

ROOM TO GROW

service, people, results

CONCISE ANNUAL REPORT 2003



st.george

Financially, geographically and within target market segments, we have plenty of room to grow. We are realising this potential through our low-risk organic growth strategy.

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**THE FINANCIAL YEAR TO
30 SEPTEMBER, 2003 HAS
BEEN A PARTICULARLY
STRONG YEAR FOR THE
ST. GEORGE GROUP
HIGHLIGHTED BY
EARNINGS PER SHARE
GROWTH OF 14 PER CENT.**

Frank J Conroy, Chairman

Chairman's Report

The financial year to 30 September, 2003 has been a particularly strong year for the St.George Group highlighted by earnings per share growth of 14 per cent.

St.George achieved a net profit after tax of \$606 million, compared to \$505 million before significant items last year. This is an increase of 20 per cent. As there were no significant items during the year, profit available to shareholders increased by 64.2 per cent from \$369 million in the previous year.

The strong operating performance of the Group was driven by good increases in lending and deposit volumes. Non-interest income recorded another solid increase over the year. Growth occurred across all parts of the Bank and reflects the benefits of a consistent, disciplined and well-implemented strategy. Importantly, this growth has been underpinned by ongoing superior credit quality, stable interest rate margins and close control over costs.

The Directors were pleased to be able to declare a fully franked final dividend of 50 cents per ordinary share. This is the seventh consecutive increase in the half-yearly dividend to shareholders. The full year dividend of 95 cents represents an increase of 18.8 per cent compared to last year's total dividend of 80 cents.

Capital generated by the Bank has been used to support continued high organic growth. Tier one capital at year end was 7.2 per cent, comfortably within the Bank's target range of 7 per cent to 7.5 per cent and conforms to the requirements of the regulator and rating agencies. The Bank has again been active with capital management. Initiatives undertaken during the year included two securitisations of residential loan receivables totalling US\$2.5 billion through the Crusade Program and a domestic subordinated debt issue of \$250 million. In October 2003, the Bank issued a US\$400 million subordinated note raising in the United States Rule 144A market. These issues were received strongly by investors.

The Dividend Reinvestment Plan raised a further \$114 million through the issue of 5.8 million ordinary shares. The Plan will continue with similar arrangements to last year.

In February 2001, St.George granted Sell Back Rights to effect an off-market buy-back of the Bank's shares. Subsequently, the Australian Taxation Office (ATO) issued a Class Ruling stating that shareholders who received Sell Back Rights would be liable to income tax on the market value of those Rights. Shareholders were informed in November, 2002 that St.George would continue to contest on behalf of shareholders the ATO's view, so long as there continued to be a strong prospect of obtaining a satisfactory outcome. Litigation continues in the Federal Court and the decision from proceedings held on 30/31 October, 2003 is pending.

In response to changing community and investor expectations, the Australian Stock Exchange released its Corporate Governance Guidelines. The Directors have reviewed the Guidelines to ensure the Bank's policies and practices conform. Details are set out in the Corporate Governance Statement in this Annual Report. While compliance with the Guidelines is not required until the end of 2004, the Directors are able to record full compliance this year.

The Bank is benefiting from a generally well performing Australian economy and credit growth, mainly in the residential home market, has been growing strongly. The Reserve Bank has moved to alter its interest rate setting to modify demand.

There is confidence that the underlying momentum of business growth in the Bank will continue as the strategy of sales and service is implemented across the Group. The Bank has targeted earnings per share to increase in the range of 10 per cent to 11 per cent over the year to September, 2004 and double digit growth in 2005.

In May this year, the Deputy Chairman, Mr John Mallick retired. Mr Mallick had been a hardworking and diligent member of the Board. He had been a director for ten years and was the Chairman of the Audit and Compliance Committee and a member of the Nomination and Remuneration Committee. He was also a nominee of the Board of Directors for the Bank's various staff superannuation funds, a director of the Bank's funds administration subsidiary, SEALCORP Holdings Limited and a Governor of the St.George Foundation.

It is the intention of the Directors to appoint an additional Director.

On behalf of the Directors, I should like to congratulate the Managing Director, Mrs Gail Kelly, her senior management team and the staff throughout the Bank and its subsidiaries for an outstanding performance during the year. Their strategic focus, energy and relentless pursuit of improvement benefited all shareholders.



Frank J Conroy
Chairman

Managing Director's Report

I am delighted to provide comment on an outstanding annual result for the Group.

The Group has delivered a clean, quality result, which has been a consequence of focussed execution of our strategy during the year.

The Group's profit for the financial year ending September 2003 increased by 20 per cent to \$606 million. There were no significant items during the year. The result has been characterised by very strong top line growth and by disciplined cost management.

Earnings per ordinary share increased by 14.0 per cent from 124.7 cents to 142.2 cents and the return on average ordinary equity, before goodwill amortisation, increased from 19.5 per cent to 20.3 per cent.

Key highlights include:

- Net interest income increased by 8.9 per cent to \$1,451 million;
- Non interest income increased by 9.1 per cent to \$910 million;
- Total lending receivables increased by 19.8 per cent to \$60.1 billion;
- Retail funding increased by 13.3 per cent to \$33.6 billion;
- Managed funds increased by 13.6 per cent to \$19.8 billion;
- Interest margin remained robust at 2.76 per cent;
- Maintenance of our superior credit quality – bad debts as a percentage of net receivables was 0.21 per cent (30 September 2002: 0.20 per cent); and
- Cost-to-income decreased from 52.4 per cent to 49.6 per cent.

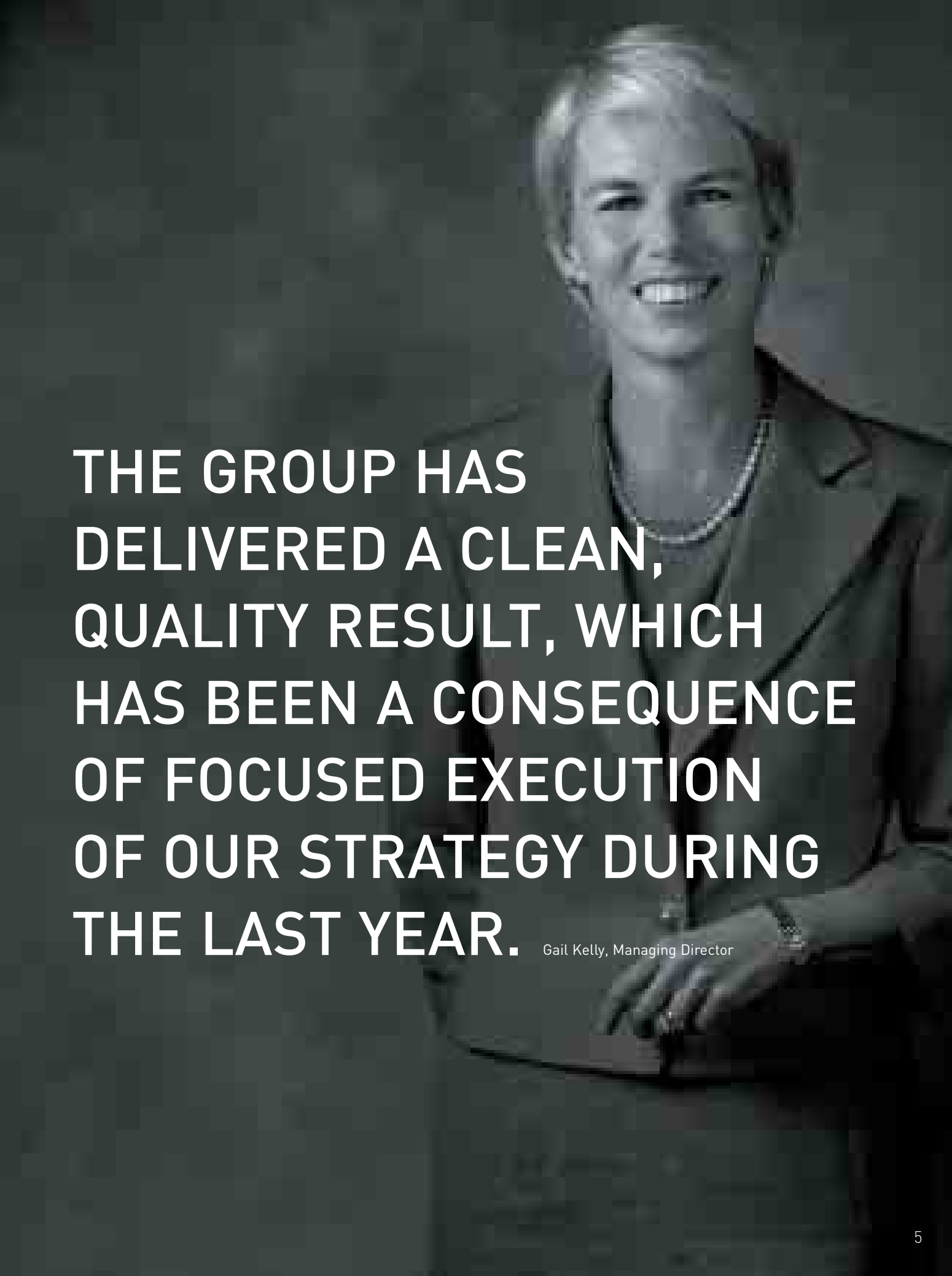
All business units delivered strong profit growth:

- Personal Customers up by 12.7 per cent;
- Institutional and Business Banking (IBB) up by 18.9 per cent;
- Wealth Management up by 8.6 per cent; and
- BankSA up by 19.2 per cent.

The Group is pursuing a strategy of service differentiation and growth. A number of factors contribute to the delivery of this strategy, including a strong customer base of 2.6 million, which has traditionally been under-leveraged, a customer service and people oriented culture, and flexibility in the Group's size.

In May 2002, St.George identified six business goals, which provided a framework for specific work programs. This framework remains relevant today:

- **Deepen and strengthen relationships with customers in our chosen markets.** One of the Group's key aims is to encourage customers to do more of their banking and financial services business with St.George. This involves the development of appropriate segmentation of the customer base, and the implementation of specific models to better support customer needs. The Group's middle market and gold segments provide evidence of steady improvement.
- **Leverage specialist capabilities for growth.** St.George has particular expertise in areas such as residential lending, home equity loans, rural banking, middle market relationship management, payment services, property finance, wealth management and managing relationships with independent financial advisors. Strategies are being implemented to further apply these skills in both core and new markets.
- **Creatively differentiate on customer service.** According to independent market research, St.George has a higher level of customer satisfaction than the four major Australian banks. The goal is to align service standards with customer expectations so that St.George maintains its positive customer satisfaction differential to the four major banks. St.George is developing a continuous customer service improvement culture to enable St.George to take customer service to a new level that will further differentiate St.George from its competitors.
- **Accelerate and empower relationship selling.** St.George has traditionally been strong in its culture of service responsiveness. The Group is now focused on building skills that facilitate the anticipation and fulfilment of customer needs. The Group's integrated sales and service strategy was launched and rolled out during 2003.
- **Optimise cost structure.** The Group's approach in this area is one of continuous improvement and balancing investment with growth. Initiatives identified during the Even Better Bank program have delivered the required savings and assisted the Group in delivering a sub – 50 per cent cost-to-income ratio for the first time. In line with the Group's philosophy, further initiatives are planned for implementation in 2004.
- **Build team and performance culture.** Underpinning the Group's growth trajectory is the strategy of building a high performance team culture. Significant progress has been made against this goal during the 2003 year as a result of the investment in management training and development, coupled with a new culture incentivising and rewarding team performance.



**THE GROUP HAS
DELIVERED A CLEAN,
QUALITY RESULT, WHICH
HAS BEEN A CONSEQUENCE
OF FOCUSED EXECUTION
OF OUR STRATEGY DURING
THE LAST YEAR.**

Gail Kelly, Managing Director

At its core, St.George's strategy is one of organic growth, harnessing the potential in the franchise and building on its strengths and capabilities. These strengths include a track record of superior credit quality, positive customer service ratings relative to the industry, and product management and product innovation capabilities. Further opportunities exist in Victoria, Queensland and Western Australia. The Group's first priority is to focus on Victoria and use learnings from this experience to facilitate further expansion in Queensland and Western Australia.

In September 2002, the Group identified a number of priorities. These are:

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

Home Loans

During the year, the Group focussed its efforts on improving customer retention, increasing productivity in proprietary channels and implementing a segmented approach to the utilisation of third party mortgage broker services.

Significant progress was made through the development and implementation of a group-wide customer retention model and a review of the Group's delivery channels to determine the optimum mix between proprietary and mortgage broker business. The Bank has also implemented initiatives that aim to grow the Group's lending portfolio in markets such as Victoria and Queensland, where it is underweight. These initiatives include leveraging existing expertise into these markets, growing mortgage broker volumes and continuing product innovation.

As a result of these initiatives, residential receivables (including securitised loans) grew by 18.2 per cent compared to 8.6 per cent in 2002, reflecting improvements in the Group's market share of new business and the decline in the customer attrition rate from 23.9 per cent in the 2002 year to 21.9 per cent this year. In addition, the percentage of total new loans sourced from mortgage brokers was up from 31 per cent in 2002 to 39 per cent. The amount of new loans from

proprietary channels increased by 15 per cent compared to 2002. This strong growth was achieved without compromising credit quality, which continues to be outstanding across the portfolio. Innovative products introduced during the year include No Deposit, Seniors Access, Low Doc and a Professional Package. The Group's strength in the Portfolio Home Equity loan category continues.

New Business Model and Integrated Sales and Service

During the 2003 year, the Group enhanced its segmentation methodology and rolled out its Integrated Sales and Service (ISS) framework. The focus of ISS is to increase sales and retain existing customers. Improvements in sales are expected to be achieved through increased product penetration of existing customers and increasing the Group's customer base. ISS aims to achieve these goals from a combination of sales planning, sales management and improved sales disciplines and competencies. ISS has also introduced new disciplines designed to improve customer service standards.

Front line staff are being trained in assessing and anticipating customer needs. As part of this project, staff are trained on a new support tool called ISS EnAct, which has been designed to allow staff to access a greater level of customer information. It is recognised that these are significant changes for the Bank and hence will take time to realise their potential. As a result, incremental benefits will continue to be recognised over the medium term.

Middle Market

This segment achieved strong lending growth of 25 per cent during the year. Credit quality remained excellent. This result is driven by experienced staff, skilled in key industry segments, and providing high levels of service.

The success of this service solution is reflected in the minimal customer churn experienced in this segment and that 66 per cent of new lending business is sourced from existing customers. This growth is supplemented with new business derived from strong customer referrals.

St.George's market share of the Middle Market Segment grew from 4.9 per cent in August 2002 to 5.5 per cent in August 2003. In the Corporate and Business Bank (Corporate and Key and Business Customer Segments), product penetration ratios have improved from 2.9 products per customer at 30 September 2002 to 3.4 at 30 September 2003.

Wealth Management

The priorities for Wealth Management are to grow the platform business (delivered by ASGARD, part of SEALCORP), the packaging business (Advance Funds Management), the distribution network (including financial planners, independent advisors and dealer groups), and also grow the Group's margin lending and insurance businesses. During the year, the Group established the Investment Centre of Excellence (ICE), a new organisational model aimed at delivering superior investment outcomes across the organisation.

In July 2003, ASGARD, St.George's platform business, signed an agreement with AMP to deliver a wrap offering to AMP's financial advisor network. This partnership strengthens St.George's position as a leading platform provider, across both master trust and wrap product sets.

During the 2003 year, the wealth management industry was affected by volatile global equity markets, geopolitical instabilities, continued weak investor returns and increased regulatory supervision. Despite these conditions, St.George's Wealth Management division demonstrated its resilience with funds under administration (SEALCORP) growing by 15.6 per cent since 30 September 2002 and funds under management (Advance) growing by 14.1 per cent.

The Gold Segment, which comprises personal customers with deposit balances greater than \$200,000, home loan balances greater than \$300,000 or wealth product balances greater than \$100,000, performed well during the year. Customers in this segment grew to 106,000 from 64,000 last year. Customer satisfaction has been maintained at high levels and customer retention remains steady at 97 per cent.

Brand and Customer Service

St.George launched a new brand campaign after confirming our strong brand values are a real asset to the Group. The campaign, entitled "Rethink", was well received both externally and internally. The main theme of the campaign was that St.George delivers, a unique service proposition to its customers by being 'big enough' to deliver a range of products and services comparable to the major banks, but is still 'small enough' to deliver these services in a personal manner.

Customer satisfaction continued to improve over the year (as measured in the Roy Morgan survey) and the Group retained its positive service differential over the majors. This is a key focus and priority for the Group as it leads to strong customer retention, reduced costs associated with customer churn and growth resulting from customer referral and cross sales to existing customers.

The Bank is developing an integrated framework as part of its strategy to strive for excellence in customer service. The Bank recognises that service levels drive customer loyalty and revenues. Streamlining of back office processes will therefore be a continuing priority.

As part of this initiative, a key objective is to ensure that staff are empowered to identify and implement changes that lead to improvements in customer service.

Productivity Management

Pre-tax cost savings of \$60 million were realised during the year in accordance with targets set for the Even Better Bank (EBB) program. These savings are expected to increase to \$80 million in 2004 and subsequent years. Cost savings during the year were primarily driven from efficiency improvements and rationalisation of IT expenditure. Middle management staff reductions also took place. A series of cost savings initiatives are scheduled for 2004, primarily in head office and back office processing areas.

People and Culture

The year was characterised by significant investment in people, particularly staff in customer facing roles. This investment has taken the form of new training and development, coupled with the strengthening of sales and service personnel in branches, business banking centres, call centres and processing units.

Credit Quality

St.George's asset quality continues to remain robust. The charge for bad and doubtful debts was \$102 million, up from \$87 million last year. This comprised a general provision charge of \$24 million compared to \$17 million in 2002 and a specific provision charge of \$78 million compared to \$70 million in 2002. Bad and doubtful debts as a percentage of average gross loans and receivables remained stable at 0.22 per cent compared to 0.21 per cent last year. Net non-accrual loans as a percentage of net loans and receivables are 0.04 per cent down from 0.09 per cent at 30 September 2002. Underpinning these results are sound credit policies and strong growth in the residential portfolio, which represents 71.6 per cent of net loans and receivables, and a diversified commercial loan portfolio.

Future Prospects

The Australian economy performed extremely well over the past year. One of the key drivers of this performance was housing activity. This flowed through to residential receivables growth across the system of around 20 per cent.

It is anticipated that official interest rates will increase again slightly in the next six months. This is expected to lead to a slowdown in system growth for residential receivables to around 16 per cent. St.George will be targeting to keep pace with system growth in this area.

The relatively modest slowdown in system growth is predicted in the context of strong fundamental factors underpinning housing prices and activity. These factors include a robust economy, strong employment, immigration and a fall in the number of people per household.

St.George has solid underlying momentum in its business due to robust lending growth and continued cost disciplines. Additional factors to be taken into account when considering the 2004 year include reductions in credit card and Visa debit card interchange fees and a steepening yield curve.

The Group has a philosophy of continuous service improvement, which is supported by a consistent program of investment in the business. This is designed to lay a platform for future growth.

Confidence in the strong underlying momentum of the St.George business underpins an EPS growth target of 10-11 per cent for 2004 and as previously indicated double digit for 2005.

2003 has been an excellent year for the Group and I would like to thank you for your continued support.

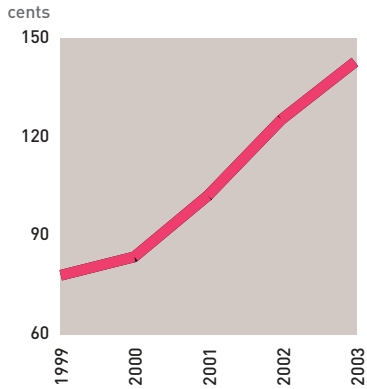
A handwritten signature in black ink that reads "Gail Kelly". The signature is written in a cursive, flowing style.

