competitive impacts and changes in funding mix.

- **Home Loans** - The Bank's growth in residential loans (including securitised loans) for the twelve months to 30 September 2007 was 10.4% to $69.2 billion, in line with the target of 10% to 12% growth for the full year. Market share was 9.0%[1] at 31 August 2007. Annualised growth of 11.9% in second half 2007 will provide momentum in 2008.

  In addition to significant product development during the year, the Bank completed an end-to-end review of its mortgage process to further improve service levels for customers, including third party brokers.

- **Retail Deposits** - St.George grew its retail deposit balances by 10.9% to $47.8 billion over the year. Annualised growth in second half 2007 was a strong 13.2%. Excellent growth was achieved across all products, including 14.8% growth in transaction accounts. Market share was 8.2%[1] at 31 August 2007.

- **Middle Market** - Receivables growth of 26.5% to $24.1 billion since 30 September 2006 is an outstanding result. This was achieved despite the flat property market and a subdued New South Wales economy. National market share increased from 7.6% in September 2006 to 8.5%[2]. The Bank's customer relationship model continues to provide exceptional customer service and customer loyalty and satisfaction continue to be key differentiators for St.George.

- **Wealth Management** - Managed funds grew by 26.7% to $49.7 billion, which is a very strong performance and has benefited from government superannuation changes, deeper penetration across the Wealth customer base, strong investments in underlying infrastructure and highly productive distribution channels. Asgard's funds under administration grew by 28.6% to $37.3 billion and share of net market flows grew to 13%, up from 7.9% in June 2006.

[1] APRA statistic Aug 07

[2] Cannex derived Aug 07 market share

Interstate Growth - Strong growth was achieved over the year with Victoria, Queensland and Western Australia total residential receivables growing by 15.7% and growth of 30.3% in middle market receivables. St.George continues to invest in its distribution network with five new branches in Western Australia and four in Queensland.

Capital Management - To fund organic growth and replace the USD250 million depositary capital securities redeemed in June 2007, the following capital initiatives are planned:

- underwriting up to 100% of the dividend reinvestment plan on the final ordinary dividend with no discount, and
- issue up to $400 million of non-innovative Tier 1 hybrid capital.

As a result of the Bank's transition to Basel II by January 2009, APRA have granted St.George a reduction in its temporary Tier 1 capital adequacy minimum ratio from 6.7% to 6.5%. APRA has also extended the duration until they further assess, in the 2008 year, St.George's minimum capital requirements. The Bank has strengthened its holdings of liquid assets and treasury securities, which represent 12.4% of total assets.

Future prospects - St.George is well positioned to benefit from the improvement anticipated in the New South Wales economy in 2008 as well as its existing geographic and business diversified portfolio. St.George is targeting home loan receivables in line with system growth. Deposits are expected to grow robustly with transactional growth to exceed peers. Credit cards and margin lending aim to exceed system growth, with strong growth in credit cards driven by sales to existing customers. St.George's Middle Market business is expected to continue to achieve double system growth, while St.George's Wealth Management net flows to exceed system growth in 2008.

Assuming a reasonably sound economic environment, St.George is targeting 10% EPS growth in 2008.

Ends…

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St.George Bank Limited

ABN 92 055 513 070

RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the year ended

30 September 2007

1 Financial Summary

1.1 Introduction

The Group's financial results have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Comparative figures have been prepared on a consistent basis.

AIFRS may result in a higher level of profit volatility due to the requirement to fair value derivatives and certain other financial instruments and ineffectiveness arising from AIFRS hedge accounting. To provide a better indication of the Group's underlying performance, volatility associated with these items, together with any significant items and goodwill impairment, where applicable, have been reversed to arrive at "cash" profit.

1.2 Appendix 4E Results

Results for announcement to the market – statutory result

These results are based on the Group's Consolidated Financial Statements.

Financial performance	
Revenues from ordinary activities - from continuing operations	Up 9.2% to $3,285m
Profit attributable to members from ordinary activities after tax, significant items and before preference dividends - continuing operations	Up 10.6% to $1,190m
Net profit for the year attributable to members after preference dividends and significant items	Up 11.0% to $1,163m
Dividends	
Final dividend – fully franked (cents per share)	86 cents
Interim dividend – fully franked (cents per share)	82 cents
Earnings per ordinary share (after significant items)	
Basic: - from continuing operations	Up 9.0% to 219.5 cents
Diluted: - from continuing operations	Up 9.0% to 217.8 cents

Refer page 74 for further Appendix 4E disclosures required under ASX listing rules.

1.3 Results at a Glance

Net Profit

	Half Year		Full Year		Full Year Movement
	Sep 07	Mar 07	Sep 07	Sep 06	Sep 07 v Sep 06
	$M	$M	$M	$M	%
Net interest income	1,115	1,078	2,193	2,015	8.8
Non interest income	559	533	1,092	953	14.6
Total income	**1,674**	**1,611**	**3,285**	**2,968**	**10.7**
Loan impairment expense	85	93	178	144	23.6
Operating expenses	707	683	1,390	1,299	7.0
Profit before tax	**882**	**835**	**1,717**	**1,525**	**12.6**
Income tax expense	275	250	525	470	11.7
Minority interests profit/(loss)	2	-	2	(1)	(300.0)
Preference dividends	14	13	27	20	35.0
Net profit before significant items	**591**	**572**	**1,163**	**1,036**	**12.3**
Significant items gain (net of tax)	-	-	-	12	(100.0)
Net profit	**591**	**572**	**1,163**	**1,048**	**11.0**

Cash basis

Net profit has been adjusted to exclude significant items and profit volatility relating to the fair value recognition of hedging and non-trading derivatives as follows:

	Half Year		Full Year		Full Year Movement
	Sep 07	Mar 07	Sep 07	Sep 06	Sep 07 v Sep 06
	$M	$M	$M	$M	%
Net profit	591	572	1,163	1,048	11.0
Less: Significant items gain (net of tax)	-	-	-	12	(100.0)
Net profit before significant items	**591**	**572**	**1,163**	**1,036**	**12.3**
Less: Hedging and non-trading derivatives (net of tax)[1]	(1)	4	3	10	(70.0)
Cash basis net profit	**592**	**568**	**1,160**	**1,026**	**13.1**

1. Includes a $6 million tax expense relating to a non-deductible fee paid on the redemption of the Group's US$250 million depositary capital securities in June 2007.

Cash basis net profit comprises the following items:

	Half Year		Full Year		Full Year Movement
	Sep 07	Mar 07	Sep 07	Sep 06	Sep 07 v Sep 06
	$M	$M	$M	$M	%
Net interest income	1,115	1,078	2,193	2,015	8.8
Non interest income	552	527	1,079	939	14.9
Total income	**1,667**	**1,605**	**3,272**	**2,954**	**10.8**
Loan impairment expense	85	93	178	144	23.6
Operating expenses	707	683	1,390	1,299	7.0
Profit before tax	**875**	**829**	**1,704**	**1,511**	**12.8**
Income tax expense	267	248	515	466	10.5
Minority interests profit/(loss)	2	-	2	(1)	(300.0)
Preference dividends	14	13	27	20	35.0
Cash basis net profit	**592**	**568**	**1,160**	**1,026**	**13.1**

1.3 Results at a Glance (continued)

Summary Balance Sheet

As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Assets			
Cash and liquid assets	2,081	1,188	1,081
Receivables due from other financial institutions	1,244	1,180	1,182
Financial assets at fair value	13,539	8,301	8,826
Loans and receivables (including bank acceptances)	106,227	98,724	93,424
Other	2,709	2,587	2,489
Total Assets	**125,800**	**111,980**	**107,002**
Liabilities			
Retail funding and other borrowings	108,005	97,152	91,648
Bank acceptances	6,348	5,456	7,287
Derivative liabilities	3,440	2,202	1,190
Other	2,123	1,558	1,534
Total Liabilities	**119,916**	**106,368**	**101,659**
Total Shareholders' Equity	**5,884**	**5,612**	**5,343**

1.4 Group Highlights

		Half Year		Full Year	
		Sep 07	Mar 07	Sep 07	Sep 06
Total on balance sheet assets	$M	125,800	111,980	125,800	107,002
Securitised receivables (included in on balance sheet assets)	$M	18,752	19,214	18,752	17,998
Managed funds	$M	49,745	44,311	49,745	39,268
Cash profit					
Before preference dividends	$M	606	581	1,187	1,046
After preference dividends	$M	592	568	1,160	1,026
Return on average assets (before preference dividends) [(1)]					
Cash	%	1.03	1.07	1.04	1.05
Return on average ordinary equity (after preference dividends) [(1)]					
Cash	%	23.08	23.24	23.20	22.91
Expenses as % of average assets [(1)]					
Cash	%	1.20	1.25	1.22	1.31
Expense to income ratio					
Cash	%	42.4	42.6	42.5	44.0
Interest margin [(1)]	%	1.97	2.07	2.01	2.11
Ordinary dividend (full franked)	(cents)	86.0	82.0	168.0	151.0
Earnings per ordinary share [(1)]					
Basic - Cash	(cents)	223.0	214.9	218.9	195.8
Diluted - Cash	(cents)	221.1	213.4	217.3	194.4
Net tangible assets per ordinary share	($)	7.63	7.16	7.63	6.73
Capital adequacy ratio	%	10.2	10.5	10.2	10.8

(1) Half year ratios are annualised.

1.4 Group Highlights (continued)

Financial performance – Cash[1] basis

- Net profit was $1,160 million (30 September 2006: $1,026 million), an increase of 13.1%.
- Net interest income increased by 8.8% to $2,193 million. The interest margin was 2.01% compared to 2.11% in the 30 September 2006 year. The interest margin was 1.97% in the 30 September 2007 half compared to 2.07% in the 31 March 2007 half.
- Non interest income increased by 14.9% to $1,079 million (30 September 2006: $939 million).
- Operating expenses increased by 7.0% to $1,390 million compared to the 30 September 2006 year. The expense to income ratio was 42.5%, down from 44.0% in the 30 September 2006 year.
- Basic earnings per ordinary share was 218.9 cents (30 September 2006: 195.8 cents), an increase of 11.8%.
- Return on average ordinary equity improved by 29 basis points to 23.20% (30 September 2006: 22.91%).

(1) before significant items, goodwill impairment and hedging and non-trading derivatives volatility.

Financial position

- Total assets were $125.8 billion (30 September 2006: $107.0 billion), an increase of 17.6%.
- Lending assets were $106.2 billion (30 September 2006: $93.4 billion), an increase of 13.7%.
- Residential receivables were $69.2 billion (30 September 2006: $62.7 billion), an increase of 10.4%.
- Commercial loans (including bank acceptances) were $29.2 billion (30 September 2006: $23.9 billion), an increase of 21.9%.
- Consumer loans (including bank acceptances) were $7.5 billion (30 September 2006: $6.4 billion), an increase of 17.0%.
- Retail funding was $47.8 billion (30 September 2006: $43.1 billion), an increase of 10.9%.
- Liquid assets (including treasury securities) were $15.6 billion (30 September 2006: $10.0 billion), representing 12.4% of total assets (30 September 2006: 9.3%).

Dividends

- A higher final ordinary dividend of 86 cents per ordinary share, fully franked (30 September 2006: 77 cents) has been declared by the Board, an increase of 11.7%. This represents a dividend payout ratio (cash basis) of 76.7% for the year. This takes the total dividend to 168 cents, an increase of 11.3%.
- The Dividend Reinvestment Plan (DRP) will operate for the final dividend with no discount. The DRP on the final dividend is to be underwritten up to a level of 100% participation. The fully franked final dividend will be paid on 18 December 2007.

1.4 Group Highlights (continued)

Other

- Managed funds increased by 26.7% to $49.7 billion (30 September 2006: $39.3 billion).
- Bad and doubtful debts expense as a percentage of average assets was 0.16% compared to 0.14% at 30 September 2006.
- The Group's Tier 1 capital adequacy ratio was 6.7% (30 September 2006: 6.9%) and Tier 2 ratio was 3.5% at 30 September 2007 (30 September 2006: 4.0%).
- The Group is planning to undertake a number of capital initiatives. Refer Capital Management section on page 22 for further details.

2 Business Summary

2.1 Strategic Overview

The St.George Group's low-risk, organic growth strategy has consistently delivered superior results for shareholders. This strategy is best reflected in the core strategic framework developed in 2002:

- Deepen and strengthen relationships with customers in our chosen markets
- Leverage specialist capabilities for growth
- Creatively differentiate on service
- Accelerate and empower relationship selling
- Build team and performance culture
- Optimise cost structure

Against this framework, the Group has over the past several years, prioritised the following key areas:

- People and customers
- Home Loans
- Deposits
- Middle Market
- Wealth Management
- Productivity Management
- Victoria, Queensland and Western Australia Expansion

Significant progress has been made in all of these areas since 2002, accompanied with material levels of investment.

The Group has achieved a shift from being product centric to customer centric, focussed on full service relationship banking. It has prioritised particular customer segments and has focussed on delivering differentiated levels of service to these customer groupings. The broader management team has been substantially strengthened both through training and development and through key talent selection and recruitment. Sales and business development skills have substantially improved while commercial disciplines and risk management frameworks have been further embedded.

Targeted and focussed expansion has occurred, not only in Victoria, Queensland and Western Australia, but also in the Bank's core markets of New South Wales, South Australia and the Australian Capital Territory.

The Group has driven a programme of continuous productivity improvements through investment in people, in technology and the application of new business processes and tools. The Group's core cultural heritage of being warm, friendly, caring, team-based and genuinely focussed on improving the customer experience remains a priority, with initiatives in place to further deliver on this objective.

2.1 Strategic Overview (continued)

Substantial further work and investment to strengthen this platform, enhance consistency and deliver improved customer experience outcomes continues to be undertaken, and specifically include:

- Re-engineering key business processes and systems, including mortgages and business lending;
- Enhancing the process and experience for new customers to the Bank;
- Leveraging the Group’s wealth platforms, products and capabilities to deepen customer relationships, across retail and business segments;
- Continued expansion in Victoria, Queensland and Western Australia;
- Further investment and capability build within the Middle Market segment;
- Continuing refinement and extension of sales and service disciplines within retail.

2.2 Operational Update – Business Priorities

2.2.1 Home Loans

The Bank's growth in residential loans (including securitised loans) for the twelve months to 30 September 2007 was 10.4% to $69.2 billion, in line with the Bank's target of 10–12% growth for the full year. Annualised growth of 11.9% was achieved in second half 2007.

Residential loans in New South Wales grew by 7.9% during the year compared to system growth of 7.3%[1]. Residential loans outside of New South Wales grew by 13.9% compared to system growth of 16.4%[1].

Significant new product development has occurred in the past year to ensure effective ongoing management of home loan margins and revenue growth. Some of these enhancements included:

- Launch of the Advantage Package in January 2007 which allows customers to "bundle" together home loan, deposit and credit card accounts for an annual fee in return for competitive interest rates and fee discounts;
- Launch of the Basic Home Loan in February 2007 which offers a low ongoing variable rate and no ongoing monthly fees; and
- Launch of the "Quick Start" Home Loan in May 2007 aimed at First Home Buyers entering the market.

In addition, the Bank completed an end to end review of its mortgage process and significant improvements over the coming year are planned to increase the level of automation, speed of approval and documentation delivery together with lower rework rates to significantly improve service to customers, including third party mortgage brokers.

The third party mortgage broker proportion of new settlements for the year was down to 44% from 45% last year.

In terms of margin management, the Bank has continued to actively reduce the level of introductory loans, which remain at 1% of total balances. Demand for fixed rate home loans was strong with fixed rate loan balances representing 18.7% of total residential loans.

The Bank continues to focus on improving the performance of its proprietary channels. Initiatives include faster approval processes, new lender induction programs and an increase in the branch and mobile lender sales force. New sales of home loans through Mortgage Connect, an additional sales force of "owner operators" to complement existing distribution channels also continued to increase throughout the year. Mortgage Connect is operating in Queensland, Victoria and Western Australia with 64 lenders now in place.

The Bank's home loan runoff rate was stable at 16% in the twelve months to 30 September 2007. The key drivers of lower runoff levels continue to be lower levels of introductory loan business, improved product design, stronger customer relationships and the benefits of the Bank's ongoing customer retention program.

Credit quality remains excellent, reflecting prudent policies and the high quality of the Bank's housing loan portfolio.

[1] Cannex derived August 2007.

2.2 Operational Update – Business Priorities (continued)

2.2.2 Retail Deposits

St.George grew its retail deposit balances by 10.9% to $47.8 billion over the year; annualised growth in second half 2007 was a strong 13.2%. On an APRA retail deposits definition basis, St.George grew its retail deposit balances by 14.8%[1], inline with system growth of 14.6%[1] and maintaining market share of 8.2%[1]. Excellent growth was achieved across all products, particularly from cash investment accounts held by Asgard investors driven by changes to Superannuation legislation during the year.

The Bank maintained its retail deposit spreads despite strong competition and a change to the government pensioner deeming rate. Product innovation, active management of the product mix and pricing together with targeted marketing campaigns and increased investor demand for lower risk bank deposit products all contributed to profitable growth.

St.George leveraged term deposits and on-line high interest savings accounts for balance growth and focussed on transaction accounts for value. Transaction accounts grew by 14.8% to $17.4 billion, exceeding the growth rate of the entire portfolio.

The new products launched in November 2006 also contributed to the strong performance:

- 85% of customers opening new flat fee Freedom transaction products are new customers to the Bank.
- Investment Cash Account grew to $800 million due to targeted regional marketing campaigns.

Net interest income and fee income reflect the full year impact of product structure and pricing alignments implemented in the September 2006 quarter for transaction, savings and investment accounts.

The roll-out of the new internet banking platform, which is used for retail deposits, consumer lending and home loans, together with enhancements to account opening procedures, have increased new accounts opened with internet banking access from 30% to 75%, providing customers with more convenience in banking.

[1] APRA statistics eleven months to August 2007 annualised.

2.2 Operational Update – Business Priorities (continued)

2.2.3 Middle Market

The Group continues to perform well in the Middle Market segment, with receivables growth of 26.5% to $24.1 billion since 30 September 2006, which is an outstanding result given the flat property market, particularly in New South Wales. System growth was 12.0%[1]. Whilst the Bank's geographies of Queensland, Victoria and Western Australia continue to perform strongly with average growth of 30.3% achieved over the year, the standout result for 2007 came from the Bank's core market of NSW, which grew at a rate of 26.6% despite the weaker conditions prevailing during the year. The Bank's customer relationship model continues to provide exceptional customer service. Jones Donald[2] rank St.George as No.1 for satisfaction with Relationship Managers compared to the four major banks. The business is focused around six key industry segments – manufacturing and wholesale, professionals, hotels and leisure, aged care and health, property and construction, and automotive finance.

Customer loyalty and satisfaction continue to be key differentiators for St.George in the Middle Market segment with no customers indicating they are likely to change banks compared to an average of 16.6% for the four major banks according to East and Partners[3]. The high service levels provided to these customers result in stronger customer loyalty, minimal customer churn and a propensity for customers to broaden their relationship with St.George. These high customer satisfaction levels have driven exceptional customer advocacy with 51% of main bank customers indicating they would definitely recommend St.George[2]. This has also resulted in an increase to 5.2 products per customer in September 2007 from 5.1 in September 2006.

The Best Business Bank programme, which has provided an excellent platform for driving St.George's middle market performance, has been extended with the launch of the Best Business Bank Technology programme (B-Tech). Initiatives of B-Tech are focused around efficiency improvements via system and process enhancements to help drive front line sales and service delivery, and ensure that the current momentum is maintained. Further Interstate and industry diversification continues to expand the middle market presence outside core markets, the result of which is a resilient business that is well diversified and better positioned to effectively compete in this market.

[1] Cannex derived for 12 months to 31 August 2007.

