Shareholder

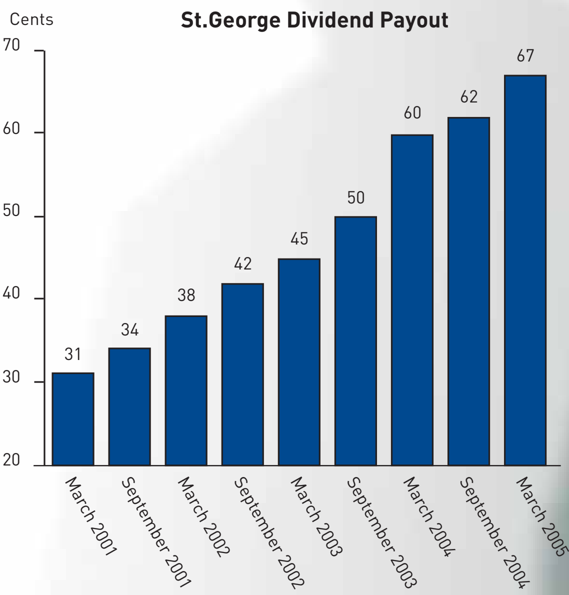
NEWSLETTER – JUNE 2005

Chairman's Remarks

It is with great pleasure that on this, my first opportunity to write to you as Chairman of the St.George Group, I can report another strong performance.

Profit before significant items was up 14.4%, from $354 million to $405 million. When significant items, primarily the sale of our non-branded ATM network, are included, profit increased by 17.5% to $416 million. Earnings per share increased by 11.3%, from 160.0 cents to 178.1 cents; a record level.

We declared an increased Dividend of 67 cents, up 11.7%. This will be paid on 4 July and the Dividend Reinvestment Plan will continue with no discount to apply.



This interim Dividend continues the positive trend of the past five years averaging a 20% per annum increase since March 2001.

Our cost-to-income ratio dropped below 45% for the first time making it the lowest across the major and regional banks.

Overall, media and analysts responded positively, reporting a clean result underpinned by strong revenue growth and credit quality and very disciplined cost control.

The Group's ongoing strategy of focusing on growing core banking and wealth management continues to deliver strong results with plenty of opportunity for market share growth across all states.

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Underpinning this result is the Group's hallmark strong credit position and excellent asset quality. Non-accruals to total receivables are a very low 0.14% compared to the 0.31% average of the four major banks.

St.George has a well-established, integrated framework of specialised committees that manage credit, market liquidity and operational risk by monitoring and analysing the various risks.

From January 2008, a new capital regime, part of a global initiative known as Basel II, will apply. This will use a more sophisticated calculation to determine the amount of regulatory capital required by each financial institution.

The Group is enhancing its risk management framework in preparation for the Basel advanced approach. We aim to implement credit risk by January 2008 and operational risk by January 2009, subject to satisfying the Australian Prudential Regulatory Authority's accreditation requirements.

The Group is also on track to comply with the International Financial Reporting Standards (IFRS) issued by the Australian Accounting Standards Board and should have this work finalised before 30 September 2005.

The new reporting rules will change some components of the Group's reported profit and balance sheet such as a new way of treating goodwill and bringing securitised loans back onto the Group's balance sheet.

Further information on the impact of the changes can be obtained in the Group's Interim Consolidated Financial Report at www.stgeorge.com.au.

ATO Assessments

The Australian Taxation Office (ATO) recently issued amended assessments to the Bank totalling $164 million after tax. These assessments relate to interest deductions claimed between 1998 and 2004 by St.George in respect of its issue of Depositary Capital Securities in 1997 as part of the financing for the St.George/Advance merger.

St.George is confident its position in relation to the application of the taxation law is correct, having obtained detailed legal, tax and accounting advice at the time of the transaction and after the ATO's inquiries commenced.

St.George recently sought further advice from two separate and independent Senior Counsel. After consideration of that advice, the Bank strongly disagrees with the ATO's position. Accordingly, St.George has concluded that no amounts due under the amended assessments will be charged to its Statement of Financial Performance and has discussed and agreed this treatment with its auditors, KPMG.

