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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