

# Shareholder

## Chairman's Remarks

I am delighted to be able to report another very solid result for the Group and I believe the Bank has never been in a stronger position. We continue to perform well in a tough environment and it is now widely recognised in the market that St.George has a very impressive track record for consistently delivering strong results.

On 2 May we were able to report an interim profit of \$502 million for the half year ended 31 March. This is an increase of 14.6 per cent from the same period last year.

Earnings per share have increased by 12.1 per cent over the same period last year, from 171.2 cents to 191.9 cents on an annualised basis. These figures, including the prior period

comparatives, are all based on the new international accounting standards. Return on equity is another strong feature for the Group. This half's result of 23 per cent is the strongest outcome yet and compares very favourably to the four major banks.

Further underpinning the result has been the Group's expense to income ratio. The excellent trend has continued with the ratio falling to 44.1 per cent from 46.8 per cent for the same period last year.

Dividend growth has been particularly strong over the last year, up 10.4 per cent from 67 cents to 74 cents. This continues the excellent dividend growth for the Group over the last five years. Over this time, the dividends paid have increased on average by over 19 per cent per annum. The dividend was paid on 4 July and the Dividend Reinvestment Plan will continue to operate with no discount for those shareholders who wish to participate.

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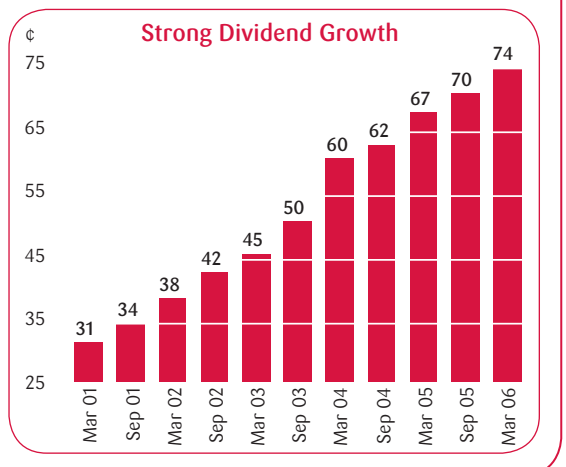
St.George Bank Limited ABN 92 055 513 070  
AFS Licence No. 240997



ST.GEORGE HAS A  
VERY IMPRESSIVE  
TRACK RECORD FOR  
CONSISTENTLY DELIVERING  
STRONG RESULTS



John Thame  
Chairman



Good with people. Good with money.

The response to the Group's results by the media and analysts has been positive, with both reporting it as a clean result supported by healthy revenue growth, strong credit quality and disciplined cost control. These results once again demonstrate the success of the Group's established strategic framework.

The Group is currently celebrating the achievement of \$100 billion in assets representing a doubling of assets in the last seven years. This is a fantastic milestone considering that when St.George became a bank in 1992, its total assets were \$9 billion.

## Capital Management

From January 2008 there will be new arrangements in place governing the amount of regulatory capital required of banks. The new capital regime is part of a global initiative known as Basel II. This regime will provide a more sophisticated calculation to determine the amount of regulatory capital required by each financial institution. Basel II now underpins the Group's risk management processes and is progressively transitioning to 'business as usual'. The Bank will undertake a two year parallel run period for Advanced Credit Risk, commencing from January 2006 and for Advanced Operational Risk from January 2007. Timing of Basel II implementation is subject to satisfying the regulator's accreditation requirements.

On another capital management issue, St.George conducted an off-market buy-back tender of \$300 million in February 2006. The final buy-back price was determined based on the tenders lodged by eligible shareholders and the Market Price. The buy-back formed part of St.George's capital management program for this year.

Other major elements of the program include:

- the exercise of St.George's right to convert \$300 million of PRYMES into ordinary shares
- the issue of a new innovative Tier 1 capital instrument to raise approximately \$150 million in June 2006. This is expected to be followed with a non-innovative Tier 1 capital issue of around \$250 million.

The Dividend Reinvestment Plan on the interim dividend was not underwritten. The Board expects that St.George will continue to be in a position to fully frank its ordinary dividends for the foreseeable future.

## Outlook

We have witnessed moderate growth rates in the Australian economy over the past year with the rate of growth being very much State-dependent. New South Wales has relatively underperformed while commodity-based regions have performed exceptionally well. High fuel costs remain a significant negative while relatively low interest rates continue to support the economy. Tax cuts and generally solid global growth will also help boost activity.