Resolution of this matter through the Courts is likely to take some years and St.George intends to pursue all necessary avenues of objection and appeal in contesting the ATO's view.

Outlook

Growth in the Australian economy has slowed over the last six months and, despite the March increase, interest rates are still at relatively low levels and unemployment is at historic lows. Export growth was subdued and consumer spending eased back from very strong levels.

Business investment and company profit growth remained solid. The year ahead is expected to bring a small lift in growth as the housing sector and consumer spending level out.

We expect housing credit growth to be around 12% for the year ending September 2005 – down on previous years. The outlook for business lending remains positive.

With regard to the banking sector, the first half has seen a heightening of competition, which we expect to continue. St.George is well placed in this environment due to its key differentiators. These include a track record of excellent credit quality, effective cost management, high levels of customer service and satisfaction and a strong focus on delivering on business growth strategies.

Based on the strong performance for the half-year, St.George has increased its EPS growth target for the 2005 full year from 10% to 11% and reaffirmed the double digit EPS growth target for 2006.

On behalf of shareholders, I would like to recognise the contribution of the management and staff of St.George for the achievement of another excellent result. The consistency of the Group's financial performance demonstrates the depth of skills and commitment in the executive team.

John Thame
Chairman

Results at a glance

	March 05	March 04	% Change
Dividend	**67 cents**	**60 cents**	**11.7**
Profit before significant items	$405m	$354m	14.4
Profit after significant items	$416m	$354m	17.5
Earnings Per Share* (annualised)	178.1 cents	160.0 cents	11.3
Return on Equity* (annualised)	22.6%	21.6%	
Expense to Income*	44.9%	48.1%	

*Before goodwill amortisation and significant items.

Share Sale and Top Up Facility

St.George is offering a Share Sale and Top Up Facility, specifically established for eligible St.George shareholders owning 500 or less St.George ordinary shares as at 20 June 2005. The facility is being offered as part of St.George's ongoing commitment to its smaller shareholders by offering choice and flexibility, as well as reducing annual administration costs for the benefit of all shareholders.

The facility is entirely voluntary and provides the opportunity for eligible shareholders to either sell their entire holding* or to purchase additional shares, free of brokerage and handling fees.

If you hold 500 or less St.George shares as at 20 June 2005, please read the documentation enclosed carefully and seek professional advice if you are in any doubt about whether to participate in the facility. St.George does not make any recommendation or give any advice to you regarding whether to participate in the facility.

Please call the St.George share registry on **1800 804 457** if you have any queries.

* Note 1: St.George employees who are eligible shareholders will only be permitted to sell their unrestricted shares.

Note 2: Any additional shares acquired by an eligible shareholder after 20 June 2005 (other than under the St.George dividend reinvestment plan) cannot be sold through the facility.

