



2001 Interim Results

St. George Bank Limited

Ed O'Neal
CEO and Managing Director

St. George Interim Results Highlights

- Strong profit result
- 'Best Bank' redesign ahead of schedule
- Capital management program completed
- Dividend increased
- Superior credit quality

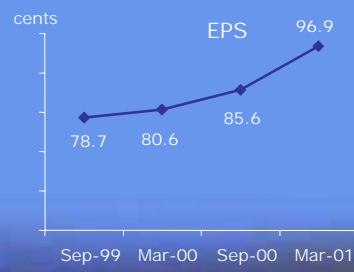
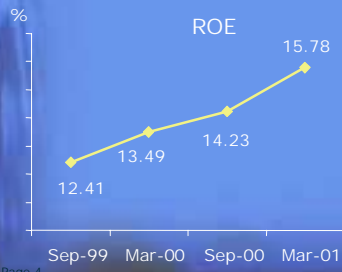
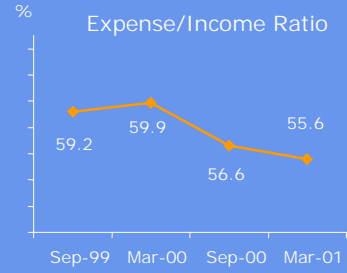
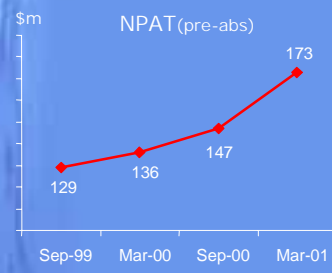
Strong Profit Result

	Mar 2001	Mar 2000	% Change
Profit After Tax	\$173m	\$136m	27%
Earnings per Share	96.9 cents	80.6 cents	20%
Return on Equity	15.78%	13.49%	
Expense to Income	55.6%	59.9%	
Interim Dividend	31 cents	26 cents	19%

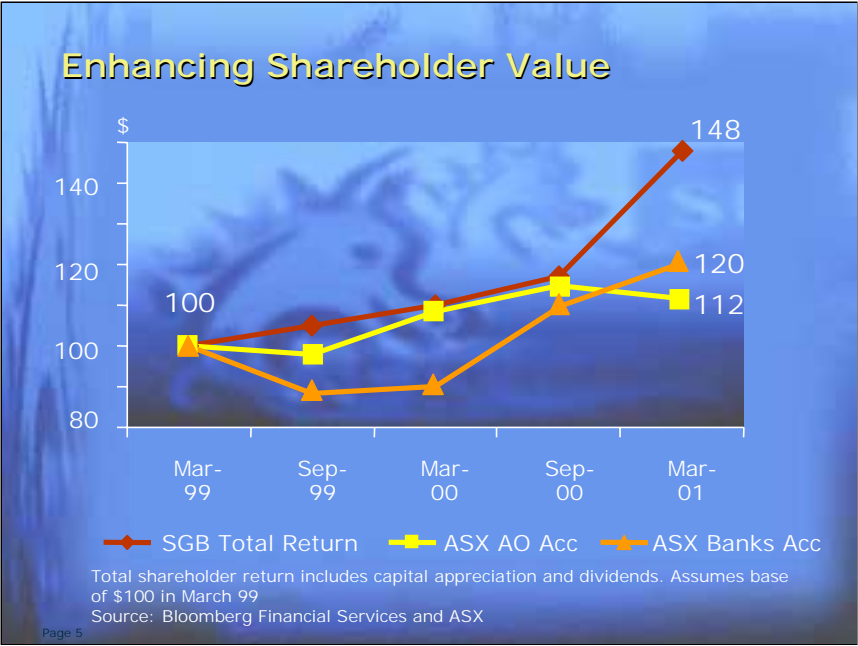
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- Profit after tax, goodwill and preference share dividends was \$173m, (30 Sept 2000: 150M, 31 March 2000: 136m)
- Non-interest income increased to \$314 million (30 September 2000: \$284 million, 31 March 2000: \$268 million)
- Operating expense increased to \$565 million (30 September 2000: \$553 million, 31 March 2000: \$551 million)
- Basic earnings per ordinary shares increased to 96.9 cents (30 September 2000: 85.6 cents, 31 March 2000: 80.6 cents)
- Return on average ordinary equity increased to 15.78% (30 September 2000: 14.23%, 31 March 2000: 13.49%)
- The expense to income ratio fell to 55.6% (September 2000 half-year 56.6%, March 2000 half-year 59.9%). The improvement is attributable to strong growth in other income and a higher interest margin.

