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news release

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St.George reports 22 per cent increase in profit

St.George Chairman, Mr Frank Conroy, today announced an interim profit after tax of $298 million for the half year ended 31 March 2003 and an interim dividend of 45 cents (up from 38 cents at 31 March 2002). There were no significant items for the period.

This was up 22 per cent from $244 million before significant items for the corresponding period last year (March 2002).

Managing Director, Mrs Gail Kelly, commented, "The quality of these results is pleasing. Highlights include strong revenue growth, stable margins, maintenance of superior credit quality, effective cost management and a significant improvement in residential lending volumes."

Key highlights include:

	March 2003	March 2002	Change
Profit before significant items	$298m	$244m	up 22%
Profit after significant items	$298m	$157m	up 90%
Earnings per share *	140.6 cents	122.4 cents	up 15%
Return on Equity*	20.4%	19.3%	
Expense to Income*	49.2%	52.7%	
Dividend	45 cents	38 cents	up 18%

The overall performance of the Group is strong and at the upper end of expectations.

Return on equity has exceeded 20 per cent for the first time. The dividend of 45 cents marks the sixth consecutive increase in the amount paid per share. The dividend will be fully franked and the Dividend Reinvestment Plan will operate with no cap and no discount and the dividend will be paid on 2 July 2003.

*Calculated before significant items and goodwill amortisation

Non-interest income increased by 9 per cent to $448 million, while interest margin for the Group was maintained at 2.80 per cent. (Up from 2.77 per cent in the previous corresponding period.)

Equity markets have been volatile, resulting in a difficult operating environment for managed funds across the industry. Despite these conditions, the Group's managed funds remained resilient increasing by $230 million in the six months from September 2002 to $17.7 billion.

As indicated when reporting the 2002 Financial Year Results, residential lending is a key focus for the Group. St.George has improved its residential receivables growth rate from 8.6 per cent for 2002 to 12.5 per cent annualised for the first half of this financial year. The Group has also seen growth of 16.6% in commercial lending since March 2002, well above system growth of around 5%.

Importantly, against this background, St.George has maintained its superior credit quality. Bad and doubtful debts expense was $48 million, down from $53 million in the September 2002 half year. Overall, gross non-accrual loans / receivables were down to 0.14 per cent from 0.18 per cent for the previous corresponding period.

St.George also achieved a cost to income ratio of 49.2 per cent, down from 52.7 per cent in March 2002. This is the first time the Group has achieved a figure less than 50 per cent and reflects a strong focus on cost management and benefits accruing from the Even Better Bank program. During this same period, investments have been made in sales and service areas, where an overall increase in staff numbers has occurred.

"Given the strength of the first half results, St.George has increased its EPS target from 10 per cent to a range of 11 to 13 per cent for full year 2003," Mrs Kelly said.

"The final outcome is, however, dependent on a number of factors, including retail deposits growth and the performance of financial markets, including equities. It should also be noted that further investment in key priority areas such as training and customer process design is underway."

As the implementation of key priorities continues through 2004 and 2005, the Group will reap benefit from growth opportunities such as Wealth cross sell, Mid Market and pursuing growth opportunities in Queensland and Victoria. The implementation of the Integrated Sales and Service and Home Loan opportunities will deliver strong organic growth through 2004 and 2005, while the implementation of productivity initiatives will further drive the move to an efficient cost structure.

A strong and flexible business model is now in place, which will aid the Group in its focus on growth by enabling it to adjust to changes in economic circumstances.

"The Group is focussed on long-term sustainable growth and remains confident of its double-digit EPS growth targets for 2004 and 2005," Mrs Kelly said.

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