

FULL YEAR RESULTS

5 November 2003

RETHINK



SERVICE!

SMART
BANKING

BUSINESS
PARTNERSHIPS

CLEVER
INVESTMENTS

SOUND INSURANCE

AGENDA

RESULT HIGHLIGHTS:

Gail Kelly

FINANCIAL OVERVIEW:

Steve McKerihan

STRATEGY OVERVIEW:

Gail Kelly



WE HAVE DELIVERED A QUALITY RESULT

- Strong revenue growth
- Costs well managed
- Robust interest margin
- Superior credit quality maintained
- Effective implementation of strategy



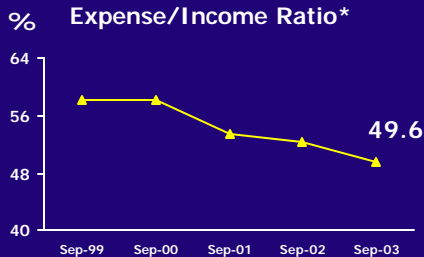
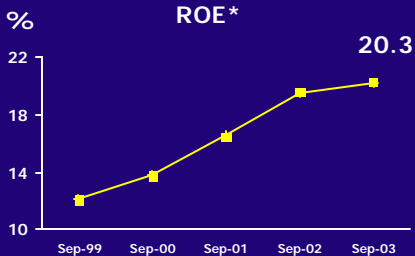
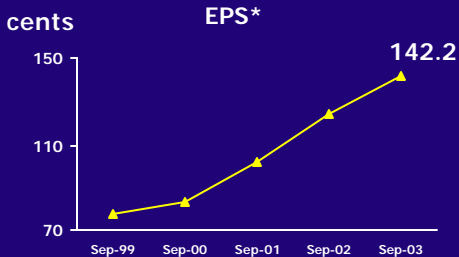
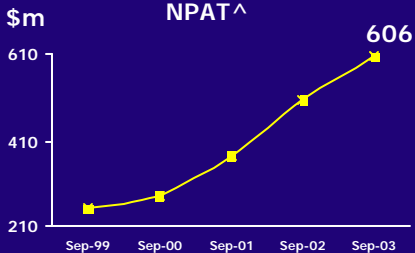
PROFIT RESULT

	Sep 2003	Sep 2002	% Change
Profit Before Sig. Items	\$606m	\$505m	20
Profit After Sig. Items	\$606m	\$369m	64
Earnings per Share*	142.2¢	124.7¢	14
Return on Equity*	20.3%	19.5%	
Expense to Income*	49.6%	52.4%	
Dividend	95 cents	80 cents	19

*Calculated before significant items and goodwill amortisation



SUSTAINED FINANCIAL PERFORMANCE



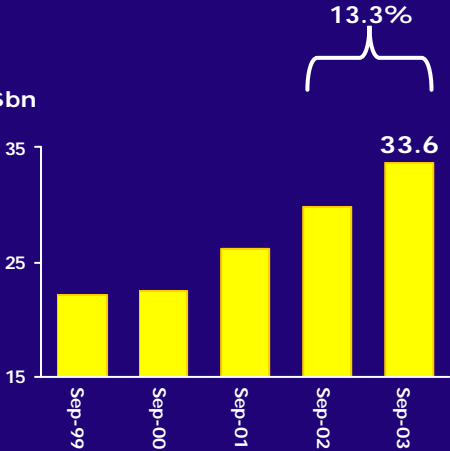
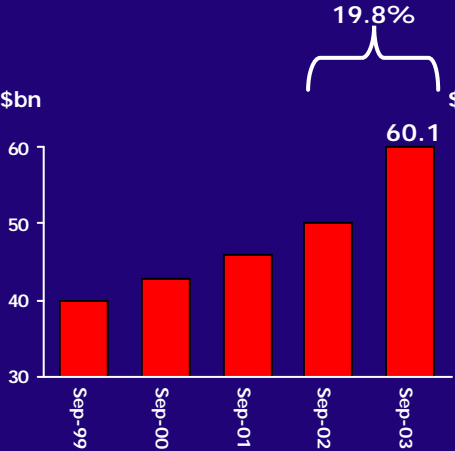
[^]Before significant items

