St.George Bank Limited

ABN 92 055 513 070

Consolidated Interim Financial Report

for the half-year ended

31 March 2007

The Directors of St.George Bank Limited (the Bank) submit their report on the consolidated interim financial report for the half-year ended 31 March 2007 and the auditors' review report thereon.

Directors

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

Name	Period of Directorship
J M Thame - *Chairman*	Director since 1997 (appointed Chairman December 2004)
G P Kelly - *Managing Director and Chief Executive Officer*	Director since 2002
J S Curtis	Director since 1997
T J Davis	Director since 2004
R A F England	Director since 2004
P J O Hawkins	Appointed 24 April 2007
R Holliday-Smith	Appointed 27 February 2007
P D R Isherwood	Director since 1997
L B Nicholls	Director since 2002
G J Reaney	Director since 1996

Review of Operations

Unless otherwise indicated, comparative figures relate to the half-year ended 31 March 2006. There were no individually significant items during the half-year ended 31 March 2007.

Profit after tax and minority interests for the half-year ended 31 March 2007 was $585 million (31 March 2006: $511 million), an increase of 14.5%. The increase was primarily due to strong growth in total operating income driven by continued growth in residential lending and strong growth in business lending and managed funds, while focussing on cost containment.

Net Interest Income

- Net interest income for the half-year was $1,078 million (31 March 2006: $962 million), an increase of 12.1%. The increase is due to growth in average interest earning assets of 13.5% since March 2006, which is partially offset by a decline in the net interest margin to 2.07% from 2.10% in the previous corresponding period. Residential loans (net of specific provision) grew by 9.4% to $65.3 billion from $59.7 billion at 31 March 2006 while commercial lending including bank acceptances (net of specific provision) relating to commercial business grew by 21.1% to $25.9 billion during the same period.

Other Income

- Other income before significant items was $533 million (31 March 2006: $471 million). Other income accounts for 33.1% of total income (31 March 2006: 32.9%).
- Managed funds increased to $44.3 billion (31 March 2006: $37.2 billion), an increase of 19.2%.

Operating Expenses

- The expense to income ratio, before significant items from continuing operations, decreased to 42.4% (31 March 2006: 43.8%) due to prudent cost management and increased total income underpinned by growth in lending assets and managed funds.
- Operating expenses, before significant items, were $683 million (31 March 2006: $628 million), an increase of 8.8%. When compared to the September 2006 half-year, operating expenses, before significant items, increased by 2.7%, reflecting effective cost management.

Income Tax

- Income tax expense before significant items increased by $24 million to $250 million compared to the previous corresponding period.

Shareholder Returns

- Annualised return on average ordinary equity, before significant items and fair value recognition of hedging and non trading derivatives, increased to 23.24% (31 March 2006: 22.69%).
- Basic earnings per ordinary share increased to 108.2 cents (31 March 2006: 96.3 cents).
- The Board has declared an interim ordinary dividend of 82 cents per ordinary share, payable on 3 July 2007. This dividend will be fully franked at 30%.

Corporate Governance

In accordance with the Australian Stock Exchange Principles of Good Corporate Governance and Best Practice Recommendations, the Managing Director and Chief Executive Officer and the Chief Financial Officer have provided a written statement to the Board that the financial report represents a true and fair view of the Bank's financial position as at 31 March 2007 and of its performance for the six months ended on that date, in accordance with relevant accounting standards and regulations.

Lead auditor's independence declaration

The lead auditor's independence declaration required under section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' report for the half-year ended 31 March 2007.

Signed in accordance with a resolution of Directors.

