St.George Bank Limited

ABN 92 055 513 070

APPENDIX 4D

PROFIT ANNOUNCEMENT

for the half-year ended

31 March 2006

Released
2 May 2006

Available on our Internet site at www.stgeorge.com.au

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St.George interim profit $502m, up 11.8%, interim dividend 74¢ up 10.4%, EPS growth targets reaffirmed

Profit Before Significant Items Half Year	**March '06**	**Sept. '05**	**% Change**	**March '05**	**% Change**
• Statutory AIFRS	$502 m	$466 m	7.7%	$449 m	11.8%
• Full AIFRS	$502 m	$443 m	13.3%	$438 m	14.6%
• Full AIFRS excluding hedging & derivatives	$495 m	$448 m	10.5%	$444 m	11.5%

Earnings Per Share					
• Statutory AIFRS	191.9 cents	179.5 cents	6.9%	175.5 cents	9.3%
• Full AIFRS	191.9 cents	170.7 cents	12.4%	171.2 cents	12.1%
• Full AIFRS excluding hedging & derivatives	189.1 cents	172.6 cents	9.6%	173.5 cents	9.0%

Dividend					
• 100% Fully Franked	74 cents	70 cents	5.7%	67 cents	10.4%

Ratios					
• Return on Equity (Statutory AIFRS)	23.0%	22.0%		22.4%	
• Return on Equity (Full AIFRS)	23.0%	20.9%		21.8%	
• Expense to Income (Statutory AIFRS)	44.1%	46.7%		45.4%	
• Expense to Income (Full AIFRS)	44.1%	48.0%		46.8%	

n e w s   r e l e a s e

St.George reports record interim profit of $502 million, up 11.8%.
Interim dividend of 74 cents, up 10.4%.
EPS growth targets reaffirmed.

Mr John Thame, Chairman of St.George Bank, today announced a record profit after tax of $502 million for the half-year ended 31 March 2006, up 11.8% from March 2005. Mr Thame commented, "This is a quality result achieved against the backdrop of a competitive environment. St.George has a strong management team who continue to deliver".

A fully franked interim dividend of 74 cents has been declared, a 10.4 per cent increase on March 2005. The Dividend Reinvestment Plan will continue to operate for those shareholders who wish to participate.

Managing Director, Mrs Gail Kelly, commented, "I am very pleased with the performance of the Group over the period. Strong business performance is being achieved across all of our divisions. During the period we recorded several new milestones, including the Group's best ever ROE and expense to income ratio, as well as passing $100 billion in total assets (a doubling of assets in less than seven years). I am confident in the momentum that we have leading into the second half of the year. We are well placed for another very good year".

"The results that have been achieved this half build on the organic growth strategy that we have been executing on for the past four years. Our strategic framework that was developed in 2002 remains in place and guides the investments that have been made in people, product and infrastructure".

The Group's business priorities outlined below form the engine-room for our growth:

Our People – Our people and culture are core to our differentiation in the market. St.George people are energetic, passionate about customer service and regularly demonstrate their preparedness to go the extra mile. Our recruitment, training, human resource policies and leadership behaviours all seek to support and maintain this difficult to replicate competitive advantage.

Home Lending – Over the past year, our portfolio of residential lending has grown 13 per cent and has reached over $60 billion just after balance date. We are particularly pleased with this result given our structural exposure to New South Wales. It is important to note however, that the Group's progressive expansion into our 'non-core geographies," namely Victoria, Queensland and Western Australia means that 28 per cent of the Group's overall receivables (residential and middle market) are now domiciled in these states.

Deposits – Our retail funding has improved by 13.5 per cent to $41.8 billion. Given our sizeable retail deposits base, and the level of competition in this area, this growth is both robust and pleasing. Of particular note are our transaction account balances which have increased by 16.7 per cent to over $14 billion, and our dragondirect on-line account which has enjoyed growth of over 20 per cent annualised over the half now standing at $6.7 billion. The Group is attracting new customers and new flows through its targeted approach.

Middle Market – Our middle market business has continued to grow strongly over the half. Total middle market receivables increased by a pleasing 18.4 per cent for the year. Our significant investment in the Best Business Bank program is delivering improved cross-sell and productivity benefits. Our middle market customers remain the most satisfied and loyal in the market and increasingly advocate the Group and provide new sources of business.

Wealth Management – Our wealth management division has performed outstandingly over the period, with its balanced and profitable portfolio of businesses. Total managed funds grew by over 27 per cent annualised to over $37 billion during the half, whilst Asgard has had its fastest growing 6 month period, achieving an increase in net inflows of 40%. Margin lending grew by more than an annualised 28 per cent and continues to maintain 5 star product and service status. Wealth management now contributes approximately 13 per cent of the Group’s profit up from 7 per cent in 2003.

Credit Quality - Credit quality remains excellent and is a key differentiator for the Group reflecting the Bank’s low risk lending assets, prudent credit policies and an overall positive credit environment. Impaired assets to total middle market receivables now stand at the exceptionally low level of, 0.18%, down from 0.22% in September 2005. Similarly, gross non-accrual loans as a percentage of net loans and receivables fell by 1 basis point to 0.13% during the year.

Productivity and Cost Control – St.George enjoys the lowest expense to income ratio in the industry at 44.1 per cent. This has come about as a result of excellent cost control combined with robust and consistent revenue growth. Our rolling program of productivity improvement initiatives and the consistent re-investment in systems and people has underpinned this outcome. We have a rigorous focus on cost control facilitated by strong levels of personal accountability throughout the business and at all levels of management.

Delivering on Targets whilst Investing for the Future

The Group has established a track record of delivering on its targets, while building for the long run. For full year 2006 and 2007, St.George is targeting growth in EPS of 10%. St.George is on track to deliver on these targets. St.George continues to achieve a cost to income ratio at the lower end of its peer group; similarly, the Bank retains its positive differential to the majors with regard to both customer satisfaction and credit quality.

Significant investment has been made in the business over the past five years with clear benefits demonstrated by the Group’s results. This program of investment has continued over the half and includes:

- Best Business Bank program;
- Deployment of CRM program;
- Installation of new auto and equipment financing system;
- Investment and upgrading of Contact Centre and Mortgage Processing centres;
- Delivery of new products, such as the Bank’s new low rate “Vertigo” credit card, and;
- Enhancement of ‘straight through processing’ in Asgard.

In addition, St.George continues to invest in its people through management development and training. Over the six month period, the Group increased its number of staff by 200 and over 400 for full year.

Future Prospects

The Australian economy has posted moderate growth rates over the past year, although there has been divergence across states, with commodity-based regions performing by far the best, while New South Wales has underperformed. The competitive environment is expected to remain intense, particularly in the area of residential lending, business lending and retail deposits.

The Bank has excellent momentum going into the second half and is well positioned to benefit from the expected future upturn in the New South Wales economy in 2007. St.George is aiming to grow its home loan portfolio in line with system and grow its Middle Market segment at twice system. In the area of Wealth Management, the objective is to maintain net inflows in excess of system.

Ends…

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St.George Bank Limited

ABN 92 055 513 070

RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the half-year ended

31 March 2006

1 Financial Summary

1.1 Introduction

This report is the first St.George Bank Group report to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards ("AIFRS"). AASB 1 *"First time adoption of Australian Equivalents to International Financial Reporting Standards"* has been applied in preparing this interim report. Statutory comparative figures have been adjusted to an AIFRS basis, other than for those standards that relate to financial instruments, unless otherwise indicated.

The profit result, income and expense items and performance measures for the March 2006 half have all been impacted by AIFRS financial instruments standards adopted from 1 October 2005, which are not reflected in comparative figures. Further supplementary information is provided in Section 4 of this document that restates comparative figures on a "full AIFRS" basis, reflecting the impact of AIFRS standards relating to financial instruments. Also, Section 4 of this document discloses the current half-year result, comparative figures and key performance ratios on a previous Australian Generally Accepted Accounting Principles ("AGAAP") basis. These "full AIFRS" comparatives and current period previous AGAAP disclosures are unaudited.

The financial information provided in this profit announcement relates to the operations of St.George Bank Limited and its controlled entities ("the Group") for the half-year ended 31 March 2006. The Group's statutory financial results have been subject to an independent review by the Group's external auditors, KPMG.

Apart from ceasing to amortise goodwill, the introduction of AIFRS has not had a significant impact on the Group's operating profit after tax and preference dividends. Changes to the Group's accounting policies resulting from AIFRS are contained in Note 1 to the Group's Condensed Consolidated Interim Financial Report for the half-year ended 31 March 2006 which is available on St.George's website.

In accordance with the Australian Prudential Regulation Authority's ("APRA's") prudential requirements, capital adequacy has been calculated in accordance with previous AGAAP.

In this document, the term March 2006 half or period refers to the six months ended 31 March 2006 and the term September 2005 half or period refers to the six months ended 30 September 2005. Other half-years are referred to in a corresponding manner.

1.2 Results at a Glance

Financial Performance

- Profit after tax and before significant items was $502 million (31 March 2005: $449 million), an increase of 11.8%.
- Profit after significant items was $502 million (31 March 2005: $460 million), an increase of 9.1%.
- Net-interest income increased by 7.6% to $964 million and has been impacted by AIFRS reclassifications not reflected in comparative figures. On a full AIFRS basis, the interest margin(1) was 2.10% in the 31 March 2006 half, compared to 2.16% in the September 2005 half.
- Non-interest income before significant items was $470 million compared to $471 million in the 31 March 2005 half and was impacted by AIFRS reclassifications not reflected in comparatives.
- Operating expenses before goodwill impairment and significant items increased by 2.1% to $633 million compared to the March 2005 half and decreased by 3.5% compared to the September 2005 half. The expense to income ratio was 44.1%, down from 45.4% in the March 2005 half and 46.7% in the September 2005 half.
- Basic earnings per ordinary share (annualised) before significant items and goodwill impairment, increased to 191.9 cents (31 March 2005: 175.5 cents), an increase of 9.3%. On a full AIFRS basis, basic earnings per ordinary share (annualised) before significant items and goodwill impairment was 191.9 cents (31 March 2005: 171.2 cents), an increase of 12.1%.
- Return on average ordinary equity (annualised) before significant items and goodwill impairment, increased to 23.01% (31 March 2005: 22.36%).

(1) Refer to section 3.1.4 for further details on AIFRS and previous AGAAP interest margin.

Financial Position

- Total assets were $100.0 billion (31 March 2005: $87.8 billion), an increase of 13.9%.
- Lending assets were $87.0 billion (31 March 2005: $76.2 billion), an increase of 14.3%.
- Residential receivables were $59.7 billion (31 March 2005: $52.8 billion), an increase of 13.0%. Annualised growth since 30 September 2005 was 12.2%.
- Commercial loans (including bank acceptances) were $21.4 billion (31 March 2005: $18.6 billion), an increase of 15.0%. Annualised growth in Middle Market lending receivables was 17.6% since 30 September 2005.
- Consumer receivables (including bank acceptances) were $5.5 billion (31 March 2005: $4.7 billion), an increase of 15.7%. Annualised growth since 30 September 2005 was 18.4%.
- Retail funding was $41.8 billion (31 March 2005: $36.8 billion), an increase of 13.5%. Annualised growth since 30 September 2005 was 12.1%.

Dividends

- A higher interim ordinary dividend of 74 cents per ordinary share, fully franked (31 March 2005: 67 cents) has been declared by the Board.
- The Dividend Reinvestment Plan will operate for the interim dividend with no discount.

Other

- Managed funds increased by 33.6% to $37.2 billion (31 March 2005: $27.8 billion). The Wealth Management division contributed 12.5% to the Group's pre-tax profit result.
- Gross non-accrual loans as a percentage of net receivables decreased from 0.14% at 31 March 2005 to 0.13% at 31 March 2006.
- Gross non-accrual loans decreased to $79 million compared to $80 million at 31 March 2005.

1.3 Group Highlights

Half-Year Ended		**March 2006**	Sept 2005	March 2005
TOTAL ON BALANCE SHEET ASSETS(1)	$M	**100,045**	92,359	87,814
SECURITISED RECEIVABLES (included in on balance sheet assets)	$M	**14,826**	13,225	11,669
MANAGED FUNDS	$M	**37,165**	32,642	27,812
OPERATING PROFIT				
Before preference dividends and:				
- after income tax, minorities (2) and before goodwill and significant items	$M	**511**	498	484
- after income tax, minorities, goodwill and before significant items	$M	**511**	498	480
- after income tax, minorities, goodwill and significant items	$M	**511**	487	491
After preference dividends and:				
- after income tax, minorities and before goodwill and significant items	$M	**502**	466	453
- after income tax, minorities, goodwill and before significant items	$M	**502**	466	449
- after income tax, minorities, goodwill and significant items	$M	**502**	455	460
UNDERLYING PROFIT	$M	**791**	750	750
RETURN ON AVERAGE ASSETS(3) (Annualised)				
- after income tax, minorities and before goodwill, significant items and preference dividends		**1.28%**	1.29%	1.32%
- after income tax, minorities, goodwill and significant items and before preference dividends		**1.28%**	1.27%	1.33%
RETURN ON AVERAGE RISK WEIGHTED ASSETS(3) (Annualised)				
- after income tax, minorities and before goodwill, significant items and preference dividends		**2.05%**	2.12%	2.19%
- after income tax, minorities, goodwill and significant items and before preference dividends		**2.05%**	2.07%	2.22%
RETURN ON AVERAGE ORDINARY EQUITY (Annualised)				
- after income tax, minorities, preference dividends and before goodwill and significant items		**23.01%**	22.02%	22.36%
- after income tax, minorities, preference dividends, goodwill and before significant items		**23.01%**	22.02%	22.17%
- after income tax, minorities, preference dividends, goodwill and significant items		**23.01%**	21.50%	22.71%
EXPENSES AS % AVERAGE ASSETS(3) (Annualised) - (excluding goodwill and significant items)		**1.58%**	1.70%	1.69%
EXPENSE / INCOME RATIO - (excluding goodwill and significant items)		**44.1%**	46.7%	45.4%
INTEREST MARGIN (Annualised)				
- AIFRS		**2.10%**	2.24%	2.34%
- previous AGAAP		**2.47%**	2.55%	2.63%
ORDINARY DIVIDEND (Fully franked)	Cents	**74.0**	70.0	67.0
EARNINGS PER ORDINARY SHARE (Annualised)				
Basic				
- before goodwill and significant items	Cents	**191.9**	179.5	175.5
- after goodwill and significant items	Cents	**191.9**	175.3	178.1
Diluted(4)				
- before goodwill and significant items	Cents	**190.7**	178.1	173.1
- after goodwill and significant items	Cents	**190.7**	174.0	175.6
Weighted Average Number of Shares				
- Basic ordinary shares	000's	**523,451**	519,134	516,353
- Diluted ordinary shares	000's	**543,678**	543,791	544,068
NET TANGIBLE ASSETS PER ORDINARY SHARE	$	**6.30**	6.01	5.71
CAPITAL ADEQUACY RATIO		**10.4%**	11.1%	11.6%

(1) Includes securitisation of both St.George's assets and asset-backed conduit vehicles.
(2) Minorities refers to Outside Equity Interests in controlled entities.
(3) Denominator calculated on a previous AGAAP basis
(4) Comparatives adjusted for dilutive impact of SAINTS.

1.3 Group Highlights (continued)

Total Income

- Total income before significant items for the half year was $1,434 million (31 March 2005: $1,367 million). On a full AIFRS basis, total income before significant items increased by 8.1% compared to 31 March 2005. The increase reflects solid growth in lending assets and managed funds. This increase has been partially offset by a reduction in the interest margin, lower trading income and competitive pressures on loan fees and electronic banking income. On a full AIFRS basis excluding non-trading derivatives and hedging volatility, total income was $1,424 million (31 March 2005: $1,334 million), an increase of 6.7%.

Operating Expenses

- The expense to income ratio, before goodwill impairment and significant items, decreased to 44.1% (31 March 2005: 45.4%) reflecting prudent cost management and an increase in total income, due to growth in lending assets.

Income Tax

- Income tax expense before significant items was $226 million compared to $211 million in the March 2005 half. The effective tax rate for the half-year was 30.7% (31 March 2005: 30.7%).

Shareholder Returns

- Annualised return on average ordinary equity, before goodwill impairment and significant items, increased to 23.01% (31 March 2005: 22.36%).

- Annualised basic earnings per ordinary share, before goodwill impairment and significant items, increased to 191.9 cents (31 March 2005: 175.5 cents), an increase of 9.3%. On a previous AGAAP basis, basic earnings per ordinary share, before goodwill amortisation and significant items increased to 191.4 cents from 182.2 cents in the September 2005 half, an annualised increase of 10.1%.

- The Board has declared an interim ordinary dividend of 74 cents per share, payable on 4 July 2006. The dividend will be fully franked at 30%.

1.3 Group Highlights (continued)

Capital Management

The Group's Tier 1 capital adequacy ratio was 6.8% and total capital adequacy was 10.4% at 31 March 2006. The Tier 1 ratio has been impacted by the conversion of PRYMES and the $300 million buy-back of ordinary shares in February 2006. The Tier 1 ratio is expected to return to within the Bank's target range of 7.0-7.5 percent following the intended issue of two new Tier 1 capital instruments later in 2006. In accordance with APRA requirements, capital adequacy ratios continue to be calculated in accordance with previous AGAAP until 30 June 2006.

The following capital management initiatives were undertaken during the half-year:

- completion of a $3.1 billion securitisation of residential loan receivables through the Crusade Securitisation Program;
- 4.5 million ordinary shares were issued under the Bank's Dividend Reinvestment Plan (DRP) raising $127 million of capital;
- The conversion of $300 million of PRYMES into 10,309,170 ordinary shares in February 2006, based on a conversion price of $29.07;
- The buy-back of 11,677,657 ordinary shares in February 2006 at a price of $25.69 per share (refer section 2.3.2 for further details).

At 31 March 2006, the Group's adjusted common equity to risk weighted assets (ACE ratio) was 5.3% (31 March 2005: 5.1%).

The Group now intends to undertake an innovative Tier 1 capital issue of around $150 million in May/June 2006. This is expected to be followed with a non-innovative Tier 1 capital issue of around $250 million later in the second half of calendar year 2006, after APRA release their final prudential standards. The DRP will operate for the interim dividend with no discount and will not be underwritten.

St.George expects to maintain its total capital adequacy ratio above the 10 percent APRA minimum requirement at all times.

Credit Ratings

In January 2006, Standard and Poor's upgraded its long-term counterparty credit rating on St.George to A+ from A. The A-1 short-term counterparty credit rating was reaffirmed. At the same time, Standard and Poor's upgraded its Bank Fundamental Strength rating on St.George to B+ from B. St.George Insurance Pte Limited, the Bank's captive mortgage insurance subsidiary, had its credit rating raised to A+ from A.

The credit rating upgrade is based on improvements in St.George's operations which, in Standard and Poor's opinion, are expected to be sustained. Standard and Poor's commented that the ratings upgrade reflected improvements in the quality and diversity of St.George's earnings profile, continued very strong asset quality, and a solid and improving market position.

In February 2006, Moody's Investors Service placed St.George's A2 long term deposit and debt rating and C+ Bank Financial Strength rating on review for possible upgrade. The A2 Insurance Financial Strength rating of St.George Insurance Pte Limited was also placed on review for possible upgrade.

1.3 Group Highlights (continued)

Moody's Investors Service commented that the review for possible upgrade reflects the Bank's success in recent years in developing its franchise on the back of a low risk, organic growth strategy.

Assets and Asset Quality

- Lending assets which include securitised loans and bank acceptances were $87.0 billion (31 March 2005: $76.2 billion), an increase of 14.3%.

- The impairment losses on loans and receivables were $65 million for the March 2006 half (31 March 2005: $58 million). This comprises a collective provision charge of $16 million and a specific provision charge of $49 million. Comparatives have been determined in accordance with previous AGAAP.