Gail Kelly
Managing Director

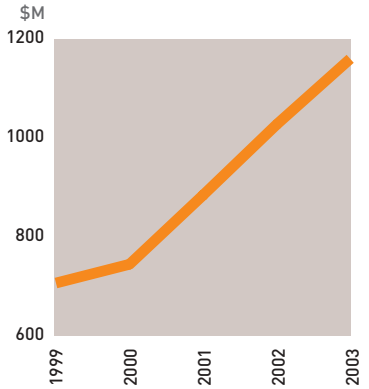
2003 Financial Performance

Earnings per Ordinary Share

Before goodwill amortisation and significant items

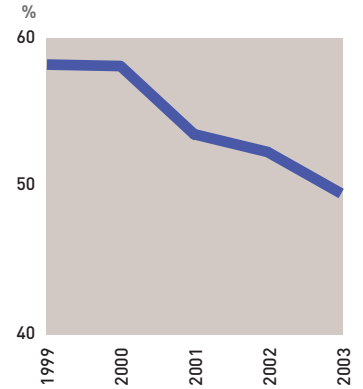


Underlying Profit



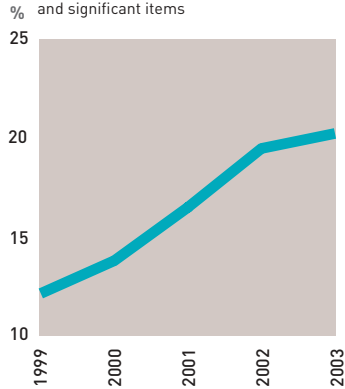
Expense to Income

Before goodwill amortisation and significant items

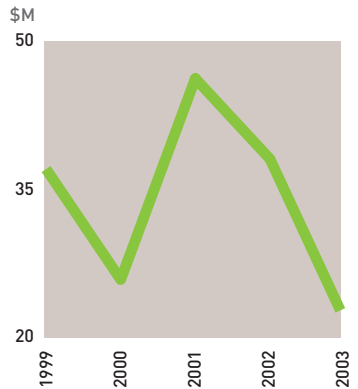


Return on Average Ordinary Equity

Before goodwill amortisation and significant items



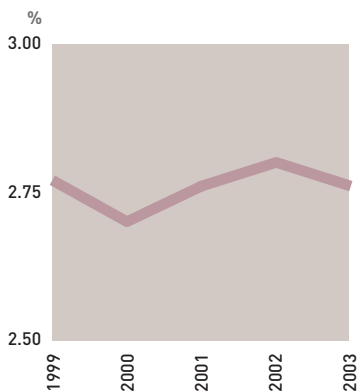
Net Non-Accrual Loans



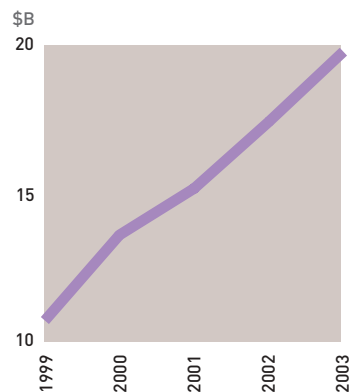
Net Non-Accrual Loans as a percentage of Net Receivables



Interest Margin

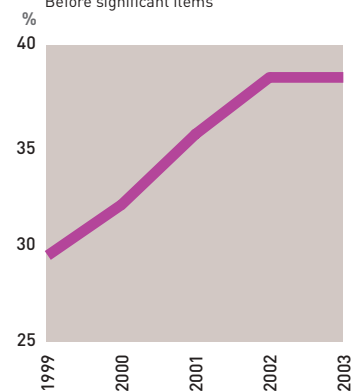


Managed Funds



Other Income as a percentage of Total Income

Before significant items



Excellent Service, Great People

St.George consistently outperforms the major banks for customer satisfaction. In 2003, we also won the 'Best Bank' in Australia award at the 2003 Australian Banking and Finance Magazine Awards.

The quality of service we deliver and the positive attitude of our staff, combined with the goodwill and loyalty we receive from customers really do set St.George apart – and we want it to stay that way.

We believe that if we look after our employees they will look after our customers. Last year, we collapsed the number of retail transaction accounts from eight to one to make life easier for our customer service officers. This means employees now have more time to focus on customers with less time spent on processing different accounts.

This ability to quickly spot and fix problems is backed up by an extensive branch and electronic banking network. The Group has over 400 branches throughout Australia. St.George also maintains more than 950 automatic teller machines within branches and third-party locations, multiple Internet banking services and supports EFTPOS terminals, ensuring that we are highly accessible to customers – anytime, anywhere.

We are continuing to make our systems more user-friendly and intuitive with the introduction of larger ATM screens for customers with poor sight and voice recognition technology in our call centres, which will cut down on waiting times.

New sales and service strategy

Over the past year, we have focused on providing great customer service and building a team and performance culture.

A key plank of this program was the introduction of St.George's Integrated Sales and Service (ISS) strategy. This was announced as part of our Even Better Bank program and implemented during 2003. This strategy is still in its early stages and the benefits will take time to flow through.

ISS is a customer-centric program aimed at providing a more focused service to our customers, no matter how many banking, wealth management or other St.George products they use. By putting the customer first and understanding their needs, we will be able to tailor a solution that best suits them. By doing that, we are improving service levels while, at the same time, enhancing St.George's ability to cross-sell solutions.

A core component of the Integrated Sales and Service strategy has been to increase the skills, competence and confidence of our branch and contact centre teams.

I HAD TO MAKE
A SPEECH ON MY BIRTHDAY.
I WAS AT A LOSS TO KNOW
WHAT TO SAY. OBVIOUSLY
I THANKED EVERYONE FOR
COMING. THEN I SAID THAT
AT THE END OF THE DAY
WHAT MATTERED MOST
WAS THE WAY YOU TREATED
PEOPLE. TREAT PEOPLE
WELL AND THEY'LL TREAT
YOU WELL. SOMETIMES
THINGS ARE THAT SIMPLE.

SUPERIOR SERVICE: St.George prides itself on building long-term relationships with customers. The Bank consistently finishes first for customer satisfaction compared to major banks and is recognised for its effective HR management strategies.



Finding and developing the right people

Attracting high-quality, customer-focused people and supporting them with quality managers is a focus for St.George.

In the past year, we conducted a comprehensive review of the way we recruit and induct front-line staff – the ‘face’ of St.George – and discovered a number of areas for improvement. In the year ahead, we will be refining our processes and conducting a similar review for non-customer facing positions.

Reinvesting for the future is a key theme at St.George, particularly when it comes to our people. Over the past 12 months we have implemented initiatives to identify and cultivate future managers and leaders. This includes a talent management process (STARTREK) and active succession planning.

In May 2003, we launched the Leadership Education and Development (LEAD) program for the Bank’s top 75 leaders and continue to work with hundreds more managers through the established eMPower management development program. Additional management development programs are planned for 2004.

The Bank has been an early adopter of technology as a way to quickly and cost-effectively educate our 7,500 employees and streamline Human Resource (HR) operations. St.George’s web-based e-luminate system provides access to 200 learning experiences from induction material to management topics.

All employees can now also access real-time personal and general HR information through HR Xpress. This site receives 10,000 page views daily and continues to evolve. For example, St.George employees will soon be able to apply for their holidays via HR Xpress.

Service excellence

At St.George, we have a fantastic brand that focuses on our customers, we have a great team who constantly go the extra mile and we have values that make us stand out from our competitors.

All of this makes up the St.George difference.

We aspire to be acknowledged as the most respected service brand in Australia. And we’ll achieve this by understanding our customers and their needs better – and being proactive about it.

FREEDOM

A SMARTER WAY TO BANK

Freedom is designed to be the only transaction account you’re likely to need, offering a comprehensive range of features and options.

Freedom’s major benefits include:

- No account service fee when you maintain a minimum monthly balance of at least \$1,000
- No account service or transaction fees (other than for overseas transactions and using non-St.George/BankSA branded ATMs) when you maintain a minimum monthly balance of at least \$5,000
- Unlimited free Phone and Internet Banking transfers and withdrawals, including BPay, regardless of the account balance.

Freedom includes a wide range of account features and options:

- VISA debit card – use your card wherever VISA is accepted, using the funds available on your Freedom account
- Access via ATM, EFTPOS, Phone Banking, Internet Banking, St.George branches and giroPost
- Options including chequebook, debit card, interest offset and overdraft facilities
- No account service fees or withdrawal fees (other than for overseas transactions and using non-St.George/BankSA branded ATMs) for home loan customers when their St.George home loan repayment is automatically deducted from their Freedom Account
- Regular statements for cardholders
- Mini ATM transaction histories
- Automatic deposits
- Access to BPay and periodic payments.

Simply put, it's not about being the biggest; it's about being the best. Excellent customer service is not only about meeting needs, but also consistently exceeding service expectations.

Our Star Awards recognise individuals in the Group who go above and beyond what's expected of them – those who provide exceptional service. In the last year, we've awarded our people with over 4,000 Star Awards, with selected 'Superstars' recognised at special group functions attended by their teams and senior management.

A place to grow

At the heart of St.George's strategy is the focus on providing our people with an environment in which to grow and develop – professionally and personally.

The Bank prides itself on providing a safe, equitable working environment in which people can strike a healthy balance between work and family.

The effectiveness of the Bank's range of initiatives is being proven in a range of key measures – such as a decline in staff absenteeism from 7.9 days per staff member in September last year to 6.6 days this year (on a 12-month moving average basis).

As our posters say, St.George is 'Big enough to have over 7,500 employees, Small enough to value every one of them'.

Awards

- Finalist, 2002 Australian Human Resources Institute Awards for Excellence in People Management (large employer category)
- Finalist for Best Change Management and Most Innovative Recruitment Strategy in the 2002 Australian HR Awards

Personal Customers is St.George's retail banking arm. In the year to 30 September, it grew revenue by 11.7 per cent and contributed 49.1 per cent to the Group's full-year profit before goodwill amortisation and income tax.

This performance was driven by strong momentum in lending and retail deposits, and solid growth in electronic banking revenues.

At the same time, Personal Customers improved its cost-to-income ratio from 53.4 per cent to 52.5 per cent. This demonstrates that St.George has the scale to compete effectively in the retail market.

Home loans lift

One of St.George's goals in 2003 was to arrest our declining market share of the home lending market, through improved customer acquisition, management and retention.

Personal Customers is pleased to report that it achieved this objective, with a 18.2 per cent growth in residential lending for the year, taking the total residential loan book (including securitised loans) to \$42.8 billion.

This growth was assisted through improved mortgage broker support and systems, as well as our strategies to grow in the non-core geographies of Queensland, Victoria and Western Australia. During the year there was a solid increase to 39 per cent in loans originated through the broker channel. While this is a very important channel for the Group, we are still focusing on maximising loans originated through our retail network. Overall, the value of the loans approved through the Group's retail distribution network increased during the year.

We launched four new home loan products during the year – Seniors Access for retirees, Low Doc for small business customers, No Deposit for first time home buyers, and a 15-year Interest Only loan for investors. Importantly, the introduction of these products was carefully managed from a risk perspective and leverages our experience in these areas.

St.George was named Home Lender of the Year at the Personal Investor Magazine's Excellence in Financial Services Awards – Australia's most prestigious financial services awards, which is further evidence of our success and product innovation in 2003.



YOU KNOW
YOU'VE GOT A GOOD WORKING
RELATIONSHIP WHEN YOU
DON'T HAVE TO SPEND THE
WHOLE TIME DISCUSSING
THE SMALL DETAILS – YOU
KNOW THEY ARE BEING
LOOKED AFTER. THE BEST
THING ABOUT IT IS THAT IT
LEAVES YOU FREE TO FOCUS
ON THE BIGGER THINGS.

SUPPORTIVE BANKING: With a complete suite of retail banking products, St.George provides all the financial services customers need throughout their lives. Whether it's opening a first bank account, getting a credit card, financing a car or buying their first home, we're there to help at every step along the way.

We have also made advances in our home loan customer management and retention initiatives. Some of the key retention-related initiatives include the implementation of more customer-friendly processes and pro-active communications. For example, we contact customers after they establish a new home loan, and also at regular intervals to ensure all their needs are being met. We also complete extensive analysis to identify 'at-risk' customers.

It is important to note that St.George has not been pursuing growth for growth's sake. Over the year we have maintained interest margins by changing the mix of home loans. Introductory home loans have reduced from over 30 per cent of loans written to less than 15 per cent in the latter months of the financial year. Our new higher margin home loans are making up an increasing proportion of new sales. The use of mortgage brokers, coupled with a differential pricing strategy in Victoria, Queensland and Western Australia, has created a competitive advantage in those states where we have a lower market share.

In the year ahead, customers can expect to see further improvements in our home loan product range, communications, processes and service levels. The Bank will also seek to deepen strategic relationships with brokers via electronic interfaces and other systems enhancements.

Electronic banking growth

A less visible but significant area of growth has been electronic banking. In the year to September, overall electronic banking revenues rose by 17.4 per cent to \$182 million.

Driving this result was a 29.6 per cent increase in credit card income and a 40 per cent growth in Internet banking transactions. In the same period, the number of EFTPOS terminals rose 20.8 per cent and EFTPOS credit spend was up 32.2 per cent.

St.George has also been successful in providing 960 branded and non-branded ATM machines at third-party locations in NSW, Queensland and Victoria.

Business innovation

St.George constantly seeks to increase customer satisfaction by introducing new products and services.

The further refinement of CLAS, our retail lending system, has seen St.George reduce home loan processing times and enhance our levels of service.

A particularly successful new consumer lending product is the Get Set reusable variable rate personal loan, which has secured a small but growing niche since its launch in April 2003.



PORTFOLIO LOAN

Portfolio Loan is Australia's leading line of credit. Portfolio gives our customers the maximum flexibility to own their homes sooner and to use their equity to invest in other assets such as investment property and shares.

- Portfolio Loan can be divided into 10 flexible sub-accounts, providing a unique and tax-effective method for customers to meet their investment and lifestyle needs.
- Portfolio Loan won a Gold Medal from Personal Investor Magazine Awards in 2003 for its market-leading features.

In the coming year, we will substantially upgrade the customer facing hardware and software at St.George and BankSA branches with the rollout of a new front-end teller system. The system will feature technology that enhances the staff and customer experience, improves efficiency and supports the Integrated Sales and Service strategy.

Personal Customers has also identified another customer segment and called it Enterprise. Enterprise services self-employed and other small business people with business lending of up to \$250,000. With more than a quarter of a million St.George customers estimated to own and operate small businesses, the Bank has assessed this segment as offering significant opportunities for the Group. To better meet the needs of enterprise customers, we have put in place specialist staff at 36 selected branches.

Awards

- Best Bank, Australian Banking & Finance Magazine.
- Home Lender of the Year, Personal Investor Magazine.
- Gold Medal, Flexible Line of Credit for Portfolio Loan, Personal Investor Magazine.
- Gold Medal, Best New Product of the Year for Seniors Access Home Loan, Your Mortgage Magazine.
- Cannex 5-Star Rating for Standard Home Loan – St.George Essential Home Loan.
- Cannex 5-Star Rating for Investment Home Loan – St.George Essential Home Loan.
- Cash Management Account of the Year – St.George Portfolio Cash Management Account, Personal Investor Magazine.

Business Partnerships

When it comes to business banking, St.George believes that the best bank is the one that not only exceeds customer expectations but also fosters the success of its customers. This is the key to building enduring, mutually beneficial relationships and the basis for genuine partnership banking.

The value of this approach can be seen in the exceptional levels of business growth and customer satisfaction achieved by St.George's Institutional & Business Banking (IBB) group during 2003.

According to the last four surveys over the past 18 months by independent firm East & Partners, St.George can expect the lowest churn rate among business banking customers of all the country's banks. Its forecast churn rate of 2.8 per cent compares to an average of 18.5 per cent for the major banks and is testimony to the bank's leadership in customer service.

Research house Jones Donald found that 76 per cent of St.George business banking customers reported 'they were more than happy' with the Bank. The study also found that 85 per cent would recommend St.George to other potential customers.

We are seeing the benefits of these high satisfaction and loyalty ratings every day, with the majority of our new business customers being referred by existing clients.

New power

St.George has arrived as a significant force in business banking, especially in the middle market and the Bank's core state of New South Wales.

Institutional & Business Banking is made up of the Corporate & Business Bank (CBB), which consists of the Corporate & Key and Business Customer segments, Group Treasury & Capital Markets, Automotive Finance and Scottish Pacific cash flow financing.

St.George offers customers a comprehensive suite of business banking services including transaction accounts, electronic banking, sophisticated financial markets products, trade finance, property finance, automotive finance, cash flow finance and equipment leasing finance.

The Group Treasury & Capital Markets area is also responsible for the bank's wholesale debt issuance in domestic and overseas markets, the securitisation of assets and manages the bank's liquidity, interest rate and foreign exchange risks.

Institutional & Business Banking revenue rose 10.6 per cent to \$553 million for the year to 30 September. Profit before income tax rose 18.9 per cent to \$334 million in the same period – representing 30.7 per cent of Group profit before goodwill amortisation and tax.

Asset growth within Corporate & Business Banking was 24.2 per cent for the year, lifting St.George's share of Australia's mid-market principal transaction business banking to 5.5 per cent from 4.9 per cent the previous year.

Supporting these results was a strong performance across all the businesses in IBB including markets such as automotive finance, factoring and commercial property where St.George performs strongly.

St.George is Australia's third largest independent automotive finance group, with a 10 per cent market share.

The Group is currently the country's largest and most-experienced provider of managed cash flow



MARGIN LENDER OF THE YEAR

As the winner of the 2003 Margin Lender of the Year category in the Personal Investor Magazine Awards for Excellence in Financial Services, St.George Margin Lending is a smart way to borrow money to invest in shares, managed funds and master trusts.

Margin lending enables St.George customers to invest more than would be possible using their own funds. Just like investing in real estate, where the loan is secured against property, a margin loan is secured against the value of a customer's shares, managed funds and master trusts. Benefits include:

- No income or assets tests
- Low \$20,000 minimum loan
- Fast loan approval
- Comprehensive choice of investments
- Choice of interest rate options
- No establishment fees for individuals
- No account keeping and transaction fees.

solutions, holding 70 per cent of the factoring market and 30 per cent of the overall cash flow finance market through Scottish Pacific.

In commercial property we assist developers, builders and investors with customised financial solutions. During this period St.George maintained its excellent credit quality.

A key element in IBB's full year profitability is a successful cost control program that reduced its expense-to-income ratio from 37.0 per cent to 33.3 per cent. Driving this was revenue growth, a focus on operational efficiency and increased use of straight-through electronic processing for speed and risk reduction.

Group Treasury and Capital Markets had a landmark year in 2003, with strong customer-led growth in its Financial Markets, Capital Markets, Structured Investments and Corporate Finance businesses.

Financial Markets enhanced its focus on its institutional and corporate customer franchise with a structural realignment of its sales and relationship management desks. The result has been a significant increase in turnover through sales and trading of financial instruments and in our ability to provide quality risk management advice to our customers.

Capital Markets completed several key transactions through the year, including Australia's largest US\$ mortgage-backed securities issue – its US\$1.43 billion Crusade Global Trust No 2 of 2003 in September. In March, the US\$1.15 billion Crusade Global Trust No 1 of 2003 mortgage-backed securities had been 100 per cent oversubscribed. These issues consolidated St.George's status as a premier issuer with US, European and Asian investors.

Debt market activity included a Euro 500 million benchmark 5 year note issue, which was oversubscribed by European investors, and four issues totalling A\$1.15 billion of senior and subordinated notes to institutional and middle market investors in Australia and Asia.

In October, a US\$400 million US Rule 144A Subordinated Notes issue generated very strong interest with orders from 53 investors seeing the Notes 3.5 times oversubscribed.

The high level of local and international demand for these issues demonstrates the strong endorsement by investors of St.George's business strategy and financial performance.

BUSINESS PARTNER: St.George's range of award-winning business banking products are helping thousands of small business owners to grow. From transaction accounts to sophisticated cash flow management and financing services, we have the scale to help business owners realise their dreams.





WHEN YOU'RE SWAPPING 500 TYRES A DAY THE LAST THING YOU WANT TO WORRY ABOUT ARE YOUR BUSINESS PARTNERS. I RECKON YOU CAN SIGN ALL THE CONTRACTS IN THE WORLD BUT MOST BUSINESS RELATIONSHIPS EVENTUALLY COME DOWN TO ONE THING: TRUST. YOU NEED TO BE CONFIDENT THAT THE OTHER GUY CAN AND WILL DELIVER WHAT YOU WANT. AND YOU NEED TO KNOW THAT IF A PROBLEM ARISES THEY'LL DO EVERYTHING THEY CAN TO FIX IT.

Sustainable growth strategy

With a minor share of the total business banking market, there is plenty of scope for St.George to expand its operations.

In line with overall Group strategy, we are growing our business banking operations in an organic and profitable way by providing exceptional customer service.

Partnership banking is the cornerstone of our business strategy. This involves the delivery of expert solutions through an intensely focused relationship-management program that aims to improve our customers' profitability.

Over the past three years, we have implemented an active customer segmentation and Key Account Relationship Management (KARM) program that has proved highly successful for both the bank and its customers. Customers within the KARM program are at the top end of the Group's Middle Market Segment.

This year, KARM delivered a substantial increase in product penetration to over six products per customer. Overall product penetration for Corporate & Business Banking relationships increased from 2.9 in 2002 to 3.4 in 2003.

Part of our success in the business market can be attributed to the high level of continuity of our relationship managers. St.George has a very low turnover of account managers compared with its competitors and this has provided welcome stability for our business customers. All our account managers are trained in a comprehensive set of business methodologies such as financial dynamics and value-chain analysis to ensure they have the expertise to help our customers grow their businesses.

