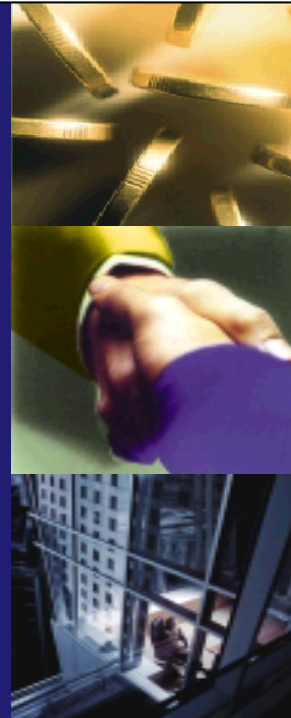




# FULL YEAR RESULTS

6 November 2002



## AGENDA

2

- RESULT HIGHLIGHTS: Gail Kelly
- FINANCIAL OVERVIEW: Steve McKerihan
- STRATEGY OVERVIEW: Gail Kelly



## RESULT HIGHLIGHTS



Gail Kelly

Managing Director

### WE HAVE DELIVERED

- An excellent operational result
- Strong revenue growth
- Stable margins
- Resilient and profitable growth in managed funds
- Superior credit quality
- Strong dividend growth



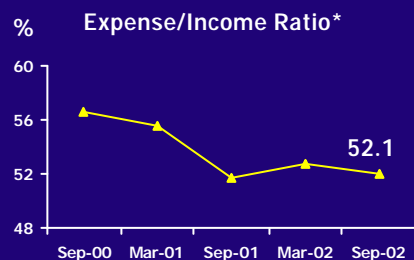
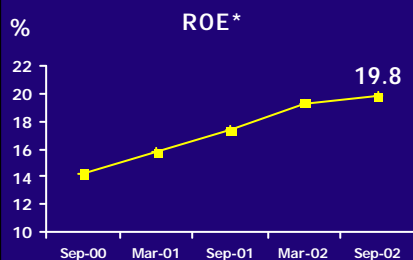
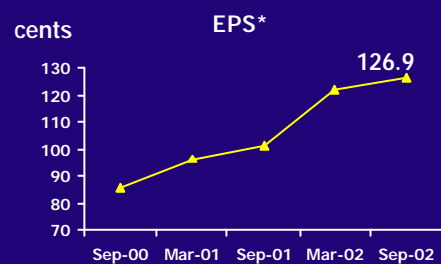
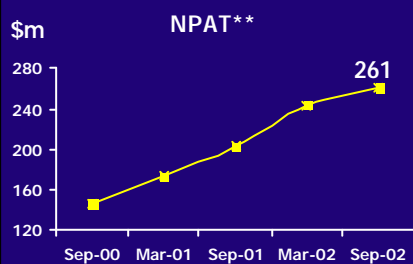
## PROFIT RESULT

	Sep 2002	Sep 2001	% Change
Profit Before Sig. Items	\$505m	\$376m	34
Profit After Sig. Items	\$369m	\$336m	10
Earnings per Share*	124.7¢	101.6¢	23
Return on Equity*	19.6%	16.6%	
Expense to Income*	52.4%	53.6%	
Dividend	80 cents	65 cents	23



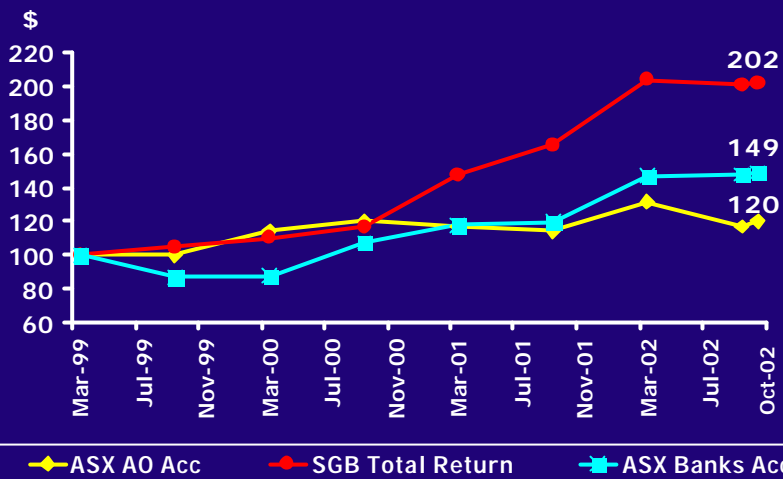
\*Calculated before significant items and goodwill amortisation