[2] Jones Donald Strategy Partners September 2007.

[3] East and Partners – Australian Commercial Transaction Banking Report August 2007.

2.2 Operational Update – Business Priorities (continued)

2.2.4 Wealth Management

Wealth Management comprises superannuation and wealth management administration platforms, financial planning, investment management and packaging, dealer group services, margin lending, private banking and life and general insurance.

It has been another year of strong growth across the Wealth business portfolio benefiting from the government's superannuation change, deeper penetration across the Wealth customer base, strong investments in previous years and highly productive distribution channels. Managed funds increased by 26.7% to $49.7 billion compared to last year.

Asgard's funds under administration grew by 28.6% to $37.3 billion. This growth was achieved from the continued investment in service delivery and distribution and contribution from all channels supported by positive equity markets. Significant investments over the last 12 months include enhancements in the information and functionality delivered to advisers through the AdviserNET platform.

Advance Asset Management grew funds under management by 19.2% to $8.5 billion over the year in line with the strong investment performance of multi-manager funds. Two of its key strategic partners, MIR Investment Management and Mellon, were awarded the 2007 'Fund Manager of the Year' and 'Alternative Strategies Manager' respectively.

Margin lending continued its rapid and profitable growth over the past 4 years, with assets growing by $597 million over the year to $3.2 billion, an increase of 23.2% since 30 September 2006. The business retains a 5-star Cannex rating and was awarded 'Best of the Best' by Money Magazine for the third consecutive year.

Insurance revenue grew by 26.7% to $30 million over the year supported by the expanded distribution for existing products.

Funds Under Advice grew by 25.9% to $3.9 billion during the year. This growth was supported by improvements in productivity and increasing the number of St.George financial planners by 21 during the year to 114.

The key priorities for the next 12 months will be the continued investment in operations to leverage scale and service enhancements. Growing the number and productivity of financial planners in St.George Financial Planning and Securitor and continued growth in margin lending and insurance products also remains a priority.

2.2 Operational Update – Business Priorities (continued)

2.2.5 Interstate Expansion

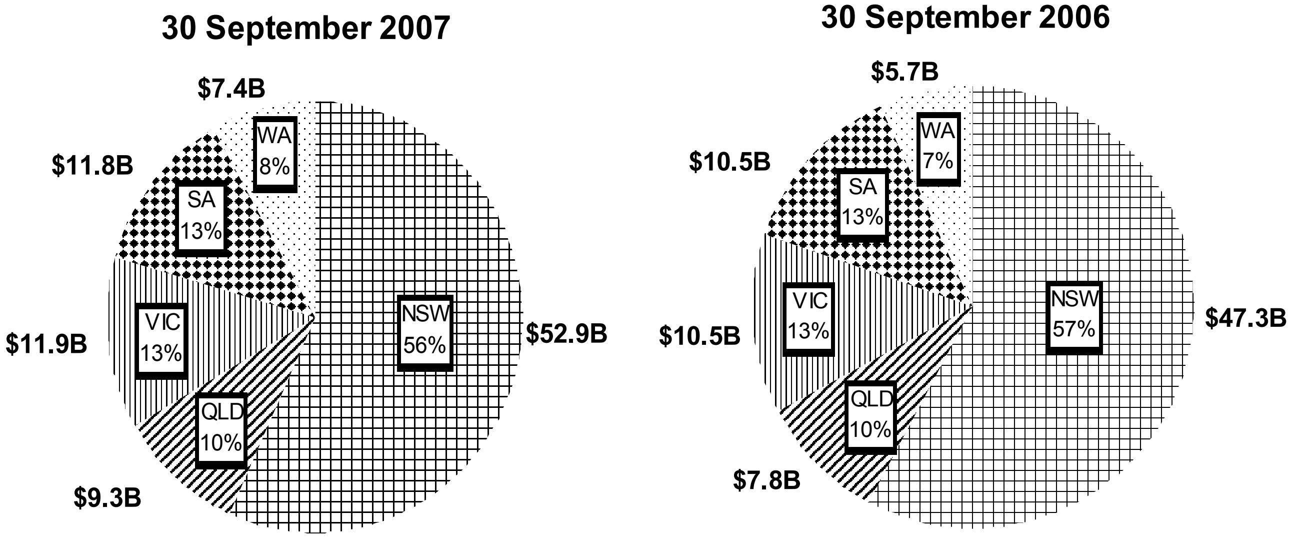
The Bank continued its strategy of accelerated growth in key customer segments in Victoria, Queensland and Western Australia. Strong growth was achieved over the year:

	Residential Receivables			Middle Market		
	Sep 2007 $B	Sep 2006 $B	Growth [(1)] %	Sep 2007 $B	Sep 2006 $B	Growth [(1)] %
Victoria	9.1	8.3	9.6	2.8	2.2	26.1
Queensland	7.3	6.2	18.5	2.0	1.6	23.5
Western Australia	4.8	3.9	24.5	2.6	1.8	41.6
	21.2	18.4	15.7	7.4	5.6	30.3

(1) The above percentages are based on balances rounded to the nearest million dollars.

Receivables by State[(2)]

(2) Middle market and residential loans



During the year, the Bank expanded its distribution network by opening five new branches in Western Australia and four in Queensland that service both retail and commercial customers. The sales force continues to be enhanced to support growth and the roll-out of "Mortgage Connect" delivers a stronger mobile lending capability. The Bank also continues to leverage the third party mortgage broker channel to complement these initiatives to build a stronger presence in these locations. These initiatives have significantly increased the Bank's home lending capability in these interstate markets.

St.George's strategy is focussed on growing its target high value customer segments in these interstate markets and positioning St.George as an effective alternative to the major banks.

2.2 Operational Update – Business Priorities (continued)

2.2.6 Risk Management

As a result of Basel II, the Bank has introduced a broad range of enhancements to its risk management framework. Significant business benefit has been derived from the new methodologies and risk management practices.

St.George is targeting Advanced status for the calculation of capital requirements under Basel II. St.George is targeting 1 January 2009 as the start date for Basel II.

Accreditation for the Advanced approaches under Basel II is subject to APRA approval. APRA has indicated that the Bank will remain subject to Basel I during 2008.

2.2.7 Credit Quality

St.George's credit quality across all lending portfolios remains excellent, reflecting favourable economic conditions, the high quality of the Bank's residential and business lending portfolios and the Bank's prudent credit culture and policies. A major portion of the Bank's credit portfolio is in lower risk home loans. The majority of loans comprising residential and commercial loans are well secured by land and buildings that have been conservatively valued. Both residential and unsecured consumer lending losses fell in second half 2007 compared to first half 2007. Past due 90 day loan ratios as a percentage of respective net receivables categories also improved in second half 2007 for both residential and other loans, which include unsecured consumer loans.

The Bank's credit quality has not been affected by international credit trends. St.George does not engage in sub-prime lending or have any exposure to the sub-prime lending problems in the United States, to hedge funds or collaterialised debt obligations. The Bank's conduit and customer securitisation assets total $1.1 billion and are rated as follows:

Rating	Exposure $M	Exposure %
AAA	892	82
AA	174	16
A	22	2
Total	1,088	

Total provisions and reserves for loan impairment were $478 million at 30 September 2007 (30 September 2006: $416 million). This comprises a collective provision of $291 million, a specific provision of $34 million and a general reserve for credit losses of $153 million. When taken together, the after tax balance of the eligible portion of the collective provision and the balance of the general reserve for credit losses represent 0.5% of risk weighted assets. The portion of the after tax equivalent balance of the collective provision at 30 September 2007 that is eligible to meet APRA's expected future loss requirements is $160 million.

The loan impairment expense was $178 million (30 September 2006: $144 million) and comprises a collective provision charge of $23 million and a specific provision charge of $155 million. The general reserve for credit losses was increased by $36 million during the year through an appropriation from profits reflecting growth in risk weighted assets. The collective provision movement is primarily driven by arrears levels.

2.2 Operational Update – Business Priorities (continued)

2.2.7 Credit Quality (continued)

Total impaired assets (net of specific provisions) were $50 million, compared to $52 million at 30 September 2006.

Loan impairment expense, excluding the movement in the general reserve for credit losses, as a percentage of average gross loans and receivables was 0.18% compared to 0.17% last year. Net non-accrual loans, as a percentage of net loans and receivables was 0.05%, which is steady compared to 30 September 2006.

2.3 Operational Update - Other

2.3.1 Capital Management

The Group's Tier 1 capital adequacy ratio was 6.7% and total capital adequacy ratio was 10.2% at 30 September 2007. Risk weighted assets increased by $10.2 billion to $63.2 billion compared to last year, reflecting strong growth in lending assets.

The following capital management initiatives were undertaken during the year:

- 4.2 million ordinary shares were issued under the Bank's Dividend Reinvestment Plan (DRP) raising $142 million of capital;
- 3.25 million Converting Preference Shares (CPS) were issued raising $320 million (net of issue costs) in non-innovative Tier 1 capital. For accounting purposes, the CPS are classified as debt with distributions included in interest expense.
- USD250 million of Depositary Capital Securities that qualified as Tier 1 capital were redeemed in June 2007.
- $5.9 billion of residential loan receivables were securitised through the Crusade Securitisation Program;

At 30 September 2007, the Group's adjusted common equity to risk weighted assets (ACE ratio) was 4.9% (30 September 2006: 4.8%).

APRA has issued revised prudential standards in respect of hybrid capital instruments. The standards apply from 1 January 2008 with transitional relief available until 1 January 2010 for those banks materially affected. Under the revised standards, the existing 25% hybrid limit will be replaced by a new limit for "Residual Tier 1" capital equal to 25% of net Tier 1 capital. Residual Tier 1 capital comprises both Innovative and Non-Innovative hybrid capital. Innovative Tier 1 capital is limited to a maximum of 15% of net Tier 1 capital. As a result of redeeming its depositary capital securities, the Bank expects to comply with these limits from 1 January 2008 and accordingly will not seek transitional relief. At 30 September 2007, the Bank had $813 million of Residual Tier 1 capital that includes $493 million of innovative hybrid capital.

2.3 Operational Update – Other (continued)

2.3.1 Capital Management (continued)

The Bank is planning a number of capital initiatives due to the following factors:

- Strong balance sheet growth to 30 September 2007 (particularly in middle market).
- As a result of this growth and redemption of the depositary capital securities in June 2007 (which have not yet been replaced), St.George's Tier 1 capital ratio at 30 September 2007 was 6.7%.
- The Bank's $261 million AIFRS transitional Tier 1 capital adequacy benefit will cease after 31 December 2007.
- As a result of the Bank's transition to Basel II by January 2009, APRA have granted St.George a reduction in its temporary Tier 1 capital adequacy minimum ratio from 6.7% to 6.5%. APRA has also extended the duration until they further assess, in the 2008 year, St.George's minimum capital requirements.

The Bank plans to complete the following capital raising plan as a result of these factors:

- the issue of up to $400 million of Non-innovative Tier 1 hybrid capital similar to the CPS issued in December 2006; and
- underwriting up to 100% of the DRP for the final 2007 dividend with no discount.

Further details of the hybrid issue will be announced in due course.

St.George expects to maintain its total capital adequacy ratio above the 10% APRA minimum requirement at all times.

2.3.2 Credit Ratings

In May 2007, Moody's Investors Service ("Moody's") upgraded the Bank's long-term counterparty credit rating to Aa2 from A1. Moody's reaffirmed the Bank's P-1 short-term counterparty credit rating.

Moody's also upgraded St.George's Bank Financial Strength Rating ("BFSR") to B from B-.

The ratings upgrade resulted from Moody's new BFSR and Joint Default Analysis methodologies.

Standard and Poor's credit rating remain unchanged with the Bank assigned a A-1 short-term and A+ long-term counterparty credit rating.

Fitch's credit rating also remain unchanged with the Bank assigned a F1 short-term and A+ long-term counterparty credit rating.

2.3.3 Managing Director and Chief Executive Officer

In August 2007, Mrs Gail Kelly resigned as the Bank's Managing Director and Chief Executive Officer. Mr Paul Fegan is acting as Chief Executive Officer while an executive search is conducted.

2.3 Operational Update – Other (continued)

2.3.4 Sale of Scottish Pacific

In September 2007, the Bank sold its factoring business to B A Venture Pty Limited. A profit of $3 million before tax was recognised on sale. The Group disposed of this business as the Bank had more recently developed an invoice discounting business that better supports its middle market segment.

2.3.5 Depositary Capital Securities (DCS)

St.George has previously disclosed to the market its dispute with the Australian Taxation Office (ATO) relating to deductions claimed by St.George in respect of the subordinated debentures issued to St.George Funding Company LLC, as part of the DCS transaction for the tax years ended 1998 to 2003. St.George commenced proceedings in the Federal Court of Australia on 25-27 July 2007, challenging amended assessments issued by the ATO in respect of those deductions. St.George is currently awaiting the Federal Court's decision.

The total amount in dispute is approximately $91 million (after tax), comprising $84 million of primary tax and $7 million of interest.

St.George maintains its position that the amounts in question were properly deductible and will continue to contest the assessments vigorously. Accordingly, St.George has not charged to its income statement any amounts due under the amended assessments. The Bank's auditors, KPMG, concur with this treatment.

2.4 Future Prospects

The Australian economy appears well placed towards completing its 16th year of continuous economic expansion, with GDP growth accelerating over the last year to an above average pace. Disparate economic performances between the states remain however, with the mining states of Western Australia and Queensland still outpacing the rest of the country. Although growth in New South Wales continues to lag the national average, it has, however, shown signs of improvement over the last year. Meanwhile, the Australian housing sector has clearly improved, with Sydney also showing an improvement in auction clearance rates. This has occurred despite a series of official interest rate increases. The Reserve Bank appears to hold a tightening bias with regards to interest rates although this will need to be balanced against any economic impact from the recent financial markets turbulence.

Globally, although there has been an economic slowing in the United States, this has so far been confined within its housing sector. At the same time, other international economies such as China and India are performing very well. Accordingly, St.George expects the domestic export sector to improve over the coming year as commodity export volumes increase following the surge in mining investment over the last few years.

Growth in New South Wales is expected to continue throughout 2008. St.George anticipates that the basis for this will be a continued improvement in the housing sector. The South Australian economy has also expanded at a slower rate than the national average and is likely to remain on a similar growth track.

St.George is well positioned to benefit from the improvement anticipated in the New South Wales economy in 2008. St.George is targeting home loan receivables growth in line with system growth. Deposits are expected to grow robustly with transactional growth to exceed peers. Consumer lending aims to exceed system growth, driven by strong growth in credit cards sold to existing customers. St.George's Middle Market business is expected to continue to achieve double system growth in 2008, while St.George's Wealth Management net flows to exceed system growth in 2008. St.George will continue to pursue Western Australian and Queensland markets for future growth opportunities.

Assuming a reasonably sound economic environment, St.George is targeting 10% EPS growth in 2008.

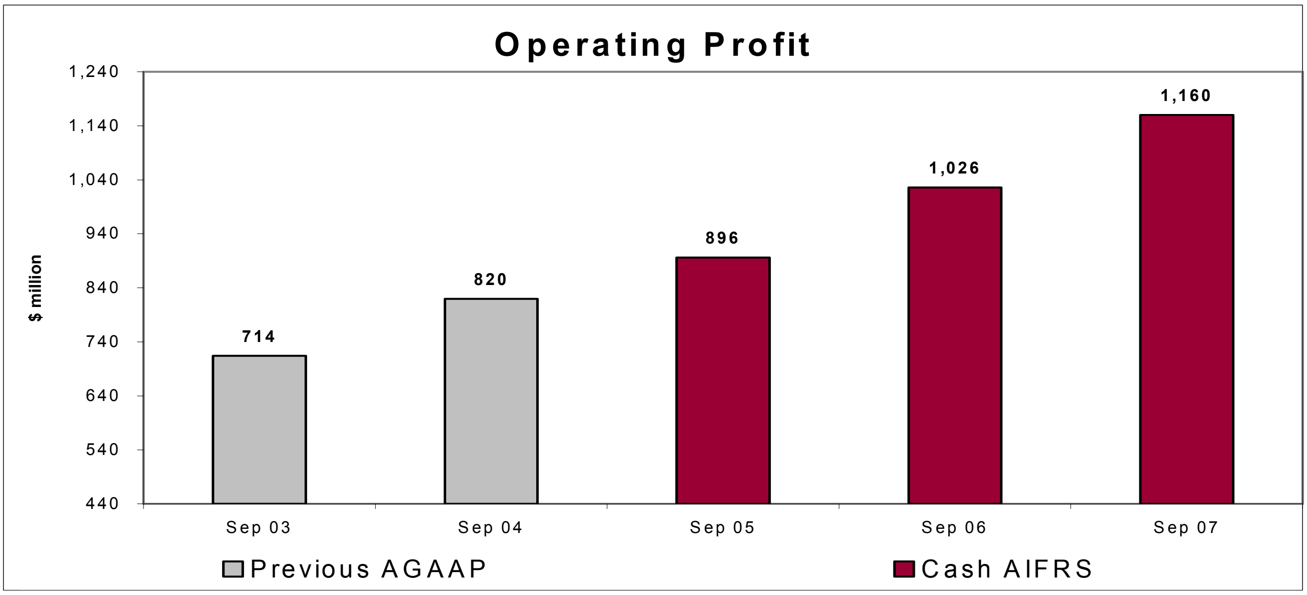
3 Financial Analysis

3.1 Group Performance Summary – Cash Basis

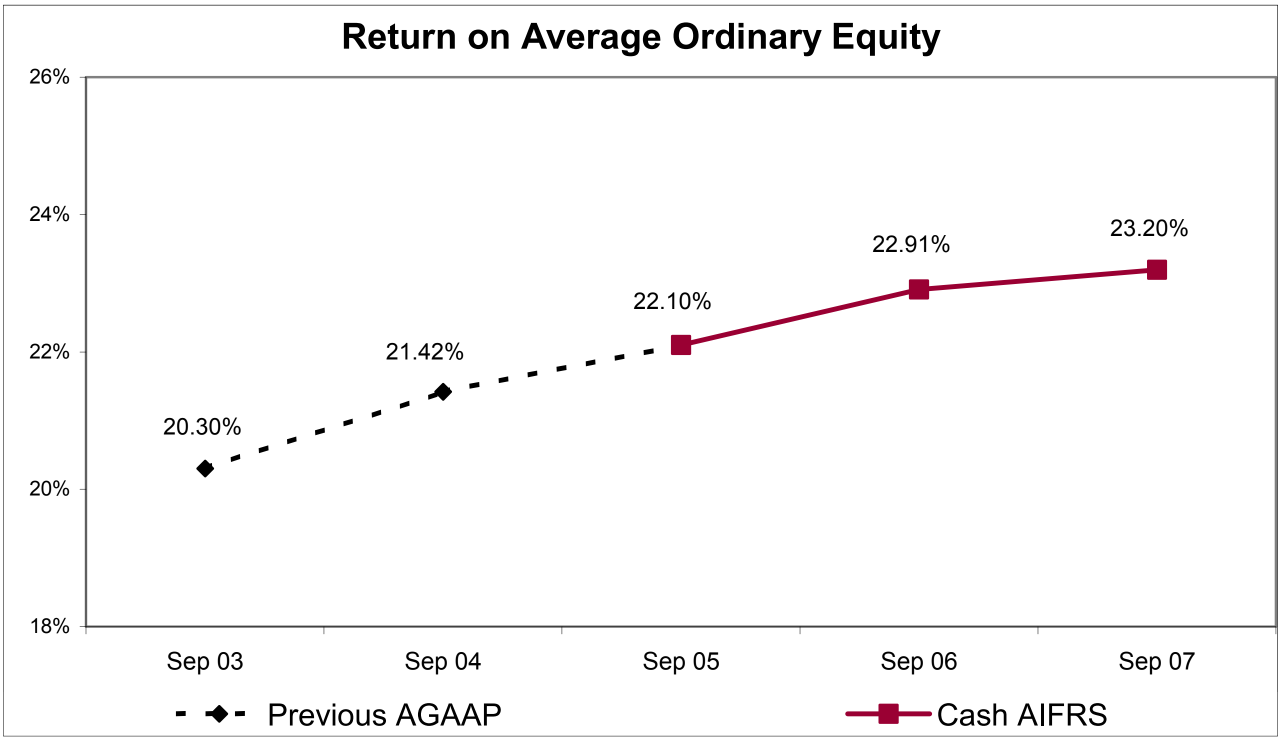
	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Interest income	4,297	3,906	8,203	6,814
Interest expense	3,182	2,828	6,010	4,799
Net interest income	**1,115**	**1,078**	**2,193**	**2,015**
Non interest income	552	527	1,079	939
Total income	**1,667**	**1,605**	**3,272**	**2,954**
Loan impairment expense [1]	85	93	178	144
Operating expenses	707	683	1,390	1,299
Profit before income tax	**875**	**829**	**1,704**	**1,511**
Income tax expense	267	248	515	466
Profit after income tax	**608**	**581**	**1,189**	**1,045**
Minority interests profit/(loss)	2	-	2	(1)
Profit after tax and minorities	**606**	**581**	**1,187**	**1,046**
Preference dividends:				
- Subordinated Adjustable Income Non-refundable Tier 1 Securities (SAINTS)	10	9	19	18
- Step-up Preference Shares (SPS)	4	4	8	2
Net cash profit [2]	**592**	**568**	**1,160**	**1,026**

[1] In addition to this charge, there is a $36 million (30 September 2006: $49 million) increase in the general reserve for credit losses during the year, 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.