From the Board's perspective, St.George is well positioned to deal with the highly competitive environment because of our key differentiators. These include a track record of excellent credit quality, effective cost management, high levels of customer service and satisfaction, together with a strong focus on delivering on business growth strategies.

As indicated, St.George has established a track record of delivering on its targets, while laying the foundations for long-term success. For the full year 2006 to 2007 we are targeting EPS growth of 10 per cent.

On behalf of shareholders, I would like to acknowledge the contribution of the management and staff of St.George for the achievement of another strong result. The consistency of the Group's financial performance reflects the range and depth of skills across the Bank as well as the commitment and dedication of the executive team.



**John Thame**  
Chairman

## Industry Awards 2006

The Group has already been widely recognised this year, winning several industry awards. The following are just some of the awards we have won:

- St.George won **Best Business Bank of the Year, Credit Card Issuer** (two years running) and **Margin Lender of the Year** at Money Magazine's Consumer Finance 2006 awards.
- St. George's Customer Contact Centre won the Customer Service Institute of Australia's **Service Excellence Award** (2005/6) and was declared 'National Winner Contact Centre'.
- Asgard Wealth Solutions won **Retail Portfolio Platform of the Year - small investors** (Super) for eWRAP Super/Pension and **Retail Portfolio Platform of the Year - large investors** (Super) for eWRAP Super/Pension at the Asset Innovation Awards.
- St.George's *directsover* product was awarded a **Cannex 5 star rating** in their review of financial services.

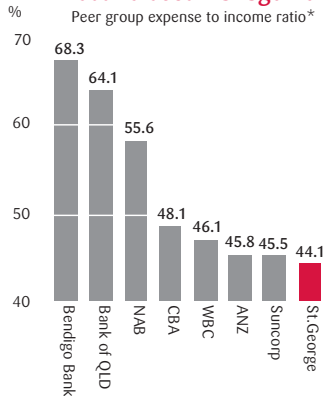
St.George won a number of Money Magazine's Best of the Best 2006 Awards in the following categories:

- **Best Margin Loan** - Gold
- **Best Featured Home Loans (Standard Variable)** - Silver
- **Best International Shares Super Fund** - Asgard Superannuation Account (Platinum International Brands Fund) - Silver
- **Best Smaller Companies Fund** for Advance Australian Smaller Companies Fund - Silver
- **Best Australian Share Fund** for Advance Imputation Fund - Bronze
- **Best Australian Shares Super Fund** for Asgard Superannuation Account (Ausbil Dexia Emerging Leaders Fund) - Bronze
- St.George's Margin Lending division won a **Cannex five star rating** for the fourth consecutive year.
- Advance Asset Management's boutique partner, MIR Investment Management, won Money Management's **Fund Manager of the Year**.

## Key Highlights <sup>(1)</sup>

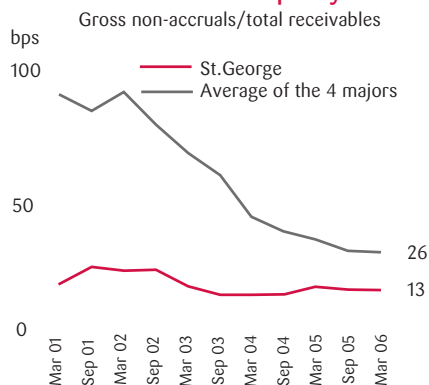
- Profit available to ordinary shareholders rose 14.6% to \$502 million.
- Interim dividend rose 10.4% to 74 cents per ordinary share.
- Annualised basic earnings per ordinary share (before goodwill and significant items) increased 12.1% to 191.9 cents.
- Annualised return on average ordinary equity (before goodwill and significant items) increased from 21.8% to 23.0%.
- Lending assets increased 14.3% to \$87.0 billion.
- Residential receivables grew 13.0% to \$59.7 billion.
- Managed funds increased by 33.6% to \$37.2 billion.
- Excellent expense to income ratio of 44.1%, lower than all our competitors.

### Effective cost management



\* Ratios as at the companies' last reporting date.

### Excellent credit quality



(1) Comparisons are to the March 2005 Half Year which have been adjusted for the impact of all new international accounting standards.

# Managing Director's Comments

I am delighted to report another very strong result for the half year to March 2006. These results are particularly pleasing considering the highly competitive market in which we are operating and continue St. George's record of delivering strong and consistent results. Importantly, we remain on track to deliver our management targets of double-digit earnings per share growth for the next two years.