We continue to enjoy growing attendance at the St.George Business Growth Forums. These breakfast seminars are held in all our regional centres to help customers build their businesses and profits.

As part of its segmentation strategy, St.George this year identified a new group called Business Customers, comprising businesses with lending between \$250,000 and \$1,000,000. We are the only Bank to broadly offer relationship-management banking service to this segment.

Geographically, St.George has increased its focus on providing business banking services to customers in Queensland and Victoria. This has included appointing a General Manager for Victoria and the opening of two new business centres in that state.

Electronic banking innovation

Driving St.George's thrust into the business banking market has been the creation and delivery of a series of superior electronic banking initiatives to the middle market.

St.George officially launched Australia's first and most advanced Internet banking web site designed specifically for business in July – Business Banking Online.

Business Banking Online offers a seamless, real-time one-stop banking service 24 hours a day, seven days a week from any pc-based web-enabled computer anywhere in the world.

Some of the ways in which the system leads the web-based business banking market is that it allows



BUSINESS BANKING ONLINE

Leading the way to better business banking

St.George launched Australia's first and most advanced Internet transaction banking system for businesses in July 2003. Business Banking Online replaces St.George e-bank and offers new features, including allowing business customers to access their accounts from anywhere in the world, 24 hours a day, 7 days a week.

- Business customers consistently rate St.George first in satisfaction in the Internet banking category in the East & Partners survey of Australian commercial banking customers
- St.George Business Banking Online clients can split their accounts to match their company accounts, transact on foreign currency accounts and conduct trade finance transactions

businesses to use sub-accounting modules to split accounts to match company structures, to view and transact on foreign currency accounts and conduct trade finance transactions.

Other highlights include dual authorisation of payroll or creditor payments, real-time gross settlement of payments and 220 days of online statement history.

Businesses can remit funds to other financial institutions in Australia and overseas and enjoy fast and reliable access to cash-flow information and unlimited direct-entry payment files for payroll and creditors.

Business Banking Online interfaces with a wide range of accounting software packages and no additional software is needed. It also offers advanced security using digital certificates and 128-bit encryption.

Best of all, it is also affordable for small business customers.

Survey rankings

Customers voted St.George 1st among Australia's banks for:

- Innovation; Internet Banking; Integrated E-Banking; Other E-Services; Cash Management; Receivables. (East & Partners Australian Commercial Transaction Banking Market Service (August 2003)
- Relationship Management; Innovation; On-call Accounts. (East & Partners Australian Commercial Treasury Banking Service).

Nationally St.George is something of a challenger – the biggest of the smaller banks. Yet in South Australia it is the leading financial services group through its wholly owned division BankSA.

With a 155-year heritage, BankSA is an icon brand in South Australia. It enjoys a financial relationship with one in three South Australians and is a major supporter of business and community life in the state.

Despite its already established position, in the last financial year BankSA grew strongly in the market and made a significant contribution to the Group's full year result.

In the year to September, BankSA recorded a 10.4 per cent increase in revenue to \$296 million and profit before tax growth of 19.2 per cent to \$143 million.

BankSA's business and rural lending was up 24 per cent to \$2.8 billion.

Retail deposits also grew by 12 per cent despite the impact of drought. At the same time, BankSA reduced its cost-to-income ratio to 48.3 per cent from 53.0 per cent.

Best of both worlds

BankSA employs 896 people and operates the largest branch network in South Australia, with 122 outlets.

It also has four branches and six ATMs in the Northern Territory, 169 ATMs in SA, and 124 electronic agencies, mainly in regional areas.

BankSA's operations fall into three main lines of business: metropolitan banking, commercial banking and rural banking. Over the past year, it has restructured its metropolitan banking operations to reduce management layers, empower staff and increase customer focus. Today there are only three layers between the customer and the head of BankSA, compared to five before.

Like the rest of St.George, BankSA has focused on better segmenting its customer base to improve service levels and enhance cross-selling capabilities. In addition, it has used the wider Group's capabilities such as home loan Centres of Excellence to provide customers with high-quality solutions at low cost.

BankSA has also leveraged its unique strengths and wealth of rural banking experience to innovate and expand its business. The division runs St.George's rural banking services in NSW and Victoria, which means the Group now offers the added dimension of rural expertise to its provision of core banking services to customers in regional areas. The strategy includes increasing its involvement at current locations in regional Victoria and NSW, with a central component of utilising the existing St.George branch network.

Clever Investments and Sound Insurance

Three new rural products for BankSA this year were: the Harvest Loan Advance Account to allow drought-affected and other farmers to immediately realise funds for wheat delivered to the Australian Wheat Board; the UGH Seeding Loan that enables shareholders in United Grower Holdings access to funds based on their shareholding, to purchase seed and fertiliser; and Express Saver, a high-interest online savings account for people with limited access to branches.

Supportive role

When it comes to 'Doing a lot to help South Australia', 'Helping the Rural Community in South Australia', 'Supporting the Community through Sponsorships' and 'Supporting the Small Business Community', South Australians rank BankSA well ahead of the other banks on every score*.

In 2003, the BankSA & Staff Charitable fund donated in excess of \$100,000 to local charities. The bank also sponsored SA Day, BankSA Crimestoppers, the BankSA Heritage Icons List, country cricket, and the Lights of Lobethal Christmas Festival.

In the year ahead, BankSA will be seeking to capitalise on its strong place in the community, loyal customer base and leading brand position to further deepen its relationship with customers and realise growth.

It is also looking forward to commercial opportunities arising from the completion of the Adelaide to Darwin Railway project (freight and passenger services to commence January/February 2004) and major infrastructure projects such as the construction of the new Adelaide Airport Terminal (construction to commence October/November 2003).

* BankSA Image Research, May 2003

The past year was challenging and volatile for investment markets but St.George's Wealth Management group has continued to provide quality solutions based upon high service levels. Continuous investment has been made in the group's recognised business systems.

Our conservative organic growth strategy, without need to integrate acquisitions or cope with other distractions, has enabled St.George to remain 100 per cent focused on customer needs.

Our approach is to combine our direct products and services with the best solutions available in the marketplace. This enables us to be a respected partner and expert adviser rather than a single-source supplier.

This successful strategy resulted in a resilient performance during 2002-03. Total managed funds increased 13.6 per cent to \$19.8 billion across our SEALCORP funds administration, Advance Funds Management and Customer Wealth businesses.

Wealth Management is also responsible for St.George's margin lending, life and general insurance, Private Bank and managing the Bank's relationships with its Gold high-value personal banking customers.

The Wealth Management division reported a full year net profit before tax of \$76 million. This was an 8.6 per cent increase on the previous financial year, reflecting the rationalisation of St.George's Wealth Management portfolio over the past year.

Through expense control, Wealth reduced its cost-to-income ratio from 75.0 per cent to 70.8 per cent. However, it also continued to invest substantially in its systems, particularly SEALCORP's technology platform.

Distribution partnerships

Even though it has a market leading position with products such as the ASGARD Managed Accounts, St.George recognises that its wealth operations need strong distribution partnerships for success.

Building on our long-established partnership with Maple-Brown Abbott, we have formed new funds management partnerships with Schroder Investment Management (Australia) and Jenkins Investment Management. Also in the past year, we have entered into a new relationship with AMP and its various distribution channels that adds to our existing relationships with William M Mercer and Hillross.

St.George now provides services to around 5,500 investment advisers – approximately one-third of the total number of authorised proper authority holders operating in Australia.

Gold Segment

A key plank of St.George's Even Better Bank strategy was to further improve the relationship with the Bank's existing 'GOLD' customers by providing enhanced levels of service, deeper relationships and improved retention. Customers in GOLD, along with customers in Private Bank are the Group's most valuable personal customers.



ASGARD

ASGARD, Australia's leading investment administration provider, administers superannuation, retirement and investment savings worth \$13 billion for more than 140,000 Australians through the ASGARD Managed Accounts administration platform. Offering tailored solutions to meet the differing needs of financial advisers and their clients, ASGARD Managed Accounts is unique in the industry.



ADVANCE AUSTRALIAN GEARED EQUITY FUND*

The Advance Australian Geared Equity Fund significantly boosts the potential to create wealth by borrowing funds to invest in Australian shares and other securities.

* In deciding whether to acquire or continue to hold an investment in the Advance Australian Geared Equity Fund you should consider the relevant Product Disclosure Document issued by Advance Asset Management Limited ABN 98 002 538 329 (Advance). Copies can be obtained from your financial adviser or Advance. Advance is a member of the St.George Group. Neither St.George Bank nor its subsidiaries stand behind or guarantee the repayment of capital, the performance of any Advance Fund or any particular rate of return.

Customers within the Gold segment have either loans of over \$300,000, deposits of more than \$200,000 or \$100,000 in Wealth products. In the past financial year, the number of Gold customers has grown from 64,000 to over 106,000.

Customer satisfaction for GOLD customers has also increased by 23 per cent since March 2000.

The unit has increased retention rates from 93 per cent in March 2000 to 97 per cent in September 2003 and in the coming year will continue to focus on retaining and deepening relationships with this group, including through the offering of high-value wealth management solutions.

Outlook

Going forward, the Wealth strategy will be to further consolidate and build on the capabilities that have enabled us to grow total managed funds and profitability in a very difficult year. We will also continue to leverage St.George Group's national banking infrastructure and extend our alliances for growth.

We remain cautiously optimistic on the outlook for global investment markets in the next 12 months. We have noted an upturn in our margin lending and managed fund businesses as investor confidence returns.

A major development next year will be the introduction of the Financial Services Reform Act, scheduled for March. This will see licensing of groups that provide financial advice and new disclosure rules. St.George is prepared for the new regime and welcomes its introduction and already has well-established compliance and corporate governance functions.

St.George also has a tradition of transparency on fees and commissions that goes to the core of its values as a business. We do not charge fees to list investment products within our platform services, instead selecting them only on the basis of quality and performance.

Awards

In 2003, St.George Bank won 11 out of a possible 27 Personal Investor Magazine Awards for Excellence (in a field of 105 competing financial institutions). Our Wealth group accounted for three of these, including:

- Winner – Retail Master Trust: Investment: ASGARD
- Winner – Retail Super Master Trust: ASGARD
- Winner – Margin Lender of the Year
- Gold – Margin Lending Small Portfolio
- Gold – Margin Lending Medium Portfolio
- Gold – Margin Lending Large Portfolio.



Other awards received throughout the year include:

- ACNielson award for best online support for financial advisers: ASGARD (adviserNET)
- Selecting Super (Rainmaker) AAA rating for ASGARD Employee Superannuation Account
- Cannex 5-Star Rating for Margin Lending
- Money Magazine 'Best of the Best' Margin Lender for 2003
- Advance Imputation Fund achieved a 6-Star rating from InvestorWeb
- Advance Imputation Fund – Winner, Australian Equities, InvestorWeb Awards 2003
- Advance Australian Smaller Companies Fund achieved a 5-Star rating from InvestorWeb
- Advance Australian Equity Growth Fund achieved a 5-Star ASSIRT rating
- The Advance International Sharemarket Fund – Winner, Money Magazine's 'Best of the Best' in International Equities category for 2003
- Advance Allocated Pension – Capital Stable and Advance Super – Australian Shares are both top five performers in their relevant classes over the long term.

MY FATHER LIKES TO SAY THAT IF HE CAN'T ANSWER A QUESTION HE CAN FIND SOMEONE WHO CAN. IT TURNS OUT THAT HE USUALLY KNOWS MORE THAN HE LIKES TO LET ON, AND IS ALWAYS A GOOD PLACE TO START.



FULL SERVICE PROVIDER: When it comes to maximising our clients' wealth, St.George combines its market-leading master trust, funds management, margin lending and other solutions with leading financial products from third-party providers. Clients enjoy the simplicity of a single relationship backed by the freedom to choose the tools that are right for them.



Community

At St.George, we believe that everyone should have a chance to grow. That's why we strive to play a positive role in the community by supporting charities, the arts, sporting clubs, business programs and disaster relief initiatives. We also recognise our important community function as a major employer and financial services provider.

St.George Foundation

The St.George Foundation is committed to enhancing the lives of Australia's children. The Foundation aims to support programs that give disadvantaged young people and children with disabilities a more secure, comfortable and enriching life.

In the latest financial year, the Foundation distributed more than \$800,000 to 53 organisations across Australia. These funds were raised through annual fundraising events such as the St.George Foundation Golf Classic and Gala Dinner in Sydney. Generous donations from Foundation sponsors and enthusiastic support from St.George Bank employees on Happy Hat Day also contributed to another successful fundraising year.

These new funds were used to make a difference to the lives of young people through funding youth suicide prevention programs, allowing disadvantaged kids to attend special camps such as the annual children's asthma camp and funding teachers for special education programs for young Aboriginal Australians. Building on our previous support of young people living with cancer through Camp Quality, this year we funded eight weekend respite camps for CanTeen. The focus is on helping kids be the best they can be – whether it is providing companion dogs for children with disabilities or purchasing medical equipment that will assist in saving the eyesight of premature babies.

Founded in 1990 with an initial donation of \$1 million from St.George Bank, the Foundation has since provided more than \$6.3 million to fund projects for children with special needs.

Some of the many organisations that the Foundation has assisted include: Autism Association of NSW, The Sydney Cochlear Implant Centre, Camp Quality, the Malcolm Sargent Cancer Fund for Children, NSW Police Legacy, the Muscular Dystrophy Association of NSW and the NSW Wheelchair Sports Association.



HELPING HAND: Since 1990, the St.George Foundation has contributed more than \$6 million to a range of children's charities. These funds have been provided through the generous contribution of sponsors, St.George Bank staff and other supporters. One of our key fundraising events is Happy Hat Day, which this year raised over \$40,000.



THEY SAY

GIVING IS ITS OWN
REWARD. WHETHER
IT'S IN THE LOCAL
COMMUNITY OR FOR
A BIGGER CAUSE, WE
CAN ALL DO SOMETHING.
IF WEARING A SILLY
HAT WILL HELP A CHILD,
I'LL DO IT. I KNOW IT'S
A SMALL EFFORT, BUT
SMALL THINGS ADD UP.



Wider commitment

The Bank's philanthropic and social activities extend to sponsorship for arts, sporting, community and business programs.

Organisations that we support include the Australian Brandenburg Orchestra, the St.George Illawarra Dragons rugby league team, the Walkley Awards for quality journalism and the South Australian Small Business Awards. BankSA has its own charitable fund, which donated \$100,000 in 2003.

When Australians are affected by natural disaster, St.George does its best to provide support. We contributed \$100,000 to the Canberra Bushfire Appeal and offered a personalised assistance package to customers during this difficult period.

Leading by example

St.George plays a significant and direct role in many communities as a major provider of financial services and as an employer. We take this responsibility seriously and realise that we are in a position to make a difference.

In our business, we provide a wide variety of financial products and services to suit each individual customer's needs. These include fee-free accounts for pensioners, student accounts, special accounts for concession cardholders and a range of specialised products for rural customers.

St.George actively participates in the Australian Bankers' Association's Disabled Access Working Group to ensure our branches, ATMs and other facilities are accessible to the disabled. We are also linked to the National Relay Service, which helps hearing impaired customers conduct their banking.

As an employer, St.George strives to provide a safe, equitable and supportive workplace. We maintain a series of family-orientated policies including paid parental leave, on-site childcare at our Kogarah head office, and the option to return to part-time work from parental leave.

Employees who experience difficulties can consult the Bank's Employee Assistance Program for confidential, professional counselling. More generally, St.George aims to recognise employees' achievements through our Star Awards and Long Service Awards functions.

Shareholder Friendly Financials

FOR THE YEAR ENDED 30 SEPTEMBER 2003

In previous years, we have provided tables and explanations to assist all shareholders to better understand the financial results of the Group. We are pleased to again provide you with this simplified financial data.

GROUP PROFITABILITY SUMMARY	2003 \$M	2002 \$M
Operating income		
Net interest income	1,451	1,333
Other income	910	852
Total operating income	2,361	2,185
Operating expenses	1,170	1,319
Share of net loss of equity accounted associates	3	1
Profit before bad debts and goodwill amortisation	1,188	865
Bad and doubtful debts	102	87
Goodwill amortisation	108	110
Profit after bad debts and goodwill amortisation	978	668
Income tax expense	325	240
Profit after income tax	653	428
Outside equity interest	(5)	1
Profit after income tax and outside equity interest	658	427
Preference dividends:		
Preferred Resetting Yield Marketable Equity Securities (PRYMES)	19	19
Depository capital securities (DCS)	33	39
	52	58
Profit available to ordinary shareholders	606	369

SIGNIFICANT ITEMS

During the year there were no 'Individually Significant Items'. Individually significant items are specific revenues and expenses that have a large impact on the Group's result due to their size or nature. Significant items are generally of a non-recurring nature and are separately identified to assist readers to assess underlying results.

A detailed explanation of each individually significant item for 2002 is included in Note 3 on page 50.

NET INTEREST INCOME

The Group's net interest income comprises interest income earned from lending and investments less the interest expense incurred on deposits and borrowings.

Net interest income grew by 8.9% during the year to \$1,451 million (2002: \$1,333 million) as a result of a 10.1% growth in interest earning assets in a stable interest rate environment.

OTHER INCOME

Other income includes all sources of revenue other than interest income. The majority of this income is generated from the core activities of lending, funds management and other

products and services. Other sources of income include treasury and trading activities, dividend income and rental income.

	2003 \$M	2002 \$M
Financial markets income	53	45
Product fees and commissions		
– Lending	68	76
– Other products	398	359
Managed funds fees	172	178
Securitisation service fees	82	73
Bill acceptance fees	48	32
Other	89	71
Other income before significant items	910	834
Significant item	-	18
Total	910	852

Other income before significant items increased by 9.1% to \$910 million this year.

This increase reflects our diversified revenue sources. Other income represents 38.5% (2002: 38.5%) of total revenue.

Product fees and commissions increased by 7.1% this year mainly as a result of increases in home lending, retail funding and electronic banking activities.

Managed funds fees fell slightly mainly due to a shift in product mix, despite growth in managed funds of 13.6% to \$19.8 billion.

OPERATING EXPENSES

The Group's total operating expenses (before goodwill amortisation and significant items) were \$1,170 million (2002: \$1,135 million), an increase of 3.1%.

	2003 \$M	2002 \$M
Staff expenses	577	558
Computer and equipment expenses	207	190
Occupancy expenses	125	126
Administration and other expenses	261	261
Total operating expenses before goodwill amortisation and significant items	1,170	1,135
Significant items	-	184
Total operating expenses before goodwill	1,170	1,319

Business volume growth resulted in increased operating expenses.

Staff expenses increased by \$19 million or 3.4% to \$577 million compared to last year. Effective 1 October 2002, staff were granted salary and wage increases of 4.0% to 4.5%.

Capital spending on systems enhancements and hardware in prior years are now being expensed as amortisation and depreciation to match the timing of the benefits generated by incurring these costs. Increases in deferred expenditure, amortisation and depreciation of \$13 million were the main cause behind higher computer costs for the year.

Shareholder Friendly Financials

FOR THE YEAR ENDED 30 SEPTEMBER 2003

On the other hand, the Group was able to contain occupancy and administration and other expenses to prior year levels.

BAD AND DOUBTFUL DEBTS

Bad and doubtful debts expense (net of recoveries) for the 2003 year was \$102 million, an increase of \$15 million on the 2002 year. A significant portion of this increase is additional general provisions taken to reflect increases in assets.

Overall, the Group's bad debt charge as a percentage of average assets was 0.17% (2002:0.16%). This is a highly satisfactory result, reflective of our sound lending policies.

GOODWILL

Goodwill is the difference between the amount we pay to buy a business and the fair value of that business' identifiable net assets. It represents such things as customer loyalty, market penetration, effective advertising and value generated from combining businesses.

Accounting standards require that goodwill be amortised, or spread out, over a period of not more than 20 years. Goodwill amortisation expense is an accounting entry only and is not a cash payment. Therefore, many professional equity analysts believe that profit before goodwill amortisation better reflects a company's underlying performance.

DIVIDENDS

A final dividend of 50 cents (2002: 42 cents) has been declared by the Directors. This increase reflects the Group's solid profit for the year.

CENTS PER SHARE	2003	2002
Interim dividend	45	38
Final dividend	50	42
Total dividend	95	80

RATIO ANALYSIS

Ratios are a useful method of understanding the Bank's financial performance. Each of the following three ratios is presented using profit both before and after goodwill amortisation and individually significant items.

EARNINGS PER ORDINARY SHARE (EPS)

EPS shows an ordinary shareholder's entitlement to current profits on a per share basis. EPS does not necessarily equal the dividend per share, as not all profits are paid out as dividends and some dividends can be paid out of prior year profits.