3.1 Group Performance Summary – Cash Basis (continued)



Return on average ordinary equity increased by 29 basis points to 23.20% compared to last year.

3.1.1 Significant Items

In accordance with accounting standard AASB 101, items of income and expense which are material in quantum or nature are disclosed separately to assist in understanding the financial performance of the Group. There were no significant items during the year.

The following significant items are contained in the Group's comparative period net profit result and are excluded from the Cash result.

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Significant item income				
(i) profit on sale of land and buildings	-	-	-	41
Significant items expense				
(ii) intangible assets impairment	-	-	-	32
(iii) loss from discontinued operations	-	-	-	9
(iii) minority interest applicable to discontinued operations	-	-	-	(3)
(iv) restructure costs	-	-	-	16
Total significant items expense	-	-	-	54
Net significant items loss before tax	-	-	-	(13)
Income tax benefit on significant items				
(i) income tax benefit on profit on sale of land and buildings	-	-	-	(10)
(ii) income tax benefit on intangible assets impairment	-	-	-	(10)
(iv) income tax benefit on restructure costs	-	-	-	(5)
Total income tax benefit on significant items	-	-	-	(25)
Net significant items income after tax	-	-	-	12

September 2007

There were no significant items during the year.

September 2006

(i) In September 2006, St.George completed the sale and leaseback of its head office building at Kogarah. As a result of the sale, a profit of $41 million before tax ($51 million after associated tax benefit) was recognised during the year.

(ii) During the year, a $32 million ($22 million after tax) impairment was recognised on intangible assets relating to capitalised computer software. This impairment comprised software that had been developed internally where the timing of realisation of associated benefits was uncertain or the value of future benefits were not expected to be fully realised. The impairment also included software systems that became obsolete during the year.

(iii) As a result of intense competition in the New Zealand market, the Bank and its joint venture partner Foodstuffs agreed in August 2006 to discontinue their supermarket banking joint venture. Costs associated with the discontinuation of this business totalled $9 million before and after tax. A $3 million minority interest loss was recognised in respect of these costs, reflecting Foodstuffs' share of the loss.

(iv) A $16 million ($11 million after tax) restructure provision was recognised during the year in respect of staff redundancies.

3.1.2 Net Interest Income – Cash basis

Net interest income is derived from the Group's lending activities (including securitised loans and bank acceptances), trading securities, certain available for sale investments, hedging instruments and deposits and borrowings (including certain preference share capital).

Net interest income for the year was $2,193 million (30 September 2006: $2,015 million), an increase of 8.8%.

	Half Year				Full Year			
	Sep 07		Mar 07		Sep 07		Sep 06	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
	$M	%	$M	%	$M	%	$M	%
Net interest income	1,115		1,078		2,193		2,015	
Average								
Interest earning assets	113,100	7.60%	104,367	7.49%	108,851	7.54%	95,483	7.14%
Interest bearing liabilities	108,936	5.84%	100,522	5.63%	104,834	5.73%	92,152	5.21%
Interest spread		1.76%		1.86%		1.81%		1.93%
Interest margin[(1)]		1.97%		2.07%		2.01%		2.11%

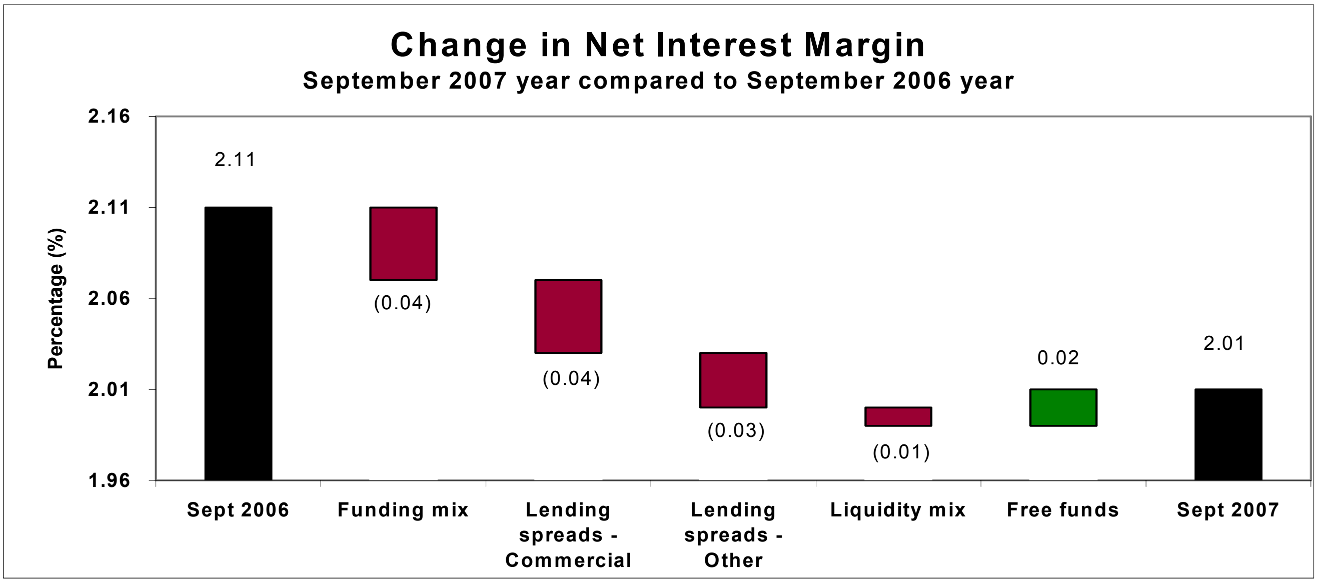
(1) Half year ratios annualised
Refer page 63 for further details.

The increase in net interest income was primarily due to solid growth in average interest earning assets of 14.0% since 30 September 2006, offset by a 10 basis point reduction in net interest margin to 2.01%. The reduction in net interest margin is primarily due to an increased proportion of wholesale funding, competitive pricing pressures particularly on highly graded commercial loans and solid growth in finer margin fixed rate home loans.

The growth in average interest earning assets during the year is due to a $11.8 billion or 13.6% increase in the average balance of loans and receivables. This result is driven by solid growth in the Bank's residential loan portfolio and strong growth in its commercial and consumer loan portfolios.

The net interest margin decreased by 10 basis points in second half 2007 to 1.97% from 2.07% in first half 2007. The reduction in net interest margin is primarily due to an increased proportion of wholesale funding, competitive pricing pressures on residential and high graded commercial loans and an increased holding of liquid assets.

3.1.2 Net Interest Income – Cash basis (continued)



The net interest margin was impacted by the following factors:

(a) Funding mix

Growth in average lending balances during the year exceeded growth in average retail deposit balances, resulting in an increased proportion of wholesale funding.

(b) Lending spreads – Commercial

Commercial lending spreads were impacted by competitive pricing pressures and advancing larger size loans to low risk customers at finer interest spreads.

(c) Lending spreads - Other

Lending spreads on residential and consumer lending have been impacted by continued competition together with stronger growth in lower margin fixed rate home loans in response to increased customer demand.

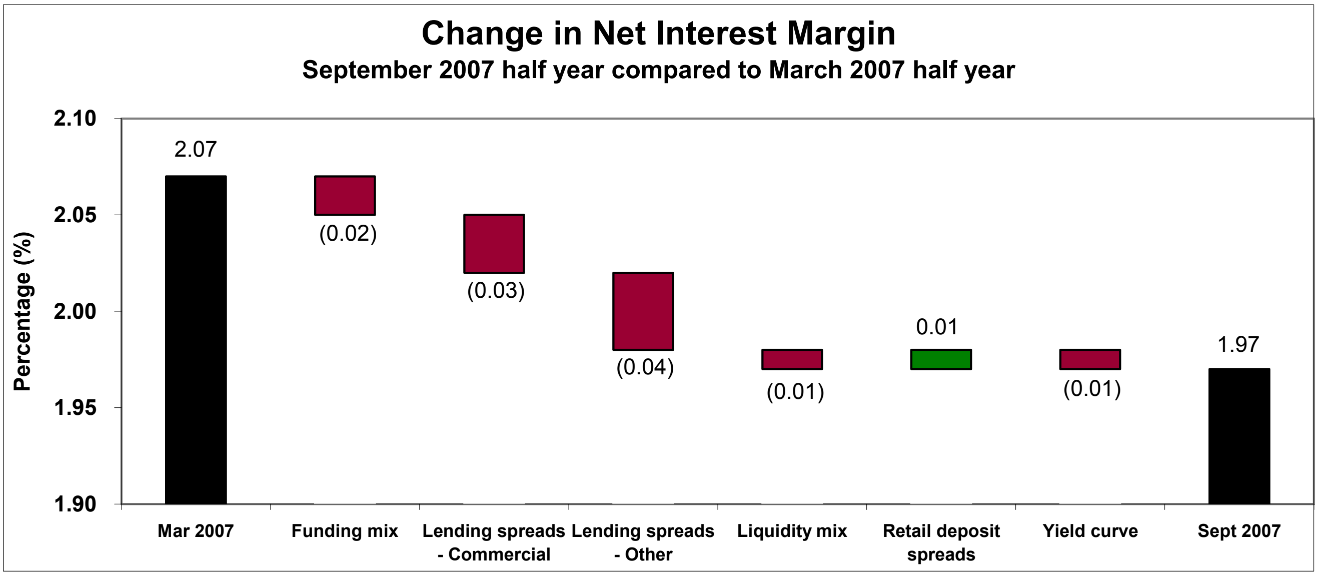
(d) Liquidity mix

A higher level of trading and investment securities were held during the 2007 year.

(e) Free funds

Reflects improved returns on equity as a result of two increases in official cash rates during the year and the benefits gained from the issuance of Step-up Preference Shares in June 2006.

3.1.2 Net Interest Income – Cash basis (continued)



The net interest margin was impacted by the following factors:

(a) Funding mix

Growth in average lending balances during the half year have exceeded growth in average retail deposit balances, resulting in an increased proportion of wholesale funding.

(b) Lending spreads – Commercial

Commercial lending spreads were impacted by competitive pricing pressures and advancing larger size loans to low risk customers at finer interest spreads.

(c) Lending spreads - Other

Lending spreads on residential and consumer lending have been impacted by continued competition together with stronger growth in lower margin fixed rate home loans in response to increased customer demand.

(d) Liquidity mix

A higher level of trading and investment securities were held during the September 2007 half year.

(e) Retail deposit spreads

Retail deposit spreads have benefited from the focussed management of product mix and the impact of official cash interest rate rises, which offset an increase in the pensioner deeming rate during the period.

(f) Yield curve

The Group's balance sheet management activities made a lower contribution when compared to the previous half year due to the steepening of the cash/90 day yield curve in second half 2007 and a lesser benefit from increases in interest rates.

3.1.3 Non Interest Income

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Non Interest Income				
Trading and investment income				
- treasury	35	34	69	58
- mortgage insurance	12	22	34	12
Product fees and commissions				
- lending	80	71	151	127
- deposit and other accounts	114	113	227	208
- electronic banking	113	105	218	202
Managed funds fees	154	142	296	254
Factoring and invoice discounting income	10	10	20	20
Net profit on disposal of land and buildings	9	1	10	7
Profit on sale of businesses	3	-	3	4
Trust distributions	6	4	10	9
Rental income	3	3	6	8
Profit on sale of shares	-	8	8	10
Dividend income	5	3	8	6
Other income	8	11	19	14
Non interest income before significant items and hedging and non-trading derivatives	**552**	**527**	**1,079**	**939**
Add: Hedging and non-trading derivatives volatility	7	6	13	14
Non interest income before significant items	**559**	**533**	**1,092**	**953**

Non interest income on a cash basis increased by 14.9% to $1,079 million from $939 million last year.

Trading and investment income

Trading generates net interest income and non interest income. Details are as follows:

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Net Interest Income				
Treasury trading	16	18	34	45
St.George Insurance investment portfolio	7	5	12	11
Total net interest income	23	23	46	56
Non Interest Income				
Treasury trading	35	34	69	58
St.George Insurance investment portfolio	12	22	34	12
Total non interest income	47	56	103	70
Total trading and investment income	70	79	149	126

Total treasury trading income, incorporating both net interest income and non interest income, was $103 million (30 September 2006: $103 million). Total trading income from the mortgage insurance investment portfolio was $46 million (30 September 2006: $23 million), reflecting positive equity markets. The mortgage insurance business also derived $8 million of dividend income during the year (30 September 2006: $6 million).

3.1.3 Non Interest Income (continued)

Non trading derivatives

Non trading derivatives represent the impact of hedge ineffectiveness and the fair value movement in the Group's Depositary Capital Securities ("DCS") and related swaps. The DCS were redeemed in June 2007.

The non trading derivatives gain was $13 million for the year compared to a $14 million gain last year. This item is excluded from cash profit.

Product fees and commissions

Product fees and commissions – income increased by 11.0% to $596 million (30 September 2006: $537 million).

Lending – fees increased by 18.9% to $151 million from $127 million last year. This reflects both residential and business lending balance growth and the full year impact of increased fees to align with market, effective from 1 July 2006 on unsecured and residential loan portfolios.

Deposits and other accounts – fees increased by 9.1% to $227 million (30 September 2006: $208 million) reflecting growth in transaction accounts.

Electronic banking – fees increased by 7.9% to $218 million from $202 million last year. This reflects increased transaction volumes and revised pricing on certain transactions and servicing fees to align with market, effective from 1 July 2006.

Managed funds fees

Fee income from managed funds increased by 16.5% to $296 million (30 September 2006: $254 million). The increase is due to strong growth of 26.7% in managed funds to $49.7 billion since 30 September 2006. This growth reflects strong net inflows of funds, government changes to superannuation legislation, positive investment market returns, deeper product penetration across the customer base and higher distribution productivity.

Net profit on disposal of land and buildings

The Bank's ongoing branch sale and leaseback program generated a profit of $10 million for the year (30 September 2006: $7 million).

Profit on sale of businesses

A $3 million profit was recognised on the sale of the Bank's factoring business in September 2007.

Profit on sale of shares

An $8 million pre-tax profit was recognised on the sale of the Bank's equity investment in Mastercard.

Other income

Other income increased to $19 million (30 September 2006: $14 million), mainly due to concessional taxation benefits recognised during the year on qualifying computer software development expenditure.

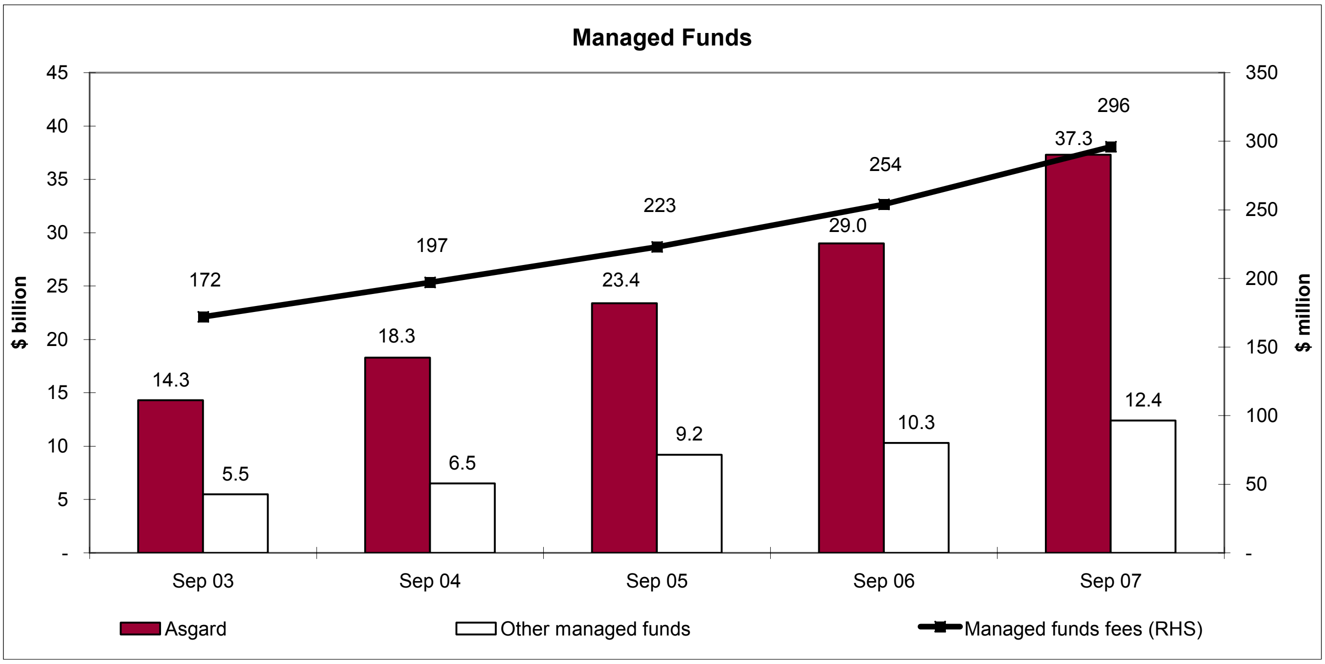
3.1.4 Managed Funds

The Group's managed funds comprise funds under management, funds under administration and funds under advice.

Year ended	Sep 2007 $M	Sep 2006 $M
Income		
Managed funds fees	296	254
Managed funds		
Funds under administration (Asgard)	37,347	29,040
Funds under management	8,489	7,123
Funds under advice	3,909	3,105
Total managed funds	49,745	39,268

Managed funds rose by 26.7% to $49.7 billion compared to 30 September 2006. Asgard's funds under administration rose by 28.6% to $37.3 billion compared to 30 September 2006. This growth reflects strong demand due to government changes to the taxation of superannuation contributions and benefits, together with increased productivity in distribution and greater product penetration across the customer base.

Funds under management grew by 19.2% to $8.5 billion which relates to Advance Funds Management, which is an established investment packaging business. Funds under advice (Financial Planning and Private Bank) grew by 25.9% to $3.9 billion compared to last year.



