St.George Bank Limited

ABN 92 055 513 070

Condensed Consolidated Interim Financial Report

for the half-year ended
31 March 2006

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The Directors of St.George Bank Limited ("the Bank") submit their report on the condensed consolidated interim financial report for the half-year ended 31 March 2006 and the auditors' review report thereon.

Directors

The names of the Directors of the Bank holding office at any time from the beginning of the half-year to the date of this report are:

Name	Period of Directorship
J M Thame – *Chairman*	Director since 1997 (appointed Chairman December 2004)
G P Kelly - *Managing Director and Chief Executive Officer*	Director since 2002
L F Bleasel (retired 16 December 2005)	
J S Curtis	Director since 1997
T J Davis	Director since 2004
R A F England	Director since 2004
P D R Isherwood	Director since 1997
L B Nicholls	Director since 2002
G J Reaney	Director since 1996

Review of Operations

Unless otherwise indicated, comparative figures relate to the half-year ended 31 March 2005.

Profit after tax and minority interests for the half-year ended 31 March 2006 was $511 million (31 March 2005: $491 million), an increase of 4.1%. The increase was primarily due to strong growth in net interest income driven by continued growth in residential and business lending, while focussing on cost containment. With the exception of the cessation of goodwill amortisation, the profit result was not significantly impacted by the adoption of Australian equivalents to International Financial Reporting Standards ("AIFRS"). Comparative figures have not been adjusted for the impacts of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

Net Interest Income

- Net interest income for the half-year was $964 million (31 March 2005: $896 million), an increase of 7.6%. The increase is due to growth in average interest earning assets of 20.1% since March 2005, which is partially offset by a decline in the net interest margin to 2.10% from 2.34% in the previous corresponding period. Residential loans grew by 13.0% to $59,735 million from $52,852 million at 31 March 2005 while commercial lending including bank acceptances relating to commercial business grew by 15.0% to $21,441 million since 31 March 2005.

Other Income

- Other income before significant items was $470 million (31 March 2005: $471 million). Other income accounts for 32.8% of total income (31 March 2005: 34.5%).

- Managed funds increased to $37.2 billion (31 March 2005: $27.8 billion), an increase of 33.6%.

Operating Expenses

- The expense to income ratio, before goodwill impairment and significant items decreased to 44.1% (31 March 2005: 45.4%) due to prudent cost management and increased total income underpinned by growth in lending assets and managed funds. The expense to income ratio also improved when compared to 46.7% in the September 2005 half-year.
- Operating expenses, before goodwill impairment and significant items were $633 million (31 March 2005: $620 million), an increase of 2.1%. When compared to the September 2005 half-year, operating expenses, before goodwill impairment and significant items decreased by 3.5%, reflecting effective cost management.

Income Tax

- Income tax expense before significant items increased by $15 million to $226 million compared to the previous corresponding period.

Shareholder Returns

- Annualised return on average ordinary equity before goodwill impairment and significant items increased to 23.01% (31 March 2005: 22.36%).
- Basic earnings per ordinary share increased to 96.0 cents (31 March 2005: 89.1 cents).
- The Board has declared an interim ordinary dividend of 74 cents per ordinary share, payable on 4 July 2006. This dividend will be fully franked at 30%.

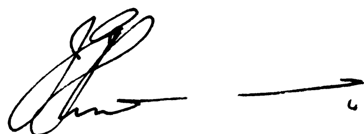
Corporate Governance

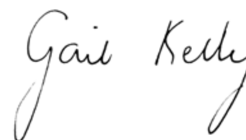
In accordance with the Australian Stock Exchange Principles of Good Corporate Governance and Best Practice Recommendations, the Managing Director and Chief Executive Officer and the Chief Financial Officer, have provided a written statement to the Board that the financial report represents a true and fair view of the Bank's financial position as at 31 March 2006 and of its performance for the six months ended 31 March 2006, in accordance with relevant accounting standards and regulations.

Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' report for the half-year ended 31 March 2006.

Signed in accordance with a resolution of Directors.





J M Thame

Chairman

G P Kelly

Managing Director and
Chief Executive Officer

2 May 2006

Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of St.George Bank Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 March 2006, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

P M Reid
Partner

Sydney
2 May 2006

KPMG, an Australian partnership, is part of the KPMG International network. KPMG International is a Swiss cooperative.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 MARCH 2006

	NOTE	Half-Year to **31 March 2006 $M**	30 Sept 2005 $M	31 March 2005 $M
Interest income	2	**3,236**	2,865	2,640
Interest expense	4	**2,272**	1,960	1,744
Net interest income		**964**	905	896
Other income	2,7	**470**	501	487
Total operating income		**1,434**	1,406	1,383
Bad and doubtful debts expense	3	**65**	52	58
Operating expenses	4,7	**633**	672	620
Share of profit of equity accounted associates		**-**	-	3
Goodwill impairment		**-**	-	4
Profit before income tax		**736**	682	704
Income tax expense	7	**226**	197	216
Profit after income tax		**510**	485	488
Net loss attributable to minority interests		**(1)**	(2)	(3)
Net profit attributable to shareholders of the Bank		**511**	487	491
Dividends per ordinary share attributable to shareholders of the Bank (cents)	5	**74**	70	67
Earnings per share based upon net profit attributable to shareholders of the Bank:				
Basic (cents)	6	**96.0**	87.7	89.1
Diluted (cents)	6	**95.4**	87.0	87.8

The condensed consolidated interim income statement should be read in conjunction with the accompanying notes.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2006

	NOTE	**As at 31 March 2006 $M**	As at 30 Sept 2005 $M	As at 31 March 2005 $M
ASSETS				
Cash and liquid assets		**1,128**	1,184	1,191
Receivables due 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	8	**77,197**	72,949	69,111
Bank acceptances of customers		**9,842**	7,098	5,419
Investment in associated companies		**28**	-	3
Other investments		**-**	45	51
Property, plant and equipment		**443**	452	456
Intangible assets		**1,282**	1,268	1,257
Deferred tax assets		**174**	93	83
Other assets		**606**	1,003	1,239
TOTAL ASSETS		**100,045**	92,359	87,814
LIABILITIES				
Deposits and other borrowings	10	**53,659**	49,175	49,525
Payables due to other financial institutions		**421**	91	992
Liabilities at fair value through the Income Statement		**395**	-	-
Derivative liabilities		**1,025**	-	-
Bank acceptances		**7,264**	7,098	5,419
Provision for dividends		**3**	12	11
Current tax liabilities		**115**	157	136
Deferred tax liabilities		**187**	217	223
Other provisions		**105**	109	97
Bonds and notes		**29,523**	25,918	21,931
Loan capital		**1,764**	1,956	1,963
Bills payable and other liabilities		**635**	2,239	2,311
TOTAL LIABILITIES		**95,096**	86,972	82,608
NET ASSETS		**4,949**	5,387	5,206
SHAREHOLDERS' EQUITY				
Share capital	11,12	**4,171**	4,105	4,040
Reserves	12	**72**	23	14
Retained profits	12	**685**	906	798
Equity attributable to shareholders of the Bank		**4,928**	5,034	4,852
Equity attributable to minority interests	13	**21**	353	354
Total Shareholders' Equity		**4,949**	5,387	5,206

The condensed consolidated interim balance sheet should be read in conjunction with the accompanying notes.

		Half-Year to		
		31 March 2006	30 Sept 2005	31 March 2005
	NOTE	**$M**	$M	$M
Foreign currency translation reserve				
Foreign exchange translation differences (net of tax)	12	**(6)**	3	(1)
Cash flow hedge reserve				
Gains/(losses) on cash flow hedging instruments (net of tax)	12			
Recognised in equity		**(12)**	-	-
Transferred to the income statement		**3**	-	-
Available for sale reserve				
Gains/(losses) on available for sale investments (net of tax)	12			
Recognised in equity		**1**	-	-
Net (expense)/income recognised directly in equity		**(14)**	3	(1)
Profit for the period		**510**	485	488
Total recognised income and expense for the period		**496**	488	487
Total recognised income and expense for the period attributable to:				
Members of the Bank		**497**	490	490
Minority interests		**(1)**	(2)	(3)
		496	488	487

The condensed consolidated interim statement of recognised income and expense should be read in conjunction with the accompanying notes.

	NOTE	Half-Year to 31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received		**3,214**	2,849	2,624
Interest paid		**(2,239)**	(1,935)	(1,763)
Dividends received		**3**	3	2
Other income received		**416**	555	557
Operating expenses paid		**(621)**	(717)	(728)
Income taxes paid		**(252)**	(213)	(243)
Net (increase)/decrease in trading securities/assets at fair value through the income statement		**(1,031)**	64	(1,154)
Net cash (used in)/provided by operating activities after taxation	14(a)	**(510)**	606	(705)
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of controlled entity	14(c)	**23**	-	-
Net (payments for)/proceeds from the purchase and sale of investment securities		**-**	501	(107)
Net increase in loans and other receivables		**(5,680)**	(3,867)	(3,826)
Increase in investment in associated companies		**(25)**	-	-
Payments for shares		**(11)**	(1)	(1)
Proceeds from sale of shares		**3**	15	5
Net payments for the purchase and sale of available for sale investments		**(218)**	-	-
Proceeds from sale of other investments		**-**	7	-
Payments for research and development		**-**	(4)	(3)
Proceeds from sale of businesses		**-**	38	9
Payments for property, plant and equipment		**(28)**	(29)	(39)
Proceeds from sale of property, plant and equipment		**6**	8	20
Net (increase)/decrease in other assets		**(93)**	256	(239)
Net cash used in investing activities		**(6,023)**	(3,076)	(4,181)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in deposits		**4,557**	(350)	3,413
Proceeds from other borrowings		**11,316**	15,327	11,754
Repayment of other borrowings		**(8,773)**	(11,340)	(10,757)
Proceeds from loan capital		**-**	-	421
Repayment of loan capital		**(267)**	-	-
Net increase/(decrease) in other liabilities		**(339)**	419	(177)
Net proceeds from the issue of perpetual notes		**3**	2	-
Buyback of shares		**(300)**	-	-
Proceeds from the issue of shares		**9**	-	6
Issue costs		**(1)**	-	-
Dividends paid (excluding DRP)		**(245)**	(314)	(280)
Net purchase of Treasury shares		**(9)**	-	-
Net cash provided by financing activities		5,951	3,744	4,380
Net (decrease)/increase in cash and cash equivalents		(582)	1,274	(506)
Cash and cash equivalents at the beginning of the half-year		2,073	799	1,305
Cash and cash equivalents at the end of the half-year	14(b)	1,491	2,073	799

The condensed consolidated interim statement of cash flows should be read in conjunction with the accompanying notes

Note 1: Summary of Significant Accounting Policies

St.George Bank Limited (the "Bank") is domiciled in Australia. The condensed consolidated interim financial report of the Bank for the six months ended 31 March 2006 comprises the Bank and its controlled entities ("the Group") and the Group's interest in associates.

The condensed consolidated interim financial report was authorised for issue by the Directors on 2 May 2006.

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

This is the Group's first Australian equivalents to International Financial Reporting Standards ("AIFRS") condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report.

The interim financial report is to be read in conjunction with the 30 September 2005 full financial report of the Group, however the basis of their preparation is different to the 30 September 2005 full financial report due to the first time adoption of AIFRS. This report must also be read in conjunction with any public announcements made by the Bank during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position and financial performance of the Group is provided in Note 17. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRS.

(b) Basis of preparation

For the purpose of this financial report, the half-year has been treated as a discrete reporting period. The financial report is presented in Australian dollars.

The 30 September 2005 annual financial report was prepared under the Australian Accounting Standards applicable to reporting periods beginning prior to 1 January 2005 (previous GAAP). This half-year financial report, however complies with current Australian Accounting Standards which consist of AIFRS. The half-year financial report complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Note 1: Summary of Significant Accounting Policies

The AIFRS accounting policies used as the basis for the preparation of this half-year financial report have been provided within the description of the current accounting policy. Accounting policies for the Group have changed significantly due to the adoption of AIFRS. These changes have been summarised by comparing prior periods' accounting policy to the new AIFRS accounting policy, with differences in measurement, recognition and disclosure being identified within changes in accounting policy. The quantitative effect of the changes in accounting policies is set out in Note 17.

The preparation of the financial report in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates although it is not anticipated that such differences would be significant.

The financial statements are prepared on the basis of historical cost except that the following assets and liabilities are stated at their fair value: derivative financial instruments, assets and liabilities at fair value through the income statement, available for sale investments and defined benefit plan assets and liabilities. Recognised assets and liabilities that are hedged and are attributable to the hedged risk are stated at fair value.

The accounting policies which have changed as a result of the adoption of AIFRS, have been applied retrospectively and consistently by the Group to all periods presented in these financial statements and in preparing an opening AIFRS balance sheet at 1 October 2004, except for the following standards which were adopted and applied from 1 October 2005:

(i) AASB 132 Financial Instruments – Disclosure and Presentation.

(ii) AASB 139 Financial Instruments – Recognition and Measurement.

On this basis, comparison with prior period results should be read in conjunction with the following accounting policy notes.

The following elections under AASB 1 have been adopted in the preparation of these financial statements:

(i) The Group has not restated any past business combinations that occurred prior to 1 October 2004.

(ii) The Group has elected to measure land and buildings at 1 October 2004 at its fair value and use that fair value as its deemed cost as at that date.

(iii) The Group has applied the requirements of AASB 132 and 139 from 1 October 2005.

(iv) The Group has not applied AASB 2 share based payments to equity grants on or before 7 November 2002 or equity grants after 7 November 2002 that vested before 1 January 2005.

