Appendix 4D
Profit Announcement

for the half year ended 31 March 2007

Released 1 May 2007

- Available on our Internet site at **stgeorge.com.au**

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Good with people. Good with money.

St.George Bank Limited ABN 92 055 513 070

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news release

1 May 2007

St.George announces record cash[1] interim profit of $568 million, up 14.7%.

Revenue[1] up 12.7%.

EPS growth target for FY 2007 increased from 10% to 11-12%.

EPS growth target for 2008 re-affirmed at 10%.

Mr John Thame, Chairman of St.George Bank, today announced a record cash[1] profit after tax of $568 million for the half year ended 31 March 2007, up 14.7 per cent on the half year ended 31 March 2006. This represents earnings per share growth of 13.6%.

The result highlights are as follows:

	March 2007	March 2006	% Change
Net profit after preference dividends	$572m	$502m	13.9%
Cash profit[1]	$568m	$495m	14.7%
Earnings per share basic[1] (annualised)	214.9 cents	189.1cents	13.6%
Return on equity[1] (annualised)	23.2%	22.7%	
Expense to income[1]	42.6%	44.5%	
Interim ordinary dividend – 100% fully franked	82 cents	74 cents	10.8%

Mr Thame said; "This excellent result demonstrates that St.George's organic growth strategy is continuing to deliver strong results for our shareholders."

A fully franked interim dividend of 82 cents has been declared, a 10.8% increase on March 2006 and a 6.5% increase on September 2006.

Managing Director, Mrs Gail Kelly commented: "I am delighted with this result which reflects an excellent contribution from all divisions. Our strong revenue momentum has underpinned a significant decline in the expense to income ratio to an industry leading 42.6%. We have strong momentum going into the second half and have confidence in achieving our upgraded 2007 EPS growth target."

[1] Cash basis excludes significant items and hedging and non-trading derivatives volatility.

RESULT COMMENTARY

The result has been based on growing business volumes. Compared to March 2006, lending receivables are up 14.0%[1], retail deposits are up 8.5%[1] and managed funds are up 19.2%.

Total revenue has increased by 12.7%, generated from a diverse range of sources and reflecting strong underlying performance.

The interest margin of 2.07% is down 0.05% on the September 2006 half and down 0.03% on the March 2006 half. This is in line with expectations and reflects a combination of competitive impacts and changes in funding mix.

Operating expenses are well controlled and the Bank continues to invest in a number of growth initiatives.

Credit quality remains strong, with impaired assets and loan arrears at low absolute levels. Consistent with industry experience, there has been an increase in 90 day past due residential arrears. The arrears percentage, however, remains very low and these loans are well secured, with minimal losses expected.

Business Priorities

Home Loans

Residential lending has grown 10.2%[1] to $65.3 billion. This is a solid performance given the conditions in the New South Wales' residential property market.

The Bank has strong momentum going into the second half and is targeting home loan receivables growth of 10-12% for the full year ending September 2007. This momentum is assisted by the recent launch of the Advantage Home Loan package offer and the Basic Home Loan product.

Retail Deposits

Deposits have grown 8.5%[1] to $44.8 billion. St.George has continued its strategy of delivering profitable growth, by managing its product mix and has introduced a new suite of Freedom transaction accounts.

Middle Market

The Bank's commercial banking relationship model has continued to perform with receivables growing 24.8% to $20.9 billion. The program of investment in this area of the business is continuing in all mainland states.

In a recent Merrill Lynch report entitled "Race to Service SME Customers", St.George is called out as "the top rated franchise by a clear margin" and as having "broken away as the leading SME franchise on most measures."

[1] Excludes St.George Bank New Zealand.

Wealth Management

Managed funds have grown 19.2% to $44.3 billion, due mainly to the strong performance of Asgard's administration platforms. This growth reflects favourable investment markets, sustained investor confidence, together with expanded distribution channels and product innovation. The Wealth Management division contributed 12 per cent to the Group's pre-tax earnings, up from 6 per cent in March 2002.

Interstate Growth

Victoria, Queensland and Western Australia now represent 30% of residential receivables and 29% of middle market receivables. Further investment is planned in second half 2007 with five branches to be opened in Western Australia and four branches in Queensland.

Focus on Customer Service and Engaged People

A continued focus on developing our people through training and coaching remains a priority. Differentiated talent selection and recruitment processes are ensuring that high quality people, aligned with the Group's values, are being introduced into the company. St.George's cultural heritage of being warm, friendly and genuinely focussed on the customer experience continues to be deepened and enhanced.

FUTURE PROSPECTS

The Australian economy has continued to grow at a steady pace over the last year, although there is still a significant difference across states. New South Wales has continued to lag the national average while in the mining states, growth has been exceptionally strong. The tightening of monetary policy continues to moderate the rate of growth in the housing sector. St.George expects the Reserve Bank to continue to adopt a measured approach to moving interest rates. Like the Australian economy, the international environment displays considerable divergence, with China and the Asian economies doing well but with the US performing less strongly. St.George expects the export sector to strengthen over the coming year as commodity export volumes increase following the surge in mining investment over the last two years.

Growth in New South Wales is expected to continue to be below the national average and St.George anticipates that the New South Wales economy will remain subdued throughout 2007. The South Australian economy has performed well and this trend is expected to continue for the remainder of 2007.

St.George is targeting home loan receivables growth of 10-12%. System growth of around 12% is expected for the year ending 30 September 2007. The Group expects to continue to achieve excellent lending growth in Victoria, Queensland and Western Australia. There will be additional investment in Queensland and Western Australia in the second half. St.George's Middle Market business is anticipated to achieve double system growth and St.George's Wealth Management business is expected to exceed system growth.

As a result of a strong first half, St.George has upgraded its 2007 year EPS growth target from 10% to 11 to 12%. Assuming a reasonably robust economic environment, the 10% target for the 2008 year is reaffirmed.

Ends…

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St.George Bank Limited

ABN 92 055 513 070

RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the half year ended

31 March 2007

1 Financial Summary

1.1 Introduction

The Group's financial results have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Comparative figures have been prepared on a consistent basis.

AIFRS may result in a higher level of profit volatility compared to previous AGAAP due to the requirement to fair value derivatives and certain other financial instruments and ineffectiveness arising from AIFRS hedge accounting. To provide a better indication of the Group's underlying performance, volatility associated with these items, together with any significant items and goodwill impairment, have been reversed to arrive at "cash" profit.

In accordance with APRA's prudential requirements, capital adequacy has been calculated based on APRA's AIFRS regulatory requirements applicable from 1 July 2006. Capital adequacy comparative figures for 31 March 2006 have not been adjusted and as a result are presented on a previous AGAAP basis.

1.2 Appendix 4D Results

Results for announcement to the market – statutory result

The results contained in the table below for the half year ended 31 March 2007 are calculated in accordance with AIFRS.

These results are based on the Group's Consolidated Financial Statements.

Financial performance	
Revenues from ordinary activities - from continuing operations	Up 12.4% to $1,611 m
Profit from ordinary activities after tax, significant items and before preference dividends - continuing operations	Up 14.0% to $585 m
Net profit for the half year attributable to members after preference dividends and significant items	Up 13.9% to $572 m
Dividend	
Interim dividend – fully franked (cents per share)	82 cents
Earnings per ordinary share (after significant items)	
Basic: - from continuing operations	Up 12.4% to 108.2 cents
Diluted: - from continuing operations	Up 12.1% to 107.4 cents

Refer page 70 for further Appendix 4D disclosures required under ASX listing rules.

1.3 Results at a Glance

Net Profit

	Half Year Mar 07 $M	Half Year Sep 06 $M	Half Year Mar 06 $M	Movement Mar 07 vs Mar 06 %
Net interest income	1,078	1,051	964	11.8
Non interest income	533	483	470	13.4
Total income	**1,611**	**1,534**	**1,434**	**12.3**
Bad and doubtful debts expense	93	79	65	43.1
Operating expenses	683	666	633	7.9
Profit before tax	**835**	**789**	**736**	**13.5**
Income tax expense	250	244	226	10.6
Minority interests (loss)	-	-	(1)	(100.0)
Preference dividends	13	11	9	44.4
Net profit before significant items	**572**	**534**	**502**	**13.9**
Significant items gain (net of tax)	-	12	-	-
Net profit	**572**	**546**	**502**	**13.9**

Cash basis

Net profit has been adjusted to exclude significant items and profit volatility relating to the fair value recognition of hedging and non-trading derivatives as follows:

	Half Year Mar 07 $M	Half Year Sep 06 $M	Half Year Mar 06 $M	Movement Mar 07 vs Mar 06 %
Net profit	572	546	502	13.9
Less: Significant items gain (net of tax)	-	12	-	-
Net profit before significant items	**572**	**534**	**502**	**13.9**
Less: Hedging and non-trading derivatives (net of tax)	4	3	7	(42.9)
Cash basis net profit	**568**	**531**	**495**	**14.7**

Cash basis net profit comprises the following items:

	Half Year Mar 07 $M	Half Year Sep 06 $M	Half Year Mar 06 $M	Movement Mar 07 vs Mar 06 %
Net interest income	1,078	1,051	964	11.8
Non interest income	527	479	460	14.6
Total income	**1,605**	**1,530**	**1,424**	**12.7**
Bad and doubtful debts expense	93	79	65	43.1
Operating expenses	683	666	633	7.9
Profit before tax	**829**	**785**	**726**	**14.2**
Income tax expense	248	243	223	11.2
Minority interests (loss)	-	-	(1)	(100.0)
Preference dividends	13	11	9	44.4
Cash basis net profit	**568**	**531**	**495**	**14.7**

1.3 Results at a Glance (continued)

Summary Balance Sheet

As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Assets			
Cash and liquid assets	1,188	1,081	1,128
Receivables from other financial institutions	1,180	1,182	975
Financial assets at fair value	8,301	8,826	8,370
Loans and receivables (including bank acceptances)	98,724	93,424	87,039
Other	2,587	2,489	2,533
Total Assets	**111,980**	**107,002**	**100,045**
Liabilities			
Retail funding and other borrowings	97,152	91,648	85,341
Bank acceptances	5,456	7,287	7,264
Derivative liabilities	2,202	1,190	1,025
Other	1,558	1,534	1,466
Total Liabilities	**106,368**	**101,659**	**95,096**
Total Shareholders' Equity	**5,612**	**5,343**	**4,949**

1.4 Group Highlights

		Half Year		
		Mar 07	Sep 06	Mar 06
Total on-balance sheet assets	$M	111,980	107,002	100,045
Securitised receivables (included in on-balance sheet assets)	$M	19,214	17,998	14,826
Managed funds	$M	44,311	39,268	37,165
Cash basis profit				
Before preference dividends	$M	581	542	504
After preference dividends	$M	568	531	495
Return on average assets (before preference dividends) (1)				
Cash basis	%	1.07	1.05	1.06
Return on average ordinary equity (after preference dividends) (1)				
Cash basis	%	23.24	23.03	22.69
Expenses as % of average assets (1)				
Cash basis	%	1.25	1.29	1.33
Expense to income ratio				
Cash basis	%	42.6	43.5	44.5
Interest margin (1)	%	2.07	2.12	2.10
Ordinary dividend (fully franked)	(cents)	82.0	77.0	74.0
Earnings per ordinary share (1)				
Basic - Cash basis	(cents)	214.9	202.2	189.1
Diluted - Cash basis	(cents)	213.4	200.5	188.3
Net tangible assets per ordinary share	($)	7.16	6.73	6.30
Capital adequacy ratio	%	10.5	10.8	10.4

(1) Annualised.

1.4 Group Highlights (continued)

Financial performance – Cash[1] basis

- Net profit was $568 million (31 March 2006: $495 million), an increase of 14.7%. An increase of 7.0% compared to the September 2006 half.
- Net interest income increased by 11.8% to $1,078 million. The interest margin was 2.07% compared to 2.10% in the March 2006 half and 2.12% in the September 2006 half.
- Non interest income increased by 14.6% to $527 million (31 March 2006: $460 million). An increase of 10.0% compared to the September 2006 half.
- Operating expenses increased by 7.9% to $683 million compared to the March 2006 half. An increase of 2.6% compared to the September 2006 half. The expense to income ratio was 42.6%, down from 44.5% in the March 2006 half.
- Annualised basic earnings per ordinary share was 214.9 cents (31 March 2006: 189.1 cents), an increase of 13.6%.
- Annualised return on average ordinary equity improved by 55 basis points to 23.24% (31 March 2006: 22.69%).

(1) before significant items and hedging and non-trading derivatives volatility.

Financial position

- Total assets were $112.0 billion (31 March 2006: $100.0 billion), an increase of 11.9%.
- Lending assets were $98.7 billion (31 March 2006: $87.0 billion), an increase of 13.4%. Excluding St.George Bank New Zealand[2] (SGBNZ), total lending assets grew by 14.0%.
- Residential receivables were $65.3 billion (31 March 2006: $59.7 billion), an increase of 9.4%. Excluding SGBNZ, residential loans grew by 10.2%.
- Commercial loans (including bank acceptances) were $25.9 billion (31 March 2006: $21.4 billion), an increase of 21.1%.
- Consumer loans (including bank acceptances) were $7.1 billion (31 March 2006: $5.5 billion), an increase of 29.2%.
- Retail funding was $44.8 billion (31 March 2006: $41.8 billion), an increase of 7.3%. Excluding SGBNZ, retail funding grew by 8.5%.

(2) The Bank's supermarket banking joint venture in New Zealand ceased in September 2006.

Dividends

- A higher interim ordinary dividend of 82 cents per ordinary share, fully franked (31 March 2006: 74 cents) has been declared by the Board, an increase of 10.8%. This represents a dividend payout ratio (cash basis) of 76.6% for the half year.
- The Dividend Reinvestment Plan will operate for the interim dividend with no discount. The fully franked interim dividend will be paid on 3 July 2007.

1.4 Group Highlights (continued)

Other

- Managed funds increased by 19.2% to $44.3 billion (31 March 2006: $37.2 billion).
- Bad and doubtful debts expense as a percentage of average assets was 0.17% (annualised) compared to 0.14% at 31 March 2006 and 0.15% at 30 September 2006.
- The Group's Tier 1 capital adequacy ratio was 7.2% (30 September 2006: 6.9%) and Tier 2 ratio was 3.3% at 31 March 2007.

2 Business Summary

2.1 Strategic Overview

The St.George Group's low-risk, organic growth strategy has consistently delivered superior results for shareholders. This strategy is best reflected in the core strategic framework developed in 2002:

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

Against this framework, the Group has over the past several years, prioritised the following key areas:

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

Significant progress has been made in all of these areas since 2002, accompanied with material levels of investment.

The Group has achieved a shift from being product centric to customer centric, focussed on full service relationship banking. It has prioritised particular customer segments and has focussed on delivering differentiated levels of service to these customer groupings. The broader management team has been substantially strengthened both through training and development and through key talent selection and recruitment. Sales and business development skills have substantially improved while commercial disciplines and risk management frameworks have been embedded.

Targeted and focussed expansion has occurred, not only in Victoria, Queensland and Western Australia, but also in the Bank's core states of New South Wales and South Australia.

The Group has driven a programme of continuous productivity improvements through investment in people, in technology and the application of new business processes and tools.

It is critical to note that over this period of intensive investment and development in the franchise, the Group's core cultural heritage of being warm, friendly, caring, team-based and genuinely focussed on the customer experience has in fact been deepened and enhanced.

2.1 Strategic Overview (continued)

Substantial further work and investment is being prioritised to strengthen this platform, enhance consistency and deliver improved customer experience outcomes. Key elements in the next phase include:

- Re-engineering key business processes, prioritising mortgages and business lending;
- Enhancing the on-boarding experience for customers;
- Leveraging the Group's wealth platforms, products and capabilities to deepen customer relationships, across retail and business segments;
- Further expansion in Victoria, Queensland and Western Australia;
- Further investment and capability build within the Middle Market segment;
- Refinement and extension of the local market strategy within retail.

The new organisational model, announced on March 14, is aligned to support these strategic imperatives.

2.2 Operational Update – Business Priorities

2.2.1 Home Loans

The Bank's residential loans (including securitised loans) grew by 10.2%[(1)] to $65.3 billion (31 March 2006: $59.3[(1)] billion) and was up 8.4% (annualised) since 30 September 2006. While home lending performance has been adversely affected by the continued subdued New South Wales economy (NSW comprises 58% of all receivables), the Bank has solid momentum going into second half 2007. St.George is targeting home loan receivables growth of 10-12% for full year 2007.

Significant new product development has occurred in the past six months to ensure effective ongoing management of home loan margins and revenue growth. Some of these enhancements included:

- Launch of the Advantage Package in January 2007 which allows customers to 'package' together home loan, deposit and credit card accounts for an annual fee in return for competitive interest rate and fee discounts; and
- Launch of the Basic Home Loan in February 2007, which offers a low ongoing variable rate and no ongoing monthly fees.

The focus on ongoing improvement has seen St.George continue to be recognised independently via various industry awards including Cannex's 5 Star Rating for Best 5 Year Fixed Rate Home Loan in September 2006 and Best Demonstration of Customer Satisfaction in Mortgage Processing by the International Quality and Productivity Centre in January 2007.

The Bank's recent home loan campaign, combined with the launch of the Advantage Package and Basic Home Loan, has resulted in the creation of a strong sales pipeline with record levels of applications and approvals experienced during February and March. These results have ensured strong volume momentum heading into the second half of the year.

The third party broker proportion of new settlements for the half year stands at 43%. The Bank continues to invest in process improvements such as a 'fast track' approval process and 'electronic lodgement' capability which have been progressively rolled out to brokers and provide faster approval decisions for customers.