3.1.5 Operating Expenses - Cash basis

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Staff expenses				
Salaries	330	322	652	595
Contractors' fees	5	2	7	5
Superannuation	31	29	60	54
Payroll tax	21	21	42	39
Fringe benefits tax	4	3	7	7
Share based compensation	5	7	12	12
Other	15	13	28	26
Total staff expenses	411	397	808	738
Computer and equipment costs				
Depreciation	17	18	35	38
Amortisation - intangible assets	15	16	31	32
Rental on operating leases	2	2	4	7
Other (1)	39	38	77	73
Total computer and equipment costs	73	74	147	150
Occupancy costs				
Depreciation	13	13	26	29
Rental on operating leases	44	42	86	70
Other (2)	23	19	42	43
Total occupancy costs	80	74	154	142
Administration expenses				
Advertising and public relations	29	30	59	49
Consultants	15	7	22	21
Fees and commissions	16	16	32	26
Postage	10	10	20	21
Printing and stationery	18	18	36	37
Subscription and levies	5	5	10	9
Telephone	5	5	10	11
Other (3)	45	47	92	95
Total administration expenses	143	138	281	269
Operating expenses before significant items	707	683	1,390	1,299
Ratios - cash basis				
Operating expenses as a % of average assets (4)	1.20%	1.25%	1.22%	1.31%
Expense to income ratio	42.4%	42.6%	42.5%	44.0%

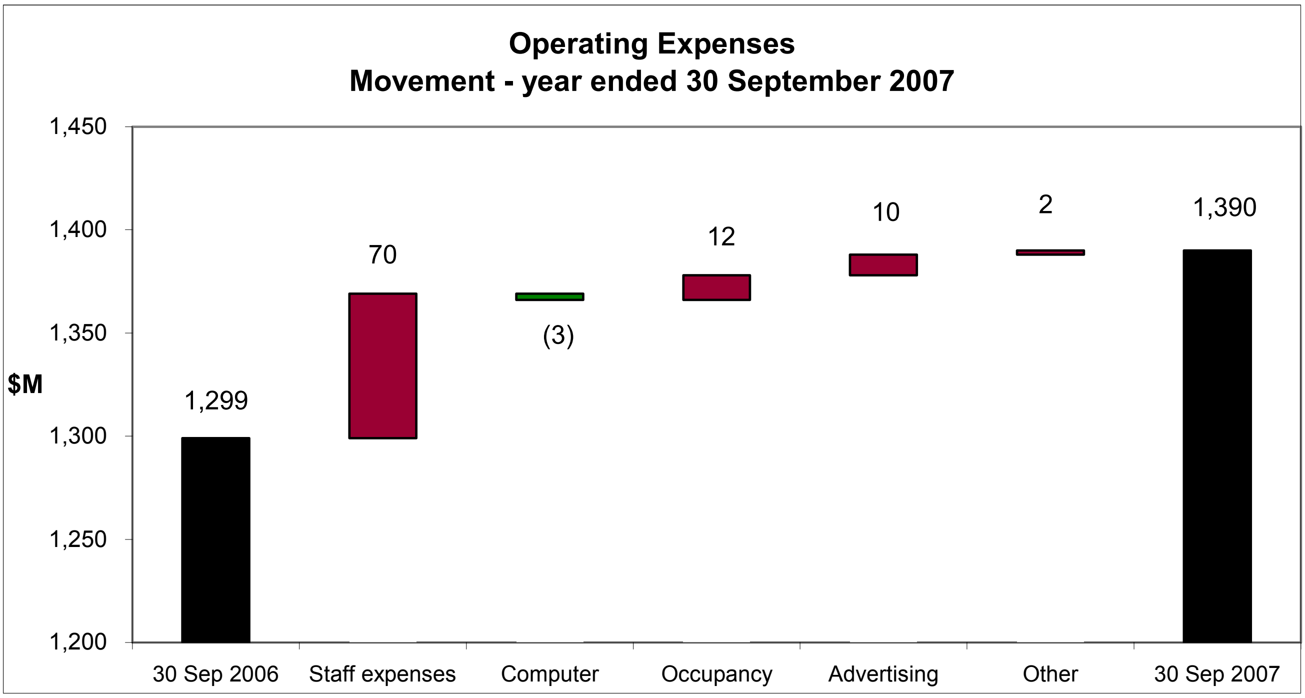
(1) Other computer and equipment costs primarily comprise software and hardware maintenance and data line communication costs.

(2) Other occupancy costs primarily comprise management fees paid for property facility management and security services.

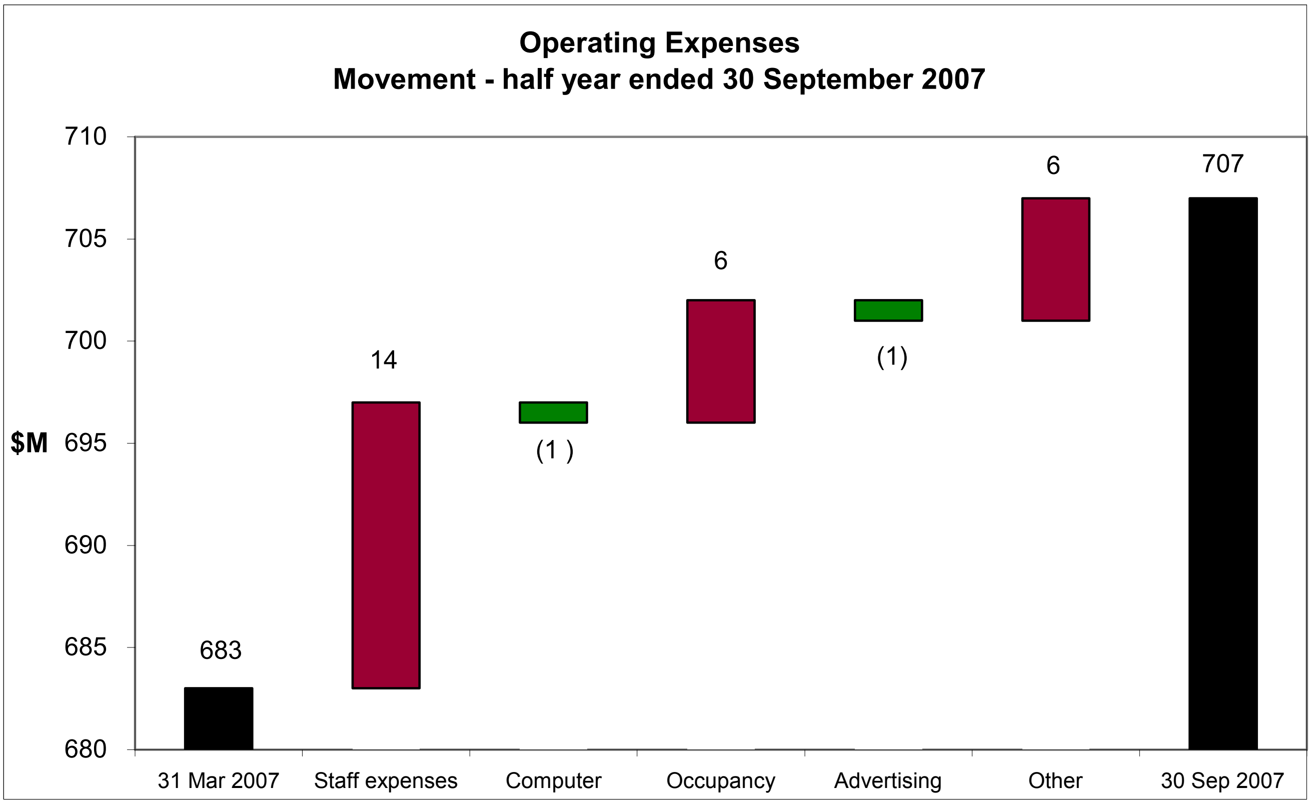
(3) Other administration expenses primarily comprise audit and related service fees, legal services, travel costs, non-lending losses and financial charges.

(4) Half year ratios are annualised.

3.1.5 Operating Expenses - Cash basis (continued)

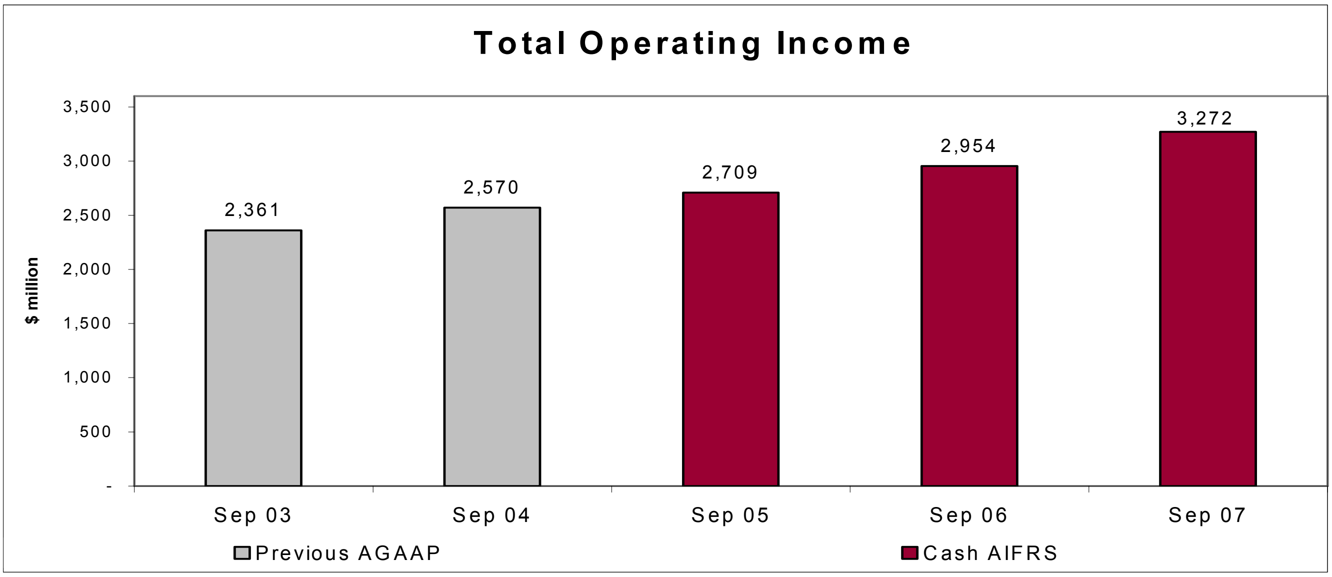


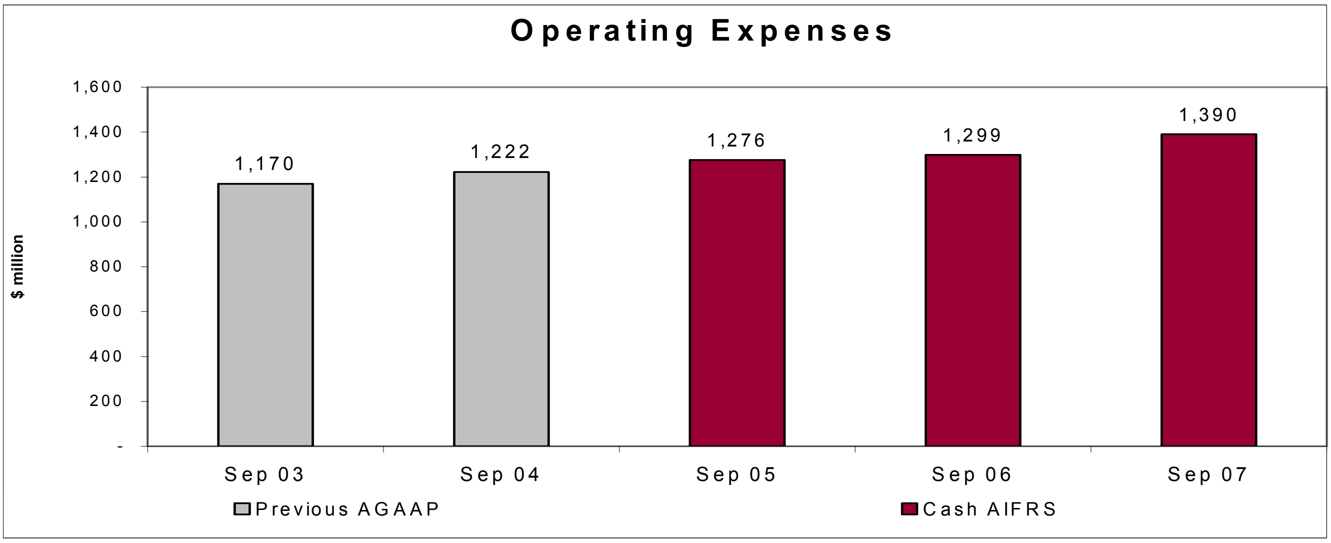
Operating expenses were up 7.0%. The expense to income ratio improved 150 basis points to 42.5% from 44.0% last year.

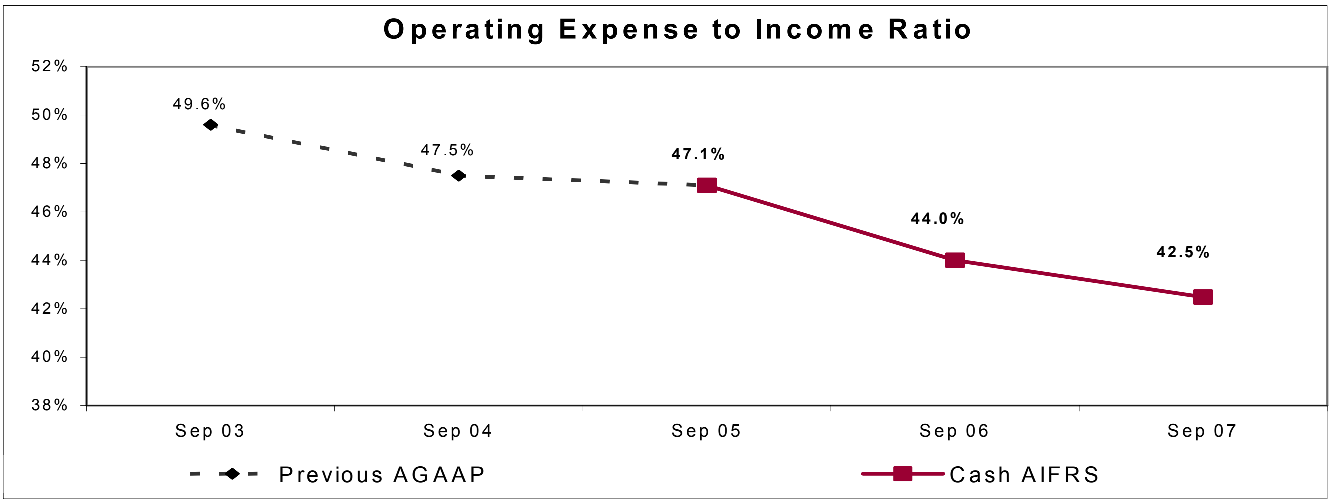


Operating expenses were up 3.5%. The expense to income ratio improved 20 basis points to 42.4% from 42.6% at 31 March 2007.

3.1.5 Operating Expenses - Cash basis (continued)







3.1.5 Operating Expenses - Cash basis (continued)

Total operating expenses

Operating expenses are classified into the broad categories of staff, computer and equipment, occupancy and administration. Total operating expenses (before significant items) were $1,390 million for the year (30 September 2006: $1,299 million), an increase of 7.0%. Operating expenses in second half 2007 (before significant items) increased by 3.5% compared to first half 2007. These results reflect prudent cost management together with continued investment in the Bank's strategic initiatives to drive future growth. This investment comprises increasing customer facing staff, new branches and enhancing risk management disciplines.

Staff expenses

Staff expenses increased by $70 million or 9.5% to $808 million compared to last year. This increase includes an average wage increase of 4%, effective 1 October 2006 and increased staff to drive interstate expansion, strong growth in the Middle Market segment and ongoing enhancements to risk management processes to achieve accreditation for the advanced Basel II approaches. Total staff increased to 8,722 from 8,439 on a full time equivalent basis (excluding Scottish Pacific and St.George Bank New Zealand), an increase of 3.4%.

Computer and equipment costs

Computer costs of $147 million were lower compared to $150 million last year. The balance of deferred expenditure at 30 September 2007 was $137 million (30 September 2006: $104 million). Investments during the year included redesigning the Bank's internet banking platform, upgrading Asgard's client desktop interface, and enhancing contact centre systems and processes.

Occupancy costs

Occupancy costs increased by $12 million or 8.5% to $154 million, primarily reflecting increased costs associated with the sale and leaseback of the Bank's Kogarah head office in September 2006 and new branches opened during the year. Total branches increased to 399 from 390 last year.

Administration expenses

Administration costs increased by $12 million to $281 million compared to $269 million last year. This increase primarily relates to additional investment incurred in our brand advertising and product marketing campaigns in first half 2007 to drive business growth.

3.1.6 Loan Impairment Expense – Cash basis

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Specific provisions (net of recoveries)				
Residential loans	5	10	15	9
Consumer loans	48	50	98	76
Commercial loans	24	18	42	36
Total	**77**	**78**	**155**	**121**
Collective provision	8	15	23	23
Loan impairment expense	**85**	**93**	**178**	**144**
Movement in general reserve for credit losses				
- establishment of reserve	-	-	-	68
- APRA AIFRS transition adjustment	-	-	-	42
- movement during period	23	13	36	7
Total movement in general reserve for credit losses	**23**	**13**	**36**	**117**
Loan impairment expense:				
As a percentage of average gross loans [1]	**0.17%**	**0.20%**	**0.18%**	**0.17%**
As a percentage of average risk weighted assets [1]	**0.28%**	**0.34%**	**0.31%**	**0.28%**
As a percentage of average assets [1]	**0.14%**	**0.17%**	**0.16%**	**0.14%**

[1] Half year ratios annualised

The loan impairment charge was $178 million compared to $144 million last year. This comprises a collective provision charge of $23 million and a specific provision charge of $155 million. The loan impairment charge improved in second half 2007 to $85 million compared to $93 million in first half 2007.

The specific provision charge was $155 million compared to $121 million last year. The higher charge of $15 million for residential loans is in line with market and is off a low base of $9 million last year. Overall residential loan losses are at low levels, reflecting the quality of this portfolio. Residential lending losses decreased to $5 million in second half 2007 compared to $10 million in the first half. Past due 90 day residential loans improved in second half 2007.

The increased charge for consumer loans compared to last year reflects growth in this portfolio and consumer spending behaviour. Lending losses decreased to $48 million in second half 2007 compared to $50 million in the first half.

The specific provision charge for commercial loans increased to $42 million compared to $36 million last year due to a lower level of recoveries.

The collective provision charge was $23 million, which remained steady compared to last year. The charge was $8 million in second half 2007 compared to $15 million in first half 2007, due to an improvement in arrears in the second half.

Movements in the general reserve for credit losses are typically due to strong growth in the Group's risk weighted assets and also due to fluctuations in the eligible portion of the collective provision, to ensure the 0.5% provisioning benchmark is maintained. The general reserve for credit losses increased by $36 million during the year, primarily reflecting strong growth in risk weighted assets and a lower level of securitisation undertaken during the year.

At 30 September 2007, the Group is well provisioned with the $153 million balance of the general reserve for credit losses together with the $160 million (30 September 2006: $148 million) portion of the collective provision not relating to incurred losses (after tax), representing 0.5% of risk weighted assets.

