news release

31 October 2005

St.George reports record profit of $828 million, up 15.5%. Targets 10 per cent EPS growth for next two years

Mr John Thame, Chairman of St.George Bank, today announced a record profit after tax of $828 million for the year ended 30 September 2005, up 15.5% from the 2004 result of $717 million. EPS growth of 12.1% was ahead of the adjusted target of 11%.

A higher final fully franked dividend of 70 cents has been declared, taking the total dividend for the year to $1.37, a 12.3 per cent increase on the previous year. The five year compound annual growth rate for the full year dividend is 20%. The Dividend Reinvestment Plan will continue to operate for those shareholders who wish to participate.

The result highlights are as follows:

	September 2005	September 2004	Change %
Profit before significant items	$828m	$717m	15.5
Profit after significant items	$828m	$717m	15.5
Earnings per share (EPS)	180.2 cents	160.8 cents	12.1
Return on equity (ROE)	22.62%	21.42%	
Expense to income	45.5%	47.5%	
Total Annual Dividend	$1.37	$1.22	12.3

EPS, ROE and Expense to Income ratio were calculated before goodwill amortisation and significant items.

Managing Director, Mrs Gail Kelly, commented, “This is a very pleasing result. It is noteworthy that our profit number of $828 million is almost three times what it was five years ago. St.George has a quality team of individuals who consistently deliver.”

Highlights of the results are as follows:

Strong increase in business volumes

- Total lending receivables – on and off balance sheet increased by 13.5% to $80.0 billion.
- Commercial lending (including bill acceptances and bills held in trading securities) increased by 17.4% to $20.4 billion. Middle market lending receivables increased by 20.0%.
- Residential lending (including securitised loans) increased by 13.0% to $56.3 billion.
- Retail funding increased by 9.0% to $39.4 billion. Annualised growth since 31 March 2005 was 14.0%.

High single digit percentage increase in total revenue

- Total revenue (before significant items) increased by 8.0% to $2,775 million.
- Net interest income increased by 5.9% to $1,707 million.
- Non-interest income (before significant items) increased by 11.5% to $1,068 million.
- The interest margin declined from 2.70% to 2.59%, due mainly to changes in funding mix.

Effective cost control

- Cost-to-income decreased from 47.5% to 45.5%, with operating expenses (before significant items and goodwill amortisation) increasing by 3.4%.
- Reinvestment has been increased to support the Group's growth initiatives.

Strong Growth in Wealth Management

- Managed funds increased by 31.5% to $32.6 billion, with SEALCORP funds under administration up 28.2% to $23.4 billion.

Capital Management

- St.George is having the DRP on the 2005 final dividend underwritten to a level of 35%.
- To optimise the level and mix of the Group's capital base to support its growth and to reduce its overall funding costs, St.George intends to:
  i. exercise its right to convert the $300 million of PRYMES into ordinary shares at the reset date on 21 February 2006; and
  ii. issue $300 million of a new Tier 1 capital instrument.

St.George is still finalising the details associated with the issue of the new Tier 1 capital instrument including form and timing. St.George is also presently considering undertaking a share buy-back in the March 2006 quarter.

On future prospects Mrs Kelly said, "As a result of significant investment in the Group over the past few years, we have strong momentum going into 2006 and expect to continue our pattern of high single digit percentage revenue growth and low single digit percentage cost growth."

St.George is aiming to grow its home loan portfolio at or around system and grow its commercial lending well in excess of system. The excellent track record in credit quality is expected to continue. The focus in retail deposits will be on profitable growth with careful management of product mix. The objective in the area of wealth management will be to maintain net inflows in excess of system.

Under the assumption of a continuation of a reasonably robust economic environment, St.George is targeting 10% EPS growth for 2006 and 2007 respectively. These targets are based on existing accounting standards (AGAAP) and will be restated for AIFRS during 2006. The Group's preparedness to continue to provide double digit earnings per share growth targets for later years is a strong indication of management confidence going forward.

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