Appendix 4E Profit Announcement

for the year ended 30 September 2006

Released 1 November 2006

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St.George Bank Limited ABN 92 055 513 070

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news release

St.George announces record cash profit of $1,026 million, up 14.5%.

EPS growth of 13.1%.

Targets EPS growth of 10% for 2007 and 2008 years.

Net Profit	**Sept. '06**	**Sept. '05**	**% Change**
• Statutory AIFRS	$1,048 m	$915 m	14.5%
• Full AIFRS	$1,048 m	$889 m	17.9%
• Cash AIFRS [(1)]	$1,026 m	$896 m	14.5%

Earnings per Share - basic			
• Cash AIFRS	195.8 cents	173.1 cents	13.1%

Dividends – 100% fully franked			
• Interim	74 cents	67 cents	10.4%
• Final	77 cents	70 cents	10.0%
• Total	151 cents	137 cents	10.2%

Ratios			
• Return on Equity (Cash AIFRS)	22.9%	22.1%	
• Expense to Income (Cash AIFRS)	44.0%	47.1%	

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

news release

1 November 2006

St.George announces record cash[1] profit of $1,026 million, up 14.5%.

EPS growth of 13.1%.

Targets EPS growth of 10% for 2007 and 2008 years.

Mr John Thame, Chairman of St.George Bank, today announced a record cash profit after tax and before significant items of $1,026 million for the year ended 30 September 2006, up 14.5 per cent from the 2005 result of $896 million. On a cash basis, earnings per share growth was 13.1 per cent compared to the target of greater than 10 per cent.

Mr Thame said; "In the face of competitive and economic challenges, St.George has performed very strongly and achieved an excellent result for the financial year to 30 September 2006. This is the Bank's sixth straight year of double-digit earnings per share growth."

A higher fully franked dividend of 77 cents has been declared, taking the total dividend for the year to $1.51, a 10.2 per cent increase on last year. The five year compound annual growth rate for the full year dividend is 18 per cent. The Dividend Reinvestment Plan will continue to operate for those shareholders who wish to participate.

Mrs Gail Kelly, Managing Director, commented; "This is a strong result for the Group, with earnings per share up 13.1 per cent and our return on equity its best ever at 22.9 per cent. All business divisions are performing well and we are particularly pleased with the Group's strong revenue growth of 9.0 per cent. Our cost to income ratio is an industry leading 44.0 per cent, and we go into the 2007 year with excellent momentum."

Over the year, excellent progress has been made in the following key areas:

People - People and culture are key to St.George's competitive advantage. We continue to actively invest in recruiting and developing quality staff with total staff numbers increasing from 8,440 to 8,598 during the year. We have a stable and experienced management team who are committed to the delivery of quality outcomes.

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

Service expansion - In line with our growth strategy, we opened several branches throughout the year and expanded our business banking centres nationwide. We also increased our customer-facing staff by 269, with further increases planned including additions to our mobile home loan lenders through our innovative Mortgage Connect program that commenced in October 2006.

Home lending - Our portfolio of residential lending grew 12.2 per cent[2], reaching $62.7 billion at year end. This was particularly pleasing given that NSW loans comprise 59 per cent of our total home lending and the state experienced a slower growth rate than other states. The result was assisted by strong gains in Victoria, Queensland and Western Australia, which grew home lending receivables 13 per cent, 18 per cent and 26 per cent, respectively. While the broking channel remains important to us, comprising 45 per cent of new loan approvals, a level consistent with last year, we have continued to invest in improving the productivity of St.George's own lending distribution during the year.

Deposits – Total retail deposits grew 10.7 per cent[2] in a highly competitive market, with business deposits growing 16.2 per cent to reach $5.9 billion. Transaction accounts saw strong growth of 14.8 per cent for the year, as well as a rise in average account balances. Our dragondirect online service grew by 9.3 per cent, bringing many new customers to the Bank. The balance between deposit volume growth and product mix will continue to be effectively managed to deliver profitable growth. In November 2006, St.George will be launching a new suite of Freedom transaction accounts featuring Visa Debit cards. These products are aimed at attracting "new to bank" customers and will feature flat fees. One of the features will be an unembossed Visa Debit Card designed for electronic purchasing only.

Middle Market - Our middle market business remains a standout performer and key to our growth strategy. In the past year, total Middle Market receivables increased by 24 per cent to reach $19.0 billion. We grew at above system levels in NSW while seeing particularly strong increases in Queensland, Victoria and WA. The Middle Market team also maintained industry leading customer satisfaction and advocacy, and increased average products per customer.

Wealth Management - Managed funds grew by a very pleasing 20 per cent during the year. Net profit before tax for the year was $180 million, representing 12 per cent of Group earnings. Wealth Management continues to deliver excellent growth largely due to the strength of our award-winning Asgard and Margin Lending businesses.

Credit quality - St.George's credit quality remains excellent due to prudent and effective credit risk management, low risk business mix and an overall positive credit environment. Impaired assets to total middle market receivables now stand at the low level of 0.14 per cent, down from 0.22 per cent in September 2005. There has, however, been an increase in the level of unsecured consumer loan write-offs during the year, due to a combination of growth in the portfolio, consumer spending behaviour and adopting an earlier timing period for transferring loans between collective and specific provision categories.

Productivity and cost control - Excellent cost control and robust revenue growth has resulted in the lowest expense to income ratio in the industry of 44.0 per cent. Overall the Group's costs for the year grew by only 1.8 per cent.

2. SGBNZ loans of $401 million and deposits of $455 million as at 30 September 2005 have been excluded when calculating annual growth percentages.

Business investment and improvement - The Group implemented a range of major programs aimed at improving customer service, streamlining operations and enhancing productivity including,

- The Best Business Bank program;
- Further enhancing the Customer Relationship Management (CRM) program;
- Installation of a new auto and equipment financing system;
- Upgrades to our Contact Centre and Mortgage Processing Centres;
- Enhancing risk management by progressing our Basel II implementation and introducing a range of new risk management training modules; and
- Launched careers@stgeorge to ensure we recruit the best people, and implemented our Staff Smart program to optimise staffing levels in our branches.

Future prospects

The Australian economy registered solid growth over the past year, supported by the resources boom, strong business investment and a healthy labour market. However, the housing market generally weakened and the economies of New South Wales and South Australia grew more slowly than the national average. While growth in New South Wales and South Australia is expected to continue to be below the national average, we anticipate that these economies will remain resilient. These expectations factor in the likelihood of a further interest rate rise.

Our home loans receivables are targeted to grow in line with system, which we anticipate to be in the 10 to 12 per cent range. We expect to continue to deliver our excellent lending growth in Victoria, Queensland and Western Australia. We also expect our Wealth Management and Middle Market businesses to exceed and double system growth, respectively. Deposit volumes and mix will be managed to ensure profitable growth.

Assuming a reasonably robust economic environment we are targeting 10 per cent earnings per share growth for both 2007 and 2008 on a cash AIFRS basis.

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 2006

1 Financial Summary

1.1 Introduction

The Group's financial statements on page 74 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"). Comparative figures in the Group's financial statements have been prepared on an AIFRS basis, except for those standards that relate to financial instruments. These figures, where reported in this document, are referred to as "Statutory AIFRS". The key adjustments arising from these financial instrument standards, which are not reflected in Statutory AIFRS results, are loan loss provisioning, fair valuing derivatives and certain other financial instruments, re-classifying the PRYMES and DCS from equity to debt and recognising fee income on an effective yield basis.

To assist readers in assessing profit on a fully comparable AIFRS basis, comparative figures in this document have been adjusted for the impact of AIFRS financial instrument standards. These adjusted comparative figures are referred to as "full AIFRS" where reported in this document. These adjusted comparative figures are not subject to audit.

AIFRS may result in a higher level of profit volatility compared to previous AGAAP 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, have been reversed to arrive at "cash AIFRS" profit.

Supplementary information has been provided in Section 4 that restates the current year result and key performance ratios to a previous AGAAP basis. These figures are not subject to audit.

In accordance with APRA's prudential requirements, capital adequacy has been calculated based on APRA's AIFRS regulatory requirements applicable from 1 July 2006. Comparative capital adequacy figures have not been adjusted and as a result are presented on a previous AGAAP basis.

1.2 Appendix 4E Results

Results for announcement to the market – statutory AIFRS

The results contained in the table below for the year ended 30 September 2006 are calculated on a statutory AIFRS basis.

As a result, the 2005 year comparative figures upon which percentage increases have been calculated, were not adjusted for the impact of AIFRS financial instrument standards, adopted from 1 October 2005.

These results are based on the Group's Consolidated Financial Statements. Refer page 74 for details.

Financial performance	
Revenues from ordinary activities - from continuing operations	Up 8.0% to $3,007m
Profit from ordinary activities after tax, significant items and before preference dividends - continuing operations	Up 9.5% to $1,076m
Net profit for the year attributable to members after preference dividends and significant items	Up 14.5% to $1,048m
Dividends	
Final dividend – fully franked (cents per share)	77
Interim dividend – fully franked (cents per share)	74
Earnings per ordinary share (after goodwill impairment and significant items)	
Basic: - from continuing operations - from discontinued operations (1)	 Up 13.3% to 201.4 cents (1.5) cents
Diluted: - from continuing operations - from discontinued operations (1)	 Up 13.5% to 199.9 cents (1.5) cents

Refer page 80 for further Appendix 4E disclosures required under ASX listing rules.

(1) Relates to the operating results of St.George Bank New Zealand Limited.

1.3 Results at a Glance

Net Profit

(i) Statutory AIFRS basis

	Half Year Sep 06 $M	Half Year Mar 06 $M	Full Year Sep 06 $M	Full Year Sep 05 $M	Full Year Movement Sep 06 v Sep 05 %
Net interest income	1,051	964	2,015	1,801	11.9
Non-interest income	483	470	953	972	(2.0)
Non-interest income - significant items	41	-	41	16	156.3
Total income	**1,575**	**1,434**	**3,009**	**2,789**	**7.9**
Bad and doubtful debts expense	79	65	144	110	30.9
Operating expenses	666	633	1,299	1,276	1.8
Goodwill impairment	-	-	-	4	(100.0)
Significant items	57	-	57	16	256.3
Add: Share of net profit from associates	-	-	-	3	(100.0)
Profit before tax	**773**	**736**	**1,509**	**1,386**	**8.9**
Income tax expense	244	226	470	413	13.8
Income tax (benefit) on significant items	(25)	-	(25)	-	NA
Minority interests (loss)	-	(1)	(1)	(5)	(80.0)
Minority interests - significant item (loss)	(3)	-	(3)	-	NA
Preference dividends	11	9	20	63	(68.3)
Profit available to ordinary shareholders	**546**	**502**	**1,048**	**915**	**14.5**

(ii) Full AIFRS basis

Profit available to ordinary shareholders on a statutory AIFRS basis is adjusted for the following items to arrive at profit on a full AIFRS basis.

	Half Year Sep 06 $M	Half Year Mar 06 $M	Full Year Sep 06 $M	Full Year Sep 05 $M	Full Year Movement Sep 06 v Sep 05 %
Statutory AIFRS net profit	546	502	1,048	915	14.5
Less: AIFRS adj. to comparative figures for impact of financial instrument stds	-	-	-	(34)	(100.0)
Add: AIFRS significant item adjustment (1)	-	-	-	8	(100.0)
Full AIFRS net profit	**546**	**502**	**1,048**	**889**	**17.9**

(1) Under full AIFRS, deferred broker commissions are recognised as an adjustment to the yield of the loan.

Full AIFRS profit comprises the following items:

	Half Year Sep 06 $M	Half Year Mar 06 $M	Full Year Sep 06 $M	Full Year Sep 05 $M	Full Year Movement Sep 06 v Sep 05 %
Net interest income	1,051	964	2,015	1,861	8.3
Non-interest income	483	470	953	833	14.4
Total income	**1,534**	**1,434**	**2,968**	**2,694**	**10.2**
Bad and doubtful debts expense	79	65	144	128	12.5
Operating expenses	666	633	1,299	1,276	1.8
Goodwill impairment	-	-	-	4	(100.0)
Add: Share of net profit from associates	-	-	-	3	(100.0)
Profit before tax	**789**	**736**	**1,525**	**1,289**	**18.3**
Income tax expense	244	226	470	396	18.7
Minority interests (loss)	-	(1)	(1)	(5)	(80.0)
Preference dividends	11	9	20	17	17.6
Full AIFRS basis net profit before significant items	**534**	**502**	**1,036**	**881**	**17.6**
Significant items gain (net of tax)	12	-	12	8	50.0
Full AIFRS basis net profit	**546**	**502**	**1,048**	**889**	**17.9**

1.3 Results at a Glance (continued)

(iii) Cash AIFRS basis

Full AIFRS profit has been adjusted to exclude significant items, goodwill impairment and AIFRS profit volatility relating to hedging and non-trading derivatives as follows:

	Half Year		Full Year		Full Year Movement
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M	Sep 06 v Sep 05 %
Full AIFRS net profit	546	502	1,048	889	17.9
Less: Significant items gain (net of tax)	12	-	12	8	50.0
Full AIFRS net profit before significant items	**534**	**502**	**1,036**	**881**	**17.6**
Add: Goodwill impairment	-	-	-	4	(100.0)
Add/(less): Hedging and non-trading derivatives (net of tax)	(3)	(7)	(10)	11	(190.9)
Cash AIFRS basis net profit	**531**	**495**	**1,026**	**896**	**14.5**

Cash AIFRS basis net profit comprises the following items:

	Half Year		Full Year		Full Year Movement
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M	Sep 06 v Sep 05 %
Net interest income	1,051	964	2,015	1,861	8.3
Non-interest income	479	460	939	848	10.7
Total income	**1,530**	**1,424**	**2,954**	**2,709**	**9.0**
Bad and doubtful debts expense	79	65	144	128	12.5
Operating expenses	666	633	1,299	1,276	1.8
Add: Share of net profit from associates	-	-	-	3	(100.0)
Profit before tax	**785**	**726**	**1,511**	**1,308**	**15.5**
Income tax expense	243	223	466	400	16.5
Minority interests (loss)	-	(1)	(1)	(5)	(80.0)
Preference dividends	11	9	20	17	17.6
Cash AIFRS basis net profit	**531**	**495**	**1,026**	**896**	**14.5**

1.3 Results at a Glance (continued)

Summary Balance Sheet

As at	30 Sep 2006 $M	31 Mar 2006 $M	30 Sep 2005 [(1)] $M
Assets			
Cash and liquids	1,081	1,128	1,184
Receivables from other financial institutions	1,182	975	1,111
Financial assets at fair value and investment securities	7,733	7,093	7,156
Loans and receivables including bank acceptances	93,424	87,039	80,047
Other	3,582	3,810	2,861
Total Assets	**107,002**	**100,045**	**92,359**
Liabilities			
Retail funding and other borrowings	91,647	85,341	77,049
Bank acceptances	7,287	7,264	7,098
Other	2,725	2,491	2,825
Total Liabilities	**101,659**	**95,096**	**86,972**
Total shareholders' equity	**5,343**	**4,949**	**5,387**

(1) 2005 year comparative results are prepared on a statutory AIFRS basis, excluding those standards relating to financial instruments.

1.4 Group Highlights

		Half Year		Full Year	
		Sep 06	Mar 06	Sep 06	Sep 05
Total on balance sheet assets	$M	107,002	100,045	107,002	92,359
Securitised receivables (included in on balance sheet assets)	$M	17,998	14,826	17,998	13,225
Managed funds	$M	39,268	37,165	39,268	32,642
Cash AIFRS profit					
Before preference dividends	$M	542	504	1,046	913
After preference dividends	$M	531	495	1,026	896
Return on average assets (before preference dividends) (1)					
Cash AIFRS	%	1.05	1.06	1.05	1.03
Return on average ordinary equity (after preference dividends) (1)					
Cash AIFRS	%	23.03	22.69	22.91	22.10
Expenses as % of average assets (1)					
Cash AIFRS	%	1.29	1.33	1.31	1.45
Expense to income ratio					
Cash AIFRS	%	43.5	44.5	44.0	47.1
Interest margin (1)	%	2.12	2.10	2.11	2.21
Ordinary dividend (full franked)	(cents)	77.0	74.0	151.0	137.0
Earnings per ordinary share (1)					
Basic - Cash AIFRS	(cents)	202.2	189.1	195.8	173.1
Diluted - Cash AIFRS	(cents)	200.5	188.3	194.4	171.8
Net tangible assets per ordinary share (2)	($)	6.73	6.30	6.73	6.01
Capital adequacy ratio	%	10.8	10.4	10.8	11.1

(1) Half-year balances are annualised.

(2) 30 September 2005 year comparative figures not adjusted for impact of AIFRS financial instrument standards.

1.4 Group Highlights (continued)

Financial performance – Cash AIFRS basis (1)

- Net profit was $1,026 million (30 September 2005: $896 million), an increase of 14.5%.
- Net interest income increased by 8.3% to $2,015 million. The interest margin was 2.11% compared to 2.21% in the 30 September 2005 year. The interest margin improved to 2.12% in the 30 September 2006 half-year compared to 2.10% in the 31 March 2006 half-year.
- Non-interest income increased by 10.7% to $939 million from $848 million last year.
- Operating expenses increased by 1.8% to $1,299 million compared to the 30 September 2005 year. The expense to income ratio was 44.0%, down from 47.1% in the 30 September 2005 year.
- Basic earnings per ordinary share was 195.8 cents (30 September 2005: 173.1 cents), an increase of 13.1%.
- Return on average ordinary equity increased to 22.91% (30 September 2005: 22.10%).

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

Financial position

- Total assets were $107.0 billion (30 September 2005: $92.4 billion) on a statutory AIFRS basis, an increase of 15.9%.
- Lending assets were $93.4 billion (30 September 2005: $81.4 billion), an increase of 14.8%. Excluding St.George Bank New Zealand (SGBNZ), total lending assets grew by 15.4% compared to last year.
- Residential receivables were $62.7 billion (30 September 2005: $56.3 billion), an increase of 11.4%. Excluding SGBNZ, residential loans grew by 12.2% compared to last year.
- Commercial loans (including bank acceptances) were $23.9 billion (30 September 2005: $20.1 billion), an increase of 19.0%.
- Consumer loans (including bank acceptances) were $6.4 billion (30 September 2005: $5.0 billion), an increase of 27.8%.
- Retail funding was $43.1 billion (30 September 2005: $39.4 billion), an increase of 9.4%. Excluding SGBNZ, retail funding grew by 10.7% compared to last year.

Dividends

- A higher final ordinary dividend of 77 cents per ordinary share, fully franked (30 September 2005: 70 cents) has been declared by the Board. This takes the total dividend to 151 cents, an increase of 10.2%.
- The Dividend Reinvestment Plan will operate for the final dividend with no discount.

1.4 Group Highlights (continued)

Other

- Managed funds increased by 20.3% to $39.3 billion (30 September 2005: $32.6 billion).
- On a cash AIFRS basis, bad and doubtful debts expense as a percentage of average assets was 0.14% compared to 0.15% at 30 September 2005.
- The Group's Tier 1 capital adequacy ratio was 6.9% and Tier 2 ratio was 4.0% at 30 September 2006. The Group's Tier 1 capital adequacy ratio is expected to return to its target range of 7.0 – 7.5 percent, following the intended issue of a $300 million non-innovative Tier 1 capital instrument in December 2006.