^{*}Calculated before significant items and goodwill amortisation

STRONG GROWTH IN ASSETS AND LIABILITIES

Total Lending*

Total Retail Deposits

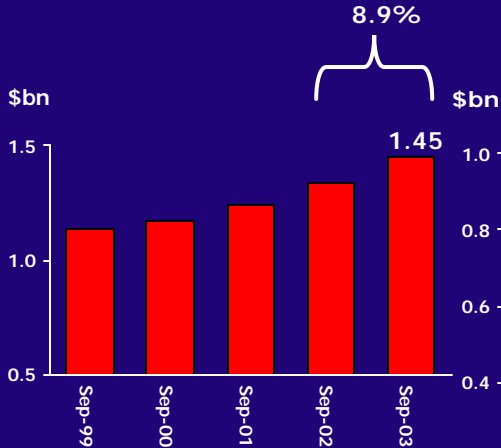


*On and off balance sheet

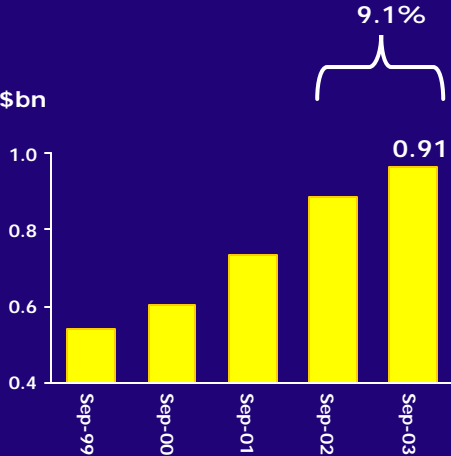


BUILDING INCOME

Net-Interest Income

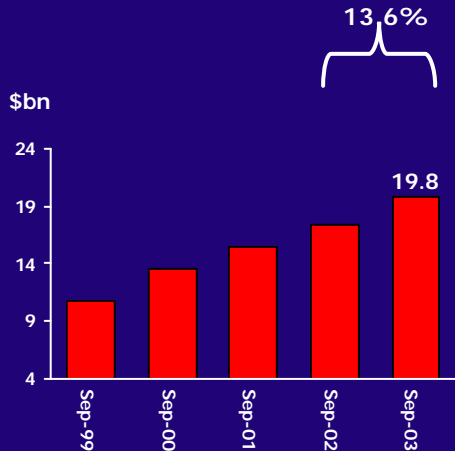


Non-Interest Income



ROBUST MANAGED FUNDS GROWTH

Total Managed Funds

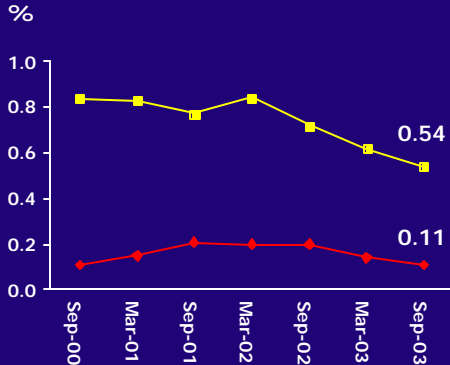


- SEALCORP funds under administration up 15.6%
- Advance funds under management up 14.1%

CREDIT QUALITY REMAINS EXCELLENT

Non-Accruals/Total Receivables

—■— Average of the 4 Majors
—◆— St. George



- Asset quality across Group continues to be excellent
- Specific provisioning coverage for non-accruals has increased to 59.3% from 51.3%
- Bad debts/average total receivables stable at 0.22%

DELIVERING ON TARGETS

	TARGET	OUTCOME
EPS Growth 2003	Sep-02: 10% May-02: 11-13% upgrade Aug-03: 13-14% upgrade	14%
EPS Growth 2004/5	Double digit	Reaffirmed
Cost to Income	Sub 50% FY04	Achieved in 1H03
Capital	Tier one 7-7.5%	7.2%
Credit Quality	Maintain positive differential to the majors	Achieved
Customer Satisfaction	Maintain positive differential to the majors	Achieved



FINANCIAL OVERVIEW

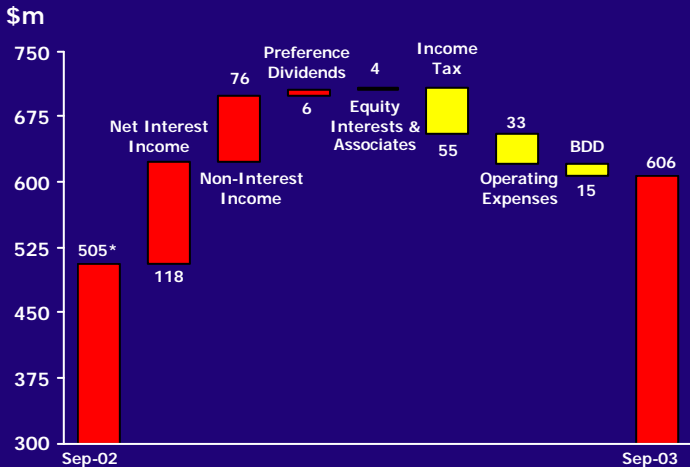
Steve McKerihan
Chief Financial Officer

RETHINK



SERVICE! SMART BANKING BUSINESS PARTNERSHIPS CLEVER INVESTMENTS SOUND INSURANCE

CLEAN OPERATIONAL RESULT



*Excludes significant items

BUSINESS VOLUMES GROW STRONGLY

	Sep 2003 \$bn	Sep 2002 \$bn	Change %	Market Growth %
Total Lending**	60.1	50.2	19.8	12.5^
Retail Deposits	33.6	29.7	13.3	9.9^^
Managed Funds	19.8	17.4	13.6	9.7*