The Bank also continued the focus on improving the performance of its proprietary channels. Initiatives include faster approval processes, new lender induction programs and an increase in the branch and mobile lender sales force. New sales of home loans through Mortgage Connect, an additional sales force of 'owner operators' to complement existing distribution channels, commenced during the half. Mortgage Connect has been launched in Queensland, Victoria and Western Australia with 41 lenders now in place.

The Bank's home loan runoff rate was lower at 15% (annualised) in the six months to 31 March 2007, compared to 16% in full year 2006. The key drivers of lower runoff levels continue to be low levels of introductory loan business, improved product design, stronger customer relationships and the benefits of the Bank's ongoing customer retention program.

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

(1) Excluding St.George Bank New Zealand.

2.2 Operational Update – Business Priorities (continued)

2.2.2 Retail Deposits

St.George's retail deposits grew 8.5%[1] to $44.8 billion and increased by 8.0% (annualised) since 30 September 2006.

St.George continued its strategy of delivering profitable growth, by managing its deposit product mix, revising pricing to encourage balance growth and introducing new products.

In November 2006, St.George launched a new suite of Freedom transaction accounts featuring Visa Debit cards and flat fees.

- Complete Freedom and Simply Freedom Accounts rated 5 Stars (Cannex)
- Express Freedom (online transaction account) rated Rising Star (Cannex)

Significant St.George media advertising supported the launch, targeting customers who do not currently bank with St. George. Approximately 85% of these new transaction accounts have been opened by 'new to bank customers.' Average account balances have met expectations. St.George holds the position as the number two bank in transaction account market share in New South Wales[2].

Also in November 2006, St.George launched its new Investment Cash Account targeting at-call cash investors with balances greater than $100,000 and repositioning its at-call Powersaver Account for customers with less than $100,000. The Investment Cash Account (rated Rising Star by Cannex) has exceeded expectations, with solid growth in balances to date and 60% of customers 'new to bank.'

St.George continues to grow its term deposits and directsaver (high interest savings accounts) balances. Group term deposits reached $14.7 billion at 31 March 2007, an annualised increase of 12.4% since 30 September 2006. Directsaver grew by an annualised 20.5% to $7.3 billion since 30 September 2006.

St.George successfully completed the rollout of its new internet banking platform which is used for Retail Deposits, Consumer Lending and Home Loans. This is a key part of the Group's strategy of using the on-line channel for gaining balance growth and the branch channel for driving value and cross-sell.

Net interest income and fee income in the March 2007 half reflected the full benefit of product structure and pricing changes implemented in the September 2006 half on transaction, savings and investment accounts. The increasing of minimum deposit balance threshold scales that determine fees charged on accounts has encouraged customers to lift their deposit balances to minimise their fees.

(1) Excluding St.George Bank New Zealand.

(2) Cannex.

2.2 Operational Update – Business Priorities (continued)

2.2.3 Middle Market

The Group continues to perform exceptionally well in the Middle Market segment. Receivables grew by 24.8% to $20.9 billion (31 March 2006: $16.7 billion), and were up 19.2% (annualised) since 30 September 2006, which is an outstanding result given the slower New South Wales and Victorian property markets. The Bank's customer relationship model continues to provide differentiated high quality customer service. East & Partners rank St.George as Australia's No.1 Relationship Banker to the middle market in their recent survey. The business is focussed around six key industry segments – manufacturing and wholesale, professionals, hotels and leisure, aged care and health, property and construction, and automotive finance.

Customer loyalty and satisfaction continue to be key differentiators for St.George in the Middle Market segment with no customers indicating they are likely to change bank compared to an average of 20% for the four major banks in East & Partners Australian Commercial Transaction Banking Report (February 2007). The increasing number of products per customer in this segment is attributed to the Bank's industry-leading customer satisfaction and advocacy.

The success of the Bank's Middle Market business was recognised by Merrill Lynch in a report released in April 2007 on the status of Australian banks' business banking franchises. In their report, Merrill Lynch stated "St.George is the top rated franchise by a clear margin." Merrill Lynch also noted that "St.George has broken away as the leading SME franchise on most measures in this review and we expect this division to underpin superior medium-term growth."

Investments made by St.George in prior periods in its Middle Market business have contributed to its leading position in the market. These investments include increasing the number of relationship managers and branches, the expansion of existing sites and a continued focus on enhancing service delivery.

St.George continues to reap the benefits of the Best Business Bank program. This ongoing program is transforming the Bank's middle market business into a more diversified and efficient business that is well positioned for continued growth. Ongoing initiatives around people and system improvements will enhance front line sales and service delivery and provide infrastructure for continued expansion.

The Bank continues to grow this segment well above system growth nationally and is on track to deliver on its target of twice system growth. The Bank has a modest level of participation in private equity and syndication transactions. This is consistent with the prudent risk profile of the Bank.

2.2 Operational Update – Business Priorities (continued)

2.2.4 Wealth Management

Wealth Management comprises superannuation and wealth management administration platforms, financial planning, investment management and packaging, dealer group services, margin lending, private banking and life and general insurance.

Asgard's result represents another successful reporting period with funds under administration (FUA) growing by 21.8% to $32.9 billion from $27.0 billion at 31 March 2006. The growth was achieved across all products, generated from all the Division's internal and external dealer networks and was strongly supported by favourable market conditions. The Asgard business continues to win many industry awards for its various platform products.

Advance Funds Management grew funds under management to $8.0 billion from $7.1 billion or 12.1% compared to 31 March 2006. In line with its business model as a "manager of managers", the investment performance of these funds continues to be strong.

Margin Lending achieved strong growth in its portfolio growing total receivables by $1.2 billion or 65.2% to $3.0 billion since 31 March 2006. The business retains a 5-star Cannex rating and was awarded Money magazine's "Best Margin Loan" award.

Investments made over the last twelve months include brand development to improve awareness and positioning, the ongoing upgrading of Asgard's AdviserNET platform to enhance information and functionality delivered to advisers, and the acquisition of the HSBC margin lending portfolio.

The focus going forward is to increase and broaden all distribution channels, retain industry leading levels of customer service and retention and to deepen the relationship with banking customers through the broadening of wealth solutions and offerings.

2.2 Operational Update – Business Priorities (continued)

2.2.5 Interstate Expansion

The Bank continued its strategy of progressive expansion into its non-core geographies of Victoria, Queensland and Western Australia. Strong growth was achieved over the last twelve months:

	Residential Receivables				Middle Market			
	Mar 2007 $B	Sep 2006 $B	Mar 2006 $B	Growth [1] %	Mar 2007 $B	Sep 2006 $B	Mar 2006 $B	Growth [1] %
Victoria	8.6	8.3	7.9	9	2.4	2.2	1.9	30
Queensland	6.7	6.2	5.7	18	1.7	1.6	1.3	30
Western Australia	4.3	3.9	3.4	28	2.0	1.8	1.5	37
	19.6	18.4	17.0	16	6.1	5.6	4.7	32

(1) The above percentages are based on balances rounded to the nearest million dollars and relate to March 2007 compared to March 2006.

Further investment is planned in second half 2007 with five branches to be opened in Western Australia and four branches in Queensland. The sales force continues to be increased to support growth and the progressive roll-out of "Mortgage Connect" delivers a stronger mobile lending capability. This geographical expansion strategy has assisted the Bank in light of the slower rate of growth experienced in the New South Wales market.

St.George's strategy is focussed on growing its target high value customer segments in these interstate markets and positioning St.George as an effective alternative to the major banks.

2.2.6 Risk Management

As a result of Basel II, the Bank has introduced a broad range of enhancements to its risk management framework. The Group is continuing to roll-out these changes across business units to ensure processes are embedded within the daily operations of these business units.

The Basel II framework contains three approaches for calculating the capital requirements for credit risk, being the standardised, foundation and advanced approaches. St.George lodged its application with APRA in September 2005 applying for the advanced approach for credit risk with regard to its retail lending portfolio, and the foundation approach for credit risk with regard to its corporate lending portfolio.

The Basel II framework introduces a capital requirement for operational risk under three options being basic, standardised and advanced approaches. St.George is aiming to adopt the advanced approach for operational risk and in September 2006 lodged its application with APRA.

APRA requires banks that are planning to adopt the advanced Basel II approaches to hold regulatory capital for interest rate risk in the banking book.

For credit, operational and interest rate risk, the timing of adoption of these approaches is subject to satisfying APRA's advanced level Basel II accreditation requirements.

2.2 Operational Update – Business Priorities (continued)

2.2.7 Credit Quality

St.George's credit quality across all lending portfolios continues to remain strong, reflecting low unemployment, the high quality of the Bank's residential and business lending portfolios and the Bank's prudent credit culture and policies. A major portion of the Bank's credit portfolio is in lower risk home loans. The majority of loans comprising residential and commercial loans are well secured by land and buildings that have been conservatively valued.

St.George doesn't engage in sub prime lending. The Bank's "Low Doc" loans are prime lending.

Total provisions and reserves for loan impairment were $452 million at 31 March 2007 (31 March 2006: $369 million). This comprises a collective provision of $283 million, a specific provision of $39 million and a general reserve for credit losses of $130 million. When taken together, the after tax balance of the eligible portion of the collective provision and the balance of the general reserve for credit losses represent 0.5% of risk weighted assets. The portion of the after tax equivalent balance of the collective provision at 31 March 2007 that is eligible to meet APRA's expected future loss requirements is $153 million.

The charge for bad and doubtful debts was $93 million (30 September 2006: $79 million, 31 March 2006: $65 million) and comprises a collective provision charge of $15 million and a specific provision charge of $78 million. The general reserve for credit losses was increased by $13 million during the half year through an appropriation from profits.

Total impaired assets (net of specific provisions) were $59 million, compared to $45 million at 31 March 2006 and $52 million at 30 September 2006.

Bad and doubtful debts expense, excluding the movement in the general reserve for credit losses, as a percentage of average gross loans and receivables was 0.20% compared to 0.16% at 31 March 2006 and 0.18% at 30 September 2006. Net non-accrual loans, as a percentage of net loans and receivables was 0.06% compared to 0.05% at 31 March 2006 and 0.05% at 30 September 2006.

2.3 Operational Update - Other

2.3.1 Capital Management

The Group's Tier 1 capital adequacy ratio was 7.2% and total capital adequacy was 10.5% at 31 March 2007.

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

- $3.7 billion of residential loan receivables were securitised through the Crusade Securitisation Program;
- 2.3 million ordinary shares were issued under the Bank's Dividend Reinvestment Plan (DRP) raising $75 million of capital;
- 3.25 million Converting Preference Shares (CPS) were issued raising $320 million (net of issue costs) in non-innovative Tier 1 capital. For accounting purposes, the CPS are classified as debt with distributions included in interest expense.

At 31 March 2007, the Group's adjusted common equity to risk weighted assets (ACE ratio) was 4.7% (31 March 2006: 5.3%). The reduction in ACE from 5.3% at 31 March 2006 is due to the requirement to deduct capitalised software from 1 July 2006 together with certain other AIFRS adjustments such as fair valuing hybrid instruments and swaps and effective yield adjustments. APRA has granted $261 million of transitional relief in respect of these items until 31 December 2007. APRA's transitional relief cannot be included when calculating the Group's ACE ratio.

APRA has issued revised prudential standards in respect of hybrid capital instruments. The standards apply from 1 January 2008 with transitional relief available until 1 January 2010 for those banks materially affected. Under the revised standards, the existing 25% hybrid limit will be replaced by a new limit for "Residual Tier 1" capital equal to 25% of net Tier 1 capital. Residual Tier 1 capital comprises both Innovative and Non-Innovative hybrid capital. Innovative Tier 1 capital is limited to a maximum of 15% of net Tier 1 capital. At 31 March 2007, the Bank exceeded the 15% Innovative Tier 1 capital limit by 6.4% (excluding APRA's $261 million AIFRS transitional adjustment). As a result, the Bank intends to apply to APRA for transitional relief in complying with these limits.

The DRP will operate for the interim dividend with no discount and will not be underwritten.

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

The Group's Tier 1 capital adequacy target ratio is 7% - 7.5%. The Bank plans to redeem its USD250 million Depositary Capital Securities in June 2007. Following redemption, the Group's Tier 1 capital adequacy ratio is expected to fall to around 6.7%. APRA have granted the Bank temporary relief on returning to its Tier 1 target range until 31 December 2007. This relief will enable the Bank to assess its appropriate level of capital in light of the impact of Basel II.

2.3 Operational Update – Other (continued)

2.3.2 Depositary Capital Securities (DCS)

St.George has previously disclosed to the market its dispute with the Australian Taxation Office (ATO) relating to deductions claimed by St.George for certain interest payments made by St.George under the DCS for the tax years ended 1998 to 2003. St.George commenced proceedings in the Federal Court of Australia in 2005 challenging amended assessments issued by the ATO in respect of those deductions.

The total amount in dispute last reported to the market was $137 million (after tax), comprising $102 million of primary tax and $35 million in interest and penalties. While the dispute remains ongoing, the ATO has now withdrawn its contention that the tax anti-avoidance provisions of Part IVA of the Tax Act apply to the DCS. As a result, the total amount in dispute has reduced to approximately $91 million (after tax), comprising $84 million of primary tax and $7 million of interest.

St.George maintains its position that the amounts in question were properly deductible and will continue to contest the assessments vigorously. Accordingly, St.George has not charged to its income statement any amounts due under the amended assessments. The Bank's auditors, KPMG, concur with this treatment.

2.3.3 Organisational Realignment (effective 2 April 2007)

In March 2007, the Bank announced a realignment of its organisational structure to support its longer term customer focussed strategy. A key change involved the integration of the Retail Business Division and Retail Financial Services Division into a new Retail Bank and Wealth Management Division.

A Group Technology and Operations Division has also been created that incorporates operations and information technology across the Group. The alignment of operations and information technology will ensure a fully integrated approach to processing and customer service improvements across the Group.

2.4 Future Prospects

The Australian economy has continued to grow at a steady pace over the last year, although there is still a significant difference across states. New South Wales has continued to lag the national average while in the mining states, growth has been exceptionally strong. The tightening of monetary policy continues to moderate the rate of growth in the housing sector. St.George expects the Reserve Bank to continue to adopt a measured approach to moving interest rates. Like the Australian economy, the international environment displays considerable divergence, with China and the Asian economies doing well but with the US performing less strongly. St.George expects the export sector to strengthen over the coming year as commodity export volumes increase following the surge in mining investment over the last two years.

Growth in New South Wales is expected to continue to be below the national average and St.George anticipates that the New South Wales economy will remain subdued throughout 2007. The South Australian economy has performed well and this trend is expected to continue for the remainder of 2007.

St.George is targeting home loan receivables growth of 10-12%. System growth of around 12% is expected for the year ending 30 September 2007. The Group expects to continue to achieve excellent lending growth in Victoria, Queensland and Western Australia. There will be additional investment in Queensland and Western Australia in the second half. St.George's Middle Market business is anticipated to achieve double system growth and St.George's Wealth Management business is expected to exceed system growth.

As a result of a strong first half, St.George has upgraded its 2007 year EPS growth target from 10% to 11 to 12%. Assuming a reasonably robust economic environment, the 10% target for the 2008 year is reaffirmed.

