



St.George Bank Limited
ACN 055 513 070

GROUP FINANCIAL RESULTS

AND

DIVIDEND ANNOUNCEMENT

for the half-year ended
31 MARCH 2001

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1 Financial Summary

1.1 Results at a Glance

Profit and Loss

- Profit after tax, goodwill, abnormals, outside equity interests and preference dividends was \$173 million (31 March 2000: \$136 million), an increase of 27.2%.
- Non-interest income increased to \$314 million (31 March 2000: \$268 million), an increase of 17.2%
- Operating expenses increased to \$565 million (31 March 2000: \$551 million), an increase of 2.5%
- Basic earnings per ordinary share 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%)

Balance Sheet and Receivables

- Total assets were \$48.0 billion (31 March 2000: \$47.8 billion), an increase despite the securitisation of \$1.8 billion of residential loan receivables in February 2001.
- Receivables (both on and off-balance sheet) were \$43.7 billion (31 March 2000: \$41.4 billion), an increase of 5.8%.

Dividends

- A higher ordinary dividend of 31 cents per ordinary share (31 March 2000: 26 cents) has been declared in line with improved key performance ratios and results. This represents an increase of 19.2%.

Other

- Managed funds stood at \$13.9 billion (30 September 2000: \$13.6 billion, 31 March 2000: \$11.8 billion)
- Gross non-accrual loans as a percentage of net receivables increased to 0.14% (30 September 2000: 0.10%, 31 March 2000: 0.10%). The level of non-accrual loans remains very low by industry standards.

1.2 Group Highlights

The financial information provided in this statement relates to the operations of St.George Bank Limited and its Controlled Entities for the half-year ended 31 March 2001. The results have been subject to an independent review by the Group's external auditors, KPMG. Comparative information has been reclassified where necessary to enhance comparability.

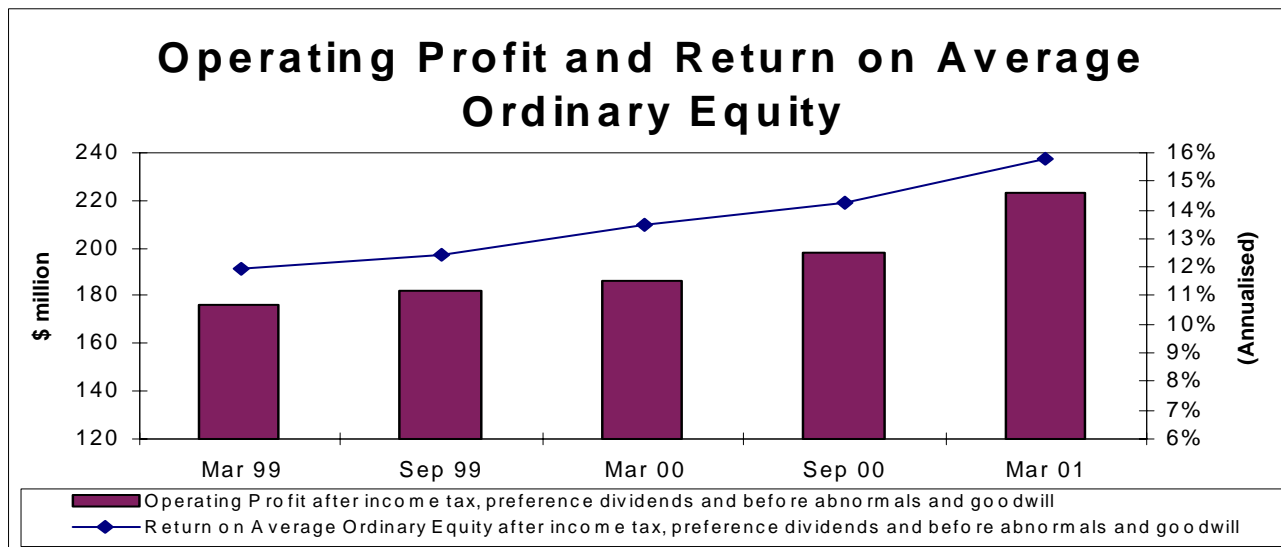
<i>Half-Year Ended</i>		March 2001	Sept ⁽¹⁾ 2000	March 2000
TOTAL ASSETS ⁽²⁾	\$m	47,958	49,610	47,790
OPERATING PROFIT				
- after income tax, OEI ⁽³⁾ and before abnormals ⁽¹⁾	\$m	211	182	169
- after income tax, abnormals and OEI	\$m	211	185	169
- after income tax, preference dividends and before abnormals and goodwill	\$m	223	198	186
- after income tax, preference dividends, OEI, goodwill and before abnormals	\$m	173	147	136
- after income tax, preference dividends, OEI, goodwill and abnormals	\$m	173	150	136
RETURN ON AVERAGE ASSETS (Annualised)				
- before abnormals and goodwill		1.06%	0.96%	0.94%
- after abnormals and goodwill		0.85%	0.76%	0.73%
RETURN ON AVERAGE RISK WEIGHTED ASSETS (Annualised)				
- before abnormals and goodwill		1.86%	1.72%	1.71%
- after abnormals and goodwill		1.50%	1.37%	1.32%
RETURN ON AVERAGE ORDINARY EQUITY (Annualised)				
- after income tax, preference dividends and before abnormals and goodwill		15.78%	14.23%	13.49%
- after income tax, preference dividends, OEI, goodwill and before abnormals		12.24%	10.56%	9.86%
- after income tax, preference dividends, OEI, goodwill and abnormals		12.24%	10.78%	9.86%
EXPENSES AS % AVERAGE ASSETS - (excludes abnormals and goodwill)		2.08%	2.06%	2.15%
EXPENSE / INCOME RATIO - (excludes abnormals and goodwill)		55.6%	56.6%	59.9%
INTEREST MARGIN		2.74%	2.72%	2.67%
ORDINARY DIVIDEND (Fully franked)	Cents	31.0	29.0	26.0
EARNINGS PER ORDINARY SHARE ⁽⁴⁾ (Annualised)				
- basic				
- before abnormals and goodwill	Cents	96.9	85.6	80.6
- after abnormals and goodwill	Cents	75.1	64.7	59.0
- diluted				
- before abnormals and goodwill	Cents	92.9	83.1	77.8
- after abnormals and goodwill	Cents	72.1	64.4	58.7
NET TANGIBLE ASSETS PER ORDINARY SHARE	\$	2.93	2.90	2.69
CAPITAL ADEQUACY RATIO		10.8%	11.5%	11.5%

(1) Under the revised accounting standard AASB 1018, abnormal items no longer exist. Accordingly, these items have been reclassified into their respective income and expense categories in the Profit and Loss Statement. However, for comparative purposes, the above prior period ratios and profit balances have not been amended. Refer to page 14 for further details.

(2) Total assets is net of securitised receivables of \$4.2 billion at 31 March 2001(30 September 2000: \$2.8 billion, 31 March 2000: \$3.3 billion).

(3) OEI refers to outside equity interests in controlled entities.

(4) Comparatives have been restated in line with amended AASB 1027.



Net Interest Income

- Net interest income for the half-year to 31 March 2001 was \$612 million (31 March 2000: \$569 million) an increase of 7.6%.

Diversification of Income Streams

- 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.

Cost Containment

- The expense to income ratio for the half-year to 31 March 2001 fell to 55.6% (30 September 2000: 56.6%, 31 March 2000: 59.9%). The improvement is attributable to strong growth in other income, higher interest margins and containment of operating expenses.
- Operating expenses before goodwill and abnormals were \$515 million for the half-year to 31 March 2001 (30 September 2000: \$502 million). Included in these operating expenses is non-recoverable GST expense of \$12 million for the half-year to March 2001 (30 September 2000: \$4 million), which if deducted would result in a balance of \$503 million for the 31 March 2001 half-year and \$498 million for the 30 September 2000 half-year. An increase was expected given the growth in business volumes, however the small size of the movement reflects the positive impact of the Group Redesign.

Shareholder Returns

- Return on average ordinary equity (before goodwill and abnormal items) increased to 15.78% (30 September 2000: 14.23%, 31 March 2000: 13.49%).
- Annualised basic earnings per ordinary share (before goodwill and abnormal items) increased to 96.9 cents (30 September 2000: 85.6 cents, 31 March 2000: 80.6 cents).
- The Board has declared an interim ordinary dividend of 31 cents per ordinary share, payable on 29 June 2001. This dividend has been brought forward to allow franking at 34% instead of 30%.

Capital Management

- Share buy-back of \$376 million completed.
- Issue of \$300 million of Preferred Resetting Yield Marketable Equity Securities (PRYMES), raising \$292 million after underwriting and other expenses.
- Conversion of \$360 million Converting Preference Shares to ordinary shares.
- Completion of a \$1.8 billion securitisation of residential loans receivables.

Assets and Asset Quality

- Receivables (on and off-balance sheet) were \$43.7 billion (31 March 2000: \$41.4 billion), an increase of 5.8%. The key drivers of receivables growth are also improving.
- Bad and doubtful debts expense for the half-year to 31 March 2001 was \$30 million (30 September 2000: \$30 million). The stability of the charge reflects the Group's conservative lending mix relative to other market participants. Fitch IBCA (a major credit rating agency) lifted St.George's credit rating from A to A+ in January 2001, stating that St.George's "...asset quality is so good that it would be difficult for the bank to improve on the present low level of impaired loans".

Market Share

- Competitive pricing and St.George's new marketing campaigns, together with Best Bank initiatives such as the implementation of Financial Services Centres (FSC's), improved databases and customer management relationship systems are assisting in promoting the Group's position in the banking and financial services market. This includes innovations such as the Starts Low - Stays Low credit card and dragondirect. Residential lending market share has stabilised and further improvement is expected in the second half.

2 Business Summary

2.1 Strategic Overview

St.George, Australia's fifth largest bank, provides consumers with a distinct choice from the "Big 4" in terms of quality service and value offered.

The Bank continues to concentrate on improving its internal operations with the aim of increasing its capacity to cross sell to the Bank's large and loyal customer base of 2.6 million individuals and companies, concentrated primarily in NSW and South Australia.

The completion of the St.George/Advance merger at the end of 1999 provided the Bank with the time and resources to review its infrastructure and product and service range. The Group's "Best Bank" redesign is being undertaken to capitalise on opportunities in both these areas. The redesign is due for completion in September this year and will have achieved in two years what would have taken up to five years to achieve in the normal course of business.

The redesign which is bringing St.George's financial performance and range of product offerings in line with the competition, combined with the Bank's superior customer service, is delivering enhanced shareholder value, in terms of improved earnings per share growth and return on equity.

At the same time as improving the core operating activities of the Bank, St.George is also building its managed funds businesses to diversify revenue streams and enhance sustainable long-term growth opportunities. The Group is adding to its investment advisory and financial planning capabilities by increasing its sales capacity and extending the product range and distribution network through Advance Asset Management and SEALCORP, as well as through alliances with other organisations including WealthPoint.

In addition, the Bank is focused on developing a number of independent and complementary businesses that have synergies with the Bank's core business while providing higher earnings potential than traditional banking. This includes the Private Bank, components of WealthPoint's developments and the Group's Internet based investments. It is expected, that over time, these businesses will make an increasingly significant contribution to shareholder value.

St.George remains committed to five group-wide priorities identified in 1999 as being key enablers for implementing the Group's strategy and improving overall performance:

1. Infrastructure Redesign

The Best Bank redesign, which is designed to improve the Bank's sales and service effectiveness while at the same time fast tracking performance improvements, is on track to deliver at least \$120 million in annualised performance improvements for the year ending September 2002 and will have a \$70 million impact in the September 2001 year.

At 31 March 2001, performance improvements with an annualised value of \$58 million had been implemented, which had an \$17 million impact during the period.

Key ideas implemented during the period include streamlining deposit and loan account procedures; providing Commercial and Private Bank customers with access to internet and phone banking services; providing service delivery channels that are aligned to customer service needs through the implementation of a three tier branch network; the introduction of a Lead Management System to improve cross sale opportunities and the outsourcing of property and facilities management.