- APRA has proposed that banks maintain a provisioning benchmark of 0.5% of risk weighted assets for potential credit losses inherent in the Bank's lending portfolio. At 31 March 2006, the after tax equivalent of the Group's collective provision was $183 million or 0.36% of risk weighted assets. As a result, the Group has established a $72 million general reserve for credit losses which, when taken together with the after tax equivalent of the collective provision, represents 0.5% of risk weighted assets. The general reserve for credit losses has been established through an appropriation from retained profits. The increase in the general reserve for credit losses during the March 2006 half was $4 million. The balance of this reserve may change subject to APRA's finalisation of their requirements on AIFRS loan loss provisioning.

  The net impact of transitioning to AIFRS collective loan provisioning, establishing the general reserve for credit losses and reversing the previous AGAAP general provision and certain specific provisions for doubtful debts resulted in a net increase of $5 million in retained earnings. This $5 million increase in retained earnings has no current impact on the Group's capital adequacy position as capital adequacy is determined on a previous AGAAP basis until 30 June 2006. The difference between the Group's capital base on a previous AGAAP basis at 30 June 2006 and AIFRS capital base on 1 July 2006 will be subject to APRA's transitional arrangements until 31 December 2007.

- Asset quality remains strong, reflecting a favourable credit environment and the Bank's prudent credit culture and policies.

2 Business Summary

2.1 Strategic Overview

The Group's low-risk, organic growth strategy continues to deliver superior returns to shareholders, and the Strategic Framework developed in 2002 is still guiding the Group today:

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

Building on this framework, the Group has remained focussed on a number of key areas

- Home Loans
- Middle Market
- Wealth Management
- Productivity Management
- Customer Service
- Victoria, Queensland and Western Australia Expansion
- Engaged People

Emphasis continues to be placed on the Group's customer service strategy, founded on the basic principles of:

Engaged People + Great Customer Experience = Superior Financial Outcomes

This strategy drives the Group's business priorities, with particular focus on the warm and friendly culture that characterises St.George through recruitment of the right people into roles, and an ongoing focus on the development and empowerment of existing staff.

In delivering great customer experience through its people, St.George continues to focus on key segments for the Group being Middle Market, Business and Enterprise Customers, Private Bank and Gold Customers, as well as Priority and Foundation customers. Investment in branch and contact centre areas with both staff and the Group's CRM infrastructure has contributed to improved efficiency in these channels, leading to an improved experience for customers.

Measured investment in infrastructure and the recruitment and development of staff has underpinned growth in non-core geographies of Victoria, Queensland and Western Australia, and the Group's successful business banking model has also been augmented through the ongoing implementation of the Best Business Bank growth strategy.

The Group continues to benefit from productivity initiatives from previous periods including back-office efficiency programs. Efficiency in corporate support functions is a focus for 2006, with specific initiatives in IT and Finance delivering further productivity improvements throughout the remainder of the year.

The Group's consistent track record of execution remains and as a result, St.George reaffirms its EPS growth target for 2006 and 2007 (refer page 21 for further details).

2.2 Operational Update – Business Priorities

2.2.1 Home Loans

The home loan market has seen a continued slowing in the rate of credit growth since 2003, in part due to the weaker New South Wales economy. Despite this, St.George's performance remains strong. The Bank's annualised growth in residential loans (including securitised loans) for the half-year to 31 March 2006 was 12.2% with St.George meeting its target to be in line with system growth.

Product innovation and mix continue to be key areas of focus to ensure stability in home loan margins and ongoing growth in the overall portfolio. Home loan products were enhanced during the half-year to meet the needs of target customer segments including first home buyers, investors, small business and retirees.

In terms of margin management, the Bank has continued to actively reduce the level of introductory loans to now be less than 1% of total portfolio balances. These loans typically have weaker retention prospects and a lower profit margin than other products, such as the Bank's "Portfolio" home equity and No Deposit loans, which have been areas of focus for the half-year. In addition, the Bank's proportion of standard fixed rate balances has increased from 13.1% at 30 September 2005 to 13.3% as at 31 March 2006. Fixed rate loans experience lower levels of additional repayments than variable rate products and therefore improve overall retention rates.

No Deposit and "Low Doc" loans continue to contribute to the Bank's lending growth. No Deposit loans represented 5.9% of settlements for the half-year and comprised 3.1% of home loan balances at 31 March 2006. "Low Doc" loans represented 5.7% of settlements for the half-year and comprised 4.8% of home loan balances at 31 March 2006. The Bank carefully manages both of these portfolios through the application of more rigorous underwriting, collection and portfolio risk management disciplines.

The home loan broker proportion of settlements for the half-year was 45.5%, up slightly from 44% in the September 2005 half. Management of this channel is focused on improving efficiency, increasing average loan size and achieving a balanced product mix. To improve efficiency in this channel and improve turn-around times, the Bank continues to enhance its "electronic lodgement" capability which has been progressively rolled out to brokers and enables faster approvals for customers. Dedicated priority service levels for higher value brokers were also upgraded. Benefits of this work will particularly be felt when the New South Wales lending market improves.

The Bank also continues the focus on improving the performance of its proprietary channels. Actions taken included new lender induction programs, better alignment of incentives and an increase in the branch and mobile lender sales force. This work is ongoing with pleasing improvements in productivity evident in recent months.

The Bank's home loan repayment rate reduced from an annualised 16.0% in 2005 to 15.4% for the half-year. The key drivers of the improvement continue to be lower levels of introductory loan business, improved product design, stronger customer relationships and the benefits of the Bank's ongoing customer retention program.

Credit quality remains excellent with prudent policies aimed at protecting the Bank and borrowers being maintained.

2.2 Operational Update – Business Priorities (continued)

2.2.2 Retail Deposits

Competition in the deposit market has continued to intensify over the last 6 months. All major banks are now actively pursuing balances in high-interest on-line accounts. Regional banks and monoline players are also active, with short-term promotional offers now being used to attract new funds. Additionally, a number of majors are aggressively promoting flat fee transaction and savings vehicles through their branch networks. Marketing campaign activity for term deposits continued strongly across the industry.

St.George maintained its successful strategy of using on-line channels for balance growth and branch channels for value and cross-sell activity. St.George is also utilising its business bank network to gather new deposits. Balance growth in the on-line directsaver account (internet and phone) was strong during the first half. The Express saver account that was launched in November 2005, provides a high interest savings account to the business sector. Transaction account balances grew by an annualised 16.7% to $14.3 billion compared to September 2005.

A new product ‘PowerPlus’ was launched in the Bank’s core markets in December 2005. This product provides an everyday solution to customers and combines a high interest savings account, a flat fee transaction account and, with the addition of salary crediting, bonus interest is earned. PowerPlus is demonstrating signs of quality growth, with 80% of accounts new to the bank.

Non-core states are growing well, with the branch-based account PowerSaver experiencing good customer acceptance. In Queensland and Victoria, almost 50% of new customers acquiring a PowerSaver account also acquire a Freedom transaction account.

St.George grew its retail deposits by 13.5% since 31 March 2005. This growth occurred across both consumer banking and business banking.

2.2.3 Middle Market

The Group continues to perform well with regard to the Middle Market segment, with annualised lending growth of 17.6% since 30 September 2005, which is an excellent result given the slow down in the property market, particularly in New South Wales. The average growth in the Bank’s non-core geographies of Queensland, Victoria and Western Australia has been excellent at 28.6%. Customer service is a key success factor driving growth in this segment. Customers are relationship managed by staff skilled in meeting customers’ needs according to their industry segments. East & Partners rank St.George as Australia’s No.1 Relationship Banker to the middle market in their recent survey. The business is focused around six key industry segments – manufacturing and wholesale, professionals, hotels and leisure, aged care and health, property and construction, and automotive finance.

Customer loyalty and satisfaction continue to be a key differentiator for St.George in the Middle Market segment with no customers indicating they are likely to change bank compared to an average of 17.6% for the four major banks in the February 2006 East & Partners survey. The high service levels provided to these customers results in stronger customer loyalty, minimal customer churn and a propensity for customers to broaden their relationship with St.George. These high customer satisfaction levels have driven market leading customer advocacy with 49% of customers indicating they would definitely recommend St.George. This has also resulted in an increase to 4.7 products per customer in March 2006 from 4.2 in March 2005.

Lending market share for this segment has remained steady since September 2005 mainly due to the slower economic growth experienced in New South Wales. This has particularly impacted market share growth due to 52% of commercial lending balances being in New South Wales.

2.2 Operational Update – Business Priorities (continued)

2.2.3 Middle Market (continued)

To realise further potential in this segment, the Bank is continuing the implementation of its Best Business Bank program. The program is focussed on productivity gains from the significant number of new staff hired in this segment in the last 18 months. New sales tools and industry specific value propositions continue to be developed. In addition to further external recruitment of relationship managers nationally, the Bank has developed a management development program for existing middle market support staff.

2.2.4 Wealth Management

Wealth Management comprises Asgard Wealth Solutions (formerly Sealcorp), the Securitor dealer network, Advance Asset Management, St.George Margin Lending, St.George Life Limited, St.George Private Bank and St.George Investment Solutions. Its core businesses are superannuation and wealth administration platforms, financial advice and planning, investment management and packaging, margin lending, private banking and life and general insurance. In March 2006, Kaplan Equities Limited acquired a 50% stake in Ascalon Capital Managers, a funds management incubator, previously wholly owned by the Bank. This transaction increases Ascalon's working capital and enables both parties to work together to expand the business.

Asgard's result represents the most successful reporting period to date with a 32.1% increase in funds under administration (FUA) to $27.0 billion from $20.5 billion at 31 March 2005. The growth was achieved across all products and generated from its aligned dealer network. The result has been strongly supported by favourable market conditions with gross and net flows increasing 25% whilst experiencing industry low redemption rates. The ASGARD business continues to win many industry awards for its various platform products.

Advance Asset Management grew funds under management to $7.1 billion from $4.7 billion or 51.7% compared to 31 March 2005. Of this growth, $1.4 billion is attributable to the mandating of Advance Funds Management to manage a component of Asgard's funds. These funds also remain within Asgard's FUA. In line with its business model as a "manager of managers" the number of strategic partnerships has now grown to 22.

Margin Lending achieved strong growth in its portfolio growing total receivables by $381 million or 26.7% to $1.8 billion since 31 March 2005. The business retains a 5-star Cannex rating and was awarded Asset magazine's "Margin Lender of the Year" for the third consecutive year.

The Private Bank grew assets by 12.5%, deposits are up by 24.6% and funds under advice rose by 30.4% to $326 million. Net written premium from life insurance products grew by 20% compared to the corresponding period last year whilst commissions from general insurance products have remained relatively flat.

2.2.5 Victorian Expansion

The Group's Victorian strategy continues to deliver results with strong market share gains in the Bank's target Gold and middle market customer segments.

St.George has continued to invest in its distribution channels with a further three new full service branches opened in metropolitan Melbourne during the March 2006 half. This takes the total to 13 new sites being opened since the commencement of the Victorian strategy. Management focus is now directed to maximising the returns on these investments.

Middle market receivables grew by 22% to $1.9 billion compared to 31 March 2005. Residential loans grew by 19% to $6.4 billion since 31 March 2005. Momentum is strong going into the second half of 2006.

2.2 Operational Update – Business Priorities (continued)

2.2.6 Queensland Expansion

Strong results have been achieved during the period in Queensland, with middle market receivables growing by 27% to $1.27 billion and residential loans increasing by 19% to $5.35 billion compared to 31 March 2005.

The Regional Management model is well advanced, branch expansion plans are underway with three new branches to be opened in second half 2006, and staff numbers being increased accordingly. Strategic campaigns directed at specific target customer segments have been devised and implemented – heightening brand awareness and expanding the Group's presence within the Queensland market.

2.2.7 Western Australia Expansion

Over the period, Western Australia has delivered strong growth. Residential loans increased by 21% to $2,921 million compared to March 2005. Middle Market receivables increased by 21% to $1.47 billion compared to 31 March 2005.

A new commercial banking centre was opened during the period and banking staff numbers have been increased by 10 to 127 to support the Bank's growth plans in Western Australia.

2.2.8 Risk Management

The Group's risk management systems continue to be enhanced through the implementation of Basel II.

The Bank is seeking APRA accreditation to apply the advanced approaches for credit risk and operational risk. St.George is targeting to apply the Basel II advanced approach for credit risk to its retail portfolio and foundation approach for credit risk to its corporate lending portfolio.

St.George is planning to initially adopt the standardised approach for operational risk from 1 January 2008. St.George is expecting to lodge its application with APRA in September 2006 to adopt the advanced approach for operational risk from 1 January 2009.

The Bank commenced a two year parallel run for credit risk against the current Accord from 1 January 2006. Subject to satisfying APRA's advanced level accreditation requirements, the Bank plans to commence a two year parallel run for operational risk from 1 January 2007.

2.2.9 Credit Quality

St.George's asset quality in residential and business lending continues to remain strong, reflecting a favourable credit environment and the Bank's prudent credit culture and policies. A major portion of the Bank's credit portfolio is in lower risk home loans. The majority of loans comprising residential and commercial loans are well secured by land and buildings that have been conservatively valued. Impairment provisions at 31 March 2006 have been assessed in accordance with AIFRS. While comparative figures for impairment provisions have not been restated for AIFRS, supplementary information that adjusts loan impairment losses to an estimated full AIFRS basis is provided in Section 4.

2.2 Operational Update – Business Priorities (continued)

2.2.9 Credit Quality (continued)

The Group continues to be well provisioned with total provisions and reserves for impairment of $369 million at 31 March 2006. This comprises a collective provision of $261 million and a specific provision of $36 million. In addition, the Bank has a $72 million general reserve for credit losses that has been appropriated from retained profits to comply with APRA’s proposed AIFRS prudential requirements. When taken together, the after tax balances of the collective provision and the general reserve for credit losses represent 0.5% of risk weighted assets (31 March 2005: 0.5%). The comparative percentage includes the after tax balance of unearned income on mortgage insurance premiums. The balance of the general reserve for credit losses may change subject to APRA’s finalisation of their requirements on AIFRS loan loss provisioning.

The net impact of transitioning to AIFRS collective loan provisioning, establishing the general reserve for credit losses and reversing the AGAAP general provision and certain specific provisions for doubtful debts resulted in a net increase of $5 million in retained earnings. This $5 million increase in retained earnings has no current impact on the Group’s capital adequacy position as capital adequacy is determined on a previous AGAAP basis until 30 June 2006. The difference between the Group’s capital base on a previous AGAAP basis at 30 June 2006 and AIFRS capital base on 1 July 2006 will be subject to APRA’s transitional arrangements until 31 December 2007.

The charge for bad and doubtful debts was $65 million and is not comparable to the $58 million charge in the 31 March 2005 half-year, which was calculated on a previous AGAAP basis.

Total impaired assets (net of specific provisions) were $45 million, compared to $44 million at 31 March 2005.

Bad and doubtful debts expense, excluding the movement in the general reserve for credit losses as a percentage of average gross loans and receivables (excluding securitised loans and bank acceptances) was 0.21% on an annualised basis. Net non-accrual loans, as a percentage of net loans and receivables (excluding securitised loans and bank acceptances) was 0.07% compared to 0.06% at 31 March 2005.

2.3 Operational Update - Other

2.3.1 Disposal of Investment

In March 2006, the Bank disposed of 15 million shares it held in Ascalon Capital Managers Limited ("Ascalon") to Kaplan Equities Limited ("Kaplan"). A profit after tax of $8 million was recognised on sale. Ascalon holds investments in six boutique fund managers. Following the sale, St.George and Kaplan each have a 50% equity interest in Ascalon. The transaction enables Ascalon to increase its working capital and provides an opportunity for both parties to work together to expand the Ascalon business.

2.3.2 Share Buy-back

In February 2006, the Bank completed its off-market buy-back of ordinary shares. A total of 11,677,657 ordinary shares were bought back at a price of $25.69, a total cost of $300 million. An amount of $6.54 per share of the consideration paid to buy back the shares was charged to share capital (total $76.7 million including associated buy-back costs). The difference between the buy-back price of $25.69 and the capital component of $6.54 was deemed to be a fully franked dividend for tax purposes and charged to retained profits ($223.6 million).

For capital gains tax purposes, the deemed disposal price applicable to shareholders (other than corporate tax entities) participating in the buy-back is $10.59 for each share sold into the buy-back.

2.3.3 Depositary Capital Securities (DCS)

As advised last year, the Australian Tax Office has denied the Bank a deduction on its DCS and issued amended assessments totalling $137 million after tax. There have been no further developments in this matter during the period. St.George remains confident that its position in relation to the application of the taxation law is correct. Accordingly, St.George has not charged to its income statement any amounts due under the amended assessments. St.George has agreed this treatment with its auditors, KPMG.

2.3.4 St.George Insurance Pte Limited

St.George Insurance Pte Ltd (SGI) is a wholly owned subsidiary of the Bank and was established in Singapore in 1989. SGI is a captive lender's mortgage insurance (LMI) provider and as such only offers mortgage insurance products to the Bank. SGI insures residential loans, which under the Bank's credit policies, require mortgage insurance.

Loans insured by SGI as at 31 March 2006 had a total value of $34.7 billion. The actuarial assessment has determined that, as at 30 September 2005 the reserves held by SGI to meet its potential claims are conservative, with a 95% level of confidence.

Each year of new advances, with loan to valuation ratios (LVR) greater than 80%, is treated as a separate policy period with SGI retaining the risk for claims with a range of 0.5% to 0.765% of the total advances in this category. Reinsurance cover cuts in for claims above the risks retained by SGI for each individual policy year (up to an agreed cap of 2%, beyond which St.George Bank assumes the residual risk). During its history, SGI has not made a claim under its reinsurance treaties.

SGI's investment portfolio consists of equities, fixed interest securities and term deposits. Two external fund managers independently manage the portfolio, with the performance regularly monitored by SGI and the Bank.

SGI had its credit rating upgraded from A to A+ by Standard and Poor's in January 2006. SGI has a A2 rating from Moody's Investors Service who have placed SGI on review for a possible upgrade. SGI has a AA- rating from Fitch Ratings.

2.3 Operational Update – Other (continued)

2.3.4 St.George Insurance Pte Limited (continued)

Prudential Regulation

SGI is subject to the regulatory requirements of the Monetary Authority of Singapore. In accordance with APRA's reforms to the Australian LMI industry, which took effect from 1 January 2006, APRA requires the Bank to utilise an LMI provider that is incorporated in Australia to satisfy the conditions of an "acceptable" LMI. Under the transitional provisions of the standards, the Bank has until 1 January 2008 to complete the transfer of SGI's operations to Australia. The Bank is progressing with the process of transferring SGI's operations to Australia within this timeframe. SGI complies with the minimum capital requirements of these standards.

SGI Pte Limited Performance Summary

Half-Year Ended		**March 2006 $M**	Sept 2005 $M	March 2005 $M
Underwriting income		**24**	19	17
Investment portfolio income		**20**	19	19
Claims		**-**	(1)	-
Other expenses		**(2)**	(3)	(2)
Profit before tax		**42**	34	34
Income tax expense		**(10)**	(6)	(6)
Profit after tax		**32**	28	28
Total assets		**334**	328	247
Investment portfolio		**334**	328	247
Shareholders' equity		**188**	196	197
Performance ratios				
* Loss Ratio (1)	%	**0.7**	3.0	(1.1)
* Expense Ratio (2)	%	**8.8**	9.7	6.0
* Combined Ratio (3)	%	**9.5**	12.7	4.9
Return on - (Annualised)				
* Average Assets	%	**21.60**	21.87	25.53
* Average Shareholders' Equity	%	**32.40**	29.82	32.21
Profit before tax by source				
* Mortgage Insurance	%	**51.7**	44.1	43.6
* Investment Portfolio	%	**48.3**	55.9	56.4
Contribution to Group profit				
* before tax	$M	**31**	31	31
* after tax	$M	**22**	22	22

(1) Net claims incurred divided by net premiums earned.
(2) Underwriting expenses divided by net premium earned.
(3) The sum of (1) and (2).
The above ratios are calculated on SGI's results rounded to the nearest thousand dollars.

SGI's profit result is based on its stand alone statutory accounts. On this basis, SGI recognises premium income over the expected period of the risk. On consolidation, intercompany transactions between SGI and the Bank are eliminated. In accordance with AIFRS, from 1 October 2005, loan risk fees collected by the Bank in respect of mortgage insurance activities are regarded as fees that are integral to those loans and recognised as an adjustment to the yield of the loan.