The Group has applied its previous GAAP in the comparative information to the financial statements in relation to these areas.

The Bank is a company of the kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (as amended by ASIC Class Order 04/667) and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

Note 1: Summary of Significant Accounting Policies

This condensed consolidated interim financial report has been prepared on the basis of AIFRS in issue that are effective or available for early adoption at the Group's first AIFRS annual reporting date, 30 September 2006. Based on these AIFRS, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 30 September 2006.

The Bank has elected to early adopt the following revised accounting standards:

- AASB 119 *Employee Benefits* (December 2004).
- AASB 2004-3 *Amendments to Australian Accounting Standards* (December 2004) amending AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards* (July 2004), AASB 101 *Presentation of Financial Statements* and AASB 124 *Related Party Disclosures*.
- AASB 2005-3 *Amendments to Australian Accounting Standards* (June 2005) amending AASB 119 *Employee Benefits* (December 2004).

The Australian Accounting Standards and UIG interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the year ending 30 September 2006 are still subject to change and therefore cannot be determined with certainty. Accordingly, the accounting policies for that year that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 September 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the 30 September 2005 annual financial statements prepared under previous GAAP. Except for the adoption of AASB 132 and AASB 139, the accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 October 2004 in accordance with the requirements of AASB 1. The impact of the transition from previous GAAP to AIFRS is explained in note 17. The accounting policies have been applied consistently throughout the Group for purposes of this condensed consolidated interim financial report.

(c) Consolidation

The consolidated financial report comprises the financial report of the Bank and all entities where there is a capacity to control another entity. Under AASB 127 *Consolidated and Separate Financial Statements* and UIG 12 *Consolidation – Special Purpose Entities*, control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Note 1: Summary of Significant Accounting Policies

Where an entity commenced or ceased to be controlled during the half-year, its results are only included from the date control commenced or up to the date control ceased.

Associates are those entities for which the Group has significant influence, as defined in AASB 128 *Investments in Associates*, but not control, over the financial and operating policies. The condensed consolidated interim financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the Group's investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

All inter-entity balances and transactions between Group entities have been eliminated on consolidation.

Change in accounting policy

On adoption of AASB 127 and UIG 112, additional entities have been consolidated into the Group. Trusts involved in the securitisation of the Bank's assets and asset-backed conduit vehicles have been consolidated on transition to AIFRS from 1 October 2004. These trusts have been consolidated on the basis that the Group has retained the substantive risks and benefits associated with the entities.

The consolidation of these entities has resulted in a "gross-up" of individual balance sheet items.

(d) Foreign Currency

All monetary assets and liabilities held in foreign currencies are shown in this interim financial report at the exchange rates prevailing at balance date. Foreign currency forwards, futures, swaps and options are valued at fair value using the appropriate market rates at balance date. Unrealised profits and losses arising from these revaluations are recognised in the income statement.

For foreign exchange trading activities, it is the policy of the Group to maintain a substantially matched position in foreign currency assets and liabilities, hence the net exposure to exchange risk is not significant.

There has been no change in accounting policy.

(e) Translation of controlled foreign entities

The functional currency of the domestic operations of the Bank has been determined to be Australian dollars (AUD), as this currency best reflects the economic substance of the underlying events and circumstances relevant to the Bank. Each entity within the Group has also determined their functional currency based on their own primary economic indicators.

Note 1: Summary of Significant Accounting Policies

The foreign currency assets and liabilities of overseas controlled entities with an overseas functional currency are converted to AUD at balance sheet date in accordance with the foreign exchange rates ruling at that date. Revenues and expenses of controlled entities are converted to AUD at the spot exchange rate at the date of the transaction. All resulting exchange differences are recognised in the Foreign Currency Translation Reserve as a separate component of equity.

Change in accounting policy

The adoption of AASB 121 *The Effects of Change in Foreign Exchange Rates* from 1 October 2004 has not had a significant impact on the reporting currency of the Group's entities or the translation of foreign currency assets and liabilities.

(f) Cash and liquid assets

Cash and liquid assets are readily convertible to cash and subject to insignificant risk or change in value and comprise cash held in branches, ATMs, cash at bankers, money at call, bills receivable, remittances in transit and securities purchased under agreement to resell. Interest income on cash and liquid assets is recognised using the effective interest rate method in the income statement. Cash and liquid assets are recognised at the gross value of the outstanding balance.

(g) Receivables due from other financial institutions

Balances due from other financial institutions include loans, nostro balances and settlement account balances due from other banks. They are measured at fair value at inception and subsequently measured at amortised cost using the effective interest rate method. Interest income is recognised using the effective interest rate method in the income statement when earned.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments and certain acquisition expenses through the expected life of the instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Change in accounting policy

The consolidation of special purpose vehicles used for the securitisation of the Bank's assets and asset-backed conduit vehicles upon transition to AIFRS from 1 October 2004 has resulted in a "gross-up" of receivables due from other financial institutions (refer Note 1 (c)).

Note 1: Summary of Significant Accounting Policies

(h) Financial instruments

In accordance with the requirements of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*, the Group's financial instruments are required to be classified into one of the following measurement categories:

- Assets at fair value through the income statement (note (i))
- Available for sale investments (note (j))
- Loans and other receivables (note (k))
- Liabilities at fair value through the income statement (note (y))
- Liabilities at amortised cost
- Equity (note (cc))

In addition, the accounting policy in relation to derivatives has changed from previous GAAP, and is detailed in note (r).

The adoption of AASB 132 and AASB 139 from 1 October 2005 has had a significant impact on the recognition, measurement and disclosure of financial instruments.

The Group's accounting policy under AIFRS for each of the above categories, together with the change from previous GAAP, is discussed in the sections identified above.

Offsetting financial instruments

The Group offsets financial assets and liabilities and reports the net balance in the balance sheet where there is a legally enforceable right to set off, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial instruments

The derecognition of a financial instrument takes place when the Group transfers the contractual rights that comprise the financial instrument, which is normally the case when the instrument is legally sold, or all the cash flows attributable to the instrument are passed onto another party and the risks and rewards have substantially been transferred.

(i) Assets at fair value through the income statement

Assets at fair value through the income statement represent those assets which are primarily held for trading and other financial assets that are designated as measured at fair value through the income statement upon initial recognition. Trading securities are purchased principally for the purpose of selling or repurchasing it in the near term. The securities are initially recognised at fair value based upon quoted market bid prices. Regular way assets are recognised on a settlement date basis, with transaction costs recognised directly in the income statement.

Note 1: Summary of Significant Accounting Policies

Changes in fair value of all financial assets that are measured at fair value through the income statement, together with dividend income, are recognised within other income in the income statement. Interest income on all financial assets at fair value through the income statement is recognised within interest income using the effective interest rate method.

This policy has been applied from 1 October 2005.

Change in accounting policy

Assets at fair value through the profit and loss is a new category of financial asset under AASB 139. Such assets are described in these half-year accounts as assets at fair value through the income statement. Trading securities and balances within other investments disclosed under previous GAAP, have been reclassified into assets at fair value through the income statement, however there has been no significant change in their measurement.

Quoted bid prices, where available, are used to account for the fair value of assets under AIFRS compared to the use of quoted mid prices under previous GAAP. Quoted mid prices where available, are used to account for fair value of assets where there is an offsetting risk position in a portfolio. There is no significant change in the measurement of assets at fair value.

Realised gains and losses on disposal and unrealised fair value adjustments continue to be reflected in other income under AIFRS. Interest income on assets at fair value through the income statement continues to be included within interest income using the effective interest rate method. Dividends continue to be reflected in other income when earned.

(j) Available for sale investments

Available for sale investments are non-derivative assets intended to be held for an indefinite period of time, including commercial paper and equities. They may be sold in response to a need for liquidity or changes in interest rates and exchange rates.

Available for sale investments are initially recognised at fair value plus direct and incremental transaction costs. Unquoted equities and investments whose fair value cannot be reliably measured are valued at cost. They are subsequently remeasured at fair value and gains and losses arising from changes in fair value are recognised in equity in the available for sale reserve net of applicable income taxes until investments are sold, otherwise disposed of, or until such investments become impaired. Interest income is recognised on available for sale securities using the effective interest rate method, calculated over the assets expected life. Premiums and/or discounts arising on purchase are included in the calculation of their effective interest rate. Dividends are recognised in other income within the income statement when earned.

When a decline in the fair value of an available for sale investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the income statement.

Note 1: Summary of Significant Accounting Policies

When available for sale securities are sold, cumulative gains or losses previously recognised in equity are recognised in other income within the income statement.

This policy has been applied from 1 October 2005.

Change in accounting policy

Available for sale assets is a new category of financial asset under AASB 139. Such assets are described in these half-year accounts as available for sale investments. Under the requirements of AASB 127, certain asset-backed conduit vehicles have been consolidated into the Group and the classification of their financial assets as available for sale investments has resulted in a "gross up" of the balance sheet. In addition, assets disclosed as investment securities and balances within other investments under previous GAAP have been reclassified to available for sale investments.

(k) Loans and other receivables

Loans and other receivables include residential, commercial, credit cards, overdrafts and other personal loans, leasing, hire purchase, bill financing, leveraged leases, margin lending and structured financing.

Loans and other receivables are initially recognised at fair value plus direct and incremental transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Note 1(l) provides additional information with respect to loan impairment. For more details on revenue recognition, refer to note 1(s) revenue recognition.

Receivables referred to above are carried at their recoverable amount.

Finance lease receivables

There is no change in accounting policy.

Finance leases in which the Group is the lessor, are included in loans and other receivables. At the beginning of the lease term, the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value accruing to the lessor is recorded in the balance sheet. Income attributable to the leases is brought to account progressively in the income statement over the lease term so as to achieve a constant periodic rate of return on the leases outstanding.

Structured financing

Structured financing by the Group, including participation in leveraged leases and equity swaps, are recorded at the amounts equal to the Group's participation and included in loans and other receivables in the balance sheet. Revenue is recognised in the income statement based on a method that yields a constant rate of return on the outstanding pre-tax investment balance over the life of the transaction. Certain structured financing loans are recognised at fair value through the income statement rather than at amortised cost.

Non performing facilities

Individual provisions for impairment are recognised to reduce the carrying amount of loans and advances to their estimated recoverable amounts. Individually significant provisions are calculated based on discounted cash flows.

Note 1: Summary of Significant Accounting Policies

The unwinding of the discount from initial recognition of impairment through to recovery of the written down amount is recognised through the income statement as interest income.

Restructured facilities

There is no change in accounting policy.

These are impaired loans where the original contractual terms have been amended to provide concessions of interest or principal as a result of a customer's financial or other difficulties in complying with the original facility terms. For these loans, interest and fees are recognised as income on an accruals basis, whilst the customer complies with the modified terms and conditions.

If performance is not maintained, or collection of interest and/or principal is no longer probable, the account will be returned to the non performing classification.

Assets acquired through security enforcement ("AATSE")

There is no change in accounting policy.

This category comprises assets where ownership has been assumed in settlement of a debt.

Assets acquired in satisfaction of facilities in default (primarily loans) are recorded at net market value at the date of acquisition. Any difference between the carrying amount of the facility and the net market value of the assets acquired is represented as an individually assessed provision or written off. AATSE are further classified as Other Real Estate Owned ("OREO") or Other Assets Acquired Through Security Enforcement ("OAATSE"). Such assets are classified in the appropriate asset classifications in the balance sheet.

Change in accounting policy

Changes applied from 1 October 2004

Under the requirements of AASB 127, additional entities involved in the securitisation of the Group's loans and receivables and asset-backed conduit vehicles have been consolidated into the Group, resulting in "gross-up" of loans and other receivables in the balance sheet.

The income recognition methodology on leveraged leases under AIFRS has changed to progressive recognition over the lease term on an effective pre-tax yield basis.

Changes applied from 1 October 2005.

Loans and receivable are measured at amortised cost using the effective interest rate method under the requirements of AASB 139. Certain structured financing loans are brought to account at fair value through the income statement.

On adoption of AASB 139, there has been a change in the recognition and measurement of loan impairment, as explained in note 1(l) loan impairment.

(l) Loan impairment

In accordance with the requirements of AASB 139, the Group assesses at each balance date whether there is any objective evidence of impairment. If there is objective evidence that impairment on an individual loan or portfolio of loans has occurred, an impairment assessment is performed and a loss recognised where appropriate.

Note 1: Summary of Significant Accounting Policies

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of the expected future cash flows (excluding future credit losses that have not been incurred), discounted at the loans' original effective interest rate. Short term balances are not discounted. Loans and other receivables are presented net of provisions for loan impairment.

The Group has loan impairment losses which are assessed on both a specific and collective basis.

Specific loan provisions are recognised in situations where, following an assessment of an individual facility, there is objective evidence that a loan is impaired. All other loans and advances that do not have an individually assessed loan provision are assessed collectively for impairment.

Collective provisions are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date.

The expected future cash flows for portfolios of similar assets are estimated on the basis of historical loss experience, for assets with credit risk characteristics similar to those in the group. Loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the loss experience is based and to remove the effects of conditions in the period that do not currently exist. Increases or decreases in the provision amount are recognised in the income statement.

This policy has been applied from 1 October 2005.

Change in accounting policy

Under previous GAAP, the general provision for doubtful debts (not tax effected) when combined with the balance of unearned mortgage insurance premiums (tax effected) represented 0.5% of risk weighted assets.

Under AIFRS, the Group must raise impairment provisions in respect of only those loans and receivables for which there is "objective evidence" of impairment as at each balance date.