2 Business Summary

2.1 Strategic Overview

The St.George Group's low-risk, organic growth strategy consistently delivers superior results for shareholders. The Group has maintained its focus on its 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

The Group continues to focus on key areas of its business that support this strategy. These key parts of our business have consistently delivered growth and remain priorities:

- Home Loans
- Middle Market
- Wealth Management
- Productivity Management
- Customer Service
- Victoria, Queensland and Western Australia Expansion
- Engaged People

The Group's customer service strategy is the core tenet of its competitive advantage and is based on the simple principle of:

Engaged People + Great Customer Experience = Superior Financial Outcomes

The Group's focus remains on developing and empowering staff, whilst ensuring that new recruits possess the skills, attitude and values that support the warm and friendly culture that underpins our strategy.

The Group has continued to deliver a differentiated customer experience to its key chosen segments of Middle Market, Business and Enterprise Customers, Private Bank and Gold Customers. St.George also attracts new customers through its third party partners, Mortgage Brokers and Independent Financial Planners. The 2006 year has seen specific programs targeting further improvements in customer experience via expansion and refurbishment of the branch network and targeted efficiency improvements in processing and contact centre channels. St.George continues to invest in its Best Business Bank, Local Market Retail Model, CRM and Integrated Sales and Service strategy. Further details can be found in the Operational section to follow.

The Group has a strong record of successful delivery on its strategy. Continued investment and focus will lay the platform for future growth.

2.2 Operational Update – Business Priorities

2.2.1 Home Loans

The Bank's growth in residential loans (including securitised loans) for the full year to 30 September 2006 was 11.4%. Excluding SGBNZ, growth was 12.2% compared to last year, in line with system growth in Australia. This is a pleasing performance given the rate of economic growth has declined in the last year, particularly in the Bank's core market of New South Wales.

Product development and management of product mix continue to be key areas of focus to ensure effective management of home loan margins and ongoing growth in the overall portfolio. Home loan products and processes were enhanced during the year to meet the needs of target customer segments including first home buyers, investors, small business and retirees. Some of these enhancements included:

- Simplified loan and mortgage documentation to reduce error rates and accelerate loan funding;
- Simplified process for interest in advance repayments for investment customers; and
- Introduction of a Low Documentation option on the Portfolio Line of Credit product.

A focus on improvements has seen St.George continue to be recognised independently via various industry awards including "Best New Product" (No Deposit Home Loan) at the Australian Banking Industry and Finance Awards in July and "Widest Product Range" by Infochoice in April 2006.

The interest margin has been effectively managed by actively maintaining a consistent product mix. Higher margin products such as "Portfolio" home equity and "No Deposit" loans grew by 11.8% and 65.2% respectively during the year. The demand for standard fixed rate home loans was strong due to interest rate rises, with balances growing by 20.2% during the year.

The proportion of new home loan approvals introduced by brokers was 45%, in line with the previous year. Management of this channel continues to focus on improving efficiency, increasing average loan size and achieving a balanced product mix. To increase efficiency in this channel and improve turn-around times, the Bank continues to enhance it's "electronic lodgement" capability which has been progressively rolled out to brokers and enables faster approvals for customers. Dedicated priority service levels for higher value brokers were also upgraded throughout the year.

The Bank is improving the performance of its proprietary channels. Initiatives include new lender induction programs, better alignment of incentives and an increase in the branch and mobile lender sales force. Details were also announced for the launch of Mortgage Connect, an additional sales force of "owner operators" to complement existing distribution channels. Sales of home loans through Mortgage Connect have commenced in October 2006.

The Bank's home loan runoff rate, which is a measure that captures all factors contributing to a reduction in loan balances, was stable at 16% in 2006. The key drivers of stable 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 with prudent policies in place aimed at protecting the Bank and its borrowers.

2.2 Operational Update – Business Priorities (continued)

2.2.2 Retail Deposits

St.George grew its deposit balances by 9.4% over the year. Excluding SGBNZ, growth for the year was 10.7%. Particularly strong growth was achieved in business deposits which grew by 16.2% during the year.

Competition for retail deposits was intense during the year as banks sought to attract new customers through pricing campaigns.

During the year, St.George continued to promote its online high interest rate accounts to deliver growth. Through the branch network, the focus was on growing transaction and investment products to meet particular customer needs and manage product mix. During the second half of the year, the Bank placed particular focus on growing revenue. Initiatives were implemented to grow the number of transaction accounts and pricing was revised on savings and transaction accounts to bring these in line with the market.

St.George is in the process of rolling out its new internet banking platform which is used for Retail Deposits, Consumer Lending and Home Loans. This is a key part of the Group's strategy of using the on-line channel for gaining balance growth and the branch channel for driving value and cross-sell. Further investments are being made in the on-line channel to support the strategy and to provide both business and retail customers with a channel of choice for acquisition and service. This is assisting in accelerating growth in Queensland, Victoria and Western Australia.

In November 2006, St.George will be launching a new suite of Freedom transaction accounts featuring Visa Debit cards. These products are aimed at attracting "new to bank customers" and will feature flat fees.

- *Complete Freedom* will feature a Visa Debit Card for online and overseas shopping using your money. The flat fee will entitle the accountholder to unlimited withdrawals in the Bank's branches and its ATMs, through EFTPOS, and using Phone and Internet banking;
- *Simply Freedom* will be a similarly featured flat fee account with ATM and EFTPOS card access only; and
- *Express Freedom* will feature an unembossed Visa Debit Card designed for electronic purchasing only.

Significant St.George media advertising including television will support the launch.

The introduction of these flat fee accounts recognises an industry shift within the deposit category, the growing popularity of online purchasing and a desire to appeal to a new customer segment. The design of the product suite provides a range of options for individual customer choice of an account structure and access mechanisms to suit, at appropriate and competitive price levels. It will build upon St.George's position as the number two bank in transaction account market share in NSW.

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 23.9% to $19.0 billion since 30 September 2005 which is an outstanding result given the slow down in the property market, particularly in New South Wales. The average growth in the Bank's non-core geographies of Queensland, Victoria and Western Australia has been excellent at 38.5%. The Bank's customer relationship model continues to provide exceptional customer service. East & Partners ranked St.George as No 1 for Account and Relationship Management in the August 2006 Australian Commercial Transaction Banking Report. 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 bank compared to an average of 17.8% for the four major banks in East & Partners Australian Commercial Transaction Banking Report (August 2006) survey. 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 market leading customer advocacy with 54% of customers indicating they would definitely recommend St.George (Jones Donald Strategy Partners September 2006). This has also resulted in an increase to 5.1 products per customer in September 2006 from 4.6 in September 2005.

Lending market share for this segment has increased to 7.5%.

The Best Business Bank program has been instrumental in driving St.George's middle market results this year. Initiatives are focused on enhancing the productivity of both new staff and St.George's top performing sales staff. Interstate and industry diversification has resulted in a more resilient business, offsetting the impact of the slower NSW property market and cushioning the business from potential future adverse market forces. This, along with increasing efficiency, positions St.George well for continued growth.

2.2 Operational Update – Business Priorities (continued)

2.2.4 Wealth Management

The core operations of St.George's wealth management businesses are Asgard (providing a wealth administration platform service), funds under management, margin lending, insurance and financial advice. St.George Private Bank and Ascalon Capital Managers are also part of Wealth Management (In March 2006, Kaplan Equities Limited acquired a 50% stake in Ascalon Capital Managers, a funds manager incubator previously wholly owned by the Bank). Though competition remains intense, the Group's wealth businesses have performed very well with revenues and retail funds flows benefiting from strong investment markets.

Asgard's result represents another successful reporting period with a 23.9% increase in funds under administration to $29.0 billion from $23.4 billion at 30 September 2005. This growth, achieved across all platform products, was generated from a quality set of distribution sources, including the Securitor dealer network, St.George's financial planners and private bankers, independent financial planners and wholesale dealer-to-dealer services.

Advance Funds Management grew funds under management (FUM) by 10.2% to $7.1 billion over the year. In line with its business model as a "manager of managers" the number of strategic partnerships has increased from 18 to 21.

Margin lending has continued its rapid and profitable growth over the past 3 years with assets growing $992 million to $2.6 billion, an increase of 62.8% since 30 September 2005. Of this growth, $398 million or 25.2% is attributable to the recent acquisition of HSBC's margin lending assets. The business retains a 5-star Cannex rating and was awarded Asset Magazine's Margin Lender of the Year for the third consecutive year.

Income from life and general insurance products increased by 10.5% over the year.

2.2 Operational Update – Business Priorities (continued)

2.2.5 Interstate Expansion

The Bank continued its strategy of progressive expansion into its non-core geographies in Victoria, Queensland and Western Australia. Strong growth was achieved during the year in these states as follows:

	Residential Receivables			Middle Market		
	Sep 2006 $B	Sep 2005 $B	Growth (1) %	Sep 2006 $B	Sep 2005 $B	Growth %
Victoria	8.9	7.8	13	2.2	1.7	32
Queensland	6.0	5.1	18	1.6	1.1	48
Western Australia	3.8	3.0	26	1.8	1.3	39
	18.7	15.9	18	5.6	4.1	39

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

A total of 6 interstate branches were opened during the year with 3 in Victoria, 2 in Queensland and 1 in Western Australia. Further investment is planned in 2007 with at least 5 branches to be opened in these states. The total number of branches in these states at 30 September 2006 was 64.

This expansion strategy has assisted the Bank in offsetting the slower rate of growth experienced in the New South Wales market. At 30 September 2006, 30 percent of the Group's residential and middle market receivables were domiciled in Victoria, Queensland and Western Australia.

2.2.6 Risk Management

The Bank's risk management framework continues to be enhanced as it progresses with the implementation of the Basel II advanced approaches for credit and operational risk. The Basel II framework contains three approaches for calculating the capital requirements for credit risk, being the standardised, foundation and advanced approaches. St.George lodged its application with APRA in September 2005 applying for the advanced approach for credit risk with regard to its retail lending portfolio, and the foundation approach for credit risk with regard to its corporate lending portfolio.

The Basel II framework introduces a capital requirement for operational risk under three options being basic, standardised and advanced approaches. St.George is aiming to adopt the advanced approach for operational risk and in September 2006 lodged its application with APRA. For both credit and operational risk, the timing of adoption of these approaches is subject to satisfying APRA's advanced level Basel II accreditation requirements.

2.2 Operational Update – Business Priorities (continued)

2.2.7 Credit Quality and Credit Ratings

St.George's asset quality in residential and business lending continues to be excellent, reflecting a favourable credit environment 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. Impairment provisions at 30 September 2006 have been assessed in accordance with AIFRS. 2005 year comparative figures for impairment provisions have been restated to a full AIFRS basis in this profit announcement.

Total provisions and reserves for loan impairment were $416 million at 30 September 2006. This comprises a collective provision of $268 million, a specific provision of $31 million and a general reserve for credit losses of $117 million. During the year, the Bank established the general reserve for credit losses through an appropriation from retained profits to comply with APRA's AIFRS prudential requirements. When taken together, the after tax balances of the eligible portion of the collective provision and the general reserve for credit losses represent 0.5% of risk weighted assets. The portion of the after tax equivalent of the collective provision at 30 September 2006 that is eligible to meet APRA's expected future loss requirements is $148 million.

The charge for bad and doubtful debts was $144 million (30 September 2005: $128 million) and comprises a collective provision charge of $23 million and a specific provision charge of $121 million. The general reserve for credit losses was increased by $49 million during the year through an appropriation from profits. $42 million of this increase is due to satisfying APRA's expected loss provisioning requirements that applied from 1 July 2006. In accordance with these requirements, $60 million ($42 million after tax) of the Group's collective provision at 30 June 2006 was ineligible to satisfy APRA's requirements as it is considered to relate to incurred rather than future expected losses. As a result, the Group's general reserve for credit losses was increased by $42 million at 1 July 2006.

Total impaired assets (net of specific provisions) were $52 million, compared to $51 million at 30 September 2005.

Bad and doubtful debts expense, excluding the movement in the general reserve for credit losses as a percentage of average gross loans and receivables (excluding securitised loans and bank acceptances) was 0.23% compared to 0.22% last year. Net non-accrual loans, as a percentage of net loans and receivables was 0.05% compared to 0.06% at 30 September 2005.

In January 2006, Standard and Poor's upgraded its long-term counterparty credit rating on St.George to A+ from A. The A-1 short-term counterparty credit rating was reaffirmed. At the same time, Standard and Poor's upgraded its Bank fundamental Strength rating on St.George to B+ from B. St.George Insurance Pte Limited, the Bank's captive mortgage insurance subsidiary, had its credit rating raised to A+ from A.

The credit rating upgrade is based on improvements in St.George's operations which, in Standard and Poor's opinion, are expected to be sustained. Standard and Poor's commented that the ratings upgrade reflected improvements in the quality and diversity of St.George's earnings profile, continued very strong asset quality, and a solid and improving market position.

In May 2006, Moody's upgraded St.George's long term deposit and debt rating to A1 from A2 and upgraded its Bank Financial Strength rating on St.George to B from C.

2.3 Operational Update - Other

2.3.1 Disposal of 50% Interest in Ascalon

In March 2006, the Bank disposed of 15 million shares it held in Ascalon Capital Managers Limited ("Ascalon") to Kaplan Equities Limited ("Kaplan"). A profit after tax of $8 million was recognised on sale. Ascalon holds investments in six boutique fund managers. Following the sale, St.George and Kaplan each have a 50% equity interest in Ascalon. The transaction enables Ascalon to increase its working capital and provides an opportunity for both parties to work together to expand the Ascalon business.

2.3.2 St.George Bank New Zealand Limited ("SGBNZ")

In August 2006, St.George announced it would cease its supermarket banking venture in New Zealand with Foodstuffs. SGBNZ's $403 million residential loan portfolio was sold to GE Money in August 2006. SGBNZ's $461 million retail deposit portfolio was either transferred to Kiwibank or repaid to customers by September 2006 in accordance with customer preferences.

2.3.3 Acquisition of Margin Lending Portfolio

In August 2006, the Bank acquired HSBC Australia's $398 million margin lending portfolio. At 30 September 2006, the Bank's margin lending portfolio had increased to $2,572 million from $1,580 million at 30 September 2005.

2.3.4 Sale and Leaseback

In September 2006, the Bank completed the sale and lease back of its Kogarah head office building. A pre-tax profit of $41 million was recognised on sale which has been classified as a significant item.

2.3.5 Capital Management

The Group's Tier 1 capital adequacy ratio was 6.9% and total capital adequacy was 10.8% at 30 September 2006. The Tier 1 ratio has been impacted by the conversion of PRYMES and the $300 million buy-back of ordinary shares in February 2006. The Tier 1 ratio is expected to return to within the Group's target range of 7.0-7.5 percent following the issue of a $300 million non-innovative Tier 1 capital instrument in December 2006. In accordance with APRA requirements, capital adequacy ratios have been calculated in accordance with AIFRS from 1 July 2006.

The following capital management initiatives were undertaken during the year:

- $8.2 billion of residential loan receivables were securitised through the Crusade Securitisation Program;
- 6.5 million ordinary shares were issued under the Bank's Dividend Reinvestment Plan (DRP) raising $186 million of capital;
- The conversion of $300 million of PRYMES into 10,309,170 ordinary shares in February 2006, based on a conversion price of $29.07;
- The buy-back of 11,677,657 ordinary shares in February 2006 at a price of $25.69 per share;
- Issue of 1.5 million Step-up Preference Shares in June 2006, raising $148 million in innovative Tier 1 capital.

2.3 Operational Update – Other (continued)

2.3.5 Capital Management (continued)

At 30 September 2006, the Group's adjusted common equity to risk weighted assets (ACE ratio) was 5.0% (30 September 2005: 5.1%). The reduction in ACE from 5.3% at 31 March 2006 is due to the requirement to deduct capitalised software from 1 July 2006. There is no transitional relief for this deduction when calculating ACE.

The DRP will operate for the final dividend with no discount and will not be underwritten.

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

2.3.6 Depositary Capital Securities (DCS)

As advised last year, the Australian Tax Office ("ATO") has denied the Bank a deduction on its DCS and issued amended assessments totalling $137 million after tax. The Bank has commenced proceedings in the Federal Court to contest the ATO's view. Resolution of this matter through the courts is likely to take some years. St.George remains confident that its position in relation to the application of the taxation law is correct. 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 registered solid growth over the past year, supported by the resources boom, strong business investment and a healthy labour market. However, the housing market generally weakened and the economies of New South Wales and South Australia grew more slowly than the national average. While growth in New South Wales and South Australia is expected to continue to be below the national average, St.George anticipates that these economies will remain resilient. These expectations factor in the likelihood of a further interest rate rise.

St.George's home loan receivables are targeted to grow in line with the system, which is expected to be in the 10 to 12 per cent range. We expect to continue to deliver our excellent lending growth in Victoria, Queensland and Western Australia. St.George's Wealth Management and Middle Market businesses are also anticipated to exceed and double system growth, respectively. Deposit volumes and mix will be managed to ensure profitable growth.

Assuming a reasonably robust economic environment, St.George is targeting 10 per cent earnings per share growth for both 2007 and 2008 on a cash AIFRS basis.