2.3 Operational Update – Other (continued)

2.3.4 St.George Insurance Pte Limited (continued)

Such fees are deferred and amortised to interest income over the life of the loan using the effective interest rate method. The income recognition pattern on consolidation is more conservative compared to SGI's premium income recognition pattern. SGI's tax expense is lower when compared to the tax expense in its contribution to the Group result. This is due to the differential between the lower tax rate in Singapore compared to Australia being required to be paid by St.George Bank as attribution tax in Australia. Hence, the contribution to Group profit by SGI is lower than SGI's stand alone statutory profit result as noted in the above table.

2.3.5 St.George Bank New Zealand Limited (SGBNZ)

The objective for SGBNZ has been to grow the Bank's core retail banking products through its alliance with Foodstuffs, New Zealand's largest supermarket retailer. At 31 March 2006, the balance of retail deposits was NZD 523 million (31 March 2005: NZD 442 million) and the balance of residential loans was NZD 504 million (31 March 2005: NZD 232 million). Intense competition has been experienced in the market, particularly for residential lending. The Group's share of the result for the March 2006 half was a loss of AUD 1.5 million, in line with expectations. Given the intense competition in the New Zealand market, St.George and Foodstuffs are reviewing their strategic options in terms of the future of SGBNZ.

2.4 Future Prospects

The Australian economy has posted moderate growth rates over the past year, although there has been a marked divergence across states, with commodity-based regions performing by far the best, while NSW has underperformed. Housing markets have reflected this, with Perth outperforming Sydney by a wide margin. Over the coming year, these differences are expected to even out to a degree. High fuel costs remain a significant negative while low interest rates continue to support the economy. Tax cuts and generally solid global growth will also help boost activity. Consumer and household debt levels are still relatively high, which will prevent economic growth and inflation accelerating too rapidly.

The competitive environment is expected to remain intense, particularly in the area of residential lending, business lending and retail deposits. The Bank has performed well during the period despite a subdued property market in New South Wales. The Bank is well positioned to benefit from the expected future upturn in the New South Wales economy in 2007. St.George is aiming to grow its home loan portfolio in line with system and its Middle Market segment at twice system. In the area of Wealth Management, the objective is to maintain net inflows in excess of system.

The St.George Group has established a track record of delivering on its targets, while building for the long run. For full year 2006 and 2007, St.George has indicated that, under the assumption of a reasonably robust economic environment, it expects to achieve a growth in EPS of 10%. These targets were established under the previous AGAAP accounting standards. Based on first half performance and momentum in the business, St.George is on track to deliver on these targets. On a full AIFRS basis, the 2006 full year target is EPS growth of greater than 10%, with the 30 September 2005 full AIFRS profit result excluding hedging and non-trading derivatives impacts, being the relevant measurement base starting point. For 2007, with previous AGAAP falling away, the target is restated and re-affirmed on an AIFRS basis, excluding the impact of hedging and non-trading derivatives. The exclusion of this component of non-interest income is appropriate because it creates some volatility in the AIFRS reported results and cannot be directly controlled by management.

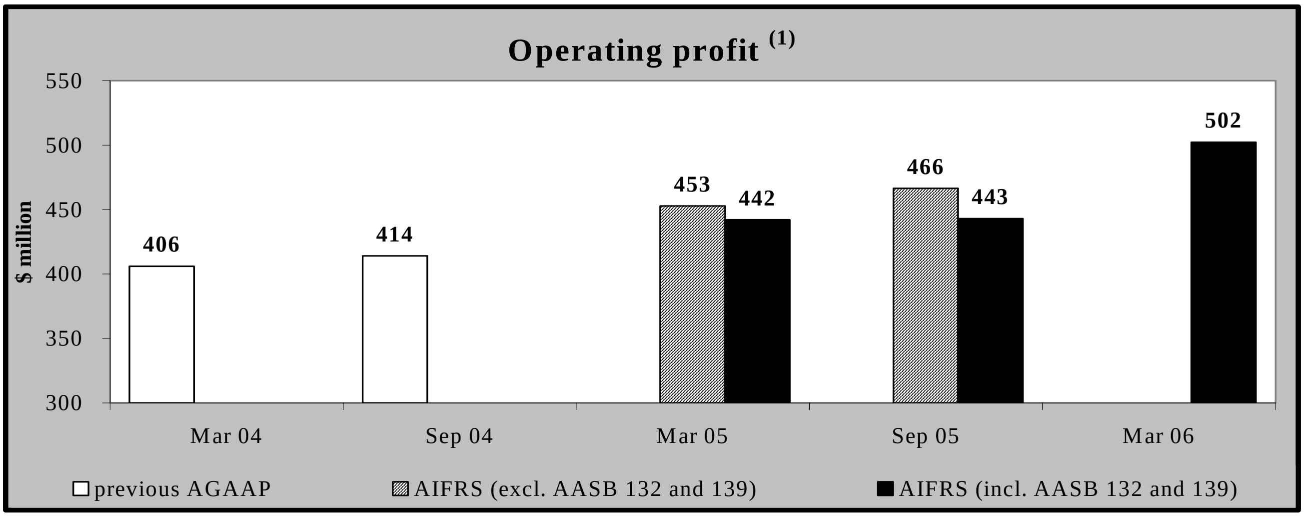
3 Financial Analysis

3.1 Group Performance Summary

Half-Year Ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Interest income	**3,236**	2,865	2,640
Interest expense	**2,272**	1,960	1,744
Net interest income	**964**	905	896
Non-interest income	**470**	501	471
Significant items	**-**	-	16
Total non-interest income	**470**	501	487
Bad and doubtful debts expense *	**65**	52	58
Operating expenses	**633**	656	620
Significant items	**-**	16	-
Total operating expenses	**633**	672	620
Goodwill impairment	**-**	-	4
Share of net profit of equity accounted associates	**-**	-	3
OPERATING PROFIT BEFORE INCOME TAX	**736**	682	704
Income tax expense	**226**	202	211
Income tax expense/(benefit) on significant items	**-**	(5)	5
Total income tax expense	**226**	197	216
OPERATING PROFIT AFTER INCOME TAX	**510**	485	488
Minority interests	**(1)**	(2)	(3)
OPERATING PROFIT AFTER INCOME TAX AND MINORITIES	**511**	487	491
Preference dividends:			
- Depositary Capital Securities (DCS)	**-**	14	13
- Preferred Resetting Yield Marketable Equity Securities (PRYMES)	**-**	9	10
- Subordinated Adjustable Income Non-refundable Tier 1 Securities (SAINTS)	**9**	9	8
	9	32	31
PROFIT AVAILABLE TO ORDINARY SHAREHOLDERS	**502**	455	460

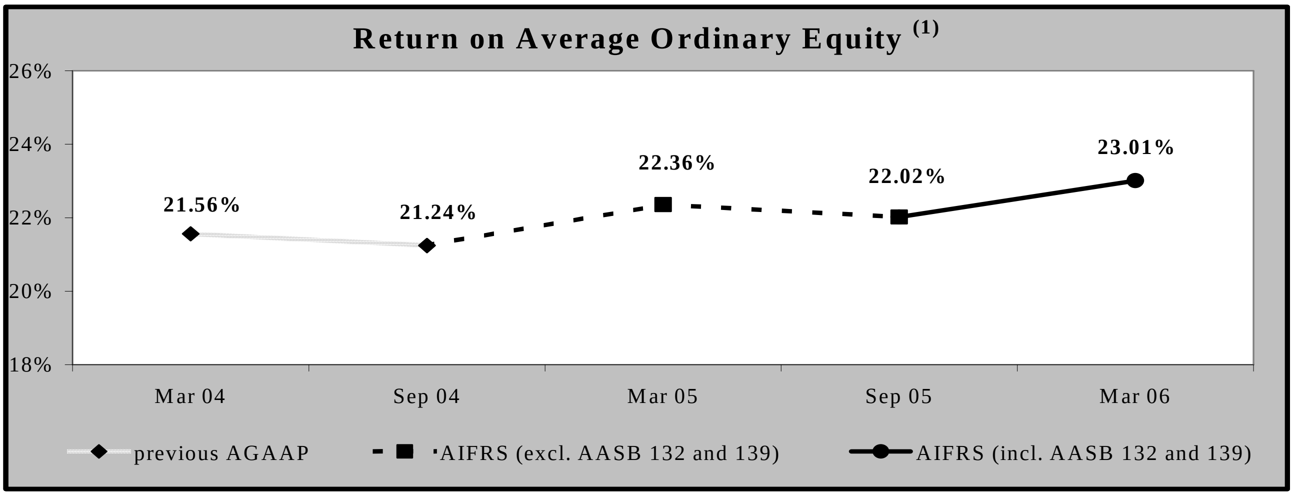
* In addition to this charge, there is a $4 million increase in the general reserve for credit losses which is not distributable to shareholders (refer page 34 for further details).

Profit available to ordinary shareholders	**502**	455	460
Add/(Less):			
Goodwill impairment	**-**	-	4
Significant items	**-**	11	(11)
Profit after preference dividends, income tax, minorities and before goodwill and significant items	**502**	466	453



(1) Operating profit after income tax, preference dividends, minorities and before goodwill and significant items

3.1 Group Performance Summary (continued)



(1) Annualised return on average ordinary equity after income tax, preference dividends, minorities and before goodwill and significant items.

3.1.1 Total Income

Growth in total income has been impacted by AIFRS as a result of distributions on PRYMES and DCS being reclassified from dividends to interest expense, the deferral of certain transaction fees and costs, and fair value movements in depositary capital securities and non trading derivatives in the March 2006 half. These impacts are not reflected in comparative figures.

It is difficult under AIFRS to assess underlying growth in net interest income and non-interest income on an individual basis as AIFRS has resulted in a number of reclassifications between these categories in the March 2006 half that are not all reflected in comparative figures. Net interest income and non-interest income have been restated to a previous AGAAP basis in Section 4 of this document to further assist in assessing underlying performance. Also, supplementary comparative figures adjusted for the full impact of AIFRS are disclosed in Section 4. On a full AIFRS basis, total income before significant items was $1,434 million for the 31 March 2006 half (31 March 2005: $1,326 million), an increase of 8.1%.

3.1.2 Underlying Profit

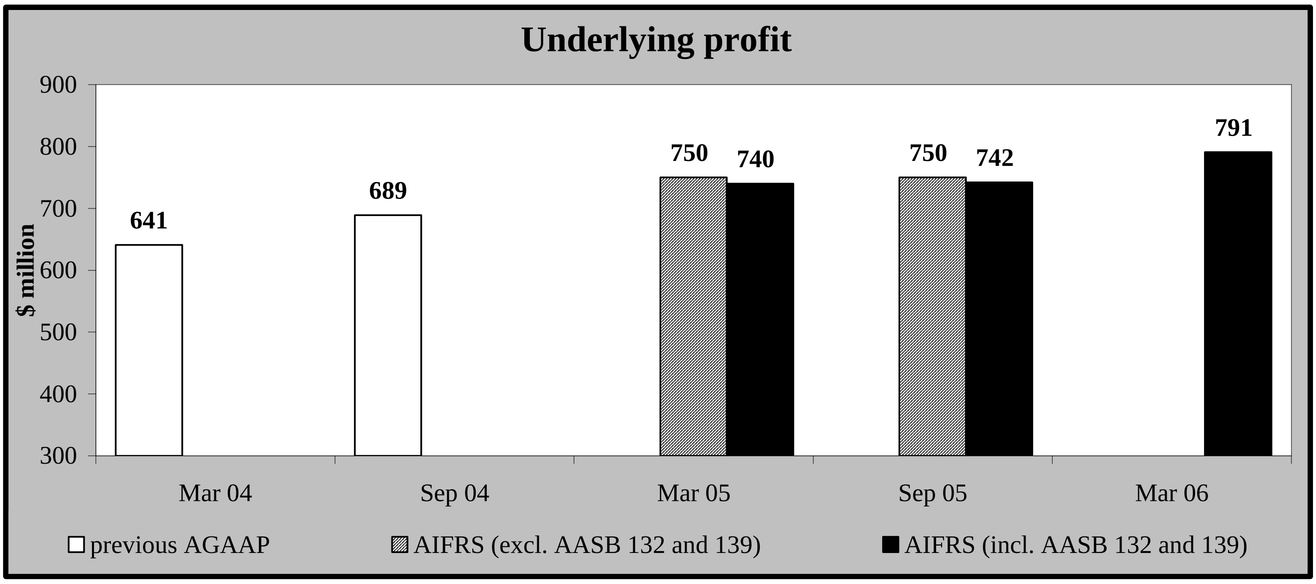
The underlying profit for the Group increased by 5.5% to $791 million compared to 31 March 2005. Prior periods are not comparable as they do not reflect the impact of AIFRS accounting standards relating to financial instruments.

Half-Year Ended	**March 2006 $M**	Sept 2005 (1) $M	March 2005 (1) $M
Operating profit after income tax and minority interests	**511**	487	491
Add: Minority interests	**(1)**	(2)	(3)
Operating profit after income tax	**510**	485	488
Add/(Less):			
Net loss/(profit) on significant items	**-**	11	(11)
Income tax expense	**226**	202	211
Charge for bad and doubtful debts	**65**	52	58
Goodwill impairment	**-**	-	4
Non-trading derivatives	**(10)**	-	-
Underlying Profit	**791**	750	750

(1) prior periods not comparable

Factors driving the growth in underlying profit during the half-year were:

- growth in lending assets, managed funds and retail deposits;
- increased transaction volumes; and
- effective cost management.



3.1.3 Significant items

Individually significant items are revenues and expenses of such a size, nature or incidence that their disclosure is relevant in explaining the financial performance of the Group.

Half-Year Ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Non-interest income			
Non-interest income before significant items	470	501	471
Significant items			
- Profit on sale of fixed assets (i)	-	-	27
- Write-off of deferred home loan broker commissions (ii)	-	-	(11)
	-	-	16
Total non-interest income	470	501	487
Operating expenses			
Operating expenses before significant items	633	656	620
Significant items			
- Write-off of computer applications and equipment (iii)	-	16	-
Total operating expenses	633	672	620
Income tax expense			
Income tax expense before significant items	226	202	211
Significant items			
- Income tax expense on profit on sale of fixed assets (i)	-	-	8
- Income tax benefit on write-off of deferred home loan broker commissions (ii)	-	-	(3)
- Income tax benefit on write-off of computer applications and equipment (iii)	-	(5)	-
	-	(5)	5
Total income tax expense	226	197	216
Summary of significant items			
Total pre-tax profit/(loss) from significant items	-	(16)	16
Less: Total tax expense/(benefit) attributable to significant items	-	(5)	5
Net impact from significant items	-	(11)	11

2006 half-year

There were no significant items in the March 2006 half.

2005 half-years

(i) First half of 2005 - the Bank sold its non-core unbranded ATM network to Customers Ltd. The sale resulted in a profit on sale before tax of $27 million ($19 million after tax).

(ii) First half of 2005 - From 1 October 2004, the Bank ceased to defer home loan broker commissions on new introductory loan business and has recognised an adjustment of $11 million ($8 million after tax) during the half-year that represents the unamortised balance of deferred commissions relating to this loan portfolio. In accordance with AIFRS, from 1 October 2005, home loan broker commissions are recognised as an adjustment to the yield on a loan and expensed over the expected life of the loan.

(iii) Second half of 2005 - the Bank recognised a $6 million ($4 million after tax) write-off of obsolete systems or systems in the process of being decommissioned and a $10 million ($7 million after tax) write-off representing a refinement of St.George's deferred expenditure policy to write-off deferred expenditure whereby the unamortised balance of deferred expenditure is written-off immediately when the carrying value reduces to $500,000.

3.1.4 Net Interest Income

Net interest income is derived from the Group's business activities of lending (including securitised loans and bank acceptances), trading securities, hedging and deposits and borrowings.

Net interest income for the half-year was $964 million (31 March 2005: $896 million), an increase of 7.6%. Net interest income in the 31 March 2006 half includes securitisation income, distributions on PRYMES and Depositary Capital Securities, yield related lending fee income, premium income from mortgage insurance operations, bill acceptance fee income and certain loan origination costs such as valuation fees, legal fees and third party home loan brokers fees. With the exception of securitisation income, comparative figures have not been adjusted for these items.

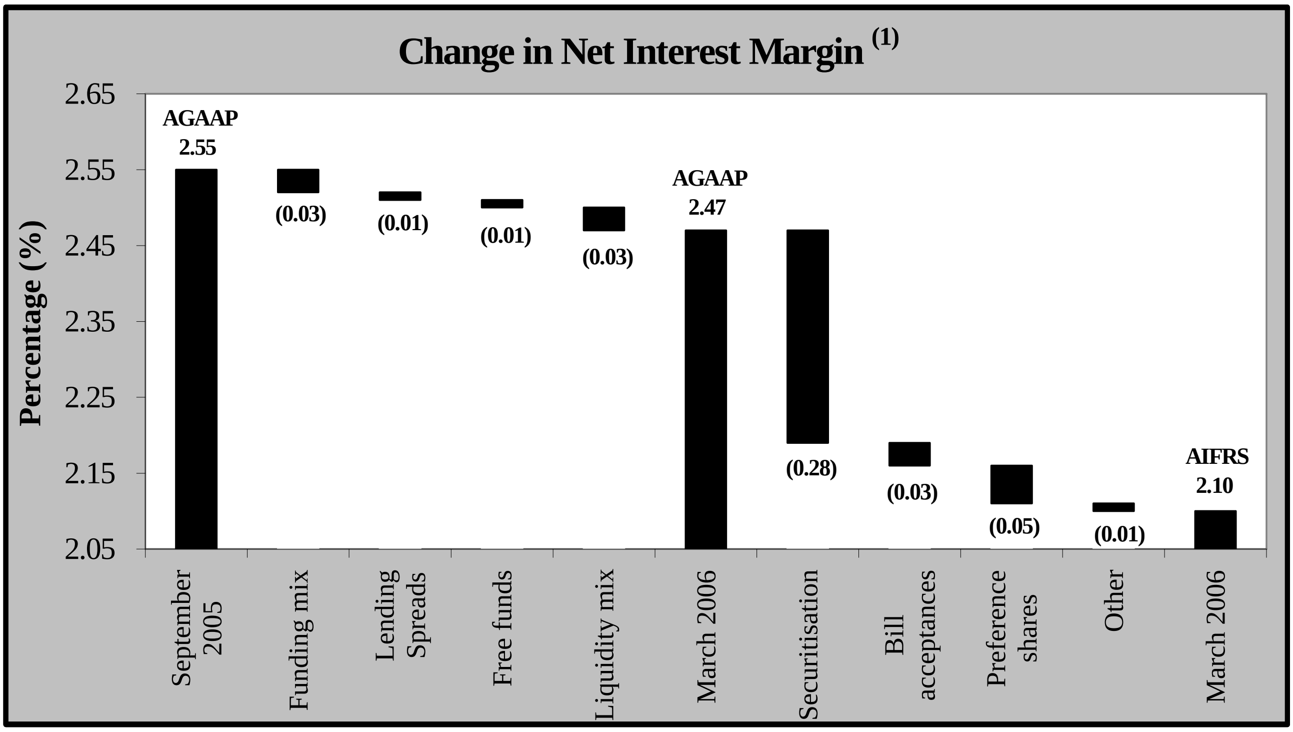
To assist in assessing underlying performance, Section 4 of this document restates net interest income to a previous AGAAP basis and restates comparatives to a "full AIFRS" basis.

