

INTERIM RESULTS 2003

6 May 2003

RETHINK



SERVICE! SMART BANKING BUSINESS PARTNERSHIPS CLEVER INVESTMENTS SOUND INSURANCE

AGENDA

RESULT HIGHLIGHTS:

Gail Kelly

FINANCIAL OVERVIEW:

Steve McKerihan

PRIORITIES UPDATE:

Gail Kelly



RESULT HIGHLIGHTS

Gail Kelly Managing Director

RETHINK



SERVICE! SMART BANKING BUSINESS PARTNERSHIPS CLEVER INVESTMENTS SOUND INSURANCE

WE HAVE DELIVERED A QUALITY RESULT

- Strong revenue growth with stable margins
- Superior credit quality maintained
- Effective cost management
- Resilience in wealth management
- Significant improvement in residential lending



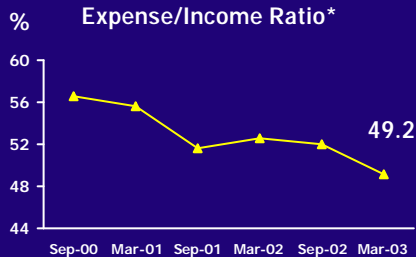
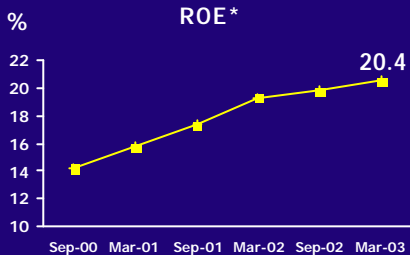
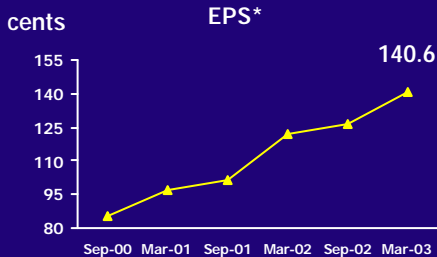
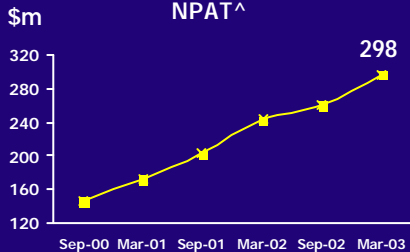
PROFIT RESULT

	Mar 2003	Mar 2002	% Change
Profit Before Sig. Items	\$298m	\$244m	22
Profit After Sig. Items	\$298m	\$157m	90
Earnings per Share*	140.6¢	122.4¢	15
Return on Equity*	20.4%	19.3%	
Expense to Income*	49.2%	52.7%	
Dividend	45 cents	38 cents	18

*Calculated before significant items and goodwill amortisation



SUSTAINED FINANCIAL PERFORMANCE

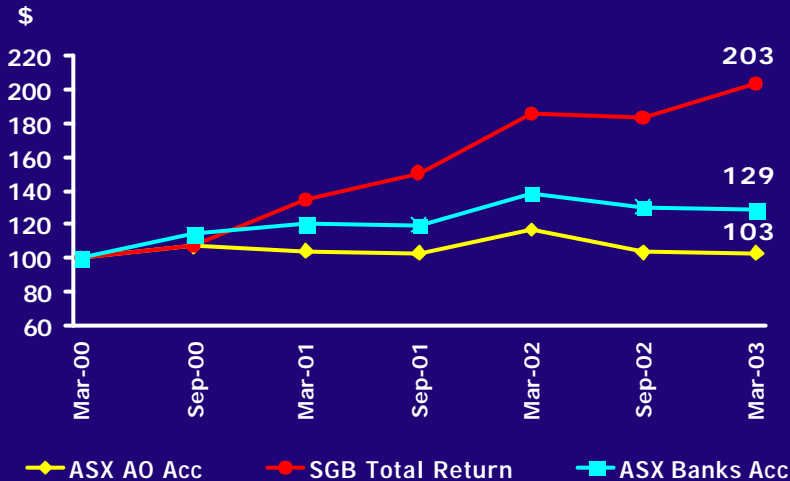


[^]Before significant items

^{*}Calculated before significant items and goodwill amortisation



DELIVERING SHAREHOLDER VALUE



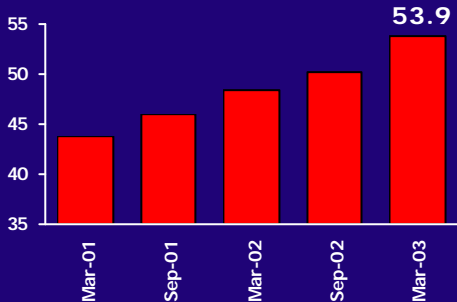
Total shareholder return includes capital appreciation and dividends.