By 31 March, 527 of 1000 ideas approved for implementation had been completed.

2. Customer Focus

Independent customer satisfaction surveys conducted by Roy Morgan Research (source: Roy Morgan Research August 1999 - January 2001) confirm that St.George continues to maintain its position well ahead of the four majors for customer satisfaction nationally.

Customer service continues to be the Bank's core strength and point of difference, providing St.George a sustainable competitive advantage with significant brand value. One of the main goals of the redesign initiative is to build on this strength by improving customers' satisfaction even further. Many of the process improvements being implemented as a part of Best Bank are designed to increase the speed and consistency of customer service in both call centres and branches and to enhance self service options such as Internet and Phone Banking.

On the basis that "what gets measured gets done", the Bank conducts regular customer satisfaction surveys across all areas of the business. An integral part of this process is the associated staff training which targets problem areas for specific locations. Customer satisfaction is a key performance measure for all staff and a proportion of the incentive compensation for senior managers is based on the survey results. St.George's Groupwide staff recognition program is also used to stimulate the improvement of both internal and external customer service.

3. Customer Solutions

St.George is focused on improving its sales capability through the provision of appropriate solutions to customers financial needs and by building lasting relationships.

As part of the effort to increase sales the Bank is building its sales force. Over the last 12 months the Investment Advisor Channel has grown to 110 staff, with further plans to increase the number of both Investment Advisors and Financial Planners. In addition, the private client services salesforce is being consolidated within a true "Private Bank" which will also incorporate the expertise provided by the KPMG Financial Services team.

St.George continues to develop the existing mortgage, insurance and financial planning salesforces for its traditional retail customer base. At the same time there is an increased focus on improving training and tools for call centre staff to build on outbound and inbound sales volumes. As part of the redesign improvements, telesales consultants can now view a customer's complete financial relationship with St.George on a single screen.

The provision of innovative products is integral to the Group's strategy to increase sales. Just recently the Bank released the new Starts Low - Stays Low credit card (judged by Cannex as the best value credit card in the market place for customers with debts in excess of \$5000) which has proven to be very popular and the Portfolio Loan continues to make up a significant share of total loan approvals. St.George is also paying more attention to product packaging, for example when customers sign-up for the latest home loan they now also receive a fee-free transaction account, a credit card and insurance as part of the package.

4. Database Marketing

St.George has been a leader in the area of Group Data Warehousing and effective management of this resource is a key factor in increasing sales. With this in mind, St.George has appointed a new General Manager specialising in data warehouse management to be responsible for driving an integrated approach to managing customer relationships across the Group. During the course of the redesign \$5.5 million will be invested in improving the Bank's Group Data Warehouse, this includes upgrading customer profitability models, developing a contact and lead management system and developing point of sale propensity, behavioural and relationship information. All of this work will take full account of St.George's obligations under current and proposed privacy laws.

5. Internet and eCommerce

St.George feels it is important to continue to invest in improving its Internet Banking capabilities and is currently in the process of adding extra capacity to improve stability and access. The Bank now has over 260,000 registered Internet Banking customers conducting approximately 1.2 million transactions per month.

In addition, St.George continues to build partnerships and alliances with other Internet and eCommerce businesses with the primary aim of attracting new customers and sources of revenue to the Group. The Bank's most recent purchase of a 5% stake in Virtual Communities, Australia's largest computer and Internet re-sellers, gives immediate access to almost 70,000 Internet connected customers.

Virtual Communities provides affordable computer and Internet packages to the general community. St.George will exclusively offer special banking products with Virtual Communities to their customers.

2.2 Group Redesign

The planning phase of the Best Bank Redesign Program commenced in December 1999 and involved an extensive review of the Bank's processes, procedures and pricing. At the conclusion of the planning phase 3,000 improvement opportunities were identified, with 1,000 approved in August 2000 for implementation.

The 1,000 ideas that comprise the Redesign Program focus on increasing revenue streams and improving the Bank's service capability through the implementation of sustainable operational process improvement changes.

In September 2000, the twelve month implementation phase commenced, and is facilitated by three Implementation Co-ordinators who liaise with 120 accountable (responsible) managers across the Bank. The implementation is focussed on achieving at least \$120 million in annualised performance improvements. Financial benefits have been incorporated within divisional budgets to ensure a tight discipline with respect to both the measurement of and the accountability for delivering the Best Bank result.

The benefits realised in the September 2001 financial year will be \$70 million, an improvement on the \$50 million originally projected. This increase is due to the early implementation of high value ideas enabling benefits to be realised ahead of plan.

Cost efficiency improvements, which account for 75 percent of the \$120 million target, involve the elimination of duplicate functions, streamlining and automating processes and improving customer access to the Bank's full range of products and services.

Ideas relating to increasing revenue streams account for the remaining 25% of the \$120 million target. Benefits are created by a focussed effort to understand the value customers derive from their relationship with St.George; and to enhance that value via improvements to products and services.

Differentially pricing products and services in accordance with their value to the customer is the key driver of the revenue objectives.

At 31 March 2001, ideas with an annualised value of \$58 million were implemented, having a \$17 million impact during the period. Efficiency improvements to date have resulted in 720 Full Time Equivalent staff (FTE) reductions comprising 277 redundancies compared to the overall targets of 1,450 FTE and 900 FTE respectively.

The following is an update on the progress of key ideas during the period:

1. Streamlining credit, branch and lending procedures. The majority of replacement cards are now mailed directly to customers replacing issuance in branches. 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. Enabling Call Centre staff to more efficiently service customers through the delivery of enhanced customer inquiry 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, but are supported by staff to assist customers in accessing and understanding these services.

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 the 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.
7. Convenient and cost effective intranet based training courses that complement traditional training programs have been piloted. To facilitate this training across the Bank, additional personal computers are being rolled out to branches. This process is continuing according to schedule.
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.

2.3 Capital Management

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.

Preferred Resetting Yield Marketable Equity Securities (PRYMES)

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.

Securitisation

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.

Share Buy-Back

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.

Conversion of Converting Preference Shares (CPS)

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.

2.4 WealthPoint Investment

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.

2.5 Other Strategic Investments

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.

2.6 Future Prospects

The global and local economy's outlook has changed markedly since the end of the last half-year. Slowing economic growth will intensify competition resulting in pressure on interest margins and credit quality. St.George's conservative credit profile relative to our competitors will provide stability in such an environment.

In addition, the diversification of our income stream and changes in product mix should mitigate the pressure on interest margins. Strong growth in our funds management businesses in the current half-year is expected to continue into the second half.

In September 2000, the Group embarked on the implementation of ideas generated by the Best Bank Redesign process. It is clear that the ideas implemented so far are already having positive impacts on operating results. The full impact of these improvements and others nearing completion will continue to enhance the Group's overall performance. The streamlining of our core business processes will be the Group's main focus in the short term and is expected to be completed by September 2001. These changes are expected to contribute \$70 million before tax to the full year ending 30 September 2001 and at least \$120 million for the year ending 30 September 2002.

The Group's recent increases in marketing expenditure and competitive pricing policies are expected to result in increased lending growth and improve St.George's market share position in the second half.

During the first half, capital management initiatives announced in November 2000 were implemented. These changes will improve the Group's overall performance and contribute to increased shareholder value. St.George will maintain its focus on managing its capital position to ensure shareholder returns are maximised and the interests of relevant stakeholders are considered.

It is expected that the Group's performance will continue to improve in the next half-year.

3 Financial Analysis**3.1 Profit and Loss Statement**

<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Interest income	1,741	1,705	1,489
Interest expense	1,129	1,102	920
Net interest income	612	603	569
Other income	314	284	268
Other income previously disclosed as abnormal ⁽¹⁾	-	108	-
	314	392	268
Bad and doubtful debts expense	30	30	20
Operating expenses	565	553	551
Operating expenses previously disclosed as abnormal ⁽¹⁾	-	135	-
	565	688	551
Operating profit before income tax	331	277	266
Income tax expense	120	122	97
Income tax benefit previously disclosed as abnormal ⁽¹⁾	-	(30)	-
	120	92	97
Operating profit after income tax	211	185	169
Outside equity interests	-	-	-
Operating profit after income tax and outside equity interests	211	185	169
Preference dividends ⁽²⁾	38	35	33
Profit to ordinary shareholders	173	150	136

(1) For further details, refer to page 14.

(2) Preference dividends are dividends payable on converting preference shares (CPS), depositary capital securities (DCS), and preferred resetting yield marketable equity securities (PRYMES).

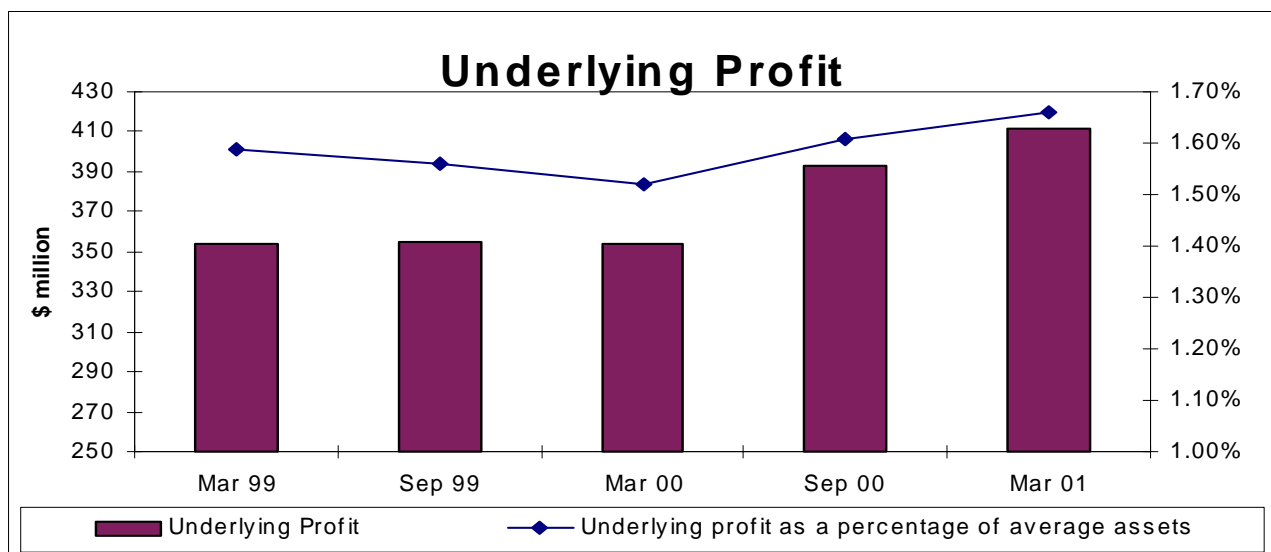
3.1.1 Underlying Profit

<i>Half-Year Ended</i>	March 2001 \$m	Sept ⁽¹⁾ 2000 \$m	March 2000 \$m
Underlying Profit	411	393	354
Deduct:			
Income tax expense	120	122	97
Abnormal items ⁽¹⁾ (net of income tax)	N/A	(3)	-
Charge for bad and doubtful debts	30	30	20
Goodwill amortisation	50	51	50
Year 2000 compliance costs	-	-	9
GST implementation costs	-	8	9
Operating profit after income tax and abnormal items	211	185	169
Deduct: outside equity interests	-	-	-
Operating profit after income tax, outside equity interests and abnormal items	211	185	169
Underlying Profit as a percentage of average assets	1.66%	1.61%	1.52%

(1) Under the revised accounting standard AASB 1018, abnormal items no longer exist. Accordingly, these items have been reclassified into their respective income and expense categories in the Profit and Loss Statement. However, for comparative purposes, the above prior period ratio and balances have not been amended. Refer to page 14 for further details.

