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St.George reports record interim profit and upgrades full year EPS growth target to 11%.

Mr John Thame, Chairman of St.George Bank, today announced an interim profit after tax of $405 million before significant items for the half-year ended 31 March 2005, up 14.4% on the March 2004 half-year. Profit after tax and significant items was $416 million, up 17.5%. A fully franked interim dividend of 67 cents has been declared, a 11.7% increase on the March 2004 half.

The result highlights are as follows:

	March 2005	March 2004	% Change
Profit before significant items	$405m	$354m	14.4%
Profit available to ordinary shareholders	$416m	$354m	17.5%
Earnings per share (EPS)	178.1 cents	160.0 cents	11.3%
Return on equity (ROE)	22.63%	21.56%	
Expense to income	44.9%	48.1%	
Interim ordinary dividend	67 cents	60 cents	11.7%

EPS, ROE & Expense to Income were calculated before goodwill amortisation and significant items. The above EPS and ROE figures are annualised.

Managing Director, Mrs Gail Kelly, commented, “We are really pleased with the quality of this result. The Group’s return on equity of 22.63% and expense to income ratio of 44.9% reflect new milestones and are pointers to the strength of the result. Based on our performance for the first half-year, St.George has upgraded its EPS growth target for the full year 2005 from 10% to 11%. The Group’s target of continuing double digit EPS growth for 2006 is re-affirmed.”

Key drivers of the results are as follows:

Significant increase in lending with effective margin management

- Total lending receivables (on and off balance sheet) increased by 15.8% to $74.5 billion.
- Commercial lending increased by 19.5% to $18.8 billion.
- Residential lending (including securitised loans) increased by 15.1% to $52.8 billion, annualised growth since 30 September 2004 half was 12.1%.
- Retail funding increased by 5.5% to $36.8 billion.
- Interest margin of 2.60% compared to 2.64% for the 30 September 2004 half-year.

Robust increases in total revenue

- Total revenue (before significant items) increased by 7.8% to $1,368 million.
- Net interest income increased by 7.2% to $851 million.
- Non-interest income before significant items increased by 8.8% to $517 million.

Effective cost control

- Cost-to-income decreased from 48.1% in the March 2004 half to 44.9% in the March 2005 half.
- Deferred computer expenditure on the balance sheet continues to decline, now standing at $99 million, down from $128 million at 31 March 2004.

Credit quality maintained

- Bad and doubtful debts as a percentage of average gross loans were steady at 0.10%.
- Net non-accrual loans, as a percentage of net receivables, increased slightly to 0.06% from a historically low level of 0.04% at 31 March 2004.

Continued Growth in Wealth Management

- Managed funds increased by 23% from March 2004 to $27.8 billion at March 2005 including Sealcorp funds under administration up $3.9 billion to $20.5 billion.

Further commenting on the result, Mrs Kelly said "I am particularly pleased with the team's focussed and disciplined execution of our key priorities. We are benefiting today from the delivery of initiatives undertaken in 2002, 2003 and 2004, which are based on the Group's low risk, organic growth strategy. We continue to invest in the business, as evidenced by the increase in the number of staff in customer facing roles, the continuing strong focus on training and development, and the investment in sales and service infrastructure, such as customer relationship management. The Group's customer service levels continue to improve. This is particularly noticeable in our core segments of Gold, Private Bank, Middle Market and in respect of our financial planning and mortgage broker partners."

Outlook

The rate of growth in the Australian economy has slowed in the last six months. Interest rates remain at relatively low levels with unemployment at historic lows. If further tightening is to occur, it is expected to be a modest increase directed at slowing the rate of credit growth and managing inflationary pressures. While further tightening is likely to slow the rate of housing credit growth, it is still expected that system growth will be around 12% for the full year 2005. The outlook for business lending remains positive.

The first half has seen a heightening in competitive intensity and we expect this to continue. St.George is well positioned to deal with this environment due to its key differentiators. These include a track record of excellent credit quality, effective cost management, high levels of customer service and satisfaction, together with a strong focus on delivering on business growth strategies.

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