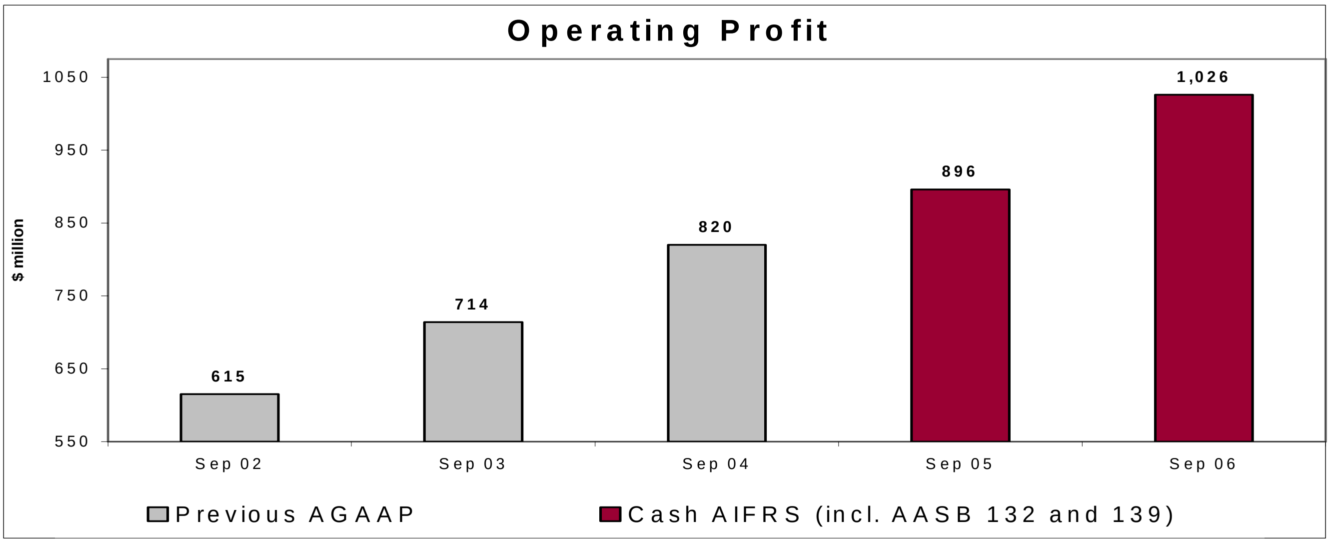
3 Financial Analysis

3.1 Group Performance Summary – Cash AIFRS Basis

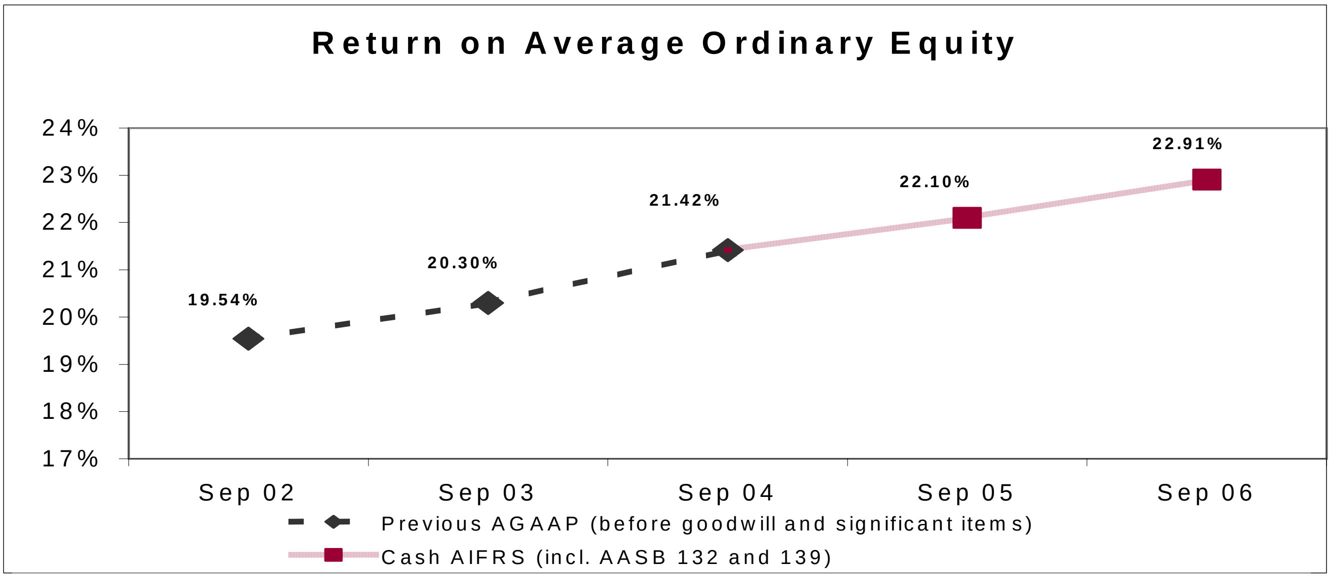
	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Interest income	3,578	3,236	6,814	5,916
Interest expense	2,527	2,272	4,799	4,055
Net interest income	**1,051**	**964**	**2,015**	**1,861**
Non interest income	479	460	939	848
Total income	**1,530**	**1,424**	**2,954**	**2,709**
Bad and doubtful debts expense (1)	79	65	144	128
Operating expenses	666	633	1,299	1,276
Share of net profit of equity accounted associates	-	-	-	3
Profit before income tax	**785**	**726**	**1,511**	**1,308**
Income tax expense	243	223	466	400
Profit after income tax	**542**	**503**	**1,045**	**908**
Minority interests	-	1	1	5
Profit after tax and minorities	**542**	**504**	**1,046**	**913**
Preference dividends:				
- Subordinated Adjustable Income Non-refundable Tier 1 Securities (SAINTS)	9	9	18	17
- Step-up Preference Shares (SPS)	2	-	2	-
Net cash AIFRS profit (2)	**531**	**495**	**1,026**	**896**

(1) In addition to this charge, there is a $49 million (30 September 2005: $nil) increase in the general reserve for credit losses which is not distributable to shareholders. Of this increase, $42 million is attributable to the transition to APRA's AIFRS regulatory capital requirements (refer page 36 for further details).

(2) Operating profit after income tax, preference dividends, minorities and before goodwill impairment, significant items and hedging and non-trading derivative fair value movements.



3.1 Group Performance Summary – Cash AIFRS Basis (continued)



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.

Comparative figures have been determined by restating for the impact of AIFRS financial instrument standards. As a result, the write-off of $11 million of deferred home loan broker commissions recognised under previous AGAAP in 30 September 2005 is not recognised in these 2005 comparative figures as it is treated as a yield related adjustment against loans and receivables under AIFRS. The following significant items are contained in the Group's Full AIFRS result and are excluded from the Cash AIFRS result.

	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Significant items income				
- profit on sale of land and buildings (i)	41	-	41	-
- profit on sale of fixed assets	-	-	-	27
Total significant item gains	41	-	41	27
Significant items expense				
- intangible assets impairment (ii)	32	-	32	16
- restructure costs (iv)	16	-	16	-
- loss from discontinued operations (iii)	9	-	9	-
- minority interest applicable to discontinued operations (iii)	(3)	-	(3)	-
Total significant items expense	54	-	54	16
Net significant items (loss)/gain before tax	(13)	-	(13)	11
Income tax (benefit)/expense on significant items				
- income tax (benefit) on profit on sale of land and buildings (i)	(10)	-	(10)	-
- income tax expense on profit on sale of fixed assets	-	-	-	8
- income tax (benefit) on intangible assets impairment (ii)	(10)	-	(10)	(5)
- income tax (benefit) on restructure costs (iv)	(5)	-	(5)	-
Total income tax (benefit)/expense on significant items	(25)	-	(25)	3
Net significant items income after tax	12	-	12	8

<u>2006 Year</u>

(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 comprises software that has been developed internally where the timing of realisation of associated benefits is uncertain or the value of future benefits are not expected to be fully realised. The impairment also includes software systems that have become 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 has been recognised in respect of these costs, reflecting Foodstuffs' share of the loss.

3.1.1 Significant Items (continued)

(iv) A $16 million ($11 million after tax) restructure provision has been recognised during the year in respect of staff redundancies. The redundancies are primarily attributable to downsizing information technology teams in line with reduced business demand, consolidating interstate loan servicing sites and outsourcing certain administrative functions.

3.1.2 Net Interest Income – Cash AIFRS 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 $2,015 million (30 September 2005: $1,861 million), an increase of 8.3%.

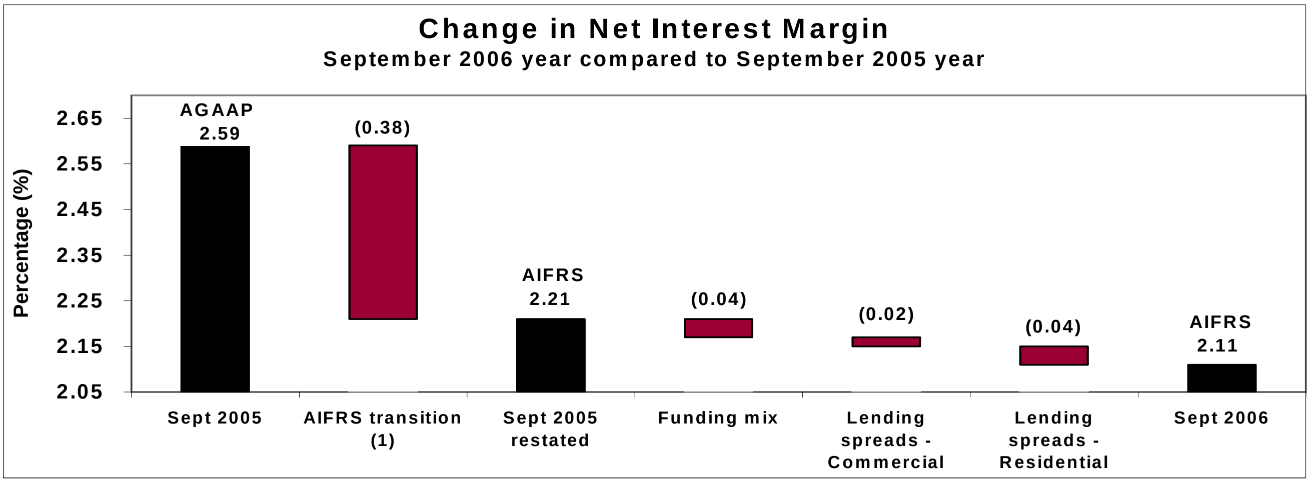
	Half Year				Full Year			
	Sep 06 Balance $M	Rate %	Mar 06 Balance $M	Rate %	Sep 06 Balance $M	Rate %	Sep 05 Balance $M	Rate %
Net interest income	1,051		964		2,015		1,861	
Average								
Interest earning assets	99,048	7.22	91,973	7.04	95,483	7.14	84,127	7.03
Interest bearing liabilities	95,379	5.30	88,945	5.11	92,152	5.21	81,026	5.00
Interest spread		1.92		1.93		1.93		2.03
Interest margin		2.12		2.10		2.11		2.21

The increase in net interest income was primarily due to growth in average interest earning assets of 13.5% since 30 September 2005, offset by a 10 basis point reduction in net interest margin to 2.11%. The reduction in net interest margin is primarily due to the increased flow of new retail money into higher interest rate accounts and margin pressure on residential and commercial lending products.

The net interest margin improved by 2 basis points in second half 2006 to 2.12% from 2.10% in first half 2006. This improvement reflects effective management of the mix of loan assets, the introduction of revised pricing on certain higher yielding deposit products and a favourable impact on funding costs due to official cash rate rises during the year.

The growth in average interest earning assets during the year is due to an increase of $10.5 billion or 13.8% in the average balance of loans and receivables. This result is driven by solid growth in the Bank's residential, consumer and commercial loan portfolios.

3.1.2 Net Interest Income – Cash AIFRS basis (continued)



(1) The key AIFRS transition items were securitisation resulting in a 30 basis point reduction and reclassifying certain preference share capital from equity to debt having a 6 basis point reduction in net interest margin.

The net interest margin was impacted by the following factors:

(a) Funding mix

Retail funding spreads have continued to be affected by the increased flow of new retail money into higher interest rate accounts, such as the dragondirect saver account.

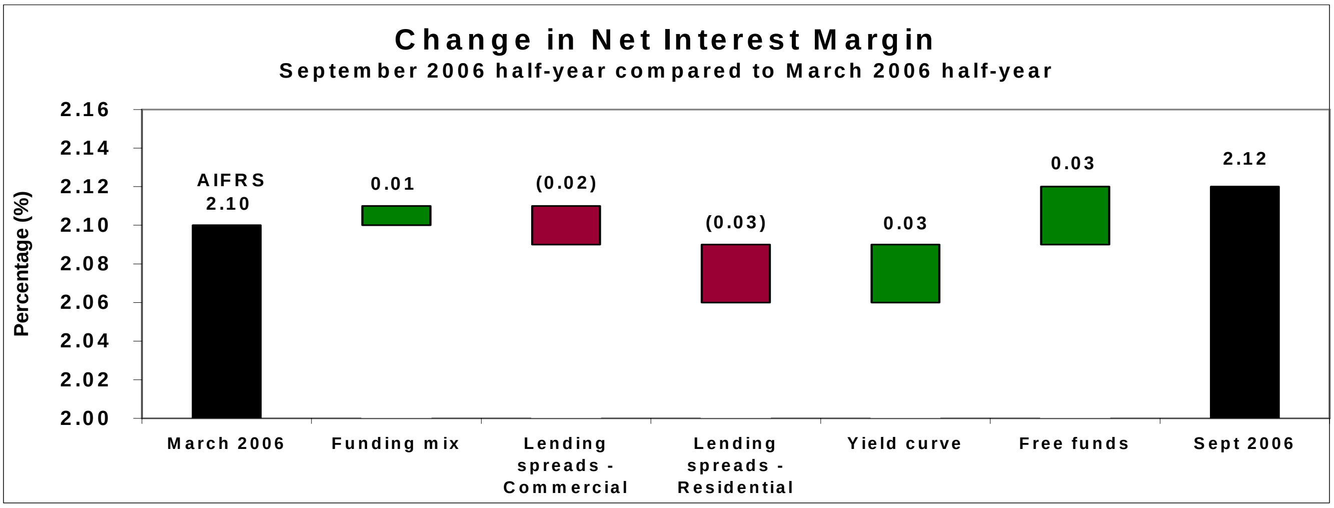
(b) Lending spreads – Commercial

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

(c) Lending spreads – Residential

Residential lending spreads were impacted by continued price competition which has extended to “Low Doc” and “No Deposit” products. There has also been a shift by customers to lower margin fixed rate loans.

3.1.2 Net Interest Income – Cash AIFRS basis (continued)



(a) Funding mix

Retail funding spreads improved on higher yielding interest rate accounts due to the introduction of revised pricing on certain deposit accounts.

(b) Lending spreads – Commercial

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

(c) Lending spreads - Residential

Residential lending spreads were impacted by continued price competition which has extended to “Low Doc” and “No Deposit” products. There has also been a shift by customers to lower margin fixed rate loans.

(d) Yield Curve

The Group’s Balance sheet management activities have made a stronger contribution when compared to the previous half year. There was also a favourable impact on funding costs due to official cash rate rises during the year.

(e) Free funds

The benefit gained from free funds increased during the half due to the issue of Step-up preference shares in June 2006.

3.1.3 Non-Interest Income – Full AIFRS basis

	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Non-Interest Income				
Trading income	36	34	70	60
Product fees and commissions				
- lending	60	54	114	100
- deposit and other accounts	114	105	219	213
- electronic banking	104	98	202	187
Managed funds fees	130	124	254	223
Factoring and invoice discounting income	10	10	20	19
Net profit on disposal of land and buildings	5	2	7	3
Profit on sale of businesses	-	4	4	9
Trust distributions	4	5	9	4
Rental income	4	4	8	11
Profit on sale of shares	-	10	10	4
Dividend income	3	3	6	5
Other income	9	7	16	10
Non-interest income before significant items and hedging and non-trading derivatives	**479**	**460**	**939**	**848**
Add: Hedging and non-trading derivatives volatility	4	10	14	(15)
Non-interest income before significant items	**483**	**470**	**953**	**833**

Trading income

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

	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Net Interest Income				
Treasury trading	22	23	45	57
St.George Insurance investment portfolio	5	6	11	8
Total net interest income	27	29	56	65
Non-Interest Income				
Treasury trading	36	22	58	35
St.George Insurance investment portfolio	-	12	12	25
Total non-interest income	36	34	70	60
Total trading income	63	63	126	125

Total treasury trading income was $103 million (30 September 2005: $92 million) reflecting favourable market conditions. Total income from St.George Insurance's investment portfolio was $23 million (30 September 2005: $33 million), reflecting reduced returns from equity investments.

3.1.3 Non-Interest Income – Full AIFRS basis (continued)

Non trading derivatives

Non trading derivatives represents the impact of hedge ineffectiveness and the fair value movement in the Group's Depositary Capital Securities and related swaps.

Non trading derivatives gain was $14 million for the year compared to a loss of $15 million last year.

Product fees and commissions

Product fees and commissions income increased by 7.0% to $535 million from $500 million last year.

Lending fees – increased by 14.0% to $114 million from $100 million last year. This reflects both higher lending volumes and the 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 2.8% to $219 million from $213 million last year.

Electronic banking – fees increased by 8.0% to $202 million from $187 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 13.9% to $254 million compared to $223 million last year. The increase is due to strong growth of 20.3% in managed funds to $39.3 billion from $32.6 billion last year. This growth reflects strong net inflows of funds and continued strength of investment markets.

Net profit on disposal of land and buildings

The net profit on sale of $7 million for the year primarily relates to the Bank's ongoing branch sale and leaseback program. This excludes a profit of $41 million recognised on the sale and leaseback of the Bank's head office at Kogarah that is disclosed as a significant item.

Profit on sale of shares

A profit of $10 million was recognised during the year on the sale of shares (30 September 2005: $4 million). This primarily comprises a $8 million gain on the sale of the Bank's equity interest in Ascalon completed in first half 2006.

Other income

Other income increased to $16 million compared to $10 million last year. The increase is primarily due to a $4 million gain from Mastercard's initial public offering.

3.1.4 Managed Funds

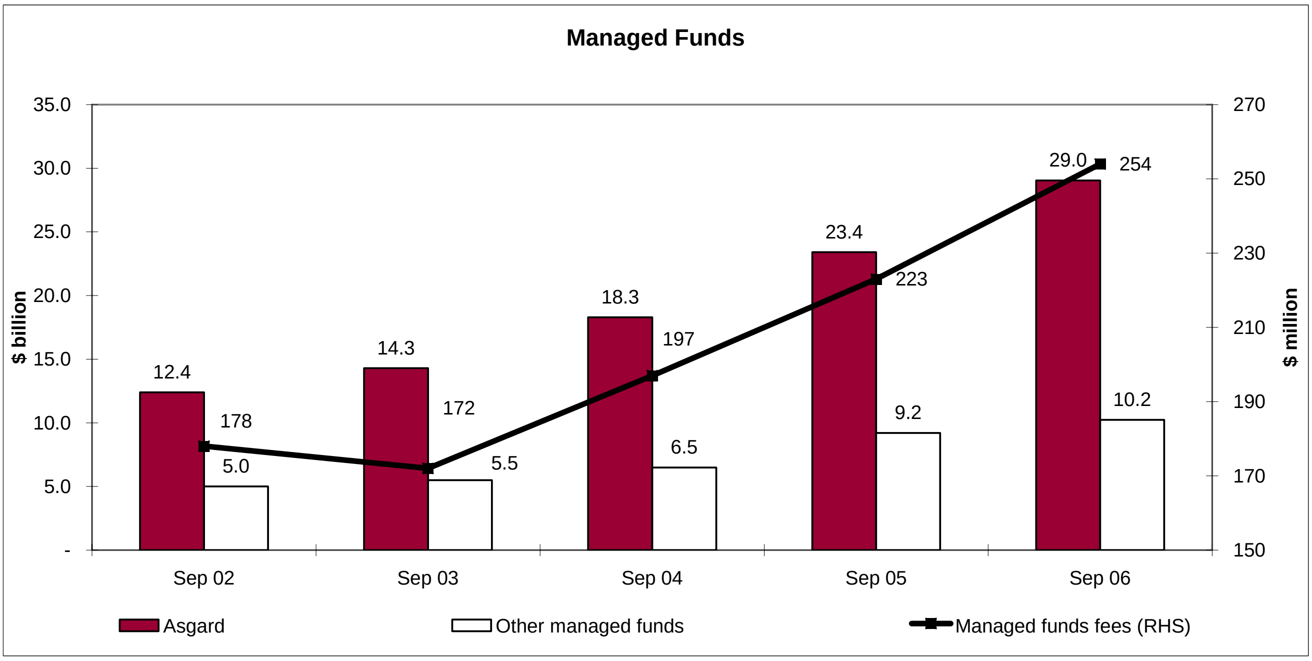
The Group's managed funds comprise funds under management, funds under administration and funds under advice.

