May 5, 2002
St.George Announces 41% Increase In Interim Profit

St.George Bank Managing Director and Chief Executive Officer, Mrs Gail Kelly, today announced an interim profit after tax and before significant items of $244 million for the half year ended 31 March 2002, up 41 per cent from $173 million on the previous corresponding period.

HIGHLIGHTS:

Profit after tax and before significant items	$244 million	Up 41% on 31 March 2001
Earnings per ordinary share (annualised) before significant items and goodwill amortisation	122.5 cents	Up from 96.4 cents for 31 March 2001 - (Up 27%)
Interim ordinary dividend	38 cents per ordinary share fully franked	Up from 31 cents per ordinary share fully franked for 31 March 2001 - (Up 23%)

As announced on 30 April 2002, significant items of $94 million ($87 million after tax) comprise write-downs in respect of WealthPoint goodwill and the carrying value of certain investments. The profit available to ordinary shareholders, after significant items, was $157 million, a decrease of 9.2 per cent on the previous corresponding period.

As a result of the continued improvement in the operating performance of the Group, the Board has announced an interim dividend of 38 cents per ordinary share, payable on 2 July 2002. This is an increase of 4 cents (12 per cent) on the 2001 year final ordinary dividend and represents the fourth consecutive dividend increase for St.George. The interim dividend will be fully franked at 30 per cent and the Dividend Reinvestment Plan will operate with a 2.5 per cent discount and no cap on share participation.

Mrs Kelly said this is an excellent result for St.George which firmly establishes the Bank’s track record for success.

"During the half year St.George has delivered profitable increases in lending and deposit volumes as well as strong growth in non-interest income," Mrs Kelly said.

Non-interest income increased to $411 million from $314 million in the previous corresponding period, an increase of 31 per cent, and now represents 39% of total income.

Annualised basic earnings per ordinary share, before significant items and goodwill amortisation, increased to 122.5 cents for the half year ended 31 March 2002, up from 96.4 cents for the same period last year. This represents an increase of 27 per cent.

Annualised return on average ordinary equity, before significant items and goodwill amortisation, increased substantially to 19.33 per cent for the half year, up from 15.78 per cent in the previous corresponding period.

Total assets for the Group were $52.6 billion at 31 March 2002 compared to $49.3 billion for the same period last year, representing an increase of 6.7 per cent.

Bad and doubtful debts expense for the half year ended 31 March 2002 was $34 million, up from

$30 million in the previous corresponding period. This represents 0.13 per cent of average assets (31 March 2001: 0.12 per cent). This result reflects the Bank's excellent asset quality and conservative lending mix relative to other market participants.

The Group's expense to income ratio, before goodwill amortisation and significant items, fell to 52.7 per cent for the half year (31 March 2001: 55.6 per cent) partly as a result of efficiency gains and non-interest income initiatives introduced through the Best Bank redesign.

Strategic Agenda

The Bank's strong underlying performance, achievements of the Best Bank redesign and continued outstanding credit quality have placed St.George in a strong position for organic growth.

"Our challenge now is to drive the organisation to its full potential and following on the success of the Best Bank redesign, the next stage of our business growth strategy will be under the banner of 'Even Better Bank', Mrs Kelly said.

"The first projects in the 'Even Better Bank' program have commenced, with a dual focus on customer led growth and business productivity. While we expect early benefits from the program to flow through to the bottom line during the second half of fiscal 2002, the major focus will be on earnings improvements for 2003 and 2004."

The Group's strategic vision is that 'customers value St.George as the best partner to manage their finances and build wealth'. Underpinning this vision will be six business goals:

- Deepen and strengthen relationships with customers in our chosen markets
- Leverage specialist capabilities for growth
- Creatively differentiate on service
- Accelerate and empower relationship selling
- Optimise the cost structure
- Build team and performance culture

Mrs Kelly said, "St.George holds a unique position in the Australian financial services industry. Delivering on our six key business goals will unlock significant organic growth potential and generate further value for our shareholders."

Future Prospects

While the current level of profitability is expected to be maintained in the second half, some challenges are evident. If the current level of performance is sustained, it is expected that the final dividend will exceed the interim dividend.

Chief amongst the challenges is the shape of the short-term yield curve, the steepness of which is putting some pressure on the Bank's interest margin. Some moderation in the home lending market is also expected.

On the upside, the momentum of the Best Bank redesign initiative will continue to flow through together with early benefits from the 'Even Better Bank' programme.

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