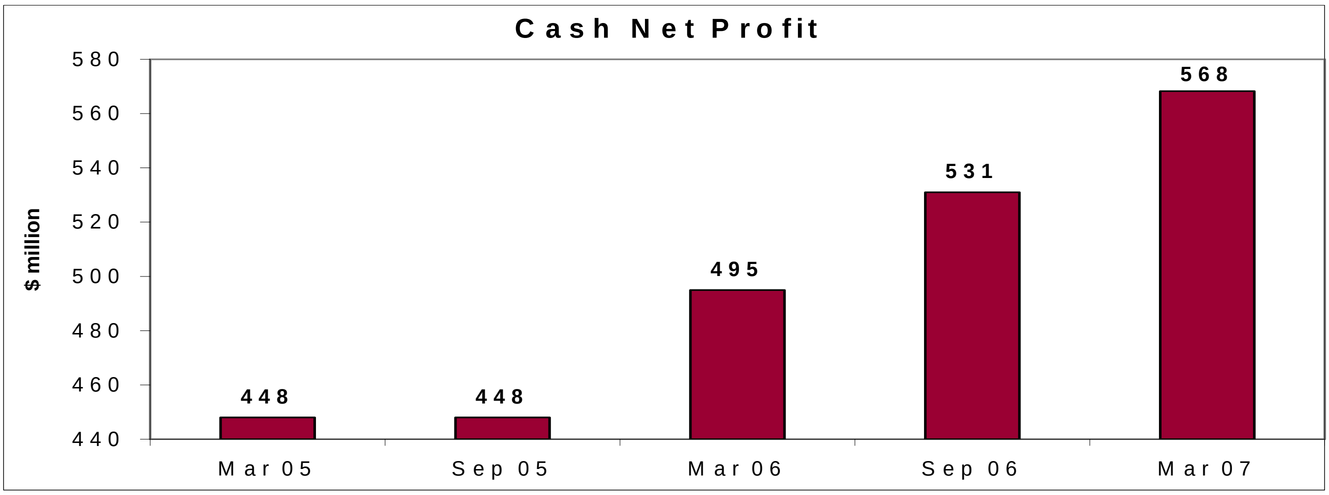
3 Financial Analysis

3.1 Group Performance Summary – Cash Basis

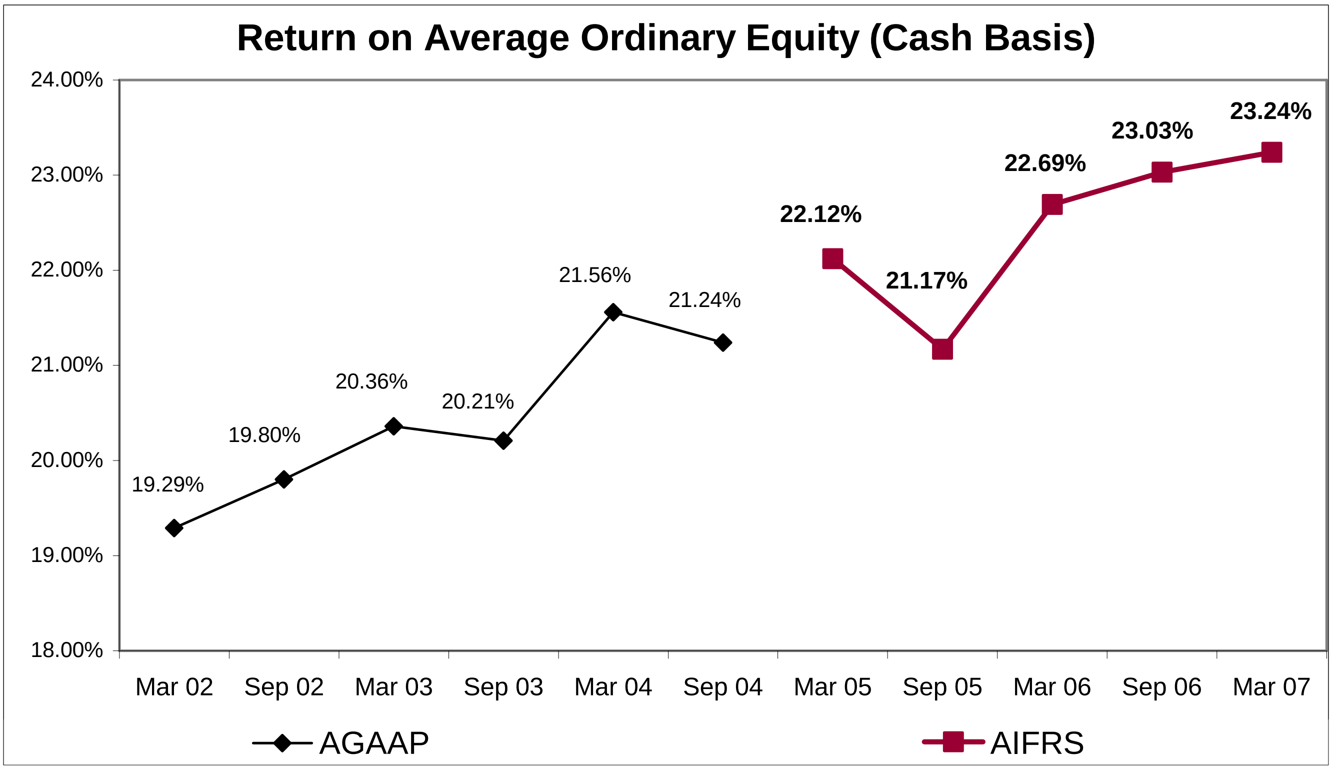
	Half Year		
	Mar 07 $M	Sep 06 $M	Mar 06 $M
Interest income	3,906	3,578	3,236
Interest expense	2,828	2,527	2,272
Net interest income	**1,078**	**1,051**	**964**
Non interest income	527	479	460
Total income	**1,605**	**1,530**	**1,424**
Bad and doubtful debts expense (1)	93	79	65
Operating expenses	683	666	633
Profit before income tax	**829**	**785**	**726**
Income tax expense	248	243	223
Profit after income tax	**581**	**542**	**503**
Minority interests	-	-	1
Profit after tax and minorities	**581**	**542**	**504**
Preference dividends:			
- Subordinated Adjustable Income Non-refundable Tier 1 Securities (SAINTS)	9	9	9
- Step-up Preference Shares (SPS)	4	2	-
Net cash profit (2)	**568**	**531**	**495**

(1) In addition to this charge, there is a $13 million (31 March 2006: $4 million) increase in the general reserve for credit losses which is not distributable to shareholders.

(2) Operating profit after income tax, preference dividends, minorities and before significant items and hedging and non-trading derivative fair value movements.



3.1 Group Performance Summary – Cash Basis (continued)



3.1.1 Significant Items

In accordance with accounting standard AASB 101, items of income and expense which are material in quantum or nature are disclosed separately to assist in understanding the financial performance of the Group. There were no significant items during the half year.

The following significant items are contained in the Group's comparative period net profit result and are excluded from the Cash result.

	Half Year		
	Mar 07 $M	Sep 06 $M	Mar 06 $M
Significant items income			
(i) profit on sale of land and buildings	-	41	-
Total significant item gains	-	41	-
Significant items expense			
(ii) intangible assets impairment	-	32	-
(iii) loss from discontinued operations	-	9	-
(iii) minority interest applicable to discontinued operations	-	(3)	-
(iv) restructure costs	-	16	-
Total significant items expense	-	54	-
Net significant items loss before tax	-	(13)	-
Income tax benefit on significant items			
(i) income tax benefit on profit on sale of land and buildings	-	(10)	-
(ii) income tax benefit on intangible assets impairment	-	(10)	-
(iv) income tax benefit on restructure costs	-	(5)	-
Total income tax benefit on significant items	-	(25)	-
Net significant items income after tax	-	12	-

March 2007 Half

There were no significant items during the period.

September 2006 Half

(i) In September 2006, St.George completed the sale and leaseback of its head office building at Kogarah. As a result of the sale, a profit of $41 million before tax ($51 million after associated tax benefit) was recognised during the half.

(ii) During the half, a $32 million ($22 million after tax) impairment was recognised on intangible assets relating to capitalised computer software. This impairment comprises software that has been developed internally where the timing of realisation of associated benefits is uncertain or the value of future benefits are not expected to be fully realised. The impairment also includes software systems that became obsolete during the half year.

(iii) As a result of intense competition in the New Zealand market, the Bank and its joint venture partner Foodstuffs agreed in August 2006 to discontinue their supermarket banking joint venture. Costs associated with the discontinuation of this business totalled $9 million before and after tax. A $3 million minority interest loss was recognised in respect of these costs, reflecting Foodstuffs' share of the loss.

(iv) A $16 million ($11 million after tax) restructure provision was recognised during the half in respect of staff redundancies.

March 2006 Half

There were no significant items during the period.

3.1.2 Net Interest Income – Cash basis

Net interest income is derived from the Group's lending activities (including securitised loans and bank acceptances), trading securities, certain available for sale investments, hedging instruments and deposits and borrowings (including certain preference share capital).

Net interest income for the half year was $1,078 million (31 March 2006: $964 million), an increase of 11.8%.

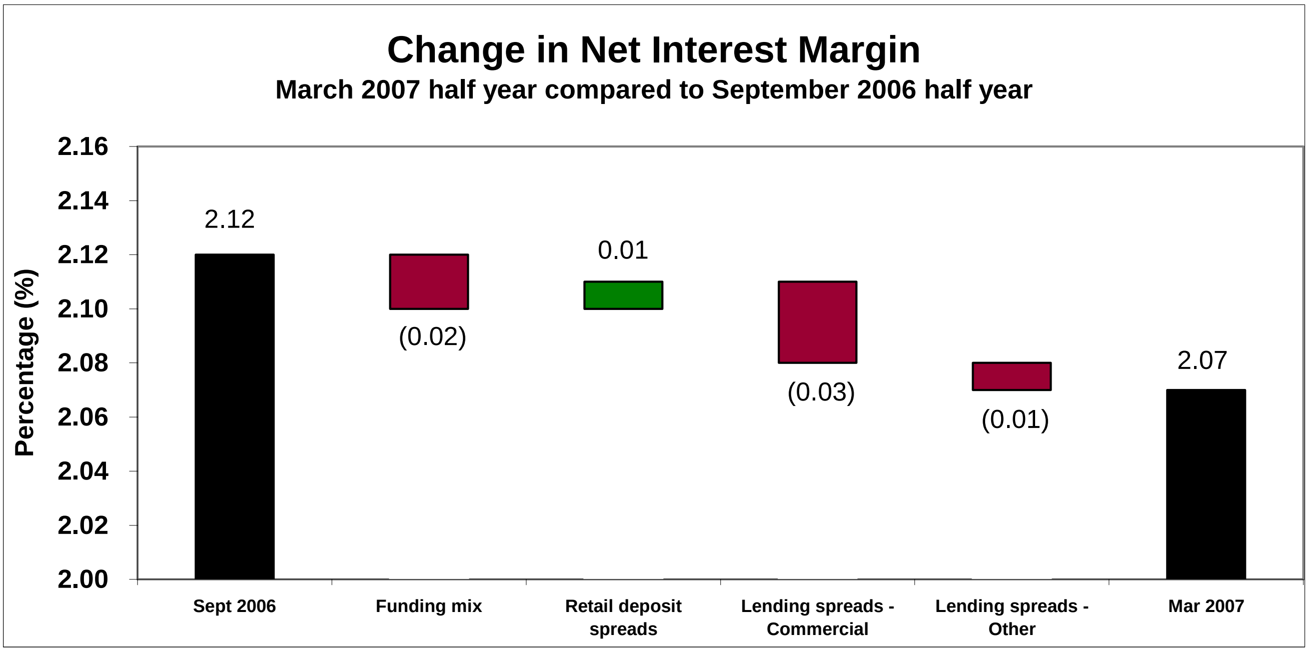
	Half Year					
	Mar 07		Sep 06		Mar 06	
	Balance $M	Rate %	Balance $M	Rate %	Balance $M	Rate %
Net interest income	1,078		1,051		964	
Average						
Interest earning assets	104,367	7.49	99,048	7.22	91,973	7.04
Interest bearing liabilities	100,522	5.63	95,379	5.30	88,945	5.11
Interest spread (1)		1.86		1.92		1.93
Interest margin (1)		2.07		2.12		2.10

(1) Annualised

The increase in net interest income was primarily due to growth in average interest earning assets of 10.7% (annualised) since 30 September 2006, offset by a 5 basis point reduction in net interest margin to 2.07%. The reduction in net interest margin is primarily due to an increased proportion of wholesale funding and competitive pricing pressures particularly on highly graded commercial loans.

The growth in average interest earning assets during the half year is due to an increase of $5.0 billion or 11.3% (annualised) in the average balance of loans and receivables. This result is driven by solid growth in the Bank's residential, consumer and commercial loan portfolios.

3.1.2 Net Interest Income – Cash basis (continued)



The net interest margin was impacted by the following factors:

(a) Funding mix

Growth in average lending balances during the half year have outstripped growth in average retail deposit balances, resulting in an increased proportion of wholesale funding.

(b) Retail deposit spreads

Retail deposit spreads have improved due to the impact of official cash interest rate increases and the focussed management of product mix.

(c) Lending spreads – Commercial

Commercial lending spreads were impacted by competitive pricing pressures and advancing larger size loans to low risk customers at finer interest spreads.

(d) Lending spreads - Other

Lending spreads on residential and consumer lending have been impacted by continued competition.

3.1.3 Non Interest Income

	Half Year		
	Mar 07 $M	Sep 06 $M	Mar 06 $M
Non Interest Income			
Trading and investment income			
- treasury	34	36	22
- mortgage insurance	22	-	12
Product fees and commissions			
- lending	70	65	60
- deposit and other accounts	113	109	99
- electronic banking	105	104	98
Managed funds fees	141	130	124
Factoring and invoice discounting income	10	10	10
Net profit on disposal of land and buildings	1	5	2
Profit on sale of businesses	-	-	4
Trust distributions	4	4	5
Rental income	3	4	4
Profit on sale of shares	8	-	10
Dividend income	3	3	3
Other income	13	9	7
Non interest income before significant items and hedging and non-trading derivatives	**527**	**479**	**460**
Add: Hedging and non-trading derivatives volatility	6	4	10
Non interest income before significant items	**533**	**483**	**470**

Trading and investment income

Trading generates net interest income and non interest income. Details are as follows:

	Half Year		
	Mar 07 $M	Sep 06 $M	Mar 06 $M
Net Interest Income			
Treasury trading	18	22	23
Mortgage insurance investment portfolio	5	5	6
Total net interest income	23	27	29
Non Interest Income			
Treasury trading	34	36	22
Mortgage insurance investment portfolio	22	-	12
Total non interest income	56	36	34
Total trading income	79	63	63

Total treasury trading income, incorporating both net interest income and non interest income, was $52 million (31 March 2006: $45 million) reflecting an increased contribution from customer generated activity. Total trading income from the mortgage insurance investment portfolio was $27 million (31 March 2006: $18 million), reflecting strong returns from equity investments. The mortgage insurance captive also derived $3 million of dividend income during the half (31 March 2006: $2 million).

3.1.3 Non Interest Income (continued)

Non trading derivatives

Non trading derivatives, under AIFRS, represent the impact of hedge ineffectiveness and the fair value movement in the Group's Depositary Capital Securities and related swaps.

The non trading derivatives gain was $6 million for the half year compared to a $10 million gain in the March 2006 half.

Product fees and commissions

Product fees and commissions income increased by 12.1% to $288 million (31 March 2006: $257 million).

Lending fees – increased by 16.7% to $70 million from $60 million in the March 2006 half. This reflects both residential and business lending balance growth and the impact of increased fees to align with market, effective from 1 July 2006 on unsecured and residential loan portfolios.

Deposits and other accounts – fees increased by 14.1% to $113 million (31 March 2006: $99 million).

Electronic banking – fees increased by 7.1% to $105 million from $98 million in the March 2006 half. This reflects increased transaction volumes and revised pricing on certain transactions and servicing fees to align with market, effective from 1 July 2006.

Managed funds fees

Fee income from managed funds increased by 13.7% to $141 million (31 March 2006: $124 million). The increase is due to strong growth of 19.2% in managed funds to $44.3 billion since 31 March 2006. This growth reflects strong net inflows of funds and continued strength of investment markets. Fee income was primarily impacted by stronger growth in lower margin products and to a lesser extent by some decline in margin.

Net profit on disposal of land and buildings

The Bank's ongoing branch sale and leaseback program generated a profit of $1 million for the half year (31 March 2006: $2 million).

Profit on sale of shares

An $8 million pre-tax profit was recognised on the sale of the Bank's equity investment in Mastercard.

Other income

Other income increased to $13 million (31 March 2006: $7 million), mainly due to concessional taxation benefits recognised during the half on qualifying computer software development expenditure.

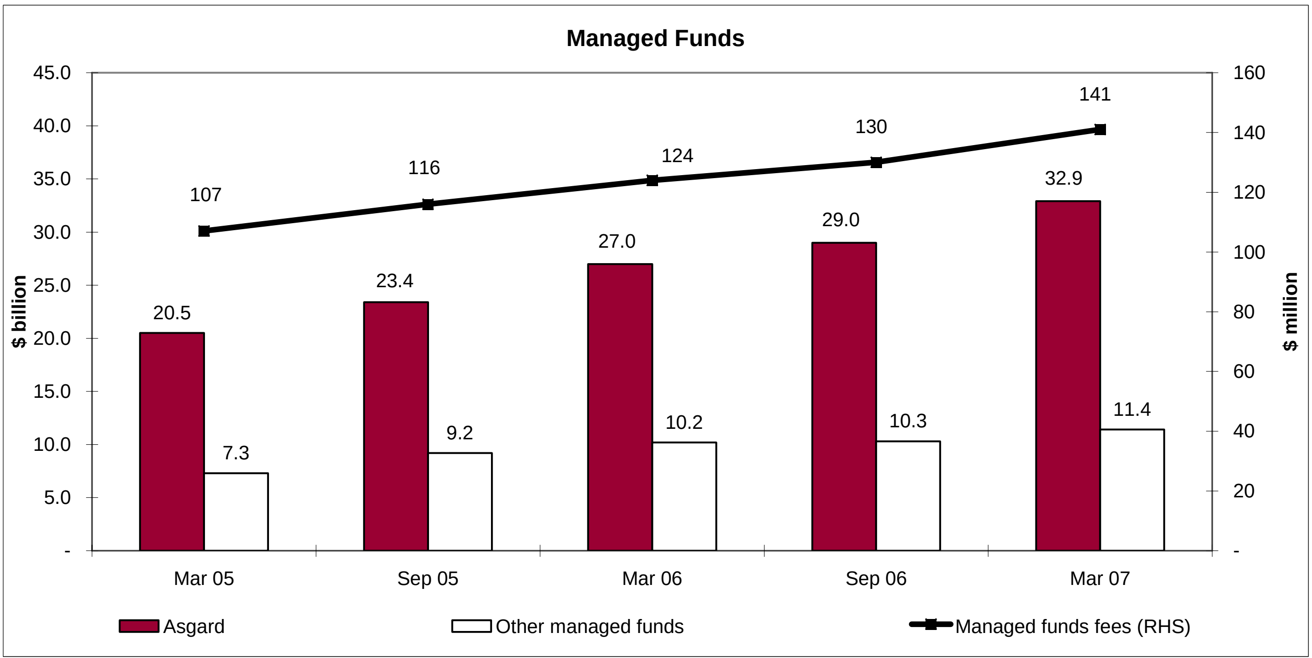
3.1.4 Managed Funds

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

Half year ended	Mar 2007 $M	Sep 2006 $M	Mar 2006 $M
Income			
Managed funds fees for the half year	141	130	124
Managed funds			
Funds under administration (Asgard)	32,934	29,040	27,037
Funds under management	8,007	7,123	7,144
Funds under advice	3,370	3,105	2,984
Total managed funds	44,311	39,268	37,165

Managed funds rose by 19.2% to $44.3 billion compared to 31 March 2006. Asgard's funds under administration rose by 21.8% to $32.9 billion compared to 31 March 2006. This growth reflects favourable equity markets, sustained investor confidence, together with expanded distribution channels and product innovation.