…………….	………………
J M Thame	G P Kelly
Chairman	Managing Director and Chief Executive Officer

1 May 2007

KPMG

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

To: the directors of St.George Bank Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 March 2007 there have been:

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

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

KPMG

KPMG

P M Reid

Partner

Sydney
1 May 2007

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	30 Sept 2006	31 March 2006
	NOTE	**$M**	$M	$M
Interest income	2	**3,906**	3,563	3,218
Interest expense	4	**2,828**	2,512	2,256
Net interest income		**1,078**	1,051	962
Other income	2,7	**533**	523	471
Total operating income		**1,611**	1,574	1,433
Bad and doubtful debts expense	3	**93**	79	65
Operating expenses	4,7	**683**	713	628
Profit before income tax		**835**	782	740
Income tax expense	7	**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	5	**77**	-	70
Interim dividend paid	5	**-**	74	-
Interim dividend proposed	17	**82**	-	-
Earnings per share from continuing operations				
Basic (cents)	6	**108.2**	105.1	96.3
Diluted (cents)	6	**107.4**	104.1	95.8

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

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

	NOTE	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	8	**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	10	**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	11,12	**4,467**	4,376	4,171
Reserves	12	**176**	151	72
Retained profits	12	**951**	798	685
Equity attributable to shareholders of the Bank		**5,594**	5,325	4,928
Equity attributable to minority interests	13	**18**	18	21
Total Shareholders' Equity		**5,612**	5,343	4,949

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

	NOTE	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)	12	**-**	1	(6)
Cash flow hedge reserve				
Gains/(losses) on cash flow hedging instruments (net of tax)	12			
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)	12			
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	12	**-**	-	(131)
Net increase in reserves	12	**-**	-	54
		590	581	419

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

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	30 Sept 2006	31 March 2006
	NOTE	**$M**	$M	$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	14(a)	**413**	(418)	837
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of controlled entity	14(b)	**-**	-	23
Increase in investment in associated companies	14(b)	**-**	-	(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)	14(d)	**(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	14(c)	**1,467**	1,407	1,491

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

Note 1: Summary of Significant Accounting Policies

St.George Bank Limited (the Bank) is incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Stock Exchange. The Bank's registered address is St.George House, 4-16 Montgomery Street, Kogarah, NSW, 2217, Australia.

The consolidated interim financial report of the Bank for the six months ended 31 March 2007 comprises the Bank and its controlled entities (the Group) and the Group's interest in associates.

The consolidated interim financial report was authorised for issue by the Directors on 1 May 2007.

(a) Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the annual financial report.

The interim financial report is to be read in conjunction with the 30 September 2006 Full Financial Report of the Group. This report must also be read in conjunction with any public announcements made by the Bank during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated interim financial report complies with current International Financial Reporting Standards (IFRS).

(b) Basis of preparation

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

The accounting policies used as the basis for the preparation of this half-year financial report are the same as those applied in the 30 September 2006 Full Financial Report. The financial report is presented in Australian dollars.

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

(c) Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in the presentation of the financial statements.

Note 2: Revenues

	Half-Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Interest Income	3,906	3,563	3,218
Other Income			
Net trading and investment income[(a)]	56	35	35
Non trading derivatives[(b)]	6	4	10
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
Dividend income	3	3	3
Net gain on sale of land and buildings	1	46	2
Profit on disposal of business	-	-	4
Profit on disposal of shares	8	-	10
Factoring and invoice discounting income	10	10	10
Rental income	3	4	4
Trust distributions	4	4	5
Other	13	9	7
Total other income	533	523	471
Total revenue from ordinary activities	4,439	4,086	3,689

(a) Comprises all gains and losses from changes in the fair value of financial assets and derivatives held for trading.

(b) Comprises all gains and losses from changes in the fair value of financial assets and financial liabilities designated at fair value through the income statement, the impact of hedge ineffectiveness recognised in the income statement and changes in the fair value of non-trading derivatives.