EPS is calculated by dividing the relevant profit figure by the weighted average number of ordinary shares.

	2003 \$M	2002 \$M
Profit available to ordinary shareholders (profit after goodwill and significant items)	606	369
Add back net loss of individually significant items	-	136
Add back goodwill amortisation	108	110
Profit before goodwill and significant items	714	615
Divided by: Weighted average number of ordinary shares (millions)	502.314	493.147

EQUALS:	CENTS	CENTS
Earnings per share before significant items and goodwill	142.2	124.7
Earnings per share after significant items and goodwill	120.7	74.8

RETURN ON ORDINARY EQUITY (ROOE)

The ROOE shows profit as a percentage of ordinary equity, that is, the return on each dollar you invest in our ordinary shares. The improved profitability of the current year is reflected in our ROOE, as shown in the table below.

	2003 \$M	2002 \$M
Profit before significant items and goodwill*	714	615
Profit available to ordinary shareholders (after goodwill and significant items)	606	369
Divided by: Average ordinary equity	3,517	3,147
EQUALS:	%	%
ROOE before individually significant items and goodwill	20.30	19.54
ROOE after individually significant items and goodwill	17.23	11.73

* As calculated in the EPS table.

EXPENSE TO INCOME RATIO

The expense to income ratio is calculated by dividing operating expenses by operating income.

This ratio measures the efficiency of our operations. It demonstrates the amount of expenses we incur in generating our income. A lower ratio means we are more efficient. This year the ratio has decreased to 49.6% (2002: 52.4%), reflecting our commitment to cost containment and improving shareholder value.

	2003 \$M	2002 \$M
Operating expenses (before goodwill and significant items)	1,170	1,135
Divided by: Operating income (before significant items)	2,361	2,167
Equals cost to income ratio	49.6%	52.4%

Five Year Financial Summary

FOR THE YEAR ENDED 30 SEPTEMBER 2003

		2003	2002	2001	2000	1999
STATEMENT OF FINANCIAL PERFORMANCE						
Interest Income	\$m	3,434	3,064	3,311	3,194	2,833
Interest Expense	\$m	1,983	1,731	2,076	2,022	1,694
Net Interest Income	\$m	1,451	1,333	1,235	1,172	1,139
Other Income	\$m	910	852	690	660	491
Bad and Doubtful Debts Expense	\$m	102	87	77	50	45
Operating Expenses	\$m	1,278	1,429	1,184	1,239	1,217
Share of Net Loss of Equity Accounted Associates	\$m	3	1	3	-	-
Profit before Income Tax	\$m	978	668	661	543	368
Income Tax Expense	\$m	325	240	255	189	211
Profit after Income Tax	\$m	653	428	406	354	157
Net (Loss)/Profit Attributable to Outside Equity Interests	\$m	(5)	1	1	-	-
Net Profit Attributable to Members of the Bank	\$m	658	427	405	354	157
CPS, DCS and PRYMS Dividends	\$m	52	58	69	68	65
Profit Available to Ordinary Shareholders	\$m	606	369	336	286	92
Return on Average Assets						
- before goodwill and significant items	%	1.31	1.26	1.09	0.95	0.94
- after goodwill and significant items	%	1.13	0.80	0.81	0.74	0.35
Return on Average Ordinary Equity						
- before goodwill and significant items	%	20.30	19.54	16.56	13.86	12.20
- after goodwill and significant items	%	17.23	11.73	11.71	10.32	3.13
Return on Average Risk Weighted Assets	%	1.91	1.38	1.42	1.34	0.62
Operating Expenses as a % of Average Assets ⁽¹⁾	%	2.00	2.13	2.07	2.11	2.09
Expense to Income Ratio ⁽¹⁾	%	49.6	52.4	53.6	58.2	58.3
(1) Before goodwill and significant items						
STATEMENT OF FINANCIAL POSITION						
Total Assets	\$m	62,714	55,004	52,056	49,610	45,017
Liquids and Treasury Securities	\$m	6,523	6,822	5,583	5,796	5,333
Loans and Other Receivables	\$m	48,904	42,767	39,699	39,454	36,232
Other Assets	\$m	7,287	5,415	6,774	4,360	3,452
Total Liabilities	\$m	58,349	51,166	48,430	45,969	41,362
Deposits and Other Borrowings	\$m	45,291	38,394	35,539	35,047	32,537
Bonds and Notes and Loan Capital	\$m	6,628	8,305	8,545	8,348	6,747
Other Liabilities	\$m	6,430	4,467	4,346	2,574	2,078
Total Shareholders' Equity	\$m	4,365	3,838	3,626	3,641	3,655
Shareholders' Equity as % of Total Assets	%	6.96	6.98	6.97	7.34	8.12
Capital Adequacy						
- Tier 1 Capital	%	7.2	7.5	8.1	7.7	8.2
- Tier 2 Capital	%	3.2	3.4	3.1	3.9	3.7
- Less: Deductions	%	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total	%	10.3	10.8	11.1	11.5	11.8
Risk Weighted Assets	\$m	36,903	32,495	29,226	28,102	24,883
RECEIVABLES						
Residential	\$m	34,991	30,527	28,422	27,971	25,962
Commercial	\$m	10,202	8,975	8,767	9,054	7,967
Consumer	\$m	3,610	3,104	2,384	2,079	1,808
Other	\$m	277	313	259	482	618
Receivables before General Provision	\$m	49,080	42,919	39,832	39,586	36,355
General Provision	\$m	176	152	133	132	123
Net Loans and Other Receivables	\$m	48,904	42,767	39,699	39,454	36,232
SHARE INFORMATION						
Dividend per Ordinary Share						
- Interim	Cents	45	38	31	26	26
- Final	Cents	50	42	34	29	26
Total	Cents	95	80	65	55	52
Earnings per Ordinary Share						
Basic						
- before goodwill and significant items	Cents	142.2	124.7	101.6	83.0	77.4
- after goodwill and significant items	Cents	120.7	74.8	71.9	61.8	19.9
Diluted						
- before goodwill and significant items	Cents	141.7	124.1	101.4	80.5	73.9
- after goodwill and significant items	Cents	120.8	76.0	72.4	61.5	23.7
Dividend Payout Ratio	%	79.2	107.6	91.7	86.7	260.9
Net Tangible Assets per Ordinary Share	\$	4.86	3.68	3.28	2.90	2.68
OTHER STATISTICS						
Branches		404	406	409	413	421
Staff		7,325	7,342	7,061	7,619	7,886
Assets per Staff	\$m	8.6	7.5	7.4	6.5	5.7
Staff per \$m Assets		0.12	0.13	0.14	0.15	0.18

Executive Directory



Gail Kelly
Managing Director and
Chief Executive Officer

Gail Kelly DipED BA MBA became St.George Group Managing Director and Chief Executive Officer in January 2002. She came to St.George from the Commonwealth Bank of Australia where she was Head of the Customer Service Division managing 20,000 staff. Gail migrated to Australia in 1997 after holding a number of senior management positions with one of South Africa's major banks, Nedcor.



Greg Bartlett
Group Executive
Institutional &
Business Banking

Greg Bartlett was appointed Group Executive, Institutional & Business Banking after roles as Group Treasurer and Chief General Manager, Group Treasury and Capital Markets. He has been a member of the St.George Group's Executive Management Committee for 10 years and has more than three decades of experience in the financial services industry.



Rob Chapman
Managing Director
BankSA

Rob Chapman Assoc Dip Bus became Managing Director of BankSA in July 2002 after an extensive career in the financial services industry. Most recently, Rob was the Adelaide-based Regional General Manager for the Commonwealth Bank of Australia's (CBA) operations in South Australia, Northern Territory and Western Australia. Prior to CBA, he held a number of senior roles with Colonial State Bank and Prudential Corporation Australia.



Andrew Thorburn
Group Executive
Personal Customers

Andrew Thorburn BComm MBA Dip Marketing joined St.George in June 2002 after holding a number of senior management roles in sales and marketing with the Commonwealth Bank of Australia (CBA). Prior to CBA, Andrew worked for ASB Bank in New Zealand for 10 years where he was responsible for the Personal Banking Division.



Paul Fegan
Group Executive
Wealth Management

Paul Fegan MBA FAIB GAICD was appointed Group Executive, Wealth Management in June 2002. He was previously based in the United Kingdom as Chief Operating Officer of Yorkshire Bank and a Director of Yorkshire Bank and Clydesdale Bank, both owned by the National Australia Bank. Paul brings a wealth of investment and banking experience to St.George gained in 20 years with NAB in Australia, the United States, Hong Kong, the UK and Ireland.



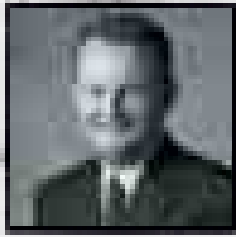
Peter Clare
Group Executive
Strategy

Peter Clare BComm MBA became Group Executive, Strategy in February 2002. He is responsible for Strategy and Corporate Relations. Peter was most recently head of the Strategy Implementation Group at the Commonwealth Bank of Australia (CBA), responsible for the integration of Colonial Limited. Peter's previous experience encompasses the areas of management consulting, corporate reconstruction and insolvency. He also held a number of senior operational roles within CBA.



John Loebenstein
Group Executive
Information Technology

John Loebenstein FCII has headed up St.George's Information Technology operations since joining the St.George Group in 1995. He was previously General Manager, Management Information Division at FAI Insurance and has more than 25 years' experience in technology in Australia and the United Kingdom.



Steve McKerihan
Group Executive
Finance and Risk
Management

Steve McKerihan BComm (Hons) ASA CPA MBA is Group Executive responsible for Finance and Risk Management. He has been with the St.George Group since 1985, holding a range of positions including Chief Manager, Financial Development and Chief Manager, Balance Sheet Risk and Capital Markets. Before joining St.George, Steve worked at the Commonwealth Bank of Australia.



Brett Wright
Group Executive
Human Resources

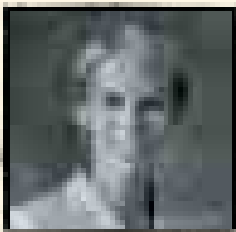
Brett Wright BE (Hons) M EngSc MBA PhD joined the St.George Group in July 2000. Brett is the Group Executive responsible for Human Resources for the Group. He has a PhD in organisational behaviour and has held a range of line management, academic and consulting roles. Beyond HR, he attends meetings of the Group's Nomination & Remuneration Committee and is Chairman of the St.George Staff Retirement Fund.

Board of Directors



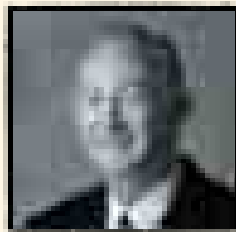
Frank Conroy
Chairman
BComm MBA

Frank Conroy, aged 61, is a professional company director. A former career banker, he joined the St. George Board in August 1995 and was appointed Deputy Chairman in January 1996 and Chairman in September 1996. Mr Conroy is Chairman of Orix Australia Corporation Limited and a director of Santos Limited, Governor of the St. George Foundation and Chairman of St. George Life Limited.



Gail Kelly
Managing Director and
Chief Executive Officer
DipEd BA MBA

Gail Kelly, aged 47, was appointed as the Bank's Chief Executive Officer in December 2001 and Managing Director in January 2002. Mrs Kelly was previously with the Commonwealth Bank of Australia as Head of Customer Service Division and a member of its Executive Committee. Prior to that, she served with Nedcor Bank, one of the largest banks in South Africa as General Manager, Cards and General Manager, Personal Banking. Mrs Kelly is a director of the Bank's funds administration subsidiary, SEALCORP Holdings Limited and a Governor of the St. George Foundation.



John Thame
AAIBF FCPA

John Thame, aged 61, was appointed to the Board in February 1997, having been the Managing Director of Advance Bank Australia Limited from October 1986 to January 1997. His career with Advance spanned 26 years during which time he held a variety of senior positions. Mr Thame is a director of AWB Limited, Reckon Limited, Abacus Property Group and The Village Building Co Limited. He is also on the Council of the National Museum of Australia. Mr Thame is Chairman of the Board's Audit and Compliance and Due Diligence Committees and a member of the Risk Management Committee.



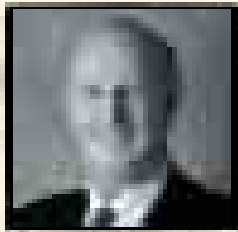
Leonard Bleasel
AM

Len Bleasel, aged 60, was appointed to the Board in May 1993. He was the Managing Director of the Australian Gas Light Company where his career spanned 42 years and was Chairman of Natural Gas Corporation Holdings Limited (New Zealand). Mr Bleasel is a director of QBE Insurance Group Limited and Foodland Associated Limited. He is also Chairman of the Zoological Parks Board of NSW. Mr Bleasel is Chairman of the Board's Nomination and Remuneration Committee and is a member of the Audit and Compliance and Due Diligence Committees.



Linda Nicholls
BA (Econ) MBA (Harvard)

Linda Nicholls, aged 55, was appointed to the Board in August 2002. She is Chairman of Australia Post, Deputy Chairman of Healthscope, a director of Sigma Pharmaceutical Group, Perpetual Trustees Australia Limited, Insurance Manufacturers of Australia and an international advisor to Goldman Sachs. Mrs Nicholls is also a Member of Council of the Walter and Eliza Hall Institute of Biomedical Research, the Board of Trustees of The Conference Board in New York and a Governor of The Smith Family. Mrs Nicholls has an MBA from Harvard University and more than 25 years experience as a senior executive and company director in banking, insurance and funds management in Australia, New Zealand and the United States. She was a member of the Wallis Inquiry into the financial services industry in 1996. She is a member of the Board's Risk Management and Nomination and Remuneration Committees.



John Curtis
BA LLB (Hons)

John Curtis, aged 53, was appointed to the Board in October 1997. Since 1987, he has been a professional company director and is currently the Chairman of Allianz Australia Limited, Calburn Pty Limited and Bayard Capital Partners Pty Limited. He is a director of Perpetual Trustees Australia Limited and Sydney Symphony Orchestra Holdings Pty Limited. Prior to 1987, Mr Curtis was the Managing Director of Wormald International Limited and was responsible as a Chief Executive for its operations at various times in Australia, Europe and the Americas. He is a member of the Board's Audit and Compliance, Due Diligence and Nomination and Remuneration Committees.



Paul Isherwood
FCA

Paul Isherwood, aged 65, was appointed to the Board of Directors in October 1997. He is a former partner and National Chairman of Partners of Coopers & Lybrand, Chartered Accountants, his career with that firm spanning a period of 38 years. Mr Isherwood is Chairman of Globe International Limited and Stadium Australia Management Limited. He is also a Director of Munich Reinsurance Company of Australasia Limited and NM Rothschild Australia Holdings Pty Limited. Mr Isherwood is Chairman of St. George Bank New Zealand Limited and a member of the Bank's Board Risk Management Committee.



Graham Reaney
BComm CPA

Graham Reaney, aged 60, was appointed to the Board in November 1996. Mr Reaney's business experience spans 30 years during which time he has held a number of senior corporate appointments, including Managing Director of National Foods Limited. Other former positions included Managing Director of Industrial Equity Limited, where Mr Reaney had responsibility for managing a range of businesses in the food and beverage and resource and service sectors. He is Chairman of PMP Limited and a director of the Australian Gas Light Company Limited and So Natural Foods Limited. Mr Reaney is Chairman of the Board's Risk Management Committee and is also a member of the Board's Audit and Compliance and Due Diligence Committees and the BankSA Advisory Board.

Corporate Governance Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2003

COMPLIANCE WITH THE NEW ASX PRINCIPLES AND RECOMMENDATIONS

The Australian Stock Exchange (ASX) Corporate Governance Council this year released Principles of Good Corporate Governance and Best Practice Recommendations (the Recommendations), which have raised the general standard of corporate governance required of ASX-listed entities. Accordingly, corporate governance best practice in Australia has followed similar developments in the US and UK and increased the obligations on Directors to document and communicate in greater detail corporate governance practices to shareholders.

Shareholders should note that the Recommendations are guidelines for best practice, they are not prescriptions which require blanket compliance. ASX-listed companies are obliged to report for the first financial year commencing after 1 January 2003, on whether or not their corporate governance policies comply with the Recommendations and, if they do not comply, to explain why not. As St.George's fiscal year ends 30 September, it will be required to report formally on the Recommendations in its 2004 Annual Report.

St.George, however, is committed to achieving best practice in corporate governance and, in the interests of achieving this goal, has revised and updated its corporate governance policies in line with the Recommendations. St.George already generally complies with the Recommendations. Some areas where it did not comply have already been updated.

In addition to the information set out in this statement, St.George is currently developing a Corporate Governance section on its website at www.stgeorge.com.au, which will be available later this year. It will include more information on the Bank's corporate governance arrangements, including copies of the relevant St.George policies and the Board and Committee Charters.

THE BOARD OF DIRECTORS

The Board of Directors is responsible for St.George's overall performance and governance. Policies of the Board are set out in the Board Charter. Under the Board Charter, the Board's responsibilities include:

- overseeing the performance and activities of the Bank through agreed goals and strategy;
- assessing performance against Board approved budgets, targets and strategies;
- overseeing the management of the Bank's business;
- overseeing appropriate controls, systems and procedures within the Bank to manage the risks of its businesses and compliance with all regulatory and prudential requirements;
- reviewing matters of general corporate governance;
- monitoring senior management's performance and implementation of the Board approved strategies and ensuring appropriate succession planning is in place;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

BOARD COMPOSITION AND SKILLS

There are seven non-executive Directors and the Managing Director on the St.George Board. It is St.George's policy that the Chairman of the Board must be an independent Director and is not the Managing Director. The Board comprises a majority of independent Directors.

Each Director is assessed regarding their independence in light of interests disclosed by them and on the basis of criteria defined in the Board Charter. Directors are required to provide the Board with all relevant information to assess their independence. The Board has this year assessed each of the Directors in office at the date of this report and considers that all of the non-executive Directors are independent.

The Board is satisfied that Mr John Thame is an independent member of the Board. Mr Thame's executive roles at Advance Bank, including as Managing Director, ended more than six years ago when Advance and St.George merged. As a result, Mr Thame's current role as Director does not involve the review of the strategies or processes developed by him or his former management team.

Directors are required to have a broad range of commercial expertise and experience, particularly in a field which is complementary to the Bank's activities and strategy, or to have appropriate professional qualifications, to provide value to the Board's deliberations. Board members must have proven ability and capacity to make a meaningful contribution to Board strategy and policy and participate in the overseeing of the proper functioning of management.

PERFORMANCE REVIEW

The Board meets at least once a year to review the performance of the Board, the Board committees, the Bank, its senior executives, the relationship between the Board and management and matters of general corporate governance.

In addition, the Chairman of the Board conducts an annual review of the performance and contribution to the Board of each non-executive Director. The last review of the Board was conducted in September 2003. The Board as a whole reviews the performance of the Managing Director at least annually. The Chairman of the Nomination and Remuneration Committee facilitates an evaluation by all Directors of the performance of the Chairman of the Board. The Nomination and Remuneration Committee Chairman determines the performance criteria to be considered in these reviews.

A description of the process and criteria for evaluation of the performance of the Board, the Board committees, non-executive Directors and management will be made publicly available on the Bank's website.

DIRECTORS' RETIREMENT AND RE-ELECTION

One third of the Directors (excluding the Managing Director) must retire each year at the Annual General Meeting, but may stand for re-election.

St.George policy is that no Director can be appointed to the Board if he or she is aged 65 years or over, and a Director must retire at the conclusion of the Annual General Meeting following that Director turning 72 years. The Board's policy (except in special circumstances, where the Board considers it important to retain valuable skills or knowledge) is that no Director should be appointed to fill a casual vacancy if he or she would be over 60 years when appointed.

Corporate Governance Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2003

Details of the current Directors serving on the Board are provided on pages 34 to 35.

REMUNERATION OF DIRECTORS AND SENIOR EXECUTIVES

The Nomination and Remuneration Committee considers and makes recommendations to the Board regarding the composition and remuneration of the Board and on any proposed Board performance criteria. Details of the remuneration paid to the Directors (executive and non-executive) are set out in the Directors' Report on pages 41 to 44.

RETIREMENT BENEFITS

Taking into account recent trends in corporate governance and non-executive remuneration, the Board of Directors is proposing to terminate its retirement benefits scheme for non-executive Directors, effective from 30 September 2003. The proposal is subject to shareholder approval at the St.George Annual General Meeting on 19 December 2003, and subject also to approval of a general increase in the Directors' fees currently paid to all non-executive Directors. Under the proposal, non-executive Directors appointed after 30 September this year will not be entitled to retirement benefits. Payment of retirement benefits which have already accrued for existing Directors will not exceed the amount accrued in respect of that Director as at 30 September 2003.

INDEPENDENT PROFESSIONAL ADVICE

To assist in the performance of their duties, Directors may, in consultation with the Chairman, seek independent advice on any matter before the Board, with such advice being made available to all Directors.