Assumes base of \$100 in Mar-00

SOLID LENDING AND DEPOSIT GROWTH

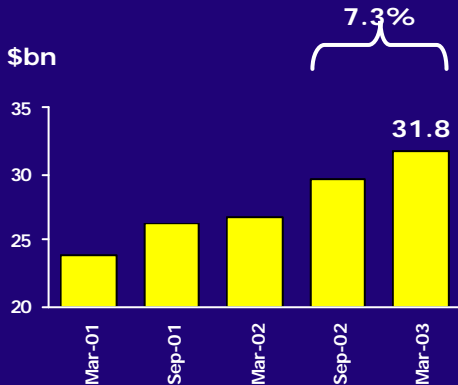
Total Lending*

\$bn



Total Retail Deposits

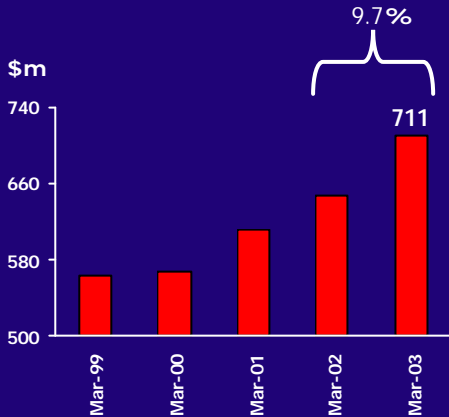
\$bn



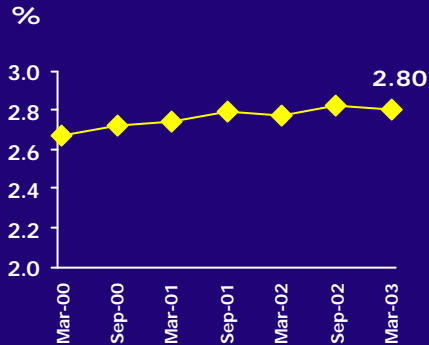
*On and off balance sheet

BUILDING INCOME AND MAINTAINING MARGINS

Net-Interest Income

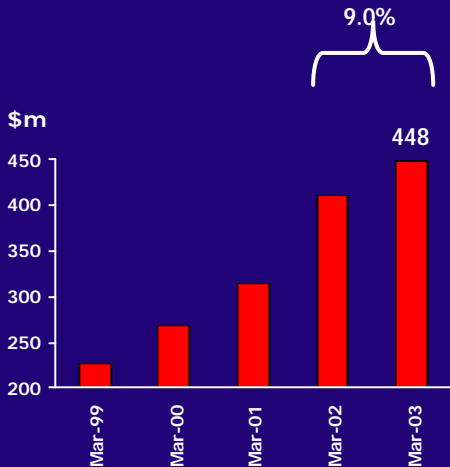


Interest Margin

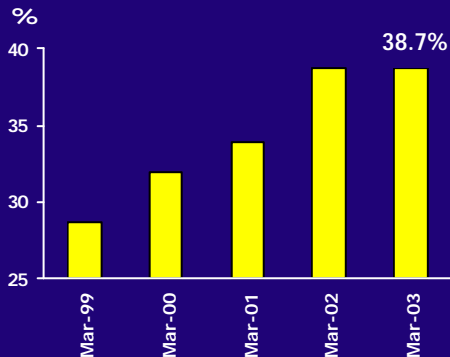


NON-INTEREST INCOME MOMENTUM CONTINUES

Non-Interest Income

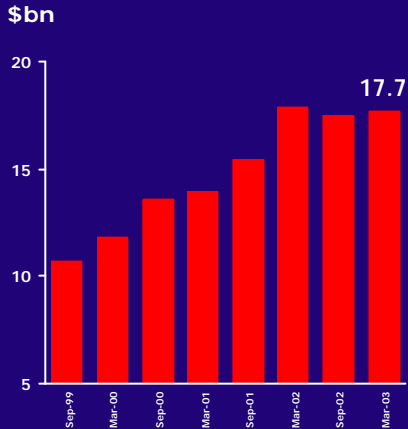


Other Income/Total Income



RESILIENT MANAGED FUNDS GROWTH

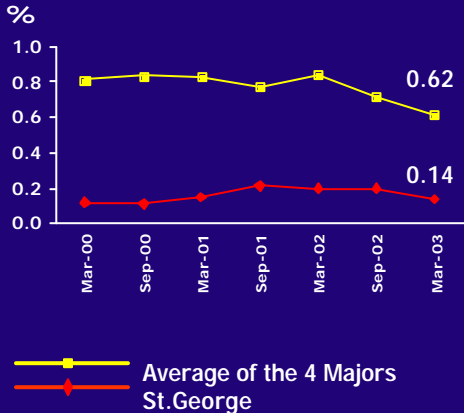
Total Managed Funds



- SEALCORP funds under administration up 2.7%
- Advance funds under management up 1.8%

CREDIT QUALITY: A DIFFERENTIATOR