Half-Year Ended	March 2006	September 2005	March 2005
	Balance $M	**Balance $M**	**Balance $M**
Net interest income			
Previous AGAAP	866	856	851
- securitised loans and funding (1)	63	49	45
- bill acceptances	63	-	-
- PRYMES and DCS distributions	(23)	-	-
- other	(5)	-	-
AIFRS basis (2)	964	905	896
Average balances			
Interest earning assets			
Previous AGAAP	70,174	67,049	64,616
- securitised loans (1)	15,271	13,626	11,990
- bill acceptances	6,477	-	-
- other	51	-	-
AIFRS basis (2)	91,973	80,675	76,606
Interest earning liabilities			
Previous AGAAP	66,734	63,472	61,028
- securitisation funding (1)	15,192	13,535	11,904
- bill acceptances	6,477	-	-
- PRYMES and DCS	542	-	-
AIFRS basis (2)	88,945	77,007	72,932
Interest margin	%	%	%
Previous AGAAP	2.47	2.55	2.63
- securitised loans and funding (1)	(0.28)	(0.31)	(0.29)
- bill acceptances	(0.03)	-	-
- PRYMES and DCS	(0.05)	-	-
- other	(0.01)	-	-
AIFRS basis (2)	2.10	2.24	2.34

(1) Includes asset-backed conduit vehicles
(2) AIFRS comparative figures do not include the impact of AASB 132 and 139.

3.1.4 Net Interest Income (continued)

On a full AIFRS basis, the interest margin reduced by 6 basis points since 30 September 2005, primarily due to changes in funding mix and a reduction in lending spreads. On a previous AGAAP basis, the interest margin for the March 2006 half was 2.47% compared to 2.63% in the March 2005 half and 2.55% in the September 2005 half. The 8 basis points reduction in the interest margin compared to the 30 September 2005 half is primarily due to changes in funding mix and the holding of a higher level of liquids during the March 2006 half-year. It is noteworthy that notwithstanding the intensity of competition in lending products, the Group has experienced a minimal decline in lending spreads.



(1) March 2006 half compared to September 2005 half

The net interest margin in the March 2006 half was impacted by the following factors:

(1) Funding Mix

Retail funding spreads have continued to be impacted by the increased flow of new retail money into higher interest rate accounts, such as the dragondirect saver account.

(2) Free funds

The benefit gained from free funds reduced during the half due to the $300 million ordinary share buy-back in February 2006.

(3) Liquidity mix

A higher level of trading securities were held during the March 2006 half, reflecting an increased holding of bank acceptances which are eventually on sold and classified as non-interest earning assets when sold under previous AGAAP.

(4) AIFRS impacts

In accordance with AIFRS, securitised loans and bill acceptances are included in interest earning assets, preference shares and funding relating to securitised loans and bank acceptances are included in interest bearing liabilities. Certain transaction fees and costs have been reclassified from non-interest income to interest income.

3.1.5 Non-Interest Income

Non-interest income before significant items was $470 million compared to $471 million in the March 2005 half and was primarily impacted by the reclassification of $63 million of income from bill acceptances to net interest income in accordance with AIFRS, which is not reflected in comparative figures.

To assist in assessing underlying performance, Section 4 of this document restates non-interest income to a previous AGAAP basis and comparatives to a "full AIFRS" basis. On a full AIFRS basis, non-interest income before significant items was $470 million for the March 2006 half (31 March 2005: $403 million), an increase of 16.6%.

Half-Year Ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Non-interest income			
Trading income	**34**	38	34
Non trading derivatives	**10**	-	-
Product fees and commissions			
- Lending	**54**	41	40
- Deposit and other accounts	**105**	131	116
- Electronic banking	**98**	93	95
Managed funds fees	**124**	116	107
Bill acceptance fees	**-**	51	42
Factoring and invoice discounting income	**10**	10	9
Net profit on disposal of land and buildings	**2**	-	3
Profit on sale of businesses	**4**	-	9
Trust distributions	**5**	1	3
Rental income	**4**	4	5
Profit on sale of shares	**10**	2	2
Dividend income	**3**	3	2
Profit on sale of investment securities	-	1	-
Other Income	**7**	10	4
Non-interest income before significant items	**470**	501	471
Significant items			
Profit on sale of fixed assets	-	-	27
Write-off of deferred home loan broker commissions	-	-	(11)
	-	-	16
TOTAL NON-INTEREST INCOME	**470**	501	487
Non-Interest Income as a % of Average Assets [1] (annualised)			
- before significant items	**1.17%**	1.30%	1.28%
- after significant items	**1.17%**	1.30%	1.32%
Non-Interest Income as a % of Total Income			
- before significant items	**32.8%**	35.6%	34.5%
- after significant items	**32.8%**	35.6%	35.2%

(1) previous AGAAP basis

Trading income

Trading generates net interest income and non-interest income. Net interest income earned on the trading portfolio was $29 million (30 September 2005: $23 million; 31 March 2005: $30 million). Therefore, total trading income was $63 million (30 September 2005: $61 million; 31 March 2005: $64 million). The modest decline in trading income is attributable to a flat yield curve and a lack of volatility in financial markets.

Trading income includes a gain of $12 million (30 September 2005: $12 million; 31 March 2005: $13 million) from the Group's captive mortgage insurance company's investment portfolio, which is marked to market. Interest income earned on this investment portfolio was $6 million (30 September 2005: $4 million; 31 March 2005: $4 million).

3.1.5 Non-Interest Income (continued)

Non trading derivatives

The $10 million gain during the period reflects the impact of hedge ineffectiveness and the net fair value movement in the Bank's Depositary Capital Securities and related hedges.

Securitisation service fees

In accordance with AIFRS, fee income from securitised loans has been reclassified to net interest income. Comparative figures have been amended accordingly.

Managed funds fees

Fee income from managed funds increased by 15.9% to $124 million compared to 31 March 2005. The increase is due to strong growth of 33.6% in managed funds to $37.2 billion from $27.8 billion at 31 March 2005, reflecting strong investment markets and strong net inflows of funds.

Bill acceptance fees

In accordance with AIFRS, bill acceptance fee income has been reclassified to net interest income. Comparatives have not been amended to reflect this change.

Profit on sale of shares

During the period, the Bank sold its equity interest in Ascalon, resulting in a gain of $8 million on sale. The Bank retains a 50% equity interest in Ascalon after reinvesting in the entity as part of the transaction.

Product Fees and Commissions

Product fees and commissions income increased by 2.4% to $257 million from $251 million in the March 2005 half due to the following factors:

Lending fees – increased by 35% to $54 million compared to $40 million in the March 2005 half. Lending fee income benefited from an AIFRS reclassification to net interest income of a $23 million net expense relating to loan fee income and loan origination costs. Comparatives have not been adjusted to reflect this reclassification.

Deposit and other accounts - fees decreased to $105 million compared to $116 million in the March 2005 half. Fee income has been impacted by the reclassification of $24 million of mortgage insurance premium income to net interest income in accordance with AIFRS. The $24 million reclassification has a $17 million impact on net interest income in accordance with the change in income recognition pattern required under AIFRS. Comparatives have not been adjusted to reflect this reclassification.

Electronic banking - income from electronic banking was $98 million compared to $95 million in the 31 March 2005 half and $93 million in the 30 September 2005 half, reflecting increased transaction volumes. The rate of growth in electronic banking fee income has been moderated by increased competition in the merchant acquiring area.

3.1.6 Managed Funds

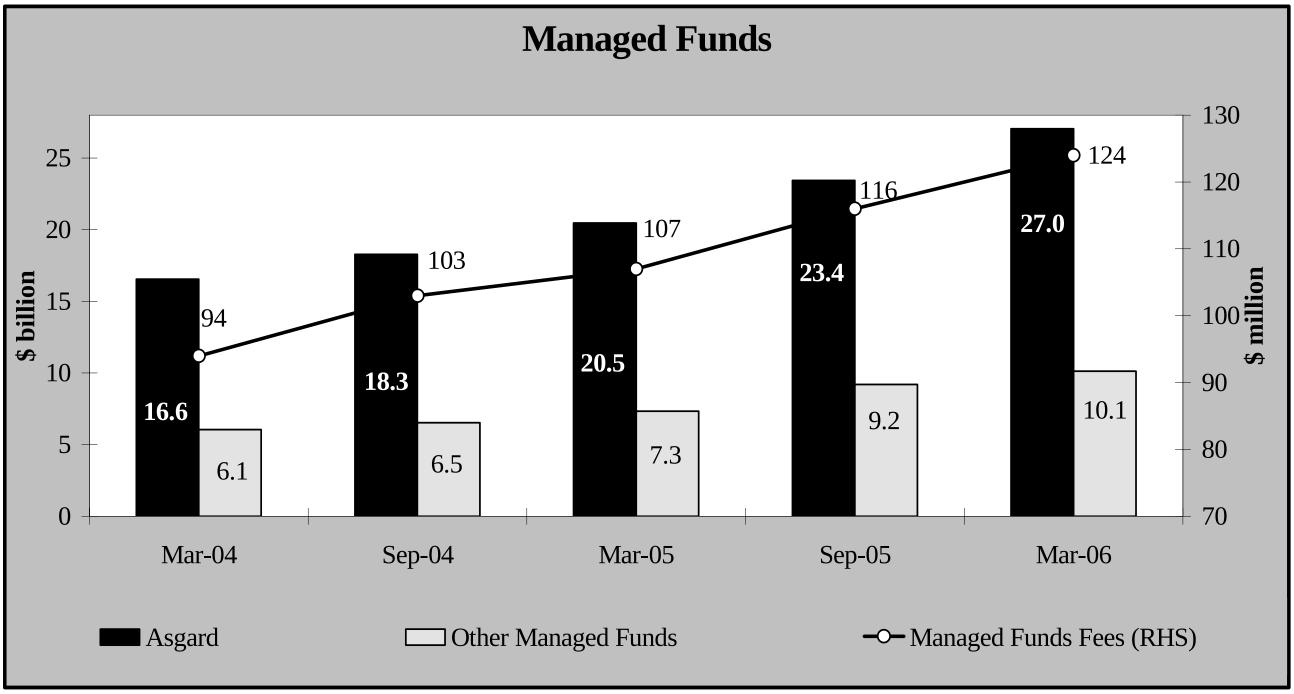
The Group's managed funds comprise funds under management, funds under administration and funds under advice.

Half-Year Ended	March 2006 $M	Sept 2005 $M	March 2005 $M
Income			
Managed funds fees for the half-year	**124**	**116**	**107**
Managed funds			
Funds under administration (Asgard)	**27,037**	**23,443**	**20,470**
Funds under management	**7,144**	**6,462**	**4,709**
Funds under advice	**2,984**	**2,737**	**2,633**
Total Managed Funds	**37,165**	**32,642**	**27,812**

Managed funds rose by 33.6% compared to 31 March 2005. Asgard's funds under administration rose by 32.1% compared to 31 March 2005. This growth reflects favourable equity markets and sustained investor confidence together with expanded distribution channels and product innovation.

The growth in Asgard's funds under administration reflects increased sales, strong equity markets, low redemption rates and benefits from the removal of the superannuation guarantee charge.

Funds under management growth of 51.7% to $7.1 billion relates to the Advance Funds Management business which is an established product packaging business. Of this growth, $1.4 billion is attributable to the mandating of Advance Funds Management to manage a component of Asgard's funds. These funds also remain in Asgard's funds under administration. Excluding this item, underlying growth in managed funds was $1,076 million or 22.8%.



3.1.7 Operating Expenses

Half-Year Ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Staff expenses			
Salaries	**289**	286	267
Contractors' fees	**4**	3	6
Superannuation	**26**	23	23
Payroll tax	**20**	18	17
Fringe benefits tax	**3**	5	4
Share based compensation	**6**	6	7
Other	**12**	13	12
Total staff expenses	**360**	354	336
Computer and equipment costs			
Depreciation	**19**	20	20
Deferred expenditure amortisation	**15**	19	19
Rentals on operating leases	**4**	4	5
Other (1)	**37**	33	38
Total computer and equipment costs	**75**	76	82
Occupancy costs			
Depreciation	**15**	14	13
Rentals on operating leases	**35**	36	34
Other (2)	**18**	21	20
Total occupancy costs	**68**	71	67
Administration expenses			
Advertising and public relations	**22**	28	21
Consultants	**9**	18	12
Fees and commissions	**16**	15	14
Postage	**9**	9	9
Printing and stationery	**17**	19	17
Subscriptions and levies	**5**	4	4
Telephone	**5**	6	4
Other (3)	**47**	56	54
Total administration expenses	**130**	155	135
Operating expenses before goodwill and significant items	**633**	656	620
Goodwill impairment	**-**	-	4
Operating expenses after goodwill and before significant items	**633**	656	624
Significant items			
Write-off of computer applications and equipment	**-**	16	-
TOTAL OPERATING EXPENSES	**633**	672	624
Ratios (before goodwill and significant items)			
Operating Expenses (annualised) as a % of Average Assets *	**1.58%**	1.70%	1.69%
Expense to Income ratio	**44.1%**	46.7%	45.4%

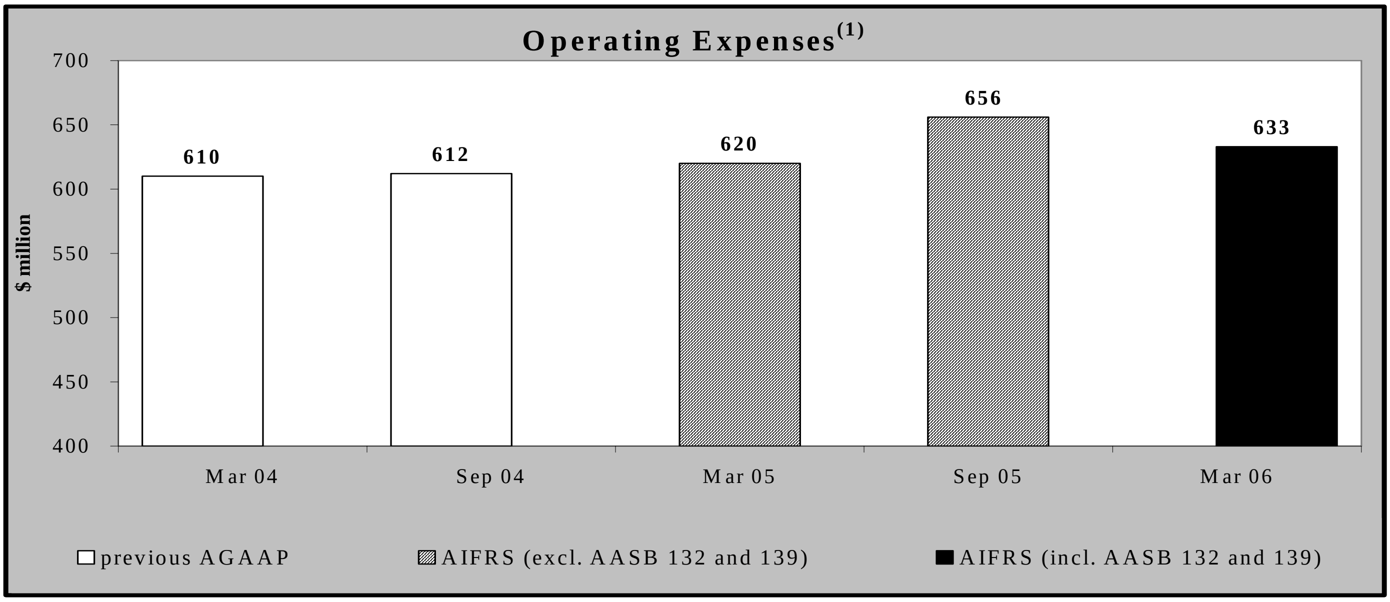
* denominator on a previous AGAAP basis

(1) Other computer and equipment costs are primarily comprised of software and hardware maintenance and data line communication costs.

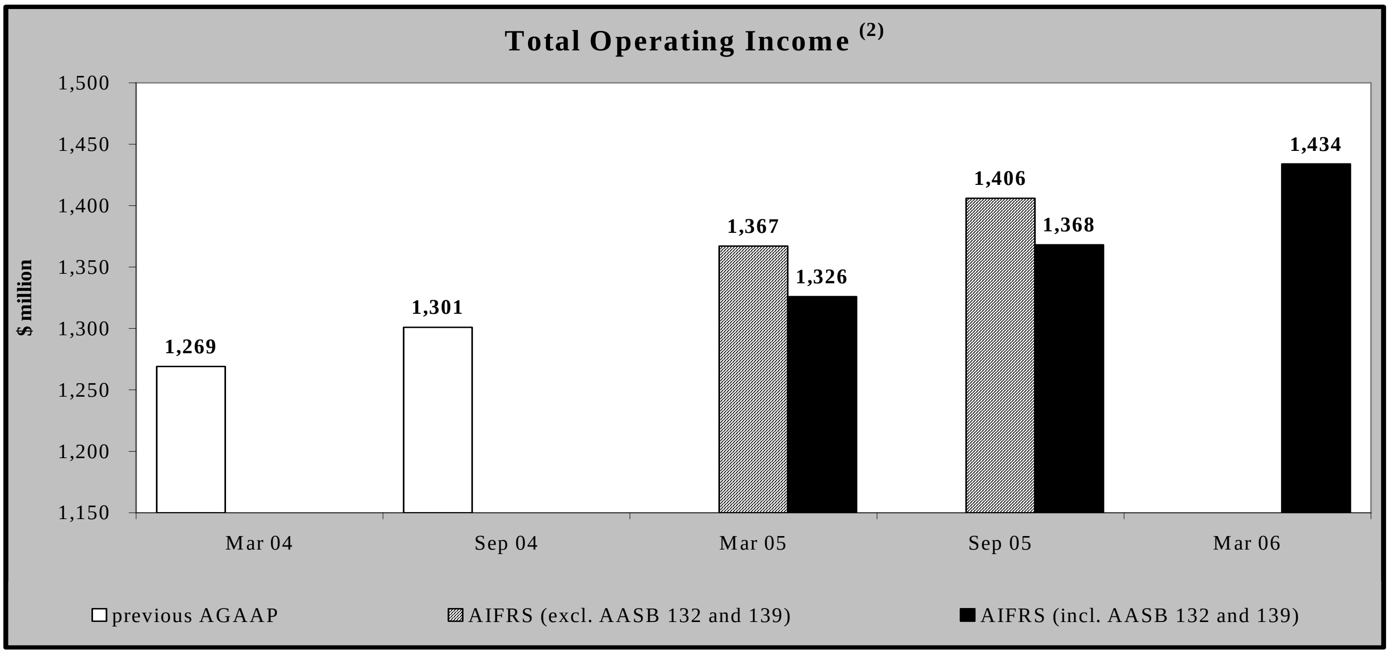
(2) Other occupancy costs are primarily comprised of management fees paid for property facility management and security services.

(3) Other administration expenses are primarily comprised of audit and related service fees, legal services, travel costs, non-lending losses and financial charges.

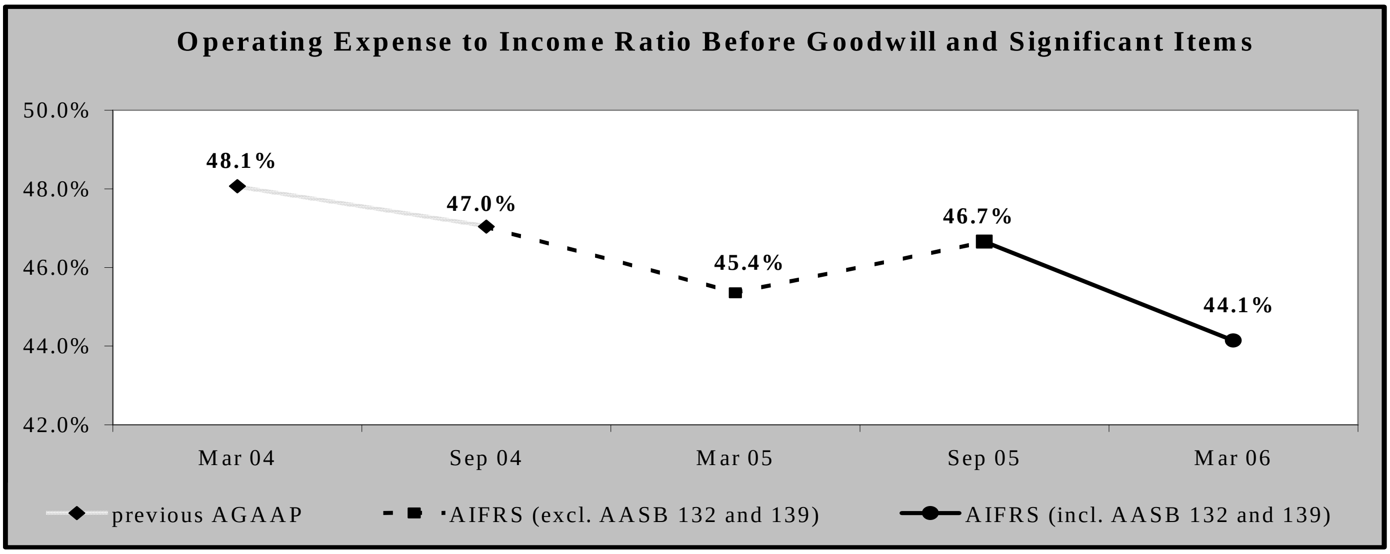
3.1.7 Operating Expenses (continued)



(1) Operating expenses before goodwill and significant items



(2) Total operating income before significant items



3.1.7 Operating Expenses (continued)

Total Operating Expenses

Operating expenses are classified in the broad categories of staff, computer and equipment, occupancy and administration. Total operating expenses (before goodwill impairment and significant items) were $633 million for the half (31 March 2005: $620 million) an increase of 2.1% and a decrease of 3.5% compared to the September 2005 half. This result reflects effective cost management, largely driven by a reduction in discretionary expenditure. At the same time, the Bank has continued to increase staff numbers and prudently invest in systems and processes designed to deliver future business growth and enhanced risk management systems. Comparatives have been amended to reflect an expense for share based payments in accordance with AIFRS requirements.