Year ended	Sep 2006 $M	Sept 2005 $M
Income		
Managed funds fees for the year	254	223
Managed funds		
Funds under administration (Asgard)	29,040	23,443
Funds under management	7,123	6,462
Funds under advice	3,105	2,737
Total managed funds	39,268	32,642

Managed funds rose by 20.3% to $39.3 billion compared to 30 September 2005. Asgard's funds under administration rose by 23.9% compared to 30 September 2005. This growth reflects favourable equity markets and sustained investor confidence together with expanded distribution channels and product innovation.

The growth in Asgard's funds under administration reflects increased sales, strong equity markets, low redemption rates and benefits from the removal of the superannuation surcharge.

Funds under management grew by 10.2% to $7.1 billion which relates to Advance Funds Management which is an established product packaging business.



3.1.5 Operating Expenses - Cash AIFRS basis

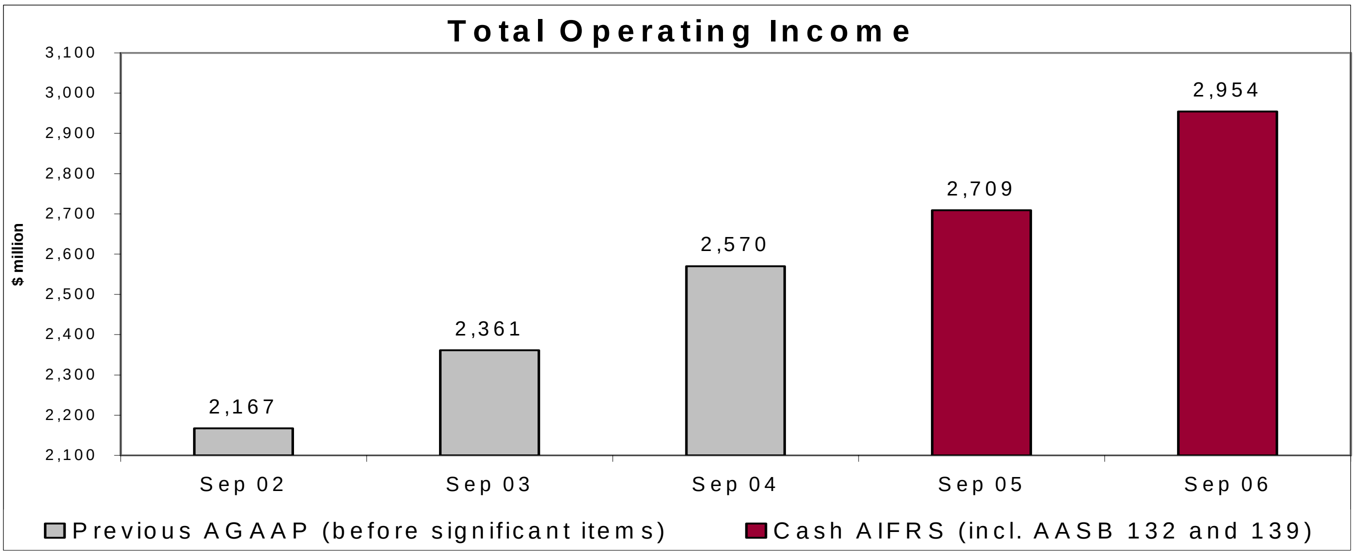
	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Staff expenses				
Salaries	308	289	597	553
Contractors' fees	1	4	5	9
Superannuation	26	26	52	46
Payroll tax	19	20	39	35
Fringe benefits tax	4	3	7	9
Share based compensation	6	6	12	13
Other	14	12	26	25
Total staff expenses	378	360	738	690
Computer and equipment costs				
Depreciation	19	19	38	40
Amortisation - intangible assets	17	15	32	38
Rental on operating leases	3	4	7	9
Other (1)	36	37	73	71
Total computer and equipment costs	75	75	150	158
Occupancy costs				
Depreciation	14	15	29	27
Rental on operating leases	35	35	70	70
Other (2)	25	18	43	41
Total occupancy costs	74	68	142	138
Administration expenses				
Advertising and public relations	27	22	49	49
Consultants	12	9	21	30
Fees and commissions	10	16	26	29
Postage	12	9	21	18
Printing and stationery	20	17	37	36
Subscription and levies	4	5	9	8
Telephone	6	5	11	10
Other (3)	48	47	95	110
Total administration expenses	139	130	269	290
Operating expenses before goodwill and significant items	666	633	1,299	1,276
Ratios - cash AIFRS				
Operating expenses as a % of average assets	1.29%	1.33%	1.31%	1.45%
Expense to income ratio	43.5%	44.5%	44.0%	47.1%

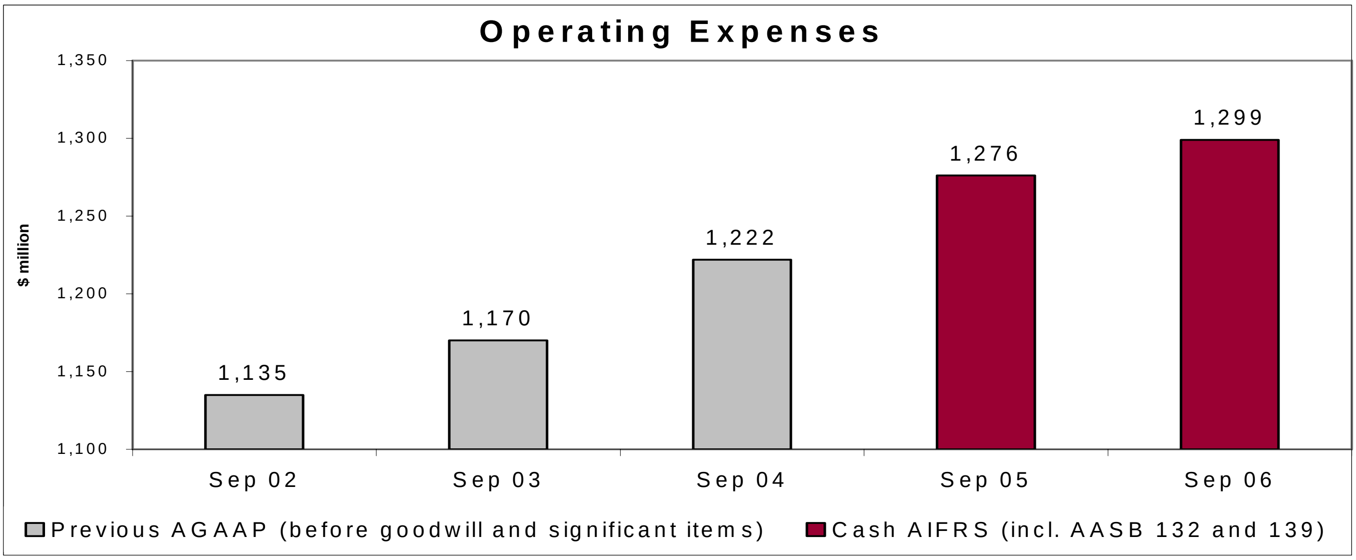
(1) Other computer and equipment costs primarily comprise software and hardware maintenance and data line communication costs.

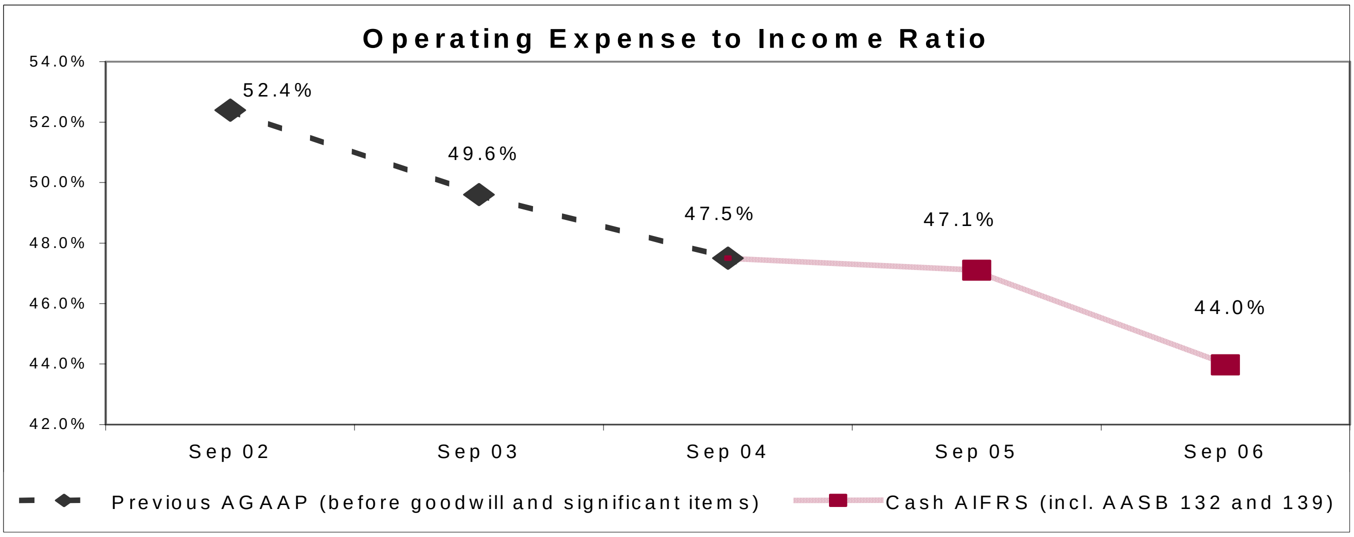
(2) Other occupancy costs primarily comprise management fees paid for property facility management and security services.

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

3.1.5 Operating Expenses - Cash AIFRS basis (continued)







3.1.5 Operating Expenses - Cash AIFRS 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 goodwill impairment and significant items) were $1,299 million for the year (30 September 2005: $1,276 million), an increase of 1.8%. Operating expenses (before goodwill and significant items) increased by 5.2% in second half 2006. These results reflect tight cost control, together with disciplined investment in future growth by increasing staff in customer facing functions.

Staff expenses

Staff expenses increased by $48 million or 7.0% to $738 million compared to last year. This increase includes an average wage increase of 4.3%, effective 1 October 2005 and increased staff to drive the Bank's growth in Victoria, Queensland, Western Australia and Middle Market segments. Staff numbers have also been increased in risk management functions.

Computer and equipment costs

Computer costs decreased by $8 million or 5.1% to $150 million from $158 million last year. The decrease is primarily due to a $6 million reduction in the amortisation of intangible assets relating to computer software. The balance of deferred expenditure at 30 September 2006 was $104 million (30 September 2005: $107 million).

Occupancy costs

Occupancy costs increased by $4 million or 2.9% to $142 million, reflecting increased costs associated with security and leasing.

Administration expenses

Administration costs decreased by $21 million to $269 million compared to $290 million last year. This reflects tight cost control and a lower level of spend in consultancy fees and other costs relating to AIFRS projects and a reduction in non-lending losses.

3.1.6 Bad and Doubtful Debts Expense – Cash AIFRS basis

	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Specific provisions (net of recoveries)				
Residential loans	7	2	9	1
Consumer loans	43	33	76	59
Commercial loans	22	14	36	38
Other	-	-	-	2
Total	**72**	**49**	**121**	**100**
Collective provision	7	16	23	28
Bad and doubtful debts expense	**79**	**65**	**144**	**128**
Movement in general reserve for credit losses				
- establishment of reserve	-	68	68	-
- movement	3	4	7	-
- APRA AIFRS transition adjustment	42	-	42	-
Total movement in general reserve for credit losses	**45**	**72**	**117**	**-**
Bad and doubtful debts expense:				
As a percentage of average gross loans (1) (annualised)	**0.24%**	**0.21%**	**0.23%**	**0.22%**
As a percentage of average risk weighted assets (annualised)	**0.30%**	**0.26%**	**0.28%**	**0.28%**
As a percentage of average assets (2) (annualised)	**0.18%**	**0.16%**	**0.17%**	**0.17%**

(1) Excludes securitised loans and bank acceptances
(2) Excludes securitised loans

The bad and doubtful debts charge was $144 million compared to $128 million last year. Comparatives have been adjusted to reflect AIFRS loan loss provisioning requirements. The collective loan provision relates to loans that are found not to be individually impaired.

The specific provision charge was $121 million compared to $100 million last year. The increase in loan losses on residential loans is primarily attributable to the impact of falling property prices. The level of residential loan bad debts are off a small base and overall remain at a low level. The level of arrears on residential loans remains low and is consistent with prior years. The increase in unsecured consumer loan write-offs is due to growth in the portfolio, consumer spending behaviour and the adoption in second half 2006 of an earlier timeframe for transferring problem loans between collective and specific provisions. Commercial loan provisions increased in second half 2006 due to a lower level of bad debt recoveries compared to first half 2006.

The collective provision charge decreased by $9 million in second half 2006 compared to first half 2006, primarily due to seasonal movements in arrears and the adoption of an earlier timeframe for transferring problem unsecured consumer loans from the collective provision to the specific provision as noted above. Arrears levels for unsecured consumer lending typically peak in the months following Christmas and then gradually decline. This behaviour contributed to the higher first half 2006 charge. The $5 million decrease in the collective provision charge compared to last year is primarily due to the adoption of the earlier specific provision recognition timeframe for unsecured consumer loans.

The general reserve for credit losses increased by $117 million during the year due to the following factors:

(1) In accordance with APRA's proposed AIFRS requirements for loan provisioning, the Bank established a $68 million general reserve for credit losses at 1 October 2005. At this date, the after tax balance of the collective provision and the general reserve for credit losses represented 0.5% of risk weighted assets.

3.1.6 Bad and Doubtful Debts Expense – Cash AIFRS basis

(2) In July 2006, following the finalisation of APRA's AIFRS loan loss provisioning requirements, the Group increased the general reserve for credit losses by $42 million. Under APRA's final rules, $60 million of the collective provision ($42 million after tax equivalent) was deemed to represent a provision for incurred losses rather than future credit losses from unidentified sources. As a result, $60 million of the collective provision was not eligible for inclusion when calculating APRA's 0.5% risk weighted assets loan provisioning requirement.

(3) The general reserve for credit losses increased by a further $7 million during the year primarily due to the growth in risk weighted assets.

At 30 September 2006, the Group is well provisioned with the $117 million balance of the general reserve for credit losses together with $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 AIFRS basis

	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $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 AIFRS profit before tax	785	726	1,511	1,308
Prima facie income tax payable calculated at 30% of operating profit	235	218	453	392
Add: tax effect of differences which increase tax payable				
Preference dividends classified as interest expense	4	7	11	14
Tax losses not recognised	1	1	2	3
Share based payments expense	2	2	4	4
Underprovision for income tax in prior year	1	2	3	1
Other	3	-	3	-
Less: tax effect of differences which reduce tax payable				
Deduction allowable on shares issued to employees	(1)	(1)	(2)	(2)
Difference between accounting profit and assessable profit on sale of shares	-	(3)	(3)	(6)
Difference between accounting profit and assessable profit on sale of buildings	(1)	-	(1)	1
Difference between accounting profit and assessable profit on sale of businesses	-	-	-	(4)
Rebatable dividends	(1)	(1)	(2)	(2)
Other	-	(2)	(2)	(1)
Total income tax expense	**243**	**223**	**466**	**400**
Effective tax rate %	31.0	30.7	30.8	30.6

3.1.8 Segmental Results - Cash AIFRS 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 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 factoring and invoice discounting.
- BankSA ("BSA") – responsible for providing retail banking and business 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 wealth management administration, asset management, dealer group services, margin lending, financial advice, private banking services and general and life insurance.

3.1.8 Segmental Results - Cash AIFRS (continued)

Year ended 30 September 2006	**Retail Bank $M**	**Institutional & Business Banking $M**	**Bank SA $M**	**Wealth Management $M**	**Consolidated $M**
Total revenue	1,501	704	385	364	2,954
Bad and doubtful debts	105	29	9	1	144
Operating expenses	699	254	163	183	1,299
Total segment expenses	804	283	172	184	1,443
Profit before tax	697	421	213	180	1,511
Expense to income ratio %	46.6%	36.1%	42.3%	50.3%	

Year ended 30 September 2005 (1)	**Retail Bank $M**	**Institutional & Business Banking $M**	**Bank SA $M**	**Wealth Management $M**	**Consolidated $M**
Total revenue	1,394	648	352	315	2,709
Bad and doubtful debts	87	35	7	(1)	128
Operating expenses	708	237	159	172	1,276
Total segment expenses	795	272	166	171	1,404
Share of profit in associates	-	(3)	-	-	(3)
Profit before tax	599	379	186	144	1,308
Expense to income ratio %	50.8%	36.6%	45.2%	54.6%	

(1) Comparative figures have been amended from those reported in the 31 March 2006 profit announcement to reflect a consistent divisional allocation basis of the collective provision charge.

3.1.8 Segmental Results - Cash AIFRS (continued)

Retail Bank ("RB")

- RB's contribution to profit before tax grew to $697 million (30 September 2005: $599 million), an increase of 16.4%.
- Total income increased by 7.7% to $1,501 million reflecting strong underlying growth in home loans and consumer loans together with improved margins on retail deposits. Total income increased by 7.0% to $776 million in second half 2006 compared to $725 million in first half 2006.
- Operating expenses were effectively controlled during the year decreasing to $699 million compared to $708 million last year. This was mainly due to cost reductions during the wind down of the New Zealand joint venture which was exited late in the financial year. Process efficiencies were also realised within back-office areas. The expense to income ratio fell to 46.6% from 50.8% last year.
- Bad and doubtful debts were $105 million compared to $87 million last year, reflecting increased provisioning on unsecured consumer and residential loans. Refer page 36 for further details.

Institutional & Business Banking ("IBB")

- IBB's contribution to profit before tax was $421 million (30 September 2005: $379 million), an increase of 11.1%. 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 further branch expansion, increasing the number of relationship managers, continued focus on interstate expansion and industry diversification.
- Total income increased by 8.6%, reflecting strong growth in commercial loans in second half 2006 and solid Treasury trading and sales.
- Operating expenses increased to $254 million compared to $237 million last year. The increase is due to further investment in the "Best Business Bank" program. The expense to income ratio decreased to 36.1% from 36.6% last year.
- Bad and doubtful debts decreased to $29 million compared to $35 million last year.

Bank SA ("BSA")

- BSA's contribution to profit before tax was $213 million (30 September 2005: $186 million), an increase of 14.5%.
- Total income increased by 9.4% to $385 million reflecting the continued success of BSA's "local market" model that resulted in strong growth in housing, consumer and commercial loan portfolios during the year.
- Operating expenses increased by $4 million to $163 million compared to last year. The expense to income ratio fell to 42.3% from 45.2% last year.

3.1.8 Segmental Results - Cash AIFRS (continued)

Wealth Management ("WM")

- WM's contribution to profit before tax was $180 million (30 September 2005: $144 million), an increase of 25.0%.
- Total income increased by 15.6% to $364 million reflecting strong growth in managed funds and margin lending receivables. Contributing to the growth in margin lending was the acquisition of HSBC's $398 million portfolio in August 2006.
- Operating expenses increased by 6.4% to $183 million from $172 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 improved to 50.3% from 54.6% last year.