Non-accruals / Receivables

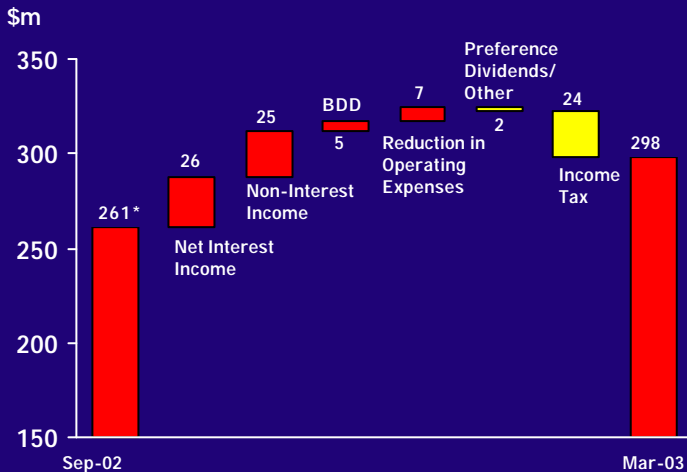


- Asset quality across Group continues to be excellent
- Bad debts charge down 9%
- Bad debts/total receivables is reduced to 0.21% from 0.25%
- Impaired assets/total receivables in middle market portfolio is reduced to 0.34% from 0.44%

FINANCIAL OVERVIEW

Steve McKerihan CFO

STRONG OPERATIONAL RESULT



*Excludes significant items

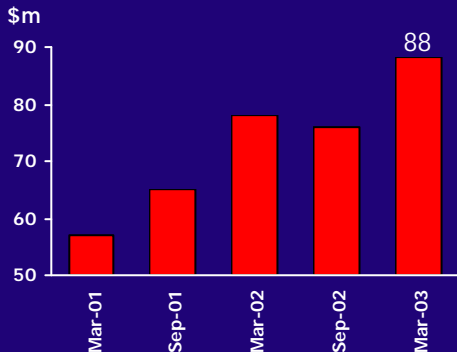
NON-INTEREST INCOME

	Mar-03 \$m	Sep-02 \$m	Change %
Product fees & commissions			
-deposits & other accounts	107	106	1
-electronic banking	88	76	16
-lending	37	42	(12)
Managed funds	86	92	(7)
Financial markets	18	14	29
Securitisation	38	37	3
Bill Acceptance Fees	22	18	22
Sale of Property	15	1	n/a
Other	37	37	0
TOTAL	448	423	6