Specific provisions are established where objective evidence of impairment has been identified through an individual assessment of a loan. Specific provisions are assessed as the difference between the loan's carrying amount and the present value of expected future cash flows.

Loans and other receivables that do not have an individually assessed provision are assessed collectively for impairment.

The transitional provisions for loan impairment have resulted in adjustments to previous GAAP provisions being taken to retained earnings as at 1 October 2005.

In accordance with the Australian Prudential Regulation Authority's ("APRA's") proposed regulatory treatment, the difference between 0.5% of risk weighted assets and the after tax balance of the collective provision, has been appropriated from retained earnings to a general reserve for credit losses. The balance of this reserve may change subject to APRA finalising their requirements on AIFRS loan loss provisioning.

Note 1: Summary of Significant Accounting Policies

(m) Intangibles

Goodwill

Goodwill, representing the excess of purchase consideration plus incidental expenses over the fair value of the identifiable assets, liabilities and contingent liabilities at the time of acquisition of an entity, is capitalised and recognised in the balance sheet.

Goodwill is reviewed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For the purposes of impairment testing, goodwill is allocated to cash generating units or groups of units. A cash generating unit is the smallest identifiable group of assets that generate independent cash flows. Goodwill is allocated to cash generating units or groups of units based on how goodwill is monitored by management.

An impairment loss is recognised in relation to goodwill if the recoverable amount of the cash generating unit or group of units is less than their carrying amount. The recoverable amount of the cash generating units is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit. Impairment losses on goodwill are not subsequently reversed.

Gains and losses on the disposal of an entity are net of the carrying amount of goodwill relating to the entity sold.

These policies have been applied from 1 October 2004.

Deferred expenditure

When items of deferred expenditure are not integrally related to property, plant and equipment, the Group recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that the Group controls.

Internal and external costs directly incurred in the purchase or development of computer software, including subsequent upgrades and enhancements, are recognised as intangible assets when it is probable that they will generate future economic benefits attributable to the Group.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives of between three to five years.

The Group carries capitalised software assets at cost less amortisation and any impairment losses, if any.

Deferred expenditure is reviewed at each reporting date to determine if there is any evidence of impairment and, if so, it is assessed for impairment within the appropriate cash generating unit.

These policies have been applied from 1 October 2004.

Note 1: Summary of Significant Accounting Policies

Change in accounting policy

Goodwill

Under previous GAAP, goodwill was amortised on a straight line basis over the period of time during which benefits are expected to arise, however not exceeding twenty years. The unamortised balance of goodwill and the period of amortisation were reviewed annually. Where the balance exceeded the value of expected future benefits, the difference was charged to the income statement.

Under the requirements of AASB 138, goodwill is no longer required to be amortised, but is subject to an annual impairment test, or more frequent tests if events or changes in circumstances indicate that it might be impaired. On transition, goodwill is included on the basis of its deemed cost as at 1 October 2004, which represents the carrying amount recorded under previous AGAAP.

The AIFRS standards have not been applied retrospectively to business combinations that occurred prior to 1 October 2004 in preparing the Group's opening AIFRS balance sheet.

Deferred expenditure

Under AIFRS, certain items of expenditure deferred under previous GAAP are no longer eligible for recognition within deferred expenditure and have been written off.

These policies have been applied from 1 October 2004.

Deferred expenditure was previously included in other assets, but has either been reclassified to intangible assets or property, plant and equipment.

(n) Other investments

Other investments under previous GAAP included both quoted and unquoted equity investments recognised at cost.

No assets are classified as other investments under AIFRS from 1 October 2005.

Change in accounting policy

Upon adoption of AIFRS, from 1 October 2005 items within other investments have been reclassified to assets at fair value through the income statement and available for sale investments.

(o) Other assets

Other assets include prepayments and sundry debtors.

Change in accounting policy

Upon adoption of AIFRS, the unrealised gain on trading derivatives has been reclassified to derivative assets and deferred expenditure has been reclassified to intangible assets or property, plant and equipment.

Note 1: Summary of Significant Accounting Policies

(p) Property, plant and equipment

Land and buildings are recognised at deemed cost upon transition to AIFRS, less any impairment losses and depreciation. Deemed cost represents the fair value of land and buildings at 1 October 2004.

Land is not depreciated and buildings are depreciated on a straight line basis over their estimated useful lives of 20 to 60 years.

Plant and equipment is recognised at cost less any accumulated impairment losses and accumulated depreciation calculated on a straight line basis to write off the assets over their estimated useful lives. The estimated useful lives of items of plant and equipment are between three and ten years and leasehold improvements are between one to ten years.

Depreciation rates for property, plant and equipment are reviewed periodically to ensure they appropriately reflect residual values and estimated useful lives.

All items of property, plant and equipment are periodically reviewed for impairment as part of the impairment testing conducted within cash generating units.

These policies have been applied from 1 October 2004.

Change in accounting policy

In accordance with the election available under AASB 1, the Group has used the revalued amount for land and buildings under previous GAAP as at 1 October 2004 as “deemed cost” under AIFRS. The balance of the asset revaluation and realisation reserve of $83 million at 1 October 2004 has been transferred to opening retained earnings, together with the recognition of a deferred tax liability. In addition, the movement in the asset revaluation reserve under previous GAAP for the half-year to 30 September 2005 has been reversed.

(q) Income tax

Income tax expense on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

This policy has been applied from 1 October 2004.

Note 1: Summary of Significant Accounting Policies

The Bank and its Australian resident wholly owned subsidiaries have adopted tax consolidation legislation from 1 October 2003 and are therefore taxed as a single entity from that date.

Change in accounting policy

Upon transition to AIFRS, the Group has changed from a liability method to a "balance sheet approach" to tax effect accounting that requires deferred tax balances to be recognised where there is a difference between the carrying value of assets and liabilities and their tax base. In addition, under AIFRS the tax effect follows the underlying transaction and hence can be recognised in equity or as an income tax expense.

Unused tax losses are now recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available, whereas previously the tax losses had to be virtually certain of being utilised.

Deferred tax assets/liabilities are now separately disclosed on the face of the balance sheet.

(r) Derivative financial instruments

The Group makes use of the derivatives market for trading purposes and to hedge foreign exchange, equity and interest rate risk. All derivatives that do not meet the hedging criteria under AASB 139 are classified as derivatives held for trading, with changes in fair value recognised immediately within the income statement.

Interest income and expense on derivatives, except those used to manage underlying assets and liabilities, is included within other income. Interest income and expense for derivatives used to managed underlying assets and liabilities are included with the interest flows of these items within interest income or expense.

Derivatives are initially recognised at trade date at fair value of consideration given or received. Subsequent to initial recognition, derivatives are measured at fair value. The method of recognising the gain or loss on re-measurement to fair value depends on whether the derivative is designated as a hedging instrument, the nature of the item being hedged and whether the derivative qualifies for hedge accounting. A positive revaluation amount of a contract is disclosed as an asset and a negative revaluation amount of a contract is disclosed as a liability.

The Group has adopted cash flow hedging or a combination of cash flow and fair value hedging in respect of its asset and liability management activities.

Fair values are obtained from quoted market prices in active markets and valuation techniques, including discounted cash flow models and options pricing models as appropriate.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

This policy has been applied from 1 October 2005.

Note 1: Summary of Significant Accounting Policies

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement within other income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

This policy has been applied from 1 October 2005.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. This represents the amount by which the changes in the fair value of the expected cash flow of the derivative differ from the fair value of the changes (or expected changes) in the cash flow of the hedged item.

Amounts from the cash flow hedge reserve are transferred to the income statement when the cash flows on the hedged item are recognised in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is amortised to the income statement over the remaining term of the original hedge.

This policy has been applied from 1 October 2005.

Embedded derivatives

A derivative may be embedded within a host contract. If the host contract is not already carried at fair value with changes in fair value reported in the income statement, the embedded derivative is separated from the host contract where the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. This is then accounted for as a stand alone derivative instrument at fair value. Otherwise, the embedded derivative is accounted for on the same basis as the host contract.

This policy has been applied from 1 October 2005.

Changes in accounting policy

The adoption of AASB 132 and AASB 139 has had a substantial impact on the recognition, measurement and disclosure of derivative financial instruments.

All derivative assets and derivative liabilities are to be recognised at fair value and disclosed separately on the face of the balance sheet.

The Group complies with new hedge accounting rules which include the use of fair value or cash flow hedges, the designation of hedging relationships and the documentation of these relationships.

Embedded derivatives are now required to be identified, separated and fair valued, provided they are not closely related to their host contract.

Note 1: Summary of Significant Accounting Policies

(s) Revenue and expense recognition

Interest income and expense

Interest income and expense are recognised in the income statement for all interest earning assets and interest bearing liabilities based upon the effective interest rate on the instrument. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments and certain acquisition expenses through the expected life of the instrument. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fee income and expense and acquisition costs that are an integral part of the effective interest rate.

Interest income and expense on derivative instruments which are used to manage underlying assets and liabilities are recognised together with the underlying item within interest income and expense.

This policy has been applied from 1 October 2005.

Fee and commission income and expense

Fee income and acquisition costs relating to loan origination are deferred and amortised to interest income over the life of the loan using the effective interest rate method. Other fee and commission income is generally recognised on an accruals basis when the service has been provided.

Fee expense is recognised when the service has been provided.

This policy has been applied from 1 October 2005.

Other income

Trading income is recognised when there is a change in fair value of trading financial instruments measured at fair value through the income statement. Trading assets are initially recognised at trade date. Further information is included in notes 1(i) and 1(y) in relation to assets and liabilities at fair value through the income statement and note 1(r) in relation to derivative financial instruments.

This policy has been applied from 1 October 2005.

Change in accounting policy

Under AASB 118 and AASB 139, interest income now includes fees integral to the establishment of financial instruments using the effective interest rate method. Fee income and direct costs relating to loan origination are deferred and amortised to interest earned on loans and receivables over the life of the loan using the effective interest rate method.

Acquisition costs relating to loan origination were previously deferred and amortised on a straight line basis over the estimated life of the loan.

(t) Deposits and other borrowings

Deposits and other borrowings comprise negotiable certificates of deposit, term deposits, saving deposits, cheque and other demand deposits, unsecured guaranteed notes and secured borrowings.

Note 1: Summary of Significant Accounting Policies

Deposits and other borrowings are recognised at inception at fair value plus directly attributable transaction costs and subsequently at amortised cost. Interest and yield related fees are recognised in the income statement based upon the effective yield method.

Where the Group has utilised derivative instruments to hedge deposits and other borrowings, hedge accounting policies as outlined in note 1(r) are applied.

This policy has been applied from 1 October 2005.

Change in accounting policy

Interest and yield related fees are recognised in the income statement based on the effective interest rate method, whereas previously interest was taken to the income statement on an accruals basis. There has been no significant change in the carrying value of deposits and other public borrowings as a result of this change.

(u) Payables due to other financial institutions

Balances due to other financial institutions include deposits, settlement account balances and vostro balances. They are brought to account at inception at fair value plus directly attributable transaction costs.

Payables to other financial institutions are subsequently stated at amortised cost. Interest and yield related fees are taken to the income statement using the effective interest rate method.

This policy has been applied from 1 October 2005.

Change in accounting policy

Interest and yield related fees are taken to the income statement based on the effective interest rate method, whereas previously interest was taken to the income statement on an accruals basis. There has been no significant change in the carrying value of the payables to other financial institutions as a result of this change.

(v) Employee benefits

Defined benefit superannuation plan

Obligations for contributions to defined benefit plans are recognised as an expense in the income statement as incurred.

In relation to defined benefit plans, any deficiency or surplus of the plan is recognised as a liability or asset respectively. Any deficiency or surplus is also recognised in retained earnings.

Change in accounting policy

Under previous GAAP, the Group did not recognise the net deficit on the defined benefit plan within the financial statements.

Note 1: Summary of Significant Accounting Policies

In accordance with the requirements of AASB 119, from 1 October 2004 the net deficit of the Group sponsored defined benefit plan is recognised and disclosed in bills payable and other liabilities. Actuarial gains and losses relating to the defined benefit plan are recognised directly in retained earnings.

Share based compensation

The Group operates several equity-settled, share based compensation plans. The fair value of the employee services received in exchange for the grant of the option or award is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or awards granted, excluding the impact of any non-market vesting conditions (for example, earnings per share growth). Non market vesting conditions are included in assumptions about the number of options or shares that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options or shares that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received, net of any directly attributable transaction costs, are credited to equity when the options are exercised.

Share based compensation expense is measured at fair value, based on the quoted market price of the shares at the grant date, or using a binomial valuation model where the share price is not appropriate.

During the current period, the Bank commenced purchasing shares through a controlled Trust based upon shares granted to employees. These shares in the Bank are held by the Trust until they are vested with the employee.

Change in accounting policy

Under previous GAAP, the Group did not recognise an expense for the fair value of options or awards granted to employees. In accordance with the requirements of AASB 2, the fair value of share based compensation is determined at grant date and recognised as an expense in the income statement over the vesting period, subject to the satisfaction of service and performance conditions.

Shares in the Bank held by the Trust are consolidated, reclassified as “Treasury shares” and accounted for as a deduction from share capital.

(w) Provision for dividends

This item comprises provision for dividends in respect of Subordinated Adjustable Income Non-Refundable Tier 1 Securities (SAINTS).

The provision for dividend relating to SAINTS is calculated on a balance of $350 million at a floating rate of interest calculated as 70% of the sum of the annualised 90 day Bank Bill Swap Rate and a margin of 1.35%. Dividends are payable quarterly in November, February, May and August each year.

The provision for dividend relating to ordinary shares is recognised in the reporting period in which the dividends are declared.