Improving Financial Performance



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- ASX Acc = ASX All Ordinaries Accumulation Index.
- Banks Acc = Bank Accumulation Index.

During the half, we have focused on...

- Delivering on 'Best Bank' redesign
- Building non-interest income momentum
- Meeting the needs of our customers
- Improving market share performance
- Maintaining superior credit quality

Best Bank Ahead of Schedule

	Completed 1st half	Full Year Target	% Complete
Ideas	527	1000	53%
Current year impact**	\$17m	\$70m*	24%
Run Rate impact**	\$58m	\$120m	48%
Positions Reductions	720	1450	50%

* Revised from \$50m

** Pre Tax

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Detailed update of highlights during the period:

1. Streamlining credit, branch and lending procedures. Lending and credit processes for existing customers have been reviewed and simplified.
 2. Service access points expanded by providing Commercial and Private Bank customers with access to internet and phone banking services.
 3. The delivery of enhanced customer enquiry screens that provide the complete financial relationship of the customer with St.George.
 4. The development and implementation of a three tier branch network to align service delivery channels with customer needs. The three tiers consist of Financial Service Centres (FSC), traditional branches and Automated Banking Centres (ABC).
- FSCs offer a broader range of services than traditional branches. There were 18 branches in key locations converted into FSCs during the period.
- ABCs only provide phone, internet and ATMs services, yet are supported by staff to assist customers in accessing and understanding these services. There were 16 branches converted into ABCs during the period.
5. Value based pricing developed with fee changes communicated to customers in February 2001 to take effect from April. The changes reflect the value customers derive from Bank's different service delivery channels.
 6. The introduction of a Lead Management System that automates and tracks customer referrals between businesses within the Bank to improve cross sale opportunities.

Best Bank Achievements

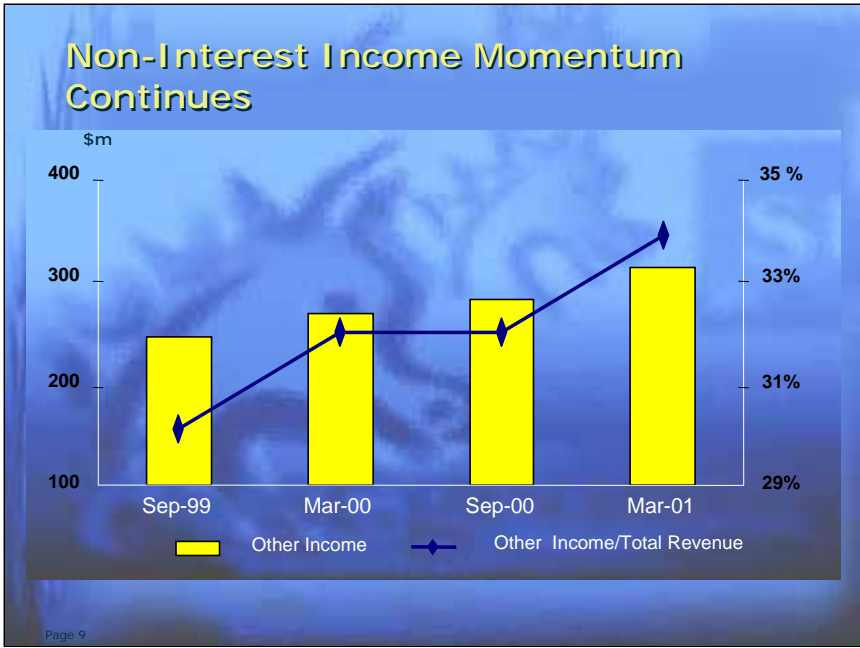
- Internet and phone banking for Commercial and Private Bank customers
- Implementation of 3 tier branch network
- Lead Management System in place

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Detailed update of highlights during the period: continued