Profit for the half year to March 2006 was \$502 million, an increase of 14.6 per cent on our 2005 interim results. This is another quality result demonstrating the success of our organic growth strategy and our continued focus on sustainable, high quality earnings.

As the Chairman has reported, the Directors have announced a fully franked dividend of 74 cents, a significant increase of 10.4 per cent.

As also noted, these results represent our best ever return on equity of 23 per cent - an outstanding figure coupled with a reduced expense to income ratio of 44.1 per cent, which is lower than all our competitors. Earnings have been driven by growing business volumes in our key areas of lending, retail deposits and managed funds.

Our strong performance demonstrates the success of our customer service formula - **engaged people plus great customer experience** delivers **superior financial results**.

St. George continues its track record of excellent credit quality and the interim results proved no exception with bad and doubtful debts at only 0.21 per cent of our average total receivables. Importantly, this ratio has remained consistently stable at this low level over the past several years.

**Gail Kelly**  
Managing Director





## Strategic Overview

The Group's strategic framework, established in May 2002, has laid the foundations for the Group's consistent performance. The following business priorities continue to underpin our growth strategies.

**Our People and Culture** Our people and culture are what make us different and give us our competitive advantage. We have a focused management team and employees who are engaged and passionate about customer service. As an example, our Customer Contact Centre was recently presented with a Customer Service Institute of Australia Award for Australian Service Excellence.

**Home Lending** Over the past year our portfolio of residential lending grew by 13 per cent and reached over \$60 billion just after balance date. This growth is in line with the overall industry growth and is particularly pleasing given that NSW loans comprise 60 per cent of our total portfolio and home lending growth in this state has been weaker relative to other states. Our home lending growth has been particularly strong in our 'new' geographies of Victoria, Western Australia and Queensland.

**Deposits** Our performance over the past year has been strong; we have achieved growth of 13.5 per cent. Our dragondirect online account has enjoyed growth of over 20 per cent annualised over the half to \$6.7 billion, with transaction accounts growing by 17 per cent annualised over the half to now stand at over \$14 billion.

**Middle Market** Middle Market, which provides banking to small and medium sized businesses, continues to be a vital component of our growth strategy. Total Middle Market loans increased by 18.4 per cent for the year. Our Middle Market customers remain the most satisfied and loyal in the market and increasingly provide a source of new business for the Group.

**Wealth Management** Our Wealth Management division has performed outstandingly over the period. Total

managed funds grew by over 27 per cent annualised to over \$37 billion during the first half. Margin Lending grew by more than an annualised 28 per cent and Wealth Management now contributes approximately 13 per cent of the Group's profit, up from 7 per cent in 2003.

**Productivity and Cost Control** The excellent trend in the Group's expense to income ratio has continued. As mentioned our expense to income ratio is industry leading at 44.1 per cent. Our position, relative to competitors, demonstrates that we have the scale required to perform strongly in the Australian market. For example, our enhanced teller platform is reducing processing times whilst significantly lifting frontline productivity.

During the first six months we also achieved some major outcomes on key strategic projects, including:

**Best Business Bank rollout** The Best Business Bank project, which involves developing and implementing an accelerated growth strategy for our Institutional & Business Banking division, has achieved national market share of more than 7 per cent.

**Asgard** In November we unveiled our new brand, Asgard Wealth Solutions, which incorporates our award-winning platform, Asgard, and our highly regarded financial adviser dealer group, Securitor. Asgard has performed exceptionally well, experiencing its fastest growing six month period to date with net inflows up 40 per cent on last year.

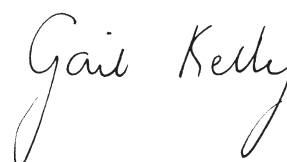
**Branch of the Future** Our first 'Branch of the Future' site opened in April in Sydney, with a further two sites set to follow shortly. This very different branch banking environment provides for both a superior customer experience as well as increasing sales opportunities.

**Credit Cards** In the first half of this year we achieved annualised growth of 15.1 per cent in credit card balances. In May, we launched our new low rate credit card 'Vertigo' which incorporates a competitive set of features, including one of the lowest interest rates in the market at 8.99 per cent. Initial results have exceeded our expectations.

## Management Targets

Looking ahead, the Group is better positioned than ever before to deliver quality and sustainable financial results. We have confidence in our momentum going into the second half and re-affirm our management targets. For full years 2006 and 2007 we are targeting Earnings Per Share growth of 10 per cent.