Note 1: Summary of Significant Accounting Policies

Change in accounting policy

In accordance with the requirements of AASB 132, both the PRYMES and DCS instruments were reclassified to liabilities upon transition to AIFRS. Consequently, the amounts payable to holders of these instruments have been reclassified to the underlying liability balance.

(x) Bonds and notes

Bonds and notes comprise commercial paper and other fixed and floating senior debt securities issued under the Bank's debt instrument programme, euro note programme, US commercial paper programme and other private placements. Bonds and notes also include debt issues of consolidated trusts involved in the securitisation of the Bank's assets and asset-backed conduit vehicles.

They are recognised at fair value plus directly attributable transaction costs at inception. Bonds and notes are subsequently measured at amortised cost. Interest and yield related fees are recognised in the income statement based on the effective interest rate method.

Where the Group has hedged the bonds and notes with derivative instruments, hedge accounting rules are applied (refer to note 1 (r)).

This policy has been applied from 1 October 2005.

Change in accounting policy

Additional entities have been consolidated into the Group as a result of the consolidation of entities involved in the securitisation of the Group's loans and certain asset-backed conduit vehicles.

Interest and yield related fees are recognised in the income statement based on the effective interest rate method, whereas previously interest was recognised on an accruals basis. There has been no significant change in the carrying value of bonds and notes as a result of this change.

(y) Liabilities at fair value through the income statement

Liabilities at fair value through the profit and loss is a new class of financial liability under AASB 139. Such liabilities are described in these half-year accounts as liabilities at fair value through the income statement.

The Group designates certain liabilities at fair value through the income statement on origination where those liabilities are managed on a fair value basis. Changes in the fair value of liabilities through the income statement are reported in other income within the income statement. For quoted liabilities, quoted offer prices are used to measure fair value. Quoted mid prices are used to measure liabilities at fair value through the income statement with offsetting risk positions in a portfolio at fair value. For non market quoted liabilities, fair values have been determined using valuation techniques. Interest expense on financial liabilities at fair value through the income statement is recognised within interest expense using the effective interest rate method.

This policy has been applied from 1 October 2005.

Note 1: Summary of Significant Accounting Policies

Change in accounting policy

Upon transition to AIFRS at 1 October 2005, the Depositary Capital Securities were reclassified from minority interests to liabilities. In conjunction with their reclassification from previous GAAP, these securities have been designated and classified as liabilities at fair value through the income statement.

(z) Fiduciary activities

A number of controlled entities act as Trustee and/or Manager, Administrator or Custodian for a number of superannuation funds, investment trusts, superannuation services, approved deposit funds, life insurance funds and managed client portfolios. The value of managed funds at 31 March 2006 was $37,165 million (31 March 2005: $27,812 million).

The assets and liabilities of these funds and trusts are not included in the Group's balance sheet as it does not have the capacity to directly or indirectly control the funds and trusts for the Group's benefit.

Commissions and fees derived by the controlled entities in respect of these activities are included within other income in the income statement.

There has been no change to this accounting policy upon adoption of AIFRS.

(aa) Operating leases

Operating lease payments are charged as an expense over the term of the lease, on a basis representative of the pattern of service rendered through the provision of the leased property.

There has been no significant change to this accounting policy upon adoption of AIFRS.

(bb) Earnings per share

Basic earnings per ordinary share is determined by dividing net profit after income tax attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, adjusted for the bonus elements in ordinary shares issued during the period and shares held as Treasury shares.

Note 1: Summary of Significant Accounting Policies

Diluted earnings per share adjusts the figures used in the determination of basic earnings per ordinary share to take into account the after income tax effect of dividends, interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued on conversion of all dilutive potential ordinary shares. Both the PRYMES and SAINTS are considered dilutive.

This policy has been applied from 1 October 2004.

Change in accounting policy

In accordance with the requirements of AASB 133, the SAINTS are considered to be dilutive potential ordinary shares and have been included in the calculation of diluted earnings per share.

(cc) Shareholders' equity

i) Ordinary Share Capital – Issued and Paid Up

Ordinary share capital is recognised at the value of the amount paid up. Share issue and share buy-back costs are charged against share capital.

Where a subsidiary purchases shares in the Bank as part of the Group's equity based compensation scheme, such shares are referred to as Treasury shares and deducted from equity at cost.

This policy has been applied from 1 October 2004.

ii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary or is redeemable only at the Group's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Subordinated Adjustable Income Non-Refundable Tier 1 Securities (SAINTS)

On 13 August 2004, the Bank issued 3.5 million SAINTS at $100 each. The issue netted $345 million after issue related expenses. Holders of these securities are entitled to a floating rate dividend which is recognised on an accruals basis. The floating rate is determined each quarter by taking 70% of the sum of the annualised 90 day Bank Bill Swap Rate and a margin of 1.35%. Dividends are payable in arrears on a quarterly basis. On 20 November 2014 or any dividend payment date thereafter, subject to APRA approval, the Bank may convert the SAINTS to ordinary shares, redeem, buy-back or cancel the SAINTS for their face value or undertake a combination of these options.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or when an event outside the control of both the issuer and the holder occurs, or if dividend payments are not discretionary. Dividends on preference share capital classified as liabilities are recognised in the income statement as interest expense.

This policy has been applied from 1 October 2005.

Note 1: Summary of Significant Accounting Policies

Change in accounting policy

On 21 February 2001, the Bank issued three million Preferred Resetting Yield Marketable Equity Securities (PRYMES) at $100 each. The issue netted $291 million after issue related expenses. These shares are entitled to a preference dividend of 6.36% per annum for the next five years, after which the Bank has the option to reset the rate. Under previous GAAP, the PRYMES were classified as equity.

In accordance with the requirements of AASB 132, the PRYMES are considered to be a financial liability and have been reclassified to liabilities as at 1 October 2005.

iii) Reserves

Depositors' and Borrowers' Share Redemption Reserve - The purpose of this reserve is to recognise the redemption of all Borrowers' and Depositors' shares.

Foreign Currency Translation Reserve - The purpose of this reserve is to recognise exchange differences arising on translation of foreign currency assets and liabilities of foreign subsidiaries.

Equity Compensation Reserve – In conjunction with the recognition of an expense for employee equity grants, a corresponding amount is recognised within the equity compensation reserve.

General Reserve for Credit Losses – In accordance with APRA's proposed regulatory treatment, the difference between 0.5% of risk weighted assets and the after tax balance of the collective provision, has been appropriated from retained earnings to a general reserve for credit losses.

Cash Flow Hedge Reserve – the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised within the cash flow hedge reserve.

Available For Sale Reserve – changes in the fair value of financial instruments designated as available for sale assets are recognised within the available for sale reserve.

This policy has been applied from 1 October 2004 in respect of all reserves, with the exception of the general reserve for credit losses, cash flow hedge reserve and available for sale reserve which were applied from 1 October 2005.

Change in accounting policy

The asset revaluation reserve recognised under previous GAAP in relation to increments and decrements arising upon the revaluation of land and buildings was transferred to retained earnings as at 1 October 2004.

The equity compensation reserve in relation to employee equity grants was established from 1 October 2004.

The appropriation from retained earnings to the general reserve for credit losses has been applied from 1 October 2005. The recognition of a cash flow hedge reserve and available for sale reserve has been applied from 1 October 2005.

Note 1: Summary of Significant Accounting Policies

(dd) Minority interests in controlled entities

The Bank has issued perpetual notes raising $34 million as at 31 March 2006. The notes have no voting rights or entitlement to dividends or other payment. In a winding up, the notes on issue are convertible into ordinary shares of the Bank.

This policy has been applied from 1 October 2005.

Change in accounting policy

Upon transition to AIFRS, the Depositary Capital Securities ("DCS") were reclassified to liabilities at fair value through the income statement at 1 October 2005. The dividends on DCS are charged as interest expense to the income statement on an accruals basis.

(ee) Bank acceptances

All bank accepted bills (including both discounted and "on-sold" bills) and the associated liability for on-sold bills will be recognised at amortised cost, with interest income and expense recognised using the effective yield methodology. Fee income on bill acceptances will be recognised on an effective yield basis within interest income.

This policy has been applied from 1 October 2005.

Change in accounting policy

Under previous GAAP, the Group accepted and discounted bills for customers, classifying these within trading securities at their market value. Upon their "on-sale", customer discounted bills were reclassified to bank acceptance assets and recognised at their face value. A corresponding liability was recognised representing the Group's obligation to the holder of the on-sold bill.

Interest income on discounted bills was recognised under previous GAAP within interest income and bill acceptance fee income was recognised within other income.

On transition to AIFRS, bills recognised within trading securities under previous GAAP have been reclassified to bank acceptances. In addition, the bank acceptance assets and liabilities have been restated to an amortised cost basis.

(ff) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the financial statements. Comparative figures have been prepared in accordance with AIFRS, except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*.

As permitted by AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*, the Group has elected to not apply these standards to comparative figures, and therefore apply these standards from 1 October 2005.

Note 2: Revenues

	Half-Year to		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Interest Income	3,236	2,865	2,640
Other Income			
Trading income	34	38	34
Non trading derivatives	10	-	-
Profit on sale of investment securities	-	1	-
Product fees and commissions			
- Lending	54	41	29
- Deposit and other accounts	105	131	116
- Electronic banking	98	93	95
Managed funds fees	124	116	107
Dividend income	3	3	2
Profit on disposal of land and buildings	2	-	3
Profit on sale of businesses	-	-	9
Profit on sale of fixed assets	4	-	27
Profit on disposal of shares	10	2	2
Factoring and invoice discounting income	10	10	9
Bill acceptance fees	-	51	42
Rental income	4	4	5
Trust distributions	5	1	3
Other	7	10	4
Total other income	470	501	487

Note 3: Bad and Doubtful Debts

	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Charge to general provision	-	(1)	11
Charge to collective provision	16	-	-
Charge to specific provision	49	53	47
Total bad and doubtful debts expense	65	52	58

Note 4: Expenses

	Half-Year to		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Interest Expense	2,272	1,960	1,744
Operating expenses			
Staff			
Salaries and wages	289	286	267
Contractors' fees	4	3	6
Superannuation contributions	26	23	23
Payroll tax	20	18	17
Fringe benefits tax	3	5	4
Share based compensation	6	6	7
Other	12	13	12
	360	354	336
Computer and equipment			
Depreciation	19	20	20
Deferred expenditure amortisation and write-off	15	35	19
Rentals on operating leases	4	4	5
Other	37	33	38
	75	92	82
Occupancy			
Depreciation and amortisation	15	14	13
Rentals on operating leases	35	36	34
Other	18	21	20
	68	71	67
Administration and other			
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	47	56	54
	130	155	135
Total operating expenses	633	672	620

Note 5: Dividends Provided for or Paid

	Half-Year to		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Ordinary dividends			
2004 Final dividend (fully franked - 62 cents)	**-**	-	319
2005 Interim dividend (fully franked - 67 cents)	**-**	347	-
2005 Final dividend (fully franked - 70 cents)	**364**	-	-
	364	347	319
Other dividends			
SAINTS[1] dividends provided for or paid (fully franked)	**9**	9	8
DCS[2] dividends provided for or paid (unfranked)	**-**	14	13
PRYMES[3] dividends provided for or paid (franked)	**-**	9	10
	9	32	31
Total dividends	**373**	379	350

(1) Subordinated Adjustable Income Non-Refundable Tier 1 Securities
(2) Depositary Capital Securities
(3) Preferred Resetting Yield Marketable Equity Securities
(4) In accordance with AIFRS, PRYMES and DCS have been reclassified as liabilities and distributions are included in interest expense from 1 October 2005. The PRYMES were converted into 10,309,170 ordinary shares on 21 February 2006.

Dividend franking account

It is anticipated that the balance of the consolidated franking account will be $503 million (31 March 2005: $480 million) after adjusting for:

(i) franking credits that will arise from the payment of income tax payable as at the end of the half-year; and
(ii) franking debits that will arise from the payment of dividends recognised as a liability; and
(iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
(iv) franking credits that the Group may be prevented from distributing in the subsequent half-year.

After also allowing for the 31 March 2006 half interim ordinary dividend, the consolidated franking account will be $337 million (31 March 2005: $329 million).

Note 6: Earnings per Share

		Half-Year to		
		31 March 2006	30 Sept 2005	31 March 2005
Ordinary Share				
Basic earnings per share	(Cents)	**96.0**	87.7	89.1
Diluted earnings per share	(Cents)	**95.4**	87.0	87.8

There were 163,352 weighted average ordinary Treasury shares outstanding during the half-year which have been excluded when calculating basic and diluted earnings per share.

Note 7: Individually Significant Items

	Half-Year to		
	31 March 2006 $M	30 Sept 2005 $M	31 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

March 2006 Half-Year

There were no significant items during the half-year.

2005 Year

(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.

