Group Secretariat
Level 20, 275 Kent Street
Sydney NSW 2000 Australia

St.George Bank Limited ABN 92 055 513 070

15 May 2009

Company Announcements
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam

Re: St.George Bank Limited Consolidated Interim Financial Report for the half year ended 31 March 2009

The St.George Bank Limited ("St.George Group") Consolidated Interim Financial Report for the half year ended 31 March 2009 is attached to this announcement.

The merger between Westpac Banking Corporation ("Westpac") and the St.George Group became effective for accounting purposes from the close of business on 17 November 2008. The attached Financial Report is the first prepared by the St.George Group since it became part of the Westpac Group.

The Financial Report has been prepared as St.George Bank Limited continues to be a separate legal entity and Authorised Deposit Taking Institution (ADI). The Report is being lodged with the ASX to meet listing rule requirements in respect of the St.George Group's listed debt securities.

It is important to note that the attached Report comprises statutory accounts that do not correspond with how the St.George Group's business is now managed, nor does it align with the St.George segment in Westpac's financial statements for the half year ended 31 March 2009.

For example, the results of the St.George Group's wealth businesses including Asgard, Advance, Securitor and Private Banking are segment reported at Westpac within BT Financial Group. Further, a number of large corporate customers, previously managed by St.George, are now managed, and segment reported by Westpac Institutional Bank. Also, certain other St.George Group corporate and head office activities are included within Westpac's "Group" business unit segment. The St.George segment within the Westpac financial statements predominantly relates to the St.George Group's retail and business banking activities.

Great care should also be taken in making comparisons between the attached Financial Report and Reports for prior reporting periods as:

- the merger resulted in a number of changes to the accounting methodologies of the St.George Group to align with methodologies of the Westpac Group. These changes have had a material impact on the St.George Group's reported results in the current period; and
- following the merger, liquid assets and funding are now managed by Westpac on a Group basis, including for St.George.

Details of the changes resulting from the merger are included in the attached Financial Report. Further information can also be found in Westpac's 2009 Interim Result announcement (released 6 May 2009) and in Westpac's 2009 Interim Result Template (released 1 May 2009).

Yours sincerely

Les Vance
Company Secretary

St.George Bank Limited

ABN 92 055 513 070

Consolidated Interim Financial Report

for the half-year ended

31 March 2009

Disclosure regarding forward-looking statements 3

Directors' Report 5

Consolidated Interim Income Statement 17

Consolidated Interim Balance Sheet 18

Consolidated Interim Statement of Recognised Income and Expense 19

Consolidated Interim Statement of Cash Flows 20

Notes to the Consolidated Interim Financial Statements
1. Basis of Preparation of Interim Financial Report 21

Consolidated Interim Income Statement Notes

2. Non-Interest Income 28
3. Impairment Charges 28
4. Operating Expenses 28
5. Income Tax Expense 29
6. Dividends Provided for or Paid 29

Consolidated Interim Balance Sheet Notes

Shareholders' Equity Notes

7. Share Capital 30
8. Shareholders' Equity 31

Other Notes

9. Notes to the Consolidated Interim Statement of Cash Flows 33
10. Segmental Reporting 34
11. Contingent Liabilities, Assets and Commitments 38
12. Events Subsequent to Balance Date 39

Directors' Declaration 40

Independent Review Report by External Auditors 41

Disclosure regarding forward-looking statements

This Interim Financial Report contains forward-looking statements which appear in a number of places and include statements regarding our intent, belief or current expectations with respect to St.George Bank Limited's ('St.George') business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions and financial support to certain borrowers. This Interim Financial Report uses words such as 'will', 'may', 'expect', 'intend', 'seek', 'would', 'should', 'could', 'estimate', 'anticipate', 'believe', 'probability', 'risk', or other similar words to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond our control and have been made based upon management's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with management's expectations or that the effect of future developments on us will be those anticipated by management. Actual results may vary materially from those we expect, depending on the outcome of various factors. These factors include but are not limited to:

- impact of the global financial crisis, including adverse conditions in global debt, equity and asset markets;
- changes to Westpac Banking Corporation's (Westpac) or our credit ratings;
- inflation, interest rate, exchange rate, market and monetary fluctuations;
- market liquidity and investor confidence;
- the effect of, and changes, in laws, regulations, taxation or accounting standards or practices and government policy;
- changes in consumer spending, saving and borrowing habits in Australia;
- the effects of competition in the geographic and business areas in which St.George conducts its operations;
- the ability to maintain or to increase market share and control expenses;
- the timely development of and acceptance of new products and services and the perceived overall value of these products and services by users;
- technological changes;
- demographic changes and changes in political, social or economic conditions in any of the major markets in which St.George operates;
- stability of Australian and international financial systems and disruptions to financial markets and any losses St.George may experience as a result; and
- various other factors beyond St.George's control.

The above list is not exhaustive. For certain other factors that may impact on forward-looking statements made in this Interim Financial Report, refer to the section on 'Principal risks and uncertainties' in the Directors' Report. When relying on forward-looking statements to make decisions with respect to St.George, investors and others should carefully consider the foregoing factors and other uncertainties and events.

St.George is under no obligation, and does not intend, to update any forward-looking statements contained in this Interim Financial Report, whether as a result of new information, future events or otherwise, after the date of this Interim Financial Report.

Web sites

Information contained in or otherwise accessible through the web sites mentioned in this Interim Financial Report does not form part of the report unless we specifically state that the information is incorporated by reference thereby forming part of the report. All references in this report to web sites are inactive textual references and are for information only.

The Directors of St.George present their report together with the financial statements of St.George and its controlled entities (collectively referred to as 'the Group') for the half-year ended 31 March 2009.

Directors

The names of the Directors of St.George holding office at any time from the beginning of the half-year to the date of this report are:

Name	Period of Directorship
J S Curtis - *Chairman*	Director since 1997 (Appointed as Chairman 1 April 2008) [2]
G M Bartlett	Appointed Director 1 December 2008
T J Davis	Director since 2004 [1]
R A F England	Director since 2004 [1]
P A Fegan	Appointed Managing Director 7 February 2008 (Resigned as Managing Director 1 December 2008)
P J O Hawkins	Director since 2007 [3]
R Holliday-Smith	Director since 2007 [1]
P D R Isherwood	Director since 1997 [1]
G P Kelly	Appointed Director 1 December 2008 [4]
L P Maxsted	Appointed Director 1 December 2008
L B Nicholls	Director since 2002 [1]
G J Reaney	Director since 1996 [1]

[1] Resigned as Director 1 December 2008.

[2] Resigned on 28 November 2008 and was re-appointed Director 1 December 2008.

[3] Resigned and was re-appointed Director 1 December 2008.

[4] Previously a Director between January 2002 and August 2007.

Merger with Westpac Banking Corporation ('Westpac')

On 1 December 2008 Westpac and St.George completed their merger by way of a scheme of arrangement ("the merger") under which Westpac acquired all the ordinary shares of St.George, with St.George shareholders receiving 1.31 ordinary Westpac shares for every one St.George ordinary share held. For accounting purposes, the merger became effective from the close of business on 17 November 2008 following the approval of the merger by the Federal Court of Australia.

As a result of the merger there have been a number of changes to the accounting methodologies adopted by St.George and its controlled entities ("the Group" or "the St.George Group") to align with those of Westpac. Included within these changes was the revision of the St.George Group's methodology for calculating collective loan provisions to align with the methodology adopted by Westpac, which resulted in the recognition of a $496 million loan impairment charge in the current period. In addition, costs associated with the merger have also been recognised in the current period.

These factors impact on comparison of the results in these interim financial statements of the St.George Group for the half-year ended 31 March 2009 with those in prior periods, which were not impacted by the merger or changes to methodologies following the merger.

The scope of the activities of the St.George Group covered by this report and the St.George Group's interim financial statements for the half-year ended 31 March 2009 does not correspond with the activities covered by the "St.George segment" in the Westpac Group in Westpac's consolidated financial statements for the half-year ended 31 March 2009 and associated market disclosures. For example, the St.George Group's wealth business (which is included as part of the Group for the purpose of this report and and the St.George Group's interim financial statements for the half-year ended 31 March 2009) is, for the Westpac Group's segment reporting purposes, included with the Westpac Group's other wealth businesses in the "BT Financial Group" segment not in the Westpac Group's "St.George segment" which relates to St.George's banking activities.