Funds under management grew by 12.1% to $8.0 billion which relates to Advance Funds Management, which is an established investment packaging business. Funds under advice (Financial Planning and Private Bank) grew by 12.9% to $3.4 billion.



3.1.5 Operating Expenses - Cash basis

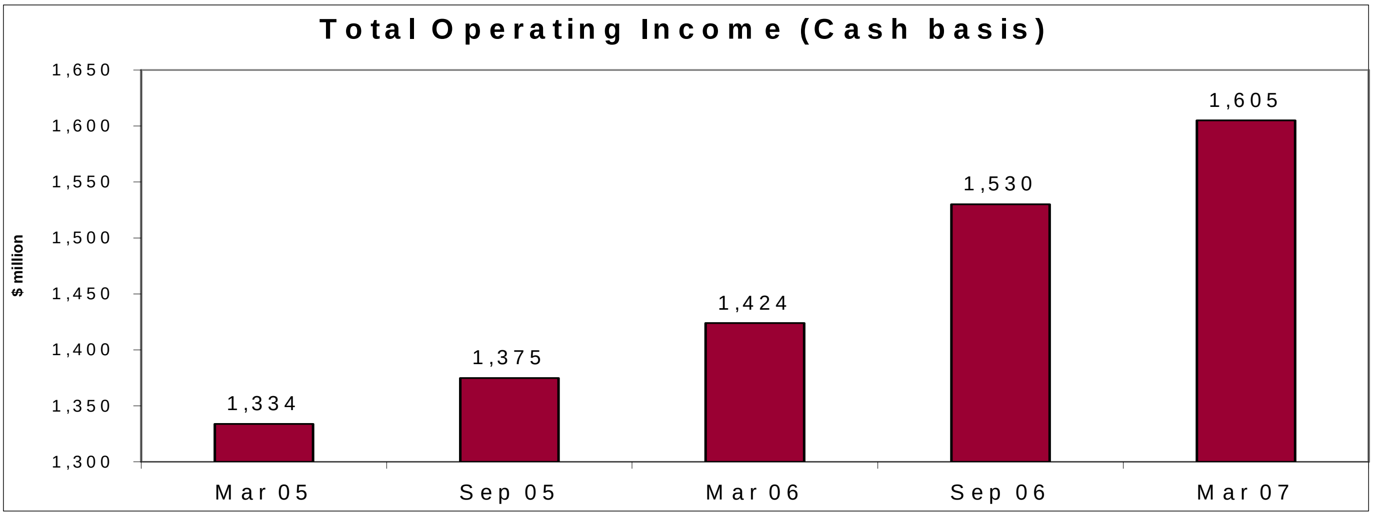
	Half Year		
	Mar 07 $M	Sep 06 $M	Mar 06 $M
Staff expenses			
Salaries	322	308	289
Contractors' fees	2	1	4
Superannuation	29	26	26
Payroll tax	21	19	20
Fringe benefits tax	3	4	3
Share based compensation	7	7	5
Other	13	13	13
Total staff expenses	397	378	360
Computer and equipment costs			
Depreciation	18	19	19
Amortisation - intangible assets	16	17	15
Rental on operating leases	2	3	4
Other [(1)]	38	36	37
Total computer and equipment costs	74	75	75
Occupancy costs			
Depreciation	13	14	15
Rental on operating leases	42	35	35
Other [(2)]	19	25	18
Total occupancy costs	74	74	68
Administration expenses			
Advertising and public relations	30	27	22
Consultants	7	12	9
Fees and commissions	16	10	16
Postage	10	12	9
Printing and stationery	18	20	17
Subscription and levies	5	4	5
Telephone	5	6	5
Other [(3)]	47	48	47
Total administration expenses	138	139	130
Operating expenses before significant items	683	666	633
Ratios - cash basis			
Operating expenses as a % of average assets (annualised)	1.25%	1.29%	1.33%
Expense to income ratio	42.6%	43.5%	44.5%

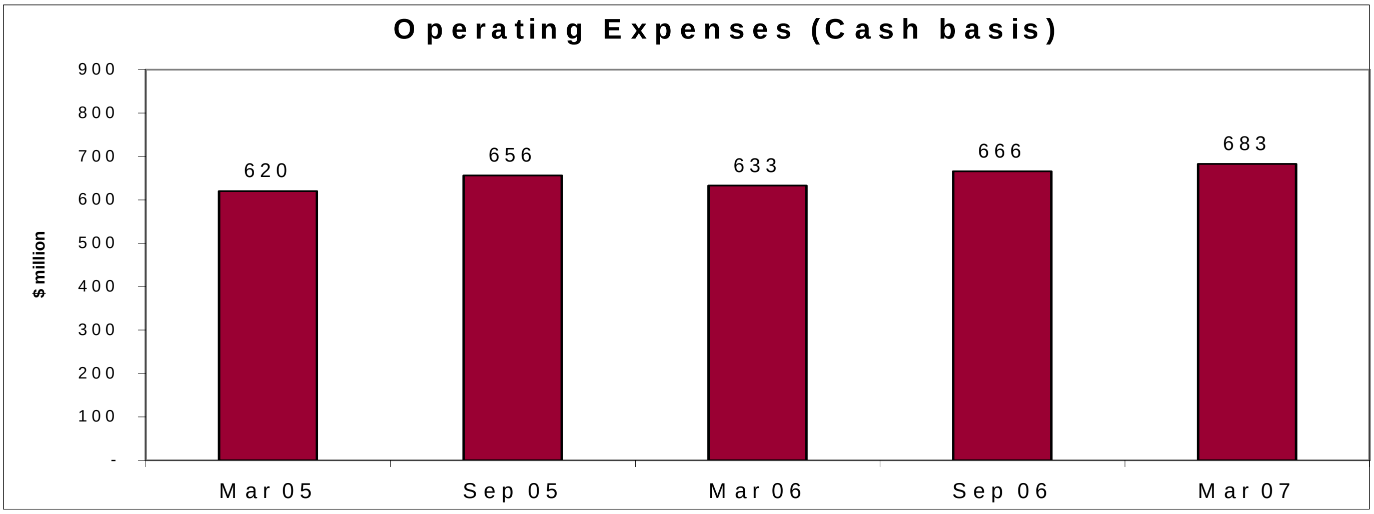
(1) Other computer and equipment costs primarily comprise software and hardware maintenance and data line communication costs.

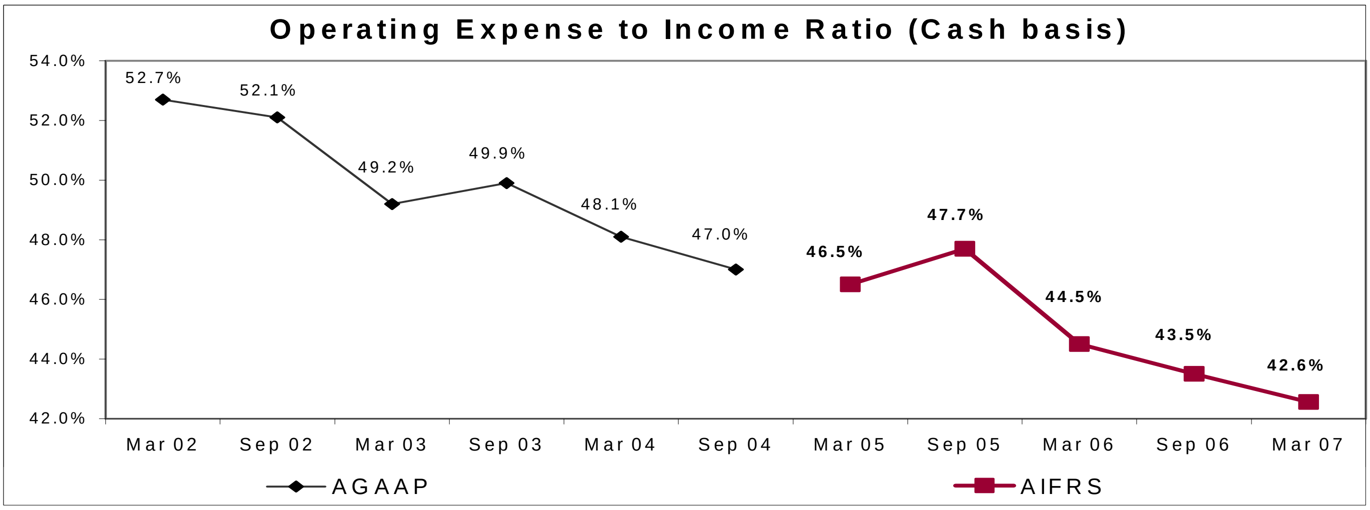
(2) Other occupancy costs primarily comprise management fees paid for property facility management and security services.

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

3.1.5 Operating Expenses - Cash basis (continued)







3.1.5 Operating Expenses - Cash basis (continued)

Total operating expenses

Operating expenses are classified into the broad categories of staff, computer and equipment, occupancy and administration. Total operating expenses (before significant items) were $683 million for the half year (31 March 2006: $633 million), an increase of 7.9%. Operating expenses (before significant items) increased by 2.6% compared to the September 2006 half. These results reflect tight cost control, together with continued investment in customer facing staff to deliver on the Group's strategic priorities.

Staff expenses

Staff expenses increased by $37 million or 10.3% to $397 million compared to the March 2006 half. This increase includes an average wage increase of 4%, effective 1 October 2006 and increased staff to drive the Bank's geographical expansion strategy and strong growth in Middle Market segments.

Computer and equipment costs

Computer costs decreased by $1 million or 1.3% to $74 million from $75 million in the March 2006 half. The balance of deferred expenditure at 31 March 2007 was $118 million (31 March 2006: $121 million).

Occupancy costs

Occupancy costs increased by $6 million or 8.8% to $74 million, primarily reflecting increased costs associated with the sale and leaseback of the Bank's Kogarah head office.

Administration expenses

Administration costs increased by $8 million to $138 million compared to $130 million in the March 2006 half. This increase primarily relates to additional expenditure incurred on brand advertising and product marketing campaigns in first half 2007.

3.1.6 Bad and Doubtful Debts Expense – Cash basis

	Half Year		
	Mar 07 $M	Sep 06 $M	Mar 06 $M
Specific provisions (net of recoveries)			
Residential loans	10	7	2
Consumer loans	50	43	33
Commercial loans	18	22	14
Total	**78**	**72**	**49**
Collective provision	**15**	**7**	**16**
Bad and doubtful debts expense	**93**	**79**	**65**
Movement in general reserve for credit losses			
- establishment of reserve	-	-	68
- APRA AIFRS transition adjustment	-	42	-
- movement during period	13	3	4
Total movement in general reserve for credit losses	**13**	**45**	**72**
Bad and doubtful debts expense (annualised):			
As a percentage of average gross loans	**0.20%**	**0.18%**	**0.16%**
As a percentage of average risk weighted assets	**0.34%**	**0.30%**	**0.26%**
As a percentage of average assets	**0.17%**	**0.15%**	**0.14%**

The bad and doubtful debts charge was $93 million compared to $65 million in the March 2006 half and $79 million in the September 2006 half.

The specific provision charge was $78 million compared to $49 million in the March 2006 half and $72 million in the September 2006 half. The higher charge for residential loans is in line with market and is off a low base of $2 million in the March 2006 half. Overall residential loan losses are at low levels, reflecting the quality of this portfolio.

The increased charge for consumer loans in both the March 2007 half and September 2006 half reflects growth in this portfolio, consumer spending behaviour, and the adoption of an earlier timeframe for transferring loans between collective and specific provisions in the September 2006 half. Application scorecards have been revised to enhance loan quality.

The specific provision charge for commercial loans increased when compared to March 2006 due to a lower level of recoveries. The charge decreased when compared to the September 2006 half.

The collective provision charge of $15 million was relatively steady compared to $16 million in March 2006. The charge increased by $8 million compared to the September 2006 half, primarily due to seasonal movements in arrears. Arrears levels typically peak in the months following Christmas and then gradually decline.

Movements in the general reserve for credit losses are primarily due to changes in the level of the Group's risk weighted assets and also due to fluctuations in the eligible portion of the collective provision, to ensure the 0.5% provisioning benchmark is maintained. The general reserve for credit losses increased by $13 million during the half, reflecting growth in risk weighted assets.

At 31 March 2007, the Group is well provisioned with the $130 million balance of the general reserve for credit losses together with the $153 million portion of the collective provision not relating to incurred losses (after tax), representing 0.5% of risk weighted assets.

3.1.7 Income Tax Expense – Cash basis

	Half Year		
	Mar 07 $M	**Sep 06 $M**	**Mar 06 $M**
Income tax expense shown in the results differs from prima facie income tax payable on pre-tax operating profit for the following reasons:			
Cash profit before tax	829	785	726
Prima facie income tax payable calculated at 30% of operating profit	249	235	218
Add: tax effect of differences which increase tax payable			
Preference dividends classified as interest expense	6	4	7
Tax losses not recognised	-	1	1
Share based payments expense	2	2	2
(Overprovision)/Underprovision for income tax in prior period	(3)	1	2
Other	-	3	-
Less: tax effect of differences which reduce tax payable			
Non assessable income	(2)	-	-
Deduction allowable on shares issued to employees	(1)	(1)	(1)
Difference between accounting profit and assessable profit on sale of shares	-	-	(3)
Difference between accounting profit and assessable profit on sale of buildings	-	(1)	-
Rebatable dividends	(1)	(1)	(1)
Other	(2)	-	(2)
Total income tax expense	**248**	**243**	**223**
Effective tax rate %	29.9	31.0	30.7

The income tax expense for the 31 March 2007 half was $248 million (31 March 2006: $223 million) with an effective tax rate of 29.9%.

3.1.8 Segmental Results - Cash basis

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

- Retail Bank (RB) – responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits, small business banking and financial planners. This division also manages retail branches, call centres, agency networks and electronic channels such as EFTPOS terminals, ATMs and Internet banking. The comparative period results of St.George Bank New Zealand Limited are included in this segment.

- Institutional and Business Banking (IBB) - responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange, money market and derivatives, corporate and business relationship banking, international and trade finance banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing including factoring and invoice discounting.

- BankSA (BSA) – responsible for providing retail banking, business banking and private banking services to customers in South Australia and Northern Territory. These services have been extended into country New South Wales and Victoria as part of the Group's initiative to expand rural banking. Customers are serviced through branches, electronic agencies, ATMs, call centres, EFTPOS terminals and Internet banking.

- Wealth Management (WM) – responsible for providing superannuation and wealth management administration platforms, investment management and packaging, dealer group services, margin lending, financial planning, private banking services and general and life insurance.

3.1.8 Segmental Results - Cash basis (continued)

	Retail Bank $M	Institutional & Business Banking $M	Bank SA $M	Wealth Management $M	Consolidated $M
Half year ended 31 March 2007					
Net interest income	572	298	162	46	1,078
Non interest income	254	75	46	152	527
Total income	826	373	208	198	1,605
Bad and doubtful debts	73	12	7	1	93
Operating expenses	372	129	86	96	683
Total segment expenses	445	141	93	97	776
Profit before tax	381	232	115	101	829
Expense to income ratio	45.0%	34.6%	41.3%	48.5%	
Half year ended 30 September 2006					
Net interest income	559	292	159	41	1,051
Non interest income	227	71	43	138	479
Total income	786	363	202	179	1,530
Bad and doubtful debts	51	24	4	-	79
Operating expenses	362	125	85	94	666
Total segment expenses	413	149	89	94	745
Profit before tax	373	214	113	85	785
Expense to income ratio	46.1%	34.4%	42.1%	52.5%	
Half year ended 31 March 2006					
Net interest income	517	270	144	33	964
Non interest income	220	60	39	141	460
Total income	737	330	183	174	1,424
Bad and doubtful debts	54	5	5	1	65
Operating expenses	351	121	77	84	633
Total segment expenses	405	126	82	85	698
Profit before tax	332	204	101	89	726
Expense to income ratio	47.6%	36.7%	42.1%	48.3%	

3.1.8 Segmental Results - Cash basis (continued)

Retail Bank (RB)

- RB's contribution to profit before tax grew to $381 million (31 March 2006: $332 million), an increase of 14.8%.
- Net interest income increased by 10.6% to $572 million reflecting growth in home loans, retail deposits and strong growth in consumer loans.
- Non interest income increased by 15.5% to $254 million, reflecting the benefit from revised pricing on retail lending and deposit products in second half 2006. Non interest income in the March 2007 half was also impacted by the increased contribution from the Group's mortgage insurance business and the sale of the Bank's Mastercard investment.
- Operating expenses during the half year increased by 6.0% to $372 million compared to $351 million in the March 2006 half. The expense to income ratio fell to 45.0% from 47.6% in the March 2006 half. This reflects cost reductions attributable to the wind down of St.George Bank New Zealand in the September 2006 half.
- Bad and doubtful debts were $73 million compared to $54 million in the March 2006 half, reflecting growth in lending and increased provisioning primarily on unsecured personal loans and to a lesser extent on residential loans. Arrears levels on unsecured consumer loans have improved since 31 March 2006. The percentage of the Group's past 90 day due other receivables that includes unsecured consumer loans has fallen to 0.75% (31 March 2006: 0.96%).