## SUSTAINED FINANCIAL PERFORMANCE



\*\*Before significant items  
\*Calculated before significant items and goodwill amortisation

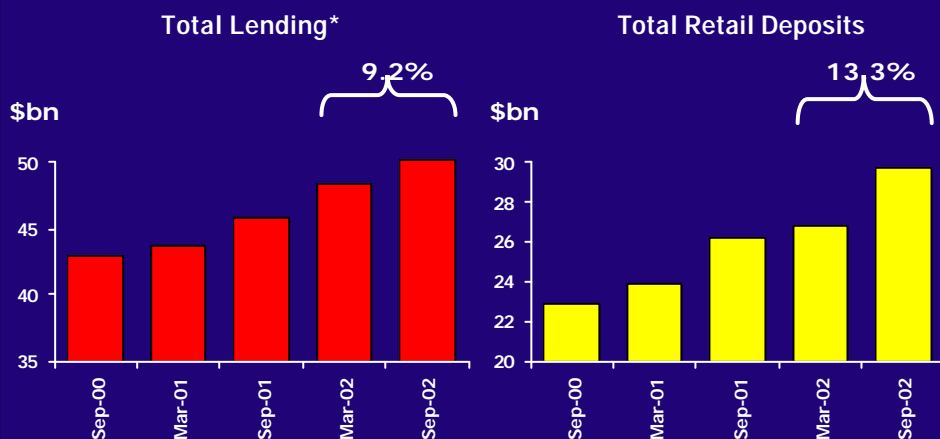
## DRIVING SHAREHOLDER VALUE



Total shareholder return includes capital appreciation and dividends. Assumes base of \$100 in March 99.

Source: Bloomberg Financial Services and ASX.

## SOLID LENDING AND DEPOSIT GROWTH

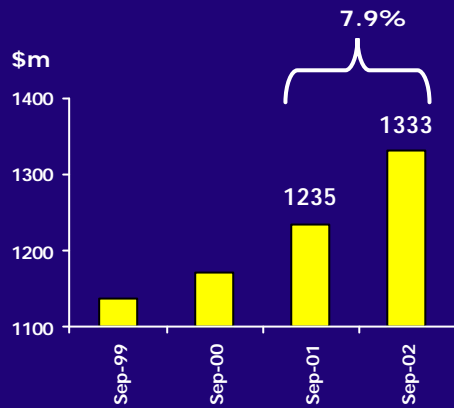


\*On and off balance sheet

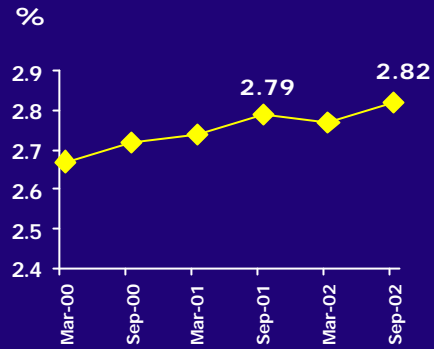
## BUILDING INCOME WHILE MAINTAINING MARGINS

9

Net-Interest Income



Interest Margin<sup>^</sup>

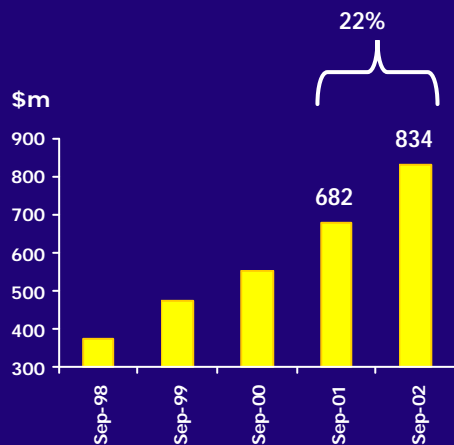


<sup>^</sup> Group interest margin

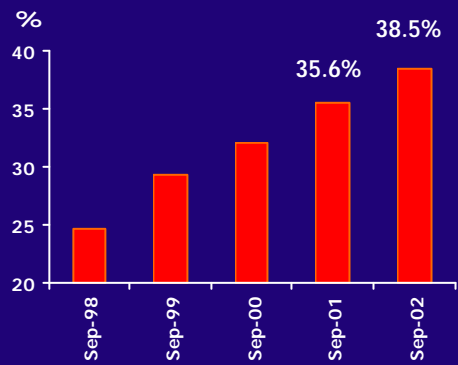
## NON-INTEREST INCOME MOMENTUM CONTINUES