The underlying profit for the Group, which is defined as operating profit before income tax, abnormal items, bad and doubtful debts, goodwill amortisation, Year 2000 compliance costs and GST implementation costs increased 16% to \$411 million compared to 31 March 2000. Factors driving the growth in underlying profit during the period were:

- increases in other income;
- improvements in net interest margin; and
- containment of operating expenses.



3.1.2 Abnormal Items

Abnormal items were previously disclosed as a separate line item in the Profit and Loss Statement. Under the revised accounting standard AASB 1018 abnormal items no longer exist. They are now incorporated into their respective income and expense categories. However, for comparative purposes, prior period balances in the Group Highlights table on page 3, Underlying Profit table on page 13 and ratios throughout the document with references to abnormal items have not been amended.

Abnormal items for the half-year to 30 September 2000 have been incorporated in other income, operating expenses and income tax expense as shown in the table below:

<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Other income	314	284	268
<u>Items previously classified as abnormal</u>			
Profit on sale of businesses	-	85	-
Unrealised gain on revaluation of APF units	-	23	-
	-	108	-
Other income per Profit and Loss Statement	314	392	268
Operating expenses	565	553	551
<u>Items previously classified as abnormal</u>			
Goodwill write-off	-	13	-
Redesign restructure costs	-	115	-
Write-off of investment in R&D syndicates	-	7	-
	-	135	-
Operating expenses per Profit and Loss Statement	565	688	551
Income tax expense	120	122	97
<u>Items previously classified as abnormal</u>			
Capital gains tax on profit on sale of businesses	-	2	-
Capital gains tax on revaluation of APF units	-	8	-
Income tax benefit on redesign restructure costs	-	(40)	-
	-	(30)	-
Income tax expense per Profit and Loss Statement	120	92	97

3.1.3 Net Interest Income

Net interest income is derived from the Group's business activities of lending, investments, deposits and borrowings.

The net interest income for the half-year ended 31 March 2001 was \$612 million (31 March 2000: \$569 million), an increase of 7.6%.

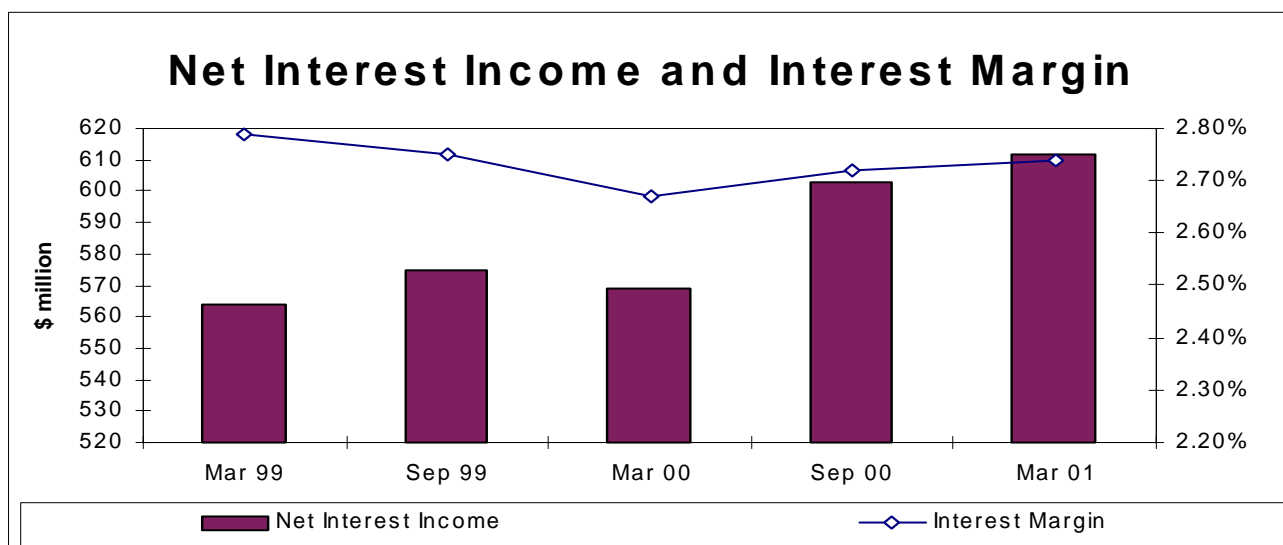
<i>Half-Year Ended</i>	March		Sept		March	
	-----2001-----	-----2001-----	-----2000-----	-----2000-----	-----2000-----	-----2000-----
	Average	Average	Average	Average	Average	Average
	Balance	Rate	Balance	Rate	Balance	Rate
	\$m		\$m		\$m	
Interest Earning Assets	44,610	7.81%	44,349	7.69%	42,565	7.00%
Interest Bearing Liabilities	44,045	5.13%	43,429	5.08%	41,378	4.45%
Interest Spread		2.68%		2.61%		2.55%
Interest Margin		2.74%		2.72%		2.67%

Refer to page 32 for the Group's Average Balance Sheets

Average interest earning assets for the six months to 31 March 2001 were \$44.6 billion (31 March 2000: \$42.6 billion), an increase of 4.8%. Average return on these assets was 7.81% for the six months to 31 March 2001 (31 March 2000: 7.00%). Average non-interest earning assets for the six months to 31 March 2001 were \$4.8 billion (31 March 2000: \$4.0 billion) an increase of 20.3%. This increase is due to the revaluation of the foreign currency hedges of the Bank's offshore borrowings in line with the decline of the Australian dollar.

Average interest bearing liabilities for the six months to 31 March 2001 were \$44.0 billion (31 March 2000: \$41.4 billion) an increase of 6.4%. The average cost of funds for the half-year to 31 March 2001 was 5.13% (31 March 2000: 4.45%). Average non-interest bearing liabilities for the half-year to 31 March 2001 were \$1.7 billion (31 March 2000: \$1.6 billion). Average shareholders' equity for the half-year to 31 March 2001 was \$3.7 billion (31 March 2000: \$3.6 billion).

The interest margin for the half-year to 31 March 2001 was 2.74% (30 September 2000: 2.72%, 31 March 2000: 2.67%). The interest spread increased to 2.68% (30 September 2000: 2.61%, 31 March 2000: 2.55%).



3.1.4 Other Income

<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Financial markets income ⁽¹⁾	14	8	13
Profit on sale of investment securities	6	-	-
Product fees and commissions			
- Lending	35	38	41
- Deposit and other accounts	142	121	104
Securitisation service fees	16	19	21
Managed funds fees	73	71	63
Structured investments	-	2	2
Dividend income	1	1	1
Net profit on disposal of land and buildings	-	-	1
Profit on sale of shares	1	-	1
Factoring income	7	5	-
Bill acceptance fees	8	5	1
Rental income	7	9	7
Other	4	5	13
	314	284	268
<u>Items previously disclosed as abnormal</u>			
Profit on sale of businesses	-	85	-
Unrealised gain on revaluation of APF units	-	23	-
	-	108	-
TOTAL OTHER INCOME	314	392	268
As a % of average assets ⁽²⁾ (annualised)	1.27%	1.16%	1.15%
As a % of total income ⁽²⁾	33.9%	32.0%	32.0%
(1) In addition, net interest income of \$12 million for the half-year to 31 March 2001 (31 March 2000: \$21 million) was earned on the financial markets trading portfolio. Financial markets total income amounted to \$26 million (31 March 2000: \$34 million).			
(2) Under the revised accounting standard AASB 1018, abnormal items no longer exist. Accordingly, these items have been reclassified into their respective income and expense categories in the Profit and Loss Statement. However, for comparative purposes, the above prior period ratios have not been amended. Refer to page 14 for further details.			

This category of income comprises fees from lending activities, managed funds, product fees, service fees and commissions, dividend income, profit on sale of treasury securities, foreign exchange earnings, trading securities income and income from other sources such as rental income.

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.

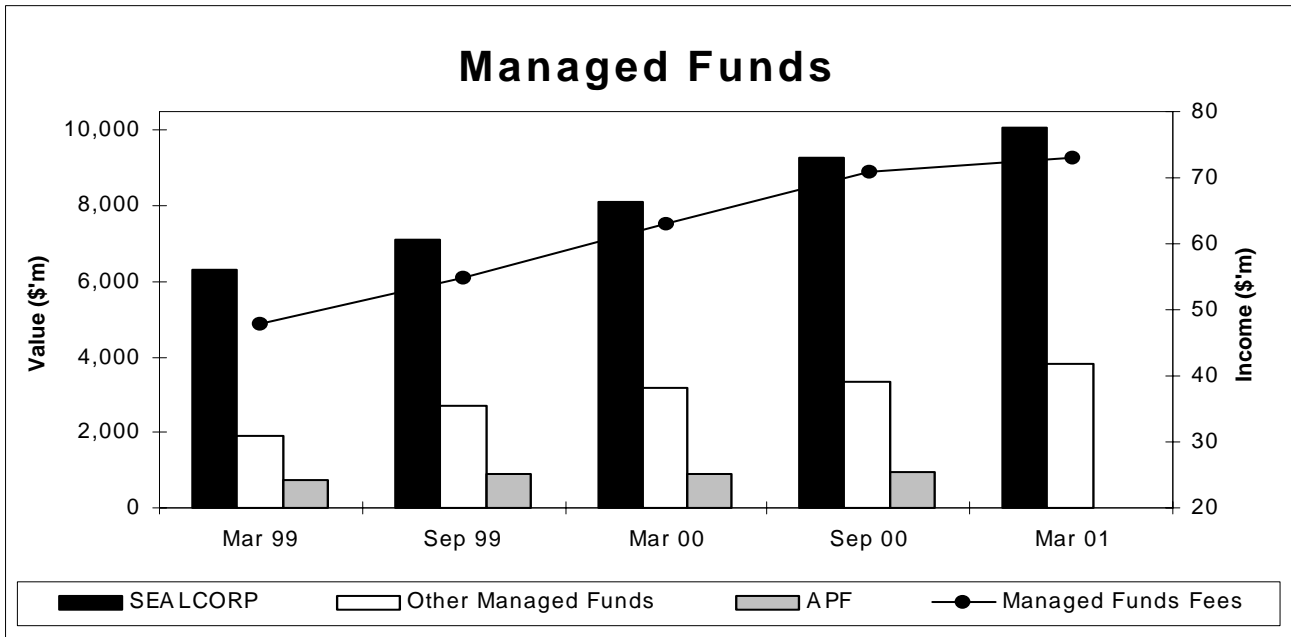
Securitisation service fees were impacted by some accounting adjustments and are expected to return to an increasing trend in the second half.

Income from managed funds was impacted by the transfer of the management of Advance Property Funds on 1 December 2000 to Stockland Limited.

3.1.5 Managed Funds

Managed funds grew from \$13.6 billion at 30 September 2000 to \$13.9 billion at 31 March 2001 despite the \$0.9 billion transfer of Advance Property Fund (APF) in December 2000. Managed Funds fees for the half-year to 31 March 2001 were \$73 million (30 September 2000: \$71 million) despite the disposal of Advance Property Fund.

SEALCORP contributed \$56 million to managed funds fee income for the half-year (30 September 2000: \$52 million).



3.1.6 Operating Expenses

<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Staff expenses			
Salaries	198	200	195
Contractors' fees	9	13	11
Superannuation	15	15	15
Payroll tax	13	13	13
Fringe benefits tax	4	2	5
Other	16	18	18
Total Staff expenses	255	261	257
Computer and equipment costs			
Depreciation	17	17	19
Amortisation - Deferred expenditure	22	21	17
Year 2000 compliance costs	-	-	9
Rental on operating leases	9	10	9
Other	34	30	27
Total Computer and equipment costs	82	78	81
Occupancy costs			
Depreciation	15	15	15
Rental on operating leases	24	24	22
Other	17	17	18
Total Occupancy costs	56	56	55
Other administration expenses			
Fees and commissions	14	9	12
Advertising and public relations	29	16	15
Telephone	8	7	11
Printing and stationery	13	13	15
Postage	7	7	7
GST implementation costs	-	8	9
Other	51	47	39
	122	107	108
Operating expenses (before goodwill)	515	502	501
Goodwill	50	51	50
Operating expenses before expenses previously disclosed as abnormal	565	553	551
Other expenses previously disclosed as abnormal			
Goodwill write-off	-	13	-
Redesign restructure costs	-	115	-
Write-off of investment in R&D syndicates	-	7	-
	-	135	-
TOTAL OPERATING EXPENSES	565	688	551
As a % of average assets (excl goodwill and abnormals) (annualised)	2.08%	2.06%	2.15%
Expense to income ratio (excl goodwill and abnormals)	55.6%	56.6%	59.9%

Total Operating Expenses

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.