ELECTRONIC BANKING FEES DRIVEN BY VOLUMES

Electronic Banking Fees



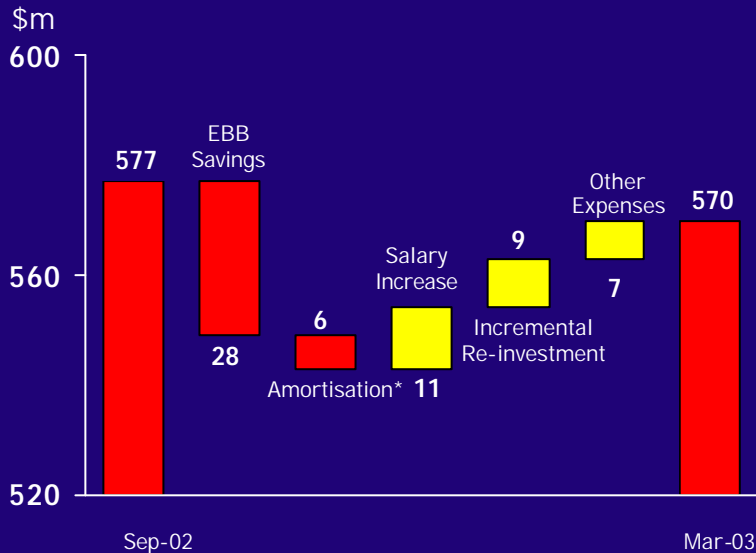
- Credit card spend has increased by 20.8%
- Internet transactions have grown 33%
- EFTPOS terminals have grown 24% and transactions 22%

LENDING INCOME: KEY INSIGHTS

- Gross lending fees up 6% over the half and 14% over the year
- Broker fees up due to increased volumes and accelerated amortisation
- Broker fees incurred since Sep-02 amortised over 3 years, previously 4 years



OPERATING EXPENSES REDUCED



*Represents the savings due to one-off write-down in deferred expenditure at 30 Sep-02

BUSINESS VOLUMES GROW STRONGLY

	Mar 2003 \$bn	Sep 2002 \$bn	Change %	Market Growth %
Total Lending*	53.9	50.2	7.5	5.1^
Retail Deposits	31.8	29.7	7.3	6.0^^
Managed Funds	17.7	17.4	1.3	1.1**

** Source: ASSIRT- Total retail managed funds

* Includes securitised loan balances and bill acceptances

^ Source: RBA Bulletin - Total aggregate credit growth (system) to Feb-03*6/5

^^ Source: Australian Bankers' Association – Total retail deposits to Feb-03*6/5



SEGMENTAL PROFIT

	Mar-03 \$m	Mar-02 \$m	Contribution to segmental profit in Mar-03 %
Personal Customers	265	235	49
Institutional & Business Banking	165	142	31
BankSA	68	59	13
Wealth Management	40	30	7
Total	538	466	100



PERSONAL CUSTOMERS

	Mar-03 \$m	Mar-02 \$m	Change %
Profit before tax	265	235	13

- Strong momentum in lending and retails deposits
- Solid growth in electronic banking revenues
- Investment in sales and service

Profit for the Mar -02 half has been re-stated to reflect the transfer of insurance to Wealth Management and a segment of the small business banking customers to IBB



INSTITUTIONAL AND BUSINESS BANKING

	Mar-03 \$m	Mar-02 \$m	Change %
Profit before tax	165	142	16

- Excellent lending growth
- Disciplined cost management
- Stable credit performance

Profit for the Mar -02 half has been re-stated to reflect the transfer of a segment of small business banking from personal customers



	Mar-03 \$m	Mar-02 \$m	Change %
Profit before tax	68	59	15

- Solid lending and deposit growth
- Tight expense control
- Excellent credit quality



WEALTH MANAGEMENT

	Mar-03 \$m	Mar-02 \$m	Change %
Profit before tax	40	30	33

- Solid performance in difficult environment
- Rationalisation of WealthPoint has had a positive impact on profit
- Division includes SEALCORP, Advance, margin lending, customer wealth and insurance

Profit for the Mar -02 half has been re-stated to reflect the transfer of insurance from Personal Customers