Review of Operations

The loss after tax and minority interests for the half-year ended 31 March 2009 was $14 million, compared to a profit of $529 million for the half-year ended 31 March 2008, mainly due to the impact of revising accounting methodologies to align with those of the Westpac Group, including the recognition of a $496 million charge as a result of revisions to the methodology for calculating collective loan provisions to align with the methodology adopted by the Westpac Group, the recognition of costs associated with the merger with Westpac and a reduction in non-interest income.

Net Interest Income

- Net interest income for the half-year was $1,275 million (31 March 2008: $1,159 million), an increase of 10%. This is primarily attributable to growth in loans and other receivables of 9% since March 2008.

Non-interest income

- Non-interest income for the half-year was $410 million (31 March 2008: $603 million), a decrease of 32%. The reduction in non-interest income was mainly due:
  - the fact that the half-year ended 31 March 2008 included a $77 million gain on the recognition of the Visa Inc. shareholding;
  - lower net trading and investment income resulting from the recognition of a loss of $46 million on the sale during the current period of securities previously recognised in the available for sale investment portfolio; and
  - a reduction in managed funds fees of $35 million due to volatile equity markets.

Operating Expenses

- Operating expenses for the half-year were $926 million (31 March 2008: $759 million), an increase of 22%. The increase in operating expenses was mainly due to the recognition of an impairment charge of $61 million in relation to the write-off of capitalised software costs and due to the recognition of staff, occupancy and other expenses of $70 million associated with the merger with Westpac. Excluding the impact of the impairment charge and other associated merger items, operating expenses for the half-year ended 31 March 2009 were $795 million, an increase of 5% over the 31 March 2008 half-year.

Impairment Charges

- Impairment charges were $770 million, compared to $113 million for the half-year ended 31 March 2008. The increase is primarily due to the recognition of a $496 million charge associated with the revision of the methodology for the calculation of collective loan provisions following the merger to align with the methodology adopted by Westpac. In addition, there was a significant increase in individual loan impairment provisions on commercial and consumer loans, reflecting further deterioration in market conditions.
- The increase in the collective provision referred to above takes total provisioning above the 50bps minimum APRA requirement. Consequently the general reserve for credit losses of $205 million previously maintained to comply with APRA requirements is no longer required and has been transferred to retained earnings. That transfer does not impact impairment charges or net loss for the current period.

Income Tax

- The income tax expense was $3 million for the half-year compared to $361 million for the half-year ended 31 March 2008. This movement in income tax expense is consistent with changes in profit or loss before tax.

Significant Events During the half-year ended 31 March 2009

As noted above, a merger between Westpac and St.George was effected by way of a scheme of arrangement completed on 1 December. For accounting purposes, the merger became effective from the close of business on 17 November 2008.

In addition, the following significant developments occurred during the current period:

- St.George issued to Westpac 927 million shares with a total consideration of $2.125 billion as part of arrangements under the merger implementation agreement and to fund St.George's redemption of preference shares as set out below.
- The Group revised its accounting methodologies to align with those of Westpac and recognised costs associated with its merger with Westpac. The impact of these items are discussed in "Review of Operations" and Note 1 to these interim financial statements;

- The Group reduced its holding of liquid assets and entered into a Master Funding Agreement with Westpac, under which Westpac lends funds to St.George for general funding purposes;
- On 31 March 2009 St.George redeemed its Step-up Preference Shares (SPS) which were previously included in Shareholders' Equity at their total face value of $150 million and its Converting Preference Shares (CPS) and Converting Preference Shares II (CPS II) which were previously included in Loan Capital at their face value of $325 million and $400 million respectively.

Australian government guarantee schemes

In light of recent turbulence in the international financial system, the Australian government has announced guarantee arrangements for deposits and wholesale funding of eligible financial institutions, as described in more detail below. These arrangements are designed to promote financial system stability and ensure the continued flow of credit through the economy by supporting retail depositor confidence and assisting banks to continue to access funding at a time of considerable turbulence. They are also designed to ensure that eligible Australian institutions are not placed at a disadvantage to international competitors that can access similar government guarantees on bank debt.

The Australian Government announced on 12 October 2008 that it would guarantee the deposits in eligible Australian authorised deposit-taking institutions (ADIs) (including St.George) for a period of three years from 12 October 2008. In October 2008, the Banking Act 1959 (Australia) was amended to facilitate the guarantee of the first $1 million of 'protected accounts' held with an eligible ADI (including most deposits) without charge by establishing a financial claims scheme (FCS) to be administered by the Australian Prudential Regulation Authority (APRA). The FCS will apply to an eligible ADI if APRA has applied for the winding up of the ADI and the responsible Australian Government minister has declared that the FCS applies to that ADI. The Financial Claims Scheme (ADIs) Levy Act 2008 provides for the imposition of a levy to fund the excess of certain of APRA's financial claims scheme costs connected with the ADI. The levy is imposed on liabilities of eligible ADIs to their depositors and cannot be more than 0.5% of the amount of those liabilities.

In November 2008 the Australian Government released the details and rules (Scheme Rules) of the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding which, effective 28 November 2008, provides a guarantee facility for deposits of amounts over $1 million and wholesale funding of an eligible ADI, in return for a fee payable by the ADI. The wholesale funding guarantee is restricted to senior unsecured liabilities (which are not complex) issued domestically in Australia or off-shore and which meet certain eligibility criteria.

Deposits above the $1 million threshold and wholesale funding will only have the benefit of the guarantee where an eligibility certificate has been issued by the Commonwealth of Australia in respect of those liabilities. Eligibility certificates have been issued in relation to certain deposit liabilities of St.George. Details of issued eligibility certificates are available at the following website maintained by the Reserve Bank of Australia: www.guaranteescheme.gov.au/guaranteed-liabilities.

A different fee applies to eligible ADIs in relation to deposits over $1 million and wholesale funding covered by the guarantee based on their long term credit rating. The fee applicable to St.George, based on its current long term rating by Standard and Poor's of AA, is 70 basis points (or 0.70%) per annum.

The Australian Government has announced that the Australian Government Guarantee Scheme for larger Deposits and Wholesale Funding will be reviewed on an ongoing basis and revised if necessary.

Principal risks and uncertainties

Risk factors

The business activities of the St.George Group are subject to risks that can adversely impact its business, future performance and financial condition. If any of the following risks actually occur, its business, results of operations or financial condition could be materially adversely affected, with the result that the trading price of its debt securities could decline and investors could lose all or part of their investment. Investors should carefully consider the risks and the other information in this Interim Financial Report before investing in the Group's debt securities. The risks and uncertainties described below are not the only ones the Group may face. Additional risks and uncertainties that the Group is unaware of, or that is currently deemed to be immaterial, may also become important factors that affect the Group.

Risks relating to the St.George Group's business

Adverse credit and capital market conditions may significantly affect the St.George Group's ability to meet liquidity needs, adversely affect Westpac's access to domestic and international capital markets and increase the Group's cost of funding

Following the merger, the St.George Group substantially relies on Westpac, its parent company, to fund its business in terms of its wholesale funding requirements. Westpac and St.George have entered into a Master Funding Agreement (MFA) under which Westpac lends funds to St.George for its general funding purposes. Maturities of existing debt and new wholesale funding debt requirements are funded by Westpac by St.George drawing down funding from Westpac under the MFA. Global credit and capital markets have experienced extreme volatility, disruption and decreased liquidity for more than 18 months and we anticipate that the global financial markets will remain volatile and uncertain in the short to medium term. The St.George Group relies on Westpac being able to access credit and capital markets to fund its business. As of 31 March 2009, the Group obtained approximately 51% of its funding either directly from domestic and international wholesale markets or through Westpac under the MFA. Since December 2008, Westpac has utilised the guarantee of the Commonwealth of Australia under the Australian government guarantee scheme to obtain funding in the global capital markets. As a result of the current adverse global capital market conditions the Group's funding costs have increased and accessing wholesale markets without the government guarantee, particularly in relation to longer-term securities, remains difficult. Continued instability in these market conditions may result in further increases in the Group's funding costs, which could adversely affect the ability to fund and grow the businesses of the St.George Group.