Staff Expenses

Staff expenses for the six months to 31 March 2001 were \$255 million (30 September 2000: \$261 million). The decrease 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%.

Computer and Equipment Costs

Computer and equipment costs for the half-year to 31 March 2001 were \$82 million (30 September 2000: \$78 million). This 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

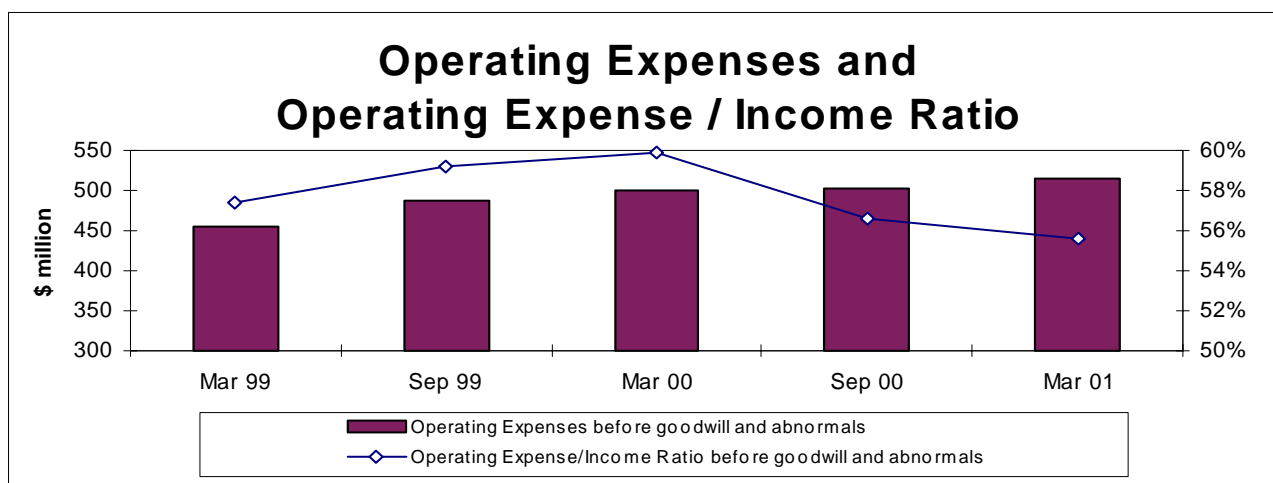
Occupancy costs remained stable during the half-year.

Other Administration Expenses

Other administration expenses for the half-year to 31 March 2001 were \$122 million (30 September 2000: \$107 million) an increase of 14.0%.

The increase is primarily due to the following:

- additional marketing and strategic promotion of the Group; and
- growth in transaction volumes, resulting in higher revenue from product fees and commissions, having a corresponding impact on transaction costs and financial charges.



3.1.7 Bad and Doubtful Debts Expense

Bad and doubtful debts expense (net of recoveries) for the half-year to 31 March 2001 was \$30 million (30 September 2000: \$30 million, 31 March 2000: \$20 million). The stability of the charge for the last two half-years reflects the Group's conservative lending mix relative to other market participants and demonstrates the Bank's strong credit quality.

At 31 March 2001, the Bank's general provision for doubtful debts, when combined with the tax effected balance of the Group's Unearned Income - Mortgage Insurance Premiums represents 0.55% of the risk adjusted assets. This exceeded the Australian Prudential Regulation Authority's (APRA) benchmark of 0.50% of risk adjusted assets by \$14 million. The tax effected balance of Unearned Income - Mortgage Insurance Premiums at 31 March 2001 is \$18 million (31 March 2000: \$12 million).

A statistically based assessment of the Bank's provision requirements for credit risk continues to be undertaken and may be adopted for financial reporting in the future. The Bank takes comfort from extensive actuarial analysis of the housing loan portfolio which indicates that the overall level of general provision is more than adequate.

<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Bad and doubtful debts expense (net of recoveries)			
Residential loans	3	2	2
Commercial loans	12	10	4
Consumer loans	9	13	6
Other	2	-	4
	26	25	16
Net General provision raised during the period	4	5	4
Bad and doubtful debt expense per Profit and Loss Statement	30	30	20
As a percentage of average risk weighted assets (annualised)	0.21%	0.22%	0.16%
As a percentage of average assets (annualised)	0.12%	0.12%	0.09%

3.1.8 Income Tax Expense

<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Income tax expense shown in the results differs from prima facie income tax payable on pre-tax operating profit for the following reasons:			
Operating profit before income tax	331	277	266
Prima facie income tax payable calculated at 34% of operating profit (September and March 2000: 36%)	113	100	96
Add: tax effect of permanent differences which increase tax payable			
* Amortisation of goodwill	17	18	18
* Depreciation on buildings	1	1	1
* General provision for doubtful debts	1	2	1
* Goodwill write-off previously classified as abnormal	-	5	-
* Write-off of R&D syndicates previously classified as abnormal	-	3	-
Less: tax effect of permanent differences which reduce tax payable			
* Profit on sale of businesses previously classified as abnormal	-	29	-
* Deduction allowable on depositary capital securities	7	7	6
* Restatement of net deferred tax balances ⁽¹⁾	-	-	4
* Deduction allowable on shares issued to employees	2	-	2
* Deduction allowable on buildings	1	1	1
* Other items	2	-	6
Total income tax expense	120	92	97
Effective tax rate %	36.3	33.2	36.5
(1) Future income tax benefit and provision for deferred income tax balances were restated in accordance with changes announced to corporate income tax rates. For the year ended 30 September 2002 onwards, the applicable corporate income tax rate will be 30%.			

The effective tax rate for 31 March 2000 half-year was 36.3%. The September 2000 half -year effective tax rate was previously disclosed as 40.3%. This has been favourably impacted by permanent differences arising from items previously classified as abnormals and is now 33.2%.

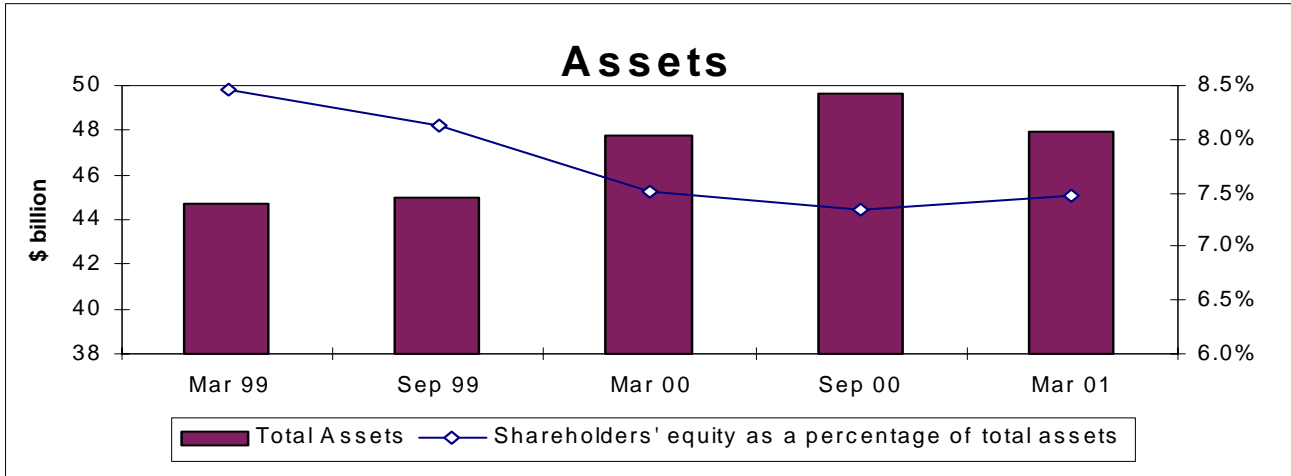
3.2 Balance Sheet

<i>As at</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Assets			
Cash and liquid assets	344	499	693
Due from other financial institutions	106	148	418
Trading securities	3,267	3,930	4,018
Investment securities	698	1,219	1,250
Loans and other receivables (<i>see page 24</i>)	38,632	39,454	37,450
Bank acceptances of customers	926	607	639
Property, plant and equipment	552	564	562
Goodwill	1,459	1,485	1,532
Other assets	1,974	1,704	1,228
Total Assets	47,958	49,610	47,790
Liabilities			
Retail funding and other borrowings (<i>see page 28</i>)	41,846	43,395	42,201
Due to other financial institutions	812	1,038	346
Bank acceptances	926	607	639
Bills payable	156	177	148
Other liabilities	629	752	864
Total Liabilities	44,369	45,969	44,198
Net Assets	3,589	3,641	3,592
Shareholders' Equity			
Share capital	3,093	3,174	3,172
Reserves	53	53	29
Retained profits	106	77	54
Outside equity interests	337	337	337
Total Shareholders' Equity	3,589	3,641	3,592

<i>As at</i>	March 2001	Sept 2000	March 2000
Shareholders' equity as a percentage of total assets	7.48%	7.34%	7.52%
Net tangible assets per ordinary share issued (\$)	2.93	2.90	2.69
Number of ordinary shares issued ('000)	461,726	455,439	454,988

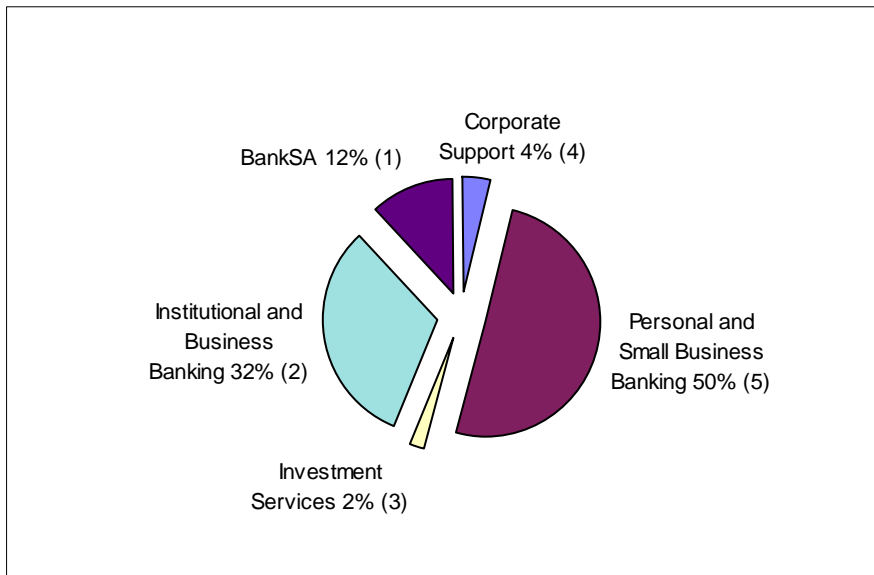
3.2.1 Total Assets

Total assets were \$48.0 billion at 31 March 2001 (30 September 2000: \$49.6 billion), a decrease of 3.3%. The decrease reflects the successful securitisation of \$1.8 billion in residential loans receivables in February 2001.



3.2.2 Assets By Banking Divisions

The Group's operations are divided across corporate lines into four main divisions: Personal and Small Business Banking, Investment Services, Institutional and Business Banking and BankSA. There are three major corporate support divisions: Finance and Risk Management, Information Technology and Group Services.