10

Non-Interest Income<sup>\*</sup>



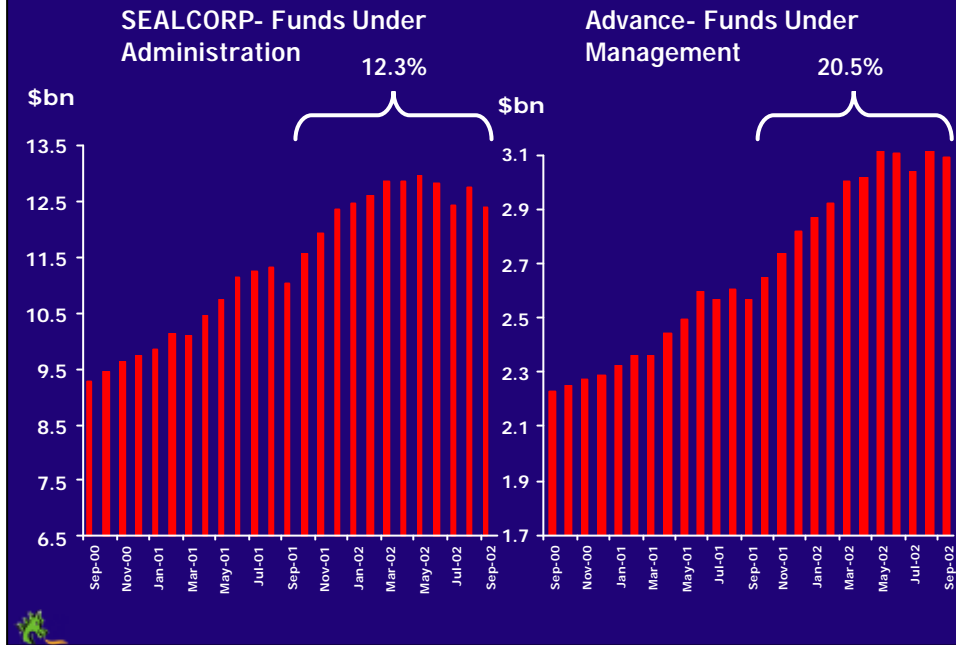
Other Income/Total Income<sup>\*</sup>



<sup>\*</sup> Before significant items

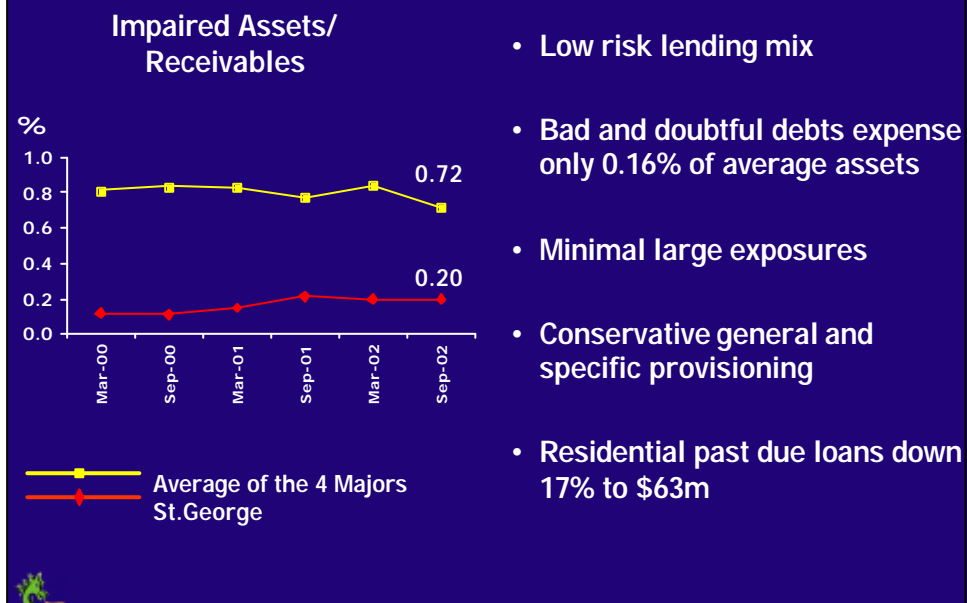
## RESILIENT MANAGED FUNDS GROWTH

11



## CREDIT QUALITY REMAINS A DIFFERENTIATOR

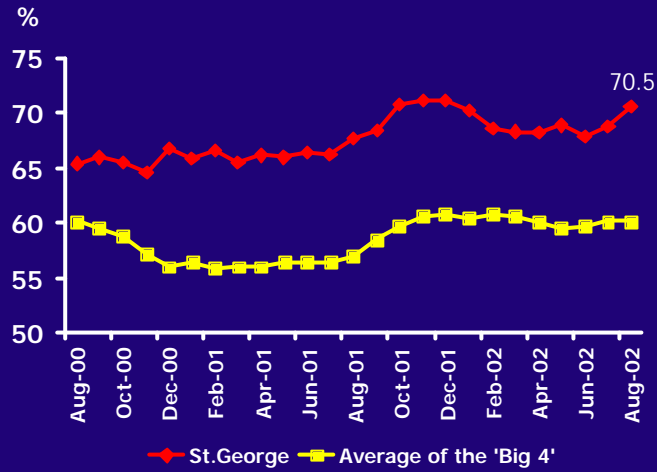
12



## OUR CUSTOMER SATISFACTION ADVANTAGE

13

Customer Satisfaction Ratings



Source: Roy Morgan Research, June 2002

Base: Respondents with transaction accounts at institution (aged 14+)



## FINANCIAL OVERVIEW

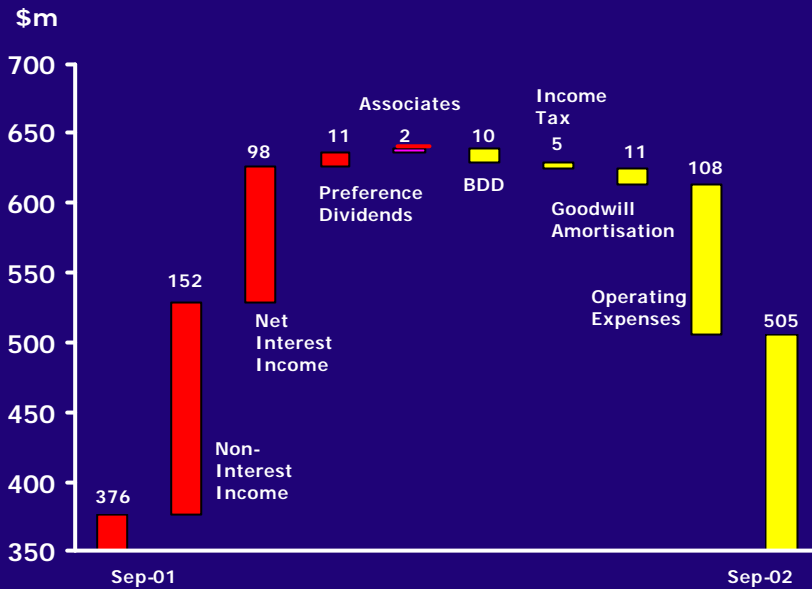


Steve McKerihan

Chief Financial Officer

## STRONG OPERATIONAL RESULT \*

15



\*Before significant Items

## NON-INTEREST INCOME

16

	Sep-02 \$m	Sep-01 \$m	Change %
Product fees & commissions			
-lending	81	77	5
-deposits & other accounts	200	188	6
-electronic banking	154	122	26
Managed funds	178	152	17
Financial markets	45	37	22
Securitisation	73	44	66
Bill Acceptance Fees	32	18	78
Other	<u>71*</u>	<u>44</u>	<u>61</u>
<b>TOTAL</b>	<b>834</b>	<b>682</b>	<b>22</b>

\*Includes WealthPoint impact of \$20m.

## BUSINESS VOLUMES GROW STRONGLY

17

	Sep 2002 \$bn	Sep 2001 \$bn	Change %	Market Growth %
Total Lending*	50.2	45.9	9.2	10.5 <sup>^</sup>
Retail Deposits	29.7	26.2	13.3	10.7 <sup>^^</sup>
Managed Funds	17.4	15.4	13.4	8.8 <sup>**</sup>