Staff Expenses

Staff expenses increased by $24 million or 7.1% to $360 million compared to the March 2005 half and increased by 1.7% compared to the September 2005 half. This increase reflects an average wage increase of 4.3% effective 1 October 2005 and increased staff numbers to drive growth in Victoria, Queensland, Western Australia and in middle market segments. Compared to the September 2005 half, staff expenses were relatively flat, reflecting $5 million of restructuring costs recognised in the September 2005 half and active management of staff's annual leave provision during the March 2006 half.

Computer and Equipment Costs

Computer costs decreased by $7 million or 8.5% to $75 million from $82 million in the March 2005 half. The decrease is primarily due to a reduction in deferred expenditure amortisation. The balance of deferred expenditure at 31 March 2006 was $121 million (31 March 2005: $96 million).

Occupancy Costs

Occupancy costs of $68 million increased by $1 million compared to the March 2005 half and decreased by $3 million compared to the September 2005 half.

Administration Expenses

Administration costs decreased by $5 million to $130 million compared to the 31 March 2005 half, primarily reflecting a reduction in consultants fees and other administration costs relating to AIFRS projects and a reduction in non-lending losses.

Goodwill impairment

In accordance with AIFRS, goodwill is no longer required to be amortised but continues to be subject to annual assessment for impairment. The goodwill impairment charge of $4 million in the March 2005 half relates to goodwill written-off on sale of the Bank's Assirt businesses.

3.1.8 Bad and Doubtful Debts Expense

Half-Year Ended	**AIFRS March 2006 $M**	AGAAP Sept 2005 $M	AGAAP March 2005 $M
Specific provisions (net of recoveries)			
Residential loans	**2**	1	-
Commercial loans	**14**	19	19
Consumer loans	**33**	33	26
Other	**-**	-	2
Total specific provisions	**49**	53	47
General provisions	**-**	(1)	11
Collective provisions	**16**	-	-
Bad and doubtful debts expense	**65**	**52**	**58**
Movement in general reserve for credit losses	**4**	-	-
Bad and doubtful debts expense:			
As a percentage of average gross loans[1] (annualised)	**0.21%**	0.18%	0.21%
As a percentage of average risk weighted assets[1] (annualised)	**0.26%**	0.22%	0.26%
As a percentage of average assets[1] (annualised)	**0.16%**	0.14%	0.16%

(1) denominator on a previous AGAAP basis

Bad and doubtful debts expense net of recoveries was $65 million for the half-year compared to $58 million in the March 2005 half. Comparative figures have not been adjusted to reflect AIFRS loan provisioning requirements.

In accordance with AIFRS, the general provision for doubtful debts has been replaced with a collective loan provision from 1 October 2005. The collective loan provision relates to loans that are found not to be individually impaired. These loans are however, placed into pools of loans with similar credit risk characteristics and assessed for impairment. The collective provision charge for the March 2006 half was $16 million.

In accordance with APRA's proposed AIFRS loan provisioning requirements, the Bank is required to maintain a provision to absorb future credit losses from unidentified sources. A prudent level of provision is considered to be 0.5% of risk weighted assets on an after tax basis.

To satisfy this proposed prudential requirement, the Bank established a general reserve for credit losses on 1 October 2005 of $68 million. During the March 2006 half, the general reserve for credit losses was increased by $4 million through an appropriation from retained profits. As this reserve is not distributable to shareholders, the $4 million increase for the half-year can be viewed as an additional charge against profits for the period. The balance of the general reserve for credit losses may change subject to APRA's finalisation of their requirements on AIFRS loan loss provisioning.

The net impact of transitioning to AIFRS collective loan provisioning, establishing the general reserve for credit losses and reversing the previous AGAAP general provision and certain specific provisions for doubtful debts resulted in a net increase of $5 million in retained earnings. This $5 million increase in retained earnings has no current impact on the Group's capital adequacy position as capital adequacy is determined on a previous AGAAP basis until 30 June 2006. The difference between the Group's capital base on a previous AGAAP basis at 30 June 2006 and AIFRS capital base on 1 July 2006 will be subject to APRA's transitional arrangements until 31 December 2007.

Section 4 of this document restates the bad and doubtful debts expense for the March 2006 half to a previous AGAAP basis and comparatives to a "full AIFRS" basis.

3.1.9 Income Tax Expense

Half-Year Ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Income tax expense shown in the results differs from prima facie income tax payable on pre-tax operating profit for the following reasons:			
Operating profit before income tax	**736**	682	704
Prima facie income tax payable calculated at 30% of operating profit	**221**	205	211
Add: tax effect of permanent differences which increase tax payable			
* Preference dividends classified as interest expense	**7**	-	-
* Goodwill impairment	**-**	-	1
* General provision for doubtful debts	**-**	-	3
* Tax losses not recognised	**1**	1	2
* Share based payments expense	**2**	2	2
* Underprovision for income tax in prior year	**2**	-	-
* Other	**-**	-	1
Less: tax effect of differences which reduce tax payable			
* Deduction allowable on shares issued to employees	**1**	-	2
* Difference between accounting profit and assessable profit on sale of shares	**3**	5	-
* Difference between accounting profit and assessable profit on sale of businesses	**-**	4	-
* Rebatable dividends	**1**	1	1
* Other	**2**	1	1
Total income tax expense	**226**	197	216
Effective tax rate %	**30.7**	28.9	30.7

(1) The effective tax rate for the March 2006 half was 30.7% primarily due to preference share dividends included in interest expense in the March 2006 half being non-deductible for tax.

3.1.10 Segmental Results

Business segments are based on the Group's organisational structure. The Group comprises four business divisions, namely:

- Retail Bank (RB) – responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits, small business banking and financial planners. This division also manages retail branches, call centres, agency networks and electronic channels such as EFTPOS terminals, ATMs and Internet banking. The results of St.George Bank New Zealand Limited are included in this segment.
- Institutional and Business Banking (IBB) - responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange, money market and derivatives, corporate and business relationship banking, international and trade finance banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing including factoring and invoice discounting.
- BankSA (BSA) – responsible for providing retail banking and business banking services to customers in South Australia and Northern Territory. These services have been extended into country New South Wales and Victoria as part of the Group's initiative to expand rural banking. Customers are serviced through branches, electronic agencies, ATMs, call centres, EFTPOS terminals and Internet banking.
- Wealth Management (WM) – responsible for providing wealth management administration, asset management, dealer group services, margin lending, financial advice, private banking services and general and life insurance.

Segmental results are not comparable to prior periods as comparative figures do not reflect the impact of AIFRS financial instrument accounting standards that have been adopted from 1 October 2005. To assist in assessing underlying performance of each business division, Section 4 of this document restates comparatives to a full AIFRS basis.

Segmental results with statutory comparatives are contained in the Group's Condensed Consolidated Interim Financial Report for the half-year ended 31 March 2006 which is available on St.George's website.

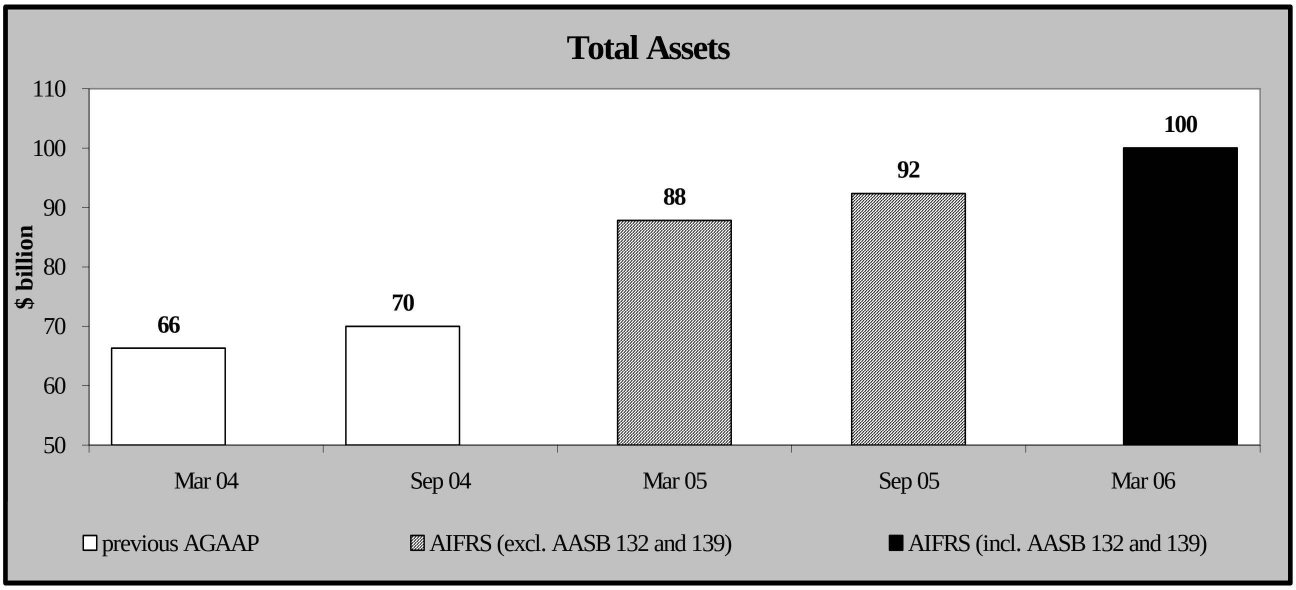
3.2 Group Position Summary

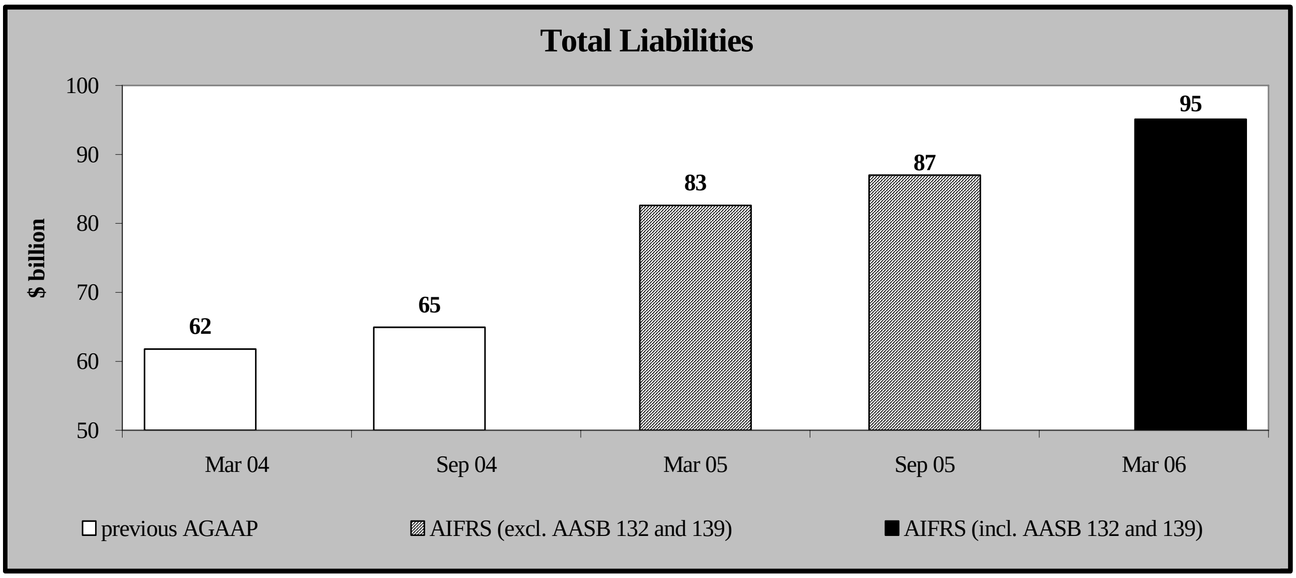
As at	**31 March 2006 $M**	30 Sept 2005 $M	31 March 2005 $M
Assets			
Cash and liquid assets	**1,128**	1,184	1,191
Receivables from other financial institutions	**975**	1,111	738
Assets at fair value through the income statement	**5,726**	6,007	6,625
Derivative assets	**1,277**	-	-
Available for sale investments	**1,367**	-	-
Investment securities	**-**	1,149	1,641
Loans and other receivables	**77,197**	72,949	69,111
Bank acceptances of customers	**9,842**	7,098	5,419
Property, plant and equipment	**443**	452	456
Intangible assets	**1,282**	1,268	1,257
Other assets	**808**	1,141	1,376
Total Assets	**100,045**	92,359	87,814
Liabilities			
Retail funding and other borrowings	**85,341**	77,049	73,419
Payables to other financial institutions	**421**	91	992
Bank acceptances	**7,264**	7,098	5,419
Derivative liabilties	**1,025**	-	-
Bills payable and other liabilities	**1,045**	2,734	2,778
Total Liabilities	**95,096**	86,972	82,608
Net Assets	**4,949**	5,387	5,206
Shareholders' Equity			
Share capital	**4,171**	4,105	4,040
Reserves	**72**	23	14
Retained profits	**685**	906	798
Minority interests in controlled entities	**21**	353	354
Total Shareholders' Equity	**4,949**	5,387	5,206
Shareholders' equity as a percentage of total assets	**4.95%**	5.83%	5.93%
Net tangible assets per ordinary share issued	**$6.30**	$6.01	$5.71
Number of ordinary shares issued (000's)	**524,220**	520,407	517,898

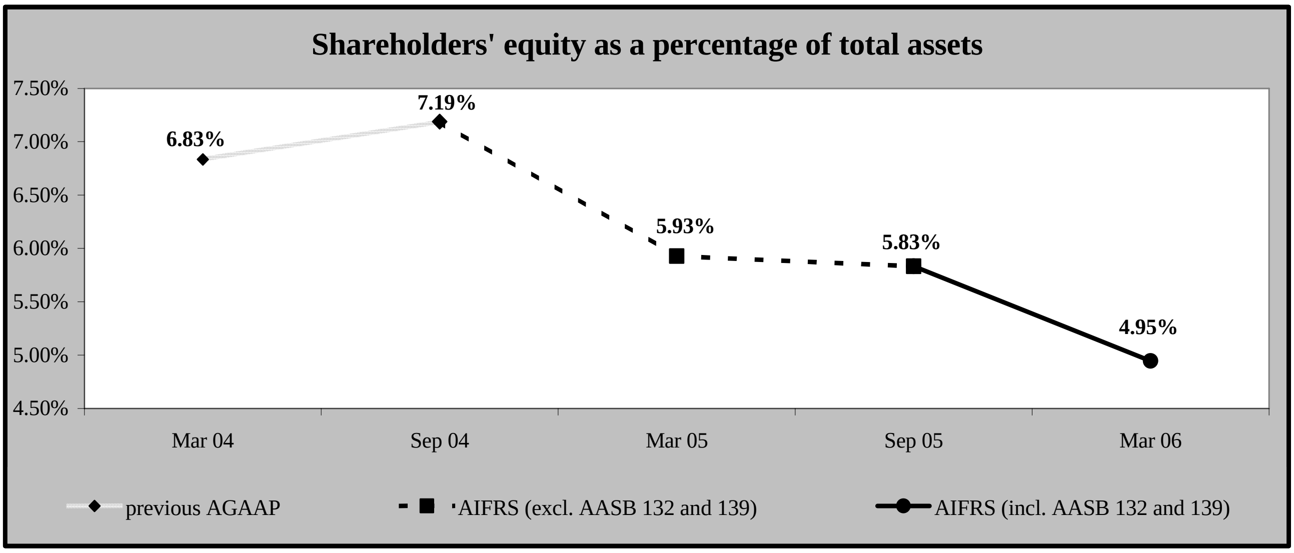
Comparative figures have not been restated for the impact of AASB 132 and AASB 139 which are effective from 1 October 2005. A reconciliation detailing the changes to comparative figures arising from AIFRS is contained in the Group's Condensed Consolidated Interim Financial Report for the half-year ended 31 March 2006 which is available on St.George's website.

3.2.1 Total Assets

Total assets were $100.0 billion at 31 March 2006 (31 March 2005: $87.8 billion), an increase of 13.9% reflecting growth of 14.3% in lending assets (including bank acceptances) to $87.0 billion at 31 March 2006.







3.2.1 Total Assets (continued)

Comparative figures have been restated in accordance with AIFRS. The key impacts on the balance sheet are the consolidation of securitised assets and related funding. From 1 October 2005, the Bank has complied with AASB 132 and AASB 139, the main impact on the balance sheet arising from these standards has been to reclassify PRYMES and DCS from shareholders' equity to retail funding and other borrowings.

3.2.2 Lending Assets

As at	**31 March 2006 $M**	30 Sept 2005 $M	31 March 2005 $M
RESIDENTIAL			
Housing loans	**25,685**	24,878	23,998
Securitised housing loans	**14,826**	13,225	11,669
Home equity loans	**19,217**	18,189	17,176
TOTAL RESIDENTIAL	**59,728**	56,292	52,843
CONSUMER			
Personal loans	**2,507**	2,353	2,245
Line of credit	**1,166**	1,084	1,064
Margin lending	**1,806**	1,580	1,425
TOTAL CONSUMER	**5,479**	5,017	4,734
COMMERCIAL			
Commercial loans	**9,427**	9,614	9,521
Bank bill acceptances	**9,573**	8,143	6,809
Hire purchase	**1,989**	1,960	1,891
Leasing	**422**	407	398
TOTAL COMMERCIAL	**21,411**	20,124	18,619
FOREIGN EXCHANGE CASH ADVANCES	**39**	30	29
STRUCTURED FINANCING	**643**	146	148
GROSS LENDING ASSETS	**87,300**	81,609	76,373
GENERAL PROVISION	**-**	219	220
COLLECTIVE PROVISION (1)	**261**	-	-
NET LENDING ASSETS	**87,039**	81,390	76,153
Lending assets are comprised of:			
Net loans and receivables	**77,197**	72,949	69,111
Bank acceptances - commercial	**9,573**	6,800	5,186
Bank acceptances - margin lending	**269**	298	233
Bill financing held in trading securities	**-**	1,343	1,623
NET LENDING ASSETS	**87,039**	81,390	76,153

(1) Collective provision calculated in accordance with AIFRS for 31 March 2006 half year. Comparatives have not been amended to reflect this AIFRS change.

3.2.2 Lending Assets (continued)

Lending assets increased to $87.0 billion (31 March 2005: $76.2 billion), an increase of 14.3%. Annualised growth since 30 September 2005 was 13.9%.

Residential loans increased by 13.0% to $59.7 billion from $52.8 billion as at 31 March 2005, reflecting a slower rate of growth in the housing sector. Sales productivity initiatives and the Bank's geographical expansion strategy into Victoria, Queensland and Western Australia have offset the impact of the weaker New South Wales housing market. Annualised growth in residential loans since 30 September 2005 was 12.2%. Within residential loans, higher margin home equity loans increased by 11.9% to $19.2 billion.