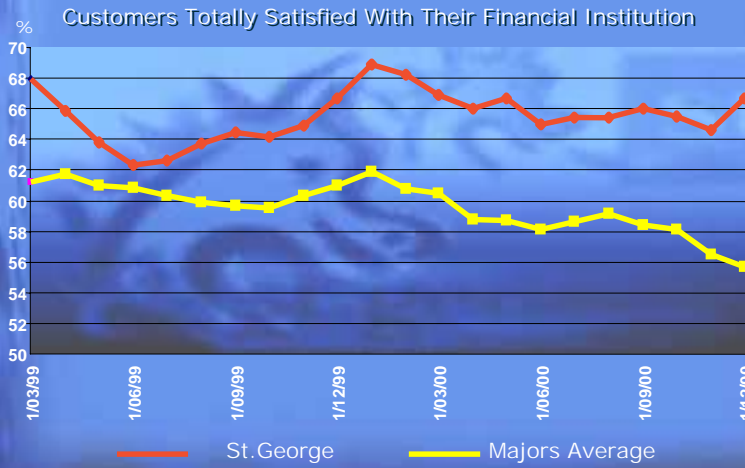
7. Convenient and cost effective intranet based training courses that complement traditional training programs.
8. Rationalising lending systems with 64,000 loans converted to the target lending system.
9. E-procurement which involves purchasing the Bank's goods and services online via the intranet and re-engineering the way the Bank interfaces with suppliers is progressing to plan. In March 2001, the Bank appointed MVS, a staff recruitment intermediary to manage the Bank's staff recruitment vendors thereby delivering scale and efficiency benefits to the Bank.
10. Outsourcing property and facilities management
11. The establishment of a dedicated Business Services Unit to meet the specific financial needs of small business customers is under way and scheduled to commence operations by the end of June 2001.

The Best Bank Program is designed to ensure that customers receive innovative products and efficient service through reliable delivery channels. To achieve this outcome, staff are provided with the tools, environment and training required to deliver optimal customer service.



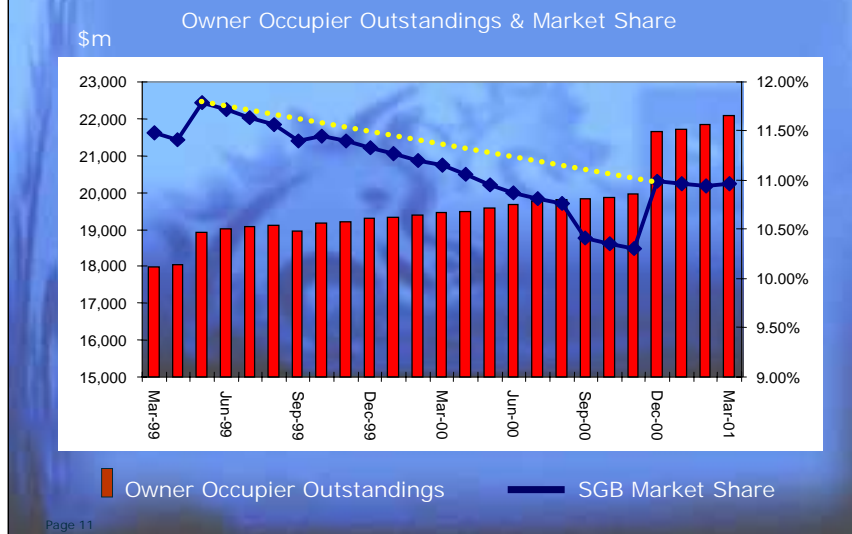
- Compound annual growth rate in non-interest income exceeds 16%.

Meeting Our Customers' Needs



Source: Roy Morgan Research

Mortgage Market Share Stabilising

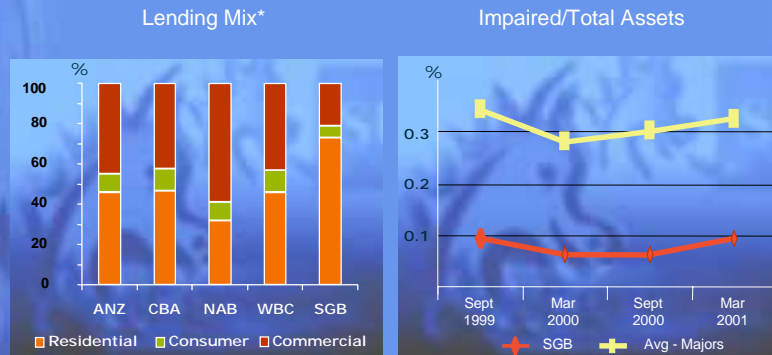


- In September 2000 CBA included home equity sales in total market share figures.
- In December 2000 SGB included an increased portion of its home equity sales in total market share figures.
- The dotted line in the above graph reflects approximate trend when reporting adjustments are removed.

