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St.George reports 20 per cent increase in profit

Mr Frank Conroy, Chairman of St.George Bank, today announced a record profit after tax of $606 million for the year ended September 2003, up 20% from the 2002 result of $505 million before significant items. A final fully franked dividend of 50 cents has been declared, taking the total dividend for the year to 95 cents, a 19 per cent increase on the previous year. The Dividend Reinvestment Plan will continue to operate for those shareholders who wish to participate.

The result highlights are as follows:

	September 2003	September 2002	Change %
Profit before significant items	$606m	$505m	20.0%
Profit after significant items	$606m	$369m	64.2%
Earnings per share	142.2 cents	124.7 cents	14.0%
Return on equity	20.30%	19.54%	
Expense to income	49.6%	52.4%	
Total Annual Dividend	95 cents	80 cents	18.8%

* Note: There were no significant items during the year. EPS, ROE & Expense to Income were calculated before significant items and goodwill amortisation.

Managing Director, Mrs Gail Kelly, commented, "The Group has delivered a quality operational result underpinned by our low risk, organic growth strategy. I am particularly pleased with the team's focus on the execution of key priorities. This result has been characterised by very strong top line growth and by disciplined cost management. Underlying momentum remains excellent".

Key drivers of the results are as follows:

Significant increase in lending and deposits volumes while maintaining margin strength

- Total lending receivables increased by 19.8% to $60.1 billion.
- Retail funding increased by 13.3% to $33.6 billion.
- Commercial lending increased by 21.9%.
- Residential lending (including securitised loans) increased by 18.2% compared to 8.6% in 2002.
- Interest margin remained relatively stable at 2.76%.

Solid increases in non-interest and net interest income

- Non-interest income increased by 9.1% to $910 million.
- Net interest income increased by 8.9% to $1,451 million.

Effective cost control

- Cost-to-income decreased from 52.4% to 49.6%, with operating expenses (before goodwill) increasing by 3.1%.
- Deferred expenditure asset balance has fallen $36 million after amortisation of $75 million and new investment of $39 million.

Maintenance of credit quality

- Bad debts as a percentage of net receivables 0.21% (30 September 2002: 0.20%).
- Net non-accrual loans, as a percentage of net receivables, decreased to 0.04% compared to 0.09% in 2002.

Strong Growth in Wealth Management

- Managed funds increased by 13.6% to $19.8 billion, with Sealcorp funds under administration up 15.6% to $14.3 billion.

Looking ahead, Mrs Kelly said “St.George is differentiating itself in terms of growth prospects. While it is widely anticipated that the operating environment will become more difficult, we expect to continue to exceed system growth”.

“St.George has the benefit of being more flexible and nimble, it has a track record of excellent credit quality, and has the opportunity to grow, both through deepening and strengthening of relationships with existing customers, and through focused implementation of new business strategies in states where we have been traditionally underweight.”

“Our culture is one of continuous service improvement. This is a key to our long term success, and together with our strong underlying momentum underpins our Earnings Per Share growth target of 10-11% for 2004 and, as previously indicated, double digit for 2005.”

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