Consumer loans increased by 15.7% to $5.5 billion (31 March 2005: $4.7 billion) due to strong growth in personal loans and margin lending.

Commercial loans grew by 15.0% to $21.4 billion from $18.6 billion at 31 March 2005. Growth has been impacted by the lower rate of growth in the Bank's auto lending business which are included in hire purchase receivables, reflecting weaker new car sales volumes during the March 2006 half. Annualised growth in commercial loans since 30 September 2005 was 12.8%, reflecting intense competition and the slow down in the property market, particularly in New South Wales. Middle market receivables grew by 18.4% since 31 March 2005.

Structured finance loans grew to $643 million from $148 million at 31 March 2005. In March 2006, the Bank provided a $500 million loan to a AAA rated OECD bank.

3.2.3 Impaired Assets

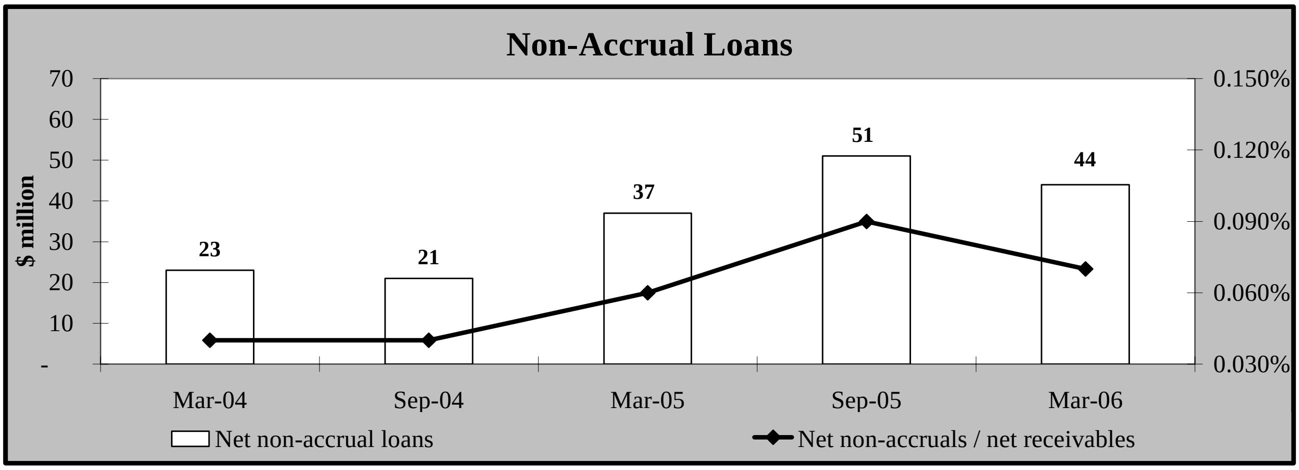
Total impaired assets (net of specific provisions) were $45 million at 31 March 2006 (31 March 2005: $44 million). Past 90 day due loans were $204 million compared to $192 million at 31 March 2005.

As at	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Section 1 - Non-Accrual Loans			
With provisions:			
Gross Loan Balances	70	70	74
Specific Provisions	35	26	43
Net Loan Balances	35	44	31
Without provisions:			
Gross Loan Balances	9	7	6
Total Non-accrual Loans:			
Gross Loan Balances	79	77	80
Specific Provisions	35	26	43
Net Loan Balances	44	51	37
Section 2 - Restructured Loans			
Without provisions:			
Gross Loan Balances	1	-	-
Section 3 - Assets acquired through security enforcement			
Other Real Estate Owned	-	-	7
TOTAL IMPAIRED ASSETS (1)	45	51	44
Section 4 - Past Due Loans (Consumer segment) (2)			
Residential loans	128	117	130
Other	76	65	62
Total	204	182	192

(1) These balances consist of commercial loans. Unsecured lines of credit, consumer loans, credit cards and other loans with balances less than $100,000 are treated on a portfolio basis, except where a loan has been individually identified and a provision has been raised.

(2) Past due items relates to the Group's consumer lending portfolio and do not include those items already classified as being impaired. This category primarily includes loans which are in arrears for 90 or more consecutive days but which are less than $100,000. Home equity loans have been reclassified from other to residential past due loans. Comparatives have been amended accordingly.

3.2.3 Impaired Assets (continued)



As at	31 March 2006	30 Sept 2005	31 March 2005
Specific provision coverage for non-accruals (1)	44.30%	33.77%	53.75%
Gross non-accruals / Net receivables (2)	0.13%	0.13%	0.14%
Net non-accruals / Net receivables (2)	0.07%	0.09%	0.06%

(1) The decrease in March 2006 and Sept 05 is due to a change in mix due to newer impaired assets which are well secured having a lower provision requirement
(2) Excludes securitised loans and bank acceptances

3.2.4 Provisioning and General Reserve for Credit Losses

Half-Year Ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
GENERAL PROVISION			
Balance at beginning of period	**219**	220	209
Net provision movement during the period	**-**	(1)	11
Write-back of general provision on transition to AIFRS (1)	**(219)**	-	-
Balance at end of period	**-**	219	220
COLLECTIVE PROVISION			
Balance at beginning of period	**-**	-	-
Establish provision on transition to AIFRS (1)	**245**	-	-
Net provision movement during the period	**16**	-	-
Balance at end of period	**261**	-	-
SPECIFIC PROVISION			
Balance at beginning of period	**69**	83	73
Write-back of portfolio provisions on transition to AIFRS (1)	**(35)**	-	-
Net provision movement during the period	**49**	53	47
Bad debt write offs	**(47)**	(67)	(37)
Balance at end of period	**36**	69	83
GENERAL RESERVE FOR CREDIT LOSSES			
Balance at beginning of period	**-**	-	-
Establishment of reserve on transition to AIFRS (1),(2)	**68**	-	-
Transfer from retained profits during the period	**4**	-	-
Balance at end of period	**72**	-	-
TOTAL PROVISIONS AND GENERAL RESERVE FOR CREDIT LOSSES	**369**	288	303

(1) Adjusted against opening retained earnings at 1 October 2005

(2) The general reserve for credit losses was established by an appropriation from retained earnings. The balance of this reserve may change subject to APRA's finalisation of their requirements on AIFRS loan loss provisioning. APRA proposes that banks maintain an after tax provisioning benchmark of 0.5% of risk weighted assets for potential credit losses inherent in the bank's lending portfolio.

In accordance with AIFRS, the general provision has been reversed and replaced with a collective provision which is tax effected. Collective and specific provisions are raised where there is objective evidence of impairment. For collective impairment, a provision is raised even where the impairment event cannot be attributed to individual exposures. The required provision is estimated on the basis of historical loss experience.

The net impact of transitioning to AIFRS collective loan provisioning, establishing the general reserve for credit losses and reversing the previous AGAAP general provision and certain specific provisions for doubtful debts resulted in a net increase of $5 million in retained earnings. This $5 million increase in retained earnings has no current impact on the Group’s capital adequacy position as capital adequacy is determined on a previous AGAAP basis until 30 June 2006. The difference between the Group’s capital base on a previous AGAAP basis at 30 June 2006 and AIFRS capital base on 1 July 2006 will be subject to APRA’s transitional arrangements until 31 December 2007.

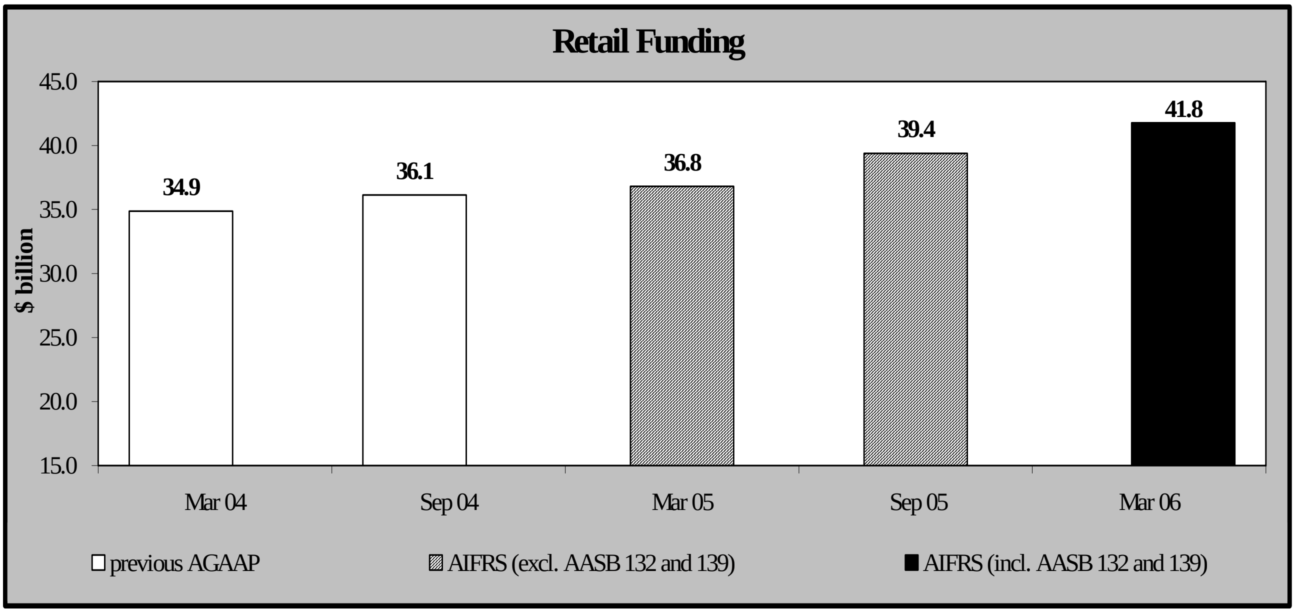
At 31 March 2006, the $183 million after tax balance of the collective provision, when taken together with the $72 million balance of the general reserve for credit losses, represents 0.5% of risk weighted assets.

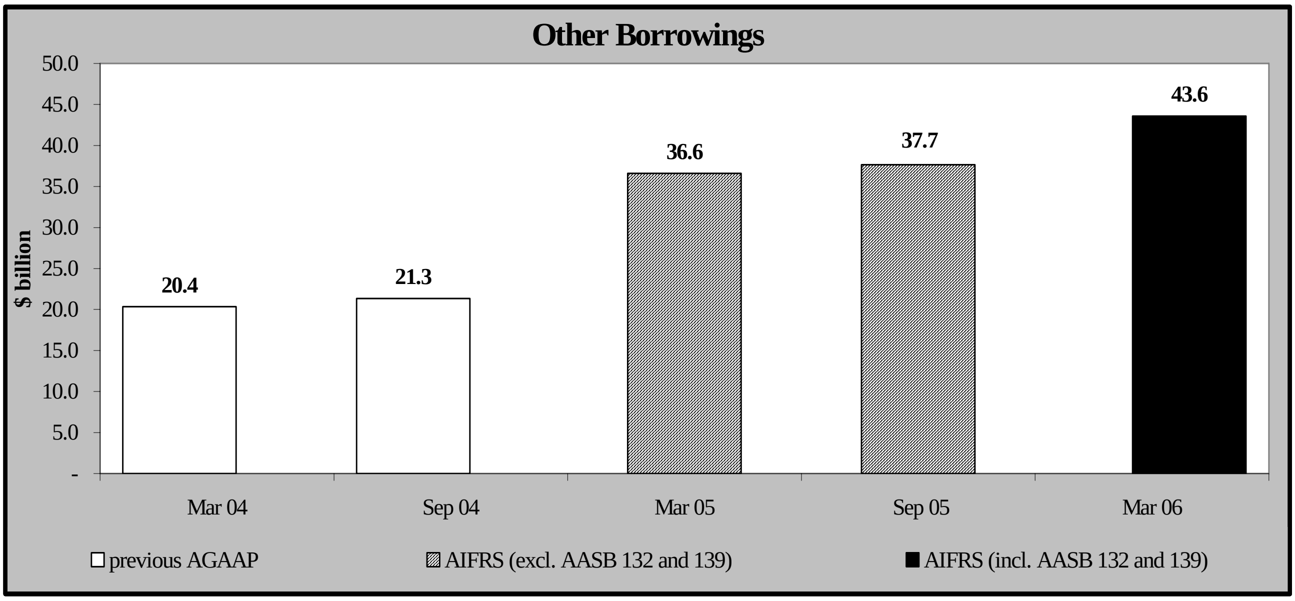
3.2.5 Retail Funding and Other Borrowings

Total retail funding and other borrowings have increased to $85.3 billion at 31 March 2006, an increase of 16.2% since 31 March 2005.

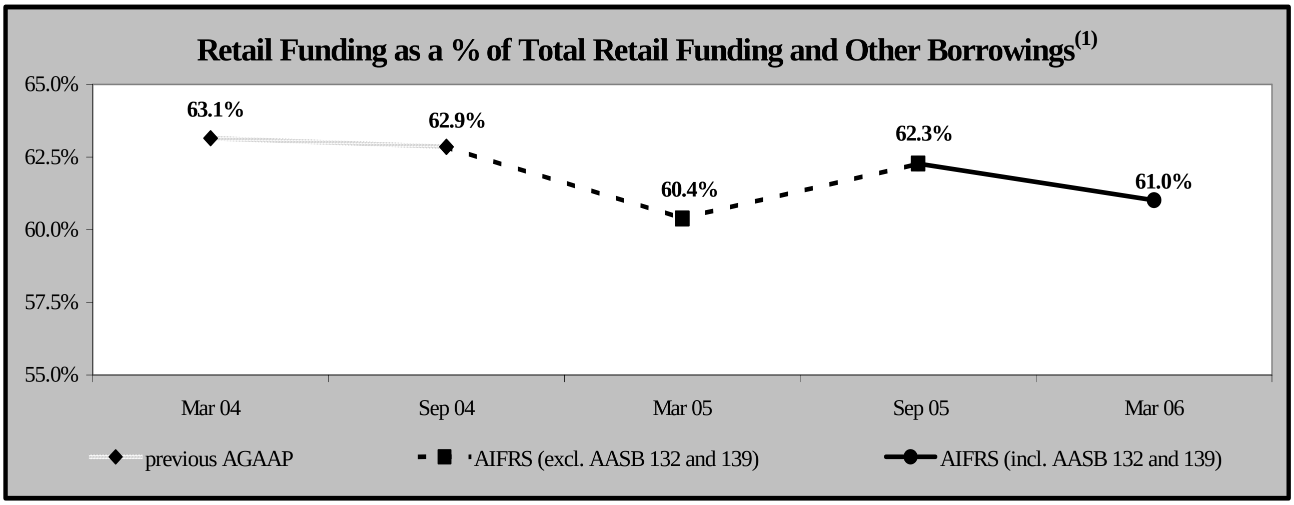
As at	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Retail funding	41,772	39,386	36,805
Other deposits	7,833	5,494	8,958
Offshore borrowings	14,294	13,139	10,602
Domestic borrowings	2,802	3,269	2,620
Subordinated debt	1,764	1,956	1,963
Preference shares	395	-	-
Securitisation and asset-backed conduit funding	16,481	13,805	12,471
Total	85,341	77,049	73,419
Retail funding as a % of Total Retail Funding and Other Borrowings [(1)]	61.0%	62.3%	60.4%

(1) Excluding securitisation, asset-backed conduit funding and preference shares





3.2.5 Retail Funding and Other Borrowings (continued)



(1) Excludes securitisation funding, asset-backed conduit funding and preference shares

Retail funding

Retail funding has grown by 13.5% to $41.8 billion since 31 March 2005 and accounts for 61.0% of total funding and other borrowings excluding securitisation and preference shares (31 March 2005: 60.4%).

As at	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Transaction	14,340	13,236	12,415
Savings	550	586	615
Fixed Term	12,961	12,396	11,580
Direct Saver	6,731	6,080	5,518
Investment	7,190	7,088	6,677
Total Retail Funding	41,772	39,386	36,805

On an annualised basis compared to September 2005, transaction accounts have grown 16.7% to $14.3 billion, direct saver accounts grew by 21.4% to $6.7 billion, fixed term accounts grew 9.1% to $13.0 billion, and investment accounts, which comprise the Portfolio Cash Management Account and the Powersaver Account grew by 2.9% to $7.2 billion.

The Bank's strategy is to balance volume growth in retail funding with margin management. Solid growth in retail deposits has reduced the Bank's reliance on wholesale funding with the retail funding mix improving from 60.4% at 31 March 2005 to 61.0% at 31 March 2006.

Other borrowings

Other borrowings excluding securitisation and preference shares increased to $26.7 billion from $24.1 billon at 31 March 2005. Debt issues during the half-year included the following:

- EUR 50 million floating rate notes due December 2007;
- GBP 200 million floating rate notes due in January 2011;
- GBP 45 million floating rate notes due March 2009.

3.2.6 Shareholders' Equity

Shareholders' equity of $4,949 million represents 4.95% of total assets as at 31 March 2006. Shareholders' equity is comprised of the following items:

As at	**31 March 2006 $M**	30 Sept 2005 $M	31 March 2005 $M
Ordinary share capital			
- Ordinary equity	**3,819**	3,454	3,389
- Treasury shares	**(8)**	-	-
Total ordinary share capital	**3,811**	3,454	3,389
PRYMES (1)	**-**	291	291
DCS (2)	**-**	334	334
SAINTS	**345**	345	345
Retained profits	**685**	906	798
General reserve	**15**	15	15
General reserve for credit losses	**72**	-	-
Foreign currency translation reserve	**(2)**	4	1
Cash flow hedge reserve	**(28)**	-	-
Equity compensation reserve	**22**	17	11
Depositors' and borrowers' redemption reserve	**2**	2	2
Available for sale reserve	**6**	-	-
Minority interests	**21**	19	20
Shareholders' equity	**4,949**	**5,387**	**5,206**

(1) Converted into ordinary shares in February 2006
(2) Reclassified to debt from 1 October 2005

Below is a table detailing the movements in ordinary equity during the half-year.

	$M	Number of Shares
Balance as at 1 October 2005	3,454	520,407,464
Conversion of PRYMES into ordinary shares	307	10,309,170
Buyback	(77)	(11,677,657)
Shares issued under various plans:		
Dividend Reinvestment Plan – 2005 final ordinary dividend	127	4,482,131
Employee Reward Share Plan	-	241,366
Executive Performance Share Plan	-	498,470
Executive Option Plan	9	268,768
Treasury Shares	(8)	(309,973)
Issue costs	(1)	-
Balance as at 31 March 2006	3,811	524,219,739

3.2.7 Sell Back Rights

The Full Federal Court hearing on whether shareholders who were entitled to Sell Back Rights should be taxed on the value of those rights when granted was held on 12 November 2004. On 8 August 2005, the Full Federal Court held that the affected shareholders should not be taxed on the value of the Sell Back Rights. In September 2005, the Commissioner of Taxation lodged a request with the High Court of Australia seeking leave to appeal the decision of the Full Federal Court on this matter.

In February 2006, the High Court granted the Commissioner of Taxation leave to appeal against the decision of the Full Federal Court. The date of the hearing for this final appeal has not been set.

3.3 Other Financial Analysis

3.3.1 Dividends

Ordinary Shares

The Board has declared an interim dividend of 74 cents per ordinary share.