3.1.9 Lenders Mortgage Insurance

St.George Insurance Pte Ltd ("SGI") is a wholly owned subsidiary of the Bank that was established in Singapore in 1989 to provide mortgage insurance products to the Bank. SGI insures residential loans which, under the Bank's credit policies, require mortgage insurance.

SGI is subject to the regulatory requirements of the Monetary Authority of Singapore.

In accordance with APRA's reforms to the Australian lenders mortgage insurance (LMI) industry, which took effect from 1 January 2006, APRA requires the Bank to utilise an LMI provider that is incorporated in Australia to satisfy the conditions of an "acceptable" LMI provider. Under the transitional provisions of the standards, the Bank had until 1 January 2008 to complete the transfer of SGI's operations to Australia. However, the transfer was completed at the close of business on 29 September 2006, being the last business day of the financial year.

A new Australian based company, St.George Insurance Australia Pty Limited (SGIA), assumed all of the assets and liabilities of the Group's former LMI provider on this date. SGIA is licensed as a General Insurer by APRA and commenced underwriting the Bank's LMI business from 2 October 2006. SGI ceased writing the Bank's LMI business as at the close of business on 29 September 2006.

Loans insured by the Bank's mortgage insurer as at 30 September 2006 had a total value of $34.9 billion. The actuarial assessment completed as at 30 September 2006 has determined that the reserves held to meet potential claims are conservative.

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 that are 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% to 5% for those loans that are securitised.

3.1.9 Lenders Mortgage Insurance (continued)

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.

SGI had its credit rating upgraded from A to A+ by Standard and Poor's in January 2006. In May 2006, Moody's upgraded SGI's credit rating to A1 from A2. SGI has an AA- rating from Fitch Ratings.

Each of the above rating agencies have confirmed an equal rating for SGIA. The ratings for SGI will be withdrawn.

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 financial results are disclosed in the following table:

Performance Summary

		Half Year		Full Year	
		30 Sep 2006 $M	31 Mar 2006 $M	30 Sep 2006 $M	30 Sep 2005 $M
Underwriting income		29	24	53	36
Investment portfolio income		10	20	30	38
Claims		(1)	-	(1)	(1)
Other expenses		(3)	(2)	(5)	(5)
Profit before tax		35	42	77	68
Income tax expense		(6)	(10)	(16)	(12)
Profit after tax		29	32	61	56
Total assets		340	334	340	328
Investment portfolio		336	334	336	328
Shareholders' equity		197	188	197	196
Performance ratios					
* Loss Ratio (1)	%	4.5	0.7	2.8	1.1
* Expense Ratio (2)	%	7.1	8.8	7.8	8.0
* Combined Ratio (3)	%	11.6	9.5	10.6	9.1
Return on - (Annualised)					
* Average Assets	%	17.38	21.60	18.42	22.47
* Average Shareholders' Equity	%	29.75	32.40	30.57	30.07
Profit before tax by source					
* Mortgage Insurance	%	72.4	51.7	61.2	44.1
* Investment Portfolio	%	27.6	48.3	38.8	55.9
Contribution to Group profit (4)					
* before tax	$M	27	31	58	51
* after tax	$M	17	22	39	36

(1) Net claims incurred divided by net premiums earned.
(2) Underwriting expenses divided by net premium earned.
(3) The sum of (1) and (2).
(4) Full AIFRS basis for 2005 comparative figures.
The assets above are shown on a pre-business transfer basis.
The above ratios are calculated on the mortgage insurer's results rounded to the nearest thousand dollars.

3.1.9 Lenders Mortgage Insurance (continued)

On a stand alone basis, the mortgage insurance entity recognises premium income over the expected period of the risk. On consolidation, intercompany transactions between the mortgage insurance entity and the Bank are eliminated. In accordance with AIFRS, from 1 October 2005, loan risk fees collected by the Bank in respect of 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. The mortgage insurer's tax expense is lower when compared to the tax expense in its contribution to the Group result. This is due to the differential between the lower tax rate in Singapore compared to Australia being required to be paid by St.George Bank as attribution tax in Australia. Hence, the contribution to Group profit by the mortgage insurer is lower than its stand alone statutory profit result as noted in the above table.

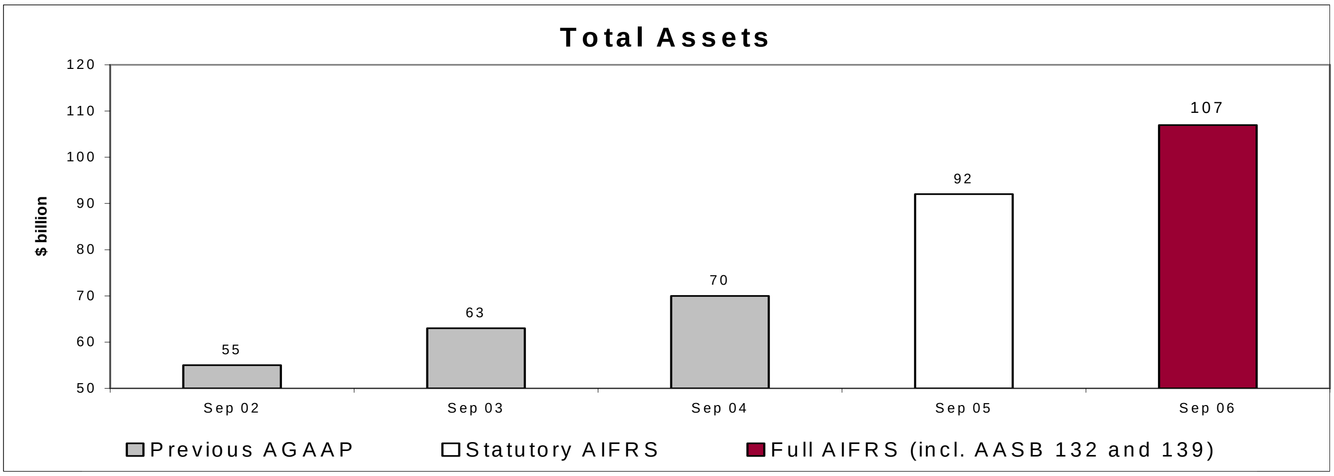
3.2 Group Position Summary

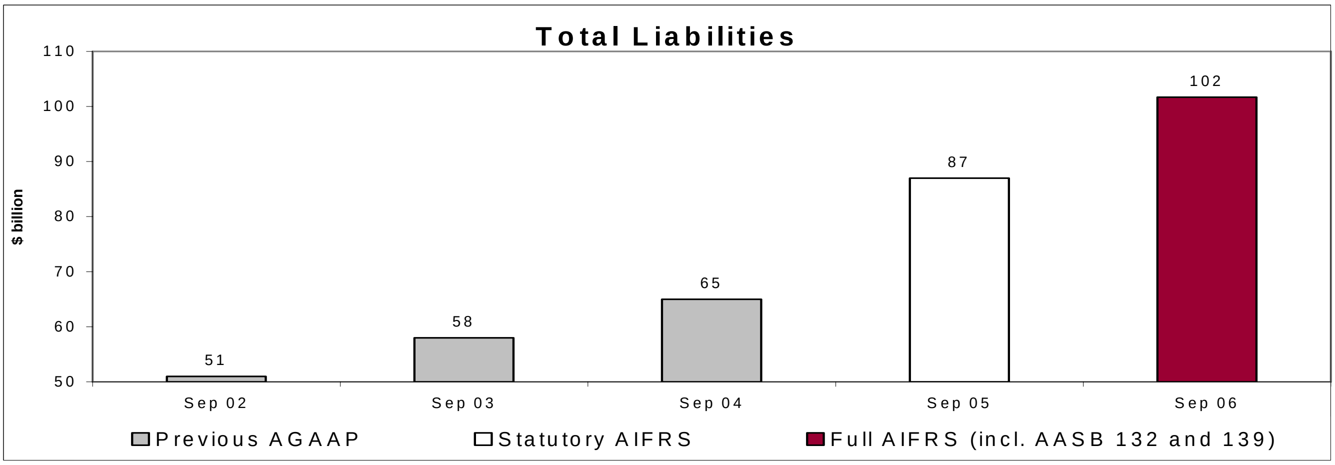
As at	Full AIFRS 30 Sep 2006 $M	Full AIFRS 31 Mar 2006 $M	Statutory AIFRS 30 Sep 2005 $M
Assets			
Cash and liquid assets	1,081	1,128	1,184
Receivables from other financial institutions	1,182	975	1,111
Assets at fair value through the income statement	6,192	5,726	6,007
Derivative assets	1,093	1,277	-
Available for sale investments	1,541	1,367	-
Investment securities	-	-	1,149
Loans and other receivables	81,516	77,197	72,949
Bank acceptances of customers	11,908	9,842	7,098
Property, plant and equipment	334	443	452
Intangible assets	1,291	1,282	1,268
Other assets	864	808	1,141
Total Assets	107,002	100,045	92,359
Liabilities			
Retail funding and other borrowings	91,647	85,341	77,049
Payables to other financial institutions	401	421	91
Bank acceptances	7,287	7,264	7,098
Derivative liabilties	1,190	1,025	-
Bills payable and other liabilities	1,134	1,045	2,734
Total Liabilities	101,659	95,096	86,972
Net Assets	5,343	4,949	5,387
Shareholders' Equity			
Share capital	4,376	4,171	4,105
Reserves	151	72	23
Retained profits	798	685	906
Minority interests in controlled entities	18	21	353
Total Shareholders' Equity	5,343	4,949	5,387
Shareholders' equity as a percentage of total assets	4.99%	4.95%	5.83%
Net tangible assets per ordinary share issued	$6.73	$6.30	$6.01
Number of ordinary shares issued (000's)	526,247	524,220	520,407

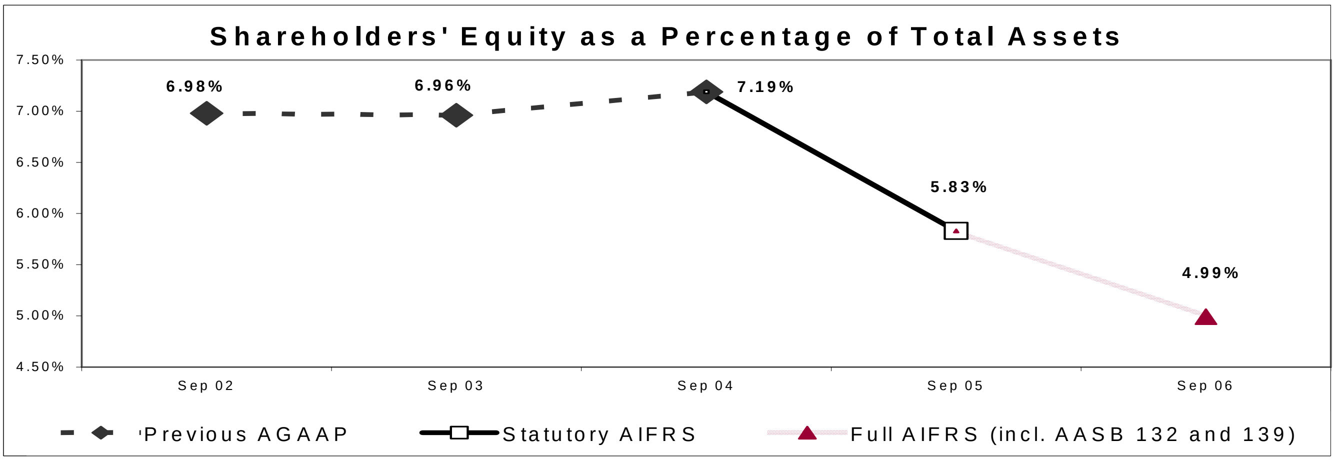
2005 year comparative figures have not been restated for the impact of AASB 132 and AASB 139 which are effective from 1 October 2005.

3.2.1 Total Assets

Total assets were $107.0 billion at 30 September 2006 (30 September 2005: $92.4 billion), an increase of 15.9% reflecting growth of 14.8% in lending assets (including bank acceptances and securitised loans) to $93.4 billion at 30 September 2006.







The key impacts of AIFRS on the balance sheet are the consolidation of securitised assets and related funding. From 1 October 2005, the Bank has complied with AASB 132 and AASB 139, the main impact on the balance sheet arising from these standards has been to reclassify PRYMES and DCS from shareholders' equity to retail funding and other borrowings.

3.2.2 Lending Assets

Lending assets increased to $93.4 billion (30 September 2005: $81.4 billion), an increase of 14.8%. Annualised growth since 31 March 2006 was 14.7%.

As at	Full AIFRS 30 Sep 2006 $M	Full AIFRS 31 Mar 2006 $M	Statutory AIFRS 30 Sep 2005 $M
Residential			
Housing loans	24,362	25,685	24,878
Securitised housing loans	17,998	14,826	13,225
Home equity loans	20,337	19,217	18,189
Total Residential	62,697	59,728	56,292
Consumer			
Personal loans	2,573	2,507	2,353
Line of credit	1,268	1,166	1,084
Margin lending	2,572	1,806	1,580
Total Consumer	6,413	5,479	5,017
Commercial			
Commercial loans	9,806	9,427	9,614
Bank bill acceptances	11,615	9,573	8,143
Hire purchase	2,084	1,989	1,960
Leasing	433	422	407
Total Commercial	23,938	21,411	20,124
Foreign exchange cash advances	31	39	30
Structured financing	613	643	146
Gross lending assets	93,692	87,300	81,609
General provision	-	-	219
Collective provision (1)	268	261	-
Net lending assets	93,424	87,039	81,390
Lending assets are comprised of:			
Net loans and receivables	81,516	77,197	72,949
Bank acceptances - commercial	11,615	9,573	6,800
Bank acceptances - margin lending	293	269	298
Bill financing held in trading securities	-	-	1,343
Net lending assets	93,424	87,039	81,390

(1) Collective provision calculated in accordance with full AIFRS for 30 September 2006 year and 31 March 2006 half year. 2005 year comparatives have not been amended to reflect this AIFRS change.

3.2.2 Lending Assets (continued)

Residential loans increased by 11.4% to $62.7 billion from $56.3 billion as at 30 September 2005. Excluding SGBNZ, residential loans grew by 12.2% compared to last year. Continuing to leverage the third party mortgage broker channel as well as further investment in increasing the productivity of the Bank's proprietary channel has contributed to strong lending growth in Victoria, Queensland and Western Australia. Within residential loans, higher margin home equity loans increased by 11.8% to $20.3 billion.

Consumer loans increased by 27.8% to $6.4 billion (30 September 2005: $5.0 billion) due to strong growth in personal loans, margin lending and credit cards together with the acquisition of HSBC's $398 million margin lending portfolio in August 2006. Excluding this acquisition, the consumer loan portfolio grew by 19.9%. Growth in credit cards of 17.0% was assisted by the launch of "Vertigo", a new style low interest rate credit card during the year.

Commercial loans grew by 19.0% to $23.9 billion from $20.1 billion at 30 September 2005. Annualised growth in commercial loans since 31 March 2006 was 23.6%, despite intense competition and the slow down in the property market, particularly in New South Wales. Middle market receivables grew by 23.9% since 30 September 2005. This strong growth is as a result of consistent investment in the business, increasing customer facing staff and opening new service centres.

Structured finance loans grew to $613 million from $146 million at 30 September 2005. In March 2006, the Bank provided a $500 million loan to a AAA rated OECD bank.

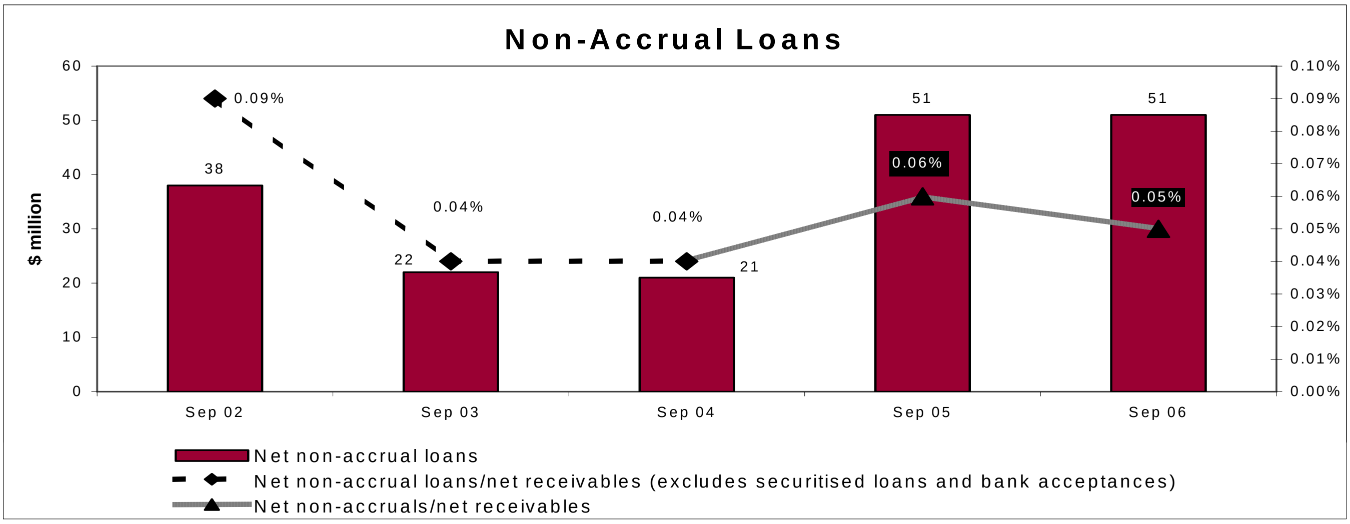
3.2.3 Impaired Assets

Total impaired assets (net of specific provisions) were $52 million at 30 September 2006 (30 September 2005: $51 million). Past 90 day due loans were $181 million compared to $182 million at 30 September 2005.

As at	30 Sep 2006 $M	31 Mar 2006 $M	30 Sep 2005 $M
Section 1 - Non-Accrual Loans			
With provisions:			
Gross Loan Balances	74	70	70
Specific Provisions	34	35	26
Net Loan Balances	40	35	44
Without provisions:			
Gross Loan Balances	11	9	7
Total Non-accrual Loans:			
Gross Loan Balances	85	79	77
Specific Provisions	34	35	26
Net Loan Balances	51	44	51
Section 2 - Restructured Loans			
Without provisions:			
Gross Loan Balances	1	1	-
Section 3 - Assets acquired through security enforcement			
Other Real Estate Owned	-	-	-
Total impaired assets (1)	52	45	51
Section 4 - Past Due Loans (Consumer segment) (2)			
Residential loans	118	128	117
Other	63	76	65
Total	181	204	182

(1) These balances consist of commercial loans. Unsecured lines of credit, consumer loans, credit cards and other loans with balances less than $100,000 are treated on a portfolio basis, except where a loan has been individually identified and a provision has been raised.

(2) Past due items relates to the Group's consumer lending portfolio and do not include those items already classified as being impaired. This category primarily includes loans which are in arrears for 90 or more consecutive days but which are less than $100,000.