Sell Back Rights – ATO Litigation

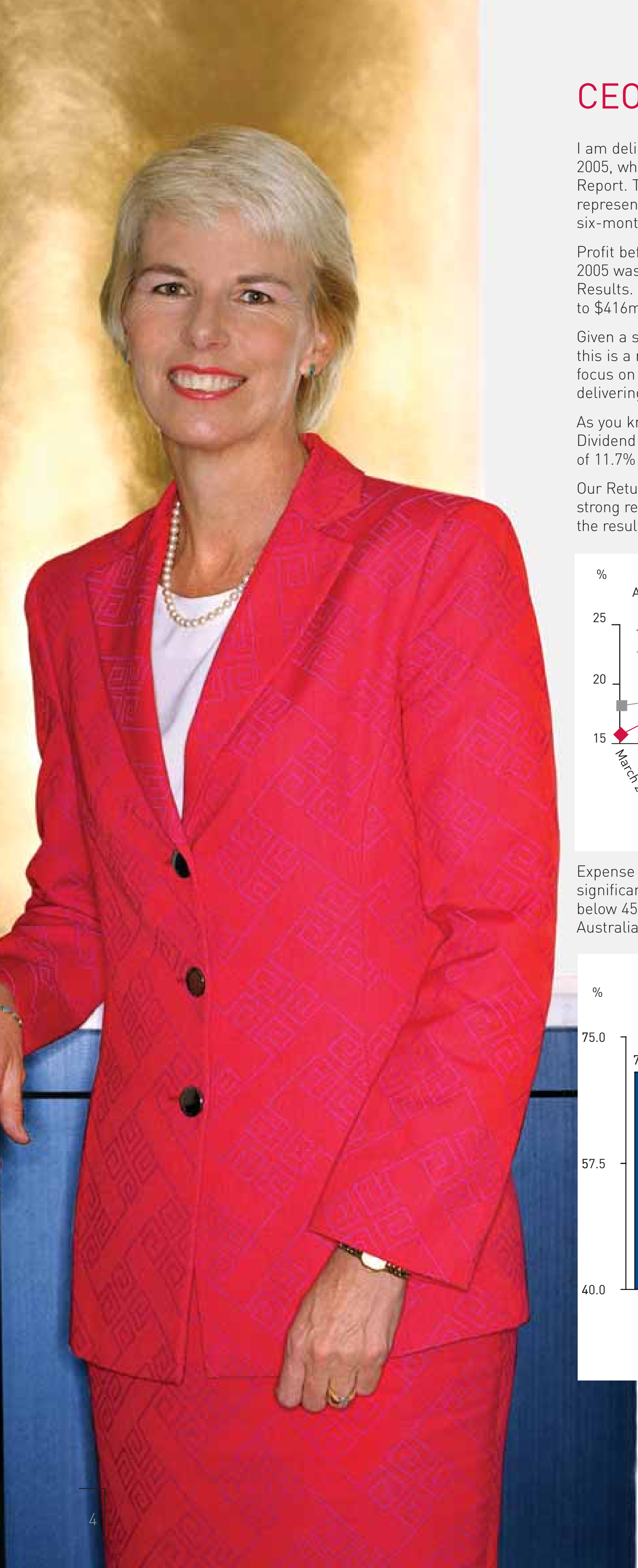
On 15 April 2004, the Bank issued a press release in relation to the Federal Court's decision in the test case on whether shareholders who were entitled to Sell Back Rights should be taxed on the value of those rights when they were granted.

The Federal Court held that the affected shareholders should not be taxed on the value of the Sell Back Rights. On 5 May 2004, the Commissioner of Taxation lodged an appeal to the Full Federal Court against the decision of the Federal Court in this case. The Full Federal Court hearing on this matter occurred on 12 November 2004. The Bank is awaiting a decision from the Court.

We will continue to keep you advised of developments as they occur.

Industry Awards

November 2004	St.George wins Best Bank in Money Magazine's "Best of the Best 2005".
April 2005	ASGARD wins Asset Magazine's Portfolio Platform of the Year for E-Wrap and Elements.
May 2005	St.George CEO, Gail Kelly, wins Australian Banking and Finance Awards Best Financial Services Executive for the third successive year.
June 2005	St.George wins Money Magazine Consumer Finance Awards, Credit Card Issuer of the Year.



CEO's Comments

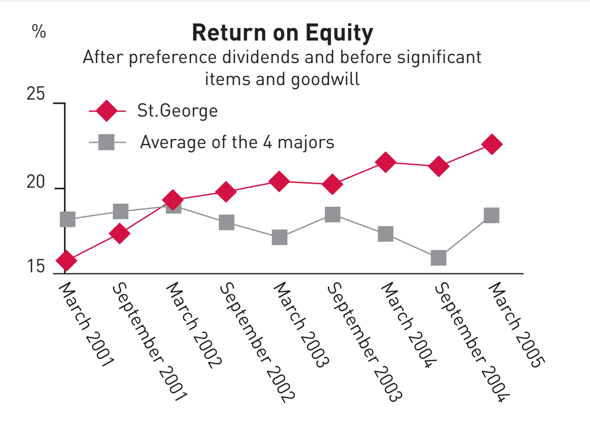
I am delighted with our results for the half-year to March 2005, which Mr Thame has outlined in his Chairman's Report. These results are particularly pleasing as they represent a record level of profit for the Group for any six-month period.