* Source: ASSIRT- Total retail managed funds

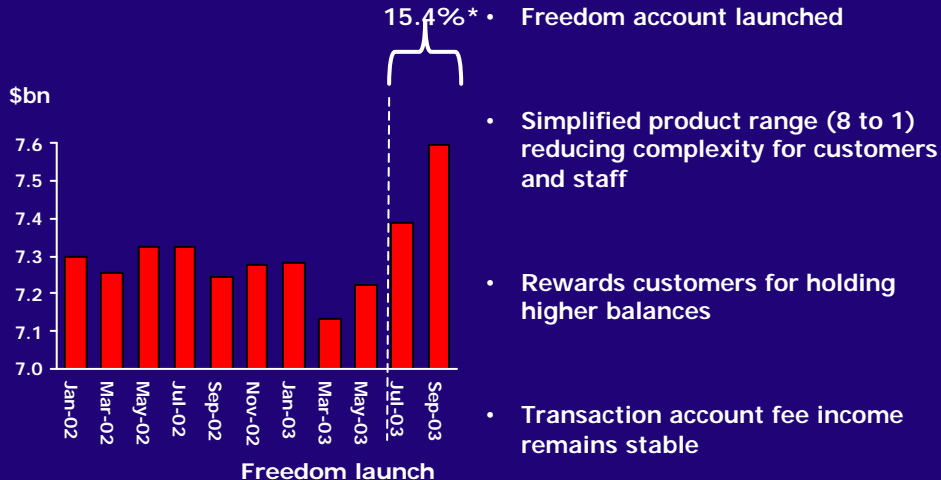
** Includes securitised loan balances and bill acceptances

^ Source: RBA Bulletin - Total aggregate credit growth (system) to Aug-03 annualised

^^ Source: Australian Bankers' Association – Total retail deposits to Aug-03 annualised

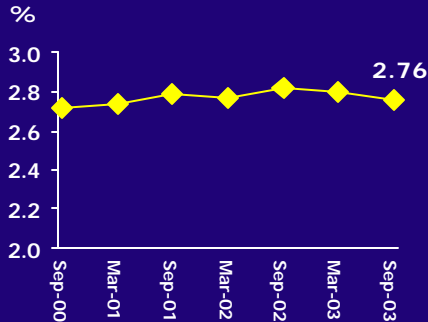
RETAIL DEPOSITS GROWTH

Retail transaction account balances



MARGIN STRENGTH MAINTAINED

Interest Margin



- Margins for individual products remain stable
- Strong growth in assets impacting funding mix

NON-INTEREST INCOME

	Sep-03 \$m	Sep-02 \$m	Change %
Product fees & commissions			
-deposits & other accounts	216	204	6
-electronic banking	182	155	17
-lending	68	76	(11)
Managed funds	172	178	(3)
Financial markets	53	45	18
Securitisation	82	73	12
Bill Acceptance Fees	48	32	50
Sale of Property	25	1	
Other	64	70	(9)
TOTAL	910	834	9



LENDING FEES

- Gross lending fees up 18% FY02 to FY03
- Broker fees up due to increased inflows and accelerated amortisation
- One-off adjustment to amortisation from 4 to 3 years equals \$7m

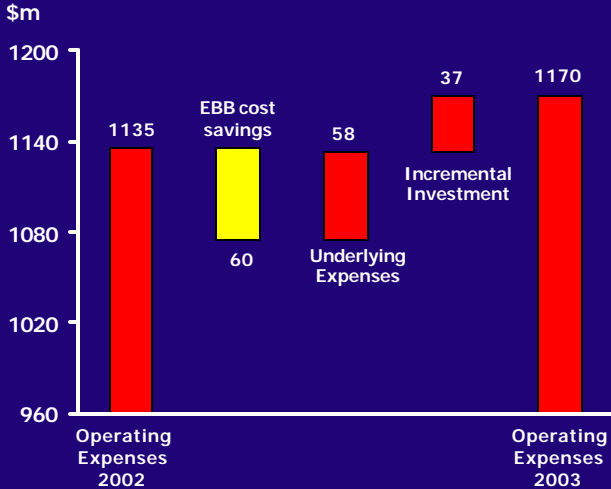


MANAGED FUNDS INCOME

- Managed funds have grown 13.6%
- Majority of growth in second half of 2003
- Wholesale funds in Sealcorp and Advance up 23%
- Product margins stable