In the event that the Group's current sources of funding prove to be insufficient, we may be forced to seek alternative financing. The availability of such alternative financing, and the terms on which it may be available, will depend on a variety of factors, including prevailing market conditions, the availability of credit, St.George's and Westpac's credit ratings and the sovereign credit ratings in Australia and New Zealand, and credit capacity. Even if available, the cost of these alternatives may be more expensive or on unfavourable terms, which could adversely affect the Group's results of operations, liquidity, capital resources and financial condition. There is no assurance that the Group will be able to obtain funding at acceptable prices.

If the Group is unable to source appropriate funding, it may be forced to reduce its lending or begin to sell liquid securities. Such actions would adversely impact the Group's business, results of operations, liquidity, capital resources and financial condition.

Failure to maintain the St.George Group's and Westpac's credit ratings could adversely affect the Group's cost of funds, liquidity, competitive position and access to capital markets

The credit ratings assigned to St.George and Westpac by rating agencies are based on an evaluation of a number of factors, including the financial strength of Westpac and the financial strength of St.George. In light of the difficulties in the banking sector and financial markets, the rating agencies have indicated they are watching global developments closely and if conditions continue to deteriorate, they may adjust the ratings of some of the major Australian banks. Moody's has all the major Australian banks, including Westpac and St.George, on a negative outlook. In addition, a credit rating downgrade could be driven by the occurrence of one or more of the other risks identified in this section or by other events.

If St.George fails to maintain its current corporate credit ratings, this would adversely affect its cost of funds and related margins, liquidity, competitive position and access to capital markets. If Westpac fails to maintain its current corporate credit ratings, this would adversely affect Westpac's cost of funds and related margins, liquidity, competitive position and access to capital markets, which could in turn adversely affect the cost of funds that Westpac lends to St.George. In addition, any downgrade in the sovereign credit ratings of Australia and New Zealand may adversely affect Westpac's ability to raise funds that have the benefit of a government guarantee under the relevant government guarantee schemes, or the cost of those funds. In turn, this could adversely affect the Group's earnings, liquidity, access to capital markets and financial condition.

A systemic shock in relation to the Australian or global financial systems could have adverse consequences for St.George that would be difficult to predict and respond to

In the current volatile economic environment, there is a risk of a major systemic shock occurring that could have an adverse impact on the Australian or global financial systems. Such an event could have a material adverse effect on financial institutions such as St.George, including the undermining of confidence in the financial systems, reducing liquidity and impairing access to funding. The nature and consequences of any such event are difficult to predict and there can be no guarantee that the St.George Group could respond effectively to any such event.

Declining asset markets could adversely affect the St.George Group's operations or profitability

A continuation of the recent declines in global asset markets, including equity, property and other asset markets could impact the Group's operations and profitability.
Declining asset prices impact the Group's wealth management business and other asset holdings. In relation to the Group's wealth management business, its earnings are, in part, dependent on asset values, such as the value of securities held or managed, and a further decline in asset prices could further negatively impact the earnings of this business. Declining asset prices could also impact customers and the value of security the St.George Group holds against loans, which may impact its ability to recover amounts owing to it if customers were to default.

The St.George Group's business is substantially dependent on the Australian economy and it can give no assurance as to the likely future state of this economy

The Group's revenues and earnings are dependent on economic activity and the level of financial services its customers require. In particular, lending is dependent on customer confidence, the state of the economy, the state of the home lending market and prevailing market interest rates.

The St.George Group currently conducts its business in Australia. Consequently, its performance is influenced by the level and cyclical nature of business and home lending in Australia. These factors are in turn impacted by both domestic and international economic and political events. The ongoing dislocation in credit and capital markets has impacted global economic activity including the Australian economy, which is in recession. This disruption has led to a slowdown in credit growth and a reduction in consumer and business confidence. If the downturn in the Australian economy continues for an extended period or becomes more severe, the Group's results of operations, liquidity, capital resources and financial condition would be adversely affected.

An increase in defaults under the St.George Group's loan portfolio could adversely affect its results of operations, liquidity, capital resources and financial condition

Credit risk is a significant risk and arises primarily from the Group's lending activities. The risk arises from the likelihood that some customers will be unable to honour their obligations to the Group, including the repayment of loans and interest. Credit exposures also include the Group's dealings with, and holdings of, debt securities issued by other banks and financial institutions whose conditions may be impacted to varying degrees by continuing turmoil in the global financial markets.

The St.George Group holds collective and individually assessed provisions for impaired assets. As a result of the current market and economic conditions and revisions following the merger to the methodology for calculating collective loan provisions to align with the methodology adopted by Westpac, the St.George Group has increased its impairment provisions. If economic conditions deteriorate further, some customers could experience higher levels of financial stress and the St.George Group may experience a significant increase in defaults and write-offs, and be required to further increase its provisioning. Such actions would diminish available capital and would aversely affect its results of operations, liquidity, capital resources and financial condition.

There can be no assurance that actions of the Australian, New Zealand, United States and other foreign governments and other governmental and regulatory bodies to stabilise financial markets will achieve the intended effect

In response to the recent financial crises affecting the banking system and financial markets generally and deteriorating global financial conditions, on 12 October 2008, the Australian government announced that it will guarantee deposits and wholesale term funding of eligible Australian financial institutions and, in November 2008, it implemented the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding. See "Significant Events – Australian government guarantee schemes" for a description of the schemes. Similar stabilising actions have been taken by governments and regulatory bodies in New Zealand, the United States, United Kingdom, Europe and other jurisdictions. The St.George Group expects Westpac to continue to utilise in future the relevant government guarantee scheme to access the wholesale funding markets in the short to medium term.

The Australian Government has announced that the Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding will be reviewed on an ongoing basis and revised if necessary. There can be no assurance as to whether any changes will have an adverse impact on Westpac's ability to obtain wholesale term funding in the future in reliance on the Commonwealth government guarantee, or in turn on the cost of funds that Westpac lends to St.George. The ongoing impact of the stabilisation packages implemented by governments and regulators in New Zealand, the United States, United Kingdom, Europe and other jurisdictions are equally uncertain. There can be no assurance as to what impact such regulatory actions will have on financial markets, consumer and investor confidence, or the extreme levels of volatility currently being experienced. Further declines in consumer and investor confidence and continued uncertainty and volatility could materially adversely affect the Group's business, financial condition and results of operations.

The St.George Group faces intense competition in all aspects of its business

The St.Geroge Group competes with asset managers, retail and commercial banks, investment banking firms, brokerage firms, and other investment service firms. In addition, the trend toward consolidation in the global financial services industry is creating competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. In recent years, competition has also increased as large insurance and banking industry participants have sought to establish themselves in markets that are perceived to offer higher growth potential and as local institutions have become more sophisticated and competitive and have sought alliances, mergers or strategic relationships. If the Group is unable to compete effectively in its various businesses and markets, its business, results of operations and financial condition would be adversely affected.

The St.George Group could suffer losses due to market volatility

The St.George Group is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its overall financial position. In its financial markets trading business, it is exposed to losses arising from adverse movements in levels and volatility of interest rates and foreign exchange rates. The recent levels of market volatility increased its estimated earnings at risk as measured

by value at risk (VaR)[1]. If the Group were to suffer substantial losses due to any market volatility, including the volatility brought about by the current global credit crisis, the results of the Group's operations, liquidity, capital resources and financial condition would be adversely affected.

The St.George Group could suffer losses due to operational risks or environmental factors

As a financial services organisation the Group is exposed to a variety of other risks including those resulting from process error, fraud, information technology instability and failure, system failure, security and physical protection, customer services, staff competence, external events (including fire, flood or pandemic) that cause material damage, impact on the Group's operations or adversely affect demand for the Group's products and services, and product development and maintenance. Operational risks can directly impact the reputation of the St.George Group and businesses conducted by entities in the Group and result in financial losses, which would adversely affect the Group's financial performance or financial condition.