Note 3: Bad and Doubtful Debts

	Half-Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Charge to collective provision for credit losses	15	7	16
Charge to specific provision for credit losses	78	72	49
Total bad and doubtful debts expense	93	79	65

Note 4: Expenses

	Half-Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Interest Expense	2,828	2,512	2,256
Operating expenses			
Employment expenses			
Salaries and wages	322	307	287
Contractors' fees	2	1	4
Superannuation contributions	29	26	26
Payroll tax	21	19	20
Fringe benefits tax	3	4	3
Share based compensation	7	7	5
Other	13	29	13
	397	393	358
Non-salary technology expenses			
Depreciation: computer equipment	18	19	19
Amortisation of intangible assets	16	17	15
Impairment of intangible assets	-	32	-
Rental expense on operating leases	2	3	4
Other	38	36	36
	74	107	74
Occupancy expenses			
Depreciation: furniture, fittings and leasehold improvements	13	14	15
Rental expense on operating leases	42	35	35
Other	19	25	18
	74	74	68
Administration and other expenses			
Advertising and public relations	30	27	21
Consultants	7	12	9
Fees and commissions	16	10	16
Postage	10	12	9
Printing and stationery	18	20	17
Subscriptions and levies	5	4	5
Telephone	5	6	5
Other	47	48	46
	138	139	128
Total operating expenses	683	713	628
Total expenses from ordinary activities	3,511	3,225	2,884

Note 5: Dividends Provided for or Paid

	Half-Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Ordinary dividends			
2005 Final dividend (fully franked - 70 cents)	**-**	-	364
2006 Interim dividend (fully franked - 74 cents)	**-**	388	-
2006 Final dividend (fully franked - 77 cents)	**406**	-	-
	406	388	364
Other dividends			
Subordinated Adjustable Income Non-refundable Tier 1 Securities	**9**	9	9
Step-up Preference Shares	**4**	2	-
	13	11	9
Total dividends	**419**	399	373

Dividend franking account

It is anticipated that the balance of the consolidated franking account will be $595 million (31 March 2006: $503 million) after adjusting for:

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

After also allowing for the 31 March 2007 interim ordinary dividend, the consolidated franking account will be $409 million (31 March 2006: $337 million).

Note 6: Earnings per Share

		Half-Year to		
		31 March 2007	30 Sept 2006	31 March 2006
Basic earnings per share				
From continuing operations	(Cents)	**108.2**	105.1	96.3
From discontinued operations	(Cents)	**-**	(1.1)	(0.4)
Diluted earnings per share				
From continuing operations	(Cents)	**107.4**	104.1	95.8
From discontinued operations	(Cents)	**-**	(1.1)	(0.4)

Note 7: Individually Significant Items

	Half-Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Non interest income			
Non interest income before significant items	533	482	471
Significant items			
(i) Profit on sale of land and buildings	-	41	-
Total non interest income	533	523	471
Operating expenses			
Operating expenses before significant items	683	665	628
Significant items			
(ii) Intangible assets impairment	-	32	-
(iii) Restructure costs	-	16	-
	-	48	-
Total operating expenses	683	713	628
Income tax expense			
Income tax expense before significant items	250	244	226
Significant items			
(i) Income tax benefit on profit on sale of land and buildings	-	(10)	-
(ii) Income tax benefit on intangible assets impairment	-	(10)	-
(iii) Income tax benefit on restructure costs	-	(5)	-
	-	(25)	-
Total income tax expense	250	219	226
Discontinued operation			
(iv) Exit costs associated with discontinued operation	-	9	-
(iv) Minority interest applicable to discontinued operation	-	(3)	-
	-	6	-
Summary of significant items			
Pre-tax loss from significant items	-	(7)	-
Less: Tax benefit attributable to significant items	-	25	-
Less: Net loss of discontinued operation	-	(6)	-
Net impact from significant items	-	12	-

March 2007 Half Year

There were no significant items during the half-year.

September 2006 Half Year

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

(ii) The Bank recognised a $32 million ($22 million after tax) impairment 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) A restructure provision of $16 million was raised in respect of staff redundancies.

(iv) 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 Foodstuff's share of the loss.

March 2006 Half Year

There were no significant items during the half-year.