- (1) BankSA includes all loans in South Australia (except motor dealer finance loans).
- (2) Institutional and Business Banking Division excludes all South Australian business and commercial banking loans.
- (3) Investment Services Division comprises Advance Asset Management, SEALCORP and Private Banking. Managed funds not recognised in Group assets were \$13.9 billion at 31 March 2001.
- (4) The main assets in Corporate Support are goodwill and property, plant and equipment.
- (5) A new business unit is being set up that will deliver a small business package of products and services that integrates personal and business financial needs. This will result in a change in domicile for some receivables from Institutional and Business Banking to Personal and Small Business Banking.

3.2.3 Receivables

Receivables (on and off-balance sheet) increased to \$43.7 billion (31 March 2000: \$41.4 billion) an increase of 5.8%.

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. 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).

<i>As at</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
RESIDENTIAL			
Housing ⁽¹⁾	19,497	20,845	20,831
Home equity loans	7,867	7,126	5,934
TOTAL RESIDENTIAL	27,364	27,971	26,765
CONSUMER			
Personal loans ⁽²⁾	1,436	1,311	1,191
Line of credit	452	384	341
Margin lending	393	384	386
TOTAL CONSUMER	2,281	2,079	1,918
COMMERCIAL			
Commercial loans	7,077	7,421	6,825
Hire purchase ⁽³⁾	1,240	1,134	942
Leasing	437	499	603
TOTAL COMMERCIAL	8,754	9,054	8,370
FOREIGN EXCHANGE CASH ADVANCES	127	37	63
STRUCTURED INVESTMENTS	242	445	461
GROSS RECEIVABLES	38,768	39,586	37,577
GENERAL PROVISION	136	132	127
NET RECEIVABLES	38,632	39,454	37,450
SECURITISED LOANS (balance not included above)	4,190	2,811	3,265
BANK BILL ACCEPTANCES (balance not included above)	926	607	639
ON AND OFF BALANCE SHEET RECEIVABLES	43,748	42,872	41,354

(1) March 2001 - net of \$3,959 million of securitised loans (September 2000 - \$2,501 million, March 2000 - \$2,851 million)

(2) March 2001 - net of \$120 million of securitised loans (September 2000 - \$170 million, March 2000 - \$237 million)

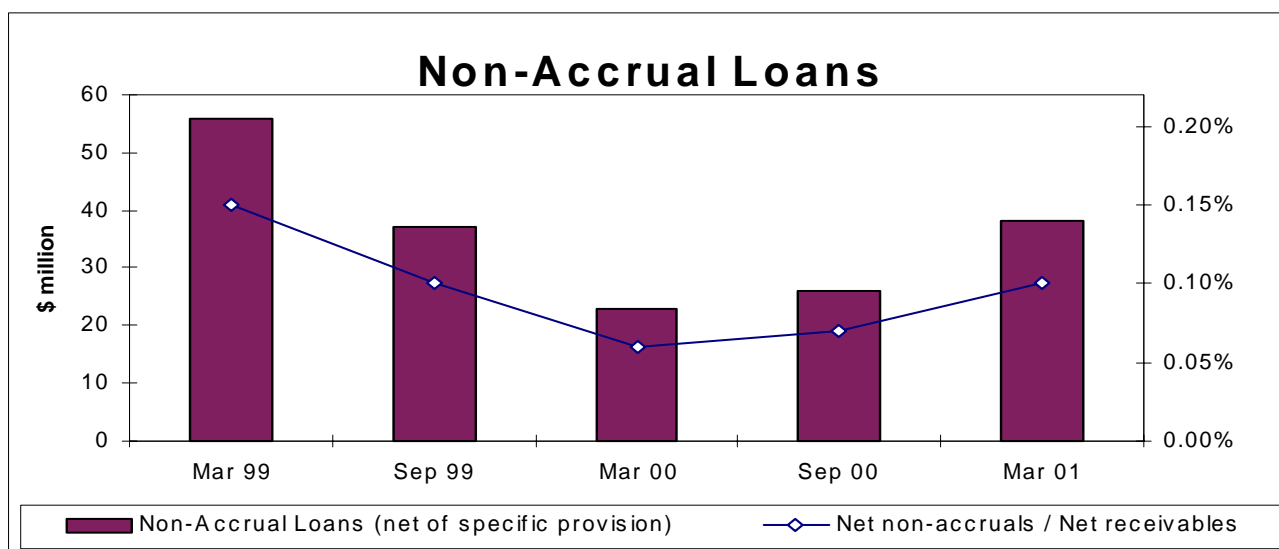
(3) March 2001 - net of \$111 million of securitised loans (September 2000 - \$140 million, March 2000 - \$177 million)

3.2.4 Impaired Assets

Total impaired assets (net of specific provisions) increased to \$44 million at 31 March 2001 from \$32 million at 30 September 2000.

New impaired assets during the period totalled \$21 million. Repayments and write-offs totalled \$9 million.

Net non-accrual loans represent 0.10% of net receivables compared to 0.07% at 30 September 2000. Specific provision coverage for non-accrual loans is 29.6% compared to 33.3% at 30 September 2000.



The dissection of the Group's impaired assets is presented in the table on page 26. The balances contained in the first three sections of the table consist primarily of commercial loans. Unsecured lines of credit, consumer loans, credit cards and other loans with balances less than \$100,000 are treated on a portfolio basis.

Past due items include all of the Group's lending portfolio, but do not include those items already classified as being impaired.

Past due items were \$195 million compared to \$150 million at 30 September 2000.

<i>As at</i>	March 2001	Sept 2000	March 2000
Specific provision coverage for non-accruals	29.63%	33.33%	39.47%
Gross non-accruals / Net receivables	0.14%	0.10%	0.10%
Net non-accruals / Net receivables	0.10%	0.07%	0.06%

<i>As at</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Section 1 - Non-Accrual Loans			
With provisions:			
Gross Loan Balances	37	29	31
Specific Provisions	16	13	15
Net Loan Balances	<u>21</u>	<u>16</u>	<u>16</u>
Without provisions:			
Gross Loan Balances	17	10	7
Total Non-accrual Loans:			
Gross Loan Balances	54	39	38
Specific Provisions	16	13	15
Net Loan Balances	<u>38</u>	<u>26</u>	<u>23</u>
Section 2 - Restructured Loans			
Loans where the original contractual terms have been amended to provide concessions of interest or principal as a result of customers' financial or other difficulties in complying with the original facility terms.			
With provisions:			
Gross Loan Balances	-	-	2
Specific Provisions	-	-	1
Net Loan Balances	<u>-</u>	<u>-</u>	<u>1</u>
Without provisions:			
Gross Loan Balances	-	-	-
Total Restructured Loans:			
Gross Loan Balances	-	-	2
Specific Provisions	-	-	1
Net Loan Balances	<u>-</u>	<u>-</u>	<u>1</u>
Section 3 - Assets acquired through security enforcement			
Other Real Estate Owned	6	6	5
TOTAL IMPAIRED ASSETS	<u>44</u>	<u>32</u>	<u>29</u>
Section 4 - Past Due Loans (1)			
Residential loans	114	76	90
Other	81	74	71
Total	<u>195</u>	<u>150</u>	<u>161</u>
(1) Includes loans less than \$100,000 or fully secured loans. The loans are not classified as impaired assets and are past due for 90 days or more.			

3.2.5 Provisioning

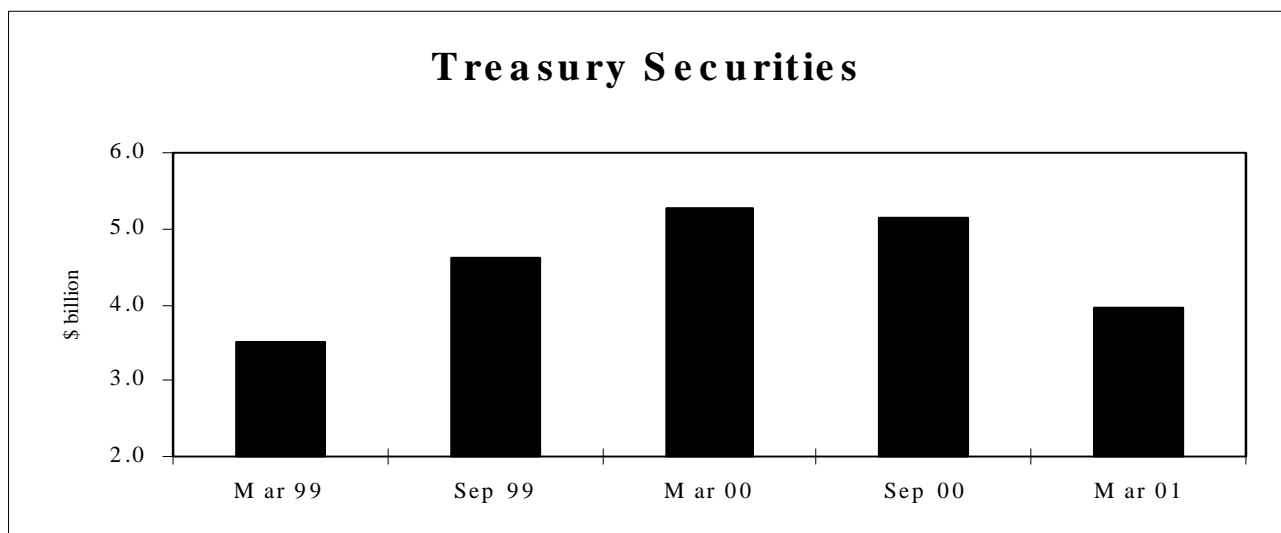
<i>Half-Year Ended</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
GENERAL PROVISION			
Balance at beginning of period	132	127	123
Net provision raised during the period	4	5	4
Balance at end of period	136	132	127
SPECIFIC PROVISION			
Balance at beginning of period	45	46	54
Net provision raised during the period	30	31	19
Bad debt write offs	(29)	(32)	(27)
Balance at end of period	46	45	46
TOTAL PROVISION	182	177	173

The Bank's general provision for doubtful debts when combined with the tax effected balance of Unearned Income - Mortgage Insurance Premiums of \$18 million represents 0.55% of risk weighted assets. The general provision for doubtful debts is not tax effected as it is not determined by reference to statistical techniques.

3.2.6 Treasury Securities

Treasury securities totalled \$3,965 million at 31 March 2001 of which \$3,267 million represents trading securities valued on a mark to market basis with unrealised gains and losses recorded in the profit and loss.

It also includes investment securities with a book value of \$698 million. The market value of these investment securities was \$699 million at 31 March 2001.