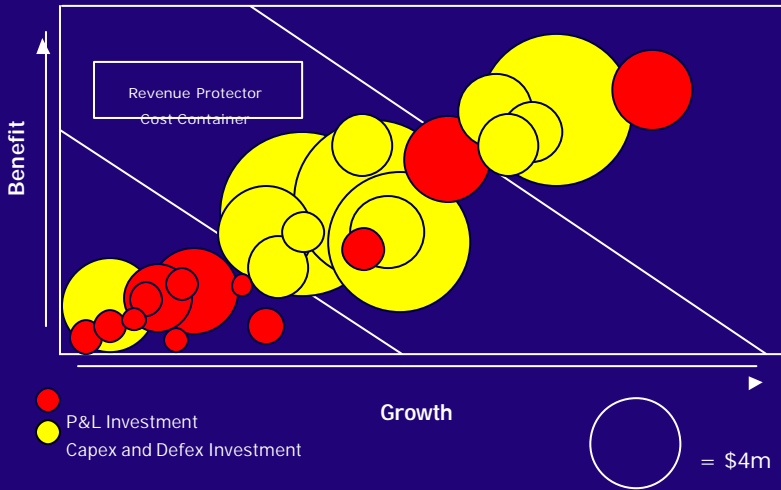
DEFERRED EXPENDITURE DECLINES

	\$m
Sep-02 Balance	185
New Spend	21
Amortisation	(35)
	<hr/>
Mar-03 Balance	<u>171</u>

- Balance has reduced in line with guidance
- Further declines expected in second half 03



INVESTING FOR THE FUTURE



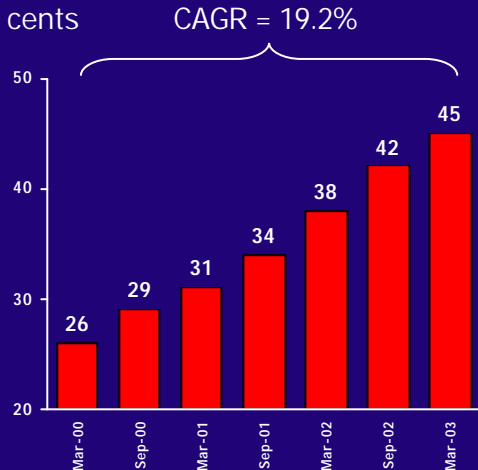
CAPITAL MANAGEMENT PROGRAM

- Tier one capital 7.7%
- Adjusted core equity 5.5%
- Mortgage securitisation of US\$1bn in Mar-03
- Potential for buy back in FY2003 remains
- Interim dividend 45 cents



TRACK RECORD OF DIVIDEND GROWTH

Dividends Mar-00 to Mar-03



- Dividend increase of 18%
- Six consecutive increases in dividend payments
- All dividends fully franked
- Dividend Reinvestment Plan continued

KEY PRIORITIES UPDATE

Gail Kelly Managing Director

AGENDA

- STRATEGIC PRIORITIES
- LOOKING FORWARD



2003 – YEAR OF IMPLEMENTATION

- Significant progress achieved on strategic priorities
- New business model operational
- New brand campaign launched
- Disciplined approach to productivity management
- Strong team



ST.GEORGE STRATEGIC FRAMEWORK

Key Business Goals

1. Deepen and strengthen relationships with customers in our chosen markets
2. Leverage specialist capabilities for growth
3. Creatively differentiate on service
4. Accelerate and empower relationship selling
5. Optimise cost structure
6. Build team and performance culture



GROUP PRIORITIES REMAIN UNCHANGED

- Home Loans
- Middle Market
- Wealth Management
- Brand and Customer Service
- Productivity Management
- New Business Model and Integrated Sales and Service



HOME LOANS - MEETING THE CHALLENGES

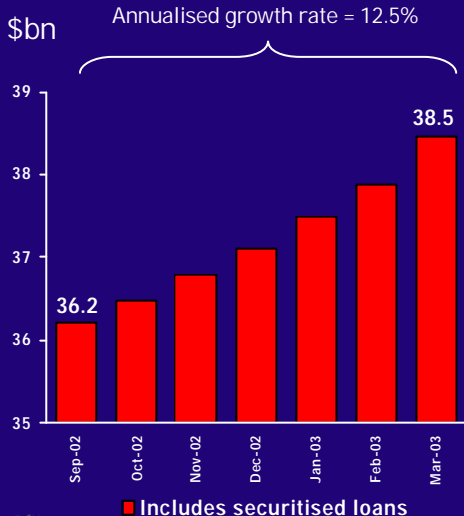
In Nov-02 we outlined the following challenges

- Retention impacted by maturing introductory loans
- Sales system
- Broker service – 'one size fits all'
- SGB underweight in fastest growing geographies



HOME LOANS – BUILDING MOMENTUM

St.George Residential Lending



How are we tracking?