Institutional & Business Banking (IBB)

- IBB's contribution to profit before tax was $232 million (31 March 2006: $204 million), an increase of 13.7%. IBB comprises the Middle Market segment, auto and equipment lending and financial markets. There has been strong growth in Middle Market receivables during the half year, assisted by increasing the number of relationship managers, interstate expansion and the industry leading customer satisfaction position held by St.George in this segment.
- Net interest income increased by 10.4% to $298 million, reflecting strong growth in commercial loans during the half year, partly offset by reduced lending spreads on low risk, larger size commercial loans and increased competition in the market.
- Non interest income increased by 25.0% to $75 million, reflecting growth in customer numbers, improving cross sell and increased treasury trading income. The larger component of the contribution from treasury trading income is related to customer generated activity.
- Operating expenses increased by 6.6% to $129 million compared to $121 million in the March 2006 half. The increase is due to further investment in the number of relationship managers and interstate expansion. The expense to income ratio decreased to 34.6% from 36.7% in the March 2006 half.
- Bad and doubtful debts increased to $12 million compared to $5 million in the March 2006 half due to growth in the portfolio and a lower level of bad debt recoveries.

3.1.8 Segmental Results - Cash basis (continued)

Bank SA (BSA)

- BSA's contribution to profit before tax was $115 million (31 March 2006: $101 million), an increase of 13.9%.
- Net interest income increased by 12.5% to $162 million reflecting the continued success of BSA's "local market" model that resulted in strong growth in its retail and commercial loan portfolios during the half year.
- Non interest income increased by 17.9% to $46 million reflecting the benefit from revised pricing on retail lending and deposit products in second half 2006.
- Operating expenses increased by $9 million to $86 million compared to the March 2006 half. The expense to income ratio fell to 41.3% from 42.1% in the March 2006 half.

Wealth Management (WM)

- WM's contribution to profit before tax was $101 million (31 March 2006: $89 milllion), an increase of 13.5%. Underlying growth, excluding the $8 million gain on sale of Ascalon in the March 2006 half, was 24.7%.
- Net interest income increased by 39.4% to $46 million reflecting strong growth in margin lending receivables. Contributing to the growth in margin lending was the acquisition of HSBC's $398 million portfolio in August 2006.
- Non interest income increased by 7.8% to $152 million, reflecting strong growth in managed funds. Non interest income in the March 2006 half included an $8 million gain from the sale of Ascalon. Excluding this gain, the underlying increase in non interest income was 14.3%.
- Operating expenses increased by 14.3% to $96 million from $84 million in the March 2006 half. The expense growth predominately represents the cost of additional staff required to support service delivery for the growing wealth portfolio. The expense to income ratio increased to 48.5% from 48.3% in the March 2006 half and improved from 52.5% in the September 2006 half. The March 2006 income to expense ratio was favourably impacted by the sale of Ascalon.

3.1.9 Mortgage Insurance

St.George Insurance Pte Limited (SGI), a wholly owned subsidiary of the Bank, established in Singapore, was the Bank's captive lender mortgage insurance provider since 1989. In September 2006, the mortgage insurance business was redomiciled to Australia and now operates as St.George Insurance Australia Limited (SGIA).

The outstanding balance of loans insured by the Bank's mortgage insurer as at 31 March 2007 had a total value of $31.8 billion. The latest actuarial assessment completed as at 30 September 2006 has determined that the reserves held to meet potential claims are conservative.

The mortgage insurer has a limit of liability for each policy year for loans with a loan to valuation ratio (LVR) exceeding 80% based upon the amount of loans originated in the policy year.

Up until 30 September 2003 that limit of liability was 5% of the loans advanced with the mortgage insurer retaining risk in the range of the first 0.5% to 0.78% of the limits of liability. The remaining risk is covered by the mortgage insurer's reinsurance arrangements, up to the 5% limit.

Post September 2003 to 30 September 2006 the limits of liability were 2% for St.George Bank loans that are not securitised and 5% for securitised loans. The mortgage insurer retains the risk for the first 0.765% of the limit of liability and the excess above the reinsurance threshold of 2% to 5% for those loans that are securitised.

Post 30 September 2006, the limits of liability are 1.4% for non securitised loans and 5% for securitised loans. With effect from 1 October 2006 new reinsurance arrangements were implemented in which SGIA retains the risk for the first 0.5% of the limit of liability and the excess to 1.4% is ceded to the reinsurer. Above the reinsurance threshold of 1.4% and up to 5% SGIA retains the risk for those loans that are securitised.

These new reinsurance arrangements also cover "Low Doc" loans with LVRs between 60% and 80% and "No Deposit" loans in addition to Standard loans.

During its history, the mortgage insurer has not made a claim under its reinsurance treaties.

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

3.1.9 Mortgage Insurance (continued)

The mortgage insurer is not reported as a separate segment in the Group's segmental results. Its results are included within the Retail Bank and BankSA segments. Due to the significance of the mortgage insurer's operations, a summary of its financial results are disclosed in the following table:

Performance Summary – Captive Mortgage Insurance Subsidiary

		Half Year		
		31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Underwriting income		12	29	24
Investment portfolio income		30	10	20
Claims		(4)	(1)	-
Other expenses		(1)	(3)	(2)
Profit before tax		37	35	42
Income tax expense		(11)	(6)	(10)
Profit after tax		26	29	32
Total assets		366	340	334
Investment portfolio		355	336	334
Shareholders' equity		227	197	188
Return on - (Annualised)				
* Average Assets	%	15.80	17.38	21.60
* Average Shareholders' Equity	%	26.70	29.75	32.40
Profit before tax by source				
* Mortgage Insurance	%	18.60	72.44	51.70
* Investment Portfolio	%	81.40	27.56	48.30
Contribution to Group profit				
* before tax	$M	35	27	31
* after tax	$M	24	17	22

SGIA commenced insurance activities on 2 October 2006. The 31 March 2006 and 30 September 2006 halves relate to the activities of the previous mortgage insurer (St.George Insurance Pte Ltd).
The above ratios are calculated on the mortgage insurer's results rounded to the nearest thousand dollars.

On a stand alone basis, the mortgage insurance entity recognises premium income over the expected period of the risk. On consolidation, intercompany transactions between the mortgage insurance entity and the Bank are eliminated. Loan risk fees collected by the Bank in respect of mortgage insurance activities are regarded as fees that are integral to those loans and recognised as an adjustment to the yield of the loan. Such fees are deferred and amortised to interest income over the estimated life of the loan using the effective interest rate method.

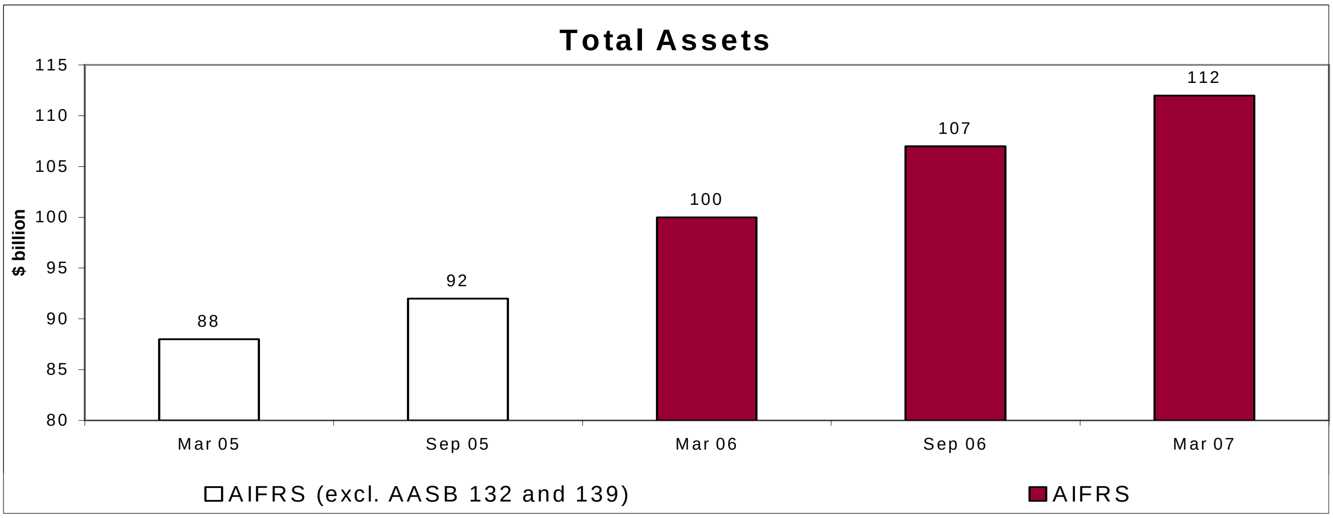
The reduction in underwriting income in the accounts of the mortgage insurance captive is primarily due to the adoption of a more conservative premium income recognition pattern. A smaller component of the reduction in underwriting income can be attributed to changes in the quantum and mix of lending underwritten during the March 2007 half. As stated above, a different basis of income recognition is used at the Group consolidated level, which has led to a different trend in the contribution to Group profit.

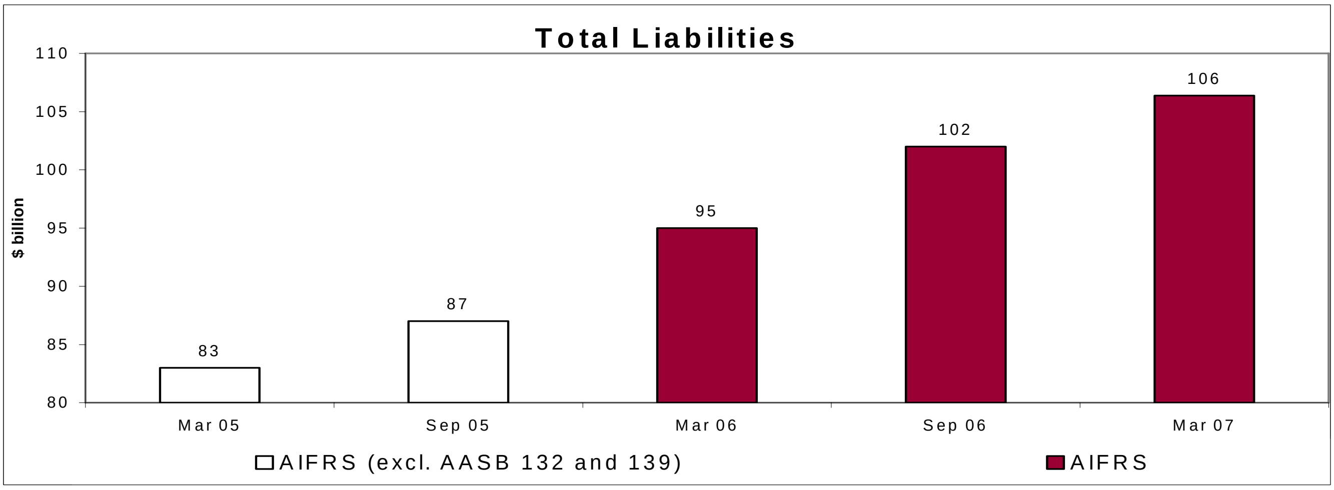
3.2 Group Position Summary

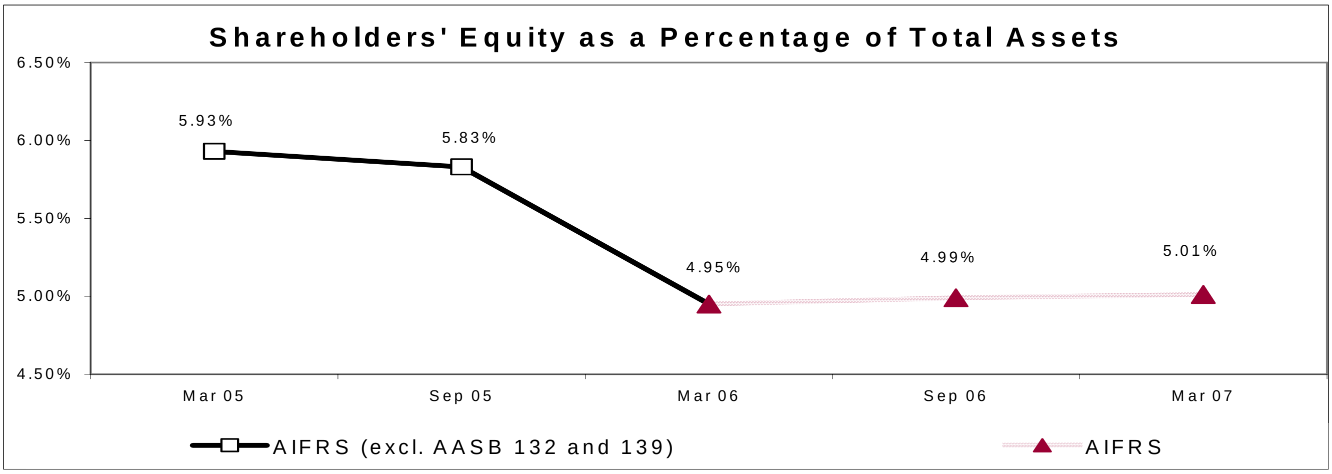
As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Assets			
Cash and liquid assets	1,188	1,081	1,128
Receivables due from other financial institutions	1,180	1,182	975
Assets at fair value through the income statement	6,043	6,192	5,726
Derivative assets	877	1,093	1,277
Available for sale investments	1,381	1,541	1,367
Loans and other receivables	85,144	81,516	77,197
Bank acceptances of customers	13,580	11,908	9,842
Property, plant and equipment	332	334	443
Intangible assets	1,305	1,291	1,282
Other assets	950	864	808
Total Assets	111,980	107,002	100,045
Liabilities			
Retail funding and other borrowings	97,152	91,648	85,341
Payables to other financial institutions	473	401	421
Bank acceptances	5,456	7,287	7,264
Derivative liabilties	2,202	1,190	1,025
Bills payable and other liabilities	1,085	1,133	1,045
Total Liabilities	106,368	101,659	95,096
Net Assets	5,612	5,343	4,949
Shareholders' Equity			
Share capital	4,467	4,376	4,171
Reserves	176	151	72
Retained profits	951	798	685
Minority interests in controlled entities	18	18	21
Total Shareholders' Equity	5,612	5,343	4,949
Shareholders' equity as a percentage of total assets	5.01%	4.99%	4.95%
Net tangible assets per ordinary share issued	$7.16	$6.73	$6.30
Number of ordinary shares issued (000's)	529,888	526,247	524,220

3.2.1 Total Assets

Total assets were $112.0 billion at 31 March 2007 (31 March 2006: $100.0 billion), an increase of 11.9% reflecting growth of 13.4% in lending assets (including bank acceptances and securitised loans) to $98.7 billion at 31 March 2007.







3.2.2 Lending Assets

Lending assets increased to $98.7 billion (31 March 2006: $87.0 billion), an increase of 13.4%. Annualised growth since 30 September 2006 was 11.3%.

As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Residential			
Housing loans	25,095	24,362	25,685
Securitised housing loans	19,214	17,998	14,826
Home equity loans	21,033	20,337	19,217
Total Residential	65,342	62,697	59,728
Consumer			
Personal loans	2,688	2,573	2,507
Line of credit	1,408	1,268	1,166
Margin lending	2,984	2,572	1,806
Total Consumer	7,080	6,413	5,479
Commercial			
Commercial loans	10,070	9,806	9,427
Bank bill acceptances	13,229	11,615	9,573
Hire purchase	2,171	2,084	1,989
Leasing	461	433	422
Total Commercial	25,931	23,938	21,411
Foreign exchange cash advances	57	31	39
Structured financing	597	613	643
Gross lending assets	99,007	93,692	87,300
Collective provision	283	268	261
Net lending assets	98,724	93,424	87,039
Lending assets are comprised of:			
Net loans and receivables	85,144	81,516	77,197
Bank acceptances - commercial	13,229	11,615	9,573
Bank acceptances - margin lending	351	293	269
Net lending assets	98,724	93,424	87,039

3.2.2 Lending Assets (continued)

Residential loans increased by 9.4% to $65.3 billion from $59.7 billion as at 31 March 2006. Excluding SGBNZ, residential loans grew by 10.2% since 31 March 2006. This growth is attributable to continued investment in both the Bank's proprietary channels to improve productivity and the establishment of new distribution channels such as "Mortgage Connect", a sales force of mobile "owner operators". New initiatives and promotions such as competitive fixed rate offerings and the introduction of the new "basic home loan" have also contributed to lending growth during the half, despite weaker demand, particularly in New South Wales. Within residential loans, higher margin home equity loans increased by 9.4% to $21.0 billion since 31 March 2006.

Consumer loans increased by 29.2% to $7.1 billion (31 March 2006: $5.5 billion) due to strong growth in personal loans, margin lending and credit cards, together with the acquisition of HSBC's $398 million margin lending portfolio in August 2006. Excluding this acquisition, the consumer loan portfolio grew by 22.0%. Growth in credit cards of 20.8% was assisted by the Bank's award winning "Vertigo" low interest rate credit card launched in May 2006.

Commercial loans grew by 21.1% to $25.9 billion from $21.4 billion at 31 March 2006. Annualised growth in commercial loans since 30 September 2006 was 16.7%, despite intense competition and the slow down in the property market, particularly in New South Wales. Middle market receivables grew by 24.8% to $20.9 billion since 31 March 2006 and recorded an annualised increase of 19.2% in the March 2007 half. This strong growth is a result of interstate and industry diversification and an industry leading customer relationship model that delivers exceptional customer service. Despite the slower New South Wales property market, strong growth of 23.9% in middle market receivables was achieved in this market since 31 March 2006.