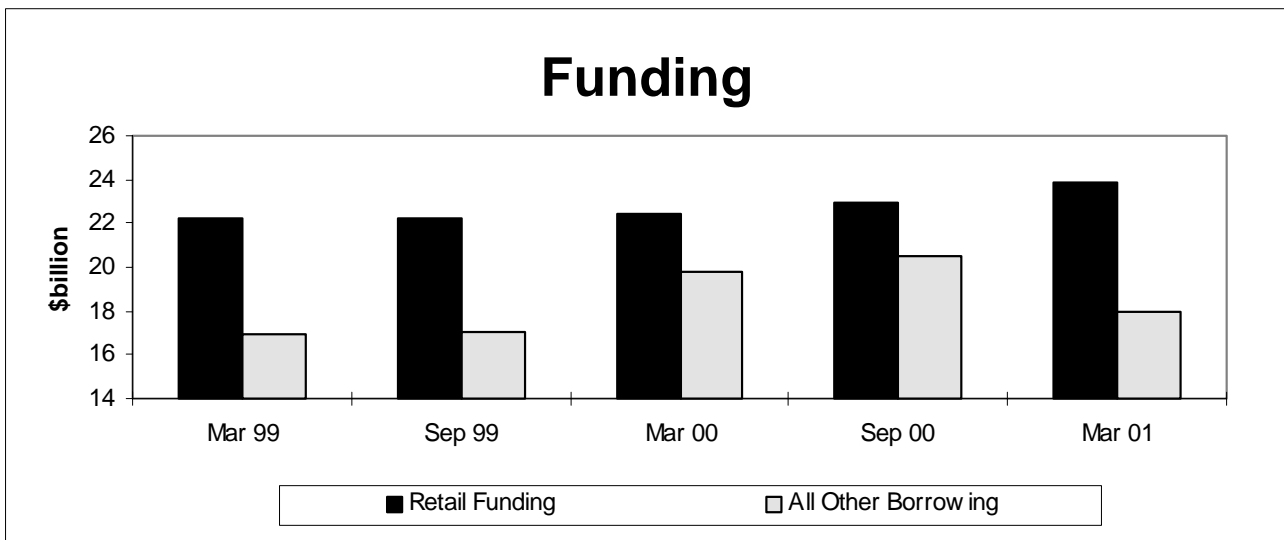


3.2.7 Retail Funding and Other Borrowings

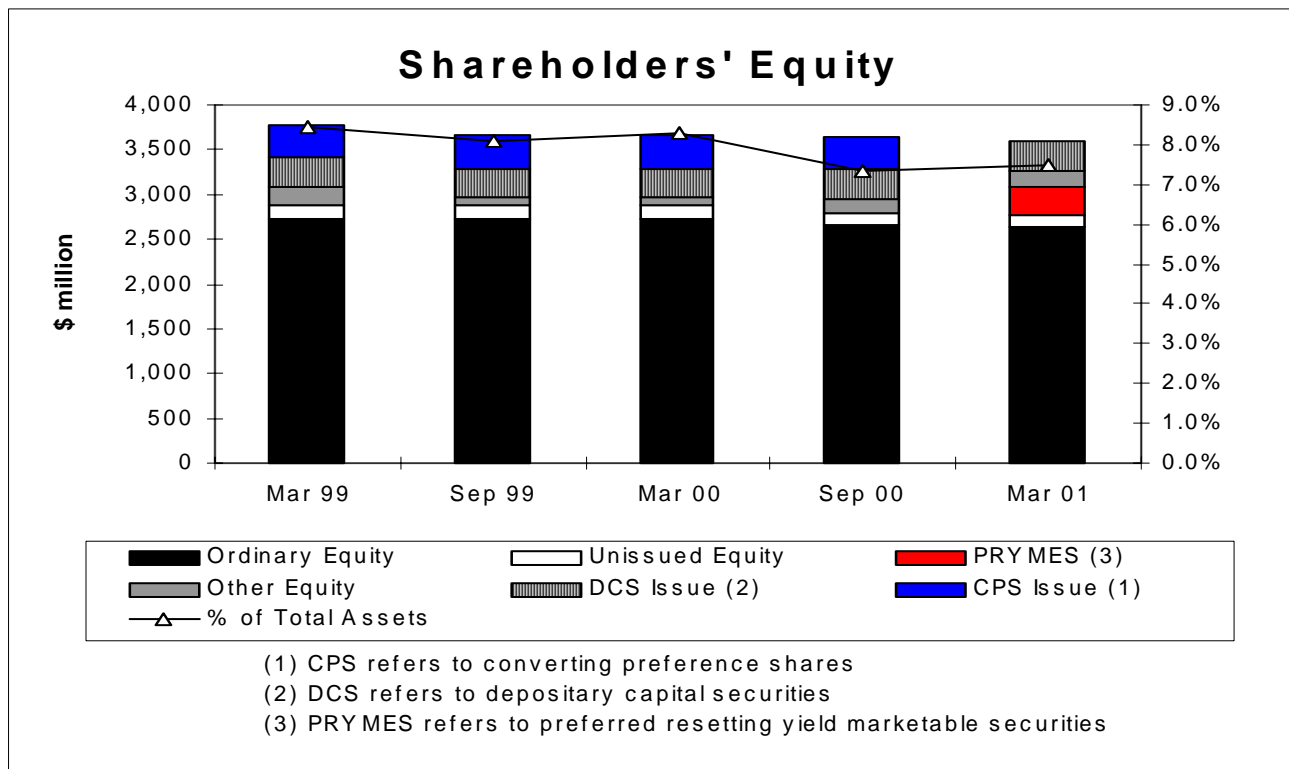
<i>As at</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Retail funding	23,906	22,903	22,425
Other deposits	6,589	9,439	9,395
Offshore borrowings	7,878	7,369	6,903
Domestic borrowings	2,699	2,705	2,578
Subordinated debts	774	979	900
Total	41,846	43,395	42,201

Retail funding increased by 4.4% to \$23.9 billion from \$22.9 billion at 30 September 2000 despite continued growth in funds management alternatives. In St.George's primary markets of South Australia and New South Wales, the Bank ranks first and third respectively in market share for deposits.

The increase in retail funding reflects the successful introduction of new products such as the directsaver account from dragondirect, the Bank's new electronic banking segment launched in August 2000.



3.2.8 Shareholders' Equity



Shareholders' equity of \$3,589 million represents 7.48% of total assets as at 31 March 2001.

Shareholders' equity comprises ordinary equity of \$2,646 million, preferred resetting yield marketable securities of \$292 million, depositary capital securities of \$334 million, unissued allotted capital of \$140 million and retained profits and other equity of \$177 million.

Below is a table detailing the movements in ordinary equity during the current half-year:

	<u>\$M</u>
Balance as at 1 October 2000	2,659
Off market buy back of 22.8 million shares	(376)
Conversion of 24.0 million converting preference shares	360
Shares issued under various plans	3
Balance as at 31 March 2001	<u>2,646</u>

The Bank issued the following ordinary shares during the half-year in accordance with the terms and conditions of:

The Employee Reward Share Plan (page 37)	479,534
The Employee Performance Share Plan (page 38)	68,000
The Executive Option Plan (page 39)	<u>360,000</u>
Total Shares Issued	<u>907,534</u>

3.3 Other Financial Analysis

3.3.1 Dividends

Ordinary Shares

An interim dividend of 31 cents per ordinary share has been declared by the Board. This represents a dividend payout ratio of 82.7% after goodwill amortisation (before goodwill amortisation 64.1%).

The dividend, which will be fully franked at 34%, will be paid on 29 June 2001. It has been brought forward from July and will allow franking at 34% instead of 30%. Ordinary shares will trade ex-dividend on 8 June 2001. Registrable transfers received by St.George at its share registry (Computershare Registry Services Pty Ltd, Level 3, 60 Carrington Street, Sydney) by 5.00 pm (Sydney time) on 15 June 2001 if paper based, or by the end of day on that date if transmitted electronically via CHESS, will be registered before entitlements to the dividend are determined.

The Dividend Reinvestment Plan will operate for the 2001 interim ordinary dividend. There will be no discount and participation will be from a minimum of 100 ordinary shares and capped at 5,000 ordinary shares per shareholding.

Converting Preference Shares

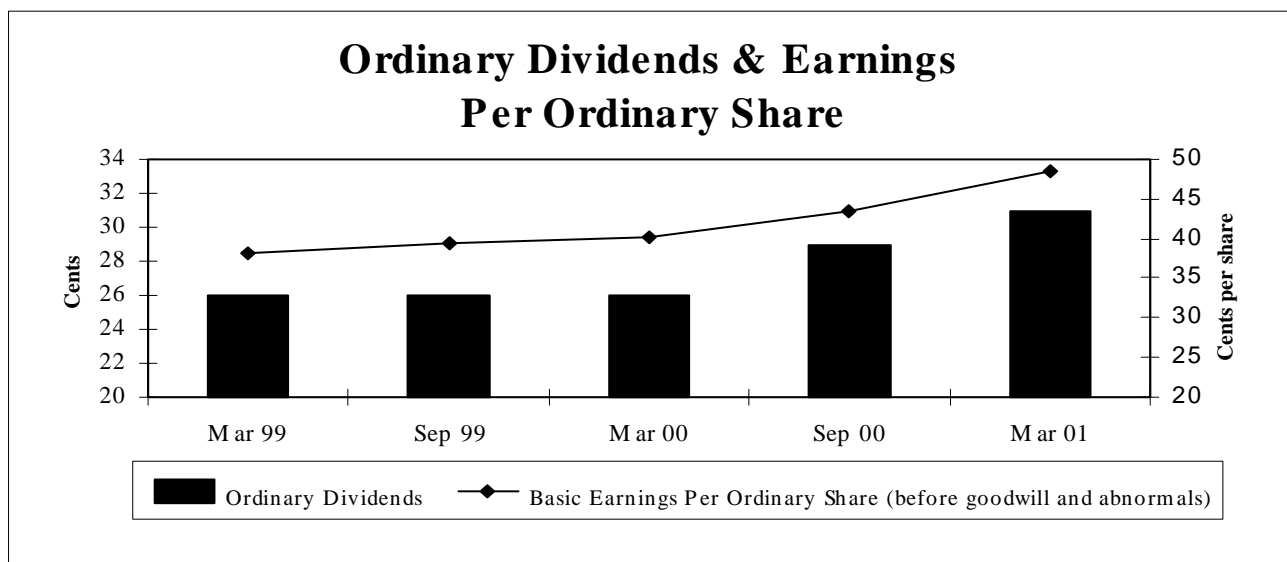
A base dividend at the pro rata rate of 44.8 cents per converting preference share (total \$11 million) was paid on 29 March 2001. This dividend was fully franked at 34%.

Depositary Capital Securities

The DCS dividend of US\$11 million for the period 1 January 2001 to 30 June 2001 is payable on 2 July 2001. This dividend will not be franked.

Preferred Resetting Yield Marketable Equity Securities

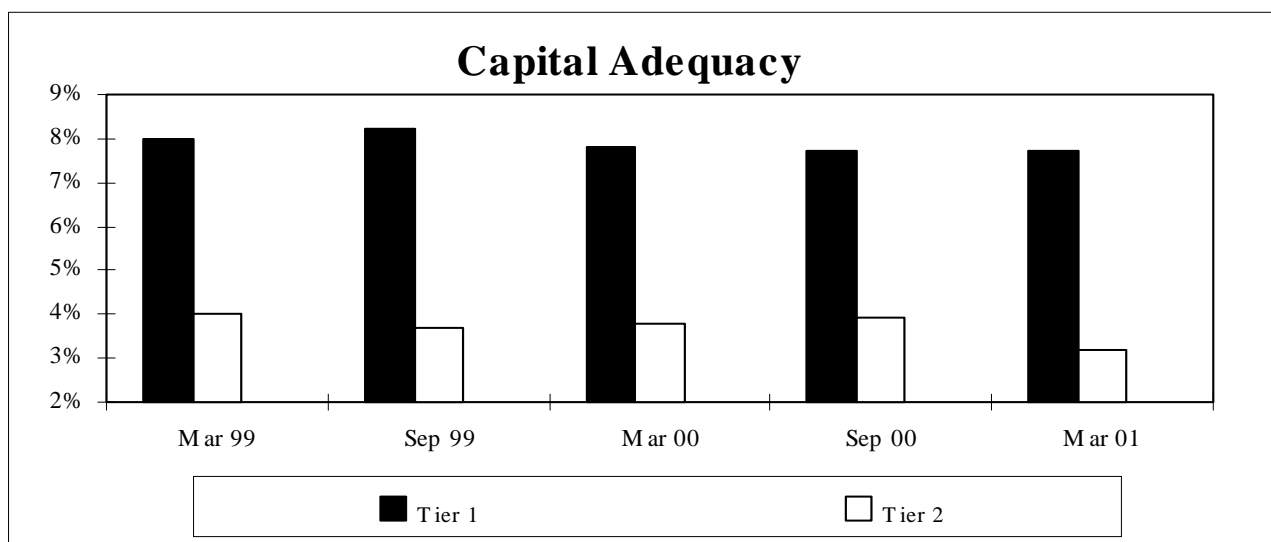
The first dividend for the PRYMES will be payable on 20 August 2001 at a rate of 6.36%. This dividend will be fully franked.