Profit before significant items for the half-year to March 2005 was $405m, an increase of 14.4% on our 2004 Interim Results. After adding significant items, our profit increased to $416m, an improvement of 17.5%.

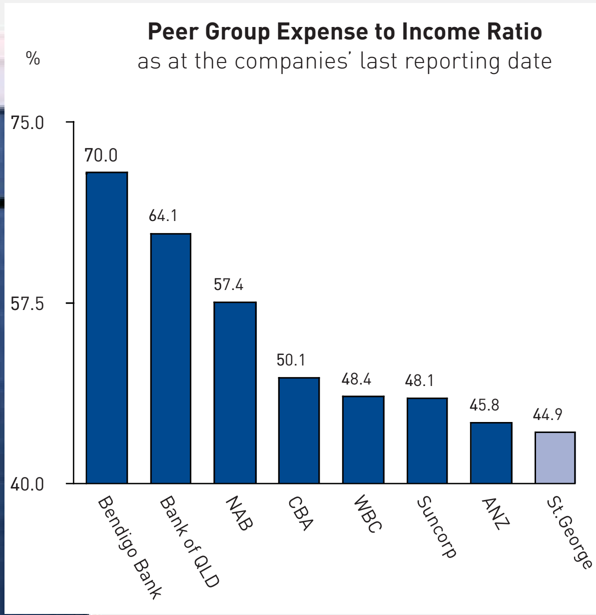
Given a slowing housing market and increased competition this is a really pleasing result and supports our continued focus on operating as a quality organisation consistently delivering a superior earnings performance.

As you know, the Directors have announced a fully franked Dividend of 67 cents for the half-year, a significant increase of 11.7% on last year's interim Dividend.

Our Return on Equity, reached a record 22.6%. This is a strong result and even more outstanding when compared to the results for the average of the four major Australian banks.

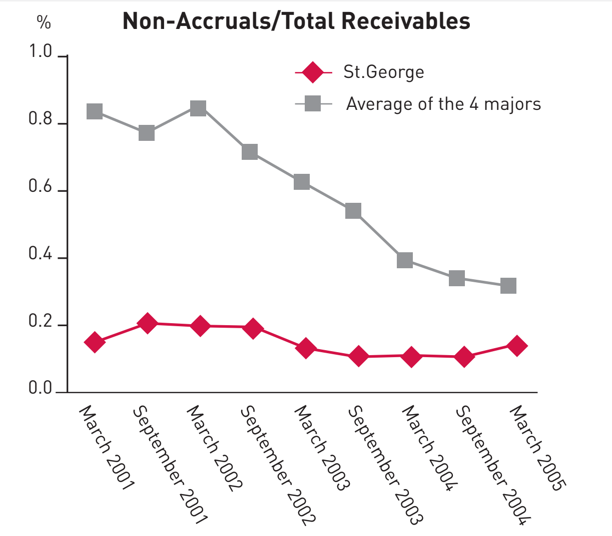


Expense to Income Ratio (excluding goodwill and before significant items) was another new milestone, dropping below 45%. Once again, if we compare ourselves to the Australian banking industry, this is the best result reported.



The St.George team's focused and disciplined execution of our key priorities has underpinned strong performance in the key areas of revenue growth, margin management and credit quality.

- We have continued to grow revenue right across the Group achieving an increase of 7.8% compared to March 2004, which combined with our cost growth of only 1.1%, is an excellent achievement.
- In a highly competitive environment, margin management remains a strength for St.George. Careful management has meant that our interest margin, while falling slightly, has remained higher than the average of the four major banks.
- Excellent credit quality continues to be a hallmark of the St.George Group with key indicators such as non-accruals to total receivables and the level of bad and doubtful debts remaining low.



We are currently benefiting from initiatives undertaken in the last few years such as the Best Bank and Even Better Bank redesigns, our Integrated Sales and Service (ISS) Framework and a significant investment in our people. All these initiatives have supported our strategy of low risk, organic growth.