Note 8: Loans and Other Receivables

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Housing loans [1]	**59,735**	56,298	52,852
Commercial loans [2]	**9,451**	9,653	9,572
Personal loans	**4,044**	3,649	3,451
Lease and commercial hire purchase	**2,416**	2,368	2,289
Structured investments	**643**	146	148
Credit card receivables	**1,166**	1,093	1,073
Other	**39**	30	29
	77,494	73,237	69,414
Less: provisions for impairment (refer note 9)			
Specific provision for doubtful debts	**36**	69	83
Collective provision for doubtful debts	**261**	-	-
General provision for doubtful debts	**-**	219	220
Net loans and other receivables	**77,197**	72,949	69,111

(1) Includes securitised loans
(2) Includes loans in asset backed conduit vehicles

Note 9: Provisions for Impairment

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 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 [3]	**(219)**	-	-
Balance at end of period	-	219	220
Collective provision			
Balance at beginning of period	**-**	-	-
Establishment of provision on transition to AIFRS [3]	**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 [3]	**(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

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

Note 10: Deposits and Other Borrowings

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Certificates of deposit	**10,873**	8,285	10,962
Term and other deposits	**41,417**	39,498	37,299
Secured borrowings	**1,361**	1,378	1,253
Unsecured borrowings	**8**	14	11
	53,659	49,175	49,525

Note 11: Share Capital

	As at			As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M	**31 March 2006 No. Shares**	30 Sept 2005 No. Shares	31 March 2005 No. Shares
Capital						
Fully paid ordinary shares [(1)]	**3,811**	3,454	3,389	**524,219,739**	520,407,464	517,897,669
Fully paid PRYMES [(2)]	**-**	291	291	**-**	3,000,000	3,000,000
Fully paid SAINTS	**345**	345	345	**3,500,000**	3,500,000	3,500,000
General Reserve	**15**	15	15	**-**	-	-
	4,171	4,105	4,040			
Issued and Uncalled Capital						
Borrowers' shares - unpaid [(3)]	**-**	-	-	**3,738**	4,088	4,442
Depositors' shares - unpaid [(3)]	**-**	-	-	**248,452**	256,180	264,977
	-	-	-			

(1) 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 earnings ($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) In February 2006, the Bank’s 3,000,000 PRYMES were converted into 10,309,170 ordinary shares at a price of $29.07.

(3) These shares were originally issued to borrowers and depositors when St.George was a building society to enable them to open a loan or deposit account. Borrowers and depositors shareholders have certain rights as set out in the Constitution, including the right to vote on issues that affect their rights, and have certain obligations on a winding up.

Note 12: Shareholders' Equity

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Equity reconciliations			
Ordinary share capital			
Opening balance	**3,454**	3,389	3,313
Buy back	**(77)**	-	-
PRYMES conversion	**307**	-	-
Dividend reinvestment plan	**127**	65	70
Employee share ownership schemes	**9**	-	6
Purchase of treasury shares (1)	**(8)**	-	-
Share issue costs	**(1)**	-	-
Closing balance	**3,811**	3,454	3,389
Preference share capital			
Opening balance	**636**	636	636
AIFRS transition adjustments (2)	**(291)**	-	-
Restated opening balance	**345**	636	636
Closing balance	**345**	636	636
General reserve	**15**	15	15
Total share capital	**4,171**	4,105	4,040
Retained profits			
Opening balance	**906**	798	619
AIFRS transition adjustments (3)	**(131)**	-	38
Restated opening balance	**775**	798	657
Operating profit attributable to members of the Bank	**511**	487	491
Total available for appropriation	**1,286**	1,285	1,148
Transfer to general reserve for credit losses	**(4)**	-	-
Buy-back	**(224)**	-	-
Interim dividend - cash component	**-**	(282)	-
Interim dividend - dividend reinvestment plan	**-**	(65)	-
Payment of final dividend - cash component	**(237)**	-	(249)
Payment of final dividend - dividend reinvestment plan	**(127)**	-	(70)
Other dividends	**(9)**	(32)	(31)
Closing balance	**685**	906	798

(1) Relates to movements in treasury shares held within the employee share scheme trust
(2) Reclassification of PRYMES instruments from equity to liabilities from 1 October 2005
(3) AIFRS transition adjustments including:
- defined benefit plan deficit
- deferral of leveraged lease income
- share based payments
- transfer of asset revaluation reserve (net of tax) to retained earnings
- deferral of previously recognised fee income
- fair value recognition of financial assets and liabilities
- fair value recognition of derivatives
- recognition of share issue and conversion costs
- implementation of AIFRS loan impairment methodology

Note 12: Shareholders' Equity

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Reserves			
Depositors' and borrowers' redemption reserve			
Opening balance	**2**	2	2
AIFRS transition adjustments	**-**	-	-
Closing balance	**2**	2	2
Asset revaluation and realisation reserve			
Opening balance	**-**	-	83
AIFRS transition adjustment [1]	**-**	-	(83)
Restated opening balance	**-**	-	-
Closing balance	**-**	-	-
Foreign currency translation reserve			
Opening balance	**4**	1	2
AIFRS transition adjustments	**-**	-	-
Restated opening balance	**4**	1	2
Currency translation adjustments	**(6)**	3	(1)
Closing balance	**(2)**	4	1
Cash flow hedge reserve			
Opening balance	**-**	-	-
AIFRS transition adjustments [2]	**(19)**	-	-
Restated opening balance	**(19)**	-	-
Gains/(losses) on cash flow hedging instruments (net of tax):			
Recognised in equity	**(12)**	-	-
Transferred to the income statement	**3**	-	-
Closing balance	**(28)**	-	-

(1) Upon AIFRS transition, the deemed cost election was adopted, resulting in the transfer of the opening balance to retained earnings.
(2) Initial recognition of the cash flow hedge reserve (net of tax) upon AIFRS transition on 1 October 2005.

Note 12: Shareholders' Equity

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Reserves			
Equity compensation reserve			
Opening balance	**17**	11	-
AIFRS transition adjustments [3]	**-**	-	4
Restated opening balance	**17**	11	4
Current period movement	**5**	6	7
Closing balance	**22**	17	11
General reserve for credit losses [4]			
Opening balance	**-**	-	-
AIFRS transition adjustments [5]	**68**	-	-
Restated opening balance	**68**	-	-
Current period movement appropriation from retained profits	**4**	-	-
Closing balance	**72**	-	-
Available for sale reserve			
Opening balance	**-**	-	-
AIFRS transition adjustments [6]	**5**	-	-
Restated opening balance	**5**	-	-
Gains/(losses) on available for sale investments (net of tax)			
Recognised in equity	**1**	-	-
Closing balance	**6**	-	-
Total reserves	**72**	**23**	**14**
Shareholders' equity attributable to members of the Bank	**4,928**	**5,034**	**4,852**
Shareholders' equity attributable to minority interests	**21**	**353**	**354**
Total shareholders' equity	**4,949**	**5,387**	**5,206**

(3) Initial recognition of equity compensation reserve on 1 October 2004.
(4) The after tax equivalent of the collective provision and the balance of the general reserve for credit losses represent 0.5% of risk weighted assets.
(5) Initial recognition of a general reserve for credit losses on 1 October 2005.
(6) Initial recognition of the available for sale reserve (net of tax) on 1 October 2005.

Note 13: Minority Interests in Controlled Entities

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Depositary capital securities (DCS) [1]	-	334	334
Share capital	2	2	2
Perpetual notes	34	31	29
Accumulated losses	(15)	(14)	(11)
	21	353	354

(1) In accordance with AIFRS, from 1 October 2005, DCS were reclassified to liabilities and distributions are included in interest expense

Note 14: Condensed Consolidated Interim Statement of Cash Flows Notes

a. Reconciliation of net profit to net cash (used in)/provided by operating activities

	Half-Year to		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Net profit after income tax	510	485	488
Depreciation	34	34	33
Goodwill impairment	-	-	4
Amortisation of deferred expenditure	15	19	19
Write off of deferred expenditure and computer equipment	-	16	-
Decrease in accrued expenses	(7)	(10)	(13)
Increase/(decrease) in provision for income tax	(42)	16	(28)
(Increase)/decrease in interest receivable	(22)	8	(1)
Increase in other income receivable	(7)	(63)	(3)
(Increase)/decrease in trading securities	(1,031)	64	(1,154)
Increase/(decrease) in interest payable	33	7	(30)
Bad and doubtful debts expense	65	52	58
Share based compensation	6	6	7
Increase/(decrease) in provisions	(4)	13	(10)
Net profit on sale of property, plant and equipment	(6)	-	(30)
Net profit on sale of shares	(10)	(2)	(2)
Net profit on sale of business	-	-	(9)
Treasury trading profit	(34)	(38)	(34)
Fair value movement in non-trading derivatives	(10)	-	-
Net profit on sale of investment securities	-	(1)	-
Net cash (used in)/provided by operating activities	(510)	606	(705)

Note 14: Condensed Consolidated Interim Statement of Cash Flows Notes (continued)

b. Reconciliation of cash

For the purpose of the statement of cash flows, cash at the end of the half-year is reconciled to the following items in the balance sheet:

	As at		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Cash and liquid assets	1,128	1,184	1,191
Receivables due from other financial institutions - at call	975	1,111	738
Payables due to other financial institutions - at call	(421)	(91)	(992)
Bills payable	(191)	(131)	(138)
Cash and cash equivalents at the end of the half-year	1,491	2,073	799

c. Disposal of controlled entity

On 15 March 2006, the Group disposed of its 100% interest in Ascalon Capital Managers Limited ("ACML") for $23 million. ACML's contribution to net profit from 1 October 2005 to 15 March 2006 was $0.5 million.

	Half-year to		
	31 March 2006 $M	30 Sept 2005 $M	31 March 2005 $M
Disposal proceeds	23	-	-
Fair value of net tangible assets disposed	15	-	-
Profit on sale	8	-	-
Net inflow of cash	23	-	-

Note 15: Segmental Reporting

(a) Business Segments

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 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 the segment reporting for RB.

- 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 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 funds management and administration, margin lending, investment 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.

Note 15: Segmental Reporting

For the half-year ended 31 March 2006	Retail Bank $'M	Institutional & Business Banking $'M	BankSA $'M	Wealth Management $'M	Other $'M	Consolidated $'M
Segment revenue						
Net interest income	**512**	**273**	**145**	**34**	**-**	**964**
Non-interest income	**213**	**63**	**39**	**145**	**10**	**470**
Individually significant items	**-**	**-**	**-**	**-**	**-**	**-**
Total segment revenue	**725**	**336**	**184**	**179**	**10**	**1,434**
Segment expense						
Bad and doubtful debts	**54**	**5**	**5**	**1**	**-**	**65**
Operating expenses						
- Other provisions	**10**	**11**	**2**	**6**	**-**	**29**
- Depreciation	**24**	**4**	**5**	**1**	**-**	**34**
- Deferred expenditure amortisation	**12**	**1**	**2**	**-**	**-**	**15**
- Other expenses	**296**	**109**	**70**	**80**	**-**	**555**
Total operating expenses	**342**	**125**	**79**	**87**	**-**	**633**
Individually significant item	**-**	**-**	**-**	**-**	**-**	**-**
Goodwill impairment	**-**	**-**	**-**	**-**	**-**	**-**
Total segment expenses	**396**	**130**	**84**	**88**	**-**	**698**
Share of profit of investment in associates	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) before income tax expense	**329**	**206**	**100**	**91**	**10**	**736**
Expense to income ratio [1]	**47.2%**	**37.2%**	**42.9%**	**48.6%**		
Income tax expense						**226**
Profit after income tax						**510**
Minority interests						**(1)**
Profit after income tax and minority interests						**511**

As at 31 March 2006	Retail Bank $'M	Institutional & Business Banking $'M	BankSA $'M	Wealth Management $'M	Other $'M	Consolidated $'M
Segment Assets	**52,076**	**30,109**	**11,182**	**4,105**	**2,573**	**100,045**
Segment Liabilities	**25,921**	**59,777**	**7,297**	**1,015**	**1,086**	**95,096**
Other Segment Disclosure						
- Managed funds [2]	**2,221**	**-**	**437**	**34,507**	**-**	**37,165**

[1] Excludes bad and doubtful debts expense and goodwill impairment.
[2] The Group's managed funds activities are principally through Asgard Wealth Solutions, Advance Asset Management and St.George Wealth Management. The Group's managed funds comprise funds under management, funds under administration and funds under advice.

Note 15: Segmental Reporting

For the half-year ended 30 September 2005	Retail Bank $'M	Institutional & Business Banking $'M	BankSA $'M	Wealth Management $'M	Other $'M	Consolidated $'M
Segment revenue						
Net interest income	536	199	136	34	-	905
Non-interest income	182	140	48	131	-	501
Individually significant items	-	-	-	-	-	-
Total segment revenue	718	339	184	165	-	1,406
Segment expense						
Bad and doubtful debts	34	11	4	3	-	52
Operating expenses						
- Other provisions	15	13	5	7	-	40
- Depreciation	26	4	4	-	-	34
- Deferred expenditure amortisation	15	1	2	1	-	19
- Other expenses	308	105	70	80	-	563
Total operating expenses	364	123	81	88	-	656
Individually significant item	-	-	-	-	16	16
Goodwill impairment	-	-	-	-	-	-
Total segment expenses	398	134	85	91	16	724
Share of profit of investment in associates	-	-	-	-	-	-
Profit/(loss) before income tax expense	320	205	99	74	(16)	682
Expense to income ratio [(1)]	50.7%	36.3%	44.0%	53.3%		
Income tax expense						197
Profit after income tax						485
Minority interests						(2)
Profit after income tax and minority interests						487

As at 30 September 2005	Retail Bank $'M	Institutional & Business Banking $'M	BankSA $'M	Wealth Management $'M	Other $'M	Consolidated $'M
Segment Assets	49,262	26,530	10,441	3,806	2,320	92,359
Segment Liabilities	25,256	53,307	6,785	1,027	597	86,972
Other Segment Disclosure						
- Managed funds [(2)]	2,004	-	438	30,200	-	32,642

Note 15: Segmental Reporting

For the half-year ended 31 March 2005	Retail Bank $'M	Institutional & Business Banking $'M	BankSA $'M	Wealth Management $'M	Other $'M	Consolidated $'M
Segment revenue						
Net interest income	525	210	131	30	-	896
Non-interest income	184	118	42	127	-	471
Individually significant items	-	-	-	-	16	16
Total segment revenue	709	328	173	157	16	1,383
Segment expense						
Bad and doubtful debts	34	18	5	1	-	58
Operating expenses						
- Other provisions	9	12	3	6	-	30
- Depreciation	24	3	5	1	-	33
- Deferred expenditure amortisation	15	2	2	-	-	19
- Other expenses	296	97	68	77	-	538
Total operating expenses	344	114	78	84	-	620
Individually significant item	-	-	-	-	-	-
Goodwill impairment	-	-	-	-	4	4
Total segment expenses	378	132	83	85	4	682
Share of profit of investment in associates	-	(3)	-	-	-	(3)
Profit/(loss) before income tax expense	331	199	90	72	12	704
Expense to income ratio [1]	48.5%	34.8%	45.1%	53.5%		
Income tax expense						216
Profit after income tax						488
Minority interests						(3)
Profit after income tax and minority interests						491

As at 31 March 2005	Retail Bank $'M	Institutional & Business Banking $'M	BankSA $'M	Wealth Management $'M	Other $'M	Consolidated $'M
Segment Assets	46,489	25,825	9,666	3,566	2,268	87,814
Segment Liabilities	24,110	50,567	6,347	886	698	82,608
Other Segment Disclosure						
- Managed funds [2]	1,989	-	394	25,429	-	27,812

(b) Geographical Segments

The Group operates predominantly in Australia.