MARKET DISCLOSURE POLICY

St.George is committed to best practice disclosure policy and timely disclosure to the market of relevant information about St.George. It recognises that keeping the investor community fully informed and resisting pressure to give preferential access to analysts, institutions or others enhances corporate credibility and investor confidence, with a positive influence on share price.

This commitment is reflected in St.George's Company Disclosure Policy and Communications Strategy, a copy of which will soon be available on the St.George website. These written policies have been designed to ensure compliance with ASX Listing Rule disclosure requirements and the Recommendations.

The policy provides that all material information is to be immediately notified to the investor community through the ASX, without preferential access to any individual or group. To ensure best practice in disclosure, all new information in the first instance will be released to the ASX. The General Counsel and Secretary of the Bank is primarily responsible for communicating with the ASX and for ensuring all information is clear, objective and factual and that no material information is omitted. The Policy also sets out guidelines relating to the announcement of future earnings or financial performance, meetings with investors and analysts, shareholder enquiries and inadvertent disclosure of information.

Procedures are in place to ensure that all information which could potentially require disclosure is reported promptly to the Managing Director through relevant senior executives for assessment by the Managing Director with the Group

Executive, Strategy, and/or the Chief Financial Officer and General Counsel and Secretary. Compliance with the Disclosure Policy is monitored on a quarterly basis by the Board's Audit and Compliance Committee and the Policy is reviewed annually by that Committee.

St.George endeavours to improve access to information by investors by using, where reasonable, current technology to ensure the widest possible dissemination of information in a timely manner. All ASX announcements are posted to the St.George website.

All media enquiries relating to issues material to St.George are coordinated by the Group Executive, Strategy, in consultation, if appropriate, with the Chief Financial Officer, with only certain nominated senior staff authorised to make media comments.

COMMITTEES OF THE BOARD

The Board's structure of Board Committees assists it in managing its responsibility for oversight and control. The Board has established four Committees to assist in the execution of its responsibilities. These are the Audit and Compliance Committee, the Nomination and Remuneration Committee, the Due Diligence Committee and the Risk Management Committee.

Each of these Committees operates under Board approved Charters which are reviewed regularly by the Board. The Charters deal with the purpose, membership, responsibilities and authorities of each Committee together with the quorum and frequency of meetings. Copies of these charters will soon be available on the St.George website. Additional committees may be formed from time to time to deal with specific matters.

Minutes of Committee meetings and Committee recommendations are provided to the Board.

ATTENDANCE RECORD OF BOARD AND BOARD COMMITTEES FOR 2002/2003:

BOARD (TOTAL NUMBER OF MEETINGS HELD: 13)	ATTENDED
FJ Conroy	13
JJ Mallick (Retired 31.05.03)	9 (9)
GP Kelly	13
LF Bleasel	13
JS Curtis	12
PDR Isherwood	11
LB Nicholls	11
GJ Reaney	13
JM Thame	13
AUDIT AND COMPLIANCE COMMITTEE (TOTAL NUMBER OF MEETINGS HELD: 4)	ATTENDED
LF Bleasel	4
J S Curtis	3(3)
JJ Mallick	3(3)
GJ Reaney	3
JM Thame	4

Corporate Governance Statement continued

FOR THE YEAR ENDED 30 SEPTEMBER 2003

NOMINATION AND REMUNERATION COMMITTEE (TOTAL NUMBER OF MEETINGS HELD: 2)	ATTENDED
LF Bleasel	2
JS Curtis	2
PDR Isherwood	1(1)
JJ Mallick	2
LB Nicholls	2
DUE DILIGENCE COMMITTEE (TOTAL NUMBER OF MEETINGS HELD: 3)	ATTENDED
LF Bleasel	3
JS Curtis	3
JJ Mallick	2(2)
GJ Reaney	3
JM Thame	3
RISK MANAGEMENT COMMITTEE (TOTAL NUMBER OF MEETINGS HELD: 12*)	ATTENDED
JS Curtis	2(2)
PDR Isherwood	11
LB Nicholls	8
GJ Reaney	12
JM Thame	12

N.B.: Bracketed numbers denote the number of meetings held while the Director was a member of the Board/Committee.

*There have been numerous individual proposals circulated to the Risk Management Committee for approval between meetings which have required consideration of up to two days per month in time for Directors on that Committee.

During the year, Mr Isherwood attended two Board meetings of St.George Bank New Zealand Limited and Messrs Conroy and Reaney attended three and four meetings respectively of the BankSA Advisory Board.

AUDIT AND COMPLIANCE COMMITTEE**Role**

The Audit and Compliance Committee reviews and makes recommendations to the Board on financial reporting, systems for internal control established by management and the Board and the internal and external audit processes.

It also reviews compliance, reporting and control structures throughout the Bank to ensure compliance with financial, regulatory and legal requirements. In addition, the Audit and Compliance Committee oversees the reporting systems within the Group to ensure that the Bank observes its disclosure requirements.

Composition

The Audit and Compliance Committee has a membership of at least three non-executive Directors, a majority of whom are independent. The Audit and Compliance Committee Chairman is independent and is not the Chairman of the Board. It is the Board's policy that the Audit and Compliance Committee rotates the role of Chairman of the Audit and Compliance Committee at least once every four years.

At the end of each reporting period, the Audit and Compliance Committee reviews the Group's half-yearly and yearly financial statements prior to submission to the Board.

The internal and external auditors have a direct line of communication to the Chairman of the Audit and Compliance Committee with the external auditor also having a direct line of communication to the Board's Chairman. The external auditor is invited to attend Audit and Compliance Committee meetings each quarter and addresses the Audit and Compliance Committee in the absence of members of management. The Audit and Compliance Committee is also responsible for making recommendations to the Board regarding the nomination of external auditors to the Group and reviewing the adequacy of existing external audit arrangements.

KPMG was appointed the Bank's external auditor at its Annual General Meeting in December 1998 and continues in this role. The responsible audit partner must be rotated at least every seven years and cannot work on the Bank's audit for a period of two years following a rotation. Details of the total fees paid to the auditor are set out in page 22 in the Full Financial Report.

AUDIT INDEPENDENCE

St.George has a policy for the provision of non-audit related services by the Bank's auditor under which the prior approval of the Chairman of the Audit and Compliance Committee is required where non-audit services are sought from the Bank's auditors for which the proposed fee exceeds a specified level. The annual fees payable to the Bank's auditor for non-audit services for which, under the policy, the Audit and Compliance Committee Chairman's approval is not required, are reviewed by the Audit and Compliance Committee above specified levels. The auditor cannot be engaged to provide non-audit services that may materially conflict with its obligations and responsibilities as the Bank's auditor. In addition, the policy prohibits audit firm partners and professional staff (and their families) from directly investing in the Bank's shares, borrowing from the Bank or being a Director or holding an executive position in the Bank which is of significance to the audit.

NOMINATION AND REMUNERATION COMMITTEE**Role**

The Nomination and Remuneration Committee meets as required to consider and make recommendations to the Board on the composition of the Board, appropriate criteria for Board membership and performance, the tenure of Directors generally, the remuneration framework for Directors and, where required, the suitability of nominations for the position of Director.

Recommendations are also made by the Nomination and Remuneration Committee to the Board regarding the Bank's recruitment, retention and termination policies and procedures for senior executives.

This consideration will involve an assessment (with the assistance of external advice, if appropriate) of the qualifications, skills, experience and value which the person may bring to the Board and his or her ability to make a contribution to the Board's strategy, policy and effectiveness.

The Nomination and Remuneration Committee also reviews and makes recommendations to the Board on the various Group compensation, incentive and reward programs including the remuneration for the Managing Director and senior executives.

Corporate Governance Statement continued

FOR THE YEAR ENDED 30 SEPTEMBER 2003

In addition, the Nomination and Remuneration Committee makes determinations as required of it under the rules of St.George's employee share/option plans. The Managing Director does not attend parts of meetings which relate to the assessment of the Managing Director's remuneration.

Composition

The Nomination and Remuneration Committee has a minimum of three members, the majority being independent Directors and is chaired by the Chairman of the Board, or an independent Director. It is the Board's policy that the Nomination and Remuneration Committee rotates the role of Chairman of the Nomination and Remuneration Committee at least once every four years.

Remuneration policies

The Bank's remuneration policies are set out in page 42 of the Director's Report.

DUE DILIGENCE COMMITTEE

Role

The Due Diligence Committee meets for the purposes of specific public issue documents or securities or other instruments under a material document which will be issued to the market or to shareholders. The purpose of the Due Diligence Committee is to assist the Board in ensuring the appropriate disclosure of material matters concerning the Bank in documents for issue to shareholders or the market.

Composition

The Due Diligence Committee comprises the members of the Audit and Compliance Committee; membership is four non-executive Directors. The Chairman of the Due Diligence Committee is the Director who holds the position of the Chairman of the Audit and Compliance Committee.

RISK MANAGEMENT COMMITTEE

Role

The Risk Management Committee oversees and monitors policies and procedures in relation to credit, liquidity and market risks and balance sheet management. In the area of credit risk, the Risk Management Committee reviews and approves loan applications and credit limits within levels delegated by the Board. In addition, it oversees and monitors the Bank's credit practices and reporting procedures to ensure adherence to policy. It also reviews the Group's credit portfolios and provisioning for bad and doubtful debts and the risk management policies and procedures for market, funding and liquidity risks as well as the strategies and positions taken to manage interest rate risk and the Bank's balance sheet.

Composition

The Risk Management Committee has a membership of four non-executive Directors. It is the Board's policy that the Risk Management Committee rotates the role of Chairman of the Risk Management Committee at least once every four years.

IDENTIFYING AND MANAGING SIGNIFICANT BUSINESS RISKS

The operational and financial performance of the Group is monitored by a reporting structure which includes the Board and its Committees. The Board also monitors appropriate risk management strategies developed to mitigate the identified risks of the business. The Bank's policies and systems for dealing with market, credit and liquidity risks are outlined elsewhere in this Annual Report.

COMPLIANCE, ETHICS AND INTEGRITY

The Board has a Code of Ethics which sets out the expectations of St.George for Directors and staff in their business affairs and in dealings with customers. Among other things, the Code of Ethics requires high standards of personal integrity and honesty in all dealings, a respect for the privacy of customers, avoidance of any conflicts of interest and observance of the law. Particularly, staff members should maintain required records with integrity, reflecting transactions in an accurate and timely manner.

The Code of Ethics also encourages staff to report in good faith suspected unlawful/unethical behaviour in others, and provides an avenue of communication through the General Counsel & Secretary for staff to report suspected offences.

ST.GEORGE TRADING POLICY

The Board has established guidelines incorporating governance policies which deal, among other matters, with disclosure of interests by Directors and limitations on dealing in the Bank's financial products by Directors and senior officers. A copy of the St.George Trading Policy will be made available on the St.George website.

Directors and employees are encouraged to be long-term holders of the Bank's financial products. Directors, senior management and those members of staff with access to market sensitive information, however, are only permitted to deal in the Bank's financial products in certain window periods (and then only if they are not in possession of unpublished price-sensitive information), namely within six weeks following the announcement of the Bank's interim and final results and within four weeks following the Bank's Annual General Meeting or the issue of a prospectus. In each case, Directors must advise the Chairman of any proposed dealing once it has taken place and advise the ASX as required by Section 205G of the Corporations Act. The Bank is also obliged to advise the ASX of Directors' dealings in its financial products.

For the purposes of this Policy, "financial products" includes the Bank's shares and debt securities, and derivatives over such shares or debt securities.

Directors are required to have shareholdings in the Bank. Under the Constitution, a Director's required shareholding is no less than 500 shares.

Concise Financial Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

This Concise Financial Report has been derived from the consolidated entity's 2003 Full Financial Report.

This Concise Financial Report cannot be expected to provide as full an understanding of the consolidated entity's financial performance, financial position and financing and investing activities as the consolidated entity's 2003 Full Financial Report.

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Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

The Directors of St.George Bank Limited present their report together with the Concise Financial Report of the consolidated entity, being St.George Bank Limited (the Bank) and its controlled entities, for the year ended 30 September 2003.

DIRECTORS

The names of the Directors of the Bank during the year or since the end of the financial year and up to the date of this report together with details of current Directors' qualifications, experience and special responsibilities are contained in the Board of Directors information on pages 34 and 35.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each of the Directors of the Bank during the financial year are set out in the Corporate Governance Statement on pages 36 to 39. This information is to be regarded as incorporated into this report.

PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

The principal activities of the consolidated entity during the financial year were undertaken by the following divisions:

Personal Customers

Personal Customers is responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits and small business banking. This division also manages retail branches, agency network and electronic channels such as call centres, EFTPOS terminals, ATMs and Internet banking.

Institutional and Business Banking (IBB)

IBB is responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange, money market and derivatives, corporate and business relationship banking, international banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing including factoring and invoice discounting.

BankSA

BankSA provides retail banking and business banking services to customers in South Australia and the Northern Territory. These services are expanding into country New South Wales and Victoria. Customers are serviced through branches, electronic agencies, ATMs, call centres, EFTPOS terminals and Internet banking.

Wealth Management

Wealth Management is responsible for funds management and administration, margin lending, financial planning, investment advice, private banking services and general and life insurance.

CONSOLIDATED PROFIT

The net profit of the consolidated entity for the financial year after income tax, outside equity interests, goodwill amortisation, significant items and before preference dividends was \$658 million (2002: \$427 million). The net profit available to ordinary shareholders was \$606 million (2002: \$369 million). There were no significant items during the year.

DIVIDENDS

Information regarding dividends paid or declared by the consolidated entity since the end of the previous financial year is included in Note 4.

REVIEW OF OPERATIONS

A review of the operations of the consolidated entity is contained in the "Chairman's Report", "Managing Director's Report" and "Shareholder Friendly Financials". These sections are to be regarded as incorporated into this report.

STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

Securitisation

The Bank securitised a total of \$4.3 billion of housing loans in March and September 2003 through the Crusade Program (2002: \$2.6 billion).

The total value of securitised receivables outstanding at 30 September 2003 was \$7,788 million (2002: \$5,729 million).

Borrowing Transactions

In October 2002, the Bank issued a \$300 million fixed rate transferable certificate of deposit maturing in 2005.

In March 2003, the Bank issued a \$300 million fixed rate transferable certificate of deposit maturing in 2006.

In May 2003, the Bank issued \$250 million of subordinated notes due 2013, comprising a floating rate tranche of \$150 million and a fixed rate tranche of \$100 million.

In June 2003, the Bank issued Euro 500 million floating rate notes maturing in June 2008.

In July 2003, the Bank issued \$300 million fixed rate transferable deposits maturing in November 2006.

Even Better Bank (EBB) Program

Through EBB, before tax cost savings of \$60 million were realised during the year in accordance with targets announced last year. The Bank is on track to increase before tax cost savings from EBB to \$80 million in 2004 and subsequent years. Cost savings are driven from reductions in middle management staff and rationalisation of information technology expenditure.

ENVIRONMENTAL REGULATION

The operations of the consolidated entity and its controlled entities are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. The Bank may however become subject to environmental regulation when enforcing securities over properties to recover outstanding debts.

EVENTS SUBSEQUENT TO BALANCE DATE

In October 2003, the Bank completed a US\$400 million subordinated note raising in the United States Rule 144A market. The proceeds will be used for general funding purposes and to increase the Bank's capital base.

Since 30 September 2003, the Bank has proposed a final dividend on ordinary shares, refer Note 4.

LIKELY DEVELOPMENTS

Details of likely developments in the operations of the consolidated entity in subsequent financial years are contained in the "Chairman's Report", "Excellent Service, Great People" and "Smart Banking". These sections are to be regarded as incorporated into this report.

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

Further information regarding likely developments in the operations of the Bank and the expected results thereof, has not been included in this report because the disclosure of the information would be likely to result in unreasonable prejudice towards the interests of the consolidated entity.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

Directors

The Bank's Constitution provides that the Directors shall be paid such remuneration as is determined by general meeting. An amount, not exceeding the aggregate amount determined by shareholders, is divided between the Directors as they agree. The latest determination was at the Annual General Meeting held on 14 December 2001 where shareholders approved an increase in the aggregate remuneration for Directors to \$1,200,000 per annum. The Bank's Constitution makes provision for the maximum retirement allowance which the Board may approve for a Director by reference to the maximum amount permitted to be paid under the Corporations Act 2001. The retirement allowance entitlement of non-executive Directors is equal to the aggregate fees received by the Director in the three years preceding their retirement date. Directors with less than three years continuous service prior to retirement qualify for a commensurately smaller allowance.

A resolution will be put to shareholders at the 2003 Annual General Meeting that, subject to an increase in the aggregate remuneration payable to non-executive Directors, as set out in resolution 3 of the 2003 Notice of Meeting, no retirement benefits will be payable to any non-executive Directors appointed after 30 September 2003. Entitlements of non-executive Directors in office at that date will not increase from that which would have been payable had the non-executive Director retired on that day.

Details of remuneration paid to non-executive Directors is disclosed in Note 9.

Executives

The framework for executive remuneration within the Bank and its relationship with the consolidated entity's performance is as follows:

(i) Reward Strategy and Structure

The Bank's Executive Reward Strategy is aligned with the interests of shareholders and encompasses rigorous performance standards which focus on sustained improvements in the performance of the consolidated entity. The strategy aims to motivate, reward and retain executive officers.

A total target reward framework, recommended by the Board's Nomination and Remuneration Committee and approved by the Board, provides for competitive performance based remuneration through a combination of Base Remuneration (fixed remuneration) and incentives (at risk remuneration, including short term incentives and long term share or option based incentives).

The incentive programs, which form an increasing proportion of total target reward potential, are designed to enhance the consolidated entity's performance and promote cohesive executive effort towards improved shareholder value. The incentives include at risk annual short term incentives where allocation is contingent upon the achievement of consolidated entity, division and the individual targets and at

risk long term incentives, where allocation is contingent upon substantial growth in the consolidated entity's earnings per share (EPS).

The Board's Nomination and Remuneration Committee reviews and recommends to the Board the total target reward for the Managing Director and the Managing Director's direct reports. The total target reward potential for each executive is set to reflect competitive market practice for that position. The proportion of remuneration at risk within the total target reward varies with the level and nature of the executive officers' position. Executive total target reward is pitched at the 75th percentile of comparable positions, and will only be achieved provided that the requisite consolidated entity, division and individual performance targets are met. The incentive (at risk) component of the total target reward ranges from 40 per cent to up to 60 per cent.

(ii) Base Remuneration (Fixed Remuneration)

Base Remuneration provides fixed remuneration on a total cost-to-company basis. The amount of base remuneration is established through reference to independent market research. The Board has endorsed a strategy to shift progressively, annual increases in base remuneration with incentives as a significant part of total target reward where it is competitive relative to the market to do so.

(iii) Incentives (At Risk Remuneration)

(a) Short Term Incentive Program

The executive officers, comprising the Managing Director, the Managing Director's direct reports and other executives, may participate in an annual short term incentive program. Pool creation and allocation is contingent on the achievement of pre-agreed financial and strategic targets at the consolidated entity, division and individual levels. Recommendations for payments to the Managing Director and the Managing Director's direct reports are reviewed by the Board's Nomination and Remuneration Committee and approved by the Board based on a review of results. The Managing Director does not participate in the Committee's deliberations on her own remuneration.

(b) Long Term Incentives

Long term incentives are provided through the Executive Performance Share Plan (Performance Plan) and the Executive Option Plan (Option Plan), both approved by shareholders on 3 February 1998. The exercise conditions provide for substantial growth in the consolidated entity's earnings per share (EPS) over the next three years and will deliver rewards to executives that will pitch their total target reward at the 75th percentile of comparable positions, provided that the requisite EPS growth is achieved. Allocations of shares and options to the Managing Director and the Managing Director's direct reports are reviewed by the Board's Nomination and Remuneration Committee. The exercise conditions for the 2003 Long Term Incentive grant will continue to be linked to the performance of the consolidated entity. The exercise condition has been amended to include two separate measures, where half of each tranche is dependent on the first measure being EPS and the other half will be dependent on Total Shareholder Return (TSR).

Performance hurdles in respect of options and awards granted during the year to executives under the Bank's Option Plan and Performance Plan relating to long term incentives are as follows:

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

- **Tranche (1) – First exercisable date of 15 November 2004**
Basic earnings per ordinary share (calculated by applying in a consistent manner the policies and practices used in determining earnings per share for the year ended 30 September 2002, which was 124.7 cents) before goodwill and significant items (unless specific items are determined by the Board for inclusion) (the EPS) for the year ending 30 September 2003 must exceed 137.17 cents.

If the EPS for tranche (1) is not achieved, the Awards or Options offered under tranche (1) will accumulate to tranche (2).