3.2.3 Impaired Assets

Total impaired assets (net of specific provisions) were $59 million at 31 March 2007 (31 March 2006: $45 million).

Net non-accruals were $59 million compared to $44 million at 31 March 2006. These balances consist of commercial loans that are secured by property, with prudent loan to valuation ratios. Overall, the quality of the commercial loan portfolio remains excellent, this increase in net non-accruals is from historically low levels.

Past 90 day due loans were $241 million compared to $204 million at 31 March 2006. The increase relates to residential property. Residential past 90 day due loans as a percentage of total residential loans (excluding securitised loans) were 0.36% compared to 0.29% at 31 March 2006. The ratio falls to 0.30% (31 March 2006: 0.24%) including securitised loans. The increase in past 90 day due residential loans is off a low base and is in line with competitors. The trend has been influenced by rising interest rates and predominantly relates to investment loans. These loans are well secured and minimal losses are expected as the properties have either low loan to valuation ratios or are mortgage insured.

Past 90 day due other receivables have improved significantly as a percentage of total other receivables to 0.75% from 0.96% at 31 March 2006.

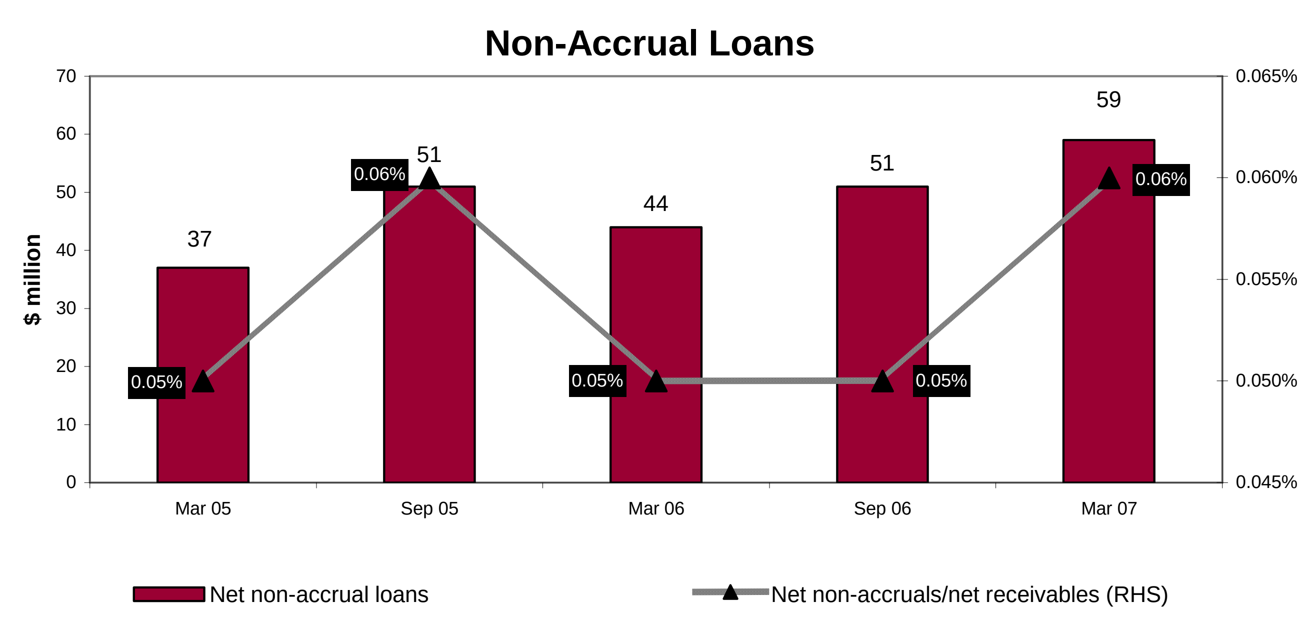
As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Section 1 - Non-Accrual Loans			
With provisions:			
Gross Loan Balances	87	74	70
Specific Provisions	36	34	35
Net Loan Balances	51	40	35
Without provisions:			
Gross Loan Balances	8	11	9
Total Non-accrual Loans:			
Gross Loan Balances	95	85	79
Specific Provisions	36	34	35
Net Loan Balances	59	51	44
Section 2 - Restructured Loans			
Without provisions:			
Gross Loan Balances	-	1	1
Section 3 - Assets acquired through security enforcement			
Other Real Estate Owned	-	-	-
Total impaired assets (1)	59	52	45
Section 4 - Past Due Loans (Consumer segment) (2)			
Residential loans	168	118	128
Other	73	63	76
Total	241	181	204

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

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

Sales of properties since 31 March 2007 have reduced impaired assets by $6 million.

3.2.3 Impaired Assets (continued)



As at	**31 Mar 2007**	**30 Sep 2006**	**31 Mar 2006**
Specific provision coverage for non-accruals	37.89%	40.00%	44.30%
Gross non-accruals / Net receivables	0.10%	0.09%	0.09%
Net non-accruals / Net receivables	0.06%	0.05%	0.05%

Past due items

As at	**31 Mar 2007**	**30 Sep 2006**	**31 Mar 2006**
Residential / Net residential receivables(1)	0.36%	0.26%	0.29%
Other / Net other receivables(2)	0.75%	0.71%	0.96%

(1) Excludes securitised loans. If securitised loans were included, the ratio would decrease to 0.30% at 31 March 2007 (31 March 2006: 0.24%).

(2) Other receivables comprise hire purchase, leasing and unsecured consumer loans.

3.2.4 Loan Impairment Provisions and General Reserve for Credit Losses

	Half Year		
	Mar 2007 $M	Sep 2006 $M	Mar 2006 $M
General provision			
Balance at the beginning of the period	-	-	219
Write-back of general provision on transition to AIFRS (1)	-	-	(219)
Balance at the end of the period	-	-	-
Collective provision			
Balance at the beginning of the period	268	261	-
Establish provision on transition to AIFRS (1)	-	-	245
Net provision movement during the period	15	7	16
Balance at the end of the period	283	268	261
Specific provision			
Balance at the beginning of the period	31	36	69
Write-back of portfolio provisions on transition to AIFRS (1)	-	-	(35)
Net provision movement during the period	78	72	49
Bad debt write offs	(70)	(77)	(47)
Balance at the end of the period	39	31	36
General reserve for credit losses (2)			
Balance at the beginning of the period	117	72	-
Establishment of reserve on transition to AIFRS (1)	-	-	68
APRA transition adjustment	-	42	-
Appropriation from profits during the period	13	3	4
Balance at the end of the period	130	117	72
Total provisions and general reserve for credit losses	452	416	369

(1) Adjusted against opening retained earnings at 1 October 2005.
(2) The general reserve for credit losses was established by an appropriation from retained earnings.

Collective and specific provisions are raised where there is objective evidence of impairment. For collective impairment, a provision is raised even where the impairment event cannot be attributed to individual exposures. The required provision is estimated on the basis of historical loss experience.

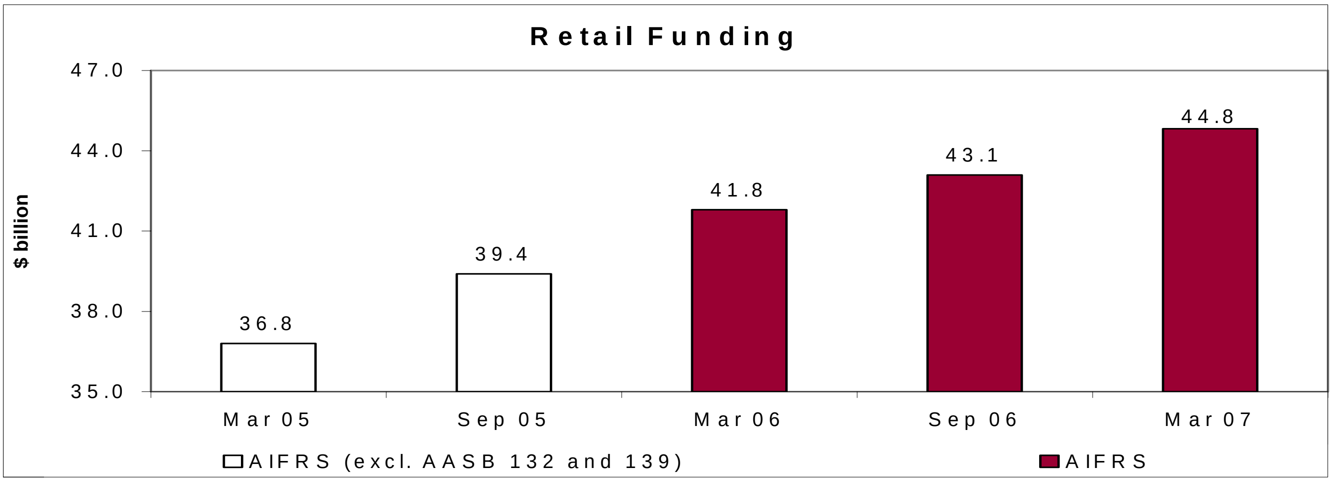
At 31 March 2007, $153 million of the after tax equivalent of the collective provision is considered to satisfy APRA's general provision definition which, when taken together with the $130 million balance of the general reserve for credit losses, represents 0.5% of risk weighted assets.

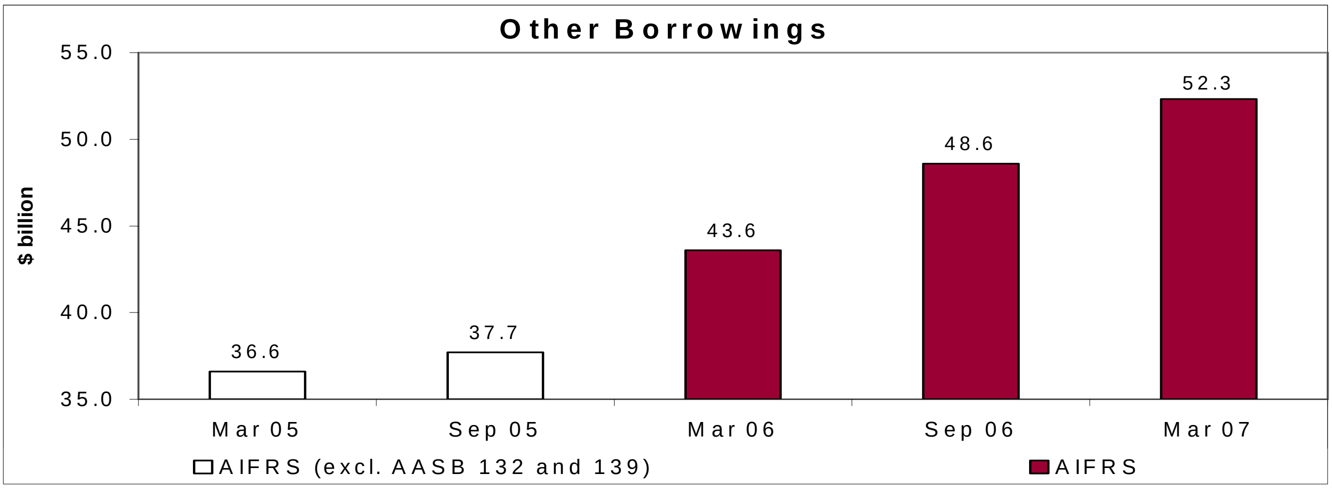
3.2.5 Retail Funding and Other Borrowings

Total retail funding and other borrowings have increased to $97.2 billion at 31 March 2007, an increase of 13.8% since 31 March 2006.

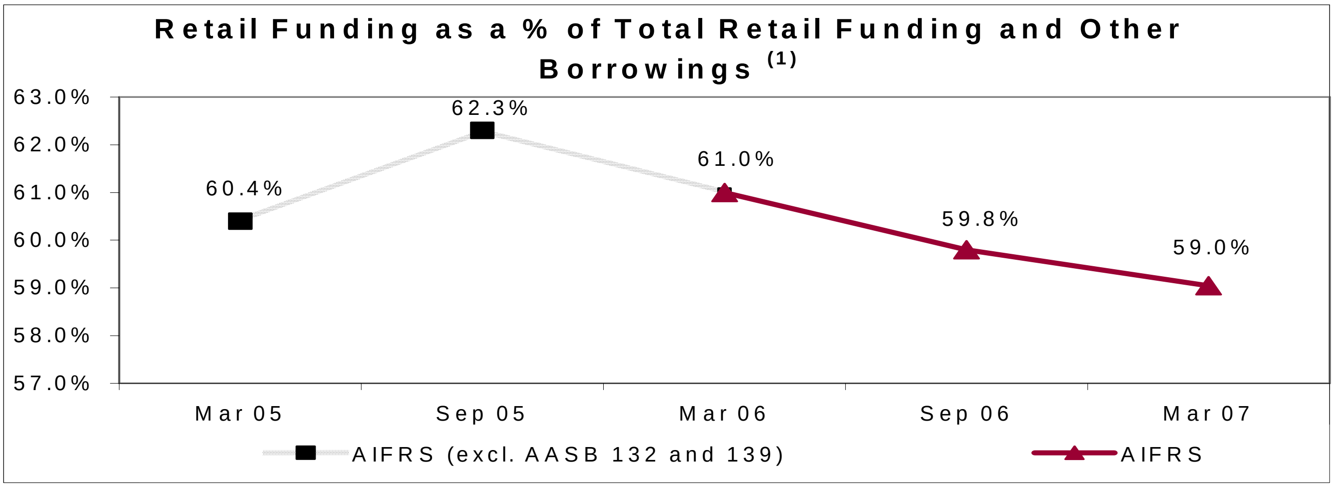
As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Retail funding	44,824	43,091	41,772
Other deposits	10,935	6,361	7,833
Offshore borrowings	14,136	16,526	14,294
Domestic borrowings	4,260	3,999	2,802
Subordinated debt	1,760	2,032	1,764
Preference shares	708	390	395
Securitisation and asset-backed conduit funding	20,529	19,249	16,481
Total	97,152	91,648	85,341
Retail funding as a % of Total Retail Funding and Other Borrowings (1)	59.0%	59.8%	61.0%

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





3.2.5 Retail Funding and Other Borrowings (continued)



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

Retail funding

Retail funding has grown by 8.5%[1] to $44.8 billion since 31 March 2006 and accounts for 59.0% of total funding and other borrowings excluding securitisation, asset-backed conduit funding and preference shares (31 March 2006: 61.0%).

As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Transaction	15,389	15,194	14,340
Savings	475	571	550
Fixed Term	14,749	13,888	12,961
Direct Saver	7,326	6,644	6,731
Investment	6,885	6,794	7,190
Total Retail Funding	44,824	43,091	41,772

Since 31 March 2006, transaction accounts have grown 7.3% to $15.4 billion, directsaver accounts grew by 8.8% to $7.3 billion, fixed term accounts grew 13.8% to $14.7 billion, and investment accounts, which comprise the Portfolio Cash Management Account, the Powersaver Account and the Investment Cash Account were $6.9 billion compared to $7.2 billion at 31 March 2006. The Group's business deposit accounts have grown by 16.8% to $5.8 billion since 31 March 2006. Cash investment accounts of Asgard investors held with the Bank increased 27.3% to $2.6 billion from $2.0 billion at 31 March 2006.

The launch of a new suite of Freedom transaction accounts in November 2006, which complement the Group's existing broad range of deposit products, contributed to growth in retail deposits. Product pricing is consistently refined to ensure profitable growth is achieved in a highly competitive market. Strong balance sheet growth has resulted in an increase in the proportion of wholesale funding. As a result, the retail funding ratio reduced to 59.0% compared to 61.0% at 31 March 2006.

(1) Excludes St.George Bank New Zealand.

3.2.5 Retail Funding and Other Borrowings (continued)

Other borrowings

Other borrowings excluding securitisation, asset-backed conduit funding and preference shares increased to $31.1 billion from $26.7 billion at 31 March 2006. Debt issues during the half year included the following:

- In November 2006, the Bank issued $150 million of fixed rate and $450 million of floating rate transferable deposits, maturing in November 2011.
- In December 2006, the Bank issued 3.25 million Converting Preference Shares (CPS) raising $320 million (net of issue costs). The CPS qualify as Tier 1 non-innovative capital for capital adequacy purposes.
- In January 2007, the Bank issued EUR 500 million of floating rate notes, maturing in January 2010.

The Group's strategy is to diversify its funding sources to ensure it has a stable funding base without over-reliance on any individual market. Securitisation has continued to be an important source of wholesale funding for the Group with securitisation and asset-backed conduit funding increasing by $4.0 billion to $20.5 billion since 31 March 2006.

3.2.6 Shareholders' Equity

Shareholders' equity of $5,612 million represents 5.01% of total assets as at 31 March 2007. Shareholders' equity is comprised of the following items:

As at	31 Mar 2007 $M	30 Sep 2006 $M	31 Mar 2006 $M
Ordinary share capital			
- Ordinary equity	3,969	3,878	3,819
- Treasury shares	(10)	(10)	(8)
Total ordinary share capital	3,959	3,868	3,811
SAINTS	345	345	345
Step-up preference shares	148	148	-
Retained profits	951	798	685
General reserve	15	15	15
General reserve for credit losses	130	117	72
Foreign currency translation reserve	(1)	(1)	(2)
Cash flow hedge reserve	6	-	(28)
Equity compensation reserve	36	29	22
Depositors' and borrowers' redemption reserve	2	2	2
Available for sale reserve	3	4	6
Minority interests	18	18	21
Shareholders' equity	5,612	5,343	4,949

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

	$M	Number of shares
Balance as at 1 October 2006	3,868	526,247,360
Shares issued under various plans:		
Dividend Reinvestment Plan - 2006 final ordinary dividend	75	2,330,709
Employee Reward Share Plan	-	219,878
Executive Performance Share Plan	-	219,646
Executive Option Plan	16	869,993
Balance as at 31 March 2007	3,959	529,887,586

3.2.7 Sell Back Rights

In February 2001, St.George granted "Sell Back Rights" to its shareholders to effect an off-market buy-back of its ordinary shares. The Australian Taxation Office (ATO) subsequently issued a Class Ruling saying that shareholders who received Sell Back Rights would be liable to income tax on the market value of the Sell Back Rights. St.George disagreed with the ATO Class Ruling, and funded litigation on behalf of affected shareholders to challenge the Class Ruling.