Note 16: Contingent Liabilities

There have been no significant changes in contingent liabilities from those disclosed in the 30 September 2005 Full Financial Report.

Note 17: Explanation of transition to AIFRS

As stated in Note 1(a), these are the Group's first consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with AIFRS.

The accounting policies set out in Note 1 have been applied in preparing the financial statements for the half-year ended 31 March 2006, the comparative information presented in these financial statements for the half-years ended 31 March 2005 and 30 September 2005 and in the preparation of an opening AIFRS balance sheet at 1 October 2004 (the Group's date of transition).

As noted in Note 1(b), comparative figures and the opening AIFRS balance sheet at 1 October 2004 have been prepared in accordance with AIFRS, except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement.

These standards have not been applied against comparative information in line with the exemption provided by AASB 1.

In preparing its opening AIFRS balance sheet and comparative period results, the Group has adjusted amounts reported previously in financial statements prepared in accordance with the previous basis of accounting (Australian GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the Group's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Explanation of AIFRS Transition Adjustments

In explaining the impact of adopting AIFRS, adjustments have been categorised into reclassifications of existing assets, liabilities and equity, consolidation of new entities into the Group and the recognition of new items in the income statement and balance sheet.

The following reconciliations of AIFRS impacts have been provided:

Income statement	Balance sheet
Half-year ended 31 March 2005	1 October 2004
	31 March 2005
Half-year ended 30 September 2005	30 September 2005
	1 October 2005

Note 17: Explanation of transition to AIFRS

In accordance with the exemption available under AASB 1, comparative information has not been restated under AASB 132 and AASB 139. Accordingly, AIFRS adjustments relating to these standards have only been included in the 1 October 2005 balance sheet reconciliation.

(i) Reclassifications

In accordance with AIFRS disclosure requirements, assets and liabilities reported under previous GAAP have been reclassified.

Significant items reclassified for periods prior to 1 October 2005 include:

- Deferred computer software expenditure has been reclassified from other assets to intangible assets (refer note (ix)).
- Deferred tax assets and liabilities have been separately identified within the balance sheet (refer note (vii)).

Significant items reclassified from 1 October 2005 include:

- Derivative assets and liabilities recognised under previous GAAP have been reclassified from other assets and other liabilities to derivative assets and derivative liabilities respectively (refer note (xii)).
- Trading assets and part of other investments have been reclassified to assets at fair value through the income statement (refer note (xiv)).
- Investment securities and part of other investments have been reclassified to available for sale investments (refer note (xiv)).
- Deferred origination costs previously recognised within other assets have been reclassified to loans and other receivables (refer note (xi)).
- Reclassification of Depositary Capital Securities included within minority interests under previous GAAP to liabilities at fair value through the income statement (refer note (x)).
- Reclassification of Preferred Resetting Yield Marketable Equity Securities included within shareholders' equity under previous GAAP to bonds and notes (refer note (x)).
- Reclassification of income earned from other income to interest income (refer note (xvi)).

Note 17: Explanation of transition to AIFRS

(ii) Consolidation

AIFRS has resulted in the consolidation of both St.George's securitised assets and certain asset-backed conduit vehicles. The consolidation of these vehicles from 1 October 2004 results in a "gross-up" of the balance sheet and income statement, however there is no significant impact on profit or shareholders' equity.

(iii) Recognition and measurement

AIFRS has required a change from previous GAAP recognition and measurement practices for both income statement and balance sheet items.

Significant items for periods prior to 1 October 2005 include:

- Goodwill is no longer amortised, instead being subject to an annual assessment for impairment.
- The fair value of equity instruments granted to employees after 7 November 2002 which are unvested at 1 January 2005 is recognised as an expense over the vesting period.
- Leveraged lease income is recognised over the lease term on an effective pre-tax yield basis.
- Land and buildings are recognised at deemed cost, with the previous asset revaluation reserve transferred to retained earnings and the recognition of a deferred tax liability.
- The defined benefit plan deficit is recognised as a liability.
- Certain items previously included within deferred expenditure are no longer eligible for recognition within intangible assets and have been written off.
- Income tax deferred assets and liabilities are recognised based upon a "balance sheet approach".

Significant items for periods from 1 October 2005 include:

- Share issue and redemption costs relating to the PRYMES are included in the measurement value of the liabilities.
- Certain fees previously recognised as income are deferred and recognised on an effective yield basis.
- All derivatives are recognised at fair value, with hedge accounting applied in circumstances where strict criteria are satisfied.
- Loan provisioning methodologies have changed, resulting in the write back of general provisions under previous GAAP and the recognition of AIFRS collective provisions.
- Financial instruments have been recognised as available for sale investments at fair value with changes in fair value recognised in an equity reserve.
- Depositary Capital Securities and related derivatives are fair valued through the income statement.

Note 17: Explanation of transition to AIFRS

Income statement reconciliation

The following tables reconcile comparative income statement figures from AGAAP to AIFRS.

	Half year ended 31 March 2005				
		AIFRS Transition adjustments (1)			
	AGAAP Group $M	Consolidation $M	Recognition and measurement $M	Total AIFRS transition $M	AIFRS Group $M
Interest income	2,263	377	-	377	**2,640**
Interest expense	1,412	332	-	332	**1,744**
Net interest income	851	45 (iii)	-	45	**896**
Other income	533	(46) (iii)	-	(46)	**487**
Total ordinary income	1,384	(1)	-	(1)	**1,383**
Bad and doubtful debts expense	58			-	**58**
Operating expenses	614	(1) (iii)	7 (ii)	6	**620**
Share of net profit of equity accounted associates	3	-	-	-	**3**
Goodwill amortisation and write-off	55	-	(51) (i)	(51)	**4**
Profit from ordinary activities before income tax	**660**	**-**	**44**	**44**	**704**
Income tax expense	216	-	-	-	**216**
Profit from ordinary activities after income tax	**444**	**-**	**44**	**44**	**488**
Attributable to:					
Minority interests	(3)	-	-	-	**(3)**
Equity holders	447	-	44	44	**491**

(1) Further explanation of AIFRS transition impacts is set out on pages 58 to 65

	Half year ended 30 September 2005				
		AIFRS Transition adjustments (1)			
	AGAAP Group $M	Consolidation $M	Recognition and measurement $M	Total AIFRS transition $M	AIFRS Group $M
Interest income	2,423	442	-	442	2,865
Interest expense	1,567	393	-	393	1,960
Net interest income	856	49 (iii)	-	49	905
Other income	551	(50) (iii)		(50)	501
Total ordinary income	1,407	(1)	-	(1)	1,406
Bad and doubtful debts expense	52	-	-	-	52
Operating expenses	665	(1) (iii)	8 (ii),(v)	7	672
Share of net profit of equity accounted associates	-	-	-	-	-
Goodwill amortisation and write-off	50	-	(50) (i)	(50)	-
Profit from ordinary activities before income tax	**640**	**-**	**42**	**42**	**682**
Income tax expense	198	-	(1) (v)	(1)	197
Profit from ordinary activities after income tax	**442**	**-**	**43**	**43**	**485**
Attributable to:					
Minority interests	(2)			-	(2)
Equity holders	444	-	43	43	487

(1) Further explanation of AIFRS transition impacts is set out on pages 58 to 65

Note 17: Explanation of transition to AIFRS

Balance sheet reconciliation

	1 October 2004							
		AIFRS Transition adjustments [1]						
	AGAAP Group $M	Re-classification $M		Consolidation $M	Recognition and measurement $M		Total AIFRS transition $M	AIFRS Group $M
ASSETS								
Cash and liquid assets	1,180						-	1,180
Receivables from other financial institutions	371			631			631	1,002
Assets at fair value through income statement	5,200						-	5,200
Investment securities	415			1,022			1,022	1,437
Loans and other receivables	54,782			10,552	(13)	(iv)	10,539	65,321
Bank acceptances of customers	5,132						-	5,132
Investments in associated companies	2						-	2
Other investments	76			(22)			(22)	54
Property, plant and equipment	472						-	472
Intangible assets	1,165	103	(ix)		(3)	(ix)	100	1,265
Deferred tax assets	86				2	(vi)	2	88
Other assets	1,079	(103)	(ix)	(50)			(153)	926
Total assets	**69,960**	**-**		**12,133**	**(14)**		**12,119**	**82,079**
LIABILITIES								
Deposits and other borrowings	46,083			1,049			1,049	47,132
Payables to other financial institutions	758						-	758
Bank acceptances	5,132						-	5,132
Provision for dividends	12						-	12
Income tax liability	365	(365)					(365)	-
Current tax liability	-	154					154	154
Deferred tax liability	-	211			22	(iv),(v) (vii),(ix)	233	233
Other provisions	106						-	106
Bonds and notes	9,769			10,347			10,347	20,116
Loan capital	1,619						-	1,619
Bills payable and other liabilities	1,087			737	5	(vi)	742	1,829
Total liabilities	**64,931**	**-**		**12,133**	**27**		**12,160**	**77,091**
Net assets	**5,029**	**-**		**-**	**(41)**		**(41)**	**4,988**
SHAREHOLDERS' EQUITY								
Share capital	3,964						-	3,964
Reserves	87				(79)	(ii),(v)	(79)	8
Retained profits	619				38	(ii),(iv),(v) (vi),(vii),(ix)	38	657
Shareholders' equity attributable to members of the Bank	4,670	-		-	(41)		(41)	4,629
Minority interests in controlled entities	359						-	359
Total shareholders' equity	**5,029**	**-**		**-**	**(41)**		**(41)**	**4,988**

(1) Further explanation of AIFRS transition impacts is set out on pages 58 to 65.

Note 17: Explanation of transition to AIFRS

Balance sheet reconciliation

	31 March 2005							
		AIFRS Transition adjustments [1]						
	AGAAP Group $M	Re-classification $M		Consolidation $M	Recognition and measurement $M		Total AIFRS transition $M	AIFRS Group $M
ASSETS								
Cash and liquid assets	1,191						-	1,191
Receivables from other financial institutions	279			459			459	738
Assets at fair value through income statement	6,365			260			260	6,625
Investment securities	522			1,119			1,119	1,641
Loans and other receivables	57,450			11,674	(13)	(iv)	11,661	69,111
Bank acceptances of customers	5,419						-	5,419
Investments in associated companies	3						-	3
Other investments	73			(22)			(22)	51
Property, plant and equipment	456						-	456
Intangible assets	1,110	99	(ix)		48	(i),(ix)	147	1,257
Deferred tax assets	81				2	(vi)	2	83
Other assets	1,391	(99)	(ix)	(53)			(152)	1,239
Total assets	**74,340**	**-**		**13,437**	**37**		**13,474**	**87,814**
LIABILITIES								
Deposits and other borrowings	48,383			1,142			1,142	49,525
Payables to other financial institutions	992						-	992
Bank acceptances	5,419						-	5,419
Provision for dividends	11						-	11
Income tax liability	337	(337)					(337)	-
Current tax liability	-	136					136	136
Deferred tax liability	-	201			22	(iv),(v) (vii),(ix)	223	223
Other provisions	97						-	97
Bonds and notes	10,602			11,329			11,329	21,931
Loan capital	1,963						-	1,963
Bills payable and other liabilities	1,340			966	5	(vi)	971	2,311
Total liabilities	**69,144**	**-**		**13,437**	**27**		**13,464**	**82,608**
Net assets	**5,196**	**-**		**-**	**10**		**10**	**5,206**
SHAREHOLDERS' EQUITY								
Share capital	4,040						-	4,040
Reserves	86				(72)	(ii),(v)	(72)	14
Retained profits	716				82	(i),(ii),(iv),(v) (vi),(vii),(ix)	82	798
Shareholders' equity attributable to members of the Bank	4,842	-		-	10		10	4,852
Minority interests in controlled entities	354						-	354
Total shareholders' equity	**5,196**	**-**		**-**	**10**		**10**	**5,206**

(1) Further explanation of AIFRS transition impacts is set out on pages 58 to 65.