The St.George Group's businesses are highly regulated and could be adversely affected by changes in regulations and regulatory policy

Compliance risk arises from the regulatory standards that apply to the St.George Group as an institution. All of the Group's businesses are highly regulated. The St.George Group is responsible for ensuring that it complies with all applicable legal and regulatory requirements (including changes to accounting standards – for example, refer to sections 'Basis of preparation of interim financial report' and 'Critical accounting assumptions and estimates') and industry codes of practice, as well as meeting its ethical standards. The nature and impact of future changes in such policies are not predictable and are beyond the Group's control.

It is likely that the recent global financial crisis will lead to changes in regulation in most markets in which the Group operates, particularly for financial companies. These changes may include, for example, changes in capital adequacy requirements, accounting and reporting requirements, liquidity regulation, regulation relating to remuneration, or changes in the oversight approach of regulators in the markets in which the Group operates.

In the current economic conditions, it is also possible that governments in jurisdictions in which the Group does business or obtains funding might revise their application of existing regulatory policies that apply to, or impact, St.George's business, including for reasons relating to national and systemic stability.

St.George anticipates that the current uncertain economic environment may also result in increased litigation, which creates the potential for legal decisions that result in unanticipated changes in law and may result in regulators making material changes to existing regulatory policies to address or enforce such changes in law.

Changes in law, regulations or regulatory policy could adversely affect one or more of the Group's businesses, including limiting the Group's ability to do business, and could require the Group to incur substantial costs to comply or impact its capital requirements. The

---

[1] VaR is the potential loss in earnings to a 99% confidence level from adverse market movements. For the trading book it is calculated using a Monte-Carlo simulation engine using two years of weighted historical rate data and a one-day time horizon. The VaR model for the ALM activities has been aligned to Westpac's approach and is calculated to a 99% confidence level using a minimum of one year of historical rate data and a one-day time horizon.

failure to comply with applicable regulations could result in fines and penalties or limitations on the Group's ability to do business. These costs, expenses and limitations could have a material adverse effect on the Group's business, financial performance or financial condition.

Reputational damage could harm the St.George Group's business and prospects

Various issues may give rise to reputational risk and cause harm to the business and prospects of the St.George Group. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, trade sanctions legislation, privacy laws, information security policies, sales and trading practices and conduct by companies in which the Group holds strategic investments. Failure to address these issues appropriately could also give rise to additional legal risk, subject the Group to regulatory enforcement actions, fines and penalties, or harm the Group's reputation among its customers and its investors in the marketplace.

Other risks

Other risks that can adversely impact its performance and its financial position include insurance risk, model risk, business risk and contagion risk.

Risks relating to the integration of St.George and Westpac

The integration of the St.George Group's operations and those of Westpac presents significant challenges that could impact St.George's performance

There are risks associated with the integration of two organisations of the size of Westpac and St.George. Particular areas of risk include: difficulties or unexpected costs relating to the integration of technology platforms, financial and accounting systems, and risk and other management systems of two organisations; difficulties or unexpected costs in realising synergies from the consolidation of head office and back office functions; higher than expected levels of customer attrition or market share loss arising as a result of the merger; unexpected losses of key personnel during or following the integration of the two businesses; possible conflict in the culture of the two organisations and decrease in employee morale; and potential damage to the reputation of brands due to actions from competitors, media and lobby groups as a result of the merger.

In addition, senior management of St.George may be required to devote significant time to the process of integrating Westpac and St.George, which may decrease the time they have to manage the business.

If any of these risks should occur, or if there are unexpected delays in the integration process, the price of the Group's debt securities may be adversely affected.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16 and forms part of this report.

Rounding of amounts

ASIC Class Order 98/100 applies to the Group and in accordance with that class order all amounts have been rounded to the nearest million dollars unless otherwise stated.

Responsibility Statement

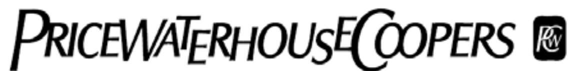
The Directors of St.George Bank Limited confirm that to the best of their knowledge:

(i) the condensed set of financial statements have been prepared in accordance with *AASB 134 Interim Financial Reporting* and are in compliance with *IAS 34 Interim Financial Reporting issued* by the International Accounting Standards Board; and

(ii) the Directors' Report includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7R of the United Kingdom Financial Services Authority.

Signed in accordance with a resolution of the Board of Directors.

………………………	………………………
J S Curtis	G M Bartlett
Chairman	Director
15 May 2009	



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the review of St.George Bank Limited for the half year ended 31 March 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of St.George Bank Limited and the entities it controlled during the period.

PricewaterhouseCoopers

I. L. Hammond
Partner

Sydney
15 May 2009

Liability limited by a scheme approved under Professional Standards Legislation

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 MARCH 2009

		Half-Year to		
		31 March	30 Sept	31 March
		2009	2008	2008
	NOTE	**$M**	$M	$M
Interest income		**4,569**	5,715	4,937
Interest expense		**3,294**	4,503	3,778
Net interest income		**1,275**	1,212	1,159
Non-interest income	2	**410**	623	603
Net operating income before operating expenses and impairment charges		**1,685**	1,835	1,762
Impairment charges	3	**770**	169	113
Operating expenses	4	**926**	694	759
Profit/(loss) before income tax		**(11)**	972	890
Income tax expense	5	**3**	295	361
Net profit/(loss) for the period		**(14)**	677	529
Net profit attributable to minority interests		**-**	1	-
Net profit/(loss) attributable to shareholders of the Bank		**(14)**	676	529

The consolidated interim income statement should be read in conjunction with the accompanying notes.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 MARCH 2009

	NOTE	As at **31 March 2009 $M**	30 Sept 2008 $M	31 March 2008 $M
ASSETS				
Cash and liquid assets		**892**	713	933
Receivables due from other financial institutions		**2,095**	10,485	8,508
Assets at fair value through the income statement		**297**	7,385	7,386
Derivative assets		**6,898**	3,389	2,621
Available for sale investments		**602**	2,810	829
Loans and other receivables		**123,646**	119,988	113,416
Investment in associated companies		**26**	29	29
Property, plant and equipment		**319**	331	336
Intangible assets		**1,323**	1,378	1,344
Deferred tax assets		**499**	234	130
Other assets		**479**	633	682
TOTAL ASSETS		**137,076**	147,375	136,214
LIABILITIES				
Deposits and other borrowings		**66,945**	90,201	78,713
Payables due to other financial institutions		**1,668**	1,786	965
Derivative liabilities		**4,383**	2,291	3,049
Bank acceptances		**432**	3,970	5,050
Provision for dividends		**4**	3	4
Current tax liabilities		**20**	62	44
Deferred tax liabilities		**2**	19	33
Other provisions		**142**	140	154
Due to parent entity		**25,469**	-	-
Bonds and notes		**25,791**	37,760	37,623
Loan capital		**2,649**	3,245	2,624
Bills payable and other liabilities		**1,648**	895	1,095
TOTAL LIABILITIES		**129,153**	140,372	129,354
NET ASSETS		**7,923**	7,003	6,860
SHAREHOLDERS' EQUITY				
Share capital	7, 8	**7,618**	5,631	5,480
Reserves	8	**(425)**	115	259
Retained profits	8	**723**	1,250	1,115
Equity attributable to shareholders of the Bank		**7,916**	6,996	6,854
Equity attributable to minority interests		**7**	7	6
Total Shareholders' Equity		**7,923**	7,003	6,860

The consolidated interim balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF-YEAR ENDED 31 MARCH 2009

	NOTE	Half-Year to 31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Cash flow hedge reserve				
Losses on cash flow hedging instruments (net of tax)	8			
Recognised in equity		**(244)**	(150)	(17)
Transferred to the income statement		**-**	3	1
Available for sale reserve				
Losses on available for sale investments (net of tax)	8			
Recognised in equity		**(123)**	(29)	(2)
Transferred to the income statement		**32**	-	-
Defined benefit plan actuarial losses (net of tax)	8	**-**	(5)	-
Net income/(expense) recognised directly in equity		**(335)**	(181)	(18)
Profit/(loss) for the period		**(14)**	677	529
Total recognised income and expense for the period		**(349)**	496	511
Total recognised income and expense for the period attributable to:				
Shareholders of the Bank		**(349)**	495	511
Minority interests		**-**	1	-
		(349)	496	511

The consolidated interim statement of recognised income and expense should be read in conjunction with the accompanying notes.