Note 8: Loans and Other Receivables

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Housing loans	**65,359**	62,709	59,735
Commercial loans	**10,090**	9,824	9,451
Personal loans	**5,321**	4,851	4,044
Lease and commercial hire purchase	**2,633**	2,519	2,416
Structured investments	**106**	114	143
Structured investments [1]	**491**	499	500
Credit card receivables	**1,409**	1,268	1,166
Other	**57**	31	39
	85,466	81,815	77,494
Less: provisions for impairment (refer note 9)			
Specific provision for doubtful debts	**39**	31	36
Collective provision for doubtful debts	**283**	268	261
Net loans and other receivables	**85,144**	81,516	77,197

(1) With the exception of these loans, which are fair value through the income statement, all other loans and receivables are held at amortised cost.

Note 9: Provisions for Impairment

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Specific provision			
Opening balance	**31**	36	69
Write-back of portfolio provisions on transition to AIFRS [1]	**-**	-	(35)
Charge for the period	**78**	72	49
Recoveries	**9**	9	7
Bad debt write-offs	**(79)**	(86)	(54)
Closing Balance	**39**	31	36
Collective provision			
Opening Balance	**268**	261	-
Establishment of provision on transition to AIFRS [1]	**-**	-	245
Net provision movement during the period	**15**	7	16
Closing Balance	**283**	268	261

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

Note 10: Deposits and Other Borrowings

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Certificates of deposit	**15,885**	11,110	10,873
Term and other deposits	**43,933**	42,284	41,417
Secured borrowings	**1,468**	1,226	1,361
Unsecured borrowings	**10**	13	8
	61,296	54,633	53,659

Note 11: Share Capital

	As at			As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M	**31 March 2007 No. Shares**	30 Sept 2006 No. Shares	31 March 2006 No. Shares
Capital						
Fully paid ordinary shares	**3,969**	3,878	3,819	**530,218,799**	526,578,573	524,529,712
Treasury shares	**(10)**	(10)	(8)	**(331,213)**	(331,213)	(309,973)
Fully paid SAINTS	**345**	345	345	**3,500,000**	3,500,000	3,500,000
Fully paid SPS	**148**	148	-	**1,500,000**	1,500,000	-
General Reserve	**15**	15	15	-	-	-
	4,467	4,376	4,171			
Issued and Uncalled Capital						
Borrowers' shares - unpaid (1)	-	-	-	**3,079**	3,382	3,738
Depositors' shares - unpaid (1)	-	-	-	**227,698**	236,981	248,452
	-	-	-			

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

Note 12: Shareholders' Equity

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Equity reconciliations			
Ordinary share capital			
Opening balance	**3,868**	3,811	3,454
Buy back	**-**	-	(77)
PRYMES conversion	**-**	-	307
Dividend reinvestment plan	**75**	59	127
Employee share ownership schemes	**16**	-	9
Purchase of treasury shares (1)	**-**	(2)	(8)
Share issue costs	**-**	-	(1)
Closing balance	**3,959**	3,868	3,811
Preference share capital			
Opening balance	**493**	345	636
AIFRS transition adjustments (2)	**-**	-	(291)
Issue of Step-up Preference Shares	**-**	148	-
Closing balance	**493**	493	345
General reserve	**15**	15	15
Total share capital	**4,467**	4,376	4,171
Retained profits			
Opening balance	**798**	685	906
AIFRS transition adjustments	**-**	-	(131)
Restated opening balance	**798**	685	775
Operating profit attributable to members of the Bank	**585**	557	511
Total available for appropriation	**1,383**	1,242	1,286
Transfer to general reserve for credit losses	**(13)**	(45)	(4)
Buy back	**-**	-	(224)
Interim dividend - cash component	**-**	(329)	-
Interim dividend - dividend reinvestment plan	**-**	(59)	-
Final dividend - cash component	**(331)**	-	(237)
Final dividend - dividend reinvestment plan	**(75)**	-	(127)
Other dividends	**(13)**	(11)	(9)
Closing balance	**951**	798	685

(1) Relates to movements in treasury shares held within the employee share scheme trust.
(2) Reclassification of PRYMES instruments from equity to liabilities from 1 October 2005.