3.1.7 Income Tax Expense – Cash basis

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
Income tax expense shown in the results differs from prima facie income tax payable on pre-tax operating profit for the following reasons:				
Cash profit before tax	875	829	1,704	1,511
Prima facie income tax payable calculated at 30% of operating profit	262	249	511	453
Add: tax effect of differences which increase tax payable				
Preference dividends classified as interest expense	4	6	10	11
Tax losses not recognised	-	-	-	2
Share based payments expense	2	2	4	4
(Overprovision)/underprovision for income tax in prior year	2	(3)	(1)	3
Other	3	-	3	3
Less: tax effect of differences which reduce tax payable				
Non assessable income	-	(2)	(2)	-
Deduction allowable on shares issued to employees	(1)	(1)	(2)	(2)
Net difference between accounting and tax on sale of assets	(4)	-	(4)	(4)
Rebatable dividends	(1)	(1)	(2)	(2)
Other	-	(2)	(2)	(2)
Total income tax expense	**267**	**248**	**515**	**466**
Effective tax rate %	30.5	29.9	30.2	30.8

The income tax expense for the 30 September 2007 year was $515 million (30 September 2006: $466 million) with an effective tax rate of 30.2% compared to 30.8% last year.

3.1.8 Segmental Results - Cash basis

Business segments are based on the Group's organisational structure. The Group comprises four business divisions, namely:

- Retail Bank (RB) – responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits, small business banking and financial planners. This division also manages retail branches, call centres, agency networks and electronic channels such as EFTPOS terminals, ATMs and Internet banking. The comparative period results of St.George Bank New Zealand Limited are included in this segment.

- Institutional and Business Banking (IBB) - responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange, money market and derivatives, corporate and business relationship banking, international and trade finance banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing, including invoice discounting.

- BankSA (BSA) – responsible for providing retail banking, business banking and private banking services to customers in South Australia and Northern Territory. These services have been extended into country New South Wales and Victoria as part of the Group's initiative to expand rural banking. Customers are serviced through branches, electronic agencies, ATMs, call centres, EFTPOS terminals and Internet banking.

- Wealth Management (WM) – responsible for providing superannuation and wealth management administration platforms, investment management and packaging, dealer group services, margin lending, private banking services and general and life insurance.

3.1.8 Segmental Results - Cash basis (continued)

	Retail Bank $M	Institutional & Business Banking $M	Bank SA $M	Wealth Management $M	Consolidated $M
Year ended 30 September 2007					
Net interest income	1,152	619	328	94	2,193
Non interest income	515	156	96	312	1,079
Total income	1,667	775	424	406	3,272
Loan impairment expense	140	26	11	1	178
Operating expenses	754	269	172	195	1,390
Total segment expenses	894	295	183	196	1,568
Profit before tax	773	480	241	210	1,704
Expense to income ratio	45.2%	34.7%	40.6%	48.0%	
Year ended 30 September 2006					
Net interest income	1,076	562	303	74	2,015
Non interest income	447	131	82	279	939
Total income	1,523	693	385	353	2,954
Loan impairment expense	105	29	9	1	144
Operating expenses	713	246	162	178	1,299
Total segment expenses	818	275	171	179	1,443
Profit before tax	705	418	214	174	1,511
Expense to income ratio	46.8%	35.5%	42.1%	50.4%	

3.1.8 Segmental Results - Cash basis (continued)

Retail Bank (RB)

- RB's contribution to profit before tax grew to $773 million (30 September 2006: $705 million), an increase of 9.6%.
- Net interest income increased by 7.1% to $1,152 million reflecting growth in home loans, retail deposits and strong growth in consumer loans.
- Non interest income increased by 15.2% to $515 million, reflecting the benefit from revised pricing on retail lending and deposit products in second half 2006. Non interest income in the September 2007 year was also impacted by the increased contribution from the Group's mortgage insurance business and the sale of the Bank's Mastercard investment.
- Operating expenses during the year increased by 5.8% to $754 million compared to $713 million last year. This reflects investment in branches and increasing customer facing staff and is partly offset by cost reductions attributable to the wind down of St.George Bank New Zealand in the September 2006 half. The expense to income ratio fell to 45.2% from 46.8% last year.
- Loan impairment expense was $140 million compared to $105 million last year, reflecting growth in lending and increased provisioning primarily on unsecured personal loans and to a lesser extent on residential loans. Arrears levels on unsecured consumer loans in the Retail Bank improved in second half 2007. The percentage of the Group's past 90 day due other receivables that includes unsecured consumer loans has fallen to 0.69% (30 September 2006: 0.71%).

Institutional & Business Banking (IBB)

- IBB's contribution to profit before tax was $480 million (30 September 2006: $418 million), an increase of 14.8%. IBB comprises the Middle Market segment, auto and equipment lending and financial markets. There has been strong growth in Middle Market receivables during the year, assisted by increasing the number of relationship managers, interstate expansion and the industry leading customer satisfaction position held by St.George in this segment.
- Net interest income increased by 10.1% to $619 million, reflecting strong growth in commercial loans during the year, partly offset by reduced lending spreads on low risk larger size commercial loans and the competitive environment, and a reduction in net interest income on trading activities.
- Non interest income increased by 19.1% to $156 million, reflecting strong lending and business deposit growth and increased treasury trading income. The larger component of the contribution from treasury trading income is related to customer generated activity.
- Operating expenses increased by 9.3% to $269 million compared to $246 million last year. The increase is due to investment in the number of relationship managers and interstate expansion. The expense to income ratio decreased to 34.7% from 35.5% last year.
- Loan impairment expense decreased to $26 million compared to $29 million last year reflecting the quality of the commercial loan portfolio.

3.1.8 Segmental Results - Cash basis (continued)

Bank SA (BSA)

- BSA's contribution to profit before tax was $241 million (30 September 2006: $214 million), an increase of 12.6%. Excluding a gain of $6 million (30 September 2006: $2 million) on sale of premises, the underlying increase was 10.8%.
- Net interest income increased by 8.3% to $328 million reflecting the continued success of BSA's "local market" model that resulted in strong growth in its retail and commercial loan portfolios during the year.
- Non interest income increased by 17.1% to $96 million reflecting the benefit from revised pricing on retail lending and deposit products in second half 2006 and a $6 million gain on sale of premises (30 September 2006: $2 million). Underlying increase was 12.5%, excluding gain on sale of premises.
- Operating expenses increased by 6.2% to $172 million compared to last year. The expense to income ratio fell to 40.6% from 42.1% last year, reflecting prudent cost management.

Wealth Management (WM)

- WM's contribution to profit before tax was $210 million (30 September 2006: $174 million), an increase of 20.7%. Underlying growth, excluding the $8 million gain on sale of Ascalon last year was 26.5%.
- Net interest income increased by 27.0% to $94 million reflecting strong growth in margin lending receivables.
- Non interest income increased by 11.8% to $312 million, reflecting strong growth in managed funds. Non interest income in the September 2006 year included an $8 million gain from the sale of Ascalon. Excluding this gain, the underlying increase in non interest income was 15.1%.
- Operating expenses increased by 9.6% to $195 million from $178 million last year. The expense growth predominately represents the cost of additional staff required to support service delivery for the growing wealth portfolio. The expense to income ratio decreased to 48.0% from 50.4% last year.

3.1.9 Mortgage Insurance

St.George Insurance Australia Pty Limited (SGIA) is a wholly owned lender's mortgage insurance subsidiary of the Bank.

The outstanding balance of loans insured by the Bank's mortgage insurer as at 30 September 2007 had a total value of $35.6 billion. The latest actuarial assessment completed as at 30 September 2007 has determined that the reserves held to meet potential claims are conservative when compared to the minimum requirements as prescribed by APRA.

The mortgage insurer has a limit of liability for each policy year for loans with a loan to valuation ratio (LVR) exceeding 80% based upon the amount of loans originated in the policy year.

Up until 30 September 2003 that limit of liability was 5% of the loans advanced with the mortgage insurer retaining risk in the range of the first 0.5% to 0.78% of the limits of liability. The remaining risk is covered by the mortgage insurer's reinsurance arrangements, up to the 5% limit.

Post September 2003 to 30 September 2006 the limits of liability were 2% for St.George Bank loans, which were not securitised, and 5% for securitised loans. The mortgage insurer retains the risk for the first 0.765% of the limit of liability and the excess above the reinsurance threshold of 2% and 5% for non securitised and securitised loans respectively.

Post 30 September 2006, the limits of liability are 1.4% for non securitised loans and 5% for securitised loans. With effect from 1 October 2006 new reinsurance arrangements were implemented in which SGIA retains the risk for the first 0.5% of the limit of liability and the excess to 1.4% is ceded to the reinsurer. Above the reinsurance threshold of 1.4% and up to 5% SGIA retains the risk for those loans that are securitised.

These new reinsurance arrangements also cover "Low Doc" loans with LVRs between 60% and 80% and "No Deposit" loans in addition to Standard loans.

During its history, the mortgage insurer has not made a claim under its reinsurance treaties.

The mortgage insurer's investment portfolio consists of equities, fixed interest securities and term deposits. Two external fund managers independently manage the portfolio, with the performance regularly monitored by the mortgage insurer and the Bank.

3.1.9 Mortgage Insurance (continued)

The mortgage insurer is not reported as a separate segment in the Group's segmental results. Its results are included within the Retail Bank and BankSA segments. Due to the significance of the mortgage insurer's operations, a summary of its contribution to the Group is disclosed in the following table:

Performance Summary – Contribution to Group Result

		Half Year		Full Year	
		Sep 07	Mar 07	Sep 07	Sep 06
		$M	$M	$M	$M
Net interest income					
- mortgage insurance		24	21	45	33
- investment		7	5	12	11
Non-interest income					
- investment		17	25	42	18
Claims		(2)	(4)	(6)	(1)
Other expenses		(5)	(3)	(8)	(3)
Profit before tax		41	44	85	58
Income tax expense		(11)	(11)	(22)	(19)
Profit after tax		30	33	63	39
Total assets		397	370	397	340
Investment portfolio		381	359	381	336
Profit before tax by source					
* Mortgage Insurance	%	45.45	33.18	38.79	51.51
* Investment Portfolio	%	54.55	66.82	61.21	48.49

The above ratios are calculated on the results rounded to the nearest thousand dollars.
Comparatives have been amended to reflect SGIA's contribution to Group profit.

Loan risk fees collected by the Bank in respect of SGIA's mortgage insurance activities are regarded as fees that are integral to those loans and recognised as an adjustment to the yield of the loan. Such fees are deferred and amortised to interest income over the estimated life of the loan using the effective interest rate method.

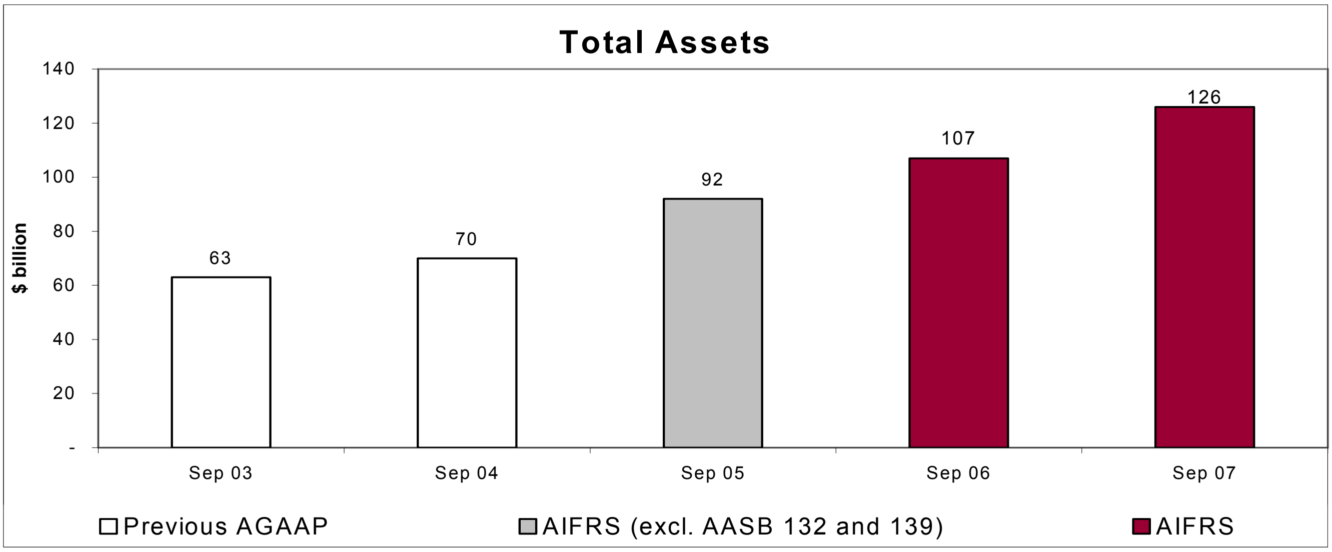
SGIA's contribution to the Group's profit before tax increased by 46.6% to $85 million compared to $58 million last year. This increase is due to the strong returns on SGIA's investment portfolio reflecting positive equity markets and solid growth in home loan balances.

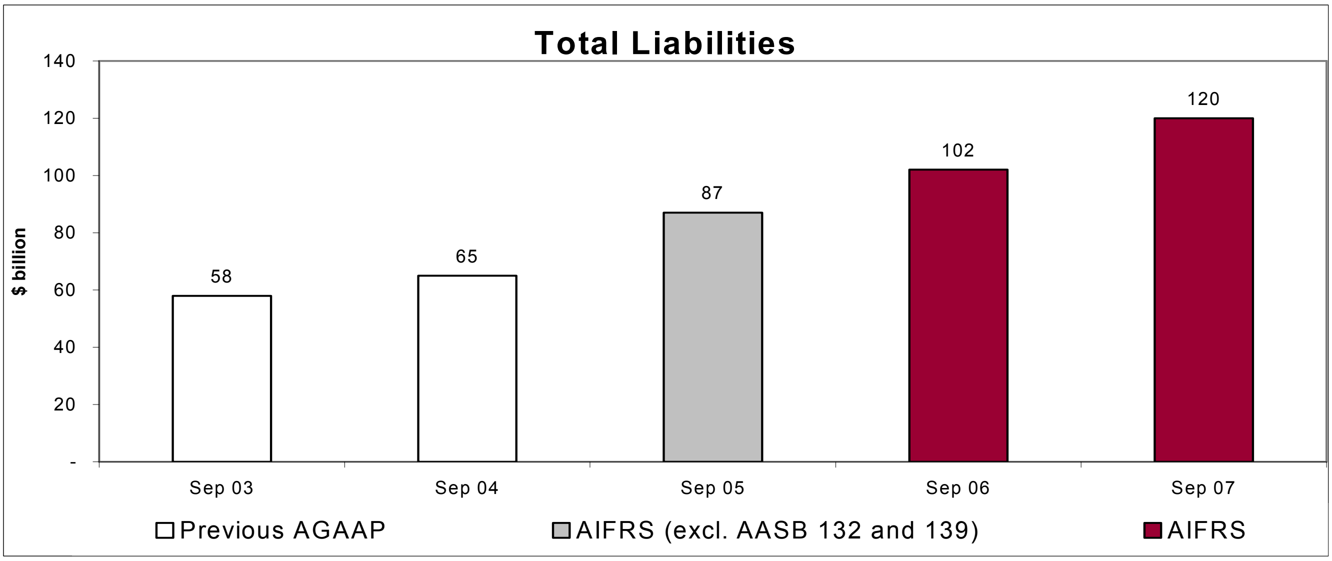
3.2 Group Position Summary

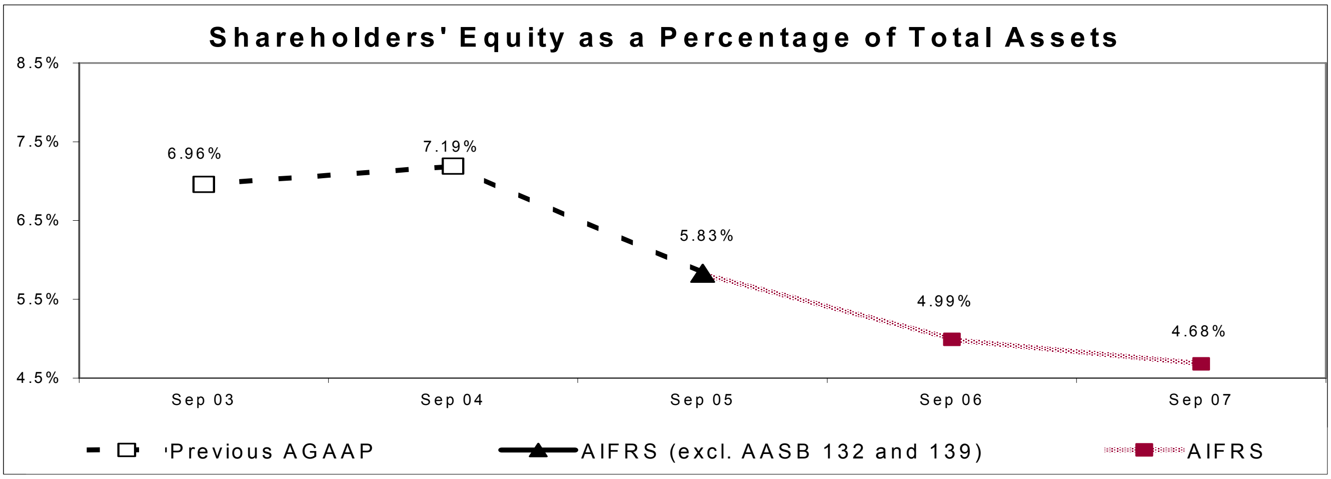
As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Assets			
Cash and liquid assets	2,081	1,188	1,081
Receivables due from other financial institutions	1,244	1,180	1,182
Assets at fair value through the income statement	11,339	6,043	6,192
Derivative assets	1,271	877	1,093
Available for sale investments	929	1,381	1,541
Loans and other receivables	89,884	85,144	81,516
Bank acceptances of customers	16,343	13,580	11,908
Property, plant and equipment	345	332	334
Intangible assets	1,323	1,305	1,291
Other assets	1,041	950	864
Total Assets	125,800	111,980	107,002
Liabilities			
Retail funding and other borrowings	108,005	97,152	91,648
Payables to other financial institutions	1,013	473	401
Bank acceptances	6,348	5,456	7,287
Derivative liabilities	3,440	2,202	1,190
Bills payable and other liabilities	1,110	1,085	1,133
Total Liabilities	119,916	106,368	101,659
Net Assets	5,884	5,612	5,343
Shareholders' Equity			
Share capital	4,549	4,467	4,376
Reserves	243	176	151
Retained profits	1,086	951	798
Minority interests in controlled entities	6	18	18
Total Shareholders' Equity	5,884	5,612	5,343
Shareholders' equity as a percentage of total assets	4.68%	5.01%	4.99%
Net tangible assets per ordinary share issued	$7.63	$7.16	$6.73
Number of ordinary shares issued (000's)	532,231	529,888	526,247

3.2.1 Total Assets

Total assets were $125.8 billion at 30 September 2007 (30 September 2006: $107.0 billion), an increase of 17.6%. This reflects growth of 13.7% in lending assets (including bank acceptances and securitised loans) to $106.2 billion at 30 September 2007 and an increased holding of liquid assets.







3.2.2 Lending Assets

Lending assets increased to $106.2 billion (30 September 2006: $93.4 billion), an increase of 13.7%. Annualised growth since 31 March 2007 was 15.2%.

As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Residential			
Housing loans	28,681	25,095	24,362
Securitised housing loans	18,752	19,214	17,998
Home equity loans	21,781	21,033	20,337
Total Residential	69,214	65,342	62,697
Consumer			
Personal loans	2,821	2,688	2,573
Line of credit	1,512	1,408	1,268
Margin lending	3,169	2,984	2,572
Total Consumer	7,502	7,080	6,413
Commercial			
Commercial loans	10,298	10,070	9,806
Bank bill acceptances	15,976	13,229	11,615
Hire purchase	2,367	2,171	2,084
Leasing	538	461	433
Total Commercial	29,179	25,931	23,938
Foreign exchange cash advances	41	57	31
Structured financing	582	597	613
Gross lending assets	106,518	99,007	93,692
Collective provision	291	283	268
Net lending assets	106,227	98,724	93,424
Lending assets are comprised of:			
Net loans and receivables	89,884	85,144	81,516
Bank acceptances - commercial	15,976	13,229	11,615
Bank acceptances - margin lending	367	351	293
Net lending assets	106,227	98,724	93,424

3.2.2 Lending Assets (continued)

Residential loans increased by 10.4% to $69.2 billion from $62.7 billion as at 30 September 2006. Strong annualised growth of 11.9% was achieved in second half 2007. This result is attributable to signs of improvement in the New South Wales housing sector, product innovation and continued investment to improve productivity and expand the Bank's distribution footprint. New initiatives and investments include opening four branches in Queensland and five branches in Western Australia, and the establishment of Mortgage Connect, an additional sales force of “owner operators” that are operating in Queensland, Victoria and Western Australia.