Note 17: Explanation of transition to AIFRS

Balance sheet reconciliation

	30 September 2005							
		AIFRS Transition adjustments [1]						
	AGAAP Group $M	Re-classification $M		Consolidation $M	Recognition and measurement $M		Total AIFRS transition $M	AIFRS Group $M
ASSETS								
Cash and liquid assets	1,184						-	1,184
Receivables from other financial institutions	529			582			582	1,111
Assets at fair value through income statement	6,295			(288)			(288)	6,007
Investment securities	18			1,131			1,131	1,149
Loans and other receivables	59,687			13,275	(13)	(iv)	13,262	72,949
Bank acceptances of customers	7,098						-	7,098
Investments in associated companies	-						-	-
Other investments	67			(22)			(22)	45
Property, plant and equipment	459				(7)	(v)	(7)	452
Intangible assets	1,060	110	(ix)		98	(i),(ix)	208	1,268
Deferred tax assets	91				2	(vi)	2	93
Other assets	1,101	(110)	(ix)	12			(98)	1,003
Total assets	**77,589**	**-**		**14,690**	**80**		**14,770**	**92,359**
LIABILITIES								
Deposits and other borrowings	48,149			1,026			1,026	49,175
Payables to other financial institutions	91						-	91
Bank acceptances	7,098						-	7,098
Provision for dividends	12						-	12
Income tax liability	353	(353)					(353)	-
Current tax liability	-	157					157	157
Deferred tax liability	-	196			21	(iv),(v) (vii),(ix)	217	217
Other provisions	109						-	109
Bonds and notes	13,139			12,779			12,779	25,918
Loan capital	1,956						-	1,956
Bills payable and other liabilities	1,349			885	5	(vi)	890	2,239
Total liabilities	**72,256**	**-**		**14,690**	**26**		**14,716**	**86,972**
Net assets	**5,333**	**-**		**-**	**54**		**54**	**5,387**
SHAREHOLDERS' EQUITY								
Share capital	4,105						-	4,105
Reserves	94				(71)	(ii),(v)	(71)	23
Retained profits	781				125	(i),(ii),(iv),(v) (vi),(vii),(ix)	125	906
Shareholders' equity attributable to members of the Bank	4,980	-		-	54		54	5,034
Minority interests in controlled entities	353						-	353
Total shareholders' equity	**5,333**	**-**		**-**	**54**		**54**	**5,387**

(1) Further explanation of AIFRS transition impacts is set out on pages 58 to 65.

Note 17: Explanation of transition to AIFRS

Balance sheet reconciliation

	1 October 2005						
			AIFRS Transition adjustments (2)				
	AGAAP Group $M	Total AIFRS adjustments (1) $M	Re-classification $M	Recognition and measurement $M		Total AIFRS transition $M	AIFRS Group $M
ASSETS							
Cash and liquid assets	1,184	-				-	1,184
Receivables from other financial institutions	529	582				582	1,111
Assets at fair value through income statement	6,295	(288)	(1,313)	(2)	(xiv)	(1,603)	4,692
Derivative assets	-		368	99	(xii)	467	467
Available for sale investments	-		1,170	7	(xiv)	1,177	1,177
Investment securities	18	1,131	(1,149)			(18)	-
Loans and other receivables	59,687	13,262	73	(113)	(xi),(xiii)	13,222	72,909
Bank acceptances of customers	7,098	-	1,337	(29)	(xvi)	1,308	8,406
Investments in associated companies	-	-				-	-
Other investments	67	(22)	(45)			(67)	-
Property, plant and equipment	459	(7)				(7)	452
Intangible assets	1,060	208				208	1,268
Deferred tax assets	91	2		155	(xi),(xii),(xiii) (x),(xvi)	157	248
Other assets	1,101	(98)	(441)	(3)	(x),(xii)	(542)	559
Total assets	**77,589**	**14,770**	**-**	**114**		**14,884**	**92,473**
LIABILITIES							
Deposits and other borrowings	48,149	1,026				1,026	49,175
Payables to other financial institutions	91	-				-	91
Liabilities at fair value through the income statement	-		382	17	(x)	399	399
Derivative liabilities	-		1,558	109	(xii)	1,667	1,667
Bank acceptances	7,098	-		(28)	(xvi)	(28)	7,070
Provision for dividends	12	-				-	12
Income tax liability	353	(353)				(353)	-
Current tax liability	-	157				157	157
Deferred tax liabilities	-	217		47	(xi),(xii) (xiv),(xvi)	264	264
Other provisions	109	-				-	109
Bonds and notes	13,139	12,779	293	12	(x),(xii)	13,084	26,223
Loan capital	1,956	-				-	1,956
Bills payable and other liabilities	1,349	890	(1,608)	34	(xii)	(684)	665
Total liabilities	**72,256**	**14,716**	**625**	**191**		**15,532**	**87,788**
Net assets	**5,333**	**54**	**(625)**	**(77)**		**(648)**	**4,685**
SHAREHOLDERS' EQUITY							
Share capital	4,105	-	(291)			(291)	3,814
Reserves	94	(71)		54	(xii) (xiii),(xiv)	(17)	77
Retained profits	781	125		(131)	(xi),(xiii) (x),(xii),(xiv)	(6)	775
Shareholders' equity attributable to members of the Bank	4,980	54	(291)	(77)		(314)	4,666
Minority interests in controlled entities	353	-	(334)			(334)	19
Total shareholders' equity	**5,333**	**54**	**(625)**	**(77)**		**(648)**	**4,685**

(1) Represents the AIFRS impact as at 30 September 2005 of the application of all AIFRS standards except AASB 132 and 139 from 1 October 2004.
(2) Represents AIFRS transition impacts for AASB 132 and 139 which have been adjusted as at 1 October 2005 (these are explained on pages 61 to 65).

Note 17: Explanation of transition to AIFRS

Reconciliation of Shareholders' Equity

The following table summarises the AIFRS transition impact on the components of shareholders' equity at each balance date shown.

	Note	1 Oct 2004 $M	Income statement for half year ended 31 March 2005 $M	Income statement for half year ended 30 Sept 2005 $M	1 Oct 2005 $M	Total $M
RETAINED EARNINGS						
AIFRS transition adjustments:						
Goodwill	(i)	-	51	50	-	101
Share based payments	(ii)	(4)	(7)	(6)	-	(17)
Leveraged leases	(iv)	(9)	-	-	-	(9)
Land and buildings	(v)	54	-	(1)	-	53
Employee benefits	(vi)	(3)	-	-	-	(3)
Income tax	(vii)	2	-	-	-	2
Intangibles	(ix)	(2)	-	-	-	(2)
Hybrid financial instruments	(x)	-	-	-	(28)	(28)
Transaction fees and costs	(xi)	-	-	-	(86)	(86)
Hedging	(xii)	-	-	-	(20)	(20)
Loan provisioning	(xiii)	-	-	-	73	73
Loan provisioning	(xiii)	-	-	-	(68)	(68)
Financial instruments	(xiv)				(2)	(2)
		38	44	43	(131)	(6)
SHARE CAPITAL						
AIFRS transition adjustments:						
Hybrid financial instruments	(x)	-	-	-	(291)	(291)
		-	-	-	(291)	(291)
OTHER RESERVES						
AIFRS transition adjustments:						
Share based payments	(ii)	4	7	6	-	17
Property, plant and equipment	(v)	(83)	-	(5)	-	(88)
Hedging	(xii)				(19)	(19)
Financial instruments	(xiv)	-	-	-	5	5
General reserve for credit losses	(xiii)	-	-	-	68	68
		(79)	7	1	54	(17)
Total AIFRS adjustments to equity attributable to members of the Bank		**(41)**	**51**	**44**	**(368)**	**(314)**
MINORITY INTERESTS						
AIFRS transition adjustments:						
Hybrid financial instruments	(x)	-	-	-	(334)	(334)
		-	-	-	(334)	(334)

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2004

(i) Goodwill

In accordance with the election available under AASB 1, the Group has not restated any business combinations that occurred prior to 1 October 2004.

Goodwill is recognised under AIFRS at cost less accumulated amortisation as at 1 October 2004 and is subject to an annual assessment for impairment. If there is any goodwill impairment, it will be recognised immediately in the income statement. There is no goodwill impairment in existence as at 1 October 2004 or 30 September 2005.

Goodwill will no longer be subject to periodic amortisation and the goodwill amortisation charge recognised under previous GAAP has been reversed. This has resulted in an increase in profit after tax of $51 million for the half-year to 31 March 2005 and $50 million for the half-year to 30 September 2005. In addition, the carrying amount of goodwill has been increased by $51 million as at 31 March 2005 and $101 million as at 30 September 2005.

(ii) Share based compensation

The Group did not recognise an expense in relation to its employee share and options schemes under previous GAAP. Following transition to AIFRS, the fair value of equity instruments granted to employees has been calculated and recognised as an expense through amortisation over the relevant vesting period, adjusted for the expected and actual level of vesting for non-market related vesting conditions.

In accordance with the election available under AASB 1, the Group has only applied the AASB 2 “Share-based Payment” to equity instruments granted after 7 November 2002 that vested after 1 January 2005.

Upon transition to AIFRS, a reduction of $4 million to retained earnings at 1 October 2004 was recognised, representing the expensing of employee equity grants over the vesting period to this date. In addition, an expense of $7 million was recognised to restate the result for the half-year to 31 March 2005 and $6 million for the half-year to 30 September 2005. In conjunction with the recognition of an expense for employee equity grants, a corresponding increase is recognised within an equity compensation reserve.

(iii) Consolidation

AIFRS introduces new requirements for the recognition of financial assets, including those transferred to a special purpose vehicle as part of securitisation transactions. Existing securitisations, both of St.George’s assets and assets held in asset-backed conduit vehicles, had not been consolidated within the St.George Group under previous GAAP. However, under AIFRS the Group is considered to control these special purpose vehicles and therefore is required to consolidate these entities.

The new AIFRS consolidation requirements have resulted in a gross-up of assets and liabilities within the balance sheet as at 1 October 2004 of $11.1 billion (31 March 2005: $12.3 billion; 30 September 2005: $13.6 billion) in relation to the securitisation of St.George’s assets and $1.0 billion (31 March 2005: $1.1 billion; 30 September 2005: $1.1 billion) in relation to asset-backed conduit vehicles.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2004

The consolidation of these vehicles has no net profit impact however, it does result in a reclassification of items within the income statement. For the half-year ended 31 March 2005, net interest income increases by $45 million, non-interest income decreases by $46 million and operating expenses decrease by $1 million. For the half-year ended 30 September 2005, net interest income increases by $49 million, non-interest income decreases by $50 million and operating expenses decrease by $1 million.

In addition, certain asset-backed conduit vehicle assets recognised upon consolidation are classified as available for sale investments, with movements in their fair value recognised in an available for sale reserve within equity from 1 October 2005.

(iv) Leveraged leases

Income from leveraged leases was recognised under previous GAAP progressively over the lease term on an effective yield after tax basis, with related upfront fee income recognised upon receipt.

Under AIFRS, all income on leveraged leases is recognised progressively over the lease term on an effective pre-tax yield basis.

A transitional adjustment was recognised at 1 October 2004 to increase unearned income by $13 million and decrease deferred tax liabilities by $4 million, resulting in a $9 million reduction to retained earnings.

There has been no significant impact on net profit during 2005 as a result of the revised AIFRS income recognition methodology.

(v) Property, Plant and Equipment

The Group recognised land and buildings under previous GAAP at revalued amounts, with revaluation increments and decrements recorded in an asset revaluation and realisation reserve.

In accordance with the election available under AASB 1, the Group has used the revalued amount for land and buildings under previous GAAP as at 1 October 2004 as "deemed cost" under AIFRS. The balance of the asset revaluation and realisation reserve of $83 million at 1 October 2004 has been transferred to opening retained earnings and together with the recognition of a deferred tax liability of $29 million, has resulted in an increase in retained earnings of $54 million. In addition, the movement in the asset revaluation reserve under previous GAAP of $7 million (prior to decrements recognised in the asset revaluation reserve of $2 million) for the half-year to 30 September 2005 has been reversed. At 30 September 2005, this resulted in a decrease in land and buildings of $7 million, a decrease in the asset revaluation and realisation reserve of $5 million and a decrease in retained earnings of $2 million due to the recognition of an impairment loss on land and buildings, as discussed below.

The previous GAAP results for the half-year to 30 September 2005 has been reduced by $1 million after tax under AIFRS, reflecting the combined impact of the recognition of land and buildings impairment that was not reflected in the previous GAAP Statements of Financial Performance but was recognised in an asset revaluation reserve of $2 million and the reversal of a deferred tax liability of $1 million on buildings sold during 2005.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2004

(vi) Employee benefits

The Group did not recognise an asset or liability in its balance sheet for the net position of the defined benefit superannuation scheme sponsored by the Group.

On adoption of AIFRS, a deficit of $5 million within the Group's defined benefit plan was recognised as a liability, together with a $2 million increase in deferred tax assets and a decrease in opening retained earnings at 1 October 2004 of $3 million.

The revised AASB 119 (issued in December 2004) permits a number of options for recognising actuarial gains and losses on an ongoing basis. The Group has adopted the revised AASB119 and has elected to apply the option to recognise actuarial gains and losses directly in retained earnings.

(vii) Income tax

Upon transition to AIFRS, the Group has changed from the liability method to a "balance sheet approach" to tax effect accounting that requires deferred tax balances to be recognised where there is a difference between the carrying value of an asset/liability and its tax base. In addition, under AIFRS the tax effect follows the underlying transaction and hence can be recognised in equity or as an income tax expense.

The tax adjustments to deferred tax assets and liabilities that arise on transition to other AIFRS standards as at 1 October 2004, comprise an increase of $2 million in deferred tax assets associated with the defined benefit superannuation deficit, a decrease in deferred tax liabilities of $1 million associated with the write-off of intangible assets relating to capitalised software, an increase of $29 million in deferred tax liabilities representing the tax effect of the balance of the asset revaluation reserve transferred to opening retained earnings and a decrease of $4 million in deferred tax liabilities relating to the change in revenue recognition for leveraged leases. The nature of these adjustments is further explained above.