3.3.2 Capital Adequacy

<i>As at</i>	March 2001 \$m	Sept 2000 \$m	March 2000 \$m
Qualifying Capital:			
Tier 1			
Share capital	3,093	3,174	3,172
Reserves	544	497	444
Retained profits	106	77	54
Less: Goodwill and other APRA deductions ⁽¹⁾	(1,574)	(1,574)	(1,634)
Total Tier 1 capital	2,169	2,174	2,036
Tier 2			
Asset Revaluations	28	24	-
Subordinated Debt	739	951	864
General provision for doubtful debts (not tax effected)	136	132	127
Total Tier 2 capital	903	1,107	991
Less: Deductions from capital ⁽²⁾	40	40	27
Total Qualifying Capital	3,032	3,241	3,000
Risk Weighted Assets	28,002	28,102	26,232
Risk Weighted Capital Adequacy Ratio:			
Tier 1	7.7%	7.7%	7.8%
Tier 2	3.2%	3.9%	3.8%
Less: Deductions	-0.1%	-0.1%	-0.1%
Total Capital Ratio	10.8%	11.5%	11.5%
<p>(1) Investments (pre-acquisition retained earnings) in funds management and administration companies and the investment in mortgage insurance company (St.George Insurance Pte. Ltd.) are deducted from Tier 1 Capital.</p> <p>(2) Holdings of other banks' capital instruments and investments (excluding pre-acquisition retained earnings) in funds management and administration companies and life insurance companies are deducted from the total of Tier 1 and Tier 2 capital.</p>			

The Group has a Tier 1 ratio of 7.7% and a total capital ratio of 10.8%. The reduction in the total capital ratio from 30 September 2000 is mainly due to the repayment of subordinated debt.



3.3.3 Average Balance Sheets

Average Balance Sheet			
For the Half-Year Ended 31 March 2001			
	Average Balance	Interest	Average Rate
	\$m	\$m	
INTEREST EARNING ASSETS :			
Cash and liquid assets	134	2	2.99%
Due from other financial institutions	130	2	3.08%
Investment / trading securities	4,786	160	6.69%
Loans and other receivables	39,560	1,577	7.97%
Total interest earning assets	44,610	1,741	7.81%
NON-INTEREST EARNING ASSETS :			
Bills receivable	64		
Property, plant and equipment	558		
Other assets	4,349		
Provision for doubtful debts	(180)		
Total non-interest earning assets	4,791		
TOTAL ASSETS	49,401		
INTEREST BEARING LIABILITIES :			
Retail funding	23,436	490	4.18%
Other deposits	8,526	274	6.43%
Due to other financial institutions	602	9	2.99%
Short term borrowings - Domestic	2,771	85	6.13%
- Offshore	3,557	117	6.58%
Long term borrowings - Offshore	5,153	154	5.98%
Total interest bearing liabilities	44,045	1,129	5.13%
NON-INTEREST BEARING LIABILITIES :			
Bills payable	155		
Other non-interest bearing liabilities	1,504		
Total non-interest bearing liabilities	1,659		
TOTAL LIABILITIES	45,704		
SHAREHOLDERS' EQUITY (1)	3,697		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	49,401		
Interest Spread (2)			2.68%
Interest Margin (3)			2.74%

(1) Weighted average number of ordinary shares outstanding for the half-year were 461.4 million.

(2) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.

(3) Interest margin represents net interest income as a percentage of average interest earning assets.

Average Balance Sheet	Average		Average
For the Half-Year Ended 30 September 2000	Balance	Interest	Rate
	\$m	\$m	
INTEREST EARNING ASSETS :			
Cash and liquid assets	265	3	2.26%
Due from other financial institutions	161	1	1.24%
Investment / trading securities	5,191	187	7.20%
Loans and other receivables	38,732	1,514	7.82%
Total interest earning assets	<u>44,349</u>	<u>1,705</u>	<u>7.69%</u>
NON-INTEREST EARNING ASSETS :			
Bills receivable	217		
Property, plant and equipment	559		
Other assets	3,810		
Provision for doubtful debts	(177)		
Total non-interest earning assets	<u>4,409</u>		
TOTAL ASSETS	<u><u>48,758</u></u>		
INTEREST BEARING LIABILITIES :			
Retail funding	22,584	465	4.12%
Other deposits	9,626	307	6.38%
Due to other financial institutions	254	2	1.57%
Short term borrowings - Domestic	2,732	76	5.56%
- Offshore	3,406	100	5.87%
Long term borrowings - Offshore	4,827	152	6.30%
Total interest bearing liabilities	<u>43,429</u>	<u>1,102</u>	<u>5.08%</u>
NON-INTEREST BEARING LIABILITIES :			
Bills payable	196		
Other non-interest bearing liabilities	1,513		
Total non-interest bearing liabilities	<u>1,709</u>		
TOTAL LIABILITIES	<u>45,138</u>		
SHAREHOLDERS' EQUITY (1)	<u>3,620</u>		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u><u>48,758</u></u>		
Interest Spread (2)			2.61%
Interest Margin (3)			2.72%

(1) Weighted average number of ordinary shares outstanding for the half-year were 455.3 million.

(2) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.

(3) Interest margin represents net interest income as a percentage of average interest earning assets.

Average Balance Sheet			
For the Half-Year Ended 31 March 2000			
	Average Balance	Interest	Average Rate
	\$m	\$m	
INTEREST EARNING ASSETS :			
Cash and liquid assets	137	2	2.92%
Due from other financial institutions	183	4	4.37%
Investment / trading securities	4,990	134	5.37%
Loans and other receivables	37,255	1,349	7.24%
Total interest earning assets	<u>42,565</u>	<u>1,489</u>	<u>7.00%</u>
NON-INTEREST EARNING ASSETS :			
Bills receivable	232		
Property, plant and equipment	566		
Other assets	3,362		
Provision for doubtful debts	(177)		
Total non-interest earning assets	<u>3,983</u>		
TOTAL ASSETS	<u><u>46,548</u></u>		
INTEREST BEARING LIABILITIES :			
Retail funding	22,254	400	3.59%
Other deposits	9,129	243	5.32%
Due to other financial institutions	445	6	2.70%
Short term borrowings - Domestic	2,520	74	5.87%
- Offshore	2,117	58	5.48%
Long term borrowings - Offshore	4,913	139	5.66%
Total interest bearing liabilities	<u>41,378</u>	<u>920</u>	<u>4.45%</u>
NON-INTEREST BEARING LIABILITIES :			
Bills payable	188		
Other non-interest bearing liabilities	1,387		
Total non-interest bearing liabilities	<u>1,575</u>		
TOTAL LIABILITIES	<u><u>42,953</u></u>		
SHAREHOLDERS' EQUITY (1)	<u><u>3,595</u></u>		
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	<u><u>46,548</u></u>		
Interest Spread (2)			2.55%
Interest Margin (3)			2.67%

(1) Weighted average number of ordinary shares outstanding for the half-year were 456.0 million.

(2) Interest spread represents the difference between the average interest rate earned on assets and the average interest rate paid on funds.

(3) Interest margin represents net interest income as a percentage of average interest earning assets.

3.3.4 Volume and Rate Analysis

The table below allocates changes in interest income and interest expense between changes in volume and rate for the half-years ended 31 March 2001 and 30 September 2000. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities.

	March 2001 over September 2000			September 2000 over March 2000		
	-----Change Due to-----			-----Change Due to-----		
	Volume \$ m	Rate \$ m	Total \$ m	Volume \$ m	Rate \$ m	Total \$ m
INTEREST EARNING ASSETS :						
Cash and liquid assets	(2)	1	(1)	1	-	1
Due from other financial institutions	-	1	1	-	(3)	(3)
Investment / trading securities	(16)	(11)	(27)	7	46	53
Loans and other receivables	30	33	63	57	108	165
CHANGE IN INTEREST INCOME	12	24	36	65	151	216
INTEREST BEARING LIABILITIES :						
Retail funding	19	6	25	6	59	65
Other funding	(35)	2	(33)	16	48	64
Due to other financial institutions	5	2	7	(1)	(3)	(4)
Short term borrowings						
- Domestic	3	6	9	5	(3)	2
- Offshore	5	12	17	37	5	42
Long term borrowings						
- Offshore	10	(8)	2	(3)	16	13
CHANGE IN INTEREST EXPENSE	7	20	27	60	122	182
CHANGE IN NET INTEREST INCOME	5	4	9	5	29	34

3.3.5 Derivatives

The major categories of risk managed by the Bank are credit risk, market risk, liquidity risk and operational risk. Derivatives are used by the Group as a cost effective way of managing market risk. They incur extremely low transaction costs in comparison to the face value of the contract. Prudent management of market risk involves the use of derivatives to transfer all or part of the risk to counterparties who are willing to accept it. Derivatives therefore, provide protection to income streams from volatile interest rates in the financial markets.

The following table provides an overview of the Group's exchange rate and interest rate derivatives. It includes all trading and non-trading contracts.

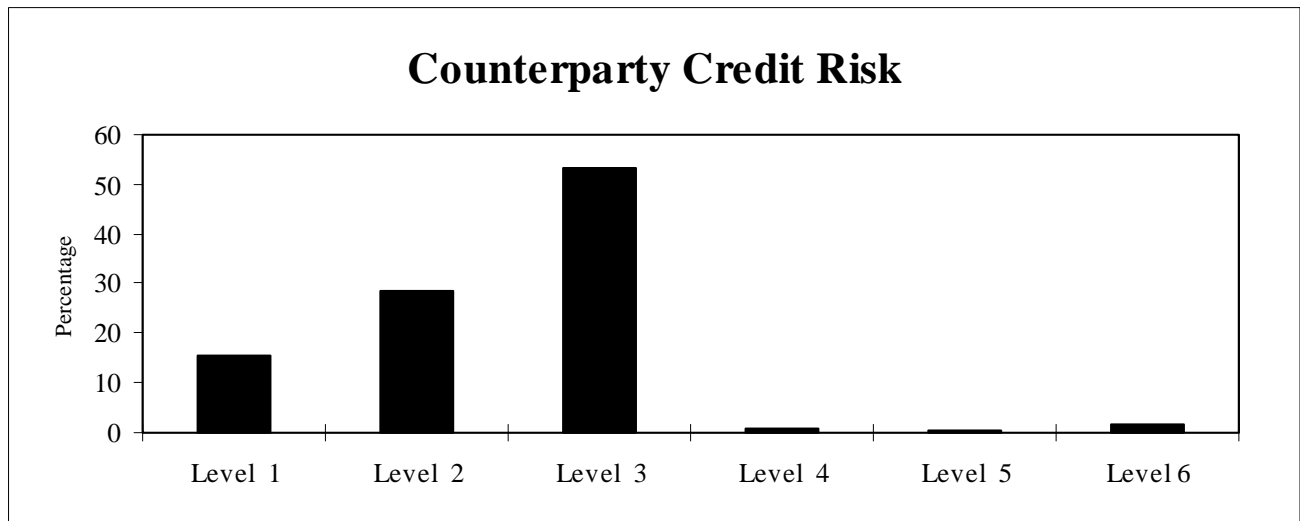
As at	31 March 2001		30 September 2000		31 March 2000	
	Notional Amount	Credit Equivalent*	Notional Amount	Credit Equivalent	Notional Amount	Credit Equivalent
Foreign Exchange	\$m	\$m	\$m	\$m	\$m	\$m
Futures	13	-	-	-	-	-
Spot, Forwards	16,104	724	16,319	530	25,030	314
Swaps	5,321	1,604	5,625	1,090	5,774	887
Options	1,007	20	139	2	929	3
Total	22,445	2,348	22,083	1,622	31,733	1,204
Interest Rate						
Futures	11,445	-	7,871	-	11,538	-
Forward Rate Agreements	15,700	5	19,367	3	10,420	1
Swaps	41,820	451	50,241	289	39,045	279
Options	58	-	121	-	174	-
Total	69,023	456	77,600	292	61,177	280
Grand Total	91,468	2,804	99,683	1,914	92,910	1,484

* Credit Equivalent - represents a measure of the potential loss to the Group as a result of non-performance by counterparties.