Consumer loans increased by 17.0% to $7.5 billion (30 September 2006: $6.4 billion) due to strong growth in margin lending and credit card portfolios. Growth in credit cards of 19.2% to $1.5 billion was assisted by the Bank's award winning “Vertigo” low interest rate credit card launched in May 2006 with over 86,000 accounts opened. Margin lending receivables grew by 23.2% to $3.2 billion reflecting positive equity markets and the industry award winning features of this product.

Commercial loans grew by 21.9% to $29.2 billion from $23.9 billion at 30 September 2006. Annualised growth in commercial loans since 31 March 2007 was a strong 25.1%, despite intense competition in this market. Middle market receivables grew by 26.5% to $24.1 billion since 30 September 2006 and recorded an annualised increase of 30.9% in second half 2007. This strong growth reflects the success of St.George's business bank that consistently delivers exceptional industry leading levels of customer service.

3.2.3 Impaired Assets

Total impaired assets (net of specific provisions) were $50 million at 30 September 2007 (30 September 2006: $52 million).

Net non-accruals were $50 million compared to $51 million at 30 September 2006. These balances consist of commercial loans that are generally secured by property.

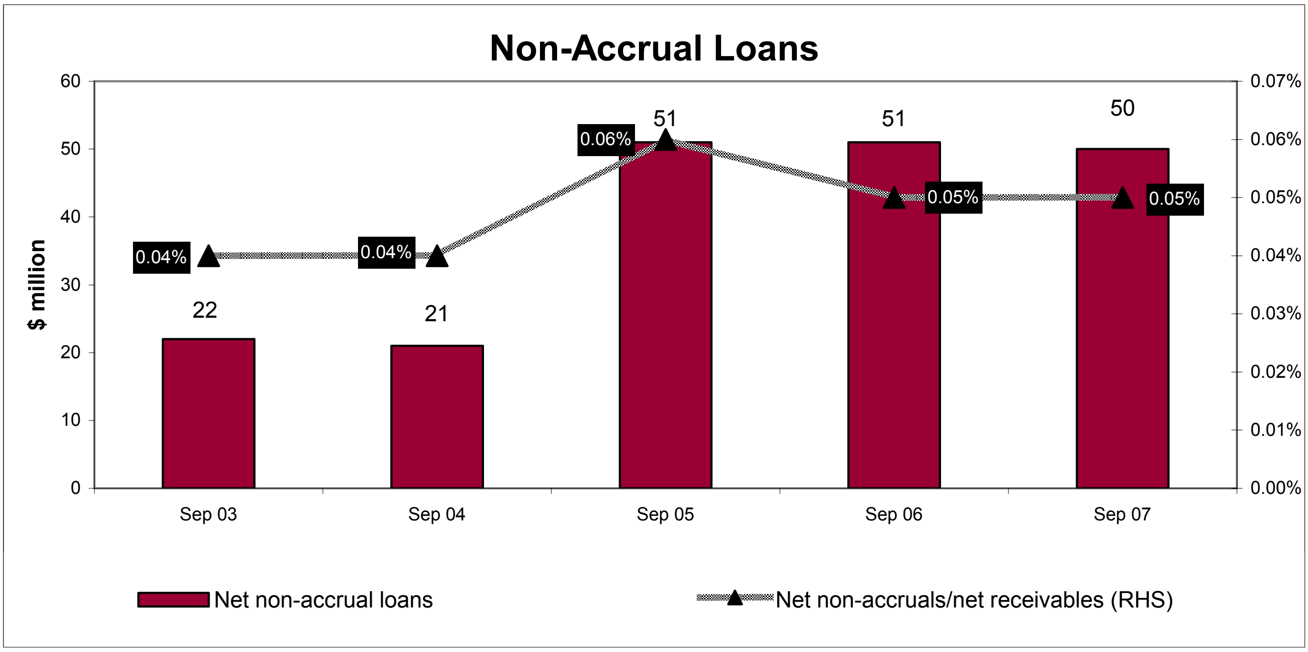
Past due 90 day loans were $225 million compared to $181 million at 30 September 2006. The increase primarily relates to residential property. Past due 90 day loans decreased in second half 2007. Residential past due 90 day loans as a percentage of total residential loans (excluding securitised loans) were 0.30% compared to 0.26% at 30 September 2006. The ratio falls to 0.22% (30 September 2006: 0.19%) including securitised loans. The increase in past due 90 day residential loans is off a low base and has been influenced by rising interest rates. These loans are well secured and minimal losses are expected as the properties have either low loan to valuation ratios or are mortgage insured. Residential past due 90 day loans have reduced compared to 31 March 2007.

Past due 90 day other receivables have improved as a percentage of total other receivables to 0.69% from 0.71% at 30 September 2006.

As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Section 1 - Non-Accrual Loans			
With provisions:			
Gross Loan Balances	69	87	74
Specific Provisions	28	36	34
Net Loan Balances	41	51	40
Without provisions:			
Gross Loan Balances	9	8	11
Total Non-accrual Loans:			
Gross Loan Balances	78	95	85
Specific Provisions	28	36	34
Net Loan Balances	50	59	51
Section 2 - Restructured Loans			
Without provisions:			
Gross Loan Balances	-	-	1
Section 3 - Assets acquired through security enforcement			
Other Real Estate Owned	-	-	-
Total impaired assets (1)	50	59	52
Section 4 - Past Due Loans (2)			
Residential loans	153	168	118
Other	72	73	63
Total	225	241	181

(1) These balances consist of commercial impaired assets and other facilities that have been individually provisioned.
(2) These balances consist of retail and commercial loans which are managed on a portfolio basis and are 90 or more consecutive days in arrears.

3.2.3 Impaired Assets (continued)



As at	30 Sep 2007	30 Sep 2006
Specific provision coverage for non-accruals	35.90%	40.00%
Gross non-accruals / Net receivables	0.07%	0.09%
Net non-accruals / Net receivables	0.05%	0.05%

Past due items

As at	30 Sep 2007	30 Sep 2006
Residential / Net residential receivables[1]	0.30%	0.26%
Other / Net other receivables[2]	0.69%	0.71%

(1) Excludes securitised loans. If securitised loans were included, the ratio would decrease to 0.22% at 30 September 2007 (30 September 2006: 0.19%).

(2) Other receivables comprise hire purchase, leasing and unsecured consumer loans.

3.2.4 Loan Impairment Provisions and General Reserve for Credit Losses

	Half Year		Full Year	
	Sep 07 $M	Mar 07 $M	Sep 07 $M	Sep 06 $M
General provision				
Balance at beginning of period	-	-	-	219
Write-back of general provision on transition to AIFRS [1]	-	-	-	(219)
Balance at end of period	-	-	-	-
Collective provision				
Balance at beginning of period	283	268	268	-
Establish provision on transition to AIFRS [1]	-	-	-	245
Net provision movement during the period	8	15	23	23
Balance at end of period	291	283	291	268
Specific provision				
Balance at beginning of period	39	31	31	69
Write-back of portfolio provisions on transition to AIFRS [1]	-	-	-	(35)
Net provision movement during the period	77	78	155	121
Bad debt write-offs	(82)	(70)	(152)	(124)
Balance at end of period	34	39	34	31
General reserve for credit losses [2]				
Balance at beginning of period	130	117	117	-
Establishment of reserve on transition to AIFRS [1]	-	-	-	68
APRA transition adjustment	-	-	-	42
Appropriation from profits during the period	23	13	36	7
Balance at end of period	153	130	153	117
Total provisions and general reserve for credit losses	478	452	478	416

(1) Adjusted against opening retained earnings at 1 October 2005.
(2) The general reserve for credit losses was established by an appropriation from retained earnings.

Collective and specific provisions are raised where there is objective evidence of impairment. For collective impairment, a provision is raised even where the impairment event cannot be attributed to individual exposures. The required provision is estimated on the basis of historical loss experience.

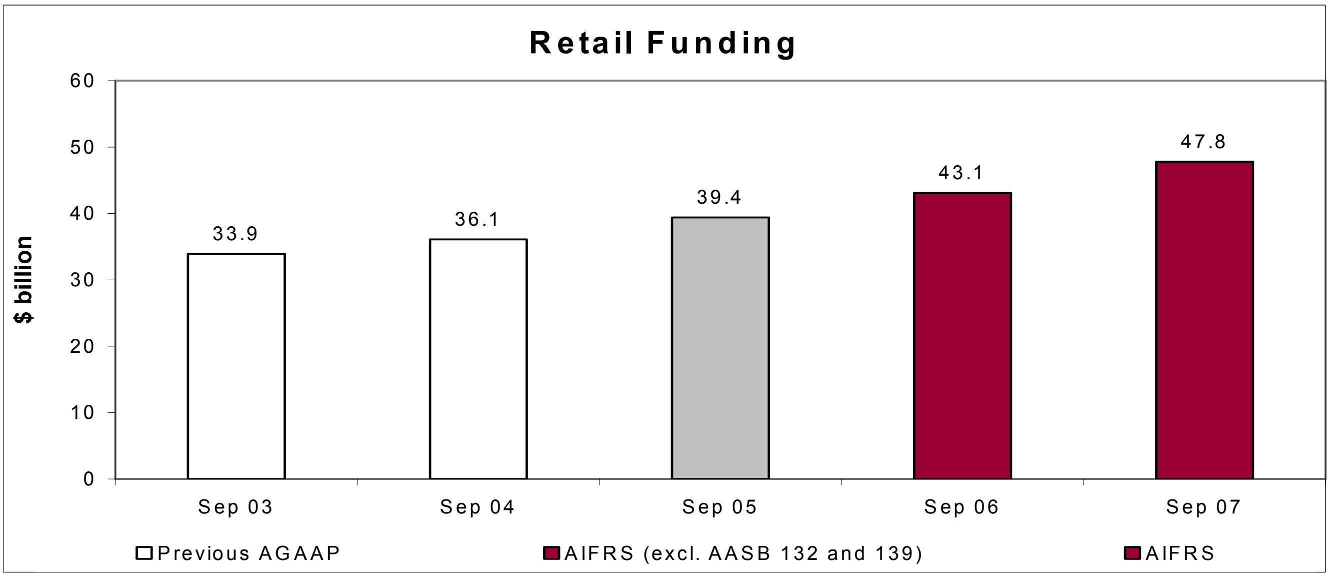
At 30 September 2007, $160 million of the after tax equivalent of the collective provision is considered to satisfy APRA's general provision definition which, when taken together with the $153 million balance of the general reserve for credit losses, represents 0.5% of risk weighted assets.

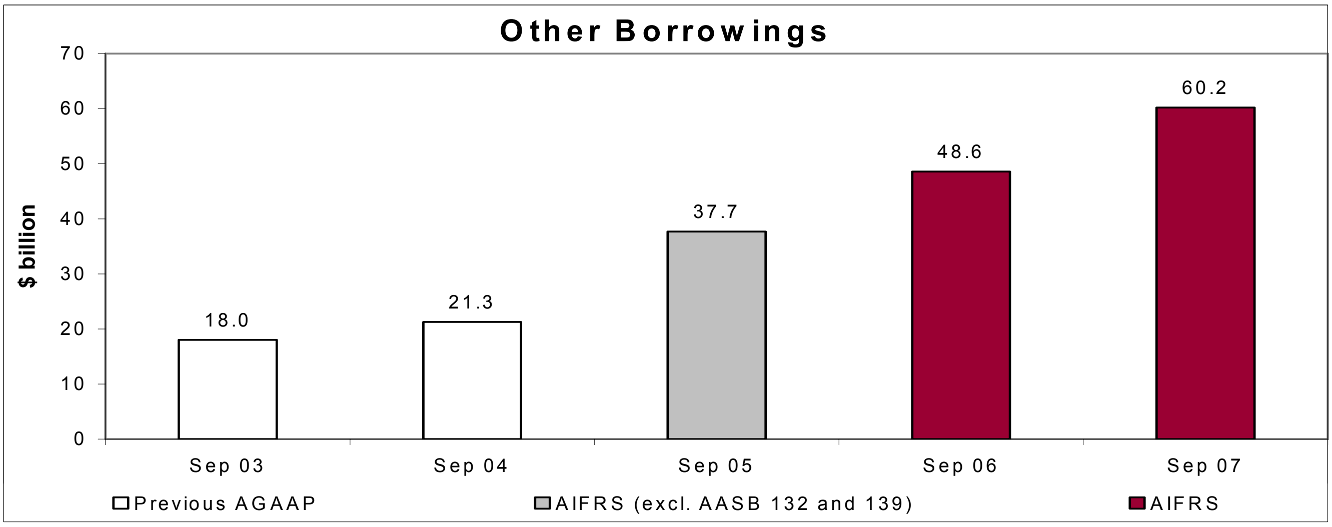
3.2.5 Retail Funding and Other Borrowings

Total retail funding and other borrowings have increased to $108.0 billion at 30 September 2007, an increase of 17.8% since 30 September 2006.

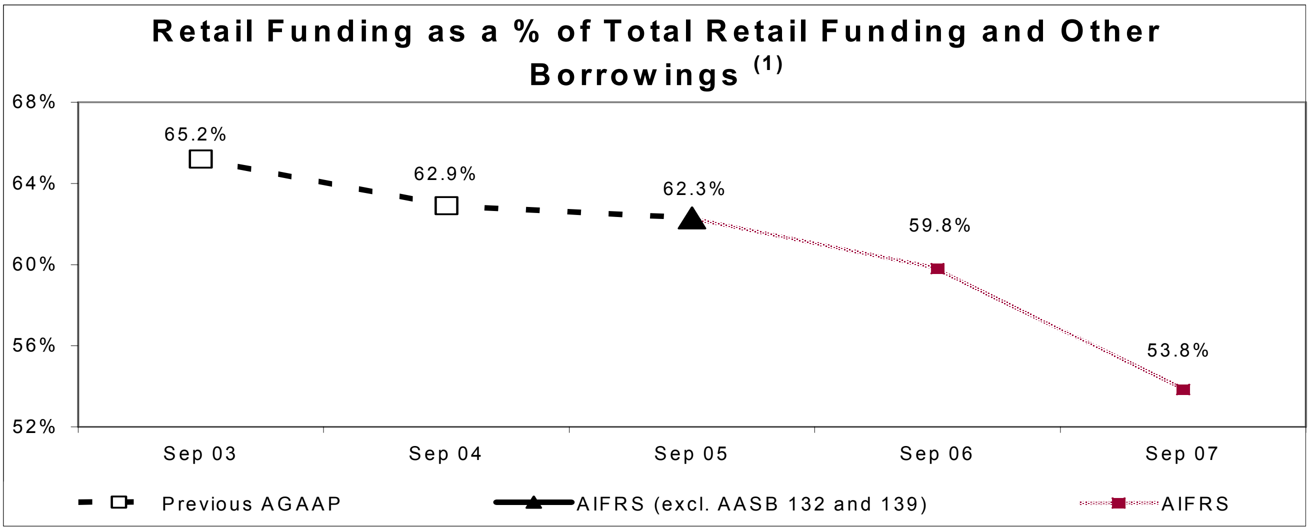
As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Retail funding	47,779	44,824	43,091
Other deposits	15,640	10,935	6,361
Offshore borrowings	17,024	14,136	16,526
Domestic borrowings	6,392	4,260	3,999
Subordinated debt	1,909	1,760	2,032
Preference shares	322	708	390
Securitisation and asset-backed conduit funding	18,939	20,529	19,249
Total	108,005	97,152	91,648
Retail funding as a % of Total Retail Funding and Other Borrowings [1]	53.8%	59.0%	59.8%

[1] Excluding securitisation, asset-backed conduit funding and preference shares.





3.2.5 Retail Funding and Other Borrowings (continued)



(1) Excludes securitisation funding, asset-backed conduit funding and preference shares.

Retail funding

Retail funding has grown by 10.9% to $47.8 billion since 30 September 2006 and accounts for 53.8% of total funding and other borrowings excluding securitisation, asset-backed conduit funding and preference shares (30 September 2006: 59.8%). Annualised growth in second half 2007 was 13.2%. All major product categories recorded good inflows.

As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Transaction	17,441	15,389	15,194
Savings	582	475	571
Fixed Term	14,855	14,749	13,888
Direct Saver	7,871	7,326	6,644
Investment	7,030	6,885	6,794
Total Retail Funding	47,779	44,824	43,091

Since 30 September 2006, transaction accounts have grown 14.8% to $17.4 billion, directsaver accounts grew by 18.5% to $7.9 billion, fixed term accounts grew 7.0% to $14.9 billion, and investment accounts, which comprise the Portfolio Cash Management Account, the Powersaver Account and the Investment Cash Account were $7.0 billion compared to $6.8 billion at 30 September 2006. The Group's business deposit accounts have grown by 18.7% to $7.0 billion since 30 September 2006. Cash investment accounts of Asgard investors held with the Bank increased 48.9% to $3.7 billion from $2.5 billion at 30 September 2006.

The launch of a new suite of Freedom transaction accounts in November 2006, which complement the Group's existing broad range of deposit products, contributed to growth in retail deposits. Annualised growth in transaction accounts in second half 2007 was a strong 26.7%. Product pricing is continually reviewed and revised where appropriate to ensure profitable growth is achieved in this intensely competitive market. Strong balance sheet growth, a deliberate strategy to hold a higher level of liquid assets and lower securitisation have resulted in an increase in the proportion of wholesale funding. As a result, the retail funding ratio reduced to 53.8% from 59.8% at 30 September 2006.

3.2.5 Retail Funding and Other Borrowings (continued)

Other borrowings

Other borrowings excluding securitisation, asset-backed conduit funding and preference shares increased to $41.0 billion from $28.9 billion at 30 September 2006. Debt issues during the year included the following:

- In November 2006, the Bank issued $150 million of fixed rate and $450 million of floating rate transferable deposits, maturing in November 2011.
- In December 2006, the Bank issued 3.25 million Converting Preference Shares (CPS) raising $320 million (net of issue costs). The CPS qualify as Tier 1 non-innovative capital for capital adequacy purposes.
- In January 2007, the Bank issued EUR500 million of floating rate notes, maturing in January 2010.
- In April 2007, the Bank issued CAD250 million of subordinated notes, maturing in April 2017.
- In June 2007, the Bank issued A$200 million of floating rate subordinated notes, maturing in June 2017.
- In July 2007, the Bank issued EUR500 million of fixed rate notes, maturing in July 2012.

In June 2007, the Bank redeemed its US$250 million depositary capital securities that were classified as preference shares.

The Group's strategy is to diversify its funding sources to ensure it has a stable funding base without over-reliance on any individual market. Securitisation has continued to be an important source of wholesale funding for the Group with securitisation and asset-backed conduit funding decreasing slightly by $0.3 billion to $18.9 billion since 30 September 2006.

In response to recent market volatility, St.George has increased its holdings of liquid assets. The Bank is well positioned to deal with this volatility with its high level of retail deposits that represent 53.8% of total funding (excluding securitisation and conduits) and ample access to additional funding. The Bank has well diversified funding sources in place with a prudent maturity profile that serves to moderate the impact of market volatility on its funding sources and costs.