ST.GEORGE BANK LIMITED AND ITS CONTROLLED ENTITIES
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 MARCH 2009

	NOTE	Half-Year to		
		31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received		**4,705**	5,588	4,820
Interest paid		**(3,020)**	(4,240)	(3,925)
Other income received		**504**	462	583
Operating expenses paid		**(649)**	(636)	(657)
Income taxes paid		**(187)**	(304)	(361)
Purchase of available for sale investments		**(166)**	(74)	(43)
Proceeds from sale and redemption of available for sale investments		**59**	149	126
Net (increase)/decrease in assets				
- Balance due from other financial institutions (not at call)		**7,110**	(513)	(610)
- Assets at fair value through the income statement		**9,220**	(2,071)	(2,378)
- Loans and other receivables		**(4,438)**	(6,666)	(7,294)
Net increase/(decrease) in liabilities				
- Balance due to other financial institutions (not at call)		**159**	210	557
- Deposits and other borrowings		**(27,009)**	10,294	6,641
- Due to parent entity		**25,469**	-	-
- Bonds and notes		**(13,695)**	(1,389)	1,213
Net cash (used in)/provided by operating activities	9(a)	**(1,938)**	810	(1,328)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received		**1**	3	3
Restructure related payments		**(9)**	(10)	(7)
Proceeds from sale of shares		**-**	43	50
Payments for property, plant and equipment		**(40)**	(43)	(40)
Proceeds from sale of property, plant and equipment		**9**	16	31
Net (increase)/decrease in assets				
- Investments in associates		**3**	-	-
- Other assets		**130**	(68)	72
Net cash provided by/(used in) investing activities		**94**	(59)	109
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase/(decrease) in liabilities				
- Other liabilities		**407**	(88)	(109)
- Loan capital		**(872)**	497	1
Net proceeds from the issue of Converting Preference Shares		**-**	-	392
Proceeds from the issue of shares		**2,125**	(1)	864
Share issue costs		**-**	1	(9)
Dividends paid (excluding Dividend Re-Investment Plan)		**(717)**	(358)	(397)
Net cash provided by financing activities		**943**	51	742
Net increase/(decrease) in cash and cash equivalents		**(901)**	802	(477)
Cash and cash equivalents at the beginning of the half-year		**2,100**	1,298	1,775
Cash and cash equivalents at the end of the half-year	9(b)	**1,199**	2,100	1,298

The consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

Note 1: Basis of preparation of interim financial report

This general purpose interim financial report for the half-year ended 31 March 2009 has been prepared in accordance with the requirements for an authorised deposit-taking institution under the Banking Act 1959 (as amended), *AASB 134 Interim Financial Reporting*, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an Annual Report. Accordingly, this interim report is to be read in conjunction with the 30 September 2008 Annual Report of the Group and any public announcements made by St.George during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These consolidated financial statements also comply with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board.

For the purpose of this Interim Report, the half-year has been treated as a discrete reporting period. The Interim Report is presented in Australian dollars.

Except as explained below, the accounting policies and methods of compilation adopted in this interim financial report are the same as those applied in the previous financial year and corresponding interim reporting period.

Comparative information is restated where appropriate to enhance comparability.

The consolidated interim financial report was authorised for issue by the Directors on 15 May 2009.

ASIC Class Order 98/100 applies to the Group and in accordance with that class order all amounts have been rounded to the nearest million dollars, unless otherwise stated.

The following new standards and interpretations have been issued, but are not yet effective and have not been early adopted by the Group.

A revised *AASB 3 Business Combinations* and amended *AASB 127 Consolidated and Separate Financial Statements* were issued by the Australian Accounting Standards Board in March 2008. The revisions to the standards apply prospectively to business combinations and will be effective for the 30 September 2010 financial year end. The main changes under the standards are that:

- acquisition related costs are recognised as an expense in the income statement in the period in which they are incurred;
- earn-outs and contingent considerations will be measured at fair value at the acquisition date, however remeasurement in the future will be recognised in the income statement;
- step acquisitions, impacting equity interests held prior to control being obtained, are remeasured to fair value, with gains and losses being recognised in the income statement. Similarly where control is lost, any difference between the fair value of the residual holding and its carrying value is recognised in the income statement; and
- while control is retained, transactions with minority interests would be treated as equity transactions.

AASB 101 Presentation of Financial Statements is a revised standard applicable to the Group in the 2010 financial year. The amendments affect the presentation of owner changes in equity and of comprehensive income. They do not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

Amendments to *AASB 132 Financial Statements: Presentation* and *AASB 101 Presentation of Financial Statements* were issued in February 2008 and will require some puttable financial instruments and some financial instruments, which impose on the entity an obligation to deliver to another party a pro rata share of the net assets on liquidation, to be classified as equity. The amendment is applicable to the Group in the 2010 financial year and is not expected to have a material impact.

AASB 8 Operating Segments was issued in February 2007. The standard applies to the Group for the 2010 financial year. The standard replaces *AASB 114 Segment reporting* and will further align operating segment reporting with internal reporting to key management personnel.

The Group adopted *AASB 2008-10 Amendments to Australian Accounting Standards – Reclassification of Financial Assets* with the effective date of 1 July 2008. This standard makes amendments to *AASB 139 Financial Instruments: Recognition and Measurement* and *AASB 7 Financial Instruments: Disclosure*. The amendment permits the reclassification of certain non-derivative financial assets, other than those designated at fair value through profit and loss upon initial recognition, out of the fair value through profit or loss category when the financial asset is no longer held for the purpose of selling or repurchasing in the near future and there are rare circumstances or it would otherwise have met the definition of a loan and receivable at initial recognition. No additional reclassifications have been made in the current period.

(a) Changes in accounting policies

The Group has adopted a change in its accounting policy in relation to mortgage insurance premium income.

Amounts received from customers by the Group in relation to mortgage insurance were previously accounted for as a yield related fee under *AASB 139 Financial Instruments: Recognition and Measurement* and recognised on an effective yield basis within net interest income over the expected life of the underlying loan. The Group has changed its accounting for such income whereby it is recognised as insurance premium revenue in accordance with *AASB 1023 General Insurance Contracts*. This accounting policy change has been applied retrospectively and had no impact on profit after tax or retained earnings of prior periods, however did result in the reclassification of certain income statement items for the half-years ended 30 September 2008 and 31 March 2008. For the half-year ended 30 September 2008 this resulted in a decrease in interest income of $30 million, an increase in non-interest income of $26 million and a decrease in impairment charges of $4 million. For the half-year ended 31 March 2008 this resulted in a decrease in interest income of $28 million, an increase in non-interest income of $23 million and a decrease in impairment charges of $5 million.

(b) Critical accounting assumptions and estimates

The preparation of the Group's financial statements requires management to use judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those prepared using these judgements, estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis.

An explanation of the judgements, estimates and assumptions that are significant to the Group's financial statements is provided below.

(i) Goodwill

Goodwill represents the excess of purchase consideration, including incremental expenses, over the fair value of the identified net assets of the acquired business.

Management judgement is involved in estimating the fair value of the acquired assets and liabilities and therefore goodwill, at the time of acquisition.

Judgement is also required in the Group's annual testing of goodwill for impairment. An impairment will be recognised if the carrying value of the cash generating unit to which goodwill has been allocated is in excess of its recoverable amount. The recoverable amounts of cash generating units are determined based upon "value in use" calculations, which involve the use of estimates and assumptions in relation to the cash flows and discount rates. Goodwill impairment testing for both 2008 and 2007 indicated that none of the Group's goodwill is impaired and there have been no indicators of impairment in the current period.