Our strategy is to build and invest in our long-term future while ensuring short-term performance is maintained. We believe we have the right formula for success and the momentum to prosper in an increasingly competitive environment. I would like to take this opportunity to thank you for your continued support and I look forward to reporting our full year results.

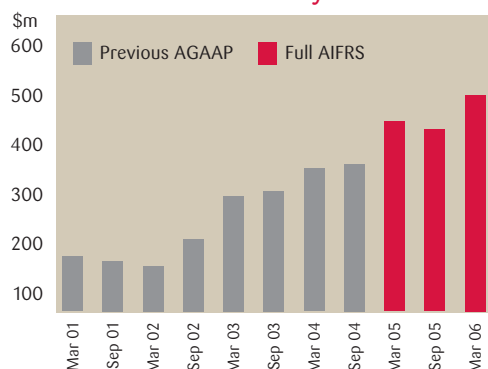


**Gail Kelly**  
Managing Director

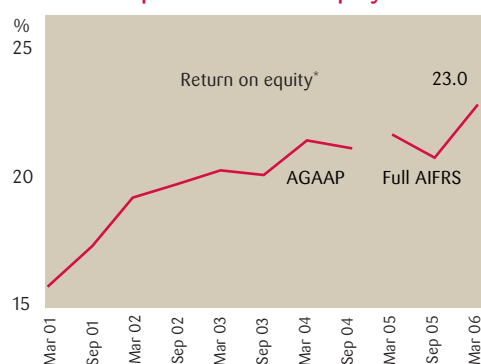
# Interim Results

## Financial Summary

### Profit available to Ordinary Shareholders

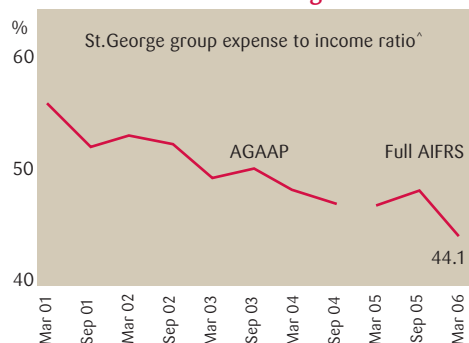


### Superior return on equity



\*After preference dividends and before significant items and goodwill

### Effective cost management



^Excluding goodwill and before significant items.

Balance Sheet as at (selected items)	Mar 06 \$M	Sep 05 \$M	Mar 05 \$M
Total Assets	100,045	92,359	87,814
Loans and other receivables	77,197	72,949	69,111
Treasury securities	7,093	7,156	8,266
Retail deposits	41,772	39,386	36,805
Other borrowings	43,569	37,663	36,614
Shareholders' Equity	4,949	5,387	5,206

Income Statement Half Year Ended	Mar 06 \$M	Sep 05 \$M	Mar 05 \$M
Interest income	3,236	2,865	2,640
Interest expense	2,272	1,960	1,744
<b>Net interest income</b>	<b>964</b>	<b>905</b>	<b>896</b>
Non-interest income	470	501	487
Bad and doubtful debts expense <sup>1</sup>	65	52	58
Operating expenses	633	672	620
Goodwill impairment	-	-	4
Share of net profit of equity accounted associates	-	-	3
<b>Operating profit before income tax</b>	<b>736</b>	<b>682</b>	<b>704</b>
Income tax expense	226	197	216
<b>Operating profit after income tax</b>	<b>510</b>	<b>485</b>	<b>488</b>
Minority interests	(1)	(2)	(3)
<b>Operating profit after income tax and minorities</b>	<b>511</b>	<b>487</b>	<b>491</b>
Preference dividends	9	32	31
<b>Profit available to ordinary shareholders</b>	<b>502</b>	<b>455</b>	<b>460</b>

1. In addition to the charge for Mar 06, there is a \$4 million increase in the general reserve for credit losses which is not distributable to shareholders.