Note 12: Shareholders’ Equity (continued)

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Reserves			
Depositors' and borrowers' redemption reserve			
Opening balance	**2**	2	2
Closing balance	**2**	2	2
Foreign currency translation reserve			
Opening balance	**(1)**	(2)	4
Currency translation differences	**-**	1	(6)
Closing balance	**(1)**	(1)	(2)
Cash flow hedge reserve			
Opening balance	**-**	(28)	-
AIFRS transition adjustments (1)	**-**	-	(19)
Restated opening balance	-	(28)	(19)
Gains/(losses) on cash flow hedging instruments (net of tax)			
Recognised in equity	**6**	32	(12)
Transferred to the income statement	**-**	(4)	3
Closing balance	**6**	-	(28)
Equity compensation reserve			
Opening balance	**29**	22	17
Current period movement	**7**	7	5
Closing balance	**36**	29	22
Available for sale reserve			
Opening balance	**4**	6	-
AIFRS transition adjustments (2)	**-**	-	5
Restated opening balance	**4**	6	5
Gains/(losses) on available for sale investments (net of tax)			
Recognised in equity	**(1)**	(2)	1
Closing balance	**3**	4	6
General reserve for credit losses (3)			
Opening balance	**117**	72	-
AIFRS transition adjustments (4)	**-**	-	68
Restated opening balance	**117**	72	68
APRA's transition adjustment	**-**	42	-
Appropriation from retained profits	**13**	3	4
Closing balance	**130**	117	72
Total reserves	**176**	151	72

(1) Initial recognition of the cash flow hedge reserve (net of tax) upon AIFRS transition on 1 October 2005.
(2) Initial recognition of the available for sale reserve (net of tax) on 1 October 2005.
(3) The after tax equivalent 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.
(4) Initial recognition of the general reserve for credit losses on 1 October 2005.

Note 13: Minority Interests in Controlled Entities

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Share capital	2	2	2
Perpetual notes	34	34	34
Accumulated losses	(18)	(18)	(15)
	18	18	21

Note 14: Notes to the Consolidated Interim Statement of Cash Flows

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

	Half-Year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Net profit attributable to shareholders of the Bank	585	557	511
Net profit on sale of property, plant and equipment	(1)	(46)	(2)
Net profit on sale of shares	(8)	-	(10)
Net profit on sale of business	-	-	(4)
Treasury trading profit	(56)	(35)	(35)
Non-trading derivatives movement	(6)	(4)	(10)
Bad and doubtful debts expense	93	79	65
Share based compensation	7	7	5
Depreciation	31	33	34
Amortisation of deferred expenditure	16	17	15
Impairment of deferred expenditure and computer equipment	-	32	-
(Increase)/decrease in assets			
- interest receivable	(15)	(30)	(5)
- other income receivable	(16)	9	3
- dividends receivable	-	6	-
- balance due from other financial institutions (not at call)	156	(417)	335
- loans and receivables	(5,370)	(6,280)	(7,052)
- available for sale investments	201	(167)	(218)
- assets at fair value through the income statement	130	(461)	280
- net position of deferred tax assets/(liabilities)	(8)	(34)	(111)
Increase/(decrease) in liabilities			
- interest payable	(32)	38	33
- accrued expenses	(2)	(31)	49
- balance due from other financial institutions (not at call)	(108)	135	-
- provision for income tax	(39)	(45)	42
- other provisions	1	(6)	(2)
- 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

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

b. Disposal of controlled entity

On 15 March 2006, the Group disposed of its 100% interest in Ascalon Capital Managers Limited (ACML) for $23 million. ACML's contribution to net profit from 1 October 2005 to 15 March 2006 was $0.5 million. Following this sale, the Group acquired a 50% interest in ACML for $25 million.