(ii) Fair value of financial instruments

Assets at fair value through the income statement are recognised at fair value and changes in their fair value are recognised in the Income Statement. Derivative financial instruments are recognised at fair value and changes in their fair value are recognised in the Income Statement.

The Group classifies investment securities, shares in other entities and certain other investments as available for sale investments. Available for sale investments are measured at fair value and changes in their fair value are recognised in equity in the available for sale reserve until they are sold, otherwise disposed of, or until such investments become impaired.

Fair value represents the amount for which an asset could be exchanged or a liability settled in an arms-length transaction between willing parties. The Group uses quoted market prices as the measure of fair value. Where quoted market prices are not available, fair values are based on valuation techniques based upon observable market data.

The estimates of fair value are subjective and involve the exercise of judgement. Examples of the judgements involved include the selection of valuation techniques when market prices are not available, selection of discount rates and estimation of assumptions that may affect future cash flows of the asset. Changes in assumptions used could have a material impact on the valuation.

(iii) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final outcome of these matters is different from the amounts initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Following the redemption of St.George's hybrid instruments, namely the St.George CPS, St.George CPS II and St.George SPS, on 31 March 2009, St.George and all its wholly owned Australian subsidiaries have become part of the Westpac tax consolidated group. This will result in the reset of the tax base of certain of St.George's assets as of that date. The change in the tax base may result in material adjustments to certain deferred tax balances recognised by the Group with a corresponding adjustments to the reported results of the Group.

In order to determine the impact of St.George joining the Westpac tax consolidated group the fair value of St.George and the fair value of its identifiable assets and liabilities will need to be determined as at 31 March 2009. This will require management to make critical assumptions, judgements and estimates that are involved in determining the fair value of identifiable assets and liabilities.

No adjustment has been made to estimate the reset tax base of St.George's assets for the purposes of preparing these interim financial statements, as the valuation work to determine the financial effect of joining the Westpac tax consolidated group has not been finalised.

The most significant items which will require the use of judgement in determining the fair value of identifiable assets and liabilities are intangible assets and financial assets and liabilities.

Intangible assets

Identifiable intangible assets that are not normally recognised will need to be identified and measured at their fair value. This involves the use of judgements, estimates and assumptions about how customers will act and products perform in the future, based largely on past experience and contractual arrangements.

The following material identifiable intangible assets have been recognised by the Westpac Group in respect of St.George:

- Core deposit intangible;
- Brand names;
- Distribution relationships financial planners; and
- Customer relationships credit cards.

Financial assets and liabilities

The fair value of all of St.George's financial assets and financial liabilities will need to be estimated. Many of these assets and liabilities are not normally traded in active markets. The recent global credit and capital market conditions that have experienced extreme volatility, disruption and decreased liquidity have increased the level of management judgement required in determining the fair value of St.George's financial assets and financial liabilities.

(iv) Provisions for loan impairment charges

The Group's loan impairment provisions are established to recognise incurred impairment in its portfolio of loans. A loan is impaired when there is objective evidence that events occurring since the loan was recognised have affected expected cash flows from the loan. The impairment charge is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate. Provisions for loan impairment represent management's estimate of the charges incurred in the loan portfolios as at the balance date. There are two components to the Group's loan impairment provisions: individual and collective.

Individual component

All impaired loans that exceed specified thresholds are individually assessed for impairment. Individually assessed loans principally comprise the Group's portfolio of commercial loans to medium and large businesses. Impairment is recognised as the difference between the carrying value of the loan and the discounted value of management's best estimate of future cash repayments and proceeds from any security held (discounted at the loan's original effective interest rate). All relevant considerations that have a bearing on the expected future cash flows are taken into account, including the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. Subjective judgements are made in this process. Furthermore, judgements can change with time as new information becomes available or as work-out strategies evolve, resulting in revisions to the impairment provision as individual decisions are taken.

Collective impairment

This is made up of two elements: loan impairment provisions for impaired loans that are below individual assessment thresholds (collective impaired loan provisions) and for loan impairments that have been incurred but have not been separately identified at the balance sheet date (incurred but not reported provisions). These are established on a portfolio basis taking into account the level of arrears, collateral, past loss experience and defaults based on portfolio trends. The most significant factors in establishing these provisions are the estimated loss rates and the related emergence periods. The future credit quality of these portfolios is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include the economic environment, notably interest rates and their effect on customer spending, unemployment levels, payment behaviour and bankruptcy rates.

(v) Consolidation of special purpose entities

The Group's consolidated financial statements include all entities that are controlled by St.George. When assessing whether the Group controls a special purpose entity (SPE), judgement is required about risks and rewards together with the Group's ability to make operational decisions for the SPE.

(c) Revision of estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates of underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. During the six months ended 31 March 2009 management reassessed its estimates, as part of both its ongoing review of estimates and as a result of the merger with Westpac, in respect of loan impairment provisions, fair value of financial instruments and deferred expenditure.

Collective loan impairment provisions are recognised in relation to incurred loan losses which are yet to be individually identified. The Group has adopted Westpac's methodology for formulating its collective provision. This adoption has included an alignment of St.George's loan credit risk grading system with Westpac's loan credit risk grading system and also involves a re-measurement of the economic overlay that adjusts collective provisions for the state of the economic cycle. This methodology change in calculating the estimate has increased the loan impairment charges by $496 million during the current period.

The Group recognises certain financial assets at their fair value. The fair value represents the amount for which an asset could be exchanged or a liability settled in an arms-length transaction between willing parties. In determining fair value the Group uses quoted market prices or where these are not available valuation techniques based upon observable market data. The Group has undertaken a review of estimates and judgements applied in the determination of the fair value for these financial assets. As a result, the fair value of available for sale financial assets has been reduced by $131 million reflecting a revision of their fair value in light of changed financial market conditions and a change in the valuation methodology. This change in estimate has resulted in a revaluation decrement of $131 million being recognised in the available for sale equity reserve, with no impact on the results for the current period.

Computer software costs not integral to associated hardware are recognised as an intangible asset where they are identifiable, reliably measured and it is probable that they will lead to future economic benefits to the Group. The Group has undertaken a review of the methodology supporting the identification of costs eligible for capitalisation, their expected useful lives following the merger and the future economic benefits expected to be realised. As a result, an impairment loss has been recognised in relation to capitalised software costs where the timing of realisation of associated benefits is uncertain or the value of future benefits is not expected to be fully realised. This change in estimate has resulted in the recognition of an impairment charge on intangible assets of $61 million during the current period.

Note 2: Non-Interest Income

	Half-Year to		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Non-interest income			
Net trading and investment income	**(24)**	61	21
Product fees and commissions	**322**	355	337
Managed funds fees	**102**	125	137
Profit on disposal of shares	**-**	25	-
Gain on Visa Inc. shareholding	**-**	-	77
Other	**10**	57	31
Total non-interest income	**410**	623	603

Note 3: Impairment Charges

	Half-Year to		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Individual impairment	**284**	112	91
Collective impairment [(1)]			
- movement during period	**386**	9	22
- economic overlay	**100**	48	-
	486	57	22
Total impairment charges	**770**	169	113

(1). March 2009 half year collective impairment movement includes a $496 million accounting methodology adjustment. Refer to Note 1(c) for further details on loan impairment.