REINVESTING FOR SUSTAINABLE GROWTH



DEFERRED EXPENDITURE DECLINES FURTHER

	\$m
Sep-02 balance	185
New spend	39
Amortisation	(75)
	—
Sep-03 balance	149

Further decline expected in 2004



SEGMENTAL PROFIT

	Sep-03 \$m	Change* %	Cost to Income Ratio 2003 %	Cost to Income Ratio 2002 %
Personal Customers	533	12.7	52.5	53.4
Institutional & Business Banking	334	18.9	33.3	37.0
BankSA	143	19.2	48.3	53.0
Wealth Management	76	8.6	70.8	75.0
Total	1086	15.0	49.6	52.4

*Since Sep-02

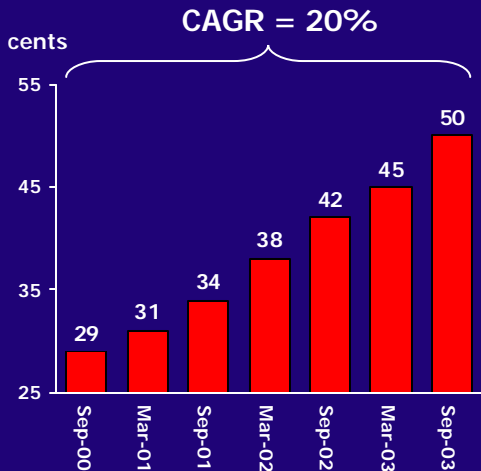
EFFECTIVE CAPITAL MANAGEMENT

- Capital generation supporting organic growth
- Tier one capital 7.2%
- US\$2.5bn mortgage securitisations:
 - March US\$1.1bn
 - September US\$1.4bn
- Subordinated debt issues:
 - May A\$250m
 - October US\$400m
- Total dividend 95 cents



TRACK RECORD OF DIVIDEND GROWTH

Dividends Sep-00 to Sep-03



- Seven consecutive increases in dividend payments
- All dividends fully franked
- Dividend Reinvestment Plan continues

2004 PROFIT OUTLOOK

- **Strong underlying momentum**
- **Yield curve steepening**
- **4% pay increase effective 1 October 2003**
- **Estimated interchange fee impact \$20m***
- **Continued investment in future growth**
- **On track for 2004 EPS growth target**

* c.\$10m credit card and c.\$10m Visa debit cards. Impact on 2004 pre-tax earnings for 11 month period



STRATEGY OVERVIEW

Gail Kelly Managing Director

RETHINK



SERVICE! SMART BANKING BUSINESS PARTNERSHIPS CLEVER INVESTMENTS SOUND INSURANCE

- **PRIORITIES UPDATE**

- **CONTINUOUS SERVICE IMPROVEMENT**

- **YEARS 2004 AND 2005**



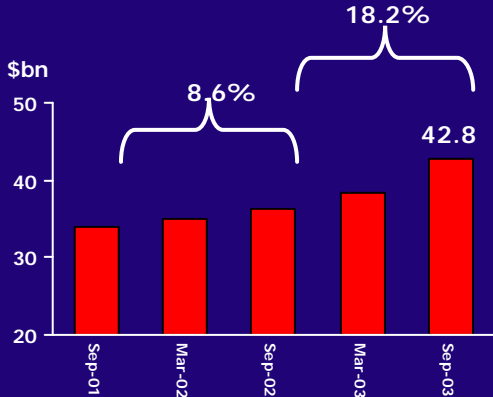
2003 – YEAR OF IMPLEMENTATION

- **Home loans** - Reversed the trend
- **Middle market** - High quality growth
- **Wealth management** - Focused performance
- **Productivity management** - Disciplines established
- **Team** - Stable, high quality and aligned
- **Integrated sales and service** - Program successfully launched
- **Victoria** - Targeted growth strategy underway



HOME LOANS – MEETING THE CHALLENGES

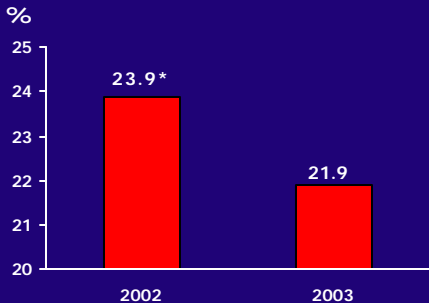
Residential Receivables



- Improving retention
- Increased productivity in proprietary channels
- Segmented approach to broker channel
- Increased focus on Vic, Old and WA
- Product innovation

IMPROVING RETENTION

Run-off Rate[^]