The Bank's $1.1 billion Asset-Backed Conduit vehicle is funded by short-term commercial paper. The assets in the Conduit are mainly highly rated market securities.

Prevailing market conditions have made the timing and size of new securitisation transactions uncertain. Our liquidity profile is improved by existing securitisations as the repayment profile of securitisation funding and the loans securitised are substantially matched. The Bank will continue to assess market conditions for future securitisation opportunities.

St.George has a strong and stable retail funding base and a prudent level of medium term wholesale and securitisation funding in place. Volatile equity markets have assisted the Bank's retail funding base with retail funding growing by an annualised 15.1% since 30 June 2007.

3.2.6 Shareholders' Equity

Shareholders' equity of $5,884 million represents 4.7% of total assets as at 30 September 2007. Shareholders' equity is comprised of the following items:

As at	30 Sep 2007 $M	31 Mar 2007 $M	30 Sep 2006 $M
Ordinary share capital			
- Ordinary equity	4,051	3,969	3,878
- Treasury shares	(10)	(10)	(10)
Total ordinary share capital	4,041	3,959	3,868
SAINTS	345	345	345
Step-up preference shares	148	148	148
Retained profits	1,086	951	798
General reserve	15	15	15
General reserve for credit losses	153	130	117
Foreign currency translation reserve	(1)	(1)	(1)
Cash flow hedge reserve	47	6	-
Equity compensation reserve	41	36	29
Depositors' and borrowers' redemption reserve	2	2	2
Available for sale reserve	1	3	4
Minority interests	6	18	18
Shareholders' equity	5,884	5,612	5,343

Below is a table detailing the movements in ordinary equity during the year.

	$M	Number of shares
Balance as at 1 October 2006	3,868	526,247,360
Shares issued under various plans:		
Dividend Reinvestment Plan - 2006 final ordinary dividend	75	2,330,709
Dividend Reinvestment Plan - 2007 interim ordinary dividend	67	1,879,122
Perpetual note conversion	14	407,280
Employee Reward Share Plan	-	219,878
Executive Performance Share Plan	-	219,756
Executive Option Plan	17	926,990
Balance as at 30 September 2007	4,041	532,231,095

3.3 Other Financial Analysis

3.3.1 Dividends

Ordinary Shares

The Board has declared a final dividend of 86 cents per ordinary share, an increase of 11.7% or 9 cents compared to the 2006 year final dividend. This takes the full year dividend to 168 cents, an increase of 17 cents or 11.3% on the prior year. This represents a dividend payout ratio (cash basis) of 76.7% for the year.

100% of the dividend payment will be franked at 30% and will be paid on 18 December 2007. Ordinary shares will trade ex-dividend on 23 November 2007. The Group's capability to continue to frank dividends remains strong. The adjusted franking account balance was $571 million at 30 September 2007 (30 September 2006: $332 million), after allowing for the impact of the final dividend.

Registrable transfers received by St.George at its share registry[1] by 5.00 pm Sydney time on 29 November 2007 if paper based, or by end of the day on that date if transmitted electronically via CHESS, will be registered before entitlements to the dividend are determined.

Dividend Reinvestment Plan (DRP)

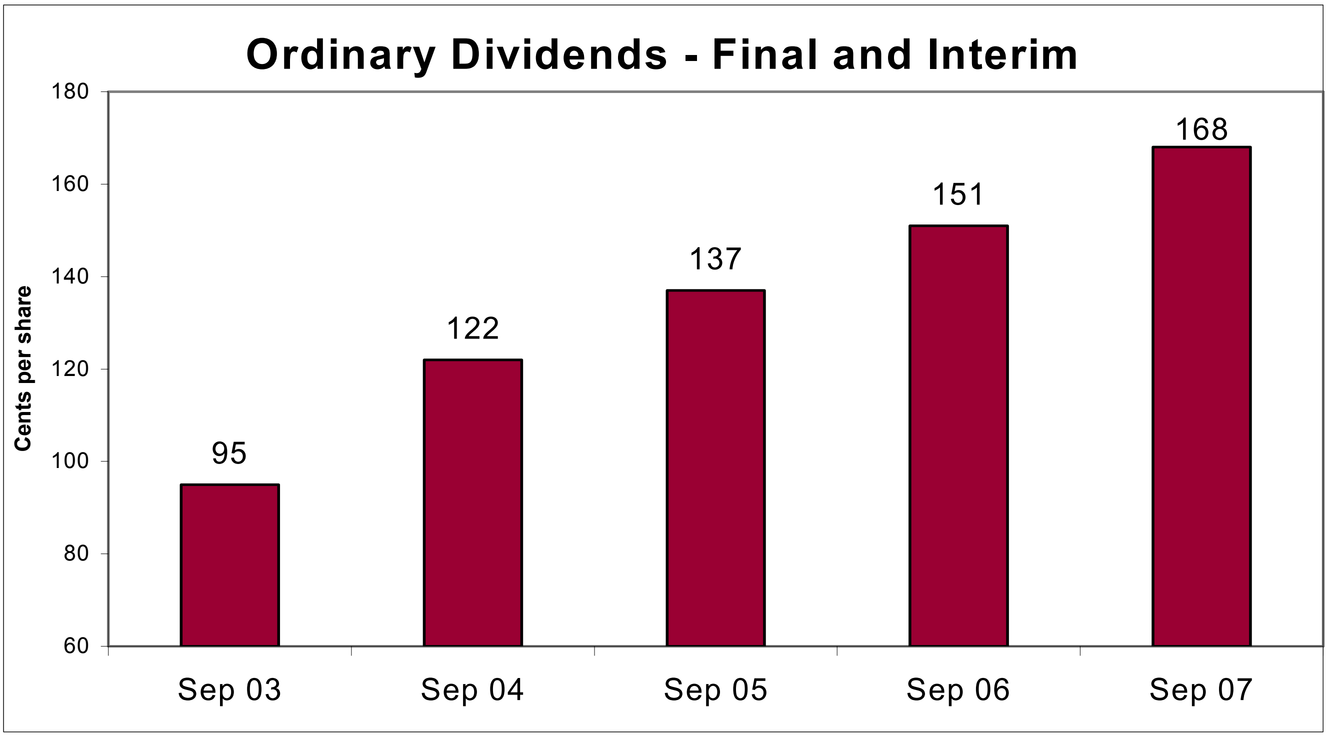
The DRP will operate for the final dividend with no discount. Participation will be from a minimum of 100 ordinary shares without a cap on participation by individual shareholders. For applications under the DRP to be effective, they must be received at the Bank's Share Registry[1] by 5:00pm on 29 November 2007. DRP application forms are available from the Share Registry.

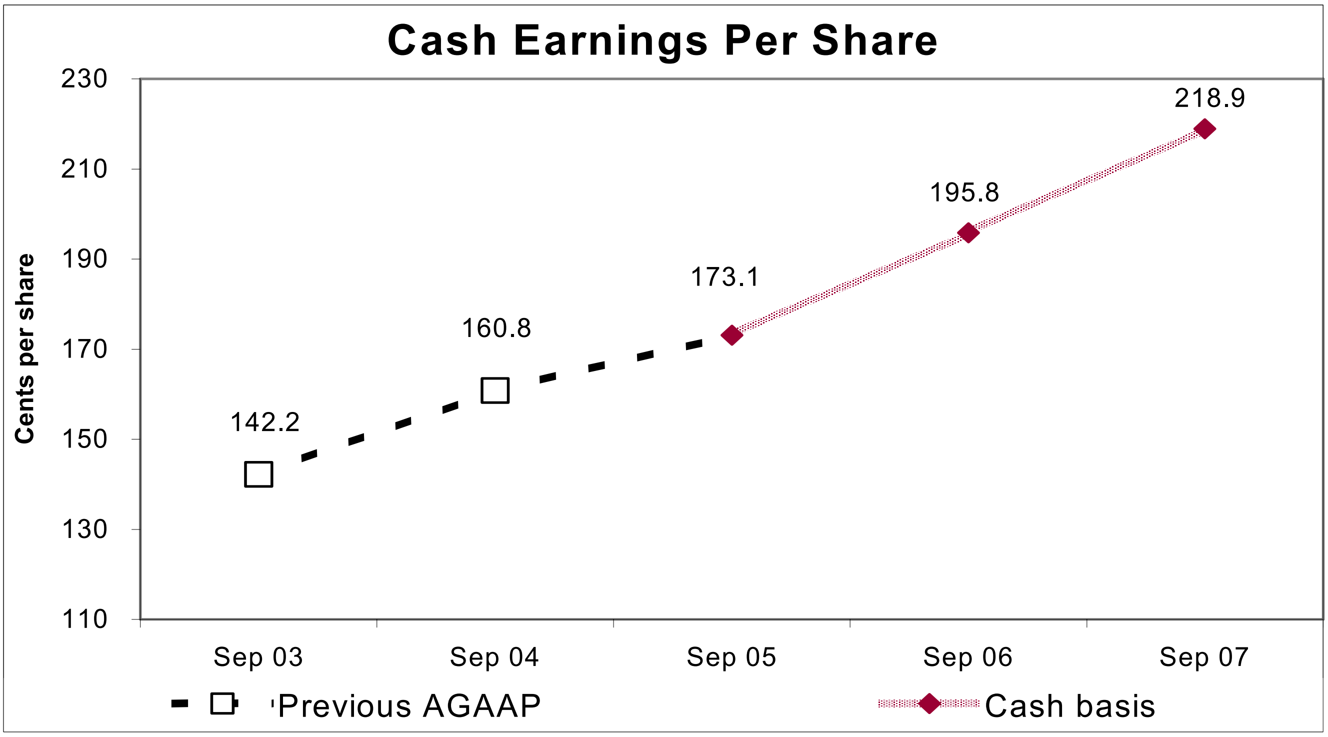
The DRP will be priced during the 15 days of trading commencing 3 December 2007 through to 21 December 2007. A combined DRP advice/holding statement will be despatched to DRP participants on 4 January 2008.

St.George intends to have the DRP underwritten up to a level of 100% participation for the 2007 final dividend.

[1] Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney. Tel: 1800 804 457

3.3.1 Dividends (continued)





3.3.1 Dividends (continued)

Preference Shares

The following table outlines the dividend entitlements relating to each class of Preference Share.

Period	Payment date	Amount $M	Franked
DCS (Classified as a liability)			
1 October 2006 - 31 December 2006	31 December 2006	7	No
1 January 2007 - 30 June 2007	30 June 2007	14	No
		21	
SAINTS (Classified as equity)			
1 October 2006 - 19 November 2006	20 November 2006	3	100% franked at 30%
20 November 2006 - 19 February 2007	20 February 2007	5	100% franked at 30%
20 February 2007 - 19 May 2007	21 May 2007	5	100% franked at 30%
20 May 2007 - 19 August 2007	20 August 2007	5	100% franked at 30%
20 August 2007 - 30 September 2007	20 November 2007	1	100% franked at 30%
		19	
STEP-UP PREFERENCE SHARES (Classified as equity)			
1 October 2006 - 19 November 2006	20 November 2006	1	100% franked at 30%
20 November 2006 - 19 February 2007	20 February 2007	2	100% franked at 30%
20 February 2007 - 19 May 2007	21 May 2007	2	100% franked at 30%
20 May 2007 - 19 August 2007	20 August 2007	2	100% franked at 30%
20 August 2007 - 30 September 2007	20 November 2007	1	100% franked at 30%
		8	
CONVERTING PREFERENCE SHARES (Classified as a liability)			
19 December 2006 - 19 February 2007	20 February 2007	4	100% franked at 30%
20 February 2007 - 19 May 2007	21 May 2007	4	100% franked at 30%
20 May 2007 - 19 August 2007	20 August 2007	4	100% franked at 30%
20 August 2007 - 30 September 2007	20 November 2007	1	100% franked at 30%
		13	

3.3.2 Capital Adequacy

The Group has a Tier 1 capital adequacy ratio of 6.7% (30 September 2006: 6.9%) and a total capital ratio of 10.2% (30 September 2006: 10.8%). Capital adequacy has been calculated in accordance with APRA's AIFRS regulatory requirements that applied from 1 July 2006. In accordance with APRA's transitional arrangements, the $261 million Tier 1 regulatory capital shortfall calculated as the difference between the Group's previous AGAAP capital base at 30 June 2006 and AIFRS capital base at 1 July 2006, is subject to transitional relief until 31 December 2007.

The Tier 1 capital adequacy ratio was impacted during the year primarily by the issuance of 3.25 million Converting Preference Shares in December 2006, raising $320 million in Non-Innovative Tier 1 Capital and the redemption of the Bank's USD250 million depositary capital securities in June 2007.

	30 Sep	31 Mar	30 Sep
	2007	2007	2006
	$M	$M	$M
Tier 1			
Share capital	4,041	3,959	3,868
General reserve	15	15	15
Borrowers' and depositors' redemption reserve	2	2	2
Converting Preference Shares	320	320	-
SAINTS	345	345	345
Perpetual notes	-	34	34
Step-up preference shares	148	148	148
Depositary capital securities	-	310	335
Minority interests	6	(16)	(16)
Other reserves	1	1	2
Equity compensation reserve	41	36	29
Retained earnings	1,086	951	798
Less: Expected dividend (1)	-	(354)	(344)
Capitalised expenses (2)	(358)	(313)	(295)
Goodwill and other APRA deductions	(1,701)	(1,579)	(1,513)
Add: AIFRS APRA transition adjustments (3)	261	261	261
Total Tier 1 capital	4,207	4,120	3,669
Tier 2			
Asset revaluations	23	24	28
Subordinated debt	1,890	1,583	1,835
General reserve for credit losses/collective provision	313	283	265
Add: APRA AIFRS transition adjustment (3)	7	7	7
Total Tier 2 capital	2,233	1,897	2,135
Deductions			
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27	27
Other	1	1	1
Total deductions from capital	28	28	28
Total qualifying capital	**6,412**	**5,989**	**5,776**
Risk weighted assets	**63,226**	**57,117**	**52,982**
	%	%	%
Risk weighted capital adequacy ratio			
Tier 1	6.7	7.2	6.9
Tier 2	3.5	3.3	4.0
Deductions	-	-	(0.1)
Total capital ratio	10.2	10.5	10.8

(1) The DRP on the final dividend is to be underwritten up to a level of 100% participation and accordingly has been netted.

(2) From 1 July 2006 also includes capitalised software costs.

(3) AIFRS transitional relief adjustments approved by APRA that apply until 31 December 2007.

3.3.2 Capital Adequacy (continued)

The Adjusted Common Equity (ACE) Ratio is 4.9% compared to 4.8% at 30 September 2006. The ratio excludes APRA's $261 million transitional relief adjustment.

As at	Sept 2007 $M	March 2007 $M	Sept 2006 $M
Adjusted Common Equity Ratio			
Tier 1 Capital	4,207	4,120	3,669
Less: SAINTS	345	345	345
Step-up preference shares	148	148	148
Converting preference shares	320	320	-
Depositary capital securities	-	310	335
Perpetual notes	-	34	34
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27	27
APRA transition adjustments	261	261	261
Adjusted Common Equity	3,106	2,675	2,519
Risk Weighted Assets	63,226	57,117	52,982
Adjusted Common Equity Ratio	4.9%	4.7%	4.8%

3.3.3 Average Balances and Related Interest

Average Balances and Related Interest **For the Year Ended 30 September 2007**	**Average** **Balance** **$M**	**Interest** **$M**	**Average** **Rate** **%**
Interest earning assets			
Cash and liquid assets	1,078	52	4.82%
Receivables from other financial institutions	1,489	82	5.51%
Assets at fair value	7,999	491	6.14%
Loans and other receivables	98,285	7,578	7.71%
Total interest earning assets	108,851	8,203	7.54%
Non-interest earning assets			
Bills receivable	23		
Property, plant and equipment	333		
Other assets	4,805		
Provision for doubtful debts	(323)		
Total non-interest earning assets	4,838		
Total assets	113,689		
Interest bearing liabilities			
Retail funding	43,724	2,088	4.78%
Other deposits	17,200	1,151	6.69%
Payables to other financial institutions	509	26	5.11%
Domestic borrowings	13,294	902	6.79%
Offshore borrowings [(1)]	30,107	1,843	6.12%
Total interest bearing liabilities	104,834	6,010	5.73%
Non-interest bearing liabilities			
Bills payable	193		
Other non-interest bearing liabilities	3,153		
Total non-interest bearing liabilities	3,346		
Total liabilities	108,180		
Shareholders' equity [(2)]	5,509		
Total liabilities and shareholders' equity	113,689		
Interest Spread [(3)]			1.81%
Interest Margin [(4)]			2.01%

(1) Includes foreign exchange swap costs.
(2) Basic weighted average number of ordinary shares outstanding for the year were 529.9 million.
(3) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(4) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest **For the Year Ended 30 September 2006**	**Average** **Balance** **$M**	**Interest** **$M**	**Average** **Rate** **%**
Interest earning assets			
Cash and liquid assets	885	38	4.29%
Receivables from other financial institutions	1,255	61	4.86%
Assets at fair value	6,814	380	5.58%
Loans and other receivables	86,529	6,335	7.32%
Total interest earning assets	95,483	6,814	7.14%
Non-interest earning assets			
Bills receivable	14		
Property, plant and equipment	434		
Other assets	3,846		
Provision for doubtful debts	(280)		
Total non-interest earning assets	4,014		
Total assets	99,497		
Interest bearing liabilities			
Retail funding	40,187	1,779	4.43%
Other deposits	14,670	882	6.01%
Payables to other financial institutions	449	19	4.23%
Domestic borrowings	10,857	671	6.18%
Offshore borrowings [1]	25,989	1,448	5.57%
Total interest bearing liabilities	92,152	4,799	5.21%
Non-interest bearing liabilities			
Bills payable	199		
Other non-interest bearing liabilities	2,262		
Total non-interest bearing liabilities	2,461		
Total liabilities	94,613		
Shareholders' equity [2]	4,884		
Total liabilities and shareholders' equity	99,497		
Interest Spread [3]			1.93%
Interest Margin [4]			2.11%

(1) Includes foreign exchange swap costs.
(2) Basic weighted average number of ordinary shares outstanding for the year were 524.3 million.
(3) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(4) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest **For the Half Year Ended 30 September 2007**	**Average** **Balance** **$M**	**Interest** **$M**	**Average** **Rate** [1] **%**
Interest earning assets			
Cash and liquid assets	1,179	29	4.92%
Receivables from other financial institutions	1,510	43	5.70%
Assets at fair value	8,619	272	6.31%
Loans and other receivables	101,792	3,953	7.77%
Total interest earning assets	113,100	4,297	7.60%
Non-interest earning assets			
Bills receivable	34		
Property, plant and equipment	329		
Other assets	4,973		
Provision for doubtful debts	(330)		
Total non-interest earning assets	5,006		
Total assets	118,106		
Interest bearing liabilities			
Retail funding	45,010	1,098	4.88%
Other deposits	18,576	632	6.80%
Payables to other financial institutions	611	16	5.24%
Domestic borrowings	13,670	471	6.89%
Offshore borrowings [2]	31,069	965	6.21%
Total interest bearing liabilities	108,936	3,182	5.84%
Non-interest bearing liabilities			
Bills payable	210		
Other non-interest bearing liabilities	3,326		
Total non-interest bearing liabilities	3,536		
Total liabilities	112,472		
Shareholders' equity [3]	5,634		
Total liabilities and shareholders' equity	118,106		
Interest Spread [4]			1.76%
Interest Margin [5]			1.97%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half-year were 531.0 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest **For the Half Year Ended 31 March 2007**	**Average** **Balance** **$M**	**Interest** **$M**	**Average** **Rate [1]** **%**
Interest earning assets			
Cash and liquid assets	959	23	4.80%
Receivables from other financial institutions	1,428	39	5.46%
Assets at fair value	7,270	219	6.02%
Loans and other receivables	94,710	3,625	7.65%
Total interest earning assets	104,367	3,906	7.49%
Non interest earning assets			
Bills receivable	10		
Property, plant and equipment	337		
Other assets	4,628		
Provision for doubtful debts	(315)		
Total non interest earning assets	4,660		
Total assets	109,027		
Interest bearing liabilities			
Retail funding	42,432	990	4.67%
Other deposits	15,708	519	6.61%
Payables to other financial institutions	402	10	4.98%
Domestic borrowings	12,948	431	6.66%
Offshore borrowings [2]	29,032	878	6.05%
Total interest bearing liabilities	100,522	2,828	5.63%
Non interest bearing liabilities			
Bills payable	177		
Other non interest bearing liabilities	2,930		
Total non interest bearing liabilities	3,107		
Total liabilities	103,629		
Shareholders' equity [3]	5,398		
Total liabilities and shareholders' equity	109,027		
Interest Spread [4]			1.86%
Interest Margin [5]			2.07%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half year were 528.6 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.4 Volume and Rate Analysis