Aggressively Driving Overall Market Share Performance

- Competitive mortgage market pricing
- Brand and product advertising
- 'Starts Low, Stays Low' credit card
- dragondirect
- Improving sales skills, culture & systems

Superior Credit Quality



*Source for majors: CSFB 'Australian Bank Asset Quality' March 2000

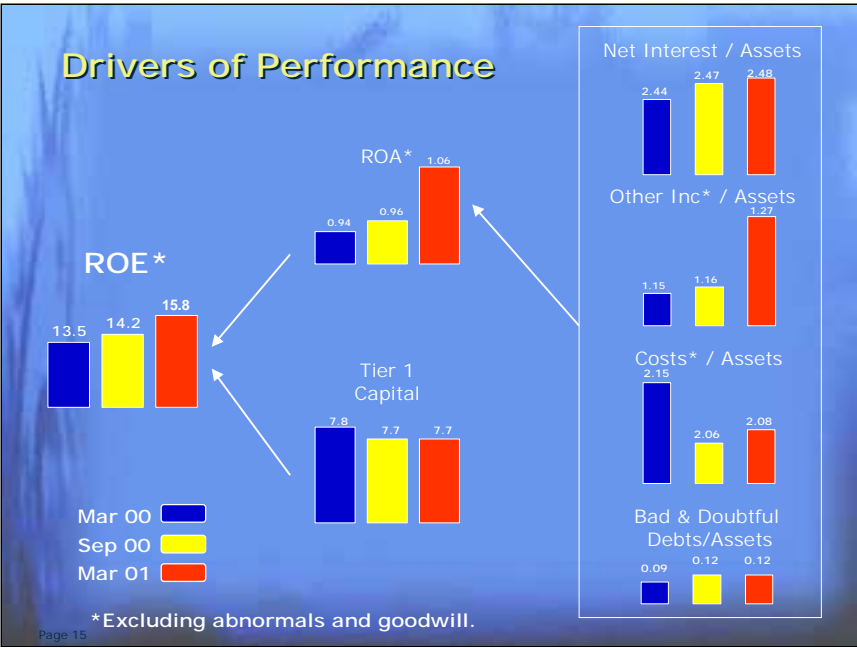
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- Benefits of superior credit quality extends beyond loan loss provisions to funding flexibility as illustrated by the pricing levels of our recent \$1.8bn securitization.
- On 22 January, 2001, Fitch rating agency stated that St.George Bank :
 - “... continues to outperform other Australian banks on asset quality measures
 - ... is well placed to capitalise on recent acquisitions..
 - ... now has the capacity ... to rival the larger major banks.”

2001 Interim Results

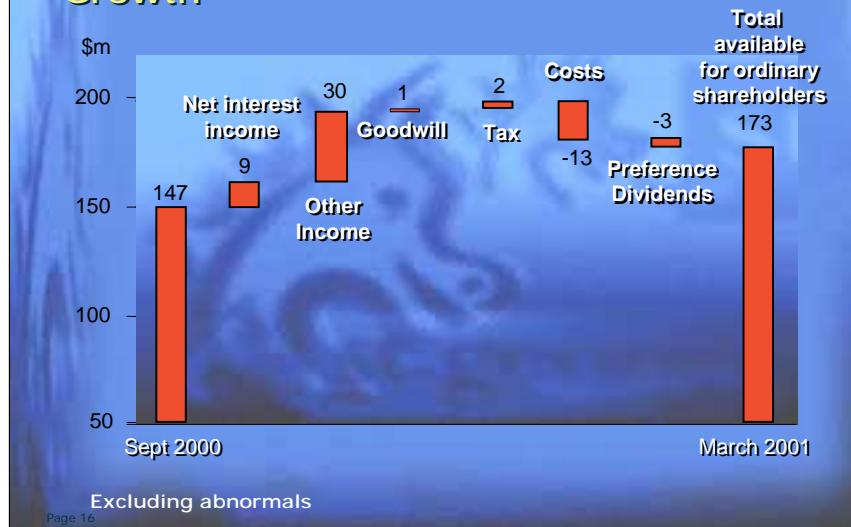
Steve McKerihan
Chief Financial Officer





- Improvement in ROE mainly attributable to ROA.
- Improvement in ROA mainly attributable to non interest income. It has, however, been assisted by stability in the interest margin and provisioning and cost containment.
- Recent capital management initiatives will provide a further boost to ROE in the second half.

Non-Interest Income Drives Earnings Growth



- Costs stable in real terms excluding non-recoverable GST
- Other Income includes fees from Funds Under Management, Product Fees, Commissions, Securitisation fees and Financial Markets income.
- Discounting the impact of non-recoverable GST, operating expenses before goodwill and abnormals increased slightly to \$503 million for the six months to 31 March 2001 (30 September 2000: \$498 million). This increase is marginal given the growth in business volumes during the half-year.

Continued Growth

	Mar 2001 \$bn	Mar 2000 \$bn	Change %
Total Lending*	43.7	41.4	5.8
Total Assets	48.0	47.8	0.4
Managed Funds	13.9	12.2	13.7

* Includes on and off balance sheet receivables and bank bill acceptances

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- Total lending, including securitised receivables and bank bill acceptances, grew from \$41.4bn at March 2000 to \$43.7bn at March 2001.