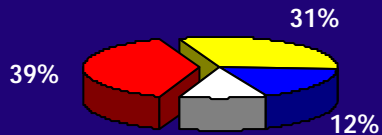
	St.George Growth*	Net Balance Growth
	(%)	(\$m)
Sep-02	6.7	202
Oct-02	9.0	272
Nov-02	9.8	299
Dec-02	11.0	337
Jan-03	12.0	370
Feb-03	12.9	403
Mar-03	18.4	580

- Credit quality maintained
- Margins maintained

* Annualised growth

HOME LOANS – IMPROVING PRODUCT MIX

St.George Group Residential Loan Product Mix



12 months to Sep -02



6 months to Mar-03



- Reduction in proportion of discount introductory loans being written

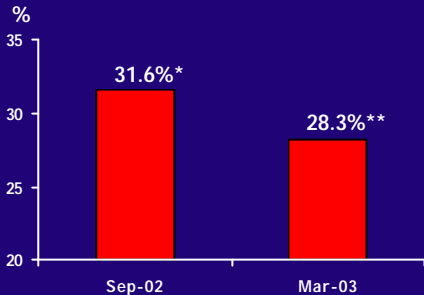
- Positive margin impact
- Better retention characteristics

- Introduced higher margin home loan products:

Low Doc, Seniors Access, and No Deposit

HOME LOANS – IMPROVING RETENTION

Run-off rate[^] declines



- Retention model in place
- 'Retention starts on day one'
- Regional leaders accountable for retention and sales
- Impact of introductory loan 'bubble' evident until Jan-03
- Customer friendly processes implemented

*Attrition rate for 12 months to Sep-02

** Annualised attrition rate for 6 months to Mar -03

[^]Run off rate includes contractual payments, payouts, pre-payments and re-financings



HOME LOANS – DRIVING OUR BROKER RELATIONSHIP

Loan Origination



Broker Originated Loans

- More strategic use of broker channel
- Significant channel productivity improvement
- Broker segmentation successfully introduced
- Closer relationship formed with key brokers

HOME LOANS – PROGRESS IN NEW GEOGRAPHIES

	Mar-03 % Sales	Sep-02 % Sales
VIC	10.5	8.4
QLD	10.6	8.6
WA	5.8	5.1
ACT	3.0	3.7
SA	13.9	12.8
NSW	56.2	61.4

- New mobile lenders across QLD and VIC
- Increased focus on broker channel
- Focus on higher value loans



CREDIT QUALITY ON HOUSING BOOK OUTSTANDING

- LVR of mortgage book is 35%
- LVR of mortgages written YTD is 68%
- LVR of investment loan book is 36%
- LVR for units* is 35%. For investment units is 37%
- Loans with LVR greater than 80% are mortgage insured
- Investment loans represent less than 30% of mortgage book
- Loan loss rate in mortgage book averages 2bp over last 10 years
- Loan loss ratio of investment loan book averaged less than 1 basis point over last 5 years



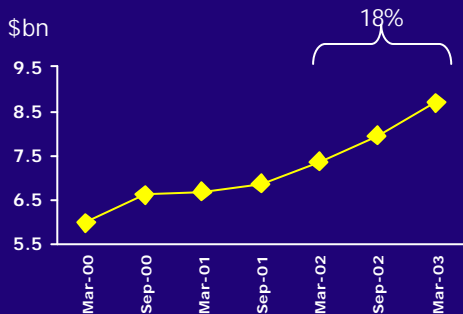
MIDDLE MARKET – CONTINUED SUCCESS

- Extending and refining relationship model
- Raising brand awareness
- Strengthening expertise around 5 key industries
- Streamlining credit processes without relaxation of standards