\* Includes securitised loan balances and bill acceptances

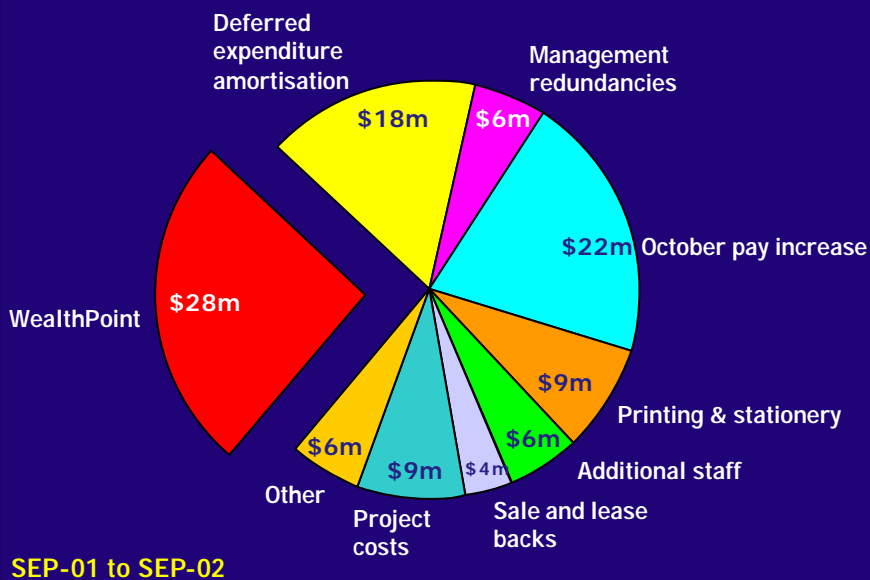
\*\* Source: ASSIRT

<sup>^</sup> Source: RBA Bulletin - Total aggregate credit growth (system) @ Aug02

<sup>^^</sup> Source: Australian Bankers' Association - Total retail deposits @ Aug02

## DRIVERS OF \$108M EXPENSE INCREASE \*

18



\*Excludes goodwill and significant items

## SIGNIFICANT ITEMS IN 2002 RESULT

19

	\$m
FIRST HALF – Investment write-downs	-94
SECOND HALF – Restructuring charge	-30
Deferred expenditure write-down	-60
Sale of Cashcard	<u>+18</u>
TOTAL SIGNIFICANT ITEMS	<u>-166</u>
Tax Benefit	<u>+30</u>
SIGNIFICANT ITEMS AFTER TAX	<u><u>-136</u></u>



## DEFERRED EXPENDITURE

20

- Balance written down by \$60m to \$185m
- Write-down reflects changed strategies, priorities and alterations to business conditions
- New systems and processes established around project management
- Accounting policies tightened for deferral of expenditure



## AMORTISATION PROFILE OF DEFERRED EXPENDITURE <sup>21</sup>

- Existing balance of \$185m expected to amortise as follows:

	\$m
FY03	71
FY04	56
FY05	32
FY06	18
FY07	8

- Actual amortisation expense will be larger due to addition of new project expenditure
- Deferred expenditure balance will however decline as new spending reduces



## SEGMENTAL PROFIT <sup>22</sup>

	Sep-02 \$m	Sep-01 \$m	Contribution to segmental profit in Sep-02 %
Personal Customers	473	382	53
Institutional & Business Banking	261	255	29
BankSA	112	96	12
Wealth Management	52	38	6
<b>Total*</b>	<b>898</b>	<b>771</b>	<b>100</b>

\* Segmental profit before tax



## PERSONAL CUSTOMERS

	Sep-02 \$m	Sep-01 \$m	Change %
Personal Customers	473	382	24
Normalised	473	412*	15

- Net interest income grew 9.0%
- Other income up 18.6%
- Expense to income ratio improved to 53.4% from 58.0%
- Bad and doubtful debts expense represents 0.17% of total receivables

\* Profit for the year is increased by \$30m, due to the transfer of small business banking to PC



## INSTITUTIONAL AND BUSINESS BANKING

	Sep-02 \$m	Sep-01 \$m	Change %
IBB	261	255	2
Normalised	261	225*	16

- Middle Market receivables grew by 16.2%
- Other income up 18.2%
- Expense to Income ratio increased to 37.8% from 37.0%
- Bad and doubtful debts expense represents 0.36% of total receivables

\* Profit for the year is reduced by \$30m due to the transfer of small business banking to PC



## BANKSA



	Sep-02 \$m	Sep-01 \$m	Change %
BANKSA	112	96	17

- Net interest income grew 8%
- Other Income up 5.5%
- Expense to Income improved to 54.6% from 58.7%
- Bad and doubtful debts expense represents 0.10% of total receivables

## WEALTH MANAGEMENT

26

	Sep-02 \$m	Sep-01 \$m	Change %
Wealth Management	52	38	37

- Managed Funds have grown 13.4% to \$17.4bn
- SEALCORP continues to grow strongly
- Margin lending and Advance Asset Management profitable and performing strongly
- Result for FY2002 has absorbed a \$6m operating loss from WealthPoint
- Wealth Management profits exclude Insurance

## CAPITAL MANAGEMENT PROGRAM

- Tier one capital 7.5%
- \$2.55bn mortgage securitisations:
  - \$1.80bn in Mar-02
  - \$0.75bn in Sep-02
- \$300m subordinated debt raisings:
  - \$200m in Feb-02
  - \$100m in Sep-02
- DRP continued
- Potential buy back in FY2003
- Final dividend 42 cents