Best Bank - Financial Impact

	2001				2002	
	Original Target		Revised Target		Target	
	\$m	%	\$	%	\$m	%
Revenue improvements	14	28	23	33	33	28
Expense savings	36	72	47	67	87	72
Pre tax impact	\$50m		\$70m		\$120m	
After tax EPS impact	7 cents		10 cents		18 cents	

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- Target impact for Best Bank for 2001 revised upwards from \$50m to \$70m pre-tax.
- Revenue/expense split slightly amended in 2001 from 28/72 to 33/67.
- St.George is confident of achieving a full year run rate of at least \$120 million from 2002 onwards.

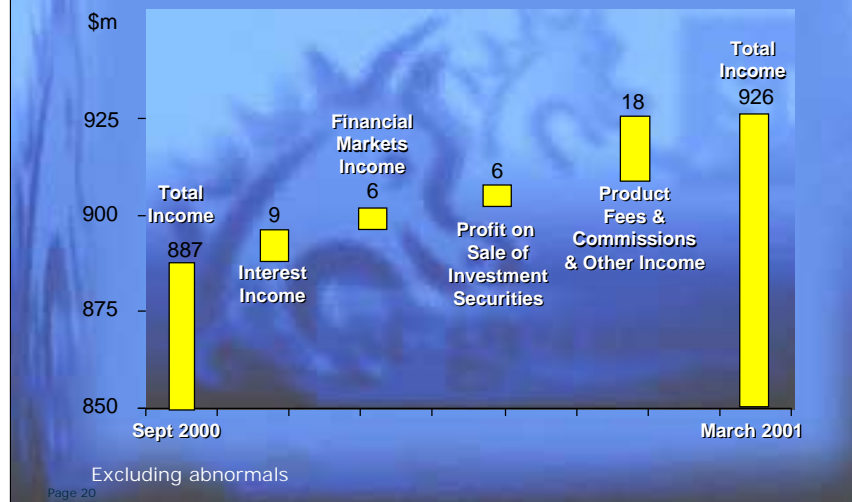
Total Workforce Decreasing

Full Time Equivalents



*The 720 position reductions achieved to date through Best Bank were realised in the period between 31 July 2000 and 31 March 2001.

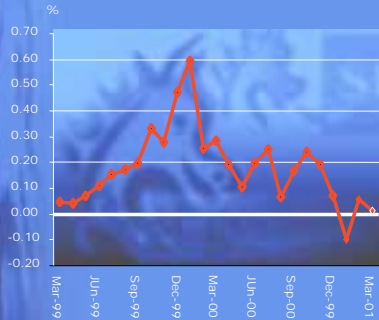
Income Up Across the Board



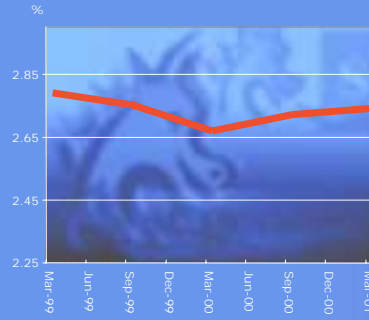
- Net interest income for the half-year to 31 March 2001 was \$612 million (31 March 2000: \$569 million) an increase of 7.6%.
- Non-interest income for the half-year to 31 March 2001 was \$314 million (31 March 2000: \$268 million) an increase of 17.2%. This increase was largely due to growth in product and commission revenue. Non-interest income now accounts for 33.9% of total income (31 March 2000: 32.0%).
- Managed funds increased to \$13.9 billion from \$13.6 billion at 30 September 2000. Managed Funds fees for the half-year to 31 March 2001 were \$73 million (30 September 2000: \$71 million) despite the transfer of the management of \$0.9 billion of Advance Property Fund to Stockland Limited on 1 December 2000.
- Financial markets non interest income primarily represents gains and losses made on foreign exchange and derivative transactions, realised gains and losses on disposal of trading securities and unrealised market value adjustments on trading securities.
- Increases in product fees and commission income during the current half-year reflect a combination of growth in retail deposits, changes introduced as part of the Group Redesign and greater transaction volumes. A significant proportion of product fees and commissions is generated by electronic banking services.
- Securitisation service fees were impacted by some accounting adjustments and are expected to return to an increasing trend in the second half.