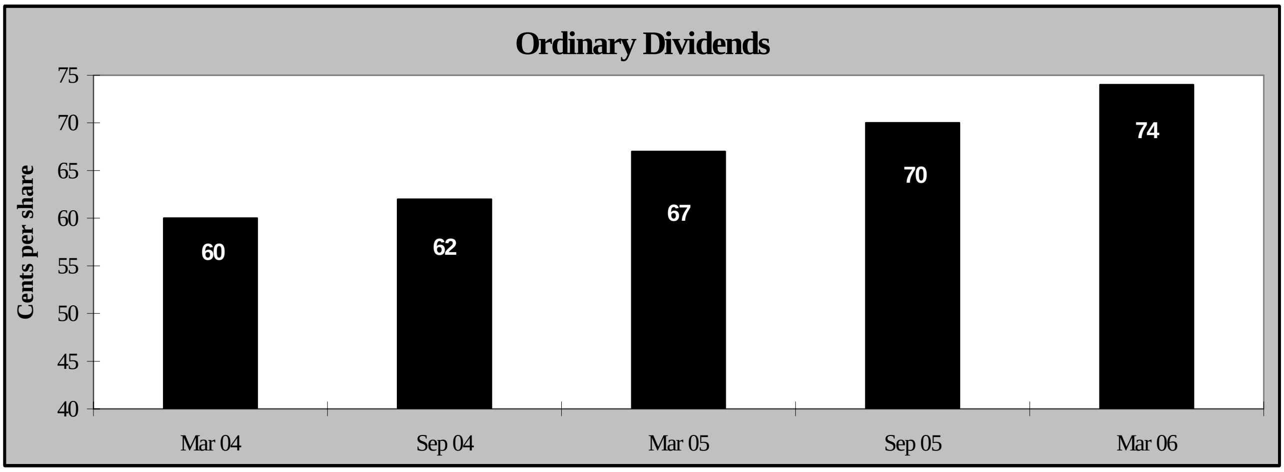
100 percent of the dividend payment will be franked at 30% and will be paid on 4 July 2006. Ordinary shares will trade ex-dividend on 14 June 2006.

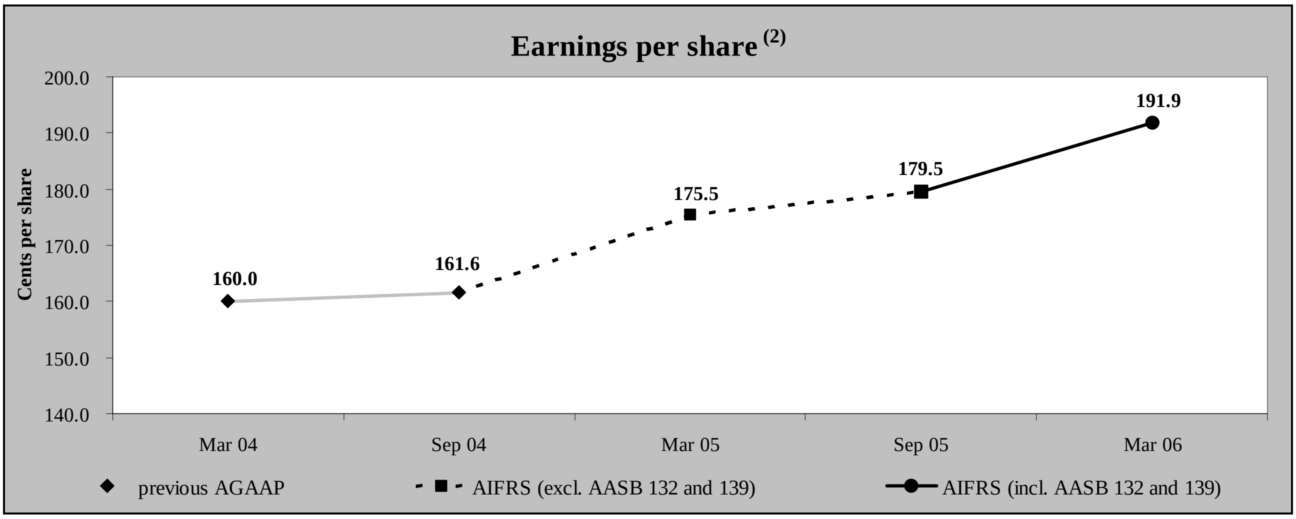
Registrable transfers received by St.George at its share registry[1] by 5.00 pm Sydney time on 20 June 2006 if paper based, or by end of the day on that date if transmitted electronically via CHESS, will be registered before entitlements to the dividend are determined.

Dividend Reinvestment Plan (DRP)

The DRP will operate for the interim ordinary dividend with no discount. Participation will be from a minimum of 100 ordinary shares without a cap on participation by individual shareholders. For applications under the DRP to be effective, they must be received at the Bank's Share Registry[1] by 5:00pm on 20 June 2006. DRP application forms are available from the Share Registry.

The DRP will be priced during the 10 days of trading commencing 22 June 2006. A combined DRP advice/holding statement will be despatched to DRP participants on or around 18 July 2006.





1. Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney. Tel: 1800 804 457
2. Annualised basic earnings per ordinary share (before goodwill and significant items)

3.3.1 Dividends (continued)

Preference Shares

The following table outlines the dividend entitlements relating to each class of Preference Share.

Period	**Payment date**	**Amount $M**	**Franked**
DCS (Classified as liability)			
1 October 2005 – 31 December 2005	31 December 2005	7	No
1 January 2006 – 31 March 2006 (1)	30 June 2006	7	No
		14	
PRYMES (2) (Classified as liability)			
1 October 2005 – 20 February 2006	21 February 2006	8	100% franked at 30%
		8	
SAINTS (Classified as equity)			
1 October 2005 – 20 November 2005	22 November 2005	2	100% franked at 30%
21 November 2005 – 20 February 2006	21 February 2006	4	100% franked at 30%
21 February 2006 – 31 March 2006	20 May 2006	3	100% franked at 30%
		9	

(1) This dividend entitlement has been calculated based on the AUD/USD exchange rate at 31 March 2006.

(2) The 3,000,000 PRYMES on issue converted into 10,309,170 ordinary shares in February 2006.

3.3.2 Capital Adequacy

The Group has a Tier 1 capital adequacy ratio of 6.8% and a total capital ratio of 10.4% (31 March 2005: 11.6%). In accordance with APRA requirements, capital adequacy has been calculated on a previous AGAAP basis. APRA plan to transition banks to AIFRS capital adequacy reporting from 1 July 2006.

As at	**AGAAP 31 March 2006 $M**	AGAAP 30 Sept 2005 $M	AGAAP 31 March 2005 $M
Qualifying Capital			
Tier 1			
Share capital	**3,811**	3,454	3,389
PRYMES	**-**	291	291
SAINTS	**345**	345	345
Perpetual Notes	**34**	31	29
General reserve	**15**	15	15
Other reserves (incl. general reserve for credit losses)	**410**	356	350
Retained profits (1)	**685**	781	716
Less: Expected dividend (2)	**(252)**	(237)	(260)
Capitalised expenses (3)	**(181)**	(184)	(175)
Goodwill and other APRA deductions (4)	**(1,320)**	(1,366)	(1,379)
Reverse: After tax AIFRS transition adjustments impacting retained profits (5)	**(79)**	-	-
Reverse: After tax AIFRS transition adjustment impacting reserves	**102**	-	-
Reverse: After tax AIFRS effects during 6 months to 31 March 2006			
- collective loan provision and specific provision	**46**	-	-
- transaction fees and costs	**(3)**	-	-
- available for sale reserve	**(1)**	-	-
- hedging	**(7)**	-	-
- PRYMES redemption premium	**(16)**	-	-
- treasury shares	**8**	-	-
- reinstate previous AGAAP goodwill amortisation	**(50)**	-	-
- movement in:			
cash flow hedge reserve	**9**	-	-
transfer Asset Revaluation Reserve to Tier 2	**(55)**	-	-
- reinstate previous AGAAP loan loss provision movements (5)	**(43)**	-	-
Total Tier 1 Capital	**3,458**	3,486	3,321
Tier 2			
Asset revaluations	**55**	55	51
Subordinated debt	**1,626**	1,600	1,647
General provision for doubtful debts (5)	**228**	219	220
Total Tier 2 Capital	**1,909**	1,874	1,918
Deductions from Capital			
Investments in non-consolidated entities net of goodwill and Tier 1 deductions (6)	**27**	27	27
Other	**1**	1	1
Total Deductions from Capital	**28**	28	28
Total Qualifying Capital	**5,339**	5,332	5,211
Risk Weighted Assets	**50,955**	47,864	45,041
Risk Weighted Capital Adequacy Ratio			
Tier 1	**6.8%**	7.3%	7.4%
Tier 2	**3.7%**	3.9%	4.3%
Deductions	**(0.1)%**	(0.1)%	(0.1)%
Total Capital Ratio	**10.4%**	11.1%	11.6%

(1) General reserve for credit losses has been transferred back to retained profits for capital adequacy purposes as it is not applicable until 1 July 2006.

(2) The expected dividend allows for the DRP on the interim dividend to be underwritten to a level of 35%. If the Tier 1 innovative issue referred to on page 11 proceeds as planned then this dividend will not be underwritten.

(3) From 1 July 2004, APRA requires that banks deduct certain capitalised expenses such as home loan broker commissions and capitalised borrowing costs from Tier 1 capital.

(4) Investments (pre-acquisition retained earnings) in funds management and administration companies and the investment in mortgage insurance company (St.George Insurance Pte. Ltd) and retained earnings of enities managing securitisation activities are deducted from Tier 1 Capital.

(5) Capital adequacy at 31 March 2006 includes a deduction from Tier 1 capital to reinstate the general provision for doubtful debts and specific provisions with previous AGAAP.

(6) Holdings of other banks' capital instruments and investments (excluding pre-acquisition retained earnings) in funds management and administration companies and life insurance companies are deducted from the total of Tier 1 and Tier 2 capital.

3.3.2 Capital Adequacy (continued)

The Adjusted Common Equity Ratio is 5.3% compared to 5.1% at 31 March 2005. The ratio has been calculated in accordance with Standard and Poor's methodology.

As at	**AGAAP March 2006 $M**	AGAAP Sept 2005 $M	AGAAP March 2005 $M
Adjusted Common Equity Ratio			
Tier 1 Capital	**3,458**	3,486	3,321
Less: SAINTS	**345**	345	345
PRYMES	**-**	291	291
Depositary capital securities	**351**	328	323
Perpetual notes	**34**	31	29
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	**27**	27	27
Adjusted Common Equity	**2,701**	2,464	2,306
Risk Weighted Assets	**50,955**	47,864	45,041
Adjusted Common Equity Ratio	**5.3%**	5.1%	5.1%

The Group's Tier 1 capital adequacy ratio of 6.8% is currently below the Group's target range of 7%-7.5% and APRA's minimum requirements due to the ordinary share buy-back completed in February 2006. APRA has granted the Bank temporary relief on returning to its Tier 1 target range until its standards on Tier 1 capital instruments are finalised and the Bank can proceed to issue appropriate Tier 1 instruments.

APRA requires capital adequacy to be calculated in accordance with previous AGAAP accounting principles until 30 June 2006. As a result, all material AIFRS adjustments have been reversed when calculating capital adequacy. A notional previous AGAAP general provision for doubtful debts has been established by reversing AIFRS loan loss provisioning transition adjustments which included the reversal of the Group's general provision for doubtful debts as at 1 October 2005.

From 1 July 2006, the Group will be required to measure its capital adequacy based on APRA's proposed regulatory approach to AIFRS. In accordance with APRA's transitional arrangements, the difference between the Group's previous AGAAP capital base at 30 June 2006 and AIFRS capital base on 1 July 2006, will be subject to transitional relief until 31 December 2007. Under AIFRS, the Group's capital base is estimated to reduce by $194 million. This comprises a new deduction for capitalised software from Tier 1 capital, establishing the general reserve for credit losses and a reduction in retained profits resulting from tax effecting the Asset Revaluation Reserve.

The Bank intends to avail itself of the transitional arrangements in the proposed APRA requirements to enable the Bank to manage its capital position.

3.3.3 Average Balances and Related Interest

Average Balances and Related Interest For the Half-Year Ended 31 March 2006	Average Balance $M	Interest $M	Average Rate (1) %
INTEREST EARNING ASSETS:			
Cash and liquid assets	898	19	4.23%
Receivables from other financial institutions	1,082	26	4.81%
Assets at fair value	6,526	177	5.42%
Loans and other receivables	83,467	3,014	7.22%
Total interest earning assets	91,973	3,236	7.04%
NON-INTEREST EARNING ASSETS:			
Bills receivable	2		
Property, plant and equipment	449		
Other assets	3,256		
Provision for doubtful debts	(261)		
Total non-interest earning assets	3,446		
TOTAL ASSETS	95,419		
INTEREST BEARING LIABILITIES:			
Retail funding	39,217	860	4.39%
Other deposits	14,956	439	5.87%
Payables to other financial institutions	379	8	4.22%
Domestic borrowings	9,953	292	5.87%
Offshore borrowings (2)	24,440	673	5.51%
Total interest bearing liabilities	88,945	2,272	5.11%
NON-INTEREST BEARING LIABILITIES:			
Bills payable	160		
Other non-interest bearing liabilities	1,598		
Total non-interest bearing liabilities	1,758		
TOTAL LIABILITIES	90,703		
SHAREHOLDERS' EQUITY (3)	4,716		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	95,419		
Interest Spread (4)			1.93%
Interest Margin (5)			2.10%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half-year were 523.5 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest For the Half-Year Ended 30 September 2005	**Average Balance $M**	**Interest $M**	**Average Rate (1) %**
INTEREST EARNING ASSETS:			
Cash and liquid assets	995	21	4.22%
Receivables from other financial institutions	1,048	23	4.39%
Investment securities/assets at fair value	7,810	212	5.43%
Loans and other receivables	70,822	2,609	7.37%
Total interest earning assets	80,675	2,865	7.10%
NON-INTEREST EARNING ASSETS:			
Bills receivable	8		
Property, plant and equipment	456		
Other assets	9,812		
Provision for doubtful debts	(303)		
Total non-interest earning assets	9,973		
TOTAL ASSETS	90,648		
INTEREST BEARING LIABILITIES:			
Retail funding	36,953	801	4.34%
Other deposits	8,743	267	6.11%
Payables to other financial institutions	563	12	4.26%
Domestic borrowings	8,807	260	5.90%
Offshore borrowings (2)	21,941	620	5.65%
Total interest bearing liabilities	77,007	1,960	5.09%
NON-INTEREST BEARING LIABILITIES:			
Bills payable	143		
Other non-interest bearing liabilities	8,279		
Total non-interest bearing liabilities	8,422		
TOTAL LIABILITIES	85,429		
SHAREHOLDERS' EQUITY (3)	5,219		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	90,648		
Interest Spread (4)			2.01%
Interest Margin (5)			2.24%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half-year were 519.1 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest For the Half-Year Ended 31 March 2005	**Average Balance $M**	**Interest $M**	**Average Rate (1) %**
INTEREST EARNING ASSETS:			
Cash and liquid assets	768	16	4.17%
Receivables from other financial institutions	827	17	4.11%
Investment securities/assets at fair value	8,070	215	5.33%
Loans and other receivables	66,941	2,392	7.15%
Total interest earning assets	76,606	2,640	6.89%
NON-INTEREST EARNING ASSETS:			
Bills receivable	13		
Property, plant and equipment	461		
Other assets	8,774		
Provision for doubtful debts	(290)		
Total non-interest earning assets	8,958		
TOTAL ASSETS	85,564		
INTEREST BEARING LIABILITIES:			
Retail funding	35,727	712	3.99%
Other deposits	9,453	277	5.86%
Payables to other financial institutions	956	19	3.97%
Domestic borrowings	7,015	202	5.76%
Offshore borrowings (2)	19,781	534	5.40%
Total interest bearing liabilities	72,932	1,744	4.78%
NON-INTEREST BEARING LIABILITIES:			
Bills payable	196		
Other non-interest bearing liabilities	7,394		
Total non-interest bearing liabilities	7,590		
TOTAL LIABILITIES	80,522		
SHAREHOLDERS' EQUITY (3)	5,042		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	85,564		
Interest Spread (4)			2.11%
Interest Margin (5)			2.34%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half-year were 516.4 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.4 Volume and Rate Analysis

The table below allocates changes in interest income and interest expense between changes in volume and rate for the half-years ended 31 March 2006 and 30 September 2005. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

Half-Year Movements

	March 2006 over September 2005 (1) -----------Change Due To-----------			September 2005 over March 2005 -----------Change Due To-----------		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
INTEREST EARNING ASSETS :						
Cash and liquid assets	(2)	-	(2)	5	-	5
Receivables from other financial institutions	1	2	3	5	1	6
Investment securities/assets at fair value	(35)	-	(35)	(7)	4	(3)
Loans and other receivables	457	(52)	405	143	74	217
CHANGE IN INTEREST INCOME	421	(50)	371	146	79	225
INTEREST BEARING LIABILITIES :						
Retail funding	50	9	59	27	62	89
Other deposits	182	(10)	172	(22)	12	(10)
Payables to other financial institutions	(4)	-	(4)	(8)	1	(7)
Domestic borrowings	34	(2)	32	53	5	58
Offshore borrowings	69	(16)	53	60	26	86
CHANGE IN INTEREST EXPENSE	331	(19)	312	110	106	216
CHANGE IN NET INTEREST INCOME	90	(31)	59	36	(27)	9

(1) The half-yearly movements for the March 2006 half over the September 2005 half are not comparable due to the September 2005 half not reflecting the impact of AIFRS standards relating to financial instruments.

3.3.5 Derivatives

The major categories of risk managed by the Group are credit risk, market risk, liquidity risk and operational risk. The Group uses derivatives as a cost effective way of managing market risk. Derivatives incur extremely low transaction costs in comparison to the face value of the contract. Prudent management of market risk involves the use of derivatives to transfer all or part of the risk to counterparties who are willing to accept it. Derivatives therefore provide protection to income streams from volatile interest and foreign exchange rates in the financial markets.

The following table provides an overview of the Group's exchange rate and interest rate derivatives. It includes all trading and non-trading contracts.

As at	**31 March 2006**		30 September 2005		31 March 2005	
	Notional Amount $M	**Credit Equivalent* $M**	Notional Amount $M	Credit Equivalent* $M	Notional Amount $M	Credit Equivalent* $M
Foreign Exchange						
Spot, Forwards	**14,527**	**417**	13,990	165	12,246	221
Swaps	**27,744**	**1,757**	23,688	1,386	18,685	1,159
Options	**3,087**	**17**	2,708	13	2,545	18
Total	**45,358**	**2,191**	40,386	1,564	33,476	1,398
Interest Rate						
Futures	**20,242**	**-**	12,567	-	25,036	-
Forward Rate Agreements	**49,725**	**1**	32,440	2	39,470	5
Swaps	**78,025**	**88**	72,092	137	71,321	134
Options	**389**	**1**	370	1	381	2
Total	**148,381**	**90**	117,469	140	136,208	141
Grand Total	**193,739**	**2,281**	157,855	1,704	169,684	1,539

* Credit Equivalent represents a measure of the potential loss to the Group as a result of non-performance by counterparties.

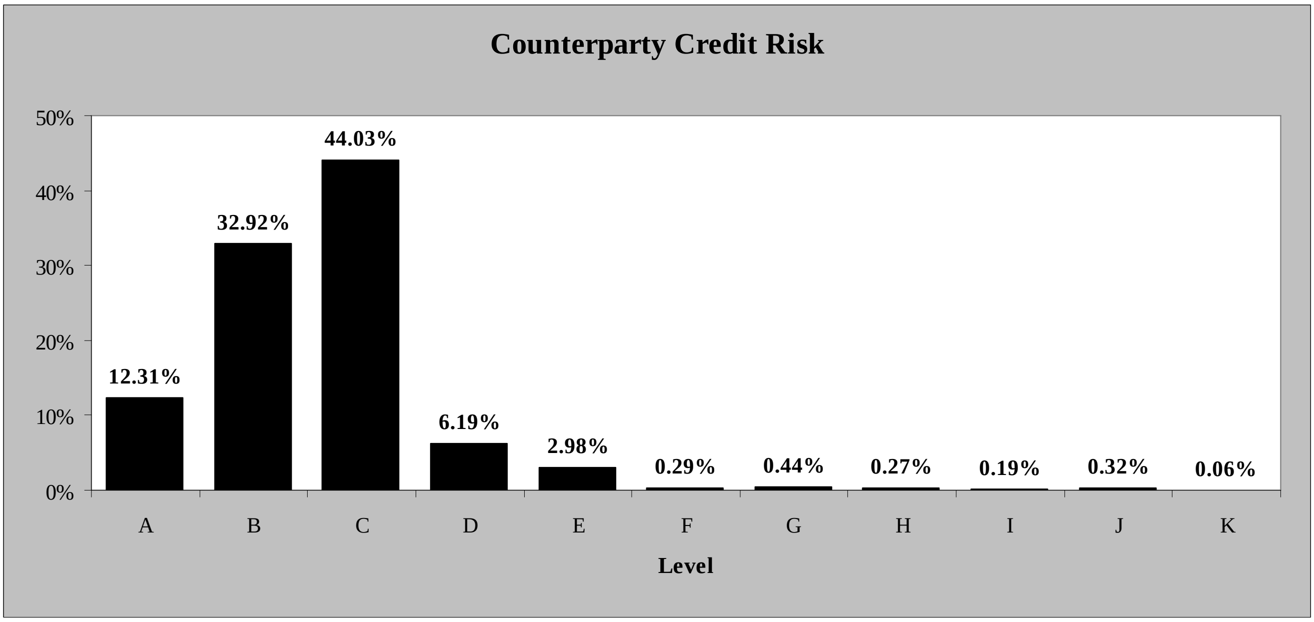
3.3.5 Derivatives (continued)

The Group's major use of derivatives is as a hedge for balance sheet assets, the primary exposure to derivative transactions is with counterparties that are rated investment grade quality.