Investment in the business continues as evidenced by the increase in the number of staff in customer facing roles, the strong focus on training and development and the investment in our sales and service infrastructure such as customer relationship management software.

The Group's customer service levels continue to improve. This is particularly noticeable in our Gold, Private Bank and Middle Market segments and in respect of our financial planning and mortgage broker partners.

Specific highlights for the period include:

- 12.1% annualised growth in home loan balances in the half year ended 31 March 2005 (on track to be at, or around system growth for the full year ending 30 September 2005).
- Middle Market commercial lending receivables have grown by 22.7% in the 12 months ended 31 March 2005, well in excess of system growth.
- Managed funds have grown by 23% in the 12 months ended 31 March 2005 to $27.8 billion.
- Retail deposits have grown by 5.5% in the 12 months ended 31 March 2005 as St.George has balanced volume growth with margin management to ensure profitable growth.
- Customer satisfaction for St.George, as measured by Roy Morgan Research, has increased to 76.7% in April 2005 to be over 10% ahead of the average of the four major banks.

Strategic Overview

In 2002 we articulated our Strategic Framework, which, having been consistently applied for more than three years, continues to guide our work programs.

St.George Strategic Framework

- 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.

Our customer service strategy is based upon a very simple formula:

Engaged people
+
Great Customer Experience
=
Superior Financial Performance

Some of the specific initiatives that have progressed during the past six months to further enhance our customer service differentiation are:

Integrated Sales and Service (ISS). ISS is a key enabler of the Group's customer service strategy through the delivery of tools, coordinated market planning activities, automated reporting and management information as well as reward recognition systems designed to attract and retain customers and lift cross sales. Following on from implementation of the tools and processes of the ISS program last year, we are now working to ensure that all staff have the skills, training and support they need to consistently implement ISS strategies.

Customer Relationship Management (CRM). We are making a significant investment in improving our customer information systems to deliver more relevant information to our sales and service staff. This information is key to tailoring sales and service to local markets at a branch level.

Best Business Bank. Having developed a successful relationship management structure for our Business Bank (Middle Market) we are now focusing upon further growth and refinement in this segment, for instance recruiting additional relationship managers in New South Wales, Victoria and Queensland.

Continuous Productivity Improvement. A major redesign of our back office processes has been started and, over the next couple of years, will result in improvements in both customer service and processing effectiveness.

People and Culture

The Group's management team are focused upon making the St.George Group a compelling place to work for all our staff. We are driven in this area by the objective of having the 'right people in the right roles' and work includes leadership training and development and the implementation of new recruitment and induction programs. This includes hiring on the basis of attitude and providing additional skills training.

Management Targets

Based on a strong first half result and confidence in our momentum we have the following management targets in place:

- We are upgrading our EPS growth target for the full – year 2005 to 11%.
- We re-affirm our double-digit earnings per share growth target for 2006.
- Our cost to income target has changed from "continuing sub 50" to "manage to lower end of peer group".
- Tier one capital to be maintained between 7.0% and 7.5% of risk weighted assets.
- For credit quality and customer satisfaction, we aim to maintain a positive differential to the majors.
- Our strategy of building for the long run, investing as we go, continues.

We believe our differentiated proposition, scale and room to grow will see St.George as a strong performer in this increasingly competitive environment.

I would like to take this opportunity to thank you for your support. I would also like to assure you that the St.George team is focused on continuing to deliver quality and sustainable outcomes. We look forward to reporting our full year results on 31 October 2005.

Gail Kelly

Gail Kelly
Managing Director and CEO

Financials

STATEMENT OF FINANCIAL POSITION AS AT (selected items)	**Mar 05 $m**	**Sep 04 $m**	**Mar 04 $m**
Total Assets	**74,340**	69,960	66,326
Loans and other receivables	**57,450**	54,782	52,338
Treasury securities	**6,887**	5,615	5,461
Retail deposits	**36,805**	36,123	34,870
Other borrowings	**24,143**	21,348	20,350
Shareholders' Equity	**5,196**	5,029	4,533