## STRATEGY OVERVIEW



Gail Kelly

Managing Director

## AGENDA

29

- Year 2002
- Strategic priorities
- The year ahead



## 2002 – YEAR OF FOCUS AND BUILD

30

- Recognising and using our strengths
- New strategic framework and new team
- Investment review
- Even Better Bank program
  - New business model and key priorities
  - Project review
  - IT benchmarking study
- Clear targets: 2003 and beyond



## ST.GEORGE STRATEGIC FRAMEWORK

31

### Key Business Goals

1. Deepen and strengthen relationships with customers in our chosen markets
2. Leverage specialist capabilities for growth
3. Creatively differentiate on service
4. Accelerate and empower relationship selling
5. Optimise cost structure
6. Build team and performance culture

### Drive Even Better Bank program and 1st phase priorities



## EVEN BETTER BANK – TWO PART PROGRAM

32

### 1. Customer-led growth

Goal: Leverage deep customer knowledge to develop and implement a focused growth plan

### 2. Business Productivity

Goal: Establish a truly competitive cost position which allows winning propositions to be offered to our customers

People and Culture

Quick Wins



## FIRST PHASE PRIORITIES

33

- New Business Model and Integrated Sales and Service
- Wealth Management
- Home Loans
- Middle Market
- Brand and Customer Service
- Productivity Management

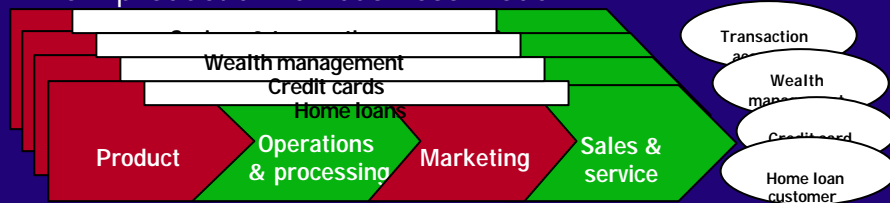


## NEW BUSINESS MODEL

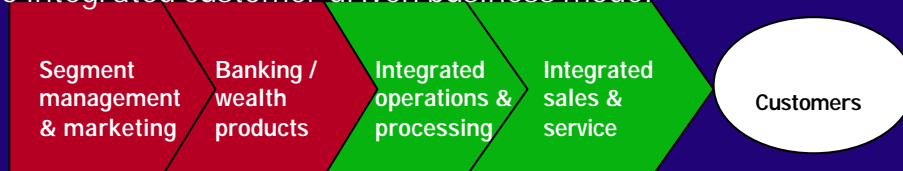
34

### MAKING THE CUSTOMER THE CENTRE OF ALL WE DO

From product driven business model



To integrated customer driven business model



## NEW BUSINESS MODEL AND INTEGRATED SALES AND SERVICE

35

### Customer Segments

- Key leaders appointed
- GOLD segment moved into Wealth Management
- Call centre teams aligned

### Integrated Sales and Service

- Regional leaders appointed
- New sales and service system under design
- Training support in place
- Change management focus



## WEALTH MANAGEMENT

36

### Immediate areas of focus

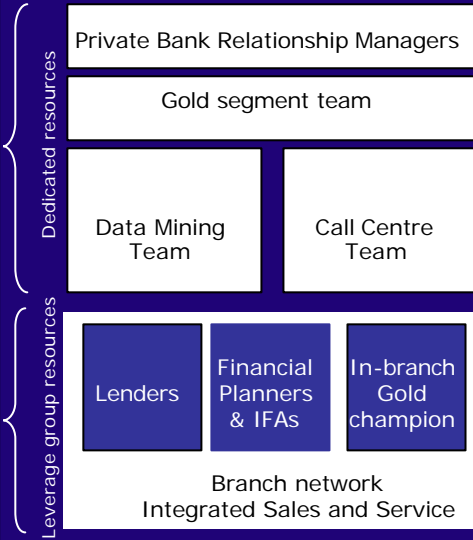
- Gold customers
- SEALCORP full potential
- Wealth cross-sell into high potential personal and business customers