The St.George risk rating system has eleven levels of classification. The levels are:

Level	International Rating
A	AAA
B	AA+ to AA
C	AA-
D	A+
E	A
F	A-
G	BBB+
H	BBB
I	BBB-
J	BB+
K	BB

The graph below shows the percentage counterparty risk exposure on derivatives on a notional contract basis totalling $193.7 billion as at 31 March 2006 (31 March 2005: $167.2 billion).



3.3.5 Derivatives (continued)

Market Risk from Trading Activities

Market risk is the potential for losses arising from the adverse movements in the level of market factors such as foreign exchange rates, interest rates or exchange rate volatilities.

Trading activities give rise to market risk. This risk is controlled by an overall risk management framework that incorporates a number of market risk measurements including value at risk (VaR). VaR is a statistical estimate of the potential loss that could be incurred if the Bank's trading positions were maintained for a defined period of time. A confidence level of 99% is used at St.George; this implies that for every 100 days, the loss will not exceed the VaR limit on 99 of those days. VaR is not an estimate of the maximum loss the trading activities could incur from an extreme market event.

VaR measurements are supplemented by a series of stress tests that are used to capture the possibility of extreme events or market shocks. Additionally the market risk framework includes enforcing stoploss limits on all portfolios, basis point sensitivity limits, specific options limits and control of large or unusual trading activity.

St.George uses Monte Carlo simulation to calculate VaR. This model takes into account all relevant market variables. It is approved by APRA for regulatory purposes and is operated within the overall framework outlined in the APRA Prudential Standards.

The following table provides a summary of VaR by total room and by trading unit for the half-years ended 31 March 2006, 30 September 2005 and 31 March 2005.

Six months ended	**31 March 2006**		**30 September 2005**		**31 March 2005**	
$'000	**High**	**Average**	**High**	**Average**	**High**	**Average**
Total Room Risk	1,157	647	1,088	500	1,044	465
Domestic VaR	1,111	589	1,033	382	1,105	395
Foreign Exchange VAR	744	297	775	332	641	226

Note: the table above incorporates all options risk. VaR is calculated at a 99% confidence interval for a 1 day-holding period.

Actual and hypothetical profit and loss outcomes are monitored against VaR on a daily basis as part of the model validation process. Hypothetical profit and loss involves holding a portfolio constant thereby excluding any intraday trading activity.

4 Supplementary Information

4.1 Reconciliation of AIFRS result to previous AGAAP result

To assist in assessing the Group's current half-year underlying performance relative to prior periods, key results and ratios have been restated to a previous AGAAP basis. Details of the key adjustments from AIFRS to AGAAP are also disclosed.

Half-year ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Net interest income (AIFRS basis)	**964**	905	896
AIFRS impacts:			
Securitisation [1]	**(63)**	(49)	(45)
Transaction fees and costs [2]	**(1)**	-	-
Hybrid instruments [3]	**23**	-	-
Bank acceptances [4]	**(63)**	-	-
Interest on trading derivatives [5]	**6**	-	-
Net interest income (AGAAP basis)	**866**	856	851
Other income (AIFRS basis)	**470**	501	471
AIFRS impacts:			
Securitisation [1]	**62**	50	46
Transaction fees and costs [2]	**(3)**	-	-
Bill acceptances [4]	**63**	-	-
Hedging and interest on trading derivatives [5],[6]	**(16)**	-	-
Other income (AGAAP basis)	**576**	551	517
Total income (AIFRS basis)	**1,434**	1,406	1,367
Total AIFRS impacts	**8**	1	1
Total income (AGAAP basis)	**1,442**	1,407	1,368
Operating expenses (AIFRS basis)	**633**	656	620
AIFRS impacts:			
Securitisation	**-**	1	1
Share based compensation [7]	**(6)**	(6)	(7)
Other	**-**	(2)	-
Operating expenses (AGAAP basis)	**627**	649	614
Bad and doubtful debts expense (AIFRS basis)	**65**	52	58
AIFRS impacts [8]:			
Specific provision	**(49)**	-	-
Collective provision	**(16)**	-	-
AGAAP impacts [8]:			
Specific provision	**48**	-	-
General provision for doubtful debts	**9**	-	-
Bad and doubtful debts expense (AGAAP basis)	**57**	52	58
Share of net profit of equity accounted associates (AIFRS and AGAAP)	**-**	-	3
Minority interests (AIFRS and AGAAP)	**1**	2	3
Goodwill (AIFRS basis)	**-**	-	4
AIFRS impacts:			
Amortisation of goodwill [9]	**50**	50	51
Goodwill (AGAAP basis)	**50**	50	55
Income tax expense (AIFRS basis)	**226**	202	211
Total AIFRS impacts	**1**	1	-
Income tax expense (AGAAP basis)	**227**	203	211
Preference shares (AIFRS basis)	**9**	32	31
AIFRS impacts:			
PRYMES and DCS	**22**	-	-
Preference shares (AGAAP basis)	**31**	32	31
Profit from ordinary activities after tax (AIFRS basis)	**502**	466	449
Total AIFRS impacts	**(8)**	(43)	(44)
Total AGAAP impacts	**(43)**	-	-
Profit from ordinary activities after tax, goodwill, preference dividends and before significant items (AGAAP basis)	**451**	423	405

Description of AIFRS impacts:
(1) Consolidation of securitisation and other trusts results in a reclassification of income from other income to net interest income.
(2) Includes the netting of fees and commissions against interest income, and measuring on an effective yield basis.
(3) On reclassification of hybrid instruments from equity to liability, preference share dividends paid are reclassified to interest paid.
(4) Income from bank acceptances under AFIRS has been reclassified from non-interest income to net interest income.
(5) Interest on trading derivatives under AIFRS has been reclassified from non-interest income to net interest income
(6) Represents hedge ineffectiveness and net fair value movement in Depositary Capital Securities and related hedges.
(7) Relates to share based compensation expense arising on the issue of option and award grants to employees.
(8) Reverse AIFRS loan provisions and replace with previous AGAAP loan provisions.
(9) Goodwill no longer required to be amortised under AIFRS.

4.1 Reconciliation of AIFRS result to previous AGAAP result (continued)

Half-year ended	**March 2006**	Sept 2005	March 2005
Weighted average number of shares - basic (number) ('000)			
AIFRS	**523,451**	519,134	516,353
AIFRS adjustments (1)	**163**	-	-
AGAAP	**523,614**	519,134	516,353
Weighted average number of shares - diluted (number) ('000)			
AIFRS	**543,678**	543,791	544,068
AIFRS adjustments (2)	**(11,803)**	(12,871)	(14,652)
AGAAP	**531,875**	530,920	529,416
Net assets ($M)			
AIFRS	**4,949**	5,387	5,206
AIFRS adjustments (3)	**299**	(54)	(10)
AGAAP	**5,248**	5,333	5,196
Intangible assets ($M)			
AIFRS	**1,282**	1,268	1,257
AIFRS adjustments (4)	**(275)**	(208)	(147)
AGAAP	**1,007**	1,060	1,110
Average interest earning assets ($M)			
AIFRS	**91,973**	80,675	76,606
AIFRS adjustments (5)	**(21,799)**	(13,626)	(11,990)
AGAAP	**70,174**	67,049	64,616
Average assets ($M)			
AIFRS	**95,419**	90,648	85,564
AIFRS adjustments (5)	**(15,315)**	(13,687)	(11,990)
AGAAP	**80,104**	76,961	73,574
Average ordinary equity ($M)			
AIFRS	**4,363**	4,232	4,051
AIFRS adjustments	**(45)**	(36)	15
AGAAP	**4,318**	4,196	4,066

Description of AIFRS impacts:
(1) Relates to the deduction of "Treasury shares" held within the employee share scheme trust.
(2) Relates to the dilutive impact under AIFRS which requires inclusion of hybrid instruments which have any probability of conversion to ordinary shares and are dilutive, and an adjustment for Treasury shares.
(3) Reflects AIFRS transition adjustments
(4) Reflects reversal of goodwill amortisation and reclassification of capitalised software expenditure
(5) Average interest earning assets and average assets are increased under AIFRS primarily due to the consolidation of securitised loans. Bill acceptances were included in interest earning assets from 1 October 2005.

Half-year ended	**March**	Sept	March
AGAAP basis performance ratios	**2006**	2005	2005
Basic earnings per share (annualised)			
- before goodwill and significant items (cents)	**191.4**	182.2	178.1
- after goodwill and significant items (cents)	**172.3**	158.9	161.1
Return on average ordinary equity (annualised)			
- before goodwill and significant items (%)	**23.21**	22.55	22.63
- after goodwill and significant items (%)	**20.89**	19.64	20.46
Expense to income ratio (excluding goodwill and significant items) (%)	**43.5**	46.1	44.9
Interest margin (annualised) (%)	**2.47**	2.55	2.63
Return on average assets (annualised) before goodwill, significant items and preference dividends (%)	**1.33**	1.31	1.33
Net tangible assets per ordinary share ($)	**6.75**	6.31	5.98

4.2 Supplementary full AIFRS Information

Comparative figures have been restated in the following Group Performance Summary and Segmental results to a full AIFRS basis. These full AIFRS comparative figures are unaudited. This information is provided to assist in assessing the Group's underlying performance.

Half-year ended	**March 2006 $M**	Sept 2005 $M	March 2005 $M
Net interest income (AIFRS)		905	896
AASB 132 and 139 impacts:			
Hybrid instruments		(25)	(24)
Bill acceptances		56	47
Tranaction fees and costs		2	4
Net interest income (full AIFRS)	964	938	923
Non interest income (AIFRS)		501	471
AASB 132 and 139 impacts:			
Transaction fees and costs		(8)	(13)
Fair value measurement		1	1
Hedging and derivatives		(8)	(9)
Bill acceptances		(56)	(47)
Non interest income (full AIFRS)	470	430	403
Operating expenses (including goodwill impairment) (AIFRS) and (full AIFRS)	633	656	624
Bad and doubtful debts (AIFRS)(1)		52	58
Reverse AGAAP impacts:			
General provision for doubtful debts		1	(11)
AASB 132 and 139 impacts:			
Collective provisions		15	13
Bad and doubtful debts (full AIFRS)	65	68	60
Income tax expense (AIFRS)		202	211
AASB 132 and 139 impacts		(8)	(9)
Income tax expense (full AIFRS)	226	194	202
Share of profit from associates	-	-	3
Minority interests	1	2	3
Preference dividends (AIFRS)		32	31
AASB 132 and 139 impacts		(23)	(23)
Preference dividends (full AIFRS)	9	9	8
Profit after tax and before significant items (AIFRS)		466	449
AASB 132 and 139 impacts		(22)	(22)
Reverse AGAAP impacts		(1)	11
Profit after tax and before significant items (full AIFRS)	**502**	**443**	**438**

(1) As comparative figures do not reflect loan provisioning requirements of AASB 139, these balances are also equivalent to previous AGAAP.

Half-year ended Full AIFRS basis performance ratios	**March 2006**	Sept 2005	March 2005
Basic earnings per share (annualised)			
- before goodwill, significant items and derivatives volatility (cents)	**189.1**	172.6	173.5
- before goodwill, significant items and after derivatives volatility (cents)	**191.9**	170.7	171.2
Return on average ordinary equity (annualised)			
- before goodwill, significant items and derivatives volatility (%)	**22.69**	21.17	22.12
- before goodwill, significant items and after derivatives volatility (%)	**23.01**	20.93	21.82
Expense to income ratio (excluding goodwill and significant items) (%)	**44.1**	48.0	46.8
Interest margin (annualised) (%)	**2.10**	2.16	2.25

4.2 Supplementary full AIFRS Information (continued)

Segmental Results – AIFRS comparatives including AASB 132 and 139 impacts

Half-year ended 31 March 2006	**Retail Bank $M**	**Institutional & Business Banking $M**	**Bank SA $M**	**Wealth Management $M**	**Other (1) $M**	**Consolidated $M**
Total revenue	725	336	184	179	10	1,434
Bad and doubtful debts	54	5	5	1	-	65
Operating expenses	342	125	79	87	-	633
Goodwill impairment	-	-	-	-	-	-
Total segment expenses	396	130	84	88	-	698
Share of profit in associates	-	-	-	-	-	-
Profit before tax and significant items	329	206	100	91	10	736
Expense to income ratio %	47.2%	37.2%	42.9%	48.6%		

Half-year ended 30 September 2005	**Retail Bank $M**	**Institutional & Business Banking $M**	**Bank SA $M**	**Wealth Management $M**	**Other (1) $M**	**Consolidated $M**
Total revenue	705	329	181	160	(7)	1,368
Bad and doubtful debts	54	9	4	1	-	68
Operating expenses	364	123	81	88	-	656
Goodwill impairment	-	-	-	-	-	-
Total segment expenses	418	132	85	89	-	724
Share of profit in associates	-	-	-	-	-	-
Profit/(loss) before tax and significant items	287	197	96	71	(7)	644
Expense to income ratio %	51.6%	37.4%	44.8%	55.0%		

Half-year ended 31 March 2005	**Retail Bank $M**	**Institutional & Business Banking $M**	**Bank SA $M**	**Wealth Management $M**	**Other (1) $M**	**Consolidated $M**
Total revenue	689	319	171	155	(8)	1,326
Bad and doubtful debts	45	11	5	(1)	-	60
Operating expenses	344	114	78	84	-	620
Goodwill impairment	-	-	-	-	4	4
Total segment expenses	389	125	83	83	4	684
Share of profit in associates	-	(3)	-	-	-	(3)
Profit/(loss) before tax and significant items	300	197	88	72	(12)	645
Expense to income ratio %	49.9%	35.7%	45.6%	54.2%		

(1) Revenue represents fair value movements on hedging, non-trading derivatives and DCS and is shown in the "Other" category because they create some volatility in the AIFRS result and cannot be directly controlled by management.

4.2 Supplementary full AIFRS Information (continued)

Retail Bank (RB)

RB's contribution to profit before tax grew to $329 million this half (31 March 2005: $300 million), an increase of 9.7%.

- Total income increased by 5.2% to $725 million reflecting growth in lending assets and retail deposits, which was partially offset by a reduction in interest margin reflecting a continuing shift of new retail funding into higher yielding deposit accounts.
- Operating expenses were effectively controlled during the period decreasing to $342 million compared to $344 million in the March 2005 half. The expense to income ratio fell to 47.2% from 49.9% in the March 2005 half. Compared to the September 2005 half, operating expenses decreased by $22 million, reflecting a reduction in discretionary expenditure, active management of staff's annual leave provisions during the half, and the recognition of a $5 million restructuring charge in the September 2005 half.
- Bad and doubtful debts were $54 million compared to $45 million in the 31 March 2005 half.

Institutional & Business Banking (IBB)

IBB's contribution to profit before tax was $206 million for the half (31 March 2005: $197 million), an increase of 4.6%. IBB comprises the Middle Market segment, auto and equipment lending and financial markets. While there has been strong growth in Middle Market receivables during the half, there has been minimal growth in auto and equipment lending balances and trading income was stable due to a lack of volatility in financial markets.

- Total income increased by 5.3%, reflecting solid growth in commercial loans; trading activities during the period were stable.
- Operating expenses increased to $125 million compared to $114 million in the March 2005 half. The increase is due to the Bank's investment in growing the number of Middle Market relationship managers. The expense to income ratio increased to 37.2% from 35.7% in the March 2005 half.
- Excellent credit quality has been maintained in this segment with bad and doubtful debts falling to $5 million compared to $11 million in the March 2005 half.

Bank SA (BSA)

BSA's contribution to profit before tax was $100 million for the half (31 March 2005: $88 million), an increase of 13.6%.

- Total income increased by 7.6% to $184 million reflecting growth in lending assets.
- Operating expenses increased by $1 million to $79 million compared to March 2005. The expense to income ratio fell to 42.9% from 45.6% in the March 2005 half.

Wealth Management (WM)

WM's contribution to profit before tax was $91 million for the half (31 March 2005: $72 million), an increase of 26.4%.

- Total income increased by 15.5% to $179 million reflecting strong growth in managed funds and margin lending.
- Operating expenses increased by 3.6% to $87 million from $84 million in the March 2005 half. The expense to income ratio improved to 48.6% from 54.2% in the March 2005 half.

4.3 Branches

As at	March 2006	Sept 2005	March 2005
New South Wales	202	204	204
Australian Capital Territory	13	13	13
Queensland	21	21	22
Victoria	38	35	34
South Australia	109	111	110
Western Australia	3	2	2
Northern Territory	4	4	4
Total	390	390	389
Assets per branch - $M	257	237	226
Net Profit (1) per branch (annualised)			
- after income tax, minorities and before goodwill and significant items - $'000	2,621	2,554	2,488
- after income tax, minorities, goodwill and before significant items- $'000	2,621	2,554	2,468

(1) Before Preference Dividends.

4.4 Staffing (full time equivalents)

As at	March 2006	Sept 2005	March 2005
New South Wales	4,985	4,871	4,737
Australian Capital Territory	159	159	158
Queensland	285	279	269
Victoria	430	409	370
South Australia	1,220	1,215	1,199
Western Australia	127	117	100
Northern Territory	36	36	34
	7,242	7,086	6,867
Asgard	593	580	592
Scottish Pacific	139	139	138
St.George Bank New Zealand	54	75	60
Total Permanent and Casual Staff	8,028	7,880	7,657
Assets per staff - $M	12.5	11.7	11.5
Staff per $m assets - No.	0.08	0.09	0.09
Net Profit (1) per average staff (annualised)			
- after income tax, minorities and before goodwill and significant items - $'000	128.0	127.5	127.5
- after income tax, minorities, goodwill and before significant items - $'000	128.0	127.0	126.4
Total Group Workforce(2)	8,640	8,440	8,221

(1) Before Preference Dividends.
(2) The total Group workforce comprises permanent, casual and temporary staff and contractors.

4.5 Dates and Credit Ratings

Financial Calendar

Date	Event
2 May 2006	Ex-Dividend trading for SAINTS
8 May 2006	Record Date for SAINTS
22 May 2006	Payment date for SAINTS
30 May 2006	Melbourne Shareholder Information Meeting
14 June 2006	Ex-dividend trading for interim ordinary share dividend
20 June 2006	Record date for interim ordinary share dividend
4 July 2006	Payment of interim ordinary share dividend

Proposed Dates

Date	Event
31 July 2006	Ex-dividend trading for SAINTS
4 August 2006	Record date for SAINTS
21 August 2006	Payment date for SAINTS
30 September 2006	Financial year end
30 October 2006	Announcement of financial results and final ordinary share dividend
31 October 2006	Ex-Dividend trading for SAINTS
6 November 2006	Record Date for SAINTS
20 November 2006	Payment date for SAINTS
29 November 2006	Ex-dividend trading for final ordinary share dividend
5 December 2006	Record date for final ordinary share dividend
19 December 2006	Payment of final ordinary share dividend
20 December 2006	Annual General Meeting

Credit Ratings

	Short term	Long term
Standard & Poor's	A-1	A+
Moody's Investors Service	P-1	A2
Fitch Ratings	F1	A+

Further Information

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