- Dedicated retention team in place – 40 people
- Focus on relationship management and service
- Increased use of predictive modelling to determine 'at risk' customers
- Network now accountable for retention and sales
- Product mix and features more retention friendly

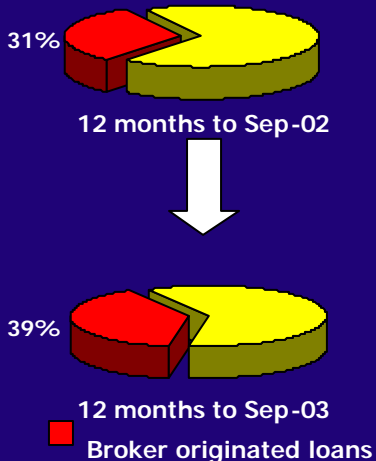
* Number differs from May due to the elimination of internal churn and more accurate calculation of the draw down of lines of credit

[^]Run-off rate includes contractual repayments, payouts, pre-payments and refinancings



IMPROVING BROKER RELATIONSHIPS

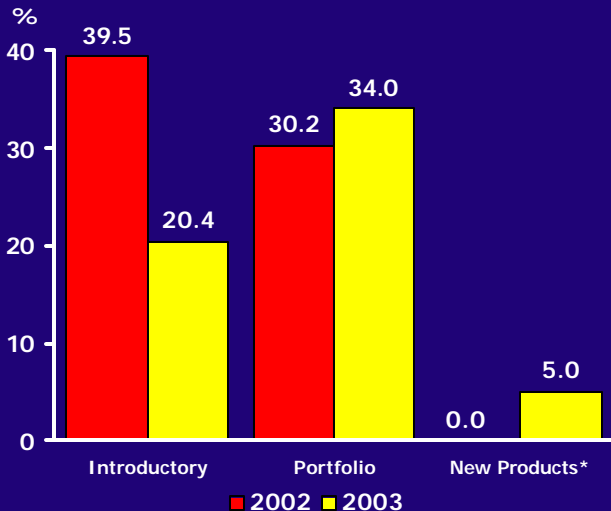
Loan Origination*



- Targeted approach
 - segmentation
 - Vic, Qld and WA
- Sales from proprietary channels increased 15% in 2003
- Retention and credit characteristics for broker and proprietary loans are similar

IMPROVING THE MIX

Proportion of Loan Settlements by Product Category[^]



[^]Selected categories only

*No Deposit, Low Doc, Seniors Access

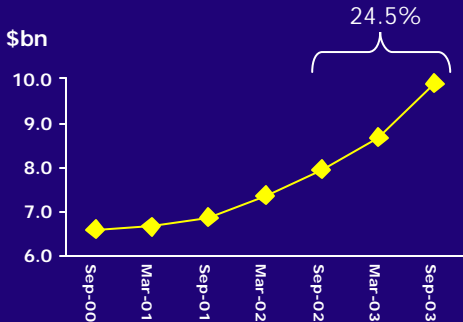
MIDDLE MARKET – CONTINUED SUCCESS

- Market leading service model
- Complete product and service offering
- High level of customer loyalty and retention
- Focused around 6 key industries
- Increasing brand awareness

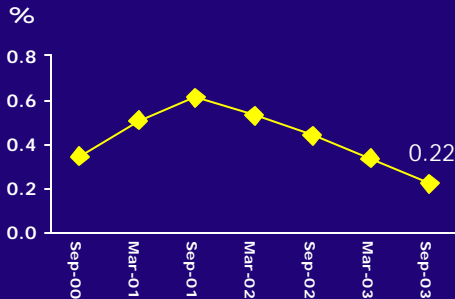


EXCELLENT GROWTH AND CREDIT QUALITY

Total Middle Market Receivables

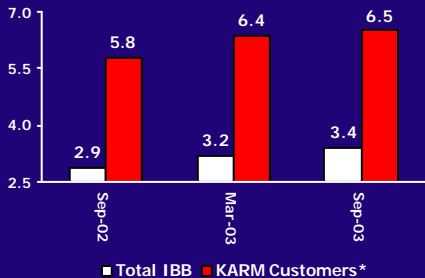


Impaired Assets/ Total Middle Market Receivables

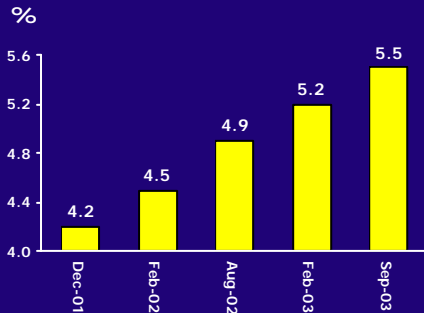


MIDDLE MARKET – DEEPENING RELATIONSHIPS

Products per Customer



Market Share[^]



