



news release

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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.



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1 November 2006

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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.

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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 cent², 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 cent² 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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