Interest Margin Pressures Subside

90 Day/Cash Rate Differential



Interest Margin

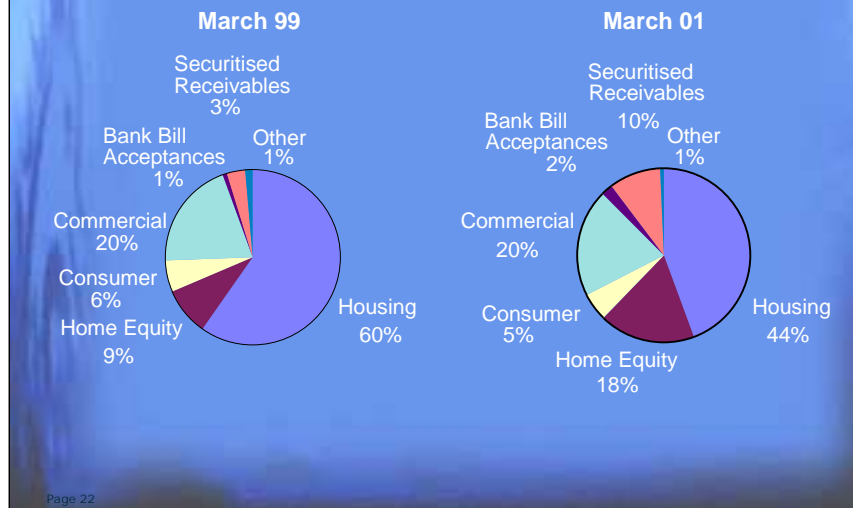


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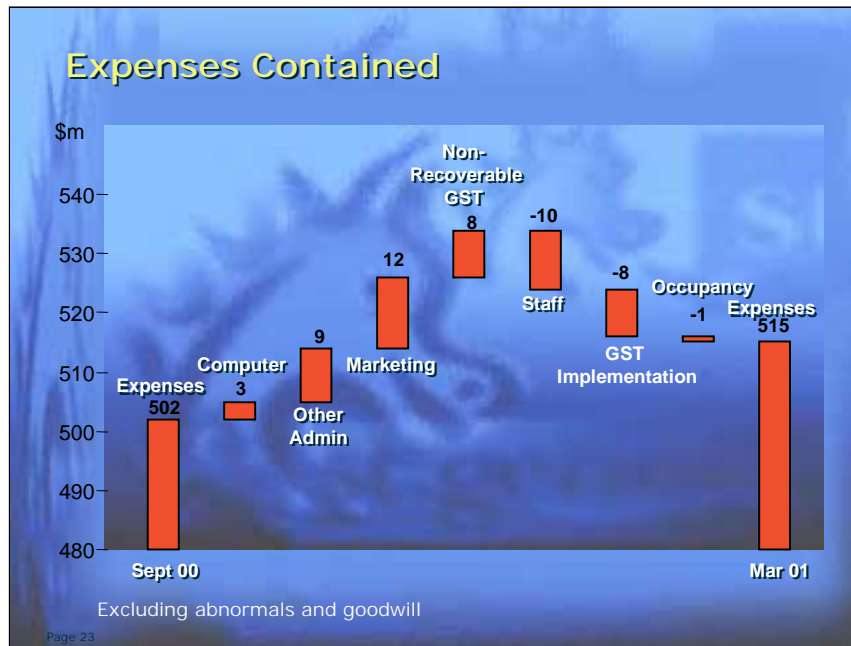
The stability in the the interest margin reflects:

- A more favourable cash/90 day yield curve.
- Consistent management of interest rate risk.
- Continued shift in product mix.

Receivables Mix Evolving



- Receivables (on and off-balance sheet) increased to \$43.7 billion (31 March 2000: \$41.4 billion) an increase of 5.8%.
- On balance sheet housing receivables stood at \$19.5 billion (30 September 2000: \$20.8 billion) a decrease of 6.5%. This decrease reflects the securitisation of \$1.8 billion of residential loans receivables in February 2001. Home equity loans grew strongly during the half-year to 31 March 2001 to \$7.9 billion (30 September 2000: \$7.1 billion), an increase of 10.4%.
- During the half-year to 31 March 2001 a greater proportion of the commercial loan portfolio has been financed through bank bill acceptances. On balance sheet commercial loans stood at \$8.8 billion at 31 March 2001 (30 September 2000: \$9.1 billion), the decrease also reflecting a slow down in economic growth.
- Consumer lending increased by 9.7% to \$2.3 billion for the six months to 31 March 2001 (30 September 2000: \$2.1 billion).