	Half-year to		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Disposal proceeds	-	-	23
Fair value of net tangible assets disposed	-	-	15
Profit on sale	-	-	8
Net inflow of cash	-	-	23

c. Reconciliation of cash

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

	As at		
	31 March 2007 $M	30 Sept 2006 $M	31 March 2006 $M
Cash and liquid assets	1,188	1,081	1,128
Receivables due from other financial institutions - at call	919	765	975
Payables due to other financial institutions - at call	(446)	(266)	(421)
Bills payable	(194)	(173)	(191)
Cash and cash equivalents at the end of the half-year	1,467	1,407	1,491

d. Dividends paid

Pursuant to the Group's dividend re-investment plan, shareholders re-invested $75 million (30 September 2006: $59 million; 31 March 2006: $127 million) in return for 2,330,709 shares (30 September 2006: 2,033,263; 31 March 2006: 4,482,131). Dividends not re-invested and preference dividends were paid to holders of ordinary and preference shares as shown in the statement of cash flows.

Note 15: Segmental Reporting

(a) Business Segments

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

- Retail Bank (RB) – responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits, small business banking and financial planners. This division manages retail branches, call centres, agency networks and electronic channels such as EFTPOS terminals, ATMs and Internet banking.

- 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, Northern Territory and country New South Wales and Victoria. 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.

Note 15: Segmental Reporting

Segment Income Statement for the half-year ended 31 March 2007 ($'M)

	Retail Bank	Institutional & Business Banking	BankSA	Wealth Management	Other	Consolidated
Segment revenue						
Net interest income	572	298	162	46	-	1,078
Non-interest income	254	75	46	152	6	533
Total segment revenue	826	373	208	198	6	1,611
Segment expense						
Bad and doubtful debts	73	12	7	1	-	93
Operating expenses						
- Other provisions	15	14	3	8	-	40
- Depreciation	23	3	4	1	-	31
- Deferred expenditure amortisation	12	2	2	-	-	16
- Other expenses	322	110	77	87	-	596
Total operating expenses	372	129	86	96	-	683
Total segment expenses	445	141	93	97	-	776
Profit before income tax expense	381	232	115	101	6	835
Income tax expense						250
Profit after income tax and minority interests						585

Segment Balance Sheet as at 31 March 2007

	Retail Bank	Institutional & Business Banking	BankSA	Wealth Management	Other	Consolidated
Investment in Associates	-	-	-	-	28	28
Other Assets	57,003	35,023	12,911	5,468	1,547	111,952
Total Assets	57,003	35,023	12,911	5,468	1,575	111,980
Total Liabilities	26,825	68,834	8,074	1,164	1,471	106,368

Note 15: Segmental Reporting (continued)

Segment Income Statement
for the half-year ended 30 September 2006 ($'M)

	Retail Bank	Institutional & Business Banking	BankSA	Wealth Management	Other	Consolidated
Segment revenue						
Net interest income	**559**	**292**	**159**	**41**	**-**	**1,051**
Non-interest income	**226**	**71**	**43**	**138**	**4**	**482**
Individually significant item	**-**	**-**	**-**	**-**	**41**	**41**
Total segment revenue	**785**	**363**	**202**	**179**	**45**	**1,574**
Segment expense						
Bad and doubtful debts	**51**	**24**	**4**	**-**	**-**	**79**
Operating expenses						
- Other provisions	**17**	**16**	**4**	**8**	**-**	**45**
- Depreciation	**25**	**3**	**4**	**1**	**-**	**33**
- Deferred expenditure amortisation	**12**	**2**	**2**	**1**	**-**	**17**
- Other expenses	**307**	**104**	**75**	**84**	**-**	**570**
Total operating expenses	**361**	**125**	**85**	**94**	**-**	**665**
Individually significant items	**-**	**-**	**-**	**-**	**48**	**48**
Total segment expenses	**412**	**149**	**89**	**94**	**48**	**792**
Profit/(loss) before income tax expense	**373**	**214**	**113**	**85**	**(3)**	**782**
Income tax expense						**219**
Profit after income tax						**563**
Loss of discontinued operation after tax						**9**
Minority interests in discontinued operations						**(3)**
Minority interests in continuing operations						**-**
Profit after income tax and minority interests						**557**