*KARM – Key Account Relationship Management

[^]East and Partners Ltd – Australian Commercial Transaction Banking Markets

MIDDLE MARKET - A QUALITY PORTFOLIO

- Existing prudent credit policies maintained
- 66% of new business sourced from existing customers
- Active strategy to source referrals from existing customers
- Minimal customer churn
- 21 net non-accrual loans totalling \$22m, largest is \$7m next largest is \$2m



PROPERTY LENDING

- Property comprises 44% of total commercial lending: \$5.8bn
 - commercial investment lending \$4.7bn
 - construction lending \$1.1bn
- A core competency since 1986
- Well diversified by geography, sector and borrower
- No property loan is impaired
- No specific provisions raised on any property lending in FY03
- >75% of growth has occurred in core markets



PROPERTY LENDING

COMMERCIAL INVESTMENT LENDING

- Integral to wider banking relationships
- Underpinned by long-term leases with strong rental flows
- No substantial exposure to any single property

CONSTRUCTION LENDING

- Minimal exposure to CBD residential developments:
Sydney 1, Brisbane 1, Perth 1, Melbourne 0, Adelaide 0
- Average LVR for construction lending is 52%
- Minimal exposure to any single builder or construction project



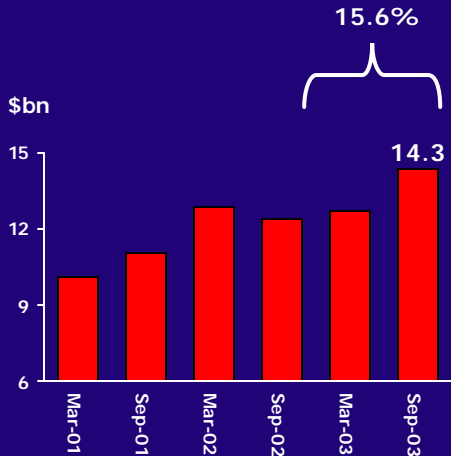
WEALTH MANAGEMENT

- Clean portfolio
- Delivering strong organic growth
- Solid performance by all businesses
- Leveraging Group's customer base and ISS* investment
- Building competitive advantage with clear priorities
 - scale platform (ASGARD)
 - distribution partnerships
 - leadership economics
 - GOLD customer base



SEALCORP – GROWTH CONTINUES

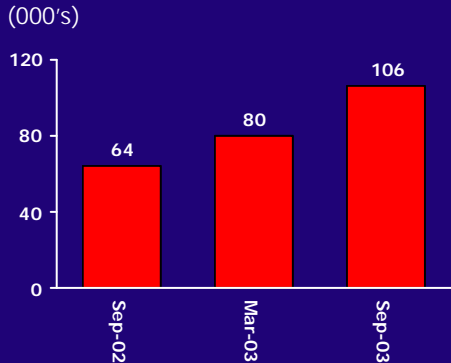
Funds Under Administration



- A complete platform offering
- Leveraging scale
- Growth in Master Trust and Wrap
- Expanded distribution through AMP wrap alliance

GOLD – A STRATEGIC PRIORITY

Customer Numbers*



- Gold customer satisfaction has increased and remains high
- Customer retention 97%
- Targeted outbound marketing campaigns underway
- Gold customer 5 times more receptive to direct sales
- Next phase in re-design underway

VICTORIA - A FOCUS FOR GROWTH

- An alternative to the majors in key customer segments
- Differentiated by customer service delivery
- Initial focus on
 - Middle market
 - Gold
 - Home loans
- Measured approach to infrastructure build
- General Manager appointed in Feb-03
- Total lending balance growth* 1H03 8%, 2H03 28%
- Applying learnings to Qld and WA

- **PRIORITIES UPDATE**

- **CONTINUOUS SERVICE IMPROVEMENT**

- **YEARS 2004 AND 2005**



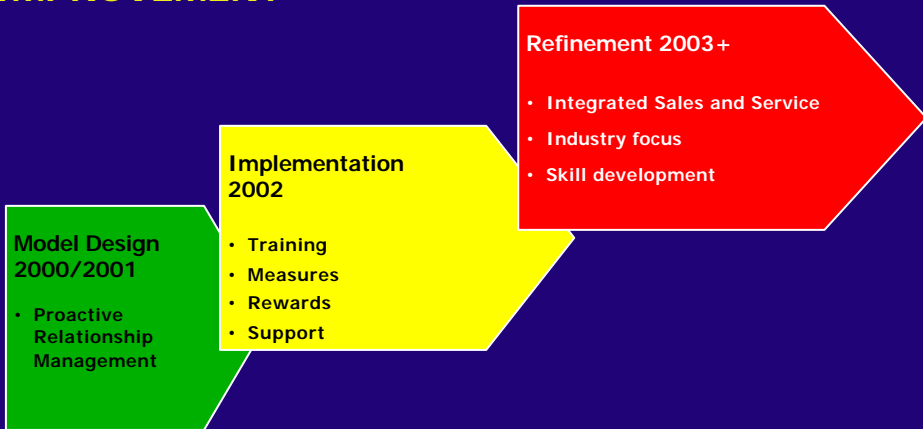
CONTINUOUS SERVICE IMPROVEMENT – OUR APPROACH