3.2.3 Impaired Assets (continued)

As at	30 Sep 2006	31 Mar 2006	30 Sep 2005
Specific provision coverage for non-accruals	40.00%	44.30%	33.77%
Gross non-accruals / Net receivables	0.09%	0.09%	0.09%
Net non-accruals / Net receivables	0.05%	0.05%	0.06%

3.2.4 Loan Impairment Provisions and General Reserve for Credit Losses

	Half Year		Full Year	
	Sep 2006 $M	Mar 2006 $M	Sep 2006 $M	Sep 2005 $M
General provision				
Balance at beginning of period	-	219	219	209
Net provision movement during the period	-	-	-	10
Write-back of general provision on transition to AIFRS (1)	-	(219)	(219)	-
Balance at end of period	-	-	-	219
Collective provision (2)				
Balance at beginning of period	261	-	-	-
Establish provision on transition to AIFRS (1)	-	245	245	-
Net provision movement during the period	7	16	23	-
Balance at end of period	268	261	268	-
Specific provision				
Balance at beginning of period	36	69	69	73
Write-back of portfolio provisions on transition to AIFRS (1)	-	(35)	(35)	-
Net provision movement during the period	72	49	121	100
Bad debt write offs	(77)	(47)	(124)	(104)
Balance at end of period	31	36	31	69
General reserve for credit losses (3)				
Balance at beginning of period	72	-	-	-
Establishment of reserve on transition to AIFRS (1)	-	68	68	-
Transfer from retained profits during the period	3	4	7	-
APRA transition adjustment	42	-	42	-
Balance at end of period	117	72	117	-
Total provisions and general reserve for credit losses	416	369	416	288

(1) Adjusted against opening retained earnings at 1 October 2005.
(2) 2005 year comparative figures prepared on a statutory AIFRS basis.
(3) The general reserve for credit losses was established by an appropriation from retained earnings.

In accordance with AIFRS, the general provision has been reversed and replaced with a collective provision which is tax effected. 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 1 October 2005, the Group established a $68 million general reserve for credit losses to satisfy APRA's proposed AIFRS loan loss provisioning requirements.

In July 2006, a further $42 million increase was required following APRA finalising their rules which resulted in $60 million of the collective provision ($42 million after tax equivalent) being deemed ineligible to satisfy the 0.5% of risk weighted assets loan provisioning requirement.

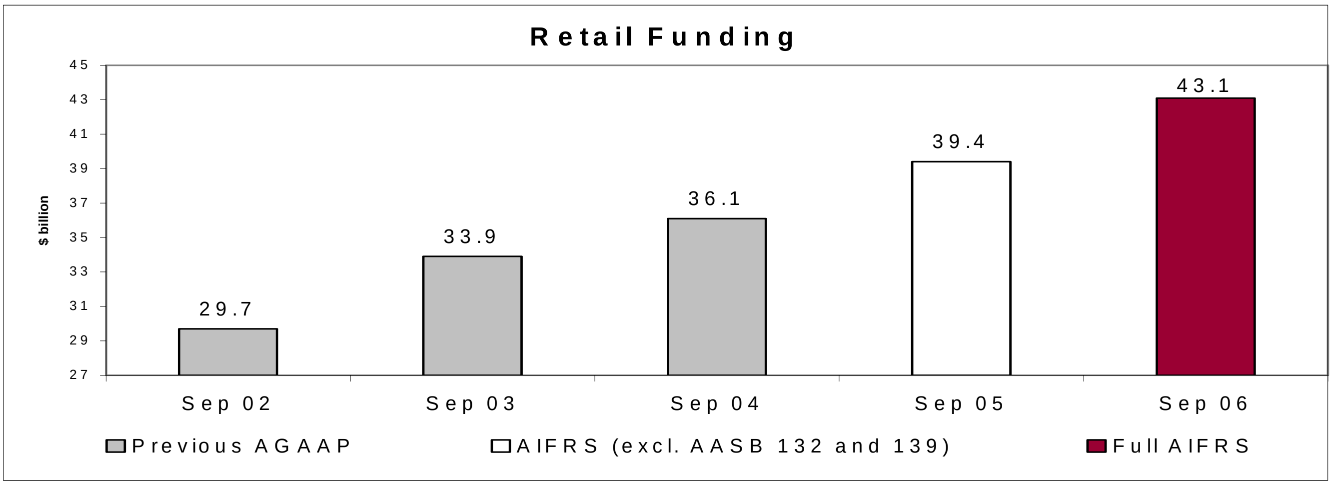
At 30 September 2006, $148 million of the after tax equivalent of the collective provision is considered to satisfy APRA's general provision definition which, when taken together with the $117 million balance of the general reserve for credit losses, represents 0.5% of risk weighted assets.

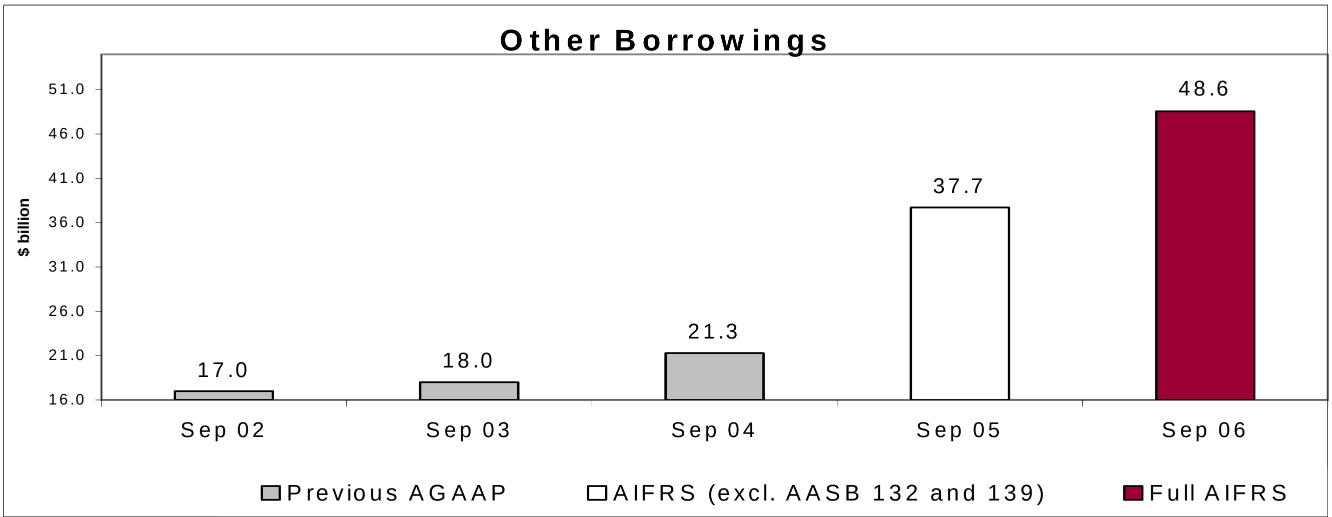
3.2.5 Retail Funding and Other Borrowings

Total retail funding and other borrowings have increased to $91.6 billion at 30 September 2006, an increase of 18.9% since 30 September 2005.

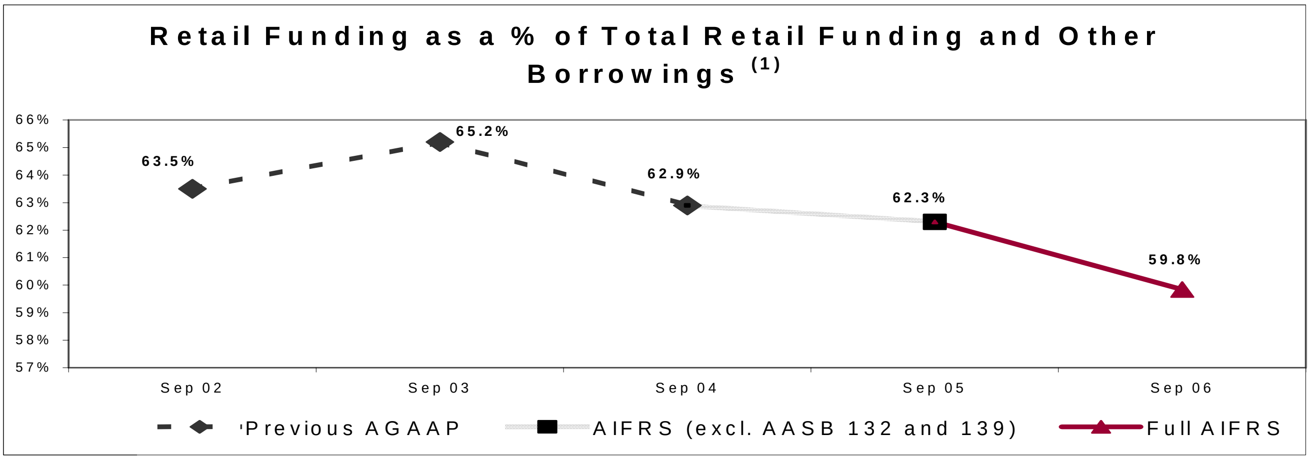
As at	**30 Sep 2006 $M**	**31 Mar 2006 $M**	**30 Sep 2005 $M**
Retail funding	43,091	41,772	39,386
Other deposits	6,361	7,833	5,494
Offshore borrowings	16,526	14,294	13,139
Domestic borrowings	3,998	2,802	3,269
Subordinated debt	2,032	1,764	1,956
Preference shares	390	395	-
Securitisation and asset-backed conduit funding	19,249	16,481	13,805
Total	91,647	85,341	77,049
Retail funding as a % of Total Retail Funding and Other Borrowings [(1)]	59.8%	61.0%	62.3%

(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 9.4% to $43.1 billion since 30 September 2005 and accounts for 59.8% of total funding and other borrowings excluding securitisation, asset-backed conduit funding and preference shares (30 September 2005: 62.3%). Excluding SGBNZ, growth in retail funding was 10.7% compared to last year.

As at	30 Sep 2006 $M	31 Mar 2006 $M	30 Sep 2005 $M
Transaction	15,194	14,340	13,236
Savings	571	550	586
Fixed Term	13,888	12,961	12,396
Direct Saver	6,644	6,731	6,080
Investment	6,794	7,190	7,088
Total Retail Funding	43,091	41,772	39,386

Compared to last year, transaction accounts have grown 14.8% to $15.2 billion, direct saver accounts grew by 9.3% to $6.6 billion, fixed term accounts grew 12.0% to $13.9 billion, and investment accounts, which comprise the Portfolio Cash Management Account and the Powersaver Accounts were $6.8 billion compared to $7.1 billion last year. Strong growth was also achieved in the Group's business deposits with growth of 16.2% to $5.9 billion during the year.

The Bank's strategy is to balance volume growth in retail funding with margin management. Strong balance sheet growth has resulted in an increase in the proportion of wholesale funding. As a result, the retail funding ratio reduced to 59.8% compared to 62.3% last year.

3.2.5 Retail Funding and Other Borrowings (continued)

Other borrowings

Other borrowings excluding securitisation, asset-backed conduit funding and preference shares increased to $28.9 billion from $23.9 billion at 30 September 2005. Debt issues during the year included the following:

- In January 2006, the Bank issued GBP 375 million of floating rate notes, maturing in January 2011.
- In April 2006, the Bank issued A$900 million of floating rate and A$400 million of fixed rate transferable deposits, maturing in April 2011.
- In June 2006, the Bank issued EUR 600 million of floating rate notes, maturing in June 2011.
- In July 2006, the Bank issued A$300 million of subordinated notes that qualify as Tier 2 capital for capital adequacy purposes, maturing in July 2016.

3.2.6 Shareholders' Equity

Shareholders' equity of $5,343 million represents 4.99% of total assets as at 30 September 2006. Shareholders' equity is comprised of the following items:

As at	30 Sep 2006 $M	31 Mar 2006 $M	30 Sep 2005 $M
Ordinary share capital			
- Ordinary equity	3,878	3,819	3,454
- Treasury shares	(10)	(8)	-
Total ordinary share capital	3,868	3,811	3,454
PRYMES [1]	-	-	291
DCS [2]	-	-	334
SAINTS	345	345	345
Step-up preference shares	148	-	-
Retained profits	798	685	906
General reserve	15	15	15
General reserve for credit losses	117	72	-
Foreign currency translation reserve	(1)	(2)	4
Cash flow hedge reserve	-	(28)	-
Equity compensation reserve	29	22	17
Depositors' and borrowers' redemption reserve	2	2	2
Available for sale reserve	4	6	-
Minority interests	18	21	19
Shareholders' equity	5,343	4,949	5,387

(1) Converted into ordinary shares in February 2006
(2) Reclassified to debt from 1 October 2005

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

	$M	Number of shares
Balance as at 1 October 2005	3,454	520,407,464
Conversion of PRYMES into ordinary shares	307	10,309,170
Buyback [1]	(77)	(11,677,657)
Shares issued under various plans:		
Dividend Reinvestment Plan - 2005 final ordinary dividend	127	4,482,131
Employee Reward Share Plan	-	241,366
Executive Performance Share Plan	-	269,314
Executive Option Plan	9	513,522
Dividend Reinvestment Plan - 2006 interim ordinary dividend	59	2,033,263
Treasury Shares	(10)	(331,213)
Issue costs	(1)	-
Balance as at 30 September 2006	3,868	526,247,360

(1) $224 million of the buy-back was deemed to be a fully franked dividend and charged against retained profits.

3.2.7 Sell Back Rights

The Full Federal Court hearing on whether shareholders who were entitled to Sell Back Rights should be taxed on the value of those rights when granted was held on 12 November 2004. On 8 August 2005, the Full Federal Court held that the affected shareholders should not be taxed on the value of the Sell Back Rights. In September 2005, the Commissioner of Taxation lodged a request with the High Court of Australia seeking leave to appeal the decision of the Full Federal Court on this matter.

In February 2006, the High Court granted the Commissioner of Taxation leave to appeal against the decision of the Full Federal Court. The hearing was held on 14 June 2006. The High Court's decision is likely to be handed down by the end of 2006.

3.3 Other Financial Analysis

3.3.1 Dividends

Ordinary Shares

The Board has declared a final dividend of 77 cents per ordinary share.

100 percent of the dividend payment will be franked at 30% and will be paid on 19 December 2006. Ordinary shares will trade ex-dividend on 29 November 2006.

Registrable transfers received by St.George at its share registry[1] by 5.00 pm Sydney time on 5 December 2006 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.

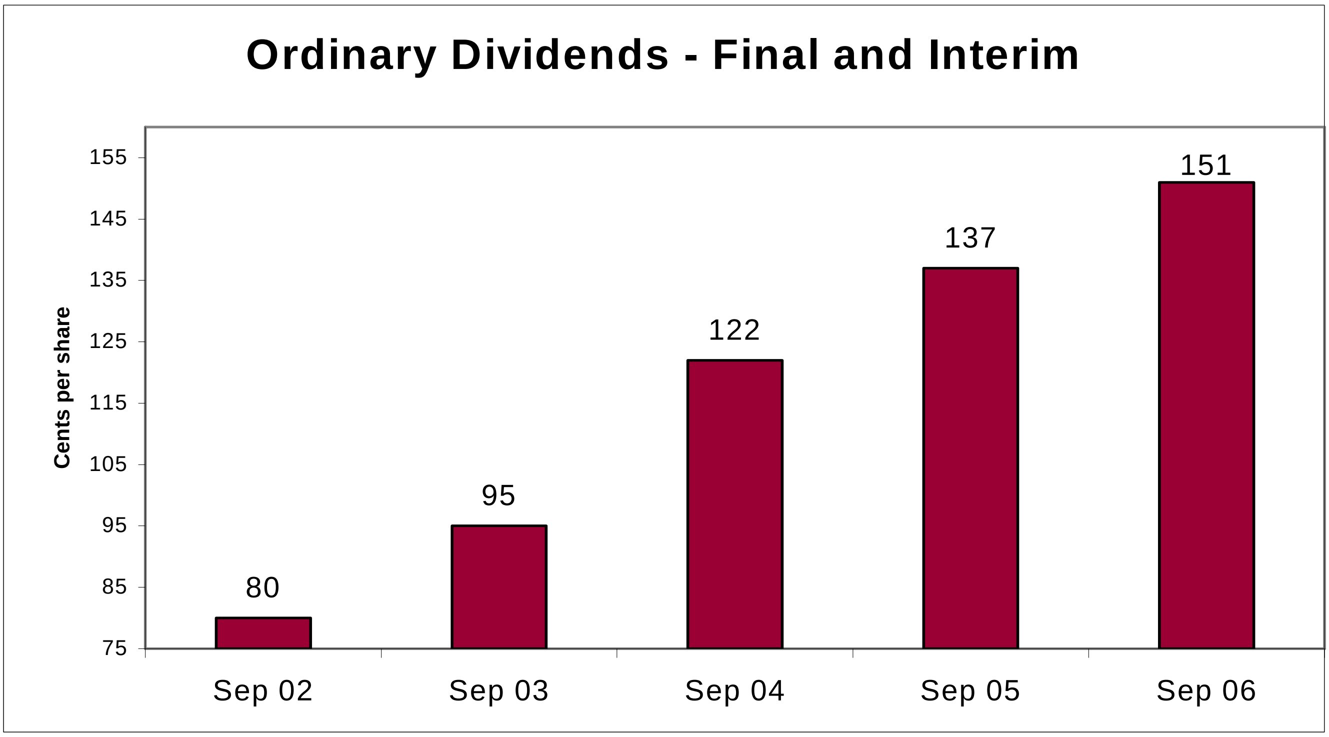
Dividend Reinvestment Plan (DRP)

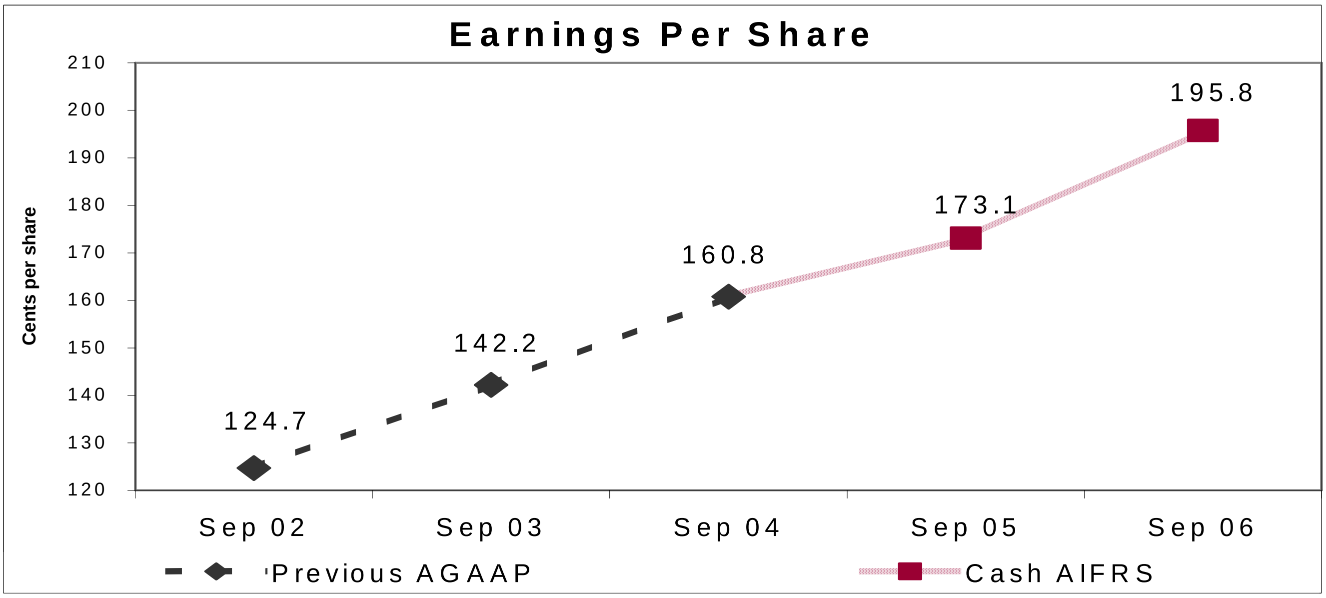
The DRP will operate for the final dividend with no discount. Participation will be from a minimum of 100 ordinary shares without a cap on participation by individual shareholders. For applications under the DRP to be effective, they must be received at the Bank's Share Registry[1] by 5:00pm on 5 December 2006. DRP application forms are available from the Share Registry.