- **Tranche (2) – First exercisable date of 15 November 2005**
EPS for the year ended 30 September 2004 must exceed:
 - (a) the EPS for the year ended 30 September 2003 by more than 10%; or
 - (b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

If the EPS for tranche (2) is not achieved, the Awards or Options offered under tranche (2) (including Awards or Options accumulated from tranche (1) to tranche (2), if any) will accumulate to tranche (3).

- **Tranche (3) – First exercisable date of 15 November 2005**
EPS for the year ended 30 September 2005 must exceed:
 - (a) the EPS for the year ended 30 September 2004 by more than 10%; or
 - (b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

(iv) Managing Director's Remuneration

Each year, the Board's Nomination and Remuneration Committee recommends to the Board the total target reward and performance hurdles to apply to the Managing Director for the coming year and determines the qualifications for any at risk incentive based on performance achievements over the past financial year. The potential payments to the Managing Director form a substantial part of the total target reward for that position and are contingent on the achievement of corporate, personal, financial and strategic goals set by the Board.

The Board considers that the total target reward of the Managing Director should include long term incentive rewards aligned to the performance of the consolidated entity and the interests of shareholders. The Option and Performance Plans facilitate the provision of long term incentive rewards.

The principal features of the remuneration arrangements for Mrs Gail Kelly, the Bank's Managing Director for the year ended 30 September 2003, were as follows:

- (1) base remuneration of \$1,050,000 and a short term incentive payment at an amount determined by the Board of Directors. The amount in respect of 2003 is disclosed in Note 10;
- (2) there is no specific entitlement to receive a payment if the Bank is acquired;
- (3) 1,000,000 options have been issued which become exercisable if a bona fide takeover bid for the Bank becomes unconditional, even if the performance hurdles for those options relating to EPS performance over time have not been met;
- (4) should the Managing Director terminate the contract (unless she does so because there has been a material diminution in her role and responsibilities), she will receive statutory entitlements only;
- (5) should the Bank terminate the contract because of a breach by the Managing Director, only statutory entitlements and an amount in lieu of unused annual leave will be payable;
- (6) should the Bank terminate the contract for reasons other than a breach by the Managing Director, an amount is payable by the Bank which reduces over-time, but which never exceeds twice her total fixed remuneration. For example, if the termination occurs eleven months before the end of the contract, she receives only 11 twelfths of her total fixed remuneration; and
- (7) should the Managing Director terminate the contract because there has been a material diminution in her role and responsibilities, an amount equal to twice her total fixed remuneration will be payable by the Bank.

In situations 6 and 7, the Bank must also pay the Managing Director an amount as approved by the Board to reflect both the Managing Director's performance and that of the Bank against the performance criteria established by the Board for paying her at risk incentive. Should situations 6 or 7 occur before the Managing Director has received all of the 100,000 shares to be granted to her under the Bank's Executive Performance Share Plan, the shares not already granted will be granted to her when the contract is terminated. In addition, should situation 6 or 7 occur, then within 12 months of that occurrence, the Managing Director will also be entitled to exercise some or all of those options referred to in point (3) above, subject to satisfaction of relevant performance hurdles relating to EPS.

Details of remuneration paid to the Managing Director and the other five most highly paid members of the executive committee together with options and awards granted during the year are disclosed in Note 10.

Share Options

On 1 October 2002, 445,287 options were granted to 8 executives of the Bank. No options were granted to the Managing Director during the year. No options have been granted since the end of the financial year and up to the date of this report. During the year, and for the period to the date of this report, 485,000 ordinary shares were issued by the Bank as a result of the exercising of options granted under the Executive Option Plan. The number of options outstanding at the date of this report is 1,445,287.

Full details of the Plan are disclosed in Note 41 of the Full Financial Report.

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2003

DIRECTORS' SHAREHOLDINGS

The relevant interest of each Director in the share capital of the Bank at the date of this report is outlined in the following table. Each interest is held beneficially by the relevant Director.

	FULLY PAID ORDINARY SHARES	PRYMES	OPTIONS GRANTED OVER ORDINARY SHARES
F J Conroy	13,179	63	-
G P Kelly	25,000	-	1,000,000
L F Bleasel	35,710	427	-
J S Curtis	15,201	-	-
P D R Isherwood	23,999	-	-
L B Nicholls	1,604	-	-
G J Reaney	40,412	-	-
J M Thame	150,000	63	-

DIRECTORS' INTERESTS

Details of the interests held by Directors of the Bank in registered schemes offered by the consolidated entity at the date of this report are as follows:

	NAME OF REGISTERED SCHEME	UNITS HELD
J M Thame	Advance Imputation Fund	27,981

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Bank's Constitution provides for an indemnity to each person who is or has been a Director, principal executive officer or the secretary of the Bank against any liability which results directly or indirectly from facts or circumstances relating to the person serving or having served in that capacity, incurred on or after 1 April 1994 to any person whether or not arising from a prior contingent liability and, which does not arise out of conduct involving a lack of good faith and conduct known to the person to be wrongful. In addition, such indemnity also extends to costs and expenses incurred by the person in defending civil or criminal proceedings in which judgement is given in favour of the person or in which the person is acquitted or the courts grant relief.

The Constitution also provides, to the extent permitted by law, for the Directors to authorise the Bank to enter into any documentary indemnity in favour of, or insurance policy for, the benefit of a person who is or has been a Director, executive officer, secretary, auditor, employee or other officer of the Bank, which indemnity or insurance policy may be in such terms as the Board of Directors approves.

DIRECTORS' AND OFFICERS' INSURANCE

The Bank has paid a premium in respect of a contract of insurance insuring certain officers of the Bank and its controlled entities against those liabilities for which insurance is permitted under Section 199B of the Corporations Act 2001. Such officers consist of the Directors named earlier in this report, the company secretary, executive officers, Bank officers appointed on the Bank's behalf to external Directorship and all persons deemed to be officers of the Bank and related bodies corporate under the provisions of the Corporations Act 2001, together with all other former and future Directors, companies secretaries and officers. Disclosure of the nature of the liabilities and the amount of the premium is prohibited under the conditions of the contract of insurance.

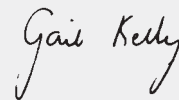
ROUNDING OF AMOUNTS

The Bank is a company of the kind referred to in Australian Securities and Investments Commission class order 98/0100, dated 10 July 1998. Accordingly, amounts in this report and the accompanying Concise Financial Statements have been rounded to the nearest one million dollars except where otherwise indicated.

Signed in accordance with a resolution of the Directors.



F J Conroy
Chairman



G P Kelly
Chief Executive Officer and
Managing Director

Signed at Sydney, New South Wales
5 November 2003

Discussion and Analysis

FOR THE YEAR ENDED 30 SEPTEMBER 2003

STATEMENT OF FINANCIAL PERFORMANCE

The net profit of the consolidated entity for the financial year after income tax, outside equity interests (OEI), goodwill amortisation, significant items and before preference dividends was \$658 million (30 September 2002: \$427 million). The net profit available to ordinary shareholders was \$606 million (30 September 2002: \$369 million).

Net profit after income tax and preference dividends and before significant items was \$606 million (30 September 2002: \$505 million).

Return on average ordinary equity (before goodwill amortisation and significant items) increased to 20.30% (30 September 2002: 19.54%).

Basic earnings per ordinary share increased to 120.7 cents from 74.8 cents. Alternative basic earnings per ordinary share (before goodwill amortisation and significant items) increased to 142.2 cents (30 September 2002: 124.7 cents).

Net interest income for the year was \$1,451 million (30 September 2002: \$1,333 million) an increase of 8.9%. Interest margin fell from 2.80% for the year ended 30 September 2002 to 2.76% for the year ended 30 September 2003.

Other income before significant items, has grown 9.1% to \$910 million from \$834 million in the prior year. This was due to strong growth in bank acceptances, product fee and electronic banking income and profits arising from the continuation of the Bank's property sale and lease-back program.

Total operating expenses (before goodwill and significant items) were \$1,170 million for the year ended 30 September 2003 (30 September 2002: \$1,135 million) an increase of 3.1%.

Staff expenses (before significant items) increased by \$19 million or 3.4% to \$577 million (30 September 2002: \$558 million). This increase reflects an enterprise average wage increase of 4% and other staff receiving an average salary increase of 4.5% effective 1 October 2002.

Deferred expenditure amortisation rose by \$9 million over the previous year.

Occupancy expenses before significant items were \$125 million, compared to \$126 million in the previous year.

The expense to income ratio, excluding goodwill amortisation and significant items fell to 49.6% from 52.4% last year.

The charge for bad and doubtful debts increased to \$102 million (30 September 2002: \$87 million). This was due to the increase in the general provision for doubtful debts which reflects the growth in risk weighted assets during the year and increased provisioning on consumer loans reflecting portfolio growth.

The effective tax rate for 30 September 2003 was 33.2% (30 September 2002: 35.9%), primarily as a result of the amortisation of goodwill.

STATEMENT OF FINANCIAL POSITION

Total assets were \$62.7 billion at 30 September 2003 (30 September 2002: \$55.0 billion), an increase of 14.0%. The following items impacted total assets:

- The securitisation of \$4.3 billion of residential lending receivables through the Crusade Program;
- Strong growth in the utilisation of bank acceptances by commercial banking customers. The focus on this product has resulted in growth of 104.0% during the year to \$3,391 million (30 September 2002: \$1,662 million); and
- Loans and receivables grew to \$48.9 billion (30 September 2002: \$42.8 billion), an increase of 14.3%.

Total liabilities increased by 14.0% to \$58.3 billion (30 September 2002: \$51.2 billion). Significantly, retail funding experienced strong growth during the year due to customer demand for low risk bank deposit products. The improvement also resulted from a focus on the development of the consolidated entity's retail funding products, specifically the 'directsaver' account from the 'dragondirect' channel and Portfolio Cash Management Account (Portfolio CMA). The directsaver, introduced in August 2000, has \$5.2 billion in deposit funds, while balances invested with the Portfolio CMA have grown 35.0% to \$5.4 billion.

Shareholders' equity increased to \$4.4 billion from \$3.8 billion at 30 September 2002, primarily due to the issue of 5.8 million ordinary shares under the Bank's dividend reinvestment plan and a higher level of retained earnings due to a change in accounting requirements that no longer requires ordinary dividends to be provided at balance date unless they have been declared at this date.

STATEMENT OF CASH FLOWS

Net cash provided by operating activities was \$1,352 million. This was due to the net sale of trading securities in 2003 compared to the net purchase of trading securities in 2002 and strong underlying performance during the year.

Net cash used in investing activities of \$5,974 million was mainly used to increase loans and receivables.

Net cash provided by financing activities of \$5,504 million reflected an increase in retail funding and \$250 million of subordinated note issues.

Statement of Financial Performance

		CONSOLIDATED	
	NOTE	2003 \$M	2002 \$M
Interest income		3,434	3,064
Interest expense		1,983	1,731
Net interest income		1,451	1,333
Other income	3	910	852
Total ordinary income (net of interest expense)		2,361	2,185
Charge for bad and doubtful debts		102	87
Operating expenses			
– staff		577	586
– computer and equipment		207	250
– occupancy		125	128
– administration and other		261	283
Total operating expenses	3	1,170	1,247
Share of net loss of associates accounted for using the equity method		3	1
Goodwill amortisation and write-off	3	108	182
Profit from ordinary activities before income tax		978	668
Income tax expense	3	325	240
Profit from ordinary activities after income tax		653	428
Net (loss)/profit attributable to outside equity interests		(5)	1
Net profit attributable to members of the Bank		658	427
Non Owner Changes in Equity			
Net increase in asset revaluation and realisation reserve		18	17
Net increase in claims equalisation reserve		6	3
Net increase in depositors' and borrowers' redemption reserve		1	–
Net decrease in retained profits on the initial adoption of: Revised AASB 1028 "Employee Benefits"	2	(1)	–
		24	20
Total change in equity other than those resulting from transactions with owners as owners		682	447
Dividends per ordinary share (cents)	4	95	80
Basic earnings per ordinary share (cents)	5	120.7	74.8
Diluted earnings per ordinary share (cents)	5	120.8	76.0
Basic earnings per preferred resetting yield marketable equity security (\$)	5	6.36	6.36

The Statement of Financial Performance should be read in conjunction with the discussion and analysis on page 45 and the accompanying notes to the financial statements.

Statement of Financial Position

		CONSOLIDATED	
	NOTE	2003 \$M	2002 \$M
ASSETS			
Cash and liquid assets		769	414
Due from other financial institutions		335	239
Trading securities		5,276	5,778
Investment securities		143	391
Loans and other receivables		48,904	42,767
Bank acceptances of customers		3,391	1,662
Investments in associated companies		7	10
Other investments		102	108
Property, plant and equipment		506	546
Goodwill		1,268	1,377
Other assets		2,013	1,712
TOTAL ASSETS		62,714	55,004
LIABILITIES			
Deposits and other borrowings		45,291	38,394
Due to other financial institutions		501	912
Bank acceptances		3,391	1,662
Provision for dividends		10	221
Income tax liability		320	272
Other provisions		93	115
Bonds and notes		5,548	7,303
Loan capital		1,080	1,002
Bills payable and other liabilities		2,115	1,285
TOTAL LIABILITIES		58,349	51,166
NET ASSETS		4,365	3,838
SHAREHOLDERS' EQUITY			
Share capital	6	3,468	3,349
Reserves		104	79
Retained profits	7	442	71
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE BANK		4,014	3,499
Outside equity interests in controlled entities		351	339
TOTAL SHAREHOLDERS' EQUITY		4,365	3,838

The Statement of Financial Position should be read in conjunction with the discussion and analysis on page 45 and the accompanying notes to the financial statements.

Statement of Cash Flows

	CONSOLIDATED	
	2003	2002
	\$M	\$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	3,441	3,074
Interest paid	(2,109)	(1,762)
Dividends received	3	2
Other income received	1,009	926
Operating expenses paid	(1,205)	(1,171)
Income taxes paid	(259)	(231)
Net proceeds from/(payments for) the sale and purchase of trading securities	472	(2,208)
Net cash provided by/(used in) operating activities	1,352	(1,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of controlled entities	–	(33)
Disposal of controlled entities	(4)	(2)
Restructuring costs	(20)	(18)
Net proceeds from sale of investment securities	247	72
Net increase in loans and other receivables	(6,208)	(2,764)
Payments for shares	(4)	(24)
Proceeds from sale of shares	12	28
Research and development costs	(6)	(11)
Payments for property, plant and equipment	(53)	(74)
Proceeds from sale of property, plant and equipment	64	10
Net increase in other assets	(2)	(232)
Net cash used in investing activities	(5,974)	(3,048)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	7,024	2,542
Proceeds from other borrowings	9,901	19,758
Repayment of other borrowings	(10,845)	(19,232)
Proceeds from loan capital	249	301
Repayment of loan capital	(39)	–
Net (decrease)/increase in other liabilities	(434)	95
Proceeds from the issue of shares	5	99
Proceeds from the issue of a perpetual note	17	–
Dividends paid	(374)	(290)
Net cash provided by financing activities	5,504	3,273
Net increase/(decrease) in cash and cash equivalents	882	(1,145)
Cash and cash equivalents at the beginning of the financial year	(469)	676
Cash and cash equivalents at the end of the financial year	413	(469)

The Statement of Cash Flows should be read in conjunction with the discussion and analysis on page 45 and the accompanying notes to the financial statements.

Notes to the Financial Statements

NOTE 1 BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosure required by AASB 1039 have been derived from the Full Financial Report of the consolidated entity for the financial year. Other information included in the Concise Financial Report is consistent with the consolidated entity's Full Financial Report. The Concise Financial Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the Full Financial Report.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's Full Financial Report. The accounting policies have been consistently applied and except for changes in accounting policies set out in Note 2, are consistent with those of the previous year.

NOTE 2 CHANGES IN ACCOUNTING POLICIES

(a) Foreign currency translation

The consolidated entity has applied the revised AASB 1012 'Foreign Currency Translation' (issued in November 2000) for the first time from 1 October 2002.

There was no material impact on the consolidated entity for the reporting period to 30 September 2003. This would also be the case for the prior financial year had the new accounting policy always been applied.

(b) Employee benefits

The consolidated entity has applied the revised AASB 1028 'Employee Benefits' (issued in June 2001) for the first time from 1 October 2002.

Consequently, the liability for annual leave is now calculated using the remuneration rates the Bank expects to pay as at each reporting date, not wage and salary rates current at the reporting date.

The initial adjustments to the consolidated financial report as at 1 October 2002 as a result of this change are:

- \$1.6 million increase in provision for employee entitlements;
- \$1.1 million decrease in opening retained profits; and
- \$0.5 million increase in future income tax benefit.

The effect of this change has been to increase operating expenses by \$1.6 million (\$1.1 million after tax) during the year.

The effect of this change in accounting policy is disclosed in the Statement of Financial Performance and Note 7.

(c) Provisions and Contingencies

The consolidated entity has applied AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' (issued in October 2001) for the first time from 1 October 2002.

Dividends are now recognised at the time they are declared, determined or publicly recommended. Previously, final dividends were recognised in the financial year to which they related despite the dividends being declared after the end of that financial year. Accordingly, the consolidated entity has not provided for a dividend on its ordinary shares at 30 September 2003.

The adjustments to the consolidated financial report as at 1 October 2002, as a result of this change, are:

- \$209 million increase in opening retained profits; and
- \$209 million decrease in provision for ordinary dividends.

There was no impact on net profit for the current financial year to 30 September 2003.

The effect of this change in accounting policy is disclosed in Note 7.

Notes to the Financial Statements

	CONSOLIDATED	
	2003 \$M	2002 \$M
NOTE 3 INDIVIDUALLY SIGNIFICANT ITEMS		
Other income		
Other income before individually significant item	910	834
Individually Significant Item		
Profit on sale of shares (i)	-	18
Total other income	910	852
Operating expenses		
Operating expenses before individually significant items	1,170	1,135
Individually Significant Items		
Write-down of investments (ii)	-	22
Restructure costs (iii)	-	30
Write-off of deferred expenditure balances (iv)	-	60
	-	112
Total operating expenses	1,170	1,247
Goodwill		
Goodwill charge before significant item	108	110
Individually Significant Item		
Goodwill write-off (v)	-	72
Total goodwill charge	108	182
Income tax expense		
Income tax expense before individually significant items	325	270
Individually Significant Items		
Income tax expense on profit on sale of shares (i)	-	4
Income tax benefit on write-down of investments (ii)	-	(7)
Income tax benefit on restructure costs (iii)	-	(9)
Income tax benefit on deferred expenditure write-off (iv)	-	(18)
	-	(30)
Total income tax expense	325	240
SUMMARY		
Loss before tax from individually significant items	-	(166)
Tax benefit attributable to individually significant items	-	(30)
Net loss after tax from individually significant items	-	(136)

Notes to the Financial Statements

NOTE 3 INDIVIDUALLY SIGNIFICANT ITEMS

Discussion – September 2003

There were no significant items during the year ended 30 September 2003.

Discussion – September 2002

- (i) In September 2002, the Bank entered into an agreement to sell 16,850,145 shares it held in Cashcard Australia Limited. A profit of \$18 million (\$14 million after tax) was recognised in respect of this transaction.
- (ii) Investments have been written down by \$22 million (\$15 million after related income tax benefit) at 31 March 2002 reflecting a downward revision of their future anticipated revenues.
- (iii) As a result of the Even Better Bank (EBB) project, the consolidated entity recognised a restructuring charge of \$30 million (\$21 million after tax) at 30 September 2002. The restructuring charge included staff redundancy payments, outplacement services and costs associated with properties no longer required.
- (iv) The deferred expenditure write-off of \$60 million (\$42 million after tax) resulted from a detailed review of both completed projects and projects under development. The write-off comprises the following:
 - \$31 million due to a reduction in expected future benefits, including certain specific elements of the St.George/Advance Bank core computer systems integration, a component of the work done on the Bank's new front end lending platform and certain projects cancelled as a direct result of EBB;
 - \$19 million resulting from the refinement of the consolidated entity's capitalisation policy which now involves expensing all development costs below \$200,000 and all project support costs; and
 - \$10 million due to certain system developments having superseded functionality and revisions to their estimated useful life.
- (v) A strategic review of the Wealth Management Division was conducted in the 2002 year. As a result of the strategic review and the reassessment of the future benefits associated with ongoing WealthPoint businesses, an additional \$72 million of goodwill was written-off at 31 March 2002.