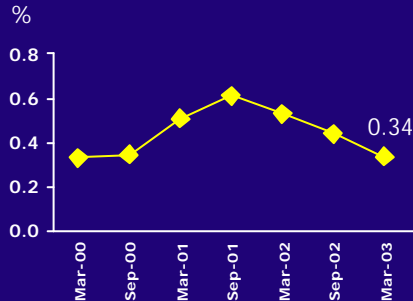


MIDDLE MARKET CREDIT QUALITY REMAINS STRONG

Total Middle Market Receivables

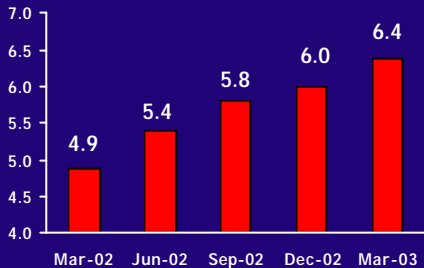


Impaired Assets/ Total Middle Market Receivables

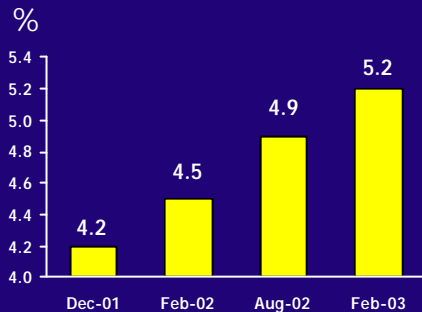


MIDDLE MARKET – LEVERAGING RELATIONSHIPS

KARM Cross-sell



Market Share



WEALTH MANAGEMENT – BUILDING CAPABILITY

- Clean portfolio
- Strategic focus on platform, packaging and distribution
- Building the foundations for wealth cross-sell
- GOLD segment prioritised



FOUNDATIONS FOR WEALTH CROSS-SELL

**Product and packaging
solutions**

Data Warehouse

**Integrated Sales and
Service Platform**

**Segmentation of
Customer Base**



INTEGRATED SALES AND SERVICE PROGRAM

- GOALS

- Proactive identification of customer needs
- Improve customer satisfaction
- Increase revenue per customer

- APPROACH

- Simple and consistent framework
- Encompassing targets, outcomes, measurements and rewards
- Supported by training and coaching

- ROLLOUT

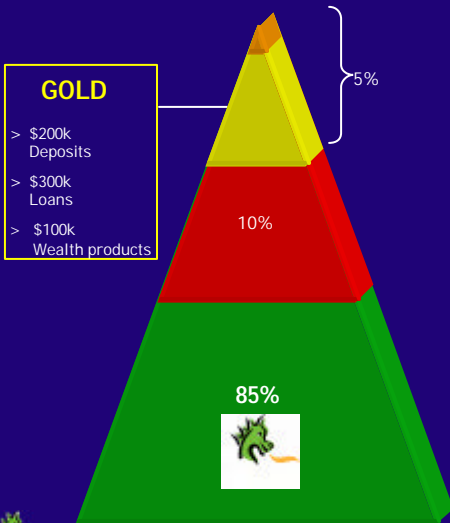
- Prototype active in 20 branches
- Roll out to all branches by September 2003
- Tailored for all proprietary distribution channels



GOLD SEGMENT – A STRATEGIC PRIORITY

Customer Segmentation

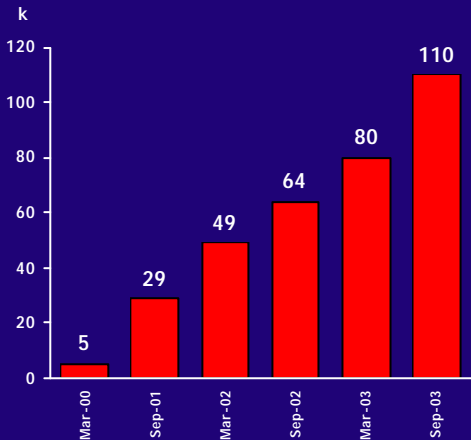
GOLD segment



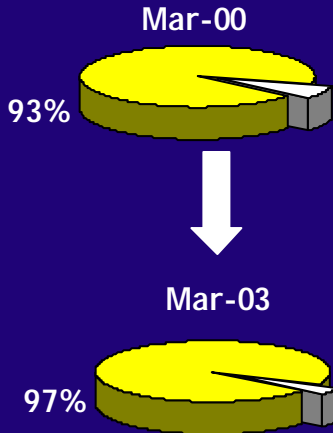
- 80k customers
- Limited dedicated infrastructure
- Collaborative cost model
- Leveraging Group's integrated sales and service program