The DRP will be priced during the 10 days of trading commencing 7 December 2006. A combined DRP advice/holding statement will be despatched to DRP participants on or around 5 January 2007.

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 liability)			
1 October 2005 - 31 December 2005	31 December 2005	7	No
1 January 2006 - 30 June 2006	30 June 2006	14	No
1 July 2006 - 30 September 2006 (1)	31 December 2006	7	No
		28	
PRYMES (2) (Classified as liability)			
1 October 2005 - 20 February 2006	20 February 2006	8	100% franked at 30%
SAINTS (Classified as equity)			
1 October 2005 - 19 November 2005	21 November 2005	2	100% franked at 30%
20 November 2005 - 19 February 2006	20 February 2006	4	100% franked at 30%
20 February 2006 - 19 May 2006	22 May 2006	5	100% franked at 30%
20 May 2006 - 19 August 2006	21 August 2006	5	100% franked at 30%
20 August 2006 - 30 September 2006	20 November 2006	2	100% franked at 30%
		18	
STEP-UP PREFERENCE SHARES (Classified as equity)			
20 June 2006 - 19 August 2006	21 August 2006	1	100% franked at 30%
20 August 2006 - 30 September 2006	20 November 2006	1	100% franked at 30%
		2	

(1) This dividend entitlement has been calculated based on the AUD/USD exchange rate at 30 September 2006.

(2) The 3,000,000 PRYMES on issue converted into 10,309,170 ordinary shares in February 2006.

3.3.2 Capital Adequacy

The Group has a Tier 1 capital adequacy ratio of 6.9% and a total capital ratio of 10.8% (30 September 2005: 11.1%). 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.

	AIFRS 30 Sep 2006 $M	AGAAP 30 Sep 2005 $M
Tier 1		
Share capital	3,868	3,454
General reserve	15	15
Borrowers' and depositors' redemption reserve	2	2
PRYMES	-	291
SAINTS	345	345
Perpetual notes	34	31
Step-up preference shares	148	-
Depositary capital securities	335	328
Minority interests	(16)	(12)
Asset realisation reserve	-	33
Other reserves	2	5
Equity compensation reserve	29	-
Retained earnings	798	781
Less: Expected dividend (1)	(344)	(237)
Capitalised expenses (2)	(295)	(184)
Goodwill and other APRA deductions	(1,513)	(1,366)
Add: AIFRS APRA transition adjustments (3)	261	-
Total Tier 1 capital	3,669	3,486
Tier 2		
Asset revaluations	28	55
Subordinated debt	1,835	1,600
General provision for doubtful debts	-	219
General reserve for credit losses/collective provision	265	-
Add: APRA AIFRS transition adjustment (3)	7	-
Total Tier 2 capital	2,135	1,874
Deductions		
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27
Other	1	1
Total deductions from capital	28	28
Total qualifying capital	**5,776**	**5,332**
Risk weighted assets	**52,982**	**47,864**
	%	%
Risk weighted capital adequacy ratio		
Tier 1	6.9	7.3
Tier 2	4.0	3.9
Deductions	(0.1)	(0.1)
Total capital ratio	10.8	11.1

(1) Net of estimated reinvestment under the dividend reinvestment plan.
(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 Ratio is 5.0% compared to 5.1% at 30 September 2005. The ratio has been calculated in accordance with Standard and Poor's methodology.

As at	AIFRS Sept 2006 $M	AGAAP March 2006 $M	AGAAP Sept 2005 $M
Adjusted Common Equity Ratio			
Tier 1 Capital	3,669	3,458	3,486
Less: SAINTS	345	345	345
PRYMES	-	-	291
Step-up preference shares	148	-	-
Depositary capital securities	335	351	328
Perpetual notes	34	34	31
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27	27
Capitalised software (1)	131	-	-
Adjusted Common Equity	2,649	2,701	2,464
Risk Weighted Assets	52,982	50,955	47,864
Adjusted Common Equity Ratio	5.0%	5.3%	5.1%

(1) ACE excludes APRA AIFRS transition relief for capitalised software expenses.

The Group's Tier 1 capital adequacy ratio of 6.9% is currently below the Group's target range of 7%-7.5% and APRA's minimum requirements due to the ordinary share buy-back completed in February 2006. APRA has granted the Bank temporary relief on returning to its Tier 1 target range due to the delay in APRA releasing its final prudential standards. The Bank plans to issue a $300 million non-innovative Tier 1 capital instrument in December 2006 which will return the Tier 1 capital adequacy ratio to within the Group's target range.

In the Group's 31 March 2006 Profit Announcement, an estimated Tier 1 capital AIFRS adjustment of $194 million was disclosed. The actual transition adjustment approved by APRA at 30 June 2006 was $261 million. The difference is primarily due to a $42 million increase required to the general reserve for credit losses to satisfy APRA's loan loss provisioning rules and $21 million relating to fair valuing swaps entered into as part of the Bank's securitisation activities.

In accordance with APRA's rules, the Bank is required to have provisions in place for estimated future credit losses which do not relate to incurred losses, equivalent to 0.5% of risk weighted assets on an after tax basis. A $68 million general reserve for credit losses was established at 1 October 2005 to meet these requirements. Following the finalisation of APRA's AIFRS loan provisioning requirements, $42 million of the Group's collective provision on an after tax basis was deemed to relate to incurred losses under APRA's rules and hence did not qualify for inclusion as a general provision to satisfy the 0.5% loan provisioning requirement. As a result, a further $42 million increase in the general reserve for credit losses was required on transition to satisfy APRA's AIFRS regulatory requirements. The $21 million transition adjustment relating to fair valuing swaps entered into by the Bank as part of its securitisation activities is eliminated on consolidation for accounting purposes. Under AIFRS, the trusts are required to be consolidated and any transactions between the Bank and the Trusts are eliminated. For regulatory purposes, the trusts are not permitted to be consolidated, hence any fair value movement on the swaps impact regulatory capital.

The items comprising the $261 million transitional adjustments have decreased by $19 million since 30 June 2006, primarily due to capitalised software falling by $27 million, the fair value adjustment on swaps increasing by $21 million and the asset revaluation reserve decreasing by $10 million.

3.3.3 Average Balances and Related Interest

Comparative period figures have all been prepared on a full AIFRS basis.

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 Year Ended 30 September 2005	Average Balance $M	Interest $M	Average Rate %
Interest earning assets			
Cash and liquid assets	879	37	4.21%
Receivables from other financial institutions	951	40	4.21%
Assets at fair value	6,281	333	5.30%
Loans and other receivables	76,016	5,506	7.24%
Total interest earning assets	84,127	5,916	7.03%
Non-interest earning assets			
Bills receivable	11		
Property, plant and equipment	459		
Other assets	3,938		
Provision for doubtful debts	(287)		
Total non-interest earning assets	4,121		
Total assets	88,248		
Interest bearing liabilities			
Retail funding	36,354	1,513	4.16%
Other deposits	14,534	846	5.82%
Payables to other financial institutions	741	31	4.18%
Domestic borrowings	7,838	462	5.89%
Offshore borrowings (1)	21,559	1,203	5.58%
Total interest bearing liabilities	81,026	4,055	5.00%
Non-interest bearing liabilities			
Bills payable	172		
Other non-interest bearing liabilities	2,600		
Total non-interest bearing liabilities	2,772		
Total liabilities	83,798		
Shareholders' equity (2)	4,450		
Total liabilities and shareholders' equity	88,248		
Interest Spread (3)			2.03%
Interest Margin (4)			2.21%

(1) Includes foreign exchange swap costs.
(2) Basic weighted average number of ordinary shares outstanding for the year were 517.8 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 2006	Average Balance $M	Interest $M	Average Rate [1] %
Interest earning assets			
Cash and liquid assets	869	19	4.37%
Receivables from other financial institutions	1,388	35	5.04%
Assets at fair value	7,129	203	5.70%
Loans and other receivables	89,662	3,321	7.41%
Total interest earning assets	99,048	3,578	7.22%
Non-interest earning assets			
Bills receivable	26		
Property, plant and equipment	422		
Other assets	4,420		
Provision for doubtful debts	(301)		
Total non-interest earning assets	4,567		
Total assets	103,615		
Interest bearing liabilities			
Retail funding	41,262	919	4.45%
Other deposits	14,443	443	6.13%
Payables to other financial institutions	511	11	4.31%
Domestic borrowings	12,055	382	6.34%
Offshore borrowings [2]	27,108	772	5.70%
Total interest bearing liabilities	95,379	2,527	5.30%
Non-interest bearing liabilities			
Bills payable	236		
Other non-interest bearing liabilities	2,939		
Total non-interest bearing liabilities	3,175		
Total liabilities	98,554		
Shareholders' equity [3]	5,061		
Total liabilities and shareholders' equity	103,615		
Interest Spread [4]			1.92%
Interest Margin [5]			2.12%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half-year were 525.2 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 2006	Average Balance $M	Interest $M	Average Rate (1) %
Interest earning assets			
Cash and liquid assets	898	19	4.23%
Receivables from other financial institutions	1,082	26	4.81%
Assets at fair value	6,526	177	5.42%
Loans and other receivables	83,467	3,014	7.22%
Total interest earning assets	91,973	3,236	7.04%
Non-interest earning assets			
Bills receivable	2		
Property, plant and equipment	449		
Other assets	3,256		
Provision for doubtful debts	(261)		
Total non-interest earning assets	3,446		
Total assets	95,419		
Interest bearing liabilities			
Retail funding	39,217	860	4.39%
Other deposits	14,956	439	5.87%
Payables to other financial institutions	379	8	4.22%
Domestic borrowings	9,693	289	5.96%
Offshore borrowings (2)	24,700	676	5.47%
Total interest bearing liabilities	88,945	2,272	5.11%
Non-interest bearing liabilities			
Bills payable	160		
Other non-interest bearing liabilities	1,598		
Total non-interest bearing liabilities	1,758		
Total liabilities	90,703		
Shareholders' equity (3)	4,716		
Total liabilities and shareholders' equity	95,419		
Interest Spread (4)			1.93%
Interest Margin (5)			2.10%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half-year were 523.5 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 2006, and the half-years ended 30 September 2006 and 31 March 2006. 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. All comparative figures have been calculated on a full AIFRS basis.

Full year movement

	September 2006 over September 2005		
	Change due to		
	Volume $M	Rate $M	Total $M
Interest earning assets			
Cash and liquid assets	-	1	1
Receivables due from other financial institutions	15	6	21
Assets at fair value	30	17	47
Loans and other receivables	770	59	829
Change in interest income	815	83	898
Interest bearing liabilities			
Retail funding	170	96	266
Other deposits	8	28	36
Payables due to other financial institutions	(12)	-	(12)
Domestic borrowings	187	22	209
Offshore borrowings	247	(2)	245
Change in interest expense	600	144	744
Change in net interest income	215	(61)	154

Half year movements

	September 2006 over March 2006			March 2006 over September 2005		
	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	(1)	1	-	(2)	-	(2)
Receivables due from other financial institutions	8	1	9	1	2	3
Assets at fair value	17	9	26	14	1	15
Loans and other receivables	229	78	307	176	(43)	133
Change in interest income	253	89	342	189	(40)	149
Interest bearing liabilities						
Retail funding	46	13	59	50	9	59
Other deposits	(16)	20	4	7	1	8
Payables due to other financial institutions	3	-	3	(4)	-	(4)
Domestic borrowings	75	18	93	26	3	29
Offshore borrowings	69	27	96	58	(27)	31
Change in interest expense	177	78	255	137	(14)	123
Change in net interest income	76	11	87	52	(26)	26

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 2006				30 September 2005			
	Contract/	Fair values			Contract/	Fair values		
$M	Notional Amount	Assets	Liabilities	Net	Notional Amount	Assets	Liabilities	Net
Derivatives held for trading								
Futures	15,058	2	(1)	1	12,567	3	(2)	1
Forward rate agreements	57,300	10	(2)	8	32,440	2	(1)	1
Interest rate swaps	68,055	247	(257)	(10)	60,754	145	(128)	17
Interest rate options	661	1	(1)	-	370	1	-	1
Foreign exchange	18,131	175	(121)	54	13,990	62	(117)	(55)
Cross currency swaps	3,509	59	(43)	16	2,208	25	(93)	(68)
Foreign exchange options	3,573	13	(11)	2	2,708	14	(9)	5
	166,287	**507**	**(436)**	**71**	**125,037**	**252**	**(350)**	**(98)**
Derivatives held for cash flow hedging								
Interest rate swaps	15,657	62	(40)	22	9,907	7	(24)	(17)
	15,657	**62**	**(40)**	**22**	**9,907**	**7**	**(24)**	**(17)**
Derivatives held for fair value hedging								
Interest rate swaps	1,397	8	(20)	(12)	1,430	11	(3)	8
Cross currency swaps	27,463	516	(694)	(178)	21,481	197	(1,290)	(1,093)
	28,860	**524**	**(714)**	**(190)**	**22,911**	**208**	**(1,293)**	**(1,085)**
Total	210,804	1,093	(1,190)	(97)	157,855	467	(1,667)	(1,200)

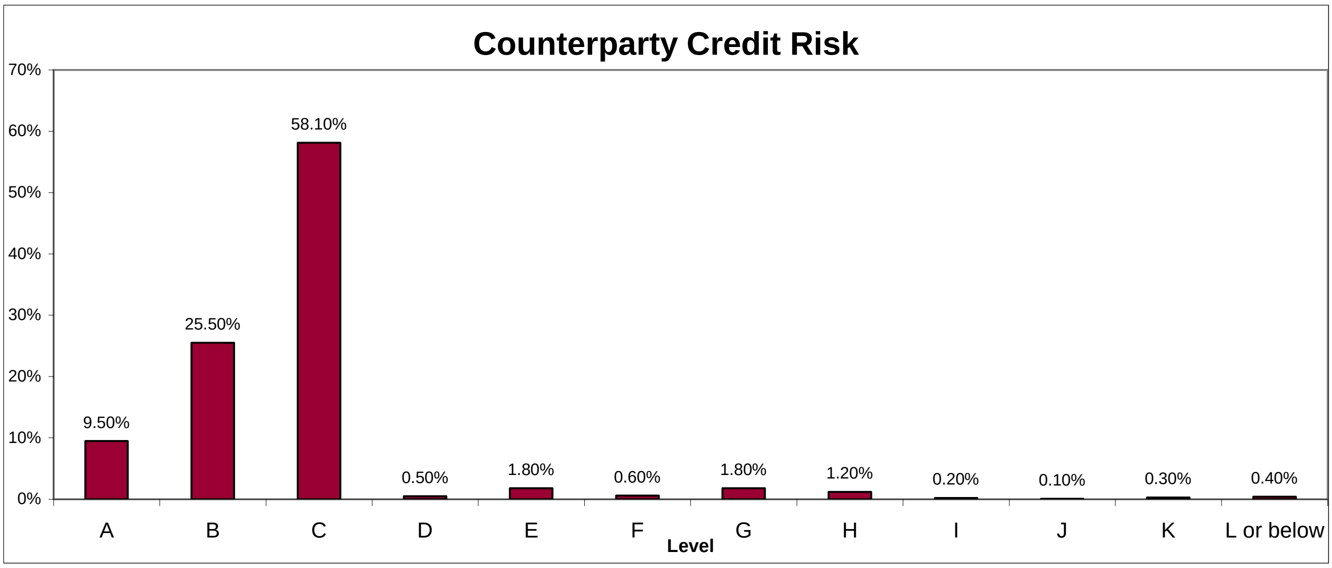
3.3.5 Derivatives (continued)

The Group has a 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 $210.8 billion as at 30 September 2006 (30 September 2005: $157.9 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 the potential loss that could be incurred if the Bank's trading positions were maintained for a defined period of time. A confidence level of 99% is used at St.George; this implies that for every 100 days, the loss will not exceed the VaR limit on 99 of those days. VaR is not an estimate of the maximum loss the trading activities could incur from an extreme market event.

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 enforcing 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 all 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 2006, 31 March 2006 and 30 September 2005.

Six months ended	**30 September 2006**		**31 March 2006**		**30 September 2005**	
$'000	**High**	**Average**	**High**	**Average**	**High**	**Average**
Total Room Risk	1,546	674	1,157	647	1,088	500
Domestic VaR	1,582	603	1,111	589	1,033	382
Foreign Exchange VAR	597	292	744	297	775	322

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

Actual and hypothetical profit and loss outcomes are monitored against VaR on a daily basis as part of the model validation process. Hypothetical profit and loss involves holding a portfolio constant thereby excluding any intraday trading activity.

3.3.6 Share and Option Plans

Three employee share plans and one executive option plan were approved by shareholders at the Annual General Meeting of the Bank held on 3 February 1998. A Non-Executive Director's Share Purchase Plan was approved by shareholders at the Annual General Meeting held on 17 December 1999.

Details of allocations under these plans are contained in the Group's Full Financial report for the 30 September 2006 year.

4 Supplementary Information

4.1 Reconciliation of AIFRS result to previous AGAAP result

To assist in assessing the Group's underlying performance relative to prior periods, key results and ratios have been restated to a previous AGAAP basis. Details of the key adjustments from AIFRS to AGAAP are also disclosed.