St.George was successful before the Federal Court of Australia and, following an appeal by the ATO, was also successful before the Full Federal Court. The High Court heard a further appeal by the ATO on 14 June 2006.

The High Court handed down its decision on this matter in February 2007. It held that participating St.George shareholders should be taxed on the value of the sell-back rights granted to them in the 2001 year of income. The value of the sell-back rights ($1.89 per sell-back right) is regarded as ordinary income. This is the final decision in relation to this matter.

At the time the ATO issued its Class Ruling, St.George advised shareholders to act in accordance with the Ruling, by including the market value of the sell-back rights as assessable income in their 2001 income tax return, pending a final court decision. If shareholders followed that advice, they would not be required to do anything further as a result of the High Court's decision.

Although disappointed with the ultimate outcome of this case, St.George is pleased that it defended the interests of shareholders throughout these proceedings.

3.3 Other Financial Analysis

3.3.1 Dividends

Ordinary Shares

The Board has declared an interim dividend of 82 cents per ordinary share, an increase of 10.8% or 8 cents compared to 31 March 2006. This represents a dividend payout ratio (cash basis) of 76.6% for the half year.

100 percent of the dividend payment will be franked at 30% and will be paid on 3 July 2007. Ordinary shares will trade ex-dividend on 13 June 2007.

Registrable transfers received by St.George at its share registry[1] by 5.00 pm Sydney time on 19 June 2007 if paper based, or by end of the day on that date if transmitted electronically via CHESS, will be registered before entitlements to the dividend are determined.

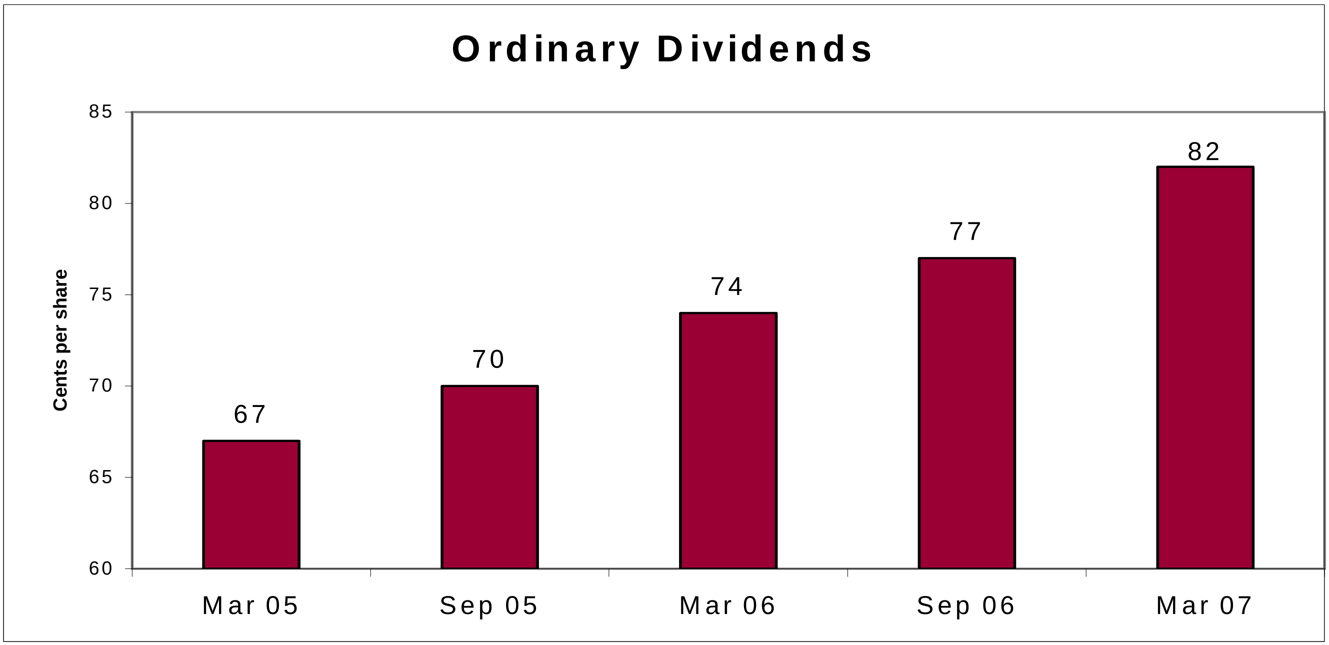
Dividend Reinvestment Plan (DRP)

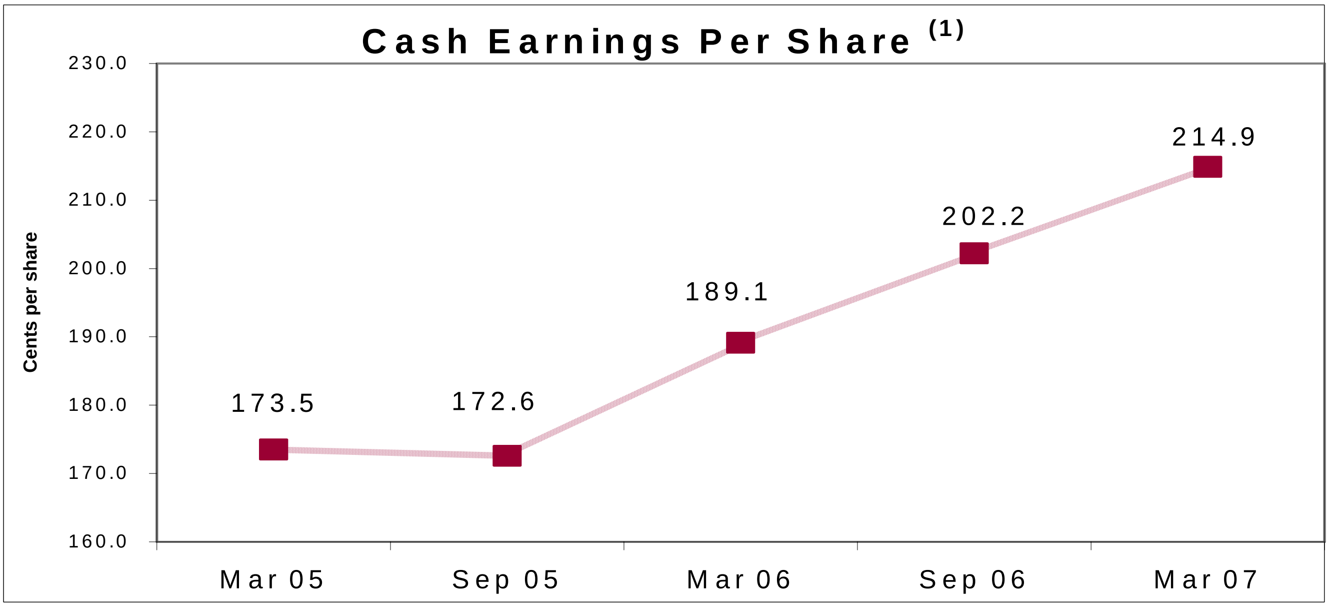
The DRP will operate for the interim dividend with no discount. Participation will be from a minimum of 100 ordinary shares without a cap on participation by individual shareholders. For applications under the DRP to be effective, they must be received at the Bank's Share Registry[1] by 5:00pm on 19 June 2007. DRP application forms are available from the Share Registry.

The DRP will be priced during the 10 days of trading commencing 21 June 2007. A combined DRP advice/holding statement will be despatched to DRP participants on or around 18 July 2007.

1. Computershare Investor Services Pty Ltd, Level 3, 60 Carrington Street, Sydney. Tel: 1800 804 457

3.3.1 Dividends (continued)





(1) Annualised

3.3.1 Dividends (continued)

Preference Shares

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

Period	Payment date	Amount $M	Franked
DCS (Classified as a liability)			
1 October 2006 - 31 December 2006	31 December 2006	7	No
1 January 2007 - 31 March 2007(1)	30 June 2007	7	No
		14	
SAINTS (Classified as equity)			
1 October 2006 - 19 November 2006	20 November 2006	3	100% franked at 30%
20 November 2006 - 19 February 2007	20 February 2007	5	100% franked at 30%
20 February 2007 - 31 March 2007	21 May 2007	1	100% franked at 30%
		9	
STEP-UP PREFERENCE SHARES (Classified as equity)			
1 October 2006 - 19 November 2006	20 November 2006	1	100% franked at 30%
20 November 2006 - 19 February 2007	20 February 2007	2	100% franked at 30%
20 February 2007 - 31 March 2007	21 May 2007	1	100% franked at 30%
		4	
CONVERTING PREFERENCE SHARES (Classified as a liability)			
19 December 2006 to 19 February 2007	20 February 2007	4	100% franked at 30%
20 February 2007 to 31 March 2007	21 May 2007	1	100% franked at 30%
		5	

(1) This distribution entitlement has been calculated based on the AUD/USD exchange rate at 31 March 2007.

3.3.2 Capital Adequacy

The Group has a Tier 1 capital adequacy ratio of 7.2% and a total capital ratio of 10.5% (31 March 2006: 10.4%). Capital adequacy has been calculated in accordance with APRA's AIFRS regulatory requirements that applied from 1 July 2006. In accordance with APRA's transitional arrangements, the $261 million Tier 1 regulatory capital shortfall calculated as the difference between the Group's previous AGAAP capital base at 30 June 2006 and AIFRS capital base at 1 July 2006, is subject to transitional relief until 31 December 2007.

The Tier 1 capital adequacy ratio increased during the half year primarily from the issuance of 3.25 million Converting Preference Shares in December 2006, raising $320 million in Non-Innovative Tier 1 Capital.

	AIFRS 31 Mar 2007 $M	AIFRS 30 Sep 2006 $M	AGAAP 31 Mar 2006 $M
Tier 1			
Share capital	3,959	3,868	3,802
General reserve	15	15	15
Borrowers' and depositors' redemption reserve	2	2	2
Converting Preference Shares	320	-	-
SAINTS	345	345	345
Perpetual notes	34	34	34
Step-up preference shares	148	148	-
Depositary capital securities	310	335	351
Minority interests	(16)	(16)	(13)
Asset realisation reserve	-	-	33
Other reserves	1	2	(1)
Equity compensation reserve	36	29	-
Retained earnings	951	798	685
Less: Expected dividend (1)	(354)	(344)	(252)
Capitalised expenses (2)	(313)	(295)	(181)
Goodwill and other APRA deductions	(1,579)	(1,513)	(1,362)
Add: AIFRS APRA transition adjustments (3)	261	261	-
Total Tier 1 capital	4,120	3,669	3,458
Tier 2			
Asset revaluations	24	28	55
Subordinated debt	1,583	1,835	1,626
General provision for doubtful debts	-	-	228
General reserve for credit losses/collective provision	283	265	-
Add: APRA AIFRS transition adjustment (3)	7	7	-
Total Tier 2 capital	1,897	2,135	1,909
Deductions			
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27	27
Other	1	1	1
Total deductions from capital	28	28	28
Total qualifying capital	**5,989**	**5,776**	**5,339**
Risk weighted assets	**57,117**	**52,982**	**50,955**
	%	%	%
Risk weighted capital adequacy ratio			
Tier 1	7.2	6.9	6.8
Tier 2	3.3	4.0	3.7
Deductions	-	(0.1)	(0.1)
Total capital ratio	10.5	10.8	10.4

(1) Net of estimated reinvestment under the dividend reinvestment plan.
(2) From 1 July 2006 also includes capitalised software costs.
(3) AIFRS transitional relief adjustments approved by APRA that apply until 31 December 2007.

3.3.2 Capital Adequacy (continued)

The Adjusted Common Equity (ACE) Ratio is 4.7% compared to 4.8% at 30 September 2006. The ratio has been calculated in accordance with Standard and Poor's methodology which does not allow APRA's $261 million transitional relief adjustment to be included in the calculation of ACE. ACE 30 September 2006 comparative figures have been amended in accordance with this approach.

As at	AIFRS March 2007 $M	AIFRS Sept 2006 $M	AGAAP March 2006 $M
Adjusted Common Equity Ratio			
Tier 1 Capital	4,120	3,669	3,458
Less: SAINTS	345	345	345
Step-up preference shares	148	148	-
Converting preference shares	320	-	-
Depositary capital securities	310	335	351
Perpetual notes	34	34	34
Investment in non-consolidated entities net of goodwill and Tier 1 deductions	27	27	27
APRA transition adjustments	261	261	-
Adjusted Common Equity	2,675	2,519	2,701
Risk Weighted Assets	57,117	52,982	50,955
Adjusted Common Equity Ratio	4.7%	4.8%	5.3%

3.3.3 Average Balances and Related Interest

Comparative period figures have all been prepared on a full AIFRS basis.

Average Balances and Related Interest For the Half Year Ended 31 March 2007	Average Balance $M	Interest $M	Average Rate [1] %
Interest earning assets			
Cash and liquid assets	959	23	4.80%
Receivables from other financial institutions	1,428	39	5.46%
Assets at fair value	7,270	219	6.02%
Loans and other receivables	94,710	3,625	7.65%
Total interest earning assets	104,367	3,906	7.49%
Non interest earning assets			
Bills receivable	10		
Property, plant and equipment	337		
Other assets	4,628		
Provision for doubtful debts	(315)		
Total non interest earning assets	4,660		
Total assets	109,027		
Interest bearing liabilities			
Retail funding	42,432	990	4.67%
Other deposits	15,708	519	6.61%
Payables to other financial institutions	402	10	4.98%
Domestic borrowings	12,948	431	6.66%
Offshore borrowings [2]	29,032	878	6.05%
Total interest bearing liabilities	100,522	2,828	5.63%
Non interest bearing liabilities			
Bills payable	177		
Other non interest bearing liabilities	2,930		
Total non interest bearing liabilities	3,107		
Total liabilities	103,629		
Shareholders' equity [3]	5,398		
Total liabilities and shareholders' equity	109,027		
Interest Spread [4]			1.86%
Interest Margin [5]			2.07%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half year were 528.6 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest For the Half Year Ended 30 September 2006	Average Balance $M	Interest $M	Average Rate [1] %
Interest earning assets			
Cash and liquid assets	869	19	4.37%
Receivables from other financial institutions	1,388	35	5.04%
Assets at fair value	7,129	203	5.70%
Loans and other receivables	89,662	3,321	7.41%
Total interest earning assets	99,048	3,578	7.22%
Non interest earning assets			
Bills receivable	26		
Property, plant and equipment	422		
Other assets	4,420		
Provision for doubtful debts	(301)		
Total non interest earning assets	4,567		
Total assets	103,615		
Interest bearing liabilities			
Retail funding	41,262	919	4.45%
Other deposits	14,443	443	6.13%
Payables to other financial institutions	511	11	4.31%
Domestic borrowings	12,055	382	6.34%
Offshore borrowings [2]	27,108	772	5.70%
Total interest bearing liabilities	95,379	2,527	5.30%
Non interest bearing liabilities			
Bills payable	236		
Other non interest bearing liabilities	2,939		
Total non interest bearing liabilities	3,175		
Total liabilities	98,554		
Shareholders' equity [3]	5,061		
Total liabilities and shareholders' equity	103,615		
Interest Spread [4]			1.92%
Interest Margin [5]			2.12%

(1) Annualised.
(2) Includes foreign exchange swap costs.
(3) Basic weighted average number of ordinary shares outstanding for the half year were 525.2 million.
(4) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.
(5) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.3 Average Balances and Related Interest (continued)

Average Balances and Related Interest For the Half Year Ended 31 March 2006	Average Balance $M	Interest $M	Average Rate [(1)] %
Interest earning assets			
Cash and liquid assets	898	19	4.23%
Receivables from other financial institutions	1,082	26	4.81%
Assets at fair value	6,526	177	5.42%
Loans and other receivables	83,467	3,014	7.22%
Total interest earning assets	91,973	3,236	7.04%
Non interest earning assets			
Bills receivable	2		
Property, plant and equipment	449		
Other assets	3,256		
Provision for doubtful debts	(261)		
Total non interest earning assets	3,446		
Total assets	95,419		
Interest bearing liabilities			
Retail funding	39,217	860	4.39%
Other deposits	14,956	439	5.87%
Payables to other financial institutions	379	8	4.22%
Domestic borrowings	9,693	289	5.96%
Offshore borrowings [(2)]	24,700	676	5.47%
Total interest bearing liabilities	88,945	2,272	5.11%
Non interest bearing liabilities			
Bills payable	160		
Other non interest bearing liabilities	1,598		
Total non interest bearing liabilities	1,758		
Total liabilities	90,703		
Shareholders' equity [(3)]	4,716		
Total liabilities and shareholders' equity	95,419		
Interest Spread [(4)]			1.93%
Interest Margin [(5)]			2.10%

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

3.3.4 Volume and Rate Analysis

The table below allocates changes in interest income and interest expense between changes in volume and rate for the half years ended 31 March 2007 and 30 September 2006. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

Half year movements

	March 2007 over September 2006			September 2006 over March 2006		
	Change due to			Change due to		
	Volume $M	Rate $M	Total $M	Volume $M	Rate $M	Total $M
Interest earning assets						
Cash and liquid assets	2	2	4	(1)	1	-
Receivables due from other financial institutions	1	3	4	8	1	9
Assets at fair value	4	12	16	17	9	26
Loans and other receivables	193	111	304	229	78	307
Change in interest income	200	128	328	253	89	342
Interest bearing liabilities						
Retail funding	27	44	71	46	13	59
Other deposits	42	34	76	(16)	20	4
Payables due to other financial institutions	(3)	2	(1)	3	-	3
Domestic borrowings	30	19	49	75	18	93
Offshore borrowings	58	48	106	69	27	96
Change in interest expense	154	147	301	177	78	255
Change in net interest income	46	(19)	27	76	11	87

The increase in net interest income in the March 2007 half compared to the September 2006 half is largely driven by the growth in lending assets and is partly offset by a 5 basis point reduction in the net interest margin.