- The expense movements in this graph have been restated to remove the effect of the increase in non recoverable GST. This is important to note when comparing this graph to the expense dissection on page 18 of the ASX Profit Announcement.
- Total operating expenses (before goodwill amortisation and abnormals) were \$515 million, (30 September 2000: \$502 million) an increase of 2.6%. Total non-recoverable GST for the half-year to March 2001 was \$12 million (30 September 2000: \$4 million). Discounting the impact of non-recoverable GST, operating expenses before goodwill and abnormals increased slightly to \$503 million for the six months to 31 March 2001 (30 September 2000: \$498 million). This increase is marginal given the growth in business volumes during the half-year.
- The \$10m decrease in staff costs reflects efficiency improvements due to completion of a number of Best Bank initiatives, resulting in a reduction of 720 FTE (of which 277 were redundancies). In October 2000, there was an average enterprise agreement wage increase of 4.5%.
- The \$3m increase in computer and equipment costs reflects higher amortisation on the completion of the integration of the Bank's computer platforms and increases in other computer expenses relating to additional costs of the merged platform.
- Occupancy costs remained relatively stable during the half-year.
- The \$12 million increase in marketing reflects additional branch and product advertising and strategic promotion of the Group.
- The \$9 million increase in other administration expenses reflects growth in transaction volumes, resulting in higher revenue from product fees and commissions, having a corresponding impact on transaction costs and financial charges.

Strategic Investments

- WealthPoint investment continues to be carried at cost & retains strategic value to St.George
- WealthPoint derives significant revenues from ASSIRT and St.George
- Other strategic investments carried at cost with unrealised market gains exceeding losses

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- Included in other assets is an investment in a listed associated company, WealthPoint Limited, with a carrying value of \$127 million, or \$1.20 per share.
- The bulk of the Group's investment in WealthPoint is in the form of preference shares which are convertible to ordinary shares. The ordinary shares of WealthPoint are listed on the ASX and closed at 23 cents on 7 May 2001.
- WealthPoint derives revenues from ASSIRT's pre-existing independent financial adviser customer base. WealthPoint also obtains revenues from the St.George Investment Services Division (ISD) under contractual arrangements and undertakes co-ordinated marketing with SEALCORP.
- ASSIRT provides practice management software tools and support services to institutional and independent financial advisers. These services include client relationship management, financial planning tools and financial markets research. They are an integral component of the St.George Group's growth objectives in the wealth management area. It is these ASSIRT revenues that underpin most of the carrying value of \$1.20 per share.
- The directors have considered whether the carrying value of this investment exceeds the recoverable amount, and are of the opinion that, based on the long term strategic nature of the investment, and the underpinning from St.George Group revenues, no permanent diminution has occurred. Consequently, the directors consider it appropriate to continue to carry the investment at cost.
- The St.George Group holds a number of smaller investments in other companies which have been made to support strategic initiatives in eCommerce and other financial services activities. These investments are carried at cost. On a portfolio basis, unrealised market value gains exceed unrealised losses for these investments.

Capital Management

- Preferred Resetting Yield Marketable Equity Securities (PRYMES)
 - raised \$300m(net \$292m) of tier 1 capital
- Share Buy Back
 - buyback of 22.8m shares with a value of \$376m
- Conversion of Converting Preference Shares (CPS)
 - conversion of \$360m preference shares into 28.2m ordinary shares
- Securitisation
 - \$1.8bn of residential loans securitised

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- Last November, St.George announced a number of capital management initiatives that were intended to be completed in the six months ended 31 March 2001. All of these initiatives were successfully completed on schedule and will boost return on equity and earnings per share from the second half of the financial year.
- The Bank successfully completed the issue of three million PRYMES, at \$100 each, in February 2001. The issue netted \$292 million of Tier 1 capital. These securities will attract a fully franked dividend of 6.36%pa for the first five years after which the Bank has the option to reset the rate.
- The Bank successfully securitised \$1.8 billion of residential loans receivables in February 2001 through Crusade Global Trust No.1 of 2001. The balance of securitised loans as at 31 March 2001 was \$4,190 million. This latest issue reflects the Bank's strategy of utilising securitisation for capital management and diversification of funding sources.
- In March 2001, the Bank successfully completed an off-market buy-back of 22.8 million shares with a value of \$376 million. To ensure that all shareholders were able to participate, the buy-back was implemented through a 1 for 20 issue of Sell Back Rights. The Sell Back Rights were available for trade on the Australian Stock Exchange between 19 February 2001 and 13 March 2001. The buy-back was mainly funded through the issue of \$300 million PRYMES.
- In March 2001, the Bank converted \$360 million of convertible preference shares into 28.2 million ordinary shares. The holders of these securities were paid a pro-rata dividend of 44.8 cents for the period to 29 March 2001, the conversion date.