Notes to the Financial Statements

NOTE 4 DIVIDENDS PROVIDED FOR OR PAID

TYPE	CENTS PER SHARE	CONSOLIDATED \$M	DATE OF PAYMENT	FRANKING RATE	PERCENTAGE FRANKED
2003					
Interim 2003 – ordinary shares	45.0	227	2-Jul-03	30%	100%
Final 2002 – ordinary shares ⁽¹⁾	42.0	209	13-Dec-02	30%	100%
Depository capital securities ^{(2) (8)}		9	31-Dec-02	–	–
Depository capital securities		16	30-Jun-03	–	–
Depository capital securities ⁽³⁾		8	31-Dec-03	–	–
Preferred resetting yield marketable equity securities ⁽⁵⁾		7	20-Feb-03	30%	100%
Preferred resetting yield marketable equity securities		10	20-Aug-03	30%	100%
Preferred resetting yield marketable equity securities ⁽⁷⁾		2	20-Feb-04	30%	100%
		488			
2002					
Interim 2002 – ordinary shares	38.0	188	2-Jul-02	30%	100%
Final 2002 – ordinary shares ⁽¹⁾	42.0	209	13-Dec-02	30%	100%
Depository capital securities ⁽⁴⁾		10	31-Dec-01	–	–
Depository capital securities		19	28-Jun-02	–	–
Depository capital securities ⁽²⁾		10	31-Dec-02	–	–
Preferred resetting yield marketable equity securities ⁽⁶⁾		7	20-Feb-02	30%	100%
Preferred resetting yield marketable equity securities		10	20-Aug-02	30%	100%
Preferred resetting yield marketable equity securities ⁽⁵⁾		2	20-Feb-03	30%	100%
		455			

(1) During the year, accounting standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets', was adopted by the consolidated entity for the first time. Consequently, provision for dividends are no longer recognised until the date they have been determined, declared or publicly recommended. The effect of this change has been to increase opening retained profits and decrease the provision for dividend by the 2002 final ordinary dividend at 1 October 2002. At the date of its declaration on 6 November 2002, the final ordinary dividend for the 2002 financial year was brought to account.

(2) A total dividend of \$19 million was paid of which \$9 million related to the 2003 financial year and \$10 million related to the 2002 financial year.

(3) A total dividend of approximately \$16 million will be payable on 31 December 2003 of which \$8 million relates to the 2003 financial year.

(4) A total dividend of \$21 million was paid of which \$10 million related to the 2002 financial year.

(5) A total dividend of \$9 million was paid on 20 February 2003 of which \$7 million related to the 2003 financial year and \$2 million related to the 2002 financial year.

(6) A total dividend of \$10 million was paid on 20 February 2002 of which \$7 million related to the 2002 financial year.

(7) A total dividend of \$9 million will be payable on 20 February 2004 of which \$2 million relates to the 2003 financial year.

(8) Dividends provided for or paid on depository capital securities will be paid by St.George Funding Company LLC to the holders of the securities, out of profits to which no franking credits are attached.

Subsequent events

Since the end of the financial year the Directors declared the following dividend:

TYPE	CENTS PER SHARE	CONSOLIDATED \$M	DATE PAYABLE	FRANKING RATE	PERCENTAGE FRANKED
Final – ordinary	50.0	253	19-Dec-03	30%	100%

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 September 2003 and will be recognised in the subsequent financial statements.

Notes to the Financial Statements

NOTE 4 DIVIDENDS PROVIDED FOR OR PAID

Dividend franking account

It is anticipated that the balance of the consolidated franking account will be \$319 million (2002: \$131 million) after adjusting for:

- (i) franking credits that will arise from the payment of income tax payable as at the end of the year;
- (ii) franking debits that will arise from the payment of dividends recognised as a liability or proposed but not declared at the end of the year;
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (iv) franking credits that the consolidated entity may be prevented from distributing in the subsequent financial year.

NOTE 5 EARNINGS PER SHARE

	CONSOLIDATED	
	2003	2002
Earnings per share		
Basic – ordinary (cents)	120.7	74.8
Diluted – ordinary (cents)	120.8	76.0
Basic – preferred resetting yield marketable equity security (PRYMES) (\$)	6.36	6.36
Alternative earnings per share ⁽¹⁾		
Basic – ordinary (cents)	142.2	124.7
Diluted – ordinary (cents)	141.7	124.1
Weighted average number of shares		
Basic – ordinary	502,313,510	493,146,546
Diluted – ordinary	517,568,756	510,822,132
Basic – PRYMES	3,000,000	3,000,000

(1) The alternative basic and diluted earnings per ordinary share amounts have been calculated to exclude the impact of goodwill amortisation and individually significant items to provide a meaningful analysis of the earnings per ordinary share performance of the underlying business.

Notes to the Financial Statements

NOTE 6 SHARE CAPITAL	CONSOLIDATED		CONSOLIDATED	
	2003	2002	2003	2002
	\$M	\$M	NO. OF SHARES	NO. OF SHARES
Issued and paid-up capital:				
505,592,816 Fully paid ordinary shares (2002: 498,097,921)	3,162	3,043		
3,000,000 Fully paid preferred resetting yield marketable equity securities (2002: 3,000,000)	291	291		
General reserve	15	15		
	3,468	3,349		
Movements in ordinary share capital:				
Balance at beginning of financial year	3,043	2,821	498,097,921	483,828,232
Dividend Reinvestment Plan				
– Final dividend 2000/2001	–	54	–	3,334,926
– Final dividend 2000/2001 – underwritten	–	81	–	4,964,412
– Interim dividend 2001/2002	–	69	–	3,598,233
– Final dividend 2001/2002	46	–	2,547,485	–
– Interim dividend 2002/2003	68	–	3,205,169	–
Executive Option Plan	5	18	455,000	1,768,333
Employee Reward Share Plan	–	–	348,516	340,312
Employee Performance Share Plan	–	–	938,725	263,473
Balance at end of financial year	3,162	3,043	505,592,816	498,097,921
Issued and uncalled capital:				
6,069 Borrowers' shares unpaid (2002: 8,028)				
300,842 Depositors' shares unpaid (2002: 330,233)				
NOTE 7 RETAINED PROFITS				
Retained profits at the beginning of the financial year.	71	102		
Adjustments to opening retained profits				
Reversal of 2002 final ordinary dividend on initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	209	–		
Revised AASB 1028 "Employee Benefits"	(1)	–		
Adjusted opening retained profits	279	102		
Net profit after income tax attributable to members of the Bank	658	427		
Total available for appropriation	937	529		
Dividends recognised during the year	(488)	(455)		
Transfer to reserve	(7)	(3)		
Retained profits at the end of the financial year	442	71		

Notes to the Financial Statements

NOTE 8 SEGMENTAL RESULTS

(a) Business Segments

Business segments are based on the consolidated entity's organisational structure. The consolidated entity comprises four business divisions, namely:

Personal Customers (PC) – responsible for residential and consumer lending, provision of personal financial services including transaction services, call and term deposits and small business banking. This division also manages retail branches, agency networks and electronic channels such as call centres, EFTPOS terminals, ATMs and Internet banking.

Institutional and Business Banking (IBB) – responsible for liquidity management, securitisation, wholesale funding, capital markets, treasury market activities including foreign exchange, money market and derivatives, corporate and business relationship banking, international banking services, leasing, hire purchase, automotive finance, commercial property lending and cash flow financing including factoring and invoice discounting.

BankSA (BSA) – responsible for providing retail banking and business banking services to customers in South Australia and Northern Territory. These services are now extending into country New South Wales and Victoria as part of the consolidated entity's initiative to expand rural banking. Customers are serviced through branches, electronic agencies, ATMs, call centres, EFTPOS terminals and Internet banking.

Wealth Management (WM) – responsible for providing funds management and administration, margin lending, financial planning, investment advice, private banking services and general and life insurance.

As part of the consolidated entity's business model developed through the EBB program, effective 1 October 2002, the following changes occurred:

- Life and general insurance businesses were transferred from PC to WM.
- Small business banking customers with borrowings greater than \$250,000 were transferred from PC to IBB.

Comparatives have been amended accordingly.

While accountability for the Gold segment resides with WM, for segmental reporting purposes the assets, liabilities and results remain within PC.

Notes to the Financial Statements

NOTE 8 SEGMENTAL RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2003	PERSONAL CUSTOMERS \$M	INSTITUTIONAL & BUSINESS BANKING \$M	BANKSA \$M	WEALTH MANAGEMENT \$M	OTHER \$M	CONSOLIDATED \$M
Segment revenue						
Net interest income	836	343	224	48	-	1,451
Non-interest income	409	210	72	219	-	910
Total segment revenue	1,245	553	296	267	-	2,361
Segment expense						
Bad and doubtful debts	58	32	10	2	-	102
Operating expenses						
- Other provisions	18	19	5	11	-	53
- Depreciation	54	6	10	2	-	72
- Deferred expenditure amortisation	59	6	8	2	-	75
- Other expenses	523	153	120	174	-	970
Total operating expenses	654	184	143	189	-	1,170
Goodwill amortisation	-	-	-	-	108	108
Total segment expense	712	216	153	191	108	1,380
Share of loss of investments in associates	-	3	-	-	-	3
Profit/(loss) before income tax expense	533	334	143	76	(108)	978
Expense to income ratio	52.5%	33.3%	48.3%	70.8%		
Income tax expense						325
Profit after income tax						653
Outside equity interests (OEI)						(5)
Profit after income tax and OEI						658

AS AT 30 SEPTEMBER 2003	PERSONAL CUSTOMERS \$M	INSTITUTIONAL & BUSINESS BANKING \$M	BANKSA \$M	WEALTH MANAGEMENT \$M	OTHER \$M	CONSOLIDATED \$M
Assets						
- investments in associates	-	-	-	-	7	7
- other assets	29,777	19,891	7,787	2,755	2,497	62,707
Segment Assets	29,777	19,891	7,787	2,755	2,504	62,714
Segment Liabilities	22,758	28,911	5,403	607	670	58,349

Other Segment Disclosure

- Securitised loans	7,788	-	-	-	-	7,788
- Managed funds	-	-	-	19,820	-	19,820

Notes to the Financial Statements

NOTE 8 SEGMENTAL RESULTS

FOR THE YEAR ENDED 30 SEPTEMBER 2002	PERSONAL CUSTOMERS \$M	INSTITUTIONAL & BUSINESS BANKING \$M	BANKSA \$M	WEALTH MANAGEMENT \$M	OTHER \$M	CONSOLIDATED \$M
Segment revenue						
Net interest income	769	315	204	45	-	1,333
Non-interest income	346	185	64	239	-	834
Individually significant items	-	-	-	-	18	18
Total segment revenue	1,115	500	268	284	18	2,185
Segment expense						
Bad and doubtful debts	46	34	6	1	-	87
Operating expenses						
- Other provisions	18	14	4	15	-	51
- Depreciation	49	7	10	2	-	68
- Deferred expenditure amortisation	49	7	9	1	-	66
- Other expenses	479	157	119	195	-	950
Total operating expenses	595	185	142	213	-	1,135
Individually significant items	-	-	-	-	184	184
Goodwill amortisation	-	-	-	-	110	110
Total segment expense	641	219	148	214	294	1,516
Share of loss of investments in associates	1	-	-	-	-	1
Profit/(loss) before income tax expense	473	281	120	70	(276)	668
Expense to income ratio	53.4%	37.0%	53.0%	75.0%		
Income tax expense						270
Income tax benefit on individually significant items						(30)
Profit after income tax						428
Outside equity interests (OEI)						1
Profit after income tax and OEI						427

AS AT 30 SEPTEMBER 2002	PERSONAL CUSTOMERS \$M	INSTITUTIONAL & BUSINESS BANKING \$M	BANKSA \$M	WEALTH MANAGEMENT \$M	OTHER \$M	CONSOLIDATED \$M
Assets						
- investments in associates	-	-	-	-	10	10
- other assets	26,065	17,262	6,666	2,201	2,800	54,994
Segment Assets	26,065	17,262	6,666	2,201	2,810	55,004
Segment Liabilities	19,798	25,345	4,608	390	1,025	51,166

Other Segment Disclosure

- Securitised loans	5,694	35	-	-	-	5,729
- Managed funds	-	-	-	17,447	-	17,447

(b) Geographical Segments

The consolidated entity operates predominantly in Australia.

Notes to the Financial Statements

NOTE 9 REMUNERATION OF NON-EXECUTIVE DIRECTORS

Remuneration paid or payable to each Director of the Bank, from the Bank and related entities is as follows:

NON-EXECUTIVE DIRECTORS	DIRECTORS' FEES			SUPERANNUATION ^(b)	RETIREMENT PAYMENT	TOTAL	RETIREMENT PROVISION AT 30 SEPT 2003
	CASH \$'000	SHARES ^(a) \$'000	SUB TOTAL \$'000				
F J Conroy	298	20	318	11	–	329	776
J J Mallick ^(c)	85	25	110	8	449	567	–
L F Bleasel	128	–	128	10	–	138	346
J S Curtis	84	40	124	10	–	134	340
P D R Isherwood	76	50	126	10	–	136	342
L B Nicholls	106	20	126	10	–	136	145
G J Reaney	108	30	138	11	–	149	367
J M Thame	130	–	130	10	–	140	348
	1,015	185	1,200	80	449	1,729	2,664

(a) During the year, 10,212 shares were acquired on market and allocated to 6 non-executive Directors under the Non-Executive Directors' Share Purchase Plan. 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.

(b) Superannuation Guarantee Charge (SGC) applicable to non-executive Directors under 70 years of age. SGC is not included in fees that require approval by shareholders.

(c) Mr Mallick retired as a Director of St.George Bank Limited on 31 May 2003. Remuneration includes a retirement benefit made in accordance with the Bank's Constitution.

NOTE 10 REMUNERATION OF EXECUTIVE OFFICERS ^(a)

Cash and benefits

NAME AND POSITION	BASE REMUNERATION ^(b) \$'000	AT RISK SHORT TERM INCENTIVES ^(c) \$'000	TOTAL \$'000
G Kelly Chief Executive Officer and Managing Director	1,050	1,150	2,200
G Bartlett Group Executive – Institutional and Business Banking	510	520	1,030
S McKerihan Chief Financial Officer	600	400	1,000
P Fegan Group Executive – Wealth Management	492	450	942
A Thorburn Group Executive – Personal Customers	460	350	810
J Loebenstein Group Executive – Information Technology	470	240	710

(a) The executive officers named above are the Chief Executive Officer and Managing Director and the five highest paid members of the Executive Committee for the year ended 30 September 2003. The above table excludes individuals who are not direct reports of the Chief Executive Officer and Managing Director, whose total annual remuneration, consistent with market practice in the industry, in any given year exceeds that received by a member of the Executive Committee.

(b) Base Remuneration comprises cash salary, available package options grossed-up by related fringe benefits tax where applicable and company superannuation based on the prevailing SGC.

(c) Incentives relates to performance in the 30 September 2003 year. The amount payable is dependent upon consolidated entity, division and the individual's performance as assessed against a balance of financial and non-financial measures.

Notes to the Financial Statements

NOTE 10 REMUNERATION OF EXECUTIVE OFFICERS

Performance shares and options

Details of awards, comprising rights over unissued shares, granted under the Employee Performance Share Plan and options granted under the Executive Option Plan during the year to the Chief Executive Officer and Managing Director and the five highest paid members of the Executive Committee during the year ended 30 September 2003 are as follows:

NAME AND POSITION	PERFORMANCE AWARDS				OPTIONS GRANTED				
	NO. OF AWARDS ALLOTTED	GRANT DATE	VESTING DATE	AMORTISATION ⁽²⁾ \$'000	GRANT DATE	NO. OF OPTIONS GRANTED	EXERCISE PRICE \$	DATE FIRST EXERCISABLE	AMORTISATION ⁽³⁾ \$'000
G Kelly Chief Executive Officer and Managing Director	25,000 ⁽¹⁾	12-Dec-02	12-Dec-02	450 ⁽⁴⁾	-	-	-	-	706
G Bartlett Group Executive – Institutional and Business Banking	4,112	1-Oct-02	15-Nov-04	309	1-Oct-02	13,734	18.16	15-Nov-04	36
	4,112	1-Oct-02	15-Nov-05		1-Oct-02	13,734	18.16	15-Nov-05	
	4,112	1-Oct-02	15-Nov-05		1-Oct-02	13,734	18.16	15-Nov-05	
S McKerihan Chief Financial Officer	4,819	1-Oct-02	15-Nov-04	370	1-Oct-02	16,095	18.16	15-Nov-04	42
	4,819	1-Oct-02	15-Nov-05		1-Oct-02	16,095	18.16	15-Nov-05	
	4,819	1-Oct-02	15-Nov-05		1-Oct-02	16,095	18.16	15-Nov-05	
P Fegan Group Executive – Wealth Management	4,497	1-Oct-02	15-Nov-04	711 ⁽⁵⁾	1-Oct-02	15,022	18.16	15-Nov-04	39
	4,497	1-Oct-02	15-Nov-05		1-Oct-02	15,022	18.16	15-Nov-05	
	4,497	1-Oct-02	15-Nov-05		1-Oct-02	15,022	18.16	15-Nov-05	
A Thorburn Group Executive – Personal Customers	1,652	1-Oct-02	15-Nov-04	140	1-Oct-02	30,043	18.16	15-Nov-04	78
	1,652	1-Oct-02	15-Nov-05		1-Oct-02	30,043	18.16	15-Nov-05	
	1,652	1-Oct-02	15-Nov-05		1-Oct-02	30,043	18.16	15-Nov-05	
J Loebenstein Group Executive – Information Technology	2,827	1-Oct-02	15-Nov-04	221	1-Oct-02	9,442	18.16	15-Nov-04	24
	2,827	1-Oct-02	15-Nov-05		1-Oct-02	9,442	18.16	15-Nov-05	
	2,827	1-Oct-02	15-Nov-05		1-Oct-02	9,442	18.16	15-Nov-05	

(1) No performance hurdles relate to these awards as they represent compensation for incentives foregone by Mrs Kelly on leaving her former employer.

(2) Amortisation represents the proportion of the fair value of unvested awards that relates to the 30 September 2003 year calculated in accordance with Australian Securities and Investments Commission guidance.

The fair value has been determined using the weighted average share price of the Bank's ordinary shares from the five day trading period before the grant date. The fair value has not been discounted for the probability of not meeting performance hurdles (where applicable). Shares issued under this plan are not recorded as an expense.

(3) Amortisation represents the proportion of the fair value of options not exercised that relates to the 30 September 2003 year calculated in accordance with Australian Securities and Investments Commission guidance.

The fair value has been determined using the Black Scholes option pricing model. The fair value takes into account the price at the grant date, the exercise price of the options, expected dividend and volatility in price of the underlying stock. The fair value has not been discounted for the probability of not meeting performance hurdles (where applicable). Options issued under the plan are not recorded as an expense.

(4) This amount relates to awards granted as compensation for incentives foregone by Mrs Kelly on leaving her former employer.

(5) This amount primarily relates to awards granted as compensation for incentives foregone by Mr Fegan on leaving his former employer.

Notes to the Financial Statements

NOTE 10 REMUNERATION OF EXECUTIVE OFFICERS

Performance Hurdles

Performance Awards

No performance hurdles relate to the awards granted to Mrs Kelly as they represent compensation for incentives foregone on leaving her former employer.

Performance hurdles in respect of other awards granted to the next five highest paid executives of the Bank's Group Executive team during the year are subject to tenure and vest for nil consideration subject to the satisfaction of the following conditions:

(i) Tranche (1) – First exercisable date of 15 November 2004

Basic earnings per ordinary share (calculated by applying in a consistent manner the policies and practices used in determining earnings per share for the year ended 30 September 2002, which was 124.7 cents) before goodwill and significant items (unless specific items are determined by the Board for inclusion) (the EPS) for the year ending 30 September 2003 must exceed 137.17 cents.

If the EPS for tranche (1) is not achieved, the Awards offered under tranche (1) will accumulate to tranche (2).

(ii) Tranche (2) – First exercisable date of 15 November 2005

EPS for the year ended 30 September 2004 must exceed:

- (a) the EPS for the year ended 30 September 2003 by more than 10%; or
- (b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

If the EPS for tranche (2) is not achieved, the Awards offered under tranche (2) (including Awards accumulated from tranche (1) to tranche (2), if any) will accumulate to tranche (3).

(iii) Tranche (3) – First exercisable date of 15 November 2005

EPS for the year ended 30 September 2005 must exceed:

- (a) the EPS for the year ended 30 September 2004 by more than 10%; or
- (b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

Executive Options

No options were granted to Mrs Kelly during the year.

Performance hurdles in respect of options granted to the next five highest paid executives of the Bank's Group Executive team during the year are exercisable subject to tenure and the satisfaction of the following conditions:

(i) Tranche (1) – First exercisable date of 15 November 2004

Basic earnings per ordinary share (calculated by applying in a consistent manner the policies and practices used in determining earnings per share for the year ended 30 September 2002, which was 124.7 cents) before goodwill and significant items (unless specific items are determined by the Board for inclusion) (the EPS) for the year ending 30 September 2003 must exceed 137.17 cents.

If the EPS for tranche (1) is not achieved, the Options offered under tranche (1) will accumulate to tranche (2).