	Half Year		Full Year	
	Sep 06 $M	Mar 06 $M	Sep 06 $M	Sep 05 $M
Net interest income (AIFRS basis)	1,051	964	2,015	1,861
AIFRS impacts:				
Securitisation [1]	(71)	(63)	(134)	(94)
Transaction fees and costs [2]	4	(1)	3	(6)
Hybrid instruments [3]	14	23	37	49
Bank acceptances [4]	(68)	(63)	(131)	(103)
Interest on trading derivatives [5]	(4)	6	2	-
Net interest income (AGAAP basis)	926	866	1,792	1,707
Other income (AIFRS basis)	483	470	953	833
AIFRS impacts:				
Securitisation [1]	73	62	135	96
Transaction fees and costs [2]	8	(3)	5	21
Bank acceptances [4]	67	63	130	103
Hedging and interest on trading derivatives [5],[6]	-	(16)	(16)	15
Other income (AGAAP basis)	631	576	1,207	1,068
Total income (AIFRS basis)	1,534	1,434	2,968	2,694
Total AIFRS impacts	23	8	31	81
Total income (AGAAP basis)	1,557	1,442	2,999	2,775
Operating expenses (AIFRS basis)	666	633	1,299	1,276
AIFRS impacts:				
Securitisation	1	-	1	2
Share based compensation [7]	(6)	(6)	(12)	(13)
Other	(1)	-	(1)	(2)
Operating expenses (AGAAP basis)	660	627	1,287	1,263
Bad and doubtful debts expense (AIFRS basis)	79	65	144	128
AIFRS impacts [8]:				
Specific provision	(72)	(49)	(121)	(100)
Collective provision	(7)	(16)	(23)	(28)
AGAAP impacts [8]:				
Specific provision	75	48	123	100
General provision for doubtful debts	6	9	15	10
Bad and doubtful debts expense (AGAAP basis)	81	57	138	110
Share of net profit of equity accounted associates (AIFRS and AGAAP)	-	-	-	3
Minority interests (AIFRS and AGAAP)	-	1	1	5
	-	1	1	8
Goodwill (AIFRS basis)	-	-	-	4
AIFRS impacts:				
Amortisation of goodwill [9]	51	50	101	101
Goodwill (AGAAP basis)	51	50	101	105
Income tax expense (AIFRS basis)	244	226	470	396
Total AIFRS impacts	28	15	43	48
Total AGAAP impacts	(23)	(14)	(37)	(30)
Income tax expense (AGAAP basis)	249	227	476	414
Preference shares (AIFRS basis)	11	9	20	17
AIFRS impacts:				
PRYMES and DCS	14	22	36	46
Preference shares (AGAAP basis)	25	31	56	63
Profit from ordinary activities after tax (AIFRS basis)	534	502	1,036	881
Total AIFRS impacts	15	(8)	7	27
Total AGAAP impacts	(58)	(43)	(101)	(80)
Profit from ordinary activities after tax, goodwill, preference dividends and before significant items (AGAAP basis)	491	451	942	828

Description of AIFRS impacts:
(1) Consolidation of securitisation and other trusts results in a reclassification of income from other income to net interest income.
(2) Includes the reclassification of fees and commissions to interest income, and measuring on an effective yield basis.
(3) On reclassification of hybrid instruments from equity to liability, preference share dividends paid are reclassified to interest paid.
(4) Income from bank acceptances under AIFRS has been reclassified from non-interest income to net interest income.
(5) Interest on trading derivatives under AIFRS has been reclassified from net interest income to non-interest income
(6) Represents hedge ineffectiveness and fair value movement in Depositary Capital Securities and related hedges.
(7) Relates to share based compensation expense arising on the issue of option and award grants to employees.
(8) Reverse AIFRS loan provisions and replace with previous AGAAP loan provisions.
(9) Goodwill no longer required to be amortised under AIFRS.

4.1 Reconciliation of AIFRS result to previous AGAAP result (continued)

	Half Year		Full Year	
	Sep 06	Mar 06	Sep 06	Sep 05
Weighted average number of shares - basic (number) ('000)				
AIFRS	525,168	523,451	524,281	517,762
AIFRS adjustments (1)	325	163	245	-
AGAAP	525,493	523,614	524,526	517,762
Weighted average number of shares - diluted (number) ('000)				
AIFRS	540,629	543,678	542,285	542,416
AIFRS adjustments (2)	(14,425)	(11,803)	(13,062)	(12,871)
AGAAP	526,204	531,875	529,223	529,545
Net assets ($M)				
AIFRS	5,343	4,949	5,343	5,387
AIFRS adjustments (3)	205	299	205	(54)
AGAAP	5,548	5,248	5,548	5,333
Intangible assets ($M)				
AIFRS	1,291	1,282	1,291	1,268
AIFRS adjustments (4)	(303)	(275)	(303)	(208)
AGAAP	988	1,007	988	1,060
Average interest earning assets ($M)				
AIFRS	99,048	91,973	95,483	84,127
AIFRS adjustments (5)	(23,938)	(21,799)	(22,812)	(18,176)
AGAAP	75,110	70,174	72,671	65,951
Average assets ($M)				
AIFRS	103,615	95,419	99,497	88,248
AIFRS adjustments (5)	(17,489)	(15,315)	(16,462)	(12,908)
AGAAP	86,126	80,104	83,035	75,340
Average ordinary equity ($M)				
AIFRS	4,611	4,363	4,479	4,055
AIFRS adjustments	(78)	(45)	(63)	70
AGAAP	4,533	4,318	4,416	4,125

Description of AIFRS impacts:

(1) Relates to the deduction of "Treasury shares" held within the employee share scheme trust.

(2) Relates to the dilutive impact under AIFRS which requires inclusion of hybrid instruments which have any probability of conversion to ordinary shares and are dilutive, and an adjustment for Treasury shares.

(3) Reflects AIFRS transition adjustments

(4) Reflects reversal of goodwill amortisation and reclassification of capitalised software expenditure

(5) Average interest earning assets and average assets are increased under AIFRS primarily due to the consolidation of securitised loans and inclusion of bill acceptances.

	Half Year		Full Year	
AGAAP basis performance ratios	Sep 06	Mar 06	Sep 06	Sep 05
Basic earnings per share (annualised)				
- before goodwill and significant items (cents)	206.3	191.4	198.7	180.2
- after goodwill and significant items (cents)	187.6	172.3	180.0	160.0
Return on average ordinary equity (annualised)				
- before goodwill and significant items (%)	23.91	23.21	23.62	22.62
Expense to income ratio (excl. goodwill and significant items) (%)	42.4	43.5	42.9	45.5
Interest margin (annualised) (%)	2.47	2.47	2.47	2.59
Return on average assets (annualised) before goodwill, significant items and preference dividends (%)	1.32	1.33	1.32	1.32
Net tangible assets per ordinary share ($)	7.06	6.75	7.06	6.31

4.1 Reconciliation of AIFRS result to previous AGAAP result (continued)

A reconciliation of the Group's AIFRS net interest margin to previous AGAAP is provided in the table below:

	Half Year		Full Year	
	Sep 06 Balance $M	Mar 06 Balance $M	Sep 06 Balance $M	Sep 05 Balance $M
Net interest income				
AIFRS	1,051	964	2,015	1,861
- securitised loans and funding [(1)]	(71)	(63)	(134)	(94)
- bank acceptances	(68)	(63)	(131)	(103)
- PRYMES and DCS distributions	14	23	37	49
- other	-	5	5	(6)
Previous AGAAP	926	866	1,792	1,707
Average balances				
Interest earning assets				
AIFRS	99,048	91,973	95,483	84,127
- securitised loans [(1)]	(17,344)	(15,322)	(16,299)	(12,751)
- bank acceptances	(6,594)	(6,477)	(6,513)	(5,425)
Previous AGAAP	75,110	70,174	72,671	65,951
Interest bearing liabilities				
AIFRS	95,379	88,945	92,152	81,026
- securitisation funding [(1)]	(17,236)	(15,192)	(16,162)	(12,662)
- bank acceptances	(6,594)	(6,477)	(6,513)	(5,425)
- PRYMES and DCS	(405)	(542)	(524)	(625)
Previous AGAAP	71,144	66,734	68,953	62,314
Interest margin	%	%	%	%
AIFRS	2.12	2.10	2.11	2.21
- securitised loans and funding [(1)]	0.31	0.28	0.30	0.30
- bank acceptances	0.01	0.03	0.01	0.03
- PRYMES and DCS	0.03	0.05	0.04	0.06
- other	-	0.01	0.01	(0.01)
Previous AGAAP	2.47	2.47	2.47	2.59

(1) Includes asset-backed conduit vehicles

4.2 Earnings Per Share Calculations – Cash AIFRS basis

	Half Year		Full Year	
	Sep 06	**Mar 06**	**Sep 06**	**Sep 05**
Weighted average number of shares				
Basic ('000)	525,168	523,451	524,281	517,762
Weighted average number of potential dilutive shares				
Options on ordinary shares ('000)	711	749	711	751
PRYMES ('000)	-	7,839	3,986	11,032
SAINTS ('000)	11,871	11,639	11,871	12,871
SPS ('000)	2,879	-	1,436	-
	15,461	20,227	18,004	24,654
Weighted average number of shares used in dilutive earnings per share calculation ('000)	540,629	543,678	542,285	542,416
	$M	**$M**	**$M**	**$M**
Cash AIFRS earnings used in basic earnings per share calculation	531	495	1,026	896
add: preference share distributions on potential dilutive issues				
PRYMES	-	8	8	19
SAINTS	9	9	18	17
Step-up preference shares	2	-	2	-
Cash AIFRS earnings used in dilutive earnings per share calculation	542	512	1,054	932

4.3 Branches

As at	Sep 2006	Mar 2006	Sep 2005
New South Wales	200	202	204
Australian Capital Territory	13	13	13
Queensland	23	21	21
Victoria	38	38	35
South Australia	109	109	111
Western Australia	3	3	2
Northern Territory	4	4	4
Total	390	390	390
Assets per branch - $M	274	257	237
Net Profit per branch (annualised)			
- Cash AIFRS profit before preference dividends $ '000	2,682	2,585	2,341

Investment has continued in the distribution network with six full service retail branches and two commercial sites opened during the year. In New South Wales, six smaller branches were closed during the year which were mainly "electronic only" branches that offered limited services.

4.4 Staffing (full time equivalents)

	Sep 2006	Mar 2006	Sep 2005
New South Wales	4,920	4,985	4,871
Australian Capital Territory	146	159	159
Queensland	297	285	279
Victoria	413	430	409
South Australia	1,225	1,220	1,215
Western Australia	132	127	117
Northern Territory	39	36	36
	7,172	7,242	7,086
Asgard	618	593	580
Scottish Pacific	135	139	139
St.George Bank New Zealand	24	54	75
Total Permanent and Casual Staff	7,949	8,028	7,880
Assets per staff - $M	13.5	12.5	11.7
Staff per $m assets - No.	0.07	0.08	0.09
Net Profit per average staff (annualised)			
- Cash AIFRS profit before preference dividends $'000	131	126	118
Total Group Workforce[(1)]	8,598	8,640	8,440

(1) The total Group workforce comprises permanent, casual and temporary staff and contractors.

4.5 Dates and Credit Ratings

Financial Calendar

Date	Event
3 November 2006	Record date for SAINTS and SPS dividend
20 November 2006	Payment date for SAINTS and SPS dividend
29 November 2006	Ex-dividend trading for final ordinary share dividend
5 December 2006	Record date for final ordinary share dividend
19 December 2006	Payment of final ordinary share dividend
20 December 2006	Annual General Meeting
31 March 2007	Financial half-year end
30 September 2007	Financial year end

Proposed Dates

Date	Event
30 January 2007	Ex-dividend trading for SAINTS and SPS dividend
5 February 2007	Record date for SAINTS and SPS dividend
20 February 2007	Payment date for SAINTS and SPS dividend
30 April 2007	Ex-dividend trading for SAINTS and SPS dividend
2 May 2007	Announcement of financial results and interim ordinary share dividend
4 May 2007	Record date for SAINTS and SPS dividend
21 May 2007	Payment date for SAINTS and SPS dividend
13 June 2007	Ex-dividend trading for interim ordinary share dividend
19 June 2007	Record date for interim ordinary share dividend
27 June 2007	Victorian shareholders meeting
3 July 2007	Payment of interim ordinary share dividend

Credit Ratings

	Short term	Long term
Standard & Poor's	A-1	A+
Moody's	P-1	A1
Fitch Ratings	F1	A+

Further Information

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4.6 Consolidated Financial Statements

The following financial statements and accompanying note have been prepared in accordance with AIFRS. Comparative figures have been adjusted to an AIFRS basis, except for those standards that relate to financial instruments. Hence 30 September 2005 comparatives and 30 September 2006 results are not prepared in a consistent manner.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Note	CONSOLIDATED 30 Sept 2006 $M	CONSOLIDATED 30 Sept 2005 $M
Interest income		6,781	5,474
Interest expense		4,768	3,677
Net interest income		2,013	1,797
Other income		994	988
Total operating income		3,007	2,785
Bad and doubtful debts expense		144	109
Operating expenses		1,341	1,279
Share of profit of equity accounted associates		-	3
Goodwill impairment		-	4
Profit before income tax		**1,522**	**1,396**
Income tax expense		445	413
Profit after tax and before loss of discontinued operation		**1,077**	**983**
Loss of discontinued operation, net of tax		13	10
Net loss of discontinued operation attributable to minority interest		(5)	(5)
Minority interest continuing operations		1	-
Net profit attributable to shareholders of the Bank		**1,068**	**978**
Dividends per ordinary share attributable to shareholders of the Bank (cents)		151	137
Earnings per share from continuing operations :			
Basic earnings (cents)	1	201.4	177.7
Diluted earnings (cents)		199.9	176.2

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006

	CONSOLIDATED 30 Sept 2006 $M	CONSOLIDATED 30 Sept 2005 $M
ASSETS		
Cash and liquid assets	1,081	1,184
Receivables due from other financial institutions	1,182	1,111
Assets at fair value through the Income Statement	6,192	6,007
Derivative assets	1,093	-
Available for sale investments	1,541	-
Investment securities	-	1,149
Loans and other receivables	81,516	72,949
Bank acceptances of customers	11,908	7,098
Investment in associated companies	28	-
Other investments	-	45
Property, plant and equipment	334	452
Intangible assets	1,291	1,268
Deferred tax assets	193	93
Other assets	643	1,003
TOTAL ASSETS	107,002	92,359
LIABILITIES		
Deposits and other borrowings	54,633	49,175
Payables due to other financial institutions	401	91
Liabilities at fair value through the Income Statement	390	-
Derivative liabilities	1,190	-
Bank acceptances	7,287	7,098
Provision for dividends	3	12
Current tax liabilities	160	157
Deferred tax liabilities	172	217
Other provisions	125	109
Bonds and notes	34,593	25,918
Loan capital	2,032	1,956
Bills payable and other liabilities	673	2,239
TOTAL LIABILITIES	101,659	86,972
NET ASSETS	5,343	5,387
SHAREHOLDERS' EQUITY		
Share capital	4,376	4,105
Reserves	151	23
Retained profits	798	906
Equity attributable to shareholders of the Bank	5,325	5,034
Equity attributable to minority interests	18	353
Total Shareholders' Equity	5,343	5,387

	CONSOLIDATED	
	30 Sept 2006 $M	30 Sept 2005 $M
Foreign currency translation reserve		
Foreign exchange translation differences (net of tax)	(5)	2
Cash flow hedge reserve		
Gain on cash flow hedging instruments (net of tax)		
Recognised in equity	20	-
Transferred to the income statement	(1)	-
Available for sale reserve		
Loss on available for sale investments (net of tax)		
Recognised in equity	(1)	-
Net income recognised directly in equity	13	2
Profit for the year	1,064	973
Total recognised income and expense for the year	1,077	975
Total recognised income and expense for the year attributable to:		
Members of the Bank	1,081	980
Minority interests	(4)	(5)
	1,077	975
Effect of change in accounting policy - financial instruments		
Net decrease in retained profits	(131)	-
Net increase in reserves	54	-
	1,000	975

	Consolidated	
	2006 $M	2005 $M
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	6,746	5,508
Interest paid	(4,813)	(3,692)
Other income received	850	891
Operating expenses paid	(1,201)	(1,168)
Income tax paid	(457)	(456)
Proceeds from sale and redemption of investment securities	-	285
Purchase of available for sale securities	(1,715)	-
Proceeds from sale and redemption of available for sale securities	1,330	-
Net (increase)/decrease in assets		
- balance due from other financial institutions (not at call)	(82)	(335)
- trading securities/assets at fair value through the income statement	(181)	(802)
- loans and other receivables	(13,332)	(7,726)
Net increase/(decrease) in liabilities		
- balance due to other financial institutions (not at call)	135	(42)
- deposits and other borrowings	5,515	2,021
- bonds and notes	7,624	6,121
Net cash provided by operating activities	419	605
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of controlled entity	23	-
Increase in investment in associated companies	(25)	-
Dividends received	6	5
Payments for shares	(1)	(2)
Proceeds from sale of shares	8	20
Proceeds from sale of other investments	-	7
Proceeds from sale of businesses	4	47
Payments for property, plant and equipment	(59)	(68)
Proceeds from sale of property, plant and equipment	158	39
Net increase in other assets	(142)	(148)
Net cash used in investing activities	(28)	(100)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase/(decrease) in liabilities		
- other liabilities	(20)	19
- loan capital	34	495
Net proceeds from the issue of perpetual notes	3	2
Net proceeds from the issue of Step-up Preference Shares	148	-
Proceeds from the issue of shares	9	6
Buyback of shares	(300)	-
Issue costs	(1)	-
Dividends paid (excluding DRP)	(585)	(594)
Net purchase of Treasury shares	(10)	-
Net cash used in financing activities	(722)	(72)
Net (decrease)/increase in cash and cash equivalents	(331)	433
Cash and cash equivalents at the beginning of the year	1,738	1,305
Cash and cash equivalents at the end of the year	1,407	1,738

Note 1: Earnings Per Share

	CONSOLIDATED	
	2006	**2005**
Basic - ordinary (cents)		
- from continuing operations	201.4	177.7
- from discontinued operations	(1.5)	(1.0)
Diluted - ordinary (cents)		
- from continuing operations	199.9	176.2
- from discontinued operations	(1.5)	(0.9)
Weighted average number of ordinary shares (basic)		
Issued shares as 1 October	520,407,464	513,788,050
Effect of share buy back	(7,102,575)	-
Effect of shares issued in December 2004	-	2,282,906
Effect of shares issued in December 2005	3,573,425	-
Effect of shares issued in July 2005	-	526,600
Effect of shares issued in July 2006	495,782	-
Effect of shares issued under Employee Share Plans	881,738	1,164,249
Effect of shares issued on conversion of PRYMES	6,270,235	-
Less: Treasury shares	(244,574)	-
Weighted average number of ordinary shares at 30 September	524,281,495	517,761,805
Profit attributable to ordinary shareholders (basic)		
- continuing operations	1,076	983
less: preference share distributions		
SAINTS	18	17
SPS	2	-
PRYMES	-	19
DCS	-	27
Profit from continuing operations	1,056	920
Loss from discontinued operations after minority interest	(8)	(5)
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 September (basic)	524,281,495	517,761,805
Effect of PRYMES on issue	3,986,374	11,032,352
Effect of SAINTS on issue	11,870,846	12,871,078
Effect of share options on issue	710,663	750,776
Effect of SPS on issue	1,435,652	-
Weighted average number of ordinary shares (diluted)	542,285,030	542,416,011
Profit attributable to ordinary shareholders (diluted)		
- continuing operations	1,056	920
add: preference share distributions		
interest/dividends on PRYMES	8	19
dividends on SAINTS	18	17
dividends on SPS	2	-
Profit from continuing operations	1,084	956
Loss from discontinued operations	(8)	(5)

Compliance statement

This preliminary final report for the year ended 30 September 2006 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. This is the first annual reporting period under the Australian equivalents to International Financial Reporting Standards.

The financial statements of St.George are in the process of being audited.

J M Thame

Chairman

G P Kelly

Managing Director and Chief Executive Officer

1 November 2006