The table below allocates changes in interest income and interest expense between changes in volume and rate for the year ended 30 September 2007, and half years ended 30 September 2007 and 31 March 2007. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

Full year movement

	September 2007 over September 2006		
	Change due to		
	Volume $M	Rate $M	Total $M
Interest earning assets			
Cash and liquid assets	9	5	14
Receivables due from other financial institutions	13	8	21
Assets at fair value	73	38	111
Loans and other receivables	906	337	1,243
Change in interest income	1,001	388	1,389
Interest bearing liabilities			
Retail funding	169	140	309
Other deposits	169	100	269
Payables due to other financial institutions	3	4	7
Domestic borrowings	165	66	231
Offshore borrowings	252	143	395
Change in interest expense	758	453	1,211
Change in net interest income	243	(65)	178

Half year movements

	September 2007 over March 2007			March 2007 over September 2006		
	Change due to			Change due to		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Interest earning assets						
Cash and liquid assets	5	1	6	2	2	4
Receivables due from other financial institutions	2	2	4	1	3	4
Assets at fair value	43	10	53	4	12	16
Loans and other receivables	275	53	328	193	111	304
Change in interest income	325	66	391	200	128	328
Interest bearing liabilities						
Retail funding	63	45	108	27	44	71
Other deposits	98	15	113	42	34	76
Payables due to other financial institutions	5	1	6	(3)	2	(1)
Domestic borrowings	25	15	40	30	19	49
Offshore borrowings	63	24	87	58	48	106
Change in interest expense	254	100	354	154	147	301
Change in net interest income	71	(34)	37	46	(19)	27

3.3.5 Derivatives

The major categories of risk managed by the Group are credit risk, market risk, liquidity risk and operational risk. The Group uses derivatives as a cost effective way of managing market risk. Derivatives incur extremely low transaction costs in comparison to the face value of the contract. Prudent management of market risk involves the use of derivatives to transfer all or part of the risk to counterparties who are willing to accept it. Derivatives therefore provide protection to income streams from volatile interest and foreign exchange rates in the financial markets.

The following table provides details of the Group's outstanding derivatives used for trading and hedging purposes.

	30 September 2007				30 September 2006			
	Contract/	Fair values			Contract/	Fair values		
$M	Notional Amount	Assets	Liabilities	Net	Notional Amount	Assets	Liabilities	Net
Derivatives held for trading								
Futures	6,950	-	-	-	15,058	2	(1)	1
Forward rate agreements	29,469	3	(1)	2	57,300	10	(2)	8
Interest rate swaps	71,827	382	(356)	26	68,055	247	(257)	(10)
Interest rate options	537	3	(10)	(7)	661	1	(1)	-
Foreign exchange	23,048	410	(687)	(277)	18,131	175	(121)	54
Cross currency swaps	2,323	102	(171)	(69)	3,509	59	(43)	16
Foreign exchange options	2,388	27	(27)	-	3,573	13	(11)	2
	136,542	**927**	**(1,252)**	**(325)**	**166,287**	**507**	**(436)**	**71**
Derivatives held for cash flow hedging								
Interest rate swaps	29,353	236	(78)	158	15,657	62	(40)	22
	29,353	**236**	**(78)**	**158**	**15,657**	**62**	**(40)**	**22**
Derivatives held for fair value hedging								
Interest rate swaps	1,556	5	(14)	(9)	1,397	8	(20)	(12)
Cross currency swaps	22,899	103	(2,096)	(1,993)	27,463	516	(694)	(178)
	24,455	**108**	**(2,110)**	**(2,002)**	**28,860**	**524**	**(714)**	**(190)**
Total	**190,350**	**1,271**	**(3,440)**	**(2,169)**	**210,804**	**1,093**	**(1,190)**	**(97)**

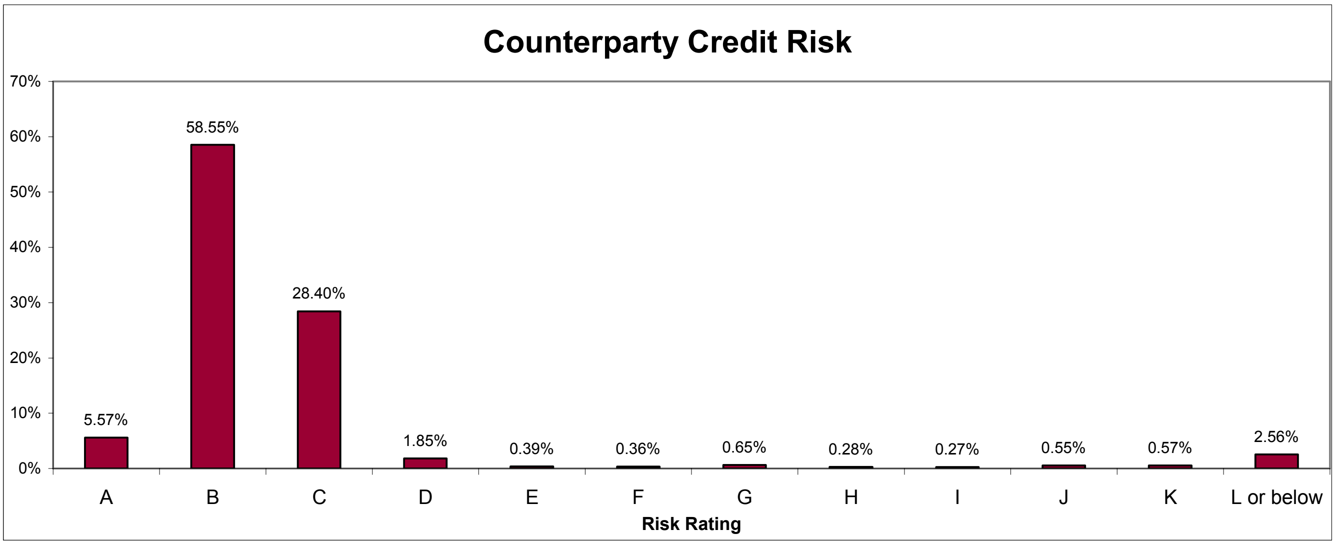
3.3.5 Derivatives (continued)

The Group has credit risk on derivative transactions that have a positive value (an asset). More than 95% of derivative transactions, by notional contract value, are with counterparties that are rated investment grade quality.

The St.George risk rating system has twelve levels of classification. The levels are:

Level	International Rating
A	AAA
B	AA+ to AA
C	AA-
D	A+
E	A
F	A-
G	BBB+
H	BBB
I	BBB-
J	BB+
K	BB+
L or below	BB or below

The graph below shows the percentage counterparty risk exposure on derivatives on a notional contract basis totalling $190.4 billion as at 30 September 2007 (30 September 2006: $210.8 billion).



3.3.5 Derivatives (continued)

Market Risk from Trading Activities

Market risk is the potential for losses arising from the adverse movements in the level of market factors such as foreign exchange rates, interest rates, exchange rate volatilities or interest rate volatilities.

Trading activities give rise to market risk. This risk is controlled by an overall risk management framework that incorporates a number of market risk measurements including Value at Risk (VaR). VaR is a statistical estimate of losses, calculated at St.George to a 99% confidence level. This means that losses greater than our VaR estimate should not occur more than once in 100 days on average. In an extreme event, losses could well exceed the VaR amount.

VaR measurements are supplemented by a series of stress tests that are used to capture the possible effect of extreme events or market shocks. Additionally the market risk framework includes applying stoploss limits on all portfolios, basis point sensitivity limits, specific options limits and control of large or unusual trading activity.

St.George uses Monte Carlo simulation to calculate VaR. This model takes into account relevant market variables. It is approved by APRA for regulatory purposes and is operated within the overall framework outlined in the APRA Prudential Standards.

The following table provides a summary of VaR by total room and by trading unit for the half years ended 30 September 2007, 31 March 2007 and 30 September 2006.

Six months ended	**30 September 2007**		**31 March 2007**		**30 September 2006**	
$'000	**High**	**Average**	**High**	**Average**	**High**	**Average**
Total Room Risk	1,308	586	1,165	526	1,546	674
Domestic VaR	1,359	545	1,087	485	1,582	603
Foreign Exchange VAR	682	220	694	207	597	292

Note: the table above incorporates all options risk. VaR is calculated at a 99% confidence interval for a 1 day-holding period using end of day trading positions.

Actual and hypothetical profit and loss outcomes are monitored against VaR on a daily basis as part of the model validation process. This process includes hypothetical profit and loss, which holds the portfolio constant, thereby excluding any intraday trading activity.

4 Supplementary Information

4.1 Earnings Per Share Calculations – Cash basis

	Half Year		Full Year	
	Sep 07	Mar 07	Sep 07	Sep 06
Weighted average number of shares				
Basic ('000)	531,035	528,644	529,917	524,281
Weighted average number of potential dilutive shares				
Options on ordinary shares ('000)	444	530	444	711
PRYMES ('000)	-	-	-	3,986
SAINTS ('000)	10,144	10,248	10,144	11,871
SPS ('000)	4,347	4,392	4,347	1,436
CPS ('000)	9,419	5,385	7,380	-
	24,354	20,555	22,315	18,004
Weighted average number of shares used in dilutive earnings per share calculation ('000)	555,389	549,199	552,232	542,285
	$M	$M	$M	$M
Cash basis earnings used in basic earnings per share calculation	592	568	1,160	1,026
add: preference share distributions on potential dilutive issues				
PRYMES	-	-	-	8
SAINTS	10	9	19	18
SPS	4	4	8	2
CPS	8	5	13	-
Cash basis earnings used in dilutive earnings per share calculation	614	586	1,200	1,054

4.2 Branches

As at	Sep 2007	Mar 2007	Sep 2006
New South Wales	201	200	200
Australian Capital Territory	13	13	13
Queensland	27	23	23
Victoria	37	38	38
South Australia	109	109	109
Western Australia	8	3	3
Northern Territory	4	4	4
Total	399	390	390
Assets per branch - $M	315	287	274
Net Profit per branch (Mar 07 annualised)			
- Cash basis profit before preference dividends $ '000	2,975	2,979	2,682

Investment has continued in the interstate distribution network with five branches opened in Western Australia and four branches in Queensland.

4.3 Staffing (full time equivalents)

As at	Sep 2007	Mar 2007	Sep 2006
New South Wales	5,057	4,964	4,920
Australian Capital Territory	151	159	146
Queensland	349	304	297
Victoria	419	407	413
South Australia	1,221	1,208	1,225
Western Australia	192	163	132
Northern Territory	37	37	39
	7,426	7,242	7,172
Asgard	648	647	618
Scottish Pacific	-	106	135
St.George Bank New Zealand	-	-	24
Total Permanent and Casual Staff	8,074	7,995	7,949
Assets per staff - $M	15.6	14.0	13.5
Staff per $m assets - No.	0.06	0.07	0.07
Net Profit per average staff (Mar 07 annualised)			
- Cash basis profit before preference dividends $'000	148	147	131
Total Group Workforce[1]	8,722	8,727	8,598

[1] The total Group workforce comprises permanent, casual and temporary staff and contractors.

Staff (excluding contractors and temporary staff) increased by 118 (full time equivalent basis) during the year in Queensland, Victoria and Western Australia to further progress the Bank’s expansion plans in these markets.

4.4 Dates and Credit Ratings

Financial Calendar

Date	Event
1 November 2007	Ex-dividend trading for SAINTS, SPS and CPS dividends
7 November 2007	Record date for SAINTS, SPS and CPS dividends
20 November 2007	Payment date of SAINTS, SPS and CPS dividends
23 November 2007	Ex-dividend trading for final ordinary share dividend
29 November 2007	Record date for final ordinary share dividend
18 December 2007	Payment of final ordinary share dividend
19 December 2007	Annual General Meeting
31 March 2008	Financial half-year end
30 September 2008	Financial year end

Proposed Dates

Date	Event
4 January 2008	Mailing DRP statements
31 January 2008	Ex-dividend trading for SAINTS, SPS and CPS dividends
6 February 2008	Record date for SAINTS, SPS and CPS dividends
20 February 2008	Payment date of SAINTS, SPS and CPS dividends
30 April 2008	Ex-dividend trading for SAINTS, SPS and CPS dividends
6 May 2008	Announcement of financial results and interim ordinary share dividend declared
6 May 2008	Record date for SAINTS, SPS and CPS dividends
20 May 2008	Payment date of SAINTS, SPS and CPS dividends
2 June 2008	Ex-dividend trading for interim ordinary share dividend
6 June 2008	Record date for interim ordinary share dividend
18 June 2008	Victorian shareholders meeting
2 July 2008	Payment of interim ordinary share dividend

Credit Ratings

	Short term	Long term
Standard & Poor's	A-1	A+
Moody's	P-1	Aa2
Fitch Ratings	F1	A+

Further Information

Contact Details	Media	Analysts
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ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	30 Sept 2007 $M	30 Sept 2006 $M
Interest income	**8,203**	6,781
Interest expense	**6,010**	4,768
Net interest income	**2,193**	2,013
Other income	**1,092**	994
Total operating income	**3,285**	3,007
Bad and doubtful debts expense	**178**	144
Operating expenses	**1,390**	1,341
Profit before income tax	**1,717**	1,522
Income tax expense	**525**	445
Profit from continuing operations	**1,192**	1,077
Loss of discontinued operation net of tax	**-**	13
Net profit for the year	**1,192**	1,064
Attributable to:		
Shareholders of the Bank	**1,190**	1,068
Minority interest in continuing operations	**2**	1
Minority interest in discontinued operations	**-**	(5)
Net profit for the year	**1,192**	1,064
Dividends per ordinary share (cents)		
Interim dividend paid	**82**	74
Final dividend paid	**-**	77
Final dividend proposed	**86**	-
Earnings per share from continuing operations (cents)		
Basic	**219.5**	201.4
Diluted	**217.8**	199.9

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007

	As at	
	30 Sept 2007 $M	30 Sept 2006 $M
ASSETS		
Cash and liquid assets	**2,081**	1,081
Receivables due from other financial institutions	**1,244**	1,182
Assets at fair value through the income statement	**11,339**	6,192
Derivative assets	**1,271**	1,093
Available for sale investments	**929**	1,541
Loans and other receivables	**89,884**	81,516
Bank acceptances of customers	**16,343**	11,908
Investment in associated companies	**28**	28
Property, plant and equipment	**345**	334
Intangible assets	**1,323**	1,291
Deferred tax assets	**215**	193
Other assets	**798**	643
TOTAL ASSETS	**125,800**	107,002
LIABILITIES		
Deposits and other borrowings	**70,803**	54,633
Payables due to other financial institutions	**1,013**	401
Liabilities at fair value through the income statement	**-**	390
Derivative liabilities	**3,440**	1,190
Bank acceptances	**6,348**	7,287
Provision for dividends	**2**	3
Current tax liabilities	**101**	160
Deferred tax liabilities	**123**	172
Other provisions	**116**	125
Bonds and notes	**34,971**	34,593
Loan capital	**2,231**	2,032
Bills payable and other liabilities	**768**	673
TOTAL LIABILITIES	**119,916**	101,659
NET ASSETS	**5,884**	5,343
SHAREHOLDERS' EQUITY		
Share capital	**4,549**	4,376
Reserves	**243**	151
Retained profits	**1,086**	798
Equity attributable to shareholders of the Bank	**5,878**	5,325
Minority interests	**6**	18
Total Shareholders' Equity	**5,884**	5,343

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	30 Sept 2007 $M	30 Sept 2006 $M
Foreign currency translation reserve		
Foreign exchange translation differences (net of tax)	**-**	(5)
Cash flow hedge reserve		
Gains and losses on cash flow hedging instruments (net of tax)		
Recognised in equity	**46**	20
Transferred to the income statement	**1**	(1)
Available for sale reserve		
Losses on available for sale investments (net of tax)		
Recognised in equity	**(3)**	(1)
Defined benefit plan actuarial gains (net of tax)	**2**	-
Net income recognised directly in equity	**46**	13
Profit for the year	**1,192**	1,064
Total recognised income and expense for the year	**1,238**	1,077
Total recognised income and expense for the year attributable to:		
Shareholders of the Bank	**1,236**	1,081
Minority interests	**2**	(4)
Total recognised income and expense for the year	**1,238**	1,077
Effects of change in accounting policy - financial instruments		
Net decreased in retained profits	**-**	(131)
Net increase in reserves	**-**	54

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2007

	30 Sept 2007 $M	30 Sept 2006 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	**8,289**	6,746
Interest paid	**(6,059)**	(4,813)
Other income received	**915**	850
Operating expenses paid	**(1,292)**	(1,201)
Income taxes paid	**(608)**	(457)
Purchase of available for sale investments	**(384)**	(1,715)
Proceeds from sale and redemption of available for sale investments	**1,005**	1,330
Net (increase)/decrease in assets		
- balance due from other financial institutions (not at call)	**3**	(82)
- assets at fair value through the income statement	**(5,191)**	(181)
- loans and other receivables	**(13,067)**	(13,332)
Net increase/(decrease) in liabilities		
- balance due to other financial institutions (not at call)	**(104)**	135
- deposits and other borrowings	**15,424**	5,515
- bonds and notes	**2,460**	7,624
Net cash provided by operating activities	**1,391**	419
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of controlled entity	**27**	23
Increase in investment in associated companies	**-**	(25)
Dividends received	**8**	6
Payments for shares	**-**	(1)
Restructure related payments	**(11)**	-
Proceeds from sale of shares	**8**	8
Proceeds from sale of businesses	**-**	4
Payments for property, plant and equipment	**(91)**	(59)
Proceeds from sale of property, plant and equipment	**29**	158
Net (increase)/decrease in other assets	**(219)**	(142)
Net cash used in investing activities	**(249)**	(28)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in liabilities		
- other liabilities	**36**	(20)
- liabilities at fair value through the income statement	**(390)**	-
- loan capital	**(32)**	34
Net proceeds from the issue of perpetual notes	**-**	3
Net proceeds from the issue of Step-up Preference Shares	**-**	148
Net proceeds from the issue of Converting Preference Shares	**320**	-
Proceeds from the issue of shares	**17**	9
Buyback of shares	**-**	(300)
Issue costs	**-**	(1)
Dividends paid (excluding Dividend Re-Investment Plan)	**(725)**	(585)
Net purchase of Treasury shares	**-**	(10)
Net cash used in financing activities	**(774)**	(722)
Net increase/(decrease) in cash and cash equivalents	**368**	(331)
Cash and cash equivalents at the beginning of the year	**1,407**	1,738
Cash and cash equivalents at the end of the year	**1,775**	1,407

Compliance Statement

This preliminary final report for the year ended 30 September 2007 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Bank during the year.

The preliminary final report has been prepared in accordance with Accounting Standards in Australia.

The financial statements of St.George have been audited by its auditor, KPMG.

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J M Thame	P D R Isherwood AO
Chairman	Director
31 October 2007	