Segment Balance Sheet as at 30 September 2006

	Retail Bank	Institutional & Business Banking	BankSA	Wealth Management	Other	Consolidated
Investment in Associates	-	-	-	-	28	28
Other Assets	54,698	33,447	12,306	5,062	1,461	106,974
Total Assets	54,698	33,447	12,306	5,062	1,489	107,002
Total Liabilities	26,002	65,600	7,771	1,025	1,261	101,659

Note 15: Segmental Reporting (continued)

Segment Income Statement
for the half-year ended 31 March 2006 ($'M)

	Retail Bank	Institutional & Business Banking	BankSA	Wealth Management	Other	Consolidated
Segment revenue						
Net interest income	515	270	144	33	-	962
Non-interest income	221	60	39	141	10	471
Total segment revenue	736	330	183	174	10	1,433
Segment expense						
Bad and doubtful debts	54	5	5	1	-	65
Operating expenses						
- Other provisions	10	11	2	6	-	29
- Depreciation	24	4	5	1	-	34
- Deferred expenditure amortisation	12	1	2	-	-	15
- Other expenses	300	105	68	77	-	550
Total operating expenses	346	121	77	84	-	628
Total segment expenses	400	126	82	85	-	693
Profit before income tax expense	336	204	101	89	10	740
Income tax expense						226
Profit after income tax						514
Loss of discontinued operation after tax						4
Minority interests in discontinued operations						(2)
Minority interests in continuing operations						1
Profit after income tax and minority interests						511

Segment Balance Sheet as at 31 March 2006

	Retail Bank	Institutional & Business Banking	BankSA	Wealth Management	Other	Consolidated
Investment in Associates	-	-	-	-	28	28
Other Assets	52,055	30,289	11,459	4,333	1,881	100,017
Total Assets	52,055	30,289	11,459	4,333	1,909	100,045
Total Liabilities	25,471	59,777	7,297	1,015	1,536	95,096

(b) Geographical Segments

The Group operates predominantly in Australia.

Note 16: Contingent Liabilities

There have been no significant changes in contingent liabilities from those disclosed in the 30 September 2006 Full Financial Report.

Note 17: Events Subsequent to Balance Date

Interim Dividend

On 1 May 2007, the directors declared an interim dividend of 82 cents per ordinary share, amounting to $435 million. This dividend has not been brought to account in the Group's financial statements for the half-year ended 31 March 2007.

Director

On 24 April 2007, Mr P J O Hawkins was appointed as a non-executive director of the Bank. The Board now comprises ten directors.

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

1. (a) The financial statements set out on pages 7 to 26, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the Group as at 31 March 2007 and of its performance as represented by the results of its operations and cash flows for the half-year ended on that date; and

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

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

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

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

…………….	………………
J M Thame	G P Kelly
Chairman	Managing Director and Chief Executive Officer

1 May 2007

INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS OF ST.GEORGE BANK LIMITED FOR THE HALF-YEAR ENDED 31 MARCH 2007

We have reviewed the accompanying consolidated interim financial report ("interim financial report") of St.George Bank Limited ("the Bank"), which comprises the consolidated interim balance sheet as at 31 March 2007, and the consolidated interim income statement, statement of recognised income and expense and cash flow statement for the half year ended on that date, the description of accounting policies and other explanatory notes 1 to 17 and the Directors' declaration set out on pages 7 to 27 of the consolidated entity comprising the Bank and the entities it controlled at the half year's end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The Directors of the Bank are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Bank's financial position as at 31 March 2007 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Bank, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of St.George Bank Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2007 and of its performance for the half-year ended on that date; and
b) complying with Australian Accounting AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

P M Reid

P M Reid
Partner
Sydney
1 May 2007