3.3.5 Derivatives

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

The following table provides details of the Group's outstanding derivatives used for trading and hedging purposes.

	31 March 2007				30 September 2006				31 March 2006			
	Contract/	Fair values			Contract/	Fair values			Contract/	Fair values		
$M	Notional Amount	Assets	Liabilities	Net	Notional Amount	Assets	Liabilities	Net	Notional Amount	Assets	Liabilities	Net
Derivatives held for trading												
Futures	32,833	4	(1)	3	15,058	2	(1)	1	12,567	3	(1)	2
Forward rate agreements	20,965	2	(1)	1	57,300	10	(2)	8	32,440	1	-	1
Interest rate swaps	77,673	307	(279)	28	68,055	247	(257)	(10)	60,754	180	(124)	56
Interest rate options	715	1	(1)	-	661	1	(1)	-	370	1	-	1
Foreign exchange	15,258	183	(279)	(96)	18,131	175	(121)	54	13,990	318	(168)	150
Cross currency swaps	2,986	93	(110)	(17)	3,509	59	(43)	16	2,208	34	(45)	(11)
Foreign exchange options	2,683	10	(13)	(3)	3,573	13	(11)	2	2,708	20	(18)	2
	153,113	**600**	**(684)**	**(84)**	**166,287**	**507**	**(436)**	**71**	**125,037**	**557**	**(356)**	**201**
Derivatives held for cash flow hedging												
Interest rate swaps	18,716	157	(57)	100	15,657	62	(40)	22	9,907	7	(26)	(19)
	18,716	**157**	**(57)**	**100**	**15,657**	**62**	**(40)**	**22**	**9,907**	**7**	**(26)**	**(19)**
Derivatives held for fair value hedging												
Interest rate swaps	1,255	8	(21)	(13)	1,397	8	(20)	(12)	1,430	11	(27)	(16)
Cross currency swaps	26,613	112	(1,440)	(1,328)	27,463	516	(694)	(178)	21,481	702	(616)	86
	27,868	**120**	**(1,461)**	**(1,341)**	**28,860**	**524**	**(714)**	**(190)**	**22,911**	**713**	**(643)**	**70**
Total	199,697	877	(2,202)	(1,325)	210,804	1,093	(1,190)	(97)	157,855	1,277	(1,025)	252

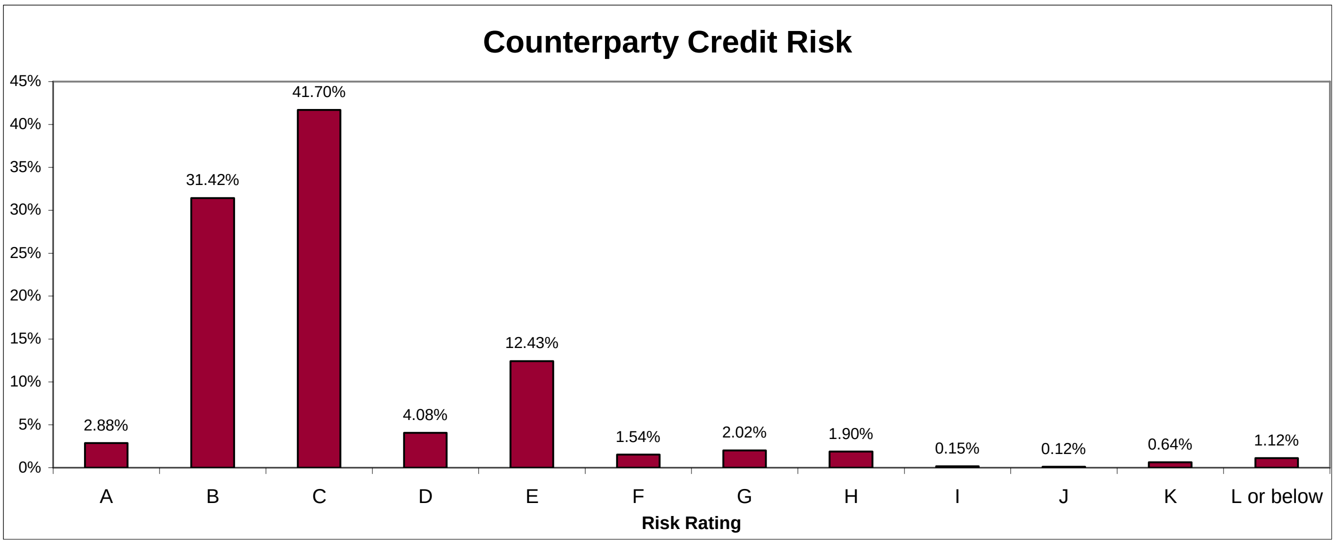
3.3.5 Derivatives (continued)

The Group has a credit risk on derivative transactions that have a positive value (an asset). More than 95% of derivative transactions, by notional contract value, are with counterparties that are rated investment grade quality.

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

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

The graph below shows the percentage counterparty risk exposure on derivatives on a notional contract basis totalling $199.7 billion as at 31 March 2007 (31 March 2006: $157.9 billion).



3.3.5 Derivatives (continued)

Market Risk from Trading Activities

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

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

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

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

The following table provides a summary of VaR by total room and by trading unit for the half years ended 31 March 2007, 30 September 2006 and 31 March 2006.

Six months ended	**31 March 2007**		**30 September 2006**		**31 March 2006**	
$'000	**High**	**Average**	**High**	**Average**	**High**	**Average**
Total Room Risk	1,165	526	1,546	674	1,157	647
Domestic VaR	1,087	485	1,582	603	1,111	589
Foreign Exchange VAR	694	207	597	292	744	297

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

Actual and hypothetical profit and loss outcomes are monitored against VaR on a daily basis as part of the model validation process. This process includes hypothetical profit and loss, which holds the portfolio constant, thereby excluding any intraday trading activity.

4 Supplementary Information

4.1 Earnings Per Share Calculations – Cash basis

	Half Year		
	Mar 07	Sep 06	Mar 06
Weighted average number of shares			
Basic ('000)	528,644	525,168	523,451
Weighted average number of potential dilutive shares			
Options on ordinary shares ('000)	530	711	749
PRYMES ('000)	-	-	7,839
SAINTS ('000)	10,248	11,871	11,639
SPS ('000)	4,392	2,879	-
CPS ('000)	5,385	-	-
	20,555	15,461	20,227
Weighted average number of shares used in dilutive earnings per share calculation ('000)	549,199	540,629	543,678
	$M	$M	$M
Cash basis earnings used in basic earnings per share calculation	568	531	495
add: preference share distributions on potential dilutive issues			
PRYMES	-	-	8
SAINTS	9	9	9
SPS	4	2	-
CPS	5	-	-
Cash basis earnings used in dilutive earnings per share calculation	586	542	512

4.2 Branches

As at	Mar 2007	Sep 2006	Mar 2006
New South Wales	200	200	202
Australian Capital Territory	13	13	13
Queensland	23	23	21
Victoria	38	38	38
South Australia	109	109	109
Western Australia	3	3	3
Northern Territory	4	4	4
Total	390	390	390
Assets per branch - $M	287	274	257
Net Profit per branch (annualised)			
- Cash basis profit before preference dividends $ '000	2,979	2,779	2,585

Further investment in the distribution network is planned in second half 2007 with five branches to be opened in Western Australia and four branches in Queensland. The number of branches reported since March 2006 has been unchanged, the number of customer facing staff has increased. This is due to the expansion of a number of sites, including conversion of some automated banking centres to full service branches.

4.3 Staffing (full time equivalents)

	Mar 2007	Sep 2006	Mar 2006
New South Wales	4,964	4,920	4,985
Australian Capital Territory	159	146	159
Queensland	304	297	285
Victoria	407	413	430
South Australia	1,208	1,225	1,220
Western Australia	163	132	127
Northern Territory	37	39	36
	7,242	7,172	7,242
Asgard	647	618	593
Scottish Pacific	106	135	139
St.George Bank New Zealand	-	24	54
Total Permanent and Casual Staff	7,995	7,949	8,028
Assets per staff - $M	14.0	13.5	12.5
Staff per $m assets - No.	0.07	0.07	0.08
Net Profit per average staff (annualised)			
- Cash basis profit before preference dividends $'000	147	135	126
Total Group Workforce(1)	8,727	8,598	8,640

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

4.4 Dates and Credit Ratings

Financial Calendar

Date	Event
1 May 2007	Ex-dividend trading for SAINTS, SPS and CPS dividends
7 May 2007	Record date for SAINTS, SPS and CPS dividends
21 May 2007	Payment date of SAINTS, SPS and CPS dividends
13 June 2007	Ex-dividend trading for interim ordinary share dividend
19 June 2007	Record date for interim ordinary share dividend
27 June 2007	Victorian Shareholders' Presentation
3 July 2007	Payment of interim ordinary share dividend
4 July 2007	DRP pricing period ends
18 July 2007	Mailing DRP statements
30 September 2007	Financial year end

Proposed Dates

Date	Event
31 July 2007	Ex-dividend trading for SAINTS, SPS and CPS dividends
6 August 2007	Record date for SAINTS, SPS and CPS dividends
20 August 2007	Payment date of SAINTS, SPS and CPS dividends
31 October 2007	Announcement of financial results and ordinary dividend declared
31 October 2007	Ex-dividend trading for SAINTS, SPS and CPS dividends
6 November 2007	Record date for SAINTS, SPS and CPS dividends
20 November 2007	Payment date of SAINTS, SPS and CPS dividends
28 November 2007	Ex-dividend trading for final ordinary share dividend
4 December 2007	Record date for final ordinary share dividend
18 December 2007	Payment of final ordinary share dividend
19 December 2007	Annual General Meeting
19 December 2007	DRP pricing period ends
7 January 2008	Mailing DRP statements

Credit Ratings

	Short term	Long term
Standard & Poor's	A-1	A+
Moody's	P-1	A1
Fitch Ratings	F1	A+

Further Information

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ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 MARCH 2007

	Half Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Interest income	**3,906**	3,563	3,218
Interest expense	**2,828**	2,512	2,256
Net interest income	**1,078**	1,051	962
Other income	**533**	523	471
Total operating income	**1,611**	1,574	1,433
Bad and doubtful debts expense	**93**	79	65
Operating expenses	**683**	713	628
Profit before income tax	**835**	782	740
Income tax expense	**250**	219	226
Profit after income tax and before loss of discontinued operation	**585**	563	514
Loss of discontinued operation net of tax	**-**	9	4
Net loss of discontinued operation attributable to minority interest	**-**	(3)	(2)
Minority interest in continuing operations	**-**	-	1
Net profit attributable to shareholders of the Bank	**585**	557	511
Dividends per ordinary share (cents)			
Final dividend paid	**77**	-	70
Interim dividend paid	**-**	74	-
Interim dividend proposed	**82**	-	-
Earnings per share from continuing operations			
Basic (cents)	**108.2**	105.1	96.3
Diluted (cents)	**107.4**	104.1	95.8

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2007

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
ASSETS			
Cash and liquid assets	**1,188**	1,081	1,128
Receivables due from other financial institutions	**1,180**	1,182	975
Assets at fair value through the income statement	**6,043**	6,192	5,726
Derivative assets	**877**	1,093	1,277
Available for sale investments	**1,381**	1,541	1,367
Loans and other receivables	**85,144**	81,516	77,197
Bank acceptances of customers	**13,580**	11,908	9,842
Investment in associated companies	**28**	28	28
Property, plant and equipment	**332**	334	443
Intangible assets	**1,305**	1,291	1,282
Deferred tax assets	**198**	193	174
Other assets	**724**	643	606
TOTAL ASSETS	**111,980**	107,002	100,045
LIABILITIES			
Deposits and other borrowings	**61,296**	54,633	53,659
Payables due to other financial institutions	**473**	401	421
Liabilities at fair value through the income statement	**386**	390	395
Derivative liabilities	**2,202**	1,190	1,025
Bank acceptances	**5,456**	7,287	7,264
Provision for dividends	**3**	3	3
Current tax liabilities	**121**	160	115
Deferred tax liabilities	**169**	172	187
Other provisions	**126**	125	105
Bonds and notes	**33,388**	34,593	29,523
Loan capital	**2,082**	2,032	1,764
Bills payable and other liabilities	**666**	673	635
TOTAL LIABILITIES	**106,368**	101,659	95,096
NET ASSETS	**5,612**	5,343	4,949
SHAREHOLDERS' EQUITY			
Share capital	**4,467**	4,376	4,171
Reserves	**176**	151	72
Retained profits	**951**	798	685
Equity attributable to shareholders of the Bank	**5,594**	5,325	4,928
Equity attributable to minority interests	**18**	18	21
Total Shareholders' Equity	**5,612**	5,343	4,949

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF YEAR ENDED 31 MARCH 2007

	Half Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Foreign currency translation reserve			
Foreign exchange translation differences (net of tax)	**-**	1	(6)
Cash flow hedge reserve			
Gains/(losses) on cash flow hedging instruments (net of tax)			
Recognised in equity	**6**	32	(12)
Transferred to the income statement	**-**	(4)	3
Available for sale reserve			
Gains/(losses) on available for sale investments (net of tax)			
Recognised in equity	**(1)**	(2)	1
Net income/(expense) recognised directly in equity	**5**	27	(14)
Profit for the period	**585**	554	510
Total recognised income and expense for the period	**590**	581	496
Total recognised income and expense for the period attributable to:			
Members of the Bank	**590**	584	497
Minority interests	**-**	(3)	(1)
	590	581	496
Effect of change in accounting policies - Financial Instruments			
Net decrease in retained profits	**-**	-	(131)
Net increase in reserves	**-**	-	54
	590	581	419

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 MARCH 2007

	Half Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received	**3,892**	3,506	3,240
Interest paid	**(2,860)**	(2,574)	(2,239)
Other income received	**423**	446	404
Operating expenses paid	**(639)**	(626)	(575)
Income taxes paid	**(266)**	(205)	(252)
Purchase of available for sale investments	**(267)**	(520)	(1,195)
Proceeds from sale and redemption of available for sale investments	**468**	353	977
Net (increase)/decrease in assets			
- Balance due from other financial institutions (not at call)	**156**	(417)	335
- Assets at fair value through the income statement	**130**	(461)	280
- Loans and other receivables	**(5,370)**	(6,280)	(7,052)
Net increase/(decrease) in liabilities			
- Balance due to other financial institutions (not at call)	**(108)**	135	-
- Deposits and other borrowings	**4,878**	1,053	4,462
- Bonds and notes	**(24)**	5,172	2,452
Net cash provided by/(used in) operating activities	**413**	(418)	837
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of controlled entity	**-**	-	23
Increase in investment in associated companies	**-**	-	(25)
Dividends received	**3**	3	3
Payments for shares	**-**	(1)	-
Restructure related payments	**1**	-	-
Proceeds from sale of shares	**8**	5	3
Proceeds from sale of businesses	**-**	4	-
Payments for property, plant and equipment	**(36)**	(31)	(28)
Proceeds from sale of property, plant and equipment	**8**	152	6
Net (increase)/decrease in other assets	**(100)**	(169)	27
Net cash (used in)/provided by investing activities	**(116)**	(37)	9
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase/(decrease) in liabilities			
- Other liabilities	**(30)**	190	(210)
- Loan capital	**(199)**	375	(341)
Net proceeds from the issue of perpetual notes	**-**	-	3
Net proceeds from the issue of Step-up Preference Shares	**-**	148	-
Net proceeds from the issue of Converting Preference Shares	**320**	-	-
Proceeds from the issue of shares	**16**	-	9
Buyback of shares	**-**	-	(300)
Issue costs	**-**	-	(1)
Dividends paid (excluding Dividend Re-Investment Plan)	**(344)**	(340)	(245)
Net purchase of Treasury shares	**-**	(2)	(8)
Net cash (used in)/provided by financing activities	**(237)**	371	(1,093)
Net increase/(decrease) in cash and cash equivalents	**60**	(84)	(247)
Cash and cash equivalents at the beginning of the half year	**1,407**	1,491	1,738
Cash and cash equivalents at the end of the half year	**1,467**	1,407	1,491

Compliance Statement

This preliminary interim report for the half year ended 31 March 2007 is prepared in accordance with the ASX listing rules. It should be read in conjunction with any announcements to the market made by the Bank during the half year.

The preliminary interim report has been prepared in accordance with Accounting Standards in Australia.

The financial statements of St.George have been reviewed by its auditor, KPMG.

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J M Thame	G P Kelly
Chairman	Managing Director and Chief Executive Officer
1 May 2007	