- Different starting position
- Culture supports continuous service improvement
- Focus on building to last
- Investment in customer facing staff
- Listening to the customer

PEOPLE ARE THE KEY



MIDDLE MARKET - CONTINUOUS SERVICE IMPROVEMENT



Phase I Outcome

- Strong growth

Phase II Outcomes

- Service reputation
- High levels of retention

Phase III Outcomes

- Strong referrals
- Brand strength

GOLD - CONTINUOUS SERVICE IMPROVEMENT

Launch GOLD 2001

- Retain high end home loan customers with highly responsive call centre

Develop 2002

- Skilling/support
- Single point resolution
- Outbound campaigns

Platform for Expansion 2003+

- Roll-out to broker introduced customers
- Proactive contacting
- ISS leverage
- Refine proposition

Phase I Outcome

- Immediate improvement in retention

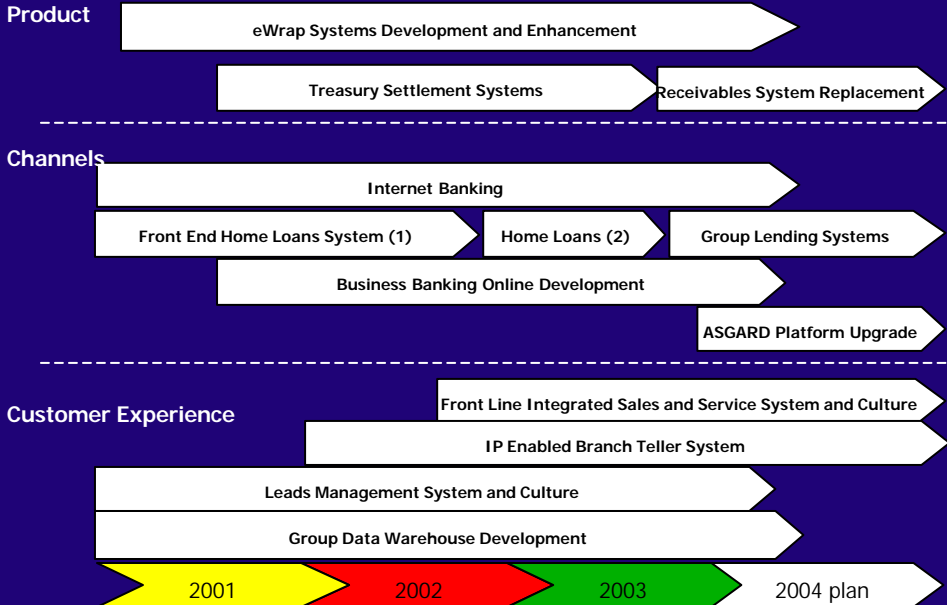
Phase II Outcomes

- Superior customer satisfaction

Phase III Outcomes

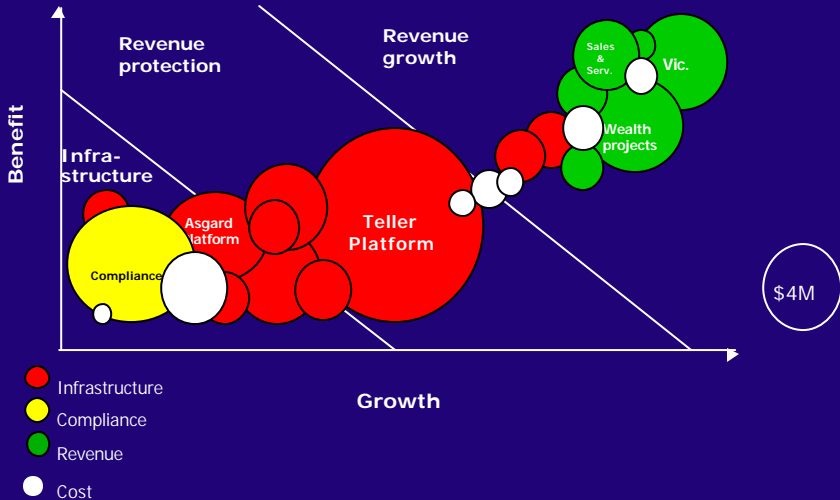
- Strong growth
- New customer focus

CONTINUOUS INVESTMENT IN THE BUSINESS



FY04: SUPPORTING CONTINUOUS INVESTMENT

Projects for 2004



Excludes self-funded productivity enhancement projects

CONTINUOUS REINVESTMENT PROCESS

People

- Additional customer facing staff
- Re-align front-line to meet customer needs
- Optimise team and organisation structure
- Recruit skilled people with specific industry experience

