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St.George reports strong increase in profit

St.George Managing Director and CEO, Mrs Gail Kelly today announced that net profit before significant items increased by 34% to $505 million (FY2001 $376m) representing a strong underlying operating performance.

St.George reported a net profit after tax of $369 million (including significant items) for the year ended 30 September 2002. This represents a 10% increase from $336 million the previous financial year.

"St.George has delivered strong revenue growth while improving interest margins and improving its cost to income ratio," Mrs Kelly said.

The Board announced a final dividend of 42 cents. This takes the full year dividend to 80 cents, up from 65 cents for the previous year, a 23% increase.

The Dividend Reinvestment Plan will also operate for the final dividend, with no discount offered. Participation will be from a minimum of 100 shares without a cap on participation by individual shareholders.

"This year has been a watershed year for the Group. On July 1 we celebrated 10 years as a Bank, and our restrictive articles fell away. We have developed a strategy for growth and we have realigned our operations to be more customer focussed."

Mrs Kelly said that, as already announced, net significant items amounted to $136 million after tax and related to the write down of certain non-core investments and WealthPoint goodwill, restructuring costs associated with the Even Better Bank program, profits from the part sale of Cashcard and deferred expenditure write-offs.

Return-on-Equity increased from 16.6% to 19.6% and Earnings-Per-Share increased by 23% to 124.7 cents. Both of these calculations are before goodwill amortisation and significant items.

Contributing to St.George's operating performance was a profitable increase in lending and deposit volumes, managed funds growth, and strong growth in non-interest income. St.George also maintained its solid on-going credit quality. Key results include:

- Total lending assets, including securitised loans, increased by 9% from $45.9 to $50.2 billion;
- Interest margin improved to 2.80%;
- Retail deposits increased by 13% to $29.7 billion;
- Managed Funds increased by 13% to $17.4 billion;
- Total income before significant items increased by 13% to $2.17 billion;
- Expense-to-income decreased from 53.6% to 52.4%;
- Bad and Doubtful Debts were 0.16% of average assets and net non accrual loans declined from 0.12% to 0.09% of receivables; and
- Customer satisfaction, as measured by Roy Morgan, increased from 68.4% to 70.5% in August 2002 (most recent data), slightly increasing St.George's differential compared to the average of the major four banks.

Reflecting on the year, Mrs Kelly said, "The investment that the team has made in applying greater commercial rigour and discipline to the full life-cycle of projects will pay dividends in coming years. New investment decision policies and processes lay the foundation for focussed attention on execution and benefits realisation. We have a strong team in place and we approach 2003 with confidence."

Importantly, the Group has now settled on the strategic priorities for next year and these include home loans, wealth management, implementing the integrated sales and service program, middle market commercial banking and further productivity improvements.

"Where 2002 was a year of taking stock of the underlying strengths of the Group, next year will be all about executing our well developed plans to continue and grow the Group's financial success. I am proud of our achievements this year and looking forward to the challenges ahead."

Overall, St.George will be targeting 10% EPS growth in 2003 and continuing double-digit growth in 2004 and 2005. The Bank has a target of reducing the cost to income ratio to below 50% in 2004.

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