GOLD – ENHANCING THE CUSTOMER RELATIONSHIP

Growth of GOLD customers



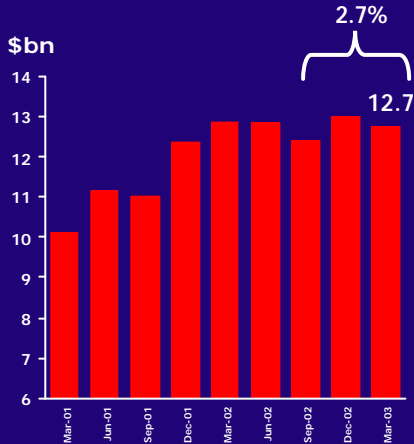
■ Customers retained



Customer satisfaction up 16% since Mar-00

SEALCORP – BUILDING ON SUCCESS

SEALCORP- Funds Under Administration



- Strong sales growth in difficult environment
- Scale is key in offsetting future margin squeeze
- Launch of eWRAP into superannuation sector completes platform offering
- WRAP launch successful with over \$200m in FUA

BRAND AND CUSTOMER SERVICE



- New brand positioning
- Focus on our people
- Build on our service advantage



RETHINK – MORE THAN JUST A TAG LINE



Shifting perceptions

- Existing customers: 'Rethink what else we can do for you'
- New customers: 'Rethink St.George for banking, investing, business and insurance'
- Staff: 'Rethink. Are we meeting all of our customer's needs?'



RETHINKING ST.GEORGE

BIG
ENOUGH TO
GROW YOUR
BUSINESS

Small enough to grow with your business

RETHINK



BIG
ENOUGH
TO ADMIT
MISTAKES

Small enough to fix them fast

RETHINK



RETHINK

BIG
ENOUGH
TO OFFER
EVERY
HOME LOAN
OPTION

Small enough to help you choose the right one



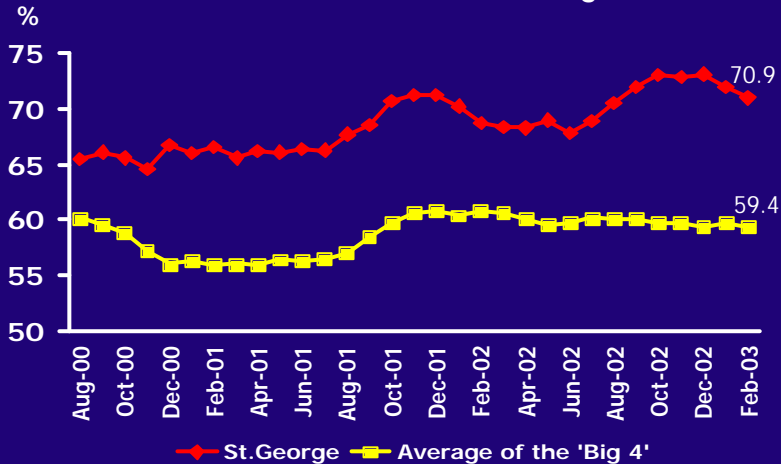
FOCUS ON OUR PEOPLE

- Quality people in right jobs
- Leadership and management skilling
- Building on our values
- Driving team and performance culture



DRIVING OUR SERVICE ADVANTAGE

Customer Satisfaction Ratings



Source: Roy Morgan Research, June 2002

Base: Respondents with transaction accounts at institution (aged 14+)

PRODUCTIVITY MANAGEMENT

- On track for \$60m in EBB savings in '03 and \$80m in '04
- Rigorous financial analysis of investments
- Cross-divisional investment review committee
- Group wide project tracking
- Disciplined planning process with regular forecasting



Low cost, Low risk strategy

- Joint venture with Foodstuffs announced in Nov-02
- New Zealand banking license in Feb-03
- Business launched with *SuperSaver* product on 23 Feb-03
- Customer numbers exceeding forecast
- New product to be launched 2nd half 03



LOOKING FORWARD

- TEAM AGENDA
- TARGETS



TEAM AGENDA UNCHANGED

- Maintain momentum in core businesses
- Focus on key priorities
- Drive change management program
- Invest in people
- Continue cost disciplines



TARGETS – FY2003 AND BEYOND

EPS Growth 2003	11 – 13%
EPS Growth 2004 & 2005	Maintain double digit
Cost to Income in 2004	<50%
Capital	Tier one 7-7.5%
Credit Quality	Maintain positive differential to the majors
Customer Satisfaction	Maintain positive differential to the majors



SUMMARY

- 2003- year of implementation
- Quality operational performance
- Priorities and team agenda unchanged
- Strong foundation in place for '04 and '05
- Focused on sustainable, high quality earnings





The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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