The Group's major use of derivatives is as a hedge for balance sheet assets, the primary exposure to derivative transactions is with counterparties that are rated investment grade quality. The St.George risk rating system has six levels of classification based upon Standard and Poor's international rating system. The levels are:

<u>Level</u>	<u>International Rating</u>
1	AAA
2	AA or better
3	A or better
4	BBB or better
5	BBB-
6	BB+

The graph below shows the percentage counterparty risk exposure on derivatives on a notional contract basis totalling \$91.5 billion as at 31 March 2001.



3.3.6 Employee Share Plans

Three employee share plans and one executive option plan were approved by shareholders at the Annual General Meeting of the Bank held on 3 February 1998.

Employee Reward Share Plan

The Employee Reward Share Plan provides eligible employees with up to \$1,000 of ordinary shares per annum at no cost. Allocations under the Plan are subject to the achievement of predetermined performance targets as set by the Board and communicated to staff and overriding Board discretion. Details of issues under this plan during the half-year are as follows:

Issue Date	Number of Shares Issued	Number of Participating Employees	Shares Issued to each Employee	Issue Price
12 January 2001	479,534	6,754	71	\$13.90

Employee Share Purchase Plan

All permanent salary packaged employees with continuous service of at least one year as at any relevant share acquisition date, are eligible to participate in the Employee Share Purchase Plan. Shares are acquired on market or issued. In consideration for the shares allocated, employees forego remuneration equivalent to the market value of the shares on the date of issue, less brokerage, stamp duty and at a discount equivalent to that available under the Bank's Dividend Reinvestment Plan, when operational. Details of shares allocated under this plan during the half-year are as follows:

Date of Allocation	Number of Shares Acquired On Market	Number of Participating Employees	Average Purchase Price of Shares Acquired
1 December 2000	78,484	211	\$13.11
20 December 2000	17,830	10	\$13.44
12 January 2001	287,573	356	\$13.91

Employee Performance Share Plan

Awards, comprising rights over unissued ordinary shares are granted to senior executives. The allocation of shares under this plan for nil consideration is subject to these senior executives achieving predetermined performance hurdles set by the Board. Details of awards granted under this plan are as follows:

Date awards granted	Vesting date	Awards outstanding at 1 Oct 2000	Movement for the period			Market value \$	Awards outstanding at 31 Mar 2001	Number of senior executives in plan
			Number of awards granted	Number of awards forfeited	Number of shares allotted			
31-Aug-98	23-Feb-01	201,000		9,000	39,000	511,100	153,000	21
30-Nov-98	30-Mar-01	15,000					15,000 }	1
30-Nov-98	30-Mar-02	15,000					15,000 }	
30-Nov-98	30-Sep-02	20,000					20,000 }	
22-Feb-99	23-Feb-01	16,500			5,000	69,950	11,500	2
24-May-99	27-Apr-01	7,500					7,500 }	1
02-Jun-99	08-Dec-01	3,000					3,000 }	1
02-Jun-99	08-Dec-02	3,000					3,000 }	
02-Jun-99	08-Jun-03	3,000					3,000 }	
28-Jun-99	23-Feb-01	5,000					5,000	1
20-Jul-99	19-Jul-01	16,667					16,667 }	1
20-Jul-99	19-Jul-02	16,666					16,666 }	
29-Nov-99	30-Nov-00	10,000			10,000	142,500	-	
20-Dec-99	20-Dec-00	3,000			3,000	41,970	- }	1
20-Dec-99	20-Dec-01	3,000					3,000 }	
20-Dec-99	20-Dec-02	3,000					3,000 }	
04-Jan-00	04-Jan-01	1,000			1,000	13,990	- }	1
04-Jan-00	04-Jan-02	1,000					1,000 }	
28-Feb-00	31-Aug-00	2,500					2,500 }	1
28-Feb-00	31-Aug-02	2,500					2,500 }	
17-Mar-00	17-Mar-01	7,200					7,200	1
01-Nov-00	15-Nov-02		711,600				711,600 }	107
01-Nov-00	15-Nov-03		355,800				355,800 }	
29-Nov-00	30-Nov-04		10,000		10,000	136,000	-	
05-Feb-01	15-Nov-02		7,933				7,933 }	1
05-Feb-01	15-Nov-03		3,967				3,967 }	
TOTAL		355,533	1,089,300	9,000	68,000	915,510	1,367,833	140

The outstanding awards have a market value of \$19 million as at 31 March 2001.

In accordance with the rules of the Performance Plan and as approved by shareholders, share allocations can occur by allotment or by purchase on market. The Board will assess the most appropriate basis of allocation at the time each award is exercised.

3.3.7 Executive Option Plan and Non-Executive Directors' Share Purchase Plan

Executive Option Plan

Executive officers and the Managing Director are eligible to participate in the Executive Option Plan. Exercise is conditional upon the Bank achieving a prescribed performance hurdle. Separate performance hurdles have been established in relation to the exercise of the Managing Director's options. The options do not grant rights to the option holders to participate in a share issue of any other body corporate. Non-executive directors are not eligible to participate in this plan.

Grant Date of Option	Exercise Period (1)	Exercise Price (2)	Movement for the period				Number of Senior Executives in Plan (3)	
			Options Outstanding at 1 October 2000	Options Granted	Number of Options Forfeited	Numbers of Options Exercised		Options Outstanding at 31 March 2001
23-Feb-98	23-Feb-01 to 23-Feb-03	\$8.58	2,910,000		80,000		2,830,000	20
23-Feb-98	03-Jul-00 to 03-Jul-01	\$8.58	80,000			80,000	-	
23-Feb-98	03-Aug-00 to 03-Aug-01	\$8.58	180,000			180,000	-	
23-Feb-98	09-Oct-00 to 09-Oct-01	\$8.58	100,000			100,000	-	
30-Nov-98	30-Mar-01 to 30-Nov-03	\$10.30	75,000				75,000	}
30-Nov-98	30-Mar-02 to 30-Nov-03	\$10.30	75,000				75,000	}
30-Nov-98	30-Sep-02 to 30-Nov-03	\$10.30	75,000				75,000	}
30-Nov-98	30-Nov-01 to 30-Nov-03	\$10.30	120,000				120,000	1
18-Dec-98	18-Nov-00 to 18-Dec-03	\$9.41	500,000				500,000	}
18-Dec-98	18-Nov-01 to 18-Dec-03	\$9.41	500,000				500,000	}
18-Dec-98	18-Nov-02 to 18-Dec-03	\$9.41	500,000				500,000	}
2-Jun-99	08-Dec-01 to 02-Jun-04	\$10.73	30,000				30,000	}
2-Jun-99	08-Dec-02 to 02-Jun-04	\$10.73	30,000				30,000	}
2-Jun-99	08-Jun-03 to 02-Jun-04	\$10.73	30,000				30,000	}
20-Jul-99	19-Jul-02 to 20-Jul-04	\$10.95	200,000				200,000	1
9-Aug-99	09-Aug-02 to 09-Aug-04	\$10.34	50,000				50,000	1
3-Nov-99	03-Nov-02 to 03-Nov-04	\$10.34	45,000		45,000		-	
20-Dec-99	20-Dec-02 to 20-Dec-04	\$10.86	80,000				80,000	1
17-Mar-00	17-Mar-03 to 17-Mar-05	\$11.39	30,000				30,000	1
	TOTAL		5,610,000	-	125,000	360,000	5,125,000	28

1. The options may be exercisable at an earlier date as prescribed by the Option Plan rules.
2. A premium is added to the exercise price of the options which represents the time value of money component of the value of the options (calculated as the difference between the actual dividend and bond yields for the period from the Grant Date of the options to the earliest exercise date). The exercise price represents the market value of the Bank's ordinary shares at the Grant Date of the options. This market value represents the weighted average trading price during the five trading days prior to the Grant Date, calculated in accordance with the Option Plan rules.
3. Participating executives, including the Managing Director are required to hold a minimum of 5,000 ordinary shares in the Bank in order to participate in the Option Plan.

Non-Executive Directors' Share Purchase Plan

A Non-Executive Directors' Share Purchase Plan (the Plan) was approved by shareholders at the Bank's Annual General Meeting held on 17 December 1999.

All non-executive directors are eligible to participate in the Plan. Ordinary shares are acquired on market. In consideration for the shares acquired on their behalf, non-executive directors forego directors' fees equivalent to the purchase price of the shares less brokerage, stamp duty and a discount equivalent to that available under the Bank's Dividend Reinvestment Plan when operational. Details of shares allocated under the Plan are as follows:

Date of Allocation	Number of Ordinary Shares Acquired on Market	Number of Participating Non-Executive Directors	Average Purchase Price of Shares Acquired
1 December 2000	11,440	5	\$13.11

4 Further Information

4.1 Branches

<i>As at</i>	March 2001	Sept 2000	March 2000
New South Wales	226	227	229
Australian Capital Territory	13	13	13
Queensland	23	23	24
Victoria	30	30	33
South Australia	111	114	114
Western Australia	2	2	2
Northern Territory	4	4	4
Total ⁽¹⁾	409	413	419
Assets per branch - \$m	117	120	114
Profit per branch - after goodwill and before abnormal items (annualised) - \$'000	1,032	881	807
Profit per branch - before goodwill and abnormal items (annualised) - \$'000	1,276	1,128	1,045

(1) There are 16 Automated Banking Centres (ABC) at 31 March 2001.

4.2 Staffing (full time equivalents)

<i>As at</i>	March 2001	Sept 2000	March 2000
New South Wales	4,377	4,527	4,817
Australian Capital Territory	164	182	186
Queensland	247	252	292
Victoria	274	299	297
South Australia	1,247	1,482	1,537
Western Australia	81	95	104
Northern Territory	33	35	39
	6,423	6,872	7,272
SEALCORP	558	599	508
Scottish Pacific	144	148	-
Total Permanent and Casual Staff ⁽¹⁾	7,125	7,619	7,780
Assets per staff - \$m	6.7	6.5	6.1
Staff per \$m assets - No.	0.15	0.15	0.16
Profit per average staff - after goodwill and before abnormal items (annualised) - \$'000	57.7	47.4	42.7
Profit per average staff - before goodwill and abnormal items (annualised) - \$'000	71.3	60.6	55.4
<p>(1) The total Group workforce comprises permanent, casual and temporary staff and contractors. Traditionally, total permanent and casual staff is indicative of movement in operating expenses. However with large projects such as the Advance Bank integration, Y2K, GST, and the Group Redesign, the Total Group Workforce including temporary and contract labour provides an alternative view, given that many of these costs have impacted deferred expenditure:</p>			
Total Group Workforce ⁽²⁾	8,131	8,434	8,637
<p>(2) The 720 position reductions achieved to date through Best Bank were realised in the period between 31 July 2000 and 31 March 2001. During that period Total Group Workforce dropped 543 from 8,674 to 8,131.</p>			

4.3 Dates and Credit Ratings**Financial Calendar**

<u>Date</u>	<u>Event</u>
28 May 2001	Shareholder Information Meeting (Melbourne)
8 June 2001	Ex-dividend trading for ordinary shares
15 June 2001	Record date for ordinary shares
29 June 2001	Payment of interim ordinary dividend
30 September 2001	Financial year end

Proposed Dates

<u>Date</u>	<u>Event</u>
30 July 2001	Ex-dividend trading for PRYMES
3 August 2001	Record date for PRYMES
20 August 2001	Payment of PRYMES dividend
7 November 2001	Announcement of final profit and final ordinary dividend
26 November 2001	Ex-dividend trading for ordinary shares
30 November 2001	Record date for ordinary shares
14 December 2001	Payment of final ordinary dividend
14 December 2001	Annual General Meeting (Sydney)

Credit Ratings

	<u>Short term</u>	<u>Long term</u>
Standard & Poor's	A-1	A
Moody's Investors Service	P-2	A3
Fitch IBCA	F1	A+

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