Performance Ratios Half Year Ended	Mar 06	Sep 05	Mar 05
<b>Return on average assets<sup>2</sup> (annualised)</b>			
• before preference dividends, goodwill and significant items	1.28%	1.29%	1.32%
• before preference dividends, after goodwill and significant items	1.28%	1.27%	1.33%
<b>Return on average ordinary equity (annualised)</b>			
• after minorities, preference dividends, before goodwill and significant items	23.01%	22.02%	22.36%
• after minorities, preference dividends, goodwill and significant items	23.01%	21.50%	22.71%
<b>Expense/income ratio</b>			
• excludes goodwill and significant items	44.1%	46.7%	45.4%

2. Average assets calculated on a previous AGAAP basis

Whilst the current half contains the impact of all new accounting standards (referred to as Full AIFRS), the comparative information, which is prepared in accordance with accounting requirements, does not include the impact of standards relating to financial instruments. However, to enable comparability, St. George has provided Full AIFRS comparatives where indicated. Further details regarding these accounting changes are contained in St. George's Interim Financial Statements available on our website at [www.stgeorge.com.au](http://www.stgeorge.com.au)

# DIY Super

## Good news for DIY Super investors

The Super Choice legislative changes of 1 July 2005 have opened up a whole new world of flexibility and choice when it comes to how Australians manage their superannuation. This is particularly the case for those who want direct control over their own superannuation, rather than being tied up with a specific fund or paying fees to a financial adviser.

For many DIY Super investors, the new legislative regime appears favourable. However, before being able to seriously DIY their super, they need an easily accessible account so they can make the most of investment opportunities as they arise - without losing time, money and of course, interest, in the process.

## DIY Super directsaver makes it easy

The introduction of DIY Super directsaver meets this need. Created with DIY superannuation customers in mind, the account is available to both self-managed super funds and trusts.

It offers all the appeal of competitive interest, no minimum balance and no transaction fees, along with the freedom to deposit and withdraw at will

- and to do so instantly if the account is linked to an eligible St.George nominated account. It is ideal for a wide range of superannuation investors, offering newfound flexibility that's directly in line with the needs of the new Super Choice environment.

Other popular features of the account are that it is transaction fee-free on deposits and withdrawals, along with access 24 hours, 7 days a week via Phone and Internet Banking.

## One account for a range of superannuation needs

If you have a special interest in the share market and need trading funds at short notice, or you're waiting for the right property investment opportunity and need to leap on it without delay, DIY Super directsaver is ideal. It keeps your money working for you, without having to lose opportunities on the horizon.

If, on the other hand, you're more concerned about finding a sound position for your super cash, with rates at up to 5.55%p.a.\*, you need look no further than DIY Super directsaver.

## Simple to open, easy to operate

Perhaps best of all in such a complex world, DIY Super directsaver makes managing your own super simple.

It's easy to open and fund, with no identification required as long as it's linked to a nominated transaction account in the same name. This transaction account can be with St.George or another financial institution.

Interest is calculated daily and credited to the account monthly, giving you all the benefit of compounding interest.

## DIY Super directsaver at a glance

DIY Super directsaver offers the following features

- ✓ High variable interest rate of 5.40%p.a. on full balances up to \$250,000, and 5.55%p.a. on full balances of \$250,000 or more
- ✓ No transaction fees
- ✓ No minimum balance
- ✓ No fixed term
- ✓ No limit on the number of withdrawals



# DIY Super. Call the shots.

**dragondirect**  
from St.George

Before acquiring or deciding to hold a product, you should read the Product Disclosure Statement available on request at any branch or by phoning 13 33 30, and ensure that the product is appropriate. Issued by dragondirect, a division of St.George Bank Limited ABN 92 055 513 070 AFS Licence No. 240997.

# St. George Foundation

- ✓ Interest calculated daily and paid monthly
- ✓ Unlimited fee-free Phone and Internet Banking
- ✓ Link your account to an eligible St. George account and your transfers are instantaneous, helping you maximise your interest and your investment opportunities

You can find more information, including superannuation helpful hints by visiting [www.dragondirect.com.au/diysuper](http://www.dragondirect.com.au/diysuper)

The site offers a downloadable application form, easy-to-use calculators to help you establish how much super you'll need, your projected future superannuation total, savings plan information and more.

## To find out more or apply for DIY Super direct saver

Applying over the phone: call us on 1300 305 801 to open your account or we can talk you through what's involved. You can also request an application pack to be mailed to you. Then simply complete the application form and return it to dragondirect\* along with the requested documentation.

Applying online: visit [www.dragondirect.com.au/diysuper](http://www.dragondirect.com.au/diysuper) where you can download an application form. Just follow the instructions on the form, return it to us - and we'll do the rest.

\*Rate is variable and current as at 8 May 2006 and applies to balances over \$250,000.

Terms and conditions apply. Full details of these are available upon request. Before acquiring or deciding to hold DIY Super direct saver, please read the Product Disclosure Statement available by phoning 1300 30 10 20, and seek independent financial advice, to ensure that the product is appropriate for you and your circumstances.