Note 4: Operating Expenses

	Half-Year to		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Operating expenses			
Employment expenses	**498**	404	464
Non-salary technology expenses	**135**	73	72
Occupancy expenses	**121**	85	80
Administration and other expenses	**172**	132	143
Total operating expenses	**926**	694	759

Note 5: Income Tax Expense

	Half-Year to		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Profit/(loss) before tax	**(11)**	972	890
Prima facie income tax expense/(benefit) calculated at 30% of profit before tax (2008: 30%)	**(3)**	292	267
Increase in income tax expense due to:			
Share based payments expense	**-**	1	2
Preference share dividends classified as interest expense	**5**	7	5
Underprovision for income tax in prior year	**-**	4	113
Reversal of tax losses previously recognised	**5**	-	-
Other	**2**	2	1
Decrease in income tax expense due to:			
Non-assessable income	**-**	(1)	(2)
Deduction allowable on shares issued to employees	**(2)**	(1)	(1)
Net difference between accounting and assessable profit on sale of assets	**-**	(1)	1
Rebatable dividends	**(1)**	(1)	(1)
Recognition of capital gains tax losses	**-**	1	(5)
Recognition of tax losses	**-**	-	(10)
Tax consolidation benefit	**-**	-	(8)
Overprovision for income tax in prior year	**-**	(6)	-
Other	**(3)**	(2)	(1)
Total income tax expense	**3**	295	361

Note 6: Dividends Provided for or Paid

	Half-Year to		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Ordinary dividends			
2007 Final dividend (fully franked - 86 cents)	**-**	-	459
2008 Interim dividend (fully franked - 88 cents)	**-**	494	-
2008 Final and special dividend (fully franked - 125 cents)	**709**	-	-
	709	494	459
Other dividends			
Subordinated Adjustable Income Non-refundable Tier 1 Securities	**8**	11	11
Step-up Preference Shares	**1**	5	4
	9	16	15
Total dividends	**718**	510	474

Note 7: Share Capital

	As at			As at		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M	**31 March 2009 No. Shares**	30 Sept 2008 No. Shares	31 March 2008 No. Shares
Capital						
Fully paid ordinary shares	**7,258**	5,133	4,982	**1,493,140,660**	566,198,054	560,728,229
Treasury shares	**-**	(10)	(10)	**-**	(331,213)	(331,213)
Fully paid SAINTS	**345**	345	345	**3,500,000**	3,500,000	3,500,000
Fully paid SPS	**-**	148	148	**-**	1,500,000	1,500,000
General Reserve	**15**	15	15	**-**	-	-
	7,618	5,631	5,480			
Issued and Uncalled Capital						
Borrower shares - unpaid [(1)]	**-**	-	-	**1,981**	2,213	2,465
Depositor shares - unpaid [(1)]	**-**	-	-	**188,136**	193,654	199,773
	-	-	-			

On 31 March 2009 the Group redeemed its Step-up Preference Shares (SPS).

(1) These shares were originally issued to borrowers and depositors when St.George was a building society to enable them to open a loan or deposit account. Borrower and depositor shareholders have certain limited rights as set out in the Constitution, including the right to vote on issues that affect their rights, and have certain obligations on a winding up. On 12 March 2009 Westpac lodged a compulsory acquisition notice with ASIC proposing to compulsorily acquire all borrower and depositor shares on issue. The compulsory acquisition of these shares was completed on 24 April 2009 with holders of these shares receiving $0.05 per share.

Note 8: Shareholders' Equity

	As at		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Equity reconciliations			
Ordinary share capital			
Opening balance	**5,123**	4,972	4,041
Dividend reinvestment plan	**-**	151	76
Employee share ownership schemes	**-**	-	11
Share issuance	**2,125**	-	853
Share issue costs	**-**	-	(9)
Movement in treasury shares	**10**	-	-
Closing balance	**7,258**	5,123	4,972
Preference share capital	**345**	493	493
General reserve	**15**	15	15
Total share capital	**7,618**	5,631	5,480
Retained profits			
Opening balance	**1,250**	1,115	1,086
Defined benefit plan actuarial losses	**-**	(5)	-
Net profit/(loss) attributable to shareholders of the Bank	**(14)**	676	529
Total available for appropriation	**1,236**	1,786	1,615
Transfer from/(to) general reserve for credit losses [(1)]	**205**	(26)	(26)
Interim dividend - cash component	**-**	(343)	-
Interim dividend - dividend reinvestment plan	**-**	(151)	-
Final dividend - cash component	**(709)**	-	(383)
Final dividend - dividend reinvestment plan	**-**	-	(76)
Other dividends	**(9)**	(16)	(15)
Closing balance	**723**	1,250	1,115

(1). As a result of the change to collective provisions, the general reserve for credit losses has been transferred to retained earnings.

Note 8: Shareholders' Equity (continued)

	As at		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Reserves			
Depositor and borrower redemption reserve	**2**	2	2
Foreign currency translation reserve	**(1)**	(1)	(1)
Cash flow hedge reserve			
Opening balance	**(116)**	31	47
Losses on cash flow hedging instruments (net of tax)			
Recognised in equity	**(244)**	(150)	(17)
Transferred to the income statement	**-**	3	1
Closing balance	**(360)**	(116)	31
Equity compensation reserve			
Opening balance	**55**	49	41
Current period movement	**-**	6	8
Closing balance	**55**	55	49
Available for sale reserve			
Opening balance	**(30)**	(1)	1
Losses on available for sale investments (net of tax)			
Recognised in equity [1]	**(123)**	(29)	(2)
Transferred to the income statement	**32**	-	-
Closing balance	**(121)**	(30)	(1)
General reserve for credit losses			
Opening balance	**205**	179	153
Appropriation (to)/from profits [2]	**(205)**	26	26
Closing balance	**-**	205	179
Total reserves	**(425)**	115	259

(1). March 2009 half year movement includes a $131 million accounting methodology adjustment. Refer note 1(c) for further details.

(2). As a result of the change to collective provisions, the general reserve for credit losses has been transferred to retained earnings.

Note 9: Notes to the Consolidated Interim Statement of Cash Flows

a. Reconciliation of net profit/(loss) to net cash (used in)/provided by operating activities

	Half-Year to		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Net profit/(loss) attributable to shareholders of the Bank	**(14)**	676	529
Net profit on sale of land and buildings	**-**	(4)	(9)
Profit on disposal of shares	**-**	(25)	-
Gain on Visa Inc. shareholding	**-**	-	(77)
Dividend income	**(1)**	(3)	(3)
Treasury trading loss/(profit)	**24**	(61)	(21)
Loan impairment charges	**770**	169	113
Share based compensation	**11**	6	8
Depreciation	**31**	31	32
Amortisation/write-off of deferred expenditure	**85**	20	19
(Increase)/decrease in assets			
- interest receivable	**136**	(157)	(145)
- other income receivable	**73**	(41)	113
- balance due from other financial institutions (not at call)	**7,110**	(513)	(610)
- assets at fair value through the income statement	**9,220**	(2,071)	(2,378)
- available for sale investments	**(107)**	75	83
- loans and other receivables	**(4,438)**	(6,666)	(7,294)
- net position of deferred tax assets	**(282)**	(118)	(4)
Increase/(decrease) in liabilities			
- interest payable	**273**	298	(147)
- accrued expenses	**287**	75	108
- balance due to other financial institutions (not at call)	**159**	210	557
- provision for income tax	**(42)**	18	(57)
- other provisions	**2**	(14)	1
- due to parent entity	**25,469**	-	-
- deposits and other borrowings	**(27,009)**	10,294	6,641
- bonds and notes	**(13,695)**	(1,389)	1,213
Net cash (used in)/provided by operating activities	**(1,938)**	810	(1,328)

Note 9: Notes to the Consolidated Interim Statement of Cash Flows (continued)

b. Reconciliation of cash

For the purpose of the statement of cash flows, cash at the end of the half-year is reconciled to the following items in the balance sheet:

	As at		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Cash and liquid assets	**892**	713	933
Receivables due from other financial institutions - at call	**1,520**	2,800	1,336
Payables due to other financial institutions - at call	**(711)**	(988)	(377)
Bills payable	**(502)**	(425)	(594)
Cash and cash equivalents at the end of the half-year	**1,199**	2,100	1,298

Note 10: Segmental Reporting

The basis of segment reporting reflects the management of the business within the Group, rather than the legal structure of the Group. The business segment results have been presented on a management reporting basis and consequently internal charges and transfer pricing adjustments have been reflected in the performance of each business segment. Inter-segment pricing is determined on an arms length basis.

Primary reporting – business segments

The business segments are defined by the customers they service and the services they provide. The Group has reorganised its business segments as part of the merger with Westpac and adjusted its segment reporting accordingly. Retail and Business Banking is responsible for sales, service and product development for consumers and smaller medium-sized business customers in Australia. Other includes the results of Institutional Banking and Wealth Management activities.