Proficiency

- Leadership development and succession planning
- Sales and service skilling for front line people
- Relationship management coaching
- Performance management

RIGHT PEOPLE, RIGHT JOBS, RIGHT SKILLS



CONTINUOUS COST FOCUS 2004+

FRONT OFFICE

- Review/remove non-sales activities in branches
- Call centre redesign

BACK OFFICE

- Organisation redesign to group processing
- Expand image processing
- Home loan end-to-end process improvements

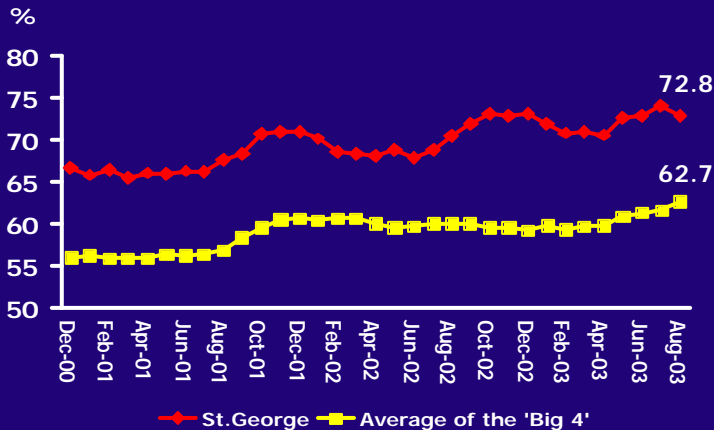
INFRASTRUCTURE AND CORPORATE SERVICE

- Eliminate duplicative systems
- Drive purchasing and property efficiencies
- Marketing services re-design
- Internal charging disciplines



DIFFERENTIATED CUSTOMER SATISFACTION

Customer Satisfaction



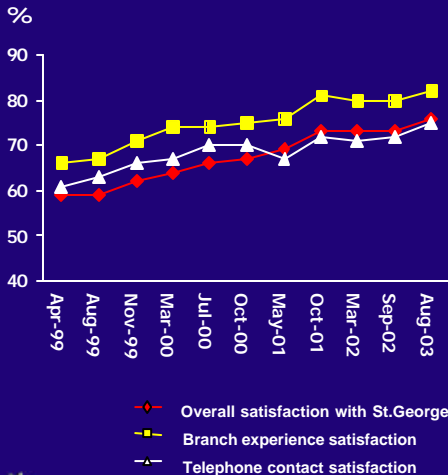
Source: Roy Morgan Research, Sep 2003

Base: Respondents with transaction accounts at institution (aged 14+)

REGULAR TRACKING OF SERVICE MEASURES

Customer Satisfaction*

Since May 1999...



- Overall customer satisfaction up 29%, up 4% in 2003
- Branch experience satisfaction up 24%, up 2.5% in 2003
- Telephone service satisfaction up 23%, up 4% in 2003

CUSTOMER SERVICE – KEY FOCUS FOR TEAM

Gail Kelly
Managing Director

Andrew Thorburn
Personal
Customers

Paul Fegan
Wealth
Management

Greg Bartlett
IBB

Rob Chapman
BankSA

Peter Clare
Strategy

**John
Loebenstein**
IT

Luke Bunbury*
Customer
Service

Brett Wright
Human
Resources

**Steve
McKerihan**
CFO

- **PRIORITIES UPDATE**
 - **CONTINUOUS SERVICE IMPROVEMENT**
- **YEARS 2004 AND 2005**



TARGETS – FY2004 AND FY2005

EPS Growth 2004	10-11%
EPS Growth 2005	double digit
Cost to Income in 2004	Remain sub 50%
Capital	Tier one 7-7.5%
Credit Quality	Maintain positive differential to the majors
Customer Satisfaction	Maintain positive differential to the majors



ST.GEORGE – KEY MESSAGES

- Quality operational result
- 'Back to basics' strategy delivering
- Continuous service improvement culture in place
- Differentiated growth strategy





The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

For further information visit

www.stgeorge.com.au

or contact

Sean O'Sullivan

Head of Investor Relations

Ph: +61 2 9236 3618

Mb: +61 412 139 711

Email: osullivans@stgeorge.com.au