# GOLD SEGMENT

37

## Business Model



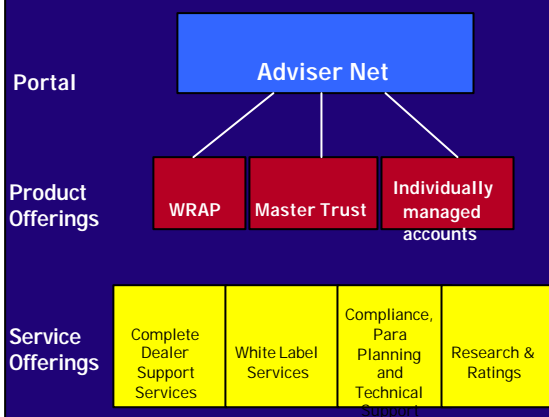
## Gold Customers – our top 3%

- An attractive segment
- Strong levels of satisfaction and retention
- Migration of selected priority and foundation customers
- Integrated sales and service
  - Co-operation
  - Training
  - Aligned incentives

# SEALCORP

38

## Customer Proposition



## Strong Performer

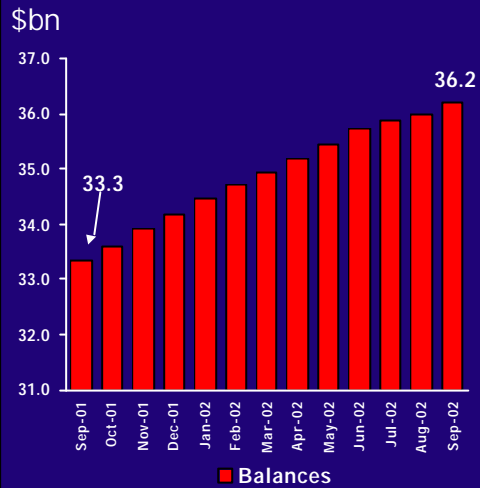
- Solid earnings growth
  - Reported profits up >20%
  - Transparent and quality
- Improved cost/income ratio
  - 1996: > 80%
  - 2002: < 60%
- Funds under Administration up 12.3%
- Scale platform and strong service culture
- Continued investment and innovation
  - e-wrap
  - Individually managed accounts

## HOME LOANS – 2002 PERFORMANCE

39

### St. George Residential Lending\*

### Highlights



- Maintained excellent credit quality
- Increased group margin from 2.76% to 2.80%
- Excellent products, including market leading "Portfolio" loan

\* Includes securitised loans

## HOME LOANS – CHALLENGES

40

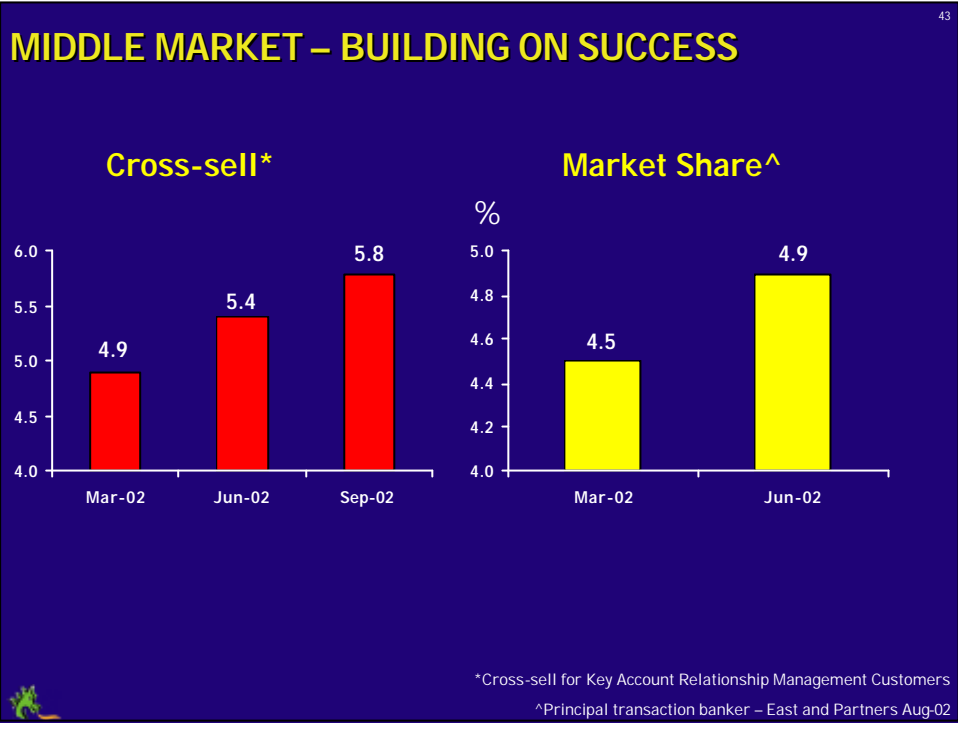
- Retention impacted by maturing introductory loan
- Sales system
- Broker service – "one size fits all"
- SGB underweight in fastest growing geographies of VIC and QLD

