news release

31 October 2007

St.George announces record cash[1] profit of $1,160 million, up 13.1%

EPS growth of 11.8%

Targets EPS growth of 10% for 2008

Mr John Thame, Chairman of St.George Bank, today announced a record cash[1] profit after tax of $1,160 million for the year ended 30 September 2007, up 13.1% on the year ended 30 September 2006. This represents earnings per share growth of 11.8%, a result that is at the higher end of our 11-12% market guidance.

The result highlights are as follows:

	Sept 2007	Sept 2006	% Change
Net profit after preference dividends	$1,163m	$1,048m	11.0
Cash profit[1]	$1,160m	$1,026m	13.1
Earnings per share basic[1]	218.9 cents	195.8 cents	11.8
Return on equity[1]	23.2%	22.9%	
Expense to income[1]	42.5%	44.0%	
Final ordinary dividend – 100% fully franked	86 cents	77 cents	11.7

Mr Thame said; "St.George has once again delivered a very strong result for our shareholders. This is the seventh year in a row that St.George's organic growth strategy has delivered double-digit EPS growth."

A fully franked final dividend of 86 cents has been declared, an 11.7 per cent increase on September 2006.

Acting Chief Executive Officer, Paul Fegan commented; "We are very pleased with this result, particularly as it is underpinned by strong revenue growth across all business units, outstanding credit quality and effective cost control. Highlights include the very strong profitable growth in deposits, where we increased market share in transactional accounts, the continued standout performance of middle market with over double system growth and the excellent performance of our wealth management businesses."

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

Mr Fegan continued; "St.George continues to reap the benefits of an exceptionally strong franchise - a well diversified retail bank and outperforming business banking and wealth businesses, with many more growth opportunities. Momentum in the second half was excellent, with stronger performance in lending, deposits and managed funds volumes. It is these unique strengths which give St.George confidence to commit to a 10% EPS growth target for 2008."

The Group's revenue grew by a very robust 10.8%. This year has once again seen a decline in the cost to income ratio to an industry leading 42.5%.

Credit quality is an outstanding feature reflecting the high quality of the Bank's residential and business lending portfolios and the Bank's prudent credit culture and policies. Bad and doubtful debts as a percentage of average assets were only 0.16%, which compares favourably to its major bank peers. St.George does not have any exposure to sub-prime lending or hedge funds.

The Group continues to invest, including the refurbishment and opening of branches, expanding its ATM network, upgrade of its internet banking platform, and investment in its brand, people and new product initiatives. Operating expenses increased by 7% compared to the 30 September 2006 year.

The interest margin was 2.01% compared to 2.11% in the 30 September 2006 year. This is in line with expectations and reflects a combination of competitive impacts and changes in funding mix.

- **Home Loans** - The Bank's growth in residential loans (including securitised loans) for the twelve months to 30 September 2007 was 10.4% to $69.2 billion, in line with the target of 10% to 12% growth for the full year. Market share was 9.0%[1] at 31 August 2007. Annualised growth of 11.9% in second half 2007 will provide momentum in 2008.

  In addition to significant product development during the year, the Bank completed an end-to-end review of its mortgage process to further improve service levels for customers, including third party brokers.

- **Retail Deposits** - St.George grew its retail deposit balances by 10.9% to $47.8 billion over the year. Annualised growth in second half 2007 was a strong 13.2%. Excellent growth was achieved across all products, including 14.8% growth in transaction accounts. Market share was 8.2%[1] at 31 August 2007.

- **Middle Market** - Receivables growth of 26.5% to $24.1 billion since 30 September 2006 is an outstanding result. This was achieved despite the flat property market and a subdued New South Wales economy. National market share increased from 7.6% in September 2006 to 8.5%[2]. The Bank's customer relationship model continues to provide exceptional customer service and customer loyalty and satisfaction continue to be key differentiators for St.George.

- **Wealth Management** - Managed funds grew by 26.7% to $49.7 billion, which is a very strong performance and has benefited from government superannuation changes, deeper penetration across the Wealth customer base, strong investments in underlying infrastructure and highly productive distribution channels. Asgard's funds under administration grew by 28.6% to $37.3 billion and share of net market flows grew to 13%, up from 7.9% in June 2006.

1. APRA statistic Aug 07
2. Cannex derived Aug 07 market share

Interstate Growth - Strong growth was achieved over the year with Victoria, Queensland and Western Australia total residential receivables growing by 15.7% and growth of 30.3% in middle market receivables. St.George continues to invest in its distribution network with five new branches in Western Australia and four in Queensland.

Capital Management - To fund organic growth and replace the USD250 million depositary capital securities redeemed in June 2007, the following capital initiatives are planned:

- underwriting up to 100% of the dividend reinvestment plan on the final ordinary dividend with no discount, and
- issue up to $400 million of non-innovative Tier 1 hybrid capital.

As a result of the Bank's transition to Basel II by January 2009, APRA have granted St.George a reduction in its temporary Tier 1 capital adequacy minimum ratio from 6.7% to 6.5%. APRA has also extended the duration until they further assess, in the 2008 year, St.George's minimum capital requirements. The Bank has strengthened its holdings of liquid assets and treasury securities, which represent 12.4% of total assets.

Future prospects - St.George is well positioned to benefit from the improvement anticipated in the New South Wales economy in 2008 as well as its existing geographic and business diversified portfolio. St.George is targeting home loan receivables in line with system growth. Deposits are expected to grow robustly with transactional growth to exceed peers. Credit cards and margin lending aim to exceed system growth, with strong growth in credit cards driven by sales to existing customers. St.George's Middle Market business is expected to continue to achieve double system growth, while St.George's Wealth Management net flows to exceed system growth in 2008.

Assuming a reasonably sound economic environment, St.George is targeting 10% EPS growth in 2008.

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