Dividend Increased

- Dividend increased to 31 cents
- Dividend Re-investment Plan
- Interim dividend payment date

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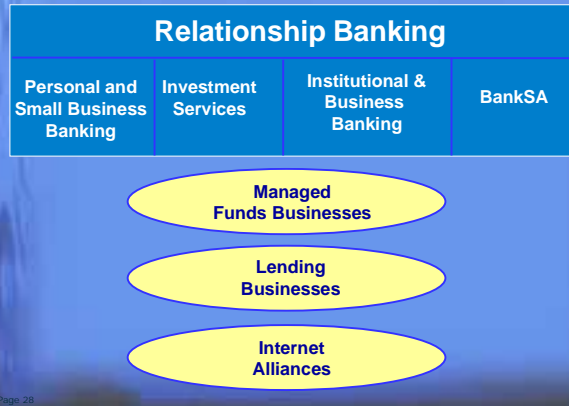
- The fully franked interim dividend of 31 cents represents a 7% increase on the September 2000 final dividend and a 19% increase on the March 2000 interim dividend.
- The Dividend Reinvestment Plan has been re-introduced and modified. There is no discount and participation is capped at maximum 5000 shares, with a minimum of 100 shares.
- The interim dividend payment date has been brought forward from July to 29 June and will allow franking at 34% instead of 30%.

Looking Forward...

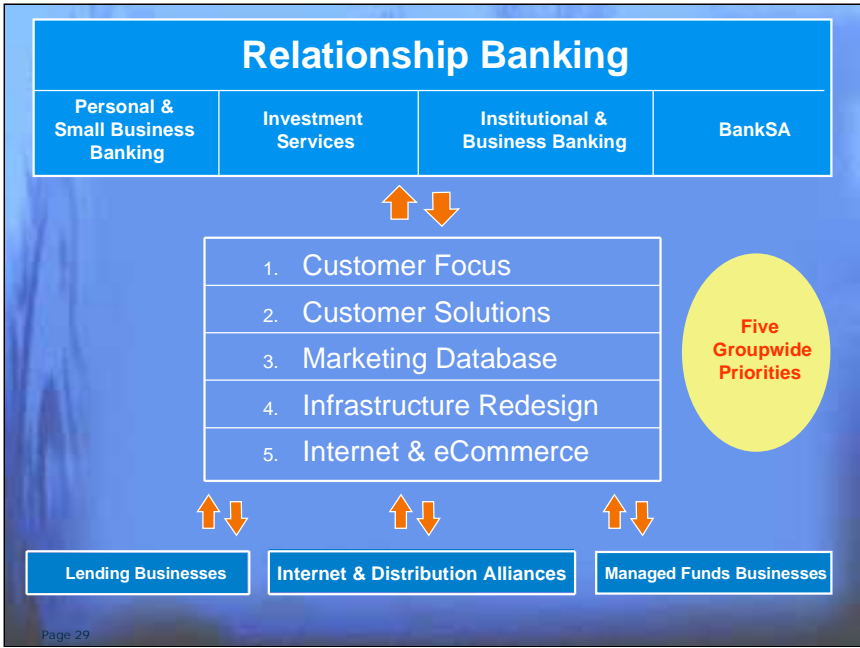
Ed O'Neal
Managing Director



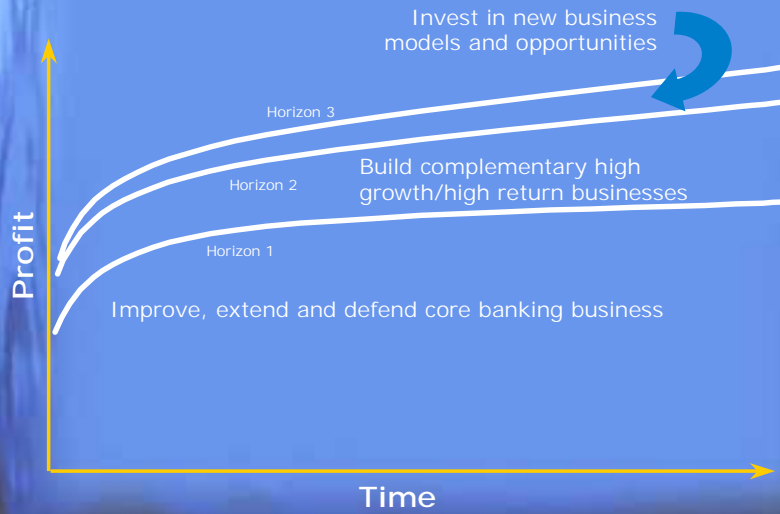
Group Strategy



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Our Strategic Horizons



Page 30 Adapted from 'Alchemy of Growth', 1999 - (Baghai, Coley & White)

Our Strategic Horizons



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The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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