Note 10: Segmental Reporting (continued)

	Half Year Ended ($M) 31 March 2009		
	Retail and Business Bank	Other	Group
Revenue from external customers[1]	3,826	1,153	4,979
Internal Revenue[2]	(1)	1	-
Total segment revenue	3,825	1,154	4,979
Interest income	3,486	1,083	4,569
Interest expense	(1,337)	(1,957)	(3,294)
Internal charges[2]	(962)	962	-
Net interest income	1,187	88	1,275
Non-interest income	340	70	410
Internal charges[2]	(1)	1	-
	339	71	410
Net Operating income before operating expenses and impairment charges	1,526	159	1,685
Depreciation and amortisation	-	116	116
Other operating expenses	367	443	810
Internal charges	316	(316)	-
Total operating expenses before impairment charges	683	243	926
Impairment charges[3]	236	534	770
Profit/(loss) before income tax	607	(618)	(11)
Income tax expense/(benefit)	182	(179)	3
Net profit attributable to minority interests	-	-	-
Net Profit/(loss) attributable to shareholders of the Bank	425	(439)	(14)
Total assets	115,011	22,065	137,076
Total liabilities	78,602	50,551	129,153

[1] Revenue from external customers comprises interest income and non-interest income.

[2] Internal charges are eliminated on consolidation.

[3] "Other" segment loan impairment charge includes a $496 million accounting methodology adjustment. Refer Note 1(c) for further details.

Note 10: Segmental Reporting (continued)

	Half Year Ended ($M) 30 September 2008		
	Retail and Business Bank	Other	Group
Revenue from external customers[1]	4,426	1,912	6,338
Internal Revenue[2]	(12)	12	-
Total segment revenue	4,414	1,924	6,338
Interest income	4,083	1,632	5,715
Interest expense	(1,631)	(2,872)	(4,503)
Internal charges[2]	(1,338)	1,338	-
Net interest income	1,114	98	1,212
Non-interest income	343	280	623
Internal charges[2]	(12)	12	-
	331	292	623
Net Operating income before operating expenses and impairment charges	1,445	390	1,835
Depreciation and amortisation	-	51	51
Other operating expenses	342	301	643
Internal charges	223	(223)	-
Total operating expenses before impairment charges	565	129	694
Impairment charges	144	25	169
Profit/(loss) before income tax	736	236	972
Income tax expense/(benefit)	221	74	295
Net profit attributable to minority interests	-	1	1
Net Profit/(loss) attributable to shareholders of the Bank	515	161	676
Total assets	110,471	36,904	147,375
Total liabilities	76,148	64,224	140,372

[1] Revenue from external customers comprises interest income and non-interest income.
[2] Internal charges are eliminated on consolidation.

Note 10: Segmental Reporting (continued)

	Half Year Ended ($M) 31 March 2008		
	Retail and Business Bank	Other	Group
Revenue from external customers[1]	3,900	1,640	5,540
Internal Revenue[2]	13	(13)	-
Total segment revenue	3,913	1,627	5,540
Interest income	3,582	1,355	4,937
Interest expense	(1,340)	(2,438)	(3,778)
Internal charges[2]	(1,187)	1,187	-
Net interest income	1,055	104	1,159
Non-interest income	318	285	603
Internal charges[2]	13	(13)	-
	331	272	603
Net Operating income before operating expenses and impairment charges	1,386	376	1,762
Depreciation and amortisation	-	51	51
Other operating expenses	348	360	708
Internal charges	236	(236)	-
Total operating expenses before impairment charges	584	175	759
Impairment charges	88	25	113
Profit/(loss) before income tax	714	176	890
Income tax expense/(benefit)	214	147	361
Net profit attributable to minority interests	-	-	-
Net Profit/(loss) attributable to shareholders of the Bank	500	29	529
Total assets	104,441	31,773	136,214
Total liabilities	68,145	61,209	129,354

[1] Revenue from external customers comprises interest income and non-interest income.
[2] Internal charges are eliminated on consolidation.

Note 11: Contingent Liabilities, Assets and Commitments

The Group is a party to financial instruments with off-balance sheet credit risk in the normal course of business to meet the financing needs of its customers and in managing its own risk profile. These financial instruments include commitments to extend credit, bill endorsements, financial guarantees, standby letters of credit and underwriting facilities.

The Group's exposure to credit loss in the event of non-performance by the other party to such financial instruments is represented by the contract or notional amount of those instruments. However, some commitments to extend credit and provide underwriting facilities can be cancelled or revoked at any time at the Group's option.

The Group uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

The Group takes collateral where it is considered necessary to support, both on and off-balance sheet, financial instruments with credit risk. The Group evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral taken, if deemed necessary, on the provision of a financial facility is based on management's credit evaluation of the counterparty.

Off-balance sheet credit-risk related financial instruments are as follows:

	Contract or Notional Amount As at		
	31 March 2009 $M	30 Sept 2008 $M	31 March 2008 $M
Standby letters of credit and financial guarantees	**1,081**	1,065	944
Trade-related contingencies	**85**	214	81
Bill endorsements	**10**	12	8
Non-financial guarantees	**19**	21	19
Commitments to extend credit	**27,268**	25,580	26,409
Other commitments	**619**	714	1,121
Total credit-risk related instruments	**29,082**	27,606	28,582

The credit commitments shown in the above table also constitute assets. These commitments would be classified as loans and other assets in the balance sheet on the contingent event eventuating.

Litigation

Contingent liabilities exist in respect of actual and potential claims and proceedings. An assessment of the Group's likely loss has been made on a case-by-case basis for the purpose of the financial statements and specific provisions have been made where appropriate within the credit litigation provision.

Depositary Capital Securities

St.George has appealed to the Full Federal Court against a 2007 decision in favour of the Australian Taxation Office in relation to assessments for income tax years 1999 to 2003. The dispute centres around the tax deductibility of interest payments made in connection with a

1997 hybrid capital raising through a St.George US subsidiary company. The amount in dispute is $117 million, St.George's appeal was heard on 26 to 28 November 2008. Judgement was reserved and is anticipated in the first half of calendar 2009. This matter has been fully provided for and the full judgement amount paid to the Australian Taxation Office.

Note 12: Events Subsequent to Balance Date

On 15 April 2009, St.George Bank Limited's admission category on the Australian Securities Exchange (ASX) was changed to an ASX Debt Listing. As a result, St.George is required to comply with fewer listing rules being only those stated in the listing rules to apply to an ASX Debt Listing.

There are no other material events or circumstances that have occurred after the reporting date, but prior to the signing of the interim financial statements, that require disclosure or adjustment to balances and transactions that existed at the reporting date.

In the Directors' opinion:

1. (a) the consolidated financial statements and notes set out on pages 17 to 39 are in accordance with the Corporations Act 2001, including that they:

   (i) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

   (ii) give a true and fair view of the Group's financial position as at 31 March 2009 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the half-year ended on that date; and

   (b) there are reasonable grounds to believe that St.George will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe St.George and its controlled entities will, as a Group, be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between St.George and those controlled entities pursuant to a Class Order. At the date of this declaration St.George is within the class of companies affected by Class Order 98/1418.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board.

………………………	………………………
J S Curtis Chairman	G M Bartlett Director

15 May 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of St.George Bank Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of St.George Bank Limited, which comprises the balance sheet as at 31 March 2009, and the income statement, statement of recognised income and expense and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the St.George Bank Limited Group (the consolidated entity). The consolidated entity comprises both St.George Bank Limited (St.George) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of St.George are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state that the consolidated financial statements comply with IAS 34 *Interim Financial Reporting*.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity 's financial position as at 31 March 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of St.George Bank Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to

Liability limited by a scheme approved under Professional Standards Legislation

determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http:/www.pwc.com/ au/financialstatementaudit.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of St.George Bank Limited:

a) is not in accordance with the Corporations Act 2001 including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2009 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

b) does not comply with IAS 34 *Interim Financial Reporting* as disclosed in note 1.

PricewaterhouseCoopers

I.L. Hammond
Partner

Sydney, Australia
15 May 2009