DIY Super direct saver is issued by dragondirect - a division of St. George Bank Limited ABN 92 055 513 070 AFS License No. 240997.

Founded in 1990 with an initial donation of \$1 million from St. George Bank, the St. George Foundation is committed to enhancing the lives of Australian children. The Foundation aims to support programs that give children who are disadvantaged or have a disability a more secure and enriching life.

Since its inception, the Foundation has provided over \$8 million to fund projects for children with special needs. Over the past financial year, the Foundation has distributed more than \$1 million to more than 60 organisations across Australia. These funds were raised through events such as the Foundation Golf Classic and Gala Dinner in Sydney. Generous donations from Foundation sponsors and support from staff on Happy Hat Day also contributed.

Money raised by the Foundation has helped change the lives of hundreds of young people through funding early intervention programs, respite care, drug and alcohol rehabilitation programs, activity days and holiday programs for children with disabilities. The Foundation has also assisted many charities to provide medical and educational equipment to clients who are unable to meet the costs.

St. George Bank absorbs all administration costs for the Foundation, therefore 100 per cent of the money raised is re-directed to our special young Australians.

**Consider donating your dividend by completing the enclosed Donation form or by visiting any St. George Branch.**



st. george  
Foundation

# Key Dates

# 06 07

14 June 2006	Ex-dividend trading for interim ordinary share dividend
20 June 2006	Record date for interim ordinary share dividend
4 July 2006	Payment of interim ordinary share dividend
31 July 2006	Ex-dividend trading for SAINTS dividend
4 August 2006	Record date for SAINTS dividend
21 August 2006	Payment date of SAINTS dividend
30 September 2006	Financial year end
30 October 2006*	Ex-dividend trading for SAINTS dividend
30 October 2006*	Final profit and ordinary share dividend declared
3 November 2006*	Record date for SAINTS dividend
20 November 2006*	Payment date of SAINTS dividend
29 November 2006*	Ex-dividend trading for final ordinary share dividend
5 December 2006*	Record date for final ordinary share dividend
19 December 2006*	Payment of final ordinary share dividend
20 December 2006*	Annual General Meeting
30 January 2007*	Ex-dividend trading for SAINTS dividend
5 February 2007*	Record date for SAINTS dividend
20 February 2007*	Payment date of SAINTS dividend
31 March 2007	Financial Half year end
30 April 2007*	Ex-dividend trading for SAINTS dividend
2 May 2007*	Interim profit and ordinary share dividend declared
4 May 2007*	Record date for SAINTS dividend
21 May 2007*	Payment date of SAINTS dividend
29 May 2007*	Victorian Shareholders' Presentation
13 June 2007*	Ex-dividend trading for interim ordinary share dividend
19 June 2007*	Record date for interim ordinary share dividend
3 July 2007*	Payment of interim ordinary share dividend

\* proposed dates only

## St.George Bank Annual General Meeting

**20 December 2006**

The venue for this year's Annual General Meeting will be the Tumbalong Auditorium, Level 2 of the Sydney Convention and Exhibition Centre, Darling Harbour.

### Sell Back Rights

In August of last year, the Full Federal Court upheld the previous Federal Court's decision not to tax shareholders on the value of the Sell Back Rights. In February 2006, the High Court granted the ATO leave to appeal against the decision of the Full Federal Court that the affected shareholders should not be taxed on the value of the Sell Back Rights. The High Court hearing was held on Wednesday, 14 June 2006. The High Court's decision is likely to take some time. Accordingly, until that decision has been reached, shareholders have been advised not to do anything.

### Change to the Dividend Reinvestment Plan

Australian residents may elect to have their dividends paid on some or all of their eligible shares automatically reinvested in additional shares.

Where the Plan allotment formula results in a fraction of a share, your entitlement will be rounded down to the nearest whole share. Residual balances will be carried forward and recorded as a dollar amount for possible future reinvestment under the Plan.

Full details of the Plan's operations are contained in the Terms and Conditions and are available together with an application form by contacting the Bank's share registry on 1800 804 457. You may elect to join, vary your participation in, or withdraw from the Plan at any time.

### Shareholder enquiries

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

#### Computershare Investor Services Pty Limited

Level 3, 60 Carrington Street, Sydney, NSW 2000

Telephone: 1800 804 457

Facsimile: 61 3 9473 2500

#### Postal Address

GPO Box 4519, Melbourne, VIC 3001

Website: [www.computershare.com.au](http://www.computershare.com.au)