In addition, a net transitional adjustment decrease to deferred tax liabilities of $2 million and a $2 million increase to opening retained earnings at 1 October 2004 arises from the change in method of accounting for income taxes from an income statement approach to a balance sheet approach for items not previously required to be recognised. This represents the tax effect of tax and accounting carrying value base differences on buildings of $8 million.

Deferred tax assets have been separately recognised on the face of the balance sheet, resulting in a decrease in other assets of $86 million at 1 October 2004, $81 million at 31 March 2005 and $91 million at 30 September 2005. Current and deferred tax liabilities, previously recognised within income tax liability, have been separately recognised on the face of the balance sheet.

(viii) Life insurance accounting

On transition to AIFRS, the asset representing the Excess of Net Market Value over Net Assets (EMVONA) of a life insurance entity's controlled entities can no longer be recognised. As the Group's life insurance entity did not recognise any EMVONA, this requirement has had no impact.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2004

(ix) Intangible assets

On transition to AIFRS, certain items previously included within deferred expenditure are no longer eligible for recognition within intangible assets and have been written off. As at 1 October 2004, this resulted in a reduction in intangible assets of $3 million, a reduction in deferred tax liabilities of $1 million and a decrease to retained earnings of $2 million.

In addition, the Group's deferred expenditure has been reclassified to intangible assets, resulting in a decrease in other assets and a corresponding increase in intangible assets of $103 million at 1 October 2004, $99 million at 31 March 2005 and $110 million at 30 September 2005.

AIFRS impacts from 1 October 2005

(x) Hybrid financial instruments

PRYMES and DCS, which were classified as equity under previous GAAP, are reclassified as debt under AIFRS. This resulted in a $625 million decrease in shareholders' equity on transition. The dividends payable (where applicable) on these instruments are classified as interest expense under AIFRS. The SAINTS and the Perpetual Notes will continue to be classified as equity under AIFRS.

The DCS include a number of embedded derivatives that are required under AIFRS to be carried at fair value. The Group has elected to measure the DCS from 1 October 2005 at fair value to the income statement in accordance with the available alternative in AASB 139, resulting in all changes in fair value of the DCS and its embedded derivatives being recognised in the income statement. The impact on the income statement will be partially offset by the fair value recognition on the balance sheet of the derivative that was entered into at the time of the issue of the DCS, whose changes in fair value are also recognised within the income statement. At 1 October 2005, a fair value adjustment to increase the DCS liability by $17 million was recognised together with a deferred tax asset of $5 million, resulting in the reduction in retained earnings of $12 million. In addition, $48 million of associated derivative liabilities and distribution provisions have been reclassified from other liabilities to liabilities at fair value through the income statement.

Share issue costs relating to PRYMES have been netted against the proceeds from the issue of these securities and classified as equity under previous GAAP. Under AIFRS, share issue costs are deferred and recognised as an adjustment to the yield of the instrument. At 1 October 2005, $15 million of share issue costs and a redemption premium have been recognised as a reduction to opening retained earnings. In addition, the amounts payable to holders of the PRYMES of $2 million have been reclassified and included within the underlying liability balance.

Share issue costs relating to the DCS had been deferred and amortised under previous GAAP. Following the election to recognise the DCS under the fair value option, the remaining balance of deferred costs have been recognised as a reduction to retained earnings of $1 million at 1 October 2005.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2005

(xi) Transaction fees and costs

AIFRS requires fee income that is integral to an instrument to be recognised as an adjustment to the yield of that instrument. AIFRS also requires the deferral of directly attributable incremental loan origination costs and their recognition as a yield adjustment net of any fees received. The Group deferred and amortised certain home loan broker origination costs under previous GAAP.

On transition, certain fees previously recognised as income, have been deferred in the balance sheet with a corresponding adjustment to retained earnings. This adjustment on transition at 1 October 2005 has resulted in a decrease in loans and receivables of $122 million, an increase in deferred tax assets of $42 million, an increase in deferred tax liabilities of $6 million, and a reduction in retained earnings of $86 million.

In addition, deferred origination costs recognised within other assets under previous GAAP of $73 million have been reclassified within loans and other receivables from 1 October 2005.

The classification of certain fee income and loan origination costs that are integral to the yield of an instrument will change from non-interest income under previous GAAP to interest income under AIFRS.

(xii) Derivatives and hedging

Under AIFRS, all derivatives contracts, whether used as hedging instruments or otherwise, will be carried at fair value in St.George's balance sheet, with a corresponding entry to the income statement or an equity reserve. Under previous GAAP, St.George recognised trading derivatives on a mark to market basis on balance sheet and hedging derivatives on an accruals basis.

AIFRS introduces new requirements in relation to the application of hedge accounting for derivative contracts. Amongst those requirements, hedging instruments must satisfy hedge effectiveness tests.

To the extent hedges are considered ineffective, AIFRS requires such ineffectiveness to be reflected in the income statement. Where ineffectiveness is outside the prescribed range, AASB 139 precludes the use of hedge accounting, which may result in volatility in the income statement. St.George has adopted cash flow hedging and a combination of fair value and cash flow hedging methods in respect of its interest rate and currency hedges respectively. To the extent the fair value hedges are effective, this fair value movement of the derivative instrument will largely offset the movement in the fair value of the underlying hedged item for the risks hedged, which will also be recorded in the income statement. To the extent that cash flow hedges are effective, the fair value movements in derivative instruments will be taken to equity rather than the income statement.

Certain derivatives used to manage short-term balance sheet structural interest rate risks in the banking book will not be eligible for hedge accounting such as Overnight Index Swaps and Forward Rate Agreements. To the extent these and any other non-trading derivatives do not qualify for hedge relationships, additional volatility will arise.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2005

On transition at 1 October 2005, derivative assets of $368 million have been reclassified from other assets and separately recognised and derivative liabilities of $1.558 billion have been reclassified from other liabilities and separately recognised. In addition, the recognition of all derivatives at fair value, together with the application of fair value and cash flow hedging, resulted in an increase in derivative assets and derivative liabilities of $99 million and $109 million respectively, an increase in deferred tax assets and liabilities of $35 million and $31 million respectively, a hedge fair value adjustment reducing bonds and notes by $3 million, a decrease of other assets of $2 million and an increase in other liabilities of $34 million. This has resulted in a decrease in retained earnings of $20 million and the recognition of a cash flow hedging reserve of $19 million after tax.

(xiii) Loan provisioning

AIFRS adopts an approach known as "incurred losses" for loan provisioning and provides guidance on measurement of incurred losses. Provisions are raised for losses that have already been incurred for loans that are known to be impaired. The estimated cash flows on these impaired loans are then discounted to their present value to determine their recoverable amount and the associated provision. As this discount unwinds, there is a resulting recognition of interest in the income statement during the period between recognition of impairment and recovery of the written down amount.

Loans found not to be individually impaired are placed into pools of similar assets with similar risks characteristics to be collectively assessed for impairment. A collective impairment provision may be required where impairment events have occurred but these events cannot be attributed to individual exposures at the reporting date. The collective impairment loss is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The general provision under previous GAAP, based on 0.5% of risk weighted assets, together with certain portfolio provisions on retail loans, have been written back against retained earnings and replaced by a provision based on collective assessment in accordance with AIFRS that has been tax effected. Specific provisions will continue but will be measured based on AIFRS requirements.

A portion of the specific provision of $35 million, an associated deferred tax asset of $10 million, and the general provision of $219 million, which was recognised under previous GAAP, has been reversed to retained earnings. This has resulted in an increase in retained earnings of $244 million.

In accordance with the requirements of AASB 139, a collective provision of $245 million together with a deferred tax asset of $74 million has been recognised under AIFRS. This has resulted in a decrease in retained earnings of $171 million.

The difference between the after tax equivalent of the former AGAAP general provision (based on 0.5% of risk weighted assets) and the after tax equivalent of the collective provision has been appropriated from retained earnings to a general reserve for credit losses at 1 October 2005. This has resulted in a $68 million increase in the general reserve for credit losses and a corresponding decrease in retained earnings. This decrease in retained earnings offsets a net increase in retained earnings of $73 million, which resulted from the write back of AGAAP loan provisions, and the recognition of AIFRS loan provisions.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2005

(xiv) Financial instruments

Financial assets carried at net fair value and amortised cost under previous GAAP, have been reclassified to assets at fair value through the income statement, with unrealised changes in fair value recognised within the income statement. Included within the reclassification of these securities are trading assets of $6,295 million and other investments of $24 million as at 1 October 2005.

The use of quoted bid prices in the calculation of the fair value of trading securities has, on transition at 1 October 2005, resulted in a decrease in assets at fair value through the income statement and a corresponding decrease in retained earnings of $2 million.

Financial assets carried at amortised cost under previous GAAP, have been reclassified under AIFRS to Available for Sale (AFS) securities, with unrealised changes in fair value recognised within an equity reserve. Included within the reclassification of these securities are investment securities of $1,149 million and other investments of $21 million as at 1 October 2005. On transition at 1 October 2005, this has resulted in an increase in available for sale investments of $7 million, the recognition of a deferred tax liability of $2 million, and the recognition of an AFS equity reserve of $5 million.

(xv) Income tax

Additional tax effects have arisen in respect of the 1 October 2005 AIFRS transitional adjustments. The recognition of the Depositary Capital Securities (DCS) at fair value will result in an increase of $5 million in deferred tax assets. The deferral of transaction fees and costs will result in an increase in deferred tax assets of $42 million and deferred tax liabilities of $6 million. The recognition of hedging derivatives and existing hedging derivatives not eligible for AIFRS hedge accounting will result in the recognition of deferred tax assets of $35 million and an increase in deferred tax liabilities of $31 million. The recognition of assets and liabilities at fair value will give rise to the recognition of a deferred tax liability of $2 million for available for sale investments. The write back of loan provisions under previous GAAP and recognition of AIFRS collective loan provisions will result in an increase in deferred tax assets of $64 million. The restatement of the bank acceptance assets and liabilities to an amortised cost basis has resulted in a $9 million increase in deferred tax assets and a $8 million increase in deferred tax liabilities.

Note 17: Explanation of transition to AIFRS

AIFRS impacts from 1 October 2005

(xvi) Bank acceptances

Under previous GAAP, the Group accepted and discounted bills for customers, classifying these within trading securities at their market value. Upon their "on-sale", customer discounted bills were reclassified to bank acceptance assets and recognised at their face value. A corresponding liability was recognised representing the Group's obligation to the holder of the on-sold bill. Interest income on discounted bills was recognised within interest income and bill acceptance fee income recognised within other income.

Under the recognition requirements of AASB 139, all bank accepted bills (including both discounted and "on-sold" bills) and the associated liability for on-sold bills are recognised at amortised cost, with interest income and expense recognised using the effective yield methodology. Fee income on bill acceptances is recognised on an effective yield basis within interest income.

At 1 October 2005, the bank accepted and discounted bills recognised within trading securities of $1,337 million under previous GAAP have been reclassified to bank acceptances.

In addition, bank acceptance assets and liabilities have been restated to an amortised cost basis. As at 1 October 2005, this has resulted in a decrease in the bank acceptance asset of $29 million, with the recognition of an associated deferred tax asset of $9 million, and a decrease in the bank acceptance liability of $28 million, with the recognition of an associated deferred tax liability of $8 million. There is no significant impact on retained earnings for these adjustments.

Note 18: Events Subsequent to Balance Date

Interim Dividend

On 2 May 2006, the directors declared an interim dividend of 74 cents per ordinary share, amounting to $388 million. This dividend has not been brought to account in the Group's financial statements for the half-year ended 31 March 2006.

In the opinion of the directors of St.George Bank Limited:

1. (a) The financial statements set out on pages 6 to 65, are in accordance with the Corporations Act 2001, including:

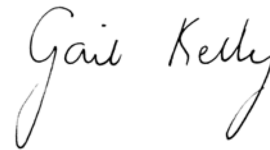
   (i) giving a true and fair view of the financial position of the Group as at 31 March 2006 and of its performance as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

   (b) at the date of this declaration, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

2. There are reasonable grounds to believe the Bank and its controlled entities will, as a Group, be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Bank and those controlled entities pursuant to a Class Order. At the date of this declaration the Bank is within the class of companies affected by Class Order 98/1418.

For and on behalf of the Board of Directors and in accordance with a resolution of the directors.



J M Thame

Chairman

G P Kelly

Managing Director and
Chief Executive Officer

2 May 2006

INDEPENDENT REVIEW REPORT BY EXTERNAL AUDITORS TO THE MEMBERS OF ST.GEORGE BANK LIMITED FOR THE HALF-YEAR ENDED 31 MARCH 2006

SCOPE

We have reviewed the condensed half-year financial report of St.George Bank Limited (the Bank) for the half-year ended 31 March 2006, consisting of the condensed consolidated interim statement of income, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes 1 to 18 and the directors' declaration set out on pages 6 to 66. The financial report includes the consolidated financial statements of the Group comprising St.George Bank Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The Bank's directors are responsible for the financial report including the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

We have performed an independent review of the half-year financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements and statutory requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Group's financial position, and performance as represented by the results of its operations and its cash flows and in order for the Bank to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of Bank personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

STATEMENT

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed half-year financial report of St.George Bank Limited is not in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Group's financial position as at 31 March 2006 and of its performance for the half-year ended on that date; and

  (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

KPMG

P M Reid
Partner
Sydney
2 May 2006