STATEMENT OF FINANCIAL PERFORMANCE Half-Year Ended	**Mar 05 $m**	**Sep 04 $m**	**Mar 04 $m**
Interest income	**2,263**	2,150	1,966
Interest expense	**(1,412)**	(1,332)	(1,172)
Net interest income	**851**	818	794
Non interest income	**533**	500	475
Bad and doubtful debts expense	**(58)**	(60)	(52)
Operating expenses	**(614)**	(629)	(610)
Goodwill amortisation and write-off	**(55)**	(51)	(52)
Share of net profit of equity accounted associates	**3**	1	1
Operating profit before income tax	**660**	579	556
Income tax expense	**(216)**	(192)	(180)
Operating profit after income tax	**444**	387	376
Outside equity interests (OEI)	**(3)**	(3)	(1)
Operating profit after income tax and OEI	**447**	390	377
Preference dividends	**(31)**	(27)	(23)
Profit available to ordinary shareholders	**416**	363	354

PERFORMANCE RATIOS – HALF-YEAR ENDED	**Mar 05 %**	**Sep 04 %**	**Mar 04 %**
Return on average assets (annualised)			
• after tax, OEI and before preference dividends, goodwill and significant items	**1.33**	1.28	1.32
• after tax, OEI, goodwill and significant items and before preference dividends	**1.22**	1.13	1.16
Return on average ordinary equity (annualised)			
• after tax, OEI, preference dividends and before goodwill and significant items	**22.63**	21.24	21.56
• after tax, OEI, preference dividends, goodwill and significant items	**20.46**	18.62	18.80
Expense/income ratio			
• excludes goodwill and significant items	**44.9**	47.0	48.1

St.George Foundation

Every year the St.George Foundation raises money for disadvantaged Aussie kids. So far, the Foundation has given more than $7 million to encourage thousands of Australian children to be the best they can be.

The Foundation has supported projects to educate children about drug and alcohol use, encourage young wheelchair users to discover success through sport and provide cochlear implants to give the gift of hearing.

Our staff, customers and sponsors have always contributed generously to the work of the St.George Foundation for which we thank them.

This year, for the first time, we'd like to offer our shareholders the opportunity to donate part of your St.George Dividend to the St.George Foundation.

Please, help us support disadvantaged children by completing the dividend donation form in your dividend pack. Your donations are fully tax deductible.

Thank you – your donation will make a difference.

Key Dates

14 June 2005	Ex-dividend trading for ordinary shares
20 June 2005	Record date for ordinary shares
04 July 2005	Payment of interim ordinary dividend
***02 August 2005**	Ex-dividend trading for PRYMES and SAINTS
***08 August 2005**	Record date for PRYMES and SAINTS
***22 August 2005**	Payment of PRYMES and SAINTS
30 September 2005	Financial year end
***31 October 2005**	Final profit and ordinary dividend declared
***01 November 2005**	Ex-dividend trading for SAINTS
***07 November 2005**	Record date for SAINTS
***21 November 2005**	Payment of SAINTS
***28 November 2005**	Ex-dividend trading for ordinary shares
***02 December 2005**	Record date for ordinary shares
***16 December 2005**	Payment of final ordinary share dividend
***16 December 2005**	Annual General Meeting
***31 January 2006**	Ex-dividend trading for PRYMES and SAINTS
***06 February 2006**	Record date for PRYMES and SAINTS
***20 February 2006**	Payment of PRYMES and SAINTS
31 March 2006	Half-financial year end
***02 May 2006**	Interim profit and ordinary dividend declared
***02 May 2006**	Ex-dividend trading for SAINTS
***08 May 2006**	Record date for SAINTS
***22 May 2006**	Payment of SAINTS
***29 May 2006**	Victorian Shareholders' Presentation
***13 June 2006**	Ex-dividend trading for ordinary shares
***19 June 2006**	Record date for ordinary shares
***03 July 2006**	Payment of interim ordinary share dividend

*Proposed dates

Shareholder enquiries

All shareholder enquiries should be directed to the Bank's share registry:

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Telephone: 1800 804 457
Facsimile: 61 3 9473 2500
Postal Address: GPO Box 4519, Melbourne VIC 3001
Website: **www.computershare.com.au**

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