## HOME LOANS – ACCELERATING PROFITABLE GROWTH <sup>41</sup>

- **Improved retention**
    - dedicated team in place
    - better identification of 'at risk' customers
    - greater KPI weighting
    - customer management by segment
  - **Enhanced sales performance**
    - stronger local sales management
    - improved sales skilling, coaching and incentives
  - **Active broker channel management**
    - specialised service and support
    - segmented approach
  - **Increased presence in non-core geographies**
    - increase numbers of mobile lenders
- 

## MIDDLE MARKET – A GROWTH STORY <sup>42</sup>

- Formalise expertise around 5 key industries
  - Extend and refine relationship management model
  - Expand geographic footprint
  - Align credit policies and processes
  - Raise brand awareness
- 



## BRAND REVIEW UNDERWAY 44

### BUILD ON OUR STRONG BASE

- Friendly and helpful
- Community oriented
- Service focused

### STRETCH AND STRENGTHEN

- Wealth management expertise
- Geared to business
- Dynamic and imaginative

Customer service passion and real actions

## OUTSTANDING CUSTOMER SERVICE STARTS WITH OUTSTANDING PEOPLE

45

- Right people in right roles
- Willing, able, empowered
- Investment in the front line
- Increasing our representation

St. George Group = Employer of Choice



## PRODUCTIVITY MANAGEMENT

46

### EBB 1<sup>st</sup> Phase

- \$60m cost savings in 2003
- \$80m in 2004 and beyond
- New disciplines in investment decisions
- New project processes
- Strengthened accountability at every level



### EBB 2<sup>nd</sup> Phase

- Develop future IT business model
- End to end process review
- Focus on back office processes



## THE YEAR AHEAD

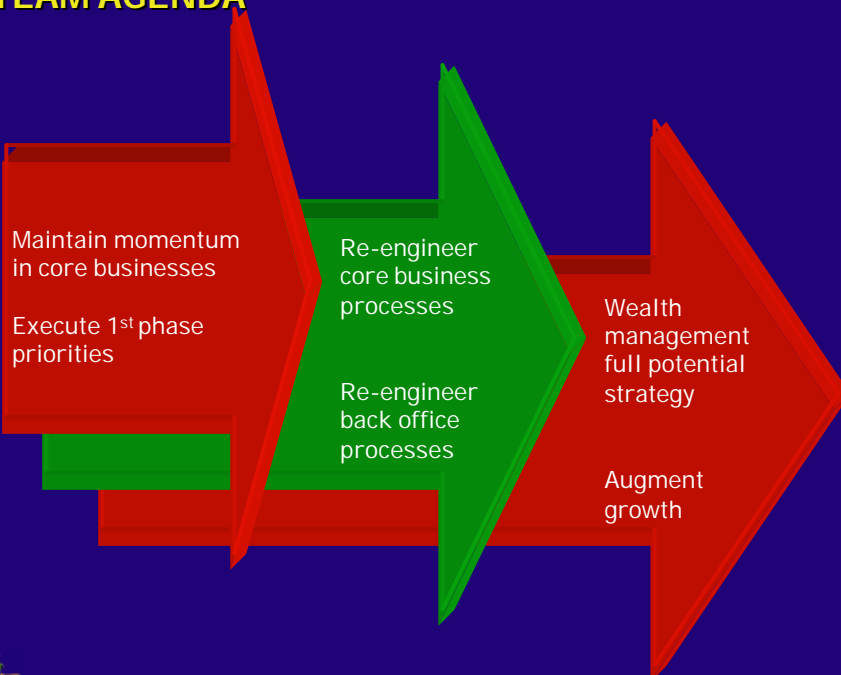
47

- Team Agenda
- Targets
- Outlook



## TEAM AGENDA

48



## TARGETS - 2003 AND BEYOND

EPS Growth 2003	10%
EPS Growth 2004 & 2005	Maintain double digit
Cost to Income in 2004	<50%
Capital	Tier one 7-7.5%
Credit Quality	Maintain positive differential to the majors
Customer Satisfaction	Maintain positive differential to the majors



## SYSTEM OUTLOOK – 2003

- Australian economy to remain robust
- GDP to be 3-4%
- Unemployment to be around 6%
- Housing growth to be 8-10%
- Business loan growth to be 6-7%
- Interest rates to tighten moderately



## SUMMARY

- 2002- watershed year
- Strong operational result
- Robust plans in place for future growth
- Differentiated by brand, customer service and people
- Delivering sustainable, high quality earnings



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For further information visit

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