(ii) Tranche (2) – First exercisable date of 15 November 2005

EPS for the year ended 30 September 2004 must exceed:

- (a) the EPS for the year ended 30 September 2003 by more than 10%; or
- (b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

If the EPS for tranche (2) is not achieved, the Options offered under tranche (2) (including Options accumulated from tranche (1) to tranche (2), if any) will accumulate to tranche (3).

(iii) Tranche (3) – First exercisable date of 15 November 2005

EPS for the year ended 30 September 2005 must exceed:

- (a) the EPS for the year ended 30 September 2004 by more than 10%; or
- (b) that figure which EPS would have reached had the EPS for the year ending 30 September 2002 grown at an annual rate of 10%, compounding annually.

Directors' Declaration

In the opinion of the Directors of St.George Bank Limited the accompanying Concise Financial Report of the consolidated entity, comprising St.George Bank Limited and its controlled entities for the year ended 30 September 2003, set out on pages 45 to 60:

- (a) has been derived from or is consistent with the Full Financial Report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 "Concise Financial Reports".

For and on behalf of the Board of Directors and in accordance with a resolution of the Directors.



F J Conroy
Chairman



G P Kelly
Chief Executive Officer and Managing Director

Dated at Sydney, New South Wales
5 November 2003

Independent Audit Report on Concise Financial Report

TO THE SHAREHOLDERS OF ST.GEORGE BANK LIMITED FOR THE YEAR ENDED 30 SEPTEMBER 2003

SCOPE

We have audited the Concise Financial Report of St.George Bank Limited and its controlled entities for the year ended 30 September 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 10, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows, set out on pages 45 to 60 in order to express an opinion on it to the members of the Bank. The Bank's Directors are responsible for the Concise Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the Full Financial Report of St.George Bank Limited and its controlled entities for the year ended 30 September 2003. Our audit report for the Full Financial Report was signed on 5 November 2003, and was not subject to any qualification.

Our procedures in respect of the audit of the Concise Financial Report included testing that the information in the Concise Financial Report is consistent with the Full Financial Report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the Full Financial Report. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Accounting Standard AASB 1039: Concise Financial Reports issued in Australia.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion the Concise Financial Report of St.George Bank Limited and its controlled entities for the year ended 30 September 2003 complies with AASB 1039 "Concise Financial Reports" issued in Australia.



KPMG



J F Teer
Partner

45 Clarence Street,
Sydney, New South Wales, 2000
5 November 2003

Supplementary Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

CAPITAL ADEQUACY

Under Australian Prudential Regulation Authority's (APRA) risk based framework, Statement of Financial Position exposures are assessed on potential risk of borrower and counterparty default. This credit risk is divided into three broad types of counterparty, being, governments, banks and other counterparties, with individual exposures weighted according to four categories of risk weighting (0, 20, 50 and 100 per cent). In addition to counterparty credit risk, limited recognition is given to underlying collaterals and guarantees.

Effective from 1 January 1998, APRA requires Australian banks to hold sufficient levels of capital to cover the market risk of their trading books. Market risk is the risk of loss arising from the movements in market price in both on and off balance sheet positions.

APRA's guidelines stipulate banks must maintain a ratio of qualifying capital to risk-weighted assets (credit risk assets plus notional market risk assets) of at least 8 per cent. Qualifying capital is comprised of two discrete tiers. Tier 1 capital must constitute at least 50 per cent of the minimum capital requirement and the contribution made to the capital adequacy ratio by Tier 2 capital cannot exceed that made by Tier 1. Investments (pre-acquisition retained earnings) in funds management and administration companies and the investment in the mortgage insurance company (St.George Insurance Pte Ltd) are deducted from Tier 1 capital. Holdings of other banks' capital instruments and investments (excluding pre-acquisition retained earnings) in funds management and administration companies and life companies are deducted from the total of Tier 1 and Tier 2 capital.

The position with respect to these ratios as at 30 September is summarised below:

	CONSOLIDATED	
	2003	2002
	\$M	\$M
Qualifying Capital		
Tier 1		
Share capital	3,468	3,349
Reserves	413	548
Retained profits	442	71
Less: Expected dividend	(190)	-
Less : Goodwill and other APRA adjustments	(1,459)	(1,527)
Total tier 1 capital	2,674	2,441
Tier 2		
Asset revaluations	58	47
Perpetual note	17	-
Subordinated debt	917	907
General provisions for doubtful debts (not tax effected)	176	152
Total tier 2 capital	1,168	1,106
Less: Deductions	(28)	(40)
Total qualifying capital	3,814	3,507
Risk Weighted Assets	36,903	32,495
Capital Adequacy Ratio		
	%	%
Tier 1	7.2	7.5
Tier 2	3.2	3.4
Less: Deductions	(0.1)	(0.1)
Total Capital Ratio	10.3	10.8

SHAREHOLDER INFORMATION**CLASSES OF SHARES ON ISSUE**

The Bank has four classes of shares on issue: fully paid ordinary shares, PRYMES (non-cumulative, resetting, non-redeemable, fully paid, convertible preference shares), unpaid borrower shares and unpaid depositor shares. Further details are contained within the accompanying 'Notes to and forming part of the accounts' and later in this section.

The rights and restrictions attaching to all classes are contained within the Bank's Constitution, consisting of its Memorandum and Articles of Association, a copy of which is available to any shareholder on written request to either St.George's share registry (Computershare Investor Services Pty Limited), or its registered office. Contact details are inside the back cover of this report.

VOTING RIGHTS

Subject to the Bank's Constitution, at general meetings of the Bank:

- (a) each ordinary shareholder entitled to vote may either vote in person, by proxy, by attorney or, where a body corporate, by representative;
- (b) on a show of hands, each ordinary shareholder present in person, by proxy, attorney or representative has one vote;
- (c) on a poll, each ordinary shareholder present in person, by proxy, representative or attorney shall have one vote for every ordinary share held by that shareholder. In the case of joint holdings, only one joint holder may vote and if both joint holders attend the meeting only the first named in the register of shareholders may vote.

PRYMES holders will be entitled to attend general meetings of the Bank, but will not be entitled to speak or vote except in limited circumstances prescribed by the ASX Listing Rules. Borrower and depositor shareholders will be entitled to attend general meetings, but will not be entitled to speak or vote. Full details of voting entitlements for all classes of shareholder are contained within the Bank's Constitution.

VOTING BY PROXY

The Board strongly encourages shareholders who are not able to attend meetings to participate in the decision making process through the completion and return of proxies. If a shareholder appoints a proxy and still attends the meeting, they may not vote unless he or she revokes the proxy prior to the commencement of the meeting.

Corporate shareholders may:

- appoint a representative; or
- appoint a proxy;

to represent them at meetings.

The instrument of appointment must be under the common seal of the corporation or be signed by a duly authorised officer or attorney and be received either at the Bank's share registry or its registered office (or by specified facsimile numbers at such places), no later than 48 hours before the meeting.

AUSTRALIAN STOCK EXCHANGE LISTING

Both the Bank's ordinary shares and PRYMES are quoted on the Australian Stock Exchange ("ASX") with Sydney being the Bank's home exchange. The stock codes under which these shares trade are "SGB" for ordinary and "SGBPB" for PRYMES. Trading results are published in most Australian daily newspapers.

Option contracts against the ordinary shares of the Bank are traded on the ASX Derivatives Market. Further information can be obtained from ASX Derivatives or a stockbroker.

In the United States, the Bank's ordinary shares may be traded in the form of American Depositary Receipts issued through Deutsche Bank. Further enquiries should be directed to Deutsche Bank. Contract details are inside the back cover of this report.

Those shareholders or other interested parties wishing to trade in St.George shares on the ASX must do so through a stockbroker. The Corporate Relations office of the ASX can arrange a referral for persons who have had no prior dealings with a stockbroker.

INVESTOR INFORMATION ON THE INTERNET

Visit our Shareholder Centre section on the St.George website www.stgeorge.com.au for shareholder information such as the Concise and Full Financial Reports, profit announcements, News and ASX releases, current share price as well as access to your shareholding on-line.

ANNUAL REPORT NOT REQUIRED

Shareholders who do not require a copy of the Concise Annual Report should advise the St.George share registry in writing, quoting their Shareholder Reference Number or Holder Identification Number. Shareholders who so opt will still receive all other mailings.

Shareholders wishing to receive a copy of the 2003 Full Financial Report should make their request to the Bank's share registry on 1800 804 457.

Supplementary Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

INFORMATION REGARDING SHAREHOLDINGS**(i) Distribution of Shareholdings as at 15 October 2003****(a) Ordinary Shares**

RANGE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDINGS	NUMBER OF ORDINARY SHARES	PERCENTAGE OF TOTAL
1-1,000	57,191	26,037,401	5.15
1,001-5,000	43,416	97,107,035	19.21
5,001-10,000	7,235	50,480,754	9.98
10,001-100,000	4,735	101,189,139	20.01
100,001 and over	180	230,808,487	45.65
TOTAL	112,757	505,622,816	100.00

There were 1,651 shareholders who held less than a marketable parcel of ordinary shares which equates to a market value of less than \$500 based on the market price as at 15 October 2003.

(b) PRYMES

RANGE OF SHAREHOLDINGS	NUMBER OF SHAREHOLDINGS	NUMBER OF PREFERENCE SHARES	PERCENTAGE OF TOTAL
1-1,000	17,272	1,852,347	61.75
1,001-5,000	233	448,515	14.95
5,001-10,000	13	93,111	3.10
10,001-100,000	14	455,827	15.19
100,001 and over	1	150,200	5.01
TOTAL	17,533	3,000,000	100

(ii) Limitation on Share Ownership

The Constitution of the Bank imposes a prohibition on the ownership of more than ten percent (10%) of the issued shares in the Bank. From 1 July 2002, an amendment to the Constitution relating to the ten percent (10%) shareholding limitation, may be effected by a special resolution of shareholders holding seventy-five percent (75%) or more of the Bank's ordinary shares voting in favour of the amendment whether in person or by proxy.

The Financial Sector (Shareholdings) Act also contains shareholding limitations.

(iii) Listings

The ordinary and preference shares of the Bank are traded on the Australian Stock Exchange (ASX), with Sydney being the Bank's home exchange. The symbol under which the ordinary shares and PRYMES are traded is "SGB" and "SGBP" respectively. Share details of trading activity are published in most daily newspapers.

St.George also has a US\$4 billion Euro Note Programme listed on the London Stock Exchange Limited.

(iv) Substantial Shareholder

	NUMBER OF SHARES
By notice dated 3 July 2001, National Australia Bank Limited advised that it or its associates then held relevant interests in the following ordinary shares of the Bank:	45,391,512
By notice dated 1 August 2003, Commonwealth Bank of Australia Limited advised that it or its associates then held relevant interests in the following ordinary shares of the Bank:	32,262,728

Supplementary Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

(v) Top Twenty (20) Shareholders as at 15 October 2003**(a) Ordinary Shares**

SHAREHOLDER	NUMBER OF ORDINARY SHARES HELD	PERCENTAGE OF SHARES HELD
Citicorp Nominees Pty Limited	35,765,195	7.07
J P Morgan Nominees Australia Limited	35,694,991	7.06
Westpac Custodian Nominees Limited	28,120,874	5.56
National Nominees Limited	26,735,910	5.29
ANZ Nominees Limited	16,742,626	3.31
RBC Global Services Australia Nominees Pty Limited	11,335,365	2.24
Permanent Trustee Company Limited	5,814,101	1.15
AMP Life Limited	5,723,128	1.13
Cogent Nominees Pty Limited	4,866,084	0.96
Queensland Investment Corporation	2,863,591	0.57
National Australia Bank Ltd	2,681,375	0.53
Commonwealth Custodial Services Limited	1,971,065	0.39
NRMA Nominees Pty Limited	1,939,612	0.38
ARGO Investments Limited	1,746,736	0.35
Milton Corporation Limited	1,639,651	0.32
Government Superannuation Office	1,521,736	0.30
Australian Foundation Investment Company Limited	1,443,661	0.29
Ostor No 14 Pty Limited	1,322,507	0.26
Suncorp Custodian Services Pty Limited	1,210,933	0.24
PPS Board	1,091,201	0.22

The top twenty ordinary shareholders held 37.62 per cent of all ordinary shares issued.

(b) PRYMES

SHAREHOLDER	NUMBER OF PRYMES HELD	PERCENTAGE OF SHARES HELD
Invia Custodian Pty Limited	150,200	5.01
AMP Life Limited	75,392	2.51
Westpac Custodian Nominees Limited	64,953	2.17
Questor Financial Services Limited	56,466	1.88
Citicorp Nominees Pty Limited	55,000	1.83
ANZ Executors & Trustee Company Limited	47,537	1.58
Permanent Trustee Company Limited	36,301	1.21
Tower Trust Limited	35,224	1.17
Grinch Investments Pty Ltd	20,206	0.67
Albert Investments Pty Ltd	15,000	0.50
J P Morgan Nominees Australia Limited	14,920	0.50
Milton Corporation Limited	13,950	0.47
Baker Custodian Corporation	13,650	0.46
Perpetual Trustee Company Limited	13,304	0.44
RBC Global Services Australia Nominees Pty Limited	11,385	0.38
UBS Private Clients Australia Nominees Pty Limited	9,942	0.33
Votrait No 1019 Pty Ltd	9,000	0.30
Berrimilla Pty Ltd	7,450	0.25
Reichstein Foundation Nominees Pty Ltd	7,385	0.25
Dicker Holdings Pty Ltd	7,000	0.23

The top twenty PRYMES holders held 22.14 per cent of all PRYMES issued.

Supplementary Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

(vi) Domicile of Shareholdings as at 15 October 2003**(a) Ordinary Shareholdings**

LOCALITY	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD
Australian Capital Territory	3,912	7,759,820
New South Wales	62,997	312,871,869
Northern Territory	216	270,746
Queensland	9,104	22,576,001
South Australia	8,537	15,914,233
Tasmania	813	1,604,725
Victoria	23,580	137,178,937
Western Australia	2,665	5,355,659
DOMESTIC TOTAL	111,824	503,531,990
OVERSEAS TOTAL	933	2,090,826
TOTAL	112,757	505,622,816

(b) PRYMES

LOCALITY	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD
Australian Capital Territory	796	122,363
New South Wales	9,413	1,381,504
Northern Territory	11	1,142
Queensland	1,618	253,163
South Australia	1,016	160,701
Tasmania	141	26,768
Victoria	4,160	998,269
Western Australia	347	48,167
DOMESTIC TOTAL	17,502	2,992,077
OVERSEAS TOTAL	31	7,923
TOTAL	17,533	3,000,000

Supplementary Information

FOR THE YEAR ENDED 30 SEPTEMBER 2003

FIVE YEAR HISTORY OF SHARE ISSUES AND DIVIDENDS**HISTORY OF ORDINARY SHARES ISSUED**

DATE OF ISSUE	DETAILS	SHARES ISSUED	ISSUE/DRP PRICE (\$)
	Balance at 1 October 1998	461,849,093	
Nov 99 – Dec 99	Share Buy-Back (Cancelled Shares)	(8,000,000)	(i) 10.12
14/01/00	Employee Reward Share Plan	602,441	11.12
Oct 99 – Sep 00	Exercise of Employee Options	835,000	Various
Oct 99 – Sep 00	Exercise of Employee Awards	153,197	Various
28/03/01	Share Buy-Back (Cancelled Shares)	(22,790,119)	16.50
29/03/01	Conversion of Preference Shares	28,168,842	
Jan 01	Employee Reward Share Plan	479,534	13.90
29/06/01	Dividend Reinvestment Plan	732,044	15.52
Aug 01	Primary STRYPES Receipts Exchange	18,440,000	13.9861
Oct 00 – Sep 01	Exercise of Employee Options	3,110,000	Various
Oct 00 – Sep 01	Exercise of Employee Awards	248,200	Various
14/12/01	Dividend Reinvestment Plan	8,299,338	16.28
11/01/02	Employee Reward Share Plan	340,312	17.79
02/07/02	Dividend Reinvestment Plan	3,598,233	19.22
Oct 01 – Sep 02	Exercise of Employee Options	1,768,333	Various
Oct 01 – Sep 02	Exercise of Employee Awards	263,473	Various
22/11/02	Employee Reward Share Plan	348,516	18.30
13/12/02	Dividend Reinvestment Plan	2,547,485	18.18
02/07/03	Dividend Reinvestment Plan	3,205,169	21.48
Oct 02 – Sep 03	Exercise of Employee Options	455,000	Various
Oct 02 – Sep 03	Exercise of Employee Awards	938,725	Various
	Balance at 30 September 2003	505,592,816	

(i) Average price of shares purchased.**HISTORY OF ORDINARY DIVIDENDS**

DATE PAID	TYPE	FRANKING	RATE (CENTS)	DRP (\$)
01/07/99	Interim	36%	26	N/A
17/12/99	Final	36%	26	N/A
03/07/00	Interim	34%	26	N/A
15/12/00	Final	34%	29	N/A
29/06/01	Interim	34%	31	15.52
14/12/01	Final	30%	34	16.28
02/07/02	Interim	30%	38	19.22
13/12/02	Final	30%	42	18.18
02/07/03	Interim	30%	45	21.48
19/12/03	Final	30%	50	TBA

HISTORY OF PRYMES

DATE	DETAILS
21/02/01	Initial issue of 3,000,000 PRYMES. Issue price \$100.00.
20/08/01	Half-Yearly Dividend of \$3.14, fully franked at 30%
20/02/02	Half-Yearly Dividend of \$3.22, fully franked at 30%
20/08/02	Half-Yearly Dividend of \$3.15, fully franked at 30%
20/02/03	Half-Yearly Dividend of \$3.21, fully franked at 30%
20/08/03	Half-Yearly Dividend of \$3.15, fully franked at 30%

KEY DATES

Annual General Meeting (Sydney)
19 December 2003

Shareholder Information Meeting
(Melbourne) 31 May 2004*

ANNOUNCEMENT OF RESULTS AND ORDINARY DIVIDEND

- Interim (half-year ended 31 March 2004)
4 May 2004*
- Final (year ended 30 September 2004)
3 November 2004*

ORDINARY SHARES

Final Dividend (2003) paid
19 December 2003

- Ex-dividend trading 1 December 2003
- Record date 5 December 2003

Interim Dividend (2004) paid 02 July 2004*

- Ex-dividend trading 14 June 2004*
- Record date 18 June 2004*

PRYMES

Payment date 20 February 2004*

- Ex-dividend trading 2 February 2004*
- Record date 6 February 2004*

Payment date 20 August 2004*

- Ex-dividend trading 30 July 2004*
- Record date 6 August 2004*

* proposed dates only

CONTACT DETAILS

ST.GEORGE REGISTERED OFFICE

St.George House
4-16 Montgomery Street
Kogarah NSW 2217, Australia
Telephone (02) 9236 1111
International (612) 9236 1111
Facsimile (02) 9952 1000

Secretary: M H S Bowan

ST.GEORGE SHARE REGISTRY

Computershare Investor Services
Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000
Postal Address: GPO Box 4519
Melbourne VIC 8060, Australia
Telephone 1800 804 457
International (613) 9615 5970
Facsimile (613) 9611 5710

BANKSA

97 King William Street
Adelaide SA 5000
Customer Service 131 376

ADVANCE ASSET MANAGEMENT

Level 10, 182 George Street
Sydney NSW 2000
Customer Service 1800 819 935

SEALCORP

Level 12, 400 George Street
Sydney NSW 2000
Telephone (02) 9947 1255
Facsimile (02) 9511 2366

DEUTSCHE BANK

(American Depositary Receipts)
Depository Receipts Department
60 Wall Street
New York, NY 10005, USA
Telephone [1 212] 602 3761

CUSTOMER SERVICES

St.George Customer Service Centre	133 330
New Account Enquiries/Insurance	133 555
dragondirect	1300 301 020
Private Bank	(02) 9236 1882
Business Banking	133 800
Investment Advice	1300 367 240
St.George Margin Lending	1300 304 065
Auto/Commercial Finance	1300 301 315
Group Treasury and Capital Markets	(02) 9320 5555
Advance Funds Management	1800 819 935
ASGARD Master Trust	1800 998 185
Customer Relations	1800 804 728

EMAIL/INTERNET

Email: stgeorge@stgeorge.com.au

Internet: www.stgeorge.com.au

AUDITORS

KPMG
45 Clarence Street
Sydney NSW 2000

CREDIT RATINGS

	SHORT TERM	LONG TERM
Standard and Poor's	A-1	A
Moody's Investors Service	P-1	A2
Fitch Ratings	F1	A+

FULL FINANCIAL REPORT (2003)

St.George's Full Financial Report may be accessed on the St.George Bank website at www.stgeorge.com.au. Shareholders wishing to be mailed a copy of the St.George Full Financial Report should contact the Bank's share registry at Computershare Investor Services on 1800 804 457.

www.stgeorge.com.au

